We Live for Your Life

GLOBAL GELATIN SPECIALIST

Annual Report 2012

for the year ended March 31, 2012

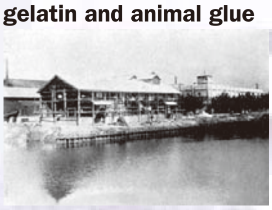
Nitta Gelatin Inc.

Nitta Gelatin Group History

The founder Chojiro Nitta started leather production in 1885, and then established NITTA LEATHER BELTING Limited Partnership Company in 1909. In 1918, it started manufacturing and selling gelatin and glue. These products were only used for industrial applications at that time. When the Showa Era started in 1926, the company began manufacturing edible and pharmaceutical gelatin. In 1935, the present day Osaka Plant was completed to respond to fast-growing gelatin demand. Photographic gelatin production started thereafter.

In 1945, Nitta Glue and Gelatin Co., Ltd. (the present day Nitta Gelatin Inc.) was established. In 1971, the adhesives business started, followed in 1974 by the start of the food material business to diversify businesses.

Started production of gelatin and animal glue



1918

1918
Started production of animal glue and industrial gelatin for the first time in Japan with industrial production methods introduced from the West

1930
Succeeded in producing thin leaf gelatin
Succeeded in producing edible thin leaf gelatin of a high quality, and began marketing it

1935
Completed the Osaka Plant

1937
Started production of photographic gelatin
After having relied on imports, research yielded Japan's first domestically made photographic gelatin

1968
Established Hikone Gelatin Inc.

1970

1971
Started an adhesives business
Commenced an adhesives business by developing high-speed, hot-melt-type adhesives as a replacement for animal glue

1974
Started a food material business
Began marketing various food products containing natural polysaccharides and other ingredients, in addition to gelatin

1975
Established Nitta Gelatin India Ltd. (India)

1979
Established Nitta Gelatin NA Inc. (U.S.)

1980

Note: The Company name recorded is the current Company name.

In 1975, Nitta Gelatin established a material pre-processing factory in India, making the company one of the earliest Japanese companies to branch out overseas at that time. Nitta Gelatin has continued to develop overseas: a sales subsidiary was established in the U.S. in 1979, a gelatin plant was established in Canada in 1990, and a casing business was started in North America in 1996. Furthermore, gelatin production started in India in 1999 and in the U.S. in 2004.

Nitta Gelatin started a full-fledged peptide business in 2000.

In China, a collagen peptide manufacturing company was established in 2010, followed by a sales company in 2011, with the aim of strengthening our business in China going forward.

1982
Established Bostik-Nitta Co., Ltd.

1990
Established Nitta Gelatin Canada, Inc. (Canada)

1996
Established Nitta Casings Inc. (U.S.)

2004
Established Nitta Gelatin USA, Inc. (U.S.)

2010
Established Guangdong Baiwei Bio Material Co., Ltd. (China)

2011
Established Shanghai Nitta Gelatin Co., Ltd. (China)

1990 · 2000 · 2010

1996
Started a casing business
Commercialized a collagen casing business in North America, after many years of research

1999
Began production of gelatin in India
Started production of gelatin in India in response to the demand in Asia

2000
Started a peptide business
Fully entered the collagen peptide business in response to new applications, including as a health food

2001
Moved into the consumer products business
Began marketing *Collagenaid*®, a collagen food supplement, to general consumers

Contents

The earnings forecasts in this Annual Report are forward-looking statements

The earnings forecasts in this Annual Report are forward-looking statements made on the basis of information available at the time forecasts are made and other certain assumptions deemed reasonable. Therefore, actual earnings may differ from forecast figures as a result of changes in business performance and other factors.

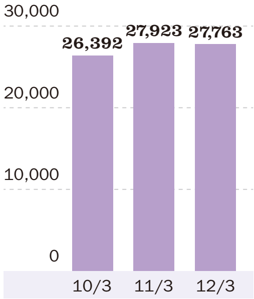
Consolidated Financial Highlights

Nitta Gelatin Inc. and Consolidated Subsidiaries

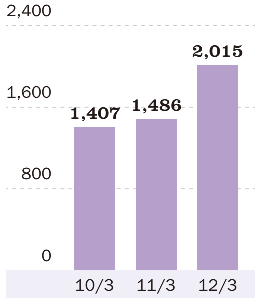
	Millions of yen			Thousands of U.S. dollars
	71st term From April 1, 2009 to March 31, 2010	72nd term From April 1, 2010 to March 31, 2011	**73rd term From April 1, 2011 to March 31, 2012**	**73rd term From April 1, 2011 to March 31, 2012**
For the year:				
Net sales	¥26,392	¥27,923	**¥27,763**	**$337,790**
Operating income	1,407	1,486	**2,015**	**24,516**
Net income	1,047	1,051	**1,375**	**16,729**
Comprehensive income	–	863	**986**	**11,996**
Research and development expenses	818	895	**895**	**10,889**
Capital expenditure	624	1,049	**769**	**9,356**
Depreciation and amortization	818	898	**841**	**10,232**
Net cash provided by operating activities	738	1,570	**568**	**6,910**
Net cash used in investing activities	(587)	(1,094)	**(733)**	**(8,918)**
Net cash provided by (used in) financing activities	(212)	(363)	**713**	**8,675**
Cash and cash equivalents at end of period	1,467	1,538	**2,078**	**25,282**
At year-end:				
Property, plant and equipment	¥ 5,709	¥ 5,537	**¥ 5,387**	**$ 65,543**
Net assets	5,990	6,185	**8,108**	**98,649**
Noncurrent liabilities	7,240	6,516	**6,087**	**74,060**
Total assets	21,806	21,466	**23,371**	**284,353**
Per share information (yen, U.S. dollar):				
Net assets per share (BPS)	¥390.50	¥449.51	**¥509.41**	**$ 6.19**
Net income per share (EPS)	76.50	80.19	**99.87**	**1.21**
Other:				
Equity ratio (%)	27.2	28.5	**34.4**	
Return on equity [ROE] (%)	20.1	17.4	**19.4**	
Return on assets [ROA] (%)	4.8	4.9	**5.9**	
Payout ratio (%)	–	4.7	**10.0**	

Note 1: The U.S. dollar amounts are translated from Japanese yen at the rate of ¥82.19 = U.S.$1, the prevailing exchange rate at March 30, 2012.
Note 2: The Company prepares the consolidated financial statements from the year ended March 31, 2010.
Note 3: Net assets per share for the years ended March 31, 2010 and 2011 was calculated after taking into consideration the amount of preferred stock.
Note 4: Net income per share for the years ended March 31, 2010 and 2011 was calculated based on net income after deducting preferred dividends for each period, and net income per share for the year ended March 31, 2012 was calculated based on net income after deducting the difference between the redemption amount and the issued amount of preferred stock.
Note 5: For the year ended March 31, 2011, some Type A preferred stock was acquired and retired by the resolution of the board of directors on July 21, 2010 and December 15, 2010. On May 23, 2011, all Type A preferred stock was acquired and retired by the resolution of the board of directors on April 27, 2011.

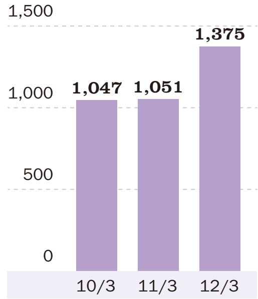
Net sales
(Millions of yen)



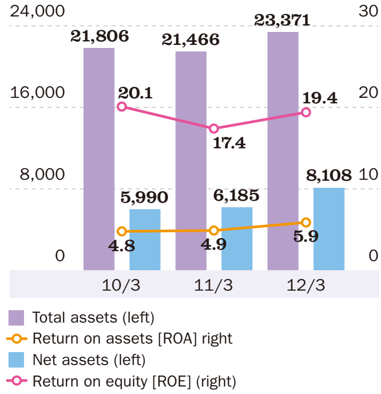
Operating income
(Millions of yen)



Net income
(Millions of yen)



Total assets/Return on assets [ROA]
Net assets/Return on equity [ROE]
(Millions of yen) (%)



To Our Stakeholders

Aiming to Be the Dominant No. 1 in Asia and a Globally Unique Enterprise as a Global Gelatin Specialist

I am pleased to open this letter to all of our stakeholders as we deliver Nitta Gelatin's Annual Report 2012.
On December 20, 2011, Nitta Gelatin Inc. achieved a listing of its shares on the Second Section of the Tokyo Stock Exchange. I would like to take this opportunity to express my sincerest appreciation for your continued understanding of our business activities and your heartfelt support, without which our listing would not have been possible. To ensure that we continue to meet your expectations, we intend to actively implement measures to accelerate the growth of our businesses.

Nitta Gelatin Inc.
Representative Director and President
Norimichi Soga

Nitta Gelatin is the world's only company that conducts integrated operations ranging from ingredients to production, sales and proposals for all aspects of gelatin, collagen peptide, and collagen casing—products that are anticipated to grow strongly worldwide. In gelatin, we are Asia's largest global gelatin specialist company ranked fourth in global market share and boasting the top market share in Japan.

For over 90 years we have utilized our expertise processing gelatin and creating markets to provide a wide array of gelatin and gelatin-related products globally; including edible gelatin for a wide variety of food applications, gelatin for hard and soft capsules, collagen peptide for dietary supplements, collagen for cosmetics and collagen casings for sausages, food ingredients, adhesives and other products made from such materials.

Our quest for a stable supply of safe, high-quality raw materials led us as early as 1975 to expand overseas with the production in India of ossein, the raw material for gelatin, from bovine bones, followed by the establishment of production and sales bases in the U.S. and Canada.

In recent years, we have set up laboratories to explore applications within Japan and overseas, aiming to not only sell gelatin and collagen peptide as raw materials, but also propose their application in and use as end-use products to our manufacturing customers. In so doing, we have enhanced our capabilities to develop and sell products answering to customers' needs around the world. Furthermore, as a forward-looking research and development initiative, we have developed ultra-pure gelatin. In advanced medical fields, ultra-pure gelatin is used as a biomaterial for hydrogels for application in the clinical research of the induction of human tissue regeneration. These gelatins have contributed significantly to the advancement of regenerative medicine.

Ever since its founding, Nitta Gelatin has remained an ever-evolving company that has anticipated changes in the industrial structure. Despite product applications that were advanced on a daily basis in step with the times, there has been no change in our basic approach of using the by-products of the livestock industry to create high value-added products. As a result, we have amassed an immense store of expertise related to collagen and gelatin. In addition, as a global gelatin specialist company, we have conducted our operations with an emphasis on communicating in English on a daily basis. We believe that these characteristics represent some of the Group's most unique features and greatest strengths.

◆ Future Growth Strategies and Business Forecasts Going Forward

Asia has become the main front for business competition in the markets for gelatin and food materials. Collagen casing and collagen peptide, a product whose functional properties are being promoted, now offer strong prospects for growth as global products. Seeing these areas as prime opportunities, we are currently implementing our long-term vision CFG2016 strategy running through the fiscal year ending March 31, 2016.

Growth Strategy Going Forward

Targets: Achieve consolidated net sales of ¥40 billion and consolidated operating income of ¥4.0 billion by the fiscal year ending March 31, 2016

Strategies:

● C Strategy (Collagen Material Business)

In the gelatin field, we will work to develop proprietary new products unlike anything else that other companies offer. Another priority is to ramp up our supply capacity to meet buoyant demand. In the collagen peptide field, we will enhance our supply capacity by augmenting production sites, while establishing a solid position for collagen peptide as a functional material backed by scientific evidence through research into its functional properties. Efforts in the collagen casing field will be focused on boosting productivity by upgrading production facilities, along with capturing increasing demand by sharpening our competitiveness.

● F Strategy (Formula Solution Business)

In the food material field, we will work to develop new applications and cultivate new markets in the food market. To this end, we will develop products and applications for the convenience store and senior food markets, as we provide customers with solutions. In adhesives, we aim to establish a solid market position with a new environmentally friendly hot-melt adhesive. We are also targeting the development of a second growth driver by cultivating the market for high-performance resins for sealants.

● G Strategy (Global)

In addition to Japan and North America, our current core markets, we are targeting key Asian markets such as India and China, which are experiencing rapid economic growth. Here, we will ramp up our supply capacity and expand sales of gelatin, collagen peptide and collagen casing. Also, by strengthening the functions of our application laboratories, we will provide food solutions to customers and sell products offering even more added value globally.

Business Forecasts for the Fiscal Year Ending March 31, 2013

The outlook for the Japanese economy in the fiscal year ending March 31, 2013 is for the continuation of uncertain and challenging conditions due mainly to the yen's prolonged appreciation and the spread of deflation. Market conditions are changing globally on a daily basis. In Japan, the nation's aging population with a falling birthrate has altered diets and consumption patterns. Overseas, improving incomes notably in Asia have driven the expansion of consumer markets. To ensure sustained growth in this diversifying environment, we believe that it is essential to read the changes in the markets as quickly as possible, while promoting business with speed and competitiveness from a global perspective.

Furthermore, we will address power supply restrictions in Japan and strive to reduce CO_2 emissions Group-wide, while working to achieve internationally competitive product costs. This will entail energy and resource conservation measures, as well as steps to raise efficiency.

We will work to expand sales of high value-added products in Japan by taking full advantage of our materials development and application capabilities. Sales of these products will also be expanded to overseas markets. We will further ramp up our product supply capacity overseas, in an effort to expand sales of gelatin, collagen casing and collagen peptide in North America, China and Asia.

Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2013 (Millions of Yen)

Net sales	28,900	(up 4.1% year on year)
Operating Income	2,070	(up 2.7% year on year)
Net Income	1,370	(down 0.4% year on year)

◆ In Closing

In the past, Nitta Gelatin has faced major challenges, such as harmful rumors arising from the outbreak of BSE (bovine spongiform encephalopathy), and the steep decline in photographic gelatin caused by the popularization of digital photography. However, we have overcome every hurdle by reinventing ourselves, and we have continued to achieve growth. In this manner, we believe that it is our mission to constantly move forward by surmounting the challenges posed by major changes in the market. As the world's growth regions and products undergo drastic changes, the Nitta Gelatin Group will pursue its long-term vision CFG2016 strategy. Our goal is to become the "dominant No. 1 in Asia and a globally unique enterprise" as a global gelatin specialist.

We look forward to the continued support and understanding of all our stakeholders, as we strive to realize our vision.

