May 10, 2017

Consolidated Financial Results for the Fiscal Year Ended March 31, 2017

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**
Listing: First Section of Tokyo Stock Exchange
Stock code: 4977
URL: http://www.nitta-gelatin.co.jp
Representative: Koichi Ogata, Representative Director and President
Contact Person: Toru Tamaoka, Director and Executive Officer; General Manager of Administration Division
Tel: +81-72-949-5381
Scheduled date of General Shareholders' Meeting: June 27, 2017
Scheduled date to file Securities Report: June 27, 2017
Scheduled date to commence dividend payments: June 28, 2017
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, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	36,575	(0.8)	1,617	27.1	1,831	86.9	693	45.1
March 31, 2016	36,885	15.6	1,273	224.2	979	1.2	477	(21.7)

Note: Comprehensive income
For the year ended March 31, 2017: ¥1,105 million (-%)
For the year ended March 31, 2016: ¥(136 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, 2017	37.74	—	4.5	4.7	4.4
March 31, 2016	26.00	—	3.2	2.7	3.5

Reference : Equity in earnings of affiliates
For the year ended March 31, 2017: ¥148 million
For the year ended March 31, 2016: ¥29 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, 2017	40,410	17,736	38.9	855.97
March 31, 2016	37,597	16,876	39.8	814.90

Reference: Equity
As of March 31, 2017: ¥15,727 million
As of March 31, 2016: ¥14,972 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	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2017	1,910	(2,473)	601	2,550
March 31, 2016	2,385	(1,860)	(473)	2,536

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			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2016	—	6.00	—	6.00	12.00	220	46.2	1.5
Fiscal year ended March 31, 2017	—	6.00	—	6.00	12.00	220	31.8	1.4
Fiscal year ending March 31, 2018 (Forecasts)	—	6.00	—	6.00	12.00		22.0	

3. Consolidated financial forecasts for the fiscal year ending March 31, 2018
(from April 1, 2017 to March 31, 2018)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	18,700	5.3	650	(29.7)	650	(5.6)	400	(1.3)	21.77
Fiscal year ending March 31, 2018	38,500	5.3	1,600	(1.1)	1,600	(12.6)	1,000	44.2	54.43

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: Yes
b. Changes in accounting policies due to reasons other than a. above: No
c. Changes in accounting estimates: No
d. Restatement of revisions: No

Note: For details, please refer to “(5)Notes to Consolidated Financial Statements in “3. Consolidated Financial Statements” on page 18 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, 2017 18,373,974 shares
As of March 31, 2016 18,373,974 shares

b. Number of shares of treasury stock at the end of the period
As of March 31, 2017 162 shares
As of March 31, 2016 162 shares

c. Average number of shares
For the year ended March 31, 2017 18,373,812 shares
For the year ended March 31, 2016 18,373,812 shares

(Reference) Summary of non-consolidated operating results

1. Non-consolidated financial results for the fiscal year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2017	22,902	0.7	1,229	55.8	1,647	96.7	663	346.2
March 31, 2016	22,746	4.0	789	109.2	837	(31.0)	(269)	—

	Net income per share	Diluted net income per share
Fiscal year ended	Yen	Yen
March 31, 2017	36.14	—
March 31, 2016	(14.68)	—

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

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2017	28,231	14,238	50.4	774.93
March 31, 2016	26,331	13,654	51.9	743.17

Reference: Equity

As of March 31, 2017: ¥14,238 million

As of March 31, 2016: ¥13,654 million

* This financial results report is out of scope of financial audit.

* 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.

Attachment Contents

1. Overview of Business Results

(1) Operating Results for the fiscal year ended March 31, 2017

In the fiscal year ended March 31, 2017, global economies continued to recover gradually, with the recovery highlighted by strong economic indicators in Europe, the U.S. and China.

The Japanese economy continued on a moderate recovery trend, supported by capital expenditures and exports. However, the outlook remains uncertain, based in part on risk factors such as the policies of the new U.S. administration and political conditions in Europe.

Under these conditions, the Nitta Gelatin Group adopted "***New Vision, New Direction***" as its corporate slogan and formulated its medium-term management plan running through the fiscal year ending March 31, 2018. Guided by the plan, the Group worked to address the strategic priorities: 1. Develop high-value-added products, 2. Ensure optimal production and optimal sales, and 3. Strengthen global business foundations.

