



February 5, 2016

Consolidated Financial Results for the Nine Months Ended December 31, 2015

(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: Tsuneo Sasaki, Director and Senior Managing Executive Officer;
 General Manager of the General Administration Division
 Tel: +81-72-949-5381

Scheduled date to file Quarterly Securities Report: February 8, 2016

Scheduled date to commence dividend payments: -

Supplementary explanatory materials prepared: None

Explanatory meeting: None

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

1. Consolidated financial results for the nine months ended December 31, 2015 (from April 1, 2015 to December 31, 2015)

(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, 2015	27,821	16.7	908	169.7	836	(7.8)	404	(34.9)
December 31, 2014	23,841	(2.5)	336	(61.6)	906	(14.4)	621	(17.7)

Note: Comprehensive income

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

For the nine months ended December 31, 2014: ¥1,671 million, 15.1%

	Net income per share	Diluted net income per share
Six months ended December 31, 2015	Yen 22.00	Yen —
December 31, 2014	33.81	—

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 December 31, 2015	Millions of yen 39,340	Millions of yen 17,594	% 40.0
March 31, 2015	33,932	15,373	45.0

Reference: Equity

As of December 31, 2015: ¥15,729 million

As of March 31, 2015: ¥15,271 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, 2015	–	6.00	–	6.00	12.00
Fiscal year ending March 31, 2016	–	6.00	–		
Fiscal year ending March 31, 2016 (Forecasts)				6.00	12.00

Note: Changes to most recent dividend forecasts: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

(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, 2016	38,100	19.4	1,400	256.5	1,100	13.7	500	(18.0)	27.21

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): Yes

New: 1 company, Nitta Gelatin India Ltd.

Excluded: None

Note: For details, please refer to "(1) Changes in Significant Subsidiaries During the Quarterly Period Under Review" in "2. Matters Concerning Summary Information (Notes)" on page 4 of the Attachment to this report.

(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 5 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, 2015 18,373,974 shares

As of March 31, 2015 18,373,974 shares

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

As of December 31, 2015 162 shares

As of March 31, 2015 162 shares

c. Average number of shares

For the nine months ended December 31, 2015	18,373,812 shares
For the nine months ended December 31, 2014	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 4 of the Attachment to this report.

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1. Qualitative Information Concerning Quarterly Financial Statements

(1) Description of Business Results

In the first nine months of the fiscal year ending March 31, 2016, the global economic situation remained uncertain, clouded by low oil prices, turmoil in the financial markets, and the deceleration of the Chinese economy among other factors. On the other hand, the U.S. and other advanced nations continued to record moderate growth. The Japanese economy saw steady corporate earnings due to capturing inbound tourism demand and other factors. However, this trend in Japan could conceivably be affected if the economies of China and other Asian emerging countries were to decline.

Nitta Gelatin has manufactured and sold gelatin in India ever since it entered the market there in 1975 to procure raw materials for gelatin. Since then, operations in India have become an important base for procuring raw materials and processing supplies of Halal-certified products. In order to further integrate these operations with the Group and strengthen the global business foundation going forward, equity-method affiliate Nitta Gelatin India Ltd. and its local Indian affiliates Bamni Proteins Ltd. and Reva Proteins Ltd. were consolidated as subsidiaries of Nitta Gelatin in April 2015.

As a result of the above, in the first nine months of the fiscal year ending March 31, 2016 net sales increased 16.7% year on year to ¥27,821 million. Operating income increased 169.7% to ¥908 million, but ordinary income declined by 7.8% to ¥836 million, mainly due to a decline in foreign exchange gains. As a consequence of the ¥661 million in extraordinary income and ¥662 in extraordinary loss the Company reported in connection with consolidating the three companies in India as subsidiaries and converting a subsidiary in China into an equity-method affiliate, among other factors, net income attributable to owners of the parent decreased 34.9% year on year to ¥404 million.

Segment business performance was as follows:

(a) Collagen Material Business

In the gelatin field, sales of edible gelatin and gelatin for capsules increased steadily in Japan. In North America, sales growth was slowed by an increase in European imports as a result of the dollar strengthening, which drove sales prices down. However, on the whole, the gelatin business saw a substantial increase in sales. This was in part due to a ¥2,635 million contribution to net sales resulting from the consolidation of Nitta Gelatin

India Ltd. and two other Indian affiliates as subsidiaries in April 2015.

Collagen peptide sales increased due to strong sales for use as health foods, driven by rising demand and other factors, as well as further adoption for use in general food products.

Collagen casing sales and profits declined following a fall in exports from North America due to the appreciation of the U.S. dollar.

As a result, net sales in the segment rose 23.8% year on year to ¥20,906 million, along with a 55.3% increase in segment profit (operating income) to ¥1,331 million.

(b) Formula Solution Business

Food material sales were level year on year; however, profit declined due to an increase in the price of raw materials.

