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# Supplementary Material for the Fiscal Year Ended February 29, 2020

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Stock code: 2930  
Kitanotatsujin Corporation  
April 15, 2020

## Summary for the Fiscal Year Ended February 29, 2020

- Net sales and profits at each level reached record highs.  
Net sales exceeded ¥10.0 billion with an operating profit margin of 28.9%.
- Aim to grow by achieving ¥100.0 billion in net sales and ¥30.0 billion in operating profit for the medium- to long-term through the Kitanotatsujin-style management strategy.
- Revenue and profits are expected to fall in the fiscal year ending February 28, 2021, as it will be the year of organizational restructuring.

# Table of Contents

1. Company Overview and Business Overview (P.4 -)
2. The Kitanotatsujin-style Management (P.12 -)
3. Highlights for the Fiscal Year Ended February 29, 2020  
(P.22 -)
4. Forecast and Plan for the Fiscal Year Ending February 28,  
2021 (P.41 -)
5. Basic Strategies and Future Developments (P.48 -)
6. References (P.52 -)

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# Company Overview and Business Overview

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# Company Overview

【Company Name】	Kitanotatsujin Corporation	
【Representative】	Katsuhisa Kinoshita, Representative Director & President	
【Capital Stock】	¥273,990,000 (As of February 29, 2020)	
【Officers and Employees, etc.】	162 people (As of February 29, 2020)	
【Incorporated】	May 1, 2002	
【Listing】	May 2012	Listed on Sapporo Securities Exchange, Ambitious Market
	March 2013	Upgraded to Main Market on Sapporo Securities Exchange
	November 2014	Listed on the Tokyo Stock Exchange, Second Section
	November 2015	Assigned to the Tokyo Stock Exchange, First Section

# Business Overview

The E-commerce business that sells our original brands of health and beauty products, etc., to general consumers on the Internet



北の快適工房  
J NORTH FARM



北の快適工房  
J NORTH FARM  
BEAUTY



北の快適工房  
J NORTH FARM  
GLAMENS

- By adopting a **subscription system**, we have realized a structure that encourages customers to continuously purchase products.
- Currently offering a total of 32 products to meet specific customer needs, including **cosmetics, health foods, and miscellaneous goods**
- In the current fiscal year, our **“injectable cosmetics series,”** mainly **“HYALO DEEP PATCH,”** have been **significantly successful!**

# Major Awards Received

- September 2019: Awarded the Internet Shopping Award in the “Asia Direct Marketing Vision 2019”
- November 2018: Awarded the “Asia’s 200 Best Under A Billion” for the second time in the Asian edition of the U.S. economic magazine Forbes
- February 2017: Special E-Commerce Promotion Award Recipient at “Japan Venture Awards 2017” hosted by the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (backed by The Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, etc.)
- September 2015: Japanese Representative Candidate Finalist for EY Entrepreneur of the Year 2015, an international award program for entrepreneurs
- February 2014: Awarded the IT Management Award of the Minister of Economy, Trade and Industry Award





# Significant success of “injectable cosmetics series” with total sales of approximately 17 million patches\*

“HYALO DEEP PATCH” for wrinkles under the eyes and smile lines



“MIKEN DEEP PATCH” for the area between the eyebrows



“ODEKO DEEP PATCH” for the forehead



“CHEEK PORE PATCH” for the “cheek pore zones (area where cheek pores are concentrated)”



- All four cosmetic products of the Company apply the microneedle technology, which is also used in medical treatments.
- A new concept of cosmetic products to directly inject needle-shaped beauty ingredients into the skin (“injectable cosmetics”)
- Established a dominant position in the microneedle cosmetics market in terms of price and quality

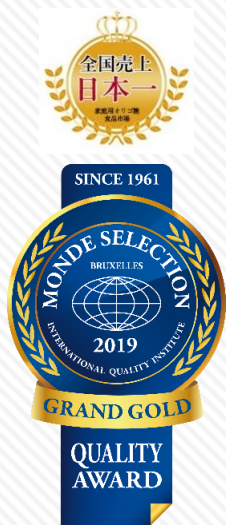
\*As of March 31, 2020



Our sales of oligosaccharide food for household use is the highest in Japan.

— Improves bowel movements for people with constipation tendency (increase stool volume and frequency of bowel movements) —

Food with functional claims “KAITEKI OLIGO” (Registration No.: D674)



- Awarded the Grand Gold Award of the Monde Selection for eight consecutive years (2012 to 2019)
  - **The registration as a food with functional claims was accepted** in May 2019.
- Japan's first food with functional claims containing five types of functional ingredients  
 Expecting an increase in sales going forward through an expansion of the extent of advertising expressions
- “OKOSAMAYOU KAITEKI OLIGO,” a product for children, was launched in February 2019.

# One product sells every 27 seconds!\*

## “EYE KIRARA”



- Awarded the Gold Award of the Monde Selection for four consecutive years (2016 to 2019)
- Run in medical journals, representing a rare achievement for cosmetic products
- “MEN’s EYE KIRARA” for men was also launched in January 2019.

\*As of September 7, 2018 (research by the Company)



# Vision

Create a next-generation  
global brand  
that will represent Japan



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# The Kitanotatsujin-style Management

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# The difference between other companies listed on the First Section of the Tokyo Stock Exchange and Kitanotatsujin Corporation

	Average of the top ten companies in market value*	Kitanotatsujin Corporation	Ratio
Number of employees	109,183	125	<b><u>Approx. 1/873</u></b>
Operating profit per employee	¥10,770 thousand	¥23,320 thousand	<b><u>2.2 times</u></b>
ROE (return on equity)	4.1%	54.2%	<b><u>13.2 times</u></b>

We are a startup where a small number of employees generate great achievements in an extremely efficient manner.

\*As of March 13, 2020 (research by the Company)

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## The Kitanotatsujin-style Strategy (1)

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Manufacturing based on feeling,

where a product will only be  
commercialized when  
an astonishingly fine product  
is created



The Company has established a concept of “quality before and during customer usage.”

We have our original evaluation items (750) required for online shopping.

The collage features several key pieces of content:

- Top Left:** 'The Bible for Marketers' article titled '宣伝力' (Promotional Power) and '商品開発力' (Product Development Power).
- Top Center:** Website screenshot for '北の快適工房' (Kita no Kaitaku Kobo) with the headline '株価10倍！ 投資家を驚かせた急成長通販サイト' (Share price 10x! E-commerce site that surprised investors with rapid growth).
- Top Right:** '必殺！ 虎の巻' (Must-win! Tiger's Tale) article titled 'ニッチで最高品質の商品に特化 巧みな広告も効き、1年で売上高倍増' (Specializing in niche, high-quality products. Clever advertising also works, sales doubled in one year).
- Bottom Right:** A page from 'NIKKEI TRENDY' (August 2018 issue) featuring a table of 44 items and a bar chart showing sales growth.

