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 Nine Months Ended April 30, 2024 [Japanese GAAP]

June 12, 2024

Company name: StemRIM Inc.
Stock exchange listing: Tokyo Stock Exchange
Stock code: 4599
URL: https://stemrim.com
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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 Nine Months Ended April 30, 2024 (August 1,2023 to April 30, 2024)

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

	Operating revenue		Operating income		Ordinary income		Net income	
Nine months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
April 30, 2024	—	—	(1,552)	—	(1,552)	—	(1,519)	—
April 30, 2023	2,350	—	755	—	758	—	780	—

	Earnings per share Basic	Earnings per share diluted
Nine months ended	Yen	Yen
April 30, 2024	(24.80)	—
April 30, 2023	13.05	12.49

Note: Diluted earnings per share for the nine months ended April 30, 2024, 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 April 30, 2024	9,583	9,371	84.3
As of July 31, 2023	10,706	10,370	85.9

(Reference) Equity capital: As of April 30, 2024 8,081 Million yen
As of July 31, 2023 9,195 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, 2023	—	0.00	—	0.00	0.00
July 31, 2024	—	0.00	—		
July 31, 2024(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, 2024 (August 1, 2023 to July 31, 2024)

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, 2024.

The Company 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, 2024. 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, 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) 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 April 30, 2024	61,508,200 shares
As of July 31, 2023	60,877,600 shares

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

As of April 30, 2024	121 shares
As of July 31, 2023	121 shares

(c) Average number of shares during the period

Nine months ended April 30, 2024	61,248,324 shares
Nine months ended April 30, 2023	59,809,944 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 nine months ended April 30, 2024 (August 1, 2023, to April 30, 2024), 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 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 2) 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% (18/60) 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 and in the United States on April 28. In Europe, a Clinical Trial Application was submitted on March 31, and a clinical trial is scheduled to start soon. In addition, clinical trials are scheduled to be conducted in 20 countries around the world, including China. 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 March 2024, Phase 2 investigator-initiated clinical trial was started at several sites, mainly Osaka University Hospital. The main objective of this clinical trial is to evaluate the efficacy and safety of Redasemtide in patients with ischemic cardiomyopathy who have undergone coronary artery bypass grafting. This clinical trial will evaluate various cardiac function tests such as echocardiography at 52 weeks after treatment with either Redasemtide or placebo (10 patients each) for 5 days. 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. Currently, preparations are underway at Osaka University for Phase 2 clinical trial. 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.

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, 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 OA. 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 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 nine months ended April 30, 2024, operating revenue was nothing (operating revenue was 2,350,000 thousand yen in the same period of the previous year), operating loss was 1,552,134 thousand yen (operating revenue of 755,346 thousand yen in the same period of the previous year), ordinary loss was 1,552,224 thousand yen (ordinary revenue of 758,335 thousand yen in the same period of the previous year), and net loss was 1,519,000 thousand yen (net revenue of 780,447 thousand yen in the same period of the previous year).

Since the Company operates solely in the field of "Regeneration-Inducing Medicine™", segment information is omitted.

(2) Explanation of financial position

Assets

Total current assets at the end of the third quarter of the fiscal year under review were 9,368,301 thousand yen, a decrease of 1,072,105 thousand yen from the end of the previous fiscal year, mainly due to a decrease of 1,478,897 thousand yen in cash and deposits and an increase of 239,721 thousand yen in prepaid expenses. Total non-current assets were 214,998 thousand yen, a decrease of 51,076 thousand yen from the end of the previous fiscal year, mainly due to a decrease of 32,594 thousand yen in property, plant, and equipment and a decrease of 20,327 thousand yen in investments and other assets. As a result, total assets amounted to 9,583,299 thousand yen, a decrease of 1,123,182 thousand yen from the end of the previous fiscal year.

Liabilities

Total current liabilities at the end of the third quarter of the fiscal year under review were 93,605 thousand yen, a decrease of 123,949 thousand yen from the end of the previous fiscal year, mainly due to a decrease of 117,680 thousand yen in consumption taxes payable included in other current liabilities. Total non-current liabilities were 118,598 thousand yen, an increase of 130 thousand yen from the end of the previous fiscal year, due to an increase of 130 thousand yen in asset retirement obligations. As a result, total liabilities amounted to 212,203 thousand yen, a decrease of 123,818 thousand yen from the end of the previous fiscal year.

Net assets

Total net assets at the end of the third quarter of the fiscal year under review were 9,371,096 thousand yen, a decrease of 999,363 thousand yen from the end of the previous fiscal year. This was mainly due to the recording of 1,519,000 thousand yen in net loss, and an increase of 202,319 thousand yen in capital stock and capital surplus as a result of the exercise of stock acquisition rights and issuance of new shares through restricted stock compensation. As a result, capital stock amounted to 218,071 thousand yen, capital surplus 9,214,003 thousand yen, and retained earnings (1,350,649) thousand yen.

(3) Financial forecasts for the fiscal year ending July 31, 2024

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, 2024.

