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Financial Results for the Nine Months Ended June 30, 2024 [Japanese GAAP] (Non-consolidated)

August 9, 2024

Company name: Kringle Pharma, Inc.
Stock exchange listing: Tokyo Stock Exchange
Code number: 4884
URL: https://www.kringle-pharma.com/en/
Representative: Kiichi Adachi, President & CEO
Contact: Koichi Murakami, Member of the Board, Director of Corporate Planning Management
Phone: +81-72-641-8739

Scheduled date of commencing dividend payments: —
Availability of supplementary explanatory materials on financial results: Available
Schedule of financial results briefing session: Scheduled

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

1. Financial Results for the Nine Months Ended June 30, 2024 (October 1, 2023 - June 30, 2024)

(1) Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2024	61	19.3	(579)	–	(517)	–	(518)	–
June 30, 2023	51	(54.0)	(620)	–	(577)	–	(578)	–

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
June 30, 2024	(82.76)	–
June 30, 2023	(107.45)	–

(2) Financial Position

	Total assets	Net assets	Equity ratio
As of	Million yen	Million yen	%
June 30, 2024	2,941	2,340	79.1
September 30, 2023	2,618	2,021	76.6

Reference: Equity: As of June 30, 2024: ¥2,325 million As of September 30, 2023: ¥2,007 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2023	–	0.00	–	0.00	0.00
Fiscal year ending September 30, 2024	–	0.00	–		
Fiscal year ending September 30, 2024 (Forecast)				0.00	0.00

Note: Revision to the dividend forecast announced most recently: None

3. Financial Results Forecast for the Fiscal Year Ending September 30, 2024 (October 1, 2023 - September 30, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	79	14.8	(1,003)	–	(940)	–	(942)	–	(147.23)

Note: Revision to the financial results forecast announced most recently: Yes

*** Notes:**

(1) Accounting methods adopted particularly for the preparation of quarterly financial statements: None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement
1) Changes in accounting policies due to the revision of accounting standards: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(3) Total number of issued and outstanding shares (common shares)
1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

As of June 30, 2024:	6,800,700 shares
As of September 30, 2023:	5,522,200 shares

2) Total number of treasury shares at the end of the period:

As of June 30, 2024:	136 shares
As of September 30, 2023:	87 shares

3) Average number of shares during the period:

For the nine months ended June 30, 2024:	6,264,493 shares
For the nine months ended June 30, 2023:	5,385,118 shares

* Review of the accompanying quarterly financial statements by certified public accountants or audit corporations: None

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

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable at the time of the release of these materials. Actual results may differ significantly from these forecasts due to various factors.

Table of Contents - Attachments

1. Overview of Financial Results

(1) Overview of Quarterly Business Performance

The forward-looking statements herein are based on the judgments of Kringle Pharma, Inc. (the "Company") as of the end of the third quarter under review.

In the Japanese pharmaceutical market during the nine months ended June 30, 2024, generic substitution increased in face of rising medical costs associated with population aging and drug prices declined significantly due to "off-year" NHI price revisions. Meanwhile, higher new drug development costs, reflecting the growing scale of clinical trials, accelerated alliances and M&As between pharmaceutical companies in Japan and overseas looking to expand their corporate scale. Companies focused their R&D efforts on priority therapeutic areas and actively sought in-licensing opportunities outside their organization.

In the development of new drugs, the target is shifting from so-called "blockbuster drugs," which have a large number of potential patients and can generate large, stable future profits, to drugs that can provide effective treatment to specific patient groups. Biotech companies are said to assume a greater role because they usually concentrate their resources on a certain specific field and make decisions quickly. In response to these trends, the Japanese government, primarily led by central ministries including the Ministry of Health, Labour and Welfare (MHLW) and the Ministry of Economy, Trade and Industry (METI), has launched the Medical Innovation Support Office (MEDISO) and compiled the "Ito Review 2.0: Biomedical Edition" as part of its efforts to proactively support Japan-based biotech companies. The Conditional Early Approval System and the SAKIGAKE Designation System for pioneering drugs have been legislated in order to promote drug discovery in Japan.

Amidst the above business environment, the Company continued to focus its managerial resources on the recombinant human hepatocyte growth factor (HGF) protein and developed the business activities outlined below, in the belief that development of recombinant human HGF protein (development code: KP-100) will lead to therapeutic innovation, creating business opportunities and maximizing the value of the Company.

