

Nippon Shikizai, Inc.
Summary of Financial Results for the First Half of Fiscal Year
Ending February 28, 2026
[Japanese Standard] (Consolidated)

Nippon Shikizai, Inc. has announced its consolidated financial results for the first half of the fiscal year ending February 28, 2026. Please refer to the contents of the report disclosed below.

Consolidated Financial Results

- **Net sales:** 8,031 million yen (15.5% decrease from the same period previous year)
- **Operating income:** 110 million yen (77.4% decrease from the same period previous year)
- **Ordinary income:** 90 million yen (78.7% decrease from the same period previous year)
- **Net income attributable to owners of parent company:**
49 million yen (80.6% decrease from the same period previous year)

Summary of Consolidated Operating Results

In the consolidated first half of the fiscal year ending February 28, 2026 (March 1 to August 31, 2025), uncertainty impacted business activity worldwide amid a number of risks. In Japan, although the economy remained on a recovery path, the pace of recovery was slow, as growth in real wages was blunted by inflation and personal consumption lacked vigor. Overseas, the paths of Western countries and China diverged. In North America and Europe, as inflation slowed and monetary easing took hold, a modest growth trend emerged, while in China, regional disparities became evident as the ongoing real-estate recession weighed on domestic demand and slowed overall growth. Separately, geopolitical risk remained elevated as the Russian invasion of Ukraine dragged on, tensions in the Middle East persisted, and policy risks, including trade policies, rose in various countries following the change in the U.S. Administration. In addition, rising and fluctuating prices for energy and other resources, inflation, and volatility in interest rates, exchange rates and stock markets affected economic activity and heightened uncertainty about the outlook.

The cosmetics industry, which is the domain of operations of Nippon Shikizai, Inc., showed a gradual recovery during the period under review. In Japan, although the wave of orders for new products, particularly makeup items, that followed the end of the COVID-19 pandemic had subsided in the second half of the previous fiscal year, a modest trend of demand recovery and improvement persisted. Overseas as well, demand for cosmetics continued on a gradual recovery trajectory.

For the Nippon Shikizai Group, trends differed between domestic and overseas markets. In Japan, following the subsiding of the order wave in the second half of the previous fiscal year, orders remained firm, and the operating rate of production equipment gradually improved. In Europe, order volumes for both pharmaceuticals and cosmetics were weak. 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, demand for cosmetics is expected to continue on a modest recovery and growth trajectory, but uncertainty will remain for the economy as a whole. Inflation, labor shortages, rising personnel costs, and fluctuations in interest rates and exchange rates are likely to persist. Geopolitical risk will remain elevated as a result of Russia's invasion of Ukraine and tensions in the Middle East, while policy risks, including U.S. trade policies, are expected to remain high. 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.

Net sales declined 15.5% year on year, to ¥8,031 million. Contributing factors included the subsiding of the wave of orders for new products following the end of the COVID-19 pandemic in the previous consolidated fiscal year, the slowdown in large orders, and lackluster growth in orders received by the Group's French consolidated subsidiary for pharmaceuticals and cosmetics.

Turning to income, in Japan, the operating rate of production equipment was lower than in the first half of the previous consolidated fiscal year, when the wave of orders had surged, while material costs, personnel expenses, and various other expenses rose due to inflation. Meanwhile, business performance continued to be sluggish at the Group's French consolidated subsidiary, reflecting the slow growth in orders for pharmaceuticals and cosmetics. As a result, operating income fell 77.4% year on year, to ¥110 million; ordinary income declined 78.7% year on year, to ¥90 million; and net income attributable to owners of the parent company dropped 80.6% year on year, to ¥49 million.

Segment Business Information: Business Performance by Region

(Japan)

With the end of the COVID-19 pandemic in the previous consolidated fiscal year, the wave of orders for new products and large orders from cosmetics manufacturers in Japan and overseas subsided. Net sales declined 16.6% year on year, to ¥5,743 million. In earnings, although various costs remained high in connection with the phase-3 expansion project at Tsukuba Factory, and material, personnel, and other expenses rose due to inflation, the lower level of order acceptance led to a decrease in the operating rate of production equipment. Efforts to contain various costs continued. As a result, operating income fell 61.6% year on year, to ¥192 million.

