



August 10, 2023

Consolidated Financial Results for the Three Months Ended June 30, 2023

(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: August 10, 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 three months ended June 30, 2023

(April 1, 2023 to June 30, 2023)

(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, 2023	9,403	1.7	489	(28.1)	741	(14.4)	248	(54.5)
June 30, 2022	9,248	22.0	680	153.5	866	191.1	545	155.1

Note: Comprehensive income

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

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

	Earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	13.71	—
June 30, 2022	30.14	—

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, 2023	42,334	23,604	47.2
March 31, 2023	41,614	22,256	45.9

Reference: Equity

As of June 30, 2023: ¥19,966 million

As of March 31, 2023 ¥19,097 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, 2023	—	7.00	—	9.00	16.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecasts)		8.00	—	8.00	16.00

Note: Changes to most recent dividend forecasts: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2024 (April 1, 2023 to March 31, 2024)

(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, 2023	20,000	4.3	1,000	(26.5)	1,000	(38.5)	600	(34.2)	33.09
Fiscal year ending March 31, 2024	40,000	2.1	2,100	(7.1)	2,100	(6.6)	1,200	(23.0)	66.18

Note: Changes to most recent dividend 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
 - 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, 2023: 18,373,974 shares

As of March 31, 2023 18,373,974 shares

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

As of June 30, 2023: 240,939 shares

As of March 31, 2023 240,939 shares

c. Average number of shares

For the three months ended June 30, 2023: 18,133,035 shares

For the three months ended June 30, 2022: 18,105,235 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, 2023, Japan's economy showed signs of a gradual recovery, as the status of COVID-19 under the Infectious Disease Prevention Act was downgraded to category 5, and mobility increased in Japan and abroad. On the other hand, the global economy is expected to remain sluggish due mainly to the protracted situation in Ukraine and rising consumer prices in conjunction with soaring energy and raw material prices. As such, the environment surrounding the Group remains challenging.

Within its business strategy, the Group has set forth a long-term vision of "Helping to improve people's quality of life with collagen" and declared as a specific measure 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 expand sales in the Food Solutions, Health Support, and Specialties domains, and continued to take steps to revise product prices as appropriate in response to rising raw material prices. The Group also worked to improve cash flow by maintaining and stabilizing production at overseas plants and other facilities and by optimizing inventories.

In addition, following the revision of the rules of the Tokyo Stock Exchange, the Group had the opportunity to re-select the Standard Market for listing, and applied to move to the Standard Market in June 2023.

As a result of the above, net sales increased 1.7% year on year to ¥9,403 million. Operating income decreased 28.1% year on year to ¥489 million due to rising raw material prices, ordinary income decreased 14.4% to ¥741 million, and as a result, net income attributable to owners of the parent decreased 54.5% to ¥248 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, demand remained firm in Japan and North America, and product prices were revised as appropriate, leading to an increase in net sales overall.

In Japan, demand for gummy candies remained positive, and product prices were revised as appropriate, leading to increased net sales. Furthermore, demand in the food service industry recovered, leading to increased sales of small-portion products for professional-use. Additionally, net sales for convenience store delicatessen items and chilled desserts increased.

Overseas, sales were strong for use in gummy candies in North America.

As a result, overall net sales in the food solutions category increased 14.0% year on year to ¥3,953 million.

Health Support

In the health support category, overall net sales rose amid firm demand for gelatin for capsules and collagen peptide and appropriate product price revisions.

In Japan, net sales of collagen peptide for beauty applications increased amid expectations of a recovery in inbound demand. Also, in the direct sales business, which sells collagen health foods to general consumers using direct marketing, net sales increased, with aggressive advertising via mass media also contributing.

Overseas, the North American and Asian markets were weak due to inflation, so sales of collagen peptide for beauty applications declined.

However, net sales of gelatin for capsules used in supplements and pharmaceuticals remained firm in India.

As a result, overall net sales in the health support category decreased 4.1% year on year to ¥4,333 million.

Specialties

In the specialties category, net sales decreased by 11.7% year on year to ¥1,116 million amid decreased sales of calcium phosphate for feed and fertilizer applications despite an increase in net sales of gelatin for photography applications.

(2) Description of Financial Position

(Assets)

Total assets amounted to ¥42,334 million on June 30, 2023, ¥719 million higher than on March 31, 2023. This was mainly attributable to increases in inventories of ¥1,130 million and property, plant and equipment of ¥257 million despite a decrease in cash and deposits of ¥671 million.

(Liabilities)

Total liabilities stood at ¥18,729 million on June 30, 2023, ¥628 million lower than on March 31, 2023. This was mainly attributable to a decrease in other current liabilities of ¥979 million and a decrease in long-term loans payable of ¥426 million despite increases in notes and accounts payable-trade of ¥475 million, and short-term loans payable of ¥270 million.

(Net assets)

Net assets amounted to ¥23,604 million on June 30, 2023, ¥1,347 million higher than on March 31, 2023. This was mainly attributable to increases in foreign currency translation adjustments of ¥545 million, non-controlling interests of ¥478 million, deferred gains on hedges of ¥194 million, and retained earnings of ¥85 million.

