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PRESS RELEASE

Company: RaQualia Pharma Inc.

(Ticker code: 4579)

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Notice Concerning Revision to Medium-Term Management Plan

August 14, 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 February 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>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>

【Previous forecast】 Previous announcement: February 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>2,129</u>	<u>2,059</u>	<u>70</u>	<u>85</u>	<u>13</u>
FY2021 (Target)	<u>2,543</u>	<u>2,209</u>	<u>334</u>	<u>362</u>	<u>247</u>
FY2022 (Target)	<u>2,535</u>	<u>2,168</u>	<u>367</u>	<u>384</u>	<u>322</u>

2. Reasons for revision

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

The background for the revision takes into account the Novel Coronavirus (COVID-19) outbreak (hereinafter referred to as “COVID-19”).

The key factors of change are as follows;

Regarding operating revenue, the royalty revenue received by the Company is revised downward after considering the slowdown in sales of pet pharmaceuticals caused by the COVID-19 outbreak. With regard to any other factors including upfront and milestone revenues, the Company has not made any revision of its

previously announced. As a result of its review on royalty payment and out-licensing expenses, the Company considers the operating expenses will be decreased compared with its previous forecast.

In consequence, the Company revised its forecasts for the fiscal year ending December 31, 2020: Business revenue to ¥1,579 million (the previously published forecast was ¥2,192 million), its Operating loss to ¥260 million (the previously published forecast was ¥70 million profit), its Ordinary loss to ¥256 million (the previously published forecast was ¥85 million profit), and its Net loss attributable to owners of parent to ¥333 million (the previously published forecast was ¥13 million profit).

For the fiscal year ending December 31, 2021: Business revenue to ¥2,349 million (the previously published forecast was ¥2,543 million), its Operating profit to ¥205 million (the previously published forecast was ¥334 million), its Ordinary profit to ¥233 million (the previously published forecast was ¥362 million), and its Net profit attributable to owners of parent to ¥118 million (the previously published forecast was ¥247 million profit).

For the fiscal year ending December 31, 2022: Business revenue to ¥2,305 million (the previously published forecast was ¥2,535 million), its Operating profit to ¥244 million (the previously published forecast was ¥367 million), its Ordinary profit to ¥261 million (the previously published forecast was ¥384 million), and its Net profit attributable to owners of parent to ¥200 million (the previously published forecast was ¥322 million profit).

With no certain prospect of the time when COVID-19 outbreak will be brought to an end, at this time, it is not possible to predict its impacts on business performance of the Company group on a medium-to-long-term basis. Should any correction in the forecast of business performance be required or should any fact arise that requires an announcement, the Company will make a prompt announcement, in view of the current situation of COVID-19 outbreak, the business environment and its business performance trends.

*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.

End of document

(revisions)

Change	Previous	Revised
Forecast for FY2020(P4)	(※in the table) FY2020 (Forecast)	(※in the table) FY2020 (Forecast)
	Operating revenues <u>2,129</u>	Operating revenues <u>1,579</u>
	Operating cost <u>2,059</u>	Operating cost <u>1,840</u>
	(Labor costs) <u>705</u>	(Labor costs) <u>673</u>
	(R&D expenses) <u>396</u>	(R&D expenses) <u>379</u>
	Operating income(loss) <u>70</u>	Operating income(loss) <u>(260)</u>
	Ordinary income(loss) <u>85</u>	Ordinary income(loss) <u>(256)</u>
	Profit(loss) attributable to owners of the parent company <u>13</u>	Profit(loss) attributable To owners of the parent company <u>(333)</u>
	「Topics」	「Topics」

