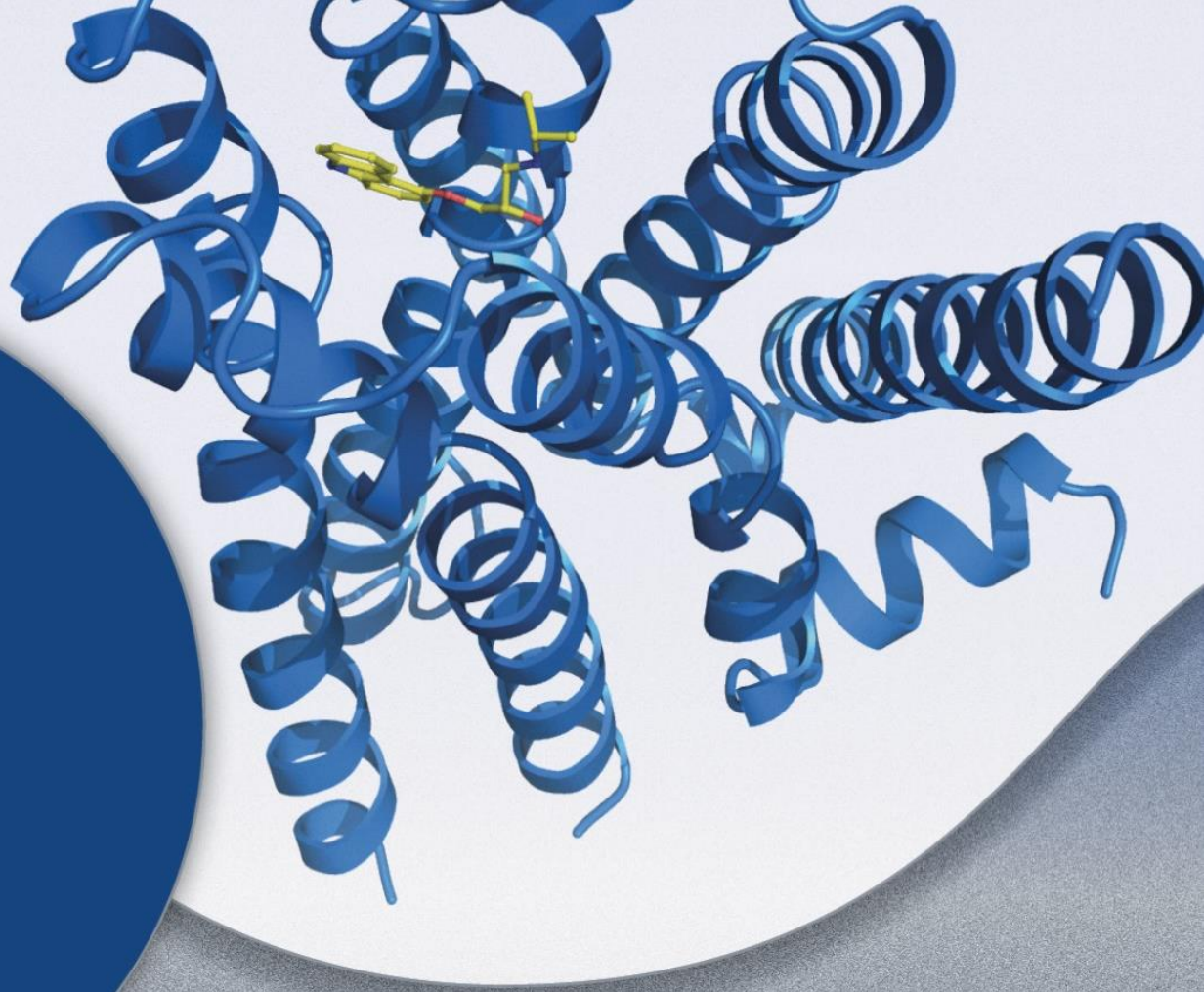
Sosei Group Corporation

FY2017 Full Year Results

10 May 2018



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References to "FY" in this presentation are to the Company's fiscal years, namely the 12-month periods commencing in each case on April 1 of the year indicated and ending on March 31 of the following year, unless specifically otherwise indicated.

We are executing on our strategy and made significant progress in FY2017

FY2017 underlying operating results

- Revenues grew 30%[1] Year-on-Year
- Cash Earnings Loss of $(2.5)m is at the upper end of Q3 guidance

Continued progress with partners

- Multiple development milestones received (c.$35m)
- AstraZeneca's next-gen A2a cancer drug advancing through Phase 1b clinical trials
- Further investment from Allergan in M_1 and M_4 clinical trials for Alzheimer's disease

Powerful productive proprietary platform

- Lead proprietary M_1 agonist for DLB in Japan to enter Phase 2 PoC clinical trials in H2 2018
- Four new proprietary drug candidates targeting rare/orphan/specialty indications
- Regained worldwide rights to develop and commercialize novel CGRP antagonists

Capital raise being deployed

- Successfully raised $200m from international investors for development of proprietary pipeline

