

Translation

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Consolidated Financial Results for the First Two Quarters of the Fiscal Year Ending March 31, 2025
[Japanese GAAP]

November 12, 2024

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 Scheduled date for filing November 12, 2024 Scheduled date for commencing -
 quarterly securities report: dividend payments:
 Preparation of supplementary materials on quarterly financial results: Yes
 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, 2025

(from April 1, 2024 to September 30, 2024)

(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, 2024	1,342	(0.9)	(3,734)	—	(5,790)	—	(6,391)	—
First two quarters ended September 30, 2023	1,330	—	(2,041)	—	(2,257)	—	1,537	—

(Note) Comprehensive income (loss)

First two quarters ended September 30, 2024: -4,387Millions of yen (-%)

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

	Basic net income (loss) per share	Diluted net income (loss) per share
	Yen	Yen
First two quarters ended September 30, 2024	(68.59)	-
First two quarters ended September 30, 2023	19.19	17.97

(Note) 1. Diluted net income per share for the first two quarters ended September 30, 2024, is not shown in the above table, because although there are residual shares, the Company posted an interim net loss per share.

2. Since the Company's stock was listed on the growth market of the Tokyo Stock Exchange on April 12, 2023, diluted net income per share for the first two quarters ended September 30, 2023, is calculated by considering the average share price from the initial listing date to the end of the current interim period as the average share price during the period.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	Millions of yen	Millions of yen	%
First two quarters ended September 30, 2024	28,545	5,383	18.9
Fiscal year ended March 31, 2024	27,033	9,745	36.0

(Reference) Equity

First two quarters ended September 30, 2024: 5,382 Millions of yen

Fiscal year ended March 31, 2024: 9,744 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, 2024	—	—	—	0.00	0.00
Fiscal year ending March 31, 2025	—	0.00			
Fiscal year ending March 31, 2025 (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, 2025 (from April 1, 2024 to March 31, 2025)

(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	4,033	71.1	(13,165)	—	(12,462)	—	(12,466)	—	(133.79)

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

*Explanatory notes

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

(2) Application of accounting treatments specific to the preparation of interim 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 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, 2024	93,289,243 shares	As of March 31, 2024	93,131,903 shares
2) Number of treasury shares at the end of the period	As of September 30, 2024	55 shares	As of March 31, 2024	55 shares
3) Average number of shares during the period (cumulative from the beginning of the fiscal year)	As of September 30, 2024	93,179,695 shares	As of September 30, 2023	80,152,238 shares

* This summary of financial results is not subject to 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 3 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 result briefing session for institutional investors and securities analysts on November 12, 2024 (Tuesday) 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 its vision of "Expand our planet. Expand our future."

During the consolidated fiscal year under review, the outlook for the global economy remained uncertain due to inflation caused by soaring prices and the unstable currency fluctuations, while tensions continued to mount in various regions.

Despite such circumstances, in the field of space resource development, where our Company belongs, the National Aeronautics and Space Administration (NASA) has announced that four countries (Dominican Republic, Estonia, Republic of Cyprus, Chile) has newly signed the "Artemis Accords," a guideline for peaceful, friendly, and transparent activities on the Moon from the first quarter of the current consolidated fiscal year. A total of 47 countries and regions (as of October 31, 2024) including Japan and the U.S. have signed the Artemis Accords, which continue to show active progress.

The Japanese government has also secured a larger budget related to aerospace than in the past and is accelerating its efforts to encourage private companies and other organizations in the space field. In November 2023, the Cabinet decided to establish a 10-year "Space Strategy Fund" at the Japan Aerospace Exploration Agency (JAXA) to support multi-year development, demonstration, and commercialization of advanced technologies in the space sector by private companies and universities, aiming to provide a total of 1 trillion yen in support. For FY2024, the first phase of the Fund, a total of 22 technology development themes have been set for space transportation, satellites, exploration, and other fields under a total budget of 300 billion yen. The themes have been opened for public solicitation from July 2024, and as of the end of October 2024, the results of the two themes for "Innovative Lightweight, High Performance and Cost Reduction Technologies for Space Transportation" have been released.

