Translation

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February 13, 2026

Consolidated Financial Results for the Fiscal Year Ended December 31, 2025 (Based on Japanese GAAP)

Company name: D.Western Therapeutics Institute, Inc.
Listing: Tokyo
Securities code: 4576
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Scheduled date of ordinary general meeting of shareholders: March 26, 2026
Scheduled date to commence dividend payments: –
Scheduled date to file securities report: March 24, 2026
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 fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2025	387	(17.8)	(619)	–	(630)	–	(632)	–
December 31, 2024	471	10.1	(1,209)	–	(1,228)	–	(1,290)	–

Note: Comprehensive income For the fiscal year ended December 31, 2025 ¥(632) million [–%]
For the fiscal year ended December 31, 2024 ¥(1,290) million [–%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/ total assets	Operating profit/ net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2025	(13.19)	–	(58.3)	(32.8)	(159.9)
December 31, 2024	(36.74)	–	(128.3)	(60.8)	(256.5)

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended December 31, 2025 ¥– million
For the fiscal year ended December 31, 2024 ¥– million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2025	2,169	1,435	66.1	26.44
December 31, 2024	1,669	733	43.9	17.59

Reference: Equity
As of December 31, 2025 ¥1,434 million
As of December 31, 2024 ¥732 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2025	(493)	(2)	1,080	1,709
December 31, 2024	(1,299)	(10)	567	1,126

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2024	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended December 31, 2025	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2026 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2026 (from January 1, 2026 to December 31, 2026)

(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	300	(22.6)	(780)	–	(800)	–	(800)	–	(14.75)

*** Notes**

(1) Significant changes in the scope of consolidation during the period: No

(2) 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

(3) Number of issued shares (common shares)

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

As of December 31, 2025	54,251,712 shares
As of December 31, 2024	41,625,512 shares

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

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

(iii) Average number of shares during the period

Fiscal year ended December 31, 2025	47,928,429 shares
Fiscal year ended December 31, 2024	35,118,450 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2025	387	(17.5)	(566)	–	(571)	–	(622)	–
December 31, 2024	469	9.8	(1,167)	–	(1,178)	–	(1,339)	–

	Earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2025	(12.99)	–
December 31, 2024	(38.15)	–

(2) Non-Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2025	2,128	1,397	65.6	25.75
December 31, 2024	1,615	686	42.4	16.45

Reference: Equity

As of December 31, 2025 ¥1,396 million

As of December 31, 2024 ¥684 million

2. Forecast of non-consolidated financial results for the fiscal year ending December 31, 2026 (from January 1, 2026 to December 31, 2026)

(Percentages indicate year-on-year changes.)

	Net sales		Ordinary profit		Profit		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	300	(22.6)	(760)	–	(760)	–	(14.01)

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

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 "(4) Future outlook" of "1. Overview of operating results and others" on page 6 of the attached material to the financial results report. Supplementary materials explaining the financial results are scheduled to be disclosed via TDnet on the same day.

Attached Material

Index

1. Overview of operating results and others

(1) Overview of operating results for the fiscal year

During the fiscal year ended 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 adjuvants ILM-Blue®, TissueBlue™, and MembraneBlue-Dual® ("ILM" and other products), both as single agent and combination drugs, GLA-ALPHA® combination ophthalmic solution for glaucoma treatment ("GLA-ALPHA"), etc.) recorded steady sales by licensees. GLA-ALPHA was launched in July in Thailand and in December in Malaysia, as part of its overseas expansion.

Regarding our development pipeline, the out-licensed product Fuchs endothelial corneal dystrophy treatment K-321 is undergoing two global Phase III clinical trials, each of which completed administration to subjects, and follow-up observations have been conducted. The monitoring period for one of these trials finished in November, and we are moving forward with data analysis. The jointly developed drug, DW-5LBT, which is a treatment for nerve pain, was resubmitted in March and approved in September. Currently, we are proceeding with preparations to put this drug on the market, including the selection of sales partners. Regarding regenerative cell therapy product DWR-2206, the monitoring period for subjects in Phase II clinical trials in Japan was completed in November. Currently, we are conducting data analysis, as well as moving forward with preparations for Phase III clinical trials. Furthermore, we decided to proceed with the development of H-1129, which is a proprietary product, as a therapeutic agent for keratoconjunctival diseases based on immune disorders in July, and are moving forward with preparations for clinical trials. Moreover, we also continued to develop each of the other products.

