

StemRIM Announces Issuance of New Shares as Remuneration for Restricted Stock

Osaka, Japan, November 13, 2024 – StemRIM Inc. (TSE: 4599, President and CEO: Masatsune Okajima; “StemRIM”) announces that issuance of new shares as remuneration for restricted stock. Details are as follows:

1. Summary of issue

(1) Pay-in date	December 11, 2024
(2) Type and number of shares issued	Ordinary shares in StemRIM, 475,000 shares
(3) Issue price	367 yen per share
(4) Total value of issue	174,325,000 yen
(5) Categories and numbers of persons eligible for allocations, numbers of shares allocated	Directors (excluding external director) 2 persons, 425,000 shares Auditor 3 persons, 50,000 shares
(6) Others	The issuance of the shares is subject to the effectiveness of the Securities Registration Statement in accordance with the Financial Instruments and Exchange Act.

2. Purpose of and Reasons for the Issuance

On September 22, 2021, our Board of Directors resolved to introduce a Restricted Stock Grant System (hereinafter referred to as the “the System”) with transfer restrictions on shares to enhance the sustained improvement of the company's medium to long-term corporate value and increase incentives for future market capitalization growth. The purpose is not only to benefit from the rise in stock prices but also to share values more effectively with shareholders, considering the risks associated with a decline in stock prices. In addition, at the 16th Regular Shareholders' Meeting held on October 27, 2021, it was approved to limit the total amount of monetary rewards rights granted as compensation for the allocation of restricted stocks to directors, including external directors, under the System. The annual limit is set at 300 million yen for directors (with an upper limit of 60 million yen for external directors) and 30 million yen for auditors. The total number of common stocks that the company may issue or dispose of under the System is set at 500,000 shares per year for directors (with an upper limit of 100,000 shares for external directors) and 50,000 shares per year for auditors. However, if there is a stock split (including a free allotment of common stock) or consolidation of common stock after the date of the resolution to introduce the System, the total number may be adjusted reasonably. The specific timing and distribution of compensation to each target officer will be determined by the company's Board of Directors.

Outline, etc., of the System

The System provides compensation to target officers by granting restricted stocks as a form of compensation during the period from the end of our regular shareholders' meeting to the next regular shareholders' meeting (hereinafter referred to as the "Target Period"). Primarily, each year, a monetary reward bond is issued to facilitate the grant of restricted stocks, and the entire amount of this monetary reward bond is provided as an in-kind investment asset. By doing so, target officers acquire restricted stocks issued or disposed of by the company. Regarding the issuance of this monetary reward bond, it is a condition that the target officer agrees to the in-kind investment and enters into a "Restricted Stock Allocation Agreement" (hereinafter referred to as the "Agreement") with the company, which includes the following terms.

(1) Restriction on Transfer

The target officer shall not be allowed to transfer, create a security interest, or otherwise dispose of the common stock of the Company (hereinafter referred to as the "Shares") allocated under this Stock Allocation Agreement during the period from the payment date under this Agreement until the target officer retires or resigns from the position of director or auditor of the Company, or any other position specified in advance by the Board of Directors of the Company (hereinafter referred to as the "Restricted Transfer Period").

(2) Lifting of Restriction on Disposal

1 The Company shall lift the restrictions on the transfer of all Shares at the expiration of the Restricted Transfer Period if, throughout the Restricted Transfer Period, the target officer continuously holds any of the following positions within the Company or its subsidiaries: director, executive officer not concurrently serving as a director, auditor, employee, advisor, consultant, or any equivalent position.

2 Notwithstanding the provisions of the preceding paragraph, in the event that the target officer, during the Restricted Transfer Period, retires or resigns (including retirement or resignation due to death) from any of the positions of director, executive officer not concurrently serving as a director, executive officer not concurrently serving as a director, auditor, employee, advisor, consultant, or any equivalent position within the Company or its subsidiaries, due to the expiration of the term, mandatory retirement, or any other legitimate reason, and thereby loses eligibility to receive shares under the Restricted Transfer of Shares Compensation Plan, the conditions and timing for lifting the Restricted Transfer shall be as follows:

① Retirement or resignation due to death of an eligible officer

Time of cancellation: At a time separately determined by the Board of Directors after the death of the Subject Officer

Number of Shares to be Canceled: The number of Shares held by the Subject Officer at the time of his/her death

② In the event of resignation or retirement due to justifiable reasons other than those mentioned in the preceding item

Time of Cancellation: Immediately following the resignation or retirement of the Subject Officer

Number of Shares to be Canceled: The number of Shares held by the Subject Officer as of the expiration of the Restriction Period

(3) Grounds for Acquisition without Compensation

1 At the point in time when the Restricted Transfer Period has expired, the Company will, in accordance with the provisions of (2)1 above, lift the Restricted Transfer on the

Restricted Shares and, immediately thereafter, automatically acquire, at no cost, all Restricted Shares that have not been released from restrictions at that time held by the target officer.

