



Consolidated Financial Results for the FY2020 (IFRS)

February 12, 2021

Listing: Tokyo Stock Exchange

Company name: Sosei Group Corporation

Security code: 4565

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Scheduled date of annual general meeting

March 24, 2021

Scheduled date of dividend payments: -

Scheduled date of security report filing

March 24, 2021

Supplementary materials for financial results:

Yes

Financial results briefing session:

Yes (for institutional investors and analysts)

(Rounded million yen)

1. Consolidated results for the 12 months ended December 31, 2020

(1) Consolidated operating results

(Percentages are shown as year-on-year changes)

	Revenue		Operating income		Net profit before income taxes		Net profit		Net profit attributable to owners of the parent company		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
12 months ended December 31, 2020	8,842	(9.1)	928	141.7	1,622	203.7	1,479	3.3	1,479	3.3	661	(72.1)
12 months ended December 31, 2019	9,726	—	384	—	534	—	1,432	—	1,432	—	2,367	—

	Earnings per share – basic	Earnings per share – diluted	Ratio of net income to equity attributable to owners of the parent	Ratio of net income before income taxes to total assets	Ratio of operating income to revenue
	Yen	Yen	%	%	%
12 months ended December 31, 2020	18.77	18.59	3.0	2.4	10.5
12 months ended December 31, 2019	18.70	18.50	3.3	0.9	3.9

(Note) Share of losses of associates accounted for under equity method: 356 million yen for the 12 months ended December 31, 2020; and 181 million yen for the 12 months ended December 31, 2019.

(Note) The Company and the Group changed the end of their fiscal year from March 31 to December 31 in 2018. The % changes of FY2019 have been omitted because FY2019 was for a twelve month period whereas FY2018 was for a nine month period.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent	Ratio of equity attributable to owners of the parent company to total assets	Equity per share-attributable to owners of the parent
	Million yen	Million yen	Million yen	%	Yen
At December 31, 2020	76,465	52,381	52,381	68.5	649.92
At December 31, 2019	56,680	45,078	45,075	79.5	584.83

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Million yen	Million yen	Million yen	Million yen
12 months ended December 31, 2020	4,672	(150)	20,278	40,008
12 months ended December 31, 2019	3,441	(246)	(6,964)	15,375

2. Dividends

	Dividends per share					Total amount of dividends	Dividend payout ratio (consolidated)	Ratio of dividend to equity attributable to owners of the parent company (consolidated)
	End Q1	End Q2	End Q3	End Q4	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2019	—	0.00	—	0.00	0.00	—	—	—
FY2020	—	0.00	—	0.00	0.00	—	—	—
FY2021 (E)	—	0.00	—	0.00	0.00	—	—	—

3. Forecast for the twelve month period from January 1, 2021 to December 31, 2021

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

The Group expects 2021 to be a year of increased investment in strategic growth initiatives, including seeking an acquisition of a revenue-generating business to support our medium-term plan for corporate expansion. Like that of 2020, in our underlying drug discovery business we will continue to target a sustainable balance of resources and capital in the pursuit of growth in corporate value:

- Forecast cash R&D expenses in the underlying drug discovery business in the range of JPY 4,000 to JPY 5,000 million¹.
- Forecast cash G&A expenses in the underlying drug discovery business in the range of JPY 1,800 to JPY 2,300 million².
- We expect to receive upfront payments related to new partnerships.
- We expect to receive milestone payments from existing drug discovery and development partnerships.
- We will continue to invest in technologies, tools and capabilities that complement and future-proof our drug discovery platform, as well as advance next-generation candidates; all while strongly managing our cost base.
- We will seek out a potentially transformative acquisition to secure long-term revenue growth.
- We will expand our drug candidate discovery and early development capabilities into new target classes.
- We will seek out late-stage clinical assets to in-license and develop for the Japanese market.

The Group has a strong cash runway into 2023 to fund its drug discovery and early-stage development activities.

* Notes

(1) Changes in the number of significant subsidiaries in the twelve months ended December 31, 2020 (changes of specified subsidiaries affecting the scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates

1) Changes in accounting policies required by IFRS: None

2) Changes due to changes in accounting policies other than those of item 1: None

3) Changes in accounting estimates: None

(3) Number of common shares issued

1) Number of shares issued at period end (including treasury shares)	At December 31, 2020	80,596,128	shares	At December 31, 2019	77,073,136	shares
2) Number of treasury shares at period end	At December 31, 2020	213	shares	At December 31, 2019	213	shares
3) Average number of shares in issue in the period	12 month ended December 31, 2020	78,737,535	shares	12 month ended December 31, 2019	76,622,536	shares

¹ The assumed FX rate of USD:JPY 106

² The assumed FX rate of USD:JPY 106

* The Tanshin, including the consolidated financial statements presented within it, is not subject to audit.

* Explanation regarding the appropriate use of our forecast and other points to be noted
(Note concerning forward-looking statements)

The financial forecast is based on judgments and estimates that have been prepared on the basis of information available as at the time of disclosure of this material. The actual business results may differ materially from the forecasts due to various factors.

The Company is scheduled to hold an online conference for analysts on February 15, 2021.

The materials for the briefing session and the content will be posted on the Company's website promptly after the conference, along with materials to be used on that day.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of operating results

The Group is a science and technology-led company, specializing in drug discovery and early-stage drug development. Our mission is to make a significant contribution to improving the quality of life and health of people around the world. Our vision is to become one of Japan's global biotechnology and drug discovery champions.

During the twelve months ended December 31, 2020, the Group continued to advance its drug discovery and early-stage development pipeline, as well as enhance its proprietary StaR® ("stabilized receptor") and aligned technologies, and Structure-based Drug Design ("SBDD") platform.

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

On March 25, 2020, the Group hosted its 30th Ordinary General Meeting of Shareholders in Tokyo. At the event, the Group's Chairman, President and CEO, Mr. Shinichi Tamura, discussed the strengthened focus on the execution of the next stage of its growth strategy, which aims to leverage world-class Platform, Discovery and Early Development capabilities to advance and extend a portfolio of Partnered Programs. The Group's strategy was outlined as follows:

1. Build a leading science and technology-led drug discovery business

- The acquisition of Heptares Therapeutics in 2015 with its world-leading scientific and technological capabilities, notably the StaR® G protein-coupled receptor (GPCR) technology and SBDD platform, was and remains the cornerstone of this mission.
- This technology and platform are core to the Group's drug discovery efforts and together have allowed it to establish one of the world's leading approaches to GPCR-target drug design.
- The Group will continue to leverage the significant untapped opportunity to discover drugs that target GPCRs and other membrane proteins, with a clear focus on high-value programs, including those addressing difficult to drug targets.

