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, 2025 [Japanese GAAP]

September 10, 2025

Company name: StemRIM Inc.
Listing: Tokyo Stock Exchange
Securities code: 4599
URL: https://stemrim.com
Representative: Masatsune Okajima , President & Chief Executive Officer
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Scheduled date of annual general meeting of shareholders: October 22, 2025
Scheduled date to commence dividend payments: —
Scheduled date to file annual securities report: October 21, 2025
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, 2025 (August 1, 2024 to July 31, 2025)

(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, 2025	—	—	(1,971)	—	(1,970)	—	(1,929)	—
July 31, 2024	—	—	(2,076)	—	(2,077)	—	(2,022)	—

	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, 2025	(31.16)	—	(28.7)	(23.7)	—
July 31, 2024	(32.98)	—	(24.1)	(21.0)	—

(Reference) Equity in earnings (losses) of affiliates: Fiscal year ended July 31, 2025: － million yen
Fiscal year ended July 31, 2024: － million yen

Note: Earnings per share diluted of Fiscal Year ended July 31, 2025, 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, 2025	7,518	7,314	78.0	94.33
As of July 31, 2024	9,080	8,894	83.5	123.20

(Reference) Equity capital: As of July 31, 2025 5,861 Million yen
As of July 31, 2024 7,579 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, 2025	(1,414)	(42)	41	6,994
July 31, 2024	(1,881)	(4)	78	8,410

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, 2024	—	0.00	—	0.00	0.00	—	—	—
July 31, 2025	—	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, 2026 (August 1, 2025 to July 31, 2026)

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, 2026. 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) in the fiscal year ending July 31, 2026.

The cash outflow for the fiscal year ending July 31, 2026, is expected to be as follows

・Forecast cash R&D expenses in the range of 1,300 million yen to 1,700 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, 2025	62,136,200 shares
As of July 31, 2024	61,523,200 shares

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

As of July 31, 2025	121 shares
As of July 31, 2024	121 shares

(c) Average number of shares during the period

Fiscal Year ended July 31, 2025	61,914,553 shares
Fiscal Year ended July 31, 2024	61,316,856 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, 2025 (August 1, 2024, to July 31, 2025), in the regenerative medicine and pharmaceutical industries, research and development aimed at creating novel modalities and new pharmaceuticals continued to advance, and the practical application of innovative therapies accelerated.

In the United States, the Food and Drug Administration (FDA) is undertaking initiatives to make the drug review process more rapid and flexible, with growing expectations for the expedited approval of treatments in therapeutically significant areas. As part of these efforts, the introduction of a “National Priority Vouchers” system is under consideration, which would significantly shorten the review period for pharmaceuticals that contribute to national priority areas. The FDA is also exploring additional measures such as rolling reviews—where applications are accepted in stages and reviewed in parallel—and the adoption of advanced evaluation technologies, including artificial intelligence and organ-on-a-chip systems.

In the field of rare diseases, proposed regulatory changes may allow for conditional approvals based on limited data from single-arm trials. These changes could significantly enhance patient access in areas with high unmet medical needs. While these U.S. initiatives do not directly impact Japan’s regulatory framework, they serve as global endorsements of safety, efficacy, and social acceptance, and are expected to provide indirect support for the commercialization of domestically developed products.

Meanwhile, the Japanese government is also implementing policy measures to strengthen the country’s drug discovery infrastructure. The Ministry of Education, Culture, Sports, Science and Technology (MEXT) is promoting enhanced research and development support in the medical and life sciences, cross-disciplinary basic research to foster innovative seeds, and system development in anticipation of future infectious disease emergencies. The Ministry of Health, Labour and Welfare (MHLW) is prioritizing the reinforcement of the drug discovery ecosystem, support for emerging modalities, and the practical implementation of promising pharmaceutical and medical device candidates. The Ministry of Economy, Trade and Industry (METI) is advancing the domestic production of pharmaceuticals and regenerative medicine products, the establishment of biotechnology hubs and technical support systems, and the commercialization of bioventure innovations.

While global momentum toward strengthening drug discovery capabilities is gaining pace, numerous challenges persist in the regenerative medicine and pharmaceutical sectors. These include issues related to safety and efficacy, quality control complexities, and rising manufacturing costs. Furthermore, the amended Act on the Safety of Regenerative Medicine, which came into effect in Japan in May 2025, is expected to further tighten the approval process for regenerative and gene therapies. This has raised concerns over prolonged development timelines and increased development costs, which may further elevate the barriers to practical implementation.

