English Translation:
This is a translation of the original release in Japanese. In the event of any discrepancy, the original release in Japanese shall prevail.

Non-consolidated Financial Results for the Six Months Ended January 31, 2023 [Japanese GAAP]

March 8, 2023

Company name: StemRIM Inc.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 4599
URL: https://stemrim.com
Representative: Kensuke Tomita, Chairman & Chief Executive Officer
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Scheduled date of filling quarterly securities report: —
Scheduled date of commencing dividend payments: —
Supplementary briefing materials on financial results: None
Explanatory meeting on financial results: None

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

1. Financial Results for the Six Months Ended January 31, 2022 (August 1,2022 to January 31, 2023)

(1) Operating results (% indicates changes from the same period of the previous fiscal year)

	Operating revenue		Operating income		Ordinary income		Net income	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
January 31, 2023	—	—	(1,042)	—	(1,039)	—	(1,016)	—
January 31, 2022	22	(89.1)	(1,006)	—	(1,006)	—	(1,007)	—

	Earnings per share Basic	Earnings per share diluted
Six months ended	Yen	Yen
January 31, 2023	(17.03)	—
January 31, 2022	(17.07)	—

Note: Diluted earnings per share is not stated because of a net loss per share.

(2) Financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of January 31, 2023	9,100	8,888	86.3
As of July 31, 2022	9,597	9,404	88.7

(Reference) Equity capital: As of January 31, 2023 7,861 Million yen
As of July 31, 2022 8,513 Million yen

2. Payment of Dividends

	Annual dividends				
	End Q1	End Q2	End Q3	Year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
July 31, 2022	—	0.00	—	0.00	0.00
July 31, 2023	—	—			
July 31, 2023(forecast)			—	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

3. Financial Forecasts for the Fiscal Year Ending July 31, 2023 (August 1, 2022 to July 31, 2023)

Most of the Company's current operating revenue comes from milestone revenues associated with the progress of development, and these revenues are highly dependent on the development strategies and schedules of our business partners. Therefore, it is difficult to predict when the Company will receive milestone revenues, and the amount of business revenue for each fiscal year may fluctuate significantly. Hence, the Company have not provided a forecast for the fiscal year ending July 31, 2023. We will continue to research and develop of the “Regeneration-Inducing Medicine” Redasemtide (a peptide medicine created from HMGB1; development code: PJ1) in the fiscal year ending July 31, 2023. In addition, the Company expects to continue to progress the development of Regeneration-Inducing Medicine candidate that follows Redasemtide for the clinical trials and negotiations for licensing out.

The cash outflow for the fiscal year ending July 31, 2023, is expected to be as follows

・Forecast cash R&D expenses in the range of 1,200 million yen to 1,600 million yen.

・Forecast cash other selling, general and administrative expenses in the range of 230 million yen to 300 million yen.

・There is a possibility that upfront payments related to new partnerships.

・There is a possibility that milestone payments from existing partners for out-licensed pipelines.

The Company has secured sufficient funds for research and development activities through 2026.

*Notes

(1) Application of specific accounting for preparing the quarterly non-consolidated financial statements: None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatements

(a)	Changes in accounting policies due to amendment to the accounting standards, etc.	:	None
(b)	Changes in accounting policies other than (a) above	:	None
(c)	Changes in accounting estimates	:	None
(d)	Retrospective restatements	:	None

(3) Number of shares issued (common stock)

(a) Number of shares issued at the end of the period (including treasury stock)

As of January 31, 2023	59,995,600 shares
As of July 31, 2022	59,402,400 shares

(b) Number of treasury stock at the end of the period

As of January 31, 2023	121 shares
As of July 31, 2022	37 shares

(c) Average number of shares during the period

Six months ended January 31, 2023	59,702,341 shares
Six months ended January 31, 2022	59,030,974 shares

* Quarterly financial results reports are exempted from quarterly review conducted by certified public accountants or an audit corporation.

