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.

May 14, 2015

Summary of Non-consolidated Financial Results for the First Three Months of the Fiscal Year Ending December 31, 2015 (JGAAP)

Listed company's name: RaQualia Pharma Inc.
Listed on: 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 filing of quarterly securities report: May 14, 2015
Scheduled date of dividend payment: —
Supplementary documents for quarterly results: None
Quarterly results briefing: None

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

1. Non-consolidated financial results for the first three months of the fiscal year ending December 31, 2015 (January 1, 2015 to March 31, 2015)

(1) Non-consolidated operating results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income	
First three months ended	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2015	12	—	(460)	—	(427)	—	(412)	—
March 31, 2014	—	—	—	—	—	—	—	—

	Net income per share	Net income per share (Diluted)
First three months ended	yen	yen
March 31, 2015	(27.78)	—
March 31, 2014	—	—

Note: Financial results were disclosed on a consolidated basis in the first three months ended March 31, 2014, but financial results are disclosed on a non-consolidated basis from the fiscal year ending December 31, 2015. As a consequence, the non-consolidated operating results (cumulative) of the first three months ended March 31, 2014, and percentage changes from the same period of the previous fiscal year, are not disclosed.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	million yen	million yen	%	yen
March 31, 2015	4,717	4,406	93.1	295.74
December 31, 2014	5,202	4,831	92.7	324.47

Reference: Equity As of March 31, 2015: 4,393 million yen As of March 31, 2014: 4,820 million yen

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended December 31, 2014	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2015	—				
Fiscal year ending December 31, 2015 (forecast)		0.00	—	0.00	0.00

Note: Revisions to the forecast of dividends most recently announced: None

3. 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	289.9	(1,469)	—	(1,435)	—	(1,495)	—	(100.68)

Note: Revisions to the forecasts of results most recently announced: Yes

* As the Company manages financial results annually, forecasts of results for the first six months ending June 30, 2015, are omitted.

*** Notes**

(1) Application of special accounting for preparing quarterly non-consolidated financial statements: 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 March 31, 2015	14,857,200 shares
As of December 31, 2014	14,857,200 shares

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

As of March 31, 2015	— shares
As of December 31, 2014	— shares

c. Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

For the first three months ended March 31, 2015	14,857,200 shares
For the first three months ended March 31, 2014	13,557,200 shares

*** Status of review procedures for quarterly reports**

This Summary of Quarterly Financial Results is exempt from the external auditor's review procedures for quarterly non-consolidated financial statements under the Financial Instruments and Exchange Act. However, review procedures for quarterly non-consolidated financial statements under the said Act are completed at the time of disclosure of this Summary of Quarterly Financial Results.

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

1. 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.
2. As of March 31, 2015, the Company excluded AskAt, Inc., which was a consolidated subsidiary, from the scope of consolidation. This was the result of AskAt, Inc. no longer being under the control of the Company. As this exclusion resulted in the Company no longer having any consolidated subsidiaries, the Company prepares quarterly non-consolidated financial statements starting with the first three months ended March 31, 2015.

Contents of attachment

1. Qualitative information regarding settlement of accounts for the first three months 2
(1) Qualitative information regarding non-consolidated operating results 2
(2) Qualitative information regarding non-consolidated financial position 3
(3) Qualitative Information Regarding Earnings Forecasts 4
2. Quarterly non-consolidated financial statements 5
(1) Non-consolidated balance sheet 5
(2) Non-consolidated statement of income 6
Non-consolidated statement of income (cumulative) 6
(3) Non-consolidated statement of cash flows 7
(4) Notes to quarterly non-consolidated financial statements 8
Notes on premise of going concern 8
Notes on significant changes in the amount of shareholders' equity 8

1. Qualitative information regarding settlement of accounts for the first three months

(1) Qualitative information regarding non-consolidated operating results

1) Overall trend

Regarding the Japanese economy during the first three months, composite indices (CI) showed that conditions bottomed out in August 2014, and the economy is currently in a phase of recovery. Nevertheless, outlook for an export-driven recovery is not very promising due to difficulties including signs that the Chinese economy is beginning to lose momentum, and as a result the Japanese economy is expected to proceed at a level close to stagnation centered on flagging domestic demand going forward.

