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August 14, 2026

Consolidated Financial Results for the Six Months Ended June 30, 2026 (under IFRS)

Company name:	Kubota Pharmaceutical Holdings Co., Ltd.
Listing:	Tokyo Stock Exchange
Securities code:	4596
URL:	https://www.kubotaholdings.co.jp/en/
Representative:	Ryo Kubota, Director, Chairman, President and Chief Executive Officer
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Scheduled date of the submission of semi-annual securities report:	August 14, 2026
Scheduled date to commence dividend payments:	–
Preparation of supplementary material on financial results:	Yes
Holding of financial results presentation meeting:	Yes (for institutional investors and analysts)

(Yen amounts are rounded to the nearest million, unless otherwise noted.)

1. Consolidated financial results for the six months ended June 30, 2026 (January 1, 2026 to June 30, 2026)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit (loss)		Profit (loss) before tax		Net profit (loss)	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2026	8	(39.8)	(650)	–	(649)	–	(649)	–
June 30, 2025	13	30.6	(450)	–	(450)	–	(450)	–

	Profit (loss) attributable to owners of parent		Total comprehensive income (loss)		Basic earnings (loss) per share	Diluted earnings (loss) per share
Six months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
June 30, 2026	(649)	–	(653)	–	(4.85)	(4.85)
June 30, 2025	(450)	–	(450)	–	(7.71)	(7.71)

(2) Consolidated financial position

	Total assets	Total shareholders' equity (deficit)	Equity attributable to owners of parent	Ratio of equity attributable to owners of parent
As of	Millions of yen	Millions of yen	Millions of yen	%
June 30, 2026	1,776	1,602	1,602	90.2
December 31, 2025	1,979	1,814	1,814	91.6

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2025	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2026	–	0.00			
Fiscal year ending December 31, 2026 (Forecast)			–	0.00	0.00

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

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2026 (January 1, 2026 to December 31, 2026)

The earnings forecasts for the fiscal year ending December 31, 2026, are not shown because they cannot be reasonably calculated at this time. Please refer to "1. Overview of Operating Results and Others, (4) Explanation of consolidated earnings forecasts and other forward-looking statements" on page 4 of the attached materials for details concerning the reasons.

*** Notes**

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

(2) Changes in accounting policies and changes in accounting estimates
(i) Changes in accounting policies required by IFRS: None
(ii) Changes in accounting policies due to other reasons: None
(iii) Changes in accounting estimates: None

(3) Number of issued shares (ordinary shares)
(i) Total number of issued shares at end of the period (including treasury shares)

As of June 30, 2026	153,144,288 shares
As of December 31, 2025	115,404,288 shares

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

As of June 30, 2026	187 shares
As of December 31, 2025	187 shares

(iii) Average number of shares outstanding during the period

For the six months ended June 30, 2026	133,855,227 shares
For the six months ended June 30, 2025	58,310,068 shares

* Semi-annual financial results reports are exempt from reviews conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special items

(Cautions on forward-looking statements, etc.)

The earnings forecasts and other forward-looking statements contained in these materials are based on information currently available to Kubota Pharmaceutical Holdings Co., Ltd. (the "Company") and on certain assumptions deemed to be reasonable by the Company. Actual business performance and other results may differ substantially due to various factors. Please refer to "1. Overview of Operating Results and Others, (4) Explanation of consolidated earnings forecasts and other forward-looking statements" on page 4 of the attached materials for matters relating to earnings forecasts.

(Means of obtaining the presentation material on financial statements)

The Company is planning to hold a financial results presentation meeting (WEB conference) for institutional investors and analysts on August 18, 2026.

The Company also plans to post supplementary presentation materials for the financial results and a recorded video of the financial results presentation on the Company's website.

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1. Overview of Operating Results and Others

(1) Overview of operating results for the period under review

The Kubota Pharmaceutical Group (the "Group") is an ophthalmic medical solutions company specializing in the field of ophthalmology that conducts research and development of drugs and medical devices globally.

