



January 22, 2025

To Whom It May Concern:

Company Name: Daito Pharmaceutical Co., Ltd.  
Representative: Hiroshi Matsumori, President and CEO  
(Securities Code: 4577, Prime Market of Tokyo Stock Exchange)  
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**Partial Correction to**  
**“First Half, Fiscal Year Ending May 2025 Financial Results Presentation Materials”**

Daito Pharmaceutical Co., Ltd. (the “Company”) hereby announces partial correction to the “First Half, Fiscal Year Ending May 2025 Financial Results Presentation Materials,” disclosed on January 15, 2025, as detailed below.

**1. Reason for the Correction**

After the release of the “First Half, Fiscal Year Ending May 2025 Financial Results Presentation Materials,” it was discovered that some information contained within was incorrect, so the Company is making the necessary corrections.

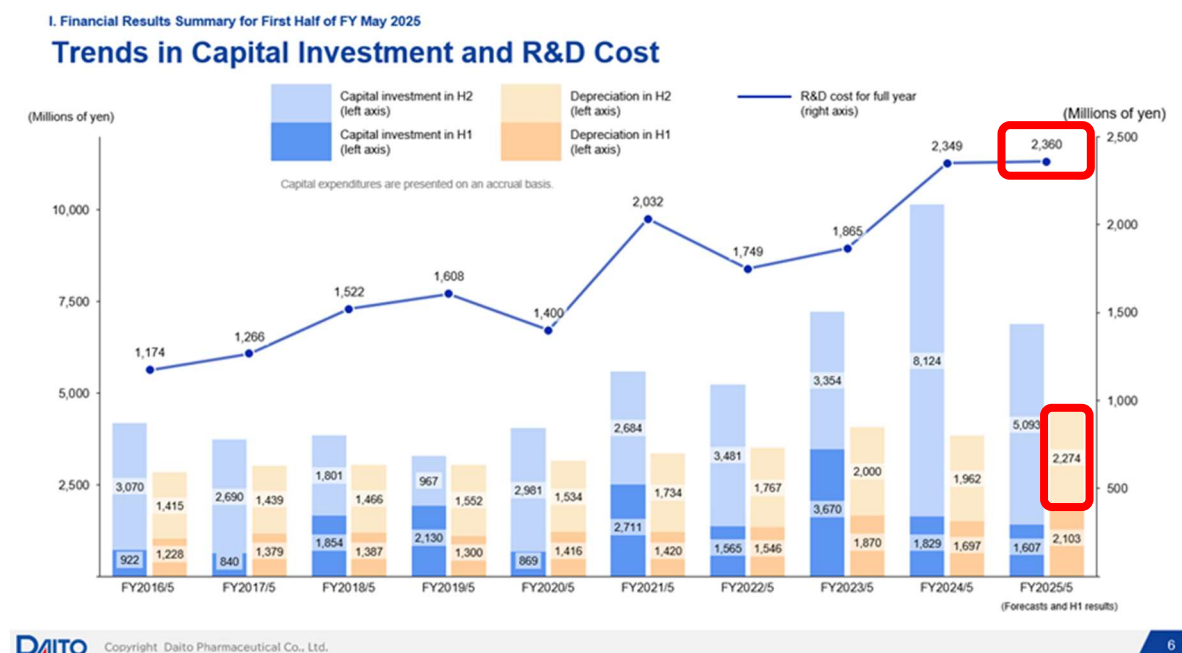
**2. Details of the Correction**

Please refer to the Attached Document.

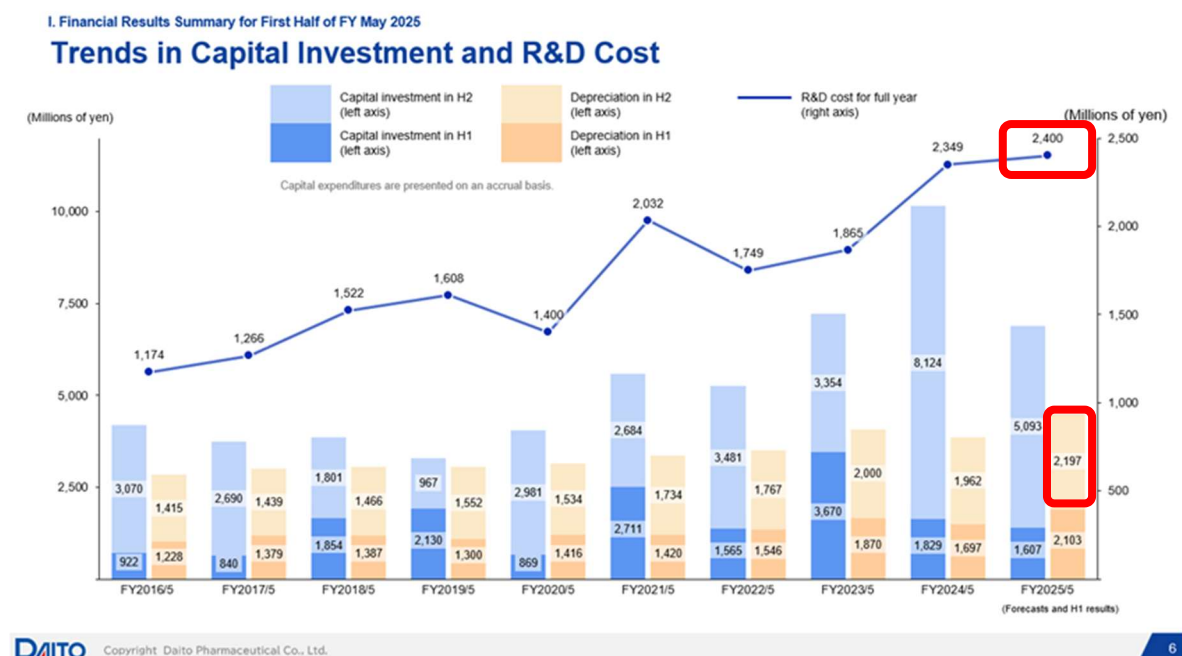
The said materials on the Company’s website (<https://www.daitonet.co.jp/>) will be updated to reflect the above corrections.

End

[Before the correction]



[After the correction]



**First Half, Fiscal Year Ending May 2025**

# **Financial Results Presentation Materials**

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**January 16, 2025**

**Daito Pharmaceutical Co., Ltd.**

**Tokyo Stock Exchange Prime Market: 4577**



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# **I. Financial Results Summary for First Half of FY May 2025**

## Financial Highlights

### Net sales

✓ **24.58 billion yen, up by 0.47 billion yen or 2.0% YoY**

Sales of APIs were strong, supported by newly listed products, etc. Overall FDF <sup>(\*1)</sup> sales were robust, with strong OTC and steady Gx <sup>(\*2)</sup> sales, despite lower contract product sales.

