ispace inc.

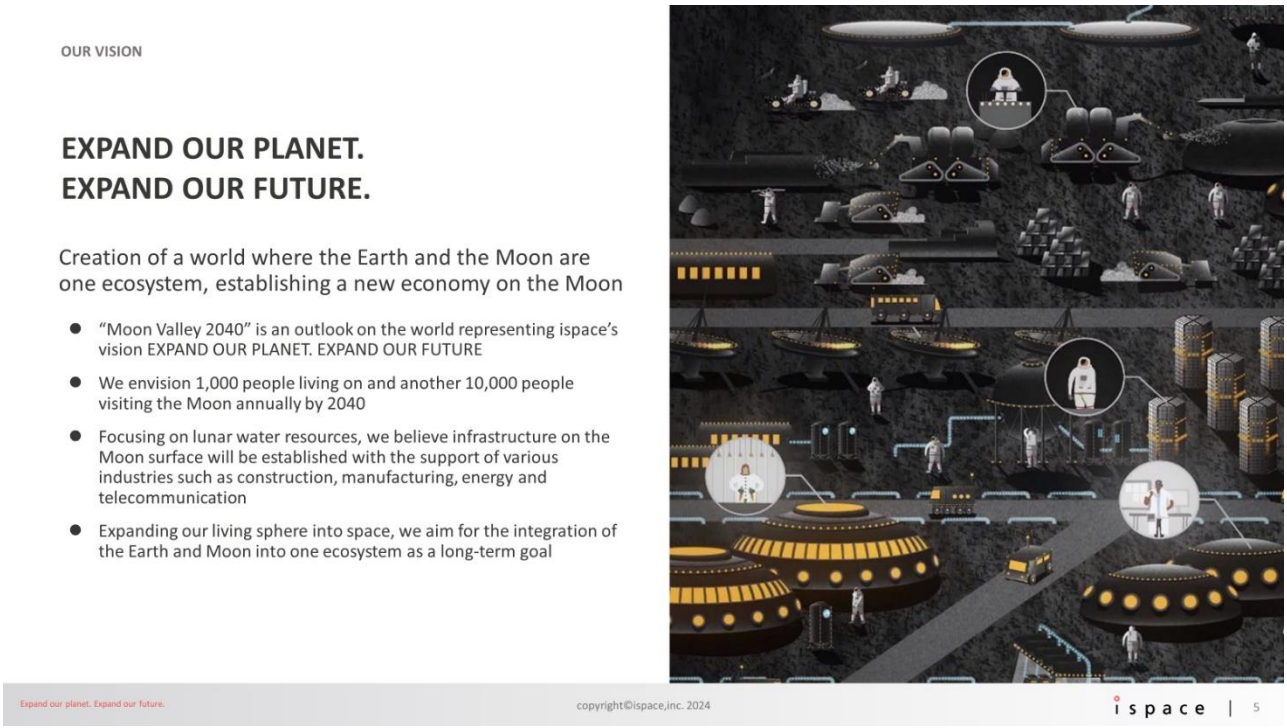
Transcript of Financial Results Briefing for FY2023 Q3

February 21, 2024

Takeshi Hakamada: Hello I am Takeshi Hakamada, Representative Director and CEO. Welcome and thank you for your time to attend ispace financial briefing for the third quarter of the fiscal year ending March 2024.

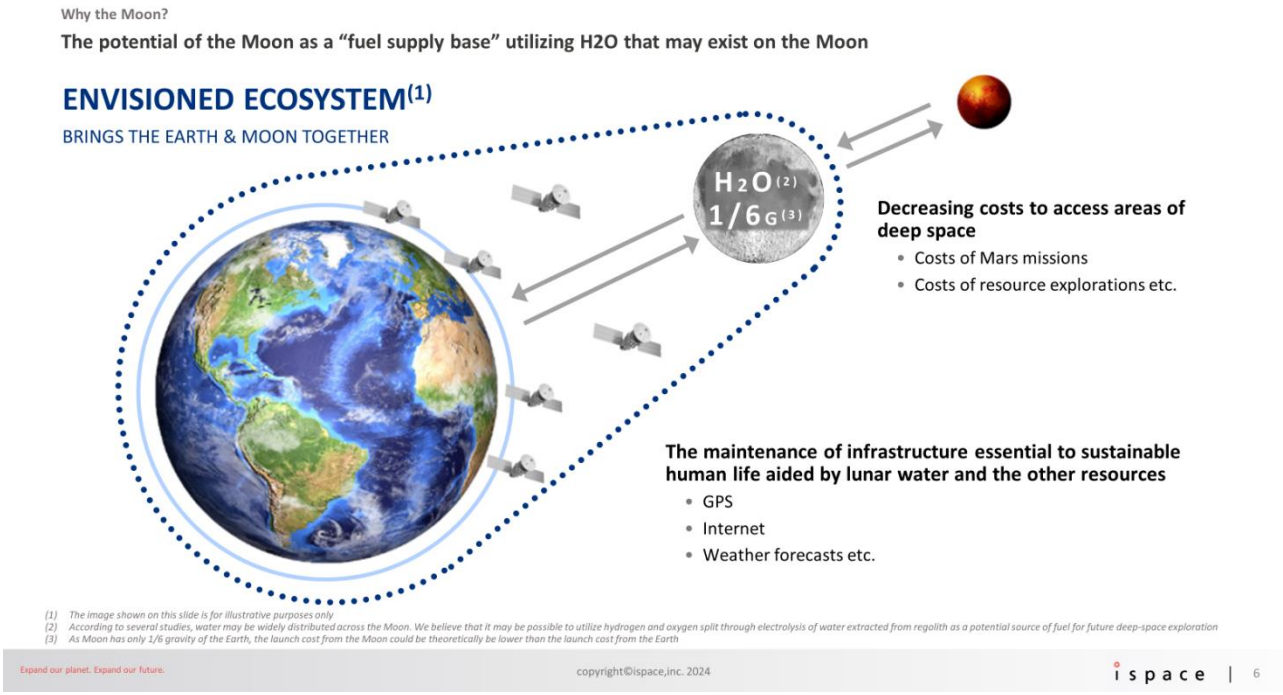
At the beginning of this presentation, I will once again give our business overview, as this is the first year of our listing, followed by the explanation of Q3 business highlights. Then, CFO Nozaki will present Q3 financial highlights and KPI progress. After the presentation, we would like to have a Q&A session.

Business Overview of ispace



Takeshi Hakamada: Many of you might already know about our company and business, however, since we have just listed on the Growth Market of the Tokyo Stock Exchange this fiscal year, let me again provide a brief overview of our business for attendees who are not familiar with ispace.

Our vision is to expand our living sphere into outer space and create a world where the Earth and the Moon are one ecosystem. We have a concept called "Moon Valley 2040" to realize this vision. We envision that after 2040 about 1,000 people live and work on the Moon and create an economy, and 10,000 people travel between the Earth and the Moon every year. We are aiming to contribute to the realization of this world.

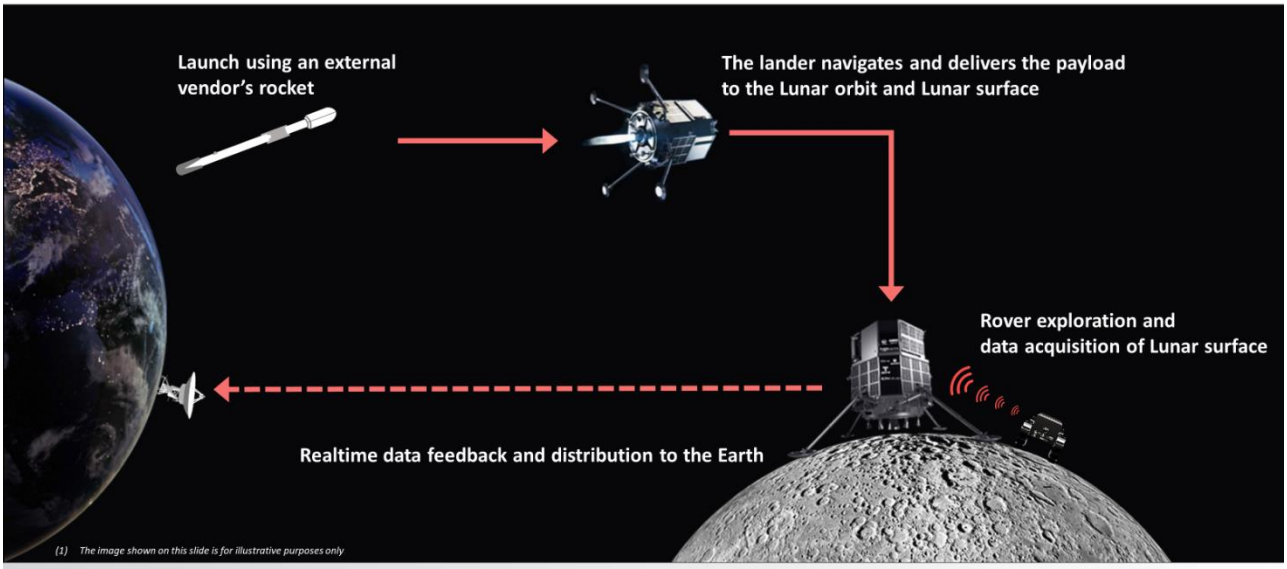


Takeshi Hakamada: Why "the Moon" in the first place? How is it possible to create an economy on the Moon? It's because there is water on the Moon. The liquid hydrogen and liquid oxygen produced by separating lunar water can be used as propellant for rockets and spacecrafts. Once we can deploy gas stations in space for refueling, we can significantly reduce the cost of space transportation. This is because the Moon has only about 1/6th the gravity of the Earth and we can transport into space with far less energy than the Earth. As a result, we can improve the economic rationale compared to what it is today.

If we can reduce the transportation cost in space, we can access Mars, asteroids, and other areas known as "deep space". This would expand the possibilities for humanity, increasing our activities beyond the Earth and benefit, from further acquisition of space resources, for example. At the same time, more importantly, it will also help ensure the sustainability of the Earth itself. We are becoming increasingly dependent on space infrastructure, including GPS, and communications that supports modern life on the Earth now and in the future. In order to maintain this space infrastructure in an economically reasonable manner, space resource utilization is key. We are going to outer space and the Moon since we want to continue living on the Earth. ispace wants to become a pioneer in building a new society that extends into space.

