Mid-Term Business Plan
January 1, 2012 - December 31, 2014

February 23, 2012

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1. Mid-Term Business Plan for Three Years

(1) Summary of Business Results for the Fiscal Year Ending December 31, 2011

The Great East Japan Earthquake and subsequent nuclear crisis in Fukushima had a significant impact on the
Japanese economy, resulting in considerable economic deterioration in the ensuing weeks and months.
Moreover, financial problems in Europe triggered a global credit crisis and rise of the Japanese yen,
developments which further weakened economic conditions in Japan.

In the pharmaceutical sector, the government continued implementing policies to curb medical expenditures by
lowering regulated drug prices and promoting the use of generic medicines. Concurrently, pharmaceutical
companies faced “The 2010 Problem,” the loss of exclusivity for a large number of blockbuster drugs. The
industry is attempting to cope with these challenges by investing significant resources in the discovery and
development of new drugs.

Despite these challenging circumstances, RaQualia successfully executed its strategy to increase productivity
and expand its R&D and licensing portfolio. In 2011, the Company entered into two new licensing
agreements, the first with Meiji Seika Kaisha, Ltd. (Meiji Seika Pharma Co., Ltd.) in March for the
commercialization of Ziprasidone (RQ-00000003), and the second with CJ CheilJedang Corporation, South
Korea, in July for the commercialization of a 5-HT4 Partial Agonist (RQ-00000010). RaQualia recognized
one-time business revenue from the execution of the two contracts.

Business revenue for Fiscal Year 2011 was ¥684 million, down by 42.3% from 2010. RaQualia’s operating
loss totaled ¥1,916 million, up from ¥1,345 million in 2010, ordinary loss totaled ¥1,906 million, up from
¥1,295 million in 2010, and net loss was ¥1,916 million, up from ¥1,307 million in 2010. Total business
expenses were ¥2,600 million, an increase of 2.7% from 2010. “Cost of business revenue” accounted for ¥11
million of this total, 88.8% less than in 2010, “R&D expenses” were ¥1,660 million, up by 0.5% from 2010, and
“Other selling, general and administrative expenses” were ¥928 million, up by 19.4% compared to 2010.
(2) Summary of the Business Plan Through December 31, 2014

○ RaQualia is an R&D-focused pharmaceutical company producing new, small molecule drugs in areas of highly unmet medical needs, including Pain and Gastrointestinal Diseases, Inflammation, Auto-immune Diseases, Cancer, and Alzheimer’s Disease. The Company will continue to primarily generate revenue by licensing development and commercialization rights to pharmaceutical companies for compounds it has discovered.

➢ RaQualia will continually improve productivity in the discovery of high-quality development compounds by implementing leading-edge science and technology in new and innovative ways.

➢ RaQualia will create Customer Value through a broad and deep network of collaborations with partners. These collaborative relationships will continue to enable RaQualia to achieve speed, efficiency, and flexibility in the discovery and development of new compounds.

➢ The Company will offer full lifecycle partnering to our customers. RaQualia will strategically assist business partners after licensing, in development, marketing, and sales activities, in order to maximize product value and the probability of successful market launch.

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2. Business Results for Fiscal Year Ending December 31, 2011 and Business Targets for Fiscal Years 2012 to 2014

<table>
<thead>
<tr>
<th>Year ending December 31</th>
<th>Business Revenue</th>
<th>Operating Loss</th>
<th>Ordinary Loss</th>
<th>Net Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actual Fiscal Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 31, 2011</td>
<td>684</td>
<td>(1,916)</td>
<td>(1,906)</td>
<td>(1,916)</td>
</tr>
<tr>
<td>Expected Fiscal Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 31, 2012</td>
<td>1,636 - 2,178</td>
<td>(1,666) - (1,168)</td>
<td>(1,647) - (1,148)</td>
<td>(1,700) - (1,202)</td>
</tr>
<tr>
<td>Targeted Fiscal Year</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>December 31, 2013</td>
<td>2,619</td>
<td>(695)</td>
<td>(687)</td>
<td>(693)</td>
</tr>
<tr>
<td>December 31, 2014</td>
<td>2,002</td>
<td>(1,085)</td>
<td>(1,077)</td>
<td>(1,081)</td>
</tr>
</tbody>
</table>

Note: The above amounts are calculated by totaling projected totals in individual cost categories based on the business plan.

