Translation

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August 14, 2025

Consolidated Financial Results for the Six Months Ended June 30, 2025 (Based on Japanese GAAP)

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Listing: Tokyo
Securities code: 4576
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Scheduled date to file semi-annual securities report: August 14, 2025
Scheduled date to commence dividend payments: –
Preparation of supplementary material on financial results: Yes
Holding of financial results meeting: Yes (for analysts and institutional investors)

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

1. Consolidated financial results for the six months ended June 30, 2025 (from January 1, 2025 to June 30, 2025)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2025	173	(22.5)	(309)	–	(316)	–	(316)	–
June 30, 2024	223	19.1	(449)	–	(459)	–	(520)	–

Note: Comprehensive income For the six months ended June 30, 2025 ¥(316) million [–%]
For the six months ended June 30, 2024 ¥(520) million [–%]

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2025	(7.08)	–
June 30, 2024	(16.15)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2025	1,513	884	58.4
December 31, 2024	1,669	733	43.9

Reference: Equity
As of June 30, 2025 ¥884 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	–	0.00			
Fiscal year ending December 31, 2025 (Forecast)			–	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 six months ended June 30, 2025: No

(2) Application of special accounting methods for preparing semi-annual 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: Yes

(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 June 30, 2025	45,741,512 shares
As of December 31, 2024	41,625,512 shares

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

As of June 30, 2025	286 shares
As of December 31, 2024	286 shares

(iii) Average number of shares during the period

Six months ended June 30, 2025	44,764,218 shares
Six months ended June 30, 2024	32,239,072 shares

* Semi-annual financial results reports are exempt from review conducted by certified public accountants or an audit corporation.

* 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. Qualitative information regarding financial results for the first six months of the fiscal year ending December 31, 2025" on page 4 of the attached materials.

(Supplementary material on financial results)

Supplementary material on financial results are scheduled to be disclosed via TDnet on the same day.

Attached Material

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1. Qualitative information regarding financial results for the first six months of the fiscal year ending December 31, 2025

(1) Explanation of operating results

During the first six 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, and administration to subjects was completed in March and June, respectively, with follow-up observations currently underway. 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 ¥173 million (down 22.5% year on year), while cost of sales came to ¥17 million (down 5.7% year on year).

Selling, general and administrative expenses were ¥464 million (down 29.0% year on year). The breakdown of selling, general and administrative expenses was research and development expenses of ¥318 million (down 39.0% year on year, the US late-stage Phase II clinical trial of H-1337 was performed in the previous fiscal year), and other selling, general and administrative expenses of ¥146 million (up 9.8% year on year) due to an increase in personnel expenses, etc.

This resulted in operating loss of ¥309 million (compared to operating loss of ¥449 million in the same period of the previous fiscal year), ordinary loss of ¥316 million (compared to ordinary loss of ¥459 million in the same period of the previous fiscal year), and loss attributable to owners of parent of ¥316 million (compared to loss attributable to owners of parent of ¥520 million in the same period of the previous fiscal year).

The state of new drug candidate compound development in the first six 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, Asia (Note 1)	Kowa

Note 1: The product was launched in Thailand on July 10 as the first overseas expansion.

Note 2: 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

Note: On July 15, 2025, we decided to proceed with the development of H-1129, a therapeutic agent for keratoconjunctival diseases based on immune disorders. The development plan will be announced once it has been finalized.

(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 moving forward with multiple projects targeting ophthalmic conditions.

(2) Explanation of financial position

(i) Assets, liabilities and net assets

Total assets decreased by ¥155 million from the end of the previous fiscal year to ¥1,513 million. Current assets decreased by ¥134 million from the end of the previous fiscal year to ¥1,340 million. The main factors were decreases of ¥78 million in cash and deposits and ¥44 million in accounts receivable - trade. Non-current assets decreased by ¥21 million from the end of the previous fiscal year to ¥172 million. The main factors were a decrease of ¥20 million in contract-related intangible assets and other factors.

