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To Shareholders:

TSE Securities Code: 4565

June 1, 2018

2-1 Kojimachi, Chiyoda-ku, Tokyo  
**Sosei Group Corporation**  
 Board Director, **Peter Bains**  
 Representative Executive  
 Officer, President and CEO

## Notice of the 28th Ordinary General Meeting of Shareholders

The Company would like to inform you that the 28th Ordinary General Meeting of Shareholders of the Company (the "Meeting") will be held as follows, and would be grateful if you would attend the meeting.

If you are unable to attend, you may exercise your voting rights in writing or via the Internet. Please read the Reference Documents for the Ordinary General Meeting of Shareholders in this document and exercise your rights by 5:00 p.m. on Thursday, June 21, 2018.

Yours sincerely,

1 Date and Time	Friday, June 22, 2018 at 10:00 a.m. (Reception start: 9:00 a.m.).										
2 Venue	Fuji-No-Ma Hall, 4th Floor, Grand Arc Hanzomon Hotel 1-1, Hayabusa-cho, Chiyoda-ku, Tokyo, Japan Please refer to "Access to the Shareholder Meeting Venue" at the end.										
3 Agenda	<table border="0"> <tr> <td>Matters to be reported :</td> <td> <ol style="list-style-type: none"> <li>1. Report on Business Report, Consolidated Financial Statements, and Reports of Independent Auditor and the Audit Committee on Consolidated Financial Statements for the 28th fiscal year (from April 1, 2017 to March 31, 2018)</li> <li>2. Report on the Non-Consolidated Financial Statements for the 28th fiscal year (from April 1, 2017 to March 31, 2018)</li> </ol> </td> </tr> <tr> <td>Matters to be resolved:</td> <td> <table border="0"> <tr> <td>Proposal No. 1</td> <td>Partial amendments to the Articles of Incorporation</td> </tr> <tr> <td>Proposal No. 2</td> <td>Election of Seven (7) Directors</td> </tr> <tr> <td>Proposal No. 3</td> <td>Appointment of Independent Auditor</td> </tr> </table> </td> </tr> </table>	Matters to be reported :	<ol style="list-style-type: none"> <li>1. Report on Business Report, Consolidated Financial Statements, and Reports of Independent Auditor and the Audit Committee on Consolidated Financial Statements for the 28th fiscal year (from April 1, 2017 to March 31, 2018)</li> <li>2. Report on the Non-Consolidated Financial Statements for the 28th fiscal year (from April 1, 2017 to March 31, 2018)</li> </ol>	Matters to be resolved:	<table border="0"> <tr> <td>Proposal No. 1</td> <td>Partial amendments to the Articles of Incorporation</td> </tr> <tr> <td>Proposal No. 2</td> <td>Election of Seven (7) Directors</td> </tr> <tr> <td>Proposal No. 3</td> <td>Appointment of Independent Auditor</td> </tr> </table>	Proposal No. 1	Partial amendments to the Articles of Incorporation	Proposal No. 2	Election of Seven (7) Directors	Proposal No. 3	Appointment of Independent Auditor
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4 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 the law and Article 14 of the Articles of Incorporation and not provided with this notice. Therefore, the documents provided with this notice are part of the documents where the Audit Committee and Independent Auditor conducted an audit when preparing audit reports.</p> <ol style="list-style-type: none"> <li>1) "Matters related to the Company's stock options etc." and "Overview of the systems for ensuring the appropriateness of operations and their operating status" in the business report</li> <li>2) "Consolidated Statements of Changes in Equity" and "Notes to the Consolidated Financial Statements" in the consolidated financial statements</li> <li>3) "Non-Consolidated Statement of Changes in Equity" and "Notes to the Non-Consolidated Financial Statements" in the non-consolidated financial statements</li> </ol> <p>(2) Should any revisions be made to the Reference Documents for the Ordinary General Meeting of Shareholders, Business Report, Non-Consolidated Financial Statements or Consolidated Financial Statements prior to the date of the Meeting, the Company will provide notice through disclosure on its website as follows.</p> <p style="text-align: center;"><b>Website of the Company (<a href="http://www.sosei.com/">http://www.sosei.com/</a>)</b></p>										

## Proposal No. 1 Partial amendments to the Articles of Incorporation

### 1. Reasons for proposal

- (1) The Company has historically set March 31 every year as the end of its fiscal year. However, in order to align its fiscal year with those of peers that include leading pharmaceutical companies that are its business partners, and as part of its efforts toward global business operation, the Company shall change the date to December 31 every year. Along with this, the Company shall make necessary changes to Article 13 (Record Date), Article 40 (Fiscal Year), and Article 41 (Distribution of Dividends) of the current Articles of Incorporation. Further, the 29th fiscal year will be a nine-month irregular term. Therefore, the Company will newly establish a supplementary provision as a transitional measure.
- (2) The Act for Partial Amendment of the Companies Act (Act No. 90 of 2014) that came into force on May 1, 2015 has enabled companies to enter into liability limitation agreements with Directors who have no executive responsibilities. Hence, the Company shall make necessary changes to the provision stipulated in Article 25 of the current Articles of Incorporation so that these Directors will play their full parts. The changes to Article 25 of the Articles of Incorporation have been approved by the members of the Audit Committee.

### 2. Content of the Amendment

The proposed Amendments are as follows.

(The underlined portions show the changes.)

Current Provisions	Proposed Amendments
<p>Chapter 3 General Meeting of Shareholders (Record Date)</p> <p>Article 13 The record date of the Company's ordinary general meeting of shareholders shall be <u>March 31</u> every year.</p> <p style="text-align: center;">(Omitted)</p>	<p>Chapter 3 General Meeting of Shareholders (Record Date)</p> <p>Article 13 The record date of the Company's ordinary general meeting of shareholders shall be <u>December 31</u> every year.</p> <p style="text-align: center;">(Omitted)</p>
<p>Chapter 4 Directors, Board of Directors and Committee</p> <p>Articles 18–24 (Omitted)</p>	<p>Chapter 4 Directors, Board of Directors and Committee</p> <p>Articles 18–24 (Same as current version)</p>
<p>(Liability Limitation Agreements with <u>External Directors</u>)</p> <p>Article 25 The Company may enter into liability limitation agreements with <u>External Directors</u> that limits his/her liabilities as provided in Article 423, Paragraph 1 of the Companies Act to an amount not exceeding the minimum liability amount as defined in Article 425, Paragraph 1 of the Companies Act if the requirements of the law are satisfied</p>	<p>(Liability Limitation Agreements with <u>Directors</u>)</p> <p>Article 25 The Company may enter into liability limitation agreements with <u>Directors (excluding Executive Directors, etc.)</u> that limits his/her liabilities as provided in Article 423, Paragraph 1 of the Companies Act to an amount not exceeding the minimum liability amount as defined in Article 425, Paragraph 1 of the Companies Act if the requirements of the law are satisfied.</p>
<p>Articles 26–31 (Omitted)</p> <p style="text-align: center;">(Omitted)</p>	<p>Articles 26–31 (Same as current provisions)</p> <p style="text-align: center;">(Omitted)</p>

Current Articles of Incorporation	Proposed Amendment
<p style="text-align: center;">Chapter 7 Accounts</p> <p>(Fiscal Year)  Article 40 The fiscal year of the Company shall be from <u>April 1 every year to March 31 next year.</u></p> <p>(Distribution of Dividends)  Article 41 Unless otherwise provided for by laws and regulations, the Company may determine by resolution of a Board of Directors distribution of dividends and other matters listed in each item of Article 459, Paragraph 1 of the Companies Act without resolution of the general meeting of shareholders,.</p> <p>2 The record date of the year-end dividend of the Company shall be <u>March 31.</u></p> <p>3 The record date of the interim dividend of the Company shall be <u>September 30.</u></p> <p>Article 42 (Omitted)</p> <p style="text-align: center;">(Newly established)</p>	<p style="text-align: center;">Chapter 7 Accounts</p> <p>(Fiscal Year)  Article 40 The fiscal year of the Company shall be from <u>January 1 to December 31 every year.</u></p> <p>(Distribution of Dividends)  Article 41 (Same as current provision)</p> <p>2 The record date of the year-end dividend of the Company shall be <u>December 31.</u></p> <p>3 The record date of the interim dividend of the Company shall be <u>June 30.</u></p> <p>Article 42 (Same as current version)</p> <p><u>Supplementary Provision</u>  <u>Article 1 Notwithstanding the provisions of Article 40 (Fiscal year), the 29th fiscal year shall be the nine months from April 1, 2018 to December 31, 2018. This Supplementary Provision shall be removed after the end of the 29th fiscal year.</u></p>

## Proposal No. 2 Election of Seven (7) Directors

The terms of office of all five directors will expire upon conclusion of the Meeting. To enhance the supervisory function of the Board of Directors, the Company will have two more external Directors. Accordingly, the election of seven Directors including three new Directors shall be proposed. The proposal is presented based on a decision by the Nomination Committee. The candidates are as shown below.