September 2012

Nitta Gelatin at a Glance
—The Market at Large and Nitta Gelatin's Uniqueness—

Fiscal year ended March 31, 2012

Collagen Material Business

Net sales **¥17,433** million
(63% of Group net sales)

Segment profit **¥2,255** million
(12.9% operating margin)

Gelatin
- For food
- For hard and soft capsules
- For photographic films and papers

Peptide
- For dietary food supplements
- For protein drinks and foods
- For cosmetics

Life Science
- Testing reagent for laboratory research
- Biomaterial
- Functional materials for cosmetics

Casing
- Sausage casing

Formula Solution Business

Net sales **¥10,329** million
(37% of Group net sales)

Segment profit **¥1,082** million
(10.5% operating margin)

Food Materials
- Gelling agents
- Stabilizers for meat products
- Stabilizers and quality enhancers for heat-and-serve meals
- Consumer products for mail-order sales

Adhesives
- Hot-melt adhesives
- High-performance polymer
- Animal glues

The market at large	Nitta Gelatin's uniqueness
Owing to the Japanese population aging and having fewer children, and to changes in people's diet, food needs have diversified and demand for gelatin in Japan for use mainly in convenience store delicatessen items, frozen foods and food provided during medical and nursing care has increased, in contrast to stagnant demand for the conventional use of gelatin in desserts and confectionery. On the whole, steady growth in demand is expected for gelatin in Japan. Overseas, we expect our proposals for novel food applications of edible gelatin to give rise to new demand, even though the markets for gelatin in the leading industrial countries have become saturated. Demand for edible and capsule-use gelatin is expected to increase in India, China and Southeast Asia as living standards rise as a result of economic growth.	Nitta has a strong reputation for its quality assurance capabilities and manufacturing technology nurtured in the course of development of photographic gelatin. We also have a long track record in marketing gelatin to global capsule manufacturers. Furthermore, in the food market, our proprietarily-developed granulated gelatin "GELATIN 21" and other similar products are complemented by our ability to develop and propose food recipes that our customers find indispensable in developing food-related products.
A large and burgeoning market for foods appealing to nutrient function claims has emerged in both breadth and scope as a result of increasing health consciousness, mainly because more societies have aged and increased their caloric intake. In Japan, collagen has come to be widely recognized as a staple material in skin-care cosmetics. But in part because of this cosmetics aspect, the market for collagen peptide was an image-driven one initially. In recent years, research has begun to shed light on some of the clinically efficacious properties and mechanisms of collagen peptide on biological regulation, providing evidence of its additional advantages as a product and increasing the prospects for marketing it in both Japan and overseas as a functional food material.	Our *IXOS*® series of fish collagen peptide is highly prized in the health food market as an exceptionally flavorless, odorless and colorless product. We are also developing and proposing products based on our proprietary research for discovering peptide formulations with physiological functions for the skin, bone and joint, and unraveling the mechanism behind their action and efficacy in humans.
Collagen for tissue culture used in clinical research is an indispensable material to the advancement of medical science. Amid the heightened research activity in regenerative medicine in recent years, demand for gelatin and collagen has developed robustly as a safe and physiologically compatible biomaterial for drug delivery systems (DDS) and cell scaffolds to induce self-repair and regeneration of human tissue in tissue engineering. Collagen is broadly utilized for cosmetics since its image for cosmetic advantage is well-accepted.	Our *Cellmatrix*® has been broadly accepted by many medical research institutes as a tissue culture collagen. In addition, our *beMatrix*® series gelatin and collagen is widely used as a promising biomaterial in tissue engineering research ranging from basic studies to clinical trials. Furthermore, we are conducting research into the functionality of collagen with a view to developing cosmetics formulations with scientifically proven efficacies.
Natural sausage casings made from animal intestines have declined in supply, despite the preference among some consumers for the genuine material, and prices consequently have trended higher. Natural casings also have the drawback of lacking a uniform size and length. Collagen casings, by contrast, are stable across the board in quality, price and supply. Moreover, collagen casings can also contribute to high productivity, as they can be made to easily accommodate high-speed filling. As a result, collagen casings are expected to displace natural casings as demand for sausages rises in step with economic development among emerging countries.	Demand for collagen casings in the North American market is firm, with more growth in demand expected from China and other emerging markets in Asia. We are striving to improve manufacturing efficiencies and bolster our supply capabilities in responding to this increase in demand. Moreover, we are engaged in the product development of medical and other materials that make full use of our collagen processing technologies.
While demand for it in the traditional market of cup jellies, packaged for instance as gifts, has stagnated, new demand for gelling agents in the market for chilled deserts sold mainly through convenience stores and specialty stores is booming. Furthermore, the market for gelling agents in ready-made dishes sold in convenience stores and delicatessens, and as part of medical diets for seniors is expanding as food market needs diversify in tandem with the Japanese population aging and having fewer children. Furthermore, cosmetics and dietary supplements featuring collagen have become more popular, reflecting rising health and beauty consciousness among consumers.	We have a strong development capability in food applications that utilize the characteristics of food ingredients effectively. Harnessing this capability, we design and propose food recipes for meeting the product development needs of our customers. We also have consumer-product line-ups of collagen supplements, such as *Collagenaid*® and *HG Collagen*®, and collagen-added cosmetics for mail-order sales to consumers.
The biggest advantage of hot-melt adhesives, which are applied by heat and solidify when cooled, is high-speed adhesion property. Hence hot-melt adhesives are suitable for automated manufacturing. These adhesives have also gained attention lately as an environmentally responsible alternative to solvent-based adhesives. Demand for such adhesives in bookbinding has declined as a consequence of the rising popularity of electronic books, but remains firm for application in the packaging of beverages, foods, and medical products. Moreover, demand has risen in recent years for adhesives that help reduce the consumption of energy, electric power and resources.	Our adhesives *NITTAIT*® provide optimal solutions for many customers due to their wide range of applications, ranging from packaging to bookbinding, hygiene products, construction, woodworking, automobiles, and electrical work. Furthermore, we are developing new sealant applications for high-performance polymers which harden with ultraviolet exposure that we have developed based on patented technologies.

Management System

Nitta Gelatin's Corporate Philosophy is "Based on a spirit of empathy and sincerity, we, the members of the Nitta Gelatin Family are dedicated to the development of our business and contributions to the global community. We will lead prosperous and fulfilling lives through our competence and utmost efforts." To this end, we will pursue our Group vision: "The Nitta Gelatin Group, as a world leading gelatin manufacturer, uses its proprietary technology to quickly and efficiency provide superior products and services to global customers. The Group produces healthy, functional and valuable products in multinational facilities that are safe, reliable and environmentally friendly." We will carry out this mission and employ thorough compliance practices to raise our corporate value. These firm principles have formed the foundation of our corporate governance system, and our commitment to transparent, sincere management.

Corporate Governance

◆ Corporate Governance System and Status

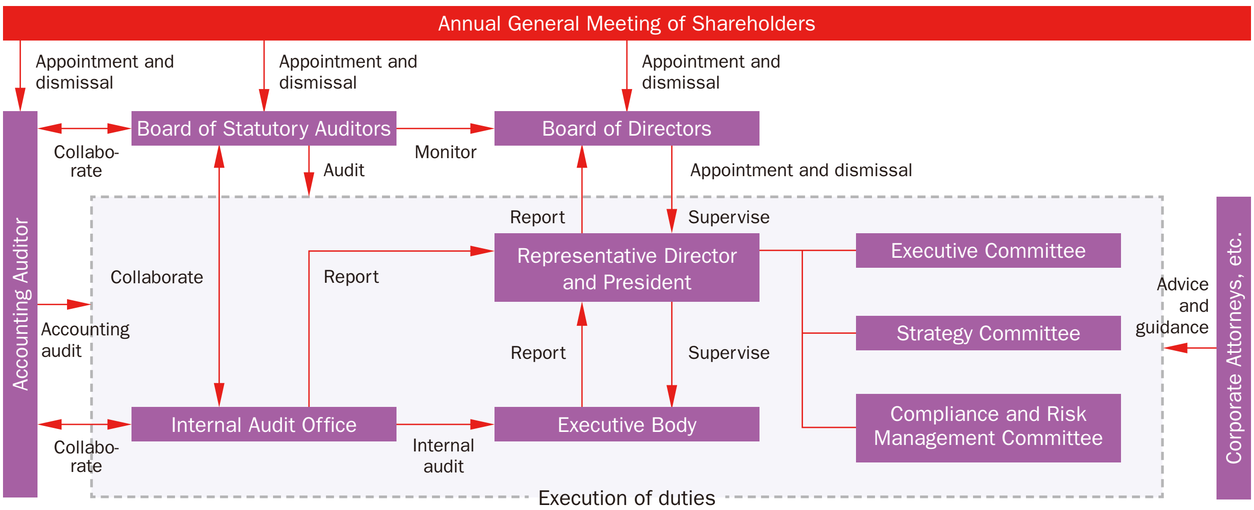
The Company's corporate governance system has functions for oversight and monitoring of management by means of directors, a Board of Directors, statutory auditors and a Board of Statutory Auditors. In addition, the Company has introduced an executive officer system from January 2005 to raise management efficiency. This has separated the system for business execution from oversight functions, increased management transparency, accelerated decision-making, and strengthened the function for monitoring management.

The Board of Directors is the highest decision-making body in management. The board meets once a month to formulate management guidelines, propose management strategies, and vote to resolve important issues regarding business operations, as well as approve matters prescribed by laws and regulations and inscribed in the Company's Articles of Incorporation. The Board of Directors, moreover, supervises and monitors the representative director and president, and the executive officers, to ensure that they are performing their duties in line with the board's management guidelines and strategies.

The Company has also adopted a system of statutory auditors. This system seeks to further improve the Company's management transparency and accountability to stakeholders by making full use of statutory auditors and their management monitoring functions. To this end, a Board of Statutory Auditors has been established, consisting of three statutory auditors (of which two are outside statutory auditors).

In addition, an Executive Committee meets twice a month to discuss matters of importance related to the Company's business execution. This Executive Committee is made up of the Company's standing directors, standing statutory auditors, standing executive officers in Japan, and other members appointed by the Company's representative director and president. Furthermore, a Strategy Committee meets once a month to discuss individual issues of particular importance to the Company and offer their support to enable the Company's president and Board of Directors to make decisions promptly. This Strategy Committee is made up of members appointed by either the president or standing directors of the Company.

What follows is a schematic chart of Nitta Gelatin's corporate governance and internal control system.



◆ Number of Directors

The Company's Articles of Incorporation stipulate that the Board of Directors comprises a maximum of eight directors.

◆ Approval Criteria for the Appointment and Dismissal of Directors

The Company's Articles of Incorporation stipulate that the appointment of directors shall be approved by a majority of voting rights exercised at a meeting attended by shareholders holding at least one-third of all voting rights.

The same articles stipulate that the dismissal of a director shall be approved by two-thirds majority of voting rights exercised at a meeting attended by shareholders holding at least one-third of all voting rights.

The Articles of Incorporation also stipulate that the appointment of directors shall not be approved on the basis of cumulative voting.

◆ Status of Outside Directors and Outside Statutory Auditors

Nitta Gelatin has appointed one outside director and two outside statutory auditors. We aim to strengthen our corporate governance by reflecting the objective viewpoints of the outside director and statutory auditors, as well as their extensive experience and knowledge, in our management.

Outside Director Mayumi Ishihara has extensive experience and knowledge as a lawyer. We adjudge that this will serve to improve our management transparency, further enhance the supervisory function with respect to business execution, and strengthen our compliance. Nitta Gelatin pays fees for the legal advice it receives from OH-EBASHI LPC & PARTNERS, with whom Ms. Ishihara is employed as a counsel. However, we discern that this poses no actual threat to her independence from the Company.

Outside Statutory Auditor Yoshihiro Sakatani is a certified public accountant (CPA). We adjudge that his many years of experience and knowledge as a CPA will form a basis for securing the reasonable and appropriate management of Nitta Gelatin. Mr. Sakatani is concurrently the representative director of Japan Management Consulting Co., Ltd., and was once in the employ of Ernst & Young ShinNihon LLC. However, we have determined that this nevertheless satisfies the "Standards for Independence of Outside Directors and Outside Statutory Auditors," and that his independence from the Company is secure.

Outside Statutory Auditor Shigeoki Tougou is primarily a very experienced executive business manager. Based on this, we have judged that his broad perspective will serve to secure the reasonable and appropriate management of Nitta Gelatin. We have no conflicts of interest—either personal, financial, business or otherwise—with Mr. Tougou. Hence we are of the opinion that his independence from the Company is secure.

Nitta Gelatin has designated and registered outside statutory auditors Shigeoki Tougou and Yoshihiro Sakatani as independent statutory auditors, based on the rules of the Tokyo Stock Exchange.

The relationship of the outside director and outside statutory auditors with the internal control bodies of Nitta Gelatin, as well as their mutual cooperation in the supervisory, audit, internal audit, statutory audit, and accounting audit functions of the Company are documented under "Status of Internal Audits and Audits by Statutory Auditors" in this report. Moreover, the Company's Board of Directors and Board of Statutory Auditors receive reports and exchange opinions with regard to this relationship and mutual cooperation when relevant.

◆ Standards with Respect to the Independence of Outside Directors and Outside Statutory Auditors

Nitta Gelatin's standards with respect to the independence of outside directors and outside statutory auditors require that the following does not apply to its outside directors or outside statutory auditors in order to ensure that they remain independent of the Company's management team.

1. A business executor of the Company, its subsidiaries or affiliates
2. A major business partner of the Nitta Gelatin Group, or a business executor of said major business partner
3. A recipient of compensation (monetarily or in other assets) from the Nitta Gelatin Group as a consultant, accounting specialist, or legal specialist (or an employee of corporations, cooperatives and other organizations receiving such compensation), apart from remuneration as a director or statutory auditor
4. A person who was 1. through 3. in the past three years
5. A next of kin to whom either of the conditions (a) through (c) applies, unless (a) through (c) pose no material conflict of interest
   (a) A person who was 1. through 4.
   (b) An important business executor of the Nitta Gelatin Group
   (c) A person who was (b) in the past three years

* A business executor refers to a director (apart from an outside director), executive officer, employee, or a person in some other capacity engaged in the execution of business operations.
* Next of kin refers to relatives within two degrees of kinship.

Internal Control System

◆ Development Status of the Internal Control System

The Company formed an internal control project team in October 2006 in an effort to meet the requirements of an Internal Control Report stipulated by provisions on financial reporting in the Financial Instruments Exchange Act. Since then, this team has been involved in building an internal control system on financial reporting under the guidance of Ernst & Young ShinNihon LLC. Consequently, an internal control system for the entire Company, business operation processing, IT, and Group subsidiaries was documented along with a checklist. Following inspections, evaluations and corrections of the operational status and shortfalls by the project team, this internal control system went into operation in the fiscal year ended March 2012.

What follows are excerpts of a "Basic Policy on Building an Internal Control System," compliant with the Companies Act of Japan, that the Board of Directors of Nitta Gelatin approved for institution on July 19, 2006 and revision on February 22, 2012.

1. System to ensure that the execution of duties by directors and employees comply with laws and regulations, and the Articles of Incorporation

- A Principles of Business Conduct has been instituted as a foundation to the Company's compliance system. In addition, a Compliance Risk Management Committee has been set up for the establishment of corporate ethics and rigorous compliance with relevant laws and regulations, with the General Affairs Division serving as the administration office.
- Nitta Gelatin will undauntedly sever all associations with anti-social forces and groups that pose a threat to a law-abiding society and the safety of its citizens by adhering to its Principles of Business Conduct.
- As the division responsible for coordinating compliance, the General Affairs Division will develop and uphold the Company's compliance system. As the need arises, relevant Group divisions and departments in each field of compliance will formulate the bylaws and guidelines, and provide the training in their respective field of compliance.
- A "Whistle-blowing System" has been established, with the General Affairs Division and corporate attorneys as the contact. The system is aimed at facilitating the internal reporting of questionable conduct that may not comply with laws and regulations, and other issues pertaining to compliance.
- The Internal Audit Office will conduct internal audits on the development and operating status of the compliance system as a part of its duties.

2. System to manage and safeguard information connected with directors' performance of duties

- Important documents pertaining to directors' performance of duties shall be properly retained for safekeeping and managed in accordance with the Company's bylaws for managing documents. Such important documents include the minutes to the meetings of the Board of Directors and the Board of Executive Officers, memos circulated to approve executive decisions, and other pertinent reports.
- The Internal Audit Office will conduct internal audits on the safekeeping status of important documents pertaining to the Board of Directors and the Board of Executive Officers meetings, among other executive decisions.