2. Generate multiple new drug candidates targeted for high-value collaborations or long-term ventures

- The Group's science and technology-led approach has enabled it to create over 24 preclinical drug candidates in the last ten years, with eight of these having moved into human clinical trials. This high degree of productivity comes from its extremely efficient approach, which enables the Group to generate preclinical candidates 1-2 years faster than the pharmaceutical industry standard.
- Many of these preclinical drug candidates have formed the basis of the Group's high-value collaborations, including partnerships with Pfizer, AstraZeneca, Takeda, Genentech, AbbVie and more recently, GlaxoSmithKline ("GSK") and Biohaven.
- The Group will continue this drug discovery and early-stage development strategy, with an aim to execute at least 2 new high-value collaborations or long-term ventures every year.

3. Invest the proceeds of high-value collaborations and long-term ventures into the technologies needed to reinforce its leadership in drug discovery and SBDD

- Technology does not stand still. The Group's goal is to become a pharma discovery partner of choice by providing a highly attractive solution to increasing innovation and productivity.
- The Group invests its collaboration and venture proceeds to continuously refresh and enhance its technology capabilities. To date the Group has:
 - acquired G7 Therapeutics in Switzerland,
 - collaborated with a German-based company developing innovative DNA-encoded library tools, and the University of Cambridge on Artificial Intelligence-related approaches,
 - invested significantly in Nobel Prize winning Cryo-EM technology, and
 - collaborated with Captor for targeted protein degradation.
- The Group intends to continue to acquire, or enter partnerships to secure access to, more new technologies, tools and platforms in order to remain at the cutting edge of science and technology which will expand its leadership in innovative drug discovery.

As of December 31, 2020, the Group had over 20 programs in total ongoing in discovery, with 13 in preclinical development, and multiple in-house and partnered programs currently in clinical trials^{3,4}.

On June 30, 2020 the Group announced that its Board of Directors resolved to issue new shares and euro-yen denominated convertible bonds due 2025, each in an international offering as part of its strategy to prepare for any future acquisitions or investments that complement and enhance its business, while at the same time lowering its funding costs and diversifying its funding sources.

On July 16, 2020 the Group announced that the international offering had been successful in raising a total of JPY 20.9 billion (approximately US\$195 million). The Company intends to use the net proceeds of the International Offering as follows:

The majority of funds will be used to pursue strategic growth initiatives including:

- a potentially transformative acquisition to secure long-term revenue growth;
- investments in novel technologies that complement and future-proof its drug discovery platform;
- expansion of its drug candidate discovery and early development capabilities into new target classes; and
- in-licensing late-stage clinical assets to develop for the Japanese market.

Any balance of funds will be used to support organic growth initiatives, such as investments in current research activities and general corporate purposes.

The Group's response to COVID-19

A novel strain of coronavirus (COVID-19) was declared a global pandemic by the World Health Organization (WHO) on March,11 2020. The Group has been carefully monitoring the COVID-19 pandemic and its impact on our operations. As a business operating in the global life sciences industry, the Group has an important role to play to ensure the health and safety of all stakeholders

³ Includes AZD4635 for multiple solid malignancies, HTL0016878 for neurological diseases, HTL0018318 for neurological diseases (voluntarily suspended), HTL009936 for neurological diseases, PF-07081532 for T2DM/Obesity, PF-07054894 for Inflammatory Bowel Disease, TMP301 for neurological disorders, and HTL0030310 for endocrine disorders.

⁴ Phase 2 trial of HTL0018318 for DLB in Japan remains under voluntary suspension and has been withdrawn. The Group may resubmit a new clinical trial notification for HTL0018318 (or another novel M1 agonist) to the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) in the future, pending the outcome of an ongoing analysis and studies into toxicology findings.

and society. The Group's priority remains the health of its employees, community members, and investigators and patients in its clinical trials. The Group has taken several actions in response to the COVID-19 pandemic, including:

- Implemented policies and practices to ensure a safe working environment for its employees and the communities where it operates to reduce the spread of COVID-19. This includes a work from home policy for many employees, while its essential employees, primarily laboratory-based scientists, are working on an optimized rota basis and in accordance with applicable UK government health and safety protocols issued in response to the COVID-19 pandemic. The Group has also introduced weekly SARS-CoV-2 testing of its essential employees at its UK R&D facility.
- Donated supplies of personal protective equipment (PPE) to a local hospice in the United Kingdom.
- Initiated a new in-house COVID-19 R&D program to apply its unique SBDD platform and capabilities to the global research efforts to discover drugs targeting the SARS-CoV-2 coronavirus and to treat COVID-19 and infections caused by future variants of SARS-CoV-2. All findings are to be made freely available to the global research community.

On April 14, 2020 the Group announced that it would apply its Structure-based Drug Design expertise in a new COVID-19 R&D program designed to make a meaningful contribution to the global response to COVID-19. The new R&D program seeks to identify novel compounds that block the activity of the SARS-CoV-2 Mpro protease (Nsp5), which has been designated as an important potential target for drug development. The Mpro protease cleaves a polyprotein encoded by the viral genome into 12 non-structural proteins (Nsp4-Nsp16) some of which play crucial roles in viral replication. The Group has created a multidisciplinary team spanning structural and biophysical analysis, computational chemistry and medicinal chemistry. The team brings a wealth of experience in SBDD and cutting-edge technologies that will be applied to the precision design of new inhibitor compounds against not only the SARS-CoV-2 coronavirus but also against predicted future variants. All findings from the program will be made freely available to the global research community investigating solutions to the COVID-19 crisis. Furthermore, the Group is looking to establish collaborations with industry partners to support this program and also to contribute its unique expertise to other areas under investigation as part of the global effort by the pharmaceutical and biotechnology industries to find new treatments for COVID-19.

On November 20, 2020 the Group provided a progress update on its COVID-19 R&D program. The Group announced that it had successfully designed three distinct series of compounds with attractive anti-viral drug-like properties and advanced the most promising molecules. These compounds have demonstrated high potency in inhibiting the activity of the Mpro protease as well as promising oral bioavailability and blood plasma levels in animal studies. Several compounds are being further optimized for preclinical studies. The program is being led by the Group and progressed in collaboration with multiple companies including Syngene International, Domainex, Fidelity, o2h Discovery, Piramal, WuXi AppTec and the MRC Laboratory of Molecular Biology. There has been no material impact to the Group's financial statements from investing in this important not-for-profit research initiative.

