

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.



MEMBERSHIP  
May 15, 2020

## Summary of Consolidated Financial Results for the First Three Months of the Fiscal Year Ending December 31, 2020 (JGAAP)

**Listed company's name:** RaQualia Pharma Inc.  
**Listed on:** Tokyo Stock Exchange (TSE)  
**Stock code:** 4579  
**URL:** <https://www.raqualia.com/>  
**Representative:** Naoki Tani, President and CEO  
**Contact:** Kiichiro Kawada, Director (TEL) +81-52-446-6100  
**Scheduled date of filing of quarterly securities report:** May 15, 2020  
**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. Consolidated financial results for the first three months of the fiscal year ending December 31, 2020 (January 1, 2020 to March 31, 2020)

#### (1) Consolidated operating results (cumulative)

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

|   | Net sales   |        | Operating profit |   | Ordinary profit |   | Profit attributable to owners of parent |   |
|---|-------------|--------|------------------|---|-----------------|---|---|---|
|   | million yen | %      | million yen      | % | million yen     | % | million yen                             | % |
| First three months ended March 31, 2020 | 123         | (64.5) | (273)            | — | (267)           | — | (328)                                   | — |
| March 31, 2019                          | 347         | (12.3) | (104)            | — | (95)            | — | (102)                                   | — |

Note: Comprehensive income Three months ended March 31, 2020: (366) million yen [–%]  
 Three months ended March 31, 2019: (81) million yen [–%]

|                          | Earnings per share (Basic) | Earnings per share (Diluted) |
|--------------------------|----------------------------|------------------------------|
| First three months ended | yen                        | yen                          |
| March 31, 2020           | (15.66)                    | —                            |
| March 31, 2019           | (5.05)                     | —                            |

#### (2) Consolidated financial position

|                   | Total assets | Net assets  | Equity ratio |
|-------------------|--------------|-------------|--------------|
| As of             | million yen  | million yen | %            |
| March 31, 2020    | 4,468        | 4,254       | 94.9         |
| December 31, 2019 | 4,836        | 4,620       | 95.3         |

Reference: Equity As of March 31, 2020: 4,242 million yen As of December 31, 2019: 4,608 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, 2019             | —                          | 0.00               | —                 | 0.00            | 0.00  |
| Fiscal year ending December 31, 2020            | —                          |                    |                   |                 |       |
| Fiscal year ending December 31, 2020 (forecast) |                            | 0.00               | —                 | 0.00            | 0.00  |

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

**3. Forecasts of consolidated financial results for the fiscal year ending December 31, 2020 (January 1, 2020 to December 31, 2020)**

(Percentage figures represent year-on-year changes)

|                                      | Net sales   |      | Operating profit |   | Ordinary profit |       | Profit attributable to owners of parent |       | Earnings per share (Basic) |
|--------------------------------------|-------------|------|------------------|---|-----------------|-------|---|-------|----------------------------|
|                                      | million yen | %    | million yen      | % | million yen     | %     | million yen                             | %     | yen                        |
| Fiscal year ending December 31, 2020 | 2,129       | 25.0 | 70               | – | 85              | 296.4 | 13                                      | 161.6 | 0.67                       |

Note: Revisions to the forecasts of results most recently announced: None

\* As the Company conducts performance management on an annualized basis, forecasts of results over a six-month period are omitted.

**\* Notes**

- (1) Changes in significant subsidiaries during the first three months ended March 31, 2020 (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) 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
- (4) 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, 2020    | 20,950,642 shares |
| As of December 31, 2019 | 20,950,142 shares |

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

|                         |           |
|-------------------------|-----------|
| As of March 31, 2020    | 50 shares |
| As of December 31, 2019 | 50 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, 2020 | 20,950,317 shares |
| For the first three months ended March 31, 2019 | 20,388,339 shares |

**\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.**

**\* 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 achievement. Actual results, etc. may differ materially from the forecasts depending on various factors.

As it is currently difficult to anticipate the impact of the spread of the novel coronavirus disease (COVID-19), it is not factored into financial forecasts. If any revisions to financial forecasts are deemed necessary going forward, the Company will promptly disclose them.

