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To Shareholders:

TSE Securities Code: 4565
March 10, 2020

2-1 Kojimachi, Chiyoda-ku, Tokyo
Sosei Group Corporation
Chairman of the Board, Representative Executive Officer, Chairman, President and CEO
Shinichi Tamura

Notice of the 30th Ordinary General Meeting of Shareholders

Sosei Group Corporation (the Company) would like to inform you that the 30th Ordinary General Meeting of Shareholders of the Company (the "Meeting") will be held as follows, and would be grateful if you would attend the Meeting.

If you are unable to attend the Meeting, you may exercise your voting rights in writing or via the Internet. Please read the Reference Documents for the Meeting included in this document and exercise your rights by 5:00 p.m. on Tuesday, March 24, 2020.

Yours sincerely

Date and Time	Wednesday, March 25, 2020 at 10:00 a.m. (Reception start: 9:00 a.m.)
Venue	Fuji-No-Ma Hall, 4th Floor, Hotel Grand Arc Hanzomon 1-1, Hayabusa-cho, Chiyoda-ku, Tokyo, Japan Please refer to "Access to Meeting of Shareholders Venue" at the end.
Agenda	Matters to be reported: 1. Business Report, Consolidated Financial Statements, and Reports of Independent Auditor and the Audit Committee on the Consolidated Financial Statements for the 30th fiscal period (from January 1, 2019 to December 31, 2019) 2. Report on the Non-Consolidated Financial Statements for the 30th fiscal period (from January 1, 2019 to December 31, 2019) Matters to be resolved: Proposal - Election of Six (6) Directors
Matters relating to Internet Disclosure	(1) Of the documents that should be provided with this notice, the following matters are listed on the Company's Internet website in accordance with laws and regulations and Article 14 of the Articles of Incorporation of the Company and not provided with this notice. Therefore, the documents provided with this notice are only part of the documents over which the Audit Committee and Independent Auditor conducted an audit and prepared audit reports. 1) "Stock acquisition rights ("stock options"), etc." and "Systems for ensuring the appropriateness of operations and their operating status" in the business report 2) "Consolidated Statement of Changes in Equity" and "Notes to the Consolidated Financial Statements" in the consolidated financial statements 3) "Non-Consolidated Statement of Changes in Equity" and "Notes to the Non-Consolidated Financial Statements" in the non-consolidated financial statements (2) Should any revisions be made to the Reference Documents for the Meeting, Business Report, Non-Consolidated Financial Statements or Consolidated Financial Statements prior to the date of the Meeting, the Company will post a notice on its website set forth below. Website of the Company (https://www.soseiheptares.com/)

Exercise of Voting Rights

You may exercise your voting rights using one of the following three methods.

For those attending the Meeting in person

Please submit the Voting Form at the reception desk at the venue. (No seal is necessary.)
Date and Time: Wednesday, March 25, 2020 at 10:00 a.m. (Reception start: 9:00 a.m.)
Venue: Fuji-No-Ma Hall, 4th Floor, Hotel Grand Arc Hanzomon
1-1, Hayabusa-cho, Chiyoda-ku, Tokyo, Japan

Exercising voting rights by mail

Please indicate your approval or disapproval of each proposal on the enclosed Voting Form, and post it without affixing postage stamps.
Exercise due date: To be received no later than 5:00 p.m. on Tuesday, March 24, 2020

Exercising voting rights via the Internet

Please use a personal computer or smartphone to access the voting website designated by the Company. Please enter the "voting code" and "password" printed on the enclosed Voting Form, and exercise your voting rights by following the instructions displayed on the screen.
Exercise due date: No later than 5:00 p.m. on Tuesday, March 24, 2020

The Company designated voting website https://www.web54.net

You can connect to the voting website by using your smartphone.

<Smart Vote>

Smartphone users may log in to the voting website without entering the "voting code" and "password" by using a smartphone to scan the QR Code printed on the bottom right of the enclosed Voting Form. For details, please refer to the enclosed leaflet.

<Cautionary matters>

- Each shareholder shall bear any fees for accessing the voting website (Internet connection fees, communications fees, etc.).
- If you exercise voting rights multiple times via the Internet, the final vote cast will be regarded as the effective vote.
- If you exercise voting rights redundantly in writing (by mail) and via the Internet, the votes cast via the Internet will be regarded as the effective votes.

Inquiries related to exercise of voting rights via the Internet

The Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support Helpline
Telephone: 0120-652-031 (toll-free in Japan only; hours: 9:00 a.m. to 9:00 p.m.)

To institutional investors

You may use the Electronic Voting Platform operated by ICJ Inc., as a method of exercising your voting rights.

Proposal　Election of Six (6) Directors

The term of office of all six Directors currently in office will expire upon conclusion of the Meeting. Accordingly, the election of six Directors, including one new Director, shall be proposed. The proposal is presented based on a decision by the Nomination Committee.
The candidates are as shown below.

Candidate No.	Name	Current positions and responsibilities at the Company	Attribute	Number of times attended Board of Directors Meetings
1	Shinichi Tamura	Chairman of the Board, Representative Executive Officer, Chairman, President and CEO Chair of the Nomination Committee, Member of the Compensation Committee	Re-appointed	21/23 times
2	Tomohiro Tohyama	External Director, Chair of the Audit Committee, Member of the Compensation Committee	Re-appointed, External	23/23 times
3	Kuniaki Kaga	External Director, Member of the Nomination Committee, Member of the Audit Committee	Re-appointed, External, Ind	22/23 times
4	David Roblin	External Director, Member of the Nomination Committee, Member of the Compensation Committee	Re-appointed, External, Ind	20/23 times
5	Noriaki Nagai	External Director, Member of the Audit Committee	Re-appointed, External, Ind	18/18 times
6	Rolf Soderstrom	–	Newly appointed, External, Ind	–

Reappointed	Candidate as Reappointed Director
Newly appointed	Candidate as Newly appointed Director
External	Candidate as External Director
Ind	Independent Director designated in accordance with the listing regulations of stock exchanges

Notes 1. There is no special conflict of interests between the Director candidates and the Company.

2. Mr. Tomohiro Tohyama, Mr. Kuniaki Kaga, Dr. David Roblin, Mr. Noriaki Nagai, and Mr. Rolf Soderstrom are candidates for External Directors.

3. Summary of liability limitation agreements with the candidates

   In accordance with Article 427, Paragraph 1 of the Companies Act, the Company entered into an agreement that limits liability for damages under Article 423, Paragraph 1 of the said Act with each of Mr. Tomohiro Tohyama, Mr. Kuniaki Kaga, Dr. David Roblin, and Mr. Noriaki Nagai. The limit on the liability for damages under the agreements is the minimum amount of liability stipulated in Article 425, Paragraph 1 of the Companies Act.

4. If this proposal is approved at the Meeting, the Company intends to continue the liability limitation agreements with Mr. Tomohiro Tohyama, Mr. Kuniaki Kaga, Dr. David Roblin, and Mr. Noriaki Nagai stated in 3. above and to conclude a liability limitation agreement equivalent to the agreements stated in 3. above with Mr. Rolf Soderstrom.

5. Mr. Noriaki Nagai was elected Director at the 29th Ordinary General Meeting of Shareholders held on March 27, 2019, and accordingly, the number of times he attended meetings of the Board of Directors since his assumption of office is as stated above.

6. The Company has notified Tokyo Stock Exchange, Inc. (hereinafter referred to as the “Tokyo Stock Exchange”) of Mr. Kuniaki Kaga, Dr. David Roblin, and Mr. Noriaki Nagai as Independent Directors in accordance with the regulations of the same Exchange.

7. If this proposal is approved at the Meeting, the Company intends to notify the Tokyo Stock Exchange of the designation of Mr. Rolf Soderstrom as an Independent Director in accordance with the regulations of the same Exchange.

Candidate No.