Supporting new and existing partnerships with major global pharmaceutical companies

The Group continued to make good progress with its partners and has implemented measures to ensure R&D continuity and productivity under the new conditions imposed as a result of the COVID-19 situation. This is most notable with Takeda and Genentech, where our work on these

respective research and development collaborations has been prioritized and continues to move forward productively.

Our other out-licensed programs are being advanced exclusively by our partners, such as with AstraZeneca, Pfizer, and AbbVie, whilst progress is ongoing, some delays have been experienced as a result of the global COVID-19 situation.

On May 1, 2020 the Group noted that Novartis had announced that the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) recommended the approval in the European Union of Enerzair® Breezhaler® (QVM149; indacaterol acetate, glycopyrronium bromide and mometasone furoate [IND/GLY/MF]) as a maintenance treatment of uncontrolled asthma in adult patients.

On June 5, 2020 the Group noted that Novartis had announced that full results from the Phase IIIb ARGON study were published online in Respiratory Medicine. The Phase IIIb open label ARGON study showed that once-daily treatment with single inhaler, high- and medium-dose Enerzair® Breezhaler® demonstrated non-inferiority to a free combination of twice-daily, high-dose salmeterol xinafoate/fluticasone propionate (Sal/Flu) plus once-daily tiotropium (Tio), delivered in two different devices, in improving quality of life in people with uncontrolled asthma. Among secondary analyses, improvements in lung function, asthma control, health status, and reductions in moderate exacerbations (exploratory analysis) were observed with high-dose once-daily IND/GLY/MF compared to high-dose Sal/Flu plus Tio.

On June 25, 2020 the Group announced that it had entered into an exclusive discovery collaboration and option to license agreement with AbbVie, a research-based global biopharmaceutical company, to discover, develop and commercialize novel medicines that modulate GPCR targets of interest to AbbVie. The collaboration will initially focus on discovery of novel small molecules targeting inflammatory and autoimmune diseases. The Group will apply its proprietary StaR® technology and GPCR-focused SBDD capabilities and fund R&D activities through the completion of Investigational New Drug (IND)-enabling studies. AbbVie has an exclusive option to in-license the program and assume responsibility for global development and commercialization. Under the terms of the agreement, the Group is eligible to receive up to US\$32 million in upfront and near-term milestone payments, as well as potential option, development and commercial milestones of up to US\$377 million, plus tiered royalties on global commercial sales. AbbVie has the option to expand the collaboration up to a total of four targets.

On June 29, 2020 the Group noted that Novartis Pharma K.K., the Japan business of strategic alliance partner Novartis, had announced the world's first manufacturing and marketing approval for its Enerzair® Inhalation Capsules (medium-dose and high-dose) in Japan as a treatment of bronchial asthma (in cases requiring combination use of inhaled corticosteroid, inhaled long-acting β 2-adrenergic agonist and inhaled long-acting anticholinergic agent). The achievement of this milestone resulted in a payment to Sosei Heptares from Novartis under the terms of the 2005 Development and Licensing agreement. Enerzair® is a long-acting beta2-agonist (LABA)/long-acting muscarinic antagonist (LAMA)/inhaled corticosteroid (ICS) combination and delivers its bronchodilating and anti-inflammatory action through treatment once per day with the Breezhaler® inhaler. The two medium-dose and high-dose specifications each contain 150 μ g of indacaterol acetate and 50 μ g of glycopyrronium bromide, with 80 μ g and 160 μ g respectively of mometasone furoate. For the first time in Japan, a new digital device combining the Propeller sensor with the Breezhaler® inhaler is being made available. The sensor connects with a smartphone to record daily treatment doses and provide medication reminders. It also supports

communication between patients and their physicians, contributing to the long-term management of insufficiently controlled asthma.

On July 7, 2020 the Group noted that Novartis had announced that the European Commission (EC) had approved Enerzair® Breezhaler® as a maintenance treatment of asthma in adult patients not adequately controlled with a maintenance combination of LABA/High dose of ICS who experienced one or more asthma exacerbations in the previous year. Once-daily Enerzair® Breezhaler® is the first LABA/LAMA/ICS fixed-dose combination available in the European Union (EU) for these patients. The approval also includes an optional digital companion with sensor and app that provides inhalation confirmation, medication reminders and access to objective data to better support therapeutic decisions. EC approval is based on robust efficacy and safety data from over 3,000 asthma patients in Novartis' Phase III IRIDIUM study, in which once-daily Enerzair® Breezhaler® was superior to once-daily Atecura® Breezhaler® (IND/MF) in improving the lung function of patients whose asthma is uncontrolled with LABA/ICS standard-of-care treatment. The EC decision is applicable to all 27 European Union member states as well as the UK, Iceland, Norway and Liechtenstein. The achievement of this milestone resulted in a payment to the Group of US\$5 million by Novartis under the terms of its 2005 Development and Licensing agreement. The Group is eligible to receive royalties from future sales of Enerzair® Breezhaler® in the EU and other markets in which it is approved.

On July 10, 2020 the Group noted that Novartis had announced that full results from its Phase III IRIDIUM study were published in the peer-reviewed journal The Lancet Respiratory Medicine. The IRIDIUM trial met its primary endpoint with once-daily treatment with high- and medium-dose Enerzair® Breezhaler® demonstrating statistically significant improvements in lung function compared with once-daily QMF149 (IND/MF) in patients whose asthma is uncontrolled with LABA/ICS treatment. The key secondary endpoint was improvement in Asthma Control Questionnaire (ACQ-7) score for IND/GLY/MF versus IND/MF. Although both treatments delivered clinically meaningful improvements in this measure, the key secondary endpoint was not met. In secondary analyses, improvements in lung function and clinically meaningful reductions in moderate-to-severe and severe asthma exacerbation rates were observed with high-dose IND/GLY/MF compared to high-dose Sal/Flu. The overall incidence of adverse events (AE) and serious adverse events (SAE) for IND/GLY/MF and IND/MF in the IRIDIUM study were generally low and comparable among treatment groups. Asthma exacerbation was the most reported AE and SAE.

