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August 8, 2013

## Summary of Consolidated Financial Results for Q2 ended June 30, 2013 (JGAAP)

**Listed company's name:** RaQualia Pharma Inc.  
**Listed on:** Tokyo 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:** August 9, 2013  
**Scheduled date of dividend payment:** —  
**Supplementary documents for quarterly results:** Yes  
**Quarterly results briefing:** Yes (for institutional investors, analysts and the media)

(Amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the First Six Months of FY2013 (January 1, 2013 to June 30, 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 2nd Quarter	82	—	(1,133)	—	(874)	—	(903)	—
FY2012 2nd Quarter	—	—	—	—	—	—	—	—

Note: Comprehensive income As of June 30, 2013: (410) million yen As of June 31, 2012: — million yen

	Quarterly net income per share	Quarterly net income per share (Diluted)
	yen	yen
FY2013 2nd Quarter	(68.10)	—
FY2012 2nd 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.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	million yen	million yen	%
FY2013 2nd Quarter	5,349	4,900	91.6
FY2012	—	—	—

Reference: Equity As of June 30, 2013: 4,900 million yen As of December 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	—	0.00	—	—	—
FY2013 (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, 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: The Company is generating the consolidated financial statement from the first three months of FY 2013 and does not provide percentage figures representing changes from the previous year.

#### 4. Other information

- (1) Changes in material subsidiaries during the First Six 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 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 June 30, 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 June 30, 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 Six Months of FY 2013	13,267,200 shares
First Six 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 not completed at the time of 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 a 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.

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

The Company established AskAt Inc. as a subsidiary via an incorporation-type company split. 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 six-month period under review, Japan's economy gradually showed substantial signs of a turnaround, largely due to the improvement of corporate earnings as a result of the weakened yen. Many observers expect the government's monetary easing and economic growth-oriented policies to succeed in continuing to improve domestic economic conditions.

In the pharmaceutical sector, globalization, new, cross-industrial market participants, and continued competition have led to a continuation of a severe business conditions 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 six-month reporting period, the Company posted business revenue of ¥82 million, an operating loss of ¥1,133 million, an ordinary loss of ¥874 million, and a net loss of ¥903 million. Total operating costs amounted to ¥1,216 million, of which R&D expenses were ¥791 million. Other selling and general administrative expenses totaled ¥424 million.

#### 2) Research and Development Activities

Research and Development expenses during the first six-month period were ¥791 million. The main components of these activities were as follows:

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

In projects to develop a selective sodium channel blocker for indications such as inflammatory pain and neuropathic pain, the Company identified several clinical development candidates and initiated the investigation of preclinical efficacy and safety.

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 collaboration with academic laboratories.

The Company explored new TRPM8 blocker compounds and continued to evaluate them, primarily 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) Preclinical Development Phase

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

The compound is in preclinical development for irritable bowel syndrome (IBS). Four-week repeated oral dose toxicity studies in rats and dogs, core battery safety pharmacology studies, genotox studies, and several pharmacokinetics studies have been conducted in Q2 of this year.

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

The compound is in preclinical development for gastroparesis, post-operative ileus and functional dyspepsia. Dose-finding toxicity studies in rats and monkeys were completed in Q1, and a 4-week repeated dose toxicity study was designed in this quarter.

##### (C) Clinical Development Phase

###### a) 5-HT<sub>4</sub> Partial Agonist (RQ-00000010)

The compound is under development for functional gastrointestinal disorders (FGID). Dosing of the compound in healthy human subjects was completed in 2012, and a clinical study report (CSR) was finalized in Q2 of this year.

**b) 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, auto-immune diseases, allergies, cancer, and other diseases. The Company conducted several additional studies to verify pharmacological effects for these indications, including efficacy pharmacology studies via 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 ¥5,349 million, of which cash and deposits totaled ¥3,710 million. Investment securities were ¥1,233 million.

[Liabilities]

Current liabilities amounted to ¥449 million, of which Accounts payable-other were ¥81 million. Deferred tax liabilities were ¥271 million.

