



November 14, 2022

Consolidated Financial Results for Six Months Ended September 30, 2022

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**
 Listing: Prime Market of Tokyo Stock Exchange
 Stock code: 4977
 URL: <http://www.nitta-gelatin.co.jp>
 Representative: Koichi Ogata, Representative Director and President
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Scheduled date to file Quarterly Securities Report: November 14, 2022

Scheduled date to commence dividend payments: December 5, 2022

Supplementary explanatory materials prepared: Yes

Explanatory meeting: No

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated financial results for six months ended September 30, 2022

(April 1, 2022 to September 30, 2022)

(1) Consolidated operating results

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2022	19,179	29.0	1,360	129.3	1,625	133.5	911	143.6
September 30, 2021	14,863	(2.2)	593	(8.4)	696	7.4	374	6.3

Note: Comprehensive income

For the six months ended September 30, 2022: ¥2,183 million (168.6%)

For the six months ended September 30, 2021: ¥812 million (52.1%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	50.33	—
September 30, 2021	20.69	—

Note: Diluted earnings per share is not disclosed due to the absence of latent shares with dilution effect.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of September 30, 2022	Millions of yen 40,478	Millions of yen 22,596	% 48.5
March 31, 2022	37,410	20,562	48.3

Reference: Equity

As of September 30, 2022: ¥19,637 million

As of March 31, 2022: ¥18,082 million

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
Fiscal year ended March 31, 2022	Yen Yen	Yen Yen	Yen Yen	Yen Yen	Yen Yen
Fiscal year ending March 31, 2023	—	7.00	—	7.00	14.00
Fiscal year ending March 31, 2023 (Forecasts)	—	7.00			

Note: Changes to most recent dividend forecasts: Yes

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	39,000	22.7	2,600	66.6	2,900	67.2	1,400	92.7	77.21

Note: Changes to most recent consolidated financial forecasts: Yes

Notes:

- Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None
New: None
Excluded: None
- Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: None
- Changes in accounting policies, changes in accounting estimates, and restatement of revisions
 - Changes in accounting policies due to revisions to accounting standards and other guidelines: None
 - Changes in accounting policies due to reasons other than a. above: None
 - Changes in accounting estimates: None
 - Restatement of revisions: None

(4) Number of common shares issued	
a. Total number of issued shares at the end of the period (including treasury stock)	
As of September 30, 2022:	18,373,974 shares
As of March 31, 2022:	18,373,974 shares
b. Number of shares of treasury stock at the end of the period	
As of September 30, 2022:	240,939 shares
As of March 31, 2022:	268,739 shares
c. Average number of shares	
For the six months ended September 30, 2022:	18,113,178 shares
For the six months ended September 30, 2021:	18,087,707 shares

* This financial report falls outside the scope of quarterly review procedures by Certified Public Accountants or the independent auditor.

* Proper use of earnings forecasts, and other special matters

(Note concerning forward-looking statements)

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors. For details on the conditions assumed and the cautionary notes and items in the financial forecasts, please refer to “(3) Description of Consolidated Business Forecasts and Other Forward-looking Information” in “1. Qualitative Information Concerning Quarterly Financial Statements” on page 4 of the Attachment to this report.

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1. Qualitative Information Concerning Quarterly Financial Statements

(1) Description of Business Results

During the six months ended September 30, 2022, the world economy experienced rising uncertainty amid inflationary concerns coupled with the protraction in the situation in Ukraine. Nevertheless, there was positive developments with the COVID-19 pandemic as impacts eased and there was a moderate recovery. The situation surrounding the Nitta Gelatin Group remained challenging due to worldwide disruptions in the supply chain, soaring raw materials and energy prices, among other factors.

In June 2022, the Group announced a business strategy containing the 10-year vision of “Helping improve people’s quality of life with collagen” and declared as specific measures a “Shift away from general-purpose gelatin products to high-value-added collagen peptides, concentrating resources on markets with high growth potential to improve profitability.”