Conditions Underlying Projected Business Results

- RaQualia has projected its revenues based on R&D plans and the timing of revenue recognition for individual projects. In these projections, we have determined “upfront” and “milestone” payments in consideration of competitive advantages and landscape, the status of negotiations, and market sizes.

- The Company’s R&D system is designed to be horizontal, integrated, and optimized for internal and external collaboration. This structure enables RaQualia to continually achieve productivity gains without significant increases in personnel. We plan to maintain current workforce levels over this period.

### Personnel Plan

<table>
<thead>
<tr>
<th>Year ending December 31</th>
<th>Total</th>
<th>R&amp;D</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>85</td>
<td>56</td>
</tr>
<tr>
<td>2013</td>
<td>88</td>
<td>59</td>
</tr>
<tr>
<td>2014</td>
<td>88</td>
<td>59</td>
</tr>
</tbody>
</table>

- RaQualia owns major research equipment, analysis equipment, and software for research and development. Our capital investment plan includes disbursements for the addition, replacement, and upgrade of this equipment on an as-needed basis.

- In forecasted business results for the Fiscal Year ending December 31, 2012, the Company projects receiving “Upfront Payments” from new licensing transactions, contingent upon ongoing negotiations. RaQualia’s financials are disclosed within a given range and can vary depending on progress in R&D activities and when licensing negotiations are concluded.

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### 3. Other References

#### Status of Key Research and Development Portfolio

<table>
<thead>
<tr>
<th></th>
<th>Pre-clinical</th>
<th>Phase I</th>
<th>Phase IIa</th>
<th>Phase IIb</th>
<th>Phase III</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EP_4 Antagonist</strong></td>
<td></td>
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<tr>
<td>(RQ-00000007)</td>
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</tr>
<tr>
<td>(RQ-00000008)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Chronic inflammatory pain, acute pain, inflammation, autoimmune disease, allergy, cancer</td>
<td>(Completed by Pfizer)</td>
<td>Note 2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Cyclooxygenase-2 (COX-2) Inhibitor** |              |         |           |           |           |
| (RQ-00317076)    |              |         |           |           |           |
| Acute pain       |              |         |           |           |           |
| (Completed by Pfizer) |             | Phase II study (Note 3) |

| **5-HT_4 Partial Agonist** |              |         |           |           |           |
| (RQ-00000009)            |              |         |           |           |           |
| Alzheimer’s disease      |              |         |           |           |           |
|(Completed by Pfizer)     |             |         |

| **5-HT_4 Partial Agonist** |              |         |           |           |           |
| (RQ-00000010)            |              |         |           |           |           |
| Gastro-esophageal reflux disease (*) | | |
| (Completed by Pfizer)     |             |         |

| **Acid Pump Antagonist** |              |         |           |           |           |
| (RQ-00000004)            |              |         |           |           |           |
| Gastro-esophageal reflux disease | | |
| (Completed by Pfizer)     |             |         |

| **Anidulafungin** |              |         |           |           |           |
| Candida infections (US) |          |         |           |           |           |
| (Completed by Pfizer)     |             |         | Bridging study (Note 4) |

**Portfolio Summary.**

- **EP_4 Antagonist (RQ-00000007 and RQ-00000008)**

**Characteristics:** The EP_4 Antagonist inhibits the actions of prostaglandin E2 (PGE2) involved in inflammatory pain. It is expected to have a significant safety advantage over existing therapies. The EP_4 antagonist has potential for the treatment of autoimmune diseases with a new mechanism, i.e., inhibiting production of cytokines involved in autoimmunity. It also has potential as an anticancer drug, as the EP_4 receptor promotes cancer via inflammatory conditions.

