



February 12, 2021

## Consolidated Financial Results for the Nine Months Ended December 31, 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: February 12, 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 nine months ended December 31, 2020

(April 1, 2020 to December 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	%
Nine months ended December 31, 2020	23,139	(13.0)	1,111	(20.2)	1,059	(33.3)	600	—
December 31, 2019	26,594	(1.8)	1,393	166.5	1,588	234.2	(733)	—

Note: Total comprehensive income

For the nine months ended December 31, 2020: ¥838 million (up 18.4%)

For the nine months ended December 31, 2019: ¥708 million (down 7.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended December 31, 2020	33.13	—
December 31, 2019	(39.90)	—

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 December 31, 2020	34,062	17,858	46.7
March 31, 2020	33,551	17,461	46.7

Reference: Equity

As of December 31, 2020: ¥15,909 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	—	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, 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
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 December 31, 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 December 31, 2020: 299,467 shares
    - As of March 31, 2020: 167 shares
  - c. Average number of shares
    - For the nine months ended December 31, 2020: 18,117,457 shares
    - For the nine months ended December 31, 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.

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

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

In the first nine months of the fiscal year ending March 31, 2021 (April 1 to December 31, 2020), the state of the global economy became even more tumultuous amid the stagnation of socioeconomic activities caused by the resurgence of COVID-19 cases in developed countries. The Japanese economy was in the process of recovery mainly thanks to the restart of economic activities and measures to spark demand for tourism, but the resurgence of COVID-19 cases nationwide caused another economic slowdown, resulting in an even cloudier outlook for the future.

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 enhance various business activities such as production, sales and distribution while proactively adopting telework, flexible work arrangements and web conferences in order to avoid the so-called three Cs: closed spaces, crowded places, and close-contact settings. In addition, to achieve the commitment of supporting athletes through the collagen business, the Group concluded a sponsorship agreement with a university team appearing in the 2021 Hakone Ekiden long distance relay and provided products to sports teams. Furthermore, to further focus on core domains, the Group passed a resolution on November 19, 2020 to execute an absorption-type merger of its wholly owned subsidiary Nitta Biolab Inc. and another resolution on December 17, 2020 to transfer its adhesives business (manufacturing) to Bostik-Nitta Co., Ltd., an associate accounted for using the equity method.

In this environment, the food and health food industries, the Group's main business partners, were impacted substantially due to the entrenchment of working from home and the loss of in-bound tourism demand. Meanwhile, there were signs of a recovery in the food-service industry due to the Go To campaign by the national government to promote leisure activities, but demand for foods from hotels, restaurants and cafes (HORECA market) declined mainly due to reduced business hours caused by the resurgence of infections. The Group's net sales declined 13.0% year on year to ¥23,139 million due to the impact of its withdrawal from the collagen casing business in the previous year and other reasons. Additionally, due to the decline in net sales, operating income fell 20.2% to ¥1,111 million and ordinary income dropped 33.3% to ¥1,059 million, while net income attributable to owners of parent totaled ¥600 million, compared to a net loss attributable to owners of parent in the previous year of ¥733 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 the food solutions category, net sales declined due the impacts of lower sales in Japan and the withdrawal from the collagen casing business.

In Japan, sales of gelatin for use at home in confectioneries and cooking continued to increase

amid rising demand for making sweets at home due to stay-at-home demand caused by the COVID-19 pandemic. However, sales declined for gelatin for gummy candy eaten by people when out or on the go, gelatin for soups and seasonings for food-service industry, and gelatin for use in delicatessen items for convenience stores mainly because demand continued to decline due to the entrenchment of working from home, voluntary restraint from going out, and reduced business hours in the food-service industry.

Overseas, sales to the markets for gummy candy, jelly confectioneries and other applications were solid in the North America due to the increased stay-at-home hours, but there was a substantial decline in net sales in the first nine months of the fiscal year caused by the withdrawal from the collagen casing business in the previous fiscal year.

As a result, overall sales in the food solutions category fell 24.8% year on year to ¥8,519 million.

### **Health support**

In the health support category, net sales were largely on par with the same period of the previous fiscal year as the increase in sales of collagen peptide for health and beauty applications in Asia helped to offset the decline in sales in Japan.

