



November 6, 2015

Consolidated Financial Results for the Six Months Ended September 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
 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: November 9, 2015
 Scheduled date to commence dividend payments: December 4, 2015
 Supplementary explanatory materials prepared: Yes
 Explanatory meeting: Yes (For analysts and institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated financial results for the six months ended September 30, 2015 (from April 1, 2015 to September 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	%
Six months ended September 30, 2015	18,285	13.2	448	66.0	365	(31.4)	147	(60.5)
September 30, 2014	16,146	0.7	270	(50.4)	533	(15.4)	372	(19.2)

Note: Comprehensive income

For the six months ended September 30, 2015: ¥165 million, (81.1)%

For the six months ended September 30, 2014: ¥875 million, 26.0%

	Net income per share	Diluted net income per share
Six months ended September 30, 2015	Yen 8.00	Yen —
September 30, 2014	20.27	—

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 September 30, 2015	Millions of yen 38,319	Millions of yen 17,260	% 40.3
March 31, 2015	33,932	15,373	45.0

Reference: Equity

As of September 30, 2015: ¥15,449 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	–	6.00			
Fiscal year ending March 31, 2016 (Forecasts)			–	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
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: None

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) Changes in Significant Subsidiaries During the Quarterly Period Under Review" in "2. Matters Concerning Summary Information (Notes)" on page 5 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 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 September 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 September 30, 2015 162 shares

As of March 31, 2015 162 shares

c. Average number of shares

For the six months ended September 30, 2015	18,373,812 shares
For the six months ended September 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 5 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 six months of the year ending March 31, 2016, uncertainty regarding the global economic situation continued to deepen the more the Chinese economy continued to show signs of slowing. This was despite the ongoing gradual recovery of economies of the U.S. and other advanced nations. Meanwhile, the Japanese economy remained on a gradual recovery trend as corporate earnings and personal consumption continued to improve. However, this trend in Japan could conceivably be affected if the economies of China and other Asian emerging countries were to decline.

Nitta Gelatin has manufactured and sold gelatin in India ever since it entered the market there in 1975 to procure raw materials for gelatin. Since then, operations in India have become an important base for procuring raw materials and processing supplies of Halal-certified products. In order to further integrate these operations with the Group and strengthen the global business foundation going forward, equity-method affiliate Nitta Gelatin India Ltd. and its local Indian affiliates Bamni Proteins Ltd. and Reva Proteins Ltd. were consolidated as subsidiaries of Nitta Gelatin in April 2015.

As a result of the above, net sales increased 13.2% year on year to ¥18,285 million in the first six months of the fiscal year ending March 31, 2016. Operating income increased 66.0% to ¥448 million while ordinary income decreased 31.4% to ¥365 million. As a consequence of the ¥661 million in extraordinary income and ¥640 in extraordinary loss the Company reported in connection with consolidating the three companies in India as subsidiaries and converting a subsidiary in China into an equity-method affiliate, among other factors, net income attributable to owners of the parent decreased 60.5% year on year to ¥147 million.

The Company's management was revamped in April 2015, and Nitta Gelatin will usher in the 100th anniversary of its founding in 2018. With the aim of setting the Group on course to make further advancements over the next 100 years, Nitta Gelatin has formulated a new three-year medium-term management plan with the year ending March 31, 2016 as the starting year. (For further details of this medium-term management plan, please refer to the press release, Nitta Gelatin Announces Medium-term Management Plan, dated November 6, 2015.)

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 an increase in European imports as a result of the dollar strengthening, which drove sales prices down. However, on the whole, the gelatin business saw a substantial increase in sales. This was in part due to a ¥1,707 million contribution to net sales resulting from the consolidation of Nitta Gelatin India Ltd. and two other Indian affiliates as subsidiaries in April 2015.

Collagen peptide sales increased, driven by their greater adoption in general food products in addition to their strong sales as health food, including from inbound demand generated by travelers visiting Japan from abroad.

Sales of collagen casing declined due to increased competition in North America.

As a result, net sales in the segment rose 22.1% year on year to ¥13,744 million, along with a 25.5% increase in segment profit (operating income) to ¥745 million.

