



February 6, 2015

Consolidated Financial Results for the Nine Months Ended December 31, 2014

(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: Norimichi Soga, Representative Director and President
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Scheduled date to file Quarterly Securities Report: February 9, 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 nine months ended December 31, 2014 (from April 1, 2014 to December 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended December 31, 2014	23,841	(2.5)	336	(61.6)	906	(14.4)	621	(17.7)
December 31, 2013	24,449	14.7	876	(25.7)	1,059	(26.6)	754	(28.6)

Note: Comprehensive income

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

For the nine months ended December 31, 2013: ¥1,451 million (15.4%)

	Net income per share	Diluted net income per share
Nine months ended December 31, 2014	Yen 33.81	Yen –
December 31, 2013	43.59	–

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, 2014	33,523	15,514	45.9
March 31, 2014	31,389	13,781	43.4

Reference: Equity

As of December 31, 2014: ¥15,397 million

As of March 31, 2014: ¥13,636 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, 2014	–	6.00	–	6.00	12.00
Fiscal year ending March 31, 2015	–	6.00	–		
Fiscal year ending March 31, 2015 (Forecasts)				6.00	12.00

Note: Changes to most recent dividend forecasts: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2015 (from April 1, 2014 to March 31, 2015)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2015	32,400	(1.3)	600	(37.2)	700	(37.2)	500	(24.9)	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): 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 Contents 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, 2014 18,373,974 shares

As of March 31, 2014 18,373,974 shares

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

As of December 31, 2014 162 shares

As of March 31, 2014 162 shares

c. Average number of shares

For the nine months ended December 31, 2014 18,373,812 shares

For the nine months ended December 31, 2013 17,311,862 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 Contents 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, 2015, the outlook for the global economy was uncertain, despite the gradual recovery in the U.S. business climate, owing to factors including slowing growth in emerging countries such as China and Southeast Asian countries, and downside risk for the economies of oil producing nations due to a sharp drop in oil prices brought on by the shale gas revolution. Meanwhile, stagnation in the Japanese economy was protracted by the substantial impact of a downturn in demand after a rush to purchase ahead of an increase in the consumption tax in April 2014.

Amid these circumstances, the Nitta Gelatin Group encountered very challenging business conditions, including increased overseas prices of raw materials, a decline in demand in overseas markets, rising energy costs in Japan, and continuing high import procurement costs due to the yen's depreciation.

As a result, in the first nine months of the fiscal year ending March 31, 2015, net sales declined 2.5% year on year to ¥23,841 million. Operating income fell 61.6% to ¥336 million, due to a delay in the timing of price revisions in the Japanese market, ordinary income slid 14.4% to ¥906 million, cushioned by foreign exchange gains, and net income decreased 17.7% to ¥621 million.

Segment business performance was as follows:

(a) Collagen Material Business

In the gelatin field, sales of edible gelatin and capsule gelatin in Japan increased, but earnings decreased due to a delay in the timing for price revisions. In North America, capsule gelatin sales declined as negative reports regarding fish oil in the U.S. sparked a temporary contraction in the supplement market, while earnings decreased, partly due to higher raw material prices for pig skin. Consequently, gelatin sales increased, partly with the impact of the yen's depreciation, but earnings declined.

Collagen peptide sales decreased overall. Sales were brisk in the Asian region, but stagnated in Japan as the market failed to shake off a slump in consumer appetite following the increase in the consumption tax in April 2014.

Collagen casing sales and earnings increased, due to steady sales in the North American markets.

As a result, net sales for the segment were up 1.5% year on year to ¥16,888 million and segment profit (operating income) was down 26.8% to ¥857 million.

(b) Formula Solution Business

Sales of food materials decreased on lackluster trends in ingredients for confectionary and desserts, and for ham and sausages, due to reduced demand accompanying the consumption tax hike in April 2014, and unseasonable summer weather.

In adhesives, sales of hot-melt adhesives for use in hygiene products decreased. Meanwhile, sales of sealants (high-performance gaskets) also decreased because although deliveries have begun, their full-scale delivery will take some time.

As a result, net sales in the segment were down 11.0% year on year to ¥6,952 million. Segment profit (operating income) was down 30.9% to ¥496 million.

(2) Description of Financial Position

(Assets)

Total assets amounted to ¥33,523 million at December 31, 2014, ¥2,133 million higher than at March 31, 2014. This was mainly attributable to a ¥1,052 million increase in inventories including merchandise and finished goods, and a ¥2,146 million increase in property, plant and equipment in line with the renewal of an adhesives office and a laboratory, and the construction of a collagen peptide plant at Nitta Gelatin USA, Inc. These increases were partly offset by a ¥1,431 million decrease in notes and accounts receivable-trade owing to the securitization of receivables.

