

Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ended May 31, 2025 (Under Japanese GAAP)

July 11, 2025

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 Stock exchange listing: Tokyo
 Securities code: 4577 URL <https://www.daitonet.co.jp/>
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 Scheduled date of ordinary general meeting of shareholders: August 28, 2025
 Scheduled date to file securities report: August 27, 2025
 Scheduled date to commence dividend payments: August 5, 2025
 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 fiscal year ended May 31, 2025 (from June 1, 2024 to May 31, 2025)

(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	%
Fiscal year ended May 31, 2025	50,643	8.0	2,619	(32.7)	2,705	(31.0)	1,908	(42.1)
Fiscal year ended May 31, 2024	46,895	4.0	3,894	(25.2)	3,923	(24.1)	3,295	(8.5)

Note: Comprehensive income For the fiscal year ended May 31, 2025: ¥1,378 million [(59.1)%]
 For the fiscal year ended May 31, 2024: ¥3,373 million [(16.5)%]

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Fiscal year ended May 31, 2025	62.74	—	3.7	3.5	5.2
Fiscal year ended May 31, 2024	105.00	—	6.4	5.3	8.3

Reference: Share of profit of entities accounted for using equity method For the fiscal year ended May 31, 2025: ¥75 million
 For the fiscal year ended May 31, 2024: ¥— million

Note: As the Company conducted a 1.1-for-1 split of shares of common stock effective on September 1, 2023 and a 2-for-1 split of shares of common stock effective on June 1, 2025, earnings per share was calculated based on the assumption that these stock splits had been conducted at the beginning of the previous fiscal year.

Reference: EBITDA For the fiscal year ended May 31, 2025: ¥6,952 million
 For the fiscal year ended May 31, 2024: ¥7,553 million

Note: EBITDA (Operating profit + Depreciation + Amortization) is disclosed as a useful comparative indicator for the Group's performance.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2025	78,004	52,067	66.7	1,734.26
As of May 31, 2024	77,708	52,265	67.0	1,702.35

Reference: Equity (Shareholders' equity + Accumulated other comprehensive income)

As of May 31, 2025: ¥52,003 million

As of May 31, 2024: ¥52,068 million

Note: As the Company conducted a 1.1-for-1 split of shares of common stock effective on September 1, 2023 and a 2-for-1 split of shares of common stock effective on June 1, 2025, net assets per share was calculated based on the assumption that these stock splits had been conducted at the beginning of the previous fiscal year.

(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
Fiscal year ended May 31, 2025	5,897	(7,365)	1,002	2,207
Fiscal year ended May 31, 2024	5,182	(5,930)	(183)	2,727

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	%	%
Fiscal year ended May 31, 2024	—	30.00	—	30.00	60.00	932	28.6	1.8
Fiscal year ended May 31, 2025	—	35.00	—	35.00	70.00	1,063	55.8	2.0
Fiscal year ending May 31, 2026 (Forecast)	—	20.00	—	20.00	40.00		52.2	

Note: While a 1.1-for-1 split of shares of common stock was conducted effective on September 1, 2023, and a 2-for-1 stock split of shares of common stock was conducted effective on June 1, 2025, the dividend amounts shown reflect actual amounts and have not been retrospectively adjusted.

3. Forecast of consolidated financial results for the fiscal year ending May 31, 2026 (from June 1, 2025 to May 31, 2026)

(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	52,500	3.7	3,000	14.5	3,000	10.9	2,300	20.5	76.70

Reference: EBITDA for the fiscal year ending May 31, 2026 (Forecast): ¥7,750 million

* Notes

(1) Significant changes in the scope of consolidation during the fiscal year ended May 31, 2025: 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 May 31, 2025	30,696,880 shares	As of May 31, 2024	31,396,880 shares
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Number of treasury shares at the end of the period

As of May 31, 2025	710,774 shares	As of May 31, 2024	810,546 shares
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Average number of shares outstanding during the period

