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Company Name: Japan Lifeline Co., Ltd.
Representative: Keisuke Suzuki, President and CEO
(Security Code: 7575; TSE Prime Market)
Inquiries: Takeyoshi Egawa, Director and CFO
(TEL. +81-3-6711-5200)

Japan Lifeline Announces Issuance of Paid Stock Options (Stock Acquisition Rights)

TOKYO, JAPAN – July 31, 2025 – Japan Lifeline Co., Ltd. (“the Company”) announced that its Board of Directors resolved today to issue paid stock options (hereinafter referred to as "Stock Acquisition Rights") as outlined below (hereinafter referred to as "this issuance"). This issuance involves paid allocation to eligible recipients at fair value and does not constitute particularly favorable terms, therefore it will be implemented without obtaining shareholder approval. Furthermore, these stock acquisition rights are not issued as compensation to eligible recipients, but rather are to be subscribed based on individual investment decisions of each party.

1. Purpose and Reasons for Issuance

These stock acquisition rights are issued with the purpose of further enhancing the motivation and morale of the Company's directors (excluding Audit and Supervisory Committee members) and operating officers, and strengthening the Company's unity as we aim for medium to long-term business expansion and increased corporate value.

These stock acquisition rights include a condition that the Company's consolidated net sales for the fiscal year ending March 2028 must exceed 70 billion yen for exercise of rights. In May 2023, the Company announced a medium-term business plan covering the five-year period from the fiscal year ending March 2024 to the fiscal year ending March 2028, setting a numerical target of 63 billion yen in consolidated net sales for the fiscal year ending March 2028, which is the final year of the medium-term business plan. Since then, the Company has positioned "expanding new therapeutic areas," "continuous introduction of competitive products," and "strengthening management with capital efficiency" as key strategic initiatives toward achieving the numerical targets. However, upon completion of the fiscal year ending March 2025, which marks the second year of the plan, and in light of the steady progress in performance and the status of key strategic initiatives, the Company reviewed its medium-term prospects and concluded that there is a high probability of exceeding the original numerical target in the fiscal year ending March 2028, the final year of the medium-term business plan.

Accordingly, as announced in the press release dated May 7, 2025, titled "Japan Lifeline Revises Upward Medium-Term Targets," the Company revised upward the numerical target for consolidated net sales for the fiscal year ending March 2028 to 70 billion yen. The performance requirement set as the condition for exercising these stock acquisition rights is aligned with the consolidated net sales numerical target for the fiscal year ending March 2028 in the revised medium-term business plan.

If all of these stock acquisition rights are exercised, the total number of the Company's common shares to be increased will correspond to 1.05% of the 71,300,000 shares of total issued shares. However, since these stock acquisition rights are subject to the achievement of predetermined performance targets as exercise conditions and will not be exercised immediately after the allotment date, we believe the possibility of causing excessive impact

on the market is low. We believe that achieving these performance targets will contribute to enhancing the Company's corporate value and shareholder value, and these stock acquisition rights are expected to have an incentive effect of further enhancing the motivation and morale of the Company's directors and operating officers toward achieving performance targets. Therefore, we believe that the issuance of these stock acquisition rights can contribute to the interests of our existing shareholders and consider the impact of share dilution to be reasonable.

2. Overview of Issuance

(1) Eligible Recipients and Number of Stock Acquisition Rights to be Allocated

Company Directors (excluding Audit and Supervisory Committee members): 10 persons, 6,150 units

Company Operating Officers: 6 persons, 900 units

(2) Class and Number of Shares Subject to Stock Acquisition Rights

The number of shares subject to each stock acquisition right (hereinafter referred to as the "Number of Granted Shares") shall be 100 shares of the Company's common stock.

The Number of Granted Shares shall be adjusted according to the following formula if the Company conducts a stock split (including gratis allotment of the Company's common stock; the same shall apply hereinafter) or stock consolidation after the allotment date of the stock acquisition rights. However, such adjustment shall be made only with respect to the number of shares subject to stock acquisition rights that have not been exercised at that time, and any fraction less than one share resulting from the adjustment shall be rounded down.

Adjusted Number of Granted Shares

= Number of Granted Shares before Adjustment × Split (or Consolidation) Ratio

Furthermore, if the Company conducts a merger, company split, or reduction of stated capital after the allotment date of the stock acquisition rights, or in other cases requiring adjustment of the Number of Granted Shares similar to these cases, the Number of Granted Shares shall be appropriately adjusted within a reasonable range.

