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To Our Shareholders:

TSE Securities Code: 4565
March 4, 2022

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

Notice of the 32nd Ordinary General Meeting of Shareholders

Sosei Group Corporation (the Company) would like to inform you that the 32nd Ordinary General Meeting of Shareholders of the Company (the “Meeting”) will be held as follows.

Since voting rights may be exercised in writing (by mail) or on the internet, we strongly ask shareholders to consider forgoing attending the General meeting of Shareholders to prevent the spread of COVID-19, and at the same time, exercise voting rights in advance as much as possible, either by returning the voting form by post or voting on the internet.

Please read the Reference Documents for the Meeting included in this document and exercise your rights by 5:00 p.m. on Wednesday, March 23, 2022.

Yours sincerely

Date and Time	Thursday, March 24, 2022 at 10:00 a.m. (Reception start: 9:30 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	<p>Matters to be reported:</p> <ol style="list-style-type: none"> 1. Business Report, Consolidated Financial Statements, and Reports of Independent Auditor and the Audit Committee on the Consolidated Financial Statements for the 32nd fiscal period (from January 1, 2021 to December 31, 2021) 2. Report on the Non-Consolidated Financial Statements for the 32nd fiscal period (from January 1, 2021 to December 31, 2021) <p>Matters to be resolved:</p> <ol style="list-style-type: none"> Proposal No1. - Partial amendment of articles of incorporation Proposal No2. - Election of Eight (8) Directors
Matters relating to Internet Disclosure	<p>(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 within this notice are only a portion of the documents over which the Audit Committee and Independent Auditor conducted an audit and prepared audit reports.</p> <ol style="list-style-type: none"> 1) “Stock acquisition rights (“stock options”), etc.”, “Outline of the systems for ensuring the appropriateness of operations and their operating status” and “Policy on the conduct of persons influencing decision on the Company’s financial and business policies” 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 <p>(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.</p> <p>Website of the Company (https://www.soseiheptares.com/)</p>

Exercise of Voting Rights

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

Exercising voting rights in writing (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 Wednesday, March 23, 2022

Exercising voting rights on 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 Wednesday, March 23, 2022

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: Thursday, March 24, 2022 at 10:00 a.m. (Reception start: 9:30 a.m.)

Venue: Fuji-No-Ma Hall, 4th Floor, Hotel Grand Arc Hanzomon
1-1, Hayabusa-cho, Chiyoda-ku, Tokyo, Japan

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

You can connect to the voting website via smartphone.

<Smart Vote>

Smartphone users may log in to the voting website without entering the “voting code” and “password” by scanning 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.

Measures to prevent the spread of COVID-19

This General Meeting of Shareholders will give top priority to the health and safety of Shareholders and the prevention of the spread of COVID-19, and we ask for your understanding and cooperation as follows.

1. Request to Shareholders

- Shareholders are asked to **consider forgoing attending the General meeting of Shareholders and at the same time, exercise voting rights in advance as much as possible, either by returning the voting form by post or voting via the internet.**

2. On our response

- Staff shall attend wearing masks.
- Hand sanitizers will be available in the reception area and the venue.
- We will take your temperature at the entrance. Please refrain from entering or we may ask Shareholders to leave the venue in the following cases;
 - In the case of Pyrexia is confirmed by taking your temperature.
 - In the case of coughing or other symptoms are observed.
 - In the case of the uncooperation in wearing a mask or using hand sanitizers.
- The seats at the venue will be spaced. **Since the number of seats are reduced from the previous year, you may not be admitted if seats are full.**
- We will do our best to shorten the meeting time as much as possible.

We are pleased to inform you of any significant changes in the management of the meeting on our website (<https://soseiheptares.com/>).

Proposal No. 1 Partial amendments to the Articles of Incorporation

1. Reasons for proposal

- (1) The Act Partially Amending the Companies Act (Act No. 70 of 2019) approves measures for providing reference documents for shareholder meetings, etc. in electronic format. Once the amendment concerning these measures has been enacted, companies will be obligated to take measures to provide information that constitutes the content of reference documents for general shareholder meetings, etc. in electronic format. Therefore, relevant sections need to be amended in preparation for this.
- (2) Article 15 of the current Articles of Incorporation stipulates that a General Meeting of Shareholders shall be convened and chaired by a Representative Executive Officer pursuant to a resolution of the Board of Directors. However, relevant sections shall be amended in order to allow Directors predetermined by the Board of Directors to convene General Meetings of Shareholders and Directors or Executive Officers predetermined by the Board of Directors to act as chair pursuant to a resolution of the Board of Directors.

2. Content of the Amendment

The proposed Amendments are as follows.

(The underlined portions show the changes.)

Current Articles of Incorporation	Proposed Amendments
<p>Chapter 3 General Meeting of Shareholders <u>(Disclosure on the Internet and Deemed Delivery of Shareholder Meeting Reference Documents, etc.)</u></p> <p>Article 14</p> <p>The Company may, in convening a General Meeting of Shareholders, <u>deem that the information required to be stated or displayed in reference documents for shareholder meeting, business reports, and financial statements and consolidated financial statements shall have been provided to shareholders when such information is disclosed on the internet in accordance with the Ordinance of the Ministry of Justice.</u></p> <p>(Newly established)</p>	<p>Chapter 3 General Meeting of Shareholders <u>(Measures for Provision of Information in Electronic Format, etc.)</u></p> <p>Article 14</p> <p>The Company, in convening a General Meeting of Shareholders, <u>shall take measures to provide information that constitutes the content of reference documents for shareholder meeting, etc. in electronic format.</u></p> <p><u>2 Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items designated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p>

Current Articles of Incorporation	Proposed Amendments
<p>(Convocation and Chairperson)</p> <p>Article 15</p> <p>Unless otherwise provided by law, a General Meeting of Shareholders shall be convened and chaired by <u>a Representative Executive Officer</u> pursuant to a resolution of the Board of Directors.</p> <p><u>2 If more than one Representative Executive Officers are in office, the Representative Executive Officer predetermined by the Board of Directors shall act as the person to convene and preside at the meeting as provided in the foregoing paragraph.</u></p> <p><u>3 If the person who shall preside at the meeting pursuant to the foregoing two paragraphs is unable to act, one of the other Executive Officers shall convene and preside at a General Meeting of Shareholders in the order of priority as predetermined by the Board of Directors.</u></p>	<p>(Convocation and Chairperson)</p> <p>Article 15</p> <p>Unless otherwise provided by law, a General Meeting of Shareholders shall be convened <u>by a Director predetermined by the Board of Directors</u> and chaired by <u>a Director or Executive Officer predetermined by the Board of Directors</u> pursuant to a resolution of the Board of Directors.</p> <p>(Deleted)</p> <p><u>2 If the person who shall preside at the meeting pursuant to the foregoing paragraph is unable to act, one of the other Directors shall convene and one of the other Directors or Executive Officers shall preside at a General Meeting of Shareholders in the order of priority as predetermined by the Board of Directors.</u></p>
<p>Articles 16 – 42 (Omitted)</p>	<p>Articles 16 – 42 (Same as current version)</p>
<p>(Newly established)</p>	<p>(Supplementary Provisions)</p> <p><u>1. The deletion of Article 14 of the current Articles of Incorporation (Disclosure on the Internet and Deemed Delivery of Shareholder Meeting Reference Documents, etc.) and the new establishment of Article 14 (Measures for Provision of Information in Electronic Format, etc.) in the proposed amendments shall be effective as of September 1, 2022 (hereinafter the “Date of Enforcement”).</u></p> <p><u>2. Notwithstanding the preceding paragraph, Article 14 of the current Articles of Incorporation shall remain effective regarding any General Meeting of Shareholders held on a date within six months from the Date of Enforcement.</u></p> <p><u>3. These supplementary provisions shall be deleted on the day when six months have elapsed from the Date of Enforcement or the day when three months have elapsed from the date for the General Meeting of Shareholders mentioned in the preceding paragraph, whichever is later.</u></p>

