Fiscal Year Ended May 2025

Full-Year Financial Results

July 17, 2025

Daito Pharmaceutical Co., Ltd.

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I. Overview of Financial Results for FYE May 2025

Financial Highlights

Net sales	**50.64 billion yen, up by 3.74 billion yen or 8.0% YoY** Sales of both APIs and FDF products grew steadily, especially for FDF external products.
Gross profit	**8.63 billion yen, down by 1.20 billion yen or 12.2% YoY** Decreased due to the change in product mix, increased depreciation, impact of slow-moving inventory valuation, and a rise of raw material costs caused by the weak yen.
EBITDA	**6.95 billion yen, down by 0.60 billion yen or 8.0% YoY** EBITDA, excluding the impact of increased depreciation, also decreased due to the factors listed above.
Operating profit	**2.61 billion yen, down by 1.27 billion yen or 32.7% YoY** Decreased due to lower gross profit and increased R&D cost as well as other SG&A expenses.
EPS	**62.74 yen, down by 42.26 yen or 40.2% YoY** Fell due to the decrease of operating profit and the payment of income taxes for previous years at a subsidiary. *The figure reflects the stock split on June 1, 2025.
Cash flows from operations	**5.89 billion yen, up by 0.71 billion yen or 13.8% YoY** Increased as a result of enhancing capital cost-conscious inventory control while the earnings before tax decreased.

Financial Highlights

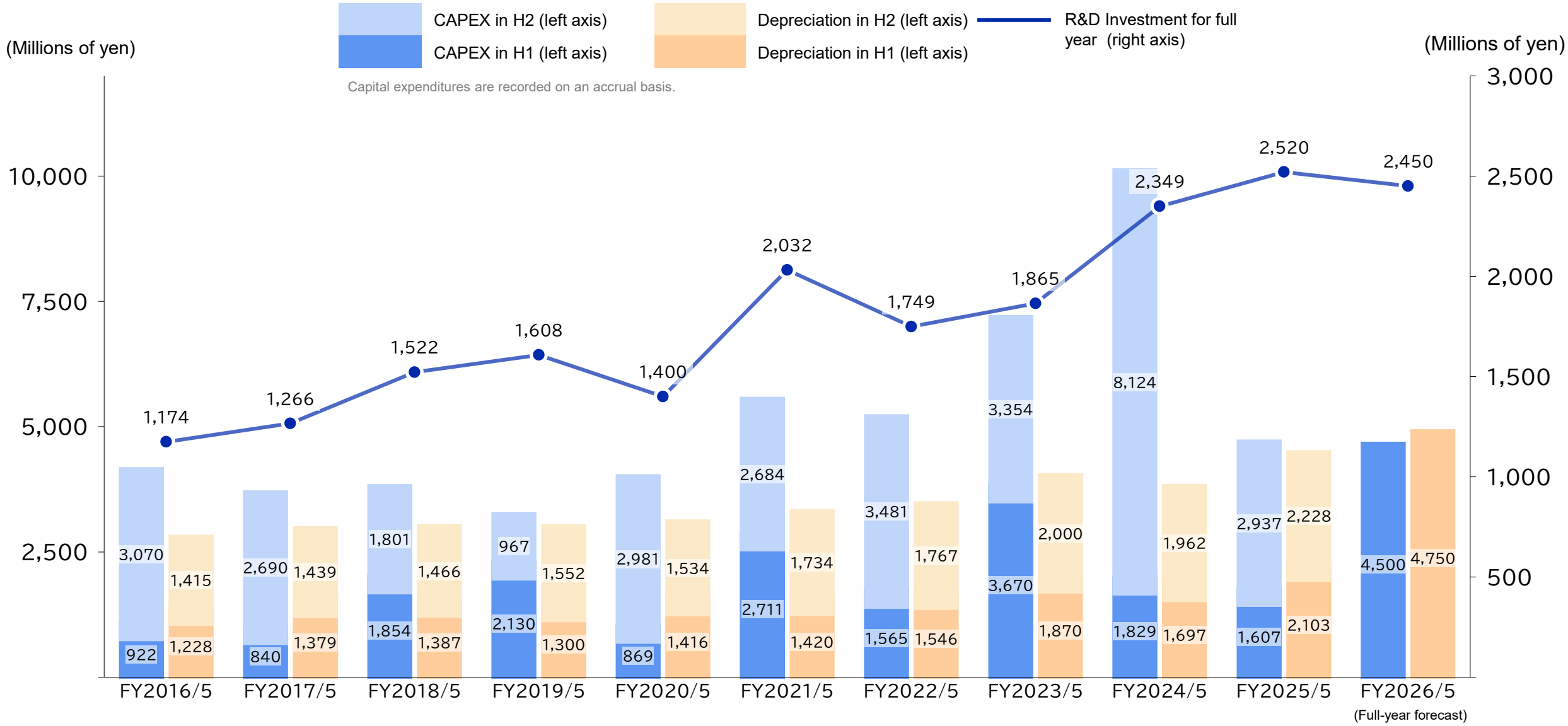
- Net sales **rose by 3.74 billion yen, or 8.0% YoY,** driven by steady performance in both APIs and FDF products.
- Each profit margin was squeezed due to **challenging business conditions**, such as increased depreciation, a revised product mix, a further drop in inventory valuation, and increased R&D investment, **with operating profit down 1.27 billion yen, or 32.7% YoY.**

(Millions of yen, %)

	FYE May 2024	**FYE May 2025**	YoY Change
	Amount	Amount	%
Net sales	46,895	**50,643**	+8.0
EBITDA	7,553	**6,952**	- 8.0
Operating profit	3,894	**2,619**	- 32.7
Ordinary profit	3,923	**2,705**	- 31.0
Net income attributable to Daito's common shareholders	3,295	**1,908**	- 42.1
EPS (yen)*1	105.00	**62.74**	- 40.2
Dividends (yen/share)*1	30.00	**35.00**	—
R&D Investment*2	2,349	**2,520**	+7.3
Depreciation	3,659	**4,332**	+18.4
Capital expenditure	9,974	**4,544**	- 54.4
Foreign exchange rate (yen/dollar)	147.87	**150.86**	—

*1 EPS and dividends per share are after the 2-for-1 stock split effective as of June 1, 2025. *2 R&D cost includes R&D unit depreciation and fluctuations in personnel expenses in that unit.

Trends in Capital Expenditure and R&D Investment



II. Details of Financial Results for FYE May 2025

Income Statement Summary

(Millions of yen, %)

	FYE May 2024 Amount	FYE May 2025 Amount	YoY change %
Net sales	46,895	**50,643**	+8.0
Cost of sales	37,056	**42,005**	+13.4
Gross profit	9,839	**8,637**	- 12.2
SG&A expenses	5,945	**6,017**	+1.2
Operating profit	3,894	**2,619**	- 32.7
Non-operating profit and loss	29	**85**	+192.5
Ordinary profit	3,923	**2,705**	- 31.0
Extraordinary profit and loss	295	**252**	- 14.3
Profit before income taxes	4,218	**2,958**	- 29.9
Income taxes	1,040	**1,192**	+14.7
Net income attributable to Daito's common shareholders	3,295	**1,908**	- 42.1

Cost of sales ratio

- Up 3.9 points, from 79.0% to 82.9%, due to increased depreciation, higher costs of raw materials resulting from yen devaluation, higher labor costs, and deterioration in product mix.

SG&A expenses

- While the increase in the overall SG&A expenses was kept at 70 million yen through smart spending initiative, R&D costs rose by 170 million yen primarily due to depreciation in the newly established research center.

Non-operating profit and loss

- It increased by 50 million yen overall primarily due to the investment gain of 70 million yen from equity-method affiliates (Feldsenf Pharma, Cheer Fine Pharmaceutical, and Anhui Tingworld Pharmaceutical).

Extraordinary profit and loss

- An overall loss of 40 million yen was recorded due to an increased loss on retirement of non-current assets of 70 million yen despite a 400 million yen gain on selling strategic investment stock.

Sales by Category

- API sales **grew by 1.21 billion yen, or 5.7%**, supported by strong in-house product sales driven by market expansion and steady external product sales fueled by inbound demand.
- Overall FDF product sales **increased by 2.5 billion yen, or 10.1%**, primarily due to a one-time bulk delivery under revised trade agreement terms.

(Millions of yen, %)

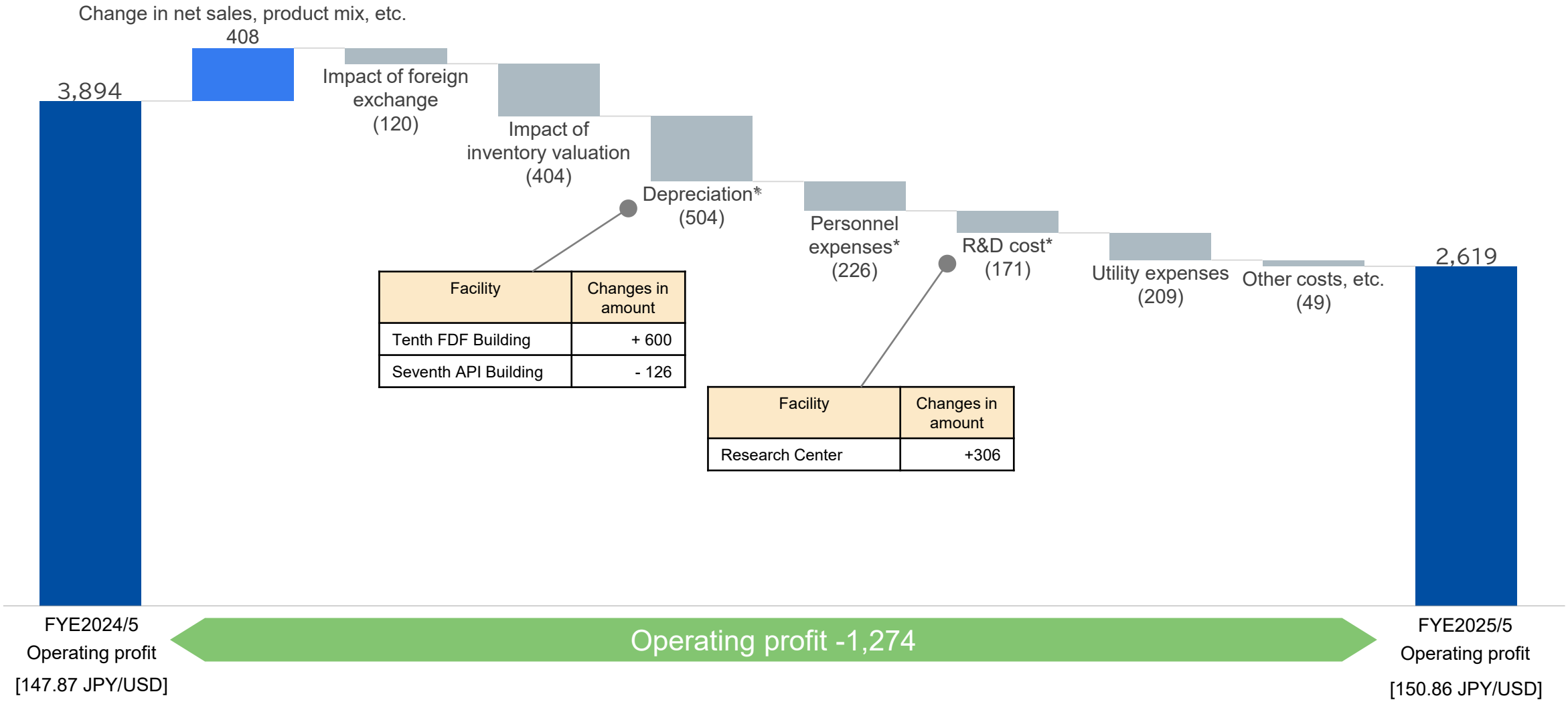
			FYE May 2024	FYE May 2025	YoY change (%)
APIs			21,654	**22,872**	+5.7
	In-house products*		20,128	**20,943**	+4.0
		In-house developed products (Gx)	18,643	**19,255**	+3.3
		Products manufactured under contract	1,485	**1,688**	+13.7
	External products*		1,526	**1,928**	+26.3
FDF products			25,042	**27,592**	+10.1
	In-house products*		23,077	**23,927**	+3.7
		In-house developed products (Gx)	13,528	**14,077**	+4.1
		Contract-manufactured prescription drugs	6,899	**6,840**	- 0.9
		Contract-manufactured OTC drugs	2,650	**3,009**	+13.5
	External products*		1,964	**3,665**	+86.6
		Gx	1,392	**3,070**	+120.5
		OTC drugs	571	**594**	+4.0
Health foods			199	**178**	-10.1
Total sales			46,895	**50,643**	+8.0

