

Consolidated Financial Results for the Fiscal Year Ended March 31, 2020

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**
 Listing: First Section of Tokyo Stock Exchange
 Stock code: 4977
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 Representative: Koichi Ogata, Representative Director and President
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Scheduled date of General Shareholders' Meeting: June 25, 2020

Scheduled date to file Securities Report: July 31, 2020

Scheduled date to commence dividend payments: June 26, 2020

Supplementary explanatory materials prepared: Yes

Explanatory meeting: No

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

1. Consolidated financial results for the fiscal year ended March 31, 2020

(from April 1, 2019 to March 31, 2020)

(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	%
Fiscal year ended March 31, 2020	34,543	(5.3)	1,690	88.2	1,798	117.1	(694)	—
March 31, 2019	36,464	(3.5)	898	(17.9)	828	(15.4)	989	—

Note: Comprehensive income

For the year ended March 31, 2020: ¥60 million (87.7%)

For the year ended March 31, 2019: ¥495 million (-%)

	Net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income / Total assets	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2020	(37.79)	—	(4.4)	5.0	4.9
March 31, 2019	53.85	—	6.3	2.2	2.5

Reference : Equity in earnings of affiliates

For the year ended March 31, 2020: ¥155 million

For the year ended March 31, 2019: ¥(132 million)

Notes: Diluted net income 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	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2020	33,551	17,461	46.7	852.71
March 31, 2019	37,715	17,708	42.0	862.29

Reference: Equity

As of March 31, 2020: ¥15,667 million

As of March 31, 2019: ¥15,843 million

(3) Consolidated cash flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2020	1,969	(889)	(1,739)	1,381
March 31, 2019	2,232	(708)	(1,009)	2,051

2. Cash dividends

	Cash dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2019	—	6.00	—	10.00	16.00	293	29.7	1.9
Fiscal year ended March 31, 2020	—	6.00	—	6.00	12.00	220	(31.8)	1.4
Fiscal year ending March 31, 2021 (Forecasts)	—	6.00	—	6.00	12.00		27.1	

Note: Breakdown of fiscal year-end dividend for the fiscal year ended March 31, 2019: ¥6.00 in ordinary dividend and ¥4.00 in commemorative dividend per share

3. Consolidated financial forecasts for the fiscal year ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2020	15,500	(16.8)	600	(29.1)	600	(38.8)	500	(23.6)	27.66
Fiscal year ending March 31, 2021	31,500	(8.8)	1,300	(23.1)	1,200	(33.3)	800	—	44.26

Notes:

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): Yes

New: None

Excluded: Two companies; Company name: Nitta Casings Inc. and

Package Hongkong Limited

- (2) 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: Yes
 - Changes in accounting policies due to reasons other than a. above: No
 - Changes in accounting estimates: No
 - Restatement of revisions: No

Note: For details, please refer to “(6) Notes to Consolidated Financial Statements (Changes in Accounting Policies) in “3. Consolidated Financial Statements and Key Notes” on page 15 of the Attachment to this report.

- (3) Number of common shares issued
- Total number of issued shares at the end of the period (including treasury stock)

As of March 31, 2020	18,373,974 shares
As of March 31, 2019	18,373,974 shares
 - Number of shares of treasury stock at the end of the period

As of March 31, 2020	167 shares
As of March 31, 2019	163 shares
 - Average number of shares

For the year ended March 31, 2020	18,373,810 shares
For the year ended March 31, 2019	18,373,812 shares

(Reference) Summary of non-consolidated operating results

1. Non-consolidated financial results for the fiscal year ended March 31, 2020 (from April 1, 2019 to March 31, 2020)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2020	22,240	(0.3)	851	169.1	1,168	17.1	62	(93.8)
March 31, 2019	22,311	(3.9)	316	(63.4)	997	(4.0)	1,005	-

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
March 31, 2020	3.41	—
March 31, 2019	54.72	—

Note: Diluted net income per share is not disclosed due to the absence of latent shares with dilution effect.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2020	24,847	13,098	52.7	712.87
March 31, 2019	26,597	13,682	51.4	744.65

Reference: Equity

As of March 31, 2020: ¥13,098 million

As of March 31, 2019: ¥13,682 million

* This financial report is not subject to audits by Certified Public Accountants or the independent auditor.

* Proper use of earnings forecasts, and other special matters

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 “(4) Outlook” under “1. Overview of Business Results” on page 5 of the Attachment to this report.

(How to obtain supplementary financial results explanatory materials)

Supplementary financial results explanatory materials are scheduled to be made available on the Company’s website on July 10, 2020.

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1. Overview of Business Results

(1) Operating Results for the fiscal year ended March 31, 2020

In the fiscal year ended March 31, 2020, the global economy had been recovering at a moderate pace, but business conditions started to deteriorate rapidly from the beginning of 2020 due to the global spread of coronavirus disease 2019 (COVID-19). The Japanese economy also saw stagnant social and economic activity due to measures undertaken to prevent the widening COVID-19 outbreak, in addition to deterioration in the global economy. Consequently, the outlook has become very challenging.