With such developments as a background, SpaceX has defined an updated launch window for our Mission 2 for no earlier than January 2025, while the final environmental test of the lunar lander "RESILIENCE lander" progressed smoothly. Micro rover to be used for the mission has been installed, and the RESILIENCE lander is scheduled to be transported to the launch site in mid-November for the upcoming launch. For Mission 2, the Company has concluded contracts from three private companies, one university and one art project for the transportation of payloads totaling US\$16 million, and will continue to recognize sales under this contract for the completion of the mission next spring or later. In the partnership business, in which the rights to use ispace's activities as content, logo mark exposure in advertising media, data usage rights, etc. are sold as a package and collaboration in terms of technology and product development is conducted, Sumitomo Mitsui Banking Corporation was appointed as an official partner of "HAKUTO-R," which covers up to Mission 2, and Kurita Water Industries Ltd. and JINS Inc. were appointed as corporate partner aiming for the success of Mission 2 with a total of 22 partners.

Our U.S. entity is making steady progress in the development of the "APEX 1.0 Lander", aiming for a launch in 2026, which will be our Mission 3. Our U.S. entity is a member of the team led by the Charles Stark Draper Laboratory, the NASA contracting entity and has been awarded Task Order CP-12 under NASA's Commercial Lunar Payload Services (CLPS) program. The largest sales from Mission 3 are indirect sales from NASA, and these sales have been recorded continuously during the current interim consolidated accounting period. In addition, the headquarters of the U.S. entity in Denver, Colorado, has opened a new mission control room, and a full-scale mockup of the "APEX 1.0 Lander" to be used for Mission 3 was unveiled for the first time at the 75th International Astronautical Congress. The preparations for the implementation of a series of commercial missions by the U.S. subsidiary are also being made.

As a result, the Group posted net sales of 1,342,166 thousand yen (increase 0.9% year-on-year), operating loss of 3,734,268 thousand yen (operating loss of 2,041,072 thousand yen in the same period of the previous fiscal year), ordinary loss of 5,790,602 thousand yen (ordinary loss of 2,257,547 thousand yen in the same period of the previous fiscal year) and net loss attributable to owners of parent of 6,391,573 thousand yen (net loss attributable to owners of parent of 1,537,906 thousand yen in the same period of the previous fiscal year) for the first two quarters of the fiscal year ending March 2025.

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 consolidated quarter under review was 22,527,038 thousand yen, an increase of 742,163 thousand yen from the end of the previous consolidated fiscal year. This was mainly attributable to an increase of 1,393,291 thousand yen in advance payments.

(Non-current assets)

The balance of non-current assets at the end of the second consolidated quarter under review was 6,018,772 thousand yen, an increase of 770,202 thousand yen from the end of the previous consolidated fiscal year. This was mainly attributable to an increase of 892,755 thousand yen in construction in progress.

(Current liabilities)

The balance of current liabilities at the end of the second consolidated quarter under review was 9,081,239 thousand yen, a decrease of 1,422,097 thousand yen from the end of the previous consolidated fiscal year. This was mainly attributable to a decrease of 1,726,789 thousand yen in short-term borrowings and increase of 568,393 thousand yen in contract liabilities.

(Long-term liabilities)

The balance of long-term liabilities at the end of the second consolidated quarter under review was 14,081,520 thousand yen, an increase of 7,296,668 thousand yen from the end of the previous consolidated fiscal year. This was mainly attributable to an increase of 7,292,425 thousand yen in long-term borrowings.

(Net assets)

The balance of net assets at the end of the second consolidated quarter under review was 5,383,051 thousand yen, a decrease of 4,362,205 thousand yen from the end of the previous consolidated fiscal year. This was mainly due to a decrease in retained earnings of 6,391,573 thousand yen.

② Cash flows

Cash and cash equivalents ("net cash") at the end of the period under review amounted to 16,012,721 thousand yen, a decrease of 820,171 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 5,325,428 thousand yen. This was mainly attributable to the recording of 6,388,327 thousand yen in loss before income taxes and 569,127 thousand yen increase in long-term advances.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,053,725 thousand yen. This is mainly due to the purchase of property, plant and equipment of 887,098 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 5,267,767 thousand yen. This is mainly due to proceeds from long-term borrowing of 11,675,000 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 consolidated fiscal year announced on May 10, 2024, in the Notice of Revision of Full-Year Earnings Forecast.

