



## **Sosei to acquire Arakis for £106.5 million**

### ***Combination with Arakis Creates Global Biopharmaceutical Company***

**London / Tokyo, 19 July 2005:** Sosei Co. Ltd (“Sosei” - 4565, Tokyo Stock Exchange MOTHERS index), a leading Japanese biopharmaceutical company with operations in Japan and the UK, announces that it has agreed terms with Arakis and its shareholders to combine its business with Arakis Limited (“Arakis”), a private UK-based biopharmaceutical company, bringing together two highly successful product discovery and development companies. The enlarged group will have a broad mid- to late-stage clinical and pre-clinical pipeline, products with near term revenue generation potential, complementary product discovery capabilities and strengths in Europe and Asia.

The transaction will be effected by way of an offer to acquire the whole of the issued and to be issued share capital of Arakis by Sosei for £106.5 million (\$187.4 million). The aggregate consideration will be satisfied by £11.7 million (\$20.7 million) in cash, and the issue of 35,630 new Sosei shares (assuming the exercise of all outstanding Arakis options). At closing, on a fully diluted basis this will represent 33.6% of Sosei's enlarged share capital of 106,000 shares. Based on Sosei's closing price on Monday, 18 July 2005, this total share capital would have an implied value of £278 million (\$489.0 million).

### **Strategic rationale**

The transaction represents a major step towards Sosei's strategic vision of becoming a global top ten biopharmaceutical company. The enlarged group will have a broad and balanced pipeline with a mix of late and earlier stage products, management depth, a significant cash balance, access to global pharmaceutical markets and have clinical development and regulatory capabilities in the EU, US and Japan. In addition, it will have the potential for generating near term revenues through direct sales of its lead product in Japan and milestone payments from established licensing agreements. The enlarged group's long term aim is to develop its own proprietary sales force, first in Japan, and then worldwide.

In particular, Arakis brings to Sosei:

- A highly attractive £213 million (\$375 million) global partnership with Novartis for its lead product AD 237, a once daily, inhaled, long-acting antimuscarinic agent for COPD (Chronic Obstructive Pulmonary Disease). AD 237 is being developed by Novartis both as a monotherapy and as a combination therapy with Novartis' long-acting beta agonist, QAB 149. The milestone payments and royalties are shared equally between Arakis and Vectura plc



- Three further products in clinical development (AD 923 for cancer breakthrough pain due to commence Phase III trials later this year, AD 452 for rheumatoid arthritis due to commence Phase IIb trials in Q3 2005, and AD 337 for fibromyalgia currently in Phase I)
- Development and regulatory capabilities in the EU and US, complementing those of Sosei in Japan
- A highly experienced management team with expertise in US/EU drug development and commercialisation, and
- A current cash balance of approximately £30 million (\$53 million) on its balance sheet.

The resulting enlarged group will have:

- Near term commercialisation opportunities, with the potential approval of Sosei's lead product, Eligard® for prostate cancer, in Japan next year
- A broad product pipeline of eight clinical products, with a further six in pre-clinical development and two in late stage pre-clinical research
- A sustainable drug discovery business model developed through:
  - The combination of Sosei's and Arakis' complementary, low risk drug re-profiling approaches
  - Arakis' and Sosei's respective new molecular entity (NME) discovery capabilities - Arakis discovers NME's based upon existing drug templates, Sosei focuses on the acquisition of attractive NME's
  - Sosei's licensing capabilities in the world's second largest pharmaceutical market, Japan
- Further revenue generating opportunities by out-licensing primary care products in addition to AD 237 and hospital products in non-core territories
- Sufficient combined net cash to fund the expected expenditure of the enlarged group over the next three years
- The critical mass to begin to put in place a direct, global salesforce for hospital products, with a Japanese salesforce currently being established, a salesforce in the EU planned to be established over the next three years and with the ultimate objective to build a salesforce in the US in the longer term.



### **Management and Group structure**

Following completion of the transaction, Sosei Group will be led by Shinichi Tamura as Chief Executive and David Chiswell as non-executive Chairman. Arakis, which will remain located in Chesterford Research Park, will be managed as an autonomous subsidiary of Sosei and will be responsible for worldwide research and development, outside Japan, for the Sosei Group. Arakis co-founders Dr Robin Bannister and Dr Julian Gilbert will become Managing Director of Arakis and Group Director, Commercial & Strategic Development of Sosei, respectively. Dr Ken Cunningham and Peter Keen, CEO and CFO of Arakis respectively, will be leaving after a period of hand-over.

### **Structure of the transaction**

The offer contemplates the acquisition of 100% of the issued and to be issued share capital of Arakis. The offer will be open for acceptance for a period of 21 days. Upon all relevant conditions being satisfied, completion of the transaction will take place on 30 August 2005. Completion is conditional on, inter alia, the receipt of valid acceptances of the offer from at least 90% of Arakis shareholders (which Sosei can waive down to such level as is sufficient to implement the drag-along procedure provided for under the articles of association of Arakis) and on there being no material adverse change in the legal, financial or business condition of Arakis.

On completion, at least 93% of the Sosei shares issued to Arakis shareholders in connection with the offer will be subject to orderly market arrangements, which will apply for twelve months following the completion of the transaction.

### **Commenting on the transaction, Shinichi Tamura, Chief Executive of Sosei, said:**

"The transaction represents a major step towards Sosei's strategic vision of becoming a global top ten biopharmaceutical company. It combines two highly successful companies to create an enlarged group with a strong pipeline of products today, which management believes is sustainable into the future through the complementary product discovery and development capabilities of the two companies. The enhanced management depth and critical mass will further enable us to realise value through our own international commercialisation plans.

