

The following information was originally prepared and published by GNI Group Ltd. in Japanese as it contains timely disclosure materials to be submitted to the Tokyo Stock Exchange. This English summary translation is for reference purposes only. To the extent there is any discrepancy between this English translation and the original Japanese version, please refer to the Japanese version. The following information was prepared in accordance with International Financial Reporting Standards ("IFRS").



Consolidated Financial Results for FY2021(IFRS)

February 14, 2022

Company Name: GNI Group Ltd. Tokyo Stock Exchange
 Stock Code: 2160 URL: <https://www.gnipharma.com>
 Representative: Ying Luo, Director, Representative Executive Officer, President and CEO
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 Scheduled date of the Annual General Meeting of Shareholders: March 25, 2022
 Scheduled filing date of the securities report: March 28, 2022
 Scheduled dividend payment commencement date: —
 Supplementary materials prepared for financial results: N.A.
 Holding of a financial results briefing meeting: Yes (For institutional investors and analysts)

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for FY2021 (January to December)

(1) FY2021 Consolidated Operating Results

(Percentages are shown as year on year changes)

	Revenue		Operating profit		Profit before tax		Profit for the year		Profit attributable to owners of the parent		Total comprehensive income for the year	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2021	12,690	29.8	1,624	(13.1)	1,107	(38.7)	55	(96.0)	1,066	(15.3)	1,577	61.2
FY2020	9,773	31.3	1,869	43.6	1,805	50.8	1,365	116.8	1,258	591.9	978	146.0

	Basic earnings per share	Diluted earnings per share	Ratio of profit for the year to equity attributable to owners of the parent		Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	Yen	%	%	%	%
FY2021	22.72	22.08	7.1	4.1	12.8	
FY2020	28.96	28.04	11.6	8.2	19.1	

(2) Consolidated Financial Position

	Total assets	Total equity	Total equity attributable to owners of the parent	Ratio of total equity attributable to owners of the parent to total assets	Total equity attributable to owners of the parent per share
	Million yen	Million yen	Million yen	%	Yen
As of December 31, 2021	30,296	19,266	18,860	62.3	397.38
As of December 31, 2020	23,219	12,769	11,000	47.4	252.80

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of the end of period
	Million yen	Million yen	Million yen	Million yen
FY2021	552	(260)	2,853	14,352
FY2020	1,377	570	801	10,322

2. Dividends

	Dividends per share					Total amount of dividends	Dividend payout ratio (consolidated)	Ratio of dividend to total equity attributable to owners of the parent (consolidated)
	Q1-end	Q2-end	Q3-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2020	—	—	—	0.00	0.00	—	—	—
FY2021	—	—	—	0.00	0.00	—	—	—
FY2022 (Forecast)	—	—	—	0.00	0.00	—	0.0	—

Note: Revision to the most recently announced forecasts of dividends per share: No

3. Consolidated Earnings Forecasts for FY2022 (January to December)

(Percentages are shown as year on year changes)

	Revenue		Operating profit		Profit before tax		Profit for the year		Profit attributable to owners of the parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2022	16,334	28.7	1,815	11.7	988	(10.7)	36	(33.3)	961	(9.8)	20.49

Please refer to "1. (5) Outlook for the fiscal year ending December 31, 2022" for further discussion.

Notes:

- (1) Changes in Significant Subsidiaries during the Period under Review: N.A.
(Changes in specified subsidiaries resulting in a change in the scope of consolidation)

New: — Excluded: —

- (2) Changes in Accounting Policies and Changes in Accounting Estimates
 ① Changes in accounting policies that are required under IFRS: N.A.
 ② Changes in accounting policies other than ①: N.A.
 ③ Changes in accounting estimates: N.A.

- (3) Number of Shares Issued (Common Stock)

① Number of shares issued as of the end of the period (including treasury stock)	As of December 31, 2021	47,462,943 shares	As of December 31, 2020	43,513,149 shares
② Number of treasury stock as of the end of the period	As of December 31, 2021	1,313 shares	As of December 31, 2020	1,223 shares
③ Average number of shares for the period	As of December 31, 2021	46,924,021 shares	As of December 31, 2020	43,437,352 shares

* This consolidated financial report is not subject to audit procedures by certified public accountants or an auditing firm.

* Explanation Concerning the Proper Use of Financial Results Forecasts and Other Relevant Specific Items

Forward-looking statements including earnings forecasts contained in this report are based on currently available information and management's assumptions and beliefs regarding uncertainties that may impact future earnings forecasts. The Company cautions readers that actual results may differ materially from forecasts due to a variety of factors. For the assumptions that underpin financial results forecasts as well as other related items, please refer to "1. (5) Outlook for the fiscal year ending December 31, 2022."

