



February 9, 2012

## Consolidated Financial Results for the Nine Months Ended December 31, 2011

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**  
 Listing: Second 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 13, 2012

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, 2011

(from April 1, 2011 to December 31, 2011)

#### (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, 2011	20,870	—	1,620	—	1,518	—	906	—
December 31, 2010	—	—	—	—	—	—	—	—

Note: Comprehensive income

For the nine months ended December 31, 2011: ¥ 474 million (—%)

For the nine months ended December 31, 2010: — (—%)

	Net income per share	Diluted net income per share
Nine months ended December 31, 2011	Yen 68.56	—
December 31, 2010	—	—

Note: Consolidated operating results for the nine months ended December 31, 2010 and year-on-year percentage changes are not shown, as Nitta Gelatin did not prepare consolidated financial statements for the nine months ended December 31, 2010.

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
December 31, 2011	22,754	7,478	32.5
March 31, 2011	21,466	6,185	28.5

Reference: Equity:

As of December 31, 2011: ¥7,403 million

As of March 31, 2011: ¥6,125 million

## 2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2011	—	3.75	—	3.75	7.50
Fiscal year ending March 31, 2012	—	2.00	—		
Year ending March 31, 2012 (Forecasts)				8.00	10.00

- Notes: 1. Changes from the most recently disclosed dividends forecast: None  
2. Breakdown of dividends forecast for the March 31, 2012 fiscal year-end: ¥6.00 in ordinary dividend and ¥2.00 in commemorative dividend per share  
3. We conducted a stock split on April 1, 2011, at a ratio of two shares of common stock for each one share of common stock.

## 3. Consolidated financial forecasts for the fiscal year ending March 31, 2012 (from April 1, 2011 to March 31, 2012)

(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, 2012	28,194	1.0	2,060	38.5	2,017	45.8	1,308	24.4	94.84

- Notes: 1. Changes from the most recently disclosed consolidated financial forecasts: None  
2. Net income per share forecast for the fiscal year ending March 31, 2012 was calculated based on the average number of shares for the period that takes into account an allotment of 255,200 shares of common stock to a third party, which we announced on January 13, 2012 in our Notice Regarding Results of Capital Increase Through Third-Party Allotment.

## 4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in the scope of consolidation): None  
New: — (company name)  
Excluded: — (company name)

- (2) Adoption of special accounting procedures in preparing the quarterly consolidated financial statements: No

- (3) Changes in accounting policies, changes in accounting estimates, and restatement of revisions  
a. Changes in accounting standards 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 (2) Changes in Accounting Policies and Estimates, and Restatement of Revisions, under 2. Matters Concerning Summary Information (Others).

(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, 2011	15,514,874 shares
As of March 31, 2011	12,733,874 shares

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

As of December 31, 2011	92 shares
As of March 31, 2011	219,006 shares

c. Average number of shares

For the nine months ended December 31, 2011	12,814,808 shares
For the nine months ended December 31, 2010	— shares

(Note) We conducted a stock split on April 1, 2011, at a ratio of two shares of common stock for each one share of common stock. Note, however, that the figures for the number of shares have been calculated on the assumption that this stock split was conducted at the beginning of the previous fiscal year.

\* 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 been concluded.

\* Proper use of earnings forecasts, and other special matters

- The forward-looking statements, including financial forecasts, contained in these materials are based on information currently available to us and on certain assumptions deemed to be reasonable. 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 the (3) Qualitative Information Concerning Consolidated Business Forecasts on page 4 of the Attachment Contents to this report.
- We conducted a stock split on April 1, 2011, at a ratio of two shares of common stock for each one share of common stock.
- Net income per share forecast for the fiscal year ending March 31, 2012 was calculated based on the average number of shares for the period that takes into account an allotment of 255,200 shares of common stock to a third party, which we announced on January 13, 2012 in our Notice Regarding Results of Capital Increase Through Third-Party Allotment.

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

### **(1) Qualitative Information Concerning Consolidated Business Results**

In the first nine months of the year ending March 31, 2012, the overseas business environment surrounding the Nitta Gelatin Group was characterized by a strong tendency to polarize into two camps. On the one hand, China and India drove economic growth in the Asian region. On the other hand, the sovereign debt crisis and other problems in the euro zone caused leading industrial economies to either slow or recede. Meanwhile, the Japanese economy began to recover steadily as it overcame the negative impact of the Great East Japan Earthquake. However, the pace of recovery is gradual, challenging business conditions persist and the economic outlook remains uncertain due to the protracted appreciation of the yen, the European financial crisis, flooding in Thailand and other sources of economic turmoil overseas.

