



August 9, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024

(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: Hidenori Takemiya, Representative Director and President
 Contact Person: Akira Ando, Director and Executive Officer;
 General Manager of General Management Division
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Scheduled date to commence dividend payments: –

Supplementary explanatory materials prepared: Yes

Explanatory meeting: No

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

1. Consolidated financial results for three months ended June 30, 2024 (April 1 to June 30, 2024)**(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	%
Three months ended June 30, 2024	10,377	10.4	1,033	111.0	1,380	86.0	616	148.1
June 30, 2023	9,403	1.7	489	(28.1)	741	(14.4)	248	(54.5)

Note: Comprehensive income

Three months ended June 30, 2024: ¥1,403 million (–7.1%)

Three months ended June 30, 2023: ¥1,511 million (7.5%)

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	33.96	—
June 30, 2023	13.71	—

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	Millions of yen	Millions of yen	%
June 30, 2024	41,216	23,522	46.1
March 31, 2024	39,962	22,269	45.5

Reference: Equity

As of June 30, 2024: ¥18,987 million

As of March 31, 2024: ¥18,188 million

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
Fiscal year ended March 31, 2024	Yen —	Yen 8.00	Yen —	Yen 8.00	Yen 16.00
Fiscal year ending March 31, 2025	—				

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
Fiscal year ending March 31, 2025 (Forecasts)		9.00	—	9.00	18.00

Note: Changes to most recent dividend forecasts: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(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
Six months ending September 30, 2024	19,500	(1.1)	1,500	11.6	1,500	(13.8)	800	15.8	44.05
Fiscal year ending March 31, 2025	39,000	(3.5)	3,000	63.3	3,000	25.9	1,600	—	88.11

Note: Changes to most recent dividend forecasts: None

Notes:

(1) Changes to scope of consolidation during the period under review: None

New: None

Excluded: None

(2) Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

(i) Changes in accounting policies due to revisions to accounting standards and other guidelines: Yes

(ii) Changes in accounting policies due to reasons other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement of revisions: None

Note: For details, please refer to “(3) Notes to Quarterly Consolidated Financial Statements (Note Concerning Changes in Accounting Policies)” under “2. Quarterly Consolidated Financial Statements and Key Notes” on page 8 of the Attachment to this report.

(4) Number of common shares issued

(i) Total number of issued shares at the end of the period (including treasury stock)

As of June 30, 2024:	18,373,974 shares	As of March 31, 2024:	18,373,974 shares
As of June 30, 2024:	213,988 shares	As of March 31, 2024:	213,988 shares
For the three months ended June 30, 2024:	18,159,986 shares	For the three months ended June 30, 2023:	18,133,035 shares

(ii) Number of shares of treasury stock at the end of the period

(iii) Average number of shares

Notes: 1. Review of the attached quarterly consolidated financial statements by Certified Public Accountants or the independent auditor: None

2. 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. Overview of Business Results” on page 3 of the Attachment to this report.

Contents

1. Overview of Business Results	2
(1) Overview of operating results	2
(2) Overview of financial position	3
(3) Description of Consolidated Business Forecasts and Other Forward-looking Information	3
2. Quarterly Consolidated Financial Statements and Key Notes	4
(1) Consolidated Balance Sheets	4
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Income	
(First quarter consolidated accounting period)	6
Consolidated Statements of Comprehensive Income	
(First quarter consolidated accounting period)	7
(3) Notes to Quarterly Consolidated Financial Statements	8
(Note Concerning Going Concern Assumption)	8
(Note Concerning Significant Changes in Shareholders' Equity)	8
(Note Concerning Changes in Accounting Policies)	8
(Note Concerning Quarterly Consolidated Statement of Cash Flows)	8
(Note on Segment Information)	8
(Subsequent Events)	9

1. Overview of Business Results

(1) Overview of operating results

In the three months ended June 30, 2024, Japan's economy continued its gradual recovery, driven by growing inbound demand and strong corporate performance. However, consumer spending faltered as rising prices, fueled by surging energy and raw material costs amid a weak yen, led to a decline in real wages. Overseas, while economic growth in Europe and the United States showed signs of underlying strength, the outlook for the environment surrounding the Group remains uncertain. This uncertainty is driven by several factors, including the prolonged conflict in Ukraine, the impact of various government financial policies, the slowdown in China's economy, exchange rate fluctuations, and logistical delays.