## Contents of attachment

|  |   |
|--|---|
| 1. Qualitative information regarding settlement of accounts for the first three months ..... | 2 |
| (1) Qualitative information regarding consolidated operating results .....                   | 2 |
| (2) Qualitative information regarding consolidated financial position.....                   | 2 |
| (3) Qualitative information regarding consolidated earnings forecasts.....                   | 3 |
| 2. Quarterly consolidated financial statements and significant notes thereto.....            | 4 |
| (1) Consolidated balance sheet.....  | 4 |
| (2) Consolidated statement of income and consolidated statement of comprehensive income..... | 6 |
| Consolidated statement of income (cumulative).....   | 6 |
| Consolidated statement of comprehensive income (cumulative) .....                            | 6 |
| (3) Consolidated statement of cash flows.....  | 7 |
| (4) Notes to quarterly consolidated financial statements.....                                | 8 |
| Notes on premise of going concern .....  | 8 |
| Notes on significant changes in the amount of shareholders' equity.....                      | 8 |
| Segment information, etc.....  | 8 |
| Significant subsequent event .....   | 8 |

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

### (1) Qualitative information regarding consolidated operating results

#### 1) Financial results

During the first three months ended March 31, 2020, due to the spread of the novel coronavirus disease (“COVID-19”), the Japanese economy faced growing uncertainty as production activities stagnated and consumer spending plunged.

In the pharmaceutical sector, although face-to-face sales opportunities are on the decline, there have been movements toward creating drugs and vaccines against COVID-19, as well as toward maintaining a stable supply of drug products.

Under such conditions, the Group achieved the following financial results during the first three months.

The COVID-19 outbreak has had an impact on the sales of the EP4 antagonist (grapiprant/brand name: GALLIPRANT<sup>®</sup>; “GALLIPRANT<sup>®</sup>”), which has been marketed as a drug for osteoarthritis in dogs, and the Ghrelin receptor agonist (capromorelin, brand name: ENTYCE<sup>®</sup>), which has an indication for anorexia management for dogs. On the other hand, sales of pet drug products recorded steady growth due to the expansion of the sales area for GALLIPRANT<sup>®</sup> to Latin America in the first three months.

Regarding tegoprazan (brand name in South Korea: K-CAB<sup>®</sup>, “tegoprazan”)—a human drug product and a potassium-competitive acid blocker (P-CAB), an additional indication of “Combination antibiotic therapy for *Helicobacter pylori* eradication in patients with peptic ulcer and chronic atrophic gastritis” was approved by South Korea’s Ministry of Food and Drug Safety in March 2020.

CJ HealthCare Corporation (South Korea), to which we licensed out tegoprazan, changed its name to HK inno.N Corporation (South Korea) on April 1, 2020.

With regard to the business activities of subsidiaries, at TMRC Co., Ltd., the Phase II combination clinical trial has progressed well for the retinoic acid receptor alpha agonist (Tamibarotene/TM-411/SY-1425) licensed to Syros Pharmaceuticals Inc. (U.S., “Syros (U.S.)”). Thus, Syros (U.S.) has indicated that it intends to publish some of the trial data in the fourth quarter of the fiscal year ending December 31, 2020 (from October 1 to December 31, 2020).

Accordingly, financial results for the first three months, the reporting period, were as follows. Business revenue for the period was 123 million yen (down 64.5% year on year), operating loss totaled 273 million yen (compared with operating loss of 104 million yen a year earlier), ordinary loss totaled 267 million yen (compared with ordinary loss of 95 million yen a year earlier), and loss attributable to owners of parent was 328 million yen (compared with loss attributable to owners of parent of 102 million yen a year earlier). Total business expenses were 396 million yen (down 12.2% year on year). This total mainly consists of cost of business revenue (25 million yen, a 70.9% decrease from the same quarter last year), research and development expenses (223 million yen, a 6.7% increase from the same quarter last year) and other selling, general and administrative expenses (147 million yen, a 4.3% decrease from the same quarter last year).

Furthermore, we are aware that the COVID-19 outbreak could have no small impact on the Group’s operating results and financial position.

#### 2) Research and development

Research and development expenses of the entire Group during the first three months were 223 million yen. For the first three months, there were no material changes to the research and development activities.

### (2) Qualitative information regarding consolidated financial position

#### 1) Analysis of assets, liabilities and net assets

##### Assets

Total assets as of March 31, 2020 were 4,468 million yen, a decrease of 367 million yen (down 7.6%) from the end of the previous fiscal year. This is mainly attributable to a decrease in accounts receivable – trade of 623 million yen and an increase in securities of 282 million yen.

