



November 12, 2021

## Consolidated Financial Results for Six Months Ended September 30, 2021

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**  
 Listing: First Section of Tokyo Stock Exchange  
 Stock code: 4977  
 URL: <http://www.nitta-gelatin.co.jp>  
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Scheduled date to file Quarterly Securities Report: November 12, 2021

Scheduled date to commence dividend payments: December 6, 2021

Supplementary explanatory materials prepared: Yes

Explanatory meeting: No

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

### 1. Consolidated financial results for the six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)

#### (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, 2021 | 14,863          | (2.2) | 593              | (8.4)  | 696             | 7.4    | 374   | 6.3    |
| September 30, 2020                  | 15,196          | -     | 647              | (23.5) | 648             | (33.9) | 351   | (46.2) |

Note: Comprehensive income

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

For the six months ended September 30, 2020: ¥534 million (50.2%)

|                    | Earnings per share | Diluted earnings per share |
|--------------------|--------------------|----------------------------|
| Six months ended   | Yen                | Yen                        |
| September 30, 2021 | 20.69              | —                          |
| September 30, 2020 | 19.41              | —                          |

Notes 1. Diluted net income per share is not disclosed due to the absence of latent shares with dilution effect.

2. The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, ASBJ) from the start of the first quarter. Numerical indicators for the first six months ended September 30, 2020 have been calculated after retroactively applying this accounting standard. For net sales, the year-on-year rate of change has been omitted.

## (2) Consolidated financial position

|                    | Total assets    | Net assets      | Equity ratio |
|--------------------|-----------------|-----------------|--------------|
| As of              | Millions of yen | Millions of yen | %            |
| September 30, 2021 | 34,215          | 19,567          | 51.0         |
| March 31, 2021     | 34,915          | 18,873          | 48.1         |

Reference: Equity

As of September 30, 2021: ¥17,440 million

As of March 31, 2021: ¥16,794 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<br>March 31, 2021              | —                        | 6.00           | —             | 6.00            | 12.00  |
| Fiscal year ending<br>March 31, 2022             | —                        | 7.00           |               |                 |        |
| Fiscal year ending<br>March 31, 2022 (Forecasts) |                          |                | —             | 7.00            | 14.00  |

Note: Changes to most recent dividend forecasts: None

## 3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(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 | 29,500          | (3.3) | 1,350            | (0.5) | 1,350           | (1.0) | 900   | 21.3 | 49.74              |

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: Yes
  - 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, 2021: 18,373,974 shares

As of March 31, 2021: 18,373,974 shares

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

As of September 30, 2021: 268,667 shares

As of March 31, 2021: 299,467 shares

c. Average number of shares

As of September 30, 2021: 18,087,707 shares

As of September 30, 2020: 18,135,865 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 5 of the Attachment to this report.

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# **1. Qualitative Information Concerning Quarterly Financial Statements**

## **(1) Description of Business Results**

In the first half of the fiscal year ending March 31, 2022 (April 1 to September 30, 2021), the global economy experienced a moderate recovery, amid economic expansion in China, Europe and North America, where normalization of socioeconomic activities progressed. The Japanese economy experienced uncertainty about the future given the reissuance of and extension of the state of emergency, despite a recovery trend seen in certain industries.

In this environment, the Group launched a new three-year medium-term management plan in May 2021. The management policies for the Group set out in this medium-term management plan are presented below.

1. Strategic allocation of management resources to key markets to create a high-profit enterprise
2. Strengthening of the organizational foundation to face challenges positively
3. Strengthening ties with stakeholders to be a valuable company

Under this management policy, we worked to expand sales of high value-added products in mainstay markets in each domain including the core categories of food solutions, health support, and biomedical. In September 2021, in order to reinforce our business foundation, we started construction on a new research facility called the “Mirai Kan” (with completion planned for autumn 2022) to consolidate our production of biomedical products and research and development functions of all business divisions as well as create products that will lead to new businesses. Additionally, we strived to improve advertising of products geared toward general consumers and to improve the visibility of our company and products.

As a result, net sales decreased 2.2% year on year to ¥14,863 million due to the decline in sales associated with the transfer of the adhesives business in the previous fiscal year. In addition, operating income decreased 8.4% to ¥593 million due to the impacts of an increase in transportation costs, etc., ordinary income increased 7.4% to ¥696 million attributed to the booking of foreign exchange gains, and accordingly, net income attributable to owners of parent increased 6.3% to ¥374 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 offsetting the downturn in sales seen in North America, resulting in a net increase in sales for the segment.

