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 Fiscal Year Ended July 31, 2023 [Japanese GAAP]

September 13, 2023

Company name: StemRIM Inc.
Listing: Tokyo Stock Exchange
Securities code: 4599
URL: https://stemrim.com
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Scheduled date of annual general meeting of shareholders: October 25, 2023
Scheduled date to commence dividend payments: —
Scheduled date to file annual securities report: October 26, 2023
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Yes (for institutional investor and securities analyst)

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

1. Financial Results for the Fiscal Year Ended July 31, 2023 (August 1, 2022 to July 31, 2023)

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

	Operating revenue		Operating income		Ordinary income		Net income	
Fiscal Year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
July 31, 2023	2,350	—	142	—	145	—	168	—
July 31, 2022	22	(98.4)	(1,980)	—	(1,972)	—	(1,948)	—

	Earnings per share basic	Earnings per share diluted	Ratio of return on equity	Ratio of ordinary income to total assets	Ratio of operating income to revenue
Fiscal Year ended	Yen	Yen	%	%	%
July 31, 2023	2.80	2.69	1.9	1.4	6.1
July 31, 2022	(32.92)	—	(20.7)	(19.2)	(8,620.7)

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended July 31, 2023: ― million yen
Fiscal year ended July 31, 2022: ― million yen

Note: Earnings per share diluted of Fiscal Year ended July 31, 2022, is not stated because of a net loss per share.

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of July 31, 2023	10,706	10,370	85.9	151.05
As of July 31, 2022	9,597	9,404	88.7	143.32

(Reference) Equity capital: As of July 31, 2023 9,195 Million yen
As of July 31, 2022 8,513 Million yen

(3) Cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
July 31, 2023	1,135	(0)	202	10,217
July 31, 2022	(1,404)	(0)	112	8,880

2. Payment of Dividends

	Annual dividends					Total dividends (Annual)	Dividend payout ratio	Ratio of dividends to net assets
	End Q1	End Q2	End Q3	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
July 31, 2022	—	0.00	—	0.00	0.00	—	—	—
July 31, 2023	—	0.00	—	0.00	0.00	—	—	—
July 31, 2024(forecast)	—	0.00	—	0.00	0.00		—	

3. Financial Forecasts for the Fiscal Year Ending July 31, 2024 (August 1, 2023 to July 31, 2024)

The majority 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, 2024. We will continue to progress the development of "Regeneration-Inducing Medicine ™" candidate that follows Redasemtide for the clinical trials and negotiations for licensing out. In addition, the Company expects to 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, 2024.

The cash outflow for the fiscal year ending July 31, 2024, 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 310 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 2028.

*Notes

(1) 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

(2) Number of shares issued (common stock)

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

As of July 31, 2023	60,877,600 shares
As of July 31, 2022	59,402,400 shares

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

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

(c) Average number of shares during the period

Fiscal Year ended July 31, 2023	60,055,427 shares
Fiscal Year ended July 31, 2022	59,188,863 shares

* These financial results reports are outside the scope of audit procedures 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. Overview of 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 fiscal year ended July 31, 2023 (August 1, 2022, to July 31, 2023), StemRIM Inc. (“Company”) 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 April 2023, a milestone was achieved in the development of Redasemtide as a therapeutic drug for acute ischemic stroke, resulting in a milestone payment of 2.35 billion yen, which has been recorded operating revenue of the fiscal year ended July 31,2023.

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 2 clinical trial) 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 2) 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 3 clinical trial. Therefore, Shionogi & Co., Ltd. (“Shionogi”), 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 2 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 trial will be needed to confirm the reproducibility of the study results. The additional Phase 2 clinical trial 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 clinical trial is 3 or more.

