

Medium-Term Management Plan

(April 1, 2024–March 31, 2027)

May 15, 2024

Securities code: 4977

- 1. Overview of the New Medium-Term Management Plan
(April 1, 2024–March 31, 2027)**
- 2. Review of the Previous Medium-Term Management Plan
(April 1, 2022–March 31, 2024)**
- 3. Basic Policies of the New Medium-Term Management Plan**
 - (1) Fundamental improvement of profitability**
 - (2) Financial strategy**
 - (3) Strengthen management foundation for stable profits**

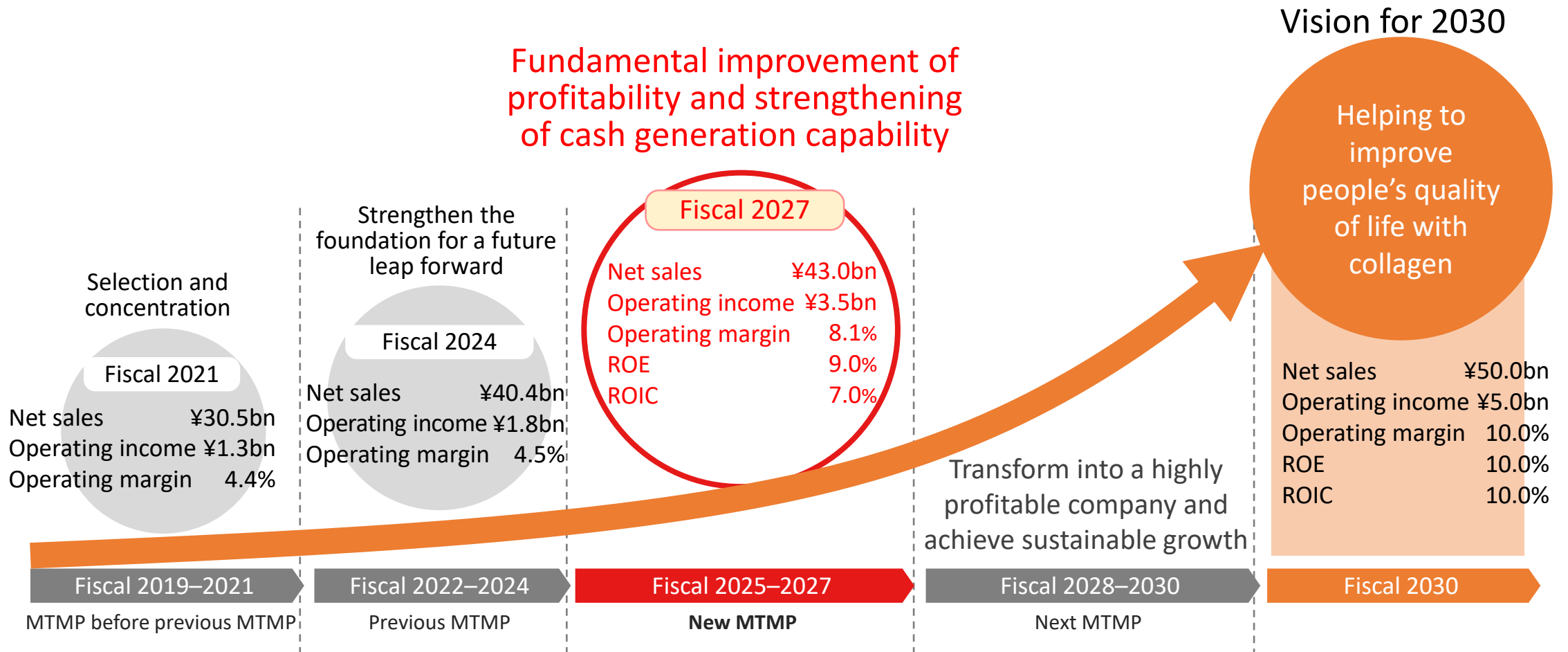
Reference Materials

Note: For the purpose of this document, the 2024–2026 Medium-Term Management Plan (fiscal 2025 to fiscal 2027) is referred to as the “New Medium-Term Management Plan” and the 2021–2023 Medium-Term Management Plan (fiscal 2022 to fiscal 2024) is referred to as the “Previous Medium-Term Management Plan.”

1. Overview of the New Medium-Term Management Plan: (1) Positioning

- To achieve the Vision for 2030*, Nitta Gelatin will launch the new medium-term management plan in order to transform into a highly profitable company and achieve sustainable growth.

*This represents an update of the 10-year vision announced in the business strategy in June 2022. For details, see page 23.



1. Overview of the New Medium-Term Management Plan: (2) Themes

Fundamental improvement of profitability and strengthening of cash generation capability

(1) Fundamental improvement of profitability

- 1) Enhance cost competitiveness and expand supply capacity by restructuring production systems
- 2) Return the biomedical business to profitability

(2) Financial strategy

- 1) **Capital investment:** ¥5.5 billion for strategic investment and ¥4.5 billion for upgrading of existing facilities during the three-year period
- 2) **Dividend policy:** aim to raise DOE to 2.0% or higher by the final fiscal year of the plan
- 3) **Improve PBR:** improve PBR to 1.0 times or higher during the plan
- 4) **Enhance cash generation capability:** shorten the cash conversion cycle (CCC).

(3) Strengthen management foundation for stable profits

- 1) Rebuild business foundation
- 2) Strengthen global governance
- 3) Enhance value of human capital

1. Overview of the New Medium-Term Management Plan: (3) KPI

- Fundamental improvement of profitability and strengthening of cash generation capability to achieve the Vision for 2030

(Millions of yen)

	Previous MTMP	Total for New MTMP		Vision for 2030	
	Fiscal 2024 Results	Fiscal 2027 Targets	Vs. Fiscal 2024	Fiscal 2030 Targets	Vs. Fiscal 2024
Net sales	40,420	43,000	+6.4%	50,000	+23.7%
Operating income [Operating margin]	1,836 [4.5%]	3,500 [8.1%]	+90.5%	5,000 [10.0%]	+172.2%
Net income (loss) attributable to owners of the parent	(1,850)	2,000	—	3,000	—
ROE	(9.9%)	9.0%	—	10.0%	—
ROIC	4.4%	7.0%	+2.6pt	10.0%	+5.6pt
CCC	5.9 months	5.0 months	-0.9 months	4.8 months	-1.1 months

Note: ROE = Net income attributable to owners of the parent / (Net assets - Non-controlling interests)

ROIC = Operating income after tax / (Shareholders' equity + Interest-bearing debt + Cumulative total comprehensive income + Non-controlling interests)

CCC = Inventory turnover + accounts receivable trade turnover - accounts payable trade turnover

2. Review of Previous Medium-Term Management Plan: (1) Overview

Previous Medium-Term Management Plan (Fiscal 2022 to Fiscal 2024)

10-year vision

Helping to improve people's quality of life with collagen

Management Policy

- 1. Strategic allocation of management resources to key markets* to create a high-profit enterprise**
- 2. Strengthening of the organizational foundation to face challenges positively**
- 3. Strengthening ties with stakeholders to be a company of value**