### Gross profit

✓ **4.37 billion yen, down by 0.81 billion yen or 15.6% YoY**

Significantly decreased, primarily due to the impacts of increased depreciation, inventory valuation, and soaring raw material costs driven by exchange rates.

### Operating profit

✓ **1.47 billion yen, down 0.81 billion yen or 35.7% YoY**

Significantly decreased due to lower gross profit. Although R&D costs decreased, total SG&A expenses remained unchanged YoY.

### EBITDA

✓ **3.57 billion yen, down 0.41 billion yen or 10.3% YoY**

Decreased primarily due to the impacts of inventory valuation and soaring raw material costs driven by exchange rates.

### EPS

✓ **59.39 yen, down 38.82 yen or 39.5% YoY**

Decreased due to factors such as a decrease in gross profit, the sale of investment securities, and the payment of income taxes for previous years (subsidiaries).

\*1 Finished Dosage Form

\*2 Generic drugs (also expressed as GE in other documents)

# Financial Highlights: Major Items

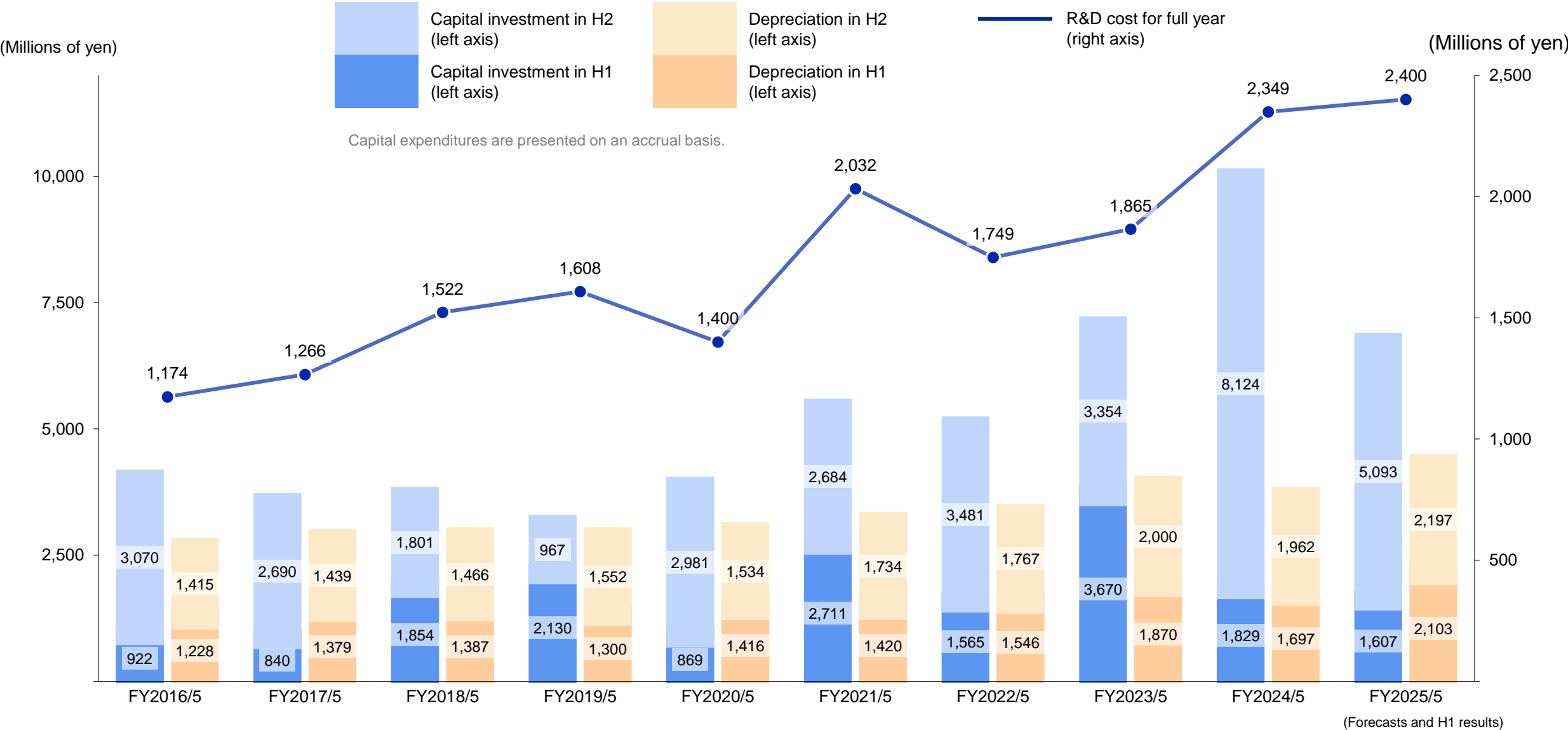
- Net sales **rose by 2.0%, or 0.47 billion yen** YoY, driven by steady sales in both APIs and FDF products.
- Indicators of profitability were down due to **challenging business conditions**, with ordinary profit **down 35.7%, or 0.81 billion yen** YoY, due mainly to increased depreciation, inventory valuation, and soaring raw material costs driven by exchange rates.

(Millions of yen, %)

	H1 of FY May 2024	H1 of FY May 2025	YoY change
	Amount	Amount	%
Net sales	24,110	24,584	+2.0
Operating profit	2,289	1,471	-35.7
Ordinary profit	2,314	1,470	-36.5
Net income attributable to Daito's common shareholders	1,552	908	-41.5
EPS (yen)	98.22	59.39	-39.5
EBITDA	3,986	3,574	-10.3
Dividends (yen/share)	30.00	35.00	—
R&D cost *	1,244	1,111	-10.7
Depreciation	1,697	2,103	+23.9
Capital expenditure	1,829	1,607	-12.1
Exchange rate (yen/dollar)	145.8	151.6	—