Liabilities decreased by ¥306 million from the end of the previous fiscal year to ¥628 million. Current liabilities decreased by ¥26 million from the end of the previous fiscal year to ¥105 million. The main factors were decreases of ¥13 million in accounts payable - other, and ¥11 million in income taxes payable. Non-current liabilities decreased by ¥280 million from the end of the previous fiscal year to ¥522 million. The main factor was a decrease of ¥302 million in bonds due to early redemption of the first series of unsecured bonds.

Net assets increased by ¥150 million from the end of the previous fiscal year to ¥884 million. The main factors were increases of ¥234 million in share capital and ¥234 million in capital surplus, as

a result of the exercise of share acquisition rights, despite a decrease in retained earnings of ¥316 million caused by the recording of loss attributable to owners of parent. Pursuant to the resolution of the 27th Ordinary General Meeting of Shareholders, we transferred share capital of ¥1,173 million and legal capital surplus of ¥2,647 million to other capital surplus, and transferred the resulting other capital surplus of ¥3,821 million to retained earnings for the purpose of deficit disposition. However, this did not result in any change in total net assets.

As a result, the equity ratio was 58.4%.

(ii) Overview of cash flows

Cash and cash equivalents ("cash") as of June 30, 2025 decreased by ¥78 million from December 31, 2024 to ¥1,047 million.

The status of cash flows during the six months ended June 30, 2025 are as follows.

Cash flows from operating activities

Net cash used in operating activities amounted to ¥211 million (¥790 million used in the same period of the previous fiscal year). This was mainly due to loss before income taxes of ¥316 million and decrease in trade receivables of ¥44 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥2 million (¥9 million used in the same period of the previous fiscal year). This was mainly due to purchase of property, plant and equipment of ¥2 million.

Cash flows from financing activities

Net cash provided by financing activities amounted to ¥135 million (¥233 million provided in the same period of the previous fiscal year). This was mainly due to proceeds from issuance of shares resulting from exercise of share acquisition rights of ¥415 million and proceeds from long-term borrowings of ¥32 million, despite redemption of bonds of ¥302 million.

(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 secure the necessary funds for research and development by advancing with its current fund procurement.

On the cash front, the Company's cash and deposits stood at ¥1,047 million as of June 30, 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 exercise of share acquisition rights 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. Semi-annual consolidated financial statements and significant notes thereto

(1) Semi-annual consolidated balance sheets

(Thousands of yen)

	As of December 31, 2024	As of June 30, 2025
Assets		
Current assets		
Cash and deposits	1,126,035	1,047,861
Accounts receivable - trade	125,023	80,675
Supplies	101,961	99,471
Other	122,361	112,947
Total current assets	1,475,382	1,340,956
Non-current assets		
Property, plant and equipment	11,192	11,138
Intangible assets		
Contract-related intangible assets	41,142	20,571
Other	3,290	2,822
Total intangible assets	44,432	23,394
Investments and other assets		
Other	151,042	149,509
Allowance for doubtful accounts	(12,606)	(11,540)
Total investments and other assets	138,436	137,968
Total non-current assets	194,061	172,501
Total assets	1,669,444	1,513,457
Liabilities		
Current liabilities		
Current portion of long-term borrowings	19,048	19,048
Accounts payable - other	84,904	71,608
Income taxes payable	14,876	3,717
Other	13,818	11,614
Total current liabilities	132,646	105,988
Non-current liabilities		
Bonds payable	302,500	–
Long-term borrowings	476,428	498,904
Other	24,000	24,000
Total non-current liabilities	802,928	522,904
Total liabilities	935,574	628,892
Net assets		
Shareholders' equity		
Share capital	1,203,277	264,675
Capital surplus	3,261,516	848,269
Retained earnings	(3,732,678)	(228,344)
Treasury shares	(0)	(0)
Total shareholders' equity	732,115	884,600
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(34)	(34)
Total accumulated other comprehensive income	(34)	(34)
Share acquisition rights	1,788	–
Total net assets	733,869	884,565
Total liabilities and net assets	1,669,444	1,513,457

(2) Semi-annual consolidated statements of income and consolidated statements of comprehensive income

Semi-annual consolidated statements of income

(Thousands of yen)

