

**Nippon Shikizai, Inc.**  
**Summary of Financial Results for the First Half of Fiscal Year**  
**Ending February 28, 2025**  
**[Japanese Standard] (Consolidated)**

Nippon Shikizai, Inc. has announced its consolidated financial results for the first half of the fiscal year ending February 28, 2025. Please refer to the contents of the report disclosed below.

**Consolidated Financial Results**

- **Net sales:** 9,505 million yen (29.2% increase from the same period previous year)
- **Operating income:** 489 million yen (70.9% increase from the same period previous year)
- **Ordinary income:** 424 million yen (56.0% increase from the same period previous year)
- **Net income attributable to owners of parent company:**  
252 million yen (16.4% increase from the same period previous year)

**Summary of Consolidated Operating Results**

In the consolidated first half of the fiscal year ending February 28, 2025 (March 1 to August 31, 2024), uncertainty impacted business activity worldwide. In Japan, with the COVID-19 pandemic having subsided in the previous fiscal year, conditions continued to return to normal. However, the recovery was slow and lacked vigor, as growth in real wages was blunted by inflation. Overseas, the paths of Western countries and China diverged. As inflation slowed in North America and Europe, a modest growth trend played out there amid expectations of a Fed rate cut, while in China, regional disparities came to the fore, as continued recession in the real-estate sector blunted domestic demand and downshifted growth. Separately, geopolitical risk intensified as the Russian invasion of Ukraine dragged on and conditions in the Middle East worsened. Knock-on effects included rising prices for energy and other resources as well as logistical delays, which drove inflation in Japan and other countries. The resulting impact on the fiscal policies of various countries triggered fluctuations in exchange rates, impacting economic activity and rendering prospects uncertain.

The cosmetics industry, which is the domain of operations of Nippon Shikizai, Inc., brightened during the period under review. In Japan, personal consumption, and spending on makeup in particular, remained below levels before COVID-19, when demand from inbound tourism was significant. Nonetheless, consumer mindset improved dramatically and a modest trend of recovery and improvement persisted. Product launches, held back during the pandemic, rebounded in sprightly fashion, stoking further demand. Overseas as well, demand for cosmetics followed a recovery trajectory.

For the Nippon Shikizai Group, the picture brightened considerably, as orders rose from cosmetics manufacturers throughout Japan and around the world. In Japan, waves of orders poured in in anticipation of product launches held back by the pandemic, including some large orders, while capital investment, such as the phase-3 expansion project at Tsukuba Factory improved the operating rate of production equipment. Uncertainties and challenges remained, however: When the wave of orders for new products faltered, growth slowed and factory operation levels

temporarily slackened. Also in Japan, to handle a drop in workload caused by labor shortages, the Group was obliged to increase outsourcing expenses, while inflation affected material costs and other expenses. The Group continued to trim various costs, to support and improve profitability

Going forward, the business environment, including demand for cosmetics, is expected to continue on a growth glidepath, but uncertainty will remain for the economy as a whole, as inflation and labor shortages persist, personnel costs and interest rates rise and currency rates fluctuate. Geopolitical risk remains high from Russia's invasion of Ukraine and tensions in the Middle East. In view of this business environment, the Group is striving to continue profitable operation and achieve growth, by resolutely implementing the suite of measures mooted in the Medium-Term Business Strategy Vision, which covers the period FY2022 to FY2026. Over the near term, the Nippon Shikizai Group will provide formulas to respond to customer demand for new products and production. Looking ahead to the medium-to-long term, the Group will redouble its efforts to improve business results, leveraging its strengths in a continuously changing market environment by responding to social demands such as "clean beauty" in cosmetics and adherence to the SDGs.

With the results above as background, the financial position and operating results for the first half-period of the consolidated fiscal year were as follows.

The Group's net sales grew 29.2% compared to the same period of the previous fiscal year, rising to 9,505 million yen. The relief rally in cosmetics demand from the end of the COVID-19 pandemic in the previous consolidated fiscal year; increasing orders from domestic and overseas producers, including some large orders; and depreciation of the Japanese yen all combined to yield this result.