In this context, the Group has outlined its long-term vision of "Helping to improve people's quality of life with collagen." To achieve sustainable growth and transform into a highly profitable company, we have launched a new Medium-Term Management Plan (fiscal 2025 to fiscal 2027) from fiscal 2025. The planning period is designated as a time for fundamentally strengthening profitability and cash-generating capabilities. The basic policy of the Medium-Term Management Plan is as follows:

1. Fundamentally strengthen profitability by enhancing cost competitiveness through production system reorganization and turning the biomedical business profitable
2. Strengthen cash-generating capabilities through more efficient use of working capital, etc.
3. Strengthen the management base to stabilize earnings by enhancing global governance and increasing the value of human capital

Based on these policies, we focused on improving the profitability and efficiency of our business across all product categories, including gelatin, collagen peptides, food ingredients, and biomedical products. At the same time, we enhanced global governance and worked to increase the value of our human capital.

As a result of the above, net sales increased 10.4% year on year to ¥10,377 million. Operating income increased 111.0% year on year to ¥1,033 million, driven by strong domestic sales and improved profitability following the suspension of production at Nitta Gelatin USA, Inc. Ordinary income increased 86.0% to ¥1,380 million, mainly due to foreign exchange gains and as a result, net income attributable to owners of the parent increased 148.1% to ¥616 million.

Although the Group operates the collagen business as a single segment, we began disclosing information by product category starting from the three months ended June 30, 2024.

The categories of finished goods are as shown in the table below.

Category	Lineup
Gelatin	Gelatin for food, capsules, and photography; by-products (such as calcium phosphate); etc.
Collagen peptide	Collagen peptide for health foods, beauty products, etc.
Food ingredients	Stabilizers for processed meat products, gelling agents for desserts, etc.
Biomedical	Collagen, gelatin, etc. for medical use

Gelatin

In Japan, net sales increased due to robust demand for gelatin used in gummy candies and soft capsules. Additionally, higher prices led to more opportunities for making desserts at home and a rise in demand for home-cooked meals, resulting in growth in sales of gelatin for confectionery and cooking purposes.

In North America, sales of gelatin for general food use increased, and exports of bovine bone gelatin from India grew, driven by strong demand for soft capsules. However, sales of porcine gelatin declined due to the suspension of production at Nitta Gelatin USA, Inc., leading to a decrease in net sales. Net sales in India decreased due to a decline in demand for hard capsules.

Additionally, sales of photographic gelatin were strong both in Japan and overseas. However, net sales of by-products, such as calcium phosphate, remained on par with the same period of the previous year.

As a result, overall sales in the gelatin category increased 9.6% year on year to ¥7,731 million.

Collagen Peptide

In Japan, net sales increased due to the expanded sales of collagen products by customers. In North America, net sales increased thanks to the success of new sales expansion efforts for collagen products and protein bars. Net sales also increased in India thanks mainly to strong overall exports.

As a result, overall sales in the collagen peptide category increased 22.6% year on year to ¥1,710 million.

Food Ingredients

In Japan, sales of gelling agents for confectionery and desserts increased, but sales of stabilizers for processed meat declined. As a result, overall sales of food ingredients decreased 4.3% year on year to ¥854 million.

Biomedical

In Japan, sales of medical-use collagen and gelatin to major customers increased. As a result, overall biomedical sales increased 33.7% year on year to ¥80 million.

(2) Overview of financial position

(Assets)

Total assets amounted to ¥41,216 million as of June 30, 2024, ¥1,254 million higher than at March 31, 2024. This was mainly attributable increases in cash and deposits of ¥776 million, property, plant and equipment of ¥351 million, other current assets of ¥175 million, and investments and other assets of ¥262 million compared to an decrease in inventories of ¥371 million.

(Liabilities)

Total liabilities stood at ¥17,694 million on June 30, 2024, ¥1 million higher than on March 31, 2024. This was mainly attributable to increases in notes and accounts payable – trade of ¥267 million, other noncurrent liabilities of ¥137 million, provision for bonuses of ¥131 million, and income taxes payable of ¥81 million compared to a decrease in long-term loans payable of ¥575 million (including current portion of long-term loans payable).

