



November 12, 2024

Consolidated Financial Results for Six Months Ended September 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
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Scheduled date to file Semi-annual Securities Report: November 12, 2024
 Scheduled date to commence dividend payments: December 5, 2024
 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, 2024

(April 1, 2024 to September 30, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	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, 2024	19,735	0.1	2,127	58.3	1,969	13.2	820	18.8
September 30, 2023	19,711	2.8	1,344	(1.2)	1,739	7.0	690	(24.2)

Note: Comprehensive income

Six months ended September 30, 2024: ¥852 million (-64.0%)

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

	Earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2024	45.17	—
September 30, 2023	38.08	—

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	%
September 30, 2024	39,865	22,811	46.8
March 31, 2024	39,962	22,269	45.5

Reference: Equity

As of September 30, 2024: ¥18,665 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2024	—	8.00	—	8.00	16.00
Fiscal year ending March 31, 2025	—	9.00			
Fiscal year ending March 31, 2025 (Forecasts)			—	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
Full-year	39,000	(3.5)	3,600	96.0	3,400	42.7	1,600	—	88.09

Note: Changes to most recent dividend forecasts: Yes

Notes:

- Changes to scope of consolidation during the period under review: None
New: None
Excluded: None
- Adoption of special accounting methods for the preparation of 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, 2024:	18,373,974 shares
As of March 31, 2024:	18,373,974 shares

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

As of September 30, 2024:	206,188 shares
As of March 31, 2024:	213,988 shares

c. Average number of shares

For the six months ended September 30, 2024:	18,162,215 shares
For the six months ended September 30, 2023:	18,141,950 shares

Notes: 1. This financial report falls outside the scope of review procedures by Certified Public Accountants or the independent auditor.

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 4 of the Attachment to this report.

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1. Overview of Business Results

(1) Overview of operating Results

During the six months ended September 30, 2024, Japan's economy continued to recover gradually, amid growing inbound tourism demand, favorable corporate performance, and a pick-up in personal consumption due to rising wages. Overseas, while economic growth in Europe and the United States appears to be solid, the outlook for the environment surrounding the Group remains uncertain, including soaring raw material and energy prices due to the prolonged situation in Ukraine and the intensifying situation in the Middle East, the slowdown in China's economy, trends in the monetary policies of various governments, exchange rate volatility, and logistics 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.

During the six months ended September 30, 2024, sales declined in North America due to the suspension of production at Nitta Gelatin USA, Inc. in North America, where productivity had deteriorated significantly, in January 2024. However, sales increased in Japan and the yen weakened, resulting in net sales of ¥19,735 million (up 0.1% year on year). Operating income increased 58.3% year on year to ¥2,127 million, driven by strong domestic sales and improved profitability following the suspension of production at Nitta Gelatin USA, Inc. Ordinary income rose 13.2% to ¥1,969 million as a result of recording foreign exchange losses. Net income attributable to owners of the parent increased 18.8% year on year to ¥820 million.

The Group maintains a single segment, the collagen business, but from the first half under review, we have changed the description of our business lines from the previous sales classification (Food Solutions, Health Support, Specialties) to product classification (gelatin, collagen peptide, food ingredients, biomedical).

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

Category	Lineup
Gelatin	Gelatin for food, capsules, 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 ongoing firm 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, cooking purposes and frozen foods. Additionally, sales of gelatin for photography both domestically and overseas remained strong, leading to an increase in net sales.

In North America, sales of gelatin for general food remained strong, while sales of bovine bone gelatin for soft capsules imported from India grew. However, sales of porcine gelatin declined due to the suspension of production at Nitta Gelatin USA, Inc., causing a decrease in net sales. In India, net sales declined due to a continued decline in demand for hard capsules as a result of tougher competition globally.

As a result, overall sales in the gelatin category decreased 2.7% year on year to ¥14,549 million.

Collagen peptide

In Japan, domestic sales decreased due to factors such as a decline in sales of collagen products by our customers, but exports increased thanks to a recovery in demand in Asian markets.

In North America, while the market is on a path to recovery, selling prices are on a downward trend due to price competition, but sales increased on expanded sales volume through new sales promotions and other factors. Net sales also increased in India thanks mainly to strong exports.

As a result, overall sales in the collagen peptide category increased 15.9% year on year to ¥3,382 million.

Food ingredients

In Japan, sales of gelling agents for confectionery and desserts increased after working to increase profitability domestically, but sales of stabilizers for processed meat declined. Consequently, overall net sales of food ingredients decreased 3.9% year on year to ¥1,639 million.

Biomedical

In Japan, sales to major customers increased while overseas medical material makers began carrying medical-use gelatin. As a result, overall biomedical sales increased 31.8% year on year to ¥164 million.

(2) Overview of financial Position

1. Assets, Liabilities and Net Assets

(Assets)

Total assets amounted to ¥39,865 million on September 30, 2024, ¥96 million lower than on March 31, 2024. This was mainly attributable to an increase in cash and deposits of ¥386 million, compared to a decrease in inventories of ¥462 million.