1. Drug development activities

(a) Acute spinal cord injury (SCI)

The Company conducted a Phase I/II clinical trial with Professor Masaya Nakamura of the Department of Orthopaedic Surgery, Keio University School of Medicine as a coordinating investigator and obtained results that confirmed the safety and indicated the efficacy of the drug. The Company designed the Phase III clinical trial to verify the proof of concept (POC; a preliminary evidence of efficacy detected in humans with a new drug candidate under development) obtained in the Phase I/II clinical trial. On June 9, 2020, the Company submitted a clinical trial notification for the Phase III study to the Pharmaceuticals and Medical Devices Agency (PMDA).

In July 2020, the Company started the Phase III study at Spinal Injuries Center, Hokkaido Spinal Cord Injury Center, and Murayama Medical Center. A total of five medical facilities, with the addition of Japanese Red Cross Kobe Hospital and Aijinkai Rehabilitation Hospital in March 2021, which had conducted the Phase III clinical trial completed enrolling the last patients in April 2023 and the final follow-up for the last patient in October 2023. The Company received topline results of the Phase III clinical trial in February 2024, and is in the process of discussions with PMDA based on the results of the trial, with a view toward applying for approval to manufacture and market the drug in Japan.

In the meantime, the Company started a preliminary consultation with the U.S. Food and Drug Agency (FDA) in September 2023 in preparation for clinical development in the U.S. and received a response from the FDA in November 2023 in relation to the meeting for Pre-Investigational New Drug (Pre-IND) application. The Company then established a collaborative network of key opinion leaders (KOLs) in North America and prepared for IND submission*.

* Clinical trial application filed with the U.S. Food and Drug Administration (FDA)

In order to submit marketing authorization application for the treatment of acute SCI, the Company is also conducting various tests related to the process of manufacturing recombinant human HGF. Trial manufacturing (process validation) of the drug substance using the same process as commercial manufacturing, as required for the

submission, was completed two fiscal years ago. Process validation for manufacturing of the drug product was also completed in the previous fiscal year.

For the purpose of identifying more effective administration methods and timing with recombinant human HGF for SCI, the Company launched a joint research program with Keio University School of Medicine in February 2021. In this joint research program, the transplantation of human induced iPS cell-derived neural stem/progenitor cells owned by Keio University, combined with the scaffold-mediated delivery of HGF developed by the Company, demonstrated improvement in recovery of motor function in animal model of chronic complete spinal cord injury. In March 2022, Keio University and the Company jointly filed a patent application, followed by the filing of an application claiming priority based on the said patent application in March 2023. Furthermore, confirming that HGF administration in the acute phase, followed by hiPSC-NS/PC transplantation in the sub-acute phase, significantly improved motor function in animal models of severe SCI compared to each single treatment group, Keio University and the Company jointly filed a second patent application in September 2022, and a priority claim based on this patent application in September 2023. As monotherapy of both HGF and hiPSC-NS/PCs already has advanced to clinical trials in humans, a next-generation regenerative therapy combining the HGF and iPS cell technologies is expected to be put into clinical use before long for the treatment of acute and sub-acute SCI.

In June 2021, the APSS Congress Best Clinical Research Award was given for the presentation on Phase I/II clinical trial for acute SCI at the 13th Combined Meeting of Asia Pacific Spine Society & Asia Pacific Paediatric Orthopaedic Society (APSS-APPOS 2021; held from June 9 to 12, 2021 at Kobe International Conference Center).

In December 2021, the Company's patent was issued in Europe for an HGF preparation suitable for treatment of nervous diseases. It covers the Company's proprietary drug formulation used in clinical trials for acute spinal cord injury, amyotrophic lateral sclerosis and vocal fold scarring, being the basis of expanding the target indications for HGF treatment. The patent was already granted in the US, Japan, Canada and Korea, and adding Europe further created a favorable intellectual property environment for the Company to develop HGF drug business worldwide.