In terms of research projects, we actively 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 ¥387 million (down 17.8% year on year), while cost of sales came to ¥38 million (down 17.0% year on year). Furthermore, the patent for "ILM" and other products in countries outside the U.S. expired in December, so royalties from those countries have ended. Royalties for "GLANATEC® ophthalmic solution 0.4%" (overseas) have also ended.

Selling, general and administrative expenses were ¥968 million (down 40.7% year on year). The breakdown of selling, general and administrative expenses was research and development expenses of ¥669 million (down 51.0% year on year, the clinical trials of H-1337 and DWR-2206 were performed in the previous fiscal year), and other selling, general and administrative expenses of ¥298 million (up 12.1% year on year) due to an increase in personnel expenses, etc.

This resulted in operating loss of ¥619 million (compared to operating loss of ¥1,209 million in the previous fiscal year), ordinary loss of ¥630 million (compared to ordinary loss of ¥1,228 million in the previous fiscal year), and loss attributable to owners of parent of ¥632 million (compared to loss attributable to owners of parent of ¥1,290 million in the previous fiscal year).

The state of new drug candidate compound development in the fiscal year ended December 31, 2025 was as follows.

(i) Product on market

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

Note: The patent in countries outside the U.S. expired in December, and royalties from those countries have ended.

(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	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	Phase IIb clinical trials	U.S.	Developed internally
H-1129		Therapeutic agent for keratoconjunctival diseases based on immune disorders (undisclosed)	In preparation for clinical trials	Japan	Developed internally
DW-5LBT (Trademark name: Bondlido)		Neuropathic pain after shingles	Approval	U.S.	Jointly developed with MEDRx
DWR-2206		Bullous Keratopathy	Phase II clinical trials	Japan	Jointly developed with ActualEyes

(A) ILM-Blue®, TissueBlue™, MembraneBlue-Dual®, DW-1002 (ILM-Blue®, TissueBlue™, DW-1002 (single agent) clinical indications: ILM staining, ALC staining; MembraneBlue-Dual®, DW-1002 (combination drug) clinical indications: ILM, ERM and PVR membrane staining)

This product, which is being developed under an exclusive license, is an ophthalmic surgical adjuvant whose active ingredient is BBG250 (Brilliant Blue G-250), a dye with excellent staining properties that was discovered by a research group at Kyushu University. By temporarily and safely dying the internal limiting membrane within the eye or the anterior lens capsule, it facilitates vitrectomy or cataract surgery. The Company received transfer of this business in 2017.

We granted an exclusive sublicense globally outside Japan to Dutch Ophthalmic Research Center International B.V. (“DORC”), and since 2010 DORC has been engaged in the manufacture and sale in Europe, etc. under the product names ILM-Blue® and MembraneBlue-Dual®. In 2020, it also began selling TissueBlue™, a single agent in the U.S. The combination drug was designated as an orphan drug for ILM staining and ERM staining

in the U.S., and we are currently moving forward with preparations for application for approval. Furthermore, royalties in countries outside the U.S. have ended due to expiration of the patent in December 2025.

In Japan, we have entered into a product supply agreement that includes an exclusive know-how license clause with WAKAMOTO PHARMACEUTICAL CO., LTD. ("Wakamoto Pharmaceutical"), which is proceeding with development with the objective of obtaining manufacturing and sales approval for ILM staining during vitrectomy, and for ALC staining during cataract surgery. Furthermore, the patent in Japan has expired in December 2025.

(B) GLA-ALPHA® combination ophthalmic solution, K-321

(a) GLA-ALPHA® combination ophthalmic solution (clinical indication: glaucoma and ocular hypertension)

This agent was the first combination ophthalmic solution in the world to contain both ripasudil hydrochloride hydrate and brimonidine tartrate. Ripasudil hydrochloride hydrate is an isoquinoline sulfonamide compound developed by the Company that selectively inhibits Rho-kinase, which is a type of protein kinase. In 2020 Kowa began conducting Phase III clinical trials in Japan as an indication for glaucoma and ocular hypertension, and the product was launched in the Japanese market in 2022. Moreover, Kowa has moved ahead with overseas expansion, and the product has been launched in certain areas of Asia.