3. System with respect to internal rules and other stipulations on managing risks of loss

- Internal rules on risk management have been instituted to uphold the Company's risk management system.
- A Compliance and Risk Management Committee has been established to formulate policies and develop the Company's risk management system, as well as provide evaluation and guidance on the individual risk management systems of the Group's divisions and departments.
- Each Group division and department will appoint a risk management officer, and autonomously manage risks.

- The Strategy Committee will discuss the evaluation and countermeasures of risks pertaining to the Company's important investments and loans, among other funding issues.
- In the event of an unforeseen emergency, the representative director and president of the Company will establish and head an "Emergency Countermeasures Headquarters," with aims of preventing the emergency from spreading and establishing a system for minimizing the damages.

4. System to ensure the efficient execution of directors' duties

- The Company's Board of Directors will meet once a month, and as the need arises, to ensure the efficient execution of directors' duties.
- An executive officer system has been introduced to raise the soundness and efficiency of the Company's management, with the view to clarifying the scope of responsibilities of each executive officer.
- A Board of Executive Officers, chaired by the representative director and president, meets twice a month to discuss matters of importance related to the Company's business execution. These matters delegated from the Board of Directors are executed only after the Board of Executive Officers reviews them.
- The Company's business performance is managed based on annual budgets and the medium-term management plans the Company as a whole and Group companies formulate. Progress in achieving the budgets and plans is reported to and evaluated by the Board of Executive Officers, which meets twice a month.

5. System to ensure proper operation of the Group comprising Nitta Gelatin, its subsidiaries and affiliates

- A Principles of Business Conduct, applicable to the entire Nitta Gelatin Group, has been instituted to ensure the proper operation of Group companies. Each Group company in addition to this will also establish their own internal rules.
- Nitta Gelatin is managed systematically as a Group, with each business subsidiary and affiliate of the Group managing their business in accordance with "Bylaws for Affiliate Company Management" and reporting back to the Company.
- The Internal Audit Office will conduct internal audits of the Group companies as required.

6. System to ensure the reliability of financial reporting

- To ensure the reliability of its financial reporting, Nitta Gelatin and its Group companies have built an internal control system on financial reporting, with the aim of filing an appropriate Internal Control Report with the authorities. At the same time, the Group is striving to continually evaluate and improve the proper functioning of this internal control system.

7. System for employees who help statutory auditors perform their duties, and the independence of these employees from directors

- Statutory auditors perform their duties with assistance from the Internal Audit Office and the accounting auditor, among others. In the event that statutory auditors require staff to assist them, the Board of Directors approves the appointment of nominees.
- Once staff are appointed to assist the statutory auditors, their evaluation and transfer must be discussed in advance with the Board of Statutory Auditors.
- Staff who assist statutory auditors are forbidden from concurrently holding positions involved in executing the Nitta Gelatin Group's business.

8. System for reports from directors and their employees to statutory auditors, among other reports to statutory auditors, and to ensure the effective implementation of statutory audits

- Directors and their employees report each matter with a material impact on business operations and earnings performance of Nitta Gelatin and its Group companies to the statutory auditors. Notwithstanding the said matter, the statutory auditors may request the reports they deem necessary from directors and their employees at all times.
- Statutory auditors are entitled to attend all important Nitta Gelatin meetings, including meetings of the Board of Executive Officers.
- The Company endeavors to uphold an environment that is conducive to the statutory auditors performing their duties.

◆ Status of Internal Audits and Audits by Statutory Auditors

An Internal Audit Office, comprising three employees, conducts Nitta Gelatin's internal audits, performing inspections to make certain that the Company's divisions and segments are executing business appropriately and efficiently in compliance with the relevant laws and regulations, and that the Company's assets are properly safeguarded. This Internal Audit Office consults with, as the need arises, and collaborates extensively with the Company's accounting auditor to plan and implement internal audits to be reported to the Company's management. Input from the accounting auditor is used to improve the execution of duties of the Internal Audit Office and the statutory auditors.

A system is in place for all statutory auditors, including the one standing statutory auditor and two outside statutory auditors, to attend the Board of Directors meetings and provide sufficient oversight concerning the Board of Directors in the execution of their duties. The standing statutory auditor also attends the Board of Executive Officers and other important meetings within the Company to monitor the execution of duties by the directors further. This auditor also conducts in-house audits of various organizational entities within the Group, interviewing the people in charge to make assessments, and collaborates with the Internal Audit Office and accounting auditors to inspect the execution of the Group's business operations.

Risk Management System

◆ Development Status of the Risk Management System

We firmly believe that effectively maintaining and upgrading the degree of compliance of our management with relevant laws and regulations is of utmost importance in reducing exposure to various corporate risks. We devised a Basic Policy on Building an Internal Control System in line with this fundamental stance (instituted on July 19, 2006 and revised on February 22, 2012). Furthermore, the Company's Compliance Bylaws and Risk Management Bylaws were formulated in accordance with this Basic Policy.

A Compliance and Risk Management Committee has been established as an organization for providing management oversight throughout the Nitta Gelatin Group concerning compliance and risk management. As a general rule, this committee chaired by the Company president meets once a month to keep up to date with the Group's compliance issues and examine the countermeasures for preventing various conceivable risks, and managing those risks in the event that they arise.

We have also established Principles of Business Conduct and made certain that these Principles have been disseminated rigorously throughout the Group. These Principles require all directors, executive officers and employees of the Group to comply rigorously with the relevant laws and regulations, conduct business activities with fairness and integrity, and recognize that they are a member of society and must behave properly as both a corporate and an individual citizen.

Furthermore, we receive advice and guidance concerning compliance and risk management from our corporate attorneys and other relevant consultants, as the need arises.

Board of Directors, Executive Officers and Statutory Auditors

(As of June 27, 2012)

Front row from left: Tsuneo Sasaki, Director and Senior Managing Executive Officer; Norimichi Soga, Representative Director and President; Takeo Yamaki, Director and Executive Officer
Back row from left: Hiroshi Nitta, Director; Koichi Ogata, Director and Executive Officer; Tatsuro Otsuka, Director and Executive Officer; Mayumi Ishihara, Outside Director

◆ Board of Directors

Representative Director and President
Norimichi Soga

Director and Senior Managing Executive Officer
Tsuneo Sasaki

Director and Executive Officer
Takeo Yamaki

Director and Executive Officer
Koichi Ogata

Director and Executive Officer
Tatsuro Otsuka

Director
Hiroshi Nitta

Outside Director
Mayumi Ishihara

◆ Statutory Auditors

Standing Statutory Auditor
Shinzo Tatematsu

Outside Statutory Auditor
Yoshihiro Sakatani

Outside Statutory Auditor
Shigeoki Tougou

◆ Executive Officers

Senior Executive Officer
Raymond Merz

Senior Executive Officer
Toshikazu Nishio

Executive Officer
Yasuyuki Nakai

Executive Officer
Hidenori Takemiya

Executive Officer
Yuji Yamamoto

Executive Officer
Toru Tamaoka

Executive Officer
Yoshitaka Oda

Management's Discussion and Analysis

Business Performance Summary for the Fiscal Year Ended March 31, 2012

In the fiscal year ended March 31, 2012, the Japanese economy weakened substantially in the first half as a consequence of the Great East Japan Earthquake. On the other hand, the economy showed signs of picking up gradually in the second half as supply chains were restored, various government policies began having an impact, and personal consumption strengthened. The economic outlook, however, remained uncertain due to instabilities such as an abrupt appreciation of the yen and sluggish stock prices stemming mainly from the European debt problem, damages from the flooding in Thailand, restricted supplies of electric power in Japan owing to the nuclear power station accidents, and a sharp rise in oil prices. Overseas, the world was increasingly polarized into two camps. In contrast to the leading industrial economies either slowing or stagnating, the global economy was driven by high and sustained growth among the emerging markets, led by China and followed by other Asian countries including India, Vietnam and Indonesia.

Against this backdrop, we have adopted three basic management policies: (1) Beyond customers' expectations; (2) Globalization & Innovation; and (3) Focusing and Concentration. Guided by these policies, we have actively worked to provide products and services that satisfy customers, develop new products and cultivate new markets with the aim of rising above the challenging business conditions.

On the sales front, net sales were ¥27,763 million, a decrease of 0.6% year on year. Meanwhile, on the earnings front, operating income was ¥2,015 million, an increase of 35.6% year on year. Net income rose 30.8% year on year to ¥1,375 million.

Consolidated Business Performance for the Fiscal Year Ended March 31, 2012

Net Sales and Earnings

» Net Sales

Higher sales were posted for gelatin and food material, underpinned by strong conditions in the food market centered on delicatessen items and confectionery, as well as post-quake demand. However, collagen peptide sales stagnated, and the translation of sales denominated in foreign currencies into Japanese yen had a negative impact on sales due to the yen's appreciation. Consequently, net sales declined ¥160 million year on year, or 0.6%, to ¥27,763 million.

» Gross Profit

Consolidated gross profit rose ¥512 million, or 8.1%, year on year to ¥6,838 million mainly on the back of reduced manufacturing expenses and the positive impact of the strong yen on imports of raw materials.

» Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses decreased ¥16 million, or 0.3%, year on year to ¥4,822 million.

» Operating Income

As a result of the foregoing, operating income rose ¥528 million, or 35.6%, year on year to ¥2,015 million.

» Net Income

We booked a gain on transfer of business of ¥15 million as an extraordinary gain, and a loss on retirement of noncurrent assets of ¥49 million, and a loss on valuation of golf club membership of ¥4 million as extraordinary losses.

As a result of the foregoing, net income increased ¥324 million, or 30.8%, year on year to ¥1,375 million.

Segment Performance

» Collagen Material Business

Demand for gelatin in Japan was strong throughout the fiscal year under review. The Group experienced strong sales of edible gelatin for both commercial use and home use, particularly for use in heat-and-serve delicatessen items and chilled desserts in convenience stores, yogurt and other dairy products, and gummy candy and other confectionery applications. By contrast, sales of gelatin for capsules remained flat, with comparatively strong demand for their use in the nutritional food supplement sector offsetting a slack for their use in the pharmaceutical sector. Meanwhile, photographic gelatin sales held unchanged from the year before. In overseas markets, demand was strong for gelatin capsules in both North America and Asia, with the result our gelatin exports from Japan were roughly on target. Sales performances of overseas subsidiaries strengthened, particularly in North America, as a consequence of gelatin prices that were revised to the Group's advantage in the second half.

The March 11 disaster affected collagen peptide demand in Japan and resulted in lackluster sales for the Nitta Gelatin Group as the nutritional food supplement market softened. Import restrictions on Japanese products that a number of Asian countries imposed in reaction to the nuclear power station accidents hurt exports to Asia and were also an obstacle to collagen peptide sales expanding.

Collagen casing sales firmed, on the other hand, buoyed by favorable conditions in the North American meat packing market and strong demand from Europe.

As a result of the foregoing, net sales in the Collagen Material business decreased 2.5% year on year to ¥17,433 million. Segment profit was up 27.2% year on year at ¥2,255 million.

» Formula Solution Business

Food material sales rose and were undergirded by strong conditions in the Japanese food market. The Formula Solution business saw sales of stabilizers for ham, sausage and other meat products increase, in addition to gelling agents for use in chilled desserts and ready-made jellies sold in convenience stores.

In adhesives, sales increased for hot melt adhesives for packaging beverages, instant noodles and confectionery among other applications in the food sector. On the other hand, sales of hot melt adhesives for bookbinding applications continued to decrease due to weak conditions in the publishing sector. Monetary sales of adhesives held steady, however, due to the product pricing revisions the Group imposed in the second half to reflect a sharp increase in the raw material cost of petroleum products and natural resins.

As a result of the foregoing, net sales in the Formula Solution business increased 2.9% year on year to ¥10,329 million. Segment profit rose 15.8% year on year to ¥1,082 million.

Research and Development

Under the business slogan of “Beyond the Expectation” (exceeding customers’ expectations), our vision is as follows: “As a world leading gelatin manufacturer, the Group uses its proprietary technology to quickly and efficiently provide superior products and services to global customers. The Group produces healthy, functional and valuable products in multinational facilities that are safe, reliable and environmentally friendly.” Guided by this vision, we are advancing both the Collagen Material and Formula Solution businesses with the aim of establishing Nitta Gelatin as a global brand that is chosen first by customers.

The markets the Nitta Gelatin Group faces are constantly evolving and diversifying on a daily basis. Our basic R&D policy is to quickly and efficiently develop products and services that are a half step or a whole step ahead of customer expectations in order to enhance the Company’s brand value and contribute to sustained business expansion and growth. We have organized a product-development structure that is as close to customers as possible in an effort to energize R&D activities and identify shifts in market and customer needs with a constantly positive mindset. In other words, we have stationed sales, development and production personnel across the R&D organization to ensure that requests from the customer, markets and others are directly conveyed to technology, service, product development and production technology development units, so that timely responses are made. While the internal research personnel are focused on product development and customer service, we also actively conduct joint research with and commission research to external research institutes, universities and other entities, for the purpose of promoting basic research into core materials, obtaining new fundamental technologies and meeting other priorities.

Since 2007, we have held TPM (Technology, Product, Market) Presentations under the guidance of external consultants, in an initiative to promote and encourage R&D activities. These presentations are based on the “TPM cycle” approach of obtaining Market recognition through Product development driven by Technology. Group R&D Information Meetings have been held since 2010, to share information about R&D within our Group by introducing examples of development projects, as well as new technologies and products.

The following is a breakdown of R&D activities by division in each business during the fiscal year ended March 31, 2012. Total R&D expenses were ¥895 million.

» Collagen Material Business

Gelatin

- Improve and upgrade production technology for raw material and gelatin processes
- Develop new gelatin
- Enhance gelatin applications

Peptide

- Develop collagen peptide production technology
- Research functional characteristics of collagen peptide

Casing

- Improve and upgrade collagen casing production
- Develop new markets and products

Life Science

- Research and development of collagen for biomaterials and cell cultures
- Research and development of gelatin and collagen for advanced medical care

R&D expenses in the Collagen Material business were ¥568 million.

» Formula Solution Business

Food Material

- Develop applications utilizing application laboratories
- Develop novel products
- Plan and develop consumer products

Adhesives

- Environmentally friendly hot-melt adhesive
- High-performance polymers (UVFG, CIPG)

R&D expenses in the Formula Solution business were ¥326 million.

Cash Flows

Net cash provided by operating activities was ¥568 million, down 63.8% year on year. The main contributing factors were income before income taxes and minority interests of ¥1,964 million and depreciation and amortization of ¥841 million. These inflows were partly offset by an increase in notes and accounts receivable of ¥842 million, an increase in inventories of ¥631 million and income taxes paid of ¥382 million.

Net cash used in investing activities was ¥733 million, compared with ¥1,094 million in the previous fiscal year. The main uses of cash were the purchase of property, plant and equipment of ¥673 million, and the purchase of stocks of affiliates of ¥28 million.

Net cash provided by financing activities was ¥713 million, compared with net cash used in financing activities of ¥363 million in the previous fiscal year. This mainly reflected proceeds from long-term debt of ¥2,047 million, proceeds from issuance of common stock of ¥1,404 million and proceeds from disposal of treasury stock of ¥101 million. The main uses of cash were repayment of long-term debt of ¥1,987 million, purchase of treasury stock of ¥528 million and repayments of lease obligations of ¥111 million.