Business area

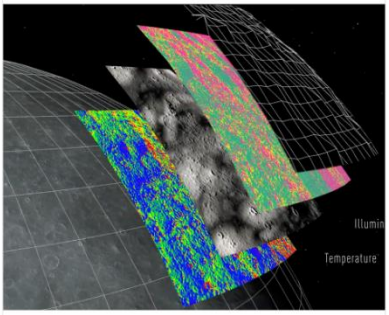
The lander developed by ispace is launched into outer space on an external vendor's rocket. After the lander navigates on its own to the lunar surface, the plan is for the lander and rover to explore and acquire data from lunar surface



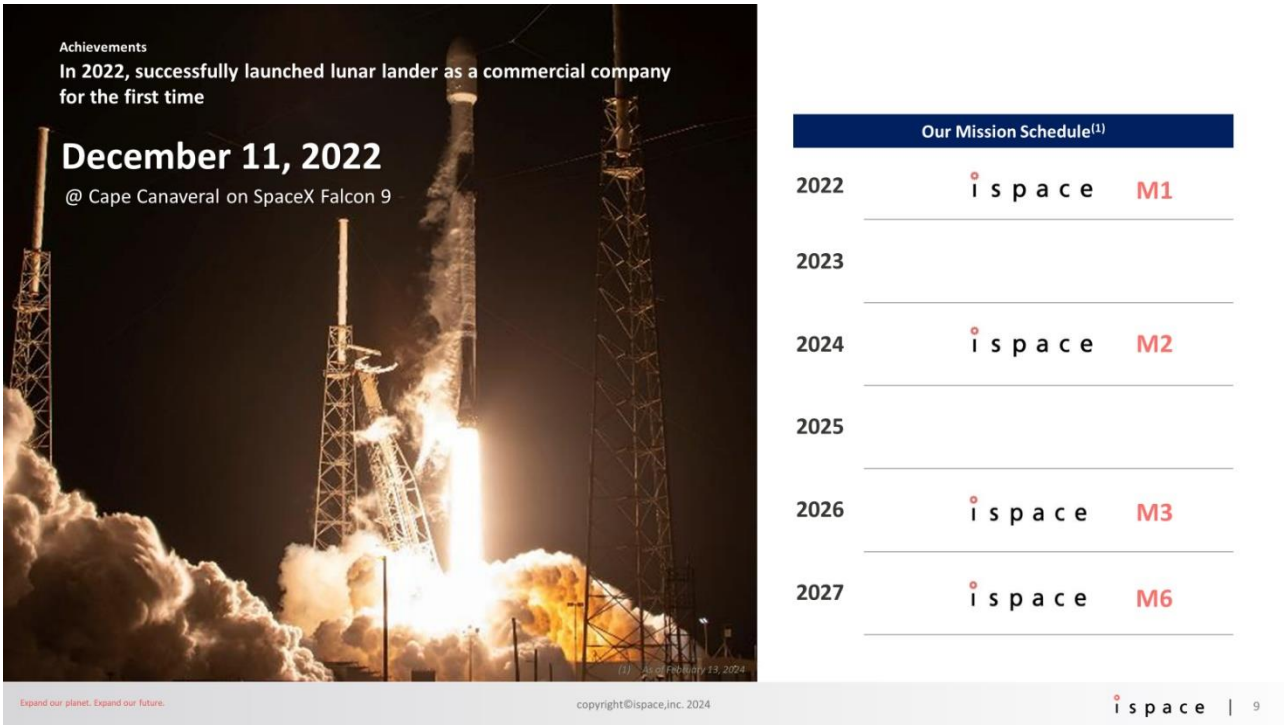
Takeshi Hakamada: ispace is developing a lunar lander and providing services to transport customer cargo (called a payload) to the Moon. This is a general mission overview. First, the lander will be launched from the Earth into space using a commercially available launch service, such as SpaceX. Then, the lander is deployed from the rocket and uses its own engines to navigate through space and deliver customer payloads to lunar orbit or to the lunar surface. After landing on the Moon, the lander and lunar rover will acquire lunar surface data and send it back to the Earth.

Core service

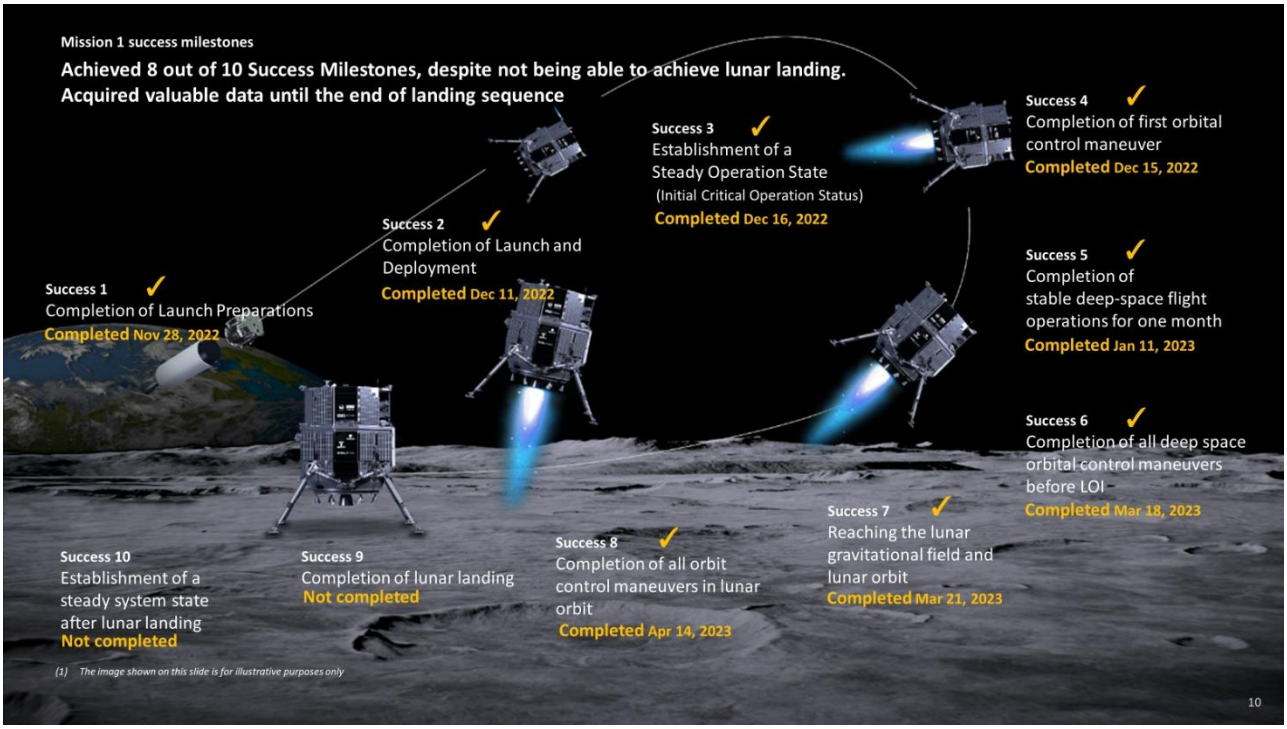
Payload service and Partnership service are the current business pillars of ispace. We plan to establish Data service in the future

Payload service	Data service	Partnership service
		
Transport customers' payload to the Moon. Customers will acquire significant data from payload, by conducting experiments as needed	Customers are expected to acquire significant data from payloads developed by ispace. Access to the database accumulated through high frequency missions will be provided to customers in the future (Net Sales have not been recorded yet as of Q3 of Fiscal Year Ending March 2024)	Supporting customers' marketing by posting their logo on the lander and rover of ispace. Also, each company will collaborate with ispace from various perspectives that include technical or business perspectives

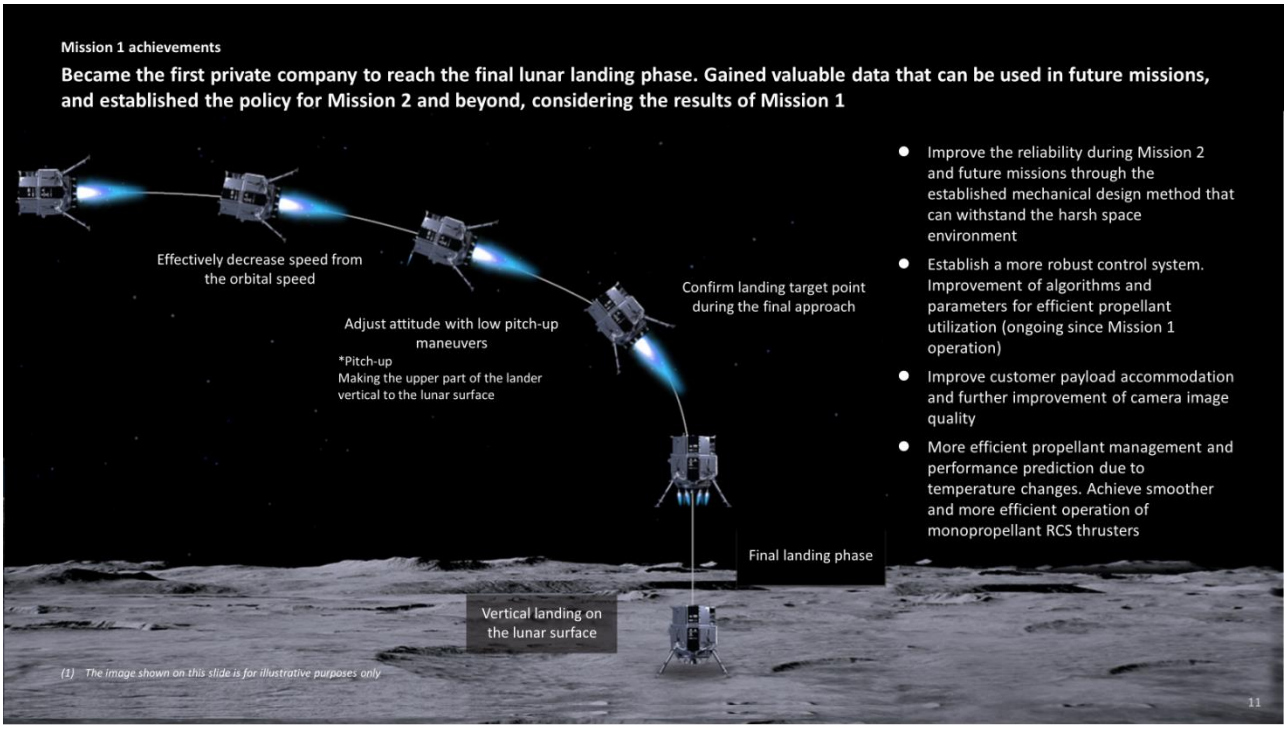
Takeshi Hakamada: We have three major services to customers utilizing the infrastructure to transport payloads to the Moon. First, a payload service to transport customers' cargo, payloads, to the Moon. Our reference pricing for this service is based on a customer payload price of 1.5M USD/kg on the lander for payloads delivered to the lunar surface. The second one is the data service. Customers can buy the data that ispace obtained from our internal payloads. In the future, we plan to conduct high frequency missions, two to three missions per year, to acquire a variety of data sets, and we plan to provide customers with access to our database. The third one is our partnership service. This is our longest-running business, which we have been working on since we participated in the Google Lunar XPRIZE. We place our sponsor logos on the ispace lander and rover and receive sponsorship fees in exchange for marketing support and technical and business development collaboration with our sponsors. We have already recorded revenues of the partnership and payload services, and we further plan to accelerate the payload service revenue going forward. We also plan to expand the data service in the future.



