Fiscal Year Ending May 2027

FY2027 1Q Earnings Presentation

October 14, 2026 (Wed)

Daito Pharmaceutical Co., Ltd.

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I. Financial Results Summary for 1Q FYE May 2027

Executive Summary

1Q Fiscal Year Ending May 2027

- Consolidated net sales were **11.89 billion yen**, a decrease of **8.6% YoY**, and EBITDA was **1.68 billion yen**, a decrease of **17.3% YoY**, but **both exceeded management expectation.**
- Although operating and ordinary profits decreased due to the impact of lower revenue, inventory valuation losses, and rising raw material costs caused by yen depreciation, performance remained steady against the budget, and with orders from 2Q onwards remaining firm, **the full-year earnings forecast remains unchanged.**
- The effects of CCC optimization, which Daito has been working on under the current medium-term management plan, have emerged, cash flows from operations **increased significantly, reaching 2.82 billion yen, up 64.5% year-on-year**. Capital investment to meet Gx volume targets based on government policies has peaked, and free cash flow **doubled to 2.73 billion yen**

Main Progress of DTP2027

- Daito has **concluded a share transfer agreement regarding the transfer of KYORIN Pharmaceutical's generic drug business** by a joint venture established by Daito, Meiji Seika Pharma, and the Development Bank of Japan, making an important step toward strengthening Daito's position as "research and development-driven CMO"
- On August 25, "NPC-29," an FDF product containing ubiquinol for the treatment of multiple system atrophy (MSA), for which Daito designs and manufactures the investigational drug and Nobelpharma is conducting development, was **designated as a "Sakigake (pioneering) – designated drug" by the Ministry of Health, Labour and Welfare (Pharmaceutical Evaluation Division)**
- As part of our measures to address a PBR below 1, the Board of Directors resolved today to **acquire up to 1.25 million shares** of treasury stock, representing **4.4%** of the total shares outstanding (excluding treasury shares), for a total purchase price of up to **2.0 billion yen**, and to **cancel the acquired shares.**

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Financial Highlights

- Net sales declined for both APIs and FDF products, a YoY decrease of **1.16 billion yen, or 8.6%**
- Regarding profits, although SG&A expenses decreased due to the timing of R&D cost recognition being pushed back, operating profit **decreased YoY by 0.28 billion yen, or 28.7%,** due to factors such as the decline in net sales, an increase in inventory valuation losses, and rising raw material costs driven by the weak yen. However, **net income increased despite lower operating profit, primarily** due to gains on the partial sale of strategic shareholdings.

(Millions of yen, %)

	1Q FYE May 2026	1Q FYE May 2027	YoY change
	Amount	Amount	%
Net sales	13,011	11,894	(8.6)
EBITDA	2,041	1,687	(17.3)
Operating profit	998	712	(28.7)
Ordinary profit	1,052	808	(23.2)
Net income attributable to Daito's common shareholders	696	700	+0.6
EPS (yen)	23.24	24.66	+6.1
Dividends (yen/share)	40.00	45.00	-
R&D cost*	621	487	(21.6)
Depreciation	1,042	975	(6.4)
Capital expenditure	2,246	278	(87.6)
Exchange rate (yen/dollar)	146.3	160.1	-

*R&D costs include R&D unit depreciation and fluctuations in personnel expenses in that unit.

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Sales by Category

- APIs declined due to temporary inventory adjustments at major customers and the timing of orders for certain items, resulting in a **decrease of 650 million yen, or 10.8%**
- FDF products saw a significant increase in contract-manufactured prescription drugs due to products transferred from Ono Pharmaceutical Co., Ltd. However, Gx products decreased due to temporary inventory adjustments at major customers and the discontinuation of certain items, and contract-manufactured OTC drugs decreased due to the impact of stricter regulations on designated abuse-preventive drugs and the loss of inbound demand. Overall, this resulted in a **decrease of 440 million yen, or 6.4%**

(Millions of yen, %)

