



February 13, 2024

Consolidated Financial Results for Nine Months Ended December 31, 2023

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**
 Listing: Standard Market of Tokyo Stock Exchange
 Stock code: 4977
 URL: <http://www.nitta-gelatin.co.jp>
 Representative: Koichi Ogata, Representative Director and President
 Contact Person: Norifumi Nagaoka, Director and Executive Officer;
 General Manager of General Management Division
 Tel: +81-72-949-5381

Scheduled date to file Quarterly Securities Report: February 13, 2024

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 nine months ended December 31, 2023

(April 1, 2023 to December 31, 2023)

(1) Consolidated operating results

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	30,057	2.6	1,541	(24.8)	1,712	(18.0)	(1,610)	—
December 31, 2022	29,285	26.8	2,050	102.9	2,089	75.2	894	43.7

Note: Comprehensive income (loss)

Nine months ended, December 31, 2023: ¥(137) million (—%)

Nine months ended, December 31, 2022: ¥1,601 million (18.7%)

	Earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	(88.72)	—
December 31, 2022	49.34	—

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, 2023	40,130	21,754	44.6
March 31, 2023	41,614	22,256	45.9

Reference: Equity

As of December 31, 2023: ¥17,890 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	—	8.00	—		
Fiscal year ending March 31, 2024 (Forecasts)				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
Full-year	40,000	2.1	1,700	(24.8)	1,700	(24.4)	(2,400)	—	(132.23)

Note: Changes to most recent dividend forecasts: Yes

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 December 31, 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 December 31, 2023: 213,988 shares

As of March 31, 2023: 240,939 shares

c. Average number of shares

For the nine months ended December 31, 2023: 18,147,366 shares

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

Contents

1. Qualitative Information Concerning Quarterly Financial Statements	2
(1) Description of Business Results	2
(2) Description of Financial Position	3
(3) Description of Consolidated Business Forecasts and Other Forward-looking Information	4
2. Basic Approach to Selection of Accounting Standard	4
3. Quarterly Consolidated Financial Statements and Key Notes	5
(1) Consolidated Balance Sheets	5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Income	
(Third quarter consolidated cumulative accounting period)	7
Consolidated Statements of Comprehensive Income	
(Third quarter consolidated cumulative accounting period)	8
(3) Notes to Quarterly Consolidated Financial Statements	9
(Note Concerning Going Concern Assumption)	9
(Note Concerning Significant Changes in Shareholders' Equity)	9
(Segment Information)	9
(Subsequent Events)	9

1. Qualitative Information Concerning Quarterly Financial Statements

(1) Description of Business Results

In the nine months ended December 31, 2023, Japan's economy experienced a moderate recovery owing to increased economic activity due to an uptick in personal consumption and growth in inbound tourism demand following the downgrading of COVID-19 under the Infectious Diseases Act. On the other hand, the environment surrounding the Group remains uncertain due to rising prices caused by surging energy and raw materials prices, the slowdown in the global economy caused by inflation, and the impacts of exchange rate volatility.

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. Additionally, after Nitta Gelatin extensively deliberated and carefully considered measures concerning its commitment to the North American market and the restructuring of operations there, a decision was made to discontinue production at Nitta Gelatin USA, Inc. based on the assessment that streamlining North American operations and focusing resources on future growth areas would contribute to the overall enhancement of the Group's corporate value.

As a result of the above, net sales increased 2.6% year on year to ¥30,057 million. Operating income decreased 24.8% to ¥1,541 million mainly due to deterioration in productivity at Nitta Gelatin USA, while ordinary income decreased 18.0% to ¥1,712 million. In addition, primarily due to the recording of an impairment loss of ¥1,762 million resulting from the decision to discontinue production at Nitta Gelatin USA, net loss attributable to owners of the parent was ¥1,610 million, compared to net income attributable to owners of parent of ¥894 million in the same period of the previous fiscal year.

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 in Japan remained robust, and product prices were revised as appropriate, leading to an increase in net sales overall.

In Japan, net sales increased thanks to continued strong demand for gummy candies. The other factor behind this was the recovery in demand from the food service industry that resulted in higher sales of small-portion products for professional use as well as strong sales for professional-use soups and seasonings, along with convenience store delicatessen items.

Overseas, net sales declined due to lower sales for food applications resulting from inflation and tougher price competition, despite firm demand for gummy candies in North America.

As a result, overall sales in the food solutions category increased 2.5% year on year to ¥11,807 million.

Health Support

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

In Japan, net sales of collagen peptide for beauty applications were down year on year due to sluggish sales of collagen products by customers, but net sales of gelatin for capsules increased.