Candidate No.	Name	[Current positions and responsibilities at the Company]	Attribute		
1	Shinichi Tamura	Chairman of the Board Representative Executive Officer and Executive Chairman Chairman of the Nomination Committee; Member of the Compensation Committee	Re-appointed		
2	Peter Bains	Director Representative Executive Officer and President, CEO	Re-appointed		
3	Tomohiro Tohyama	External director Chairman of the Audit Committee; Member of the Compensation Committee	Re-appointed	External	
4	Julia Gregory	External director Member of the Audit Committee and Nomination Committee	Re-appointed	External	Ind
5	Michael Hayden		Newly appointed	External	Ind
6	Kuniaki Kaga		Newly appointed	External	Ind
7	David Roblin		Newly appointed	External	Ind

Re-appointed	Candidates as Reappointed Directors
Newly appointed	Candidates as newly appointed Directors
External	Candidates as External Directors
Ind	Independent Director in accordance with the listing regulations of stock exchanges.

Candidate  
No.

1

**Shinichi Tamura**  
(Born 9/17/1949)

No. of shares owned : 284,100

Term of office as Board Director : 28 years

Attendance at Board Meetings : 21/22 times

Reappoint  
ed

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

Apr. 1978    Joined Fujisawa Pharmaceutical Co.,Ltd.  
                  (current Astellas Pharma Inc.)  
Feb. 1987    Moved to Genentech Limited  
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,  
                  Representative Executive Officer and Executive Chairm:  
                  of the Company (to the present)

<Committee membership>

Chairman of the Nomination Committee; Member of the Compensation Committee

[Significant Concurrent Posts]

N/A

Reason for selection of the candidate as Director

Shinichi Tamura is the founder of the Company. Experienced in business management in the pharmaceutical industry, he has led the Company's business expansion. To ensure that the Company's business will continue to develop, the re-election of Mr. Tamura as a Director shall be proposed.

Candidate  
No.

2

**Peter Bains**

(Born 7/26/1957)

No. of shares owned:

6,500

Term of office as Board Director:

8 years

Attendance at Board Meetings:

21/22 times

Reappointed

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

Mar. 1996	General Manager of SmithKline Beecham plc. (current Glaxo SmithKline)
Jan. 2001	Senior Vice President of International Commercial Development, GlaxoSmithKline plc.
Jun. 2010	Board Director of the Company (to the present)
Dec. 2013	MiNA Therapeutics Limited Non-executive Director (to the present)
Feb. 2015	Director, Heptares Therapeutics Ltd.
Apr. 2015	Syngene International Limited Executive Director and CEO
Apr. 2015	Mereo BioPharma Group plc Non-executive Director (to the present)
Apr. 2016	Representative Executive Officer and Chief Operating Officer of the Company
Jun. 2016	Representative Executive Officer and President, CEO of the Company (to the present)
Dec. 2016	Managing Director, Sosei R&D Ltd. (to the present)
Mar. 2017	President and Representative Director, Sosei CVC Ltd. (to the present)

< Committee membership >

None

[Significant Concurrent Posts]

Non-Executive Director, MiNA Therapeutics Limited  
Non-executive Director, Mereo BioPharma Group plc  
Managing Director, Sosei R&D Ltd.  
President and Representative Director, Sosei CVC Ltd.

Reason for selection of the candidate as Director

Peter Bains acted as the Company's External Director for about six years before he became Representative Executive Officer to lead the Company's global business operation. To continue driving the Company's growth as a global business, the re-election of Mr. Bains as a Director shall be proposed.

Candidate No.

3

**Tomohiro Tohyama**

(Born 2/21/1950)

No. of shares owned: -

Term of office as External Director: 7 years

Attendance at Board Meetings:

Reappointed

External

[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 at TMI Associates (to the present)  
Nov. 1999 Outside Corporate Auditor of Nippon Shikizai, Inc.  
Jun. 2010 External Director, Avex Group Holdings Inc.  
Jun. 2011 Board Director of the Company (to the present)  
May 2016 External Director of Nippon Shikizai, Inc.  
Member of the Audit and Supervisory Committee etc. (to the present)  
May 2016 External Director, Trust Capital Co., Ltd. (to the present)  
Jun. 2016 External Statutory Auditor, WOWOW Inc. (to the present)

<Committee membership>

Chairman 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.

External Director, Trust Capital Co., Ltd.

External Statutory Auditor, WOWOW Inc.

Reason for selection of the candidate as External Director

Mr. Tomohiro Tohyama has no experience in corporate management other than as an external director or corporate auditor, but he does have extensive experience and expertise in international legal affairs as a partner at a major law firm in Japan. The Company believes that by leveraging his expertise and experience and receiving views and opinions on the Company's overall management from this specialized perspective, the Company will be able to further strengthen the management and governance structures and so proposes his appointment as an External Director.

Candidate  
No.

4

## Julia Gregory

(Born 9/7/1952)

No. of shares owned: -

Term of office as External Director: 1 year

Attendance at Board Meetings: 18/18 times

Reappointed

External

Independent

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

Sep. 1980	Dillon, Read & Co. (current UBS AG) Senior Vice President (resigned December 1990)
Feb. 2000	Lexicon Pharmaceuticals, Inc. Executive Vice President and CFO
Jun. 2009	President & CEO, Five Prime Therapeutics, Inc.
Jul. 2012	ContraFect Corporation, Executive Vice President and CFO
Nov. 2013	President & CEO, ContraFect Corporation
Apr. 2016	Chairman & CEO, Isometry Advisors, Inc. (to the present)
Feb. 2017	Director, Iconic Therapeutics, Inc. (to the present)
Jun. 2017	Board Director of the Company (to the present)
Aug. 2017	Director, Biohaven Pharmaceutical Holding Company Ltd. (to the present)

### <Committee membership>

Member of the Audit Committee; Member of the Nomination Committee

### [Significant Concurrent Posts]

Chairman & CEO, Isometry Advisors, Inc.  
Director, Iconic Therapeutics, Inc.  
Director, Biohaven Pharmaceutical Holding Company Ltd.

### Reason for selection of the candidate as External Director

Ms. Julia Gregory has many years of experience in corporate management as a company representative and CFO in the financial and pharmaceuticals industries, and the Company believes that she will leverage her extensive experience and specialized knowledge to advise the Company on overall management and further strengthen the supervision of the Company's business management and so proposes her appointment as External Director. The Company has notified Tokyo Stock Exchange, Inc. of Ms. Gregory as an Independent Director in accordance with the regulations of the Tokyo Stock Exchange.



Candidate  
No.