As a result, cash and cash equivalents were ¥2,078 million as of March 31, 2012, an increase of 35.1% from a year earlier.

Capital Investment

We executed capital investment of ¥769 million mainly for the purpose of rationalizing production, maintaining production capacity and conducting research and development.

In the Collagen Material business, we executed total capital investment of ¥670 million. The main components were ¥305 million at the Osaka Plant, ¥93 million at Hikone Gelatin Inc., and ¥55 million at Nitta Gelatin Canada, Inc., for the purpose of enhancing quality, conserving energy and maintaining production capacity. We also made capital investment of ¥208 million at Nitta Casings Inc. and Nitta Casings (CANADA) Inc. to upgrade collagen casing production facilities and increase production capacity.

In the Formula Solution business, we executed total capital investment of ¥55 million, mainly comprising capital investment at the Osaka Plant for the purpose of upgrading testing and measurement equipment, and enhancing the quality of adhesive products and maintaining production capacity.

Furthermore, in corporate assets, we made capital investment of ¥43 million primarily for the purpose of producing a DVD-based corporate guide and enhancing the IT environment.

Financial Position

Total assets were ¥23,371 million as of March 31, 2012, an increase of ¥1,905 million from the previous fiscal year-end.

» Current Assets

Current assets were ¥14,935 million as of March 31, 2012, an increase of ¥2,067 million from March 31, 2011. This was mainly attributable to a ¥540 million increase in cash and deposits, an ¥827 million increase in notes and accounts receivable and a ¥600 million increase in inventories.

» Fixed Assets

Fixed assets were ¥8,436 million as of March 31, 2012, a decrease of ¥162 million from a year earlier. The decrease mainly reflected a decline of ¥150 million in net property, plant and equipment.

» Current Liabilities

Current liabilities were ¥9,176 million as of March 31, 2012, an increase of ¥411 million from the previous fiscal year-end. This mainly reflected an increase of ¥182 million in the current portion of bonds due within one year and an increase of ¥203 million in income taxes payable.

» Noncurrent Liabilities

Noncurrent liabilities were ¥6,087 million as of March 31, 2012, a decrease of ¥428 million from the previous fiscal year-end. This mainly reflected a decrease of ¥330 million in bonds and a decline of ¥124 million in long-term debt.

» Net Assets

Net assets stood at ¥8,108 million as of March 31, 2012, an increase of ¥1,923 million from the previous fiscal year-end. This increase was mainly attributable to the issuance of new shares and the disposal of treasury stock that resulted in a ¥702 million increase in capital stock and a ¥720 million increase in capital surplus, as well as an increase of ¥799 million in retained earnings.

Basic Profit Distribution Policy and Dividends

Our basic policy on profit distribution is to continuously pay steady dividends, while securing the internal reserves needed to develop future businesses and strengthen our operating structure.

Furthermore, our basic policy is to pay dividends twice every fiscal year, with interim and year-end dividends determined by the Board of Directors and the Annual General Meeting of Shareholders, respectively.

In regard to dividends for the fiscal year ended March 31, 2012, in accordance with the aforementioned policies, management has decided to pay a year-end dividend of ¥8.00 per common share, as well as a commemorative dividend of ¥2.00 to mark the Company's listing on the Second Section of the Tokyo Stock Exchange. Combined with the interim dividend of ¥2.00, the annual dividend per common share is ¥10.00.

In regard to funds set aside as internal reserves, we intend to effectively invest these funds in enhancing cost competitiveness even more than before, bolstering our technology and product development structure in response to market needs, as well as implementing global strategies. These investments will help us to address anticipated changes in the business environment going forward.

Business Risks

This section provides information about the principal business risks concerning the Nitta Gelatin Group's operations and related matters that may have a material impact on the decisions of investors. Matters that do not necessarily constitute such risks, but are considered to have a material impact on the investment decisions of investors are also disclosed below from the standpoint of actively disclosing information to investors. Recognizing the possibility for such risks to occur, we endeavor to prevent the occurrence of such risks and to respond properly in the event that such risks occur.

This section includes forward-looking statements determined based on information available to us as of June 27, 2012.

(1) Product Development

Guided by our motto of quickly and efficiently providing products and services that address shifting market conditions and customer needs, we actively conduct R&D and capital investment. However, there is no guarantee that we can successfully develop new products. In addition, even if a new product is successfully developed, it may not match customer needs and thus fail to gain their acceptance.

In regard to products for medical applications, customers using our products require an extensive lead time to develop and launch medical products. During this period, the customer may suspend product development or face protracted development delays, among other contingencies, mainly on account of shifting market conditions, changes in operating performance, or delays in obtaining approval from regulatory authorities.

In the event that we face delays or are unable to recover R&D expenses and capital investment as a result, our operating results and financial position may be negatively impacted.

(2) Overseas Markets

Ever since the establishment of our first overseas sales subsidiary in the U.S. in July 1979, we have been actively working to expand sales in overseas markets. In the fiscal year ended March 31, 2012, sales in overseas markets accounted for 27.8% of our net sales. In the North American market, our primary region for business development so far, our sales expansion may be negatively impacted by competition arising between our products and those of our competitors in the same industry.

In addition, in the future strategic Chinese, Indian and Southeast Asian markets, our sales expansion may be negatively impacted by even greater competition than in North America between our products and those of our competitors in the same industry.

The Group is working to enhance its competitiveness, mainly by reducing costs, improving quality, developing unique new products, and conducting production in optimal locations. However, if these measures prove ineffective, sales growth could stagnate. This could have a negative impact on our operating results and financial position.

(3) Exchange Rate Movements

When selling products to overseas customers either directly or through a subsidiary, we export products on a U.S. dollar-denominated basis. On the procurement front, we purchase raw materials for gelatin, such as bovine bones and ossein, primarily using U.S. dollars. We also import pig skin gelatin from overseas on a Canadian dollar-denominated basis. For this reason, we hedge our foreign exchange risk by concluding foreign exchange forward contracts with financial institutions with respect to U.S. dollar-denominated exports, as well as U.S. dollar- and Canadian dollar-denominated imports. Through these measures, we reduce our exposure to foreign exchange risk related to operating transactions. However, in the event of unforeseeable foreign exchange rate movements, our operating results and financial position could be negatively impacted.

Furthermore, gains and losses arising from foreign currency-denominated transactions as well as the translation into Japanese yen of foreign currency-denominated receivables and payables as well as the translation into Japanese yen of the accounts of the financial statements of overseas consolidated subsidiaries prepared in foreign currencies, are subject to foreign exchange rate movements. This could have a negative impact on our operating results and financial position.

(4) Price Fluctuations for Primary Raw Materials

Raw material costs accounted for 54.0% of our cost of manufacturing in the year ended March 31, 2012. Raw material prices fluctuate for a variety of reasons. In the Collagen Material business, primary raw materials such as bovine bones, pig skin and fish scales are all byproducts of the livestock and fishery industries. The raw material price may fluctuate depending on changes in meat consumption reflecting global economic conditions, as well as changes in supply-demand dynamics driven by regulations governing food processing and distribution in response to various animal epidemics and other factors. In the Formula Solution business, prices of natural polysaccharides, the primary raw material in the food material divisions may fluctuate due to changes in the climate of growing regions and other factors. Prices of petroleum resins, the key raw material for adhesives, may fluctuate due to changes in commodity prices and supply-demand dynamics for heavy oil and naphtha.

Meanwhile, in some cases the market environment and other factors can make it difficult to transfer the impact of price fluctuations for these key raw materials to the selling price of our products. Accordingly, fluctuations in raw materials prices could have a negative impact on our operating results and financial position.

(5) Animal Diseases

Our primary products, including gelatin, collagen peptide, collagen casing and collagen, are made from animal byproducts derived from livestock and fishery production, such as bovine bones and hides, pig skins, and fish scales. Accordingly, these materials are subject to the risk of animal diseases. We therefore procure these materials only after confirming that they are free from any animal infectious diseases, while working to diversify the sourcing region of raw materials in order to ensure their safety.

Despite these efforts, in the event that an extensive outbreak of animal disease occurs in a region from which we procure raw materials, the supply of raw material bones and skins may decline or stop due to a suspension or stoppage of meat production, or may cause us to switch to an alternative raw material source. These and other related factors may have a negative impact on the stable procurement of raw materials.

In addition, our product sales may be affected by the outbreak of an animal disease in countries in which raw materials are produced or products are manufactured. Specifically, product sales may stagnate due to import restrictions and other measures imposed on animal products made from raw materials originating from or products manufactured in these countries.

As a result of the foregoing, the Group may be impacted by higher raw material procurement costs, reduced revenue due to lower product sales, higher inventories and so forth. This could negatively affect our operating results and financial position.

(6) Laws and Regulations

In the course of executing business activities, the Group's business is subject to domestic laws and regulations, including the Food Sanitation Law, the Japanese Agricultural Standard and the Pharmaceutical Affairs Law, as well as directives issued by the competent authorities. In the event that these laws and regulations are amended or abolished, or if new laws and regulations are established, we may incur additional costs and other outlays to address these developments, or face restrictions in terms of the scope of our business activities. In such an event, our operating results and financial position could be negatively affected.

In regard to the environment, gelatin production requires large amounts of water in the whole process, from raw materials to gelatin. For this reason, our plants are supplied with and release large amounts of water, and are subject to the laws and regulations of each country and region in regard to wastewater volume and water quality. Efforts are made at each plant to recycle and reuse water and to upgrade production processes so as to reduce the volume of water supplied and released and to maintain water quality. In the event of a major amendment to national or regional laws and regulations, we may incur costs associated with addressing such new legislative changes.

The foregoing impacts could negatively affect our operating results and financial position.

(7) Religious Rules

Gelatin is an animal-derived product that is widely used in food, pharmaceutical capsules and other items. However, due to religious injunctions, some consumption of these items may be forbidden, depending on the animal species and the manufacturing methods. Main examples of such religious rules include the Halal (Islam) and Kosher (Judaism). Followers of these religions are forbidden from consuming pig-derived products. In order to sell proper gelatin to business customers who manufacture products for these consumers, we produce gelatin by procuring raw materials derived from permissible animal species and by using appropriate manufacturing methods in line with religious rules. To make certain that our products conform to religious rules, we obtain certification through audits by certifying entities of each religion. In this context, we strictly manage various processes. However, in the event that our certification is revoked as a result of a breach of a religious rule due to a management deficiency, we will lose sales opportunities, which could have a negative impact on our operating results and financial position.

(8) Natural Disasters, Accidents, Terrorism, War and Other Contingencies

In the event of natural disasters such as earthquakes, storms and floods; accidents; problems with local communities; regional terrorism; wars and other contingencies at our business locations, the procurement of raw materials and the production and sale of products could be disrupted, which could have a negative impact on our operating results and financial position. Our business locations include our main offices and major outsourcing partners (including those in Osaka, Shiga and Tochigi prefectures, Japan; Province of Ontario, Canada; State of North Carolina, U.S.A.; State of Kerala, India and Guangdong Province, China); regions from which primary raw materials are procured (including India, Canada, U.S.A., New Zealand, Thailand and China); and primary regions where products are sold (including Japan, North America, India, China and various other Asian countries).

As a result of extensive flooding in Thailand, a partner plant stopped production of ossein from bovine bones from October to mid-December 2011. However, we responded by taking steps such as increasing the procurement volume of raw materials derived from bovine bones from India. Consequently, the impact on our operating results and financial position was negligible.

(9) Product Quality

We endeavor to put quality first in order to earn our customers' trust. To this end, we develop products focused on customer needs, and manufacture products under an internationally accepted quality assurance system. One particular focus lies in ensuring traceability from raw materials to finished products, in an effort to market safe products.

We have enrolled in product liability insurance policies, among other safeguards. However, in the event that a customer suffers damages as a result of defects in our products, there is no guarantee that our liability for damages will be covered within the compensation limits of these insurance policies.

Accordingly, in the event of a serious quality problem, the ensuing claims for damages, loss of public trust in the Group and other factors could negatively impact our operating results and financial position.

(10) Alternative Products

There is a growing trend to switch the raw materials used in certain pharmaceuticals, cosmetics and food from animal- to plant-derived materials. In the capsule market, one of our core markets for gelatin, this trend has given impetus to the development of plant-derived (starch and cellulose derivatives) capsule products. Certain pharmaceutical and health food manufacturers have adopted these capsules as an alternative to gelatin capsules. We believe that the popularization of plant-derived capsules has been limited only to certain segments of the market.

Nevertheless, in the event of new regulations on animal-derived products or a change in consumer sentiment, the rapid popularization of plant-derived capsules could reduce demand for gelatin capsules, and have a negative impact on our operating results and financial position.

(11) Interest-Rate Fluctuations

We primarily borrow funds from financial institutions to finance capital investments. The percentage of interest-bearing liabilities relative to total assets was 30.3% (including lease obligations) in the fiscal year ended March 31, 2012.

We endeavor to reduce borrowings and other interest-bearing liabilities. However, in the event of an increase in market interest rates going forward, our operating results and financial position could be negatively impacted.

(12) Taxation

In Japan, a 17% tariff is levied on imported gelatin except for photographic use. Going forward, a price difference between imports and domestic products may arise as a result of the reduction or abolition of this tariff. In such an event, our operating results and financial position could be negatively affected.

Moreover, the Group conducts production and sales activities on a global scale, and materials, semi-finished goods and other items are mutually supplied within the Group. At the time of issuance of this report, there was no evidence of the application of transfer pricing taxation to our transactions. Going forward, however, in the event that these transactions become subject to transfer pricing taxation and we are obligated to pay a large amount of taxes, our operating results and financial position could be negatively affected.

(13) Information Security

We have established an information system that enables us to obtain and analyze necessary information in real time in various processes, including purchasing, production, sales and management. We put particular emphasis on the strict management of access rights to the system for the purpose of ensuring stable system operation and preventing any leaks of sales data, including client data and personal information stored on the system. These efforts notwithstanding, in the event of difficulty in maintaining the stable operation of the information system due to a software malfunction, unauthorized external access or other factors, our business activities could be disrupted. In the event that sales or client data is leaked outside our Group, we could face consequences such as claims for damages from customers, and a loss of public trust in our Group. As a result, our operating results and financial position could be negatively affected.

(14) Infringement of Intellectual Property Rights

We protect our intellectual property rights through such means as obtaining patents on proprietary technology and other innovations we have developed. Efforts are also made in the product development process to prevent any infringement of rights held by third parties, including intellectual property rights. These efforts notwithstanding, we cannot completely rule out the possibility of becoming subject to allegations and claims by third parties concerning the ownership or infringement of intellectual property and other rights. In the event that we are subject to claims for damages or cease-and-desist orders as a result, our operating results and financial position could be negatively affected.

(15) Legal Disputes and Litigation

In the course of our business activities, we endeavor to enhance our internal control system and strengthen compliance, encompassing legal compliance and observance of social norms, while reducing our exposure to various forms of risk. At the same time, the Group receives advice from lawyers and other experts as necessary. These efforts notwithstanding, the Group may be subject to lawsuits in the course of business activities, irrespective of whether or not there is a breach of laws or regulations. In such an event, our operating results and financial position could be negatively affected.

