



May 10, 2018

Consolidated Financial Results for the Fiscal Year Ended March 31, 2018

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**
 Listing: First Section of Tokyo Stock Exchange
 Stock code: 4977
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 Representative: Koichi Ogata, Representative Director and President
 Contact Person: Toru Tamaoka, Director and Executive Officer;
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Scheduled date of General Shareholders' Meeting: June 27, 2018
 Scheduled date to file Securities Report: June 27, 2018
 Scheduled date to commence dividend payments: June 28, 2018
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: Yes (For analysts and institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2018 (from April 1, 2017 to March 31, 2018)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2018	37,777	3.3	1,095	(32.3)	1,009	(44.9)	(615)	—
March 31, 2017	36,575	(0.8)	1,617	27.1	1,831	86.9	693	45.1

Note: Comprehensive income

For the year ended March 31, 2018: ¥(291 million) (-%)

For the year ended March 31, 2017: ¥1,105 million (-%)

	Net income per share	Diluted net income per share	Return on equity (ROE)	Ordinary income / Total assets	Operating margin
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2018	(33.50)	—	(4.0)	2.6	2.9
March 31, 2017	37.74	—	4.5	4.7	4.4

Reference : Equity in earnings of affiliates

For the year ended March 31, 2018: ¥180 million

For the year ended March 31, 2017: ¥148 million

Note: Diluted net income per share is not disclosed due to the absence of latent shares with dilution effect.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2018	38,025	17,197	39.9	826.69
March 31, 2017	40,410	17,736	38.9	855.97

Reference: Equity

As of March 31, 2018: ¥15,189 million

As of March 31, 2017: ¥15,727 million

(3) Consolidated cash flows

	Net cash provided by operating activities	Net cash used in investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of year
Fiscal year ended March 31, 2018	Millions of yen 1,419	Millions of yen (1,377)	Millions of yen (1,160)	Millions of yen 1,538
March 31, 2017	1,910	(2,473)	601	2,550

2. Cash dividends

	Cash dividends per share					Total amount of dividends (annual)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual			
Fiscal year ended March 31, 2017	Yen —	Yen 6.00	Yen —	Yen 6.00	Yen 12.00	Millions of yen 220	% 31.8	% 1.4
Fiscal year ended March 31, 2018	—	6.00	—	6.00	12.00	220	—	1.4
Fiscal year ending March 31, 2019 (Forecasts)	—	6.00	—	6.00	12.00		—	

3. Consolidated financial forecasts for the fiscal year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

At this time, it is impractical for the Company to disclose numerical financial forecasts due to the large number of uncertain factors that could affect business performance. The Company will announce its consolidated financial forecasts when its business performance becomes reasonably predictable.

Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): No
New: None
Excluded: None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of revisions
a. Changes in accounting policies due to revisions to accounting standards and other guidelines: No
b. Changes in accounting policies due to reasons other than a. above: No
c. Changes in accounting estimates: Yes
d. Restatement of revisions: No

Note: For details, please refer to “(5) Notes to Consolidated Financial Statements in “3. Consolidated Financial Statements and Key Notes” on page 17 of the Attachment to this report.

(3) Number of common shares issued

- a. Total number of issued shares at the end of the period (including treasury stock)

As of March 31, 2018 18,373,974 shares

As of March 31, 2017 18,373,974 shares

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

As of March 31, 2018 162 shares

As of March 31, 2017 162 shares

- c. Average number of shares

For the year ended March 31, 2018 18,373,812 shares

For the year ended March 31, 2017 18,373,812 shares

(Reference) Summary of non-consolidated operating results**1. Non-consolidated financial results for the fiscal year ended March 31, 2018****(from April 1, 2017 to March 31, 2018)****(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2018	23,210	1.3	863	(29.8)	1,039	(36.9)	(1,256)	—
March 31, 2017	22,902	0.7	1,229	55.8	1,647	96.7	663	—

Fiscal year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2018	(68.37)	—
March 31, 2017	36.14	—

Note: Diluted net income per share is not disclosed due to the absence of latent shares with dilution effect.