In Japan, sales of products for use in gummy candies increased, driven by strong sales of new products by customers. In addition, net sales were buoyed by the success of increased sales of

products for use in chilled desserts and for use in direct marketing sales in the food-service industry. Meanwhile, sales of products for delicatessen items for convenience stores were on par with the previous year.

Overseas, net sales of products used in gummy candies and others declined in North America.

As a result, overall sales in the food solutions category increased 3.9% year on year to ¥6,080 million.

## **Health Support**

In the health support category, sales from exports of gelatin for capsules declined due to the slowdown in maritime container transportation, but sales of collagen peptide for health and beauty applications increased overseas and in Japan, resulting in a net increase in sales for the segment.

In Japan, there was a recovery in in-store sales while sales of new collagen products for customers remained strong, helping to boost net sales of collagen peptide for health and beauty applications and gelatin for capsules.

Overseas, net sales of collagen peptide increased on the recovery in demand for collagen peptide products used in health and beauty applications in North America. In Asia, demand for collagen peptide for health and beauty applications that advertise functionality remained robust, resulting in increased sales. Meanwhile, net sales of gelatin for capsules declined amid the continued stagnation in maritime container transportation, despite strong demand from rising health consciousness and infection prevention needs during the COVID-19 pandemic. In India, sales for capsules for pharmaceutical and health food applications were firm and sales of collagen peptide increased, resulting in an increase in net sales.

As a result, overall sales in the health support category increased 4.6% year on year to ¥7,115 million.

## **Specialties**

In the specialties category, overall sales decreased 34.3% year on year to ¥1,668 million. This was due to the decrease in net sales from the completion of the transfer of the adhesives business in the previous fiscal year, despite an increase in net sales of gelatin for photography applications due to the easing of the stay-at-home trend.

## **(2) Description of Financial Position**

### **1. Assets, Liabilities and Net Assets**

#### **(Assets)**

Total assets amounted to ¥34,215 million at September 30, 2021, ¥700 million lower than at March 31, 2021. This was mainly attributable to decreases in cash and deposits of ¥1,238 million and in trade notes and accounts receivable of ¥544 million, which offset an increase in inventories of ¥762 million and in investment securities of ¥433 million.

**(Liabilities)**

Total liabilities stood at ¥14,648 million at September 30, 2021, ¥1,393 million lower than at March 31, 2021. This was mainly attributable to decreases in long-term loans payable of ¥1,141 million (including loans repayable within one year) and in notes and accounts payable-trade of ¥420 million, compared to an increase in short-term loans payable of ¥268 million.

**(Net assets)**

Net assets amounted to ¥19,567 million at September 30, 2021, ¥693 million higher than at March 31, 2021. This was mainly attributable to increases in retained earnings of ¥265 million, valuation difference on other available-for-sale securities of ¥256 million, and foreign currency translation adjustments of ¥96 million.

Furthermore, the equity ratio stood at 51.0%, compared with 48.1% at March 31, 2021.

**2. Cash Flows**

Cash and cash equivalents (“cash”) as of September 30, 2021 was ¥2,772 million, down ¥1,225 million from March 31, 2021.

Cash flows for each activity for the six months ended September 30, 2021 and reasons are as follows.

**(Cash flows from operating activities)**

Operating activities provided net cash of ¥332 million, compared to ¥1,486 million in the previous six months ended September 30, 2020. The main components were income before provision for income taxes of ¥644 million, depreciation and amortization of ¥665 million, decrease in notes and accounts receivable-trade of ¥561 million, increase in inventories of ¥732 million, and decrease in notes and accounts payable-trade of ¥461 million.

**(Cash flows from investing activities)**

Investing activities used net cash of ¥522million, compared to ¥607 million in the previous six months ended September 30, 2020. This was mainly attributable to ¥470 million in purchase of property, plant and equipment.

**(Cash flows from financing activities)**

Financing activities used net cash of ¥1,044 million, compared to the provision of ¥14 million in the previous six months ended September 30, 2020. The main components were the net increase in short-term loans payable of ¥258 million, repayment of long-term loans payable of ¥1,142 million, and cash dividends paid of ¥108 million.

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

The consolidated earnings forecast for the fiscal year ending March 31, 2022 is unchanged from the consolidated earnings forecast announced on May 13, 2021 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021.”