1

Shinichi Tamura

(Born 9/17/1949, Male)

No. of shares owned:	1,141,362
Term of office as Board Director:	30 years
Attendance at Board Meetings:	21/23 times

Reappointed

[Career summary, and positions and responsibilities at the Company]

Apr. 1978	Joined Fujisawa Pharmaceutical Co., Ltd. (current Astellas Pharma Inc.)
Feb. 1987	Joined Genentech Inc.
Jul. 1989	Representative Director & President, Genentech Limited
Jun. 1990	Representative Director & CEO of the Company
Jun. 2005	Board Director, Representative Executive Officer and President, CEO of the Company
Mar. 2012	Managing Director, Sosei R&D Ltd.
Jun. 2016	Chairman of the Board of the Company (to the present) Representative Executive Officer and Executive Chairman of the Company
Jan. 2019	Representative Executive Officer, Chairman, President and CEO of the Company (to the present)

<Committee membership>
Chair of the Nomination Committee; Member of the Compensation Committee

[Significant concurrent posts]
N/A

Reason for selection of the candidate as Director

Mr. Shinichi Tamura is the founder of the Company. Experienced in business management in the pharmaceutical industry, he has led the Company's business expansion. To ensure that the Company's business will continue to develop, the re-election of Mr. Tamura as a Director shall be proposed.

Candidate No.

2

Tomohiro Tohyama

(Born 2/21/1950, Male)

No. of shares owned:	5,726
Term of office as External Director:	9 years
Attendance at Board Meetings:	23/23 times

Reappointed

External

[Career summary, and positions and responsibilities at the Company]

Apr. 1978	Entered Legal Training and Research Institute, Supreme Court of Japan
Apr. 1980	Registered with Dai-ichi Tokyo Bar Association Joined Nishimura & Sanada Law Office
May 1984	Mason & Sloane LLP., USA
Feb. 1985	Pollock, Bloom & Dekom, USA
Jun. 1985	Pryor, Cashman, Sherman & Flynn, USA
Aug. 1985	Returned to Nishimura & Sanada Law Office as a partner
Oct. 1990	Partner at TMI Associates (to the present)
Nov. 1999	Outside Corporate Auditor, Nippon Shikizai, Inc.
Jun. 2010	External Director, Avex Group Holdings Inc.
Jun. 2011	External Director of the Company (to the present)
May 2016	External Director, Member of the Audit and Supervisory Committee, Nippon Shikizai, Inc. (to the present)
May 2016	External Director, Trust Capital Co., Ltd. (to the present)
Jun. 2016	External Audit and Supervisory Board Member, WOWOW Inc. (to the present)

<Committee membership>
Chair of the Audit Committee; Member of the Compensation Committee

[Significant concurrent posts]
Partner at TMI Associates
External Director and Audit and Supervisory Committee Member of Nippon Shikizai, Inc.
External Director, Trust Capital Co., Ltd.
External Audit and Supervisory Board Member, WOWOW Inc.

Reason for selection of the candidate as External Director

Mr. Tomohiro Tohyama has extensive experience and expertise in international corporate legal affairs as a partner at a major law firm in Japan. Whilst he has not previously held a corporate management role, he has acted as an External Director and Corporate Auditor, and therefore the Company believes that by leveraging his deep expertise and experience and receiving views and opinions on the Company's overall management from this specialized perspective, the Company will be able to further strengthen the management and governance structures and so proposes his reappointment as an External Director.

Candidate No.

3

Kuniaki Kaga

(Born 9/1/1951, Male)

No. of shares owned:	5,088
Term of office as External Director:	2 years
Attendance at Board Meetings:	22/23 times

Reappointed

External

Independent

[Career summary, and positions and responsibilities at the Company]

Apr. 1975	Joined Mitsubishi Kasei Kogyo Kabushiki Kaisha (current Mitsubishi Chemical Corporation)
Jun. 2004	Deputy Director, Head of Healthcare Planning Department, Mitsubishi Chemical Corporation
Oct. 2005	Deputy Director, Mitsubishi Chemical Holdings Corporation Head of Healthcare Strategy Office
Jun. 2006	Executive Officer and Head of Healthcare Strategy Office, Mitsubishi Chemical Holdings Corporation Executive Officer, Head of Healthcare Business Domain, and General Manager of Healthcare Planning Office, Healthcare Business Domain, Mitsubishi Chemical Corporation
Jun. 2009	Board Director, Mitsubishi Tanabe Pharma Corporation
Jun. 2010	Representative Director, Managing Executive Officer, General Manager of International Business Department, Mitsubishi Tanabe Pharma Corporation
Apr. 2012	Representative Director, Senior Managing Executive Officer, General Manager of Research Division and International Business Department, Mitsubishi Tanabe Pharma Corporation
Apr. 2014	President and Representative Director, Life Science Institute, Inc. Board Director, Mitsubishi Tanabe Pharma Corporation Board Director, The KAITEKI Institute, Inc.
Feb. 2015	President and Representative Director, The KAITEKI Institute, Inc.
Apr. 2018	Advisor, Mitsubishi Chemical Corporation (to the present)
Jun. 2018	External Director of the Company (to the present)

<Committee membership>
Member of the Nomination Committee; Member of the Audit Committee

[Significant concurrent posts]
Advisor, Mitsubishi Chemical Corporation

Reason for selection of the candidate as External Director

Mr. Kuniaki Kaga has held several important senior positions at leading pharmaceutical companies in Japan. The Company believes that he will leverage his extensive experience and specialized knowledge to advise the Company on overall management to further strengthen the supervision of the Company's overall management system and so proposes his reappointment as External Director.

Candidate No.

4

David Roblin

(Born 9/25/1966, Male)

No. of shares owned:	88
Term of office as External Director:	2 years
Attendance at Board Meetings:	20/23 times

Reappointed

External

Independent

[Career summary, and positions and responsibilities at the Company]

Apr. 1991	Medical practice at St George's and St Bartholomew's Hospital, London
Apr. 1997	Head of Therapy Area for Anti-Infectives, Bayer Pharma AG
Dec. 2008	Senior Vice President, Head of Research, Site Head, Chief Medical Officer (CMO), Europe R&D, Pfizer Inc.
Apr. 2011	CMO, Creabilis SA
Sep. 2013	Honorary Professor, Swansea University, School of Medicine (to the present)
Jun. 2015	Honorary Professor of Translational Medicine, St George's Hospital Medical School (to the present)
Feb. 2017	Chairman of Scientific Translation, The Francis Crick Institute (to the present)
Feb. 2017	COO and President of R&D, Summit Therapeutics plc
Apr. 2017	Elected Fellow of Academy of Medical Sciences (to the present)
May 2017	CMO, Summit Therapeutics plc
Jun. 2018	External Director of the Company (to the present)

<Committee membership>
Member of the Nomination Committee; Member of the Compensation Committee

[Significant concurrent posts]
Honorary Professor, Swansea University, School of Medicine
Honorary Professor of Translational Medicine, St George's Hospital Medical School
Chairman of Scientific Translation, The Francis Crick Institute
Elected Fellow of Academy of Medical Sciences

Reason for selection of the candidate as External Director

Dr. David Roblin gained clinical experience as a physician, and later followed with a distinguished career in the pharmaceutical industry, most notably as SVP and Head of R&D in Europe for a major pharmaceutical company. The Company believes that he will leverage his extensive experience and specialized knowledge to advise the Company on its R&D pipeline and further strengthen the supervision of the Company's business management and so proposes his reappointment as External Director.

Candidate No.

5

Noriaki Nagai

(Born 12/1/1957, Male)

No. of shares owned:	-
Term of office as External Director:	1 year
Attendance at Board Meetings:	18/18 times

Reappointed

External

Independent

[Career summary, and positions and responsibilities at the Company]

Apr. 1981	Joined Nomura Securities, Co., Ltd. (NSC)
Sep. 1998	Managing Director, Head of European Administration Division of Nomura International plc, London
Jun. 2000	General Manager, Legal Dept., NSC
Apr. 2006	Member of Board of Executive Officers, Head of Corporate Planning and Legal Dept., Nomura Holdings, Inc. (NHI) and NSC
Apr. 2010	Executive Managing Director, NSC
Apr. 2011	Chief Legal Officer, Senior Corporate Managing Director, NHI Senior Corporate Managing Director, NSC
Jun. 2013	External Director, Japan Securities Depository Center, Inc.
Jun. 2013	External Director, Japan Securities Clearing Corporation
Apr. 2014	Deputy Chief of Staff and Chief Legal Officer, Senior Corporate Managing Director, NHI and NSC
Apr. 2015	Professor of Law, Doshisha University (to the present)
Mar. 2019	External Director of the Company (to the present)

<Committee membership>
Member of the Audit Committee

[Significant concurrent posts]
Professor of Law, Doshisha University

Reason for selection of the candidate as External Director

After having held several important senior positions at a corporate division of a major securities company, Mr. Nagai is a university professor at the faculty of law. The Company believes that by leveraging his extensive experience and specialized knowledge and receiving views and opinions on the Company's overall management, the Company will be able to further strengthen the management and governance structures and so proposes his reappointment as an External Director.

