



November 18, 2022

Company Name: GNI Group Ltd.  
Representative: Director, Representative Executive Officer, President, and CEO  
Ying Luo, PhD  
(Security Code: 2160, TSE Growth)  
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### **Notice Concerning Issuance of Stock Acquisition Rights (Paid Stock Options)**

The Company hereby announces that at the Board of Directors meeting held on November 17, 2022 and the Executive Officers Meeting on November 18, 2022, the Company resolved to issue stock acquisition rights to its directors and employees and employees of its subsidiaries as follows in accordance with the provisions of Articles 236, 238 and 240 of the Companies Act. Since the Stock Acquisition Rights are to be issued at fair prices for a fee to the person who underwrites the Stock Acquisition Rights, and since these are not particularly favorable conditions, the Company will conduct the issue without the approval of the General Meeting of Shareholders. In addition, the Stock Acquisition Rights are not intended as remuneration for the grantee but are underwritten based on the individual investment decisions of each individual.

#### **I. Purpose and Reason for Offering of Stock Acquisition Rights**

In aiming to expand the Company's business performance and corporate value over the medium to long term, the Company issues stock acquisition rights for a fee to directors and employees of the Company and to the Board of Directors and employees of the Company's subsidiaries for the purpose of further improving motivation and morale and further enhancing the unity of the Company.

The total number of common shares of the Company that would increase if all the Stock Acquisition Rights were exercised is equivalent to 3.66% of the total number of issued shares. However, the Stock Acquisition Rights are subject to the achievement of predetermined performance targets, and we recognize that the achievement of these targets will contribute to the enhancement of the Company's corporate value and shareholder value. Therefore, we recognize that the issuance of the Stock Acquisition Rights will contribute to the interests of existing shareholders of the Company, and we believe that the impact on the dilution of shares is reasonable.

#### **II. Requirements for Issuance of Stock Acquisition Rights**

##### **1. Number of Options.**

The number of Stock Options to be issued shall be 17,400 (seventeen thousand four hundred) options.

The number of shares to be issued upon exercise of the Stock Options shall be 1,740,000 (one million seven hundred forty thousand) shares of Common Stock; provided that if the number of shares set forth is adjusted pursuant to Section 3(1) below, the number of shares in this Section shall be correspondingly adjusted in the same way.

**2. Payment of Issue Price of Stock Option.** The price per option to be paid upon issuance of a Stock Option shall be 377 yen. This amount was computed by third-party valuation organization Akasaka International TAX&CO. which took

into consideration the Company's stock price information, etc. and computed the value of the Stock Options using Monte Carlo simulations, a generally used option price computation model.

**3. Particulars of Stock Options**

**(1) The Class and Number of Shares.**

The class and aggregate number of shares to be issued upon exercise of the Stock Options shall be 100 (one hundred) shares of Common Stock.

If any adjustment is made to the price to be paid upon exercise of the stock options in accordance with (2) below, such number of shares shall be adjusted as follows:

$$\text{Number of Shares After Adjustment} = \frac{\text{Number of Shares Before Adjustment} \times \text{Exercise Price Before Adjustment}}{\text{Exercise Price After Adjustment}}$$

The adjustment described above shall apply only to the number of shares to be issued upon exercise of stock options that have not been issued or exercised at the time of adjustment. Any fraction of a share resulting from such adjustment shall be rounded up to the nearest whole share.

**(2) Method for Calculating the Price to Be Paid upon Exercise of Stock Options.**

The amount to be paid upon exercise of Stock Options shall be an amount equal to the pay-in price per share ("Exercise Price") multiplied by the number of shares of Common Stock to be granted.

The Exercise Price shall be 1,445 yen, which was the ordinary transaction closing price for Company shares on the Tokyo Stock Exchange on November 17, 2022, the transaction date preceding the date of the Decision of the Officers's resolution on issuance of the Stock Options.

In the case of a stock split or stock consolidation by the Company after allocation of the Stock Options, the Exercise Price shall be adjusted using the following formula and any fraction of a yen beyond the decimal point resulting from such adjustment shall be rounded up to the nearest full yen:

$$\text{Exercise Price After Adjustment} = \text{Exercise Price Before Adjustment} \times \frac{1}{\text{Ratio of Stock Split or Combination}}$$

If, after allocation of Stock Options, shares of Common Stock are issued or disposed of by the Company at a price less than the fair market price (excluding the issuance of Common Stock upon exercise of stock options and the transfer of treasury shares through a stock exchange), the Exercise Price shall be adjusted using the following formula and any fraction of a yen beyond the decimal point resulting from such adjustment shall be rounded up to the nearest full yen:

$$\text{Exercise Price after adjustment} = \frac{\text{Exercise Price before adjustment} \times \text{Number of outstanding shares} + \frac{\text{Number of newly issued shares} \times \text{Issue or transfer price per share}}{\text{Fair market price per share}}}{\text{Number of outstanding shares} + \text{Number of newly issued shares}}$$

In the above formula, "Number of outstanding shares" shall be the total number of outstanding shares of the Company's Common Stock less the number of treasury shares of Company Common Stock, and in case of transfer of treasury shares held by the Company, "Number of newly issued shares" shall be read as "Number of treasury shares to be disposed of".

Further, in addition to the foregoing, if after the allotment date, adjustment of the Exercise Price is necessary due to the Company's merger, corporate division, or any other similar event, the Company may make adjustment of the Exercise Price as the Company deems necessary.

**(3) Exercise Period.**

The exercise period of the Stock Options shall be from and including April 1, 2024 up to and including April 20, 2034. If April 20, 2034 is not a bank business day, the ending date shall be the preceding business day.

