Consolidated Financial Results for the Three Months Ended March 31, 2026 [Japanese GAAP]

May 13, 2026

Company name: Modalis Therapeutics Corporation
Stock exchange listing: Tokyo Stock Exchange
Code number: 4883
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Scheduled date of filing quarterly securities report: -
Scheduled date of commencing dividend payments: -
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Scheduled (for individual investors)

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

1. Consolidated Financial Results for the three Months Ended March 31, 2026 (January 1, 2026, to March 31, 2026)

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

	Operating revenue		Operating income		Ordinary income		Profit attributable to owners of parent	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2026	-	-	(342)	-	(322)	-	(323)	-
March 31, 2025	-	-	(632)	-	(651)	-	(652)	-

(Note) Comprehensive income: Three months ended March 31, 2026: ¥ (318) million [-%]
Three months ended March 31, 2025: ¥ (661) million [-%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2026	(3.64)	-
March 31, 2025	(9.02)	-

(Notes)
For diluted earnings per share, the figure is not presented as the company recorded basic loss per share although the company has dilutive shares.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Million yen	Million yen	%
As of March 31, 2026	2.942	2,799	93.8
As of December 31, 2025	2,964	2,793	93.0

(Reference) Equity: As of March 31, 2026: ¥2,758million
As of December 31, 2025: ¥2,755million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	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	-				
Fiscal year ending December 31, 2026 (Forecast)		0.00	-	0.00	0.00

(Note) Revision to the forecast for dividends announced most recently: No

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

The earnings forecasts for fiscal year 2026 are not presented due to the difficulty of formulating reasonably accurate estimates currently. For further details, please refer to page 3 “Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information.”

*** Notes:**

(1) Changes in significant subsidiaries during the three months ended March 31, 2026 (changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: No
2) Changes in accounting policies other than 1) above: No
3) Changes in accounting estimates: No
4) Retrospective restatement: No

(4) Total number of issued shares (common shares)
1) Total number of issued shares at the end of the period (including treasury shares):
March 31, 2026: 92,354,098 shares
December 31, 2025: 86,674,098 shares

2) Total number of treasury shares at the end of the period:
March 31, 2026: 63 shares
December 31, 2025: 63 shares

3) Average number of shares during the period:
Three months ended March 31, 2026: 88,901,812 shares
Three months ended March 31, 2025: 72,326,490 shares

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

The earnings forecast and other forward-looking statements herein are based on information available and certain assumptions judged to be reasonable as of the date of publication of this document. They do not represent a commitment from the company that they will be achieved. Actual results may differ significantly from these forecasts due to a wide range of factors. Please refer to page 3 of the attachment for matters related to the earnings forecast.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Business Results

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

During the first quarter of fiscal year 2026 (January 1 to March 31, 2026), the global economic environment remained uncertain, influenced by ongoing geopolitical tensions and volatility in energy markets. While financial markets showed signs of stabilization following temporary fluctuations, continued variability in resource prices, foreign exchange rates, and policy developments—particularly in the United States—suggest that the broader outlook remains subject to uncertainty. Although early signs of renewed investment interest have been observed in the biotechnology sector, the external environment continues to present challenges for research and development activities.

Under these conditions, the Company continues to advance its lead program, MDL-101, toward clinical-stage transition, while simultaneously strengthening its mid- to long-term growth foundation through the expansion of next-generation pipeline programs.

MDL-101, targeting LAMA2-related congenital muscular dystrophy (LAMA2-CMD), is a gene therapy program leveraging epigenome editing to activate gene expression for diseases caused by deficiencies in long-chain proteins. Currently, there are no established therapeutic options for this disease using other modalities.

IND-enabling studies conducted in disease model mice have demonstrated clear survival benefit compared with control groups, supporting the underlying therapeutic concept and pharmacological activity of the program. These findings continue to reinforce the biological validity and mechanism of action of MDL-101.

As part of ongoing development optimization toward clinical transition, the Company is continuing its reassessment of development plans. In this context, pilot studies have been initiated in preparation for repeat GLP toxicology studies. Initial observations to date indicate that in vivo behavior following administration is broadly consistent with expectations, supporting continued progress in development optimization toward clinical readiness.

In parallel, the Company is advancing additional verification related to quality evaluation, including restructuring aspects of its external vendor framework. These efforts are aimed at deepening the understanding of development parameters and enhancing reproducibility as the program progresses toward the clinical stage. Furthermore, multiple technical approaches are being explored in parallel to further increase development certainty and flexibility in future clinical execution.

