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PRESS RELEASE

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Collaboration with Xuanzhu about pain treatment achieved early research results leading to constructive dissolution of current business alliance

August xx, 2018 - RaQualia Pharma Inc. (JASDAQ Code: 4579; RaQualia) announced that early results had been achieved from the research collaboration with XuanZhu Pharma Co., Ltd. (CEO: Dr. Chengkon Shih, headquartered in Shandong, China; hereinafter XuanZhu), a wholly-owned subsidiary of Sihuan Pharmaceutical Group Holdings Limited, (HKEx Code: 460, Chairman: Dr. Fengsheng Che, headquartered in Beijing, China; hereinafter Sihuan) concluded on December 22, 2015 focused on sodium channel Nav 1.7 selective antagonists (hereinafter Nav 1.7 selective antagonists). Consequentially, the company's Board of Directors had decided to dissolve the collaboration agreement and conclude a memorandum of understanding (MOU) with XuanZhu.

In December 2015, RaQualia and XuanZhu embarked on collaborative research focused on Nav 1.7 selective antagonists aiming to develop pre-clinical compounds that could lead to new pain treatment within three years. The two companies have to date obtained many outstanding research results. As the end of the initially set target period is approaching, the two companies discussed future collaborative research, resulting in an agreement to engage in independent R&D based on the research results obtained by each, and RaQualia and XuanZhu dissolved the current collaboration as part of ongoing development. The MOU concluded between the two companies obliges each to pay the other royalties if it becomes possible to secure earnings based on each other's research results.

Since positive progress has been made in the said ion channel drug development research as a result of the research collaboration between the two companies, RaQualia believes that there is an increased possibility that Nav 1.7 selective antagonists can be used as a pain treatment. RaQualia and XuanZhu will jointly announce research results belonging to RaQualia at the 17th World Congress on Pain, scheduled to take place in September this year.

Forum: 17th World Congress on Pain
Location: US (Boston)
Announcement date: September 13, 2018
Announcement format: Poster Presentation
Announcement title: Orally bio-available small molecule RQ-00488738, a novel Nav 1.7 channel inhibitor, suppresses nocifensive behaviors in the animal pain models

RaQualia will continue to strive to maximize the value of its R&D portfolio via further development of ion channel drug development, which is its strength, in addition to expanding drug development research focusing on the ion channel concerned, including results obtained via the research collaboration with XuanZhu.

This will have no financial impact on the company's results for FY2018 (January 1, 2018 to December 31, 2018).

End

*1: Sodium channel
The sodium ion channel is a type of ion channel, which are pore-forming integral membrane proteins that regulate plasma membrane potential by allowing the flow of ions across cell membranes in excitable cells such as neurons or muscle cells. Ion channels form pores depending on changes in electric potential inside and outside the cell and selectively allow sodium to penetrate the cell. Action potentials arise as a result of the sodium ion channel forming pores, which is responsible for the transmission of pain via sensory nerves.

*2: Sodium ion channel Nav 1.7 selective antagonists
Nine types of sodium ion channel (Nav 1.1-1.9) have been reported. They are classified as TTX-S and TTX-R based on sensitivity versus tetrodotoxin (TTX), a neurotoxin found in pufferfish. There are expectations of Nav 1.7 selective antagonist, which is classified as TTX-S, as a pain treatment.
In the December 22, 2015 press release *RaQualia Announces Research Collaboration Agreement with XuanZhu Pharma Co., Ltd. (China),* the target drug was not disclosed. The press release merely stated that, “The partnership will focus on developing pre-clinical compounds for a specific ion channel." However, in view of the steady progress made in the research collaboration between RaQualia and XuanZhu, from today, the company decided to officially announce that the target drug is a sodium ion channel Nav 1.7 selective antagonist.

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