The Company is planning to conduct a corporate presentation meeting for institutional investors and analysts on February 18, 2022. Briefing materials used at that session will be posted on the Company's website as soon as practicable after the meeting.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

For fiscal year 2021, the GNI Group posted a topline of ¥12.7 Billion, essentially level with our revised forecast published on August 11th 2021, and 29.8% above our revenues a year earlier. FY2021 was another strong year despite the continuing global impact of the COVID-19. Gross profit of ¥11.1 Billion was well above last year by 34.8%.

Operating profit was ¥1.6 Billion, a decrease of 13.1% over one year earlier. This result was primarily due to increased investments in our core R&D drug development and clinical trial activities in the China and the USA; expansion of our manufacturing capacity in China to further support future drug sales; higher sales and marketing expenses for our pharmaceutical sales in China; and costs associated with Beijing Continent Pharmaceutical Co., Ltd's (hereinafter referred to as BC) IPO preparations.

The Group's profit after tax was ¥55.2 Million, a decrease of 96.0% YoY, primarily due to non-cash accrual costs of interest expenses associated with financings of Cullgen Inc. (hereinafter referred to as Cullgen) in the USA and an increase in tax expenses related to the successful financial returns on two of the Company's equity investments during the year among other things.

BC, a consolidated subsidiary of the Company, produced continued strong sales growth in China for Etuary® and further expanded its sales force. BC made steady progress on clinical trials in China for both F351 Phase III for HBV-induced liver fibrosis (enrollment commenced in January 2022) and F573 Phase I (also started in January, 2022). Both BC and Cullgen continue their preparations opportunistically (depending on capital market conditions) to pursue stock exchange listings.

Berkeley Advanced Biomaterials LLC (hereinafter referred to as BAB) in the USA grew its business despite the ongoing impact of COVID-19. At USD17.5 Million revenues came in well above the previous year's USD16.5 Million on a local currency basis.

Cullgen continued to heavily invest in enhancing its R&D capabilities, both in the USA and China.

As disclosed on December 24th, 2021, GNI Group will transfer to Growth Board of the Tokyo Stock Exchange after its bourse's listing boards organization in April, 2022.

① Operating results by segment

Pharmaceutical Segment

Revenue from the GNI Group's main drug product Etuary® in the Chinese market continued strong. The Pharmaceutical Segment had ¥10.8 Billion of revenue and ¥983 Million of operating profit, an increase of 35.4% and decrease of 15.6% YoY, respectively. The decrease in the operating profit was due to expansion of sales force, marketing initiatives, and an expansion of manufacturing capacity at BC.

Medical Device Segment

In the USA, BAB's biomaterials business is well-established and has rebounded to achieve growth throughout the two years of the COVID-19 pandemic.

② Selling, General and Administrative Expenses; Research and Development Expenses

	Thousand yen		
	FY2020	FY2021	Difference
Selling, general and administrative expenses	(5,180,715)	(7,958,654)	(2,777,938)
Personnel expenses	(1,893,602)	(2,983,245)	(1,089,642)
Research and development expenses	(1,243,158)	(2,015,875)	(772,716)

Selling, general and administrative (SG&A) expenses for the twelve-month period ended December 31, 2021 were ¥8.0 Billion, an increase of ¥2.8 Billion YoY. The increase in SG&A expenses reflects the related sales and marketing expenses of the Pharmaceutical Segment and personnel expenses at both BC and Cullgen.

The increase in Research and Development expenses primarily reflects our investment in clinical trials at BC and Cullgen.

③ Finance Income and Finance Costs

Thousand yen

	FY2020	FY2021	Difference
Finance income	46,074	129,960	83,885
Finance costs	(109,702)	(647,898)	(538,196)

Finance income

In the twelve-month period ended December 31, 2021, GNI Group recorded finance income of ¥130 Million, an increase of ¥84 Million YoY.

Finance costs

In the twelve-month period ended December 31, 2021, GNI Group recorded finance costs of ¥648 Million, an increase of ¥538 Million YoY. These finance costs were primarily a result of the contingent interest expense related to financing activities at GNI Group's subsidiary.

(2) Analysis of financial position

Summary of Consolidated Financial Position

Thousand yen

	As of December 31, 2020	As of December 31, 2021	Difference
Total assets	23,219,257	30,296,980	7,077,722
Total liabilities	10,450,153	11,030,734	580,581
Total equity	12,769,104	19,266,246	6,497,141

Total assets

As of December 31, 2021, Total assets stood at ¥30.3 Billion, an increase of ¥7.1 Billion YoY. This increase is mainly due to the increase in cash and cash equivalents from our fund raising.