Fiscal year ended May 31, 2025	30,421,727 shares	Fiscal year ended May 31, 2024	31,382,176 shares
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- Notes: 1. As the Company conducted a 1.1-for-1 split of shares of common stock effective on September 1, 2023 and a 2-for-1 split of shares of common stock effective on June 1, 2025, the number of shares was calculated based on the assumption that these stock splits had been conducted at the beginning of the previous fiscal year.
2. The Company introduced a stock compensation plan "Board Benefit Trust (BBT)." Accordingly, the number of shares of the Company held by the trust (Number of treasury shares at the end of the period: 94,340 shares; Average number of shares during the period: 94,340 shares) was included in the number of treasury shares at the end of the period and the number of treasury shares, which was to be deducted from the calculation of the average number of shares during the period.

1. Non-consolidated financial results for the fiscal year ended May 31, 2025 (from June 1, 2024 to May 31, 2025)

(1) Non-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	%
Fiscal year ended May 31, 2025	50,439	8.3	2,360	(37.7)	2,497	(35.5)	1,513	(53.4)
Fiscal year ended May 31, 2024	46,592	4.2	3,785	(24.6)	3,872	(23.8)	3,249	(6.9)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended May 31, 2025	49.74	—
Fiscal year ended May 31, 2024	103.54	—

Note: As the Company conducted a 1.1-for-1 split of shares of common stock effective on September 1, 2023 and a 2-for-1 split of shares of common stock effective on June 1, 2025, earnings per share was calculated based on the assumption that these stock splits had been conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2025	72,618	47,122	64.9	1,571.47
As of May 31, 2024	72,763	47,494	65.7	1,562.61

Reference: Equity (Shareholders' equity + Accumulated other comprehensive income)

As of May 31, 2025: ¥47,122 million

As of May 31, 2024: ¥47,794 million

Note: As the Company conducted a 1.1-for-1 split of shares of common stock effective on September 1, 2023 and a 2-for-1 split of shares of common stock effective on June 1, 2025, net assets per share was calculated based on the assumption that these stock splits had been conducted at the beginning of the previous fiscal year.

* Financial results reports are exempt from audit conducted by certified public accountants or an audit firm.

* Proper use of earnings forecasts, and other special matters

Disclaimer with respect to forward-looking statements

The forward-looking statements including financial results forecast contained in this document are based on information currently available to us and certain assumptions that we believe to be reasonable. Accordingly, the Company does not guarantee the achievement of the forecast, and the actual results may differ materially due to various factors. For discussion of the assumptions and other factors considered by the Company in preparing the above financial results forecast and notes of caution for usage, please refer to “(4) Business outlook” in “1. Overview of Financial Performance” on page 3 of the attached materials.

Method of obtaining supplementary explanatory materials for the financial results and financial results meeting materials

Supplementary materials for the financial results will be disclosed on TDnet on Wednesday, July 16, 2025.

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1. Overview of Financial Performance

(1) Operating results

Overview of the operating results for the fiscal year ended May 31, 2025

During the fiscal year ended May 31, 2025 (the “period under review”), the Japanese economy was impacted by trade policies in various countries, while some overseas economies experienced a slowdown. Domestically, the economy continued its moderate recovery overall. Capital investment grew moderately amid improvements in corporate earnings. Although personal consumption was affected by rising prices, it continued to show a modest upward trend, supported by improvements in the employment and income environment.

In the pharmaceuticals industry, the Medical Insurance Subcommittee of the Social Security Council formulated in September 2024 “The Roadmap for the Appropriate Use of Generic Drugs, with a Focus on Ensuring a Stable Supply.” The primary objective of the roadmap is to ensure a stable supply of pharmaceuticals while maintaining the quantity share of generic drugs at 80 percent or more in all prefectures by the end of fiscal 2029, continuing from the previous roadmap. The secondary objective is to raise the monetary share of generic drugs to 65 percent or more by the end of fiscal 2029. Since October 2024, the introduction of patient-selected services, a system under which patients who choose long-listed drugs with available generic alternatives are required to pay an additional charge, has further increased the quantity share of generic drugs.

