



February 8, 2017

## Consolidated Financial Results for the Nine Months Ended December 31, 2016

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**  
 Listing: First Section of Tokyo Stock Exchange  
 Stock code: 4977  
 URL: <http://www.nitta-gelatin.co.jp>  
 Representative: Koichi Ogata, Representative Director and President  
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Scheduled date to file Quarterly Securities Report: February 10, 2017

Scheduled date to commence dividend payments: —

Supplementary explanatory materials prepared: No

Explanatory meeting: No

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

### 1. Consolidated financial results for the nine months ended December 31, 2016

(from April 1, 2016 to December 31, 2016)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2016	27,100	(2.6)	1,343	47.9	1,652	97.6	661	63.7
December 31, 2015	27,821	16.7	908	169.7	836	(7.8)	404	(34.9)

Note: Comprehensive income

For the nine months ended December 31, 2016: ¥954 million, 56.8%

For the nine months ended December 31, 2015: ¥609 million, (63.6%)

	Net income per share	Diluted net income per share
Nine months ended	Yen	Yen
December 31, 2016	36.02	—
December 31, 2015	22.00	—

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
As of	Millions of yen	Millions of yen	%
December 31, 2016	39,904	17,584	39.2
As of March 31, 2016	37,597	16,876	39.8

Reference: Equity

As of December 31, 2016: ¥15,629 million.

As of March 31, 2016: ¥14,972 million

## 2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2016	—	6.00	—	6.00	12.00
Fiscal year ending March 31, 2017	—	6.00	—		
Fiscal year ending March 31, 2017			—	6.00	12.00

Note: Changes to most recent dividend forecasts: None

## 3. Consolidated financial forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(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
Fiscal year ending March 31, 2017	35,000	(5.1)	1,700	33.5	1,400	42.9	800	67.5	43.54

Note: Changes to most recent consolidated financial forecasts: None

### Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None

New: None

Excluded: None

(2) Adoption of special accounting methods for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions

a. Changes in accounting policies due to revisions to accounting standards and other guidelines: 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 “(3) Changes in Accounting Policies and Estimates, and Restatement of Revisions” in “2. Matters Concerning Summary Information (Notes)” on page 4 of the Attachment to this report.

(4) Number of common shares issued

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

As of December 31, 2016 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 December 31, 2016 162 shares

As of March 31, 2016 162 shares

c. Average number of shares

For the nine months ended December 31, 2016 18,373,812 shares

For the nine months ended December 31, 2015 18,373,812 shares

\* **Disclosure of status of quarterly review procedure**

This report falls outside the scope of quarterly review procedures as laid out in the Financial Instruments and Exchange Act. As of the time of the release of this report, the review of the financial statements, etc., outlined in the Act had not yet been concluded.

\* **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 “(3) Description of Consolidated Business Forecasts and Other Forward-looking Information” in “1. Qualitative Information Concerning Quarterly Financial Statements” on page 3 of the Attachment to this report.

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

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

### **(a) Business Performance for the Period under Review**

During the first nine months of the fiscal year ending March 31, 2017, global economies continued to recover gradually, led by the U.S. and other advanced economies.

The Japanese economy continued on a moderate recovery trend, albeit with a growing sense of uncertainty due to major fluctuations in foreign exchange rates and stock markets in the wake of the U.K. decision to exit the European Union and the U.S. presidential election.

Under these conditions, the Nitta Gelatin Group formulated its medium-term management plan finishing in the fiscal year ending March 31, 2018, and worked to address the strategic priorities of 1. Develop high-value-added products, 2. Ensure optimal production, optimal sales, and 3. Strengthen global business foundations.

As a result, in the first nine months of the fiscal year ending March 31, 2017, net sales declined 2.6% year on year to ¥27,100 million and operating income increased 47.9% to ¥1,343 million. Ordinary income rose 97.6% to ¥1,652 million, mainly due to foreign exchange gains. Net income attributable to owners of the parent increased 63.7% year on year to ¥661 million, reflecting ¥346 million recorded for loss on retirement of noncurrent assets at overseas subsidiaries and so forth as an extraordinary loss.

### **(b) Status by Segment**

#### **(Collagen Material Business)**

In the gelatin field, sales and profits both increased in Japan atop continued steady sales for use in food and for capsules. In North America, delays in the recovery of the gelatin-for-capsules market caused overall sales to falter.

In the collagen peptide field, demand from inbound tourism has declined, driving sales for use in health foods lower; however, the Company is beginning to win orders for use in general food products.

Collagen casings saw brisk sales in the U.S.

As a result, net sales in this segment declined 5.6% to ¥19,744 million, while segment profit (operating income) increased 16.3% to ¥1,548 million.

#### **(Formula Solution Business)**

In food materials, sales and profits grew atop continued strong sales for use in ready-made delicatessen items along with confectionary and desserts.

Adhesives sales declined for bookbinding, but grew for hygiene products. Profits improved as owing to cost reduction efforts.

As a result, net sales in the segment were up 6.4% year on year to ¥7,355 million and segment profit (operating income) increased 31.1% year on year to ¥794 million.