(b) Formula Solution Business

Sales of food materials fell due to delays in new adoption by customers.

Adhesives sales as a whole declined year on year due to a customer in the hygiene products market switching to a Chinese supplier and a contraction in the bookbinding market, even though their sales for use in packaging were little changed from the first six months of the previous fiscal year. Profit, on the other hand, increased in line with efforts to reduce cost.

As a result, net sales in the segment were down 7.2% year on year to ¥4,540 million, but segment profit (operating income) was up 7.6% to ¥412 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.

(a) Assets, liabilities and net assets

(Assets)

Total assets amounted to ¥38,319 million at September 30, 2015, ¥4,387 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 ¥21,059 million at September 30, 2015, ¥2,500 million higher than at March 31, 2015. This was due mainly to increases in note and accounts payable-trade, short-term loans payable, and long-term loans payable.

(Net assets)

Net assets amounted to ¥17,260 million at September 30, 2015, ¥1,886 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 40.3% at September 30, 2015, compared with 45.0% at March 31, 2015.

(b) Cash flows

Cash and cash equivalents (“cash”) as of September 30, 2015 was ¥2,313 million, down ¥289 million from March 31, 2015.

Cash flows for each activity and reasons are as follows.

(Net cash provided by operating activities)

Operating activities provided net cash of ¥659 million, compared to ¥672 million provided in the same period in the previous fiscal year. The main contributing factors were income before income taxes and non-controlling interests of ¥387 million, depreciation and amortization of ¥789 million, and a loss on stepped acquisition of ¥620 million. The main components of cash used were a gain on negative goodwill of ¥502 million, increase in inventories of ¥275 million, and income taxes paid of ¥258 million.

(Net cash used in investing activities)

Investing activities used net cash of ¥879 million, compared to ¥1,460 million used in the same period in the previous fiscal year. The main use of cash was ¥866 million for the purchase of property, plant and equipment.

(Net cash used in financing activities)

Financing activities used net cash of ¥17 million, compared to they provided ¥197 million in the same period in the previous fiscal year. The main uses of cash were repayment of long-term loans payable of ¥1,290 million and a net decrease in short-term

loans payable of ¥302 million. The main contributor to cash was proceeds from long-term loans payable of ¥1,766 million.

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

The Group's consolidated business forecasts for the fiscal year ending March 31, 2016 are unchanged from those announced on August 6, 2015 in the "Consolidated Financial Results for the Three Months Ended June 30, 2015."

Actual business and other results may differ substantially from projections due to various factors.

2. Matters Concerning Summary Information (Notes)

(1) Changes in Significant 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 India subsidiaries Bamni Proteins Ltd. and Reva Proteins Ltd.

While not falling under the purview of a change in specified subsidiary, consolidated subsidiary Beijing Qiushi Collagen Casing Co., Ltd. was converted to an equity-method affiliate from the second quarter ended September 30, 2015. This was due to a fall in Nitta Gelatin's shareholding ratio in the subsidiary.

(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 restated the financial statements for the first six months and the full term of 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 six months ended September 30, 2015 was negligible.

(4) Additional Information

(Changes in Presentation Basis)

(Quarterly Consolidated Statements of Income)

Rent income included in other under non-operating income in the consolidated statements of income for the six months ended September 30, 2014 was recorded on a separate basis due to its rising materiality in the statement of income for the six months ended September 30, 2015. To reflect this change in presentation basis, the statement of income for the six-months ended September 30, 2014 was restated in the quarterly

consolidated financial statements for the six months ended September 30, 2015.