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2018	26,307	12,929	49.1	703.69
March 31, 2017	28,231	14,238	50.4	774.93

Reference: Equity

As of March 31, 2018: ¥12,929 million

As of March 31, 2017: ¥14,238 million

* This financial report is not subject to audits by Certified Public Accountants or the independent auditor.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors. For details on the conditions assumed and the cautionary notes and items in the financial forecasts, please refer to “(4) Outlook” under “1. Overview of Business Results” on page 5 of the Attachment to this report.

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1. Overview of Business Results

(1) Operating Results for the fiscal year ended March 31, 2018

In the fiscal year ended March 31, 2018, the global economy continued to recover gradually, with the U.S. and Europe remaining on a course of economic recovery and China showing signs of an upturn in business conditions.

The Japanese economy continued on a moderate recovery trend, supported by steady growth in consumer spending atop an improving employment environment and rising wages, along with improved corporate earnings, mainly reflecting an increase in exports and firm growth in capital expenditures against the backdrop of a recovery in overseas economies. The outlook remains uncertain based in part on concerns about high resource prices and trade friction arising between the U.S. and China.

The Nitta Gelatin Group celebrated its 100th anniversary in 2018. Aiming for further growth going forward, the Nitta Gelatin Group formulated a vision at the beginning of the fiscal year ended March 31, 2018.

Vision

“To stay healthy and feeling young”

Nitta Gelatin group fulfills this desire of people worldwide through our relentless pursuit of meeting collagen’s enormous potential.

- 1. We will provide products and services that meet our customers’ expectations of continued improvement.*
- 2. We will broaden the range of collagen applications through our ongoing efforts in R&D and production innovation.*
- 3. We will pioneer and create new markets by fostering a corporate culture that encourages facing and overcoming challenges.*

Under this vision, the Nitta Gelatin Group focused on providing products that create new value, and on research and development in the fields of health and beauty and regenerative medicine. It also worked to strengthen its competitiveness on a global basis by exploring new manufacturing methods and by ensuring optimal production and optimal sales.

As a result, in the fiscal year ended March 31, 2018, net sales increased 3.3% year on year to ¥37,777 million. However, operating income decreased 32.3% to ¥1,095 million, mainly due to the increase in raw material prices for gelatin and intensified market competition in North America. Ordinary income declined 44.9% to ¥1,009 million, mainly due to the recording of foreign exchange losses.

Moreover, the Company recorded a ¥965 million impairment loss on noncurrent assets of Nitta Gelatin USA, Inc. and related items as an extraordinary loss. Consequently, the Company posted a net loss attributable to owners of the parent of ¥615 million, compared to net income attributable to

owners of the parent of ¥693 million in the fiscal year ended March 31, 2017.

Segment business performance was as follows:

(Collagen Material Business)

In the gelatin field, sales of gelatin for use in microwaveable delicatessen items increased in Japan atop growing demand for ready-made meals. This demand was fueled by consumer preferences for single-serve food products and shorter and easier food preparation. Against the backdrop of heightened health consciousness, net sales increased due to firm demand for health foods such as dairy products and supplements. However, profits declined due to the impact of high raw material prices. In North America, profits declined due to higher prices for pig skin and intensified market competition. In India, the capacity utilization rate of a raw materials manufacturing facility temporarily declined due to production disruptions. However, gelatin sales trended firmly, leading to an increase in profits.

In the collagen peptide field, the functional properties of collagen peptide have become widely recognized in Japan. Sales in the supplement market remained firm and sales of proprietary products for general consumers increased. In China, sales were favorable because of growing demand for beauty supplements. Due to these and other factors, net sales in the collagen peptide field increased.

In the collagen casing field, overall sales declined despite firm sales in the U.S. However, profits increased due to changes in customers based on profitability and improved productivity following the installation of equipment and facilities.

As a result, net sales in this segment increased 4.1% to ¥27,870 million, while segment profit (operating income) decreased 23.7% to ¥1,483 million.

(Formula Solution Business)

In food materials, sales of stabilizers for processed meat products and other items were firm, while sales of food materials for chilled desserts were mostly unchanged from the previous fiscal year. Profits decreased due to the impact of rising raw materials prices.

In adhesives, sales remained level year on year, as increased sales of hygiene materials outweighed decreased sales of adhesives for use in bookbinding. Profits improved due to cost-cutting efforts.