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 2021<br>(As of March 31, 2021) | 1H Fiscal 2022<br>(As of September 30, 2021) |
| Assets                                 |                                       |  |
| Current assets                         |                                       |  |
| Cash and deposits                      | 4,024                                 | 2,785  |
| Notes and accounts receivable–trade    | 6,944                                 | 6,399  |
| Merchandise and finished goods         | 5,069                                 | 5,722  |
| Work in process                        | 1,201                                 | 1,212  |
| Raw materials and supplies             | 2,582                                 | 2,680  |
| Other                                  | 459                                   | 461  |
| Allowance for doubtful accounts        | (15)                                  | (15)   |
| Total current assets                   | 20,266                                | 19,247                                       |
| Noncurrent assets                      |                                       |  |
| Property, plant and equipment          |                                       |  |
| Buildings and structures, net          | 3,311                                 | 3,392  |
| Machinery, equipment and vehicles, net | 2,670                                 | 2,415  |
| Other, net                             | 3,127                                 | 3,341  |
| Total property, plant and equipment    | 9,109                                 | 9,149  |
| Intangible assets                      |                                       |  |
| Goodwill                               | 257                                   | 236  |
| Other                                  | 244                                   | 238  |
| Total intangible assets                | 502                                   | 475  |
| Investments and other assets           |                                       |  |
| Investment securities                  | 3,205                                 | 3,638  |
| Other                                  | 1,938                                 | 1,812  |
| Allowance for doubtful accounts        | (106)                                 | (108)  |
| Total investments and other assets     | 5,036                                 | 5,343  |
| Total noncurrent assets                | 14,648                                | 14,967                                       |
| Total assets                           | 34,915                                | 34,215                                       |

(Millions of yen)

|   | Fiscal 2021<br>(As of March 31, 2021) | 1H Fiscal 2022<br>(As of September 30, 2021) |
|---|---------------------------------------|--|
| <b>Liabilities</b>  |                                       |  |
| Current liabilities   |                                       |  |
| Notes and accounts payable–trade                            | 2,953                                 | 2,532  |
| Short-term loans payable                                    | 1,964                                 | 2,232  |
| Current portion of long-term loans payable                  | 2,080                                 | 1,806  |
| Income taxes payable  | 194                                   | 112  |
| Provision for bonuses                                       | 209                                   | 174  |
| Other   | 2,228                                 | 2,267  |
| Total current liabilities                                   | 9,630                                 | 9,126  |
| Noncurrent liabilities                                      |                                       |  |
| Long-term loans payable                                     | 3,925                                 | 3,057  |
| Net defined benefit liability                               | 1,598                                 | 1,580  |
| Other   | 886                                   | 883  |
| Total noncurrent liabilities                                | 6,410                                 | 5,521  |
| Total liabilities   | 16,041                                | 14,648                                       |
| <b>Net Assets</b>   |                                       |  |
| Shareholders' equity  |                                       |  |
| Capital stock   | 3,144                                 | 3,144  |
| Capital surplus   | 2,966                                 | 2,965  |
| Retained earnings   | 9,690                                 | 9,956  |
| Treasury stock  | (200)                                 | (179)  |
| Total shareholders' equity                                  | 15,601                                | 15,887                                       |
| Accumulated other comprehensive income                      |                                       |  |
| Valuation difference on other available-for-sale securities | 1,125                                 | 1,381  |
| Deferred gains (losses) on hedges                           | 3                                     | (8)  |
| Foreign currency translation adjustments                    | (82)                                  | 14   |
| Remeasurements of defined benefit plans                     | 145                                   | 166  |
| Total accumulated other comprehensive income                | 1,192                                 | 1,552  |
| Non-controlling interests                                   | 2,079                                 | 2,126  |
| Total net assets  | 18,873                                | 19,567                                       |
| Total liabilities and net assets                            | 34,915                                | 34,215                                       |

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

### Consolidated Statements of Income

(First half consolidated cumulative accounting period)

