

## Sosei Heptares Operational Highlights and Consolidated Results for the Second Quarter and First Half 2021

Tokyo, Japan and Cambridge, UK, 12 August 2021 – Sosei Group Corporation (“the Company”; TSE: 4565) provides an update on operational activities and reports its consolidated results for the second quarter and first half ended 30 June 2021.

The Company will host a webinar presentation today with Shinichi Tamura, Chairman, President and CEO, Chris Cargill, Group Chief Operating and Financial Officer, and Dr. Tim Tasker, Chief Medical Officer, at 5 pm JST (9 am BST). The webinar is open to all existing and potential investors as well as sell-/buy-side analysts and will consist of a presentation followed by a Q&A session. Please click [here](#) to register and receive a link to access the webinar.

Presentation slides will be made available by 4 pm JST (8 am BST) on the 12 August 2021 through the investor section of the Company’s Home Page [here](#).

**Shinichi Tamura, Chairman, President and CEO of Sosei Heptares, commented:** “We are pleased with the progress we have made during 2021. This year’s focus is on increasing investment in R&D and in strategic growth initiatives, as we continue to explore revenue-generating business opportunities for acquisition to support our medium-term plan for corporate expansion. Investments in R&D are focused on advancing our portfolio of muscarinic agonists for schizophrenia and other neurological disorders, and to partner this portfolio in the near term with a well-capitalized global partner to accelerate late-stage development of these programs. In addition, we continue to make good progress advancing our inhouse and partnered programs, as well as enhancing our world-leading platform for identifying and exploiting new druggable target opportunities. We are confident that we have the right overall corporate strategy to deliver continued success and value creation for all stakeholders.”

### Operational Highlights for H1 2021

- **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 HTL’878 selective muscarinic M<sub>4</sub> receptor agonist through clinical studies and build value ahead of future partnering. HTL’878 represents a unique opportunity to develop a novel therapeutic with a new mechanism of action for neurological disorders including schizophrenia. Negotiations for collaborations on this and other muscarinic programs are now in progress.
- **Third novel drug candidate resulting from multi-target drug discovery collaboration with Pfizer entered clinical trials** – dosing of first subject with PF-07258669 (an MC<sub>4</sub> receptor antagonist for Anorexia) by Pfizer triggered a US\$5 million payment to Sosei Heptares.

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PRESS RELEASE

- **Three milestone payments totalling US\$6 million received from Genentech during H1 2021** – milestones achieved from the delivery of StaR® proteins based on nominated targets under the 2019 multi-target agreement.
- **Sosei Heptares initiated a Phase 1 trial with the 10<sup>th</sup> candidate to be generated from its structure-based drug design (SBDD) platform** – first healthy subjects dosed with HTL'22562 (also known as BHV3100), a novel, small molecule CGRP receptor antagonist targeting CGRP-mediated disorders, under its collaboration with Biohaven.
- **Spin-off company Orexia Therapeutics merged into Centessa Pharmaceuticals, a new asset-centric company** – Orexia became one of ten private companies merged into Centessa, which launched in February 2021 and raised US\$250 million. Sosei Heptares' equity holding in Orexia was converted into a proportional shareholding (1.03%) in Centessa, which completed an Initial Public Offering on Nasdaq Global Market in June 2021 at a market capitalization of US\$1.7 billion and raising an additional US\$379.5 million, driving an increase in the value of the Company's Other Financial Assets on balance sheet.
- **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** – drug discovery collaboration to identify novel, highly specific leads for further development against an ion channel associated with neurological diseases.
- **US\$2.5 million milestone received from Formosa Pharmaceuticals** – based on progression of APP13007, a divested asset, into Phase 3 trials as a new potential treatment for pain and inflammation following cataract surgery.

#### Post-period Highlights

- **¥29.8 billion raised from International Offering of Euro-Yen denominated convertible bonds due 2026. Strong demand from international investors – largest mid-cap convertible bond raise in Asia Pacific region since 2015.** 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's 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.

