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.

November 12, 2015

Summary of Non-consolidated Financial Results for the First Nine 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: November 13, 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 nine months of the fiscal year ending December 31, 2015 (January 1, 2015 to September 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 nine months ended	million yen	%	million yen	%	million yen	%	million yen	%
September 30, 2015	58	—	(1,518)	—	(1,467)	—	(1,493)	—
September 30, 2014	—	—	—	—	—	—	—	—

	Net income per share	Net income per share (Diluted)
First nine months ended	yen	yen
September 30, 2015	(98.45)	—
September 30, 2014	—	—

Note: The consolidated operating results for the first nine months ended September 30, 2014 have previously been disclosed. However, as operating results are now being disclosed on a non-consolidated basis from the fiscal year ending December 2015, the business performance (cumulative) for the first nine months ended September 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
September 30, 2015	4,238	4,028	94.5	244.52
December 31, 2014	5,202	4,831	92.7	324.47

Reference: Equity As of September 30, 2015: 4,007 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	126	(17.6)	(1,930)	—	(1,858)	—	(1,908)	—	(120.24)

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 September 30, 2015	16,387,200 shares
As of December 31, 2014	14,857,200 shares

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

As of September 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 nine months ended September 30, 2015	15,167,969 shares
For the first nine months ended September 30, 2014	13,685,808 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.

Contents of attachment

1. Qualitative information regarding settlement of accounts for the first nine 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 5
2. Matters regarding summary information (Notes) 5
Changes in material subsidiaries during the first nine months ended September 30, 2015 5
3. Quarterly non-consolidated financial statements 6
(1) Non-consolidated balance sheet 6
(2) Non-consolidated statement of income 7
Non-consolidated statement of income (cumulative) 7
(3) Non-consolidated statement of cash flows 8
(4) Notes to quarterly non-consolidated financial statements 9
Notes on premise of going concern 9
Notes on significant changes in the amount of shareholders' equity 9
Significant subsequent event 9

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

(1) Qualitative information regarding non-consolidated operating results

1) Overall trend

In the Japanese economy during the first nine months ended September 30, 2015, a gradual recovery has been ongoing since the summer of 2014. However, the financial market was temporarily turbulent due to uneasiness about a China crash, and as slowdown in the Chinese economy is now clearly apparent, it is expected to have a more than minor impact on the future outlook for the Japanese economy.

The pharmaceutical sector in Japan experienced a more challenging business environment due to several factors, notably the following: (i) globalization of the market and new market entry and restructuring from other industrial sectors, (ii) fierce competition from other companies, and (iii) government measures to contain medical expenditures by such means as promoting the use of generic medicines. Meanwhile, in the field of drug discovery research and development, the Japan Agency for Medical Research and Development, or "AMED" was established in April 2015, and a government-project-led drug discovery support structure has been put in place. Currently, AMED plans to embark on the "Drug Discovery Research Project through Industry-Academic-Government Collaboration" as a drug discovery platform promotion research project in FY2015, and the system for giving support to the drug discovery research and development business has been advanced steadily.

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 Phase III clinical trials that started in South Korea with regard to an acid pump antagonist that is licensed out to CJ Healthcare Corporation (headquarters: Seoul, South Korea) are progressing steadily. Moreover, a second generation (atypical) antipsychotic drug, ziprasidone, that is licensed out to Meiji Seika Pharma Co., Ltd., is also making steady progress in the Phase III clinical trials in Japan. The Ghrelin receptor agonist that was licensed out to Aratana Therapeuitics Inc. (headquarters: Kansas, U.S.) has produced excellent results in even the final stage of animal pharmaceutical clinical trials, and efforts are now focused on filing for approval and commencing sales in 2016.

The Phase I clinical trials for an acid pump antagonist that was started in July 2014 in Japan were completed in August 2015, demonstrating a faster effect in controlling the secretion of stomach acids compared with the current products for treatment of gastro-esophageal reflux disease. In addition to the Phase III clinical trials of the acid pump antagonist that is ongoing in South Korea, the Company plans to push ahead with efforts to commercialize this compound. In July 2015, the Phase I clinical trials for 5-HT_{2B} antagonist (RQ-00310941), under development for diarrhea-predominant irritable bowel syndrome (IBS), were initiated in the United Kingdom. The objective of the Phase I clinical trials is to investigate the safety, tolerability and metabolism and pharmacokinetics of RQ-00310941 in healthy male adults, and to evaluate how food and gender differences affect these profiles. The Company plans to establish POC (proof-of-concept) after the above trials are completed.