(4) 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 second quarter of the fiscal year ending March 31, 2025, 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 is no significant uncertainty regarding its ability to operate as a going concern.

(i) Promotion of Research and Development

For Mission 2, which is a R&D mission, Mission 3, which will be the first launch in the U.S., and Mission 6, which will use a new lander model for commercial use in Japan, we will secure launch opportunities by launch operators and strictly manage development schedules, development costs, and development quality to ensure that the development of the lander and rover will steadily proceed.

(ii) Customer development

The lander and rover 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 contracts from customers in the research and development missions and will continue to cultivate a sustainable market over the medium to long term to stabilize business earnings.

(iii) 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.

(iv) 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.

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

Continuing to perform 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 has concluded an insurance contract with Mitsui Sumitomo Insurance Company, Limited for Mission 1 and has received insurance benefits. The Company recognizes that risk reduction through insurance is one of the ways to ensure financial security and is considering the use of insurance for Mission 2 and beyond.

Regarding borrowings from financial institutions, in July 2022, the Company concluded a syndicated loan agreement totaling 5 billion yen with Sumitomo Mitsui Banking Corporation as the arranger, Mizuho Bank, Ltd., MUFG Bank, Ltd., The Shoko Chukin Bank, Ltd. as core arranger and The Shizuoka Bank, Ltd as participating financial institutions. In the fiscal year ended March 31, 2024, we concluded loan agreements totaling 7.5 billion yen with several banks, and in April 2024, we concluded a loan agreement totaling 7 billion yen, including refinancing, with Sumitomo Mitsui Banking Corporation. In July 2024, the Company entered into a syndicated loan agreement totaling 10 billion yen, including refinancing, with Sumitomo Mitsui Banking Corporation as arranger, Mizuho Bank, Ltd. as core arranger, and The Shoko Chukin Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, SBI Shinsei Bank, Limited, Aozora Bank, Ltd. and Resona Bank, Ltd. as participating financial institutions.

In addition, as described in “4. Notes to Interim Consolidated Financial Statements (Significant Subsequent Events),” the Company entered into an Equity Program Agreement with CVI Investments, Inc. in October 2024 to issue new shares and stock acquisition rights through a third-party allotment.

2. Interim Consolidated Financial Statements and Significant Notes

(1) Interim Consolidated Balance Sheet

(Unit: Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Second quarter of current consolidated fiscal year (As of September 30, 2024)
Assets		
Current assets		
Cash on hand and in banks	14,315,411	13,153,729
Restricted cash	2,517,482	2,858,992
Notes, accounts receivable and contract assets	20,081	18,238
Advance payments - trade	4,228,814	5,622,105
Work in process	274,770	369,135
Other current assets	428,315	504,837
Total current assets	21,784,875	21,527,038
Non-current assets		
Property and equipment	2,462,819	3,480,697
Intangible assets	72,634	104,197
Investments and other assets		
Long-term advance payments - trade	2,560,754	2,310,282
Other assets	152,360	123,595
Total investments and other assets	2,713,114	2,433,877
Total non-current assets	5,248,569	6,018,772
Total assets	27,033,444	28,545,810
Liabilities		
Current liabilities		
Short-term borrowings	5,980,000	4,253,210
Contract liabilities	3,190,172	3,758,565
Other current liabilities	1,333,164	1,069,463
Total current liabilities	10,503,337	9,081,239
Non-current liabilities		
Long-term borrowings	6,538,241	13,830,666
Other non-current liabilities	246,609	250,853
Total non-current liabilities	6,784,851	14,081,520
Total liabilities	17,288,188	23,162,759

(Unit: Thousands of yen)

