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Summary of Consolidated Financial Results for the Fiscal Year Ended May 31,2026 (Under Japanese GAAP)

July 10, 2026

Company name:	Daito Pharmaceutical Co., Ltd.			Stock exchange listing: Tokyo
Securities code:	4577	URL: https://www.daitonet.co.jp/		
Representative	(Title)	President and CEO	Hiroshi Matsumori	
Inquiries:	(Title)	Executive Officer, CFO	Kenji Otsuga	TEL: +81-76-421-5665
Scheduled date of ordinary general meeting of shareholders		August 27, 2026	Scheduled date to commence dividend payments	August 4, 2026
Scheduled date to file securities report		August 26, 2026		
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, 2026 (from June 1, 2025 to May 31, 2026)

(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, 2026	50,650	0.0	3,637	38.8	3,810	40.9	3,161	65.7
Fiscal year ended May 31, 2025	50,643	8.0	2,619	(32.7)	2,705	(31.0)	1,908	(42.1)

Note: Comprehensive income Fiscal year ended May 31, 2026: 3,620 Millions of yen (162.6%)
Fiscal year ended May 31, 2025: 1,378 Millions of yen ((59.1)%)

	Earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended May 31, 2026	107.49	-	6.0	5.0	7.2
Fiscal year ended May 31, 2025	62.74	-	3.7	3.5	5.2

Reference: Share of profit of entities accounted for using equity method Fiscal year ended May 31, 2026: 87 Millions of yen
Fiscal year ended May 31, 2025: 75 Millions of yen

Note: Daito Pharmaceutical Co., Ltd. conducted a 2-for-1 stock split of its common shares effective on June 1, 2025. Earnings per share was calculated based on the assumption that the stock split had been conducted at the beginning of the previous fiscal year.

Reference: EBITDA Fiscal year ended May 31,2026：8,024 million yen Fiscal year ended May 31,2026:6,952 million yen

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

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31,2026	73,291	52,938	72.2	1,840.13
As of May 31,2025	78,004	52,067	66.7	1,734.26

Reference: Equity As of May 31,2026 52,892 Millions of yen As of May 31,2025 52,003 Millions of yen

Note: Daito Pharmaceutical Co., Ltd. conducted a 2-for-1 stock split of its common shares effective on June 1, 2025. Net assets per share was calculated based on the assumption that the stock split 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, 2026	9,377	(4,388)	(6,289)	954
Fiscal year ended May 31, 2025	5,897	(7,365)	1,002	2,207

2. Cash dividends

	Annual dividends per share					Total dividends	Payout ratio (consolidated)	Dividend on equity ratio (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, 2025	-	35.00	-	35.00	70.00	1,063	55.8	2.0
Fiscal year ended May 31, 2026	-	20.00	-	20.00	40.00	1,168	37.2	2.2
Fiscal year ending May 31, 2027 (Forecast)	-	22.50	-	22.50	45.00		43.1	

Note: Daito Pharmaceutical Co., Ltd. conducted a 2-for-1 stock split of its common shares effective on June 1, 2025, but 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, 2027 (from June 1, 2026, to May 31, 2027)

(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	54,000	6.6	4,000	10.0	4,000	4.9	3,000	(5.1)	104.37

Reference: EBITDA Fiscal year ending May 31, 2027 (forecast) 8,400 million yen

* Notes

(1) Significant changes in the scope of consolidation : Yes

Newly consolidated - company (Company name) — , Excluded 1 company (Company name) Daiwa Pharmaceutical Co., Ltd.

Note: Daiwa Pharmaceutical Co., Ltd. was excluded from the scope of consolidation as it was dissolved through an absorption-type merger effective June 1, 2025, with Daito Pharmaceutical Co., Ltd. as the surviving company.

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(1) Changes in accounting policies in accordance with changes in accounting standards, etc. : No

(2) Changes in accounting policies other than (1) : Yes

(3) Changes in accounting estimates : Yes

(4) Restatement : No

Note: Daito Pharmaceutical Co., Ltd. has changed the method of depreciation from the first quarter of the current fiscal year, which falls under "Cases where it is difficult to distinguish a change in accounting policy from a change in accounting estimate." For details, please refer to page 13 of the attached materials, "3. Consolidated Financial Statements and Major Notes (5) Notes to consolidated financial statements (Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)."