In the pharmaceutical sector, the business environment remained 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. In the field of drug discovery research and development, however, the Japan Agency for Medical Research and Development, or "AMED") was established in April 2015, and a government project to transform Japan into a country of drug discovery was launched. For RaQualia Pharma Inc. (the "Company"), which is engaged in drug discovery research and development through collaboration with academia as a pillar of its business, a favorable business environment is being put into place through these developments.

Against this backdrop, the Company 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 Company's drug discovery research collaboration with Asahi Kasei Pharma Corporation generated research collaboration revenue. In addition, Phase III clinical trials for a second generation (atypical) antipsychotic drug, ziprasidone ("ziprasidone"), were started in Japan by Meiji Seika Pharma Co., Ltd., the licensee of the product. As ziprasidone is already sold in 83 countries by Pfizer Inc. and is listed as the treatment of choice under the treatment guidelines of the U.S., among other reasons, there is great anticipation that this drug will be launched in the Japanese market as swiftly as possible. In March 2011, the Company and Meiji Seika Kaisha Ltd. (now Meiji Seika Pharma Co., Ltd.) concluded a license agreement regarding exclusive rights to develop and market ziprasidone in Japan, and are working toward launching ziprasidone in the Japanese market.

In the area of collaboration with academia, in continuation from 2014, in February 2015 the Company concluded an agreement with Nagoya University regarding the establishment of two new laboratories for academic-industrial research collaboration, the Laboratory of Pharmaceutical Sciences & Analytical Chemistry and the Laboratory of Medicinal Chemistry. In line with the establishment of these two laboratories for academic-industrial research, the Company will relocate its chemistry research division, which is currently carrying out research in Taketoyo town in Aichi Prefecture, to the campus of Nagoya University in August 2015.

In addition, at the division for the analytical study of pharmacology efficacy (Designated Assistant Professor Park Hyi-Man), which was established in the previous fiscal year and is the successor of the Company's biology research department, a research issue handled by a study group in which the division participates was selected by AMED as a grant program in relation to research and development in the medical field, "Research Project on Practical Application of Measures Against AIDS." In this way, the Company's drug discovery and research activities through collaboration with academia are beginning to generate results.

Financial results for the first three months, the reporting period, were as follows. Business revenue for the period was 12 million yen, operating loss totaled 460 million yen, ordinary loss totaled 427 million yen, and net loss was 412 million yen. Total business expenses were 473 million yen, of which research and development expenses were 283 million yen. Other selling, general and administrative expenses totaled 189 million yen.

2) Research and development activities

Research and development expenses of the Company during the first three months were 283 million yen. The main components of these activities were as follows:

Exploratory and discovery phase
The Company is working to examine a suitable administration method for a compound discovered in a project 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 Company 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 Company has continued research into the optimization of lead compounds.

The Company continued collaborative research with four companies.

Company	Start date	Content
Ajinomoto Pharmaceuticals Co., Ltd.	October 2012	A specific ion channel target for gastrointestinal treatments
Interprotein Corporation	February 2013	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 (Note)	Collaboration on a specific ion channel target

Note: The agreement was terminated on March 31, 2015 following a review of its content, and a new agreement was concluded on April 1, 2015.

Preclinical development phase

(a) 5-HT_{2B} antagonist (RQ-00310941)
The compound is in preclinical development for irritable bowel syndrome (IBS). The Company finalized study reports for the preclinical studies, including *in vivo* pharmacology studies, metabolism and pharmacokinetics studies, toxicity studies (GLP) and safety pharmacology studies (GLP). Following an examination of the results, the Company judged that it is possible to progress to the clinical stage and has started preparing Phase I 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 Company prepared study reports for the preclinical 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 is currently under consideration.

