

June 19, 2023

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Progress Report (Changes) of the Plan for Compliance with the Prime Market's Continued Listing Criteria as Well as Decision to Apply for the Standard Market and Status of Compliance

Nitta Gelatin Inc. (hereinafter "Nitta Gelatin") submitted its Plan for Compliance with the Prime Market's Continued Listing Criteria on December 16, 2021 and since then it has made efforts to comply with these criteria.

Following the rules instituted by Tokyo Stock Exchange, Inc. ("TSE") on April 1, 2023, Nitta Gelatin has been given the opportunity to elect for its listing to be on the Standard Market. Therefore, a resolution was passed at the meeting of the Board of Directors held today to apply for the Standard Market, and Nitta Gelatin subsequently submitted its application.

The reason for selecting the Standard Market and the status of compliance with the Standard Market's Continued Listing Criteria are presented below.

1. Nitta Gelatin's Compliance with the Prime Market's Continued Listing Criteria and Duration of Plan

Nitta Gelatin's compliance with the Prime Market's Continued Listing Criteria as of March 31, 2023, including progress, is presented below. As of this same date, Nitta Gelatin had not fulfilled the requirement for tradable share market capitalization.

		Number of shareholders	Number of tradable shares	Tradable share market capitalization	Tradable share ratio	Daily average trading value
Nitta Gelatin's Compliance and Trend	June 30, 2021 (As of transition record date)* ¹	9,893	97,419 units	¥6,310 million	53.0%	¥9 million
	March 31, 2023 (As of most recent record date)* ²	12,826	95,172 units	¥7,930 million	51.7%	¥109 million* ³
Prime Market's Continued Listing Criteria		800	20,000 units	¥10,000 million	35%	¥20 million
Status of compliance		Compliance	Compliance	Non-compliance	Compliance	Compliance
Period of plan		—	—	March 31, 2025	—	March 31, 2025

*1: The status of Nitta Gelatin's compliance as of June 30, 2021 was calculated based on the distribution of its share certificates available from the TSE as of the transition record date.

*2: The number of shareholders, number of tradable shares, tradable share market capitalization, and tradable share ratio were calculated based on the distribution of Nitta Gelatin's share certificates available from the TSE as of the record date of March 31, 2023.

*3: Daily average trading value was calculated based on Nitta Gelatin's Continued Listing Criteria (trading value) available from the TSE as of the record date of December 31, 2022.

2. Status of Initiatives to Comply with the Prime Market's Continued Listing Criteria and Assessment

Nitta Gelatin did not fulfill the criteria for tradable share market capitalization and daily average trading value, which were part of the Prime Market's Continued Listing Criteria as of June 30, 2021, and as noted in its Plan for Compliance with the Prime Market's Continued Listing Criteria dated December 16, 2021, Nitta Gelatin has made the following efforts with the plan set to end on March 31, 2025.

(1) Status of Initiatives

1) Raise Market Capitalization by Increasing Corporate Value

i. Steadily Execute Medium-Term Management Plan

In the fiscal year ended March 31, 2023, the second year of its medium-term management plan, Nitta Gelatin worked to upwardly revise product prices given robust demand in each of the Food Solutions, Health Support and Specialties segments. As a result, Nitta Gelatin achieved the targets for net sales and operating income set for the final fiscal year of the medium-term management plan ahead of schedule. However, with regard to the key markets identified in the medium-term management plan, steady progress is being made in some, while in others progress has fallen behind schedule. As for the collagen peptide market overseas, demand is increasing worldwide and Nitta Gelatin is now working to tap into new markets in Southeast Asia, where is expected to see future growth. In terms of the biomedical market, Nitta Gelatin is expanding its presence globally by increasing the competitiveness of medical-use collagen and gelatin through fully utilizing Mirai-can, which was completed in December 2022. Meanwhile, Nitta Gelatin is investing management resources in the professional-use market, new needs in food markets, and the direct sales business, but it expects that it will take time to achieve targets in these three key markets, requiring a review of strategies.

In addition, Nitta Gelatin's most recent financial results deteriorated from the third quarter of the fiscal year ended March 31, 2023, due mainly to the lower plant utilization rate of consolidated subsidiary, Nitta Gelatin USA Inc. Moreover, Nitta Gelatin's operating cash flows deteriorated because it held larger than normal inventories in response to worldwide logistics bottlenecks caused by the COVID-19 pandemic. Nitta Gelatin has already began implementing countermeasures to address each of these issues, and while progress toward improvement is being made, Nitta Gelatin will continue working to further strengthen its business management foundation going forward.

ii. Further Promote Sustainability Activities

Nitta Gelatin established the Sustainability Committee in March 2022, and it is now working to address the six material issues of "environment," "solutions to social issues," "co-existence with and contribution to local communities," "better workplaces and human resources development," "human rights and labor practices," and "responsible procurement." In December 2022, Nitta Gelatin disclosed information following the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

iii. Increase Shareholder Returns

Nitta Gelatin's basic approach on shareholder returns is to provide a dividend on equity ratio of 1.5% or higher. In the fiscal year ended March 31, 2023, Nitta Gelatin paid cash dividends per share of ¥16, after increasing the year-end dividend per share by ¥2 from ¥7 following upward revisions made to the full-year forecasts of financial results. For the fiscal year ending March 31, 2024, Nitta Gelatin plans to offer cash dividends per share of ¥16.