(b) K-321 (clinical indication: Fuchs endothelial corneal dystrophy)

The ripasudil hydrochloride hydrate invented by the Company may act on kinase within the eye, and Phase II clinical trials for an indication for Fuchs endothelial corneal dystrophy were begun in the U.S. in 2019 as an initiative to expand indications. Phase III clinical trials were subsequently begun in the U.S. in 2022, and global (including the U.S.) Phase III clinical trials were begun in 2023. Administration to subjects has been completed and follow-up observations are being conducted. As Fuchs endothelial corneal dystrophy progresses, it leads to corneal endothelial disorders. Treatment for patients with corneal endothelial conditions resulting in serious vision impairment has hitherto been limited to corneal transplants, making it desirable to develop effective drugs.

(C) DW-1001 (clinical indication: undisclosed)

This product was in-licensed as an ophthalmic treatment agent from a U.K. company in 2015.

This compound is already on the market as an indication for other diseases, and by taking a so-called repositioning approach to development in order to expand indications to ophthalmology, we expect to reduce development costs and risks to relatively low levels.

In 2019, we granted an exclusive license in Japan to ROHTO Pharmaceutical Co., Ltd. ("ROHTO Pharmaceutical"). ROHTO Pharmaceutical proceeded with non-clinical studies, and concluded Phase I clinical trials in Japan in 2022, having obtained favorable results.

(D) H-1337 (clinical indication: glaucoma and ocular hypertension)

This is an optimized product based on seed compounds from the Company's library of compounds centered on protein kinase inhibitors, and is designed for the clinical indication of glaucoma and ocular hypertension. This was our first internal clinical development, and we concluded Phase I/Phase IIa clinical trials in the U.S. in 2018, having obtained favorable results. We subsequently concluded Phase IIb clinical trials in the U.S. in August 2024. The trial results were favorable in having confirmed efficacy of this product with no critical adverse events related to safety having been observed. As such, we are preparing for Phase III clinical trials and proceeding with out-licensing activities.

We are proceeding with research to expand indications, and therapeutic effects for wet age-related macular degeneration and pulmonary hypertension have been confirmed in animal testing.

(E) H-1129 (clinical indication: therapeutic agent for keratoconjunctival diseases based on immune disorders (undisclosed))

This is an optimized product based on seed compounds from the Company's library of compounds centered on protein kinase inhibitors. We conducted development as a glaucoma treatment until 2019, however, development was discontinued during Phase III clinical trials in Japan. Subsequently, from the standpoint of effectively utilizing intellectual property and demonstrating the potential of kinase inhibitors, we considered application to other diseases, and newly decided to proceed with development as a therapeutic agent for keratoconjunctival diseases based on immune disorders. Currently, we are moving forward with preparations for clinical trials.

(F) DW-5LBT (clinical indication: neuropathic pain after shingles)

This product is a new lidocaine tape that uses the proprietary ILTS (Ionic Liquid Transdermal System) developed by MEDRx Co., Ltd. ("MEDRx"), and was developed to target the lidocaine patch market occupied by Lidoderm, with the aim to further expand into new markets. MEDRx has been moving forward with development focused on treatment of neuropathic pain after shingles, and we began joint development with them in 2020. Subsequently, it was approved in September 2025, and currently, we are proceeding with preparations to put this drug on the market, including the selection of sales partners.

(G) DWR-2206 (clinical indication: bullous keratopathy)

This is a regenerative cell therapy product for bullous keratopathy. Cultured human corneal endothelial cells and a suspension containing ROCK inhibitor are injected into the anterior chamber of the eye to regenerate the corneal endothelium. ActualEyes Inc. has been proceeding with development, and we began joint development with them in 2022. This is our first regenerative treatment with respect to which we began Phase II clinical trials in Japan in March 2024, and the monitoring period for subjects was completed in November 2025. As of now, with regard to safety, no major adverse events and critical adverse events with a possible causal relationship to the investigational products have materialized. With regard to effectiveness, there are indications of improvement in eyesight. Currently, we are moving forward with data analysis, as well as preparations for Phase III clinical trials.

