
Financial Results Presentation

for the Year

Ended March 31, 2014



Nitta Gelatin Inc.

May 16, 2014

1. Business Overview
2. Results for Year Ended March 31, 2014
3. Outlook for Year Ending March 31, 2015
4. Medium-Term Management Plan Progress

<Disclaimer>

The opinions, outlooks, forecasts and other forward looking statements contained herein are based on Nitta Gelatin Inc.'s judgments as of when this presentation was compiled.

Accuracy of information contained in this presentation is by no means guaranteed. Please be aware that the Company's earnings going forward may vary materially from the content of this presentation depending on various variables including the market environment.

1. Business Overview

Company Overview

Name	Nitta Gelatin Inc.
Representative	Norimichi Soga , Representative Director and President
Head Office	4-4-26, Sakuragawa, Naniwa-ku, Osaka (P.C.556-0022), Japan
Establishment	January 1918
Stock Listing	First Section of the Tokyo Stock Exchange (Stock code: 4977)
Capital	¥3,144 million
Consolidated Net Sales	¥32.8 billion (Year ended March 31, 2014)
Consolidated Employees	635 (As of March 31, 2014)

2. Results for Year Ended March 31, 2014

Business Performance (1) : Net Sales

Net Sales : ¥32,814 million

Change : ¥4,041 million

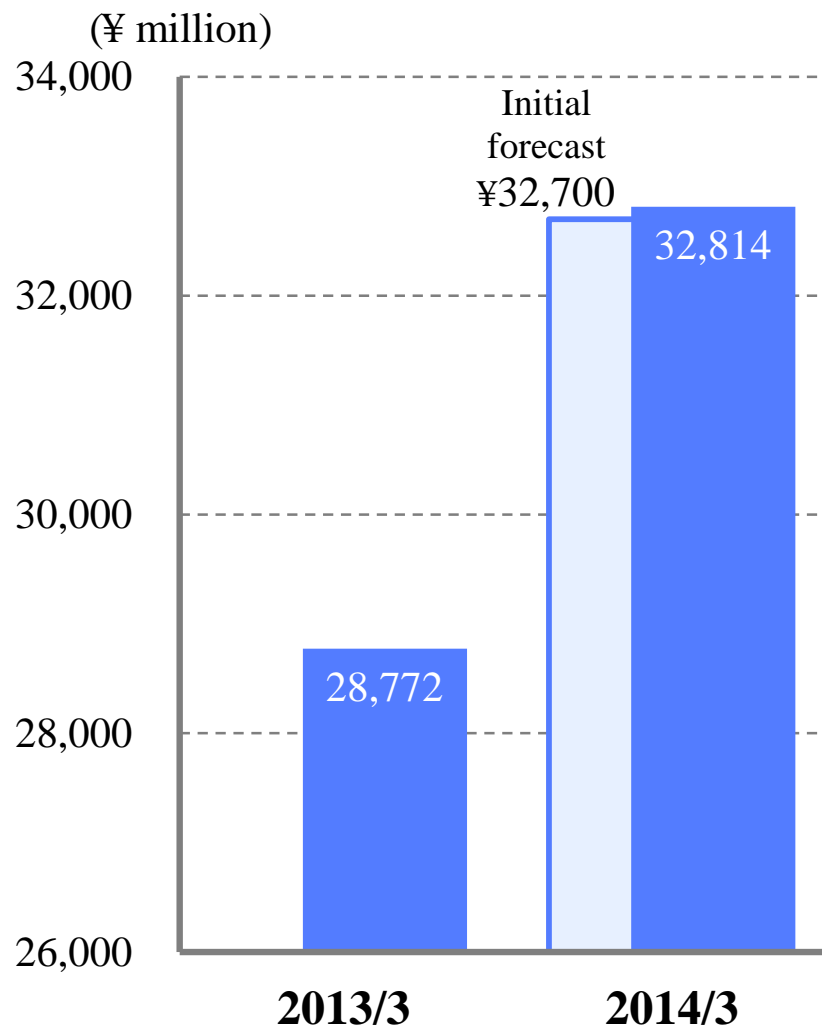
% Change: +14.0 %

■ Increased sales due to larger sales volume and price revisions

■ Increased sales due to exchange rate impacts

Exchange Rate :

¥83.22/\$ → ¥99.97/\$



Business Performance (2) : **Operating Income**

Operating Income : ¥955 million

Change : ¥△640 million

% Change : △40.1 %

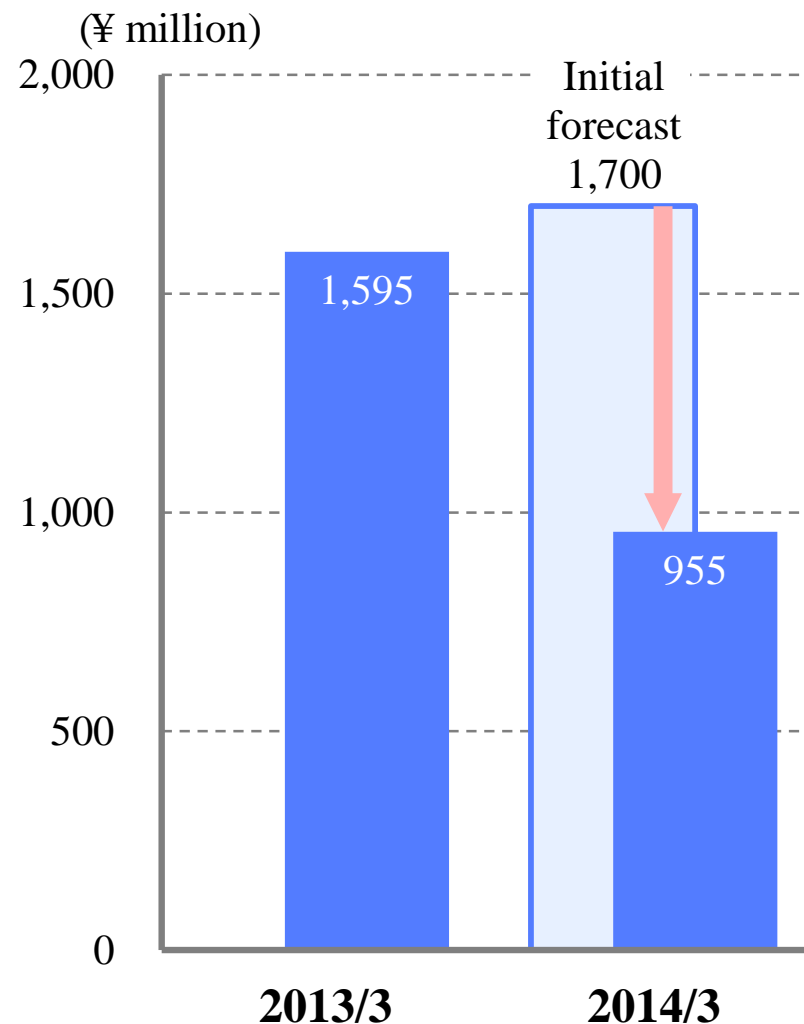
■ Increased purchase price resulting from the weak yen