Under this business strategy, the Group worked to provide a stable supply of products in order to meet rampant demand from customers in the Food Solutions, Health Support, and Specialties domains, and took steps to revise product prices as appropriate. In the health support category, the Group worked to increase sales by rebranding and strengthening marketing of collagen health foods for general consumers. In addition, we have also expanded investor relations activities, including newly disseminating information through analyst reports, so as to foster deeper understanding of the Company’s business lines and business strategy among investors.

As a result of the above, net sales increased 29.0% year on year to ¥19,179 million driven by sales growth in each domain and foreign exchange effects on overseas sales. Operating income rose 129.3% year on year to ¥1,360 million underpinned by sales growth overseas, ordinary income increased 133.5% to ¥1,625 million on foreign exchange gains, and as a result, net income attributable to owners of the parent increased 143.6% to ¥911 million.

The Nitta Gelatin Group's collagen business is the Company’s only reporting segment. An overview of the performance of each sales category is as follows:

Food Solutions

In the food solutions category, sales were strong in Japan while sales also increased in North America, leading to an increase in net sales overall.

In Japan, sales of gummy candies by customers remained positive, leading to increased net sales. Net sales also rose thanks to increased sales of gelatin for industrial-use soups and seasonings following the recovery in demand in the food service industry and growing sales to workplace cafeterias in the industrial-use segment. Meanwhile, net sales for convenience store delicatessen items declined due to sluggish sales by major customers.

Overseas, net sales increased on robust demand for food applications in North America.

As a result, overall sales in the food solutions category increased 24.0% year on year to ¥7,539 million.

Health Support

In the health support category, overall net sales rose amid the increase in sales of collagen peptide for health and beauty applications overseas.

In Japan, net sales of collagen peptide for health and beauty applications was roughly unchanged year on year due to sluggish sales of collagen products by customers, but net sales of gelatin for capsules increased on strong demand. Also, in the direct sales business, which sells collagen health foods to general consumers using direct marketing, net sales increased as strengthened advertising was a success.

Overseas, sales of collagen peptide were strong on robust demand in North America. Meanwhile, in Asia, sales of collagen peptide for health and beauty applications that advertise functionality remained robust. Furthermore, net sales of gelatin for capsules rose amid rising health and prevention awareness during the COVID-19 pandemic in North America and India.

As a result, overall sales in the health support category increased 27.9% year on year to ¥9,098 million.

Specialties

In the specialties category, overall net sales increased by 52.4% year on year to ¥2,542 million amid the continued increase in net sales of calcium phosphate, a by-product, owing to rising demand from feed and fertilizer applications and market prices.

(2) Description of Financial Position

1. Assets, Liabilities and Net Assets

(Assets)

Total assets amounted to ¥40,478 million at September 30, 2022, ¥3,067 million higher than at March 31, 2022. This was mainly attributable to a decrease in cash and deposits of ¥878 million, compared to increases in trade notes and accounts receivable of ¥426 million, inventories of ¥2,569 million, and property, plant and equipment of ¥500 million.

(Liabilities)

Total liabilities stood at ¥17,882 million at September 30, 2022, ¥1,033 million higher than at March 31, 2022. This was mainly attributable to a decrease in other current liabilities of ¥1,086 million, compared to increases in notes and accounts payable—trade of ¥1,052 million, income taxes payable of ¥266 million, and long-term loans payable of ¥728 million (including loans repayable within one year).

(Net assets)

Net assets amounted to ¥22,596 million at September 30, 2022, ¥2,033 million higher than at March 31, 2022. This was mainly attributable to increases in retained earnings of ¥784 million, foreign currency translation adjustments of ¥836 million, and non-controlling interests of ¥478

million.

Furthermore, the equity ratio stood at 48.5%, compared with 48.3% at March 31, 2022.

2. Cash Flows

Cash and cash equivalents (“cash”) as of September 30, 2022 was ¥2,133 million, down ¥897 million from March 31, 2022.

Cash flows for each activity for the six months ended September 30, 2022 and reasons are as follows.

(Cash flows from operating activities)

Operating activities provided net cash of ¥490 million, compared to ¥332 million in the previous six months ended September 30, 2021. The main components were income before provision for income taxes of ¥1,619 million, depreciation and amortization of ¥703 million, and increase in inventories of ¥1,863 million.