(Net assets)

Net assets amounted to ¥23,522 million as of June 30, 2024, ¥1,252 million higher than at March 31, 2024. This was mainly attributable to increases in retained earnings of ¥471 million, non-controlling interests of ¥453 million, and foreign currency translation adjustments of ¥281 million.

As a result, the equity ratio stood at 46.1% on June 30, 2024 compared to 45.5% on March 31, 2024.

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

The forecast of consolidated financial results for the fiscal year ending March 31, 2025 remains unchanged from that announced on May 15, 2024 in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2024.”

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

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2024 (As of March 31, 2024)	1Q Fiscal 2025 (As of June 30, 2024)
Assets		
Current assets		
Cash and deposits	4,080	4,857
Notes and accounts receivable—trade	8,374	8,435
Merchandise and finished goods	7,155	7,475
Work in process	1,784	1,649
Raw materials and supplies	3,364	2,808
Other	444	620
Allowance for doubtful accounts	(7)	(7)
Total current assets	25,196	25,838
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,862	4,153
Machinery, equipment and vehicles, net	1,879	1,943
Other, net	3,287	3,284
Total property, plant and equipment	9,029	9,381
Intangible assets		
Goodwill	157	149
Other	306	312
Total intangible assets	463	462
Investments and other assets		
Investment securities	3,131	3,242
Other	2,284	2,445
Allowance for doubtful accounts	(143)	(153)
Total investments and other assets	5,272	5,534
Total noncurrent assets	14,766	15,378
Total assets	39,962	41,216

(Millions of yen)

	Fiscal 2024 (As of March 31, 2024)	1Q Fiscal 2025 (As of June 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable—trade	2,695	2,963
Short-term loans payable	2,988	2,900
Current portion of long-term loans payable	2,148	2,058
Income taxes payable	292	374
Provision for bonuses	211	343
Other	2,735	2,790
Total current liabilities	11,072	11,431
Noncurrent liabilities		
Long-term loans payable	4,078	3,592
Net defined benefit liability	1,410	1,401
Other	1,131	1,269
Total noncurrent liabilities	6,619	6,263
Total liabilities	17,692	17,694
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	9,326	9,798
Treasury stock	(143)	(143)
Total shareholders' equity	15,295	15,766
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	1,114	1,163
Deferred gains on hedges	(19)	(18)
Foreign currency translation adjustments	1,450	1,731
Remeasurements of defined benefit plans	347	344
Total accumulated other comprehensive income	2,893	3,221
Non-controlling interests	4,081	4,534
Total net assets	22,269	23,522
Total liabilities and net assets	39,962	41,216

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

Consolidated Statements of Income

(First quarter consolidated accounting period)

(Millions of yen)

	Three Months Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)	Three Months Ended June 30, 2024 (From April 1, 2024 to June 30, 2024)
Net sales	9,403	10,377
Cost of sales	7,325	7,780
Gross profit on sales	2,077	2,596
Selling, general and administrative expenses	1,587	1,563
Operating income	489	1,033
Non-operating income		
Interest income	7	23
Dividend income	23	26
Rental income	14	15
Foreign exchange gains	225	310
Equity in earnings of affiliates	2	—
Other	25	30
Total non-operating income	299	406
Non-operating expenses		
Interest expenses	44	35
Equity in losses of affiliates	—	20
Other	2	3
Total non-operating expenses	47	59
Ordinary income	741	1,380
Extraordinary losses		
Loss on sale of noncurrent assets	0	—
Loss on retirement of noncurrent assets	0	0
Losses related to plant closures	—	89
Total extraordinary losses	0	89
Income before provision for income taxes	741	1,290
Income taxes payable	261	469
Net income	479	820
Net income attributable to non-controlling interests	231	203
Net income attributable to owners of the parent	248	616

(Consolidated Statements of Comprehensive Income)
(First quarter consolidated accounting period)

(Millions of yen)