5

**Michael Hayden**

(Born 11/21/1951)

No. of shares owned: -

Term of office as Board Director: - years

Attendance at Board Meetings: - times

Newly  
appointed

External

Independent

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

Jan. 1990	Founder and Board Member, Canadian Genetic Diseases Network
Jul. 1991	Professor, Department of Medical Genetics, University of British Columbia (to the present)
Jan. 1993	Director, Center for Molecular Medicine and Therapeutics, University of British Columbia Senior Scientist, the Center for Molecular Medicine and Therapeutics, University of British Columbia (to the present)
Jan. 1996	Board Member, NeuroVir Inc.
Jun. 1998	Board Member, Xenon Pharmaceuticals Inc. (to the present)
Jan. 2000	Canada Research Chair, Human Genetics and Molecular Medicine (to the present)
Mar. 2003	Killam Professor, University of British Columbia (to the present)
Nov. 2011	Distinguished Professor, National University of Singapore (to the present)
Nov. 2011	Director, Translational Laboratory in Genetic Medicine, Agency for Science, Technology and Research under the Ministry of Trade and Industry of Singapore (to the present)
May 2012	President of Global R&D and CSO, Teva Pharmaceutical Industries Ltd. (retired December 2017)

[Significant Concurrent Posts]

Killam Professor, Professor of Medical Genetics, University of British Columbia  
Senior Scientist, Center for Molecular Medicine and Therapeutics, University of British Columbia  
Board Member, Xenon Pharmaceuticals Inc.  
Director, Translational Laboratory in Genetic Medicine, Agency for Science, Technology and Research under the Ministry of Trade and Industry of Singapore  
Distinguished Professor, National University of Singapore  
Canada Research Chair, Human Genetics and Molecular Medicine

Reason for selection of the candidate as External Director

Dr. Michael Hayden has had a distinguished career as an academic and researcher in the field of genetic medicine, as well as in the pharmaceutical industry, most notably as President of R&D and Chief Scientific Officer at Teva.

The Company believes that he will leverage his extensive experience and specialized knowledge to further strengthen the Company's oversight of its R&D pipeline and so proposes his appointment as External Director. The Company intends to notify Tokyo Stock Exchange, Inc. of Dr. Hayden as an Independent Director in accordance with the regulations of the Tokyo Stock Exchange.

Candidate  
No.

6

**Kuniaki Kaga**

(Born 9/1/1951)

No. of shares owned: -  
Term of office as Board Director: - years  
Attendance at Board Meetings: - times

Newly  
appointed

External

Independent

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

Apr. 1975 Joined Mitsubishi Kasei Kogyo Kabushiki Kaisha (the company name has been changed to Mitsubishi Chemical Industries Limited)

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. and Board Director, Mitsubishi Tanabe Pharma Corporation  
Board Director, The KAITEKI Institute, Inc

Feb. 2015 President and Representative Director, The KAITEKI Institute, Inc.

Apr. 2018 Advisor, Mitsubishi Chemical Corporation (to the present)

[Significant Concurrent Posts]

Advisor, Mitsubishi Chemical Corporation

Reason for selection of the candidate as External Director

Mr. Kuniaki Kaga has held several important senior positions at leading chemical and pharmaceutical companies in Japan, including Mitsubishi Chemical and Mitsubishi Tanabe Pharma.

The Company believes that he will leverage his extensive experience and specialized knowledge to further strengthen the Company's overall management system and so proposes his appointment as External Director. The Company intends to notify Tokyo Stock Exchange, Inc. of Mr. Kaga as an Independent Director in accordance with the regulations of the Tokyo Stock Exchange.

Candidate  
No.

7

**David Roblin**  
(Born 9/25/1966)

No. of shares owned: -  
Term of office as Board Director: - years  
Attendance at Board Meetings: - times

Newly  
appointed  
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

Sep. 1995 Global R&D Associate Director and Project Clinician, Pfizer Inc.

Apr. 1997 Head of Therapy Area for Anti-Infectives, Bayer Pharma AG

Jun. 1999 Global R&D Executive Director, Head of GI & GU Therapy Areas, Pfizer Inc.

Jun. 2007 Worldwide Clinical Head of Respiratory Therapy Area, Pfizer Inc.

Dec. 2008 Senior Vice President, Head of Research, Site Head, Chief Medical Officer Europe R&D, Pfizer Inc.

Apr. 2011 Chief Medical Officer, Creabilis SA

Sep. 2013 Honorary Professor, Swansea University, School of Medicine (to the present)

Feb. 2014 COO & Director of Scientific Translation, The Francis Crick Institute,

Jun. 2014 Co-founder and Non-Executive Chairman, RCP Pharma LLP (to the present)

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

Feb. 2017 President of R&D, Summit Therapeutics plc (to the present)

Apr. 2017 Elected Fellow of Academy of Medical Sciences (to the present)

[Significant Concurrent Posts]

President of R&D, Summit Therapeutics plc.  
Elected Fellow of Academy of Medical Sciences  
Honorary Professor of Translational Medicine, St George's Hospital Medical School  
Non-executive Chairman, RCP Pharma LLP  
Honorary Professor, Swansea University, School of Medicine

Reason for selection of the candidate as External Director

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 for Pfizer in Europe.

The Company believes that he will leverage his extensive experience and specialized knowledge to further strengthen the Company's oversight of its R&D pipeline and so proposes his appointment as outside director and so proposes his appointment as External Director. The Company intends to notify Tokyo Stock Exchange, Inc. of Dr. Roblin as an Independent Director in accordance with the regulations of the Tokyo Stock Exchange.

- Note
1. There is no special conflict of interests between the director candidates and the Company.
  2. Mr. Tomohiro Tohyama, Ms. Julia Gregory, Dr. Michael Hayden, Mr. Kuniaki Kaga, and Dr. David Roblin 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 and Ms. Julia Gregory. 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. If this proposal is approved at the Meeting, the Company intends to continue the liability limitation agreements with Mr. Tomohiro Tohyama and Ms. Julia Gregory stated in 3. above and to conclude liability limitation agreements equivalent to the agreements stated in 3. above with Dr. Michael Hayden, Mr. Kuniaki Kaga, and Dr. David Roblin.

### Proposal No. 3 Appointment of Independent Auditor

Deloitte Touche Tohmatsu Limited, the Accounting Auditor of the Company, will retire at the conclusion of this Ordinary General Meeting of Shareholders as its term of office expires. Therefore, the Company would like to propose that the shareholders approve the election of Ernst & Young ShinNihon LLC as Accounting Auditor based on the decision of the Audit Committee..

The Audit Committee has selected Ernst & Young ShinNihon LLC as the candidate for Accounting Auditor, as it concluded that Ernst & Young ShinNihon LLC is qualified for the role based on a comprehensive review of its auditing systems, including its plans to conduct auditing of the consolidated financial statements on a global basis. Ernst & Young ShinNihon LLC demonstrated significant expertise in quality control systems and has assured independence, and according to our judgment, is well qualified for the position of Accounting Auditor.

The candidate for Accounting Auditor is as follows.

as of March 31, 2018

Name	Ernst & Young ShinNihon LLC	
Location of the Principal Office	Hibiya Kokusai Bldg., 2-2-3 Uchisaiwai-cho, Chiyoda-ku, Tokyo	
History	Jan. 1967	Tetsuzo Ota & Co. is established
	Dec. 1969	Showa Audit Corporation is established
	Oct. 1985	The two companies above merge to establish Showa Ota & Co.
	Jan. 1986	Century Audit Corporation is established
	Apr. 2000	The two companies above merge to establish Century Ota Showa & Co.
	Jul. 2001	The corporate name is changed to Shin Nihon & Co.
	Jul. 2008	The corporate name is changed to Ernst & Young ShinNihon LLC. as the company transitions to a limited liability audit corporation
Summary	Capital	¥993 million
	Employee composition (excluding part-time employees)	
	Certified public accountant	3,222
	Employees who passed the certified public accountant examination etc.	971
	Other	1,402
	Total	5,595
	Number of audited companies	3,953

# 1 Current State of the Corporate Group

## (1) Progress and Results of Operations

### 1) Group Outlook

The Group aims to become Japan's first truly global bio-technology champion, bringing innovative medicines to patients both in Japan and overseas.

Our proprietary StaR® (stabilized receptor) technology, developed in the United Kingdom, underpins our unique discovery and structure-based drug design (SBDD) platform.

We have a balanced business model that involves (1) partnering with major global pharmaceutical companies, (2) collaborating in joint research and development activities with other innovative bio-venture companies, and (3) developing and advancing proprietary drug candidates with the goal to commercialize these candidates ourselves. We believe that this balanced approach will generate significant shareholder value, by diversifying risk and broadening our potential revenue opportunities.

Our partnerships with major pharmaceutical companies continue to progress very well. Our partnership with AstraZeneca UK Limited ("AstraZeneca") is advancing a next-generation immuno-oncology agent (AZD4635) into a new clinical trial in patients, and our broad muscarinic program with Allergan Pharmaceuticals International Limited ("Allergan") continues to move forward in patients as a novel approach to symptomatic treatment for Alzheimer's disease. Furthermore, we are poised to commence a Phase 2 clinical trial in Japan of HTL0018318 for dementia with Lewy bodies (DLB), our lead proprietary drug candidate for which we have the rights to develop and commercialize the product in Japan.

