

# Translation

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## Summary of Consolidated Financial Results for the Year Ended December 31, 2020 (Based on Japanese GAAP)

February 12, 2021

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  
 Inquiries: Division Manager Tetsuya Kawakami TEL 052-218-8785  
 Scheduled date of ordinary general meeting of shareholders: March 23, 2021  
 Scheduled date to file Securities Report: March 23, 2021  
 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, 2020 (from January 1, 2020 to December 31, 2020)

#### (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, 2020	355	(38.7)	(265)	—	(289)	—	(276)	—
Year ended December 31, 2019	580	98.2	117	—	109	—	133	—

	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, 2020	(10.16)	—	—	(12.3)	(74.7)
Year ended December 31, 2019	5.07	—	10.0	5.4	20.2

#### (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, 2020	2,737	2,163	78.9	73.88
As of December 31, 2019	1,981	1,408	70.3	53.02

#### (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, 2020	(216)	(13)	1,004	2,308
Year ended December 31, 2019	175	(100)	(120)	1,540

### 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, 2019	—	0.00	—	0.00	0.00	—	—	—
Year ended December 31, 2020	—	0.00	—	0.00	0.00	—	—	—
Year ending December 31, 2021 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Forecast of consolidated financial results for the year ending December 31, 2021 (from January 1, 2021 to December 31, 2021)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	340	(4.4)	(580)	—	(580)	—	(530)	—	(18.12)

4. Notes

(1) Changes in significant subsidiaries during the year ended December 31, 2020

(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, 2020	29,251,100 shares	As of December 31, 2019	26,275,200 shares
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Number of treasury shares at the end of the period

As of December 31, 2020	100 shares	As of December 31, 2019	— shares
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Average number of shares during the period

Year ended December 31, 2020	27,171,914 shares	Year ended December 31, 2019	26,275,200 shares
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# Consolidated financial statements

## Consolidated balance sheets

(Thousands of yen)

	As of December 31, 2019	As of December 31, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	1,540,784	2,308,210
Accounts receivable - trade	103,523	91,877
Work in process	804	—
Supplies	58,564	58,324
Other	12,105	44,872
Total current assets	1,715,782	2,503,284
Non-current assets		
Property, plant and equipment		
Buildings	5,653	5,653
Accumulated depreciation	(4,330)	(4,547)
Buildings, net	1,322	1,105
Tools, furniture and fixtures	85,724	89,966
Accumulated depreciation	(83,918)	(85,780)
Tools, furniture and fixtures, net	1,806	4,186
Total property, plant and equipment	3,128	5,292
Intangible assets		
Contract-related intangible assets	246,857	205,714
Other	3,054	2,540
Total intangible assets	249,911	208,254
Investments and other assets		
Investment securities	5,123	12,992
Other	7,403	7,887
Total investments and other assets	12,527	20,879
Total non-current assets	265,567	234,426
Total assets	1,981,349	2,737,711
<b>Liabilities</b>		
Current liabilities		
Current portion of long-term borrowings	120,000	120,000
Accounts payable - other	25,788	37,637
Income taxes payable	2,892	18,771
Other	40,585	33,396
Total current liabilities	189,265	209,805
Non-current liabilities		
Long-term borrowings	360,000	340,000
Other	24,000	24,000
Total non-current liabilities	384,000	364,000
Total liabilities	573,265	573,805

	(Thousands of yen)	
	As of December 31, 2019	As of December 31, 2020
Net assets		
Shareholders' equity		
Share capital	34,762	556,856
Capital surplus	2,133,478	2,655,571
Retained earnings	(775,176)	(1,051,280)
Total shareholders' equity	1,393,065	2,161,147
Share acquisition rights	–	2,758
Non-controlling interests	15,018	–
Total net assets	1,408,083	2,163,905
Total liabilities and net assets	1,981,349	2,737,711

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

(Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Net sales	580,527	355,586
Cost of sales	25,853	17,019
Gross profit	554,674	338,566
Selling, general and administrative expenses		
Research and development expenses	249,362	350,535
Other	187,996	253,710
Total selling, general and administrative expenses	437,359	604,246
Operating profit (loss)	117,315	(265,679)
Non-operating income		
Interest income	177	127
Subsidy income	367	2,367
Other	132	116
Total non-operating income	677	2,611
Non-operating expenses		
Interest expenses	5,875	4,728
Foreign exchange losses	1,932	6,334
Share issuance costs	–	3,666
Commission expenses	–	6,118
Share issuance costs	–	5,535
Other	606	75
Total non-operating expenses	8,414	26,459
Ordinary profit (loss)	109,578	(289,527)
Profit (loss) before income taxes	109,578	(289,527)
Income taxes - current	1,595	1,595
Total income taxes	1,595	1,595
Profit (loss)	107,982	(291,123)
Loss attributable to non-controlling interests	(25,220)	(15,018)
Profit (loss) attributable to owners of parent	133,203	(276,104)

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Profit (loss)	107,982	(291,123)
Comprehensive income	107,982	(291,123)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	133,203	(276,104)
Comprehensive income attributable to non-controlling interests	(25,220)	(15,018)

## Consolidated statements of changes in equity

Fiscal year ended December 31, 2019

(Thousands of yen)

	Shareholders' equity				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	(908,379)	1,259,861	40,239	1,300,101
Changes during period						
Profit (loss) attributable to owners of parent			133,203	133,203		133,203
Net changes in items other than shareholders' equity					(25,220)	(25,220)
Total changes during period	—	—	133,203	133,203	(25,220)	107,982
Balance at end of period	34,762	2,133,478	(775,176)	1,393,065	15,018	1,408,083

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
Profit (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

## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	109,578	(289,527)
Depreciation	44,192	44,157
Share-based remuneration expenses	3,175	9,902
Interest income	(177)	(127)
Interest expenses	5,875	4,728
Foreign exchange losses (gains)	(850)	6,950
Share issuance costs	–	3,666
Share issuance costs	–	5,535
Decrease (increase) in trade receivables	(32,816)	11,645
Decrease (increase) in inventories	106	1,044
Increase (decrease) in accounts payable - other	(5,050)	12,312
Other, net	58,630	(20,711)
Subtotal	182,662	(210,422)
Interest and dividends received	177	130
Interest paid	(5,610)	(4,404)
Income taxes paid	(1,577)	(1,588)
Net cash provided by (used in) operating activities	175,651	(216,284)
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(4,705)
Purchase of intangible assets	–	(421)
Purchase of investment securities	–	(7,868)
Payments for acquisition of businesses	(100,000)	–
Decrease (increase) in guarantee deposits	–	(469)
Net cash provided by (used in) investing activities	(100,000)	(13,465)
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
Net cash provided by (used in) financing activities	(120,000)	1,004,126
Effect of exchange rate change on cash and cash equivalents	850	(6,950)
Net increase (decrease) in cash and cash equivalents	(43,497)	767,425
Cash and cash equivalents at beginning of period	1,584,282	1,540,784
Cash and cash equivalents at end of period	1,540,784	2,308,210