



November 6, 2014

Consolidated Financial Results for the Six Months Ended September 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>
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Scheduled date to file Quarterly Securities Report: November 10, 2014
 Scheduled date to commence dividend payments: December 5, 2014
 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, 2014 (from April 1, 2014 to September 30, 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	%
Six months ended September 30, 2014	16,146	0.7	270	(50.4)	533	(15.4)	372	(19.2)
September 30, 2013	16,035	14.3	545	(38.9)	630	(32.8)	460	(34.3)

Note: Comprehensive income

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

For the six months ended September 30, 2013: ¥695 million (61.5%)

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2014	20.27	—
September 30, 2013	27.34	—

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	%
September 30, 2014	32,716	14,828	45.0
March 31, 2014	31,389	13,781	43.4

Reference: Equity

As of September 30, 2014: ¥14,709 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: Yes

For details on the revision of consolidated business forecasts, please refer to the press release entitled Notice Concerning Difference in Consolidated Business Forecasts and Results for the Six Months Ended September 30, 2014 and Revision of Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2015 (dated November 6, 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 September 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 September 30, 2014	162 shares
As of March 31, 2014	162 shares

c. Average number of shares

For the six months ended September 30, 2014	18,373,812 shares
For the six months ended September 30, 2013	16,856,740 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 six months of the year ending March 31, 2015, the outlook for the global economy remained uncertain, despite a gradual recovery, especially in the U.S. economy. This outlook mainly reflected slowdowns 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, and sluggish consumption due to unseasonable summer weather.

Amid these circumstances, business conditions were extremely 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.

As a result, in the first six months of the fiscal year ending March 31, 2015, net sales increased 0.7% year on year to ¥16,146 million. Due to delays in revising sales prices in the Japanese market and reduced sales prices for certain products in overseas markets, operating income fell 50.4% to ¥270 million.

Ordinary income was down 15.4% to ¥533 million, cushioned by foreign exchange gains accompanying the yen's ongoing depreciation, and net income decreased 19.2% to ¥372 million.

Segment business performance was as follows:

(a) Collagen Material Business

In the gelatin field, sales of edible gelatin increased in Japan, but earnings decreased due to delays in revising sales prices. In North America, the reduced demand accompanying the slack capsule market was covered by edible gelatin sales, but earnings decreased due to higher raw material prices for pig skin. Consequently, gelatin sales increased, but earnings declined.

Collagen peptide sales in Japan stagnated in the wake of a rush in demand ahead of the consumption tax hike in April 2014. Although sales were strong in the Asian market, collagen peptide sales overall decreased.

Collagen casing sales and earnings increased, due to strong sales in North America.

As a result, net sales in the segment were up 4.5% year on year to ¥11,253 million

and segment profit (operating income) was down 10.8% to ¥594 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.

In adhesives, sales of hot-melt adhesives decreased due to the impact of the unseasonable summer weather. Sales of sealants (high-performance gaskets) also decreased because although they are starting to be adopted, their full adoption will take some time.

As a result, net sales in the segment were down 7.2% year on year to ¥4,892 million. Segment profit (operating income) was down 30.5% to ¥383 million.

(2) Description of Financial Position

(a) Assets, liabilities and net assets

(Assets)

Total assets amounted to ¥32,716 million at September 30, 2014, ¥1,327 million higher than at March 31, 2014. This was mainly attributable to a ¥690 million increase in inventories including merchandise and finished goods, and a ¥1,481 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 ¥561 million decrease in cash and deposits and a ¥784 million decrease in notes and accounts receivable-trade owing to the securitization of receivables.

(Liabilities)

Total liabilities stood at ¥17,888 million at September 30, 2014, ¥279 million higher than at March 31, 2014. This was due mainly to a ¥78 million increase in short-term loans payable and a ¥446 million increase in long-term loans payable (current portion included). These increases were partly offset by a ¥76 million decrease in notes and accounts payable-trade and a net defined benefit liability marked down by ¥176 million.

(Net assets)

Net assets increased ¥1,047 million to ¥14,828 million. This was mainly attributable to

a ¥561 million increase in retained earnings, a ¥207 million increase in valuation difference on other available-for-sale securities, and an increase of ¥311 million in foreign currency translation adjustments.

As a result, the equity ratio stood at 45.0% as of September 30, 2014, compared to 43.4% at March 31, 2014.

(b) Cash flows

Cash and cash equivalents (“cash”) as of September 30, 2014 were ¥1,844 million, down ¥561 million from as of March 31, 2014.

Cash flows for each activity and reasons are as follows.

(Net cash provided by operating activities)

Operating activities provided net cash of ¥672 million, compared to ¥910 million used in the same period in the previous fiscal year. The main contributing factors were income before income taxes of ¥514 million and a decrease of ¥938 million in accounts receivable-trade. The main component of cash used was an increase of ¥576 million in inventories.