* Explanation of the appropriate use of business forecasts and other special instructions

The forward-looking statements in this document are based on information currently available to the Company and certain assumptions deemed to be reasonable, and the Company does not assure the achievement of any of these. Furthermore, actual results may differ significantly due to various factors.

Attached Documents

Index of Appendix

1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of operating results

The forward-looking statements in the text are based on the Company's judgment as of the date of submission.

During the six months ended January 31, 2023 (August 1, 2022, to January 31, 2023), we continued to make progress in the research and development of "Regeneration-Inducing Medicine" called Redasemtide (a peptide medicine created from HMGB1) for multiple ongoing clinical trials and the launch of new trials.

In the regenerative medicine industry, which is the business domain of our company, social expectations and interest in regenerative medicine technology has been increasing, as the foundation for promoting the industrialization of regenerative medicine has been laid by the Act on Securing Safety of Regenerative Medicine and the revised Pharmaceutical Affairs Law enacted in November 2014, with continued approvals of several new regenerative medicine products. The market scale of regenerative medicine is expected to increase significantly, from 95 billion yen in Japan in 2020 to 2.5 trillion yen in 2050, and from 1 trillion yen worldwide in 2020 to 38 trillion yen in 2050. This shows a tremendous need for new medical treatments for diseases that are difficult to treat with conventional drugs or medical care. Under these circumstances, we believe that it is our social mission to deliver " Regeneration-Inducing Medicine" which realizes in vivo regeneration therapy by recruitment of patient's own mesenchymal stem cells (MSCs) without utilizing in vitro cultured cells, to patients around the world suffering from various diseases including Epidermolysis Bullosa (EB) and other intractable diseases.

In the current fiscal year, the progresses of research and development on Redasemtide for each target disease are, as follows.

PJ1-01 (for Dystrophic Epidermolysis Bullosa (DEB)): An additional investigator-initiated clinical trial (Additional Phase II study) in patients with DEB was started in July 2022, and the first patient was administered in March 2023. The investigator-initiated clinical trial and follow-up study (Phase II) in patients with DEB was completed in March 2020. The results of these data analyses showed statistically significant improvement in the primary endpoint (rate of change in the total area of blisters, erosions, and ulcers of the whole body from the pretreatment value) as a result of Redasemtide treatment in all patients (9 patients) in this study. At the last observation point (28 weeks after the end of administration), 7 of 9 patients showed improvement below the pretreatment value, and 4 of them showed a marked improvement of 50% or more. In addition, since the efficacy was shown at the observation point after the end of the follow-up study (52 weeks after the end of administration), long-term effect of Redasemtide on DEB was also confirmed. Furthermore, since no adverse events of concern were observed in the secondary evaluation (safety evaluation), both the safety and efficacy of Redasemtide in patients with DEB were confirmed in this study. DEB is a rare intractable disease with 400 patients in Japan, and there is currently no effective treatment. In addition, it is difficult to plan a large-scale Phase III study. Therefore, Shionogi & Co., Ltd., the licensee of Redasemtide, has been in discussions with Pharmaceuticals and Medical Devices Agency (PMDA) to file an application for approval of the drug based on the results of the Phase II and follow-up study. Although the results of this study showed that there were significant cases of efficacy, PMDA concluded that further efficacy cases need to be accumulated. Therefore, additional study will be needed to confirm the reproducibility of the study results. The additional Phase II study is intended to evaluate the efficacy of Redasemtide on refractory ulcers, using closure of refractory ulcers as an indicator. The planned number of subjects for this study is 3, and it is scheduled to run through May 2024.