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 Company submitted IND application to U.S. Food and Drug Administration (FDA) and received its approval. As preparations are currently underway to conduct the investigator-initiated clinical trials, the Company is continuing to provide support to VCU.

(b) Acid pump antagonist (RQ-00000004)
The compound is under development for gastro-esophageal reflux disease (GERD) in the U.S. and South Korea. The Company conducted Phase I clinical trials in Japan in order to develop the compound in Japan, and analysis of their results is currently underway.

(2) Qualitative information regarding non-consolidated financial position

1) Analysis of assets, liabilities and net assets

Assets
Total assets as of March 31, 2015 were 4,717 million yen. The major components were 976 million yen in cash and deposits, 1,596 million yen in securities, and 1,560 million yen in investment securities.

Liabilities
Total liabilities as of March 31, 2015 were 311 million yen. The major components were 125 million yen in accounts payable - other, 63 million yen in accrued expenses, and 91 million yen in deferred tax liabilities.

Net assets
Total net assets as of March 31, 2015 were 4,406 million yen. The major components were 8,952 million yen in capital stock, 4,236 million yen in capital surplus, negative 8,979 million yen in retained earnings, and 184 million yen in valuation difference on available-for-sale securities. The equity ratio was 93.1%.

2) Analysis of cash flows

The balance of cash and cash equivalents (hereafter "cash") as of March 31, 2015 amounted to 1,718 million yen, a decrease of 272 million yen compared with the end of the previous fiscal year.

The respective cash flows in the first three months and the factors thereof are as follows.

Cash flows from operating activities

Net cash used in operating activities was 722 million yen. This is mainly attributable to the recording of loss before income taxes of 410 million yen, increase in prepaid expenses of 196 million yen and increase in advance payments of 63 million yen.

Cash flows from investing activities

Net cash provided by investing activities was 454 million yen. This is mainly due to proceeds from redemption of securities of 500 million yen.

Cash flows from financing activities

There was no increase or decrease in cash resulting from financing activities.

(3) Qualitative Information Regarding Earnings Forecasts

As of March 31, 2015, the Company excluded AskAt, Inc., which was previously a consolidated subsidiary, from the scope of consolidation. This was the result of AskAt, Inc. no longer being under the substantial control of the Company. As this exclusion resulted in the Company no longer having any consolidated subsidiaries, the Company prepares quarterly non-consolidated financial statements starting with the first three months ended March 31, 2015.

With respect to the impact from the exclusion from the scope of consolidation on the non-consolidated financial statements and the earnings forecasts for the fiscal year ending December 31, 2015, the non-consolidated earnings forecasts were revised on May 14, 2015, and the revised non-consolidated earnings forecasts are provided in this Summary of Non-consolidated Financial Results for the First Three Months of the Fiscal Year Ending December 31, 2015.

2. Quarterly non-consolidated financial statements

(1) Non-consolidated balance sheet

(Thousands of yen)