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## PRESS RELEASE

- Entered multi-target AI-powered and GPCR-focused drug discovery collaboration with InveniAI – focus on identifying novel GPCR targets for multiple immune diseases

### Financial Highlights for the Six-month Period ended 30 June 2021

- Revenue totalled JPY 3,123 million (US\$28.9 million\*), an increase of JPY 607 million (US\$5.7 million) vs. the prior corresponding period. The increase was due to the achievement of five progress milestone events from existing partners vs. one upfront fee and two milestone events in the prior corresponding period. In addition, there was an increase in deferred revenue releases from existing collaboration partners. Royalties from Novartis were stable.
- Cash R&D expenses totalled JPY 2,382 million (US\$22.0 million), an increase of JPY 882 million (US\$8.1 million) vs. the prior corresponding period. The increase in R&D spend reflects higher activity levels on in-house programs (including the recently reverted muscarinic portfolio), participation in new co-development collaborations and the impact of a stronger GBP vs. JPY. Despite the relative increase in R&D spend vs. the prior corresponding period, the current period spend is in-line with our budgeted plans, and therefore our full year forecast cash R&D expenses remain unchanged, in the range of JPY 4,000 to JPY 5,000 million.
- Cash G&A expenses totalled JPY 1,256 million (US\$11.6 million), an increase of JPY 331 million (US\$3.1 million) vs. the prior corresponding period. The increase in G&A spend is due to an increase in personnel related expenses and professional advisory fees as the Group continued to evaluate strategic growth opportunities. In addition, personnel related expenses in the prior corresponding period were lower than normal as a result of a reduction in the U.K. share-based payment related National Insurance liability, which was driven by share price movements in that particular period. Despite the relative increase in G&A spend vs. the prior corresponding period, the current period spend is in-line with our budgeted plans, and therefore our full year forecast cash G&A expenses remain unchanged, in the range of JPY 1,800 to 2,300 million.
- Cash earnings loss\*\* totalled JPY 800 million (US\$7.4 million), vs. a cash earnings loss of JPY 181 million (US\$1.7 million) in the prior corresponding period. The main reason for the increase in the cash earnings loss is that the increase in Cash R&D and G&A costs exceeded the increase in revenue, largely attributable to increased R&D investment (e.g. in the muscarinic portfolio and prioritized in-house programs) and professional advisory fees, as stated above.
- Operating loss totalled JPY 1,849 million (US\$17.1 million) vs. an operating loss of JPY 1,136 million (US\$10.5 million) in the prior corresponding period. The main reason for the increase in the operating loss is that the increase in operating expenses exceeded the increase in revenue, including a small Oravi related impairment and higher stock-based compensation costs as the Company continued to roll out Restricted Stock Unit (RSU) plans for employees to drive greater long-term alignment with shareholders. Financing costs in the period were largely offset by contingent consideration and foreign exchange gains.

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- Loss for the six-month period ended 30 June 2021 totalled JPY 2,297 million (US\$21.2 million) vs. a loss for the prior corresponding period of JPY 2,117 million (US\$19.6 million). The main reason for the increase in net loss is the increase in the operating loss (for the reasons stated above), although the impact was largely mitigated by a gain relating to our investment in MiNA Therapeutics (driven by the receipt of a US\$25 million upfront fee relating to an out-license with Lilly signed in May 2021).
- Cash and cash equivalents as at 30 June 2021 increased by JPY 621 million (however decreased US\$19 million) from the beginning of the year and amounted to JPY 40,629 million (US\$367.5 million). Modest cash inflow achieved when balances aggregated in JPY, however weaker JPY in the period drove a reduction in total cash balance when aggregated in US\$.

*\*Convenience conversion to US\$ at the following rates: 2021: 1US\$ =108.11 JPY; 2020: 1US\$ =108.25 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<sup>®</sup> 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), Novartis, Pfizer and Takeda. 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<sup>®</sup> are trademarks of Sosei Group companies.

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

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**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.