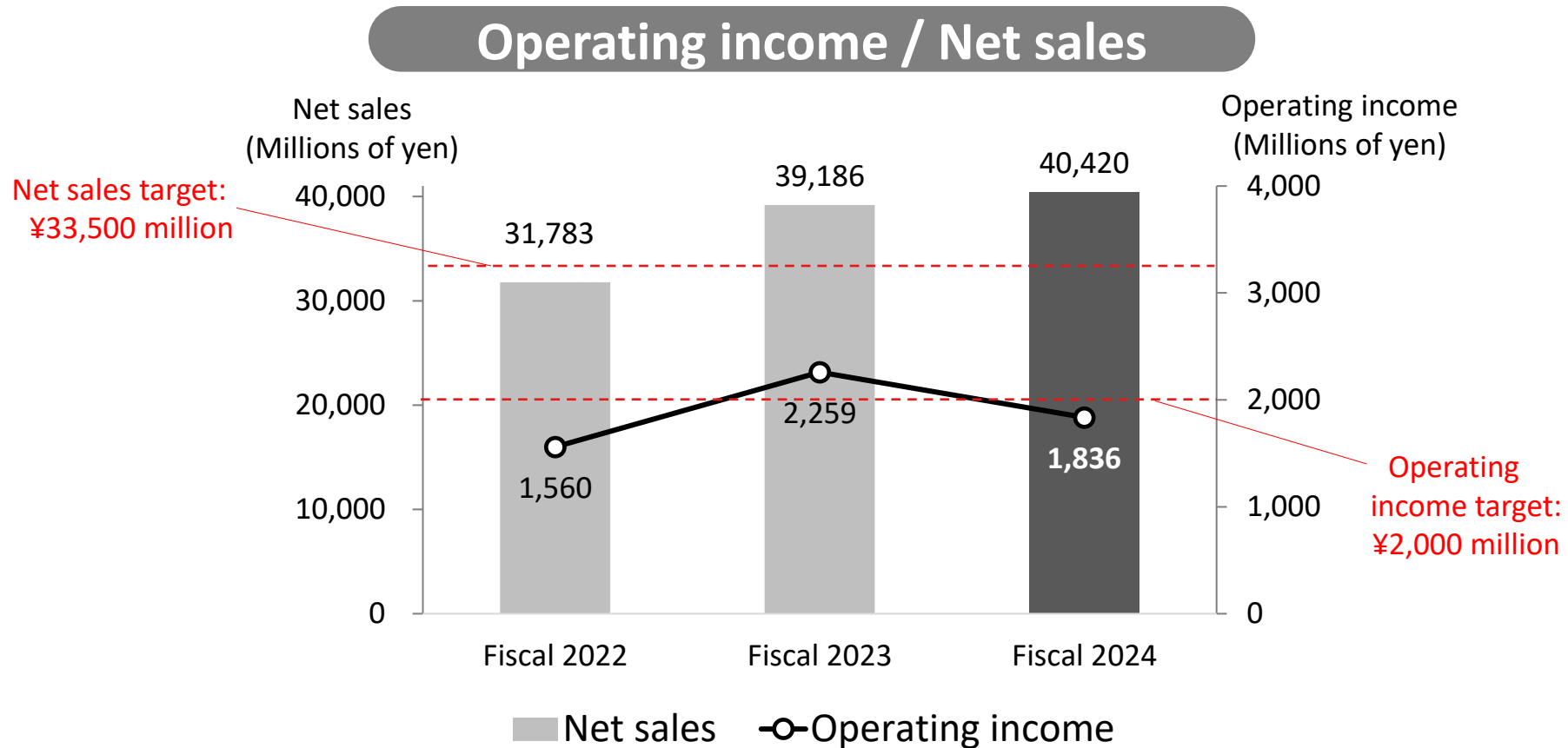
*Key markets: (1) Industrial-use market, (2) New needs in food market, (3) Overseas collagen peptide market, (4) Direct sales business, (5) Biomedical market

Targets

- 1. Consolidated net sales of ¥33.5 billion, consolidated operating income of ¥2.0 billion**
- 2. Key markets: 10% or more of consolidated net sales
20 % or more of consolidated operating income**
- 3. Design and operate a new assessment and remuneration system**
- 4. Dividend policy: DOE of 1.5% or higher**
- 5. Improve employee engagement**

2. Review of Previous Medium-Term Management Plan: (2) Consolidated performance

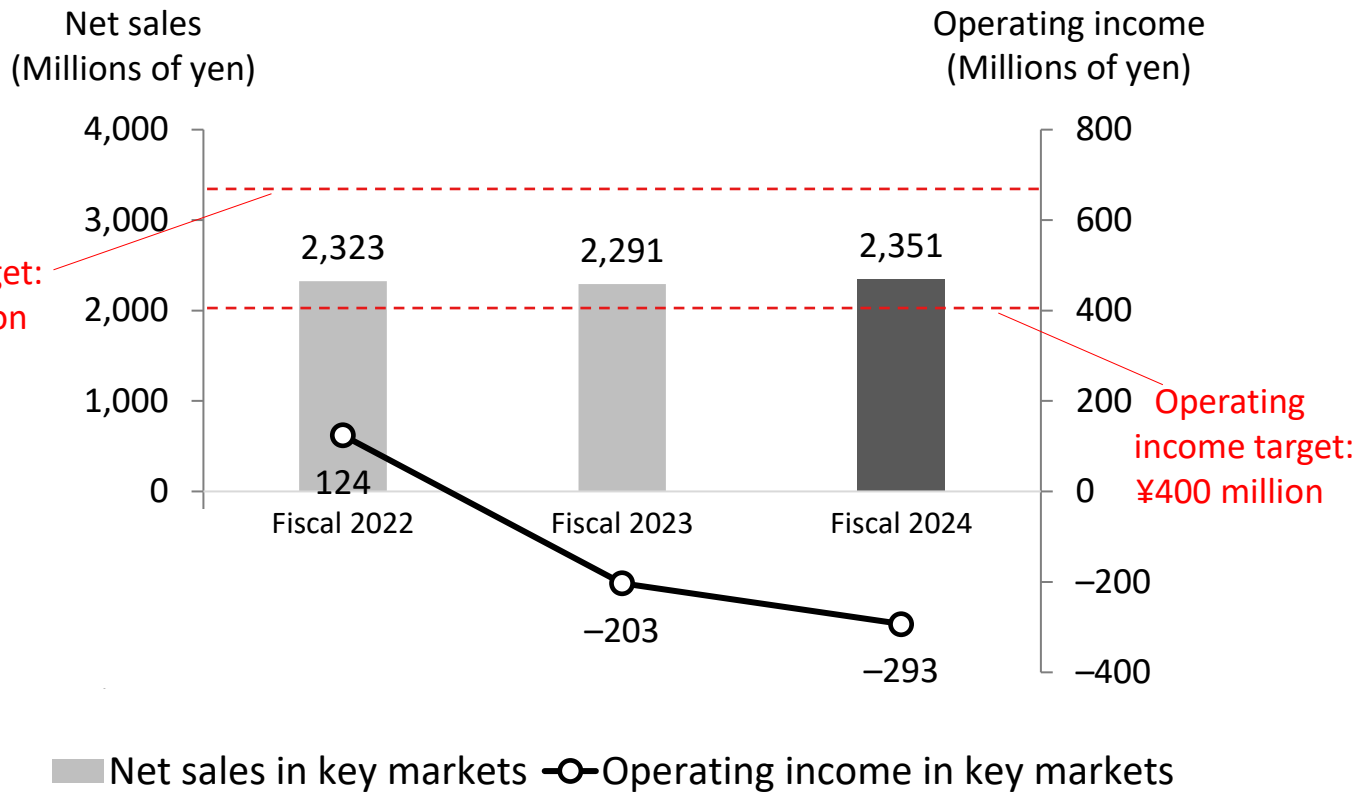
- Net sales reached the target thanks to growth in gummy candies in Japan and gelatin for capsules in Japan and overseas. Operating income fell short of the target for the final fiscal year due to poor performance of Nitta Gelatin USA, Inc.



2. Review of Previous Medium-Term Management Plan: (3) Key markets

- In key markets, Nitta Gelatin fell short of its targets for both net sales and operating income

Net sales and operating income in key markets



BtoC market remains challenging

- “Industrial-use market” and “New food needs”
Need to improve product and development capability
- Direct sales business
Need to invest in advertising to increase awareness

Achieved certain results in the BtoB market

- Overseas collagen peptide market
Improving awareness of Wellnex brand
- Biomedical business
Steady increase in number of projects

2. Review of Previous Medium-Term Management Plan: (4) Discontinuing production at Nitta Gelatin USA, Inc.

- After determining that concentrating resources in growth areas would contribute to the enhancement of the Group's corporate value, Nitta Gelatin decided to discontinue production at Nitta Gelatin USA, Inc. in January 2024.

