PRESS RELEASE

Sosei Heptares Operational Highlights and Consolidated Results for the First Quarter 2020

Tokyo, Japan and London, UK, 13 May 2020 – Sosei Group Corporation ("the Company"; TSE: 4565) provides an update on operational activities and reports its consolidated results for the first quarter ended 31 March 2020. The full report can be accessed by clicking here.

Operational Highlights for Q1 2020

- **Strategy refocused and UK R&D organization realignment complete** – strengthened focus on the execution of the next stage of growth strategy, which aims to leverage world-class Platform, Discovery and Early Development capabilities to advance and extend portfolio of Partnered Programs – presented at Annual General Meeting.
- **New appointments and promotions** - Mr. Rolf Soderstrom was appointed as a new Board Director and Dr. Malcolm Weir was promoted to Executive Vice Chairman. Further promotions were made across the organization as part of the UK R&D realignment.
- **High-impact publication in *Nature Reviews Drug Discovery*** – highlighting potential of structure-based approaches to generate peptide drugs targeting G protein-coupled receptors (GPCRS).
- **Excellent scientific progress made with orexin agonist program in conjunction with spin-off companies Orexia and Inexia** – unique orexin modulator drug discovery and design engine assembled based on structural detail – triggered next tranche of funding from Medixci.
- **Measures put in place in response to COVID-19 pandemic** – policies and practises have been rapidly implemented to ensure safety of employees and other stakeholders and to reduce the spread of coronavirus, while also prioritizing revenue-generating work for our major collaboration partners.

Post-period Highlights

- **New COVID-19 R&D program launched** – multidisciplinary team created to apply world-leading structure-based drug design capabilities to the global research efforts to discover drugs targeting the SARS-CoV-2 coronavirus and to treat COVID-19, also considering future variants of SARS-CoV-2.
- **Enerzair® Breezhaler® (QVM149) recommended for approval in European Union as a maintenance treatment of uncontrolled asthma in adult patients** – QVM149 is an investigational once-daily, potential first-in-class inhaled LABA/LAMA/ICS combination for asthma patients, in which Sosei Heptares has an economic interest. It is being developed by Novartis and currently under review in Europe, Japan and Canada, among other countries.

- **Further scientific progress made with orexin agonist program in conjunction with Orexia and Inexia** – small molecule agonist bound orexin OX2 receptor solved and small molecule binding site identified – structure determined at significantly higher resolution than previously achieved and expected to provide improved insights to help optimize the discovery and development of novel molecules targeting neurological diseases.

Financial Highlights for the Three-month Period ended 31 March 2020

- Revenue totalled JPY 1,162 million (US$10.7 million) (a decrease of JPY 1,974 million (US$17.8 million) vs. the prior corresponding period), and was primarily related to (i) the absence of upfront payments from new business development deals, and (ii) no major milestone payments from existing collaborations. The timing of new business development deals and progress related to existing programs can vary considerably from quarter to quarter, and the Company expects to achieve new upfronts and milestone payments later in the fiscal year. The prior corresponding period included a one-off US$15 million major milestone payment from AstraZeneca.
- Cash R&D expenses were strongly managed and totalled JPY 557 million (US$5.1 million) (a decrease of JPY 379 million (US$3.4 million) vs. the prior corresponding period), primarily related to the Company's strategic decision to prioritize specific projects as a result of the COVID-19 outbreak.
- Cash G&A expenses totalled JPY 437 million (US$4.0 million) (a decrease of JPY 120 million (US$1.0 million) vs. the prior corresponding period), and was primarily related to a reduction in our UK National Insurance liability linked to share-based payments as a result of the reduction in the Company's share price over the quarter.
- Cash profit[1] totalled JPY 12 million (US$0.1 million) vs. a cash profit of JPY 1,432 million (US$13.0 million) in the prior corresponding period. The main reason for the decrease was due to the decrease in revenue as stated above.
- Net loss totalled JPY 746 million (US$6.9 million) vs. a net profit of JPY 1,018 million (US$9.2 million) in the prior corresponding period. The main reason for the net loss was due to the decrease in revenue as stated above.
- The Company remains well capitalized, with cash at hand of JPY 16,335 million (US$150.0 million) as at 31 March 2020. The Company's cash balance increased by approximately JPY 960 million (US$8.8 million) as a result of milestones received from Pfizer and UK tax refunds.

* *Convenience conversion to US$ at the following rates: 2020: 1US$ =108.907 JPY; 2019: 1US$ =110.226 JPY*

Shinichi Tamura, Chairman, President and CEO of Sosei Heptares, commented: "Our operating environment has changed dramatically in recent months as a result of the SARS-CoV-2 pandemic. I am very pleased to report that the company has responded extremely well to these changes by

[1] Non-IFRS measure

rapidly implementing practises to keep our staff, and other parties with whom we interact, safe and prevent any further spread of the virus; this is our main priority. The measures we have put in place have also ensured a high level of business continuity and enabled us to work on revenue-generating collaborations and other areas of key importance to our business. I am impressed with and extremely grateful to our staff for the level of dedication and commitment they have shown, which has allowed them to deliver outstanding results and scientific achievements in these unprecedented circumstances."

Abbreviations used: GPCR – G protein-coupled receptors

– ENDS –

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 CNS, immuno-oncology, gastroenterology, inflammation and other rare/specialty indications.

We have established partnerships with some of the world's leading pharmaceutical companies, including Allergan, AstraZeneca, Daiichi-Sankyo, Genentech (Roche), Novartis, Pfizer and Takeda; and with innovative biotechnology companies, including Kymab, MorphoSys and PeptiDream. Sosei Heptares is headquartered in Tokyo, Japan with R&D facilities in Cambridge, UK.

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Forward-looking statements

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