Consolidated Balance Sheets

Nitta Gelatin Inc. and Consolidated Subsidiaries
As of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Assets			
Current assets:			
Cash and deposits (Notes 6, 10 and 19)	**¥ 2,098**	¥ 1,558	**$ 25,526**
Notes and accounts receivable (Notes 3 and 10)	**6,449**	5,621	**78,464**
Inventories (Note 4)	**5,971**	5,370	**72,648**
Deferred tax assets (Note 7)	**168**	161	**2,044**
Other	**262**	167	**3,187**
Allowance for doubtful accounts	**(14)**	(11)	**(170)**
Total current assets	**14,935**	12,868	**181,713**
Property, plant and equipment:			
Buildings and structures (Notes 6 and 14)	**6,593**	6,552	**80,216**
Machinery, equipment and vehicles (Note 6)	**7,638**	7,492	**92,931**
Land (Note 6)	**741**	762	**9,015**
Lease assets (Note 9)	**654**	477	**7,957**
Construction in progress	**365**	312	**4,440**
Other	**1,219**	1,228	**14,831**
Accumulated depreciation	**(11,827)**	(11,287)	**(143,898)**
Net property, plant and equipment	**5,387**	5,537	**65,543**
Intangible assets	**18**	20	**219**
Investments and other assets:			
Investment securities (Notes 5, 6 and 10)	**2,055**	2,082	**25,003**
Long-term loans receivable (Note 10)	**17**	21	**206**
Deferred tax assets (Note 7)	**477**	441	**5,803**
Other	**480**	494	**5,840**
Total investments and other assets	**3,030**	3,040	**36,865**
Total assets	**¥ 23,371**	¥ 21,466	**$ 284,353**

See notes to consolidated financial statements.

	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 1) 2012
Liabilities			
Current liabilities:			
Notes and accounts payable (Note 10)	**¥ 3,476**	¥ 3,537	**$ 42,292**
Short-term loans payable (Note 6)	**925**	1,047	**11,254**
Current portion of long-term debt (Notes 6 and 10)	**1,878**	1,695	**22,849**
Current portion of bonds (Notes 6 and 10)	**330**	260	**4,015**
Lease obligations (Notes 6, 9 and 10)	**127**	90	**1,545**
Other payable (Note 10)	**1,388**	1,251	**16,887**
Income taxes payable	**387**	183	**4,708**
Provision for bonuses	**235**	209	**2,859**
Other	**426**	490	**5,183**
Total current liabilities	**9,176**	8,765	**111,643**
Noncurrent liabilities:			
Bonds (Notes 6 and 10)	**200**	530	**2,433**
Long-term debt (Notes 6 and 10)	**3,261**	3,386	**39,676**
Lease obligations (Notes 6, 9 and 10)	**348**	303	**4,234**
Provision for retirement benefits (Note 8)	**2,158**	2,162	**26,256**
Provision for directors' retirement benefits	**33**	32	**401**
Other	**85**	102	**1,034**
Total noncurrent liabilities	**6,087**	6,516	**74,060**
Total liabilities	**15,263**	15,281	**185,703**
Commitments and contingent liabilities (Notes 9, 11 and 12)			
Net assets			
Shareholders' equity (Note 16):			
Capital stock:	**1,577**	875	**19,187**
Authorized — 50,000,000 shares			
Issued — 15,770,074 shares in 2012 and 7,366,937 shares in 2011			
Capital surplus	**1,398**	677	**17,009**
Retained earnings	**6,889**	6,090	**83,817**
Treasury stock — 162 shares in 2012 and 109,503 shares in 2011	**(0)**	(82)	**(0)**
Total shareholders' equity	**9,865**	7,560	**120,026**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**416**	408	**5,061**
Deferred gains or losses on hedges	**6**	2	**73**
Foreign currency translation adjustment	**(1,350)**	(1,180)	**(16,425)**
Pension liability adjustment of foreign subsidiaries	**(903)**	(665)	**(10,986)**
Total accumulated other comprehensive income	**(1,832)**	(1,435)	**(22,289)**
Minority interests	**74**	59	**900**
Total net assets	**8,108**	6,185	**98,649**
Total liabilities and net assets	**¥23,371**	¥21,466	**$284,353**

See notes to consolidated financial statements.

Consolidated Statements of Income

Nitta Gelatin Inc. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net sales	**¥27,763**	¥27,923	**$337,790**
Cost of sales (Note 4)	**20,924**	21,597	**254,580**
Gross profit	**6,838**	6,325	**83,197**
Selling, general and administrative expenses (Note 13)	**4,822**	4,838	**58,668**
Operating income	**2,015**	1,486	**24,516**
Other income (expenses):			
Interest and dividends income	**17**	14	**206**
Interest expenses	**(167)**	(180)	**(2,031)**
Equity in earnings of affiliates	**118**	129	**1,435**
Rent income	**28**	27	**340**
Foreign exchange gains (losses)	**3**	(89)	**36**
Going public expenses	**(45)**	–	**(547)**
Loss on retirement of noncurrent assets	**(49)**	(20)	**(596)**
Gain on abolishment of retirement benefit plan	**–**	140	**–**
Gain on transfer of business	**15**	–	**182**
Loss on valuation of golf club memberships	**(4)**	–	**(48)**
Impairment loss (Note 14)	**–**	(15)	**–**
Other, net	**31**	1	**377**
	(51)	8	**(620)**
Income before income taxes and minority interests	**1,964**	1,494	**23,895**
Income taxes (Note 7)**:**			
Current	**568**	432	**6,910**
Deferred	**12**	3	**146**
Total income taxes	**581**	436	**7,068**
Income before minority interests	**1,383**	1,058	**16,826**
Minority interests in income	**7**	6	**85**
Net income (Note 18)	**¥ 1,375**	¥ 1,051	**$ 16,729**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

Nitta Gelatin Inc. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Income before minority interests	**¥1,383**	¥1,058	**$16,826**
Other comprehensive income (Note 20):			
Valuation difference on available-for-sale securities	**8**	(57)	**97**
Deferred gains or losses on hedges	**8**	(16)	**97**
Foreign currency translation adjustment	**(50)**	(458)	**(608)**
Pension liability adjustment of foreign subsidiaries	**(238)**	442	**(2,895)**
Share of other comprehensive income of associates accounted for using equity method	**(123)**	(105)	**(1,496)**
Total other comprehensive income	**(396)**	(195)	**(4,818)**
Comprehensive income	**¥ 986**	¥ 863	**$11,996**
Comprehensive income attributable to:			
Owners of the parent	**¥ 978**	¥ 856	**$11,899**
Minority interests	**7**	6	**85**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Nitta Gelatin Inc. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2010	¥ 875	¥ 677	¥4,593	¥ (82)	¥6,063
Effect of changes in accounting policies applied to foreign affiliates accounted for by equity method			(22)		(22)
Transfer to pension liability adjustment of foreign subsidiaries			1,108		1,108
Dividends from surplus			(123)		(123)
Net income			1,051		1,051
Purchase of treasury stock				(516)	(516)
Retirement of treasury stock			(516)	516	–
Net changes of items other than shareholders' equity					–
Balance at March 31, 2011	875	677	6,090	(82)	7,560
Issuance of new shares	**702**	**702**			**1,404**
Dividends from surplus			**(48)**		**(48)**
Net income			**1,375**		**1,375**
Purchase of treasury stock				**(528)**	**(528)**
Disposal of treasury stock		**18**		**82**	**101**
Retirement of treasury stock			**(527)**	**527**	**–**
Net changes of items other than shareholders' equity					**–**
Balance at March 31, 2012	**¥1,577**	**¥1,398**	**¥6,889**	**¥ (0)**	**¥9,865**

	Millions of yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustment of foreign subsidiaries	Total	Minority interests	Total net assets
Balance at March 31, 2010	¥465	¥ 16	¥ (613)	¥ –	¥ (131)	¥58	¥5,990
Effect of changes in accounting policies applied to foreign affiliates accounted for by equity method							(22)
Transfer to pension liability adjustment of foreign subsidiaries				(1,108)	(1,108)		–
Dividends from surplus							(123)
Net income							1,051
Purchase of treasury stock							(516)
Retirement of treasury stock							–
Net changes of items other than shareholders' equity	(56)	(14)	(566)	442	(195)	0	(194)
Balance at March 31, 2011	408	2	(1,180)	(665)	(1,435)	59	6,185
Issuance of new shares							**1,404**
Dividends from surplus							**(48)**
Net income							**1,375**
Purchase of treasury stock							**(528)**
Disposal of treasury stock							**101**
Retirement of treasury stock							**–**
Net changes of items other than shareholders' equity	**7**	**4**	**(170)**	**(238)**	**(397)**	**15**	**(381)**
Balance at March 31, 2012	**¥416**	**¥ 6**	**¥(1,350)**	**¥ (903)**	**¥(1,832)**	**¥74**	**¥8,108**

See notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 1)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2011	$10,646	$ 8,237	$74,096	$ (997)	$ 91,981
Issuance of new shares	**8,541**	**8,541**			**17,082**
Dividends from surplus			**(584)**		**(584)**
Net income			**16,729**		**16,729**
Purchase of treasury stock				**(6,424)**	**(6,424)**
Disposal of treasury stock		**219**		**997**	**1,228**
Retirement of treasury stock			**(6,411)**	**6,411**	**–**
Net changes of items other than shareholders' equity					**–**
Balance at March 31, 2012	**$19,187**	**$17,009**	**$83,817**	**$ (0)**	**$120,026**

	Thousands of U.S. dollars (Note 1)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Pension liability adjustment of foreign subsidiaries	Total	Minority interests	Total net assets
Balance at March 31, 2011	$4,964	$24	$(14,356)	$ (8,091)	$(17,459)	$717	$75,252
Issuance of new shares							**17,082**
Dividends from surplus							**(584)**
Net income							**16,729**
Purchase of treasury stock							**(6,424)**
Disposal of treasury stock							**1,228**
Retirement of treasury stock							**–**
Net changes of items other than shareholders' equity	**85**	**48**	**(2,068)**	**(2,895)**	**(4,830)**	**182**	**(4,635)**
Balance at March 31, 2012	**$5,061**	**$73**	**$(16,425)**	**$(10,986)**	**$(22,289)**	**$900**	**$98,649**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Nitta Gelatin Inc. and Consolidated Subsidiaries
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Operating activities:			
Income before income taxes and minority interests	**¥ 1,964**	¥ 1,494	**$ 23,895**
Depreciation and amortization	**841**	898	**10,232**
Impairment loss	**–**	15	**–**
Decrease in provision for retirement benefits	**(165)**	(200)	**(2,007)**
Increase in provision for directors' retirement benefits	**1**	1	**12**
Increase in provision for bonuses	**25**	9	**304**
Increase (decrease) in allowance for doubtful accounts	**4**	(18)	**48**
Interest and dividends income	**(17)**	(14)	**(206)**
Interest expenses	**167**	180	**2,031**
Foreign exchange losses	**12**	46	**146**
Equity in earnings of affiliates	**(118)**	(129)	**(1,435)**
Loss on retirement of noncurrent assets	**49**	20	**596**
Loss on valuation of golf club memberships	**4**	–	**48**
Increase in notes and accounts receivable	**(842)**	(509)	**(10,244)**
(Increase) decrease in inventories	**(631)**	357	**(7,677)**
(Decrease) increase in notes and accounts payable	**(50)**	98	**(608)**
Increase in accrued consumption taxes	**22**	25	**267**
Other, net	**(194)**	(185)	**(2,360)**
Subtotal	**1,072**	2,091	**13,042**
Interest and dividends income received	**45**	152	**547**
Interest expenses paid	**(167)**	(183)	**(2,031)**
Income taxes paid	**(382)**	(490)	**(4,647)**
Net cash provided by operating activities	**568**	1,570	**6,910**
Investing activities:			
Payments into time deposits	**(20)**	(20)	**(243)**
Proceeds from withdrawal of time deposits	**20**	20	**243**
Purchase of property, plant and equipment	**(673)**	(946)	**(8,188)**
Proceeds from sales of property, plant and equipment	**7**	0	**85**
Purchase of intangible assets	**(7)**	(1)	**(85)**
Purchase of investment securities	**(4)**	(4)	**(48)**
Purchase of stocks of affiliates	**(28)**	(149)	**(340)**
Proceeds from cancellation of insurance funds	**16**	20	**194**
Purchase of insurance funds	**(10)**	(11)	**(121)**
Payments of loans receivable	**(0)**	(0)	**(0)**
Collection of loans receivable	**5**	5	**60**
Other, net	**(38)**	(7)	**(462)**
Net cash used in investing activities	**¥ (733)**	¥(1,094)	**$ (8,918)**

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Financing activities:			
Net (decrease) increase in short-term loans payable	**¥ (94)**	¥ 102	**$ (1,143)**
Proceeds from long-term debt	**2,047**	1,950	**24,905**
Repayment of long-term debt	**(1,987)**	(1,874)	**(24,175)**
Redemption of bonds	**(260)**	(60)	**(3,163)**
Proceeds from issuance of common stock	**1,404**	–	**17,082**
Proceeds from stock issuance to minority shareholders	**15**	–	**182**
Proceeds from sale and leaseback transaction	**183**	233	**2,226**
Repayments of lease obligations	**(111)**	(69)	**(1,350)**
Proceeds from disposal of treasury stock	**101**	–	**1,228**
Purchase of treasury stock	**(528)**	(516)	**(6,424)**
Cash dividends paid	**(48)**	(123)	**(584)**
Cash dividends paid to minority shareholders	**(7)**	(5)	**(85)**
Net cash provided by (used in) financing activities	**713**	(363)	**8,675**
Effect of exchange rate change on cash and cash equivalents	**(8)**	(41)	**(97)**
Net increase in cash and cash equivalents	**540**	70	**6,570**
Cash and cash equivalents at beginning of period	**1,538**	1,467	**18,712**
Cash and cash equivalents at end of period (Note 19)	**¥ 2,078**	¥ 1,538	**$ 25,282**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Nitta Gelatin Inc. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of Nitta Gelatin Inc. (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 financial statements to conform to the classifications used in 2012.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. As permitted by the regulations under the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements in yen do not necessarily agree with the sums of the individual amounts.

The U.S. dollar amounts shown in the accompanying consolidated financial statements and notes thereto were translated from the presented Japanese yen amounts into U.S. dollar amounts at the rate of ¥82.19 = U.S. $1, the approximate rate of exchange at March 30, 2012, and were then rounded down to the nearest thousand. As a result, the totals shown in the accompanying consolidated financial statements in U.S. dollar do not necessarily agree with the sums of the individual amounts. This translation of Japanese yen amounts into U.S. dollar amounts is included solely for convenience of readers outside Japan. Such translation should not be construed as a representation that Japanese yen could be converted into U.S. dollars at that or any other rate.

2. Significant Accounting Policies

(1) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The consolidated financial statements as of and for the year ended March 31, 2012 include the accounts of the Company and its 12 significant subsidiaries (10 significant subsidiaries in 2011). The fiscal year-end of one consolidated subsidiary (December 31) is different than the consolidated fiscal year-end (March 31), and necessary adjustments are made for any significant transactions between its fiscal year-end and the consolidated fiscal year-end.

Under the control or influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are consolidated, and those companies over which the Group has the ability to exercise significant influence are accounted for using the equity method.

