Dainippon Sumitomo Pharma Co., Ltd to Acquire Boston Biomedical Inc. (US Biotechnology Company)

Dainippon Sumitomo Pharma Co., Ltd (DSP) (Headquarters: Osaka, Japan; President: Masayo Tada) announced that the company has reached an agreement with Boston Biomedical Inc. (BBI) (Headquarters: Norwood, MA, USA; Chairman, CEO and CMO: Chiang J. Li) on the acquisition of BBI by DSP today.

According to the terms of the agreement, DSP will make an upfront payment of US$200 million to the shareholders of BBI and BBI on closing of the acquisition of its shares, and thereafter it will make development milestone payments up to US$540 million related to the compounds (BBI608 and BBI503) currently being developed by BBI. Furthermore, after the launch, DSP will also make milestone payments up to US$1,890 million, based on the achievement of various net sales targets with the last milestone being paid upon net sales of greater than US$4 billion in any fiscal year. DSP currently aims to commercialize BBI608 and BBI503 in 2015 or later.

1. Purpose of the Acquisition of BBI

BBI is a biotechnology company focusing on the oncology area and possesses two highly promising products in their pipeline called BBI608 and BBI503, which are small molecular oral drugs created by BBI with the aim to cause an antitumor effect in cancer stem cells. Anticancer drugs targeting cancer stem cells are attracting worldwide attention currently as a potent cancer therapy because they are considered to be effective against refractory, recurrent and metastatic cases, which are the main challenges in current cancer treatment. Due to the complexity of identifying a target molecule specific to cancer stem cells, so far, there have been no successful cases of such anticancer drugs. However, BBI608 and BBI503 are likely to become the first anticancer drugs in the world targeting cancer stem cells. BBI608 is currently in the preparatory stage for Phase III clinical trial for colorectal
cancer in North America and in Phase Ib and II clinical trials for various solid tumors. BBI503 is in Phase I clinical trial for patients with various advanced solid tumors in North America.

DSP already signed an exclusive Product Option License agreement with BBI in March, 2011 on the rights of development and commercialization of BBI608 in Japan for all indications of cancer. After execution of the option agreement with BBI, DSP recognized BBI’s innovative development pipeline and its excellent ability of drug discovery/development, which led to DSP’s decision to acquire BBI.

In its second Mid-term Business Plan, DSP is determined to expand the pipeline for continuous new drug creation, aiming at providing innovative and first-in-class drugs for specialty areas, such as cancer and immune-related diseases, which DSP has chosen as one of its challenge therapeutic areas. In the oncology area, there are tremendous unmet medical needs and DSP considers it an extremely important mission as a R&D-oriented pharmaceutical company to work on drugs for cancer. On the other hand, within the market of cancer drugs, there are fast-growing sub-markets of novel drugs such as antibody drugs, molecular-targeted drugs, nucleic acid drugs, etc. DSP considers these to provide significant business opportunities in the future with the advancement of science.

Masayo Tada, Representative Director, President and CEO of DSP stated: “Acquisition of BBI is not only an acquisition of an innovative pipeline in the oncology area, it also represents obtaining an excellent drug discovery/development platform with the capabilities of BBI, enabling us to continuously create candidate compounds likely to advance into later development stages. Subsequently we intend to establish our R&D base in the US to expand our presence in cancer treatment globally. We are aiming to make the oncology area one of our future focus therapeutic areas next to the CNS area.”

2. Outline of the acquisition
After the acquisition, BBI will become a 100% owned subsidiary of DSP and continue its operation in the Boston area, Massachusetts. BBI possesses the exclusive rights of BBI608 and BBI503 in Japan and North America. The boards of directors of DSP and BBI have each approved this acquisition. However, meeting the terms and conditions based on the US Antitrust Law and the completion of statutory procedures is required to complete the acquisition. After completion of these procedures, the acquisition is deemed to be closed in April, 2012. In this transaction, Citigroup Global Markets Japan Inc. served as DSP’s financial advisor.
3. Outline of BBI

(1) Company Name: Boston Biomedical Inc.
(2) Headquarters: Norwood, Massachusetts, U.S.A.
(3) Name and Position of the Representative: Chiang J. Li, Chairman, CEO and CMO
(4) Established in November, 2006
(5) Capital: US$5.8 million
(6) Private, unlisted company
(7) Major shareholder: 1Globe Health LLC (Founder: Dr. Chiang Li) owns the majority stake of BBI. There are 6 shareholders in total.
(8) Employees: 30
(9) Relationship with DSP: As announced in April 7, 2011, DSP already signed an exclusive Product Option License agreement with BBI in March, 2011, on the rights of development and commercialization of BBI608 in Japan for all indications of cancer. Apart from the above, there is no significant relationship with BBI in terms of capital, human resources and business. Also, there is no significant relationship between the related parties and affiliated companies of DSP and their counterparts of BBI in terms of capital, human resources and business.
(10) Financial Information: Total Assets of US$15 million and Net Assets of US$7 million (Based on unaudited financial statements as of 08/31/2011). BBI currently recognizes no product sales, as it does not have launched products at the moment.
(11) Business description: BBI is a biotechnology company focusing on R&D in the cancer stem cell area. BBI is developing BBI608 and BBI503, which have potential to become the first anticancer drugs in the world targeting cancer stem cells.

4. Effects of acquisition on DSP’s earnings
Because the acquisition is deemed to be closed in April, 2012, there will be no effect on DSP’s consolidated financial forecast for the fiscal year ending March 31, 2012. DSP assumes there will be no material impact on its financial performance for the foreseeable future in and after the fiscal year ending March 31, 2013. However if this changes DSP will disclose any relevant information immediately.