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Company name Nitta Gelatin Inc.
Representative Koichi Ogata,
Representative Director and President
(Stock code: 4977; First Section of Tokyo Stock Exchange)
Contact Norifumi Nagaoka,
Director and Executive Officer
General Manager of General Management Division
Phone Number +81-72-949-5381

Nitta Gelatin Announces Medium-Term Management Plan

Nitta Gelatin Inc. hereby announces the medium-term management plan formulated to realize its management vision in the three-year period from the fiscal year ending March 2022 to the fiscal year ending March 2024.

I. Summary of previous medium-term management plan (fiscal 2018 to fiscal 2020)

With the aim of strengthening and expanding its management foundation, the Nitta Gelatin Group focused on the following three areas as the management policies of the medium-term management plan: (1) establishment of the food solutions, health support, and biomedical categories as its core areas; (2) global optimization of its production and supply systems in Japan, Asia, and North America to adapt to an era of free trade; (3) continued progress with selection and concentration to generate high value-added products and services and recreate the Group as a high-profit enterprise.

As a result, the Nitta Gelatin made major progress with selection and concentration in its three core areas. As part of that, the adhesive business was transferred to an equity-method affiliate, the collagen casing business was sold off, and two domestic sales companies were absorbed by merger. However, due to factors including the delay in achieving sales expansion of high value-added products and the major impact of the COVID-19 pandemic on the Group's main partners in the food and health food industries, the targets for consolidated net sales and consolidated operating income were not met. The Nitta Gelatin Group recognizes that it needs to continue with initiatives to strengthen its management foundation, including optimization of its production and supply systems, in order to achieve a recovery in its business results.

II. Medium-Term Management Plan (fiscal 2021 to fiscal 2023)

1. Nitta Gelatin Group's target profile for the future

The Nitta Gelatin Group aims to create new value in the food market, the health and beauty markets, and the medical field by working with the collagen materials that have a long history of use by humans, thereby contributing to more fulfilled lifestyles. The Group is also committed through its business activities to contributing to the realization of a sustainable society while protecting the

global environment and living in harmony with local communities. Accordingly, the Group's business activities going forward will be based on the corporate philosophy and vision set out below.

Corporate Philosophy

Based on a spirit of empathy and sincerity, we, the members of the Nitta Gelatin Family, are dedicated to the development of our business and contributions to the global community. We will lead prosperous and fulfilling lives through our competence and utmost efforts.

Corporate Vision

“To help people 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.*
- 2. We will broaden the range of collagen applications through our ongoing efforts in R&D and production innovation.*
- 3. We will pioneer and create new markets by fostering a corporate culture that encourages facing and overcoming challenges.*

Our business activities going forward will continue to be aimed at realizing the corporate philosophy and vision.

2. Positioning of Medium-Term Management Plan (fiscal 2021 to fiscal 2023)

The period of the previous medium-term management plan saw a major transformation in Nitta Gelatin's business portfolio as it withdrew from the adhesive and collagen casing businesses in line with the strategy of selection and concentration. The new medium-term management plan (fiscal 2021 to fiscal 2023), during which management resources will be concentrated in the three core areas of food solutions, health support, and biomedical, is designated as a period for strengthening of the foundations as a springboard to major advances in the future. Under the slogan “Time for Change—Face the Challenge Together” the Group will concentrate its strengths to fulfill the plan's targets.

3. Business environment

(1) Impact of the COVID-19 pandemic

Preventing the spread of COVID-19 infection requires avoidance of the so-called three Cs: close-contact settings, closed spaces, and crowded places. This has led to a major change in work styles, with the entrenchment of telework and proactive use of web conferencing.

In addition, businesses continued to be affected by the loss of inbound tourism demand and the difficult conditions for the food service industry caused by shortened business hours. On the other hand, the use of takeout and delivery services has increased the number of meals eaten at home.

Rollout of COVID-19 vaccines has begun, but with no end to the pandemic yet in sight, the outlook for the world economy continues to be uncertain.

(2) Staged removal of import tariffs

The impact of the Trans-Pacific Partnership (TPP) and Economic Partnership Agreements (EPA) and other changes will result in the staged removal of import tariffs, as a result of which a fall in the price of commodities and intensified competition are expected.