Candidate No.

6

Rolf Soderstrom

(Born 7/29/1965, Male)

No. of shares owned: -
Term of office as External Director: - years
Attendance at Board Meetings: - times

Newly appointed
External
Independent

[Career summary, and positions and responsibilities at the Company]

Jan. 1988	PricewaterhouseCoopers
Dec. 2000	Corporate Finance Director, Cable & Wireless plc
Jun. 2002	External Director, MobileOne Ltd. (current M1 Ltd.)
Jun. 2004	Divisional Finance Director, Cobham plc
Aug. 2007	Chief Financial Officer, Protherics plc (current BTG plc)
Jul. 2019	External Director, Ergomed plc (to the present)

[Significant concurrent posts]
External Director, Ergomed plc

Reason for selection of the candidate as External Director

Being a Chartered Certified Accountant, and having been involved in M&A, risk management and governance as a corporate leader in the field of finance at companies in Europe, North America, Asia, etc., Mr. Rolf Soderstrom has accumulated broad experience from a global standpoint, and he boasts a lasting track record. The Company believes that by leveraging his extensive experience and knowledge and by receiving reviews and opinions as a finance expert on the management of the Company based on the companies he has been involved in, he will be able to further strengthen the management of the Company and so proposes his new appointment as an External Director.

1 Current State of the Corporate Group

(1) Progress and Results of Operations

1) Group Outlook

The Group is a science and technology-led company, specializing in drug discovery and early-stage drug development. Our mission is to make a significant contribution to improving health and the quality of life of people around the world. Our vision is to become one of Japan's global biotechnology champions.

During the 12 month period ended December 31, 2019, the Group continued to advance its proprietary StaR® ("stabilized receptor") technology, Structure-based Drug Design ("SBDD") platform, and drug discovery and early-stage development pipeline.

We continued to make excellent progress in strengthening our wider business and remain well-positioned to capitalize on a number of strategic opportunities.

Our balanced business model progressed across all areas; (i) existing partnerships with major global pharmaceutical companies, (ii) new and existing collaborations in R&D with innovative technology companies and venture funds, and (iii) in-house drug discovery and early-stage development of new candidates for future high value partnerships.

As of December 31, 2019, the Group had 15 programs ongoing in discovery, with seven in preclinical development, and nine currently in clinical trials.

Our exisiting partnerships with major pharmaceutical companies continue to progress very well. The Group achieved significant milestones, with its lead partnered program entering a Phase 2 clinical study with AstraZeneca UK Limited ("AstraZeneca"), as well as its strategic multi-target drug discovery collaboration with Pfizer Inc. ("Pfizer") nominating three new drug candidates to advance into preclinical development, with one of these drug candidates subsequently entering into a Phase 1 clinical trial by year end. Furthermore, in the third quarter the Group entered into two new strategic partnerships with Genentech Inc. ("Genentech") and Takeda Pharmaceutical Company Limited ("Takeda") respectively, with both of these new strategic partnerships progressing well.

In the area of collaborations with innovative technology companies and venture funds, the Group continued to make significant progress with its partners and announced a new R&D collaboration with venture fund Medicxi relating to its orexin agonist program.

In the area of in-house drug discovery and early-stage development of new candidates for future high value partnerships, the Group continued to make the necessary investments in its pipeline, as we advance multiple discovery candidates through and into early-stage development. A first healthy subject was dosed with the novel small molecule HTL0030310 in a Phase 1 clinical study, marking the start of a new in-house clinical program targeting endocrine disorders, including Cushing's disease.

We will continue to promote growth in our platform technology, discovery and early-stage development businesses. We are making investments to enhance our capabilities in drug discovery and early-stage development, and to drive further improvements to our industry-leading rates of productivity. These investments will support growth across the business, as we focus on executing on existing partnered projects, as well as winning new high-value collaborations with world-leading partners. At the same time, we will continue to strongly manage costs and remain flexible to all value creating opportunities.

The Company and the Group changed their fiscal year ends from March 31 to December 31 at the 28th Ordinary General Meeting of Shareholders. The fiscal period ended December 31, 2018 was a transitional one-time only nine-month period from April 1 to December 31, 2018. The comparative figures in the following commentary are provided on a pro forma calendar year basis to enable year-on-year performance comparison.

Financial results for the year ended December 31, 2019 were revenue of 9,726 million yen (an increase of 6,176 million yen vs. the prior year), operating profit of 384 million yen (an increase of 8,315 million yen vs. the prior year) and net profit of 1,432 million yen (an increase of 8,351 million yen vs. the prior year).

		The 29th Term April 1, 2018 - December 31, 2018	***Reference purpose only*** January 1, 2018 - December 31, 2018	The 30th Term January 1, 2019 - December 31, 2019	***Reference purpose only*** vs. the prior year	
		Value	Value	Value	Value	Rate of change
Revenue	(JPY millions)	2,872	3,550	9,726	6,176	174.0%
Operating profit (loss)	(JPY millions)	(5,734)	(7,931)	384	8,315	-
Net profit (loss)	(JPY millions)	(5,978)	(6,919)	1,432	8,351	-
Net earnings (loss) per share - basic	(Yen)	(78.40)	(90.75)	18.70	109.45	-

(Note)1. The Company and the Group changed the end of the fiscal year from March 31 to December 31 at the 28th ordinary general meeting of shareholders and it will continue to have a December fiscal year end. The 29th term is a nine-month irregular term.

2. Effective July 1, 2018, the Company executed a stock split at a ratio of 4 shares per common share. Net profit (loss) per share has been calculated as if the stock split had occurred on January 1, 2018.

The principal management indicators are as follows.

Revenue

Revenue in the year under review totaled JPY 9,726 million (an increase of JPY 6,176 million vs. the prior year).

Revenue related to milestones and upfront fees in the year under review totaled JPY 6,013 million (an increase of JPY 5,616 million vs. the prior year). The increase was due to the occurrence of milestone events in the year under review plus the commencement of new collaborations with Medicxi, Genentech and Takeda. Milestone income included a US$15m receipt from AstraZeneca, receipts totaling US$14m from Pfizer, and receipts from Novartis and FUJIFILM. The prior year did not contain any upfront payments related to new partnerships, or major milestone payments from existing discovery and development partnerships. The Group classifies a “major” milestone payment as any single payment greater than or equal to approximately USD 5 million.

Revenue related to royalties in the year under review totaled JPY 2,406 million (a decrease of JPY 206 million vs. the prior year). The majority of the Group’s royalty revenue relates to sales of Ultibro® Breezhaler® and Seebri® Breezhaler® by Novartis. Total sales of Ultibro® Breezhaler® and

Seebri® Breezhaler® in the the year under review were USD 548 million (-9% vs. the prior year).

Ultibro® Breezhaler® remains the number one LABA/LAMA across Europe. In March 2019, Ultibro® Breezhaler® and Seebri® Breezhaler® was launched by Novartis in China for the treatment of chronic obstructive pulmonary disease (COPD). In November 2019, Ultibro® Breezhaler® was included in the 2019 National Reimbursement Drug List (NRDL) in China for the treatment of COPD.

Furthermore, QVM149, a new inhaled LABA/LAMA/ICS therapy for the treatment of Asthma, containing the Group's out-licensed compound glycopyrronium bromide, was submitted for registration in Europe in May 2019 and in Japan in Q3 2019. The Group is eligible to receive further royalties on net sales of this product once commercialized.

(Note) Ultibro® Breezhaler® (EU) / Ultibro® Inhalation Capsules (Japan) and Seebri® Breezhaler® 50mcg (EU) /Seebri® Inhalation Capsules 50 mcg (Japan) are the registered trademarks of Novartis.

Cost of sales

Cost of sales in the year under review totaled JPY 851 million (an increase of JPY 359 million vs. the prior year). Cost of sales comprises: (i) the fully loaded cost of those employees providing research and development services to specific customers under contracts (including other costs directly associated with these activities such as lab consumables and an allocated share of depreciation of lab equipment) and (ii) the costs directly associated with ORAVI® product supply which launched in February 2019.