|  | (Millions of yen)   |   |
|--|---|---|
|  | Six Months Ended<br>September 30, 2020<br>(From April 1, 2020<br>to September 30, 2020) | Six Months Ended<br>September 30, 2021<br>(From April 1, 2021<br>to September 30, 2021) |
| Net sales  | 15,196  | 14,863  |
| Cost of sales  | 12,139  | 11,687  |
| Gross profit on sales                                | 3,057   | 3,175   |
| Selling, general and administrative expenses         | 2,409   | 2,582   |
| Operating income                                     | 647   | 593   |
| Non-operating income                                 |   |   |
| Interest income                                      | 3   | 1   |
| Dividend income                                      | 23  | 39  |
| Rental income  | 17  | 28  |
| Foreign exchange gains                               | -   | 69  |
| Equity in earnings of affiliates                     | 28  | -   |
| Other  | 46  | 29  |
| Total non-operating income                           | 119   | 169   |
| Non-operating expenses                               |   |   |
| Interest expenses                                    | 61  | 53  |
| Foreign exchange losses                              | 51  | -   |
| Equity in losses of affiliates                       | -   | 8   |
| Other  | 5   | 4   |
| Total non-operating expenses                         | 118   | 66  |
| Ordinary income                                      | 648   | 696   |
| Extraordinary gains                                  |   |   |
| Gain on sales of noncurrent assets                   | -   | 0   |
| Total extraordinary gains                            | -   | 0   |
| Extraordinary losses                                 |   |   |
| Loss on sale of non-current assets                   | -   | 0   |
| Loss on retirement of noncurrent assets              | 4   | 52  |
| Impairment loss                                      | 44  | -   |
| Total extraordinary losses                           | 48  | 52  |
| Income before provision for income taxes             | 599   | 644   |
| Income taxes   | 156   | 190   |
| Net income   | 443   | 453   |
| Net income attributable to non-controlling interests | 91  | 79  |
| Net income attributable to owners of the parent      | 351   | 374   |

Consolidated Statements of Comprehensive Income  
(First half consolidated cumulative accounting period)

|   | (Millions of yen)   |   |
|---|---|---|
|   | Six Months Ended<br>September 30, 2020<br>(From April 1, 2020<br>to September 30, 2020) | Six Months Ended<br>September 30, 2021<br>(From April 1, 2021<br>to September 30, 2021) |
| Net income  | 443   | 453   |
| Other comprehensive income  |   |   |
| Valuation difference on other available-for-sale securities                         | 30  | 256   |
| Deferred gains (losses) on hedges   | 82  | (16)  |
| Foreign currency translation adjustments  | (47)  | 38  |
| Pension liability adjustment  | 49  | 15  |
| Share of other comprehensive losses of associates accounted for using equity method | (24)  | 65  |
| Total other comprehensive income  | 90  | 359   |
| Total comprehensive income  | 534   | 812   |
| Comprehensive income attributable to:   |   |   |
| Owners of the parent  | 408   | 734   |
| Non-controlling interests   | 125   | 78  |

### (3) Consolidated Statements of Cash Flows

(Millions of yen)

|  | Six Months Ended<br>September 30, 2020<br>(From April 1, 2020<br>to September 30, 2020) | Six Months Ended<br>September 30, 2021<br>(From April 1, 2021<br>to September 30, 2021) |
|--|---|---|
| Cash flows from operating activities                       |   |   |
| Income before provision for income taxes                   | 599   | 644   |
| Depreciation and amortization                              | 629   | 665   |
| Amortization of goodwill                                   | 22  | 23  |
| Increase (decrease) in allowance for doubtful accounts     | 0   | (0)   |
| Increase (decrease) in provision for bonuses               | (27)  | (35)  |
| Increase (decrease) in net defined benefit liability       | 5   | (69)  |
| Interest and dividends income                              | (26)  | (41)  |
| Interest expenses  | 61  | 53  |
| Foreign exchange losses (gains)                            | 21  | (6)   |
| Equity in losses (earnings) of affiliates                  | (28)  | 8   |
| Loss (gain) on sales of property, plant and equipment      | -   | (0)   |
| Loss on retirement of noncurrent assets                    | 4   | 52  |
| Impairment loss  | 44  | -   |
| Loss (gain) on sales of investment securities              | (5)   | -   |
| Decrease (increase) in notes and accounts receivable-trade | 357   | 561   |
| Decrease (increase) in inventories                         | 272   | (732)   |
| Increase (decrease) in notes and accounts payable-trade    | (277)   | (461)   |
| Increase (decrease) in accrued consumption taxes           | (148)   | 28  |
| Other  | (80)  | (231)   |
| Subtotal   | 1,425   | 459   |
| Interest and dividends income received                     | 28  | 41  |
| Interest paid  | (59)  | (52)  |
| Income taxes (paid) or refund                              | 92  | (116)   |
| Net cash provided by operating activities                  | 1,486   | 332   |
| Cash flows from investing activities                       |   |   |
| Payments into time deposits                                | (7)   | (12)  |
| Proceeds from withdrawal of time deposits                  | 10  | 26  |
| Purchase of property, plant and equipment                  | (605)   | (470)   |
| Proceeds from the sale of property, plant and equipment    | 0   | 1   |
| Purchase of intangible assets                              | (14)  | (14)  |
| Payments for retirement of property, plant and equipment   | -   | (47)  |
| Purchase of investment securities                          | (4)   | (4)   |
| Proceeds from the sale of investment securities            | 13  | -   |
| Other  | 0   | 0   |
| Net cash used in investing activities                      | (607)   | (522)   |

