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March 29, 2021

Company name: Modalis Therapeutics  
Corporation

Stock exchange listing: Tokyo Stock Exchange

Code number: 4883

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

Representative: Haruhiko Morita

### **Additional Information Regarding the Infringement of the Lock-Up System by a Major Shareholder**

The Company would like to share the following additional information as it relates to the Notice Regarding the Transfer of Allocated Shares by way of Third-Party Allotment which was announced on March 24, 2021.

#### **1 . Details**

Following the company's release of the *Notice Regarding the Transfer of Allocated Shares by way of Third-Party Allotment* dated on March 24, 2021, the Company has communicated with Mr. Akira Katayama (hereinafter referred to as Mr. Katayama) who voluntarily proposed his cooperation in the investigation of the aforementioned infringement as well as a potential compensation. Consulted with the Company's attorney, the Company proposed countermeasures to the infringement on March 25, 2021. And Mr. Katayama came up with the proposal below on March 26, 2021.

#### **2 . Proposed countermeasures**

Mr. Katayama will pay 401 million yen, which is the equivalent to the surpassed capital gain that Mr. Katayama presumed to achieve through the selling during the lock-up period, to the Company.

The following two surrogate rules, Mr. Katayama proposed potential reparation as the penalty for breaching the agreement between the Company and shareholder. The first is the Financial Services Agency administrative monetary penalty for misrepresentation on the Securities Registration Statement, which would require a payment of 83 million yen, or 4.5% of the total sale amount of 1,865 million yen. The second is the Tokyo Stock Exchange (hereinafter referred to as TSE) Listing Agreement Violation Penalty, which would require a payment of 38 million yen based on the aggregate value of the Company at the time of listing and the listing market. However, it is practically difficult to pay to the TSE. Therefore, the Company has proposed Mr. Katayama to pay the higher amount of 83 million yen to the Company as an additional care to the shareholder for infringement of the lockup agreement and Mr. Katayama consented to it. Please refer to Attachment 2 for the referenced rules and calculation of penalties.

### 3. Remarks from the Company

As the countermeasures proposed by Mr. Katayama's infringement of the Securities Listing Regulations and Enforcement Rules for Securities Listings Regulations and disposal of the Company's shares during the lock-up period, it has been proposed that Mr. Katayama will pay the Company the monetary amount 401 million yen. Additionally, he will pay 83 million yen as a penalty for breaching his agreement with the Company. The Company has reviewed the proposals for acceptance from Mr. Katayama.

The aforementioned infringement is unfair not only to the shareholders of the Company who have adhered to the rules of the lock-up system but to the whole market. This impacts our investors who invested with the prerequisite that the lock-up had been in place and creates a deviation from the circumstances under which they invested. The Company recognizes this as a very serious situation that has a great impact on the impartiality of the stock market.

However, ①As it was found that this infringement is not penalizable under the Securities Listing Regulations and Enforcement Rules for Securities Listings Regulations, the Company believes that ways to immediately respond to this matter are limited. ②The Company recognizes there is certain rationality in the calculated and proposed amount of the cash compensation. ③The Company expects that it will, at least partially, restore damages caused by the impartiality to the stock market, which was caused by the aforementioned infringement. Therefore, although it is a difficult choice, the Company holds the opinion that the proposal should be accepted.

Although the Company does not waive the entire right to pursue legal actions against Mr. Katayama as in the statement above, the Company believes that the compensation will accelerate the Company's business, and the Company can finally reward our shareholders by advancing our business based on the funds the Company will receive. The company will continue to respond to this situation in a manner that protects the impartiality of the stock market.

### 4. Outlook

Developments regarding this matter will be reported in an appropriate and timely manner.

Attachment 1

Amount paid by Mr. Katayama to the Company			
Listing date	2020/8/3		
Lock-up period (months)	6		
Lock-up end date	2021/2/3		
Estimated sale period (business days)	12		*1
Estimated final day of sale period	2021/2/19		*1
Estimated average closing price during sale period①	2,438.50	yen/share	*2
Actual value of shares sold by Mr. Katayama	1,865,054,360	yen	
Actual number of shares sold by Mr. Katayama②	600,000	share	
Estimated average closing price during sale period①	3,108.4	yen/share	
Calculation((③-①)X②)	401,954,360	yen	

\* 1 : Since the actual sale period is 12 business days from 2020/9/1 to 2020/9/16, it is assumed that the shares were sold after the lockup was released.

\* 2 : Average closing price from 2021/2/3 to 2021/2/19

date	closing price
2021/2/19	2,384.00
2021/2/18	2,444.00
2021/2/17	2,498.00
2021/2/16	2,451.00
2021/2/15	2,390.00
2021/2/12	2,352.00
2021/2/10	2,402.00
2021/2/9	2,462.00
2021/2/8	2,459.00
2021/2/5	2,500.00
2021/2/4	2,420.00
2021/2/3	2,500.00
平均	2,438.50

## Attachment 2

Candidate rule 1 :

Financial Services Agency Administrative Monetary Penalty

<https://www.fsa.go.jp/policy/kachoukin/b.html>

「(2)Failure to submit or misrepresentation, etc. on the Securities Listing Statement is [penalized at a rate of] 2.25% on funds raised and/or aggregate sale amount (in the case of stocks 4.5%) by law.」

Value of shares sold by Mr. Katayama	1,865,054,360	yen
Administrative monetary penalty rate	4.5%	
Penalty amount①	83,927,446	yen

Candidate rule 2:

Tokyo Stock Exchange Listing Agreement Violation Penalty (Article 504)

[http://jpx-gr.info/rule/tosho\\_regu\\_201305070041001.html](http://jpx-gr.info/rule/tosho_regu_201305070041001.html)

Modalis aggregate market value (public)	32,640	Million yen
Reference Aggregate value at time of IPO, more than 25 billion yen and less than 50 billion yen、 Mothers		
Penalty amount②	38,400,000	yen