Building Japan's first global biotech champion

[1] Excludes Allergan upfront milestone of $125m received in FY2016

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Agenda

1

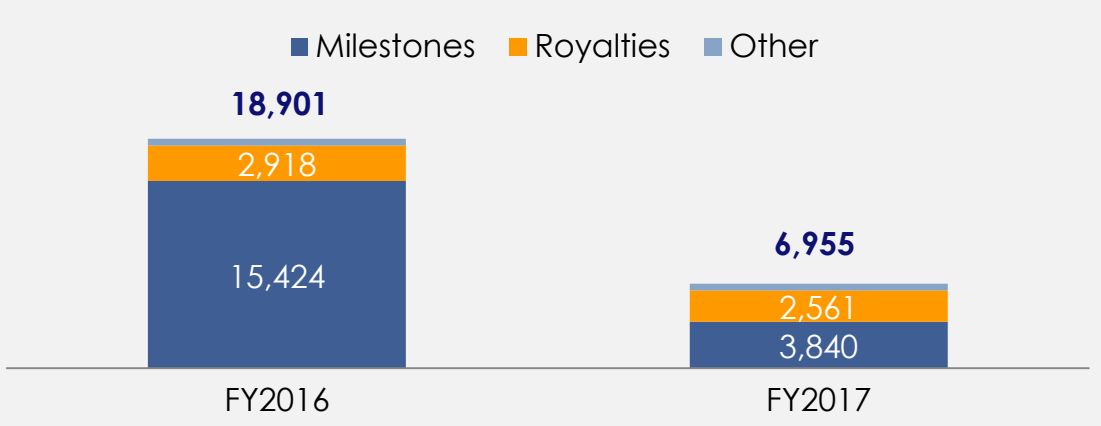
FY2017 Financial Results

Andrew Oakley, CFO

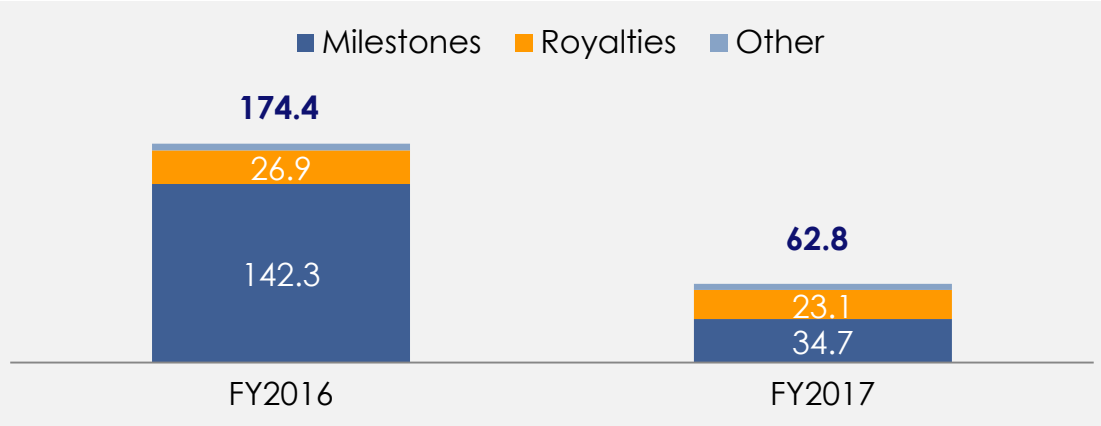
We made robust underlying progress in FY2017, which is distorted by the one-off $125m Allergan upfront we received in FY2016…

Revenue (reported)

JPY (m)



USD (m)



Commentary

M_4 (Allergan)
- Phase 1 milestone of $15 m

A2a (AstraZeneca)
- Synergy milestone of $12 m

CGRP (Teva)
- Candidate selection of $5 m

COPD (Novartis)
- YoY comparison distorted by contractual adjustments to previously received royalties
- Solid underlying sales performance in COPD franchise with start of US sales
- Approval for Ultibro in China

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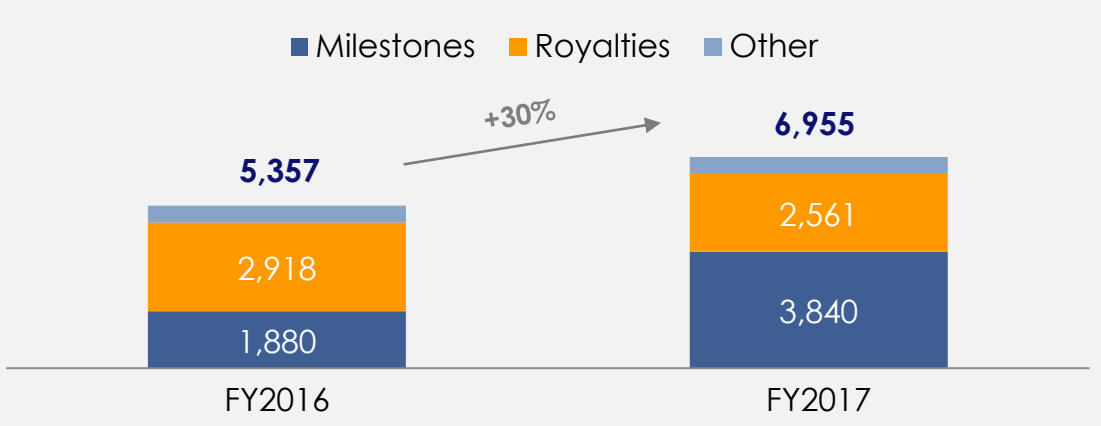
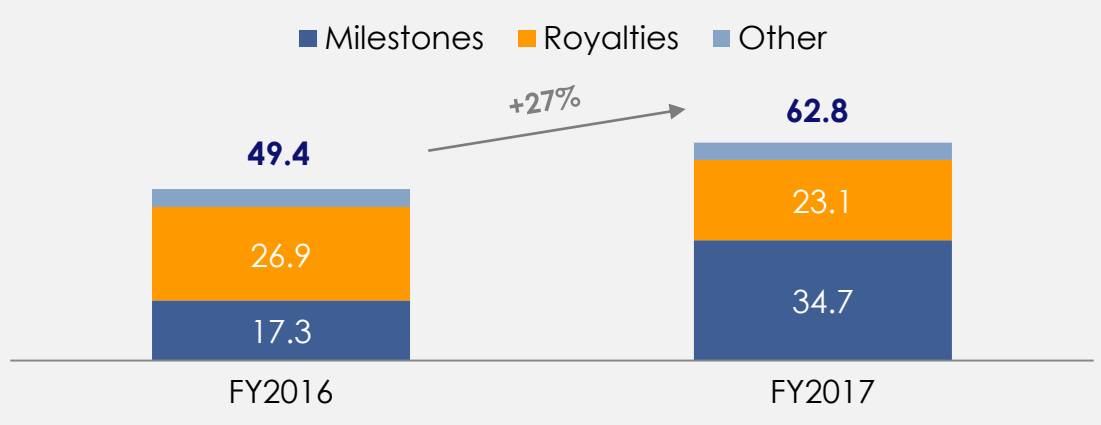
…but if we remove the one-off $125m Allergan upfront in FY2016, revenue for FY2017 rose by 30%, driven by the significant progress achieved with partnered programs

Revenue (ex Allergan upfront)[1]

JPY (m)



USD (m)



Cash earnings (ex Allergan upfront)[1]

JPY (m)

Mar FYE	FY2017 (A)	FY2016 (A)	Variance	% Var
Revenue (ex Allergan MS)[1]	6,955	5,357	1,598	30%
Cash R&D	(4,818)	(3,122)	(1,696)	(54)%
Cash G&A	(2,972)	(2,374)	(598)	(25)%
Other Cash Income	560	220	341	155%
CASH EARNINGS[1]	**(274)**	**81**	**(356)**	**N/A**

USD (m)

Mar FYE	FY2017 (A)	FY2016 (A)	Variance	% Var
Revenue (ex Allergan MS)[1]	62.8	49.4	13.4	27%
Cash R&D	(43.5)	(28.8)	(14.7)	(51)%
Cash G&A	(26.8)	(21.9)	(4.9)	(23)%
Other Cash Income	5.1	2.0	3.0	150%
CASH EARNINGS[1]	**(2.5)**	**0.8**	**(3.2)**	**N/A**

