

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.



May 10, 2013

## Summary of Consolidated Financial Results for Q1 ended March 31, 2013 (JGAAP)

**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, Executive Director (TEL) +81-569-84-0700  
**Scheduled date of filing of quarterly report:** May 13, 2013  
**Scheduled date of dividend payment:** —  
**Supplementary documents for quarterly results:** No  
**Quarterly results briefing:** No

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the First Three Months of FY2013 (January 1, 2013 to March 31, 2013)

#### (1) Consolidated Operating Results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income	
	million yen	%	million yen	%	million yen	%	million yen	%
FY2013 1st Quarter	30	—	(536)	—	(556)	—	(558)	—
FY2012 1st Quarter	—	—	—	—	—	—	—	—

Note: Comprehensive income As of March 31, 2013: 531 million yen As of March 31, 2012: — million yen

	Quarterly net income per share	Quarterly net income per share (Diluted)
FY2013 1st Quarter	yen (42.12)	yen —
FY2012 1st Quarter	—	—

Note: The Company is generating the consolidated financial statement from the first three months of FY 2013 and does not provide results for the previous year. Percentage figures represent changes from the same period of the previous year.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
FY2013 1st Quarter	4,995	4,778	95.7
FY2012	—	—	—

Reference: Equity As of March 31, 2013: 4,778 million yen As of March 31, 2012: — million yen

Note: The Company is generating the consolidated financial statement from the first three months of FY 2013 and does not provide results for the previous year.

### 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
FY2012	—	0.00	—	0.00	0.00
FY2013	—	—	—	—	—
FY2013(forecast)	—	0.00	—	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, 2013 (January 1, 2013 to December 31, 2013)

(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
FY2013	1,014	—	(1,154)	—	(1,147)	—	(1,151)	—	(86.80)

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

Note: 1. The Company does not provide forecasts of results over a six-month period but rather on an annualized basis.  
 2. The Company is generating the consolidated financial statement from the first three months of FY 2013 and does not provide results for the previous year.

#### 4. Other information

- (1) Changes in material subsidiaries during the First Three Months of FY 2013: Yes  
(Changes in special subsidiaries accompanying a change in the scope of consolidation)  
Inclusion 1 company (AskAt Inc.) , Exclusion —
- (2) Application of special accounting for preparing quarterly financial statements: None
- (3) 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: Yes
  - b. Changes in accounting policies due to other reasons: None
  - c. Changes in accounting estimates: None
  - d. Restatements: None

(4) Number of issued shares (common stock)

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

As of March 31, 2013	13,267,200 shares
As of December 31, 2012	13,267,200 shares

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

As of March 31, 2013	— shares
As of December 31, 2012	— shares

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

First Three Months of FY 2013	13,267,200 shares
First Three Months of FY 2012	13,267,200 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

1. The Company established AskAt Inc. via an incorporation-type company split, and is generating the consolidated financial statement from the first three months of FY 2013.
2. 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 Three Months	
(1) Qualitative Information Regarding Consolidated Operating Performance .....	2
(2) Qualitative Information Regarding Consolidated Financial Position .....	3
(3) Qualitative Information Regarding Earnings Forecasts .....	3
2. Notes Regarding Summary Information (Others)	
(1) Changes in Significant Subsidiaries during the First Three Months .....	4
(2) Adoption of accounting treatments specific to the preparation of the quarterly consolidated financial statements .....	4
(3) Changes in Accounting policies, Accounting estimates and Restatement of Corrections .....	4
3. Consolidated Quarterly Financial Statements	
(1) Consolidated Quarterly Balance Sheets .....	5
(2) Consolidated Quarterly Statements of (Comprehensive) Income	
Consolidated Quarterly Statements of Income (Cumulative) .....	6
Consolidated Quarterly Statements of Comprehensive Income (Cumulative) .....	7
(3) Consolidated Quarterly Statements of Cash Flow .....	8
(4) Notes on Premise of Going Concern .....	9
(5) Notes on Significant Changes in the Amount of Shareholders' Equity .....	9

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

The Company established AskAt Inc. via an incorporation-type company split as a wholly-owned subsidiary. In the results, the Company is generating a consolidated financial statement from the first three months of FY 2013 and does not have a comparative analysis from the same period for the previous year.

### (1) Qualitative Information Regarding Consolidated Operating Performance

#### 1) Overall Trend

During the three-month period under review, Japan's economy showed substantial signs of a turnaround, largely due to the weakening of the Japanese yen. The stock market significantly rose in the first quarter. Corporate earnings have also improved, though not fully, as a result of the weakened yen and the expectation that Japan's economy will continue to rebound as a result of significant economic stimulus undertaken by the government. Notwithstanding these positive developments, Japan's corporate sector has still not fully recovered from the recent prolonged economic downturn. In the pharmaceutical sector, market globalization, entry by new, cross-industrial participants, and continued competition have led to the continuation of a severe business environment for the industry. Amidst these challenges, 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, it did advance many promising discussions. The Company continued to invest in its R&D portfolio.

