

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 Q3 FY2022 (IFRS)

November 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
 Inquiries: Joseph Francis Meyer, Director, Executive Officer, CFO TEL: +81-3-6214-3600
 Scheduled financial results disclosure date: November 14, 2022
 Scheduled dividend payment commencement date: —
 Supplementary materials prepared for financial results: Yes
 Holding of a financial result briefing meeting: Yes (For institutional investors and analysts)

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

1. Consolidated Financial Results for Q3 FY2022 YTD (January to September)

(1) Q3 FY2022 YTD Consolidated Operating Results

(Percentages are shown as year-on-year changes)

	Revenue		Operating income		Pre-tax profit		Quarterly profit		Quarterly profit attributable to owners of the parent		Quarterly comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q3 FY2022 YTD	12,761	33.8	1,494	(23.8)	1,223	(22.0)	324	(62.9)	1,076	(16.8)	2,535	31.1
Q3 FY2021 YTD	9,536	37.1	1,960	38.8	1,568	13.7	874	(2.5)	1,294	177.2	1,933	211.6

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Q3 FY2022 YTD	22.67	22.46
Q3 FY2021 YTD	27.69	26.87

(2) Consolidated financial position

	Total assets	Total capital	Total equity attributable to owners of the parent	Ratio of Total equity Attributable to owners of the parent	Total equity attributable to owners of the parent per share
	Million yen	Million yen	Million yen	%	Yen
Q3 FY2022 End	36,456	22,015	22,908	62.8	482.41
FY2021 End	30,296	19,266	18,860	62.3	397.38

2. Dividends

	Dividends per share				
	Q1	Q2	Q3	Year-End	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	-	-	-	0.00	0.00
FY2022	-	-	-	-	-
FY2022 (Forecast)	-	-	-	0.00	0.00

Note: Amendment from the forecast most recently published: No

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

(Percentages are changes from 2021 full-year actual)

	Revenue		Operating income		Pre-tax profit		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	18,023	42.0	2,050	26.2	1,214	9.7	35	(36.4)	1,217	14.2	25.65

Note: Amendment from the forecast most recently published: Yes

Please refer to "(4) Outlook for the fiscal year ending December 31, 2022" for more detailed discussions.

Notes:

- (1) Changes in Significant Subsidiaries during the Period under Review: No
(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)
- ② Number of treasury stock as of the end of the period
- ③ Average number of shares for the period

Q3 FY2022	47,487,843 shares	FY2021	47,462,943 shares
Q3 FY2022	1,313 shares	FY2021	1,313 shares
Q3 FY2022	47,469,747 shares	Q3 FY2021	46,742,847 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. (4) Outlook for the fiscal year ending December 31, 2022."

The Group is planning to conduct a corporate presentation meeting for institutional investors and analysts on November 17, 2022. Briefing materials used at that session will be posted on the Group's website.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

GNI Group (the Group) had a solid third quarter and nine months year to date (YTD) despite continuing challenges from disruptions by COVID-19 pandemic, heightened inflation, and tumultuous capital markets on the back of a weakening Yen.

The Group posted cumulative revenue of ¥12.7 billion YTD, **up 33.8%** year on year (YoY). The Group's operating profit YTD was ¥1.4 billion, **down 23.8%** YoY. The decrease in operating profit comes from an increase in both SG&A (up 36.2% for Q3 YTD YoY in JPY) and R&D (up 28.3% YTD YoY in JPY). The Group's profit before tax YTD was ¥1.2 billion or **down 22.0%** YoY. Continuing accrual of non-cash interest expenses (JPY 609 million) associated with Cullgen's cumulative preferred stock financing in 2020 and non-recurring costs (JPY 125 million) associated with Beijing Continent's planned but currently delayed IPO on the HKEX caused a decline in our profit before tax. As a result, our consolidated profit after tax and the profit attributable to the parent's owners YTD were JPY 324 million and 1.0 billion, **down 62.9% and 16.8%** YoY, respectively. (Note: without the non-cash accrual, our profit before tax would have been 16% higher and our profit after tax would have been lower only by 26% than the same 9-month period one year earlier.)