Turning to income, the phase-3 expansion project at Tsukuba Factory continued to engender elevated costs, while inflation drove up material costs, personnel costs and various expenses. Nonetheless, significant expansion in orders received raised the operating rate of production equipment, while the Group strove to pare a wide variety of costs. Operating income increased 70.9% over the same period of the previous fiscal year, to 489 million yen. Ordinary income grew more than half again, rising 56.0% over the same period of the previous fiscal year to 424 million yen. Net income attributable to owners of parent company advanced 16.4% over the same period of the previous fiscal year to 252 million yen

## **Segment Business Information: Business Performance by Region**

### ***(Japan)***

With the end of the COVID-19 pandemic, demand for cosmetics in Japan and overseas is staging a recovery. Orders from domestic and overseas cosmetics manufacturers mounted, led by a wave of orders for new products and securing of large orders, particularly in Japan. Net sales surged 40.2% from the same period of the previous fiscal year to 6,888 million yen. In earnings, though various costs remained high in connection with the phase-3 expansion project at Tsukuba Factory, and inflation raised material, personnel and various other expenses, receipt of large orders boosted the operating rate of production equipment. Operating income rose an order of magnitude, soaring 983.5% over the same period of the previous fiscal year to 501 million yen.

**(France)**

Europe, where our subsidiaries Thépenier Pharma & Cosmetics S.A.S. and Nippon Shikizai France S.A.S. are located, remained mired in recession during the consolidated first half period (January 1 to June 30, 2024). Recovery in orders for pharmaceuticals and cosmetics slowed from the pace set in the previous consolidated fiscal year, reducing euro-denominated net sales. However, yen depreciation enabled this segment to achieve a 4.9% increase in net sales compared to the same period of the previous fiscal year, to 2,652 million yen. In income terms, the drop in euro-denominated net sales and high levels of personnel expenses and costs of various goods conspired to engender an operating loss of 13 million yen, as compared with operating income of 240 million yen in the same period of the previous fiscal year.

**Outlook**

In view of the state of progress in business results in the consolidated first half period under review, the Group is revising its forecast of consolidated business results for the fiscal year ending February 28, 2025 from the forecast announced on July 11, 2024.

For details on the revised forecast, please refer to “Notice Regarding Revision of Full-year Forecast of Business Results,” announced today.

(%: change from the same period previous year)

	Full year (increase/decrease)
Net sales	17,821 million yen (Up 18.4%)
Operating income	593 million yen (Up 34.4%)
Ordinary income	462 million yen (Up 13.5%)
Net income attributable to owners of parent company	230 million yen (Down 42.1%)
Net income per share	109.97 yen

[Appendix]

Semi-annual Consolidated Financial Statements

(1) Semi-annual Consolidated Balance Sheet

(Thousands of yen)

	At February 29, 2024	At August 31, 2024
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and deposits	1,393,795	927,768
Notes and accounts receivable - trade	2,234,430	3,019,394
Electronically recorded monetary claims - operating	149,087	* <sup>1</sup> 259,411
Inventories	* <sup>2</sup> 3,107,344	* <sup>2</sup> 3,237,324
Other	251,695	365,857
Allowance for doubtful accounts	(2,220)	(3,233)
<b>Total Current Assets</b>	<b>7,134,132</b>	<b>7,806,522</b>
<b>Non-current Assets</b>		
<b>Property, Plant and Equipment</b>		
Buildings and structures, net	4,714,399	4,652,625
Machinery, equipment and vehicles, net	1,502,864	1,642,192
Land	2,027,748	2,029,188
Construction in progress	438,406	754,036
Other, net	348,275	402,597
<b>Total Property, Plant and Equipment</b>	<b>9,031,693</b>	<b>9,480,640</b>
<b>Intangible Assets</b>	<b>260,467</b>	<b>241,505</b>
<b>Investments and Other Assets</b>		
Investment securities	293,661	291,378
Other	380,952	287,145
Allowance for doubtful accounts	(13,837)	(8,543)
<b>Total Investments and Other Assets</b>	<b>660,776</b>	<b>569,980</b>
<b>Total Non-current Assets</b>	<b>9,952,938</b>	<b>10,292,126</b>
<b>Total Assets</b>	<b>17,087,070</b>	<b>18,098,649</b>

