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, 2024 [Japanese GAAP]

September 11, 2024

Company name: StemRIM Inc.
Listing: Tokyo Stock Exchange
Securities code: 4599
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Scheduled date of annual general meeting of shareholders: October 30, 2024
Scheduled date to commence dividend payments: —
Scheduled date to file annual securities report: October 31, 2024
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, 2024 (August 1, 2023 to July 31, 2024)

(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, 2024	—	—	(2,076)	—	(2,077)	—	(2,022)	—
July 31, 2023	2,350	—	142	—	145	—	168	—

	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, 2024	(32.98)	—	(24.1)	(21.0)	—
July 31, 2023	2.80	2.69	1.9	1.4	6.1

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended July 31, 2024: ― million yen
Fiscal year ended July 31, 2023: ― million yen

Note: Earnings per share diluted of Fiscal Year ended July 31, 2024, 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, 2024	9,080	8,894	83.5	123.20
As of July 31, 2023	10,706	10,370	85.9	151.05

(Reference) Equity capital: As of July 31, 2024 7,579 Million yen
As of July 31, 2023 9,195 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, 2024	(1,881)	(4)	78	8,410
July 31, 2023	1,135	(0)	202	10,217

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, 2023	—	0.00	—	0.00	0.00	—	—	—
July 31, 2024	—	0.00	—	0.00	0.00	—	—	—
July 31, 2025(forecast)	—	0.00	—	0.00	0.00		—	

3. Financial Forecasts for the Fiscal Year Ending July 31, 2025 (August 1, 2024 to July 31, 2025)

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, 2025. 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, 2025.

The cash outflow for the fiscal year ending July 31, 2025, 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, 2024	61,523,200 shares
As of July 31, 2023	60,877,600 shares

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

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

(c) Average number of shares during the period

Fiscal Year ended July 31, 2024	61,316,856 shares
Fiscal Year ended July 31, 2023	60,055,319 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, 2024 (August 1, 2023, to July 31, 2024), StemRIM Inc. ("Company") continued to make progress in the research and development for the launch of new clinical trials for Redasemtide, a product in "Regeneration-Inducing Medicine™" pipeline (a peptide medicine created from HMGB1). In addition, business development activities for non-clinical development and licensing-out of TRIM3 and TRIM4, the next generation of "Regeneration-Inducing Medicine™" following Redasemtide, also progressed.

"Regeneration-Inducing Medicine™" is a next-generation drug with a completely new mechanism of action, unlike conventional regenerative medicine. It does not require the transplantation of artificially cultured cells but induces mesenchymal stem cell accumulation within the patient's body through drug administration. This allows for easier and more cost-effective tissue regeneration, with effects comparable to or greater than those of traditional regenerative medicine and cell therapy.

In recent years, the regenerative medicine industry has seen rapid advancements in iPS cells, CRISPR gene-editing, 3D bioprinting, and AI-driven big data. While government funding for drug discovery ventures has increased, challenges like rising costs, long-term safety, and treatment adoption remain. The global regenerative medicine market is expected to grow from $16 billion in 2023 to $49 billion in 2028, showing the high demand for new treatments for difficult-to-treat diseases.

In this context, "Regeneration-Inducing Medicine™", which achieves regenerative therapy through compound administration without using living cells, is expected to become a global game-changer by addressing the challenges of conventional regenerative medicine and transplant treatments.

In the current fiscal year, the progresses of research and development for each pipeline is 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")): In April 2023, global Phase 2b clinical trials were initiated in several country, Japan, the United States, Europe, and more. In the Phase 2 clinical trial disclosed in October 2022, the Modified Rankin Scale ("mRS"), which is used to assess the severity of neurological disorders such as cerebrovascular diseases (e.g., stroke and cerebral infarction) and neurodegenerative conditions like Parkinson's disease, was evaluated 90 days after drug administration. The mRS is a seven-point scale ranging from score 0 (no symptoms) to score 6 (death). The results showed that the percentage of patients who required assistance (mRS ≥3) the day after completing five days of treatment and were no longer in need of assistance (mRS ≤2) after 90 days of treatment (i.e., symptom improvement) was 18% (11/60) in the placebo group, compared to 34% (23/68) in the Redasemtide group. This suggests the efficacy of Redasemtide in patients with AIS.