Beijing Continent (BC) has performed well in spite of COVID-19 lockdowns and China's slowing economy, although we continue to watch Q4 cautiously due to uptick of COVID infection cases in China and strict lock-down policies implemented by the Chinese government to control the pandemic. Even though, BC's clinical developments are making steady progress amid lockdowns and remain on target. BC's IPO application to HKEX has been delayed due to poor capital market and fund-raising conditions worldwide (approved by HKEX listing committee in August). The Group will provide further updates in due course.

Berkeley Advanced Biomaterials LLC (BAB) in the US had a solid quarter. Its revenue year to date in local currency terms has been flat, but we expect a pickup in Q4 due to order backlogs. The Group is deliberating effective ways to implement a strategy that will expand our proprietary biomaterials business into aesthetics applications and markets overseas. As disclosed on October 7, the Group took an initial step in Japan to expand its medical device segment by acquiring a 60% stake in a DMAH (Designated Marketing Authorization Holder) company. Through these investments, we will form a biomaterial business unit inside the Group to drive faster revenue and profit growth.

Cullgen, Inc's (Cullgen) focus on cancers with unmet medical needs and specialization in PROTAC drug discovery continues. In local currency terms R&D spending increased by 38% YoY in the US. Through its Shanghai laboratories, Cullgen is collaborating with doctors and hospitals in China for the launch of a Phase I clinical trial of their first oncology drug candidate.

Note: due to extreme movements in US Dollar and RMB exchange rates relative to the Japanese Yen in 2022, we watch closely the Group's underlying operating performance of our key subsidiaries in their functional currencies. Our two revenue-producing subsidiaries, BC and BAB, have each had a strong year. In BC's case however, we expect on-going challenges due to COVID-19 restrictions on travel in China which will make its final quarter challenging.

① Operating results by segment

Pharmaceutical Segment

Despite all the difficulties in the market, the revenue from the Group's main subsidiary BC achieved strong performance from its flagship drug product ETUARY® in China on a local currency basis. In yen terms, the Pharmaceutical Segment as a whole posted ¥11.0 billion in revenue, up 36.9% YoY. The Segment's operating profit was ¥795 million, down 43.7% YoY. The decrease was due in part to non-recurring costs related to BC's planned but delayed IPO, enhancement of sales and marketing functions in China in line with the increase in sales, and the expansion of R&D both in the US and China.

Medical Device Segment

Our Medical Device Segment in the US performed roughly at par with the same period last year in the local currency terms both at revenue and profit levels. In yen terms, revenue for the period totaled ¥1.7 billion, up 16.5% YoY, partly due to foreign exchange effects. Segment income was ¥698 million, up 27.6% YoY.

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

	Q3 FY2021 YTD	Q3 FY2022 YTD	Difference
Selling, general and administrative expenses	(5,503,838)	(7,498,561)	(1,994,723)
Personnel expenses	(2,080,213)	(2,733,706)	(653,493)
Research and development expenses	(1,417,656)	(1,819,132)	(401,476)

Note: Personnel expenses exclude Board member emoluments; actual salaries paid only.

Selling, general and administrative (SG&A) expenses in JPY terms YTD were ¥7.4 billion, up 36.2% YoY. The increase in SG&A expenses comes mainly from the increase in human resource costs both in the US and China as well as the increase in sales and marketing and the non-recurring BC's IPO preparation expenses in China.

Research and Development expenses in JPY terms YTD were ¥1.8 billion, up 28.3% YoY. This mainly comes increase in R&D expenses in the US and China.

③ Finance Income and Finance Costs

	Thousand yen		
	Q3 FY2021 YTD	Q3 FY2022 YTD	Difference
Finance income	69,554	347,752	278,198
Finance costs	(461,276)	(618,870)	(157,594)

Finance income

In the first 9-month period of FY2022, the Group recorded finance income of ¥347 million, up 400% YoY caused mainly by currency translation from depreciating Japanese yen.

Finance costs

In the first 9-month period of FY2022, the Group recorded finance costs of ¥618 million, up 34.2% YoY. These finance costs come mostly from non-cash accrual interest expenses of ¥609 million related to financing activities at Cullgen.

(2) Analysis of financial position

Summary of Consolidated Financial Position

	Thousand yen		
	As of December 31, 2021	As of September 30, 2022	Difference
Total assets	30,296,980	36,456,893	6,159,913
Total liabilities	11,030,734	14,441,225	3,410,491
Total equity	19,266,246	22,015,668	2,749,422

Total assets

As of September 30, 2022, the total assets stood at ¥36.4 billion, up 20.3% compared to the previous fiscal year end. This mainly comes from the increase in tangible fixed assets due to China's factory expansion, acquisition of such intangible assets as capitalized development expenses, increase in goodwill valuation due to weakening JPY, and increase in working capital coming from accelerating business activities in the US and China.

