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MEMBERSHIP

May 15, 2025

Consolidated Financial Results for the Three Months Ended March 31, 2025 (Based on Japanese GAAP)

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Listing: Tokyo
Securities code: 4576
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Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: No
Holding of financial results meeting: No

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended March 31, 2025 (from January 1, 2025 to March 31, 2025)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	96	(7.7)	(142)	–	(149)	–	(150)	–
March 31, 2024	104	16.5	(318)	–	(320)	–	(320)	–

Note: Comprehensive income For the three months ended March 31, 2025 ¥(150) million [–%]
For the three months ended March 31, 2024 ¥(320) million [–%]

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2025	(3.41)	–
March 31, 2024	(9.99)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
March 31, 2025	1,600	1,001	62.6
December 31, 2024	1,669	733	43.9

Reference: Equity
As of March 31, 2025 ¥1,001 million
As of December 31, 2024 ¥732 million

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2024	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2025	–				
Fiscal year ending December 31, 2025 (Forecast)		0.00	–	0.00	0.00

Note: Revisions to the dividend forecast most recently announced: None

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2025 (from January 1, 2025 to December 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	400	(15.2)	(670)	–	(680)	–	(680)	–	(15.88)

Note: Revisions to the forecast of consolidated financial results most recently announced: None

*** Notes**

(1) Significant changes in the scope of consolidation during the three months ended March 31, 2025: No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: No

(ii) Changes in accounting policies due to other reasons: No

(iii) Changes in accounting estimates: No

(iv) Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

(i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2025	45,275,512 shares
As of December 31, 2024	41,625,512 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2025	286 shares
As of December 31, 2024	286 shares

(iii) Average number of shares during the period

Three months ended March 31, 2025	43,993,820 shares
Three months ended March 31, 2024	32,127,726 shares

* Review of the Japanese-language originals of the attached quarterly consolidated financial statements by certified public accountants or an audit corporation: No

* Proper use of earnings forecasts, and other special matters
(Caution regarding forward-looking statements and others)

The forecasts and other forward-looking statements in this report are based on currently available information and certain assumptions determined as rational. Consequently, any statements herein do not constitute assurances regarding actual results by D.Western Therapeutics Institute, Inc. (the "Company"). Actual performance and other results may differ significantly due to various factors. For the suppositions that form the assumptions for financial forecasts and cautions concerning the use thereof, please refer to "(3) Explanation of the consolidated forecasts and other forward-looking forecasted information" of "1. Overview of operating results and others" on page 4 of the attached materials.

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1. Overview of operating results and others

(1) Overview of operating results for the three months ended March 31, 2025

During the first three months of the fiscal year ending December 31, 2025, the D.Western Therapeutics Institute Group ("the Group") promoted its research and development activities with the objective of continuously discovering new drugs and expanding the development pipeline.

Products on the market (ophthalmic surgical adjuvant DW-1002, both as single agent and combination drug, GLA-ALPHA® combination ophthalmic solution for glaucoma treatment, etc.) recorded steady sales by licensees.

Regarding our development pipeline, the out-licensed product "DW-1002" was approved in China in February. In addition, Fuchs' endothelial corneal dystrophy treatment K-321 is undergoing two global Phase III clinical trials, one of which (ClinicalTrials.gov ID: NCT05826353) completed administration to subjects in March. The jointly developed drug, DW-5LBT, which is a treatment for nerve pain, was resubmitted in March, and the target review completion date (PDUFA date) has been set for September 24, 2025. Moreover, we also continued to develop each of the other products.

In terms of research projects, we promoted research and development activities aimed at exploring new drug candidate compounds primarily for ophthalmic conditions, as well as promoting joint development with universities, etc.

As a result of the above, royalty income, etc. from each product on the market drove net sales of ¥96 million (down 7.7% year on year), while cost of sales came to ¥10 million (up 10.6% year on year).

