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## **Nitta Gelatin Announces Medium-term Management Plan**

Nitta Gelatin Inc. hereby announces a medium-term management plan covering the three-year period from the fiscal year ending March 2019 to the fiscal year ending March 2021. Guided by this plan, Nitta Gelatin will strive to realize its corporate vision.

### **1. Background of the Corporate Vision**

Since its founding in 1918, the Nitta Gelatin Group has been developing high-quality products in conjunction with honing its technologies. In the process, Nitta Gelatin has achieved growth by pioneering new applications in step with the changing times and market needs. Standing on the threshold of its next 100 years in business, Nitta Gelatin formulated a new corporate vision last year to push ahead with business activities and continuously fulfill the needs of customers around the world, with a continued focus on collagen as its core material.

### **2. Corporate Vision**

***“To stay healthy and feeling young”***

*Nitta Gelatin Group fulfills this desire of people worldwide through our relentless pursuit of meeting collagen’s enormous potential.*

***(1) We will provide products and services that meet our customers’ expectations of continued improvement.***

We will accelerate business activities with a stronger focus on customers than before. To do so, we will consider what will be necessary to fulfill varying expectations and needs across different countries, age groups, and genders. This will include expectations and needs for “tastier” and “more user-friendly” products and services and the desire to “stay healthy and feel young.”

***(2) We will broaden the range of collagen applications through our ongoing efforts in R&D and production innovation.***

We will help to enrich people’s dietary lifestyles and help them to become more physically fit and youthful by pursuing the possibilities of collagen. We will advance further research and production

innovation focused on collagen to ensure that people can use collagen around the world, including expanding the use of collagen in advanced medical treatment and next-generation pharmaceuticals.

***(3) We will pioneer and create new markets by fostering a corporate culture that encourages facing and overcoming challenges.***

We will strive to expand into new markets such as the regenerative medicine and anti-aging markets, as well as pioneer new businesses both in Japan and overseas. This will be done by bringing together the experience and knowledge amassed by Group companies and various departments over many years.

### **3. Awareness of Business Environment and Issues**

#### **(1) Japan**

Consumer preferences for single-serve food products and for shorter and easier food preparation are anticipated to evolve even further. This trend is being driven primarily by an aging society and an increasing number of women entering the workforce. Based on this outlook, Nitta Gelatin expects growing demand for ready-made meals and more and more opportunities in the market for frozen foods. Moreover, the number of foreign tourists visiting Japan has reached new records for the fifth consecutive year. Against the backdrop of preparations for the Tokyo Olympics and personnel shortages, hotels and restaurants have been developing new menu items and striving to make the food preparation process shorter and easier. These and other trends have led to heightened market needs for products for commercial use in the restaurant industry.

In the health food market, an increase in the elderly population, among other factors, has fueled growth in the market for foods with nutrient function claims that contain ingredients with proven health promotion and enhancement benefits. The Nitta Gelatin Group has conducted vigorous awareness-building activities for products with functional properties such as the ability to moisturize the skin and alleviate knee-joint pain. These activities have produced results. Notably, the use of the Nitta Gelatin Group's products has increased significantly among general consumers. In order to drive further growth in the use of these products, Nitta Gelatin recognizes that it will need to differentiate its products by conducting research into new functional properties.

#### **(2) Overseas**

In the North American gelatin market, rising raw materials prices and intensified market competition, among other factors, are putting pressure on market conditions. In response, Nitta Gelatin will work to enhance sales and earnings by developing new customers, along with striving to procure safe and reliable raw materials and enhance its cost competitiveness. In recent years, Asian countries have seen a rapid increase in market needs for food materials for dairy products and desserts. Accordingly, Nitta Gelatin expects to take business expansion initiatives by leveraging the expertise it has amassed in Japan. In China, where Nitta Gelatin has manufacturing facilities and sales offices, demand has been increasing for health foods in line with an increase in disposable income as well as the ongoing aging of society. To capture this growing demand, Nitta Gelatin believes that it will be essential to develop a global supply system.

## 4. Management Policies

Aiming to further strengthen and expand its business foundations, Nitta Gelatin will implement the following three management policies:

### (1) Our three core areas will be food solutions, health support, and biomedical.

Food solutions	To realize “more delicious and easy” food solutions, we will provide solutions that solve customers’ issues through applications development utilizing gelatin and gelling agents, etc., and through our unique product development and formulation technologies.
Health support	We will respond to people’s needs to maintain their youth and beauty by research into the functional characteristics of collagen peptides and product development capabilities over many years to fulfill the desire for health of people around the world.
Biomedical	In the cutting-edge medical field, where ambitious initiatives are being undertaken to develop innovative medical technology, we will contribute to the manufacture of regenerative medicine and biomaterial equipment through the expansion of safe collagen and gelatin in the medical field for use in vivo.

