



February 5, 2014

Consolidated Financial Results for the Nine Months Ended December 31, 2013

(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>
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Scheduled date to file Quarterly Securities Report: February 10, 2014

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, 2013

(from April 1, 2013 to December 31, 2013)

(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, 2013	24,449	14.7	876	(25.7)	1,059	(26.6)	754	(28.6)
December 31, 2012	21,310	—	1,180	—	1,443	—	1,056	—

Note: Comprehensive income

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

For the nine months ended December 31, 2012: ¥1,257 million (-%)

	Net income per share	Diluted net income per share
Nine months ended December 31, 2013	Yen 43.59	Yen —
December 31, 2012	67.02	—

Note: Consolidated financial results for the nine months ended December 31, 2012 were adjusted retroactively, applying accounting policies that were changed in line with revisions of accounting standards. Accordingly, the Company has not disclosed year-on-year comparisons between results for the nine months ended December 31, 2012 and 2011.

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, 2013	30,625	14,069	45.5
March 31, 2013	25,190	9,724	38.0

Reference: Equity

As of December 31, 2013: ¥13,926 million

As of March 31, 2013: ¥9,577 million

Note: The consolidated financial position as of March 31, 2013 was adjusted retroactively, applying accounting policies that were changed in line with revisions of accounting standards.

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, 2013	–	6.00	–	8.00	14.00
Fiscal year ending March 31, 2014	–	6.00	–		
Fiscal year ending March 31, 2014 (Forecasts)				6.00	12.00

Note: Changes to most recent dividend forecasts: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

(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, 2014	32,300	12.3	1,000	(37.3)	1,100	(44.4)	700	(54.1)	39.87

Note: Changes to most recent consolidated financial forecasts: Yes

Year-on-year changes to the consolidated financial forecasts for the fiscal year ended March 31, 2013 were adjusted retroactively, applying accounting policies that were changed in line with revisions of accounting standards.

In addition, Nitta Gelatin Inc. issued common stock by way of public subscription for payment on July 29, 2013, and third-party allocation for payment on August 28, 2013. Consequently, net income per share in this report was restated to include the increase in common stock of 2,400,000 shares from the public subscription, and 203,900 shares from the third-party allocation.

For details on the revision of consolidated business forecasts, please refer to the press release entitled Notice Concerning Revision of Consolidated Business Forecasts (Dated February 5, 2014).

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 5 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, 2013 18,373,974 shares

As of March 31, 2013 15,770,074 shares

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

As of December 31, 2013 162 shares

As of March 31, 2013 162 shares

- c. Average number of shares

For the nine months ended December 31, 2013 17,311,862 shares

For the nine months ended December 31, 2012 15,769,912 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

As stated in "(3) Changes in Accounting Policies and Estimates, and Restatement of Revisions" in "2. Matters Concerning Summary Information (Notes)," certain overseas affiliate companies started applying the revised IAS 19 from the three months ended June 30, 2013. This change in accounting policy was also applied retroactively to restate financial results from the previous fiscal year in year-on-year comparisons.

(1) Description of Business Results

In the first nine months of the year ending March 31, 2014, the global economy continued to recover gradually despite continuing uncertainty due to issues such as federal budget difficulties in the United States, concerns of a slowdown among emerging economies, and the future development of the European debt problem. Meanwhile, the Japanese economy also continued to recover gradually with the yen depreciating and stock prices rising, as a result of government policies and the Bank of Japan's monetary easing. Nevertheless, the situation remains unclear, with concerns over the impact of a downturn in the global economy.

Given the situation, Nitta Gelatin faced challenging business conditions including rising prices for gelatin and other raw materials for the Group, while energy prices and the cost of import procurements increased in Japan due to the yen's depreciation.

Against this backdrop, the Group worked to provide products and services a step ahead of customers' expectations, develop new products, cultivate new markets and reduce costs under the slogan of "Amaze the World!" and a basic strategy to "Win out!! in growing Asian market".

Meanwhile, the Company issued 2,603,900 shares of common stock by way of public subscription in July and third-party allocation in August 2013. The resulting ¥3,135 million in total proceeds was used to secure ample funds for capital expenditures and to improve the Group's financial position.

As a result, in the first nine months of the fiscal year ending March 31, 2014, net sales increased 14.7% year on year to ¥24,449 million. By contrast, operating income fell 25.7% to ¥876 million, mainly due to an increase in the cost of sales, ordinary income was down 26.6% to ¥1,059 million and net income decreased 28.6% to ¥754 million.

Segment business performance was as follows:

(a) Collagen Material Business

In the gelatin field, sales of mainly edible gelatin increased in Japan. Profit margins declined, however, as a result of rising raw material prices worldwide and insufficient progress in passing along increased import procurement costs due to the yen's sharp depreciation. In overseas markets, sales increased owing to price revisions backed by buoyant demand.