On the other hand, supply instability, particularly among generic drugs, has been prolonged, and the sector continues to face numerous challenges, including correcting excessive competition, moving away from overly aggressive price competition, and creating an environment that supports business consolidation to a scale where economies of scale can be realized.

Amid these circumstances, the Group has worked to ensure the stable supply of high-quality pharmaceuticals to patients and healthcare professionals under the Medium-Term Management Plan, “Daito Transformation Plan 2027.”

Net sales for each sales item are as follows.

As for active pharmaceutical ingredients (APIs), sales of APIs-related products and merchandise increased. As a result, net sales amounted to 22,872 million yen (up 5.7% year-on-year).

As for drug products, sales of generic drugs and non-prescription drugs showed steady performance. As a result, net sales amounted to 27,592 million yen (up 10.1% year-on-year).

As for sales of health foods and other products, the situation remained challenging due primarily to intensifying competition in the market. As a result, net sales amounted to 178 million yen (down 10.1% year-on-year).

As a result of the above, the Group posted net sales of 50,643 million yen (up 8.0% year-on-year) for the period under review. The increase in net sales was more than offset primarily by the impact of increased depreciation and a rise in inventory valuation losses. Consequently, operating profit came to 2,619 million yen (down 32.7% year-on-year) with ordinary profit of 2,705 million yen (down 31.0% year-on-year), and profit attributable to owners of parent of 1,908 million yen (down 42.1% year-on-year).

(2) Financial position

Status of assets, liabilities and net assets

Total assets as of May 31, 2025 increased by 296 million yen from the end of the previous fiscal year to 78,004 million yen. This was mainly due to increases in electronically recorded monetary claims - operating of 2,958 million yen and accounts receivable - trade of 2,029 million yen, which were partially offset by decreases in raw materials and supplies of 1,824 million yen and merchandise and finished goods of 1,033 million yen.

Total liabilities increased by 493 million yen from the end of the previous fiscal year to 25,936 million yen. This was mainly due to increases in long-term borrowings of 1,900 million yen and current portion of long-term borrowings of 999 million yen, which were partially offset by decreases in accounts payable - other of 1,557 million yen and notes and accounts payable - trade of 581 million yen.

Net assets decreased by 197 million yen from the end of the previous fiscal year to 52,067 million yen. This was mainly due to a decrease in valuation difference on available-for-sale securities of 564 million yen.

As a result of the above, the equity ratio as of May 31, 2025 decreased by 0.3 percentage points year on year to 66.7%.

(3) Cash flows

Cash and cash equivalents (“net cash”) as of May 31, 2025 decreased by 519 million yen from the end of the previous fiscal year to 2,207 million yen.

The status of cash flows and their contributing factors during the period under review are as follows.

Cash flows from operating activities

Net cash provided by operating activities amounted to 5,897 million yen (up 714 million yen year-on-year). This was primarily attributable to profit before income taxes of 2,958 million yen, depreciation of 4,332 million yen, and a decrease in inventories of 2,419 million yen, which were partially offset by an increase in trade receivables of 4,891 million yen and income taxes paid of 842 million yen.

Cash flows from investing activities

Net cash used in investing activities amounted to 7,365 million yen (up 1,434 million yen year-on-year). This was primarily attributable to purchase of property, plant and equipment of 6,854 million yen as a result of the expansion of production capacity.

Cash flows from financing activities

Net cash provided by financing activities amounted to 1,002 million yen (183 million yen used in the previous fiscal year). This was primarily attributable to proceeds from long-term borrowings of 6,000 million yen, which were partially offset by repayments of long-term borrowings of 3,099 million yen, purchase of treasury shares of 623 million yen, and dividends paid of 998 million yen.

