November 12 2026

Summary of Consolidated Financial Results for 2Q of the Fiscal Year Ending March 31, 2027 (Extracted from Japanese version)

[Japanese GAAP]

Company name: Kidswell Bio Corporation
Listing: Tokyo Stock Exchange
Stock code: 4584
URL: https://www.kidswellbio.com/en/
Representative: Shinya Kurebayashi, President & CEO
Contact: Nao Osuga, Deputy Division Head, Corporate Strategy Division
Tel: +81-3-6222-9547

Preparation of supplementary materials for financial results: Yes
Holding of financial result meeting: No

(All amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the six months ended September 30, 2026 (from April 1, 2026 to September 30, 2026)

(1) Results of operations (Cumulative) (Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2026	2,475	(24.5)	486	125.9	463	504.2	593	880.2
September 30, 2025	3,276	87.2	215	-	76	-	60	-

(Note) Comprehensive income
For the six months ended September 30, 2026: 504 million yen (457.4%), For the six months ended September 30, 2025: 90 million yen (-%)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2026	11.88	11.70
September 30, 2025	1.26	1.23

(2) Consolidated financial position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
September 30, 2026	6,422	2,279	34.9
March 31, 2026	6,088	1,653	26.4

(Reference) Shareholders' equity As of September 30, 2026: 2,244 million yen, As of March 31, 2026: 1,606 million yen

2. Cash Dividends

	Annual dividend				
	First quarter	Second quarter	Third quarter	Year end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2026	-	0.00	-	0.00	0.00
Fiscal year ending March 31, 2027	-				
Fiscal year ending March 31, 2027 (Forecast)		0.00	-	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced：None

3. Consolidated financial forecast for the fiscal year ending March 31, 2027 (from April 1, 2026, to March 31, 2027)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ending Mar. 31, 2027	5,000～5,500	(24.1)～(16.5)	100～500	-	-	-	-	-

(Note) For the fiscal year ending March 31, 2027, the Company will disclose its consolidated earnings forecast only for net sales and operating profit in the form of a range. For details, please refer to the attached document, page 6. "Future Outlook."

*** Notes**

(1) Significant changes in the scope of consolidation during the period：None

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements：None

(3) Changes in accounting policies, changes in accounting estimates, and restatement

a. Changes in accounting policies due to revisions to accounting standards and other regulations ：None

b. Changes in accounting policies due to other reasons ：None

c. Changes in accounting estimates ：None

d. Restatement ：None

(4) Number of issued shares (common shares)

a. Number of issued and outstanding shares at the period end (including treasury stock)
As of September 30, 2026: 50,604,188 shares
As of March 31, 2026: 49,623,419 shares

b. Number of treasury shares at the end of period
As of September 30, 2026: 144 shares
As of March 31, 2026: 94 shares

c. Average number of shares outstanding during the period
Three months ended September 30, 2026: 50,002,787 shares
Three months ended September 30, 2025: 47,994,559 shares

*This summary report on Kidswell Bio's financial statements is not subject to audit procedures.

*Cautionary statement with respect to forward-looking statements, and other special items

(Notes to information regarding future)
Forecasts regarding future performance in these materials are based on assumptions judged to be valid and the information available to the Company at the time these materials were made. These materials on future performances are not promises by the Company. Actual performance may differ significantly from these forecasts for several reasons. Please refer to "III. Future Outlook" on page 6 for the details.

(How to obtain supplemental financial information)
Materials for the supplemental financial information are available on the Company's website (https://www.kidswellbio.com/en/).

○Table of Contents of the Attachment

I. Financial results and business updates for the current fiscal quarter in FY 2026 …… 4
II. Future Outlook …… 6
III. Financial statements and notes to financial statements…… 9
(A) Consolidated balance sheet…… 9
(B) Consolidated statement of income and comprehensive income…… 10
(C) Consolidated statement of cash flow…… 11

I. Business updates and financial results for the current second quarter in FY 2026

Kidswell Bio Corporation (the “Kidswell”) and its consolidated subsidiaries (collectively, the “Group”) are engaged in two businesses: the biosimilar business, which involves the development and the supply of biosimilar active pharmaceutical ingredients etc., (“Biosimilars”), and the cell therapy (regenerative medicine) business, in which our wholly owned subsidiary, S-Quatre Corporation (“S-Quatre”), aims to commercialize cell-based therapies utilizing SQ-SHED, proprietarily developed by S-Quatre.
Note: SHED stands for Stem cells from Human Exfoliated Deciduous teeth.