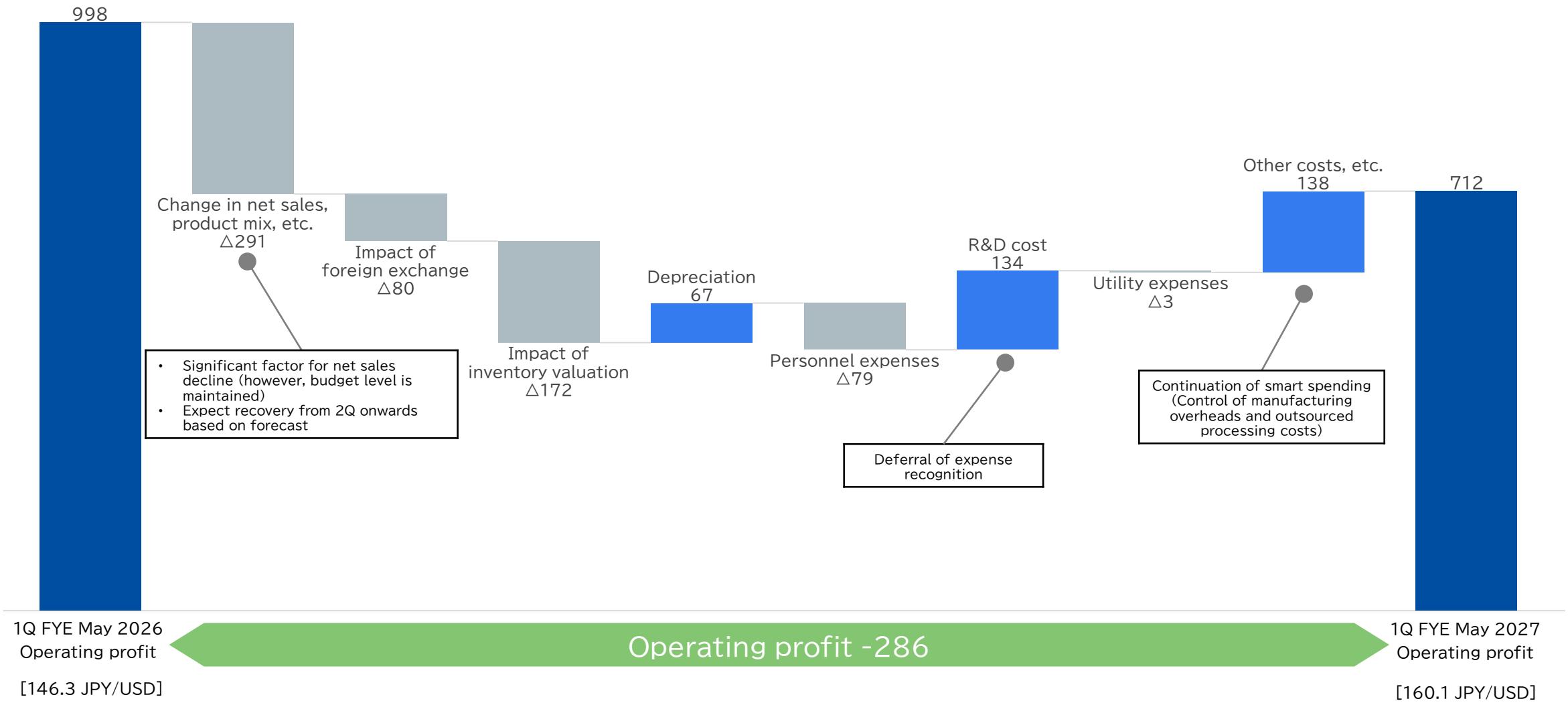
			1Q FYE May 2026	1Q FYE May 2027	YoY change (%)
APIs			6,017	5,367	(10.8)
	In-house products *		5,517	4,902	(11.1)
		Daito products (Gx)	5,257	4,528	(13.9)
		Contract-manufactured	260	374	+43.6
	External products *		500	464	(7.2)
FDF products			6,944	6,496	(6.4)
	In-house products *		6,224	5,841	(6.1)
		Daito products (Gx)	3,779	2,739	(27.5)
		Contract-manufactured prescription drugs	1,450	2,537	+75.0
		Contract-manufactured OTC drugs	994	564	(43.3)
	External products *		719	655	(8.9)
		Gx	647	529	(18.3)
		OTC drugs	71	126	+76.3
Health foods			49	30	(38.9)
Total sales			13,011	11,894	(8.6)

* "In-house products" refers to those manufactured or quality-assured within our corporate group.
* "External products" refers to pharmaceuticals, APIs, or excipients, etc., that do not fall under the category of "In-house products." These are so-called handled products.