Reason for discontinuing of production

Internal factors

- Worsening productivity

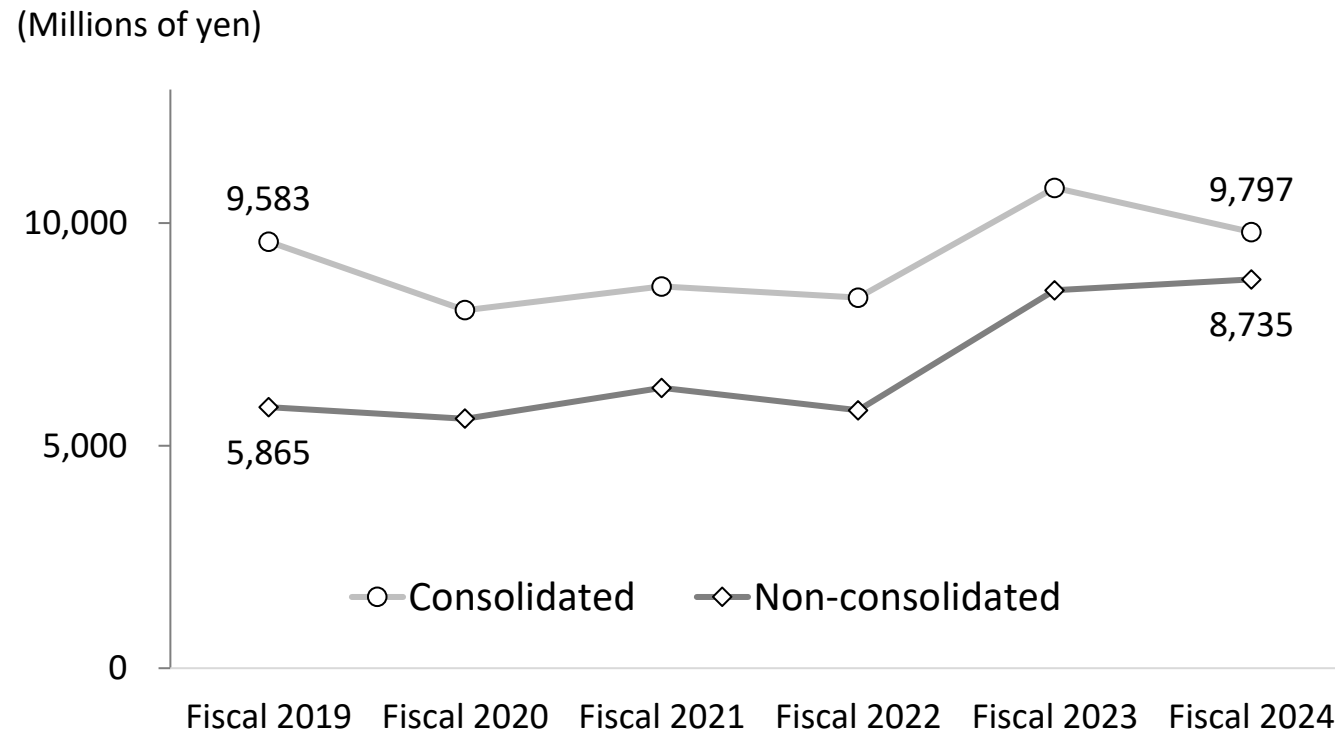
External environment

- Soaring energy costs and personnel expenses, etc.
- Rapid worsening of market conditions in North America

2. Review of Previous Medium-Term Management Plan: (5) Increasing interest-bearing debt

- In addition to rising inventory levels due to supply chain disruptions, interest-bearing debt increased at Nitta Gelatin due to its support for Nitta Gelatin USA, Inc.

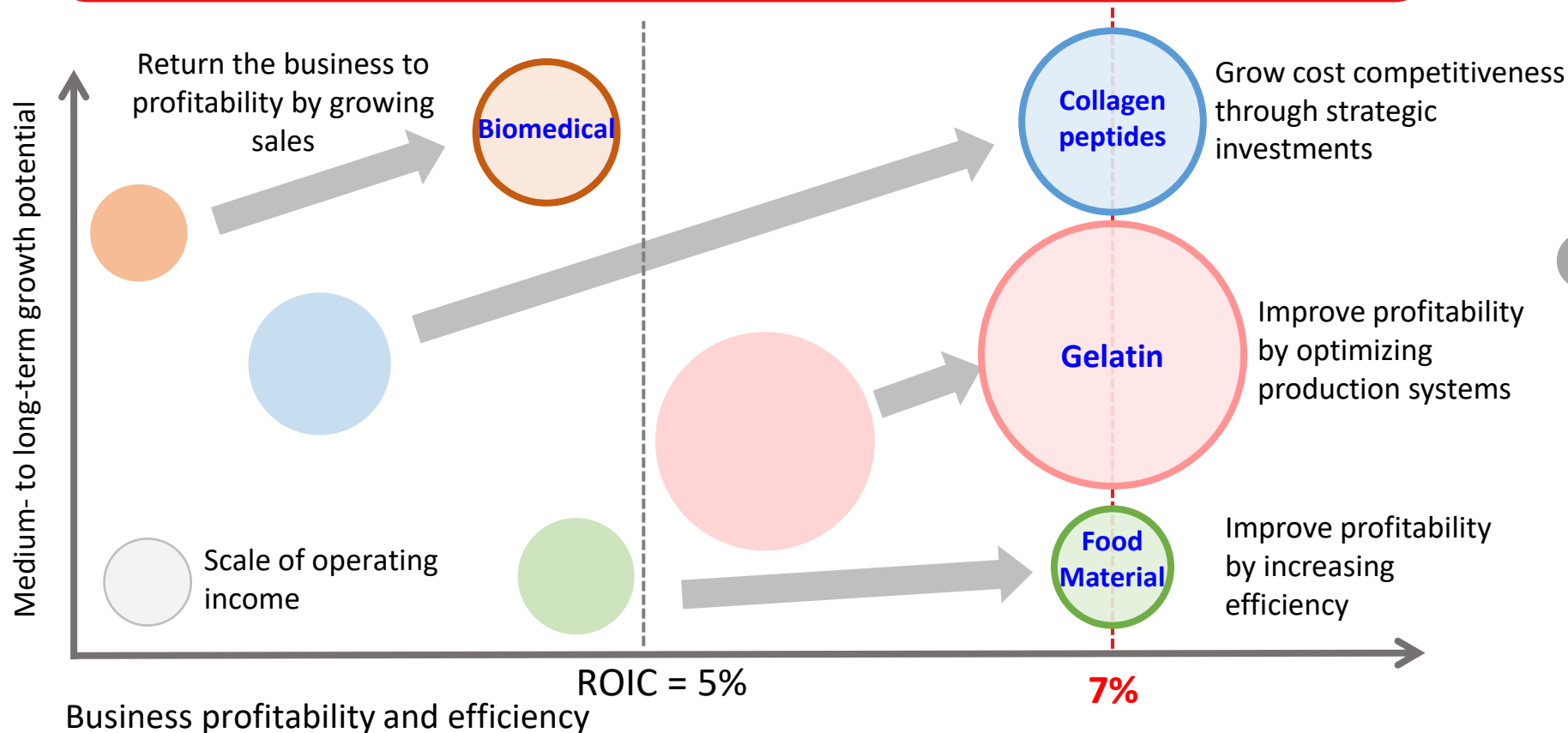
Trend in interest-bearing debt (consolidated and non-consolidated)



Fundamental improvement of profitability and strengthening of cash generation capability

- Nitta Gelatin will address the profitability and efficiency issues of each business, and aim for capital efficiency that exceeds WACC (estimated to be around 5%) except for the biomedical business.

Business portfolio



Changes in disclosure categories

In order to achieve faster-paced performance management, we will change disclosures to

By sales category (in and before fiscal 2024)

- Food Solutions
- Health Support
- Specialties

By product area (fiscal 2025 onward)

- Gelatin
- Collagen peptides
- Food Material
- Biomedical

1) Enhance cost competitiveness and expand supply capacity by restructuring production systems

3. Basic Policies of the New Medium-Term Management Plan: (1) Fundamental improvement of profitability

- Nitta Gelatin will expand the supply capacity of its cost-competitive sites in India and strengthen the earnings structure of its gelatin and collagen peptide businesses.