For the year ended March 31, 2012, three affiliates (three affiliates in 2011) are accounted for using the equity method. Investments in companies accounted for using the equity method whose fiscal year-ends are different than the consolidated fiscal year-end are accounted for on the basis of the companies' respective fiscal year-end. Investments in one unconsolidated subsidiary and two affiliates are excluded from the application of the equity method and stated at cost because the Group's share of their net income and retained earnings have slight effects on the accompanying consolidated financial statements and are considered insignificant overall.

(2) Foreign currency translation

Receivables and payables denominated in foreign currencies are translated into yen at the exchange rate as of the consolidated balance sheet date, and differences arising from the translation are included in the consolidated statements of income.

The asset and liability accounts of the foreign consolidated subsidiaries are translated into yen at the exchange rates as of the consolidated balance sheet date, and revenue and expense accounts are translated at the average rate during the year. Differences arising from the translation are presented in foreign currency translation adjustment and minority interests in net assets.

(3) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, cash in banks which can be withdrawn at any time and short-term investments with a maturity of three months or less when purchased which are readily convertible into cash and are exposed to insignificant risk of changes in value.

(4) Investment securities

In general, securities are classified into three categories: trading, held-to-maturity or available-for-sale securities. Securities held by the Group are all classified as available-for-sale securities. Available-for-sale securities with a determinable market value are stated at fair value, with any changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Cost of securities sold is determined by the moving-average method. Available-for-sale securities without a determinable market value are stated at cost determined by the moving-average method.

(5) Inventories

Finished goods are mainly stated at the lower of cost determined by the gross average method or net selling value. Merchandise, semi-finished goods, work in process, raw materials and supplies are mainly stated at the lower of cost determined by the moving-average method or net selling value.

(6) Property, plant and equipment and depreciation (excluding lease assets)

Depreciation of property, plant and equipment held by the Company and its domestic consolidated subsidiaries is computed by the declining-balance method, except for buildings on which depreciation is computed by the straight-line method. Depreciation of property, plant and equipment held by foreign consolidated subsidiaries is computed mainly by the straight-line method.

The useful lives of property, plant and equipment are summarized as follows:

Buildings and structures:	7 to 50 years
Machinery, equipment and vehicles:	4 to 10 years

(7) Intangible assets and amortization (excluding lease assets)

Intangible assets are amortized by the straight-line method. Internal use software is amortized by the straight-line method over an estimated useful life of five years.

(8) Lease assets

Lease assets are depreciated by the straight-line method over the lease term with no residual value (residual value guarantee amount if it is agreed).

In addition, the Group accounts for the finance lease transactions that commenced on or before March 31, 2008 and do not transfer ownership of the leased property to the lessee as operating lease transactions.

(9) Allowance for doubtful accounts

The Company and its domestic consolidated subsidiaries provide allowance for doubtful accounts mainly to cover a loss from uncollectible receivables at an amount determined based on the historical experience of bad debt with respect to ordinary receivables and an estimated uncollectible amount based on individual collectibility of specific receivables such as doubtful accounts receivable.

The foreign consolidated subsidiaries provide allowance for doubtful accounts mainly at an estimated uncollectible amount for specific receivables.

(10) Provision for bonuses

The Company and its consolidated subsidiaries record provision for bonuses at an amount estimated to cover the bonus payments for services rendered by employees during each fiscal year.

(11) Provision for retirement benefits

The Company and certain consolidated subsidiaries record provision for retirement benefits based on the estimated amounts of the retirement benefit obligation and the fair value of pension plan assets as of the consolidated balance sheet date to cover future payments of employees' retirement benefits.

Actuarial gains and losses are mainly amortized by the straight-line method over a certain period (10 years), which is within the average remaining years of service of the employees at the time when the gains or losses arise, from the fiscal year following the fiscal year in which they arise.

Prior service benefits and costs are mainly recognized as income or expense by the straight-line method over a certain period (10 years) which is within the average remaining years of service of the employees at the time they arise.

(12) Provision for directors' retirement benefits

Certain domestic consolidated subsidiaries record provision for directors' retirement benefits to cover future payments at an amount required according to the internal rules as of the balance sheet date.

(13) Hedge accounting

In principle, deferral hedge accounting is adopted for hedge transactions. Interest rate swaps are accounted for by the exceptional treatment if the interest rate swaps meet certain criteria to adopt the treatment.

The following summarizes hedging derivative instruments used by the Group and items hedged:

2012

Hedging instruments	Hedged items
Foreign exchange forward contracts	Payables denominated in foreign currencies in connection with imports of raw materials and forecasted transactions denominated in foreign currencies
Interest rate swaps	Loans and debt

2011

Hedging instruments	Hedged items
Foreign exchange forward contracts	Payables denominated in foreign currencies in connection with imports of raw materials and forecasted transactions denominated in foreign currencies
Interest rate swaps	Loans and debt

As a policy, the Group utilizes derivative transactions within a certain range to hedge market fluctuations in connection with hedged items in accordance with internal management rules defining authorization policies and transaction limits. The Group assesses the hedge effectiveness by comparing the accumulated gains or losses on the hedging instruments and the related hedged items during the period from the commencement of the hedging transactions to the assessment of effectiveness. For interest rate swaps accounted for by the exceptional treatment, however, the assessment of effectiveness is not performed.

(14) Going public expenses

Going public expenses are charged to income as incurred.

(15) Income taxes

Income taxes are computed based on taxable income of each group company.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of deferred tax assets and liabilities due to the change in tax rate is recognized in the statement of income for the period including the enacted date.

(16) New accounting standards

The "Accounting Standard for Accounting Changes and Error Corrections" (Accounting Standards Board of Japan ("ASBJ") Statement No. 24, issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) have been applied to the accounting changes and corrections of prior period errors which are made after the beginning of the fiscal year ended March 31, 2012.

3. Notes Receivable and Notes Payable Maturing at Fiscal Year-End

Notes receivable and notes payable maturing at the fiscal year-end are settled on the date of clearance. As March 31, 2012 was a bank holiday, the following notes receivable and notes payable were included in the balances as of March 31, 2012 and 2011.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Notes receivable	**¥113**	¥–	**$1,374**
Notes payable	**–**	–	**–**

4. Inventories

The balances of inventories as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Merchandise and finished goods	**¥4,011**	¥3,500	**$48,801**
Work in process	**651**	611	**7,920**
Raw materials and supplies	**1,308**	1,258	**15,914**
Inventories, total	**¥5,971**	¥5,370	**$72,648**

The inventory write-down of ¥23 million ($279 thousand) and reversal of inventory write-down of ¥149 million were recorded in cost of sales for the years ended March 31, 2012 and 2011, respectively, due to decline in profitability.

5. Investment Securities

Information of available-for-securities as of March 31, 2012 and 2011 was as follows:

	Millions of yen					
	2012			2011		
	Carrying value	Acquisition cost	Difference	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	**¥820**	**¥158**	**¥661**	¥847	¥146	¥700
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	**30**	**48**	**(17)**	39	54	(15)
Total	**¥850**	**¥206**	**¥644**	¥886	¥201	¥685

	Thousands of U.S. dollars		
	2012		
	Carrying value	Acquisition cost	Difference
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	**$ 9,976**	**$1,922**	**$8,042**
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	**365**	**584**	**(206)**
Total	**$10,341**	**$2,506**	**$7,835**

Unlisted equity securities of ¥18 million ($219 thousand) as of March 31, 2012 and 2011 were not included in the above tables as there were no market prices available and it is extremely difficult to determine their fair value.

Investments in unconsolidated subsidiaries and affiliates of ¥1,185 million ($14,417 thousand) and ¥1,176 million were included in investment securities as of March 31, 2012 and 2011, respectively.

6. Short-Term Loans Payable, Long-Term Debt, Bonds and Lease Obligations

	Millions of yen			Millions of yen	Thousands of U.S. dollars
	2012			2011	2012
	Amount	Weighted average interest rate (%)	Due	Amount	Amount
Current portion of long-term debt	**¥ 1,878**	**1.978%**	**–**	¥ 1,695	**$ 22,849**
Lease obligations (current portion)	**127**	**–**	**–**	90	**1,545**
Long-term debt excluding current portion	**3,261**	**1.811**	**2013 to 2017**	3,386	**39,676**
Lease obligations excluding current portion	**348**	**–**	**2013 to 2017**	303	**4,234**
No. 14 unsecured corporate bonds	**330**	**1.55**	**Aug. 2012**	390	**4,015**
No. 15 unsecured corporate bonds	**–**	**1.58**	**Aug. 2011**	200	**–**
No. 16 unsecured corporate bonds	**200**	**1.82**	**Aug. 2013**	200	**2,433**
	6,145			6,265	**74,765**
Less: Current portion	**(2,335)**			(2,046)	**(28,409)**
	¥ 3,809			¥ 4,219	**$ 46,343**

The weighted average interest rate of short-term loans payable at March 31, 2012 was 2.604%. Average interest rate on lease obligations is not provided because the balance of lease obligations includes interest equivalent that is contained in the total lease payments.

The maturities of bonds, long-term debt and lease obligations outstanding on or after April 1, 2012 were as follows:

	Millions of yen			Thousands of U.S. dollars		
Year ending March 31,	Bonds	Long-term debt	Lease obligations	Bonds	Long-term debt	Lease obligations
2013	¥330	¥1,878	¥127	$4,015	$22,849	$1,545
2014	200	1,608	129	2,433	19,564	1,569
2015	–	995	108	–	12,106	1,314
2016	–	545	81	–	6,630	985
2017	–	111	28	–	1,350	340
Total	¥530	¥5,139	¥475	$6,448	$62,525	$5,779

The following assets were pledged as collateral as of March 31, 2012 and 2011.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Time deposits	¥ 20	¥ 20	$ 243
Buildings and structures	1,192	1,233	14,502
Machinery, equipment and vehicles	155	163	1,885
Land	191	191	2,323
Investment securities	314	307	3,820
Total	¥1,873	¥1,915	$22,788
Assets pledged as factory foundation mortgage included in the above assets:			
Buildings and structures	¥1,192	¥1,233	$14,502
Machinery, equipment and vehicles	155	163	1,885
Land	191	191	2,323
Total	¥1,539	¥1,588	$18,724

The obligations collateralized by the above assets as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Long-term debt	¥4,249	¥4,272	$51,697
Accounts payable (accrued liabilities such as customs duty)	42	51	511
Total	¥4,291	¥4,323	$52,208
Factory foundation mortgage included in the above liabilities:			
Long-term debt	¥3,865	¥3,868	$47,025
Total	¥3,865	¥3,868	$47,025

For the purpose of obtaining working funds effectively, the Company and one consolidated subsidiary have entered into overdraft agreements and loan commitment agreements amounting to ¥4,950 million ($60,226 thousand) in total with five banks at March 31, 2012 and 2011. There was no borrowing outstanding under these agreements as of March 31, 2012 and 2011.

7. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation, inhabitants and enterprise taxes. The statutory tax rate applicable to the Company was approximately 40.69% for the years ended March 31, 2012 and 2011. The effective tax rates reflected in the consolidated statements of income for the years ended March 31, 2012 and 2011 differ from the statutory tax rate for the following reasons:

	2012	2011
Statutory tax rate	40.69%	40.69%
Adjustments for:		
Non-deductible expenses for income tax purposes	0.53	0.70
Non-taxable income	(0.36)	(0.37)
Inhabitants taxes—per capita levy	0.35	0.51
Tax credit for research and development, etc.	(1.66)	(2.74)
Adjustment to deferred tax assets due to changes in tax rates	4.88	(0.11)
Unrecognized tax benefits of net operating losses of subsidiaries	(9.66)	(4.66)
Difference in tax rates between the Company and subsidiaries	(1.92)	(0.26)
Equity in earnings of affiliates	(2.45)	(3.53)
Other	(0.81)	(1.04)
Effective tax rates	29.59%	29.19%

Following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011), the corporate income tax rate will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012. As a result, the statutory tax rate to calculate deferred tax assets and liabilities was changed from 40.69% to 38.01% for temporary differences expected to reverse from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, and to 35.64% for temporary differences expected to reverse from the fiscal years beginning on or after April 1, 2015, respectively.

Due to these changes, deferred tax assets decreased by ¥65 million ($790 thousand), and valuation difference on available-for-sale securities, deferred gains or losses on hedges and income taxes - deferred increased by ¥32 million ($389 thousand), ¥0 million ($0 thousand) and ¥98 million ($1,192 thousand), respectively.

The significant components of deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Deferred tax assets:			
Loss on valuation of inventories	**¥ 44**	¥ 51	**$ 535**
Provision for bonuses	**84**	109	**1,022**
Accrued enterprise tax	**30**	18	**365**
Loss on valuation of golf club membership	**11**	11	**133**
Loss on valuation of investment securities	**246**	281	**2,993**
Provision for retirement benefits	**763**	810	**9,283**
Provision for directors’ retirement benefits	**30**	38	**365**
Interest expenses	**38**	111	**462**
Impairment loss	**31**	37	**377**
Net loss carried forward	**801**	793	**9,745**
Other	**79**	55	**961**
Subtotal	**2,164**	2,317	**26,329**
Valuation allowance	**(999)**	(1,159)	**(12,154)**
Total deferred tax assets	**1,164**	1,157	**14,162**
Deferred tax liabilities:			
Depreciation	**(242)**	(248)	**(2,944)**
Valuation difference on available-for-sale securities	**(228)**	(277)	**(2,774)**
Provision for retirement benefits	**(56)**	(34)	**(681)**
Other	**(7)**	–	**(85)**
Total deferred tax liabilities	**(534)**	(560)	**(6,497)**
Net deferred tax assets	**¥ 629**	¥ 597	**$ 7,652**

8. Retirement Benefit Plans

The Company and certain consolidated subsidiaries primarily have defined benefit plans, i.e., lump-sum payment plans and defined benefit corporate pension plans.

The company and three consolidated subsidiaries have defined benefit retirement pension plans as of March 31, 2012.

The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2012 and 2011 for the Company's and the consolidated subsidiaries' defined benefit plans.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Retirement benefit obligation	**¥(6,817)**	¥(6,647)	**$(82,941)**
Plan assets at fair value	**4,572**	4,483	**55,627**
Unfunded retirement benefit obligation	**(2,244)**	(2,163)	**(27,302)**
Unrecognized actuarial loss	**451**	383	**5,487**
Unrecognized prior service benefit and cost	**(89)**	(109)	**(1,082)**
Net retirement benefit obligation	**(1,882)**	(1,889)	**(22,898)**
Prepaid pension cost	**275**	273	**3,345**
Provision for retirement benefits	**¥(2,158)**	¥(2,162)	**$(26,256)**

Note: Certain consolidated subsidiaries apply the simplified method in calculating retirement benefit obligation.

The components of retirement benefit expenses for the years ended March 31, 2012 and 2011 were outlined as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service cost	**¥ 168**	¥ 203	**$ 2,044**
Interest cost	**245**	217	**2,980**
Expected return on plan assets	**(222)**	(165)	**(2,701)**
Amortization of actuarial loss	**49**	79	**596**
Amortization of prior service benefit and cost	**(23)**	13	**(279)**
Total retirement benefit expenses	**¥ 217**	¥ 348	**$ 2,640**

Note: Retirement benefit expenses of consolidated subsidiaries which apply the simplified method are included in "service cost."

Both discount rates and expected rates of return on plan assets used in calculation of retirement benefit obligations for the years ended March 31, 2012 and 2011 were mainly 2.10%.

During the year ended March 31, 2011, one consolidated subsidiary terminated its post-retirement health benefit plan. Accordingly, the Group recognized gain on abolishment of retirement benefit plan of ¥140 million for the year ended March 31, 2011.

