

Translation

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Consolidated Financial Results for the First Two Quarters of the Fiscal Year Ending March 31, 2024
[Japanese GAAP]

November 10, 2023

Company name: ispace, inc. Listing: Tokyo Stock Exchange
 Securities code: 9348 URL: <https://ispace-inc.com/>
 Representative: Takeshi Hakamada, Representative Director & CEO
 Inquiries: Jumpei Nozaki, Director & CFO Telephone: +81-3-6277-6451
 Scheduled date for filing November 10, 2023 Scheduled date for commencing -
 quarterly securities report: dividend payments:
 Preparation of supplementary materials on quarterly Yes
 financial results:
 Holding of quarterly financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen, unless otherwise stated)

1. Consolidated Financial Results for the First Two Quarters of the Fiscal Year Ending March 31, 2024

(from April 1, 2023 to September 30, 2023)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures represent year-on-year changes)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First two quarters ended September 30, 2023	1,330	-	(2,041)	-	(2,257)	-	1,537	-
First two quarters ended September 30, 2022	-	-	-	-	-	-	-	-

(Note) Comprehensive income (loss)

First two quarters ended September 30, 2023: 1,396 Millions of yen (-%)

First two quarters ended September 30, 2022: - Millions of yen (-%)

	Basic net income per share	Diluted net income per share
	Yen	Yen
First two quarters ended September 30, 2023	19.19	17.97
First two quarters ended September 30, 2022	-	-

(Note) 1. Information on the first two quarters ended September 30, 2022 and year-on-year changes for the first two quarters ended September 30, 2023 are omitted since the Company did not prepare quarterly consolidated financial statements for the first two quarters ended September 30, 2022.

2. Diluted net income per share for the first two quarters ended September 30, 2023 is calculated by using the average share price for the period from the initial listing date to the end of the second quarter ended September 30, 2023, deeming it to be the period-average share price, as the Company was listed on the Tokyo Stock Exchange Growth market on April 12, 2023.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
First two quarters ended September 30, 2023	18,377	5,612	29.5
Fiscal year ended March 31, 2023	7,192	(2,347)	-

(Reference) Equity

First two quarters ended September 30, 2023: 5,411 Millions of yen

Fiscal year ended March 31, 2023: -2,548 Millions of yen

2. Cash Dividends

	Annual dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	-	-	-	0.00	0.00
Fiscal year ending March 31, 2024	-	-	-	-	-
Fiscal year ending March 31, 2024 (forecast)	-	-	-	0.00	0.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentage figures represent year-on-year changes)

	Net sales		Operating income (loss)		Ordinary income (loss)		Net income (loss) attributable to owners of parent		Basic net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	3,050	208.3	(7,182)	-	(8,297)	-	(4,504)	-	(56.19)

(Note) Revisions to the most recently announced earnings forecast: None

*Explanatory notes

(1) Changes in significant subsidiaries during the quarter (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Application of accounting treatments specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

i. Changes in accounting policies due to revisions to accounting standards, etc.: None

ii. Changes in accounting policies other than those in i. above: None

iii. Changes in accounting estimates: None

iv. Restatement of prior period financial statements: None

(4) Number of shares issued and outstanding (common shares)

1) Total number of issued shares at the end of the period (including treasury shares)	As of September 30, 2023	82,236,663 shares	Fiscal year ended March 31, 2023	53,901,120 shares
2) Number of treasury shares at the end of the period	As of September 30, 2023	- shares	Fiscal year ended March 31, 2023	- shares
3) Average number of shares during the period (cumulative from the beginning of the fiscal year)	As of September 30, 2023	80,152,238 shares	As of September 30, 2022	- shares

(Note) Information on the average number of shares outstanding as of September 30, 2022 is omitted since the Company did not prepare quarterly consolidated financial statements for the first quarter of the fiscal year ended March 31, 2023.

* This summary of financial results is not subject to quarterly review procedures by a public accountant or an audit corporation.

* Explanation regarding appropriate use of earnings forecasts, and other notes

(Notes on forward-looking statements)

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to the Company and certain assumptions that are thought to be reasonable. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual financial results and the like may differ materially due to various factors. For matters concerning earnings forecast, refer to "1. Qualitative Information on the Financial Results for the Period under Review, (3) Explanations on Consolidated Earnings Forecast and Other Forecast Information" on page 4 of the Appendix.