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



# Trends in Capital Investment and R&D Cost





# Sales by Category

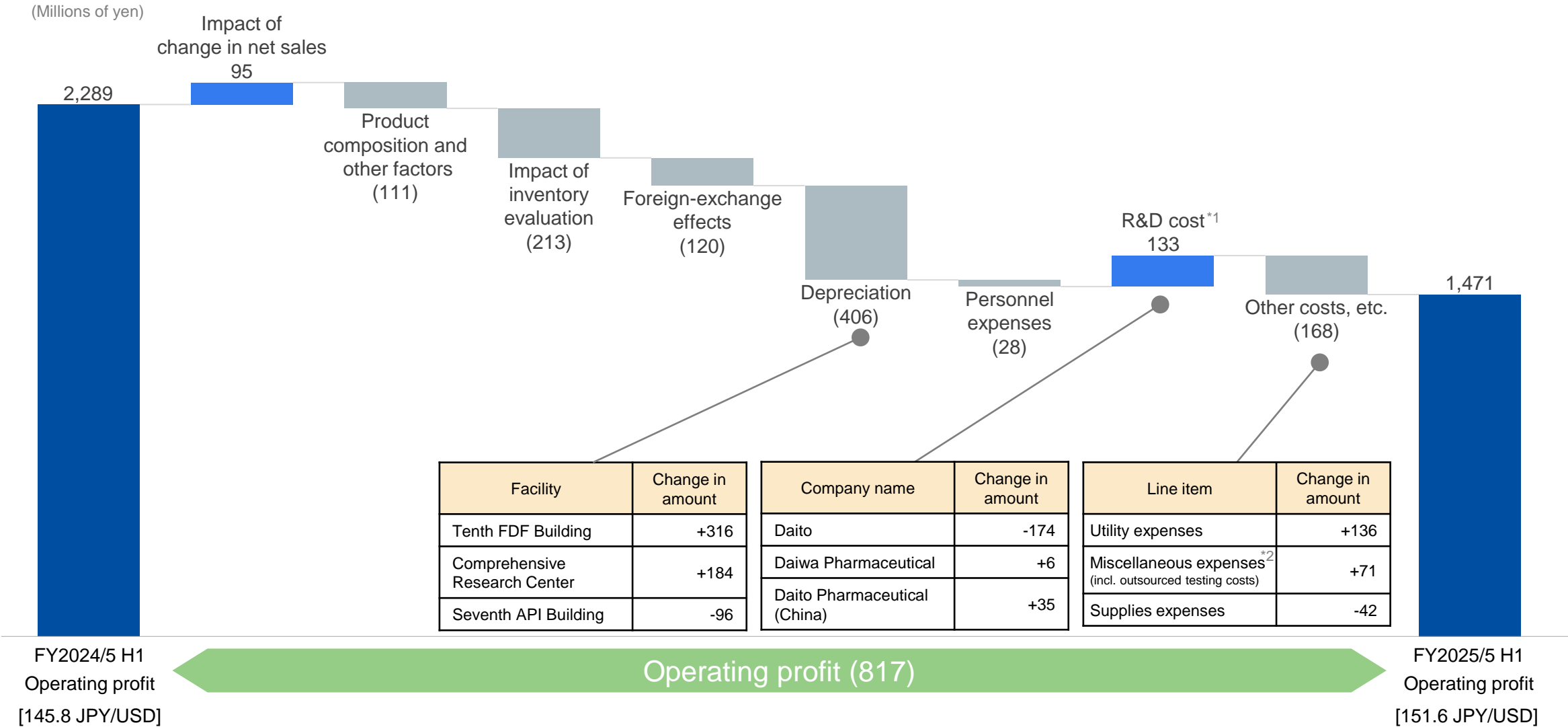
- Sales of APIs were **strong, increasing by 0.27 billion yen, or 2.4%**, thanks to the contribution of products listed in the NHI price list in December 2024.
- FDF product sales saw a significant decline in contract products, but OTC products performed strongly, and Daito products (Gx) and external products (Gx) remained steady. Consequently, overall FDF product sales **increased by 0.21 billion yen, or 1.7%**.  
(Millions of yen, %)

			H1 of FY May 2024	H1 of FY May 2025	YoY change (%)
APIs 			11,306	11,583	+2.4
	In-house products *		10,570	10,742	+1.6
		Daito products (Gx)	9,682	9,810	+1.3
		Contract-manufactured	888	932	+5.0
	External products *		736	841	+14.3
FDF products 			12,691	12,907	+1.7
	In-house products *		11,896	11,543	-3.0
		Daito products (Gx)	6,904	6,711	-2.8
		Contract-manufactured prescription drugs	3,607	3,232	-10.4
		Contract-manufactured OTC drugs	1,384	1,599	+15.6
	External products *		795	1,363	+71.4
		Gx	589	1,067	+81.2
		OTC drugs	206	295	+43.2
Health foods and other products			112	93	-16.4
Total net sales			24,110	24,584	+2.0

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

\* "External products" are pharmaceuticals, APIs, excipients, etc. that do not fall under the category of "In-house products." So-called "products handled."

# Analysis of Changes in Operating Profit



<sup>\*1</sup> R&D costs include R&D unit depreciation and fluctuations in personnel expenses in that unit.

<sup>\*2</sup> Including nitrosamine management (+30)

# Balance Sheet Summary

- Trade receivables **increased by 3.04 billion yen, or 19.7%**, due to factors such as a decrease in the balance of securitized receivables and the last day of November falling on a weekend.
- Interest-bearing debt **increased by 4.55 billion yen, or 67.2%**, due to the arrival of the payment date for capital investment to strengthen production capacity and R&D capabilities, as well as shareholder returns.

(Millions of yen, %)

	As of May 31, 2024	As of November 30, 2024	YoY change
Current assets	41,460	43,601	+5.2
Cash and deposits	2,727	3,241	+18.9
Trade receivables*	15,399	18,436	+19.7
Inventories	20,891	21,070	+0.9
Non-current assets	36,247	36,031	-0.6
Total assets	77,708	79,633	+2.5
Current liabilities	18,505	17,437	-5.8
Trade payables*	8,699	9,046	+4.0
Short-term debt	2,099	3,299	+57.2
Non-current liabilities	6,937	10,174	+46.7
Long-term debt	4,669	8,019	+71.8
Total liabilities	25,443	27,612	+8.5
Total net assets	52,265	52,020	-0.5

\* Includes electronically recorded monetary claims – operating and electronically recorded obligations – operating, and does not include factoring credit or factoring obligations