Research and development cash expenses

Cash research and development ("R&D") expenses in the year under review totaled JPY 3,937 million yen (a decrease of JPY 2,550 million vs. the prior year). The decrease in R&D spend primarily related to the voluntary suspension of the Phase 2a MATILDA study for DLB patients in Japan, and the result of a more focused approach to in-house drug discovery. In the year under review, 96 % of R&D spend related to our UK operations.

General and administrative cash expenses

Cash general and administrative ("G&A") expenses in the year under review totaled JPY 2,164 million (a decrease of JPY 315 million vs. the prior year). This decrease was primarily due to tight management of costs.

Non-cash expenses

Non-cash expenses consist of depreciation on property, plant and equipment, amortization of intangible assets, and stock-based compensation expenses. Non-cash expenses in the year under review were JPY 1,805 million (an increase of JPY 92 million vs. the prior year). Depreciation amounted to JPY 412 million (an increase of JPY 153 million vs. the prior year) due to the Group's investment in its state-of-the-art R&D facility in the UK which opened in August 2018 plus the impact of a change in accounting for lease property costs. Amortization for the year

under review totaled JPY 1,009 million (an increase of JPY 137 million vs. the prior year). The stock-based compensation expense for the year was JPY 384 million (a decrease of JPY 198 million vs. the prior year). During the year under review, a new long-term incentive plan was approved which awards restricted stock units and performance share units to eligible employees.

Other net income (expenses)

Other net expenses totaled JPY 585 million, an increase of JPY 275 million vs. the prior year. This was due to a JPY 606 million intangible asset impairment charge associated with a reduction in ORAVI® sales and profitability forecasts vs. a JPY 515 million impairment charge in the prior year related to development programs recognised as intangible assets at the time of the acquisition of Heptares Therapeutics Ltd. that were subsequently discontinued. In addition, there was a reduction in grant income vs. the prior year.

Operating profit

Operating profit in the year under review totaled JPY 384 million (an increase of JPY 8,315 million vs. the year). The main reason for the improvement in operating profit was due to the increase in revenue (for the reasons stated above), and the decrease in R&D expense (for the reasons stated above) during the year under review vs. the prior year.

Net finance income (costs)

Net finance income in the year under review totaled JPY 331 million (an increase of JPY 811 million vs. the prior year). The increase was primarily due to a loss of JPY 1,121 million recorded in the prior year arising from the Group's decision not to exercise its option to acquire more shares in its affiliate MiNA (Holdings) Limited.

Net profit

The net profit in the year under review totaled JPY 1,432 million (an increase of JPY 8,351 million vs. the prior year). The main reason for the net profit was due to the increase in revenue (for the reasons stated above) and the decrease in R&D expense (for the reasons stated above) during the year under review vs. the prior year.

2) Capital Expenditures

There were no significant capital expenditures during this fiscal year.

3) Significant Organizational Restructuring, etc.

Not applicable.

4) Financing

The Company repaid all borrowings from Mizuho Bank, Ltd. and 5 other financial institutions participating in the syndicated loan in this fiscal year and entered into a (JPY 5,000 million) commitment line contract with Mizuho Bank and 3 other financial institutions in order to finance working capital more efficiently.

(2) Assets and Profit/Loss in the previous three fiscal years

Item		The 27th Term As of March 31, 2017	The 28th Term As of March 31, 2018	The 29th Term As of December 31, 2018	The 30th Term (current term) As of December 31, 2019
Revenue	(JPY millions)	18,901	6,955	2,872	9,726
Operating profit or (loss)	(JPY millions)	12,389	(2,291)	(5,734)	384
Net profit or (loss)	(JPY millions)	9,152	(2,654)	(5,978)	1,432
Net earnings or (loss) per share - basic	(Yen)	137.80	(37.55)	(78.40)	18.70
Total assets	(JPY millions)	48,087	69,486	58,987	56,680
Total equity	(JPY millions)	28,359	48,886	41,580	45,078

(Note)1. The Company changed the end of the fiscal year from March 31 to December 31 at the 28th ordinary general meeting of shareholders and it will continue to have a December fiscal year end. The 29th term is a nine-month irregular term.

2. Effective July 1, 2018, the Company executed a stock split at a ratio of 4 shares per common share. Earnings per share have been calculated as if the stock split had occurred at the beginning of the 27th consolidated fiscal year.

(3) Issues to be addressed

1) Business advancement and strategy

The Group is focused on expanding its leadership position in its chosen technologies and platforms, to enable novel drug discovery and early-stage development – its core competencies.

The Group has a clear strategic focus on licensing drug candidates and programs to partners from its drug discovery and early-stage development activities; however, the Group also engages in limited in-house discovery and early-stage development (in order to initiate such licensed partnerships with large pharma and biotech). Late-stage clinical development programs are currently only undertaken if a partner funds the development costs and the risk. The Group also participates in long term venture-style investments.

Strategic objectives of the Group are as follows and the Group will continue to invest in its technologies, platform and capabilities to maintain its leading position as a drug discovery and early-stage development business.

- Maintain technology and platform leadership in our chosen field
- Enter into new high-value discovery and/or early-stage development partnerships with pharma/biotech
- Achieve important milestones on existing partnered programs
- Seed multiple new in-house novel discovery candidates for potential future partnering
- Advance selected in-house programs in early-stage clinical studies
- Create new long-term asset-centric companies backed by venture capital

2) Risk recognition

The Group is exposed to a range of risks consistent with the industry in which it operates. The business, financial condition and results of the Group may be adversely impacted by any of these risks. The Group has summarized the most important risks into the following categories: industry; commercial; strategic; financial; legal and compliance and takes necessary measures to deal with the risks.

INDUSTRY RISKS

Risks inherent to drug discovery and early-stage development

The Group's business strategy is focused on drug discovery and early-stage development. The Group has established a strong platform of technologies and tools, as well as skillful employees to seamlessly manage its discovery and early-stage development capabilities, and we work closely with our partners to ensure success on all high value partnered programs and long-term ventures. However, there are increasing challenges for the industry which generally includes productivity, complexity and cost of research and development, innovative developments, changing relationships due to rapid consolidation in the industry, patent expirations, and regulatory changes. Large pharma and biotech regularly re-assess their business strategies to remain competitive in the industry. Drug discovery and early-stage development always carries inherent risk. There is no guarantee that the Group, together with its partners will successfully develop and commercialize potential drugs. It is possible economic returns may not be achieved, or an impairment to the carrying value of intangible assets may be required and that may impact the Group's statement of financial performance and financial position. It is also possible that the Group could incur liabilities resulting from its research, discovery or early-stage development activities, and therefore the Group is covered by liability insurance to help mitigate these risks.

COMMERCIAL RISKS

The Group continues to be engaged in multiple active drug discovery and early-stage development programs that it intends to license to large pharma or biotech for clinical development and commercialisation, however the Group may not be able to achieve this goal. Additionally, the commercial environment for licensing might change during the lifetime of individual projects. The actual timing and commercial values of individual projects, or the financial proceeds from licensed partnering programs can change significantly from initial estimates.

The Group's reliance on partners is subject to additional risks. For example, the Group's partners may not devote sufficient time and resources to the Group's future products or may not pursue further development and commercialisation of the products resulting from the partnership.

We mitigate these risks by ensuring strong cost management, continued investment in our capabilities and technologies to ensure we remain relevant, partnership diversification and continued execution of new high value partnered projects.

STRATEGIC RISKS

Execution of business strategy

The Group continues to focus its in-house activities on leveraging its platform to create drug candidates, adding to its broad pipeline with the aim of achieving important value inflection points that will enable new partnering deals. It is possible that capital might be allocated to the development of unsuccessful drug candidates, or failed technologies.

Risks from investment strategy

In the past, the Group has made equity investments in companies with highly promising yet unproven technologies. These investments may enable the Group to accelerate its business model as they provide a beneficial risk-reward profile through to a significant value inflection. However, unproven technologies also carry the risk of failure which may lead to impairment of the intangible asset which may impact the Group's statement of financial performance and financial position. To mitigate this risk, the Board of Directors is responsible for signing off on strategic investments, and where possible we seek to include contingent option structures into deals so that we do not put excessive capital at risk.