Proposal No.2 Election of Eight (8) Directors

The term of office of all six directors currently in office will expire at the conclusion of the Meeting. To strengthen the function of the Board of Directors, according to the decision by the Nominating Committee, the election of total eight directors with two more new directors which includes one external director shall be proposed. The candidates are as follows:

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, CEO Chair of the Nomination Committee, Member of the Compensation Committee	Re-appointed			26/26 times
2	Christopher Cargill	Executive Officer, CFO	Newly appointed			—
3	Tomohiro Tohyama	External Director, Chair of the Audit Committee, Member of the Compensation Committee	Re-appointed	External	Ind	26/26 times
4	Kuniaki Kaga	External Director, Member of the Nomination Committee, Member of the Audit Committee	Re-appointed	External	Ind	26/26 times
5	David Roblin	External Director, Chair of the Compensation Committee Member of the Nomination Committee,	Re-appointed	External	Ind	25/26 times
6	Noriaki Nagai	External Director, Member of the Audit Committee	Re-appointed	External	Ind	25/26 times
7	Rolf Soderstrom	External Director, Member of the Audit Committee Member of the Compensation Committee	Re-appointed	External	Ind	25/26 times
8	Miwa Seki	—	Newly appointed	External	Ind	—

Reappointed	Candidate as Reappointed Director
Newly appointed	Candidates as newly appointed Directors
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, Mr. Rolf Soderstrom, and Ms. Miwa Seki 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, Mr. Noriaki Nagai, and Mr. Rolf Soderstrom. 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. We have a liability insurance (D&O insurance) policy in which all of our directors are insured. The Company is paying the full amount of premiums for this policy. To a director who is an insured person being liable for the execution of his/her duties or a request pertaining to the pursuance of such liability damage that may be caused by such damage is covered. If this proposal is approved by the Meeting, each candidate will be included as an insured person under the relevant insurance policy. Moreover, we plan to renew D&O insurance with same content for the next contract renewal.
 5. 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, Mr. Noriaki Nagai, and Mr. Rolf Soderstrom stated in 3. above. and to conclude the liability limitation agreements equivalent to the agreements stated in 3. above with Ms. Miwa Seki.
 6. The Company has notified Tokyo Stock Exchange, Inc. of Mr. Tomohiro Tohyama, Mr. Kuniaki Kaga, Dr. David Roblin, Mr. Noriaki Nagai, and Mr. Rolf Soderstrom as Independent Directors in accordance with the regulations of Tokyo Stock Exchange, Inc.
 7. If this proposal is approved at the Meeting, the Company intends to notify the Tokyo Stock Exchange of the appointment of Ms. Miwa Seki as an Independent Director in accordance with the regulations of Tokyo Stock Exchange, Inc.

Candidate
No.

1

Shinichi Tamura
(Born 9/17/1949)

No. of shares owned: 1,145, 237

Term of office as Board Director: 32 years

Attendance at Board Meetings: 26/26 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
- Sep. 2021 Representative Executive Officer, 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 and has led the Company's business expansion by utilizing his extensive experience in corporate management in the pharmaceutical industry. For the continued development of the Company's business, the Company proposes that he continue to be elected as a Director.

Candidate
No.

2

Christopher Cargill
(Born 3/1/1984)

No. of shares owned:	4,358
Term of office as Board Director:	-
Attendance at Board Meetings:	-

Newly appointed

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

Feb. 2009 Joined KPMG
Apr. 2010 Joined J.P. Morgan Chase & Co
Sep. 2017 Head of IR and Corporate Communication Dept of the Company
Jun. 2018 Interim CFO of the Company
Jun. 2018 Director, Sosei R&D Ltd.
Nov. 2018 Executive Officer and Executive Vice President, CFO of the Company
Jan. 2019 Director, Heptares Therapeutics Ltd. (to the present)
Apr. 2021 Executive Officer, COO, CFO of the Company
Sep. 2021 Executive Officer, CFO of the Company (to the present)

[Significant concurrent posts]

Director, Heptares Therapeutics Ltd.

Reason for selection of the candidate as Director

Mr. Christopher Cargill has extensive expertise in finance and accounting based on his business experience at a major overseas financial institution, etc. Since joining the Company in 2017, he has been responsible for formulating business strategies as CFO and has demonstrated a high level of business management skills as a Director of Heptares Therapeutics Ltd. He understands the overall management of the Company and is expected to demonstrate a high level of expertise, so that the Company proposes that he be newly elected as a Director.

Candidate
No.

3

Tomohiro Tohyama

(Born 2/21/1950)

No. of shares owned: 33,860

Term of office as External Director: 11years

Attendance at Board Meetings: 26/26 times

Reappointed

External

Independent

[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 (one of founders) at TMI Associates (to the present)
Nov. 1999 External 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.
Jun. 2016 Outside Statutory Auditor , WOWOW Inc.

<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.

Reason for selection of the candidate as External Director and summary of expected roles

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 no experience of being involved in corporate management other than as an External Director and Corporate Auditor. He has actively provided useful advice and suggestions on overall management by utilizing his expert perspective on corporate management and legal affairs. It is expected that his performance of these important roles will further strengthen the supervision to the management and the governance system, so that the Company proposes that he continue to be elected as an External Director.

Candidate
No.

4

Kuniaki Kaga
(Born 9/1/1951)

No. of shares owned: 26,000

Term of office as External Director: 4 years

Attendance at Board Meetings: 26/26 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.
- Jun. 2018 External Director of the Company (to the present)
- Jan. 2021 External Director, SUSMED, Inc (to the present)

<Committee membership>

Member of the Nomination Committee; Member of the Audit Committee

[Significant concurrent posts]

External Director, SUSMED, Inc

Reason for selection of the candidate as External Director and summary of expected roles

Mr. Kuniaki Kaga has held several senior positions at leading Japanese chemical and pharmaceutical companies. He actively provides useful advice and suggestions on overall management by leveraging his expertise in corporate management, technology, research and development, business strategy and marketing. It is expected that his performance of these important roles will further strengthen the supervision to the management and the governance system, so that the Company proposes that he continue to be elected as an External Director.

Candidate
No.

5

David Roblin
(Born 9/25/1966)

No. of shares owned: -
Term of office as External Director: 4 years
Attendance at Board Meetings: 25/26 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
Sep. 2013 Honorary Professor, Swansea University, School of Medicine (to the present)
Feb 2014 COO, The Francis Crick Institute
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 President of R&D, Summit Therapeutics
Jun. 2018 External Director of the Company (to the present)
Mar. 2020 COO and CEO JuvRX, Juvenescence Ltd (to the present)

<Committee membership>

Chair of the Compensation Committee; Member of the Nomination 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
COO and CEO JuvRX, Juvenescence Ltd

Reason for selection of the candidate as External Director and summary of expected roles

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. He has been actively providing useful advice and suggestions on R&D in general, utilizing his expert perspective on corporate management, technology, R&D, business strategy and marketing. It is expected that his performance of these important roles will further strengthen the supervision to the management and the governance system, so that the Company proposes that he continue to be elected as an External Director.

Candidate
No.

6

Noriaki Nagai
(Born 12/1/1957)

No. of shares owned: 16,677

Term of office as External Director: 3 year

Attendance at Board Meetings: 25/26 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
- Jun. 2000 General Manager, Legal Dept., NSC
- Apr. 2006 Executive Officer in charge of Corporate, Nomura Holdings, Inc. (NHI)
Executive Officer in charge of Legal, NSC
- Apr. 2010 Executive Managing Director in charge of corporate planning, legal and secretary, NSC
- Apr. 2011 Executive Officer and Chief Legal Officer, NHI
Executive Managing Director in charge of legal and secretary, NSC
- Jun. 2013 External Director, Japan Securities Depository Center, Inc.
- Jun. 2013 External Director, Japan Securities Clearing Corporation
- Apr. 2014 Executive Officer in charge of Corporate and Chief Legal Officer, NHI
Executive Managing Director in charge of planning management, NSC
- Apr. 2015 Professor of Law, Doshisha University
- Mar. 2019 External Director of the Company (to the present)

<Committee membership>

Member of the Audit Committee

[Significant concurrent posts]

N/A

Reason for selection of the candidate as External Director and summary of expected roles

Mr. Noriaki Nagai held key positions in the corporate division of a major securities company and was a university professor at faculty of law. He has been actively providing useful advice and suggestions to the Company's management in general, utilizing his expertise in business strategy and marketing, finance and accounting, and legal affairs. It is expected that his performance of these important roles will further strengthen the supervision to the management and the governance system, so that the Company proposes that he continue to be elected as an External Director.

