



August 7, 2020

Consolidated Financial Results for the Three Months Ended June 30, 2020

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**
 Listing: First Section 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 7, 2020

Scheduled date to commence dividend payments: —

Supplementary explanatory materials prepared: No

Explanatory meeting: No

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

1. Consolidated financial results for the three months ended June 30, 2020

(from April 1, 2020 to June 30, 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	%
Three months ended June 30, 2020	7,413	(19.9)	343	(8.5)	304	(17.3)	212	(16.3)
June 30, 2019	9,260	2.4	374	30.6	367	(1.6)	253	422.3

Note: Comprehensive income

For the three months ended June 30, 2020: ¥301 million, 491.9%

For the three months ended June 30, 2019: ¥50 million, (72.2)%

	Net income per share	Diluted net income per share
Three months ended June 30, 2020	Yen 11.68	Yen —
June 30, 2019	13.80	—

Note: 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
As of June 30, 2020	Millions of yen 32,543	Millions of yen 17,449	%
March 31, 2020	33,551	17,461	48.0
			46.7

Reference: Equity

As of June 30, 2020: ¥15,615 million

As of March 31, 2020: ¥15,667 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, 2020	—	6.00	—	6.00	12.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (Forecasts)		6.00	—	6.00	12.00

Note: Changes to most recent dividend forecasts: None

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

Note: Changes to most recent consolidated financial forecasts: None

- (1) 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
- (2) Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
 - a. Changes in accounting policies due to revisions to accounting standards and other guidelines: No
 - b. Changes in accounting policies due to reasons other than a. above: No
 - c. Changes in accounting estimates: No
 - d. Restatement of revisions: No
- (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, 2020 18,373,974 shares
 - As of March 31, 2020 18,373,974 shares
 - b. Number of shares of treasury stock at the end of the period
 - As of June 30, 2020 299,467 shares
 - As of March 31, 2020 167 shares
 - c. Average number of shares
 - For the three months ended June 30, 2020 18,181,882 shares
 - For the three months ended June 30, 2019 18,373,811 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

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.

Attachment 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. 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	
(First quarter consolidated cumulative accounting period)	7
Consolidated Statements of Comprehensive Income	
(First 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
(Additional Information)	9
(Segment Information)	9

1. Qualitative Information Concerning Quarterly Financial Statements

(1) Description of Business Results

In the first quarter of the fiscal year ending March 31, 2021 (April 1 to June 30, 2020), the state of the global economy became very challenging, as economic activity slowed due to the global spread of COVID-19. The Japanese economy also suffered major setbacks as it was forced to undergo self-imposed restrictions on economic activity mainly due to the government's state of emergency declaration. From now on, balancing measures to prevent the spread of infection with socio-economic activities will become a challenge.

The Group believes that preventing the spread of infection to business partners and employees is a top priority. Accordingly, the Group worked hard to maintain and continue various business activities such as production, sales and distribution while proactively adopting telework, flexible work arrangements and 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.

In this environment, the food and health food industries, the Group's main business partners, were impacted substantially by increases in voluntary quarantine and telework as well as requests for eating and drinking establishments to suspend business due to the spread of COVID-19.

Net sales decreased 19.9% year on year to ¥7,413 million due to the impact of its withdrawal from the collagen casing business in the previous quarter, operating income decreased 8.5% to ¥343 million, ordinary income decreased 17.3% to ¥304 million, mainly due to recording a decrease in equity in earnings of affiliates, and net income attributable to owners of parent decreased 16.3% to ¥212 million.

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 of gelatin for use in confectionaries and cooking rose as opportunities to make desserts at home increased due to the spread of COVID-19. On the other hand, sales of items such as gummy candy and jelly confectionaries decreased, as did sales in the food-service industry which includes hotels, restaurants and pubs. Sales for use in delicatessen items remained unchanged from the previous fiscal year despite a decrease in demand for lunches at convenience stores in urban centers due to telework.

Overseas, sales to the markets for gummy candy, jelly confectionaries and other applications were solid in the North America region due to the increased stay-at-home hours. Meanwhile, sales of collagen casings decreased year on year due to the substantial impact from withdrawal from the collagen casing business in the previous fiscal year.

As a result, overall sales in the food solutions category decreased 31.2% year on year to ¥2,850 million.

Health support

In Japan, sales for health and beauty applications decreased. Overseas, sales of collagen peptide decreased due to a decline in sales of health and beauty supplements in addition to an excess supply of collagen peptide in the North America region. Meanwhile, sales of gelatin for use in capsules for health foods remained unchanged from the previous fiscal year. The Asia region saw sales increase due to increased sales of Halal products for capsules and sales promotions to advertise the functionality of collagen peptide for health and beauty applications. In India, demand for capsules for pharmaceutical and health food applications was solid.

As a result, overall sales in the health support category decreased 9.2% year on year to ¥3,293 million.

Specialties

Overall sales decreased 14.8% year on year to ¥1,269 million mainly due to a decrease in sales of packaging adhesives.

(2) Description of Financial Position

(Assets)

Total assets amounted to ¥32,543 million at June 30, 2020, ¥1,008 million lower than at March 31, 2020. This was mainly attributable to decreases in cash and deposits of ¥286 million, notes and accounts receivable—trade of ¥566 million, and machinery, equipment and vehicles, net of ¥143 million.