(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, immune and inflammatory systems, 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 mainly on ophthalmic conditions.

(2) Overview of financial position for the fiscal year

Total assets increased by ¥500 million from the end of the previous fiscal year to ¥2,169 million. Current assets increased by ¥544 million from the end of the previous fiscal year to ¥2,020 million. The main factor was an increase of ¥583 million in cash and deposits due to the exercise of share acquisition rights and other factors, despite a decrease of ¥15 million in supplies. Non-current assets decreased by ¥44 million from the end of the previous fiscal year to ¥149 million. The main factors were a decrease of ¥41 million in contract-related intangible assets and other factors.

Liabilities decreased by ¥201 million from the end of the previous fiscal year to ¥734 million. Current liabilities increased by ¥71 million from the end of the previous fiscal year to ¥203 million. The main factors were an increase of ¥80 million in current portion of long-term borrowings and other factors.

Non-current liabilities decreased by ¥272 million from the end of the previous fiscal year to ¥530 million. The factors were a decrease of ¥302 million in bonds payable, despite an increase of ¥29 million in long-term borrowings.

Net assets increased by ¥701 million from the end of the previous fiscal year to ¥1,435 million. The main factors were increases of ¥667 million in share capital and ¥667 million in capital surplus, as a result of the exercise of share acquisition rights and other factors, despite a decrease of ¥632 million in retained earnings 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 66.1%.

(3) Overview of cash flows for the fiscal year

Cash and cash equivalents ("cash") as of December 31, 2025 increased by ¥583 million from December 31, 2024 to ¥1,709 million.

The status of cash flows and their factors during the fiscal year ended December 31, 2025 are as follows.

Cash flows from operating activities

Net cash used in operating activities amounted to ¥493 million (¥1,299 million used in the previous fiscal year). This was mainly due to loss before income taxes of ¥630 million, despite depreciation of ¥47 million and share-based payment expenses of ¥39 million.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥2 million (¥10 million used in 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 ¥1,080 million (¥567 million provided in the previous fiscal year). This was mainly due to proceeds from issuance of shares resulting from exercise of share acquisition rights of ¥1,267 million and proceeds from long-term borrowings of ¥135 million, despite redemption of bonds of ¥302 million.

(4) Future outlook

As a result of royalty income from products on the market and milestone income related to DW-1002, we forecast net sales of ¥300 million (compared to net sales of ¥387 million in the fiscal year ended December 31, 2025).

We forecast research and development expenses of ¥780 million (compared to research and development expenses of ¥669 million in the fiscal year ended December 31, 2025), which is attributable to factors that include preparations for Phase III clinical trials of H-1337 in the U.S. and costs of preparing for clinical trials of H-1129, in addition to usual research and development activities aimed at discovering new drug candidates.

As a result, we forecast operating loss of ¥780 million (compared to operating loss of ¥619 million in the fiscal year ended December 31, 2025), ordinary loss of ¥800 million (compared to ordinary loss of ¥630 million in the fiscal year ended December 31, 2025), and loss attributable to owners of parent of ¥800 million (compared to loss attributable to owners of parent of ¥632 million in the fiscal year ended December 31, 2025).

(5) 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 ¥1,709 million as of December 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 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. Basic rationale for selection of accounting standards

To ensure comparability among companies and with past years, the Group prepares its consolidated financial statements in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (excluding Chapters VII and VIII)" (Ministry of Finance Order No. 28 of 1976). With respect to adoption of International Financial Reporting Standards (IFRS), the Group will follow a policy of responding in a suitable manner after giving consideration to various circumstances in Japan and overseas.

