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March 24, 2021

Company name: Modalis Therapeutics Corporation

Stock exchange listing: Tokyo Stock Exchange

Code number: 4883

URL: <https://www.modalistx.com/en/>

Representative: Haruhiko Morita

Notice Regarding the Transfer of Allocated Shares by way of Third-Party Allotment

The Company announces it has submitted a “Notice Regarding the Transfer of Allocated Shares by way of Third-Party Allotment” to the Tokyo Stock Exchange (hereinafter referred to as “the TSE”) dated as of today in response to information that indicated that a former stockholder had violated Securities Listing Regulations and Enforcement Rules for Securities Listings Regulations as prescribed by the TSE.

1. Summary

Individuals who were allocated shares by way of third-party allotment or other means during the fiscal year before the Company applied for listing on the TSE were under an agreement (lock-up system) that would not allow the Company’s shares to be traded to a third-party until 6 months from the stock listing date (August 3, 2020) or required owners to give written notice to the Company in advance before trading the Company’s shares to a third-party.

Despite this, when the Company confirmed the shareholder registry as the settlement work for the fiscal year ending December 2020, a shareholder of the Company, Akira Katayama (hereinafter referred to as Mr. Katayama) breached the aforementioned agreement. It was determined that Mr. Katayama disposed of all of the Company’s shares as described below via sale on the stock market during the lock-up period and without notifying the Company in advance.

After the above matter became known, the Company confirmed the situation with the TSE and Mr. Katayama and submitted the Notice Regarding the Transfer of Allocated Shares by way of Third-Party Allotment today to the TSE in accordance with Securities Listing Regulations and Enforcement Rules for Securities Listings Regulations.

Aside from Mr. Katayama’s case, no transfer of stocks issued under the lock-up system took place in the 6 months following the initial public offering.

Date of Transfer	Owner’s Full Name Prior to Transfer Date	Owner’s Address Prior to Transfer Date	Owner’s Relationship to the Company Prior to Transfer Date	Owner’s Full Name After Transfer	Owner’s Address After Transfer	Owner’s Relationship to the Company After Transfer	Number of Shares Transferred (shares)	Price (thousand yen)	Reason for Transfer
September 1-16, 2020	Akira Katayama	Chiyoda-ku, Tokyo	—	Unclear due to disposal of shares via sale on the stock market	—	—	600,000	1,865,054	Sold due to error (Oversight of agreement terms)

2 . Details

It is required by rule that individuals who were allocated shares by way of third-party allotment or other means during the fiscal year before the Company applied for listing on the TSE will hold the shares concerned continuously for a fixed period with the purpose of removing short-term profits made by taking advantage of the listing system. The Company has receipts of agreements from all applicable shareholders that would not allow the Company's shares to be traded to a third-party until 6 months from the stock listing date (August 3, 2020) or required owners to give written notice to the Company in advance in the event the Company's shares needed to be traded to a third-party for reasons beyond their control.

Mr. Katayama acquired new stocks in February 2016 (200,000 shares) and April 2019 (600,000 shares) through third party placements. The shares that are affected by the aforementioned lock-up system are the 600,000 shares allocated in April 2019.

The issue was first recognized when the Company confirmed Mr. Katayama's name did not appear on the shareholder registry prepared by the administrator of said registry at the end of December 2020 during the settlement work for the fiscal year. It was believed that a violation of the lock-up system may have occurred, so the Company directly contacted Mr. Katayama to confirm. As a result, the Company received a report from Mr. Katayama confirming that he had disposed of his shares which were not eligible for trading under the lock-up system; a fact which the Company first acknowledges in March 2021. After the above matter became known, the Company confirmed the situation with the TSE and Mr. Katayama and submitted the Notice Regarding the Transfer of Allocated Shares by way of Third-Party Allotment today to the TSE in accordance with Securities Listing Regulations and Enforcement Rules for Securities Listings Regulations.

3 . Remarks from the Company

It is highly unfortunate that the lock-up system was violated in this manner despite having a written agreement in place. The Company recognizes this as a very serious situation that has a great impact on the impartiality of the stock market. It is especially unfair to shareholders of the Company who have adhered to the rules of the lock-up system and impacts our investors who invested with the prerequisite that a lock-up system was in place. The Company does not condone the actions of Mr. Katayama and would like to express our deepest regret for the situation. The Company will make every possible effort moving forward to strengthen compliance and consult with TSE to better understand necessary Securities Listing Regulations and overall rules governing the stock exchange.

4 . Outlook

This matter does not impact the Company's operation or business results.