Based on the positive results of this clinical trial, we had been preparing to initiate a global Phase 3 clinical trial. However, after discussions with various regulatory authorities, it was decided to conduct a global Phase 2b trial aimed at dose setting.

In the treatment of AIS, thrombolytic therapy, which is a vascular recanalization therapy, is available up to 4.5 hours after onset, and mechanical thrombectomy can be performed up to 8 hours after onset, but both treatments are limited by time constraints. As a result, adequate therapeutic effects have not been achieved in this area. Compared to conventional thrombolytic therapy and mechanical thrombectomy, the treatment option of Redasemtide, which has fewer time constraints, is expected to meet these unmet medical needs.

PJ1-03 (for Ischemic 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.

Regarding the project to discover new "Regeneration-Inducing Medicine™" candidates following Redacemtide, we have continued to make aggressive investments in R&D to identify the next generation of development candidates. As a result of multifaceted candidate screening efforts, we have so far identified new candidate compounds (TRIM3 and TRIM4) with remarkable activity. TRIM3 and TRIM4, the next generation of "Regeneration-Inducing Medicine™", are drugs that, like Redasemtide, induce tissue regeneration across a wide range of diseases involving tissue damage by increasing mesenchymal stem cells in peripheral blood. During the current fiscal year, we steadily accumulated experimental data from animal models of various diseases and continued to make progress in business development activities related to out-licensing.

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, 2024, operating revenue was none (operating revenue of 2,350,000 thousand yen for the previous fiscal year).

R&D expenses was 1,453,969 thousand yen for the current fiscal year ended July 31, 2024, a decrease of 113,277 thousand yen from the previous fiscal year. Other selling, general and administrative expenses was 622,114 thousand yen for the fiscal year ended July 31, 2024, a decrease of 18,246 thousand yen from the previous fiscal year. The decrease in R&D expenses was mainly due to a decrease in research equipment expenses. The decrease in other selling, general and administrative expenses was mainly due to a decrease in share-based compensation expenses. As a result, the Company recorded 2,076,084 thousand yen in operating expenses for the fiscal year ended July 31, 2024, a decrease of 131,523 thousand yen from the previous fiscal year, and 2,076,084 thousand yen in Operating loss for the fiscal year ended July 31, 2024 (operating income of 142,391 thousand yen for the previous fiscal year).

Non-operating income was 295 thousand yen for the current fiscal year, a decrease of 2,812 thousand yen from the previous fiscal year. Non-operating expenses was 2,083 thousand yen for the current fiscal year, an increase of 1,957 thousand yen from the previous fiscal year. The main component of non-operating income was 256 thousand yen in gain on sale of goods, and 1,354 thousand yen in contract cancellation loss. As a result, Ordinary loss was 2,077,872 thousand yen (ordinary income of 145,373 thousand yen for the previous fiscal year).

Extraordinary income was 59,047 thousand yen (extraordinary income of 24,834 thousand yen for the previous fiscal year). The main component of extraordinary income was gain on reversal of share acquisition rights. Net loss before taxes was 2,018,825 thousand yen (net income before taxes of 170,207 thousand yen for the previous fiscal year). Income taxes for the current fiscal year was 3,341 thousand yen. As a result, net loss for the current fiscal year was 2,022,166 thousand yen (net income of 168,350 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 8,877,489 thousand yen, a decrease of 1,562,917 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,807,315 thousand yen in cash and cash deposits. Total non-current assets were 202,925 thousand yen, a decrease of 63,149 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 41,148 thousand yen in property, plant

and equipment, an increase of 1,640 thousand yen in intangible assets due to acquisition and depreciation of software, and a decrease of 23,641 thousand yen in investments and other assets. As a result, total assets were 9,080,415 thousand yen, a decrease of 1,626,066 thousand yen from the previous fiscal year.

