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Securities code: 4579
March 6, 2020

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

CONVOCATION NOTICE OF THE 12TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders:

You are cordially invited to attend the 12th 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., Wednesday, March 25, 2020 (Japan Standard Time).**

1. **Date and Time:** March 26, 2020 (Thursday) at 10:30 a.m. (Reception desk is scheduled to open at 9:30 a.m.)
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 12th Fiscal Year (January 1, 2019 to December 31, 2019), 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 12th Fiscal Year (January 1, 2019 to December 31, 2019)
Resolution matters:
 - Proposal 1:** Election of Five (5) Directors (excluding Directors Serving on the Audit and Supervisory Committee)
 - Proposal 2:** Election of Three (3) Directors Serving on the Audit and Supervisory Committee
 - Proposal 3:** Election of One (1) Substitute Director 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.

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- 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 26, 2020 (Thursday) 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., Wednesday, March 25, 2020**
(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., Wednesday, March 25, 2020 (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: Election of Five (5) 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. Also, the Company will increase the number of Directors by one (1) to further enhance the management system. Therefore, it is proposed that five (5) 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) | Apr. 1973 Joined Fujisawa Pharmaceutical Co., Ltd. (currently Astellas Pharma Inc.) Jul. 1985 In charge of Licensing, Planning Office Jul. 2000 Global Management Strategy Department Apr. 2006 Professor, TLO Department, Nara Institute of Science and Technology Apr. 2010 Joined the Company Vice President Oct. 2010 Director Apr. 2011 Senior Vice President Aug. 2012 Representative Director (to present) Apr. 2017 President and CEO, TMRC Co., Ltd. (to present) <Important concurrent position> President and CEO, TMRC Co., Ltd. | 20,000 shares |
| [Reason for the nomination as candidate for Director] 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. | | | |

| No. | Name (Date of birth) | Career summary, position and responsibilities in the Company (Important concurrent positions) | Number of shares of the Company held |
|--|--|---|--|
| 2 | *Michihiro Tsuchiya (Jul. 12, 1947) | <p>Apr. 1976 Joined Tanabe Seiyaku Co., Ltd. (currently Mitsubishi Tanabe Pharma Corporation)</p> <p>Jun. 2001 Director, General Manager, Corporate Strategic Planning Department</p> <p>Jun. 2003 Managing Director, Research Headquarters</p> <p>Jun. 2006 Representative Director, Senior Executive Corporate Officer, Research Headquarters</p> <p>Oct. 2007 Board Director, Executive Vice President, Mitsubishi Tanabe Pharma Corporation</p> <p>Jun. 2009 President & Representative Director</p> <p>Jun. 2014 Chairman of the Board & Representative Director</p> <p>Jun. 2016 Chairman of the Board & Director</p> <p>Jun. 2017 Senior Executive Advisor</p> <p>Jun. 2018 Director, Sumitomo Electric Industries, Ltd. (to present)</p> <p>Jun. 2018 Director, Kyoto University Innovation Capital Co., Ltd. (to present)</p> <p><Important concurrent position> Director, Sumitomo Electric Industries, Ltd. Director, Kyoto University Innovation Capital Co., Ltd.</p> | – shares |
| <p>[Reason for the nomination as candidate for Outside Director]</p> <p>Mr. Michihiro Tsuchiya has abundant experience as a senior manager and broad insight into global operations. Expecting to utilize Mr. Tsuchiya'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 nominates him as a candidate for Outside 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 |
|---|-----------------------------------|--|--|
| 3 | Kiichiro Kawada (Oct. 26,1960) | <p>Apr. 1984 Joined Kamigumi Co., Ltd.</p> <p>Jan. 1989 Joined Touche Ross & 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 & Accounting Division of NIPPON EXPRESS U.S.A., INC. Senior Manager</p> <p>Sep. 2001 Joined CF Division of Tohmatsu & 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 & Strategy)</p> <p>Mar. 2012 Senior Vice President (CFO and in charge of Finance, Corporate Planning & Strategy and Research Planning & Coordination)</p> <p>Mar. 2016 Executive Vice President (CFO and in charge of Finance, Corporate Planning & Strategy and Research Planning & 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><Important concurrent position> Director, TMRC Co., Ltd. Representative Director, RaQualia Innovations Inc.</p> | 20,000 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 & Strategy and Research Planning & 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><Important concurrent position> 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> | | | |