In the area of collaboration with academia, the Company entered into new agreements with Nagoya University in February 2015 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 agreements, the Company relocated its chemistry research division, which carried out research in Taketoyo town in Aichi Prefecture, to the Higashiyama Campus of Nagoya University in August 2015. Accordingly, work on drug discovery research with Nagoya University through academic-industrial collaboration is taking place in earnest.

In August 2015, the scheme of commercializing drug discovery research activities with Nagoya University through academic-industrial collaboration was adopted as the " 2015 New Collaboration Business to Promote Commercial and Service Competitiveness" by the Ministry of Economy, Trade and Industry. Thus, it is expected to receive support and produce results of drug discovery research activities through industry-academic-government collaboration.

Financial results for the first nine months, the reporting period, were as follows. Business revenue for the period was 58 million yen, operating loss totaled 1,518 million yen, ordinary loss totaled 1,467 million yen, and net loss was 1,493 million yen. Total business expenses were 1,576 million yen, of which research and development expenses were 1,031 million yen. Other selling, general and administrative expenses totaled 545 million yen.

2) Research and development activities

Research and development expenses of the Company during the first nine months were 1,031 million yen. The main components of these activities were as follows:

Exploratory and discovery phase

The Company continued 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 TRPM8 blocker compounds primarily for indications such as neuropathic pain, the Company continued an investigation of preclinical efficacy for clinical development candidates.

The Company continued collaborative research with three 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
Asahi Kasei Pharma Corporation	April 2015	Collaboration on a specific ion channel target

Notes: 1. "Drug discovery research for a specific kinase," which had been promoted with Carna Biosciences, Inc. since March 2013, was completed in July 2015. However, both companies agreed to keep collaborating on seeking the possibility of joint research for new targets.
2. With regard to "Collaboration on a specific ion channel target" that has been ongoing since April 2015 in cooperation with Asahi Kasei Pharma Corporation, we agreed to postpone the termination of the agreement to March 2016 from September 2015.

Preclinical development phase

(a) Ghrelin receptor agonist (RQ-00433412)

The compound is for indications such as cancer-related anorexia and cachexia and an investigation of preclinical efficacy has been completed. The Company now is considering advancing it to the next stage of preclinical development study.

(b) 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) and the Company obtained IND approval from the U.S. Food and Drug Administration (FDA), aiming to conduct investigator-initiated clinical trials at Virginia Commonwealth University (VCU). Currently, VCU is working on raising funds for conducting the trials and the Company is continuing to provide support to VCU from the viewpoint of science.

(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 completed a clinical trial summary report. Currently, the Phase III clinical trials are ongoing in South Korea.

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

The compound is under development for diarrhea-predominant irritable bowel syndrome (D-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. The Company has started Phase I clinical trials for the first administration of the compound to healthy adults as well as patients in July 2015.

(2) Qualitative information regarding non-consolidated financial position

1) Analysis of assets, liabilities and net assets

Assets

Total assets as of September 30, 2015 were 4,238 million yen. The major components were 1,126 million yen in cash and deposits, 901 million yen in securities, and 1,535 million yen in investment securities.

Liabilities

Total liabilities as of September 30, 2015 were 209 million yen. The major components were 83 million yen in accounts payable - other, 57 million yen in accrued expenses, and 42 million yen in deferred tax liabilities.

Net assets

Total net assets as of September 30, 2015 were 4,028 million yen. The major components were 9,358 million yen in capital stock, 4,642 million yen in capital surplus, negative 10,060 million yen in retained earnings, and 65 million yen in valuation difference on available-for-sale securities. The equity ratio was 94.5%.

2) Analysis of cash flows

The balance of cash and cash equivalents (hereafter "cash") as of September 30, 2015 amounted to 1,728 million yen, a decrease of 262 million yen compared with the end of the previous fiscal year.

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

Cash flows from operating activities

Net cash used in operating activities was 1,766 million yen. This is mainly attributable to the recording of loss before income taxes of 1,487 million yen, increase in advance payments of 76 million yen, increase in prepaid expenses of 80 million yen and decrease in accounts payable - other of 61 million yen.