	Previous consolidated fiscal year (As of March 31, 2024)	Second quarter of current consolidated fiscal year (As of September 30, 2024)
Net assets		
Shareholders' equity		
Common stock	7,775,500	7,787,963
Capital surplus	7,682,478	7,694,941
Retained earnings	(4,982,563)	(11,374,137)
Treasury stock	(65)	(65)
Total shareholders' equity	10,475,350	4,108,703
Accumulated other comprehensive income		
Foreign currency translation adjustment	(731,024)	(1,273,445)
Total accumulated other comprehensive income	(731,024)	(1,273,445)
Stock acquisition rights	930	902
Total net assets	9,745,256	5,383,051
Total liabilities and net assets	27,033,444	28,545,810

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

(Unit: Thousands of yen)

	First two quarters of the fiscal year ended March 2024 (April 1, 2023 - September 30, 2023)	First two quarters of the fiscal year ending March 2025 (April 1, 2024 - September 30, 2024)
Net sales	1,330,045	1,342,166
Cost of sales	643,991	1,137,441
Gross profit	686,053	204,725
Selling, general and administrative expenses	2,727,126	3,938,994
Operating income (loss)	(2,041,072)	(3,734,268)
Non-operating income		
Interest income	2,491	24,576
Foreign exchange gains	403,359	—
Miscellaneous income	1,697	32,324
Other	0	1,305
Total non-operating income	407,549	58,205
Non-operating expenses		
Interest expense	123,040	422,244
Foreign exchange losses	—	1,364,567
Share issuance costs	22,736	—
Listing expenses	470,789	—
Other	7,458	327,726
Total non-operating expenses	624,024	2,114,539
Ordinary loss	(2,257,547)	(5,790,602)
Extraordinary gains		
Insurance claim income	3,793,660	—
Total extraordinary gains	3,793,660	—
Extraordinary losses		
Loss on retirement of non-current assets	—	923
Impairment loss	—	596,801
Total extraordinary losses	—	597,725
Income (loss) before income taxes	1,536,112	△6,388,327
Income taxes - current	2,194	3,246
Income taxes - deferred	(3,988)	—
Total income taxes	(1,793)	3,246
Net income (loss)	1,537,906	(6,391,573)
Net income (loss) attributable to owners of parent	1,537,906	(6,391,573)

(Interim Consolidated Statement of Comprehensive Income (Loss))

(Unit: Thousands of yen)

	First two quarters of the fiscal year ended March 2024 (April 1, 2023 - September 30, 2023)	First two quarters of the fiscal year ending March 2025 (April 1, 2024 - September 30, 2024)
Net income (Loss)	1,537,906	(6,391,573)
Other comprehensive income (loss)		
Foreign currency translation adjustment	(141,172)	2,004,470
Total other comprehensive income (loss)	(141,172)	2,004,470
Comprehensive income (loss)	1,396,733	(4,387,102)
(Breakdown)		
Comprehensive income attributable to owners of parent	1,396,733	(4,387,102)

(3) Interim Consolidated Statement of Cash Flows

(Unit: thousands of yen)

	First two quarters of the fiscal year ended March 2024 (April 1, 2023 - September 30, 2023)	First two quarters of the fiscal year ending March 2025 (April 1, 2024 - September 30, 2024)
Cash flows from operating activities		
Net income before income taxes	1,536,112	(6,388,327)
Depreciation	36,780	54,960
Impairment loss	—	596,801
Insurance claim income	(3,793,660)	—
Interest expenses	123,040	422,244
Fees and commissions	—	321,250
Foreign exchange losses (gains)	(426,457)	1,396,584
Decrease (increase) in trade receivables	16,567	1,842
Decrease (increase) in advance payments - trade	328,554	(35,412)
Decrease (increase) in long-term advance payments - trade	(2,356,488)	(569,127)
Increase (decrease) in contract liabilities	1,405,714	340,344
Other, net	(155,876)	(1,058,537)
Subtotal	(3,285,714)	(4,917,377)
Proceeds from insurance income	3,793,660	—
Interest and dividends received	2,492	24,576
Interest paid	(123,040)	(427,481)
Income taxes paid	(13,061)	(5,146)
Net cash provided by (used in) operating activities	374,337	(5,325,428)
Cash flows from investing activities		
Purchase of property, plant and equipment	(487,299)	(887,098)
Purchase of intangible assets	(5,613)	(72,958)
Other, net	(8,468)	(93,668)
Net cash provided by (used in) investing activities	(501,382)	(1,053,725)
Cash flows from financing activities		
Proceeds from short-term borrowings	3,000,000	5,000,000
Repayments of short-term borrowings	(1,083,338)	(8,451,063)
Proceeds from long-term borrowings	—	11,675,000
Repayments of long-term borrowings	(674,684)	(2,983,300)
Proceeds from issuance of shares	6,487,517	—
Proceeds from issuance of shares resulting from exercise of share acquisition rights	75,923	24,925
Other, net	2,208	2,206
Net cash provided by (used in) financing activities	7,807,627	5,267,767
Effect of exchange rate change on cash and cash equivalents	460,468	291,213
Net increase (decrease) in cash and cash equivalents	8,141,050	(820,171)
Cash and cash equivalents at beginning of period	3,381,935	16,832,893
Cash and cash equivalents at end of period	11,522,986	16,012,721

