

StemRIM Announces Issuance of Stock Acquisition Rights as Stock Options to External Collaborator

Osaka, Japan, December 13, 2023 – StemRIM Inc. (TSE: 4599, President and CEO: Masatsune Okajima; “StemRIM”) announces that issuance 15th Stock Acquisition Rights (a) of StemRIM (“Stock Option”) to StemRIM external collaborator based on the resolutions made at the regular shareholders' meeting held on October 25, 2023, and the board of directors' meeting held on December 13, 2023, in accordance with the provisions of Article 236, Article 238, and Article 240 of the Companies Act.

1. The reasons for issuing Stock Option with exceptionally favorable terms

In order to further promote research and development with the aim of enhancing our company's long-term enterprise value, we will issue Stock Option to external collaborator without payment at the time of allotment. Furthermore, their continued support is crucial for our research and development of our “Regeneration-Inducing Medicine™” in the academic sphere, and our company's business activities moving forward. Based on the above, we believe that providing Stock Option to external collaborator will contribute to the progress of our future research and development activities and the enhancement of our corporate value. As an incentive reward, we will issue Stock Option with no subscription price.

In the event that all of these new Stock Option are exercised, there will be a maximum dilution of 0.05% with respect to the total number of issued shares as of December 13, 2023, which is 61,454,800 shares. However, we believe that these new stock acquisition rights will contribute to the enhancement of shareholder value and benefit existing shareholders. Therefore, we consider the impact of dilution of shares due to these new Stock Option to be within a reasonable range.

2. Guidelines for issuance of Stock Option

(1) Total number of Stock Option

300 units

(2) Amount to be paid upon issuance of Stock Option

None

(3) Type and number of shares

30,000 shares of common stock

Furthermore, the number of granted shares shall be adjusted according to the following formula if, after the allocation date of these new stock acquisition rights, the Company carries out a stock split (including the free allotment of common shares) or a consolidation of shares. However, such adjustments shall be made for the number of granted shares of these new stock acquisition rights that have not been exercised at that point, and any fraction of less than one share resulting from the adjustment shall be discarded.

$$\text{Adjusted Number of Granted Shares} = \text{Number of Granted Shares before Adjustment} \times \text{Ratio of Stock Split or Consolidation}$$

Additionally, in case our company undergoes a merger, company split, stock exchange,

or stock transfer, and if it becomes necessary to adjust the number of other granted shares due to such mergers, etc., our company will adjust the number of granted shares reasonably, taking into account the conditions and other factors related to the mergers, etc.

(4) 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.

If any of the following events occurs after the allotment date, the exercise price shall be adjusted respectively.

- i) In the event that our company conducts a stock split or stock consolidation, the exercise price will be adjusted according to the following formula, and any fraction of less than 1 yen resulting from the adjustment will be rounded up.

$$\text{Adjusted Exercise Price} = \text{Original Exercise Price} \times \frac{1}{\text{Stock Split (or Consolidation) Ratio}}$$

- ii) If our company issues new shares at a price below the market value or disposes of treasury shares, the exercise price will be adjusted according to the following formula, and any fraction of less than 1 yen resulting from the adjustment will be rounded up.

$$\text{Adjusted exercise price} = \text{Previous exercise price} \times \frac{\text{Number of existing common shares} + \frac{\text{Number of shares allocated} \times \text{Per-share payment amount}}{\text{Per-share market value}}}{\text{Number of existing common shares issued} + \text{Number of shares allocated}}$$

- iii) In the above formula, "Number of existing common shares issued" refers to the total number of issued common shares by the company minus the number of treasury shares held by the company. In case of disposing of treasury shares, replace "Number of shares allocated" with "Number of treasury shares to be disposed of."

- iv) After the allocation date, if the company encounters unavoidable circumstances such as mergers or other events that necessitate an adjustment of the exercise price, the company will consider the conditions of the merger or event and reasonably adjust the exercise price within a reasonable range.

(5) Exercise period

From December 29, 2025 to December 28, 2032

(6) Conditions for exercising Stock Option

- i) The recipients of the new stock acquisition rights (hereinafter referred to as "rights holders") are required to hold a position as a director, auditor, executive officer, employee, or external collaborator of the Company or a subsidiary of the Company at the time of exercising the rights. However, this requirement may be waived by the Board of Directors for valid reasons.
- ii) In the event that a rights holder passes away, their heirs are not permitted to exercise the rights. However, if a request is made by the heirs and approved by the Board of Directors, they may be allowed to exercise the rights.
- iii) Partial exercise of each new stock subscription right shall not be permitted.