**Indications:** Chronic inflammatory pain, acute pain, inflammation, autoimmune diseases, allergy, cancer

**Target market:** RQ-00000007 Worldwide excluding iv formulation in Japan, South Korea, China, Taiwan
RQ-00000008 Worldwide

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Development stage: RQ-00000007 Phase II for chronic inflammatory pain
   Phase I for acute pain, inflammation, autoimmune diseases, cancer
   The Company is conducting pre-clinical studies for each indication.
RQ-00000008 The Company is conducting pre-clinical studies for each indication.

Objectives:
> Conclude a global licensing agreement (ex-iv formulation in Japan, South Korea, China, and Taiwan) for RQ-
   00000007 based on the results of pre-clinical and clinical studies conducted for chronic pain, with the licensee
   continuing development.
> Conclude a global licensing agreement for RQ-00000008, either as a backup compound for RQ-00000007 or
   as a development compound for other indications.
> RaQualia is discussing licensing opportunities with perspective customers while concurrently conducting
   further pre-clinical pharmacology studies.

○ Cyclooxygenase-2 (COX-2) Inhibitor (RQ-00317076)
  Characteristics: The Cyclooxygenase-2 Inhibitor is a drug for acute pain that selectively inhibits COX-2,
   which specifically induces the onset of pathologies such as inflammation, acute pain and cancer. The drug
   exhibits strong pain relief and has less renal side effect than existing drugs.
  Indications: Acute pain
  Target market: Worldwide
  Development stage: Phase II
  Objectives:
  > Conclude a global licensing agreement based on pre-clinical and clinical studies for pain following tooth
     extractions, with licensees conducting further development for acute pain.
  > RaQualia will support the licensee while conducting pre-clinical studies in relation to other indications.

○ 5-HT₄ Partial Agonist (RQ-00000009)
  Characteristics: The 5-HT₄ Partial Agonist is a small molecule drug effective in the treatment of
   Alzheimer's disease. Its effects derive from a new mechanism to control the metabolism
   of amyloid beta (*) and a mechanism to improve cognitive function.
  Indications: Alzheimer's disease
  Target markets: Worldwide
  Development stage: Phase I
  Objectives:
  > Conclude a global licensing agreement based on the results of pre-clinical studies and Phase I data in healthy
     adults, with the licensee conducting Phase II and Phase III development for Alzheimer's disease.
  > RaQualia is currently assembling additional pre-clinical pharmacology data to support licensing discussions.

○ 5-HT₄ Partial Agonist (RQ-00000010)
  Characteristics: The 5-HT₄ Partial Agonist is a drug for gastroesophageal reflux disease which shows
   strong efficacy in improving gastrointestinal function and a high degree of cardiovascular
   safety.
  Indications: Gastro-esophageal reflux disease
  Target markets: Worldwide excluding South Korea, China, Taiwan, India and South-East Asia
  Development stage: Pre-clinical
  Objectives:
  > Conduct Phase I studies to assess tolerability, safety, and pharmacological action in healthy adults and then
    conclude a global licensing agreement (ex- South Korea, China, Taiwan, India and South-East Asia) based on
    those results, with licensee conducting Phase II and Phase III development.

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○ Acid pump antagonist (RQ-00000004)

Characteristics: The Acid Pump Antagonist is a drug for gastroesophageal reflux disease demonstrating fast onset of gastric acid secretion suppression and improvement of heartburn symptoms during the night after administrating before bedtime.

Indications: Gastro-esophageal reflux disease

Target markets: Worldwide excluding South Korea, China and Taiwan

Development stage: Phase I

Objectives:
- Conclude a global licensing agreement (ex-South Korea, China, and Taiwan) based on the results of a completed single-dose Phase I study to assess tolerability, safety, and pharmacological action in healthy adults, with the licensee conducting development in Phase I, Phase II, and Phase III.