(4) Business outlook

The pharmaceutical and generic drug industries are expected to continue facing a challenging environment due to ongoing drug cost containment measures, such as annual drug price revisions and the reassessment of health insurance benefits for OTC-equivalent drugs, in addition to rising raw material and energy costs primarily driven by the weak yen, and increasing labor costs amid intensified competition for talent.

Given the current environment, the Group is determined to take bold and decisive actions to improve performance and enhance corporate value under the Medium-Term Management Plan, “Daito Transformation Plan 2027 (DTP2027).” The next fiscal year, as the second year of DTP2027, will see us continue our vigorous promotion of the following five strategic pillars: streamlining the existing businesses, strengthening our China business, entering into new businesses, addressing a PBR of below 1.0 and enhancing capital allocation, and investing in human capital.

The Company expects consolidated net sales of 52,500 million yen for the fiscal year ending May 31, 2026 (an increase of 3.7% year-on-year), operating profit of 3,000 million yen (an increase of 14.5%), ordinary profit of 3,000 million yen (an increase of 10.9 %), and profit attributable to owners of parent of 2,300 million yen (an increase of 20.5%).

(*The exchange rate for the fiscal year ending May 31, 2026 is assumed to be ¥150 per US dollar.)

2. Basic Policy on Selection of Accounting Standards

The Group intends to continue preparing its consolidated financial statements in accordance with Japanese accounting standards for the time being, taking into account the need for comparability over time and with other companies.

The Group will appropriately consider the adoption of international accounting standards, taking into account domestic and global developments.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheets

	(Millions of yen)	
	As of May 31, 2024	As of May 31, 2025
Assets		
Current assets		
Cash and deposits	2,727	2,207
Notes receivable - trade	335	143
Accounts receivable - trade	10,496	12,526
Electronically recorded monetary claims - operating	4,567	7,525
Merchandise and finished goods	7,877	6,843
Work in process	5,948	6,329
Raw materials and supplies	7,065	5,240
Factoring credit	44	62
Other	2,399	831
Allowance for doubtful accounts	(1)	(2)
Total current assets	41,460	41,708
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,291	18,145
Machinery, equipment and vehicles, net	6,343	6,081
Land	2,126	2,155
Leased assets, net	1,770	1,991
Construction in progress	2,194	2,500
Other, net	1,246	951
Total property, plant and equipment	31,972	31,826
Intangible assets		
Other	490	531
Total intangible assets	490	531
Investments and other assets		
Investment securities	3,188	2,091
Deferred tax assets	320	359
Retirement benefit asset	—	98
Other	283	1,396
Allowance for doubtful accounts	(8)	(8)
Total investments and other assets	3,784	3,938
Total non-current assets	36,247	36,296
Total assets	77,708	78,004

	(Millions of yen)	
	As of May 31, 2024	As of May 31, 2025
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,262	4,681
Electronically recorded obligations - operating	3,437	3,585
Current portion of long-term borrowings	2,099	3,099
Lease liabilities	275	358
Income taxes payable	195	419
Provision for bonuses	58	56
Accounts payable - other	4,486	2,929
Accrued expenses	993	1,030
Other	1,695	888
Total current liabilities	18,505	17,049
Non-current liabilities		
Long-term borrowings	4,669	6,569
Lease liabilities	1,676	1,859
Deferred tax liabilities	32	30
Provision for share awards for directors (and other officers)	20	37
Retirement benefit liability	320	169
Other	217	220
Total non-current liabilities	6,937	8,887
Total liabilities	25,443	25,936
Net assets		
Shareholders' equity		
Share capital	7,186	7,186
Capital surplus	7,072	7,072
Retained earnings	37,087	37,179
Treasury shares	(990)	(749)
Total shareholders' equity	50,355	50,688
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,332	767
Foreign currency translation adjustment	369	386
Remeasurements of defined benefit plans	11	161
Total accumulated other comprehensive income	1,713	1,315
Non-controlling interests	196	64
Total net assets	52,265	52,067
Total liabilities and net assets	77,708	78,004