◆ Featured in the NIKKEI TRENDY (August 2018 issue)

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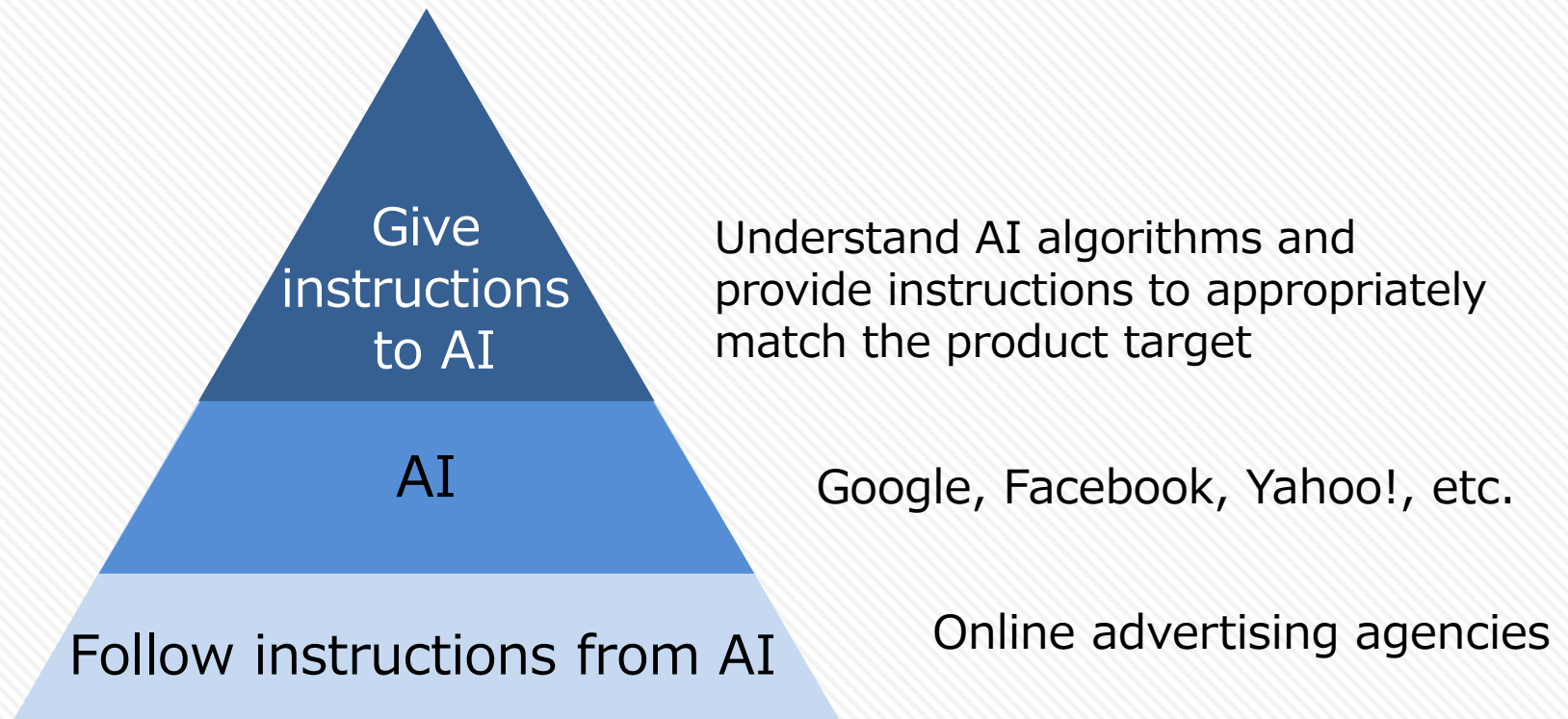
## The Kitanotatsujin-style Strategy (2)

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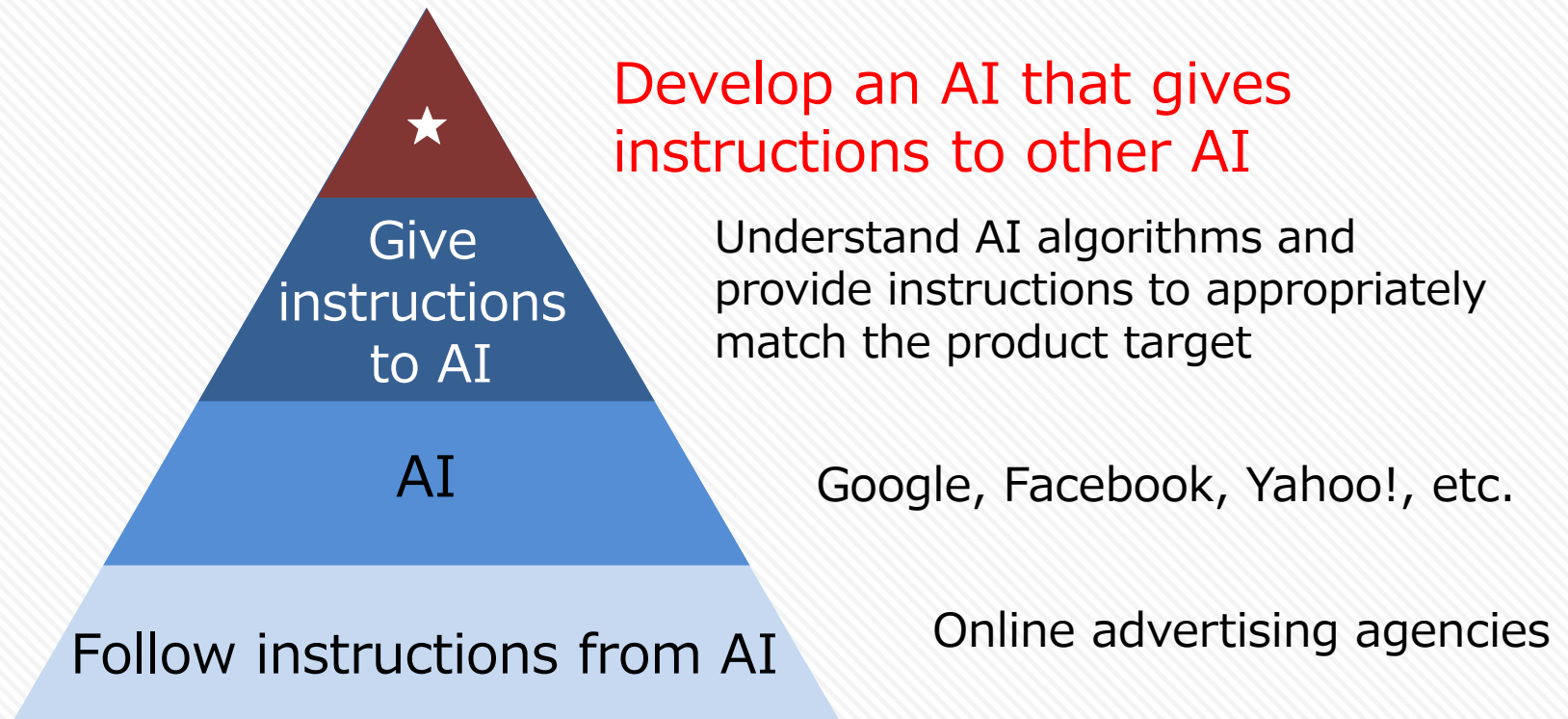
**World's best** level  
online marketing team