We are building an exciting pipeline of drug candidates across a wide range of therapeutic areas. We will continue to execute our strategy based on the balanced business model, with the view to fulfilling our vision to become Japan's first global bio-technology company.

Financial results for the year ended March 31, 2018 were revenue of 6,955 million yen (a decrease of 63.2% from the previous year), operating loss of 2,291 million yen, net loss before income taxes of 3,702 million yen, net loss and net loss attributable to owners of the parent company of 2,654 million yen.

		The 27th Term	The 28th Term	Comparison with the previous	
		As of March 31, 2017	As of March 31, 2018	fiscal year	
		Value	Value	Value	Rate of change
Revenue	(JPY millions)	18,901	6,955	(11,946)	(63.2%)
Operating income or loss	(JPY millions)	12,389	(2,291)	(14,680)	-
Net Income or loss	(JPY millions)	9,152	(2,654)	(11,806)	-
Net income or loss per share - basic	(Yen)	551.18	(150.19)	-	-
Total assets	(JPY millions)	48,087	69,486	21,399	Up 44.5%
Total equity	(JPY millions)	28,359	48,886	20,527	Up 72.4%

The principal management indicators are as follows.

## Revenue

Milestone-related revenue for the year ended March 31, 2018 amounted to 3,840 million yen, a decrease of 11,780 million yen (a decrease of 75.4%) compared to the previous year ended March 31, 2017. The decrease is largely attributable to the one-off upfront milestone of USD 125 million received from Allergan in April 2016, the prior comparison year. Milestone-related revenue for the year ended March 31, 2018 is predominantly attributable to milestones from AstraZeneca, Teva Pharmaceutical Industries Ltd. (“Teva”) and Allergan.

- In April 2017, we received a USD 12 million milestone payment from AstraZeneca due to the successful completion of a preclinical study that demonstrated a clear effect of AZD4635 in reversing adenosine-mediated T-cell suppression and enhancing anti-tumor immunity. Blockade of A2A signaling with AZD4635 was found to reduce tumor growth when used alone and in combination with anti-PD-L1 checkpoint inhibitors. The first patient has been dosed in an expansion cohort in the Phase 1b segment of the Phase 1 study in advanced solid tumors. Furthermore, a new clinical study including AZD4635 to investigate novel combination therapies in EGFRm non-small cell lung cancer began in the first quarter 2018.
- In May 2017, we received a USD 5 million milestone payment from Teva due to the nomination of a preclinical candidate, a calcitonin gene-related peptide (CGRP) antagonist, for advancement into further preclinical studies as an investigational treatment for migraine. In March 2018, we regained the rights to lead the candidate and other novel small molecule CGRP antagonists from Teva. We expect to commence a Phase 1 trial in 2019.
- In September 2017, we received a USD 15 million milestone payment from Allergan on the successful dosing of the first healthy subject with the first-in-class, selective muscarinic M4 receptor agonist in a Phase 1 clinical study.

Revenue related to royalties in the fiscal year ended March 31, 2018 decreased by 357 million yen (a decrease of 12.2%) compared to the previous fiscal year and totaled 2,561 million yen. Most of this royalty revenue is related to the sales of Ultibro<sup>®</sup> Breezhaler<sup>®</sup> and Seebri<sup>®</sup> Breezhaler<sup>®</sup> by Novartis, our licensing partner. Annual sales of Ultibro<sup>®</sup> Breezhaler<sup>®</sup> as reported by Novartis were USD 411 million for the calendar year 2017, an increase of 12% cc. Annual sales of Seebri<sup>®</sup> Breezhaler<sup>®</sup> for the calendar year were USD 151 million, an increase of 3% cc. Royalty revenue decreased due to certain contractual adjustments made to previously received royalty revenue.

(Note) “cc” means constant currency. Ultibro<sup>®</sup> Breezhaler<sup>®</sup> (EU) / Ultibro<sup>®</sup> Inhalation Capsules (Japan) and Seebri<sup>®</sup> Breezhaler<sup>®</sup> 50mcg (EU) /Seebri<sup>®</sup> Inhalation Capsules 50 mcg (Japan) are the registered trademarks of Novartis.

## Cash Research and Development expenses

The fiscal year under review saw the continuation of the scale up of our StaR<sup>®</sup> technology and SBDD discovery platform, and preliminary spending for our clinical development activities. Our aim is to build a discovery platform capable of advancing three new drug candidates into human clinical trials each year. To date, most of our investment has been in research and this will continue to be the situation in the short term. Additionally, we are increasing spending on clinical development, as we add new drug candidates to our proprietary clinical development pipeline.

The majority of our research and development expenses are incurred in the UK and as reported in our group financial statements, they may be substantially impacted by exchange rate fluctuations caused by movements of the British Pound. Research and Development expenses, excluding non-cash costs, in the fiscal year under review increased by 1,696 million yen (an increase of 54%; 51% on constant currency basis) compared to the previous fiscal year, and totaled 4,818 million yen, which reflects the impact the strengthening British Pound had on reported results compared to the prior year, where reported results were positively impacted by a weakening British Pound resulting from the Brexit referendum. In the year under review, 97% of R&D expenditure was incurred in the UK.

The increase in R&D costs was due mainly to the significant progress made on our compound related proprietary pipeline. This has been led by preparatory work for the DLB study with HTL0018318, our M1 muscarinic agonist, which was also being studied in Alzheimer's disease through our global collaboration agreement with Allergan. The increase in third party costs increased by 67 percent from the previous year and accounted for 73 percent of total R&D cash costs. Headcount related costs also increased by strengthening our research and development organization.

There were also a number of corporate actions that impacted both R&D, and G&A. The current year has the full year impact by Heptares Therapeutics Zurich that we acquired in December 2016 compared to approximately only one quarter of costs in the comparative period. Additionally, Jitsubo moved from a consolidated subsidiary to an affiliated company in November 2016 and in August 2017, we disposed of all shares in Activus Pharma.

#### Selling, General and Administrative expenses

Selling, General and administrative expenses, excluding non-cash costs, in the fiscal year under review increased by 598 million yen compared to the previous fiscal year, and totaled 2,972 million yen. This represented an increase of 25% on a reported basis and 23% on a constant currency basis. We have continued to invest in improving all aspects of our internal control and governance systems and processes including making a number of key senior hires in Finance, Strategy and Communications as we look to ensure we have the treasury, tax accounting, internal control and corporate communications capability at a group level to match our aspiration to build a global bio-technology leader, based in Japan.

The increase in headcount costs accounted for 40% of the total increase in general and administrative expenses. The balance of the increase was in third party costs and included preliminary expenditure related to the move of our U.K. research operations to Cambridge, as well as professional fees associated with the acquisition of the 25.6% stake in MiNA (Holdings) Limited ("MiNA") and fees associated with recruitment of new personnel and Board Members.

#### Non-cash expenses

Non-cash expenses primarily consist of depreciation on property, plant and equipment, amortization of intangible assets and stock-based compensation expense. Non-cash expenses were 2,017 million yen in the fiscal year under review compared to 1,955 million yen in the previous fiscal year. In total, amortization amounted to 895 million yen compared to 802 million



yen in the prior year. The increase in amortization results from the acquisition of Heptares Zurich Therapeutics as well as a foreign exchange impact due to movements in the British Pound. Depreciation expense for the year totaled 135 million yen compared to 105 million yen for the comparative period.

Total non-cash costs included in reported R&D costs were 117 million yen in the current period under review compared to 97 million yen in the previous period. Included in General and Administrative expenses is 1,510 million yen this period and 1,199 million yen in the prior period.

#### Other income

Other income totaled 565 million yen, a decrease of 94 million yen from the previous year. Other income includes grant income received in the UK (234 million compared to 218 million of the previous year) and proceeds received from the disposal of Activus Pharma of 326 million yen.