○ Anidulafungin

Characteristics: Anidulafungin has already been launched globally, ex-Japan, and can be safely administered to patients with functional disorders of the kidney and liver associated with characteristic metabolic and excretion pathways.

Indications: Candida infections (U.S.)

Target market: Japan

Development stage: Launched in Europe, the U.S., and other markets

Objectives:
- Conclude a licensing agreement, after which the licensee will conduct a bridging study in Japan and apply for approval.
- Expand the Anidulafungin market in Japan by adding treatment for aspergillosis to the indications.

○ RaQualia’s business takes place in the discovery, pre-clinical and early clinical study phases of pharmaceutical research and development. The Company focuses on research that clearly establishes efficacy and safety risks. Once efficacy and safety factors are understood, RaQualia seeks licensing opportunities. The licensees then develop and manufacture the compounds. Consequently, the Company has no plans to make any proprietary capital investments in manufacturing facilities.
### Status of Key Licensed R&D Programs

<table>
<thead>
<tr>
<th>License</th>
<th>Nature of contract</th>
<th>Indications</th>
<th>Target markets</th>
<th>Development stage</th>
<th>Key Actions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EP₄ Antagonist (RQ-00000007, injections)</strong> / Maruishi Pharmaceutical Co., Ltd.</td>
<td>Licensing agreement, Injection</td>
<td>All indications</td>
<td>Japan and East Asia (South Korea, China and Taiwan)</td>
<td>Pre-clinical</td>
<td>- Maruishi Pharmaceutical is conducting development studies. - RaQualia is supporting this development by conducting select non-clinical studies, supplying bulk pharmaceutical drugs, and providing information regarding indications.</td>
</tr>
<tr>
<td><strong>Acid Pump Antagonist (RQ-00000004)</strong> / CJ CheilJedang Corporation</td>
<td>Licensing agreement</td>
<td>All indications</td>
<td>South Korea, China and Taiwan</td>
<td>Phase I studies in progress (South Korea)</td>
<td>- CJ CheilJedang will conduct development studies. - RaQualia is supporting this development by providing data from Phase I studies previously undertaken in the U.S.</td>
</tr>
</tbody>
</table>

### Notes:
1. shows development plan, shows completion, shows targets for the achievement of plan for year ending Dec.31,2012, and shows targets for year ending Dec.31,2013.
2. Pfizer Inc. completed first-term Phase II studies.
3. The Company completed first-term Phase II studies in the U.S.
4. CJ CheilJedang is now carrying out Phase I studies in South Korea.
5. For overseas markets, Pfizer Inc. has already launched the product in the U.S., European and other markets.
6. Meiji Seika Pharma is conducting Phase II studies in Japan.

The following summarizes the current status of individual licensed programs.

- **EP₄ Antagonist (RQ-00000007)** / Maruishi Pharmaceutical Co., Ltd.

  - Nature of contract: Licensing agreement, Injection
  - Indications: All indications
  - Target markets: Japan and East Asia (South Korea, China and Taiwan)
  - Development stage: Pre-clinical
  - Key Actions:
    - Maruishi Pharmaceutical is conducting development studies.
    - RaQualia is supporting this development by conducting select non-clinical studies, supplying bulk pharmaceutical drugs, and providing information regarding indications.

