

Sosei Heptares Operational Highlights and Consolidated Results for Nine Months ended 30 September 2021

Tokyo, Japan and Cambridge, UK, 11 November 2021 – Sosei Group Corporation (“the Company”; TSE: 4565) provides an update on operational activities during the third quarter 2021 and reports its consolidated results for the nine months ended 30 September 2021. The full report can be found by [clicking here](#).

Shinichi Tamura, President and CEO of Sosei Heptares, commented: “The third quarter has been a period of continued progress. The fund raising that we completed successfully in July has put us in a strong financial position to drive forward our growth strategy. This has seen us focusing on advancing our inhouse and partnered programs, as well as enhancing our powerful platform for identifying and exploiting new druggable target opportunities, including applying AI-based approaches.

In addition, we continue to invest in our portfolio of muscarinic agonists for schizophrenia and other neurological disorders and engage with potential partners around re-licensing the rights to this exciting portfolio to accelerate its development.

As we approach the end of 2021, we can look back and be proud of the achievements we have made during the year and look forward to continued success in 2022.”

Operational Highlights for Q3 2021

- **¥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.
- **New strategic technology collaboration with InveniAI® for AI-driven drug discovery** – to identify new GPCR therapeutic targets for immune diseases using artificial intelligence and machine learning, and to apply structure-based drug design to generate novel compounds that could improve responses to existing immunotherapies.

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- **Advanced discussions ongoing with a leading global charitable foundation to secure grant funding to advance the SARS-CoV-2 Mpro inhibitor program** – targeting rapid development of a single agent without the need for co-dosing with other anti-viral therapies.

Financial Highlights for the Nine-month Period ended 30 September 2021

- Revenue totalled JPY 3,590 million (US\$33.0 million*), a decrease of JPY 853 million (US\$8.3 million) vs. the prior corresponding period. The decrease was due to the achievement of five milestone events in the current period generating JPY 882 million of revenue vs. one upfront fee and five milestone events in the prior corresponding period generating JPY 1,664 million of revenue. In addition, license revenue of JPY500m was reversed as a result of a payment relating to changes in pharmaceutical product distribution arrangements. However, JPY450 million of revenue relating to the changes in these arrangements will be recorded in the fourth quarter. These reductions are partially offset by an increase of JPY 686 million in the amount released from deferred revenue in the nine month period under review vs. the prior corresponding period. Royalties from Novartis were stable.
- Cash R&D expenses totalled JPY 4,010 million (US\$36.8 million), an increase of JPY 1,599 million (US\$14.4 million) vs. the prior corresponding period. The increase in R&D spend reflects higher activity levels on in-house program, participation in new co-development collaborations and the impact of a stronger GBP vs. JPY. The increase in R&D spend in 2021 was anticipated and management's latest forecast of total R&D cash expenses for the full year is in the range of JPY 5,000 to JPY 5,750 million (increased from previously guided range of JPY 4,000 to 5,000). The change to the guided range reflects increased investment in high-value in-house programs including the acceleration of development associated with the regained muscarinic agonist programs.
- Cash G&A expenses totalled JPY 1,832 million (US\$16.8 million), an increase of JPY 493 million (US\$4.4 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 2,658 million (US\$24.4 million), vs. a cash earnings of JPY 314 million (US\$2.9 million) in the prior corresponding period. The main reason for the cash earnings loss is that the decrease in revenue and the increase in Cash R&D and G&A expenses, as stated above.
- Operating loss totalled JPY 4,225 million (US\$38.8 million) vs. an operating loss of JPY 1,217 million (US\$11.3 million) in the prior corresponding period. The main reason for the

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increase in the operating loss is the reduction in revenue and increase in operating expenses.

- Net loss for the nine-month period ended 30 September 2021 totalled JPY 1,825 million (US\$16.8 million) vs. a loss for the prior corresponding period of JPY 1,642 million (US\$15.3 million). The main reason for the increase in net loss is the increase in the operating loss partially offset by the tax benefit.
- Cash and cash equivalents as at 30 September 2021 increased by JPY 9,833 million (US\$58.6 million) from the beginning of the year and amounted to JPY 49,841 million (US\$445.1 million).

**Convenience conversion to US\$ at the following rates: YTD 2021: 1US\$ =108.86 JPY; YTD 2020: 1US\$ =107.57 JPY, 31 Dec 2020: 1US\$ = 103.52 JPY; 30 Sept 2021: 1US\$ = 111.98 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, 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® 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.