(4) Notes to Interim Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Notes to Interim Consolidated Balance Sheets)

Financial Covenants

Previous consolidated fiscal year (March 31, 2024)

(1) Of the borrowings at the end of the consolidated fiscal year, syndicated loan contracts between the Company and several financial institutions contain the following financial covenants.

Contract on July 26, 2022 (balance at the end of the previous consolidated fiscal year: 4,038,241 thousand yen)

1) The total amount of net assets indicated in the consolidated balance sheet at the end of each consolidated fiscal year 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 consolidated fiscal year should be maintained at 3 billion yen or more.

(2) Of the borrowings at the end of the consolidated fiscal year, a special overdraft agreement between the Company and a correspondent bank contains the following financial covenants.

Contract on August 30, 2023 (balance at the end of the previous consolidated fiscal year: 3,000,000 thousand yen)

1) The total amount of net assets in the consolidated balance sheets as of the end of each quarterly consolidated accounting period shall be maintained at a positive value.

2) The total amount of cash on hand and in banks indicated in the consolidated balance sheets as of the end of each quarter at 3 billion yen or more.

(3) Of the borrowings at the end of the consolidated fiscal year, loan agreement between the Company and a correspondent bank contains the following financial covenants.

Contract on November 10, 2023 (balance at the end of the current consolidated fiscal year: 2,000,000 thousand yen)

1) The total amount of net assets in the consolidated balance sheets as of the end of each quarterly consolidated accounting period shall be maintained at a positive value.

2) The total amount of cash on hand and in banks indicated in the consolidated balance sheets as of the end of each quarter at 3 billion yen or more.

(4) Of the borrowings at the end of the consolidated fiscal year, the overdraft agreement between the Company and a correspondent bank contains the following financial covenants.

Contract on January 29, 2024 (balance at the end of the current consolidated fiscal year: 2,000,000 thousand yen)

1) The total amount of net assets indicated in the consolidated balance sheet at the end of each consolidated fiscal year 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 consolidated fiscal year should be maintained at 3 billion yen or more.

First two quarters of the fiscal year ending March 31, 2025 (September 30, 2024)

(1) Of the borrowings at the end of the First two quarters of the fiscal year ending March 31, 2025, syndicated loan contracts between the Company and several financial institutions contain the following financial covenants.

Contract on July 26, 2022 (balance at the end of the First two quarters of the fiscal year ending March 31, 2025: 1,723,210 thousand yen)

1) The total amount of net assets indicated in the consolidated balance sheet at the end of each consolidated fiscal year 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 consolidated fiscal year should be maintained at 3 billion yen or more.

(2) Of the borrowings at the end of the First two quarters of the fiscal year ending March 31, 2025, loan agreement between the Company and a correspondent bank contains the following financial covenants.

Contract on November 10, 2023 (balance at the end of the First two quarters of the fiscal year ending March 31, 2025: 1,331,730 thousand yen)

1) The total amount of net assets in the consolidated balance sheets as of the end of each quarterly consolidated accounting period shall be maintained at a positive value.

2) The total amount of cash on hand and in banks indicated in the consolidated balance sheets as of the end of each quarter at 3 billion yen or more.