As a result, the Company has restated the ¥47 million shown as other under non-operating income in the consolidated statement of income for the six months ended September 30, 2014, as rent income of ¥18 million and other of ¥29 million.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

	(Millions of yen)	
	Fiscal 2015 (As of March 31, 2015)	2Q Fiscal 2016 (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	2,622	2,343
Notes and accounts receivable-trade	6,726	7,265
Merchandise and finished goods	4,821	5,215
Work in process	1,243	1,705
Raw materials and supplies	2,156	2,421
Other	470	778
Allowance for doubtful accounts	(2)	(11)
Total current assets	18,038	19,718
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	4,414	4,672
Machinery, equipment and vehicles, net	4,390	5,410
Other, net	2,042	4,219
Total property, plant and equipment	10,848	14,302
Intangible assets		
Other	69	367
Total intangible assets	69	367
Investments and other assets		
Investment securities	3,984	2,789
Other	990	1,142
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	4,974	3,931
Total noncurrent assets	15,893	18,600
Total assets	33,932	38,319

(Millions of yen)

	Fiscal 2015 (As of March 31, 2015)	2Q Fiscal 2016 (As of September 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,768	4,076
Short-term loans payable	1,705	2,534
Current portion of long-term loans payable	2,127	2,257
Income taxes payable	206	214
Provision for bonuses	173	151
Other	2,293	2,034
Total current liabilities	10,274	11,268
Noncurrent liabilities		
Long-term loans payable	4,867	5,636
Provision for directors' retirement benefits	38	39
Net defined benefit liability	2,661	2,744
Other	715	1,370
Total noncurrent liabilities	8,283	9,790
Total liabilities	18,558	21,059
Net Assets		
Shareholders' equity		
Capital stock	3,144	3,144
Capital surplus	2,966	2,966
Retained earnings	9,312	9,350
Treasury stock	(0)	(0)
Total shareholders' equity	15,423	15,462
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	1,121	1,019
Deferred gains (losses) on hedges	33	(43)
Foreign currency translation adjustments	601	894
Remeasurements of defined benefit plans	(1,908)	(1,883)
Total accumulated other comprehensive loss	(152)	(12)
Non-controlling interests	102	1,810
Total net assets	15,373	17,260
Total liabilities and net assets	33,932	38,319

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

Consolidated Statements of Income

(Second quarter consolidated cumulative accounting period)

(Millions of yen)

	2Q Fiscal 2015 (From April 1, 2014 to September 30, 2014)	2Q Fiscal 2016 (From April 1, 2015 to September 30, 2015)
Net sales	16,146	18,285
Cost of sales	13,135	14,660
Gross profit on sales	3,010	3,624
Selling, general and administrative expenses	2,740	3,175
Operating income	270	448
Non-operating income		
Interest income	0	8
Dividend income	13	5
Rent income	18	21
Foreign exchange gains	224	19
Equity in earnings of affiliates	58	—
Other	29	24
Total non-operating income	344	90
Non-operating expenses		
Interest expenses	71	154
Equity in losses of affiliates	—	7
Other	9	10
Total non-operating expenses	80	172
Ordinary income	533	365
Extraordinary gains		
Gain on sales of noncurrent assets	—	1
Gain on negative goodwill	—	502
Gain on change in equity	—	157
Total extraordinary gains	—	661
Extraordinary losses		
Loss on retirement of noncurrent assets	18	19
Loss on stepped acquisitions	—	620
Total extraordinary losses	18	640
Income before provision for income taxes	514	387
Income taxes	148	249
Net income	366	137
Net income (loss) attributable to non-controlling interests	(6)	(9)
Net attributable to owners of the parent	372	147

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

(Millions of yen)

	2Q Fiscal 2015 (From April 1, 2014 to September 30, 2014)	2Q Fiscal 2016 (From April 1, 2015 to September 30, 2015)
Net income	366	137
Other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	207	(101)
Deferred gains (losses) on hedges	32	(79)
Foreign currency translation adjustments	304	(293)
Pension liability adjustment of foreign subsidiaries	(44)	27
Share of other comprehensive gain of associates accounted for using equity method	10	474
Total other comprehensive income (loss)	509	27
Total comprehensive income	875	165
Comprehensive income attributable to:		
Owners of the parent	884	286
Non-controlling interests	(8)	(121)

