



December 7, 2018

PRESS RELEASE

Company: RaQualia Pharma Inc.

(Ticker code: 4579)

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### **RaQualia announces the establishment of new company RaQualia Innovations**

At a meeting of RaQualia Pharma Inc.'s (JASDAQ Code: 4579; RaQualia) Board of Directors held today, the board decided to establish a subsidiary, as outlined below.

#### 1. Purpose

RaQualia's strengths include a drug development platform centered on ion channel drug development, going public as a pioneering carve-out venture in Japan (\* 1), and bringing pharmaceutical products to market via collaboration with partners. Over the ten years since it was established, RaQualia has focused on strengthening intellectual property and joint research with academia, including universities and public research institutions, and drug manufacturers, thereby accumulating tangible and intangible expertise. Believing a "new platform" needed to be created to achieve further growth and boost its social value, RaQualia decided to establish a new company called RaQualia Innovations Inc. (hereinafter, "the new company").

The new company will seek to commercialize seeds of new drugs and business created by academia and startups in and outside Japan. In particular, it will endeavour to promote and nurture drug development activities within academia in central Japan, including Nagoya University.

The new company will mainly 1) aim to build a universe of pre-clinical compounds emerging from researchers within academia, and 2) provide optimal solutions for maximizing bioventure business value and promote collaboration. Specifically, the company will engage in technology development leveraging our drug development platform, support the drawing up of intellectual property strategy, and propose exit strategies. Also, while 3) striving to support development of orphan drugs (pharmaceutical agents developed specifically to treat rare medical conditions) for children, aiming to

raise children suffering from intractable diseases to be cheerful, healthy adults amid a decline in the number of children in Japan, 4) the new company plans to establish a fund to accelerate development of these businesses going forward.

The new company will enthusiastically promote links between industry and academia and collaboration with other companies to create a strategic open innovation hub to realize RaQualia Pharma Inc.'s mission of building a life sciences area in central Japan, and an ecosystem (\* 2) that produces streams of innovative technology and products, such as those that can be seen in America's Silicon Valley. The new company will provide innovative suggestions for RaQualia Pharma Inc.'s existing parent business, be an opportunity to enter new areas, including overseas development, and contribute substantially to the creation of the new platform that will promote growth.

We are convinced that the RaQualia Pharma Inc. group's business creation efforts in the field of life sciences will drive clinical application and commercialization of outstanding basic research in academia and elsewhere and support regional revitalization. RaQualia will continue to contribute to Japan's economy and to development of life sciences around the world.

## 2. Overview of the subsidiary to be established

(1) Name	RaQualia Innovations Inc.
(2) Principal office location	Moriichi Building, Kyobashi 1-3-2, Chuo-ku, Tokyo
(3) Representative's name and position	Representative director Kiichiro Kawada (RaQualia Pharma Inc.'s Executive Vice President)
(4) Main business	<ul style="list-style-type: none"> <li>(1) Discovery and development of pharmaceutical compounds</li> <li>(2) Sales and licensing of pharmaceuticals and pre-clinical compounds and intellectual property associated with the basic technology behind them.</li> <li>(3) Partnerships with companies and universities aimed at development and marketing of intellectual property in the biomedical field</li> <li>(4) Corporate management consulting</li> <li>(5) Investment business</li> <li>(6) Business associated with the preceding business operations</li> </ul>
(5) Capital	¥5mn (total investment: ¥10mn)
(6) Fiscal year-end	December
(7) Investment ratios	RaQualia Pharma Inc. 100%
(8) Date of establishment	December 7, 2018 (scheduled)

## 3. Outlook

We expect the subsidiary to contribute to longer-term earnings expansion. The contribution to the group's FY12/18 (1 January 2018 to 31 December 2018) consolidated results will be modest. We shall promptly disclose items that should be disclosed when they arise.

\* 1: Carve-out venture: Carve-out is a management strategy to improve earnings and grow business in which a company hives off a business or subsidiary and establishes it as a start-up. RaQualia started doing business with members of staff of Pfizer Inc., the Japanese subsidiary of major US company Pfizer, who moved to the company when the latter closed its research laboratories in Japan.

\* 2: Ecosystem: Originally a scientific term to describe the interconnections between living creatures, ecosystem has recently been widely used as a business term to describe partnerships between companies, research institutions, etc., in which technology and capital are leveraged and co-exist surpassing borders within a global framework. We aim to create a structure that healthily and swiftly allocates and returns earnings to diverse members of the structure, enabling patients and consumers to benefit, via collaboration with academia, start-ups, etc.

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