On September 7, 2020 the Group noted that Novartis had announced that high-dose, once-daily Enerzair® Breezhaler® significantly reduces both moderate-to-severe and severe asthma exacerbation rates in patients whose asthma is uncontrolled on medium- or high-dose LABA/ICS, when compared with a once-daily medium-dose of the same treatment. The post hoc analysis – presented at the European Respiratory Society (ERS) Virtual International Congress 2020 – showed high-dose Enerzair® Breezhaler® (150/50/160 µg) significantly reduced the annualized rate of moderate-to-severe asthma exacerbations by 21% (p=0.026) and severe exacerbations by 31% (p=0.003) in asthma patients not adequately controlled on current inhaled therapies, compared with medium-dose (150/50/80 µg) over 52 weeks. High-dose Enerzair® Breezhaler® also reduced the annualized rate of all exacerbations (mild, moderate and severe) by 14% (p=0.132) compared with medium-dose, but this finding was not statistically significant. Both doses tested presented with a favorable safety and tolerability profile. The post hoc analysis complements findings from Novartis' pivotal Phase III IRIDIUM study, recently published in The Lancet Respiratory Medicine. The data also showed the safety profile for high-dose Enerzair® Breezhaler® was in line with previous studies in the Phase III/IIIb PLATINUM clinical development program. Key

regions/countries where Enerzair® Breezhaler® is approved are EU, Japan, Canada, Switzerland and Australia. Further regulatory reviews are currently underway in other countries.

On September 28, 2020 the Group announced that it had been notified by Pfizer that the first subject in a clinical trial had been dosed with a new drug candidate nominated from the multi-target drug discovery collaboration between the two companies. Achievement of this milestone triggered a payment of US\$5 million to the Group. PF-07054894, a CCR6 antagonist targeting Inflammatory Bowel Disease, originating from the Pfizer/Sosei Heptares collaboration, was nominated for clinical development by Pfizer in June 2019 generating a US\$3 million milestone payment at that time. Pfizer nominated three distinct clinical candidates from the collaboration with the Group during 2019, two of which had previously entered clinical trials. The collaboration had leveraged the Group's unique StaR® technology and SBDD capabilities to design oral small molecules that modulate different GPCR targets across multiple disease areas of interest to Pfizer. This candidate is the eighth GPCR-targeted drug candidate to enter clinical trials originating from the Group's StaR® technology and SBDD platform.

On December 1, 2020 the Group announced it had entered into a global collaboration and license agreement with Biohaven. Under the agreement, Biohaven receives exclusive global rights to develop, manufacture and commercialize a portfolio of novel, small-molecule CGRP receptor antagonists discovered by the Group for the treatment of CGRP-mediated disorders. The portfolio includes the lead candidate HTL0022562, which has advanced through preclinical development demonstrating promising and differentiated properties for further investigation in human trials. In return, the Group received an upfront payment of US\$10 million in the form of cash consideration and Biohaven common shares. The Group will also receive research funding, and is eligible to receive additional development, regulatory and commercialization milestone payments of up to US\$370 million. In addition, the Group will be eligible to receive tiered royalties on net sales of products resulting from the collaboration.

On December 21, 2020 the Group announced it had entered into a global collaboration and license agreement with GSK. The single-target agreement is focused on the discovery and development of selective, oral, small molecule agonists of GPR35, an important orphan GPCR with genetic association to inflammatory bowel disease (IBD) and other gastrointestinal immune disorders, for which there remains significant unmet need for millions of sufferers worldwide. Under the agreement, GSK licenses global rights to a portfolio of GPR35 agonists designed by the Group using its StaR® technology and SBDD platform. The licensed portfolio includes an advanced lead preclinical compound as well as multiple differentiated back-up compounds. The Group and GSK will collaborate on research and early preclinical development and GSK will lead clinical development, manufacturing and commercialization. The Group received an upfront payment and is eligible to receive potential near-term development milestones and research funding of up to £34 million (US\$44 million). The Group could receive additional development, regulatory and commercialization milestone payments, conditional on meeting those milestones, of up to £336 million (US\$437 million). In addition, the Group will be eligible to receive tiered royalties on net sales of products resulting from the collaboration.

Advancing R&D through co-investments with innovative technology and venture funds

The Group continued to make significant progress with its technology and venture partners.

On January 14, 2020 the Group announced that significant scientific progress at its spin-off companies Orexia Limited ("Orexia") and Inexia Limited ("Inexia") triggered the next tranche of

funding from venture capital firm Medicxi under its €40 million commitment. The Group and Medicxi, which specializes in financing asset-centric companies, created Orexia and Inexia in 2019 to develop novel therapies based on positive modulators of the G protein-coupled receptors (GPCRs) Orexin OX1 and OX2 for neurological diseases, including narcolepsy.

On May 7, 2020 the Group announced that it had made further significant progress with its orexin program, which is being developed in conjunction with its spin-off companies Orexia and Inexia. The Group solved the structure of the agonist bound orexin OX2 receptor and identified a small molecule binding site using its unique StaR® technology and structure-based approach. The new improved insights into the receptor's structure will help optimize the discovery and development of novel molecules targeting neurological diseases. Orexia and Inexia are funded by Medicxi under a €40 million commitment.

On November 2, 2020 the Group entered into an agreement with Tempero Bio Inc. (Tempero), under which Tempero has in-licensed exclusive global rights to Sosei Heptares' mGlu5 negative allosteric modulator (NAM) program to develop therapies targeting substance use disorders and anxiety. Tempero is a new company created by Aditum Bio in collaboration with Sosei Heptares to develop the mGlu5 NAM program, including the candidate HTL0014242 (TMP-301), which is in Phase I studies. Tempero will be funded by Aditum Bio. Aditum Bio is an investment firm focused on acquiring and developing biotechnology assets that target large patient population health needs. Its strategy is to create individual "spin-out" companies to implement Phase I and Phase II clinical trials to speed these drugs to market. Aditum Bio also aims to modify behavior through combining digital devices (e.g. mobile apps), with pharmaceuticals to support patient treatment, improve adherence and ultimately create better patient outcomes. Aditum Bio was co-founded by industry veterans Joe Jimenez, former CEO of Novartis, and Mark Fishman, former President of the Novartis Institute for Biomedical Research. The firm works in collaboration with TrialSpark, a tech-enabled platform that conducts innovative clinical trials faster and at lower cost than traditional clinical development organizations. Under the terms of the agreement, Tempero will obtain exclusive global rights to a portfolio of potent, orally available metabotropic glutamate receptor 5 (mGlu5) NAM modulators, including HTL0014242, which were precision-designed by Sosei Heptares using its GPCR Structure-Based Drug Design (SBDD) platform. The candidate HTL0014242 will be renamed TMP-301. Tempero will also gain access to a substantial clinical and preclinical data package, patents and proprietary know-how on the program generated by Sosei Heptares. In return, Sosei Heptares receives an upfront payment and a strategic equity stake in Tempero, and is eligible to receive future success-based development and commercial milestone payments plus tiered royalties from any future product sales.