(How to obtain the supplementary materials on quarterly financial results and the content of the quarterly financial results briefing session)

The Company will hold a quarterly financial results briefing session for institutional investors and securities analysts on November 13, 2023 (Monday) and the material to be used in the briefing session will be disclosed on the Company website.

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

(1) Explanation of Operating Results

The Company is a next-generation private space company working on the commercialization of lunar surface development to realize a sustainable world by expanding our living sphere into space in line with our vision of “Expand our planet. Expand our future.”

During the first two quarters (April 2023 - September 2023) of the fiscal year ending March 2024, although the spread of the new coronavirus has finally passed the pass, the situation remains uncertain due to the rapid depreciation of the yen and inflation caused by high commodity prices, as well as policy interest rate hikes in various countries

Even under such a situation, the field of space resource development—the Group’s business—saw continued active progress. During the first two quarters of the fiscal year ending March 2024, the Czech Republic, Spain, India, and Germany joined the Artemis Accords, bringing the total number of signatory countries to 29 (as of the end of September 2023), including Japan and the U.S. The Artemis Accords serve as a guideline for peaceful, friendly, and transparent lunar surface activities under the Artemis Program, which is the manned lunar exploration program pushed forward by the National Aeronautics and Space Administration (“NASA”).

Significant progress has also been achieved within the Japanese government; on June 15, 2021, the Act on Promotion of Business Activities for the Exploration and Development of Space Resources was passed and enacted in the Diet, marking a groundbreaking step forward. The Act permits Japanese private companies to explore and exploit space resources, such as water, minerals, and other natural resources, found on the moon and other celestial bodies, as well as in outer space. Japan has become the fourth country in the world to establish laws to allow private companies to use space resources, after the United States, Luxembourg, and the United Arab Emirates. This paves the way for further promotion of space development and lunar surface exploration is expected.

Under such circumstances, the Group has completed the development of the Mission 1 lunar landers and conducted a launch at Space Launch Complex 40, Cape Canaveral Space Force Station, Florida, at 16:38 on Sunday, December 11, 2022 (Japan Standard Time). From then until April 2023, despite not being able to achieve Success 9 “Completion of lunar landing” out of the 10 success milestones that had been set beforehand, it achieved 8 milestones, up to Success 8 “Completion of all orbit control maneuvers in lunar orbit.” The Company had concluded 'Lunar Insurance' that comprehensively compensates for risks occurring from the launch of the rocket to the landing on the lunar surface but following the failure to confirm the landing on the Moon by the Mission1 lander, the Company received insurance proceeds of JPY 3,793,660,000 under the policy, which was recorded as extraordinary income in the first half of the current financial year. In addition, by analyzing the factors preventing Success 9 from being completed, the Group clarified the points that need to be improved in order to increase the success rate of Mission 2 and subsequent missions. Not only has it achieved these significant milestones of Mission 1, but it has also advanced lander developments for Missions 2 and 3, as well as promoting the acquisition of new customers for its payload services. Furthermore, for the partnership business in which the Group offers customers the rights to use our activities as content, the display of corporate logos on advertising media and access data usage and other rights in packages, and collaborate on technology development and merchandise development, the Company has promoted partnership relationships with existing partner companies, as well as promoted new customer acquisition for HAKUTO-R, which targets up to Mission 2.

As a result, the Group posted net sales of 1,330,045 thousand yen, operating loss of 2,041,072 thousand yen, ordinary loss of 2,257,547 thousand yen and net profit attributable to owners of parent of 1,537,906 thousand yen for the first two quarters of the fiscal year ending March 2024.

Furthermore, operating results by segment are omitted as the Group operates a single segment which is the lunar surface development business.

(2) Financial Position

1) Assets, liabilities and net assets

(Current assets)

The balance of current assets at the end of the second quarter under review was 13,498,976 thousand yen, an increase of 7,768,076 thousand yen from the end of the previous fiscal year. This was mainly attributable to cash on hand and in banks increasing by 8,141,050 thousand yen.

