



Sosei acquires Jitsubo, a leading Japanese peptide technology company

Tokyo, Japan – 11 December 2014: Sosei Group Corporation (“The Group”; TSE Mothers Index: 4565) is pleased to announce that at the meeting of the Board of Directors held today, it resolved to acquire existing shares and underwrite a third party allocation of new shares of Jitsubo Co., Ltd. (“Jitsubo”). Upon completion of these transactions, Jitsubo will become a consolidated subsidiary of the Group.

1. Reasons for the acquisition

The Group has successfully secured a steady revenue stream from milestones and royalty payments from COPD products licensed to Novartis (Seebri[®] Breezhaler[®] and Ultibro[®] Breezhaler[®])*. However, in order to further enhance its corporate value, the Group has been looking for new pipeline candidates that could augment the revenue inflow from the two marketed Novartis products.

As a result, the Group has identified and resolved to acquire Jitsubo, a company with a cutting-edge peptide technology. Together with APNT (the nanoparticle technology of the Group’s subsidiary, Activus Pharma), Jitsubo’s technology is expected to play an important role in achieving the mid-long term strategic goals of the Group.

Jitsubo was established in April 2005 by Professor Kazuhiro Chiba of the United Graduate School of Agricultural Science, Tokyo University of Agriculture and Technology, with the aim of bringing a commercial focus to his scientific findings. The company is focused on development of peptide generic products and identification of new drug candidates based on the novel peptide synthesis technology, Molecular Hiving[™] 1, and the molecule modification technology, Peptune[™] 2. Together, these technologies enable efficient synthesis and isolation of peptide analogue compounds.

Expected benefits of the acquisition:

- **Acquiring a new platform technology will enable the Group to enter the peptide market**

Considerable expectation is placed on peptides as the next generation of drugs, as their smaller molecular weight compared to proteins facilitates organic

synthesis. Additionally, due to higher mass and molecular diversity of peptides compared with small molecular weight compounds, it is anticipated that they may enable access to therapeutic targets that are difficult to control with small molecule treatments. There are currently over 50 marketed peptide products, and the peptide market is expected to reach \$23 billion by 2020. Through the acquisition of Jitsubo the Group acquires a state-of-the-art technology that has a potential to become a generator of future revenue and growth.

- **Replenishing the existing pipeline with new peptide products will further enhance corporate value**

The two Jitsubo peptide generic products, as well as other drug candidates that are expected to follow in the future, will help replenish the Group's existing pipeline and further enhance corporate value.

Development code	Indication	Development stage
JIT-2001	Cardio vascular diseases	Pre-clinical
JIT-1007	Orphan diseases	Basic research

2. Share transaction

Based on the Investment agreement signed with Jitsubo, the Group will underwrite a third-party allocation for 68,871 new "Class D" shares that are to be issued by Jitsubo on 26 December. In addition, The Group will acquire 69,490 of the issued outstanding shares from the existing shareholders. As a result, the Group will own 52.4% of Jitsubo issued shares, making Jitsubo a consolidated subsidiary.

As 1 outstanding share holds 1 voting right, and 1 "Class D" share holds 3 voting rights, Sosei will hold 276, 103 voting rights of the total of 401,632. This equals to 68.7% of voting rights holding ratio.

3. Overview of Jitsubo

1)	Company Name	Jitsubo Co., Ltd
2)	Address	2-24-16 Naka-cho, Koganei-shi, Tokyo
3)	Representative's name and title	Yusuke KOHNO, Executive Director CEO
4)	Business description	Development of peptide drugs, licensing of peptide API manufacturing technology, research related to discovery of peptide drug candidates
5)	Capital	10 million yen
6)	Founded	April 8, 2005

