



August 10, 2021

Consolidated Financial Results for the Three Months Ended June 30, 2021

(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 10, 2021
 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, 2021 (From April 1, 2021 to June 30, 2021)

(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, 2021	7,581	2.3	268	(21.8)	297	(2.1)	213	0.8
June 30, 2020	7,409	—	343	(8.5)	304	(17.3)	212	(16.3)

Note: Comprehensive income

For the three months ended June 30, 2021: ¥413 million (37.1%)

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

	Earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2021	11.84	—
June 30, 2020	11.68	—

Notes: 1. Diluted earnings per share is not disclosed due to the absence of latent shares with dilution effect.

2. The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, ASBJ) from the start of the first quarter. Numerical indicators for the first three months ended June 30, 2020 have been calculated after retroactively applying this accounting standard. For net sales, the year-on-year rate of change has been omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2021	34,393	19,170	49.7
March 31, 2021	34,915	18,873	48.1

Reference: Equity

As of June 30, 2021: ¥17,089 million

As of March 31, 2021: ¥16,794 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 2021	—	6.00	—	6.00	12.00
Fiscal year ending March 31, 2022	—				
Fiscal year ending March 31, 2022 (Forecasts)		7.00	—	7.00	14.00

Note: Changes to most recent dividend forecasts: None

3. Forecast of consolidated financial results for the fiscal year ending March 31, 2022 (From April 1, 2021 to March 31, 2022)

(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
Six months ending September 30, 2021	14,200	(6.6)	600	(7.3)	600	(7.5)	300	(14.8)	16.59
Fiscal year ending March 31, 2022	29,500	(3.3)	1,350	(0.5)	1,350	(1.0)	900	21.3	49.74

Note: Changes to most recent consolidated financial forecasts: None

Notes:

- 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: Yes
 - 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 June 30, 2021: 18,373,974 shares

As of March 31, 2021: 18,373,974 shares

b. Number of shares of treasury stock at the end of the period

As of June 30, 2021: 299,467 shares

As of March 31, 2021: 299,467 shares

c. Average number of shares

As of June 30, 2021: 18,074,507 shares

As of June 30, 2020: 18,181,882 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.

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1. Qualitative Information Concerning Quarterly Financial Statements

(1) Description of Business Results

In the first quarter of the fiscal year ending March 31, 2022 (April 1 to June 30, 2021), the state of the global economy showed signs of recovery, amid the economic recovery in North America, Europe and China, etc., where progress was made with the rollout of COVID-19 vaccinations. In contrast, the Japanese economy continued to face uncertainty toward the future, amid the ongoing state of emergency and the time needed to roll out vaccinations, despite a recovery seen in certain industries.

In this environment, the Group launched a new three-year medium-term management plan in May 2021. The Group's management policy as indicated in this medium-term management plan is presented below.

1. Strategic allocation of management resources to key markets to create a high-profit enterprise
2. Strengthening of the organizational foundation to face challenges positively
3. Strengthening ties with stakeholders to be a valuable company

Under this management policy, the Group worked to increase sales of high value-added products in the mainstay markets of its core food solutions, health support, and biomedical domains. In April 2021, the Company established a direct sales team for consumers within the Health Support Division through the absorption-type merger of Nitta Biolab Inc., which was a sales subsidiary targeting consumers, and the Company established a department for promoting new product development within the Food Solutions Division. Both of these moves were intended to strengthen the organizational foundation.

Based on the above policy, net sales increased 2.3% year on year to ¥7,581 million, buoyed by the recovery of sales in Japan and expanded sales of collagen peptide overseas, which offset the decrease in sales associated with the transfer of the adhesives business in the previous fiscal year. In addition, operating income decreased 21.8% to ¥268 million and ordinary income declined 2.1% to ¥297 million, due to rising raw materials and transportation costs, and as a result, net income attributable to owners of parent increased 0.8% to ¥213 million.

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, overall sales increased driven by increased sales in Japan and the North America region.

In Japan, net sales rose for gummy candy and delicatessen items amid the recovery in sales at convenience stores and other establishments in urban areas. Professional-use products recorded

an increase in net sales underpinned by the growth in sales for direct marketing, despite sluggishness in sales for food service industry establishments. Meanwhile, sales of gelatin for use at home in confectioneries and cooking were roughly the same as the previous year.

Overseas, net sales increased amid strong demand for gummy candy in the North America region.

As a result, overall sales in the food solutions category increased 7.9% year on year to ¥3,070 million.

Health Support

In the health support category, export sales of gelatin for capsules declined due to a slowdown in seaborne container shipments, but sales of collagen peptide for health and beauty applications in Japan and overseas grew, which helped to increase net sales overall.

In Japan, net sales of collagen peptide for health and beauty applications and gelatin for capsules increased driven by strong sales of new collagen products for customers and the recovery in in-store sales.