■ Rise in raw material prices

■ Delay in price revisions in Japan

■ Casing quality problems

■ Delay in the adoption of new sealants by customers



Causes for Profits Decrease

1. Delay in Price Revisions in Japan

Rise in Raw Material Cost

- Increased demand from other users
- No increase in slaughter quantity

Rise in Production Cost

Overseas : Price revisions have been conducted

Weak Yen

Japan : Delay in the progress of price revisions

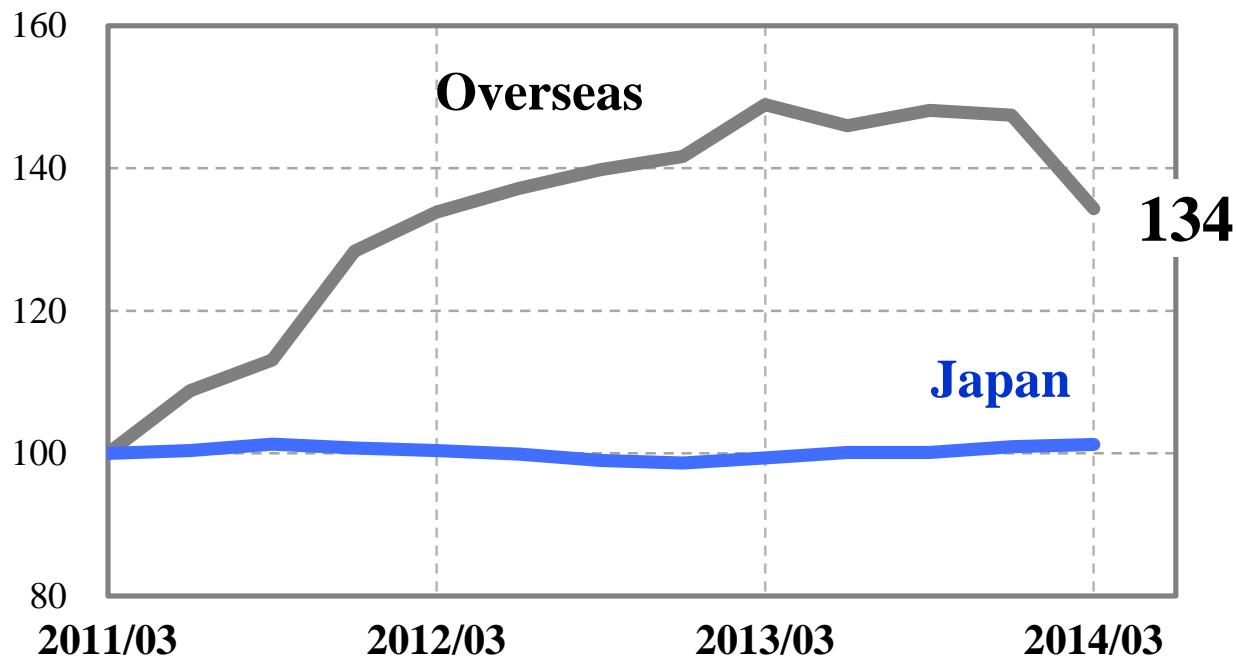
Decrease in Profits

Causes for Profits Decrease

2. Gelatin Market Situations

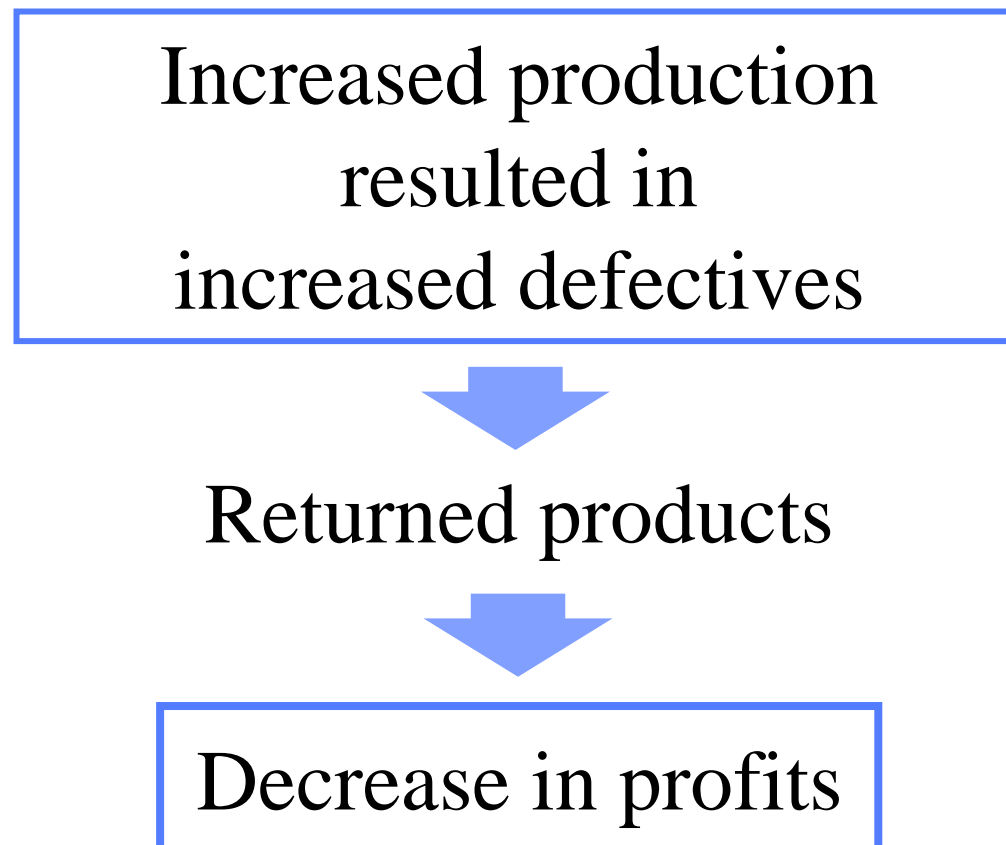
- Gelatin prices remained high due to short supply in the global market
- Increasing demand for gelatin in Asian countries such as China and India

