

Company: RaQualia Pharma Inc.

(Stock code: 4579)

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## Notice Regarding Revisions to Business Plan and Matters Concerning Growth Potential

December 8, 2023 - RaQualia Pharma Inc. (headquartered in Nagoya, Japan; President & CEO: Hirobumi Takeuchi, “Company”) announced that the Company revised its business plan (“Business Plan and Matters Concerning Growth Potential (for the Fiscal Years Ending December 31, 2023 through December 31, 2025): Medium-Term Management Plan 2023-2025”) announced on February 14, 2023, as follows.

### 1. Revisions of sales and profit/loss targets after revision

#### 【Revised forecast】

(Unit: Millions of yen)

	Net sales	Operating cost	Operating profit (△)	Ordinary profit (△)	Net profit attributable to owners of parent (△)
FY2023 (Plan)	<u>1,938</u>	<u>2,347</u>	<u>△409</u>	<u>△340</u>	<u>△426</u>
FY2024 (Target)	<u>3,924</u>	<u>3,721</u>	<u>203</u>	<u>193</u>	<u>90</u>
FY2025 (Target)	4,185	2,860	1,325	1,330	1,166

#### 【Previous forecast】 announced on February 14, 2023

(Unit: Millions of yen)

	Net sales	Operating cost	Operating profit (△)	Ordinary profit (△)	Net profit attributable to owners of parent (△)
FY2023 (Plan)	<u>2,799</u>	<u>2,538</u>	<u>260</u>	<u>242</u>	<u>183</u>
FY2024 (Target)	<u>2,966</u>	<u>2,657</u>	<u>309</u>	<u>317</u>	<u>248</u>
FY2025 (Target)	4,185	2,860	1,325	1,330	1,166

### 2. Reasons for revision

Given its latest performance trends, the Company revised the “Business Plan and Matters Concerning Growth Potential (for the Fiscal Years Ending December 31, 2023 through December 31, 2025): Medium-Term Management Plan 2023-2025”, which was announced on February 14, 2023.

The key factors of change are as follows;

Net sales for the fiscal year ending December 31, 2023 are expected to decrease by 861 million yen (30.8% y-o-y) from the previous forecast. The main reason for the revision is that the conclusion of the license agreement under negotiation and the achievement of milestones for the out-licensed pipeline will be postponed to the next fiscal year. The license agreement under negotiation above refers to the licensing of the rights to develop, manufacture, and market tegoprazan, a gastric acid suppressant, for the Japanese market, and the out-licensed

pipeline milestones refer to the approval and launch of ELURA<sup>®</sup> (generic name: capromorelin) for weight loss management in cats. The impact of these postponements on the current fiscal year's results will be a decrease of 900 million yen. Foreign exchange rate fluctuations are expected to cause an increase of 84 million yen for the entire year because the average exchange rate during the period will be about 138 yen per U.S. dollar, compared to the forecasted exchange rate of 125 yen per U.S. dollar.

Operating costs are expected to decrease by 191 million yen (7.5% y-o-y) from the previous forecast.

In consequence, the Company revised its forecasts for the fiscal year ending December 31, 2023, to its consolidated net sales of 1,938 million yen (previously announced forecast of 2,799 million yen), its consolidated operating costs of 2,347 million yen (previously announced forecast of 2,538 million yen), its consolidated operating loss of 409 million yen (previously announced forecast of 260 million yen profit), its consolidated ordinary loss of 340 million yen (previously announced forecast of 242 million yen profit), and its net loss attributable to owners of the parent of 426 million yen (previously announced forecast of 183 million yen profit).

Net sales for the fiscal year ending December 31, 2024 are expected to increase by 958 million yen (32.3% y-o-y) from the previous forecast, mainly because the upfront payment at the conclusion of the license agreement and development milestone payments for the out-licensed pipelines, totaling approximately 900 million yen, which were expected as net sales in the previous fiscal year, will be postponed to this year.

Operating costs are expected to increase by 1,064 million yen (40.0% y-o-y) from the previous forecast, mainly due to an increase of approximately 370 million yen in research and development expenses because of the concentration of outsourcing for the creation of development compounds in this fiscal year, in addition to upfront payments of approximately 500 million yen to partners upon the conclusion of new license agreements. The Company assumes that this is a one-time increase.

In consequence, the Company revised its forecasts for the fiscal year ending December 31, 2024, to its consolidated net sales of 3,924 million yen (previously announced forecast of 2,966 million yen), its consolidated operating costs of 3,721 million yen (previously announced forecast of 2,657 million yen) its consolidated operating profit of 203 million yen (previously announced forecast of 309 million yen), its consolidated ordinary profit of 193 million yen (previously announced forecast of 317 million yen), and its net profit attributable to owners of the parent of 90 million yen (previously announced forecast of 248 million yen).

The Company's business model, competitive advantages, and investment strategy remain the same as in the business plan announced on February 14, 2023, and no changes have been made.

There are no changes from the previous announcement for the fiscal year ending December 31, 2025.

Based on the revised business plan, the Company will continue its business activities to enhance its corporate value. The next update and disclosure of the "Business Plan and Matters Concerning Growth Potential" is scheduled for February 2024. However, in the event of significant changes to the business plan due to changes in the business environment or other factors, the Company will promptly announce such changes as soon as they are determined.

\*Note concerning forward-looking statements: the above forecasts are based on information available at the time of announcement. Actual results may differ from these forecasts due to various factors that may arise going forward.