*In-house products are those manufactured or quality-assured within the Group.

*External products are products we handle including pharmaceuticals, APIs, excipients, etc. that do not fall under the category of in-house products.

Analysis of Changes in Operating Profit

(Millions of yen)



Facility	Changes in amount
Tenth FDF Building	+ 600
Seventh API Building	- 126

Facility	Changes in amount
Research Center	+306

* R&D cost includes R&D unit depreciation and fluctuations in personnel expenses in that unit. Depreciation and personnel expenses in this chart show those unrelated to R&D cost.

Balance Sheet Summary

- **After 12 consecutive years of increase,** inventories **decreased by 2.47 billion yen, or 11.9%,** as a result of focusing on inventory optimization based on the capital cost-conscious B/S management policy.
- Trade **receivables increased by 4.79 billion yen, or 31.1%,** including non-recurring revenue, due to the impact of **reaching the highest monthly sales on record** in May and also the end of that month falling on a weekend.
- Debt **increased by 3.16 billion yen, or 36.3%,** due to enhancing shareholder returns as well as the arrival of the payment deadline for capital investments aimed at strengthening production capacity and quality assurance systems.

(Millions of yen, %)

	As of May 31, 2024	As of May, 2025	Change
Current assets	41,460	**41,708**	+0.6
Cash and deposits	2,727	**2,207**	- 19.1
Trade receivables*	15,399	**20,195**	+31.1
Inventories	20,891	**18,414**	- 11.9
Non-current assets	36,247	**36,296**	+0.1
Total assets	77,708	**78,004**	+0.4
Current liabilities	18,505	**17,049**	- 7.9
Trade payables*	8,699	**8,266**	- 5.0
Short-term debt*	2,375	**3,457**	+45.6
Non-current liabilities	6,937	**8,887**	+28.1
Long-term debt*	6,345	**8,429**	+32.8
Total liabilities	25,443	**25,936**	+1.9
Total net assets	52,265	**52,067**	- 0.4

*Trade receivables and payables include electronically recorded monetary claims and obligations but does not include receivables and liabilities under factoring agreements.

* Long-term debt includes lease obligations.

Cash Flows Statement Summary

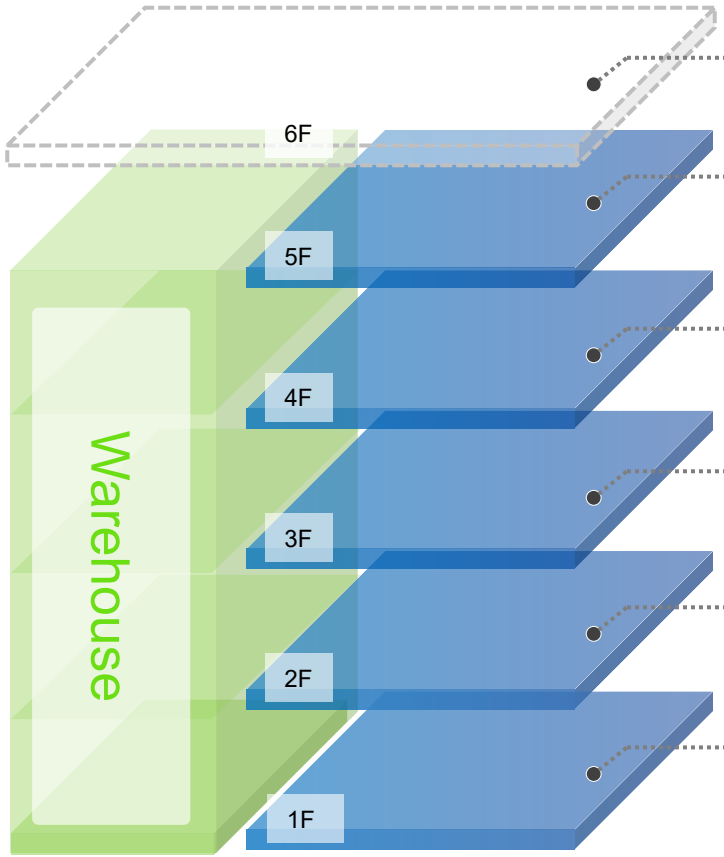
- Cash flows from operations **significantly increased by 710 million yen, or 13.8% YoY,** after launching measures to **enhance inventory control**, which led to cash flow recovery from the impact of increased trade receivables by reaching the highest monthly sales on record including non-recurrent revenue and also the impact of decreased profit before income taxes.
- Cash flows from investment resulted in a **net outflow of 7.36 billion yen**, primarily due to the arrival of the payment date for the newly established Research Center and for Phase 2 of the construction of the Tenth FDF Building, for which investments had been made up to the previous fiscal year.

(Millions of yen, %)

	FYE May 2024	FYE May 2025	YoY change
Cash flows from operations	5,182	**5,897**	+13.8%
Profit before income taxes	4,218	**2,958**	- 29.9%
Depreciation	3,659	**4,332**	+18.4%
Decrease (increase) in trade receivables	2,221	**(4,891)**	–
Decrease (increase) in inventories	(2,640)	**2,419**	–
Decrease (increase) in trade payables	802	**(360)**	–
Income taxes paid	(1,265)	**(842)**	–
Cash flows from investment	(5,930)	**(7,365)**	–
Purchase of property, plant, and equipment	(6,220)	**(6,854)**	–
Cash flows from financing	(183)	**1,002**	–
Net balance of short-term and long-term borrowings	1,900	**2,624**	+38.1%
Net increase (decrease) in cash and cash equivalents during period	(930)	**(465)**	–
Cash and cash equivalents at end of period	2,727	**2,207**	- 19.1%

Operation Status of the Tenth FDF Building and Future Plans

Estimated operation by floor (by construction phase) of Tenth FDF Building



Utility floor

Phase 2 Production line for FDF products

Scheduled to begin operations in the FY May 2027, in line with the clients' schedule.

Phase 1 Production line for FDF products

Manufacturing FDF products, both new products and products transferred from existing factories.

Phase 1 Production line for FDF products

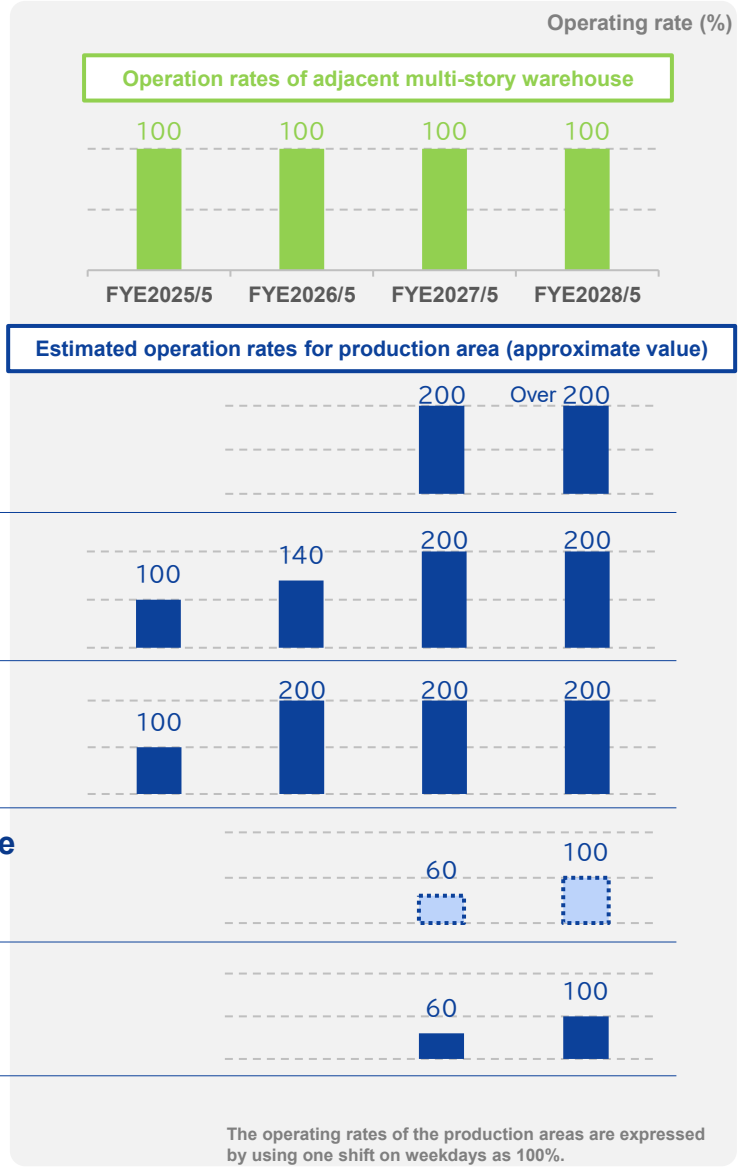
Manufacturing FDF products, both new products and products transferred from existing factories.