For the first three-month reporting period, the Company posted business revenue of ¥30 million, an operating loss of ¥536 million, an ordinary loss of ¥556 million, and a net loss of ¥558 million. Total operating costs amounted to ¥567 million, of which R&D expenses were ¥360 million. Other selling and general administrative expenses totaled ¥206 million.

#### 2) Research and Development Activities

Research and Development expenses during the first three-month period were ¥360 million. The main components of these activities were as follows:

##### (A) Exploratory and Discovery Phase

The Company continued to optimize and evaluate a selective sodium channel blocker compound for indications such as inflammatory pain and neuropathic pain.

The Company obtained good pharmacological evidence of efficacy in multiple preclinical pharmacology models for pain with a T-type calcium channel blocker primarily used for indications such as neuropathic pain, via a collaboration with academic laboratories.

The Company explored new TRPM8 blocker compounds and has continued to evaluate them primarily used for indications such as neuropathic pain.

The Company continued collaborative research with four companies.

Company	Start date	Content
Eli Lilly and Company (US)	December 2010	A specific ion channel target for pain treatments
Ajinomoto Pharmaceutical Co., Ltd.	October 2012	A specific ion channel target for gastrointestinal treatments
Interprotein Corporation	February 2013	A specific protein-protein interaction (PPI) inhibitor for pain treatments
Carna Biosciences, Inc.	March 2013	Drug discovery research for a specific kinase

##### (B) Development Phase

###### a) 5-HT<sub>4</sub> Partial Agonist (RQ-0000010)

The compound is under development for the indication of functional gastrointestinal disorders (FGID). A Phase 1 study of the compound was completed at the end of 2012. In the Q1 of this year, the Company analyzed the data and prepared a draft clinical study report (CSR).

###### b) 5-HT<sub>2B</sub> Antagonist (RQ-00310941)

The compound is in preclinical development for irritable bowel syndrome (IBS).

Dose-finding toxicity studies in rats and dogs were completed in Q1 of this year. Based on the favorable results, the Company decided to move forward to a 4-week toxicity study, safety pharmacology study, and an in vitro genetic toxicity study. The 4-week toxicity study in dogs has begun, as was validation of bio-analytical method for this compound in animal blood serum and urine. These will be followed by a pharmacokinetic study in animals.

###### c) Motilin Receptor Agonist (RQ-00201894)

Dose-finding toxicity studies in rats and monkeys were initiated in Q1. The compound has therapeutic potential for treatments of gastroparesis, postoperative ileus, functional dyspepsia, and other diseases related to the dysfunction of gastro-intestinal motility.

###### d) EP<sub>4</sub> Antagonist (RQ-0000007 and RQ-0000008)

These development compounds have therapeutic potential for treatment of chronic inflammatory pain, acute pain,

inflammation, autoimmune diseases, allergies, cancer, and other diseases. The Company conducted several additional studies to verify pharmacological effects for these indications, including efficacy pharmacology studies through the collaborations with research laboratories specializing in the evaluation of anticancer effects in animal models.

## **(2) Qualitative Information Regarding Consolidated Financial Position**

### **1) Analysis of Assets, Liabilities and Net Assets**

[Assets]

Current assets amounted to ¥4,995 million, of which cash and deposits totaled ¥4,285 million. Investment securities were ¥516 million (Allowance for investment loss were ¥282 million).

[Liabilities]

Current liabilities amounted to ¥216 million, of which Accounts payable-other were ¥90 million.

[Net Assets]

Net assets amounted to ¥4,778 million, of which Capital stock totaled ¥8,489 million. Capital surplus was ¥3,773 million. Retained earnings were ¥-7,524 million. The Company has a capital ratio of 95.7 percent.

### **2) Analysis of Cash Flow**

The balance of cash and cash equivalents (hereafter “cash”) as of March 31, 2013 amounted to ¥4,235 million, down ¥654 million compared with the beginning of the Q1.

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

[Cash Flow from Operating Activities]

Net cash used for operating activities was ¥604 million. As a main breakdown of cash used, Loss before income taxes was ¥557 million.

[Cash Flow from Investment Activities]

Net cash used for investment activities was ¥52 million. As a main breakdown of cash used, payments into time deposits was ¥50 million.

[Cash Flow from Financing Activities]

Net cash used for financing activities: None.

## **(3) Qualitative Information Regarding Earnings Forecasts**

The Company established AskAt Inc. via an incorporation-type company split and is generating the consolidated financial statement from the first three months of FY 2013.

There are no changes in the forecasts of results for the year ending December 31, 2013, previously announced on February 15, 2013.

**2. Notes Regarding Summary Information (Others)**

**(1) Changes in Significant Subsidiaries during the first Three Months**

Newly consolidated: AskAt Inc.

