February 12, 2025

Company name:	ispace, inc.
Name of representative:	Takeshi Hakamada, Representative Director and CEO
Securities code:	9348; Growth Market
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Notice regarding Upward Revision of the Financial Results Forecasts

ispace inc. ("ispace") hereby announces that it has been resolved at the Board of Directors meeting held today to revise the forecasts of consolidated financial results for the fiscal year ending March 31, 2025 mainly due to the planned change of net sales recognition method for Mission 2 from "cost recovery method" to "method of revenue recognition based on the percentage of completion of performance obligations [Note 1)]" ("method of revenue recognition based on progress").

1. Revision of the forecasts

Revised forecasts of consolidated financial results for the fiscal year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(Millions of yen)

	Net sales	Operating Profit (loss)	Ordinary income (loss)	Net income (loss) attributable to owners of parent	Basic net income per share
Previous forecast (A)	4,033	(13,165)	(12,461)	(12,465)	(153.05)
Revised forecast (B)	4,467	(9,872)	(10,774)	(10,763)	(114.28)
Change (B-A)	+434	+3,293	+1,687	+1,702	―
Change (%)	+10.7	―	―	―	―
(Ref.) Results of previous fiscal year (Fiscal year ended March 31, 2024)	989	(11,023)	(11,378)	(11,398)	(211.47)

2. Reason for the revision

ispace applies the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) and recognizes net sales when control of the promised goods or services is transferred to the customer in the amount expected to be received in exchange for such goods or services. Previously, in consultation with our auditing firm ispace has applied the "cost recovery method" for

Mission 1, Mission 2, and Mission 3, which correspond to payload service contracts already executed with customers, based on the idea that it was difficult to reasonably estimate the degree of completion related to the fulfillment of performance obligations.

Today based on discussions with our auditing firm, for Mission 2, it has become reasonably possible to estimate the degree of progress toward fulfillment of performance obligations, since the mission was launched on January 15, 2025 and is currently in an operational phase. Therefore, the net sales recognition method is planned to be changed from the “cost recovery method” to the “method of revenue recognition based on progress” from the fourth quarter of the current fiscal year (January 1, 2025 to March 31, 2025). As a result, the forecast of consolidated net sales for the current fiscal year has been revised upwards, as the variance between the amount based on the previous net sales recognition method and the amount based on the new method will be recognized as net sales in the fourth quarter of the current fiscal year (January 1, 2025 to March 31, 2025).

The changes in operating income (loss) and below are mainly due to the planned change of net sales recognition method in addition to the reasons stated on the next page and thereafter.

(Note 1) The name “percentage of completion method” was used in previous disclosures, but with the adoption of Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) and the Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021), “method of revenue recognition based on the percentage of completion of performance obligations” will become the official name of the accounting standard.

(Note 2) The forecasts are based on information available as of the date of disclosure of this document, and actual results may differ from the above forecasts due to changes in various factors in the future. If it becomes clear that there will be a significant impact on future business results, we will disclose such information promptly.

Upward Revision

Upward revision of full-year forecasts mainly due to changes in the net sales recognition method for M2

(Millions of yen)	FY2025/3 Revised Forecast	FY2024/3 (Previous year) Previous Forecast	%Change	Change
Net Sales(1)	**4,467**	4,033	+10.8%	+434
Gross Profit	**2,325**	522	+345.4%	+1,803
Gross Profit Margin	**52.0%**	12.9%	-	-
SG&A	**12,197**	13,688	-10.9%	-1,491
Operating Profit/Loss	**-9,872**	-13,165	-	+3,293
Ordinary Profit/Loss	**-10,774**	-12,461	-	+1,687
Net Profit/Loss	**-10,763**	-12,465	-	+1,702