Liabilities

Total current liabilities at the end of the fiscal year under review were 67,527 thousand yen, a decrease of 150,026 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 117,680 thousand yen in accrued consumption taxes included in other current liabilities. Total non-current liabilities were 118,353 thousand yen, a decrease of 114 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 288 thousand yen in deferred tax liabilities. As a result, total liabilities were 185,880 thousand yen, a decrease of 150,141 thousand yen from the previous fiscal year.

Net assets

Total net assets at the end of the fiscal year under review were 8,894,534 thousand yen, a decrease of 1,475,925 thousand yen from the end of the previous fiscal year. This was mainly due to the recording of 2,022,166 thousand yen in net loss, an increase of 140,102 thousand yen in stock acquisition rights, and an increase of 203,069 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 a decrease of 208,071 thousand yen and capital reserve an increase of 208,071 thousand yen as a result of capital reductions in July 30,2024. As a result, capital stock was 10,750 thousand yen, capital surplus was 9,422,825 thousand yen, and retained earnings (1,853,816) thousand yen.

(3) Explanation of Cash Flows

Cash and cash equivalents at the fiscal year under review were 8,410,449 thousand yen, a decrease of 1,807,315 thousand yen from the end of the previous fiscal year.

Cash flows from operating activities

Net cash used in operating activities was 1,881,497 thousand yen (inflow of 1,135,315 thousand yen in the previous fiscal year). This was mainly due to the recording of a net loss before tax of 2,018,825 thousand yen, the recording of stock compensation expenses of 501,501 thousand yen, an increase in unreceived consumption tax of 187,137 thousand yen, and a decrease in unpaid consumption tax of 117,680 thousand yen.

Cash flows from investing activities

Net cash used in investing activities was 4,784 thousand yen (outflow of 344 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 78,966 thousand yen (inflow of 202,602 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, 2025

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, 2025. 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, 2025.

The cash outflow for the fiscal year ending July 31, 2025, 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, 2023	As of July 31, 2024
Assets		
Current assets		
Cash and deposits	10,217,764	8,410,449
Supplies	8,514	29,334
Prepaid expenses	207,536	242,326
Other	6,590	195,379
Total current assets	10,440,406	8,877,489
Non-current assets		
Property, plant, and equipment		
Buildings, Net	224,164	181,803
Vehicles, Net	0	0
Tools, furniture and fixtures, Net	2,830	4,044
Total property, plant, and equipment	226,995	185,847
Intangible assets		
Software	799	2,439
Total intangible assets	799	2,439
Investments and other assets		
Long-term prepaid expenses	28,693	5,052
Leasehold and guarantee deposits	9,586	9,586
Total investments and other assets	38,280	14,638
Total non-current assets	266,075	202,925
Total assets	10,706,482	9,080,415

(Thousands of yen)

	As of July 31, 2023	As of July 31, 2024
Liabilities		
Current liabilities		
Accounts payable-other	65,481	35,533
Accrued expenses	22,107	24,365
Income taxes payable	3,630	3,630
Lease obligations	531	—
Deposits received	8,123	3,999
Other	117,680	—
Total current liabilities	217,554	67,527
Non-current liabilities		
Asset retirement obligations	108,206	108,380
Deferred tax liabilities	10,261	9,973
Total non-current liabilities	118,467	118,353
Total liabilities	336,022	185,880
Net assets		
Shareholders' equity		
Capital stock	15,752	10,750
Capital surplus		
Legal capital surplus	9,011,683	9,422,825
Total capital surplus	9,011,683	9,422,825
Retained earning		
Other retained earnings		
Retained earnings brought forward	168,350	(1,853,816)
Total retained earnings	168,350	(1,853,816)
Treasury shares	(118)	(118)
Total shareholders' equity	9,195,668	7,579,640
Stock acquisition rights	1,174,791	1,314,893
Total net assets	10,370,460	8,894,534
Total liabilities and net assets	10,706,482	9,080,415