Phase 2 Packaging line & Future use space

Installing a palletizer. Considering installing a blister-packaging line in the space for future use.

Phase 2 Bottle packaging line

Bottle filling to packaging.



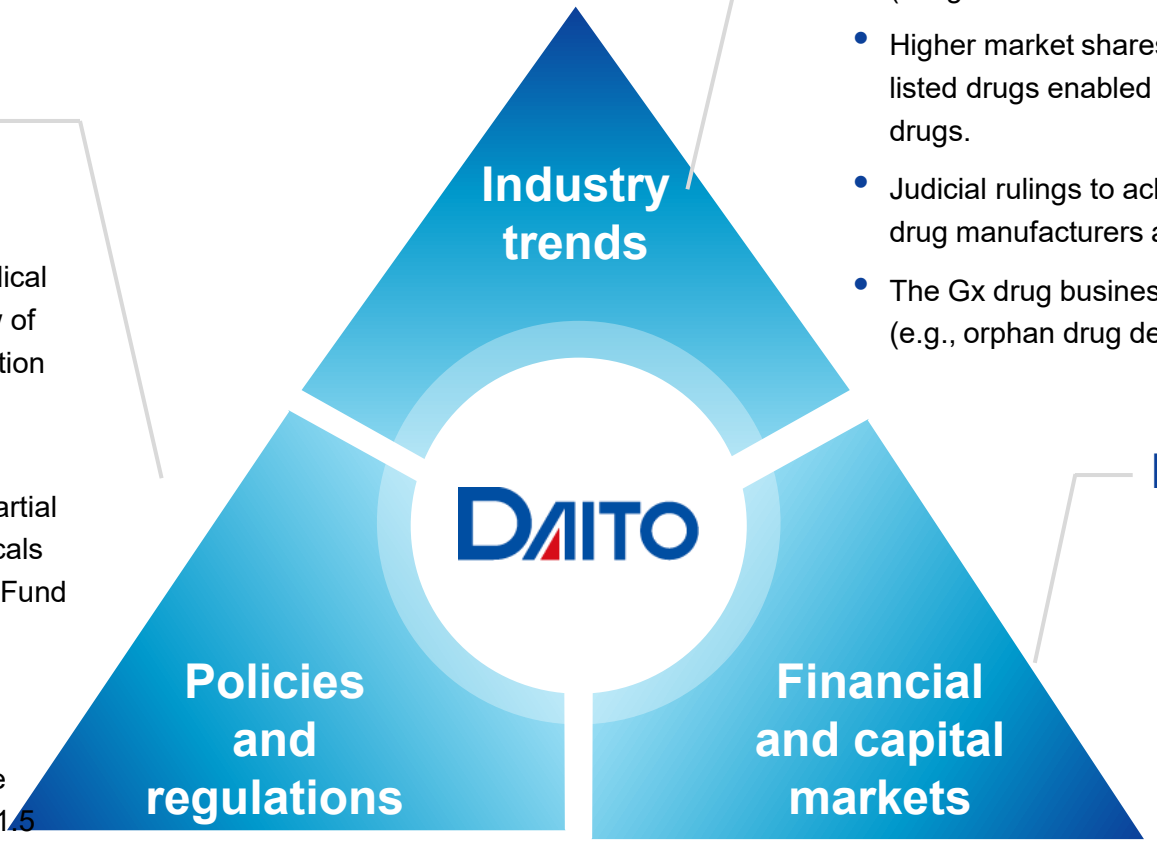
The operating rates of the production areas are expressed by using one shift on weekdays as 100%.

III. Progress of the Medium-term Management Plan "DTP2027"

Business Environment Surrounding Daito

Policies and regulations

- Advancement of medical and drug cost control measures such as introduction of selected medical care for off-patent, long-listed drugs and review of insurance benefits for OTC-equivalent prescription drugs, in addition to annual drug price revision.
- Securing of drug quality and safety as well as enhancement of stable supply systems upon partial amendment of laws including the Pharmaceuticals and Medical Devices Act (establishment of the Fund for Developing Infrastructure for Generic Drug Manufacturing).
- Streamlining of the drug delisting process and reduction of the time necessary to complete the regulatory procedure for product integration to 1.5 months.



Industry trends

- Rising momentum toward industry restructuring after the government indicated its policy on structural reform including product integration (integration of manufacturing and sales).
- Higher market shares of Gx drugs and faster transfer of off-patent, long-listed drugs enabled by introducing selected medical care for these drugs.
- Judicial rulings to acknowledge wider patent protection for brand-name drug manufacturers and increased difficulty of patent strategies.
- The Gx drug business peaking and increased entries into new domains (e.g., orphan drug development, overseas business, medical devices).

Financial and capital markets

- A faster shift to equity-focused corporate governance as the Tokyo Stock Exchange implements capital market reform.
- Heightened volatility in the financial market due to tariffs introduced by the Trump administration and growing tensions in the Middle East.
- Interest rate hike by the Bank of Japan as a response to cost-push inflation and a rise in funding costs.

Progress of the Medium-term Management Plan "DTP2027"

■ Progress in terms of the five pillars of Daito business strategy

Business strategy	Achievement and current state	Progress
 **1. Streamlining of Existing Businesses**	• Began dialogue with Meiji Seika Pharma to realize the Novel Consortium Initiative to integrate products and improve efficiency. • Began forecast accuracy improvement and PSI management enhancement efforts to strengthen stable supply capabilities and reduce long-held inventory. • Completed merger with Daiwa Pharmaceutical, and efficient, end-to-end manufacturing of APIs to FDF products began through the ONE Daito collaboration. • The portfolio management framework was established, streamlining the decision-making process on development.	○
 **2. Strengthening China Business**	• Began shipping Pregabalin capsules domestically, approved for the first time in China in January 2025, followed by a steady order increase. • Completed expansion of the quality control capabilities to support future production increase. • Products under development definitely improved but are behind schedule in various aspects from DTP2027. • Created an opportunity for Japan-China government dialogue and deepened understanding of various policies through exploration.	△
 **3. Entering into New Businesses**	• Signed with our partner, Nobelpharma Co., Ltd, the basic contract for developing NPC-29, a new orphan drug for the treatment of multiple system atrophy. • Discussions with our partner Nobelpharma Co., Ltd about a second project are progressing smoothly. • Promoted introduction of the Japanese version of 505(b)(2) to create new business opportunities using development capabilities of mid-level pharmaceutical companies including us. • We are holding discussions with various partners to explore new business opportunities.	○
 **4. Addressing a PBR Below 1 and Advancement of Capital Allocation**	• Bought back 300,000 treasury shares (2.0% of the total number of issued shares excluding the treasury stock) from the market and retired them (as of June 30). • Carried out 2-for-1 stock split to improve stock liquidity and expand the investor base (as of June 1). • Decided to introduce a shareholder benefits program to encourage more investors to hold our stock longer. • Decided on a dividend increase policy for FY ending May 2026, with the aim of further enhancing shareholder returns. • Developed a system to enhance governance on important investment projects and to link investments to a corporate value increase.	△
 **5. Investment in Human Capital**	• Made a top-level investment (wage increase) compared with other companies in Toyama Prefecture. • Conducted an engagement survey, visualized the result, and strengthened our human resource development and management efforts. • Launched off-site meetings among corporate officers and within all departments to create alignment toward achievement of the medium-term plan and the medium-to-long-term vision. • Implemented an e-learning program to enhance broader and more universal business skills.	○

Detail (1) Industry Structural Reform to Realize Stable Supply of Generic Drugs

- In 2024, the Ministry of Health, Labor and Welfare proposed the desirable state of the generic drug industry in the Strategy to Create a Near-Future Healthy and Active Society*, which set forth aggressive structural reform during an Intensive Reform Period over the course of about five years.

The desirable state of the generic drug industry

Currently, many companies compete with the same ingredients, each ending up having only a small market share. This situation will not improve supply stability or productivity. To regulate the excess competition and secure a stable supply, the appropriate number of companies that supply each ingredient should be five or so.

Specific actions taken by the generic drug industry to regain its ideal state

Action 01

Monetary and fiscal measures

The industry tried to improve the production efficiency through inter-company consortiums or corporate consolidation. It also considered support plans such as monetary and fiscal measures for capital investments necessary to raise the supply volume.

Action 02

Addressing antitrust concerns

The industry worked with the Fair Trade Commission to collect case studies and set up helpdesks to address concerns about possible breaches of the Antimonopoly Act in information exchanges, collaboration, or corporate consolidation to integrate products.

Action 03

Legal framework for a stable supply

The industry created a legal framework for a management system to secure a stable supply, which seeks a stable supply at the time of market entry during normal times, grasps and adjusts supply and demand, and implements measures to address unstable supply.