Total liabilities

As of September 30, 2022, the total liabilities stood at ¥14.4 billion, up 30.9% compared to the previous fiscal year end. This increase was primarily due to additional non-cash accrual of interest expenses related to Cullgen's funding.

Total equity

As of September 30, 2022, the total equity stood at ¥22.0 billion, up 14.3% compared to the previous fiscal year end. This was mainly due to the increase in retained earnings and exchange differences on translation of foreign operations.

Summary of Consolidated Cash Flows

	Thousand yen		
	Q3 FY2021 YTD	Q3 FY2022 YTD	Difference
Cash flows from operating activities	755,120	(162,928)	(918,048)
Cash flows from investing activities	(884,057)	(2,909,505)	(2,025,448)
Cash flows from financing activities	3,176,682	(299,280)	(3,475,962)

Cash flows from operating activities

The cash flow from operating activities came to ¥162 million outflows in Q3 FY2022 YTD (¥755 million inflows in Q3 FY2021 YTD). The main drivers are increase in corporate tax payments in China as well as marketing and R&D expenses.

Cash flows from investing activities

The cash flow from investing activities came to ¥2.9 billion outflows in Q3 FY2022 YTD, up 229.1% YoY increase. The major sources of the increase are the acquisition of fixed assets from factory expansion in China, increase in such intangible assets as capitalized development expenses, and the purchase of long-term deposits in China.

Cash flows from financing activities

The cash flow from financing activities was ¥299 million outflows in Q3 FY2022 YTD (¥3.1 billion inflows in Q3 FY2021 YTD). The Group engaged in multiple fund-raising events in the same period last year, while there has been no financing activity year to date in 2022.

(3) Research and development activities**[Discovery activities]**

The Group's drug discovery activities are led by 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 protein 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.

[Development activities]**■ ETUARY® (Generic Name: Pirfenidone) by Beijing Continent**Diabetic Kidney Disease (DKD)

The third ETUARY® indication is for DKD, a chronic kidney disease caused by either type I or type II diabetes. In China, reportedly 92.4 million people suffer from diabetes, 20 - 30% of which suffer from Type I or Type II diabetes that can lead to renal dysfunction. BC has submitted the application for Type 2 meeting with China's CDE (Center for Drug Evaluation) to determine the regulatory path for the next phase of clinical trials.

Connective Tissue Disease Associated Interstitial Lung Disease (SSc-ILD and DM-ILD)

In September 2016, BC received NMPA approval for the fourth ETUARY® indication for the treatment of SSc-ILD and DM-ILD. This IND approval authorized BC to proceed directly into Phase III clinical trial for two 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.

Pneumoconiosis (PD)

In May 2019, BC received an approval for IND from NMPA on the fifth indication of ETUARY®: pneumoconiosis, a dust-related chronic lung disease that causes inflammation and scarring (fibrosis) to develop in the lungs. As the Group disclosed on June 13th, 2022 in "First Subject Enrolled for Phase III Clinical Trial of Pirfenidone Capsules (F647) for Treatment of Pneumoconiosis," BC enrolled the first subject in Phase III clinical trial, which is on-going.

■ F351 (for Liver Fibrosis) (Generic Name: Hydronidone) by Beijing Continent

F351 (chemical name: Hydronidone), a therapeutic drug for the treatment of liver fibrosis, represents a key candidate in BC's drug portfolio and a significant part of the 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 the TGF-β signaling pathway, both of which play major roles in the fibrosis of internal organs. BC has key China patent rights for F351 in China and GNI retains rights in other regions: Japan, Australia, Canada, the US, and Europe.

In August 2020, the 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 BC 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, as the Group disclosed in January 2022. The trial is on target as of this writing.

The Group continues to consult with the regulatory agency in the US regarding F351's Phase II clinical trial in the US for NASH (non-alcoholic steatohepatitis, an advanced form of non-alcoholic fatty liver disease) induced liver fibrosis and is deliberating various operational and structural schemes to help facilitate it in the future.

