August 6, 2014

Consolidated Financial Results for the Three Months Ended June 30, 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
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: August 8, 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 three months ended June 30, 2014 (from April 1, 2014 to June 30, 2014)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2014	8,016	0.3	240	(46.8)	219	(61.0)	158	(57.8)
June 30, 2013	7,992	13.0	451	(23.1)	562	(8.5)	375	(18.0)

Note: Comprehensive income
For the three months ended June 30, 2014: ¥249 million (-52.9%)
For the three months ended June 30, 2013: ¥530 million (283.9%)

	Net income per share	Diluted net income per share
Three months ended	Yen	Yen
June 30, 2014	8.64	—
June 30, 2013	23.84	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
June 30, 2014	31,084	14,202	45.3
March 31, 2014	31,389	13,781	43.4

Reference: Equity
As of June 30, 2014: ¥14,081 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	–				
Fiscal year ending March 31, 2015 (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, 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
Six months ending September 30, 2014	18,000	12.3	800	46.8	800	26.9	500	8.5	27.21
Fiscal year ending March 31, 2015	36,500	11.2	1,800	88.4	1,900	70.4	1,200	80.3	65.31

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 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 June 30, 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 June 30, 2014	162 shares
As of March 31, 2014	162 shares

c. Average number of shares

For the three months ended June 30, 2014	18,373,812 shares
For the three months ended June 30, 2013	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 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, 2015, the outlook for the global economy remained uncertain, despite an ongoing recovery in the U.S. economy. This outlook mainly reflected slower growth in emerging economies such as China and Southeast Asian nations. Meanwhile, the Japanese economy followed a moderate recovery path, despite signs of a downturn in demand following a rush to purchase ahead of the consumption tax hike in April 2014.

Business conditions were challenging for the Nitta Gelatin Group, for this meant increased overseas prices of raw materials, while energy costs rose in Japan and the cost of import procurements remained high due to the yen's depreciation.

Sales in the Japanese and overseas markets both showed sluggish growth. As a result, in the first quarter of the fiscal year ending March 31, 2015, net sales increased 0.3% year on year to ¥8,016 million. Due to delays in transferring higher manufacturing costs to sales prices in the Japanese market and reduced sales prices for certain products in overseas markets, operating income fell 46.8% to ¥240 million, ordinary income was down 61.0% to ¥219 million and net income decreased 57.8% to ¥158 million.

Segment business performance was as follows:

(a) Collagen Material Business

In the gelatin field, sales of edible gelatin and gelatin for capsules increased in Japan, but earnings decreased as negotiations on price revisions ran into difficulties. In North America, sales grew steadily, but earnings decreased due to higher raw material prices for pig skin. Consequently, gelatin sales increased, but earnings declined.

Collagen peptide sales decreased year on year mainly reflecting stagnating sales in Japan in the wake of a rush in demand ahead of the consumption tax hike in April 2014, along with lackluster sales in the Asian market.

Collagen casing sales decreased, due to soft sales in North America as well as weak sales in Europe and China.

As a result, net sales in the segment were up 1.8% year on year to ¥5,375 million and segment profit (operating income) was down 27.7% to ¥321 million.

(b) Formula Solution Business

Sales of food materials decreased on lackluster trends in ingredients for confectionary and desserts, and for ham and sausages.

In adhesives, overall sales were soft despite steady growth in sales of hot-melt adhesives. The soft sales reflected delays in the start of deliveries of sealants (high-performance gaskets).

As a result, net sales in the segment were down 2.7% year on year to ¥2,641 million. Segment profit (operating income) was down 22.4% to ¥259 million.

(2) Description of Financial Position

(Assets)

Total assets amounted to ¥31,084 million at June 30, 2014, ¥305 million lower than at March 31, 2014. This was mainly attributable to a ¥1,450 million decrease in notes and accounts receivable-trade owing to the securitization of receivables. This decrease was partly offset by a ¥503 million increase in property, plant and equipment in line with the construction of a collagen peptide plant, a ¥497 million increase in inventories including merchandise and finished goods, and a ¥101 million increase in investment securities.

(Liabilities)

Total liabilities stood at ¥16,881 million at June 30, 2014, ¥726 million lower than at March 31, 2014. This was due mainly to a ¥500 million decrease in long-term loans payable (current portion included) and a ¥273 million decrease in net defined benefit liability in line with a change in accounting standards. That decrease was partly offset by a ¥228 million increase in notes and accounts payable-trade and a ¥135 million increase in provision for bonuses.

(Net assets)

Net assets increased ¥421 million to ¥14,202 million. This was mainly attributable to a ¥347 million increase in retained earnings in line with a change in accounting standards and an ¥89 million increase in valuation difference on other available-for-sale securities.

As a result, the equity ratio stood at 45.3% as of June 30, 2014, compared to 43.4% at March 31, 2014.

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

The Group has not revised its consolidated business forecasts for the fiscal year ending March 31, 2015, which were announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (Japanese Accounting Standards)” on May 9, 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 first quarter ended June 30, 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 first quarter ended June 30, 2014.