Gelatin Unit Sales Price Index



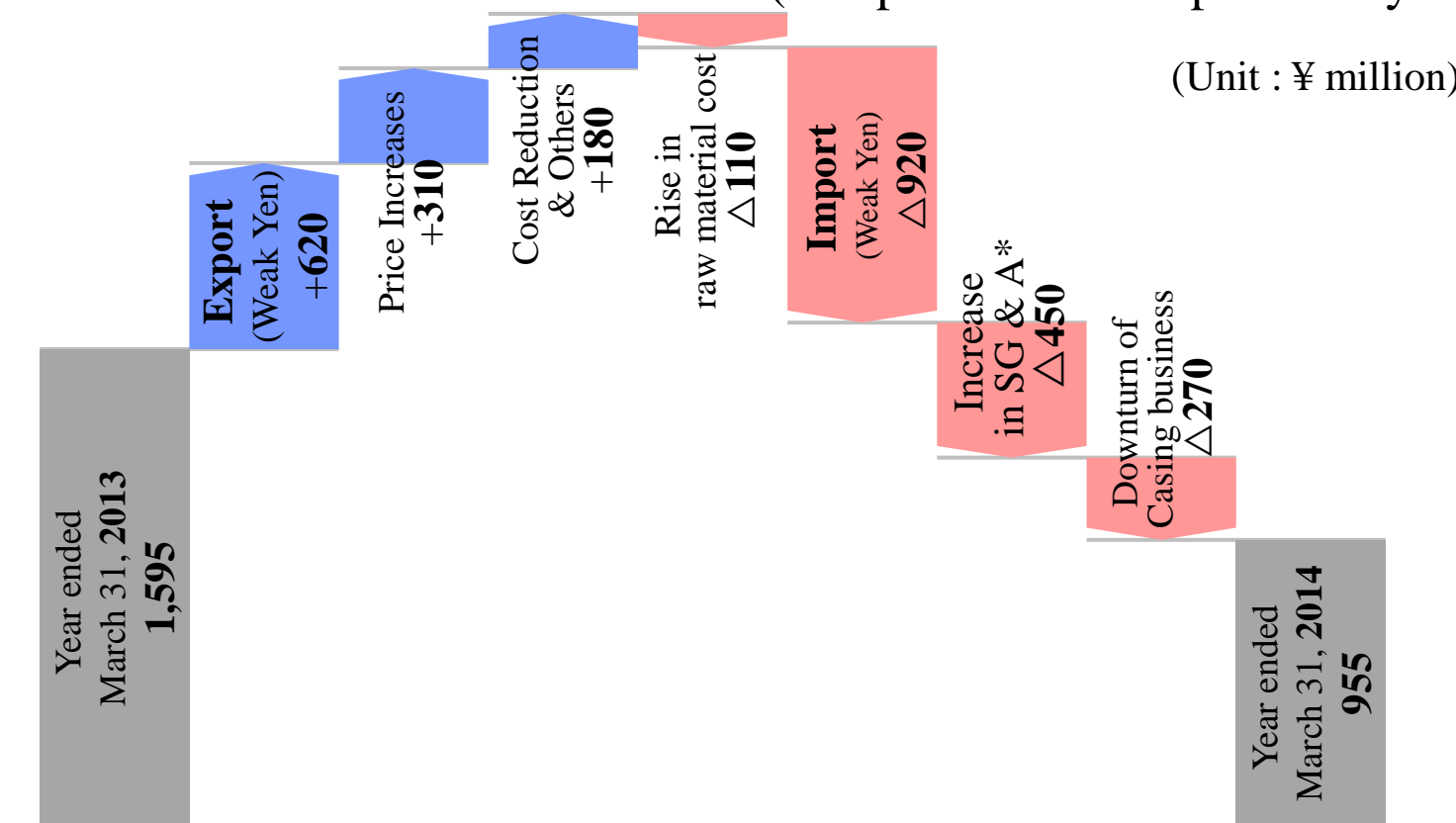
Causes for Profits Decrease

3. Casing Quality Problems



Causes for Increase & Decrease in Consolidated Operating Income

(compared with the previous year)



SG & A : selling, general and administrative expenses

Business Performance (3) : Ordinary Income

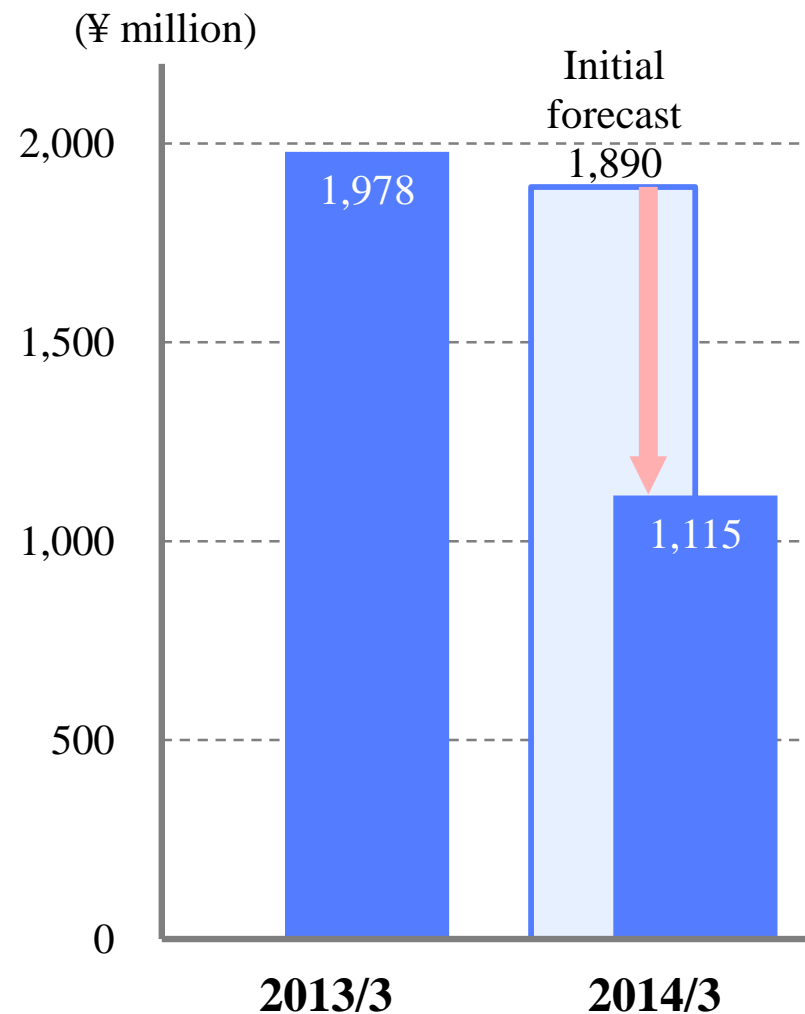
Ordinary Income : ¥1,115 million

Change : ¥△863 million

% Change : △43.6 %

■ Decrease in operating profit

■ Decrease in equity in earnings of affiliates



Business Performance (4) : **Net Income**

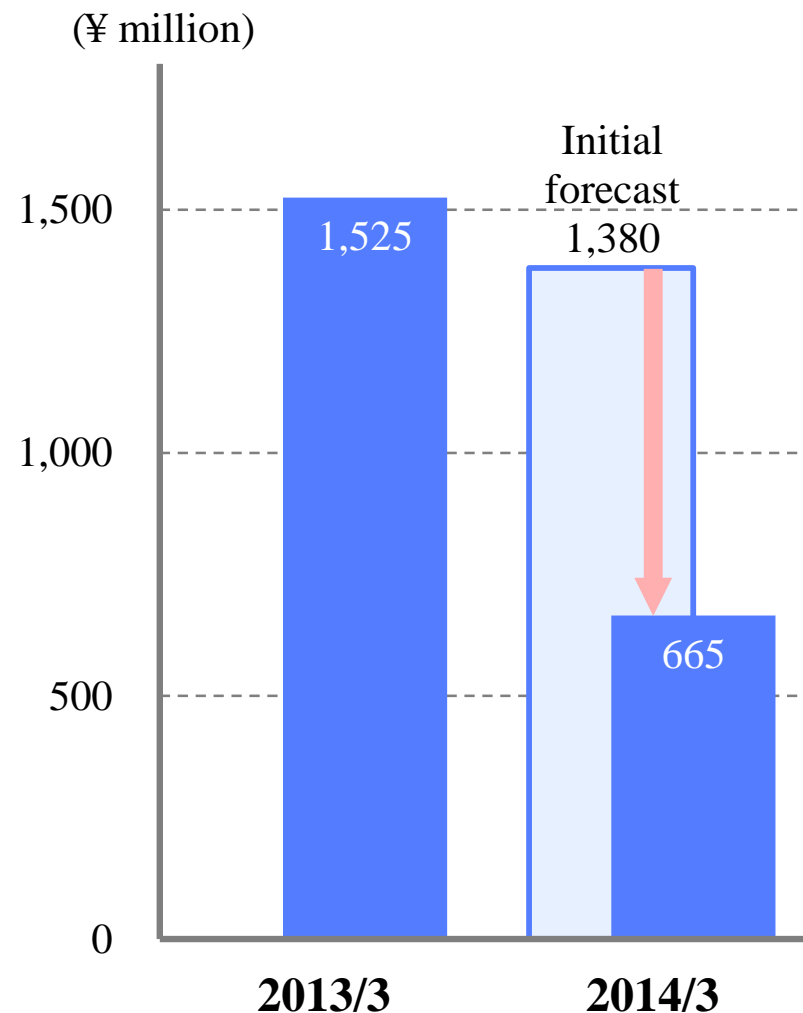
Net Income : ¥665 million

Change : ¥△859 million

% Change : △56.4 %

■ Extraordinary income : Compensation received due to equipment failure of a subsidiary in USA

