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February 14, 2024

Company name: Modalis Therapeutics Corporation

Stock exchange listing: Tokyo Stock Exchange

Code number: 4883

URL: <https://www.modalistx.com/en/>

Representative: Haruhiko Morita

Notice Regarding the Recording of Non-Operating Income (Foreign Exchange Income) and Extraordinary Loss

Modalis Therapeutics Corporation (hereafter, “the Company”) hereby announces the recording of non-operating income (foreign exchange income) and extraordinary loss for the Fiscal Year Ended December 31, 2023.

1. Details of non-operating income (foreign exchange income)

For the Fiscal Year Ended December 31, 2023, the Company recorded foreign exchange income of 39 million yen as non-operating income due to fluctuations in foreign exchanges rates. This was mainly attributed to foreign exchange income arising from revaluation of foreign currency denominated assets and liabilities of the Company.

2. Details of extraordinary loss

For the Fiscal Year Ended December 31, 2023, the Company recorded impairment loss on fixed assets of 38 million yen as an extraordinary loss.

This was recorded in accordance with the "Accounting Standard for Impairment of Fixed Assets" because the Company is in the research and development phase of its pharmaceuticals business, and therefore, the profit and loss arising from operating activities is continuously negative, and future projections are highly uncertain in terms of profitability considering the characteristics of the business.

3. Impact on earnings

Regarding the impact, please refer to “Consolidated Financial Results for the Fiscal Year Ended December 31, 2023” disclosed on February 14, 2024.