Furthermore, in May 2023, Redasemtide was designated as an orphan drug for the treatment of DEB by the Ministry of Health, Labour and Welfare (“MHLW”). The designation of Redasemtide as an orphan drug signifies that it has received a certain level of recognition and evaluation from MHLW regarding its potential effectiveness for the treatment of DEB and the soundness of its current development plan. In addition, Shionogi will be able to benefit from various support measures, such as undergoing priority review in the approval process ahead of other pharmaceuticals, in order to provide Redasemtide to the medical field as quickly as possible. This will potentially lead to expedited approval and market launch, which are expected outcomes resulting from the shortened review period.

PJ1-02 (for Acute Ischemic Stroke(“AIS”)): Shionogi disclosed the trial data from the Phase 2 clinical trial 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 AIS 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 Modified Rankin Scale (“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% (23/68) in the Redasemtide group compared to 18% (11/60) in the placebo group. The results suggest that Redasemtide is effective in patients with AIS. The social impact of improving the symptoms of AIS 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 AIS.

Based on the positive results of the clinical trials, Shionogi has initiated global Phase 2b clinical trials for Redasemtide. The trials began in Japan on April 10, the United States on April 28, and Europe and China on July 28. In addition, clinical trials are scheduled to be conducted in 20 countries around the world. The clinical trial was originally planned as a global Phase 3 trial but has been changed to a global Phase 2b trial for the purpose of dose setting. Shionogi plans to transition to a global Phase 3 clinical trial for regulatory approval after obtaining optimal dosage information. They anticipate that the change in development plans will have minimal impact on the timing of the regulatory submission at this time.

In the treatment of AIS, 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.

PJ1-03 (for Cardiomyopathy): In joint research with the Department of Cardiovascular Surgery, Osaka University Graduate School of Medicine, the Company have demonstrated remarkable therapeutic effects and mechanisms of action in drug efficacy tests using animal models of myocardial infarction and various cardiomyopathies. The results were reported at international conferences such as American Heart Association 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. Currently, preparations are underway at Osaka University for Phase 2 clinical trial.

PJ1-04 (for Osteoarthritis of the Knee(“OA”)): In March 2023, the Company have received notification that the investigator-initiated clinical trial (Phase 2 clinical trial; 10 patients in the Redasemtide group and 10 patients in the placebo group) for patients with OA conducted at Hirosaki University achieved its primary outcome. 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 OA was confirmed. In addition, regarding the secondary objective set for the evaluation of the drug's effectiveness when administered, as a morphological assessment of damaged areas of cartilage, one of the fundamental causes of osteoarthritis of the knee, MRI imaging was performed. At the 52-week time point after the start of administration, the change in the percentage of the medial femoral condyle cartilage defect area (median) was -3.5% in the placebo group, whereas in the Redasemtide group, it was -7.5%, indicating a trend of greater reduction in defect area in the Redasemtide group. The defect site tended to shrink more in Redasemtide group. In the post-analysis results, the endoscopic visual observation by a specialist physician also showed good cartilage regeneration in 5 patients in Redasemtide group and in 2 patients in the placebo group.

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 OA.

PJ1-05 (for Chronic Liver Disease(“CLD”)): In April 2023, the Company have received notification that the physician-led clinical trial (Phase 2 clinical trial) conducted by Niigata University Medical and Dental Hospital has achieved the primary endpoints. Regarding the safety evaluation during the administration of Redasemtide, which was set as a primary objective, one case of a serious adverse event (bleeding during liver biopsy) occurred out of 10 patients. However, the event resolved without intervention, and the causality with Redasemtide was ruled out. Therefore, the tolerability of Redasemtide is considered to be good. Regarding the exploratory efficacy evaluation, which was set as a secondary endpoint, a trend of improvement in liver stiffness measured by MR elastography, was observed at 78 days and 162 days after the start of administration. The average reduction rates were found to be 12% and 8%, respectively, compared to the baseline measurements. In addition to the improvement in liver stiffness measured by MR elastography, several cases demonstrated an accompanying improvement trend in other fibrosis indicators, including fibrosis index, fibrosis markers, and fibrosis stage value based on modified HAI. Based on the comprehensive evaluation by the principal investigator responsible for the clinical trial, taking into account the results of various efficacy evaluation parameters, it is speculated that a trend of improvement in liver fibrosis was suggested in 3 out of 5 patients (60%) who received Redasemtide at a dose of 1.5 mg/kg (adjusted for body weight) once a week for four weeks (total of four administrations), and in 2 out of 5 patients (40%) who received consecutive administrations for 4 days in the first week and once a week for weeks 2-4 (total of 7 administrations). Based on the above results, we are now considering future development policies for CLD.