| No. | Name (Date of birth) | Career summary, position and responsibilities in the Company (Important concurrent positions) | Number of shares of the Company held |
|---|---------------------------------------|--|--|
| 5 | *Yasuhiro Takamatsu (Apr. 2, 1959) | <p>Apr. 1982 Joined Sunstar Inc.</p> <p>May 1985 Joined Ciba-Geigy Japan Ltd. (currently Novartis Pharma K.K.)</p> <p>Apr. 1989 Supervisor, Personnel Department</p> <p>Feb. 1997 Joined Matsumoto Medical Inc. (currently Stryker Japan K.K.) Assistant Manager, Personnel Department</p> <p>Sep. 1999 Joined Merck Whey Inc. (currently Mylan Inc.) Manager, Personnel and Administration Department</p> <p>Feb. 2002 General Manager, Personnel and Administration Department</p> <p>Feb. 2005 Joined BB Net Inc. Deputy General Manager, Personnel and Administration Department</p> <p>Jul. 2006 General Manager, Personnel and Administration Department</p> <p>Jan. 2008 Joined TSD Japan Inc. General Manager, Administration Division</p> <p>Jul. 2009 Corporate Officer</p> <p>Jul. 2012 Joined Holonics Inc., Iseikai Group Manager, Personnel Division, Head Office</p> <p>Jul. 2013 Joined Zenkokutsuhan Co., Ltd., Noritsu Koki Group Manager, Administration Department</p> <p>Jan. 2014 General Manager, Administration Department</p> <p>Jan. 2015 Joined the Company Executive General Manager, Personnel & Administration Management Division</p> <p>Mar. 2016 Vice President (in charge of Personnel & Administration)</p> <p>Apr. 2017 General Manager, Administration Department, TMRC Co., Ltd. (to present)</p> <p>Feb. 2019 Vice President (in charge of Personnel & Administration and Legal Affairs), the Company (to present)</p> | 861 shares |
| <p>[Reason for the nomination as candidate for Director]</p> <p>Mr. Yasuhiro Takamatsu has performed roles as Vice President (in charge of Personnel & Administration and Legal Affairs) where he oversaw the personnel, administration, legal affairs and information technology departments and strengthened various functions in conjunction with the growth of the Company. Expecting that, going forward, Mr. Takamatsu will help the Company achieve sustainable growth based on his abundant experience and achievements, the Company nominates him as a candidate for Director.</p> | | | |

- (Notes)
1. The candidate with “*” symbol is a new candidate.
 2. No conflict of special interests exists between the Company and each candidate.
 3. Mr. Michihiro Tsuchiya is a candidate for Outside Director.
 4. The Company has designated Mr. Michihiro Tsuchiya as an independent officer based on the regulations stipulated by the Tokyo Stock Exchange and has notified the Tokyo Stock Exchange accordingly. If the appointment of Mr. Tsuchiya is approved, the Company will designate him as an independent officer.
 5. Under the provision of Article 427, Paragraph 1, of the Companies Act, the Company will enter into an agreement with Mr. Michihiro Tsuchiya to limit his liability for damages specified in Article 423, Paragraph 1, of the said Act, 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.

Proposal 2: Election of Three (3) Directors Serving on the Audit and Supervisory Committee

The terms of office of all three (3) Directors serving on the Audit and Supervisory Committee will expire upon conclusion of this Meeting. Therefore, it is proposed that three (3) Directors serving on the Audit and Supervisory Committee be elected. The Audit and Supervisory Committee has already given its consent to this proposal.