(Non-current assets)

The balance of non-current assets at the end of the second quarter under review was 4,878,945 thousand yen, an increase of 3,416,958 thousand yen from the end of the previous fiscal year. This was mainly attributable to long-term advance payments - trade increasing by 2,468,675 thousand yen.

(Current liabilities)

The balance of current liabilities at the end of the second quarter under review was 7,887,834 thousand yen, an increase of

3,763,838 thousand yen from the end of the previous fiscal year. This was mainly attributable to short-term borrowings increasing by 2,066,662 thousand yen and contract liabilities increasing by 1,550,430 thousand yen.

(Long-term liabilities)

The balance of long-term liabilities at the end of the second quarter under review was 4,877,519 thousand yen, a decrease of 538,977 thousand yen from the end of the previous fiscal year. This was mainly attributable to long-term borrowings decreasing by 824,684 thousand yen.

(Net assets)

The balance of net assets at the end of the second quarter under review was 5,612,568 thousand yen, an increase of 7,960,175 thousand yen from the end of the previous fiscal year. This was mainly attributable to share capital and legal capital surplus increasing by 3,281,720 thousand yen with the public offering and such associated with the new listing. In accordance with the resolution of the Ordinary General Meeting of Shareholders held on June 28, 2023, the Company reduced 8,556,042 thousand yen from legal capital surplus as of June 28, 2023, and transferred the amount to other capital surplus. In addition, the amount transferred to other capital surplus was transferred to retained earnings brought forward to compensate for the deficit.

2) Cash Flows

Cash and cash equivalents (“net cash”) at the end of the period under review amounted to 11,522,986 thousand yen, an increase of 8,141,050 thousand yen from the end of the previous fiscal year.

The status of cash flows in the period under review and their contributing factors are as follows.

(Cash flows from operating activities)

Net cash acquired in operating activities amounted to 374,337 thousand yen. This was mainly attributable to the recording of net income before income taxes of 1,536,112 thousand yen and an increase in long-term advance payments - trade of 2,356,488 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 501,382 thousand yen. This is mainly due to the purchase of property, plant and equipment of 487,299 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 7,807,627 thousand yen. This is mainly due to proceeds from issuance of shares of 6,487,517 thousand yen and proceeds from short-term borrowings of 3,000,000 thousand yen.

(3) Explanations on Consolidated Earnings Forecast and Other Forecast Information

Regarding consolidated earnings forecast, no change has been made to the consolidated earnings forecast for the full fiscal year announced on September 28, 2023, in the Notice of Revision of Full-Year Earnings Forecast.

2. Quarterly Consolidated Financial Statements and Significant Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Second quarter of current fiscal year (As of September 30, 2023)
Assets		
Current assets		
Cash on hand and in banks	3,381,935	11,522,986
Accounts receivable - trade	29,139	16,725
Advance payments - trade	1,745,975	1,486,188
Work in process	107,395	93,738
Other	466,453	379,337
Total current assets	5,730,899	13,498,976
Non-current assets		
Property and equipment	141,757	535,836
Intangible assets	66,087	58,299
Investments and other assets		
Long-term advance payments - trade	1,148,148	4,080,994
Other	105,993	203,814
Total investments and other assets	1,254,141	4,284,809
Total non-current assets	1,461,986	4,878,945
Total assets	7,192,886	18,377,921
Liabilities		
Current liabilities		
Short-term borrowings	1,383,338	3,450,000
Contract liabilities	2,382,279	3,932,710
Other	358,377	505,124
Total current liabilities	4,123,995	7,887,834
Long-term liabilities		
Long-term borrowings	5,395,573	4,570,888
Deferred tax liabilities	20,923	18,626
Other	—	288,003
Total long-term liabilities	5,416,497	4,877,519
Total liabilities	9,540,493	12,765,353

(Unit: thousands of yen)

	Previous fiscal year (As of March 31, 2023)	Second quarter of current fiscal year (As of September 30, 2023)
Net assets		
Shareholders' equity		
Share capital	93,022	3,374,742
Capital surplus	8,556,042	3,281,720
Retained earnings	(11,172,340)	(1,078,392)
Total shareholders' equity	(2,523,276)	5,578,071
Accumulated other comprehensive income (loss)		
Foreign currency exchange adjustments	(25,372)	(166,545)
Total accumulated other comprehensive income (loss)	(25,372)	(166,545)
Share acquisition rights	201,042	201,042
Total net assets	(2,347,606)	5,612,568
Total liabilities and net assets	7,192,886	18,377,921