Takeshi Hakamada: As we have announced, on December 11, 2022, ispace became the first commercial lunar transportation provider in the world that successfully launched a lunar lander, and on April 26, 2023 we attempted to land on the Moon. We are proud of being in a leading position, driving the industry globally.



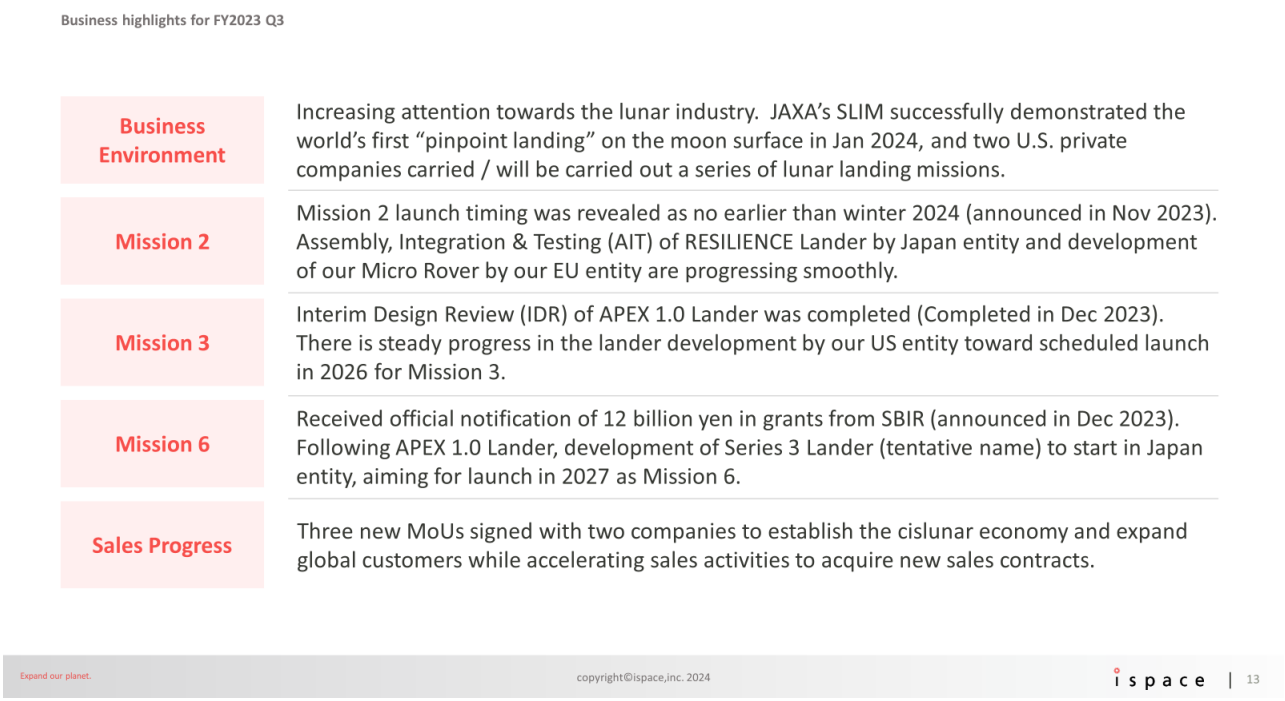
Takeshi Hakamada: About 4 months after the launch on December 11, 2022, our lander reached lunar orbit, followed by approximately one month of lunar orbiting, and attempted to land on the Moon on April 26, 2023 (Japan Standard time). As the slide shows, we defined our mission, broken down into a total of 10 Success Milestones, among which we achieved up until Success 8, the completion of an orbit control maneuver in lunar orbit. ispace defined our first mission as a technical verification. Although we were not able to land on the Moon, we were able to verify that the structure of our lander, propulsion system, electronic system, and other hardware had been verified without any problems in the process of achieving Success 8. We believe that we have achieved a great success.



Takeshi Hakamada: Although we were not able to successfully complete Success 9, the landing on the Moon, we were the first private company to keep the lander in a vertical position and reach the final landing phase. The reason for the failure was not a hardware issue, but an issue in the altitude recognition of our lander software, and we have already taken steps to remedy this for Mission 2. This is an example of how the experience gained through Mission 1 can be promptly utilized to Mission 2 and other future missions, which results in speeding up the cycle of technology maturity.

Business Highlights for FY2023 Q3

Takeshi Hakamada: Next, we will move on to Q3 business highlights.



Takeshi Hakamada: Here is a summary of business highlights during Q3.

First of all, in the business environment surrounding ispace, JAXA's Smart Lander for Investigating the Moon, "SLIM" successfully demonstrated "pinpoint landing" on the moon surface in January this year. In addition, two U.S. private companies have conducted or is planning to conduct a series of lunar landing missions. The trend toward the establishment of a lunar industry is now accelerating.

ispace is also steadily preparing for high frequency missions to drive the lunar industry. I would like to explain the progress of our three missions, namely Mission 2, Mission 3, and Mission 6, which are currently under development. In addition, we have signed two new MoUs with private companies and are accelerating to sign contracts with new clients.

Business environment

JAXA's SLIM successfully demonstrated the world's first "pinpoint landing" on the moon surface. Two U.S. private companies attempted / will attempt lunar landing missions

JAXA SLIM's successful landing on the moon surface

Credit: JAXA / Takara Tomy / Sony Group Corporation / Doshisha University

The Japan Aerospace Exploration Agency (JAXA) announced that the Smart Lander for Investigating the Moon (SLIM) successfully demonstrated a "pinpoint landing" technique by landing approx. 55m from the original target landing site on January 20, 2024.(1)

Astrobotic's Launch

Astrobotic (U.S.) successfully launched their Peregrine lunar lander to be used in NASA CLPS program on January 8, 2024 U.S. time. It was announced on January 9 that they failed to land on the Moon due to the propellant leak.(2)

Intuitive Machines' Launch

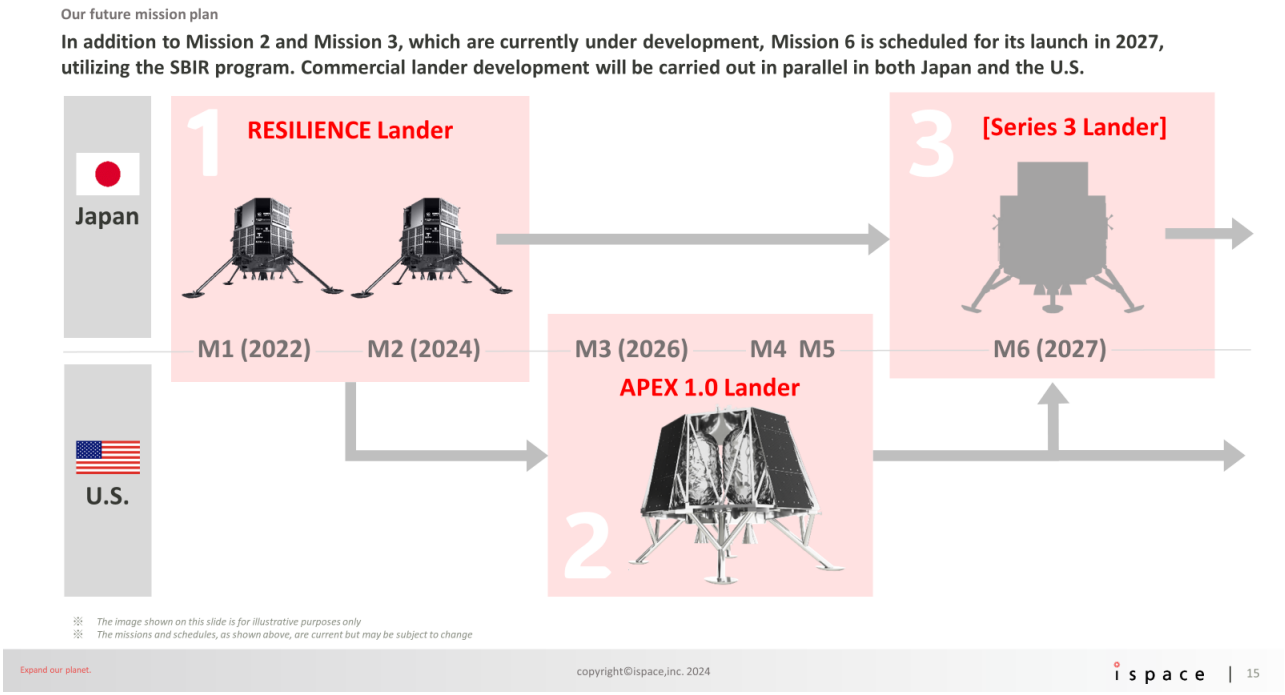
Intuitive Machines (U.S.) announced that they plan to launch their IM-1 mission Nova-C class lunar lander as their first NASA CLPS program on no earlier than February 14, 2024 U.S. time.(3)

(1) https://global.jaxa.jp/press/2024/01/20240125-1_e.html
(2) https://www.astrobotic.com/update-7-for-peregrine-mission-one/
(3) https://www.intuitivemachines.com/post/intuitive-machines-lunar-lander-encapsulated-and-scheduled-for-launch

Takeshi Hakamada: As many of you may already know from various news reports, on January 20, JAXA's "SLIM", successfully demonstrated the "pinpoint landing" only about 55 meters away from the target point. The success of the world's first pinpoint landing has given the nation of Japan and the Japanese people a sense of excitement and confidence. The realization of this technology will greatly leap forward the possibilities of future lunar missions and contribute to the expansion of the lunar market in the future.

