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 9, 2012

Summary of Financial Results for the 2Q ended June 30, 2012 (JGAAP) (Non-consolidated)

Listed company's name: RaQualia Pharma Inc.
Listed on: Osaka Stock Exchange
Stock code: 4579
URL http://www.raqualia.co.jp/
Representative: Naoki Tani, President and CEO
Contact: Sanshiro Horii, Vice President (TEL) +81-569-84-0700
Scheduled date of filing of quarterly report: August 13, 2012
Scheduled date of dividend payment —
Supplementary documents for quarterly results: Yes
Quarterly results briefing: Yes (for institutional investors, analysts and the press)

(Amounts are rounded down to the nearest million yen)

1. Financial Results for the First Six months ended June 30, 2012 (January 1, 2012 to June 30, 2012)

(1) Operating Results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income	
First Six Months ended	million yen	%	million yen	%	million yen	%	million yen	%
June 30, 2012	—	—	(1,330)	—	(1,602)	—	(1,604)	—
June 30, 2011	602	—	(569)	—	(537)	—	(539)	—

	Quarterly net income per share	Quarterly net income per share (diluted)
First Six Months ended	yen	yen
June 30, 2012	(120.97)	—
June 30, 2011	(58.25)	—

(2) Financial Position

	Total assets	Net assets	Equity ratio
As of	million yen	million yen	%
June 30, 2012	6,806	6,578	96.7
December 31, 2011	8,379	8,174	97.6

Reference: Equity As of June 30, 2012: 6,578 million yen
As of December 31, 2011: 8,174 million yen

2. Dividends

	Annual dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended December 31, 2011	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2012	—	0.00			
Fiscal year ending December 31, 2012 (forecast)			—	0.00	0.00

Note: Revisions to the forecast of dividends since the latest announcement: None

3. Forecasts of Results for the Year Ending December 31, 2012 (January 1, 2012 to December 31, 2012)

(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, 2012	100 to 600	(93.9) to (72.5)	(2,841) to (2,356)	—	(3,108) to (2,623)	—	(3,112) to (2,627)	—	(234.62) to (198.06)

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

4. Other information

(1) Application of special accounting for preparing quarterly financial statements: None

(2) Changes in accounting policies, changes in accounting estimates, and restatement of period financial statements after error corrections

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: None

(3) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury stock)

As of June 30, 2012	13,267,200 shares
As of December 31, 2011	13,267,200 shares

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

As of June 30, 2012	— shares
As of December 31, 2011	— shares

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

First Six months of FY 2012	13,267,200 shares
First Six months of FY 2011	9,267,200 shares

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

This Summary of Financial Results is not subject to the review procedures for quarterly reports under the Financial Instruments and Exchange Act. Review procedures for quarterly financial statements under the Financial Instruments and Exchange Act are completed at the time of the disclosure of this Summary of Financial Results.

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

- 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.
- The company will hold a quarterly results briefing for institutional investors, analysts and the press on August 10, 2012. Supplementary documents for quarterly results will be promptly posted on the Company's website.

Contents of attachment

1. Qualitative Information Regarding Settlement of Accounts for the First Six Months

(1) Qualitative Information Regarding Operating Performance

1) Overall trend

During the first six months under review, the Japanese economy showed signs of a gradual recovery from the stagnation caused by last year's Great East Japan Earthquake. However, Japan's economic outlook remains unpredictable amid uncertainties such as the unresolved European debt crisis and the depressed stock price.

In the pharmaceutical industry, many companies recalibrated their strategies toward substantial growth opportunities in emerging markets, due to rapid income growth in those countries' middle class and as a hedge against an anticipated slowdown in mature markets due to health care reform. At the same time, pharmaceutical companies also faced the immediate need to develop new drugs capable of replacing declining revenues due to the consecutive expiration of patents for blockbuster drugs.

Amidst this challenging environment, the Company redoubled its marketing efforts and expanded its licensing discussions with potential customers around the world.

While the Company did not enter into new licensing agreements during the reporting period, many promising discussions were advanced. The Company continued to invest in its R&D portfolio, completed initial safety assessments on the identified compounds in rats and dogs, and concluded to promote the compound RQ-00310941 in a 5-HT_{2B} antagonist project into the preclinical development stage. Furthermore, the Company started a First-in-Human (FIH) study of 5-HT_4 Partial Antagonist (RQ-00000010) in the U.K..

For the First Six months reporting period, the Company posted an operating loss of ¥1,330 million (compared with an operating loss of ¥569 million in the same period of the previous fiscal year), an ordinary loss of ¥1,602 million (compared with an ordinary loss of ¥537 million in the same period of the previous fiscal year) due to an increase in provision of allowance for investment loss of 294 million, and a net loss of ¥1,604 million (compared with net loss of ¥539 million in the same period of the previous fiscal year). Total operating costs amounted to ¥1,330 million (up by 13.5% compared with the same period of the previous year), of which R&D expenses were ¥895 million (up by 18.1% from the same period in the previous fiscal year), and other selling and general administrative expenses were ¥434 million (up by 5.0% from the same period in the previous fiscal year).