Total liabilities

As of December 31, 2021, Total liabilities stayed almost flat at ¥11.0 Billion, an increase of ¥0.5 Billion YoY.

Total equity

As of December 31, 2021, Total equity stood at ¥19.3 Billion, an increase of ¥6.5 Billion YoY. The increase was due mainly to the new shares issued through 3rd-party allotment.

(3) Analysis of cash flow

Summary of Consolidated Cash Flows

Thousand yen

	FY2020	FY2021	Difference
Cash flows from operating activities	1,377,519	552,268	(825,251)
Cash flows from investing activities	570,205	(260,639)	(830,844)
Cash flows from financing activities	801,115	2,853,211	2,052,095

Cash flows from operating activities

The cash flow from operating activities came to ¥552 Million in the twelve-month period ended December 31, 2021, a decrease of ¥825 Million YoY. The principal source of cash inflow for the period was the profit before tax.

Cash flows from investing activities

The cash flow from investing activities came to negative ¥261 Million (cash outflow) in the twelve-month period ended December 31, 2021, a decrease of ¥831 Million YoY. The major source of cash outflow came from the purchases of property, plant and equipment, especially due to the facility expansions in the factory in China for both Etuary® and F351.

Cash flows from financing activities

The cash flow from financing activities came to ¥2.9 Billion in the twelve-month period ended December 31, 2021, an increase of ¥2.1 Billion YoY. The major source of cash inflows for the period was proceeds related to our non-controlling interest in Cullgen.

(4) Research and development activities

[Discovery activities]

GNI Group's drug discovery activities are centered on Cullgen, with the objective of developing innovative new chemical entities (NCEs) for the novel treatment of diseases, utilizing its drug discovery platform uSMITE™ (ubiquitin-mediated, small molecule induced target elimination).

Cullgen continues to make steady progress with its therapeutic degrader pipeline, with multiple new degradation agents including enzyme and non-enzyme protein that target cancer, pain and autoimmune indications. Cullgen's novel E3 ligand development program is the core technology that is a key to the future of targeted protein degradation and aims to develop NCEs that reduce toxicity; alleviate drug resistance; provide tissue, tumor and subcellular compartment selectivity; and expand the substrate spectrum

Cullgen initiated Pre-IND consultations with the National Medical Products Administration (NMPA) China.

[Development activities]

■ Etuary®

Radiation Pneumonitis (RP)

As the second therapy indication for Etuary®, a Phase III clinical trial pilot study for the treatment of RP is being conducted. This is a multi-center open study. The expanded clinical trial has 111 subjects enrolled as of December 2021.

Diabetic Kidney Disease (DKD)

The third Etuary® indication is for DKD, a chronic kidney disease caused by either type I or type II diabetes. 92.4 million people are estimated to be threatened by diabetes in China, with 20-30% of them suffering from type 1 or type 2 diabetes and developing renal dysfunction. The DKD preliminary study in Phase I clinical trial has 24 subjects enrolled as of December 2021.

Connective Tissue Disease Associated Interstitial Lung Disease (CTD-ILD)

In September 2016, GNI Group received NMPA approval for the fourth Etuary® indication for the treatment of CTD-ILD. This IND approval authorized GNI Group to proceed directly into Phase III clinical trial for two CTD-ILD indications: systemic sclerosis SSc-ILD and dermatomyositis DM-ILD.

In June 2018, the first patient was enrolled for each of the Phase III clinical trials for the treatment of SSc-ILD and DM-ILD, with randomized, double-blind, placebo-controlled, 52 week clinical studies. A total of 144 and 152 subjects are scheduled to be enrolled for SSc-ILD and DM-ILD trials, respectively. As of December 2021, 15 and 43 subjects are enrolled in each trial.

Pneumoconiosis (PD)

In May 2019, GNI Group received an approval for IND (Investigational New Drug) from NMPA on the fifth indication of Etuary®: pneumoconiosis. Pneumoconiosis is a dust-related chronic lung disease that causes inflammation and scarring (fibrosis) to develop in the lungs. 433,000 patients are estimated to suffer from pneumoconiosis in China, and additional 600,000 patients are suspected to be without a clear diagnosis. This represents unmet medical needs not only in China, but in the world. GNI Group is working with an alliance of hospitals to determine the trial protocol and initiate clinical studies for Phase III.

■ F351 (for liver fibrosis)

F351 (chemical name: Hydronidone), a therapeutic drug for the treatment of liver fibrosis, represents a key candidate in GNI Group's drug portfolio and a significant part of GNI Group's strategy to expand clinical development activities to other major global pharmaceutical markets.

