



November 9, 2012

Consolidated Financial Results for the Six Months Ended September 30, 2012

(Japanese Accounting Standards)

Name of the Listed Company: **Nitta Gelatin Inc.**
 Listing: Second Section of Tokyo Stock Exchange
 Stock code: 4977
 URL: <http://www.nitta-gelatin.co.jp>
 Representative: Norimichi Soga, Representative Director and President
 Contact Person: Tsuneo Sasaki, Director and Senior Managing Executive Officer;
 General Manager of the General Affairs Division
 Tel: +81-72-949-5381

Scheduled date to file Quarterly Securities Report: November 11, 2012
 Scheduled date to commence dividend payments: December 7, 2012
 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, 2012

(from April 1, 2012 to September 30, 2012)

(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, 2012	14,029	(2.0)	901	(28.8)	947	(20.1)	709	(8.8)
September 30, 2011	14,311	—	1,265	—	1,186	—	777	—

(Note) Comprehensive income

For the six months ended September 30, 2012: ¥424 million (30.7%)

For the six months ended September 30, 2011: ¥324 million (-%)

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2012	44.96	—
September 30, 2011	59.90	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of	Millions of yen	Millions of yen	%
September 30, 2012	23,591	8,398	35.3
March 31, 2012	23,371	8,108	34.4

(Reference) Equity

As of September 30, 2012: ¥8,328 million

As of March 31, 2012: ¥8,033 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, 2012	–	2.00	–	8.00	10.00
Fiscal year ending March 31, 2013	–	6.00			
Fiscal year ending March 31, 2013 (Forecasts)			–	6.00	12.00

(Note) Changes to most recent consolidated financial forecasts: None

3. Consolidated financial forecasts for the fiscal year ending March 31, 2013 (from April 1, 2012 to March 31, 2013)

(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, 2013	28,900	4.1	2,070	2.7	2,100	4.9	1,370	(0.4)	86.87

(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 (Beijing Nitta Collagen Casing Co., Ltd.)

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 standards due to revisions to accounting standards and other guidelines: Yes

b. Changes in accounting policies due to reasons other than a. above: No

c. Changes in accounting estimates: Yes

d. Restatement of revisions: No

Note: For details, please refer to “(2) 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, 2012 15,770,074 shares

As of March 31, 2012 15,770,074 shares

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

As of September 30, 2012 162 shares

As of March 31, 2012 162 shares

c. Average number of shares

For the six months ended September 30, 2012	15,769,912 shares
For the six months ended September 30, 2011	12,514,819 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 “Qualitative Information Concerning Consolidated Business Forecasts” on page 5 of the Attachment Contents to this report.

Attachment Contents

1. Qualitative Information Concerning Quarterly Financial Statements	2
(1) Qualitative Information Concerning Consolidated Business Results.....	2
(2) Qualitative Information Concerning Consolidated Financial Position.....	3
(3) Qualitative Information Concerning Consolidated Business Forecasts.....	5
2. Matters Concerning Summary Information (Notes)	5
(1) Significant Changes in Subsidiaries During the Quarterly Period Under Review.....	5
(2) Changes in Accounting Policies and Estimates, and Restatement of Revisions.....	5
3. Quarterly Consolidated Financial Statements	6
(1) Consolidated Balance Sheets.....	6
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income.....	8
(3) Consolidated Statements of Cash Flows.....	10
(4) Note Concerning Going Concern Assumption.....	12
(5) Note Concerning Significant Changes in Shareholders' Equity.....	12
(6) Segment Information.....	12
(7) Subsequent Events.....	14

1. Qualitative Information Concerning Quarterly Financial Statements

(1) Qualitative Information Concerning Consolidated Business Results

In the first half of the year ending March 31, 2013, overseas economies remained on a weak recovery track on the whole. Although the U.S. economy continued to stage a gradual recovery, the European debt problem and financial crisis persisted, along with slowing expansion in the Indian and Chinese economy and flat growth in the Southeast Asian economies. On the other hand, the Japanese economy returned to a recovery path, mainly supported by firm internal demand related to post-quake reconstruction and other sources of demand. The economic outlook, however, remained uncertain due to factors such as the global economic slowdown, anemic exports due to the yen's protracted appreciation, and concerns about the impact of Japan's strained diplomatic relations with China and South Korea on economic activity.