(Cash flows from investing activities)

Investing activities used net cash of ¥1,678 million, compared to ¥522 million in the previous six months ended September 30, 2021. This was mainly attributable to ¥1,647 million in purchase of property, plant and equipment.

(Cash flows from financing activities)

Financing activities generated net cash of ¥211 million, compared to ¥1,044 million used in the previous six months ended September 30, 2021. The main components were proceeds from long-term loans payable of ¥1,716 million, repayment of long-term loans payable of ¥1,027 million, net decrease in short-term loans payable of ¥226 million, and cash dividends paid of ¥126 million.

(3) Description of Consolidated Business Forecasts and Other Forward-looking Information

In regard to the consolidated business forecasts and dividend forecast for the fiscal year ending March 31, 2023, please refer to the “Notice Regarding Differences between Forecast and Actual Consolidated Financial Results for the First Half of FY2023, Revisions to Full-Year Forecast of Consolidated Financial Results and Revisions to Dividend Forecast” released today.

Actual business and other results may differ substantially from projections due to various factors.

2. Basic Approach to Selection of Accounting Standard

The Nitta Gelatin Group plans to prepare its consolidated financial statements based on Japanese accounting standards in the near future. This is in consideration of the need to ensure that the

consolidated financial statements can be readily compared between different periods and different companies.

Looking ahead, considering its management policies and various conditions in Japan and abroad, Nitta Gelatin plans to examine the adoption of International Financial Reporting Standards (IFRS). In doing so, the Group will take into account trends such as the adoption of IFRS by its peer companies.

3. Quarterly Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Fiscal 2022 (As of March 31, 2022)	1H Fiscal 2023 (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	3,046	2,167
Notes and accounts receivable–trade	7,389	7,815
Merchandise and finished goods	5,955	6,715
Work in process	1,396	1,550
Raw materials and supplies	3,104	4,760
Other	588	887
Allowance for doubtful accounts	(16)	(8)
Total current assets	21,465	23,888
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,409	3,685
Machinery, equipment and vehicles, net	2,474	2,622
Other, net	4,532	4,608
Total property, plant and equipment	10,416	10,916
Intangible assets		
Goodwill	232	243
Other	275	276
Total intangible assets	507	519
Investments and other assets		
Investment securities	3,363	3,419
Other	1,775	1,871
Allowance for doubtful accounts	(117)	(138)
Total investments and other assets	5,021	5,153
Total noncurrent assets	15,945	16,589
Total assets	37,410	40,478

(Millions of yen)

	Fiscal 2022 (As of March 31, 2022)	1H Fiscal 2023 (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	2,745	3,797
Short-term loans payable	2,271	2,323
Current portion of long-term loans payable	1,909	2,059
Income taxes payable	171	437
Provision for bonuses	224	209
Other	3,399	2,313
Total current liabilities	10,721	11,140
Noncurrent liabilities		
Long-term loans payable	3,573	4,151
Net defined benefit liability	1,560	1,630
Other	992	958
Total noncurrent liabilities	6,126	6,741
Total liabilities	16,848	17,882
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,965	2,964
Retained earnings	10,181	10,966
Treasury stock	(179)	(160)
Total shareholders' equity	16,112	16,915
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	1,231	1,199
Deferred gains on hedges	46	71
Foreign currency translation adjustments	540	1,376
Remeasurements of defined benefit plans	151	74
Total accumulated other comprehensive income	1,969	2,722
Non-controlling interests	2,479	2,958
Total net assets	20,562	22,596
Total liabilities and net assets	37,410	40,478

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(First half consolidated accounting period)

	(Millions of yen)	
	Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Net sales	14,863	19,179
Cost of sales	11,687	14,576
Gross profit on sales	3,175	4,603
Selling, general and administrative expenses	2,582	3,243
Operating income	593	1,360
Non-operating income		
Interest income	1	1
Dividend income	39	33
Rental income	28	29
Foreign exchange gains	69	275
Other	29	34
Total non-operating income	169	373
Non-operating expenses		
Interest expenses	53	72
Equity in losses of affiliates	8	29
Other	4	5
Total non-operating expenses	66	107
Ordinary income	696	1,625
Extraordinary gains		
Gain on sales of noncurrent assets	0	0
Total extraordinary gains	0	0
Extraordinary losses		
Loss on sale of noncurrent assets	0	—
Loss on retirement of noncurrent assets	52	6
Total extraordinary losses	52	6
Income before provision for income taxes	644	1,619
Income taxes	190	424
Net income	453	1,195
Net income attributable to non-controlling interests	79	283
Net income attributable to owners of the parent	374	911

