

These documents have been translated from Japanese originals for reference purposes only. In the event of any discrepancy between these translated documents and the Japanese originals, the originals shall prevail. RaQualia Pharma Inc. assumes no responsibility for these translations or for direct, indirect or any other forms of damages arising from the translations.

Securities code: 4579  
March 8, 2019

Naoki Tani  
President & CEO  
**RaQualia Pharma Inc.**  
1-21-19 Meieki Minami,  
Nakamura-ku, Nagoya, Japan

## CONVOCATION NOTICE OF THE 11TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 11th Ordinary General Meeting of Shareholders (the “Meeting”) of RaQualia Pharma Inc. (the “Company”) to be held as indicated below.

If you are unable to attend the Meeting, you may exercise your voting rights in writing (Voting Right Exercise Form) or by electromagnetic method (via the internet). Please review the attached “Reference Materials for the Ordinary General Meeting of Shareholders” and exercise your voting rights **no later than 5:30 p.m., Friday, March 22, 2019 (Japan Standard Time)**.

1. **Date and Time:** March 25, 2019 (Monday) at 10:30 a.m. (Reception desk is scheduled to open at 9:30 a.m.)  
(Please note that the start time is different from last year.)
2. **Place:** Sakae Gas Hall, Sakae Gas Building 5F,  
3-15-33 Sakae, Naka-ku, Nagoya, Japan
3. **Meeting Agenda:**  
**Report matters:**
  1. The Business Report and the Consolidated Financial Statements for the 11th Fiscal Year (January 1, 2018 to December 31, 2018), and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit and Supervisory Committee
  2. Non-consolidated Financial Statements for the 11th Fiscal Year (January 1, 2018 to December 31, 2018)  
**Resolution matters:**
  - Proposal 1:** Reduction in Amount of Capital Stock
  - Proposal 2:** Reduction in Amount of Legal Capital Surplus
  - Proposal 3:** Appropriation of Surplus
  - Proposal 4:** Election of Four (4) Directors (excluding Directors Serving on the Audit and Supervisory Committee)
4. **Guidance for Exercising Voting Rights, etc.:** Please refer to the “Guidance for Exercising Voting Rights, etc.” on page 2.

- 
- If you plan to attend the Meeting, please submit the enclosed Voting Right Exercise Form to the receptionist at the Meeting.
  - Any amendments to the Reference Materials for the Ordinary General Meeting of Shareholders, Business Report, Consolidated Financial Statements, and Non-consolidated Financial Statements will be posted on the Company’s website (URL: <https://www.raqualia.co.jp/>). The amendments in these documents will be available in Japanese only.

## Guidance for Exercising Voting Rights, etc.

You may exercise your voting rights by the following three methods.

### Attending the Meeting

Please submit the Voting Right Exercise Form to the receptionist at the Meeting.

**Date and Time:** **March 25, 2019 (Monday) at 10:30 a.m.**  
**(Reception desk is scheduled to open at 9:30 a.m.)**

**Place:** **Sakae Gas Hall, Sakae Gas Building 5F**

### Voting in Writing (by Mail)

Please indicate “for” or “against” for each of the proposals in the enclosed Voting Right Exercise Form, and post it to us without postage stamp.

**Deadline:** **To be received no later than 5:30 p.m., Friday, March 22, 2019**  
**(Japan Standard Time)**

### Voting via the Internet

Please use a personal computer or smartphone to access the website for exercising voting rights (<https://www.web54.net>; Available in Japanese only), input the “voting right exercise code” and “password” supplied on the enclosed Voting Right Exercise Form, and follow the on-screen instructions to enter your vote “for” or “against” for each of the proposals.

**Deadline:** **No later than 5:30 p.m., Friday, March 22, 2019 (Japan Standard Time)**

- 1) Please note that, to prevent individuals other than the shareholders from committing unauthorized access of the website (impersonation) or unauthorized alteration of votes already made by authentic shareholders, we may request shareholders to change their “password” at the website for exercising voting rights.
- 2) Any expenses arising from accessing the website for exercising voting rights (internet access fees, telephone charges, etc.) shall be borne by the shareholder. Also, when voting by smartphone, packet communication fees and other costs entailed by the use of smartphones also shall be borne by the shareholder.
- 3) If you exercise voting rights in duplicate, both in writing and via the internet, the voting rights exercised via the internet shall be deemed effective. Also, if you exercise voting rights several times via the internet, only your final vote shall be deemed effective.