(b) Vocal fold scarring (VFS)

For VFS, a disorder in which the vocal fold mucosa hardens and degenerates (fibrosis), an investigator-initiated Phase I/II clinical trial confirmed the safety of intracordal administration of the recombinant human HGF. It also detected signals of efficacy showing functional recovery of the vocal cord with some patients (J Tissue Eng Regen Med. 2017; 1-8.). Following a preliminary consultation with PMDA in July 2019 and subsequent discussions with Kyoto Prefectural University of Medicine, the Company submitted a clinical trial application for a Phase III study (placebo-controlled, double-blind trial) in October 2022 which was then accepted by PMDA. The Company then began a clinical trial at University Hospital, Kyoto Prefectural University of Medicine, and the first subject was enrolled in January 2023. In May 2023, Kurume University Hospital, Tohoku University Hospital, Kawasaki Medical School Hospital and Nihon University Hospital were added as medical institutions for carrying out clinical trials. Sanno Medical Center was newly added in May 2024, and case registration is currently moving forward at a total of six facilities.

In order to raise funds to finance clinical trial expenses, manufacture the investigational drugs, and develop a commercial formulation, the Company issued share acquisition rights in November 2021. By July 2022, all of these rights had been exercised. In addition, the Company has been utilizing public funds since April 2022, with its VFS development being selected for the Cyclic Innovation for Clinical Empowerment (CiCLE) project operated by the Japan Agency for Medical Research and Development (AMED).

(c) Amyotrophic lateral sclerosis (ALS)

A phase II clinical trial (placebo-controlled, double-blind trial) was conducted at Tohoku University Hospital and Osaka University Hospital as an investigator-initiated trial that started in May 2016, led by Professor Masashi Aoki of the Department of Neurology, Tohoku University. In November 2020, the enrollment of patients was completed, and the final follow-up for the last patient was completed in December 2021. Subsequent data analysis at Tohoku University has shown no statistically significant differences between the active and placebo groups for the primary and secondary endpoints. On the other hand, there were cases in which progression was slow in the active drug group, suggesting that more detailed analysis is required to interpret the results of this study. Regarding safety, the incidence of adverse events was similar between the active drug group and the placebo group, confirming tolerability. In April 2024, the Company and Tohoku University signed a collaborative research agreement for biomarker testing of specimens as additional analysis for this phase II clinical trial. This collaboration is expected to provide important information for the design of the next clinical trial, including the identification of a patient population in which efficacy signals can be readily detected.

(d) Supply of drug substance to Claris Biotherapeutics, Inc.

The Company concluded a license and supply agreement with Claris Biotherapeutics, Inc. (Claris) of the U.S. in April 2020 to supply HGF drug substance for clinical development by Claris to treat ophthalmologic diseases in the U.S.

During the nine months under review, the Company supplied the HGF drug substance based on the progress in development at Claris. Claris filed an Investigational New Drug (IND) application in May 2021 to initiate a Phase I/II clinical trial for neurotrophic keratitis utilizing the various preclinical and clinical information related to HGF provided by the Company, and the first patient received treatment in August 2021. With this developmental milestone, the Company now receives a fixed annual technology access fee (royalty income), and recorded the fee for the applicable period in net sales. To initiate the clinical trial in Canada as well, Claris filed a clinical trial application to Health Canada in July 2022, which was approved. Patient enrollment for the clinical trial both in the U.S. and Canada has been completed, and clinical data analysis is currently underway.

Furthermore, the Company formed a business alliance with Claris in September 2023 to improve the efficiency of the manufacturing method for recombinant human HGF. The purpose of the alliance is to meet growing global demand in the future and to achieve stable worldwide supply of recombinant human HGF.

(e) Other collaborative research

In July 2022, the Company signed a collaborative research agreement with Kyoto University focused on applied research using HGF to create regenerative medicine products. The goal of this collaboration is to apply biomaterial technology to conduct exploratory research on optimal and effective next-generation treatments for target diseases, and to expand indications for KP-100 to other intractable diseases.

In addition, the Company has been conducting collaborative research with Tokyo Medical and Dental University since October 2018. In July 2022, the university performed the first autologous intestinal organoid transplantation treatment aimed at repairing intractable ulcers in ulcerative colitis. KP-100 developed by the Company was used to produce the intestinal organoid used in this transplantation treatment.

In September 2022, the Company decided to promote open innovation to pursue further potential of HGF proteins by seeking new research proposals from researchers regarding the use of HGF proteins.

In April 2024, the Company signed a collaborative research agreement with Gifu University focused on applied research using HGF to treat idiopathic osteonecrosis of the femoral head. HGF is involved in both angiogenesis and bone regeneration, and has potential as a new therapeutic agent for this intractable disease for which there are no existing drugs.