(Liabilities)

Total liabilities stood at ¥18,009 million at December 31, 2014, ¥400 million higher than at March 31, 2014. This was mainly due to a ¥209 million increase in short-term loans payable and a ¥699 million increase in long-term loans payable (current portion included). These increases were partly offset by a ¥519 million decrease in notes and accounts payable-trade and a ¥91 million decrease in net defined benefit liability.

(Net assets)

Net assets stood at ¥15,514 million at December 31, 2014, ¥1,732 million higher than at March 31, 2014. This was mainly attributable to a ¥699 million increase in retained earnings, a ¥266 million increase in valuation difference on other available-for-sale

securities, and an increase of ¥892 million in foreign currency translation adjustments.

As a result, the equity ratio stood at 45.9% at December 31, 2014 compared with 43.4% at March 31, 2014.

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

The Group's consolidated business forecasts for the fiscal year ending March 31, 2015 are unchanged from those announced on November 6, 2014 in the "Consolidated Financial Results for the Six Months Ended September 30, 2014."

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 Accounting Standard for Retirement Benefits, etc.)

With regard to Accounting Standard for Retirement Benefits (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012; the "Retirement Benefit Accounting Standard") and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; the "Retirement Benefit Accounting Guidance"), the Company has adopted the stipulations of the body text of Article 35 of the Retirement Benefit Accounting Standard and the body text of Article 67 of the Retirement Benefit Accounting Guidance from the first quarter ended June 30, 2014. As a result, the Company revised its calculation method of retirement benefit obligations and service costs, and changed its method for attributing estimated retirement benefits

to accounting periods from the straight-line method to the benefit formula method. At the same time, the method for determining the discount rate was changed to apply a single weighted-average discount rate reflecting the estimated period of benefit payments and amounts to be paid in each period. Formerly, this discount rate was based on a close approximation of the number of years the Company's employees had on average until retirement.

In accordance with the transitional treatment stipulated by Article 37 of the Retirement Benefit Accounting Standard, as of April 1, 2014, the amounts that correspond to the effect of the change in the calculation method of retirement benefit obligations and service costs were added to, or deducted from, the starting balance of retained earnings for the nine months ended December 31, 2014.

As a result, the Company marked up the starting balance of net defined benefit asset by ¥225 million (included in “other” under investments and other assets), marked down net defined benefit liability by ¥238 million, and marked up retained earnings by ¥299 million, in the nine months ended December 31, 2014.

This change will have only a negligible impact on operating income, ordinary income and income before income taxes and minority interests for the nine months of the year ending March 31, 2015.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2014 (As of March 31, 2014)	3Q Fiscal 2015 (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	2,426,006	1,940,996
Notes and accounts receivable-trade	8,164,776	6,733,049
Merchandise and finished goods	4,732,050	5,142,894
Work in process	1,089,542	1,256,730
Raw materials and supplies	1,820,812	2,295,309
Other	465,533	700,001
Allowance for doubtful accounts	(13,339)	(17,312)
Total current assets	18,685,381	18,051,669
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,815,141	4,445,651
Machinery, equipment and vehicles, net	2,139,301	4,366,778
Other, net	3,849,844	2,138,699
Total property, plant and equipment	8,804,286	10,951,130
Intangible assets		
Other	50,795	60,081
Total intangible assets	50,795	60,081
Investments and other assets		
Investment securities	3,075,772	3,596,646
Other	775,527	865,007
Allowance for doubtful accounts	(2,111)	(1,233)
Total investments and other assets	3,849,189	4,460,420
Total noncurrent assets	12,704,270	15,471,631
Total assets	31,389,652	33,523,301

(Thousands of yen)