F351 is an NCE derivation of Etuary®, which inhibits hepatic stellate cell proliferation and also the TGF-β signaling pathway, both of which play major roles in the fibrosis of internal organs. GNI Group has key global patent rights for F351 in a number of countries and regions including China, Japan, Australia, Canada, the USA and Europe.

In August 2020, GNI Group announced positive results from the initial analysis of the China Phase II clinical trial of F351. The trial was a randomized, double-blind, placebo-controlled, multi-center, dose escalation study assessing the safety and efficacy of F351 for Hepatic Fibrosis in Chronic Viral Hepatitis B patients in China. The study met its primary endpoint of a statistically significant improvement in the liver fibrosis score over the 52 week treatment versus the placebo.

After consultation with China's Center for Drug Evaluation (CDE), F351 was designated as a Breakthrough Drug for Liver Fibrosis in March 2021 by NMPA. This key designation enables GNI Group to consult with the CDE on a preferential basis, which can prioritize its clinical trials. On July 29, 2021, F351 received Phase III clinical trial approval and on January 17, 2022, the first patient was enrolled in its trial in China. For details, please refer to our press release "(Progress of Disclosed Matters) First Patient Enrollment of F351 Phase III Clinical Trial in China" on January 17, 2022.

We are in the process of consulting with regulatory agency in the USA regarding the Phase II study in the USA.

■ F573 (for Acute/Acute-on-chronic Liver Failure)

GNI Group's third major new drug candidate following F351 is F573, a di-peptide compound that has a potential to inhibit caspases. It is an important compound that is related to apoptosis and inflammation frequently related to severe hepatitis caused by the Hepatitis B Virus (HBV), Hepatitis C Virus (HCV) or alcoholic cirrhosis. F573 Phase I clinical trial was approved by Union Hospital IEC in September 2020, and GNI Group received an approval for the use of human genetic information by the Human Genetic Resource Administration of China (HGRAC). The first dosing of its Phase I clinical trial was announced on January 20, 2022. For further details, please refer to "(Progress of Disclosed Matters) First Dosing of F573 Phase I Clinical Trial in China" released on January 20, 2022.

(5) Outlook for the fiscal year ending December 31, 2022

For fiscal year 2022, we currently project revenues of ¥16.3 Billion on a consolidated basis for an increase of 28.7% over the fiscal year just ended. We expect this performance to reflect continuing steady demand for our flagship drug in China Etuary® and our medical device (biomaterials) business in the USA. We expect sales and marketing expenses will plateau, while heavy investments in R&D will continue as we head into 2023. We also expect further costs associated with strategic projects.

The effect of potentially deconsolidating several of our subsidiaries produces a far more accurate picture of GNI Group. From that lens we expect the profit attributable to parent's owners to continue ¥1.0 Billion level in 2022. On this point, we intend to monitor the capital markets opportunistically for optimal subsidiary listing conditions, and to maintain active dialogue for M&A opportunities in Japan and the USA.

Due to our operational structure with overseas subsidiaries, our forecast of revenue and investment will also continue to be influenced by the currency exchange rates in both the USA and China, and/or by decisions made in the coming year with respect to deconsolidation of certain subsidiaries.

2. Basic Policy on the Selection of Accounting Standards

GNI Group applies International Financial Reporting Standards [IFRS].

3. Consolidated Financial Statements and Notes

(1) Consolidated statements of financial position

Thousand yen

	As of December 31, 2020	As of December 31, 2021
Assets		
Non-current assets		
Property, plant and equipment	2,425,021	2,943,602
Rights of use assets	731,925	865,959
Goodwill	4,514,248	5,020,290
Other intangible assets	1,718,054	2,147,671
Deferred income tax assets	78,353	180,940
Other financial assets	726,968	951,513
Total non-current assets	10,194,571	12,109,978
Current assets		
Inventories	934,834	1,382,702
Trade and other receivables	1,368,735	1,885,101
Other financial assets	13,572	4,743
Other current assets	384,880	562,320
Cash and cash equivalents	10,322,664	14,352,133
Total current assets	13,024,686	18,187,002
Total assets	23,219,257	30,296,980