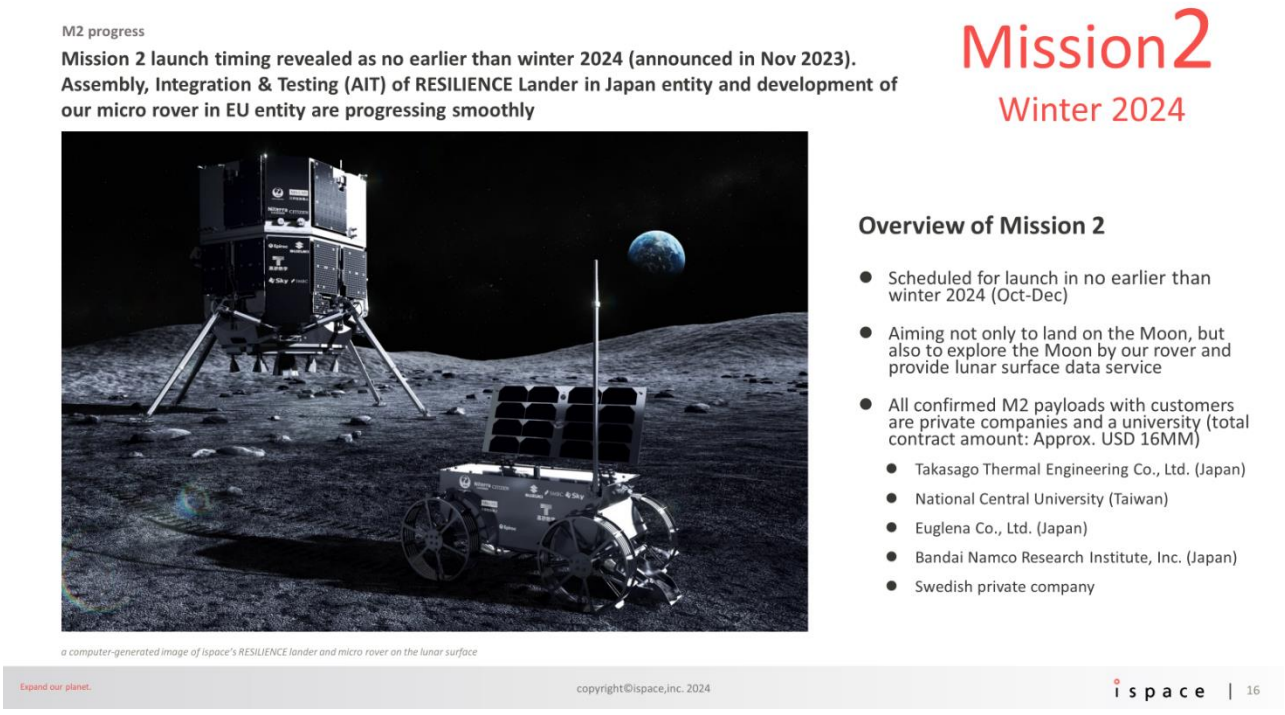
Also, two U.S. private companies have conducted or is planning to conduct a series of lunar landing missions. In January, Astrobotic announced that it had successfully launched their lunar lander "Peregrine," but it failed to land on the moon due to a propellant leak. Intuitive Machines has announced that it plans to launch their Nova-C lander on the 14th of this month (U.S. time).

Although they are so-called "competitors" to us, we believe this is an important trend that together we will encourage the private companies to build the lunar industry.



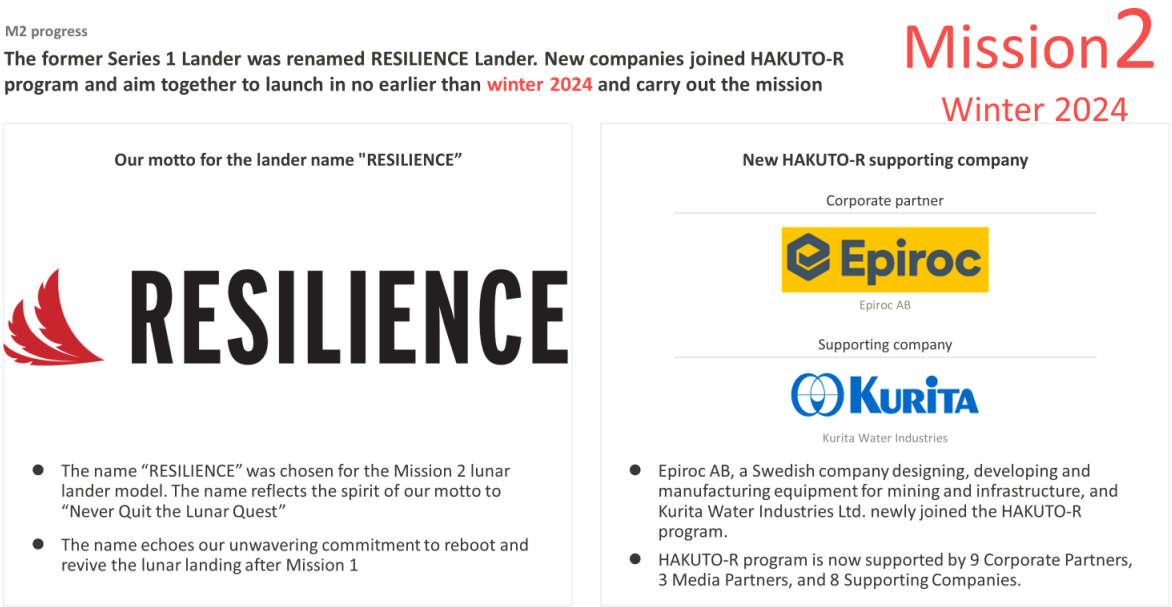
Takeshi Hakamada: With the growing interest in the lunar industry, we have been developing landers in parallel at both our Japan and US entities.

As shown in the upper row, RESILIENCE Lander for use in Mission 2 and the tentatively named Series 3 Lander for planned use in Mission 6, which utilizes the SBIR program, is under development in Japan. On the other hand, US entity is working on the development of the APEX 1.0 Lander for use in Mission 3.



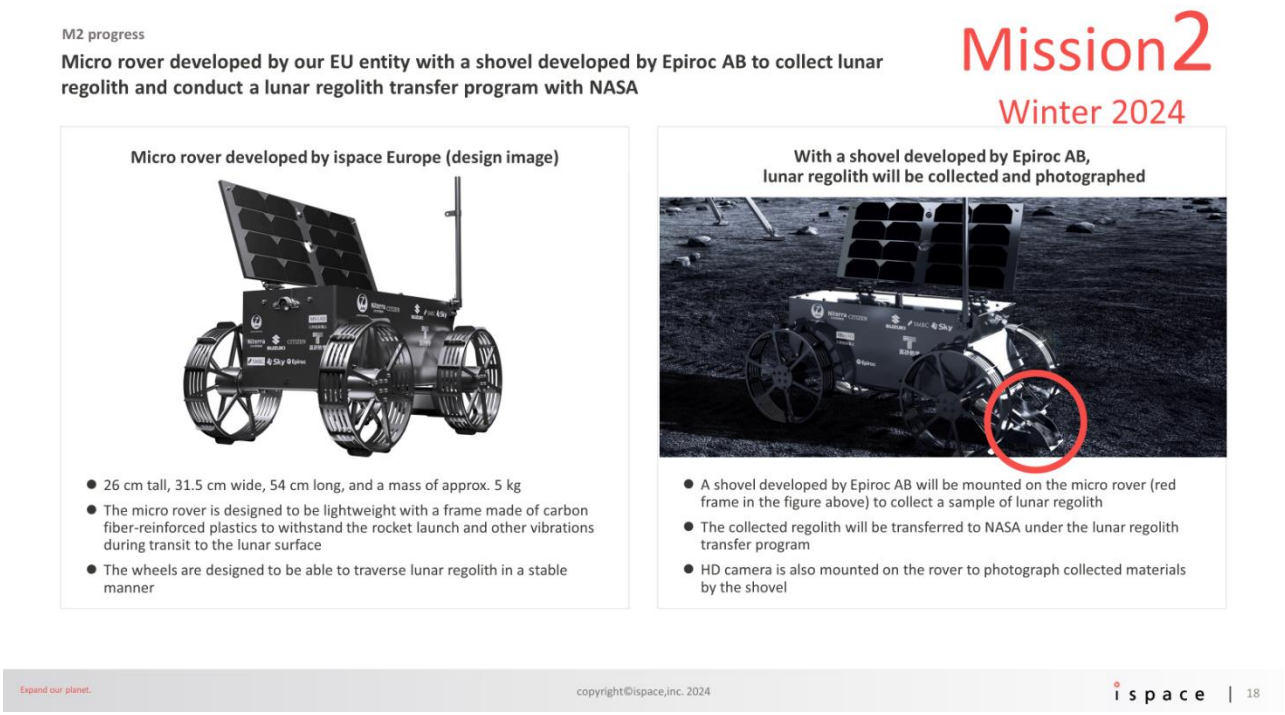
Takeshi Hakamada: I will now report on the progress of each of these missions.

First, let me go through Mission 2. At a media conference held last November, we announced Mission 2 launch schedule for no earlier than "winter 2024," between October and December of this year. Mission 2 aims to provide not only lunar transportation services but also lunar exploration and lunar data services by the self-developed rover in EU entity. We have already signed payload service agreements with four private companies and one university, both domestic and international, with a total contract value of approximately 16 million USD.



Takeshi Hakamada: As for the lander to be used for Mission 2, previously called the Series 1 Lander, we renamed it to RESILIENCE Lander. The name reflects the spirit of our motto to "Never Quit the Lunar Quest," The name echoes our unwavering commitment to reboot and revive the lunar landing after Mission 1.

Furthermore, Epiroc, headquartered in Sweden, has newly joined the HAKUTO-R program as a corporate partner and Kurita Water Industries, headquartered in Japan, has joined as a supporting company during the third quarter. With these new supporters, HAKUTO-R Program now has 9 Corporate Partners, 3 Media Partners, and 8 Supporting Companies. With the support of many companies and university, we are aiming for a launch and mission operation in winter this year.



Takeshi Hakamada: Mission 2 will also carry a micro-rover developed by our EU entity. The Micro Rover has a structure frame made of CFRP (carbon fiber reinforced plastics), which is lightweight but durable enough to withstand rocket launch and other vibrations during transit to the lunar surface. The wheels are designed to be able to traverse lunar regolith (lunar sand) in a stable manner after landing on the Lunar Surface.

In addition, as shown in the red circle on the right image, a shovel developed by Epiroc, a corporate partner participating in the HAKUTO-R program, will be mounted on the micro rover to collect lunar regolith. The ownership of the collected regolith will be transferred to NASA under the lunar regolith transfer program. An HD camera will also be mounted on the micro rover to photograph collected regolith and other materials by the shovel.

Takeshi Hakamada: This is an actual image of AIT of the Lander being conducted at JAXA's facility in Tsukuba, Japan. RESILIENCE Lander to be used in Mission 2 is the same model as in Mission 1, but we will use the experience and knowledge gained from the previous challenge to improve the software, expand the landing simulation range, and conduct additional field tests of the landing system sensors to further improve the mission success.

