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Company Name: GNI Group Ltd.
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Differences between previous forecast and actual figures in FY2022 consolidated financial statements

GNI Group Ltd., (TSE Growth listed code: 2160, "we" or "the Company") today announced the differences between the forecast figures disclosed previously on November 14, 2022, and the final figures in fiscal year 2022 (January through December 2022) as follows.

1) The differences between the forecast and the final figures for fiscal year 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)
Forecast	18,023	2,050	1,214	35	1,217	25.65
Actual	17,418	1,377	767	(800)	456	9.61
Difference	(605)	(673)	(447)	(835)	(761)	-
Difference in ratio (%)	(3.4%)	(32.8%)	(36.8%)	-	(62.5%)	-
(Reference) 2021 Actual	12,690	1,624	1,107	55	1,066	22.72

2) The reasons for the differences

Revenue was 3% below the previous forecast. This is due to the rapid spread of COVID-19 in China in November and December 2022 after the zero-COVID policy was lifted.

The lower-than-forecasted operating profit and profit before tax were mainly due to the following factors.

- ✓ One-time write-off of RMB 20.4 million (JPY 395.3 million) of IPO listing expenses incurred before we decided not to pursue HKEX listing further but rather to seek the transactions with Catalyst Biosciences, Inc. ("CBIO") in the U.S. (including the write-off of accumulated IPO expenses of RMB 17.0 million that has been capitalized)
- ✓ Significantly increased R&D spending at Cullgen for targeted protein degradation ("TPD") drug platform with multiple IND-enabling studies to build a future pipeline in cancer and inflammatory diseases

- ✓ Slightly elevated selling expenses due to frequent lockdowns during COVID-19 pandemics in China
- ✓ Increase in SG&A expenses at the Company's Tokyo Headquarter that provides essential group-wide corporate planning, accounting, banking and administrative services as a listed member of the TSE's Growth board (primarily coming from professional services for M&A activities and enhancement of management team by hiring more executives / managers)
- ✓ Valuation loss of our shares in private company, CellCarta (formerly Reveal) by 51.3% to USD 2.4 million
- ✓ Valuation loss of our shares in public company, Societal (formerly Recro Pharma) by 12.9% to USD 251.4 thousand
- ✓ Non-cash accrual of the interest expenses of USD 6.4 million related to Cullgen's past financing

The lower-than-forecasted profit for the year and profit attributable to owners of the parent was, in addition to the above factors, tax burden at the consolidated level. Income tax expense was JPY 1.5 billion yen, which was high compared to profit before tax of JPY 767 million. The reason is that while the income generated by Continent, Berkeley Advanced Biomaterials LLC and other profitable subsidiaries are taxed respectively, the loss incurred by cost centers like Cullgen and Tokyo Headquarter cannot be recognized as deferred tax assets because taxable income is not anticipated in the foreseeable future in those entities.