Under these circumstances, our company has continued to make progress in the research and development of "Regeneration-Inducing Medicine™" called Redasemtide (a peptide medicine created from HMGB1), toward the initiation of new clinical trials. Additionally, for next-generation "Regeneration-Inducing Medicine™", TRIM3 and TRIM4, non-clinical development and business development activities aimed at licensing out have also shown continued progress.

"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. The administered substances include peptides and proteins, which can be manufactured, transported, stored, and administered using the same methods as traditional pharmaceuticals. As a result, compared to conventional regenerative medicine or cell therapy, it offers a more convenient and cost-effective means of promoting tissue regeneration, while delivering effects that are equal to or potentially greater than those of traditional methods.

Based on the concept of realizing regenerative medicine and cell therapy without the use of living cells, but through the administration of substances (compounds)," "Regeneration-Inducing Medicine™" is expected to overcome numerous challenges associated with transplantation therapies and conventional regenerative medicine. As an innovative regenerative medical technology, it is anticipated to become a game changer not only in Japan but also globally within the regenerative medicine industry.

In the current fiscal year, the progresses of research and development for each pipeline is as follows.

I. Redasemtide for Dystrophic Epidermolysis Bullosa ("DEB"))

Research Progress:

August 2015: Initiation of Phase 1 investigator-initiated clinical trial (In Japan)
March 2017: Completion of Phase 1 investigator-initiated clinical trial (In Japan)
December 2017: Initiation of Phase 2 investigator-initiated clinical trial (In Japan)
September 2019: Completion of Phase 2 investigator-initiated clinical trial (In Japan)
March 2020: Completion of follow-up survey for Phase 2 investigator-initiated clinical trial
July 2022: Initiation of additional Phase 2 clinical trial (In Japan)
March 2023: First patient enrolled in the additional Phase 2 clinical trial (In Japan)
July 2025: Final patient enrolled in the additional Phase 2 clinical trial (In Japan)

Progress Status:

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.

II. Redasemtide for Acute Ischemic Stroke("AIS")

Research Progress:

April 2019: Initiation of Phase 2 corporate-sponsored clinical trial (In Japan)
October 2021: Completion of Phase 2 corporate-sponsored clinical trial (In Japan)
April 2023: Initiation of global Phase 2b clinical trial in Japan and the United States
July 2023: Initiation of global Phase 2b clinical trial in Europe and China
February 2025: Amendment to the global Phase 2b clinical trial protocol
April 2025: Interim analysis of the global Phase 2b clinical trial

Progress Status:

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 $\geq$3) the day after completing five days of treatment and were no longer in need of assistance (mRS $\leq$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.

III. Redasemtide for Ischemic Cardiomyopathy

Research Progress:

March 2024: Initiation of Phase 2 investigator-initiated clinical trial (In Japan)
December 2024: First patient enrolled in the Phase 2 investigator-initiated clinical trial (In Japan)

Progress Status:

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.

IV. Redasemtide for Osteoarthritis of the Knee("OA")

Research Progress:

November 2020: Initiation of Phase 2 investigator-initiated clinical trial (In Japan)
February 2021: First patient enrolled in the Phase 2 investigator-initiated clinical trial (In Japan)
December 2021: Final patient enrolled in the Phase 2 investigator-initiated clinical trial (In Japan)
December 2022: Completion of Phase 2 investigator-initiated clinical trial (In Japan)

Progress Status:

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 40 years 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.

V. Redasemtide for Chronic Liver Disease("CLD")

Research Progress:

November 2020: Initiation of Phase 2 investigator-initiated clinical trial
March 2021: First patient enrolled in the Phase 2 investigator-initiated clinical trial

June 2022: Final patient enrolled in the Phase 2 investigator-initiated clinical trial
December 2022: Completion of Phase 2 investigator-initiated clinical trial

Progress Status:

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.

VI. TRIM3,TRIM4(the next generation of "Regeneration-Inducing Medicine™")

Progress Status:

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.

VII. SR-GT1(Stem Cell Gene Therapy for the Curative Treatment of Epidermolysis Bullosa)

Progress Status:

SR-GT1 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, 2025, operating revenue was none (operating revenue was none for the previous fiscal year).