For the second quarter of the fiscal year, the Group manufactured and delivered Biosimilars in the biosimilar business in accordance with schedules coordinated with partner pharmaceutical companies and other parties, as in the first quarter. Meanwhile, due to changes in the competitive environment and market demand surrounding GBS-007 following the launch of an aflibercept biosimilar and its authorized generic (AG) from January 2026 onward, consolidated net sales amounted to 2,475,235 thousand yen, down 24.5% year on year. For the profit, the decline in net sales described above and the impact of the depreciation of the Japanese yen and changes in the product mix on cost of sales, the gross profit margin improved compared with the same period of the previous fiscal year, supported by the continued benefits of supply price adjustments for certain Biosimilars implemented in the previous fiscal year, as well as ongoing manufacturing cost reduction initiatives. Research and development expenses decreased year on year, as investments in the biosimilar business, including "continued investments in strengthening manufacturing capabilities and implementing cost reduction initiatives" and "investments in the development of new biosimilars," are expected to accelerate mainly from the third quarter onward, in line with the development schedules.
Other selling, general and administrative expenses also decreased year on year, reflecting adjustments to the organizational structure in response to business progress and continued efforts to improve operational efficiency.

As a result, for the six months ended September 30, 2026, operating profit amounted to 486,486 thousand yen (an increase of 125.9% year on year), and ordinary profit amounted to 463,257 thousand yen (an increase of 504.2% year on year), representing significant increases in both profit measures compared with the same period of the previous fiscal year. In addition to the increase in ordinary profit described above, the Group recorded an extraordinary gain on the sale of investment securities, as announced on September 18, 2026, and other factors. Consequently, profit attributable to owners of parent amounted to 593,868 thousand yen (an increase of 880.2% year on year).

The Group has revised its full-year consolidated financial forecasts as follows, reflecting adjustments to the manufacturing and delivery schedules for Biosimilars in response to changing demand in the ranibizumab biosimilar market, as well as greater clarity on projected R&D investments and other key assumptions.

Net sales: 5,000,000 thousand yen – 5,500,000 thousand yen ｜ Operating profit: 100,000 thousand yen – 500,000 thousand yen

The progress of each business segment during the first quarter is as follows.

1) Biosimilar Business

- Joint Development of New Biosimilars
  In May 2025, Kidswell and Chiome Bioscience Inc. (“Chiome”) entered into a Master Service Agreement for the joint development of new biosimilars and have begun cell line development with Mycenax Biotech Inc. (“Mycenax”) for multiple biosimilar candidates. Additionally, in October 2025, Alfresa Holdings Corporation (“Alfresa”), Kidswell, and Chiome executed a basic agreement for future joint development of new biosimilars, as well as a basic contract to advance joint development for products already undergoing cell line development. Initial development activities, including cell line development, are progressing smoothly for multiple new biosimilar candidates.

- Subsidy Program for the Development of Domestic Manufacturing Facilities for Biosimilars
  With the aim of establishing a domestic supply system to ensure a stable supply of biosimilars in Japan, Kidswell is working to build Japan’s first integrated supply chain covering development, manufacturing, and distribution. In May 2025, the project was selected under the Ministry of Health, Labour and Welfare’s (MHLW) subsidy program for manufacturing facility development (“Subsidy Program for the Development of Domestic Manufacturing Facilities for Biosimilars”, the “Program”). Under the Program, Alfresa, Kidswell, and Chiome, together with Mycenax, an important strategic partner in the project, are jointly proceeding with the establishment of manufacturing facilities for biosimilar active pharmaceutical ingredients and drug products in Japan.
  Furthermore, in October 2025, as part of efforts to establish the business infrastructure under the Program, a basic agreement was reached to establish a joint venture that would operate as a contract development and manufacturing organization (CDMO) for biopharmaceuticals, including biosimilars. In November of the same year, the four companies

entered into an agreement to establish the joint venture, Alfenax Biologics. In November 2026, the four companies entered into a share subscription agreement to subscribe for the joint venture's common shares. Going forward, the four companies will leverage their respective expertise and strengths to establish the foundation for the biopharmaceutical CDMO business.

