December 27, 2024

To: All Concerned Parties

Company Name: Solasia Pharma K.K.
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Solasia Provides Notice of Revision to Full-Year Earnings Forecast and Progress on Out-Licensing DARVIAS® in China

Solasia Pharma K.K. (the "Company") announces a resolution reached today by its Board of Directors to revise its earnings forecast for the fiscal year ending December 31, 2024 (January 1, 2024 to December 31, 2024), released on February 14, 2024, as outlined below. The Company also provided the following explanation about the status of the out-licensing in China of DARVIAS® (development code: SP-02, generic name: darinaparsin, hereinafter "DARVIAS®").

1. Revision to consolidated earnings forecasts for the fiscal year ending December 31, 2024 (January 1–December 31, 2024)

(Unit: Millions of yen)

	Revenue	Operating profit (loss)	Profit (loss) before tax	Profit (loss) attributable to owners of parent	Basic earnings per share (Yen)
Previous forecast (A)	1,250 –1,500	(800) – (550)	(800) – (550)	(800) – (550)	(4.60) – (3.16)
Revised forecast (B)	160	(1,150)	(1,150)	(1,150)	(5.79)
Difference (B – A)	(1,090) – (1,340)	(350) – (600)	(350) – (600)	(350) – (600)	–
Difference (%)	(87.2) – (89.3)	–	–	–	–
Reference: Fiscal year ended December 31, 2023	617	(1,139)	(1,135)	(1,112)	(6.62)

2. Reasons for revising the earnings forecast

(1) Revenue

- We expect revenue to fall below our previous forecast (lower limit) by 1,090 million yen, to 160 million yen, owing to the factors outlined below.
- In a bid to lower costs, we have moved forward with a change in our outsourcing partner for

the manufacture of products Sancuso® (SP-01) and episil® (SP-03) since 2023, and this process is now generally complete. As part of the transition to the manufacture of products at the new facility, last fiscal year we arranged for our sales partners to increase their inventories of products manufactured at the former facility in order to ensure a stable supply. Early in the fiscal year under review, our sales partners initially expected to complete their shipments of this inventory around the middle of this fiscal year, but actual shipments have been sluggish. As a result, the Company's shipments of products manufactured at the new facility have also been slow this fiscal year. The Company is working to rectify the product sales situation by changing sales partners and establishing new operations.

· Our previous earnings forecast assumed DARVIAS® would be out-licensed in China. This has not materialized, as is described below, so we have removed the expected lump-sum contract revenue from the current year's revenue forecast.

(2) R&D expenses, SG&A expenses

· We expect the sum of R&D expenses and SG&A expenses to be 1,185 million yen, or 515 million yen less than previously forecast. This decrease is the result of lower R&D expenses and efforts to curtail costs in line with the delay in out-licensing DARVIAS® in China.

(3) Profit/loss

· For the reasons stated above, we now expect the operating loss, loss before tax, and loss attributable to owners of parent to each be 600 million yen below our previous forecast (lower limit), resulting in losses of 1,150 million yen.

3. Status of progress in out-licensing DARVIAS® in China

The Company had previously planned to conclude the licensing agreement for DARVIAS® in China by the end of December 2024. However, we now recognize that such an agreement is unlikely to occur within 2024. Over the past year, we have been in negotiations with several companies, including one large corporation, regarding the licensing agreement. While we had obtained a final contract agreement with this large corporation, the said company and its parent group holding company were unable to conclude a final agreement on the matter. In the past, we have announced anticipated contract signing timelines, but we have decided not to disclose such information for the time being, as it could be detrimental to the Company's negotiating position with prospective counterparties. However, the Company will continue to actively pursue licensing activities for DARVIAS® in other regions, including China, as a significant business priority.

We acknowledge the concerns and inconveniences caused to our shareholders and investors due to delay in out-licensing and the revision of our earnings forecast may cause our shareholders and investors. The Company's management and employees remain committed to further enhancing its business value. We kindly request your ongoing understanding and support.

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.