Overseas, sales of gelatin for capsules were strong in North America, but demand for collagen peptides was weak owing to inflation, resulting in decreased net sales. Asian markets were weak due to inflation and tougher price competition, so sales of collagen peptide for health and beauty applications declined. However, sales of gelatin for capsules remained steady in India, resulting in an increase in net sales.

As a result, overall sales in the health support category increased 7.0% year on year to ¥14,919 million.

Specialties

In the specialties category, net sales decreased by 12.9% year on year to ¥3,331 million amid decreased sales of calcium phosphate for feed and fertilizer applications resulting from lower market prices, despite a continuation of strong sales of gelatin for photography applications.

(2) Description of Financial Position

(Assets)

Total assets amounted to ¥40,130 million at December 31, 2023, ¥1,484 million lower than at March 31, 2023. This was mainly attributable decreases in other current assets and property, plant and equipment of ¥213 million and ¥1,890 million, respectively, compared to an increase in inventories of ¥712 million.

(Liabilities)

Total liabilities stood at ¥18,375 million on December 31, 2023, ¥982 million lower than on March 31, 2023. This was mainly attributable to decreases in short-term loans payable of ¥426 million and other current liabilities of ¥1,077 million, compared to increases in long-term loans payable of ¥600 million (including loans repayable within one year).

(Net assets)

Net assets amounted to ¥21,754 million on December 31, 2023, ¥502 million lower than on March 31, 2023. This was mainly attributable to a decrease of ¥1,918 million in retained earnings, compared to increases of ¥155 million in valuation difference on other available-for-sale securities, ¥49 million in deferred gains on hedges, ¥478 million in foreign currency translation adjustment, and ¥704 million in

non-controlling interests.

As a result, the equity ratio stood at 44.6% at December 31, 2023 compared with 45.9% at March 31, 2023.

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

For consolidated business forecasts and dividend forecasts for the fiscal year ending March 31, 2024, please refer to the “Notice Regarding Impairment Loss (Consolidated), Loss on Valuation of Shares of Subsidiaries and Associates (Non-consolidated), and Revision of the Full-Year Business Forecasts” released today.

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 2023 (As of March 31, 2023)	3Q Fiscal 2024 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	2,856	2,897
Notes and accounts receivable–trade	8,741	8,612
Merchandise and finished goods	6,910	7,678
Work in process	1,487	1,840
Raw materials and supplies	4,584	4,176
Other	801	587
Allowance for doubtful accounts	(6)	(6)
Total current assets	25,376	25,785
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,812	3,821
Machinery, equipment and vehicles, net	2,740	1,942
Other, net	3,566	3,464
Total property, plant and equipment	11,119	9,228
Intangible assets		
Goodwill	196	162
Other	308	288
Total intangible assets	504	451
Investments and other assets		
Investment securities	2,730	3,028
Other	2,011	1,770
Allowance for doubtful accounts	(127)	(135)
Total investments and other assets	4,614	4,664
Total noncurrent assets	16,238	14,344
Total assets	41,614	40,130

	(Millions of yen)	
	Fiscal 2023 (As of March 31, 2023)	3Q Fiscal 2024 (As of December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	2,818	3,058
Short-term loans payable	3,905	3,478
Current portion of long-term loans payable	2,084	2,238
Income taxes payable	241	144
Provision for bonuses	256	138
Other	3,404	2,327
Total current liabilities	12,711	11,385
Noncurrent liabilities		
Long-term loans payable	4,118	4,564
Net defined benefit liability	1,586	1,590
Other	942	835
Total noncurrent liabilities	6,646	6,989
Total liabilities	19,358	18,375
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,964	2,966
Retained earnings	11,486	9,567
Treasury stock	(160)	(143)
Total shareholders' equity	17,434	15,535
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	842	998
Deferred gains on hedges	(3)	45
Foreign currency translation adjustments	841	1,320
Remeasurements of defined benefit plans	(17)	(9)
Total accumulated other comprehensive income	1,662	2,354
Non-controlling interests	3,159	3,864
Total net assets	22,256	21,754
Total liabilities and net assets	41,614	40,130