## Our position in online marketing is ...





# Our position in online marketing is ...

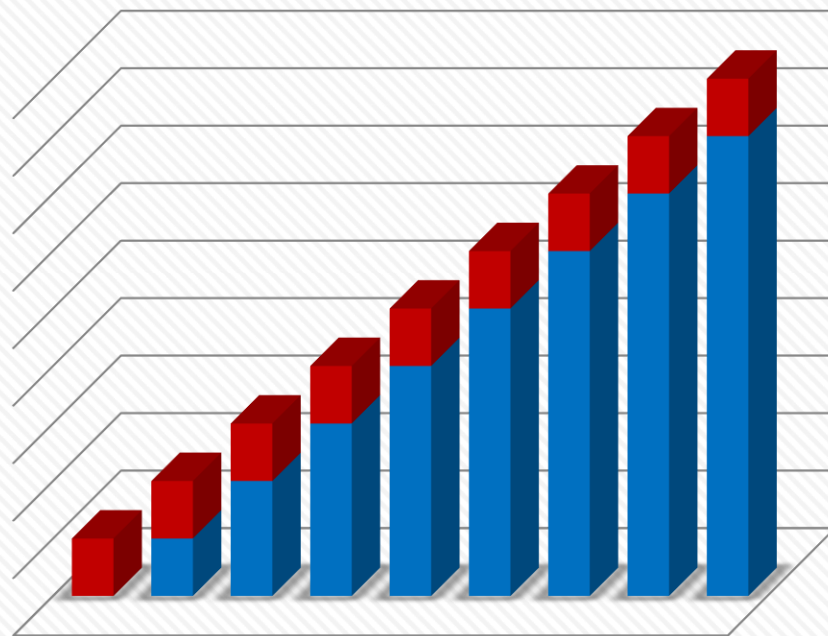


# The Kitanotatsujin-style Strategy (3)

Business model  
that expects  
a stable growth

Red: New sales

Blue: Subscription sales



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# The Kitanotatsujin-style Strategy (4)

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## Not following trends

The Company's knowledge of "the truth behind trends" acquired from its experience of creating a national trend:

- Online businesses whose key is their new concepts are quickly copied and turned into price competitions.  
→ We need to stay a one-of-a-kind entity that competes in product quality.
- Trends are transient. They're quickly replaced.  
→ We will conduct business with our basic products for the people who really like our products. Working with plain ingredients, such as oligosaccharide, *ume* plum extract, bamboo pyroligneous acid, and whey, instead of hot ingredients (enzymes, hydrogen water, CoQ10, resveratrol, etc.)

*"Enka* (Japanese traditional style ballad) strategy"



## Future Business Deployments of Kitanotatsujin Corporation

### Conditions for Our New Businesses

⇒“A product that makes the world a better place”

⇒“To contribute to GDP growth”

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# Highlights for the Fiscal Year Ended February 29, 2020

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# Key Performance Highlights [Year on Year]

(Millions of yen)

	[Results for the previous fiscal year] Fiscal year ended February 28, 2019	[Results for the current fiscal year] Fiscal year ended February 29, 2020	YoY changes	YoY %
Net sales	8,312	10,093	+1,780	+21.4%
Operating profit	1,861	2,915	+1,053	+56.6%
Operating profit margin	22.4%	28.9%	—	+6.5%
Ordinary profit	1,861	2,923	+1,062	+57.1%
Profit	1,293	1,974	+681	+52.7%

- Record high in net sales and profits at each level
- Continued high growth while maintaining high margins



## Key Performance Highlights [Compared with Forecasts]

(Millions of yen)

	[Forecast] Fiscal year ended February 29, 2020	[Results for the current fiscal year] Fiscal year ended February 29, 2020	Changes	Changes (%)
Net sales	10,939	10,093	-846	-7.7%
Operating profit	2,702	2,915	+212	+7.9%
Ordinary profit	2,703	2,923	+220	+8.2%
Profit	1,890	1,974	+84	+4.5%

- As for the forecast, while each profit exceeded the forecast, net sales were lower than the forecast.

## Factors of failure to achieve the net sales forecast (1) Delays in accumulation of subscription net sales due to shipping delays

Shipping delays due to lack of production capacity of “HYALO DEEP PATCH”



Prioritizing shipments to existing customers who are regularly buying products and delaying shipments to new customers (shipping delays were resolved in December)



Accordingly, the accumulation of subscription sales was delayed due to delays in transfers of new customers to become subscribers.