Action 04

Price and distribution to generate a virtuous investment-profit cycle

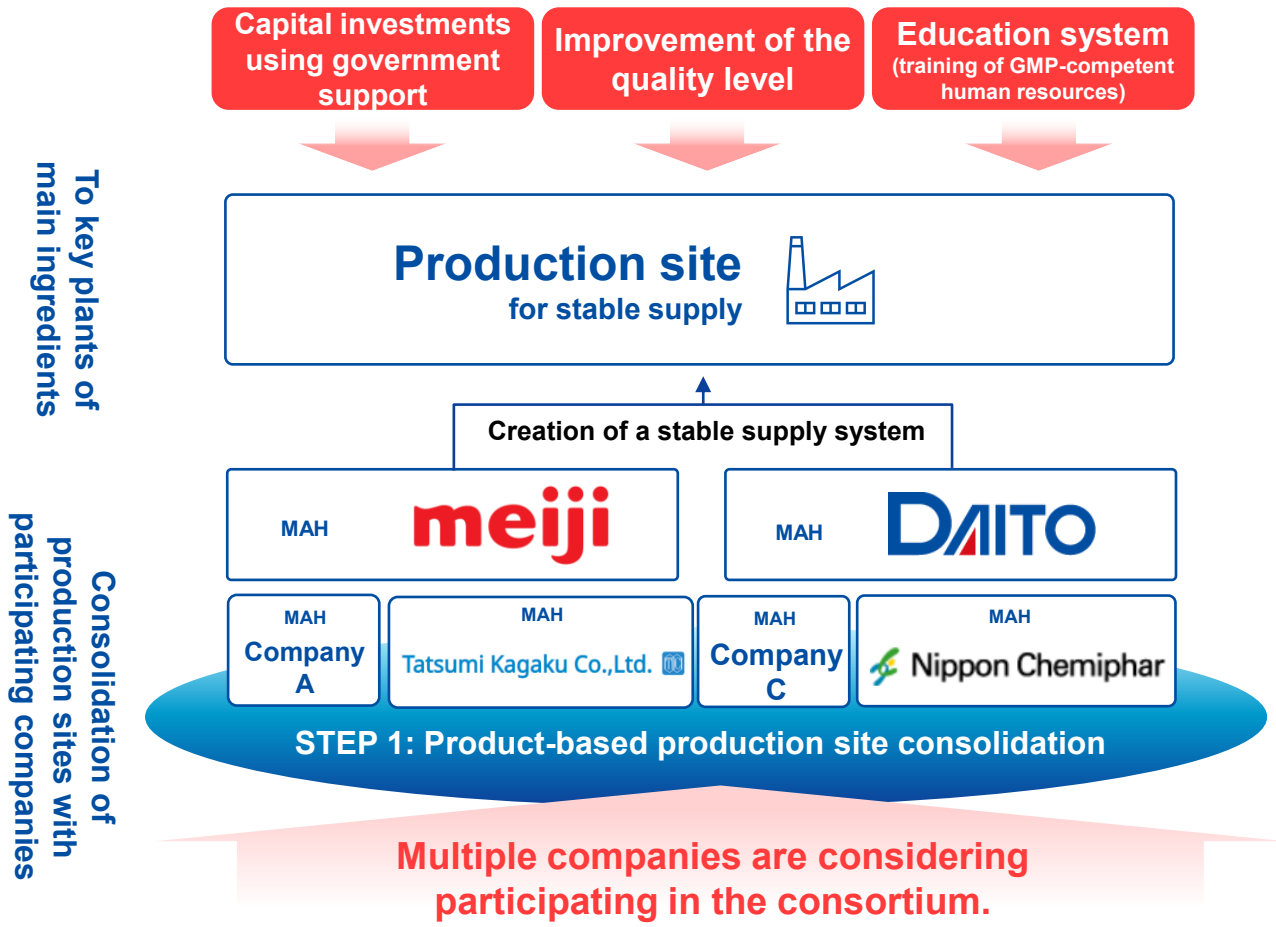
To visualize corporate efforts to ensure a stable supply, the industry carried out experimental use of corporate information and created a mechanism to release it. In the FY2024 drug price revision, the industry implemented the drug price shoring up rules including repricing of unprofitable products.

*Ministry of Health, Labor and Welfare (August 30, 2024)

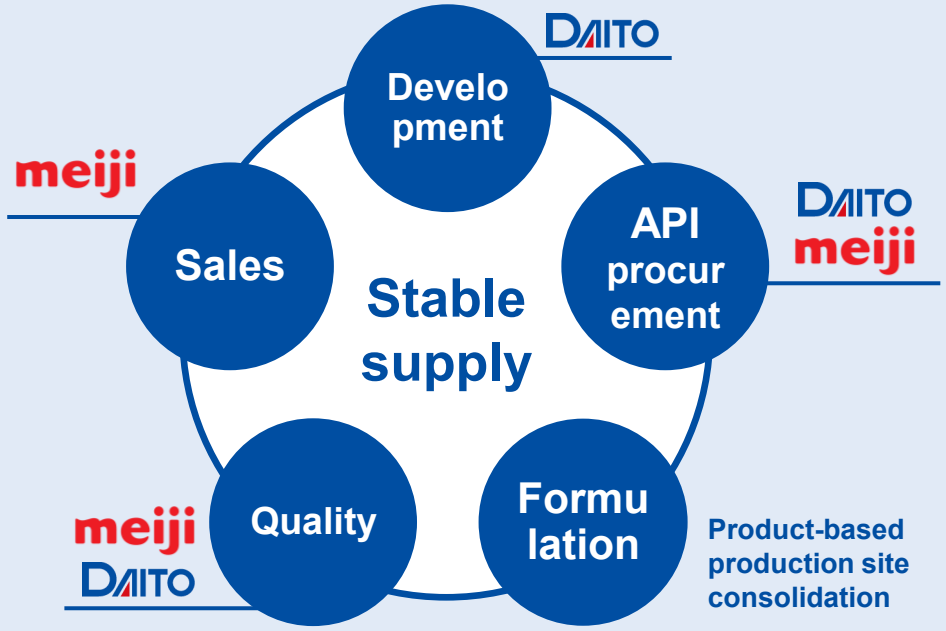
Detail (1) Current Effort to Realize the Novel Consortium Initiative

- Daito Pharmaceutical and Meiji Seika Pharma will optimize the drug supply system, based on the premise that participating companies will achieve consensus, and strengthen the value chain to become the core of realignment effort for the industry.

The Novel Consortium Initiative



Establishment of a value chain that will contribute to stable supply



Detail (1) Goal of the Novel Consortium Initiative

- After consolidating production sites, we will push talks with participating companies to standardize trade names and consolidate sales items.
- We aim to increase participating companies by fully committing to stable supply and quality control in line with each corporate culture.

Goal of the Novel Consortium Initiative

Step 1

Product-based production site consolidation

1. Promote initiatives based on shared motivation among participating companies.
2. Transfer QA/QC knowledge to raise the quality control level.
3. Establish ingredient-specific key plants.

Step 2

Product succession to increase sales / trade name standardization

1. Take over products from companies outside the consortium to heighten the value of the Novel Consortium.
2. Take over other companies' products with low market shares if they are in an area of strength.

Step 3

Drug supply system optimization based on the premise that participating companies will reach consensus

1. Realize stable supply by establishing a sophisticated demand prediction scheme.
2. Address supply concerns arising from high-mix low-volume production.
3. Create a system of mutual cooperation to strengthen reliability, and raise the quality standard level through standardization.

Increase of Novel Consortium Initiative member companies

Detail (2) Efforts to Strengthen Stable Supply Capabilities, Reduce Long-Held Inventory, and Product Disposals

Initiative to improve forecast accuracy

- Contract manufacturing organizations (CMOs) like us must **rely on demand forecast by outsourcers who know the demand on the operational level**.
- **Contractors must cooperate in enhancement of outsourcers' forecast accuracy to reduce the management burden caused by long-held inventory and product disposals while enhancing the stable supply capabilities of the overall drug industry.**
- **Outsourcers and contractors must create a culture of an "Equal Partner."**

VITAL ››› **Negotiation with customers**

VITAL ››› **Appeal to major industry groups**

Speeches we made

April 21, 2025

We spoke on the topic of "Quality Culture and Forecast Accuracy as the Key to Stable Supply" at the JPMA Quality & Technology Committee General Assembly (attended by about 84 people from brand-name drug manufacturers).

June 20, 2025

We gave a speech at the seminar hosted by the Toyama Pharmaceutical Association.

Introduction of the S&OP process

- **We have introduced the Sales & Operations (S&OP) process to enhance efficiency and reduce risks with the goal of improving supply stability and achieving sustainable growth in the market.**

■ Objectives of the introduction

1. Maintain appropriate supply-demand balance
2. Optimize production efficiency and minimize product disposal
3. Secure appropriate lead time
4. Enhance inter-team collaboration
5. Enhance customer satisfaction
6. Share risks and formulate an action plan through inter-department collaboration
7. Promote quick and appropriate decision-making

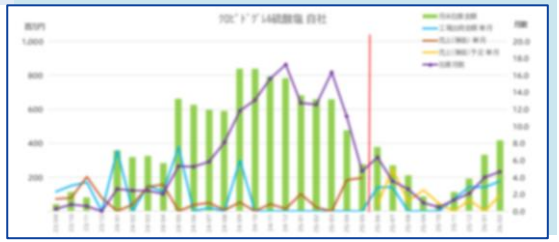
Supply and demand integration and management capability

Product	Demand	Supply	Supply-demand adjustment	S&OP
✓ Plan and develop products & new products ✓ Plan the number of units ✓ Plan product discontinuation (changeover / discontinuation)	✓ Forecast demand ✓ Plan sales ✓ Confirm sales forecasts ✓ Check of product inventory ✓ Verify the planned number of units	✓ Verify demand information ✓ Plan production ✓ Check production capacity constraints ✓ Purchase materials / raw materials ✓ Carry out preliminary supplier assessment	✓ Verify fluctuation risks ✓ Draft response and adjustment to raw material risks ✓ Draft production plan adjustment ✓ Consider measures to clear inventory	✓ Approve advance production ✓ Approve inventory volume / value ✓ Approve advance arrangement of material / raw material ✓ Agree on allocation ideas ✓ Agree on the financial impact

SCM data management

■ For PSI management enhancement

We maintain the appropriate inventory level to ensure stable supply by graphing (visualizing) production, sales, inventory, and months of inventory, while also taking into account the raw material purchasing situation and forecasting risks.



Detail (3): Plant Improvement to Prepare for Product Capacity Expansion in China

STEP 1 Utilization of an existing building

Complete

- We relocated a part of warehouse function and administrative function to a different building from the first floor of the FDF building.
- We expanded the quality testing function on the first floor of the FDF building and introduced new packaging equipment for products for the Chinese market on the second floor.
- We strengthened the production and quality control functions to a certain degree.

NEXT・・・

STEP 2 Addition of production capabilities to the future use space on the third and fourth floors

- If production and sales of Daito products go well and the equipment described in STEP 1 is insufficient to carry out all contract manufacturing,
- We will install production equipment in the future use space on the third and fourth floors to significantly strengthen the manufacturing capabilities.