	Thousand yen	
	As of December 31, 2020	As of December 31, 2021
Liabilities and equity		
Non-current liabilities		
Borrowing	1,260	-
Lease liabilities	226,008	280,724
Deferred income tax liabilities	219,510	501,194
Other financial liabilities	3,247,394	7,539,814
Other non-current liabilities	152,501	165,840
Total non-current liabilities	<u>3,846,674</u>	<u>8,487,574</u>
Current liabilities		
Trade and other payables	412,143	371,138
Borrowing	1,434,151	700,000
Lease liabilities	85,527	145,662
Current tax payable	188,034	542,019
Other financial liabilities	3,905,089	6,918
Other current liabilities	578,531	777,420
Total current liabilities	<u>6,603,478</u>	<u>2,543,159</u>
Total liabilities	<u>10,450,153</u>	<u>11,030,734</u>
Equity		
Capital stock	8,268,472	10,884,332
Capital surplus	3,591,101	6,224,649
Treasury stock	(472)	(645)
Retained earnings (loss)	(608,019)	307,535
Other components of equity	(251,049)	1,444,437
Total equity attributable to owners of the parent	<u>11,000,032</u>	<u>18,860,309</u>
Non-controlling interests	1,769,072	405,936
Total equity	<u>12,769,104</u>	<u>19,266,246</u>
Total equity and liabilities	<u>23,219,257</u>	<u>30,296,980</u>

(2) Consolidated statements of income and consolidated statements of comprehensive income

1) Consolidated statements of income

	Thousand yen	
	FY2020 (January 1, 2020 to December 31, 2020)	FY2021 (January 1, 2021 to December 31, 2021)
Revenue	9,773,862	12,690,246
Cost of sales	(1,545,943)	(1,600,498)
Gross profit	8,227,918	11,089,748
Selling, general and administrative expenses	(5,180,715)	(7,958,654)
Research and development expenses	(1,243,158)	(2,015,875)
Other income	177,638	662,772
Other expenses	(112,142)	(153,041)
Operating profit	1,869,540	1,624,948
Finance income	46,074	129,960
Finance costs	(109,702)	(647,898)
Profit before tax	1,805,913	1,107,010
Income tax expense	(440,007)	(1,051,767)
Profit for the year	1,365,905	55,242
Profit (loss) attributable to:		
Owners of the parent	1,258,127	1,066,185
Non-controlling interests	107,778	(1,010,943)
Earnings per share		
Basic earnings per share (Yen)	28.96	22.72
Diluted earnings per share (Yen)	28.04	22.08

2) Consolidated statements of comprehensive income

	Thousand yen	
	FY2020 (January 1, 2020 to December 31, 2020)	FY2021 (January 1, 2021 to December 31, 2021)
Profit for the year	1,365,905	55,242
Other comprehensive income		
Items that may be reclassified to profit or loss, net of tax		
Exchange differences on translation of foreign operations	(387,480)	1,522,252
Total other comprehensive income (loss)	(387,480)	1,522,252
Total comprehensive income for the year	978,425	1,577,495
Total comprehensive income (loss) for the year attributable to:		
Owners of the parent	923,013	2,378,240
Non-controlling interests	55,411	(800,744)

(3) Consolidated statements of changes in equity

Thousand yen

	Attributable to owners of the parent						
	Capital stock	Capital surplus	Treasury stock	Retained profit (loss)	Other components of equity		
					Subscription rights to shares	Exchange differences on translation of foreign operations	Total
Balance as of January 1, 2020	8,212,985	4,273,412	(472)	(1,764,904)	96,199	(125,094)	(28,894)
Profit for the year	-	-	-	1,258,127	-	-	-
Other comprehensive income (loss)	-	-	-	-	-	(335,113)	(335,113)
Total comprehensive profit (loss) for the year	-	-	-	1,258,127	-	(335,113)	(335,113)
Change in the interests in its controlled subsidiary	-	(150,547)	-	-	-	56,348	56,348
Change in scope of consolidation	-	-	-	-	-	-	-
Payment of distributions	-	-	-	-	-	-	-
Issuance of new shares	55,487	55,487	-	-	(4,334)	-	(4,334)
Share-based compensation transaction	-	-	-	-	49,763	-	49,763
Issuance of subscription rights to shares	-	-	-	-	21,725	-	21,725
Put option for non-controlling interest	-	171,740	-	-	-	(51,248)	(51,248)
Reclassification from equity financial instruments to liabilities	-	(603,167)	-	(101,242)	-	40,703	40,703
Others	-	(155,823)	-	-	-	-	-
Total transactions with owners	55,487	(682,310)	-	(101,242)	67,154	45,803	112,958
Balance as of December 31, 2020	8,268,472	3,591,101	(472)	(608,019)	163,354	(414,404)	(251,049)