#### Other expenses

Other expenses totaled 394 million yen, an increase of 14 million yen, and represents the impairment of intangible assets recognized at the time of the acquisition of Heptares. These are programs that had an identified value at the time of acquisition and have been discontinued.

#### Operating income

Operating income in the fiscal year under review decreased by 14,680 million yen and totaled a loss of 2,291 million yen. The decrease is primarily attributable to the upfront milestone received from Allergan in the previous year.

#### Finance income

Finance income in this financial year totaled 104 million yen. This is mainly due to exchange gains on foreign currency denominated assets in our UK operations.

#### Finance costs

Finance costs in the fiscal year under review totaled 1,239 million yen. Of this amount 655 million yen is due to the fluctuation in the contingent consideration charge related to the acquisition of Heptares, 324 million yen is due to loss on foreign exchange and 259 million yen of the remaining amount is interest expense on interest bearing debt related to the acquisition of Heptares and MiNA.

Contingent consideration is in effect additional purchase consideration for the acquisition of Heptares. Under IFRS this is treated as a financing charge based on fair value determination. The current year charge was 655 million yen and compares to a charge in the prior year of 287 million yen and 3,816 million yen in FY 2015 year. As at the date of the acquisition the total maximum additional consideration payable was USD 220 million. To date we have paid US\$66 million. The IFRS fair value of the liability carried on the balance sheet is 4,634 million yen (approximately USD 44 million).

## Income tax expenses

Income tax benefit in this financial year totaled 1,048 million yen. This compares to an income tax expense recorded in the prior year of 3,331 million yen. During the current year we announced that we had corrected previous inadvertent incorrect tax filings. The Group took immediate and voluntary action to amend the previously filed tax returns, and made all necessary disclosures and payments to the relevant tax authorities. Following discussion with the Group's Auditors this resulted in a restatement of previous filed financial statements. The Group continues to work on optimizing its global tax structure.

## Net (loss) income

Net loss in this financial year totaled 2,654 million yen, a decrease of 11,806 million yen from net income in the previous financial year. The main factors behind the decrease was in addition to the upfront milestone received from Allergan in the prior year, increased investment in our proprietary pipeline, movements in the fair value determination of contingent consideration and the marked decrease in the British Pound in the prior year and its recovery in the current year offset by a switch from tax expense to benefit.

### 2) Capital Expenditures

There were no significant capital expenditures during this fiscal year.

### 3) Significant Organizational Restructuring, etc.

#### i. MiNA (Holdings) Limited

On May 2, 2017, the Company acquired 25.6% of outstanding shares in MiNA (Holdings) Limited ("MiNA"), the parent company of UK biopharmaceutical company MiNA Therapeutics Limited, and option rights (rights to additionally acquire all remaining shares for 140 million GBP). As a result, MiNA became an equity-method accounted associate of the Company.

#### ii. Activus Pharma Co., Ltd.

On August 10, 2017 we disposed of all shares in Activus Pharma Co., Ltd. a subsidiary company, and Activus Pharma Co., Ltd. was removed from the Group's consolidated accounts.

### 4) Financing

Financing activities in fiscal year 2017 were as follows.

Month and Year	Details	Amount Procured	Use of Proceeds
May 2017	Borrowing in accordance with a syndicate loan agreement with five financial institutions, with Mizuho Bank, Ltd. as arranger and agent	¥5,000 million	Acquisition of shares and option rights in MiNA
November 2017	Issue of new shares by way of public offering (1,800,000 shares), and issue of new shares by way of third-party allotment in connection with secondary offering for over-allotment (270,000 shares)	¥21,286 million	Research and development and general business

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

Item		The 25th Term As of March 31, 2015	The 26th Term As of March 31, 2016	The 27th Term As of March 31, 2017	The 28th Term (current term) As of March 31, 2018
Revenue	(JPY millions)	3,671	8,151	18,901	6,955
Operating income or loss	(JPY millions)	1,043	1,075	12,389	(2,291)
Net Income or loss	(JPY millions)	510	(1,547)	9,152	(2,654)
Net income or loss per share - basic	(Yen)	37.51	(93.60)	551.18	(150.19)
Total assets	(JPY millions)	47,833	47,354	48,087	69,486
Total equity	(JPY millions)	14,842	23,269	28,359	48,886

## (3) Issues to be addressed

### 1) Wholly-owned drug development

To achieve our goal of building Japan's first global bio-technology champion, the Group will continue to make investments in research and development to create the best possible pipeline of drug candidates for the future.

The Group will continue to invest in our StaR<sup>®</sup> technology, developed in the United Kingdom, which underpins our discovery and structure-based drug design (SBDD) platform. This discovery and design platform will generate multiple new early-stage drug candidates each year. Increasingly we will advance several of these drug candidates ourselves through the clinical development process and participate in their commercialization, both in Japan and overseas.

Over the long term this growth strategy is expected to generate significant sales to the Group, and ensure the full potential value of these drug candidates is retained for our shareholders.

### 2) Diversifying risks/revenues; managing capital

Our overall business model will continue to be (i) partner large drug candidates with major global pharmaceutical companies, (ii) pursue joint drug research and development activities with pioneering companies, and (iii) advance our wholly-owned drug candidates through clinical development and ultimately to commercialization.

This balanced strategy diversifies risk via multiple partnerships, and generates revenue from multiple programs. In the medium term, this strategy provides us with the opportunity to generate new upfront milestones, while continuing to receive milestones and royalties from our existing partnerships.

As a leading bio-technology company in Japan, we have great relationships and excellent access to capital. Following our successful Global Offering in fiscal year 2017, we have procured a strong cash position to fund our operational business activities. As a matter of good management practice, we continuously analyze and assess all financing options to ensure the business is sufficiently funded.

### 3) Creating shareholder value

The Group is strongly committed to the bio-technology business model. The model is well established overseas and has been proven to generate very significant long-term value for shareholders. As such, we believe best way to create long-term value is to make significant investments in our technology and early-stage drug pipeline today.

StaR® technology is our competitive advantage, enabling us to design potentially safer, more effective medicines for the future.

We are prioritizing research and development spending to advance a broad drug candidate pipeline that will generate high value for shareholders over the long term.

#### 4) Strengthening corporate governance

The Group has business activities in the UK, Japan and Switzerland, and recognizes the need for an effective corporate governance system. We are continuously looking for ways to enhance our systems and processes, to ensure we strictly comply with all national regulations.

The Group employs several independent directors, and promotes coordination between the audit committee, independent auditors and internal audit department. Our Board is responsible for setting and overseeing management strategy and conducting risk management and compliance activities and to maintain accountability.

We aim to be a deeply trusted corporate group.

(4) Main Business Activities (as of March 31, 2018)

The Group's main business is research, development and sales of pharmaceutical products. The Group companies are engaged in the following business activities.

Company Name	Business Description
Sosei Group Corporation	Planning of management strategies of Sosei Group, and the administrative works entrusted by group companies
Sosei Co. Ltd.	Research and development, sales of pharmaceutical drugs
Sosei CVC Ltd.	Operation of regenerative medicine funds
Sosei RMF1 Limited Partnership for Investment	Investment in regenerative medicine bio-venture companies in Japan
Sosei R&D Ltd.	Licensing and business development outside Japan
Heptares Therapeutics Ltd.	Structural analysis of GPCRs, generation of initial lead compounds, discovery, design and development of drug candidates through proprietary StaR <sup>®</sup> technology and SBDD
Heptares Therapeutics Zurich AG	Promotion of structure-based drug design, screening, and research and development of antibody drugs utilizing basic technologies related to GPCR discovery.

(Note) The Group has changed from the current year the classification of the business segments as a result of review of management system, and two business segments divided into domestic pharmaceutical business and overseas pharmaceutical business have been aggregated into a single segment.

(5) Principal Parent Company and Subsidiaries (as of March 31, 2018)

1) Parent company

Not applicable.

2) Subsidiaries

Company Name	Capital	Ratio of Voting	Key Business
Sosei Co. Ltd.	¥90 million	100.0%	Research and development, sales of pharmaceutical drugs
Sosei R&D Ltd.	GBP thousand 929	100.0%	Licensing and business development outside Japan
Heptares Therapeutics Ltd.	GBP thousand 247	100.0%	Structural analysis of GPCRs, generation of initial lead compounds, discovery, design and development of drug candidates through proprietary StaR <sup>®</sup> technology and SBDD
Sosei CVC Ltd.	¥35 million	90.0%	Operation of regenerative medicine funds

(Notes) 1. On August 10, 2017 we disposed of all shares in Activus Pharma Co., Ltd. a subsidiary company, and Activus Pharma Co., Ltd. was removed from the Group's scope of consolidation.