PJ1-02 (for Cerebral Infarction): Shionogi & Co., Ltd. disclosed the trial data from the Phase II study in October 2022. This trial was a placebo-controlled, double-blind, randomized, controlled study to evaluate the efficacy and safety of Redasemtide in patients who have had a cerebral infarction between 4.5 hours and 25 hours after the onset of cerebral infarction and were unable to undergo vascular recanalization (thrombolysis or thrombus retrieval). The results of evaluation of mRS after 90 days of drug administration showed that the percentage of patients who needed assistance (mRS≥3) on the day following completion of 5 days of treatment and who were no longer in need of assistance (mRS≤2) after 90 days of treatment was 34% in the Redasemtide group compared to 18% in the placebo group. The results suggest that Redasemtide is effective in patients with acute cerebral infarction. The social impact of improving the symptoms of cerebral infarction patients who require nursing care to a level where they no longer require assistance and can be socially independent is significant. Redasemtide is expected to improve the quality of life of patients with acute cerebral infarction.

In the treatment of acute cerebral infarction, thrombolytic therapy is available up to 4.5 hours after onset, and mechanical thrombus retrieval therapy is available up to 8 hours after onset. Both therapies have time limitations from onset to treatment, and this is an area in which adequate therapeutic effects have not been achieved. The option of treatment with Redasemtide, which is less time-constrained than these therapies, is expected to satisfy these unmet medical needs.

Based on the positive results of this Phase II study, Shionogi is preparing to start a global Phase III study. This study is planned to be a placebo-controlled, double-blind, randomized, comparative study to verify the efficacy of Redasemtide, and will be conducted in Japan, Europe, North America, China, and other countries.

PJ1-03 (for Cardiomyopathy): In joint research with the Department of Cardiovascular Surgery, Osaka University Graduate School of Medicine, we have demonstrated remarkable therapeutic effects and mechanisms of action in drug efficacy tests using animal models of myocardial infarction and various cardiomyopathies. Currently, preparations are underway at Osaka University for phase II study. The results were reported at international conferences such as American Heart Association (AHA) Scientific Sessions 2018. At the 18th Annual Meeting of the Japanese Society for Regenerative Medicine in March 2019, we reported successful observation of the accumulation of GFP (green fluorescent protein)-positive bone marrow-derived cells in myocardial infarction model animals treated with Redasemtide and their active migration around blood vessels. These results have been highly evaluated.

PJ1-04 (for Osteoarthritis of the Knee): We have received notification that the investigator-initiated clinical trial (Phase II study) for patients with osteoarthritis of the knee conducted at Hirosaki University achieved its primary outcome in March 2023. The primary outcome of this study is to evaluate the safety of administration of Redasemtide. As a result of this trial report, no serious adverse events or side effects judged to be related to this drug were observed. Therefore, the safety of this product when administered in patients with osteoarthritis of the knee was confirmed. In addition, the efficacy of this drug, which was set as a secondary outcome, is currently being analyzed. MRI imaging was performed as a morphological evaluation of cartilage damage, which is one of the underlying causes of osteoarthritis of the knee. At 52 weeks after the start of administration, the change (median value) in the area ratio of the medial femoral condyle cartilage defect was (3.5%) in the placebo group and (7.5%) in the Redasemtide group. The defect site tended to shrink more in the Redasemtide group. In the post-analysis results, the endoscopic visual observation by a specialist physician also showed good cartilage regeneration in 5 patients in the Redasemtide group and in 2 patients in the placebo group. We plan to proceed with quantitative evaluation of the observation results confirmed by this arthroscope in the future.

Osteoarthritis of the Knee is a disease that causes deformity, pain and swelling of the knee due to wear and tear of the knee joint cartilage. It is estimated that the number of potential patients in Japan is about 25 million, of which about 8 million have subjective symptoms. The main cause of the disease is aging, and it occurs mostly in middle-aged people in their 40s or older. It is known that damaged articular cartilage does not repair itself easily, and it is desired to develop a new treatment method to accelerate the repair of damaged cartilage tissue or to avoid the need for joint replacement surgery. In non-clinical trials using a mouse model of cartilage defects in the knee joint, Redasemtide has been shown to have cartilage repairing effects, and is expected to become a new treatment for patients with Osteoarthritis of the Knee.