Change	Previous	Revised																																																												
	<p><u>「Operating revenues: We expect royalty income to increase further due to steady sales of tegoprazan (Korean brand name: "K-CAB®") in South Korea and solid sales of two pet-use drugs, GALLIPRANT® and ENTYCE®.」</u></p> <p><u>「We will promote licensing and alliance activities and expect to receive upfront payments and milestone payments.」</u></p> <p><u>「Operating expenses and operating cost: We will make investments to advance each project at the exploratory stage and early development stage, while continuing to optimize operating expenses and other expenses in an effort to strengthen our earnings structure.」</u></p>	<p><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>Medium-Term Management Plan(Gaia 2021) Overview(P9)</p>	<p>FY2020 (Forecast)</p> <table border="0"> <tr><td>Operating revenues</td><td style="text-align: right;"><u>2,129</u></td></tr> <tr><td>Operating cost</td><td style="text-align: right;"><u>2,059</u></td></tr> <tr><td> (Labor costs)</td><td style="text-align: right;"><u>705</u></td></tr> <tr><td> (R&D expenses)</td><td style="text-align: right;"><u>396</u></td></tr> <tr><td>Operating income(loss)</td><td style="text-align: right;"><u>70</u></td></tr> <tr><td>Ordinary income(loss)</td><td style="text-align: right;"><u>85</u></td></tr> <tr><td>Profit(loss) attributable to owners of the parent company</td><td style="text-align: right;"><u>13</u></td></tr> </table> <p>FY2021 (Forecast)</p> <table border="0"> <tr><td>Operating revenues</td><td style="text-align: right;"><u>2,543</u></td></tr> <tr><td>Operating cost</td><td style="text-align: right;"><u>2,209</u></td></tr> <tr><td> (Labor costs)</td><td style="text-align: right;"><u>770</u></td></tr> <tr><td> (R&D expenses)</td><td style="text-align: right;"><u>358</u></td></tr> <tr><td>Operating income(loss)</td><td style="text-align: right;"><u>334</u></td></tr> <tr><td>Ordinary income(loss)</td><td style="text-align: right;"><u>362</u></td></tr> <tr><td>Profit(loss) attributable to owners of the parent company</td><td style="text-align: right;"><u>247</u></td></tr> </table> <p>FY2022 (Forecast)</p> <table border="0"> <tr><td>Operating revenues</td><td style="text-align: right;"><u>2,535</u></td></tr> </table>	Operating revenues	<u>2,129</u>	Operating cost	<u>2,059</u>	(Labor costs)	<u>705</u>	(R&D expenses)	<u>396</u>	Operating income(loss)	<u>70</u>	Ordinary income(loss)	<u>85</u>	Profit(loss) attributable to owners of the parent company	<u>13</u>	Operating revenues	<u>2,543</u>	Operating cost	<u>2,209</u>	(Labor costs)	<u>770</u>	(R&D expenses)	<u>358</u>	Operating income(loss)	<u>334</u>	Ordinary income(loss)	<u>362</u>	Profit(loss) attributable to owners of the parent company	<u>247</u>	Operating revenues	<u>2,535</u>	<p>FY2020 (Forecast)</p> <table border="0"> <tr><td>Operating revenues</td><td style="text-align: right;"><u>1,579</u></td></tr> <tr><td>Operating cost</td><td style="text-align: right;"><u>1,840</u></td></tr> <tr><td> (Labor costs)</td><td style="text-align: right;"><u>673</u></td></tr> <tr><td> (R&D expenses)</td><td style="text-align: right;"><u>379</u></td></tr> <tr><td>Operating income(loss)</td><td style="text-align: right;"><u>(260)</u></td></tr> <tr><td>Ordinary income(loss)</td><td style="text-align: right;"><u>(256)</u></td></tr> <tr><td>Profit(loss) attributable to owners of the parent company</td><td style="text-align: right;"><u>(333)</u></td></tr> </table> <p>FY2021 (Forecast)</p> <table border="0"> <tr><td>Operating revenues</td><td style="text-align: right;"><u>2,349</u></td></tr> <tr><td>Operating cost</td><td style="text-align: right;"><u>2,143</u></td></tr> <tr><td> (Labor costs)</td><td style="text-align: right;"><u>770</u></td></tr> <tr><td> (R&D expenses)</td><td style="text-align: right;"><u>358</u></td></tr> <tr><td>Operating income(loss)</td><td style="text-align: right;"><u>205</u></td></tr> <tr><td>Ordinary income(loss)</td><td style="text-align: right;"><u>233</u></td></tr> <tr><td>Profit(loss) attributable to owners of the parent company</td><td style="text-align: right;"><u>118</u></td></tr> </table> <p>FY2022 (Forecast)</p> <table border="0"> <tr><td>Operating revenues</td><td style="text-align: right;"><u>2,305</u></td></tr> </table>	Operating revenues	<u>1,579</u>	Operating cost	<u>1,840</u>	(Labor costs)	<u>673</u>	(R&D expenses)	<u>379</u>	Operating income(loss)	<u>(260)</u>	Ordinary income(loss)	<u>(256)</u>	Profit(loss) attributable to owners of the parent company	<u>(333)</u>	Operating revenues	<u>2,349</u>	Operating cost	<u>2,143</u>	(Labor costs)	<u>770</u>	(R&D expenses)	<u>358</u>	Operating income(loss)	<u>205</u>	Ordinary income(loss)	<u>233</u>	Profit(loss) attributable to owners of the parent company	<u>118</u>	Operating revenues	<u>2,305</u>
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Changes in business earnings (P10)	(※Change the value of the bar chart) 2020 (Forecast) <u>2,129</u> 2021 (Target) <u>2,543</u> 2022 (Target) <u>2,535</u>	(※Change the value of the bar chart) 2020 (Forecast) <u>2,129</u> 2021 (Target) <u>2,349</u> 2022 (Target) <u>2,305</u>
Overview of expenses (P11)	FY2020 (Forecast) ①Operating costs <u>224</u> ②Operating expenses <u>1,835</u> Labor costs <u>705</u> R&D expenses) <u>396</u> Administrative and Control expenses <u>317</u> Facility-related expenses <u>223</u> Others <u>194</u> Total(①+②) <u>2,059</u> FY2021 (Target) ①Operating costs <u>348</u> ②Operating expenses <u>1,861</u> Labor costs <u>770</u> R&D expenses) <u>358</u> Administrative and Control expenses <u>288</u> Facility-related expenses <u>255</u> Others <u>190</u> Total(①+②) <u>2,209</u> FY2022 (Target) ①Operating costs <u>370</u> ②Operating expenses <u>1,798</u> Labor costs <u>789</u> R&D expenses) <u>360</u> Administrative and Control expenses <u>288</u> Facility-related expenses <u>206</u> Others <u>155</u> Total(①+②) <u>2,168</u>	FY2020 (Forecast) ①Operating costs <u>138</u> ②Operating expenses <u>1,702</u> Labor costs <u>673</u> R&D expenses) <u>379</u> Administrative and Control expenses <u>250</u> Facility-related expenses <u>227</u> Others <u>173</u> Total(①+②) <u>1,840</u> FY2021 (Target) ①Operating costs <u>283</u> ②Operating expenses <u>1,861</u> Labor costs <u>770</u> R&D expenses) <u>358</u> Administrative and Control expenses <u>288</u> Facility-related expenses <u>255</u> Others <u>190</u> Total(①+②) <u>2,144</u> FY2022 (Target) ①Operating costs <u>262</u> ②Operating expenses <u>1,798</u> Labor costs <u>789</u> R&D expenses) <u>360</u> Administrative and Control expenses <u>288</u> Facility-related expenses <u>206</u> Others <u>155</u> Total(①+②) <u>2,060</u>

