14Si Veritas In Silico

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Revised Financial Forecast for FY2024

Veritas In Silico Inc. announces Revised Financial Forecast for FY2024, which was previously announced on February 13, 2024, as described below.

1. FY2024 Financial Forecast

Revision of Financial Forecast for FY2024 (January 1, 2024 – December 31, 2024)

	Business Revenue	Operating Profit	Ordinary Profit	Net Profit	Net Profit per share
	Million Yen	Million Yen	Million Yen	Million Yen	Yen
Previous Forecast as of February 13, 2024 (A)	676	144	128	108	17.07
Revised Forecast (B)	189	(214)	(235)	(238)	(37.39)
Change (B-A)	(486)	(358)	(363)	(346)	
Percentage Change (%)	(72.0)				
(Ref.) FY2023 Full Year Results	360	37	35	33	6.01

2. Reasons for Revision

The Company has been conducting research on mRNA-targeted small molecule drug discovery in collaboration with several pharmaceutical companies using its drug discovery platform ibVIS®. In the original forecast announced on February 13, 2024 (hereinafter referred to as the "original forecast"), the budget for business revenue, including upfront payments, was estimated based on the assumption that two new contracts would be awarded during the fiscal year ending December 2024.

While the negotiations for the aforementioned contracts are progressing at a steady pace, it is anticipated that they will be signed in the next fiscal year, which will conclude during the fiscal year ending December 31, 2025. This has led to a revision of the forecast for the fiscal year ending December 31, 2024.

■ Forecast of Business Revenue

The two new contracts with upfront payments (estimated revenue of approximately 490 million yen), which were anticipated to be awarded during the current fiscal year (ending December 31, 2024), will be concluded during the next fiscal year due to the lengthier than expected negotiations surrounding the economic terms and conditions of the contracts. Consequently, the upfront payments and other revenues from these contracts will also be accrued in the subsequent fiscal year. Therefore, business revenue for the current fiscal year is anticipated to be 189 million yen, which is approximately 490 million yen less than the initial forecast (initial forecast: 676 million yen).

■ Forecast of Operating Profit

Operating profit is estimated to be approximately 360 million yen lower than the initial forecast due to a reduction in business revenue resulting from the award of two new contracts during the subsequent fiscal year (a factor of approximately 490 million yen lower income) and the anticipated decrease in selling, general, and administrative expenses, including R&D expenses, less than initially forecast (a factor of approximately 130 million yen higher income). Consequently, the Company anticipates a loss of 214 million yen (in contrast to a profit of 144 million yen in the initial forecast), representing a decrease of 360 million yen compared to the initial forecast.

3. Awareness of the existing situation and Profit Recovery Measures, etc.

■ Awareness of the existing situation

In the Company's platform-based business, ongoing joint drug discovery research with domestic pharmaceutical companies is progressing well, with multiple milestones achieved and progress in compound discovery and other drug discovery research being made. Based on these developments, the Company does not anticipate any significant issues with the business and profitability of the platform-based business. The Company believes that there are no impediments to continued success. Regarding the business and profitability of the platform-based business, the Company believes that the revision of the forecast is primarily attributable to the postponement of the conclusion of two new contracts, which were anticipated to be awarded during the current fiscal year but will instead be concluded during the next fiscal year.

■ Profit Recovery Measures

The negotiations for the acquisition of two new contracts, which were anticipated to be acquired during the current fiscal year, are progressing at a satisfactory pace. The Company intends to focus on the acquisition of these contracts during the next fiscal year. Furthermore, the number of non-disclosure agreements targeted for acquisition as joint drug discovery research agreements has increased to a total of 7 companies (increased 3 companies than at the end of the fiscal year ending December 31, 2023), including 3 overseas pharmaceutical companies. The Company intends to continue working towards acquiring these customers on a steady basis. In the forthcoming fiscal year, in addition to the two contracts that were anticipated to be acquired in the current fiscal year, efforts will be directed towards the acquisition of multiple new contracts (a total of 4 contracts). From the fiscal year 2026 onwards, the objective will be to continue to work towards the acquisition of multiple new contracts on an annual basis.

In addition, the Company intends to expand business revenue to be obtained over multiple years by making steady progress in joint drug discovery research, including those to be entered into in the future.

■ Specific policies for medium- and long-term improvement of share value

As a mid-to-long-term goal, the Company intends to establish itself as a "specialty pharma" with R&D and sales functions, with mRNA-related drug discovery as the primary focus. In this context, the term "specialty pharma" refers to a mid-sized pharmaceutical company that provides distinctive drugs to society in specific areas such as technologies, regions, and diseases.

For the inaugural step in the process of becoming a specialty pharmaceutical company, the Company has concentrated its efforts on establishing a platform-based business model by utilizing its drug discovery platform ibVIS®, which has served to reinforce the Company's revenue base. In addition, the Company has engaged in joint drug discovery research to create mRNA-targeted small molecule drugs with several domestic pharmaceutical companies. The knowledge and achievements gained from this process have led to the enhancement of the Company's platform technology, the differentiation of its offerings from those of its competitors, and ultimately the generation of profits.

For the second step on the path to becoming a specialty pharmaceutical company, the Company will continue to grow into a company with shareholder value that will enable the Company to make the transition to a specialty pharmaceutical company. Specifically, from the next fiscal year, the Company will shift to a hybrid business, in which the Company will secure earnings by progressing and expanding its existing platform-based business while also creating its own proprietary pipelines that will contribute to the enhancement of its shareholder value. In the creation of its proprietary pipelines, the Company will pursue in-house drug discovery research, mainly in nucleic acid drugs, while also utilizing joint research with academia and chemical manufacturers in Japan and overseas, to efficiently create a pipeline in a short period.

By steadily implementing these measures to recover earnings and to increase the medium- to long-term share value, the Company plans to increase revenue over the next several years from the joint drug discovery research agreement in the platform-based business and to increase the mid-to-long-term share value by creating the pipelines.

* For your reference *

At a meeting held today, the Board of Directors of the Company approved the Company's medium-term management plan for the 3-year period from FY2025 to FY2027. For further information, please kindly refer to the material of "Company Presentation" released today, which outlines the policies, specific initiatives, and other measures of the Company's growth strategies aimed at increasing share value over the medium to long term under this medium-term management plan.

》Disclaimer《

These documents include forward-looking statements including current plans, outlooks, estimates and forecasts. Forward-looking statements are based on the intentions of our management based on the information available as of December 13, 2024.