## **(2) Description of Financial Position**

### **(Assets)**

Total assets amounted to ¥39,904 million at December 31, 2016, ¥2,306 million higher than at March 31, 2016. This was mainly attributable to increases in notes and accounts receivable-trade and goodwill.

### **(Liabilities)**

Total liabilities stood at ¥22,319 million at December 31, 2016, ¥1,598 million higher than at March 31, 2016. This was mainly attributable to increases in short-term loans payable and long-term loans payable.

### **(Net assets)**

Net assets amounted to ¥17,584 million at December 31, 2016, ¥707 million higher than at March 31, 2016. This was mainly attributable to increases in retained earnings and valuation difference on other available-for-sale securities.

As a result, the equity ratio stood at 39.2% at December 31, 2016, compared to 39.8% at March 31, 2016.

## **(3) Description of Consolidated Business Forecasts and Other Forward- looking Information**

The consolidated earnings forecast for the fiscal year ending March 31, 2017 is unchanged from the consolidated earnings forecast announced on November 8, 2016 in the “Consolidated Financial Results for the Six Months Ended September 30, 2016.”

Actual business and other results may differ substantially from projections due to various factors.

## **2. Matters Concerning Summary Information (Notes)**

### **(1) Significant Changes in Subsidiaries During the Quarterly Period Under Review**

None

### **(2) Application of Special Accounting Methods in the Preparation of Quarterly Consolidated Financial Statements**

None

**(3) Changes in Accounting Policies and Estimates, and Restatement of Revisions**  
**(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 Act, 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 first quarter of the fiscal year ending 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 nine months ended December 31, 2016 was minor.

**(4) Additional Information**  
**(Changes in Presentation Basis)**

(Quarterly Consolidated Statements of Income)

“Rent income” was reported as a separate item under non-operating income in the nine months ended December 31, 2015; however, since the materiality of this item has diminished, it has been included in “Other” under non-operating income from the six months ended September 30, 2016.

To reflect this change in presentation basis, the financial statements for the nine months ended December 31, 2015 have been restated.

As a result, ¥35 million for “Rent income” has been included in “Other” under non-operating expenses in the statement of income for the nine months ended December 31, 2015.

**(Application of Revised Implementation Guidance on Recovery of Deferred Tax Assets)**

The Company has applied “Revised Implementation Guidance on Recovery of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the first quarter of the fiscal year ending March 31, 2017.

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2016 (As of March 31, 2016)	3Q Fiscal 2017 (As of December 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	2,688	1,952
Notes and accounts receivable-trade	7,375	9,069
Merchandise and finished goods	5,262	5,697
Work in process	1,429	1,141
Raw materials and supplies	2,275	2,534
Other	629	804
Allowance for doubtful accounts	(2)	(5)
Total current assets	19,657	21,194
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,412	4,418
Machinery, equipment and vehicles, net	5,000	4,620
Other, net	4,311	4,949
Total property, plant and equipment	13,724	13,988
Intangible assets		
Goodwill	—	425
Other	357	368
Total intangible assets	357	793
Investments and other assets		
Investment securities	2,919	2,962
Other	939	965
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	3,858	3,927
Total noncurrent assets	17,940	18,709
Total assets	37,597	39,904



(Millions of yen)

	Fiscal 2016 (As of March 31, 2016)	3Q Fiscal 2017 (As of December 31, 2016)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	4,252	4,069
Short-term loans payable	2,186	2,845
Current portion of long-term loans payable	2,215	2,441
Income taxes payable	145	396
Provision for bonuses	213	109
Other	2,062	2,395
<b>Total current liabilities</b>	<b>11,076</b>	<b>12,258</b>
<b>Noncurrent liabilities</b>		
Long-term loans payable	5,380	5,905
Net defined benefit liability	2,938	2,884
Other	1,325	1,270
<b>Total noncurrent liabilities</b>	<b>9,644</b>	<b>10,060</b>
<b>Total liabilities</b>	<b>20,720</b>	<b>22,319</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	9,569	10,009
Treasury stock	(0)	(0)
<b>Total shareholders' equity</b>	<b>15,680</b>	<b>16,121</b>
<b>Accumulated other comprehensive income (loss)</b>		
Valuation difference on other available-for-sale securities	1,024	1,125
Deferred gains (losses) on hedges	(38)	49
Foreign currency translation adjustments	466	428
Remeasurements of defined benefit plans	(2,160)	(2,094)
<b>Total accumulated other comprehensive loss</b>	<b>(707)</b>	<b>(491)</b>
<b>Non-controlling interests</b>	<b>1,904</b>	<b>1,954</b>
<b>Total net assets</b>	<b>16,876</b>	<b>17,584</b>
<b>Total liabilities and net assets</b>	<b>37,597</b>	<b>39,904</b>

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

### Consolidated Statements of Income

(Nine months ended December 31)

(Millions of yen)