PJ1-05 (for Chronic Liver Disease): In November 2020, we started an investigator-initiated clinical trial (Phase II study) for patients with Chronic Liver Disease at Niigata University, and patient enrollment completed in June 2022. Data analysis and evaluation will be conducted after a 6 months follow-up period. Liver cirrhosis with advanced fibrosis is a disease that can cause various problems that affect the prognosis of life, such as decreased liver function, increased portal pressure, and carcinogenesis. Currently, there is no established treatment for cirrhosis with advanced fibrosis that can be expected to completely cure the disease, except for liver transplantation. Redasemtide has been confirmed to have high anti-inflammatory and fibrosis-improving effects in liver cirrhosis model mice and may become a new treatment option for patients with chronic liver disease and cirrhosis accompanied by fibrosis.

As for the projects to discover “new Regeneration-Inducing Medicine” other than Redasemtide, we have identified several new candidate compounds with remarkable activities through the multifaceted development of screening methods with continuing active R&D.

PJ5 (stem cell gene therapy) that we are developing in joint research with Osaka University is based on our own development technology that collects MSCs from the skin of patients with EB in a minimally invasive manner using a lentiviral vector. It is a radical EB treatment technology that efficiently introduces VII collagen genes into MSCs derived from the patient's skin and returns them to the patient's skin to enable a continuous supply of type VII collagen. EB model skin tissue was prepared using patient derived MSCs, and blisters were artificially formed by the aspiration method. We have confirmed that blisters do not form in skin tissue. In addition to pluripotency, MSCs have immunoregulatory functions and therapeutic effects on various diseases. A cure for the disease can be expected.

Compared to transplantation of transgenic cells via epidermal sheets or intradermal administration, stem cell gene therapy, which is less burdensome for patients and shows high and long-lasting efficacy, is expected to be a curative treatment for DEB, for which no effective curative therapy currently exists.

From April 2022, we will participate as a joint research company in the 2022 "Research Project for Practical Use of Intractable Diseases" implemented by the Japan Agency for Medical Research and Development (AMED). In this AMED-approved research, we will realize a radical treatment for DEB by utilizing the abundant data and knowledge accumulated by our company in stem cell gene therapy research.

Under these circumstances, for the six months ended January 31, 2023, operating revenue was nothing (operating revenue of 22,976 thousand yen in the same period of the previous year), operating loss was 1,042,096 thousand yen (operating loss of 1,006,574 thousand yen in the same period of the previous year), ordinary loss was 1,039,678 thousand yen (ordinary loss of 1,006,155 thousand yen in the same period of the previous year), and net loss was 1,016,664 thousand yen (net loss of 1,007,869 thousand yen in the same period of the previous year).

(2) Explanation of financial position

Assets

Total current assets at the end of the second quarter of the fiscal year under review were 8,803,888 thousand yen, a decrease of 459,104 thousand yen from the end of the previous fiscal year, mainly due to a decrease of 469,973 thousand yen in cash and cash deposits. Total non-current assets were 296,158 thousand yen, a decrease of 38,222 thousand yen from the end of the previous fiscal year, mainly due to a decrease of 23,689 thousand yen in property, plant, and equipment and 14,335 thousand yen in investments and other assets. As a result, total assets amounted to 9,100,047 thousand yen, a decrease of 497,326 thousand yen from the end of the previous fiscal year.

Liabilities

Total current liabilities at the end of the second quarter of the fiscal year under review were 91,007 thousand yen, an increase of 19,176 thousand yen from the end of the previous fiscal year, mainly due to a decrease of 8,713 thousand yen in accrued expenses, and an increase of 21,491 thousand yen in income taxes payable. Total non-current liabilities were 120,154 thousand yen, a decrease of 444 thousand yen from the end of the previous fiscal year, mainly due to a decrease of 531 thousand yen in lease obligations. As a result, total liabilities amounted to 211,161 thousand yen, an increase of 18,732 thousand yen from the end of the previous fiscal year.