Adhesives sales on the whole declined due to a customer in the hygiene products market switching to use another company's products, and a contraction in the bookbinding market, although sales for use in packaging were little changed year on year. Profit, on the other hand, increased in line with efforts to reduce cost.

Furthermore, sales are expected to increase going forward due to the resumption of supply from the Company to the customer in the hygiene products market.

As a result, net sales in the segment were down 0.5% year on year to ¥6,915 million, but segment profit (operating income) was up 22.0% to ¥606 million.

(2) Description of Financial Position

The consolidation of Nitta Gelatin India Ltd., Bamni Proteins Ltd., and Reva Proteins Ltd. as subsidiaries was a major factor behind change in the financial position than at March 31, 2015, the end of the previous fiscal year.

(a) Assets, liabilities and net assets

(Assets)

Total assets amounted to ¥39,340 million at December 31, 2015, ¥5,408 million higher than at March 31, 2015. This was mainly attributable to increases in inventories including merchandise and finished goods, note and accounts receivable-trade, and property, plant and equipment.

(Liabilities)

Total liabilities stood at ¥21,746 million at December 31, 2015, ¥3,188 million higher

than at March 31, 2015. This was due mainly to increases in note and accounts payable-trade, short-term loans payable, and long-term loans payable.

(Net assets)

Net assets amounted to ¥17,594 million at December 31, 2015, ¥2,220 million higher than at March 31, 2015. This was mainly attributable to earned surplus, gains in foreign exchange translation adjustments and non-controlling interests.

As a result, the equity ratio stood at 40.0% at December 31, 2015, compared with 45.0% at March 31, 2015.

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

The Group's consolidated business forecasts for the fiscal year ending March 31, 2016 are unchanged from those announced on August 6, 2015 in the "Consolidated Financial Results for the Three Months Ended June 30, 2015."

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

2. Matters Concerning Summary Information (Notes)

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

Equity-method affiliate Nitta Gelatin India Ltd. was consolidated as a subsidiary from the first quarter ended June 30, 2015, as Nitta Gelatin Inc. was deemed to be effectively in control of it under the control or influence concept. The scope of this consolidation included Nitta Gelatin India subsidiaries Bamni Proteins Ltd. and Reva Proteins Ltd.

While not falling under the purview of a change in specified subsidiary, consolidated subsidiary Beijing Qiushi Collagen Casing Co., Ltd. was converted to an equity-method affiliate from the second quarter ended September 30, 2015. This was due to a fall in Nitta Gelatin's shareholding ratio in the subsidiary.

(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)

(Adoption of Accounting Standard and Guidance for Business Combinations)

Effective April 1, 2015, the Company has adopted the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013, hereinafter the "Business Combination Accounting Standard"), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013, hereinafter the "Consolidated Accounting Standard") and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013, hereinafter the "Business Divestiture Accounting Standard"). As a result, gain or loss arising from a change in the Company's equity in subsidiaries in cases where control is retained was revised to a method recognizing them as an adjustment to capital surplus, along with recognizing the acquisition costs in connection with business combinations as expenses in the consolidated fiscal year in which they arise. At the same time, for business combinations that take place on or after April 1, 2015, the disclosure method was revised so as to restate the distribution of acquisition cost upon provisional accounting recognition in the statements of the fiscal year in which the combination took place. In addition, the presentation of quarterly net income, etc. was changed, and the presentation of minority interest was changed to the presentation of non-controlling interests. To reflect these changes, the Company has restated the financial statements for the first nine months and the full term of the previous consolidated fiscal year.

With regard to the adoption of the Business Combination Accounting Standard and other accounting standards, the Company has adopted the Business Combination Accounting Standard from April 1, 2015, the beginning of the first quarter ended June 30, 2015, onward in accordance with the transitional treatment set forth in Article 58-2 (4) of the Business Combination Accounting Standard, Article 44-5 (4) of the Consolidated Accounting Standard, and Article 57-4 (4) of the Business Divestiture Accounting Standard.

The effect of this change on the quarterly consolidated financial statements for the nine months ended December 31, 2015 was negligible.

(4) Additional Information

(Changes in Presentation Basis)

(Quarterly Consolidated Statements of Income)

Rent income included in other under non-operating income in the consolidated statements of income for the nine months ended December 31, 2014 was recorded on a separate basis due to its rising materiality in the statement of income for the nine months ended December 31, 2015. To reflect this change in presentation basis, the statement of income for the nine months ended December 31, 2014 was restated in the quarterly consolidated financial statements for the nine months ended December 31, 2015.

As a result, the Company has restated the ¥68 million shown as other under non-operating income in the consolidated statement of income for the nine months ended December 31, 2014, as rent income of ¥26 million and other of ¥42 million.

“Commissions paid,” was reported as a separate item under non-operating expenses in the nine months ended December 31, 2014; however, since the materiality of this item has diminished, it has been included under “Other” in non-operating expenses from the nine months ended December 31, 2015. To reflect this change in presentation basis, the financial statements for the nine-months ended December 31, 2014 have been restated.