FDF building + Different building → Utilization

Expansion of the quality control department to prepare for production increase

- **We expanded the quality control unit, which could become a bottleneck, to prepare for production of up to 13 products.**
- **We created a packaging line on the second floor of the FDF building to prepare for the packaging process, which we originally had not undertaken for products for the Japanese market.**

Packaging line

Strengthening of the quality control unit

Strengthening of the manufacturing capabilities

2F: China + Japan — Product manufacturing and packaging: ・Drug manufacturing ・Packaging

1F: China + Japan — Product packaging and quality control: ・Packaging ・Quality control

Introduction of packaging equipment and strengthening of the quality control function

FDF building

4F: China — Product manufacturing and packaging: Manufacturing and packaging of products for the Chinese market

3F: China — Product manufacturing: Manufacturing of products for the Chinese market

2F: China + Japan — Product manufacturing: Manufacturing of products for the Japanese and Chinese markets

1F: China + Japan — Product packaging and quality control: ・Packaging ・Quality control

Strengthening of the manufacturing capabilities

Detail (4): First Shipment of Daito Generic Drugs in China and Future Development Plan

Future development schedule

SCHEDULE	FY2024		FY2025		FY2026		FY2027		FY2028	
	H1	H2	H1	H2	H1	H2	H1	H2	H1	H2
Daito product 1 Pregabalin capsules	Done Start development	Done Application			Done Approval and launch					
Daito product 2	Done Start development	Done Application			Approval and launch					
Contract product 1			Done Application			Approval and launch				
Contract product 2				Timing of application is under consideration						
Contract product 3			Done Application			Approval and launch				
Contract product 4			Done Application			Approval and launch				
Contract product 5			Done Application			Approval and launch				
Contract product 6					Done Application			Approval and launch		
Contract product 7					Done Application			Approval and launch		
Contract product 8					Application			Approval and launch		
Contract product 9					Application			Approval and launch		
Contract product 10					Application			Approval and launch		
Contract product 11					Application			Approval and launch		
Other contract products				Timing of application is under consideration						

May 15, 2025: Initial shipment of the first Daito generic drug in China

Pain treatment drug "普瑞巴林胶囊" (Pregabalin capsule)

Shipment ceremony

Detail (5) Current Alliance Situation for the Orphan Drug CDMO Business

About orphan drugs

	Generic drugs	Orphan drugs
Target disease	Mainly, lifestyle-related diseases and painkillers	Rare diseases with fewer than 50,000 patients, etc.
Possibility of successful development	◎ **High**	△ Lower than generics, but higher than typical new drugs
Development costs	◎ **Up to several hundred million yen**	○ Several hundred million yen to several billion yen (joint expenditure with partner companies)
Sales scale/ stability	× In many cases, sales have already peaked by the time the product is released, and it is common for sales to fall rapidly each year due to drug price revisions.	◎ **With little competition, drug prices are unlikely to fall. A system is in place that ensures a 10-year exclusivity period.**
Drug price	× Less than 50% of the price of the original drug	◎ **High drug prices expected due to being a new drug**
Target market	○ As a general rule, limited to Japan	◎ **Japan, U.S., and Europe (+China and other emerging countries)**
Market growth	× Future growth will level off.	◎ **Growth is expected to continue at a rapid pace.**
Production (facilities)	△ Based on the premise of mass sales	○ Not as large as generics, and does not require large-scale facilities

Collaboration with Nobelpharma Co., Ltd.

■ Conclusion of the agreement on the first project

On May 29, 2025, we signed a basic agreement with Nobelpharma for development of NPC-29, an FDF product containing ubiquinol that Nobelpharma is developing for the treatment of multiple system atrophy (MSA).
We will make every effort to deliver it to patients as early as possible.

Our roles

Examination of the formulation and manufacturing methods as well as manufacturing of drugs for clinical trials and commercial sales, and consideration, modification, and investment in manufacturing equipment, etc.

Multiple system atrophy (MSA)

Multiple system atrophy (MSA) is a neurodegenerative disorder that causes atrophy or degeneration of specific areas of the brain, particularly the basal ganglia, cerebellum and brain stem. This disorder is characterized by abnormalities in the autonomic nervous system, which can lead to problems with autonomic functions such as the automatic regulation of blood pressure, heart rate and breathing. MSA can also cause motor dysfunction. Symptoms include resting tremors, muscle stiffness and gait disturbance.
At present, there is no known cure for MSA. According to the Japan Intractable Disease Information Center, the number of patients in Japan is 10,528 (number of people with medical care recipient certificates at the end of 2023).

■ A lecture event by Dr. Jun Mitsui (April 9, 2025)

We invited Dr. Jun Mitsui (Project Associate Professor, Precision Medicine Neurology, Graduate School of Medicine, the University of Tokyo) to our office to give a lecture titled: History of Development of MSA-01 for the Treatment of Multiple System Atrophy. Our R&D team as the main audience learned about the events leading up to the success of Phase II trials and renewed the determination to bring the development to success.

Dr. Mitsui from the University of Tokyo, Ms. Wada, and Nobelpharma Managing Director & CEO Jin Shiomura at the Daito head office

The second project is now underway

Detail (6) Promotion of Introduction of the Japanese Version of 505(b)(2) to Create New Business Opportunities

New drug discovery and creation of innovation

Development of an environment that facilitates drug discovery and ensures profitability

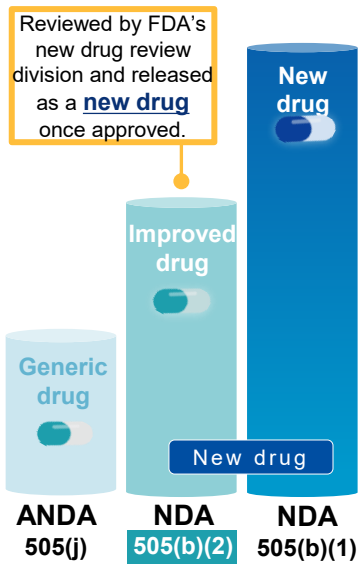
In the U.S., the drug application category 505(b)(2) is a hybrid of new drug application (505(b)(1)) and generic drug application (505(j)). Applicants may refer much of their application data to data by the FDA or other companies. While this allows for lower development costs and shorter development time, the drug is reviewed by FDA's new drug review division. Once approved, the drug is released as a new drug (with three to seven years of market exclusivity).

In Japan, application categories are divided into (1) to (10-4). Among them, categories (3) to (6) correspond to 505(b)(2). Many companies find applying in these categories challenging since it requires many data packages, and the drug price is highly likely to be set low due to the Special Provision on Drug Repositioning introduced in FY2010.

For Japanese pharmaceutical companies like us that are not capable of developing drug products containing a new active ingredient but can develop improved drugs using high-level formulation technology to improve patient convenience, introduction of the Japanese version of 505(b)(2) will be an opportunity for new drug discovery and creation of innovation while taking advantage of Japan's strength of making improvements.

High — Difficulty of drug application

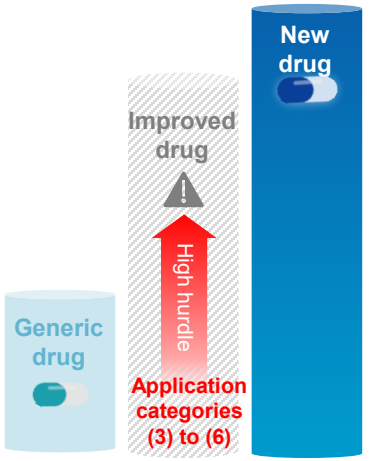
Application categories in the U.S.



Situation

Applicants can omit a large part of preclinical data by incorporating brand-name drug data.
They can reduce development cost and shorten development time.

Current application categories in Japan

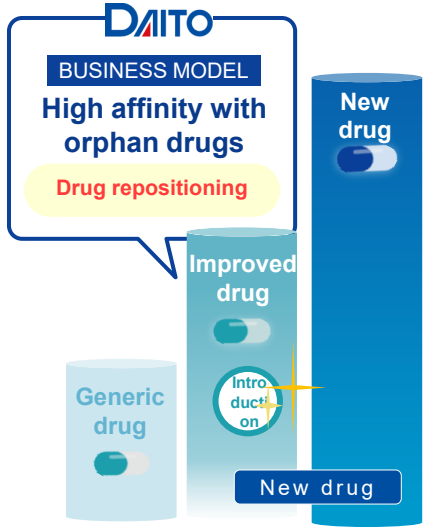


Divided into (1) to (10-4)

Challenging to many companies

- Application requires many data packages.
- Drug prices may be set lower due to the Special Provision on Drug Repositioning.
- Applicants must prepare all data by themselves.

After introducing Japanese version of 505(b)(2)



Japanese version of 505(b)(2)

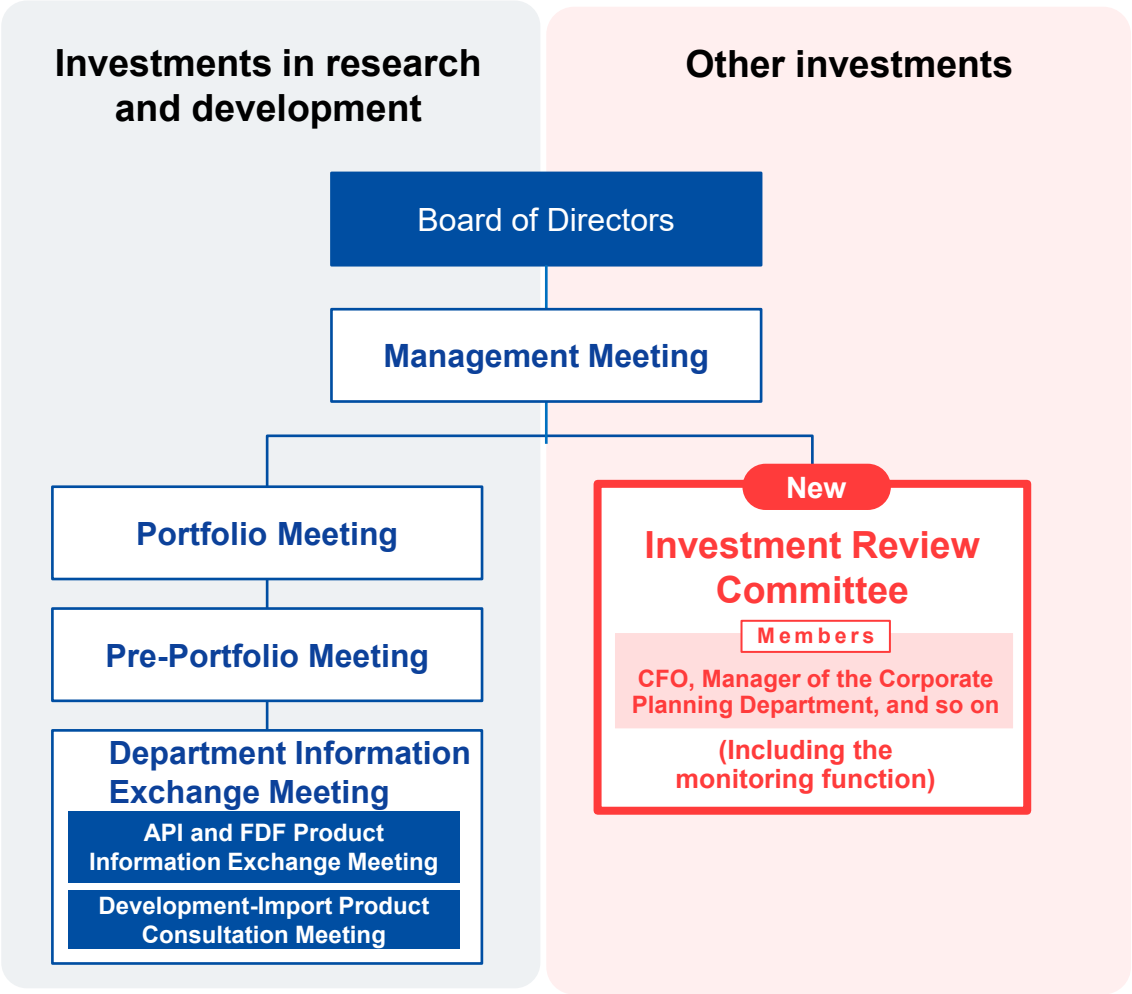
- Applicants can refer to other companies' data and papers.
- Applicants can reduce development cost and accelerate development.
- Drug lag and drug loss can be eliminated.
- Opportunities for new drug discovery and creation of innovation will be provided.