In this environment, the Nitta Gelatin Group will implement the following management policies under the Medium-Term Management Plan running through the fiscal year ending March 31, 2021:

1. Our three core areas will be food solutions, health support, and biomedical.
2. We will globally optimize our production system in Japan, Asia, and North America in response to an era of completely free trade.
3. We will promote selection and concentration and create high-value-added products and services to recreate the Company as a higher-profit enterprise.

Guided by these management policies, the Group actively worked on research and development of high-value-added products, growth in sales of new products and development of new markets in its three core areas. As part of these efforts, the Group focused on sponsoring and distributing products at various running events for the purpose of promoting its new products for the sports nutrition market. It also focused on implementing programs to raise awareness of collagen peptide's functionality through such means as holding symposiums. The Group strove to enhance productivity and reduce costs at each of its manufacturing sites.

Moreover, based on a policy of selection and concentration, the Group excluded Nitta Casings Inc., a former specified subsidiary of the Company, and Nitta Casings (CANADA) Inc., from the scope of consolidation in connection with the transfer of all shares of these two companies in December 2019.

As a result, in the fiscal year ended March 31, 2020, net sales decreased 5.3% year on year to ¥34,543 million. However, operating income rose 88.2% to ¥1,690 million mainly due to price revisions, improved productivity and cost reductions. Ordinary income increased 117.1% to ¥1,798 million, mainly due to the recording of increases in items such as equity in earnings of affiliates. Meanwhile, the Group recorded a net loss attributable to owners of the parent of ¥694 million (compared with net income attributable to owners of the parent of ¥989 million in the previous fiscal year). The net loss reflected the recording of items such as a loss on sales of stocks of subsidiaries and associates of ¥2,788 million in connection with the transfer of shares.

The Nitta Gelatin Group's collagen business has become the Company's only reporting segment, but an overview of the performance of each sales category is as follows:

(Food solutions)

In Japan, sales for use in confectionery rose as the market for gummy candy remained firm, mainly because of the launch of new products by customers. Sales for use in delicatessen items for convenience stores increased owing to efforts to expand sales, in addition to firm demand for ready-made meals against the backdrop of an increase in single-person households. In products for the HORECA market, sales increased as the launch of new products and efforts to expand sales led to solid results.

Overseas, sales to the markets for gummy candy, jelly confectionery and other applications rose in the North America region. Meanwhile, sales of collagen casings decreased due to exclusion from the scope of consolidation.

As a result, overall sales in the food solutions category decreased 12.6% year on year to ¥14,394 million.

(Health support)

In Japan, sales of collagen peptide products for beauty supplement applications increased, as a result of firm demand from main customers, as well as the implementation of price revisions. Meanwhile, sales of capsules declined, mainly due to the impact of a decrease in demand from inbound tourists visiting Japan from abroad.

Overseas, the North America region saw increased sales, due in part to firm demand for capsules for health foods, in addition to higher sales driven by growth in the collagen peptide markets for health and beauty applications. In the Asian region, net sales increased owing to proactive efforts to expand sales in the collagen peptide market, solid demand for capsules for pharmaceutical and health food applications in India, and firm demand for collagen peptide for health food applications.

As a result, overall sales in the health support category increased 6.4% year on year to ¥14,270 million.

(Specialties)

In adhesives, overall sales decreased 10.8% year on year to ¥5,879 million, influenced by a sales price change in adhesives and declining sales in adhesives for hygiene products.

(2) Financial Position

Changes in assets, liabilities, and net assets at March 31, 2020 mainly include the impact of the exclusion of Nitta Casings Inc. and Nitta Casings (CANADA) Inc. from the scope of consolidation.

(Assets)

Total assets amounted to ¥33,551 million at March 31, 2020, ¥4,164 million lower than at March 31, 2019. This was mainly attributable to decreases in cash and deposits of ¥677 million, notes and accounts receivable-trade of ¥911 million, buildings and structures, net of ¥434 million, machinery, equipment and vehicles, net of ¥1,869 million, and investment securities of ¥376 million.

(Liabilities)

Total liabilities stood at ¥16,090 million at March 31, 2020, ¥3,916 million lower than at March 31, 2019. This was mainly attributable to decreases in notes and accounts payable-trade of ¥1,177 million, short-term loans payable of ¥812 million, long-term loans payable of ¥775 million, and net defined benefit liability of ¥1,084 million.

(Net assets)

Net assets amounted to ¥17,461 million at March 31, 2020, ¥247 million lower than at March 31, 2019. This was mainly due to decreases in retained earnings of ¥988 million, valuation difference on other available-for-sale securities of ¥354 million, and foreign currency translation adjustments of ¥521 million, which was partly offset by an increase in remeasurements of defined benefit plans of ¥1,726 million.

As a result, the equity ratio stood at 46.7% at March 31, 2020 compared with 42.0% at March 31, 2019.