During the six months ended June 30, 2026, geopolitical risks heightened further due to the prolonged situation in Ukraine as well as the intensifying tensions in the Middle East surrounding the United States and Iran. The situation in the region has remained unstable, and uncertainty in the business environment continued amid fluctuations in energy and raw material prices and persistently high logistics costs.

In the global economy, although inflation showed signs of moderation, it remained elevated in certain regions, and overall economic growth slowed amid the impact of monetary tightening policies, uncertainty regarding their future direction, and heightened geopolitical risks.

In Asian economies, while there were signs of partial recovery, mainly in the manufacturing sector in China, structural challenges such as prolonged adjustments in the real estate market and delays in recovery of domestic demand continued, resulting in ongoing uncertainty regarding the economic outlook.

In the Japanese economy, although the yen continued to depreciate due to interest rate differentials with overseas markets, there were signs of a moderate recovery supported by steady consumption driven by wage increases and a pickup in capital investment; however, continued inflation and its impact on real income remain concerns.

In this market environment, the Group proceeded with the development of its business and research and development as follows.

Medical devices

Wearable myopia care device (Kubota Glass)

At present, the Group is pursuing strategic expansion of the Kubota Glass business based on the specific market characteristics of each region.

In particular, with regard to the Chinese market, taking into comprehensive account trends in local pharmaceutical and medical device regulations, as well as the time required for the preparation of an application, the application itself, and the acquisition of approval as a medical device, the Group has adopted a policy of prioritizing regulatory compliance for the time being and is reexamining how to proceed on the commercial front. China is a large market for myopia-related products, and there is no change in its positioning as a continually important market for the Company. The Group will advance its business development at the appropriate timing while closely monitoring regulatory trends.

In addition, the clinical trial in Shanghai, China is ongoing and has been progressing steadily to date. Through these activities, the Group is steadily advancing the validation of product value and the development of a foundation for future business expansion.

At the same time, with a view toward sustainable growth and further expansion, the Group continues to make investments and strengthen its organizational framework aimed at optimizing manufacturing, supply, and overall operational processes.

Looking ahead, in addition to strengthening marketing activities in Japan, the Group intends to pursue collaboration with external partners and explore new business opportunities with an eye toward global expansion, thereby contributing to medium- to long-term business growth.

Specifically, the Group exhibited at the international trade show "100% Optical" held in the United Kingdom, where it confirmed strong interest and expectations for Kubota Glass through interactions with over 100 industry participants. The Group will continue to work to raise awareness in the European market and to create future business opportunities. In South Asia, while considering multiple possibilities, the Group continues discussions with local partners to carefully assess market potential and business feasibility, and at present, these initiatives are positioned at the observation and evaluation stage.

In addition, in Japan, the Group has launched a new subscription-based sales program, "Kubota Glass My Vision Program," aimed at delivering the value of Kubota Glass to customers in a more diverse and continuous manner, and the number of users has been steadily increasing. This program creates an environment in which customers can continue to use the product over the long term, and the Group believes that it will contribute to strengthening its business foundation.

The Group will continue to appropriately manage business risks while striving to create sustainable growth opportunities in each market.

Retinal monitoring device for home-based and remote ophthalmology

The Group is developing eyeMO for a compact optical coherence tomography (OCT) device. It is a compact version of an OCT, which is used to test the condition of the retina in ophthalmology. This home-based ophthalmology device solution anticipates growing demand in the home-based and remote medical care field, including mobile health.

It is a testing device that enables patients diagnosed and treated for wet age-related macular degeneration (AMD) and diabetic macular edema (DME) to measure the state of their retina themselves at home. By establishing a system that enables

physicians to remotely monitor the progression of symptoms, such as changes in retinal anatomy and vision, via the internet, the Group aims to help individual patients receive optimal ophthalmological treatment to maintain and improve their vision.