##### Liabilities

Total liabilities as of March 31, 2020 were 214 million yen, a decrease of 1 million yen (down 0.8%) from the end of the previous fiscal year. This is mainly attributable to a decrease in accounts payable – trade of 8 million yen, an increase in accounts payable – other of 20 million yen, a decrease in income taxes payable of 9 million yen, and a decrease in deferred tax liabilities of 7 million yen.

#### Net assets

Total net assets as of March 31, 2020 were 4,254 million yen, a decrease of 366 million yen (down 7.9%) from the end of the previous fiscal year. This is mainly attributable to the recording of loss attributable to owners of parent of 328 million yen and a decrease in valuation difference on available-for-sale securities of 38 million yen.

Consequently, the equity ratio was 94.9% (down 0.4 percentage points from the end of the previous fiscal year.)

## **2) Analysis of cash flows**

The balance of cash and cash equivalents (“net cash”) as of March 31, 2020 amounted to 2,430 million yen (compared with 1,371 million yen a year earlier), an increase of 230 million yen (up 10.5%) from 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 provided by operating activities was 134 million yen (compared with net cash of 385 million yen used a year earlier). This is mainly attributable to the recording of loss before income taxes of 262 million yen, a cash inflow from a decrease in trade receivables of 623 million yen, a cash outflow from an increase in prepaid expenses of 158 million yen, and income taxes paid of 67 million yen.

#### Cash flows from investing activities

Net cash provided by investing activities was 105 million yen (compared with net cash of 78 million yen used a year earlier). This is mainly attributable to the proceeds from sales of investment securities of 112 million yen and purchase of property, plant and equipment of 6 million yen.

#### Cash flows from financing activities

Net cash used in financing activities was 0 million yen (compared with net cash of 4 million yen provided a year earlier). This is mainly attributable to repayments of lease obligations of 0 million yen.

## **(3) Qualitative information regarding consolidated earnings forecasts**

There has been no change to the figures of the consolidated earnings forecasts for the fiscal year ending December 31, 2020 contained in the “Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 (JGAAP)” announced on February 14, 2020. In the case that any revisions are necessary to the expected earnings forecasts due to the impact of COVID-19 or other reasons, the Company will promptly make the relevant announcements.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Thousands of yen)

|                                     | As of December 31, 2019 | As of March 31, 2020 |
|-------------------------------------|-------------------------|----------------------|
| <b>Assets</b>                       |                         |                      |
| Current assets                      |                         |                      |
| Cash and deposits                   | 2,174,200               | 2,121,975            |
| Accounts receivable - trade         | 747,267                 | 123,454              |
| Securities                          | 26,006                  | 308,377              |
| Supplies                            | 5,500                   | 5,122                |
| Advance payments - trade            | 5,952                   | 6,241                |
| Prepaid expenses                    | 69,231                  | 227,641              |
| Other                               | 38,988                  | 35,983               |
| Total current assets                | 3,067,147               | 2,828,795            |
| Non-current assets                  |                         |                      |
| Property, plant and equipment       |                         |                      |
| Buildings, net                      | 77,528                  | 75,585               |
| Tools, furniture and fixtures, net  | 169,179                 | 190,401              |
| Leased assets, net                  | 2,173                   | 2,002                |
| Total property, plant and equipment | 248,881                 | 267,989              |
| Intangible assets                   |                         |                      |
| Trademark right                     | 5,129                   | 4,914                |
| Software                            | 26,805                  | 26,896               |
| Other                               | 550                     | 1,085                |
| Total intangible assets             | 32,485                  | 32,897               |
| Investments and other assets        |                         |                      |
| Investment securities               | 1,474,270               | 1,326,085            |
| Long-term prepaid expenses          | 2,199                   | 1,652                |
| Other                               | 11,576                  | 11,343               |
| Total investments and other assets  | 1,488,047               | 1,339,081            |
| Total non-current assets            | 1,769,413               | 1,639,967            |
| Total assets                        | 4,836,561               | 4,468,763            |