	Six months ended June 30, 2024	Six months ended June 30, 2025
Net sales	223,522	173,239
Cost of sales	18,531	17,469
Gross profit	204,990	155,769
Selling, general and administrative expenses		
Research and development expenses	521,402	318,262
Other	133,432	146,529
Total selling, general and administrative expenses	654,835	464,791
Operating loss	(449,844)	(309,022)
Non-operating income		
Interest income	4	773
Foreign exchange gains	5,732	–
Reversal of allowance for doubtful accounts	–	1,065
Other	14	103
Total non-operating income	5,751	1,942
Non-operating expenses		
Interest expenses	2,103	3,986
Foreign exchange losses	–	2,191
Share issuance costs	8,686	–
Other	4,404	2,811
Total non-operating expenses	15,194	8,989
Ordinary loss	(459,287)	(316,069)
Extraordinary losses		
Loss on redemption of convertible bonds	60,612	–
Total extraordinary losses	60,612	–
Loss before income taxes	(519,900)	(316,069)
Income taxes - current	797	797
Total income taxes	797	797
Loss	(520,697)	(316,866)
Loss attributable to owners of parent	(520,697)	(316,866)

Semi-annual consolidated statements of comprehensive income

(Thousands of yen)

	Six months ended June 30, 2024	Six months ended June 30, 2025
Loss	(520,697)	(316,866)
Other comprehensive income		
Valuation difference on available-for-sale securities	2	–
Total other comprehensive income	2	–
Comprehensive income	(520,695)	(316,866)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(520,695)	(316,866)
Comprehensive income attributable to non-controlling interests	–	–

(3) Semi-annual consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2024	Six months ended June 30, 2025
Cash flows from operating activities		
Loss before income taxes	(519,900)	(316,069)
Depreciation	24,398	23,620
Share-based payment expenses	7,429	13,565
Loss on redemption of convertible bonds	60,612	–
Interest income	(4)	(773)
Interest expenses	2,103	3,986
Foreign exchange losses (gains)	(1,847)	1,283
Share issuance costs	8,686	–
Decrease (increase) in trade receivables	(6,172)	44,348
Decrease (increase) in inventories	(15,658)	2,489
Increase (decrease) in allowance for doubtful accounts	1,535	(1,065)
Increase (decrease) in accounts payable - other	(110,537)	(13,077)
Decrease (increase) in advance payments to suppliers	(260,600)	216
Other, net	22,835	35,100
Subtotal	(787,120)	(206,375)
Interest received	4	695
Interest paid	(2,084)	(4,001)
Income taxes paid	(1,594)	(1,690)
Net cash provided by (used in) operating activities	(790,794)	(211,372)
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,487)	(2,745)
Purchase of intangible assets	(1,100)	–
Decrease (increase) in guarantee deposits	–	298
Net cash provided by (used in) investing activities	(9,587)	(2,447)
Cash flows from financing activities		
Proceeds from long-term borrowings	170,000	32,000
Repayments of long-term borrowings	–	(9,524)
Proceeds from issuance of bonds	660,000	–
Redemption of bonds	–	(302,500)
Redemption of convertible bonds	(666,734)	–
Proceeds from issuance of share acquisition rights	6,370	–
Proceeds from issuance of shares resulting from exercise of share acquisition rights	65,153	415,921
Purchase of treasury share acquisition rights	(699)	–
Commission expenses paid	(226)	(32)
Net cash provided by (used in) financing activities	233,862	135,864
Effect of exchange rate change on cash and cash equivalents	314	(218)
Net increase (decrease) in cash and cash equivalents	(566,205)	(78,173)
Cash and cash equivalents at beginning of period	1,867,264	1,126,035
Cash and cash equivalents at end of period	1,301,058	1,047,861

(4) Notes to semi-annual consolidated financial statements

(Notes on changes in accounting policies)

(Application of the "Accounting Standard for Current Income Taxes," etc.)

The Group has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022), "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, October 28, 2022) and "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022) from the beginning of the first six months of the fiscal year ending December 31, 2025. This has no impact on the semi-annual consolidated financial statements.

(Notes on premise of going concern)

Not applicable.

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

Based on the resolution of the 27th Ordinary General Meeting of Shareholders held on March 25, 2025, the Company reduced the amounts of its share capital and legal capital surplus as of May 1, 2025, transferred the amounts to other capital surplus, and transferred the sum total amount of the increased other capital surplus to retained earnings brought forward for the purpose of deficit disposition.

