



November 5, 2013

Consolidated Financial Results for the Six Months Ended September 30, 2013

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**
 Listing: First Section of Tokyo Stock Exchange
 Stock code: 4977
 URL: <http://www.nitta-gelatin.co.jp>
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Scheduled date to file Quarterly Securities Report: November 11, 2013
 Scheduled date to commence dividend payments: December 6, 2013
 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, 2013 (from April 1, 2013 to September 30, 2013)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2013	16,035	14.3	545	(38.9)	630	(32.8)	460	(34.3)
September 30, 2012	14,029	—	891	—	937	—	701	—

Note: Comprehensive income

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

For the six months ended September 30, 2012: ¥430 million (-%)

	Net income per share	Diluted net income per share
Six months ended September 30, 2013	Yen 27.34	Yen —
September 30, 2012	44.50	—

Note: Consolidated financial results for the six months ended September 30, 2012 were adjusted retroactively, applying accounting policies that were changed in line with revisions of accounting standards. Accordingly, the Company has not disclosed year-on-year comparisons between results for the six months ended September 30, 2012 and 2011.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2013	28,746	13,423	46.2
March 31, 2013	25,190	9,724	38.0

Reference: Equity

As of September 30, 2013: ¥13,275 million

As of March 31, 2013: ¥9,577 million

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

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2013	–	6.00	–	8.00	14.00
Fiscal year ending March 31, 2014	–	6.00			
Fiscal year ending March 31, 2014 (Forecasts)			–	6.00	12.00

Note: Changes to most recent dividend forecasts: None

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending March 31, 2014	32,700	13.7	1,700	6.5	1,890	(4.5)	1,380	(9.5)	78.60

Note: Changes to most recent consolidated financial forecasts: None

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

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

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, 2013	18,373,974 shares
As of March 31, 2013	15,770,074 shares

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

As of September 30, 2013	162 shares
As of March 31, 2013	162 shares

- c. Average number of shares

For the six months ended September 30, 2013	16,856,740 shares
For the six months ended September 30, 2012	15,769,912 shares

* Disclosure of status of quarterly review procedure

This report falls outside the scope of quarterly review procedures as laid out in the Financial Instruments and Exchange Act. As of the time of the release of this report, the review of the financial statements, etc., outlined in the Act had not yet been concluded.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. These statements do not guarantee that the Company will achieve its earnings forecasts. In addition, actual business and other results may differ substantially due to various factors. For details on the conditions assumed and the cautionary notes and items in the financial forecasts, please refer to “(3) Description of Consolidated Business Forecasts and Other Forward-looking Information” in “1. Qualitative Information Concerning Quarterly Financial Statements” on page 5 of the Attachment Contents to this report.

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1. Qualitative Information Concerning Quarterly Financial Statements

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

(1) Description of Business Results

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

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

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

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

As a result, in the first half of the fiscal year ending March 31, 2014, net sales increased 14.3% year on year to ¥16,035 million. By contrast, operating income fell 38.9% to ¥545 million, mainly due to an increase in the cost of sales, ordinary income was down 32.8% to ¥630 million and net income decreased 34.3% to ¥460 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.

Profit margins declined, however, as a result of rising raw material prices, and increasing procurement costs due to the yen's depreciation. In overseas markets, sales increased owing to price revisions backed by buoyant demand.

Collagen peptide sales increased year on year mainly reflecting increased sales in Japan and Asia overall.

Collagen casing saw sluggish sales volume growth in North America, although monetary sales increased as a result of the yen's depreciation.

As a result, net sales in the segment were up 21.5% year on year to ¥10,763 million and segment income (operating income) was down 27.6% to ¥666 million.

(b) Formula Solution Business

Sales of food materials on the whole were sluggish. This was mainly because of lackluster sales for delicatessen items, although sales for ingredients in confectionary and desserts, and for ham and sausages were strong.

In adhesives, overall sales were flat due to sluggish sales of hot-melt adhesives.

As a result, net sales in the segment were up 1.9% year on year to ¥5,271 million. Segment income (operating income) was down 15.0% to ¥551 million.

