



November 11, 2020

## Consolidated Financial Results for the Six Months Ended September 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>  
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Scheduled date to file Quarterly Securities Report: November 12, 2020

Scheduled date to commence dividend payments: December 4, 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 six months ended September 30, 2020

(April 1, 2020 to September 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	%
Six months ended September 30, 2020	15,205	(18.4)	647	(23.5)	648	(33.9)	351	(46.2)
September 30, 2019	18,627	3.4	845	97.2	981	64.8	654	(48.5)

Note: Comprehensive income

For the six months ended September 30, 2020: ¥534 million, 50.2%

For the six months ended September 30, 2019: ¥355 million, (76.0)%

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	19.41	—
September 30, 2019	35.63	—

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
	Millions of yen	Millions of yen	%
As of September 30, 2020	33,583	17,663	46.9
March 31, 2020	33,551	17,461	46.7

Reference: Equity

As of September 30, 2020: 15,766

As of March 31, 2020: 15,667

## 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	—	6.00			
Fiscal year ending March 31, 2021 (Forecasts)			—	6.00	12.00

Note: Changes to most recent dividend forecasts: None

## 3. Forecast of consolidated financial results for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full-year	31,500	(8.8)	1,300	(23.1)	1,200	(33.3)	800	—	44.26

Note: Changes to most recent consolidated financial forecasts: None

### Notes:

- (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: None
- (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: None
  - b. Changes in accounting policies due to reasons other than a. above: None
  - c. Changes in accounting estimates: None
  - d. 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 September 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 September 30, 2020: 299,467 shares
    - As of March 31, 2020: 167 shares
  - c. Average number of shares
    - For the six months ended September 30, 2020: 18,135,865 shares
    - For the six months ended September 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

(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. (Method for obtaining supplementary financial results explanatory materials) Financial results explanatory materials are scheduled to be made available on the Company’s website on December 4, 2020.

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# **1. Qualitative Information Concerning Quarterly Financial Statements**

## **(1) Description of Business Results**

In the first half of the fiscal year ending March 31, 2021 (April 1 to September 30, 2020), the global economy experienced a moderate recovery, amid measures in countries to strike a balance between slowing the spread of COVID-19 and economic activities. The Japanese economy experienced uncertainty about the future given concerns about a rebound of COVID-19 cases in Japan and abroad, despite a bottoming out seen in certain parts of the economy due to the phased restart of social and economic activities.

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 expanded telework as well as the loss of demand from in-bound tourism. Meanwhile, there were signs of a recovery in the food-service industry due to the end of reduced operating hours and measures to spur consumption by the Japanese government, such as the Go To campaign to promote leisure activities. As for our Group, net sales decreased 18.4% year on year to ¥15,205 million due to the impact of its withdrawal from the collagen casing business in the previous year. In addition, mainly due to the decline in net sales, operating income decreased 23.5% to ¥647 million, ordinary income decreased 33.9% to ¥648 million, and net income attributable to owners of parent decreased 46.2% to ¥351 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 confectioneries and cooking and of food ingredients for chilled desserts rose amid increased demand for eating at home and greater opportunities to make desserts at home due to the spread of COVID-19. On the other hand, sales of products for use in gummy candies and cup jelly products dropped reflecting on the stay-at-home trend, and sales of products for use in delicatessen items declined due to declining demand for lunch at convenience stores in urban areas caused by the increased shift to working from home. Sales for seasonings and for soups for the food-service industry (hotels, restaurants and cafes [HORECA]) also declined.

Overseas, sales to the markets for gummy candy, jelly confectioneries and other applications were solid in the North America region due to the increased stay-at-home hours. Net sales in the first six months of the period declined 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 29.4% year on year to ¥5,859 million.

### **Health support**

In Japan, sales of products for beauty supplement applications decreased due to the decline in sales at drugstores and other outlets and loss of demand from in-bound tourism caused by the spread of COVID-19.

Overseas, sales of collagen peptide decreased due to the impacts of COVID-19, in addition to the stagnant market growth rate in the North America region. Meanwhile, sales of gelatin for soft capsules increased due to robust demand for capsules used in health food applications. The Asia region saw net sales increase due to strong sales of Halal products for capsules and sales expansion activities to advertise the functionality of collagen peptide for health and beauty applications. In India, net sales were down slightly year over year due to decreased sales for capsules for pharmaceutical and health food applications.

As a result, overall sales in the health support category decreased 8.1% year on year to ¥6,805 million.

### **Specialties**

Overall sales decreased 13.2% year on year to ¥2,540 million mainly due to a decrease in sales of packaging adhesives.