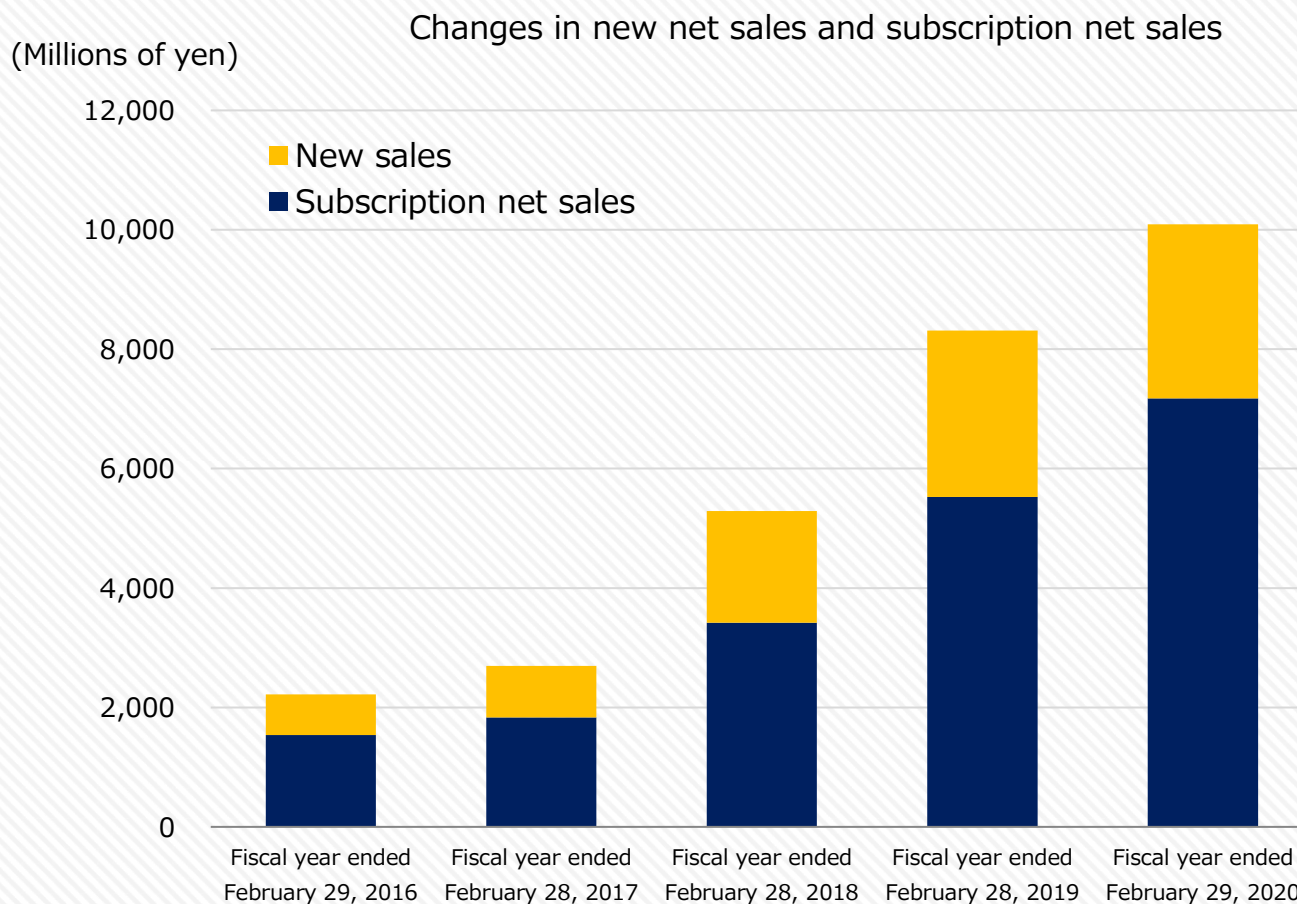
As a result, net sales that could be recorded in the fiscal year decreased.

(Millions of yen)

	Net sales assuming no shipment delays	Fiscal year ended February 29, 2020 [Results]	Changes
Net sales	10,253	10,093	-160

# Factors of failure to achieve the net sales forecast (2)

## Sluggish growth in new customer acquisitions

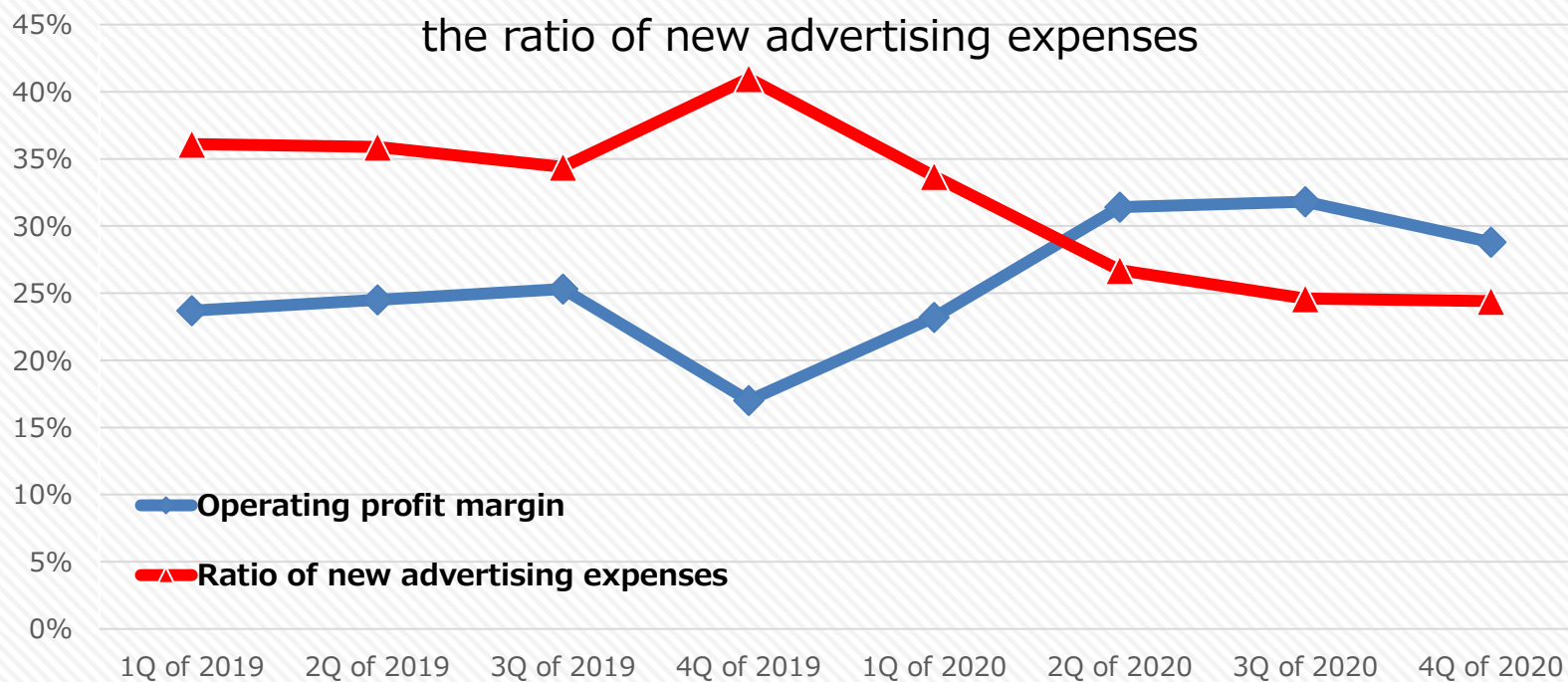




## Causes of the decline in new customer acquisitions

- We were unable to regularly brush up on new contents.  
(Delay in development of the training system for the creative members)
- Decline in consumer sentiment due to the consumption-tax hike and the spread of COVID-19
- We were unable to speed up product developments, and the number of new product releases fell below initial expectations.
- Delay in quantifying the status of various measures that improved the profitability of advertising investment caused a loss of opportunities for new customer acquisitions due to increased advertising investment.  
(This issue has been resolved by determining the coefficient to indicate advertising investment efficiency.)

