sosei HEPTARES

Annual Report
Year ended 31 December 2022

23 March 2023 | Sosei Group Corporation

About Sosei Heptares

Sosei Heptares' mission is to make life-changing medicines using world-leading science and our vision is to become one of Japan's global biopharmaceutical champions.

We are a science and technology-led company focused on the discovery and early development of new medicines originating from our proprietary GPCR-targeted StaR® technology and structure-based drug design platform. We are advancing a broad and deep pipeline of novel medicines across multiple therapeutic areas, including neurology, immunology, gastroenterology, and inflammatory diseases.

We have established partnerships with some of the world's leading biopharmaceutical companies and multiple emerging technology companies, including AbbVie, AstraZeneca, Genentech (Roche), GSK, Kallyope, Lilly, Neurocrine Biosciences, Novartis, Pfizer, Sanofi, Takeda and Verily.

Sosei Heptares is headquartered in Tokyo, Japan with corporate and R&D facilities in Cambridge, UK.

"Sosei Heptares" is the corporate brand and trademark of Sosei Group Corporation, which is listed on the Tokyo Stock Exchange (ticker: 4565).

Letter from the Chief Executive Officer

CHRIS CARGILL
Representative Executive Officer, President & CEO
Sosei Group Corporation

Dear Stakeholders,

2022 was a very important and successful year for Sosei Heptares during which our newly appointed leadership team set about implementing a clear and evolved strategy to accelerate the growth and development of the Company, both internationally and in Japan, and to maximise potential future value creation.

Our strategy is based on four key pillars:

1 Enhancing Our Platform

to extend and enhance the competitive advantages of our in-house GPCR-focused structure-based drug design (SBDD) and discovery platform through internal innovation and collaboration

2 Partnering Progress

to drive forward existing partnerships with global biopharma companies and initiate new high-value partnerships to ensure the continued flow of revenues

3 Transforming R&D

to transform how we do R&D through a more focused, program-centric operational model that leverages enhanced translational medicine capabilities to improve productivity, value and success

4 Commercializing Products in Japan

to build out an agile, scalable and effective clinical development and commercialization business in Japan to deliver new medicines to patients in this market

The progress we made in 2022 was exceptional and we enter 2023 with a clear vision to build a disruptive commercial-stage biopharmaceutical company making a difference for patients worldwide. We are well positioned and well financed to progress our strategy across all areas of focus to achieve this goal.

We believe this position is further supported by the Company's recent change of TSE listing to the Prime Market segment. We expect this move will help us achieve our vision by improving our ability to attract a broad institutional shareholder base providing long-term support to the Company and its strategy.

Enhancing Our Platform

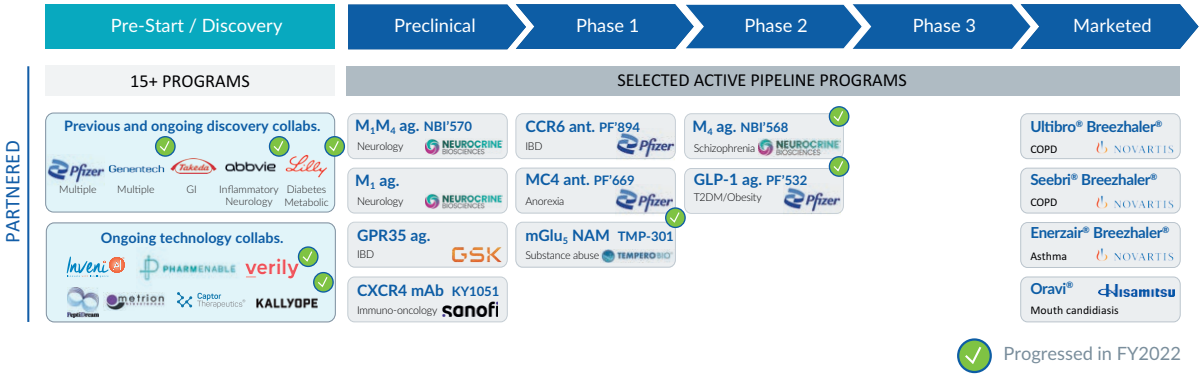
We have established an innovative and highly productive StaR® and SBDD technology platform, focused predominantly on the important G protein-coupled receptor (GPCR) class of proteins. GPCRs represent the largest single class of targets for drug discovery across a wide range of therapeutic areas.

Our capabilities and leadership in this area are recognized across the industry and have enabled the generation of a significant number of novel drug candidates and programs, which are currently being advanced by our global biopharma partners and internally.

This unique platform provides us with unprecedented access to GPCRs as sources of new targets and candidates to continuously feed our rich pipeline. The aim of our first strategic priority is to ensure we both retain our competitive advantage in this space and maximize the drug discovery opportunities our technology has the potential to deliver.

We are focused on doing this through continual internal innovation alongside collaboration with global technology leaders from industry and academia. We added several such collaborations in 2022 focused on improving our ability to select the 'right' targets, including with Verily, the Alphabet-owned precision health company, and Kallyope, pioneers in the science of the gut-brain axis, and through R&D agreements with leading research groups at the University of Oxford and KU Leuven.