### (2) We will globally optimize our production system in Japan, Asia and North America in response to an era of completely free trade.

We will need to address intensified competition from overseas manufacturers entering the Japanese market when tariffs are withdrawn through trade agreements such as the Trans-Pacific Partnership (TPP) and Economic Partnership Agreements (EPAs). To do so, we will push ahead with production innovation at each of the Group’s manufacturing facilities.

### (3) We will promote selection and concentration and create high-value-added products and services to recreate the company as a higher-profit enterprise.

Nitta Gelatin separately announced today that it will transfer its adhesives business to Bostik-Nitta Co., Ltd. Going forward, Nitta Gelatin will recreate the company as a higher-profit enterprise by optimizing our product portfolio, along with steadily pushing ahead with our business strategies in the core businesses laid out in our vision.

## 5. Medium-term Management Plan

### (1) Consolidated Operating Result

(Billions of yen)	Year ended Mar. 2018 (Actual)	Year ending Mar. 2019 (Plan)	Year ending Mar. 2021 (Target)
Net sales	¥37.7	¥38.2	¥38.0
Operating income	¥1.0	¥1.3	¥2.3
Operating margin	2.9%	3.4%	6.1%

(Note) Planned figures from the fiscal year ending March 31, 2019 assume the following exchange rates:  
¥110.0 = US\$1

### (2) Management Strategies

#### a. Food solutions

In Japan, consumers are increasingly seeking to enjoy delicious meals more easily, leading to surging demand for microwaveable delicatessen items and frozen foods. In addition, the hotel and restaurant industries are experiencing serious personnel shortages. As a result, hotels and restaurants have a stronger

need for more efficient, hassle-free food preparation processes. Nitta Gelatin will not only supply conventional powder-type products to these markets, but it will also expand sales by developing more highly processed new products, in order to enhance customer convenience. In North America, Nitta Gelatin aims to increase sales by offering more cost competitive casings made using newly deployed production facilities. In Asia, Nitta Gelatin will develop a supply framework and expand sales of gelling agents and other materials for dairy products centered on sites in Vietnam, which has continued to experience strong economic growth every year.

#### **b. Health Support**

Japan has become a super-aged society in which people can typically expect to live up to 100 years. As a result, there is a need to extend healthy life expectancy as much as possible. Eyeing the anti-aging market, Nitta Gelatin will vigorously undertake research into new functional properties of collagen peptide that were previously unknown, such as improving blood circulation and maintaining muscle mass, with a view to helping to maintain and enhance people's health. In China, the health food market has been experiencing significant growth. Notably, demand has been growing for collagen peptide as the market reaffirms its unique functional properties. Accordingly, Nitta Gelatin will work to establish a stable supply framework for collagen peptide.

#### **c. Biomedical**

Currently, research institutions around the world are pursuing innovative healthcare in areas such as advanced medical treatment and next-generation pharmaceuticals. Collagen and gelatin have various functional properties such as biocompatibility and bio-absorbability, in addition to their use in cell cultures. Leveraging these unique and useful functional properties, Nitta Gelatin seeks to contribute to the development of collagen peptide featuring additional new functional properties for wound healing and other purposes, and to the advancement of innovative healthcare fields such as regenerative medicine. For this, Nitta Gelatin will efficiently allocate management resources to these areas, which are positioned as future core businesses.

### **(3) Capital Investment Plan**

The Company plans to make capital investments totaling ¥7.0 billion during the period covered by the medium-term management plan.

- Invest in production innovation and more productive facilities at the Osaka Plant
- Strengthen the supply framework to expand sales in the Asian region
- Invest in research buildings and other assets in the biomedical field

#### **Forward-looking Statements**

This press release includes forward-looking statements about the Company's and Group companies' assumptions, forecasts, targets, plans and so forth. These forward-looking statements are based on information currently available to the Company and are the basis of forecasts, etc. at the time press release was prepared. Furthermore, since certain assumptions are used for these statements, they may prove to be inaccurate in the future and may not be attainable. There are many uncertainties and risks that can cause this situation. Please refer to the latest materials published by the Company, including earnings reports, securities reports and annual reports, for related information. Moreover, Statements concerning future information in this press release are as of the time this press release was prepared, as mentioned above. The Company does not have any obligation or policy whatsoever to regularly update such information.