(2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income (Loss)
 (Quarterly Consolidated Statement of Income (Loss))
 (First two quarters of the fiscal year ending March 2024)

(Unit: thousands of yen)

	First two quarters of the fiscal year ending March 2024 (April 1, 2023 - September 30, 2023)
Net sales	1,330,045
Cost of sales	643,991
Gross profit	686,053
Selling, general and administrative expenses	2,727,126
Operating income (loss)	(2,041,072)
Non-operating income	
Foreign exchange gain (loss)	403,359
Other	4,190
Total non-operating income	407,549
Non-operating expenses	
Interest expense	123,040
Share issuance costs	22,736
Listing expenses	470,789
Other	7,458
Total non-operating expenses	624,024
Ordinary income (loss)	(2,257,547)
Extraordinary income	
Insurance claim income	3,793,660
Total extraordinary income	3,793,660
Income (loss) before income taxes	1,536,112
Income taxes - current	2,194
Income taxes - deferred	(3,988)
Total income taxes	(1,793)
Net income (loss)	1,537,906
Net income (loss) attributable to owners of parent	1,537,906

(Quarterly Consolidated Statement of Comprehensive Income (Loss))
(First two quarters of the fiscal year ending March 2024)

(Unit: thousands of yen)

	First two quarters of the fiscal year ending March 2024 (April 1, 2023 - September 30, 2023)
Net income (loss)	1,537,906
Other comprehensive income (loss)	
Foreign currency exchange adjustments	(141,172)
Total other comprehensive income (loss)	(141,172)
Comprehensive income (loss)	1,396,733
Comprehensive income attributable to	
Comprehensive income (loss) attributable to owners of parent	1,396,733

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	First two quarters of the fiscal year ending March 2024 (April 1, 2023 - September 30, 2023)
Cash flows from operating activities	
Net income before income taxes	1,536,112
Depreciation	36,780
Insurance claim income	(3,793,660)
Interest expenses	123,040
Foreign exchange losses (gains)	(426,457)
Decrease (increase) in trade receivables	16,567
Decrease (increase) in advance payments - trade	328,554
Decrease (increase) in long-term advance payments - trade	(2,356,488)
Increase (decrease) in contract liabilities	1,405,714
Other, net	(155,876)
Subtotal	(3,285,714)
Proceeds from insurance income	3,793,660
Interest and dividends received	2,492
Interest paid	(123,040)
Income taxes paid	(13,061)
Net cash provided by (used in) operating activities	374,337
Cash flows from investing activities	
Purchase of property, plant and equipment	(487,299)
Purchase of intangible assets	(5,613)
Other, net	(8,468)
Net cash provided by (used in) investing activities	(501,382)
Cash flows from financing activities	
Proceeds from short-term borrowings	3,000,000
Repayments of short-term borrowings	(1,083,338)
Repayments of long-term borrowings	(674,684)
Proceeds from issuance of shares	6,487,517
Proceeds from issuance of shares resulting from exercise of share acquisition rights	75,923
Other, net	2,208
Net cash provided by (used in) financing activities	7,807,627
Effect of exchange rate change on cash and cash equivalents	460,468
Net increase (decrease) in cash and cash equivalents	8,141,050
Cash and cash equivalents at beginning of period	3,381,935
Cash and cash equivalents at end of period	11,522,986

(4) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in the Amounts of Shareholders' Equity)

The share capital increased by 3,098,538 thousand yen and legal capital surplus increased by 3,098,538 thousand yen with the issuance of new shares accompanying the listing of the common shares on the Growth Market of the Tokyo Stock Exchange. In addition, share capital increased by 145,220 thousand yen and legal capital surplus increased by 145,220 thousand yen as the Company received payment for the issuance of new shares through third-party allotment concerning the offering of the Company's shares by way of over-allotment, which was resolved at the Board of Directors meetings held on March 8, 2023 and March 27, 2023, on May 10, 2023.