(Thousands of yen)

	At February 29, 2024	At August 31, 2024
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Notes and accounts payable - trade	904,894	835,271
Electronically recorded obligations - operating	1,387,301	1,323,647
Short-term loans payable	2,913,451	3,079,081
Provision for bonuses	70,203	279,814
Other	1,534,926	1,433,925
<b>Total Current Liabilities</b>	<b>6,810,777</b>	<b>6,951,741</b>
<b>Non-current Liabilities</b>		
Long-term loans payable	6,147,558	6,602,660
Provision for directors' retirement benefits	146,430	146,430
Net defined benefit liability	95,609	112,638
Other	359,768	331,364
<b>Total Non-current Liabilities</b>	<b>6,749,365</b>	<b>7,193,093</b>
<b>Total Liabilities</b>	<b>13,560,143</b>	<b>14,144,834</b>
<b>NET ASSETS</b>		
<b>Shareholders' Equity</b>		
Capital stock	100,000	100,000
Capital surplus	1,510,339	1,510,339
Retained earnings	1,544,397	1,755,361
Treasury shares	(3,983)	(3,983)
<b>Total Shareholders' Equity</b>	<b>3,150,752</b>	<b>3,361,716</b>
<b>Accumulated Other Comprehensive Income</b>		
Valuation difference on available-for-sale securities	118,294	116,956
Foreign currency translation adjustment	257,880	475,142
<b>Total Accumulated Other Comprehensive Income</b>	<b>376,175</b>	<b>592,098</b>
<b>Total Net Assets</b>	<b>3,526,927</b>	<b>3,953,814</b>
<b>Total Liabilities and Net Assets</b>	<b>17,087,070</b>	<b>18,098,649</b>

## (2) Semi-annual Consolidated Statements of Income and Comprehensive Income

### Semi-annual Consolidated Statement of Income

(Six Months ended August 31, 2024)

(Thousands of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
<b>Net Sales</b>	7,355,576	9,505,822
<b>Cost of Sales</b>	6,290,033	8,157,849
<b>Gross Profit</b>	1,065,543	1,347,972
<b>Selling, General and Administrative Expenses</b>	* 778,971	* 858,353
<b>Operating Income</b>	286,571	468,619
<b>Non-operating Income</b>		
Interest income	1	0
Dividend income	4,720	3,897
Foreign exchange gains	28,917	—
House rent income	—	9,677
Miscellaneous income	15,551	17,841
<b>Total Non-operating Income</b>	49,190	31,417
<b>Non-operating Expenses</b>		
Interest expenses	63,684	77,222
Foreign exchange losses	—	19,435
<b>Total Non-operating Expenses</b>	63,684	96,657
<b>Ordinary Income</b>	272,077	424,378
<b>Extraordinary Income</b>		
Gain on sales of non-current assets	—	529
<b>Total Extraordinary Income</b>	—	529
<b>Extraordinary Losses</b>		
Loss on retirement of non-current assets	990	751
Other	—	1
<b>Total Extraordinary Losses</b>	990	753
<b>Income before Income Taxes</b>	271,087	424,154
Income taxes - current	78,513	27,881
Income taxes - deferred	(24,594)	143,394
<b>Total Income Taxes</b>	53,918	171,275
<b>Net Income</b>	217,168	252,879
<b>Net Income Attributable to Owners of Parent Company</b>	217,168	252,879

**Semi-annual Consolidated Statement of Comprehensive Income**  
**(Six Months ended August 31, 2024)**

(Thousands of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Net income	217,168	252,879
<b>Other Comprehensive Income</b>		
Valuation difference on available-for-sale securities	(9,179)	(1,338)
Foreign currency translation adjustment	179,689	217,261
<b>Total Other Comprehensive Income</b>	170,509	215,923
<b>Comprehensive Income</b>	387,677	468,802
(Breakdown)		
Comprehensive income attributable to owners of parent company	387,677	468,802
Comprehensive income attributable to non- controlling interests	—	—