R&D expenses was 1,394,651 thousand yen for the current fiscal year ended July 31, 2025, a decrease of 59,318 thousand yen from the previous fiscal year. Other selling, general and administrative expenses was 576,881 thousand

yen for the fiscal year ended July 31, 2025, a decrease of 45,233 thousand yen from the previous fiscal year. The decrease in R&D expenses was mainly due to a decrease in research material costs and a decrease in stock-based compensation for research personnel. Similarly, the decrease in Other selling, general and administrative expenses was primarily due to a decrease in stock-based compensation for directors and administrative staff. As a result, the Company recorded 1,971,532 thousand yen in operating expenses for the fiscal year ended July 31, 2025, a decrease of 104,552 thousand yen from the previous fiscal year, and 1,971,532 thousand yen in Operating loss for the fiscal year ended July 31, 2025 (operating loss of 2,076,084 thousand yen for the previous fiscal year).

Non-operating income was 1,113 thousand yen for the current fiscal year, an increase of 817 thousand yen from the previous fiscal year. Non-operating expenses was 24 thousand yen for the current fiscal year, a decrease of 2,058 thousand yen from the previous fiscal year. The main component of non-operating income was a consumption tax refund surcharge of 579 thousand yen, along with a gain on sale of goods of 463 thousand yen. In addition, the main component of non-operating expenses was removal costs amounting to 20 thousand yen. As a result, Ordinary loss was 1,970,444 thousand yen (ordinary loss of 2,077,872 thousand yen for the previous fiscal year).

Extraordinary income was 42,870 thousand yen (extraordinary income of 59,047 thousand yen for the previous fiscal year). The main component of extraordinary income was gain on reversal of share acquisition rights. Extraordinary loss was 210 thousand yen. The main component of the extraordinary loss was a loss on the sale of fixed assets totaling 140 thousand yen. Net loss before taxes was 1,927,784 thousand yen (net loss before taxes of 2,018,825 thousand yen for the previous fiscal year). Income taxes for the current fiscal year was 1,652 thousand yen. As a result, net loss for the current fiscal year was 1,929,437 thousand yen (net loss of 2,022,166 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 7,325,049 thousand yen, a decrease of 1,552,439 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,415,857 thousand yen in cash and cash deposits. Total non-current assets were 193,610 thousand yen, a decrease of 9,315 thousand yen from the end of the previous fiscal year. This was due to a decrease of 5,618 thousand yen in property, plant and equipment, a decrease of 139 thousand yen in intangible assets due to acquisition and depreciation of software, and a decrease of 3,558 thousand yen in investments and other assets. As a result, total assets were 7,518,659 thousand yen, a decrease of 1,561,755 thousand yen from the previous fiscal year.

Liabilities

Total current liabilities at the end of the fiscal year under review were 87,884 thousand yen, an increase of 20,357 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 27,126 thousand yen in accrued consumption taxes included in other current liabilities. Total non-current liabilities were 116,545 thousand yen, a decrease of 1,807 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 1,980 thousand yen in deferred tax liabilities. As a result, total liabilities were 204,430 thousand yen, an increase of 18,549 thousand yen from the previous fiscal year.

Net assets

Total net assets at the end of the fiscal year under review were 7,314,229 thousand yen, a decrease of 1,580,305 thousand yen from the end of the previous fiscal year. This was mainly due to the recording of 1,929,437 thousand yen in net loss, an increase of 137,831 thousand yen in stock acquisition rights, and an increase of 105,650 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 106,400 thousand yen and capital reserve an increase of 106,400 thousand yen as a result of capital reductions in July 30,2025. As a result, capital stock was 10,000 thousand yen, capital surplus was 9,634,875 thousand yen, and retained earnings (3,783,253) thousand yen.

(3) Explanation of Cash Flows

Cash and cash equivalents at the fiscal year under review were 6,994,592 thousand yen, a decrease of 1,415,857 thousand yen from the end of the previous fiscal year.

Cash flows from operating activities

Net cash used in operating activities was 1,414,608 thousand yen (outflow of 1,881,497 thousand yen in the previous fiscal year). This was mainly due to the recording of a net loss before tax of 1,927,784 thousand yen, the recording of stock compensation expenses of 391,553 thousand yen, a decrease in unreceived consumption tax of 79,495 thousand yen.

