



April 9, 2018  
FunPep Co., Ltd.

**Announcement of Conclusion of Option Agreement  
with Sumitomo Dainippon Pharma Co., Ltd.**

FunPep Co., Ltd. ("FunPep") has concluded an option agreement with Sumitomo Dainippon Pharma Co. ("Sumitomo Dainippon") for FunPep's antibody-inducing peptide drug candidate for immunological diseases. FunPep and Sumitomo Dainippon have been collaborating on its development since September 2016.

Under the terms of the agreement, Sumitomo Dainippon will exercise its option rights based on the results of the initial clinical trials to be conducted by FunPep. If the two parties are in agreement, Sumitomo Dainippon will obtain the exclusive rights to develop and commercialize the drug in North America. Outside of North America, Sumitomo Dainippon holds the right of first refusal for the commercialization of the drug.

With the conclusion of this agreement, FunPep will receive payments from Sumitomo Dainippon at the time of this agreement and upon the start of clinical trials. Furthermore, if Sumitomo Dainippon exercises its option rights, it shall pay FunPep an upfront payment and milestone payments as the clinical development progresses. Additionally, upon sales and manufacturing approval, FunPep shall receive royalties from sales in addition to sales milestone payments.

Simultaneous with the signing of this agreement, the two companies also signed a research and development agreement for the application of antibody-inducing peptide technology to the field of neuropsychiatry.

**About FunPep's antibody-inducing peptide drug**

The drug is an antibody-inducing peptide that targets the causative agent of immunological diseases.

Antibody-inducing peptides are peptide drugs designed to cause the body to produce antibodies that inhibit the function of the target molecule. They are characterized by the fact that they



maintain antibody levels, which is expected to provide sustained efficacy after administration once every few months. Antibody-inducing peptides also have the potential to be affordable alternatives to traditional antibody drugs, which require heavy investment in biomanufacturing facilities.

Currently, FunPep is developing this drug candidate with the goal of providing an alternative therapeutic option as a long-acting drug with longer intervals between doses and increased patient convenience compared to current antibody drugs.