Selling, general and administrative expenses were ¥228 million (down 44.8% year on year). The breakdown of this is as follows: research and development expenses decreased compared to the same period of the previous year to ¥142 million (down 58.9% year-on-year) due to the completion of the US late-stage Phase II clinical trial of "H-1337" and the completion of patient administration in the domestic Phase II clinical trial of "DWR-2206". Other selling, general and administrative expenses were ¥86 million (up 27.4% year-on-year) due to an increase in personnel expenses, etc.

This resulted in operating loss of ¥142 million (compared to operating loss of ¥318 million in the same period of the previous fiscal year), ordinary loss of ¥149 million (compared to ordinary loss of ¥320 million in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥150 million (compared to loss attributable to owners of parent of ¥320 million in the same period of the previous fiscal year).

The state of new drug candidate compound development during the first three months of the fiscal year ending December 31, 2025 was as follows:

(i) Product on market

Product name, etc.			Clinical indication	Region	Licensee
DW-1002	Brilliant Blue G	ILM-Blue®, TissueBlue™	ILM staining	Europe, U.S., etc.	DORC
	Brilliant Blue G/trypan blue	MembraneBlue-Dual®	ILM, ERM and PVR membrane staining	Europe, etc.	
Ripasudil hydrochloride hydrate/Brimonidine tartrate		GLA-ALPHA® combination ophthalmic solution	Glaucoma and ocular hypertension	Japan	Kowa

Note: We have received royalties for GLANATEC® ophthalmic solution 0.4% in some parts of Asia.

(ii) Development pipeline

Development code, etc.		Clinical indication	Development stage	Region	Licensee
K-321	Ripasudil hydrochloride hydrate	Fuchs endothelial corneal dystrophy	Phase III clinical trials	U.S., Europe, etc.	Kowa
DW-1002	Brilliant Blue G	ILM staining	Approval	China	DORC
			Phase III clinical trials	Japan	Wakamoto Pharmaceutical
		ALC staining	Phase III clinical trials	Japan	
	Brilliant Blue G/trypan blue	ILM staining and ERM staining	In preparation for filing	U.S.	DORC
DW-1001		Ophthalmic treatment agent (undisclosed)	Phase I clinical trials	Japan	ROHTO Pharmaceutical
H-1337		Glaucoma and ocular hypertension	Late Phase II clinical trials	U.S.	Developed internally
DW-5LBT		Neuropathic pain after shingles	Application	U.S.	Jointly developed with MEDRx
DWR-2206		Bullous Keratopathy	Phase II clinical trials	Japan	Jointly developed with ActualEyes

(iii) Research projects

The Group is engaged in the discovery of new drug candidate compounds with a focus on protein kinase inhibitors. There are various diseases in which protein kinases are relevant, but we are promoting research with a focus on ophthalmic conditions in particular. Leveraging our drug discovery platform technology, we are actively promoting alliances with other companies.

Our main project consists of the development of signal transmission inhibitors at our research institute (in the research facilities of Mie University) for treatment of ophthalmic, neuropathic, and respiratory conditions. In addition, in terms of joint development with universities, etc., we are expanding indications of our internally developed products and actively moving forward with multiple projects targeting ophthalmic conditions.

(2) Overview of financial position for the three months ended March 31, 2025

Total assets decreased by ¥69 million from the end of the previous fiscal year to ¥1,600 million. Current assets decreased by ¥58 million from the end of the previous fiscal year to ¥1,416 million. The main factor was a decrease of ¥63 million in other under current assets. Non-current assets decreased by ¥10 million from the end of the previous fiscal year to ¥183 million. The main factors were a decrease of ¥10 million in contract-related intangible assets and other factors.

Liabilities decreased by ¥336 million from the end of the previous fiscal year to ¥598 million. Current liabilities decreased by ¥49 million from the end of the previous fiscal year to ¥83 million. The main factors were a decrease of ¥45 million in accounts payable - other, and other factors. Non-current liabilities decreased by ¥287 million from the end of the previous fiscal year to ¥515 million. The main factor was a decrease of ¥302 million in bonds due to early redemption of the first series of unsecured bonds.

Liabilities increased by ¥267 million from the end of the previous fiscal year to ¥1,001 million. The main factors were a decrease in retained earnings of ¥150 million caused by the recording of loss attributable to owners of parent and other factors, despite increases of ¥209 million in share capital and ¥209 million in capital surplus, as a result of the exercise of share acquisition rights.

