



February 13, 2023

## Consolidated Financial Results for Nine Months Ended December 31, 2022

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**  
 Listing: Prime Market 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: February 13, 2023

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 the nine months ended December 31, 2022 (April 1, 2022 to December 31, 2022)

#### (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	%
Nine months ended December 31, 2022	29,285	26.8	2,050	102.9	2,089	75.2	894	43.7
December 31, 2021	23,095	(0.1)	1,010	(9.1)	1,192	12.5	622	3.7

Note: Comprehensive income

For the nine months ended December 31, 2022: ¥1,601 million (18.7%)

For the nine months ended December 31, 2021: ¥1,349 million (61.0%)

	Earnings per share	Diluted earnings per share
Nine months ended December 31, 2022	Yen 49.34	Yen —
December 31, 2021	34.39	—

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	%
December 31, 2022	41,730	21,887	45.4
March 31, 2022	37,410	20,562	48.3

Reference: Equity

As of December 31, 2022: ¥18,926 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	—	7.00	—		
Fiscal year ending March 31, 2023 (Forecasts)				9.00	16.00

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
Full-year	39,000	22.7	2,600	66.6	2,900	67.2	1,400	92.7	77.21

Note: Changes to most recent consolidated financial 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: None
  - 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 December 31, 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 December 31, 2022: 240,939 shares

As of March 31, 2022: 268,739 shares

c. Average number of shares

For the nine months ended December 31, 2022: 18,119,135 shares

For the nine months ended December 31, 2021: 18,092,966 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**

In the first nine months of the fiscal year ending March 31, 2023 (April 1 to December 31, 2022), the impact of the COVID-19 pandemic on global economic activities overall became smaller despite differences seen in countermeasures undertaken by each country. However, the situation surrounding the Nitta Gelatin Group remained challenging due to soaring raw materials and energy prices caused by the protraction of Russia's invasion of Ukraine.

In June 2022, the Group announced a business strategy containing the 10-year vision of "Helping to improve people's quality of life with collagen" and declared 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."

Under this business strategy, 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 the health support category, the Group worked to increase sales by rebranding and strengthening marketing of collagen health foods for general consumers. In addition, in December 2022, the Company completed construction of Mirai-can, a new research, development and manufacturing building for creating new products leading to new business domains that consolidates its research, development and manufacturing functions for biomedical products as well as research and development functions of all departments.

As a result of the above, net sales increased 26.8% year on year to ¥29,285 million driven by sales growth in each domain and foreign exchange effects on overseas sales. Operating income rose 102.9% year on year to ¥2,050 million underpinned by sales growth overseas, ordinary income increased 75.2% to ¥2,089 million, and as a result, net income attributable to owners of the parent increased 43.7% to ¥894 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 remained strong in Japan and North America, leading to an increase in net sales overall.

In Japan, sales of gummy candies by customers remained positive, leading to increased net sales. Net sales also rose thanks to increased sales of gelatin for industrial-use soups and seasonings, along with industrial-use small-portion products, following the recovery of demand in the food service industry owing to the lifting of COVID-19 restrictions. Additionally, net sales for convenience store delicatessen items increased.

Overseas, net sales increased on robust demand for food applications in North America.

As a result, overall sales in the food solutions category increased 24.4% year on year to ¥11,516 million.

## **Health Support**

In the health support category, overall net sales rose amid the increase in sales of gelatin for capsules and collagen peptide.

In Japan, net sales of collagen peptide for health and beauty applications and gelatin for capsules increased in response to rising customer demand with expectations of a recovery in in-bound tourism demand. Also, in the direct sales business, which sells collagen health foods to general consumers using direct marketing, net sales increased, with aggressive advertising also contributing.

Overseas, sales of collagen peptide were strong in North America, but sales of collagen peptide for health and beauty applications declined in Asia due to economic weakness and a dampening in consumer sentiment amid rising inflation. However, net sales of gelatin for capsules rose buoyed by rising health and prevention awareness during the COVID-19 pandemic in North America and India.

As a result, overall sales in the health support category increased 24.0% year on year to ¥13,946 million.

## **Specialties**

In the specialties category, overall net sales increased by 47.2% year on year to ¥3,822 million amid the continued increase in net sales of calcium phosphate, a by-product, owing to rising demand from feed and fertilizer applications and higher market prices.

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

### **(Assets)**

Total assets amounted to ¥41,730 million at December 31, 2022, ¥4,319 million higher than at March 31, 2022. This was mainly attributable to a decrease in cash and deposits of ¥915 million, compared to increases in notes and accounts receivable—trade of ¥1,531 million, inventories of ¥2,629 million, other current assets of ¥333 million, and property, plant and equipment of ¥629 million.

### **(Liabilities)**

Total liabilities stood at ¥19,842 million at December 31, 2022, ¥2,994 million higher than at March 31, 2022. This was mainly attributable to a decrease in other current liabilities of ¥368 million, compared to increases in notes and accounts payable—trade of ¥950 million, short-term loans payable of ¥1,077 million, and long-term loans payable of ¥1,277 million (including loans repayable within one year).

### **(Net assets)**

Total net assets amounted to ¥21,887 million at December 31, 2022, ¥1,325 million higher than at

March 31, 2022. This was mainly attributable to increases in retained earnings of ¥640 million, foreign currency translation adjustments of ¥302 million, and non-controlling interests of ¥481 million.