FINANCIAL RISKS

The Groups financial risk management focuses on liquidity and currency risks.

Liquidity risks

Revenue timing, external events and changes in the business environment might negatively impact the Group's profitability and cash. The Group is currently well-financed and able to deal with these risks. To mitigate this risk, the Group regularly reviews options for capital increases and for the use of other refinancing tools and in 2019 the Group fully repaid its long-term debt and established a new commitment line to enhance liquidity.

Currency risks

The Group is impacted by fluctuations in foreign exchange rates mainly between the Japanese Yen, Pound Sterling, and US Dollar. The Group mitigates this exposure via close monitoring to manage the Group's current and upcoming currency requirements and reduce exchange rate risks.

LEGAL & COMPLIANCE RISKS

The Group operates in a global industry where legal compliance, contractual agreements and intellectual property rights are of significant importance. Moreover, there is a trend towards greater regulatory compliance in the pharma industry. The Group ensures regulatory as well as internal compliance and employees are obliged to immediately report any incidents they suspect of having reached regulations to their manager or to the Group's Chief Compliance Officer.

3) Value creation

The industry is in a state of restructuring due to numerous pressures faced by large companies, such as patent expiries, higher burden of approval, and ever-increasing costs. This has led to a reduction in the number of research-based businesses taking the full financial and commercial risk of drug development. New strategies across the industry are focused on securing external innovation in an efficient way. Furthermore, ageing populations in many developed countries are driving the need for differentiated and better treatments. As a result, large pharma and biotech companies are increasingly looking to find innovative solutions to their R&D problems, largely by executing collaborations across research, discovery and development activities with junior technology-led companies. The Group is well positioned to take advantage of this trend. The Group regularly identifies and evaluates opportunities for business expansion and value creation and is pursuing a business model to secure new business and create commercial opportunities.

4) Corporate Governance

The Group has business activities in multiple jurisdictions and takes corporate governance very seriously. The Group is continuously evaluating ways to enhance its systems and processes, to ensure it strictly complies with all national regulations. Furthermore, the Group will continue to promote a corporate culture that is committed to the highest standards of openness, integrity and accountability.

The Group's Board of Directors is responsible for overseeing management and conducting risk management and compliance activities to maintain standards and accountability and the majority of members are independent external directors. Executive Officers work closely with the Board of Directors to achieve long-term and sustainable growth for the Company and to create shareholder value. They approve the Company's strategy and significant business transactions.

(4) Main Business Activities (as of December 31, 2019)

The Group's main business is the research, development and sale of pharmaceutical products.
The Group companies are engaged in the following business activities.

Company Name	Business Description
Sosei Group Corporation	Responsible for setting the strategy of Sosei Group, and performing centralized administrative activities on behalf of group companies
Sosei Co. Ltd.	Research and development, sales of pharmaceutical drugs
Sosei CVC Ltd.	Management of regenerative medicine funds
Sosei RMF1 Limited Partnership for Investment	Investment in regenerative medicine bio-venture companies
Heptares Therapeutics Ltd.	Structural analysis of GPCRs, generation of initial lead compounds, discovery of drug candidates through proprietary StaR® technology

(Note) On January 1, 2019, Sosei Corporate Venture Capital Ltd. changed its name to Sosei CVC Ltd.

(5) Principal Parent Company and Subsidiaries (as of December 31, 2019)

1) Parent company

Not applicable.

2) Subsidiaries

Company Name	Capital	Ratio of Voting	Key Business
Sosei Co. Ltd.	¥90 million	100.0%	Research and development, sales of pharmaceutical drugs
Heptares Therapeutics Ltd.	GBP 416 thousand	100.0%	Structural analysis of GPCRs, generation of initial lead compounds, discovery of drug candidates through proprietary StaR® technology
Sosei CVC Ltd.	¥35 million	90.0%	Operation of regenerative medicine funds

(Notes) 1. On January 1, 2019, Sosei Corporate Venture Capital Ltd. changed its name to Sosei CVC Ltd.
2. There were no specified wholly owned subsidiaries as of the end of the fiscal period under review.

3) Other significant information

Not applicable.

(6) Main Offices and Factories (as of December 31, 2019)

1) Main Sites of the Company

Office	Location
Head Office	Chiyoda-ku, Tokyo
London Office	London, UK

2) Main Sites of Subsidiaries

Office	Location
Sosei Co. Ltd.	Chiyoda-ku, Tokyo
Sosei CVC Ltd.	Chiyoda-ku, Tokyo
Heptares Therapeutics Ltd.	Cambridge, UK

(Notes) On January 1, 2019, Sosei Corporate Venture Capital Ltd. changed its name to Sosei CVC Ltd.

(7) Employee Information (as of December 31, 2019)

1) Group Employees

Business Segment	Number of Employees	Change from the End of the Previous Fiscal Year
Pharmaceutical business	144 (9.5)	-6
Company-wide (shared)	19 (1.7)	Unchanged
Total	163 (11.2)	-6

(Note) The number of employees is the number of people employed full-time and does not include the number of temporary employees, which is listed in parentheses as the average for the year.

2) Company Employees

Number of Employees	Change from the End of the Previous Fiscal Year	Average Age	Average Service Years
19 (1.7)	Unchanged	46.7 years old	2.9 years

(Note) The number of employees is the number of people employed full-time and does not include the number of temporary employees, which is listed in parentheses as the average for the year.

(8) Principal Lenders (as of December 31, 2019)

Not applicable.

The Company in this fiscal year entered into a (JPY 5,000 million) commitment line contract with Mizuho Bank, Ltd. and 3 other financial institutions in order to finance working capital more efficiently. The Company had no outstanding borrowings related to the commitment line contract at the end of this fiscal year.

(9) Other Significant Matters on the Current Status of the Group

Not applicable.

2 Current Status of the Company

(1) State of Shares (as of December 31, 2019)

1) Total number of authorized shares 149,376,000 shares

2) Total number of outstanding shares 77,073,136 shares

(Note): Total number of outstanding shares increased as follows during the fiscal period 2019.
- New shares issued by exercise of stock acquisition rights: 771,200 shares

3) Number of shares constituting one unit 100 shares

4) Number of shareholders 31,165

5) Major shareholders (Top 10)

Shareholder's Name	Shareholdings (shares)	Ownership Stake
Daisuke Gomi	6,270,000	8.14%
SBI SECURITIES Co., Ltd.	2,637,144	3.42%
Japan Trustee Services Bank, Ltd. (trust account 9)	2,269,794	2.94%
TAIYO FUND, L.P.	2,215,000	2.87%
Pfizer Pharmaceuticals K.K.	1,885,136	2.45%
TAIYO HANEI FUND, L.P.	1,545,800	2.01%
The Master Trust Bank of Japan, Ltd. (trust account)	1,255,996	1.63%
Shinichi Tamura	1,136,400	1.47%
STATE STREET BANK AND TRUST COMPANY 505227	1,015,800	1.32%
Japan Trustee Services Bank, Ltd. (trust account)	778,700	1.01%

(Notes) 1. Ownership stakes have been rounded off to two decimal places.
2. Ownership stakes are calculated deducting 213 treasury shares which the Company owns.

(2) Directors and executive officers (as of December 31, 2019)

1) Directors

Title	Name	Responsibility	Significant Concurrent Posts
Chairman of the Board	Shinichi Tamura	Chair of Nomination Committee Member of Compensation Committee	–
Director	* Tomohiro Tohyama	Chair of Audit Committee Member of Compensation Committee	Partner at TMI Associates External Director and Audit and Supervisory Committee Member of Nippon Shikizai, Inc. External Director, Trust Capital Co., Ltd. External Audit and Supervisory Board Member, WOWOW Inc.
Director	* Julia Gregory	Chair of Compensation Committee	Chair & CEO, Isometry Advisors, Inc. Director, Iconic Therapeutics, Inc. Director, Biohaven Pharmaceutical Holding Company Ltd. Board of Directors, IMV Inc. Managing Director, MM Dillon & Co., Inc. Board of Directors, Cell Medica Ltd. Executive Chair, Board of Directors, Cavion, Inc.
Director	* Kuniaki Kaga	Member of Nomination Committee Member of Audit Committee	Advisor, Mitsubishi Chemical Corporation
Director	* David Roblin	Member of Nomination Committee Member of Compensation Committee	Honorary Professor, Swansea University, School of Medicine Honorary Professor of Translational Medicine, St George's Hospital Medical School Chairman of Scientific Translation, The Francis Crick Institute COO, CMO and President of R&D, Summit Therapeutics plc Elected Fellow of Academy of Medical Sciences
Director	* Noriaki Nagai	Member of Audit Committee	Professor of Law, Doshisha University

(Notes) 1. The directors listed above with an asterisk (*) are external directors. The Company designates Director Julia Gregory, Director Kuniaki Kaga, Director David Roblin and Director Noriaki Nagai as independent directors in accordance with the regulations of Tokyo Stock Exchange and has notified the Exchange accordingly.