**(4) Capital and Capital Reserve to Be Increased by Issuance of Shares upon Exercise of Stock Options.**

① The amount of the capital of the Company to be increased by issuance of shares upon exercise of Stock Options shall be half the maximum increasing capital amount calculated in accordance with Article 17, paragraph 1 of the Ministerial Ordinance for Corporate Accounting, with any fraction of a yen being rounded up to the nearest full yen.

② The amount of the capital reserve of the Company to be increased by issuance of shares upon exercise of Stock Options shall be the amount obtained by subtracting the amount of capital increase described in ① above from the maximum increasing capital amount described in ① above.

(5) **Limitation on Transferability of the Stock Options.**

The approval of the Board of Directors shall be required for obtaining the stock options by transfer.

(6) **Conditions and Limitations of Exercise of the Stock Options.**

① Only if operating profit in the Company's audited consolidated statements for the fiscal year 2023 exceeds JPY 1,835million, each Optionee shall be entitled to exercise the allocated stock options.

In addition, if there is a material change in the concept of operating profit to be referred to due to revisions to accounting standards, etc., the Company, with the above index, shall apply a reference index separately determined by the Board of Directors within a reasonable scope.

② In case of the Optionee's death, the stock options may be exercised by the Optionee's heir.

③ A stock option may not be partially exercised.

④ Notwithstanding the above, If prior to the finalization of the consolidated profit and loss statement for fiscal year 2023 indicated above, (i) a merger agreement pursuant to which the Company will be the disappearing company is approved at a shareholders meeting or a stock exchange agreement or stock transfer plan pursuant to which the Company will become a 100% owned subsidiary is approved at a shareholders meeting (in either case, excluding a case where the surviving corporation or the wholly owning parent corporation of the Company grants equivalent stock options), (ii) all or substantially all of the Company's assets are sold or (iii) a third party acquires shares of the Company representing at least 50% of the total shareholder voting rights of the Company, the Company shall so notify the Optionee, and the Optionee shall be entitled to exercise all unexercised stock options for a period of fifteen (15) days from the date of receipt of such notice.

⑤ Other terms and conditions regarding exercise of stock option shall be prescribed by a Stock Option Allocation Agreement to be executed between the Company and each Optionee.

⑥ Optionee is not required to be a director, auditor or employee of the Company or its affiliated companies even when exercising the stock options.

4. **Allotment Date of the Stock Options** November 24, 2022

5. **Application Due Date of the Stock Options** November 22, 2022

6. **Payment Due Date in Exchange of the Stock Options** November 24, 2022

7. **Location handling the Payment for Exchange of the Stock Options**

Payment handling bank and the location shall be the following:

(Payment handling bank) SUMITOMO MITSUI BANKING CORPORATION  
SHIBUYA-EKIMAE BRANCH

(Payment location) 1-7-4, Dogenzaka, Shibuya-ku, Tokyo, Japan

**8. Matters concerning Stock Option Certificates for the Stock Options**

Stock option certificates for stock options will not be issued.

**9. Persons to Receive Allotment of the Stock Options and Numbers Thereof**

Qualified Persons	Number of Persons	Stock Options to be Allotted
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Company Directors	6	13,900
Company Employees	5	3,000
Company Subsidiary Employees	1	500
Total	12	17,400

10. **Method of Exercise of the Stock Options and the Payment Location.** To exercise the stock options, the Optionee shall (i) indicate any necessary matters such as the terms and number of the stock options to be exercised, the date of exercise of the stock options, the number of shares of Common Stock to be issued, and his address in a stock option exercise notice in a form designated by the Company, (ii) sign or put its seal on such notice, and (iii) submit it to the head office of the Company together with all such documents as the Company separately requires for exercise of the stock options and such other materials required from time to time under the Financial Instruments and Exchange Law of Japan (as amended) and other applicable laws and regulations related thereto (including the regulations prescribed by the Japan Securities Dealers Association and the applicable securities exchanges in Japan), and (iv) pay, for such exercise, an amount equivalent to the aggregate Exercise Price that shall be paid upon such exercise of the stock options to the payment handling bank in the payment location designated by the Company. The exercise of the stock option shall become effective when such required documents reach the Company and such payment is completed. The initial payment handling bank and the payment locations shall be as follows:

(Payment handling bank) SUMITOMO MITSUI BANKING CORPORATION  
SHIBUYA-EKIMAE BRANCH  
(Payment location) 1-7-4, Dogenzaka, Shibuya-ku, Tokyo, Japan

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About GNI Group, Inc.:

GNI Group is a global healthcare company listed on the Growth Board of the Tokyo Stock Exchange and engaged in drug discovery, pharmaceutical development, biomaterial development, clinical studies, manufacturing, and sales in both the United States and China. For more information, please visit our website below

<https://www.gnipharma.com/>

This material contains statements concerning the current plans, expectations, and strategies of GNI Group Ltd. (GNI Group). Any statements contained herein that pertain to future operating performance and that are not historic facts are forward-looking statements. Forward-looking statements may include, but are not limited to, words such as “believe,” “plan,” “strategy,” “expect,” “forecast,” “possibility” and similar words that describe future operating activities, business performance, events, or conditions. Forward-looking statements, whether spoken or written, are based on judgments made by the management of GNI Group, based on information that is currently available to it. As such, these forward-looking statements are subject to various risks and uncertainties, and actual business results may vary from the forecasts expressed or implied in forward-looking statements. Consequently, investors are cautioned not to place undue reliance on forward-looking statements.

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