(2) Description of Financial Position

(a) Assets, liabilities and net assets

(Assets)

Total assets amounted to ¥28,746 million as of September 30, 2013, ¥3,555 million higher than as of March 31, 2013. This was mainly attributable to a ¥396 million increase in cash and deposits, a ¥1,479 million increase in notes and accounts receivable-trade, and a ¥358 million increase in inventories including merchandise and finished goods. There was also an ¥891 million increase in property, plant and equipment in line with a renewal of collagen casing production facilities and the construction of a collagen peptide plant.

(Liabilities)

Total liabilities stood at ¥15,322 million as of September 30, 2013, ¥142 million lower than as of March 31, 2013. This was mainly attributable to decreases of ¥927 million in long-term loans payable (current portion included), and ¥200 million in the current portion of bonds. Those decreases were partly offset by increases of ¥272 million in

notes and accounts payable-trade, and ¥534 million in short-term loans payable.

(Net assets)

Net assets were ¥13,423 million as of September 30, 2013, ¥3,698 million higher than as of March 31, 2013.

This was mainly attributable to a ¥334 million increase in retained earnings, and increases of ¥1,567 million each in capital stock and capital surplus resulting from the issuance of common stock by way of public subscription and third-party allocation.

As a result, the equity ratio stood at 46.2% as of September 30, 2013, compared to 38.0% as of March 31, 2013.

(b) Cash flows

Cash and cash equivalents (“cash”) as of September 30, 2013 were ¥2,655 million, up ¥396 million from as of March 31, 2013.

Cash flows for each activity and reasons are as follows.

(Net cash used by operating activities)

Operating activities used net cash of ¥910 million. The main contributing factors were increases of ¥1,389 million in accounts receivable-trade and ¥229 million in inventories. This was partly offset by ¥704 million in income before income taxes.

(Net cash used in investing activities)

Investing activities used net cash of ¥1,381 million. The main use of cash was ¥1,248 million for the purchase of property, plant and equipment.

(Net cash provided by financing activities)

Financing activities provided net cash of ¥2,645 million. The main contributors to cash were ¥3,135 million in proceeds from issuance of common stock and ¥497 million in proceeds from short-term loans payable. The main use of cash was ¥1,197 million in repayment of long-term loans payable.

(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, 2014, which were announced in the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2013 (Japanese Accounting Standards)" on May 10, 2013.

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

2. Matters Concerning Summary Information (Notes)

(1) Significant Changes in Subsidiaries During the Quarterly Period Under Review

None

(2) Application of Special Accounting Methods in the Preparation of Quarterly Consolidated Financial Statements

None

(3) Changes in Accounting Policies and Estimates, and Restatement of Revisions

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

As a result, net income for the six months ended September 30, 2012 decreased ¥7 million after restatement. Moreover, net assets as of April 1, 2012 was restated ¥153 million lower to mainly reflect the accumulative impact of this accounting policy change.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2013 (As of March 31, 2013)	2Q Fiscal 2014 (As of September 30, 2013)
Assets		
Current assets		
Cash and deposits	2,278,659	2,675,565
Notes and accounts receivable-trade	5,839,913	7,319,485
Merchandise and finished goods	4,404,789	4,638,499
Work in process	918,045	997,966
Raw materials and supplies	1,508,837	1,553,857
Other	385,762	656,731
Allowance for doubtful accounts	(16,176)	(16,375)
Total current assets	15,319,831	17,825,730
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,792,208	2,821,597
Machinery, equipment and vehicles, net	1,343,676	1,328,885
Other, net	2,151,627	3,028,413
Total property, plant and equipment	6,287,512	7,178,897
Intangible assets		
Other	48,696	45,369
Total intangible assets	48,696	45,369
Investments and other assets		
Investment securities	2,768,381	2,998,734
Other	767,704	699,237
Allowance for doubtful accounts	(1,809)	(1,806)
Total investments and other assets	3,534,277	3,696,165
Total noncurrent assets	9,870,486	10,920,433
Total assets	25,190,318	28,746,164

(Thousands of yen)