- Collagen peptide: currently 600t/year, **increase by 550t/year** (Completion slated for June 2025)
- Gelatin: Currently planned

Expand sales of high-value-added gelatin to markets where “high quality” or “high level of Halal certification” are required

- Expand sales from bases in India to the Halal market in North America and Southeast Asia, as well as global customers in India
- Expand sales of bovine bone gelatin in Japan

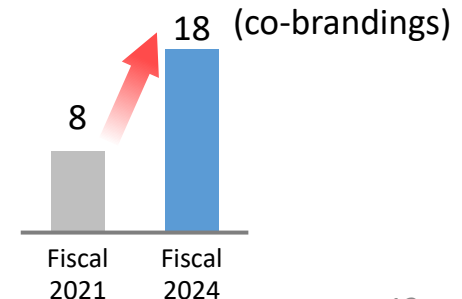
Expand sales of collagen peptide in overseas markets

- Work closely with distributors in Asia and Oceania (10 countries) to further penetrate our Wellnex brand of functional collagen peptides
- Develop next-generation high performance products

Number of co-brandings* with overseas companies

Wellnex[®]

* Co-branding is where overseas retailers display the Wellnex logo on their packaging to highlight the brand and sell products



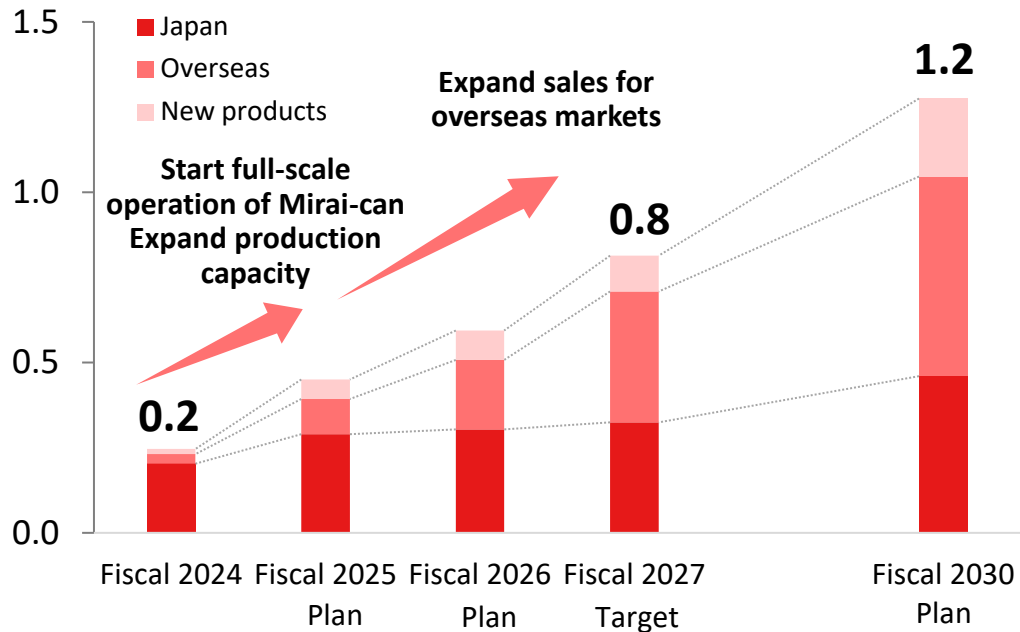
2) Return the biomedical business to profitability

- Nitta Gelatin will turn an operating income by further expanding its use in medical care utilizing its network of experts in Japan and expanding sales in China and other countries

3. Basic Policies of the New Medium-Term Management Plan: (1) Fundamental improvement of profitability

Trend in net sales

(Billions of yen)



Main pipelines

	Commence R&D	PoC ¹	Clinical trials ²	Launch sales
Artificial bone applications	Start	Progress	Progress	Progress
Wound healing applications	Start	Progress	Progress	Progress
Cardio-vascular treatment applications	Start	Progress	Progress	Progress
Aesthetic medicine applications	Start	Progress	Progress	Progress
Dental and medical applications	Start	Progress	Progress	Progress
Tissue regeneration applications	Start	Progress	Progress	Progress
Topical administration and virus stabilization applications	Start	Progress	Progress	Progress
Decellularization applications	Start	Progress	Progress	Progress
Collagen artificial tendons (BM)	Start	Progress	Progress	Progress

Steady progress in the sales phase for medical applications

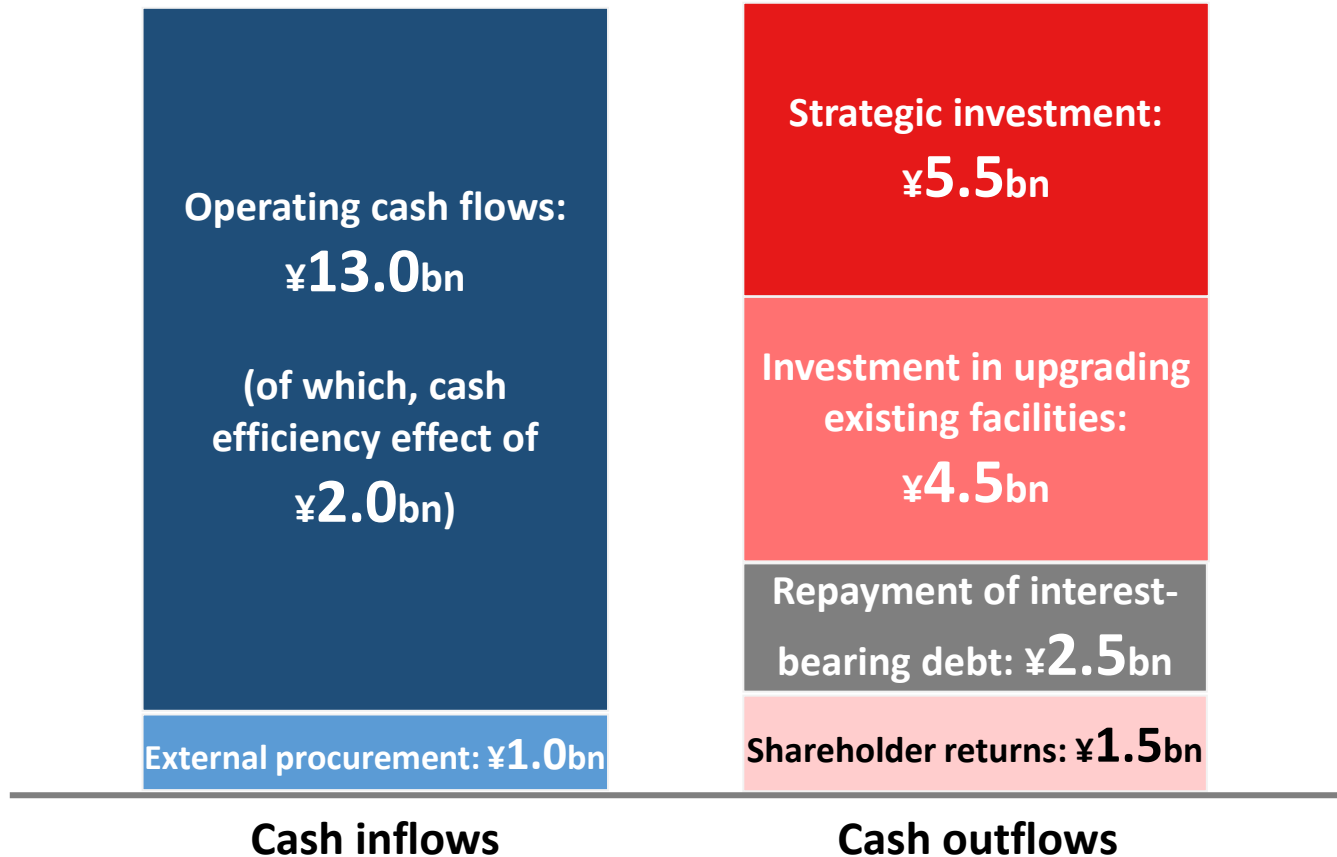
¹PoC: Proof of concept

²Development and approval application stages at pharmaceutical companies and medical device manufacturers

1) Capital investment

- In order to strengthen the business foundation for future growth, Nitta Gelatin will invest ¥10bn in strategic areas and upgrading existing facilities over three years.