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

BC's third major new drug candidate following F351 is F573, a di-peptide compound that has the potential to inhibit caspases. It is an important compound that is related to apoptosis and inflammation frequently related to Acute Liver Failure (ALF) and Acute-on-Chronic Liver Failure (ACLF). The first dosing of its Phase I clinical trial was announced on January 20, 2022, and Phase I trial has been making a good progress. BC is targeting to complete Phase I and move on to Phase II by the end of 2022 or early 2023.

■ CG001419 (TRK Degradar) by Cullgen

The Group disclosed on August 9th, 2022 that "China NMPA has approved GNI Group's Subsidiary Cullgen's IND for TRK Degradar Clinical Trial". Cullgen received an IND (Investigational New Drug) approval from China's NMPA (National Medical Products Administration) for CG001419, a TRK degrader for the treatment of solid tumors. CG001419 is a first-in-class, selective, potent oral targeted protein degrader for the treatment of neurotrophic tyrosine receptor kinase (NTRK) fusion-positive / TRK overexpression cancers, which have been identified in numerous solid tumors including non-small cell lung, breast, and pancreatic cancers. Cullgen is working closely with doctors and hospitals preparing for its Phase I clinical trial in China. On the US side, Cullgen continues preparations for future clinical trials, actively engaging with US FDA (Food and Drug Administration) on pre-clinical trial discussion, which is key to smooth approvals when Cullgen officially applies for IND's in the US.

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

The Group has updated the consolidated 2022 full year forecast as follows.

1) The differences between the forecast and the previous forecast for 2022

	Revenue	Operating profit	Profit before tax	Profit for the year	Profit attributable to owners of the parent	Basic earnings per share
	(JPY Million)	(JPY Million)	(JPY Million)	(JPY Million)	(JPY Million)	(JPY)
Previous Forecast (A)	16,334	1,815	988	36	961	20.49
Revised Forecast (B)	18,023	2,050	1,214	35	1,217	25.65
Difference (B-A)	1,689	235	226	(1)	256	-
Difference in ratio (%)	10.3%	12.9%	22.9%	(2.8%)	26.6%	-
(Reference) 2021 Actual	12,690	1,624	1,107	55	1,066	22.72

2) Reasons for the differences

The biggest driver behind the forecast upward revision is weakening Japanese Yen against US Dollar and Chinese Yuan. We are also estimating our China subsidiaries conservatively given the uncertainties surrounding sporadic lockdowns due to COVID-19, which may negatively affect year end results. As disclosed in 2022Q1 Tanshin, the exchange rates used for the full year forecast of revenue and profit items at the beginning of this year were US\$1 = ¥109.84 and RMB1 = ¥17.02, respectively. The Group has now updated the consolidated full-year forecast using US\$1 = ¥131.89 and RMB1 = ¥19.56 as our new forecast rates.

As conditions warrant, we will provide a further update or revision in Q4, 2022.

3. Consolidated Financial Statements and Notes

(1) Summary of quarterly consolidated statements of financial position

	Thousand yen	
	FY2021 (As of Dec31, 2021)	Q3 FY2022 (As of Sep 30, 2022)
Assets		
Non-current assets		
Property, plant and equipment	2,943,602	3,993,286
Right-of-use assets	865,959	844,011
Goodwill	5,020,290	6,299,952
Other intangible assets	2,147,671	3,033,656
Deferred income tax assets	180,940	218,522
Other financial assets	951,513	2,819,227
Total non-current assets	12,109,978	17,208,656
Current assets		
Inventories	1,382,702	1,731,618
Trade and other receivables	1,885,101	3,154,160
Other financial assets	4,743	208,443
Other current assets	562,320	1,431,800
Cash and cash equivalents	14,352,133	12,722,213
Total current assets	18,187,002	19,248,236
Total assets	30,296,980	36,456,893
Liabilities and equity		
Non-current liabilities		
Lease liabilities	280,724	226,098
Deferred income tax liabilities	501,194	744,569
Other financial liabilities	7,539,814	10,441,597
Other non-current liabilities	165,840	181,299
Total non-current liabilities	8,487,574	11,593,565
Current liabilities		
Trade and other payables	371,138	556,260
Borrowings	700,000	500,000
Lease liabilities	145,662	164,312
Current tax payable	542,019	403,820
Other financial liabilities	6,918	7,742
Other current liabilities	777,420	1,215,524
Total current liabilities	2,543,159	2,847,659
Total liabilities	11,030,734	14,441,225
Equity		
Capital stock	10,884,332	10,891,191
Capital surplus	6,224,649	6,231,481
Treasury stock	(645)	(645)
Retained loss	307,535	1,383,600
Other components of equity	1,444,437	4,402,474
Total equity attributable to owners of the parent	18,860,309	22,908,103
Not-controlling interests	405,936	(892,434)
Total equity	19,266,246	22,015,668
Total equity and liabilities	30,296,980	36,456,893