As a result, the equity ratio was 62.6%.

(3) Explanation of the consolidated forecasts and other forward-looking forecasted information

Regarding the full-year consolidated forecasts for the fiscal year ending December 31, 2025, there is no change in the earnings forecasts announced on February 10, 2025.

(4) Significant events regarding premise of going concern

Due to the nature of its business, the Group incurs expenses for drug discovery research and clinical development before generating earnings, and therefore continuously posts operating losses and generates negative operating cash flow, and has events and situations that can cause material doubts regarding the premise of going concern.

To eliminate such situations, the Group works to achieve early market launches through steady progress on development in its development pipeline and to capture further earnings opportunities through expansion of its development pipeline. In addition, the Group will also consider raising new funds, etc., if necessary.

On the cash front, the Company's cash and deposits stood at ¥1,141 million at the end of the first three months ended March 31, 2025, which is sufficient cash to fund the current business activities as a result of continuous royalty income and development expenditure control as well as timely fund procurement that includes borrowings from main financial institutions along with issuance of stock acquisition rights and bonds through third-party allotment.

As a result of the above, the Company recognizes that there are no material uncertainties regarding the premise of going concern.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheets

(Thousands of yen)

	As of December 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	1,126,035	1,141,311
Accounts receivable - trade	125,023	115,426
Supplies	101,961	100,629
Other	122,361	59,069
Total current assets	1,475,382	1,416,437
Non-current assets		
Property, plant and equipment	11,192	11,667
Intangible assets		
Contract-related intangible assets	41,142	30,857
Other	3,290	3,056
Total intangible assets	44,432	33,913
Investments and other assets		
Other	151,042	149,828
Allowance for doubtful accounts	(12,606)	(11,775)
Total investments and other assets	138,436	138,053
Total non-current assets	194,061	183,634
Total assets	1,669,444	1,600,072
Liabilities		
Current liabilities		
Current portion of long-term borrowings	19,048	19,048
Accounts payable - other	84,904	39,090
Income taxes payable	14,876	6,629
Other	13,818	18,346
Total current liabilities	132,646	83,114
Non-current liabilities		
Long-term borrowings	476,428	491,666
Bonds payable	302,500	–
Other	24,000	24,000
Total non-current liabilities	802,928	515,666
Total liabilities	935,574	598,780
Net assets		
Shareholders' equity		
Share capital	1,203,277	1,413,022
Capital surplus	3,261,516	3,471,261
Retained earnings	(3,732,678)	(3,882,848)
Treasury shares	(0)	(0)
Total shareholders' equity	732,115	1,001,435
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(34)	(143)
Total accumulated other comprehensive income	(34)	(143)
Share acquisition rights	1,788	–
Total net assets	733,869	1,001,291
Total liabilities and net assets	1,669,444	1,600,072

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

Quarterly consolidated statements of income (cumulative)

(Thousands of yen)

	Three months ended March 31, 2024	Three months ended March 31, 2025
Net sales	104,819	96,759
Cost of sales	9,128	10,099
Gross profit	95,690	86,659
Selling, general and administrative expenses		
Research and development expenses	346,863	142,514
Other	67,622	86,149
Total selling, general and administrative expenses	414,485	228,663
Operating loss	(318,795)	(142,004)
Non-operating income		
Interest income	4	455
Foreign exchange gains	2,645	–
Reversal of allowance for doubtful accounts	–	831
Other	14	21
Total non-operating income	2,664	1,308
Non-operating expenses		
Interest expenses	869	1,903
Foreign exchange losses	–	4,362
Loss on disposal of supplies	2,748	1,022
Other	704	1,786
Total non-operating expenses	4,323	9,075
Ordinary loss	(320,454)	(149,771)
Loss before income taxes	(320,454)	(149,771)
Income taxes - current	398	398
Total income taxes	398	398
Loss	(320,853)	(150,170)
Loss attributable to owners of parent	(320,853)	(150,170)