(2) Consolidated statements of income and comprehensive income

Consolidated statements of income

	(Millions of yen)	
	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Net sales	46,895	50,643
Cost of sales	37,056	42,005
Gross profit	9,839	8,637
Selling, general and administrative expenses	5,945	6,017
Operating profit	3,894	2,619
Non-operating income		
Interest income	0	1
Dividend income	65	63
Rental income	15	14
Insurance claim income	27	2
Foreign exchange gains	—	34
Share of profit of entities accounted for using equity method	—	75
Other	18	52
Total non-operating income	126	245
Non-operating expenses		
Interest expenses	41	123
Commission expenses	28	15
Foreign exchange losses	23	—
Other	3	20
Total non-operating expenses	97	160
Ordinary profit	3,923	2,705
Extraordinary income		
Subsidy income	135	229
Gain on sale of investment securities	326	409
Other	0	0
Total extraordinary income	461	638
Extraordinary losses		
Loss on retirement of non-current assets	48	120
Loss on tax purpose reduction entry of non-current assets	117	216
Impairment losses	—	48
Other	0	—
Total extraordinary losses	166	385
Profit before income taxes	4,218	2,958
Income taxes - current	902	677
Income taxes for prior periods	—	387
Income taxes - deferred	138	128
Total income taxes	1,040	1,192
Profit	3,178	1,765
Loss attributable to non-controlling interests	(116)	(143)
Profit attributable to owners of parent	3,295	1,908

Consolidated statements of comprehensive income

	(Millions of yen)	
	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Profit	3,178	1,765
Other comprehensive income		
Valuation difference on available-for-sale securities	173	(564)
Foreign currency translation adjustment	59	25
Remeasurements of defined benefit plans, net of tax	(37)	149
Share of other comprehensive income of entities accounted for using equity method	—	2
Total other comprehensive income	194	(387)
Comprehensive income	3,373	1,378
Comprehensive income attributable to:		
Owners of parent	3,476	1,510
Non-controlling interests	(102)	(132)

(3) Consolidated statements of changes in equity

Fiscal year ended May 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,186	7,072	35,006	(124)	49,140
Changes during period					
Dividends of surplus			(907)		(907)
Profit attributable to owners of parent			3,295		3,295
Purchase of treasury shares				(1,176)	(1,176)
Cancellation of treasury shares			(306)	306	—
Disposal of treasury stock by stock transfer trust				4	4
Net changes in items other than shareholders' equity					
Total changes during period	—	—	2,081	(865)	1,215
Balance at end of period	7,186	7,072	37,087	(990)	50,355

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,159	324	48	1,532	299	50,971
Changes during period						
Dividends of surplus						(907)
Profit attributable to owners of parent						3,295
Purchase of treasury shares						(1,176)
Cancellation of treasury shares						—
Disposal of treasury stock by stock transfer trust						4
Net changes in items other than shareholders' equity	173	45	(37)	180	(102)	78
Total changes during period	173	45	(37)	180	(102)	1,293
Balance at end of period	1,332	369	11	1,713	196	52,265

Fiscal year ended May 31, 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	7,186	7,072	37,087	(990)	50,355
Changes during period					
Dividends of surplus			(997)		(997)
Profit attributable to owners of parent			1,908		1,908
Purchase of treasury shares				(623)	(623)
Cancellation of treasury shares			(864)	864	—
Changes in scope of application of the equity method			44		44
Net changes in items other than shareholders' equity					
Total changes during period	—	—	92	240	332
Balance at end of period	7,186	7,072	37,179	(749)	50,688

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	1,332	369	11	1,713	196	52,265
Changes during period						
Dividends of surplus						(997)
Profit attributable to owners of parent						1,908
Purchase of treasury shares						(623)
Cancellation of treasury shares						—
Changes in scope of application of the equity method						44
Net changes in items other than shareholders' equity	(564)	17	149	(397)	(132)	(530)
Total changes during period	(564)	17	149	(397)	(132)	(197)
Balance at end of period	767	386	161	1,315	64	52,067