As a result, net sales in the segment were up 1.2% year on year to ¥9,907 million and segment profit (operating income) decreased 4.3% year on year to ¥1,016 million.

(2) Financial Position

(Assets)

Total assets amounted to ¥38,025 million at March 31, 2018, ¥2,385 million lower than at March 31, 2017. This was mainly attributable to decreases in cash and deposits and noncurrent assets.

(Liabilities)

Total liabilities stood at ¥20,828 million at March 31, 2018, ¥1,846 million lower than at March 31, 2017. This was mainly attributable to decreases in short-term loans payable, long-term loans payable (including the current portion) and income taxes payable.

(Net assets)

Net assets amounted to ¥17,197 million at March 31, 2018, ¥538 million lower than at March 31, 2017. This was mainly attributable to a decrease in retained earnings.

As a result, the equity ratio stood at 39.9% at March 31, 2018 compared with 38.9% at March 31, 2017.

(3) Cash Flows

Cash and cash equivalents (“cash”) as of March 31, 2018 was ¥1,538 million, down ¥1,012 million from March 31, 2017.

Cash flows for each activity and reasons are as follows.

(Net cash provided by operating activities)

Operating activities provided net cash of ¥1,419 million. The main contributing factors were depreciation and amortization of ¥1,675 million, impairment loss of ¥862 million, and income taxes paid of ¥871 million.

(Net cash used in investing activities)

Investing activities used net cash of ¥1,377 million. The main uses of cash were ¥1,347 million for the purchase of property, plant and equipment.

(Net cash used in financing activities)

Financing activities used net cash of ¥1,160 million. The main uses of cash were repayment of long-term loans payable of ¥2,586 million and repayments of lease obligations of ¥250 million, which were partially offset by proceeds from long-term loans payable of ¥2,000 million.

(Reference)

Trends in cash flow indicators are as shown below:

	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Equity ratio (%)	43.4	45.0	39.8	38.9	39.9
Market value equity ratio (%)	61.3	44.1	35.9	34.3	39.0
Interest-bearing debt to cash flow ratio (Years)	(11.8)	4.5	4.4	5.9	7.2
Interest coverage ratio (Times)	(5.2)	13.6	7.6	8.1	6.0

Equity ratio: equity / total assets

Market value equity ratio: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt / cash flow

Interest coverage ratio: cash flow / paid interest

Notes: 1. All indicators are calculated using consolidated financial figures.

2. Market capitalization is calculated based on the number of issued shares, excluding treasury stock, as of the end of the fiscal year.

3. The figure used for cash flow is “net cash provided by operating activities” on the consolidated statements of cash flows.

4. Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets on which interest was paid. Furthermore, regarding the paid interest, we use “interest expenses paid” recorded on the consolidated statements of cash flows.

(4) Outlook

(Outlook for Business Performance in the Fiscal Year Ending March 31, 2019)

The fiscal year ending March 31, 2019 will be a commemorative year that will mark the 100th anniversary of the founding of Nitta Gelatin. In order to provide products and services that meet our customers' expectations and requests for continued improvement, the Company will continue to pursue the enormous potential of collagen as a unique natural material. Moreover, the Company will develop products that take full advantage of its research accomplishments in the fields of collagen and collagen peptide. By doing so, the Company will help to fulfill the desire of its customers “To stay healthy and feeling young,” as laid out in its vision.

In Japan, demand for collagen and collagen peptide for use in general food products and health food products is forecast to remain firm. However, rising raw material and energy costs, among other issues, are causes for concern. In addition, the business environment in North America is expected to come under pressure due to intensified competition. With demand increasing for food materials such as gelling agents and collagen peptide for supplements in emerging countries in Asia, the Company will strive to increase sales and enhance profits in the region.

With regard to capital investment, the Company will invest in expanding production facilities for high-value-added products and renewing energy-efficient equipment and facilities in Japan. Overseas, the Company will execute investments aimed at equipment and facilities that enhance productivity as well as measures to address environmental conservation.

At this time, it is impractical for the Company to disclose numerical financial forecasts due to the large number of uncertain factors that could affect business performance. The Company will announce its consolidated financial forecasts when its business performance becomes reasonably predictable.

