



August 8, 2016

## Consolidated Financial Results for the Three Months Ended June 30, 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  
 Contact Person: Toru Tamaoka, Director and Executive Officer;  
 General Manager of Administration Division  
 Tel: +81-72-949-5381

Scheduled date to file Quarterly Securities Report: August 9, 2016  
 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 three months ended June 30, 2016 (from April 1, 2016 to June 30, 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	%
Three months ended June 30, 2016	9,031	(1.6)	486	64.7	290	(4.4)	175	225.9
June 30, 2015	9,182	14.5	295	22.8	304	38.6	53	(66.0)

Note: Comprehensive income

For the three months ended June 30, 2016: ¥(595) million, (—%)

For the three months ended June 30, 2015: ¥663 million, 165.7%

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended June 30, 2016	9.57	—
June 30, 2015	2.94	—

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
	Millions of yen	Millions of yen	%
As of June 30, 2016	36,102	16,163	39.9
March 31, 2016	37,597	16,876	39.8

Reference: Equity

As of June 30, 2016: ¥14,410 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	—				
Fiscal year ending March 31, 2017 (Forecasts)		6.00	—	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
Six months ending September 30, 2016	18,700	2.3	650	44.9	600	64.0	300	104.0	16.33
Fiscal year ending March 31, 2017	38,200	3.6	1,500	17.8	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 June 30, 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 June 30, 2016 162 shares

As of March 31, 2016 162 shares

c. Average number of shares

For the three months ended June 30, 2016 18,373,812 shares

For the three months ended June 30, 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.

## Attachment Contents

<b>1. Qualitative Information Concerning Quarterly Financial Statements</b> .....	2
(1) Description of Business Results .....	2
(2) Description of Financial Position .....	3
(3) Description of Consolidated Business Forecasts and Other Forward-looking Information .....	3
<b>2. Matters Concerning Summary Information (Notes)</b> .....	3
(1) Significant Changes in Subsidiaries During the Quarterly Period Under Review .....	3
(2) Application of Special Accounting Methods in the Preparation of Quarterly Consolidated Financial Statements .....	3
(3) Changes in Accounting Policies and Estimates, and Restatement of Revisions .....	4
(4) Additional Information .....	4
<b>3. Quarterly Consolidated Financial Statements</b> .....	5
(1) Consolidated Balance Sheets .....	5
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income ...	7
Consolidated Statements of Income	
First quarter consolidated cumulative accounting period .....	7
Consolidated Statements of Comprehensive Income	
First quarter consolidated cumulative accounting period .....	8
(3) Notes to Quarterly Consolidated Financial Statements .....	9
(Note Concerning Going Concern Assumption) .....	9
(Note Concerning Significant Changes in Shareholders' Equity) .....	9
(Segment Information) .....	9

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

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

In the first quarter of the fiscal year ending March 31, 2017, the outlook for global economic situation was uncertain, clouded by the continued deceleration of the Chinese economy and the decision of the U.K. to exit the European Union, among other factors. Meanwhile, the U.S. economy continued to grow solidly.

In the Japanese economy corporate earnings and the employment environment remained firm, although consumer spending and capital investment appeared to soften and concerns remained over the future due to sharp fluctuations in foreign exchange rates and the stock market and other factors.

Amid these circumstances, the Nitta Gelatin Group started the second year of its medium-term management plan finishing in the fiscal year ending March 31, 2018, with the entire Company working together to achieve the plan targets.

As a result, in the first quarter of the fiscal year ending March 31, 2017, net sales declined 1.6% year on year to ¥9,031 million and operating income increased 64.7% to ¥486 million; however, ordinary income decreased 4.4% to ¥290 million, mainly due to foreign exchange losses. Net income attributable to owners of the parent increased 225.9% year on year to ¥175 million.

Segment business performance was as follows:

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

In the gelatin field, sales and profits both increased in Japan atop steady demand for edible gelatin and for use in capsules. In North America, demand for edible gelatin was solid, however, the recovery of market conditions for gelatin for use in capsules was slow, causing sales to falter.

Collagen peptide sales for use in health food declined, partly reflecting subdued demand from inbound tourism.

Collagen casing sales were almost level year on year.

As a result, net sales in the segment declined 5.7% year on year to ¥6,481 million, while segment profit (operating income) increased 34.4% to ¥519 million.

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

In food materials, sales and profits increased atop strong demand for ready-made delicatessen items along with confectionary and desserts.

Adhesives sales were level year on year for both packaging and bookbinding. Sales

were also boosted by the restart of procurement by a customer in the hygiene products market. Profits increased as a result of cost reduction efforts.

As a result, net sales in the segment were up 10.5% year on year to ¥2,549 million and segment profit (operating income) also increased 10.5% year on year to ¥290 million.

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

### **(Assets)**

Total assets amounted to ¥36,102 million at June 30, 2016, ¥1,494 million lower than at March 31, 2016. This was mainly attributable to decreases in cash and deposits, property, plant and equipment, and investment securities.

### **(Liabilities)**

Total liabilities stood at ¥19,939 million at June 30, 2016, ¥781 million lower than at March 31, 2016. This was mainly attributable to a decrease in long-term loans payable.

### **(Net assets)**

Net assets amounted to ¥16,163 million at June 30, 2016, ¥713 million lower than at March 31, 2016. This was mainly attributable to decreases in valuation difference on other available-for-sale securities and foreign currency translation adjustments.

As a result, the equity ratio stood at 39.9% at June 30, 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 May 10, 2016 in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 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 first quarter of the fiscal year ending March 31, 2017 is minor.