|   | (Millions of yen)   |   |
|---|---|---|
|   | Six Months Ended<br>September 30, 2020<br>(From April 1, 2020 to<br>September 30, 2020) | Six Months Ended<br>September 30, 2021<br>(From April 1, 2021 to<br>September 30, 2021) |
| Cash flows from financing activities                        |   |   |
| Net increase (decrease) in short-term loans payable         | (84)  | 258   |
| Proceeds from long-term loans payable                       | 1,700   | -   |
| Repayment of long-term loans payable                        | (1,205)   | (1,142)   |
| Proceeds from sale-and-leaseback transactions               | 43  | 77  |
| Repayments of lease obligations                             | (107)   | (98)  |
| Cash dividends paid   | (110)   | (108)   |
| Purchase of treasury stock                                  | (199)   | -   |
| Cash dividends paid to non-controlling interests            | (21)  | (30)  |
| Net cash (used in) provided by financing activities         | 14  | (1,044)   |
| Effect of exchange rate change on cash and cash equivalents | (6)   | 10  |
| Net increase (decrease) in cash and cash equivalents        | 885   | (1,225)   |
| Cash and cash equivalents at beginning of period            | 1,381   | 3,998   |
| Cash and cash equivalents at end of period                  | 2,267   | 2,772   |

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

None

**(Note Concerning Significant Changes in Shareholders' Equity)**

The Company disposed of 30,800 shares of treasury stock effective July 30, 2021 as restricted share-based remuneration based on a resolution at the Board of Directors meeting held on July 15, 2021.

As a result, treasury stock decreased by ¥20 million and capital surplus by ¥0 million in the first half of the year ending March 31, 2022.

**(Changes in Accounting Policies)**

**(Application of Accounting Standard for Revenue Recognition, etc.)**

The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, ASBJ; below, "Accounting Standard for Revenue Recognition") from the start of the first quarter. The Company now recognizes revenue in the amount expected to be received in exchange for goods and services at the point in time when the control of the promised goods and services are transferred to the customer.

As a result, sales commissions and sales promotion costs conventionally recorded in selling, general and administrative expenses have been deducted from net sales.

This change in accounting policy is applied retroactively, in principle, and the quarterly consolidated financial statements and consolidated financial statements reflect this change for the previous quarter and previous fiscal year. However, the following methods are applied as stipulated in Paragraph 85 of the Accounting Standard for Revenue Recognition.

- I. Information for comparison within contracts that recognized the amount of nearly all revenue following the previous handling until the start of the previous fiscal year will not be revised retroactively.
- II. Information for comparison regarding the amount of variable consideration included in contracts that recognized the amount of nearly all revenue following the previous handling until the start of the current fiscal year will be revised retroactively using the amount at the time the uncertainty concerning the amount of the variable consideration is eliminated.
- III. Consolidated quarterly financial statements for the previous fiscal year will not be revised retroactively regarding contracts that were started and ended within the previous fiscal year.
- IV. Information for comparison will be revised retroactively for contractual changes made prior to the start of the previous fiscal year by using accounting treatment based on the contractual conditions after reflecting all contractual changes.

As a result, compared to prior to retroactive application, net sales decreased by ¥8 million

in the previous six months ended September 30, 2020 and selling, general and administrative expenses decreased by ¥8 million, but operating income, ordinary income, and income before provision for income taxes were not affected. Furthermore, in accordance with the transitional handling stipulated in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Statements" (ASBJ Statement No. 12; March 31, 2020), the Company does not include information that breaks down revenue arising from contracts with customers pertaining to the previous six months ended September 30, 2020.

**(Application of Accounting Standard for Fair Value Measurement, etc.)**

The Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, ASBJ; below, "Accounting Standard for Fair Value Measurement") from the start of the first quarter. Following the transitional handling stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy set forth in the Accounting Standard for Fair Value Measurement for all future years. There are no impacts on the Company's quarterly consolidated financial statements as a result of this change.

**(Additional Information)**

There are no major changes to the assumptions about the impacts of the COVID-19 pandemic that were included in the "Important Accounting Estimates" section of the Annual Securities Report for the Fiscal Year Ended March 31, 2021.

**(Segment Information)**

Segment Information

I. Six Months Ended September 30, 2020

(April 1, 2020 to September 30, 2020)

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, 2021

(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.