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	2Q Fiscal 2015 (From April 1, 2014 to September 30, 2014)	2Q Fiscal 2016 (From April 1, 2015 to September 30, 2015)
Cash flows from operating activities		
Income before provision for income taxes	514	387
Depreciation and amortization	469	789
Increase in allowance for doubtful accounts	0	9
Decrease in provision for bonuses	(12)	(22)
Increase in provision for directors' retirement benefits	0	0
Increase in net defined benefit liability	15	56
Interest and dividends income	(13)	(24)
Interest expenses	71	154
Foreign exchange gains (losses)	(130)	2
Equity in earnings of affiliates	(58)	7
Gain on sales of property, plant and equipment	—	(1)
Loss on retirement of noncurrent assets	18	19
Gain on change in equity	—	(157)
Gain on negative goodwill	—	(502)
Loss on stepped acquisitions	—	620
Increase (decrease) in notes and accounts receivable-trade	938	(184)
Increase in inventories	(576)	(275)
Increase (decrease) increase in notes and accounts payable-trade	(189)	352
Decrease (increase) in accrued consumption taxes	39	(38)
Other, net	(205)	(180)
Subtotal	883	1,014
Interest and dividends income received	54	58
Interest paid	(68)	(154)
Income taxes paid	(196)	(258)
Net cash provided by operating activities	672	659

(Millions of yen)

	2Q Fiscal 2015 (From April 1, 2014 to September 30, 2014)	2Q Fiscal 2016 (From April 1, 2015 to September 30, 2015)
Cash flows from investing activities		
Payments into time deposits	(20)	(20)
Proceeds from withdrawal of time deposits	20	20
Purchase of property, plant and equipment	(1,432)	(866)
Proceeds from sales of property, plant and equipment	—	2
Purchase of intangible assets	(13)	(8)
Purchase of investment securities	(3)	(3)
Purchase of insurance funds	(2)	(2)
Payments of loans receivable	—	(0)
Collection of loans receivable	2	0
Other, net	(10)	(0)
Net cash used in investing activities	(1,460)	(879)
Cash flows from financing activities		
Net increase in short-term loans payable	13	(302)
Proceeds from long-term loans payable	1,407	1,766
Repayment of long-term loans payable	(1,058)	(1,290)
Proceeds from sale-and-leaseback transactions	80	82
Repayments of lease obligations	(118)	(132)
Repayments to non-controlling interests	—	(21)
Cash dividends paid	(110)	(110)
Cash dividends paid to non-controlling interests	(16)	(10)
Net cash (used) provided by financing activities	197	(17)
Effect of exchange rate change on cash and cash equivalents	28	(36)
Net decrease in cash and cash equivalents	(561)	(274)
Cash and cash equivalents, beginning of period	2,406	2,602
Increase in cash and cash equivalents from newly consolidated subsidiaries	—	24
Decrease in cash and cash equivalents from exclusion of subsidiary from consolidation	—	(38)
Cash and cash equivalents, end of period	1,844	2,313

(4) Notes to Quarterly Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Note Concerning Significant Changes in Shareholders' Equity)

None

(Segment Information)

I. First half of the fiscal year ended March 31, 2015 (From April 1, 2014 to September 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	11,253	4,892	16,146	—	16,146
Inter-segment sales and transfers	686	—	686	(686)	—
Total	11,940	4,892	16,833	(686)	16,146
Segment income	594	383	977	(707)	270

(Notes) 1. Adjustment for segment income of ¥(707) million comprises elimination of intersegment transactions of ¥0 million and unallocated expenses of ¥(708) 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 half of the fiscal year ending March 31, 2016 (From April 1, 2015 to September 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	13,744	4,540	18,285	—	18,285
Inter-segment sales and transfers	851	—	851	(851)	—
Total	14,595	4,540	19,136	(851)	18,285
Segment income	745	412	1,158	(709)	448

(Notes) 1. Adjustment for segment income of ¥(709) million comprises elimination of intersegment transactions of ¥(4) million and unallocated expenses of ¥(705) 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 ¥4,048 million at September 30, 2015, as a result of Nitta Gelatin Inc. consolidating Nitta Gelatin India Ltd., Bamni Proteins Ltd. and Reva Proteins Ltd. as subsidiaries in the first quarter ended June 30, 2015.

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 six months ended September 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.