## **(2) Description of Financial Position**

### **1. Assets, Liabilities and Net Assets**

#### **(Assets)**

Total assets amounted to ¥33,583 million at September 30, 2020, ¥31 million higher than at March 31, 2020. This was mainly attributable to an increase in cash and deposits of ¥882 million and increase in merchandise and finished goods of ¥294 million, which offset decreases in trade notes and accounts receivable of ¥378 million, raw materials and supplies of ¥557 million, and property, plant and equipment of ¥189 million.

#### **(Liabilities)**

Total liabilities stood at ¥15,920 million at September 30, 2020, ¥170 million lower than at March 31, 2020. This was mainly attributable to decreases in trade notes and accounts payable of ¥318 million and other current liabilities of ¥316 million, compared to an increase in long-term loans payable of ¥500 million.

#### **(Net assets)**

Net assets amounted to ¥17,663 million at September 30, 2020, ¥202 million higher than at March 31, 2020. This was mainly attributable to increases in retained earnings of ¥241 million, remeasurements of defined benefit plans of ¥49 million, and non-controlling interests of ¥103

million, which offset a decrease of ¥199 million in purchase of treasury stock.

Furthermore, the equity ratio stood at 46.9%, compared with 46.7% at March 31, 2020.

## 2. Cash Flows

Cash and cash equivalents (“cash”) as of September 30, 2020 was ¥2,267 million, up ¥885 million from March 31, 2020.

Cash flows for each activity for the six months ended September 30, 2020 and reasons are as follows.

### **(Cash flows from operating activities)**

Operating activities provided net cash of ¥1,486 million, compared to ¥1,022 million in the previous six months ended September 30, 2019. The main components were income before income taxes of ¥599 million, depreciation and amortization of ¥629 million, and decrease in trade notes and accounts receivable of ¥357 million.

### **(Cash flows from investing activities)**

Investing activities used net cash of ¥607 million, compared to ¥539 million in the previous six months ended September 30, 2019. This was mainly attributable to ¥605 million in purchase of property, plant and equipment.

### **(Cash flows from financing activities)**

Financing activities provided net cash of ¥14 million, compared to the use of net cash of ¥538 million in the previous six months ended September 30, 2019. The main components were proceeds from long-term loans payable of ¥1,700 million, repayment of long-term loans payable of ¥1,205 million, purchase of treasury stock of ¥199 million, cash dividends paid of ¥110 million, and repayments of lease obligations of ¥107 million.

## **(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. 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 2020 (As of March 31, 2020)	1H Fiscal 2021 (As of September 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	1,414	2,296
Notes and accounts receivable–trade	7,677	7,299
Merchandise and finished goods	5,674	5,969
Work in process	1,284	1,222
Raw materials and supplies	2,786	2,229
Other	499	533
Allowance for doubtful accounts	(15)	(14)
Total current assets	19,322	19,536
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,354	3,188
Machinery, equipment and vehicles, net	2,779	2,600
Other, net	3,049	3,204
Total property, plant and equipment	9,183	8,994
Intangible assets		
Goodwill	300	269
Other	220	217
Total intangible assets	521	486
Investments and other assets		
Investment securities	2,883	2,929
Other	1,746	1,741
Allowance for doubtful accounts	(105)	(104)
Total investments and other assets	4,524	4,567
Total noncurrent assets	14,229	14,047
Total assets	33,551	33,583

(Millions of yen)

	Fiscal 2020 (As of March 31, 2020)	1H Fiscal 2021 (As of September 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable–trade	3,617	3,299
Short-term loans payable	1,844	1,745
Current portion of long-term loans payable	2,358	2,338
Income taxes payable	107	202
Provision for bonuses	219	190
Other	2,525	2,208
Total current liabilities	10,672	9,984
Noncurrent liabilities		
Long-term loans payable	3,225	3,726
Net defined benefit liability	1,647	1,660
Other	545	548
Total noncurrent liabilities	5,417	5,935
Total liabilities	16,090	15,920
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	9,166	9,408
Treasury stock	(0)	(200)
Total shareholders' equity	15,278	15,320
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	920	950
Deferred losses on hedges	(47)	(11)
Foreign currency translation adjustments	(346)	(404)
Remeasurements of defined benefit plans	(137)	(87)
Total accumulated other comprehensive income	389	446
Non-controlling interests	1,793	1,897
Total net assets	17,461	17,663
Total liabilities and net assets	33,551	33,583

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

### Consolidated Statements of Income

(First half consolidated cumulative accounting period)

