

## PRESS RELEASE

## Sosei Heptares Operational Highlights and Consolidated Results for the First Half 2020

Tokyo, Japan and London, UK, 13 August 2020 – Sosei Group Corporation (“the Company”; TSE: 4565) provides an update on operational activities and reports its consolidated results for the first half ended 30 June 2020. The full report can be accessed by [clicking here](#).

### Operational Highlights for 1H 2020

- **New global agreement signed with AbbVie** – the discovery collaboration and option to license collaboration will initially focus on discovery of novel small molecules targeting inflammatory and autoimmune diseases. The Company will conduct and fund R&D activities through Investigational New Drug (IND)-enabling studies. For the first target, the Company is eligible to receive up to US\$32 million in upfront and near-term milestone payments, as well as potential option, development and commercial milestones of up to US\$377 million, plus royalties on global sales. AbbVie has the option to expand the collaboration up to a total of four targets.
- **Measures put in place to successfully operate in response to the 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.
- **New COVID-19 R&D program launched** – multidisciplinary team created to apply the Company’s 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) approved in Japan as a maintenance treatment of uncontrolled asthma in adult patients** – Enerzair® is once-daily, first-in-class inhaled LABA/LAMA/ICS combination for asthma patients, being developed by Novartis, and in which Sosei Heptares has an economic interest. The achievement of this milestone resulted in a US\$1.25 million payment to Sosei Heptares from Novartis.
- **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** – progress building unique orexin modulator drug discovery and design engine triggered next tranche of funding from Medixci. Further orexin receptor structural data and insights generated to help optimize drug discovery targeting neurological diseases.



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### Post-period Highlights

- **Approximately US\$194 million raised from International Offering of shares and convertible bonds** – the Company intends to use the majority of funds to pursue strategic growth initiatives including:
  - a potentially transformative acquisition to secure long-term revenue growth;
  - investments in novel technologies that complement and future-proof its drug discovery platform;
  - expansion of its drug candidate discovery and early development into new target classes; and
  - in-licensing late-stage clinical assets to develop for the Japanese market.

The balance of the funds will be used to support organic growth initiatives, such as investments in current research activities and general corporate purposes.

- **Enerzair® Breezhaler® approved in Europe for asthma** – the approval also includes an optional digital companion with sensor and app designed to improve compliance and to better support therapeutic decisions. Sosei Heptares received a US\$5 million milestone payment from Novartis, as a result of this approval.

### Financial Highlights for the Six-month Period ended 30 June 2020

- Revenue totalled JPY 2,516 million (US\$23.2 million\*) (a decrease of JPY 2,540 million (US\$22.7million) vs. the prior corresponding period), and was primarily due to the absence of major milestone payments from existing collaborations. This is because the timing of new business development deals and progress related to existing programs can vary considerably from quarter to quarter. The prior corresponding period included a one-off US\$15 million major milestone payment from AstraZeneca. The Company expects to achieve new upfront and milestone payments later in the fiscal year.
- Cash R&D expenses were carefully managed and totalled JPY 1,500 million (US\$13.9 million) (a decrease of JPY 362 million (US\$3.0 million) vs. the prior corresponding period). This was primarily related to a reduction in project activity caused by the operational impact of the COVID-19 pandemic, as well as the successful recovery of excess costs incorrectly charged by one supplier. In the period under review, 95% of R&D spend related to our UK operations.
- Cash G&A expenses totalled JPY 925 million (US\$8.5 million) (a decrease of JPY 314 million (US\$2.8 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 decline in the Company's share price over the period.
- Cash loss\*\* totalled JPY 181 million (US\$1.7 million) vs. a cash earnings of JPY 1,596 million (US\$14.5 million) in the prior corresponding period. The main reason for the decrease was due to the decrease in revenue as stated above.



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- Net loss totalled JPY 2,117 million (US\$19.6 million) vs. a net profit of JPY 395 million (US\$3.6 million) in the prior corresponding period. The main reason for the net loss was due to the decrease in revenue as stated above.
- Stable cash balance was maintained despite the net loss, with cash at hand of JPY 15,362 million (US\$142.6 million) as at 30 June 2020..
- After the period ended June 30, 2020, the Company successfully completed an International Offering of new shares and euro-yen denominated convertible bonds due 2025 that raised a total of JPY 20.9 billion (approximately US\$194 million). The Group intends to use the majority of the funds for a potentially transformative acquisition to pursue strategic growth.

*\*Convenience conversion to US\$ at the following rates: 2020: 1US\$ =108.253 JPY; 2019: 1US\$ =110.064 JPY*

*\*\*Non-IFRS measure*

**Shinichi Tamura, Chairman, President and CEO of Sosei Heptares, commented:** “I am pleased to report that Sosei Heptares has made good progress in the first half of 2020, our 30<sup>th</sup> anniversary year and a period that has presented significant challenges for businesses globally. Our response to these challenges has been rapid and impressive, allowing us to ensure employee safety and maintain a high level of business continuity. We have added another major pharma partnership with Abbvie and have secured the long-term growth capital we require to execute our ambitious corporate objectives. These include both organic and inorganic strategic options including a potentially transformative acquisition, as well as investments that enhance our own world-leading discovery and early development capabilities. We are excited by the future and motivated more than ever to build a profitable, global biopharmaceutical company delivering novel drug candidates to treat serious disease as well as value for shareholders.”

— 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 AbbVie, AstraZeneca, Genentech (Roche), Novartis, Pfizer and Takeda, and additionally with multiple emerging biotechnology companies. Sosei Heptares is headquartered in Tokyo, Japan with R&D facilities in Cambridge, UK.



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

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### Forward-looking statements

This press release contains forward-looking statements, including statements about the discovery, development and commercialization of products. Various risks may cause Sosei Group Corporation’s actual results to differ materially from those expressed or implied by the forward-looking statements, including: adverse results in clinical development programs; failure to obtain patent protection for inventions; commercial limitations imposed by patents owned or controlled by third parties; dependence upon strategic alliance partners to develop and commercialize products and services; difficulties or delays in obtaining regulatory approvals to market products and services resulting from development efforts; the requirement for substantial funding to conduct research and development and to expand commercialization activities; and product initiatives by competitors. As a result of these factors, prospective investors are cautioned not to rely on any forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.