Discontinuation of Production at a Consolidated Subsidiary and Revisions to the Full-Year Forecast of Financial Results for the Fiscal Year Ending March 31, 2024

February 13, 2024





1. About the Discontinuation of Production at a Consolidated Subsidiary



Causes of discontinuation of production at Nitta Gelatin USA, Inc. (NGU)

External factors	 Surging energy and personnel costs, etc. Sudden increase in manufacturing costs caused by economic growth in USA and COVID-19
	 Rapid worsening in market conditions in North America In addition to a decline in demand caused by inflation, gelatin prices fell due to the influx of cheap bovine hide gelatin from South America.
Internal factors	 Deteriorating productivity In addition to aging equipment, the high turnover rate has stood in the way of local staff becoming proficient, resulting in intermittent equipment malfunctions.

As it will be difficult for NGU to secure stable earnings in the future, Nitta Gelatin has determined that streamlining its North American business and concentrating resources on areas of future growth will contribute to increasing the corporate value of the Group as a whole.

Future supply and sales systems

- In the North American market, sales of porcine gelatin produced at NGU will be discontinued as soon as the contract ends, but bovine bone gelatin, etc. will continue to be sold.
- In the Japan and Asian markets, sales will continue as before, although some production bases will change.

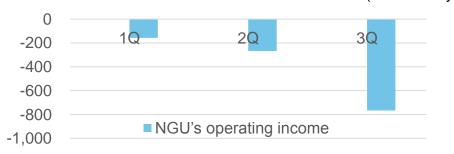
2. NGU's Financial Results and Impacts on Nitta Gelatin's Consolidated Financial Results



NGU's financial results	(Millions of yen)				
	1Q 2Q		3Q	3Q cumulative	
Operating income	(157)	(268)	(766)	(1,191)	
Ordinary income	(176)	(290)	(812)	(1,279)	
Extraordinary loss	-	-	1,762	1,762	
Net loss	(176)	(290)	(2,655)	(3,122)	

Quarterly trend in operating income

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(Millions of yen)
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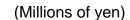


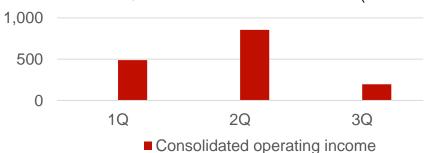
- Despite efforts to improve productivity by dispatching technical staff from Japan, operating losses increased with each quarter.
- As the rise in raw material prices peaked in the third quarter, the extent of these losses widened sharply. Determined that production must be discontinued to improve financial results from the next fiscal year onwards.

(Millions of yen)						
	1Q	2Q	3Q	3Q cumulative		
Operating income	489	854	197	1,541		
Ordinary income	741	997	(27)	1,712		
Extraordinary loss	0	26	1,762	1,789		
Net income attributable to owners of the parent	248	442	(2,300)	(1,610)		

Nitta Calatin's consolidated financial results (quarterly)

Quarterly trend in operating income





- Consolidated operating income worsened due to the impact of the rapid increase in NGU's operating loss in the third quarter.
- Recorded an extraordinary loss (impairment loss on noncurrent assets) associated with the decision to discontinue production at NGU totaling approximately ¥1.7 billion in the third quarter.

Supplemental material on revisions to the Full-Year Forecast of Financial Results for FY2024 (February 13, 2024)



(Millions of ven)

Revised full-year forecast of consolidated financial results for FY2024

		FY2024	FY2023		
	Previous forecast (May 2023)	Current forecast (February 2024)	Change	Results	Difference
Net sales	40,000	40,000	_	39,186	813
Operating income	2,100	1,700	(400)	2,259	(559)
Ordinary income	2,100	1,700	(400)	2,248	(548)
Net income attributable to owners of the parent	1,200	(2,400)	(3,600)	1,558	(3,958)
Cash dividends per share (yen)*	16.0	16.0	_	16.0	_

* Includes the ¥8 interim dividend already paid.

- > Net sales: Expected to maintain pace through the third quarter and achieve initial forecast
- Operating income and ordinary income: Deterioration in NGU's productivity will affect the operating income of the entire Group (full-year impact is expected to be approximately -¥1.7 billion)
- Net income attributable to owners of the parent: Plan to record an extraordinary loss associated with the decision to discontinue production at NGU

(3Q: Impairment loss on noncurrent assets; 4Q: Loss on liquidation of business, including special retirement expenses and costs for the removal of production facilities)

> Annual dividend forecast: Unchanged from the previous forecast (year-end dividend forecast ¥8; full-year dividend forecast ¥16)

Supplemental material on revisions to the Full-Year Forecast of Financial Results for FY2024 (February 13, 2024)



Note:

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

The Company does not guarantee the accuracy of this information. Due to various factors such as the market environment, future results may vary from those in this document. Thank you for your understanding.