In June 2024, the Company signed a collaborative research agreement with Kanazawa University focused on applied research using HGF to treat idiopathic pulmonary fibrosis. The Company is currently conducting a phase III clinical trial in Japan for the treatment of vocal fold scar, one of the fibrotic diseases. If we succeed in developing an HGF

protein drug for the treatment of vocal fold scar, it will lead to the possibility of expanding the indication to other chronic diseases caused by fibrosis. Based on the findings of this collaboration, the Company will actively consider expanding the indication to pulmonary fibrosis as the next target in fibrotic diseases.
Moreover, in September 2023, the Company issued share acquisition rights, and decided to use part of the funds raised for the creation of a new pipeline including the implementation and expansion of joint non-clinical research. The exercise of all share acquisition rights was completed in May 2024.

2. Business development activities

During the nine months ended June 30, 2024, the Company had business development discussion with potential business partners to expand development of acute SCI outside Japan. In June 2024, the Company gave an oral presentation at the 2nd Annual Spinal Cord Injury Investor Symposium in the U.S. and networked with the symposium participants. In addition, the Company issued share acquisition rights in September 2023, for the purpose of partially funding clinical development and manufacturing development (improvement of the efficiency of the manufacturing method for recombinant human HGF) for acute SCI in the U.S. The exercise of all share acquisition rights was completed in May 2024. With this move it expected to clarify the Company's development strategy in the U.S., the largest pharmaceutical market in the world, and accelerate business development activities.
In September 2021, oremepermin alfa was registered as the International Nonproprietary Name (INN) for recombinant human HGF protein (five amino acid-deleted, glycosylated; development code, KP-100), the drug substance of our development pipeline. Additionally, in May 2024, oremepermin alfa was registered as the Japanese Accepted Names for Pharmaceuticals (JAN), and this name can now be used officially in Japan in applications for manufacturing and marketing approval.

As a result of these efforts, during the nine months ended June 30, 2024, net sales amounted to ¥61,494 thousand (a year-on-year increase of 19.3%), while the Company recorded an operating loss of ¥579,722 thousand (operating loss during the nine months ended June 30, 2023 was ¥620,487 thousand), ordinary loss of ¥517,303 thousand (ordinary loss during the nine months ended June 30, 2023 was ¥577,513 thousand) and loss of ¥518,421 thousand (loss during the nine months ended June 30, 2023 was ¥578,631 thousand).
Since the Company operates in a single segment of pharmaceutical development business, segment information is omitted.

(2) Overview of Quarterly Financial Condition

Assets

Current assets as of June 30, 2024 increased by ¥322,635 thousand from the end of the previous fiscal year to ¥2,940,252 thousand (an increase of 12.3% from the end of the previous fiscal year). This primarily reflected an increase in cash and deposits of ¥319,398 thousand, mainly as a result of capital increase by way of execution of share acquisition rights.

Non-current assets increased by ¥82 thousand from the end of the previous fiscal year to ¥1,122 thousand (an increase of 7.9% from the end of the previous fiscal year). This resulted from an increase in investments and other assets of ¥82 thousand.

As a result, total assets increased by ¥322,717 thousand from the end of the previous fiscal year to ¥2,941,375 thousand (an increase of 12.3% from the end of the previous fiscal year).

Liabilities

Current liabilities as of June 30, 2024 decreased by ¥125,437 thousand from the end of the previous fiscal year to ¥83,616 thousand (a decrease of 60.0% from the end of the previous fiscal year). This was mainly due to a decrease of ¥117,932 thousand in accounts payable - other. Non-current liabilities increased by ¥129,274 thousand from the end of the previous fiscal year to ¥517,175 thousand (an increase of 33.3% from the end of the previous fiscal year). This chiefly reflects an increase of ¥121,281 thousand in long-term deposits received.

As a result, total liabilities increased by ¥3,837 thousand from the end of the previous fiscal year to ¥600,792 thousand (an increase of 0.6% from the end of the previous fiscal year).

Net assets

Net assets as of June 30, 2024 increased by ¥318,880 thousand from the end of the previous fiscal year to ¥2,340,582 thousand (an increase of 15.8% from the end of the previous fiscal year). This was mainly due to increases of ¥418,411 thousand in both share capital and legal capital surplus due to a capital increase as a result of the exercise of share acquisition rights, which offset the recording of a loss of ¥518,421 thousand.