**(3) Semi-annual Consolidated Statement of Cash Flows**

(Thousands of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
<b>Cash Flows from Operating Activities:</b>		
Income before income taxes	271,087	424,154
Depreciation	401,844	438,699
Amortization of goodwill	9,038	—
Increase (decrease) in provision for bonuses	52,724	209,610
Increase (decrease) in net defined benefit liability	1,025	7,459
Increase (decrease) in allowance for doubtful accounts	136	(4,823)
Interest and dividend income	(4,722)	(3,898)
Interest expenses	63,684	77,222
Loss (gain) on sales of investment securities	—	1
Loss (gain) on sales of non-current assets	—	(529)
Loss on retirement of non-current assets	990	751
Decrease (increase) in notes and accounts receivable - trade	(135,138)	(813,226)
Decrease (increase) in inventories	(386,954)	(36,262)
Increase (decrease) in notes and accounts payable - trade	326,677	(169,666)
Increase (decrease) in accounts payable - other	192,036	(73,496)
Increase (decrease) in accrued consumption taxes	56,470	(59,380)
Other	109,104	(24,890)
<b>Subtotal</b>	<b>958,005</b>	<b>(28,273)</b>
Interest and dividend income received	4,722	3,899
Interest expenses paid	(64,164)	(77,760)
Income taxes (paid) refund	(20,779)	(139,638)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>877,783</b>	<b>(241,772)</b>

(Thousands of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
<b>Cash Flows from Investing Activities:</b>		
Proceeds from withdrawal of time deposits	53,000	18,000
Purchase of property, plant and equipment	(338,089)	(654,148)
Proceeds from sales of property, plant and equipment	—	529
Purchase of intangible assets	(15,660)	(2,279)
Purchase of investment securities	(144)	—
Proceeds from sales of investment securities	—	238
<b>Net Cash Used in Investing Activities</b>	<b>(300,895)</b>	<b>(637,660)</b>
<b>Cash Flows from Financing Activities:</b>		
Net increase (decrease) in short-term loans payable	9,511	(35,164)
Proceeds from long-term loans payable	513,879	1,433,894
Repayments of long-term loans payable	(1,042,874)	(908,184)
Repayments of lease obligations	(47,450)	(51,153)
Cash dividends paid	—	(41,765)
Other	—	(2)
<b>Net Cash Provided by (Used in) Financing Activities</b>	<b>(566,934)</b>	<b>397,624</b>
<b>Effect of Exchange Rate Change on Cash and Cash Equivalents</b>	<b>29,554</b>	<b>33,634</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>39,508</b>	<b>(448,174)</b>
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>1,228,503</b>	<b>1,375,781</b>
<b>Cash and Cash Equivalents at End of Period</b>	<b>1,268,011</b>	<b>927,606</b>

#### (4) Segment Information

##### *Performance by Business Segment*

1. Six Months ended August 31, 2024 (March 1, 2024 to August 31, 2024)

(Thousands of yen)

	Reporting Segment			Adjustment (Note 1)	Amount shown on Semi-annual Consolidated Statement of Income (Note 2)
	Japan	France	Total		
Net Sales					
In Japan	4,979,579	903	4,980,483	(903)	4,979,579
Overseas	1,908,562	2,651,352	4,559,915	(33,673)	4,526,242
Revenue from contracts with customers	6,888,142	2,652,256	9,540,398	(34,576)	9,505,822
Net sales to outside customers	6,854,469	2,651,352	9,505,822	—	9,505,822
Internal sales and transfers between segments	33,673	903	34,576	(34,576)	—
Total	6,888,142	2,652,256	9,540,398	(34,576)	9,505,822
Segment Income (Loss)	501,645	(13,725)	487,920	1,698	489,619

Notes: 1. The adjustment amount of 1,698 thousand yen in segment income (loss) is an elimination of transactions between segments.

2. Segment income (loss) has been adjusted with operating income in the Semi-annual Consolidated Statement of Income.

2. Information on impairment loss of non-current assets, goodwill, etc. by reporting segments  
Not applicable.

##### **(Revenue Recognition)**

A breakdown of revenue generated from contracts with customers is listed under “Segment Information.”