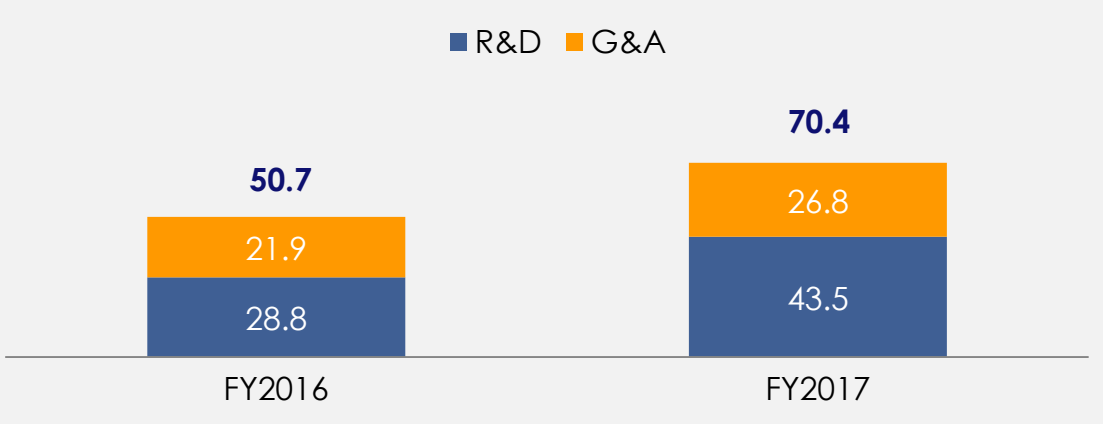
[1] Excludes Allergan upfront milestone of $125m received in FY2016

Cash opex increased, driven by investment in our proprietary pipeline

Cash operating expenditure

JPY (m)

USD (m)



Commentary

G&A

- Improving financial systems and process
- Strengthening group functions to build capability
- Increased focus on Corporate Governance
- Increasing spend to support growing R&D organisation

R&D

- Continued investment in platform to support target of 3 drug candidates into clinical development per year
- Preparatory spend for DLB in Japan
- Increasing capability in clinical development and translational science

Movements in FX and Contingent Consideration also distort comparisons

Non-cash costs, financing and tax

	JPY		USD	
Mar FYE	FY2017 JPY m	FY2016 JPY m	FY2017 USD m	FY2016 USD m
Depreciation	(135)	(105)	(1.2)	(1.0)
Amortization	(895)	(802)	(8.1)	(7.4)
Stock Compensation	(597)	(373)	(5.4)	(3.4)
Other Operating Expense	(390)	(676)	(3.5)	(6.2)
Financing, FX & CC[1]	(1,134)	1,042	(10.2)	9.6
Equity results & MI	(275)	(70)	(2.5)	(0.7)
Tax (expense) / credit	1,047	(2,845)	9.5	(26.2)

Commentary

- Increase in **amortization** related to Heptares Zurich
- Higher **stock comp** – competitive remuneration
- **FX** losses in FY2017 – GBP recovers from 2016 decline
- **FX** gains in FY2016 – weakening GBP, Brexit
- **Contingent Consideration** – increase driven by pipeline advance
- **Tax** – driven by underlying position in the UK

[1] CC = Contingent Consideration

Our balance sheet was strengthened by the successful $200m Global Offering

Consolidated balance sheet

	JPY		USD	
Mar FYE	FY2017 JPY m	FY2016 JPY m	FY2017 USD m	FY2016 USD m
Goodwill & Intangibles	31,355	31,124	295.1	277.4
Cash on Hand	28,281	13,899	266.1	123.9
Equity Investments	4,424	605	41.6	5.4
Other Financial Assets	1,619	–	15.2	–
Interest Bearing Debt	(9,173)	(6,900)	(85.9)	(61.5)
Net Assets / Equity	48,886	28,359	460.0	252.8

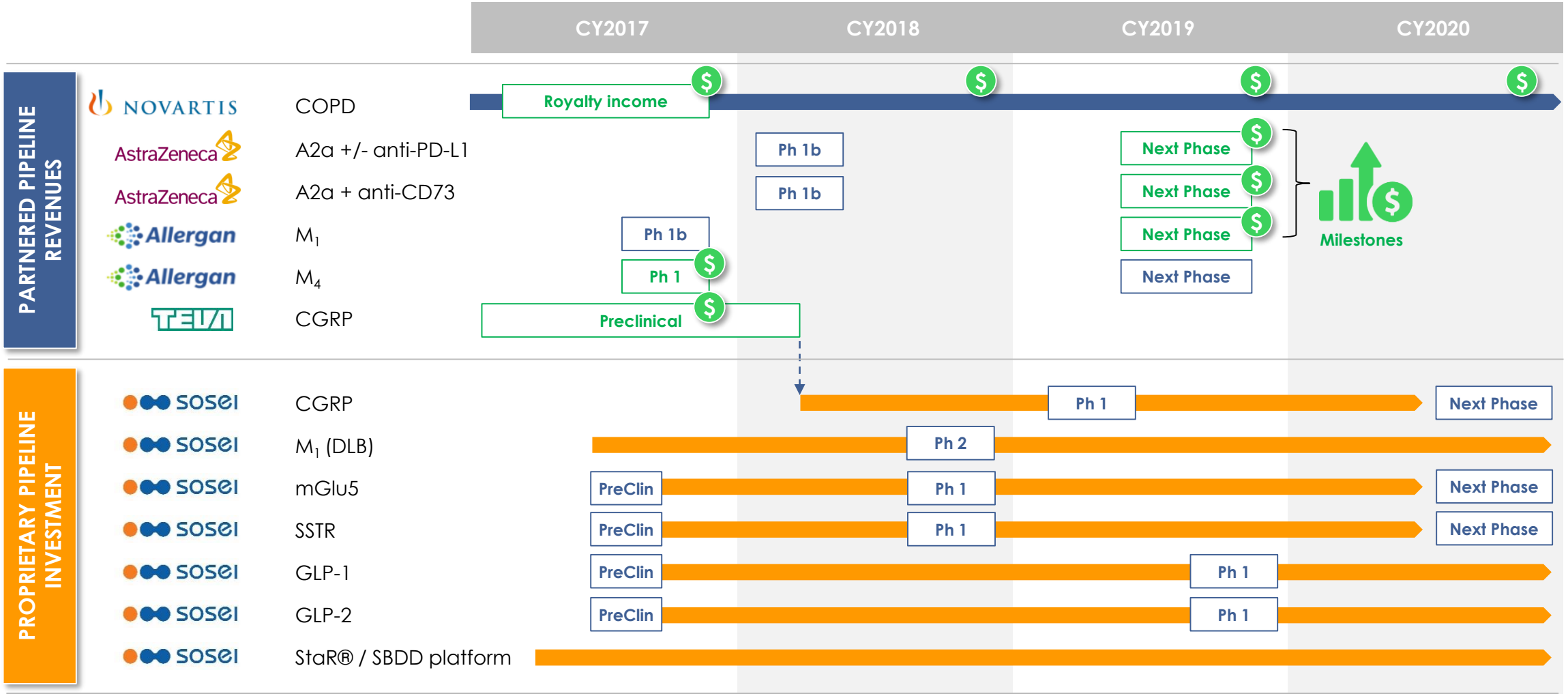
Commentary

- **Goodwill & Intangible assets** – variance FX related
- **Equity Accounted Investments** – increase from investment in MiNA
- **Other Financial Assets** – includes option to acquire MiNA and venture investments at Sosei CVC
- **Cash** – increased from Global Offering
- **Debt** – increased to fund MiNA investment