As a result, ¥50 million for “commissions paid” has been included in “other” under non-operating expenses in the statement of income for the nine months ended December 31, 2014.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2015 (As of March 31, 2015)	3Q Fiscal 2016 (As of December 31, 2015)
Assets		
Current assets		
Cash and deposits	2,622	2,917
Notes and accounts receivable-trade	6,726	7,604
Merchandise and finished goods	4,821	5,412
Work in process	1,243	1,606
Raw materials and supplies	2,156	2,324
Other	470	694
Allowance for doubtful accounts	(2)	(5)
Total current assets	18,038	20,554
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,414	4,614
Machinery, equipment and vehicles, net	4,390	5,300
Other, net	2,042	4,252
Total property, plant and equipment	10,848	14,168
Intangible assets		
Other	69	365
Total intangible assets	69	365
Investments and other assets		
Investment securities	3,984	2,975
Other	990	1,276
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	4,974	4,252
Total noncurrent assets	15,893	18,786
Total assets	33,932	39,340

(Millions of yen)

	Fiscal 2015 (As of March 31, 2015)	3Q Fiscal 2016 (As of December 31, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,768	4,248
Short-term loans payable	1,705	2,984
Current portion of long-term loans payable	2,127	2,300
Income taxes payable	206	75
Provision for bonuses	173	85
Other	2,293	2,179
Total current liabilities	10,274	11,873
Noncurrent liabilities		
Long-term loans payable	4,867	5,723
Provision for directors' retirement benefits	38	39
Net defined benefit liability	2,661	2,730
Other	715	1,378
Total noncurrent liabilities	8,283	9,872
Total liabilities	18,558	21,746
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	9,312	9,497
Treasury stock	(0)	(0)
Total shareholders' equity	15,423	15,609
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	1,121	1,171
Deferred gains (losses) on hedges	33	(46)
Foreign currency translation adjustments	601	845
Remeasurements of defined benefit plans	(1,908)	(1,850)
Total accumulated other comprehensive loss	(152)	120
Non-controlling interests	102	1,864
Total net assets	15,373	17,594
Total liabilities and net assets	33,932	39,340

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

Consolidated Statements of Income

(Third quarter consolidated cumulative accounting period)

	(Millions of yen)	
	3Q Fiscal 2015 (From April 1, 2014 to December 31, 2014)	3Q Fiscal 2016 (From April 1, 2015 to December 31, 2015)
Net sales	23,841	27,821
Cost of sales	19,407	22,136
Gross profit on sales	4,434	5,684
Selling, general and administrative expenses	4,097	4,776
Operating income	336	908
Non-operating income		
Interest income	0	13
Dividend income	23	29
Rent income	26	35
Foreign exchange gains	589	34
Equity in earnings of affiliates	59	6
Other	42	50
Total non-operating income	741	170
Non-operating expenses		
Interest expenses	114	227
Other	57	14
Total non-operating expenses	171	242
Ordinary income	906	836
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	20	41
Loss on stepped acquisitions	—	620
Total extraordinary losses	20	662
Income before provision for income taxes	885	835
Income taxes	277	377
Net income	608	458
Net income (loss) attributable to non-controlling interests	(12)	53
Net income attributable to owners of the parent	621	404

Consolidated Statements of Comprehensive Income
(Third quarter consolidated cumulative accounting period)

(Millions of yen)

	3Q Fiscal 2015 (From April 1, 2014 to December 31, 2014)	3Q Fiscal 2016 (From April 1, 2015 to December 31, 2015)
Net income	608	458
Other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	266	50
Deferred gains (losses) on hedges	64	(89)
Foreign currency translation adjustments	797	(322)
Pension liability adjustment	(167)	60
Share of other comprehensive gain of associates accounted for using equity method	102	452
Total other comprehensive income (loss)	1,062	151
Total comprehensive income	1,671	609
Comprehensive income attributable to:		
Owners of the parent	1,681	664
Non-controlling interests	(10)	(55)

(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 nine months of the fiscal year ended March 31, 2015 (From April 1, 2014 to December 31, 2014)

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

(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	16,888	6,952	23,841	—	23,841
Inter-segment sales and transfers	1,084	—	1,084	(1,084)	—
Total	17,973	6,952	24,925	(1,084)	23,841
Segment income	857	496	1,354	(1,017)	336

(Notes) 1. Adjustment for segment income of ¥(1,017) million comprises elimination of intersegment transactions of ¥1 million and unallocated expenses of ¥(1,018) 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

No items to report

II. First nine months of the fiscal year ending March 31, 2016 (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* ¹	Amounts in the consolidated financial statements* ²
	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, as a result of Nitta Gelatin Inc. consolidating Nitta Gelatin India Ltd., Bamni Proteins Ltd. and Reva Proteins Ltd. as subsidiaries 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. as subsidiaries within the scope of Nitta Gelatin Inc.'s consolidation.