The candidates for Directors serving on the Audit and Supervisory Committee 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 | Shinnosuke Maki (Dec. 2, 1971) | <p>Oct. 1997 Joined Asahi & Co. (currently KPMG AZSA LLC)</p> <p>Oct. 2002 Joined ORIX Corporation</p> <p>Oct. 2006 Representative, Maki Shinnosuke CPA Office (to present)</p> <p>Nov. 2006 Director, AM Consultants, Co., Ltd. (currently Accounting Firm MSPG Consulting Co., Ltd.)</p> <p>Feb. 2007 Representative Partner, Maki Certified Public Tax Accountants Corporation (currently Certified Public Tax Accountants Corporation, MS Partners) (to present)</p> <p>Jun. 2007 Outside Auditor, KRAFT Co., Ltd. Outside Auditor, EM SYSTEMS CO., LTD.</p> <p>Mar. 2010 President and Representative Director, AM Consultants, Co., Ltd. (currently Accounting Firm MSPG Consulting Co., Ltd.) (to present)</p> <p>Jun. 2011 Outside Auditor, KRAFT HONSYA Co., Ltd. (to present)</p> <p>Mar. 2014 Outside Auditor, KRAFT Holdings Co., Ltd.</p> <p>Mar. 2016 Outside Director (Audit and Supervisory Committee Member), the Company (to present)</p> <p>Apr. 2016 Auditor, Kagoshima pro sports project Co., Ltd. (to present)</p> <p>Jun. 2018 Auditor, KRAFT Holdings Co., Ltd. (to present)</p> <p>Dec. 2018 Outside Director (Audit and Supervisory Committee Member), PCI Holdings, INC. (to present)</p> <p><Important concurrent position> Representative, Maki Shinnosuke CPA Office President and Representative Director, Accounting Firm MSPG Consulting Co., Ltd. Representative Partner, Certified Public Tax Accountants Corporation, MS Partners Outside Auditor, KRAFT HONSYA Co., Ltd. Auditor, KRAFT Holdings Co., Ltd. Auditor, Kagoshima pro sports project Co., Ltd. Outside Director (Audit and Supervisory Committee Member), PCI Holdings, INC.</p> | – shares |
| <p>[Reason for the nomination as candidate for Outside Director]</p> <p>Mr. Shinnosuke Maki has actively practiced as a certified public accountant and as a certified public tax accountant. Expecting that Mr. Maki's specialist viewpoint on accounting can be reflected in the Company's auditing, the Company once again nominates him as a candidate for Outside Director. Mr. Maki's tenure as Outside Director (Audit and Supervisory Committee Member) will be four (4) 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 |
|---|--------------------------------|---|--|
| 2 | Hisaji Agata (Sep. 16,1950) | <p>Apr. 1974 Joined Nomura Securities Co., Ltd.</p> <p>Mar. 1981 Joined Japan Associated Finance Co., Ltd. (currently JAFCO Co., Ltd.)</p> <p>Jun. 1997 Director</p> <p>May 2002 Managing Director, JAFCO Co., Ltd.</p> <p>Jan. 2008 Representative Director, President, HIBIKI Partners Co., Ltd.</p> <p>Jun. 2008 Outside Director, TAIYO YUDEN CO., LTD.</p> <p>Sep. 2008 Special Advisor, HIBIKI Partners Co., Ltd.</p> <p>Mar. 2010 Outside Auditor, the Company Outside Auditor, TMRC Co., Ltd.</p> <p>Mar. 2016 Outside Director (Audit and Supervisory Committee Member), the Company (to present)</p> <p>Jul. 2016 Outside Director, 77 Capital Co., Ltd. (to present)</p> <p><Important concurrent position> Outside Director, 77 Capital Co., Ltd.</p> | – shares |
| <p>[Reason for the nomination as candidate for Outside Director]</p> <p>Mr. Hisaji Agata has the experience as a venture capitalist of being involved in the fostering of many startups and guiding these companies to success. Expecting to receive sophisticated advice based on this specialist knowledge and abundant experience, the Company once again nominates Mr. Agata as a candidate for Outside Director. Mr. Agata's tenure as an officer of the Company will be six (6) years as an Outside Auditor of the Company and then an additional four (4) years as an Outside Director (Audit and Supervisory Committee Member) 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 | Gakuji Nomoto (Apr. 2, 1967) | <p>Apr. 1995 Joined Mitsui Yasuda Law Office</p> <p>Mar. 1998 Joined Onishi Shoichiro Law Office</p> <p>Nov. 2001 Cleary Gottlieb Steen & Hamilton LLP Joined Tokyo Office</p> <p>Jul. 2014 Joined WADA LAW FIRM</p> <p>Jul. 2015 Joined Lexwell Partners (to present)</p> <p>Mar. 2016 Outside Director (Audit and Supervisory Committee Member), the Company (to present)</p> <p>Oct. 2019 Outside Audit & Supervisory Board Member, Renescience Inc. (to present)</p> <p><Important concurrent position></p> <p>Attorney at law, Lexwell Partners</p> <p>Outside Audit & Supervisory Board Member, Renescience Inc.</p> | – shares |
| <p>[Reason for the nomination as candidate for Outside Director]</p> <p>Mr. Gakuji Nomoto has actively practiced as an attorney at law in a broad range of areas, and although he has not had past experience in a company's senior management other than as an outside officer, the Company expects to receive his multifaceted advice on corporate legal affairs and compliance that he can offer from his specialist viewpoint. Accordingly, the Company once again nominates Mr. Nomoto as a candidate for Outside Director. Mr. Nomoto's tenure as Outside Director (Audit and Supervisory Committee Member) will be four (4) years at the conclusion of this Meeting.</p> | | | |