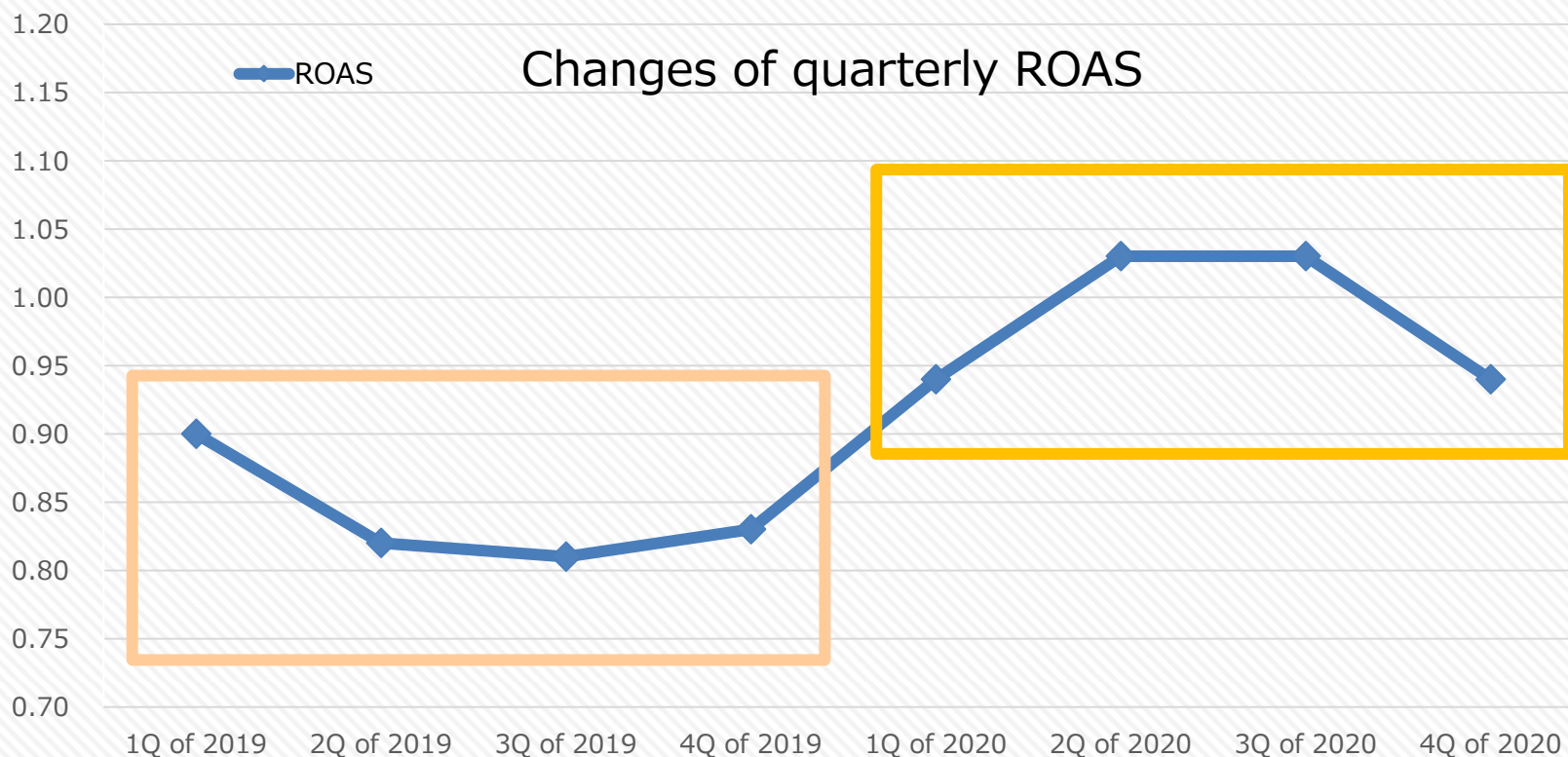
## Changes of the quarterly operating profit margin and the ratio of new advertising expenses



### Factors of exceeding the operating profit forecast (1)

By strategically allocating resources in the customer acquisition department to put in place a system for the future, and by improving ROAS\*, advertising investment for new customer acquisitions was restrained, and the operating profit margin improved. (Advertising expenses were approximately ¥870 million lower than the plan.)

\*ROAS is an indicator of customer acquisition efficiency through advertising that measures how much revenue is generated from advertising placements. If ¥1 million is used for advertising, and sales was ¥900 thousand, the ROAS is 0.90. If ROAS is less than 1, the balance of income and expenditure at the initial purchase will be a negative. In the case of regular purchases, the balance of income and expenditure will become positive as purchases continue.



## Factors of exceeding the operating profit forecast (2)

As a result of various measures, the unit sales price of new products improved, and the ROAS (new sales/advertising expenses), an indicator of advertising investment efficiency, rose from an annual average of 0.84 to 0.98.



## Operating profit margin

	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Operating profit margin	26.5%	22.4%	28.9%

- The operating profit margin for the fiscal year ended February 29, 2020 increased by 6.5% year on year.
- The top ten companies in market value have an average operating profit margin (\*) of 21.8%. Our profit margin has been at the same level or more of major companies representing Japan.
- For the fiscal year ending February 28, 2021, the operating profit margin is forecasted to be 24.4%.
- The average operating profit margin (\*) of major e-commerce companies that are listed is 2.4%.  
The Company's operating profit margin is very high compared to other e-commerce companies.

(\*) All data are as of March 13, 2020 based on the Company's research.

# Operating profit margin

E-commerce companies do not have physical stores. Instead, they spend a lot on advertising.

How well you control advertising expenses leads to a significant difference in the operating profit margin.

- Promotions that stand out = A promotion aimed at “standing out” and “becoming a topic of conversation,” targeting unspecified large numbers of people through TV commercials, events, etc.
- Modest promotions = A promotion designed to be recognized only by the target audience

	No increase in sales	Increase in sales
Promotions that stand out	(1) Self-satisfaction, only successful within a limited group, no consumers	(2) Draw attention of competitors, competition will intensify, and profit margins will decrease.
Modest promotion	(3) Too modest to be recognized by consumers	(4) Increased sales, no competitors, higher margins and long continuous growth

E-commerce companies that are well-known and famous, but unprofitable are making “promotions that stand out.” The purpose of advertising is not to stand out, but to generate profit.

## Principle of minimizing sales and maximizing profits

1 year LTV	CPO limit	1 year profit target
¥11,000	¥10,000	¥1,000

Details	Advertising expenses	Number of customer acquisitions	CPO	1 year sales	1 year profit
	¥10 million	1,000	¥10,000	¥11 million	¥1 million

Within the CPO limit

¥11 million in sales, ¥1 million in profit, and a profit margin of 9%



# Principle of minimizing sales and maximizing profits

1 year LTV	CPO limit	1 year profit target
¥11,000	¥10,000	¥1,000

Details	Advertising expenses	Number of customer acquisitions	CPO	1 year sales	1 year profit
Advertisement A	¥4 million	500	¥8,000	¥5.5 million	¥1.5 million
Advertisement B	¥6 million	500	¥12,000	¥5.5 million	¥(0.5) million
Average	¥10 million	1,000	10,000	¥11 million	¥1 million

Advertisement B exceeds the CPO limit.