Since January 2023, the Group has been conducting evaluations at the Joslin Diabetes Center, which is affiliated with Harvard Medical School, to assess the feasibility of eyeMO as a screening device for patients with diabetic retinopathy, as well as a clinical study comparing this device with commercially available OCT systems.

The Group continues to verify the ideal practical model while exploring opportunities for joint development and commercialization with partner companies.

Small molecule compounds

With regard to emixustat hydrochloride, the Group is advancing its development with the objective of obtaining regulatory approval and achieving commercialization primarily as a therapeutic drug for the treatment of Stargardt disease.

The Group initiated the phase 3 clinical study for Stargardt disease in November 2018; however, the primary endpoint and secondary endpoints were not achieved, and there were no significant differences between the treatment groups. However, in a subsequent subgroup analysis, univariate and multi-factor analyses using a backward elimination method were performed on the subject group with a smaller atrophic lesion area at baseline, and independent baseline factors affecting the progression of atrophic lesions in this subgroup were identified. The result of this analysis found that the progression rate of macular atrophy in the group receiving emixustat was slowed by 40.8% at Month 24 compared with the placebo group (p=0.0206, emixustat receiving group n=34, placebo group n=21).

Given the above result, the Group has continued discussions with the U.S. Food and Drug Administration (FDA) with the aim of conducting an additional phase 3 clinical trial.

At the same time, the Group is seeking early monetization through the utilization of the Compassionate Use Program (CUP), which allows unapproved drugs to be made available for a fee for humanitarian purposes for designated patients. While the Group had been approaching potential global strategic partners, it entered into a supply and license agreement with Laboratoires KÔL (headquartered in Clermont-Ferrand, France; Founder and CEO: Sophie Momège) on March 2, 2026 for the provision of emixustat hydrochloride under the CUP in France. Subsequently, on June 10, 2026, the Group entered into a supplementary memorandum (Amendment No. 1) providing for, among other matters, updates to the terms and structure of the milestone payments and clarification of refund conditions.

From April 2026, the Group commenced the manufacture of active pharmaceutical ingredients of emixustat hydrochloride in compliance with Good Manufacturing Practice (GMP). As the payment conditions for the first milestone relating to the active pharmaceutical ingredient manufacturing process under the agreement were satisfied, the Group received the consideration for the said milestone from Laboratoires KÔL on July 2, 2026.

Going forward, the Group will further strengthen its collaboration with Laboratoires KÔL and promote business activities, including engagement with the French authorities, with the aim of achieving early Compassionate Use approval.

For the six months ended June 30, 2026, revenue was ¥8 million, a 39.8% year-on-year decrease, and cost of sales was ¥22 million, a 376.5% year-on-year increase. Research and development expenses, selling, general, and administrative expenses are as follows:

Research and development expenses

Research and development expenses for the six months ended June 30, 2026, was ¥313 million, an increase of ¥170 million, or 118.2%, year-on-year. This was mainly due to an increase in development expenses for emixustat hydrochloride.

(Unit: Thousands of yen or %)

	Six months ended June 30, 2025	Six months ended June 30, 2026	Increase (Decrease)	Change (%)
Research and development expenses	143,579	313,233	169,655	118.2

Selling, general and administrative expenses

Selling, general and administrative expenses for the six months ended June 30, 2026, was ¥311 million, an increase of ¥28 million, or 9.9%, year-on-year. This was mainly due to increases in share-based compensation expense and patent-related expenses, which more than offset a decrease in salaries associated with a reduction in personnel.

(Unit: Thousands of yen or %)

	Six months ended June 30, 2025	Six months ended June 30, 2026	Increase (Decrease)	Change (%)
Selling, general and administrative expenses	282,746	310,601	27,855	9.9

(2) Overview of financial position as of June 30, 2026

Current assets

Current assets as of the end of the second quarter of the current fiscal year was ¥1,766 million, a decrease of ¥203 million

from the end of the previous fiscal year. This was mainly due to a decrease in cash and cash equivalents.