	Total attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of January 1, 2020	10,692,126	2,403,706	13,095,833
Profit for the year	1,258,127	107,778	1,365,905
Other comprehensive income (loss)	(335,113)	(52,366)	(387,480)
Total comprehensive profit (loss) for the year	923,013	55,411	978,425
Change in the interests in its controlled subsidiary	(94,199)	99,246	5,046
Change in scope of consolidation	-	524,304	524,304
Payment of distributions	-	(282,555)	(282,555)
Issuance of new shares	106,640	-	106,640
Share-based compensation transaction	49,763	-	49,763
Issuance of subscription rights to shares	21,725	-	21,725
Put option for non-controlling interest	120,492	103,072	223,565
Reclassification from equity financial instruments to liabilities	(663,706)	(1,289,937)	(1,953,643)

Others	(155,823)	155,823	-
Total transactions with owners	(615,107)	(690,046)	(1,305,153)
Balance as of December 31, 2020	11,000,032	1,769,072	12,769,104

Thousand yen

	Attributable to owners of the parent						
	Capital stock	Capital surplus	Treasury stock	Retained profit (loss)	Other components of equity		
					Subscription rights to shares	Exchange differences on translation of foreign operations	Total
Balance as of January 1, 2021	8,268,472	3,591,101	(472)	(608,019)	163,354	(414,404)	(251,049)
Profit (loss) for the year	-	-	-	1,066,185	-	-	-
Other comprehensive income	-	-	-	-	-	1,312,054	1,312,054
Total comprehensive profit for the year	-	-	-	1,066,185	-	1,312,054	1,312,054
Change in the interests in its controlled subsidiary	-	(3,049,137)	-	-	-	(53,774)	(53,774)
Change in scope of consolidation	-	-	-	-	-	-	-
Payment of distributions	-	-	-	(150,838)	-	-	-
Issuance of new shares	2,615,859	2,615,859	-	-	(12,930)	-	(12,930)
Share-based compensation transaction	-	-	-	-	345,204	-	345,204
Issuance of new subscription rights to shares	-	-	-	-	51,537	-	51,537
Issuance cost of new shares	-	(18,772)	-	-	-	-	-
Issuance cost of subscription rights to shares	-	-	-	-	(3,719)	-	(3,719)
Purchase of treasury stock	-	-	(172)	-	-	-	-
Put option for non-controlling interest	-	3,085,598	-	-	-	57,116	57,116
Others	-	-	-	207	-	-	-
Total transactions with owners	2,615,859	2,633,547	(172)	(150,631)	380,090	3,342	383,433
Balance as of December 31, 2021	10,884,332	6,224,649	(645)	307,535	543,445	900,992	1,444,437

	Total attributable to owners of the parent	Non-controlling interests	Total equity
Balance as of January 1, 2021	11,000,032	1,769,072	12,769,104
Profit (loss) for the year	1,066,185	(1,010,943)	55,242
Other comprehensive income	1,312,054	210,198	1,522,252
Total comprehensive profit (loss) for the year	2,378,240	(800,744)	1,577,495
Change in the interests in its controlled subsidiary	(3,102,911)	(794,760)	(3,897,672)
Change in scope of consolidation	-	(523,254)	(523,254)
Payment of distributions	(150,838)	-	(150,838)
Issuance of new shares	5,218,789	-	5,218,789
Share-based compensation transaction	345,204	-	345,204

Issuance of new subscription rights to shares	51,537	-	51,537
Issuance cost of new shares	(18,772)	-	(18,772)
Issuance cost of subscription rights to shares	(3,719)	-	(3,719)
Purchase of treasury stock	(172)	-	(172)
Put option for non- controlling interest	3,142,714	755,624	3,898,338
Others	207	-	207
Total transactions with owners	5,482,036	(562,390)	4,919,646
Balance as of December 31, 2021	18,860,309	405,936	19,266,246