2) Promote More Active Share Trading as well as Boost Recognition and Liquidity

i. Increase Recognition through Stronger PR and IR

As a manufacturer of materials, Nitta Gelatin has established a certain reputation among corporate customers in foods and capsules, but it has low recognition among general consumers, with the image that "Collagen equals Nitta Gelatin" yet to penetrate. Therefore, in February 2023, Nitta Gelatin launched the Frail FREE Project as a new PR measure for proposing ways of living to stay healthy both physically and mentally for longer with the hope of sharing the benefits of collagen and Nitta Gelatin with general consumers and increasing the number of

fans of the company. Also, in the direct sales business, which sells collagen health foods to general consumers using direct marketing, Nitta Gelatin has undertaken aggressive advertising via mass media. In regard to IR, in addition to financial results presentations held twice annually, Nitta Gelatin held briefing sessions for individual investors in September 2022 and January 2023 with the purpose of fostering deeper understanding of the Group.

ii. Increase Liquidity by Reviewing Cross-Shareholdings

With the purpose of increasing tradable share market capitalization, Nitta Gelatin has divested its cross-shareholdings of certain operating companies after requesting these companies and financial institutions holding the company's shares as cross-shareholdings to review their holdings. However, the tradable share ratio as of March 31, 2023 was slightly lower than the ratio on the transition record date of June 30, 2021.

(2) Evaluation of Initiatives

In the fiscal year ended March 31, 2023, progress was made according to the initial plan, as consolidated net sales and consolidated operating income reached record highs and financial results were favorable. Nevertheless, with regard to the Prime Market's Continued Listing Criteria, while Nitta Gelatin was able to fulfill the criteria for daily average trading volume on the most recent record date, it was unable to do so for tradable share market capitalization.

3. Reasons for Selection of the Standard Market

Nitta Gelatin made efforts to fulfill the Prime Market's Continued Listing Criteria, but it was unable to fulfill the criteria for tradable share market capitalization as of the record date. Going forward, if it continued its listing on the Prime Market, Nitta Gelatin may breach the Prime Market's Continued Listing Criteria after the end of the transitional measures, raising the risk of it being delisted. Although there are no changes to Nitta Gelatin's policy to shift away from general-purpose gelatin products to high-value-added collagen peptides and to be reborn as a highly profitable company as stated in our Long-term Business Plan released on June 8, 2022, Nitta Gelatin believes that its current priorities over the short term should be to maintain and stabilize production including at its overseas plants and improve cash flows by reducing inventories to more appropriate levels. Over the medium to long term, Nitta Gelatin intends to concentrate management resources on the following: transformation of revenue structure impacted by raw materials prices, investment in new facilities for expanding sales of collagen peptide, and review of growth strategies for key markets and business portfolio of other existing businesses. Nitta Gelatin has judged that it is possible to achieve sustainable growth and improve profitability through such measures, and for this reason it passed a resolution to select and apply for the Standard Market in order to focus on these achievements.

4. Status of Compliance with the Standard Market's Continued Listing Criteria

Nitta Gelatin's compliance with the Standard Market's Continued Listing Criteria as of March 31, 2023 is presented below.

		Number of shareholders	Number of tradable shares	Tradable share market capitalization	Tradable share ratio	Monthly average trading volume	Net assets
Status of compliance	March 31, 2023 (As of most recent record date)* ¹	12,826	95,172 units	¥7,930 million	51.7%	45,670 units* ²	¥13,700 million
Standard Market's Continued Listing Criteria		400	2,000 units	¥1,000 million	25%	10 units	Positive

*1: The number of shareholders, number of tradable shares, tradable share market capitalization, and tradable share ratio were calculated based on the distribution of Nitta Gelatin's share certificates available from the TSE as of the record date of March 31, 2023.

*2: The monthly average calculated by Nitta Gelatin dividing the trading volume from July 2022 to December 2022 by 6.

Since Nitta Gelatin complies with all the Standard Market's Continued Listing Criteria at the time of its application for listing on this market, there is no longer a need to disclose the Plan for Compliance with the Standard Market's Continued Listing Criteria if Nitta Gelatin complies with all of the criteria as of the record date for each

item of such criteria.

Even after the transition to the Standard Market, Nitta Gelatin will aim to list on the Prime Market in the future and concentrate on quickly achieving the priority issues mentioned in 3. above. In addition, Nitta Gelatin will strive to further increase the level of governance and bolster IR activities to strengthen its foundation for the sustainable enhancement of corporate value and promote initiatives to comply with the Prime Market's Continued Listing Criteria.