Disclaimer: This translation is prepared and provided for readers' convenience only. This summary does not constitute any guarantee, and the company will not compensate any losses and/or damage stemming from actions taken based on these statements. In the case that there is any discrepancy between the Japanese and English versions, the Japanese version is assumed to be correct.

February 13, 2015

Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2014 (JGAAP)

Listed company's name: RaQualia Pharma Inc.
Listed on: Jasdaq Growth/ Tokyo Stock Exchange (TSE)
Stock code: 4579
URL: http://www.raqualia.com/
Representative: Naoki Tani, President and CEO
Contact: Hirobumi Takeuchi, Executive Director (TEL) +81-52-446-6100
Scheduled date of general meeting of shareholders: March 27, 2015
Scheduled date of dividend payment: —
Scheduled date of filing of securities report: March 30, 2015
Supplementary documents for financial results: Yes
Financial results briefing: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated financial results for the fiscal year ended December 31, 2014 (January 1, 2014 to December 31, 2014)

(1) Consolidated operating results

(Percentage figures represent changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2014	153	(32.5)	(2,183)	–	(2,116)	–	(638)	–
December 31, 2013	228	–	(2,137)	–	(1,819)	–	(1,108)	–

Notes: 1. Comprehensive income: For the fiscal year ended December 31, 2014: (1,686) million yen: [—%]
For the fiscal year ended December 31, 2013: 126 million yen: [—%]
2. The consolidated financial statements have been prepared since the fiscal year ended December 31, 2013. Accordingly, changes from the previous fiscal year for the fiscal year ended December 31, 2013 are not presented.

	Net income per share	Net income per share (Diluted)	Net income/ equity	Ordinary income/ total assets	Operating income/ net sales
Fiscal year ended	yen	yen	%	%	%
December 31, 2014	(45.70)	–	(12.3)	(35.8)	(1,418.9)
December 31, 2013	(82.70)	–	(20.1)	(30.0)	(937.5)

Reference: Share of (profit) loss of entities accounted for using equity method:
For the fiscal year ended December 31, 2014: — million yen
For the fiscal year ended December 31, 2013: — million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	million yen	million yen	%	yen
December 31, 2014	5,216	4,685	89.6	314.66
December 31, 2013	6,648	5,746	85.9	423.84

Reference: Equity As of December 31, 2014: 4,674 million yen As of December 31, 2013: 5,712 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	million yen	million yen	million yen	million yen
December 31, 2014	(2,081)	(796)	761	2,004
December 31, 2013	(2,179)	951	309	4,035

2. Dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
Fiscal year ended December 31, 2014	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended December 31, 2013	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2015 (forecast)	–	0.00	–	0.00	0.00		–	

3. Forecasts of consolidated financial results for the fiscal year ending December 31, 2015 (January 1, 2015 to December 31, 2015)

(Percentage figures represent changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Fiscal year ending December 31, 2015	600	389.9	(1,395)	–	(1,415)	–	(1,661)	–	(111.85)

Note: As the Company conducts performance management on an annualized basis, forecasts of results over a six-month period are omitted from this report.

*** Notes**

(1) Changes in material subsidiaries during the fiscal year ended December 31, 2014 (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies, changes in accounting estimates, and restatements of prior financial statements

a. Changes in accounting policies due to the revisions to accounting standards and other regulations: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatements of prior financial statements: None

(3) Number of issued shares (common shares)

a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2014	14,857,200 shares
As of December 31, 2013	13,557,200 shares

b. Total number of treasury shares at the end of the period

As of December 31, 2014	– shares
As of December 31, 2013	– shares

c. Average number of outstanding shares during the period

For the fiscal year ended December 31, 2014	13,980,625 shares
For the fiscal year ended December 31, 2013	13,401,858 shares

(Reference) Overview of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended December 31, 2014 (January 1, 2014 to December 31, 2014)

(1) Non-consolidated operating results

(Percentage figures represent changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2014	153	32.4	(2,122)	–	(1,942)	–	(464)	–
December 31, 2013	227	685.5	(2,069)	–	(1,848)	–	(1,136)	–

	Net income per share	Net income per share (Diluted)
Fiscal year ended	yen	yen
December 31, 2014	(33.23)	–
December 31, 2013	(84.83)	–

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	million yen	million yen	%	yen
December 31, 2014	5,202	4,831	92.7	324.47
December 31, 2013	6,613	5,717	86.0	421.73

Reference: Equity As of December 31, 2014: 4,820 million yen As of December 31, 2013: 5,684 million yen

2. Forecasts of non-consolidated financial results for the fiscal year ending December 31, 2015 (January 1, 2015 to December 31, 2015)

(Percentage figures represent changes from the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Fiscal year ending December 31, 2015	600	389.9	(1,381)	–	(1,380)	–	(1,626)	–	(109.49)

Note: As the Company conducts performance management on an annualized basis, forecasts of results over a six-month period are omitted from this report.

*** Status of audit procedures for financial reports**

This Summary of Financial Results is exempt from the external auditor's audit procedures for consolidated financial statements under the Financial Instruments and Exchange Act. Audit procedures for consolidated financial statements under the said Act are incomplete at the time of disclosure of this Summary of Financial Results.

*** Appropriate use of financial forecasts and other special remarks**

(Caution concerning forward-looking statements)

Forward-looking statements provided in this document, including financial forecasts, are based on the information currently available to the Company and certain assumptions considered reasonable. Such statements are included without any guarantee as to their future realization. Actual results, etc. may differ materially from the forecasts depending on various factors. Please refer to "1. Analysis of business results and financial positions, (1) Analysis of business results" on page 2 of the attached material for the suppositions that form the assumptions for financial forecasts and cautions concerning the use of financial forecasts.

(Method of accessing supplementary documents for financial results and details of financial results briefing)

The Company plans to hold a briefing for analysts on Monday, February 16, 2015.

The Company plans to post the documents for financial results to be used on the day of the briefing on its website promptly after the briefing is held.

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1. Analysis of business results and financial positions

(1) Analysis of business results

1) Consolidated results for the fiscal year ended December 31, 2014

Overall trend

In the Japanese economy during the fiscal year ended December 31, 2014, the decline in consumption following the consumption tax hike implemented in April 2014 became apparent and the yen depreciated against all foreign currencies. Meanwhile, economic conditions outside Japan became increasingly complicated due to factors such as a substantial fall in the price of crude oil, giving uncertainty in the influence of such complexity upon the future of the Japanese economy.

In the pharmaceutical sector, the business environment was challenging due to several factors. These included not only the advancement of government measures to contain medical expenditures by such means as promoting the use of generic medicines, but also globalization of the market and new market entries from other industrial sectors in addition to fierce competition from other companies and mergers and acquisitions.

Against this backdrop, the RaQualia Pharma Group (the "Group") vigorously pushed ahead with research and development and sales activities, aiming to continuously generate compounds developed as pharmaceuticals, to expand its research and development portfolio, and to license out developed compounds.

On the business side, the Group's drug discovery research collaborations with Asahi Kasei Pharma Corporation and Ajinomoto Pharmaceuticals Co., Ltd. made steady progress, generating milestone-related revenue and research collaboration revenue for the Group. The Group concluded a license agreement with CJ CheilJedang Corporation (now CJ HealthCare Corporation in South Korea) for East Asian regions regarding the acid pump antagonist in September 2010, and concluded a new license agreement with the same company for Southeast Asia in November 2014. Following the completion of administration in Phase 2 clinical trials in South Korea, the Group is currently carrying out a detailed analysis of the results and making preparations for Phase 3 clinical trials.