We will continue to invest in our pipeline, ahead of potential milestones that we may receive

ILLUSTRATIVE

Illustrative overview of possible pipeline progression – estimates and subject to change



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Our financial guidance reflects the nature of biotech businesses

Guidance summary

9 months to Dec-18

- Investing for the future to create long-term shareholder value
- Ongoing COPD royalties, however no major milestones expected from existing or new partnerships
- Cash R&D expenditure: $70 – 75m
- Cash G&A expenditure: $18 – 23m
- Cash Earnings Loss: $(65) – (75)m

12 months to Dec-19

- Increase in revenues from partnered programs
- Potential new partnerships
- Continued expansion of investment in pipeline
- Potential for significantly improved P&L
- Sufficient cash to fund the business organically into 2020

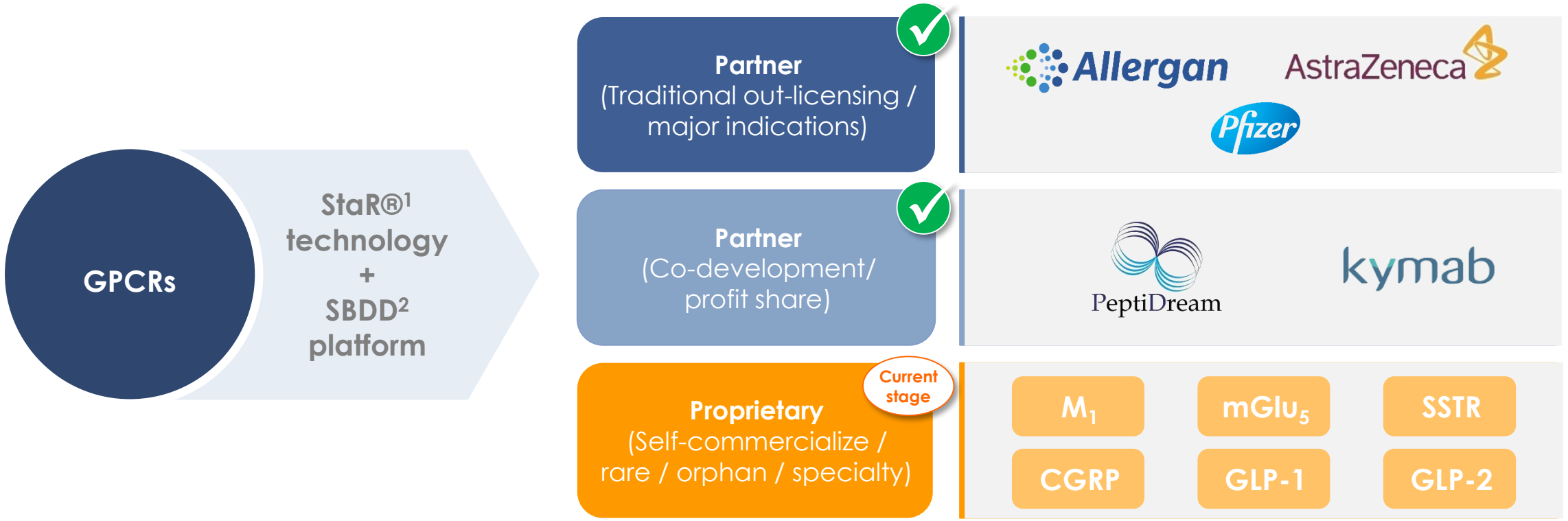
Agenda

2

Operational Update

Peter Bains, CEO

Balanced business model – reduces risk, broadens near term revenue opportunities



We will continue to partner and we will continue to advance proprietary drug development

[1] Stabilized receptor technology
[2] Structure-based drug design

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The quality of our StaR®/SBDD derived compounds is demonstrated by the progress made by our partners in FY2017

05-Apr-17	AstraZeneca	A2a	$12m synergy milestone for tumor growth reduction
18-May-17	TEVA[1]	CGRP	$5m milestone on selection of HTL0022562 as lead candidate
01-Sep-17	Allergan	M_4	$10m milestone for first healthy subject dosed in Ph 1
09-Nov-17	Allergan	M_1	Start of new Ph 1b clinical trial in mild / moderate AD patients
09-Nov-17	Pfizer	Multiple targets	Announced 11 preclinical milestones achieved
08-Feb-18	AstraZeneca	A2a	Start of new Ph 1b clinical trial in patients (monotherapy and combo therapy with durvalumab) Dose expansion and signal seeking in patients ongoing across multiple tumor types
08-Feb-18	AstraZeneca	A2a	New Ph 1b/2 combo study with MEDI9447 (anti CD73 antibody)

[1] On 13 March 2018, Sosei regained worldwide rights to develop and commercialize HTL0022562 and other novel CGRP antagonists

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AZD4635 has emerged as a potential next-generation I/O therapy

Partnered with: AstraZeneca

Checkpoint inhibitors are a key cancer treatment

PD-L1	➢ **durvalumab (2017)** ➢ avelumab (2017) ➢ atezolizumab (2016)
PD-1	➢ nivolumab (2014) ➢ pembrolizumab (2014)
CTLA-4	➢ ipilimumab (2011)

Checkpoint inhibitors are highly effective against certain types of tumors (e.g. lung, skin, and renal)

Next-gen I/O therapies to enhance treatment

AZD4635

A2a R antagonist

MONOTHERAPY

durvalumab

Anti-PD-L1

+

AZD4635

A2a R antagonist

COMBO THERAPY

NEW

MEDI9447

Anti-CD73

+

AZD4635

A2a R antagonist

COMBO THERAPY

Next-gen I/O may enhance efficacy of approved checkpoint inhibitors across more tumor types

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AZD4635 has emerged as a potential next-generation I/O therapy

Partnered with: AstraZeneca

Excellent clinical progress to date

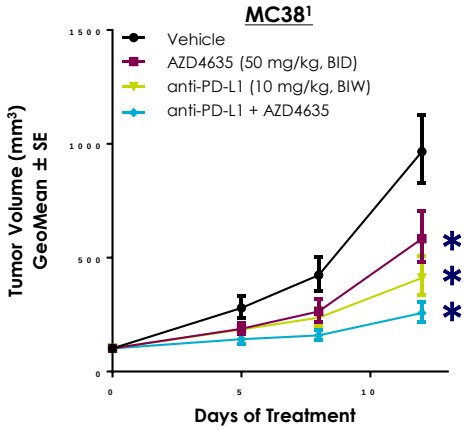
- Phase 1a maximum tolerated dose (MTD) achieved
- Phase 1b dose expansion and signal seeking in patients ongoing across multiple tumor types
- Monotherapy and combination with durvalumab (anti-PD-L1)
- NEW Phase 1b/2 study with MEDI9447 (anti-CD73 antibody, open and has started to enrol subjects)