This change will have only a negligible impact on operating income, ordinary income and income before income taxes and minority interests for the first quarter 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)	1Q Fiscal 2015 (As of June 30, 2014)
Assets		
Current assets		
Cash and deposits	2,426,006	2,480,596
Notes and accounts receivable-trade	8,164,776	6,714,771
Merchandise and finished goods	4,732,050	5,342,780
Work in process	1,089,542	1,026,782
Raw materials and supplies	1,820,812	1,770,624
Other	465,533	448,911
Allowance for doubtful accounts	(13,339)	(11,955)
Total current assets	18,685,381	17,772,511
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,815,141	2,764,555
Machinery, equipment and vehicles, net	2,139,301	2,036,954
Other, net	3,849,844	4,506,082
Total property, plant and equipment	8,804,286	9,307,592
Intangible assets		
Other	50,795	50,667
Total intangible assets	50,795	50,667
Investments and other assets		
Investment securities	3,075,772	3,177,768
Other	775,527	778,030
Allowance for doubtful accounts	(2,111)	(2,101)
Total investments and other assets	3,849,189	3,953,698
Total noncurrent assets	12,704,270	13,311,957
Total assets	31,389,652	31,084,469

(Thousands of yen)

	Fiscal 2014 (As of March 31, 2014)	1Q Fiscal 2015 (As of June 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,255,505	4,483,515
Short-term loans payable	1,121,491	1,133,478
Current portion of long-term loans payable	1,932,912	1,904,583
Income taxes payable	147,730	13,125
Provision for bonuses	177,916	313,024
Other	2,444,825	2,302,084
Total current liabilities	10,080,381	10,149,812
Noncurrent liabilities		
Long-term loans payable	4,415,868	3,943,280
Provision for directors' retirement benefits	37,072	37,072
Net defined benefit liability	2,524,417	2,251,168
Other	550,869	500,319
Total noncurrent liabilities	7,528,227	6,731,839
Total liabilities	17,608,608	16,881,652
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	8,971,047
Treasury stock	(68)	(68)
Total shareholders’ equity	14,734,766	15,082,350
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	622,837	712,654
Deferred gains (losses) on hedges	(5,110)	2,316
Foreign currency translation adjustments	(187,061)	(235,621)
Remeasurements of defined benefit plans	(1,528,458)	(1,480,419)
Total accumulated other comprehensive income (loss)	(1,097,792)	(1,001,070)
Minority interests	144,069	121,536
Total net assets	13,781,043	14,202,816
Total liabilities and net assets	31,389,652	31,084,469

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

Consolidated Statements of Income

(First quarter consolidated cumulative accounting period)

(Thousands of yen)

	1Q Fiscal 2014 (From April 1, 2013 to June 30, 2013)	1Q Fiscal 2015 (From April 1, 2014 to June 30, 2014)
Net sales	7,992,993	8,016,422
Cost of sales	6,229,307	6,417,022
Gross profit on sales	1,763,686	1,599,400
Selling, general and administrative expenses	1,311,740	1,358,881
Operating income	451,945	240,519
Non-operating income		
Interest income	198	70
Dividend income	9,278	11,829
Foreign exchange gains	64,584	―
Equity in earnings of affiliates	53,621	24,184
Other	25,138	17,671
Total non-operating income	152,820	53,755
Non-operating expenses		
Interest expenses	35,103	33,489
Foreign exchange losses	―	37,092
Other	7,027	4,243
Total non-operating expenses	42,131	74,825
Ordinary income	562,635	219,449
Extraordinary losses		
Loss on retirement of noncurrent assets	8,454	2,995
Total extraordinary losses	8,454	2,995
Income before income taxes and minority interests	554,180	216,453
Income taxes	179,793	60,675
Income before minority interests	374,386	155,777
Minority interests in loss	(1,578)	(2,975)
Net income	375,964	158,753

Consolidated Statements of Comprehensive Income

(First quarter consolidated cumulative accounting period)

(Thousands of yen)

	1Q Fiscal 2014 (From April 1, 2013 to June 30, 2013)	1Q Fiscal 2015 (From April 1, 2014 to June 30, 2014)
Income before minority interests	374,386	155,777
Other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	76,807	89,981
Deferred gains (losses) on hedges	(12,754)	3,953
Foreign currency translation adjustments	212,790	(15,880)
Pension liability adjustment of foreign subsidiaries	(60,401)	—
Remeasurements of defined benefit plans, net of tax	—	48,530
Share of other comprehensive loss of associates accounted for using equity method	(59,910)	(32,558)
Total other comprehensive income (loss)	156,530	94,025
Total comprehensive income	530,917	249,803
Comprehensive income attributable to:		
Owners of the parent	525,270	255,476
Minority interests	5,647	(5,673)

(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, 2014 (From April 1, 2013 to June 30, 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	5,279,632	2,713,360	7,992,993	—	7,992,993
Inter-segment sales and transfers	329,131	—	329,131	(329,131)	—
Total	5,608,763	2,713,360	8,322,124	(329,131)	7,992,993
Segment income	444,927	334,641	779,569	(327,623)	451,945

(Notes) 1. Adjustment for segment income of -¥327,623 thousand comprises elimination of intersegment transactions of ¥525 thousand and unallocated expenses of -¥328,149 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 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

(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	5,375,223	2,641,198	8,016,422	—	8,016,422
Inter-segment sales and transfers	346,330	—	346,330	(346,330)	—
Total	5,721,554	2,641,198	8,362,753	(346,330)	8,016,422
Segment income	321,809	259,692	581,501	(340,982)	240,519

(Notes) 1. Adjustment for segment income of -¥340,982 thousand comprises elimination of intersegment transactions of ¥126 thousand and unallocated expenses of -¥341,108 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