(5) Basic Policies Concerning Management

1) Basic Management Policies

At its heart, our management policy is to contribute to the creation of a prosperous society for all humankind. The Group's approach to achieve this is to make full use of collagen materials that have

been utilized over the years and to add high market value to them for return to society as products for the food, health and beauty and medical markets. Our policy also calls for management from a global perspective, as a Company working towards the conservation of the Earth’s environment.

Corporate Philosophy

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.

Vision

“To stay healthy and feeling young”

Nitta Gelatin group fulfills this desire of people worldwide through our relentless pursuit of meeting collagen’s enormous potential.

- 1. We will provide products and services that meet our customers’ expectations of continued improvement.*
- 2. We will broaden the range of collagen applications through our ongoing efforts in R&D and production innovation.*
- 3. We will pioneer and create new markets by fostering a corporate culture that encourages facing and overcoming challenges.*

Aiming to realize this vision and further strengthen and expand its business foundations, the Group will implement the following three management policies:

- a. Our three core areas will be food solutions, health support, and biomedical.

Food solutions	To realize “more delicious and easy” food solutions, we will provide solutions that solve customers’ issues through applications development utilizing gelatin and gelling agents, etc., and through our unique product development and formulation technologies.
Health support	We will respond to people’s needs to maintain their youth and beauty by research into the functional characteristics of collagen peptides and product development capabilities over many years to fulfill the desire for health of people around the world.
Biomedical	In the cutting-edge medical field, where ambitious initiatives are being undertaken to develop innovative medical technology, we will contribute to the manufacture of regenerative medicine and biomaterial through the expansion of safe collagen and gelatin in the medical field for use in vivo.

- b. We will globally optimize our production system in Japan, Asia, and North America in response to an era of completely free trade.

We will need to address intensified competition from overseas manufacturers entering the Japanese market when tariffs are withdrawn through trade agreements such as the Trans-Pacific

Partnership (TPP) and Economic Partnership Agreements (EPAs). To do so, we will push ahead with production innovation at each of the Group's manufacturing facilities in order to enhance our global competitiveness.

- c. We will promote selection and concentration and create high-value added products and services to recreate the company as a higher-profit enterprise.

We will recreate the company as a higher-profit enterprise by optimizing our product portfolio, along with steadily pushing ahead with our business strategies in the core businesses laid out in our vision.

2) Target Management Indicators

From the viewpoint of improving both business growth and profitability, management indicators important to the Nitta Gelatin Group are consolidated net sales, and consolidated operating income. The Group aims to maximize earnings based on sustained business growth by providing products and services that satisfy customers' needs, and by continually reducing cost and improving productivity to remain competitive as a manufacturer.

3) Medium- to Long-term Management Strategies and Issues Facing the Company

In Japan, demand for ready-made meals has been expanding, fueled by consumer preferences for single-serve food products and shorter and easier food preparation, as more women enter the workforce and society ages. Growing demand for ready-made meals is leading to more and more opportunities in the markets for ready-to-serve delicatessen items, and frozen foods. Additionally, in the run-up to the Tokyo Olympics, the number of foreign tourists visiting Japan is expected to increase further, leading to heightened market needs for products for commercial use in the hotel and restaurant industries. Moreover, against the backdrop of a super-aged society, health consciousness is rising among consumers. Therefore, demand is expected to continue increasing for health foods and foods with nutrient function claims.

Overseas, the U.S. remains on a course of gradual economic recovery, and emerging Asian countries are experiencing high economic growth rates and improved income levels. As a result, business opportunities are increasing in the markets for general food products and health foods. The Company understands the importance of executing business strategies according to the unique trends and characteristics of each market in Japan, North America and Asia.

Meanwhile, trends in demand for livestock products and fluctuations in the harvest of raw material crops will have an impact on the raw material prices for the Company's products. By developing new suppliers using the Group's global information network the Company will strive to ensure stable procurement of raw materials at appropriate prices.

The outlook for the business environment is expected to remain uncertain, based on the impacts of high resources prices and trade friction between the U.S. and China, among other factors. However, by steadily achieving the abovementioned strategic priorities, Nitta Gelatin will maximize earnings

and enhance its corporate value, with the aim of making a sustainable contribution to society.