In Japan, sales of gelatin for capsules and collagen peptide for health and beauty applications declined due to the loss of in-bound tourism demand and the decline in in-store sales at drugstores and others caused by the COVID-19 pandemic.

Overseas, in North America sales of gelatin for capsules increased on people's rising awareness toward health upkeep and prevention caused by the COVID-19 pandemic, but in-store sales of collagen peptide health and beauty products declined, causing net sales to decline overall. In Asia, in addition to sales promotions to advertise the functionality of collagen peptide for health and beauty applications, sales of Halal-certified gelatin for capsules increased. In India, sales of capsules for pharmaceutical and health food applications declined.

As a result, overall sales in the health support category increased 0.2% year on year to ¥10,892 million.

### **Specialties**

In the specialties category, overall sales decreased 15.2% year on year to ¥3,726 million due to a decrease in sales of packaging adhesives 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 ¥34,062 million at December 31, 2020, ¥510 million higher than at March 31, 2020. This was mainly attributable to an increase in cash and deposits of ¥1,477 million compared to a decrease in inventories of ¥597 million and property, plant and equipment

of ¥375 million.

**(Liabilities)**

Total liabilities stood at ¥16,203 million at December 31, 2020, ¥113 million higher than at March 31, 2020. This was mainly attributable to an increase in long-term loans payable of ¥961 million compared to decreases in notes and accounts payable-trade of ¥309 million, short-term loans payable of ¥184 million and other current liabilities of ¥372 million.

**(Net assets)**

Total net assets amounted to ¥17,858 million at December 31, 2020, ¥397 million higher than at March 31, 2020. This was mainly attributable to increases in retained earnings of ¥381 million, remeasurements of defined benefit plans of ¥71 million, and non-controlling interests of ¥155 million, which offset a decrease of ¥199 million in purchase of treasury stock.

As a result, the equity ratio stood at 46.7% at December 31, 2020, the same ratio as 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)	3Q Fiscal 2021 (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	1,414	2,891
Notes and accounts receivable-trade	7,677	7,734
Merchandise and finished goods	5,674	5,611
Work in process	1,284	1,127
Raw materials and supplies	2,786	2,409
Other	499	463
Allowance for doubtful accounts	(15)	(14)
Total current assets	19,322	20,224
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,354	3,106
Machinery, equipment and vehicles, net	2,779	2,452
Other, net	3,049	3,248
Total property, plant and equipment	9,183	8,808
Intangible assets		
Goodwill	300	252
Other	220	210
Total intangible assets	521	462
Investments and other assets		
Investment securities	2,883	2,947
Other	1,746	1,719
Allowance for doubtful accounts	(105)	(100)
Total investments and other assets	4,524	4,566
Total noncurrent assets	14,229	13,837
Total assets	33,551	34,062



	(Millions of yen)	
	Fiscal 2020 (As of March 31, 2020)	3Q Fiscal 2021 (As of December 31, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable–trade	3,617	3,308
Short-term loans payable	1,844	1,660
Current portion of long-term loans payable	2,358	2,390
Income taxes payable	107	189
Provision for bonuses	219	134
Other	2,525	2,152
Total current liabilities	10,672	9,835
Noncurrent liabilities		
Long-term loans payable	3,225	4,186
Net defined benefit liability	1,647	1,646
Other	545	535
Total noncurrent liabilities	5,417	6,368
Total liabilities	16,090	16,203
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	9,166	9,548
Treasury stock	(0)	(200)
Total shareholders' equity	15,278	15,459
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	920	932
Deferred gains (losses) on hedges	(47)	(10)
Foreign currency translation adjustments	(346)	(407)
Remeasurements of defined benefit plans	(137)	(65)
Total accumulated other comprehensive income	389	449
Non-controlling interests	1,793	1,949
Total net assets	17,461	17,858
Total liabilities and net assets	33,551	34,062

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

### Consolidated Statements of Income

(Third quarter consolidated cumulative accounting period)