(4) Consolidated statements of cash flows

	Thousand yen	
	FY2020 (January 1, 2020 to December 31, 2020)	FY2021 (January 1, 2021 to December 31, 2021)
Cash flows from operating activities		
Profit before tax	1,805,913	1,107,010
Depreciation and amortization	329,611	383,033
Decrease (increase) in accounts receivables	(186,249)	(318,206)
Increase (decrease) in accounts payables	199,854	(92,152)
Decrease (increase) in inventories	(136,248)	(308,742)
Increase (decrease) in bonus allowance	18,486	24,382
Finance income and finance costs	5,786	572,540
Other, net	(172,909)	(262,212)
Subtotal	<u>1,864,243</u>	<u>1,105,653</u>
Interest received	51,879	70,049
Interest paid	(48,089)	(32,695)
Income tax paid	(490,513)	(590,740)
Net cash provided by (used in) operating activities	<u>1,377,519</u>	<u>552,268</u>
Cash flows from investing activities		
Increase in time deposits	396,451	-
Purchases of property, plant and equipment	(260,477)	(379,488)
Proceeds from sales of property, plant and equipment	-	453
Purchases of Rights of use assets	(43,355)	-
Purchases of other intangible assets	(53,287)	(314,913)
Increase in lease and guarantee deposits	(358)	(14,187)
Decrease in lease and guarantee deposits	-	30
Proceeds from loans receivable	6,786	13,628
Purchase of investment securities	-	(246,319)
Proceeds from sales of investment securities	-	678,415
Proceeds from purchase of subsidiary shares resulting in change of scope of consolidation	524,447	-
Others	-	1,739
Net cash provided by (used in) investing activities	<u>570,205</u>	<u>(260,639)</u>
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	218,991	20,902
Repayment of long-term loans payable	(470,560)	(800,000)
Proceeds from the issuance of shares	106,910	-
Proceeds from the issuance of shares attributable to the exercise of subscription rights to shares	-	1,319,377
Proceeds from the issuance of subscription rights to shares	21,725	86,425
Proceeds from financing by non-controlling interests	1,751,774	3,020,600
Payment of distributions to non-controlling interests	(282,555)	-
Purchase of treasury stock	-	(172)
Purchase of subsidiary shares resulting in the same scope of consolidation	(449,618)	-
Repayment of lease liabilities	(81,508)	(88,948)
Payment to non-controlling interests	-	(524,447)
Payment of distributions	-	(150,838)
Others	(14,043)	(29,686)
Net cash provided by (used in) financing activities	<u>801,115</u>	<u>2,853,211</u>
Impact of exchange rate fluctuations	<u>(100,537)</u>	<u>884,629</u>

	Thousand yen	
	FY2020 (January 1, 2020 to December 31, 2020)	FY2021 (January 1, 2021 to December 31, 2021)
Increase (decrease) in cash and cash equivalents	2,648,303	4,029,469
Cash and cash equivalents as of the beginning of the period	7,674,361	10,322,664
Cash and cash equivalents as of the end of the period	10,322,664	14,352,133

(5) Notes to the consolidated financial statements

(Notes related to going concern assumptions)

Not applicable.

(Basis of preparation)

(1) Matters relating to IFRS

GNI Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board.

Meeting the criteria of a "specified company" as defined under Article 1-2 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28, 1976), GNI Group's consolidated financial statements are prepared in accordance with Article 93 of the same.

(2) Basis of measurement

With the exception of the financial instruments measured at fair value, GNI Group's consolidated financial statements are prepared on a cost basis.

(3) Functional currency and presentation currency

GNI Group's consolidated financial statements are presented in Japanese yen, its functional currency. Figures of less than one thousand yen are rounded down.

(4) New standards not yet adopted

Of the newly established and revised standards and interpretations of accounting principles published by the date of approval for these consolidated financial statements, there are no standards and interpretations of accounting principles not adopted by GNI Group, which has material effect impact.

(Segment information)

(1) Reportable Segments

Of its business structure, GNI Group's reportable segments, from which separate financial data can be obtained, are subject to periodic review by the Board of Directors for the purpose of deciding the allocation of resources and assessing performance.

GNI Group has two business segments: the Pharmaceutical Segment consisting of drug development, manufacturing and sales activities as well as contracted research operations; and the Medical Device Segment consisting of development, manufacturing and sales activities.

The major products in each reportable segment are as follows:

Reportable segment	Company name	Main product
Pharmaceutical	GNI Group Ltd.; Beijing Continent Pharmaceutical Co., Ltd; Shanghai Genomics, Inc.; GNI Hong Kong Limited; GNI Tianjin Limited; Shanghai Genomics Technology, Ltd.; Cullgen (Shanghai), Inc.; GNI USA, Inc.; Cullgen Inc.; SHANGHAI RUI FU INTERNATIONAL TRADE CO., LTD.	Etuary®, drug discovery and development, reagents etc.
Medical device	Berkeley Advanced Biomaterials LLC	Biomaterials (bone graft, artificial bones, etc.)

Previous Fiscal Year (January 1, 2020 to December 31, 2020)

	Reportable segment			Adjustments	Consolidated
	Pharmaceutical	Medical device	Total		
Revenue					
(1) Revenue to outside customers	8,045,631	1,728,231	9,773,862	-	9,773,862
(2) Intra-segment revenue and transfers	-	35,572	35,572	(35,572)	-
Total	8,045,631	1,763,803	9,809,435	(35,572)	9,773,862
Segment profit	1,164,230	705,310	1,869,540	-	1,869,540
				Finance income	46,074
				Finance costs	(109,702)
				Profit before tax	1,805,913

- Notes:
1. The intra-segment revenue and transfers are based on arm's length pricing.
 2. Adjustments of revenue are in intra-segment revenue and transfers.
 3. The segment profit reflects the operating profit in the summary of consolidated statements of income with adjustments.