(3) Number of issued shares (common shares)

(1) Total number of issued shares (including treasury shares)	As of May 31,2026	28,854,880 shares	As of May 31,2025	30,696,880 shares
(2) Number of treasury shares at the end of the period	As of May 31,2026	111,058 shares	As of May 31,2025	710,774 shares
(3) Average number of shares outstanding during the period	Fiscal year ended May 31, 2026	29,414,731 shares	Fiscal year ended May 31, 2025	30,421,727 shares

Note: Daito Pharmaceutical Co., Ltd. conducted a 2-for-1 stock split of its common shares effective on June 1, 2025. The number of shares was calculated based on the assumption that the stock split had been conducted at the beginning of the previous fiscal year.

Note: Daito Pharmaceutical Co., Ltd. introduced a stock compensation plan “Board Benefit Trust (BBT).” Accordingly, the number of shares of Daito Pharmaceutical Co., Ltd. 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.

Reference: Overview of non-consolidated financial results

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

(1) Non-consolidated operating results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended May 31, 2026	50,618	0.4	3,617	53.3	3,762	50.6	7,814	416.4
Fiscal year ended May 31, 2025	50,439	8.3	2,360	(37.7)	2,497	(35.5)	1,513	(53.4)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended May 31, 2026	265.65	-
Fiscal year ended May 31, 2025	49.74	-

Note: Daito Pharmaceutical Co., Ltd. conducted a 2-for-1 stock split of its common shares effective on June 1, 2025. Earnings per share was calculated based on the assumption that the stock split had been conducted at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31,2026	72,503	52,299	72.1	1,819.52
As of May 31,2025	72,618	47,122	64.9	1,571.47

Reference: Equity As of May 31,2026 52,299 Millions of yen As of May 31,2025 47,122 Millions of yen

Note: Daito Pharmaceutical Co., Ltd. conducted a 2-for-1 stock split of its common shares effective on June 1, 2025. Net assets per share was calculated based on the assumption that the stock split 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, Daito Pharmaceutical Co., Ltd. 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 Daito Pharmaceutical Co., Ltd. in preparing the above financial results forecast and notes of caution for usage, please refer to "1. Overview of Financial Performance (4) Business outlook" 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 15, 2026.

Contents of Attached Materials

1. Overview of Financial Performance

(1) Overview of operating results

Overview of the period

During the Fiscal year ended May 31,2026, the Japanese economy has been recovering moderately as a whole, supported by improvements in the employment and income environment, although some signs of weakness have been observed. In overseas economies as well, although some signs of weakness have been observed due to the impact of trade policies in various countries, overall, moderate growth has continued. Corporate earnings have remained at a high level overall, despite the downward pressure from tariffs in the manufacturing sector, and against this backdrop, capital investment has also increased moderately. In addition, personal consumption has remained firm, supported by improvements in the employment and income environment, despite the impact of rising prices. On the other hand, the conflict in the Middle East that began earlier this year, although a ceasefire was once established, has begun to show negative economic impacts due to supply shocks of crude oil and naphtha caused by the conflict, and the outlook remains in a phase that does not allow for complacency.

In the pharmaceutical 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% or more in all prefectures by the end of fiscal 2029 (continuing from the previous roadmap), and the secondary objective is to raise the monetary share of generic drugs to 65% or more by the end of fiscal 2029. Furthermore, as part of social security system reforms, the system is being reviewed. From June 2026, the "selected medical care system" for long-listed drugs will be expanded, and from October of the same year, authorized generics (AG) newly listed will be subject to the same drug price as the original brand-name drugs. In addition, patient co-payments are scheduled to be newly introduced for some OTC-like drugs starting in March 2027.

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. Given these circumstances, the government is proceeding with the establishment of a "Generic Drug Manufacturing Infrastructure Development Fund" to strengthen the stable supply system of the generic drug industry, and support for companies responsible for ensuring quality and stable supply is expected to begin in earnest.

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 APIs, while sales of anti-allergy drug APIs increased, sales of hemostatic and anticoagulant drug APIs decreased, resulting in net sales of 22,482 million yen (down 1.7% year-on-year).

As for drug products, sales of generic and contract manufacturing (medical use) products performed steadily, resulting in net sales of 27,984 million yen (up 1.4% year-on-year).