**(4) Additional Information**

**(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)	1Q Fiscal 2017 (As of June 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	2,688	2,138
Notes and accounts receivable-trade	7,375	7,469
Merchandise and finished goods	5,262	5,427
Work in process	1,429	1,200
Raw materials and supplies	2,275	2,311
Other	629	655
Allowance for doubtful accounts	(2)	(3)
Total current assets	19,657	19,200
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,412	4,108
Machinery, equipment and vehicles, net	5,000	4,423
Other, net	4,311	4,475
Total property, plant and equipment	13,724	13,007
Intangible assets		
Other	357	342
Total intangible assets	357	342
Investments and other assets		
Investment securities	2,919	2,645
Other	939	906
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	3,858	3,552
Total noncurrent assets	17,940	16,902
Total assets	37,597	36,102



(Millions of yen)

	Fiscal 2016 (As of March 31, 2016)	1Q Fiscal 2017 (As of June 30, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	4,252	4,109
Short-term loans payable	2,186	2,514
Current portion of long-term loans payable	2,215	2,082
Income taxes payable	145	153
Provision for bonuses	213	333
Other	2,062	1,973
Total current liabilities	11,076	11,167
Noncurrent liabilities		
Long-term loans payable	5,380	4,717
Net defined benefit liability	2,938	2,808
Other	1,325	1,246
Total noncurrent liabilities	9,644	8,772
Total liabilities	20,720	19,939
<b>Net Assets</b>		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	9,569	9,634
Treasury stock	(0)	(0)
Total shareholders' equity	15,680	15,745
Accumulated other comprehensive income		
Valuation difference on other available-for-sale securities	1,024	862
Deferred gains (losses) on hedges	(38)	(60)
Foreign currency translation adjustments	466	(188)
Remeasurements of defined benefit plans	(2,160)	(1,948)
Total accumulated other comprehensive income	(707)	(1,334)
Non-controlling interests	1,904	1,752
Total net assets	16,876	16,163
Total liabilities and net assets	37,597	36,102

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

### Consolidated Statements of Income

(First quarter consolidated cumulative accounting period)

	(Millions of yen)	
	1Q Fiscal 2016 (From April 1, 2015 to June 30, 2015)	1Q Fiscal 2017 (From April 1, 2016 to June 30, 2016)
Net sales	9,182	9,031
Cost of sales	7,337	6,979
Gross profit on sales	1,845	2,052
Selling, general and administrative expenses	1,549	1,565
Operating income	295	486
Non-operating income		
Interest income	4	4
Dividend income	14	14
Foreign exchange gains	75	—
Equity in earnings of affiliates	—	39
Other	20	40
Total non-operating income	114	99
Non-operating expenses		
Interest expenses	86	62
Foreign exchange losses	—	228
Equity in losses of affiliates	13	—
Other	6	3
Total non-operating expenses	105	294
Ordinary income	304	290
Extraordinary gains		
Gain on negative goodwill	502	—
Total extraordinary gains	502	—
Extraordinary losses		
Loss on retirement of noncurrent assets	1	1
Loss on stepped acquisitions	620	—
Total extraordinary losses	622	1
Income before provision for income taxes	184	289
Income taxes	153	120
Net income	31	168
Net loss attributable to non-controlling interests	(22)	(7)
Net income attributable to owners of the parent	53	175

## Consolidated Statements of Comprehensive Income

(First quarter consolidated cumulative accounting period)

(Millions of yen)

	1Q Fiscal 2016 (From April 1, 2015 to June 30, 2015)	1Q Fiscal 2017 (From April 1, 2016 to June 30, 2016)
Net income	31	168
Other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	39	(162)
Deferred losses on hedges	(3)	(23)
Foreign currency translation adjustments	165	(743)
Pension liability adjustment	(13)	212
Share of other comprehensive loss of associates accounted for using equity method	444	(46)
Total other comprehensive income (loss)	632	(763)
Total comprehensive income	663	(595)
Comprehensive income attributable to:		
Owners of the parent	680	(450)
Non-controlling interests	(17)	(144)

### (3) Notes to Quarterly Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Note Concerning Significant Changes in Shareholders' Equity)

None

(Segment Information)

I. First three months of the fiscal year ended March 31, 2016 (From April 1, 2015 to June 30, 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	6,874	2,308	9,182	—	9,182
Inter-segment sales and transfers	413	—	413	(413)	—
Total	7,288	2,308	9,596	(413)	9,182
Segment income	386	262	648	(353)	295

(Notes) 1. Adjustment for segment income of ¥(353) million comprises elimination of intersegment transactions of ¥(7) million and unallocated expenses of ¥(346) 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 ¥4,207 million at June 30, 2016 as a result of Nitta Gelatin Inc. consolidating Nitta Gelatin India Ltd., Bamni Proteins Ltd. and Reva Proteins Ltd. as subsidiaries.

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 three months ended June 30, 2016 as a result of the conversion of Nitta Gelatin India Ltd., Bamni Proteins Ltd. and Reva Proteins Ltd.

II. First three months of the fiscal year ending March 31, 2017 (From April 1, 2016 to June 30, 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	6,481	2,549	9,031	—	9,031
Inter-segment sales and transfers	455	4	460	(460)	—
Total	6,937	2,554	9,491	(460)	9,031
Segment income	519	290	809	(322)	486

(Notes) 1. Adjustment for segment income of ¥(322) million comprises elimination of intersegment transactions of ¥(4) million and unallocated expenses of ¥(318) 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

None