On December 22, 2020 the Group entered a strategic technology collaboration with Captor Therapeutics SA ("Captor"), a European leader in targeted protein degradation, focused on the discovery and development of novel small molecules that target the degradation of disease-associated GPCRs. Targeted protein degradation (TPD) is an approach whereby the body's natural process for degrading proteins is diverted using small molecule drugs to eliminate disease-causing proteins. The selective destruction of such proteins is expected to have multiple advantages over classical drugs such as inhibitors and antibodies for the development of novel therapeutics against a broad range of diseases. The Group and Captor initially will focus on identifying small molecules targeting a GPCR with a key role in a strongly validated signalling pathway implicated in gastrointestinal disorders. A further aim of the collaboration is to generate high resolution structural information around the GPCR-E3 ligase complex to enhance drug discovery efforts as well as provide proof of concept for targeted degradation discovery approaches with other GPCRs and other target classes. The collaboration combines the Group's SBDD platform, including its

structural insights around the target, and its deep understanding of GPCR pharmacology, together with Captor's proprietary TPD Optigrad™, platform and extensive know-how and expertise in protein degradation. Promising leads will be progressed using the partners' complementary discovery skills, resources and development capabilities for subsequent development and commercialization. Under the agreement, the companies will jointly conduct the discovery and development program and will co-own any resulting products, with Sosei Heptares supporting initial R&D costs.

Investing in our in-house discovery and early development programs to generate new candidates for partnering

The Group continued to make significant investments in its pipeline, as it advanced multiple discovery candidates and early development programs. The Group's ongoing in-house Phase I clinical trial (HTL0030310) is progressing well and is now the subject of early partnering discussions. However, some delays to the completion of the study have occurred as a result of the global COVID-19 situation.

On March 20, 2020, the Group announced a new high-impact publication highlighting the potential of structure-based approaches to generate novel peptide-based drugs targeting GPCRs. The article entitled 'Advances in Therapeutic Peptides Targeting G Protein-coupled Receptors' (Davenport et al.) has been published by Nature Reviews Drug Discovery, a prestigious and highly influential peer-reviewed journal. The article focuses on the new discovery strategies that leverage cutting-edge structure-based technologies, including Sosei Heptares' unique StaR® platform and cryo-EM, to generate novel and selective peptides with precisely designed activities and improved drug-like (pharmacokinetic and pharmacodynamic) properties. Such peptides include agonists, antagonists, as well as peptides designed to activate specific downstream signalling pathways (biased ligands), and dual agonists that activate two different GPCRs. The generation of novel, precisely designed peptide leads against disease-relevant GPCRs provides multiple partnering opportunities for the Group.

Operational highlights after the period under review (period ended December 31, 2020)

January 5, 2021 the Group announced it regained the worldwide rights to its muscarinic agonist programs. The program was licensed to Allergan in April 2016, and Allergan was acquired by AbbVie in May 2020. This decision to return worldwide rights was based on business decisions regarding AbbVie's pipeline strategy and not on any efficacy, safety or other data related to the collaboration programs. As a result of this process, AbbVie had notified the Group that it would be returning to the Group all assets in development under the program, together with all associated intellectual property licensed by the Group to Allergan, and all clinical and preclinical data generated under the partnership. The Group is conducting a full internal review to determine a strategy for the further development and re-partnering of the program. The Group's plans regarding its strategy to advance the Muscarinic programs for partnering will be detail in February/March 2021. The event has no immediate impact on the consolidated financial results for the accounting period ending December 2021. Should any impacts or other matters that require an announcement be identified, the Company will announce such matters promptly.

On January 12, 2021 the Group and PharmEnable, a UK drug discovery company, announced they had entered a collaboration to apply their respective technologies to drive novel drug discovery against a challenging GPCR target associated with neurological diseases. The collaboration will combine the Group's world-leading GPCR-focused SBDD platform, which has fully structurally

enabled the GPCR target, providing detailed structural insights and an assessment of tractability, with PharmEnable's proprietary advanced artificial intelligence (AI)-enabled and medicinal chemistry technologies (ChemUniverse and ChemSeek) to identify novel, highly specific drug leads for further development. PharmEnable's approach identifies three-dimensional (3D) drug candidate hits with improved specificity compared with traditional screening methods and allows the company to take on particularly challenging biological targets, such as "peptidergic" GPCRs, which have proved difficult to drug using existing approaches. The natural agonist ligand of a peptidergic GPCR is a large, complex peptide and is often very difficult to block with a small molecule, particularly one that has properties suitable for development as a therapeutic agent for neurological disease. Under the agreement, the companies will jointly conduct and share the costs of the discovery and development program and will co-own any resulting products. No further financial details are disclosed.

On February 1, 2021, the Group and Metrion Biosciences, a specialist UK-based ion channel CRO and drug discovery company, announced they had entered into a strategic technology collaboration where for the first time the Group will apply its world-leading structure-based drug design (SBDD) expertise and platform to ion channels. The collaboration aims to demonstrate the potential of the Group's SBDD technologies to address disease-associated ion channels and work towards establishing a leadership position in this area, in a similar way that it has done for G protein-coupled receptors (GPCRs). As a first step, the Group and Metrion will combine their respective capabilities in a drug discovery program to identify novel, highly specific drug leads for further development against a single ion channel associated with neurological diseases. Metrion will contribute intellectual property, know-how and use of screening models for the nominated ion channel target. The Group will have exclusive, full global rights to all molecules identified and directed to the targets for development. No further financial details are disclosed.

As of December 31, 2020, the Group had a total of 190 employees (an increase of 27 employees vs. the end of the previous fiscal year FY19).

As a result of the above activities, the Group reported the following financial results for the year ended December 31, 2020. Revenue of JPY 8,842 million (a decrease of JPY 884 million vs. the prior year), an operating profit of JPY 928 million (an increase of JPY 544 million vs. the prior year), a net profit before income taxes of JPY 1,622 million (an increase of JPY 1,088 million vs. the prior year) and a net profit of JPY 1,479 million (an increase of JPY 47 million vs. the prior year).

	12 months ended December 31, 2020	12 months ended December 31, 2019	Change
	¥m	¥m	
Revenue	8,842	9,726	(884)
Cash cost of sales	(607)	(807)	200
Cash research and development expenses	(3,411)	(3,937)	526
Cash selling, general and administrative expenses	(1,995)	(2,164)	169
Other cash income	75	28	47
Cash earnings	2,904	2,846	58
Non-cash costs	(1,976)	(2,462)	486
Operating profit	928	384	544
Net finance costs	1,050	331	719
Share of loss of associates	(356)	(181)	(175)
Net profit before income tax	1,622	534	1,088
Net profit	1,479	1,432	47

Note: Cash earnings describes operating profit before deducting depreciation, amortization, stock-based compensation expense and impairment.

The Group operates as a single business segment and, therefore, segmental information has been omitted. Further explanation of the Group's financial performance is detailed below.