Net assets

Total net assets at the end of the second quarter of the fiscal year under review were 8,888,885 thousand yen, a decrease of 516,058 thousand yen from the end of the previous fiscal year. This is due to the net loss for the period, an increase in stock acquisition rights, a decrease in common stock and capital reserve (effective December 1, 2022), and a transfer from other capital surplus to retained earnings brought forward to compensate for the loss. As a result, capital stock amounted to 139,916 thousand yen, capital surplus 8,738,699 thousand yen, and retained earnings (1,016,664) thousand yen.

(3) Explanation of cash flows

Cash and cash equivalents at the fiscal year under review were 8,410,217 thousand yen, a decrease of 469,973 thousand yen from the end of the previous fiscal year.

Cash flows from operating activities

Net cash used in operating activities was 569,323 thousand yen (outflow of 545,164 thousand yen in the previous fiscal year). The negative cash flow was mainly due to the recording of 1,014,849 thousand yen in loss before income taxes, recording of 243,345 thousand in stock-based compensation expenses, and a decrease of 150,765 thousand yen in prepaid expenses.

Cash flows from investing activities

Net cash used in investing activities was nothing (outflow of 551 thousand yen in the previous fiscal year).

Cash flows from financing activities

Net cash provided by financing activities was 99,349 thousand yen (inflow of 92,784 thousand yen in the previous fiscal year). This is mainly due to the issuance of shares as a result of the exercise of stock acquisition rights.

(4) Financial forecasts for the fiscal year ending July 31, 2023

Most of the Company's current operating revenue comes from milestone revenues associated with the progress of development, and these revenues are highly dependent on the development strategies and schedules of our business partners. Therefore, it is difficult to predict when the Company will receive milestone revenues, and the amount of business revenue for each fiscal year may fluctuate significantly. Therefore, as it is difficult to calculate a reasonable forecast at this time, we have not provided a forecast for the fiscal year ending July 31, 2023. We will continue to research and develop of the “Regeneration-Inducing Medicine” Redasemtide (a peptide medicine created from HMGB1; development code: PJ1) in the fiscal year ending July 31, 2023. In addition, the Company expects to continue to progress the development of “Regeneration-Inducing Medicine” candidate that follows Redasemtide for the clinical trials and negotiations for licensing out.

The cash balance for the fiscal year ending July 31, 2023, is expected to be as follows

- Forecast cash R&D expenses in the range of 1,200 million yen to 1,600 million yen.
- Forecast cash other selling, general and administrative expenses in the range of 230 million yen to 300 million yen.
- There is a possibility that upfront payments related to new partnerships.
- There is a possibility that milestone payments from existing partners for out-licensed pipelines.

The Company has secured sufficient funds for research and development activities through 2026.

2.Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheets

(Thousands of yen)

	As of July 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	8,880,191	8,410,217
Supplies	4,348	14,114
Prepaid expenses	270,412	315,161
Other	108,040	64,396
Total current assets	9,262,992	8,803,888
Non-current assets		
Property, plant, and equipment	274,375	250,685
Intangible assets	855	658
Investments and other assets	59,149	44,814
Total non-current assets	334,380	296,158
Total assets	9,597,373	9,100,047
Liabilities		
Current liabilities		
Accounts payable-other	31,517	33,771
Accrued expenses	29,634	20,920
Income taxes payable	3,629	25,121
Lease obligations	3,141	2,112
Deposits received	3,907	9,080
Total current liabilities	71,830	91,007
Non-current liabilities		
Lease obligations	531	—
Asset retirement obligations	108,032	108,119
Deferred tax liabilities	12,034	12,034
Total non-current liabilities	120,598	120,154
Total liabilities	192,429	211,161
Net assets		
Shareholders' equity		
Capital stock	76,315	139,916
Capital surplus	10,620,172	8,738,699
Retained earning	(2,182,994)	(1,016,664)
Treasury shares	(31)	(118)
Total shareholders' equity	8,513,462	7,861,832
Stock acquisition rights	891,481	1,027,053
Total net assets	9,404,943	8,888,885
Total liabilities and net assets	9,597,373	9,100,047

