

Financial Results Briefing Material

(Six months ended September 30, 2024)

November 12, 2024

Securities code: 4977

1H Fiscal 2025 Consolidated Statements of Income (YoY)

- Net sales were almost on par with the previous year due to higher sales in Japan and the weaker yen, despite weaker sales in North America caused by the suspension of production at Nitta Gelatin USA, Inc. (NGU), where there was a substantial decline in productivity.
- Profit increased significantly thanks to strong performance in Japan and improved profitability (approx. ¥400 million) from the suspension of production at NGU, despite a downturn in profit in India resulting from tougher global competition in hard capsules.

(Millions of yen)	1H fiscal 2024 Results	1H fiscal 2025 Results	YoY change	
			Change	Vs.
Net sales	19,711	19,735	+24	+0.1%
Gross profit on sales	4,564	5,178	+613	+13.4%
Operating income	1,344	2,127	+783	+58.3%
Operating margin	6.8%	10.8%	+4.0 pts	—
Ordinary income	1,739	1,969	+230	+13.2%
Net income attributable to owners of the parent	690	820	+129	+18.8%

(Reference: Foreign exchange rates)

(Yen)	1H fiscal 2024 Results	1H fiscal 2025 Results	YoY difference
US dollars	141.31	152.30	+10.99
Canadian dollars	104.93	111.65	+6.72
Indian rupee	1.72	1.82	+0.10

1H Fiscal 2025 Consolidated Statements of Income (Vs. Initial Forecast)

- Net sales, including the impact of foreign exchange rates, were almost in line with the initial forecast.
- In terms of bottom line, operating income exceeded the initial forecast owing to improved profitability in Japan and North America and progress in controlling SG&A expenses throughout the Group.

(Millions of yen)	1H fiscal 2025	1H fiscal 2025	Vs. initial forecast	
	Initial forecast	Results	Change	Vs.
Net sales	19,500	19,735	+235	+1.2%
Gross profit on sales		5,178		
Operating income	1,500	2,127	+627	+41.9%
Operating margin	7.7%	10.8%	+3.1 pts	—
Ordinary income	1,500	1,969	+469	+31.3%
Net income attributable to owners of the parent	800	820	+20	+2.6%

(Reference: Foreign exchange rates)

(Yen)	1H fiscal 2025 initial forecast	1H fiscal 2025 results	Difference from initial forecast
US dollars	140.00	152.30	+12.30
Canadian dollars	104.00	111.65	+7.65
Indian rupee	1.70	1.82	+0.12

1H Fiscal 2025 Sales Summary

- Overall sales of gelatin decreased due to lower sales of porcine gelatin following the suspension of production at NGU, despite continued strong demand in Japan for use in gummy candies, soft capsules, and photography, growth in North America for use in general food products, as well as bovine bone gelatin imported from India for use in soft capsules.
- Collagen peptide sales grew due to exports from Japan bound for Asian markets and new sales expansion and other factors in North America.
- As for biomedical, in addition to sales growth to major domestic customers, an overseas medical material manufacturer began carrying our new medical gelatin products.

<Net sales by product category>

(Millions of yen)	1H fiscal 2024	1H fiscal 2025	YoY change	
	Results	Results	Change	Vs.
Total	19,711	19,735	+24	+0.1%
Gelatin	14,961	14,549	(411)	(2.7)%
Collagen peptide	2,918	3,382	+463	+15.9%
Food ingredients	1,705	1,639	(66)	(3.9)%
Biomedical	124	164	+39	+31.8%

1H Fiscal 2025 Consolidated Balance Sheets

- Assets: Cash and deposits increased. Current assets decreased due to a decrease in notes and accounts receivable - trade and inventories.
Total assets decreased despite an increase in noncurrent assets.
- Liabilities and Net Assets: Total liabilities decreased due to a large decrease in short-term loans payable and other factors.
Retained earnings increased and total net assets increased.