2. There were no specified wholly owned subsidiaries as of the end of fiscal year under review.

3) Other significant information

Not applicable.

(6) Main Offices and Factories (as of March 31, 2018)

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
Sosei CVC Ltd.	Chiyoda-ku, Tokyo
Sosei R&D Ltd.	London, UK
Heptares Therapeutics Ltd.	Hertfordshire, UK

(Note) On August 10, 2017 we disposed of all shares in Activus Pharma Co., Ltd. a subsidiary company, and Activus Pharma Co., Ltd. was removed from the Group's scope of consolidation.

(7) Employee Information (as of March 31, 2018)

1) Group Employees

Business Segment	Number of Employees	Change from the end of the previous Fiscal Year
Pharmaceutical business	139 (0.8)	+7
Company-wide (shared)	13 (1.6)	–
Total	152 (2.4)	+7

Note 1: 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.

2. The classification of segments was changed from the start of this fiscal year due to a revision to the group's management structure. The two former operating segments referred to as the "domestic pharmaceutical business" and the "overseas pharmaceutical business," have been integrated into a single segment referred to as the "pharmaceutical business."

3. Employees in pharmaceutical business increased by seven people compared to the end of the previous fiscal year; the primary reason was strengthening the research and development division.

2) Company Employees

Number of Employees	Change from the end of the previous Fiscal Year	Average Age	Average Service Years
13 (1.6)	–	46.5 years old	4.3 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) Principal Lenders (as of March 31, 2018)

Lenders	Loan Amount
Mizuho Bank, Ltd. and 5 other financial institutions participating in syndicate loan	¥9,250 million

(9) Other Significant Matters on the Current Status of the Group

Not applicable.

## 2 Current Status of the Company

### (1) State of Shares (as of March 31, 2018)

1) Total number of authorized shares 37,344,000 shares

2) Total number of outstanding shares 19,054,984 shares

Note: Total number of outstanding shares increased as follows during the fiscal year 2017.

- New shares issued in global offering: 2,070,000 shares

- New shares issued by exercise of stock acquisition rights: 68,800 shares

3) Number of shares constituting one unit 100 shares

4) Number of shareholders 23,428

#### 5) Major shareholders (Top 10)

Shareholder's Name	Shareholdings (shares)	Ownership Stake
Daisuke Gomi	1,190,000	6.25%
Japan Trustee Services Bank, Ltd. (trust account)	697,400	3.66%
Pfizer Seiyaku K.K.	471,284	2.47%
GOLDMAN,SACHS & CO.REG	440,070	2.31%
BNY GCM CLIENT ACCOUNT J PRD AC ISG (FE-AC)	430,488	2.26%
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST. BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS-UNITED KINGDOM	370,900	1.95%
The Master Trust Bank of Japan, Ltd. (trust account)	330,300	1.73%
Trust & Custody Services Bank, Ltd. (securities investment trust account)	316,100	1.66%
TAIYO HANEI FUND, L.P.	304,300	1.60%
Shinichi Tamura	284,100	1.49%

(Notes) 1. Ownership stakes have been rounded off to two decimal places.

2. In addition to the above, the Company owns 26 treasury shares.

#### 6) Other significant event with respect to shares

The Company decided on May 10, 2018 at the meeting of the Board of Directors to conduct a 4 for 1 stock split and to increase the number of authorized shares to 149,376,000 shares, effective as of July 1, 2018.



(2) Directors and executive officers (as of March 31, 2018)

1) Directors

Title	Name	Responsibility	Significant Concurrent Posts
Chairman of the Board	Shinichi Tamura	Chairman of Nomination Committee Member of Compensation Committee	
Director	Peter Bains		Non-Executive Director, MiNA Therapeutics Limited Non-executive Director, Mereo BioPharma Group plc Managing Director, Sosei R&D Ltd. President and Representative Director, Sosei CVC Ltd.
Director	* Declan Doogan	Chairman of Compensation Committee Member of Nomination Committee Member of Audit Committee	Director & CEO, Portage Biotech Inc. Chairman & Director, Biohaven Pharmaceutical Holding Company Ltd. Chairman, Celleron Therapeutics Ltd. Chairman, Causeway Therapeutics Ltd. Chairman, iOx Therapeutics Ltd. Visiting Professor, Kitasato University (Tokyo)
Director	* Tomohiro Tohyama	Chairman of Audit Committee Member of Compensation Committee	Partner at TMI Associates External Director and Audit and Supervisory Committee Member of Nippon Shikizai, Inc. External Director, Trust Capital Co., Ltd. External Statutory Auditor, WOWOW Inc.
Director	* Julia Gregory	Member of Audit Committee Member of Nomination Committee	Chairman & CEO, Isometry Advisors, Inc. Director, Iconic Therapeutics, Inc. Director, Biohaven Pharmaceutical Holding Company Ltd.

- Notes 1. The directors listed above with an asterisk (\*) are outside directors. The Company designates Director Julia Gregory as an independent director in accordance with the regulations of Tokyo Stock Exchange, Inc. and has notified the Exchange accordingly.
2. Director Takuya Fujii retired as Director due to expiration of its term of office at the close of the 27th Annual General Meeting of Shareholders held on June 22, 2017.
3. 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.
4. The Company has no special relationships with the companies at which the external directors concurrently serve the offices as listed above.

## 2) Executive officers

Title	Name	Responsibility	Significant Concurrent Posts
Representative Executive Officer	* Shinichi Tamura	Executive Chairman	–
Representative Executive Officer and President	* Peter Bains	CEO	Same as mentioned in (2)-1) above.
Executive Officer and Executive Vice President	Malcolm Weir	Chief R&D Officer	Director & CEO, Heptares Therapeutics Ltd.
Executive Officer and Executive Vice President	Andrew Oakley	CFO	Director, Sosei R&D Ltd.
Executive Officer and Executive Vice President	Tim Tasker	Chief Medical Officer (CMO)	CMO and Vice President of Development, Heptares Therapeutics Ltd.

Notes1. The executive officer listed above with an asterisk (\*) serves concurrently as a director.

2. Andrew Oakley, CFO, assumed the office of Executive Officer and Executive Vice President and CFO as of June 22, 2017.
3. Fiona Marshall resigned as Executive Officer, Executive Vice President and CSO as of February 28, 2018.
4. Tim Tasker assumed the office of Executive Officer, Executive Vice President and CMO as of February 28 2018.
5. Kazuhiko Yoshizumi, Vice President of the Corporate Administration Department & Chief Compliance Officer assumed the office of Executive Officer and Executive Vice President, Corporate Administration and Group Chief Compliance Officer as of April 1, 2018.
6. Executive Officer and Executive Vice President Malcolm Weir assumed the office of Chairman and Director of Therapeutics Zurich AG as of April 12, 2018.

## 3) Summary of liability limitation agreements

In accordance with Article 427, Paragraph 1 of the Companies Act (the “Act”), 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) Principles on determining remuneration for individual directors and executive officers by the Compensation Committee.

i. Principles

It is the Company's principles to determine executive remuneration in order to attract and retain talented human resources and to incentivize execution of business strategy for sustainable growth and raising the Company's corporate value. The Compensation Committee, which determines executive remuneration, is made up of two external directors and one director who serves concurrently as the representative executive officer, and it is chaired by an external director.

The individual remuneration of directors and executive officers is determined by the Compensation Committee with respect to executive officers based on their individual roles and evaluations made by the representative executive officer on their performance and other contribution to the Company in the previous fiscal year and with respect to the directors and the representative executive officer based on their individual roles and evaluations on the performance made by the Compensation Committee considering remuneration levels, etc. in relevant industries in the country where the recipients live and work, with reference to data from outside research institutes.

ii. Director remuneration

For director remuneration, base salary (annual pay) is determined based on individual roles, whether they serve concurrently as executive officers, their responsibilities as committee members or chairmen and other such factors. Directors are not paid bonuses or other performance-related remuneration, or retirement allowances. Stock options are granted in recognition of their service for each fiscal year.

