



November 13, 2023

Consolidated Financial Results for Six Months Ended September 30, 2023

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**
 Listing: Standard Market of Tokyo Stock Exchange
 Stock code: 4977
 URL: <http://www.nitta-gelatin.co.jp>
 Representative: Koichi Ogata, Representative Director and President
 Contact Person: Kazuya Hayashi, Director and Executive Officer;
 General Manager of General Management Division
 Tel: +81-72-949-5381

Scheduled date to file Quarterly Securities Report: November 13, 2023

Scheduled date to commence dividend payments: December 5, 2023

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, 2023

(April 1, 2023 to September 30, 2023)

(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, 2023	19,711	2.8	1,344	(1.2)	1,739	7.0	690	(24.2)
Six months ended September 30, 2022	19,179	29.0	1,360	129.3	1,625	133.5	911	143.6

Note: Comprehensive income

Six months ended September 30, 2023: ¥2,366 million (8.4%)

Six months ended September 30, 2022: ¥2,183 million (168.6%)

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2023	38.08	—
September 30, 2022	50.33	—

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, 2023	Millions of yen 43,450	Millions of yen 24,406	% 47.4
March 31, 2023	41,614	22,256	45.9

Reference: Equity

As of September 30, 2023: ¥20,574 million

As of March 31, 2023: ¥19,097 million

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2023	—	7.00	—	9.00	16.00
Fiscal year ending March 31, 2024	—	8.00			
Fiscal year ending March 31, 2024 (Forecasts)			—	8.00	16.00

Note: Changes to most recent dividend forecasts: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(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	40,000	2.1	2,100	(7.1)	2,100	(6.6)	1,200	(23.0)	66.18

Note: Changes to most recent dividend forecasts: None

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, 2023: 18,373,974 shares

As of March 31, 2023: 18,373,974 shares

b. Number of shares of treasury stock at the end of the period

As of September 30, 2023: 209,739 shares

As of March 31, 2023: 240,939 shares

c. Average number of shares

For the six months ended September 30, 2023: 18,141,950 shares

For the six months ended September 30, 2022: 18,113,178 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.

Contents

1. Qualitative Information Concerning Quarterly Financial Statements	2
(1) Description of Business Results	2
(2) Description of Financial Position	3
(3) Description of Consolidated Business Forecasts and Other Forward-looking Information	4
2. Basic Approach to Selection of Accounting Standard	4
3. Quarterly Consolidated Financial Statements and Key Notes	5
(1) Consolidated Balance Sheets.....	5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	7
Consolidated Statements of Income	
(First half consolidated accounting period).....	7
Consolidated Statements of Comprehensive Income	
(First half consolidated accounting period).....	8
(3) Consolidated Statements of Cash Flows.....	9
(4) Notes to Quarterly Consolidated Financial Statements	11
(Note Concerning Going Concern Assumption)	11
(Note Concerning Significant Changes in Shareholders' Equity)	11
(Segment Information).....	11

1. Qualitative Information Concerning Quarterly Financial Statements

(1) Description of Business Results

During the six months ended September 30, 2023, the Japanese economy continued its moderate recovery as social and economic activities picked up in conjunction with the status of COVID-19 being downgraded to a category 5 infectious disease. On the other hand, the environment surrounding the Group remains challenging. This includes soaring resource, energy, and raw material prices resulting from the protracted situation in Russia and Ukraine as well as foreign exchange fluctuations and accelerating inflation worldwide.

Within its business strategy, the Group has set forth a long-term vision of “Helping to improve people’s quality of life with collagen” and declared as a specific measure 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.”

Net sales have grown under this business strategy as the Group works to expand sales in the Food Solutions, Health Support, and Specialties domains, and takes steps to revise product prices as appropriate in response to rising raw material prices. Meanwhile, despite efforts to maintain and stabilize production and strengthen management systems globally, including in North American operations, stabilizing operations at the Group’s plants in North America is taking time.

As a result of the above, net sales increased 2.8% year on year to ¥19,711 million. Operating income decreased 1.2% to ¥1,344 million, ordinary income increased 7.0% to ¥1,739 million on foreign exchange gains, and as a result, net income attributable to owners of the parent decreased 24.2% to ¥690 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 of gelatin for gummy candies remained steady, and product prices were revised as appropriate, leading to an increase in net sales overall.

In Japan, demand for gummy candies was strong, and product prices were revised, leading to increased net sales. Furthermore, demand in the food service industry recovered, leading to increased sales of soups, seasonings, and small-portion products for professional-use. Additionally, net sales for convenience store delicatessen items and chilled desserts increased.

Overseas, net sales declined due to weak demand for food applications in North America, in part because of inflation, despite firm demand for gummy candies.

As a result, overall net sales in the food solutions category increased 4.6% year on year to ¥7,885 million.

Health Support

In the health support category, overall net sales rose amid the increase in sales of gelatin for capsules and price revisions.