As for health foods and other products, net sales amounted to 184 million yen (up 3.0% year-on-year).

As a result of the above, net sales for the fiscal year under review amounted to 50,650 million yen (up 0.0% year-on-year). Although selling, general and administrative expenses increased due to higher commission expenses, operating profit was 3,637 million yen (up 38.8% year-on-year), ordinary profit was 3,812 million yen (up 40.9% year-on-year), and profit attributable to owners of parent was 3,161 million yen (up 65.7% year-on-year), due to a significant improvement in inventory valuation losses and a reduction in cost of sales through thorough cost management via smart spending.

(2) Overview of financial position

Status of assets, liabilities and net assets

Total assets as of the end of the fiscal year under review decreased by 4,713 million yen from the end of the previous fiscal year to 73,291 million yen. This was mainly due to a decrease in electronically recorded monetary claims of 1,391 million yen, a decrease in cash and deposits of 1,253 million yen, and a decrease in work in process of 1,023 million yen.

Total liabilities decreased by 5,584 million yen from the end of the previous fiscal year to 20,352 million yen. This was mainly due to a decrease in long-term borrowings of 2,815 million yen, a decrease in accounts payable - other of 1,672 million yen, and a decrease in electronically recorded obligations of 1,397 million yen.

Net assets increased by 870 million yen from the end of the previous fiscal year to 52,938 million yen. This was mainly due to an increase in remeasurements of defined benefit plans of 210 million yen.

As a result of the above, the equity-to-asset ratio rose by 5.5 percentage points from the previous fiscal year to 72.2%.

(3) Cash flows

Cash and cash equivalents ("net cash") as of the end of the current fiscal year decreased by 1,253 million yen from the end of the previous fiscal year to 954 million yen.

The status of cash flows and their contributing factors during the current fiscal year are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 9,377 million yen (up 3,480 million yen year-on-year). This was primarily attributable to profit before income taxes of 4,065 million yen and depreciation of 4,387 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 4,388 million yen (down 2,976 million yen year-on-year). This was primarily attributable to purchase of property, plant and equipment of 3,818 million yen as a result of the expansion of production capacity.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 6,289 million yen (1,002 million yen provided in the previous fiscal year). This was primarily attributable to repayments of long-term borrowings of 3,099 million yen, purchase of treasury shares of 1,631 million yen, and dividends paid of 1,119 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-like drugs, in addition to rising raw material and energy costs primarily driven by the weak yen, and increasing personnel expenses 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 will be the final year of DTP2027, and we will continue to vigorously promote the 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."

Daito Pharmaceutical Co., Ltd. expects consolidated net sales of 54,000 million yen (up 6.6% year-on-year), operating profit of 4,000 million yen (up 10.0% year-on-year), ordinary profit of 4,000 million yen (up 4.9% year-on-year), and profit attributable to owners of parent of 3,000 million yen (down 5.1% year-on-year) for the next fiscal year.

(*The exchange rate for the fiscal year ending May 31, 2027, is assumed to be 150 yen per/1 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.

Regarding the application of International Financial Reporting Standards (IFRS), the Group intends to respond appropriately by taking into account various domestic and international circumstances.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Millions of yen)

	As of May 31,2025	As of May 31,2026
Assets		
Current assets		
Cash and deposits	2,207	954
Notes receivable - trade	143	0
Accounts receivable - trade	12,526	12,792
Electronically recorded monetary claims - operating	7,525	6,134
Merchandise and finished goods	6,843	5,949
Work in process	6,329	5,306
Raw materials and supplies	5,240	5,184
Factoring credit	62	31
Other	831	278
Allowance for loan losses	(2)	(2)
Total current assets	41,708	36,629
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	18,145	18,991
Machinery, equipment and vehicles, net	6,081	5,054
Land	2,155	2,294
Leased assets, net	1,991	2,574
Construction in progress	2,500	718
Other, net	951	1,043
Total property, plant and equipment	31,826	30,676
Intangible assets		
Other	531	1,712
Total intangible assets	531	1,712
Investments and other assets		
Investment securities	2,091	2,193
Deferred tax assets	359	181
Retirement benefit asset	98	554
Other	1,396	1,353
Allowance for loan losses	(8)	(8)
Total investments and other assets	3,938	4,273
Total non-current assets	36,296	36,661
Total assets	78,004	73,291