We have also prepared a video of AIT to give you a more concrete image of how it is done.

(The AIT video is available on “ispace, inc. Financial Results Briefing for Q3 of Fiscal Year Ending March 2024 (English)” (15’04”-) disclosed on February 14, 2024 on our IR site.)

The assembly of RESILIENCE Lander is progressing smoothly and is scheduled to be completed by spring this year.

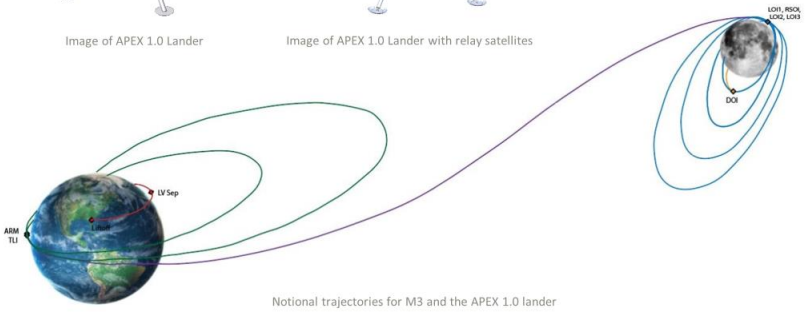
M3 progress

Interim Design Review (IDR) for APEX 1.0 Lander completed (December 2023). On track for upcoming Critical Design Review (CDR), our key development milestone, and scheduled launch in 2026

Mission3
2026

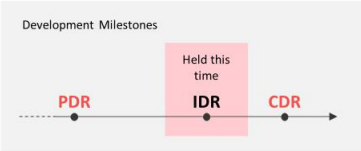
Image of APEX 1.0 Lander

Image of APEX 1.0 Lander with relay satellites



Notional trajectories for M3 and the APEX 1.0 lander

- ispace technologies U.S., our US entity, completed an IDR for the APEX 1.0 Lander, which is being developed for M3
- IDR is held in-between PDR(1) and CDR(2) (as shown on P.31) to demonstrate confidence in technical maturity of the lander for CDR



- NASA, the main client of M3, and Draper, the contracting entity with NASA, were also present for the review

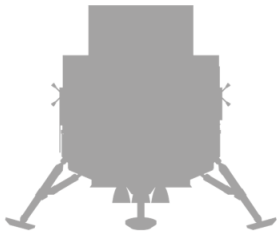
(1) A key development milestone for our landers, a review board that verifies design results against specification values and the feasibility of the design verification plan.
(2) A key development milestone for our landers, a review board that confirms the appropriateness of detailed design and verification plans for manufacturing and testing, utilizing evaluations of measures, thermal and structural characteristics, and electromechanical design that have been conducted to date.

Takeshi Hakamada: Next, our US entity is developing the APEX 1.0 Lander, which will be used for Mission 3, and completed its Interim Design Review, IDR, last December. As shown in the KPI slide in the latter part of our presentation material, the IDR is a review conducted between Preliminary Design Review and the Critical Design Review, which are our important development milestones. IDR is conducted to improve the maturity of the lander design for upcoming CDR. NASA, the client of Mission 3, and Draper, the prime contractor with NASA, were also present at the IDR, and we have received very positive feedback from both of them.

M6 progress

Received notification of 12 billion yen grant decision by SBIR in Dec 2023. Following APEX 1.0 Lander, starting development Series 3 Lander(1) in Japan entity aiming for launch in 2027(3)

Mission6
2027



Design image of Series 3 Lander(1) for M6

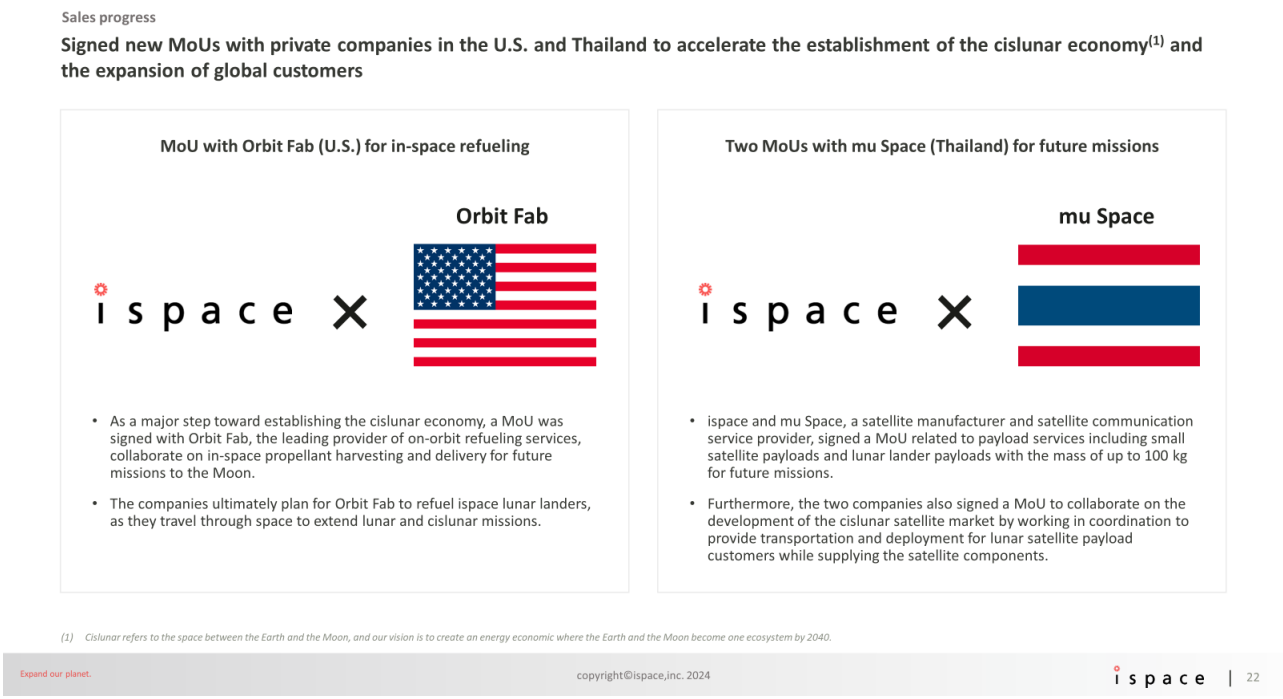
grants of **12** billion yen

- October 2024: Selected as a project eligible for a grant of up to 12 billion yen under the SBIR program's publicly solicited theme "Development and Operation Demonstration of Lunar Lander"
- December 2024: Received grant notification to award 12 billion yen in grants
- With the official decision, the development of the Series 3 Lander(1) has begun in Japan towards scheduled launch in 2027(3) as M6

(1) Tentative name
(2) https://sbir.csti-startup-policy.go.jp/about/develop.html
(3) The missions and schedules, as shown above, are current but may be subject to change

Takeshi Hakamada: As for Mission 6, we had announced in Q2 briefing that our plan was "selected" as a project eligible for grant under the SBIR program. Then in December of last year, we officially received notification of the 12 billion yen grant, which was the largest amount in the budget. With this official decision, the development of the Series 3 Lander has begun in Japan entity, with the aim of launching in 2027 as Mission 6.

That concludes our explanation of the progress of each ongoing mission.

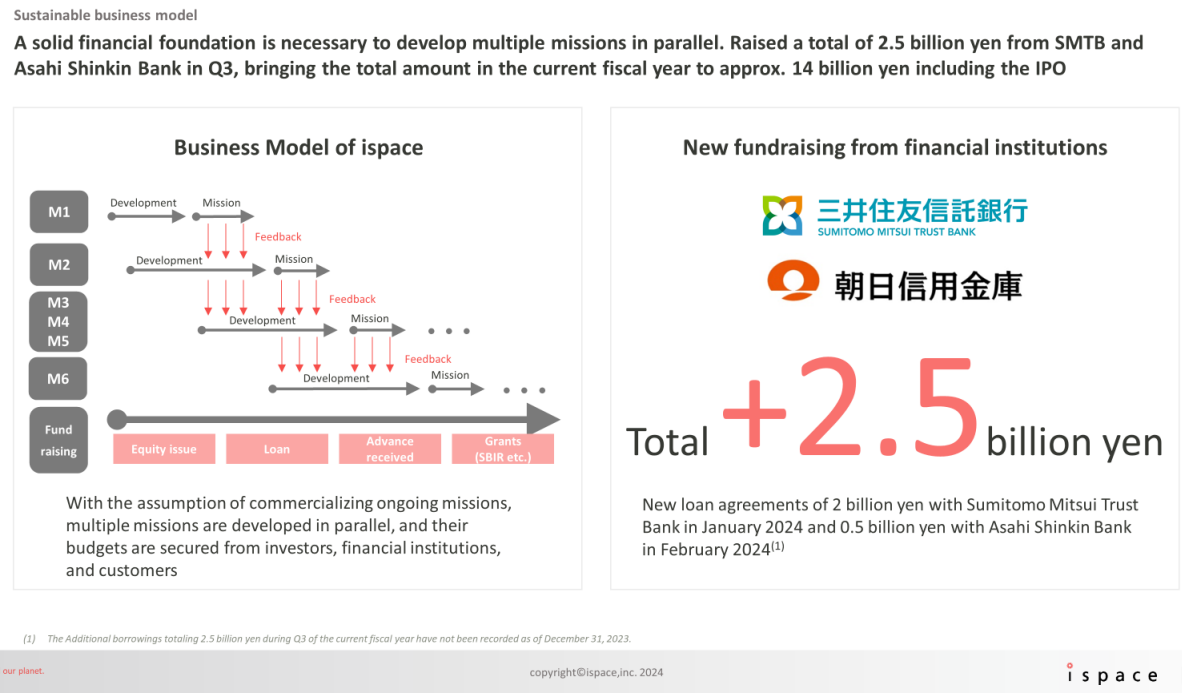


Takeshi Hakamada: Recently, we signed new MoUs with private companies in the U.S. and Thailand, with the aim of accelerating the establishment of the cislunar economy and the expansion of global customers.

