

Sosei Heptares Operational Highlights and Consolidated Results for 12 Months ended 31 December 2021

Tokyo, Japan and Cambridge, UK, 10 February 2022 – 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 2021. The full report can be found by [clicking here](#).

Shinichi Tamura, President and CEO of Sosei Heptares, commented: “We made excellent progress during 2021 achieving multiple milestones that further validate our world-leading GPCR and structure-based drug design expertise, internal discovery and early development capabilities and strong partnering and collaborative approach. A key success was the rapid re-licensing of our muscarinic receptor agonist portfolio to Neurocrine Biosciences, which could deliver significant revenues over the coming years if milestones are reached successfully.

“We move into 2022 as a well-financed organization following the fundraising in July 2021. This puts us in a favorable position to drive our organic and inorganic growth strategies as well as to identify and co-invest into innovative initiatives that complement our existing expertise and could allow further value to be realized from our platform in the future. Further, the planned leadership changes, announced recently, are aimed at bringing new insights and drive to Sosei Heptares as we evolve towards our goal of becoming a global biotechnology champion, developing medicines to improve the quality of life and health of people around the world.”

Important Post-period Highlights

- **Proposed Leadership changes to drive the Company through its next phase of evolution** – to be ratified at Annual Shareholders’ Meeting on 24 March 2022, and the subsequent Board of Directors meeting:
 - Chris Cargill proposed to become Representative Executive Officer, President and Chief Executive Officer
 - Shinichi Tamura to become Chairman of the Board
 - Ms. Miwa Seki nominated for appointment as new External Director
 - Dr. Malcolm Weir and Dr. Tim Tasker to retire from Executive Officer roles and become ongoing consultants to the Company
 - Several internal team members nominated for appointment to new Executive Officer roles in Japan and the UK
- **New strategic research collaboration with Verily** – to leverage the complementary capabilities of Verily’s immune profiling and Sosei Heptares’ GPCR-focused SBDD to generate novel drug candidates against immune-mediated diseases.

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Operational Highlights for Q4 2021

- **New strategic collaboration and licensing agreement with Neurocrine Biosciences with potential to generate US\$2.6 billion in milestone income** – through developing novel muscarinic receptor agonists for the treatment of schizophrenia and other neuropsychiatric disorders. Sosei Heptares regained worldwide rights to this program from AbbVie in January 2021.
- **New antibody discovery collaboration with Twist Bioscience** – to discover and develop novel therapeutic antibodies against GPCR targets
- **Grant funding received from Wellcome, a leading global charitable foundation, to advance the SARS-CoV-2 Mpro inhibitor program** – targeting rapid development of a single agent oral therapy for COVID-19 that does not require co-dosing with other anti-viral therapies.
- **Pipeline update from AstraZeneca regarding partnered candidate imaradenant (AZD4635)** – in its Q3 2021 results materials, imaradenant, an adenosine A2a antagonist discovered by Sosei Heptares, was removed from AZ's clinical development pipeline. Discussions are ongoing over the future development of imaradenant, including the possibility of Sosei Heptares regaining worldwide rights to the program.
- **£5 million milestone payment received from GSK** – for progress made under its 2020 global agreement to discover and develop selective oral small molecule agonists of GPR35 as potential treatments for immune disorders of the digestive system.

Operational Highlights for Full Year 2021

- **¥29.8 billion raised from International Offering of Euro-Yen denominated convertible bonds due 2026.** The Company intends to use the proceeds as follows:
 - repurchase of existing convertible bonds due 2025
 - to finance, together with current cash, strategic growth initiatives including (1) funding acquisitions of or investments in companies or technologies including in the areas of neurology, gastroenterology, immunology, and rare diseases, that complement and strengthen Sosei Heptares' existing business foundation for drug candidate discovery and early development; and (2) funding potential introduction of drug products in the Japanese domestic market.
 - To finance research and development of new pipeline programs and working capital.
- **Partnered program updates**
 - **Third novel candidate resulting from multi-target agreement with Pfizer entered clinical development** – dosing of first subject with PF-07258669 (an MC4 receptor antagonist for anorexia) by Pfizer triggered a US\$5 million payment to Sosei Heptares.
 - **Collaboration with Biohaven progresses to clinical stage** – Sosei Heptares initiated a Phase 1 trial with HTL'22562 (also known as BHV3100), a novel, small molecule CGRP receptor antagonist targeting CGRP-mediated disorders.