9. Leases

(1) Finance leases (lessee)

The Company leases production facilities (machinery, equipment and vehicles) in connection with collagen material business as a lessee through finance lease transactions that do not transfer ownership of the leased property to the lessee. Finance leases that do not transfer ownership of the leased property to the lessee and commenced on or before March 31, 2008 are accounted for as operating leases.

The following pro forma amounts represent the acquisition cost, accumulated depreciation and net book value of the leased properties as of March 31, 2012 and 2011, which would be reflected in the consolidated financial statements if the finance lease accounting was applied to the finance leases currently accounted for as operating leases.

	Millions of yen					
	2012			2011		
	Acquisition cost	Accumulated depreciation	Net book value	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	**¥623**	**¥476**	**¥147**	¥940	¥638	¥302
Other (property, plant and equipment)	**–**	**–**	**–**	7	5	1
Other (intangible assets)	**–**	**–**	**–**	13	12	1
Total	**¥623**	**¥476**	**¥147**	¥960	¥655	¥304

	Thousands of U.S. dollars		
	2012		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	**$7,579**	**$5,791**	**$1,788**
Other (property, plant and equipment)	**–**	**–**	**–**
Other (intangible assets)	**–**	**–**	**–**
Total	**$7,579**	**$5,791**	**$1,788**

Future minimum lease payments subsequent to March 31, 2012 for finance leases accounted for as operating leases were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥115	$1,399
2014 and thereafter	46	559
Total	¥161	$1,958

Lease payments relating to finance leases accounted for as operating leases and the pro forma depreciation expenses and interest expenses relating to assets leased under finance leases accounted for as operating leases for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease payments	**¥140**	¥189	**$1,703**
Depreciation expenses	**118**	162	**1,435**
Interest expenses	**11**	18	**133**

The pro forma depreciation expenses are computed by the straight-line method over the lease term with no residual value (residual value guarantee amount if it is agreed), and the pro forma interest expenses are computed by the interest method. There were no impairment losses allocated to lease assets for the years ended March 31, 2012 and 2011.

(2) Operating Leases

Future minimum lease payments subsequent to March 31, 2012 for non-cancelable operating leases were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥184	$ 2,238
2014 and thereafter	722	8,784
Total	¥906	$11,023

10. Financial Instruments

(1) Overview

(a) Policy for financial instruments

In consideration of plans for capital investment, the Group raises necessary funds mainly through bank borrowings. The Group invests temporary surplus funds mainly in highly liquid financial assets and raises short-term operating capital through bank borrowings. The Group uses derivatives to avoid after-mentioned risks and does not enter into derivatives for speculative purposes.

(b) Descriptions of financial instruments and related risk

Trade receivables such as notes and accounts receivable are exposed to customer credit risk. Although trade receivables denominated in foreign currencies arising from foreign operations are exposed to foreign currency risk, the balances of receivables are always less than payables denominated in the same currencies.

Investment securities are mainly composed of equity securities of companies with business relationship and are exposed to market risk. The Company also provides long-term loans to companies with business relationship.

Substantially all trade payables such as notes and accounts payable have payment due dates within five months. Although certain payables denominated in foreign currencies are exposed to foreign currency risk, such risk is hedged by foreign exchange forward contracts except for payables less than receivables denominated in the same currencies.

Debt, bonds and lease obligations under finance leases are principally for the purpose of making capital investments and due up to five years from the balance sheet date. Although certain of them are exposed to interest rate fluctuation risk, such risk is hedged by derivatives (interest rate swaps).

As for derivatives, the Group has entered into foreign exchange forward contracts to hedge the foreign currency risk arising from trade payables denominated in foreign currencies and interest rate swap transactions to hedge fluctuation risk deriving from interest payments of debt.

Information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy and assessment of hedge effectiveness is disclosed in Note 2. “Significant Accounting Policies (13) Hedge accounting.”

(c) Risk management for financial instruments

Credit risk management (risk of default by customers or counterparties)

In accordance with the credit management rules of the Company, for trade receivables and long-term loans receivable, sales departments of each division monitor credit worthiness of their main customers periodically and manage due dates and outstanding balances by customer. In addition, the Company is making efforts to identify uncollectibility in the earlier stage and mitigate risks of bad debts from customers having financial difficulties. Consolidated subsidiaries similarly manage such risks in accordance with the Company’s credit management rules.

The Company believes that the credit risk of derivatives is insignificant as it has entered into derivative transactions only with financial institutions with a sound credit rating.

Market risk management (risks of fluctuations in foreign exchange rates, interest rates and others)
For trade payables denominated in foreign currencies, the foreign currency risk of the Company identified by currency on a monthly basis is hedged by foreign exchange forward contracts. In addition, in order to mitigate the interest rate risk for interest payments of debt, the Company has entered into interest rate swap transactions.

For investment securities, Company periodically monitors the fair values and the financial position of the issuers (companies with business relationship) and continuously reviews the holding status taking into account market conditions and relationships with the issuers.

Derivative transactions are conducted and managed by the responsible division with the approval of authorized personnel in accordance with the internal management rules which define the authorization policies and transaction limits.

Consolidated subsidiaries have not entered into derivative transactions.

Management of liquidity risk on funding (risk of default at due dates)
Based on reports from each division, the responsible division of the Company prepares and updates its cash flow plan on a timely basis and manages liquidity risk by maintaining liquid funds. Consolidated subsidiaries manage their liquidity risk in a similar manner.

(d) Supplementary explanation of the fair value of financial instruments
The fair value of financial instruments is based on their market price if available. When there is no market price available, fair value is reasonably calculated. Since various assumptions and factors are reflected in the calculation of fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note 11. "Derivative Transactions" are not indicative of the market risk involved in derivative transactions.

(2) Fair value of financial instruments
Carrying value of financial instruments on the consolidated balance sheets as of March 31, 2012 and 2011, fair value and their difference are shown in the following table. Financial instruments whose fair value is extremely difficult to determine are not included in the following table.

	Millions of yen		
	2012		
	Carrying value	Fair value	Difference
Cash and deposits	**¥ 2,098**	**¥ 2,098**	**¥ –**
Notes and accounts receivable	**6,449**	**6,449**	**–**
Investment securities	**850**	**850**	**–**
Total assets	**¥ 9,398**	**¥ 9,398**	**¥ –**
Notes and accounts payable	**¥ 3,476**	**¥ 3,476**	**¥ –**
Other payable	**1,388**	**1,388**	**–**
Long-term debt	**5,139**	**5,175**	**36**
Total liabilities	**¥10,005**	**¥10,041**	**¥36**
Derivative transactions (*)	**¥ 13**	**¥ 13**	**¥ –**

(*) The value of assets and liabilities arising from derivative transactions is shown at net value.

	Millions of yen		
	2011		
	Carrying value	Fair value	Difference
Cash and deposits	¥1,558	¥1,558	¥ –
Notes and accounts receivable	5,621	5,621	–
Investment securities	886	886	–
Total assets	¥8,066	¥8,066	¥ –
Notes and accounts payable	¥3,537	¥3,537	¥ –
Other payable	1,251	1,251	–
Long-term debt	5,081	5,103	21
Total liabilities	¥9,870	¥9,891	¥21
Derivative transactions (*)	¥ (110)	¥ (110)	¥ –

(*) The value of assets and liabilities arising from derivative transactions is shown at net value, and the net liability position is shown in parentheses.

	Thousands of U.S. dollars		
	2012		
	Carrying value	Fair value	Difference
Cash and deposits	**$ 25,526**	**$ 25,526**	**$ –**
Notes and accounts receivable	**78,464**	**78,464**	**–**
Investment securities	**10,341**	**10,341**	**–**
Total assets	**$114,344**	**$114,344**	**$ –**
Notes and accounts payable	**$ 42,292**	**$ 42,292**	**$ –**
Other payable	**16,887**	**16,887**	**–**
Long-term debt	**62,525**	**62,963**	**438**
Total liabilities	**$121,730**	**$122,168**	**$438**
Derivative transactions (*)	**$ 158**	**$ 158**	**$ –**

(*) The value of assets and liabilities arising from derivative transactions is shown at net value.

Note 1. Methods to calculate the fair value of financial instruments and other matters related to securities and derivative transactions

Assets:

Cash and deposits and Notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximates fair value.

Investment securities

The fair value of equity securities is based on quoted market prices. The information on securities classified by holding purpose is disclosed in Note 5. "Investment Securities."

Liabilities:

Notes and accounts payable and Other payable

Since these items are settled in a short period of time, their carrying value approximates fair value.

Long-term debt

The fair value of long-term debt is based upon the present value of the total of principal and interest discounted by the interest rate to be applied if similar new borrowings were entered into.

Derivative transactions:

The information on derivative transactions is disclosed in Note 11. "Derivative Transactions."

Note 2. Financial instruments whose fair value is extremely difficult to determine

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Carrying value:			
Unlisted equity securities	**¥18**	¥18	**$219**

These are not included in investment securities in the above table because there was no quoted market price available and it is extremely difficult to determine the fair value.

(3) As of March 31, 2012 and 2011, monetary receivables with maturities were deposits of ¥2,094 million ($25,477 thousand) and ¥1,555 million and notes and accounts receivable of ¥6,449 million ($78,464 thousand) and ¥5,621 million, respectively. These were all due within one year.

11. Derivative Transactions

The hedge accounting has been applied to all derivative transactions held by the Group as of March 31, 2012 and 2011, and their fair value information is stated as follows. Fair value is measured based on quotes and prices provided by counterparty financial institutions.

Currency related:

	Millions of yen					
	2012			2011		
	Contract or notional amount	Maturing after one year	Fair value	Contract or notional amount	Maturing after one year	Fair value
Deferral hedge accounting						
Foreign exchange forward contracts						
Buy: USD and CAD	**¥457**	**¥–**	**¥18**	¥698	¥–	¥13

	Thousands of U.S. dollars		
	2012		
	Contract or notional amount	Maturing after one year	Fair value
Deferral hedge accounting			
Foreign exchange forward contracts			
Buy: USD and CAD	**$5,560**	**$–**	**$219**

Interest related:

	Millions of yen					
	2012			2011		
	Contract or notional amount	Maturing after one year	Fair value	Contract or notional amount	Maturing after one year	Fair value
Deferral hedge accounting						
Interest rate swaps						
Receive/floating and pay/fixed	**¥1,500**	**¥150**	**¥(5)**	¥1,500	¥ 450	¥(13)
Exceptional treatment						
Interest rate swaps						
Receive/floating and pay/fixed	**2,450**	**680**	(*)	3,350	1,025	(*)

	Thousands of U.S. dollars		
	2012		
	Contract or notional amount	Maturing after one year	Fair value
Deferral hedge accounting			
Interest rate swaps			
Receive/floating and pay/fixed	**$18,250**	**$1,825**	**$(60)**
Exceptional treatment			
Interest rate swaps			
Receive/floating and pay/fixed	**29,808**	**8,273**	(*)

(*) Interest rate swaps to which the exceptional treatment is applied are accounted for together with long-term debt designated as a hedged item. Therefore, their fair value is included in the fair value of long-term debt.

12. Contingent Liabilities

As of March 31, 2012 and 2011, the Group was contingently liable for the assignment of receivable with recourse in the amount of ¥249 million ($3,029 thousand) and ¥496 million, respectively.

13. Selling, General and Administrative Expenses

The main components of selling, general and administrative expenses for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Packing and freightage expenses	**¥ 741**	¥ 757	**$ 9,015**
Salaries	**1,145**	1,155	**13,931**
Bonuses	**226**	220	**2,749**
Provision for bonuses	**75**	77	**912**
Provision for retirement benefits	**89**	91	**1,082**
Provision for directors' retirement benefits	**1**	0	**12**
Provision of allowance for doubtful accounts	**2**	0	**24**
Research and development expenses	**730**	739	**8,881**

For the years ended March 31, 2012 and 2011, research and development expenses included in general and administrative expenses and manufacturing costs were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
General and administrative expenses	**¥730**	¥739	**$ 8,881**
Manufacturing costs	**164**	156	**1,995**
Total	**¥895**	¥895	**$10,889**

14. Impairment Loss

Business assets of the Group are grouped based on the categories used for their managerial accounting.

For the year ended March 31, 2012, the group recognized no impairment loss.

For the year ended March 31, 2011, the Group recognized impairment losses on the following asset group.

2011

Location	Use	Category	Amount (Millions of yen)
Shiki-gun, Nara	Formula solution business	Building	¥15

The Group recognized impairment losses for the above asset group on the ground that its ability to generate cash flows declined significantly for the year ended March 31, 2011. The recoverable amount of the above asset group was measured at net selling value.

15. Information on Related Party Transactions

For the years ended March 31, 2012 and 2011, significant affiliates were Nitta Gelatin India Ltd. and Bostik-Nitta Co., Ltd., and the condensed financial information prepared by combining the financial statements of these significant affiliates was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Total current assets	**¥2,401**	¥2,482	**$29,212**
Total noncurrent assets	**1,585**	1,690	**19,284**
Total current liabilities	**1,410**	1,263	**17,155**
Total noncurrent liabilities	**127**	188	**1,545**
Total net assets	**2,448**	2,720	**29,784**
Net sales	**7,026**	6,192	**85,484**
Income before income taxes	**594**	471	**7,227**
Net income	**337**	256	**4,100**

16. Shareholders' Equity

The Companies Act of Japan provides that an amount equivalent to 10% of the amount of deduction from surplus as a result of the payment of dividends shall be recorded as additional paid-in capital (a component of capital surplus) or legal reserve (a component of retained earnings) on the dividend date until the total of additional paid-in capital and legal reserve equals 25% of the capital stock account.

Such distributions can be made at any time by resolution of the shareholders' meeting or the board of directors if certain conditions are met.

Changes in total number of shares of capital stock issued for the years ended March 31, 2012 and 2011 were as follows:

As of March 31,	2010	Increase/(decrease)	2011	Increase/(decrease)	**2012**
Issued:					
Common stock	6,366,937	–	6,366,937	9,403,137	**15,770,074**
Type A preferred stock	2,000,000	(1,000,000)	1,000,000	(1,000,000)	**–**
Total	8,366,937	(1,000,000)	7,366,937	8,403,137	**15,770,074**
Treasury stock:					
Common stock	109,406	97	109,503	(109,341)	**162**

For the year ended March 31, 2012, the increase in the number of issued shares of common stock was due to two-for-one stock split on April 1, 2011 (6,366,937 shares) and issuance of new shares by public offering, the payment date of which was December 19, 2011, (2,781,000 shares) and issuance of new shares by third-party allotment, the payment date of which was January 18, 2012 (255,200 shares).

For the years ended March 31, 2012 and 2011, the number of issued shares of Type A preferred stock decreased by 1,000,000 shares due to retirement of shares after acquisition.

For the year ended March 31, 2012, the number of shares of treasury stock of common stock increased by 109,503 shares due to two-for-one stock split on April 1, 2011 and by 156 shares due to the acquisition of shares less than one unit. For the year ended March 31, 2011, the number of shares of treasury stock of common stock increased by 97 shares due to the acquisition of shares less than one unit.

For the year ended March 31, 2012, the number of shares of treasury stock of common stock decreased by 219,000 shares due to the disposal of treasury stock by public offering, the payment date of which was December 19, 2011.

