



August 6, 2015

Consolidated Financial Results for the Three Months Ended June 30, 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
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Scheduled date to file Quarterly Securities Report: August 7, 2015

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, 2015

(from April 1, 2015 to June 30, 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	%
Three months ended June 30, 2015	9,182	14.5	295	22.8	304	38.6	53	(66.0)
June 30, 2014	8,016	0.3	240	(46.8)	219	(61.0)	158	(57.8)

Note: Comprehensive income

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

For the three months ended June 30, 2014: ¥249 million, (52.9%)

	Net income per share	Diluted net income per share
Three months ended June 30, 2015	Yen 2.94	Yen —
June 30, 2014	8.64	—

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 June 30, 2015	Millions of yen 38,756	Millions of yen 17,755	% 40.9
March 31, 2015	33,932	15,373	45.0

Reference: Equity

As of June 30, 2015: ¥15,843 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	—				
Fiscal year ending March 31, 2016 (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, 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
Six months ending September 30, 2015	18,800	16.4	600	122.1	500	(6.3)	100	(73.2)	5.44
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: Yes

For details on the revision of consolidated business forecasts, please refer to the press release entitled Notice Concerning Difference in Consolidated Business Forecasts and Results for the Six Months Ended September 30, 2015 and Revision of Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2016 (dated August 6, 2015).

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) Significant Changes in 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 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, 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 June 30, 2015 162 shares

As of March 31, 2015 162 shares

c. Average number of shares

For the three months ended June 30, 2015 18,373,812 shares

For the three months ended June 30, 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 quarter of the year ending March 31, 2016, the outlook for the global economy was uncertain, despite an ongoing recovery in the U.S. business climate and a gradual recovery in Europe. This outlook reflected concerns over the Greek debt problem and a further slowdown of economic growth in China. Meanwhile, Japan's economy showed a gradual recovery trend in which capital investment and personal consumption are in the process of improving, due to a persistently weaker yen and higher stock prices, and an uptake in corporate and household incomes.

Amid these circumstances, the Nitta Gelatin Group continued to encounter challenging business conditions. These included procurement costs of raw materials that have remained high and concerns that energy costs may rise because of the weaker yen. To surmount these problems, the Group worked to diversify its procurement of raw materials and reduce costs. The Company also endeavored to strengthen its global business foundation further by consolidating affiliate companies Nitta Gelatin India Ltd., Bamni Proteins Ltd. and Reva Proteins Ltd. in India as subsidiaries.

As a result of the above, including the consolidation of the three companies in India as subsidiaries, net sales increased 14.5% year on year to ¥9,182 million in the first quarter of the fiscal year ending March 31, 2016. Operating income increased 22.8% to ¥295 million and ordinary income increased 38.6% to ¥304 million. As a consequence of the ¥502 million in extraordinary income and ¥620 in extraordinary loss the Company reported in connection with consolidating the three companies in India as subsidiaries, net profit attributable to owners of the parent decreased 66.0% year on year to ¥53 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 competition with the Group's European rivals driving sales prices down. But with the consolidation of the three companies in India as subsidiaries contributing ¥844 million to consolidated revenue from the first quarter, the Nitta Gelatin Group experienced a substantial increase in gelatin sales.

Collagen peptide sales increased, driven by their greater adoption in general food products in addition to their strong sales as health food.

Sales of collagen casing remained about the same as in the first quarter of the previous fiscal year.

As a result, net sales in the segment rose 27.9% year on year to ¥6,874 million, along with a 20.1% increase in segment profit (operating income) to ¥386 million.

(b) Formula Solution Business

Sales of food materials as ingredients for confectionary and deserts were little changed. However, they fell overall and profits decreased from the first quarter of the previous fiscal year due to delays in new adoption in the market for ready-made delicatessen items.

Adhesives sales decreased year on year in the first quarter due to a customer in the hygiene products market switching to a Chinese supplier and a contraction in the bookbinding market. Profit, on the other hand, increased as a result of efforts to reduce cost.