(Liabilities)

Total liabilities stood at ¥17,054 million on September 30, 2024, ¥638 million lower than on March 31, 2024.

This was mainly attributable to increases in long-term loans payable of ¥1,243 million (including current portion of long-term loans payable) and in notes and accounts payable - trade of ¥512 million, compared to decreases in short-term loans payable of ¥2,073 million and in other current liabilities of ¥320 million.

(Net assets)

Net assets amounted to ¥22,811 million at September 30, 2024, ¥541 million higher than at March 31, 2024. This was mainly attributable to a decrease in foreign currency translation adjustments of ¥133 million, compared to an increase in retained earnings of ¥675 million.

Furthermore, the equity ratio stood at 46.8%, compared with 45.5% at March 31, 2024.

2. Cash Flows

Cash and cash equivalents (“cash”) as of September 30, 2024 was ¥3,065 million, down ¥231 million from March 31, 2024.

Cash flows for each activity for the six months ended September 30, 2024 and reasons are as follows.

(Cash flows from operating activities)

Operating activities provided net cash of ¥2,575 million, compared to ¥1,850 million in the previous six months ended September 30, 2023. The main factors were income before provision for income taxes of ¥1,827 million and depreciation and amortization of ¥583 million.

(Cash flows from investing activities)

Investing activities used net cash of ¥1,570 million, compared to ¥1,578 million in the previous six months ended September 30, 2023. The main components were payments into time deposits of ¥1,690 million, proceeds from withdrawal of time deposits of ¥786 million, and purchase of property, plant and equipment of ¥522 million.

(Cash flows from financing activities)

Financing activities used net cash of ¥1,130 million, compared to ¥656 million in the previous six months ended September 30, 2023. The main components were net decrease in short-term loans payable of ¥2,043 million, proceeds from long-term loans payable of ¥2,400 million, repayment of long-term loans payable of ¥1,156 million, and cash dividends paid of ¥145 million.

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

For the consolidated business forecasts for the fiscal year ending March 31, 2025, please refer to the "Notice of Revision to the Forecast of Consolidated Business Results for FY2025" announced 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. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Fiscal 2024 (As of March 31, 2024)	1H Fiscal 2025 (As of September 30, 2024)
Assets		
Current assets		
Cash and deposits	4,080	4,466
Notes and accounts receivable–trade	8,374	7,967
Merchandise and finished goods	7,155	7,457
Work in process	1,784	1,423
Raw materials and supplies	3,364	2,960
Securities	—	188
Other	444	518
Allowance for doubtful accounts	(7)	(6)
Total current assets	25,196	24,975
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,862	4,010
Machinery, equipment and vehicles, net	1,879	1,691
Other, net	3,287	3,230
Total property, plant and equipment	9,029	8,932
Intangible assets		
Goodwill	157	117
Other	306	272
Total intangible assets	463	390
Investments and other assets		
Investment securities	3,131	3,160
Other	2,284	2,543
Allowance for doubtful accounts	(143)	(136)
Total investments and other assets	5,272	5,567
Total noncurrent assets	14,766	14,890
Total assets	39,962	39,865

(Millions of yen)

	Fiscal 2024 (As of March 31, 2024)	1H Fiscal 2025 (As of September 30, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	2,695	3,208
Short-term loans payable	2,988	914
Current portion of long-term loans payable	2,148	2,449
Income taxes payable	292	280
Provision for bonuses	211	210
Other	2,735	2,415
Total current liabilities	11,072	9,478
Noncurrent liabilities		
Long-term loans payable	4,078	5,020
Net defined benefit liability	1,410	1,403
Other	1,131	1,151
Total noncurrent liabilities	6,619	7,575
Total liabilities	17,692	17,054
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,960
Retained earnings	9,326	10,002
Treasury stock	(143)	(137)
Total shareholders' equity	15,295	15,969
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	1,114	1,061
Deferred gains on hedges	(19)	(18)
Foreign currency translation adjustments	1,450	1,316
Remeasurements of defined benefit plans	347	335
Total accumulated other comprehensive income	2,893	2,695
Non-controlling interests	4,081	4,145
Total net assets	22,269	22,811
Total liabilities and net assets	39,962	39,865