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Analysis of Changes in Operating Profit

(Millions of yen)



＊R&D costs include 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.

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Balance Sheet Summary

- In addition to the inventory level being temporarily low at the end of May, Daito proceeded with securing inventory in anticipation of sales demand, resulting in an **increase in inventories of 1.85 billion yen, or 11.1%.**
- Reflecting the collection of trade receivables from the strong 4Q of the previous fiscal year, trade receivables **decreased by 3.35 billion yen, or 17.7%.**
- Against the backdrop of stable cash flow generation, repayment of borrowings progressed, resulting **in a decrease in interest-bearing debt of 0.85 billion yen, or 9.1%.**

(Millions of yen, %)

	As of May 2026	As of August 2026	YoY change
Current assets	36,629	35,874	(2.1)
Cash and deposits	954	1,687	+76.8
Trade receivables *	18,927	15,575	(17.7)
Inventories	16,440	18,258	+11.1
Non-current assets	36,661	35,771	(2.4)
Total assets	73,291	71,646	(2.2)
Current liabilities	13,998	13,580	(3.0)
Trade payables *	7,418	8,299	+11.9
Short-term debt	3,321	3,254	(2.0)
Non-current liabilities	6,353	5,582	(12.1)
Long-term debt *	5,974	5,192	(13.1)
Total liabilities	20,352	19,162	(5.8)
Total net assets	52,938	52,483	(0.9)

* Includes electronically recorded monetary claims and obligations; does not include receivables and liabilities under factoring agreements. * Long-term debt includes lease obligations.

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Cash Flows Statement Summary

- Operating CF **increased significantly by 1.10 billion yen, or 64.5% YoY,** as the collection of trade receivables from the strong sales in 4Q of the previous fiscal year progressed, despite an increase in inventories.
- Investment CF was lower than the previous fiscal year due to the completion of large-scale capital investments and the sale of strategic shareholdings. Cash generated from free cash flow was allocated to **shareholder returns, such as share buybacks and dividend increases,** and **reduction of interest-bearing debt,** optimizing the cash and deposits balance at the end of the period.

(Millions of yen, %)

	1Q FYE May 2026	1Q FYE May 2027	YoY change
Cash flows from operations	1,720	**2,828**	+64.5%
Profit before income taxes	1,054	**964**	(8.5%)
Depreciation	1,042	**975**	(6.4%)
Decrease (increase) in trade receivables	(186)	**3,401**	-
Decrease (increase) in inventories	265	**(1,817)**	-
Increase (decrease) in trade payables	1,088	**831**	(23.6%)
Income taxes paid	(340)	**(492)**	-
Cash flows from investment	(392)	**(89)**	-
Purchase of property, plant and equipment	(387)	**(333)**	-
Cash flows from financing	(1,456)	**(2,016)**	-
Net balance of short-term and long-term borrowings	(933)	**(837)**	-
Shareholder Returns (dividends and acquisition of treasury shares)	(523)	**(1,179)**	-
Net increase (decrease) in cash and cash equivalents during period	(58)	**733**	-
Cash and cash equivalents at end of period	2,149	**1,687**	(21.5%)