(Millions of yen)	March 31, 2024	September 30, 2024	Change
Current assets	25,196	24,975	(220)
Cash and deposits	4,080	4,466	+386
Notes and accounts receivable–trade	8,374	7,967	(406)
Inventories	12,304	11,841	(462)
Other current assets	437	699	+262
Noncurrent assets	14,766	14,890	+124
Property, plant and equipment	9,029	8,932	(97)
Intangible assets	463	390	(73)
Investment securities	5,272	5,567	+294
Total assets	39,962	39,865	(96)

(Millions of yen)	March 31, 2024	September 30, 2024	Change
Current liabilities	11,072	9,478	(1,594)
Notes and accounts payable–trade	2,695	3,208	+512
Short-term loans payable	5,137	3,363	(1,773)
Other current liabilities	3,239	2,906	(333)
Noncurrent liabilities	6,619	7,575	+956
Long-term loans payable	4,078	5,020	+942
Other noncurrent liabilities	2,541	2,555	+13
Total liabilities	17,692	17,054	(638)
Total net assets	22,269	22,811	+541
Total liabilities and net assets	39,962	39,865	(96)

1H Fiscal 2025 Consolidated Statement of Cash Flows

- Cash flows from operating activities: Increased due to a decrease in accounts receivable - trade and inventories.
- Cash flows from investing activities: Outflows were on par with the same period of the previous year*, due to temporary time deposits at overseas subsidiaries.
(* Mainly the acquisition of property, plant and equipment in the same period of the previous fiscal year.)
- Cash flows from financing activities: Negative due to a decrease in short-term loans payable.

(Millions of yen)	1H fiscal 2024 Results	1H fiscal 2025 Results	Change
Cash flows from operating activities	1,850	2,575	+725
Cash flows from investing activities	(1,578)	(1,570)	+8
Cash flows from financing activities	(656)	(1,130)	(474)
Net increase (decrease) in cash and cash equivalents	(227)	(231)	(4)
Cash and cash equivalents at end of the fiscal year	2,619	3,065	+446

Forecast of Consolidated Financial Results for fiscal 2025

- Based on strong performance through the first half of the fiscal year, the Company made upward revisions to its full-year forecast.
- In the second half, profitability is expected to decline due to higher prices of imported raw materials in Japan caused by the impacts of foreign exchange rates, lower sales prices of hard capsules due to tougher global competition, and deteriorating market conditions in North America, but the Company expects to achieve the second half operating income level forecast at the beginning of the fiscal year.

(Millions of yen)	Fiscal 2024	Fiscal 2025	Fiscal 2025	YoY		Vs. initial forecast	
	Results	Initial forecast	Revised forecast	Change	Vs.	Change	Vs.
Net sales	40,420	39,000	39,000	(1,420)	(3.5)%	—	—
Gross profit on sales	8,289	9,600	9,900	+1,610	+19.4%	+300	+3.1%
Operating income	1,836	3,000	3,600	+1,763	+96.0%	+600	+20.0%
Operating margin	4.5%	7.7%	9.2%	+4.7 pts	—	+1.5 pts	—
Ordinary income	2,382	3,000	3,400	+1,017	+42.7%	+400	+13.3%
Net income (loss) attributable to owners of the parent	(1,850)	1,600	1,600	+3,450	—	—	—

(Reference: Foreign exchange rates)

