

## Notice Concerning Issuance of New Shares and Secondary Offering of Shares

1 September 2015

Company name: Sosei Group Corporation Listing: Tokyo Stock Exchange  
Security code: 4565 URL <http://www.sesei.com/>  
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Sosei Group Corporation (the “Company”) hereby announces that its Board of Directors resolved on 1 September 2015 to issue new shares and conduct a secondary offering of its shares, as set forth below. The funds raised from this issue of new shares will be used to repay short-term debt incurred in the acquisition of Heptares Therapeutics, and for investment into Heptares research and development. In addition, a new 5-year syndicated loan underwritten by Mizuho Bank, will be used for the retirement of the current debt.

### 1. Issuance of New Shares by way of Primary Offering (the “Public Offering”)

- 1) Class and Number of Shares to be Offered 2,282,500 shares of common stock of the Company which are the sum of (i) and (ii) below.
  - i) 2,200,000 new shares of common stock of the Company to be underwritten by the Underwriter in the Public Offering
  - ii) A maximum of 82,500 additionally-issued shares of common stock of the Company which may be purchased pursuant to an option to purchase to be granted to the Underwriter in connection with sales to overseas investors as a part of the Public Offering.
- 2) Method of Determination of the Amount to be Paid The amount to be paid shall be determined on the date of determination of the issue price, etc. (which may be a day falling in the period from Wednesday 9 September 2015 to Monday 14 September 2015 (the “Pricing Date”) pursuant to Article 25 of the Regulations Concerning Underwriting, etc. of Securities provided by the Japan Securities Dealers Association (“JSDA”).
- 3) Amount of Capital Stock and Capital Reserve to be Increased The amount of capital stock to be increased shall be half of the maximum increased amount of capital stock, as calculated in accordance with the provision of Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations with any fraction less than one yen resulting from the calculation being rounded up to the nearest yen. The amount of the capital reserve to be increased shall be the amount obtained by subtracting the amount of capital stock to be increased from the maximum amount of capital stock increase.
- 4) Method of Offering The offering will be a public offering. All of the new shares shall be purchased for sale by an underwriter designated as lead manager in the Public Offering (“the Underwriter”).

The issue price with regard to the Public Offering (offer price) shall be determined based on the provisional range calculated by multiplying the closing price in regular trading of the common stock of the Company on the Tokyo Stock Exchange on the Pricing Date (or, if no closing price is quoted, the closing price of the

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immediately preceding date) by 0.90 – 1.00 (with any fraction less than one yen being rounded down), in accordance with Article 25 of the Regulations Concerning Underwriting, etc. of Securities provided by the JSDA, taking into account market demand and other conditions.

A part of the shares may be sold by companies related to the Underwriter to overseas investors in overseas markets such as Europe and Asia (but excluding the United States and Canada). In connection with such sales, the Company shall grant the Underwriter an option to purchase the additionally issued shares mentioned in (1)(ii) above.

- 5) Consideration to be paid to the Underwriter The Company shall not pay any underwriting fees to the Underwriter. Instead, the aggregate amount of the difference between (a) the issue price in the Public Offering (offer price) and (b) the amount to be paid to the Company by the Underwriter shall be retained by the Underwriter.
- 6) Subscription Period The subscription period shall be from the next business day after the Pricing Date to the second business day following the Pricing Date.
- 7) Payment Date The payment date shall be a day falling in the period from Wednesday 16 September 2015 to Thursday, 24 September 2015; provided, however, that such day shall be the fifth business day following the Pricing Date.
- 8) Subscription Unit 100 shares
- 9) The amount to be paid, the amount of capital stock and capital reserve to be increased, and any other matters necessary for the issuance of new shares shall be determined at the discretion of Shinichi Tamura, CEO of the Company.
- 10) Each item above shall be subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan.

## 2. Secondary Offering of Shares of the Company (the “Secondary Offering by way of Over-Allotment”)

(See 1. of “For Reference” attached hereto)

- 1) Class and Number of Shares to be Offered 247,500 shares of common stock of the Company.  
The number of shares for Secondary Offering set out above is the maximum number of shares which can be sold. The above number may decrease, or the Secondary Offering by way of Over-Allotment may not be conducted in its entirety, depending on market demand and other conditions. The number of shares to be sold shall be determined on the Pricing Date, taking into account market demand.
- 2) Seller The Underwriter
- 3) Selling Price Undetermined. (The selling price shall be determined on the Pricing Date; provided, however, that such selling price shall be the same as the issue price (offer price) in the Public Offering.)
- 4) Method of Secondary Offering by way of Over-Allotment Taking into account market demand and other conditions for the Public Offering, the Underwriter will undertake a secondary offering of common stock of the Company (up to 247,500 shares) borrowed from certain shareholder(s) of the Company.
- 5) Subscription Period The subscription period shall be the same as the subscription period in respect of the Public Offering.

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- 6) Delivery Date                      The delivery date shall be the next business day after the payment date in respect of the Public Offering.
- 7) Subscription Unit                100 shares
- 8) The selling price and any other matters necessary for the Secondary Offering by way of Over-Allotment shall be determined at the discretion of Shinichi Tamura, CEO of the Company.
- 9) Each item above shall be subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan.
- 10) Should the Public Offering be cancelled, the Secondary Offering by way of Over-Allotment shall also be cancelled.