Liver cirrhosis with progressive fibrosis is a disease that can lead to various life-threatening complications such as

liver dysfunction, portal hypertension, and hepatocellular carcinoma, and it is estimated that there are around 400,000 to 500,000 patients with liver cirrhosis in Japan. Currently, there is no established treatment in general therapy that can achieve complete cure for liver cirrhosis with advanced fibrosis, except for liver transplantation. Therefore, the development of new therapies such as anti-fibrotic drugs or tissue regeneration-promoting agents that do not rely on transplantation is highly anticipated. Redasemtide has the potential to become a new treatment option for patients with CLD accompanied by fibrosis, for whom effective treatment options are currently lacking.

As for the projects to discover "new Regeneration-Inducing Medicine ™" other than Redasemtide, the Company 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 the Company 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, the Company 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 fiscal year ended July 31, 2023, operating revenue was 2,350,000 thousand yen (operating revenue of 22,976 thousand yen for the previous fiscal year). This was due to the receipt of a milestone payment resulting from the initiation of the global Phase 2b clinical trials for Redasemtide.

R&D expenses was 1,567,247 thousand yen for the current fiscal year ended July 31, 2023, an increase of 145,960 thousand yen from the previous fiscal year. Other selling, general and administrative expenses was 640,361 thousand yen for the fiscal year ended July 31, 2023, an increase of 57,983 thousand yen from the previous fiscal year. The increase in R&D expenses was mainly due to the increase in purchase of reagent consumables in line with research progress. The increase in selling, general and administrative expenses was mainly due to an increase in share-based compensation expenses. As a result, the Company recorded 2,207,608 thousand yen in operating expenses for the fiscal year ended July 31, 2023, an increase of 203,944 thousand yen from the previous fiscal year, and 142,391 thousand yen in Operating income for the fiscal year ended July 31, 2023 (operating loss of 1,980,687 thousand yen in the previous fiscal year).

Non-operating income was 3,107 thousand yen for the current fiscal year, a decrease of 5,394 thousand yen from the previous fiscal year. Non-operating expenses was 126 thousand yen for the current fiscal year, a decrease of 14 thousand yen from the previous fiscal year. The main components of non-operating income were 1,263 thousand yen in subsidy income. The main component of non-operating expenses were 58 thousand yen of interest expenses. As a result, ordinary income was 145,373 thousand yen (ordinary loss of 1,972,325 thousand yen for the previous fiscal year).

Extraordinary income was 24,834 thousand yen (extraordinary income of 26,100 thousand yen for the previous fiscal year). The main component of extraordinary income was gain on reversal of share acquisition rights. Net income before taxes was 170,207 thousand yen (net loss before taxes of 1,946,224 thousand yen in the previous year). Income taxes for the current fiscal year was 1,856 thousand yen. As a result, net income for the current fiscal year was 168,350 thousand yen (net loss of 1,948,307 thousand yen for the previous fiscal year).

As the Company operates in a single segment of the "Regeneration-Inducing Medicine ™" business, the disclosure of business results by segment has been omitted.

(2) Explanation of Financial Position

Assets

Total current assets at the end of the fiscal year under review were 10,440,406 thousand yen, an increase of 1,177,413 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 1,337,573 thousand yen in cash and cash deposits. Total non-current assets were 266,075 thousand yen, a decrease of 68,304 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 47,379 thousand yen in property, plant, and equipment, a decrease of 55 thousand yen in intangible assets, and a decrease of 20,869 thousand yen in investments and other assets. As a result, total assets were 10,706,482 thousand yen, a decrease of 1,109,108 thousand yen from the previous fiscal year.