Cash flows from investing activities

Net cash used in investing activities was 42,498 thousand yen (outflow of 4,784 thousand yen in the previous fiscal year). This was mainly due to the acquisition of property, plant and equipment. 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 41,250 thousand yen (inflow of 78,966 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, 2026

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, 2026. 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) in the fiscal year ending July 31, 2026.

The cash outflow for the fiscal year ending July 31, 2026, is expected to be as follows

・Forecast cash R&D expenses in the range of 1,300 million yen to 1,700 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, 2024	As of July 31, 2025
Assets		
Current assets		
Cash and deposits	8,410,449	6,994,592
Supplies	29,334	16,721
Prepaid expenses	242,326	199,827
Other	195,379	113,907
Total current assets	8,877,489	7,325,049
Non-current assets		
Property, plant, and equipment		
Buildings, Net	181,803	176,665
Vehicles, Net	0	0
Tools, furniture and fixtures, Net	4,044	3,563
Total property, plant, and equipment	185,847	180,229
Intangible assets		
Software	2,439	2,300
Total intangible assets	2,439	2,300
Investments and other assets		
Long-term prepaid expenses	5,052	2,678
Leasehold and guarantee deposits	9,586	8,402
Total investments and other assets	14,638	11,080
Total non-current assets	202,925	193,610
Total assets	9,080,415	7,518,659

(Thousands of yen)

	As of July 31, 2024	As of July 31, 2025
Liabilities		
Current liabilities		
Accounts payable-other	35,533	28,211
Accrued expenses	24,365	24,614
Income taxes payable	3,630	3,630
Advances received	—	27,136
Deposits received	3,999	4,301
Total current liabilities	67,527	87,884
Non-current liabilities		
Asset retirement obligations	108,380	108,553
Deferred tax liabilities	9,973	7,992
Total non-current liabilities	118,353	116,545
Total liabilities	185,880	204,430
Net assets		
Shareholders' equity		
Capital stock	10,750	10,000
Capital surplus		
Legal capital surplus	9,422,825	9,634,875
Total capital surplus	9,422,825	9,634,875
Retained earning		
Other retained earnings		
Retained earnings brought forward	(1,853,816)	(3,783,253)
Total retained earnings	(1,853,816)	(3,783,253)
Treasury shares	(118)	(118)
Total shareholders' equity	7,579,640	5,861,503
Stock acquisition rights	1,314,893	1,452,725
Total net assets	8,894,534	7,314,229
Total liabilities and net assets	9,080,415	7,518,659

(2) Statements of Income

(Thousands of yen)

	For the fiscal Year ended July 31, 2024	For the fiscal Year ended July 31, 2025
Operating revenue	—	—
Operating expenses		
Research and development expenses	1,453,969	1,394,651
Other selling, general and administrative expenses	622,114	576,881
Total operating expenses	2,076,084	1,971,532
Operating Income (loss)	(2,076,084)	(1,971,532)
Non-operating income		
Interest and dividend income	0	22
Subsidy income	37	42
Gain on sales of goods	256	463
Tax refund income	—	579
Miscellaneous income	1	5
Total non-operating income	295	1,113
Non-operating expenses		
Interest expenses	1	—
Foreign exchange loss	182	4
Contract cancellation loss	1,354	—
Removal cost	374	20
Miscellaneous loss	170	—
Total non-operating expenses	2,083	24
Ordinary Income (loss)	(2,077,872)	(1,970,444)
Extraordinary income		
Gain on sales of fixed assets	57	20
Gain on reversal of share acquisition rights	58,989	42,850
Total extraordinary income	59,047	42,870
Extraordinary loss		
Loss on sale of fixed assets	—	140
Loss on retirement of fixed assets	—	70
Total extraordinary loss	—	210
Income (loss) before income taxes	(2,018,825)	(1,927,784)
Income taxes – current	3,630	3,633
Income taxes – deferred	(288)	(1,980)
Total income taxes	3,341	1,652
Net Income (loss)	(2,022,166)	(1,929,437)

(3) Statements of Changes in Equity For the fiscal year ended July 31, 2024 (From August 1, 2023 to July 31, 2024)

(Thousands of yen)

		Shareholders' equity	
	Capital stock	Capital surplus	
		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			
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)
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

For the fiscal year ended July 31, 2025 (From August 1, 2024 to July 31, 2025)

(Thousands of yen)