This resulted in share capital of ¥515,957 thousand, capital surplus of ¥3,513,928 thousand, and negative retained earnings of ¥1,704,403 thousand.

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

Regarding the net sales forecast, technology access fee income from U.S.-based Claris Biotherapeutics, Inc. was in line with expectations. However, with respect to the milestone payment from Maruishi Pharmaceutical Co., Ltd. in connection with application for manufacturing and marketing approval in Japan for a drug in the acute phase spinal cord injury (SCI) pipeline, the Company has held consultations with the regulatory authorities in preparation for submission; however, it is now more likely that the application will be submitted next fiscal year and the Company has, therefore, decided to factor this milestone payment into the forecast for next fiscal year.

The Company also decided to factor costs related to the milestone payment into the forecast for next fiscal year.

In addition to revising its net sales forecast, the Company has revised its full-year forecasts for operating profit, ordinary profit and profit for the fiscal year ending September 30, 2024. This is because expenses related to SCI approval application and expenses related to the VFS clinical trial will now both be recognized next fiscal year instead of the current fiscal year and research and development expenses are, therefore, likely to be lower than planned.

For further details, refer to “Notice of Revision to Financial Results Forecast for the Fiscal Year Ending September 30, 2024” announced today (August 9, 2024).

The results forecasts have been prepared based on information currently available to the Company and may differ from the actual results depending on various factors that will arise in the future.

2. Quarterly Financial Statements and Principal Notes

(1) Quarterly Balance Sheets

(Thousand yen)

	As of September 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	2,136,490	2,455,889
Accounts receivable - trade	7,560	–
Raw materials and supplies	364,056	351,494
Advance payments to suppliers	21,065	68,975
Consumption taxes receivable	74,290	43,760
Other	14,154	20,132
Total current assets	2,617,617	2,940,252
Non-current assets		
Property, plant and equipment	–	–
Investments and other assets	1,040	1,122
Total non-current assets	1,040	1,122
Total assets	2,618,657	2,941,375
Liabilities		
Current liabilities		
Accounts payable - other	171,662	53,730
Income taxes payable	1,490	1,117
Advances received	26,000	11,160
Other	9,901	17,608
Total current liabilities	209,054	83,616
Non-current liabilities		
Asset retirement obligations	2,305	2,305
Long-term accounts payable - other	10,345	18,338
Long-term deposits received	375,250	496,531
Total non-current liabilities	387,900	517,175
Total liabilities	596,955	600,792
Net assets		
Shareholders' equity		
Share capital	97,546	515,957
Capital surplus	3,095,517	3,513,928
Retained earnings	(1,185,981)	(1,704,403)
Treasury shares	(75)	(106)
Total shareholders' equity	2,007,006	2,325,376
Share acquisition rights	14,696	15,206
Total net assets	2,021,702	2,340,582
Total liabilities and net assets	2,618,657	2,941,375

(2) Quarterly Statements of Income

Nine Months Ended June 30

(Thousand yen)

	For the nine months ended June 30, 2023	For the nine months ended June 30, 2024
Net sales	51,529	61,494
Cost of sales	–	–
Gross profit	51,529	61,494
Selling, general and administrative expenses	672,017	641,216
Operating loss	(620,487)	(579,722)
Non-operating income		
Interest income	5	7
Subsidy income	43,048	62,011
Foreign exchange gains	–	220
Interest on tax refund	83	179
Other	0	0
Total non-operating income	43,136	62,419
Non-operating expenses		
Foreign exchange losses	162	–
Total non-operating expenses	162	–
Ordinary loss	(577,513)	(517,303)
Loss before income taxes	(577,513)	(517,303)
Income taxes - current	1,118	1,118
Total income taxes	1,118	1,118
Loss	(578,631)	(518,421)

(3) Notes to Quarterly Financial Statements

Notes on going concern assumption

Not applicable.

Notes on quarterly balance sheet

Collateral assets and loans pledged as collateral

Fixed deposits included in cash and deposits are collateral assets for long-term deposits received from Japan Agency for Medical Research and Development (AMED).