Partnering Progress



Partnering with global biopharmaceutical companies around specific candidates/programs that we have developed or for the discovery and development of candidates against partner-nominated targets has long been a successful strategy that we have employed. Our partnered pipeline currently includes over 15 programs being progressed in discovery stage, seven programs in preclinical and Phase 1 and two programs in Phase 2.

Our success here provides significant industry validation for our approach and has generated nearly USD1 billion in revenues to date from upfront and milestone payments from our partners, with the potential for significant ongoing revenues as further milestones are reached.

Our second strategic priority is to support our existing partnerships as well as to initiate new high-value collaborations to drive this continued revenue flow. During 2022, we saw further substantial progress in these areas, with over US$125 million in milestone payments from partners resulting from progress with Neurocrine, Pfizer, AbbVie, Genentech and Takeda, and upfront payments from new agreements signed with AbbVie and Lilly.

We are particularly excited by the clinical progress made by Neurocrine and Pfizer in 2022.

Neurocrine advanced NBI-1117568 (an investigational, selective muscarinic M4 receptor agonist, formerly HTL-0016878) into Phase 2 trials for the treatment of adults with schizophrenia, triggering a US$30 million payment. In addition, Neurocrine stated its expectation that it would initiate Phase 1 studies in 2023 of NBI-1117570, a dual M1/M4 agonist, and of a selective M1 agonist, for neurological diseases.

It is important to note that Sosei Heptares retains rights to develop all M1 agonists advancing under this productive collaboration in Japan in all indications.

Pfizer dosed the first subject in a Phase 2 trial with PF-07081532 (lotiglipron), a potentially best-in-class, once-daily, oral small molecule GLP-1 receptor agonist in development for the treatment of Type 2 diabetes and obesity, triggering a US$10 million payment. PF-07081532 is one of three clinical candidates nominated by Pfizer during its collaboration with Sosei Heptares, all of which are progressing in clinical trials: PF-07054894, a CCR6 antagonist targeting Inflammatory Bowel Disease and PF-07258669, an MC4 antagonist targeting Anorexia are both in Phase 1.

The new deals signed in 2022 were both multi-target collaborations: with AbbVie in neurological diseases worth up to US$1.2 billion plus royalties, which also adds to an existing agreement in inflammatory and autoimmune diseases; and with Lilly targeting diabetes and metabolic diseases worth up to US$730 million plus royalties.

Transforming R&D

Building on the first two priorities, we are highly focused on driving the Company through its next phase of evolution by building an agile, best-in-class drug discovery and development organization.

During 2022, we have been working with Weatherden, a specialist R&D consultancy, to transform our in-house R&D to a program-centric operational model. This model is designed to enhance our discovery and translational medicine capabilities and accelerate progress of higher quality candidates into and through Phase 1b/2a trials. This will allow us to establish early clinical proof-of-concept for our programs, a key milestone for value creation to strengthen our in-house pipeline and support partnering and growth opportunities, including in Japan.

Reflecting this transformation and our growth aspirations, we have expanded our UK R&D operations to a second site in Cambridge, UK.

Importantly, this transformation has allowed us to prioritize and advance three wholly owned candidates towards clinical trials, which are expected to begin in 2023:

EP4 ANTAGONIST

An oral selective EP4 antagonist immunotherapy for solid tumors (HTL0039732), which is being prepared for a first-in-human trial by Cancer Research UK (CRUK), the world's largest private funder of cancer research

GPR52 AGONIST

An oral small molecule GPR52 agonist program, which potentially presents opportunities to address symptoms and cognitive impairment in schizophrenia and psychosis

EP4 AGONIST

An oral, gut-restricted small molecule EP4 agonist potentially for the treatment of Inflammatory Bowel Disease

Commercializing Products in Japan

During 2022, we have refined our strategy for Japan with the aim of commercializing specialty products that target underserved therapy areas. Japan is the third largest pharma market behind the US and China and has a very large aging population and universal health care system.

We believe that there is a huge opportunity for an agile, scalable and effective clinical development and commercialization business in Japan and are committed to building such a business over the coming years.

We intend to start by in-licensing approved products or candidates in late-stage clinical development and, in the longer term, to grow our product offering based on programs discovered and developed in-house, including those partnered candidates, such as the M1 agonist, for which we retain Japan rights.

In addition, we will begin to augment our existing clinical development capabilities by creating a small, highly qualified team to effectively manage the clinical, regulatory and commercial activities needed to efficiently deliver these products to patients.

Our cash and cash equivalents as at 31 December 2022 amounted to JPY 66,557 million (approximately US$500 million). This is a strong financial position from which to execute on all four pillars of our strategy as we look to deliver on our long-term mission of using our world-leading science to deliver life-changing medicines to patients worldwide.

Acknowledgements

Finally, this progress would not be possible without the hard work and dedication of all our employees and partners. I would like to thank them for their important contributions to our business during 2022 and I am confident that together we can look forward to another important year of progress in 2023.

CHRIS CARGILL
Representative Executive Officer, President & CEO
Sosei Group Corporation
23 March 2023