February 14, 2025
Company Name: AnGes Inc.
Presentative: Ei Yamada, President & CEO

Notice of Recording of Non-operating Income, Non-operating Expenses, Extraordinary Income, Extraordinary Loss, Income Tax Adjustment and Difference between Consolidated Earnings Forecast and Actual Results for the Fiscal Year Ended December 31, 2024

AnGes Inc. announces the difference between its consolidated earnings forecast for the fiscal year ending December 31, 2024 and the actual results announced today.

1. Non-operating income

①Profit on currency exchange

Due to fluctuations in foreign exchange rates, a foreign exchange gain of 1,591 million yen was recorded due to revaluation of foreign currency loans to affiliates, mainly denominated in U.S. dollars.

②Subsidy income

Vasomune Therapeutics Inc., a Canadian biopharmaceutical company with which we have a joint development agreement, has received a grant from the U.S. Department of Defense for the continued development of its lead drug candidate, a Tie2 receptor agonist (AV-001), targeting acute respiratory distress syndrome (ARDS). We have recorded the grant received as subsidy income of 28 million yen in accordance with our share of development costs.

2. Non-operating expenses

We recorded 57 million yen of stock issuance expenses due to registration tax and transfer agent fees incurred in connection with the exercise of stock acquisition rights.

3. Extraordinary gains

We recorded a gain on reversal of subscription rights to shares of 6 million yen due to the expiration of the rights of stock option right holders due to their retirement.

4. Extraordinary loss

In the previous fiscal year, we initiated a business reorganization of our consolidated subsidiary, EmendoBio, Inc. and reformed its R&D structure to focus on out-licensing of its

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platform technology for genome editing. Subsequently, during the current fiscal year, we reviewed the business plan again at the end of the current fiscal year after confirming the actual progress of the business plan formulated at the time of the business reorganization.

As a result, we has decided to impair "goodwill" and tangible fixed assets in order to revise the "goodwill" that was recorded based on the past evaluation of excess earning power to an evaluation based on the current situation, and has recorded an impairment loss of 19,936 million yen on goodwill and an impairment loss of 111 million yen on right-of-use assets as extraordinary losses. In addition, in connection with the reorganization of the research and development department at the company, the Company has recorded business restructuring expenses of 63 million yen.

Please refer to 6. below for information on goodwill impairment.

5. Recognition of income taxes adjustment

As a result of careful consideration of the recoverability of deferred tax assets, mainly due to the U.S. research and development taxation system at AnGes USA, Inc., a consolidated subsidiary of the Company, we recorded an income tax adjustment of (25) million yen due to an increase in deferred tax assets.

6. Impairment of goodwill

As announced on December 15, 2020, the Company has made EmendoBio Inc. (“Emendo”), a developer of proprietary OMNI nuclease in genome editing technology, a subsidiary. Accordingly, the Company has recorded 22,713 million yen as “goodwill” in fixed assets, which will be amortized over 10 years.

Research and development of cutting-edge genome editing technology requires a lot of money and manpower, but we have collected a lot of data through our research and development to date. We have determined that the time has come to make effective use of the data we have collected so far, and so we have reorganized Emendo's business since last year. As a result of this business restructuring, Emendo has transitioned from a labor-intensive research and development system for discovering and optimizing its own OMNI nuclease for genome editing to a knowledge-intensive research and development system that utilizes artificial intelligence based on the large amount of data it has accumulated, and at the same time reduced its scale. In response to this, Emendo began a business restructuring last year to focus on rebuilding a new research and development structure and to promote research and development in gene and cell therapy in general and to engage in licensing activities in collaboration with megapharmaceutical companies. The company also established a business base in the United States, the cutting edge of genome editing, and is currently restructuring its business to transfer the core of its business activities to the United States. As announced on March 14, 2024, Emendo has reached a licensing agreement with Anocca AB of Sweden.

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In light of these developments, we have decided to record an impairment loss on “goodwill” in order to revise its previous assessment of Emendo's excess earning capacity and to revise the assessment based on the current situation. We recorded an impairment loss on goodwill of 19,936 million yen as an extraordinary loss. As a result of this impairment, goodwill at the end of the fiscal year ended December 31, 2024 amounted to 0 yen.

7. Difference between consolidated forecast and actual results

	Net sales (M yen)	Operating income(M yen)	Ordinary income(M yen)	Net income (M yen)	Net income per share(yen)
Earnings forecast	600	-8,450	-8,450	-8,650	-43.58
Actual results	643	-9,109	-7,537	-28,128	-119.53
Increase/Decrease	43	-659	913	-19,478	
Percentage change	7.2%	—	—	—	
Actual results for the previous period	152	-11,967	-5,651	-7,437	-39.29

8. Reason for Difference

As for the consolidated business results for the fiscal year ending December 31, 2024, net sales were generally in line with the plan, but operating income fell short of the plan by 659 million yen because R&D expenses for the development of HGF gene therapy products in the U.S. and Tie2 receptor agonist exceeded the plan, partly due to the impact of the weaker yen. Ordinary income exceeded the plan by 913 million yen due to non-operating income that was not planned as a result of the weaker yen. In addition, as described in 6. above, the Company's subsidiary Emendo S.A. has been restructured since last year and its business plan was reviewed during the current fiscal year, resulting in an extraordinary loss due to an impairment loss on goodwill. As a result, net income (loss) attributable to owners of the parent was approximately 19,478 million yen lower than the previous year.

AnGes, Inc.
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