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.

August 10, 2015

Summary of Non-consolidated Financial Results for the First Six 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: August 11, 2015
Scheduled date of dividend payment: —
Supplementary documents for quarterly results: Yes
Quarterly results briefing: Yes (for institutional investors and analysts)

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

1. Non-consolidated financial results for the first six months of the fiscal year ending December 31, 2015 (January 1, 2015 to June 30, 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 six months ended	million yen	%	million yen	%	million yen	%	million yen	%
June 30, 2015	45	—	(948)	—	(897)	—	(922)	—
June 30, 2014	—	—	—	—	—	—	—	—

	Net income per share	Net income per share (Diluted)
First six months ended	yen	yen
June 30, 2015	(62.07)	—
June 30, 2014	—	—

Note: The consolidated operating results for the first six months ended June 30, 2014 have previously been disclosed. However, as operating results are now being disclosed on a non-consolidated basis from the fiscal year ended December 2015, the business performance (cumulative) for the first six months ended June 30, 2014, and the percentage changes from the same period of the previous fiscal year are not presented.

* The financial figure that the Company presents as business revenues in the statement of income is displayed above as net sales.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	million yen	million yen	%	yen
June 30, 2015	4,181	3,886	92.6	260.67
December 31, 2014	5,202	4,831	92.7	324.47

Reference: Equity As of June 30, 2015: 3,872 million yen As of December 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	—	0.00			
Fiscal year ending December 31, 2015 (forecast)			—	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	292.2	(1,440)	—	(1,378)	—	(1,475)	—	(93.55)

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 ended 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 June 30, 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 June 30, 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 six months ended June 30, 2015	14,857,200 shares
For the first six months ended June 30, 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**

(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.

(How to obtain the documents for the supplementary material for the quarterly results and for the quarterly results briefing)

The Company plans to hold a briefing for institutional investors and analysts on Tuesday, August 11, 2015.

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

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

(1) Qualitative information regarding non-consolidated operating results

1) Overall trend

In the Japanese economy during the first six months ended June 30, 2015, gradual recovery has been ongoing since the summer of 2014. There are negative signs concerning the trend of the Chinese economy, and although underlying strength of the Japanese economy is continuing, notably with respect to internal demand, the future outlook is uncertain.

In the pharmaceutical sector, the business environment was challenging due to several factors, notably the following: (i) the advancement of government measures to contain medical expenditures by such means as promoting the use of generic medicines, (ii) globalization of the market and new market entries from other industrial sectors, and (iii) 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 with a government-project-led drug discovery support structure now in place, there are positive signs of a turnaround in the business environment. AMED has decided that its first allocation of funding will be 14.5 billion yen. It is planned that 2.3 billion yen of this amount will be invested in pharmaceutical discovery, and moves are already underway to implement support in the field of drug discovery research for the discovery of innovative pharmaceuticals.

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, in addition to research collaboration revenue generated from the Company's drug discovery research collaboration with Asahi Kasei Pharma Corporation, the Company obtained milestone revenue in association with the start of phase III clinical trials for acid pump antagonist in South Korea by licensee CJ Healthcare Corporation (headquarters: Seoul, South Korea). Moreover, among the licensed-out compounds making steady progress toward market release, Phase III clinical trials in Japan were started for a second generation (atypical) antipsychotic drug, ziprasidone, by licensee Meiji Seika Pharma Co., Ltd., and positive results were obtained in large-scale trials for the final stage of animal pharmaceutical clinical trials for the Ghrelin receptor agonist by licensee Aratana Therapeutics Inc. (headquarters: Kansas, U.S.).

In the area of collaboration with academia, the Company has been in an academic-industrial collaboration with Nagoya University since 2014. In February 2015 the Company continued this collaboration by concluding new agreements 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. 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, at which time it plans to put activities aimed at pharmaceutical discovery through academic-industrial collaboration into full swing.

Financial results for the first six months, the reporting period, were as follows. Business revenue for the period was 45 million yen, operating loss totaled 948 million yen, ordinary loss totaled 897 million yen, and net loss was 922 million yen. Total business expenses were 993 million yen, of which research and development expenses were 613 million yen. Other selling, general and administrative expenses totaled 380 million yen.

2) Research and development activities

Research and development expenses of the Company during the first six months were 613 million yen. The main components of these activities were as follows:

Exploratory and discovery phase

The Company has started 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 clinical development candidates.