(France)

Europe, where our subsidiaries Thépenier Pharma & Cosmetics S.A.S. and Nippon Shikizai France S.A.S. are located, was on a gradual recovery footing during the consolidated first half period (January 1 to June 30, 2025). However, orders for pharmaceuticals and cosmetics were in the doldrums. Net sales declined in both euro-denominated terms and after conversion to Japanese yen, shrinking 11.8% compared to the same period of the previous fiscal year, to 2,338 million yen. In income terms, the drop in net sales, high levels of personnel expenses and costs of various goods, a delay in startup of new equipment at Thépenier and declining operating rates at Nippon Shikizai France all conspired to engender an operating loss of 83 million yen, widening from an operating loss of 13 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 has made no revision to its forecast of consolidated business results for the fiscal year ending February 28, 2026 from the forecast announced on October 7, 2025.

(%: change from the same period previous year)

	Full year (increase/decrease)
Net sales	16,462 million yen (Down 6.6%)
Operating income	243 million yen (Down 50.1%)
Ordinary income	133 million yen (Down 63.6%)
Net income attributable to owners of parent company	321 million yen (Up 48.8%)
Net income per share	154.06 yen

[Appendix]

Semi-annual Consolidated Financial Statements

(1) Semi-annual Consolidated Balance Sheet

(Thousands of yen)

	At February 28, 2025	At August 31, 2025
ASSETS		
Current Assets		
Cash and deposits	949,024	746,301
Notes and accounts receivable - trade	2,701,470	2,669,185
Electronically recorded monetary claims - operating	202,637	247,430
Inventories	2,562,269	2,799,465
Other	322,017	473,785
Allowance for doubtful accounts	(2,651)	—
Total Current Assets	6,734,766	6,936,168
Non-current Assets		
Property, Plant and Equipment		
Buildings and structures, net	4,869,053	4,776,923
Machinery, equipment and vehicles, net	1,831,104	1,832,190
Land	2,028,486	2,028,935
Construction in progress	193,408	273,244
Other, net	458,812	450,121
Total Property, Plant and Equipment	9,380,866	9,361,415
Intangible Assets	226,271	230,324
Investments and Other Assets		
Investment securities	259,060	253,134
Other	291,160	273,856
Allowance for doubtful accounts	(2,727)	(4,030)
Total Investments and Other Assets	547,494	522,960
Total Non-current Assets	10,154,631	10,114,700
Total Assets	16,889,398	17,050,868

(Thousands of yen)

	At February 28, 2025	At August 31, 2025
LIABILITIES		
Current Liabilities		
Notes and accounts payable - trade	754,979	672,344
Electronically recorded obligations - operating	990,634	1,060,952
Short-term loans payable	3,020,834	4,189,662
Provision for bonuses	74,974	213,862
Provision for directors' bonuses	19,000	—
Other	1,384,784	1,292,691
Total Current Liabilities	6,245,206	7,429,512
Non-current Liabilities		
Long-term loans payable	6,335,667	5,308,133
Provision for directors' retirement benefits	146,430	146,430
Net defined benefit liability	67,311	83,681
Other	290,715	262,610
Total Non-current Liabilities	6,840,124	5,800,855
Total Liabilities	13,085,331	13,230,368
NET ASSETS		
Shareholders' Equity		
Capital stock	100,000	100,000
Capital surplus	1,510,339	1,510,339
Retained earnings	1,718,780	1,725,949
Treasury shares	(3,983)	(15,403)
Total Shareholders' Equity	3,325,135	3,320,885
Accumulated Other Comprehensive Income		
Valuation difference on available-for-sale securities	97,850	92,752
Foreign currency translation adjustment	381,079	406,862
Total Accumulated Other Comprehensive Income	478,930	499,614
Total Net Assets	3,804,066	3,820,500
Total Liabilities and Net Assets	16,889,398	17,050,868

(2) Semi-annual Consolidated Statements of Income and Comprehensive Income**Semi-annual Consolidated Statement of Income****(Six Months ended August 31, 2025)**

(Thousands of yen)

	Six months ended August 31, 2024	Six months ended August 31, 2025
Net Sales	9,505,822	8,031,121
Cost of Sales	8,157,849	6,924,056
Gross Profit	1,347,972	1,107,064
Selling, General and Administrative Expenses	858,353	996,349
Operating Income	489,619	110,715
Non-operating Income		
Interest income	0	2
Dividend income	3,897	3,478
Foreign exchange gains	—	37,991
House rent income	9,677	10,659
Miscellaneous income	17,841	9,477
Total Non-operating Income	31,417	61,609
Non-operating Expenses		
Interest expenses	77,222	82,049
Foreign exchange losses	19,435	—
Miscellaneous expenses	—	34
Total Non-operating Expenses	96,657	82,084
Ordinary Income	424,378	90,240
Extraordinary Income		
Gain on sales of non-current assets	529	—
Total Extraordinary Income	529	—
Extraordinary Losses		
Loss on retirement of non-current assets	751	5,334
Other	1	—
Total Extraordinary Losses	753	5,334
Income before Income Taxes	424,154	84,906
Income taxes - current	27,881	34,682
Income taxes - refund	—	(5,825)
Income taxes - deferred	143,394	6,964
Total Income Taxes	171,275	35,821
Net Income	252,879	49,084
Net Income Attributable to Owners of Parent Company	252,879	49,084

