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To Shareholders:

TSE Securities Code: 4565

March 12, 2019

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

Notice of the 29th Ordinary General Meeting of Shareholders

Sosei Group Corporation (the Company) would like to inform you that the 29th 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 the Meeting, 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 Tuesday, March 26, 2019.

Yours sincerely

Date and Time	Wednesday, March 27, 2019 at 10:00 a.m. (Reception start: 9:00 a.m.) (Effective the 29th fiscal year, the Company’s year-end date for the fiscal year has been changed from March 31 to December 31. As a result, the date of the Meeting is at a substantially different time of the year compared with the date of last year’s Ordinary General Meeting of Shareholders (June 22, 2018).
Venue	Fuji-No-Ma Hall, 4th Floor, Hotel Grand Arc Hanzomon Hotel 1-1, Hayabusa-cho, Chiyoda-ku, Tokyo, Japan Please refer to “Access to Meeting of Shareholders Venue” at the end.
Agenda	<p>Matters to be reported:</p> <ol style="list-style-type: none"> 1. Business Report, Consolidated Financial Statements, and Reports of Independent Auditor and the Audit Committee on the Consolidated Financial Statements for the 29th fiscal period (from April 1, 2018 to December 31, 2018) 2. Report on the Non-Consolidated Financial Statements for the 29th fiscal period (from April 1, 2018 to December 31, 2018) <p>Matters to be resolved: Proposal - Election of Six (6) Directors</p>
Matters relating to Internet Disclosure	<p>(1) Of the documents that should be provided with this notice, the following matters are listed on the Company’s Internet website in accordance with laws and regulations and Article 14 of the Articles of Incorporation and not provided with this notice. Therefore, the documents provided with this notice are only part of the documents over which the Audit Committee and Independent Auditor conducted an audit and prepared audit reports.</p> <ol style="list-style-type: none"> 1) “Stock acquisition rights (“stock options”), etc.” and “Systems for ensuring the appropriateness of operations and their operating status” in the business report 2) “Consolidated Statement of Changes in Equity” and “Notes to the Consolidated Financial Statements” in the consolidated financial statements 3) “Non-Consolidated Statement of Changes in Equity” and “Notes to the Non-Consolidated Financial Statements” in the non-consolidated financial statements <p>(2) Should any revisions be made to the Reference Documents for the 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. Website of the Company (https://www.soseiheptares.com/)</p>

Proposal Election of Six (6) Directors

The terms of office of all five existing Directors will expire upon conclusion of the Meeting. To enhance the supervisory function of the Board of Directors, the Company wishes to appoint one more External Director. Accordingly, the election of six Directors, including one new Director, 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			Number of times attended Board of Directors Meetings
1	Shinichi Tamura	Chairman of the Board Representative Executive Officer, Chairman, President and CEO Chairman of the Nomination Committee; Member of the Compensation Committee	Re- appointed			21/21 times
2	Tomohiro Tohyama	External Director Chairman of the Audit Committee; Member of the Compensation Committee	Re- appointed	External		21/21 times
3	Julia Gregory	External Director Chairman of the Compensation Committee; Member of the Audit Committee	Re- appointed	External	Ind	18/21 times
4	Kuniaki Kaga	External Director Member of the Nomination Committee; Audit Committee	Re- appointed	External	Ind	13/15 times
5	David Roblin	External Director Member of the Nomination Committee; Compensation Committee	Re- appointed	External	Ind	14/15 times
6	Noriaki Nagai		Newly appointed	External	Ind	—

Reappointed	Candidate as Reappointed Director
Newly appointed	Candidate as Newly appointed Director
External	Candidate as External Director
Ind	Independent Director in accordance with the listing regulations of stock exchanges

- Notes
1. There is no special conflict of interests between the Director candidates and the Company.
 2. Mr. Tomohiro Tohyama, Ms. Julia Gregory, Mr. Kuniaki Kaga, Dr. David Roblin, and Mr. Noriaki Nagai 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, Ms. Julia Gregory, Mr. Kuniaki Kaga, and Dr. David Roblin. 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, Ms. Julia Gregory, Mr. Kuniaki Kaga, and Dr. David Roblin stated in 3. above and to conclude liability limitation agreements equivalent to the agreements stated in 3. above with Mr. Noriaki Nagai.
 5. Mr. Kuniaki Kaga and Dr. David Roblin were elected Directors at the 28th Ordinary General Meeting of Shareholders held on June 22, 2018, and accordingly, the number of times they attended meetings of the Board of Directors since their assumption of office are as stated above.
 6. The Company has notified Tokyo Stock Exchange, Inc. (hereinafter referred to as the "Tokyo Stock Exchange") of Ms. Julia Gregory, Mr. Kuniaki Kaga, and Dr. David Roblin as Independent Directors in accordance with the regulations of the same Exchange.
 7. If this proposal is approved at the Meeting, the Company intends to notify the Tokyo Stock Exchange of the appointment of Mr. Noriaki Nagai as an Independent Director in accordance with the regulations of the same Exchange.

Candidate
No.

1

Shinichi Tamura
(Born 9/17/1949, Male)

No. of shares owned: 1,136,400
Term of office as Board Director: 29 years
Attendance at Board Meetings: 21/21 times

Reappointed

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

Apr. 1978 Joined Fujisawa Pharmaceutical Co., Ltd.
(current Astellas Pharma Inc.)
Feb. 1987 Joined Genentech 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 of the Company (to the present)
Representative Executive Officer and Executive Chairman of the
Company
Jan. 2019 Representative Executive Officer, Chairman, President and CEO of the
Company (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

Mr. 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

Tomohiro Tohyama

(Born 2/21/1950, Male)

No. of shares owned: -

Term of office as External Director: 8 years

Attendance at Board Meetings: 21/21 times

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, 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, Member of the Audit and Supervisory Committee etc.,
Nippon Shikizai, Inc. (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 etc. 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 extensive experience and expertise in international corporate legal affairs as a partner at a major law firm in Japan. Whilst he has not previously held a corporate management role, he has acted as an External Director and Corporate Auditor, and therefore the Company believes that by leveraging his deep 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 reappointment as an External Director.