As a result, the equity ratio stood at 47.2% on June 30, 2023 compared to 45.9% on March 31, 2023.

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

The forecast of consolidated financial results for the fiscal year ending March 31, 2024 remains unchanged from that announced on May 12, 2023 in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023.”

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 2023 (As of March 31, 2023)	1Q Fiscal 2024 (As of June 30, 2023)
Assets		
Current assets		
Cash and deposits	2,856	2,185
Notes and accounts receivable–trade	8,741	8,707
Merchandise and finished goods	6,910	8,241
Work in process	1,487	1,367
Raw materials and supplies	4,584	4,503
Other	801	793
Allowance for doubtful accounts	(6)	(6)
Total current assets	25,376	25,792
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,812	4,908
Machinery, equipment and vehicles, net	2,740	2,861
Other, net	3,566	3,606
Total property, plant and equipment	11,119	11,377
Intangible assets		
Goodwill	196	197
Other	308	318
Total intangible assets	504	515
Investments and other assets		
Investment securities	2,730	2,828
Other	2,011	1,958
Allowance for doubtful accounts	(127)	(138)
Total investments and other assets	4,614	4,649
Total noncurrent assets	16,238	16,541
Total assets	41,614	42,334

(Millions of yen)

	Fiscal 2023 (As of March 31, 2023)	1Q Fiscal 2024 (As of June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	2,818	3,294
Short-term loans payable	3,905	4,175
Current portion of long-term loans payable	2,084	1,973
Income taxes payable	241	236
Provision for bonuses	256	385
Other	3,404	2,425
Total current liabilities	12,711	12,490
Noncurrent liabilities		
Long-term loans payable	4,118	3,691
Net defined benefit liability	1,586	1,632
Other	942	915
Total noncurrent liabilities	6,646	6,238
Total liabilities	19,358	18,729
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,964	2,964
Retained earnings	11,486	11,571
Treasury stock	(160)	(160)
Total shareholders' equity	17,434	17,519
Accumulated other comprehensive income		
Valuation difference on other available-for-sale	842	889
Deferred gains on hedges	(3)	191
Foreign currency translation adjustments	841	1,386
Remeasurements of defined benefit plans	(17)	(21)
Total accumulated other comprehensive income	1,662	2,446
Non-controlling interests	3,159	3,638
Total net assets	22,256	23,604
Total liabilities and net assets	41,614	42,334

(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, 2022 (From April 1, 2022 to June 30, 2022)	Three Months Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net sales	9,248	9,403
Cost of sales	6,979	7,325
Gross profit on sales	2,268	2,077
Selling, general and administrative expenses	1,587	1,587
Operating income	680	489
Non-operating income		
Interest income	0	7
Dividend income	29	23
Rental income	14	14
Foreign exchange gains	182	225
Equity in earnings of affiliates	—	2
Other	13	25
Total non-operating income	240	299
Non-operating expenses		
Interest expenses	34	44
Equity in losses of affiliates	16	—
Other	3	2
Total non-operating expenses	54	47
Ordinary income	866	741
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	4	0
Total extraordinary losses	4	0
Income before provision for income taxes	862	741
Income taxes payable	187	261
Net income	675	479
Net income attributable to non-controlling interests	130	231
Net income attributable to owners of the parent	545	248

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

	(Millions of yen)	
	Three Months Ended June 30, 2022 (From April 1, 2022 to June 30, 2022)	Three Months Ended June 30, 2023 (From April 1, 2023 to June 30, 2023)
Net income	675	479
Other comprehensive income		
Valuation difference on other available-for-sale securities	7	47
Deferred gains on hedges	16	202
Foreign currency translation adjustments	706	763
Pension liability adjustment	(65)	(5)
Share of other comprehensive losses of associates	64	22
Total other comprehensive income	730	1,031
Total comprehensive income	1,406	1,511
Comprehensive income attributable to:		
Owners of the parent	1,133	1,032
Non-controlling interests	273	478

(3) Notes to Quarterly Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Note Concerning Significant Changes in Shareholders' Equity)

None

(Segment Information)

a. 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.

b. 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.

(Subsequent Events)

The Company disposed of treasury stock as follows based on a resolution at the Board of Directors meeting held on July 20, 2023 regarding the disposal of treasury stock as restricted share based remuneration.

1. Summary of disposal

(1) Disposal date	August 4, 2023
(2) Class and number of shares for disposal	The Company's common stock; 31,200 shares
(3) Disposal price	¥738 per share
(4) Total disposal amount	¥23,025,600
(5) Eligible persons for the allotment of shares, number of eligible persons, and number of shares to be allocated	Directors (excluding outside directors): 4 persons; 17,200 shares Executive Officers: 7 persons; 14,000 shares
(6) Other	The Company has submitted a securities notification regarding this disposal of treasury stock pursuant to the Financial

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 84th Ordinary General Meeting of Shareholders to the 85th Ordinary General Meeting of Shareholders that is scheduled to be held in June 2024, at the meeting of the Board of Directors held on July 20, 2023, a resolution was passed to pay monetary remuneration claims of ¥23,025,600 to the Eligible Directors, etc., and allot 31,200 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.