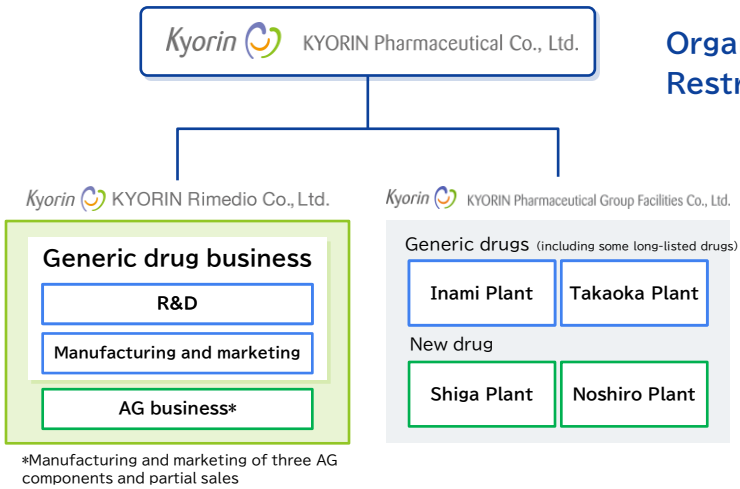
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II. Transfer of KYORIN Pharmaceutical's Generic Drug Business

Overview (1) Scheme and Inherited Assets of this Transaction

About this Scheme

(I) Current Status

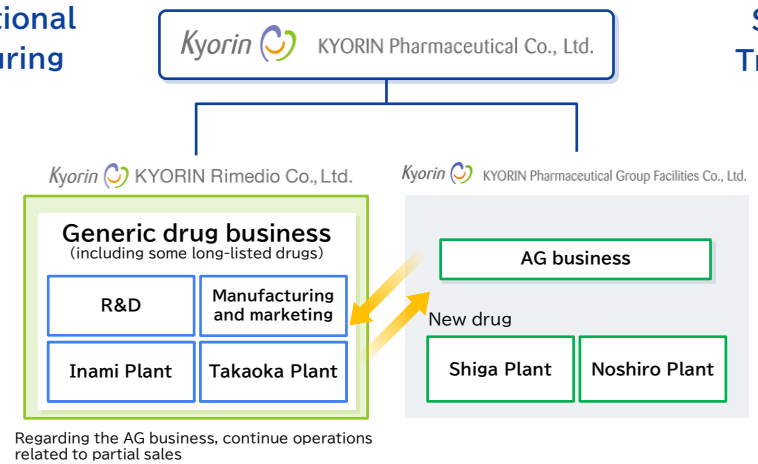


*Manufacturing and marketing of three AG components and partial sales

Organizational Restructuring

(II) Absorption-type Company Split (Scheduled for March 31, 2027)

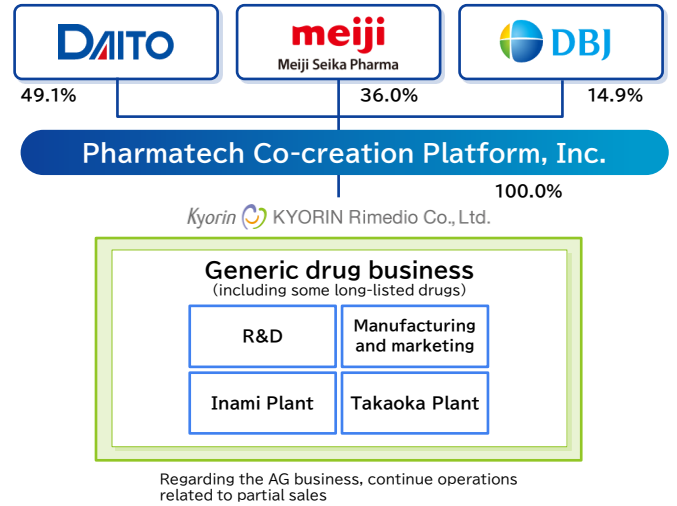
Implementation of an absorption-type company split to transfer the Inami and Takaoka plants to Kyorin Rimedio and the AG business to Kyorin Pharmaceutical Group's plants



Regarding the AG business, continue operations related to partial sales

Share Transfer

(III) Share Transfer (Scheduled for April 1, 2027)



Regarding the AG business, continue operations related to partial sales

Overview of Main Inherited Assets (Excluding product-related information)

Head Office	Address	287-1 Shimo-cho, Moroe-cho, Kanazawa City, Ishikawa Prefecture
	Established	October 1, 1947
	Number of employees	Approx. 130 (as of March 2026) (Sales personnel are included in head office staff)
	Function	Management, Sales, Business Promotion, Quality Assurance (Manufacturing and Marketing)