Semi-annual Consolidated Statement of Comprehensive Income
(Six Months ended August 31, 2025)

(Thousands of yen)

	Six months ended August 31, 2024	Six months ended August 31, 2025
Net income	252,879	49,084
Other Comprehensive Income		
Valuation difference on available-for-sale securities	(1,338)	(5,098)
Foreign currency translation adjustment	217,261	25,782
Total Other Comprehensive Income	215,923	20,684
Comprehensive Income	468,802	69,769
(Breakdown)		
Comprehensive income attributable to owners of parent company	468,802	69,769
Comprehensive income attributable to non- controlling interests	—	—

(3) Semi-annual Consolidated Statement of Cash Flows

(Thousands of yen)

	Six months ended August 31, 2024	Six months ended August 31, 2025
Cash Flows from Operating Activities:		
Income before income taxes	424,154	84,906
Depreciation	438,699	449,738
Increase (decrease) in provision for bonuses	209,610	138,888
Increase (decrease) in provision for directors' bonuses	—	(19,000)
Increase (decrease) in net defined benefit liability	7,459	13,829
Increase (decrease) in allowance for doubtful accounts	(4,823)	(1,477)
Interest and dividend income	(3,898)	(3,480)
Interest expenses	77,222	82,049
Loss (gain) on sales of investment securities	1	—
Loss (gain) on sales of non-current assets	(529)	—
Loss on retirement of non-current assets	751	5,334
Decrease (increase) in notes and accounts receivable - trade	(813,226)	6,789
Decrease (increase) in inventories	(36,262)	(215,594)
Increase (decrease) in notes and accounts payable - trade	(169,666)	9,035
Increase (decrease) in accounts payable - other	(73,496)	(207,609)
Increase (decrease) in accrued consumption taxes	(59,380)	(22,251)
Other	(24,890)	(16,172)
Subtotal	(28,273)	304,985
Interest and dividend income received	3,899	3,480
Interest expenses paid	(77,760)	(84,787)
Income taxes (paid) refund	(139,638)	(33,414)
Net Cash Provided by (Used in) Operating Activities	(241,772)	190,263

(Thousands of yen)

	Six months ended August 31, 2023	Six months ended August 31, 2024
Cash Flows from Investing Activities:		
Proceeds from withdrawal of time deposits	18,000	—
Purchase of property, plant and equipment	(654,148)	(384,773)
Proceeds from sales of property, plant and equipment	529	—
Purchase of intangible assets	(2,279)	(15,668)
Proceeds from sales of investment securities	238	—
Net Cash Used in Investing Activities	(637,660)	(400,442)
Cash Flows from Financing Activities:		
Net increase (decrease) in short-term loans payable	(35,164)	391,207
Proceeds from long-term loans payable	1,433,894	921,130
Repayments of long-term loans payable	(908,184)	(1,212,154)
Repayments of lease obligations	(51,153)	(44,667)
Purchase of treasury shares	(2)	(11,423)
Cash dividends paid	(41,765)	(41,713)
Net Cash Provided by Financing Activities	397,624	2,379
Effect of Exchange Rate Change on Cash and Cash Equivalents	33,634	4,877
Net Increase (Decrease) in Cash and Cash Equivalents	(448,174)	(202,921)
Cash and Cash Equivalents at Beginning of Period	1,375,781	948,877
Cash and Cash Equivalents at End of Period	927,606	745,955

(4) Segment Information

Performance by Business Segment

1. Six Months ended August 31, 2025 (March 1, 2025 to August 31, 2025)

(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	4,190,944	9,393	4,200,337	(9,393)	4,190,944
Overseas	1,552,079	2,329,253	3,881,332	(41,155)	3,840,177
Revenue from contracts with customers	5,743,023	2,338,646	8,081,669	(50,548)	8,031,121
Net sales to outside customers	5,701,867	2,329,253	8,031,121	—	8,031,121
Internal sales and transfers between segments	41,155	9,393	50,548	(50,548)	—
Total	5,743,023	2,338,646	8,081,669	(50,548)	8,031,121
Segment Income (Loss)	192,713	(83,510)	109,202	1,512	110,715

Notes: 1. The adjustment amount of 1,512 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.”