Directors serving concurrently as executive offices are not paid remuneration as directors.

iii. Executive officer remuneration

For executive officer remuneration, base salary (annual pay) is determined based on individual roles and the performance in the previous year. In addition, bonuses are paid according to the financial results of the Company and the level of achievement of objectives within their respective areas of responsibilities by using the amount of base salary (annual pay) multiplied by certain percentage as the base amount, and stock options are granted in recognition of their service for each fiscal year.

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

Item	Number of payees	Amounts paid
Directors (Outside directors)	4 (4)	¥54 million (¥54 million)
Executive officers	3	¥630 million
Total	7	¥685 million

Note 1. Payments made to the two directors serving concurrently as an executive officer are included in full in the column of the amount paid to executive officers above.

2. The above table does not include the remuneration of ¥182 million paid to three executive officers paid and borne by a subsidiary.

3. The amounts paid shown above include the remuneration through stock options of ¥300 million to three directors and three executive officers, and the bonuses of ¥109 million paid to the two executive officers in April 2018 in accordance with the resolution of the Compensation Committee held in March 2018.

6) Attendance of external directors at board and committee meetings, and the state of activities

Name	Attendance		Remarks/Activities
Declan Doogan	Board of Directors	19 out of 22 (86%)	Makes statements at the Board meetings as necessary for deliberations on agenda items from a specialized standpoint related primarily to the overseas pharmaceutical industry and bio-industry, presides at the Compensation Committee meetings, and asks questions and gives opinions and other statements as appropriate at the Nomination Committee and Audit Committee meetings.
	Compensation Committee	6 out of 6 (100%)	
	Nomination Committee	2 out of 2 (100%)	
	Audit Committee	5 out of 5 (100%)	
Tomohiro Tohyama	Board of Directors	22 out of 22 (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 the Compensation Committee meetings.
	Compensation Committee	6 out of 6 (100%)	
	Audit Committee	5 out of 5 (100%)	
Julia Gregory	Board of Directors	18 out of 18 (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 financial institutions and pharmaceutical companies, and asks questions and gives opinions and other statements as appropriate at the Nomination Committee and Audit Committee meetings.
	Nomination Committee	2 out of 2 (100%)	
	Audit Committee	5 out of 5 (100%)	

(Note) Julia Gregory was elected Director at the 27th Ordinary General Meeting of Shareholders held on June 22, 2017, and accordingly, the number and percentage of attendance at the meetings of the Board of Directors since her assumption of office is as stated above.

### (3) Independent Auditors

1) Name Deloitte Touche Tohmatsu LLC

2) Amounts of remuneration, etc.

	Amounts paid
Amount of remuneration, etc. payable to the independent auditors for the service related to this fiscal year	Million yen 60
Total amount of cash and other property benefits payable to the independent auditors by the Company and its subsidiaries	Million yen 86

Note 1. 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.

2. 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 estimating remuneration estimates, etc. and considered whether audit remuneration is adequate for the implementation of appropriate audits and as a result has found that remuneration, etc. 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.

3. Of the Company's significant subsidiaries, Sosei R&D Ltd. and Heptares Therapeutics Ltd. have been audited by certified public accountants or auditing firms other than the Company's independent auditors.

### 3) Contents of non-audit services

The Company paid to Deloitte Touche Tohmatsu LLC fees for production of comfort letter in relation to the issuance of new shares in the global offering.

### 4) Policy on determining dismissal or non-reappointment of the independent auditors

In case there exists the circumstances that would interfere with the appropriate execution of duties of the independent auditors or that cause the Audit Committee to deem it appropriate to dismiss or not to reappoint the independent auditors, the Audit Committee determines the proposal for dismissal or non-reappointment of the independent auditors that is submitted 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 apply to the independent auditors, the Audit Committee dismisses 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 significant 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 28 term At March 31,2018	Item	The 28 term At March 31,2018
<b>Non-current assets</b>		<b>Non-current liabilities</b>	
Property, plant and equipment	1,156	Deferred tax liabilities	3,077
Goodwill	14,685	Contingent consideration in business combinations	4,634
Intangible assets	16,670	Interest-bearing debt	6,178
Investments accounted for using the equity method	4,424	Other financial liabilities	1,073
Deferred tax assets	6	Other non-current liabilities	43
Other financial assets	1,619	<b>Total non-current liabilities</b>	<b>15,005</b>
Other non-current assets	10	<b>Current liabilities</b>	
<b>Total non-current assets</b>	<b>38,570</b>	Trade and other payables	2,411
<b>Current assets</b>		Income tax payable	39
Trade and other receivables	753	Interest-bearing debt	2,995
Income taxes receivable	1,057	Other current liabilities	150
Other current assets	825	<b>Total current liabilities</b>	<b>5,595</b>
Cash and cash equivalents	28,281	<b>Total liabilities</b>	<b>20,600</b>
<b>Total current assets</b>	<b>30,916</b>	<b>Equity</b>	
		<b>Capital stock</b>	<b>36,783</b>
		<b>Capital surplus</b>	<b>25,608</b>
		<b>Treasury stock</b>	<b>(0)</b>
		<b>Retained earnings</b>	<b>(7,527)</b>
		<b>Other components of equity</b>	<b>(5,982)</b>
		<b>Equity attributable to owners of the parent company</b>	<b>48,882</b>
		<b>Non-controlling interests</b>	<b>4</b>
		<b>Total equity</b>	<b>48,886</b>
<b>Total assets</b>	<b>69,486</b>	<b>Total liabilities and equity</b>	<b>69,486</b>

Note: Amounts less than 1 million yen have been rounded

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

(Millions of yen)

Item	The 28 term Fiscal year ended March 31,2018	
<b>Revenue</b>		<b>6,955</b>
<b>Cost of sales</b>		-
<b>Gross Profit</b>		<b>6,955</b>
<b>Other income and expenses</b>		
Research and development expenses	(4,935)	
Selling, general and administrative expenses	(4,482)	
Other income	565	
Other expenses	(394)	(9,246)
<b>Operating loss</b>		<b>(2,291)</b>
<b>Finance income</b>		<b>104</b>
<b>Finance cost</b>		<b>(1,239)</b>
<b>Share of loss of associates accounted for using the equity method</b>		<b>(276)</b>
<b>Loss before income tax</b>		<b>(3,702)</b>
<b>Income tax expense</b>		<b>1,048</b>
<b>Loss for the year</b>		<b>(2,654)</b>
<b>Other comprehensive income</b>		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	1,427	
Total items that may be reclassified subsequently to profit or loss	1,427	
Total other comprehensive income	1,427	1,427
<b>Total comprehensive income</b>		<b>(1,227)</b>
<b>Net loss attributable to</b>		
Owners of the parent	(2,654)	
Non-controlling interests	(0)	(2,654)
<b>Total comprehensive income attributable to:</b>		
Owners of the parent	(1,227)	
Non-controlling interests	(0)	(1,227)

Note: Amounts less than 1 million yen have been rounded

## Non-Consolidated Balance Sheet

(Millions of yen)

Item	The 28 term At March 31,2018	Item	The 28 term At March 31,2018
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>24,211</b>	<b>Current liabilities</b>	<b>3,650</b>
Cash and deposits	22,421	Current portion of long-term borrowings	3,000
Prepaid expenses	24	Current portion of long-term lease obligations	7
Accounts receivable from affiliated companies	1,691	Accounts payable	508
Others	73	Accrued expenses	64
<b>Non-current assets</b>	<b>45,447</b>	Income taxes payable	38
<b>Property, plant and equipment</b>	<b>86</b>	Deposit	11
Buildings	38	Allowance for bonus	19
Tools, furniture and fixtures	8	<b>Non-current liabilities</b>	<b>6,314</b>
Leased assets	39	Long-term borrowing	6,250
<b>Intangible assets</b>	<b>10</b>	Long-term lease obligations	35
Software	6	Asset retirement obligation	11
Software in progress	3	Long-term accounts payable	13
Others	0	Others	4
<b>Investments and other non- current assets</b>	<b>45,350</b>	<b>Total liabilities</b>	<b>9,965</b>
Shares of subsidiaries and associates	44,687	<b>Net Assets</b>	
Investments in capital of subsidiaries and associates	195	<b>Shareholders' equity</b>	<b>58,271</b>
Long-term loans receivable from subsidiaries and associates	1,238	<b>Capital stock</b>	<b>36,782</b>
Others	57	<b>Capital surplus</b>	<b>24,899</b>
Allowance for doubtful debts	(828)	capital reserve	24,899
		<b>Retained earnings</b>	<b>(3,410)</b>
		Other retained earnings	(3,410)
		Treasury stock	(0)
		<b>Subscription rights to shares</b>	<b>1,421</b>
		<b>Total net assets</b>	<b>59,693</b>
<b>Total assets</b>	<b>69,658</b>	<b>Total liabilities and net assets</b>	<b>69,658</b>