(3) Total Number of Stock Acquisition Rights

7,050 units

(4) Payment Amount

The issue price per stock acquisition right shall be 100 yen. This amount was determined to be the same amount based on the results calculated by Plutus Consulting Co., Ltd., a third-party valuation agency, using the Monte Carlo simulation, which is a general option pricing model, taking into consideration the Company's stock price information and other factors. The Company has determined that this amount does not constitute a favorable issuance.

(5) Property Value to be Contributed Upon Exercise of Stock Acquisition Rights and Amount Per Share (Exercise Price)

The value of property to be contributed upon exercise of the stock acquisition rights shall be the amount obtained by multiplying the payment amount per share (hereinafter referred to as the "Exercise Price") by the Number of Granted Shares.

The Exercise Price shall be 1,458 yen per share. This is the closing price of the Company's common stock in ordinary trading on the Tokyo Stock Exchange on July 30, 2025, which is the trading day immediately preceding the Board of Directors resolution date for the issuance of these stock acquisition rights. If the Company conducts a stock split or stock consolidation after the allotment date of the stock acquisition rights, the Exercise Price shall be adjusted according to the following formula, with any fraction less than one yen resulting from the adjustment rounded up:

Adjusted Exercise Price = Exercise Price before Adjustment × 1/Split (or Consolidation) Ratio

Furthermore, if the Company issues new shares or disposes of treasury stock at a price below market value for the Company's common stock after the allotment date of the stock acquisition rights (excluding issuance of new shares and disposal of treasury stock based on the exercise of stock acquisition rights and transfer of treasury stock through stock exchange), the Exercise Price shall be adjusted according to the following formula, with any fraction less than one yen resulting from the adjustment rounded up:

Adjusted Exercise Price = Exercise Price before Adjustment × (Outstanding Shares + (New Shares × Payment Amount per Share) / Market Price per Share before New Issuance) / (Outstanding Shares + New Shares)

In the above formula, "Outstanding Shares" means the total number of issued shares of the Company's common stock minus the number of treasury shares of the Company's common stock. When disposing of treasury shares of the Company's common stock, "New Shares" shall be read as "Treasury Shares to be Disposed."

In addition to the above, if the Company merges with another company, conducts a company split, or in other cases requiring adjustment of the Exercise Price similar to these cases after the allotment date of the stock acquisition rights, the Company may make appropriate adjustments to the Exercise Price within a reasonable range.

(6) Exercise Period of Stock Acquisition Rights

The period during which the stock acquisition rights may be exercised (hereinafter referred to as the "Exercise Period") shall be from July 1, 2028 to August 18, 2035 (provided that if the final day is not a bank business day, then the preceding bank business day).

(7) Conditions for Exercise of Stock Acquisition Rights

- i. Stock acquisition right holders may exercise the stock acquisition rights if the net sales recorded in the Company's consolidated statement of income (or statement of income if consolidated statement of income is not prepared) for the fiscal year ending March 2028 exceeds 70,000 million yen.

In determining the above net sales, if changes in applicable accounting standards or events such as corporate acquisitions that significantly impact the Company's performance occur and the Board of Directors determines that it is inappropriate to make judgments based on actual figures recorded in the Company's consolidated statement of income (or statement of income if consolidated statement of income is not prepared), the Company may make adjustments to the actual figures used for determination by eliminating the effects of such corporate acquisitions within a reasonable range. Additionally, if there are significant changes in the concept of items to be referenced due to adoption of International Financial Reporting Standards, changes in fiscal year-end and other things, separate indicators to be referenced shall be determined by the Company's Board of Directors.

- ii. Stock acquisition right holders must be directors, auditors, or employees of the Company or its affiliated companies at the time of exercising the stock acquisition rights. However, this shall not apply in cases of resignation due to expiration of term, mandatory retirement, or other justifiable reasons recognized by the Board of Directors.
- iii. Exercise of stock acquisition rights by heirs of stock acquisition right holders is not permitted.

- iv. If the exercise of stock acquisition rights would cause the Company's total issued shares to exceed the total number of authorized shares at that time, such stock acquisition rights may not be exercised.
- v. Exercise of less than one whole stock acquisition right is not permitted.