In Japan, net sales of collagen peptide for beauty applications were down year on year due to sluggish sales of collagen products by customers, but net sales of gelatin for capsules increased.

Overseas, demand for collagen peptides was weak in North America due to inflation, but sales of gelatin for capsules were strong, resulting in increased sales. Asian markets were weak due to inflation and price competition, so sales of collagen peptide for beauty applications declined.

However, sales of gelatin for capsules remained steady in India, resulting in an increase in net sales.

As a result, overall sales in the health support category increased 3.7% year on year to ¥9,436 million.

Specialties

In the specialties category, net sales decreased by 6.0% year on year to ¥2,389 million amid decreased sales of calcium phosphate for feed and fertilizer applications despite strong sales of gelatin for photography applications.

(2) Description of Financial Position

1 Assets, Liabilities and Net Assets

(Assets)

Total assets amounted to ¥43,450 million as of September 30, 2023, ¥1,835 million higher than at March 31, 2023. This was mainly attributable to increases in inventories of ¥1,862 million and property, plant and equipment of ¥243 million despite a decrease of ¥238 million in notes and accounts receivable—trade.

(Liabilities)

Total liabilities stood at ¥19,044 million as of September 30, 2023, ¥314 million lower than at March 31, 2023. This was mainly attributable to decreases in short-term loans payable of ¥723 million and other current liabilities of ¥909 million, compared to increases in notes and accounts payable—trade of ¥732 million and long-term loans payable of ¥636 million (including current portion of long-term loans payable).

(Net assets)

Net assets amounted to ¥24,406 million as of September 30, 2023, ¥2,150 million higher than at March 31, 2023. This was mainly attributable to increases in retained earnings of ¥527 million, deferred gains on hedges of ¥152 million, foreign currency translation adjustments of ¥695 million, and non-controlling interests of ¥672 million.

Furthermore, the equity ratio stood at 47.4%, compared with 45.9% at March 31, 2023.

2. Cash Flows

Cash and cash equivalents (“cash”) as of September 30, 2023 was ¥2,619 million, down ¥227 million from March 31, 2023.

Cash flows for each activity for the six months ended September 30, 2023 and reasons are as follows.

(Cash flows from operating activities)

Operating activities provided net cash of ¥1,850 million, compared to ¥490 million in the previous six months ended September 30, 2022. The main components were income before provision for income taxes of ¥1,716 million, depreciation and amortization of ¥843 million, decrease in notes and accounts receivable—trade of ¥730, and increase in inventories of ¥1,291 million.

(Cash flows from investing activities)

Investing activities used net cash of ¥1,578 million, compared to ¥1,678 million in the previous six months ended September 30, 2022. This was mainly attributable to ¥1,541 million in purchase of property, plant and equipment.

(Cash flows from financing activities)

Financing activities used net cash of ¥656 million, compared to ¥211 million provided in the previous six months ended September 30, 2022. The main components were proceeds from long-term loans payable of ¥1,800 million, repayment of long-term loans payable of ¥1,177 million, net decrease in short-term loans payable of ¥933 million, and cash dividends paid of ¥163 million.

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

The forecast of consolidated financial results for the fiscal year ending March 31, 2024 remains unchanged from that announced on May 12, 2023 in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023.”

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 2023 (As of March 31, 2023)	1H Fiscal 2024 (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	2,856	2,659
Notes and accounts receivable–trade	8,741	8,503
Merchandise and finished goods	6,910	8,450
Work in process	1,487	1,722
Raw materials and supplies	4,584	4,672
Other	801	904
Allowance for doubtful accounts	(6)	(7)
Total current assets	25,376	26,905
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,812	4,852
Machinery, equipment and vehicles, net	2,740	2,841
Other, net	3,566	3,669
Total property, plant and equipment	11,119	11,362
Intangible assets		
Goodwill	196	187
Other	308	311
Total intangible assets	504	498
Investments and other assets		
Investment securities	2,730	2,946
Other	2,011	1,880
Allowance for doubtful accounts	(127)	(142)
Total investments and other assets	4,614	4,683
Total noncurrent assets	16,238	16,545
Total assets	41,614	43,450

(Millions of yen)

	Fiscal 2023 (As of March 31, 2023)	1H Fiscal 2024 (As of September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	2,818	3,550
Short-term loans payable	3,905	3,182
Current portion of long-term loans payable	2,084	2,246
Income taxes payable	241	264
Provision for bonuses	256	204
Other	3,404	2,495
Total current liabilities	12,711	11,944
Noncurrent liabilities		
Long-term loans payable	4,118	4,592
Net defined benefit liability	1,586	1,607
Other	942	899
Total noncurrent liabilities	6,646	7,099
Total liabilities	19,358	19,044
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,964	2,966
Retained earnings	11,486	12,014
Treasury stock	(160)	(140)
Total shareholders' equity	17,434	17,985
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	842	951
Deferred gains on hedges	(3)	148
Foreign currency translation adjustments	841	1,536
Remeasurements of defined benefit plans	(17)	(46)
Total accumulated other comprehensive income	1,662	2,589
Non-controlling interests	3,159	3,831
Total net assets	22,256	24,406
Total liabilities and net assets	41,614	43,450

