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

Nitta Gelatin Inc. today announced a medium-term management plan covering the three-year period from the fiscal year ending March 2016 to the fiscal year ending March 2018.

### **1. Background of Medium-term Management Plan**

Nitta Gelatin's previous three-year medium-term management plan was formulated in May 2013 under the key concept of making the Company become the Dominant No. 1 in Asia. Despite the Group's push to make investments toward achieving the targets, the previous plan was suspended in the second year. This was because the plan's assumptions were undermined by significant changes in the business environment including the yen's persistent weakness and market conditions in North America. Soon after, the Company's management was revamped in April 2015. Nitta Gelatin will also be ushering in its 100th founding anniversary in 2018. It was under these circumstances that the new medium-term management plan was formulated with the aim of setting Nitta Gelatin on course to making further advancements over the next 100 years.

### **2. Assumed Market Environment and Business Opportunities**

Nitta Gelatin can now expect to create new markets and expand business opportunities in Japan because the yen's depreciation has persisted amid the introduction of the functional labeling of foods and the relaxation of regulations on bovine spongiform encephalopathy (BSE) in the Japanese market. Meanwhile, sales of Nitta Gelatin's products are forecast to expand in Asia as the region continues to drive growth in the global economy. This is because the region's diet has westernized and the consumption of processed foods, health foods and pharmaceuticals has increased. In addition, the basic ratification of the Trans-Pacific Partnership (TPP) in October 2015 is expected to have a significant impact on the economies of the region by promoting the free trade of goods and services. This is viewed as a major growth opportunity for the Nitta Gelatin Group provided that it can make the most of its strengths in the region.

### 3. Slogan and Basic Strategy

Company slogan: **Progress with a New Perspective**

In the first two years of the previous medium-term management plan, Nitta Gelatin expanded its global production platform by proactively investing in a peptide plant in the U.S. and a new Adhesive Innovation Center (AIC). The new medium-term management plan aims to raise the Group's business to the next stage of recouping these investments by generating profits from the operating platforms that were developed.

Basic strategy: **Pursue the Highest Quality**

To be appreciated by its stakeholders, Nitta Gelatin will raise corporate value by enhancing quality in all aspects of its business operations. This will include product, sales, production, quality assurance, and research and development.

### 4. Medium-term Management Plan

#### (1) Consolidated Operating Results

| (Billions of yen)    | Year ended<br>Mar. 2015<br>(Actual) | Year ending<br>Mar. 2016<br>(Plan) | Year ending<br>Mar. 2018<br>(Target) |
|----------------------|-------------------------------------|------------------------------------|--------------------------------------|
| Net sales            | ¥31.9                               | ¥38.1                              | ¥41.0                                |
| Operating income     | ¥0.3                                | ¥1.4                               | ¥2.0                                 |
| Operating margin     | 1.2%                                | 3.7%                               | 4.9%                                 |
| Overseas sales ratio | 42.2%                               | 48.0%                              | 50.0%                                |

(Note) Planned figures from the fiscal year ending March 31, 2016 assume the following exchange rates: ¥118.0=US\$1.

#### (2) Strategic Issues

##### 1) Develop High-Value-Added Products

Owing to the population declining and markets maturing, it is now difficult in Japan to optimize profits by expansion of product volume alone. This is because this would only trigger price competition among competitors. On the other hand, the Company has grown since it was established by developing products suited to the changing times and market needs. The potential of gelatin and collagen as core products remains infinite, and Nitta Gelatin believes it can continue to differentiate them from its competitors. Going forward, the Company will apply the technologies it nurtured to develop products with high added value. These include collagen peptides high in properties for regulating bodily functions, gelatin and collagen for use in cultivating iPS cells in regenerative medicine, and products supplementing the diet of senior citizens who have active lifestyles, an area where market growth is expected. In the adhesives business, this will include high-performance polymers useful to customers in the electronics

industry who want to automate their manufacturing process.

## **2) Optimize Production, Optimal Sales**

The Nitta Gelatin Group has manufacturing bases in Japan, North America, India, China, and Vietnam, and has its eye on North America and Asia for globalizing business. To this end the Group will begin promoting a sales strategy of local production for local consumption. This will be done to take advantage of the relaxation of BSE regulations, as well as to minimize the impact of tariffs, transportation costs and foreign exchange fluctuations involved in exporting and importing products manufactured at its bases. In addition, the Group will adapt its manufacturing for sales expansion in growth markets.

## **3) Strengthen Global Business Foundations**

Since entering the country's market in 1975 to procure raw materials for bovine bone gelatin, India has become an important procurement, manufacturing and marketing base of bovine bone gelatin for the Nitta Gelatin Group. In April 2015, Nitta Gelatin's three bases in India were consolidated as subsidiaries. The subsidiaries will be integrated further with Nitta Gelatin as the Group moves forward. Apart from that, Nitta Gelatin will strengthen its global business foundation by promoting the exchange of human resources and diversifying its management team internationally, while enhancing the Group's profitability with the steadfast and speedy implementation of overseas business strategies.

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

The Company plans to make capital investments totaling ¥6.5 billion during the period covered by the medium-term management plan. The main planned uses are as follows:

- Deploy new facilities in the casing business
- Deploy new facilities to boost gelatin production at the Osaka Plant
- Deploy new facilities to increase productivity at overseas gelatin plants

### **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 this 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.