■ Extraordinary loss : Net assets decreased by equity interests change of affiliates in India



Loss on Change in Equity

Amendment of
Indian Shareholding Regulations



Public Shareholders Ratio
More than 25%

As of March 31, 2013

	Number of Shares (thousand shares)	Ratio
Nitta Gelatin	3,900	46.4%
KSIDC*	2,862	34.1%
Public Shareholders	1,637	19.5%
Total	8,400	100.0%

As of March 31, 2014

Increase in
the Number
of Shares
Held by
Public
Shareholders
+679
thousand shares



	Number of Shares (thousand shares)	Ratio	Change
Nitta Gelatin	3,900	43.0%	△3.4p
KSIDC*	2,860	31.5%	△2.6p
Public Shareholders	2,316	25.5%	+6.0p
Total	9,079	100.0%	—

Reduction in the Company's shareholding
in Nitta Gelatin India



△ ¥104 million
(Extraordinary loss)

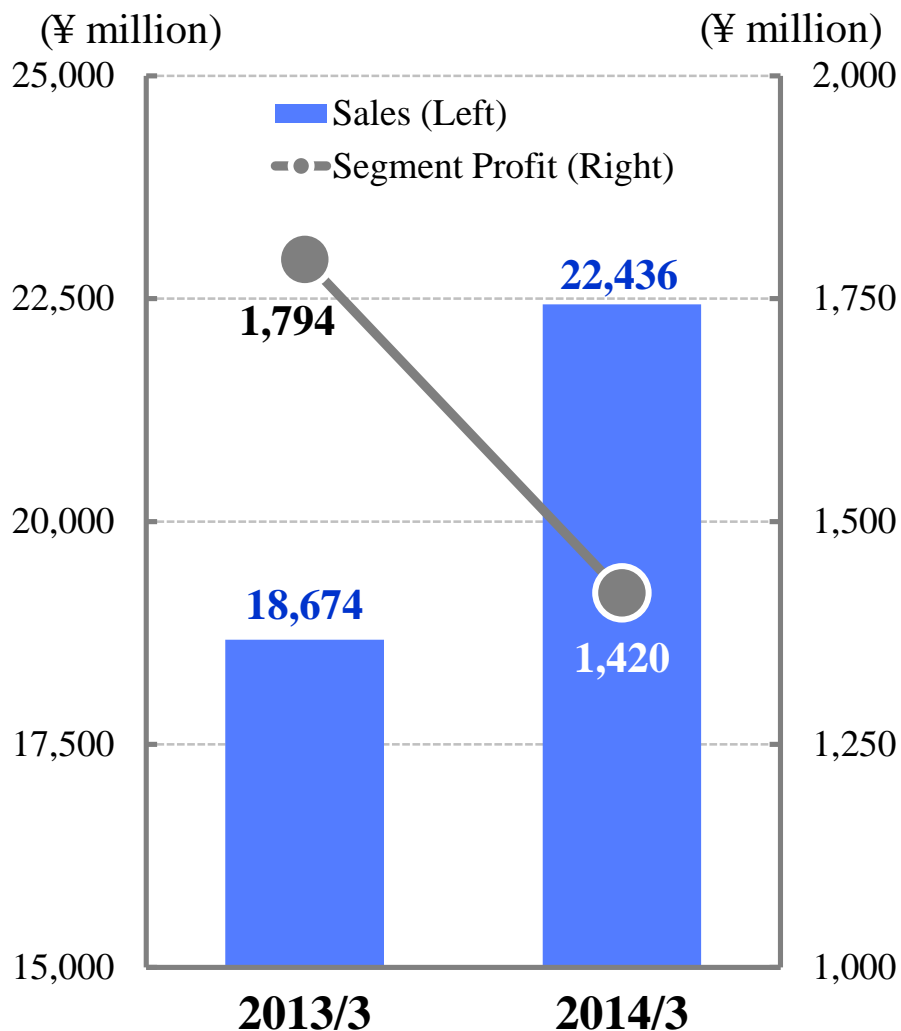
KSIDC : Kerala State Industrial Development Corporation

Collagen Material Business

■ Sales rose, income fell from the year before

■ Highlights

- Gelatin Business:
 - (Japan)
 - Strong performance in gelatin for food and capsules
 - Rise in purchase price by weak yen
 - Rise in raw material prices
 - Increasing energy cost
 - (Overseas)
 - Robust demand in gelatin for food and capsules
 - Strong sales due to price revisions
- Peptide Business:
 - Strong sales in Asia and Japan
 - Rise in raw material prices
- Collagen Casing Business:
 - Sluggish sales due to quality problems
 - ➡ resulted in a loss



