Translation

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Summary of Consolidated Financial Results for the Six Months Ended June 30, 2020 (Based on Japanese GAAP)

August 13, 2020

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
Inquiries: Director and General Administration Division Manager Tetsuya Kawakami TEL 052-218-8785
Scheduled date to file Quarterly Securities Report: August 13, 2020
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, 2020 (from January 1, 2020 to June 30, 2020)

(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, 2020	151	(58.3)	(100)	–	(111)	–	(96)	–
Six months ended June 30, 2019	363	205.5	127	–	121	–	135	–

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2020	(3.69)	–
Six months ended June 30, 2019	5.15	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	1,794	1,309	73.0
As of December 31, 2019	1,981	1,408	70.3

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, 2019	–	0.00	–	0.00	0.00
Year ending December 31, 2020	–	0.00			
Year ending December 31, 2020 (Forecast)			–	0.00	0.00

3. Forecast of consolidated financial results for the year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

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	310	(46.6)	(390)	–	(410)	–	(340)	–	(12.94)

4. Notes

(1) Changes in significant subsidiaries during the six months ended June 30, 2020 (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:	No
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, 2020	26,312,100 shares	As of December 31, 2019	26,275,200 shares

Number of treasury shares at the end of the period

As of June 30, 2020	100 shares	As of December 31, 2019	– shares

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

Six months ended June 30, 2020	26,284,892 shares	Six months ended June 30, 2019	26,275,200 shares

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	1,540,784	1,398,094
Accounts receivable - trade	103,523	65,188
Work in process	804	1,243
Supplies	58,564	58,417
Other	12,105	27,946
Total current assets	1,715,782	1,550,889
Non-current assets		
Property, plant and equipment	3,128	2,874
Intangible assets		
Contract-related intangible assets	246,857	226,285
Other	3,054	3,031
Total intangible assets	249,911	229,317
Investments and other assets	12,527	11,807
Total non-current assets	265,567	243,999
Total assets	1,981,349	1,794,889
Liabilities		
Current liabilities		
Current portion of long-term borrowings	120,000	120,000
Accounts payable - other	25,788	17,156
Income taxes payable	2,892	2,095
Other	40,585	21,546
Total current liabilities	189,265	160,798
Non-current liabilities		
Long-term borrowings	360,000	300,000
Other	24,000	24,398
Total non-current liabilities	384,000	324,398
Total liabilities	573,265	485,196
Net assets		
Shareholders' equity		
Share capital	34,762	41,570
Capital surplus	2,133,478	2,140,286
Retained earnings	(775,176)	(872,165)
Total shareholders' equity	1,393,065	1,309,692
Non-controlling interests	15,018	–
Total net assets	1,408,083	1,309,692
Total liabilities and net assets	1,981,349	1,794,889

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, 2019	Six months ended June 30, 2020
Net sales	363,214	151,482
Cost of sales	6,998	5,595
Gross profit	356,216	145,887
Selling, general and administrative expenses		
Research and development expenses	121,115	123,809
Other	108,012	122,955
Total selling, general and administrative expenses	229,127	246,764
Operating profit (loss)	127,088	(100,877)
Non-operating income		
Interest income	76	90
Subsidy income	367	367
Other	40	116
Total non-operating income	484	573
Non-operating expenses		
Interest expenses	3,071	2,457
Foreign exchange losses	2,562	2,414
Commission expenses	–	6,033
Other	0	–
Total non-operating expenses	5,633	10,906
Ordinary profit (loss)	121,939	(111,210)
Profit (loss) before income taxes	121,939	(111,210)
Income taxes - current	797	797
Total income taxes	797	797
Profit (loss)	121,141	(112,007)
Loss attributable to non-controlling interests	(14,181)	(15,018)
Profit (loss) attributable to owners of parent	135,323	(96,989)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit (loss)	121,141	(112,007)
Comprehensive income	121,141	(112,007)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	135,323	(96,989)
Comprehensive income attributable to non-controlling interests	(14,181)	(15,018)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	121,939	(111,210)
Depreciation	22,018	21,609
Share-based remuneration expenses	3,175	2,475
Interest income	(76)	(90)
Interest expenses	3,071	2,457
Foreign exchange losses (gains)	1,708	1,883
Decrease (increase) in trade receivables	(17,382)	38,334
Decrease (increase) in inventories	(2,889)	(292)
Increase (decrease) in accounts payable - other	(13,380)	(8,167)
Other, net	44,661	(23,184)
Subtotal	162,845	(76,183)
Interest received	77	91
Interest paid	(2,980)	(2,311)
Income taxes paid	(1,562)	(1,582)
Net cash provided by (used in) operating activities	158,379	(79,985)
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(803)
Purchase of intangible assets	–	(421)
Payments for acquisition of businesses	(100,000)	–
Decrease (increase) in guarantee deposits	–	404
Net cash provided by (used in) investing activities	(100,000)	(821)
Cash flows from financing activities		
Repayments of long-term borrowings	(60,000)	(60,000)
Net cash provided by (used in) financing activities	(60,000)	(60,000)
Effect of exchange rate change on cash and cash equivalents	(1,708)	(1,883)
Net increase (decrease) in cash and cash equivalents	(3,328)	(142,690)
Cash and cash equivalents at beginning of period	1,584,282	1,540,784
Cash and cash equivalents at end of period	1,580,953	1,398,094