

Sosei Acquires Heptares Therapeutics for up to USD 400 million

Combination Creates a Leading Global Biopharmaceutical Company with a Major Drug Discovery and Development Hub in the UK

Tokyo, Japan and London, UK – 23 February 2015: Sosei Group Corporation (the “Group” or “Sosei” - 4565, Tokyo Stock Exchange MOTHERS index), a leading Japanese biopharmaceutical company with operations in Japan and the UK, announces that it has acquired Heptares Therapeutics Limited (“Heptares”), a clinical-stage private UK-based biotechnology company focused on creating novel medicines targeting G protein-coupled receptors (“GPCRs”).

The combination will create a leading global biopharmaceutical group with:

- sustainable, proven and highly successful drug discovery and clinical development capabilities for generating innovative medicines;
- a broad and balanced pipeline with strong growth prospects, including products with blockbuster potential;
- access to global pharmaceutical markets;
- regulatory expertise across the EU, US and Japan; and
- a significant cash balance.

These strengths will enable the Group to sustain its pipeline and revenue stream on a long-term basis. Heptares will become a wholly owned subsidiary of the Group, with its existing R&D operations continuing in the UK.

Shinichi Tamura, Chairman and CEO of Sosei Group Corporation, said: “Today is an historic day for Sosei. Heptares is based on truly world-class science and its drug discovery and development capabilities will contribute to a sustainable stream of new products for the Group. While core to our future, an independent subsidiary structure will ensure Heptares is able to maintain the culture and business model that has been the foundation of its success so far.”

Dr Malcolm Weir, CEO of Heptares, added: “This is an excellent next step for Heptares which maintains our integrity and purpose within a Group that has a clear and coherent vision. It is a great example of the translation of ground-breaking UK academic science into economic and potential therapeutic value and secures significant investment into our technology platform and clinical pipeline well into the future. We look forward to working within the Group to advance our

programmes, both partnered and in-house, and, over time, to providing much needed new treatment options for patients.”

1. Strategic rationale

The Group has been exploring strategic opportunities that can both build on and go beyond the secured revenue stream in milestones and royalties derived from the two COPD products (Ultibro® Breezhaler® and Seebri® Breezhaler®*) marketed by its partner Novartis.

The acquisition of Heptares, with its exciting clinical and preclinical pipeline of potentially transformative new medicines targeting serious diseases with major unmet need (e.g. Alzheimer’s disease, ADHD, metabolic disease, schizophrenia, migraine, and others), and its unique, differentiated and high potential StaR® drug discovery platform, significantly fulfils this goal and further represents a major step towards the Group’s strategic vision of becoming a significant global biopharmaceutical company arising from Japan.

In addition to its pipeline and platform, Heptares has established collaborative partnerships with a number of the world’s leading pharmaceutical companies that provide the company with a prospective stream of revenue through milestones and royalties. Consolidation of these revenues will make a significant contribution to the Group’s financial position. The combined entity expects continued strong growth driven by revenues from new clinical-stage alliances and platform partnerships.

Heptares overview

Heptares was founded in 2007 based on the pioneering work of its founding scientists Richard Henderson and Christopher Tate at the MRC Laboratory of Molecular Biology (Cambridge, UK), with investment from MVM Life Science Partners and led by co-founders Malcolm Weir and Fiona Marshall. From these origins, and with additional venture funding from MVM, Clarus Ventures, Novartis Venture Fund, Takeda Ventures and the Stanley Family Foundation, Heptares has moved on to develop its unique StaR® technology platform that enables it to design drugs precisely based on a detailed understanding of the structure of the drug target – an approach known as structure-based drug design (SBDD). By this method, Heptares aims to design and develop superior medicines that are more effective, with better selectivity and fewer side effects.

Heptares applies this approach primarily to GPCRs – a superfamily of membrane proteins found in every cell in the body that are crucial to communication between cells. Their central role in many biological processes means that they are important targets for drugs: GPCRs are the site of action

of about 40% of currently marketed drugs. The potential of the Heptares platform for both discovery of novel, differentiated small molecules and biologics, is therefore very high.

Heptares brings to the Group

i. An enhanced product pipeline

Heptares' StaR® platform has been used to generate an exciting, wholly owned pipeline of new medicines with potential to transform the treatment of a wide range of human diseases. The pipeline is focused on highly validated targets and is diversified across the neuroscience, metabolic and orphan disease areas, creating multiple future opportunities for both internal development and partnering, and thereby poised to generate revenue in the near future and over a long-term period.