- 2 Notwithstanding the provisions of the preceding paragraph, the Company will, in accordance with the provisions of (2)2 above, automatically acquire, at no cost, all or part of the Restricted Shares immediately after the point in time when the restrictions on the Restricted Shares have been lifted.
 - 3 If the Subject Officer falls under any of the following items during the Restricted Transfer Period, the Company will automatically acquire all the Restricted Shares at the point in time when the Subject Officer falls under such item:
 - ① If the subject officer is sentenced to imprisonment or more
 - ② If bankruptcy proceedings, civil rehabilitation proceedings, or any similar proceedings are initiated against the Subject Officer
 - ③ If the Subject Officer is subjected to attachment, provisional attachment, provisional disposition, forced execution, or auction application, or if there is a delinquent tax disposition
 - ④ If the Subject Officer resigns or retires (including retirement or resignation due to death) from any position, including but not limited to a director, executive officer, non-executive executive officer not concurrently serving as a director or executive officer, auditor, employee, advisor, or consultant, and loses eligibility for the Restricted Stock Compensation System in the Company or its subsidiaries at the Company due to legitimate reasons other than expiration of term, retirement age, or similar justified reasons (excluding cases of death)
 - ⑤ If the Subject Officer violates laws, internal regulations of the Company, or significant provisions of this contract, as acknowledged by the Board of Directors of the Company
 - 4 If the relevant officer falls under any of the following during the transfer restriction period, the company shall notify the officer in writing of the gratuitous acquisition of the shares, and at the point of delivery of such notification, the company shall automatically acquire all of the shares without charge:
 - ① If the targeted officer engages in business that competes with the business of the company or its subsidiaries, or assumes a position as an officer in a corporation or another organization that competes, and such engagement is recognized by the company's board of directors (excluding cases where prior written approval is obtained from the company).
 - ② If the compensation system for directors is revised in our company, and as a result, the basic annual salary of the targeted executive officer is reduced, and the board of directors of our company determines that it is appropriate for the company to acquire all or part of the shares at no cost.
 - ③ In other cases, if the Board of Directors of our company determines that it is appropriate for the company to acquire all or part of the shares at no cost.
- (4) Procedures in the Event of Organizational Restructuring, etc.
- 1 In the event that the following items are approved by our company's general meeting of shareholders (However, in the case of the second item where approval by our company's general meeting of shareholders is not required and in the case of the sixth item, by our company's Board of Directors) during the restricted transfer period(However, limited to cases where the dates specified in the following items (hereinafter referred to as the "organizational restructuring effective date") arrive before the expiration of the

transfer restriction period.), the Board of Directors of our company may, by resolution, release the transfer restrictions on the shares held by the eligible officer on the approval date (hereinafter referred to as the "Organizational Restructuring Approval Date"), for the number calculated based on the provisions in Section 2 (hereinafter referred to as the "Number of Shares to be Released upon Organizational Restructuring"), as of the last business day before the effective date of the organizational restructuring, provided that such effective date occurs before the expiration of the restricted transfer period.

- ① Upon approval of the merger agreement where the Company becomes the extinct company: Effective date of the merger.
- ② Upon approval of an absorption-type split agreement or a new split plan where the Company becomes the split company (limited to cases where, on the effective date of the split, the Company delivers all or part of the consideration for the split to its shareholders and it is expected that the Subject Officer will retire or resign from any of the positions listed in (3)³④ due to the split): Effective date of the split.
- ③ Upon approval of a stock exchange agreement or stock transfer plan where the Company becomes a wholly-owned subsidiary: Effective date of the stock exchange or stock transfer.
- ④ Upon consolidation of shares (limited to cases where the consolidation of shares results in the Subject Officer having fractional shares): Effective date of the share consolidation.
- ⑤ Upon the complete acquisition of all of the Company's common stock with the entire acquisition clause provided in Article 108, Paragraph 1, Item 7 of the Company Law: Acquisition date as stipulated in Article 171, Paragraph 1, Item 3 of the Company Law.
- ⑥ Upon a request to transfer shares targeting the Company's common stock (meaning a share transfer request stipulated in Article 179-2, Paragraph 1, Item 5 of the Company Law): Acquisition date as stipulated in Article 179-2 of the Company Law.

2 The "Number of Shares to be Released at the Organizational Restructuring" stipulated in the preceding paragraph refers to the number of shares held by the Subject Officer on the Organizational Restructuring Approval Date.

3 In the case specified in paragraph 1, the Company shall, on the preceding business day of the Organizational Restructuring Effective Date, automatically acquire at no cost all the shares for which the transfer restrictions have not been lifted concerning the holdings of the Subject Officer on that date.

3. Basis for calculation of the amount to be paid in and specific details thereof

The issuance of the new shares to be allocated to the planned allocation destination will be carried out using the monetary bonds provided as the Restricted Stock Compensation for the Company's 20th fiscal year (business year ending July 31, 2025) based on this system. Regarding the issue price, to eliminate arbitrariness and ensure a fair value, we have set it at 367 yen, which is the closing price of the Company's common stock on the Tokyo Stock Exchange Growth Market on November 12, 2024 (the preceding business day of the Board of Directors resolution date). This is considered a rational and non-particularly advantageous market price as of the Board of Directors' resolution date.

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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