The acid pump antagonist has a different mechanism of action for suppressing gastric acid secretion than the proton pump inhibitor (PPI), the current therapy of choice for treating gastro-esophageal reflux disease (GERD). As the acid pump antagonist can control gastric acid secretion more quickly and sustainably than PPI, it is expected to improve GERD symptoms even in cases where symptoms have not been sufficiently improved by PPI. It also has potential as a treatment for other gastric acid secretion-related diseases such as peptic ulcers. In June 2014, the Group initiated Phase 1 clinical trials of an acid pump antagonist, marking the first clinical trials conducted by RaQualia Pharma Inc. (the "Company") in Japan. The trials made steady progress and their implementation was completed by the end of 2014. Continued analysis of their results is currently underway. In December 2014, a patent allowance for usage of the acid pump antagonist for which an application was filed by the Group (Application Number: 2013-094888) was obtained in Japan. This allowance recognizes the Group's patent rights with respect to a group of compounds developed by the Group, including the acid pump antagonist, for adjusting gastrointestinal function or activating gastrointestinal motility in diseases that involve abnormal gastrointestinal motility. This has strengthened the Group's intellectual property rights in Japan following on those in the U.S.

In the area of collaboration with academia, in February 2014 the Group concluded a collaboration agreement with Nagoya University to jointly establish a division for the analytical study of pharmacology efficacy as a new division for academic-industrial research collaboration at the University. The biology research department, which is part of the Group's drug discovery research division, was transferred to Nagoya University. The chemistry research department, which remained at the Group, will be transferred in around the summer of 2015. The Group plans to transfer all of its drug discovery research division to Nagoya University.

In May 2014 the Group concluded a research collaboration agreement with Kyoto University Center for iPS Cell Research and Application and iPS Academia Japan, Inc. (now iPS PORTAL, Inc.) for research on differentiation and induction of iPS cells. The three parties to the agreement have started exploring for a small molecular compound able to induce differentiation and proliferation of iPS cells into immune cells. In August 2014, the Group concluded a memorandum to extend a research collaboration agreement with the Department of Continence Medicine at the University of Tokyo Graduate School of Medicine, under which the two parties are continuing to explore potential applications for the Group's research program in urology fields such as overactive bladder treatments.

On June 1, 2014, the Group moved its headquarters functions other than drug discovery research division from Taketoyo-cho, Chita-gun, Aichi Prefecture, to Nakamura-ku, Nagoya, and changed the registered location of the head office to the latter address.

Consolidated financial results for the fiscal year ended December 31, 2014, the reporting period, were as follows. Business revenue for the period was 153 million yen (down 32.5% year on year). Operating loss totaled 2,183 million yen (compared with operating loss of 2,137 million yen a year earlier), ordinary loss totaled 2,116 million yen (compared with ordinary loss of 1,819 million yen a year earlier), and net loss was 638 million yen (compared with net loss of 1,108 million yen a year earlier). Total business expenses were 2,337 million yen (down 1.2% year on year), of which research and development expenses were 1,515 million yen (down 0.2% year on year). Other selling, general and administrative expenses totaled 819 million yen (down 3.3% year on year). In this reporting period, a gain on sales of investment securities of 1,543 million yen and office transfer expenses of 54 million yen were recognized.

Research and development activities
Research and development expenses of the Group during the fiscal year ended December 31, 2014 were 1,515 million yen. The main components of these activities were as follows:

(A) Exploratory and discovery phase

The Group continued to evaluate a selective sodium channel blocker compound for indications such as inflammatory pain and neuropathic pain.

In a project to develop a novel ghrelin agonist for indications such as cancer-related anorexia and cachexia, the Group continued an investigation of preclinical efficacy for several clinical development candidates.

In a project to develop TRPM8 blocker compounds primarily for indications such as neuropathic pain, the Group has continued research into the optimization of lead compounds.

The Group continued collaborative research with four companies.

Company	Start date	Content
Ajinomoto Pharmaceuticals Co., Ltd.	October 2012	Collaboration on a specific ion channel target for gastrointestinal treatments
Interprotein Corporation	February 2013	Collaboration on a specific protein-protein interaction (PPI) inhibitor for pain treatments
Carna Biosciences, Inc.	March 2013	Drug discovery research for a specific kinase
Asahi Kasei Pharma Corporation	April 2014	Collaboration on a specific ion channel target

(B) Preclinical development phase

a) 5-HT_{2B} antagonist (RQ-00310941)

The compound is in preclinical development for irritable bowel syndrome (IBS). The Group finalized study reports for the nonclinical studies, including *in vivo* pharmacology studies, metabolism and pharmacokinetics studies, toxicity studies (GLP) and safety pharmacology studies (GLP). Following an examination of the results of these reports, the Group judged that it is possible to progress to the clinical stage and started preparing Phase 1 clinical trials for the first administration of the compound to healthy adults as well as patients.

b) Motilin receptor agonist (RQ-00201894)

The compound is in preclinical development for gastroparesis, post-operative ileus and functional dyspepsia. The Group prepared study reports for the nonclinical studies, including *in vivo* pharmacology studies, metabolism and pharmacokinetics studies, toxicity studies (GLP) and safety pharmacology studies (GLP). As research results have thus far not produced any recognized findings that could be problematic for future development and a commencement of initial clinical trials in the next fiscal year is currently under consideration.

(C) Clinical development phase

a) 5-HT_4 partial agonist (RQ-00000010)

The compound is under development for functional gastrointestinal disorders (FGID). Aiming to conduct investigator-initiated clinical trials at Virginia Commonwealth University (VCU), the Group submitted IND application to U.S. Food and Drug Administration (FDA) and received its approval. Since then, the Group has been continually providing support to VCU.

b) EP_4 antagonist (RQ-00000007 and RQ-00000008)

These development compounds have therapeutic potential for treatment of chronic inflammatory pain, acute pain, inflammation, autoimmune diseases, allergies, cancer, and other diseases. The Group conducted several additional studies to verify pharmacological effects for these indications, including efficacy pharmacology studies through collaborations with research laboratories specializing in the evaluation of anticancer effects in animal models.

c) Acid pump antagonist (RQ-00000004)

The compound is under development for GERD in the U.S. and South Korea. The Group conducted Phase 1 clinical trials in Japan in order to develop the compound in Japan, and continued analysis of their results is currently underway.

2) Outlook for the fiscal year ended December 31, 2015

Looking ahead to the next fiscal year (fiscal year ending December 31, 2015), on the business front, the Group will continue working steadily to secure profits by licensing out developed compounds. On the research and development front, the Group will push ahead with alliances with pharmaceutical companies and others and work to increase corporate value by advancing its various projects at the development and exploratory and discovery phases.

The financial forecasts for the next fiscal year are as follows: 600 million yen in business revenue, 1,395 million yen in operating loss, 1,415 million yen in ordinary loss and 1,633 million yen in net loss.

(2) Analysis of financial positions

1) Status of assets, liabilities and net assets

Assets

Total assets as of December 31, 2014 were 5,216 million yen. The major components were 1,903 million yen in cash and deposits, 1,184 million yen in securities, and 1,800 million yen in investment securities.

Liabilities

Total liabilities as of December 31, 2014 were 530 million yen. The major components were 121 million yen in accounts payable - other, 140 million yen in current portion of bonds, and 108 million yen in deferred tax liabilities.

Net assets

Total net assets as of December 31, 2014 were 4,685 million yen (down 18.5% from a year earlier). The major components were 8,952 million yen in capital stock, 4,236 million yen in capital surplus, negative 8,712 million yen in retained earnings, and 198 million yen in valuation difference on available-for-sale securities. The equity ratio was 89.6%.

2) Status of cash flows

The balance of cash and cash equivalents (hereafter "cash") as of December 31, 2014 amounted to 2,004 million yen (compared with 4,035 million yen a year earlier), a decrease of 2,030 million yen (down 50.3% from a year earlier) compared with the end of the previous fiscal year.

The respective cash flows in the fiscal year ended December 31, 2014 and the factors thereof are as follows.

Cash flows from operating activities

Net cash used in operating activities was 2,081 million yen (compared with 2,179 million yen used a year earlier). This is mainly attributable to other business expenses such as research and development expenses of 2,337 million yen.

Cash flows from investing activities

Net cash used in investing activities was 796 million yen (compared with 951 million yen provided a year earlier). This is primarily due to proceeds from sales of investment securities of 2,155 million yen, purchase of investment securities of 1,802 million yen, purchase of securities of 1,061 million yen, and purchase of property, plant and equipment of 96 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 761 million yen (compared with 309 million yen provided a year earlier). This is primarily due to proceeds from issuance of shares resulting from exercise of subscription rights to shares of 640 million yen and bonds issued by consolidated subsidiary AskAt Inc. of 140 million yen.