	(Millions of yen)	
	Six Months Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Net sales	18,627	15,205
Cost of sales	14,766	12,139
Gross profit on sales	3,861	3,065
Selling, general and administrative expenses	3,015	2,418
Operating income	845	647
Non-operating income		
Interest income	1	3
Dividend income	23	23
Foreign exchange gains	16	-
Equity in earnings of affiliates	128	28
Other	66	63
Total non-operating income	237	119
Non-operating expenses		
Interest expenses	92	61
Foreign exchange losses	-	51
Other	9	5
Total non-operating expenses	102	118
Ordinary income	981	648
Extraordinary gains		
Gain on sales of noncurrent assets	0	-
Total extraordinary gains	0	-
Extraordinary losses		
Loss on retirement of noncurrent assets	4	4
Impairment loss	-	44
Total extraordinary losses	4	48
Income before income taxes	976	599
Income taxes	229	156
Net income	747	443
Net income attributable to non-controlling interests	92	91
Net income attributable to owners of the parent	654	351

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

(Millions of yen)

	Six Months Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Net income	747	443
Other comprehensive income		
Valuation difference on other available-for-sale securities	(195)	30
Deferred gains (losses) on hedges	(20)	82
Foreign currency translation adjustments	(269)	(47)
Pension liability adjustment	111	49
Share of other comprehensive losses of associates accounted for using equity method	(17)	(24)
Total other comprehensive income (loss)	(391)	90
Total comprehensive income	355	534
Comprehensive income attributable to:		
Owners of the parent	354	408
Non-controlling interests	1	125

### (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
<b>Cash flows from operating activities</b>		
Income before income taxes	976	599
Depreciation and amortization	755	629
Amortization of goodwill	23	22
Increase (decrease) in allowance for doubtful accounts	3	0
Increase (decrease) in provision for bonuses	(52)	(27)
Increase (decrease) in net defined benefit liability	34	5
Interest and dividends income	(25)	(26)
Interest expenses	92	61
Foreign exchange losses (gains)	61	21
Equity in losses (earnings) of affiliates	(128)	(28)
Loss (gain) on sales of property, plant and equipment	(0)	-
Loss on retirement of noncurrent assets	4	4
Impairment loss	-	44
Loss (gain) on sales of investment securities	(2)	(5)
Decrease (increase) in notes and accounts receivable-trade	305	357
Decrease (increase) in inventories	(871)	272
Increase (decrease) in notes and accounts payable-trade	209	(277)
Increase (decrease) in accrued consumption taxes	126	(148)
Other	(147)	(80)
Subtotal	1,365	1,425
Interest and dividends income received	25	28
Interest paid	(84)	(59)
Income taxes (paid) or refund	(284)	92
Net cash provided by operating activities	1,022	1,486
<b>Cash flows from investing activities</b>		
Payments into time deposits	(17)	(7)
Proceeds from withdrawal of time deposits	20	10
Purchase of property, plant and equipment	(534)	(605)
Proceeds from the sale of property, plant and equipment	0	0
Purchase of intangible assets	(7)	(14)
Purchase of investment securities	(4)	(4)
Proceeds from the sale of investment securities	3	13
Other	1	0
Net cash used in investing activities	(539)	(607)

(Millions of yen)

	Six Months Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(172)	(84)
Proceeds from long-term loans payable	1,200	1,700
Repayment of long-term loans payable	(1,313)	(1,205)
Proceeds from sale-and-leaseback transactions	66	43
Repayments of lease obligations	(120)	(107)
Cash dividends paid	(183)	(110)
Purchase of treasury stock	-	(199)
Cash dividends paid to non-controlling interests	(14)	(21)
Net cash (used in) provided by financing activities	(538)	14
Effect of exchange rate change on cash and cash equivalents	(25)	(6)
Net increase (decrease) in cash and cash equivalents	(80)	885
Cash and cash equivalents at beginning of period	2,051	1,381
Cash and cash equivalents at end of period	1,971	2,267

#### **(4) 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 half of the year ending March 31, 2021, resulting in a balance of ¥200 million as of September 30, 2020.

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

(Additional Information)

The Group assumed as of March 31, 2020 that the impacts of the COVID-19 pandemic would begin to be reined in around summer, but as of September 30, 2020, there was a high degree of uncertainty caused by the growing impacts of COVID-19 and its protraction. COVID-19 is an event that has had wide-reaching impacts on economic and corporate activities. As a result, it is difficult to predict the future spread of the virus and when it will be reined in. The Group expects that heading into the end of this fiscal year in March 2021 the management environment will gradually return to normal prior to the spread of the pandemic. For this reason, the Company will not change its assumption that the impacts will ease in the fiscal year ending March 31, 2022 and has performed its accounting estimates accordingly, including evaluation of the recoverability of deferred tax assets.

(Segment Information)

I. Six Months Ended September 30, 2019

(April 1, 2019 to September 30, 2019)

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

II. Six Months Ended September 30, 2020

(April 1, 2020 to September 30, 2020)

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