(2) Quarterly Statements of Income

For the Six Months Ended January 31, 2023

(Thousands of yen)

	For the six months ended January 31, 2022	For the six months ended January 31, 2023
Operating revenue	22,976	—
Operating expenses		
Research and development expenses	722,985	739,381
Other selling, general and administrative expenses	306,565	302,714
Total operating expenses	1,029,550	1,042,096
Operating loss	(1,006,574)	(1,042,096)
Non-operating income		
Interest and dividend income	0	0
Subsidy income	273	973
Foreign exchange gains	5	687
Miscellaneous income	220	822
Total non-operating income	499	2,483
Non-operating expenses		
Interest expenses	80	39
Miscellaneous loss	—	26
Total non-operating expenses	80	65
Ordinary loss	(1,006,155)	(1,039,678)
Extraordinary income		
Gain on reversal of share acquisition rights	—	24,828
Total extraordinary income	—	24,828
Loss before income taxes	(1,006,155)	(1,014,849)
Income taxes - current	1,714	1,815
Total income taxes	1,714	1,815
Net loss	(1,007,869)	(1,016,664)

(3) Statements of Cash Flows

(Thousands of yen)

	For the six months ended January 31, 2022	For the six months ended January 31, 2023
Cash flows from operating activities		
Income (loss) before income taxes	(1,006,155)	(1,014,849)
Depreciation	24,762	23,886
Interest and dividend income	(0)	(0)
Subsidy income	(273)	(973)
Interest expenses	80	39
Foreign exchange losses (gains)	(5)	—
Gain on reversal of share acquisition rights	—	(24,828)
Share-based compensation expenses	300,515	243,345
Decrease (increase) in supplies	5,973	(9,765)
Decrease (increase) in prepaid expenses	162,708	150,765
Decrease (increase) in consumption taxes refund receivable	(11,150)	46,488
Increase (decrease) in accounts payable - other	(16,327)	2,254
Increase (decrease) in accrued expenses	(7,168)	(8,713)
Increase (decrease) in deposits received	8,579	5,173
Increase (decrease) of accrued consumption tax	—	23,306
Other	(3,368)	(2,757)
Subtotal	(541,830)	(566,627)
Interest and dividends received	0	0
Subsidy income received	273	973
Interest expenses paid	(80)	(39)
Income taxes paid	(3,529)	(3,630)
Income taxes refund	1	0
Net cash provided by (used in) operating activities	(545,164)	(569,323)
Cash flows from investing activities		
Purchase of property, plant, and equipment	(551)	—
Net cash provided by (used in) investing activities	(551)	—
Cash flows from financing activities		
Repayment of lease obligations	(1,520)	(1,560)
Proceeds from issuance of shares	94,305	100,996
Acquisition of own shares	—	(86)
Net cash provided by (used in) financing activities	92,784	99,349
Effect of exchange rate change on cash and cash equivalents	5	—
Net increase (decrease) in cash and cash equivalents	(452,925)	(469,973)
Cash and cash equivalents at beginning of period	10,172,222	8,880,191
Cash and cash equivalents at end of period	9,719,297	8,410,217

(4) Notes to the Quarterly Financial Statements

(Notes regarding going concern assumption)

None

(Notes on significant changes in the amount of shareholders' equity)

In accordance with the resolution of the Annual General Meeting of Shareholders held on 26 October 2022, a capital reduction took effect on 1 December 2022, resulting in a decrease of 118,960 thousand yen in capital stock, a decrease of 2,064,033 thousand yen in capital surplus and an increase of 2,182,994 thousand yen in other capital surplus. The increased other capital surplus of 2,182,994 thousand yen was transferred to retained earnings carried forward, thereby eliminating the loss carried forward of (2,182,994) thousand yen at the end of the previous year. In addition, capital stock and capital reserve increased by 182,560 thousand yen each as a result of the issue of new shares by way of restricted share remuneration and the exercise of stock acquisition rights. As a result, at the end of the second quarter of the current financial year, capital stock amounted to 139,916 thousand yen, capital surplus to 8,738,699 thousand yen, and retained earnings to (1,016,664) thousand yen.