As a result, net sales in the segment were down 12.6% year on year to ¥2,308 million, but segment profit (operating income) was up 1.1% to ¥262 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.

(Assets)

Total assets amounted to ¥38,756 million at June 30, 2015, ¥4,824 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 ¥21,000 million at June 30, 2015, ¥2,442 million higher than at March 31, 2015. This was due mainly to increases in notes and accounts payable-trade, and short-term loans payable.

(Net assets)

Net assets amounted to ¥17,755 million at June 30, 2015, ¥2,381 million higher than at March 31, 2015. This was mainly attributable to gains in foreign exchange translation adjustments and non-controlling interests.

As a result, the equity ratio stood at 40.9% at June 30, 2015, compared to 45.0% at March 31, 2015.

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

The Group has revised its consolidated business forecasts for the fiscal year ending March 31, 2016, which were announced in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2015 (Japanese Accounting Standards)" on May 11, 2015.

Please refer to the press release entitled Notice Concerning Revision of Consolidated Business Forecasts (Dated August 6, 2015) for details of the revision. 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

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 Ltd. subsidiaries Bamni Proteins Ltd. and Reva Proteins Ltd.

(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 revised the financial statements for the previous first-quarter year-to-date period and 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 three months ended June 30, 2015 was negligible.

(4) Additional Information

(Change in Material Subsidiary Associated with Change in Joint Venture Agreement)

Nitta Gelatin Inc.'s Board of Directors resolved at a meeting held on May 19, 2015 to change the content of a joint venture agreement of consolidated subsidiary Beijing Nitta Collagen Casing Co., Ltd. As a result of the change, Beijing Nitta Collagen Casing Co., Ltd. will change from a consolidated subsidiary to an equity-method affiliate of Nitta Gelatin Inc. Details follow.

1. Reason and method for the change associated with the change in joint venture agreement

As a result of a change in the joint venture agreement between Nitta Hong Kong Ltd. and Beijing Qiushi Agriculture Development Co., Ltd., Beijing Qiushi Agriculture Development Co., Ltd. will make an additional investment in Beijing Nitta Collagen

Casing Co., Ltd. Consequently, the shareholding ratio of Nitta Hong Kong Ltd. in Beijing Nitta Collagen Casing Co., Ltd. after the change in the joint agreement will be 30%, changing Beijing Nitta Collagen Casing Co., Ltd. from a consolidated subsidiary to an equity-method affiliate of Nitta Gelatin Inc.

Note: Nitta Hong Kong Ltd. is a wholly owned subsidiary of Nitta Gelatin Inc.'s consolidated subsidiary Nitta Casings Inc.

2. Overview of subsidiary undergoing change

- (1) Name: Beijing Nitta Collagen Casing Co., Ltd.
- (2) Location: Beijing, People's Republic of China
- (3) Representative: Rodney Moore
- (4) Business activities: Production and sales of collagen casing
- (5) Paid-in capital: US\$ 3 million
- (6) Date of establishment: September 20, 2012
- (7) Shareholding ratios: Nitta Hong Kong Ltd. 70%
Beijing Qiushi Agriculture Development Co., Ltd. 30%

3. Overview of Beijing Qiushi Agriculture Development Co., Ltd.

- (1) Name: Beijing Qiushi Agriculture Development Co., Ltd.
- (2) Location: Beijing, People's Republic of China
- (3) Representative: Du Daxue
- (4) Business activities: Processing and sales of sheep casing
- (5) Paid-in Capital: RMB 66 million
- (6) Date of establishment: December 1979

4. Change in shareholding ratio

(1) Shareholding ratios before change in joint venture agreement

	Paid-in capital (US\$ thousand)	Shareholding ration
Nitta Hong Kong Ltd.	2,100	70%
Beijing Qiushi Agriculture Development Co., Ltd.	900	30%
	3,000	100%

(2) Shareholding ratios after change in joint venture agreement

	Paid-in capital (US\$ thousand)	Shareholding ration
Nitta Hong Kong Ltd.	2,100	30%
Beijing Qiushi Agriculture Development Co., Ltd.	4,900	70%
	7,000	100%

5. Schedule:

May 19, 2015

Resolution of the Board of Directors of Nitta Gelatin Inc.