2) Research and Development Activities

Research and Development expenses during the first six-month period came to ¥895 million. The main components of these activities are as follows:

(A) Exploratory and Discovery Phase

In projects to develop a 5-HT_{2B} antagonist and CB2 agonist, agents primarily used for indications such as irritable bowel syndrome (IBS), the Company completed initial safety assessments on the identified compounds in rats and dogs and concluded to promote the compound, RQ-00310941 in a 5-HT_{2B} antagonist project into the preclinical development stage.

In projects to develop a Motilin receptor agonist primarily used for indications such as functional dyspepsia (FD), the Company completed the investigation of preclinical efficacy and the initial safety assessments for the compounds. All results are currently under detailed investigation.

In projects on a T-type calcium channel blocker primarily used for indications such as neuropathic pain, the Company obtained good pharmacological evidence of the efficacy in pain and over-active bladder through external collaborations.

In projects on a TRPM8 blocker, another agent mainly used for indications such as neuropathic pain, the Company explored other new compounds and has continued to evaluate them.

In projects to develop a selective sodium channel blocker for indications such as inflammatory pain and neuropathic pain, the Company continued to optimize and evaluate the compound's properties.

To extend the Company's initial project to develop an N-type calcium channel blocker, the Company has continued to evaluate the characteristics of multiple families of compounds.

In projects focused on specific ion channels, the Company continued the collaborative research it began with Eli Lilly and Company (United States) in December 2010 with a view toward exploring and discovering development compounds with high levels of efficacy and safety.

(B) Development Phase

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

The Company believes these development compounds may have efficacy for indications such as chronic inflammatory pain, acute pain, inflammation, autoimmune diseases, allergies, cancer, and other diseases. During the first six months, the Company carried out additional trials to verify the pharmacological effects for these indications, including drug efficacy pharmacological tests at the Company, as well as collaborative studies with research laboratories specializing in the evaluation of the anticancer effects in animal models. Regarding RQ-00000008, the Company carried out a safety pharmacological study, under GLP, in order to complete the nonclinical study package required for the commencement of Phase I clinical trials.

b) 5-HT_4 Partial Agonist (RQ-00000009)

The Company plans to proceed with preparations for a clinical trial during the current fiscal year to confirm the pharmacological actions of the development compound in healthy adult subjects, with the objective of obtaining data in support of its clinical efficacy for Alzheimer's disease. During the first six-month period, the Company proceeded with preparation of a Study Protocol and Investigator's Brochure, and manufacturing of the investigational drug.

c) 5-HT_4 Partial Agonist (RQ-00000010)

The Company started the First-in-Human (FIH) study of the compound in the U.K. in May. The trial will be performed to confirm the safety, tolerability, and pharmacokinetics of the development compound in healthy adult subjects, and also to investigate what appear to be favorable effects of the compound on gastric emptying.

d) 5-HT_{2B} Antagonist (RQ-00310941)

The Company thinks that the development compound may effectively treat abdominal pain and abnormal bowel movements in patients with diarrhea predominant irritable bowel syndrome (IBS), having fewer side effects due to excessive suppression of gastrointestinal motility. The Company forwarded the compound to the development stage in the second quarter and started manufacturing of active pharmaceutical ingredient for pre-clinical studies.

(2) Qualitative Information Regarding Financial Position

1) Analysis of Assets, Liabilities and Net Assets

[Assets]

Current assets decreased by ¥1,288 million from the end of the previous fiscal year, to ¥6,495 million, primarily due to a decrease of ¥1,361 million in cash and deposits.

Noncurrent assets decreased by ¥285 million from the end of the previous fiscal year, to ¥310 million, primarily due to an increase of ¥294 million in allowance for investment loss.

[Liabilities]

Current liabilities fell by ¥23 million from the end of the previous fiscal year, to ¥227 million. The Company has no interest-bearing debt such as loans payable or bonds.

[Net Assets]

Net assets fell by ¥1,596 million from the end of the previous fiscal year, to ¥6,578 million, primarily due to a decrease in retained earnings due to the posting of a quarterly net loss.

2) Analysis of Cash Flow

The balance of cash and cash equivalents (hereafter "cash") as of June 30, 2012 amounted to ¥3,715 million, down ¥161 million compared with the previous fiscal year-end.

The respective cash flow positions in the first six months under review and the factors thereof are as follows.

[Cash Flow from Operating Activities]

Net cash used for operating activities was ¥1,345 million (¥473 million was used in the first six months of FY2011). As a main breakdown of cash used, Loss before income taxes was ¥1,602 million and Increase in allowance for investment loss was ¥294 million.

[Cash Flow from Investment Activities]

Net cash provided for investment activities was ¥1,186 million (¥5 million was used for the first six-month period of FY2011). As a main breakdown of cash provided, payments into time deposits was ¥2,595 million and proceeds from withdrawal of time deposits was ¥3,795 million.

[Cash Flow from Financing Activities]

Net cash used for financing activities: None.

(3) Qualitative Information Regarding Earnings Forecasts

The Company has revised its forecasts of results for the year ending December 31, 2012, previously announced on February 16, 2012.