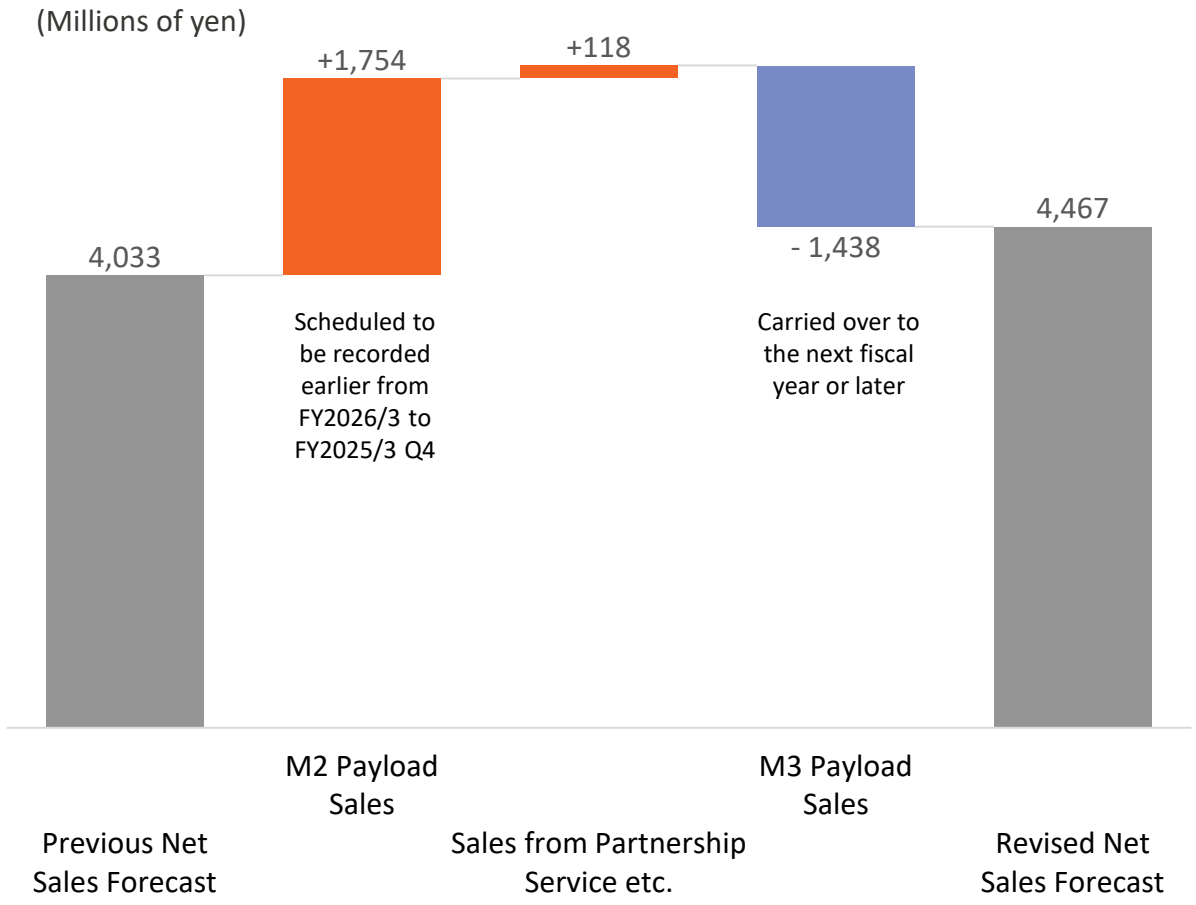
Point: Comparison with previous forecast

- **Net Sales:**
  M2 sales is expected to increase by ¥1.7Bn yen as its net sales recognition method is planned to be changed from Q4 of FY2025/3(2) while M3 sales is expected to decrease by ¥1.4Bn yen due to the delay in cost recognition, resulting in ¥0.4Bn yen increase in net sales
- **Gross Profit:**
  Due to a change in the net sales recognition method for M2, gross profit which is originally scheduled to be recorded at the time of mission completion in FY2026/3, is now scheduled to be recorded in the current Q4, which is expected to result in gross profit to significantly increase by ¥1.8Bn yen
- **Operating Loss:**
  Mainly due to the impact of a decrease of M3 R&D expenses of ¥1.3Bn yen along with delays in the M3 cost recognition, in addition to the above, operating loss is expected to increase by ¥3.2Bn yen
- **Net Loss:**
  In addition to the above, ¥1.2Bn yen decrease is expected mainly due to the delay in receipt of SBIR subsidies, which was originally expected to be recorded as non-operating income in this fiscal year. ¥0.4 Bn yen decrease is expected due to the impairment loss of fixed assets which was disclosed at Q2 announcement

(1) The details are provided in P.28. The sales recognition method for M2 will be changed from the “cost recovery method” to the “method of revenue recognition based on the percentage of completion of performance obligations”
(2) FY2025/3 and means Fiscal Year ending March 2025

Upward Revision

Due to the change in the net sales recognition method, a large portion of M2 sales is now expected to be booked in Q4 of FY2025/3, while a part of M3 sales is expected to be carried over to the next fiscal year or later due to the delay in M3 cost recognition



Point: Comparison with previous forecast

- **Mission 2 Payload Sales:**
  Based on discussions with our audit firm, the net sales recognition method is planned to be changed from the "cost recovery method" to the "method of revenue recognition based on the percentage of completion of performance obligations"(1) from Q4 of FY2025/3. As a result, ¥1.7Bn yen in M2 sales that was originally scheduled to be recorded in FY2026/3 is now scheduled to be recorded in the current Q4

