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Sosei Heptares Operational Highlights and Consolidated Results for the Second Quarter and First Half of 2022

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

Chris Cargill, President and CEO of Sosei Heptares, commented: “The first half of 2022 has been an exciting period for Sosei Heptares. Our new leadership team has settled in quickly and is already making progress implementing important operational initiatives designed to build an agile, world-leading drug discovery and translational medicine capability and accelerate our transformation into a multi-program, early clinical-stage business.

“We continue to focus on bringing much-needed medicines to patients as fast and efficiently as possible, and to generate significant value for shareholders. We are doing this by augmenting the exceptional talent and expertise at the Company; collaborating with exciting new technology companies to enhance our ability to identify, validate and address new opportunities; and signing high-value discovery, development and commercialization partnerships with global leaders. We have made progress in all these areas during 2022.

“These achievements, including most recently our second deal with AbbVie and an important clinical milestone reached with Neurocrine, highlight the strengths of our business and our ability to deliver strong development candidates targeting key disease indications. This gives us great confidence for continued success in the future.”

Operational Highlights for H1 2022

- **New senior leadership team appointed to drive the Company through its next phase of evolution** – building on existing strengths with the aim of establishing an agile, best-in-class drug discovery and development organization.
- **Strategic collaboration with Weatherden to embed agile operating model and enhance discovery and translational medicine capabilities** – to accelerate the prioritization and progression of multiple pipeline programs through Phase 1b/2a trials to establish clinical proof-of-concept, a key milestone for value creation to support enhanced partnering and growth opportunities.
- **Expansion of UK R&D operations to a second site in Cambridge, UK** – driven by the Company’s growth and strategy to become a multi-program, early clinical stage business and a partner-of-choice for leading biopharmaceutical companies.

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- **New research collaboration with Verily** – to leverage the complementary capabilities of Verily’s immune profiling and Sosei Heptares’ GPCR-focused structure-based drug design (SBDD) to identify novel targets for drug discovery against immune-mediated diseases.

Post-period Events

- **New multi-target collaboration with AbbVie to discover, develop and commercialize novel medicines targeting neurological diseases** – second collaboration with AbbVie builds on existing partnership focused on inflammatory and autoimmune diseases. Sosei Heptares will conduct and fund R&D activities through the completion of Investigational New Drug (IND)-enabling studies. AbbVie has the exclusive option to license up to three programs at this stage and will have development and commercialization responsibility thereafter. Sosei Heptares will receive a US\$40 million upfront fee and is eligible to receive up to US\$40 million in near-term research milestone payments expected over the next three years, as well as further potential option, development and commercial milestones totalling up to US\$1.2 billion, plus tiered royalties on global sales.
- **Significant clinical milestone reached in multi-program muscarinic receptor agonist collaboration with Neurocrine Biosciences** – Neurocrine received IND approval from the US Food and Drug Administration (FDA) for, and confirmed its intent to begin, a Phase 2 clinical trial of NBI-1117568 (formerly HTL-0016878), an oral, selective M4 receptor agonist for the treatment of schizophrenia. The achievement of this milestone has triggered a US\$30 million payment to Sosei Heptares. Neurocrine intends to initiate this study in H2 2022.
- **Agreement with Cancer Research UK, the world’s largest private funder of cancer research, to advance novel immunotherapy candidate into clinical trials** – CRUK will sponsor, design and conduct a Phase 1/2a trial of HTL0039732, a novel selective EP4 antagonist designed by Sosei Heptares, with potential to treat a wide range of cancers in combination with other immunotherapies.

Financial Highlights for Six-month period ended 30 June 2022

- Revenue totalled JPY 2,457 million (US\$20.0 million*), a decrease of JPY 666 million (US\$8.9 million) vs. the prior corresponding period. Revenues related to milestones decreased primarily due to there being two milestone events in Q2 2022 vs. five milestone events in Q2 2021.
- R&D expenses totalled JPY 3,698 million (US\$30.1 million), an increase of JPY 1,100 million (US\$6.1 million) vs. the prior corresponding period. The increase is primarily due to increased investment in our in-house discovery and early development programs and the cost of a restructuring program designed to accelerate the development of medicines.
- G&A expenses totalled JPY 2,265 million (US\$18.4 million), an increase of JPY 331 million (US\$0.6 million) vs. the prior corresponding period. This was primarily due to the cost of a restructuring program designed to accelerate the development of medicines, cost inflation and the impact of the weaker Yen.

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- Operating loss totalled JPY 3,804 million (US\$31.0 million), vs. operating loss of JPY 1,849 million (US\$17.1 million) in the prior corresponding period. The main reason for the increase in the operating loss is the increase in operating expenses for the reasons stated above.
- Net loss for the 6-month period ended 30 June 2022 totalled JPY 3,538 million (US\$28.8 million) vs. net loss of JPY 2,297 million (US\$21.2 million) in the prior corresponding period. The main reason for the net loss is the increase in the operating loss as stated above.
- Core operating loss** totalled JPY 2,378 million (US\$19.4 million), vs. core operating loss of JPY 800 million (US\$7.4 million) in the prior corresponding period.
- Cash and cash equivalents as at 30 June 2022 decreased by JPY 6,431 million (US\$129.2 million) from the beginning of the year and amounted to JPY 53,656 million (US\$392.9 million).

**Convenience conversion to US\$ at the following rates: YTD 2022: 1US\$ =122.83 JPY; YTD 2021: 1US\$ =108.11 JPY, 31 Dec 2021: 1US\$ = 115.08 JPY; 30 Jun 2022: 1US\$ = 136.57 JPY*

*** Core operating profit / loss is an alternative performance measure which adjusts for material non-cash costs and one-off costs in order to provide insights into the recurring cash generation capability of the core business.*

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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, Genentech (Roche), GSK, Kallyope, 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/>

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

Enquiries:

Sosei Heptares – Media and Investor Relations

Hironoshin Nomura, Chief Financial Officer

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Shinichiro Nishishita, VP Investor Relations, Head of Regulatory Disclosures
Candelle Chong, SVP Investor Relations and Corporate Strategy

Japan: +81 (0)3 5210 3399 | *United Kingdom:* +44 (0)1223 949390 | IR@SoseiHeptares.com

MEDiSTRAVA Consulting (for International Media)

Mark Swallow, Frazer Hall, 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.