



August 9, 2022

Consolidated Financial Results for the Three Months Ended June 30, 2022

(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>
 Representative: Koichi Ogata, Representative Director and President
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Scheduled date to file Quarterly Securities Report: August 9, 2022

Scheduled date to commence dividend payments: —

Supplementary explanatory materials prepared: No

Explanatory meeting: No

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

1. Consolidated financial results for three months ended June 30, 2022

(April 1, 2022 to June 30, 2022)

(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	%
Three months ended June 30, 2022	9,248	22.0	680	153.5	866	191.1	545	155.1
June 30, 2021	7,581	2.3	268	(21.8)	297	(2.1)	213	0.8

Note: Comprehensive income

Three months ended, June 30, 2022: ¥1,406 million (240.1%)

Three months ended, June 30, 2021: ¥413 million (37.1%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	30.14	—
June 30, 2021	11.84	—

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, 2022	38,789	21,836	49.2
March 31, 2022	37,410	20,562	48.3

Reference: Equity

As of June 30, 2022: ¥19,089 million

As of March 31, 2022 ¥18,082 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, 2022	—	7.00	—	7.00	14.00
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecasts)		7.00	—	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, 2023 (April 1, 2022 to March 31, 2023)

(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, 2022	17,500	17.7	700	18.0	700	0.5	400	6.9	22.06
Fiscal year ending March 31, 2023	36,000	13.3	1,600	2.5	1,500	(13.5)	900	23.9	49.63

Note: Changes to most recent consolidated financial forecasts: None

Note:

- 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

d. 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 June 30, 2022:	18,373,974 shares
As of March 31, 2022:	18,373,974 shares

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

As of June 30, 2022:	268,739 shares
As of March 31, 2022:	268,739 shares

c. Average number of shares

For the three months ended June 30, 2022:	18,105,235 shares
For the three months ended June 30, 2021:	18,074,507 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.

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1. Qualitative Information Concerning Quarterly Financial Statements

(1) Description of Business Results

During the three months ended June 30, 2022, the world economy continued to experience uncertainty amid the protraction in the situation in Ukraine. Nevertheless, there were positive developments including easing of COVID-19 restrictions on economic activities, despite ongoing waves of the pandemic, and a moderate economic recovery. The situation surrounding the Nitta Gelatin Group remained challenging due to worldwide disruptions in the supply chain, soaring raw materials and energy prices, and the rapid depreciation of the yen, among other factors.

On June 8, 2022, the Group announced a business strategy containing its vision for the next 10 years. This business strategy states the Group's 10-year vision as "Helping improve people's quality of life with collagen" and declares as specific measures 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."

In the three months ended June 30, 2022, the Group worked to provide a stable supply of products in order to meet rampant demand from customers in the Food Solutions, Health Support, and Specialties domains, and took steps to revise product prices as appropriate. In Food Solutions, we launched "Nitta Gelatin Professional Shop," a members-only direct marketing website for industrial-use products. In addition, we made efforts to increase the visibility of the Nitta Gelatin name by stepping up advertising targeting general consumers and disseminating information using social media.

As a result of the above, net sales increased 22.0% year on year to ¥9,248 million driven by sales growth in each domain and foreign exchange effects on overseas sales. Operating income rose 153.5% year on year to ¥680 million underpinned by sales growth overseas, ordinary income increased 191.1% to ¥866 million on foreign exchange gains, and as a result, net income attributable to owners of the parent increased 155.1% to ¥545 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 while sales also increased in North America, leading to an increase in net sales overall.

In Japan, net sales for products for use in gummy candies continued to increase, driven by strong sales of new products by customers. In addition, net sales of gelatin for industrial-use soups and seasonings along with gelatin for making confectioneries and cooking increased amid robust demand for products used by the food service industry and for making confectioneries and cooking at home. Meanwhile, net sales for convenience store delicatessen items declined due to sluggish sales by major customers.