Capital allocation (three-year running total)



Strategic investment

- Expand collagen peptide production facilities in India
- Expand gelatin production facilities in India
- Introduction of ERP

Investment in upgrading existing facilities

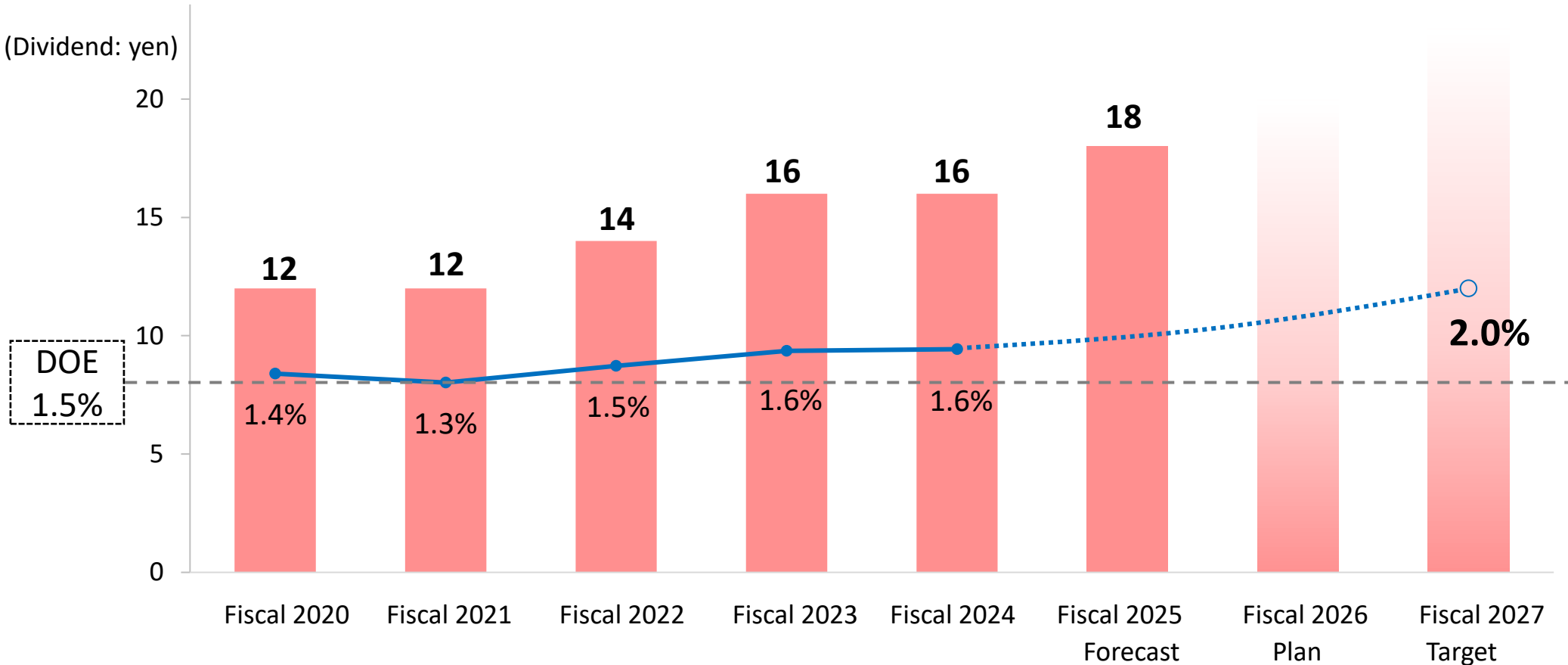
- Capital investment for ensuring stable production, improving efficiency, and addressing environment issues, etc.

Reduce interest-bearing debt

- Cash-efficient reduction of interest-bearing debt of ¥1.5bn net

2) Dividend policy

- Nitta Gelatin aims to secure a stable DOE* of 1.5% or higher first, and then raise it to 2.0% or higher in the final fiscal year of the plan.



* DOE (Dividend on Equity) = Total dividends / (net assets - non-controlling interests)

■ Cash dividends per share ● DOE

3) Improvement of PBR: target value

- By “fundamentally strengthening profitability and cash generation capabilities” following the new medium-term management plan, Nitta Gelatin will improve PBR to 1.0 or more during the current plan, with the aim of further improvement.

As of March 31, 2024

PBR **0.7** times

Share price: **¥717**

Target

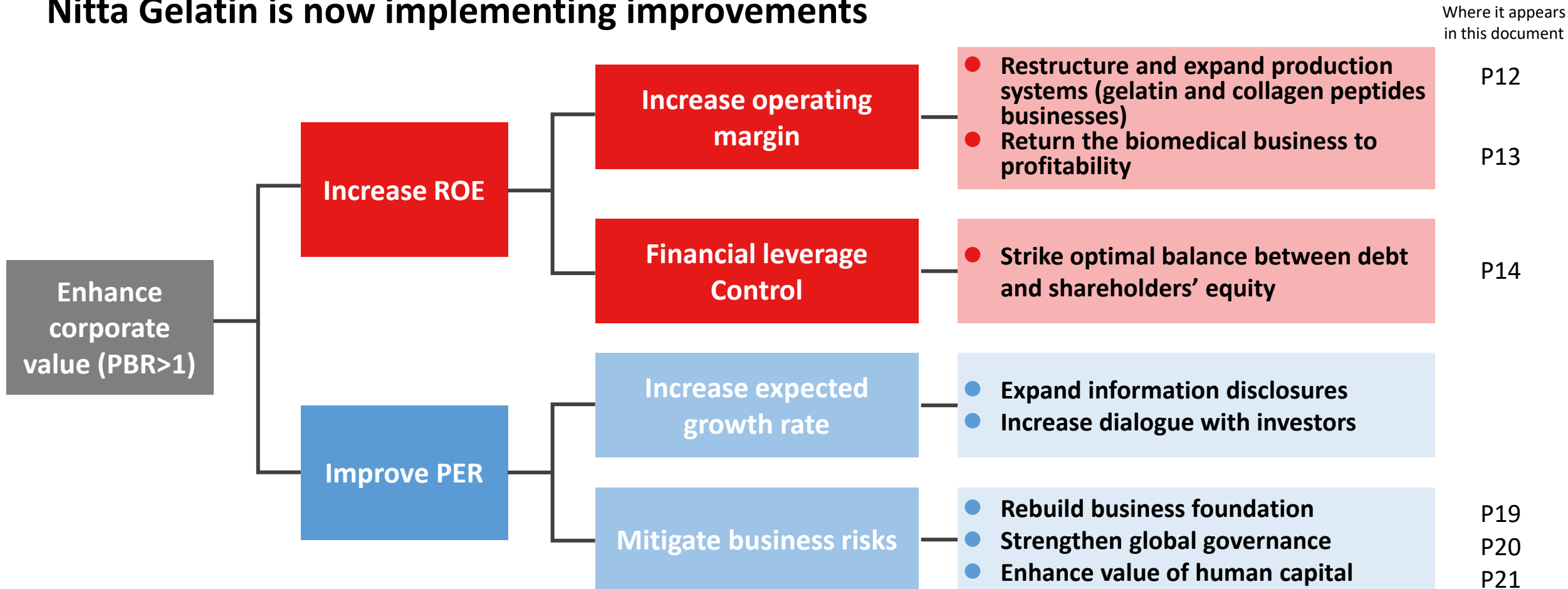
PBR 1.0 times or higher

$$= \begin{array}{c} \text{ROE} \\ \mathbf{9.0\%} \\ \text{(Fiscal 2027 target)} \end{array} \times \begin{array}{c} \text{PER} \\ \mathbf{11 \text{ times or higher}} \end{array}$$