Candidate
No.

3

Julia Gregory

(Born 9/7/1952, Female)

No. of shares owned: -

Term of office as External Director: 2 years

Attendance at Board Meetings: 18/21 times

Reappointed

External

Independent

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

Sep. 1980 Senior Vice President, Dillon, Read & Co. (current UBS AG) (resigned December in 1990)
Feb. 2000 Executive Vice President and CFO, Lexicon Pharmaceuticals, Inc.
Jun. 2009 President & CEO, Five Prime Therapeutics, Inc.
Jul. 2012 Executive Vice President and CFO, ContraFect Corporation
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)
Jun. 2018 Board of Directors, IMV, Inc. (to the present)
Jun. 2018 Managing Director, MM Dillon & Co., Inc. (to the present)
Jun. 2018 Board of Directors, Cell Medica (to the present)
Aug. 2018 Executive Chair, Board of Directors, Cavion, Inc. (to the present)

<Committee membership>

Chairman of the Compensation Committee; Member of the Audit Committee

[Significant Concurrent Posts]

Chairman & CEO, Isometry Advisors, Inc.
Director, Iconic Therapeutics, Inc.
Director, Biohaven Pharmaceutical Holding Company Ltd.
Board of Directors, IMV Inc.
Managing Director, MM Dillon & Co. Inc.
Board of Directors, Cell Medica
Executive Chair, Board of Directors, Cavion, Inc.

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. 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 reappointment as External Director.

Candidate
No.

4

Kuniaki Kaga
(Born 9/1/1951, Male)

No. of shares owned: -

Term of office as External Director: 1 year

Attendance at Board Meetings: 13/15 times

Reappointed

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 Corporation)
- Jun. 2004 Deputy Director, Head of Healthcare Planning Department, Mitsubishi Chemical Corporation
- Oct. 2005 Deputy Director, Mitsubishi Chemical Holdings Corporation
Head of Healthcare Strategy Office
- Jun. 2006 Executive Officer and Head of Healthcare Strategy Office, Mitsubishi Chemical Holdings Corporation
Executive Officer, Head of Healthcare Business Domain, and General Manager of Healthcare Planning Office, Healthcare Business Domain, Mitsubishi Chemical Corporation
- Jun. 2009 Board Director, Mitsubishi Tanabe Pharma Corporation
- Jun. 2010 Representative Director, Managing Executive Officer, General Manager of International Business Department, Mitsubishi Tanabe Pharma Corporation
- Apr. 2012 Representative Director, Senior Managing Executive Officer, General Manager of Research Division and International Business Department, Mitsubishi Tanabe Pharma Corporation
- Apr. 2014 President and Representative Director, Life Science Institute, Inc.
Board Director, Mitsubishi Tanabe Pharma Corporation
Board Director, The KAITEKI Institute, Inc.
- Feb. 2015 President and Representative Director, The KAITEKI Institute, Inc.
- Apr. 2018 Advisor, Mitsubishi Chemical Corporation (to the present)
- Jun. 2018 Board Director of the Company (to the present)

<Committee membership>

Member of the Nomination Committee; Member of the Audit Committee

[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 pharmaceutical companies in Japan. The Company believes that he will leverage his extensive experience and specialized knowledge to advise the Company on overall management to further strengthen the supervision of the Company's overall management system and so proposes his reappointment as External Director.

Candidate
No.

5

David Roblin
(Born 9/25/1966, Male)

No. of shares owned: -

Term of office as External Director: 1 year

Attendance at Board Meetings: 14/15 times

Reappointed

External

Independent

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

Apr. 1991 Medical practice at St George's and St Bartholomew's Hospital, London
Apr. 1997 Head of Therapy Area for Anti-Infectives, Bayer Pharma AG
Dec. 2008 Senior Vice President, Head of Research, Site Head, Chief Medical Officer (CMO), Europe R&D, Pfizer Inc.
Apr. 2011 CMO, Creabilis SA
Sep. 2013 Honorary Professor, Swansea University, School of Medicine (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 COO and President of R&D, Summit Therapeutics plc (to the present)
Apr. 2017 Elected Fellow of Academy of Medical Sciences (to the present)
May 2017 CMO, Summit Therapeutics plc (to the present)
Jun. 2018 Board Director of the Company (to the present)

<Committee membership>

Member of the Nomination Committee; Member of the Compensation Committee

[Significant Concurrent Posts]

COO, CMO and 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
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 in Europe for a major pharmaceutical company. The Company believes that he will leverage his extensive experience and specialized knowledge to advise the Company on its R&D pipeline and further strengthen the supervision of the Company's business management and so proposes his reappointment as External Director.

Candidate
No.

6

Noriaki Nagai

(Born 12/1/1957, Male)

No. of shares owned: -

Term of office as External Director: - years

Attendance at Board Meetings: - times

Newly
appointed

External

Independent

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

- Apr. 1981 Joined Nomura Securities, Co., Ltd. (NSC)
- Sep. 1998 Managing Director, Head of European Administration Division of
Nomura International plc, London
- Jun. 2000 General Manager, Legal Dept., NSC
- Apr. 2006 Member of Board of Executive Officers, Head of Corporate Planning
and Legal Dept., Nomura Holdings, Inc. (NHI) and NSC
- Apr. 2010 Executive Managing Director, NSC
- Apr. 2011 Chief Legal Officer, Senior Corporate Managing Director, NHI
Senior Corporate Managing Director, NSC
- Jun. 2013 Non-executive Director, Japan Securities Depository Center, Inc.
- Jun. 2013 Non-executive Director, Japan Securities Clearing Corporation
- Apr. 2014 Deputy Chief of Staff and Chief Legal Officer, Senior Corporate
Managing Director, NHI and NSC
- Apr. 2015 Professor of Law, Doshisha University (to the present)

[Significant Concurrent Posts]

Professor of Law, Doshisha University

Reason for selection of the candidate as Director

After having held several important senior positions at a corporate division of a major securities company, Mr. Nagai is a university professor at the faculty of law. The Company believes that by leveraging his extensive experience and specialized knowledge and receiving views and opinions on the Company's overall management, the Company will be able to further strengthen the management and governance structures and so proposes his appointment as an External Director.