[Net Assets]

Net assets amounted to ¥4,900 million, of which Capital stock totaled ¥8,489 million. Capital surplus was ¥3,773 million. Retained earnings were ¥-7,868 million. The Company has a capital ratio of 91.6 percent.

**2) Analysis of Cash Flow**

The balance of cash and cash equivalents (hereafter “cash”) as of June 30, 2013 amounted to ¥3,710 million, down ¥1,179 million compared with the beginning of FY 2013.

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 ¥1,176 million. As a main breakdown of cash used, Loss before income taxes was ¥899 million.

[Cash Flow from Investment Activities]

Net cash used for investment activities was ¥7 million. As a main breakdown of cash used, the Company purchased analysis equipment and software for research.

[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 a 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 Six 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 the method 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 six months ended March 31, 2013 was insignificant.

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

(Thousands of yen)

as of June 30, 2013

Assets	
Current assets	
Cash and deposits	3,710,354
Accounts receivable-trade	9,739
Raw materials and supplies	49,852
Other	230,245
Total current assets	4,000,191
Noncurrent assets	
Property, plant and equipment	93,858
Intangible assets	18,625
Investments and other assets	
Investment securities	1,233,764
Other	3,307
Total investments and other assets	1,237,072
Total noncurrent assets	1,349,556
Total assets	5,349,748
Liabilities	
Current liabilities	
Accounts payable-other	81,194
Income taxes payable	14,587
Other	82,159
Total current liabilities	177,940
Noncurrent liabilities	
Deferred tax liabilities	271,421
Total noncurrent liabilities	271,421
Total liabilities	449,362
Net assets	
Shareholders' equity	
Capital stock	8,489,850
Capital surplus	3,773,850
Retained earnings	(7,868,936)
Total shareholders' equity	4,394,763
Accumulated other comprehensive income	
Valuation difference on available-for-sale securities	505,622
Total accumulated other comprehensive income	505,622
Total net assets	4,900,385
Total liabilities and net assets	5,349,748

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

(Thousands of yen)

	First Six Months ended June 30, 2013
Business revenue	82,411
Business expenses	
Cost of business revenue	307
Research and development expenses	791,171
Other selling, general and administrative expenses	424,748
Total business expenses	<u>1,216,226</u>
Operating loss	<u>(1,133,815)</u>
Non-operating income	
Interest income	879
Reversal of allowance for investment loss	260,535
Other	5,212
Total non-operating income	<u>266,628</u>
Non-operating expenses	
Foreign exchange losses	4,210
Stock issuance cost	2,150
Other	605
Total non-operating expenses	<u>6,965</u>
Ordinary loss	<u>(874,152)</u>
Extraordinary loss	
Loss on cancellation of leasehold contracts	24,000
Other	1,340
Total extraordinary losses	<u>25,340</u>
Loss before income taxes and minority interests	<u>(899,492)</u>
Income taxes	<u>3,955</u>
Loss before minority interests	<u>(903,448)</u>
Net loss	<u>(903,448)</u>

(Consolidated Quarterly Statements of Comprehensive Income (cumulative))

(Thousands of yen)

	First Six Months ended June 30, 2013
Consolidated quarterly statements of comprehensive income	
Loss before minority interests	(903,448)
Other comprehensive income	
Valuation difference on available-for-sale securities	43,417
Total other comprehensive income	493,417
Comprehensive income	(410,031)
Comprehensive income attributable to	
Comprehensive income attributable to owners of the parent	(410,031)

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

(Thousands of yen)