I would like to take this opportunity to thank Dr Ken Cunningham and Peter Keen for their contributions to the development of Arakis."

### **Dr Ken Cunningham, Chief Executive of Arakis, said:**

"Our businesses are founded upon the same drug discovery principles – as part of our core strategy, we both seek to find new uses for existing drugs and thus lower the risks inherent in the development of new pharmaceutical products. It was always part of Arakis' strategic ambition to develop its business on an international scale and the combining of our business with



Sosei's complementary activities in Japan will enable us to achieve this vision."

Credit Suisse acted as sole financial advisor to Sosei and Dresdner Kleinwort Wasserstein acted as sole financial advisor to Arakis in this transaction.

All calculations have been made at the single exchange rates of £1 / \$1.76 and £1 / ¥196.6.

***Enquiries:***

**Credit Suisse**

Ardashir Dubash

**Tel: + 44 (0) 207 888 5876**

**Dresdner Kleinwort Wasserstein**

Chad Floe  
Charles Batten  
Leigh Hopkins

**Tel: + 44 (0) 207 623 8000**

**Financial Dynamics**

David Yates / Lucy Briggs

**Tel: + 44 (0) 207 269 7223**

**Analyst meeting and conference call**

A meeting and conference call for analysts will be held today, 19 July 2005, at 11.30am (GMT), at the offices of Financial Dynamics. Please contact Claire Rowell on + 44 (0) 207 269 7285 for further details. A recording of the presentation will be available on Sosei's website ([www.osei.com](http://www.osei.com)) after the event.

**Photographs**

High resolution images are available for the media to view and download free of charge from [www.vismedia.co.uk](http://www.vismedia.co.uk)

***Notes to editors***

**About Sosei Co. Ltd.**

Sosei Co. Ltd., founded in 1990 by Shinichi Tamura, the former CEO of Genentech Japan, is a leading Japanese biopharmaceutical company with significant expertise in drug development. It enriches its core product pipeline by in-licensing compounds from Western and Japanese companies, by its distinctive Drug Reprofile Platform<sup>®</sup> (DRP<sup>®</sup>) and through new molecular entity (NME) research programmes in collaboration with biopharmaceutical companies and universities both in Japan and the West. Sosei is also developing its own sales and marketing organization in Japan. The company is capitalising on its extensive global network established over the past 10 years in its successful technology transfer business.

For further information about Sosei, please visit [www.osei.com](http://www.osei.com).



### **About Arakis Limited**

Arakis is a private UK based biopharmaceutical company that discovers, develops and commercialises innovative medicinal products based on established drugs and drug templates. Its chosen therapeutic areas are inflammatory disease and pain.

Arakis has four products in clinical development: AD 237 for chronic obstructive pulmonary disease (COPD) and AD 452 for rheumatoid arthritis (RA), AD 337 for fibromyalgia syndrome and AD 923 for cancer breakthrough pain (CBP). In addition, there is a preclinical pipeline of other opportunities, two exploratory developments and a number of research projects.

Arakis was founded in March 2000 and has raised over £49 million (\$86 million) in three private equity funding rounds. The company is based at Chesterford Research Park, south of Cambridge, UK and currently has 39 employees. For further information about Arakis, please visit its website on [www.arakis.com](http://www.arakis.com).

*Credit Suisse First Boston Securities ( Japan ) Limited is acting for Sosei Co. Ltd. and no one else in connection with the offer and will not be responsible to any other person other than Sosei Co. Ltd. for providing the protections afforded to clients of Credit Suisse First Boston Securities ( Japan ) Limited or for providing advice in relation to the offer.*

*Dresdner Kleinwort Wasserstein Limited ("Dresdner Kleinwort Wasserstein"), which is authorised and regulated by the Financial Services Authority, is acting for Arakis and for no-one else in connection with the contents of this document and will not be responsible to anyone other than Arakis for providing the protections afforded to customers of Dresdner Kleinwort Wasserstein, or for affording advice in relation to the contents of this document or any matters referred to herein.*

*Terms defined in the offer document being posted to shareholders today have the same meaning in this announcement.*

*Subject to certain exceptions, the Offer is not being made, directly or indirectly, in or into or by use of the mails of, or by any means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national, state or other securities exchange of, the United States, Canada, Australia or any Restricted Jurisdiction and the Offer is not capable of acceptance by any such use, means or instrumentality or otherwise from within the United States, Canada, Australia or any Restricted Jurisdiction.*

*Save for in Japan, no action has been taken by Sosei that would, or is intended to, permit a public offer of the Consideration Shares or possession or distribution of this document or any other offering material relating to the Consideration Shares in any country or jurisdiction where any such action for that purpose is required. The offer of the Consideration Shares constitutes a public offering of securities in Japan and accordingly Sosei has filed a Securities Registration Statement (yukashoken-todokedesho) with the relevant authority in Japan and is awaiting clearance. Copies of a Prospectus in Japanese (containing the information set out in the Securities Registration Statement) are available for inspection at the registered office of the Company and at the offices of Ashurst at Broadwalk House, 5 Appold Street, London EC2A 2HA.*



*This announcement does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to sell or subscribe for, the Consideration Shares in any jurisdiction where such an offer or solicitation is unlawful. The Consideration Shares have not been, and will not be, registered under the US Securities Act or under the laws of any state, district or other jurisdiction of the United States, or of Canada or Australia, or any other jurisdiction and no regulatory clearances in respect of the Consideration Shares have been, or will be, applied for in any jurisdiction other than Japan. Accordingly, subject to certain exceptions, the Consideration Shares are not being, and may not be, offered for sale or subscription, or sold or subscribed, directly or indirectly, within the United States, Canada or Australia or any Restricted Jurisdiction or to or by any national, resident or citizen of such countries.*