Translation

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Summary of Consolidated Financial Results for the Year Ended December 31, 2021 (Based on Japanese GAAP)

February 10, 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
Inquiries: Director and General Administration Division Manager Tetsuya Kawakami TEL 052-218-8785
Scheduled date of ordinary general meeting of shareholders: March 29, 2022
Scheduled date to file Securities Report: March 29, 2022
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)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(1) Consolidated operating results

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	%
Year ended December 31, 2021	414	16.5	(171)	–	(159)	–	(148)	–
Year ended December 31, 2020	355	(38.7)	(265)	–	(289)	–	(276)	–

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2021	(5.08)	–	–	(6.1)	(41.4)
Year ended December 31, 2020	(10.16)	–	–	(12.3)	(74.7)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2021	2,462	2,035	81.4	68.27
As of December 31, 2020	2,737	2,163	78.9	73.88

(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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2021	(176)	(111)	(104)	1,933
Year ended December 31, 2020	(216)	(13)	1,004	2,308

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	%	%
Year ended December 31, 2020	–	0.00	–	0.00	0.00	–	–	–
Year ended December 31, 2021	–	0.00	–	0.00	0.00	–	–	–
Year ending December 31, 2022 (Forecast)	–	0.00	–	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 year ended December 31, 2021 (changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

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

As of December 31, 2021	29,358,600 shares	As of December 31, 2020	29,251,100 shares

Number of treasury shares at the end of the period

As of December 31, 2021	100 shares	As of December 31, 2020	100 shares

Average number of shares during the period

Year ended December 31, 2021	29,333,698 shares	Year ended December 31, 2020	27,171,914 shares

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	2,308,210	1,933,743
Accounts receivable - trade	91,877	101,674
Supplies	58,324	88,399
Other	44,872	38,365
Total current assets	2,503,284	2,162,183
Non-current assets		
Property, plant and equipment		
Buildings	5,653	5,653
Accumulated depreciation	(4,547)	(4,763)
Buildings, net	1,105	889
Tools, furniture and fixtures	89,966	90,687
Accumulated depreciation	(85,780)	(87,008)
Tools, furniture and fixtures, net	4,186	3,678
Total property, plant and equipment	5,292	4,567
Intangible assets		
Contract-related intangible assets	205,714	164,571
Other	2,540	2,047
Total intangible assets	208,254	166,619
Investments and other assets		
Investment securities	12,992	122,513
Other	7,887	6,975
Total investments and other assets	20,879	129,489
Total non-current assets	234,426	300,676
Total assets	2,737,711	2,462,860
Liabilities		
Current liabilities		
Current portion of long-term borrowings	120,000	129,524
Accounts payable - other	37,637	41,759
Income taxes payable	18,771	9,889
Other	33,396	12,072
Total current liabilities	209,805	193,245
Non-current liabilities		
Long-term borrowings	340,000	210,476
Other	24,000	24,000
Total non-current liabilities	364,000	234,476
Total liabilities	573,805	427,721
Net assets		
Shareholders' equity		
Share capital	556,856	573,159
Capital surplus	2,655,571	2,631,398
Retained earnings	(1,051,280)	(1,200,276)
Total shareholders' equity	2,161,147	2,004,281
Share acquisition rights	2,758	2,692
Non-controlling interests	–	28,164
Total net assets	2,163,905	2,035,138
Total liabilities and net assets	2,737,711	2,462,860

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Net sales	355,586	414,424
Cost of sales	17,019	20,099
Gross profit	338,566	394,324
Selling, general and administrative expenses		
Research and development expenses	350,535	316,161
Other	253,710	249,812
Total selling, general and administrative expenses	604,246	565,974
Operating loss	(265,679)	(171,649)
Non-operating income		
Interest income	127	21
Foreign exchange gains	–	17,382
Other	2,483	397
Total non-operating income	2,611	17,801
Non-operating expenses		
Interest expenses	4,728	4,424
Foreign exchange losses	6,334	–
Share issuance costs	3,666	1,168
Share issuance costs	5,535	–
Other	6,193	270
Total non-operating expenses	26,459	5,863
Ordinary loss	(289,527)	(159,711)
Loss before income taxes	(289,527)	(159,711)
Income taxes - current	1,595	1,595
Total income taxes	1,595	1,595
Loss	(291,123)	(161,306)
Loss attributable to non-controlling interests	(15,018)	(12,311)
Loss attributable to owners of parent	(276,104)	(148,995)