2) Cell Therapy Business

- Clinical Research on the Treatment of Cerebral Palsy

  With respect to cerebral palsy, based on the results of joint research conducted with Nagoya University, a clinical research using autologous SQ-SHED (stem cells derived from the patient's own deciduous teeth) has been underway since June 2023 toward the development of a cell therapy product for cerebral palsy. The research is led by Nagoya University, with S-Quatre participating as a research collaborator. In June 2025, administration of autologous SQ-SHED to the third and final pediatric patient was completed.

  With respect to the safety of autologous SQ-SHED administration in this clinical study, the Data Safety Monitoring Board (DSMB)—an independent body distinct from the research institution, concluded in October 2025 that there were no safety concerns through four weeks after administration. In August 2026, following a review of all three cases through 52 weeks after administration, the DSMB concluded that there were no safety concerns through the 52-week post-administration period.

  In November 2025, the result of an interim analysis covering the first 12 weeks following administration in each patient were released. Subsequently, in November 2026, Nagoya University posted a preprint manuscript, prior to peer review, presenting the final analysis of safety and exploratory efficacy through 52 weeks post-administration in all three patients. The final analysis reported continued safety and tolerability in all three patients, with improvements in motor function sustained over one year. Positive changes were also reported in developmental assessments and brain imaging analyses, providing further evidence of the therapeutic potential of SQ-SHED.

  Furthermore, in January 2026, a joint research paper with Nagoya University was published in a leading international academic journal. The study provided fundamental findings supporting the clinical study, including evidence of the efficacy of SQ-SHED in an animal model of cerebral palsy and partial elucidation of its mechanism of action.

- Progress Toward Clinical Trial Application for the Treatment of Cerebral Palsy

  Regarding allogeneic SQ-SHED for the treatment of cerebral palsy (development code: GCT-103), preparations for initiating clinical trials in Japan are currently underway following the joint business development agreement executed with Mochida Pharmaceutical Co., Ltd. ("Mochida") in March 2025. Under this agreement, Mochida will primarily be responsible for clinical development, while S-Quatre will focus on manufacturing and related activities. At present, following pilot manufacturing of the investigational product, preparations are steadily progressing toward the commencement of clinical trials in Japan, including preparations for commercial-scale manufacturing in compliance with Good Manufacturing Practice (GMP), the international standard for ensuring the quality and safety of pharmaceutical products.

- Development of the SQ-SHED Manufacturing Technology

  Toward the future commercial production, S-Quatre has developed a proprietary manufacturing technology optimized for the characteristics of SQ-SHED, in collaboration with Corning Life Sciences (U.S.), a global leader in cell culture equipment. This technology aims to enable large-area cell culture in a low-stress and uniform environment through a multilayer structure that circulates culture medium, thereby allowing mass production and cost reduction while maintaining equivalence to cells cultured using conventional multilayer flasks. Furthermore, development is progressing steadily under a joint development agreement with Nipro Corporation, a CDMO provider, to establish a manufacturing process for late-stage clinical trials and commercial production.

- Progress in Overseas Clinical Development for Cerebral Palsy

  The Group announced in February 2026 that it had reached a basic agreement with Treehill Partners, LLC ("Treehill"), a global provider of strategic and financial advisory services specializing in the healthcare sector, to jointly establish a new company in the United States for the primary purpose of accelerating the clinical development of allogeneic SQ-SHED mainly in the U.S. Through this new company, the Group and Treehill will leverage their respective strengths to advance the clinical development of SQ-SHED in the United States. Preparations for overseas clinical trials had already been progressing, and in October 2025, S-Quatre conducted a Pre-IND Meeting with the U.S. Food and Drug Administration (FDA). As a result, agreement and advice were obtained from the FDA regarding the clinical trial plan for company-sponsored trials of allogeneic SQ-SHED targeting cerebral palsy, and preparations toward the future submission of an investigational new drug application (IND) are being advanced based on such agreement and advice.

- Clinical Research on Isolated Hypoganglionosis

  With respect to research and development for isolated hypoganglionosis, S-Quatre jointly applied with Kyushu University

for the “FY2026 Comprehensive Research Program for Pediatric and Developmental Disorders” administered by the Japan Agency for Medical Research and Development (AMED), and the project was selected in March 2026. This research project will evaluate the safety and efficacy of autologous (patient-derived) SQ-SHED in patients with isolated hypoganglionosis. In this project, S-Quatre will be responsible for the manufacturing and quality control of SHED and will also provide expertise accumulated through its experience in cell manufacturing and clinical development.