- (Notes)
1. No conflict of special interests exists between the Company and each candidate.
 2. Mr. Shinnosuke Maki, Mr. Hisaji Agata and Mr. Gakuji Nomoto are candidates for Outside Directors.
 3. The Company has designated Mr. Shinnosuke Maki, Mr. Hisaji Agata and Mr. Gakuji Nomoto as independent officers based on the regulations stipulated by the Tokyo Stock Exchange and has notified the Tokyo Stock Exchange accordingly. If their reappointment is approved, the Company will designate them again as independent officers.
 4. Under the provision of Article 427, Paragraph 1, of the Companies Act, the Company has entered into agreements with Mr. Shinnosuke Maki, Mr. Hisaji Agata and Mr. Gakuji Nomoto to limit their liability for damages specified in Article 423, Paragraph 1, of the said Act. The Company will continue the said agreements with each of the candidates if they are elected as Directors 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.

Proposal 3: Election of One (1) Substitute Director Serving on the Audit and Supervisory Committee

At the start of this Meeting, the term of effect of the elected status of substitute Director serving on the Audit and Supervisory Committee, Mr. Daisuke Yamagami, will expire. He was elected at the 10th Ordinary General Meeting of Shareholders held on March 29, 2018. Accordingly, once again, as preparation for a situation where the number of incumbent Directors serving on the Audit and Supervisory Committee does not satisfy the number prescribed by laws and ordinances, it is proposed that one (1) substitute Director serving on the Audit and Supervisory Committee be elected as a substitute in advance for all of the Directors serving on the Audit and Supervisory Committee.

The Audit and Supervisory Committee has already given its consent to this proposal.

The candidate for substitute Director serving on the Audit and Supervisory Committee is as follows.

| Name (Date of birth) | Career summary, position and responsibilities in the Company (Important concurrent positions) | Number of shares of the Company held |
|-----------------------------------|--|--|
| Hitoshi Takano (Jan. 28, 1955) | Apr. 1978 Joined Marubeni Corporation Nov. 1986 Seconded to New York Head Office, Marubeni America Corporation Apr. 1992 Joined New York Office, Deloitte Touche Tohmatsu Limited Jun. 1998 Partner (Taxation) Oct. 2001 Joined Katsushima Toshiaki Certified Tax Accountant Office Partner Jan. 2002 Registered as certified tax accountant May 2002 Joined Tokyo Office, Tohmatsu Tax Co. Partner Jun. 2007 Representative Partner Sep. 2011 Registered as certified public accountant Dec. 2014 Joined Avanti Staff Corporation Advisor, Administrative Department Jul. 2016 Joined Tokyo National Tax Tribunal Appeals Judge Jul. 2019 Director, Takano Hitoshi Certified Public Accountant & Tax Accountant Office (to present) <Important concurrent position> Director, Takano Hitoshi Certified Public Accountant & Tax Accountant Office | – shares |

[Reason for the nomination as candidate for substitute Outside Director]

Mr. Hitoshi Takano has specialist knowledge, abundant experience and extensive insight cultivated as a certified public accountant and certified tax accountant for a major trading firm, international accounting and tax accountant firms, etc., and although he has not had past experience in a company's senior management other than as an outside officer, the Company expects to utilize his experience and knowledge in the Company's audit system. Accordingly, the Company nominates Mr. Takano as a candidate for substitute Outside Director serving on the Audit and Supervisory Committee.