1 Current State of the Corporate Group

(1) Progress and Results of Operations

1) Group Outlook

The Group is a clinical-stage biotechnology company. Our vision is to become one of Japan's global biotechnology champions, by discovering and developing highly innovative medicines targeting G Protein-Coupled Receptors ("GPCRs").

During the nine-month period ended December 31, 2018 (from April 1, 2018 to December 31, 2018), the Group continued to advance its proprietary StaR® ("stabilized receptor") technology, Structure-based Drug Design ("SBDD") platform, and in-house development pipeline.

We continued to make excellent progress in strengthening our wider business and remain well-positioned to capitalize on a number of strategic opportunities.

Our balanced business model progressed across all areas; (i) partnerships with major global pharmaceutical companies, (ii) collaborations in R&D with innovative biotechnology companies, and (iii) in-house proprietary drug development.

As of December 31, 2018, the Group had 15 programs ongoing in discovery, with 4 in preclinical development, and 7 currently in clinical trials.

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). In the area of in-house proprietary drug development, the Group continued to make the necessary investments in our pipeline as we advanced multiple candidates towards clinical studies. In September 2018, the Group received approval in Japan for ORAVI® Mucoadhesive Tablets 50mg for Oropharyngeal Candidiasis. Furthermore, in December 2018, the Group reported its first healthy subject had been dosed with the novel small molecule HTL0014242 in a Phase I clinical study, marking the start of a new in-house clinical program targeting neurological disorders.

We will steadily and strongly promote growth in our platform technology, discovery and development businesses. All of that progress will enable the real driver of growth, new and existing partnerships across the business. At the same time, we will strongly manage costs and accelerate value creation opportunities, with the view to fulfilling our vision to become one of Japan's global biotechnology champions.

Financial results for the year ended December 31, 2018 were revenue of 2,872 million yen (a decrease of 3,405 million yen vs. the prior corresponding period), operating loss of 5,734 million yen (a decrease of 5,640 million yen vs. the prior corresponding period), net loss before income taxes of 7,243 million yen (a decrease of 5,344 million yen vs. the prior corresponding period) and net loss of 5,978 million yen (a decrease of 4,265 million yen vs. the prior corresponding period).

		The 28th Term As of March 31, 2017	<i>Reference purpose only</i> As of December 31, 2017	The 29th Term As of December 31, 2018	<i>Reference purpose only</i> The prior corresponding period	
		Value	Value	Value	Value	Rate of change
Revenue	(JPY millions)	6,955	6,277	2,872	(3,405)	(54.2%)
Operating loss	(JPY millions)	(2,291)	(94)	(5,734)	(5,640)	-
Net loss	(JPY millions)	(2,654)	(1,713)	(5,978)	(4,265)	-
Net loss per share - basic	(Yen)	(37.55)	(24.87)	(78.40)	(53.53)	-

(Note)1. The Company and the Group changed the end of the fiscal year from March 31 to December 31 at the 28th ordinary general meeting of shareholders and it will continue to have a December fiscal year end. The 29th term is a nine-month irregular term.

2. Effective July 1, 2018, the Company executed a stock split at a ratio of 4 shares per common share. Net loss per share has been calculated as if the stock split had occurred at the beginning of the 28th consolidated fiscal year.

The principal management indicators are as follows.

Revenue

Revenue related to royalties in the nine-month period under review totaled JPY 2,104 million (an increase of JPY 51 million vs. the prior corresponding period). The majority of the Group's royalty revenue relates to sales of Ultibro® Breezhaler® and Seebri® Breezhaler® by Novartis. Total sales of Ultibro® Breezhaler® and Seebri® Breezhaler® in the current 9 month reporting period were USD 458 million (+5% on the prior corresponding period).

Ultibro® Breezhaler® remains the number one LABA/LAMA across Europe. Furthermore, in its (calendar) Q4 2018 results presentation, Novartis confirmed its commitment to respiratory products that contain the Group's out-licensed compound glycopyrronium bromide. Novartis confirmed that the status has not changed from Q3 2018 and enrolment of the Phase III IRIDIUM, PALLADIUM and QUARTZ studies of QVM149 for asthma have been completed. The filing of QVM149 is planned for H2 2019, ahead of an expected commercial launch in 2020, and the Group is eligible to receive further royalties on sales of this product.

Revenue related to milestones in the nine-month period under review totaled JPY 340 million (a decrease of JPY 3,443 million vs. the prior corresponding period). The prior corresponding period contained major milestone payments from Allergan (USD 15 million), AstraZeneca (USD 12 million) and Teva Pharmaceutical Industries Ltd ("Teva") (USD 5 million). Therefore, the main reason for the decline in milestone revenues was the absence of any upfront payments related to new partnerships, and the absence of any major milestone payments from existing discovery and development partnerships. The Group classifies a "major" milestone payment as any single

payment greater than or equal to approximately USD 5 million.

(Note) Ultibro® Breezhaler® (EU) / Ultibro® Inhalation Capsules (Japan) and Seebri® Breezhaler® 50mcg (EU) /Seebri® Inhalation Capsules 50 mcg (Japan) are the registered trademarks of Novartis.