Share price: **¥1,100 or higher**

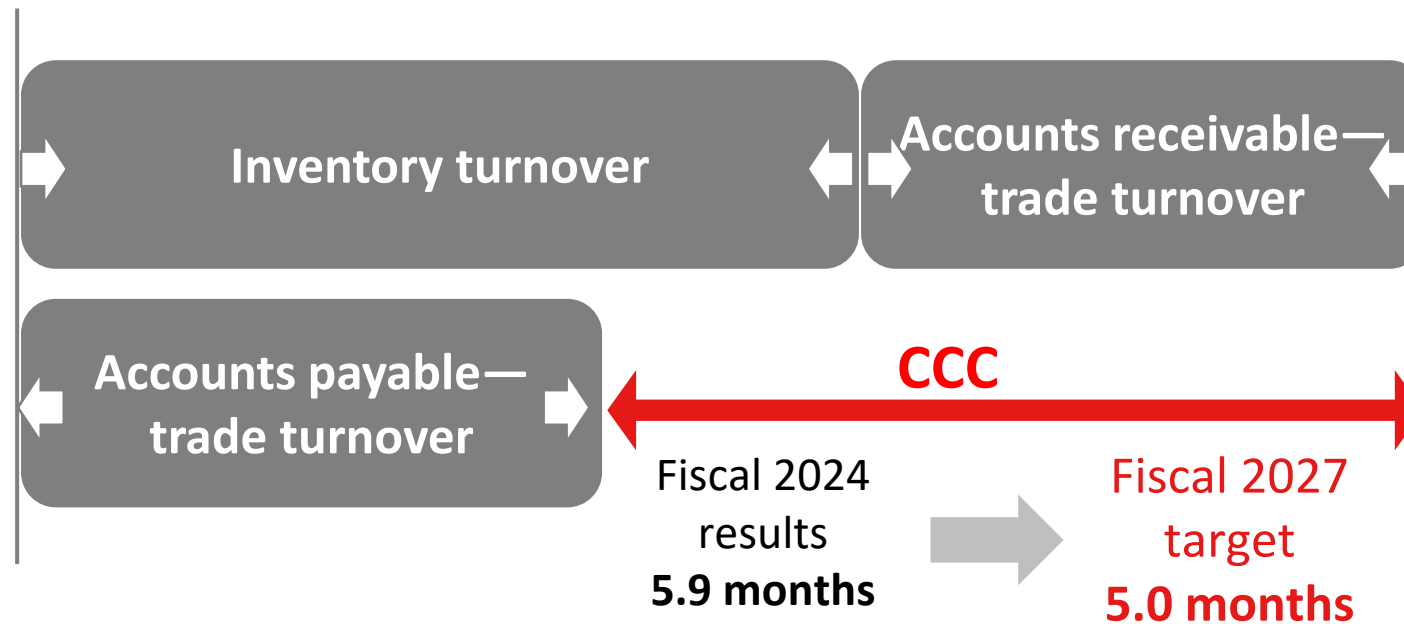
3) Improve PBR: action policies

- ROE is expected to improve significantly due to the closure of Nitta Gelatin USA, Inc., and Nitta Gelatin aims to improve it further. PER has fallen below the industry average, and Nitta Gelatin is now implementing improvements



4) Enhance cash generation capability

- Improve working capital efficiency and shorten CCC



**Generate ¥2.0 billion in cash
over the three years of the plan**

1) Rebuild business foundation

- Taking into account the results of the previous medium-term management plan, Nitta Gelatin will stabilize earnings and rebuild its business foundation to achieve sustainable growth.

Raw material procurement

Stable procurement of raw materials and strengthening of ability to respond to price fluctuations

- Optimize raw material composition and develop new raw material sources
- Strengthen relationships with suppliers of bovine hide raw materials

Production facilities

Building of stable production systems by expanding capacity

- Expand production capacity of bases in India
- Establish system at Mirai-can for increasing production

Gelatin

Peptide

Biomedical

Legend



Gelatin



Collagen peptides



Food ingredients



Biomedical

Production processes

Establishment of production system that does not rely on the skill level of workers

- Document and visualize production processes
- Standardize and streamline business processes through ERP introduction

Sales

Curtailment of legal and regulatory risks and promotion of sales strategy linked to profitability

- Stabilize profits by reviewing product mix
- Further strengthen regulatory compliance in China

Gelatin

Peptide

Food ingredients

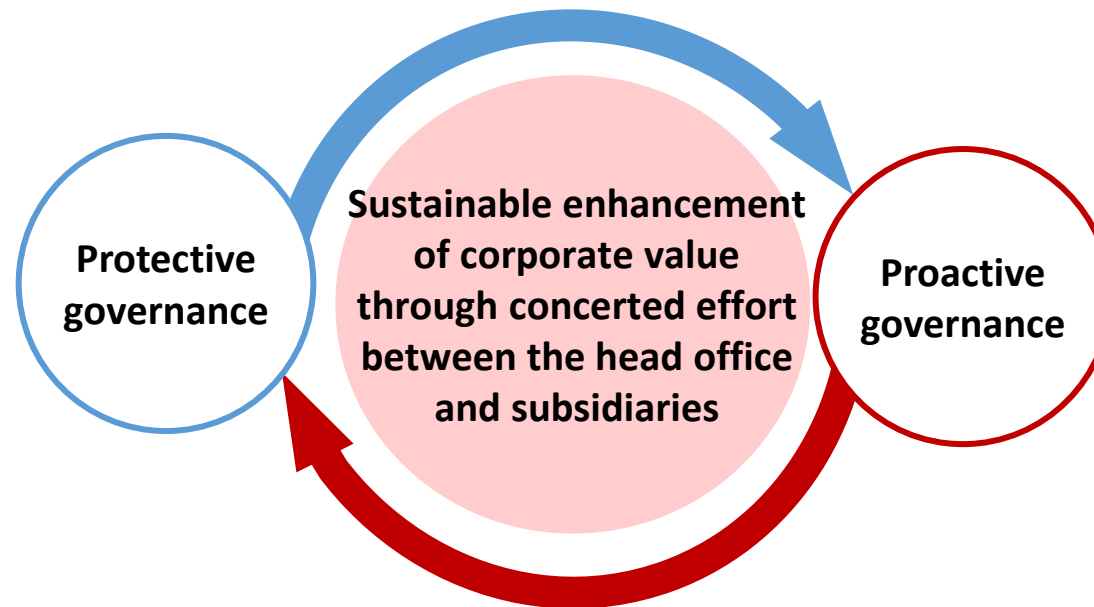
Biomedical

2) Strengthen global governance

- Nitta Gelatin will implement measures to strengthen global governance, which clearly was an issue in the previous medium-term management plan

Risk reduction Groupwide

- Penetration of Group policies and regulations
- Quality guidance for subsidiaries led by the head office



Swift decision making by management

- **Introduction of ROIC-management by business**
Upgrading of business assessments and investment decisions
- **Change of performance management areas**
Switch from sales category to product area

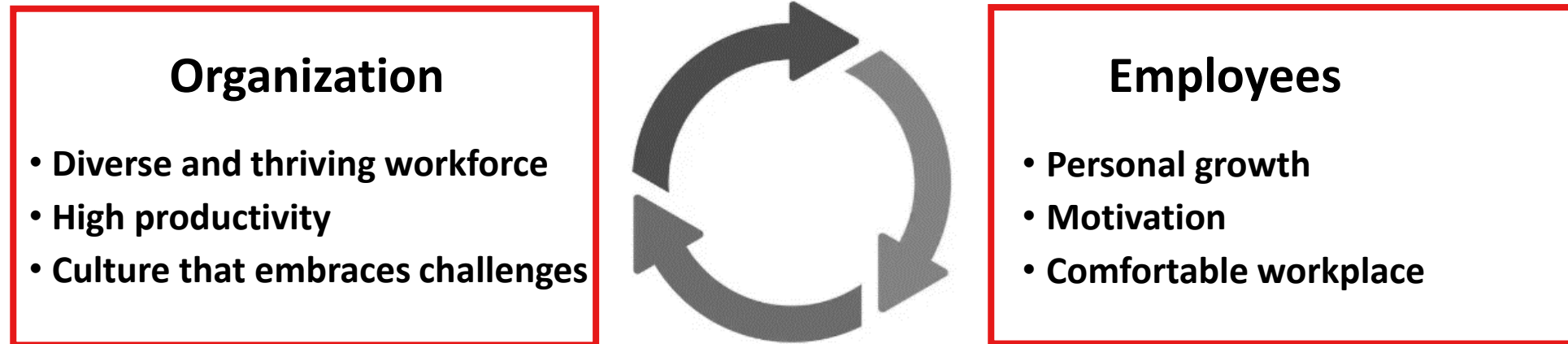
Establishment of global governance system

- Strengthening of head office-led monitoring
- Introduction of ERP

3) Enhance value of human capital

- Nitta Gelatin will share the Group's values Groupwide as well as revitalize employees and organizations and achieve sustainable growth.