Non-current assets

Non-current assets as of the end of the second quarter of the current fiscal year was ¥10 million, a decrease of ¥0 million from the end of the previous fiscal year. This was due to a decrease in other non-current assets.

Current liabilities

Current liabilities as of the end of the second quarter of the current fiscal year was ¥173 million, an increase of ¥16 million from the end of the previous fiscal year. This was mainly due to an increase in trade payables.

Non-current liabilities

Non-current liabilities as of the end of the second quarter of the current fiscal year was ¥1 million, a decrease of ¥8 million from the end of the previous fiscal year. This was due to a decrease in lease liabilities.

Shareholders' equity (Accumulated deficit)

Shareholders' equity as of the end of the second quarter of the current fiscal year was ¥1,602 million, a decrease of ¥211 million from the end of the previous fiscal year. This was mainly due to an increase in loss brought forward (accumulated deficit) resulting from the recording of net loss.

(3) Overview of cash flows for the six months ended June 30, 2026

Cash and cash equivalents include all highly liquid short-term investments with a maturity of three months or less from the date of acquisition, and cash equivalents consist of money market funds. Investments with a maturity of three months to one year as of the date of acquisition are classified as short-term investments.

The cash, cash equivalents, and short- and long-term financial instruments held by the Group were ¥1,140 million as of June 30, 2025, and ¥1,580 million as of June 30, 2026. Deposits at third-party financial institutions may exceed the applicable insurance limits of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation.

Cash flows from operating activities

Cash and cash equivalents ("cash") used in operating activities was ¥443 million for the six months ended June 30, 2025, and ¥570 million for the six months ended June 30, 2026. The increase of ¥127 million in net cash used was mainly due to a year-on-year increase in cash related to the payment of research and development expenses and general and administrative expenses for the six months ended June 30, 2026.

Cash flows from investing activities

Net cash provided by investing activities was ¥2 million for the six months ended June 30, 2025, and net cash used in investing activities was ¥11 million for the six months ended June 30, 2026. This was mainly due to a year-on-year increase in purchase of property, plant and equipment for the six months ended June 30, 2026.

Cash flows from financing activities

Net cash provided by financing activities was ¥131 million for the six months ended June 30, 2025, and ¥240 million for the six months ended June 30, 2026. The increase of ¥109 million in net cash provided was mainly due to a year-on-year increase in proceeds from issuance of ordinary shares upon exercise of share acquisition rights for the six months ended June 30, 2026.

(4) Explanation of consolidated earnings forecasts and other forward-looking statements

Revenue from sales of Kubota Glass, a myopia care device, accounts for the majority of the current revenue of the Company.

In Japan, the number of users of the subscription-based sales program "Kubota Glass My Vision Program," which was launched in April 2026, has been steadily increasing, and the Company expects this to contribute to strengthening its business foundation. With regard to China, in light of trends in local pharmaceutical and medical device regulations, the Company is proceeding with its response toward obtaining approval, and is carefully assessing the timing of business development and monetization. With regard to Taiwan as well, in light of the situation in the Chinese market, the Company is carefully considering how to proceed with future business expansion.

With regard to expenditures, research and development expenses may potentially fluctuate significantly due to the concurrent activities of maintaining and streamlining the production system, improving products, reducing manufacturing costs, and enhancing scientific evidence.

In addition, with regard to revenue, as Kubota Glass, a myopia care device, is an extremely novel product, it is difficult to make an accurate demand forecast at this time.

Based on the above, the Company has decided to continue to postpone the disclosure of the earnings forecasts for the full year, because the consolidated earnings forecasts for the fiscal year ending December 31, 2026 are difficult to formulate at this time based on a clear rationale and in a manner that will enhance the disclosure. They will be promptly disclosed as soon as it becomes possible to make a reasonable calculation that will enhance the disclosure in light of future business progress.