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- **Milestone payments totalling US\$6 million received from Genentech** – received for the delivery of StaR® proteins based on nominated targets under the 2019 multi-target agreement.
- **Spin-off company Orexia Therapeutics merged into Centessa Pharmaceuticals, a new asset-centric company** – Centessa completed an Initial Public Offering on Nasdaq Global Market in June 2021. This has resulted in an increase in the value of the Company's Other Financial Assets on the balance sheet.
- **New strategic technology collaborations entered to extend the reach of its world-leading structure-based drug design (SBDD) platform, with:**
 - **InveniAI®** for artificial intelligence (AI)-driven drug discovery targeting immune diseases
 - **PharmEnable** for AI-driven drug discovery of new leads against a challenging peptidergic GPCR target
 - **Metrion Biosciences** to explore SBDD approaches beyond GPCRs to identify novel, highly specific leads for further development against an ion channel associated with neurological diseases.

Financial Highlights for the 12-month Period ended 31 December 2021

- Revenue totalled JPY17,712 million (US\$160.8 million*), an increase of JPY 8,870 million (US\$78.0 million) vs. the prior year. In 2021, the Group received two upfront fees, including a fee of US\$100m from Neurocrine Biosciences which was substantially larger than all four of the upfront fees received in 2020 combined.
- Cash R&D expenses totalled JPY 5,511 million (US\$50.0 million), an increase of JPY 2,100 million (US\$18.1 million) vs. the prior year. The increase in R&D spend reflects higher activity levels on in-house programs, participation in new co-development collaborations and the impact of a stronger GBP vs. JPY.
- Cash G&A expenses totalled JPY 2,518 million (US\$22.9 million), an increase of JPY 523 million (US\$4.2 million) vs. the prior year. The increase in G&A spend is primarily due to an increase in personnel related expenses and professional advisory fees as the Group continued to evaluate strategic growth opportunities.
- Cash earnings** totalled JPY 8,904 million (US\$80.8 million), vs. cash earnings of JPY 2,904 million (US\$27.2 million) in the prior year.
- Operating profit totalled JPY 3,775 million (US\$34.3 million), an increase of JPY 2,847 million (US\$25.6 million) vs. the prior year. The increase was mainly due to an increase in revenue partially offset by a non-cash impairment charge associated with a collaboration partner's decision not to progress certain out-licensed drug candidates in clinical trials.
- Net profit for the 12-month period ended 31 December 2021 totalled JPY 475 million (US\$4.3 million) a decrease of JPY 1,004 million (US\$9.5 million) vs. the prior year. The main reason for the decrease in net profit was an increase in financing expenses due to recording a contingent consideration charge relating to the Neurocrine Biosciences licensing transaction.

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- Cash and cash equivalents as at 31 December 2021 increased by JPY 20,079 million (US\$135.6 million) from the beginning of the year and amounted to JPY 60,087 million (US\$522.1 million).

**Convenience conversion to US\$ at the following rates: YTD 2021: 1US\$ =110.16 JPY; YTD 2020: 1US\$ =106.77 JPY, 31 Dec 2020: 1US\$ = 103.52 JPY; 31 Dec 2021: 1US\$ = 115.07 JPY*

***Non-IFRS measure*

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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 and multiple emerging technology companies, including AbbVie, AstraZeneca, Biohaven, Genentech (Roche), GSK, Neurocrine Biosciences, Novartis, Pfizer, Takeda and Verily. 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/>

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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 Japanese Media)

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

MEDiSTRAVA Consulting (for International Media)

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Mark Swallow, David Dible, Eleanor Perkin
+44 (0)203 928 6900 | SoseiHeptares@medistrava.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.