May 22, 2015

Resolution of the Board of Directors of Beijing Nitta Collagen Casing Co., Ltd.

The date of the change will be the date of the additional investment, following approval by the Chinese regulatory authorities

6. Outlook

The impact of this change on the consolidated financial results for the fiscal year ending March 31, 2016 is currently being assessed. Nitta Gelatin Inc. will promptly disclose any material impact that may arise.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	Fiscal 2015 (As of March 31, 2015)	1Q Fiscal 2016 (As of June 30, 2015)
Assets		
Current assets		
Cash and deposits	2,622	2,565
Notes and accounts receivable-trade	6,726	7,064
Merchandise and finished goods	4,821	5,234
Work in process	1,243	1,710
Raw materials and supplies	2,156	2,493
Other	470	685
Allowance for doubtful accounts	(2)	(4)
Total current assets	18,038	19,748
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,414	4,840
Machinery, equipment and vehicles, net	4,390	5,849
Other, net	2,042	4,062
Total property, plant and equipment	10,848	14,751
Intangible assets		
Other	69	384
Total intangible assets	69	384
Investments and other assets		
Investment securities	3,984	2,819
Other	990	1,052
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	4,974	3,871
Total noncurrent assets	15,893	19,007
Total assets	33,932	38,756

(Millions of yen)

	Fiscal 2015 (As of March 31, 2015)	1Q Fiscal 2016 (As of June 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,768	4,089
Short-term loans payable	1,705	3,295
Current portion of long-term loans payable	2,127	2,064
Income taxes payable	206	145
Provision for bonuses	173	289
Other	2,293	2,159
Total current liabilities	10,274	12,043
Noncurrent liabilities		
Long-term loans payable	4,867	4,710
Provision for directors' retirement benefits	38	38
Net defined benefit liability	2,661	2,776
Other	715	1,431
Total noncurrent liabilities	8,283	8,957
Total liabilities	18,558	21,000
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	9,312	9,257
Treasury stock	(0)	(0)
Total shareholders' equity	15,423	15,369
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	1,121	1,160
Deferred gains (losses) on hedges	33	11
Foreign currency translation adjustments	601	1,226
Remeasurements of defined benefit plans	(1,908)	(1,924)
Total accumulated other comprehensive income (loss)	(152)	474
Minority interests	102	1,911
Total net assets	15,373	17,755
Total liabilities and net assets	33,932	38,756

(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 2015 (From April 1, 2014 to June 30, 2014)	1Q Fiscal 2016 (From April 1, 2015 to June 30, 2015)
Net sales	8,016	9,182
Cost of sales	6,417	7,337
Gross profit on sales	1,599	1,845
Selling, general and administrative expenses	1,358	1,549
Operating income	240	295
Non-operating income		
Interest income	0	4
Dividend income	11	14
Foreign exchange gains	—	75
Equity in earnings of affiliates	24	—
Other	17	20
Total non-operating income	53	114
Non-operating expenses		
Interest expenses	33	86
Foreign exchange losses	37	—
Other	4	6
Total non-operating expenses	74	105
Ordinary income	219	304
Extraordinary gains		
Total extraordinary gains	—	502
Extraordinary losses		
Loss on retirement of noncurrent assets	2	1
Total extraordinary losses	2	622
Income before provision for income taxes	216	184
Income taxes	60	153
Net income	155	31
Net loss attributable to non-controlling interests	(2)	(22)
Net income attributable to owners of the parent	158	53

