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To: All Concerned Parties

Company Name: Solasia Pharma K.K.
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Solasia Announces Booking of Impairment Loss and Difference Between Fiscal 2024 Consolidated Earnings Forecast and Actual Results

Solasia Pharma K.K. (the “Company”) hereby announces a resolution reached today by its Board of Directors to book an impairment loss for the fiscal year ended December 31, 2024 (January 1, 2024 to December 31, 2024). As detailed below, the Company also issues a notice concerning the difference between its consolidated earnings forecast for fiscal 2024, dated January 6, 2025, and actual financial results released today.

1. Booking of impairment loss

Since fiscal 2023, the Company has been undertaking preparations and negotiations geared toward concluding a licensing agreement for DARVIAS[®] (SP-02) in China. This activity is ongoing, but a contract has not yet been signed owing to changes in the market environment and an accompanying difference of opinions on economic terms between the Company and the licensee candidate. In addition, in light of limited market penetration as indications for DARVIAS[®] currently are confined to the rare disease of peripheral T-cell lymphoma, and because development for additional indications remains at the preclinical trial stage, the Company has conducted an accounting revaluation of intangible assets, deciding to record an impairment loss of 959 million yen (the entire balance of intangible assets associated with DARVIAS[®]) for the fiscal year ended December 31, 2024.

This impairment loss is a bookkeeping adjustment to intangible assets arising from previous booking of development investments as assets. It does not involve any cash outflow. Additionally, the entire balance of intangible assets associated with products in development will be eliminated with this impairment loss. Thus, until new intangible assets are recorded, the Company will not incur any expenses for intangible asset amortization.

The Company recognizes that the booking of this impairment loss does not negate the intrinsic value of DARVIAS[®] as a pharmaceutical product. The only indication at present is peripheral T-cell lymphoma, which is a rare disease, and there are several products competing with DARVIAS[®]. In order to increase sales volume, the Company believes it will need to build a track record of use in clinical settings over the medium and long term. The Company is also advancing preclinical development exploring possible expansion of DARVIAS[®] indications to include other promising cancer types (including areas of unmet medical need). As its antitumor effect is due to a novel mechanism of action, the Company also sees potential for developing DARVIAS[®] as a medicine used in combination therapies.

To maximize the contribution made by DARVIAS[®] to profits, the Company will continue to conduct out-licensing activities in China and other regions as well as pursue further development.

2. Difference between consolidated earnings forecast for fiscal 2024 (January 1–December 31, 2024), and actual financial results

(Unit: Millions of yen)

	Revenue	Operating profit (loss)	Profit (loss) before tax	Profit (loss) attributable to owners of parent	Earnings per share
Previous forecast (A)	300	(1,050)	(1,050)	(1,050)	(5.28)
Actual results (B)	316	(1,951)	(1,961)	(1,941)	(9.77)
Difference (B-A)	16	–	–	–	–
Difference (%)	5.3%	–	–	–	–
Reference: Fiscal year ended December 31, 2023	617	(1,139)	(1,135)	(1,112)	(6.62)

3. Reasons for difference

The difference was due in large part to the aforementioned booking of a 959 million yen impairment loss. At 316 million yen, revenue was broadly in line with the forecast released on January 6, 2025. Owing to the booking of an impairment loss, operating profit (loss), profit (loss) before tax, and profit (loss) attributable to owners of the parent all fell short of the previous forecast, amounting to 1,951 million yen, 1,961 million yen, and 1,941 million yen, respectively.

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 with regard to pharmaceuticals and medical devices (including products under development) is not provided for the purposes of advertising or medical advice.