Furthermore, in accordance with the resolution made at the Ordinary General Meeting of Shareholders held on June 28, 2023, the Company reduced 8,556,042 thousand yen from legal capital surplus as of June 28, 2023 and transferred the amount to other capital surplus. In addition, the amount transferred to other capital surplus was transferred to retained earnings brought forward to compensate for the deficit. As a result, capital surplus reduced by 8,556,042 thousand yen and retained earnings increased by 8,556,042 thousand yen.

(Segment Information, etc.)

[Segment Information]

First two quarters of the fiscal year ending March 2024 (April 1, 2023 - September 30, 2023)

Segment information is omitted as the Group operates a single segment which is the lunar surface development business.

(Significant Subsequent Events)

A borrowing of large amount of funds

ispace, inc. made a resolution at the Board of Directors' meeting held on November 10, 2023 and concluded Loan agreement on the same date, to borrow funds for research and development as follows.

- | | |
|-------------------------|-----------------------------|
| (1) Lender | Mizuho Bank, Ltd. |
| (2) Borrowing amount | 2,000 million yen |
| (3) Interest rate | Base interest rate + spread |
| (4) Drawdown date | November 14, 2023 |
| (5) Repayment date | August 31, 2026 |
| (6) Collateral | Unsecured and unguaranteed |
| (7) Financial covenants | |

- 1) The total amount of net assets indicated in the consolidated balance sheet at the end of each quarterly consolidated accounting period should be maintained positive.
- 2) The total amount of cash on hand and in banks indicated in the consolidated balance sheet at the end of each quarterly consolidated accounting period should be maintained at 3 billion yen or more.

3. Others

Significant Events, etc. Going Concern Assumption

The space related business in which the Group is engaged is expected to expand globally at a rapidly accelerating rate, requiring the urgent establishment of necessary technologies to keep up with the trajectory of the industry. As the Group is engaged in developments of space related equipment that require a large amount of upfront research and development investment and a long-term development period, the Company is not generating revenue to compensate for all such development investments, and has recorded continuous operating losses and negative operating cash flow. Therefore, as of the end of the second quarter, there are events or circumstances that could raise significant doubt regarding the ability of the Group to operate as a going concern. The Group will work on the following significant issues until such events or circumstances are resolved and stable business earnings are generated.

However, as the Group is implementing measures to resolve such significant events or circumstances, the Group has determined that there are no significant uncertainty regarding its ability to operate as a going concern.

(1) Promotion of Research and Development

Mission 1 which is completed, and Mission 2 which is planned for 2024, are both planned as R&D missions. Subsequent third launch mission, while securing launching opportunities by launch service providers, the Group will steadily advance the development of lunar surface landers and lunar rovers by strictly managing development schedule and development cost as well as development quality.

(2) Customer Development

The landers and rovers required for the Company to achieve business earnings are under development. The global market in which the Company anticipates business earnings is in its pioneer days. The Company has currently confirmed potential orders from customers in the research and development missions and will continue to cultivate a sustainable customer market over the medium to long term to stabilize business earnings.

(3) Securing Human Resources

The Company is continuously hiring human resources with advanced expertise and capabilities in various development fields in Japan and overseas to pursue research and development of landers and rovers.

Additionally, the Company will continue to engage in preparing an environment that enables each human resource to demonstrate their full abilities in the organization in which the number of employees is rapidly expanding.

(4) Establishing and Appropriately Managing Internal Control Responding to Growth

The Company will continue to establish and appropriately manage internal controls responding to its growth, such as organizing necessary operational processes, financial and accounting structure, labor management, and subsidiary management, for the Group to continuously expand business in the future.

(5) Securing Funds for Achieving Growth over Medium to Long Term

Continuing to achieve missions in the future is essential for the Company to aspire to stable business earnings. It is also important to consistently secure the necessary funds to do so. The Company has so far procured funds by methods that include unsecured convertible-bond-type bonds with share acquisition rights, third-party allotment of shares, borrowings from financial institutions, crowdfunding and public offering, and will consider the possibilities of flexible fund procurements to promote the missions in the future.

In addition, the Company is party to an insurance contract with Mitsui Sumitomo Insurance Company, Limited for Mission 1, and as Success 9 and 10 out of the 10 success milestones set for Mission 1 were not achieved, the Company received an insurance payment of 3,793,660 thousand yen on August 18, 2023.