(Reference) Trend in cash flow-related indicators

	Fiscal year ended December 31, 2010	Fiscal year ended December 31, 2011	Fiscal year ended December 31, 2012	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Equity ratio (%)	94.0	97.6	96.5	85.9	89.6
Market value equity ratio (%)	–	95.0	83.9	138.9	125.3
Interest-bearing debt to cash flow ratio (years)	–	–	–	–	–
Interest coverage ratio (factor)	–	–	–	–	–

Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / paid interest

(Note 1) Since consolidated financial statements were not prepared up to and including the fiscal year ended December 31, 2012, the figures for the separate financial statements are provided.

(Note 2) Interest-bearing debt to cash flow ratio and interest coverage ratio are not provided since operating cash flow was a minus figure.

(3) Basic policy on profit distribution and dividends for fiscal years 2014 and 2015

The Group is a bio venture company specializing in drug discovery research. Therefore, looking forward, the Group must continually conduct research and development activities. In view of this, we have decided to concentrate on securing internal reserves and to attach priority on securing funds for the continuation of research and development activities without paying dividends. Therefore, because we presently remain in a situation where we continue to record a net loss, we have not carried out profit distributions. Since we expect to also record a net loss in the next fiscal year, we plan not to carry out profit distributions in that fiscal year.

Nevertheless, we consider the distribution of profits to shareholders to be an important management issue, and we intend to make future profit distributions a continual consideration.

2. Management Policy

(1) Basic policies for company management

The Group is a research and development-oriented drug discovery company whose aim is to create new pharmaceutical products leveraging its cutting-edge science and technology focusing on medical fields where patients have the greatest need. The foundation of our business development is the acquisition of revenue by licensing out the original development compounds (small molecular compounds and drugs) for new drugs that we discover to pharmaceutical companies and others. The basic policies of the Group are as below.

1) We will establish an integrated drug discovery business model from exploratory research and initial development right through to licensing out, with the aim of setting up and streamlining our system.
2) We will leverage our strengths to promote highly original and creative drug discovery.
3) We will build relationships of trust with our business partners, resulting in dependable business outcomes.

(2) Target management indicators

The Group will aim for sustained growth by promoting research and development into drugs and licensing out the compounds discovered as a result of exploratory research, preclinical trials and initial clinical trials as well as securing revenue through the commercialization and marketing carried out by licensees. We are pursuing business activities with the objective of licensing out a large number of development compounds at an early stage by further enhancing our research and development projects and promoting research and development of each development compound.

(3) Medium- and long-term management strategy

Research and development of pharmaceuticals generally requires considerable time and expense. In addition, the chances of success are not high as there are various risks before a development compound comes to market, including circumstances such as suspension or delay of research and development due to efficacy, safety and other problems at each phase of the research and development.

Under such circumstances, the Group is developing its business based on the following strategies.

1) Marketing (licensing-out/alliance management) strategy

The Group has developed responsive and flexible marketing activities by making its entire research and development portfolio available for licensing out at each stage from the initial exploratory phase through to the development phase. Although the top priority objective for the Group's research and development portfolio is the licensing-out of worldwide development, marketing and manufacturing rights, the Group's policy aims for licensing out in a variety of forms in order to maximize revenue, including licensing out for each region and licensing out for each dosage form as well as licensing out for animal pharmaceutical applications in accordance with the characteristics of each project and the needs of the client pharmaceutical companies and others.

Furthermore, as a business strategy, the Group has always supported promotion of satisfactory development for its candidate development compounds that have already been licensed out based on the structure of the collaboration with each licensee corporation, implementing alliance management with the aim of achieving acquisition of revenue at the earliest stage possible as well as acquiring stable revenue over the long term.

2) Research and development strategy

(A) Continuous reinforcement of research and development portfolio

The strength of the Group is its drug discovery capability in the exploratory research phase, and we will aim for continuity of business based on our drug discovery capability that can consistently generate new development compounds with pain and gastrointestinal diseases as the core of our research and development program and the acquisition of revenue from that. We will also seek to continue to actively participate in "Research Collaboration" such as that we currently conduct with two major pharmaceutical companies and two biotechnology ventures.

(B) Enhancement of development project value and achievement of revenue at an early stage

The clinical trial phase requires considerable research and development expenses. Therefore, the Group has been implementing "Selection and Concentration" with regard to its development compounds with the aim of reducing research and development expenses and the burden of risk. In addition to concentrating internal resources on selected programs, we will further enhance project value through the utilization of external project finance and other means as needed to achieve early acquisition of revenue. Moreover, we aim to acquire future revenue through the acceleration of development.

(4) Issues to address

1) Reinforce the research and development portfolio

To incorporate new projects into its research and development portfolio, the Group will implement the following measures:

- Internally discover new target molecules and increase the number of projects by leveraging its unique assessment system and related database.
- Develop projects aimed at new indications from its existing research and development portfolio.
- For fields outside the Group's core fields of treatments for pain and gastrointestinal diseases, the Group is striving to add projects through conducting joint research with external research institutions. In particular, the Group will proactively advance joint research with other companies in ion channel drug discovery projects that can actively utilize the technology and knowhow of the Group with the aim of creating development compounds at an early stage.
- The Group is striving to advance exploration research activities through new academic-industrial collaboration, and add new projects based on cutting-edge science with the aim of achieving profitable research results in the medium-and-long term.

2) Promotion of clinical trials for research projects and enhancing value for each project

The Group, through a process of "selection and concentration," will forge ahead by classifying the development compounds that are classified into "Core Programs" that utilize the Group's own resources, and "Strategic Option Programs" that utilize external resources.

Among the "Core Programs," the Group is carrying out the following projects by utilizing the Group's unique strengths.

- For motilin receptor agonist (RQ-00201894) and 5-HT_{2B} antagonist (RQ-00310941), for which nonclinical studies were completed in the fiscal year ended December 31, 2014, the Group will proceed with preparation for Phase I clinical trials based on the data accumulated thus far and aims at either licensing out at the stage of clinical trials or participating in a joint-development alliance during the fiscal year ending December 31, 2015.
- For 5-HT_4 partial agonist (RQ-00000010) and acid pump antagonist (RQ-00000004), the Group will strive to maximize and achieve revenues by improving program value through not only concentrating internal resources but also introducing external resources.

With the "Strategic Option Programs," the Group aims to obtain revenue in the future by improving program value through upgrading development stages by way of actively making use of external resources through out-licensing.

3) Strengthen the system for promoting licensing out

To establish optimal out-licensing arrangements for its development compounds, the Group will adopt the following measures:

- In order to select appropriate licensees and to determine the optimal timing of out-licensing for customers, the Group is working to further reinforce its capabilities in gathering and analysis of customer information.
- The Group will not only contact the licensing departments of licensee candidates, but will also approach candidates through the management, those in charge at the research and development department, and all other forms of individual relationships.

4) Bolster alliance management functions

With the aim of achieving acquisition of revenue at the earliest stage possible as well as acquiring stable revenue over the long term by supporting promotion of satisfactory development based on the structure of the collaboration with licensees, the Group will adopt the following measures:

- For ziprasidone (RQ-00000003), which was relicensed out to Meiji Seika Pharma Co., Ltd., the Group will continue to support preparation for the start of Phase III clinical trials scheduled in Japan.
- For dalbavancin, whose rights were transferred to Durata Therapeutics, Inc. of the U.S., the Group will continue to support preparation for the start of Phase III clinical trials scheduled in Japan.
- For RQ-00000004 and RQ-00000010 licensed out to CJ CheilJedang Corporation (now CJ HealthCare Corporation in South Korea) and the candidate compounds (RQ-00000007 and RQ-00000005) licensed out to Aratana Therapeutics, Inc. (animal pharmaceutical company in the U.S.), for both of which development periods and development expenses are expected to be reduced, the Group will support the development activities and aims to receive milestones and royalties as early as possible. Moreover, for those projects licensed out in the Asian region, the Group will advance opportunities for global development by collaborating with the licensees with the aim of licensing out in Europe and the U.S., Japan and other countries.