17. Information Related to Consolidated Statements of Changes in Net Assets

(1) Dividends paid to shareholders

2012

Resolution	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Amount per share (Yen)	Amount per share (U.S. dollars)	Record date	Effective date
June 28, 2011 Annual general meeting of shareholders	**Common stock**	**¥23**	**$279**	**¥3.75**	**$0.04**	**March 31, 2011**	**June 29, 2011**
November 7, 2011 Board of directors	**Common stock**	**25**	**304**	**2.00**	**0.02**	**September 30, 2011**	**December 8, 2011**

2011

Resolution	Type of shares	Amount (Millions of yen)	Amount per share (Yen)	Record date	Effective date
June 28, 2010 Annual general meeting of shareholders	Common stock	¥23	¥ 3.75	March 31, 2010	June 29, 2010
	Type A preferred stock	44	22.44		
November 5, 2010 Board of directors	Common stock	23	3.75	September 30, 2010	December 10, 2010
	Type A preferred stock	31	22.56		

(2) Dividends with a record date during the fiscal year but an effective date subsequent to the fiscal year

2012

Resolution	Type of shares	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)	Paid from	Amount per share (Yen)	Amount per share (U.S. dollars)	Record date	Effective date
June 27, 2012 Annual general meeting of shareholders	**Common stock**	**¥126**	**$1,533**	**Retained earnings**	**¥8.00**	**$0.09**	**March 31, 2012**	**June 28, 2012**

2011

Resolution	Type of shares	Amount (Millions of yen)	Paid from	Amount per share (Yen)	Record date	Effective date
June 28, 2011 Annual general meeting of shareholders	Common stock	¥23	Retained earnings	¥3.75	March 31, 2011	June 29, 2011

18. Amounts per Share

Net assets per share is computed based on net assets available for distribution to the shareholders of common stock and the number of shares of common stock outstanding at the year-end.

Net income per share is computed based on the net income available to shareholders of common stock and weighted average number of shares of common stock outstanding during the period which was 13,496,766 shares and 12,515,046 shares for the years ended March 31, 2012 and 2011, respectively.

	Yen		U.S. dollars
	2012	2011	**2012**
Net assets per share	**¥509.41**	¥449.51	**$6.19**
Net income per share	**99.87**	80.19	**1.21**

The Company conducted a two-for-one stock split on April 1, 2011. The Company calculated net assets per share and net income per share assuming the stock split had conducted on April 1, 2010.

Diluted net income per share is not disclosed due to the absence of dilutive shares for the years ended March 31, 2012 and 2011.

(Changes in accounting policies)

Effective April 1, 2011, the Group has applied the "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, issued on June 30, 2010), the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, issued on June 30, 2010) and the "Practical Solution on Accounting for Earnings Per Share" (Practical Issue Task Force No. 9, issued on June 30, 2010).

By the application of the standard, as for the two-for-one stock split for the year ended March 31, 2012, the Company calculated net assets per share and net income per share assuming the stock split had conducted on April 1, 2010.

If the standard was not applied, net assets per share and net income per share for the year ended March 31, 2011 would be as follows:

	Yen
Net assets per share	¥899.02
Net income per share	160.39

19. Cash Flow Information

Reconciliations between cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2012 and 2011 and cash and deposits in the consolidated balance sheets as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Cash and deposits	**¥2,098**	¥1,558	**$25,526**
Time deposits with a maturity in excess of three months	**(20)**	(20)	**(243)**
Cash and cash equivalents	**¥2,078**	¥1,538	**$25,282**

20. Comprehensive Income

Reclassification adjustments and income tax benefit (expense) on components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Valuation difference on available-for-sale securities:		
Losses arising during the period	¥ (40)	$ (486)
Reclassification adjustments	–	–
Pre-tax amount	(40)	(486)
Income tax benefit	48	584
Valuation difference on available-for-sale securities	8	97
Deferred gains or losses on hedges:		
Losses arising during the period	(17)	(206)
Reclassification adjustments	8	97
Adjustments to acquisition cost of assets	22	267
Pre-tax amount	13	158
Income tax expense	(4)	(48)
Deferred gains or losses on hedges	8	97
Foreign currency translation adjustment:		
Losses arising during the period	(50)	(608)
Pension liability adjustment of foreign subsidiaries:		
Losses arising during the period	(256)	(3,114)
Reclassification adjustments	18	219
Pension liability adjustment of foreign subsidiaries	(238)	(2,895)
Share of other comprehensive income of associates accounted for using equity method:		
Losses arising during the period	(123)	(1,496)
Total other comprehensive income	¥(396)	$(4,818)

21. Segment Information

(1) Overview of reportable segment

Reportable segments are defined as a component of the Group for which separate financial information is available and whose operating results are regularly evaluated by the board of directors to make decisions about how resources are allocated among the Group and assess its performance.

The Group plans comprehensive domestic and overseas strategies for its products and services and develops business activities based on business segments by product and service.

Accordingly, the Group consists of two segments by product and service based on the business activities as follows:

"Collagen material business" produces gelatin, collagen peptide, collagen casings and others.

"Formula solution business" produces various materials for foods, adhesives and others.

(2) Basis of measurement for the amounts of net sales, profit, assets and other items by reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2. "Significant Accounting Policies." Segment profit is based on operating income, and intersegment sales and transfers are based on actual market prices.

(3) Information about net sales, profit, assets and other items by reportable segment

	Millions of yen				
	2012				
	Collagen material business	Formula solution business	Total	Reconciliation (Note 1)	Amounts on consolidated financial statements (Note 2)
Net sales:					
Sales to third parties	**¥17,433**	**¥10,329**	**¥27,763**	**¥ –**	**¥27,763**
Intersegment sales and transfers	**1,352**	**–**	**1,352**	**(1,352)**	**–**
Total	**18,786**	**10,329**	**29,115**	**(1,352)**	**27,763**
Segment profit	**2,255**	**1,082**	**3,338**	**(1,323)**	**2,015**
Segment assets	**16,389**	**4,867**	**21,256**	**2,115**	**23,371**
Other items:					
Depreciation and amortization	**722**	**78**	**801**	**40**	**841**
Increase in property, plant and equipment and intangible assets	**670**	**55**	**726**	**43**	**769**

	Millions of yen				
	2011				
	Collagen material business	Formula solution business	Total	Reconciliation (Note 1)	Amounts on consolidated financial statements (Note 2)
Net sales:					
Sales to third parties	¥17,882	¥10,040	¥27,923	¥ –	¥27,923
Intersegment sales and transfers	1,180	–	1,180	(1,180)	–
Total	19,063	10,040	29,104	(1,180)	27,923
Segment profit	1,773	934	2,708	(1,222)	1,486
Segment assets	15,399	4,350	19,750	1,716	21,466
Other items:					
Depreciation and amortization	778	87	866	32	898
Impairment loss	–	15	15	–	15
Increase in property, plant and equipment and intangible assets	935	100	1,036	12	1,049

	Thousands of U.S. dollars				
	2012				
	Collagen material business	Formula solution business	Total	Reconciliation (Note 1)	Amounts on consolidated financial statements (Note 2)
Net sales:					
Sales to third parties	**$212,106**	**$125,672**	**$337,790**	**$ –**	**$337,790**
Intersegment sales and transfers	**16,449**	**–**	**16,449**	**(16,449)**	**–**
Total	**228,567**	**125,672**	**354,240**	**(16,449)**	**337,790**
Segment profit	**27,436**	**13,164**	**40,613**	**(16,096)**	**24,516**
Segment assets	**199,403**	**59,216**	**258,620**	**25,733**	**284,353**
Other items:					
Depreciation and amortization	**8,784**	**949**	**9,745**	**486**	**10,232**
Increase in property, plant and equipment and intangible assets	**8,151**	**669**	**8,833**	**523**	**9,356**

Note 1. "Reconciliation" included the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Segment profit:			
Intersegment elimination	**¥ 3**	¥ 7	**$ 36**
Corporate expense (*)	**(1,326)**	(1,229)	**(16,133)**
Total	**¥(1,323)**	¥(1,222)	**$(16,096)**

(*) "Corporate expense" presents mainly general and administrative expenses that are not allocated to reportable segments.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Segment assets:			
Intersegment elimination	**¥ (498)**	¥ (432)	**$ (6,059)**
Corporate assets (*)	**2,614**	2,148	**31,804**
	¥2,115	¥1,716	**$25,733**

(*) "Corporate assets" presents mainly property, plant and equipment and investment securities that are not allocated to reportable segments.

Note 2. Segment profit is reconciled to operating income on the consolidated statements of income.

Note 3. Related information for the years ended March 31, 2012 and 2011

(a) Information by geographical area

Net sales:

Millions of yen				
2012				
Japan	Asia	North America	Other	Total
¥20,037	**¥1,082**	**¥6,255**	**¥387**	**¥27,763**

Millions of yen				
2011				
Japan	Asia	North America	Other	Total
¥19,686	¥1,201	¥6,569	¥465	¥27,923

Thousands of U.S. dollars				
2012				
Japan	Asia	North America	Other	Total
$243,788	**$13,164**	**$76,104**	**$4,708**	**$337,790**

Property, plant and equipment:

Millions of yen			
2012			
Japan	Asia	North America	Total
¥2,675	**¥0**	**¥2,711**	**¥5,387**

Millions of yen			
2011			
Japan	Asia	North America	Total
¥2,688	¥–	¥2,849	¥5,537

Thousands of U.S. dollars			
2012			
Japan	Asia	North America	Total
$32,546	**$0**	**$32,984**	**$65,543**

(b) Information by product and service has been omitted since similar information is disclosed as information by reportable segment. Information by major customer has been omitted since there were no sales to single external customer accounting for 10% or more of the consolidated sales.

22. Subsequent Events

Establishment of a new subsidiary

At the board of directors on March 21, 2012, the Company resolved that Nitta Casings Inc., one of the consolidated subsidiaries of the Company, would enter into a joint venture agreement in China.

(1) Purpose of establishment

To promote collagen casing sales in China, Nitta Casings Inc. has entered into a joint venture agreement with Beijing Quishi Agricultural Department Co., Ltd., a sheep casing processing company in Beijing, for the purpose of establishing a joint venture company.

(2) Outline of joint venture company

Trade name:	Beijing Nitta Collagen Casing Co., Ltd.
Representative:	J. Ronald Frump (President & CEO, Nitta Casings Inc.)
Address of head office:	Beijing, People's Republic of China
Established in:	September 2012
Business description:	Production and sales of collagen casings
Capital stock:	Equivalent of U.S. $3,000 thousand
Investment ratio:	Nitta Casings Inc. 70%
	Beijing Quishi Agricultural Department Co., Ltd. 30%

(Supplementary Note)

As stated in Note 1. "Basis of Presenting Consolidated Financial Statements," the Company, by its own judgment, has prepared the accompanying consolidated financial statements by making reclassification and rearrangements to the financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. These financial statements have not been audited by independent auditors.

The Group's consolidated financial statements for the years ended March 31, 2012 and 2011, which were included in the Annual Securities Report, have been prepared in thousands of yen and audited by Ernst & Young ShinNihon LLC in accordance with Article 193-2 (1) of the Financial Instruments and Exchange Act of Japan.

Investor Information

◆ Stock Information (As of March 31, 2012)

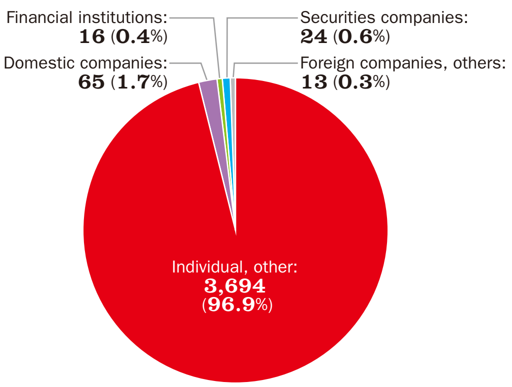
- **Number of shares authorized:** 50,000,000 shares
- **Number of shares issued:** 15,770,074 shares (including treasury stock of 162 shares)
- **Number of shareholders:** 3,812
- **Major Shareholders** (Top 10)

Shareholder Name	Number of Shares	Shareholding Percentage
IBP Co., Ltd.	2,946,316	18.68%
Nitta Corporation	840,014	5.33
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	621,074	3.94
Sumitomo Mitsui Banking Corporation	600,286	3.81
Nitta Gelatin Employees Shareholding Association	460,800	2.92
Iwaki Co., Ltd.	391,000	2.48
Ishizuka Corporation	382,014	2.42
Resona Bank, Ltd.	334,672	2.12
Hiroshi Nitta	239,474	1.52
Masanori Hayashi	221,400	1.40

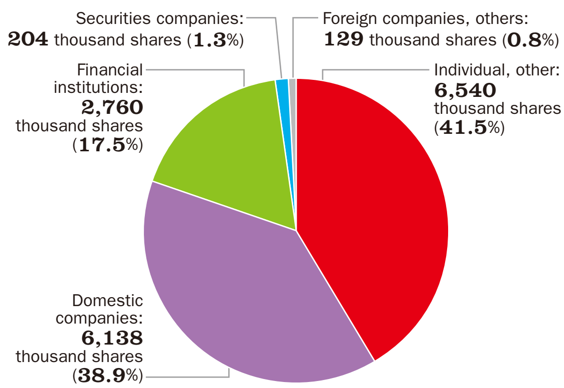
(Note) Shareholding percentage is calculated based on the total number of shares issued minus treasury stock (162 shares). Percentages are rounded to two decimal places.

◆ Share Distribution

<Breakdown of Shareholding by Investor Type>



<Breakdown of Shareholding by Number of Shares Held>



Corporate Information (As of March 31, 2012)

◆ Company Outline

Headquarters:	4-26, Sakuragawa 4-chome, Naniwa-ku, Osaka 556-0022, Japan
Establishment:	January 1918
Incorporation:	February 1945
Capital:	¥1,577,121,250
Net Sales:	Non-consolidated: ¥20,567 million Consolidated: ¥27,763 million (Year ended March 31, 2012)
Employees:	Non-consolidated: 254 Consolidated: 592 (As of March 31, 2012)
Main Business:	Production and sales of edible gelatin, pharmaceutical gelatin and photographic gelatin. Production and sales of collagen peptide. Production and sales of collagen casing. Production and sales of collagen for cosmetics, biomaterials and biochemical products. Production and sales of edible gelling agents, stabilizers and other food materials. Production and sales of adhesives and sealants for packaging, bookbinding, building materials, hygiene products and automobiles.
Operating facilities:	4 locations in Japan

◆ Affiliates

Nitta Gelatin NA Inc. (U.S.A.)
Nitta Gelatin Canada, Inc. (Canada)
Nitta Gelatin USA, Inc. (U.S.A.)
Nitta Casings Inc. (U.S.A.)
Nitta Casings (CANADA) Inc. (Canada)
Shanghai Nitta Gelatin Co., Ltd. (China)
Aibis Inc. (Japan)
Alma Corporation (Japan)
Nitta Biolab Inc. (Japan)
Hikone Gelatin Inc. (Japan)
Nitta Gelatin Holding, Inc. (U.S.A.)
Nitta Hong Kong, Inc. (China)
Bostik-Nitta Co., Ltd. (Japan)
Nitta Gelatin India Ltd. (India)
Guangdong Baiwei Bio Material Co., Ltd. (China)
Shinju Service Co., Ltd. (Japan)
Bamni Proteins Ltd. (India)
Reva Proteins Ltd. (India)