(3) Heightened awareness of sustainability

The world today faces many serious issues, from poverty and climate change to human rights and environmental issues. For the realization of a sustainable society, emphasis is now being placed on corporate action to address environmental and social issues.

Based on the summary of the previous plan and the above outline of the business environment, the Group will focus on the three areas indicated below as the management policies of the new plan with the aim of further strengthening and expanding the management foundation.

(1) Strategic allocation of management resources to key markets to create a high-profit enterprise

Nitta Gelatin needs to respond to the delay in the development and sales of high value-added products under the previous plan, as well as the intensified competition arising from the staged removal of import tariffs, and other issues, including those raised by Japan's super-aged society. To do this, the Group will identify key markets for each of its core areas of food solutions, health support, and biomedical and undertake corresponding strategic allocation of management resources. In this way it will work to expand sales of high value-added products to develop as a high-profit enterprise.

(2) Strengthening of the organizational foundation to face challenges positively

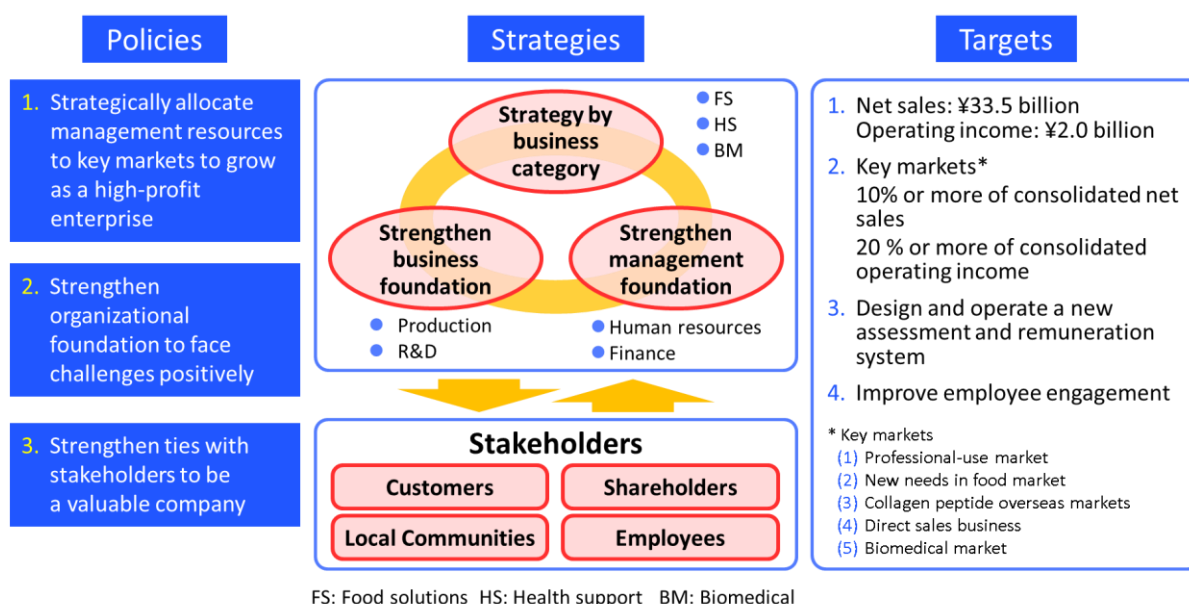
To promote technological innovation, new product development and new market development, it is important that individual employees feel motivated and can join together in working toward a shared goal. To this end, the Nitta Gelatin will take steps to review the employee assessment and remuneration systems, reform work styles, reinforce measures for female advancement, and enhance human resource development. Additionally, a new unit responsible for marketing will be established within sales division to support new product development as part of measures to strengthen the organizational foundation.

(3) Strengthening ties with stakeholders to be a valuable company

By developing its business, the Nitta Gelatin Group aims to contribute to realizing a sustainable society and to help meet relevant SDGs. The Group will also seek to strengthen its existing CSR activities by rolling out a new policy based on identifying priority areas for action. Additionally, the Group will deepen ties with stakeholders and raise its public profile by strengthening public relations activities in and out of house.