5) Improve financial strength

The Group has incurred an operating loss and operating cash outflow every year, from the first fiscal year to the seventh. Although the Group anticipates continued increases in resource requirements for research and development investment and the like, it will carry out the following measures with the aim of boosting corporate value and securing business continuity.

(A) Financing with effective use of assets held
During the fiscal year ended December 31, 2014, the Group raised funds for research and development through effective use of assets held and the issuance of stock acquisition rights. It will continue to evaluate and implement various financing until achieving stable earnings.

(B) Strategic use of funds
The Group will engage proactively in new academic-industrial collaborations. Having established a division for industry-academia research collaboration at Nagoya University as the first step, the Group will proactively use collaboration with academia to accelerate drug discovery research. Furthermore, the Group will transfer operations of research and development bases and further strengthen collaboration with external parties in order to achieve substantial reductions in fixed costs. In addition, aiming to build a leaner business structure, the Group will continue efforts to reduce expenses.

(C) Enhance the value of projects
While striving to achieve revenue streams at an early stage, the Group will strive to enhance the value of projects by advancing the development stage through the use of external resources so as to expand future revenue and improve revenue realization capability.

(D) Consider the introduction of performance-based incentives to employees
The Group will consider introducing performance-based incentives for employees in an effort to continue to secure and retain highly trained professionals in every aspect of the Group's business. These include medicine, pharmacy, agriculture, veterinary medicine, biology, chemistry, IT management, intellectual property, statistical analysis and other fields.

6) Further enhancement of compliance of internal structures and systems with the Pharmaceutical Affairs Law and the Relevant Regulations

The Group has always complied and continues to fully comply with the regulations and standards for efficacy, safety, and quality for research and development of pharmaceutical products set by each governing body in the countries within which it operates. The Group recognizes the importance of internal structures and systems to ensure compliance with these regulations and continuously carries out employee training and education regarding its Standard Operating Procedures (SOPs). These SOPs are regularly updated to reflect changes in regulations. The Group will continue to monitor and adjust to changes in the pharmaceutical affairs legislation and other relevant regulations in the countries within which it operates in order to further reinforce its compliance practices.

(5) Critical contracts for operation and others

The critical contracts for the Group's operation are as below.

1) Agreements relating to building lease

Agreement title	LEASE AGREEMENT
Agreement partner	Pfizer Global Supply Japan Inc.
Date of execution	July 1, 2013
Term of agreement	Three years starting on July 1, 2013
Main content of agreement	a) Pfizer Global Supply Japan Inc. will lease office space in a building located at 5-2 Taketoyo-cho, Chita-gun, Aichi Prefecture, the equipment in the office space and car parking to the Company, and the Company will rent them. b) In conjunction with the lease of office space, Pfizer Global Supply Japan Inc. will supply associated services and utilities, and the Company will use them. c) The Company will pay Pfizer Global Supply Japan Inc. the specified deposit and rent as well as the consideration for b).

Agreement title	ESTABLISHMENT OF NEW ACADEMIC-INDUSTRIAL RESEARCH COLLABORATION DIVISION AGREEMENT
Agreement partner	Nagoya University
Date of execution	February 18, 2014
Term of agreement	Three years starting on April 1, 2014
Main content of agreement	a) The Company will establish the Industry-Academia Collaborative Chair (course name: Department of Pharmacology (RaQualia Pharma)) in Nagoya University's Research Institute of Environmental Medicine (Furo-cho, Chikusa-ku, Nagoya, Aichi Prefecture). b) In line with the establishment of this division for academic-industrial research collaboration Nagoya University will provide the facility and associated services (utilities), and the Company will use the facility and associated services. c) The Company will pay Nagoya University the specified research expenses and academic-industrial research collaboration promotion expenses.

2) Agreements relating to transfer and license of intellectual property

Agreement title	INTELLECTUAL PROPERTY TRANSFER & LICENSE AGREEMENT
Agreement partner	Pfizer Inc.
Date of execution	June 30, 2008
Term of agreement	Fifty years starting on June 30, 2008 (Note 2)
Main content of agreement	a) Pfizer Inc. will transfer the intellectual property rights or license (includes the right to sublicense) the use of intellectual property rights relating to a number of projects at the exploratory phase and development phase to the Company. b) The Company will pay Pfizer Inc. the consideration for the aforementioned a) - c) and the consideration for the ANIDULAFUNGIN MARKETING RIGHTS AGREEMENT, DALBAVANCIN MARKETING RIGHTS AGREEMENT and ZIPRASIDONE HCL /ZIPRASIDONE MESYLATE MARKETING RIGHTS AGREEMENT. c) The Company will pay Pfizer Inc. royalties for specified compounds from among the number of compounds covered by the aforementioned a).

Notes 1: Payment of the consideration for b) above was completed on July 14, 2008.

2: Of the agreements in b) above, the status of Pfizer Inc. relating to the DALBAVANCIN MARKETING RIGHTS AGREEMENT was transferred from Pfizer Inc. to Durata Therapeutics, Inc. on December 12, 2009. In addition, in the RIGHTS TRANSFER AGREEMENT dated December 14, 2010, the Company agreed to the effective transfer of its rights under the relevant agreement to Durata Therapeutics, Inc. through the termination of the relevant agreement in exchange for receipt of certain considerations from Durata Therapeutics, Inc. Details on the content of the agreement are as described in RIGHTS TRANSFER AGREEMENT below.

Agreement title	ANIDULAFUNGIN MARKETING RIGHTS AGREEMENT
Agreement partner	Pfizer Inc.
Date of execution	June 30, 2008
Term of agreement	From June 30, 2008 until marketing in Japan ceases
Main content of agreement	a) Pfizer Inc. will license development, commercialization and formulation manufacturing rights and sublicensing rights pertaining to Andulafungin in Japan to the Company, and the Company will pay the consideration provided for in the separate INTELLECTUAL PROPERTY TRANSFER & LICENSE AGREEMENT. b) The Company will pay Eli Lilly and Company, which owns the patent for the compound, milestones after regulatory approval in Japan and royalties after the commencement of marketing.

Agreement title	ZIPRASIDONE HCL / ZIPRASIDONE MESYLATE MARKETING RIGHTS AGREEMENT
Agreement partner	Pfizer Inc.
Date of execution	June 30, 2008
Term of agreement	From June 30, 2008 until marketing in Japan ceases
Main content of agreement	Pfizer Inc. will license development, commercialization and formulation manufacturing rights and sublicensing rights pertaining to Ziprasidone HCL/Ziprasidone Mesylate in Japan to the Company, and the Company will pay the consideration provided for in the separate INTELLECTUAL PROPERTY TRANSFER & LICENSE AGREEMENT.

Note: The Company sublicensed the development, marketing and formulation manufacturing rights pertaining to ZiprasidoneHCL/Ziprasidone Mesylate in Japan to Meiji Seika Pharma Co., Ltd. on March 14, 2011 in exchange for receipt of certain considerations. Details on the content of the agreement are as described in 5) Agreement relating to sublicense of rights below.

3) Agreements relating to transfer of rights

Agreement title	RIGHTS TRANSFER AGREEMENT
Agreement partner	Durata Therapeutics, Inc.
Date of execution	December 14, 2010
Main content of agreement	a) The Company agrees to effectively transfer its rights pertaining to development, commercialization and formulation manufacturing in Japan under the DALBAVANCIN MARKETING RIGHTS AGREEMENT to Durata Therapeutics, Inc. through termination of the DALBAVANCIN MARKETING RIGHTS AGREEMENT upon the effectuation of this Agreement. b) The DALBAVANCIN MARKETING RIGHTS AGREEMENT will terminate upon the effectuation of this Agreement. c) The Company will receive an upfront payment on conclusion of this Agreement, milestones and royalties in proportion to sales of the product in Japan as the consideration for the conclusion of this Agreement. d) In the event that Durata Therapeutics, Inc. is unable to file an application for manufacturing and marketing approval within a certain period or abandons development, the Company may have the right to regain the rights in a).