	First Six Months ended June 30, 2013
Net cash provided by (used in) operating activities	
Loss before income taxes and minority interests	(899,492)
Depreciation and amortization	18,010
Increase (decrease) in allowance for investment loss	(260,535)
Interest income	(879)
Foreign exchange losses (gains)	(3,561)
Stock issuance cost	2,150
Loss on cancellation of rental contract	24,000
Decrease (increase) in notes and accounts receivable-trade	(179)
Decrease (increase) in inventories	(2,098)
Increase (decrease) in accounts payable-other	(29,644)
Other, net	(17,459)
Subtotal	(1,169,691)
Interest and dividends income received	793
Income taxes paid	(5,840)
Other, net	(1,409)
Net cash provided by (used in) operating activities	(1,176,146)
Net cash provided by (used in) investing activities	
Payments into time deposits	(50,000)
Proceeds from withdrawal of time deposits	50,000
Purchase of property, plant and equipment	(5,930)
Proceeds from sales of property, plant and equipment	3,922
Purchase of intangible assets	(6,043)
Other, net	1,000
Net cash provided by (used in) investing activities	(7,050)
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	3,561
Net increase (decrease) in cash and cash equivalents	(1,179,635)
Cash and cash equivalents at beginning of period	4,889,989
Cash and cash equivalents at end of period	3,710,354

**(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.

## (6) Significant Subsequent Event

### 1) Issuance of stock acquisition rights

The Company issued the Company's 8th series stock acquisition rights with an amended exercise price through a third party allotment based on a meeting of the Board of Directors held on June 17, 2013 as follows.

The 8th Series Stock Acquisition Rights with an Amended Exercise Price through a Third Party Allotment

Number of stock acquisition rights to be subscribed	2,500
Number of stock	Common stock 2,500,000
Issuance value	15,000 yen per stock acquisition right (37,500,000 yen in total)
Number of potential shares arising from the issuance	Number of potential shares: 2,500,000 shares There is no upper limit to the exercise price. The lower limit of the exercise price is 917 yen. The number of potential shares remains 2,500,000, if the exercise price is at the lower limit.
Amount of funds to be raised (value of properties contributed at the exercise of stock acquisition rights)	3,286,500,000 yen (approximate net proceeds)
Exercise price and conditions for its amendment	Initial issuance price: 1,310 yen The exercise price will be amended to a price equivalent to 90% of the closing price of ordinary shares of the Company on the business day immediately proceeding the date when any claim for the exercise of the stock acquisition rights takes effect. If, however, the price so calculated falls below the lower limit of the exercise price, the exercise price will be amended to the lower limit.
Issuance date	July 4, 2013
Exercise period	From July 5, 2013 to July 6, 2015
Party to which the stock acquisition rights are allotted	Merrill Lynch Japan Securities Co., Ltd.
Purpose	1) Research and development activities for 5-HT <sub>4</sub> Partial Agonist (RQ-10) 2) Initial clinical trial for 5-HT <sub>2B</sub> Antagonist (RQ-00310941) and Motilin Receptor Agonist (RQ-00201894) 3) Analysis, evaluation, non-clinical trial, and initial clinical trial for lead compounds 4) Capital expenditures for research equipment and working capital

### 2) Exercise of stock acquisition rights and Capital increase

The Company confirmed a series of exercising of stock acquisition rights and issued the new stock as follows.

Exercise Date	Number of Issued Stock Acquisition rights	Number of Issued Stocks (shares)	Exercise Price (yen)	Total Amount of Exercise Value (Thousands of yen)	Increase in Capital stock (Thousands of yen)	Increase in Capital surplus (Thousands of yen)
July 8, 2013	25	25,000	1,035	25,875	13,125	13,125
July 9, 2013	10	10,000	987	9,870	5,010	5,010
July 11, 2013	125	125,000	917	114,625	58,250	58,250
July 17, 2013	15	15,000	959	14,385	7,305	7,305
July 19, 2013	10	10,000	927	9,270	4,710	4,710
July 22, 2013	65	65,000	918	59,670	30,322	30,322
July 24, 2013	40	40,000	952	38,080	19,340	19,340
Total	290	290,000	-	271,775	138,062	138,062

(Note) The number of remaining unexercised stock acquisition rights is 2,210.

As a result, as of July 24, 2013, the total amount of stock issued was 13,557,200 shares, the amount of Capital stock was ¥8,627,912,500, and the amount of Capital surplus was ¥3,911,912,500.