	Reportable segment			Adjustments	Consolidated
	Pharmaceutical	Medical device	Total		
Depreciation and amortization	235,788	93,822	329,611	-	329,611

Current Fiscal Year (January 1, 2021 to December 31, 2021)

Thousand yen

	Reportable segment			Adjustments	Consolidated
	Pharmaceutical	Medical device	Total		
Revenue					
(1) Revenue to outside customers	10,895,082	1,795,164	12,690,246	-	12,690,246
(2) Intra-segment revenue and transfers	-	123,958	123,958	(123,958)	-
Total	10,895,082	1,919,122	12,814,205	(123,958)	12,690,246
Segment profit	983,070	641,877	1,624,948	-	1,624,948
				Finance income	129,960
				Finance costs	(647,898)
				Profit before tax	1,107,010

- Notes:
1. The intra-segment revenue and transfers are based on arm's length pricing.
 2. Adjustments of revenue are in intra-segment revenue and transfers.
 3. The segment profit reflects the operating profit in the summary of consolidated statements of income with adjustments.

Thousand yen

	Reportable segment			Adjustments	Consolidated
	Pharmaceutical	Medical device	Total		
Depreciation and amortization	286,631	96,402	383,033	-	383,033

(2) Information related to products and services

Sales of products and services to outside customers are as follows.

Thousand yen

	FY2020 (January 1, 2020 to December 31, 2020)	FY2021 (January 1, 2021 to December 31, 2021)
Etuary®	6,938,730	9,690,910
Biomaterial (bone grafts substitutes)	1,728,231	1,919,122
Other	1,106,900	1,080,213
Total	9,773,862	12,690,246

(3) Geographic information

FY2020 (January 1, 2020 to December 31, 2020)

Thousand yen

	Japan	China	U.S.	Consolidated
Sales to outside customers (see note 1)	64,392	7,981,238	1,728,231	9,773,862
Non-current assets (see note 2)	99,984	3,071,778	6,217,486	9,389,249

Notes: 1. Measured based on customer location.

2. Other financial assets and Deferred income tax assets are not included.

FY2021 (January 1, 2021 to December 31, 2021)

Thousand yen

	Japan	China	U.S.	Consolidated
Sales to outside customers (see note 1)	126,031	10,768,887	1,795,328	12,690,246
Non-current assets (see note 2)	77,257	3,953,297	6,946,968	10,977,523

Notes: 1. Measured based on customer location.

2. Other financial assets and Deferred income tax assets are not included.

(4) Information related to major customers

FY2020 (January 1, 2020 to December 31, 2020)

Thousand yen

Customer name	Sales	Related segment
Sinopharm Holding Henan Co., Ltd	907,300	Pharmaceutical
Sinopharm Holdings Limited	418,011	Pharmaceutical
Sinopharm holdings Shandong Co., Ltd	404,395	Pharmaceutical
K2M, Inc.	312,326	Medical device
OsteoRemedies	181,567	Medical device

FY2021 (January 1, 2021 to December 31, 2021)

Thousand yen

Customer name	Sales	Related segment
Sinopharm Holding Henan Co., Ltd	1,315,926	Pharmaceutical
Sinopharm holding Shandong Co., Ltd	632,136	Pharmaceutical
Sinopharm Holding Limited	478,334	Pharmaceutical
Beijing Keyuan Xinhai Pharmaceutical Management Co., Ltd	449,614	Pharmaceutical
K2M, Inc.	412,397	Medical device

(Earnings per share)

Basic earnings per share and Diluted earnings per share and the basis for its calculation are as follows.

(1) Basic earnings per share

	FY2020 (January 1, 2020 to December 31, 2020)	FY2021 (January 1, 2021 to December 31, 2021)
Profit attributable to owners of the parent (thousand yen)	1,258,127	1,066,185
Average number of ordinary shares outstanding during the fiscal year (shares)	43,437,352	46,924,021
Basic earnings per share (yen)	28.96	22.72

(2) Diluted earnings per share

	FY2020 (January 1, 2020 to December 31, 2020)	FY2021 (January 1, 2021 to December 31, 2021)
Profit attributable to owners of the parent (thousand yen)	1,258,127	1,066,185
Average number of ordinary shares outstanding during the fiscal year (shares)	43,437,352	46,924,021
Adjustment of dilution effect:		
Stock option (shares)	1,434,237	1,366,372
Diluted average number of ordinary shares outstanding (shares)	44,871,589	48,290,393
Diluted earnings per share (yen)	28.04	22.08

(Important subsequent events)

Not applicable.