Although the Company can expect initial payments under licensing agreements from new licensing partners, this revenue depends on the status of negotiations with potential partners, progress in R&D, and is by no means certain at the present time. The Company has, therefore, allowed some latitude in its forecast, taking into consideration the possibility of delays in the conclusion of contracts and R&D.

2. Quarterly financial statements

(1) Balance sheets

(Thousands of yen)

	as of December 31, 2011	as of June 30, 2012
Assets		
Current assets		
Cash and deposits	7,672,312	6,310,366
Accounts receivable-trade	1,355	―
Raw materials and supplies	45,112	44,043
Advance payments-trade	31,927	51,831
Prepaid expenses	13,842	53,988
Other	18,720	34,994
Total current ssets	7,783,270	6,495,224
Noncurrent assets		
roperty, pla t and equipment	68,333	73,624
Intangible assets	26,009	21,438
Investments and other assets		
Investment securities	427,515	436,205
Guarantee deposits	69,427	69,427
Other	4,589	4,732
Allowance for investment loss	―	(294,601)
Total investments and other assets	501,531	215,763
Total noncurrent assets	595,873	310,827
Total assets	8,379,143	6,806,051
Liabilities		
Current liabilities		
Accounts payable-other	99,295	122,253
Accrued expenses	76,911	80,612
Income taxes payable	22,569	14,551
Other	5,897	10,358
Total current liabilities	204,673	227,775
Total liabilities	204,673	227,775
Net assets		
Shareholders' equity		
Capital stock	8,489,850	8,489,850
Capital surplus	3,773,850	3,773,850
Retained earnings	(4,060,024)	(5,664,909)
Total shareholders' equity	8,203,675	6,598,790
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(29,205)	(20,515)
Total valuation and translation adjustments	(29,205)	(20,515)
Total net assets	8,174,470	6,578,275
Total liabilities and net assets	8,379,143	6,806,051

(2) Statements of income

(Statements of income (cumulative))

(Thousands of yen)

	First Six months ended June 30, 2011	First Six months ended June 30, 2012
Business revenue	602,086	―
Business expenses		
Research and development expenses	758,515	895,739
Other selling, general and administrative expenses	413,569	434,279
Total business expenses	1,172,085	1,330,019
Operating oss	(569,998)	(1,330,019)
Non-operating income		
Interest income	262	3,543
Foreign exchange gains	―	2,582
Subsidy income	43,164	10,371
Other	4,291	5,159
Total non-operating income	47,718	21,656
Non-operating expenses		
Going public expenses	5,920	―
Foreign exchange losses	1,431	―
Provision of allowance for investment loss	―	294,601
Miscellaneous loss	8,298	―
Total non-operating expenses	15,650	294,601
Ordinary loss	(537,931)	(1,602,964)
Loss before income taxes	(537,931)	(1,602,964)
Income taxes-current	1,920	1,920
Net loss	(539,851)	(1,604,884)

(3) Statements of cash flow

(Thousands of yen)

	First Six months ended June 30, 2011	First Six months ended June 30, 2012
Net cash provided by (used in) operating activities		
Loss before income taxes	(537,931)	(1,602,964)
Depreciation and amortization	8,869	11,531
Increase (decrease) in allowance for investment loss	―	294,601
Interest income	(262)	(3,543)
Subsidy income	(43,164)	(10,371)
Foreign exchange losses (gains)	4,196	3,419
Going public expenses	5,920	―
Miscellaneous expenses	8,298	―
Decrease (increase) in notes and accounts receivable-trade	248,320	1,355
Decrease (increase) in inventories	3,049	1,069
Decrease (increase) in advance payments	(46,521)	(19,903)
Decrease (increase) in prepaid expenses	(27,502)	(40,146)
Increase (decrease) in accounts payable-other	(102,434)	24,111
Increase (decrease) in accrued expenses	2,378	3,701
Other, net	14,871	(7,597)
Subtotal	(461,911)	(1,344,737)
Interest and dividends income received	221	3,207
Proceeds from subsidy	523	250
Income taxes paid	(3,840)	(3,840)
Other, net	(8,298)	―
Net cash provided by (used in) operating activities	(473,305)	(1,345,119)
Net cash provided by (used in) investing activities		
Payments into time deposits	―	(2,595,000)
Proceeds from withdrawal of time deposits	―	3,795,000
Purchase of short-te m investment securities	―	(1,100,000)
Proceeds from sales of short-term investment securities	―	1,100,000
Purchase of property, plant and equipment	(3,846)	(12,915)
Purchase of intangible assets	(1,609)	(491)
Net cash provided by (used in) investing activities	(5,456)	1,186,593
Net cash provided by (used in) financing activities		
Net cash provided by (used in) financing activities	―	―
Effect of exchange rate change on cash and cash equivalents	(4,196)	(3,419)
Net increase (decrease) in cash a d cash equivalents	(482,959)	(161,945)
Cash and cash equivalents at beginning of period	3,392,722	3,877,312
Cash and cash equivalents at end of period	2,909,763	3,715,366

(4) Notes on Premise of Going Concern

No items to report

(5) Notes on Significant Changes in the Amount of Shareholders' Equity

No items to report