Change	Previous	Revised
4)TMRC Co.,Ltd.: Tamibarotene Roadmap (P24)	(※in the table) Acute promyelocytic leukemia(APL) China : 「Scheduled : 3 rd Quarter」	(※in the table) Acute promyelocytic leukemia(APL) China : Delete Schedule
Major out-licensed programs (for human beings) (P23)	(※in the table) Potassium-ion competitor Acid Blocker (P- CAB) RQ-00000004(tegoprazan) <u>CJ HealthCare</u> <u>U.S. :</u> EP4 antagonists RQ-00000007(grapiprant) RQ-00000008 AskAt Pain : 「Phase 1 in progress(China)」	(※in the table) Potassium-ion competitor Acid Blocker (P- CAB) RQ-00000004(tegoprazan) <u>HK inno.N Corporation</u> <u>U.S. : HK inno.N:Preparing for Phase 1</u> EP4 antagonists RQ-00000007(grapiprant) RQ-00000008 AskAt Pain : 「Phase 1 completed(China)」
Appendix Company overview(P34)	<u>Employees : 69 persons</u> <u>Common stock : ¥2, 095.142million</u> <u>Total issued share capital : 2,254,943,000</u> <u>shares</u>	<u>Employees : 70 persons</u> <u>Common stock : ¥2, 095.642million</u> <u>Total issued share capital : 2,255,092,000</u> <u>shares</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.