**Inquiries regarding exercising voting rights via the internet:** Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Web Support (dedicated line)  
0120-652-031 (toll free, available only in Japan) (Support in Japanese only)  
[9:00 a.m. to 9:00 p.m. (Japan Standard Time)]

## Reference Materials for the Ordinary General Meeting of Shareholders

### Proposal 1: Reduction in Amount of Capital Stock

#### 1. Reasons for reduction in amount of capital stock

For eliminating a deficit in retained earnings to restore the financial position and to enable the Company to distribute dividends from surplus and implement shareholder return measures, such as repurchase of treasury share in the future, as well as to ensure the flexibility and mobility of the capital policy going forward, it is proposed that the amount of capital stock be reduced and transferred to other capital surplus pursuant to provisions of Article 447, Paragraph 1, of the Companies Act. Reduction in amount of capital stock will not reduce the total number of shares issued, and thus will not affect the number of shares held by each shareholder. The transfers are processed within the “Net Assets” section in the balance sheet, and therefore will not change the Company’s net assets.

#### 2. Outline of the reduction in amount of capital stock

##### (1) Amount of capital stock to be reduced

Capital stock of ¥2,793,458,488 will be reduced by ¥892,842,971 to ¥1,900,615,517. The total amount of the reduction will be transferred to other capital surplus.

##### (2) Method of reduction of capital stock

Reduction of capital without compensation, whereby the total number of shares issued shall not be changed but part of capital stock will be reduced, shall be conducted.

##### (3) Effective date of reduction in amount of capital stock

May 1, 2019

### Proposal 2: Reduction in Amount of Legal Capital Surplus

#### 1. Reasons for reduction in amount of legal capital surplus

For the same purpose as Proposal 1, “Reduction in Amount of Capital Stock,” in order to eliminate a deficit in retained earnings to restore the financial position and to enable the Company to distribute dividends from surplus and implement shareholder return measures, such as repurchase of treasury share in the future, as well as to ensure the flexibility and mobility of the capital policy going forward, it is proposed that the amount of legal capital surplus be reduced and transferred to other capital surplus pursuant to provisions of Article 448, Paragraph 1, of the Companies Act.

#### 2. Outline of the reduction in amount of legal capital surplus

##### (1) Amount of legal capital surplus to be reduced

Legal capital surplus of ¥2,983,241,487 will be reduced by ¥892,842,971 to ¥2,090,398,516. The total amount of the reduction will be transferred to other capital surplus.

##### (2) Effective date of reduction in amount of legal capital surplus

May 1, 2019

### Proposal 3: Appropriation of Surplus

#### 1. Reasons for appropriation of surplus

Pursuant to provisions of Article 452 of the Companies Act, the Company seeks approval for the entire amount of other capital surplus generated by the reduction of capital stock of Proposal 1 as well as the reduction of legal capital surplus of Proposal 2, to be transferred to retained earnings brought forward in order to cover the loss. This proposal, however, is subject to the approval of Proposal 1 “Reduction in Amount of Capital Stock” and Proposal 2 “Reduction in Amount of Legal Capital Surplus” as proposed.

#### 2. Item, amount and effective date of appropriation of surplus

##### (1) Item and amount of surplus to decrease:

Other capital surplus ¥1,785,685,942

##### (2) Item and amount of surplus to increase:

Retained earnings brought forward ¥1,785,685,942

##### (3) Effective date of appropriation of surplus:

May 1, 2019

**Proposal 4: Election of Four (4) Directors (excluding Directors Serving on the Audit and Supervisory Committee)**

The terms of office of all four (4) Directors (excluding Directors serving on the Audit and Supervisory Committee; the same shall apply hereinafter in this proposal) will expire upon conclusion of this Meeting. Therefore, it is proposed that four (4) Directors be elected.

The candidates for Directors are as follows.

