Conclusion of Exclusive Licensing and Capital Tie-up Agreements Concerning “Telomelysin (OBP-301),” Oncolytic Viral Immunotherapy

TOKYO, April 8, 2019 -- Oncolys BioPharma Inc. (hereafter, “Oncolys”) and Chugai Pharmaceutical Co., Ltd. (hereafter, “Chugai”) announced today the both companies have entered into an agreement that Oncolys will grant an exclusive license, with sublicensing rights, to Chugai concerning the development, manufacturing and marketing in Japan and Taiwan for “Telomelysin (OBP-301)” (hereafter, “Telomelysin”) an oncolytic viral immunotherapy which is currently under development by Oncolys. In addition, licensing agreement that grants exclusive option rights concerning the worldwide development, manufacturing and marketing of Telomelysin, excluding Japan, Taiwan, China, Hong Kong and Macau to Chugai has also been concluded. Moreover, both companies agreed that Oncolys will newly issue common stock worth approximately 800 million yen, and Chugai will accept all the stocks. The start of this licensing agreement and the payment accompanying the issuance of new shares by third-party allotment are planned on April 24, 2019.

Chugai shall pay 550 million yen as an upfront payment for the exclusive licensing agreement, with sublicensing rights, in Japan and Taiwan. If a certain level of efficacy has been confirmed in the clinical study of Telomelysin, and in case Chugai exercised the exclusive option rights described above, the total value of the licensing agreement which Chugai shall pay to Oncolys will be 50 billion yen or more. In addition, after the launch of Telomelysin, Chugai shall pay to Oncolys, sales royalties according to Chugai’s amount of sales of Telomelysin, apart from the total value of the licensing agreement.

The capital and business tie-up agreement described in this release is announced separately by Oncolys on April 8, 2019, in the “Notice of Capital and Business Alliance and Issuance of New Shares through Third Party Allotment.”

Comments by the Management
Yasuo Urata, President & CEO, Oncolys BioPharma Inc.
“Chugai is an expert in the development of oncology drugs including antibody pharmaceuticals, and we feel that we were able to form the best partnering in developing Telomelysin, an oncolytic viral immunotherapy.
Telomelysin is an oncolytic virus drug originated in Japan, and we are extremely delighted that Chugai had highly valued the clinical effects of the drug against esophageal cancer. We hope that Chugai will greatly expand the indications of Telomelysin, going forward.”

Tatsuro Kosaka, President and CEO, Chugai Pharmaceutical Co., Ltd.

“Telomelysin is an oncolytic viral immunotherapy with a novel mode of action, expected to provide new value to oncology patients. We are committed to maximize the value of this new innovative drug created by Oncolys in order to deliver it to patients as quickly as possible, and also expand its indications to other types of cancer, by considering the combination with cancer immunotherapies, which could provide true value to patients and their families. We strongly believe that Chugai, as one of the shareholders of Oncolys, can contribute to increasing corporate and shareholder values of Oncolys in the medium- to long-term perspective.”

Oncolys believes that the conclusion of this licensing agreement and the third-party allocation of shares will contribute to enhancing its corporate value as well as shareholder value. At this point, however, the concrete amount of impact they would have on Oncolys’ business performance of the term ending December 2019 is unclear. The impact on the consolidated financials for the fiscal year ending December 2019 of Chugai is expected to be minimal.

As written in the financial statements for the business term ended December 2018, released on February 8, 2019, Oncolys has not announced its business performance forecasts for the term ending December 2019, since the company views it difficult to calculate appropriate and reasonable numerical value due to the existence of numerous uncertain factors that impact the business performance at this point.

About Oncolys
Oncolys BioPharma develops novel cancer therapeutics and diagnostic products using gene modified viral technologies and aims to contribute to fulfill unmet medical needs for cancer and severe infectious diseases. Especially in oncology area, we utilize technology platform for oncolytic virus and develop Telomelysin and its next-generations for cancer treatment and TelomeScan for early detection of cancer and recurrence monitoring after surgery. We have established broad range of product pipeline to cover early detection of cancer, early treatment of local cancer, post-operative examination, and treatment of metastatic cancer. For more information, please visit http://www.oncolys.com/en/

About Chugai
Chugai Pharmaceutical is one of Japan’s leading research-based pharmaceutical companies with strengths in biotechnology products. Chugai, based in Tokyo, specializes in prescription pharmaceuticals and is listed on the 1st section of the Tokyo Stock Exchange. As an important member of the Roche Group, Chugai is actively involved in R&D activities in Japan and abroad. Specifically, Chugai is working to develop innovative products which may satisfy the unmet medical needs, mainly focusing on the oncology area. Additional information is available on the internet at https://www.chugai-pharm.co.jp/english/.

About Telomelysin (OBP-301)
Telomelysin or OBP-301 is genetically modified type 5 adenovirus which can specifically replicate in and destroy cancer cells. Type 5 adenovirus causes common cold symptoms and exists in nature. We are anticipating that Telomelysin may induce strong anti-tumor activity after causing oncolysis by specific replication in cancer cells and may be safe because of its low replication ability in normal cells. In addition, serious adverse reactions such as vomiting, hair loss and hematopoietic disorders have not been reported in clinical studies we conducted so far, and thus it is expected to improve patients’ Quality of Life (QOL). Furthermore, recent publication in clinic showed that cancer cells destroyed by virotherapy may enhance cancer immunity by directly transmitting the signal of their specific antigen to immune cells such as dendritic cells. Therefore, we are expecting that
Telomelysin in combination with an immune checkpoint inhibitor such as anti-PD-1 antibody may have a systemic anti-cancer efficacy together with good local control. Oncolys and Medigen Biotechnology Corp. in Taiwan had long-term collaborative relationship for the development of Telomelysin.

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