Revenue

	12 months ended December 31, 2020 ¥m	12 months ended December 31, 2019 ¥m	Change
Milestone income and upfront fees	5,353	6,013	(660)
Royalty income	2,544	2,406	138
Product supply revenue	--	276	(276)
Other	945	1,031	(86)
	8,842	9,726	(884)

Revenue in the year under review totaled JPY 8,842 million (a decrease of JPY 884 million vs. the prior year).

Revenue related to milestone income and upfront fees in the year under review totaled JPY 5,353 million (a decrease of JPY 660 million vs. the prior year). Milestone revenues and upfront fees can vary considerably year on year and depend on the achievement of defined milestone events and the commencement of new partnership agreements within that year. Whilst four new out-licensing agreements were signed in 2020 vs. three in 2019, milestone receipts in 2019 from existing collaborations were larger, resulting in an overall drop in revenue. 2019 revenue included several major milestones, including a US\$15m milestone receipt from AstraZeneca. The Group classifies a "major" milestone payment as any single payment greater than or equal to approximately USD 5 million.

Revenue related to royalties in the year under review totaled JPY 2,544 million (an increase of JPY 138 million vs. the prior year). The majority of the Group's royalty revenue relates to sales of Ultibro® Breezhaler® and Seebri® Breezhaler® by Novartis⁶. Royalty income relating to Enerzair® sales by Novartis commenced in the third quarter of 2020 following the grant of marketing approvals in Japan and the EU.

Operating expenses

	12 months ended December 31, 2020 ¥m	12 months ended December 31, 2019 ¥m	Change
Cash cost of sales	607	807	(200)
Cash research and development expenses	3,411	3,937	(526)
Cash general and administrative expenses	1,995	2,164	(169)
Non-cash expenses	1,976	2,462	(486)
Cost of sales	154	44	110
Research and development expenses	382	355	27
General and administrative expenses	1,440	1,450	(10)
Other expenses	—	613	(613)

Cash cost of sales

Cost of sales in the year under review totaled JPY 607 million (a decrease of JPY 200 million vs. the prior year). This is primarily related to the decrease in the costs directly associated with ORAVI®

⁶ Glycopyrronium bromide and certain use and formulation intellectual property were exclusively licensed to Novartis in April 2005 by Sosei and Vectura. Seebri®, Ultibro®, Enerzair® and Breezhaler® are registered trademarks of Novartis AG.

product supply. Otherwise, cost of sales comprises the fully loaded cost of those employees providing research and development services to specific customers under contracts (including other costs directly associated with these activities such as lab consumables and an allocated share of depreciation of lab equipment).

Cash research and development expenses

Cash research and development (“R&D”) expenses in the year under review totaled JPY 3,411 million yen (a decrease of JPY 526 million vs. the prior year). The decrease in R&D spend primarily related to a reduction in project activity due to COVID-19, as well as the successful recovery of excess costs incorrectly charged by one supplier. In the period under review, 96% of R&D spend related to our UK operations.

Cash general and administrative expenses

Cash general and administrative (“G&A”) expenses in the year under review totaled JPY 1,995 million (a decrease of JPY 169 million vs. the prior year). The decrease in G&A spend primarily related to a reduction in our UK National Insurance liability linked to share based payments as a result of the reduction in our share price over the period.

Non-cash expenses

Non-cash expenses primarily consist of depreciation on property, plant and equipment, amortization of intangible assets, stock-based compensation expense and impairment loss. Non-cash expenses in the year under review were JPY 1,976 million (a decrease of JPY 486 million vs. the prior year). In total, depreciation amounted to JPY 507 million (an increase of JPY 51 million vs. the prior year). Amortization for the year under review totaled JPY 843 million (a decrease of JPY 166 million vs. the prior year). Stock-based compensation expense for the year was JPY 626 million (an increase of JPY 242 million vs. the prior year). The increase in stock-based compensation expense reflects the issuance of new Restricted Stock Units in April 2020. Impairment loss in the prior year was JPY 613 million. This was due to an intangible asset impairment charge associated with a reduction in Oravi® sales and profitability forecasts.

Operating profit

Operating profit in the year under review totaled JPY 928 million (an increase of JPY 544 million vs. the year). Whilst there has been a reduction in revenue year on year, the reduction in costs has been greater leading to an increase in operating profit.

Net finance income (costs)

Net finance income in the year under review totaled JPY 1,050 million (an increase of JPY 719 million vs. the prior year). The increase in finance income is primarily due to the inclusion of larger contingent consideration fair value movement gains in the current year.

Net profit

Net profit in the year under review totaled JPY 1,479 million (an increase of JPY 47 million vs. the prior year). The main factors driving this increase are explained above.

(2) Analysis of financial position

Assets

Total assets as at December 31, 2020 were JPY 76,465 million (an increase of JPY 19,785 million vs. the end of the previous fiscal year). The largest movement was in cash and cash equivalents which increased by 24,633 million yen primarily due to the issuance of new shares and convertible bonds in July 2020 and the receipt of upfront fees relating to new out-license agreements in the fourth quarter of 2020. This increase was partially offset by the deconsolidation of Sosei RMF1 following the disposal in June 2020 of the Group's shareholding in Sosei CVC Limited (which controlled the fund) and a reduction in income tax receivable following the receipt of tax refunds during 2020.

Liabilities

Total liabilities as at December 31, 2020 were JPY 24,084 million (an increase of JPY 12,482 million vs. the end of the previous fiscal year). This increase is primarily due to the issuance of convertible bonds through an international offering in July 2020.

Equity

Total equity as at December 31, 2020 was JPY 52,381 million (an increase of JPY 7,303 million vs. the end of the previous fiscal year). This increase was primarily due to the issuance of new shares and convertible bonds through an international offering in July 2020, as well as the inclusion of the net profit for the year.

The ratios of Cash and cash equivalents, Interest-bearing debt and Equity attributable to owners of the parent company to total assets were 52.3%, 21.7% and 68.5%, respectively.

(3) Analysis of cash flows

Cash and cash equivalents as at December 31, 2020 increased by JPY 24,633 million from the beginning of the year and amounted to JPY 40,008 million.

Cash flows from operating activities

Net cash provided by operating activities in the year under review totaled JPY 4,672 million. This was predominantly due to cash inflows from milestone receipts, upfront fees relating to new collaborations and royalties exceeding operating costs, as well as income tax refunds of JPY 1,338 million.

Cash flows from investing activities

Net cash used in investing activities in the year under review totaled JPY 150 million. This was primarily due a decrease in cash and cash equivalents of JPY 577 million resulting from the deconsolidation of Sosei RMF1 in June 2020, largely offset by the receipt of a distribution from Sosei RMF1 totaling JPY 295 million, and sales of investment securities by Sosei RMF1 of JPY 238 million.