- ◆ Change to a personnel system that motivates people
- ◆ Provide opportunities to learn and take on new challenges
- ◆ Develop successors systematically



Reference Materials

Vision for 2030

- While following the vision set forth in business strategy, Nitta Gelatin will change the target fiscal year, strategy, and targets based on the results of the previous medium-term management plan.

	10-year vision (announced in business strategy in June 2022)		Vision for 2030 (announced in the new medium-term management plan in May 2024)															
Details	Helping to improve people's quality of life with collagen	➔	Same as at left															
Fiscal year target	Fiscal 2031		Fiscal 2030															
Strategies	Shift from general purpose gelatin to high-value-added collagen peptide		Fundamentally strengthen profitability by transforming to a highly profitable business portfolio															
Quantitative targets for the final fiscal year	<table border="0"> <tr> <td>Net sales</td> <td>¥40.0bn</td> </tr> <tr> <td>Operating income</td> <td>¥4.0bn</td> </tr> <tr> <td>Operating margin</td> <td>10.0%</td> </tr> <tr> <td>ROE</td> <td>10.0%</td> </tr> </table>		Net sales	¥40.0bn	Operating income	¥4.0bn	Operating margin	10.0%	ROE	10.0%	<table border="0"> <tr> <td>Net sales</td> <td>¥50.0bn</td> </tr> <tr> <td>Operating income</td> <td>¥5.0bn</td> </tr> <tr> <td>Operating margin</td> <td>10.0%</td> </tr> <tr> <td>ROE</td> <td>10.0%</td> </tr> </table>	Net sales	¥50.0bn	Operating income	¥5.0bn	Operating margin	10.0%	ROE
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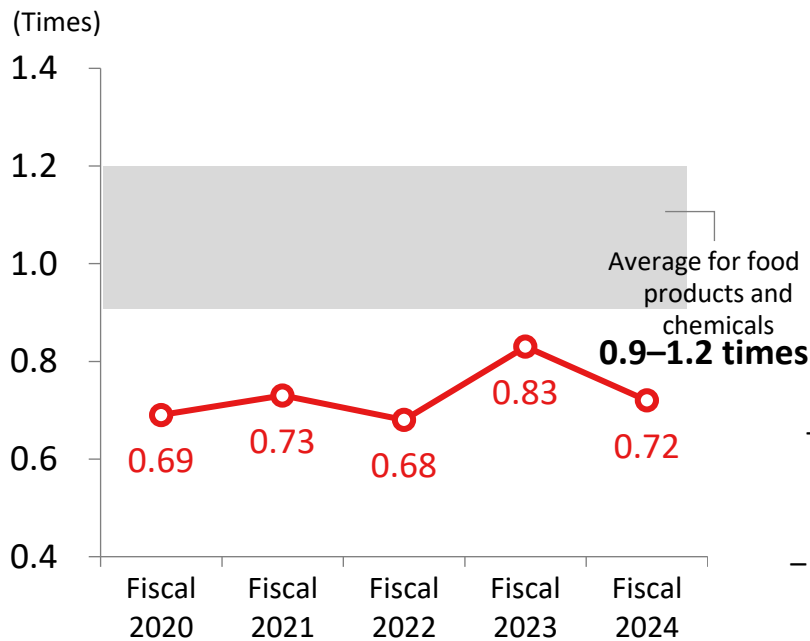
Environmental changes during the previous MTMP

- Timeline established for bovine hide gelatin
- Worsening earnings and discontinuation of production at Nitta Gelatin USA, Inc.
- Spreading trend of passing on higher costs to prices as appropriate
- Weaker demand for collagen peptides

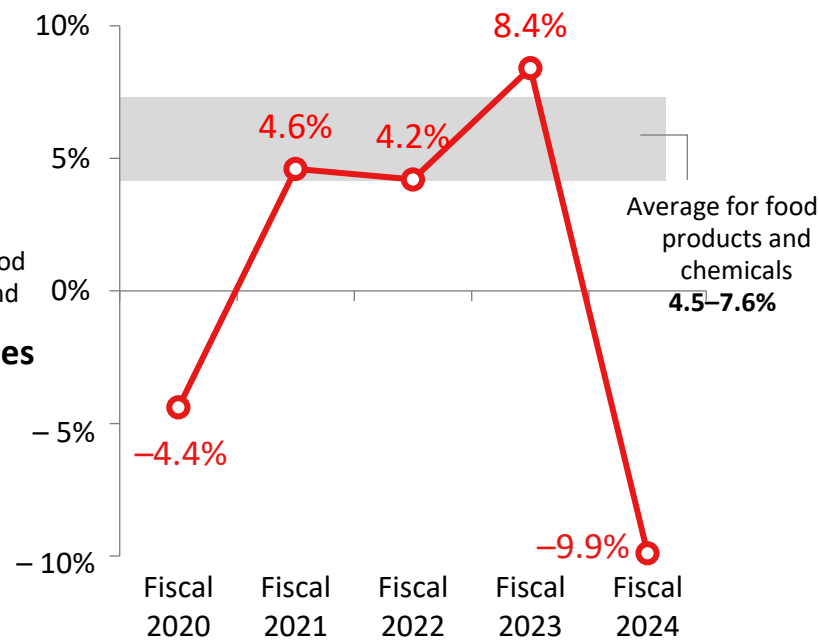
Current PBR

- Nitta Gelatin's PBR is trending below the average for the food products and chemicals industry. ROE has long been below the cost of equity (assumed to be 6.0 to 7.5%), and concerns about future growth potential are due to low PBR.