Candidate
No.

7

Rolf Soderstrom
(Born 7/29/1965)

No. of shares owned: 2,451

Term of office as External Director: 2 years

Attendance at Board Meetings: 25/26 times

Reappointed

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. 2008 Chief Financial Officer, Protherics plc (current BTG plc)
Mar. 2020 External Director of the Company (to the present)
May. 2020 Senior Independent Director, Ergomed plc
Sep. 2020 Non Executive Director, BioPharma Credit plc (to the present)
Jul. 2021 Chief Financial Officer of Healthcare Investment Fund, Syncona plc (to the present)

<Committee membership>

Member of the Audit Committee; Member of the Compensation Committee

[Significant concurrent posts]

Chief Financial Officer of Healthcare Investment Fund, Syncona plc
Non Executive Director, BioPharma Credit plc

Reason for selection of the candidate as External Director and summary of expected roles

Mr. Rolf Soderstrom is a chartered qualified accountant in the United Kingdom and has extensive experience and achievements in M&A, risk management and governance as a leader in finance-related matters for companies in Europe, North America and Asia. He actively provides useful advice and suggestions on overall management by leveraging his expertise in corporate management, business strategy and marketing, and finance and accounting. It is expected that his performance of these important roles will further strengthen the supervision to the management and the governance system, so that the Company proposes that he continue to be elected as an External Director.

Candidate
No.

8

Miwa Seki

(Born 2/25/1965)

No. of shares owned: -

Term of office as External Director: -

Attendance at Board Meetings: -

Newly appointed

External

Independent

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

Apr. 1988 Joined DENTSU INC.
Apr. 1989 Joined Smith Barney
Sep. 1993 Joined Morgan Stanley
Feb. 1997 Joined Clay Finlay Limited
Jan. 2003 General Manager, Tokyo Branch, Clay Finlay Limited
Apr. 2015 Associate Professor, Faculty of Foreign Studies, Kyorin University
Jun. 2018 External Director, World Co., Ltd. (to the present)
Jun. 2020 External Director, DAIWA HOUSE INDUSTRY CO., LTD. (to the present)
Apr. 2021 Specially Appointed Associate Professor, Faculty of Foreign Studies, Kyorin University (to the present (Scheduled to retire at the end of March 2022))
May.2021 General Partner MPOWER PARTNERS FUND (to the present)

[Significant concurrent posts]

General Partner MPOWER PARTNERS FUND
External Director, World Co., Ltd
External Director, DAIWA HOUSE INDUSTRY CO., LTD.
Standing Director, Yanai Tadashi Foundation

Reason for selection of the candidate as External Director and summary of expected roles

Ms. Miwa Seki served as head of Japan at a foreign capital financial institution and is currently a founding partner of an ESG-oriented investment fund. Based on this experience, the Company believes that she will be able to provide useful advice and suggestions on overall management by leveraging her expert perspective on corporate management, business strategy and marketing, and finance/accounting. It is expected that her performance of these important roles will further strengthen the supervision to the management and the governance system, so that the Company proposes that she be newly elected as an External Director.

End

Reference

The expertise of each candidate for director and the committees scheduled to take office if Proposal No. 2 is approved are as follows. Note that the table below does not necessarily show all the expertises that the Directors have.

Name	Shinichi Tamura	Christopher Cargill	Tomohiro Tohyama	Kuniaki Kaga	David Roblin	Noriaki Nagai	Rolf Soderstrom	Miwa Seki
	Re appointed	Newly appointed	Re appointed	Re appointed	Re appointed	Re appointed	Re appointed	Newly appointed
	External		External	External	External	External	External	External
			Independent	Independent	Independent	Independent	Independent	Independent
Term of office	32 years	—	11 years	4 years	4 years	3 years	2 years	—
Skill								
Corporate management	●	●	●	●	●		●	●
Technology/ R&D	●			●	●			
Business strategy/ Marketing	●	●		●	●	●	●	●
Finance/ Accounting		●				●	●	●
Legal			●			●		
Scheduled to take office								
the Nomination Committee	●				●	●		●
the Compensation Committee	●	●	●		●		●	
the Audit Committee			●	●		●	●	●

Reference the Independence Standards for External Directors

An external director will be determined to be independent if he or she does not fall under any of the following categories:

- (1) A person who is or was an executive director, executive officer or other officer or employee (hereinafter collectively referred to as "Executive") of our Group (the Company and its affiliated companies);
- (2) A person who is or was in any of the last three business years an Executive at our Group's principal business partner (a company with which the annual amount of transaction (the amount of products and services provided or procured) exceeds 2% of consolidated net sales of the Company or the partner or a financial institution from which the amount of borrowing outstanding at the end of fiscal year exceeds 2% of the Company's consolidated total asset) and its parent and subsidiary companies, and subsidiaries of such parent company;
- (3) A consultant, or accounting or legal expert who has received in any of the last three business years cash or other property exceeding 10 million yen from our Group other than the remuneration for a director or officer (or a person who belongs to an organization if the said property has been received by a juridical person, partnership or any other organization);
- (4) A person who belongs or belonged to an auditing firm that is an accounting auditor of the Company or its consolidated subsidiary in any of the last three business years;
- (5) A major shareholder of the Company (shareholder holding 10% or more on a voting rights basis of the shares in the Company in its own or other's name) at the end of the most recent business year or its Executive;
- (6) A spouse or relative within the second degree of kinship of a person who falls under any of the items (1) to (5) above provided that an Executive shall be in an "Important Position." For the purpose of this item, a person is in an "Important Position" when the person is a director (excluding external director), executive officer, officer, employee in senior management position of general manager or higher, or other person who is objectively and reasonably judged to be in a position of equivalent importance; or
- (7) A person who is reasonably judged to be unable to perform his or her duties as an independent external director due to a potential conflict of interest with shareholders.

End

(1) Progress and Results of Operations

1) Group Overview

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 the quality of life and health 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, 2021, the Group continued to leverage and advance its proprietary StaR® (“stabilized receptor”) technology and Structure-based Drug Design (“SBDD”) platform.

We also continued to focus on expanding our drug discovery business and remain well-positioned to capitalize on growth opportunities.

Our SBDD platform and highly productive drug discovery engine continues to generate multiple new exciting drug candidates, and we will continue to take steps to increase partnered and co-investment activity to ensure all programs are rapidly advanced in a capital efficient manner. At the same time, we will invest in new technologies, tools and capabilities to maintain our competitive edge and bring forward an exciting pipeline of next-generation programs in areas of high unmet medical need.

Our business model is focused across three core areas to create value; (i) supporting our existing partnerships with major global pharmaceutical companies, (ii) advancing R&D with innovative technology companies and venture funds, and (iii) signing new high-value partnerships based on successful in-house drug discovery and early-stage development of new candidates.

As of December 31, 2021, the Group had over 20 programs in total ongoing in discovery, with multiple in-house and partnered programs currently in preclinical/clinical studies.

Our existing partnerships with major pharmaceutical companies continue to progress very well. During the year, the Group entered into a strategic collaboration and licensing agreement with Neurocrine Biosciences to develop novel muscarinic receptor agonists, of which the Group regained worldwide rights from AbbVie in January 2021. The Group received US\$100 million upfront and is eligible to receive up to \$2.6 billion in future milestones. The strategic multi-target drug discovery collaboration with Pfizer Inc. continued to demonstrate progress, having generated its third new drug candidate to enter Phase 1 clinical trials last year. Furthermore, the Group initiated Phase 1 clinical trial with CGRP antagonist under collaboration with Biohaven. The Group also received milestone from GSK for progress associated with the GPR35 agonist.