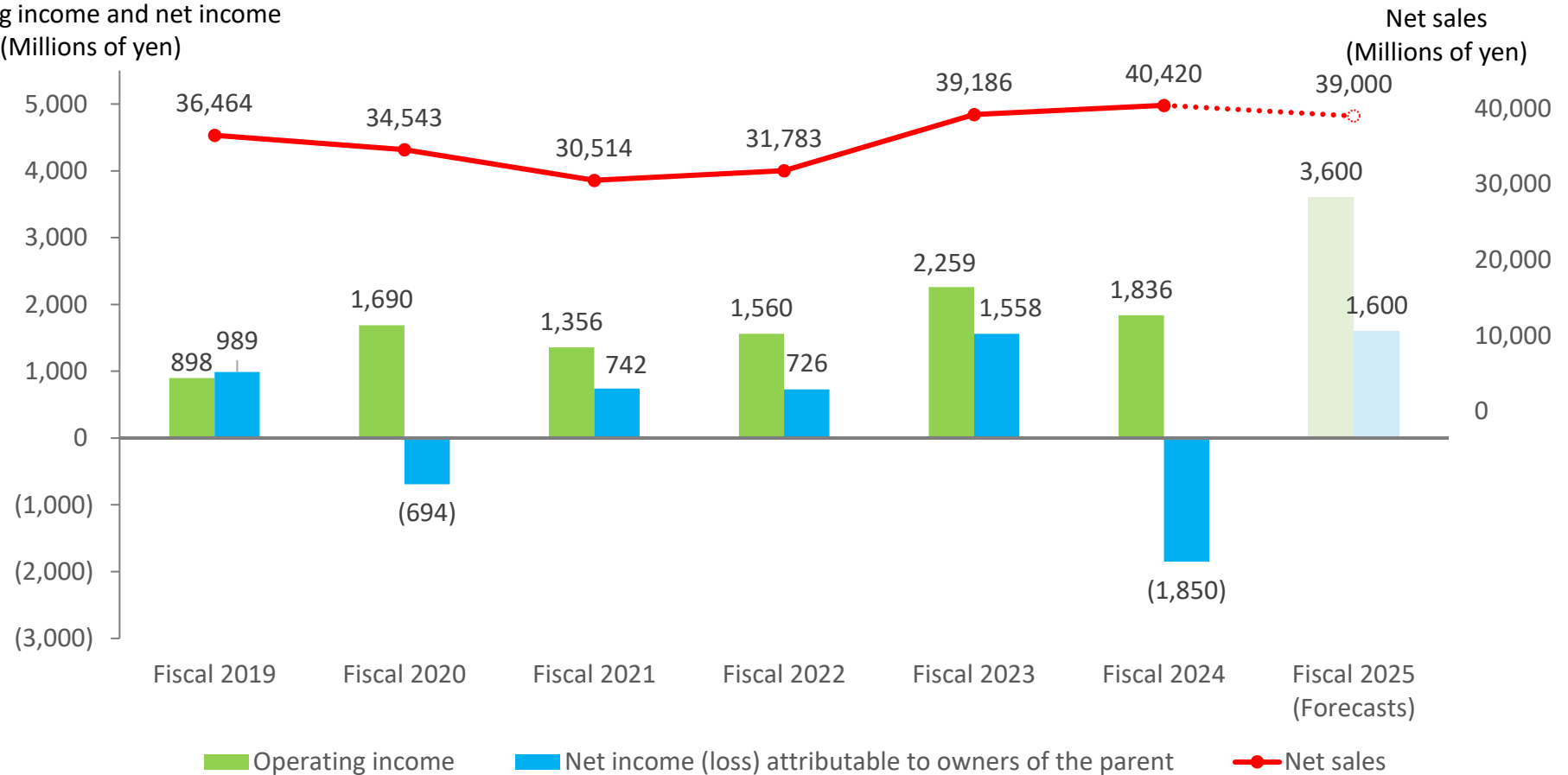
(Yen)	Fiscal 2024 results	Fiscal 2025 initial forecast	Fiscal 2025 revised forecast	Difference YoY	Difference from initial forecast
US dollars	144.40	140.00	147.92	+3.52	+7.92
Canadian dollars	106.99	104.00	108.88	+1.89	+4.88
Indian rupee	1.75	1.70	1.77	+0.02	+0.07

■ Bamni Proteins Ltd. (BPL)

- Bamni Proteins Ltd. manufactures bovine ossein (raw material for gelatin) in India. Since mid-March 2024, however, it has temporarily suspended operations following the order of the local pollution control board. The impact on consolidated performance has already been factored into the fiscal 2025 forecast of financial results.
- Bamni Proteins Ltd. is working to complete improvements for compliance with the wastewater regulations set by the local pollution control board as quickly as possible, but at this time, there is no indication as to when it will resume operations.
- Due to the suspension of production, Bamni Proteins Ltd. has reduced its workforce by 94 employees as of July 21, 2024. Since the related costs have already been recorded as extraordinary losses for fiscal 2024, the impact on consolidated results for fiscal 2025 will be negligible.