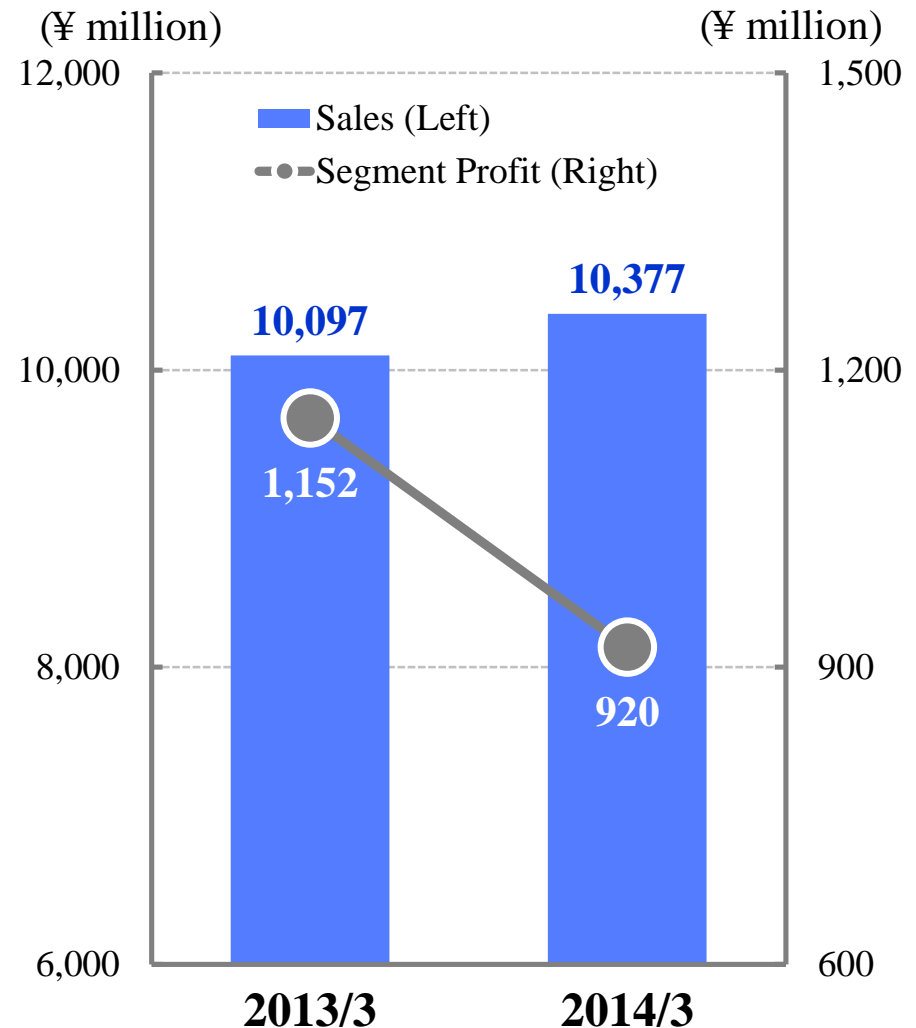
Formula Solution Business

■ Sales rose, income fell from the year before

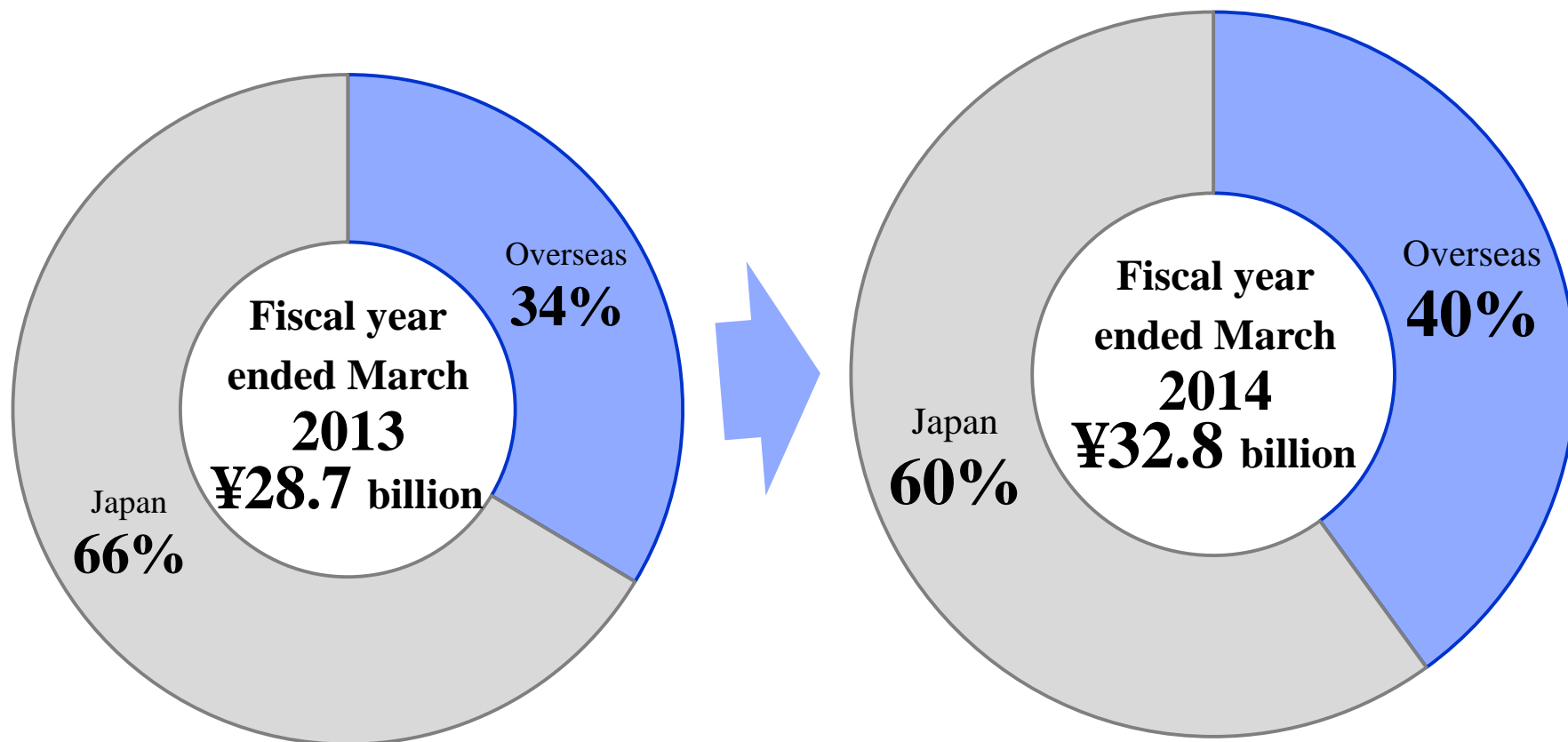
■ Highlights

- Food Materials Business :
 - Sluggish growth as a whole
 - Rise in raw material prices

- Adhesives Business :
 - Strong performance in hot-melt type adhesive
 - Delay in the adoption of new sealants by customers
 - Rise in raw material prices



Overseas Sales Ratio



Balance Sheets (B/S)

- Assets increased due to increases in Notes and accounts receivable, Property, plant and equipment
- Shareholders' equity increased by public offering

(¥ million)

(¥ million)

	2013/3	2014/3	Change
Current assets	15,319	18,685	+3,365
Notes and accounts receivable-trade	5,839	8,164	+2,324
Inventory	6,831	7,642	+810
Other	2,648	2,878	+229
Noncurrent assets	9,870	12,704	+2,833
Property, plant and equipment	6,287	8,804	+2,516
Intangible assets	48	50	+2
Investments and other assets	3,534	3,849	+314
Total assets	25,190	31,389	+6,199

	2013/3	2014/3	Change
Current liabilities	9,637	10,080	+443
Notes and accounts payable-trade	3,736	4,255	+518
Other	5,900	5,824	△75
Noncurrent liabilities	5,828	7,528	+1,699
Long-term loans payable	3,142	4,415	+1,273
Other	2,686	3,112	+425
Total liabilities	15,465	17,608	+2,142
Shareholders' equity	11,170	14,734	+3,564
Accumulated other comprehensive income	△1,592	△1,097	+494
Minority interests	147	144	△3
Total net assets	9,724	13,781	+4,056
Total liabilities and net assets	25,190	31,389	+6,199

Capital Investment

(¥ million)	Forecast	Results
Capital expenditure	3,400	2,949
Depreciation and amortization	900	914

- **Nitta Casings Inc. (USA)**
Productivity improvement demonstration facility completed in May 2014
- **Beijing Nitta Collagen Casing Co., Ltd. (China)**
Shirring facilities began operating in July 2013
- **Construction of Peptide Plant in USA**
Completed in May 2014
- **Nitta Gelatin Vietnam Co., Ltd. (Vietnam)**
Gelling agent manufacturing plant to be completed in the end of May 2014



Shirring facilities (China)

