

Sosei Heptares Operational Highlights and Consolidated Results for the 12 Months ended 31 December 2020

Tokyo, Japan and London, UK, 12 February 2021 – Sosei Group Corporation (“the Company”; TSE: 4565) provides an update on operational activities and reports its consolidated results for the 12 months ended 31 December 2020. The full report can be accessed by [clicking here](#).

Shinichi Tamura, Chairman, President and CEO of Sosei Heptares, commented: “Sosei Heptares made a great deal of progress across all areas of its business in 2020, despite the challenges we faced. We adapted extremely well to the COVID-19 pandemic. This allowed us to successfully execute our strategy, adding several major partnering agreements around our early-stage programs, reinforcing our position as a leading go-to drug discovery and development partner. We also entered several strategic technology collaborations with innovative companies designed to strengthen our StaR® technology and SBDD capabilities and enhance our discovery and future partnering opportunities, including beyond GPCRs. In addition, we successfully refinanced the business, which is supporting the rapid advancement of our exciting and extensive pipeline and our ambitious growth plans, which could include a potentially transformative acquisition. Our ability to deliver further partnering and/or co-investment deals was further enhanced when we regained the rights to our muscarinic program early in the new year. With our clear strategy, our talented team and a strong financial position, we can look forward to 2021 with great optimism.”

Operational Highlights for Q4 2020

- **New global agreement worth up to £370 million plus royalties with GlaxoSmithKline** – to discover and develop selective, oral, small molecule agonists of GPR35 in inflammatory bowel disease and other gastrointestinal immune disorders.
- **Creation of new company - Tempero Bio - with specialist venture capital firm Aditum Bio (founded by ex-Novartis executives Joe Jimenez and Mark Fishman)** – Tempero in-licensed Sosei Heptares’ Phase 1 mGlu5 negative allosteric modulator program to develop novel therapeutics targeting addiction and anxiety. Sosei Heptares received an upfront payment and strategic equity stake in Tempero Bio and is eligible to receive future development and commercial milestone payments plus tiered royalties from any future product sales.
- **New global agreement worth up to US\$380 million plus royalties with Biohaven Pharmaceuticals** – to develop, manufacture and commercialize novel, small-molecule CGRP receptor antagonists (including HTL0022562) for treating CGRP-mediated disorders.
- **New strategic technology collaboration with Captor Therapeutics focused on targeted GPCR degradation as a novel approach to drug design** – initial program to identify small molecules degraders of a GPCR strongly implicated in gastrointestinal disorders.
- **Potent anti-viral compounds identified from the collaborative COVID-19 R&D program that was initiated during 2020** – several novel compounds, potentially broad-spectrum

A blue horizontal banner with a white circle on the left side containing the text "PRESS RELEASE".

PRESS RELEASE

antivirals for COVID, identified are being optimized for preclinical studies having demonstrated high potency in inhibiting the activity of the SARS-CoV-2 Mpro protease as well as promising oral bioavailability.

Operational Highlights for the Full Year 2020

- **Approximately US\$200 million raised from an International Offering of shares and convertible bonds** – to pursue strategic growth initiatives including:
 - a potentially transformative acquisition to secure long-term revenue growth,
 - investments in novel technologies that complement and future-proof its drug discovery platform,
 - expansion of its drug candidate discovery and early development into new target classes, and
 - in-licensing late-stage clinical assets to develop for the Japanese market.

The balance of funds will support organic growth initiatives, and corporate purposes.

- **New global agreement signed with AbbVie, initially worth up to US\$409 million plus royalties** – initially a single-target discovery and option-to-license collaboration to discover novel small molecules targeting inflammatory and autoimmune diseases. AbbVie has the option to expand the collaboration up to a total of four targets.
- **Second novel drug candidate resulting from multi-target drug discovery collaboration with Pfizer entered clinical trials** – first subject dosed with PF-07054894, a CCR6 antagonist targeting Inflammatory Bowel Disease, triggered US\$5 million payment to Sosei Heptares.
- **Enerzair® Breezhaler® approved in Europe and Japan to treat asthma** – Enerzair® is once-daily, first-in-class inhaled LABA/LAMA/ICS combination developed by Novartis, and in which Sosei Heptares has an economic interest. The achievement of these milestones triggered the payment of US\$6.25 million to Sosei Heptares from Novartis.
- **Excellent scientific progress made with orexin agonist program in conjunction with spin-off companies Orexia and Inexia** – progress building unique orexin modulator drug discovery and design engine triggered next tranche of funding from Medixci. Further orexin receptor structural data and insights generated to help optimize drug discovery targeting neurological diseases.
- **Measures put in place to successfully operate in response to the COVID-19 pandemic** – policies and practises were rapidly implemented to ensure safety of employees and other stakeholders and to reduce the spread of coronavirus, while also prioritizing revenue-generating work for our major collaboration partners.

Post-period Highlights

- **Worldwide rights to out-licensed muscarinic agonist programs regained from AbbVie/Allergan** – independent review of programs has completed, with increased investment allocated to advance the HTL0016878 selective muscarinic M4 agonist through clinical studies and build value ahead of future partnering. HTL0016878 represents a unique opportunity to develop a novel therapeutic with a new mechanism of

A dark blue horizontal bar with a white circle on the left side containing the text 'PRESS RELEASE' in white, uppercase, sans-serif font.

action for neurological disorders including schizophrenia. Negotiations for collaborations on this and other muscarinic programs are now in progress.