(8) Amount of Stated Capital and Capital Reserve to be Increased Upon Issuance of Shares Through Exercise of Stock Acquisition Rights

- i. The amount of stated capital to be increased upon issuance of shares through exercise of the stock acquisition rights shall be half of the maximum amount of capital increase calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Company Accounting. If the calculation results in a fraction less than one yen, such fraction shall be rounded up.
- ii. The amount of capital reserve to be increased upon issuance of shares through exercise of the stock acquisition rights shall be the amount obtained by subtracting the amount of stated capital increase determined in i. above from the maximum amount of capital increase described in i. above.

(9) Reasons and Conditions for Acquisition of Stock Acquisition Rights

- i. If a merger agreement under which the Company becomes the dissolving company, a split agreement or split plan for a company split under which the Company becomes the splitting company, or a stock exchange agreement or stock transfer plan under which the Company becomes a wholly-owned subsidiary is approved by the shareholders' meeting (or by Board of Directors resolution if shareholders' meeting approval is not required), the Company may acquire all of the stock acquisition rights without consideration upon the arrival of a date separately determined by the Company's Board of Directors.
- ii. If a stock acquisition right holder becomes unable to exercise the stock acquisition rights due to the provisions set forth in (7) above before exercising the rights, the Company may acquire the stock acquisition rights that have become unexercisable without consideration upon the arrival of a date separately determined by the Company's Board of Directors.

(10) Transfer Restrictions on Stock Acquisition Rights

Acquisition of stock acquisition rights through transfer requires approval by resolution of the Company's Board of Directors.

(11) Treatment of Stock Acquisition Rights in Corporate Reorganization

If the Company conducts a merger (limited to cases where the Company is dissolved through merger), absorption-type split, incorporation-type split, share exchange, or share transfer (collectively referred to as "Corporate Reorganization Acts"), stock acquisition rights of the companies listed in Article 236, Paragraph 1, Item 8, (a) through (e) of the Company Act (hereinafter referred to as "Reorganized Companies") shall be delivered to stock acquisition right holders on the effective date of the Corporate Reorganization Act under the following conditions for each respective case. However, this shall be limited to cases where the delivery of stock acquisition rights of Reorganized Companies under the following conditions is stipulated in the absorption merger agreement, incorporation merger agreement, absorption-type split agreement, incorporation-type split plan, share exchange agreement, or share transfer plan.

- i. **Number of Stock Acquisition Rights of Reorganized Company to be Delivered**
The same number as the stock acquisition rights held by the stock acquisition right holder shall be delivered respectively.

- ii. **Class of Shares of Reorganized Company Subject to Stock Acquisition Rights**
Common stock of the Reorganized Company.
- iii. **Number of Shares of Reorganized Company Subject to Stock Acquisition Rights**
To be determined in accordance with (2) above, taking into consideration the conditions of the Corporate Reorganization Act.
- iv. **Value of Property to be Contributed Upon Exercise of Stock Acquisition Rights**
The value of property to be contributed upon exercise of each delivered stock acquisition right shall be the amount obtained by multiplying the post-reorganization exercise price, which is obtained by adjusting the exercise price determined in (5) above taking into consideration the conditions of the Corporate Reorganization Act, by the number of shares of the Reorganized Company subject to such stock acquisition rights determined in accordance with iii. of (11) above.
- v. **Period for Exercise of Stock Acquisition Rights**
From the later of the first day of the exercise period specified in (6) above and the effective date of the Corporate Reorganization Act to the last day of the exercise period specified in (6) above.
- vi. **Matters Relating to Stated Capital and Capital Reserve to be Increased Upon Issuance of Shares Through Exercise of Stock Acquisition Rights**
To be determined in accordance with (8) above.
- vii. **Restrictions on Acquisition of Stock Acquisition Rights Through Transfer**
Restrictions on acquisition through transfer shall require approval by resolution of the Board of Directors of the Reorganized Company.
- viii. **Other Conditions for Exercise of Stock Acquisition Rights**
To be determined in accordance with (7) above.
- ix. **Reasons and Conditions for Acquisition of Stock Acquisition Rights**
To be determined in accordance with (9) above.
- x. **Other Conditions**
Other conditions shall be determined in accordance with the conditions of the Reorganized Company.

(12) Allotment Date of Stock Acquisition Rights

August 19, 2025

(13) Matters Relating to Issuance of Stock Acquisition Right Certificates

The Company shall not issue stock acquisition right certificates for these stock acquisition rights.

(14) Payment Date for Stock Acquisition Rights

August 19, 2025