(Collagen Material Business)

In the gelatin field, the Company will make every effort to restore earnings in the North American business by revising sales strategies and boosting production efficiency. In addition, the Group will conduct cost reductions and environment measures by making labor-saving investments at the Group's manufacturing facilities, thereby strengthening its global competitiveness. In the collagen peptide field, the Group will advance measures at Nitta Gelatin USA, Inc. to ensure competitiveness into the future and will work to develop the market in North America, with a view to achieving sustainable growth. Moreover, the Group will undertake further research in the functional properties of collagen peptide to pave the way for product development, with a view to developing highly profitable new markets in Japan. In China, where demand is growing for beauty supplements, the Group will endeavor to increase production and expand sales. In collagen casings, the Group intends to enhance its sales and earnings by driving sales growth and increasing its productivity through the installation of equipment and facilities in North America. In the life science field, Nitta Gelatin will pursue research and development focused on medical materials that can be safely used in vivo, along with conducting activities to increase recognition in the pharmaceuticals and regenerative medicine fields, with the aim of expanding business.

(Formula Solution Business)

In the food material business, Nitta Gelatin seeks to use its proprietary application technologies to develop products for use in food and desserts that are not only delicious but also visually attractive as it aims to increase sales. In addition, the Company will vigorously work to develop products for commercial use that facilitate shorter and easier food preparation.

In the adhesives field, demand for adhesives for use in hygiene products is expected to continue to trend firmly. In high-performance gaskets, new applications are growing, including automotive electronic components and outdoor electrical facilities. Going forward, the Company will work to develop new applications in Japan and Asia.

2. Basic Approach to Selection of Accounting Standard

The Nitta Gelatin Group plans to prepare its consolidated financial statements based on Japanese accounting standards in the near future. This is in consideration of the need to ensure that the consolidated financial statements can be readily compared between different periods and different companies.

Looking ahead, considering its management policies and various conditions in Japan and abroad, Nitta Gelatin plans to examine the adoption of International Financial Reporting Standards (IFRS). In doing so, the Company will take into account trends such as the adoption of IFRS by its peer companies.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2017 (As of March 31, 2017)	Fiscal 2018 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	2,662	1,626
Notes and accounts receivable-trade	8,923	8,966
Merchandise and finished goods	5,043	5,152
Work in process	1,163	1,240
Raw materials and supplies	2,997	2,944
Deferred tax assets	180	204
Other	738	338
Allowance for doubtful accounts	(22)	(11)
Total current assets	21,686	20,461
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	10,204	10,045
Accumulated depreciation	(5,864)	(6,423)
Buildings and structures, net	4,339	3,621
Machinery, equipment and vehicles	16,046	16,796
Accumulated depreciation	(11,164)	(11,986)
Machinery, equipment and vehicles, net	4,882	4,809
Land	2,547	2,537
Lease assets	1,152	1,179
Accumulated depreciation	(588)	(684)
Lease assets, net	564	495
Construction in process	1,366	572
Other	1,390	1,455
Accumulated depreciation	(1,181)	(1,240)
Other, net	209	215
Total property, plant and equipment	13,910	12,251
Intangible assets		
Goodwill	454	384
Other	405	395
Total intangible assets	859	780
Investments and other assets		
Investment securities	3,052	3,451
Long-term loans receivable	2	128
Deferred tax assets	148	102
Net defined benefit asset	565	672
Other	186	239
Allowance for doubtful accounts	(0)	(63)
Total investments and other assets	3,954	4,532
Total noncurrent assets	18,724	17,564
Total assets	40,410	38,025

(Millions of yen)

	Fiscal 2017 (As of March 31, 2017)	Fiscal 2018 (As of March 31, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,347	4,159
Short-term loans payable	2,866	2,504
Current portion of long-term loans payable	2,432	2,497
Lease obligations	230	196
Accounts payable-other	1,711	1,730
Income taxes payable	509	95
Provision for bonuses	259	249
Other	679	623
Total current liabilities	13,037	12,056
Noncurrent liabilities		
Long-term loans payable	5,425	4,684
Lease obligations	388	345
Deferred tax liabilities	890	950
Net defined benefit liability	2,851	2,709
Other	80	81
Total noncurrent liabilities	9,636	8,771
Total liabilities	22,674	20,828
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	10,042	9,206
Treasury stock	(0)	(0)
Total shareholders' equity	16,153	15,317
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	1,107	1,331
Deferred gains (losses) on hedges	43	(43)
Foreign currency translation adjustments	331	142
Remeasurements of defined benefit plans	(1,907)	(1,558)
Total accumulated other comprehensive loss	(426)	(127)
Non-controlling interests	2,009	2,008
Total net assets	17,736	17,197
Total liabilities and net assets	40,410	38,025