Against this backdrop, the Nitta Gelatin Group has adopted three basic management policies: (1) Beyond the customers' expectations; (2) Globalization & innovation; and (3) Focusing and concentration. Guided by these policies, we have actively worked to develop new products and cultivate new markets while concentrating on rising above the challenging business conditions in order to provide products and services that satisfy our customers. In addition, the domestic food market saw growth in response to the various demands created by the earthquake. As a result, in the first nine months of the year ending March 31, 2012, net sales were ¥20,870 million, mainly reflecting higher sales of gelatin and food materials in Japan. In addition, we reported operating income of ¥1,620 million, ordinary income of ¥1,518 million and net income of ¥906 million.

Segment business performance was as follows:

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

In the gelatin field, edible gelatin continued to perform strongly in Japan into the second half of the fiscal year, particularly for use in heat-and-serve delicatessen items and chilled desserts in convenience stores, yogurt and other dairy products, and gummy candy and other confectionery applications. On the other hand, sales of gelatin capsules for the pharmaceutical sector languished chiefly due to slowdown in the market, in contrast to strong sales for the nutritional food supplement sector. Meanwhile, photographic gelatin sales held firm. In overseas markets, sales of gelatin capsules were strong in both the pharmaceutical and nutritional food supplement sectors. Although the monetary amount from sales of exports from Japan declined after we gave first priority to supplying earthquake-related demand, the Group's overseas subsidiaries and affiliates saw strong sales growth.

Collagen peptide sales declined year on year, as a result of a decline in consumer sentiment for dietary supplements in the wake of the earthquake, as well as from terminating the sales of certain products of customers. The monetary amount from sales of exports to the Asia region also declined due to import restrictions on Japanese products in certain Asian countries following the nuclear power plant accident.

In collagen casing, we benefited from favorable prices in the U.S., leading to higher sales of the casings for both snack sausages such as salami and dinner sausages including frankfurters. Exports of collagen casings to Europe also grew steadily.

As a result, net sales in the Collagen Materials were ¥13,019 million and segment profit was ¥1,811 million.

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

In food materials, we reported steady growth in sales of stabilizers for ham, sausage, steamed buns with meat filling and other meat products, and mixes for delicatessen items, in addition to mainstay gelling agents, mainly for use in convenience store desserts and heat-and-serve meals.

In adhesives, sales increased robustly for hot melt adhesives for packaging beverages, instant noodles and confectionary among other applications in the food sector, and for applications in construction materials. However, sales of hot melt adhesives for bookbinding applications continued to decrease due to weak conditions in the publishing sector.

As a result, net sales in Formula Solution were ¥7,850 million and segment profit was ¥816 million.

### **(2) Qualitative Information Concerning Consolidated Financial Position**

Total assets amounted to ¥22,754 million at December 31, 2011, ¥1,288 million higher than at March 31, 2011.

Current assets rose ¥1,809 million from March 31, 2011 to ¥14,677 million. This was mainly attributable to a ¥789 million increase in cash and deposits, a ¥593 million increase in notes and accounts receivable-trade and a ¥449 million increase in inventories.

Noncurrent assets decreased ¥521 million from March 31, 2011 to ¥8,076 million at December 31, 2011. This was mainly due to a ¥288 million decrease in property, plant and equipment and a ¥221 million decrease in investment securities in line with lower stock prices.

Current liabilities stood at ¥8,828 million at December 31, 2011, ¥63 million higher

than at March 31, 2011. This was mainly attributable to a ¥213 million increase in the current portion of long-term loans payable and a ¥100 million increase in the current portion of bonds, against a ¥124 million decrease in notes and accounts payable-trade and a ¥144 million decrease in short-term loans payable.

Noncurrent liabilities decreased ¥68 million to ¥6,448 million. This was mainly due to a ¥432 million increase in long-term loans payable, against a ¥330 million decrease in bonds payable and a ¥156 million decrease in provision for retirement benefits.

Net assets increased ¥1,292 million to ¥7,478 million. This was mainly attributable to a public offering of new shares that resulted in a ¥643 million increase in capital stock and a ¥661 million increase in capital surplus, and a ¥330 million increase in retained earnings, against a ¥465 million decrease in foreign currency translation adjustments reflecting the yen's appreciation since March 31, 2011.