Liabilities

Total current liabilities at the end of the fiscal year under review were 217,554 thousand yen, an increase of 145,723 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 33,964 thousand yen in accounts payable-other. Total non-current liabilities were 118,467 thousand yen, a decrease of 2,131 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,773 thousand yen in deferred tax liabilities. As a result, total liabilities were 336,022 thousand yen, an increase of 143,592 thousand yen from the previous fiscal year.

Net assets

Total net assets at the end of the fiscal year under review were 10,370,460 thousand yen, an increase of 965,516 thousand yen from the end of the previous fiscal year. This was mainly due to the recording of 168,350 thousand yen in net income, an increase of 283,310 thousand yen in stock acquisition rights, and an increase of 141,190 thousand yen in capital stock and capital surplus because of the exercise of stock acquisition rights and issuance of new shares through restricted stock compensation. Capital stock decreased and capital reserve increased as a result of capital reductions in December 2022 and July 2023. As a result, capital stock was 15,752 thousand yen, capital surplus was 9,011,683 thousand yen, and retained earnings 168,350 thousand yen.

(3) Explanation of Cash Flows

Cash and cash equivalents at the fiscal year under review were 10,217,764 thousand yen, an increase of 1,337,573 thousand yen from the end of the previous fiscal year.

Cash flows from operating activities

Net cash provided by operating activities was 1,135,315 thousand yen (outflow of 1,404,565 thousand yen in the previous fiscal year). This is mainly due to the recording of 170,207 thousand yen in income before income taxes, recording of 566,141 thousand in stock-based compensation expenses, a decrease of 103,486 thousand yen in consumption taxes refund receivable, and an increase of 117,680 thousand yen in accrued consumption tax.

Cash flows from investing activities

Net cash used in investing activities was 344 thousand yen (outflow of 330 thousand yen in the previous fiscal year). This is mainly due to the acquisition of software. Research equipment is expensed as research and development expenses at the time of acquisition.

Cash flows from financing activities

Net cash provided by financing activities was 202,602 thousand yen (inflow of 112,859 thousand yen in the previous fiscal year). This is 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, 2024

The majority 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, 2024. We will continue to progress the development of “Regeneration-Inducing Medicine ™” candidate that follows Redasemtide for the clinical trials and negotiations for licensing out. In addition, the Company expects to 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, 2024.

The cash outflow for the fiscal year ending July 31, 2024, 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 310 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 2028.

2.Basic Approach to Accounting Standards

The Company will prepare its financial statements based on Japanese GAAP for the time being, given its comparability from period to period and between companies. The Company plans to appropriately respond to the application of International Financial Reporting Standards (IFRS) upon considering the circumstances in Japan and overseas.

3.Financial Statements and Primary Notes

(1) Balance Sheets

(Thousands of yen)

	As of July 31, 2022	As of July 31, 2023
Assets		
Current assets		
Cash and deposits	8,880,191	10,217,764
Supplies	4,348	8,514
Prepaid expenses	270,412	207,536
Other	108,040	6,590
Total current assets	9,262,992	10,440,406
Non-current assets		
Property, plant, and equipment		
Buildings, Net	266,526	224,164
Vehicles, Net	0	0
Tools, furniture and fixtures, Net	7,849	2,830
Total property, plant, and equipment	274,375	226,995
Intangible assets		
Software	855	799
Total intangible assets	855	799
Investments and other assets		
Long-term prepaid expenses	49,563	28,693
Leasehold and guarantee deposits	9,586	9,586
Total investments and other assets	59,149	38,280
Total non-current assets	334,380	266,075
Total assets	9,597,373	10,706,482

(Thousands of yen)