(3) Of the borrowings at the end of the First two quarters of the fiscal year ending March 31, 2025, the overdraft agreement between the Company and a correspondent bank contains the following financial covenants.

Contract on January 29, 2024 (balance at the end of the First two quarters of the fiscal year ending March 31, 2025: 2,000,000 thousand yen)

1) The total amount of net assets indicated in the consolidated balance sheet at the end of each consolidated fiscal year 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 consolidated fiscal year should be maintained at 3 billion yen or more.

(4) Of the borrowings at the end of the First two quarters of the fiscal year ending March 31, 2025, loan agreement between the Company and a correspondent bank contains the following financial covenants.

Contract on April 25, 2024 (balance at the end of the First two quarters of the fiscal year ending March 31, 2025: 1,998,936 thousand yen)

1) The total amount of net assets indicated in the consolidated balance sheet at the end of each consolidated fiscal year 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 consolidated fiscal year should be maintained at 3 billion yen or more.

(5) Of the borrowings at the end of the First two quarters of the fiscal year ending March 31, 2025, loan agreement between the Company and a correspondent bank contains the following financial covenants.

Contract on July 26, 2024 (balance at the end of the First two quarters of the fiscal year ending March 31, 2025: 10,000,000 thousand yen)

1) The total amount of net assets indicated in the consolidated balance sheet at the end of each consolidated fiscal year 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 consolidated fiscal year should be maintained at 3 billion yen or more.

(Segment Information, etc.)

I First two quarter of the previous consolidated fiscal year(from April 1, 2023 to September 30, 2023)

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

II First two quarters of the fiscal year ending March 31, 2025(from April 1, 2024 to September 30, 2024)

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

(Significant Subsequent Events)

(Issuance of New Shares and Stock Acquisition Rights by way of Third-Party Allotment)

The Company resolved, at a meeting of its Board of Directors held on October 11, 2024, to enter into an equity program agreement with CVI Investments, Inc. managed by Heights Capital Management, Inc., a U.S. institutional investor for the issuance of new common shares and the 14th series of stock acquisition rights by way of third-party allotment to the allottee as the first issue under the equity program agreement. The first payment procedures for the Third-Party Allotment were completed on October 28, 2024.

1. Overview of the first common shares issuance regarding the third party allotment

(1) Scheduled Issuance Date	October 28, 2024
(2) Number of Shares Issued	Common shares 2,750,000 shares
(3) Issue price	602 yen per share
(4) Amount of Funds to be Raised	1,655,500,000 yen
(5) Method of Offering or Allotment	To be conducted by means of third-party allotment
(6) Allottee	CVI Investments, Inc.
(7) Amount of capital and capital reserve to be increased	Capital stock 827,750,000 yen Capital reserve 827,750,000 yen
(8) Use of Funds	Funds for investment in and financing of the Company's U.S. entity

2. Overview of the first stock acquisition right issuance regarding the third party allotment

(1) Allotment Date	October 28, 2024
(2) Total Number of Stock Acquisition	27,500 units (100 shares per stock acquisition right)
(3) Issue Price	828 yen per stock acquisition right
(4) Number of Potential Shares from this Issuance	Common shares 2,750,000 shares
(5) Amount of Funds to be Raised	2,228,270,000 yen (Breakdown) Amount from Issuance of Stock Acquisition Rights: 22,770,000 yen Amount from Exercise of Stock Acquisition Rights: 2,205,500,000 yen
(6) Exercise Price	802 yen per share
(7) Exercise Period	From October 29, 2024, to October 28, 2028
(8) Method of Offering or Allotment	To be conducted by means of third-party allotment
(9) Allottee	CVI Investments, Inc.
(10) Amount of capital and capital reserve to be increased	Capital stock 1,114,135,000 yen Capital reserve 1,114,135,000 yen
(11) Use of Funds	Funds for the development of Mission 6, which is not eligible for subsidy Funds for investment in and financing of the Company's U.S. entity for Mission 4

(Note) The amount of funds raised will decrease if the stock acquisition rights are not exercised within the exercise period or if the Company cancels the stock acquisition rights.