Against this backdrop, the Nitta Gelatin Group has adopted three basic management policies: (1) Customer First; (2) Globalization & Innovation; and (3) Selection and Concentration. Guided by these policies, the Group has actively worked to provide products and services that satisfy customers, and develop new products and cultivate new markets, with the aim of rising above the challenging business conditions.

Overseas, the Group posted strong sales atop buoyant demand. In Japan, sales declined, reflecting intensified competition with products from other companies.

As a result, in the first half of the fiscal year ending March 31, 2013, net sales were down 2.0% year on year to ¥14,029 million, and operating income was down 28.8% to ¥901 million. Ordinary income was held to a decrease of 20.1% to ¥947 million on account of an increase in equity in earnings of affiliates. Net income was held to a decrease of 8.8% to ¥709 million, mainly because of lower income taxes.

Segment business performance was as follows:

(a) Collagen Material Business

In the gelatin field, the Group posted lower sales of edible gelatin in Japan, reflecting the end of a temporary boost in sales from post-quake demand in the first half of the previous fiscal year. However, sales of gelatin for capsules performed strongly in Japan. Meanwhile, photographic gelatin sales declined. In overseas markets, sales increased due to buoyant demand for edible gelatin and gelatin for capsules. Another contributing factor was the positive impact of the revision of gelatin prices to the Group's advantage.

Collagen peptide sales declined year on year, mainly reflecting falling unit prices as a result of intensified competition with products of other companies and with other materials in Japan, and due to delays in the Group's development of Asian markets.

Collagen casing sales increased, buoyed by robust demand for collagen casings for snack sausages in the U.S. and strong exports to China.

As a result, net sales in the segment were down 1.5% year on year to ¥8,855 million and segment profit (operating income) was down 29.1% to ¥929 million.

(b) Formula Solution Business

In food materials, overall sales declined due to lackluster sales of ingredients for delicatessen items, reflecting intensified competition with products from other companies. This was despite steady growth in sales of stabilizers for ham, sausage and other meat products, in addition to stabilizers for use in chilled desserts sold in convenience stores, underpinned by strong conditions in the Japanese food market.

In adhesives, overall sales declined mainly due to lower sales of hot melt adhesives for bookbinding applications owing to weak conditions in the publishing sector, as well as the sale of certain product businesses. This was partly offset by firm sales of hot melt adhesives for building materials supported by recovery demand from the Great East Japan Earthquake, and newly developed high-performance gaskets.

As a result, net sales in the segment were down 2.8% year on year to ¥5,173 million. Segment profit (operating income) was up 8.4% to ¥648 million, as prices of raw materials for adhesives stopped increasing.

(2) Qualitative Information Concerning Consolidated Financial Position

(a) Assets, liabilities and net assets

Total assets amounted to ¥23,591 million at September 30, 2012, ¥219 million higher than at March 31, 2012.

(Current assets)

Current assets increased ¥301 million from March 31, 2012 to ¥15,237 million. This was mainly due to a ¥330 million increase in inventories.

(Noncurrent assets)

Noncurrent assets decreased ¥81 million from March 31, 2012 to ¥8,354 million at September 30, 2012. This was mainly due to a ¥171 million decrease in investment securities tracking lower stock prices, which was partly offset by a ¥62 million increase in property, plant and equipment and a ¥24 million increase in intangible assets in line with capital expenditures.

(Current liabilities)

Current liabilities stood at ¥9,174 million at September 30, 2012, ¥2 million lower than at March 31, 2012. This was attributable to a ¥180 million decrease in income taxes payable and a ¥62 million decrease in provision for bonuses, which were partly offset by a ¥218 million increase in notes and accounts payable-trade.