2. The Audit Committee has conducted audits in close coordination with the internal audit department and employees who assist in the performance of duties of the Committee, and believes it is not essential that a full-time committee member be selected. Accordingly, a full-time committee member has not been selected.

3. The Company has no special relationships with the companies at which the external directors concurrently serve the offices.

2) Executive officers

Title	Name	Responsibility	Significant Concurrent Posts
Representative Executive Officer	* Shinichi Tamura	Chairman, President & CEO	–
Executive Officer	Malcolm Weir	Executive Vice President Research and Early Development	Director, Heptares Therapeutics Ltd.
Executive Officer	Tim Tasker	Executive Vice President Chief Medical Officer (CMO)	Director CMO, Heptares Therapeutics Ltd.
Executive Officer	Chris Cargill	Executive Vice President Chief Financial Officer (CFO)	Director, Heptares Therapuetics Ltd.
Executive Officer	Kazuhiko Yoshizumi	Executive Vice President Group Chief Compliance Officer (GCCO)	–
Executive Officer	Tadayoshi Yasui	Executive Vice President	Representative Director President, Sosei Co. Ltd.

(Notes) 1. The executive officer listed above with an asterisk (*) serves concurrently as a director.
2. Tadayoshi Yasui assumed the office of Executive Officer and Executive Vice President as of March 27, 2019.

3) Summary of liability limitation agreements

In accordance with Article 427, Paragraph 1 of the Companies Act (the “Act”) and the provisions of the Articles of Incorporation, the Company and external directors have entered into agreements that limit liability for damages as provided in Article 423, Paragraph 1 of the Act.

The limit on liability for damages applicable to each external director under the agreements is the minimum amount of liability stipulated in Article 425, Paragraph 1 of the Act.

4) Principles on determining remuneration for individual directors and executive officers by the Compensation Committee

i. Principles

Remuneration of directors and executive officers of the Company is determined in a fair and appropriate manner by the Compensation Committee, a majority of whose members are external directors, and transparency is ensured under the chair, who is an external director.

It is the Company's principle to determine the remuneration in order to attract and retain talented people and to incentivize execution of business strategy for sustainable growth and raising the Company's corporate value.

The individual remuneration of directors and executive officers is determined by the Compensation Committee. With respect to executive officers this is based on their individual roles and evaluations made by the representative executive officer on their performance and other contributions to the Company in the previous fiscal year, and with respect to the directors and the representative executive officer, this is based on their individual roles and an evaluation of performance made by the Compensation Committee, considering remuneration levels, etc. in relevant industries in the country where the recipients live and work, with reference to data from outside research institutes.

ii. Director remuneration

For directors' remuneration, base salary (annual pay) is determined by considering the situation of other companies. Whilst Directors are not paid bonuses or other performance-related remuneration or retirement allowances, stock options and a post-hoc granted stock-based compensation (RSU) plan are used to provide additional incentive to realize the vision and strategy of the Company as well as to share the benefits and risks of share price fluctuations with shareholders, and actively contribute to an increase in share price and corporate value.

Directors serving concurrently as executive officers are not paid remuneration as directors.

iii. Executive officer remuneration

For executive officers' remuneration, base salary (annual pay) is determined based on individual roles and the performance in the previous year. In addition, bonuses are paid according to the level of achievement of objectives within their respective areas of responsibilities through cash payments (using the amount of base salary (annual pay) multiplied by a bonus percentage), stock options and a post-hoc granted stock-based compensation (RSU) plan and a performance-linked stock-based compensation (PSU). These provide an incentive to realize the vision and strategy of the Company, as well as to share the benefits and risks of share price fluctuations with shareholders, and actively contribute to an increase in share price and corporate value.

5) Total amount of remuneration paid to directors and executive officers

Item	Number of payees	Amounts paid
Directors (External directors)	5 (5)	¥201 million (¥201 million)
Executive officers	6	¥230 million
Total	11	¥431million

(Notes) 1. Payments made to the one director serving concurrently as executive officer are included in full in the column of the amount paid to executive officers above.

2. The amount of remuneration shown above include the following:
・Remuneration through stock options of ¥27 million to two directors and three executive officers (including one officers whose base salary is borne by a subsidiary).
・Remuneration through a post-hoc granted stock-based compensation (RSU) plan and a performance -linked stock-based compensation (PSU) plan of ¥197 million to five directors and two executive officers
・Bonuses of ¥58 million paid to the two executive officers in January 2020 in accordance with the resolution of the Compensation Committee held in December 2019

3. The amount of remuneration shown above does not include the following:
・Base salary of ¥230 million, a post-hoc granted stock-based compensation (RSU) plan and a performance -linked stock-based compensation (PSU) plan of ¥75 million paid to four executive officers borne by a subsidiary
・Remuneration through stock options of ¥54 million to two executive officers borne by a subsidiary

6) Attendance of external directors at board and committee meetings, and the state of activities during the fiscal period under review

Name	Attendance		Remarks/Activities
Tomohiro Tohyama	Board of Directors	23 out of 23 (100%)	Makes statements at the Board meetings as necessary for deliberations on agenda items from a professional viewpoint as an attorney, leads audits as the chair of the Audit Committee, and asks questions and gives opinions and other statements as appropriate at each Committee meeting.
	Compensation Committee	6 out of 6 (100%)	
	Audit Committee	8 out of 8 (100%)	
Julia Gregory	Board of Directors	16 out of 23 (70%)	Makes statements at the Board meetings as necessary for deliberations on agenda items from a professional viewpoint based on the experience of management of financial institutions and pharmaceutical companies, and asks questions and gives opinions and other statements as appropriate at each Committee meeting.
	Compensation Committee	6 out of 6 (100%)	
	Audit Committee	1 out of 3 (33%)	
Kuniaki Kaga	Board of Directors	22 out of 23 (96%)	Makes statements at the Board meetings as necessary for deliberations on agenda items from a professional viewpoint based on the experience of management of leading chemical and pharmaceutical companies in Japan and asks questions and gives opinions and other statements as appropriate at each Committee meeting.
	Nomination Committee	3 out of 3 (100%)	
	Audit Committee	8 out of 8 (100%)	
David Roblin	Board of Directors	20 out of 23 (87%)	Makes statements at the Board meetings as necessary for deliberations on agenda items from a professional viewpoint based on the clinical experience as a physician and R&D experience of pharmaceutical companies, and asks questions and gives opinions and other statements as appropriate at each Committee meeting.
	Nomination Committee	3 out of 3 (100%)	
	Compensation Committee	6 out of 6 (100%)	
Noriaki Nagai	Board of	18 out of 18	Makes statements at the Board meetings as

	Directors	(100%)	necessary for deliberations on agenda items from a professional viewpoint based on his legal knowledge and his career experience in important positions in corporate departments at major securities companies and as a professor of law, and asks questions and gives opinions and other statements as appropriate at each Committee meeting.
	Audit Committee	5 out of 5 (100%)	

(Notes) 1. Noriaki Nagai was elected Director at the 29th Ordinary General Meeting of Shareholders held on March 27, 2019 and was elected Member of the Audit Committee at the meeting of the Board of Directors held on the same day. Accordingly, the number of meetings attended and percentage of attendance at the meetings of the Board of Directors and the meetings of the Audit Committee stated above only count meetings held since his assumption of office.

2. Julia Gregory retired as Member of the Audit Committee at the meeting of the Board of Directors held on March 27, 2019, and accordingly, the number of meetings attended and percentage of attendance at the meetings of the Audit Committee stated above reflect the meetings held before her retirement of office.