(5) Significant events regarding going concern assumption

The Group is an ophthalmic medical solutions company specializing in the field of ophthalmology that conducts research and development and sales of drugs and medical devices globally, and has formed a business portfolio that requires upfront investment in the research and development stage.

With regard to Kubota Glass, a myopia care device, in the Japanese market where sales have already commenced, the number of users of the subscription-based sales program "Kubota Glass My Vision Program," which was launched in April 2026, has been steadily increasing, and the strengthening of the business foundation is expected going forward. With regard to China, in light of trends in local pharmaceutical and medical device regulations, the Group is proceeding with its response toward obtaining approval and is carefully considering the timing of its business development. With regard to Taiwan as well, the Group is carefully considering how to proceed with business expansion in light of the situation in the Chinese market. Although the Group did not enter into any new distributor agreements or sales agreements in China or Taiwan during the second quarter, it continues to work with existing contractual partners and prospective partners to establish a foundation for expanding sales channels in the Greater China market and to promote market introduction through medical institutions and optical retailers. However, the timing of a full-scale ramp-up in business revenue remains unclear at this time.

With regard to eyeMO, a retinal monitoring device for home-based and remote ophthalmology, the Group has also been working on out-licensing of development products and business alliances in order to achieve early monetization, and has held contractual discussions with multiple companies to date. However, no partner company has been identified at this time.

Regarding emixustat hydrochloride, despite discussions with authorities regarding accelerated and priority approval programs to launch this product as soon as possible, it is necessary at this time to conduct another phase 3 clinical study in order to obtain regulatory approval in Japan, the United States, and other jurisdictions. Accordingly, the Group continues to confirm the requirements for a one-to-two pivotal trial and to seek research and development partners. In addition, the Group is promoting business activities aimed at early monetization through the utilization of the Compassionate Use Program (CUP) for designated patients, and on March 2, 2026, entered into a supply and license agreement with Laboratoires KÔL (headquartered in Clermont-Ferrand, France; Founder and CEO: Sophie Momège) for the provision of emixustat hydrochloride under the CUP in France. Subsequently, on June 10, 2026, the Group entered into a supplementary memorandum (Amendment No. 1) providing for, among other matters, updates to the terms and structure of the milestone payments and clarification of refund conditions. From April 2026, the Group commenced the manufacture of active pharmaceutical ingredients of emixustat hydrochloride in compliance with Good Manufacturing Practice (GMP), and, as the payment conditions for the first milestone relating to the active pharmaceutical ingredient manufacturing process under the agreement were satisfied, the Group received the consideration for the said milestone from Laboratoires KÔL on July 2, 2026.

Regarding the procurement of funds through the issuance of securities, the amount paid upon exercise of share acquisition rights amounted to ¥252 million in the six months ended June 30, 2026 and ¥1,087 million in the fiscal year ended December 31, 2025, representing a significant increase from ¥48 million in the fiscal year ended December 31, 2024 and exceeding the Company's expectations. As mentioned above, there has been a delay in the ramp-up of overseas sales of the already-commercialized Kubota Glass, a myopia care device, and operating losses and negative cash flows from operating activities have continued. As a result, the balance of cash and cash equivalents stood at ¥1,580 million as of the end of the second quarter of the fiscal year ending December 31, 2026 and ¥1,919 million as of December 31, 2025, compared with ¥1,455 million as of December 31, 2024, ¥2,768 million as of December 31, 2023, and ¥4,049 million as of December 31, 2022. Accordingly, the Group has recognized that there are conditions that raise significant doubts on the going concern assumption.

In light of this situation, the Group is working on implementing the following measures.