	Three Months Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)	Three Months Ended June 30, 2024 (From April 1, 2024 to June 30, 2024)
Net income	479	820
Other comprehensive income		
Valuation difference on other available-for-sale securities	47	49
Deferred gains on hedges	202	2
Foreign currency translation adjustments	763	480
Pension liability adjustment	(5)	(5)
Share of other comprehensive losses of associates accounted for using equity method	22	54
Total other comprehensive income	1,031	582
Total comprehensive income (loss)	1,511	1,403
Comprehensive income attributable to:		
Owners of the parent	1,032	949
Non-controlling interests	478	453

(3) Notes to Quarterly Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Note Concerning Significant Changes in Shareholders' Equity)

None

(Note Concerning Changes in Accounting Policies)

(Application of "Accounting Standards for Income Taxes - Current")

The "Accounting Standard for Income Taxes - Current" (Corporate Accounting Standard No. 27, October 28, 2022; hereinafter referred to as the "2022 Revised Accounting Standards") has been applied from the beginning of the first quarter of the fiscal year under review.

The amendments to the classification of income taxes (taxation on other comprehensive income) are in accordance with the transitional treatments prescribed in the proviso of Paragraph 20-3 of the 2022 Revised Accounting Standards and the proviso of Paragraph 65-2(2) of the "Implementation Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "2022 Revised Application Guidelines"). The change in accounting policy had no impact on the quarterly consolidated financial statements.

(Note Concerning Quarterly Consolidated Statement of Cash Flows)

A quarterly consolidated statement of cash flows has not been prepared for the first quarter of the fiscal year under review. Depreciation (including amortization of intangible assets other than goodwill) and amortization of goodwill for the first quarter of the fiscal year under review are as follows.

	Three Months Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)	Three Months Ended June 30, 2024 (From April 1, 2024 to June 30, 2024)
Depreciation and amortization	¥425 million	¥281 million
Amortization of goodwill	14	16

(Note on Segment Information)

Segment Information

a. Three Months Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)

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

b. Three Months Ended June 30, 2024 (From April 1, 2024 to June 30, 2024)

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

(Subsequent Events)

The Company disposed of treasury stock as follows based on a resolution at the Board of Directors meeting held on July 18, 2024 regarding the disposal of treasury stock as restricted share based remuneration.

1. Overview of the disposal

(1) Disposal date	August 2, 2024
(2) Class and number of shares for disposal	Common stock of Nitta Gelatin: 7,800 shares
(3) Disposal price	¥770 per share
(4) Total disposal amount	¥6,006,000
(5) Eligible persons for the allotment of shares, number of eligible persons, and number of shares to be allocated	Director (1) of Nitta Gelatin (excluding outside directors): 3,600 shares Executive Officers (3) of Nitta Gelatin: 4,200 shares
(6) Other	The Company has submitted a securities notification regarding this disposal of treasury stock pursuant to the Financial Instruments and Exchange Act.

2. Objective and reason for the disposal

The Company passed a resolution at the meeting of the Board of Directors held on June 1, 2021 to introduce a new restricted share based remuneration plan (“the Plan”) for the Company’s directors (excluding outside directors; below, “Eligible Directors”) and Executive Officers (below, “Eligible Directors, etc.” to collectively refer to both Eligible Directors and Executive Officers) in order to increase incentives more so than before toward the sustained enhancement of corporate value and to further share value with shareholders.

In addition, at the 82nd Ordinary General Meeting of Shareholders held on June 29, 2021, approval was obtained pursuant to the Plan regarding the establishment of an annual cap of 80 million for the total monetary remuneration paid to Eligible Directors, a cap of 80,000 shares on the number of restricted shares allocated in each fiscal year to Eligible Directors, and the period from the issuance of restricted shares to the day of retirement from the position of either the Company’s director, Executive Officer, or employee as the restriction period of the restricted shares.

For the restricted share based remuneration during the period from the 85th Ordinary General Meeting of Shareholders to the 86th Ordinary General Meeting of Shareholders that is scheduled to be held in June 2025, at the meeting of the Board of Directors held on July 18, 2024, a resolution was passed to pay monetary remuneration claims of ¥6,006,000 to the Eligible Directors, etc., and allot 7,800 of the Company’s common stock as specified restricted shares by having the Eligible Directors, etc. pay all said monetary remuneration claims according to the method of in-kind contribution.