	Fiscal 2013 (As of March 31, 2013)	2Q Fiscal 2014 (As of September 30, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,736,664	4,009,165
Short-term loans payable	1,145,432	1,680,137
Current portion of long-term loans payable	2,068,482	1,750,514
Current portion of bonds	200,000	—
Income taxes payable	81,273	222,940
Provision for bonuses	220,847	160,378
Other	2,184,378	2,051,593
Total current liabilities	9,637,079	9,874,729
Noncurrent liabilities		
Long-term loans payable	3,142,014	2,532,302
Provision for retirement benefits	2,276,795	2,263,916
Provision for directors' retirement benefits	35,422	36,247
Other	374,344	615,636
Total noncurrent liabilities	5,828,575	5,448,102
Total liabilities	15,465,655	15,322,832
Net Assets		
Shareholders' equity		
Capital stock	1,577,121	3,144,929
Capital surplus	1,398,633	2,966,442
Retained earnings	8,194,375	8,529,131
Treasury stock	(68)	(68)
Total shareholders' equity	11,170,062	14,640,434
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	499,868	628,979
Deferred gains (losses) on hedges	27,858	(16,165)
Foreign currency translation adjustments	(667,634)	(515,099)
Pension liability adjustment of foreign subsidiaries	(1,452,870)	(1,462,351)
Total accumulated other comprehensive income (loss)	(1,592,778)	(1,364,636)
Minority interests	147,379	147,534
Total net assets	9,724,663	13,423,331
Total liabilities and net assets	25,190,318	28,746,164

(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 2013 (From April 1, 2012 to September 30, 2012)	2Q Fiscal 2014 (From April 1, 2013 to September 30, 2013)
Net sales	14,029,866	16,035,202
Cost of sales	10,706,327	12,835,048
Gross profit on sales	3,323,539	3,200,154
Selling, general and administrative expenses	2,431,993	2,655,139
Operating income	891,545	545,014
Non-operating income		
Interest income	768	4,236
Dividend income	10,573	10,826
Foreign exchange gains	—	66,292
Equity in earnings of affiliates	124,290	73,135
Other	46,288	41,063
Total non-operating income	181,920	195,555
Non-operating expenses		
Interest expenses	75,751	74,114
Public offering expenses	—	23,385
Foreign exchange losses	44,831	—
Other	14,895	12,660
Total non-operating expenses	135,478	110,160
Ordinary income	937,987	630,409
Extraordinary income		
Gain on sales of noncurrent assets	10,897	—
Guarantees received	—	87,288
Total extraordinary income	10,897	87,288
Extraordinary losses		
Loss on retirement of noncurrent assets	9,028	12,998
Loss on valuation of investment securities	9,871	—
Total extraordinary losses	18,900	12,998
Income before income taxes and minority interests	929,984	704,699
Income taxes	225,366	248,809
Income before minority interests	704,617	455,890
Minority interests in income (loss)	2,928	(5,025)
Net income	701,689	460,915

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

	(Thousands of yen)	
	2Q Fiscal 2013 (From April 1, 2012 to September 30, 2012)	2Q Fiscal 2014 (From April 1, 2013 to September 30, 2013)
Income before minority interests	704,617	455,890
Other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	(92,153)	129,260
Deferred losses on hedges	(12,646)	(20,682)
Foreign currency translation adjustments	(192,922)	219,473
Pension liability adjustment of foreign subsidiaries	72,924	(9,480)
Share of other comprehensive loss of associates accounted for using equity method	(49,466)	(79,369)
Total other comprehensive income (loss)	(274,264)	239,201
Total comprehensive income	430,353	695,091
Comprehensive income attributable to:		
Owners of the parent	427,147	689,057
Minority interests	3,205	6,034

(3) Consolidated Statements of Cash Flows

(Thousands of yen)

