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PRESS RELEASE

Company: RaQualia Pharma Inc.

(Ticker code: 4579)

Representative: Representative Director Naoki Tani

Inquiries: Executive Kiichiro Kawada

(TEL. +81-52-446-6100)

Notice Concerning Revision to Medium-Term Management Plan

December 28, 2020 - RaQualia Pharma Inc. (RaQualia) announced today that the Company revised its “Medium-Term Management Plan Gaia 2021 (2020 - 2022)”, which were previously published on August 14, 2020, as shown below.

1. Revisions of business forecasts

【Revised forecast】

(Unit: Millions of yen)

	Net sales	Operating cost	Operating profit (△)	Ordinary profit (△)	Net profit attributable to owners of parent (△)
FY2019 (result)	1,702	1,715	△15	21	5
FY2020 (Plan)	<u>852</u>	<u>1,605</u>	<u>△753</u>	<u>△759</u>	<u>△843</u>
FY2021 (Target)	<u>2,700</u>	<u>2,331</u>	<u>369</u>	<u>376</u>	<u>319</u>
FY2022 (Target)	<u>2,532</u>	<u>2,154</u>	<u>377</u>	<u>392</u>	<u>326</u>

【Previous forecast】 Previous announcement: August 14,2020

(Unit: Millions of yen)

	Net sales	Operating cost	Operating profit (△)	Ordinary profit (△)	Net profit attributable to owners of parent (△)
FY2019 (result)	1,702	1,715	△15	21	5
FY2020 (Plan)	<u>1,579</u>	<u>1,840</u>	<u>△260</u>	<u>△256</u>	<u>△333</u>
FY2021 (Target)	<u>2,349</u>	<u>2,143</u>	<u>205</u>	<u>233</u>	<u>118</u>
FY2022 (Target)	<u>2,305</u>	<u>2,060</u>	<u>244</u>	<u>261</u>	<u>200</u>

2. Reasons for revision

As described in the “Notice Concerning Revision to Full-Year FY12/20 Consolidated Earnings Forecast”, released on December 28, 2020, and in view of its latest performance trends, the Company revised the “Medium-Term Management Plan Gaia 2021 (2020 - 2022)” previously released on August 14, 2020.

The background for the revision is that it factors in such things as the impact of the global novel coronavirus (COVID-19) pandemic on business development activities.

The key factors of change are as follows;

Regarding Net sales for FY12/20, it is expected to decrease by 726 million yen (down 46% yoy) compared to the previously announced forecast. Due to the stagnation of economic activity caused by the novel coronavirus (COVID-19) pandemic, restrictions on movement in Japan and overseas, and closure of clinical trial facilities,

negotiations regarding the development of Tegoprazan in Japan did not lead to the conclusion of a contract within this year and it was postponed to the next term. In addition, some clinical trials at partner companies and negotiations related to the ion channel drug discovery programs were also postponed due to the COVID-19 pandemic. Almost all of the contract-related income that was initially expected will likely be delayed until the next fiscal year and beyond.

Business costs are expected to decrease by 235 million yen (down 13% yoy) compared to the previously announced forecast due to R&D costs being delayed until the next fiscal year, such as contractual studies.

For FY12/21, in addition to the royalty income from therapeutic drugs on the market such as "Tegoprazan" for gastroesophageal reflux, "GALLIPRANT®" for canine osteoarthritis, and "ENTYCE®" for loss of appetite in dogs, the Net sales plan has been revised upwards to 351 million yen (up 15% yoy), assuming that contracts carried over from the previous fiscal year, and contract-related income will contribute. With regards to the plan for business costs, the amount was increased to 188 million yen (up 8.8% yoy) in anticipation of an expansion in the research infrastructure, and an increase in R&D expenses such as contractual trials.

With regards to FY12/22, we have revised upwards the Net sales forecast to 227 million yen (up 9.8% yoy) in anticipation of growth for products on the market, and the receipt of contract-related income.

Regarding the business cost forecast, we expect an increase in R&D expenses, such as contractual trials, and increased it to 94 million yen (up 4.6% yoy). Since the development of Tegoprazan in China is progressing smoothly, sales for the drug are expected to start in 2022.

Assuming that the impact of the COVID-19 pandemic will continue during the period of this mid-term business plan (FY12/20 to FY12/22), we are again reviewing the rate of growth regarding sales royalty income from products on the market, for both FY12/21 and FY12/22.