Cancel this advertisement

¥11 million in sales, ¥1 million in profit, and a profit margin of 9%

## Principle of minimizing sales and maximizing profits

1 year LTV	CPO limit	1 year profit target
¥11,000	¥10,000	¥1,000

Details	Advertising expenses	Number of customer acquisitions	CPO	1 year sales	1 year profit
Advertisement A	¥4 million	500	¥8,000	¥5.5 million	¥1.5 million
Average	¥4 million	500	¥8,000	¥5.5 million	¥1.5 million

¥11 million in sales, ¥1 million in profit, and a profit margin of 9%

→ ¥5.5 million in sales, ¥1.5 million in profit, and a profit margin of 27%

Sales will be halved, but profit will be 1.5 times more, and profit margin will triple.

\* Advertising agencies are not in favor of this type of detailed analysis, because advertising expenses will decrease from ¥10 million to ¥4 million.

## ■ The Company's own system for efficient advertising operation

The Company manages the CPO of around 5,000 advertising placements on a daily basis on its own system.

- Not only classifying advertisements by each advertising medium, advertisement manuscript, and keyword, but they are further subdivided into various classifications, such as time zones, day of the week, age, etc. The CPO is calculated daily, and any unprofitable portion will be suspended.
- Suspended advertisements will be resubmitted after adjustments are made to placement conditions, such as the advertisement manuscript, the page to which they are directed, and the bidding price. These adjustments are repeated until the advertisements become profitable.





# ■ Five level profit management

Visualize profits on five levels for “each product”

Gross profit by product

Mandatory cost per order (enclosures, accessories, settlement charges, shipping fees, packaging materials, etc.)

Gross profit - order-linked costs = net gross profit (coined term)

Net gross profit - sales promotion expenses = sales profit (coined term)

Personnel expenses for each product

Rent expenses and indirect operating personnel expenses, etc.

	Total of all products	Product (1)	Product (2)	Product (3)
Net sales	10,000	6,000	3,000	1,000
<b>Profit (1) Gross profit or loss</b>	4,400	2,500	1,200	700
Order-linked costs	600	300	200	100
<b>Profit (2) Net gross profit</b>	3,800	2,200	1,000	600
Sales promotion expenses (primarily advertising expenses)	1,800	1,500	200	100
<b>Profit (3) Sales profit</b>	2,000	700	800	500
ABC (Active Based Costing)	200	100	50	10
<b>Profit (4) ABC profit</b>	1,800	600	750	490
Operating expenses	700	420	210	70
<b>Profit (5) Operating profit for each product</b>	1,100	180	540	420
Operating profit margin for each product	11%	3%	18%	42%

The sales of Product (1) are increasing. However, this is due to spending more on sales promotion expenses, and profit is not high as much.

Product (3) has low sales, but it has a high gross profit margin. It is making a lot of profit, since it does not spend much on ABC. However, it is easy to overlook this matter, since a product with low ABC is not often be discussed in the Company. By thoroughly managing this profit, it will be possible to maintain a high operating profit margin in the mass market.

# Balance Sheets

(Thousands of yen)

Subject/Section	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020	YoY changes	YoY %
(Cash and deposits)	2,687,645	4,088,384	+1,400,738	+ 52.1%
Current assets	3,958,904	5,521,246	+1,562,341	+ 39.5%
Non-current assets	281,729	380,905	+99,176	+ 35.2%
<b>Total assets</b>	<b>4,240,633</b>	<b>5,902,151</b>	<b>+1,661,517</b>	<b>+ 39.2%</b>
Current liabilities	1,298,339	1,554,797	+256,457	+ 19.8%
Non-current liabilities	0	0	0	0%
<b>Total liabilities</b>	<b>1,298,339</b>	<b>1,554,797</b>	<b>+256,457</b>	<b>+ 19.8%</b>
<b>Total net assets</b>	<b>2,942,293</b>	<b>4,347,354</b>	<b>+1,405,060</b>	<b>+ 47.8%</b>
<b>Total liabilities and net assets</b>	<b>4,240,633</b>	<b>5,902,151</b>	<b>+1,661,517</b>	<b>+ 39.2%</b>

# Cash Flows

(Thousands of yen)

Section	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020	YoY changes	YoY %
Cash flows from operating activities	1,193,600	2,142,937	+949,336	+ 79.5%
Cash flows from investing activities	(184,820)	(100,273)	+84,546	+ 45.7%
Cash flows from financing activities	(829,596)	(643,498)	+186,097	+22.4%
Net increase (decrease) in cash and cash equivalents	179,503	1,400,738	+1,221,235	+ 680.3%
Cash and cash equivalents at beginning of period	2,508,142	2,687,645	+179,503	+ 7.2%
Cash and cash equivalents at end of period	2,687,645	4,088,384	+1,400,738	+ 52.1%



## Other Indicators

	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Equity ratio (%)	67.4	67.3	69.4	73.7
Dividend payout ratio (%)	30.9	30.3	38.7	30.3
Cash dividends per share (yen)	0.84	2.19	3.60	4.30
Number of shareholders	8,926	31,667	47,978	54,307

(\*) Cash dividends per share are translated based on the impact of following stock splits:

(Fractions less than one sen are rounded up.)

A 2-for-1 stock split for common shares as of April 1, 2017

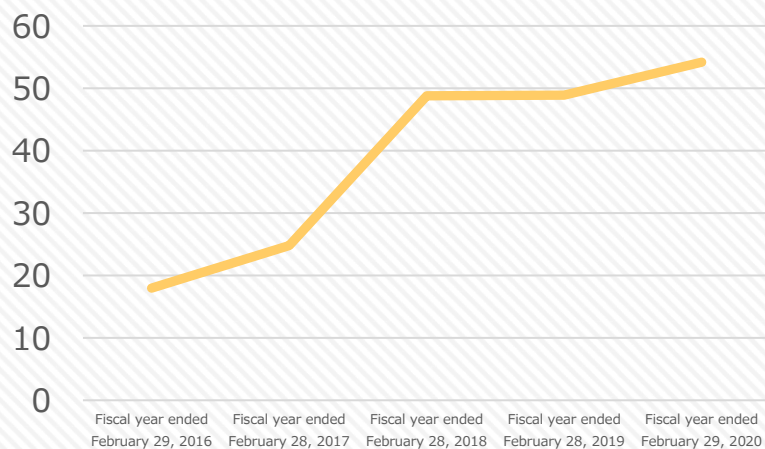
A 2-for-1 stock split for common shares as of November 6, 2017