(Net cash used in investing activities)

Investing activities used net cash of ¥1,460 million, compared to ¥1,381 million used in the same period in the previous fiscal year. The main use of cash was ¥1,432 million for the purchase of property, plant and equipment.

(Net cash provided by financing activities)

Financing activities provided net cash of ¥197 million, compared to ¥2,645 million provided in the same period in the previous fiscal year. The main contributor to cash was proceeds from long-term debt of ¥1,407 million. The main use of cash was ¥1,058 million in repayment of long-term loans payable.

(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, 2015, which were announced in the

“Consolidated Financial Results for the Fiscal Year Ended March 31, 2014 (Japanese Accounting Standards)” on May 9, 2014.

For details, please refer to the press release entitled Notice Concerning Difference in Consolidated Business Forecasts and Results for the Six Months Ended September 30, 2014 and Revision of Consolidated Business Forecasts for the Fiscal Year Ending March 31, 2015 (dated November 6, 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 six months ended September 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 six months ended September 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 half 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)	2Q Fiscal 2015 (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	2,426,006	1,864,603
Notes and accounts receivable-trade	8,164,776	7,380,185
Merchandise and finished goods	4,732,050	5,221,894
Work in process	1,089,542	1,220,632
Raw materials and supplies	1,820,812	1,890,018
Other	465,533	583,587
Allowance for doubtful accounts	(13,339)	(14,487)
Total current assets	18,685,381	18,146,434
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,815,141	3,400,688
Machinery, equipment and vehicles, net	2,139,301	2,167,727
Other, net	3,849,844	4,717,782
Total property, plant and equipment	8,804,286	10,286,198
Intangible assets		
Other	50,795	58,952
Total intangible assets	50,795	58,952
Investments and other assets		
Investment securities	3,075,772	3,438,599
Other	775,527	788,702
Allowance for doubtful accounts	(2,111)	(2,101)
Total investments and other assets	3,849,189	4,225,200
Total noncurrent assets	12,704,270	14,570,350
Total assets	31,389,652	32,716,785

(Thousands of yen)

	Fiscal 2014 (As of March 31, 2014)	2Q Fiscal 2015 (As of September 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	4,255,505	4,178,947
Short-term loans payable	1,121,491	1,199,792
Current portion of long-term loans payable	1,932,912	2,021,261
Income taxes payable	147,730	130,824
Provision for bonuses	177,916	167,239
Other	2,444,825	2,512,922
Total current liabilities	10,080,381	10,210,988
Noncurrent liabilities		
Long-term loans payable	4,415,868	4,773,666
Provision for directors' retirement benefits	37,072	37,897
Net defined benefit liability	2,524,417	2,348,123
Other	550,869	517,484
Total noncurrent liabilities	7,528,227	7,677,171
Total liabilities	17,608,608	17,888,159
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	9,184,813
Treasury stock	(68)	(68)
Total shareholders' equity	14,734,766	15,296,116
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	622,837	830,228
Deferred gains (losses) on hedges	(5,110)	32,453
Foreign currency translation adjustments	(187,061)	124,695
Remeasurements of defined benefit plans	(1,528,458)	(1,573,516)
Total accumulated other comprehensive income (loss)	(1,097,792)	(586,138)
Minority interests	144,069	118,647
Total net assets	13,781,043	14,828,626
Total liabilities and net assets	31,389,652	32,716,785

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

Consolidated Statements of Income

(Second quarter consolidated cumulative accounting period)

	(Thousands of yen)	
	2Q Fiscal 2014 (From April 1, 2013 to September 30, 2013)	2Q Fiscal 2015 (From April 1, 2014 to September 30, 2014)
Net sales	16,035,202	16,146,308
Cost of sales	12,835,048	13,135,791
Gross profit on sales	3,200,154	3,010,517
Selling, general and administrative expenses	2,655,139	2,740,365
Operating income	545,014	270,151
Non-operating income		
Interest income	4,236	301
Dividend income	10,826	13,379
Foreign exchange gains	66,292	224,208
Equity in earnings of affiliates	73,135	58,614
Other	41,063	47,527
Total non-operating income	195,555	344,032
Non-operating expenses		
Interest expenses	74,114	71,448
Public offering expenses	23,385	—
Other	12,660	9,146
Total non-operating expenses	110,160	80,594
Ordinary income	630,409	533,589
Extraordinary income		
Guarantees received	87,288	—
Total extraordinary income	87,288	—
Extraordinary losses		
Loss on retirement of noncurrent assets	12,998	18,621
Total extraordinary losses	12,998	18,621
Income before income taxes and minority interests	704,699	514,967
Income taxes	248,809	148,480
Income before minority interests	455,890	366,487
Minority interests in income (loss)	(5,025)	(6,032)
Net income	460,915	372,520