As a result, in the fiscal year ended March 2017, net sales declined 0.8% year on year to ¥36,575 million and operating income increased 27.1% to ¥1,617 million. Ordinary income rose 86.9% to ¥1,831 million, mainly due to foreign exchange gains. Net income attributable to owners of the parent increased 45.1% year on year to ¥693 million, reflecting ¥397 million recorded for loss on retirement of noncurrent assets at overseas subsidiaries and so forth as an extraordinary loss.

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. Moreover, sales of gelatin for capsules increased, underpinned by firm sales of health foods against the backdrop of rising health consciousness in step with Japan's aging society. These positive factors led to increases in both sales and profits in Japan. In North America, delays in the recovery of the gelatin-for-capsules market caused overall sales to falter, despite an increase in sales from Vyse Gelatin, LLC, which was acquired to expand new sales channels in the gelatin-for-food market.

In the collagen peptide field, sales for use in general food products increased. This sales growth was supported by the fact that collagen peptide is able to add functional properties to beverages, as well as snacks and other food products, without changing their flavor. However, demand from inbound tourists visiting Japan from abroad subsided, leading to a decline in overall sales. Nitta Gelatin is participating in a demonstration trial for an innovative research and development program of the Cabinet Office of Japan. Under this program, Nitta Gelatin studied the connection between the consumption of collagen peptide and improvements in brain function. As a result, the study suggested the potential for collagen peptide to improve the quality of nerve fibers in the brain, thereby helping to improve neural signal transmission.

This finding was announced in a news release.

In collagen casings, sales trended firmly in the U.S., leading to higher overall sales and improved profits.

As a result, net sales in this segment declined 3.3% to ¥26,782 million, while segment profit (operating income) increased 6.2% to ¥1,945 million.

(Formula Solution Business)

In food materials, sales and profits increased, mainly driven by higher sales of new gelling agents for use in confectionary and desserts through consulting-based sales activities closely attuned to customers.

In adhesives, sales declined year on year for bookbinding, but demand grew for hygiene products, leading to higher overall sales. Profits improved due to cost-cutting efforts. In high-performance gaskets, sales increased in line with a growing range of applications for these products, including automotive electronic components and health and medical devices.

As a result, net sales in the segment were up 6.5% year on year to ¥9,792 million and segment profit (operating income) increased 30.6% year on year to ¥1,061 million.

(2) Financial Position

(Assets)

Total assets amounted to ¥40,410 million at March 31, 2017, ¥2,812 million higher than at March 31, 2016. This was mainly attributable to increases in notes and accounts receivable-trade, inventories such as raw materials and supplies, and goodwill.

(Liabilities)

Total liabilities stood at ¥22,674 million at March 31, 2017, ¥1,953 million higher than at March 31, 2016. This was mainly attributable to increases in short-term loans payable, long-term loans payable (including the current portion), accounts payable-other, and income taxes payable.

(Net assets)

Net assets amounted to ¥17,736 million at March 31, 2017, ¥859 million higher than at March 31, 2016. This was mainly attributable to increases in retained earnings and remeasurements of defined benefit plans.

As a result, the equity ratio stood at 38.9% at March 31, 2017, compared to 39.8% at March 31, 2016.

(3) Cash Flows

Cash and cash equivalents ("cash") as of March 31, 2017 was ¥2,550 million, up ¥13 million from March 31, 2016.

Cash flows for each activity and reasons are as follows.

(Net cash provided by operating activities)

Operating activities provided net cash of ¥1,910 million. The main contributing factors were income before income taxes and minority interests of ¥1,427 million, depreciation and amortization of ¥1,486 million, notes and accounts receivable-trade of ¥1,480 million, and loss on retirement of noncurrent assets of ¥397 million.

(Net cash used in investing activities)

Investing activities used net cash of ¥2,473 million. The main uses of cash were ¥1,547 million for the purchase of property, plant and equipment, and ¥917 million for payment for the transfer of business.

(Net cash provided by financing activities)

Financing activities provided net cash of ¥601 million. The main sources of cash were proceeds from long-term loans payable of ¥2,665 million and net increase in short-term loans payable of ¥677 million, which were partially offset by the repayment of long-term loans payable of ¥2,402 million.