- (Notes)
1. No conflict of special interests exists between the Company and the candidate.
 2. Mr. Hitoshi Takano is a candidate for substitute Outside Director serving on the Audit and Supervisory Committee.
 3. Under the provision of Article 427, Paragraph 1, of the Companies Act, the Company will enter into an agreement with Mr. Hitoshi Takano to limit his liability for damages specified in Article 423, Paragraph 1, of the said Act, if he is elected as Outside Director serving on the Audit and Supervisory Committee and actually assumes the office. 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 | 12th Fiscal Year (As of December 31, 2019) | Account title | 12th Fiscal Year (As of December 31, 2019) |
|--------------------------------------|--|---|--|
| Assets | | Liabilities | |
| Current assets | 3,067,147 | Current liabilities | 183,074 |
| Cash and deposits | 2,174,200 | Accounts payable - trade | 34,297 |
| Accounts receivable - trade | 747,267 | Lease obligations | 741 |
| Securities | 26,006 | Accounts payable - other | 67,183 |
| Supplies | 5,500 | Accrued expenses | 50,423 |
| Advance payments - trade | 5,952 | Income taxes payable | 20,235 |
| Prepaid expenses | 69,231 | Advances received | 6,875 |
| Other | 38,988 | Deposits received | 3,318 |
| Non-current assets | 1,769,413 | Non-current liabilities | 32,839 |
| Property, plant and equipment | 248,881 | Lease obligations | 1,667 |
| Buildings | 142,731 | Asset retirement obligations | 11,934 |
| Tools, furniture and fixtures | 742,190 | Deferred tax liabilities | 19,236 |
| Leased assets | 3,432 | | |
| Accumulated depreciation | (639,472) | Total liabilities | 215,914 |
| Intangible assets | 32,485 | Net assets | |
| Trademark right | 5,129 | Shareholders' equity | 4,600,476 |
| Software | 26,805 | Capital stock | 2,254,943 |
| Other | 550 | Capital surplus | 2,444,726 |
| Investments and other assets | 1,488,047 | Retained earnings | (99,172) |
| Investment securities | 1,474,270 | Treasury shares | (21) |
| Long-term prepaid expenses | 2,199 | Accumulated other comprehensive income | 7,906 |
| Other | 11,576 | Valuation difference on available-for-sale securities | 7,906 |
| | | Share acquisition rights | 12,265 |
| | | Total net assets | 4,620,647 |
| Total assets | 4,836,561 | Total liabilities and net assets | 4,836,561 |

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

Consolidated Statement of Income

(Thousands of yen)

| Account title | 12th Fiscal Year (January 1, 2019 to December 31, 2019) |
|--|--|
| Business revenue | 1,702,973 |
| Business expenses | 1,718,919 |
| Cost of business revenue | 262,804 |
| Research and development expenses | 864,251 |
| Other selling, general and administrative expenses | 591,862 |
| Operating loss | (15,945) |
| Non-operating income | 49,396 |
| Interest income | 9,184 |
| Interest on securities | 34,995 |
| Other | 5,215 |
| Non-operating expenses | 11,867 |
| Foreign exchange losses | 104 |
| Share issuance cost | 11,762 |
| Ordinary profit | 21,583 |
| Extraordinary income | 5,728 |
| Gain on sales of investment securities | 5,728 |
| Profit before income taxes | 27,311 |
| Income taxes - current | 20,030 |
| Income taxes - deferred | 1,937 |
| Profit | 5,343 |
| Profit attributable to owners of parent | 5,343 |

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

Consolidated Statement of Changes in Equity
(12th Fiscal Year from January 1, 2019 to December 31, 2019)

(Thousands of yen)

| | Shareholders' equity | | | | |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 2,793,458 | 2,983,241 | (1,890,201) | (21) | 3,886,476 |
| Changes of items during period | | | | | |
| Issuance of new shares | 354,327 | 354,327 | | | 708,655 |
| Capital reduction | (892,842) | 892,842 | | | – |
| Deficit disposition | | (1,785,685) | 1,785,685 | | – |
| Profit attributable to owners of parent | | | 5,343 | | 5,343 |
| Net changes of items other than shareholders' equity | | | | | – |
| Total changes of items during period | (538,514) | (538,514) | 1,791,029 | – | 713,999 |
| Balance at end of current period | 2,254,943 | 2,444,726 | (99,172) | (21) | 4,600,476 |

| | 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 | (41,901) | (41,901) | 12,512 | 3,857,087 |
| Changes of items during period | | | | |
| Issuance of new shares | | – | | 708,655 |
| Capital reduction | | – | | – |
| Deficit disposition | | – | | – |
| Profit attributable to owners of parent | | – | | 5,343 |
| Net changes of items other than shareholders' equity | 49,807 | 49,807 | (247) | 49,560 |
| Total changes of items during period | 49,807 | 49,807 | (247) | 763,560 |
| Balance at end of current period | 7,906 | 7,906 | 12,265 | 4,620,647 |

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