(3) Cash Flows

Cash and cash equivalents (“cash”) as of March 31, 2020 was ¥1,381 million, down ¥670 million from March 31, 2019.

Cash flows for each activity and reasons are as follows.

(Net cash provided by operating activities)

Operating activities provided net cash of ¥1,969 million. The main components were loss before provision of income taxes of ¥943 million, depreciation and amortization of ¥1,448 million, increase in inventories of ¥627 million, decrease in notes and accounts payable-trade of ¥633 million and loss on sales of shares of subsidiaries and associates of ¥2,782 million.

(Net cash used in investing activities)

Investing activities used net cash of ¥889 million. This was mainly attributable to ¥900 million in purchase of property, plant and equipment.

(Net cash used in financing activities)

Financing activities used net cash of ¥1,739 million. The main uses of cash were net decrease in short-term loans payable of ¥667 million, repayment of long-term loans payable of ¥1,990 million, and cash dividends paid of ¥293 million, which were partially offset by proceeds from long-term loans payable of ¥1,200 million.

(Reference)

Trends in cash flow indicators are as shown below:

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020
Equity ratio (%)	39.8	38.9	40.7	42.0	46.7
Market value equity ratio (%)	35.9	34.3	39.3	33.4	32.4
Interest-bearing debt to cash flow ratio (Years)	4.4	5.9	7.2	4.3	4.1
Interest coverage ratio (Times)	7.6	8.1	6.0	9.2	10.4

Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / paid interest

- Notes:
1. All indicators are calculated using consolidated financial figures.
 2. Market capitalization is calculated based on the number of issued shares, excluding treasury stock, as of the end of the fiscal year.
 3. The figure used for cash flow is “net cash provided by operating activities” on the consolidated statements of cash flows.
 4. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets on which interest was paid. Furthermore, regarding the paid interest, we use “interest expenses paid” recorded on the consolidated statements of cash flows.

(4) Outlook

(Outlook for Business Performance in the Fiscal Year Ending March 31, 2021)

The global economy is not expected to see an end to the worldwide COVID-19 pandemic at this time. Accordingly, we will need to adapt to a “new normal in daily life,” as we remain mindful of the need to coexist with the coronavirus.

Under these conditions, the Group will continue to pursue the enormous potential of collagen as a unique natural material, in order to supply products and services that address its customers’ “new normal in daily life.” Moreover, the Group will develop products that take full advantage of its research accomplishments in the fields of collagen and collagen peptide. By doing so, the Group will help to fulfill the desire of its customers “To stay healthy and feeling young,” as laid out in its vision.

It is difficult to reasonably estimate the impact of COVID-19 on the Group’s outlook for business performance at this time. However, demand for gelatin for capsules and collagen peptide for promoting better health is forecast to remain firm both in Japan and overseas. Meanwhile, products for the HORECA market, which includes hotels and restaurants, could be impacted substantially by the continuation of stay-at-home requests and restrictions on movement for tourism purposes. Even in these circumstances, the Group will continue working to ensure the stable supply of products by striving to diversify its suppliers and reduce production costs.

With regard to capital investment, in Japan the Group will look to increase product quality and invest in raising operating efficiency as well as equipment for research and development. Overseas, the Group will execute investments aimed at equipment and facilities that enhance productivity as well as

measures to address environmental conservation.

Forecast for Consolidated Financial Results for the Next Fiscal Year

	Consolidated financial forecasts for the fiscal year ending March 31, 2021	Year on year change
	(Millions of yen)	(%)
Net sales	31,500	(8.8)
Operating income	1,300	(23.1)
Ordinary income	1,200	(33.3)
Net income attributable to owners of the parent	800	—

(Risks related to COVID-19)

In order to prevent the spread of COVID-19, the Group believes that securing the safety of its business partners and employees is a top priority. Accordingly, the Group is working to develop telework and flexible work arrangements, and to proactively adopt web conferences, in order to help its business partners and employees avoid the so-called three Cs: closed spaces, crowded places, and close-contact settings. However, COVID-19 could still impact the Group's business performance and financial position through contingencies such as a deterioration in raw material procurement conditions, the impact of the infection of employees on the production system, and restrictions on economic activity at overseas business sites.

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. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Fiscal 2019	Fiscal 2020
	(As of March 31, 2019)	(As of March 31, 2020)
Assets		
Current assets		
Cash and deposits	2,092	1,414
Notes and accounts receivable-trade	8,589	7,677
Merchandise and finished goods	5,884	5,674
Work in process	1,350	1,284
Raw materials and supplies	2,911	2,786
Other	558	499
Allowance for doubtful accounts	(9)	(15)
Total current assets	21,378	19,322
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	10,660	8,943
Accumulated depreciation	(6,871)	(5,589)
Buildings and structures, net	3,788	3,354
Machinery, equipment and vehicles	17,514	13,327
Accumulated depreciation	(12,865)	(10,547)
Machinery, equipment and vehicles, net	4,648	2,779
Land	2,166	2,111
Lease assets	948	1,003
Accumulated depreciation	(453)	(443)
Lease assets, net	494	559
Construction in process	184	119
Other	1,383	1,399
Accumulated depreciation	(1,115)	(1,141)
Other, net	268	258
Total property, plant and equipment	11,551	9,183
Intangible assets		
Goodwill	353	300
Other	231	220
Total intangible assets	585	521
Investments and other assets		
Investment securities	3,260	2,883
Long-term loans receivable	138	101
Deferred tax assets	152	762
Net defined benefit asset	572	531
Other	270	352
Allowance for doubtful accounts	(193)	(105)
Total investments and other assets	4,200	4,524
Total noncurrent assets	16,337	14,229
Total assets	37,715	33,551