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Net sales	36,575	37,777
Cost of sales	28,158	29,814
Gross profit on sales	8,416	7,963
Selling, general and administrative expenses	6,798	6,867
Operating income	1,617	1,095
Non-operating income		
Interest income	17	15
Dividend income	31	45
Rent income	41	30
Equity in earnings of affiliates	148	180
Foreign exchange gains	214	—
Other	58	72
Total non-operating income	511	345
Non-operating expenses		
Interest expenses	234	235
Foreign exchange losses	—	154
Commissions paid	30	9
Other	33	31
Total non-operating expenses	298	431
Ordinary income	1,831	1,009
Extraordinary losses		
Provision of allowance for doubtful accounts	—	63
Disposal costs for noncurrent assets	5	4
Loss on retirement of noncurrent assets	397	35
Impairment loss	—	862
Total extraordinary losses	403	965
Income before provision of income taxes	1,427	43
Income taxes	644	493
Income taxes-deferred	16	6
Total income taxes	661	499
Net income (loss)	766	(456)
Net income attributable to non-controlling interests	73	159
Net income (loss) attributable to owners of the parent	693	(615)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Net income (loss)	766	(456)
Other comprehensive income		
Valuation difference on other available-for-sale securities	82	224
Deferred gains (losses) on hedges	113	(126)
Foreign currency translation adjustments	(39)	(298)
Pension liability adjustment	259	336
Share of other comprehensive income of associates accounted for using equity method	(76)	28
Total other comprehensive income	339	165
Total comprehensive income	1,105	(291)
Comprehensive income attributable to:		
Owners of the parent	975	(317)
Non-controlling interests	130	26

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of fiscal year	3,144	2,966	9,569	(0)	15,680
Changes during the fiscal year					
Dividends from surplus			(220)		(220)
Net income attributable to owners of the parent			693		693
Net changes of items other than shareholders' equity					—
Total changes during fiscal year	—	—	472	—	472
Balance at the end of fiscal year	3,144	2,966	10,042	(0)	16,153

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of fiscal year	1,024	(38)	466	(2,160)	(707)	1,904	16,876
Changes during the fiscal year							
Dividends from surplus							(220)
Net income attributable to owners of the parent							693
Net changes of items other than shareholders' equity	82	81	(134)	252	281	104	386
Total changes during fiscal year	82	81	(134)	252	281	104	859
Balance at the end of fiscal year	1,107	43	331	(1,907)	(426)	2,009	17,736

Fiscal 2017 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of fiscal year	3,144	2,966	10,042	(0)	16,153
Changes during the fiscal year					
Dividends from surplus			(220)		(220)
Net income attributable to owners of the parent			(615)		(615)
Net changes of items other than shareholders' equity					—
Total changes during fiscal year	—	—	(836)	—	836
Balance at the end of fiscal year	3,144	2,966	9,209	(0)	15,317

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of fiscal year	1,107	43	331	(1,907)	(426)	2,009	17,736
Changes during the fiscal year							
Dividends from surplus							(220)
Net income (loss) attributable to owners of the parent							(615)
Net changes of items other than shareholders' equity	224	(86)	(189)	349	298	(0)	297
Total changes during fiscal year	224	(86)	(189)	349	298	(0)	(538)
Balance at the end of fiscal year	1,331	(43)	142	(1,558)	(127)	2,008	17,197