1. Further expanding the adoption of the subscription-based sales program "Kubota Glass My Vision Program" for Kubota Glass, a myopia care device, in Japan, which was launched in April 2026 and has been performing favorably.
2. Steadily conducting clinical studies aimed at preventing pediatric myopia in China for the future business development of Kubota Glass, a myopia care device, and the acquisition of approval as a medical device.
3. Continuing efforts to build a sales network in Taiwan by examining how to proceed with business expansion for Kubota Glass, a myopia care device, and by maintaining relationships with contracted partners.
4. Improving product quality and reducing manufacturing costs through rationalization of the production system for Kubota Glass, a myopia care device.
5. Achieving early monetization of emixustat hydrochloride primarily in France through the utilization of the Compassionate Use Program for designated patients.
6. Considering and implementing a variety of financing measures aimed at strengthening the financial base.

Through the above measures, the Group will strive to eliminate doubts on the going concern assumption by increasing business revenue, reducing costs, and increasing the possibility of procuring funds.

Even when taking into account the uncertainties regarding the outcomes of each measure, the Group holds cash and cash equivalents of ¥1,580 million as of the end of the second quarter of the current fiscal year and has sufficiently secured the funds necessary for its business operations for the foreseeable future. Accordingly, the Group has determined that no material uncertainty exists related to the going concern assumption.

2. Condensed Semi-annual Consolidated Financial Statements and Significant Notes Thereto

(1) Condensed semi-annual consolidated statements of financial position

(Thousands of yen)

	As of December 31, 2025	As of June 30, 2026
Assets		
Current assets		
Cash and cash equivalents	1,918,615	1,579,970
Trade receivables	350	119
Inventories	3,759	9,854
Other current assets	46,271	175,996
Total current assets	1,968,995	1,765,938
Non-current assets		
Other non-current assets	10,462	10,442
Total non-current assets	10,462	10,442
Total assets	1,979,457	1,776,380
Liabilities and equity		
Liabilities		
Current liabilities		
Trade payables	21,358	81,751
Accrued liabilities	105,631	62,404
Accrued compensation	13,642	12,083
Lease liabilities	13,989	15,284
Other current liabilities	2,753	1,811
Total current liabilities	157,373	173,333
Non-current liabilities		
Lease liabilities	8,252	627
Total non-current liabilities	8,252	627
Total liabilities	165,625	173,960
Shareholders' equity		
Share capital	577,576	119,595
Capital surplus	28,418,035	25,857,207
Accumulated deficit	(25,732,895)	(22,921,936)
Other components of equity	(1,448,884)	(1,452,447)
Total equity attributable to owners of parent	1,813,832	1,602,420
Total shareholders' equity	1,813,832	1,602,420
Total liabilities and shareholders' equity	1,979,457	1,776,380

(2) Condensed semi-annual consolidated statements of profit or loss and condensed semi-annual consolidated statements of comprehensive income

Condensed semi-annual consolidated statements of profit or loss

(Thousands of yen)

	Six months ended June 30, 2025	Six months ended June 30, 2026
Revenue	12,777	7,695
Business expenses		
Cost of sales	4,611	21,971
Research and development expenses	143,579	313,233
Selling, general and administrative expenses	282,746	310,601
Total business expenses	430,936	645,805
Other operating expenses	31,892	12,359
Operating loss	(450,051)	(650,469)
Other income and expenses		
Finance income	876	1,508
Finance costs	(599)	(230)
Other income (expenses)	(36)	(261)
Total other income and expenses	241	1,017
Loss before tax	(449,810)	(649,452)
Net loss	(449,810)	(649,452)
Loss attributable to		
Owners of parent	(449,810)	(649,452)
Net loss per share		
Basic loss per share (Yen)	(7.71)	(4.85)
Diluted loss per share (Yen)	(7.71)	(4.85)

Condensed semi-annual consolidated statements of comprehensive income

(Thousands of yen)

	Six months ended June 30, 2025	Six months ended June 30, 2026
Net loss	(449,810)	(649,452)
Other comprehensive income		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	(81)	(3,563)
Total other comprehensive income	(81)	(3,563)
Comprehensive income (loss)	(449,891)	(653,015)
Comprehensive income (loss) attributable to		
Owners of parent	(449,891)	(653,015)