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

Consolidated Statements of Income

	(Millions of yen)	
	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)	Six Months Ended September 30, 2024 (From April 1, 2024 to September 30, 2024)
Net sales	19,711	19,735
Cost of sales	15,146	14,557
Gross profit on sales	4,564	5,178
Selling, general and administrative expenses	3,220	3,050
Operating income	1,344	2,127
Non-operating income		
Interest income	17	50
Dividend income	26	30
Rental income	29	31
Foreign exchange gains	395	—
Other	42	32
Total non-operating income	512	145
Non-operating expenses		
Interest expenses	91	64
Foreign exchange gains	—	204
Equity in losses of affiliates	6	27
Other	18	7
Total non-operating expenses	116	303
Ordinary income	1,739	1,969
Extraordinary gains		
Gain on sales of noncurrent assets	0	—
Gain on donation of noncurrent assets	2	—
Total extraordinary gains	2	—
Extraordinary losses		
Loss on sale of noncurrent assets	0	—
Loss on retirement of noncurrent assets	23	5
Loss on tax purpose reduction entry of non-current assets	2	—
Losses related to plant closures	—	137
Total extraordinary losses	26	142
Income before provision for income taxes	1,716	1,827
Income taxes payable	568	564
Net income	1,147	1,262
Net income attributable to non-controlling interests	456	442
Net income attributable to owners of the parent	690	820

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)	Six Months Ended September 30, 2024 (From April 1, 2024 to September 30, 2024)
Net income	1,147	1,262
Other comprehensive income		
Valuation difference on other available-for-sale securities	109	(52)
Deferred gains on hedges	151	0
Foreign currency translation adjustments	934	(473)
Pension liability adjustment	(31)	(11)
Share of other comprehensive losses of associates accounted for using equity method	53	127
Total other comprehensive income	1,218	(409)
Comprehensive income	2,366	852
Comprehensive income attributable to:		
Owners of the parent	1,618	622
Non-controlling interests	748	230

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)	Six Months Ended September 30, 2024 (From April 1, 2024 to September 30, 2024)
Cash flows from operating activities		
Income before provision for income taxes	1,716	1,827
Depreciation and amortization	843	583
Amortization of goodwill	30	32
Increase (decrease) in allowance for doubtful accounts	0	0
Increase (decrease) in provision for bonuses	(61)	3
Increase (decrease) in net defined benefit liability	(15)	(54)
Interest and dividends income	(44)	(79)
Interest expenses	91	64
Foreign exchange losses (gains)	(223)	196
Equity in losses of affiliates	6	27
Loss (gain) on sales of property, plant and equipment	0	—
Loss on retirement of noncurrent assets	23	5
Loss on tax purpose reduction entry of non-current assets	2	—
Gain on donation of noncurrent assets	(2)	—
Losses related to plant closures	—	137
Loss (gain) on sales of investment securities	(0)	—
Decrease (increase) in notes and accounts receivable-trade	730	220
Decrease (increase) in inventories	(1,291)	252
Increase (decrease) in notes and accounts payable-trade	368	636
Increase (decrease) in accrued consumption taxes	314	(47)
Other	(160)	(908)
Subtotal	2,327	2,896
Interest and dividends income received	39	78
Interest paid	(101)	(69)
Income taxes (paid) or refund	(414)	(330)
Net cash provided by operating activities	1,850	2,575
Cash flows from investing activities		
Payments into time deposits	(38)	(1,690)
Proceeds from withdrawal of time deposits	7	786
Purchase of property, plant and equipment	(1,541)	(522)
Proceeds from the sale of property, plant and equipment	1	3
Purchase of intangible assets	(3)	(142)
Proceeds from the sale of investment securities	0	—
Purchase of investment securities	(5)	(5)
Other	(0)	0
Net cash used in investing activities	(1,578)	(1,570)

	(Millions of yen)	
	Six Months Ended September 30, 2023 (From April 1, 2023 to September 30, 2023)	Six Months Ended September 30, 2024 (From April 1, 2024 to September 30, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(933)	(2,043)
Proceeds from long-term loans payable	1,800	2,400
Repayment of long-term loans payable	(1,177)	(1,156)
Proceeds from sale-and-leaseback transactions	20	40
Repayments of lease obligations	(126)	(108)
Cash dividends paid	(163)	(145)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(26)
Cash dividends paid to non-controlling interests	(75)	(92)
Cash flows from financing activities	(656)	(1,130)
Effect of exchange rate change on cash and cash equivalents	156	(105)
Net increase (decrease) in cash and cash equivalents	(227)	(231)
Cash and cash equivalents at beginning of period	2,846	3,297
Cash and cash equivalents at end of period	2,619	3,065

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

None

(Note Concerning Significant Changes in Shareholders' Equity)

1. Disposal of treasury stock

The Company disposed of 7,800 shares of treasury stock effective August 2, 2024 as restricted share-based remuneration based on a resolution at the Board of Directors meeting held on July 18, 2024.

As a result, treasury stock decreased by ¥5 million, and capital surplus increased by ¥0 million in the six months ended September 30, 2024.

2. Additional acquisition of subsidiary shares

On July 22, 2024, the Company acquired additional shares in consolidated subsidiary, Nitta Gelatin Vietnam Co., Ltd.

As a result, capital surplus decreased by ¥6 million during the six months ended September 30, 2024.

(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 half of the fiscal year ending March 31, 2025.

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 consolidated financial statements.

(Note on Segment Information)

Segment Information

a. 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.

b. Six Months Ended September 30, 2024 (From April 1, 2024 to September 30, 2024)

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