(Millions of yen)

	As of May 31,2025	As of May 31,2026
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,681	5,230
Electronically recorded obligations - operating	3,585	2,187
Current portion of long-term borrowings	3,099	2,815
Lease liabilities	358	506
Income taxes payable	419	593
Provision for bonuses	56	678
Accounts payable - other	2,929	1,256
Accrued expenses	1,030	506
Other	888	222
Total current liabilities	17,049	13,998
Non-current liabilities		
Long-term borrowings	6,569	3,753
Lease liabilities	1,859	2,220
Deferred tax liabilities	30	65
Provision for share awards for directors (and other officers)	37	55
Retirement benefit liability	169	33
Other	220	224
Total non-current liabilities	8,887	6,353
Total liabilities	25,936	20,352
Net assets		
Shareholders' equity		
Share capital	7,186	7,186
Capital surplus	7,072	7,072
Retained earnings	37,179	36,970
Treasury shares	(749)	(128)
Total shareholders' equity	50,688	51,101
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	767	880
Foreign currency translation adjustment	386	539
Remeasurements of defined benefit plans	161	371
Total accumulated other comprehensive income	1,315	1,791
Non-controlling interests	64	46
Total net assets	52,067	52,938
Total liabilities and net assets	78,004	73,291

(2) Consolidated statement of income and consolidated statement of comprehensive income

(Consolidated statement of income)

(Millions of yen)

	Fiscal year ended May 31, 2025	Fiscal year ended May 31, 2026
Net sales	50,643	50,650
Cost of sales	42,005	40,753
Gross profit	8,637	9,897
Selling, general and administrative expenses	6,017	6,260
Operating profit	2,619	3,637
Non-operating income		
Interest income	1	1
Dividend income	63	67
Rental income	14	15
Insurance claim income	2	78
Foreign exchange gains	34	102
Share of profit of entities accounted for using equity method	75	87
Other	52	72
Total non-operating income	245	424
Non-operating expenses		
Interest expenses	123	130
Commission expenses	15	24
Other	20	94
Total non-operating expenses	160	249
Ordinary profit	2,705	3,812
Extraordinary income		
Subsidy income	229	237
Gain on sale of investment securities	409	331
Other	0	-
Total extraordinary income	638	569
Extraordinary losses		
Loss on retirement of non-current assets	120	36
Loss on tax purpose reduction entry of non-current assets	216	213
Impairment losses	48	66
Total extraordinary losses	385	316
Profit before income taxes	2,958	4,065
Income taxes - current	677	891
Income taxes for prior periods	387	-
Income taxes - deferred	128	36
Total income taxes	1,192	928
Profit	1,765	3,136
Loss attributable to non-controlling interests (△)	(143)	(25)
Profit attributable to owners of parent	1,908	3,161

(Consolidated statement of comprehensive income)

(Millions of yen)

	Fiscal year ended May 31, 2025	Fiscal year ended May 31, 2026
Profit	1,765	3,136
Other comprehensive income		
Valuation difference on available-for-sale securities	(564)	112
Foreign currency translation adjustment	25	34
Remeasurements of defined benefit plans, net of tax	149	210
Share of other comprehensive income of entities accounted for using equity method	2	125
Total other comprehensive income	(387)	483
Comprehensive income	1,378	3,620
(Breakdown)		
Comprehensive income attributable to owners of parent	1,510	3,639
Comprehensive income attributable to non-controlling interests	(132)	(18)

(3) Consolidated statement of changes in equity

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	-
Change in scope of 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, net of tax	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						-
Change in scope of 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

Fiscal year ended May 31, 2026

(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	37,179	(749)	50,688
Changes during period					
Dividends of surplus			(1,118)		(1,118)
Profit attributable to owners of parent			3,161		3,161
Purchase of treasury shares				(1,631)	(1,631)
Cancellation of treasury shares			(2,252)	2,252	-
Change in scope of equity method					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(209)	621	412
Balance at end of period	7,186	7,072	36,970	(128)	51,101