		Shareholders' equity	
		Capital surplus	
	Capital stock	Legal capital surplus	Total capital surplus
Balance at the beginning of current period	10,750	9,422,825	9,422,825
Changes of items during period			
Issuance of new shares	105,650	105,650	105,650
Capital reduction	(106,400)	106,400	106,400
Net loss			
Net changes of items other than shareholders' equity			
Total changes of items during period	(750)	212,050	212,050
Balance at the end of current period	10,000	9,634,875	9,634,875

	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	(1,853,816)	(1,853,816)	(118)	7,579,640	1,314,893	8,894,534
Changes of items during period						
Issuance of new shares				211,300		211,300
Capital reduction				—		—
Net loss	(1,929,437)	(1,929,437)		(1,929,437)		(1,929,437)
Net changes of items other than shareholders' equity					137,831	137,831
Total changes of items during period	(1,929,437)	(1,929,437)	—	(1,718,137)	137,831	(1,580,305)
Balance at the end of current period	(3,783,253)	(3,783,253)	(118)	5,861,503	1,452,725	7,314,229

(4) Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended July 31, 2024	For the fiscal year ended July 31, 2025
Cash flows from operating activities		
Income (loss) before income taxes	(2,018,825)	(1,927,784)
Depreciation	44,349	49,496
Gain on sales of fixed assets	(57)	119
Loss on retirement of fixed assets	—	70
Interest and dividend income	(0)	(22)
Tax refund income	—	(579)
Subsidy income	(37)	(42)
Interest expenses	1	—
Gain on reversal of share acquisition rights	(58,989)	(42,850)
Share-based compensation expenses	501,501	391,553
Decrease (increase) in supplies	(20,819)	12,612
Decrease (increase) in prepaid expenses	13,082	4,051
Decrease (increase) in consumption taxes refund receivable	(187,137)	79,495
Increase (decrease) in accounts payable - other	(29,948)	(7,639)
Increase (decrease) in accrued expenses	2,257	249
Increase (decrease) in advances received	—	27,126
Increase (decrease) of accrued consumption tax	(117,680)	—
Other	(5,600)	2,523
Subtotal	(1,877,903)	(1,411,618)
Interest and dividends received	0	22
Subsidy income received	37	42
Refund income	—	579
Interest expenses paid	(1)	—
Income taxes paid	(3,630)	(3,633)
Net cash provided by (used in) operating activities	(1,881,497)	(1,414,608)
Cash flows from investing activities		
Purchase of property, plant, and equipment	(2,397)	(43,286)
Purchase of intangible assets	58	175
Payments of leasehold and guarantee deposits	(2,445)	(572)
Payments for deposits and guarantees	—	(381)
Income from recovered leasehold and guarantee deposits	—	1,566
Net cash provided by (used in) investing activities	(4,784)	(42,498)
Cash flows from financing activities		
Repayment of lease obligations	(531)	—
Proceeds from issuance of shares	79,498	41,250
Net cash provided by (used in) financing activities	78,966	41,250
Net increase (decrease) in cash and cash equivalents	(1,807,315)	(1,415,857)
Cash and cash equivalents at beginning of period	10,217,764	8,410,449
Cash and cash equivalents at end of period	8,410,449	6,994,592

(5) Notes to the Financial Statements

(Notes regarding going concern assumption)
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.

(Equity in earnings of affiliates, etc.)
None

(Per share information)

	For the fiscal year ended July 31, 2024	For the fiscal year ended July 31, 2025
Net assets per share	123.20 yen	94.33 yen
Earnings (loss) per share	(32.98) yen	(31.16) yen
Diluted earnings per share	— yen	— yen

Notes: 1. Diluted earnings per share 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, 2024	For the fiscal year ended July 31, 2025
Earnings (loss) per share		
Net income (loss) (thousands of yen)	(2,022,166)	(1,929,437)
Amount not attributable to shareholders of capital stock (thousands of yen)		
Net income (loss) related to common stock (thousands of yen)	(2,022,166)	(1,929,437)
Average number of shares during the period (shares)	61,316,856	61,914,553
Diluted earnings per share		
Adjustment to net income (thousand yen)	—	—
Increase in common stock (shares)	—	—
(Stock acquisition rights (shares))	(—)	(—)
Dilutive shares not included in the calculation since there was no dilutive effect.	28 types of stock acquisition rights (5,796,200 common shares)	28 types of stock acquisition rights (5,455,000 common shares)