Orphan drug

An orphan drug is a pharmaceutical product designated by the Minister of Health, Labour and Welfare for rare disease treatment. The intended patient population for the drug must be less than 50,000. Also, the drug must have high medical needs and prospect for development.

Detail (7) Strengthening of the System to Maximize the Return on Investment while Factoring in Capital Costs

Strengthening of investment-related governance to enhance corporate value



■ Outline and purpose of the Portfolio Meeting

- The API and FDF product development process is divided into six stage gates (checkpoints). At each stage gate, meeting members analyze the latest market trends and profitability of the subject API/FDF product and check the level of technical and regulatory challenges in development, patents, and internal resources. By doing so they discuss whether or not the stage gates can be passed.
- At the Portfolio Meeting, members also discuss the viability of investing in joint development of products by other companies, as well as acquiring already-marketed products from them, based on market trend forecasts, profitability analysis, potential synergies with existing products, and various risks (e.g., risks of policy changes).
- The meeting chair is the CEO. The Portfolio Management Department serves as the administrative office. Meeting members include the CFO and Managers of the Research and Development Division, Production Division, and Quality and Regulatory Affairs Division.

■ Outline and purpose of the Investment Review Committee

- Meeting members grasp accurate qualitative and quantitative information for important investments in the area of capital investment and funding that exceed the specified level. Based on that information they make more rational investment decisions taking into consideration the appropriateness of investments (consistency with strategies), expected profit and effects, and potential risks and countermeasures.
- They also regularly review progress on the plan formulated at the time of investment. While monitoring the investment outcome, they carry out post-investment evaluation to revise the plan early if the expected outcome is not achieved.
- The meeting chair is the CFO. The Corporate Planning Department serves as the administrative office. Meeting members include inside Directors as well as Managers of the Corporate Planning Department and Financing and Accounting Department. Company lawyers, CPAs, and tax accountants will also join for some investment projects.

Detail (8): Enhancement of Shareholder Returns and Contribution to a Self-care Society

Introduction of the shareholder benefits program

Program overview

- **Record dates:** End of November and May (first record date: the end of November, 2025)
- **Benefit:** 60% discount tickets for health foods[1] that we, as a pharmaceutical company, plan and health food manufacturers produce
- **Eligibility:** One item for holding 100 or more shares continuously for at least six months[2]
  Five items for holding 500 or more shares continuously for at least six months

Item 01

Product class	Processed blackcurrant product
Product name	Blackcurrant Eye Power II
Features	1. Contains 50 mg of blackcurrant anthocyanin in three tablets 2. Contains 10 mg of lutein in three tablets 3. Contains 2 mg of astaxanthin in three tablets 4. Uses the blackcurrant extract by Meiji Group
Content	90 tablets x 3
List price	20,400 yen

Item 02

Product class	Food containing hyaluronic acid	
Product name	Hyaluron Q Plus III	
Features	1. Contains hyaluronic acid (Hyabest) produced by Kewpie 2. Contains a good balance of beauty and joint care ingredients 3. Contains BioPerine that enhances ingredient absorption	
Content	80 tablets x 3	320 tablets x 2
List price	24,000 yen	58,000 yen

Item 03

Product class	Food containing Coenzyme Q10	
Product name	Q10Prime	
Features	1. Contains 140 mg of coenzyme Q10 in two tablets 2. Contains BioPerine to enhance absorption of ingredients including Q10 3. Boosts energy with arginine, carnitine, and citrulline	
Content	60 tablets x 2	240 tablets x 2
List price	13,000 yen	46,000 yen

Item 04

Product class	Food containing spirulina
Product name	Lina Health Plus
Features	1. Nutrition food containing edible blue-green algae called spirulina 2. Perfect for those who find it difficult to intake carotene-rich vegetables 3. Contains a rich amount of vitamins and minerals
Content	1,800 tablets
List price	10,000 yen

Item 05

Product class	Processed ginkgo leaf extract product
Product name	Ginkgo Leaf Q
Features	1. Contains 120 mg of ginkgo leaf extract in three tablets 2. Contains 12 mg of lutein in three tablets 3. Contains 300 mg of harp seal oil in three tablets 4. Uses the ginkgo leaf extract by the German company Schwabe
Content	90 tablets x 3
List price	21,000 yen

Item 06

Product class	Jelly containing 18 billion nano-sized Lactobacillus brevis cells
Product name	Labre Jelly II
Features	1. Contains 18 billion nano-sized Lactobacillus brevis cells per packet 2. Yogurt-flavored jelly 3. Packet-type product 4. Contains galacto-oligosaccharides 5. Contains indigestible dextrin
Content	30 packets x 3
List price	11,700 yen

Item 07

Product class	Unprocessed young barley leaf product, a food with nutrient function claims (vitamin B12)
Product name	Prime Green Juice + Vegetable-Based Enzyme 108
Features	1. Uses only nutrient-rich young barley leaves 2. Leaves are carefully ground three times into superfine powder 3. Contains an enzyme fermented using about 108 kinds of fruits and vegetables 4. Additionally contains 22 kinds of lactic acid and quercetin
Content	90 packets
List price	8,000 yen

1: Available only through door-to-door distributors across the country and not sold to the public at retail stores. 2. The initial shareholder benefits are available regardless of shareholding period.

Detail (9): Investment in Human Capital and Development of Human Resources

Top-level wage increase among major companies in the prefecture

check

初任給増 半数超28社

県内主要企業アンケート 54社回答

賃上げ8割超の45社

人材確保・定着狙う

初任給を1万円以上アップした企業

社名	上げ幅
エヌアイシ・オートテック	30,000円
北陸銀行	25,000
コーセル	20,000
大建工業	20,000
富山村田製作所	19,000
サクラパックス	18,000
北陸電気工事	17,000
中越バルブ工業	16,300
佐藤工業	15,000
高岡信用金庫	15,000
富山第一銀行	15,000
北陸電力	15,000
北陸電気工業	13,600
YKK	12,000
YKK AP	12,000
北陸コンピュータ・サービス	10,500
富士化学工業	10,000
不二越	10,000

※2025年度の大学卒の初任給額を回答した33社のうち、上げ幅が大きい順。同額の場合は五十音順

北日本新聞が県内の主要企業を対象に行ったアンケートで、回答した54社のうち8割超の45社が2025年度に賃上げを行うとした。初任給を増額するとしたのは28社で全体の半数超を占め、24年度から7万円以上引き上げる企業も3社に上った。人手不足が幅広い業界で深刻化する中で、各社は大幅に待遇を改善することで人材の確保や定着を図る。（村田英之海）

アンケート調査は4月上中旬、上場企業を中心に業種のバランスを考慮して選んだ68社を対象に行った。賃上げを「実施する」とした45社のほか、「未定」と「労使交渉中」がそれぞれ4社、「実施しない」が1社だった。

賃上げの内訳を複数回答で尋ねたところ、定期昇給としたのは43社、ベースアップ（ベア）は33社、新卒者の初任給増額が28社、賞与（一時金）増額が11社だった。25年度の賃上げ率を回答した36社のうち、5％以上としたのは16社。ダイトが7・0％、北陸電気工業が6・5％程度、富士化学工業が6・3％など、製造業を中心に引き上げが目立った。

賃上げの理由（複数回答）としては、「人材の確保・定着のため」が40社と最も多く、「従業員のモチベーションを向上させるため」が34社、「物価上昇を反映したため」が30社と続いた。「業績が好調・改善しているため」は10社にとどまった。業績に関係なく、人材の流出を防ぐ目的で待遇改善を図っている傾向が顕著になった。

全国では初任給を30～40万円台とする大手企業が相次いでいる。賃上げの大手、県外企業との競争が強まる中、県内でも優秀な新卒人材確保のため、25年度の初任給を大幅にアップする動きが広がっている。

24、25年度の大学本卒の初任給額を回答した53社のうち、引き上げ幅が最も大きかったのはエヌアイシ・オートテックで、3万円増の22万5千円。北陸銀行は4月時点で2万5千円増の25万円とした。コーセルと大建工業は2万円増額。このほか、引き上げ幅1万円台が14社、5千円未満が4社だった。

初任給全体の底上げに加え、若手や中堅社員との待遇の「逆転」が生じないよう、制度設計を工夫しているとした企業もあった。富山村田製作所は「初任給増額分と同額を若手社員の給与に上乗せすることで賃金差を維持」、インテックは「中堅、ベテラン社員も含めたバースアップの実施」と取り組みを説明した。

Among 36 companies who responded on the FY2025 wage increase, 16 indicated 5% or higher. The manufacturing industry stood out with a higher wage increase such as Daito Pharmaceutical (7.0%), Hokuriku Electric Industry (about 6.5%), Fuji Chemical Industries (6.3%), and Fujikoshi (6.3%).

Source: Front page, morning edition of The Kitanippon Shimbun, April 30, 2025.