Overseas, sales of collagen peptide increased due to a recovery in demand for health and beauty applications in addition to sales growth of functional collagen peptide in the North America region. In Asia, net sales of collagen peptide for health and beauty applications which advertised the functionality increased. Meanwhile, net sales of gelatin for capsules declined due to the slowdown in seaborne container shipping, despite strong demand amid rising awareness toward health upkeep and promotion of health due to the COVID-19 pandemic. In India, sales of capsules for pharmaceutical and health food applications recovered, resulting in increased net sales.

As a result, overall sales in the health support category increased 11.5% year on year to ¥3,674 million.

Specialties

In the specialties category, net sales decreased 34.1% year on year to ¥837 million due to a decrease in sales from the completion of the transfer of the adhesives business in the previous fiscal year and a decrease in sales of gelatin for photography applications caused by people's voluntary restraint from going out.

(2) Description of Financial Position

(Assets)

Total assets amounted to ¥34,393 million at June 30, 2021, ¥521 million lower than at March 31, 2021. This was mainly attributable to decreases in cash and deposits of ¥469 million and machinery, equipment and vehicles, net of ¥219 million, which offset the increase in investment securities of ¥227 million.

(Liabilities)

Total liabilities stood at ¥15,222 million at June 30, 2021, ¥818 million lower than at March 31, 2021. This was mainly attributable to decreases in other current liabilities of ¥247 million and long-term loans payable of ¥604 million.

(Net assets)

Total net assets amounted to ¥19,170 million at June 30, 2021, ¥296 million higher than at March 31, 2021. This was mainly attributable to increases in retained earnings of ¥105 million, valuation difference on other available-for-sale securities of ¥120 million, and foreign currency translation adjustments of ¥63 million.

As a result, the equity ratio stood at 49.7% at June 30, 2021 compared with 48.1% at March 31, 2021.

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

The consolidated earnings forecast for the fiscal year ending March 31, 2022 is unchanged from the consolidated earnings forecast announced on May 13, 2021 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2021.”

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 2021 (As of March 31, 2021)	1Q Fiscal 2022 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	4,024	3,555
Notes and accounts receivable–trade	6,944	6,827
Merchandise and finished goods	5,069	5,235
Work in process	1,201	1,235
Raw materials and supplies	2,582	2,575
Other	459	271
Allowance for doubtful accounts	(15)	(15)
Total current assets	20,266	19,685
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,311	3,296
Machinery, equipment and vehicles, net	2,670	2,451
Other, net	3,127	3,151
Total property, plant and equipment	9,109	8,898
Intangible assets		
Goodwill	257	245
Other	244	241
Total intangible assets	502	487
Investments and other assets		
Investment securities	3,205	3,432
Other	1,938	1,996
Allowance for doubtful accounts	(106)	(106)
Total investments and other assets	5,036	5,321
Total noncurrent assets	14,648	14,708
Total assets	34,915	34,393

(Millions of yen)

	Fiscal 2021 (As of March 31, 2021)	1Q Fiscal 2022 (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	2,953	2,860
Short-term loans payable	1,964	2,057
Current portion of long-term loans payable	2,080	2,111
Income taxes payable	194	140
Provision for bonuses	209	315
Other	2,228	1,980
Total current liabilities	9,630	9,466
Noncurrent liabilities		
Long-term loans payable	3,925	3,321
Net defined benefit liability	1,598	1,584
Other	886	849
Total noncurrent liabilities	6,410	5,755
Total liabilities	16,041	15,222
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	9,690	9,795
Treasury stock	(200)	(200)
Total shareholders' equity	15,601	15,707
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	1,125	1,246
Deferred gains (losses) on hedges	3	(12)
Foreign currency translation adjustments	(82)	(19)
Remeasurements of defined benefit plans	145	167
Total accumulated other comprehensive income	1,192	1,382
Non-controlling interests	2,079	2,081
Total net assets	18,873	19,170
Total liabilities and net assets	34,915	34,393

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

Consolidated Statements of Income

(First quarter consolidated accounting period)

	(Millions of yen)	
	Three Months Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	Three Months Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
Net sales	7,409	7,581
Cost of sales	5,838	6,020
Gross profit on sales	1,570	1,561
Selling, general and administrative expenses	1,227	1,292
Operating income	343	268
Non-operating income		
Interest income	0	0
Dividend income	19	21
Rental income	8	14
Foreign exchange gain	-	10
Equity in earnings of affiliates	5	0
Other	18	12
Total non-operating income	52	60
Non-operating expenses		
Interest expenses	36	29
Foreign exchange losses	54	-
Other, net	1	1
Total non-operating expenses	91	31
Ordinary income	304	297
Extraordinary losses		
Loss on sale of noncurrent assets	-	0
Loss on retirement of noncurrent assets	0	0
Total extraordinary losses	0	0
Income before provision for income taxes	304	297
Income taxes	66	43
Net income	237	253
Net income attributable to non-controlling interests	25	39
Net income attributable to owners of the parent	212	213

Consolidated Statements of Comprehensive Income

(First quarter consolidated accounting period)

