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PRESS RELEASE

Company: RaQualia Pharma Inc.

(Ticker code: 4579)

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RaQualia announces the termination of an agreement to form a Joint Venture company in China and revisions to full-year FY12/18 consolidated earnings forecasts

At a meeting of RaQualia Pharma Inc.'s (JASDAQ Code: 4579; RaQualia) Board of Directors held today, the board decided to terminate the agreement to establish a Joint Venture company with ZTE Coming Biotech Co., Ltd. (中兴康宁生物科技有限公司, headquartered in Shanghai, China, CEO: Wu Yemin, ZTE Biotech), as outlined below.

In addition, RaQualia revised its consolidated earnings forecasts for full-year FY12/18 (1 January to 31 December 2018), which were previously published on 9 February 2018, as shown below.

1. Termination of the Joint Venture company agreement with ZTE Biotech

Based on an agreement to establish a Joint Venture company concluded on 29 January 2018, RaQualia and ZTE Biotech had been preparing to establish a Joint Venture company for clinical development of 5-HT₄ receptor partial agonist (compound code: RQ-0000010) and 5-HT_{2B} receptor antagonist (compound code: RQ-00310941). However, in April 2018, the US government imposed sanctions that prohibited ZTE Corporation (ZTE), the main company in ZTE Biotech's corporate group, from doing business with US corporations. This had knock-on effects on ZTE Group companies, with the result that establishment of the Joint Venture company planned by RaQualia and ZTE Biotech was delayed and it became difficult to procure the necessary funding for development of the two drugs.

RaQualia's top priority is to develop the two drugs in Europe, the US and Japan, and having reviewed the conditions, the company decided on termination by consent of the agreement to establish a Joint Venture company with ZTE Biotech. RaQualia will continue to seek new partners, not only in China but globally, and will work earnestly to see to it that patients can receive the two drugs as soon as possible.

2. Revisions to full-year FY12/18 (1 January to 31 December 2018) consolidated forecasts

	Net sales	Operating profit	Ordinary profit	Net profit attributable to owners of parent	Earnings per share
	million yen	million yen	million yen	million yen	
Previous forecasts (A)	1,388	△698	△680	△686	△33.84
Current forecasts (B)	1,028	△1,018	△996	△1,024	△50.31
Change (B - A)	△360	△320	△316	△338	—
Change (%)	△25.9	—	—	—	—
Ref.: Previous results (FY12/17)	1,419	△150	△80	△58	△2.99

3. Reasons for revisions

RaQualia expected to receive a one-off payment due to the establishment of a Joint Venture company with ZTE Biotech. However, due to the termination of the Joint Venture company establishment agreement, the company now forecasts that it will not be able to receive the one-off payment. Another reason is that the company downwardly revised its consolidated earnings forecasts as a result of a comprehensive review of items including the latest earnings 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.

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Reference materials

1. Outline of the Joint Venture company in the 29 June 2018 press release

(1)Name of Company	ZTE RaQualia Co., Ltd. (*See note)
(2)Location	100 Dongting Lake Road, Linjiang Town, Haimen, Nantong, Jiangsu
(3)Representative	Chairman Wu Yemin
(4)Business Description	Discovery and development of pharmaceutical compounds
(5)Capital	RMB 10 million (plan)
(6)Date of Application for establishment	2018 (Plan)
(7)Date of Foundation	2018 (Plan)
(8)Fiscal year-end	December
(9)Investment ratios	ZTE Biotech: 65%, RaQualia: 35%

Note: The name of the Joint Venture company will be decided officially after checks are conducted by authorities.

2. Outline of the Joint Venture partner

(1)Name of Company	ZTE Coming Biotech Co., Ltd.(中兴康宁生物科技有限公司)		
(2)Location	Shanghai		
(3)Representative	CEO Wu Yemin		
(4)Business Description	Discovery and development of pharmaceutical compounds		
(5)Date of Establishment	2014		
(6)Major shareholder and Shareholding Ratio	Zhongxing Environmental Protection Group Co. Ltd., 49%(See note)		
(7)Relationship between listed company and company concerned	Capital relationship	None.	
	Human relationship	None.	
	Business relationship	None.	
	Related party relationship	None.	
(8)Outline of company concerned	ZTE Biotech was established in 2014 with the backing of ZTE, China's largest telecommunications equipment company, with the aim of entering healthcare business. With medical equipment business as its core operation, the company is also investing in the field of pharmaceuticals as a peripheral area. The company has adopted a business model of development for China partnering with existing pharmaceuticals makers such as those operating from Shanghai's Zhangjiang Hi-Tech Park, and introducing new technology from overseas.		

Note: Capital, net assets, and total assets not shown as ZTE Biotech is unlisted and is the holding company for Zhongxing Environmental Protection Group Co. Ltd. (深圳中兴环保集团股份有限公司, ZEPG). ZEPG is a ZTE affiliate.

(Ref.: Outline of ZTE Corporation)

(1)Name of Company	ZTE Corporation (中兴通讯股份有限公司, Hong Kong Stock Exchange Stock Code: 0763, Shenzhen Stock Exchange Stock Code: 000063)		
(2)Location	Shenzhen		
(3)Representative	Chairman Yin Yimin		
(4)Business Description	Mobile telecommunications equipment business		
(5)Capital	RMB 4,184 million		
(5)Date of Establishment	1985		
(7)Relationship between listed company and company concerned	Capital relationship	None.	
	Human relationship	None.	
	Business relationship	None.	
	Related party relationship	None.	
(8)Consolidated results and consolidated finances over the past three years (million RMB)			
FY	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
Consolidated net assets	45,380,147	40,885,090	43,348,605
Consolidated total assets	143,962.2	141,640.9	124,831.7
Consolidated sales	108,815.3	101,233.2	100,186.4

Consolidated operating profit	6752.9	1165.5	320.5
Consolidated earnings per share	1.09RMB	(0.57)RMB	0.78RMB
Dividend per share	-	-	-
(9)Outline of company concerned	<p>ZTE is China's largest telecommunications equipment company. It develops and manufactures products including mobile phone network equipment (base stations, etc.), mobile phones, wireless products and network products. The company sells mobile phones including smartphones in 160 countries. Smartphone sales volume is growing in Europe and the US. In 2016, the company ranked fourth by smartphone market share in the US, second in Spain and Russia, and fourth in Europe as a whole. For details, see http://www.zte.com.cn</p>		