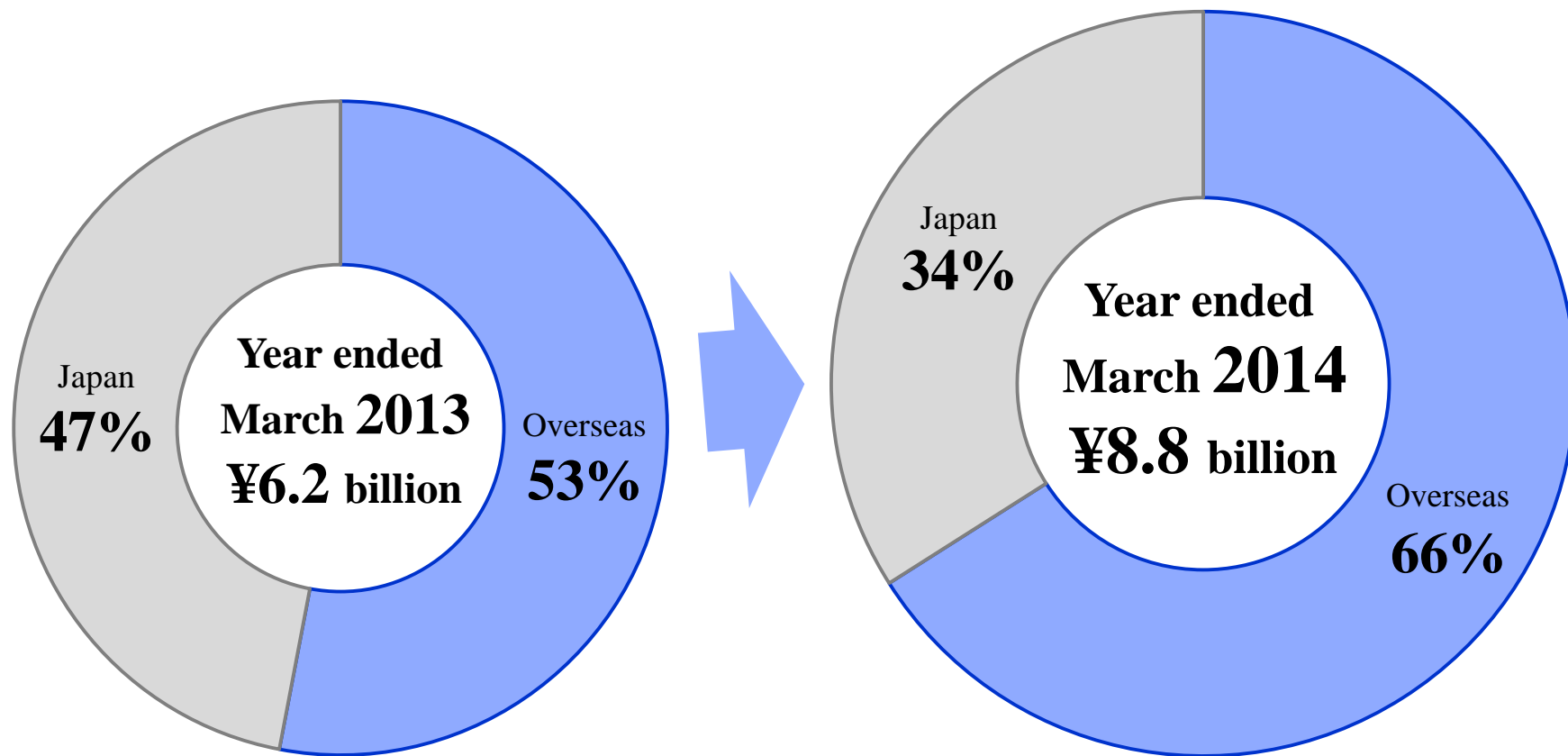


Peptide Plant in USA



Vietnam plant completion drawing

Overseas Ratio in Property, Plant and Equipment



Topics

● Acquisition of FSSC 22000

FSSC : Food Safety Management System certification

- Nitta Gelatin Inc. Osaka Plant (Gelatin) Mar. 2014
- Nitta Gelatin Canada, Inc. (Gelatin) Aug. 2012
- Nitta Gelatin USA, Inc. (Gelatin) Oct. 2012
- Nitta Gelatin India Ltd. (Gelatin) June 2014 scheduled
- Guangdong Baiwei Bio Material Co., Ltd (Peptide) Apr. 2013



Certificate of registration (Osaka Plant)

● Collagenaid® Receives Monde Selection's Grand Gold Quality Award for the Third Straight Year



Topics

Promotion of Brand Strategy

- Participation in 43rd INTERNEPCON JAPAN Exhibition (Tokyo)
- Participation in 18th Food Ingredients China Exhibition (China)
- Healthy Long Life and Anti-Aging Seminar (Osaka)

G-zain™



INTERNEPCON JAPAN Exhibition 2014

Wellnex®



Food Ingredients China Exhibition 2014

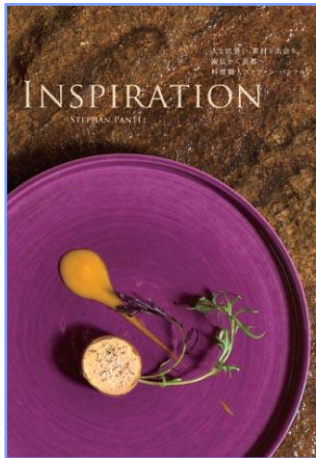


Healthy Long Life and Anti-Aging Seminar

Topics

- PR Activities

Gelatin recipe book publication



INSPIRATION



“Syokuiku”(Food Education) Aug. 2013
[Professionals magazine of school lunch]



“Sozai no Chikara” No.13 (spring of 2014 issue)
[Free magazine for restaurant chefs]

Consolidated Statements of Cash Flows (C/F)

- Operating CF : Proceeds from assignment of accounts receivable decreased
- Investing CF : Net cash used in plant investments increased
- Financing CF : Proceeds from public offering and bank loans increased

(¥ million)	2013/3	2014/3
Net cash from operating activities	2,050	△692
Net cash from investing activities	△1,557	△3,105
Net cash from financing activities	△376	3,875
Increase in cash and cash equivalents	180	147
End balance of cash and cash equivalents	2,258	2,406