As for a MoU with Orbit Fab, a U.S. company providing on-orbit refueling services, to collaborate on in-space propellant harvesting and delivery for future missions to the Moon. Through this MoU, we will aim to leverage each company's unique and complementary capabilities to develop effective propellants and fuels from resources in space, such as water, ice, and lunar regolith or minerals found on the surface of the Moon. Furthermore, we ultimately plan for Orbit Fab to refuel ispace lunar landers, as they travel through space to extend lunar and cislunar missions.

ispace also signed two MoUs with mu Space, a satellite manufacturer and satellite communication service provider in Thailand. The first MoU aims to enter into a payload service agreement to transport their payloads including small satellite payloads and lunar lander payloads with the mass of up to 100 kg for future missions, and the other MoU is for the purpose of strategic cooperation. ispace will provide payload services to lunar orbit and mu Space will provide satellite components to companies that wish to transport satellites to lunar orbit. With mu Space, we will aim to further develop customers in the Southeast Asian.

In addition to the MOUs with the two international private companies, we are also accelerating to conclude payload service agreements. We will promptly announce sales progress once we resolve to enter into those agreements.



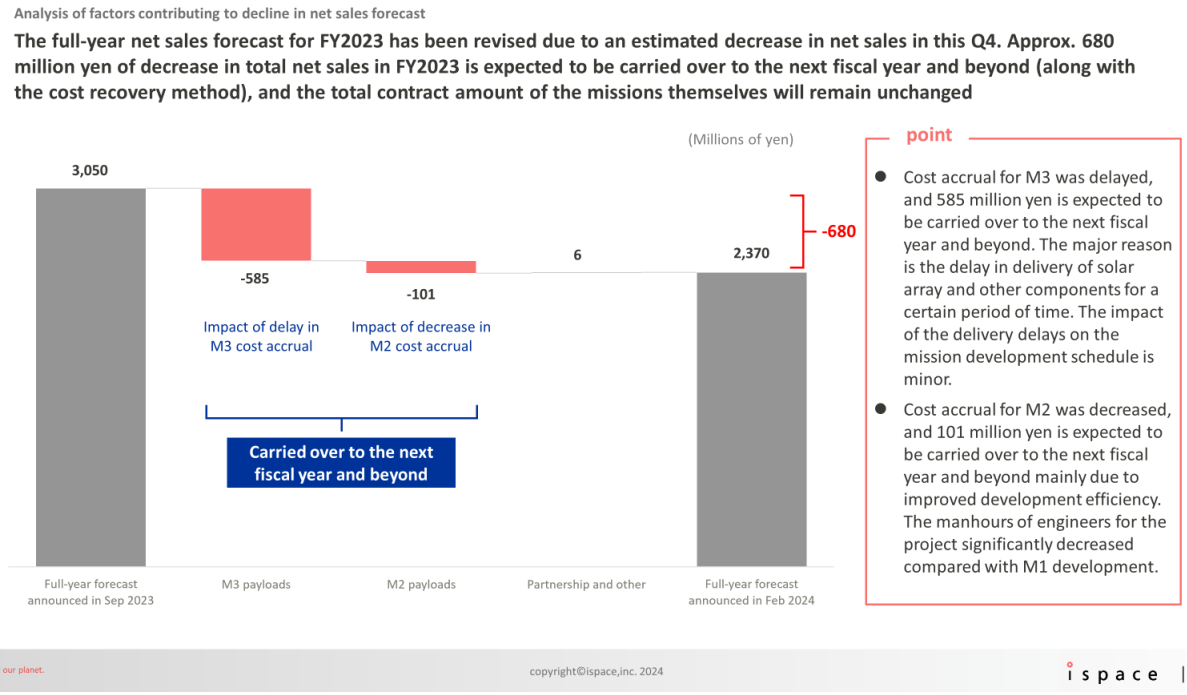
Takeshi Hakamada: In order to carry out the three missions simultaneously, it is essential to obtain budgets for development of multiple missions and to maintain a solid financial foundation. We will ensure our sustainable business operations through various ways of fund-raising including equity, loans, advanced cash payment from ongoing mission customers, and grants such as SBIR program.

We entered into new loan agreements with financial institutions in total of 2.5 billion yen, including 2 billion yen from Sumitomo Mitsui Trust Bank and 0.5 billion yen from Asahi Shinkin Bank. This brings the total amount raised in the current fiscal year to approximately 14 billion yen, including the IPO in April last year and new borrowings.

These are the Q3 business highlights. Now, I will turn the presentation over to CFO Nozaki for the Q3 financial highlights.

Financial Results/KPI for FY2023 Q3

Jumpei Nozaki: Hello, I am Jumpei Nozaki, Director and CFO of ispace. I will now explain Q3 financial highlights, but before that, I would first like to explain the revision of financial forecasts for the current fiscal year, which we disclosed today (February 13, 2024).

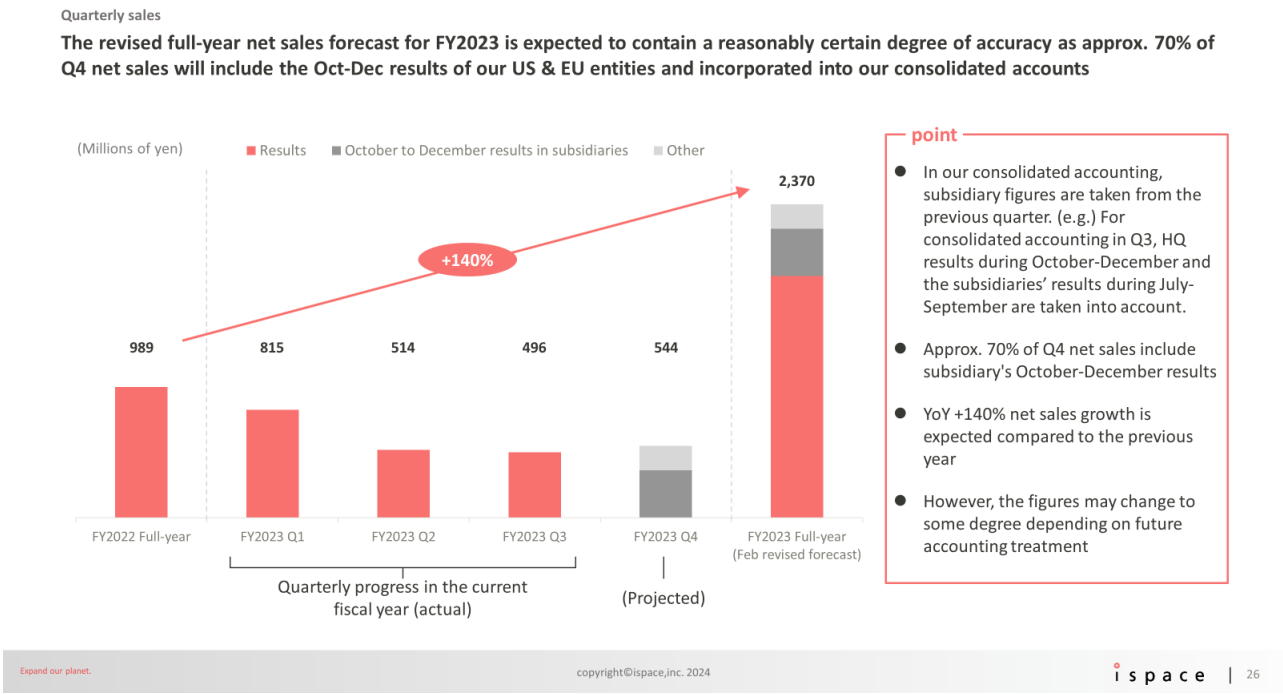


Jumpei Nozaki: We have revised our full-year net sales forecast for the current fiscal year from approximately 3.05 billion yen to approximately 2.37 billion yen, a decrease of approximately 680 million yen. The revision is mainly due to the fact that net sales expected to be recorded in the current fiscal year through payload service agreements for Mission 3 and Mission 2, will be carried over to the next fiscal year and beyond. It is important to note that there is no negative change in the total contract amount of those missions, and the change was due to the cost recovery method, the accounting rule that we have been adopting. This is for the same reason as when we revised our full-year financial forecasts last September.

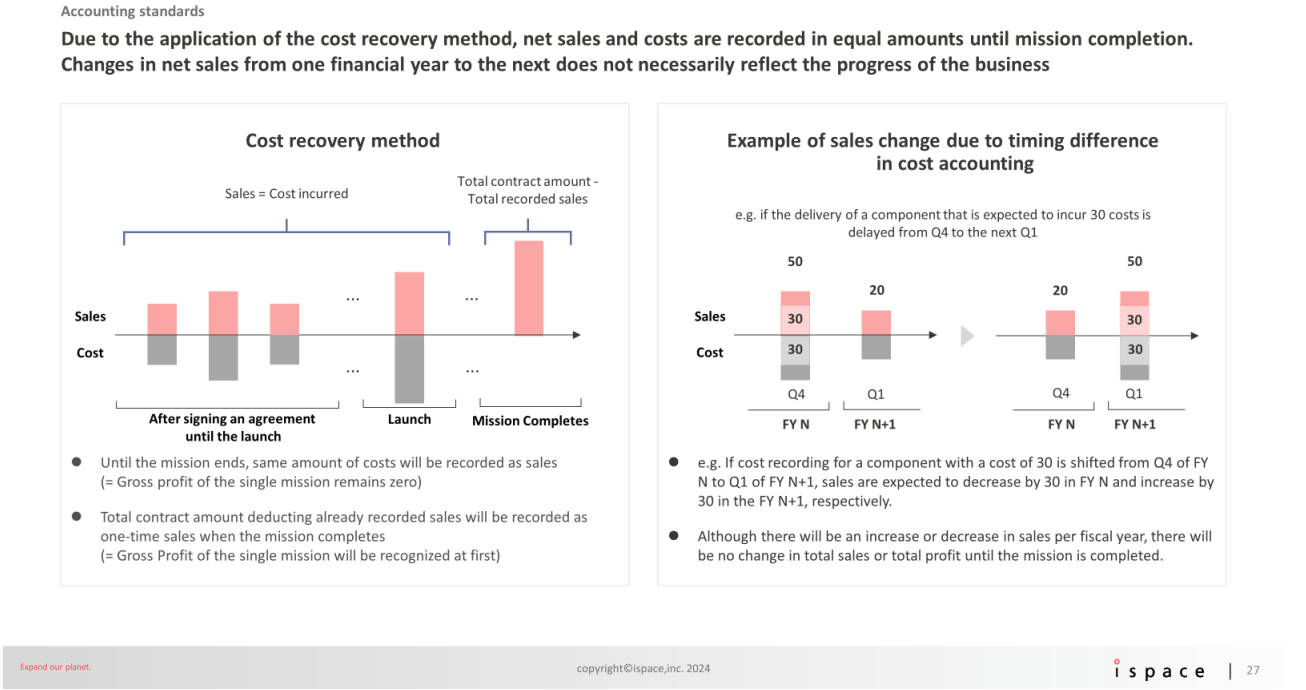
Out of approximately 680 million yen decrease in net sales, approximately 585 million yen decrease is mainly due to the delay in cost accrual in Mission 3 development, which accounts for a large portion of the revision. The delivery of solar array and other components to be used in APEX 1.0 Lander at Mission 3 have delayed for several months, which resulted in the delay in the cost accrual and net sales based on the cost recovery method. The amount of cost and net sales that are not recorded during the current fiscal year is carried over to the next fiscal year and beyond. The impact of the delay on the development schedule of Mission 3 itself is expected to be minor.