Heptares' pipeline of first-in-class or superior next-generation therapeutics includes:

Development programme	Indication	Development Stage
M ₁ agonist	Cognitive impairment in Alzheimer's disease/ Schizophrenia/others)	Phase Ib
A _{2A} antagonist	ADHD	IND open
M ₄ agonist	Psychosis (Schizophrenia/ Alzheimer's disease/others)	Pre-clinical
M ₁ M ₄ dual agonist	Cognitive impairment and psychosis in Schizophrenia/ Alzheimer's disease/others)	Pre-clinical
CGRP antagonist	Migraine	Pre-clinical
GLP-1 agonist peptide	Diabetes	Pre-clinical
GLP-1 antagonist	Congenital hyperinsulinism	Pre-clinical
Orexin OX ₁ antagonist	Addiction	Pre-clinical

Besides the above-mentioned programmes, the enlarged product portfolio of the Group will also include two COPD products, Seebri® Breezhaler® and Ultibro® Breezhaler®, developed and marketed in the EU, Japan, etc. (NDA submitted in the US) by licensing partner Novartis, SO-1105, a Phase III product indicated for oropharyngeal candidiasis, and four early stage products

ii. A proprietary drug discovery technology platform that is expected to generate revenue through and beyond the expiration of the Group's COPD patents in 2026

In addition to in-house development, Heptares has leveraged the capabilities of its proprietary StaR® technology to sign partnership agreements with a number of the world's leading

pharmaceutical and biologics companies, including AstraZeneca, Cubist (Merck), Takeda Pharmaceutical, MorphoSys, MedImmune and Novartis. These existing partnerships have provided more than USD 30 million in upfront and milestone payments to-date and are expected to continue generating revenues through milestone payments and royalties over the coming years and beyond the expiration of the Group's COPD products patents in 2026. New pipeline products and alliance deals will likewise generate income for many years to come.

The Heptares platform will complement the existing technologies of the Group subsidiaries: Activus' nanoparticle technology (APNT), and Jitsubo's novel peptide manufacturing technology (Molecular Hiving™) and peptide modification technology (Peptune™). Together, these technologies are expected to generate synergies in the effort to identify new compounds, and to further strengthen the pipeline and enhance corporate value.

iii. Experienced leadership team with enhanced development and regulatory potential

Heptares is founded on world-class UK science and has built an outstanding team of scientists with expertise in GPCRs, SBDD, drug discovery and development, and neuroscience. These capabilities of Heptares in the EU and US will complement those of the Group in Japan, and will be supported by the management team that has extensive expertise in EU/US drug development and commercialization.

2. Management Structure

The Group will continue to be led by Shinichi Tamura as Chairman and CEO. Dr Malcolm Weir, Heptares co-founder and CEO, will remain as CEO of Heptares, which will be managed as an autonomous subsidiary of the Group. Dr Weir will also join the enlarged Group as Chief R&D Officer and will be responsible for worldwide research and development outside Japan. Dr Declan Doogan and Peter Bains, currently serving as non-executive directors on the Group's main Board, will join the Heptares Board representing the Group's interest. Dr Fiona Marshall, co-founder of Heptares and CSO, will also join the Heptares Board

3. Transaction details

Sosei has acquired 100% of Heptares' share capital for USD 180 million in cash consideration and up to USD 220 million contingent upon the successful progression of the company's pipeline and platform.

Sosei was advised by Moelis & Company and Clifford Chance LLP. Heptares was advised by Goldman Sachs International and Covington & Burling LLP.

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Conference call and Webcast

A conference call and live webcast will be held on Monday, 23 February 2015, at 10:00 hrs GMT.

To participate, please dial the appropriate number below five minutes prior to the call:

London, United Kingdom: +44 (0) 20 7136 2056

National free phone - United Kingdom: 0800 279 4992

Local - New York, United States of America: +1 718 971 5738

National free phone - United States of America: 1 877 280 2296

Local - Tokyo, Japan: +81(0)3 5767 4606

National free phone - Japan: 0066 3381 2527

Participant pin code: 9932813

The webcast can be accessed at <http://edge.media-server.com/m/p/yhvuot9x>

Notes to editors

About Sosei

Sosei is a biopharmaceutical company originating from Japan but with global presence. Sosei's primary business model is based on identifying novel and/or differentiated product assets or technology platforms and, through supporting these in preclinical and clinical development and establishing commercial partnerships, advancing new medicines to patients worldwide. To learn more about Sosei, please visit <http://www.sosei.com>

About Heptares

Heptares is a clinical-stage company creating transformative medicines targeting G protein-coupled receptors (GPCRs), a superfamily of 375 receptors linked to a wide range of human diseases. Its proprietary structure-based drug design technology enables us to engineer drugs for highly validated, yet historically undruggable or challenging, GPCRs. Using this approach, we have built an exciting pipeline of new medicines with the potential to transform the treatment of Alzheimer's disease, ADHD, diabetes, schizophrenia, migraine, and other diseases. Its pharmaceutical partners include Cubist, MorphoSys, Takeda, AstraZeneca and MedImmune. To learn more about Heptares, please visit <http://www.heptares.com>

Forward-looking statements

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

Disclaimers

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