Fund Procurement by Public Subscription and Third-Party Offering

Number of new shares : **2,603,900** shares

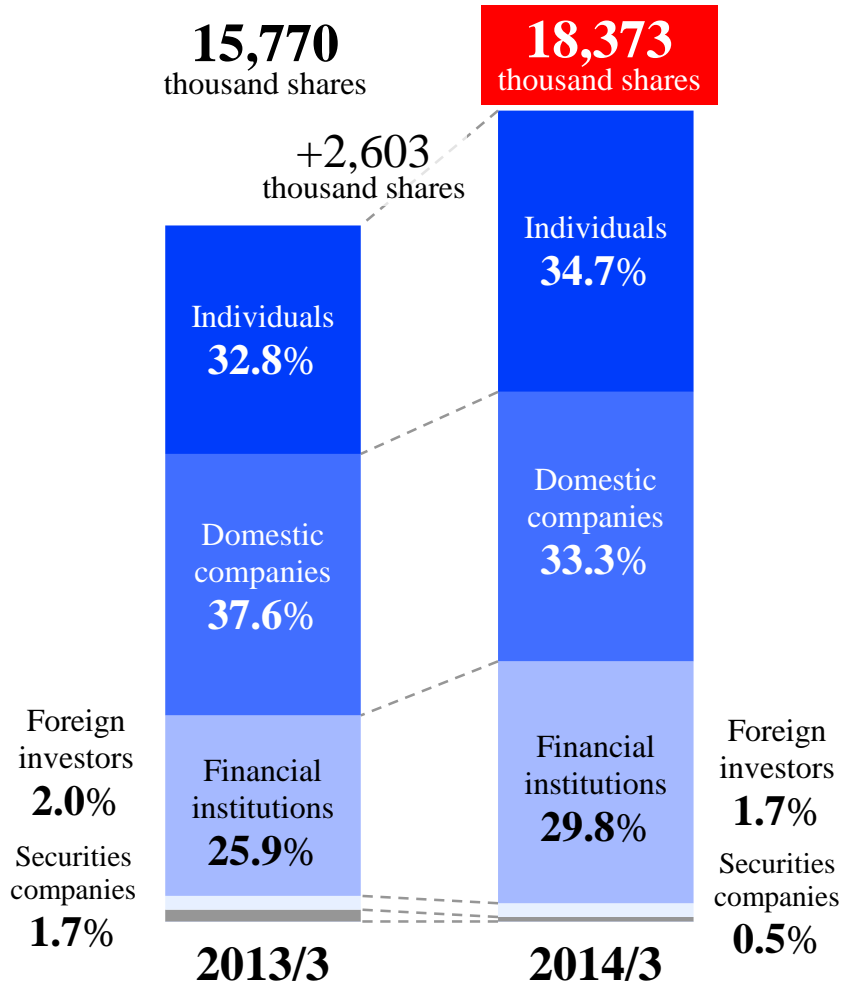


Procurement funds : **¥3.1** billion

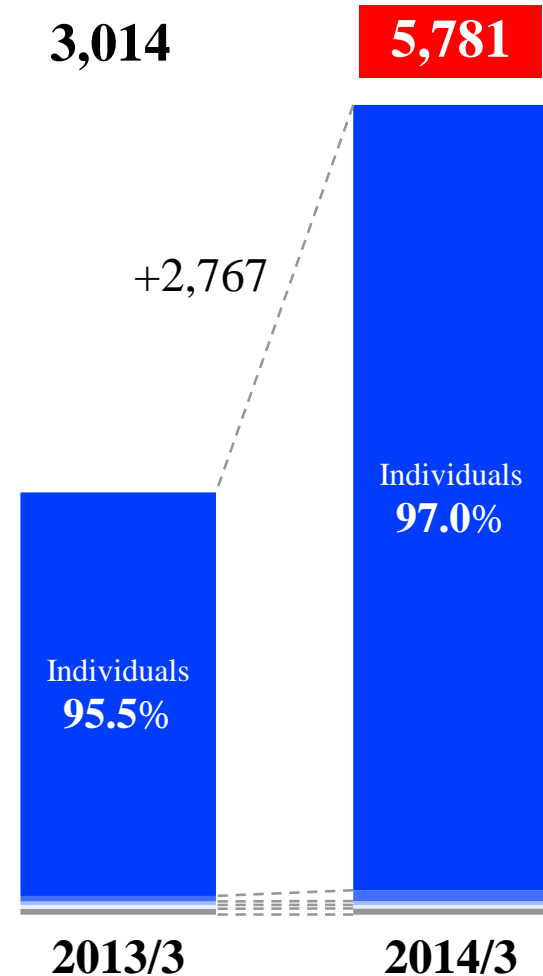
Number of issued shares : **18,373,974** shares

Share Distribution

Number of Shares Issued



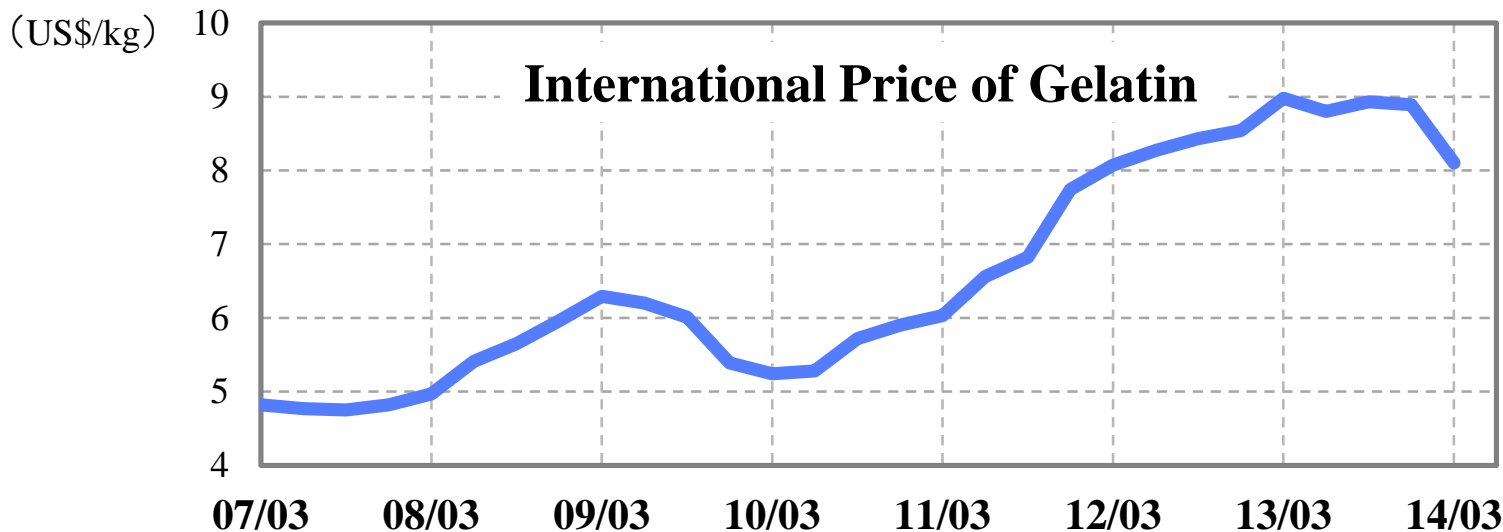
Number of Shareholders



3. Outlook for Year Ending March 31, 2015

External Business Environment in Year Ending March 31, 2015

- International gelatin prices are projected to remain high based on increased demand and tight raw material supplies
- Demand for casing, gelatin and peptide is growing in Asian countries
- Weak yen continues
- Outbreak of porcine epidemic diarrhea (PED) in North America



Source: IMR INTERNATIONAL

Forecasts for Year Ending March 31, 2015

(¥ million)		2014/3	2015/3 (Mid-term)	2015/3 (Forecast)		
					vs. 2014/3	vs. Mid-term
Net Sales		32,814	38,600	36,500	+11.2%	Δ5.4%
Operating Income		955	2,700	1,800	+88.4%	Δ33.3%
	Margin	2.9%	7.0%	4.9%	—	—
Ordinary Income		1,115	2,600	1,900	+70.4%	Δ26.9%
	Margin	3.4%	6.7%	5.2%	—	—
Net Income		665	1,500	1,200	+80.3%	Δ20.0%
	Margin	2.0%	3.9%	3.3%	—	—