(Noncurrent liabilities)

Noncurrent liabilities decreased ¥67 million to ¥6,019 million. This was mainly due to a ¥200 million decrease in bonds payable and a ¥149 million decrease in provision for retirement benefits, which were partly offset by a ¥297 million increase in long-term loans payable.

(Net assets)

Net assets increased ¥289 million to ¥8,398 million. The main contributing factor was a ¥582 million increase in retained earnings, which was partly offset by a ¥251 million decline in foreign currency translation adjustments in line with the yen's appreciation from the previous fiscal year-end.

As a result, the equity ratio stood at 35.3% as of September 30, 2012, compared to 34.4% at March 31, 2012.

2) Cash flows

Cash and cash equivalents as of September 30, 2012 were ¥2,013 million.

Cash flows for each activity and reasons are as follows.

(Cash flows from operating activities)

Operating activities provided net cash of ¥372 million. The main contributors to cash were ¥939 million in income before income taxes and minority interests and ¥385 million in depreciation and amortization. The main components of cash used were ¥412 million for an increase in inventories and ¥401 million for income taxes paid.

(Cash flows from investing activities)

Investing activities used net cash of ¥467 million. The main use of cash was ¥436 million for the purchase of property, plant and equipment.

(Cash flows from financing activities)

Financing activities provided net cash of ¥52 million. The main contributor to cash was ¥1,519 million in proceeds from long-term loans payable. The main components of cash used were ¥1,002 million for repayment of long-term loans payable and ¥330 million for redemption of bonds.

(3) Qualitative Information Concerning Consolidated Business Forecasts

The Group has not revised its consolidated business forecasts for the fiscal year ending March 31, 2013, which were announced in “Consolidated Financial Results for the Fiscal Year Ended March 31, 2012 (Japanese Accounting Standards)” on May 11, 2012.

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

Beijing Nitta Collagen Casing Co., Ltd., a joint venture company, was established in September 2012 with Beijing Qiushi Agriculture Development Co., Ltd., a sheep casing processing company in Beijing, for the purpose of expanding sales of collagen casing in China. Beijing Nitta Collagen Casing was included in the scope of consolidation from the second quarter of the fiscal year ending March 31, 2013.

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

(Changes in Depreciation Method)

Following the amendment of the Corporation Tax Act, effective from the first quarter of the year ending March 31, 2013, the Company and its domestic consolidated subsidiaries have changed the method of depreciation for tangible fixed assets acquired on or after April 1, 2012 to the method of depreciation stipulated by the amended Corporation Tax Act.

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, 2013.

3. Quarterly Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Thousands of yen)

	Fiscal 2012 (As of March 31, 2012)	2Q Fiscal 2013 (As of September 30, 2012)
Assets		
Current assets		
Cash and deposits	2,098,305	2,033,882
Notes and accounts receivable-trade	6,449,185	6,371,463
Merchandise and finished goods	4,011,191	4,306,406
Work in process	651,952	701,938
Raw materials and supplies	1,308,008	1,293,383
Other	431,247	548,893
Allowance for doubtful accounts	(14,013)	(18,735)
Total current assets	14,935,878	15,237,232
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,519,511	2,582,366
Machinery, equipment and vehicles, net	1,160,053	1,068,439
Other, net	1,707,611	1,798,861
Total property, plant and equipment	5,387,176	5,449,667
Intangible assets		
Other	18,491	42,722
Total intangible assets	18,491	42,722
Investments and other assets		
Investment securities	2,055,225	1,883,836
Other	976,926	979,908
Allowance for doubtful accounts	(1,814)	(1,731)
Total investments and other assets	3,030,338	2,862,013
Total noncurrent assets	8,436,005	8,354,403
Total assets	23,371,884	23,591,636

(Thousands of yen)