(Reference)

Trends in cash flow indicators are as shown below:

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Equity ratio (%)	38.0	43.4	45.0	39.8	38.9
Market value equity ratio (%)	80.6	61.3	44.1	35.9	34.3
Interest-bearing debt to cash flow ratio (Years)	3.4	(11.8)	4.5	4.4	5.9
Interest coverage ratio (Times)	13.8	(5.2)	13.6	7.6	8.1

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

The fiscal year ending March 31, 2018 will be a major milestone year marking the founding centenary of Nitta Gelatin. Guided by its basic strategy of "Pursue Quality," the Nitta Gelatin Group will enhance quality in all aspects of its business operations, including sales, production, quality assurance, and research and development. In addition, the Group will work to produce and sell products in optimal locations, along with cutting costs further, mainly by reducing the costs of raw materials and logistics.

In Japan, the Company foresees the continuation of a robust business trend in edible and pharmaceutical gelatin against the backdrop of an increase in demand for ready-made food such as delicatessen items and boxed lunches, and heightened health consciousness. Meanwhile, the Company is concerned about a possible rise in manufacturing costs driven mainly by the yen's appreciation and energy costs. In addition, the Company expects to face challenging conditions in North America due to intensified competition. In contrast, the Company is projecting growing demand in emerging countries in Asia for gelatin, collagen peptide, and collagen casing. Eyeing this demand, the Company will work to expand sales globally, centered on Asia.

With regard to capital investment, the Company will invest in projects that realize products and services of high added value in Japan. Overseas, the Company will execute investments aimed at increasing production capacity and enhancing productivity, as well as addressing environmental conservation.

Based on the aforementioned assumptions, the Company's consolidated business forecasts for the fiscal year ending March 31, 2018 are as follows:

(Millions of yen)

	Forecasts	Year on year
Net sales	38,500	+5.3%
Operating income	1,600	+1.1%
Ordinary income	1,600	+12.6%
Net profit attributable to owners of the parent	1,000	+44.2%

(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 industrial 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.

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, business opportunities are emerging in the food market, driven, for example, by rising consumer needs for "convenient and instant" food products that can be consumed with very little preparation, such as pouch-packaged delicatessen items, frozen food, and microwaveable food products. These customer needs reflect growing personal consumption due to the increase in inbound travelers to Japan from abroad, and the increasing tendency to eat alone, reflecting the greater participation of women in the workforce and the aging of society. Overseas, the U.S. remains on a gradual recovery path, while emerging countries in Asia offer prospects for further growth in the food and pharmaceutical markets, supported by high economic growth rates and population increases. The Company understands the importance of executing business strategies tailored to trends in Japan and each of these overseas regions.

Recognizing this, Nitta Gelatin has formulated a new slogan, "***New Vision, New Direction***." Guided by its basic strategy of "Pursue Quality," the Company will enhance quality in all aspects of its business operations, including sales, production, quality assurance, and research and development. Moreover, the Company will implement three strategic priorities: 1. Develop high value-added products, 2. Ensure optimal production and optimal sales, and 3. Strengthen global business foundations.

The outlook for the business environment is expected to remain uncertain, affected by the yen's depreciation and rising energy costs, and political conditions in the U.S. and Europe, 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, Nitta Gelatin plans to strengthen its global competitiveness by further reducing costs through increased production efficiency and a strengthened supply chain of raw materials. In addition, the Company will sell the products of its Group companies in growing fields in the food market and optimal regions, such as areas close to production regions, thereby increasing sales and profits. In collagen peptide, Nitta Gelatin will increase sales for use in general food products and strive to increase consumers' understanding of collagen peptide's functional properties. Moreover, Nitta Gelatin will explore and develop new functional properties, such as by studying the connection between the consumption of collagen peptide and improvement in brain function, with a view to developing highly profitable new markets. In collagen casings, the Group intends to enhance its sales and earnings by increasing productivity at its manufacturing facilities in North America and developing new customers. In the life science field, based on research and development activities focused on materials for use in research and medicine, Nitta Gelatin will work to popularize the application of these materials in the field of regenerative medicine as it works to nurture this field into a future core business.

(Formula Solution Business)

In the food material business, Nitta Gelatin will provide products that create new value for customers using cutting-edge application technologies, with the aim of further expanding business. In the adhesives field, based on rising demand for disposable diapers overseas, Nitta Gelatin expects demand for adhesives for use in hygiene products to continue to trend firmly. In high-performance gaskets, the Company will pioneer new applications and develop new products that accurately capture customer needs, with the aim of driving further sales growth in Japan and the rest of Asia.