In consequence, the Company revised its forecasts for the fiscal year ending December 31, 2020: Net sales to ¥852 million (the previously published forecast was ¥1,579 million), its Operating loss to ¥753 million (the previously published forecast was ¥260 million loss), its Ordinary loss to ¥759 million (the previously published forecast was ¥256 million loss), and its Net loss attributable to owners of parent to ¥843 million (the previously published forecast was ¥333 million loss).

For the fiscal year ending December 31, 2021: Net sales to ¥2,700 million (the previously published forecast was ¥2,349 million), its Operating profit to ¥369 million (the previously published forecast was ¥205 million), its Ordinary profit to ¥376 million (the previously published forecast was ¥233 million), and its Net profit attributable to owners of parent to ¥319 million (the previously published forecast was ¥118 million profit).

For the fiscal year ending December 31, 2022: Net sales to ¥2,532 million (the previously published forecast was ¥2,305 million), its Operating profit to ¥377 million (the previously published forecast was ¥244 million), its Ordinary profit to ¥392 million (the previously published forecast was ¥261 million), and its Net profit attributable to owners of parent to ¥326 million (the previously published forecast was ¥200 million profit).

At present, it is difficult to predict the impact of the COVID-19 infection on our group's medium- to long-term business results, as currently we cannot predict the timing for the end of the COVID-19 pandemic. In the future, if there is a need for a revision due to changes in the situation for the COVID-19 pandemic, or changes in the business environment, we will promptly disclose it.

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

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(revisions)

Change	Previous	Revised
Forecast for FY2020(P4)	<p>(※in the table) FY2020 (Forecast) Operating revenues <u>1,579</u> Operating expenses and operating costs <u>1,840</u> Operating income(loss) (260) Ordinary income(loss) (256) Profit(loss) attributable to owners of the parent company (333)</p> <p>「Topics」 <u>Operating revenues: We revised our forecast downwards our royalty revenue after considering the slowdown in sales of pet pharmaceuticals and the impact on the out-licensing of pharmaceutical products, caused by the COVID-19 outbreak. 」</u></p> <p><u>「We were forced to temporarily slow down its license-alliance activities, due to the COVID-19 outbreak. We revised our forecast downwards our upfront and milestone revenues, compared with its original forecast」</u></p> <p><u>「Operating expenses and operating cost: We revised our forecast downwards our miscellaneous expenses due to the delay in experiments on contract and the reduction in the out-licensing expenses, caused by the COVID-19 outbreak, in addition to the decrease in the payment of royalty.」</u></p>	<p>(※in the table) FY2020 (Forecast) Operating revenues <u>852</u> Operating expenses and operating costs <u>1,605</u> Operating income(loss) <u>(753)</u> Ordinary income(loss) <u>(759)</u> Profit(loss) attributable To owners of the parent company <u>(843)</u></p> <p>「Topics」 <u>「Operating revenues: We revised our forecast of our contract-related income downwards due to the stagnation of economic activity caused by the COVID-19 pandemic, restrictions on movement in Japan and overseas, and closure of clinical trial facilities, negotiations regarding the development of Tegoprazan in Japan did not lead to the conclusion of a contract within this year and it was postponed to the next term. In addition, some clinical trials at a partner companies and negotiations related to the ion channel drug discovery program were also postponed due to the COVID-19 pandemic. Almost all of the contract-related income that was initially expected will likely be delayed until the next fiscal year and beyond.</u></p> <p><u>「Operating expenses and operating cost: We revised our forecast of our R&D cost downwards due to the delay until the next fiscal year, such as contractual studies.</u></p>