Collagen peptide sales increased year on year in Japan and Asia overall, but profitability declined because of the rise in raw material prices.

Collagen casing saw sluggish sales volume growth, although monetary sales increased with the yen's depreciation. Collagen casing quality issues that arose during the first six-months of the fiscal year are gradually being resolved, but the losses incurred outweighed the increase in sales.

As a result, net sales in the segment were up 22.4% year on year to ¥16,636 million and segment income (operating income) was down 9.9% to ¥1,171 million.

(b) Formula Solution Business

Sales of food materials on the whole were sluggish. This was mainly because of lackluster sales for delicatessen items, although sales for ingredients in confectionary and desserts, and for ham and sausages were strong. Earnings declined as selling, general and administrative expenses increased due to conducting aggressive sales promotions.

In adhesives, overall sales were mainly flat due to sluggish sales of hot-melt adhesives. Earnings declined as selling, general and administrative expenses increased due to stronger efforts to develop new customers for sealants.

As a result, net sales in the segment were up 1.2% year on year to ¥7,812 million. Segment income (operating income) was down 19.9% to ¥719 million.

(2) Description of Financial Position

(Assets)

Total assets amounted to ¥30,625 million as of December 31, 2013, ¥5,434 million higher than as of March 31, 2013. This was mainly attributable to increases of ¥2,793 million in notes and accounts receivable-trade, ¥1,407 million in property, plant and

equipment, and ¥743 million in inventories including merchandise and finished goods. These increases were partially offset by a decrease of ¥59 million in cash and deposits.

(Liabilities)

Total liabilities stood at ¥16,555 million as of December 31, 2013, ¥1,090 million higher than as of March 31, 2013. This was mainly attributable to increases of ¥401 million in notes and accounts payable-trade, ¥874 million in short-term loans payable and ¥55 million in long-term loans payable (current portion included). These increases were partially offset by a decrease of ¥200 million in the current portion of bonds.

(Net assets)

Net assets were ¥14,069 million as of December 31, 2013, ¥4,344 million higher than as of March 31, 2013.

This was mainly attributable to a ¥518 million increase in retained earnings, and increases of ¥1,567 million each in capital stock and capital surplus resulting from the issuance of common stock by way of public subscription and third-party allocation.

As a result, the equity ratio stood at 45.5% as of December 31, 2013, compared to 38.0% as of March 31, 2013.

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

In light of recent performance trends, the Group has revised its consolidated business forecasts for the fiscal year ending March 31, 2014, which were announced in the "Consolidated Financial Results for the Six Months Ended September 30, 2013 (Japanese Accounting Standards)" on November 5, 2013.

Please refer to the press release entitled Notice Concerning Revision of Consolidated Business Forecasts (Dated February 5, 2014) 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

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

Certain overseas affiliate companies started applying IAS 19 Employee Benefits (June 16, 2011) from the three months ended June 30, 2013. This change in accounting policy was also applied retroactively to restate results for the nine months ended December 31, 2012 and as of March 31, 2013 in the Quarterly Consolidated Financial Statements.

As a result, net income for the nine months ended December 31, 2012 decreased ¥11 million after restatement. Moreover, net assets as of April 1, 2012 was restated ¥153 million lower to mainly reflect the accumulative impact of this accounting policy change.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2013 (As of March 31, 2013)	3Q Fiscal 2014 (As of December 31, 2013)
Assets		
Current assets		
Cash and deposits	2,278,659	2,219,104
Notes and accounts receivable-trade	5,839,913	8,633,415
Merchandise and finished goods	4,404,789	4,825,776
Work in process	918,045	1,108,549
Raw materials and supplies	1,508,837	1,640,478
Other	385,762	582,829
Allowance for doubtful accounts	(16,176)	(14,103)
Total current assets	15,319,831	18,996,049
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,792,208	2,885,065
Machinery, equipment and vehicles, net	1,343,676	1,434,302
Other, net	2,151,627	3,375,343
Total property, plant and equipment	6,287,512	7,694,711
Intangible assets		
Other	48,696	46,603
Total intangible assets	48,696	46,603
Investments and other assets		
Investment securities	2,768,381	3,198,171
Other	767,704	691,662
Allowance for doubtful accounts	(1,809)	(2,004)
Total investments and other assets	3,534,277	3,887,830
Total noncurrent assets	9,870,486	11,629,144
Total assets	25,190,318	30,625,194

(Thousands of yen)