(3) Independent Auditors

1) Name Ernst & Young ShinNihon LLC

2) Amounts of remuneration, etc.

	Ernst & Young ShinNihon LLC
Amount of remuneration, etc. payable to the independent auditors for services related to this fiscal period	Million yen 85
Total amount of cash and other property benefits payable to the independent auditors by the Company and its subsidiaries	Million yen 85

(Notes) 1. In the audit agreement between the Company and the Independent Auditors, there is no clear distinction between the remuneration for audits based on the Companies Act and the remuneration for audits based on the Financial Instruments and Exchange Act, and no distinction can be made in practice, so amounts of remuneration, etc. for the Independent Auditors for this fiscal year are the total of these remunerations.

2. The Audit Committee has confirmed the audit plan of the independent auditors, the state of execution of duties for accounting audits, and the basis of remuneration estimates, etc. and considered whether audit remuneration is adequate for the implementation of appropriate audits and as a result has found that remuneration is appropriate. Therefore, it has given consent to remuneration, etc. of the Independent Auditors in accordance with Article 399, Paragraph 1 of the Companies Act.

3. One of the Company's significant subsidiaries, Heptares Therapeutics Ltd. has been audited by an auditing firm other than the Company's independent auditors.

4. An additional 10 million yen of remuneration has been incurred for the services related to the previous consolidated fiscal period.

3) Contents of non-audit services

Not applicable.

4) Policy for dismissal or non-reappointment of the independent auditors

If circumstances arise that would interfere with the appropriate execution of the duties of the independent auditors or cause the Audit Committee to deem it appropriate to dismiss or not to reappoint the independent auditors, the Audit Committee will make a proposal for dismissal or non-reappointment of the independent auditors for submission to the Ordinary General Meeting of Shareholders. Also, when it deems that any cause stipulated in each item of Article 340, Paragraph 1 of the Companies Act applies to the independent auditors, the Audit Committee can dismiss the independent auditors by agreement of all committee members.

5) Summary of liability limitation agreements

The Company has not entered into an agreement with the Independent Auditors to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act.

(4) Policy on determination of Dividends, etc.

The declaration and payment of any dividends in the future will depend on the results of operations, financial conditions, cash requirements, future prospects, profits available for distribution and other factors deemed by the Board to be relevant at the time.

At present, the Group is making prudent investments to build a globally competitive biotechnology business and, therefore, does not expect to pay any dividends in the near to medium term. The Board will continue to reassess this position based on the factors above.

Consolidated Balance Sheet

(Millions of yen)

Item	The 30th term At December 31,2019	Item	The 30th term At December 31,2019
Non-current assets	**37,117**	**Non-current liabilities**	**9,299**
Property, plant and equipment	4,120	Deferred tax liabilities	2,008
Goodwill	14,365	Contingent consideration in business combinations	3,203
Intangible assets	12,999	Interest-bearing debt	1,704
Investments accounted for using the equity method	3,539	Other financial liabilities	1,489
Other financial assets	2,053	Other non-current liabilities	895
Other non-current assets	41		
		Current liabilities	**2,303**
		Trade and other payables	1,211
Current assets	**19,563**	Income tax payable	162
Trade and other receivables	1,924	Interest-bearing debt	175
Income taxes receivable	1,765	Other current liabilities	755
Other current assets	499		
Cash and cash equivalents	15,375	**Total liabilities**	**11,602**
		Equity	
		Capital stock	37,479
		Capital surplus	26,548
		Treasury stock	(0)
		Retained earnings	(12,264)
		Other components of equity	(6,688)
		Equity attributable to owners of the parent company	**45,075**
		Non-controlling interests	3
		Total equity	**45,078**
Total assets	**56,680**	**Total liabilities and equity**	**56,680**

Note: Amounts less than 1 million yen have been rounded

Consolidated Statement of Profit or loss and other Comprehensive Income

(Millions of yen)

Item	The 30th term Fiscal period ended December 31, 2019	
Revenue		**9,726**
Cost of sales		**(851)**
Gross Profit		**8,875**
Other income and expenses		
Research and development expenses	(4,292)	
Selling, general and administrative expenses	(3,614)	
Other income	37	
Other expenses	(622)	(8,491)
Operating profit		**384**
Finance income		**824**
Finance cost		**(493)**
Share of loss of associates accounted for using the equity method		**(181)**
Profit before income taxes		**534**
Income tax benefit		**898**
Net profit for the year		**1,432**
Other comprehensive income		
Items that may not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive income	84	
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	851	935
Total comprehensive income for the year		**2,367**
Net profit for the year attributable to		
Owners of the parent	1,432	
Non-controlling interests	(0)	1,432
Total comprehensive income for the year attributable to:		
Owners of the parent	2,367	
Non-controlling interests	(0)	2,367

Note: Amounts less than 1 million yen have been rounded

Non-Consolidated Balance Sheet

(Millions of yen)

Item	The 30th term At December 31, 2019	Item	The30th term At December 31, 2019
Assets		**Liabilities**	
Current assets	**13,568**	**Current liabilities**	**894**
Cash and deposits	9,077	Lease liabilities	7
Prepaid expenses	16	Accounts payable	654
Short-term loan receivable from affiliated companies	4,102	Accrued expenses	108
		Income taxes payable	1
Accounts receivable from affiliated companies	324	Deposits	10
		Advances received	114
Others	49	**Non-current liabilities**	**214**
		Lease liabilities	22
Non-current assets	**45,629**	Asset retirement obligation	12
Property, plant and equipment	**81**	Allowance for stock-based compensation	180
Buildings	38	**Total liabilities**	**1,108**
Tools, furniture and fixtures	16	**Net Assets**	
Leased assets	27	**Shareholders' equity**	**56,660**
Intangible assets	**1**	**Capital stock**	**37,479**
Software	1	**Capital surplus**	**25,596**
Investments and other non-current assets	**45,547**	Capital reserve	25,596
Shares of subsidiaries and associates	45,219	**Retained earnings**	**(6,415)**
Investments in capital of subsidiaries and associates	270	Other retained earnings	(6,415)
Long-term loans receivable from subsidiaries and associates	1,718	**Treasury stock**	**(0)**
Others	58	**Subscription rights to shares**	1,429
Allowance for doubtful debts	(1,718)	**Total net assets**	**58,089**
Total assets	**59,197**	**Total liabilities and net assets**	**59,197**

Note: Amounts less than 1 million yen have been rounded

Non-Consolidated Statement of Profit or Loss

(Millions of yen)

Item	The 30th term Fiscal period ended December 31,2019	
Operating profit		**675**
Operating expenses		**(1,577)**
Operating loss		**(902)**
Non-operating profit		
Interest income	149	
Write-off of advance received by affiliated companies	86	
Net foreign exchange gain (loss)	113	348
Non-operating expenses		
Interest expenses	(99)	
Commission fee	(104)	
Miscellaneous loss	(7)	(210)
Ordinary loss		(764)
Extraordinary profit		
Gain realized on contingent consideration receivable relating to business disposals	269	
Gain on reversal of subscription rights to shares	32	301
Extraordinary loss		
Loss on disposal of fixed assets	(1)	
Impairment loss	(7)	
Provision for investment loss reserve	(34)	(42)
Net loss before tax		**(505)**
Corporate tax, residential tax and enterprise tax	1	1
Net loss for the year		**(504)**

Note: Amounts less than 1 million yen have been rounded

Accounting Audit Report on the Consolidated Financial Statements

Audit Report of the Independent Auditors

February 28, 2020

Sosei Group Corporation

To the Board of Directors

Ernst & Young ShinNihon LLC

Designated limited liability employee Managing partner	Certified public accountant	Hironao Yazaki	*
Designated limited liability employee Managing partner	Certified public accountant	Hiroshi Mishima	*

In accordance with the Article 444 (4) of Companies Act, the Auditors have audited the consolidated financial statements, which are the consolidated statements of financial position, consolidated statements of comprehensive income, consolidated statements of change in equity, and notes on the consolidated financial statements of Sosei Group Corporation for the consolidated fiscal period from January 1, 2019 to December 31, 2019.