**(2) Adoption of Accounting Treatments Specific to the Preparation of the Quarterly Consolidated Financial Statements**

No items to report.

**(3) Changes in Accounting Policies, Accounting Estimates and Restatement of Corrections**

(Changes of method for depreciation)

Effective January 1, 2013, following the revision of the Corporation Tax Act, the Company and its consolidated subsidiaries changed the depreciation method for property, plant and equipment that were acquired on or after January 1, 2013 to those under the revised Corporation Tax Act.

The impact of the change on Operating loss, Ordinary loss and Loss before income taxes and minority interests for the three months ended March 31, 2013 was insignificant.

**3. Consolidated Quarterly Financial Statements**  
**(1) Consolidated Quarterly Balance Sheets**

(Thousands of yen)

as of March 31, 2013

Assets	
Current assets	
Cash and deposits	4,285,321
Accounts receivable-trade	7,000
Raw materials and supplies	52,302
Other	224,839
Total current assets	<u>4,569,462</u>
Noncurrent assets	
Property, plant and equipment	98,184
Intangible assets	20,372
Investments and other assets	
Investment securities	516,945
Allowance for investment loss	(282,833)
Other	72,881
Total investments and other assets	<u>306,993</u>
Total noncurrent assets	<u>425,550</u>
Total assets	<u>4,995,013</u>
Liabilities	
Current liabilities	
Accounts payable-other	90,493
Income taxes payable	7,293
Other	97,616
Total current liabilities	<u>195,402</u>
Noncurrent liabilities	
Deferred tax liabilities	<u>21,036</u>
Total noncurrent liabilities	<u>21,036</u>
Total liabilities	<u>216,439</u>
Net assets	
Shareholders' equity	
Capital stock	8,489,850
Capital surplus	3,773,850
Retained earnings	(7,524,314)
Total shareholders' equity	<u>4,739,385</u>
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	<u>39,188</u>
Total accumulated other comprehensive income	<u>39,188</u>
Total net assets	<u>4,778,573</u>
Total liabilities and net assets	<u>4,995,013</u>

**(2) Consolidated Quarterly Statements of (Comprehensive) Income**

(Consolidated Quarterly Statements of Income (cumulative))

(Thousands of yen)

	First Three Months ended March 31, 2013
Business revenue	30,912
Business expenses	
Research and development expenses	360,276
Other selling, general and administrative expenses	206,826
Total business expenses	567,103
Operating loss	(536,190)
Non-operating income	
Interest income	532
Gain on sales of noncurrent assets	1,418
House rent income	1,184
Other	1,121
Total non-operating income	4,257
Non-operating expenses	
Foreign exchange losses	1,671
Provision of allowance for investment loss	22,298
Other	605
Total non-operating expenses	24,574
Ordinary loss	(556,507)
Extraordinary loss	
Special retirement expenses	1,340
Total extraordinary losses	1,340
Loss before income taxes and minority interests	(557,848)
Income taxes	977
Loss before minority interests	(558,825)
Net loss	(558,825)

(Consolidated Quarterly Statements of Comprehensive Income (cumulative))

(Thousands of yen)

	First Three Months ended March 31, 2013
Consolidated quarterly statements of comprehensive income	
Loss before minority interests	(558,825)
Other comprehensive income	
Valuation difference on available-for-sale securities	26,982
Total other comprehensive income	26,982
Comprehensive income	(531,843)
Comprehensive income attributable to	
Comprehensive income attributable to owners of the parent	(531,843)

**(3) Consolidated Quarterly Statements of Cash Flow**

(Thousands of yen)

	First Three Months ended March 31, 2013
Net cash provided by (used in) operating activities	
Loss before income taxes and minority interests	(557,848)
Depreciation and amortization	8,920
Increase (decrease) in allowance for investment loss	22,298
Interest income	(532)
Loss (gain) on sales of noncurrent assets	(1,418)
House rent income	(1,184)
Foreign exchange losses (gains)	(2,758)
Extra retirement payment	1,340
Decrease (increase) in notes and accounts receivable-trade	2,560
Decrease (increase) in inventories	(4,548)
Increase (decrease) in accounts payable-other	865
Other, net	(66,104)
Subtotal	(598,410)
Interest and dividends income received	406
Payments for extra retirement payments	(4,000)
Income taxes paid	(3,840)
Other, net	940
Net cash provided by (used in) operating activities	(604,904)
Net cash provided by (used in) investing activities	
Payments into time deposits	(50,000)
Purchase of property, plant and equipment	(670)
Proceeds from sales of property, plant and equipment	3,736
Purchase of intangible assets	(5,588)
Net cash provided by (used in) investing activities	(52,522)
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	2,758
Net increase (decrease) in cash and cash equivalents	(654,668)
Cash and cash equivalents at beginning of period	4,889,989
Cash and cash equivalents at end of period	4,235,321

**(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.