Formulation Research Laboratory	Address	11 Office Park, Takaoka City, Toyama Prefecture
	Year of construction	2017
	Number of employees	Approx. 40 (as of March 2026)
	Function	R&D of generic drugs

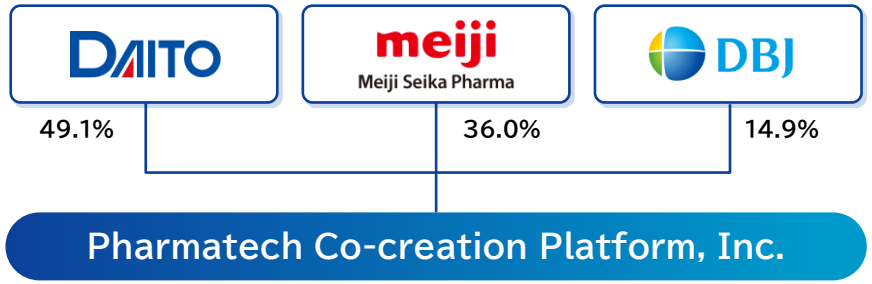
Inami Plant	Address	885 Inami, Nanto City, Toyama Prefecture
	Plant Overview	Established in 1975, Area: 12,967 ㎡
	Number of employees	Approx. 170 (as of March 2026)
	Production capacity	Approx. 600 million tablets/year

Takaoka Plant	Address	8 IC Park, Takaoka City, Toyama Prefecture
	Plant Overview	Established in 2024, Area: 42,457 ㎡
	Number of employees	Approx. 40 (as of March 2026)
	Production capacity	Max. 2 billion tablets/year

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Overview (2) Overview of the Pharmatech Co-creation Platform, Inc. and Future Schedule

Overview of the Pharmatech Co-creation Platform, Inc.



(Head office: Same as Daito's head office,
Capital: 100 million yen, Directors: Nominated by 3 companies)

Functions and Synergies Provided by Daito

Development	• Increase in products under development through a two-site research laboratory system • Efficiency in development through mutual sharing of know-how • Expansion of Daito's R&D resources into diverse fields
APIs	• Collection and provision of API information for development purchasing • Stable supply through economies of scale from increased API supply volume and strengthened buying power for intermediates, etc.
FDF products	• Consolidation of manufacturing sites for overlapping items and elimination of small-lot, multi-product production • Joint negotiation and purchasing of overlapping auxiliary materials and supplies
Quality	• Sharing of know-how on quality control and assurance based on FDA standards • Promotion of in-house testing within the group for outsourced testing
Demand Forecast	• Forecast accuracy through Feldsenf Pharma, an affiliated company

Introduction of the Representative Director (Planned) appointed by Daito

- Appointed a leader with extensive experience in both new drug and off-patent pharmaceutical businesses



Representative Director

Kazumi Tsuji

Apr. 1992	Joined Eli Lilly Japan K.K.
Dec. 2000	Obtained MBA from the University of San Francisco, USA
Apr. 2012	Pfizer Japan Inc., Established Medicines Business Unit Lead, Asia Pacific Region, Long-listed Drugs
Jul. 2021	Appointed President and Representative Director, Mundipharma K.K.
Nov. 2024	Advisor, Daito Pharmaceutical Co., Ltd. (in charge of Portfolio Management Department)
Oct. 2026	Special Advisor, Daito Pharmaceutical Co., Ltd. (in charge of preparation for the establishment of the Pharmatech Co-creation Platform, Inc. and Assistant to the Business Development Division) (Current)

Future Schedule and Funds for Stock Acquisition

Oct. 2026	Start of further refinement of the PMI plan
Dec. 2026	Establishment of the Pharmatech Co-creation Platform, Inc.
Mar. 31, 2027	Effective date of the absorption-type company split
Apr. 1, 2027	Closing and PMI Phase

- Funds for our portion of the stock acquisition are planned to be invested in the Pharmatech Co-creation Platform, Inc. through borrowings from financial institutions

Future Earnings Outlook

- The impact on Daito's consolidated financial results for the current fiscal year (fiscal year ending May 2027) will be minor; the impact on medium- to long-term performance will be disclosed at a later date.

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