Cash flows from investing activities

Net cash provided by investing activities was 697 million yen. This is mainly attributable to proceeds from redemption of securities of 1,357 million yen and the purchase of securities of 620 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 819 million yen. This is mainly attributable to proceeds from issuance of shares resulting from exercise of subscription rights to shares of 803 million yen.

(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 November 12, 2015.

2. Matters regarding summary information (Notes)

Changes in material subsidiaries during the first nine months ended September 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 September 30, 2015
Assets		
Current assets		
Cash and deposits	1,891,197	1,126,924
Accounts receivable - trade	20,000	7,053
Securities	1,184,379	901,676
Supplies	8,728	54
Advance payments - trade	58,122	134,396
Prepaid expenses	55,398	135,440
Other	43,402	100,234
Total current assets	3,261,229	2,405,780
Non-current assets		
Property, plant and equipment		
Buildings, net	31,144	133,921
Tools, furniture and fixtures, net	54,179	130,638
Total property, plant and equipment	85,324	264,560
Intangible assets		
Trademark right	2,781	2,425
Software	6,463	8,775
Other	2,989	3,271
Total intangible assets	12,234	14,472
Investments and other assets		
Investment securities	1,800,412	1,535,424
Long-term prepaid expenses	4,394	6,499
Other	38,528	11,730
Total investments and other assets	1,843,335	1,553,654
Total non-current assets	1,940,895	1,832,686
Total assets	5,202,124	4,238,467
Liabilities		
Current liabilities		
Accounts payable - other	118,808	83,889
Accrued expenses	62,532	57,966
Income taxes payable	16,146	4,737
Deposits received	5,218	7,840
Advances received	13,500	–
Other	45,624	1,154
Total current liabilities	261,829	155,587
Non-current liabilities		
Asset retirement obligations	–	11,532
Deferred tax liabilities	108,806	42,631
Total non-current liabilities	108,806	54,163
Total liabilities	370,636	209,751
Net assets		
Shareholders' equity		
Capital stock	8,952,367	9,358,772
Capital surplus	4,236,367	4,642,772
Retained earnings	(8,566,920)	(10,060,174)
Total shareholders' equity	4,621,814	3,941,369
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	198,904	65,648
Total valuation and translation adjustments	198,904	65,648
Subscription rights to shares	10,769	21,697
Total net assets	4,831,488	4,028,715
Total liabilities and net assets	5,202,124	4,238,467

(2) Non-consolidated statement of income

Non-consolidated statement of income (cumulative)

(Thousands of yen)

	First nine months ended September 30, 2015
Business revenue	58,031
Business expenses	
Research and development expenses	1,031,180
Other selling, general and administrative expenses	545,578
Total business expenses	1,576,759
Operating loss	(1,518,727)
Non-operating income	
Interest income	1,001
Interest on securities	64,728
Dividend income	186
Foreign exchange gains	13,482
Gain on sales of securities	1,165
Other	952
Total non-operating income	81,516
Non-operating expenses	
Loss on valuation of compound financial instruments	21,957
Loss on redemption of securities	1,530
Share issuance cost	6,400
Total non-operating expenses	29,887
Ordinary loss	(1,467,098)
Extraordinary income	
Gain on sales of investment securities	52,842
Total extraordinary income	52,842
Extraordinary losses	
Special retirement expenses	37,042
Loss on redemption of investment securities	6,000
Office transfer expenses	30,466
Total extraordinary losses	73,509
Loss before income taxes	(1,487,764)
Income taxes - current	5,489
Net loss	(1,493,254)

(3) Non-consolidated statement of cash flows

(Thousands of yen)

