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PRESS RELEASE

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(Ticker code Number: 4579)
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Notice regarding the possibility that RaQualia's shares may become "a stock entering a probationary period related to delisting"

In the financial results for FY12/2020 that RaQualia announced today, operating profit and operating cash flow were negative. For this reason, with the submission of the financial statement report in late March, the Company's shares are expected to become "a stock entering a probationary period related to the criteria for delisting" based on Article 604-4, Paragraph 1, Item 1 of the Securities Listing Regulations established by the Tokyo Stock Exchange, Inc., hereinafter referred to as the "TSE", (related regulations are in Article 604-2, Paragraph 1, Item 2 of the same) and Article 604-4, Paragraph 1, Item 3 of the same.

Specifically, the following two criteria apply: (1) The amount of operating profit and cash flow from operating activities in the last four consolidated fiscal years (*Note 1) has been negative (performance standard); and (2) The amount of operating profit in the fiscal year of application for listing was negative, and the amount of operating profit in the nine consolidated fiscal years after listing was negative (profit recording standard).

However, according to the "Improvement of the listing system towards revising market classifications (Second system revision)" announced by the TSE on December 25th, 2020, since, after the transition to the new market classifications on April 4th, 2022, it is stipulated that a stock that has entered a probationary period that is not subject to the listing maintenance standards in the new market classifications will not have that carried over, our understanding is that the probationary period for RaQualia will be lifted due to the transition to the new market classifications.

Details

1. Details for entering the probationary period related to delisting

Based on RaQualia's vision to "seek to bring people greater health and happiness through innovative new medicines", we have promoted drug discovery research activities with the aim of creating innovative new drugs. In addition to a partner launching two pet medicines in the United States in FY12/2017, a partner launched a drug for human use in FY12/2019, and we have quickly built a stable earnings foundation by expanding royalty income based on drug sales in the market.

However, as we try to improve profitability and increase corporate value for the future, operating income has not been in the black since our listing due to such things as the impact of aggressive drug discovery research.

In FY12/2020, due to the stagnation of economic activities as a result of the global coronavirus pandemic, the restriction on movement in Japan and overseas and the closure of clinical trial facilities, contract-related income has been delayed until next fiscal year and beyond and sales royalty income has also been sluggish. As a result of the above, for the consolidated financial results of our Group in FY 12/2020, sales were 1.107 billion yen, the operating loss was 486 million yen, the ordinary loss was 527 million yen and the net loss attributable to shareholders of the parent company was 606 million yen.

2. Probationary period

○ Performance standard (Four consecutive fiscal years: FY12/2017 to FY12/2020).

Two-year probationary period: From January 1, 2021 to December 31, 2022 (Securities Listing Regulations, Supplementary Provisions, Paragraph 4, revised on February 7, 2020).

○ Profit recording standard (Nine consecutive fiscal years: FY12/2012 to FY12/2020).

Two-year probationary period: From January 1, 2021 to December 31, 2022 (Securities Listing Regulations, Supplementary Provisions, Paragraph 5, revised on February 7, 2020).

3. Future outlook

With regards to the performance standard, when the amount of operating profit or cash flow from operating activities is no longer negative within the probationary period, or when an application for an examination based on the new listing standards is made within the probationary period and it is recognized that the relevant criteria are met, the listing of the shares will be continued. With regards to the profit recording standard, when the amount of operating profit is no longer negative within the probationary period, or when an application for an examination based on the new listing standards is made within the probationary period and it is recognized that the relevant criteria are met, the listing of the shares will be continued.

In order to eliminate negative operating profit and operating cash flow, we will continue to focus on expanding the development pipeline and our areas of business in order to secure revenue sources and improve profitability, and will strive to increase and enhance our own products that we launch.

As for our full-year consolidated earnings forecast for FY12/2021, we expect a significant increase in royalty income from tegoprazan, a treatment for gastroesophageal reflux disease, "GALLIPRANT", a treatment for osteoarthritis in dogs, and "ENTYCE", a drug to treat loss of appetite in dogs, as well as a contribution from contract-related income. In addition, our policy is to continue to optimize expenses and strengthen the profit structure, and we expect that operating income will also be in the black.

In the current situation where it is uncertain when the novel coronavirus pandemic will finish, at this point, it is difficult to predict the impact of the infection on our Group's medium- to long-term business results. The RaQualia Group assumes that the effects of the novel coronavirus infection will continue during the period of the current Medium-Term Management Plan (FY12/2020 - FY12/2022) and have disclosed that in our earnings forecast. If, due to changes in the situation for the novel coronavirus pandemic or the business environment, there is a need to revise the forecast in the future, we will promptly disclose it.

On the other hand, in the current JASDAQ Growth Market, while there is a method of canceling the probationary period by undergoing an examination based on the criteria of the new listing standards, since it is stipulated in Note 2 on page 16 of the "Improvement of the listing system towards revising market classifications (Second system revision)" announced by the TSE on December 25th, 2020, our understanding is that the probationary period for RaQualia will be lifted with the transition to the new market classifications.

Since the relevant “Second system revision” has not been finally decided as they are currently soliciting public comment, we will pay close attention to the status of future revisions, and if there is a need to revise our assumptions, we will promptly disclose it.

In addition, with regards to the current performance standard and profit recording standard established as the JASDAQ criteria for delisting in the listed company navigation system FAQs of the Japan Exchange Group, it is assumed that no similar standards will be set for the new market classifications, and for JASDAQ listed stocks that have entered a probationary period according to the criteria, it is stated that they are planning to cancel the probationary period. Please see the following for details.

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

End

Note 1: While it has actually been negative since FY12/2011, from the fiscal year following the fiscal year to which the date of application for the new listing belongs, the five fiscal years (FY12/2012 - FY12/2016) are not included in the period for which "five consecutive years" are calculated.

Note 2: The sixth item of the Second system revision "3. Transitional measures regarding listing maintenance standards" and "Notes" is as follows. “- With regards to listed companies that were subject to effective control measures, probationary periods, supervised trading of a stock, or a delisted stock within the current market classifications on the day before the transition date, the details shall carry over on the transition date (excluding those that have entered a probationary period or have supervised trading of a stock that are not covered by the listing maintenance standards in the new market classifications).”