3. Consolidated financial statements and significant notes thereto

(1) Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2024	As of December 31, 2025
Assets		
Current assets		
Cash and deposits	1,126,035	1,709,790
Accounts receivable - trade	125,023	94,502
Supplies	101,961	86,921
Other	122,361	128,871
Total current assets	1,475,382	2,020,086
Non-current assets		
Property, plant and equipment		
Buildings	8,727	8,727
Accumulated depreciation	(5,453)	(5,695)
Buildings, net	3,274	3,032
Tools, furniture and fixtures	109,498	112,628
Accumulated depreciation	(101,580)	(106,440)
Tools, furniture and fixtures, net	7,917	6,188
Total property, plant and equipment	11,192	9,221
Intangible assets		
Contract-related intangible assets	41,142	–
Other	3,290	2,355
Total intangible assets	44,432	2,355
Investments and other assets		
Investment securities	142,806	142,677
Other	8,236	7,598
Allowance for doubtful accounts	(12,606)	(12,477)
Total investments and other assets	138,436	137,798
Total non-current assets	194,061	149,375
Total assets	1,669,444	2,169,461
Liabilities		
Current liabilities		
Current portion of long-term borrowings	19,048	99,048
Accounts payable - other	84,904	66,380
Income taxes payable	14,876	618
Other	13,818	37,835
Total current liabilities	132,646	203,882
Non-current liabilities		
Long-term borrowings	476,428	506,130
Bonds payable	302,500	–
Other	24,000	24,000
Total non-current liabilities	802,928	530,130
Total liabilities	935,574	734,012

(Thousands of yen)

	As of December 31, 2024	As of December 31, 2025
Net assets		
Shareholders' equity		
Share capital	1,203,277	697,340
Capital surplus	3,261,516	1,280,933
Retained earnings	(3,732,678)	(543,564)
Treasury shares	(0)	(0)
Total shareholders' equity	732,115	1,434,709
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	774
Total net assets	733,869	1,435,449
Total liabilities and net assets	1,669,444	2,169,461

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

Consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Net sales	471,580	387,620
Cost of sales	46,843	38,860
Gross profit	424,736	348,760
Selling, general and administrative expenses		
Research and development expenses	1,367,769	669,775
Other	266,565	298,855
Total selling, general and administrative expenses	1,634,335	968,630
Operating loss	(1,209,598)	(619,870)
Non-operating income		
Interest income	76	2,064
Foreign exchange gains	1,637	7,923
Other	359	232
Total non-operating income	2,073	10,220
Non-operating expenses		
Interest expenses	5,210	8,815
Share issuance costs	2,468	4,942
Share issuance costs	8,686	6,008
Other	4,207	1,076
Total non-operating expenses	20,571	20,842
Ordinary loss	(1,228,097)	(630,491)
Extraordinary losses		
Loss on redemption of convertible bonds	60,612	–
Total extraordinary losses	60,612	–
Loss before income taxes	(1,288,709)	(630,491)
Income taxes - current	1,595	1,595
Total income taxes	1,595	1,595
Loss	(1,290,305)	(632,087)
Loss attributable to owners of parent	(1,290,305)	(632,087)

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Loss	(1,290,305)	(632,087)
Other comprehensive income		
Valuation difference on available-for-sale securities	1	–
Total other comprehensive income	1	–
Comprehensive income	(1,290,303)	(632,087)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,290,303)	(632,087)
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statements of changes in equity

Fiscal year ended December 31, 2024

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	831,617	2,889,857	(2,442,372)	(0)	1,279,101
Changes during period					
Issuance of new shares	371,659	371,659			743,319
Loss attributable to owners of parent			(1,290,305)		(1,290,305)
Net changes in items other than shareholders' equity					
Total changes during period	371,659	371,659	(1,290,305)	–	(546,986)
Balance at end of period	1,203,277	3,261,516	(3,732,678)	(0)	732,115

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	(36)	(36)	699	1,279,764
Changes during period				
Issuance of new shares				743,319
Loss attributable to owners of parent				(1,290,305)
Net changes in items other than shareholders' equity	1	1	1,089	1,090
Total changes during period	1	1	1,089	(545,895)
Balance at end of period	(34)	(34)	1,788	733,869