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before provision of income taxes	1,427	43
Depreciation and amortization	1,486	1,675
Amortization of goodwill	27	47
Increase (decrease) in provision for bonuses	46	(5)
Increase in allowance for doubtful accounts	19	53
Increase in net defined benefit liability	55	49
Interest and dividends income	(48)	(61)
Interest expenses	234	235
Foreign exchange losses	0	7
Equity in earnings of affiliates	(148)	(180)
Loss on sales of property, plant and equipment	5	4
Loss on retirement of noncurrent assets	397	35
Impairment loss	—	862
Increase in notes and accounts receivable-trade	(1,480)	(181)
Decrease (increase) in inventories	156	(296)
Increase (decrease) in notes and accounts payable-trade	63	(6)
Increase (decrease) in accrued consumption taxes	54	(67)
Other, net	96	131
Subtotal	2,393	2,346
Interest and dividends income received	84	179
Interest paid	(234)	(235)
Income taxes paid	(333)	(871)
Net cash provided by operating activities	1,910	1,419
Cash flows from investing activities		
Payments into time deposits	(85)	(92)
Proceeds from withdrawal of time deposits	125	111
Proceeds from the sale of property, plant and equipment	4	1
Purchase of property, plant and equipment	(1,547)	(1,347)
Purchase of intangible assets	(69)	(35)
Proceeds from the sale of investment securities	0	—
Purchase of investment securities	(8)	(7)
Payment for the transfer of business	(917)	—
Other, net	25	(8)
Net cash used in investing activities	(2,473)	(1,377)

(Millions of yen)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	677	(236)
Proceeds from long-term loans payable	2,665	2,000
Repayment of long-term loans payable	(2,402)	(2,586)
Proceeds from sale-and-leaseback transactions	154	160
Repayments of lease obligations	(248)	(250)
Cash dividends paid	(220)	(220)
Cash dividends paid to non-controlling interests	(25)	(27)
Net cash (used in) provided by financing activities	601	(1,160)
Effect of exchange rate change on cash and cash equivalents	(24)	106
Net increase (decrease) in cash and cash equivalents	13	(1,012)
Cash and cash equivalents, beginning of the fiscal year	2,536	2,550
Cash and cash equivalents at end of the fiscal year	2,550	1,538

(5) Notes to Consolidated Financial Statements
(Note Concerning Going Concern Assumption)

None.

(Changes in Presentation Basis)

(Consolidated Statements of Cash Flows)

Purchase of insurance funds and proceeds from surrender of insurance funds were reported as separate items under cash flows from investing activities in the fiscal year ended March 31, 2017; however, since the materiality of these items have diminished, they have been included under other, net in cash flows from investing activities from the fiscal year ended March 31, 2018. To reflect this change in presentation basis, the financial statements for the fiscal year ended March 31, 2017 have been restated.

As a result, the Company has restated the purchase of insurance funds of ¥0 million and proceeds from surrender of insurance funds of ¥20 million shown under cash flows from investing activities on the consolidated statement of cash flows for the fiscal year ended March 31, 2017, as others, net.

(Changes in Accounting Estimates)

(Change in the useful life)

The machinery and equipment owned by certain consolidated subsidiaries had been estimated to have a useful life of eight years for depreciation purposes, based on its usage status. In the fiscal year ended March 31, 2018, the useful life has been revised based on the actual number of years of use and other factors in conjunction with the start of operation of new machinery and equipment, and it is now clearly expected to be longer than the previous estimate. From the fiscal year ended March 31, 2018, the useful life has therefore been changed to 10 years.

As a result, for the fiscal year ended March 31, 2018, the amount of depreciation and amortization has declined by ¥47 million compared to the previous estimation method, and operating income, ordinary income, and income before provision of income taxes have all increased by the same amount.

(Segment Information)

a. Segment information

1. Overview of reporting segments

The Company's reporting segments are the compositional units of the Company for which separate financial information is available. They are periodically examined by the Board of Directors for the purpose of deciding on allocation of management resources and evaluating business results.

The Company formulates a comprehensive worldwide strategy for the products and services it handles and conducts business activities based on operations that are divided along product and service lines.

As a result, the Company is composed of product and service segments based on business activity, with two reporting segments: "Collagen Material" and "Formula Solution."

In Collagen Material Business, the Company manufactures gelatin, collagen peptide, collagen casings and other products.

In Formula Solution Business, the Company manufactures various food materials, adhesives and other products.