- **Mission 3 Payload Sales:**
  Expected to decrease by ¥1.4Bn yen due to the delay in cost recognition. Half of the delay is due to the change in cost recognition timing and the other half is due to an impact of a delay in the delivery of some components, causing the cost recognition to be carried over to the next fiscal year or later. The impact on M3 launch schedule is minimal

(1) Although the name "percentage of completion method" was previously used, the above is the official name, following accounting standards which ispace applies

Upward Revision

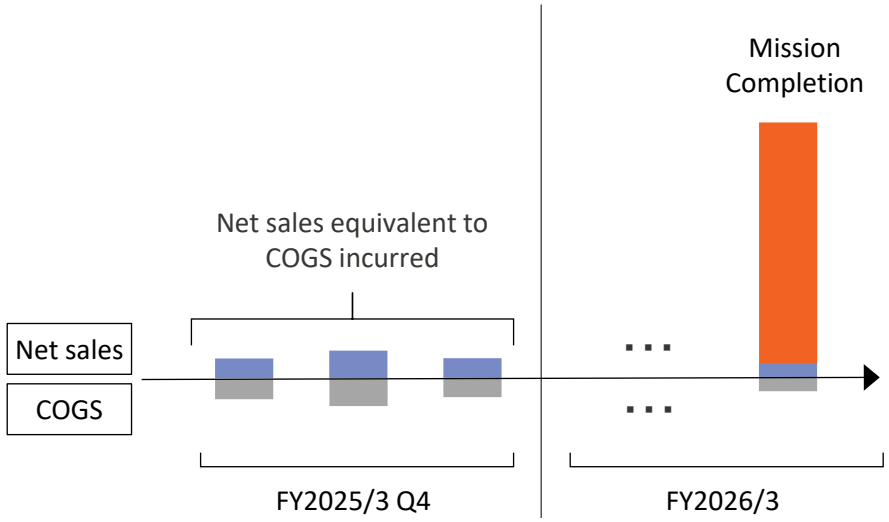
Due to the change in the net sales recognition method, Mission 2 gross profit, which was initially expected to be recorded in FY2026/3, will be recorded in Q4 of FY2025/3

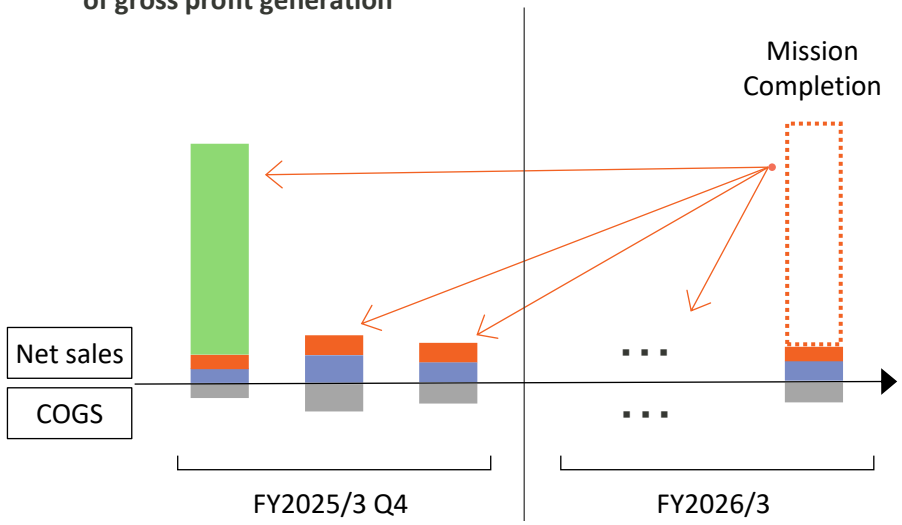
Previous: Cost Recovery Method

- COGS
- Net sales equivalent to COGS incurred
- Net sales equivalent to gross profit:
  One-time net sales which is equivalent to total contract amount deducting previously booked sales, thus, **gross profit will be recognized for the first time**

From FY2025/3 Q4: method of revenue recognition based on the percentage of completion of performance obligations(1)

- COGS
- Net sales equivalent to COGS incurred
- Net sales equivalent to gross profit
- Net sales variance due to the change in the net sales recognition method:
  Adjusting by recognizing the net sales that would have been recorded under the new net sales recognition method in a lump sum = **Initiation of gross profit generation**