Fiscal year ended December 31, 2025

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,203,277	3,261,516	(3,732,678)	(0)	732,115
Changes during period					
Issuance of new shares	667,340	667,340			1,334,681
Transfer from share capital to other capital surplus	(1,173,277)	1,173,277			–
Deficit disposition		(3,821,200)	3,821,200		–
Loss attributable to owners of parent			(632,087)		(632,087)
Net changes in items other than shareholders' equity					
Total changes during period	(505,936)	(1,980,582)	3,189,113	–	702,594
Balance at end of period	697,340	1,280,933	(543,564)	(0)	1,434,709

	Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	(34)	(34)	1,788	733,869
Changes during period				
Issuance of new shares				1,334,681
Transfer from share capital to other capital surplus				–
Deficit disposition				–
Loss attributable to owners of parent				(632,087)
Net changes in items other than shareholders' equity	–	–	(1,013)	(1,013)
Total changes during period	–	–	(1,013)	701,580
Balance at end of period	(34)	(34)	774	1,435,449

(4) Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Cash flows from operating activities		
Loss before income taxes	(1,288,709)	(630,491)
Depreciation	49,329	47,519
Increase (decrease) in allowance for doubtful accounts	1,305	(129)
Share-based payment expenses	17,003	39,899
Loss on redemption of convertible bonds	60,612	–
Interest income	(76)	(2,064)
Interest expenses	5,210	8,815
Commission expenses	152	9
Foreign exchange losses (gains)	(1,570)	146
Share issuance costs	2,468	4,942
Share issuance costs	8,686	6,008
Decrease (increase) in trade receivables	(7,879)	30,521
Decrease (increase) in inventories	(14,098)	15,039
Increase (decrease) in accounts payable - other	(74,766)	(19,249)
Other, net	(50,059)	14,254
Subtotal	(1,292,392)	(484,777)
Interest and dividends received	76	1,949
Interest paid	(5,197)	(9,083)
Income taxes paid	(1,605)	(1,882)
Net cash provided by (used in) operating activities	(1,299,118)	(493,794)
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,025)	(2,745)
Purchase of intangible assets	(1,100)	–
Decrease (increase) in guarantee deposits	120	298
Net cash provided by (used in) investing activities	(10,005)	(2,447)
Cash flows from financing activities		
Proceeds from long-term borrowings	226,000	135,000
Repayments of long-term borrowings	(9,524)	(25,298)
Proceeds from issuance of bonds	660,000	–
Redemption of bonds	(357,500)	(302,500)
Redemption of convertible bonds	(666,734)	–
Proceeds from issuance of share acquisition rights	6,370	5,200
Proceeds from issuance of shares resulting from exercise of share acquisition rights	710,030	1,267,654
Purchase of treasury share acquisition rights	(699)	–
Commission expenses paid	(313)	(42)
Net cash provided by (used in) financing activities	567,628	1,080,014
Effect of exchange rate change on cash and cash equivalents	266	(17)
Net increase (decrease) in cash and cash equivalents	(741,229)	583,755
Cash and cash equivalents at beginning of period	1,867,264	1,126,035
Cash and cash equivalents at end of period	1,126,035	1,709,790

(5) Notes to consolidated financial statements

(Notes on premise of going concern)

Not applicable.

(Changes in accounting policies)

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

The Company has applied the "Accounting Standard for Current Income Taxes" (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; the "Revised Accounting Standard of 2022"), etc. from the beginning of the current fiscal year.

Revisions to categories for recording current income taxes (taxation on other comprehensive income) conform to the transitional treatment in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and to the transitional treatment in the proviso of paragraph 65-2(2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022). This change in accounting policies has no impact on the consolidated financial statements.

(Notes on segment information)

(Segment information)

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

[Related information]

Fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)

1. Information about products and services

   This information is omitted as net sales to external customers in a single product/service category exceed 90% of net sales in the consolidated statement of income.

2. Information about geographical areas

   (1) Net sales

(Thousands of yen)

Netherlands	Japan	Other	Total
335,476	136,097	5	471,580

Note: Net sales are classified by country based on customers' location.

   (2) Property, plant and equipment

   This information is omitted as there are no property, plant and equipment located outside Japan.

