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**APHOENIX AND ANADYS PHARMACEUTICALS ANNOUNCE  
DRUG DISCOVERY COLLABORATION**

*Multi-Year Agreement with San Diego-Based Biotechnology Company Represents  
Aphoenix's Second Library Screening Collaboration*

**Tokyo and San Diego, Sep. 9, 2004** – Aphoenix, Inc., an emerging chemical genomics company in Japan and Anadys Pharmaceuticals, Inc. (Nasdaq: ANDS), today announced that they have entered into a three-year drug discovery collaboration. Under the terms of the agreement, Anadys will utilize its drug discovery capabilities to discover and advance lead compounds against Aphoenix targets in multiple therapeutic indications. Aphoenix has already established early stage drug discovery programs in respiratory and anti-inflammatory diseases.

Financial terms of the agreement include upfront and future research funding plus additional milestone payments to Anadys. Anadys will also share in the potential downstream value of the targets through milestone and royalty payments.

“Our reverse targeting capability coupled with Anadys’ technologies and capabilities create a great synergy. This combination provides Aphoenix with an opportunity to realize a comprehensive chemical genomics approach,” said Shingo Kano, Ph.D., Aphoenix’s President and Chief Executive Officer. “We are pleased to link value chains of such critical processes and leverage our target identification engine with Anadys.”

“We are pleased to collaborate with Aphoenix in the pursuit of novel therapeutics,” said Kleantis G. Xanthopoulos, Ph.D., Anadys’ President and Chief Executive Officer. “By combining our expertise in lead generation with promising targets from Aphoenix, we look forward to ushering quality compounds into preclinical development. Additionally, we are pleased to participate in the potential downstream value of these programs.”

**About Aphoenix**

Aphoenix, Inc. is a Tokyo-based chemical genomics company with a proprietary technology called reverse targeting, spanning from small molecules to protein targets. The company exploits drugs or other biologically active compounds with unknown mechanisms of action as probes for discovering valuable and druggable targets using proprietary bead-based affinity chromatographic techniques, then plans to develop the compounds against validated targets. Aphoenix is leveraging its powerful target identification engine to generate ongoing pipelines, both for in-house drug development and partnerships. The company

employs a multi-disciplinary staff with expertise in molecular biology, medicinal chemistry, mass spectroscopy and informatics.

### **About Anadys**

Anadys Pharmaceuticals, Inc. ([www.anadyspharma.com](http://www.anadyspharma.com)) is a biopharmaceutical company committed to advancing patient care by discovering, developing and commercializing novel small molecule, anti-infective medicines for the treatment of hepatitis C virus (HCV), hepatitis B virus (HBV) and bacterial infections. Anadys is advancing its anti-infective portfolio through the development of its two clinical programs, the isatoribine family of compounds including the oral prodrug ANA975 for the treatment of HCV, and ANA380 for the treatment of HBV. In addition, Anadys' anti-infective therapeutic platform is designed to advance a strong and continual pipeline of drug candidates into the clinic.

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*Statements in this press release that are not strictly historical in nature constitute "forward-looking statements." Such statements include, but are not limited to, references to Anadys' ability to discover and advance lead compounds against Aphoenix targets in multiple therapeutic indications, Anadys' receipt of potential future milestone and royalty payments and the ability of the parties to usher quality compounds into preclinical development. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results of Anadys Pharmaceuticals to be materially different from historical results or from any results expressed or implied by such forward-looking statements. In particular, Anadys' results may be affected by risks associated with the implementation of the relationship with Aphoenix, competition from other biotechnology and pharmaceutical companies, its effectiveness at managing its financial resources, its ability to successfully develop and market products, difficulties or delays in its clinical trials, difficulties or delays in manufacturing its clinical trials materials, the scope and validity of patent protection for its products, regulatory developments involving future products and its ability to obtain additional funding to support its operations. These and other factors that may cause actual results to differ are more fully discussed in the "Risk Factors" section of Anadys' Form 10-Q for the quarter ended June 30, 2004. All forward-looking statements are qualified in their entirety by this cautionary statement. Anadys is providing this information as of this date and does not undertake any obligation to update any forward-looking statements contained in this document as a result of new information, future events or otherwise.*