

## Notice Concerning Forecast Revision

7 April 2016

Company name: Sosei Group Corporation	Listing: Tokyo Stock Exchange
Security code: 4565	URL <a href="http://www.sosei.com/">http://www.sosei.com/</a>
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Based on recent performance trends, Sosei Group Corporation has revised the financial forecast for the fiscal year ended March 2016, published on 13 May 2015.

- Revised figures for full-year consolidated financial forecast for the fiscal year ended 31 March 2016 (1 April 2015 – 31 March 2016)

	Revenue	Operating income	Net income before taxes	Net income attributable to owners of the parent company	Net basic earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	11,732	5,899	5,915	6,047	439.02
Revised forecast (B)	8,228	1,130	(3,331)	(3,444)	(225.06)
Decrease (B-A)	(3,504)	(4,768)	(9,245)	(9,491)	—
Decrease (%)	(29.9)	(80.8)	—	—	—
Previous year ended March 2015 (reference)	3,671	1,108	1,366	568	41.30

- Reason for consolidated earnings forecast revision

Today, Sosei announced that its subsidiary, Heptares Therapeutics, and Allergan plc in Ireland have entered into an R&D and commercialization agreement for selective muscarinic receptor agonists under development. This means that the timing for recording the upfront payment for concluding the agreement, initially expected in the fiscal year ended March 2016, will now be recorded in the fiscal year ending March 2017. As a result, revenue for the fiscal year ended March 2016 was 3,504 million yen less than the financial forecast announced on 13 May 2015. Due to reduced revenue and increased amortization of intangible assets associated with the Heptares acquisition, operating income was also 4,846 million yen less than originally forecast.

Additionally, the upfront payment in connection with the agreement between Heptares and Allergan is now expected to be much greater than initially forecasted. Therefore, the estimate for the contingent consideration\* that was agreed with existing shareholders of Heptares at the time of the acquisition will increase significantly compared to the previous fiscal year end. As a result, finance costs exceeded expectations for the fiscal year ended 31 March, 2016. Due to the reduced revenue and increased finance cost, net income before taxes for the fiscal year ended 31 March 2016 is 9,323 million yen less than forecast in announced 13 May 2015.

It should be noted that under International Financial Reporting Standards (IFRS) adopted by Sosei, transactions that occur up to the date of filing the securities report for the fiscal year ended 31 March 2016 must be reflected in the estimated fair value of the contingent consideration for the fiscal year ended 31 March 2016.

Regarding the upfront payment associated with this agreement, there will be only revenue recognized in the fiscal year ending 31 March 2017, and no additional costs associated with the contingent consideration.

As a result of the above, the full-year consolidated financial forecast for the fiscal year ended 31 March 2016 was lower than expected.

Sosei has identified mid- to long-term corporate value enhancement as a priority. Along with investing in R&D, we are consistently promoting pipeline creation and partnering. In the future, we will keep striving to accelerate R&D and improve management.

This forecast was created with information available at the date of this announcement. Actual results may differ from the forecasted figure due to various future contingencies.

\*An increase in estimated contingent consideration is recognized as a finance cost. For details about Heptares, refer to "Sosei Acquires Heptares Therapeutics for up to USD 400 million" dated 23 February 2015.