- **New strategic technology collaboration with PharmEnable for AI-driven drug discovery** – aim to identify new leads against a challenging “peptidergic” GPCR target
- **First strategic collaboration to explore SBDD approaches beyond GPCRs with Metrion Biosciences** - collaboration targeting ion channels, a large, under-exploited target class where structural input to drug discovery has been limited. Drug discovery program to identify novel, highly specific leads for further development against a single ion channel associated with neurological diseases.

Financial Highlights for the 12-month Period ended 31 December 2020

- Revenue totalled JPY 8,842 million (US\$82.8 million*), a decrease of JPY 884 million (US\$6.4 million) vs. the prior corresponding period. Milestone revenues and upfront fees can vary considerably year on year and depend on the achievement of defined milestone events and the commencement of new partnership agreements within that year. Whilst four new out-licensing agreements were signed in 2020 vs. three in 2019, milestone receipts in 2019 from existing collaborations were larger, resulting in an overall drop in revenue. 2019 revenue included several major milestones, including a US\$15 million milestone receipt from AstraZeneca.
- Cash R&D expenses totalled JPY 3,411 million (US\$31.9 million), a decrease of JPY 526 million (US\$4.2 million) vs. the prior corresponding period. This was primarily related to a reduction in project activity due to COVID-19, as well as the successful recovery of excess costs incorrectly charged by one supplier. In the period under review, 96% of R&D spend related to our UK operations.
- Cash G&A expenses totalled JPY 1,995 million (US\$18.7 million), a decrease of JPY 169 million (US\$1.2 million) vs. the prior corresponding period, and was primarily related to a reduction in our UK National Insurance liability linked to share based payments as a result of the reduction in our share price over the period.
- Cash earnings** totalled JPY 2,904 million (US\$27.2 million), an increase of JPY 58 million (US\$1.1 million) vs. the prior corresponding period. Whilst there has been a slight reduction in revenue year on year, the strong management of costs has been greater, leading to an increase in cash earnings.
- Operating Profit totalled JPY 928 million (US\$8.7 million), an increase of JPY 544 million (US\$5.1 million) vs. the prior corresponding period.
- Net profit totalled JPY 1,479 million (US\$13.8 million), an increase of JPY 47 million (US\$0.7 million) vs. the prior corresponding period. The main reason for the increase was due to the increase in operating profit and net finance income.
- Cash and cash equivalents increased by JPY 24,633 million from the beginning of the year and amounted to JPY 40,008 million as at December 31, 2020.
- Net cash provided by financing activities for the period under review totalled JPY 20,278 million. This was primarily due to net cash inflows from the issuance of new shares raising

PRESS RELEASE

JPY 5,145 million (including shares issued through an international offering) and the issuance of convertible bonds raising JPY 15,902 million.

**Convenience conversion to US\$ at the following rates: 2020: 1US\$ =106.774 JPY; 2019: 1US\$ =109.035 JPY*

***Non-IFRS measure*

-ENDS-

About Sosei Heptares

We are an international biopharmaceutical group focused on the discovery and early development of new medicines originating from our proprietary GPCR-targeted StaR[®] technology and structure-based drug design platform capabilities. We are advancing a broad and deep pipeline of novel medicines across multiple therapeutic areas, including neurology, immunology, gastroenterology and inflammatory diseases.

We have established partnerships with some of the world's leading pharmaceutical companies, including AbbVie, AstraZeneca, Biohaven, Genentech (Roche), GSK, Novartis, Pfizer and Takeda and additionally with multiple emerging technology companies. Sosei Heptares is headquartered in Tokyo, Japan with corporate and R&D facilities in Cambridge, UK.

"Sosei Heptares" is the corporate brand and trademark of Sosei Group Corporation, which is listed on the Tokyo Stock Exchange (ticker: 4565). Sosei, Heptares, the logo and StaR[®] are trademarks of Sosei Group companies.

For more information, please visit <https://soseiheptares.com/>

LinkedIn: [@soseiheptaresco](#) | Twitter: [@soseiheptaresco](#) | YouTube: [@soseiheptaresco](#)

Enquiries:

Sosei Heptares – Media and Investor Relations

Hironoshin Nomura, SVP Investor Relations and Corporate Strategy
+81 (0)3 6679 2178 | Hironoshin.Nomura@SoseiHeptares.com

Shinichiro Nishishita, VP Investor Relations, Head of Regulatory Disclosures
+81 (0)3 5210 3399 | IR@SoseiHeptares.com

Citigate Dewe Rogerson (for Sosei Heptares)

Yas Fukuda – Japanese Media
+81 (0)3 4360 9234 | Yas.Fukuda@citigatedewerogerson.com

Mark Swallow, David Dible – International Media

A solid orange circle on the left side of the page.

PRESS RELEASE

+44 (0)20 7638 9571 | SoseiHeptares@citigatedewerogerson.com

Forward-looking statements

This press release contains forward-looking statements, including statements about the discovery, development and commercialization of products. Various risks may cause Sosei Group Corporation's actual results to differ materially from those expressed or implied by the forward-looking statements, including: adverse results in clinical development programs; failure to obtain patent protection for inventions; commercial limitations imposed by patents owned or controlled by third parties; dependence upon strategic alliance partners to develop and commercialize products and services; difficulties or delays in obtaining regulatory approvals to market products and services resulting from development efforts; the requirement for substantial funding to conduct research and development and to expand commercialization activities; and product initiatives by competitors. As a result of these factors, prospective investors are cautioned not to rely on any forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.