Responsibility of management for the consolidated financial statements

Management is responsible for the preparation and appropriate presentation of the consolidated financial statements in accordance with the stipulations of the latter part of Paragraph 1, Article 120 of the Corporate Accounting Rules, which allows the statements to be prepared excluding some of the disclosure items required under International Financial Reporting Standards. This responsibility includes the design and operation of internal controls judged to be necessary by management for the preparation and appropriate presentation of consolidated financial statements that are free of material misstatements due to fraud or error.

Responsibility of the Auditors

The Auditors are responsible for expressing an opinion on the consolidated financial statements from an independent perspective based on the audit that they performed. The Auditors performed the audit in conformance with generally accepted auditing standards in Japan. Audit standards require that the Auditors formulate an audit plan and perform the audit on the basis of the plan to acquire reasonable assurance as to whether the consolidated financial statements are free of material misstatement.

The audit involves conducting procedures to obtain audit evidence on the amounts and disclosures in the consolidated financial statements. The procedures are selected and applied at the judgement of the Auditors based on an assessment of the risk of material misstatement in the consolidated financial statements due to fraud or error. The purpose of the audit is not to express an opinion on the effectiveness of internal controls, but the Auditors in assessing this risk do consider internal controls related to the preparation and appropriate presentation of the consolidated financial statements in order to devise audit procedures that are appropriate for the conditions. In addition, the audit includes consideration of the overall presentation of the consolidated financial statements, including an evaluation of the accounting policies and application methods adopted by management and the estimates made by management.

The Auditors believe that audit evidence has been obtained that is sufficient and appropriate and which serves as the basis for expressing an opinion.

Audit Opinion

The Auditors find that the aforementioned financial statements, which have been prepared excluding some disclosure items required by International Financial Reporting Standards in accordance with the stipulations of the latter part of Paragraph 1, Article 120 of the Corporate Accounting Rules, appropriately present on all major points the status of assets and income of the corporate group comprised of Sosei Group Corporation and its consolidated subsidiaries for the period of the consolidated financial statements.

Interest Relationships

There are no interest relationships that must be disclosed under the provisions of the Certified Public Accountants Act between the Company and the Auditors or the managing partners.

Accounting Audit Report on the Financial Statements

Audit Report of the Independent Auditors

February 28, 2020

Sosei Group Corporation

To the Board of Directors

Ernst & Young ShinNihon LLC

Designated limited liability employee Managing partner	Certified public accountant	Hironao Yazaki	*
Designated limited liability employee Managing partner	Certified public accountant	Hiroshi Mishima	*

In accordance with the Article 436 (2) (i) of Companies Act, the Auditors have audited the financial statements, which consist of the balance sheet, income statement, statement of changes in shareholders' equity and notes to the non-consolidated financial statements, and the supplementary schedules of Sosei Group Corporation for the 30th fiscal period from January 1, 2019 to December 31, 2019.

Responsibility of management for the financial statements, etc.

Management is responsible for the preparation and appropriate presentation of the financial statements and supplementary statements in accordance with auditing standards generally accepted in Japan. This responsibility includes the design and operation of internal controls judged to be necessary by management for the preparation and appropriate presentation of financial statements and supplementary schedules that are free of material misstatements due to fraud or error.

Responsibility of the Auditors

The Auditors are responsible for expressing an opinion on the financial statements and supplementary schedules from an independent perspective based on the audit performed by the Auditors. The Auditors performed the audit in conformance with generally accepted auditing standards in Japan. Audit standards require that the Auditors formulate an audit plan and perform the audit on the basis of the plan to acquire reasonable assurance as to whether the financial statements and supplementary schedules are free of material misstatement.

The audit involves conducting procedures to obtain audit evidence on the amounts and disclosures in the financial statements and supplementary schedules. The procedures are selected and applied at the judgement of the Auditors based on an assessment of the risk of material misstatement in the financial statements and supplementary schedules due to fraud or error. The purpose of the audit is not to express an opinion on the effectiveness of internal controls, but the Auditors in assessing this risk do consider internal controls related to the preparation and appropriate presentation of the financial statements and supplementary schedules in order to devise audit procedures that are appropriate for the conditions. In addition, the audit includes consideration of the overall presentation of the financial statements and supplementary schedules, including evaluations of the accounting policies and application methods adopted by management and the estimates made by management.

The Auditors believe that audit evidence has been obtained that is sufficient and appropriate and which serves as the basis for expressing an opinion.

Audit Opinion

The Auditors find that the aforementioned financial statements and supplementary schedules appropriately present on all major points the status of assets and income for the period of the financial statements and supplementary schedules in conformance with corporate accounting standards generally accepted in Japan.

Interest Relationships

There are no interest relationships that must be disclosed under the provisions of the Certified Public Accountants Act between the Company and the Auditors or the managing partners.

Audit Report of the Audit Committee

Audit Report

The Audit Committee of Sosei Group Corporation (the "Company") has audited the performance of duties by directors and executive officers for the 30th fiscal period from January 1, 2019 to December 31, 2019. The methods and findings are reported as follows.

1. Methods and Content of the Audit

The Audit Committee received reports from directors, executive officers and employees, etc. on a regular basis of the content of resolutions of the Board of Directors related to items provided in Article 416, Paragraph 1, Item 1 (b) and (e) of the Companies Act and of the structures and operation of the systems established in accordance with the resolutions (internal control systems), requested explanations and expressed opinions as necessary, and conducted an audit as follows.

1) In accordance with the audit policy and the division of responsibilities, etc. determined by the Audit Committee, each member of the Committee attended meetings of the Board of Directors and other important meetings, received reports from directors, executive officers and others on the performance of their duties, etc., and requested additional explanations as necessary, and reviewed the documents relating to the important decisions, and investigated the state of the business and assets of the Company in cooperation with the Internal Audit Department. Regarding subsidiaries, the Audit Committee sought to achieve a mutual understanding of subsidiaries, exchanged information with the directors and corporate auditors, etc. of subsidiaries and received business reports from subsidiaries as necessary.
2) The Audit Committee monitored and verified whether the Independent Auditors maintained independence and conducted appropriate audits, received reports from the Independent Auditors on the performance of their duties, etc., and requested explanations as necessary. Also, the Audit Committee received notification from the Independent Auditors that they had established the "Structure for Ensuring Appropriate Operation" (matters provided in each item of Article 131 of the Regulation on Accounting of Companies) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005).

Based on the aforementioned methods, the Audit Committee examined the business report and supplementary schedules thereof, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of profit or loss, non-consolidated statement of changes in equity and notes thereto) and supplementary schedules thereof, and consolidated financial statements (consolidated balance sheet, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and notes thereto) for the fiscal period under review.

2. Results of Audit

(1) Results of audit of business report, etc.

1) The Committee found that the business report and supplementary schedules accurately present the status of the Company in accordance with laws, regulations and the Articles of Incorporation.
2) The Committee did not find any inappropriate conduct related to the execution of duties by directors or executive officers or any material facts indicating violation of laws and regulations or the Articles of Incorporation.
3) The Committee found that the contents of resolutions of the Board of Directors related to the system of internal control to be appropriate. In addition, the Committee did not find any matter requiring it to comment on the contents of the business report or execution of duties by directors or executive officers regarding the system of internal control.

(2) Results of audit of non-consolidated financial statements and supplementary schedules

The Committee found that the methods and results of the audit performed by the Independent Auditors, Ernst & Young ShinNihon LLC were appropriate.

(3) Results of audit of consolidated financial statements

The Committee found that the methods and results of the audit performed by the Independent Auditors, Ernst & Young ShinNihon LLC were appropriate.

February 28, 2020

Sosei Group Corporation Audit Committee

Chair of Audit Committee	Tomohiro Tohyama	*
Member of Audit Committee	Kuniaki Kaga	*
Member of Audit Committee	Noriaki Nagai	*

Note: All members of the Audit Committee are external directors as stipulated in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

Access to Meeting of Shareholders Venue

Venue	Fuji-No-Ma Hall, 4th Floor, Hotel Grand Arc Hanzomon 1-1, Hayabusa-cho, Chiyoda-ku, Tokyo, Japan TEL: 03-3288-0111
Access	2-min. walk from Hanzomon Station (Exit 1) and 3-min. walk from Hanzomon Station (Exit 6) on Hanzomon Line 8-min. walk from Kojimachi Station (Exit 1) on Yurakucho Line

* We kindly ask you to refrain from coming by car since parking lots are not available.