



September 19, 2023

Company Name: GNI Group Ltd.
Representative: Director, Representative Executive Officer,
President and CEO
Ying Luo, PhD
(Security Code: 2160, TSE Growth)
Contact Person: Chief Strategy Officer
Toshiya Kitagawa
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GNI Group To Purchase Elutia's Orthobiologics Business

GNI Group Co., Ltd. ("GNI"; "we", "the Group", including our subsidiaries and affiliates) announced that at the Board of Directors meeting held on September 17, 2023, it was resolved that the Group would acquire, subject to the successful completion of due diligence, a portion of orthobiologics* business from Elutia Inc. (Nasdaq-listed, ticker: ELUT, "Elutia"), which develops and commercializes biologics products in the United States, and that we would establish a 100% owned subsidiary of the Group in the United States.

*: Orthobiologics is a product that uses materials that exist naturally in the body to treat musculoskeletal damage and diseases, such as bones and joints. Orthobiologics stimulates the body's natural healing ability and suppresses inflammation, thereby improving conditions such as fracture and osteoarthritis, and promoting processes such as cartilage regeneration, tendon healing, ligament repair, and bone formation.

1. Reason for the acquisition of business

Our Group has been developing its business in Japan, the United States, and China with the 2 pillars of the pharmaceutical and the medical device (biomaterials) business under the mission of "We Bring New Hope to Life." In this context, Berkeley Advanced Biomaterials LLC ("BABL"), a wholly-owned subsidiary of our biomaterials business, has been developing its business mainly in the United States. Recently, we have decided to acquire a part of the orthobiologics business of Elutia in order to further develop our biomaterial business.

Elutia was founded in California in the United States in 2015 and develops and commercializes biologic products to improve compatibility between medical devices and the patients who need them. With a growing population in need of implantable technologies, Elutia's mission is humanizing medicine so patients can thrive without compromise. For more information, visit www.Elutia.com.

Elutia is also one of BABL's existing customers, and their orthobiologics plant is near BABL, a wholly-owned subsidiary of the Group. We expect that incorporating Elutia's orthobiologics business into the Group will create strong synergies with BABL's established product line. Since the biomaterials business will continue to be a major pillar of the Group's global

growth strategy in the future, this transaction will contribute to the further expansion and development of our business.

2. Overview of Business Acquisition (US\$1 = JPY147, same below)

(1) Content of the business to be transferred	A part of Elutia's orthobiologics business, which is related to contract manufacturing
(2) Net sales and operating income of the business in the immediately preceding fiscal year	Net sales: US\$13.6 million (equivalent to 2 billion yen) Operating income: US\$1.7 million (equivalent to 250 million yen)
(3) Items and amounts of assets and liabilities of the business	Human capital, property, plant and equipment such as land, buildings and machinery and equipment, intangible assets such as software, and inventories related to contract manufacturing of orthobiologics. The specific asset values of assets and liabilities will be evaluated in the future.
(4) Acquisition price and settlement method	The purchase price is US\$15 million (JPY2.2 billion equivalent) in advance, with additional royalties of up to US\$20 million (JPY2.9 billion equivalent) to be paid in cash to Elutia over the next five years, depending on the degree of performance achieved. The advance payment will be catered to by borrowing.

3. Overview of the counterparty

(1) Name	Elutia Inc.
(2) Address	12510 Prosperity Drive, Suite 370, Silver Spring, MD 20904
(3) Job Title/Name of Representative	President and Chief Executive Officer C. Randal Mills
(4) Business Activities	Development and commercialization of biologics products
(5) Common stock	\$16 thousand (Class A and Class B shares, JPY2,350 thousand equivalent)
(6) Date of establishment	2015 August
(7) Net assets and total assets for the immediately preceding fiscal year	Assets: -US\$5.03 million (-JPY0.7billion equivalent) Total assets: US\$68.84 million (JPY10.1 billion equivalent)
(8) Major shareholders and shareholding ratio	W. Matthew Zuga (34.8%) HighCape Partners and affiliates (34.6%)

	Kevin Rakin (30.7%) Birchview Fund LLC and affiliates (10.2%) (Based on Class A and Class B shares)
(9) Our relationship with the company concerned	
Capital relationship	Not applicable.
Personnel relationship	Not applicable.
Business relationship	There are business relations between our 100% owned subsidiary, BABL, and the relevant company.

4. Profile of new company

(1) Name	Berkeley Biologics LLC
(2) Address	2800 Seventh St, Berkeley, CA 94710
(3) Job Title/Name of Representative	President Ying Luo
(4) Business Activities	Orthobiologics Business
(5) Capital (Equivalent)	Currently US\$ 0 (US\$ 1.5 million to be invested after completion of the Transaction)
(6) Date of establishment	September 17, 2023
(7) Major shareholders and shareholding ratio	Berkeley Advanced Biomaterials, Inc ("BABI") (100%)
(8) Our relationship with the company concerned	
Capital relationship	We will become a 100% owned subsidiary of BABI, a 100% subsidiary of our group.
Personnel relationship	The Group's CEO Ying Luo serves concurrently as the President.
Business relationship	We plan to have a business relationship between BABL, our 100% subsidiary, and the counterparty.

5. Outline of accounting procedure

As we are currently in the due diligence process, we will announce it as soon as it is finalized.

6. Schedule

(1) Board resolution date	September 17, 2023
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(2) Contract conclusion date	September 17, 2023
(3) Due diligence completion date (planned)	2023 November

7. Outlook

The impact of this acquisition on our consolidated financial results for the fiscal year ending December 2023 is expected to be positive, but still under scrutiny. We will disclose more details once they are firm. The effect of this transaction on the Group's consolidated results is not included in the revision of the full-year consolidated results forecast for the year ending December 2023 disclosed on August 3, 2023. The consummation of this transaction is subject to the successful completion of our due diligence conducted in the future, compliance with local laws, and approval of filings to relevant authorities. Once all conditions are met, the transaction is expected to close in the fourth quarter of 2023.

About Elutia:

Elutia develops and commercializes biologic products to improve compatibility between medical devices and the patients who need them. With a growing population in need of implantable technologies, Elutia's mission is humanizing medicine so patients can thrive without compromise. For more information, visit www.Elutia.com.

About GNI Group Ltd.:

The Company is a holding company of 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/>

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