(7) Reasons and conditions for acquisition of Stock Option

- i) In the event that the proposal for the approval of the merger agreement, in which the Company becomes an extinct company, is approved at the Company's general

meeting of shareholders, or the proposals for the approval of the share exchange agreement or the share transfer plan, in which the Company becomes a wholly-owned subsidiary, are approved at the Company's general meeting of shareholders, the Company may acquire the new stock subscription rights at no cost on a date to be separately determined by the Board of Directors.

- ii) If a new stock subscription rights holder becomes unable to exercise the rights due to no longer meeting the conditions for exercise as stipulated in (6) above or voluntarily relinquishes the rights, the Company may acquire the new stock subscription rights at no cost.
- iii) The Company may, at any time, cancel the new stock subscription rights acquired and held by the Company at no cost.

(8) Restrictions on transfer of Stock Option

The acquisition of new stock subscription rights through transfer requires the approval of the Company's Board of Directors.

(9) Matters regarding the Increase in Capital and Capital Reserve in the Event of Issuance of Shares through the Exercise of New Stock Option

- i) The amount of increased capital stock resulting from the issuance of shares through the exercise of new stock subscription rights shall be calculated in accordance with Article 17, Paragraph 1 of the Company Calculation Regulations, and it shall be equal to half of the calculated capital stock increase limit amount. Any fraction of less than 1 yen resulting from the calculation shall be rounded up.
- ii) The amount of increased capital reserve resulting from the issuance of shares through the exercise of new stock subscription rights shall be calculated by subtracting the amount of increased capital stock as defined in (i) above from the capital increase limit amount mentioned in (i) above.

(10) Issuance of Stock Option in the case of corporate reorganization

In the event that the Company undergoes a corporate reorganization action, where the Company merges (limited to cases where the Company is extinguished as a result of the merger), engages in an absorption-type company split or a new establishment-type company split (limited to cases where the Company becomes the split company), or conducts a stock exchange or stock transfer (limited to cases where the Company becomes a wholly-owned subsidiary as a result of the stock exchange or stock transfer), on the effective date of the Organizational Reorganization Transactions (in the case of an absorption merger, the date on which the absorption merger becomes effective; in the case of a new establishment merger, the date on which the new establishment merger company is established; in the case of an absorption-type company split, the date on which the absorption-type company split becomes effective; in the case of a new establishment-type company split, the date on which the new establishment-type company split company is established; in the case of a stock exchange, the date on which the stock exchange becomes effective; and in the case of a stock transfer, the date on which the wholly-owned parent company is established), any remaining new stock subscription rights not exercised and not acquired by the Company shall be transferred to the holders of such new stock subscription rights of each of the Organizational Reorganization Companies in each case. In this case, the Remaining New Stock Subscription Rights shall be extinguished, and the Organizational Reorganization Companies shall issue new stock subscription rights anew. Provided, however, that the following subparagraphs shall be conditions for stipulating in the absorption merger agreement, new establishment merger agreement, absorption-type

company split agreement, new establishment-type company split plan, stock exchange agreement, or stock transfer plan the transfer of new stock subscription rights of the Organizational Reorganization Companies.

i) Number of New Stock Subscription Rights to be Transferred

An equal number of new stock subscription rights as the remaining new stock subscription rights held by the new stock subscription rights holder shall be transferred.

ii) Type of Shares of the Organizational Reorganization Companies for the Purpose of New Stock Subscription Rights

Common shares of the Organizational Reorganization Companies.

iii) Number of Shares of the Organizational Reorganization Companies for the Purpose of New Stock Subscription Rights

The number of shares of the Organizational Reorganization Companies for the purpose of new stock subscription rights shall be determined reasonably, taking into consideration the conditions of the Organizational Reorganization Transactions and in accordance with the provisions under "(3) Type and number of shares" above.

iv) Amount of Property to be Contributed upon Exercise of Each New Stock Subscription Right

The amount of property to be contributed upon exercise of each new stock subscription right shall be the product of the adjusted exercise price, as determined under "(4) Exercise price" and the number of shares of the Organizational Reorganization Companies for the purpose of each new stock subscription right, as determined under iii) above.

v) Period during which New Stock Subscription Rights can be Exercised

From the later of the commencement date of the period under "(5) Exercise period" or the effective date of the Organizational Reorganization Transactions until the expiration date of the period under "(5) Exercise period"

vi) Matters regarding the Increase in Capital and Capital Reserve in the Event of Issuance of Shares through the Exercise of New Stock Subscription Rights

Determined in accordance with the provisions under "(9) Matters regarding the Increase in Capital and Capital Reserve in the Event of Issuance of Shares through the Exercise of New Stock Option" above.

vii) Restrictions on Acquisition of New Stock Subscription Rights through Transfer

Acquisition of new stock subscription rights through transfer shall require the approval of the Board of Directors of the Organizational Reorganization Companies.

viii) Reasons and Conditions for Acquisition of New Stock Subscription Rights

Determined in accordance with the provisions under "(7) Reasons and conditions for acquisition of Stock Option " above.