	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	767	386	161	1,315	64	52,067
Changes during period						
Dividends of surplus						(1,118)
Profit attributable to owners of parent						3,161
Purchase of treasury shares						(1,631)
Cancellation of treasury shares						-
Change in scope of equity method						-
Net changes in items other than shareholders' equity	112	152	210	475	(17)	458
Total changes during period	112	152	210	475	(17)	870
Balance at end of period	880	539	371	1,791	46	52,938

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended May 31, 2025	Fiscal year ended May 31, 2026
Cash flows from operating activities		
Profit before income taxes	2,958	4,065
Depreciation	4,332	4,387
Impairment losses	48	66
Loss on retirement of fixed assets	120	36
Loss on tax purpose reduction entry of non-current assets	216	213
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for bonuses	(2)	622
Increase (decrease) in net defined benefit liability and asset	(35)	(280)
Increase (decrease) in provision for share awards for directors (and other officers)	16	17
Interest and dividend income	(64)	(68)
Rental income	(14)	(15)
Insurance claim income	(2)	(17)
Share of loss (profit) of entities accounted for using equity method	(75)	85
Interest expenses	123	130
Subsidy income	(229)	(237)
Foreign exchange loss (gain)	104	(197)
Loss (gain) on sale of investment securities	(409)	(331)
Decrease (increase) in trade receivables	(4,891)	1,334
Decrease (increase) in inventories	2,419	2,021
Increase (decrease) in trade payables	(360)	(874)
Decrease (increase) in consumption taxes refund receivable	1,189	21
Increase (decrease) in accrued consumption taxes	1.022	(1,060)
Other	60	168
Subtotal	6,527	10,087
Interest and dividends received	64	68
Interest paid	(126)	(129)
Subsidies received	229	-
Income taxes paid	(842)	(729)
Income taxes refund	-	89
Proceeds from insurance income	2	17
Other	41	(27)
Cash flows from operating activities	5,897	9,377
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,789)	(3,818)
Payments for retirement of property, plant and equipment	(65)	(31)
Purchase of intangible assets	(241)	(1,368)
Proceeds from sale of investment securities	444	454
Payments for investments in capital of subsidiaries and associates	(707)	-
Purchase of investment securities	(6)	-
Proceeds from maturity of insurance funds	-	133
Subsidy income	-	237
Other	(0)	3
Cash flows from investing activities	(7,365)	(4,388)

(Millions of yen)

	Fiscal year ended May 31, 2025	Fiscal year ended May 31, 2026
Cash flows from (used in) financing activities		
Proceeds from long-term borrowings	6,000	-
Repayments of long-term borrowings	(3,099)	(3,099)
Dividends paid	(998)	(1,119)
Purchase of treasury shares	(623)	(1,631)
Repayments of lease liabilities	(276)	(439)
Cash flows from (used in) financing activities	1,002	(6,289)
Effect of exchange rate change on cash and cash equivalents	(54)	47
Net increase (decrease) in cash and cash equivalents	(519)	(1,253)
Cash and cash equivalents at beginning of period	2,727	2,207
Cash and cash equivalents at end of period	2,207	954

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes when there are significant changes in amounts of equity)

(1) Purchase of treasury shares

Daito Pharmaceutical Co., Ltd. resolved matters regarding the purchase of treasury shares at the Board of Directors meeting held on October 10, 2025, in accordance with the provisions of Article 459, Paragraph 1 of the Companies Act and Daito Pharmaceutical Co., Ltd. Articles of Incorporation. On October 14, 2025, Daito Pharmaceutical Co., Ltd. purchased 242,000 shares of treasury stock through the Off-Floor Trading System (ToSTNeT-3), resulting in an increase of 286 million yen. In addition, Daito Pharmaceutical Co., Ltd. purchased 1,000,000 shares of treasury stock during the period from October 15, 2025, to April 22, 2026, resulting in an increase of 1,344 million yen.

(2) Cancellation of treasury shares

Based on the resolution of the Board of Directors meeting held on January 10, 2025, Daito Pharmaceutical Co., Ltd. cancelled 600,000 shares of treasury stock on June 30, 2025, amounting to 626 million yen.

In addition, based on the resolution of the Board of Directors meeting held on May 13, 2026, Daito Pharmaceutical Co., Ltd. cancelled 1,242,000 shares of treasury stock on May 29, 2026, amounting to 1,626 million yen.