A 3-for-1 stock split for common shares as of February 15, 2018

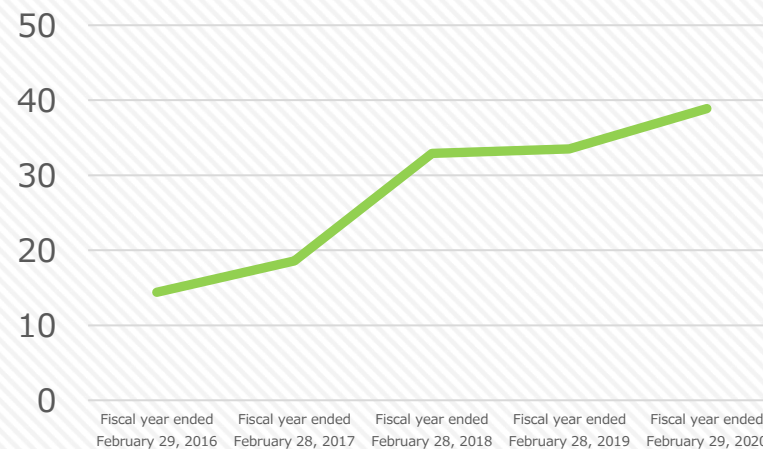
# Changes of ROE and ROA

	Fiscal year ended February 29, 2016	Fiscal year ended February 28, 2017	Fiscal year ended February 28, 2018	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
ROE (return on equity)	18.0%	24.8%	48.8%	48.9%	54.2%
ROA (return on assets)	14.4%	18.6%	32.9%	33.5%	38.9%

### Changes of ROE



### Changes of ROA



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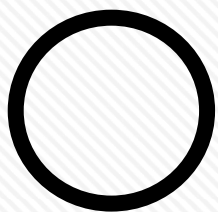
# Forecast and Plan for the Fiscal Year Ending February 28, 2021

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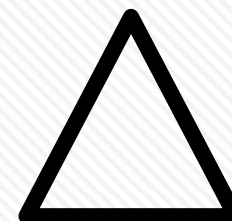
# Challenges in the Previous Fiscal Year (1)

Sluggish growth in new customer acquisitions



Appropriate  
operation of  
advertising  
distribution

Appropriate  
advertising  
contents



As for “appropriate advertising contents,” the improvement of systems and training were insufficient, because the number of members rapidly increased.

## Challenges in the Previous Fiscal Year (2)

Only three new products were released in the fiscal year ended February 29, 2020.

Our core products shifted from health foods to basic cosmetics.

→ Compared with the steady demand for health foods, basic cosmetics are affected by a slight wave of demand. In order to respond to this, it is necessary to stimulate demand by launching new products and renewing existing products at a certain interval.

The Company was unable to speed up product development, and the number of new products that could be released decreased.

## Key Points for the Fiscal Year Ending February 28, 2021

### (1) Strengthening the Creative Department

### (2) Strengthening the Product Development Department



- (1) Focusing on improving the skills of the creative members by enhancing the training system, assigning managers, and strengthening mid-career recruitment of experienced personnel.
- (2) Since the “emphasis on quality” is the significance of the Company’s existence, we will not shorten the product development period for each product. Therefore, in order to increase the number of new products, the Company will strengthen its systems so that multiple product planning and development projects are carried out concurrently.  
Specifically, we will review the planning process (that does not interfere with quality) and hire experienced staff.  
\*The transition of the genre of products to develop will be described later.



## Positioning of the Fiscal Year Ending February 28, 2021

The fiscal year ending February 28, 2021 will be positioned as a year for the reconstruction of our organizational structure with the aim of resolving current issues and achieving long-term growth.

As it is not possible to quantify and verify the progress of the “Strengthening the Creative Department” and “Strengthening the Product Development Department,” the current forecast for the fiscal year ending February 28, 2021 is based on a “premise that the current capability will be kept without the strengthening of the Creative Department” and a “premise that sales of new products are not included.”

Any revisions to the forecasts will be promptly disclosed.

# Forecasts for the Fiscal Year Ending February 28, 2021

(Millions of yen)

	[Results for the current fiscal year] Fiscal year ended February 29, 2020	[Forecasts] Fiscal year ending February 28, 2021	YoY changes	YoY %
Net sales	<b>10,093</b>	<b>8,227</b>	<b>-1,865</b>	<b>-18.5%</b>
Operating profit	<b>2,915</b>	<b>2,006</b>	<b>-908</b>	<b>-31.2%</b>
Profit	<b>1,974</b>	<b>1,357</b>	<b>-617</b>	<b>-31.2%</b>

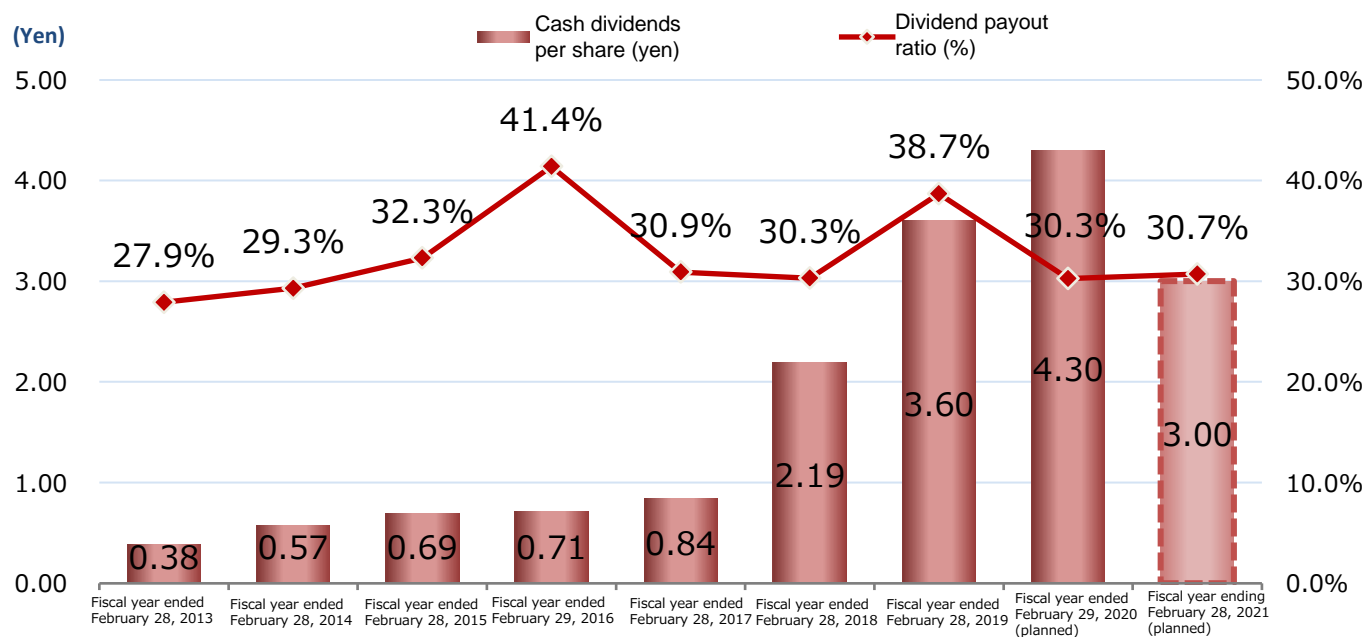
## <Key Points of the Forecasts>

Net sales is forecasted to decrease 18.5% year on year, while operating profit will fall 31.2% year on year.