Change	Previous	Revised
Medium-Term Management Plan(Gaia 2021) Overview(P9)	FY2020 (Forecast)	FY2020 (Forecast)
	Operating revenues <u>1,579</u>	Operating revenues <u>852</u>
	Operating cost <u>1,840</u>	Operating cost <u>1,605</u>
	(Labor costs) <u>673</u>	(Labor costs) <u>667</u>
	(R&D expenses) <u>379</u>	(R&D expenses) <u>246</u>
	Operating income(loss) (260)	Operating income(loss) <u>(753)</u>
	Ordinary income(loss) (256)	Ordinary income(loss) <u>(759)</u>
	Profit(loss) attributable to owners of the parent company(333)	Profit(loss) attributable to owners of the parent company <u>(843)</u>
	FY2021 (Forecast)	FY2021 (Forecast)
	Operating revenues <u>2,349</u>	Operating revenues <u>2,700</u>
	Operating cost <u>2,143</u>	Operating cost <u>2,331</u>
	(Labor costs) <u>770</u>	(Labor costs) <u>712</u>
	(R&D expenses) <u>358</u>	(R&D expenses) <u>556</u>
	Operating income(loss) <u>205</u>	Operating income(loss) <u>369</u>
	Ordinary income(loss) <u>233</u>	Ordinary income(loss) <u>376</u>
	Profit(loss) attributable to owners of the parent company <u>118</u>	Profit(loss) attributable to owners of the parent company <u>319</u>
	FY2022 (Forecast)	FY2022 (Forecast)
	Operating revenues <u>2,305</u>	Operating revenues <u>2,532</u>
	Operating cost <u>2,060</u>	Operating cost <u>2,154</u>
	(Labor costs) <u>789</u>	(Labor costs) <u>743</u>
	(R&D expenses) <u>360</u>	(R&D expenses) <u>487</u>
Operating income(loss) <u>244</u>	Operating income(loss) <u>377</u>	
Ordinary income(loss) <u>261</u>	Ordinary income(loss) <u>392</u>	
Profit(loss) attributable to owners of the parent company <u>200</u>	Profit(loss) attributable to owners of the parent company <u>326</u>	
Changes in business earnings (P10)	(※Change the value of the bar chart)	(※Change the value of the bar chart)
2020 (Forecast) <u>1,579</u>	2020 (Forecast) <u>852</u>	2020 (Forecast) <u>852</u>
2021 (Target) <u>2,349</u>	2021 (Target) <u>2,700</u>	2021 (Target) <u>2,700</u>
2022 (Target) <u>2,305</u>	2022 (Target) <u>2,532</u>	2022 (Target) <u>2,532</u>
Overview of expenses (P11)	FY2020 (Forecast)	FY2020 (Forecast)
① Operating costs <u>138</u>	① Operating costs <u>121</u>	① Operating costs <u>121</u>
② Operating expenses <u>1,702</u>	② Operating expenses <u>1,483</u>	② Operating expenses <u>1,483</u>
Labor costs <u>673</u>	Labor costs <u>667</u>	Labor costs <u>667</u>
R&D expenses) <u>379</u>	R&D expenses) <u>246</u>	R&D expenses) <u>246</u>
Administrative and Control expenses <u>250</u>	Administrative and Control expenses <u>219</u>	Administrative and Control expenses <u>219</u>
Facility-related expenses <u>227</u>	Facility-related expenses <u>221</u>	Facility-related expenses <u>221</u>
Others <u>173</u>	Others <u>130</u>	Others <u>130</u>
Total(①+②) <u>1,840</u>	Total(①+②) <u>1,605</u>	Total(①+②) <u>1,605</u>

Change	Previous	Revised
	FY2021 (Target)	FY2021 (Target)
	① Operating costs <u>283</u>	① Operating costs <u>340</u>
	② Operating expenses <u>1,861</u>	② Operating expenses <u>1,991</u>
	Labor costs <u>770</u>	Labor costs <u>712</u>
	R&D expenses) <u>358</u>	R&D expenses) <u>556</u>
	Administrative	Administrative
	and Control expenses <u>288</u>	and Control expenses <u>289</u>
	Facility-related expenses <u>255</u>	Facility-related expenses <u>283</u>
	Others <u>190</u>	Others <u>151</u>
	Total(①+②) <u>2,144</u>	Total(①+②) <u>2,331</u>
	FY2022 (Target)	FY2022 (Target)
	① Operating costs <u>262</u>	① Operating costs <u>221</u>
	② Operating expenses <u>1,798</u>	② Operating expenses <u>1,933</u>
	Labor costs <u>789</u>	Labor costs <u>743</u>
	R&D expenses) <u>360</u>	R&D expenses) <u>487</u>
	Administrative	Administrative
	and Control expenses <u>288</u>	and Control expenses <u>267</u>
	Facility-related expenses <u>206</u>	Facility-related expenses <u>251</u>
	Others <u>155</u>	Others <u>185</u>
	Total(①+②) <u>2,060</u>	Total(①+②) <u>2,154</u>

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