Cash flows from financing activities

Net cash provided by financing activities in the year under review totaled JPY 20,278 million. This was primarily due to a net cash inflow from the issuance of new shares raising JPY 5,145 million (including shares issued through an international offering) and the issuance of convertible bonds raising JPY 15,902 million.

(4) Earnings Forecast

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

The Group expects 2021 to be a year of increased investment in strategic growth initiatives, including seeking an acquisition of a revenue-generating business to support our medium-term plan for corporate expansion. Like that of 2020, in our underlying drug discovery business we will continue to target a sustainable balance of resources and capital in the pursuit of growth in corporate value:

- Forecast cash R&D expenses in the underlying drug discovery business in the range of JPY 4,000 to JPY 5,000 million⁵.
- Forecast cash G&A expenses in the underlying drug discovery business in the range of JPY 1,800 to JPY 2,300 million⁶.
- We expect to receive upfront payments related to new partnerships.
- We expect to receive milestone payments from existing drug discovery and development partnerships.
- We will continue to invest in technologies, tools and capabilities that complement and future-proof our drug discovery platform, as well as advance next-generation candidates; all while strongly managing our cost base.
- We will seek out a potentially transformative acquisition to secure long-term revenue growth.
- We will expand our drug candidate discovery and early development capabilities into new target classes.
- We will seek out late-stage clinical assets to in-license and develop for the Japanese market.

The Group has a strong cash runway into 2023 to fund its drug discovery and early-stage development activities.

2. Basic policy on selection of accounting standards

The Group has applied International Financial Reporting Standards since the year ended March 2014.

⁵ The assumed FX rate of USD:JPY 106

⁶ The assumed FX rate of USD:JPY 106

3. Consolidated financial statements and primary notes (IFRS)

1) Consolidated statement of financial position

	December 31, 2020 ¥m	December 31, 2019 ¥m
Assets		
Non-current assets		
Property, plant and equipment	3,824	4,120
Goodwill	14,134	14,365
Intangible assets	11,802	12,999
Investments accounted for using the equity method	3,087	3,539
Other financial assets	1,593	2,053
Other non-current assets	7	41
Total non-current assets	34,447	37,117
Current assets		
Trade receivables	939	1,924
Income tax receivable	420	1,765
Other current assets	651	499
Cash and cash equivalents	40,008	15,375
Total current assets	42,018	19,563
Total assets	76,465	56,680
Liabilities and Equity		
Liabilities		
Non-current liabilities		
Deferred tax liabilities	2,457	2,008
Contingent consideration in business combinations	1,107	3,203
Corporate bonds	14,789	—
Lease liabilities	1,664	1,704
Other financial liabilities	—	1,489
Other non-current liabilities	1,082	895
Total non-current liabilities	21,099	9,299
Current liabilities		
Trade and other payables	1,508	1,211
Income taxes payable	29	162
Lease liabilities	170	175
Other current liabilities	1,278	755
Total current liabilities	2,985	2,303
Total liabilities	24,084	11,602
Equity		
Capital stock	40,220	37,479
Capital surplus	30,452	26,548
Treasury stock	(0)	(0)
Retained earnings	(10,785)	(12,264)
Other components of equity	(7,506)	(6,688)
Equity attributable to owners of the parent	52,381	45,075
Non-controlling interests	—	3
Total equity	52,381	45,078
Total liabilities and equity	76,465	56,680

2) Consolidated statement of comprehensive income

	12 months ended December 31, 2020 ¥m	12 months ended December 31, 2019 ¥m
Revenue	8,842	9,726
Cost of sales	(761)	(851)
Gross profit	8,081	8,875
Research and development expenses	(3,793)	(4,292)
Selling, general and administrative expenses	(3,435)	(3,614)
Other income	79	37
Other expenses	(4)	(622)
Operating income	928	384
Finance income	1,628	824
Finance costs	(578)	(493)
Share of loss of associates accounted for using the equity method	(356)	(181)
Profit before income taxes	1,622	534
Income tax (expenses) benefit	(143)	898
Net profit	1,479	1,432
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss:		
Financial assets measured at fair value through other comprehensive (loss) income	(25)	84
Total items that may not be reclassified subsequently to (loss) profit	(25)	84
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translating foreign operations	(793)	851
Total items that may be reclassified subsequently to (loss) profit	(793)	851
Total other comprehensive (loss) income	(818)	935
Total comprehensive income for the year	661	2,367
Net profit (loss) attributable to:		
Owners of the parent	1,479	1,432
Non-controlling interests	(0)	(0)
	1,479	1,432
Total comprehensive income for the year attributable to:		
Owners of the parent	661	2,367
Non-controlling interests	(0)	(0)
	661	2,367
Earnings per share (yen)		
Basic earnings per share	18.77	18.70
Diluted earnings per share	18.59	18.50

3) Consolidated statement of changes in equity

	Capital stock ¥m	Capital surplus ¥m	Treasury stock ¥m	Retained earnings ¥m	Other components of equity ¥m	Equity attributable to owners of the parent ¥m	Non- controlling interests ¥m	Total equity ¥m
Balance at January 1, 2019	36,854	26,042	(0)	(13,696)	(7,623)	41,577	3	41,580
Net profit (loss)	-	-	-	1,432	-	1,432	(0)	1,432
Other comprehensive income	-	-	-	-	935	935	-	935
Total comprehensive loss for the year	-	-	-	1,432	935	2,367	(0)	2,367
Issuance of new shares	625	122	-	-	-	747	-	747
Purchase of treasury stock	-	-	(0)	-	-	(0)	-	(0)
Share-based payments	-	384	-	-	-	384	-	384
Total transactions with owners	625	506	(0)	-	-	1,131	-	1,131
Balance at December 31, 2019	37,479	26,548	(0)	(12,264)	(6,688)	45,075	3	45,078
Net profit (loss)	-	-	-	1,479	-	1,479	(0)	1,479
Other comprehensive loss	-	-	-	-	(818)	(818)	-	(818)
Total comprehensive income (loss) for the year	-	-	-	1,479	(818)	661	(0)	661
Issuance of new shares	2,741	2,404	-	-	-	5,145	-	5,145
Issuance of convertible bonds	-	841	-	-	-	841	-	841
Share-based payments	-	659	-	-	-	659	-	659
Change on loss of control of subsidiary	-	-	-	-	-	-	(3)	(3)
Total transactions with owners	2,741	3,904	-	-	-	6,645	(3)	6,642
Balance at December 31, 2020	40,220	30,452	(0)	(10,785)	(7,506)	52,381	-	52,381

