February 22, 2023

Company name: Modalis Therapeutics Corporation
Stock exchange listing: Tokyo Stock Exchange
Code number: 4883
URL: https://www.modalistx.com/en/
Representative: Haruhiko Morita

Announcement on Reduction in Amounts of Stated Capital and Capital Reserves and Appropriation of Other Capital Surplus

Modalis Therapeutics Corporation (hereafter, "the Company") hereby announces that by the resolution of the Board of Directors dated as of February 22, 2023, the Company decided to submit to the Company's 7th Ordinary General Meeting of Shareholders, to be held on March 28, 2023, a proposal to reduce the amounts of stated capital and capital reserves and to make an appropriation of other capital surplus.

１. Purpose

The Company recorded a deficit in its retained earnings brought forward of 2,586,894,283 yen at the end of this business year.

Accordingly, achieving a healthier our financial position and promote efficient management by covering this deficit of retained earnings brought forward, and ensuring agile and flexibility capital policy for the future, the Company wishes to, as follows, carry out a reduction in the amount of its stated capital and its capital reserves in accordance with Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, post these to other capital surplus, and then post other capital surplus (as increased by the reduction in the amounts of stated capital and capital reserves) to retained earnings brought forward in accordance with Article 452 of the Companies Act.

As these measures will not result in a change in the total number of issued shares and will only involve a reduction in the amounts of stated capital and capital reserves, there will be no impact on the number of shares held by each shareholder. Furthermore, there will be no change in the amount of net assets, and therefore, there will be no change in the amount of net assets per share.

２. Outline of reduction in amounts of stated capital and capital reserves and appropriation of other capital surplus

Ⅰ. Reduction in amount of stated capital

(1) Amount by which stated capital will be reduced:
The Company will reduce stated capital by 1,293,447,142 yen and post that amount to other capital surplus.

(2) Date on which the reduction in the amount of stated capital takes effect:
The reduction in the amount of stated capital is planned to take effect on May 15, 2023.

Ⅱ. Reduction in amount of capital reserves

(1) Amount by which capital reserves will be reduced:

The Company will reduce capital reserves by 1,293,447,141 yen and post that amount to other capital surplus.

(2) Date on which the reduction in the amount of capital reserves takes effect:

The reduction in the amount of capital reserves is planned to take effect on May 15, 2023.

Ⅲ. Appropriation of other capital surplus

As described below, subject to the reduction in the amounts of stated capital and capital reserves (detailed above) becoming effective, the Company will, in accordance with Article 452 of the Companies Act, post the other capital surplus to retained earnings brought forward so as to cover the deficit. In doing so, the amount of retained earnings brought forward after the posting will be 0 yen.

(1) Item of surplus to be reduced and amount by which it will be reduced:

Other capital surplus 2,586,894,283 yen

(2) Item of surplus to be increased and amount by which it will be increased:

Retained earnings brought forward 2,586,894,283 yen

３. Schedule

(1) Date of resolution by Board of Directors: February 22, 2023

(2) Date of resolution at annual general meeting of shareholders: March 28, 2023 (scheduled)

(3) Date of public notice of creditors' objection: March 29, 2023 (scheduled)

(4) Deadline for submission of objections by creditors: May 1, 2023 (scheduled)

(5) Effective date: May 15, 2023. (scheduled)

４. Outlook

These measures will not have any impact on the business performance of the Company. This matter is subject to approval at the Company’s 7th Ordinary General Meeting of Shareholders scheduled to be held on March 28, 2023.