# Cash Flows Statement Summary

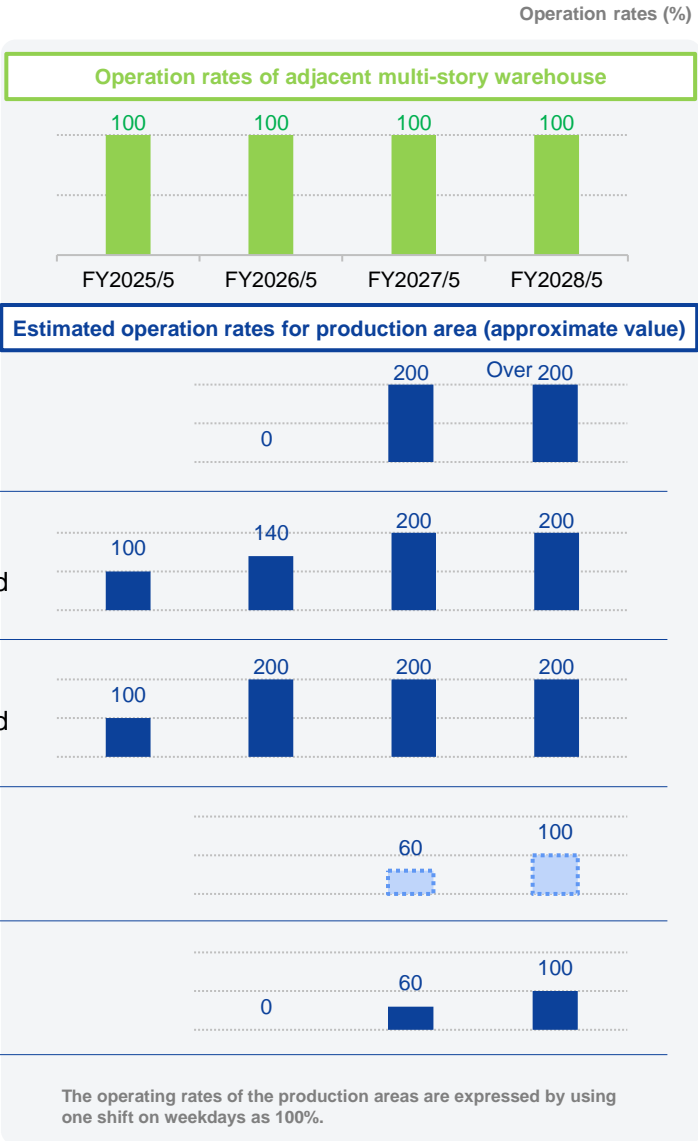
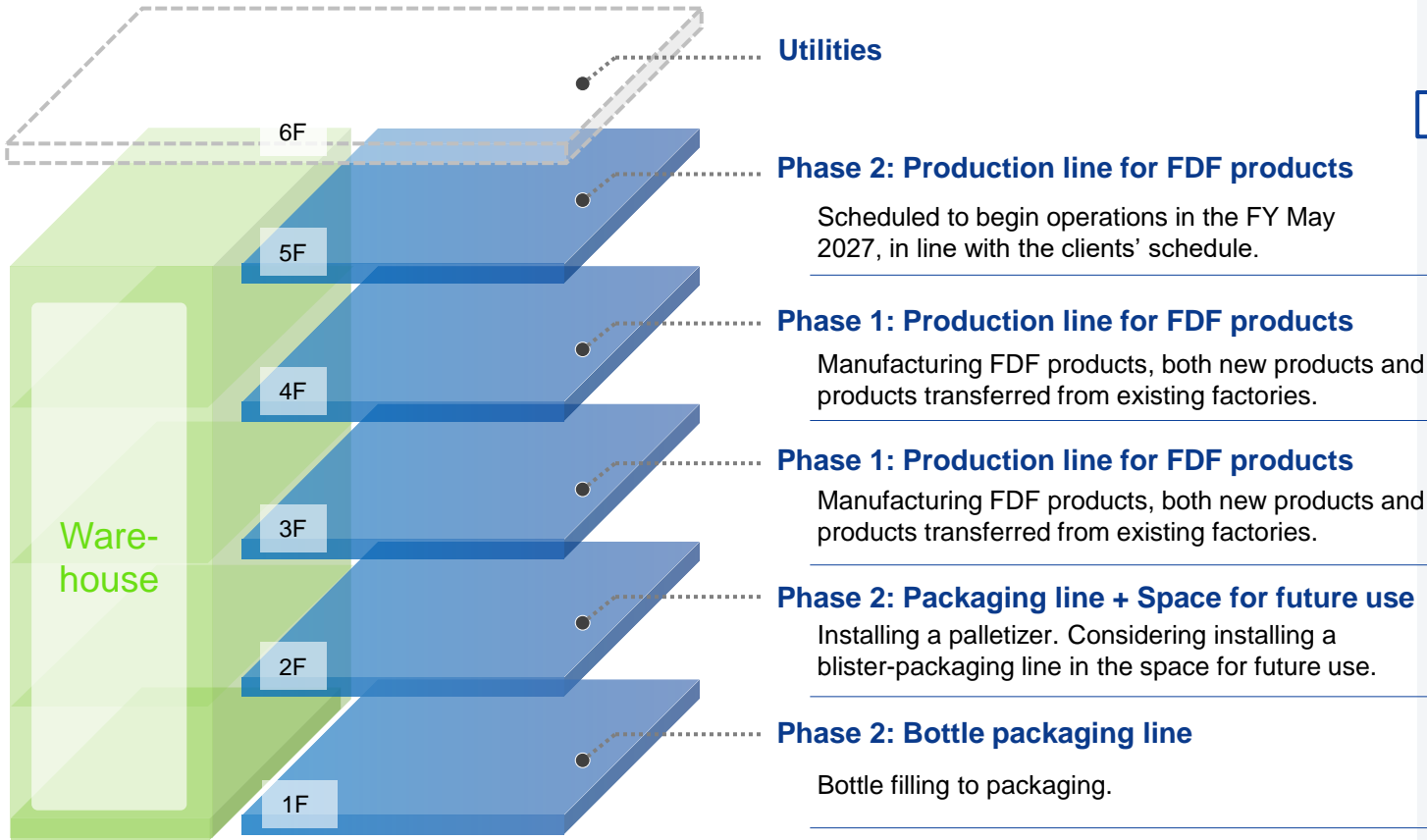
- Cash flows from operations showed a net inflow of 1.84 billion yen, slightly down YoY. The increase in trade receivables was offset by **factors such as the start of stricter inventory management**.
- Cash flows from investment showed a net outflow of 5.28 billion yen due to **the arrival of the payment date for capital investment completed in the previous fiscal year**.