As a result, the equity ratio stood at 45.4% at December 31, 2022 compared with 48.3% at March 31, 2022.

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

In regard to the consolidated business forecasts for the fiscal year ending March 31, 2023, no changes have been made to the consolidated business forecasts in “Notice Regarding Differences between Forecast and Actual Consolidated Financial Results for the First Half of FY2023, Revisions to Full-Year Forecast of Consolidated Financial Results and Revisions to Dividend Forecast” released on November 14, 2022.

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 2022 (As of March 31, 2022)	3Q Fiscal 2023 (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	3,046	2,130
Notes and accounts receivable–trade	7,389	8,920
Merchandise and finished goods	5,955	6,796
Work in process	1,396	1,228
Raw materials and supplies	3,104	5,061
Other	588	922
Allowance for doubtful accounts	(16)	(8)
Total current assets	21,465	25,052
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,409	4,796
Machinery, equipment and vehicles, net	2,474	2,711
Other, net	4,532	3,537
Total property, plant and equipment	10,416	11,045
Intangible assets		
Goodwill	232	209
Other	275	249
Total intangible assets	507	459
Investments and other assets		
Investment securities	3,363	3,464
Other	1,775	1,836
Allowance for doubtful accounts	(117)	(127)
Total investments and other assets	5,021	5,173
Total noncurrent assets	15,945	16,678
Total assets	37,410	41,730



	(Millions of yen)	
	Fiscal 2022 (As of March 31, 2022)	3Q Fiscal 2023 (As of December 31, 2022)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	2,745	3,695
Short-term loans payable	2,271	3,349
Current portion of long-term loans payable	1,909	2,177
Income taxes payable	171	282
Provision for bonuses	224	174
Other	3,399	3,031
Total current liabilities	10,721	12,710
Noncurrent liabilities		
Long-term loans payable	3,573	4,583
Net defined benefit liability	1,560	1,627
Other	992	921
Total noncurrent liabilities	6,126	7,132
Total liabilities	16,848	19,842
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,965	2,964
Retained earnings	10,181	10,822
Treasury stock	(179)	(160)
Total shareholders' equity	16,112	16,770
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	1,231	1,231
Deferred gains on hedges	46	(5)
Foreign currency translation adjustments	540	842
Remeasurements of defined benefit plans	151	88
Total accumulated other comprehensive income	1,969	2,156
Non-controlling interests	2,479	2,960
Total net assets	20,562	21,887
Total liabilities and net assets	37,410	41,730

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

### Consolidated Statements of Income

(Third quarter consolidated cumulative accounting period)

	(Millions of yen)	
	Nine Months Ended December 31, 2021 (From April 1, 2021 to December 31, 2021)	Nine Months Ended December 31, 2022 (From April 1, 2022 to December 31, 2022)
Net sales	23,095	29,285
Cost of sales	18,113	22,267
Gross profit on sales	4,981	7,018
Selling, general and administrative expenses	3,970	4,967
Operating income	1,010	2,050
Non-operating income		
Interest income	2	2
Dividend income	45	59
Rental income	43	43
Foreign exchange gains	143	60
Other	40	50
Total non-operating income	274	217
Non-operating expenses		
Interest expenses	75	137
Equity in losses of affiliates	10	33
Other	6	8
Total non-operating expenses	92	178
Ordinary income	1,192	2,089
Extraordinary gains		
Gain on sales of noncurrent assets	0	0
Compensation for expropriation	—	46
Total extraordinary gains	0	46
Extraordinary losses		
Loss on sale of noncurrent assets	0	—
Loss on retirement of noncurrent assets	52	5
Expenses related to relocation	—	55
Impairment loss	—	31
Total extraordinary losses	52	92
Income before provision for income taxes	1,140	2,043
Income taxes	322	605
Net income	817	1,437
Net income attributable to non-controlling interests	195	543
Net income attributable to owners of the parent	622	894

## Consolidated Statements of Comprehensive Income

(Third quarter consolidated cumulative accounting period)

	(Millions of yen)	
	Nine Months Ended December 31, 2021 (From April 1, 2021 to December 31, 2021)	Nine Months Ended December 31, 2022 (From April 1, 2022 to December 31, 2022)
Net income	817	1,437
Other comprehensive income		
Valuation difference on other available-for-sale securities	209	0
Deferred gains on hedges	(6)	(53)
Foreign currency translation adjustments	219	164
Pension liability adjustment	33	(74)
Share of other comprehensive losses of associates accounted for using equity method	75	126
Total other comprehensive income	531	164
Total	1,349	1,601
Comprehensive income attributable to:		
Owners of the parent	1,102	1,080
Non-controlling interests	247	521

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

None

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

The Company disposed of 27,800 shares of treasury stock effective August 5, 2022 as restricted share-based remuneration based on a resolution at the Board of Directors meeting held on July 21, 2022.

As a result, treasury stock decreased by ¥18 million and capital surplus by ¥1 million in the first nine months of the year ending March 31, 2023. Capital surplus totaled ¥2,964 million and treasury stock ¥160 million at December 31, 2022.

**(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. Nine Months Ended December 31, 2021 (From April 1, 2021 to December 31, 2021)**

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

**II. Nine Months Ended December 31, 2022 (From April 1, 2022 to December 31, 2022)**

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