(Reference materials) Trend in consolidated performance

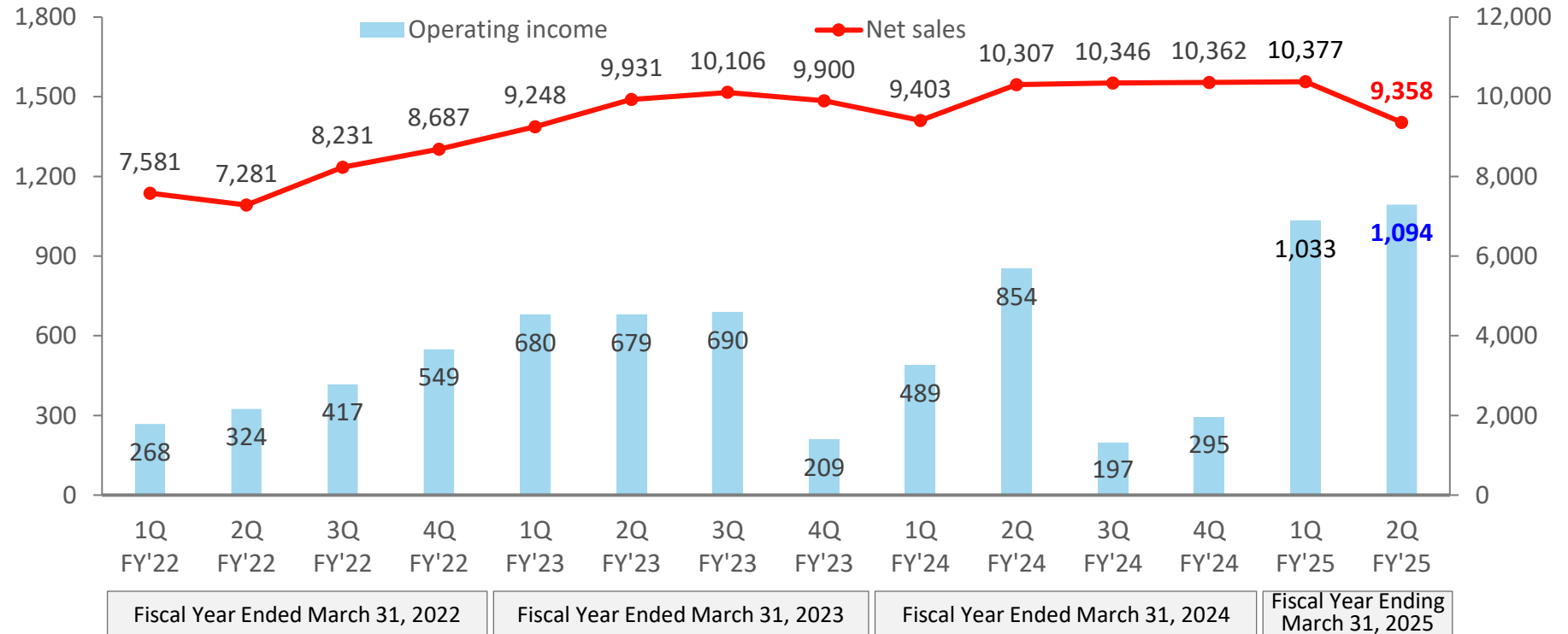
Operating income and net income
(Millions of yen)



(Reference materials) Trend in quarterly consolidated performance

Operating income
(Millions of yen)

Net sales
(Millions of yen)



Notice

The opinions, outlooks, and forecasts contained in this material are based on the judgment of the Company at the time of the preparation of this document.

The Company does not guarantee the accuracy of the information. Thank you for your understanding.

Nitta Gelatin Inc.

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[Inquiries] <https://cloud.swcms.net/nitta-gelatinPublic/ja/ir/inquiry6.html>