(Millions of yen)

	Fiscal 2019 (As of March 31, 2019)	Fiscal 2020 (As of March 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,794	3,617
Short-term loans payable	2,657	1,844
Current portion of long-term loans payable	2,386	2,358
Lease obligations	196	199
Accounts payable-other	1,614	1,697
Income taxes payable	237	107
Provision for bonuses	205	219
Other	468	628
Total current liabilities	12,559	10,672
Noncurrent liabilities		
Long-term loans payable	4,000	3,225
Lease obligations	343	415
Deferred tax liabilities	371	129
Net defined benefit liability	2,731	1,647
Total noncurrent liabilities	7,447	5,417
Total liabilities	20,007	16,090
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	10,155	9,166
Treasury stock	(0)	(0)
Total shareholders' equity	16,266	15,278
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	1,274	920
Deferred gains (losses) on hedges	(8)	(47)
Foreign currency translation adjustments	174	(346)
Remeasurements of defined benefit plans	(1,863)	(137)
Total accumulated other comprehensive loss	(423)	389
Non-controlling interests	1,865	1,793
Total net assets	17,708	17,461
Total liabilities and net assets	37,715	33,551

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

(Millions of yen)

	Fiscal 2019 (From April 1, 2018 to March 31, 2019)	Fiscal 2020 (From April 1, 2019 to March 31, 2020)
Net sales	36,464	34,543
Cost of sales	29,079	27,244
Gross profit on sales	7,384	7,299
Selling, general and administrative expenses	6,486	5,608
Operating income	898	1,690
Non-operating income		
Interest income	10	6
Dividend income	39	43
Rent income	47	42
Outsourcing service income	32	53
Foreign exchange gains	119	—
Equity in earnings of affiliates	—	155
Other	69	40
Total non-operating income	317	341
Non-operating expenses		
Interest expenses	236	187
Foreign exchange losses	—	9
Equity in losses of affiliates	132	—
Commissions paid	9	26
Other	9	10
Total non-operating expenses	387	233
Ordinary income	828	1,798
Extraordinary gains		
Gain on sales of noncurrent assets	81	17
Reversal of allowance for doubtful accounts	—	29
Gain on sales of stocks of subsidiaries and associates	—	6
Subsidy income	147	—
Transfer gain on business divestiture	655	—
Gain on change in equity	416	—
Total extraordinary gains	1,301	53
Extraordinary losses		
Provision of allowance for doubtful accounts	127	—
Disposal costs for noncurrent assets	3	1
Loss on retirement of noncurrent assets	171	5
Loss on tax purpose reduction entry of noncurrent assets	147	—
Loss on sales of stocks of subsidiaries and associates	—	2,788
Loss on disaster	13	—
Impairment loss	634	—
Total extraordinary losses	1,098	2,796
Income (loss) before provision of income taxes	1,031	(943)
Income taxes	431	40
Income taxes-deferred	(217)	(460)
Total income taxes	214	(420)
Net income (loss)	817	(523)
Net income (loss) attributable to non-controlling interests	(171)	170
Net income (loss) attributable to owners of the parent	989	(694)

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal 2019 (From April 1, 2018 to March 31, 2019)	Fiscal 2020 (From April 1, 2019 to March 31, 2020)
Net income (loss)	817	(523)
Other comprehensive income		
Valuation difference on other available-for-sale securities	(57)	(354)
Deferred gains (losses) on hedges	47	(89)
Foreign currency translation adjustments	46	(702)
Pension liability adjustment	(306)	1,723
Share of other comprehensive income of associates accounted for using equity method	(52)	8
Total other comprehensive income	(321)	584
Total comprehensive income	495	60
Comprehensive income attributable to:		
Owners of the parent	687	117
Non-controlling interests	(191)	(57)

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2019 (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of fiscal year	3,144	2,966	9,386	(0)	15,497
Changes during the fiscal year					
Dividends from surplus			(220)		(220)
Net income (loss) attributable to owners of the parent			989		989
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					—
Total changes during fiscal year	—	—	768	(0)	768
Balance at the end of fiscal year	3,144	2,966	10,155	(0)	16,266