Prerequisites for Outlook

1. Price revisions completed in the Japanese market
2. Thorough reduction of manufacturing cost
3. SG & A reduction in the whole Group
4. Business expansion and stable supply of gelatin, casing and peptide.
5. Profit expansion of Sealing Materials Business
6. Conversion of Indian affiliate to consolidated subsidiary completed in the year ending March 31, 2016

SG & A : selling, general and administrative expenses

Sales Forecasts by Segment

(¥ million)	Net sales			Segment profit		
	2014/3 (Result)	2015/3 (Forecast)	Change	2014/3 (Result)	2015/3 (Forecast)	Change
Collagen Material business	22,436	26,000	+15.9%	1,420	2,270	+59.9%
Formula Solution business	10,377	10,500	+1.2%	920	990	+7.6%
(Elimination or corporate expenses)	—	—	—	△1,384	△1,460	—
Total	32,814	36,500	+11.2%	955	1,800	+88.5%

Investment Plan

(¥ million)	2013/3 (Result)	2014/3 (Result)	2015/3 (Forecast)
Capital investment	1,193	2,949	3,000
Depreciation	825	914	1,315

2015/3 Outline of Main Capital Investments

(¥ million)	Investment amount	Investment benefit (goal)
New buildings, production facilities in Osaka Plant	800	Sealing business expansion
Upgrade collagen casing production facilities in North America	600	Improve productivity and quality
Upgrade gelatin manufacturing facilities in Osaka Plant	500	Improve productivity and quality
Others	1,100	Energy-saving and productivity enhancing equipment, production facilities of collagen for medical use, etc.

Shareholder Returns

<Dividend Forecast>

Year ended March 31, 2014 : ¥6 per share year-end dividend

Year ending March 31, 2015 : ¥12 per share annual dividend
(¥6 interim dividend)
(¥6 year-end dividend)

<Shareholder Benefit Program>

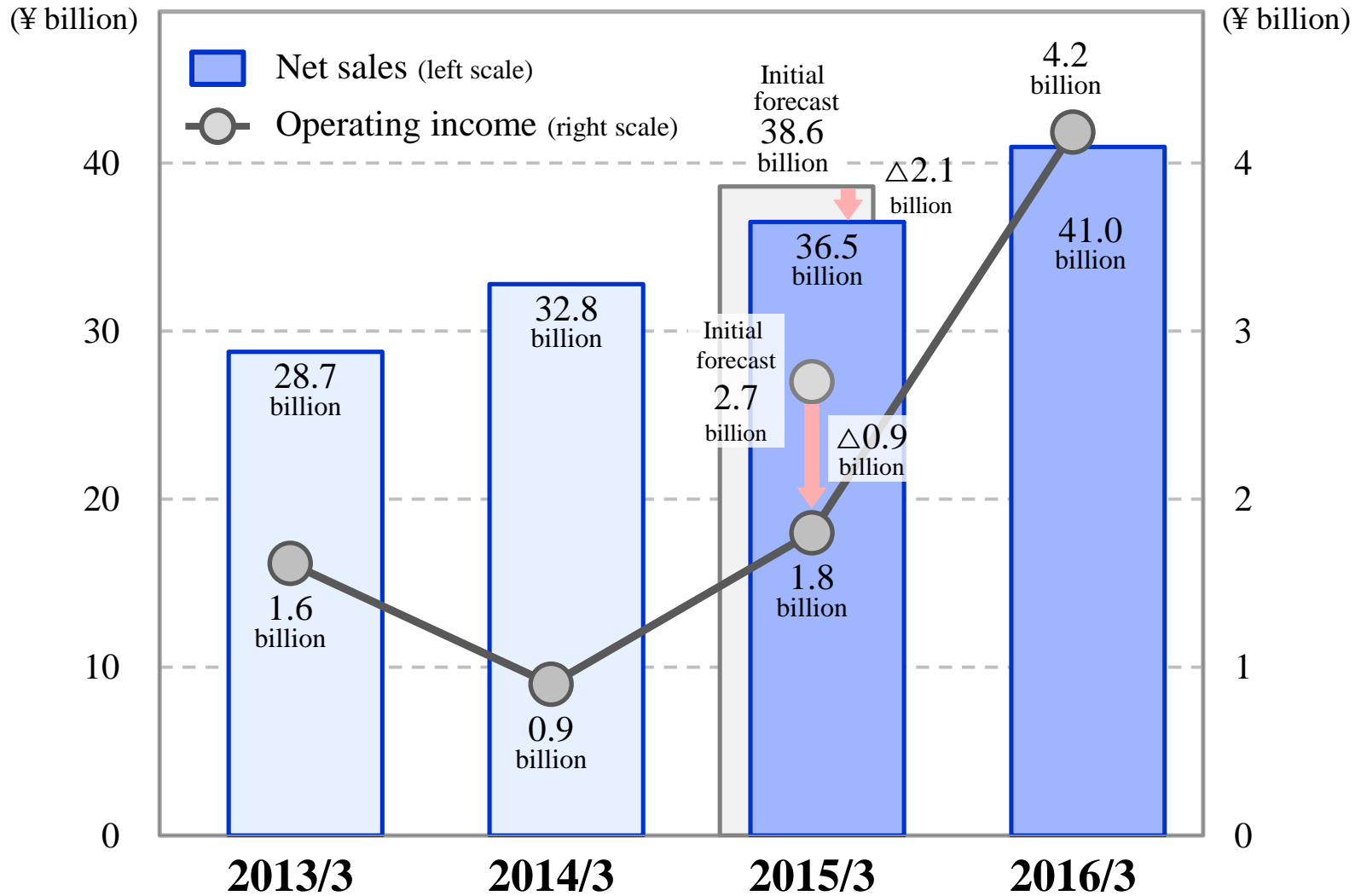
Plans call for continuing the program

Benefit details

- 100 to less than 500 shares :
¥1,000 shopping certificate for Nitta Gelatin products
- 500 or more shares : Nitta Gelatin products worth ¥3,000, such as health foods

4. Medium-Term Management Plan Progress

Medium-Term Management Plan



Business Strategies

Division	Strategy
Gelatin	<ul style="list-style-type: none"> • Hone competitiveness by achieving globally competitive costs • Convert Group companies in India into subsidiaries • Increase supply capabilities: Boost production in North America and India, and strengthen new supply bases • Expand sales: Develop differentiated products and new applications, and create new markets
Peptide	<ul style="list-style-type: none"> • Strengthen supply capabilities and expand sales • Expand business in China • Popularize the global brand Wellnex
Casing	<ul style="list-style-type: none"> • Enhance North American plant productivity and expand sales • Promote efforts to build a production and sales framework in China
Food materials	<ul style="list-style-type: none"> • Expand sales by strengthening application lab functions • Expand business in Vietnam
Adhesives	<ul style="list-style-type: none"> • Enlarge business by expanding sealing materials globally

Capital Investment

Planned Investment: ¥11.0 billion

(April 2013 to March 2016)

- Deploy new facilities in the casing business
 - Improve North American plant productivity
 - Develop a production and sales framework in China
- Construct U.S. peptide plant (completed)
- Deploy facilities to boost efficiency at the Osaka Plant
- Deploy facilities to ramp up gelatin production

**Leader in Asia
and
Globally Unique Enterprise**

Thank you for your attention.



Nitta Gelatin Inc.