In the area of collaborations with innovative technology companies, the Group continued to make significant progress. The Group entered agreements with InveniAI, which has AI-powered platform for target discovery, and with Twist, which has proprietary synthetic antibody libraries and sophisticated bioinformatics expertise, respectively. In line with our commitment to future-proof and enhance our drug discovery capabilities and expand beyond our traditional focus in GPCRs, the Group entered into a new strategic technology collaboration with Metrion to apply its SBDD expertise and platform to ion channels for the first time.

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, to advance multiple discovery candidates through and into early-stage development. The Group received grant funding from Wellcome to advance the development of oral anti-viral small molecules to treat COVID-19.

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 forming new high-value collaborations with world-leading partners. At the same time, we will continue to rigorously manage costs and remain flexible to all value-creating opportunities.

Financial results for the year ended December 31, 2021 were revenue of 17,712 million yen (an increase of 8,870 million yen vs. the prior year), operating profit of 3,775 million yen (an increase of 2,847 million yen vs. the prior year) and net profit of 1,017 million yen (a decrease of 462 million yen vs. the prior year).

		The 31st Term January 1, 2020 - December 31, 2020	The 32nd Term January 1, 2021 - December 31, 2021	vs. the prior year	
		Value	Value	Value	Rate of change
Revenue	(JPY millions)	8,842	17,712	8,870	100.3%
Operating profit	(JPY millions)	928	3,775	2,847	306.8%
Net profit	(JPY millions)	1,479	1,017	(462)	(31.2)%
Net earnings per share - basic	(Yen)	18.77	12.53	(6.24)	(33.2)%

The principal management indicators are as follows.

Revenue

Revenue in the year under review totalled JPY 17,712 million (an increase of JPY 8,870 million vs. the prior year).

Revenue related to upfront fees and milestone income in the year under review totalled JPY 14,667 million (an increase of JPY 9,314 million vs. the prior year). Upfront fees and milestone income can vary considerably year on year and depend on the achievement of defined milestone events and the commencement of new partnership agreements within that year. In 2021, the Group received two upfront fees, including a fee of \$100m from Neurocrine which was substantially larger than all four of the upfront fees received in 2020 combined. In 2021, the Group also received eight development milestone related fees compared to seven in 2020. Revenue related to royalties in the year under review totalled JPY 2,311 million (a decrease of JPY 233 million vs. the prior year). The Group's royalty revenue relates to sales of Ultibro® Breezhaler®, Seebri® Breezhaler® and Enerzair® Breezhaler® by Novartis .

(Note) Glycopyrronium bromide and certain use and formulation intellectual property were exclusively licensed to Novartis in April 2005 by Sosei and Vectura. Seebri®, Ultibro®, Enerzair® and Breezhaler® are registered trademarks of Novartis AG.

Cash cost of sales

Cost of sales comprises 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 the cost of pharmaceutical products sold to customers. Cost of sales in the year under review totalled JPY 784 million (an increase of JPY 177 million vs. the prior year). This increase is primarily due to the higher number of partnered programs in 2021 in which the Group was contracted to supply R&D services to customers.

Cash research and development expenses

Cash research and development (“R&D”) expenses in the year under review totalled JPY 5,511 million yen (an increase of JPY 2,100 million vs. the prior year). The increase in R&D spend reflects higher activity levels on in-house programs, participation in new co-development collaborations and the impact of a stronger GBP vs. JPY. In particular, the Group made increased R&D investments in the year to date in the preclinical and clinical advancement of its portfolio of lead muscarinic agonist compounds for schizophrenia and other neurological disorders, following their reversion to in-house programs from AbbVie in January 2021. It is noted that the muscarinic program was outlicensed to Neurocrine Biosciences in November 2021 and they will be responsible for future pre-clinical and clinical trial costs. In addition, costs in the prior corresponding period were lower than normal due to the slowdown in expenditure that followed the declaration of the COVID-19 global pandemic in March 2020. Furthermore, the prior corresponding period also included a one off credit relating to the successful resolution of disputed costs charged by one supplier. In the period under review, 98% of R&D spend related to our UK operations.

Cash general and administrative expenses

Cash general and administrative (“G&A”) expenses in the year under review totalled JPY 2,518 million (an increase of JPY 523 million vs. the prior year). The increase in G&A spend is primarily due to an increase in personnel related expenses and professional advisory fees as the Group continued to evaluate strategic growth opportunities. In addition, personnel related expenses in the prior corresponding period were lower than normal as a result of a reduction in the UK share based payment related National Insurance liability which was driven by share price movements in that particular period.

Non-cash expenses

Non-cash expenses primarily consist of depreciation on property, plant and equipment, amortization of intangible assets, stock-based compensation expense and impairment loss. Non-cash expenses in the year under review were JPY 5,129 million (an increase of JPY 3,153 million vs. the prior year). In total, depreciation amounted to JPY 541 million (an increase of JPY 34 million vs. the prior year). Amortization for the year under review totalled JPY 737 million (a decrease of JPY 106 million vs. the prior year). Stock-based compensation expense for the year

was JPY 713 million (an increase of JPY 87 million vs. the prior year). Impairment loss for the year was JPY 3,138 million. This was mainly due to an intangible asset impairment charge associated with a partner's decision not to progress certain out-licensed drug candidates in clinical trials.

Operating profit

Operating profit in the year under review totalled JPY 3,775 million (an increase of JPY 2,847 million vs. the year). The main reason for the increase in the operating profit is the increase in revenue.

Net finance income (costs)

Net finance costs in the year under review totalled JPY 3,598 million (a decrease of JPY 4,648 million vs. the prior year). The increase is primarily due to recording a contingent consideration charge relating to the Neurocrine Biosciences licensing transaction. The contingent consideration liability is a fair value estimate by management of the amount payable to the former shareholders of Heptares Therapeutics Limited under the 2015 Share Purchase Agreement. It should be noted that a major component of the 2015 Share Purchase Agreement governing contingent consideration payments to former shareholders of Heptares Therapeutics Limited expired as of the financial year ended, 31 December 2021.

Net profit

Net profit in the year under review totalled JPY 1,017 million (a decrease of JPY 462 million vs. the prior year). The main reason for the decrease in net profit is the increase in non-cash costs and finance costs for the reasons stated above.

2) Capital Expenditures

There were no significant capital expenditures during this fiscal year.

3) Significant Organizational Restructuring, etc.

Not applicable.

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

Item		The 29th Term As of December 31, 2018	The 30th Term As of December 31, 2019	The 31st Term As of December 31, 2020	The 32nd Term (current term) As of December 31, 2021
Revenue	(JPY millions)	2,872	9,726	8,842	17,712
Operating profit or (loss)	(JPY millions)	(5,734)	384	928	3,775
Net profit or (loss)	(JPY millions)	(5,978)	1,432	1,479	1,017
Net earnings or (loss) per share - basic	(Yen)	(78.40)	18.70	18.77	12.53
Total assets	(JPY millions)	58,987	56,680	76,465	96,985
Total equity	(JPY millions)	41,580	45,078	52,381	57,468

- (Notes)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 29th 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 SBDD platform, to drive novel drug discovery and early-stage development against diseases with high unmet medical need – its core competencies.

The Group has a clear strategic focus on out licensing and co-investing with partners on programs that emerge from its drug discovery and early-stage development activities; the Group also engages in selected in-house discovery and early-stage development in order to sustainably initiate new out license and co-investment partnerships in the future. Late-stage clinical development programs are currently only undertaken if a partner funds the development costs and bears the risk.