Launch of the Engagement Survey

- In June 2025, we carried out the first engagement survey.
- We will use the obtained data to improve the work environment, increase employee retention, and enhance employee awareness.
- Although we have a high retention rate (attrition rate in FY ended May 2024 (for personal reasons): 2.8%), we will **work to secure competent human resources and further increase the retention rate.**

Off-site meetings at all department

- We budgeted a meeting at least once a year for each department.
- At the meeting, members will leave their daily operations behind and focus on strategic discussions and formulation of plans.
- The objective of the meeting is **to solve problems, share issues, improve communication, and strengthen the solidarity of the team.**

E-learning program “Daito Learning”

In addition to the current single-purpose e-learning system for GMP education, security education, and so on, we have adopted a general-purpose platform **to introduce a system that teaches personal development in over 6,000 videos and also teaches other areas using video manuals created by Daito.**

KGI Revision in DTP2027

Recent performance and the revised KGI in DTP2027

In millions of yen

		FY May 2025			FY May 2026		FY May 2027		Contributing factors
		Initial forecast	Revised target	Result	Initial target	Revised target	Initial target	Revised target	
Growth	Net sales	49,000		50,643	53,000	52,500	57,000	56,000	1. Downward correction of expectations due to introduction of selected medical care 2. Delayed product launch in China from the initial schedule 3. Delayed some contract manufacturing in the Tenth FDF Building 4. Cancellation of new product launch in Japan
Profitability	EBITDA (EBITDA margin)	7,800 (15.9%)	6,750 (13.8%)	6,952 (13.7%)	9,600 (18.1%)	7,750 (14.8%)	11,000 (19.3%)	10,000 (17.9%)	
	Integrated production ratio	60%		65%	60%				
Efficiency	CCC			246 days			220 days		
Capital productivity	ROIC			3.1%			6.5%	5.5–6.5%	Same as downward revision of EBITDA (We aim to achieve the initial target earlier by strengthening control of invested capital.)
	ROE			3.7%			8.0%	7.0–8.0%	
Shareholder return	DOE	2% or higher		2.01%	2% or higher (progressive dividend)				Further commitment to the stable dividend growth policy
	Exchange rate	150 yen		150.86 yen	150 yen				

IV. Full-year Earnings Forecast for FYE May 2026

Full-year Earnings Forecast for FYE May 2026

- We expect the situation will remain challenging due to the impact of yearly drug price revision, shortages of new off-patent long-listed drugs, and the FDF product launch in China falling behind the initial schedule. We will still promote product integration inside and outside the framework of the Novel Consortium Initiative to break away from the high-mix volume production model and increase profitability.
- In terms of costs, although we plan to bring outsourced testing in-house and further implement smart-spending, we expect costs to increase due to the expansion of production facilities, higher depreciation expenses from strengthening quality control systems, and investments in human capital.

(Millions of yen, %)

	FYE May 2025	FYE May 2026 (forecast)	YoY change
	Amount	Amount	%
Net sales	50,643	**52,500**	+3.7
EBITDA	6,952	**7,750**	+11.5
Operating profit	2,619	**3,000**	+14.5
Ordinary profit	2,705	**3,000**	+10.9
Net income attributable to Daito's common shareholders	1,908	**2,300**	+20.5
EPS (yen)	62.74	**76.70**	—
Dividends (yen/share)	35.00	**40.00**	—
R&D cost*	2,520	**2,450**	- 2.8
Depreciation	4,332	**4,750**	+9.6
Capital expenditure	4,544	**4,500**	—
Foreign exchange rate (yen/dollar)	150.86	**150.00**	—

* R&D cost includes R&D unit depreciation and fluctuations in personnel expenses in that unit.

Sales Forecast by Category

- For APIs, we expect sales of in-house products will remain strong, and sales of external products will steadily rise leading to the **strong performance of a 720 million yen or 3.2% increase.**
- For FDF products, it is expected that sales of external products will drop as a reaction to the previous fiscal year, but sales of Daito Gx drugs will steadily grow revealing the **strong performance of a 1.1 billion yen or 4.0% rise.**

(Millions of yen, %)

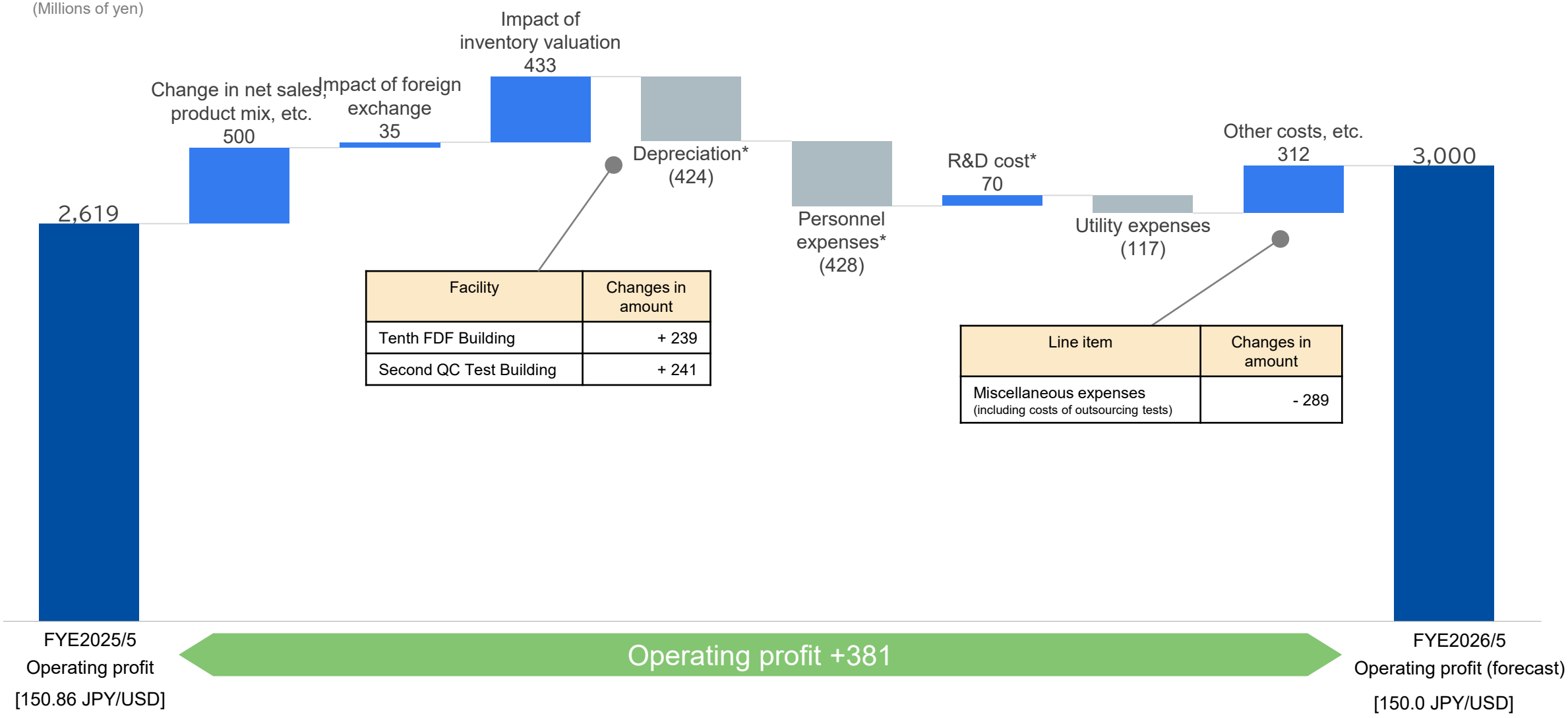
			FYE May 2025	FYE May 2026 forecast	YoY change (%)
APIs			22,872	**23,600**	+3.2
	In-house products*		20,943	**21,500**	+2.7
		Daito products (Gx)	19,255	**20,000**	+3.9
		Products manufactured under contract	1,688	**1,500**	- 11.2
	External products*		1,928	**2,100**	+8.9
FDF products			27,592	**28,700**	+4.0
	In-house products*		23,927	**26,100**	+9.1
		Daito products (Gx)	14,077	**17,000**	+20.8
		Contract-manufactured prescription drugs	6,840	**6,200**	- 9.4
		Contract-manufactured OTC drugs	3,009	**2,900**	- 3.6
	External products*		3,665	**2,600**	- 29.1
		Gx	3,070	**2,200**	- 28.4
		OTC drugs	594	**400**	- 32.7
Health foods			178	**200**	+11.8
Total sales			50,643	**52,500**	+3.7

*In-house products are those manufactured or quality-assured within the Group.

*External products are products we handle including pharmaceuticals, APIs, excipients, etc. that do not fall under the category of in-house products.

Analysis of Changes in Operating Profit

(Millions of yen)



Facility	Changes in amount
Tenth FDF Building	+ 239
Second QC Test Building	+ 241

Line item	Changes in amount
Miscellaneous expenses (including costs of outsourcing tests)	- 289

* R&D cost includes R&D unit depreciation and fluctuations in personnel expenses in that unit. Depreciation and personnel expenses in this chart show those unrelated to the R&D cost.

Shareholder Return Policy

Acquisition of treasury shares

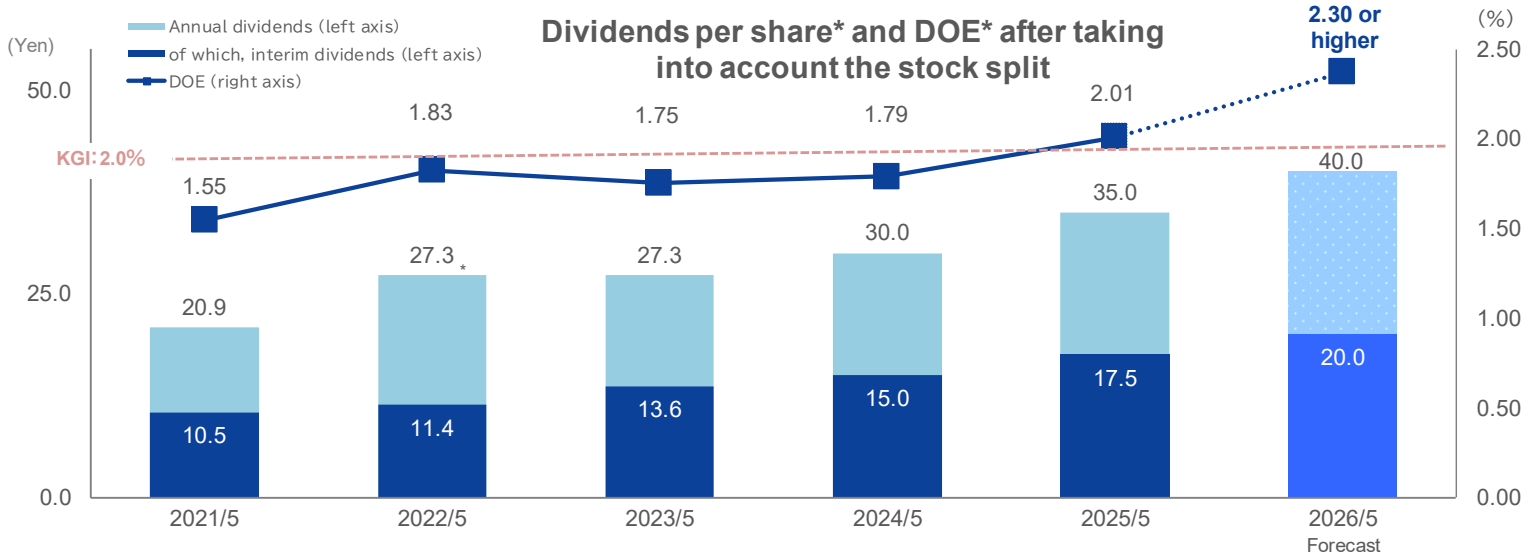
- On January 10, 2025, the Board of Directors decided on and executed a **stock buyback of 300,000 treasury shares from the market and their retirement.** This accounted for 2.0% of the total number of issued shares (excluding the treasury shares). We will continue to **develop a system that allows flexible treasury share acquisition** while monitoring the stock price.