	(Millions of yen)	
	Three Months Ended June 30, 2020 (From April 1, 2020 to June 30, 2020)	Three Months Ended June 30, 2021 (From April 1, 2021 to June 30, 2021)
Net income	237	253
Other comprehensive income		
Valuation difference on other available-for-sale securities	11	120
Deferred gains (losses) on hedges	57	(27)
Foreign currency translation adjustments	(23)	(4)
Pension liability adjustment	38	19
Share of other comprehensive gains (losses) of associates accounted for using equity method	(19)	51
Total other comprehensive income	63	159
Total comprehensive income	301	413
Comprehensive income attributable to:		
Owners of the parent	257	403
Non-controlling interests	43	9

(3) Notes to Quarterly Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Note Concerning Significant Changes in Shareholders' Equity)

None

(Changes in Accounting Policy)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020, ASBJ; below, "Accounting Standard for Revenue Recognition") from the start of the first quarter. The Company now recognizes revenue in the amount expected to be received in exchange for goods and services at the point in time when the control of the promised goods and services are transferred to the customer.

As a result, sales commissions and sales promotion costs conventionally recorded in selling, general and administrative expenses have been deducted from net sales.

This change in accounting policy is applied retroactively, in principle, and the quarterly consolidated financial statements and consolidated financial statements reflect this change for the previous quarter and previous fiscal year. However, the following methods are applied as stipulated in Paragraph 85 of the Accounting Standard for Revenue Recognition.

- I. Information for comparison within contracts that recognized the amount of nearly all revenue following the previous handling until the start of the previous fiscal year will not be revised retroactively.
- II. Information for comparison regarding the amount of variable consideration included in contracts that recognized the amount of nearly all revenue following the previous handling until the start of the current fiscal year will be revised retroactively using the amount at the time the uncertainty concerning the amount of the variable consideration is eliminated.
- III. Consolidated quarterly financial statements for the previous fiscal year will not be revised retroactively regarding contracts that were started and ended within the previous fiscal year.
- IV. Information for comparison will be revised retroactively for contractual changes made prior to the start of the previous fiscal year by using accounting treatment based on the contractual conditions after reflecting all contractual changes.

As a result, compared to prior to the retroactive application, net sales for the previous first quarter declined by ¥4 million and selling, general and administrative expenses declined by ¥4 million, but operating income, ordinary income, and income before provision for income taxes were not impacted.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019, ASBJ; below, “Accounting Standard for Fair Value Measurement”) from the start of the first quarter. Following the transitional handling stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), the Company will apply the new accounting policy set forth in the Accounting Standard for Fair Value Measurement for all future years. There are no impacts on the Company’s quarterly consolidated financial statements as a result of this change.

(Additional Information)

There are no major changes to the assumptions about the impacts of the COVID-19 pandemic that were included in the “Important Accounting Estimates” section of the Annual Securities Report for the Fiscal Year Ended March 31, 2021.

(Segment Information)

I. Three Months Ended June 30, 2020

(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.

II. Three Months Ended June 30, 2021

(From April 1, 2021 to June 30, 2021)

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

(Subsequent Events)

The Company disposed of treasury stock as follows based on a resolution at the Board of Directors meeting held on July 15, 2021 regarding the disposal of treasury stock as restricted share-based remuneration.

1. Summary of disposal

(1) Disposal date	July 30, 2021
(2) Class and number of shares for disposal	The Company's common stock; 30,800 shares
(3) Disposal price	¥637 per share
(4) Total disposal amount	¥19,619,600
(5) Eligible persons for the allotment of shares, number of eligible persons, and number of shares to be allocated	Directors (excluding outside directors): 5 persons; 20,800 shares Executive Officers: 7 persons; 10,000 shares
(6) Other	The Company has submitted a securities notification regarding this disposal of treasury stock pursuant to the Financial Instruments and Exchange Act.

2. Purpose and reason of disposal

The Company passed a resolution at the meeting of the Board of Directors held on June 1, 2021 to introduce a new restricted share-based remuneration plan ("the Plan") for the Company's directors (excluding outside directors; below, "Eligible Directors") and Executive Officers (below, "Eligible Directors, etc." to collectively refer to both Eligible Directors and Executive Officers) in order to increase incentives more so than before toward the sustained enhancement of corporate value and to further share value with shareholders.

In addition, at the 82nd Ordinary General Meeting of Shareholders held on June 29, 2021, approval was obtained pursuant to the Plan regarding the establishment of an annual cap of ¥80 million for the total monetary remuneration paid to Eligible Directors, a cap of 80,000 shares on the number of restricted shares allocated in each fiscal year to Eligible Directors, and the period from the issuance of restricted shares to the day of retirement from the position of either the Company's director, Executive Officer, or employee as the restriction period of the restricted shares.

For the restricted share-based remuneration during the period from the 82nd Ordinary General Meeting of Shareholders held on June 29, 2021 to the 83rd Ordinary General Meeting of Shareholders that is scheduled to be held in June 2022, at the meeting of the Board of Directors held on July 15, 2021, a resolution was passed to pay monetary remuneration claims of ¥19,619,600 to the Eligible Directors, etc., and allot 30,800 of the Company's common

stock as specified restricted shares by having the Eligible Directors, etc. pay all said monetary remuneration claims according to the method of in-kind contribution.