	2Q Fiscal 2013 (From April 1, 2012 to September 30, 2012)	2Q Fiscal 2014 (From April 1, 2013 to September 30, 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	929,984	704,699
Depreciation and amortization	385,728	428,581
(Decrease) increase in allowance for doubtful accounts	4,900	(54)
Decrease in provision for bonuses	(60,101)	(62,788)
Decrease in provision for retirement benefits	(75,674)	(24,739)
Increase in provision for directors' retirement benefits	825	825
Interest and dividends income	(11,341)	(15,063)
Interest expenses	75,751	74,114
Foreign exchange (gains) losses	22,010	(21,886)
Equity in earnings of affiliates	(124,290)	(73,135)
Gain on sales of noncurrent assets	(10,897)	—
Loss on retirement of noncurrent assets	9,028	12,998
Loss on valuation of investment securities	9,871	—
Increase in notes and accounts receivable-trade	(8,417)	(1,389,305)
Increase in inventories	(412,134)	(229,535)
Increase in notes and accounts payable-trade	286,381	177,038
Decrease in accrued consumption taxes	(48,611)	(66,723)
Other, net	(268,013)	(314,673)
Subtotal	704,999	(799,649)
Interest and dividends income received	144,347	84,043
Interest expenses paid	(75,041)	(74,771)
Income taxes paid	(401,770)	(120,406)
Net cash provided by operating activities	372,534	(910,784)

(Thousands of yen)

	2Q Fiscal 2012 (From April 1, 2011 to September 30, 2011)	2Q Fiscal 2013 (From April 1, 2012 to September 30, 2012)
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	(436,582)	(1,248,221)
Proceeds from sales of property, plant and equipment	13,315	—
Purchase of intangible assets	(29,309)	(2,388)
Purchase of investment securities	(35,341)	(3,593)
Proceeds from sales of investment securities	—	5,362
Purchase of stocks of affiliates	—	(142,136)
Purchase of insurance funds	(4,566)	(4,566)
Proceeds from cancellation of insurance funds	29,610	15,599
Payments of loans receivable	(200)	(120)
Collection of loans receivable	2,396	2,157
Other, net	(7,203)	(3,881)
Net cash used in investing activities	(467,881)	(1,381,789)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(431)	497,539
Proceeds from long-term loans payable	1,519,115	251,849
Repayment of long-term loans payable	(1,002,303)	(1,197,368)
Redemption of bonds	(330,000)	(200,000)
Proceeds from issuance of common stock	—	3,135,616
Proceeds from sale-and-leaseback transactions	63,570	392,335
Repayments of lease obligations	(63,374)	(102,539)
Cash dividends paid	(126,159)	(126,159)
Cash dividends paid to minority shareholders	(8,173)	(5,880)
Net cash provided by financing activities	52,243	2,645,393
Effect of exchange rate change on cash and cash equivalents	(21,319)	44,085
Net increase (decrease) in cash and cash equivalents	(64,422)	396,905
Cash and cash equivalents, beginning of period	2,078,305	2,258,659
Cash and cash equivalents, end of period	2,013,882	2,655,565

(4) Notes to Quarterly Consolidated Financial Statements

(Note Concerning Going Concern Assumption)

None

(Note Concerning Significant Changes in Shareholders' Equity)

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

(Segment Information)

I. First half of the fiscal year ended March 31, 2013 (From April 1, 2012 to September 30, 2012)

1. Information on net sales, income and loss by reporting segment

(Thousands of yen)

Reporting segment			Total	Adjustments ^{*1}	Amounts in the consolidated financial statements ^{*2}
	Collagen material business	Formula solution business			
Net sales					
Sales to third parties	8,855,882	5,173,984	14,029,866	—	14,029,866
Inter-segment sales and transfers	610,207	—	610,207	(610,207)	—
Total	9,466,089	5,173,984	14,640,073	(610,207)	14,029,866
Segment income	919,966	648,559	1,568,526	(676,980)	891,545

(Notes) 1. Adjustment for segment income of -¥676,980 thousand comprises elimination of intersegment transactions of ¥1,408 thousand and unallocated expenses of ¥678,389 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, 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

3. Matters Concerning Changes in Reporting Segments

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

As a result, segment income for Collagen Material Business for the six months ended September 30, 2012 decreased by ¥9 million after restatement.

(Subsequent Events)

No items to report