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. Strategic objectives of the Group are as follows:

- Maintain technology and platform leadership in our chosen field, and take steps to expand into new drug target classes
- 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 co-investment companies majority funded by venture partners
- Seek out revenue-generating opportunities, including via acquisition, that will support the plan for corporate value creation and expansion

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. In 2020, the Group established an Enterprise Risk Management Program to better monitor and mitigate business specific risks in both Japan and the United Kingdom. The Group has summarized its most important risks into the following categories: industry; commercial; strategic; financial; legal and compliance; and takes necessary measures to deal with these 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 an unrivalled platform of technologies and tools, as well as skillful employees to seamlessly manage its discovery and early-stage development capabilities. 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 include 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 companies 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 the Group's 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 be responsible for 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 commercialization, 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 commercialization of the products resulting from the partnership. We mitigate both of these risks by ensuring we have a diverse balance of partner types across the drug discovery and development continuum.

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 to achieve important value inflection points that will enable new out-licensing and co-investment agreements. It is possible that investments 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 Group, in 2020, established a new Investment Committee that is responsible for conducting diligence and making recommendations to the Group's Board of Directors, who are in turn responsible for approving strategic investments. The Group's approach to investments is to balance risk and reward appropriately, ensuring excessive capital is not put at risk.

FINANCIAL RISKS

The Group's 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 maintains a 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 which is intended to reduce the exchange rate risks in the future.

LEGAL & COMPLIANCE RISKS

The Group operates in a global industry where legal compliance, contractual agreements and intellectual property rights are crucially important. 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 breached regulatory or compliance rules to their manager or to the Chief Compliance Officer.

3) Value creation

The pharmaceutical industry is undergoing rapid change 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 seeking innovative solutions to their R&D challenges, and therefore increasingly executing collaborations across research, discovery and development activities with mid-sized science and technology-led companies. The Group is positioned to take advantage of this growth trend. The Group regularly identifies and evaluates opportunities for business expansion and value creation and is pursuing a capital efficient business model that will sustainably create new commercial opportunities in an evolving industry landscape.

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 a 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 agree on the Company's strategy and on business transactions that are significant.

(4) Main Business Activities (as of December 31, 2021)

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
Heptares Therapeutics Ltd.	Structural analysis of GPCRs, generation of initial lead compounds, discovery of drug candidates through proprietary StaR® technology

(5) Principal Parent Company and Subsidiaries (as of December 31, 2021)

1) Parent company
Not applicable.

2) Subsidiaries

Company Name	Capital	Ratio of Voting	Key Business
Sosei Co. Ltd.	JPN90 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

3) Other significant information
Not applicable.

(6) Main Offices and Factories (as of December 31, 2021)

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
Heptares Therapeutics Ltd.	Cambridge, UK

(7) Employee Information (as of December 31, 2021)

1) Group Employees

Business Segment	Number of Employees		Change from the End of the Previous Fiscal Year
Pharmaceutical business	168	(7.9)	+1
Group administration	30	(2.9)	+7
Total	198	(10.8)	+8

(Note) 1. The number of employees does not include the number of temporary employees, which is listed in parentheses as the average for the year.

2. Pharmaceuticals business has increased by 1 compared with the end of the previous year, mainly due to the strengthening of the research and development department.

3. Group administration has increased by 7 compared with the end of the previous year, mainly due to the strengthening of the organisation.

2) Company Employees

Number of Employees	Change from the End of the Previous Fiscal Year	Average Age	Average Service Years
30 (2.9)	+7	45.3 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) Financing

The Company raised JPY 30,000 million by issuing Euro-yen Denominated Convertible Bonds due 2026 on July 27, 2021.

(9) Principal Lenders (as of December 31, 2021)

Not applicable.

The Company has 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.

(10) 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, 2021)

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

2) Total number of outstanding shares 81,518,316 shares

(Notes) 1. The number of outstanding shares increased by 136,312 shares to exercise of stock acquisition rights of Euro-yen denominated convertible bonds due 2025.

2. The number of outstanding shares increased by 584,000 shares to exercise stock acquisition right.

3. The number of outstanding shares increased by 201,876 shares to issue new shares by a post-hoc granted stock-based compensation (RSU) plan.

3) Number of shares constituting one unit 100 shares

4) Number of shareholders 29,496

5) Major shareholders (Top 10)

Shareholder's Name	Shareholdings (shares)	Ownership Stake
Daisuke Gomi	6,390,000	7.84 %
TAIYO FUND, L.P.	3,491,200	4.28 %
Custody Bank of Japan, Ltd. (trust account 9)	2,934,000	3.60 %
Custody Bank of Japan, Ltd. (trust account)	2,715,800	3.33 %
The Master Trust Bank of Japan, Ltd. (trust account)	2,538,700	3.11 %
Pfizer Japan Inc.	1,885,136	2.31 %
TAIYO HANEI FUND, L.P.	1,872,000	2.30 %
SSBTC CLIENT OMNIBUS ACCOUNT	1,860,000	2.28 %
STATE STREET BANK AND TRUST COMPANY 505227	1,421,800	1.74 %
Shinichi Tamura	1,145,237	1.40 %

(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.

6) Status of Shares Issued as Consideration for the Execution of Duties to Directors and executive officers during FY2021

	Shares	Number of grantees
Directors(Excluding External Directors) and Executive officers	368,901	7
External Directors	95,047	6

(Notes) 1. Directors(Excluding External Directors) and Executive officers include one retired executive officer.

2. External Directors include one retired external Director.

3. The contents of the Company's share remuneration are described 「Policy concerning decisions on the content of individual remuneration for Executive Officers, etc. by the Compensation Committee」

(2) Directors and executive officers (as of December 31, 2021)

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.
Director	* Kuniaki Kaga	Member of Nomination Committee; Member of Audit Committee	External Director of SUSMED, Inc
Director	* David Roblin	Chair of Compensation Committee; Member of Nomination 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 and CEO JuvRX, Juvenescence Ltd
Director	* Noriaki Nagai	Member of Audit Committee	–
Director	* Rolf Soderstrom	Member of Audit Committee; Member of Compensation Committee	Investment Fund, Syncona plc Non Executive Director, BioPharma Credit plc Chief Financial Officer of Healthcare

- (Notes) 1. The directors listed above with an asterisk (*) are external directors. The Company designates Director Tomohiro Tohyama, Director Kuniaki Kaga, Director David Roblin, Director Noriaki Nagai and Director Rolf Soderstrom as independent directors in accordance with the regulations of Tokyo Stock Exchange and has notified the Exchange accordingly.
- Noriaki Nagai has long-term experience at a major security company, being in charge of corporate planning as an officer, and has considerable financial and accounting knowledge.
 - Rolf Soderstrom is a qualified UK accountant, has experience as a head of finance, and has considerable financial and accounting knowledge.
 - 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.
 - 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	President & CEO	–
Executive Officer	Malcolm Weir	Vice President	Director, Heptares Therapeutics Ltd.
Executive Officer	Christopher Cargill	CFO	Director, Heptares Therapeutics Ltd.
Executive Officer	Tim Tasker	CMO (Chief Medical Officer)	Director CMO, Heptares Therapeutics Ltd.
Executive Officer	Kazuhiko Yoshizumi	CCO (Chief Compliance Officer)	–
Executive Officer	Tadayoshi Yasui	–	Representative Director President, Sosei Co. Ltd.

(Note) 1. The executive officer listed above with an asterisk (*) serves concurrently as a director.

2. The changes in the responsibilities of Executive Officers during the current fiscal year are as follows:

Name	Former	New	Date of change effective
Shinichi Tamura	Chairman, President & CEO	President & CEO	September 15, 2021
Malcolm Weir	Vice Chairman	Vice President	September 15, 2021
Christopher Cargill	Vice President, CFO	COO, CFO	April 1, 2021
	COO, CFO	CFO	September 15, 2021
Tim Tasker	Vice President, CMO (Chief Medical Officer)	CMO (Chief Medical Officer)	September 15, 2021
Kazuhiko Yoshizumi	Vice President, GCCO (Group Chief Compliance Officer)	CCO (Chief Compliance Officer)	September 15, 2021
Tadayoshi Yasui	Vice President	–	September 15, 2021

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) Outline of the directors and executive officers, etc. liability insurance policy, etc.