(New Vision)

In April 2017, the Nitta Gelatin Group formulated a new vision to mark its founding centenary.

“***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.*

To realize this vision, Nitta Gelatin reorganized the Company from a structure based on materials-based divisions to a function-based organization. Specifically, it abolished the Gelatin Division, Peptide Division, Food Division and International Business Division, and established a Manufacturing Division and Research and Development Center. Together with the Sales & Marketing Division and Adhesives Division, the new organization will have four divisions. The new organization will formulate market-specific strategies, along with pushing ahead with efforts to strengthen the Nitta Gelatin Group’s global management. The research and development departments of each division will be integrated into the Research and Development Center. The Research and Development Center will conduct research and development into products for the food market, health and beauty market, and biomaterials market, and also conduct basic research into new businesses.

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 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	2,688	2,662
Notes and accounts receivable-trade	7,375	8,923
Merchandise and finished goods	5,262	5,043
Work in process	1,429	1,168
Raw materials and supplies	2,275	2,997
Deferred tax assets	182	180
Other	447	738
Allowance for doubtful accounts	(2)	(22)
Total current assets	19,657	21,686
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	10,267	10,204
Accumulated depreciation	(5,855)	(5,864)
Buildings and structures, net	4,412	4,339
Machinery, equipment and vehicles	15,937	16,046
Accumulated depreciation	(10,936)	(11,164)
Machinery, equipment and vehicles, net	5,000	4,882
Land	2,542	2,547
Lease assets	1,188	1,152
Accumulated depreciation	(548)	(588)
Lease assets, net	640	564
Construction in process	957	1,366
Other	1,362	1,390
Accumulated depreciation	(1,191)	(1,181)
Other, net	171	209
Total property, plant and equipment	13,724	13,910
Intangible assets		
Goodwill	—	454
Other	357	405
Total intangible assets	357	859
Investments and other assets		
Investment securities	2,919	3,052
Long-term loans receivable	136	2
Deferred tax assets	189	148
Net defined benefit asset	421	565
Other	191	186
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	3,858	3,954
Total noncurrent assets	17,940	18,724
Total assets	37,597	40,410

(Millions of yen)

	Fiscal 2015 (As of March 31, 2016)	Fiscal 2016 (As of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,252	4,347
Short-term loans payable	2,186	2,866
Current portion of long-term loans payable	2,215	2,432
Lease obligations	230	230
Accounts payable-other	1,261	1,711
Income taxes payable	145	509
Provision for bonuses	213	259
Other	569	679
Total current liabilities	11,076	13,037
Noncurrent liabilities		
Long-term loans payable	5,380	5,425
Lease obligations	469	388
Deferred tax liabilities	769	890
Net defined benefit liability	2,938	2,851
Other	85	80
Total noncurrent liabilities	9,644	9,636
Total liabilities	20,720	22,674
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	9,569	10,042
Treasury stock	(0)	(0)
Total shareholders’ equity	15,680	16,153
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	1,024	1,107
Deferred gains (losses) on hedges	(38)	43
Foreign currency translation adjustments	466	331
Remeasurements of defined benefit plans	(2,160)	(1,907)
Total accumulated other comprehensive loss	(707)	(426)
Non-controlling interests	1,904	2,009
Total net assets	16,876	17,736
Total liabilities and net assets	37,597	40,410

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

Consolidated Statements of Income

(Millions of yen)

	Fiscal 2016 (From April 1, 2015 to March 31, 2016)	Fiscal 2017 (From April 1, 2016 to March 31, 2017)
Net sales	36,885	36,575
Cost of sales	29,196	28,158
Gross profit on sales	7,689	8,416
Selling, general and administrative expenses	6,416	6,798
Operating income	1,273	1,617
Non-operating income		
Interest income	27	17
Dividend income	29	31
Rent income	44	41
Equity in earnings of affiliates	29	148
Foreign exchange gains	—	214
Other	69	58
Total non-operating income	202	511
Non-operating expenses		
Interest expenses	315	234
Foreign exchange losses	151	—
Commissions paid	13	30
Other	14	33
Total non-operating expenses	495	298
Ordinary income	979	1,831
Extraordinary gains		
Gain on sales of noncurrent asset	67	—
Gain on negative goodwill	502	—
Gain on change in equity	157	—
Total extraordinary gains	727	—
Extraordinary losses		
Disposal costs for noncurrent assets	—	5
Loss on retirement of noncurrent assets	45	397
Loss on stepped acquisitions	620	—
Total extraordinary losses	666	403
Income before income taxes and minority interests	1,040	1,427
Income taxes	425	644
Income taxes-deferred	3	16
Total income taxes	428	661
Net income	612	766
Net income attributable to non-controlling interests	134	73
Net income attributable to owners of the parent	477	693