As a result, share capital decreased by ¥1,173,277 thousand and legal capital surplus decreased by ¥2,647,923 thousand, and retained earnings brought forward increased by ¥3,821,200 thousand.

In addition, due to the payment from the exercise of the 12th series of share acquisition rights (with an exercise price adjustment clause), which were issued through a third-party allotment on June 3, 2024, share capital and legal capital surplus each increased by ¥209,744 thousand.

Furthermore, the issuance of new shares as restricted stock unit with a payment date of May 13, 2025, resulted in an additional increase of ¥24,931 thousand in both share capital and legal capital surplus.

As a result, as of June 30, 2025, share capital stood at ¥264,675 thousand, legal capital surplus at ¥848,269 thousand, and retained earnings brought forward at a deficit of ¥228,344 thousand.

(Notes on segment information)

(Segment information)

Six months ended June 30, 2024

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

Six months ended June 30, 2025

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

(Subsequent events)

(Issuance of share acquisition rights by means of third-party allotment)

At the Board of Directors meeting held on July 15, 2025, the Company resolved to issue the 13th series of share acquisition rights (with an exercise price adjustment clause) (hereinafter the "Share Acquisition Rights") by means of third-party allotment, and we completed payment

of the total amount of issue of the Share Acquisition Rights on July 31, 2025. The overview is as follows.

Date of allotment	July 31, 2025
Number of share acquisition rights:	100,000 units
Offer price	¥52 per share acquisition right (Total amount: ¥5,200,000)
Class and number of shares underlying the share acquisition rights	Common shares: 10,000,000 shares
Amount of funds to be procured (Estimated net proceeds)	¥1,339,200,000 (Note)
Exercise price and adjustment conditions thereof	Initial exercise price: ¥134 The exercise price, on or after August 1, 2025, will be adjusted to an amount equivalent to 90% of the closing price on Tokyo Stock Exchange, Inc. on the trading day immediately before the effective date of each exercise request of the Share Acquisition Rights, rounded up to the nearest yen. If there is no closing price on the said day, it shall be the immediately preceding closing price. However, if the adjusted price is below the minimum exercise price, the minimum exercise price of ¥80 shall be the amended exercise price.
Amount to be incorporated into the share capital	The amount of an increase in share capital upon issuance of shares through exercise of the Share Acquisition Rights shall be the amount obtained by multiplying the maximum amount of increase in share capital, etc., which is calculated in accordance with Article 17 of the Regulations for Corporate Accounting, by 0.5 and any fraction less than ¥1 arising as a result of the calculation shall be rounded up to the nearest yen. The amount of an increase in legal capital surplus shall be the amount obtained by subtracting the amount of an increase in share capital from the maximum amount of increase in share capital, etc.
Offer or allotment method	Third-party allotment to SBI SECURITIES Co.,Ltd.
Use of funds	(i) Development expenses for new development product (ii) Expenses related to drug discovery research activities (including joint research) and the acquisition of new pipelines (iii) Funds for the development of H-1337 (iv) Working capital

Note: The amount of funds to be raised is the sum of the total amount to be paid in for the Share Acquisition Rights plus the value of the assets to be contributed upon exercise of the Share Acquisition Rights, minus the estimated amount of expenses related to the issuance of the Share Acquisition Rights. The total amount of the value of assets to be contributed upon exercise of the Share Acquisition Rights is the amount that would be obtained if all of the Share Acquisition Rights were exercised at the initial exercise price. If the exercise price is revised or adjusted, the amount of funds raised may increase or decrease. In addition, if the Share Acquisition Rights are not exercised within the exercise period or if the Company cancels the Share Acquisition Rights it has acquired, the amount of funds raised will decrease.

Part of the 13th series of share acquisition rights (with an exercise price adjustment clause) issued through third-party allotment have been exercised in the period from August 1, 2025 to August 13, 2025 as follows.

13th series of share acquisition rights

1. Number of units of share acquisition rights exercised	10,830 units
2. Class and number of shares issued	Common shares: 1,083,000 shares
3. Increase in share capital	¥55,693 thousand
4. Increase in legal capital surplus	¥55,693 thousand