- Future Research and Development Strategy
  In March 2026, the Company decided to reorganize its R&D structure for the cell therapy business, redefining cerebral palsy as the highest-priority indication and concentrating management resources on this indication. As part of this reorganization, the Tokyo Laboratory was integrated into the Sapporo Research Institute at the end of June 2026, consolidating and streamlining R&D functions. The technical expertise and research findings accumulated at the Tokyo Laboratory, including those related to next-generation SHED, will continue to be leveraged in future R&D activities and business development.
  Furthermore, in conjunction with this reorganization of the R&D structure, the Group implemented organizational changes and personnel reassignments effective today, with the objectives of strengthening the alignment between management strategy and R&D strategy, as well as establishing an integrated operational framework for research and development functions in preparation for future clinical development phases. Through these measures, the Group will further optimize the clinical development structure for therapeutics targeting cerebral palsy, the highest-priority indication in its cell therapy business.

II. Future Outlook

1. Management Policies

The Group pursues its business activities under the corporate philosophy of “Biotech Engineering Company, Striving for Value Creation – For Comprehensive Healthcare System for Children as well as Families and Society –,” and upholds the management vision of “Empowering children and enabling children to empower others.” Leveraging expertise and know-how in biopharmaceutical research and development accumulated through past business activities, the Group promotes R&D initiatives in two business areas.
In the biosimilars business, the objective is to create an environment in which more patients can receive continuous and reliable treatment. To date, Kidswell has contributed to the launch of four biosimilar products and currently generate revenue through the supply of Biosimilars to our partner pharmaceutical companies, as well as royalty income based on the sales performance of those products by our partners. Going forward, in addition to strengthening the stable supply structure and enhancing profitability of existing products, Kidswell intends to actively pursue the development of new biosimilars to support further revenue growth. In promoting this business, Kidswell maintains a management policy that emphasizes balancing development investments and earnings, with the goal of achieving sustainable profitability.

In the cell therapy business (regenerative medicine), the focus is on developing innovative therapies that support patients, particularly those suffering from pediatric or rare diseases, their families, and the healthcare professionals involved in their care. In particular, S-Quatre is focusing on R&D for a cell therapy product for cerebral palsy, its highest-priority indication, as well as clinical development in Japan and overseas and the development of the SQ-SHED manufacturing process. The business is currently at a stage where R&D investment precedes commercialization. Under these circumstances, the Group has established medium- to long-term development investment plans for each major development stage, primarily related to cerebral palsy, and monitors the progress and achievement status of these plans as key management indicators.

By reinvesting the stable earnings generated through the biosimilar business, as well as the biopharmaceutical R&D expertise accumulated over many years, into the development of the high-growth-potential cell therapy business, the Group seeks to maximize synergies between the two business domains and achieve both stability and growth. Through structural reforms, operational efficiency improvements, and optimized allocation of human resources, we aim to establish and maintain a stable consolidated operating profit.

2. Outlook for Future Performance

In the biosimilar business, the switching rate from reference biologics to biosimilars covering GBS-001, GBS-011, and competing products in the same category has exceeded 80%, and the market share of partner pharmaceutical companies has still been stable. With respect to GBS-007 and GBS-010, which are key drivers of the Group’s net sales, the Group will continue to work to ensure a stable supply of Biosimilars while closely monitoring changes in the market environment described below.

Based on this outlook, Kidswell continues to adjust manufacturing and supply plans for Biosimilars in collaboration with partner pharmaceutical companies and CDMOs, while working to support and reinforce a stable supply system. Furthermore, to improve profitability, Kidswell is engaging in discussions with partner pharmaceutical companies to appropriately review supply prices,

considering changes in external factors such as overseas cost inflation and yen depreciation. In the previous fiscal year, supply price revisions for certain Biosimilars, as well as a transition to lower-cost manufacturing product, have progressed. As a result, the margin improvement benefits from these measures are expected to be realized throughout the current fiscal year.

Furthermore, from a medium- to long-term perspective, the Group will continue to advance its biosimilar business by prioritizing key initiatives including the development or in-licensing of new biosimilars, and the expansion of its revenue base through the commercialization of such products, as well as the establishment of biopharmaceutical drug substance and drug products manufacturing facilities aimed primarily at securing a stable domestic supply framework for biosimilars, as described above.

