December 15, 2020

To: All Concerned Parties

Company Name: Solasia Pharma K.K.
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Solasia Announces Revision to Full-Year Earnings Forecast

Solasia Pharma K.K. today announced that in light of recent earnings trends, it revised its full-year earnings forecast for the fiscal year ending December 31, 2020 (January 1–December 31, 2020) released on February 13, 2020, at a board of directors' meeting held on the same day.

1. Revision to consolidated earnings forecasts for the fiscal year ending December 31, 2020 (January 1–December 31, 2020)

(Unit: Millions of yen)

	Revenue	Operating profit	Profit before tax	Profit attributable to owners of parent	Basic earnings per share (Yen)
Previous forecast (A)	500 ～2,000	(2,900) ～(2,000)	(2,900) ～(2,000)	(2,900) ～(2,000)	(24.48) ～(16.89)
Revised forecast (B)	450	(4,200)	(4,200)	(4,200)	(35.78)
Difference (B – A)	(50) ～(1,550)	(1,300) ～(2,200)	(1,300) ～(2,200)	(1,300) ～(2,200)	—
Difference (%)	(10.0) ～(77.5)	—	—	—	—
Reference: Fiscal year ended December 31, 2019	1,310	(1,762)	(1,797)	(1,867)	(17.75)

2. Reasons for revision

[Revenue]

On February 13, 2020, we disclosed our full-year consolidated revenue forecast as a range of ¥500 million to ¥2.0 billion. The lower end of the range of ¥500 million factored in some impact of COVID-19 on our sales revenue estimates for products SP-01 and SP-03, while the upper end of the range of ¥2.0 billion assumed the maximum sales revenue estimates for SP-01 and SP-03 (¥1.0 billion) and revenue

expected from signing fee from out-licensing SP-02 and SP-04 (¥1.0 billion).

As of December 15, 2020, our full-year consolidated revenue forecast is ¥450 million, comprising sales revenue of SP-01 and SP-03. This is due to greater-than-expected restrictions on sales activities of our marketing employees (medical representatives) in China, which is the main market for these products, and a decline in the number of patients receiving treatment due to the COVID-19 pandemic. Out-licensing activities for SP-02 and other products were also affected by the pandemic, because target regions are overseas, (e.g., travel restrictions put greater-than-expected constraints on licensing talks and other related activities). As a result, license agreements scheduled for the current fiscal year are expected to be postponed to the next fiscal year and beyond.

[Profit/loss]

As well as the revised revenue forecast discussed above, we expect to record an impairment loss of ¥800 million on intangible assets for SP-04 following the results of Phase III clinical trials announced separately today, and book a provision for expenses for Phase III clinical trials scheduled in the next fiscal year onward in the consolidated income statement for the current fiscal year. As a result, we forecast an operating loss, pre-tax loss, and net loss attributable to owners of parent of ¥4.2 billion, respectively.

The above impairment loss of ¥800 million on intangible assets is recorded for previous years' investment outlay on the development of SP-04 that has been capitalized. Instead of writing down this amount in stages as an expense, we have decided to write it off in one go as a loss. There is no fund outflow from this impairment loss, because it is based on previous years' expenditures.

The Phase III clinical trial results published today are limited to information concerning primary endpoints. We plan to consider our development strategy for SP-04 going forward after evaluation of detailed results of the clinical trial, including secondary endpoints. However, even if we were to formulate and put into action our new development policy, the time it takes before we earn business revenue from SP-04 is likely to be considerably longer than initially expected. In light of this situation, we opted for conservative accounting treatment to record the above impairment loss and provision.