

1Q Fiscal Year Ending May 2026

Financial Results

October 10, 2026

Daito Pharmaceutical Co., Ltd.



I. Financial Results for 1Q FYE May 2026

Financial Highlights

Net sales

- ✓ **13.01 billion yen, representing a YoY increase by 0.33 billion yen (up 2.6%)**
Despite a decline in active pharmaceutical ingredients (APIs), increased sales of FDFs resulted in overall revenue growth.

Gross profit

- ✓ **2.55 billion yen, marking a YoY increase by 0.30 billion yen (up 13.7%)**
Profit increased not only due to the higher revenue but also improved inventory valuation and reduced raw material costs driven by a stronger yen.

EBITDA

- ✓ **2.04 billion yen, representing a YoY increase by 0.14 billion yen (up 7.9%)**
The increase in gross profit led to higher EBITDA, although SG&A expenses also increased (see details below).

Operating profit

- ✓ **0.99 billion yen, showing a YoY increase by 0.14 billion yen (up 17.6%)**
SG&A expenses increased due to temporary fees related to cost structure reforms and higher R&D expenses, but the increase in gross profit offset these costs, resulting in higher earnings.

EPS

- ✓ **23.24 yen, marking a YoY increase of 3.03 yen (up 15.0%)**
Profit improved at all levels, leading to a rise in earnings per share (EPS). *This reflects the stock split implemented on June 1, 2025.

Operating CF

- ✓ **1.72 billion yen, a YoY increase by 0.97 billion yen (up 132.1%)**
While net income before tax decreased, substantial improvement was achieved through advanced inventory control practices by stronger commitment to capital costs management.

Financial Highlights

- Sales of Active Pharmaceutical Ingredients (APIs) declined, while FDFs sales—particularly generic (Gx) and OTC drugs products—increased significantly, resulting in a **YoY revenue growth of 330 million yen (+2.6%)**.
- Although SG&A expenses increased due to temporary fees from cost structure reforms and higher R&D spending, operating profit rose by **140 million yen YoY (+17.6%)**, supported by increased sales, decreased inventory write-off, and reduced raw material costs due to yen appreciation.

(Millions of yen, %)



	1Q FYE May 2025	1Q FYE May 2026	YoY change
	Amount	Amount	%
Net sales	12,678	13,011	+2.6
EBITDA	1,891	2,041	+7.9
Operating profit	849	998	+17.6
Ordinary profit	983	1,052	+7.1
Net income attributable to Daito's common shareholders	618	696	+12.8
EPS (yen) *1	20.21	23.24	+15.0
Dividends (yen/share)	35.00	40.00	—
R&D cost *2	549	621	+13.1
Depreciation	1,042	1,042	+0.1
Capital expenditure	461	2,246	+387.0
Exchange rate (JPY/USD)	154.13	146.33	—

*1 Earnings per share (EPS) and dividend per share figures reflect the 1-for-2 stock split effective as of June 1, 2025.

*2 Research and development (R&D) expenses include depreciation costs associated with the development division, as well as fluctuations in personnel expenses within the same division.

Sales by Category

- Sales of Active Pharmaceutical Ingredients (APIs) **declined by 370 million yen YoY (−5.8%)**, primarily due to the recoil from new product launches in the previous year and inventory adjustments by customers.
- FDFs sales, particularly for generic (Gx) and OTC drugs products, increased significantly. As a result, total FDFs revenue showed solid growth, **rising by 690 million yen YoY (+11.1%)**.