No.	Name (Date of birth)	Career summary, position and responsibilities in the Company (Important concurrent positions)	Number of shares of the Company held
1	Naoki Tani (Mar. 23, 1948)	<p>Apr. 1973 Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)</p> <p>Jul. 1985 In charge of Licensing, Planning Office</p> <p>Jul. 2000 Global Management Strategy Department</p> <p>Apr. 2006 Professor, TLO Department, Nara Institute of Science and Technology</p> <p>Apr. 2010 Joined the Company Vice President</p> <p>Oct. 2010 Director</p> <p>Apr. 2011 Senior Vice President</p> <p>Aug. 2012 Representative Director (to present)</p> <p>Apr. 2017 President and CEO, TMRC Co., Ltd. (to present)</p> <p>&lt;Important concurrent position&gt; President and CEO, TMRC Co., Ltd.</p>	20,000 shares
<p>[Reason for the nomination as candidate for Director]</p> <p>Mr. Naoki Tani has abundant experience and extensive insight from a centrally important role in the licensing activities of a pharmaceutical company. Moreover, during his time at the Company, Mr. Tani has been deeply involved in the decision making of important business execution as a Representative Director and as the leader of senior management, demonstrating his prowess in this capacity. Expecting Mr. Tani to continue to fulfill his responsibilities as a business manager and contribute to the Company going forward, the Company once again nominates him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities in the Company (Important concurrent positions)	Number of shares of the Company held
2	Hatsuo Aoki (Apr. 8, 1936)	<p>Apr. 1960 Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)</p> <p>Jun. 1988 Member of the Board</p> <p>Jan. 1993 Managing Director, Fujisawa Pharmaceutical Co., Ltd. Chairman &amp; CEO, Fujisawa USA, Inc.</p> <p>Jun. 1995 Senior Managing Director, Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.)</p> <p>Jun. 1999 President and CEO</p> <p>Apr. 2005 Chairman and Representative Director, Astellas Pharma Inc.</p> <p>Jun. 2006 Co-chairman and Representative Director</p> <p>Jun. 2008 Senior Advisor to the Board</p> <p>Jun. 2010 Adviser</p> <p>Aug. 2011 Consultant, the Company</p> <p>Mar. 2012 Director, CxO advisors, Inc. Outside Director, the Company (to present)</p> <p>Jun. 2017 Director, Lind Pharma, Inc. (to present)</p> <p>&lt;Important concurrent position&gt; Director, Lind Pharma, Inc.</p>	– shares
<p>[Reason for the nomination as candidate for Outside Director]</p> <p>Mr. Hatsuo Aoki has abundant experience as a senior manager and broad insight into global operations. Expecting to utilize Mr. Aoki's knowledge in the senior management of the Company, so that he may promote further revitalization of the Board of Directors, improve transparency of senior management and strengthen corporate governance, the Company once again nominates him as a candidate for Outside Director. Mr. Aoki's tenure as Outside Director will be seven (7) years at the conclusion of this Meeting.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities in the Company (Important concurrent positions)	Number of shares of the Company held
3	Kiichiro Kawada (Oct. 26, 1960)	<p>Apr. 1984 Joined Kamigumi Co., Ltd.</p> <p>Jan. 1989 Joined Touche Ross &amp; Co.</p> <p>Sep. 1990 Joined Deloitte Touche LLP</p> <p>Aug. 1993 Registered as U.S. Certified Public Accountant (California, the United States)</p> <p>Sep. 1995 Manager (International Taxation), Deloitte Touche LLP</p> <p>Nov. 1995 Joined Finance &amp; Accounting Division of NIPPON EXPRESS U.S.A., INC. Senior Manager</p> <p>Sep. 2001 Joined CF Division of Tohmatsu &amp; Co. Manager</p> <p>Oct. 2003 Senior Manager</p> <p>Oct. 2004 Joined Industrial Revitalization Corporation of Japan Manager</p> <p>May 2005 Joined FA Division of Deloitte Tohmatsu FAS Co., Ltd. Senior Vice President</p> <p>Mar. 2009 Joined the Company Vice President (General Manager of Internal Audit Office)</p> <p>Sep. 2011 Vice President (in charge of Corporate Planning &amp; Strategy)</p> <p>Mar. 2012 Senior Vice President (CFO and in charge of Finance, Corporate Planning &amp; Strategy and Research Planning &amp; Coordination)</p> <p>Mar. 2016 Executive Vice President (CFO and in charge of Finance, Corporate Planning &amp; Strategy and Research Planning &amp; Coordination) (to present) Director (to present)</p> <p>Apr. 2017 Director, TMRC Co., Ltd. (to present)</p> <p>Dec. 2018 Representative Director, RaQualia Innovations Inc. (to present)</p> <p>&lt;Important concurrent position&gt; Director, TMRC Co., Ltd. Representative Director, RaQualia Innovations Inc.</p>	8,000 shares
<p>[Reason for the nomination as candidate for Director]</p> <p>Mr. Kiichiro Kawada has performed roles as Director and Executive Vice President (CFO and in charge of Finance, Corporate Planning &amp; Strategy and Research Planning &amp; Coordination) that are important and essential for the continuation of the Company's business operations, such as formulation of the medium-term management plan and the raising of capital. Expecting that, going forward, Mr. Kawada will continue to play roles of even greater importance than now in the fields of the Company's finance and investor relations, the Company once again nominates him as a candidate for Director.</p>			