In a project to develop TRPM8 blocker compounds primarily for indications such as neuropathic pain, the Company has narrowed down research to a single development candidate compound, and initiated investigation of preclinical efficacy.

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 2015	Collaboration on a specific ion channel target

Preclinical development phase

Motilin receptor agonist (RQ-00201894)

The compound is under development for GI motility disorders. The Company has completed the preclinical studies, including in vivo pharmacology studies, metabolism and pharmacokinetics studies, toxicity studies (GLP) and safety pharmacology studies (GLP), which were the prerequisite studies for Phase I clinical trials. Research results have thus far not produced any recognized findings that could be problematic for future development.

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 has been completed. Currently, a clinical trial summary report is being prepared.

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

The compound is under development for diarrhea-predominant irritable bowel syndrome (IBS). As a result of evaluating the preclinical studies, including in vivo pharmacology studies, metabolism and pharmacokinetics studies, toxicity studies (GLP) and safety pharmacology studies (GLP), the Company judged that it is possible to progress to the clinical stage. Accordingly, the Company has started preparing for Phase I clinical trials for the first administration of the compound to healthy adults as well as patients, and will start Phase I clinical trials from July 2015.

(2) Qualitative information regarding non-consolidated financial position

1) Analysis of assets, liabilities and net assets

Assets

Total assets as of June 30, 2015 were 4,181 million yen. The major components were 996 million yen in cash and deposits, 922 million yen in securities, and 1,642 million yen in investment securities.

Liabilities

Total liabilities as of June 30, 2015 were 294 million yen. The major components were 121 million yen in accounts payable - other, 64 million yen in accrued expenses, and 85 million yen in deferred tax liabilities.

Net assets

Total net assets as of June 30, 2015 were 3,886 million yen. The major components were 8,952 million yen in capital stock, 4,236 million yen in capital surplus, negative 9,489 million yen in retained earnings, and 173 million yen in valuation difference on available-for-sale securities. The equity ratio was 92.6%.

2) Analysis of cash flows

The balance of cash and cash equivalents (hereafter "cash") as of June 30, 2015 amounted to 1,598 million yen, a decrease of 392 million yen compared with the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash used in operating activities was 1,249 million yen. This is mainly attributable to the recording of loss before income taxes of 917 million yen, increase in advance payments of 149 million yen and increase in prepaid expenses of 131 million yen.

Cash flows from investing activities

Net cash provided by investing activities was 851 million yen. This is mainly attributable to proceeds from redemption of securities of 1,233 million yen and the purchase of securities of 520 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

There has been no change to the full-year earnings forecasts since the announcement of "Revisions of Business Forecasts for the Current Full Year" on July 10, 2015.

2. Matters regarding summary information (Notes)

Changes in material subsidiaries during the first six months ended June 30, 2015

No items to report.

Concerning a matter that does not apply as a change in specified subsidiaries, the Company removed AskAt, Inc., which was 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.

3. Quarterly non-consolidated financial statements

(1) Non-consolidated balance sheet

(Thousands of yen)

	As of December 31, 2014	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	1,891,197	996,779
Accounts receivable - trade	20,000	13,500
Securities	1,184,379	922,805
Supplies	8,728	7,900
Advance payments - trade	58,122	207,789
Prepaid expenses	55,398	182,081
Other	43,402	38,090
Total current assets	3,261,229	2,368,947
Non-current assets		
Property, plant and equipment		
Buildings, net	31,144	29,638
Tools, furniture and fixtures, net	54,179	48,796
Construction in progress	–	34,560
Total property, plant and equipment	85,324	112,995
Intangible assets		
Trademark right	2,781	2,544
Software	6,463	5,696
Other	2,989	3,182
Total intangible assets	12,234	11,423
Investments and other assets		
Investment securities	1,800,412	1,642,212
Long-term prepaid expenses	4,394	7,518
Other	38,528	38,158
Total investments and other assets	1,843,335	1,687,889
Total non-current assets	1,940,895	1,812,309
Total assets	5,202,124	4,181,256

(Thousands of yen)

	As of December 31, 2014	As of June 30, 2015
Liabilities		
Current liabilities		
Accounts payable - other	118,808	121,207
Accrued expenses	62,532	64,559
Income taxes payable	16,146	14,560
Deposits received	5,218	8,954
Advances received	13,500	–
Other	45,624	–
Total current liabilities	261,829	209,281
Non-current liabilities		
Deferred tax liabilities	108,806	85,313
Total non-current liabilities	108,806	85,313
Total liabilities	370,636	294,594
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)	(9,489,147)
Total shareholders' equity	4,621,814	3,699,587
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	198,904	173,204
Total valuation and translation adjustments	198,904	173,204
Subscription rights to shares	10,769	13,870
Total net assets	4,831,488	3,886,662
Total liabilities and net assets	5,202,124	4,181,256