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal 2016 (From April 1, 2015 to March 31, 2016)	Fiscal 2017 (From April 1, 2016 to March 31, 2017)
Net income	612	766
Other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	(96)	82
Deferred gains (losses) on hedges	(68)	113
Foreign currency translation adjustments	(731)	(39)
Pension liability adjustment	(255)	259
Share of other comprehensive income of associates accounted for using equity method	402	(76)
Total other comprehensive income (loss)	(748)	339
Total comprehensive income	(136)	1,105
Comprehensive income attributable to:		
Owners of the parent	(100)	975
Non-controlling interests	(35)	130

(3) Consolidated Statements of Changes in Net Assets

Fiscal 2016 (From April 1, 2015 to March 31, 2016)

(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	9,312	(0)	15,423
Changes during the fiscal year					
Dividends from surplus			(220)		(220)
Net income attributable to owners of the parent			477		477
Gain (loss) in non-controlling interests due to increase in consolidated subsidiaries					—
Net changes of items other than shareholders' equity					—
Total changes during fiscal year	—	—	257	—	257
Balance at the end of fiscal year	3,144	2,966	9,569	(0)	15,680

	Other accumulated comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total other accumulated comprehensive income		
Balance at the beginning of fiscal year	1,121	33	601	(1,908)	(152)	102	15,373
Changes during the fiscal year							
Dividends from surplus							(220)
Net income attributable to owners of the parent							477
Gain (loss) in non-controlling interests due to increase in consolidated subsidiaries						1,848	1,848
Net changes of items other than shareholders' equity	(96)	(71)	(135)	(252)	(555)	(46)	(602)
Total changes during fiscal year	(96)	(71)	(135)	(252)	(555)	1,801	1,503
Balance at the end of fiscal year	1,024	(38)	466	(2,160)	(707)	1,904	16,876

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	9,659	(0)	15,680
Changes during the fiscal year					
Dividends from surplus			(220)		(220)
Net income attributable to owners of the parent			693		693
Gain (loss) in non-controlling interests due to increase in consolidated subsidiaries					—
Net changes of items other than shareholders' equity	—	—	472	—	472
Total changes during fiscal year	3,144	2,966	10,042	(0)	16,153
Balance at the end of fiscal year	3,144	2,966	9,659	(0)	15,680

	Other accumulated comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total other accumulated 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
Gain (loss) in non-controlling interests due to increase in consolidated subsidiaries	82	81	(134)	252	281	104	386
Net changes of items other than shareholders' equity	82	81	(134)	252	281	104	859
Total changes during fiscal year	1,107	43	331	(1,907)	(426)	2,009	17,736
Balance at the end of fiscal year	1,024	(38)	466	(2,160)	(707)	1,904	16,876

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal 2016 (From April 1, 2015 to March 31, 2016)	Fiscal 2017 (From April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Income before income taxes and minority interests	1,040	1,427
Depreciation and amortization	1,562	1,486
Amortization of goodwill	—	27
Increase (decrease) in provision for directors' retirement benefits	(38)	—
Increase (decrease) in provision for bonuses	42	46
Decrease in allowance for doubtful accounts	(0)	19
Increase in net defined benefit liability	21	55
Interest and dividends income	(57)	(48)
Interest expenses	315	234
Foreign exchange losses (gains)	188	0
Equity in earnings of affiliates	(29)	(148)
Gain on sales of property, plant and equipment	(67)	5
Loss on retirement of noncurrent assets	45	397
Loss on change in equity	(157)	—
Gain on negative goodwill	(502)	—
Loss on stepped acquisitions	620	—
Decrease (increase) in notes and accounts receivable-trade	(479)	(1,480)
Increase in inventories	(109)	156
Increase (decrease) in notes and accounts payable-trade	724	63
Increase in accrued consumption taxes	36	54
Other, net	(103)	96
Subtotal	3,051	2,393
Interest and dividends income received	125	84
Interest paid	(315)	(234)
Income taxes paid	(476)	(333)
Net cash provided by operating activities	2,385	1,910
Cash flows from investing activities		
Payments into time deposits	(148)	(85)
Proceeds from withdrawal of time deposits	27	125
Proceeds from the sale of property, plant and equipment	73	4
Purchase of property, plant and equipment	(1,548)	(1,547)
Purchase of intangible assets	(17)	(69)
Proceeds from the sale of investment securities	2	0
Purchase of investment securities	(6)	(8)
Purchase of stocks of affiliates	(222)	—
Purchase of insurance funds	(2)	(0)
Payment for the transfer of business	—	(917)
Proceeds from surrender of insurance funds	—	20
Other, net	(17)	6
Net cash used in investing activities	(1,860)	(2,473)