As a result, the equity ratio stood at 32.5% as of December 31, 2011, compared to 28.5% at March 31, 2011.

### **(3) Qualitative Information Concerning Consolidated Business Forecasts**

There were no revisions to the Company's consolidated business forecasts for the year ending March 31, 2012, disclosed previously on December 20, 2011.

## **2. Matters Concerning Summary Information (Others)**

### **(1) Significant Changes in Subsidiaries During the Quarterly Period**

None.

### **(2) Changes in Accounting Policies and Estimates, and Restatement of Revisions**

Adoption of Accounting Standard for Earnings Per Share, etc.

Effective the first quarter of the fiscal year ending March 2012, the Company has adopted the Accounting Standard for Earnings Per Share (ASBJ Statement No. 2, June 30, 2010), Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4, June 30, 2010) and Practical Solution on Accounting for Earnings Per Share (ASBJ PITF No. 9, June 30, 2010).

### **(3) Additional Information**

Adoption of Accounting Standard for Accounting Changes and Error Corrections, etc.

In regard to any accounting changes and error corrections made on or after the beginning of the first quarter of the fiscal year ending March 2012, the Company has adopted the Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and the Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009).



### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year-end (As of March 31, 2011)	End of third quarter (As of December 31, 2011)
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	1,558,156	2,347,857
Notes and accounts receivable-trade	5,621,843	6,215,205
Merchandise and finished goods	3,500,848	3,938,155
Work in process	611,779	549,185
Raw materials and supplies	1,258,039	1,333,120
Other	329,272	309,826
Allowance for doubtful accounts	(11,556)	(15,373)
<b>Total current assets</b>	<b>12,868,383</b>	<b>14,677,977</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	2,644,724	2,492,160
Machinery, equipment and vehicles, net	1,283,236	1,097,398
Other, net	1,609,860	1,659,650
<b>Total property, plant and equipment</b>	<b>5,537,820</b>	<b>5,249,208</b>
<b>Intangible assets</b>		
Other	20,291	18,581
<b>Total intangible assets</b>	<b>20,291</b>	<b>18,581</b>
<b>Investments and other assets</b>		
Investment securities	2,082,348	1,860,890
Other	957,844	948,952
Allowance for doubtful accounts	(28)	(644)
<b>Total investments and other assets</b>	<b>3,040,164</b>	<b>2,809,198</b>
<b>Total noncurrent assets</b>	<b>8,598,276</b>	<b>8,076,988</b>
<b>Total assets</b>	<b>21,466,660</b>	<b>22,754,965</b>

(Thousands of yen)

	Previous fiscal year-end (As of March 31, 2011)	End of third quarter (As of December 31, 2011)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	3,537,025	3,412,533
Short-term loans payable	1,047,045	902,502
Current portion of long-term loans payable	1,695,715	1,908,973
Current portion of bonds	260,000	360,000
Income taxes payable	183,972	222,666
Provision for bonuses	209,092	102,644
Other	1,832,349	1,919,392
<b>Total current liabilities</b>	<b>8,765,200</b>	<b>8,828,712</b>
<b>Noncurrent liabilities</b>		
Bonds payable	530,000	200,000
Long-term loans payable	3,386,081	3,818,658
Provision for retirement benefits	2,162,238	2,006,155
Provision for directors' retirement benefits	32,122	33,359
Other	405,947	390,072
<b>Total noncurrent liabilities</b>	<b>6,516,389</b>	<b>6,448,246</b>
<b>Total liabilities</b>	<b>15,281,590</b>	<b>15,276,958</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>		
Capital stock	875,000	1,518,106
Capital surplus	677,742	1,339,618
Retained earnings	6,090,515	6,420,559
Treasury stock	(82,522)	(34)
<b>Total shareholders' equity</b>	<b>7,560,736</b>	<b>9,278,249</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on other available-for-sale securities	408,627	383,834
Deferred gains (losses) on hedges	2,058	(25,460)
Foreign currency translation adjustments	(1,180,055)	(1,645,362)
Pension liability adjustment of foreign subsidiaries	(665,803)	(587,434)
<b>Total accumulated other comprehensive income</b>	<b>(1,435,173)</b>	<b>(1,874,422)</b>
<b>Minority interests</b>	<b>59,507</b>	<b>74,179</b>
<b>Total net assets</b>	<b>6,185,070</b>	<b>7,478,007</b>
<b>Total liabilities and net assets</b>	<b>21,466,660</b>	<b>22,754,965</b>