	First nine months ended September 30, 2015
Cash flows from operating activities	
Loss before income taxes	(1,487,764)
Depreciation	31,714
Interest income	(1,001)
Interest income on securities	(64,728)
Dividend income	(186)
Foreign exchange losses (gains)	(13,417)
Loss (gain) on sales of securities	(1,165)
Loss (gain) on valuation of compound financial instruments	21,957
Loss (gain) on redemption of securities	1,530
Share issuance cost	6,400
Loss (gain) on sales of investment securities	(52,842)
Loss (gain) on redemption of investment securities	6,000
Extra retirement payment	37,042
Office transfer expenses	30,466
Decrease (increase) in notes and accounts receivable - trade	12,946
Decrease (increase) in inventories	8,674
Decrease (increase) in advance payments	(76,274)
Decrease (increase) in prepaid expenses	(80,041)
Decrease (increase) in consumption taxes refund receivable	(25,637)
Increase (decrease) in accounts payable - other	(61,640)
Other, net	(36,117)
Subtotal	(1,744,087)
Interest and dividend income received	51,137
Income taxes paid	(24,827)
Payments for extra retirement payments	(37,042)
Payments for removal expenses	(4,807)
Other, net	(6,400)
Net cash provided by (used in) operating activities	(1,766,027)
Cash flows from investing activities	
Purchase of securities	(620,950)
Proceeds from sales of securities	50,854
Proceeds from redemption of securities	1,357,256
Purchase of property, plant and equipment	(195,175)
Purchase of intangible assets	(3,863)
Purchase of investment securities	(478,784)
Proceeds from sales of investment securities	441,987
Proceeds from redemption of investment securities	150,000
Other, net	(4,201)
Net cash provided by (used in) investing activities	697,122
Cash flows from financing activities	
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	803,610
Proceeds from issuance of subscription rights to shares	15,450
Net cash provided by (used in) financing activities	819,060
Effect of exchange rate change on cash and cash equivalents	(13,112)
Net increase (decrease) in cash and cash equivalents	(262,957)
Cash and cash equivalents at beginning of period	1,991,558
Cash and cash equivalents at end of period	1,728,601

(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

For the first nine months ended September 30, 2015 (January 1, 2015 to September 30, 2015)

1. Dividends

   No items to report.

2. Significant changes in the amount of shareholders' equity

   Some of the 10th series share options (share option with exercise price amendment clause, by allotment to third party), which were issued on July 22, 2014 and some of the 11th series share options (share option with exercise price amendment clause, by allotment to third party), which were issued on September 14, 2015, were exercised. As a result, capital stock and capital surplus as of September 30, 2015 each increased by 406,404 thousand yen from the end of the previous fiscal year, and capital stock and capital surplus as of September 30, 2015 are 9,358,772 thousand yen and 4,642,772 thousand yen, respectively.

Significant subsequent event

Capital increase through exercise of share options

Following the end of the first nine months ended September 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 11th series share options with exercise price amendment clause, which were issued on September 14, 2015, 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)
October 1, 2015	50	50,000	398	19,900	10,078	10,078
October 2, 2015	40	40,000	394	15,760	7,983	7,983
October 5, 2015	280	280,000	385	107,800	54,621	54,621
October 6, 2015	120	120,000	385	46,200	23,409	23,409
October 7, 2015	120	120,000	388	46,560	23,589	23,589
October 8, 2015	120	120,000	383	45,960	23,289	23,289
October 9, 2015	100	100,000	380	38,000	19,257	19,257
October 13, 2015	100	100,000	373	37,300	18,907	18,907
October 14, 2015	60	60,000	380	22,800	11,554	11,554
October 16, 2015	180	180,000	372	66,960	33,943	33,943
October 19, 2015	30	30,000	369	11,070	5,612	5,612
October 20, 2015	70	70,000	365	25,550	12,955	12,955
October 22, 2015	70	70,000	372	26,040	13,200	13,200
October 23, 2015	70	70,000	368	25,760	13,060	13,060
October 26, 2015	60	60,000	370	22,200	11,254	11,254
October 27, 2015	50	50,000	369	18,450	9,353	9,353
October 30, 2015	50	50,000	372	18,600	9,428	9,428
November 2, 2015	30	30,000	368	11,040	5,597	5,597
November 4, 2015	30	30,000	369	11,070	5,612	5,612
November 6, 2015	50	50,000	360	18,000	9,128	9,128
November 9, 2015	40	40,000	362	14,480	7,343	7,343
November 10, 2015	50	50,000	360	18,000	9,128	9,128

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)
November 11, 2015	140	140,000	359	50,260	25,490	25,490
Total	1,910	1,910,000	—	717,760	363,798	363,798

Note: As a consequence of the above, the number of unexercised 11th series share options as of November 11, 2015, is 470.

As a result, as of November 11, 2015, the total number of issued common shares is 18,297,200, capital stock is 9,722,570 thousand yen and capital surplus is 5,006,570 thousand yen.