The Company has concluded a directors and officers liability insurance (“D&O insurance”) policy with an insurance company as provided for in Article 430-3, Paragraph 1 of the Companies Act with all Directors, Executive Officers, and Corporate Auditors of the Company and its subsidiaries as insured parties. The Company is paying the full amount of premiums for this policy.

Regarding the details of this insurance policy, it covers losses arising from the liability borne by the insured party in the course of the execution of his/her duty or claims pertaining to the pursuit of such liability.

5) Policy concerning decisions on the content of individual remuneration for Executive Officers, etc. by the Compensation Committee

The Company’s Compensation Committee has set policy on decisions of the contents of individual remuneration for Executive Officers, etc. Also, regarding the individual remuneration, etc., of Executive Officers, etc. during the fiscal year under review, as the method for deciding the content of remuneration, etc., and the content of remuneration, etc. that was decided are consistent with this policy, it is judged by the Compensation Committee to be in line with policy.

i. Basic Policies

- The basic policy regarding officer compensation is to provide incentives for securing talented personnel, raising the corporate value of the Group, and implementing management strategies aimed at sustainable growth.
- Policy regarding Directors’ remuneration is to secure excellent personnel as Directors of the Company from a global perspective to strengthen the oversight function of Group management and, in addition to fulfilling the oversight function, enable proactive contribution to the enhancement of corporate value by sharing the benefits and risks of stock price fluctuations with shareholders. Director’s remuneration shall consist of a fixed amount of base salary and a post-hoc granted stock-based compensation (RSU).
- Executive Officers’ remuneration is determined to further increase motivation to realize the Company’s vision and strategy, promote management that focuses on the medium-to long-term enhancement of corporate value and shareholder value, and reflect individuals’ roles and achievements. Executive Officer’s remuneration shall consist of a fixed amount of base salary, a bonus determined according to the accomplishment of the individual’s business objectives, retirement allowances, and a post-hoc granted stock-based compensation (RSU).
- The Compensation Committee, of which a majority comprises external directors, determines compensation fairly and appropriately, ensuring transparency under the chairmanship of an external director.

ii. Policy for determining the amount or the method of calculation of individual remuneration, etc. (excluding non-monetary remuneration outlined in iii. below)

a. Directors' remuneration

The amount of base salary (annual salary), which is a fixed remuneration, shall be the same for all Directors except for the Chairperson, and the remuneration level of this base salary shall be determined by taking into consideration the situation at other companies, etc. using the available databases of external research organizations as a reference. Directors who also concurrently serve as Executive Officers shall not be paid Directors' compensation.

b. Executive Officers' remuneration

- Base salary (annual salary), which is a fixed remuneration, shall be determined based on the individual's performance in the previous fiscal year and an evaluation of contribution to the Company, taking into consideration factors such as the remuneration level of comparable companies in the country where the individual is acting or resides, using the available databases of external research organizations as a reference.
- For bonuses, a base amount shall be the amount obtained by multiplying the amount of base salary by a certain percentage determined for each individual according to factors such as his/her responsibilities and performance, and the difficulty in securing persons fit for the role. The amount of this base amount paid shall be determined in accordance with the accomplishment of the individual's business objectives.
- Retirement allowances shall be equivalent to the sum of the bonus and the annual salary for the previous business year. However, retirement allowances shall not be paid to Executive Officers who are not re-appointed or are dismissed due to misconduct, violation of laws, regulations and the Articles of Incorporation of the Company, breach of trust, gross negligence, incompetence or inability to execute duties, disqualification as an Executive Officer under the Companies Act, or any other justifiable reason. Furthermore, in cases where the law stipulates that a dismissal notice allowance is payable following a contract termination, only the difference between the amount of the annual salary of the previous year and the dismissal notice allowance shall be paid.

iii. Contents of non-monetary remuneration, etc., and policy for determining the amount or number or the method of calculating the amount or number of non-monetary remuneration

The Company has introduced a post-hoc granted stock-based compensation (RSU) as non-monetary remuneration, etc. An overview of this post-hoc granted stock-based compensation (RSU) is as follows.

a. Conditions for allotment

Shares of the Company will be allotted on the condition that an individual has served continuously in the position of Director or Executive Officer of the Company throughout a performance period. However, in cases where a Director or Executive Officer ceases to hold office due to the expiration of his/her term of office, other grounds deemed by the Board of Directors to be justifiable, or death during the performance period, a number of shares calculated by the Company under the applicable share-based compensation regulations will be allotted.

b. Maximum number of the Company's shares to be delivered

The number of shares of the Company to be delivered under the plan, together with the number of shares to be issued under other share compensation plans, shall not exceed 10% of the total number of issued and outstanding shares of the Company.

c. Performance period and number of allotted shares

- The performance period for Directors (excluding Directors who concurrently serve as Executive Officer) is one year, and after the expiration of said performance period, a number of shares shall be allotted which shall be calculated by dividing an amount equivalent to 130% of the amount of base salary

by the stock price at the start of the performance period.

- The performance period for Directors who concurrently serve as Executive Officer and Executive Officers shall be two years and three years from the first day of the performance period respectively. After the expiration of said performance period, one-half of a number of shares shall be allotted respectively and said number shall be calculated by dividing an amount equivalent to the amount of basic compensation multiplied by certain ratio (97.5% to 195%) set according to position by the stock price at the start of the performance period.
- d. Method for the allotment of shares
- The allotment of shares shall be a payment of a monetary compensation claim to an officer to whom the shares are scheduled of an amount obtained by multiplying the number of allocated shares by the amount to be paid per share determined by decision of the Board of Directors or a Representative Executive Officer authorized thereby. Said monetary compensation claim shall be delivered as properties contributed in kind.

iv. Policy for determining the composition of officer compensation

The composition ratio of the amount of individual remuneration, etc. shall be as follows:

	Base salary	Bonus	Stock compensation Restricted Stock Units (RSU).	Retirement allowances
Director	1	-	1~2	-
Representative Executive Officer & CEO	1	0.75	2	1.75
Executive Officer	1	0.4~0.6	1	1.4~1.6

In the above table, the model for the amount of bonus to be paid is a payment of standard amount determined by the Company. This ratio may change in accordance with factors such as the Company's business results and share price.

v. Policy on determining the timing or conditions for granting remuneration, etc. to officers

- One twelfth of base salary will be paid monthly.
- Bonuses will be paid in February every year.
- Post-hoc granted stock-based compensation (RSU) will be granted in April of each year, and shares will be allotted after the end of the performance period.

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

Item	Total remuneration	Amount of remuneration			Total number of directors/executive officers
		Base salary	Bonus	Non-monetary remuneration	
Directors (External directors)	¥134 million (¥134 million)	¥60 million (¥60 million)	- (-)	¥74 million (¥74 million)	5 (5)
Executive officers	¥617 million	¥179 million	¥162 million	¥276 million	3
Total	¥751 million (¥134 million)	¥239 million (¥60 million)	¥162 million (-)	¥350 million (¥74 million)	8 (5)

- (Notes) 1. Remuneration of Shinichi Tamura, Director and Executive Officer is excluded in Directors.
2. Remuneration of Shinichi Tamura, Director and Executive Officer is included in Executive officers.
3. Non-monetary remuneration includes the Company's shares. The terms of allocation are as described in "iii Contents of non-monetary remuneration, etc., and policy for determining the amount or number or the method of calculating the amount or number of non-monetary remuneration". In addition, details of the allocation during the current fiscal year are described in "2 (1) 6) Status of Shares Issued as Consideration for the Execution of Duties to Directors and executive officers during FY2021".
4. The table above does not include the following:
Salary of ¥117 million, bonuses of 52 million paid in February 2022 in accordance with the resolution of the Remuneration Committee held in January 2022, a post-hoc granted stock-based compensation (RSU) plan and a performance-linked stock-based compensation (PSU) plan of ¥136 million paid to three executive officers by subsidiaries