(Millions of yen, %)

	H1 of FY May 2024	H1 of FY May 2025	YoY change
Cash flows from operations	1,946	<b>1,840</b>	-5.4
Profit before income taxes	2,315	<b>1,879</b>	-18.8
Depreciation	1,697	<b>2,103</b>	+23.9
Decrease (increase) in trade receivables	(1,386)	<b>(3,058)</b>	—
Decrease (increase) in inventories	(1,701)	<b>(247)</b>	—
Increase (decrease) in trade payables	2,283	<b>348</b>	-84.7
Income taxes paid	(518)	<b>(515)</b>	—
Cash flows from investment	(3,616)	<b>(5,287)</b>	—
Purchase of property, plant and equipment	(3,627)	<b>(4,888)</b>	—
Cash flows from financing	2,609	<b>3,964</b>	+51.9
Net balance of short-term and long-term borrowings	3,050	<b>4,550</b>	+49.2
Net increase (decrease) in cash and cash equivalents during peiord	978	<b>514</b>	-47.4
Cash and cash equivalents at end of period	4,585	<b>3,241</b>	-29.3

# Operation Status of the Tenth FDF Building and Future Plans

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



## **II. Progress of Medium-term Management Plan “DTP2027”**

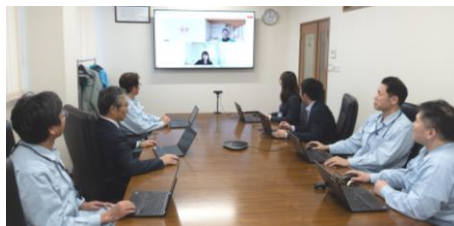
# Progress of Medium-term Management Plan “DTP2027”

## ■ Five Pillars of Daito Business Strategy



### 1. Streamlining of Existing Businesses

- In order to strengthen the Company's strength of “integrated production from APIs to FDF products” and aim for even greater heights as “ONE Daito,” we have decided to merge with Daiwa Pharmaceutical.
- The Portfolio Management Department was established to develop a framework for selecting development products and making decisions at each stage gate. This framework was implemented in January 2025 at the Portfolio Meeting, which reports directly to the CEO.



### 2. Strengthening our China Business

- The increase in the investment ratios in Cheer Fine Pharmaceutical and Anhui Tingworld Pharmaceutical was completed on August 9, 2024, and operations began under the new board of directors.
- The approval process for the two components of Daito Pharmaceutical (China)'s in-house developed FDF products for the Chinese market is ongoing and we are awaiting approval.
- Development of each item that is scheduled to be manufactured by contract for the Chinese market is progressing smoothly.
- In preparation for future increases in Daito Pharmaceutical (China)'s production capacity in line with the start of sales in China, we have begun relocating our office space to a separate building and preparing a warehouse.



### 3. Entering into New Businesses

- We have reached a basic agreement with our partner, Nobelpharma Co., Ltd., on collaboration for the development of NPC-29, a new orphan drug for the treatment of multiple system atrophy.
- We are also making progress in discussions regarding other new pipelines.



### 4. Addressing PBR Below 1 and Enhancement of Capital Allocation

- In order to respond to the current level of stock prices and strengthen shareholder returns, the Company has decided to acquire and retire 300,000 shares (2.0% of the total number of issued shares excluding treasury stock).
- In order to improve liquidity and expand the investor base, the Company has decided to carry out a stock split (2-for-1).



### 5. Investment in Human Capital

- We have started operating an internal recruitment system.
- We began to open our management information sharing meetings to managers.
- We are currently preparing various systems that will enable more flexible working styles.





Details (1)

On June 1, 2025,  
we will become “ONE Daito.”



We aim to ensure a stable supply through flexible collaboration  
by enhancing our high-quality, high-efficiency system for  
“integrated production from APIs to FDF products.”



Daiwa Pharmaceutical Co., Ltd.  
President  
Kiyotaka Kido

Daito Pharmaceutical Co., Ltd.  
President and CEO  
Hiroshi Matsumori



Daiwa Pharmaceutical Co., Ltd. (Disappearing company)

Specializing in the production of APIs, it has a dominant market share of several items, and sells them to Daito for use in FDF products and to domestic manufacturing and sales companies via Daito.



Daito Pharmaceutical Co., Ltd. (Surviving company)

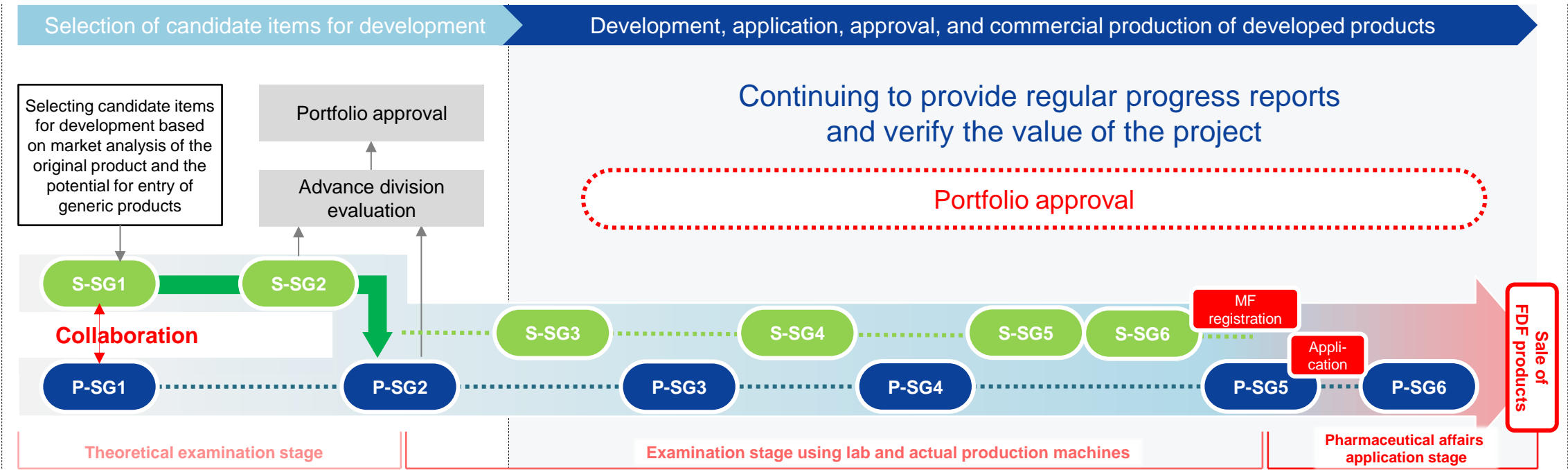
As the parent company of the Group, it is involved in everything from research and development of APIs and FDF products to manufacturing and sales, and has established a quality management system based on FDA standards.





# Details (2) Development of New Framework for Development Product Selection and Stage-Gate Decision-Making

## Overview of development process for APIs and FDF products and stage gates (SGs)



### ■ Stage gates (SGs) list

A product can only proceed to the next development stage if deliberated and approved at the stage gate.