- (2) Summary of quarterly consolidated statements of income and summary of quarterly consolidated statements of comprehensive income

Summary of quarterly consolidated statements of income

	Thousand yen	
	Q3 FY2021 YTD (Jan 1, 2021 to Sep 30, 2021)	Q3 FY2022 YTD (Jan 1, 2022 to Sep 30, 2022)
Revenue	9,536,714	12,761,031
Cost of sales	(1,209,298)	(1,907,239)
Gross profit	8,327,415	10,853,792
Selling, general and administrative expenses	(5,503,838)	(7,498,561)
Research and development expenses	(1,417,656)	(1,819,132)
Other income	669,317	82,623
Other expenses	(114,776)	(124,524)
Operating profit	1,960,461	1,494,197
Finance income	69,554	347,752
Finance costs	(461,276)	(618,870)
Profit before tax	1,568,739	1,223,079
Income tax expense	(693,840)	(898,662)
Profit after tax	874,898	324,416
Quarterly profit attributable to:		
Owners of the parent	1,294,290	1,076,065
Non-controlling interests	(419,391)	(751,649)
Quarterly earnings per share		
Basic quarterly earnings per share (Yen)	27.69	22.67
Diluted quarterly earnings per share (Yen)	26.87	22.46

Summary of quarterly consolidated statements of comprehensive income

Q3 FY2022 YTD (January 1, 2022 to September 30, 2022)

Thousand yen

	Q3 FY2021 YTD (Jan 1, 2021 to Sep30, 2021)	Q3 FY2022 YTD (Jan 1, 2022 to Sep 30, 2022)
Quarterly profit	874,898	324,416
Other comprehensive income		
Items that may be reclassified to profit or loss, net of tax		
Exchange differences on translation of foreign operations	1,059,005	2,210,663
Total other comprehensive income (loss)	1,059,005	2,210,663
Total comprehensive income for the quarter	1,933,904	2,535,079
Total comprehensive income for the quarter attributable to:		
Owners of the parent	2,213,931	3,833,451
Non-controlling interests	(280,027)	(1,298,371)

(3) Summary Quarterly Consolidated Statement of Changes in Equity

Previous quarter: consolidated cumulative period (from Jan 1, 2021 to Sep 30, 2021)

(Thousand yen)

	Attributable to owners of the parent							Total
	Capital stock	Capital surplus	Treasury stock	Retained loss	Other components of equity			
					Subscription rights to shares	Exch. diff on translation of foreign operations		
Balance as of Jan 1 2021	8,268,472	3,591,101	(472)	(608,019)	163,354	(414,404)	(251,049)	
Quarterly profit	—	—	—	1,294,290	—	—	—	
Other comprehensive income	—	—	—	—	—	919,641	919,641	
Total quarterly comprehensive income	—	—	—	1,294,290	—	919,641	919,641	
Changes in interests in controlled subsidiaries	—	(3,049,137)	—	—	—	(53,774)	(53,774)	
Changes in scope of consolidation	—	—	—	—	—	—	—	
Dividends from surplus	—	—	—	(150,838)	—	—	—	
Issuance of new shares	2,615,859	2,615,859	—	—	(12,930)	—	(12,930)	
Issuance of stock acquisition rights	—	—	—	—	51,537	—	51,537	
Stock compensation transactions	—	—	—	—	151,551	—	151,551	
Stock issuance costs	—	(18,772)	—	—	—	—	—	
Stock option issuance costs	—	—	—	—	(3,719)	—	(3,719)	
Acquisition of treasury stock	—	—	(95)	—	—	—	—	
Change in put option liability sold to noncontrolling interest	—	3,085,598	—	—	—	57,116	57,116	
Other	—	—	—	207	—	—	—	
Total amount of transactions with owners	2,615,859	2,633,547	(95)	(150,631)	186,438	3,342	189,780	
Balance as of Sep 30 2021	10,884,332	6,224,649	(567)	535,639	349,793	508,578	858,372	