(3) Condensed semi-annual consolidated statements of changes in equity

Six months ended June 30, 2025

(Thousands of yen)

	Share capital	Capital surplus	Accumulated deficit	Other components of equity	Total equity attributable to owners of parent	Total
Balance as of January 1, 2025	33,964	27,867,241	(25,056,642)	(1,454,808)	1,389,755	1,389,755
Net loss			(449,810)		(449,810)	(449,810)
Exchange differences on translation of foreign operations				(81)	(81)	(81)
Comprehensive income (loss)	–	–	(449,810)	(81)	(449,891)	(449,891)
Share-based compensation expense		7,504			7,504	7,504
Issuance of new shares	70,297	70,297			140,594	140,594
Issuance cost of new shares		(1,294)			(1,294)	(1,294)
Total transactions with owners	70,297	76,507	–	–	146,804	146,804
Balance as of June 30, 2025	104,261	27,943,748	(25,506,452)	(1,454,889)	1,086,668	1,086,668

Six months ended June 30, 2026

(Thousands of yen)

	Share capital	Capital surplus	Accumulated deficit	Other components of equity	Total equity attributable to owners of parent	Total
Balance as of January 1, 2026	577,576	28,418,035	(25,732,895)	(1,448,884)	1,813,832	1,813,832
Net loss			(649,452)		(649,452)	(649,452)
Exchange differences on translation of foreign operations				(3,563)	(3,563)	(3,563)
Comprehensive income (loss)	–	–	(649,452)	(3,563)	(653,015)	(653,015)
Share-based compensation expense		27,418			27,418	27,418
Issuance of new shares	126,002	126,002			252,004	252,004
Capital reduction	(667,503)	(2,792,909)	3,460,412		–	–
Issuance of restricted stock compensation	83,520	83,520			167,040	167,040
Issuance cost of new shares		(4,858)			(4,858)	(4,858)
Total transactions with owners	(457,982)	(2,560,828)	3,460,412	–	441,603	441,603
Balance as of June 30, 2026	119,595	25,857,207	(22,921,936)	(1,452,447)	1,602,420	1,602,420

(4) Condensed semi-annual consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2025	Six months ended June 30, 2026
Cash flows from operating activities		
Net loss	(449,810)	(649,452)
Adjustments to reconcile net loss to net cash used in operating activities		
Impairment losses	31,892	12,359
Share-based compensation expense	7,504	55,258
Finance income	(876)	(1,508)
Finance costs	599	230
Change in operating assets and liabilities		
Trade receivables	3,546	239
Other current assets	(3,091)	8,727
Other current liabilities	(1,497)	(1,024)
Trade payables	(25,837)	58,361
Accrued liabilities	30,103	(46,328)
Accrued compensation	(34,086)	(2,046)
Other assets	(590)	(4,734)
Subtotal	(442,143)	(569,918)
Interest paid	(605)	(228)
Net cash provided by (used in) operating activities	(442,748)	(570,146)
Cash flows from investing activities		
Interest received	925	1,534
Purchase of property, plant and equipment	(4,223)	(12,288)
Proceeds from refund of leasehold and guarantee deposits	5,117	205
Net cash provided by (used in) investing activities	1,819	(10,548)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	140,339	247,312
Payment of lease liabilities	(9,124)	(6,987)
Net cash provided by (used in) financing activities	131,215	240,325
Effect of exchange rate changes on cash and cash equivalents	(5,375)	1,724
Net increase (decrease) in cash and cash equivalents	(315,089)	(338,645)
Cash and cash equivalents at beginning of period	1,454,908	1,918,615
Cash and cash equivalents at end of period	1,139,819	1,579,970

(5) Notes to condensed semi-annual consolidated financial statements

Notes on going concern assumption

Not applicable.

Significant subsequent events

Not applicable.