(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, 2022 (From April 1, 2022 to December 31, 2022)	Nine Months Ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net sales	29,285	30,057
Cost of sales	22,267	23,750
Gross profit on sales	7,018	6,306
Selling, general and administrative expenses	4,967	4,765
Operating income	2,050	1,541
Non-operating income		
Interest income	2	28
Dividend income	59	48
Rental income	43	45
Foreign exchange gains	60	160
Other	50	52
Total non-operating income	217	335
Non-operating expenses		
Interest expenses	137	116
Equity in losses of affiliates	33	26
Other	8	21
Total non-operating expenses	178	164
Ordinary income	2,089	1,712
Extraordinary gains		
Gain on sales of noncurrent assets	0	0
Gain on donation of noncurrent assets	—	2
Compensation for expropriation	46	—
Total extraordinary gains	46	2
Extraordinary losses		
Loss on sale of noncurrent assets	—	0
Loss on retirement of noncurrent assets	5	23
Loss on tax purpose reduction entry of non-current assets	—	2
Expenses related to relocation	55	—
Impairment loss	31	1,762
Total extraordinary losses	92	1,789
Income (loss) before provision for income taxes	2,043	(74)
Income taxes payable	605	881
Net income (loss)	1,437	(956)
Net income attributable to non-controlling interests	543	653
Net income (loss) attributable to owners of the parent	894	(1,610)

Consolidated Statements of Comprehensive Income

(Third quarter consolidated cumulative accounting period)

	(Millions of yen)	
	Nine Months Ended December 31, 2022 (From April 1, 2022 to December 31, 2022)	Nine Months Ended December 31, 2023 (From April 1, 2023 to December 31, 2023)
Net income (loss)	1,437	(956)
Other comprehensive income		
Valuation difference on other available-for-sale securities	0	156
Deferred gains on hedges	(53)	50
Foreign currency translation adjustments	164	517
Pension liability adjustment	(74)	8
Share of other comprehensive losses of associates accounted for using equity method	126	86
Total other comprehensive income	164	818
Total comprehensive income (loss)	1,601	(137)
Comprehensive income (loss) attributable to:		
Owners of the parent	1,080	(917)
Non-controlling interests	521	780

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

None

(Note Concerning Significant Changes in Shareholders' Equity)

The Company disposed of 31,200 shares of treasury stock effective August 4, 2023 as restricted share-based remuneration based on a resolution at the Board of Directors meeting held on July 20, 2023. In addition, in the nine months ended December 31, 2023, the Company acquired 4,200 restricted shares. As a result of this, capital surplus increased by ¥2 million and treasury stock decreased by ¥17 million in the third quarter under review. Capital surplus totaled ¥2,966 million and treasury stock ¥143 million at December 31, 2023.

(Segment Information)

I 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.

II Nine Months Ended December 31, 2023 (From April 1, 2023 to December 31, 2023)

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

(Subsequent Events)

At a Board of Directors' meeting held on January 25, 2024, the Company decided to discontinue production activities at its consolidated subsidiary, Nitta Gelatin USA, Inc., and to close the plant.

1. Background to discontinuing production

Nitta Gelatin USA, Inc. was established in December 2004 in North Carolina, the United States, to meet demand in the North American and Japanese markets, and has since been engaged in the manufacture and sale of such products as gelatin and collagen peptides derived from porcine skin.

Despite past efforts to improve production structure and operational efficiency, the environment has proven challenging, marked by declining productivity and the recent surge in energy costs and labor expenses in the United States. Furthermore, the highly competitive market environment is expected to exert downward pressure on product selling prices going forward.

Against this backdrop, Nitta Gelatin extensively deliberated and carefully considered measures concerning its commitment to the North American market and the restructuring of operations there. Based on the assessment that streamlining North American operations and focusing resources on future growth areas would contribute to the overall enhancement of the Group's corporate value, a decision was made to discontinue production at Nitta Gelatin USA, Inc.

Note that Nitta Gelatin Canada, Inc. will continue to produce porcine gelatin. In addition, the sales

structure in North America remains unchanged.

2. Date of discontinuation

January 31, 2024

3. Overview of Nitta Gelatin USA, Inc.

(1)	Company name	Nitta Gelatin USA, Inc.
(2)	Address	4341 Production Dr, Fayetteville, NC 28306, USA
(3)	Representative	Keiji Suzuki, President and CEO
(4)	Business	Production of porcine gelatin and porcine and bovine collagen peptides
(5)	Capital stock	\$0 thousand
(6)	Established	December 2004
(7)	Major shareholder and shareholding ratio	Nitta Gelatin Holding, Inc. (wholly owned subsidiary of the Company) 100%

4. Impacts on performance

In the nine months ended December 31, 2023, an impairment loss of US\$12,347 thousand (¥1,762 million) was recorded as an extraordinary loss.

In addition, as a result of the decision by the Board of Directors at the meeting held on January 25, 2024 to cease production, the Company intends to record a loss on liquidation of business, including special retirement expenses and costs for the removal of production facilities, in the current fiscal year. The amount of the impact is currently being investigated.