Agreement title	SALE AND PURCHASE AGREEMENT
Agreement partner	AskAt Inc.
Date of execution	January 29, 2013
Main content of agreement	a) The Company will transfer all intellectual property rights pertaining to the EP_4 antagonist (RQ-00000007) to AskAt Inc. b) With the conclusion of this Agreement, the Company will receive a certain rate of the revenue that AskAt Inc. earns from RG-00000007 as royalties as the consideration for the conclusion of this Agreement.

Notes 1: Notwithstanding this Agreement, the Company does not transfer its status under the out-licensing agreement concluded with Maruishi Pharmaceutical Co., Ltd. dated August 4, 2010. The details of the out-licensing agreement with Maruishi Pharmaceuticals Co., Ltd. are as described in LICENSE AGREEMENT below.

2: With the conclusion of this Agreement, the Company will transfer its status under the out-licensing agreement concluded with Aratana Therapeutics, Inc. dated December 27, 2010 to AskAt Inc. The details of the out-licensing agreement with Aratana Therapeutics, Inc. are as described in EXCLUSIVE IP LICENSE AGREEMENT FOR RQ-00000007 below.

Agreement title	SALE AND PURCHASE AGREEMENT
Agreement partner	AskAt Inc.
Date of execution	January 29, 2013
Main content of agreement	a) The Company will transfer all intellectual property rights pertaining to the EP_4 antagonist (RQ-00000008) to AskAt Inc. b) With the conclusion of this Agreement, the Company will receive a certain rate of the revenue that AskAt Inc. earns from RG-00000008 as royalties as the consideration for the conclusion of this Agreement.

Agreement title	SALE AND PURCHASE AGREEMENT
Agreement partner	AskAt Inc.
Date of execution	January 29, 2013
Main content of agreement	a) The Company will transfer all intellectual property rights, related data and the relevant compound ingredients pertaining to the cyclooxygenase-2 (COX-2) inhibitor (RQ-00317076) to AskAt Inc. b) With the conclusion of this Agreement, the Company will receive a certain rate of the revenue that AskAt Inc. earns from RQ-00317076 as royalties as the consideration for the conclusion of this Agreement.

Agreement title	SALE AND PURCHASE AGREEMENT
Agreement partner	AskAt Inc.
Date of execution	January 29, 2013
Main content of agreement	a) The Company will transfer data and compounds required for research pertaining to the 5-HT_4 partial agonist (RQ-00000009) to AskAt Inc. b) With the conclusion of this Agreement, the Company will receive a certain rate of the revenue that AskAt Inc. earns from RG-00000009 as royalties as the consideration for the conclusion of this Agreement.

4) Agreements relating to licensing out

(A) EP_4 antagonist (RQ-00000007)

This development compound was transferred by Pfizer Inc. Under the INTELLECTUAL PROPERTY TRANSFER & LICENSE AGREEMENT dated June 30, 2008 between the Company and Pfizer Inc., the parties agreed to the effect that in the event that the Company licenses out rights to a third party, the Company will pay Pfizer Inc. an amount calculated by multiplying the revenue obtained through licensing out (upfront payment, milestones and royalties, etc.) by a certain rate. The details of the INTELLECTUAL PROPERTY TRANSFER & LICENSE AGREEMENT are as described in 2) Agreements relating to transfer and license of intellectual property above.

Agreement title	LICENSE AGREEMENT
Agreement partner	Maruishi Pharmaceutical Co., Ltd.
Date of execution	August 4, 2010
Term of agreement	From the date of execution of the agreement until development, manufacture and marketing of the development compound by Maruishi Pharmaceutical Co., Ltd. or its sublicensees cease
Main content of agreement	a) The Company will grant Maruishi Pharmaceutical Co., Ltd. exclusive license with sublicense rights for the development, marketing and manufacture for the intravenous formulation of EP_4 antagonist (RQ-00000007) as a human and animal pharmaceutical in Japan and the East Asia region (South Korea, China and Taiwan). b) Maruishi Pharmaceutical Co., Ltd. has options to add countries in Asia other than Japan and East Asia and countries in Europe and the United States to the region covered by the Agreement. c) The Company has an obligation to provide Maruishi Pharmaceutical Co., Ltd. with the active pharmaceutical ingredient. d) With the conclusion of this Agreement, the Company will receive an upfront payment, milestones corresponding to the stage of development, and royalties in proportion to sales of the product as the consideration for a) through c) above. Furthermore, the Company will receive an incentive payment if the pharmaceutical's sales in Japan exceed a certain amount. e) In the event that Maruishi Pharmaceutical Co., Ltd. sublicenses its rights to a third party outside Japan, the Company will receive a certain rate of the revenue that Maruishi Pharmaceutical Co., Ltd. earns as a result of the sublicense.

Notes 1: In conjunction with the partial amendment of the content of the Agreement, the AGREEMENT RELATING TO PARTIAL AMENDMENT OF THE LICENSE AGREEMENT was concluded on December 24, 2010, and the content above reflects the content of the amended agreement.

2: Among the options in b) above, the exclusive license with sublicense rights for development, marketing and manufacture as an animal pharmaceutical was extinguished as of the date of submission of this report in conjunction with the conclusion of an out-licensing agreement between the Company and Aratana Therapeutics, Inc. (US). The details of the out-licensing agreement with Aratana Therapeutics, Inc. are as described in EXCLUSIVE IP LICENSE AGREEMENT FOR RQ-00000007 below.

Agreement title	EXCLUSIVE IP LICENSE AGREEMENT FOR RQ-00000007
Agreement partner	Aratana Therapeutics, Inc.
Date of execution	December 27, 2010
Term of agreement	From the date of execution of the agreement until canceled under the conditions provided for in the agreement
Main content of agreement	a) The Company will grant Aratana Therapeutics, Inc. exclusive license with sublicense rights for the worldwide development, marketing and manufacture of an EP_4 antagonist (RQ-00000007) as an animal pharmaceutical. (However, the right to the intravenous formulation of animal pharmaceuticals in Japan, South Korea, China and Taiwan is excluded.) b) The Company will supply a certain volume of the active pharmaceutical ingredient and the formulation that it already holds to Aratana Therapeutics, Inc. without compensation for the purpose of clinical trials. c) With the conclusion of this Agreement, the Company will receive an upfront payment, milestones corresponding to the stage of development, and royalties in proportion to sales of the product as the consideration for a) and b) above.

Notes 1: As of the date of submission of this report, the Company owns common shares in Aratana Therapeutics, Inc.

2: The Company transferred its status under this Agreement based on the RIGHTS SALE AND PURCHASE AGREEMENT it concluded with AskAt Inc. dated January 29, 2013. The details of the sale and purchase agreement with AskAt Inc. are as described in RIGHTS SALE AND PURCHASE AGREEMENT above.

(B) Ghrelin receptor agonist (RQ-00000005)

Agreement title	EXCLUSIVE IP LICENSE AGREEMENT FOR RQ-00000005
Agreement partner	Aratana Therapeutics, Inc.
Date of execution	December 27, 2010
Term of agreement	From the date of execution of the agreement until canceled under the conditions provided for in the agreement
Main content of agreement	a) The Company will grant Aratana Therapeutics, Inc. exclusive license with sublicense rights for the worldwide development, marketing and manufacture of the Ghrelin receptor agonist (RQ-00000005) as an animal pharmaceutical. b) The Company will supply a certain volume of the active pharmaceutical ingredient and the formulation that it already holds to Aratana Therapeutics, Inc. without compensation for the purpose of clinical trials. c) With the conclusion of this Agreement, the Company will receive an upfront payment, milestones corresponding to the stage of development, and royalties in proportion to sales of the product as the consideration for a) and b) above.

Note: As of the date of submission of this report, the Company owns common shares in Aratana Therapeutics, Inc.