	SG1	SG2	SG3	SG4	SG5	SG6
API (S)	When selecting items to develop	Before starting development	After production in kilo labs	Before manufacturing APIs for clinical trials	Before implementing PV	Before applying for MF registration
FDF product (P)	When selecting items to develop	Before starting development	Before pre-BE testing	Before BE testing	Before applying for approval	After approval for manufacturing and sales

## Details (3) Acquisition of New Sales Approvals, Expansion of Contract Manufacturing, and Production Increase for Products for China at Daito Pharmaceutical (China)

### STEP 1 [Ongoing] Utilization of an existing separate building

- Part of the warehouse function and the administrative function, originally located on the 1st floor of the FDF building, are being relocated to a separate building.
- The quality testing functions on the 1st floor of the FDF building are being expanded, and new packaging equipment for products for China is being introduced on the 2nd floor of the same FDF building.
- We are working to strengthen our production and quality control functions to a certain level.

### STEP 2 Expansion to the spaces for future use on 3F&4F

- If production and sales of Daito products are successful and it becomes difficult to take on contract production with the equipment in STEP 1 in the future,
- We will significantly strengthen our manufacturing capabilities by introducing production equipment into the spaces for future use on the 3rd and 4th floors.

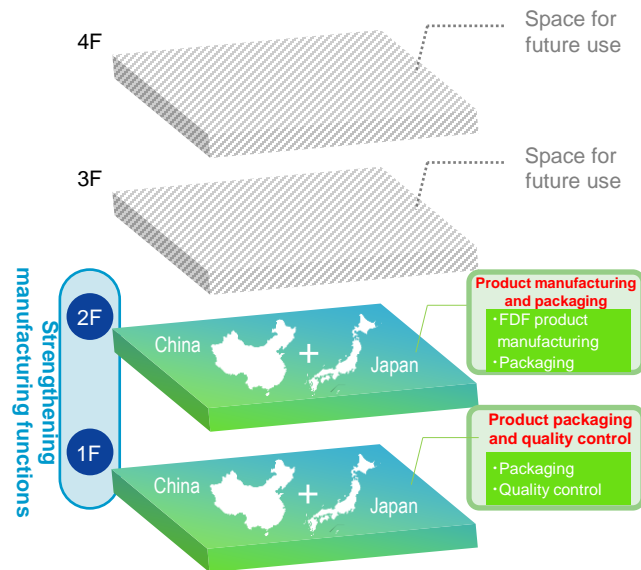
### ... STEP 3 ...

Establishing  
a new factory  
on a new site

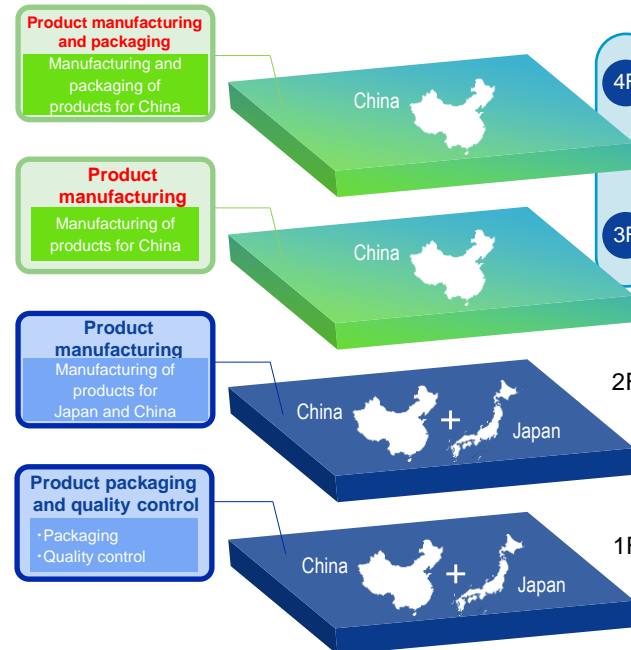
#### FDF building

#### + Separate building Utilize

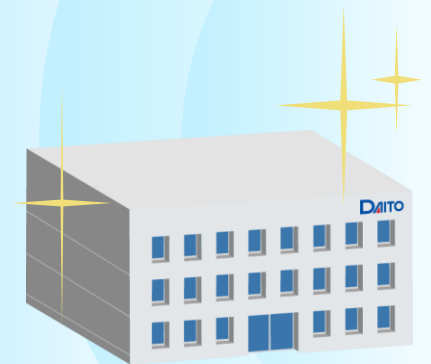
- Warehouse function
- Administrative function



#### FDF building



#### New factory Establish



# Details (4) Collaboration on Developing New Orphan Drugs for Multiple System Atrophy Treatment

## About orphan drugs

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

## Agreement on the First Project

- On January 15, 2025, the Company entered into a basic agreement with Nobelpharma to proceed with the conclusion of a contract concerning collaboration in the development of NPC-29, an FDF product containing ubiquinol that Novelpharma is developing, for the treatment of multiple system atrophy (MSA).

### Multiple system atrophy (MSA)

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

### Partnership with Nobelpharma (announced on June 18, 2024)

- We concluded an "agreement for building a partnership" with Nobelpharma Co., Ltd., a company with a top-class track record in Japan in the development of orphan drugs.
- Nobelpharma and Daito will combine their complementary strengths to promote the orphan drug business.



A signing ceremony with Nobelpharma (June 18, 2024)