7) Major shareholders	MSIVC CAMPUS NO.3 VENTURE CAPITAL INVESTMENT, L.P. : 18.3% JMSEED BIO INCUBATION NO.1 VENTURE CAPITAL INVESTMENT, L.P. :10.9% 9 individual shareholders:70.8%		
8) Conflict of interest	Capital	None	
	Personnel	None	
	Transactions	None	
9) Jitsubo's earnings results and financial position for the past three financial years			
Financial Year	FY2011	FY2012	FY2013
(Million Yen)			
Net assets	(46)	(94)	(58)
Total assets	22	19	40
(Yen)			
Net assets per share - diluted	(532.87)	(1,091.35)	(429.23)
(Million Yen)			
Revenue	23	20	24
Operating income/(loss)	(60)	(62)	(40)
Ordinary income /(loss)	(34)	(48)	(38)
Net income /(loss)	(34)	(48)	(38)
(Yen)			
Net income per share - diluted	(396.99)	(558.48)	(388.08)
Dividends per share	-	-	-

4. Existing shareholders from whom the shares will be acquired

The Group has reached agreement with 8 individual shareholders whose names and addresses were being withheld, as per their request for privacy. There are no conflicts of interest in terms of capital, personnel and business transactions that require disclosure.

5. Number of shares to be acquired, acquisition price and state of share ownership before and after acquisition

1) Number of shares held before transfer	0 shares (Number of voting rights: 0) (Voting rights holding ratio: 0)	
2) Number of shares to be acquired	Shares to be acquired from existing shareholders:	69,490 shares
	Shares to be acquired through third-party allocation of new shares: (Number of voting rights: 206,613)	68,871 shares (Class D)

		(Million Yen)
3) Acquisition price	Acquisition of existing shares:	211
	Acquisition of new shares through third-party allocation:	210
	<u>Advisory Expenses (Quote)</u>	<u>10</u>
	Total	431
4) Number of shares held after transfer	138,361 shares (Number of voting rights: 276,103) (Voting rights holding ratio: 68.7%)	

6. Schedule

1)	Resolution date of the Board of Directors meeting	December 11, 2014
2)	Signing of the agreement:	December 11, 2014
3)	Closing of transaction	December 26, 2014

7. Future prospects

The potential impact of the acquisition on future earnings is difficult to estimate at present. The Group will inform investors of any important matter arising from the transaction, in a timely and appropriate manner.

■ Forecast for the FY2014 (1 April 2014 to 31 March 2015) and actual results for FY2013

(Million Yen)

	Revenue	Operating income	Net income before income taxes	Net income	Net income attributable to owners of the parent company
FY2014 (E)	3,300	2,000	2,000	—	2,000
FY2013	2,069	756	737	1,526	1,526

* *Seebri*[®], *Ultibro*[®] and *Breezhaler*[®] are registered trademarks of Novartis AG.

References:

¹ **Molecular Hiving™** : Molecular Hiving™ technology is Jitsubo's patented technology for a novel liquid-phase peptide synthesis. Currently, two types of peptide synthesis technologies are widely used: solid-phase peptide synthesis (SPPS) and liquid-phase peptide synthesis (LPPS). SPPS is a high cost technology often applied for the small scale manufacturing, whereas LPPS is often applied for larger scale manufacturing, but cannot be used for long-chain peptide synthesis. Molecular Hiving™ technology combines the benefits of both SPPS and LPPS, and provides the solution for efficient peptide synthesis at low costs. Moreover, since the monitoring of peptide synthesis process that was not possible with SPPS was enabled

with this technology, high-quality peptide can be manufactured more easily than with the currently existing methods.

For more details please visit www.jitsubo.com.

² **Peptune™** : Peptune™ is a novel technology that enables arbitrary alteration of molecular configuration, without changing the amino acid sequence within the peptide. Compared to the existing similar technologies, it has a high structural diversity, which makes possible for pharmacological function and stability to be improved based on the molecular configuration of peptide. In addition, introducing a new functional molecule to a cross-linkage is also possible, and this new scientific approach enables the production of novel functional peptide.

For more details please visit www.jitsubo.com.