Research and development cash expenses

Cash research and development (“R&D”) expenses in the nine-month period under review totaled 5,187 million yen (an increase of JPY 1,817 million vs. the prior corresponding period). This was primarily due to increased preparatory spend related to our Phase IIa MATILDA study for DLB in Japan (which entered voluntary hold on 18 September 2018), together with continued investment in our in-house drug development programs, platform and translational science capabilities. In the period under review, 97% of R&D spend related to our UK operations.

General and administrative cash expenses

Cash general and administrative (“G&A”) expenses in the nine-month period under review totaled JPY 1,611 million (a decrease of JPY 488 million vs. the prior corresponding period). This was primarily due to a reduction in National Insurance charges in the U.K. (related to Stock-Based Compensation), as well as tight management of costs.

Non-cash expenses

Non-cash expenses consist of depreciation on property, plant and equipment, amortization of intangible assets and stock-based compensation expenses. Non-cash expenses in the nine-month period under review were JPY 1,290 million (an increase of JPY 90 million vs. the prior corresponding period). In total, depreciation expense for the nine-month period under review totaled JPY 205 million (an increase of JPY 107 million vs. the prior corresponding period). Amortization amounted to JPY 665 million (a decrease of JPY 1 million vs. the prior corresponding period). The stock-based compensation expense for the period was JPY 420 million (a decrease of JPY 16 million vs. the prior corresponding period).

Other net expenses

Other net expenses totaled JPY183 million, a decrease of JPY 481 million vs. the prior corresponding period. The current period cost comprises a charge for impairment partially offset by grant income. The impairment charge relates to intangible assets recognised at the time of the acquisition of Heptares. One program that had an identified value at the time of the acquisition was discontinued during the period. In the prior corresponding period other income included proceeds received from the disposal of Activus Pharma of JPY 326 million.

Operating loss

Operating loss in the nine-month period under review totaled JPY 5,734 million (an increase of JPY 5,640 million vs. the prior corresponding period). The main reason for the increase in operating loss is the decrease in revenue (for the reasons stated above) and the increase in R&D expense (for the reasons stated above) during the nine-month period under review.

Net Finance costs

Net finance costs in the nine-month period under review totaled JPY 955 million (a decrease of JPY 655 million vs. the prior corresponding period). Finance costs include interest expense, foreign exchange gains / losses and fair value movements in financial assets and liabilities. In the current reporting period they included a JPY 1,121 million write-down related to the lapsing of our exclusive option to increase our investment in MiNA. The main reasons for the decrease compared to the prior corresponding period are the inclusion of a contingent consideration credit and foreign exchange gain (as a result of more stable JPY, USD, and GBP rates) in the nine-month period under review. As a reminder to our valued Shareholders, the contingent consideration charge relates to additional purchase consideration to be paid to the former shareholders of Heptares Therapeutics Limited. The contingent consideration charge represents the re-measurement of the estimated liability due in the future to the former shareholders of Heptares Therapeutics Limited. As at December 31, 2018, the Group has to date paid USD 66 million in milestones, out of the total maximum potential milestone amount payable of USD 220 million.

Net loss

The net loss in the nine-month period under review totaled JPY 5,978 million (an increase of JPY 4,265 million vs. the prior corresponding period). The main reason for the increase in net loss is the decrease in revenue (for the reasons stated above), and the increase in R&D expense (for the reasons stated above) during the nine-month period under review.

2) Capital Expenditures

The significant capital expenditure in the period related to the transfer of UK R&D operations to a new facility in Granta Park, Cambridge. Total expenditure for the nine-month period ended December 31, 2018 was JPY 1,744 million.

3) Significant Organizational Restructuring, etc.

i. Sosei R&D Ltd.

On November 28, 2018 the Company transferred all shares of Sosei R&D Ltd. to Heptares Therapeutics Ltd. by an investment in kind. On November 29, 2018 Sosei R&D Ltd. transferred its entire trade and assets to Heptares Therapeutics Ltd. to simplify the Group's UK business structure. Sosei R&D Ltd. was in the process of being liquidated as of December 31, 2018.

4) Financing

There were no significant financing activities during this fiscal period.

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

Item		The 26th Term As of March 31, 2016	The 27th Term As of March 31, 2017	The 28th Term As of March 31, 2018	The 29th Term (current term) As of December 31, 2018
Revenue	(JPY millions)	8,151	18,901	6,955	2,872
Operating income or (loss)	(JPY millions)	1,075	12,389	(2,291)	(5,734)
Net profit or (loss)	(JPY millions)	(1,547)	9,152	(2,654)	(5,978)
Net earnings or (loss) per share - basic	(Yen)	(23.40)	137.80	(37.55)	(78.40)
Total assets	(JPY millions)	47,354	48,087	69,486	58,987
Total equity	(JPY millions)	23,269	28,359	48,886	41,580

(Note)1. The Company and the Group changed the end of the fiscal year from March 31 to December 31 at the 28th ordinary general meeting of shareholders and it will continue to have a December fiscal year end. The 29th term is a nine-month irregular term.

2. Effective July 1, 2018, the Company executed a stock split at a ratio of 4 shares per common share. Earnings per share has been calculated as if the stock split had occurred at the beginning of the 26th consolidated fiscal year.

(3) Issues to be addressed

1) Wholly-owned drug development

To achieve our goal of building one of Japan's global biotechnology champions, the Group will continue to make prudent 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® technology to ensure it remains at the cutting-edge of science. StaR® technology underpins our drug discovery and structure-based drug design (SBDD) platform. This drug discovery and design platform will generate multiple new early-stage drug candidates each year. We will seek to maximize value from our productive drug discovery engine to identify and prioritize targets with high commercial potential and to increase the number of drug candidates we target for new partnerships.