	As of July 31, 2022	As of July 31, 2023
Liabilities		
Current liabilities		
Accounts payable-other	31,517	65,481
Accrued expenses	29,634	22,107
Income taxes payable	3,629	3,630
Lease obligations	3,141	531
Deposits received	3,907	8,123
Other	—	117,680
Total current liabilities	71,830	217,554
Non-current liabilities		
Lease obligations	531	—
Asset retirement obligations	108,032	108,206
Deferred tax liabilities	12,034	10,261
Total non-current liabilities	120,598	118,467
Total liabilities	192,429	336,022
Net assets		
Shareholders' equity		
Capital stock	76,315	15,752
Capital surplus		
Legal capital surplus	10,620,172	9,011,683
Total capital surplus	10,620,172	9,011,683
Retained earning		
Other retained earnings		
Retained earnings brought forward	(2,182,994)	168,350
Total retained earnings	(2,182,994)	168,350
Treasury shares	(31)	(118)
Total shareholders' equity	8,513,462	9,195,668
Stock acquisition rights	891,481	1,174,791
Total net assets	9,404,943	10,370,460
Total liabilities and net assets	9,597,373	10,706,482

(2) Statements of Income

(Thousands of yen)

	For the fiscal Year ended July 31, 2022	For the fiscal Year ended July 31, 2023
Operating revenue	22,976	2,350,000
Operating expenses		
Research and development expenses	1,421,286	1,567,247
Other selling, general and administrative expenses	582,377	640,361
Total operating expenses	2,003,663	2,207,608
Operating Income (loss)	(1,980,687)	142,391
Non-operating income		
Interest and dividend income	0	0
Subsidy income	273	1,263
Foreign exchange gains	5	645
Business consignment income	8,000	—
Gain on sales of goods	—	380
Miscellaneous income	222	817
Total non-operating income	8,502	3,107
Non-operating expenses		
Interest expenses	140	58
Miscellaneous loss	—	67
Total non-operating expenses	140	126
Ordinary Income (loss)	(1,972,325)	145,373
Extraordinary income		
Gain on sales of fixed assets	—	5
Gain on reversal of share acquisition rights	26,100	24,828
Total extraordinary income	26,100	24,834
Income (loss) before income taxes	(1,946,224)	170,207
Income taxes – current	3,529	3,630
Income taxes – deferred	(1,446)	(1,773)
Total income taxes	2,082	1,856
Net Income (loss)	(1,948,307)	168,350

(3) Statements of Changes in Equity

For the fiscal year ended July 31, 2022 (From August 1, 2021 to July 31, 2022)

(Thousands of yen)

	Shareholders' equity		
	Capital stock	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance at the beginning of current period	32,424	10,500,407	10,500,407
Changes of items during period			
Issuance of new shares	81,828	81,828	81,828
Capital reduction	(37,936)	37,936	37,936
Net loss			
Acquisition of treasury stock			
Net changes of items other than shareholders' equity			
Total changes of items during period	43,891	119,765	119,765
Balance at the end of current period	76,315	10,620,172	10,620,172

	Shareholders' equity				Stock Acquisition Rights	Total net assets
	Retained earnings brought forward		Treasury shares	Total shareholders' equity		
	Other retained earnings	Total retained earnings				
	Retained earnings brought forward					
Balance at the beginning of current period	(234,686)	(234,686)	—	10,298,145	398,495	10,696,640
Changes of items during period						
Issuance of new shares				163,656		163,656
Capital reduction				—		—
Net loss	(1,948,307)	(1,948,307)		(1,948,307)		(1,948,307)
Acquisition of treasury shares			(31)	(31)		(31)
Net changes of items other than shareholders' equity					492,985	492,985
Total changes of items during period	(1,948,307)	(1,948,307)	(31)	(1,784,682)	492,985	(1,291,696)
Balance at the end of current period	(2,182,994)	(2,182,994)	(31)	8,513,462	891,481	9,404,943

For the fiscal year ended July 31, 2023 (From August 1, 2022 to July 31, 2023)