Collateral assets		(Thousand yen)
	As of September 30, 2023	As of June 30, 2024
Cash and deposits	375,250	496,531

Loans pledged as collateral		(Thousand yen)
	As of September 30, 2023	As of June 30, 2024
Long-term deposits received	375,250	496,531

Notes on quarterly statement of cash flows

For the nine months ended June 30, 2023

The Group has not prepared a quarterly statement of cash flows for the first nine months of the previous fiscal year. There is no depreciation (including amortization of intangible assets) for the first nine months of the previous fiscal year.

For the nine months ended June 30, 2024

The Group has not prepared a quarterly statement of cash flows for the first nine months of the fiscal year under review. There is no depreciation (including amortization of intangible assets) for the first nine months of the fiscal year under review.

Notes in case of significant changes in shareholders' equity

For the nine months ended June 30, 2023

Not applicable.

For the nine months ended June 30, 2024

On September 4, 2023, the Company allotted its 13th series of share acquisition rights to Barclays Bank PLC. Chiefly due to the exercise of the 13th series of share acquisition rights during the first nine months of the fiscal year under review, share capital and capital surplus increased by ¥418,411 thousand each.

As a result, as of June 30, 2024, share capital and capital surplus amounted to ¥515,957 thousand and ¥3,513,928 thousand, respectively.

Notes on segment information, etc.

Segment information

For the nine months ended June 30, 2023

Since the Company operates in a single segment of pharmaceutical development business, segment information is omitted.

For the nine months ended June 30, 2024

Since the Company operates in a single segment of pharmaceutical development business, segment information is omitted.

Notes on significant subsequent events

Reduction of share capital and legal capital surplus, and appropriation of surplus

The Company resolved at a meeting of the Board of Directors held on July 17, 2024 to submit a proposal on "Reduction of share capital and legal capital surplus, and appropriation of surplus" to an extraordinary shareholders meeting to be held on August 23, 2024.

1. Purpose of reduction of share capital and legal capital surplus, and appropriation of surplus

The Company posted a deficit of ¥1,185,981 thousand in retained earnings at the end of the previous fiscal year. Accordingly, in order to improve the financial position of the Company, while also securing greater flexibility in its future capital policy including return to shareholders, as well as mitigating the tax burden, pursuant to the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, the Company will reduce share capital and legal capital surplus and transfer the reduction to other capital surplus, and offset the deficit in retained earnings by transferring the increased other capital surplus to retained earnings pursuant to the provisions of Article 452 of the Companies Act.

2. Details of the reduction of share capital

(1) Amount of share capital to be reduced

Pursuant to the provisions of Article 447, Paragraph 1 of the Companies Act, share capital of ¥515,957 thousand as of June 30, 2024 will be reduced by ¥505,957 thousand to ¥10,000 thousand. If share acquisition rights issued by the Company are exercised on or before the effective date, the amount of share capital and the reduced amount of share capital will change.

(2) Method of reduction of share capital

The amount of share capital will be reduced and transferred to other capital surplus.

3. Details of the reduction of legal capital surplus

(1) Amount of legal capital surplus to be reduced

Pursuant to the provisions of Article 448, Paragraph 1 of the Companies Act, legal capital surplus of ¥2,949,885 thousand as of June 30, 2024 will be reduced by ¥680,023 thousand to ¥2,269,862 thousand. If share acquisition rights issued by the Company are exercised on or before the effective date, the amount of legal capital surplus and the reduced amount of legal capital surplus will change.

(2) Method of reduction of legal capital surplus

The amount of legal capital surplus will be reduced and transferred to other capital surplus.

4. Details of the appropriation of surplus

Pursuant to the provisions of Article 452 of the Companies Act, and provided that the reductions of the amount of share capital and legal capital surplus described in paragraphs 2 and 3 above, respectively, take effect, other capital surplus of ¥1,185,981 thousand that increased as a result of these reductions will be fully transferred to retained earnings to offset the deficit.

(1) The item of surplus to be reduced and its amount

Other capital surplus: ¥1,185,981 thousand

(2) The item of surplus to be increased and its amount

Retained earnings: ¥1,185,981 thousand

5. Schedule of the reduction of share capital and legal capital surplus and appropriation of surplus

(1) Resolution by the Board of Directors	July 17, 2024
(2) Announcement to creditors for submitting their objections	August 8, 2024
(3) Resolution by the General Meeting of Shareholders	August 23, 2024 (plan)
(4) Deadline for creditors' objections	September 10, 2024 (plan)
(5) Effective date for the capital reduction	September 11, 2024 (plan)