	As of December 31, 2014	As of March 31, 2015
Assets		
Current assets		
Cash and deposits	1,891,197	976,900
Accounts receivable - trade	20,000	–
Securities	1,184,379	1,596,905
Supplies	8,728	8,020
Advance payments - trade	58,122	121,824
Prepaid expenses	55,398	252,110
Other	43,402	63,752
Total current assets	3,261,229	3,019,514
Non-current assets		
Property, plant and equipment		
Buildings, net	31,144	30,391
Tools, furniture and fixtures, net	54,179	52,949
Total property, plant and equipment	85,324	83,341
Intangible assets		
Trademark right	2,781	2,663
Software	6,463	6,080
Other	2,989	3,182
Total intangible assets	12,234	11,925
Investments and other assets		
Investment securities	1,800,412	1,560,159
Long-term prepaid expenses	4,394	3,898
Other	38,528	38,343
Total investments and other assets	1,843,335	1,602,401
Total non-current assets	1,940,895	1,697,668
Total assets	5,202,124	4,717,183
Liabilities		
Current liabilities		
Accounts payable - other	118,808	118,141
Accrued expenses	62,532	63,069
Income taxes payable	16,146	7,260
Deposits received	5,218	8,831
Advances received	13,500	–
Other	45,624	22,764
Total current liabilities	261,829	220,068
Non-current liabilities		
Deferred tax liabilities	108,806	91,009
Total non-current liabilities	108,806	91,009
Total liabilities	370,636	311,077
Net assets		
Shareholders' equity		
Capital stock	8,952,367	8,952,367
Capital surplus	4,236,367	4,236,367
Retained earnings	(8,566,920)	(8,979,645)
Total shareholders' equity	4,621,814	4,209,089
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	198,904	184,705
Total valuation and translation adjustments	198,904	184,705
Subscription rights to shares	10,769	12,311
Total net assets	4,831,488	4,406,106
Total liabilities and net assets	5,202,124	4,717,183

(2) Non-consolidated statement of income

Non-consolidated statement of income (cumulative)

(Thousands of yen)

	First three months ended March 31, 2015
Business revenue	12,500
Business expenses	
Research and development expenses	283,276
Other selling, general and administrative expenses	189,934
Total business expenses	473,211
Operating loss	(460,711)
Non-operating income	
Interest income	838
Interest on securities	33,846
Dividend income	186
Gain on sales of securities	1,075
Gain on valuation of compound financial instruments	2,676
Other	155
Total non-operating income	38,779
Non-operating expenses	
Foreign exchange losses	5,123
Total non-operating expenses	5,123
Ordinary loss	(427,055)
Extraordinary income	
Gain on sales of investment securities	22,838
Total extraordinary income	22,838
Extraordinary losses	
Loss on redemption of investment securities	6,000
Total extraordinary losses	6,000
Loss before income taxes	(410,216)
Income taxes - current	2,508
Net loss	(412,724)

(3) Non-consolidated statement of cash flows

(Thousands of yen)

	First three months ended March 31, 2015
Cash flows from operating activities	
Loss before income taxes	(410,216)
Depreciation	6,796
Interest income	(838)
Interest income on securities	(33,846)
Dividend income	(186)
Foreign exchange losses (gains)	5,068
Loss (gain) on sales of securities	(1,075)
Loss (gain) on valuation of compound financial instruments	(2,676)
Loss (gain) on sales of investment securities	(22,838)
Loss (gain) on redemption of investment securities	6,000
Decrease (increase) in notes and accounts receivable - trade	20,000
Decrease (increase) in inventories	707
Decrease (increase) in advance payments	(63,702)
Decrease (increase) in prepaid expenses	(196,711)
Increase (decrease) in accounts payable - other	(1,920)
Other, net	(32,044)
Subtotal	(727,484)
Interest and dividend income received	23,466
Income taxes paid	(18,865)
Net cash provided by (used in) operating activities	(722,883)
Cash flows from investing activities	
Purchase of securities	(320,950)
Proceeds from sales of securities	50,854
Proceeds from redemption of securities	500,000
Purchase of property, plant and equipment	(3,078)
Purchase of intangible assets	(192)
Purchase of investment securities	(60,301)
Proceeds from sales of investment securities	138,168
Proceeds from redemption of investment securities	150,000
Net cash provided by (used in) investing activities	454,501
Cash flows from financing activities	
Net cash provided by (used in) financing activities	–
Effect of exchange rate change on cash and cash equivalents	(4,242)
Net increase (decrease) in cash and cash equivalents	(272,624)
Cash and cash equivalents at beginning of period	1,991,558
Cash and cash equivalents at end of period	1,718,933

(4) Notes to quarterly non-consolidated financial statements

Notes on premise of going concern

No items to report.

Notes on significant changes in the amount of shareholders' equity

No items to report.