(Segment information, etc.)

[Segment information]

Since the Company is a single segment of the Regeneration-Inducing Medicine business, the business results by segment are omitted.

(Information broken down by revenue from contracts with customers)

The Company's business is a single segment of the “Regeneration-Inducing Medicine” development business, and operating revenues broken down by major goods and services are as follows.

(Thousands of yen)

	For the six months ended January 31, 2022	For the six months ended January 31, 2023
Lump-sum payment	—	—
Milestone income	—	—
Royalty income	—	—
Collaborative research income	—	—
Other lump-sum payments	22,976	—
Revenue from contracts with customers	22,976	—
Other income	—	—
Net income from external customers	22,976	—

(Significant Subsequent Events)

(Issuance of stock acquisition rights as stock options)

The Board of Directors of the Company resolved on February 8, 2023, to issue stock acquisition rights as stock options approved at the Annual General Meeting of Shareholders held on October 26, 2022. The purpose of this issue is to contribute to the enhancement of the Company's corporate value by increasing the Company's morale and willingness to contribute to the advancement of the Company's research and development.

Name	The 13th stock options (a).
Allotment date	February 9, 2023
Classification and number of grantees	Employee 9
Total number of stock options	1,100 units
Amount to be paid upon issuance of stock acquisition rights	None
Type and number of shares	110,000 shares of common stock
Exercise price	981 yen per share
Capital incorporation	The amount of increase in capital stock in the event of the issuance of shares upon the exercise of these equity warrants shall be half of the maximum amount of increase in capital stock, etc., as calculated in accordance with Article 17, Paragraph 1 of the Corporate Calculation Regulations. Any fraction of less than one yen resulting from the calculation shall be rounded up to the nearest one yen. The amount of capital reserve to be increased shall be the amount obtained by subtracting

	the amount of stated capital as provided in the preceding paragraph.
Conditions for exercising stock acquisition rights	A person who has been allotted the Stock Options is required to have the status of any of the directors, corporate auditors, employees or outside collaborators of the Company or its subsidiaries when exercising the rights. In the event of the death of the holder of stock acquisition rights, his/her heirs may not exercise the rights. However, if an application is filed by the heir and approved by the Board of Directors, the heir may exercise the stock acquisition rights. Part of each stock acquisition right cannot be exercised.
Exercise period	From February 10, 2025 to February 8, 2033

Name	The 13th stock options (b).
Allotment date	February 24, 2023
Classification and number of grantees	Dispatch employee 3
Total number of stock options	260 units
Amount to be paid upon issuance of stock acquisition rights	None
Type and number of shares	26,000 shares of common stock
Exercise price	927 yen per share
Capital incorporation	The amount of increase in capital stock in the event of the issuance of shares upon the exercise of these equity warrants shall be half of the maximum amount of increase in capital stock, etc., as calculated in accordance with Article 17, Paragraph 1 of the Corporate Calculation Regulations. Any fraction of less than one yen resulting from the calculation shall be rounded up to the nearest one yen. The amount of capital reserve to be increased shall be the amount obtained by subtracting the amount of stated capital as provided in the preceding paragraph.
Conditions for exercising stock acquisition rights	A person who has been allotted the Stock Options is required to have the status of any of the directors, corporate auditors, employees or outside collaborators of the Company or its subsidiaries when exercising the rights. In the event of the death of the holder of stock acquisition rights, his/her heirs may not exercise the rights. However, if an application is filed by the heir and approved by the Board of Directors, the heir may exercise the stock acquisition rights. Part of each stock acquisition right cannot be exercised.
Exercise period	From February 25, 2025 to February 24, 2032