	Fiscal 2012 (As of March 31, 2012)	2Q Fiscal 2013 (As of September 30, 2012)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	3,476,611	3,695,103
Short-term loans payable	925,340	879,802
Current portion of long-term loans payable	1,878,380	2,075,353
Current portion of bonds	330,000	200,000
Income taxes payable	387,141	206,665
Provision for bonuses	235,319	173,067
Other	1,943,430	1,944,039
Total current liabilities	9,176,223	9,174,031
Noncurrent liabilities		
Bonds payable	200,000	—
Long-term loans payable	3,261,365	3,558,807
Provision for retirement benefits	2,158,327	2,008,743
Provision for directors' retirement benefits	33,772	34,597
Other	434,018	417,453
Total noncurrent liabilities	6,087,483	6,019,601
Total liabilities	15,263,707	15,193,632
Net Assets		
Shareholders' equity		
Capital stock	1,577,121	1,577,121
Capital surplus	1,398,633	1,398,633
Retained earnings	6,889,910	7,472,829
Treasury stock	(68)	(68)
Total shareholders' equity	9,865,597	10,448,516
Accumulated other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	416,438	324,270
Deferred gains on hedges	6,173	2,611
Foreign currency translation adjustments	(1,350,928)	(1,602,677)
Pension liability adjustment of foreign subsidiaries	(903,985)	(844,633)
Total accumulated other comprehensive income (loss)	(1,832,302)	(2,120,427)
Minority interests	74,881	69,914
Total net assets	8,108,176	8,398,003
Total liabilities and net assets	23,371,884	23,591,636

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

Consolidated Statements of Income

	(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)
Net sales	14,311,358	14,029,866
Cost of sales	10,620,872	10,696,475
Gross profit on sales	3,690,486	3,333,391
Selling, general and administrative expenses	2,424,872	2,431,993
Operating income	1,265,613	901,397
Non-operating income		
Interest income	364	768
Dividend income	9,798	10,573
Equity in earnings of affiliates	47,272	124,290
Other	37,340	46,288
Total non-operating income	94,776	181,920
Non-operating expenses		
Interest expenses	87,844	75,751
Foreign exchange losses	71,617	44,831
Other	14,607	14,895
Total non-operating expenses	174,069	135,478
Ordinary income	1,186,320	947,839
Extraordinary income		
Gain on sales of noncurrent assets	190	10,897
Total extraordinary income	190	10,897
Extraordinary losses		
Loss on retirement of noncurrent assets	2,109	9,028
Loss on valuation of investment securities	4,279	9,871
Loss on valuation of golf club memberships	4,500	—
Total extraordinary losses	10,889	18,900
Income before income taxes and minority interests	1,175,622	939,836
Income taxes	391,539	227,829
Income before minority interests	784,082	712,006
Minority interests in income	6,475	2,928
Net income	777,606	709,078

Consolidated Statements of Comprehensive Income

(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)
Income before minority interests	784,082	712,006
Other comprehensive income (loss)		
Valuation difference on other available-for-sale securities	(16,045)	(92,153)
Deferred losses on hedges	(24,117)	(12,646)
Foreign currency translation adjustments	(344,615)	(192,932)
Pension liability adjustment of foreign subsidiaries	75,086	59,352
Share of other comprehensive loss of associates accounted for using equity method	(149,931)	(49,466)
Total other comprehensive loss	(459,623)	(287,847)
Total comprehensive income	324,459	424,159
Comprehensive income attributable to:		
Owners of the parent	317,983	420,953
Minority interests	6,475	3,205

(3) Consolidated Statements of Cash Flows

(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 operating activities		
Income before income taxes and minority interests	1,175,622	939,836
Depreciation and amortization	407,286	385,728
Increase in allowance for doubtful accounts	3,519	4,900
Decrease in provision for bonuses	(25,977)	(60,101)
Decrease in provision for retirement benefits	(43,196)	(85,526)
Increase in provision for directors' retirement benefits	825	825
Interest and dividends income	(10,162)	(11,341)
Interest expenses	87,844	75,751
Foreign exchange losses	52,219	22,010
Equity in earnings of affiliates	(47,272)	(124,290)
Gain on sales of noncurrent assets	(190)	(10,897)
Loss on retirement of noncurrent assets	2,109	9,028
Loss on valuation of investment securities	4,279	9,871
Loss on valuation of golf club memberships	4,500	—
Increase in notes and accounts receivable-trade	(963,046)	(8,417)
Increase in inventories	(413,840)	(412,134)
Increase in notes and accounts payable-trade	232,455	286,381
Increase (decrease) in accrued consumption taxes	8,998	(48,611)
Other, net	(87,927)	(268,013)
Subtotal	388,045	704,999
Interest and dividends income received	37,839	144,347
Interest expenses paid	(84,146)	(75,041)
Income taxes paid	(189,045)	(401,770)
Net cash provided by operating activities	152,692	372,534

