

February 27, 2019

To: All Concerned Parties

Company Name: Solasia Pharma K.K.
Representative: Yoshihiro Arai, President & CEO
(Code number: 4597, TSE Mothers Section)
Contact: Toshio Miyashita, CFO, Director
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Announcement Regarding Reduction in Amounts of Capital Stock and Legal Capital Surplus and Appropriation of Surplus (Deficit disposition of Retained earnings brought forward) and Election of Directors and Auditors

Solasia Pharma K.K. (hereinafter “the Company”) hereby announces that its Board of Directors’ meeting today, has resolved to reduce the Company’s legal capital surplus, submit a proposal to reduce the amount of its capital stock to the 11th General Meeting of Shareholders of the Company which will be held on March 29, 2019 (hereinafter “the General Meeting”), and subject to such a reduction becoming effective, make an appropriation of surplus as follows. In addition, the Company has resolved to submit a proposal of the election of the Directors and an Auditor to the General Meeting as follows.

The reduction in amounts of its capital stock and legal capital surplus, and an appropriation of surplus will not affect the total number of issued shares and will not affect the number of shares owned by shareholders. In addition, these represent an accounting transfer within the net assets category and will not cause changes to net assets.

1. Reduction in amounts of capital stock and legal capital surplus and appropriation of surplus (deficit disposition of retained earnings brought forward)

(1) Purpose

The Company is both a specialty pharma company, specializing in the development and commercialization of products in oncology area, and a type of biotechnology venture company. Clinical trials and other evaluations associated with research and development for pharmaceutical and other related products require a large amount of upfront investment. They also tend to be conducted over medium to long periods of time, requiring equivalent periods for the securing of revenue and the collection of investment capital. Since its founding, the Company has undertaken the development of four candidate pharmaceutical products and, as a result of its upfront investment in these pipeline products, obtained official approval for two of them. One of these approved products was released onto the Japanese market in 2018 while the other is slated for launch in 2019 in China market. The Company is aware that the aforementioned product launches are a starting point for collecting investment capital. In addition, it is still conducting upfront investment for its entire business to compensate for the multiple final-stage clinical trials that are currently underway. As of December 31, 2018, the Company reported a retained loss brought forward of 11,244 million yen in Non-consolidated financial condition due to such upfront investment.

With the aforementioned success of the development products and product launches, the Company resolved to implement the reduction in amounts of capital stock and legal capital surplus and appropriation of surplus (deficit disposition of retained earnings brought forward) in order to return financial conditions to a state in which shareholder return policies in the future, such as the

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distribution of surplus funds as dividends and share buybacks, are possible; and aim for increased flexibility and maneuverability in its capital policy.

In addition, if the share acquisition rights issued by the Company are exercised by the effective date, the amount of capital stock and the amount of legal capital surplus after the effective date may fluctuate.

(2) Outline of reduction in capital stock

The Company will reduce a portion of its capital stock 7,632,240,417 yen (as of December 31, 2018), and post it to other capital surplus.

Amounts by which capital stock will be reduced:

Capital stock	7,532,240,417 yen
Remaining capital stock	100,000,000 yen

(3) Outline of reduction in legal capital surplus

The Company will reduce a portion of legal capital surplus 7,631,740,384 yen (as of December 31, 2018), and post it to other capital surplus.

Amounts by which legal capital surplus will be reduced:

Legal capital surplus	3,712,290,054 yen
Remaining legal capital surplus	3,919,450,330 yen

(4) Outline of appropriation of surplus (deficit disposition of retained earnings brought forward)

The Company will reduce all amount of other capital surplus (as increased by both (2) and (3) above) and post it to Retained earnings brought forward in accordance with stipulations contained in Article 452 of the Companies Act.

① Item of surplus to be reduced and amount by which it will be reduced:

Other capital surplus	11,244,530,471 yen
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② Item of surplus to be increased and amount by which it will be increased:

Retained earnings brought forward	11,244,530,471 yen
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When (2) through (4) above become effective, the amounts will be as follows,

(All amounts are in yen)

	Amount as of end of December, 2018	Amount of decrease/increase	Amount after becoming effective (planned)
Capital stock	7,632,240,417	(7,532,240,417)	100,000,000
Legal capital surplus	7,631,740,384	(3,712,290,054)	3,919,450,330
Retained earnings brought forward	(11,244,530,471)	11,244,530,471	0
Treasury stock	(48,793,696)	—	(48,793,696)

*The above table does not include transactions in fiscal year 2019 other than those mentioned in this notice

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(5) Schedule

- ① Date of resolution by Board of Directors: February 27, 2019
- ② Date of resolution at General Meeting of Shareholders (for reduction in capital stock): March 29, 2019 (planned)
- ③ Notice to creditors on submission of objections : April 9, 2019 (planned)
- ④ End of creditors on submission of objections: May 9, 2019 (planned)
- ⑤ Effective date: May 10, 2019 (planned)

(6) Outlook

These represent an accounting transfer within the net assets category and will not cause changes to net assets or not affect the total number of issued shares and have only minor impact on the business results of the Company. Furthermore, the Company will not change the consolidated earnings forecast for the fiscal year ending December 31, 2019 announced on February 13, 2019.

2. Election of Directors and Auditors

(1) Appointment of Six (6) Board Directors (March 29, 2019)

(2) Appointment of New Auditor (March 29, 2019)

Name	Susumu Araki
Date of Birth	August 6, 1952
Brief Background Description, Job Position, Concurrent Office	
Apr. 1976	The Tokai Bank, Ltd. (currently MUFG Bank, Ltd.)
Jun. 1996	Branch Manager, Labuan Branch, The Tokai Bank, Ltd. (currently MUFG Bank, Ltd.)
Jun. 2001	Branch Manager, Kamata Branch, The Tokai Bank, Ltd. (currently MUFG Bank, Ltd.)
Jun. 2002	General Planning Director, Financial Director, Qol Co., Ltd.
Jun. 2004	Board Director, Qol Co., Ltd.
Jun. 2008	Senior Executive Board Director, Qol Co., Ltd.
Jun. 2017	Retirement, Qol Co., Ltd.

(3) New lineup of Directors and Auditors (March 29, 2019)

Position	New	Outside	Independent	Name
President and CEO				Yoshihiro Arai *
CFO, Director				Toshio Miyashita *
Director		○	○	Masahiro Michisuji *
Director		○	○	Stanley Lau *

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Director		○	○	Norikazu Eiki *
Director		○		Tajio Enoki *
Statutory Auditor	○	○	○	Susumu Araki *
Auditor		○	○	Koichi Sagiya
Auditor		○	○	Makoto Matsuo
Auditor		○		Jiro Fujiyama

- 1) *: Appointment is planned on approval at the 11th Annual General Shareholders Meeting.
- 2) When Susumu Araki is appointed as an Auditor, Susumu Araki will be appointed as a Statutory Auditor, and current Statutory Auditor Koichi Sagiya will be appointed as an Auditor.

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