	Fiscal 2014 (As of March 31, 2014)	3Q Fiscal 2015 (As of December 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,255,505	3,736,182
Short-term loans payable	1,121,491	1,330,584
Current portion of long-term loans payable	1,932,912	2,081,328
Income taxes payable	147,730	157,959
Provision for bonuses	177,916	94,266
Other	2,444,825	2,681,490
Total current liabilities	10,080,381	10,081,810
Noncurrent liabilities		
Long-term loans payable	4,415,868	4,967,069
Provision for directors' retirement benefits	37,072	37,897
Net defined benefit liability	2,524,417	2,433,198
Other	550,869	489,323
Total noncurrent liabilities	7,528,227	7,927,489
Total liabilities	17,608,608	18,009,299
Net Assets		
Shareholders' equity		
Capital stock	3,144,929	3,144,929
Capital surplus	2,966,442	2,966,442
Retained earnings	8,623,463	9,323,345
Treasury stock	(68)	(68)
Total shareholders' equity	14,734,766	15,434,648
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	622,837	889,400
Deferred gains (losses) on hedges	(5,110)	63,963
Foreign currency translation adjustments	(187,061)	705,396
Remeasurements of defined benefit plans	(1,528,458)	(1,696,125)
Total accumulated other comprehensive income (loss)	(1,097,792)	(37,365)
Minority interests	144,069	116,718
Total net assets	13,781,043	15,514,001
Total liabilities and net assets	31,389,652	33,523,301

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

Consolidated Statements of Income

(Third quarter consolidated cumulative accounting period)

(Thousands of yen)

	3Q Fiscal 2014 (From April 1, 2013 to December 31, 2013)	3Q Fiscal 2015 (From April 1, 2014 to December 31, 2014)
Net sales	24,449,332	23,841,880
Cost of sales	19,551,097	19,407,413
Gross profit on sales	4,898,234	4,434,466
Selling, general and administrative expenses	4,021,373	4,097,701
Operating income	876,860	336,765
Non-operating income		
Interest income	4,478	352
Dividend income	19,268	23,476
Foreign exchange gains	178,701	589,113
Equity in earnings of affiliates	69,309	59,891
Other	58,548	68,897
Total non-operating income	330,306	741,731
Non-operating expenses		
Interest expenses	107,601	114,431
Public offering expenses	23,385	—
Commissions paid	8,312	50,241
Other	8,563	6,950
Total non-operating expenses	147,862	171,623
Ordinary income	1,059,304	906,873
Extraordinary income		
Guarantees received	88,393	—
Total extraordinary income	88,393	—
Extraordinary losses		
Loss on retirement of noncurrent assets	15,802	20,932
Total extraordinary losses	15,802	20,932
Income before income taxes and minority interests	1,131,896	885,940
Income taxes	387,177	277,631
Income before minority interests	744,718	608,309
Minority interests in income (loss)	(9,903)	(12,985)
Net income	754,622	621,294

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

	(Thousands of yen)	
	3Q Fiscal 2014 (From April 1, 2013 to December 31, 2013)	3Q Fiscal 2015 (From April 1, 2014 to December 31, 2014)
Income before minority interests	744,718	608,309
Other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	232,973	266,257
Deferred gains (losses) on hedges	(12,022)	64,957
Foreign currency translation adjustments	543,252	797,153
Pension liability adjustment of foreign subsidiaries	(63,174)	–
Remeasurements of defined benefit plans, net of tax	–	(167,921)
Share of other comprehensive gain of associates accounted for using equity method	5,716	102,474
Total other comprehensive income (loss)	706,746	1,062,921
Total comprehensive income	1,451,465	1,671,230
Comprehensive income attributable to:		
Owners of the parent	1,449,505	1,681,722
Minority interests	1,959	(10,491)

(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, 2014 (From April 1, 2013 to December 31, 2013)

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

(Thousands 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	16,636,438	7,812,893	24,449,332	–	24,449,332
Inter-segment sales and transfers	1,101,271	–	1,101,271	(1,101,271)	–
Total	17,737,710	7,812,893	25,550,604	(1,101,271)	24,449,332
Segment income	1,171,494	719,181	1,890,675	(1,013,814)	876,860

(Notes) 1. Adjustment for segment income of $-\text{¥}1,013,814$ thousand comprises elimination of intersegment transactions of $\text{¥}2,394$ thousand and unallocated expenses of $\text{¥}1,016,208$ thousand.

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, 2015 (From April 1, 2014 to December 31, 2014)

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

(Thousands 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	16,888,944	6,952,935	23,841,880	–	23,841,880
Inter-segment sales and transfers	1,084,067	–	1,084,067	(1,084,067)	–
Total	17,973,012	6,952,935	24,925,947	(1,084,067)	23,841,880
Segment income	857,419	496,633	1,354,052	(1,017,287)	336,765

(Notes) 1. Adjustment for segment income of –¥1,017,287 thousand comprises elimination of intersegment transactions of ¥1,623 thousand and unallocated expenses of ¥1,018,910 thousand.

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