The Company 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, 2024. 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, 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.Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheets

(Thousands of yen)

	As of July 31, 2023	As of April 30, 2024
Assets		
Current assets		
Cash and deposits	10,217,764	8,738,867
Supplies	8,514	17,318
Prepaid expenses	207,536	447,257
Other	6,590	164,856
Total current assets	10,440,406	9,368,301
Non-current assets		
Property, plant, and equipment	226,995	194,400
Intangible assets	799	2,644
Investments and other assets	38,280	17,953
Total non-current assets	266,075	214,998
Total assets	10,706,482	9,583,299
Liabilities		
Current liabilities		
Accounts payable-other	65,481	61,768
Accrued expenses	22,107	24,781
Income taxes payable	3,630	2,722
Lease obligations	531	—
Deposits received	8,123	4,333
Other	117,680	—
Total current liabilities	217,554	93,605
Non-current liabilities		
Asset retirement obligations	108,206	108,336
Deferred tax liabilities	10,261	10,261
Total non-current liabilities	118,467	118,598
Total liabilities	336,022	212,203
Net assets		
Shareholders' equity		
Capital stock	15,752	218,071
Capital surplus	9,011,683	9,214,003
Retained earning	168,350	(1,350,649)
Treasury shares	(118)	(118)
Total shareholders' equity	9,195,668	8,081,307
Stock acquisition rights	1,174,791	1,289,789
Total net assets	10,370,460	9,371,096
Total liabilities and net assets	10,706,482	9,583,299

(2) Quarterly Statements of Income

For the Nine Months Ended April 30, 2024

(Thousands of yen)

	For the Nine Months Ended April 30, 2023	For the Nine Months Ended April 30, 2024
Operating revenue	2,350,000	—
Operating expenses		
Research and development expenses	1,131,040	1,102,155
Other selling, general and administrative expenses	463,613	449,979
Total operating expenses	1,594,653	1,552,134
Operating income or loss	755,346	(1,552,134)
Non-operating income		
Interest and dividend income	0	0
Subsidy income	1,183	37
Foreign exchange gain	686	—
Gains on sale of goods	380	256
Miscellaneous income	817	—
Total non-operating income	3,067	294
Non-operating expenses		
Interest expenses	51	1
Foreign exchange loss	—	212
Miscellaneous loss	26	170
Total non-operating expenses	78	384
Ordinary income or loss	758,335	(1,552,224)
Extraordinary income		
Gain on sale of non-current assets	5	57
Gain on reversal of stock acquisition rights	24,828	35,888
Total extraordinary income	24,834	35,946
Income or Loss before income taxes	783,170	(1,516,278)
Income taxes - current	2,722	2,722
Total income taxes	2,722	2,722
Net income or loss	780,447	(1,519,000)

(3) Notes to the Quarterly Financial Statements

(Notes regarding going concern assumption)
None

(Notes on significant changes in the amount of shareholders' equity)
None

(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 Nine Months Ended April 30, 2023	For the Nine Months Ended April 30, 2024
Lump-sum payment	—	—
Milestone income	2,350,000	—
Royalty income	—	—
Collaborative research income	—	—
Other lump-sum payments	—	—
Revenue from contracts with customers	2,350,000	—
Other income	—	—
Net income from external customers	2,350,000	—

(Significant subsequent events)
(Reduction in capital stock)
At a meeting of the Board of Directors held on May 8, 2024, the Company resolved to set a record date for convening the Extraordinary General Meeting of Shareholders to be held on July 24, 2024, to hold this Extraordinary General Meeting of Shareholders, and to submit a proposal for "reduction of capital (capital reduction)".

1. Regarding the relevant dates for the Extraordinary Shareholders' Meeting:
To determine the shareholders eligible to exercise their voting rights at the upcoming extraordinary general meeting, our company has established May 31, 2024, as the record date. Shareholders who are listed or recorded in the final shareholder register on this date will be deemed eligible to exercise their voting rights at the meeting. Company have issued a public announcement regarding the record date.
(1) Record date: May 31, 2024
(2) Announcement Date: May 9, 2024
(3) Method of Announcement: Electronic Announcement
(Posted on our company's website at https://stemrim.com)

2. Regarding the reduction of capital:
(1) Purpose of the Reduction:
The purpose of this capital reduction is to ensure flexibility and agility in future capital policies, as well as to reduce tax burdens. It is based on the provisions of Article 447, Paragraph 1 of the Companies Act, and involves decreasing the amount of capital and transferring it to the capital reserve. It should be noted that this proposal involves a non-refundable reduction of capital, without changing the total number of issued shares or affecting the number of shares held by shareholders. Furthermore, this reduction of capital does not affect the net assets per share or the total number of issued shares of the company.

(2) Method of Reduction:
As of May 8, 2024, the current amount of capital is 218,071,950 yen. It will be reduced by 208,071,950 yen to 10,000,000 yen. This reduction will be conducted as a non-refundable reduction without changing the total number of issued shares. The entire reduced amount will be transferred to the capital reserve.

3. The Schedule (Provisional) for the Reduction of Capital

(1) Resolution of the board of directors:	May 8, 2024
(2) Announcement to creditors for submitting their objections:	June 28, 2024
(3) Resolution of the Extraordinary General Meeting of Shareholders:	July 24, 2024
(4) Deadline for creditor objections:	July 28, 2024
(5) Effective date of the capital reduction:	July 30, 2024