- **Acid Pump Antagonist (RQ-00000004)** / CJ CheilJedang Corporation

  - Nature of contract: Licensing agreement
  - Indications: All indications
  - Target markets: South Korea, China and Taiwan
  - Development stage: Phase I studies in progress (South Korea)
  - Key Actions:
    - CJ CheilJedang will conduct development studies.
    - RaQualia is supporting this development by providing data from Phase I studies previously undertaken in the U.S.
<table>
<thead>
<tr>
<th>Product</th>
<th>Nature of contract</th>
<th>Indications</th>
<th>Target markets</th>
<th>Development stage</th>
<th>Key Actions</th>
</tr>
</thead>
</table>
| Ziprasidone / Meiji Seika Pharma Co., Ltd. | Licensing agreement                     | All indications               | Japan              | Pre-clinical and Phase I studies completed, Phase II studies in progress in Japan | - Meiji Seika Pharma is conducting development studies  
- RaQualia will support this development by providing relevant data to Meiji Seika Pharma |
| Specific Ion Channel / Eli Lilly and Company | Agreement for collaborative research with licensing and option rights | All indications               | Worldwide          | Exploratory research                                  | - RaQualia will identify development compounds, which Eli Lilly will then pursue in pre-clinical studies. |
| 5-HT₄ Partial Agonist (RQ-00000010) / CJ CheilJedang Corporation | Licensing agreement                     | Functional gastrointestinal disorder | South Korea, China, Taiwan, India and South-East Asia | Pre-clinical                                                             | - CJ CheilJedang will conduct development studies.  
- RaQualia will support this development by providing relevant data to CJ CheilJedang. |

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The following summarizes the current status of individual licensed programs.

**EP<sub>4</sub> Antagonist (RQ-00000007) / Aratana Therapeutics, Inc.**
- Nature of contract: Licensing agreement for animal health
- Indications: All indications
- Target markets: Worldwide excluding iv formulation in Japan and South Korea, China, Taiwan
- Development stage: Proof-of-concept for animal health
- Key Actions:
  - Aratana Therapeutics will conduct development studies.
  - RaQualia will support this development by providing relevant data to Aratana Therapeutics.

**Ghrelin Receptor Agonist (RQ-00000005) / Aratana Therapeutics, Inc.**
- Nature of contract: Licensing agreement for animal health
- Indications: All indications
- Target markets: Worldwide
- Development stage: Proof-of-concept for animal health
- Key Actions:
  - Aratana Therapeutics will conduct development studies.
  - RaQualia will support this development by providing relevant data to Aratana Therapeutics.
<Glossary> (Alphabetical order)

* Amyloid beta
  Though the pathogenic mechanism for Alzheimer’s disease has yet to be identified, amyloid beta is believed to be an important protein involved in the onset of the disease (the amyloid hypothesis). Aggregates and accumulation of amyloid beta, a protein found at high densities in Alzheimer’s-affected brains, form the senile plaques that degenerate neural cells in the disease. The control or abolishment of amyloid beta formation in brains is believed to contribute to the fundamental treatment of Alzheimer’s disease. New drugs are being developed based on this hypothesis.

* Ion channels
  Ion channels are protein molecules on cell membranes that form pathways along which ions cross the cell membranes. While GPCR conveys information through cell membranes, ion channels transform potential changes in membranes into electrical signals by transporting the ions themselves, thereby inducing intramuscular contractions and the release of various other transmitters.

* GERD
  GERD is an acronym for “Gastro-esophageal Reflux Disease.” GERD causes characteristic symptoms such as heartburn, i.e., the reflux of gastric content, in particular gastric acids, through the esophagus. The disease is classified into either reflux esophagitis, in which membrane damage is identified on the lower esophageal mucosa, or endoscopy-negative reflux disease (NERD), in which no membrane damage is identified.

* Biomarker
  A biomarker generally refers to a substance contained in urine or blood used as an indicator of a biological state for the quantitative measurement of biological changes in a body in response to a disease or ingested drug.

* Bridging study
  A bridging study is a clinical trial conducted in a new region (Japan, for the purpose of this document) to extrapolate foreign clinical trial data to the people in the new region (Japan). The objective of the study is to obtain data on the relationship between clinical data or blood concentration and the drug action with respect to efficacy, safety, usage, and dose in the new region (Japan).