AACR 2018 key highlights

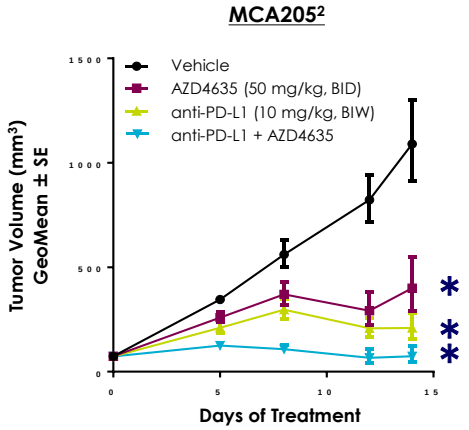
- AZD4635 alone and in combination with an anti-PD-L1 led to a **reduction in tumor growth in both adenosine high and adenosine low** syngeneic tumor models
- Inhibition of A2a R signaling by AZD4635 **in combination with anti-PD-L1 can act to increase host immune** surveillance and **response**
- AZD4635 **exhibits dose dependent tumor growth inhibition**, and requires a working host immune system for effects

New supportive preclinical data presented at AACR 2018

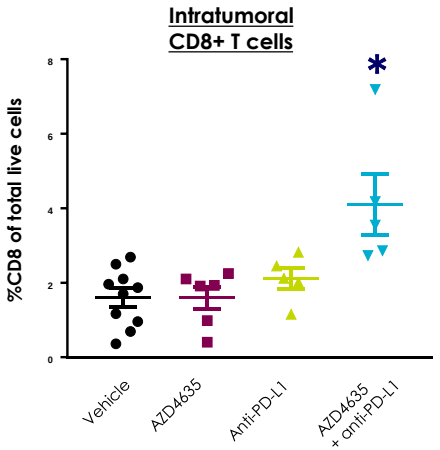
HIGH ADENOSINE TUMOR



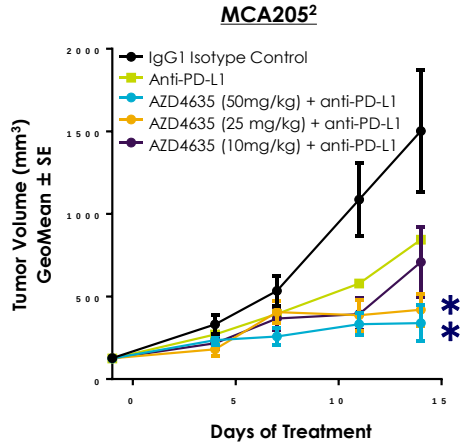
LOW ADENOSINE TUMOR



INCREASED IMMUNE RESPONSE



DOSE DEPENDENT



[1] MC38 syngeneic colorectal cancer

[2] MCA205 syngeneic fibrosarcoma cancer

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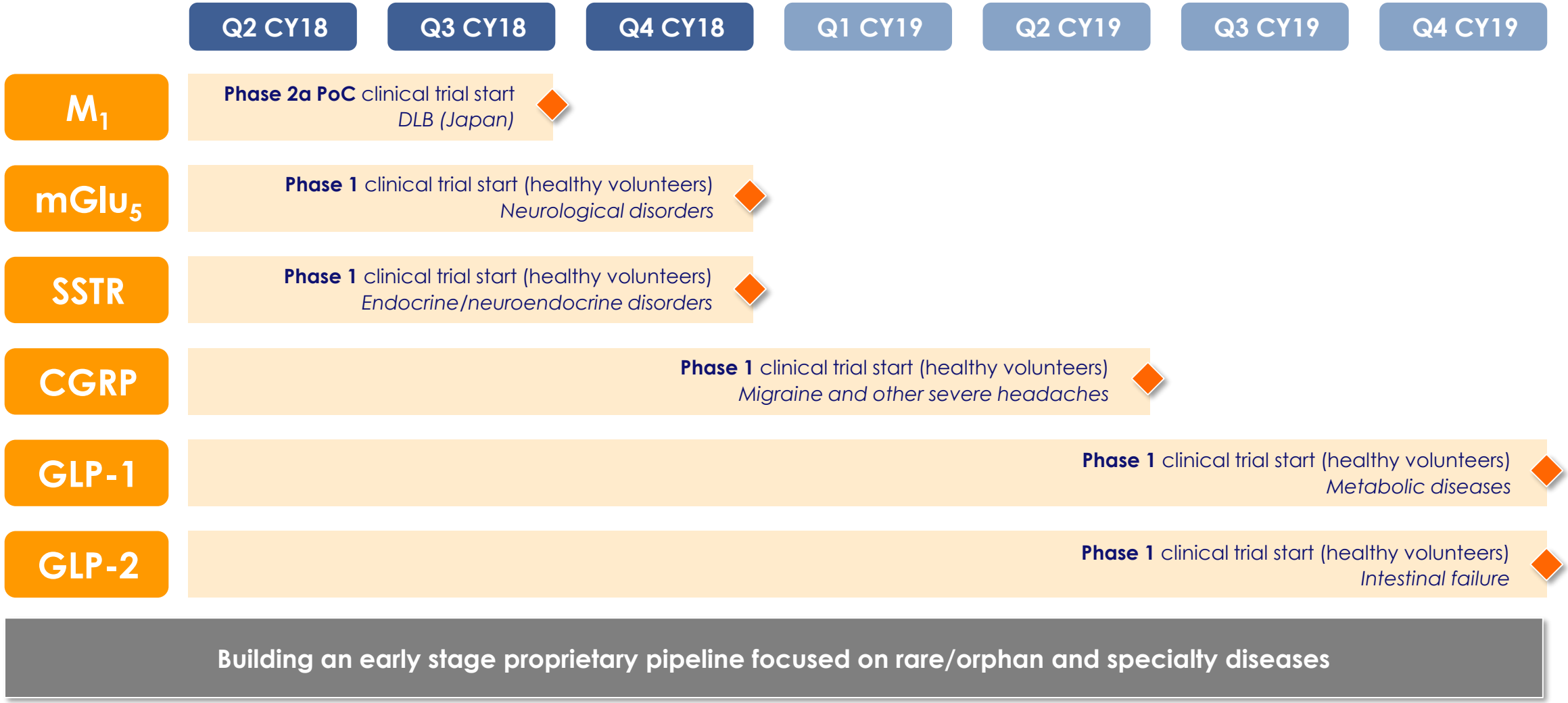
Powerful and productive GPCR platform

Expected start timing for proprietary pipeline



Building an early stage proprietary pipeline focused on rare/orphan and specialty diseases

Expected timing of trial start/first patient dosing

Other updates

Novartis COPD sales have continued to grow

- Ultibro® maintains its position as the #1 LAMA/LABA across Europe
- Novartis confirmed plans for QVM149 filing in 2019

MiNA Therapeutics option

- OUTREACH study recruitment progressing well
- Sosei investment decision H2 CY2018

Corporate governance enhanced

- Kazuhiko Yoshizumi elevated to Executive Officer, Group Head of Compliance
- New Group auditor proposed (EY)
- Change of accounting YE to December proposed (aligns with partners and international norms)

Stock split

- 4:1 stock split announced – record date 30 June 2018
- Lowers minimum investment unit for shareholders