Overseas, net sales increased buoyed by robust demand for gummy candies in North America.

As a result, overall sales in the food solutions category increased 12.9% year on year to ¥3,467

million.

Health Support

In the health support category, overall net sales rose amid the increase in sales of collagen peptide for health and beauty applications overseas.

In Japan, sales increased on robust demand for gelatin for capsules, but sluggish sales of collagen products by customers resulted in net sales remaining largely unchanged year on year.

Overseas, net sales increased, driven by rampant demand for gelatin for capsules amid rising health and prevention awareness during the COVID-19 pandemic in North America and India, in addition to robust demand for collagen peptide in North America and strong sales of collagen peptide for health and beauty applications promoting functionality in Asia.

As a result, overall sales in the health support category increased 22.9% year on year to ¥4,517 million.

Specialties

In the specialties category, overall net sales increased by 51.0% year on year to ¥1,263 million amid higher net sales of calcium phosphate, a by-product, owing to rising demand from feed and fertilizer applications.

(2) Description of Financial Position

(Assets)

Total assets amounted to ¥38,789 million at June 30, 2022, ¥1,378 million higher than at March 31, 2022. This was mainly attributable to a decrease in cash and deposits of ¥1,150 million, compared to increases in inventories of ¥1,600 million and trade notes and accounts receivable of ¥515 million.

(Liabilities)

Total liabilities stood at ¥16,952 million at June 30, 2022, ¥103 million higher than at March 31, 2022. This was mainly attributable to a decrease in other current liabilities of ¥410 million, compared to an increase in notes and accounts payable-trade of ¥563 million.

(Net assets)

Net assets amounted to ¥21,836 million at June 30, 2022, ¥1,274 million higher than at March 31, 2022. This was mainly attributable to increases in foreign currency translation adjustments of ¥598 million, retained earnings of ¥418 million, and non-controlling interests of ¥268 million.

As a result, the equity ratio stood at 49.2% at June 30, 2022 compared with 48.3% at March 31, 2022.

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

The results for the three months ended June 30, 2022 exceeded the ordinary income and net income attributable to owners of the parent as announced in the consolidated business forecasts for the first half of the fiscal year ending March 31, 2023 on May 13, 2022 due to overseas sales growth and other factors.

However, concerns such as a rise in raw material prices and a rise in overseas purchase costs due to yen depreciation still persist, and at this point in time, there is no change in the consolidated business forecasts for the first half of the fiscal year ending March 31, 2023 and the full-year consolidated business forecasts announced on May 13, 2022.

2. Quarterly Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Fiscal 2022 (As of March 31, 2022)	1Q Fiscal 2023 (As of June 30, 2022)
Assets		
Current assets		
Cash and deposits	3,046	1,895
Notes and accounts receivable–trade	7,389	7,905
Merchandise and finished goods	5,955	6,455
Work in process	1,396	1,377
Raw materials and supplies	3,104	4,224
Other	588	614
Allowance for doubtful accounts	(16)	(8)
Total current assets	21,465	22,464
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,409	3,494
Machinery, equipment and vehicles, net	2,474	2,537
Other, net	4,532	4,649
Total property, plant and equipment	10,416	10,681
Intangible assets		
Goodwill	232	244
Other	275	276
Total intangible assets	507	521
Investments and other assets		
Investment securities	3,363	3,423
Other	1,775	1,828
Allowance for doubtful accounts	(117)	(130)
Total investments and other assets	5,021	5,121
Total noncurrent assets	15,945	16,324
Total assets	37,410	38,789