	Nine Months Ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Nine Months Ended December 31, 2016 (From April 1, 2016 to December 31, 2016)
Net sales	27,821	27,100
Cost of sales	22,136	20,869
Gross profit on sales	5,684	6,230
Selling, general and administrative expenses	4,776	4,886
Operating income	908	1,343
Non-operating income		
Interest income	13	17
Dividend income	29	31
Foreign exchange gains	34	275
Equity in earnings of affiliates	6	112
Other	86	70
Total non-operating income	170	507
Non-operating expenses		
Interest expenses	227	177
Other	14	20
Total non-operating expenses	242	198
Ordinary income	836	1,652
Extraordinary gains		
Gain on sales of noncurrent assets	1	—
Gain on negative goodwill	502	—
Gain on change in equity	157	—
Total extraordinary gains	661	—
Extraordinary losses		
Loss on retirement of noncurrent assets	41	346
Loss on stepped acquisitions	620	—
Total extraordinary losses	662	346
Income before provision for income taxes	835	1,305
Income taxes	377	570
Net income	458	735
Net income attributable to non-controlling interests	53	73
Net income attributable to owners of the parent	404	661

Consolidated Statements of Comprehensive Income  
(Nine months ended December 31)

(Millions of yen)

	Nine Months Ended December 31, 2015 (From April 1, 2015 to December 31, 2015)	Nine Months Ended December 31, 2016 (From April 1, 2016 to December 31, 2016)
Net income	458	735
Other comprehensive income		
Valuation difference on other available-for-sale securities	50	100
Deferred gains (losses) on hedges	(89)	95
Foreign currency translation adjustments	(322)	113
Pension liability adjustment	60	66
Share of other comprehensive income(loss) of associates accounted for using equity method	452	(157)
Total other comprehensive income (loss)	151	219
Total comprehensive income	609	954
Comprehensive income attributable to:		
Owners of the parent	664	878
Non-controlling interests	(55)	76

**(3) Notes to Quarterly Consolidated Financial Statements**  
**(Note Concerning Going Concern Assumption)**

None

**(Note Concerning Significant Changes in Shareholders' Equity)**

None

**(Segment Information)**

I. Nine months ended December 31, 2015 (From April 1, 2015 to December 31, 2015)

1. Information on net sales, income and loss by reporting segment

(Millions of yen)

Reporting segment			Total	Adjustments <sup>*1</sup>	Amounts in the consolidated financial statements <sup>*2</sup>
	Collagen material business	Formula solution business			
Net sales					
Sales to third parties	20,906	6,915	27,821	—	27,821
Inter-segment sales and transfers	1,448	—	1,448	(1,448)	—
Total	22,354	6,915	29,269	(1,448)	27,821
Segment income	1,331	606	1,937	(1,029)	908

- (Notes) 1. Adjustment for segment income of ¥(1,029) million comprises elimination of intersegment transactions of ¥(1) million and unallocated expenses of ¥(1,027) million.  
2. Segment income is adjusted against the operating income recorded in the consolidated income statement.

2. Information on reporting segment assets

Segment assets of the Collagen Material Business had increased by ¥4,200 million at December 31, 2015 compared to March 31, 2015 as a result of the conversion of Nitta Gelatin India Ltd., Bamni Proteins Ltd. and Reva Proteins Ltd. into subsidiaries within the scope of Nitta Gelatin Inc.'s consolidation in the first quarter ended June 30, 2015.

3. Information on impairment loss on noncurrent assets and goodwill by reporting segments  
(Material gain on negative goodwill)

The Collagen Material Business segment recorded a ¥502 million gain on negative goodwill in the nine months ended December 31, 2015 as a result of the conversion of Nitta Gelatin India Ltd., Bamni Proteins Ltd. and Reva Proteins Ltd. into subsidiaries within the scope of Nitta Gelatin Inc.'s consolidation.

## II. Nine months ended December 31, 2016 (From April 1, 2016 to December 31, 2016)

### 1. Information on net sales, income and loss by reporting segment

(Millions of yen)

Reporting segment			Total	Adjustments <sup>*1</sup>	Amounts in the consolidated financial statements <sup>*2</sup>
	Collagen material business	Formula solution business			
Net sales					
Sales to third parties	19,744	7,355	27,100	—	27,100
Inter-segment sales and transfers	1,396	7	1,403	(1,403)	—
Total	21,141	7,362	28,503	(1,403)	27,100
Segment income	1,548	794	2,343	(999)	1,343

- (Notes) 1. Adjustment for segment income of ¥(999) million comprises elimination of intersegment transactions of ¥6 million and unallocated expenses of ¥(1,005) million  
 2. Segment income is adjusted against the operating income recorded in the consolidated income statement.

### 2. Information on impairment loss on noncurrent assets and goodwill by reporting segments (Significant changes in the amount of goodwill)

In the Collagen Material Business segment, Vyse Gelatin, LLC was newly established, and the new company took over a portion of the business of Vyse Gelatin Company, resulting in the recording of goodwill.

The increase in goodwill due to these events was ¥379 million in the nine months ended December 31, 2016. The amount of goodwill is a provisional estimate as the allocation of the acquisition cost has not yet been completed.