As a result, during the current consolidated fiscal year, retained earnings decreased by 2,252 million yen and treasury shares increased by 621 million yen. Consequently, as of the end of the current consolidated fiscal year, retained earnings were 36,970 million yen and treasury shares were 128 million yen.

(Notes on changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Daito Pharmaceutical Co., Ltd. has reviewed the timing of commencing depreciation of production facilities effective from the beginning of the current fiscal year and changed its method accordingly.

Previously, Daito Pharmaceutical Co., Ltd. regarded the inspection date of production facilities as the commencement of mass production, and used this date as the basis for starting depreciation. However, due to recent changes in market conditions, a time gap is expected to arise between the inspection date and the actual commencement of mass production. Accordingly, Daito Pharmaceutical Co., Ltd. has changed its method to commence depreciation at the timing of the actual start of mass production, which is considered to better reflect the actual usage of the facilities. Based on an examination of changes in the external environment and actual usage of facilities, Daito Pharmaceutical Co., Ltd. has determined that this change is appropriate in light of its circumstances.

As a result of this change, operating profit, ordinary profit, and profit before income taxes for the current fiscal year increased by 210 million yen compared with the figures calculated under the previous method.

(Segment information, etc.)

[Segment information]

This information has been omitted as the pharmaceuticals business is the only reportable segment of Daito Pharmaceutical Co., Ltd. and other business segments are not significant.

[Related information]

Fiscal year ended May 31, 2025

1. Information on each product or service

(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 on each region

(1) Net Sales

This information has been omitted as sales to external customers in Japan account for more than 90% of the revenues 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 each of main customers

(Millions of yen)

Customer name	Net sales	Related segment
Feldsenf Pharma Co., Ltd.	5,225	Pharmaceuticals business

Fiscal year ended May 31, 2026

1. Information on each product or service

(Millions of yen)

	APIs	Drug products	Health foods and other products	Total
Sales to external customers	22,482	27,984	184	50,650

2. Information on each 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
Feldsenf Pharma Co., Ltd.	5,597	Pharmaceuticals business
Towa Pharmaceutical Co., Ltd.	5,075	Pharmaceuticals business

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

Fiscal year ended May 31, 2025

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

Fiscal year ended May 31, 2026

An impairment loss of 66 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]

Fiscal year ended May 31, 2025

Not applicable.

Fiscal year ended May 31, 2026

Not applicable.

[Information on gains on negative goodwill by reportable segment]

Fiscal year ended May 31, 2025

Not applicable.

Fiscal year ended May 31, 2026

Not applicable.

(Per-share information)

	Fiscal year ended May 31, 2025	Fiscal year ended May 31, 2026
Net assets per share	1,734.26 Yen	1,840.13 Yen
Basic earnings per share	62.74 Yen	107.49 Yen

Notes: 1. Information on diluted earnings per share is omitted due to an absence of potential shares.

2. Daito Pharmaceutical Co., Ltd. conducted a 2-for-1 stock split of shares of common stock effective on June 1, 2025. Net assets per share and basic earnings per share were calculated based on the assumption that the stock split had been conducted at the beginning of the previous fiscal year.

3. Daito Pharmaceutical Co., Ltd. has introduced a stock compensation plan using a trust for Directors (excluding Directors who are Audit and Supervisory Committee Members and Outside Directors). The number of shares of Daito Pharmaceutical Co., Ltd. held by the trust account is included in the number of treasury shares to be deducted from the total number of issued shares at the end of the period for the purpose of calculating net assets per share (94 thousand shares in the previous fiscal year, 94 thousand shares in the current fiscal year). In addition, for the purpose of calculating basic earnings per share, the number of shares of Daito Pharmaceutical Co., Ltd. held by the trust account is included in the number of treasury shares to be deducted from the calculation of the average number of shares outstanding during the period (94 thousand shares in the previous fiscal year, 94 thousand shares in the current fiscal year).

4. The basis of calculation of basic earnings per share is as follows.

	Fiscal year ended May 31, 2025	Fiscal year ended May 31, 2026
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	1,908	3,161
Amount not attributable to common shareholders (millions of yen)	-	-
Profit attributable to common shareholders of parent (millions of yen)	1,908	3,161
Average number of common shares outstanding during the period (thousands of shares)	30,421	29,414

(Significant subsequent events)

Not applicable.