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

	(Thousands of yen)	
	2Q Fiscal 2014 (From April 1, 2013 to September 30, 2013)	2Q Fiscal 2015 (From April 1, 2014 to September 30, 2014)
Income before minority interests	455,890	366,487
Other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	129,260	207,483
Deferred gains (losses) on hedges	(20,682)	32,390
Foreign currency translation adjustments	219,473	304,021
Pension liability adjustment of foreign subsidiaries	(9,480)	—
Remeasurements of defined benefit plans, net of tax	—	(44,925)
Share of other comprehensive gain (loss) of associates accounted for using equity method	(79,369)	10,154
Total other comprehensive income (loss)	239,201	509,125
Total comprehensive income	695,091	875,612
Comprehensive income attributable to:		
Owners of the parent	689,057	884,174
Minority interests	6,034	(8,561)

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	2Q Fiscal 2014 (From April 1, 2013 to September 30, 2013)	2Q Fiscal 2015 (From April 1, 2014 to September 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	704,699	514,967
Depreciation and amortization	428,581	469,040
Increase (decrease) in allowance for doubtful accounts	(54)	557
Decrease in provision for bonuses	(62,788)	(12,191)
Decrease in provision for retirement benefits	(24,739)	—
Increase in provision for directors' retirement benefits	825	825
Increase in net defined benefit liability	—	15,897
Interest and dividends income	(15,063)	(13,681)
Interest expenses	74,114	71,448
Foreign exchange gains	(21,886)	(130,535)
Equity in earnings of affiliates	(73,135)	(58,614)
Loss on retirement of noncurrent assets	12,998	18,621
Decrease (increase) in notes and accounts receivable-trade	(1,389,305)	938,924
Increase in inventories	(229,535)	(576,442)
(Decrease) increase in notes and accounts payable-trade	177,038	(189,720)
Increase (decrease) in accrued consumption taxes	(66,723)	39,633
Other, net	(314,673)	(205,693)
Subtotal	(799,649)	883,037
Interest and dividends income received	84,043	54,481
Interest expenses paid	(74,771)	(68,508)
Income taxes paid	(120,406)	(196,214)
Net cash provided by operating activities	(910,784)	672,795

(Thousands of yen)

	2Q Fiscal 2014 (From April 1, 2013 to September 30, 2013)	2Q Fiscal 2015 (From April 1, 2014 to September 30, 2014)
Cash flows from investing activities		
Payments into time deposits	(20,000)	(20,000)
Proceeds from withdrawal of time deposits	20,000	20,000
Purchase of property, plant and equipment	(1,248,221)	(1,432,484)
Purchase of intangible assets	(2,388)	(13,189)
Purchase of investment securities	(3,593)	(3,591)
Proceeds from sales of investment securities	5,362	—
Purchase of stocks of affiliates	(142,136)	—
Purchase of insurance funds	(4,566)	(2,501)
Proceeds from cancellation of insurance funds	15,599	—
Payments of loans receivable	(120)	—
Collection of loans receivable	2,157	2,032
Other, net	(3,881)	(10,560)
Net cash used in investing activities	(1,381,789)	(1,460,294)
Cash flows from financing activities		
Net increase in short-term loans payable	497,539	13,328
Proceeds from long-term loans payable	251,849	1,407,000
Repayment of long-term loans payable	(1,197,368)	(1,058,691)
Redemption of bonds	(200,000)	—
Proceeds from issuance of common stock	3,135,616	—
Proceeds from sale-and-leaseback transactions	392,335	80,991
Repayments of lease obligations	(102,539)	(118,078)
Cash dividends paid	(126,159)	(110,242)
Cash dividends paid to minority shareholders	(5,880)	(16,860)
Net cash provided by financing activities	2,645,393	197,448
Effect of exchange rate change on cash and cash equivalents	44,085	28,648
Net (decrease) increase in cash and cash equivalents	396,905	(561,402)
Cash and cash equivalents, beginning of period	2,258,659	2,406,006
Cash and cash equivalents, end of period	2,655,565	1,844,603

(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, 2014 (From April 1, 2013 to September 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	10,763,955	5,271,246	16,035,202	—	16,035,202
Inter-segment sales and transfers	679,876	—	679,876	(679,876)	—
Total	11,443,831	5,271,246	16,715,078	(679,876)	16,035,202
Segment income	666,336	551,352	1,217,688	(672,674)	545,014

(Notes) 1. Adjustment for segment income of -¥672,674 thousand comprises elimination of intersegment transactions of ¥1,526 thousand and unallocated expenses of ¥674,200 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 half of the fiscal year ending March 31, 2015 (From April 1, 2014 to September 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	11,253,381	4,892,927	16,146,308	—	16,146,308
Inter-segment sales and transfers	686,952	—	686,952	(686,952)	—
Total	11,940,333	4,892,927	16,833,260	(686,952)	16,146,308
Segment income	594,499	383,151	977,651	(707,499)	270,151

(Notes) 1. Adjustment for segment income of -¥707,499 thousand comprises elimination of intersegment transactions of ¥866 thousand and unallocated expenses of ¥708,366 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