7) Attendance of external directors at meetings of the Board of Directors and Committees during the fiscal year under review and the status of their remarks and activities

Name	Attendance		Remarks/Activities/Summary of duties performed in relation to the role expected of an external director
Tomohiro Tohyama	Board of Directors meetings	26 out of 26 (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 meetings	8 out of 8 (100%)	
	Audit Committee meetings	14 out of 14 (100%)	
Kuniaki Kaga	Board of Directors meetings	26 out of 26 (100%)	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 meetings	3 out of 3 (100%)	
	Audit Committee meetings	14 out of 14 (100%)	

David Roblin	Board of Directors Meetings	25 out of 26 (96%)	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 meetings	2 out of 3 (67%)	
	Compensation Committee meetings	8 out of 8 (100%)	
Noriaki Nagai	Board of Directors Meetings	25 out of 26 (96%)	Makes statements at the Board meetings as 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 meetings	14 out of 14 (100%)	
Rolf Soderstrom	Board of Directors Meetings	25 out of 26 (96%)	Makes statements at the Board meetings as necessary for deliberations on agenda items from a professional viewpoint based on his financial knowledge and his career experience in the field of finance at companies in Europe, North America, Asia, etc., and provides opinions and other statements as appropriate at each Committee meeting.
	Compensation Committee meetings	8 out of 8 (100%)	
	Audit Committee meetings	13 out of 14 (93%)	

(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	¥ 64 Million
Total amount of cash and other property benefits payable to the independent auditors by the Company and its subsidiaries	¥ 81 Million

- (Notes)
- 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.
 - 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.
 - One of the Company's significant subsidiaries, Heptares Therapeutics Ltd. has been audited by an auditing firm that belongs to a member firm of Ernst & Young LLC., Which is a member of our accounting auditor, and the audit fee is ¥43 million.
 - ¥2 million of remuneration excluded on the table above has been incurred for the services related to the previous consolidated financial year.

3) Contents of non-audit services

The Company paid to Ernst & Young ShinNihon LLC fees for production of comfort letter in relation to the issuance of new shares in the international offering which is a work other than the work under Article 2, Paragraph 1 of the Certified Public Accountants Act.

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 32nd term At December 31,2021	Item	The 32nd term At December 31,2021
Non-current assets	34,177	Non-current liabilities	32,326
Property, plant and equipment	3,817	Deferred tax liabilities	2,706
Goodwill	15,095	Contingent consideration in business combinations	47
Intangible assets	9,120	Corporate bonds	27,440
Investments accounted for using the equity method	3,479	Lease liabilities	1,638
Other financial assets	2,564	Other non-current liabilities	495
Other non-current assets	102		
		Current liabilities	7,191
		Trade and other payables	1,176
Current assets	62,808	Contingent consideration in business combinations	4,048
Trade and other receivables	2,138	Income taxes payable	279
Income taxes receivable	70	Lease liabilities	193
Other financial assets	86	Other current liabilities	1,495
Other current assets	427	Total liabilities	39,517
Cash and cash equivalents	60,087	Equity	
		Capital stock	41,036
		Capital surplus	29,100
		Treasury stock	(0)
		Retained earnings	(9,768)
		Other components of equity	(2,900)
		Equity attributable to owners of the parent company	57,468
		Total equity	57,468
Total assets	96,985	Total liabilities and equity	96,985

Note: Amounts less than ¥1 million have been rounded

**Consolidated Statement of Profit or loss and
other Comprehensive Income**

(Millions of yen)

Item	The 32nd term Financial year ended December 31, 2021	
Revenue		17,712
Cost of sales		(933)
Gross Profit		16,779
Other income and expenses		
Research and development expenses	(5,931)	
Selling, general and administrative expenses	(3,940)	
Other income	8	
Other expenses	(3,141)	(13,004)
Operating income		3,775
Finance income		199
Finance costs		(3,797)
Share of gain of associates accounted for using the equity method		50
Gain on reversal of impaired loss for investments accounted for using the equity method		206
Profit before income taxes		433
Income tax benefit		584
Net profit for the year		1,017
Other comprehensive income		
Items that will not be reclassified subsequently to profit or loss		
Financial assets measured at fair value through other comprehensive loss	760	
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	3,846	4,606
Total comprehensive income for the year		5,623
Net profit for the year attributable to		
Owners of the parent	1,017	1,017
Total comprehensive income for the year attributable to:		
Owners of the parent	5,623	5,623

Note: Amounts less than ¥1 million have been rounded

Non-Consolidated Balance Sheet

(Millions of yen)			
Item	The 32nd term At December 31, 2021	Item	The 32nd term At December 31, 2021
Assets		Liabilities	
Current assets	44,138	Current liabilities	5,003
Cash and deposits	44,064	Lease liabilities	15
		Accounts payable	4,133
		Accrued expenses	89
Prepaid expenses	30	Income taxes payable	63
		Deposit	19
Others	44	Provision for bonuses	53
		Provision for directors' bonuses	165
		Allowance for stock-based compensation	455
		Others	11
		Non-current liabilities	30,876
Non-current assets	50,211	Corporate bonds	30,685
Property, plant and equipment	53	Asset retirement obligation	13
Buildings	31	Allowance for stock-based compensation	178
Tools, furniture and fixtures	8	Total liabilities	35,879
Leased assets	14	Net Assets	
Intangible assets	2	Shareholders' equity	58,206
Software	2	Capital stock	41,036
Others	0	Capital surplus	29,153
Investments and other non-current assets	50,156	Capital reserve	29,153
Shares of subsidiaries and associates	49,973	Retained earnings	(11,983)
Long-term loans receivable from subsidiaries and associates	2,418	Other retained earnings	(11,983)
Investments in capital	125	Retained earnings brought forward	(11,983)
Others	58	Treasury stock	(0)
Allowance for doubtful debts	(2,418)	Subscription rights to shares	264
		Total net assets	58,470
Total assets	94,349	Total liabilities and net assets	94,349

Note: Amounts less than ¥1 million have been rounded

Non-Consolidated Statement of Profit or Loss

(Millions of yen)

Item	The 32nd term Fiscal period ended December 31,2021	
Operating revenue		823
Operating expenses		(1,981)
Operating loss		(1,158)
Non-operating profit		
Interest income	66	
Net foreign exchange gain	555	
Miscellaneous income	0	621
Non-operating expenses		
Interest expenses	(1)	
Commission fee	(22)	
Bond issuance costs	(895)	
Loss on redemption bonds	(2,895)	
Provision of allowance for doubtful accounts for affiliated companies	(350)	
Miscellaneous loss	(20)	(4,183)
Ordinary loss		(4,720)
Extraordinary profit		
Gain on sale of shares of subsidiaries and associates	194	
Gain realized on contingent consideration receivable relating to business disposals	266	
Gain on reversal of subscription rights to shares	1	461
Net loss before tax		(4,259)
Corporate tax, residential tax and enterprise tax	(1)	(1)
Net loss for the year		(4,260)

Note: Amounts less than ¥1 million have been rounded

Accounting Audit Report on the Consolidated Financial Statements

Audit Report of the Independent Auditors

February 16, 2022

Sosei Group Corporation
To the Board of Directors

Ernst & Young ShinNihon LLC
Tokyo Office

Designated limited liability employee
Managing partner
Certified public accountant Hironao Yazaki

Designated limited liability employee
Managing partner
Certified public accountant Hiroshi Mishima

Audit Opinion:

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, 2021 to December 31, 2021.

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.

Ground of the Opinion:

The Auditors performed the audit in conformance with generally accepted auditing standards in Japan. Responsibilities of the Auditors under audit standards are listed in "Auditor's Responsibility in an Audit of Consolidated Financial Statements". The Auditors are, in accordance with the relevant regulations of professional ethics, independent from Sosei Group Corporation and its consolidated subsidiaries, and perform the duty of ethics as an auditor. The Auditors believe that audit evidence has been obtained on a sufficient and appropriate basis and which serves as the basis for expressing an opinion.