(4) Consolidated statements of cash flows

	(Millions of yen)	
	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Cash flows from operating activities		
Profit before income taxes	4,218	2,958
Depreciation	3,659	4,332
Loss on retirement of non-current assets	48	120
Loss on tax purpose reduction entry of non-current assets	117	216
Increase (decrease) in allowance for doubtful accounts	(1)	0
Increase (decrease) in provision for bonuses	4	(2)
Increase decrease in net defined benefit liability and asset	(230)	(35)
Increase (decrease) in provision for share awards for directors (and other officers)	10	16
Interest and dividend income	(66)	(64)
Rental income	(15)	(14)
Insurance claim income	(17)	—
Interest expenses	41	123
Subsidy income	(135)	(229)
Foreign exchange losses (gains)	(78)	104
Impairment losses	—	48
Loss (gain) on sale of investment securities	(326)	(409)
Decrease (increase) in trade receivables	2,221	(4,891)
Decrease (increase) in inventories	(2,640)	2,419
Increase (decrease) in trade payables	802	(360)
Share of loss (profit) of entities accounted for using equity method	—	(75)
Other, net	(1,344)	2,272
Subtotal	6,265	6,530
Interest and dividends received	66	64
Interest paid	(40)	(126)
Subsidies received	135	229
Income taxes paid	(1,265)	(842)
Insurance claim income received	17	—
Other, net	4	41
Net cash provided by (used in) operating activities	5,182	5,897
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,220)	(6,854)
Purchase of intangible assets	(56)	(241)
Proceeds from sale of investment securities	335	444
Payments for investments in capital of subsidiaries and associates	—	(707)
Purchase of investment securities	—	(6)
Other, net	10	(0)
Net cash provided by (used in) investing activities	(5,930)	(7,365)

	(Millions of yen)	
	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Cash flows from financing activities		
Proceeds from long-term borrowings	4,000	6,000
Repayments of long-term borrowings	(2,029)	(3,099)
Dividends paid	(907)	(998)
Purchase of treasury shares	(1,176)	(623)
Repayments of lease liabilities	(70)	(276)
Net cash provided by (used in) financing activities	(183)	1,002
Effect of exchange rate change on cash and cash equivalents	51	(54)
Net increase (decrease) in cash and cash equivalents	(879)	(519)
Cash and cash equivalents at beginning of period	3,607	2,727
Cash and cash equivalents at end of period	2,727	2,207

(5) Notes to consolidated financial statements

Going concern assumption

Not applicable

Changes in accounting policies

(Application of the *Accounting Standard for Current Income Taxes* and other regulations)

The Group has adopted the *Accounting Standard for Current Income Taxes* (ASBJ Standard No. 27, October 28, 2022) and other regulations from the beginning of the fiscal year ended May 31, 2025. This change in accounting policies has no impact on the consolidated financial statements.

Segment information

[Segment information]

This information has been omitted as the pharmaceuticals business is the only reportable segment of the Company and other business segments are not significant.

[Related information]

For the fiscal year ended May 31, 2024

1. Information by product and service category

(Millions of yen)

	APIs	Drug products	Health foods and other products	Total
Sales to external customers	21,645	25,050	199	46,895

2. Information by region

(1) Net sales

This information has been omitted as sales to external customers in Japan account for more than 90% of the net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

This information has been omitted as property, plant and equipment in Japan account for more than 90% of the property, plant and equipment reported in the consolidated balance sheet.

3. Information on major customers

(Millions of yen)

Customer name	Net sales	Related segment
TOWA PHARMACEUTICAL CO., LTD.	5,195	Pharmaceuticals business

For the fiscal year ended May 31, 2025

1. Information by product and service category

(Millions of yen)

	APIs	Drug products	Health foods and other products	Total
Sales to external customers	22,872	27,592	178	50,643

2. Information by region

(1) Net sales

This information has been omitted as sales to external customers in Japan account for more than 90% of the net sales reported in the consolidated statement of income.