(2) Statements of Income

(Thousands of yen)

	For the fiscal Year ended July 31, 2023	For the fiscal Year ended July 31, 2024
Operating revenue	2,350,000	—
Operating expenses		
Research and development expenses	1,567,247	1,453,969
Other selling, general and administrative expenses	640,361	622,114
Total operating expenses	2,207,608	2,076,084
Operating Income (loss)	142,391	(2,076,084)
Non-operating income		
Interest and dividend income	0	0
Subsidy income	1,263	37
Foreign exchange gains	645	—
Gain on sales of goods	380	256
Miscellaneous income	817	1
Total non-operating income	3,107	295
Non-operating expenses		
Interest expenses	58	1
Foreign exchange loss	—	182
Contract cancellation loss	—	1,354
Removal cost	—	374
Miscellaneous loss	67	170
Total non-operating expenses	126	2,083
Ordinary Income (loss)	145,373	(2,077,872)
Extraordinary income		
Gain on sales of fixed assets	5	57
Gain on reversal of share acquisition rights	24,828	58,989
Total extraordinary income	24,834	59,047
Income (loss) before income taxes	170,207	(2,018,825)
Income taxes – current	3,630	3,630
Income taxes – deferred	(1,773)	(288)
Total income taxes	1,856	3,341
Net Income (loss)	168,350	(2,022,166)

(3) Statements of Changes in Equity

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

For the fiscal year ended July 31, 2024 (From August 1, 2023 to July 31, 2024)

(Thousands of yen)

		Shareholders' equity	
		Capital surplus	
	Capital stock	Legal capital surplus	Total capital surplus
Balance at the beginning of current period	15,752	9,011,683	9,011,683
Changes of items during period			
Issuance of new shares	203,069	203,069	203,069
Capital reduction	(208,071)	208,071	208,071
Net loss			
Acquisition of treasury stock			
Net changes of items other than shareholders' equity			
Total changes of items during period	(5,002)	411,141	411,141
Balance at the end of current period	10,750	9,422,825	9,422,825

	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	168,350	168,350	(118)	9,195,668	1,174,791	10,370,460
Changes of items during period						
Issuance of new shares				406,138		406,138
Capital reduction				—		—
Net loss	(2,022,166)	(2,022,166)		(2,022,166)		(2,022,166)
Acquisition of treasury shares						
Net changes of items other than shareholders' equity					140,102	140,102
Total changes of items during period	(2,022,166)	(2,022,166)	—	(1,616,028)	140,102	(1,475,925)
Balance at the end of current period	(1,853,816)	(1,853,816)	(118)	7,579,640	1,314,893	8,894,534