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of fiscal year	1,331	(43)	149	(1,558)	(120)	2,082	17,459
Changes during the fiscal year							
Dividends from surplus					—		(220)
Net income (loss) attributable to owners of the parent					—		989
Purchase of treasury stock					—		(0)
Net changes of items other than shareholders' equity	(57)	35	25	(305)	(302)	(216)	(519)
Total changes during fiscal year	(57)	35	25	(305)	(302)	(216)	249
Balance at the end of fiscal year	1,274	(8)	174	(1,863)	(423)	1,865	17,708

Fiscal 2020 (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of fiscal year	3,144	2,966	10,155	(0)	16,266
Changes during the fiscal year					
Dividends from surplus			(293)		(293)
Net income (loss) attributable to owners of the parent			(694)		(694)
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					—
Total changes during fiscal year	—	—	(988)	(0)	(988)
Balance at the end of fiscal year	3,144	2,966	9,166	(0)	15,278

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of fiscal year	1,274	(8)	174	(1,863)	(423)	1,865	17,708
Changes during the fiscal year							
Dividends from surplus					—		(293)
Net income (loss) attributable to owners of the parent					—		(694)
Purchase of treasury stock					—		(0)
Net changes of items other than shareholders' equity	(354)	(38)	(521)	1,726	812	(71)	740
Total changes during fiscal year	(354)	(38)	(521)	1,726	812	(71)	(247)
Balance at the end of fiscal year	920	(47)	(346)	(137)	389	1,793	17,461

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2019 (From April 1, 2018 to March 31, 2019)	Fiscal 2020 (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Income before provision of income taxes	1,031	(943)
Depreciation and amortization	1,568	1,448
Amortization of goodwill	47	46
Increase (decrease) in allowance for doubtful accounts	128	(17)
Increase (decrease) in provision for bonuses	(47)	16
Increase (decrease) in net defined benefit liability	20	(72)
Interest and dividends income	(49)	(49)
Interest expenses	236	187
Foreign exchange losses (gains)	(99)	68
Equity in earnings of affiliates	132	(155)
Loss (gain) on sales of property, plant and equipment	(78)	(16)
Loss (gain) on retirement of noncurrent assets	171	5
Impairment loss	634	—
Loss (gain) on sales of investment securities		(2)
Loss (gain) on sales of stocks of subsidiaries and associates		2,782
Loss (gain) on change in equity	(416)	—
Loss (gain) on business divestiture	(655)	—
Loss on tax purpose reduction entry of noncurrent assets	147	—
Subsidy income	(147)	—
Loss on disaster	13	—
Decrease (increase) in notes and accounts receivable-trade	412	270
Decrease (increase) in inventories	(753)	(627)
Increase (decrease) in notes and accounts payable-trade	567	(633)
Increase (decrease) in accrued consumption taxes	(158)	75
Other, net	(221)	(71)
Subtotal	2,484	2,313
Interest and dividends income received	238	49
Interest paid	(237)	(189)
Income taxes paid	(252)	(204)
Net cash provided by operating activities	2,232	1,969
Cash flows from investing activities		
Payments into time deposits	(21)	(11)
Proceeds from withdrawal of time deposits	65	19
Proceeds from the sale of property, plant and equipment	475	7
Purchase of property, plant and equipment	(1,967)	(900)
Purchase of intangible assets	(19)	(38)
Subsidies received	147	—
Proceeds from the sale of investment securities	0	3
Purchase of investment securities	(7)	(7)
Proceeds from business divestiture	887	—
Payment of expenses related to business divestiture	(180)	(114)
Proceeds from sales of shares of subsidiaries resulting in		119
Other, net	(89)	34
Net cash used in investing activities	(708)	(889)

(Millions of yen)

	Fiscal 2019 (From April 1, 2018 to March 31, 2019)	Fiscal 2020 (From April 1, 2019 to March 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	118	(667)
Proceeds from long-term loans payable	1,800	1,200
Repayment of long-term loans payable	(2,664)	(1,990)
Proceeds from sale-and-leaseback transactions	195	260
Repayments of lease obligations	(212)	(233)
Cash dividends paid	(220)	(293)
Purchase of treasury stock	(0)	(0)
Cash dividends paid to non-controlling interests	(25)	(14)
Net cash (used in) provided by financing activities	(1,009)	(1,739)
Effect of exchange rate change on cash and cash equivalents	(0)	(10)
Net increase (decrease) in cash and cash equivalents	513	(670)
Cash and cash equivalents, beginning of the fiscal year	1,538	2,051
Cash and cash equivalents at end of the fiscal year	2,051	1,381

(5) Additional Information

(Impact of COVID-19)

The Group had made estimates for evaluating the recoverability of deferred tax assets in accordance with business plans formulated based on information available as of the end of the fiscal year under review.

Although it is difficult to foresee when COVID-19 will end, in the process of formulating business plans, the Group has assumed that COVID-19 will start to subside sometime in the summer and it will stop having an impact on the Group by the next fiscal year.