	Attributable to owners of the parent	Non-controlling interests	Total equity
	Total		
Balance as of Jan 1 2021	11,000,032	1,769,072	12,769,104
Quarterly profit	1,294,290	(419,391)	874,898
Other comprehensive income (loss)	919,641	139,364	1,059,005
Total comprehensive income (loss) for the quarter	2,213,931	(280,027)	1,933,904
Changes in interests in controlled subsidiaries	(3,102,911)	(794,760)	(3,897,672)
Changes in scope of consolidation	—	(523,254)	(523,254)
Dividends from surplus	(150,838)	—	(150,838)
Issuance of new shares	5,218,789	—	5,218,789
Issuance of stock acquisition rights	51,537	—	51,537
Stock compensation transactions	151,551	—	151,551
Stock issuance costs	(18,772)	—	(18,772)
Stock option issuance costs	(3,719)	—	(3,719)
Acquisition of treasury stock	(95)	—	(95)
Change in put option liability sold to noncontrolling interest	3,142,714	755,624	3,898,338
Other	207	—	207
Total amount of transactions with owners	5,288,461	(562,390)	4,726,071
Balance as of Sep 30 2021	18,502,426	926,654	19,429,080

Current quarter: Q3 FY2022 YTD (January 1, 2022 to September 30, 2022)

Thousand yen

	Portion attributable to owners of the parent company						
	Capital stock	Capital surplus	Treasury stock	Retained loss	Other components of equity		
					Subscription rights to shares	Exch. diff on translation of foreign operations	Total
Balance at Jan 1, 2022	10,884,332	6,224,649	(645)	307,535	543,445	900,992	1,444,437
Net income	—	—	—	1,076,065	—	—	—
Other comprehensive income	—	—	—	—	—	2,757,385	2,757,385
Total comprehensive income	—	—	—	1,076,065	—	2,757,385	2,757,385
Issuance of new shares	6,858	6,858	—	—	—	—	—
Stock-based compensation transactions	—	—	—	—	200,651	—	200,651
Stock issue cost	—	(26)	—	—	—	—	—
Total amount of transactions with owners	6,858	6,832	—	—	200,651	—	200,651
Balance at Sep 30, 2022	10,891,191	6,231,481	(645)	1,383,600	744,097	3,658,377	4,402,474

	attributable to owners of the parent	Non-controlling interests	Total equity
	Total		
Balance as of Jan 1 2022	18,860,309	405,936	19,266,246
Quarterly profit	1,076,065	(751,649)	324,416
Other comprehensive income (loss)	2,757,385	(546,722)	2,210,663
Total comprehensive income (loss) for the quarter	3,833,451	(1,298,371)	2,535,079
Issuance of new shares	13,717	—	13,717
Stock compensation transactions	200,651	—	200,651
Stock issue cost	(26)	—	(26)
Total amount of transactions with owners	214,342	—	214,342
Balance as of Sep 30 2022	22,908,103	(892,434)	22,015,668