Stock split and dividend policy

- We carried out a two-for-one stock split with June 1, 2025 as the effective date to **improve the liquidity of our stock and expand the investor base that sympathizes with our management philosophy and future growth strategy**.
- As already announced, the dividend for this fiscal year will be **40 yen per share with a YoY increase of 5 yen**. As a **further commitment** to our stable dividend policy, we have decided to adopt a **progressive dividend policy** in DTP 2027.

Shareholder benefits program

- On July 11, 2025, the Board of Directors decided on introduction of **a shareholder benefits program offering our shareholders the privilege to purchase our health foods at a discount price** (see p. 26).



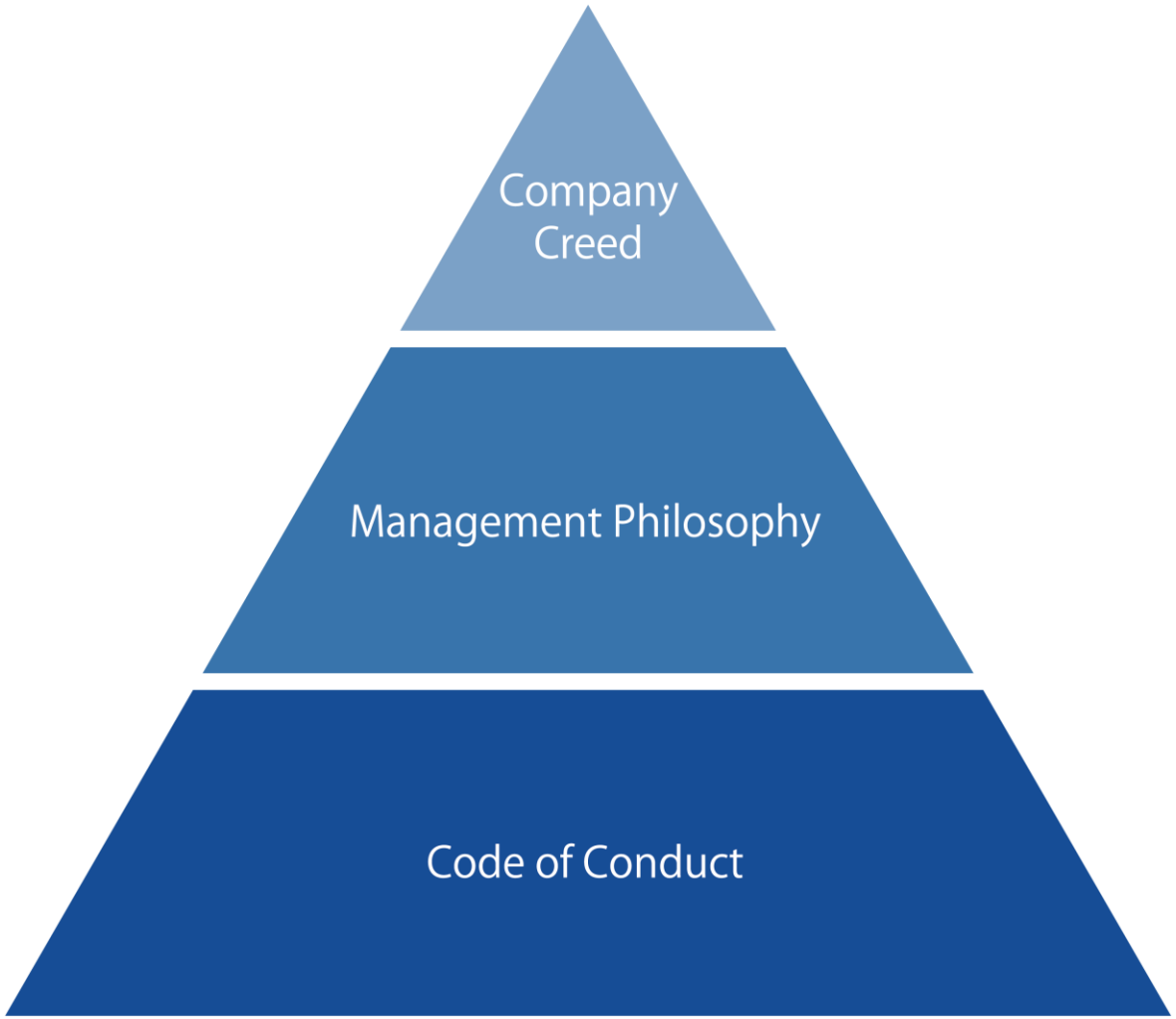
*We carried out a 1:1.1 stock split and then a 1:2 stock split on September 1, 2023 and June 1, 2025, respectively, as the effective dates. Dividends per share shown are figures adjusted after the stock splits.
*DOE stands for Dividend On Equity ratio and is obtained by dividing total dividends by shareholder's equity and multiplying it by 100 (%). We use total dividends and shareholder's equity to obtain DOE.
*The dividend for the fiscal year ended May 2022 includes a commemorative dividend.

Appendix. Company Overview

Corporate Profile

Company name:	Daito Pharmaceutical Co., Ltd.
Location of head office:	326 Yokamachi, Toyama City, Toyama
Founded:	June 1942
Fiscal year-end:	End of May
Representative:	Hiroshi Matsumori, President and CEO
Number of employees:	1,078 *Consolidated, as of June 1
Businesses:	Manufacturing, sales, contract manufacturing, and purchasing and reselling of APIs and FDF products; sales of health foods and other products
Subsidiaries:	Daito Pharmaceuticals America, Inc. (supporting export of APIs and FDF products) Daito Pharmaceutical (China) Co., Ltd. (manufacturing in China)

Company Creed, Management Philosophy, and Code of Conduct



Company Creed

Creation, Morale, and Sincerity

- Be a person who has ideas and thinks deeply.
- Be a person with the ability to take action and spirit.
- Be a guardian of the Company.

Management Philosophy

We will create a favorable workplace environment where every employee can find "joy in working at a cheerful company" with the aim of being a company that can contribute to creating a healthier society and be always the first choice of customers.

- **What is a "cheerful company"?**
  A company where employees' personal growth is linked to the Company's growth and every employee can enjoy working cheerfully
- **What is "work in which employees can find joy"?**
  Work that can bring every employee the joy of serving patients who hope to get cured and customers who wish to be healthier by providing products to society

Company Creed, Management Philosophy, and Code of Conduct

Code of Conduct

Based on our management philosophy, we aim to be a company that will be always the first choice of customers.

Sincere attitude	We will comply with laws and regulations and act fairly and impartially.
Public trust	We will strive to enhance the quality of our products and provide them to customers stably.
Contribution to society	We will support people through our daily business activities.
Harmony with the environment	We will be green and earth-friendly.
High aspirations	We will take up the challenge of pioneering new frontiers and new technologies.
Giant leap into the world	We will provide excellent products globally.

Corporate History

1942	June	Daitoa Pharmaceutical Trade Control Company Ltd. established as the company in charge of controlling export of Toyama-made home medicines to Southeast Asia * Renamed Daito Pharmaceutical Co., Ltd. (current name) in 1991
1949	March	Started manufacturing drugs for home delivery services
1950	June	Established an API Wholesale Division and started selling APIs
1976	October	**Started manufacturing generic drugs**
1979	November	**Started manufacturing APIs**
1985	April	Started manufacturing OTC drugs
1987	July	Made Daiwa Pharmaceutical Co., Ltd. a partly owned subsidiary * Made it a wholly owned subsidiary through a stock swap in October 2007
1989	October	Started manufacturing intermediates for new drugs on a contract basis
2001	September	**Fully began contract manufacture of prescription drugs**
2007	November	Opened a representative office in the US state of Illinois * Closed in June 2008
2008	June	Established Daito Pharmaceuticals America, Inc.
2010	March	Listed on the Second Section of the Tokyo Stock Exchange
2011	March	Moved to the First Section of the Tokyo Stock Exchange
2012	September	Acquired Anhui Nanobiotechnology Development Co., Ltd. as a subsidiary (current name: Daito Pharmaceutical (China) Co., Ltd.)
2022	April	Moved to the Prime Market of the Tokyo Stock Exchange

Facilities

- 1949 Built new office and plant
- 1971 Established a new research laboratory in Toyama City
  * Relocated the laboratory to a new facility adjacent to the Headquarters Factory in 1985
- 1979 First FDF Building opened
- 1979 API Experimentation Building opened
- 1982 First API Building opened
- 1985 Second FDF Building opened
- 1986 API Packaging Building opened
- 1989 First Logistics Center opened
- 1989 Second API Building opened
- 1993 Third FDF Building opened
- 1995 Second Logistics Center opened
- 1999 Third API Building opened
- 2001 Fifth FDF Building opened
- 2001 Third Logistics Center opened
- 2003 Second Packaging Building opened
- 2007 Third Packaging Building opened
- 2007 Fifth API Building opened
- 2007 Fifth Logistics Center opened
- 2008 Sixth FDF Building opened
- 2011 Employee Welfare Building opened
- 2012 Fifth API Building facilities expanded
- 2014 FDF Building opened at Daito Pharmaceutical (China) Co., Ltd.
- 2014 API Factory opened at Daiwa Pharmaceutical Co., Ltd.
- 2014 High Potent Compound Product Building opened
- 2015 Sixth API Building opened
- 2015 Third API Packaging Building opened
- 2016 API Industrialization Process Research Building opened
- 2017 High Potent R&D Center opened
- 2018 Eighth FDF Building opened
- 2021 Quality Assurance Building opened
- 2022 Seventh API Building opened
- 2023 Tenth FDF Building opened
- 2024 Comprehensive Research Center opened

Group Company Relationship Chart

Legend API FDF product

Daito group company relationship chart