Consolidated Statements of Comprehensive Income

(First half consolidated accounting period)

	(Millions of yen)	
	Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Net income	453	1,195
Other comprehensive income		
Valuation difference on other available-for-sale securities	256	(31)
Deferred gains on hedges	(16)	21
Foreign currency translation adjustments	38	958
Pension liability adjustment	15	(87)
Share of other comprehensive losses of associates	65	126
Total other comprehensive income	359	987
Total	812	2,183
Comprehensive income attributable to:		
Owners of the parent	734	1,664
Non-controlling interests	78	518

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Income before provision for income taxes	644	1,619
Depreciation and amortization	665	703
Amortization of goodwill	23	28
Increase (decrease) in allowance for doubtful accounts	(0)	(9)
Increase (decrease) in provision for bonuses	(35)	(27)
Increase (decrease) in net defined benefit liability	(69)	0
Interest and dividends income	(41)	(34)
Interest expenses	53	72
Foreign exchange losses (gains)	(6)	(95)
Equity in losses of affiliates	8	29
Loss (gain) on sales of property, plant and equipment	(0)	(0)
Loss on retirement of noncurrent assets	52	6
Decrease (increase) in notes and accounts receivable-trade	561	79
Decrease (increase) in inventories	(732)	(1,863)
Increase (decrease) in notes and accounts payable-trade	(461)	490
Increase (decrease) in accrued consumption taxes	28	(0)
Other	(231)	(266)
Subtotal	459	731
Interest and dividends income received	41	35
Interest paid	(52)	(71)
Income taxes (paid) or refund	(116)	(205)
Net cash provided by operating activities	332	490
Cash flows from investing activities		
Payments into time deposits	(12)	(32)
Proceeds from withdrawal of time deposits	26	16
Purchase of property, plant and equipment	(470)	(1,647)
Proceeds from the sale of property, plant and equipment	1	0
Purchase of intangible assets	(14)	(8)
Payments for retirement of property, plant and equipment	(47)	—
Purchase of investment securities	(4)	(5)
Other	0	(0)
Net cash used in investing activities	(522)	(1,678)

	(Millions of yen)	
	Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	258	(226)
Proceeds from long-term loans payable	—	1,716
Repayment of long-term loans payable	(1,142)	(1,027)
Proceeds from sale-and-leaseback transactions	77	21
Repayments of lease obligations	(98)	(105)
Cash dividends paid	(108)	(126)
Cash dividends paid to non-controlling interests	(30)	(39)
Net cash provided by (used in) financing activities	(1,044)	211
Effect of exchange rate change on cash and cash equivalents	10	79
Net increase (decrease) in cash and cash equivalents	(1,225)	(897)
Cash and cash equivalents at beginning of period	3,998	3,030
Cash and cash equivalents at end of period	2,772	2,133

(4) Notes to Quarterly Consolidated Financial Statements
(Note Concerning Going Concern Assumption)

None

(Note Concerning Significant Changes in Shareholders' Equity)

The Company disposed of 27,800 shares of treasury stock effective August 5, 2022 as restricted share-based remuneration based on a resolution at the Board of Directors meeting held on July 21, 2022.

As a result, treasury stock decreased by ¥18 million and capital surplus by ¥1 million in the first half of the year ending March 31, 2023.

(Additional Information)

There have been no material changes to the assumptions regarding the impact of the COVID-19 pandemic set out in the (Material Accounting Estimates) of the Securities Report for the previous fiscal year.

(Segment Information)

Segment Information

I. Six Months Ended September 30, 2021 (From April 1, 2021 to September 30, 2021)

The Nitta Gelatin Group's collagen business has become the Company's only reporting segment, so information is omitted.

II. Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)

The Nitta Gelatin Group's collagen business has become the Company's only reporting segment, so information is omitted.