Responsibility of Management and Audit Committee 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.

In preparing the consolidated financial statements, management has to assess whether it is appropriate to prepare the consolidated financial statements on the going concern assumption, and in case of disclosing matters as to going concern in accordance with the latter part of Paragraph 1, Article 120 of the Ordinance on Accounting of Companies, which permits the preparation of consolidated financial statements by omitting some of the disclosure items required under International Financial Reporting Standards, management has to disclose such matters.

The responsibility of the Audit Committee is to monitor the execution of duties by the Executive Officers and Directors in the development and operation of the financial reporting process.

Auditor's Responsibility in an Audit of Consolidated Financial Statements:

The auditor's responsibility is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement due to fraud or error based on the audit conducted by the Auditors, and to express an opinion on the consolidated financial statements from an independent position in the auditor's report. A misstatement may occur due to fraud or error and is

considered to be material if it is reasonably expected to affect the decisions of users of the consolidated financial statements, either individually or in the aggregate.

The auditor performs the audit in accordance with auditing standards generally accepted in Japan, and throughout the course of the audit, the auditor shall exercise professional judgment and maintain professional skepticism in performing the following:

- * Identify and assess the risks of material misstatement due to fraud or error. Also plan and perform audit procedures that address the risks of material misstatement. Select and apply audit procedures at the discretion of the auditor. In addition, obtain sufficient and appropriate audit evidence as a basis for expressing an opinion.

- * The purpose of an audit of consolidated financial statements is not to express an opinion on the effectiveness of internal control. However, in making those risk assessments, the auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- * Evaluate the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the relevance of related notes.

- * To conclude whether it is appropriate for management to prepare the consolidated financial statements on the going concern basis and, based on the audit evidence obtained, whether there is any material uncertainty regarding events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a material uncertainty about the entity's ability to continue as a going concern, the auditor is required to draw attention to the notes to the consolidated financial statements in the auditor's report or, if the notes to the consolidated financial statements regarding the material uncertainty are not appropriate, to express an opinion with qualifications on the consolidated financial statements. Although the auditor's conclusions are based on audit evidence obtained up to the date of the auditor's report, it is possible that future events or circumstances may make it impossible for the entity to continue as a going concern.

- * Evaluate whether the presentation and notes to the consolidated financial statements comply with the latter part of Paragraph 1, Article 120 of the Ordinance on Accounting of Companies, which permits the preparation of consolidated financial statements by omitting some of the disclosure items required by International Financial Reporting Standards, as well as the presentation, organization and content of the consolidated financial statements, including the related notes, and whether the consolidated financial statements present fairly the underlying transactions and accounting events.

- * Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the consolidated financial statements. The auditor is responsible for the direction, supervision and implementation of the audit of the consolidated financial statements. The auditor is solely responsible for the audit opinion.

The auditor shall report to the Audit Committee on the scope of the planned audit and the timing of the planned audit, significant findings of the audit, including significant deficiencies in internal control identified in the course of the audit, and other matters required by auditing standards.

The auditor shall report to the Audit Committee on the auditor's compliance with the Japanese rules of professional ethics regarding independence, as well as any matters that could reasonably be considered to affect the auditor's independence and any safeguards in place to remove or mitigate any disincentive.

Interest Relationships:

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

Accounting Audit Report on the Financial Statements

Audit Report of the Independent Auditors

February 16, 2022

Sosei Group Corporation
To the Board of Directors

Ernst & Young ShinNihon LLC		
Tokyo Office		
Designated limited liability employee	Certified public	Hironao Yazaki
Managing partner	accountant	
Designated limited liability employee	Certified public	Hiroshi Mishima
Managing partner	accountant	

Audit Opinion:

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 ("Financial Statements") for the 31st fiscal period from January 1, 2021 to December 31, 2021.

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

Ground of the Opinion:

The Auditors performed the audit in conformance with generally accepted auditing standards in Japan. Responsibilities of the Auditors under audit standards are listed in "Auditor's Responsibility in an Audit of Financial Statements". The Auditors are, in accordance with the relevant regulations of professional ethics, independent from Sosei Group Corporation, and perform the duty of ethics as an auditor. The Auditors believe that audit evidence has been obtained on a sufficient and appropriate basis and which serves as the basis for expressing an opinion.

Responsibility of Management and Audit Committee for the Financial Statements:

Management is responsible for the preparation and appropriate presentation of the Financial Statements in conformance with generally accepted auditing standards 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 that are free of material misstatements due to fraud or error.

In preparing the Financial Statements, management has to assess whether it is appropriate to prepare the Financial Statements on the going concern assumption, and is responsible for disclosing, when required, matters related to going concern in accordance with accounting principles generally accepted in Japan.

The responsibility of the Audit Committee is to monitor the execution of duties by the Executive Officers and Directors in the development and operation of the financial reporting process.

Auditor's Responsibility in an Audit of Financial Statements:

The auditor's responsibility is to obtain reasonable assurance about whether the Financial Statements as a whole are free of material misstatement due to fraud or error based on the audit conducted by the Auditors, and to express an opinion on the Financial statements from an independent position in the auditor's report. A misstatement may occur due to fraud or error and is considered to be material if it is reasonably expected to affect the decisions of users of the Financial Statements, either individually or in the aggregate.

The auditor performs the audit in accordance with auditing standards generally accepted in Japan, and throughout the course of the audit, the auditor shall exercise professional judgment and maintain professional skepticism in performing the following:

* Identify and assess the risks of material misstatement due to fraud or error. Also plan and perform audit procedures that address the risks of material misstatement. Select and apply audit procedures at the discretion of the auditor. In addition, obtain sufficient and appropriate audit evidence as a basis for expressing an opinion.

* The purpose of an audit of Financial Statements is not to express an opinion on the effectiveness of

internal control. However, in making those risk assessments, the auditor considers internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

* Evaluate the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the relevance of related notes.

* To conclude whether it is appropriate for management to prepare the Financial Statements on the going concern basis and, based on the audit evidence obtained, whether there is any material uncertainty regarding events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a material uncertainty about the entity's ability to continue as a going concern, the auditor is required to draw attention to the notes to the Financial Statements in the auditor's report or, if the notes to the Financial Statements regarding the material uncertainty are not appropriate, to express an opinion with qualifications on the Financial Statements. Although the auditor's conclusions are based on audit evidence obtained up to the date of the auditor's report, it is possible that future events or circumstances may make it impossible for the entity to continue as a going concern.

* Evaluate whether the presentation and notes to the Financial Statements are in conformance with corporate accounting standards generally accepted in Japan, as well as the presentation, organization and content of the Financial Statements, including the related notes, and whether the Financial Statements present fairly the underlying transactions and accounting events.

The auditor is responsible for providing direction, supervision and performance of the audit of the Financial Statements. The auditor is solely responsible for the audit opinion. The auditor shall report to the Audit Committee on the scope of the planned audit and the timing of the planned audit, significant findings of the audit, including significant deficiencies in internal control identified in the course of the audit, and other matters required by auditing standards.

The auditor shall report to the Audit Committee on the auditor's compliance with the Japanese rules of professional ethics regarding independence, as well as any matters that could reasonably be considered to affect the auditor's independence and any safeguards in place to remove or mitigate any disincentive.

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 32nd fiscal period from January 1, 2021 to December 31, 2021. 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 16, 2022

Sosei Group Corporation Audit Committee		
Chair of Audit Committee	Tomohiro Tohyama	*
Member of Audit Committee	Kuniaki Kaga	*
Member of Audit Committee	Noriaki Nagai	*
Member of Audit Committee	Rolf Soderstrom	

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

Shareholders are asked to **consider forgoing attending the General meeting of Shareholders and at the same time, exercise voting rights in advance as much as possible, either by returning the voting form by post or voting on the internet.**

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.