Importantly, no new safety concerns have been identified to date, and preparations for clinical trial execution, including site selection and coordination, continue to progress steadily. The Company believes that these activities do not reflect any fundamental limitations of the underlying therapeutic concept, but rather represent a continued progression of development refinement to enhance precision and reproducibility ahead of clinical transition.

Separately, MDL-202, targeting myotonic dystrophy type 1 (DM1), has demonstrated significant progress. Through collaboration with a U.S.-based biotechnology partner with proprietary muscle-targeting capsid technology, the Company has successfully developed a next-generation molecule exhibiting substantially improved delivery performance and robust suppression of the target gene, DMPK. This molecule has demonstrated consistent pharmacological activity in animal models, supporting the program’s technical differentiation.

These results were previously disclosed in the Company’s April 28, 2025 press release and were presented at the American Society of Gene & Cell Therapy (ASGCT) Annual Meeting in May 2025, where they attracted strong interest from the scientific community.

Building on these findings, the Company is advancing development of this next-generation molecule with the

aim of establishing a best-in-class therapeutic candidate that surpasses existing treatment approaches. MDL-202 represents an important step in the expansion of the Company's epigenome editing platform and is expected to contribute to future pipeline growth and long-term value creation.

More broadly, the technical insights gained through the development of MDL-101 are being applied across additional neuromuscular programs, including MDL-201, MDL-202, and MDL-103. These programs continue to progress through validation in disease models, reinforcing the Company's ability to generate sustained value across multiple pipeline assets while advancing toward clinical-stage development.

In addition, through ongoing collaborations—including joint research with JCR Pharmaceuticals Co., Ltd.—the Company continues to expand access to new enabling technologies, strengthening its development platform to deliver innovative therapies to patients.

As a result, for the three months ended March 31, 2026, operating loss to ¥342,524 thousand, ordinary loss to ¥322,513 thousand, and loss attributable to owners of parent to ¥323,728 thousand.

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

(2) Explanation of Financial Position

Status of Assets, Liabilities and Net Assets

(Current Assets)

Total current assets at the end of the first quarter of the fiscal year under review decreased by ¥1,718 thousand from the end of the previous fiscal year to ¥2,890,554 thousand. This is mainly attributable to a decrease in others by ¥1,583 thousand.

(Non-current Assets)

Total non-current assets at the end of the first quarter of the fiscal year under review decreased by ¥20,224 thousand from the end of the previous fiscal year to ¥51,751 thousand. This is attributable to a decrease in investments and other assets by ¥20,224 thousand.

(Current Liabilities)

Total current liabilities at the end of the first quarter of the fiscal year under review decreased by ¥19,292 thousand from the end of the previous fiscal year to ¥115,510 thousand. This is mainly attributable to a decrease in accounts payable-other by ¥16,701 thousand.

(Non-current Liabilities)

Total non-current liabilities at the end of the first quarter of the fiscal year under review decreased by ¥9,097 thousand from the end of the previous fiscal year to ¥27,044 thousand. This is mainly attributable to a decrease in others by ¥9,011 thousand.

(Net Assets)

Total net assets at the end of the first quarter of the fiscal year under review increased by ¥6,446 thousand from the end of the previous fiscal year to ¥2,799,750 thousand. This is mainly attributable to a increased in capital stock of ¥161,739 thousand and capital surplus of ¥161,739 thousand and decrease in retained earnings by ¥326,251 thousand.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

At present, there are many uncertain factors affecting our business performance, including the progress of negotiations with our partners, significant fluctuations in performance due to upfront payments for licensing, the possibility of concluding agreements with new partners, and the acquisition of new pipelines. In regard to the

future outlook, the company believes it is difficult to calculate an appropriate and rational figure, so the company has decided not to disclose the full-year earnings forecast. When it becomes possible to make a forecast, the company will promptly make an announcement.

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

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

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

In terms of funding, at the end of the first quarter of this fiscal year we had cash and deposits of ¥2,812,233 thousand, and we believe that we have secured sufficient funds to develop our business for the next twelve months through the above initiatives.

Based on the above, we believe that there is no material uncertainty about the going concern assumption.