	Fiscal 2013 (As of March 31, 2013)	3Q Fiscal 2014 (As of December 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,736,664	4,138,006
Short-term loans payable	1,145,432	2,020,280
Current portion of long-term loans payable	2,068,482	2,147,739
Current portion of bonds	200,000	—
Income taxes payable	81,273	165,251
Provision for bonuses	220,847	87,388
Other	2,184,378	1,957,441
Total current liabilities	9,637,079	10,516,108
Noncurrent liabilities		
Long-term loans payable	3,142,014	3,118,335
Provision for retirement benefits	2,276,795	2,321,188
Provision for directors' retirement benefits	35,422	36,247
Other	374,344	563,851
Total noncurrent liabilities	5,828,575	6,039,622
Total liabilities	15,465,655	16,555,731
Net Assets		
Shareholders' equity		
Capital stock	1,577,121	3,144,929
Capital surplus	1,398,633	2,966,442
Retained earnings	8,194,375	8,712,595
Treasury stock	(68)	(68)
Total shareholders' equity	11,170,062	14,823,898
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	499,868	732,760
Deferred gains (losses) on hedges	27,858	7,560
Foreign currency translation adjustments	(667,634)	(122,170)
Pension liability adjustment of foreign subsidiaries	(1,452,870)	(1,516,045)
Total accumulated other comprehensive income (loss)	(1,592,778)	(897,895)
Minority interests	147,379	143,459
Total net assets	9,724,663	14,069,462
Total liabilities and net assets	25,190,318	30,625,194

(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 2013 (From April 1, 2012 to December 31, 2012)	3Q Fiscal 2014 (From April 1, 2013 to December 31, 2013)
Net sales	21,310,129	24,449,332
Cost of sales	16,376,575	19,551,097
Gross profit on sales	4,933,553	4,898,234
Selling, general and administrative expenses	3,752,619	4,021,373
Operating income	1,180,933	876,860
Non-operating income		
Interest income	673	4,478
Dividend income	18,856	19,268
Foreign exchange gains	63,868	178,701
Equity in earnings of affiliates	238,158	69,309
Other	75,944	58,548
Total non-operating income	397,500	330,306
Non-operating expenses		
Interest expenses	112,977	107,601
Public offering expenses	—	23,385
Other	21,870	16,875
Total non-operating expenses	134,847	147,862
Ordinary income	1,443,586	1,059,304
Extraordinary income		
Gain on sales of noncurrent assets	15,701	—
Guarantees received	—	88,393
Total extraordinary income	15,701	88,393
Extraordinary losses		
Loss on retirement of noncurrent assets	9,165	15,802
Loss on valuation of investment securities	15,177	—
Total extraordinary losses	24,343	15,802
Income before income taxes and minority interests	1,434,944	1,131,896
Income taxes	374,412	387,177
Income before minority interests	1,060,531	744,718
Minority interests in income (loss)	3,657	(9,903)
Net income	1,056,873	754,622

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

	(Thousands of yen)	
	3Q Fiscal 2013 (From April 1, 2012 to December 31, 2012)	3Q Fiscal 2014 (From April 1, 2013 to December 31, 2013)
Income before minority interests	1,060,531	744,718
Other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	(21,229)	232,973
Deferred losses on hedges	16,103	(12,022)
Foreign currency translation adjustments	230,291	543,252
Pension liability adjustment of foreign subsidiaries	(29,831)	(63,174)
Share of other comprehensive income of associates accounted for using equity method	2,016	5,716
Total other comprehensive income (loss)	197,350	706,746
Total comprehensive income	1,257,881	1,451,465
Comprehensive income attributable to:		
Owners of the parent	1,255,065	1,449,505
Minority interests	2,816	1,959

(3) Notes to Quarterly Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Note Concerning Significant Changes in Shareholders' Equity)

Nitta Gelatin, Inc. issued common stock by way of public subscription for payment on July 29, 2013, and third-party allocation for payment on August 28, 2013. This increased capital stock and capital surplus by ¥1,567 million each during the six months ended September 30, 2013. As a result, the Company's capital stock and capital surplus stood at ¥3,144 million and ¥2,966 million, respectively, as of December 31, 2013.

(Segment Information)

I. First nine months of the fiscal year ended March 31, 2013 (From April 1, 2012 to December 31, 2012)

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	13,587,569	7,722,559	21,310,129	—	21,310,129
Inter-segment sales and transfers	1,002,929	—	1,002,929	(1,002,929)	—
Total	14,590,498	7,722,559	22,313,058	(1,002,929)	21,310,129
Segment income	1,300,201	897,393	2,197,594	(1,016,660)	1,180,933

(Notes) 1. Adjustment for segment income of -¥1,016,660 thousand comprises elimination of intersegment transactions of ¥2,281 thousand and unallocated expenses of ¥1,018,941 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, 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 -¥1,013,814 thousand comprises elimination of intersegment transactions of ¥2,394 thousand and unallocated expenses of ¥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

3. Matters Concerning Changes in Reporting Segments

Certain overseas affiliate companies started applying IAS 19 Employee Benefits (June 16, 2011) from the three months ended June 30, 2013. This change in accounting policy was also applied retroactively to restate results for the nine months ended December 31, 2012 in the Quarterly Consolidated Financial Statements.

As a result, segment income for Collagen Material Business for the nine months ended December 31, 2012 decreased by ¥14,998 thousand after restatement.

(Subsequent Events)

No items to report