Note: Amounts less than 1 million yen have been rounded



## Non-Consolidated Statement of Profit or Loss

(Millions of yen)

Item	The 28 term Fiscal year ended March 31,2018	
<b>Operating income</b>		<b>1,168</b>
<b>Operating expenses</b>		<b>(2,238)</b>
<b>Operating loss</b>		<b>(1,069)</b>
<b>Non-operating income</b>		
Interest income	3	
Gain on reversal of allowance for doubtful debts of subsidiary companies	37	
Miscellaneous income	0	41
<b>Non-operating expense</b>		
Interest expenses	(159)	
Commission fee	(118)	
Share issuance cost	(283)	
Foreign exchange losses	(27)	
Bad debt expense of subsidiary companies	(544)	
Miscellaneous expenses	(13)	(1,146)
<b>Ordinary loss</b>		<b>(2,174)</b>
<b>Extraordinary profit</b>		
Gain on reversal of subscription rights to shares	0	0
<b>Extraordinary loss</b>		
Loss on disposal of fixed assets	(1)	
Loss on valuation of shares of subsidiary companies	(421)	(422)
<b>Net loss before tax</b>		<b>(2,596)</b>
Corporate tax, residential tax and enterprise tax	(8)	(8)
<b>Loss for the year</b>		<b>(2,605)</b>

Note: Amounts less than 1 million yen have been rounded

# Accounting Audit Report on the Consolidated Financial Statements

## Audit Report of the Independent Auditors

May 15, 2018

Sosei Group Corporation  
To the Board of Directors

Deloitte Touche Tohmatsu LLC			
Designated limited liability employee	Certified public accountant	Shuichi Momoki	*
Managing partner			
Designated limited liability employee	Certified public accountant	Masanori Toyozumi	*
Managing partner			

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 year from April 1, 2017 to March 31, 2018.

### Responsibility of the management for the consolidated financial statements

The responsibility of the management is 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 the International Financial Reporting Standards. This responsibility includes design and operation of internal controls judged to be necessary by the management for the preparation and appropriate presentation of consolidated financial statements that are free of material misstatements due to fraud or error.

### Responsibility of the Auditors

The responsibility of the Auditors is to express an opinion on the consolidated financial statements from an independent perspective based on the audit that they performed. The Auditors performed the audit in conformance with generally accepted auditing standards in Japan. Audit standards require that the Auditors formulate an audit plan and perform the audit on the basis of the plan to acquire reasonable assurance on whether the consolidated financial statements are free of material misstatement.

The audit involves conducting procedures to obtain audit evidence on the amounts and disclosures in the consolidated financial statements. The procedures are selected and applied at the judgement of the Auditors based on an assessment of the risk of material misstatement in consolidated financial statements due to fraud or error. The purpose of the audit is not to express an opinion on the effectiveness of internal controls, but the Auditors in assessing this risk do consider internal controls related to preparation and appropriate presentation of the consolidated financial statements in order to devise audit procedures that are appropriate for the conditions. In addition, the audit includes consideration of the overall presentation of the consolidated financial statements, including an evaluation of the accounting policies and application methods adopted by the management and the estimates made by the management.

The Auditors believe that audit evidence has been obtained that is sufficient and appropriate as the basis for expressing an opinion.

### Audit Opinion

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 the consolidated subsidiaries for the period of the consolidated financial statements.

### 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.

# Accounting Audit Report on the Financial Statements

## Audit Report of the Independent Auditors

May 15, 2018

Sosei Group Corporation  
To the Board of Directors

Deloitte Touche Tohmatsu LLC			
Designated limited liability employee	Certified public		
Managing partner	accountant	Shuichi Momoki	*
Designated limited liability employee	Certified public		
Managing partner	accountant	Masanori Toyozumi	*

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 on the non-consolidated financial statements, and the supplementary schedules of Sosei Group Corporation for the 28th fiscal year from April 1, 2017 to March 31, 2018.

Responsibility of the management for the financial statements, etc.

The responsibility of the management is the preparation and appropriate presentation of the financial statements and supplementary statements in accordance with auditing standards generally accepted in Japan. This responsibility includes design and operation of internal controls judged to be necessary by the management for the preparation and appropriate presentation of financial statements and supplementary schedules that are free of material misstatements due to fraud or error.

Responsibility of the Auditors

The responsibility of the Auditors is to express an opinion on the financial statements and supplementary schedules from an independent perspective based on the audit performed by the Auditors. The Auditors performed the audit in conformance with generally accepted auditing standards in Japan. Audit standards require that the Auditors formulate an audit plan and perform the audit on the basis of the plan to acquire reasonable assurance on whether the financial statements and supplementary schedules are free of material misstatement.

The audit involves conducting procedures to obtain audit evidence on the amounts and disclosures in the financial statements and supplementary schedules. The procedures are selected and applied at the judgement of the Auditors based on an assessment of the risk of material misstatement in the financial statements and supplementary schedules due to fraud or error. The purpose of the audit is not to express an opinion on the effectiveness of internal controls, but the Auditors in assessing this risk do consider internal controls related to preparation and appropriate presentation of the financial statements and supplementary schedules in order to devise audit procedures that are appropriate for the conditions. In addition, the audit includes consideration of the overall presentation of the financial statements and supplementary schedules, including evaluations of the accounting policies and application methods adopted by the management and the estimates made by the management.

The Auditors believe that audit evidence has been obtained that is sufficient and appropriate as the basis for expressing an opinion.

Audit Opinion

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

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") have audited the performance of duties by directors and executive officers for the 28th fiscal year from April 1, 2017 to March 31, 2018. 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 and expressed opinions explanations as necessary, and conducted 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, regularly 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 with and exchanged information with the directors and corporate auditors, etc. of subsidiaries and received reports on the business from subsidiaries as necessary.
- 2) The Audit Committee monitored and verified whether the Independent Auditors maintained an 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 Ordinance for Company Accounting) 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 (balance sheet, profit and loss statement, statement of change in shareholders' equity and notes thereto) and supplementary schedules thereof, and consolidated financial statements (consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of change in equity, and notes thereto) for the fiscal year 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 the 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 law or the Articles of Incorporation.
- 3) The Committee found that the contents of resolutions of the Board of Directors related to the internal control systems is appropriate. In addition, the Committee did not find any matter requiring us to comment on the contents of the business report or execution of duties by directors or executive officers regarding the internal control systems.

#### (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, Deloitte Touche Tohmatsu 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, Deloitte Touche Tohmatsu LLC were appropriate.

May 15, 2018

Sosei Group Corporation Audit Committee		
Chairman of	Tomohiro Tohyama	*
Audit Committee		
Member of Audit	Declan Doogan	*
Committee		
Member of Audit	Julia Gregory	*
Committee		

Note: All members of the Audit Committee are external directors stipulated in Article 2, Item 15 and Article 400, Paragraph 3 of the Companies Act.

## Access to the Shareholder Meeting Venue

Venue	1-1, Hayabusa-cho, Chiyoda-ku, Tokyo, Japan Fuji-No-Ma Hall, 4th Floor, Grand Arc Hanzomon Hotel TEL: 03-3288-0111
Access	2-min. walk from Hanzomon Station (Exit 1) on Hanzomon Line 8-min. walk from Kojimachi (Exit 1) on Yurakucho Line

\* We kindly ask you to refrain from coming by car since parking lots are not available.