2. Quarterly Consolidated Financial Statements and Primary Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of December 31, 2025	As of March 31, 2026
Assets		
Current assets		
Cash and deposits	2,812,367	2,812,233
Others	79,904	78,320
Total current assets	2,892,272	2,890,554
Non-current assets		
Investments and other assets	71,976	51,751
Total non-current assets	71,976	51,751
Total assets	2,964,248	2,942,305
Liabilities		
Current liabilities		
Accounts payable- other	94,403	77,701
Accrued expenses	25,745	29,067
Income taxes payable	13,330	6,933
Other	1,324	1,807
Total current liabilities	134,802	115,510
Non-current liabilities		
Provision for share-based compensation for employee	145	59
Other	35,996	26,984
Total non-current liabilities	36,142	27,044
Total liabilities	170,945	142,555
Net assets		
Shareholders' equity		
Share capital	1,728,097	1,889,836
Capital surplus	3,049,832	3,211,571
Retained earnings	(2,037,247)	(2,363,498)
Treasury shares	(97)	(97)
Total shareholders' equity	2,740,583	2,737,811
Accumulated other comprehensive income		
Foreign currency translation adjustment	15,331	20,606
Total accumulated other comprehensive income	15,331	20,606
Subscription rights to shares	37,388	41,332
Total net assets	2,793,303	2,799,750
Total liabilities and net assets	2,964,248	2,942,305

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended March 31

(Thousand yen)

	For the three months ended March 31, 2025	For the three months ended March 31, 2026
Operating revenue	—	—
Operating expenses		
Research and development expenses	571,613	293,746
Selling, general and administrative expenses	61,271	48,778
Total operating expenses	632,884	342,524
Operating loss	(632,884)	(342,524)
Non-operating income		
Interest income	1,295	2,252
Foreign exchange income	—	14,290
Other	3	6,521
Total non-operating income	1,298	23,063
Non-operating expenses		
Interest expense	815	2,338
Foreign exchange loss	19,275	—
Stock issuance cost	100	713
Total non-operating expenses	20,191	3,052
Ordinary loss	(651,776)	(332,513)
Extraordinary loss		
Impairment loss	—	632
Total extraordinary loss	—	632
Loss before income taxes	(651,776)	(323,146)
Income taxes - current	435	582
Total income taxes	435	582
Loss	(652,212)	(323,728)
Loss attributable to owners of parent	(652,212)	(323,728)

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended March 31

(Thousand yen)

	For the three months ended March 31, 2025	For the three months ended March 31, 2026
Loss	(652,212)	(323,728)
Other comprehensive income		
Foreign currency translation adjustment	(8,797)	5,275
Total other comprehensive income	(8,797)	5,275
Comprehensive income	(661,009)	(318,453)
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	(661,009)	(318,453)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on going concern assumption)

There is no relevant information.

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

During the consolidated cumulative period of the first quarter, the share capital increased by ¥161,739 thousand and the capital surplus increased by ¥161,739 thousand due to the exercise of warrants. As a result, at the three months ended March 31, 2026, the share capital and capital surplus were ¥1,889,836 thousand and ¥3,211,571 thousand respectively.

(Quarterly consolidated Statement of Income.)

(Non-operating income)

Research and development support payments based on the strategic alliance with SOLVE FSHD for the development of an innovative facioscapulohumeral muscular dystrophy treatment were recorded as other non-operating income in the amount of ¥6,521 thousand. For details, please refer to the "Announcement of Strategic Alliance between SOLVE FSHD and Modalis Inc. for the Development of Innovative Facioscapulohumeral Muscular Dystrophy Therapeutics" dated June 9, 2025.

(Segment information)

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

(Notes on the cash flow statements)

We have not prepared a quarterly consolidated cash flow statement for the current first quarter consolidated cumulative period. In addition, depreciation expenses (including amortization expenses for intangible fixed assets) for the first quarter consolidated cumulative period are omitted because they are not applicable.

(Significant subsequent events)

Common Stock increase through exercise of stock acquisition rights

After the end of the current fiscal year, during the period from J April 1, 2026 to April 30, 2026 some of the 17th series of stock acquisition rights with exercise price amendment clause were exercised as follows.

(1) Type and number of shares issued Common stock 3,780,000 shares.
(2) Increase in capital stock ¥101,552 thousand.
(3) Increase in capital reserve ¥101,552 thousand.

As a result, the total number of common shares issued and outstanding as of April 30, 2026, was 96,334,098 shares, capital stock was ¥1,993,888 thousand, and capital reserve was ¥2,748,888 thousand.