(Thousands of yen)

|   | As of December 31, 2019 | As of March 31, 2020 |
|---|-------------------------|----------------------|
| <b>Liabilities</b>                                    |                         |                      |
| Current liabilities                                   |                         |                      |
| Accounts payable - trade                              | 34,297                  | 26,272               |
| Lease obligations                                     | 741                     | 741                  |
| Accounts payable - other                              | 67,183                  | 87,661               |
| Accrued expenses                                      | 50,423                  | 50,895               |
| Income taxes payable                                  | 20,235                  | 10,784               |
| Advances received                                     | 6,875                   | 6,875                |
| Deposits received                                     | 3,318                   | 5,897                |
| Total current liabilities                             | 183,074                 | 189,128              |
| Non-current liabilities                               |                         |                      |
| Lease obligations                                     | 1,667                   | 1,482                |
| Asset retirement obligations                          | 11,934                  | 11,958               |
| Deferred tax liabilities                              | 19,236                  | 11,596               |
| Total non-current liabilities                         | 32,839                  | 25,038               |
| Total liabilities                                     | 215,914                 | 214,167              |
| <b>Net assets</b>                                     |                         |                      |
| Shareholders' equity                                  |                         |                      |
| Share capital   | 2,254,943               | 2,255,096            |
| Capital surplus                                       | 2,444,726               | 2,444,879            |
| Retained earnings                                     | (99,172)                | (427,299)            |
| Treasury shares                                       | (21)                    | (21)                 |
| Total shareholders' equity                            | 4,600,476               | 4,272,654            |
| Accumulated other comprehensive income                |                         |                      |
| Valuation difference on available-for-sale securities | 7,906                   | (30,205)             |
| Total accumulated other comprehensive income          | 7,906                   | (30,205)             |
| Share acquisition rights                              | 12,265                  | 12,147               |
| Total net assets                                      | 4,620,647               | 4,254,596            |
| Total liabilities and net assets                      | 4,836,561               | 4,468,763            |

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

(Thousands of yen)

|   | First three months ended<br>March 31, 2019 | First three months ended<br>March 31, 2020 |
|---|--|--|
| Business revenue                                    | 347,798                                    | 123,537                                    |
| Business expenses                                   |  |  |
| Cost of business revenue                            | 88,372                                     | 25,760                                     |
| Research and development expenses                   | 209,634                                    | 223,749                                    |
| Other selling, general and administrative expenses  | 154,015                                    | 147,413                                    |
| Total business expenses                             | 452,021                                    | 396,922                                    |
| Operating loss                                      | (104,223)                                  | (273,385)                                  |
| Non-operating income                                |  |  |
| Interest income                                     | 2,635                                      | 2,268                                      |
| Interest on securities                              | 9,144                                      | 8,314                                      |
| Foreign exchange gains                              | 3,341                                      | –  |
| Gain on valuation of compound financial instruments | 2,440                                      | 5,880                                      |
| Subsidy income                                      | –  | 1,500                                      |
| Other   | 31   | 172  |
| Total non-operating income                          | 17,592                                     | 18,136                                     |
| Non-operating expenses                              |  |  |
| Foreign exchange losses                             | –  | 12,457                                     |
| Share issuance cost                                 | 8,702                                      | 78   |
| Other   | –  | 1  |
| Total non-operating expenses                        | 8,702                                      | 12,536                                     |
| Ordinary loss                                       | (95,333)                                   | (267,785)                                  |
| Extraordinary income                                |  |  |
| Gain on sales of non-current assets                 | –  | 750  |
| Gain on sales of investment securities              | –  | 4,768                                      |
| Total extraordinary income                          | –  | 5,518                                      |
| Loss before income taxes                            | (95,333)                                   | (262,267)                                  |
| Income taxes - current                              | 7,670                                      | 65,912                                     |
| Income taxes - deferred                             | (72)                                       | (52)                                       |
| Total income taxes                                  | 7,597                                      | 65,859                                     |
| Loss  | (102,931)                                  | (328,127)                                  |
| Profit attributable to non-controlling interests    | –  | –  |
| Loss attributable to owners of parent               | (102,931)                                  | (328,127)                                  |