(11) Arrangement for fractions of less than one share resulting from the exercise of Stock Option

Any fraction of less than one share in the number of shares to be issued to holders of stock acquisition rights who exercised their stock acquisition rights shall be rounded down.

(12) Stock Option Allotment date

December 28, 2023

(13) Persons to whom stock acquisition rights are to be allocated, their number, and the number of stock acquisition rights to be allotted

1 external collaborator of StemRIM, 300 units

3. The reasons for selecting the recipients.

(1) Regarding the recipients of the allocation

The intended recipients of the allocation, our external collaborator, have played a vital role in contributing to our company's success, particularly in the foundational research of "Regeneration-Inducing Medicine™" within the academic sphere. We have conducted investigations to confirm that they have no association or connections with any anti-social or criminal organizations. Furthermore, there are no capital relationships, personnel relationships, or transactional relationships that need to be disclosed between our company and them. Additionally, we have submitted a confirmation letter to the Tokyo Stock Exchange, attesting to their lack of any association with anti-social or criminal organizations.

(2) Planned number of allocated shares.

30,000 shares of common stock

(3) The reasons for selecting the recipients of the allocation

In order to further promote research and development with the aim of enhancing our company's long-term enterprise value, we will issue Stock Option to external collaborator without payment at the time of allotment. Furthermore, their continued support is crucial for our research and development of our "Regeneration-Inducing Medicine™" in the academic sphere, and our company's business activities moving forward. We believe that by allocating the stock warrant securities to 1 external collaborator, we can secure incentives for the enhancement of our stock value. We consider this to be a step that contributes to the long-term improvement of our company's enterprise value and benefits shareholders as a whole, including our existing shareholders. Furthermore, taking into account that the agreed-upon issuance price and the number of allocated shares align with our company's desired conditions as discussed verbally, and considering the intention to hold these new Stock Option as a long-term, pure investment, we have selected these individuals as the intended recipients for the allocation of these Stock Option.

(4) Holding policy for the allocated Stock Option

We have verbally confirmed the intention of the intended recipients of the allocation to hold our company's stock over the long term, emphasizing their commitment to maintaining a continuous and extended ownership of our shares.

(5) Situation regarding the funds required for the allocation to the recipients

Since the issuance of these new Stock Option is being done without any payment required, we have not conducted any verification of fund holdings for the allocation. Additionally, concerning the funds required for exercising the rights associated with these new Stock Option, we have verbally confirmed with the intended recipients that there are no obstacles to exercising these rights due to a lack of funds.

About StemRIM Inc.

StemRIM Inc. is a biotech venture which began at Osaka University with the goal of realizing a new type of medicine called "Regeneration-Inducing Medicine™". The overall aim is to achieve regenerative therapy effects equivalent to those of regenerative medicine, solely through drug administration, without using living cells or tissues. Living organisms have inherent self-organizing abilities to repair and regenerate tissues that have been damaged or lost due to injury or disease. This ability arises from the presence of stem cells in the body that exhibit pluripotency i.e., can differentiate into various types of tissues. When tissues are damaged, these cells, therefore, exhibit proliferative and differentiative capabilities, promoting functional tissue regeneration. "Regeneration-Inducing Medicine™" is aimed at maximizing the tissue repair and regeneration mechanisms already present in the body. With this aim, StemRIM is currently developing one of its most advanced regenerative medicine products. Specifically, this product is designed to release (mobilize) mesenchymal stem cells from the bone marrow into the peripheral circulation upon administration, thus increasing the number of stem cells circulating throughout the body and promoting their accumulation in damaged tissues. Here, these stem cells should accelerate tissue repair and regeneration. Certain disease areas expected to benefit from "Regeneration-Inducing Medicine™" include epidermolysis bullosa (EB), acute phase cerebral infarction, cardiomyopathy, osteoarthritis of the knees, chronic liver disease, myocardial infarction, pulmonary fibrosis, traumatic brain injury, spinal cord injury, atopic dermatitis, cerebrovascular disease, intractable skin ulcers, amyotrophic lateral sclerosis (ALS), ulcerative colitis, non-alcoholic steatohepatitis (NASH), systemic sclerosis, and any other areas where treatment with extrapulmonary mesenchymal stem cells is promising.

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