

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Consolidated Financial Results for the Six Months Ended June 30, 2022 (Based on Japanese GAAP)

August 9, 2022

Company name: D.Western Therapeutics Institute, Inc.
 Stock exchange listing: Tokyo
 Stock code: 4576 URL <https://www.dwti.co.jp>
 Representative: President and CEO Yuichi Hidaka
 Director and General Administration Tetsuya Kawakami
 Inquiries: Division Manager TEL 052-218-8785
 Scheduled date to file Quarterly Securities Report: August 9, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2022	210	4.2	(132)	–	(118)	–	(110)	–
Six months ended June 30, 2021	201	33.1	(91)	–	(82)	–	(82)	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2022	(3.76)	–
Six months ended June 30, 2021	(2.83)	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	2,287	1,928	83.5
As of December 31, 2021	2,462	2,035	81.4

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
Year ended December 31, 2021	–	0.00	–	0.00	0.00
Year ending December 31, 2022	–	0.00	–	–	–
Year ending December 31, 2022 (Forecast)	–	–	–	0.00	0.00

3. Forecast of consolidated financial results for the year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

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	370	(10.7)	(690)	–	(700)	–	(670)	–	(22.82)

4. Notes

- (1) Changes in significant subsidiaries during the six months ended June 30, 2022
 (changes in specified subsidiaries resulting in the change in scope of consolidation): 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
- Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

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

As of June 30, 2022	29,432,800 shares	As of December 31, 2021	29,358,600 shares
---------------------	-------------------	-------------------------	-------------------

Number of treasury shares at the end of the period

As of June 30, 2022	100 shares	As of December 31, 2021	100 shares
---------------------	------------	-------------------------	------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2022	29,378,997 shares	Six months ended June 30, 2021	29,308,623 shares
--------------------------------	-------------------	--------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	1,933,743	1,749,315
Accounts receivable - trade	101,674	104,680
Supplies	88,399	68,880
Other	38,365	80,906
Total current assets	2,162,183	2,003,783
Non-current assets		
Property, plant and equipment	4,567	7,007
Intangible assets		
Contract-related intangible assets	164,571	144,000
Other	2,047	1,679
Total intangible assets	166,619	145,679
Investments and other assets	129,489	130,747
Total non-current assets	300,676	283,434
Total assets	2,462,860	2,287,217
Liabilities		
Current liabilities		
Current portion of long-term borrowings	129,524	120,000
Accounts payable - other	41,759	32,863
Income taxes payable	9,889	9,049
Other	12,072	12,427
Total current liabilities	193,245	174,339
Non-current liabilities		
Long-term borrowings	210,476	160,000
Other	24,000	24,000
Total non-current liabilities	234,476	184,000
Total liabilities	427,721	358,339
Net assets		
Shareholders' equity		
Share capital	573,159	581,061
Capital surplus	2,631,398	2,639,300
Retained earnings	(1,200,276)	(1,310,757)
Total shareholders' equity	2,004,281	1,909,604
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	(454)
Total accumulated other comprehensive income	–	(454)
Share acquisition rights	2,692	–
Non-controlling interests	28,164	19,728
Total net assets	2,035,138	1,928,878
Total liabilities and net assets	2,462,860	2,287,217

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	201,594	210,034
Cost of sales	9,137	13,126
Gross profit	192,457	196,908
Selling, general and administrative expenses		
Research and development expenses	152,066	199,768
Other	131,616	129,507
Total selling, general and administrative expenses	283,682	329,275
Operating loss	(91,225)	(132,367)
Non-operating income		
Interest income	9	13
Foreign exchange gains	11,263	32,820
Other	323	1,008
Total non-operating income	11,595	33,841
Non-operating expenses		
Interest expenses	2,366	1,710
Commission expenses	56	13,250
Share issuance costs	–	4,634
Other	125	–
Total non-operating expenses	2,548	19,595
Ordinary loss	(82,178)	(118,120)
Loss before income taxes	(82,178)	(118,120)
Income taxes - current	797	797
Total income taxes	797	797
Loss	(82,975)	(118,918)
Loss attributable to non-controlling interests	–	(8,436)
Loss attributable to owners of parent	(82,975)	(110,481)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Loss	(82,975)	(118,918)
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(454)
Total other comprehensive income	–	(454)
Comprehensive income	(82,975)	(119,372)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(82,975)	(110,936)
Comprehensive income attributable to non-controlling interests	–	(8,436)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Loss before income taxes	(82,178)	(118,120)
Depreciation	22,333	22,743
Share-based payment expenses	6,591	7,190
Interest income	(9)	(13)
Interest expenses	2,366	1,710
Commission expenses	–	13,250
Foreign exchange losses (gains)	(10,177)	(28,109)
Share issuance costs	88	–
Share issuance costs	–	4,634
Decrease (increase) in trade receivables	(1,080)	(3,005)
Decrease (increase) in inventories	838	19,519
Increase (decrease) in accounts payable - other	(12,015)	(13,246)
Other, net	2,348	(33,819)
Subtotal	(70,891)	(127,267)
Interest received	9	13
Interest paid	(2,221)	(1,572)
Income taxes paid	(1,576)	(1,594)
Net cash provided by (used in) operating activities	(74,681)	(130,420)
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(3,877)
Purchase of intangible assets	(585)	(200)
Purchase of investment securities	(100,320)	–
Decrease (increase) in guarantee deposits	897	–
Net cash provided by (used in) investing activities	(100,007)	(4,077)
Cash flows from financing activities		
Repayments of long-term borrowings	(60,000)	(60,000)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	16,620	–
Purchase of treasury share acquisition rights	–	(2,692)
Commission expenses paid	–	(13,200)
Other, net	–	(499)
Net cash provided by (used in) financing activities	(43,379)	(76,391)
Effect of exchange rate change on cash and cash equivalents	10,177	26,462
Net increase (decrease) in cash and cash equivalents	(207,890)	(184,428)
Cash and cash equivalents at beginning of period	2,308,210	1,933,743
Cash and cash equivalents at end of period	2,100,319	1,749,315