The Group is likely to be impacted by COVID-19 through a projected decrease in sales of products for the HORECA market, which includes hotels and restaurants, due to factors such as stay-at-home requests. However, COVID-19 is not expected to have a large impact on gelatin for capsules and collagen peptide for promoting better health, and demand for these products is forecast to remain firm both in Japan and overseas

(6) Notes to Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None.

(Changes in Accounting Policies)

(Application of IFRS 16 Leases)

The Nitta Gelatin Group has adopted IFRS 16 “Leases” for all overseas subsidiaries except those in the U.S. from the beginning of the year ended March 31, 2020. As a transitional measure upon the adoption of IFRS 16, the Group applies the standard, which recognizes the cumulative effect at the date of initial adoption.

As a result, the consolidated balance sheet as of March 31, 2020 shows increases of ¥6 million in “Leased assets” under property, plant and equipment, ¥5 million in “Lease obligations” under current liabilities, and ¥1 million in “Lease obligations” under noncurrent liabilities.

The effect of this change on the Company’s consolidated profit and loss for the year ended March 31, 2020 is negligible.

(Proposed Amendments to Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements)

The Group has adopted the revised PITF No.18 Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc. for Consolidated Financial Statements (revised June 28, 2019) and PITF No.24 Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method (revised September 14, 2018) from the beginning of the year ended March 31, 2020. The effect of adopting these revised practical solutions on the Consolidated Financial Statements is negligible.

(Accounting Standards, etc. Yet to Be Applied)

(1) Revised Accounting Standard for Revenue Recognition, etc.

- “Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, ASBJ)
- “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 31, 2020, ASBJ)
- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, March 31, 2020, ASBJ)

a. Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States jointly developed comprehensive standards for revenue recognition and published the “Revenue from Contracts with Customers” (IFRS 15 at the IASB and Topic 606 at the FASB) in May 2014. Given that IFRS 15 has been applied from fiscal years starting on or after January 1, 2018 and that Topic 606 has been applied from fiscal years starting after December 15, 2017, the Accounting Standards Board of Japan (ASBJ) has developed comprehensive accounting standards for revenue recognition and published them together with Implementation Guidance.

The basic policy of the ASBJ in developing accounting standards for revenue recognition is to set accounting standards, with the incorporation of the basic principles of IFRS 15 as a starting point, from the standpoint of maintaining comparability between financial statements, which is one of the benefits of ensuring consistency with IFRS 15. The basic policy also calls for adding alternative accounting treatments without compromising consistency with IFRS 15 if there are any items that should require consideration of practices, etc. that have been carried out in Japan.

b. Planned date of application

To be applied from the beginning of the fiscal year ending March 31, 2022

c. Impact of the application of the accounting standards, etc.

The Group is currently in the process of determining the effects of applying the Revised Accounting Standard for Revenue Recognition, etc. on the consolidated financial statements.

(2) Accounting Standards for Fair Value Measurement, etc.

- “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, ASBJ)
- “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 4, 2019, ASBJ)
- “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019, ASBJ)
- “Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, July 4, 2019, ASBJ)

- “Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19, March 31, 2020, ASBJ)

a. Overview

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) in the United States have established almost identical detailed guidance on fair value measurement (IFRS 13 “Fair Value Measurement” based on International Financial Reporting Standards (IFRS) and Accounting Standards Codification Topic 820 “Fair Value Measurement” based on U.S. generally accepted accounting principles (GAAP)). Considering this situation, the Accounting Standards Board of Japan (ASBJ) has worked to ensure consistency between Japanese standards primarily regarding guidance and disclosure related to the fair value of financial instruments and international accounting standards, and has published the “Accounting Standards for Fair Value Measurement, etc.”

The basic policy of the ASBJ in developing accounting standards for fair value measurement is to fundamentally incorporate all of the provisions of IFRS 13, from the standpoint of improving the international comparability of financial statements between companies by applying a unified measurement method, and to establish other accounting treatments for individual items without significantly compromising comparability between financial statements, taking into consideration practices, etc. that have been carried out in Japan.

b. Planned date of application

To be applied from the beginning of the fiscal year ending March 31, 2022

c. Impact of the application of the accounting standards, etc.

The Group is currently in the process of determining the effects of applying the Accounting Standards for Fair Value Measurement, etc. on the consolidated financial statements.

(3) Accounting Standard for Disclosure of Accounting Estimates

“Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020, ASBJ)

a. Overview

The International Accounting Standards Board (IASB) published International Accounting Standards (IAS) 1 “Presentation of Financial Statements” (“IAS 1”) in 2003, and paragraph 125 of this standard requires the disclosure of “key sources of estimation uncertainty.” The ASBJ had been requested to consider disclosure of this information as notes under Japanese generally accepted accounting principles (GAAP), as this information would be highly useful to users of financial statements. In response, the ASBJ has developed and published the Accounting Standard for Disclosure of Accounting Estimates (“the Accounting Standard”).