Agenda

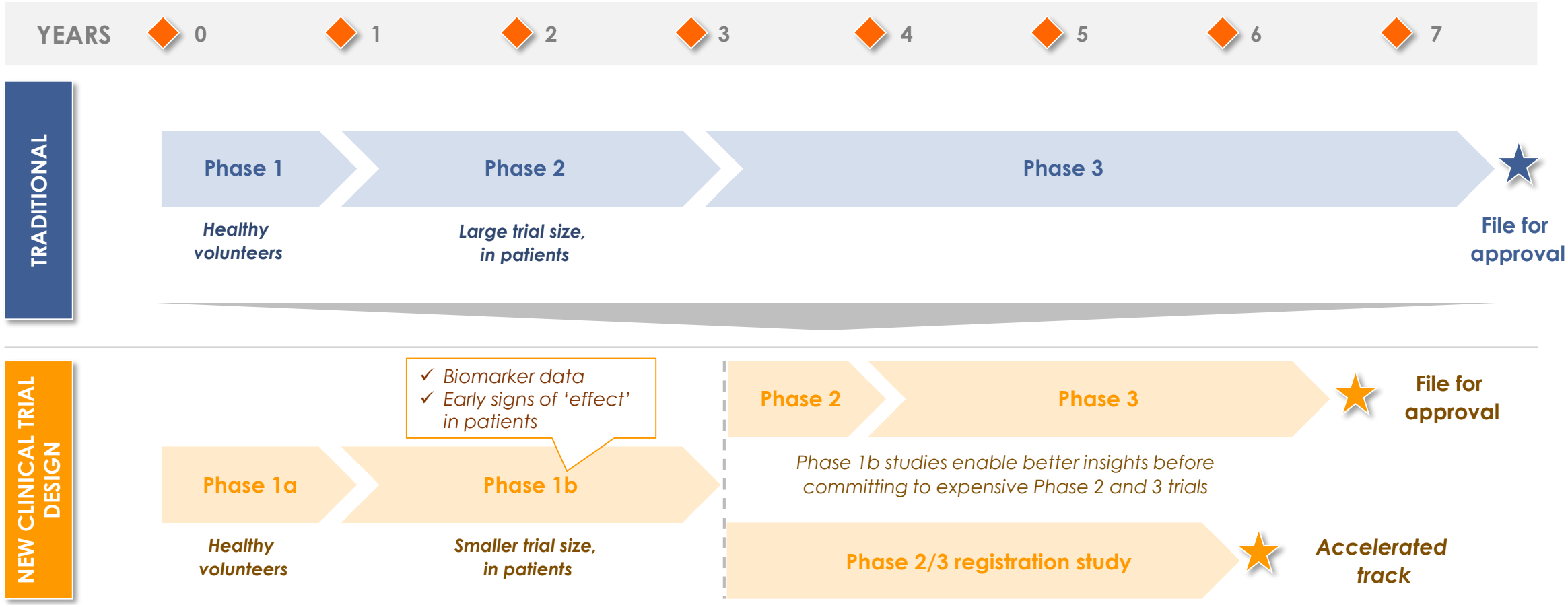
Q&A

1 The changing Phase 1 clinical trial landscape

Clinical trial designs have changed to enable better overall execution

ILLUSTRATIVE

Illustrative overview of traditional versus new clinical trial timelines



Longer timelines during Phase 1 (delaying Phase 2 milestones), but potential for accelerated timelines overall

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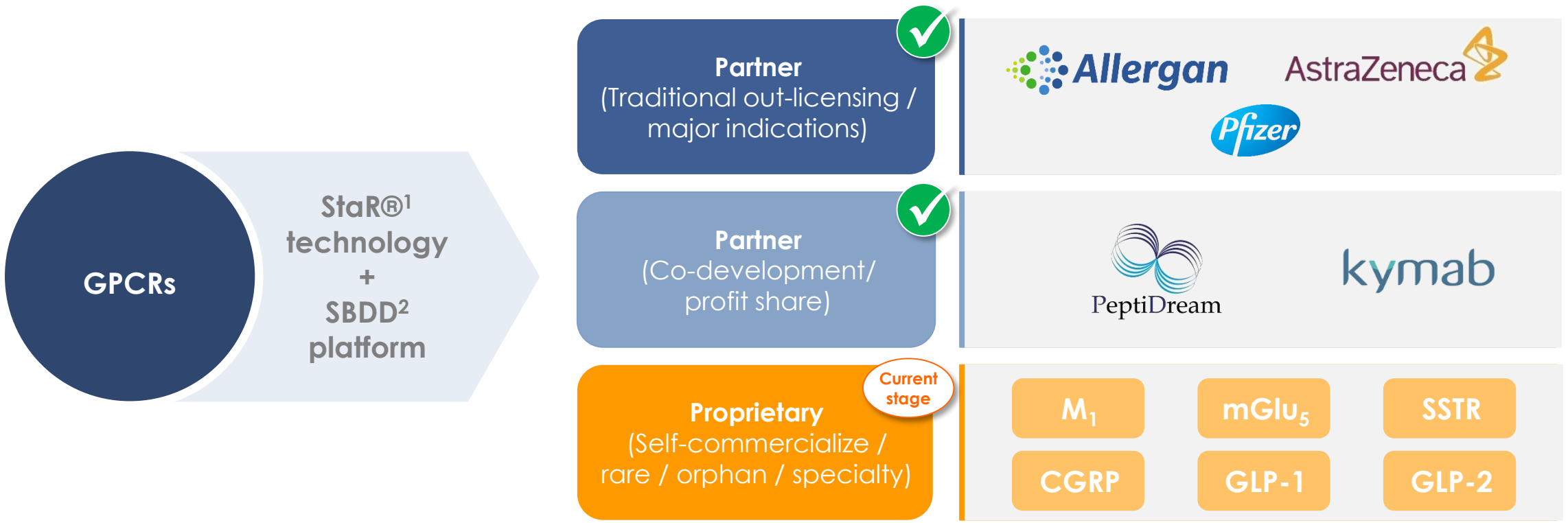
2 Balanced business model

Reduces risk, broadens near term revenue opportunities



We will continue to partner and we will continue to advance proprietary drug development