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Loss	(291,123)	(161,306)
Comprehensive income	(291,123)	(161,306)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(276,104)	(148,995)
Comprehensive income attributable to non-controlling interests	(15,018)	(12,311)

Consolidated statements of changes in equity

Fiscal year ended December 31, 2020

(Thousands of yen)

	Shareholders' equity				Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity			
Balance at beginning of period	34,762	2,133,478	(775,176)	1,393,065	–	15,018	1,408,083
Changes during period							
Issuance of new shares	522,093	522,093		1,044,186			1,044,186
Loss attributable to owners of parent			(276,104)	(276,104)			(276,104)
Net changes in items other than shareholders' equity					2,758	(15,018)	(12,260)
Total changes during period	522,093	522,093	(276,104)	768,081	2,758	(15,018)	755,821
Balance at end of period	556,856	2,655,571	(1,051,280)	2,161,147	2,758	–	2,163,905

Fiscal year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity				Share acquisition rights	Non-controlling interests	Total net assets
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity			
Balance at beginning of period	556,856	2,655,571	(1,051,280)	2,161,147	2,758	–	2,163,905
Changes during period							
Issuance of new shares	16,302	16,302		32,605			32,605
Loss attributable to owners of parent			(148,995)	(148,995)			(148,995)
Change in ownership interest of parent due to transactions with non-controlling interests		(40,476)		(40,476)		40,476	–
Net changes in items other than shareholders' equity					(66)	(12,311)	(12,377)
Total changes during period	16,302	(24,173)	(148,995)	(156,865)	(66)	28,164	(128,767)
Balance at end of period	573,159	2,631,398	(1,200,276)	2,004,281	2,692	28,164	2,035,138

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from operating activities		
Loss before income taxes	(289,527)	(159,711)
Depreciation	44,157	45,259
Share-based payment expenses	9,902	15,226
Interest income	(127)	(21)
Interest expenses	4,728	4,424
Foreign exchange losses (gains)	6,950	(17,822)
Share issuance costs	3,666	1,168
Share issuance costs	5,535	–
Decrease (increase) in trade receivables	11,645	(9,796)
Decrease (increase) in inventories	1,044	(30,075)
Increase (decrease) in accounts payable - other	12,312	4,122
Other, net	(20,711)	(23,425)
Subtotal	(210,422)	(170,652)
Interest and dividends received	130	21
Interest paid	(4,404)	(4,096)
Income taxes paid	(1,588)	(1,578)
Net cash provided by (used in) operating activities	(216,284)	(176,306)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,705)	(2,314)
Purchase of intangible assets	(421)	(585)
Purchase of investment securities	(7,868)	(109,148)
Decrease (increase) in guarantee deposits	(469)	897
Net cash provided by (used in) investing activities	(13,465)	(111,150)
Cash flows from financing activities		
Proceeds from long-term borrowings	100,000	–
Repayments of long-term borrowings	(120,000)	(120,000)
Proceeds from issuance of share acquisition rights	808	–
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,023,318	16,620
Payments for issuance of shares	–	(1,080)
Net cash provided by (used in) financing activities	1,004,126	(104,459)
Effect of exchange rate change on cash and cash equivalents	(6,950)	17,449
Net increase (decrease) in cash and cash equivalents	767,425	(374,466)
Cash and cash equivalents at beginning of period	1,540,784	2,308,210
Cash and cash equivalents at end of period	2,308,210	1,933,743