

December 15, 2020

To: All Concerned Parties

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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.

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

(Unit: Millions of yen)

	R e v e n u e	O p e r a t i n g p r o f i t	P r o f i t before tax	P r o f i t attributable to owners of p a r e n t	B a s i c 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)

- 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.

#### Disclaimer:

The forward-looking statements, including earnings forecasts, contained in this press release are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Such statements should not be construed as representing commitments on the part of the Company. Please be aware that actual performance may differ for a variety of reasons. Major factors affecting the Company's actual performance include the economic conditions in which it operates, exchange rate fluctuations, the competitive situation and other factors. Information contained in this press release is for informational purposes only and should not be considered as investment solicitation. Information with regard to pharmaceuticals and medical devices (including products under development) is not provided for the purposes of advertising or medical advice. We do not have any obligation to update or revise any information in this press release, and any update or revision may occur anytime without notice.