(4) Summary of quarterly consolidated statements of cash flows

	Thousand yen	
	Q3 FY2021 YTD (Jan 1, 2021 to Sep 30, 2021)	Q3 FY2022 YTD (Jan 1, 2022 to Sep 30, 2022)
Cash flows from operating activities		
Profit before tax	1,568,739	1,223,079
Depreciation and amortization	274,619	388,148
Decrease (increase) in accounts receivables	(113,219)	(940,488)
Increase (decrease) in accounts payables	(166,079)	122,325
Decrease (increase) in inventories	(206,453)	(117,673)
Increase (decrease) in bonus allowance	2,227	11,549
Finance income and finance costs	419,976	540,127
Other, net	(467,523)	(392,645)
Subtotal	1,312,287	834,423
Interest received	42,003	40,229
Interest paid	(24,047)	(9,568)
Income tax paid	(575,122)	(1,028,013)
Net cash provided by (used in) operating activities	755,120	(162,928)
Cash flows from investing activities		
Increase (decrease) in time deposit	(842,341)	(1,159,200)
Purchases of property, plant and equipment	(260,731)	(723,140)
Proceeds from sales of property, plant and equipment	373	-
Purchases of other intangible assets	(205,921)	(441,652)
Payments for acquisition of investment securities	(242,166)	(589,252)
Proceeds from sales of investment securities	668,767	-
Increase in lease and guarantee deposits	(13,984)	(266)
Proceeds from decrease in lease and guarantee deposits	30	449
Proceeds from loans receivable	10,179	3,557
Others	1,739	-
Net cash provided by (used in) investing activities	(884,057)	(2,909,505)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(368,724)	(200,000)
Repayment of long-term debt	(75,000)	-
Proceeds from issuance of stock due to exercise of subscription rights to shares	1,319,377	-
Proceeds from issuance of stock acquisition rights	86,425	-
Proceeds from payments from noncontrolling interests	2,985,125	-
Repayments of lease liabilities	(70,028)	(98,520)
Payments for acquisition of treasury stock	(95)	-
Payments for repayment to noncontrolling interests	(524,447)	-
Cash dividends paid	(150,838)	-
Net cash provided by (used in) financing activities	(25,111)	(760)
Net cash provided by financing activities	3,176,682	(299,280)
Effect of exchange rate changes on cash and cash equivalents	575,064	1,741,793
Net increase (decrease) in cash and cash equivalents	3,622,810	(1,629,920)

	Thousand yen	
	Q3 FY2021 YTD (Jan 1, 2021 to Sep 30, 2021)	Q3 FY2022 YTD (Jan 1, 2022 to Sep 30, 2022)
Cash and cash equivalents at beginning of period	10,322,664	14,352,133
Cash and cash equivalents at end of period	13,945,474	12,722,213

(5) Notes to the summary of quarterly consolidated financial statements

(Notes related to going concern assumptions)

Not applicable.

(Basis of preparation)

(1) Matters relating to IFRS

The Group's quarterly consolidated financial statements are prepared in accordance with International Financial Reporting Standards No.34 "Interim Financial Reporting".

The Group meets the requirements of "Designated International Accounting Standards Specified Company" listed in Article 1-2 of "Rules for Terminology, Format and Preparation Method of Quarterly Consolidated Financial Statements" (2007 Cabinet Office Ordinance No. 64). Therefore, the provisions of Article 93 of the same are applied.

The Group's quarterly consolidated financial statements do not include all the information required by the annual consolidated financial statements and should be used in conjunction with the Group's consolidated financial statements for the year ended December 31, 2021.

(2) Basis of measurement

Except for the financial instruments measured at fair value, the Group's quarterly consolidated financial statements are prepared on a cost basis.

(3) Functional currency and presentation currency

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

(Segment information)

(1) Reportable segments

The 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.

The Group has two business segments: 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	Orthobiologics material

- (2) Reportable segment revenue and profit
Information about the Company's reportable segments is as follows.

Previous quarter: Q3 FY2021 YTD (Jan 1, 2021 to Sep 30, 2021)

Thousand yen					
	Reportable segment			Adjustments	Consolidated
	Pharmaceutical	Medical Device	Total		
Revenue					
(1) Revenue to outside customers	8,064,969	1,471,744	9,536,714	—	9,536,714
(2) Intra-segment revenue and transfers	—	34,995	34,995	(34,995)	—
Total	8,064,969	1,506,740	9,571,710	(34,995)	9,536,714
Segment profit	1,413,052	547,408	1,960,461	—	1,960,461
				Finance income	69,554
				Finance costs	(461,276)
				Profit before tax	1,568,739

Note: the segment profit reflects the operating profit in the summary of consolidated statements of income.

Current quarter: Q3 FY2022 YTD (Jan 1, 2022 to Sep 30, 2022)

Thousand yen					
	Reportable segment			Adjustments	Consolidated
	Pharmaceutical	Medical Device	Total		
Revenue					
(1) Revenue to outside customers	11,046,069	1,714,961	12,761,031	—	12,761,031
(2) Intra-segment revenue and transfers	—	37,620	37,620	(37,620)	—
Total	11,046,069	1,752,582	12,798,651	(37,620)	12,761,031
Segment profit	795,584	698,613	1,494,197	—	1,494,197
				Finance income	347,752
				Finance costs	(618,870)
				Profit before tax	1,223,079

Note: the segment profit reflects the operating profit in the summary of consolidated statements of income.

(Important subsequent events)

Not applicable.