[1] Stabilized receptor technology

[2] Structure-based drug design

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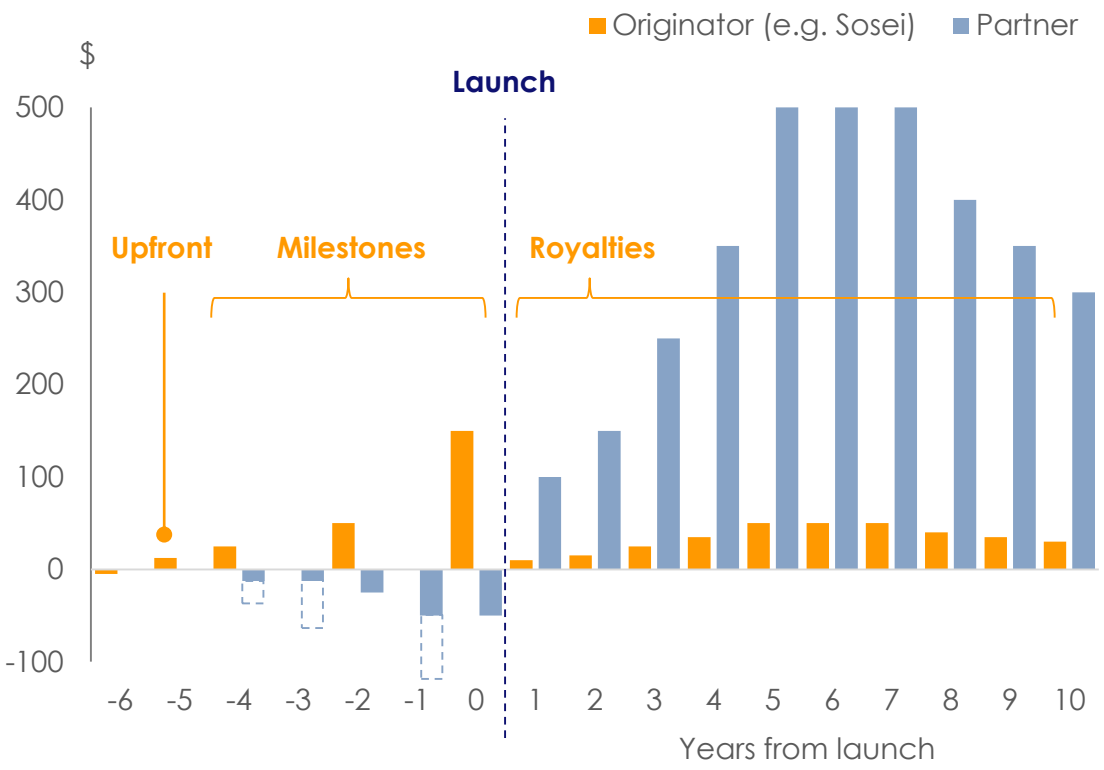
2A The benefits of out-licensing drugs to partners

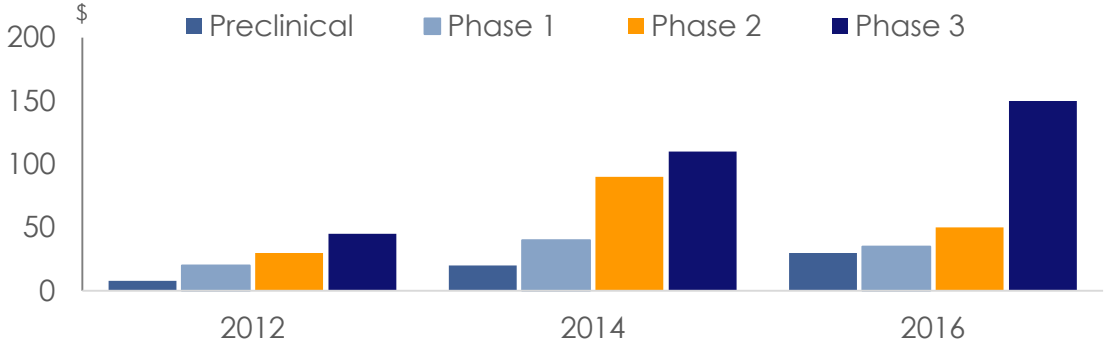
Cost and risk are transferred away, whilst retaining economic exposure

ILLUSTRATIVE

Illustrative cash flow share with partner



Average upfront fee by development stage



Source: IMS PharmaDeals

Sosei licensing deals

At Preclinical Phase

AstraZeneca ➤ **Upfront –** $10m

TEVA ➤ **Upfront –** $10m

At Phase 1

Allergan ➤ **Upfront –** $125m

Lower economics overall, however cost and risk transferred to partner.
Out-licensing drugs at later Phases generates larger upfronts

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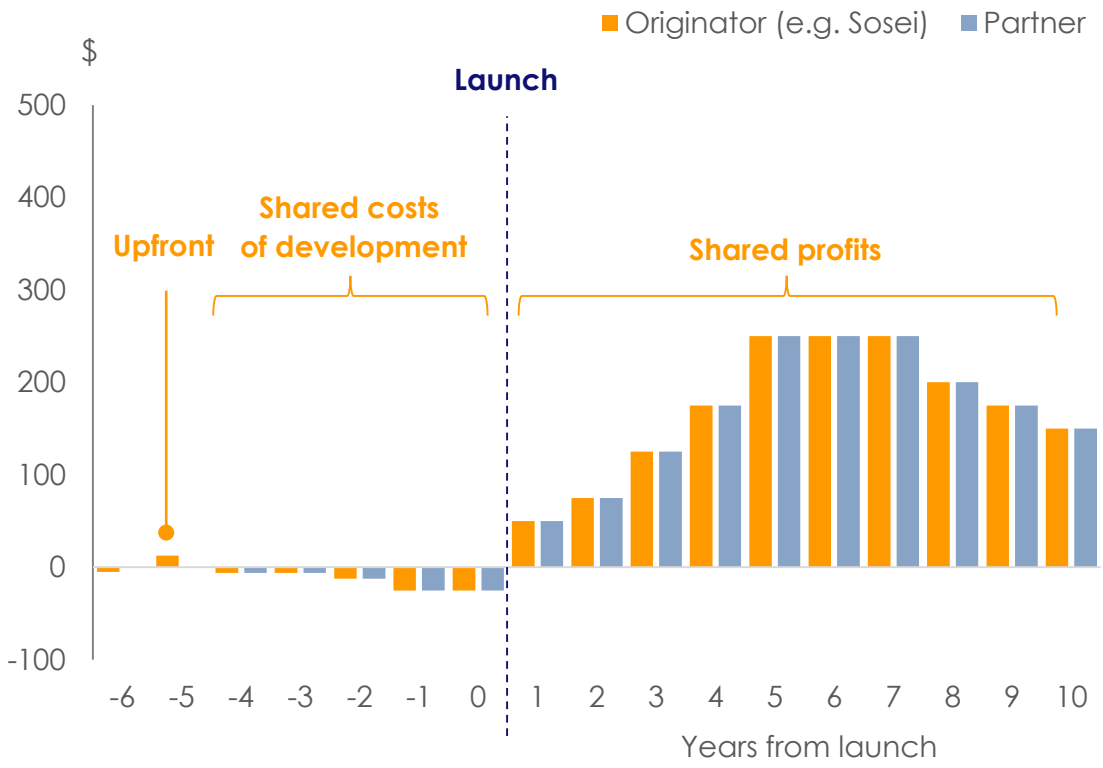
2B

The benefits of co-developing drugs with partners

Cost and risk are shared, with greater upside than out-licensing

ILLUSTRATIVE

Illustrative cash flow share with partner



Sosei strategic collaborations

PeptiDream

- **Indication –** inflammation
- **Collab –** Sosei StaR® platform + PeptiDream PDPS platform
- **Economics –** Jointly conduct and share costs of discovery and development program and will co-own any resulting products

kymab

- **Indication –** immuno-oncology
- **Collab –** Sosei StaR® platform + Kymab Kymouse™ platform
- **Economics –** Jointly conduct and share costs of each antibody discovery and development program

Greater upside economic potential, costs and risk shared with partner.
We have two early stage co-development programs that are progressing very well.