3. Information about main customers

(Thousands of yen)

Customer name	Net sales
Dutch Ophthalmic Research Center International B.V.	335,476
Kowa Company, Ltd.	126,036

Note: The related segment name is not presented because the Company operates a single segment.

Fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)

1. Information about products and services

   This information is omitted as net sales to external customers in a single product/service category exceed 90% of net sales in the consolidated statement of income.

2. Information about geographical areas

(1) Net sales

(Thousands of yen)

Netherlands	Japan	Other	Total
327,224	60,076	319	387,620

Note: Net sales are classified by country based on customers' location.

(2) Property, plant and equipment

This information is omitted as there are no property, plant and equipment located outside Japan.

3. Information about main customers

(Thousands of yen)

Customer name	Net sales
Dutch Ophthalmic Research Center International B.V.	327,224
Kowa Company, Ltd.	60,051

Note: The related segment name is not presented because the Company operates a single segment.

[Information about impairment loss of non-current assets by reportable segment]

Fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)

Not applicable.

Fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)

Not applicable.

[Information about amortization and unamortized balance of goodwill by reportable segment]

Not applicable.

[Information about gain on bargain purchase by reportable segment]

Not applicable.

(Per share information)

(Yen)

	Fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)	Fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)
Net assets per share	17.59	26.44
Loss per share	(36.74)	(13.19)

Notes: 1. Although potential shares exist, diluted earnings per share is not presented due to loss per share having been recorded.

2. The basis for calculation of loss per share is as follows.

	Fiscal year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)	Fiscal year ended December 31, 2025 (from January 1, 2025 to December 31, 2025)
Loss attributable to owners of parent (Thousands of yen)	(1,290,305)	(632,087)
Value not attributable to shareholders of common shares (Thousands of yen)	–	–
Loss attributable to owners of parent related to common shares (Thousands of yen)	(1,290,305)	(632,087)
Average number of shares outstanding during the period (Shares)	35,118,450	47,928,429
Overview of potential shares not included in the calculation of the diluted earnings per share because of the lack of dilution effects	12th series of share acquisition rights Number of share acquisition rights: 36,500 units (Common shares: 3,650,000 shares)	13th series of share acquisition rights Number of share acquisition rights: 14,898 units (Common shares: 1,489,800 shares)

(Subsequent events)

Not applicable.

4. Non-consolidated financial statements and significant notes thereto

(1) Non-consolidated balance sheets

(Thousands of yen)

	As of December 31, 2024	As of December 31, 2025
Assets		
Current assets		
Cash and deposits	1,072,785	1,669,212
Accounts receivable - trade	124,941	94,419
Supplies	101,953	86,912
Advance payments to suppliers	35,667	59,175
Prepaid expenses	21,439	28,975
Short-term loans receivable from subsidiaries and associates	100,000	150,000
Other	64,605	39,460
Allowance for doubtful accounts	(100,000)	(150,000)
Total current assets	1,421,393	1,978,156
Non-current assets		
Property, plant and equipment		
Buildings	3,274	3,032
Tools, furniture and fixtures	7,917	7,441
Total property, plant and equipment	11,192	10,474
Intangible assets		
Software	3,217	2,283
Contract-related intangible assets	41,142	–
Other	72	72
Total intangible assets	44,432	2,355
Investments and other assets		
Investment securities	142,806	142,677
Shares of subsidiaries and associates	0	0
Other	8,236	7,598
Allowance for doubtful accounts	(12,606)	(12,477)
Total investments and other assets	138,436	137,798
Total non-current assets	194,061	150,628
Total assets	1,615,455	2,128,784
Liabilities		
Current liabilities		
Current portion of long-term borrowings	19,048	99,048
Accounts payable - other	84,533	65,864
Accrued expenses	4,591	33,626
Income taxes payable	14,257	–
Deposits received	3,647	2,475
Total current liabilities	126,077	201,013
Non-current liabilities		
Long-term borrowings	476,428	506,130
Bonds payable	302,500	–
Other	24,000	24,000
Total non-current liabilities	802,928	530,130
Total liabilities	929,005	731,143

(Thousands of yen)