In the ophthalmic anti-VEGF market, the competitive landscape has changed following the NHI price listing and launch of aflibercept biosimilars and an authorized generic (AG) of aflibercept, which uses the same drug substance and formulation as the originator product, competing with GBS-007 (ranibizumab biosimilar). As these product launches have affected demand for GBS-007, the Group has been discussing and adjusting its manufacturing and delivery plans for the current fiscal year with its pharmaceutical partners. The Group continues to monitor prescription trends and distribution conditions for these competing products in collaboration with its pharmaceutical partners. Based on its reassessment of the outlook for GBS-007, the Group has revised its full-year financial forecasts as described below. Regarding GBS-010 (pegfilgrastim biosimilar), Mochida, which markets the product, announced the lifting of shipment restrictions in November 2026, following progress in strengthening the stable supply system and establishing a clearer outlook for adjustments to manufacturing and delivery plans. The revised financial forecasts reflect the manufacturing and delivery plans based on these developments.

In the cell therapy business, clinical development targeting cerebral palsy is progressing in Japan, while also preparations for clinical development in overseas are advancing in collaboration with external organizations. Furthermore, in line with the research and development strategy described above, the Group will execute focused and strategic R&D investments aimed at steadily advancing the clinical development of cell therapeutics for cerebral palsy, which has been designated as its highest-priority indication.

Based on this future outlook, the Group has revised its full-year net sales forecast range, primarily reflecting a reassessment of manufacturing and delivery plans for GBS-007 in response to changes in market conditions. Meanwhile, the Group expects a further improvement in gross profit margin for the full fiscal year, driven by the continued benefits of supply price adjustments and manufacturing cost reduction initiatives for Biosimilars, as well as a favorable change in product mix based on delivery plans for the third quarter onward. The Group has also reassessed its R&D investment strategy and priorities for future growth, along with expected efficiencies in fixed costs and other expenses. Accordingly, the operating profit forecast range has been revised to reflect the anticipated partial offset of the impact of the downward revision to the net sales forecast range.

Net sales: 5,000,000 thousand yen – 5,500,000 thousand yen | Operating profit: 100,000 thousand yen – 500,000 thousand yen

Furthermore, regarding the R&D investments for FY2026, the Group will continue to review and evaluate investment plans based on the progress of each initiative and through ongoing discussions and coordination with relevant stakeholders and will make investment decisions accordingly.

1) Biosimilar business
   For GBS-010, Kidswell will work to respond to market demand that has exceeded initial expectations. For GBS-007, in light of changes in the competitive environment following the launch of an aflibercept biosimilar and its authorized generic (AG), Kidswell will flexibly coordinate and adjust manufacturing and delivery plans with partner pharmaceutical companies and other relevant parties, while maintaining the stable supply framework necessary to meet market needs. In addition, Kidswell plans to continue investing in the enhancement of its manufacturing framework and cost-reduction initiatives to address rising overseas costs and the depreciation of the yen and improve profit margins, as well as in the development of new biosimilars to further strengthen its earnings base.

2) Cell therapy business
   The investments are planned for initiating early-stage clinical trials of GCT-103 in Japan and overseas for the corporate-sponsored clinical development of SQ-SHED, as well as additional investments in large-scale manufacturing process development in preparation for late-stage clinical trials and stable commercial supply following product launch. Also, the clinical research targeting isolated hypoganglionosis, which has been selected under AMED research program, will continue to be promoted. Furthermore, as described in the research and development strategy outlined above, the Group will continue to execute R&D investments to steadily advance the clinical development of cell therapeutics targeting cerebral palsy, which has been designated as its highest-priority indication.

As the Group outsources all manufacturing of biosimilars to overseas CDMOs and conducts part of its R&D activities in both the

biosimilar business and the cell therapy business in collaboration with overseas companies, fluctuations in prices in overseas markets or in foreign exchange rates may result in increases or decreases in cost of sales and R&D expenses, thereby potentially affecting business performance. Should such circumstances arise, the Group will promptly make disclosures after due examination.

3. Initiatives to Enhance Corporate Value

1) Optimization of Financing and Strengthening of the Financial Base

The Group continues to work toward optimizing financing and strengthening its financial base to maximize corporate value and achieve an early recovery and growth of the share price. In the biosimilar business, while responding to changes in market demand and overseas manufacturing costs, the Group is working to secure a stable earnings base and cash flow through measures including the optimization of supply prices for certain Biosimilars in coordination with partner pharmaceutical companies and other relevant parties.