The basic policy of the ASBJ in developing the Accounting Standard is not to enhance the information in individual notes, but to present the principles (the purpose of disclosure of key sources of estimation uncertainty) and allow companies to determine the specific content of disclosure in light of this purpose of disclosure. In developing the Accounting Standard, the ASBJ

referred to the provisions of paragraph 125 of IAS 1.

b. Planned date of application

To be applied from the close of the fiscal year ending March 31, 2021

(4) Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24, March 31, 2020, ASBJ)

a. Overview

The ASBJ received a recommendation to consider enhancing information in notes related to “principles and procedures of the accounting treatment adopted in cases where the provisions of relevant accounting standards, etc. are unclear.” In response, the ASBJ made the necessary revisions and published those revisions as part of the Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections.

When enhancing the information in notes related to “principles and procedures of the accounting treatment adopted in cases where the provisions of relevant accounting standards, etc. are unclear,” the provisions of annotations (Note 1-2) will be carried over in order not to conflict with the current accounting practices where the relevant accounting standards are clear.

b. Planned date of application

To be applied from the close of the fiscal year ending March 31, 2021

(Changes in Presentation Basis)

(Consolidated Statements of Income)

“Insurance claim income” was presented as a separate item under “Non-operating income” in the previous fiscal year. However, in the fiscal year under review it has been included in “Other” because the total amount of insurance claim income did not exceed 10% of the total amount of non-operating income. The consolidated financial statements for the previous fiscal year have been restated to reflect this change in presentation.

As a result, ¥34 million recorded as “Insurance claim income” and ¥34 million recorded as “Other” under “Non-operating income” in the consolidated statement of income for the previous fiscal year has been restated as “Other” of ¥69 million.

(Business Combinations)

(Business divestiture of Nitta Casings Inc. and Nitta Casings (CANADA) Inc.)

1. Outline of Business Divestiture

(1) Name of company that succeeded the divested business

Viscofan USA Inc.

Viscofan Canada Inc.

(2) Business description of divested business

a. Consolidated subsidiary: Nitta Casings Inc.

Business activities: Production and sales of collagen casing

b. Consolidated subsidiary: Nitta Casings (CANADA) Inc.

Business activities: Production and sales of collagen casing

(3) Primary reason for business divestiture

Nitta Gelatin is steadily advancing business strategies and moving ahead with selection and concentration in core business areas as stated under its management policy. As part of the policy, Nitta Gelatin will focus on its core business areas and agreed to the share transfer after deciding that it would be better for the enhancement of medium- to long-term corporate value of both companies to promote the integration of Nitta Gelatin Inc. and Nitta Casings (CANADA) Inc. and Viscofan USA Inc. and Viscofan Canada Inc., which have expertise in the casings business.

(4) Date of business divestiture

December 19, 2019 (date of implementation for transfer of shares)

September 30, 2019 (deemed date of sale)

(5) Outline of the transaction including legal format

A share transfer in which consideration is received solely in assets such as cash

2. Outline of accounting treatment

(1) Gain on transfer of business

Loss on sales of stocks of subsidiaries and associates ¥2,760 million

(2) Appropriate book values of assets and liabilities of business transferred and major components

Current assets ¥1,460 million

Noncurrent assets ¥1,709 million

Total assets ¥3,169 million

Current liabilities ¥641 million

Noncurrent liabilities ¥1,206 million

Total liabilities ¥1,847 million

(4) Accounting treatment

The differences between the consolidated carrying amount of Nitta Casings Inc. and Nitta Casings (CANADA) Inc. and their respective sales prices were recorded as a loss on sales of stocks of subsidiaries and associates under extraordinary losses.

3. Reporting segment in which the divested business was included

The Nitta Gelatin Group's collagen business has become the Company's only reporting segment, so there are no relevant items to disclose.

4. Estimated net sales and operating income attributable to the divested business recorded on the consolidated statement of income for the period under review

Net sales	¥2,226 million
Operating income (loss)	(¥106) million

(Business divestiture of Package Hongkong Limited and Beijing Qiushi Collagen Casing Co., Ltd.)

1. Outline of Business Divestiture

(1) Name of company that succeeded the divested business

Casing Hongkong Limited

(2) Business description of divested business

- a. Consolidated subsidiary: Package Hongkong Limited
Business activities: Intermediate holding company
- b. Equity-method affiliate: Beijing Qiushi Collagen Casing Co., Ltd.
Business activities: Production and sales of collagen casing

(3) Primary reason for business divestiture

The joint venture Beijing Qiushi Collagen Casing Co., Ltd. was established with Beijing Qiushi Agricultural Development Co., Ltd. and developed with the purpose of expanding Nitta Gelatin's collagen casing business in the China market. However, there are significant disparities between Beijing Qiushi Agricultural Development Co., Ltd. and Nitta Gelatin in terms of business policies going forward. Therefore, Package Hongkong Limited, the holding company, will be transferred to Casing Hongkong Limited.