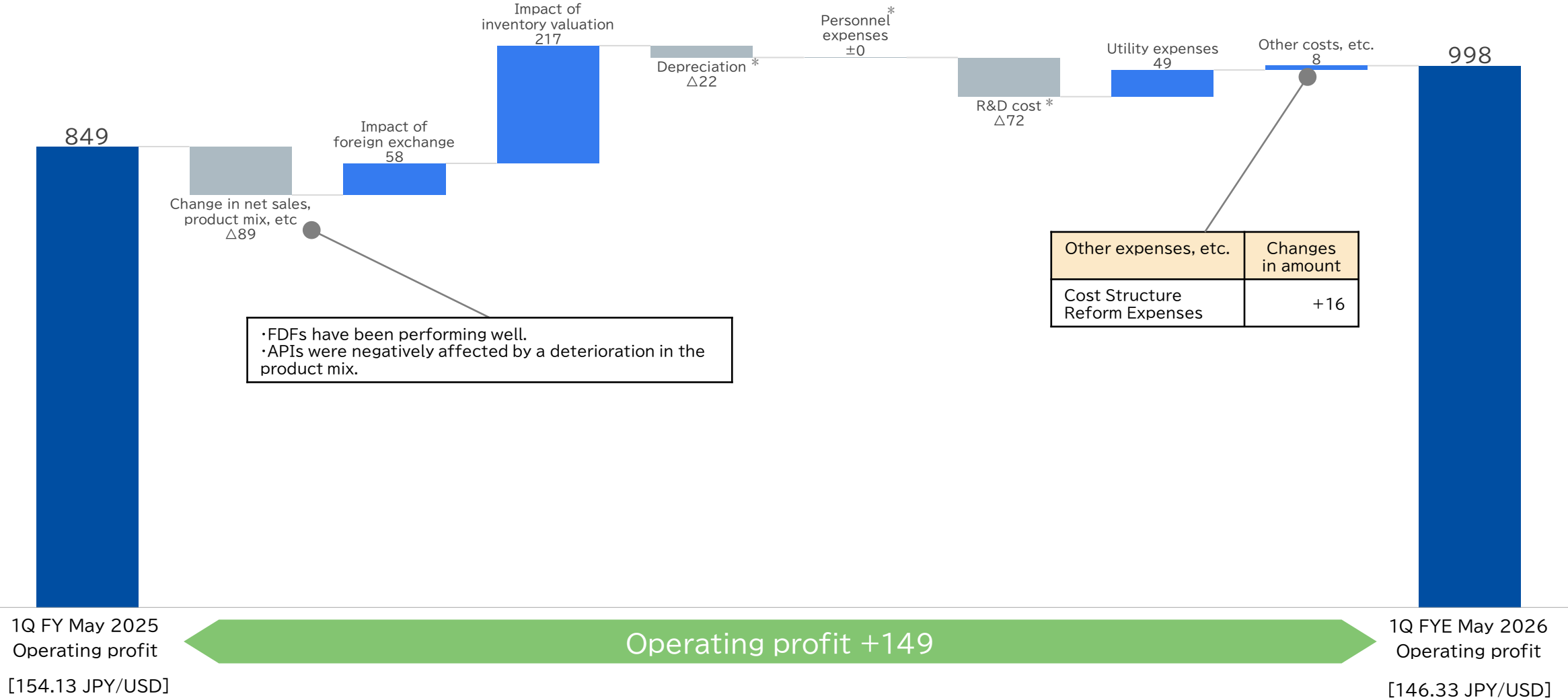
			(Millions of yen, %)		
			1Q FY May 2025	1Q FYE May 2026	YoY Change (%)
APIs			6,391	6,017	- 5.8
	In-house products*		5,862	5,517	- 5.9
		Daito products (Gx)	5,429	5,257	- 3.2
		Contract manufacturing	432	260	- 39.8
	External products*		529	500	- 5.4
FDF products			6,247	6,944	+11.1
	In-house products*		5,562	6,224	+11.9
		Daito products (Gx)	3,050	3,779	+23.9
		Contract-manufactured prescription drugs	1,678	1,450	- 13.6
		Contract-manufactured OTC drugs	833	994	+19.4
	External products*		684	719	+5.0
		Gx	528	647	+22.7
	OTC drugs	156	71	- 54.4	
Health foods			38	49	+26.2
Total sales			12,678	13,011	+2.6

* Products' refers to those that are manufactured or quality-assured within our corporate 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)



* 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.

Balance Sheet Summary

- In line with capital cost-conscious balance sheet management, the company continued its efforts to optimize inventory levels, achieving a reduction of 250 million yen (−1.4%) compared to the end of the previous fiscal year.
- Following the trend observed at the end of May, accounts receivable remained largely unchanged as of the end of August, increasing slightly by 220 million yen (+1.1%), primarily due to the holiday on the quarter end.
- New debt raised for capital investments to enhance the quality assurance framework was offset by repayments of existing debt. Consequently, total debt level showed a marginal increase of 50 million yen (+0.4%), remaining stable.

(Millions of yen, %)

	As of May, 2025	As of Aug, 2025	Change
Current assets	41,708	41,370	- 0.8
Cash and deposits	2,207	2,149	- 2.7
Trade receivables *	20,195	20,415	+1.1
Inventories	18,414	18,156	- 1.4
Non-current assets	36,296	37,467	+3.2
Total assets	78,004	78,838	+1.1
Current liabilities	17,049	17,709	+3.9
Trade payables *	8,266	9,408	+13.8
Short-term debt	3,457	3,494	+1.1
Non-current liabilities	8,887	8,913	+0.3
Long-term debt *	8,429	8,445	+0.2
Total liabilities	25,936	26,622	+2.6
Total net assets	52,067	52,215	+0.3

* 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

- Despite a decrease in profit before income taxes, operating cash flow showed a **substantial improvement of 970 million yen (+132.1%) YoY**, driven by the continued implementation and stabilization of advanced inventory management practices introduced in the prior fiscal year.
- Investment cash flow resulted in a net outflow of 390 million yen, reflecting the peak-out of capital expenditures from previous periods. This was further supported by capital cost-conscious measures, including the sales of cross-shareholdings.

			(Millions of yen, %)
	1Q FY May 2025	1Q FYE May 2026	YoY change
Cash flows from operations	741	1,720	+132.1%
Profit before income taxes	1,392	1,054	- 24.3%
Depreciation	1,042	1,042	+0.1%
Decrease (increase) in trade receivables	(2,002)	(186)	—
Decrease (increase) in inventories	(694)	265	—
Decrease (increase) in trade payables	2,211	1,088	- 50.8%
Income taxes paid	(520)	(340)	—
Cash flows from investment	(3,663)	(392)	—
Purchase of property, plant, and equipment	(3,280)	(387)	—
Cash flows from financing	4,876	(1,456)	—
Net balance of short-term and long-term borrowings	5,334	(933)	—
Net increase (decrease) in cash and cash equivalents during period	1,965	(58)	—
Cash and cash equivalents at end of period	4,693	2,149	- 54.2%