(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, 2022 (From April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Net sales	19,179	19,711
Cost of sales	14,576	15,146
Gross profit on sales	4,603	4,564
Selling, general and administrative expenses	3,243	3,220
Operating income	1,360	1,344
Non-operating income		
Interest income	1	17
Dividend income	33	26
Rental income	29	29
Foreign exchange gains	275	395
Other	34	42
Total non-operating income	373	512
Non-operating expenses		
Interest expenses	72	91
Equity in losses of affiliates	29	6
Other	5	18
Total non-operating expenses	107	116
Ordinary income	1,625	1,739
Extraordinary gains		
Gain on sales of noncurrent assets	0	0
Gain on donation of noncurrent assets	—	2
Total extraordinary gains	0	2
Extraordinary losses		
Loss on sale of noncurrent assets	—	0
Loss on retirement of noncurrent assets	6	23
Loss on tax purpose reduction entry of non-current assets	—	2
Total extraordinary losses	6	26
Income before provision for income taxes	1,619	1,716
Income taxes payable	424	568
Net income	1,195	1,147
Net income attributable to non-controlling interests	283	456
Net income attributable to owners of the parent	911	690

Consolidated Statements of Comprehensive Income

(First half consolidated accounting period)

	(Millions of yen)	
	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Net income	1,195	1,147
Other comprehensive income		
Valuation difference on other available-for-sale securities	(31)	109
Deferred gains on hedges	21	151
Foreign currency translation adjustments	958	934
Pension liability adjustment	(87)	(31)
Share of other comprehensive losses of associates accounted for using equity method	126	53
Total other comprehensive income	987	1,218
Total comprehensive income	2,183	2,366
Comprehensive income attributable to:		
Owners of the parent	1,664	1,618
Non-controlling interests	518	748

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Income before provision for income taxes	1,619	1,716
Depreciation and amortization	703	843
Amortization of goodwill	28	30
Increase (decrease) in allowance for doubtful accounts	(9)	0
Increase (decrease) in provision for bonuses	(27)	(61)
Increase (decrease) in net defined benefit liability	0	(15)
Interest and dividends income	(34)	(44)
Interest expenses	72	91
Foreign exchange losses (gains)	(95)	(223)
Equity in losses of affiliates	29	6
Loss (gain) on sales of property, plant and equipment	(0)	0
Loss on retirement of noncurrent assets	6	23
Loss on tax purpose reduction entry of non-current assets	—	2
Gain on donation of noncurrent assets	—	(2)
Loss (gain) on sales of investment securities	—	(0)
Decrease (increase) in notes and accounts receivable-trade	79	730
Decrease (increase) in inventories	(1,863)	(1,291)
Increase (decrease) in notes and accounts payable-trade	490	368
Increase (decrease) in accrued consumption taxes	(0)	314
Other	(266)	(160)
Subtotal	731	2,327
Interest and dividends income received	35	39
Interest paid	(71)	(101)
Income taxes (paid) or refund	(205)	(414)
Net cash provided by operating activities	490	1,850
Cash flows from investing activities		
Payments into time deposits	(32)	(38)
Proceeds from withdrawal of time deposits	16	7
Purchase of property, plant and equipment	(1,647)	(1,541)
Proceeds from the sale of property, plant and equipment	0	1
Purchase of intangible assets	(8)	(3)
Proceeds from the sale of investment securities	—	0
Purchase of investment securities	(5)	(5)
Other	(0)	(0)
Net cash used in investing activities	(1,678)	(1,578)

(Millions of yen)

	Six Months Ended September 30, 2022 (From April 1, 2022 to September 30, 2022)	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(226)	(933)
Proceeds from long-term loans payable	1,716	1,800
Repayment of long-term loans payable	(1,027)	(1,177)
Proceeds from sale-and-leaseback transactions	21	20
Repayments of lease obligations	(105)	(126)
Cash dividends paid	(126)	(163)
Cash dividends paid to non-controlling interests	(39)	(75)
Net cash provided by (used in) financing activities	211	(656)
Effect of exchange rate change on cash and cash equivalents	79	156
Net increase (decrease) in cash and cash equivalents	(897)	(227)
Cash and cash equivalents at beginning of period	3,030	2,846
Cash and cash equivalents at end of period	2,133	2,619

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

None

(Note Concerning Significant Changes in Shareholders' Equity)

The Company disposed of 31,200 shares of treasury stock effective August 4, 2023 as restricted share-based remuneration based on a resolution at the Board of Directors meeting held on July 20, 2023.

As a result, treasury stock decreased by ¥20 million, and capital surplus increased by ¥2 million in the first half of the year ending March 31, 2024.

(Segment Information)

Segment Information

I 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.

II Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)

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