**Consolidated statement of comprehensive income (cumulative)**

(Thousands of yen)

|  | First three months ended<br>March 31, 2019 | First three months ended<br>March 31, 2020 |
|--|--|--|
| Loss   | (102,931)                                  | (328,127)                                  |
| Other comprehensive income                                     |  |  |
| Valuation difference on available-for-sale securities          | 21,849                                     | (38,111)                                   |
| Total other comprehensive income                               | 21,849                                     | (38,111)                                   |
| Comprehensive income   | (81,081)                                   | (366,239)                                  |
| Comprehensive income attributable to                           |  |  |
| Comprehensive income attributable to owners of parent          | (81,081)                                   | (366,239)                                  |
| Comprehensive income attributable to non-controlling interests | –  | –  |



**(3) Consolidated statement of cash flows**

(Thousands of yen)

|  | First three months ended<br>March 31, 2019 | First three months ended<br>March 31, 2020 |
|--|--|--|
| <b>Cash flows from operating activities</b>  |  |  |
| Loss before income taxes   | (95,333)                                   | (262,267)                                  |
| Depreciation   | 34,292                                     | 24,985                                     |
| Interest income  | (2,635)                                    | (2,268)                                    |
| Interest income on securities  | (9,144)                                    | (8,314)                                    |
| Foreign exchange losses (gains)  | (2,344)                                    | 9,896                                      |
| Loss (gain) on valuation of compound financial instruments                           | (2,440)                                    | (5,880)                                    |
| Subsidy income   | -  | (1,500)                                    |
| Share issuance cost  | 8,702                                      | 78   |
| Loss (gain) on sales of non-current assets   | -  | (750)                                      |
| Loss (gain) on sales of investment securities  | -  | (4,768)                                    |
| Decrease (increase) in trade receivables   | (232,741)                                  | 623,813                                    |
| Decrease (increase) in inventories   | 231  | 377  |
| Increase (decrease) in trade payables  | 74,580                                     | (8,025)                                    |
| Decrease (increase) in advance payments - trade                                      | 1,296                                      | (289)                                      |
| Decrease (increase) in prepaid expenses  | (157,688)                                  | (158,409)                                  |
| Increase (decrease) in accounts payable - other                                      | (7,068)                                    | (14,667)                                   |
| Decrease (increase) in consumption taxes refund receivable                           | (5,360)                                    | 871  |
| Other, net   | 9,875                                      | (4,951)                                    |
| Subtotal   | (385,778)                                  | 187,930                                    |
| Interest and dividends received  | 11,359                                     | 12,762                                     |
| Income taxes paid  | (11,285)                                   | (67,906)                                   |
| Subsidies received   | -  | 1,500                                      |
| Net cash provided by (used in) operating activities                                  | (385,704)                                  | 134,285                                    |
| <b>Cash flows from investing activities</b>  |  |  |
| Purchase of property, plant and equipment  | (58,687)                                   | (6,918)                                    |
| Proceeds from sales of property, plant and equipment                                 | -  | 750  |
| Purchase of intangible assets  | (19,711)                                   | (902)                                      |
| Proceeds from sales of investment securities   | -  | 112,926                                    |
| Other, net   | (433)                                      | -  |
| Net cash provided by (used in) investing activities                                  | (78,832)                                   | 105,855                                    |
| <b>Cash flows from financing activities</b>  |  |  |
| Proceeds from issuance of shares resulting from exercise of share acquisition rights | -  | 110  |
| Proceeds from issuance of share acquisition rights                                   | 4,547                                      | -  |
| Repayments of lease obligations  | (185)                                      | (185)                                      |
| Net cash provided by (used in) financing activities                                  | 4,361                                      | (75)                                       |
| Effect of exchange rate change on cash and cash equivalents                          | 2,372                                      | (9,919)                                    |
| Net increase (decrease) in cash and cash equivalents                                 | (457,802)                                  | 230,145                                    |
| Cash and cash equivalents at beginning of period                                     | 1,829,540                                  | 2,200,206                                  |
| Cash and cash equivalents at end of period   | 1,371,738                                  | 2,430,352                                  |

**(4) Notes to quarterly 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.

**Segment information, etc.**

[Segment information]

- I. For the first three months ended March 31, 2019 (January 1, 2019 to March 31, 2019)  
This information is omitted because the Group consists of a single business segment dealing with research and development of pharmaceutical and related businesses.
- II. For the first three months ended March 31, 2020 (January 1, 2020 to March 31, 2020)  
This information is omitted because the Group consists of a single business segment dealing with research and development of pharmaceutical and related businesses.

**Significant subsequent event**

No items to report.