(4) Date of business divestiture

December 12, 2019 (date of implementation for transfer of shares)
September 30, 2019 (deemed date of sale)

(5) Outline of the transaction including legal format

A share transfer in which consideration is received solely in assets such as cash

2. Outline of accounting treatment

(1) Gain on transfer of business

Gain on sales of stocks of subsidiaries and associates: 6 million
(Package Hongkong Limited)
Loss on sales of stocks of subsidiaries and associates: 28 million
(Beijing Qiushi Collagen Casing Co., Ltd.)

(2) Appropriate book values of assets and liabilities of business transferred and major components

Current assets	¥0 million
Noncurrent assets	¥211 million
Total assets	¥211 million
Current liabilities	¥6 million
Total liabilities	¥6 million

(3) Accounting treatment

The differences between the consolidated carrying amounts of Package Hongkong Limited and Beijing Qiushi Agricultural Development Co., Ltd. and their respective sales prices were recorded as a gain on sales of stocks of subsidiaries and associates and a loss on sales of stocks of subsidiaries and associates under extraordinary gains and losses.

3. Reporting segment in which the divested business was included

The Nitta Gelatin Group's collagen business has become the Company's only reporting segment, so there are no relevant items to disclose.

4. Estimated net sales and operating income attributable to the divested business recorded on the consolidated statement of income for the period under review.

Disclose is omitted because the impact is negligible.

(Segment Information)

a. Segment Information

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

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

b. Related information

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

1. Information by products and services

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

2. Information by countries and regions

(1) Net sales

(Millions of yen)

Japan	India	Asia	U.S.	Canada	Other	Total
19,764	2,593	2,324	9,632	1,688	460	36,464

Note: Sales are classified into countries or regions based on customers' locations.

(2) Property, plant and equipment

(Millions of yen)

Japan	India	Asia	U.S.	Canada	Total
3,628	3,219	27	4,054	620	11,551

3. Information by main customer

The Company has omitted disclosure because no sales to any external customer exceeded 10% of the total net sales on the consolidated statements of income.

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

1. Information by products and services

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

2. Information by countries and regions

(1) Net sales

(Millions of yen)

Japan	India	Asia	U.S.	Canada	Other	Total
19,176	2,932	2,231	8,175	1,543	485	34,543

Note: Sales are classified into countries or regions based on customers' locations.

(2) Property, plant and equipment

(Millions of yen)

Japan	India	Asia	U.S.	Canada	Total
3,650	2,958	30	2,052	491	9,183

3. Information by main customer

The Company has omitted disclosure because no sales to any external customer exceeded 10% of the total net sales on the consolidated statements of income.

c. Information on impairment loss on noncurrent assets by reporting segments

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

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

d. Information on amortization of goodwill and unamortized amounts by reporting segments

Fiscal year ended March 31, 2019 (From April 1, 2018 to March 31, 2019)

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

Fiscal year ended March 31, 2020 (From April 1, 2019 to March 31, 2020)

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

e. Information on gain on negative goodwill by reporting segments

None.

(Per Share Information)

	Fiscal 2019 (From April 1, 2018 to March 31, 2019)	Fiscal 2020 (From April 1, 2019 to March 31, 2020)
Net assets per share	¥862.29	¥852.71
Net income (loss) per share	¥53.85	(¥37.79)

Notes: 1. Diluted net income per share for fiscal 2019 is not disclosed due to the absence of latent shares with dilution effect.

2. Diluted net income per share for fiscal 2020 is not disclosed due to the recording of a net loss per share and the absence of latent shares with dilution effect.

3. Basis for calculating net income (loss) per share data is shown below.

	Fiscal 2019 (From April 1, 2018 to March 31, 2019)	Fiscal 2020 (From April 1, 2019 to March 31, 2020)
Net income (loss) per share		
Net income (loss) attributable to owners of the parent (Millions of yen)	989	(694)
Amounts not attributable to common shareholders (Millions of yen)	—	—
Net income (loss) attributable to owners of the parent related to common stock (Millions of yen)	989	(694)
Average number of common shares during the period (shares)	18,373,812	18,373,810

(Subsequent Events)

(Purchase of treasury stock)

At a Board of Directors meeting held on March 27, 2020, the Company passed a resolution related to the purchase of treasury stock based on Article 156 of the Companies Act as applied pursuant to Article 165(3) of the same law, and implemented the purchase of treasury stock as follows:

1. Reason for the purchase of treasury stock

To strive to improve capital efficiency and return profits to shareholders, and implement flexible capital policies in response to a changing management environment

2. Details of the purchase

- (1) Class of shares: Nitta Gelatin common stock
- (2) Total number of shares to be purchased: Up to 370,000 shares
- (3) Total amount of stock purchase: Up to ¥200 million
- (4) Purchase period: April 1 to May 29, 2020
- (5) Purchase method: Market purchase based on a discretionary account transaction agreement pertaining to treasury shares to be acquired

3. Results of the purchase of treasury stock

As a result of a market purchase on the Tokyo Stock Exchange, the Company had purchased a total of 299,300 shares of Nitta Gelatin common stock (total amount of stock purchase: ¥199 million) through to May 29, 2020 and has completed the purchase of treasury stock in accordance with the aforementioned resolution.