At the same time, we will prioritize R&D spend by rationalizing our long list of our programs to focus only on the most high-value candidates.

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 into clinical development with some ultimately targeted for self-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. We have 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 prudent investments in our technology to ensure we remain at the cutting edge of science in our chosen field of GPCR-targeted Structure-based Drug Design. This will drive a sustainable pipeline of exciting drug candidates in areas of high unmet medical need.

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

StaR® technology enables very high productive output relative to our peers. This means we create far more drug discovery candidates than we can possibly work on at the same time. We are limited by time and resources, and therefore we will rationalize and focus only on the most high-value candidates for us. This ensures prudent R&D spending at sustainable levels. We seek to allocate capital in the most efficient way, prioritizing the highest potential projects.

We will seek to increase the number of new partnerships with global pharma and biotech companies. This will accelerate value creation by putting high-value drug candidates that we cannot pursue (for one reason or another), into the capable hands of large partners who have the skilled resources to advance programs rapidly into clinical development. We always endeavour to retain excellent economics on each deal we consummate.

We proactively manage our cost base, with multiple internal projects designed to track, monitor and cut unnecessary costs from the business.

Our value creation philosophy is designed 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 across multiple jurisdictions 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 December 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	Responsible for setting the strategy of Sosei Group, and performing centralized administrative activities on behalf of group companies
Sosei Co. Ltd.	Research and development, sales of pharmaceutical drugs
Sosei CVC Ltd.	Management of regenerative medicine funds
Sosei RMF1 Limited Partnership for Investment	Investment in regenerative medicine bio-venture companies
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 [®] 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) 1. On November 29, 2018 Sosei R&D Ltd, which is a subsidiary company, transferred its entire trade and assets to Heptares Therapeutics Ltd. to simplify the Group's UK business structure. Sosei R&D Ltd. was in the process of being liquidated as of December 31.
2. In November 2018 management decided that the site would close in 2019 after the transfer of its technologies to Heptares Therapeutics Ltd in the United Kingdom.

(5) Principal Parent Company and Subsidiaries (as of December 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
Heptares Therapeutics Ltd.	GBP 416 thousand	100.0%	Structural analysis of GPCRs, generation of initial lead compounds, discovery, design and development of drug candidates through proprietary StaR [®] technology and SBDD
Sosei CVC Ltd.	¥35 million	90.0%	Operation of regenerative medicine funds

(Notes) 1. On November 29, 2018 Sosei R&D Ltd. transferred its entire trade and assets to Heptares Therapeutics Ltd. to simplify the Group's UK business structure. Sosei R&D Ltd. is in the process of being liquidated.

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

3) Other significant information

Not applicable.

(6) Main Offices and Factories (as of December 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
Heptares Therapeutics Ltd.	Cambridge, UK

(Notes) During 2018, Heptares Therapeutics Ltd. moved its UK operations from Hertfordshire to Cambridge.

(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	150 (10.9)	+11
Company-wide (shared)	19 (1.2)	+6
Total	169 (12.1)	+17

- (Notes) 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. Employees in the pharmaceutical business increased by 11 people compared to the end of the previous fiscal year; the primary reason was to strengthen the research and development division.
3. Employees in the company-wide business increased by 6 people compared to the end of the previous fiscal year; the primary reason was to strengthen the administration division.

2) Company Employees

Number of Employees	Change from the End of the Previous Fiscal Year	Average Age	Average Service Years
19 (1.2)	+6	47.3 years old	3.1 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 December 31, 2018)

Lenders	Loan Amount
Mizuho Bank, Ltd. and 5 other financial institutions participating in syndicate loan	¥7,000 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 December 31, 2018)

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

(Note): Revisions have been made to the Articles of Incorporation following the stock split conducted on July 1, 2018. Accordingly, the number of authorized shares was increased by 112,032,000 shares to 149,376,000 shares.

2) Total number of outstanding shares 76,301,936 shares

(Note): Total number of outstanding shares increased as follows during the fiscal period 2018.

- Increase due to stock split (1:4): 57,164,952 shares

- New shares issued by exercise of stock acquisition rights: 82,000 shares

3) Number of shares constituting one unit 100 shares

4) Number of shareholders 33,265

5) Major shareholders (Top 10)

Shareholder's Name	Shareholdings (shares)	Ownership Stake
Daisuke Gomi	6,160,000	8.07%
TAIYO HANEI FUND, L.P.	2,008,900	2.63%
Pfizer Seiyaku K.K.	1,885,136	2.47%
TAIYO FUND, L.P.	1,733,500	2.27%
STATE STREET BANK AND TRUST COMPANY 505019	1,355,805	1.78%
Shinichi Tamura	1,136,400	1.49%
Matsui Securities Co., Ltd.	813,200	1.07%
BBH FOR MATTHEWS ASIA GROWTH FUND	682,400	0.89%
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	649,883	0.85%
Japan Trustee Services Bank, Ltd. (trust account)	646,100	0.85%

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

2. Ownership stakes are calculated deducting 104 treasury shares which the Company owns.

(2) Directors and executive officers (as of December 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	See below	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	* 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	Chairman of Compensation Committee Member of Audit Committee	Chairman & CEO, Isometry Advisors, Inc. Director, Iconic Therapeutics, Inc. Director, Biohaven Pharmaceutical Holding Company Ltd. Board of Directors, IMV Inc. Managing Director, MM Dillon & Co., Inc. Board of Directors, Cell Medica Executive Chair, Board of Directors, Cavion, Inc.
Director	* Kuniaki Kaga	Member of Nomination Committee Member of Audit Committee	Advisor, Mitsubishi Chemical Corporation
Director	* David Roblin	Member of the Nomination Committee Member of the Compensation Committee	COO, CMO and 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 Honorary Professor, Swansea University, School of Medicine

- (Notes) 1. The directors listed above with an asterisk (*) are external directors. The Company designates Director Julia Gregory, Director Kuniaki Kaga and Director David Roblin as independent directors in accordance with the regulations of Tokyo Stock Exchange and has notified the Exchange accordingly.
2. Director Declan Doogan retired as Director due to expiration of its term of office at the close of the 28th Ordinary General Meeting of Shareholders held on June 22, 2018.
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.
5. Peter Bains resigned as Director of the Company as of December 31, 2018. He resigned as President and Representative Director of Sosei CVC Ltd. as of December 31, 2018 and resigned as Managing Director of Sosei R&D Ltd. as of January 2, 2019.