Quarterly consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Three months ended March 31, 2024	Three months ended March 31, 2025
Loss	(320,853)	(150,170)
Other comprehensive income		
Valuation difference on available-for-sale securities	(106)	(108)
Total other comprehensive income	(106)	(108)
Comprehensive income	(320,959)	(150,278)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(320,959)	(150,278)
Comprehensive income attributable to non-controlling interests	–	–

(3) Notes to quarterly consolidated financial statements

(Notes on segment information)

(Segment information)

Three months ended March 31, 2024 (January 1, 2024 to March 31, 2024)

This information is omitted as the Group operates a single segment of the drug discovery business.

Three months ended March 31, 2025 (January 1, 2025 to March 31, 2025)

This information is omitted as the Group operates a single segment of the drug discovery business.

(Notes concerning significant changes in shareholders' equity (if any))

During the first three months of the fiscal year ending December 31, 2025, the 12th stock acquisition rights were exercised. As a result, share capital and legal capital surplus respectively increased by ¥209,744 thousand, and as of March 31, 2025, share capital stood at ¥1,413,022 thousand and legal capital surplus stood at ¥3,471,261 thousand.

(Notes on premise of going concern)

Not applicable.

(Notes on quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows is not prepared for the three months ended March 31, 2025. Depreciation (including amortization of intangible assets) for the three-month period under review is as follows:

	Three months ended March 31, 2024	Three months ended March 31, 2025
Depreciation	¥11,983 thousand	¥11,725 thousand

(Subsequent events)

(Reduction of the amount of share capital and legal capital surplus, and disposal of surplus)

At the Board of Directors meeting held on February 18, 2025, the Company resolved to submit a proposal for the reduction of share capital and legal capital surplus and the disposal of surplus to the 27th Ordinary General Meeting of Shareholders held on March 25, 2025. This proposal was approved at the relevant ordinary general meeting of shareholders and came into effect on May 1, 2025.

1. Purpose for reduction of the amount of share capital and legal capital surplus, and disposal of surplus

   As of December 31, 2024, the Company has recorded a deficit in retained earnings carried forward of ¥3,821,200,821.

   Although we are making efforts to achieve a rapid recovery in our business performance and to restore our financial health, it is expected that it will take a considerable amount of time to eliminate the loss carried forward.

Therefore, in order to make up for this deficit and improve our financial health, we will now be reducing the share capital and capital surplus and disposing of the surplus.

Specifically, in accordance with the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, the amount of share capital and capital surplus will be reduced and transferred to other capital surplus, and in accordance with the provisions of Article 452 of the Companies Act, the increased other capital surplus will be transferred to retained earnings carried forward.

2. Details of reduction of the amount of share capital and capital surplus

Pursuant to the provisions of Article 447, Paragraph 1 and Article 448, Paragraph 1 of the Companies Act, the amount of share capital and legal capital surplus will be reduced and transferred to other capital surplus.

(1) Amount of share capital and legal capital surplus to be reduced

Share capital	¥1,173,277,316 out of ¥1,203,277,316	(Amount after reduction: ¥30,000,000)
Capital surplus	¥2,647,923,505 out of ¥3,302,619,471	(Amount after reduction: ¥654,695,966)

(2) Amount of other capital surplus to be increased

Other capital surplus ¥3,821,200,821

3. Content of disposal of surplus

Pursuant to Article 452 of the Companies Act, subject to the effect of the reduction in the amount of share capital and capital surplus described in 2 above, the entire amount of other capital surplus of ¥3,821,200,821 will be reduced and transferred to retained earnings carried forward to cover the deficit.

(1) Amount of other capital surplus to be decreased

Other capital surplus ¥3,821,200,821

(2) Amount of retained earnings carried forward to be increased

Retained earnings carried forward ¥3,821,200,821

4. Schedule of reduction of the amount of share capital and legal capital surplus, and disposal of surplus

(1)	Date of board of directors resolution	February 18, 2025
(2)	Date of resolution at ordinary general meeting of shareholders	March 25, 2025
(3)	Date of public notice of creditor objections	March 28, 2025
(4)	Final date for creditor objections	April 28, 2025
(5)	Effective date	May 1, 2025

(Issuance of New Shares as Restricted Stock Unit)

At the Board of Directors meeting held on April 17, 2025, the Company resolved to issue new shares as its restricted stock unit, and payment was completed on May 13, 2025.