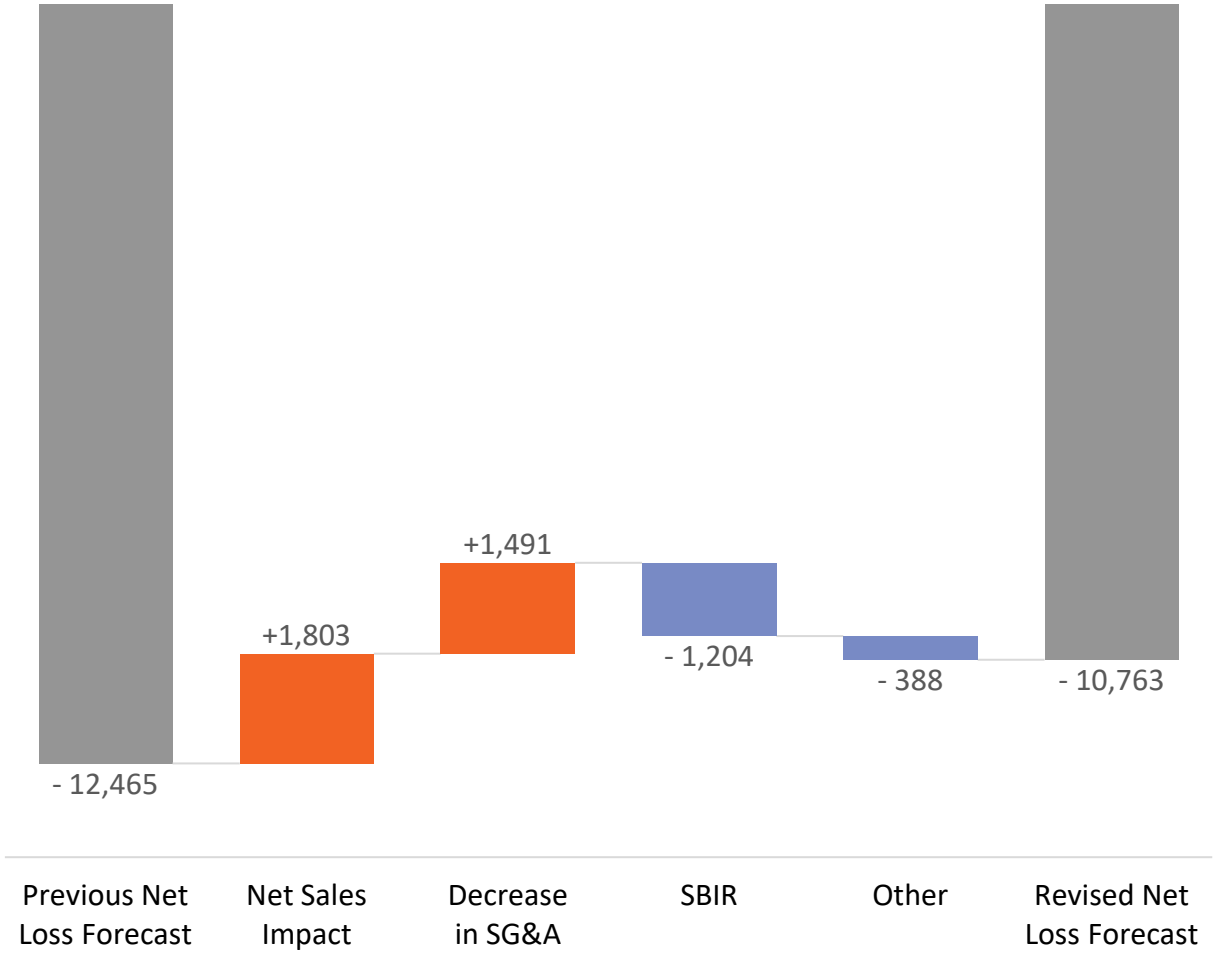
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(1) Although the name "percentage of completion method" was previously used, the above is the official name, following accounting standards which ispace applies

Upward Revision

Net loss is expected to decrease due to the change in the net sales recognition method and decrease in SG&A, while expected to increase as part of SBIR grant will be carried over to FY2026/3

(Millions of yen)



Point: Comparison with previous forecast

- **Net sales Impact:**
  Due to the planned change in the net sales recognition method for M2, gross profit which is originally scheduled to be recorded at the time of mission completion in FY2026/3, is now scheduled to be recorded in the current Q4
- **SG&A etc.:**
  Delays in cost recognition for M3 have resulted in a decrease of R&D expenses as well
- **SBIR grant:**
  The first-time inspection to receive the SBIR grant had taken longer time than expected, which resulted in a decrease of number of a grant receipt than initial plan.
- **Other:**
  Mainly due to the impairment loss on fixed assets which was disclosed at Q2 announcement