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. Chairman and Director, Heptares Therapeutics Zurich AG
Executive Officer and Executive Vice President	Tim Tasker	Chief Medical Officer (CMO)	CMO and Vice President, Development Division, Heptares Therapeutics Ltd.
Executive Officer and Executive Vice President	Kazuhiko Yoshizumi	Group Chief Compliance Officer	–
Executive Officer and Executive Vice President	Chris Cargill	CFO	Director, Sosei R&D Ltd.

- (Notes)
1. The executive officers listed above with an asterisk (*) serve concurrently as a director.
 2. Andrew Oakley resigned as Executive Officer and Executive Vice President and CFO as of June 4, 2018. His significant concurrent post at the time of resignation was Director of Sosei R&D Ltd.
 3. Peter Bains resigned as Representative Executive Officer, President and CEO as of December 31, 2018.
 4. Shinichi Tamura assumed the office of Representative Executive Officer, Chairman, President and CEO as of January 1, 2019.
 5. Chris Cargill assumed the office of Executive Officer and Executive Vice President and CFO as of November 1, 2018.
 6. Chris Cargill assumed the office of Director of Heptares Therapeutics Ltd. as of January 21, 2019.

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 principle to determine executive remuneration in order to attract and retain talented employees 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 three 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 this is based on their individual roles and evaluations made by the representative executive officer on their performance and other contributions to the Company in the previous fiscal year. With respect to the directors and the representative executive officer, this is based on their individual roles and an evaluation of 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 directors' 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 officers are not paid remuneration as directors.

iii. Executive officer remuneration

For executive officers' 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 (External directors)	5 (5)	¥37 million (¥37 million)
Executive officers	6	¥275 million
Total	11	¥313 million

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

2. The amount of remuneration shown above include the following:

- Remuneration through stock options of ¥115 million to three directors and five executive officers
- Bonuses of ¥2 million paid to the one executive officer in January 2019 in accordance with the resolution of the Compensation Committee held in December 2018.
- Remuneration to one executive officer who retired as of June 4, 2018.

3. The amount of remuneration shown above does not include the following:

- Remuneration of ¥101 million paid to three executive officers paid and borne by a subsidiary.
- Retirement allowance of ¥133 million paid to one executive officer who resigned as of December 31, 2018.
- The remuneration through stock options of ¥277 million to one director who retired as Director due to expiration of its term of office at the close of the 28th Ordinary General Meeting of Shareholders held on June 22, 2018 and one executive officer who resigned as of December 31, 2018.

6) Attendance of external directors at board and committee meetings, and the state of activities during the fiscal period under review

Name	Attendance		Remarks/Activities
Tomohiro Tohyama	Board of Directors	21 out of 21 (100%)	Makes statements at the Board meetings as necessary for deliberations on agenda items from a professional viewpoint as an attorney, leads audits as the chair of the Audit Committee, and asks questions and gives opinions and other statements as appropriate at each Committee meeting.
	Compensation Committee	6 out of 6 (100%)	
	Audit Committee	9 out of 9 (100%)	
Julia Gregory	Board of Directors	18 out of 21 (86%)	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 each Committee meeting.
	Nomination Committee	3 out of 3 (100%)	
	Compensation Committee	6 out of 6 (100%)	
	Audit Committee	8 out of 9 (89%)	
Kuniaki Kaga	Board of Directors	13 out of 15 (87%)	Makes statements at the Board meetings as necessary for deliberations on agenda items from a professional viewpoint based on the experience of management of leading chemical and pharmaceutical companies in Japan and asks questions and gives opinions and other statements as appropriate at each Committee meeting.
	Nomination Committee	1 out of 1 (100%)	
	Audit Committee	6 out of 7 (86%)	
David Roblin	Board of Directors	14 out of 15 (93%)	Makes statements at the Board meetings as necessary for deliberations on agenda items from a professional viewpoint based on the clinical experience as a physician and R&D experience of pharmaceutical companies, and asks questions and gives opinions and other statements as appropriate at each Committee meeting.
	Nomination Committee	0 out of 1 (0%)	
	Compensation Committee	4 out of 5 (80%)	

(Notes) 1. Kuniaki Kaga and David Roblin were elected Director at the 28th Ordinary General Meeting of Shareholders held on June 22, 2018 and were elected Member of each committee at the meeting of the Board of Directors held on the same day. Accordingly, the number of meetings attended and percentage of attendance at the

meetings of the Board of Directors and committee meetings stated above only count meetings held since their assumption of office.

2. Julia Gregory was elected Member of the Audit Committee at the meeting of the Board of Directors held on June 22, 2018, and accordingly, the number of meetings attended and percentage of attendance at the meetings of the Audit Committee since her assumption of office are as stated above. She retired as Member of the Nomination Committee on the same day, and accordingly, the number of meetings attended and percentage of attendance at the meetings of the Nomination Committee stated above reflect the meetings held before her retirement of office.

(3) Independent Auditors

1) Name Ernst & Young ShinNihon LLC

(Note) Deloitte Touche Tohmatsu LLC, which was the previous auditor, resigned on June 22, 2018 when the 28th Ordinary General Meeting of Shareholders was held.