(2) Non-consolidated statement of income

Non-consolidated statement of income (cumulative)

(Thousands of yen)

	First six months ended June 30, 2015
Business revenue	45,000
Business expenses	
Research and development expenses	613,207
Other selling, general and administrative expenses	380,750
Total business expenses	993,958
Operating loss	(948,958)
Non-operating income	
Interest income	629
Interest on securities	52,367
Dividend income	186
Foreign exchange gains	18,199
Gain on sales of securities	1,075
Other	388
Total non-operating income	72,849
Non-operating expenses	
Loss on valuation of compound financial instruments	19,367
Loss on redemption of securities	1,530
Total non-operating expenses	20,897
Ordinary loss	(897,006)
Extraordinary income	
Gain on sales of investment securities	22,838
Total extraordinary income	22,838
Extraordinary losses	
Special retirement expenses	37,042
Loss on redemption of investment securities	6,000
Total extraordinary losses	43,042
Loss before income taxes	(917,210)
Income taxes - current	5,016
Net loss	(922,226)

(3) Non-consolidated statement of cash flows

(Thousands of yen)

	First six months ended June 30, 2015
Cash flows from operating activities	
Loss before income taxes	(917,210)
Depreciation	15,006
Interest income	(629)
Interest income on securities	(52,367)
Dividend income	(186)
Foreign exchange losses (gains)	(18,021)
Loss (gain) on sales of securities	(1,075)
Loss (gain) on valuation of compound financial instruments	19,367
Loss (gain) on redemption of securities	1,530
Loss (gain) on sales of investment securities	(22,838)
Loss (gain) on redemption of investment securities	6,000
Extra retirement payment	37,042
Decrease (increase) in notes and accounts receivable - trade	6,500
Decrease (increase) in inventories	827
Decrease (increase) in advance payments	(149,667)
Decrease (increase) in prepaid expenses	(131,308)
Increase (decrease) in accounts payable - other	(29,008)
Other, net	(32,001)
Subtotal	(1,268,043)
Interest and dividend income received	46,014
Income taxes paid	(20,865)
Payments for extra retirement payments	(6,268)
Net cash provided by (used in) operating activities	(1,249,162)
Cash flows from investing activities	
Purchase of securities	(520,950)
Proceeds from sales of securities	50,854
Proceeds from redemption of securities	1,233,500
Purchase of property, plant and equipment	(40,029)
Purchase of intangible assets	(192)
Purchase of investment securities	(160,301)
Proceeds from sales of investment securities	138,168
Proceeds from redemption of investment securities	150,000
Net cash provided by (used in) investing activities	851,049
Cash flows from financing activities	
Net cash provided by (used in) financing activities	–
Effect of exchange rate change on cash and cash equivalents	5,440
Net increase (decrease) in cash and cash equivalents	(392,672)
Cash and cash equivalents at beginning of period	1,991,558
Cash and cash equivalents at end of period	1,598,885

(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.

Significant subsequent event

Capital increase through exercise of share options

Following the end of the first six months ended June 30, 2015 and before the release of this summary report, payment and issuance of new shares were carried out at the Company in line with the exercise of 10th series share options with exercise price amendment clause, which were issued on July 22, 2014, as shown below.

Exercise date	Number of share options exercised (Units)	Number of shares issued (Shares)	Exercise price (Yen)	Total amount of exercise price (Thousands of yen)	Increase in capital stock (Thousands of yen)	Increase in legal capital surplus (Thousands of yen)
July 1, 2015	610	610,000	639	389,790	196,908	196,908
July 3, 2015	40	40,000	528	21,120	10,692	10,692
July 6, 2015	100	100,000	493	49,300	24,980	24,980
July 7, 2015	160	160,000	484	77,440	39,248	39,248
Total	910	910,000	—	537,650	271,828	271,828

Note: As a result of the above, the 10th series share options were fully exercised as of July 7, 2015.

As a result, as of July 7, 2015, the total number of issued common shares is 15,767,200, capital stock is 9,224,195 thousand yen and legal capital surplus is 4,508,195 thousand yen.