	(Millions of yen)	
	Fiscal 2022 (As of March 31, 2022)	1Q Fiscal 2023 (As of June 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	2,745	3,309
Short-term loans payable	2,271	2,370
Current portion of long-term loans payable	1,909	1,816
Income taxes payable	171	304
Provision for bonuses	224	379
Other	3,399	2,989
Total current liabilities	10,721	11,168
Noncurrent liabilities		
Long-term loans payable	3,573	3,191
Net defined benefit liability	1,560	1,615
Other	992	975
Total noncurrent liabilities	6,126	5,783
Total liabilities	16,848	16,952
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,965	2,965
Retained earnings	10,181	10,600
Treasury stock	(179)	(179)
Total shareholders' equity	16,112	16,531
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	1,231	1,238
Deferred gains on hedges	46	88
Foreign currency translation adjustments	540	1,138
Remeasurements of defined benefit plans	151	91
Total accumulated other comprehensive income	1,969	2,557
Non-controlling interests	2,479	2,747
Total net assets	20,562	21,836
Total liabilities and net assets	37,410	38,789

(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, 2021 (From April 1, 2021 to June 30, 2021)	Three Months Ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net sales	7,581	9,248
Cost of sales	6,020	6,979
Gross profit on sales	1,561	2,268
Selling, general and administrative expenses	1,292	1,587
Operating income	268	680
Non-operating income		
Interest income	0	0
Dividend income	21	29
Rental income	14	14
Foreign exchange gains	10	182
Equity in earnings of affiliates	0	—
Other	12	13
Total non-operating income	60	240
Non-operating expenses		
Interest expenses	29	34
Equity in losses of affiliates	—	16
Other	1	3
Total non-operating expenses	31	54
Ordinary income	297	866
Extraordinary gains		
Gain on sales of noncurrent assets	—	0
Total extraordinary gains	—	0
Extraordinary losses		
Loss on sale of noncurrent assets	0	—
Loss on retirement of noncurrent assets	0	4
Total extraordinary losses	0	4
Income before provision for income taxes	297	862
Income taxes payable	43	187
Earnings per share	253	675
Net income attributable to non-controlling interests	39	130
Net income attributable to owners of the parent	213	545

Consolidated Statements of Income
(First quarter consolidated accounting period)

	(Millions of yen)	
	Three Months Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)	Three Months Ended June 30, 2022 (From April 1, 2022 to June 30, 2022)
Net income	253	675
Other comprehensive income		
Valuation difference on other available-for-sale securities	120	7
Deferred gains on hedges	(27)	16
Foreign currency translation adjustments	(4)	706
Pension liability adjustment	19	(65)
Share of other comprehensive losses of associates	51	64
Total other comprehensive income	159	730
Total	413	1,406
Comprehensive income attributable to:		
Owners of the parent	403	1,133
Non-controlling interests	9	273

(3) Notes to Quarterly Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Note Concerning Significant Changes in Shareholders' Equity)

None

(Additional Information)

There have been no material changes to the assumptions regarding the impact of the COVID-19 pandemic set out in the (Material Accounting Estimates) of the Securities Report for the previous fiscal year.

(Segment Information)

I. Three Months Ended June 30, 2021

(From April 1, 2021 to June 30, 2021)

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

II. Three Months Ended June 30, 2022

(From April 1, 2022 to June 30, 2022)

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 21, 2022 regarding the disposal of treasury stock as restricted share based remuneration.

1. Summary of disposal

(1) Disposal date	August 5, 2022
(2) Class and number of shares for disposal	The Company's common stock; 27,800 shares
(3) Disposal price	¥619 per share
(4) Total disposal amount	¥17,208,200
(5) Eligible persons for the allotment of shares, number of eligible persons, and number of shares to be allocated	Directors (excluding outside directors): 5 persons; 20,800 shares Executive Officers: 5 persons; 7,000 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. Purpose and reason of 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 83rd Ordinary General Meeting of Shareholders held on June 28, 2022 to the 84th Ordinary General Meeting of Shareholders that is scheduled to be held in June 2023, at the meeting of the Board of Directors held on July 21, 2022, a resolution was passed to pay monetary remuneration claims of 17,208,200 to the Eligible Directors, etc., and allot 27,800 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.