No.	Name (Date of birth)	Career summary, position and responsibilities in the Company (Important concurrent positions)	Number of shares of the Company held
4	Shuzo Watanabe (May 15, 1967)	<p>Apr. 1992 Joined Pfizer Seiyaku K.K. (currently Pfizer Japan Inc.)</p> <p>Apr. 2005 Senior Scientist, Discovery Biology Research, Pfizer Global Research and Development Nagoya Laboratories, Pfizer Japan Inc.</p> <p>Dec. 2006 Senior Principal Scientist, Discovery Biology Research, Pfizer Global Research and Development Nagoya Laboratories</p> <p>Jul. 2008 Joined the Company</p> <p>Oct. 2012 Vice President (Head of Discovery Research)</p> <p>Mar. 2016 Senior Vice President (Head of Discovery Research) (to present) Director (to present)</p> <p>Apr. 2017 Director, TMRC Co., Ltd. (to present)</p> <p>&lt;Important concurrent position&gt; Director, TMRC Co., Ltd.</p>	26,400 shares
<p>[Reason for the nomination as candidate for Director]</p> <p>Mr. Shuzo Watanabe has performed roles as Director and Senior Vice President (Head of Discovery Research) that are central to drug development and research, the Company's core business. Expecting that, going forward, Mr. Watanabe will strengthen the Company's relationships with Nagoya University and joint research partners, and continue to achieve research results, the Company once again nominates him as a candidate for Director.</p>			

- (Notes)
1. No conflict of special interests exists between the Company and each candidate.
  2. Mr. Hatsuo Aoki is a candidate for Outside Director.
  3. The Company has designated Mr. Hatsuo Aoki as an independent officer based on the regulations stipulated by the Tokyo Stock Exchange and has notified the Tokyo Stock Exchange accordingly. If the reappointment of Mr. Aoki is approved, the Company will designate him again as an independent officer.
  4. Under the provision of Article 427, Paragraph 1, of the Companies Act, the Company has entered into an agreement with Mr. Hatsuo Aoki to limit his liability for damages specified in Article 423, Paragraph 1 of the said Act. The Company will continue the said agreement with him if he is elected as a Director in accordance with this proposal. The maximum amount of liability for damages under the agreement shall be the amount provided for by laws and ordinances.