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

	(Millions of yen)	
	1Q Fiscal 2015 (From April 1, 2014 to June 30, 2014)	1Q Fiscal 2016 (From April 1, 2015 to June 30, 2015)
Net income	155	31
Other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	89	39
Deferred gains (losses) on hedges	3	(3)
Foreign currency translation adjustments	(15)	165
Remeasurements of defined benefit plans, net of tax	48	(13)
Share of other comprehensive loss of associates accounted for using equity method	(32)	444
Total other comprehensive income (loss)	94	632
Total comprehensive income	249	663
Comprehensive income attributable to:		
Owners of the parent	255	680
Non-controlling interests	(5)	(17)

(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, 2015 (From April 1, 2014 to June 30, 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	5,375	2,641	8,016	—	8,016
Inter-segment sales and transfers	346	—	346	(346)	—
Total	5,721	2,641	8,362	(346)	8,016
Segment income	321	259	581	(340)	240

(Notes) 1. Adjustment for segment income of ¥(340) million comprises elimination of intersegment transactions of ¥0 million and unallocated expenses of ¥(341) 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 three months of the fiscal year ending 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 *1	Amounts in the consolidated financial statements *2
	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, 2015 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, 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.

(Business combinations)

(Subsidiary conversion as a result of rising involvement in management)

1. Overview of business combination

(1) Name of acquired company and its business activities:

(a) Name of acquired company: Nitta Gelatin India Ltd.

Business activities: Production and sales of ossein from bovine bones, bovine bone gelatin and collagen peptide

(b) Name of acquired company: Bamni Proteins Ltd.

Business activities: Production of ossein from bovine bones

(c) Name of acquired company: Reva Proteins Ltd.

Business activities: Production of ossein from bovine bones

(2) Main reasons for the business combination:

The business combination was implemented to establish a framework for responding to market conditions with greater flexibility and to further strengthen Nitta Gelatin Inc.'s global business platform.

(3) Business combination date:

April 1, 2015 (effective acquisition date)

(4) Statutory basis for business combination:

Control of decision-making bodies

(5) Name of the companies after business combination:

No change

(6) Acquired voting interest:

(a) Nitta Gelatin India Ltd.

Voting interest held before the business combination: 43.0%

Additional voting interest acquired on the business combination date: —%

Voting interest after the business combination: 43.0%

(b) Bamni Proteins Ltd.

Voting interest held before the business combination: 17.7%

Additional voting interest acquired on the business combination date:
82.3% (indirectly held)

Voting interest after the business combination: 100.0% (82.3% indirectly held)

(c) Reva Proteins Ltd.

Voting interest held before the business combination: 25.5%

Additional voting interest acquired on the business combination date:
74.5% (indirectly held)

Voting interest after the business combination: 100.0% (74.5% indirectly held)

(7) Main rationale for deciding on the acquired companies

Judging by a comprehensive range of factors, such as the reliance of the acquired companies on Nitta Gelatin Inc. for business and personnel support, Nitta Gelatin Inc.'s influence over the acquired companies had increased, and as a result, Nitta Gelatin Inc. was recognized to have control over the decision-making bodies of the acquired companies.

2. Period of business results of the acquired companies included in Nitta Gelatin Inc.'s consolidated statement of income for the three months ended June 30, 2015:

From April 1, 2015 to June 30, 2015

3. Acquisition cost of the acquired companies and the type of consideration:

Fair value of ¥1,055 million on the shares Nitta Gelatin Inc. held in the acquired companies on the business combination date

4. Difference between the acquisition cost for the acquired companies and the total amount of the acquisition costs for each transaction leading to the acquisition:

¥620 million loss on stepped acquisition

5. Amount and cause of gain on negative goodwill

(1) Amount of gain: ¥502 million

(2) Cause of gain:

Fair value of net assets of the acquired companies exceeded the acquisition cost on the business combination date.