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

	As of July 31, 2024	As of July 31, 2025
Total net assets (thousands of yen)	8,894,534	7,314,229
Deduction on total net assets (thousands of yen)	1,314,893	1,452,725
(Stock acquisition rights (thousands of yen))	(1,314,893)	(1,452,725)
Net assets applicable to common stock (thousands of yen)	7,579,640	5,861,503
Number of common stock at the fiscal year end in calculation of net assets per share (shares)	61,523,079	62,136,079

(Significant Subsequent Events)

(Issuance of stock acquisition rights as stock options)

The Board of Directors of the Company resolved on September 10, 2025 to issue stock acquisition rights as stock options approved at the Annual General Meeting of Shareholders held on October 27, 2021 and the Ordinary General Meeting of Shareholders held on October 30, 2024. 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 17th stock options (a).
Allotment date	September 11, 2025
Classification and number of grantees	Employee 39
Total number of stock options	4,072 units
Amount to be paid upon issuance of stock acquisition rights	None
Type and number of shares	407,200 shares of common stock
Capital incorporation	The amount of increase in capital stock in the event of the issuance of shares upon the exercise of these equity warrants shall be half of the maximum amount of increase in capital stock, etc., as calculated in accordance with Article 17, Paragraph 1 of the Corporate Calculation Regulations. Any fraction of less than one yen resulting from the calculation shall be rounded up to the nearest one yen. The amount of capital reserve to be increased shall be the amount obtained by subtracting the amount of stated capital as provided in the preceding paragraph.
Conditions for exercising stock acquisition rights	A person who has been allotted the Stock Options is required to have the status of any of the directors, corporate auditors, employees or outside collaborators of the Company or its subsidiaries when exercising the rights. In the event of the death of the holder of stock acquisition rights, his/her heirs may not exercise the rights. However, if an application is filed by the heir and approved by the Board of Directors, the heir may exercise the stock acquisition rights. Part of each stock acquisition right cannot be exercised.
Exercise period	From September 12, 2027 to September 10, 2035

Name	The 17th stock options (b).
Allotment date	September 26, 2025
Classification and number of grantees	External collaborators 1 Temporary employee 5
Total number of stock options	370 units
Amount to be paid upon issuance of stock acquisition rights	None
Type and number of shares	37,000 shares of common stock
Capital incorporation	The amount of increase in capital stock in the event of the issuance of shares upon the exercise of these equity warrants shall be half of the maximum amount of increase in capital stock, etc., as calculated in accordance with Article 17, Paragraph 1 of the Corporate Calculation Regulations. Any fraction of less than one yen resulting from the calculation shall be rounded up to the nearest one yen. The amount of capital reserve to be increased shall be the amount obtained by subtracting the amount of stated capital as provided in the preceding paragraph.
Conditions for exercising stock acquisition rights	A person who has been allotted the Stock Options is required to have the status of any of the directors, corporate auditors, employees or outside collaborators of the Company or its subsidiaries when exercising the rights. In the event of the death of the holder of stock acquisition rights, his/her heirs may not exercise the rights. However, if an application is filed by the heir and approved by the Board of Directors, the heir may exercise the stock acquisition rights. Part of each stock acquisition right cannot be exercised.
Exercise period	From September 27, 2027 to September 26, 2034

Name	The 18th stock options .
Allotment date	September 11, 2025
Classification and number of grantees	Our directors (including outside directors) 4
Total number of stock options	3,000 units
Amount to be paid upon issuance of stock acquisition rights	None
Type and number of shares	300,000 shares of common stock
Capital incorporation	The amount of increase in capital stock in the event of the issuance of shares upon the exercise of these equity warrants shall be half of the maximum amount of increase in capital stock, etc., as calculated in accordance with Article 17, Paragraph 1 of the Corporate Calculation Regulations. Any fraction of less than one yen resulting from the calculation shall be rounded up to the nearest one yen. The amount of capital reserve to be increased shall be the amount obtained by subtracting the amount of stated capital as provided in the preceding paragraph.
Conditions for exercising stock acquisition rights	A person who has been allotted the Stock Options is required to have the status of any of the directors, corporate auditors, employees or outside collaborators of the Company or its subsidiaries when exercising the rights. In the event of the death of the holder of stock acquisition rights, his/her heirs may not exercise the rights. However, if an application is filed by the heir and approved by the Board of Directors, the heir may exercise the stock acquisition rights. Part of each stock acquisition right cannot be exercised.
Exercise period	From September 12, 2027 to September 10, 2035