**3. Issuance of New Shares by way of Third-Party Allotment (See 1. of “For Reference” attached hereto.)**

- 1) Class and Number of Shares to be Offered       247,500 shares of common stock of the Company.
- 2) Method of Determination for the Amount to be Paid       The amount to be paid shall be determined on the Pricing Date; provided, however, that such amount to be paid shall be the same as the amount to be paid in respect of the Public Offering.
- 3) Amount of Capital Stock and Capital Reserve to be Increased       The amount of capital stock to be increased shall be half of the maximum increased amount of capital stock, as calculated in accordance with the provisions of Article 14, Paragraph 1 of the Rules of Account Settlement of Corporations with any fraction less than one yen resulting from the calculation being rounded up to the nearest yen. The amount of the capital reserve to be increased shall be the amount obtained by subtracting the amount of capital stock to be increased from the maximum amount of capital stock increased.
- 4) Allottee                            The Underwriter
- 5) Subscription Period (Subscription Date)       Friday, 25 September 2015
- 6) Payment Date                    Monday, 28 September 2015
- 7) Subscription Unit                100 shares
- 8) Shares not subscribed within the subscription period (subscription date) mentioned in (5) above shall not be issued.
- 9) The amount to be paid, the amount of capital stock and capital reserve to be increased and any other matters necessary for the issuance of new shares by way of third-party allotment shall be determined at the discretion of Shinichi Tamura, CEO of the Company.
- 10) Each item above shall be subject to the effectiveness of the securities registration statement filed under the Financial Instruments and Exchange Act of Japan.
- 11) Should the Public Offering be cancelled, the Issuance of New Shares by way of Third-Party Allotment shall also be cancelled.

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<For Reference>

## **1. Secondary Offering by way of Over-Allotment and other matters**

The Secondary Offering by way of Over-Allotment described under “2. Secondary Offering of Shares” above is a secondary offering, to be made in conjunction with the Public Offering described under “1. Issuance of New Shares by way of Primary Public Offering (Public Offering)”, of the shares of common stock of the Company in an amount not exceeding 247,500 shares, which will be borrowed by the Underwriter of the Public Offering, from certain shareholder(s) of the Company taking into account market demand and other conditions. It is estimated that the number of shares to be offered in the Secondary Offering by way of Over-Allotment will be 247,500 shares which represents the maximum number of shares to be offered, and the number may decrease or the Secondary Offering by way of Over-Allotment may not be carried out in its entirety, depending on market demand and other conditions.

In connection with the Secondary Offering by way of Over-Allotment, the board of directors of the Company resolved, at the meeting held on 1 September 2015, that the Company will issue 247,500 shares of its common stock to the Underwriter, the allottee as mentioned in “3. Issuance of New Shares by way of Third-Party Allotment”, by way of third-party allotment (the “Third-Party Allotment”), with a payment date of Monday 28 September 2015, for the purpose of enabling to procure shares necessary for returning the shares borrowed from the Company’s shareholder(s) (the “Borrowed Shares”).

In addition, the Underwriter may also purchase shares of common stock of the Company on the Tokyo Stock Exchange, up to the number of shares to be offered in the Secondary Offering by way of Over-Allotment (the “Syndicate Cover Transactions”) during the period from the day immediately following the last day of the subscription period of the Public Offering (and the Secondary Offering by way of Over-Allotment) to Friday 18 September 2015. All shares obtained by the Underwriter through the Syndicate Cover Transactions will be apportioned for the return of the Borrowed Shares. However, during the Syndicate Cover Transaction Period, the Underwriter, at its sole discretion, may not conduct any Syndicate Cover Transaction or may terminate the Syndicate Cover Transactions before the number of shares purchased reaches the number of shares offered in the Secondary Offering by way of Over-Allotment.

Furthermore, the Underwriter may conduct stabilization transactions accompanying the Public Offering and the Secondary Offering by way of Over-Allotment, and some or all of the shares of common stock of the Company obtained by those stabilization transactions may be used to return the Borrowed Shares.

The Underwriter, with proceeds from the Secondary Offering by way of Over-Allotment, plans to accept the allotment under the Third-Party Allotment of an equivalent number of shares of common stock of the Company obtained by deducting (a) the number of shares acquired through stabilization transactions and Syndicate Cover Transactions that are to be applied to return the Borrowed Shares from (b) the number of shares to be offered in the Secondary Offering by way of Over-Allotment (the “Number of Shares to be Acquired”). Accordingly, all or part of the shares to be issued under the Third-Party Allotment may not be subscribed for, which may result in a decrease in the maximum number of shares to be ultimately issued under the Third-Party Allotment, or in the cancellation of the entire issuance due to forfeiture.

Whether or not Secondary Offering by way of Over-Allotment will take place, and the number to be sold under Secondary Offering by way of Over-Allotment will be determined on the Pricing Date. If the Secondary Offering by way of Over-Allotment is not performed, the borrowing of shares from shareholder(s) of the Company will not take place. In this case the Underwriter will not subscribe to shares issued under Third-Party Allotment and the entire issuance of shares under Third-Party Allotment will be cancelled due to forfeiture. Also, Syndicate Cover Transactions on Tokyo Stock Exchange will not take place.

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## **2. Use of Proceeds to be Raised**

The proceeds from the Public Offering and the Issuance of New Shares by way of Third-Party Allotment, sum of which are estimated to be JPY 12,755,000,000 at maximum amount, are scheduled to be applied towards JPY 10bn part repayment of short-term loans related to the acquisition of Heptares.

The remainder will be applied towards structural analysis of G protein-coupled receptors, and development of candidate compounds.

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