The Group also continues to strengthen its financial position and diversify its funding sources through the appropriate use of financing from the equity markets and financial institutions. In addition, the full conversion of the 4th Series Unsecured Convertible Bonds with Stock Acquisition Rights was completed in July 2026. Going forward, as the remaining stock acquisition rights are exercised, the Group expects the supply-demand balance for its shares in the equity market to improve further, thereby creating a more favorable environment in which the Group's business performance can be appropriately reflected in its share price.

Going forward, the Group will continue to secure the funds necessary for R&D investment and strengthen its financial base by combining earnings generated from the biosimilar business with various funding sources, including capital and business alliances with development partners, grants and subsidies, and borrowings from financial institutions. In both businesses, the Group will also flexibly review R&D priorities in line with the progress of development activities and their commercial potential, while adjusting the allocation of roles and cost sharing through early-stage partnering and other initiatives.

Through these efforts, the Group will pursue disciplined R&D investment and reduce risk, with the aim of establishing a balanced financial foundation that achieves both stability and growth without compromising future growth potential.

2) Strengthening Information Disclosure and Enhancing Visibility of Business Value

With the aim of enhancing the visibility of business value, initiatives are being undertaken to improve the quality of information disclosure through strengthened IR and PR activities. In particular, the Group will further expand opportunities for dialogue with institutional investors, analysts, and the media in Japan and overseas, while actively implementing initiatives to raise awareness of the Group and its businesses. Efforts will also continue to enhance disclosure and expand opportunities for investor communication to foster a deeper understanding of the business value of the biosimilar and cell therapy (regenerative medicine) businesses, as well as the progress of R&D activities. Through these initiatives, greater trust with the capital markets and a deeper understanding of the Group will continue to be fostered.

4. Material Events or Conditions Related to the Going Concern Assumption

The Group is making R&D investments aimed at maximizing the business value of its biosimilar business and cell therapy (regenerative medicine) business, while taking into account the balance between earnings generated by the biosimilar business and the working capital requirements associated with the expansion of manufacturing operations in that business. Under this policy, the Group recorded quarterly net income for the first quarter of the current fiscal year.

On the other hand, except for the fiscal year ended March 31, 2025, the Group had continued to record net losses and negative operating cash flows in the fiscal year ended March 31, 2026 and in each fiscal year up to and including the fiscal year ended March 31, 2024. In addition, the Group intends to continue making active R&D investments aimed at maximizing the business value of both businesses. As funding requirements may increase depending on the scale of such investments and the progress of development activities, events or conditions exist that may cast significant doubt on the Group's ability to continue as a going concern.

Nevertheless, to meet the working capital requirements associated with the expansion of the biosimilar business and the funding needs for research activities in both businesses, the Group plans to utilize cash flows generated by the biosimilar business and, as necessary, obtain borrowings from financial institutions and other sources to secure the funds required to continue its operations. Accordingly, the Group believes that there is no material uncertainty related to the going concern assumption.

III. Financial statements and notes to financial statements

(A) Consolidated balance sheet

(Thousands of yen)

	As of March 31, 2026	As of September 30, 2026
Assets		
Current assets		
Cash and deposits	3,294,916	3,441,643
Accounts receivable - trade	731,132	918,159
Work in process	363,560	560,499
Advance payments to suppliers	1,114,493	1,387,823
Consumption taxes refund receivable	68,108	20,079
Income taxes refund receivable	73,170	-
Other	194,951	57,736
Total current assets	5,840,335	6,385,942
Non-current assets		
Property, plant and equipment	17,619	17,617
Intangible assets	647	589
Investments and other assets		
Investment securities	212,333	5,425
Other	17,461	12,954
Total investments and other assets	229,794	18,379
Total non-current assets	248,061	36,585
Total assets	6,088,396	6,422,528
Liabilities		
Current liabilities		
Accounts payable - trade	-	319,694
Current portion of long-term borrowings	362,500	487,500
Accounts payable - other	509,315	236,594
Accrued consumption taxes	141,923	-
Income taxes payable	3,783	140,381
Contract liabilities	1,113,831	1,111,000
Other	18,354	16,903
Total current liabilities	2,149,707	2,312,074
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	125,000	-
Long-term borrowings	2,062,500	1,787,500
Retirement benefit liability	57,744	43,848
Deferred tax liabilities	39,527	-
Total non-current liabilities	2,284,771	1,831,348
Total liabilities	4,434,479	4,143,422
Net assets		
Shareholders' equity		
Share capital	191,516	258,237
Capital surplus	2,566,539	2,633,260
Retained earnings	(1,241,227)	(647,359)
Treasury shares	(73)	(82)
Total shareholders' equity	1,516,753	2,244,056
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	89,648	-
Total accumulated other comprehensive income	89,648	-
Share acquisition rights	47,514	35,049
Total net assets	1,653,916	2,279,106
Total liabilities and net assets	6,088,396	6,422,528