1. Purpose and reason for issuance

Based on the resolution by the Board of Directors meeting held on February 15, 2018, and the approval of the 20th Ordinary General Meeting of Shareholders held on March 29, 2018, the Company introduced a restricted stock unit plan for the Company's Directors (excluding outside Directors) and Directors of the Company's subsidiaries (excluding outside Directors) (the "Plan"). The purpose was for the Company's Directors (excluding outside Directors) and Directors of the Company's subsidiaries (excluding outside Directors) to share the benefits and risks of stock price fluctuations with shareholders and to further increase their motivation to contribute to the increase in stock price and corporate value.

Additionally, at the 25th Ordinary General Meeting of Shareholders held on March 30, 2023, the following matters were approved: In conjunction with the transition to a company with an Audit and Supervisory Committee, by partially revising the Plan, set the total amount of monetary compensation claims to be paid to the Directors (excluding Directors who are the Audit and Supervisory Committee members and outside Directors, and hereinafter referred to as the "Eligible Directors") as compensation relating to restricted stock at no more than 60 million yen per year, to set the total number of restricted stocks to be allocated to the Eligible Directors in each fiscal year at a maximum of 460,000 shares, and to set the transfer restriction period for restricted stocks at a period between three and five years as determined by the Board of Directors of the Company.

At the Board of Directors meeting held on April 17, 2025, the Company and its subsidiary, Japan Innovative Therapeutics, Inc. decided to pay a total of ¥49,862,000 in monetary compensation claims as restricted stock units to two Eligible Directors involved in the period from the Company's 27th Ordinary General Meeting of Shareholders to the 28th Ordinary General Meeting of Shareholders to be held in March 2026, as restricted stock units to 13 employees of the Company involved in the period from May 13, 2025 to May 12, 2026, and as restricted stock units to four Directors (excluding outside Directors) of Japan Innovative Therapeutics, Inc., a subsidiary of the Company, involved in the period from the relevant company's Ordinary General Meeting of Shareholders held in 2025 to the Ordinary General Meeting of Shareholders to be held in 2026 as expected allottees, and also determined to these expected allottees (collectively referred to as the "Eligible Allottees"; among the Eligible Allottees, the two Eligible Directors, and the four Directors (excluding outside Directors) of the Company's subsidiary, Japan Innovative Therapeutics, Inc., are referred to as "Eligible Allottees I" and the 13 employees of the Company are referred to as "Eligible Allottees II"), to allot 466,000 shares of the Company's common stock as specified restricted stock by having the Eligible Allottees contribute all of their monetary compensation claims to the Company by way of in-kind contribution.

There are two types of restricted stock: "Restricted Stock Type I" allocated to the Eligible Allottees I and "Restricted Stock Type II" allocated to the Eligible Allottees II.

2. Overview of issuance

Payment due date	May 13, 2025
Class and number of shares to be issued	466,000 shares of common stock of the Company
Offer price	¥107 per share
Total amount of issuance	¥49,862,000
Amount to be incorporated into the share capital	¥53.5 per share
Total amount to be incorporated into the share capital	¥24,931,000
Offer or allotment method	Method of allocating specific restricted stock
Method of investment fulfillment	In-kind contribution of monetary remuneration claims
Eligible Allottees, number thereof and number of shares to be allotted	Directors of the Company (excluding Directors who are the Audit and Supervisory Committee members and outside Directors) ; 2 people; 196,200 shares Employees of the Company; 13 people; 177,400 shares Directors of the subsidiary, Japan Innovative Therapeutics, Inc. (excluding outside Directors); 4 people; 92,400 shares
Transfer restriction period	“Restricted Stock Type I”: May 13, 2025 to May 12, 2028 “Restricted Stock Type II”: May 13, 2025 to May 12, 2026