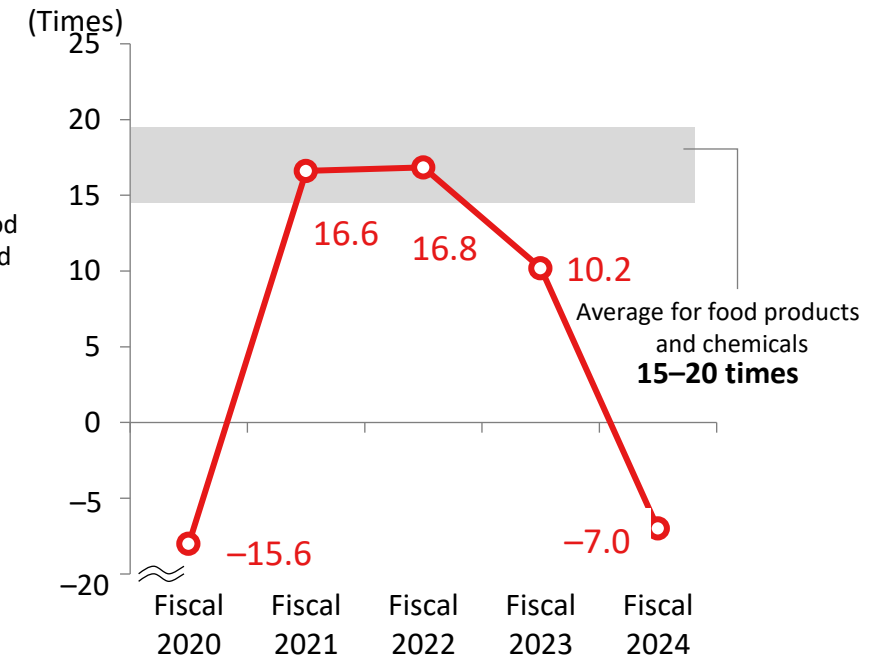
Trend in PBR



Trend in ROE

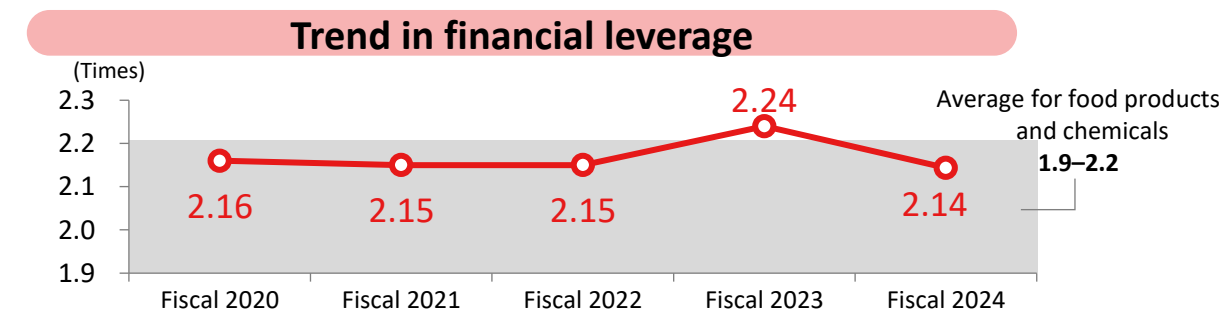
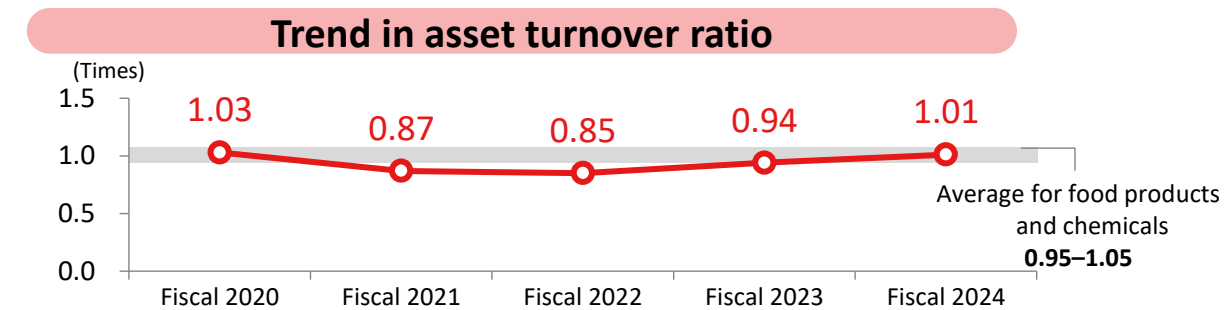
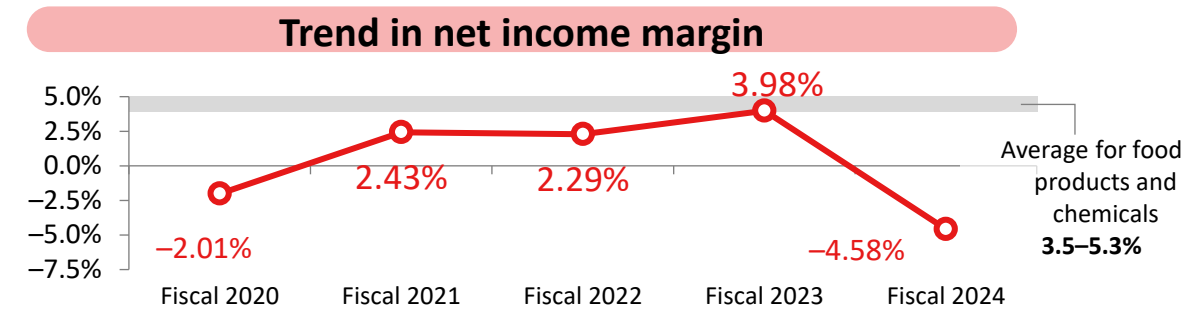
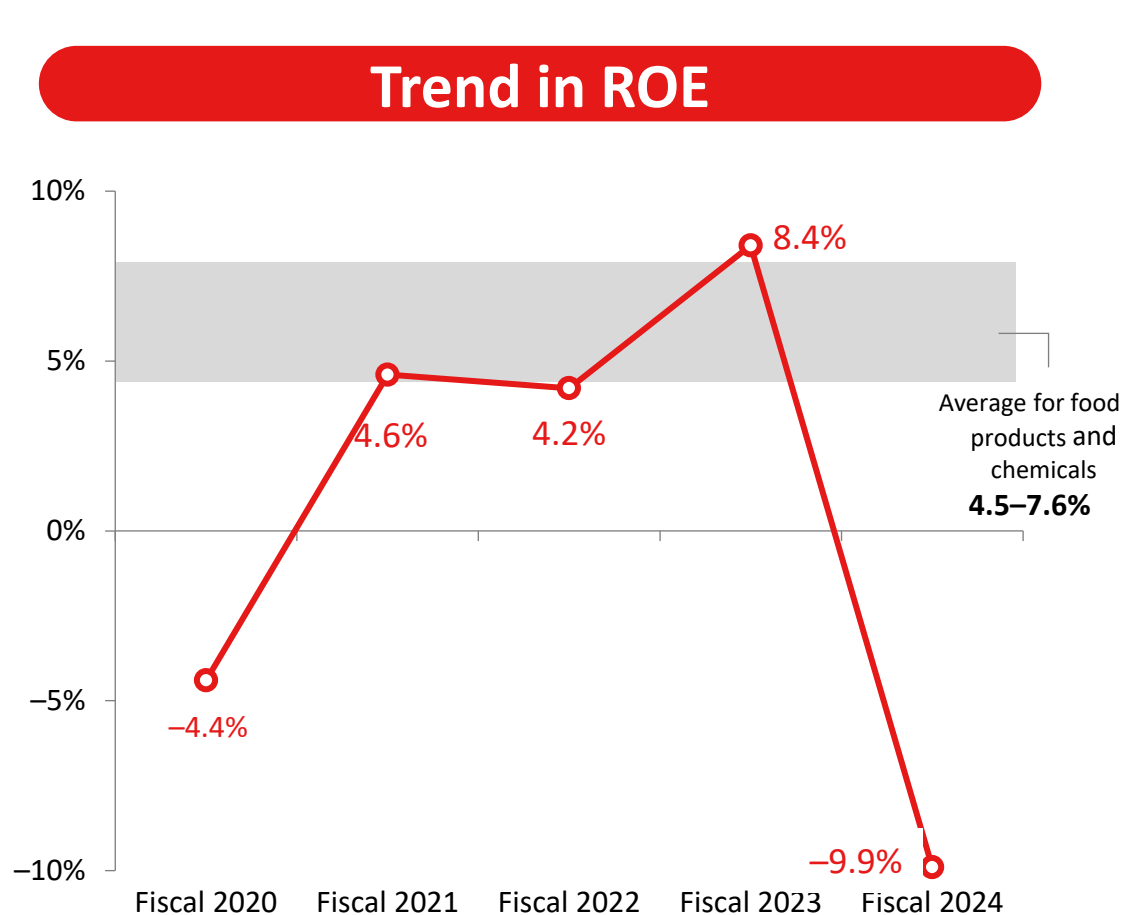


Trend in PER



Current PBR: breakdown of ROE

- Total asset turnover and financial leverage are at the same level as the average for the food products and chemicals industry, and low profit margin is the reason for the low ROE.



The Group's production bases



Notice

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Nitta Gelatin Inc.

IR/Public Relations Team, Corporate Planning Department

[Inquiries] <https://cloud.swcms.net/nitta-gelatinPublic/ja/ir/inquiry6.html>