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 Year Ended December 31, 2022 (Based on Japanese GAAP)

February 13, 2023

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 30, 2023
Scheduled date to file Securities Report: March 30, 2023
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, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	448	8.1	(305)	–	(295)	–	(429)	–
Year ended December 31, 2021	414	16.5	(171)	–	(159)	–	(148)	–

	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, 2022	(14.50)	–	(22.3)	(10.9)	(68.3)
Year ended December 31, 2021	(5.08)	–	(7.2)	(6.1)	(41.4)

(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, 2022	2,956	1,873	62.8	60.14
As of December 31, 2021	2,462	2,035	81.4	68.27

(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, 2022	(354)	(139)	867	2,334
Year ended December 31, 2021	(176)	(111)	(104)	1,933

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, 2021	–	0.00	–	0.00	0.00	–	–	–
Year ended December 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Year ending December 31, 2023 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Forecast of consolidated financial results for the year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

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	(10.7)	(1,400)	–	(1,410)	–	(1,390)	–	(44.60)

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2022 (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:	Yes
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, 2022	30,871,138 shares	As of December 31, 2021	29,358,600 shares

Number of treasury shares at the end of the period

As of December 31, 2022	100 shares	As of December 31, 2021	100 shares

Average number of shares during the period

Year ended December 31, 2022	29,639,914 shares	Year ended December 31, 2021	29,333,698 shares

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	1,933,743	2,334,668
Accounts receivable - trade	101,674	170,755
Supplies	88,399	79,211
Other	38,365	74,436
Total current assets	2,162,183	2,659,072
Non-current assets		
Property, plant and equipment		
Buildings	5,653	8,727
Accumulated depreciation	(4,763)	(4,968)
Buildings, net	889	3,758
Tools, furniture and fixtures	90,687	97,052
Accumulated depreciation	(87,008)	(90,706)
Tools, furniture and fixtures, net	3,678	6,346
Total property, plant and equipment	4,567	10,105
Intangible assets		
Contract-related intangible assets	164,571	123,428
Other	2,047	1,101
Total intangible assets	166,619	124,529
Investments and other assets		
Investment securities	122,513	153,551
Other	6,975	9,117
Total investments and other assets	129,489	162,668
Total non-current assets	300,676	297,303
Total assets	2,462,860	2,956,376
Liabilities		
Current liabilities		
Current portion of long-term borrowings	129,524	120,000
Accounts payable - other	41,759	64,210
Income taxes payable	9,889	11,234
Other	12,072	15,762
Total current liabilities	193,245	211,207
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	–	734,693
Long-term borrowings	210,476	113,000
Other	24,000	24,000
Total non-current liabilities	234,476	871,693
Total liabilities	427,721	1,082,900

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	573,159	714,244
Capital surplus	2,631,398	2,772,484
Retained earnings	(1,200,276)	(1,629,961)
Total shareholders' equity	2,004,281	1,856,767
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	–	(222)
Total accumulated other comprehensive income	–	(222)
Share acquisition rights	2,692	943
Non-controlling interests	28,164	15,987
Total net assets	2,035,138	1,873,475
Total liabilities and net assets	2,462,860	2,956,376

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

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	414,424	448,100
Cost of sales	20,099	27,566
Gross profit	394,324	420,533
Selling, general and administrative expenses		
Research and development expenses	316,161	469,564
Other	249,812	256,881
Total selling, general and administrative expenses	565,974	726,446
Operating loss	(171,649)	(305,912)
Non-operating income		
Interest income	21	25
Foreign exchange gains	17,382	33,278
Consumption tax difference	0	4,177
Other	397	1,008
Total non-operating income	17,801	38,489
Non-operating expenses		
Interest expenses	4,424	3,147
Commission expenses	–	13,521
Share issuance costs	1,168	889
Share issuance costs	–	10,825
Other	270	–
Total non-operating expenses	5,863	28,384
Ordinary loss	(159,711)	(295,806)
Extraordinary losses		
Loss on valuation of investment securities	–	100,319
Settlement money	–	44,140
Total extraordinary losses	–	144,460
Loss before income taxes	(159,711)	(440,267)
Income taxes - current	1,595	1,595
Total income taxes	1,595	1,595
Loss	(161,306)	(441,863)
Loss attributable to non-controlling interests	(12,311)	(12,177)
Loss attributable to owners of parent	(148,995)	(429,685)

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Loss	(161,306)	(441,863)
Other comprehensive income		
Valuation difference on available-for-sale securities	–	(222)
Total other comprehensive income	–	(222)
Comprehensive income	(161,306)	(442,085)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(148,995)	(429,908)
Comprehensive income attributable to non-controlling interests	(12,311)	(12,177)

Consolidated statements of changes in equity

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

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity			
	Share capital	Capital surplus	Retained earnings	Total shareholders' equity
Balance at beginning of period	573,159	2,631,398	(1,200,276)	2,004,281
Changes during period				
Issuance of new shares	141,085	141,085		282,171
Loss attributable to owners of parent			(429,685)	(429,685)
Net changes in items other than shareholders' equity				
Total changes during period	141,085	141,085	(429,685)	(147,514)
Balance at end of period	714,244	2,772,484	(1,629,961)	1,856,767

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income			
Balance at beginning of period	–	–	2,692	28,164	2,035,138
Changes during period					
Issuance of new shares					282,171
Loss attributable to owners of parent					(429,685)
Net changes in items other than shareholders' equity	(222)	(222)	(1,748)	(12,177)	(14,148)
Total changes during period	(222)	(222)	(1,748)	(12,177)	(161,663)
Balance at end of period	(222)	(222)	943	15,987	1,873,475

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Loss before income taxes	(159,711)	(440,267)
Depreciation	45,259	46,366
Share-based payment expenses	15,226	15,811
Settlement money	–	44,140
Interest income	(21)	(25)
Interest expenses	4,424	3,147
Commission expenses	–	13,521
Foreign exchange losses (gains)	(17,822)	(29,669)
Share issuance costs	1,168	889
Share issuance costs	–	10,825
Loss (gain) on valuation of investment securities	–	100,319
Decrease (increase) in trade receivables	(9,796)	(113,221)
Decrease (increase) in inventories	(30,075)	9,187
Increase (decrease) in accounts payable - other	4,122	22,450
Other, net	(23,425)	(33,838)
Subtotal	(170,652)	(350,360)
Interest and dividends received	21	25
Interest paid	(4,096)	(2,839)
Income taxes paid	(1,578)	(1,596)
Net cash provided by (used in) operating activities	(176,306)	(354,770)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,314)	(9,614)
Purchase of intangible assets	(585)	(200)
Purchase of investment securities	(109,148)	(130,200)
Decrease (increase) in guarantee deposits	897	124
Net cash provided by (used in) investing activities	(111,150)	(139,890)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	13,000
Repayments of long-term borrowings	(120,000)	(120,000)
Proceeds from issuance of convertible bonds with subscription rights to shares	–	900,000
Proceeds from issuance of share acquisition rights	–	1,216
Proceeds from issuance of shares resulting from exercise of share acquisition rights	16,620	99,898
Payments for issuance of shares	(1,080)	(10,825)
Purchase of treasury share acquisition rights	–	(2,692)
Commission expenses paid	–	(13,200)
Other, net	–	(99)
Net cash provided by (used in) financing activities	(104,459)	867,297
Effect of exchange rate change on cash and cash equivalents	17,449	28,289
Net increase (decrease) in cash and cash equivalents	(374,466)	400,924
Cash and cash equivalents at beginning of period	2,308,210	1,933,743
Cash and cash equivalents at end of period	1,933,743	2,334,668