2. Calculation methods for net sales, income and loss, assets and other items by reporting segment

The accounting methods used for the reported business segments are the same as the accounting methods the Company applies for consolidated financial reporting purposes.

Segment income for reporting segments represents operating income.

Intersegment sales and transactions are based on prevailing market prices.

3. Information on net sales, income and loss, assets and other items by reporting segment

Fiscal year ended March 31, 2017 (From April 1, 2016 to March 31, 2017)

(Millions of yen)

Reporting segment			Total	Adjustments ^{*1}	Amounts in the consolidated financial statements ^{*2}
	Collagen material business	Formula solution business			
Net sales					
Sales to third parties	26,782	9,792	36,575	—	36,575
Inter-segment sales and transfers	1,874	9	1,884	(1,884)	—
Total	28,656	9,802	38,459	(1,884)	36,575
Segment income	1,945	1,061	3,006	(1,389)	1,617
Segment assets	31,388	6,010	37,399	3,011	40,410
Other items					
Depreciation and amortization	1,351	86	1,437	48	1,486
Increase in property, plant and equipment and intangible assets	1,976	47	2,023	36	2,060

Notes: 1. Adjustments are as follows:

- (1) Adjustment for segment income of (¥1,389) million comprises elimination of intersegment transactions of ¥13 million and unallocated expenses of (¥1,402) million. Unallocated expenses are mainly general and administrative expenses.
 - (2) Adjustment for segment assets of ¥3,011 million comprises elimination of intersegment transactions of (¥714) million and unallocated assets of ¥3,726 million. Major components of the unallocated assets are cash and deposits, property, plant and equipment, and investment securities.
2. Segment income is adjusted against the operating income recorded in the consolidated income statement.
 3. Segment liabilities have not been reported, as they are serviced periodically in consolidation by the Company's highest decision making authority.

Fiscal year ended March 31, 2018 (From April 1, 2017 to March 31, 2018)

(Millions of yen)

Reporting segment			Total	Adjustments ^{*1}	Amounts in the consolidated financial statements ^{*2}
	Collagen material business	Formula solution business			
Net sales					
Sales to third parties	27,870	9,907	37,777	—	37,777
Inter-segment sales and transfers	1,999	6	2,005	(2,005)	—
Total	29,869	9,914	39,783	(2,005)	37,777
Segment income	1,483	1,016	2,500	(1,404)	1,095
Segment assets	29,718	5,759	35,478	2,547	38,025
Other items					
Depreciation and amortization	1,551	75	1,627	48	1,675
Impairment loss	862	—	862	—	862
Increase in property, plant and equipment and intangible assets	1,146	38	1,185	83	1,269

Notes: 1. Adjustments are as follows:

- (1) Adjustment for segment income of (¥1,404) million comprises elimination of intersegment transactions of ¥6 million and unallocated expenses of (¥1,410) million. Unallocated expenses are mainly general and administrative expenses.
- (2) Adjustment for segment assets of ¥2,547 million comprises elimination of intersegment transactions of (¥752) million and unallocated assets of ¥3,299 million. Major components of the unallocated assets are cash and deposits, property, plant and equipment, and investment securities.
2. Segment income is adjusted against the operating income recorded in the consolidated income statement.
3. Segment liabilities have not been reported, as they are serviced periodically in consolidation by the Company's highest decision making authority.

(Per Share Information)

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Net assets per share	¥855.97	¥826.69
Net income (loss) per share	37.74	(33.50)

Notes: 1. Diluted net income per share for fiscal 2017 is not disclosed due to the absence of latent shares with dilution effect.

2. Diluted net income per share for fiscal 2018 is not disclosed due to the recording of a net loss per share and the absence of latent shares with dilution effect.

3. Basis for calculating net income (loss) per share data is shown below.

	Fiscal 2017 (From April 1, 2016 to March 31, 2017)	Fiscal 2018 (From April 1, 2017 to March 31, 2018)
Net income (loss) per share		
Net income (loss) attributable to owners of the parent (Millions of yen)	693	(615)
Amounts not attributable to common shareholders (Millions of yen)	—	—
Net income (loss) attributable to owners of the parent related to common stock (Millions of yen)	693	(615)
Average number of common shares during the period (shares)	18,373,812	18,373,812

(Subsequent Events)

No items to report