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at the beginning of current period	76,315	10,620,172	—	10,620,172
Changes of items during period				
Issuance of new shares	256,970	256,970		256,970
Capital reduction	(317,534)	(1,865,459)	2,182,994	317,534
Deficit disposition			(2,182,994)	(2,182,994)
Net income				
Net changes of items other than shareholders' equity				
Total changes of items during period	(60,563)	(1,608,488)	—	(1,608,488)
Balance at the end of current period	15,752	9,011,683	—	9,011,683

	Shareholders' equity				Stock Acquisition Rights	Total net assets
	Retained earnings brought forward		Treasury shares	Total shareholders' equity		
	Other retained earnings	Total retained earnings				
	Retained earnings brought forward					
Balance at the beginning of current period	(2,182,994)	(2,182,994)	(31)	8,513,462	891,481	9,404,943
Changes of items during period						
Issuance of new shares				513,941		513,941
Capital reduction				—		—
Deficit disposition	2,182,994	2,182,994		—		—
Net income	168,350	168,350		168,350		168,350
Acquisition of treasury shares			(86)	(86)		(86)
Net changes of items other than shareholders' equity					283,310	283,310
Total changes of items during period	2,351,345	2,351,345	(86)	682,206	283,310	965,516
Balance at the end of current period	168,350	168,350	(118)	9,195,668	1,174,791	10,370,460

(4) Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended July 31, 2022	For the fiscal year ended July 31, 2023
Cash flows from operating activities		
Income (loss) before income taxes	(1,946,224)	170,207
Depreciation	49,473	47,785
Gain on sales of fixed assets	—	(5)
Interest and dividend income	(0)	(0)
Subsidy income	(273)	(1,263)
Business consignment income	(8,000)	—
Interest expenses	140	58
Foreign exchange losses (gains)	(5)	—
Gain on reversal of share acquisition rights	(26,100)	(24,828)
Share-based compensation expenses	555,732	566,141
Decrease (increase) in supplies	7,763	(4,165)
Decrease (increase) in prepaid expenses	38,551	133,853
Decrease (increase) in consumption taxes refund receivable	(66,226)	103,486
Increase (decrease) in accounts payable - other	(17,815)	33,964
Increase (decrease) in accrued expenses	1,956	(7,526)
Increase (decrease) of accrued consumption tax	—	177,680
Other	1,857	2,351
Subtotal	(1,409,171)	1,137,740
Interest and dividends received	0	0
Subsidy income received	273	1,263
Business consignment income received	8,000	—
Interest expenses paid	(140)	(58)
Income taxes paid	(3,529)	(3,630)
Income taxes refund	1	0
Net cash provided by (used in) operating activities	(1,404,565)	1,135,315
Cash flows from investing activities		
Purchase of property, plant, and equipment	(332)	—
Purchase of intangible assets	—	5
Payments of leasehold and guarantee deposits	—	(350)
Proceeds from refund of leasehold and guarantee deposits	2	—
Net cash provided by (used in) investing activities	(330)	(344)
Cash flows from financing activities		
Repayment of lease obligations	(3,060)	(3,141)
Proceeds from issuance of shares	115,951	205,830
Payments for purchase of treasury shares	(31)	(86)
Net cash provided by (used in) financing activities	112,859	202,602
Effect of exchange rate change on cash and cash equivalents	5	—
Net increase (decrease) in cash and cash equivalents	(1,292,031)	1,337,573
Cash and cash equivalents at beginning of period	10,172,222	8,880,191
Cash and cash equivalents at end of period	8,880,191	10,217,764

(5) Notes to the Financial Statements

(Notes regarding going concern assumption)

None

(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 fiscal year ended July 31, 2022	For the fiscal year ended July 31, 2023
Lump-sum payment	—	—
Milestone income	—	2,350,000
Royalty income	—	—
Collaborative research income	—	—
Other lump-sum payments	22,976	—
Revenue from contracts with customers	22,976	2,350,000
Other income	—	—
Net income from external customers	22,976	2,350,000

(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.