	(Millions of yen)	
	Nine Months Ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine Months Ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Net sales	26,594	23,139
Cost of sales	20,904	18,397
Gross profit on sales	5,689	4,741
Selling, general and administrative expenses	4,296	3,630
Operating income	1,393	1,111
Non-operating income		
Interest income	5	4
Dividend income	42	40
Foreign exchange gains	53	-
Equity in earnings of affiliates	150	50
Other	93	92
Total non-operating income	345	186
Non-operating expenses		
Interest expenses	133	83
Foreign exchange losses	-	146
Other	16	8
Total non-operating expenses	149	238
Ordinary income	1,588	1,059
Extraordinary gains		
Gain on sales of noncurrent assets	18	-
Reversal of allowance for doubtful accounts	29	-
Gain on sales of stocks of subsidiaries and associates	6	-
Total extraordinary gains	54	-
Extraordinary losses		
Loss on retirement of noncurrent assets	4	4
Loss on sales of stocks of subsidiaries and associates	2,752	-
Impairment loss	-	44
Total extraordinary losses	2,757	48
Income (loss) before provision of income taxes	(1,113)	1,011
Income taxes	(551)	248
Net income (loss)	(562)	762
Net income attributable to non-controlling interests	171	162
Net income (loss) attributable to owners of the parent	(733)	600

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

	(Millions of yen)	
	Nine Months Ended December 31, 2019 (From April 1, 2019 to December 31, 2019)	Nine Months Ended December 31, 2020 (From April 1, 2020 to December 31, 2020)
Net income (loss)	(562)	762
Other comprehensive income		
Valuation difference on other available-for-sale securities	(70)	13
Deferred gains (losses) on hedges	(14)	87
Foreign currency translation adjustments	(440)	(85)
Pension liability adjustment	1,817	67
Share of other comprehensive losses of associates	(21)	(7)
Total other comprehensive income	1,270	75
Total comprehensive income	708	838
Comprehensive income attributable to:		
Owners of the parent	621	660
Non-controlling interests	86	177

### **(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 nine months of the year ending March 31, 2021, resulting in a balance of ¥200 million as of December 31, 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 December 31, 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. Nine Months Ended December 31, 2019**

(From April 1, 2019 to December 31, 2019)

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

#### **II. Nine Months Ended December 31, 2020**

(From April 1, 2020 to December 31, 2020)

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

(Subsequent Events)

Business divestiture

The Company carried out a company split effective February 1, 2021 in which Bostik-Nitta Co., Ltd. was the successor company and the Company's adhesives business (manufacturing) was the splitting company, pursuant to the resolution passed at the Board of Directors meeting held on December 17, 2020.

1. Outline of Business Divestiture

(1) Name of company that succeeded the divested business

Bostik-Nitta Co., Ltd.

(2) Business description of divested business

Adhesives business (manufacturing)

(3) Primary reason for business divestiture

The Company divested its adhesives business (excluding manufacturing) to Bostik-Nitta Co., Ltd. on August 1, 2018 by executing a simple absorption-type split as the first stage of transferring the Company's adhesives business to Bostik-Nitta Co., Ltd., with the goal of pursuing the greater growth of the adhesives business. Afterwards, construction of a new plant for the adhesives business was completed at the site of the plant that was sold by the Company, and the new plant is now in full commercial operation.

As a result, as the second stage for transferring the Company's adhesives business to Bostik-Nitta Co., Ltd., an agreement was reached between the Company and Bostik-Nitta Co., Ltd. to transfer assets and liabilities related to the manufacturing aspect of the Company's adhesives business; contractual status, rights and obligations; and employees mainly engaged in manufacturing to Bostik-Nitta Co., Ltd. using a company split.

(4) Date of business divestiture

February 1, 2021

(5) Outline of the transaction including legal format

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

2. Outline of accounting treatment

(1) Amount of loss on transfer of business (planned)

¥ 0 million

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

Current assets	¥454 million
Noncurrent assets	<u>1</u>
Total assets	<u>455</u>
Current liabilities	10
Noncurrent liabilities	<u>96</u>
Total liabilities	<u>117</u>

- (3) Accounting treatment

The difference between the consideration for the transfer and the amount equivalent to shareholders' equity related to the transferred business will be booked in the fourth quarter of the fiscal year ending March 31, 2021.

3. Name of 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 loss attributable to the divested business recorded on the consolidated statement of income for the period under review

	<u>Third quarter cumulative accounting period</u>
Net sales	¥1,842 million
Operating loss	¥123 million