



November 24, 2015

Company: ReproCELL, Inc. (JASDAQ Company code: 4978)  
Representative: Chikafumi Yokoyama, PhD  
Contact: info\_en@reprocell.com

### **Regarding the synergy effect of making Biopta Limited a wholly-owned subsidiary**

At a meeting of the board of directors of this company on November 24<sup>th</sup>, 2015, a decision has been made regarding the acquisition of 100% of the ordinary shares of the UK firm, Biopta Limited (“Biopta”) and its integration as a wholly-owned subsidiary. Information regarding the purpose and summary of this acquisition, as well as the ensuing synergy effect, is detailed below.

#### **1. The purpose and summary of the acquisition of Biopta**

The acquisition of Biopta is aimed at strengthening the pharmaceutical industry-targeted drug discovery support aspect of our business, which is one of the mainstays of our company. Biopta provides drug discovery support services to pharmaceutical companies — their main customers including Big Pharma in Europe, North America and Japan. These services primarily consist of research using human living tissues in preclinical studies that are more predictive of the human response to drugs than the animal experiments upon which the pharmaceutical companies have traditionally relied. Outsourcing of such early stage drug discovery services is increasingly rapidly. Presently, due to their high costs and their need to be conducted over long time periods, there is a rapidly growing trend away from animal experiments that pharmaceutical manufacturers conduct in-house towards outsourced pharmaceutical support services that can be conducted at lower cost and in shorter periods of time. The global spend on drug discovery-related research and development by pharmaceutical manufacturers totals over 7 trillion yen per annum, and exploratory research and preclinical studies are said to account for around 1.75 trillion yen (25% of the total) of that sum. A further market driver is the development of ‘precision medicines’, which necessarily rely on human cells and tissues in early drug discovery. The rapidly expanding drug discovery support service industry therefore holds great potential in this market.

In this field, Biopta is a pioneering developer of drug discovery support services, taking an integrated approach to the provision of human tissues and preclinical contract research (CRO services) using ethically-sourced human tissues. The company is strongly competitive and has many achievements, backed by their high levels of technological prowess. By adding Biopta’s drug discovery support services to our existing services (human cell products), our group aims to expand our operations in the corresponding market sector, as well as constructing a strong business portfolio aimed at entering the field of regenerative medicine through the synergy of the two companies’ competitiveness.

An overview of Biopta:

Company	Biopta Limited
Address	Weipers Centre, Garscube Estate, Bearsden Road, Glasgow, G61 1QH, UK
Name and Position of Representative	CEO David Cameron Bunton
Business Outline	Drug discovery support services (CRO services) CRO Services: Research and preclinical laboratory services for pharmaceutical businesses using ethically-sourced human tissues.
Capital Stock	2,129,000 GBP
Founding Date	2002
Subsidiaries	Biopta Inc. (USA)
Number of Employees	18 (Group)

\* Of the 100% of Biopta's ordinary shares, 49.74% will be acquired by our company via the new issuance of ordinary shares, invested in kind at an accepted value, and 50.26% will be acquired as cash.

## **2. Biopta's competitiveness**

A broad overview of Biopta's three greatest strengths is detailed below.

Firstly, the company makes use of its network of medical institutions throughout the UK and America to acquire human fresh tissues in accordance with applicable laws and ethical guidelines, in a timely manner. Diseased tissues, sought at the preclinical trial stage of the drug discovery process, are of particular value to the pharmaceutical industry, and a range of drug efficacy and safety testing services can be offered to each individual customer in the form of outsourcing. Additionally, thanks to the extensive database related to patients' human tissues and cells that Biopta has acquired, the company is able to offer a drug discovery service with a higher added value.

Secondly, in addition to the trustworthiness of the company's drug development services, is its use of equipment and systems that comply with GLP guidelines (Good Laboratory Practice: guidelines related to all aspects of testing facilities, including management, test equipment, test planning, internal inspection systems, and systems for guaranteeing reliability), as well as its understanding of how to apply these guidelines to business. In addition to drug discovery evaluation services and our business developments in the field of regenerative medicine, our group needs to accumulate a high level of understanding about product and service quality control, making our cooperation with Biopta exceedingly effective.

Thirdly, Biopta has a solid customer base, boasting successful dealings with eight of the top ten "Big Pharma" companies in terms of sales. The company also manages a number of collaborative service development projects via its pharmaceutical industry and academic partners, with a strong focus on precision medicine, where the use of human tissues is of high importance. This will allow our company to increase our market share by expanding our lineup of drug discovery support products aimed at pharmaceutical manufacturers, as well as enabling us to better grasp the latest needs and trends in the field of drug discovery and accelerate the development of ReproCELL's new products and services accordingly.

## **3. Business synergy, and the construction of a portfolio aimed at entering the field of regenerative medicine**

Our group has hitherto developed research reagent products and cell products related to human iPS cells and human cells. With our acquisition of Biopta and the addition of new drug discovery support services to our business lineup, we are able to offer both our main business of the supply of products to pharmaceutical manufacturers, as well as research outsourcing services. In addition, the synergistic combination of our company's world-leading iPS cell cultivation technology with Biopta's GLP-conforming facilities (and their high level of understanding of how to put them to use in their services) marks the beginning of a hitherto unprecedented iPS cell-utilizing preclinical study service business. Additionally, we will be able to customize cells that meet the strict requirements of pharmaceutical manufacturers and medical institutions and conduct outsourced tests. This will provide us with a great competitive advantage in the rapidly expanding drug discovery support service market.

Furthermore, Biopta's GLP-conforming facilities (and their high level of understanding of how to put them to use in their services) both directly and indirectly meet our requirements for our expansion into the regenerative medicine industry, and will be of great importance in our group's early advances in the field from now on. Our group will be able to construct a business portfolio that can comprehensively offer research reagents relating to human iPS cells and human cells, cell products, and drug discovery support services. The comprehensive technological strength and know how we will accumulate will allow us to further strengthen our progress towards constructing a world-leading regenerative medicine business.