(Per share information)

	For the fiscal year ended July 31, 2022	For the fiscal year ended July 31, 2023
Net assets per share	143.32 yen	151.05 yen
Earnings (loss) per share	(32.92) yen	2.80 yen
Diluted earnings per share	— yen	2.69 yen

Notes: 1. Diluted earnings per share for the fiscal year ended July 31, 2022 are not described here because, although there are potentially dilutive shares, basic loss per share was recorded.

2. Earnings (loss) per share and diluted earnings per share are calculated based on the following basis:

	For the fiscal year ended July 31, 2022	For the fiscal year ended July 31, 2023
Earnings (loss) per share		
Net income (loss) (thousands of yen)	(1,948,307)	168,350
Amount not attributable to shareholders of capital stock (thousands of yen)	—	—
Net income (loss) related to common stock (thousands of yen)	(1,948,307)	168,350
Average number of shares during the period (shares)	59,188,863	60,055,319
Diluted earnings per share		
Adjustment to net income (thousand yen)	—	—
Increase in common stock (shares)	—	2,475,362
(Stock acquisition rights (shares))	(—)	(2,475,362)
Dilutive shares not included in the calculation since there was no dilutive effect.	21 series stock acquisition rights (Total number of stock acquisition rights to shares: 5,803,800)	—

3. Net assets per share are calculated based on the following basis:

	As of July 31, 2022	As of July 31, 2023
Total net assets (thousands of yen)	9,404,943	10,370,460
Deduction on total net assets (thousands of yen)	891,481	1,174,791
(Stock acquisition rights (thousands of yen))	(891,481)	(1,174,791)
Net assets applicable to common stock (thousands of yen)	8,513,462	9,195,668
Number of common stock at the fiscal year end in calculation of net assets per share (shares)	59,402,363	60,877,479

(Significant Subsequent Events)

(Issuance of stock acquisition rights as stock options)

The Board of Directors of the Company resolved on September 13, 2023 to issue stock acquisition rights as stock options approved at the Annual General Meeting of Shareholders held on October 27, 2021. 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 (c).
Allotment date	September 14, 2023
Classification and number of grantees	Employee 33
Total number of stock options	3,018 units
Amount to be paid upon issuance of stock acquisition rights	None
Type and number of shares	301,800 shares of common stock
Exercise price	The amount to be paid per share upon exercise of the stock acquisition rights shall be 1.025 times the closing price of the common stock of the Company in regular trading on the Tokyo Stock Exchange on the allotment date of the stock acquisition rights (or the closing price of the immediately preceding date if no trading is effected). Any fraction less than one yen shall be rounded up to the nearest one yen.
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 September 15, 2025 to September 13, 2033

Name	The 13th stock options (d).
Allotment date	September 28, 2023
Classification and number of grantees	External collaborators 1 Temporary employee 7
Total number of stock options	620 units
Amount to be paid upon issuance of stock acquisition rights	None
Type and number of shares	62,000 shares of common stock
Exercise price	The amount to be paid per share upon exercise of the stock acquisition rights shall be 1.025 times the closing price of the common stock of the Company

	in regular trading on the Tokyo Stock Exchange on the allotment date of the stock acquisition rights (or the closing price of the immediately preceding date if no trading is effected). Any fraction less than one yen shall be rounded up to the nearest one yen.
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 September 29, 2025 to September 28, 2032

Name	The 14th stock options
Allotment date	September 14, 2023
Classification and number of grantees	Directors 5
Total number of stock options	990 units
Amount to be paid upon issuance of stock acquisition rights	None
Type and number of shares	99,000 shares of common stock
Exercise price	The amount to be paid per share upon exercise of the stock acquisition rights shall be 1.025 times the closing price of the common stock of the Company in regular trading on the Tokyo Stock Exchange on the allotment date of the stock acquisition rights (or the closing price of the immediately preceding date if no trading is effected). Any fraction less than one yen shall be rounded up to the nearest one yen.
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 September 15, 2025 to September 13, 2033