In addition, a cost decrease of approximately 101 million yen is expected in the development of Mission 2. This is due to the fact that the development efficiency of Mission 2 has been improved more than expected compared to that of Mission 1, resulting in a decrease in the project time of Mission 2 engineers compared to the original estimate. By following cost recovery method, the cost to be recorded in this fiscal year decreased, but the same amount of cost and net sales, will be recorded to the next fiscal year and beyond.

Both Mission 3 and Mission 2 net sales decreases will be carried over to the next fiscal year, and please note that there will be no negative changes in the business, such as a decrease in the total contract amount itself. The impact of Mission 2, for example, has rather the positive aspect of improving development efficiency.



Jumpei Nozaki: This chart shows the quarterly sales figures. The red chart in the middle shows actual quarterly sales, while the gray chart shows the amount expected to be recorded in Q4 of this fiscal year on a quarterly basis. The darker gray chart refers to the October-December results of US and EU entities that have already been completed and will be included in our Q4 consolidated accounting, along with a three-month lag, by which approximately 70% of Q4 net sales can be explained. Therefore, we assume that the revised forecast of approximately 2.37 billion yen in net sales for this fiscal year contains a reasonably certain degree of accuracy. We expect approximately +140% year-on-year growth in net sales compared to the previous fiscal year.



Jumpei Nozaki: This forecast revision is largely due to the fact that we recognize sales in accordance with the cost recovery method that we use, and I would like to explain what this cost recovery method is.

As shown on the left, under the cost recovery method, gross profit continues to be zero for the period prior to mission completion because the same amount of sales as costs are booked each month, out of the total contract amount of the mission. Then, the rest of sales not yet recognized have been recorded as one-time sales at the mission complete, and the gross profit on the mission is also recognized.

Therefore, as shown on the right, when the timing of cost accrual is delayed and recorded across the fiscal year, the cost and net sales that can be recorded during the current fiscal year will decrease, and the recording will be carried over to the next fiscal year and beyond.

Please note that although there is a decrease in net sales during the fiscal year, this does not necessarily reflect the progress of sales and, in fact, there is no change in total sales and profit from the mission.

Revision of full-year forecasts for FY2023

Due to the delay in delivery of some M3 lander components, the cost incurred and the associated net sales recognition are also expected to be carried over to the next fiscal year and beyond. However, the impact on M3 development schedule is expected to be minor, and the total contract amount for M3 itself will remain unchanged

(Millions of yen)	FY2023 The latest forecast	FY2023 Previous forecast	FY2023 %Change	FY2023 Change
Net Sales[1]	2,370	3,050	-22.3%	-680
Gross Profit	1,023	1,114	-8.2%	-91
Gross Profit Margin	43.2%	36.5%	-	+6.7pp
SG&A	6,929	8,296	-16.5%	-1,367
Operating Profit/Loss	-5,906	-7,182	-	+1,276
Ordinary Profit/Loss	-7,144	-8,297	-	+1,153
Net Profit Profit/Loss	-3,348	-4,504	-	+1,156

point

- **Sales: -680 million yen**
  Mainly due to the delay in recording timing of sales of M3 payloads, as described on the previous slides
- **SG&A: -1,367 million yen**
  Mainly due to the delay in recording timing of long lead items related to M2

(1) Currently using the cost recovery method for sales recognition for Mission 1 to Mission 3, respectively, and expects sales to increase in tandem with the increase in cost accruals since the cost accruals as cost are recognized in sales. If sales in excess of cost accruals are not booked at the time of mission completion, they will be accounted for in a lump-sum transaction.

Jumpei Nozaki: Here is a summary of the revised full-year forecast. The revised forecast for net sales of 2.37 billion yen, operating loss of 5.9 billion yen, ordinary loss of 7.14 billion yen, and net loss of 3.34 billion yen, representing a decrease in sales and an increase in profit compared with the previous forecast. Again, we would like to emphasize that the progress of each mission is progressing smoothly and without any problems, and that there is no change in the total contract values of missions. The timing of recording sales will be carried over to the next fiscal year and beyond due to the accounting standard, which has no particular impact on our fundamental business progress.

Profit and loss statement

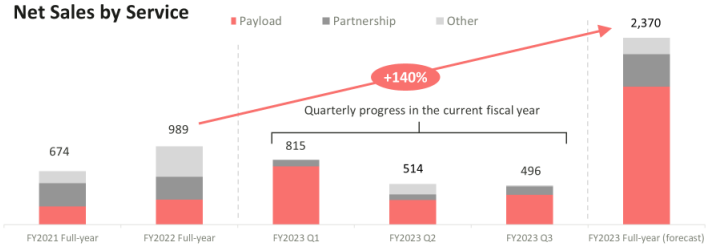
Despite fluctuations in comparison to the forecasts, sales growth remained strong YoY, driven by the recording of M3 sales

(Millions of yen)	FY2023 Q3 (cumulative) Results	FY2023 Q3 (non-cumulative) Results
Net Sales[1]	1,826	496
Gross Profit	804	118
Gross Profit Margin	44.1%	23.9%
SG&A	4,553	1,826
R&D	2,697	1,060
Salary and Allowance	727	296
Other	1,128	469
Operating Profit/Loss	-3,748	-1,707
Ordinary Profit/Loss	-4,590	-2,332
Net Profit/Loss	-836	-2,374

point

- Q2-Q3 progressed steadily with the inclusion of M3 sales (temporary increase in Q1 sales due to the completion of M1)
- Decrease in cost incurred due to the delay in costs and delivery of some components for APEX 1.0 Lander, resulting in decreased sales to be recorded in Q4 compared to the previous forecast
- Sales on a quarterly basis may increase or decrease depending on development costs incurred (but the total contract amount will remain the same)

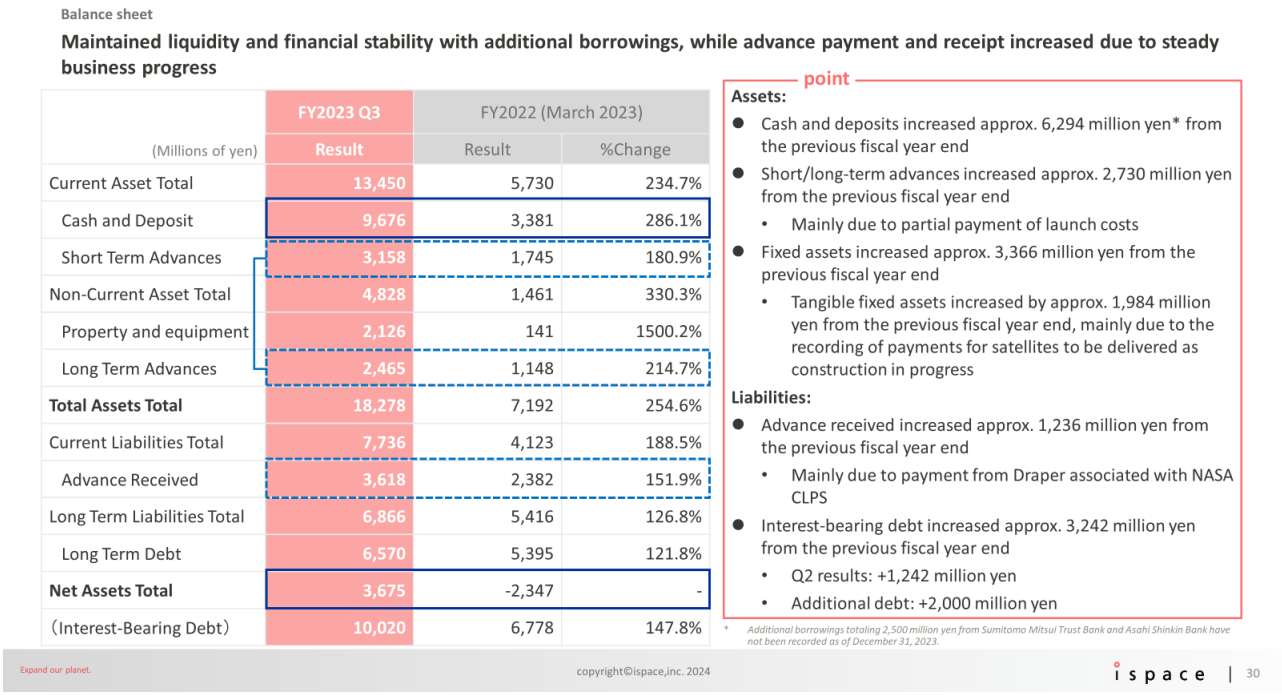
Net Sales by Service



(1) Currently using the cost recovery method for sales recognition for Mission 1 to Mission 3, respectively, and expects sales to increase in tandem with the increase in cost accruals since the cost accruals as cost are recognized in sales. If sales in excess of cost accruals are not booked at the time of mission completion, they will be accounted for in a lump-sum transaction.

Jumpei Nozaki: Next, let me move on to the explanation of Q3 actual results.

First is the P&L. As explained earlier, although there were some fluctuations compared to the plan, as shown in the graph of sales transition in the lower part of the material, the cumulative sales from Q1 to Q3 totaled approximately 1.82 billion yen as a result of steadily progress in Mission 3 sales in Q3 following Q2 of this fiscal year. Cumulative operating loss is approximately 3.74 billion yen and net loss is 836 million yen.