(2) Property, plant and equipment

This information has been omitted as property, plant and equipment in Japan account for more than 90% of the property, plant and equipment reported in the consolidated balance sheet.

3. Information on major customers

(Millions of yen)

Customer name	Net sales	Related segment
FELDSOLF PHARMA Co., Ltd.	5,225	Pharmaceuticals business

[Information on impairment losses on non-current assets by reportable segment]

For the fiscal year ended May 31, 2024

Not applicable

For the fiscal year ended May 31, 2025

An impairment loss of 48 million yen on non-current assets was recorded in the pharmaceuticals business segment.

[Information on amortization of goodwill and balance of unamortized goodwill by reportable segment]

For the fiscal year ended May 31, 2024

Not applicable

For the fiscal year ended May 31, 2025

Not applicable

[Information on gains on negative goodwill by reportable segment]

For the fiscal year ended May 31, 2024

Not applicable

For the fiscal year ended May 31, 2025

Not applicable

Per-share information

	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Net assets per share (Yen)	1,702.35	1,734.26
Basic earnings per share (Yen)	105.00	62.74

Notes

1. Information on diluted earnings per share is omitted due to an absence of potential shares.
2. The Company conducted a 1.1-for-1 split of shares of common stock effective on September 1, 2023 and a 2-for-1 split of shares of common stock effective on June 1, 2025. Net assets per share, basic earnings per share, and diluted earnings per share were calculated based on the assumption that these stock splits had been conducted at the beginning of the previous fiscal year.
3. The Company has introduced a stock compensation plan using a trust for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors). For the purpose of calculating net assets per share, the number of shares of the Company held by the trust account (94 thousand shares in both the fiscal year ended May 31, 2024 and 2025) is included in the number of treasury shares to be deducted from the calculation of the total number of issued shares at the end of the period. In addition, for the purpose of calculating basic earnings per share, the number of shares of the Company held by the trust account (95 thousand and 94 thousand shares for the fiscal years ended May 31, 2024 and 2025, respectively) is included in the number of treasury shares to be deducted from the calculation of the average number of shares outstanding during the period.
4. The basis of calculation of basic earnings per share and diluted earnings per share is as follows:

(Millions of yen, unless otherwise noted)

	Fiscal year ended May 31, 2024	Fiscal year ended May 31, 2025
Basic earnings per share		
Profit attributable to owners of parent	3,295	1,908
Amount not attributable to common shareholders	—	—
Profit attributable to common shareholders of parent	3,295	1,908
Average number of common shares outstanding during the period (Thousands of shares)	31,382	30,421

Significant subsequent events

(Stock split and partial amendment to the Articles of Incorporation in conjunction with the stock split)

At the Board of Directors meeting held on January 10, 2025, the Company resolved to conduct a stock split and partially amend its Articles of Incorporation in conjunction with the stock split, with the stock split taking effect on June 1, 2025.

1. Stock split

(1) Purpose of the stock split

The purpose of the stock split is to lower the investment amount per trading unit and create a more accessible investment environment. At the same time, the Company aims to improve the liquidity of its stock and broaden its investor base to include those who share its management philosophy and future growth strategy.

(2) Overview of the stock split

i) Method of the stock split

The Company conducted a two-for-one stock split of its common shares, with a record date of May 31, 2025, for shareholders recorded in the shareholder register as of the end of the same date.

ii) Increase in the number of shares due to the stock split

Total number of issued shares before the stock split:	15,348,440 shares
Increase in the number of shares due to the stock split:	15,348,440 shares
Total number of issued shares after the stock split:	30,696,880 shares
Total number of authorized shares after the stock split:	67,760,000 shares

iii) Schedule for the stock split

Public notice of the record date:	May 16, 2025
Record date:	May 31, 2025
Effective date:	June 1, 2025

iv) Impact on per-share information

The impact on per-share information is presented in the relevant section.

v) Other

There is no change to the amount of share capital due to the stock split.