## Consolidated Financial Statements

### Consolidated Balance Sheet

(Thousands of yen)			
Account title	11th Fiscal Year (As of December 31, 2018)	Account title	11th Fiscal Year (As of December 31, 2018)
<b>Assets</b>		<b>Liabilities</b>	
<b>Current assets</b>	<b>1,962,252</b>	<b>Current liabilities</b>	<b>164,492</b>
Cash and deposits	1,671,346	Lease obligations	741
Accounts receivable - trade	680	Accounts payable - other	98,618
Securities	168,193	Accrued expenses	47,805
Supplies	6,498	Income taxes payable	14,237
Advance payments - trade	8,737	Deposits received	3,089
Prepaid expenses	71,937	<b>Non-current liabilities</b>	<b>30,722</b>
Other	34,858	Lease obligations	2,409
<b>Non-current assets</b>	<b>2,090,049</b>	Asset retirement obligations	11,838
<b>Property, plant and equipment</b>	<b>317,795</b>	Deferred tax liabilities	16,474
Buildings	142,731	<b>Total liabilities</b>	<b>195,214</b>
Tools, furniture and fixtures	676,694	<b>Net assets</b>	
Leased assets	3,432	<b>Shareholders' equity</b>	<b>3,886,476</b>
Accumulated depreciation	(505,062)	<b>Capital stock</b>	<b>2,793,458</b>
<b>Intangible assets</b>	<b>33,985</b>	<b>Capital surplus</b>	<b>2,983,241</b>
Trademark right	4,533	<b>Retained earnings</b>	<b>(1,890,201)</b>
Software	28,420	<b>Treasury shares</b>	<b>(21)</b>
Other	1,032	<b>Accumulated other comprehensive income</b>	<b>(41,901)</b>
<b>Investments and other assets</b>	<b>1,738,267</b>	Valuation difference on available- for-sale securities	(41,901)
Investment securities	1,716,580	<b>Share acquisition rights</b>	<b>12,512</b>
Long-term prepaid expenses	10,035	<b>Total net assets</b>	<b>3,857,087</b>
Other	11,652		
<b>Total assets</b>	<b>4,052,302</b>	<b>Total liabilities and net assets</b>	<b>4,052,302</b>

(Note) Figures less than one thousand yen are rounded down to the nearest thousand.



## Consolidated Statement of Income

(Thousands of yen)

Account title	11th Fiscal Year (January 1, 2018 to December 31, 2018)
<b>Business revenue</b>	<b>744,517</b>
<b>Business expenses</b>	<b>1,819,627</b>
Cost of business revenue	89,411
Research and development expenses	1,074,619
Other selling, general and administrative expenses	655,596
<b>Operating loss</b>	<b>(1,075,109)</b>
<b>Non-operating income</b>	<b>45,218</b>
Interest income	9,004
Interest on securities	32,215
Other	3,998
<b>Non-operating expenses</b>	<b>34,960</b>
Foreign exchange losses	32,841
Other	2,118
<b>Ordinary loss</b>	<b>(1,064,851)</b>
<b>Extraordinary income</b>	<b>4,577</b>
Gain on sales of investment securities	4,577
<b>Extraordinary losses</b>	<b>17,919</b>
Loss on redemption of investment securities	17,919
<b>Loss before income taxes</b>	<b>(1,078,193)</b>
Income taxes - current	26,686
Income taxes - deferred	(331)
<b>Loss</b>	<b>(1,104,548)</b>
<b>Loss attributable to owners of parent</b>	<b>(1,104,548)</b>

(Note) Figures less than one thousand yen are rounded down to the nearest thousand.

**Consolidated Statement of Changes in Equity**  
(11th Fiscal Year from January 1, 2018 to December 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,741,249	2,931,032	(785,652)	(21)	4,886,607
Changes of items during period					
Issuance of new shares	52,208	52,208			104,417
Loss attributable to owners of parent			(1,104,548)		(1,104,548)
Net changes of items other than shareholders' equity					—
Total changes of items during period	52,208	52,208	(1,104,548)	—	(1,000,131)
Balance at end of current period	2,793,458	2,983,241	(1,890,201)	(21)	3,886,476

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	(15,826)	(15,826)	17,168	4,887,950
Changes of items during period				
Issuance of new shares		—		104,417
Loss attributable to owners of parent		—		(1,104,548)
Net changes of items other than shareholders' equity	(26,075)	(26,075)	(4,656)	(30,732)
Total changes of items during period	(26,075)	(26,075)	(4,656)	(1,030,863)
Balance at end of current period	(41,901)	(41,901)	12,512	3,857,087

(Note) Figures less than one thousand yen are rounded down to the nearest thousand.