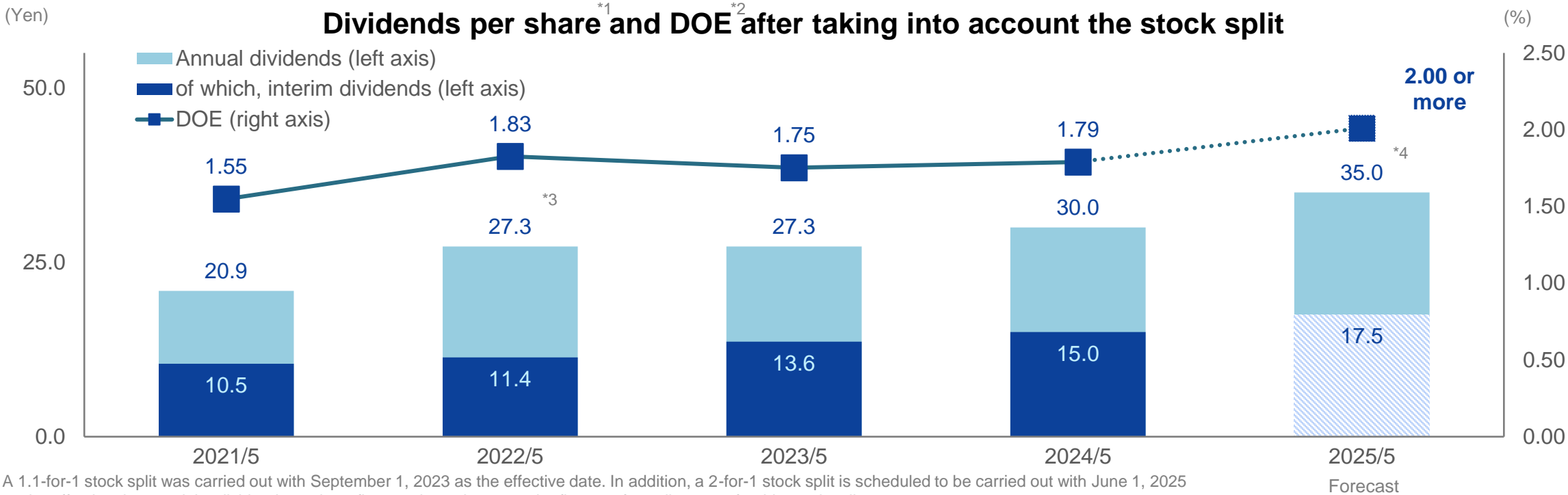
## Details (5) Decision to acquire and retire treasury stock and conduct a stock split

### ■ Acquisition and retirement of treasury stock

- At a Board of Directors meeting held on January 10, 2025, the Company decided to **acquire 300,000 shares of treasury stock through market purchases**, equivalent to 2.0% of the total number of shares issued (excluding treasury stock), and to **retire the shares after acquisition**. The Company will continue to **develop a system that enables it to flexibly acquire treasury stock** while monitoring share price trends.

### ■ Stock split and dividend Policy

- At a Board of Directors meeting held on January 10, 2025, the Company decided to conduct a 2-for-1 stock split, effective on June 1, 2025, with the aim of **improving the liquidity of the Company’s stock and expanding the investor base that shares the Company’s management philosophy and future growth strategies**.
- As already announced, the dividend for the current fiscal year is scheduled to be **70 yen per share** (35 yen per share after taking into account the 2-for-1 stock split scheduled for June 1), **an increase of 10 yen from the previous fiscal year**.



\*1 A 1.1-for-1 stock split was carried out with September 1, 2023 as the effective date. In addition, a 2-for-1 stock split is scheduled to be carried out with June 1, 2025 as the effective date, and the dividend per share figures given above are the figures after adjustment for this stock split.

\*2 For DOE calculation, total dividends and Shareholders' equity at the end of the period are used.

\*3 The dividend for the fiscal year ended May 2022 includes a commemorative dividend.

\*4 The dividend for the FY May 2025 is planned to be 35 yen/year even after the stock split on June 1, 2025.

### **III. Full-year Earnings Forecast for FY May 2025**

# Full-year Earnings Forecast for FY May 2025

- As planned at the beginning of the fiscal year, profit progress at the end of the first half was below 50%. We expect the earnings forecast for the current fiscal year, announced on July 12, 2024, to remain unchanged.
- Despite the ongoing difficult business environment, including the yen remaining weaker than the Company had expected, we aim to make up for this in the second half through measures such as **realizing price increase and cost reduction effects, increasing sales of high-profit margin products including new products, increasing the operation rate of the Tenth FDF Building, and increasing sales volumes due to the Gx shift of off-patent long-listed products due to selective medical treatments.**

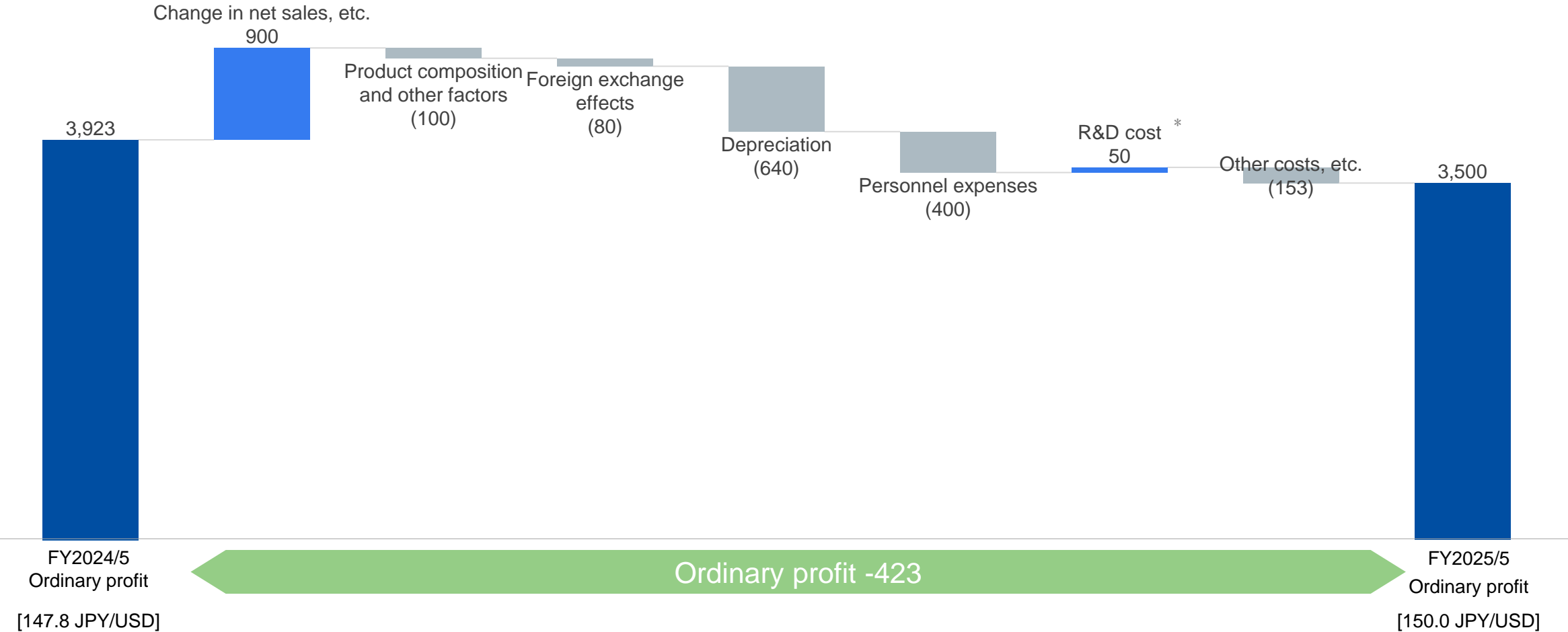
(Millions of yen, %)