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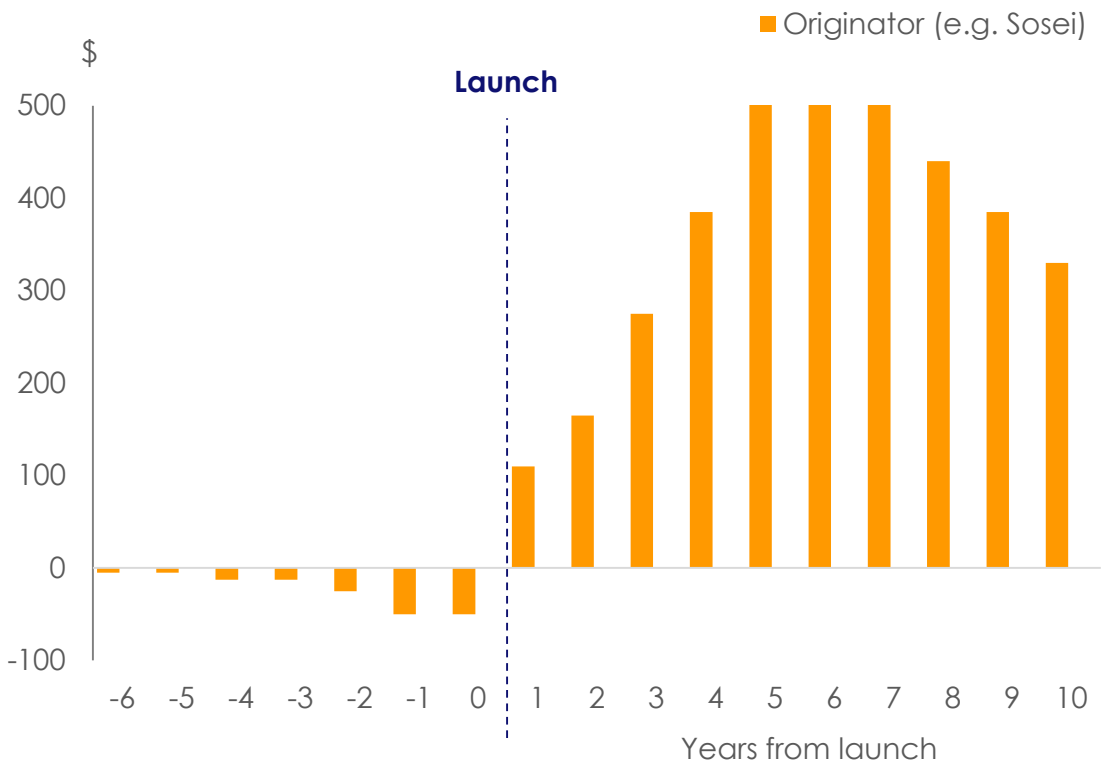
2C

Why develop proprietary drugs ourselves?

Highest cost and risk, but greatest long-term value capture for shareholders

ILLUSTRATIVE

Illustrative cash flow



Sosei's proprietary programs

Product	Modality	Indication	Disc-overy	Pre-clinical	Ph 1	Ph 2	Ph 3	Market
M_1	SME	DLB (Japan)						
$mGlu_5$	SME	Neurology						
CGRP	SME	Migraine						
SSTR	SME	Endocrine disorders						
GLP-1	SME	Metabolic diseases						
GLP-2	SME	Intestinal failure						

: Current stage

: Next 12–18 mths progress

Long term value capture benefit, however highest associated costs and risk.
We have six proprietary programs that are expected to enter clinical development before 2019.

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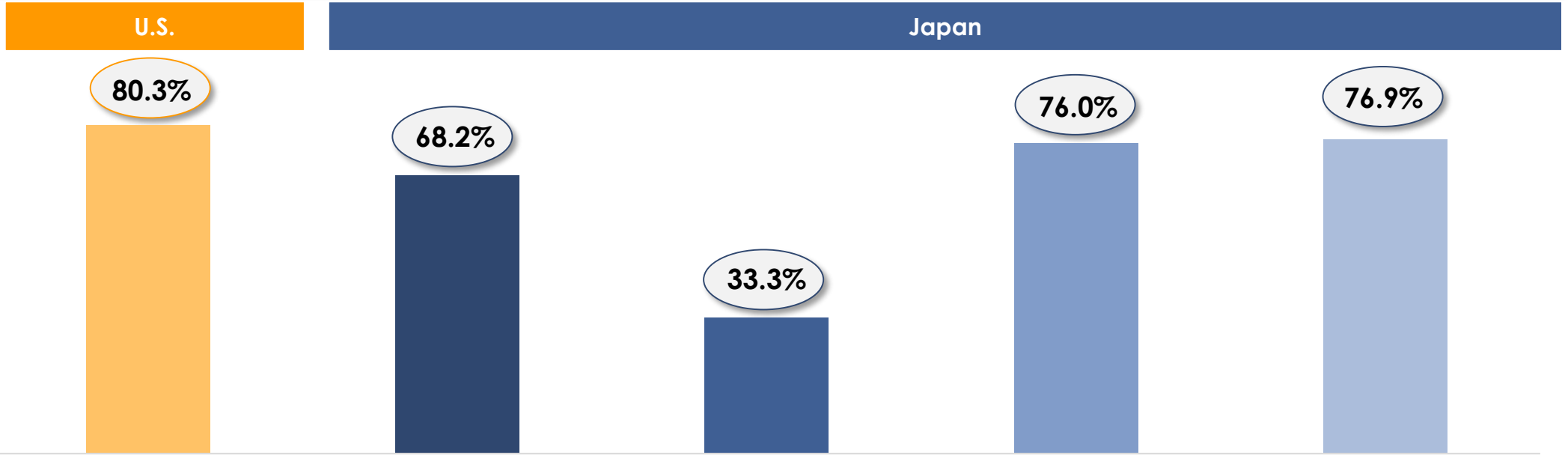
3 Current losses in perspective

Most biotechs prioritize R&D investment, which drives losses in early Phases

Proportion of biotech stocks that are loss making[1]



	Nasdaq BI Index	All Japan Biotech	TSE 1st/2nd	TSE Mothers	JASDAQ
# Stocks	193	44	6	25	13
# Loss making[1]	155	30	2	19	10

Following the acquisition of Heptares in 2015, Sosei's strategy shifted away from pharma towards the biotech model. Initial Phases can be loss making, but the ultimate goal is to create excess long-term value for shareholders.

Source: FactSet

[1] Based on last reported fiscal year operating profit

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Locations

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