(Liabilities)

Total liabilities stood at ¥15,094 million at June 30, 2020, ¥996 million lower than at March 31, 2020. This was mainly attributable to decreases in notes and accounts payable—trade of ¥81 million, short-term loans payable of ¥91 million, and long-term loans payable (including current portion of long-term loans payable) of ¥600 million.

(Net assets)

Net assets amounted to ¥17,449 million at June 30, 2020, ¥11 million lower than at March 31, 2020. This was mainly attributable to a decrease of ¥199 million in purchase of treasury stock, which was partially offset by increases in retained earnings of ¥102 million, remeasurements of defined benefit plans of ¥38 million, and non-controlling interests of ¥40 million.

As a result, the equity ratio stood at 48.0% at March 31, 2019 compared with 46.7% at March 31, 2020.

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

The consolidated earnings forecast for the fiscal year ending March 31, 2021 is unchanged from the consolidated earnings forecast announced on June 24, 2020 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2020.”

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 2020 (As of March 31, 2020)	1Q Fiscal 2021 (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	1,414	1,128
Notes and accounts receivable–trade	7,677	7,111
Merchandise and finished goods	5,674	6,209
Work in process	1,284	1,218
Raw materials and supplies	2,786	2,253
Other	499	542
Allowance for doubtful accounts	(15)	(15)
Total current assets	19,322	18,448
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,354	3,285
Machinery, equipment and vehicles, net	2,779	2,635
Other, net	3,049	3,085
Total property, plant and equipment	9,183	9,005
Intangible assets		
Goodwill	300	285
Other	220	228
Total intangible assets	521	514
Investments and other assets		
Investment securities	2,883	2,887
Other	1,746	1,791
Allowance for doubtful accounts	(105)	(104)
Total investments and other assets	4,524	4,575
Total noncurrent assets	14,229	14,095
Total assets	33,551	32,543

(Millions of yen)

	Fiscal 2020 (As of March 31, 2020)	1Q Fiscal 2021 (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	3,617	3,536
Short-term loans payable	1,844	1,753
Current portion of long-term loans payable	2,358	2,180
Income taxes payable	107	159
Provision for bonuses	219	339
Other	2,525	2,139
Total current liabilities	10,672	10,107
Noncurrent liabilities		
Long-term loans payable	3,225	2,802
Net defined benefit liability	1,647	1,643
Other	545	540
Total noncurrent liabilities	5,417	4,987
Total liabilities	16,090	15,094
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	9,166	9,269
Treasury stock	(0)	(200)
Total shareholders' equity	15,278	15,180
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	920	931
Deferred gains (losses) on hedges	(47)	(19)
Foreign currency translation adjustments	(346)	(377)
Remeasurements of defined benefit plans	(137)	(98)
Total accumulated other comprehensive income	389	434
Non-controlling interests	1,793	1,833
Total net assets	17,461	17,449
Total liabilities and net assets	33,551	32,543

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

Consolidated Statements of Income

(First quarter consolidated cumulative accounting period)

	(Millions of yen)	
	Three Months Ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three Months Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Net sales	9,260	7,413
Cost of sales	7,348	5,838
Gross profit on sales	1,912	1,575
Selling, general and administrative expenses	1,537	1,232
Operating income	374	343
Non-operating income		
Interest income	0	0
Dividend income	18	19
Equity in earnings of affiliates	22	5
Other	35	27
Total non-operating income	77	52
Non-operating expenses		
Interest expenses	42	36
Foreign exchange losses	39	54
Other	2	1
Total non-operating expenses	84	91
Ordinary income	367	304
Extraordinary losses		
Loss on retirement of noncurrent assets	0	0
Total extraordinary losses	0	0
Income before provision for income taxes	367	304
Income taxes	86	66
Net income	280	237
Net income attributable to non-controlling interests	27	25
Net income attributable to owners of the parent	253	212

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

	(Millions of yen)	
	Three Months Ended June 30, 2019 (From April 1, 2019 to June 30, 2019)	Three Months Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)
Net income	280	237
Other comprehensive income		
Valuation difference on other available-for-sale securities	(111)	11
Deferred gains (losses) on hedges	(9)	57
Foreign currency translation adjustments	(204)	(23)
Pension liability adjustment	83	38
Share of other comprehensive gains (losses) of associates accounted for using equity method	11	(19)
Total other comprehensive income (loss)	(229)	63
Total comprehensive income	50	301
Comprehensive income attributable to:		
Owners of the parent	71	257
Non-controlling interests	(20)	43

(3) Notes to Quarterly Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Note Concerning Significant Changes in Shareholders' Equity)

The Company purchased 299,300 shares of treasury stock based on a resolution at the Board of Directors meeting held on March 27, 2020. As a result, treasury stock increased ¥199 million in the first quarter of the year ending March 31, 2021, resulting in a balance of ¥200 million as of June 30, 2020.

The purchase of treasury stock in accordance with the aforementioned resolution ended on May 29, 2020.

(Additional Information)

There are no major changes to the assumptions, including those about the end of COVID-19, that were included in the "Additional Information" section of the Annual Securities Report for the Fiscal Year Ended March 31, 2020.

(Segment Information)

I. First three months of the fiscal year ended March 31, 2020

(From April 1, 2019 to June 30, 2019)

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

II. First three months of the fiscal year ending March 31, 2021

(From April 1, 2020 to June 30, 2020)

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