Balance sheet

Maintained liquidity and financial stability with additional borrowings, while advance payment and receipt increased due to steady business progress

(Millions of yen)	FY2023 Q3 Result	FY2022 (March 2023) Result	FY2022 (March 2023) %Change
Current Asset Total	13,450	5,730	234.7%
Cash and Deposit	9,676	3,381	286.1%
Short Term Advances	3,158	1,745	180.9%
Non-Current Asset Total	4,828	1,461	330.3%
Property and equipment	2,126	141	1500.2%
Long Term Advances	2,465	1,148	214.7%
Total Assets Total	18,278	7,192	254.6%
Current Liabilities Total	7,736	4,123	188.5%
Advance Received	3,618	2,382	151.9%
Long Term Liabilities Total	6,866	5,416	126.8%
Long Term Debt	6,570	5,395	121.8%
Net Assets Total	3,675	-2,347	-
(Interest-Bearing Debt)	10,020	6,778	147.8%

point

Assets:

- Cash and deposits increased approx. 6,294 million yen* from the previous fiscal year end
- Short/long-term advances increased approx. 2,730 million yen from the previous fiscal year end
  - Mainly due to partial payment of launch costs
- Fixed assets increased approx. 3,366 million yen from the previous fiscal year end
  - Tangible fixed assets increased by approx. 1,984 million yen from the previous fiscal year end, mainly due to the recording of payments for satellites to be delivered as construction in progress

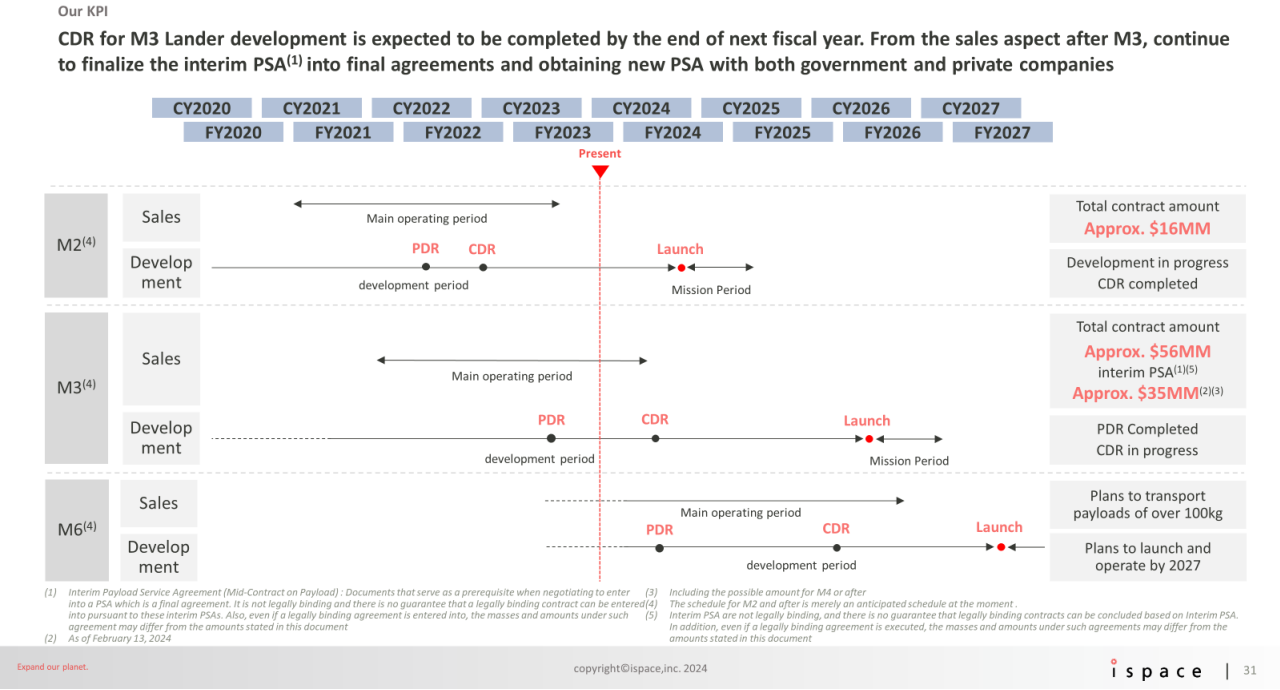
Liabilities:

- Advance received increased approx. 1,236 million yen from the previous fiscal year end
  - Mainly due to payment from Draper associated with NASA CLPS
- Interest-bearing debt increased approx. 3,242 million yen from the previous fiscal year end
  - Q2 results: +1,242 million yen
  - Additional debt: +2,000 million yen

* *Additional borrowings totaling 2,500 million yen from Sumitomo Mitsui Trust Bank and Asahi Shinkin Bank have not been recorded as of December 31, 2023.*

Jumpei Nozaki: Next is the Balance Sheet.

On the asset side, cash and deposits increased by approximately 6.29 billion yen from the previous fiscal year end due to additional borrowings in last year, therefore, current assets increased to approximately 13.45 billion yen. Please note, the new additional borrowings of 2.5 billion yen as reported in the Business Highlights, have not been recorded in Q3 but will be recorded in the next quarter. On the fixed assets side, due to the recording of payments for satellite parts for Mission 3, which are mainly long-lead items, tangible fixed assets increased by 1.98 billion yen from the previous fiscal year end, and long-term advances increased by approximately 1.31 billion yen from the previous fiscal year end, resulted in fixed assets to increase by approximately 4.82 billion yen at the end of this quarter. Advance payment and advance receipt increased due to steady business progress, mainly due to the payment from Draper related to NASA CLPS Task Order CP-12.



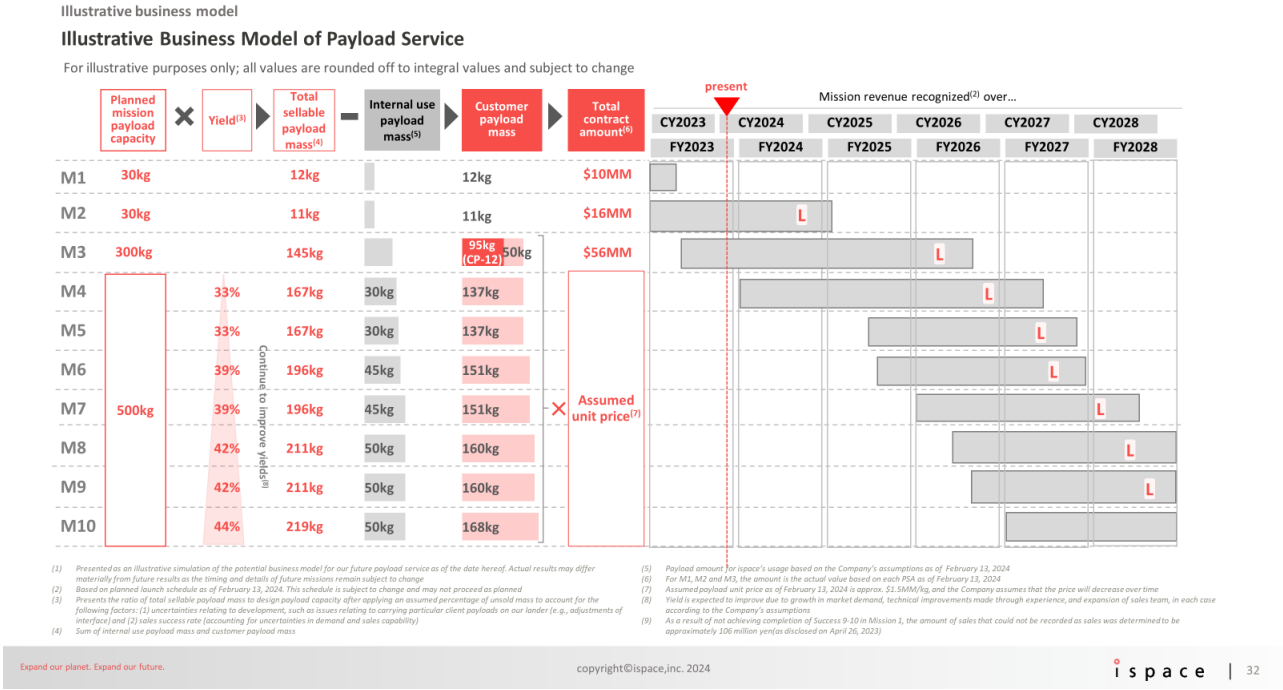
Jumpei Nozaki: Next, I would like to talk about our KPIs, which we have been explaining on an ongoing basis.

Quarterly disclosure has a certain meaning in understanding the current situation of our company, however, due to the nature of the space development industry, we would like to provide all investors with a more detailed explanation of our progress toward medium- to long-term goals, and capture your interest.

As for Mission 2, the assembly of the lander is progressing smoothly, as reported earlier, in preparation for the imminent launch this winter.

As for Mission 3, as reported earlier, IDR (Interim Design Review), which is located between PDR and CDR, has been conducted, and the development of the lander is progressing smoothly for the CDR scheduled for next fiscal year. On the sales side, we have added a new customer to the interim PSA, increasing the amount to approximately 35 million USD compared to the previous quarter, and we will continue to finalize the interim PSA.

Mission 6 is scheduled to be launched in 2027, and with the SBIR grant decision, full-fledged development of the Series 3 Lander (tentative name) will begin toward the PDR. We have disclosed the PDR in 2024 and the CDR in 2026 as the currently anticipated development milestones for Mission 6.



Jumpei Nozaki: Finally, this is also a quarterly ongoing disclosure, this is an illustrative model that shows how our sales are created from the bottom up in the first place, in the form of factorization. Please understand that the future mission schedule and weight descriptions are based on our simulation at this time.

The point to note here is that the RESILIENCE Lander to be used in Mission 2 has a maximum payload weight (weight that can carry a customer's cargo) of 30 kg, whereas the APEX 1.0 Lander to be used in Mission 3 has a maximum payload weight of 300 kg, allowing it to carry more customer cargo. This is the immediate reason why we will be able to realize a significant increase in sales this fiscal year.

The two red boxes are the figures specifically related to sales. For Mission 2, 11 kg of payload weight was sold, with sales of approximately 16 million USD based on total contract value. For Mission 3, the total contract value at this time is approximately 56 million USD, including the 95 kg order from the NASA CLPS program and an order from a U.S. private company. For the remaining capacity of less than 50 kg, we are accelerating efforts to conclude payload service contracts with some of our customers. We aim to report on these contracts separately in a timely manner as soon as the contracts are finalized.

The gray bar in the chart on the right shows the total contract amount. If you look at the horizontal axis, you will see that the total contract amount per mission is divided over multiple fiscal years and posted as sales. If you look at this on the vertical axis for each fiscal year, you will see that sales from multiple missions are accumulated and recorded. This is the basic structure of our sales model. I hope you see that ispace's future growth is to continue increasing sales at an accelerated pace by adding subsequent missions to Mission 2, Mission 3, and Mission 6 that utilize the SBIR program.

Takeshi Hakamada: Finally, these photos were taken at the Mission 2 debriefing for the media last November. At the debriefing, a representative of our EU entity also participated in person in the debriefing, and presented RESILIENCE Lander (on the right) and the micro-rover under development by our EU entity (in the center). At the debriefing, we announced a specific launch timing of no earlier than this winter and demonstrated the micro-rover for the purpose of demonstration. In the spirit of "Never Quit the Lunar Quest," we will continue our efforts as we approach our second challenge. We look forward to your continued warm support.

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