(B) Consolidated statement of income and comprehensive income

(Thousands of yen)

	Six months ended September 30, 2025	Six months ended September 30, 2026
Net sales	3,276,217	2,475,235
Cost of sales	2,283,465	1,529,991
Gross profit	992,751	945,243
Selling, general and administrative expenses		
Research and development expenses	388,361	111,016
Other	389,052	347,741
Total selling, general and administrative expenses	777,414	458,757
Operating profit	215,337	486,486
Non-operating income		
Interest income	2,533	4,496
Gain on sales of materials	1,550	400
Compensation income	-	-
Foreign exchange gains	225	14,166
Miscellaneous income	533	3,597
Total non-operating income	4,841	22,660
Non-operating expenses		
Interest expenses	16,758	45,414
Interest expenses on bonds	1,029	241
Loss on abandonment of inventories	125,268	-
Foreign exchange losses	-	-
Miscellaneous losses	455	233
Total non-operating expenses	143,511	45,889
Ordinary profit	76,667	463,257
Extraordinary income		
Gain on sale of non-current assets	-	636
Gain on sale of investment securities	-	221,717
Gain on reversal of share acquisition rights	10,608	14,179
Gain on Reversal of Loss on Termination of Lease Agreement	-	18,819
Gain on reversal of asset retirement obligations	-	614
Total extraordinary income	10,608	255,966
Profit before income taxes	87,276	719,224
Income taxes - current	26,692	125,356
Total income taxes	26,692	125,356
Profit	60,583	593,868
Profit attributable to		
Profit attributable to owners of parent	60,583	593,868
Other comprehensive income		
Valuation difference on available-for-sale securities	29,880	(89,648)
Total other comprehensive income	29,880	(89,648)
Comprehensive income	90,464	504,219
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	90,464	504,219

(C) Consolidated statement of cash flow

(Thousands of yen)

	Six months ended September 30, 2025	Six months ended September 30, 2026
Cash flows from operating activities		
Profit before income taxes	87,276	719,224
Depreciation	124	60
Loss (gain) on sale of investment securities	-	(221,717)
Interest income	(2,533)	(4,496)
Loss on abandonment of inventories	125,268	-
Interest expenses	16,758	45,414
Interest expenses on bonds	1,029	241
Decrease (increase) in trade receivables	(393,156)	(187,027)
Decrease (increase) in inventories	29,879	(196,938)
Decrease (increase) in advance payments to suppliers	(4,186)	(273,329)
Increase (decrease) in trade payables	(87,589)	319,694
Increase (decrease) in accounts payable - other	(110,115)	(272,720)
Increase (decrease) in contract liabilities	(990,000)	(2,831)
Other, net	(24,589)	26,243
Subtotal	(1,351,833)	(48,182)
Interest received	2,533	4,496
Interest paid	(10,872)	(45,358)
Income taxes refund (paid)	(87,382)	67,252
Net cash provided by (used in) operating activities	(1,447,555)	(21,793)
Cash flows from investing activities		
Proceeds from sale of investment securities	-	299,448
Proceeds from refund of leasehold deposits	5,000	5,080
Net cash provided by (used in) investing activities	5,000	304,529
Cash flows from financing activities		
Repayments of long-term borrowings	(328,520)	(150,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	310,844	33
Purchase of treasury shares	-	(8)
Net cash provided by (used in) financing activities	(17,675)	(149,974)
Effect of exchange rate change on cash and cash equivalents	6,298	13,965
Net increase (decrease) in cash and cash equivalents	(1,453,932)	146,726
Cash and cash equivalents at beginning of period	2,995,435	3,294,916
Cash and cash equivalents at end of period	1,541,503	3,441,643