2) Amounts of remuneration, etc.

	Deloitte Touche Tohmatsu LLC.	Ernst & Young ShinNihon LLC
Amount of remuneration, etc. payable to the independent auditors for services related to this fiscal period	Million yen -	Million yen 69
Total amount of cash and other property benefits payable to the independent auditors by the Company and its subsidiaries	Million yen 6	Million yen 72

(Notes) 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 subsidiary, Heptares Therapeutics Ltd. has been audited by certified public accountants or auditing firms other than the Company's independent auditors. This subsidiary is audited by a member firm of the Ernst & Young network.

3) Contents of non-audit services

The Company paid Deloitte Touche Tohmatsu LLC fees for time incurred in support of the audit transition, and Ernst & Young ShinNihon LLC fees for advice on IFRS.

4) Policy for dismissal or non-reappointment of the independent auditors

If circumstances arise that would interfere with the appropriate execution of the duties of the independent auditors or cause the Audit Committee to deem it appropriate to dismiss or not to reappoint the independent auditors, the Audit Committee will make a proposal for dismissal or non-reappointment of the independent auditors for submission to the Ordinary General Meeting of Shareholders. Also, when it deems that any cause stipulated in each item of Article 340, Paragraph 1 of the Companies Act applies to the independent auditors, the Audit Committee can dismiss the independent auditors by agreement of all committee members.

5) Summary of liability limitation agreements

The Company has not entered into an agreement with the Independent Auditors to limit their liability for damages under Article 423, Paragraph 1 of the Companies Act.

(4) Policy on determination of Dividends, etc.

The declaration and payment of any dividends in the future will depend on the results of operations, financial conditions, cash requirements, future prospects, profits available for distribution and other factors deemed by the Board to be relevant at the time.

At present, the Group is making prudent investments to build a globally competitive biotechnology business and, therefore, does not expect to pay any dividends in the near to medium term. The Board will continue to reassess this position based on the factors above.

Consolidated Balance Sheet

(Millions of yen)

Item	The 29 term At December 31,2018	Item	The 29 term At December 31,2018
Non-current assets	36,703	Non-current liabilities	11,958
Property, plant and equipment	2,715	Deferred tax liabilities	2,542
Goodwill	14,177	Contingent consideration in business combinations	4,180
Intangible assets	14,367	Interest-bearing debt	3,970
Investments accounted for using the equity method	3,644	Other financial liabilities	1,179
Other financial assets	1,515	Other non-current liabilities	87
Other non-current assets	285		
		Current liabilities	5,449
		Trade and other payables	2,080
Current assets	22,284	Income tax payable	24
Trade and other receivables	987	Interest-bearing debt	2,994
Income taxes receivable	2,057	Other current liabilities	351
Other current assets	480		
Cash and cash equivalents	18,760	Total liabilities	17,407
		Equity	
		Capital stock	36,854
		Capital surplus	26,042
		Treasury stock	(0)
		Retained earnings	(13,696)
		Other components of equity	(7,623)
		Equity attributable to owners of the parent company	41,577
		Non-controlling interests	3
		Total equity	41,580
Total assets	58,987	Total liabilities and equity	58,987

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 29 term Fiscal period ended December 31, 2018	
Revenue		2,872
Cost of sales		(335)
Gross Profit		2,537
Other income and expenses		
Research and development expenses	(5,384)	
Selling, general and administrative expenses	(2,704)	
Other income	140	
Other expenses	(323)	8,271
Operating loss		(5,734)
Finance income		434
Finance cost		(1,389)
Share of loss of associates accounted for using the equity method		(488)
Impairment loss on investment account for using the equity method		(66)
Loss before income taxes		(7,243)
Income tax benefit		1,265
Net loss		(5,978)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(1,641)	
Total items that may be reclassified subsequently to profit or loss	(1,641)	(1,641)
Total comprehensive income for the year		(7,619)
Net loss attributable to		
Owners of the parent	(5,977)	
Non-controlling interests	(1)	(5,978)
Total comprehensive income for the year attributable to:		
Owners of the parent	(7,618)	
Non-controlling interests	(1)	(7,619)

Note: Amounts less than 1 million yen have been rounded

Non-Consolidated Balance Sheet

(Millions of yen)

Item	The 29 term At December 31,2018	Item	The 29 term At December 31,2018
Assets		Liabilities	
Current assets	21,530	Current liabilities	4,620
Cash and deposits	16,511	Current portion of long-term borrowings	3,000
Prepaid expenses	26	Short-term loan payable to affiliated companies	917
Short-term loan receivable from affiliated companies	4,926	Current portion of long-term lease obligations	7
Accounts receivable from affiliated companies	42	Accounts payable	519
Others	25	Accrued expenses	24
Non-current assets	44,888	Income taxes payable	19
Property, plant and equipment	81	Deposit	110
Buildings	37	Allowance for bonus	24
Tools, furniture and fixtures	10	Non-current liabilities	4,051
Leased assets	34	Long-term borrowing	4,000
Intangible assets	12	Long-term lease obligations	30
Software	4	Asset retirement obligation	12
Software in progress	8	Long-term accounts payable	9
Others	0	Total liabilities	8,671
Investments and other non-current assets	44,795	Net Assets	
Shares of subsidiaries and associates	44,549	Shareholders' equity	55,914
Investments in capital of subsidiaries and associates	188	Capital stock	36,854
Long-term loans receivable from subsidiaries and associates	1,718	Capital surplus	24,971
Others	58	capital reserve	24,971
Allowance for doubtful debts	(1,718)	Retained earnings	(5,911)
		Other retained earnings	(5,911)
		Treasury stock	(0)
		Subscription rights to shares	1,833
		Total net assets	57,747
Total assets	66,418	Total liabilities and net assets	66,418