	As of December 31, 2024	As of December 31, 2025
Net assets		
Shareholders' equity		
Share capital	1,203,277	697,340
Capital surplus		
Legal capital surplus	3,302,619	1,322,036
Total capital surplus	3,302,619	1,322,036
Retained earnings		
Other retained earnings		
Retained earnings brought forward	(3,821,200)	(622,475)
Total retained earnings	(3,821,200)	(622,475)
Treasury shares	(0)	(0)
Total shareholders' equity	684,695	1,396,901
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(34)	(34)
Total valuation and translation adjustments	(34)	(34)
Share acquisition rights	1,788	774
Total net assets	686,449	1,397,640
Total liabilities and net assets	1,615,455	2,128,784

(2) Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025
Net sales	469,923	387,595
Cost of sales	46,843	38,860
Gross profit	423,080	348,735
Selling, general and administrative expenses		
Research and development expenses	1,351,067	640,640
Other	239,118	274,725
Total selling, general and administrative expenses	1,590,185	915,365
Operating loss	(1,167,105)	(566,630)
Non-operating income		
Interest income	1,070	4,217
Foreign exchange gains	1,637	7,923
Commission income	3,600	3,600
Other	352	232
Total non-operating income	6,660	15,973
Non-operating expenses		
Interest expenses	5,210	8,815
Share issuance costs	2,468	4,942
Share issuance costs	8,686	6,008
Other	1,458	1,076
Total non-operating expenses	17,823	20,842
Ordinary loss	(1,178,267)	(571,498)
Extraordinary losses		
Provision of allowance for doubtful accounts	100,000	50,000
Loss on redemption of convertible bonds	60,612	–
Total extraordinary losses	160,612	50,000
Loss before income taxes	(1,338,880)	(621,498)
Income taxes - current	977	977
Total income taxes	977	977
Loss	(1,339,857)	(622,475)

(3) Non-consolidated statements of changes in equity

Fiscal year ended December 31, 2024

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at beginning of period	831,617	2,930,959	2,930,959	(2,481,343)	(2,481,343)	(0)	1,281,233
Changes during period							
Issuance of new shares	371,659	371,659	371,659				743,319
Loss				(1,339,857)	(1,339,857)		(1,339,857)
Net changes in items other than shareholders' equity							
Total changes during period	371,659	371,659	371,659	(1,339,857)	(1,339,857)	–	(596,538)
Balance at end of period	1,203,277	3,302,619	3,302,619	(3,821,200)	(3,821,200)	(0)	684,695

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(36)	(36)	699	1,281,896
Changes during period				
Issuance of new shares				743,319
Loss				(1,339,857)
Net changes in items other than shareholders' equity	1	1	1,089	1,090
Total changes during period	1	1	1,089	(595,447)
Balance at end of period	(34)	(34)	1,788	686,449

Fiscal year ended December 31, 2025

(Thousands of yen)

	Shareholders' equity							
	Share capital	Capital surplus			Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of period	1,203,277	3,302,619	–	3,302,619	(3,821,200)	(3,821,200)	(0)	684,695
Changes during period								
Issuance of new shares	667,340	667,340		667,340				1,334,681
Transfer from share capital to other capital surplus	(1,173,277)		1,173,277	1,173,277				–
Transfer from legal capital surplus to other capital surplus		(2,647,923)	2,647,923	–				–
Deficit disposition			(3,821,200)	(3,821,200)	3,821,200	3,821,200		–
Loss					(622,475)	(622,475)		(622,475)
Net changes in items other than shareholders' equity								
Total changes during period	(505,936)	(1,980,582)	–	(1,980,582)	3,198,724	3,198,724	–	712,205
Balance at end of period	697,340	1,322,036	–	1,322,036	(622,475)	(622,475)	(0)	1,396,901

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(34)	(34)	1,788	686,449
Changes during period				
Issuance of new shares				1,334,681
Transfer from share capital to other capital surplus				–
Transfer from legal capital surplus to other capital surplus				–
Deficit disposition				–
Loss				(622,475)
Net changes in items other than shareholders' equity	–	–	(1,013)	(1,013)
Total changes during period	–	–	(1,013)	711,191
Balance at end of period	(34)	(34)	774	1,397,640