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

Consolidated Statements of Income

The first three quarters of the fiscal year ending March 2012

	(Thousands of yen)
	First three quarters of fiscal year ending March 2012 (From April 1, 2011 to December 31, 2011)
Net sales	20,870,294
Cost of sales	15,607,080
Gross profit on sales	5,263,213
Selling, general and administrative expenses	3,642,705
Operating income	1,620,507
Non-operating income	
Interest income	566
Dividend income	16,950
Equity in earnings of affiliates	74,240
Other	52,084
Total non-operating income	143,841
Non-operating expenses	
Interest expenses	132,285
Foreign exchange losses	50,025
Public offering expenses	44,726
Other	18,881
Total non-operating expenses	245,919
Ordinary income	1,518,430
Extraordinary income	
Gain on sales of noncurrent assets	268
Total extraordinary income	268
Extraordinary losses	
Loss on retirement of noncurrent assets	20,000
Loss on valuation of investment securities	10,246
Loss on valuation of golf club memberships	4,500
Total extraordinary losses	34,746
Income before income taxes	1,483,951
Income taxes	570,323
Income before minority interests	913,628
Minority interests in income	7,109
Net income	906,518

## Consolidated Statement of Comprehensive Income

The first three quarters of the fiscal year ending March 2012

	(Thousands of yen)
	First three quarters of fiscal year ending March 2012 (From April 1, 2011 to December 31, 2011)
Income before minority interests	913,628
Other comprehensive income	
Valuation difference on other available- for-sale securities	(24,401)
Deferred losses on hedges	(9,761)
Foreign currency translation adjustments	(277,495)
Pension liability adjustment of foreign subsidiaries	78,369
Share of other comprehensive income of associates accounted for using equity method	(205,934)
Total other comprehensive income	(439,223)
Total comprehensive income	474,404
Comprehensive income attributable to:	
Owners of the parent	467,269
Minority interests	7,135

### **(3) Note Concerning Going Concern Assumption**

None.

### **(4) Note Concerning Significant Changes in Shareholders' Equity**

1) At a meeting of the Board of Directors held on April 27, 2011, the Company resolved to acquire and retire shares of class A preferred stock that it had previously issued, as detailed below. As a result of this measure, retained earnings and treasury stock both decreased by ¥527,980 thousands.

a) Type of shares acquired and retired  
Class A preferred stock

b) Number of shares acquired and retired  
1,000,000

c) Date of acquisition and retirement  
May 23, 2011

2) Nitta Gelatin issued 2,781,000 shares in new common stock and disposed 219,000 shares in treasury stock in an initial public offering (IPO). The paid-in capital increase from the cash settlement for this IPO on December 19, 2011 was a ¥643,106 thousand increase in capital stock and a ¥661,876 thousand increase in capital surplus, against a ¥82,517 thousand decrease in treasury stock.

As a result, capital stock stood at ¥1,518,106 thousand and capital surplus stood at ¥1,339,618 thousand as of December 31, 2011.

### **(5) Subsequent Events**

The Board of Directors of Nitta Gelatin met on November 15 and December 2, 2011 to approve a resolution to issue new shares for third-party allotment to SMBC Nikko Securities Inc. (SNBC Nikko) in covering SMBC Nikko's over-allotment in underwriting the offering of Nitta Gelatin stock to the public. The payment from SMBC Nikko for those new shares was settled on January 18, 2012, with details as follows.

1. Number of shares issued 255,200 shares of common stock
2. Allotment price ¥462.50 per share
3. Total allotment price ¥118,030 thousand
4. Matters concerning the amount of increase in capital and capital surplus
  - Increase in capital ¥231.25 per share
  - Increase in capital surplus ¥231.25 per share
5. Total amount of paid-in capital ¥59,015 thousand
6. Number of shares and recipient of the allotment
  - SMBC Nikko Securities Inc.
  - 255,200 shares
7. Due date of payment January 18, 2012
8. Use of proceeds
  - Nitta Gelatin plans to allocate the proceeds to production facilities for collagen peptide and collagen casing, in addition to upgrades of gelatin production facilities.