(Millions of yen)

	Fiscal 2016 (From April 1, 2015 to March 31, 2016)	Fiscal 2017 (From April 1, 2016 to March 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(544)	677
Proceeds from long-term loans payable	2,821	2,665
Repayment of long-term loans payable	(2,502)	(2,402)
Proceeds from sale-and-leaseback transactions	228	154
Repayments of lease obligations	(254)	(248)
Payments from non-controlling interests	29	—
Repayments to non-controlling interests	(21)	—
Cash dividends paid	(220)	(220)
Cash dividends paid to non-controlling interests	(10)	(25)
Net cash (used in) provided by financing activities	(473)	601
Effect of exchange rate change on cash and cash equivalents	(103)	(24)
Net increase (decrease) in cash and cash equivalents	(51)	13
Cash and cash equivalents, beginning of the fiscal year	2,602	2,536
Increase in cash and cash equivalents from newly consolidated subsidiaries	24	—
Decrease in cash and cash equivalents from exclusion of subsidiary from consolidation	(38)	—
Cash and cash equivalents at end of the fiscal year	2,536	2,550

(5) Notes to Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None.

(Changes in Accounting Policies)

(Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Following the revision of the Corporation Tax Code, the Company applied "Practical Solution on a Change in Depreciation Method due to Tax Reform 2016" (ASBJ Practical Issues Task Force Report No. 32, June 17, 2016) from the fiscal year ended March 31, 2017. Accordingly, the depreciation method for buildings acquired on or after April 1, 2016 will be changed from the declining-balance method to the straight-line method.

The effect of this change on the Company's consolidated profit and loss for the fiscal year ended March 31, 2017 is negligible.

(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, 2016 (From April 1, 2015 to March 31, 2016)

(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	27,686	9,199	36,885	—	36,885
Inter-segment sales and transfers	1,911	8	1,920	(1,920)	—
Total	29,598	9,207	38,805	(1,920)	36,885
Segment income	1,832	812	2,645	(1,371)	1,273
Segment assets	29,907	5,474	35,381	2,216	37,597
Other items					
Depreciation and amortization	1,420	100	1,520	42	1,562
Increase in property, plant and equipment and intangible assets	1,362	37	1,399	62	1,462

(Notes) 1. Adjustments are as follows:

(1) Adjustment for segment income of (¥1,371) million comprises elimination of intersegment transactions of ¥0 million and unallocated expenses of (¥1,372) million. Unallocated expenses are mainly general and administrative expenses.

(2) Adjustment for segment assets of ¥2,216 million comprises elimination of intersegment transactions of (¥718) million and unallocated assets of ¥2,934 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, 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.

(Per Share Information)

	Fiscal 2016 (From April 1, 2015 to March 31, 2016)	Fiscal 2017 (From April 1, 2016 to March 31, 2017)
Net assets per share	¥814.90	¥855.97
Net income per share	26.00	37.74

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

2. Basis for calculating per share data is shown below.

Profit per share	Fiscal 2016 (From April 1, 2015 to March 31, 2016)	Fiscal 2017 (From April 1, 2016 to March 31, 2017)
Net income attributable to owners of the parent (Millions of yen)	477	693
Amounts not attributable to common shareholders (Millions of yen)	—	—
Net income attributable to owners of the parent related to common stock (Millions of yen)	477	693
Average number of common shares during the period (shares)	18,373,812	18,373,812

(Subsequent Events)

No items to report