(C) 5-HT_4 partial agonist (RQ-00000010)

Agreement title	LICENSE AGREEMENT
Agreement partner	CJ CheilJedang Corporation
Date of execution	July 28, 2011
Term of agreement	From the date of execution of the agreement until CJ CheilJedang Corporation's obligation to pay royalties to the Company ceases
Main content of agreement	a) The Company will grant CJ CheilJedang Corporation exclusive license with sublicense rights for development, marketing and manufacture of the 5-HT_4 partial agonist (RQ-00000010) as a human pharmaceutical in South Korea, China (includes Hong Kong), Taiwan, India and the Southeast Asia region. b) With the conclusion of this Agreement, the Company will receive an upfront payment, milestones corresponding to the stage of development, and royalties in proportion to sales of the product as the consideration for a) above.

Note: This agreement was succeeded from CJ CheilJedang Corporation to CJ HealthCare Corporation on April 1, 2014.

(D) Acid pump antagonists (RQ-00000004 and RQ-00000774)

Agreement title	LICENSE AGREEMENT
Agreement partner	CJ CheilJedang Corporation
Date of execution	September 3, 2010
Term of agreement	From the date of execution of the agreement until CJ CheilJedang Corporation's obligation to pay royalties to the Company ceases
Main content of agreement	a) The Company will grant CJ CheilJedang Corporation exclusive license with sublicense rights for development, marketing and manufacture of acid pump antagonists (RQ-00000010 and RQ-00000774) as human pharmaceuticals in South Korea, China (includes Hong Kong) and Taiwan. b) The Company will grant CJ CheilJedang Corporation an option guaranteeing the same rights as in a) above with regard to backup compounds. c) With the conclusion of this Agreement, the Company will receive an upfront payment, milestones corresponding to the stage of development, and royalties in proportion to sales of the product as the consideration for a) and b) above.

Note: This agreement was succeeded from CJ CheilJedang Corporation to CJ HealthCare Corporation on April 1, 2014.

Agreement title	LICENSE AGREEMENT FOR RQ-00000004 (CJ-12420) AND RQ-00000774 IN SOUTHEAST ASIAN COUNTRIES
Agreement partner	CJ HealthCare Corporation
Date of execution	November 27, 2014
Term of agreement	From the date of execution of the agreement until CJ HealthCare Corporation's obligation to pay royalties to the Company ceases
Main content of agreement	a) The Company will grant CJ HealthCare Corporation exclusive license with sublicense rights for development, marketing and manufacture of acid pump antagonists (RQ-00000010 and RQ-00000774) as human pharmaceuticals in Southeast Asian countries. b) The Company will grant CJ HealthCare Corporation an option guaranteeing the same rights as in a) above with regard to backup compounds. c) With the conclusion of this Agreement, the Company will receive an upfront payment and royalties in proportion to sales of the product as the consideration for a) and b) above.

5) Agreement relating to sublicense of rights

Agreement title	SUBLICENSE AGREEMENT
Agreement partner	Meiji Seika Pharma Co., Ltd.
Date of execution	March 14, 2011
Term of agreement	From the date of execution of the agreement until marketing in Japan ceases, except for termination under the condition provided for in the agreement
Main content of agreement	a) The Company grants Meiji Seika Pharma Co., Ltd. exclusive license with sublicense rights for development, marketing and manufacture in Japan of ZIPRASIDONE HCL/ZIPRASIDONE MESYLATE licensed to the Company by Pfizer Inc. under the ZIPRASIDONE HCL/ZIPRASIDONE MESYLATE MARKETING RIGHTS AGREEMENT. b) With the conclusion of this Agreement, the Company will receive an upfront payment, milestones corresponding to the stage of development, and royalties in proportion to sales of the product as the consideration for a) above. Furthermore, the Company will receive an incentive payment if the product's sales in Japan exceed a certain amount.

Note: The milestones and royalties in b) above may change depending on the status of clinical trials.

6) Agreements relating to collaborative research

Agreement title	JOINT RESEARCH AGREEMENT
Agreement partner	Ajinomoto Pharmaceuticals Co., Ltd.
Date of execution	October 31, 2012
Term of agreement	Thirty months from the date of execution of the agreement
Main content of agreement	a) The Company will conduct joint exploratory research with Ajinomoto Pharmaceuticals Co., Ltd. on compounds for a specific ion channel. b) Ajinomoto Pharmaceuticals Co., Ltd. will develop and commercialize any compounds that are discovered as a result of the joint research. c) The Company will receive an upfront payment with the conclusion of the Agreement as consideration for commencement of a) above and research grants as consideration for execution of a). The Company will also receive milestones corresponding to the development, regulatory approval and commercialization of any compounds that are discovered as a result of the joint research. d) The Company will receive royalties at a certain rate of sales after any products are brought to market.

Agreement title	JOINT RESEARCH AGREEMENT
Agreement partner	Asahi Kasei Pharma Corporation
Date of execution	April 2, 2014
Term of agreement	Two years starting on April 1, 2014
Main content of agreement	a) The Company will conduct joint exploratory research with Asahi Kasei Pharma Corporation on compounds for a specific ion channel. b) The Company will receive an upfront payment with the conclusion of the Agreement as consideration for commencement of a) above and contingency payments in the event that any compounds are discovered as a result of the joint research. c) In the event that any compounds are discovered as a result of the joint research, the Company will conclude an agreement with Asahi Kasei Pharma Corporation for further joint research concerning the relevant compounds.

3. Consolidated financial statements

(1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2013	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	4,035,228	1,903,935
Accounts receivable - trade	59,700	20,000
Securities	–	1,184,379
Work in process	647	–
Raw materials and supplies	46,544	8,728
Other	221,562	155,025
Total current assets	4,363,684	3,272,067
Non-current assets		
Property, plant and equipment		
Buildings and structures	83,071	97,140
Machinery, equipment and vehicles	16,725	1,979
Tools, furniture and fixtures	370,483	349,239
Construction in progress	430	–
Accumulated depreciation	(463,550)	(363,035)
Total property, plant and equipment	7,160	85,324
Intangible assets		
Software	–	6,463
Trademark right	3,974	4,258
Other	7,814	4,475
Total intangible assets	11,788	15,197
Investments and other assets		
Investment securities	2,220,670	1,800,412
Other	44,873	43,492
Total investments and other assets	2,265,544	1,843,905
Total non-current assets	2,284,493	1,944,428
Total assets	6,648,177	5,216,496
Liabilities		
Current liabilities		
Current portion of bonds	–	140,000
Accounts payable - other	141,653	121,059
Income taxes payable	17,312	16,427
Other	73,805	144,476
Total current liabilities	232,771	421,963
Non-current liabilities		
Deferred tax liabilities	669,325	108,806
Total non-current liabilities	669,325	108,806
Total liabilities	902,096	530,770
Net assets		
Shareholders' equity		
Capital stock	8,627,912	8,952,367
Capital surplus	3,911,912	4,236,367
Retained earnings	(8,073,758)	(8,712,683)
Total shareholders' equity	4,466,066	4,476,051
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,246,865	198,904
Total accumulated other comprehensive income	1,246,865	198,904
Subscription rights to shares	33,150	10,769
Total net assets	5,746,081	4,685,725
Total liabilities and net assets	6,648,177	5,216,496

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income (cumulative)

(Thousands of yen)

		Fiscal year ended December 31, 2013		Fiscal year ended December 31, 2014
Business revenue		228,044		153,895
Business expenses				
Cost of business revenue	*1	307	*1	2,552
Research and development expenses	*2	1,518,023	*2	1,515,582
Other selling, general and administrative expenses		847,685		819,325
Total business expenses		2,366,016		2,337,460
Operating loss		(2,137,971)		(2,183,564)
Non-operating income				
Interest income		1,432		34,081
Foreign exchange gains		55,449		27,012
Reversal of allowance for investment loss		260,535		–
Gain on valuation of compound financial instruments		–		20,427
Other		9,972		5,535
Total non-operating income		327,390		87,057
Non-operating expenses				
Interest on bonds		–		12,924
Share issuance cost		8,494		6,919
Other		623		–
Total non-operating expenses		9,118		19,843
Ordinary loss		(1,819,699)		(2,116,350)
Extraordinary income				
Gain on sales of non-current assets		–		5,520
Gain on sales of investment securities		800,561		1,543,899
Total extraordinary income		800,561		1,549,420
Extraordinary losses				
Impairment loss		57,680		–
Loss on cancellation of rental contracts		24,000		–
Office transfer expenses		–		54,301
Special retirement expenses		–		10,467
Other		1,340		–
Total extraordinary losses		83,020		64,768
Loss before income taxes and minority interests		(1,102,158)		(631,699)
Income taxes - current		6,111		7,224
Loss before minority interests		(1,108,270)		(638,924)
Net loss		(1,108,270)		(638,924)

Consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Loss before minority interests	(1,108,270)	(638,924)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,234,659	(1,047,960)
Total other comprehensive income	1,234,659	(1,047,960)
Comprehensive income	126,389	(1,686,884)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	126,389	(1,686,884)

(3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2013

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	8,489,850	3,773,850	(6,965,488)	5,298,211
Changes of items during period				
Issuance of new shares	138,062	138,062		276,125
Net loss			(1,108,270)	(1,108,270)
Net changes of items other than shareholders' equity				
Total changes of items during period	138,062	138,062	(1,108,270)	(832,145)
Balance at end of current period	8,627,912	3,911,912	(8,073,758)	4,466,066

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	12,205	12,205	–	5,310,417
Changes of items during period				
Issuance of new shares				276,125
Net loss				(1,108,270)
Net changes of items other than shareholders' equity	1,234,659	1,234,659	33,150	1,267,809
Total changes of items during period	1,234,659	1,234,659	33,150	435,664
Balance at end of current period	1,246,865	1,246,865	33,150	5,746,081

Fiscal year ended December 31, 2014

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of current period	8,627,912	3,911,912	(8,073,758)	4,466,066
Changes of items during period				
Issuance of new shares	324,455	324,455		648,910
Net loss			(638,924)	(638,924)
Net changes of items other than shareholders' equity				
Total changes of items during period	324,455	324,455	(638,924)	9,985
Balance at end of current period	8,952,367	4,236,367	(8,712,683)	4,476,051

	Accumulated other comprehensive income		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	1,246,865	1,246,865	33,150	5,746,081
Changes of items during period				
Issuance of new shares				648,910
Net loss				(638,924)
Net changes of items other than shareholders' equity	(1,047,960)	(1,047,960)	(22,380)	(1,070,341)
Total changes of items during period	(1,047,960)	(1,047,960)	(22,380)	(1,060,355)
Balance at end of current period	198,904	198,904	10,769	4,685,725

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Cash flows from operating activities		
Loss before income taxes and minority interests	(1,102,158)	(631,699)
Depreciation	68,155	21,272
Impairment loss	57,680	–
Increase (decrease) in allowance for investment loss	(260,535)	–
Interest income	(1,432)	(34,081)
Share issuance cost	8,494	6,919
Foreign exchange losses (gains)	(63,332)	(52,326)
Loss (gain) on valuation of compound financial instruments		(20,427)
Loss (gain) on sales of investment securities	(800,561)	(1,543,899)
Loss on cancellation of rental contracts	24,000	–
Relocation expenses	–	54,301
Decrease (increase) in notes and accounts receivable - trade	(50,139)	39,700
Decrease (increase) in inventories	561	38,464
Increase (decrease) in accounts payable - other	37,310	(20,512)
Other, net	(89,717)	121,547
Subtotal	(2,171,675)	(2,020,742)
Interest and dividend income received	1,244	20,689
Income taxes paid	(5,840)	(9,286)
Payments for removal expenses	–	(54,301)
Other, net	(2,945)	(17,386)
Net cash provided by (used in) operating activities	(2,179,215)	(2,081,026)
Cash flows from investing activities		
Payments into time deposits	(50,000)	(511,350)
Proceeds from withdrawal of time deposits	50,000	525,000
Purchase of securities	–	(1,061,350)
Purchase of property, plant and equipment	(13,175)	(96,802)
Proceeds from sales of property, plant and equipment	3,922	1,943
Purchase of intangible assets	(12,932)	(4,304)
Purchase of investment securities	–	(1,802,983)
Proceeds from sales of investment securities	969,244	2,155,511
Payments for guarantee deposits	(41,640)	(13,249)
Proceeds from collection of guarantee deposits	69,427	15,396
Other, net	(23,000)	(3,937)
Net cash provided by (used in) investing activities	951,847	(796,123)
Cash flows from financing activities		
Proceeds from issuance of bonds	–	140,000
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	271,775	640,330
Purchase of subscription rights to shares	–	(33,150)
Proceeds from issuance of subscription rights to shares	37,500	14,586
Net cash provided by (used in) financing activities	309,275	761,766
Effect of exchange rate change on cash and cash equivalents	63,332	84,451
Net increase (decrease) in cash and cash equivalents	(854,760)	(2,030,933)
Cash and cash equivalents at beginning of period	4,889,989	4,035,228
Cash and cash equivalents at end of period	4,035,228	2,004,295

(5) Notes to consolidated financial statements

Consolidated statement of income

*1 Among research and development expenses, significant expense items and their amounts are as follows:

(Thousands of yen)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Salaries and allowances	459,500	437,459
Research and development consignment expenses	193,720	250,328
Business consignment expenses	27,270	176,055
Research and development supplies expenses	150,930	127,703
Rent expenses	196,217	104,826

*2 Among other selling, general and administrative expenses, significant expense items and their amounts are as follows:

(Thousands of yen)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Salaries and allowances	224,522	233,068
Business consignment expenses	145,360	146,050
Patent maintenance expenses	91,301	124,296
Rent expenses	79,159	36,651

Consolidated statement of changes in equity

Fiscal year ended December 31, 2013

1. Issued shares

	Fiscal year ended December 31, 2013 Number of shares at start of period (Shares)	Fiscal year ended December 31, 2013 Increase in number of shares (Shares)	Fiscal year ended December 31, 2013 Decrease in number of shares (Shares)	Fiscal year ended December 31, 2013 Number of shares at end of period (Shares)
Common shares	13,267,200	290,000	–	13,557,200
Total	13,267,200	290,000	–	13,557,200

Note: The increase of 290,000 in the total number of issued shares is an increase resulting from exercise of stock acquisition rights.

2. Treasury shares

No items to report.

3. Stock acquisition rights

Category	Breakdown of stock acquisition rights	Class of shares underlying stock acquisition rights	Number of shares underlying stock acquisition rights(shares)				Balance at end of Fiscal year ended December 31, 2013 (thousand yen)
			Start of fiscal year ended December 31, 2013	Increase in fiscal year ended December 31, 2013	Decrease in fiscal year ended December 31, 2013	End of fiscal year ended December 31, 2013	
Filing company (parent company)	3rd series share options (Stock acquisition rights as stock options)	–	–	–	–	–	–
	5th series share options (Stock acquisition rights as stock options)	–	–	–	–	–	–
	7th series share options (Stock acquisition rights as stock options)	–	–	–	–	–	–
	8th series share options (Stock acquisition rights as stock options on the Company's own stock)	Common shares	–	–	–	–	33,150
Consolidated subsidiaries	–	–	–	–	–	–	–
Total		–	–	–	–	–	33,150

Notes: 1. In cases where stock acquisition rights are granted as stock options or stock options on the Company's own stock, the class and number of the shares underlying the stock acquisition rights are not provided.

2. On the grant dates of the 3rd series share options, 5th series share options and 7th series share options, as the Company's shares were not listed, fair unit values on the grant dates were calculated according to a method in which the intrinsic value per unit was estimated. The intrinsic value at the end of the fiscal year ended December 31, 2013 (intrinsic value on grant date) was zero for each of the series and there was no balance as of the end of the fiscal year ended December 31, 2013.

4. Dividends

No items to report.

Fiscal year ended December 31, 2014

1. Issued shares

	Fiscal year ended December 31, 2014 Number of shares at start of period (Shares)	Fiscal year ended December 31, 2014 Increase in number of shares (Shares)	Fiscal year ended December 31, 2014 Decrease in number of shares (Shares)	Fiscal year ended December 31, 2014 Number of shares at end of period (Shares)
Common shares	13,557,200	1,300,000	–	14,857,200
Total	13,557,200	1,300,000	–	14,857,200

Note: The increase of 130,000,000 in the total number of issued shares is an increase resulting from exercise of stock acquisition rights.