4) Consolidated statement of cash flow

	12 months ended December 31, 2020 ¥m	12 months ended December 31, 2019 ¥m
Cash flows from operating activities		
Profit before income taxes	1,622	534
Adjustments for:		
Receipt of non-cash consideration from customers	(750)	(252)
Depreciation and amortization	1,350	1,489
Share-based payments	626	384
Impairment loss	—	613
(Gain) loss on investment in securities	(259)	126
Loss on sales of investment in securities	73	—
Loss (gain) on investment in capital	75	(185)
Change in fair value of contingent consideration	(1,334)	(576)
Net foreign exchange loss (gain)	63	(93)
Interest income	(35)	(62)
Interest expenses	213	219
Share of loss of associates accounted for using the equity method	356	181
Decrease (increase) in trade receivables	909	(880)
Increase in other accounts receivables	(157)	(43)
Decrease in long-term prepaid expenses	—	241
Increase (decrease) in trade payables	61	(258)
Increase in deferred revenue	551	1,198
Other	161	8
Subtotal	3,525	2,644
Grants received	2	45
Interest and dividends received	35	62
Interest paid	(60)	(103)
Income taxes paid	(168)	(93)
Income taxes refunded	1,338	886
Net cash provided by operating activities	4,672	3,441
Cash flows from investing activities		
Purchase of property, plant and equipment	(92)	(271)
Purchase of intangible assets	(13)	(9)
Payments for purchase of investment securities	—	(250)
Proceeds from sales of investment securities	238	—
Distribution by limited partnership	295	—
Proceeds from contingent consideration receivable	—	264
Change in cash and cash equivalents on disposal of subsidiaries	(577)	—
Other	(1)	20
Net cash used in investing activities	(150)	(246)
Cash flows from financing activities		
Repayments of lease liabilities	(172)	(61)
Repayments of long-term borrowings	—	(7,000)
Payments for finance arrangement and commitment fees	—	(95)
Proceeds from issuance of bonds	15,902	—
Payment for settlement of contingent consideration	(597)	(1,050)
Proceeds from issuance of common stock	5,145	747
Proceeds from contributions from limited partners	—	495
Other	—	(0)
Net cash provided by (used in) financing activities	20,278	(6,964)
Effects of exchange rate changes on cash and cash equivalents	(167)	384
Net decrease in cash and cash equivalents	24,633	(3,385)
Cash and cash equivalents at the beginning of the period	15,375	18,760
Cash and cash equivalents at the end of the period	40,008	15,375

5) Notes to the consolidated financial statements

5.1 *Notes related to going concern assumptions*

Not applicable.

5.2 *Change in accounting policy*

Not applicable.

5.3 *Operating segments*

Overview of reportable segments

The Group operates a single business segment being the pharmaceutical business.

Information regarding products and services

The breakdown of revenue is as follows:

	12 months ended December 31, 2020 ¥m	12 months ended December 31, 2019 ¥m
Milestone fees and upfront fees	5,353	6,013
Royalty income	2,544	2,406
Product supply revenue	—	276
Other	945	1,031
	8,842	9,726

Geographical information

The following table provides the Group's revenue from external customers by location and information about its non-current assets by location.

Revenues from external customers

Country	12 months ended December 31, 2020 ¥m	12 months ended December 31, 2019 ¥m
Japan	256	982
Switzerland	3,215	2,644
USA	3,094	3,584
UK	1,706	2,285
Bermuda	477	—
Ireland	94	231
	8,842	9,726

Non-current assets

	At December 31, 2020 ¥m	At December 31, 2019 ¥m
Japan	407	324
UK	29,360	30,874
Other	—	327
	29,767	31,525

Note: Non-current assets do not include investments accounted for using the equity method and other financial assets.

Information about major customers

Name of customer	12 months ended December 31, 2020	12 months ended December 31, 2019
	¥m	¥m
Novartis International AG	3,215	2,644
GlaxoSmithKline plc.	1,341	—
Biohaven Pharmaceutical Holding Company Ltd.	1,089	—
Pfizer Inc.	524	1,511
Takeda Pharmaceutical Company Limited	365	1,155
Genentech, Inc.	345	1,001
AstraZeneca UK Limited	—	1,616

Note: Revenues in the table above include revenues from subsidiaries of the customer groups listed

5.4 Earnings per share

Basic earnings per share

The following table shows basic loss per share and explains the basis for the calculation.

	12 months ended December 31, 2020	12 months ended December 31, 2019
Net profit attributable to owners of the parent (¥m)	1,479	1,432
Weighted-average number of common shares outstanding (Shares)	78,737,535	76,622,536
Basic earnings per share (¥)	18.77	18.70

Diluted earnings per share

The following table shows diluted earnings per share and the basis for the calculation.

	12 months ended December 31, 2020	12 months ended December 31, 2019
Net profit	1,479	1,432
Adjustment to net profit used in the calculation of diluted earnings per share (¥m)	—	—
Net profit used in the calculation of diluted earnings per share (¥m)	1,479	1,432
Weighted-average number of common shares outstanding (Shares)	78,737,535	76,622,536
Increases in number of common shares used in the calculation of diluted earnings per share (Shares):		
Increases in number of common shares due to the exercise of stock options (Shares)	755,846	860,324
Weighted-average number of common shares outstanding used in the calculation of diluted earnings per share (Shares)	79,493,381	77,482,860
Diluted earnings per share (¥)	18.59	18.50
Summary of potential stocks not included in the calculation of diluted earnings per share because they do not have a dilutive effect	Euro-yen Denominated Convertible Bonds due 2025 (Common shares 8,723,200)	The 32nd-35th series of stock options totalling 102,000 shares were excluded from the calculation of diluted earnings per share as there was no dilutive effect

5.5 Subsequent events

On January 5th, 2021 Sosei Heptares announced that it would be regaining the worldwide rights to its muscarinic agonist program following a decision by AbbVie to end the collaboration. The program was licensed to Allergan in April 2016, and Allergan was acquired by AbbVie in May 2020. AbbVie's decision to return the worldwide rights was based on business decisions regarding AbbVie's pipeline strategy and not on any efficacy, safety or other data related to the collaboration program. AbbVie will return all assets in development under the program, together with all associated intellectual property licensed by Sosei Heptares to Allergan, and all clinical and preclinical data generated under the partnership. Reversion of this program has been taken account of in management's impairment reviews and in the calculation of the contingent consideration liability. Management has concluded that no impairment has occurred. Management is conducting a full internal review to determine a strategy for the further development and re-partnering of the program.