Note: Amounts less than 1 million yen have been rounded

Non-Consolidated Statement of Profit or Loss

(Millions of yen)

Item	The 29 term Fiscal period ended December 31,2018	
Operating income		819
Operating expenses		(1,754)
Operating loss		(935)
Non-operating income		
Interest income	44	
Miscellaneous income	11	55
Non-operating expense		
Interest expenses	(101)	
Commission fee	(15)	
Foreign exchange losses	(160)	
Provision for doubtful receivables from subsidiary companies	(890)	
Miscellaneous expenses	(6)	(1,172)
Ordinary loss		(2,052)
Extraordinary profit		
Gain on reversal of subscription rights to shares	62	62
Extraordinary loss		
Loss on disposal of fixed assets	(1)	
Loss on valuation of shares of subsidiary companies	(507)	(508)
Net loss before tax		(2,498)
Corporate tax, residential tax and enterprise tax	(3)	(3)
Loss for the year		(2,501)

Note: Amounts less than 1 million yen have been rounded

Accounting Audit Report on the Consolidated Financial Statements

Audit Report of the Independent Auditors

February 28, 2019

Sosei Group Corporation
To the Board of Directors

Ernst & Young ShinNihon LLC			
Designated limited liability employee	Certified public accountant	Hironao Yazaki	*
Managing partner			
Designated limited liability employee	Certified public accountant	Hiroshi Mishima	*
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 period from April 1, 2018 to December 31, 2018.

Responsibility of management for the consolidated financial statements

Management is responsible for the preparation and appropriate presentation of the consolidated financial statements in accordance with the stipulations of the latter part of Paragraph 1, Article 120 of the Corporate Accounting Rules, which allows the statements to be prepared excluding some of the disclosure items required under International Financial Reporting Standards. This responsibility includes the design and operation of internal controls judged to be necessary by management for the preparation and appropriate presentation of consolidated financial statements that are free of material misstatements due to fraud or error.

Responsibility of the Auditors

The Auditors are responsible for expressing 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 as to 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 the 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 the 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 management and the estimates made by the management.

The Auditors believe that audit evidence has been obtained that is sufficient and appropriate and which serves 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 its 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

February 28, 2019

Sosei Group Corporation
To the Board of Directors

Ernst & Young ShinNihon LLC			
Designated limited liability employee	Certified public		
Managing partner	accountant	Hironao Hiromichi	*
Designated limited liability employee	Certified public		
Managing partner	accountant	Hiroshi Mishima	*

In accordance with the Article 436 (2) (i) of Companies Act, the Auditors have audited the financial statements, which consist of the balance sheet, income statement, statement of changes in shareholders' equity and notes to the non-consolidated financial statements, and the supplementary schedules of Sosei Group Corporation for the 29th fiscal period from April 1, 2018 to December 31, 2018.

Responsibility of management for the financial statements, etc.

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

Responsibility of the Auditors

The Auditors are responsible for expressing 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 as to 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 the 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 management and the estimates made by management.

The Auditors believe that audit evidence has been obtained that is sufficient and appropriate and which serves 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") has audited the performance of duties by directors and executive officers for the 29th fiscal period from April 1, 2018 to December 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 explanations and expressed opinions as necessary, and conducted an audit as follows.

- 1) In accordance with the audit policy and the division of responsibilities, etc. determined by the Audit Committee, each member of the Committee attended meetings of the Board of Directors and other important meetings, received reports from directors, executive officers and others on the performance of their duties, etc., and requested additional explanations as necessary, and reviewed the documents relating to the important decisions, and investigated the state of the business and assets of the Company in cooperation with the Internal Audit Department. Regarding subsidiaries, the Audit Committee sought to achieve a mutual understanding of subsidiaries, exchanged information with the directors and corporate auditors, etc. of subsidiaries and received business reports from subsidiaries as necessary.
- 2) The Audit Committee monitored and verified whether the Independent Auditors maintained independence and conducted appropriate audits, received reports from the Independent Auditors on the performance of their duties, etc., and requested explanations as necessary. Also, the Audit Committee received notification from the Independent Auditors that they had established the "Structure for Ensuring Appropriate Operation" (matters provided in each item of Article 131 of the Regulation on Accounting of Companies) in accordance with the "Quality Control Standards for Audits" (Business Accounting Council, October 28, 2005).

Based on the aforementioned methods, the Audit Committee examined the business report and supplementary schedules thereof, non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of profit and loss, non-consolidated 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 period under review.

2. Results of Audit

(1) Results of audit of business report, etc.

- 1) The Committee found that the business report and supplementary schedules accurately present the status of the Company in accordance with laws, regulations and the Articles of Incorporation.
- 2) The Committee did not find any inappropriate conduct related to the execution of duties by directors or executive officers or any material facts indicating violation of laws and regulations or the Articles of Incorporation.
- 3) The Committee found that the contents of resolutions of the Board of Directors related to the system of internal control to be appropriate. In addition, the Committee did not find any matter requiring it to comment on the contents of the business report or execution of duties by directors or executive officers regarding the system of internal control.

(2) Results of audit of non-consolidated financial statements and supplementary schedules

The Committee found that the methods and results of the audit performed by the Independent Auditors, Ernst & Young ShinNihon LLC were appropriate.

(3) Results of audit of consolidated financial statements

The Committee found that the methods and results of the audit performed by the Independent Auditors, Ernst & Young ShinNihon LLC were appropriate.

February 28, 2019

Sosei Group Corporation Audit Committee		
Chairman of	Tomohiro Tohyama	*
Audit Committee		
Member of Audit	Julia Gregory	*
Committee		
Member of Audit	Kuniaki Kaga	*
Committee		

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

Access to Ordinary General Meeting of Shareholders 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.