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PRESS RELEASE

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### **RaQualia Announces Receipt of Milestone Payment from CJ HealthCare**

July 6, 2018 - CJ HealthCare (hereinafter called “CJ”) has received a marketing authorization of tegoprazan (RQ-00000004/CJ-12420/K-CAB, hereinafter called “tegoprazan”) from Korea’s Ministry of Food and Drug Safety on July 5 as a new treatment of gastroesophageal reflux disease (GERD). Under the terms of a licensing agreement with CJ, RaQualia, and will receive a milestone payment upon this achievement.

A potassium competitive acid blocker (hereinafter called “P-CAB”) is regarded as the most advanced drug to treat GERD, by making innovative improvements to overcome the disadvantages of proton pump inhibitors, which until now has been regarded the most common treatment drug for GERD.

A novel P-CAB tegoprazan was approved for the treatment of erosive esophagitis (EE) and non-erosive reflux disease (NERD), and is the first P-CAB that has an indication for NERD in Korea.

RaQualia started its development globally from the very beginning of development, and completed its Phase 1 clinical studies in the U.S. and Japan. Under the license agreement between RaQualia and CJ, CJ conducted clinical trials and filed for a marketing approval in August in 2017. It has also been recognized as one of the most promising new drugs globally by Korea’s Ministry of Health and Welfare selected tegoprazan as a government initiative project.

In 2015, CJ concluded a technology export contract for the development and commercialization of tegoprazan with Luoxin, China’s leading pharmaceutical company in the field of GI. Currently, a Phase I clinical trial is ongoing.

Based on CJ’s press release, Korea’s expected annual market size of GERD treatment is 400 million USD, and the market is growing with the continuous increase of numbers of GERD patients. Tegoprazan is evaluated to cover the potential market size of more than 100 million USD in Korean domestic market.

According to CJ Joint Representative Director Seok Hee Kang, “the launching of tegoprazan as Korea’s 30<sup>th</sup> new drug confirms the R&D capability of CJ which has been accumulated in last 30 years.” He also expressed his expectation on tegoprazan to become one of the blockbuster products in Korean domestic market, as well as in the global market.”

CJ started its pharmaceutical business in 1984, and has succeeded in the development and launching of a vaccine against hepatitis B infection (Korea’s 1<sup>st</sup>, world’s 2<sup>nd</sup>), a vaccine for pseudomonas aeruginosa (world’s 1<sup>st</sup>, Korea’s 7<sup>th</sup> new drug), erythropoietin for treatment of renal anemia (Korea’s 1<sup>st</sup>, world’s 3<sup>rd</sup>). In April 2018, CJ has become a part of Kolmar Group.

Under the license agreement between RaQualia and CJ, RaQualia is eligible to receive development milestones and royalties on sales of the product. RaQualia will receive one of these milestone payments upon this marketing approval of tegoprazan in Korea.

The financial impact on the consolidated business results for FY2018 has been included in the business forecasts for FY2018 issued on February 9, 2018, and there is no change.

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