2. Partial amendment to the Articles of Incorporation in conjunction with the stock split

(1) Reason for the amendment to the Articles of Incorporation

In conjunction with the stock split, the Company revised the total number of authorized shares stipulated in Article 6 of its Articles of Incorporation, effective June 1, 2025, pursuant to Article 184, paragraph 2 of the Companies Act, by resolution of the Board of Directors.

(2) Details of the amendment to the Articles of Incorporation

The Articles of Incorporation was revised as follows.

(Revised text is underlined.)

Articles of Incorporation before amendment	Articles of Incorporation after amendment
Article 6 The total number of shares that the Company is authorized to issue shall be <u>33,880,000</u> shares.	Article 6 The total number of shares that the Company is authorized to issue shall be <u>67,760,000</u> shares.

(3) Schedule for the amendment to the Articles of Incorporation

Effective date: June 1, 2025

(Cancellation of treasury shares)

At the Board of Directors meeting held on January 10, 2025, the Company resolved to cancel treasury shares in accordance with the provisions of Article 178 of the Companies Act, and completed the cancellation.

1. Reason for cancellation of treasury shares

The cancellation of treasury shares is intended primarily to strengthen shareholder returns and enhance capital efficiency as part of the capital policy under the medium-term management plan.

2. Details on cancellation of treasury shares

Class of shares to be cancelled:	Common stock of the Company
Number of shares to be cancelled:	300,000 shares (equivalent to 600,000 shares after the stock split)
Total number of issued shares after the cancellation:	30,096,880 shares
Scheduled date of cancellation:	June 30, 2025

Note: At the Board of Directors meeting held on January 10, 2025, the Company resolved to conduct a 2-for-1 split of its common shares, effective on June 1, 2025. Accordingly, the number of shares scheduled to be cancelled on the cancellation date will be 600,000 shares.

(Absorption-type merger with a wholly owned subsidiary)

On January 10, 2025, the Company resolved at its Board of Directors meeting to conduct an absorption-type merger in which the Company would be the surviving company and its wholly owned subsidiary, Daiwa Pharmaceutical Industries Co., Ltd., would be the absorbed company. A merger agreement was executed on the same date, and the merger was implemented on June 1, 2025.

1. Overview of the merger

(1) Name of the absorbed company and its business

Name of the absorbed company: Daiwa Pharmaceutical Industries Co., Ltd.

Business: Manufacturing of APIs and intermediates

(2) Date of the merger

June 1, 2025

(3) Legal form of the merger

Absorption-type merger, with the Company as the surviving company and Daiwa Pharmaceutical Industries Co., Ltd. as the absorbed company

(4) Other matters related to the transaction

i) Purpose of the merger

The Company has formulated a three-year medium-term management plan titled “DTP2027,” covering the fiscal years ending May 31, 2025 through May 31, 2027. One of the five strategic pillars of this plan is “streamlining the existing businesses.” As part of this initiative, the Company has been considering ways to strengthen collaboration with Daiwa Pharmaceutical Industries Co., Ltd. and to promote the “One Daito” culture across the Group.

Daiwa Pharmaceutical Industries Co., Ltd., located in the same city as the Company, Toyama City, manufactures active pharmaceutical ingredients (APIs) for both the Company and external customers. Through the absorption-type merger of the two companies, we aim to remove organizational barriers and enhance our ability to deliver high-quality, efficient end-to-end production, from APIs to finished products. This merger will also enable us to better fulfill our responsibility to provide a stable supply of pharmaceuticals with greater reliability.

ii) Allocation in relation to the merger

As the merger was with a wholly owned subsidiary, no allocation of shares or other consideration was made.

2. Overview of accounting procedures

The merger falls under the category of transactions under common control, etc., as stipulated in the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, January 16, 2019) and the “Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, January 16, 2019), and will be accounted for accordingly. This will have no impact on the consolidated financial statements.