5. Targets for the final year of the plan

- (1) Consolidated net sales of ¥33.5 billion, consolidated operating income of ¥2.0 billion
- (2) Combined net sales of key markets to represent at least 10% of consolidated net sales, and their combined operating income at least 20% of consolidated operating income
- (3) Design and operate a new assessment and remuneration system
- (4) Improve employee engagement



6. Management strategy

(1) Strategy by business category

1) Food Solutions

- Develop and expand sales of highly processed professional-use products to resolve customer challenges including labor shortages in hotels, restaurants, and other food service industry establishments.
- Utilizing the ability to provide solutions through long experience, respond to newly emerging needs in the food market through development and marketing of new products such as collagen peptide food products and food ingredients containing plant-based materials.

2) Health Support

- Raise public recognition of Wellnex, our functional brand of collagen peptides, and drive sales expansion in the strategic markets of North America and Asia, mainly for use in beauty-related applications.
- Expand the direct sales business through rebranding and strengthened marketing of collagen health foods and cosmetics for general consumers.

3) Biomedical

- Regenerative medicine and other advanced medical areas are expected to show global growth going forward. The construction and operation of Nitta Gelatin's new research facility, named Mirai Kan, will increase the competitiveness of Nitta Gelatin's medical-use collagen and gelatin in terms of quality, cost, production volume, and other aspects and drive sales expansion.

4) Overseas business

- Secure stable profit through innovation and stability in production in North America and India, where Group production bases are located.
- Work for sales expansion of collagen peptide for beauty purposes with North America and Asia as strategic markets.

(2) Strengthening the business foundation

- Progress with production innovation at all manufacturing bases to establish a stable global production system.
- Benefit from application of AI and plant automation to realize cost reduction and labor saving and enhance international competitiveness.
- Research and development departments will provide technology support to resolve customer issues and develop new products that serve as growth drivers for the whole Group.

(3) Strengthening the management foundation

- Review assessment and remuneration system to better recognize employees displaying a spirit of challenge.
- Further intensify initiatives for work style reform and female advancement to improve employee engagement and enhance organizational strength and productivity by combining the strengths of employees with diverse individual profiles and abilities.
- Enhance training system to encourage and support employee growth.

(4) Strengthening ties with stakeholders

- Strengthen ties with customers, shareholders, local communities, employees, and all other stakeholders to increase corporate value; also strengthen public relations activities in and out of house to raise public recognition of Nitta Gelatin.

- Follow new CSR policy by seeking solutions to health and medical-related issues through business; at the same time, support the environment by reducing CO₂ emissions and water consumption, etc., create motivating work environments, promote the development and deployment of human resources, and harmonize with local communities, e.g. through agricultural volunteering and community use of Nitta Gelatin sites and facilities.

7. Capital investment

During the plan period, Nitta Gelatin plans total capital investment of ¥7.5 billion.

- (1) Construction of the Mirai Kan research facility to promote business development in the biomedical field
- (2) Investment to drive innovation and increased efficiency in production
- (3) Investment in maintenance and upgrading to secure stable production

8. Basic approach to shareholder return

The basic approach of Nitta Gelatin has so far been to provide a continuous stable dividend. Recognizing however that profit return to shareholders is an important management issue, the Group has adopted the basic approach to shareholder return of targeting a dividend on equity ratio of 1.5% or higher while at the same time ensuring adequate internal reserves to strengthen the corporate structure with a view to medium- to long-term business development.

Forward-looking statements

This document includes projections, forecasts, targets, plans and other forward-looking statements relating to Nitta Gelatin Inc. and Nitta Gelatin Group companies. These statements, based on information currently available to Nitta Gelatin, are presented as predictions as of the time of this document's formulation and involve certain assumptions. These statements and assumptions are subjectively based and may be found in the future to have been inaccurate or to have remained unrealized. This is a possibility resulting from numerous uncertainties and risks, for information on which the reader is referred to the latest editions of the earnings reports, securities reports, and other documents issued by Nitta Gelatin. Please note also that the forward-looking information in these reports is based on data as of the time of formulation of the relevant document as stated above and that Nitta Gelatin has no obligation to update this information at appropriate intervals and does not have such a policy.