(4) Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended July 31, 2023	For the fiscal year ended July 31, 2024
Cash flows from operating activities		
Income (loss) before income taxes	170,207	(2,018,825)
Depreciation	47,785	44,349
Gain on sales of fixed assets	(5)	(57)
Interest and dividend income	(0)	(0)
Subsidy income	(1,263)	(37)
Interest expenses	58	1
Gain on reversal of share acquisition rights	(24,828)	(58,989)
Share-based compensation expenses	566,141	501,501
Decrease (increase) in supplies	(4,165)	(20,819)
Decrease (increase) in prepaid expenses	133,853	13,082
Decrease (increase) in consumption taxes refund receivable	103,486	(187,137)
Increase (decrease) in accounts payable - other	33,964	(29,948)
Increase (decrease) in accrued expenses	(7,526)	2,257
Increase (decrease) of accrued consumption tax	117,680	(117,680)
Other	2,351	(5,600)
Subtotal	1,137,740	(1,877,903)
Interest and dividends received	0	0
Subsidy income received	1,263	37
Interest expenses paid	(58)	(1)
Income taxes paid	(3,630)	(3,630)
Income taxes refund	0	—
Net cash provided by (used in) operating activities	1,135,315	(1,881,497)
Cash flows from investing activities		
Purchase of property, plant, and equipment	—	(2,397)
Purchase of intangible assets	5	58
Payments of leasehold and guarantee deposits	(350)	(2,445)
Net cash provided by (used in) investing activities	(344)	(4,784)
Cash flows from financing activities		
Repayment of lease obligations	(3,141)	(531)
Proceeds from issuance of shares	205,830	79,498
Payments for purchase of treasury shares	(86)	—
Net cash provided by (used in) financing activities	202,602	78,966
Net increase (decrease) in cash and cash equivalents	1,337,573	(1,807,315)
Cash and cash equivalents at beginning of period	8,880,191	10,217,764
Cash and cash equivalents at end of period	10,217,764	8,410,449

(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, 2023	For the fiscal year ended July 31, 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	—

(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.

(Equity in earnings of affiliates, etc.)

None

(Per share information)

	For the fiscal year ended July 31, 2023	For the fiscal year ended July 31, 2024
Net assets per share	151.05 yen	123.20 yen
Earnings (loss) per share	2.80 yen	(32.98)yen
Diluted earnings per share	2.69 yen	— yen

Notes: 1. Diluted earnings per share for the fiscal year ended July 31, 2024 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, 2023	For the fiscal year ended July 31, 2024
Earnings (loss) per share		
Net income (loss) (thousands of yen)	168,350	(2,022,166)
Amount not attributable to shareholders of capital stock (thousands of yen)	—	
Net income (loss) related to common stock (thousands of yen)	168,350	(2,022,166)
Average number of shares during the period (shares)	60,055,319	61,316,856
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.	—	—

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

	As of July 31, 2023	As of July 31, 2024
Total net assets (thousands of yen)	10,370,460	8,894,534
Deduction on total net assets (thousands of yen)	1,174,791	1,314,893
(Stock acquisition rights (thousands of yen))	(1,174,791)	(1,314,893)
Net assets applicable to common stock (thousands of yen)	9,195,668	7,579,640
Number of common stock at the fiscal year end in calculation of net assets per share (shares)	60,877,479	61,523,079

(Significant Subsequent Events)

(Issuance of stock acquisition rights as stock options)

The Board of Directors of the Company resolved on July 25, 2024 to issue stock acquisition rights as stock options approved at the Annual General Meeting of Shareholders held on October 25, 2023. 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 15th stock options (d).
Allotment date	August 9, 2024
Classification and number of grantees	External collaborators 1 Temporary employee 3
Total number of stock options	480 units
Amount to be paid upon issuance of stock acquisition rights	None
Type and number of shares	48,000 shares of common stock
Exercise price	385 yen per share
Capital incorporation	The amount of increase in capital stock in the event of the issuance of shares upon the exercise of these equity warrants shall be half of the maximum amount of increase in capital stock, etc., as calculated in accordance with Article 17, Paragraph 1 of the Corporate Calculation Regulations. Any fraction of less than one yen resulting from the calculation shall be rounded up to the nearest one yen. The amount of capital reserve to be increased shall be the amount obtained by subtracting the amount of stated capital as provided in the preceding paragraph.
Conditions for exercising stock acquisition rights	A person who has been allotted the Stock Options is required to have the status of any of the directors, corporate auditors, employees or outside collaborators of the Company or its subsidiaries when exercising the rights. In the event of the death of the holder of stock acquisition rights, his/her heirs may not exercise the rights. However, if an application is filed by the heir and approved by the Board of Directors, the heir may exercise the stock acquisition rights. Part of each stock acquisition right cannot be exercised.
Exercise period	From August 10, 2026 to August 9, 2033