

March 30, 2021

Company Name	RaQualia Pharma Inc.	
Representative	President & CEO	Hirobumi Takeuchi
Securities Code:	4579	
Inquiries	General Manager, Finance & Accounting Dept.	Hidefumi Sugiyama (Tel: 052-446-6100)

### **Notice of Entry into Grace Period Pertaining to Delisting of Company's Shares**

RaQualia Pharma Inc. submitted its annual securities report for the fiscal year ended December 31, 2020, which states that the Company had (1) negative operating income and cash flow from business activities for the four most recent fiscal years\*1 (Criteria pertaining to Business Performance), and (2) negative operating income for the fiscal year of application for listing and negative operating income for the nine fiscal years following its listing (Criteria pertaining to Recorded Profit). As announced today by the Tokyo Stock Exchange, Inc. (hereinafter, "TSE"), for falling under these two criteria, the shares of the Company have entered a grace period related to delisting criteria as stipulated by Rule 604-4, Paragraph 1, Item 1 of the Securities Listing Regulations (related provision: Rule 604-2, Paragraph 1, Item 2 of the same regulations) and Rule 604-4, Paragraph 1, Item 3 of the same regulations.

\*\*\*

#### 1. Background of entry into grace period pertaining to delisting

Since listing on the stock exchange in July 2011, the Company has been conducting drug discovery research activities with the aim of creating groundbreaking new drugs based on our vision of "seeking to bring people greater health and happiness through innovative new medicines."

During this period, the Company has hastened to build a stable revenue base by expanding royalty income from pharmaceutical sales in the market, launching two pet drugs in the U.S. in the fiscal year ended December 31, 2017, and launching one human drug in the fiscal year ended December 31, 2019.

However, owing to the impact of the phase III clinical trial results for ziprasidone announced in September 2019 and the delay of milestone-related income due to the delay of clinical development trials caused by the new coronavirus infection until fiscal 2021 or later, the Company has not been able to generate positive operating income since its listing in 2011, and it has been notified by TSE of entry of the Company's shares into a grace period for delisting.

## 2. Grace period

- Criteria pertaining to Business Performance (4 consecutive term: FY12/2017 to FY12/2020)  
Two-year grace period: From January 1, 2021 to December 31, 2022 (Section 4 of the Supplementary Provisions of the Amendment to the Securities Listing Regulations on February 7, 2020)
- Criteria pertaining to Recorded Profit (9 consecutive term: fiscal 2012 to fiscal 2020)  
Two-year grace period: From January 1, 2021 to December 31, 2022 (Section 5 of the Supplementary Provisions of the Amendment to the Securities Listing Regulations on February 7, 2020)

## 3. Future outlook

Regarding the full-year consolidated earnings forecast for the fiscal year ending December 2021, in addition to royalty income from tegoprazan, a gastro-esophageal reflux disease treatment drug, GALLIPRANT, a canine osteoarthritis treatment drug, ENTYCE, a canine anorexia treatment drug, and ELURA, a ghrelin receptor agonist that will be marketed as a drug to manage weight loss in cats, the Company expects also a significant increase in revenue due to the contribution of milestone-related income from the development of a P2X7 receptor antagonist announced on January 29, 2021, and other drugs. Further, we will continue to adjust expenses, etc., and strive to strengthen our earnings structure, and we anticipate to start generating positive operating income.

In the current JASDAQ Growth Market, cancellation of the grace period can be achieved by undergoing a review based on the new listing criteria. In accordance with Note 2 on page 16 of "Development of Listing Rules for Cash Equity Market Restructuring (Second Set of Revisions)" published by TSE on December 25, 2020, we understand that our grace period will be lifted by the transition to the new market segments.

In addition, the FAQ of the Japan Exchange Group's Listed Company Navigation System states that the Criteria pertaining to Business Performance and the Criteria pertaining to Recorded Profit currently set as the delisting criteria for JASDAQ are not expected to be similarly set for the new market segments, and that JASDAQ-listed stocks that have been in the grace period due to such criteria will be removed from the grace period. For details, please refer to the following.

< <https://faq.jpx.co.jp/disclo/tse/web/knowledge7992.html> >

Note 1: Although negative figures have actually been recorded since the fiscal year ended December 31, 2011, the five fiscal years following the fiscal year in which the initial public offering application was filed (the fiscal year ended December 31, 2012 through the fiscal year ended December 31, 2016) are not included in the period for calculating "five consecutive years."

Note 2: The 6th comment in the "Additional comments" column in section "3. Transitional

measures regarding listing maintenance standards" of the Second Set of Revisions of the "Development of Listing Rules for Cash Equity Market Restructuring" states as follows. "For listed companies which are subject to TSE's measures for ensuring effectiveness, have entered into a grace period pertaining to delisting, have been designated as securities under supervision or are set to be delisted under the current rules as of the day prior to the transition date, said statuses shall be carried over after the transition to the new market segment (excluding entries into a grace period or designations as securities under supervision which are not be applied under the new rules)."