2. Treasury shares

No items to report.

3. Stock acquisition rights

Category	Breakdown of stock acquisition rights	Class of shares underlying stock acquisition rights	Number of shares underlying stock acquisition rights(shares)				Balance at end of Fiscal year ended December 31, 2014 (thousand yen)
			Start of fiscal year ended December 31, 2014	Increase in fiscal year ended December 31, 2014	Decrease in fiscal year ended December 31, 2014	End of fiscal year ended December 31, 2014	
Filing company (parent company)	3rd series share options (Stock acquisition rights as stock options)	–	–	–	–	–	–
	5th series share options (Stock acquisition rights as stock options)	–	–	–	–	–	–
	7th series share options (Stock acquisition rights as stock options)	–	–	–	–	–	–
	8th series share options (Stock acquisition rights as stock options on the Company's own stock)	–	–	–	–	–	–
	9th series share options (Stock acquisition rights as stock options)	–	–	–	–	–	4,763
	10th series share options (Stock acquisition rights as stock options on the Company's own stock)	–	–	–	–	–	6,006
Consolidated subsidiaries	–	–	–	–	–	–	–
Total		–	–	–	–	–	10,769

Notes: 1. In cases where stock acquisition rights are granted as stock options or stock options on the Company's own stock, the class and number of the shares underlying the stock acquisition rights are not provided.
2. On the grant dates of the 3rd series share options, 5th series share options and 7th series share options, as the Company's shares were not listed, fair unit values on the grant dates were calculated according to a method in which the intrinsic value per unit was estimated. The intrinsic value at the end of the fiscal year ended December 31, 2014 (intrinsic value on grant date) was zero for each of the series and there was no balance as of the end of the fiscal year ended December 31, 2014.

4. Dividends

No items to report.

Significant subsequent events

No items to report.

4. Non-consolidated financial statements

(1) Non-consolidated balance sheet

(Thousands of yen)

	As of December 31, 2013	As of December 31, 2014
Assets		
Current assets		
Cash and deposits	3,997,795	1,891,197
Accounts receivable - trade	59,700	20,000
Securities	100,000	1,184,379
Work in process	647	–
Raw materials and supplies	46,544	8,728
Advance payments - trade	180,651	58,122
Prepaid expenses	24,649	55,398
Other	20,229	43,402
Allowance for doubtful accounts	(100,000)	–
Total current assets	4,330,218	3,261,229
Non-current assets		
Property, plant and equipment		
Buildings	47,280	79,622
Structures	35,791	17,518
Machinery and equipment	16,725	1,979
Tools, furniture and fixtures	370,483	349,239
Construction in progress	430	–
Accumulated depreciation	(463,550)	(363,035)
Total property, plant and equipment	7,160	85,324
Intangible assets		
Software	–	6,463
Trademark right	2,323	2,781
Other	7,814	2,989
Total intangible assets	10,137	12,234
Investments and other assets		
Investment securities	2,220,670	1,800,412
Long-term prepaid expenses	3,133	4,394
Other	41,740	38,528
Total investments and other assets	2,265,544	1,843,335
Total non-current assets	2,282,841	1,940,895
Total assets	6,613,060	5,202,124

(Thousands of yen)

	As of December 31, 2013	As of December 31, 2014
Liabilities		
Current liabilities		
Accounts payable - other	140,986	118,808
Accrued expenses	62,729	62,532
Income taxes payable	17,040	16,146
Deposits received	5,485	5,218
Advances received	–	13,500
Other	–	45,624
Total current liabilities	226,241	261,829
Non-current liabilities		
Deferred tax liabilities	669,325	108,806
Total non-current liabilities	669,325	108,806
Total liabilities	895,566	370,636
Net assets		
Shareholders' equity		
Capital stock	8,627,912	8,952,367
Capital surplus		
Legal capital surplus	3,911,912	4,236,367
Total capital surpluses	3,911,912	4,236,367
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(8,102,345)	(8,566,920)
Total retained earnings	(8,102,345)	(8,566,920)
Total shareholders' equity	4,437,479	4,621,814
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,246,865	198,904
Total valuation and translation adjustments	1,246,865	198,904
Subscription rights to shares	33,150	10,769
Total net assets	5,717,494	4,831,488
Total liabilities and net assets	6,613,060	5,202,124

(2) Non-consolidated statement of income

(Thousands of yen)

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014
Business revenue	227,618	153,895
Business expenses		
Cost of business revenue	–	2,552
Research and development expenses	1,472,328	1,479,947
Other selling, general and administrative expenses	824,619	793,909
Total business expenses	2,296,947	2,276,409
Operating loss	(2,069,329)	(2,122,513)
Non-operating income		
Interest income	944	2,923
Interest on securities	1,003	31,345
Foreign exchange gains	55,520	27,020
Reversal of allowance for investment loss	260,535	–
Reversal of allowance for doubtful accounts	–	100,000
Gain on valuation of compound financial instruments	–	20,427
Other	11,279	5,432
Total non-operating income	329,284	187,149
Non-operating expenses		
Provision of allowance for doubtful accounts	100,000	–
Share issuance cost	8,513	6,919
Total non-operating expenses	108,513	6,919
Ordinary loss	(1,848,557)	(1,942,282)
Extraordinary income		
Gain on sales of non-current assets	–	5,520
Gain on sales of investment securities	800,561	1,543,899
Total extraordinary income	800,561	1,549,420
Extraordinary losses		
Impairment loss	57,680	–
Loss on cancellation of rental contracts	24,000	–
Office transfer expenses	–	54,301
Special retirement expenses	1,340	10,467
Total extraordinary losses	83,020	64,768
Loss before income taxes	(1,131,016)	(457,631)
Income taxes - current	5,840	6,943
Net loss	(1,136,856)	(464,575)

(3) Non-consolidated statement of changes in equity

Fiscal year ended December 31, 2013

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
		Legal capital surplus	Other retained earnings	
			Retained earnings brought forward	
Balance at beginning of current period	8,489,850	3,773,850	(6,965,488)	5,298,211
Changes of items during period				
Issuance of new shares	138,062	138,062		276,125
Net loss			(1,136,856)	(1,136,856)
Net changes of items other than shareholders' equity				
Total changes of items during period	138,062	138,062	(1,136,856)	(860,731)
Balance at end of current period	8,627,912	3,911,912	(8,102,345)	4,437,479

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	12,205	12,205	–	5,310,417
Changes of items during period				
Issuance of new shares				276,125
Net loss				(1,136,856)
Net changes of items other than shareholders' equity	1,234,659	1,234,659	33,150	1,267,809
Total changes of items during period	1,234,659	1,234,659	33,150	407,077
Balance at end of current period	1,246,865	1,246,865	33,150	5,717,494

Fiscal year ended December 31, 2014

(Thousands of yen)

	Shareholders' equity			
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity
		Legal capital surplus	Other retained earnings	
			Retained earnings brought forward	
Balance at beginning of current period	8,627,912	3,911,912	(8,102,345)	4,437,479
Changes of items during period				
Issuance of new shares	324,455	324,455		648,910
Net loss			(464,575)	(464,575)
Net changes of items other than shareholders' equity				
Total changes of items during period	324,455	324,455	(464,575)	184,334
Balance at end of current period	8,952,367	4,236,367	(8,566,920)	4,621,814

	Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	1,246,865	1,246,865	33,150	5,717,494
Changes of items during period				
Issuance of new shares				648,910
Net loss				(464,575)
Net changes of items other than shareholders' equity	(1,047,960)	(1,047,960)	(22,380)	(1,070,341)
Total changes of items during period	(1,047,960)	(1,047,960)	(22,380)	(886,006)
Balance at end of current period	198,904	198,904	10,769	4,831,488

5. Others

(1) Changes in Directors and Statutory Auditors

Changes in Representative Director

No items to report.

(2) Others

No items to report.