(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	(313,644)	(436,582)
Proceeds from sales of property, plant and equipment	190	13,315
Purchase of intangible assets	(3,735)	(29,309)
Purchase of investment securities	(2,697)	(35,341)
Purchase of insurance funds	(8,401)	(4,566)
Proceeds from cancellation of insurance funds	16,442	29,610
Payments of loans receivable	(300)	(200)
Collection of loans receivable	2,697	2,396
Other, net	(999)	(7,203)
Net cash used in investing activities	(310,449)	(467,881)
Cash flows from financing activities		
Net decrease in short-term loans payable	(95,664)	(431)
Proceeds from long-term loans payable	1,999,300	1,519,115
Repayment of long-term loans payable	(975,911)	(1,002,303)
Redemption of bonds	(230,000)	(330,000)
Proceeds from sale and leaseback transactions	92,418	63,570
Repayments of lease obligations	(48,717)	(63,374)
Purchase of treasury stock	(528,010)	—
Cash dividends paid	(23,465)	(126,159)
Cash dividends paid to minority shareholders	(7,880)	(8,173)
Net cash provided by financing activities	182,069	52,243
Effect of exchange rate change on cash and cash equivalents	(48,620)	(21,319)
Net decrease in cash and cash equivalents	(24,308)	(64,422)
Cash and cash equivalents, beginning of period	1,538,156	2,078,305
Cash and cash equivalents, end of period	1,513,847	2,013,882

(4) Note Concerning Going Concern Assumption

None

(5) Note Concerning Significant Changes in Shareholders' Equity

None

(6) Segment Information

(Segment information)

I. First half of the fiscal year ended March 31, 2012 (From April 1, 2011 to September 30, 2011)

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

(Thousands of yen)

Reporting segment		Collagen material business	Formula solution business	Total	Adjustments ^{*1}	Amounts in the consolidated financial statements ^{*2}
Net sales						
Sales to third parties	8,989,303	5,322,054	14,311,358	—	14,311,358	
Inter-segment sales and transfers	628,130	—	628,130	(628,130)	—	
Total	9,617,433	5,322,054	14,939,488	(628,130)	14,311,358	
Segment income	1,310,622	598,219	1,908,842	(643,228)	1,265,613	

(Notes) 1. Adjustment for segment income of -¥643,228 thousand comprises elimination of intersegment transactions of ¥3,470 thousand and unallocated expenses of ¥646,698 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, 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	929,818	648,559	1,578,378	(676,980)	901,397

(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

(7) Subsequent Events

Establishment of a new joint venture company (consolidated subsidiary)

At a Board of Directors meeting held on October 17, 2012, Nitta Gelatin Inc. passed a resolution on establishing a joint venture company in Vietnam.

1. Purpose of establishment

Nitta Gelatin will establish a joint venture company in Vietnam for the purpose of expanding sales of the Company's products in the country and the rest of the Southeast Asian region, where future economic growth is expected.

2. Outline of the joint venture company

- (1) Name: Nitta Gelatin Vietnam JV Co., Ltd. (planned)
- (2) Establishment: December 2012 (planned)
- (3) Paid-in capital: Equivalent of US\$625,000 (approx. ¥50 million)
- (4) Shareholding ratio: Nitta Gelatin Inc. 75%
Shanghai International Trading Co., Ltd. 25%
- (5) Business activities: Production and sale of gelling agents