	FY May 2024	FY May 2025 forecast	YoY change	Progress as of the end of H1
	Amount	Amount	%	%
Net sales	46,895	49,000	+4.5	50.2
Operating profit	3,894	3,500	-10.1	42.0
Ordinary profit	3,923	3,500	-10.8	42.0
Net income attributable to Daito's common shareholders	3,295	2,300	-30.2	39.5
EPS (yen)	210.00	150.39	—	—
Dividends (yen/share)	60.00	70.00	—	—
R&D cost*	2,349	2,400	—	46.3
Depreciation	3,659	4,300	—	48.9
Capital expenditure	9,953	6,700	—	24.0

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

# Analysis of Changes in Ordinary Profit

(Millions of yen)



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

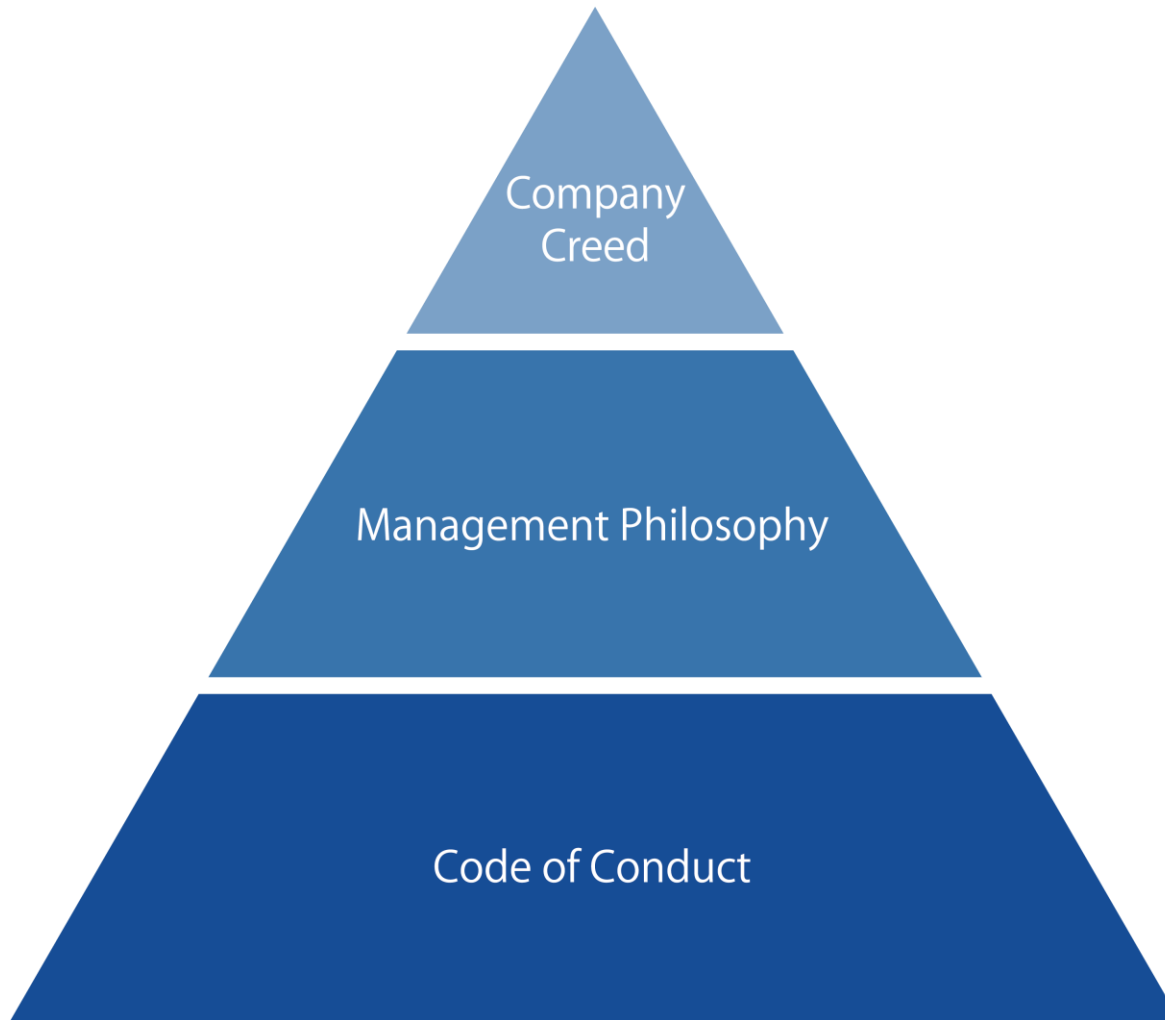
## **Appendix. Company Overview**



# Corporate profile

Company name:	Daito Pharmaceutical Co., Ltd.
Location of head office:	326 Yokamachi, Toyama City, Toyama
Founded:	June 1942
Fiscal year ends:	End of May
Representative:	Hiroshi Matsumori, President and CEO
Number of employees:	1,070 (not including an average of 38 temporary employees) <small>*Consolidated, as of May 31, 2024</small>
Businesses:	Manufacture and sale, OEM manufacture, and purchase and sale of APIs and FDF products; sale of health foods and other products
Subsidiaries:	Daiwa Pharmaceutical Co., Ltd. (manufacturing of APIs) Daito Pharmaceuticals America, Inc. (supporting export of APIs and FDF products) Daito Pharmaceutical (China) Co., Ltd. (manufacturing in China)

# Company Creed, Management Philosophy, and Code of Conduct



## Company Creed

### Creation, Morale, and Sincerity

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

## Management Philosophy

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

- **What is a “cheerful company”?**

A company where employees' personal growth is linked to the Company's growth and every employee can enjoy working cheerfully

- **What is “work in which employees can find joy”?**

Work that can bring every employee the joy of serving patients who hope to get cured and customers who wish to be healthier by providing products to society

# Company Creed, Management Philosophy, and Code of Conduct

## Code of Conduct

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



- Sincere attitude
- Public trust
- Contribution to society
- Harmony with the environment
- High aspirations
- Giant leap into the world

We will comply with laws and regulations and act fairly and impartially.  
We will strive to enhance the quality of our products and provide them to customers stably.  
We will support people through our daily business activities.  
We will be green and earth-friendly.  
We will take up the challenge of pioneering new frontiers and new technologies.  
We will provide excellent products globally.


# Corporate History


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

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

# Diagram of our group companies

Legend

 APIs

 FDF products