- Positioning this period as a period for the development of an organizational structure with a view to further grow over the medium to long term. “Strengthening the Creative Department” and “Strengthening the Product Development Department” will be pursued. However, the impact of fulfilling both challenges will not be factored in.

# Actual and Projected Dividends

The Company is working to return profits to shareholders by paying dividends of approximately 30% of dividend payout ratio, taking into consideration the strengthening of its business foundation and the enhancement of its internal reserves. The Company expects to pay an interim dividend of ¥1.80, a year-end dividend of ¥1.20, and an annual dividend of ¥3.00 per share for the fiscal year ending February 28, 2021.



**(Note)** Cash dividends per share are translated based on the impact of the following six stock splits. (Fractions less than one sen are rounded up.)

A 4-for-1 stock split for common shares as of February 9, 2013

A 2-for-1 stock split for common shares as of June 1, 2015

A 2-for-1 stock split for common shares as of November 6, 2017

A 2-for-1 stock split for common shares as of January 3, 2014

A 2-for-1 stock split for common shares as of April 1, 2017

A 3-for-1 stock split for common shares as of February 15, 2018

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# Basic Strategies and Future Developments

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# Basic Strategies and Future Developments

## Future Net Sales Target

### <Past>

Aim for a total business size of ¥10.0 billion by conducting high-margin business from offering multiple products ranging from ¥1.0 billion to ¥2.0 billion per product in a niche market with few competitors (constipation, atopic dermatitis, etc.)

### <Current>

The Company has achieved net sales of ¥10.0 billion, while maintaining high profit margins.

**[Advantage 1]** The Company now has the skills to maintain high margins without the need for being in a niche market with a dominating share.

**[Advantage 2]** The Company has acquired the know-how to create a ¥4.0 billion to ¥5.0 billion business from a single product.

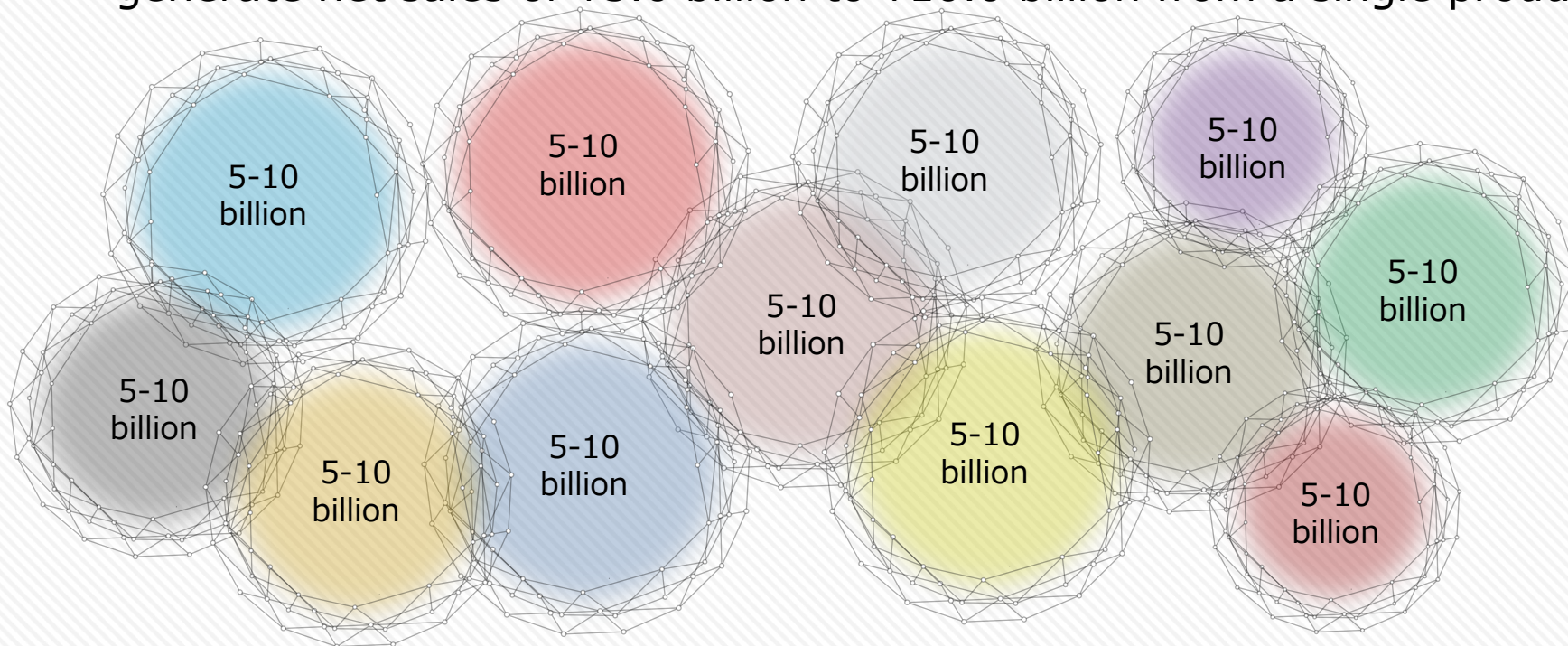
**[Challenges]** Each market is small with limited growth potential.

### <Future>

The Company aims to become a company with sales of ¥100.0 billion and operating profit of ¥30.0 billion, while maintaining high profit margins by offering multiple product lines with ¥5.0 billion to ¥10.0 billion from a single product in large mass markets (all-in-one gel, shampoo, etc.).

## Future Net Sales Targets

- In the future, the Company will focus on the development of mass-market products such as the “injectable cosmetics” series, which can generate net sales of ¥5.0 billion to ¥10.0 billion from a single product.



¥5.0 billion to ¥10.0 billion x Multiple markets,  
achieve an annual sales of ¥100.0 billion



## Overseas Business Development

- Currently, the Company is focusing on sales promotion activities in Japan. Its business in Taiwan has already turned to a surplus, and the Company is looking to further expand overseas going forward.
- In developing the Company's business overseas, it will specialize in online sales that make it easier to implement a "horizontal expansion in other countries."
- The Company is promoting sales strategies on platforms that are deployed overseas, such as Google, Yahoo!, Facebook, Twitter, Criteo and Amazon.



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# References

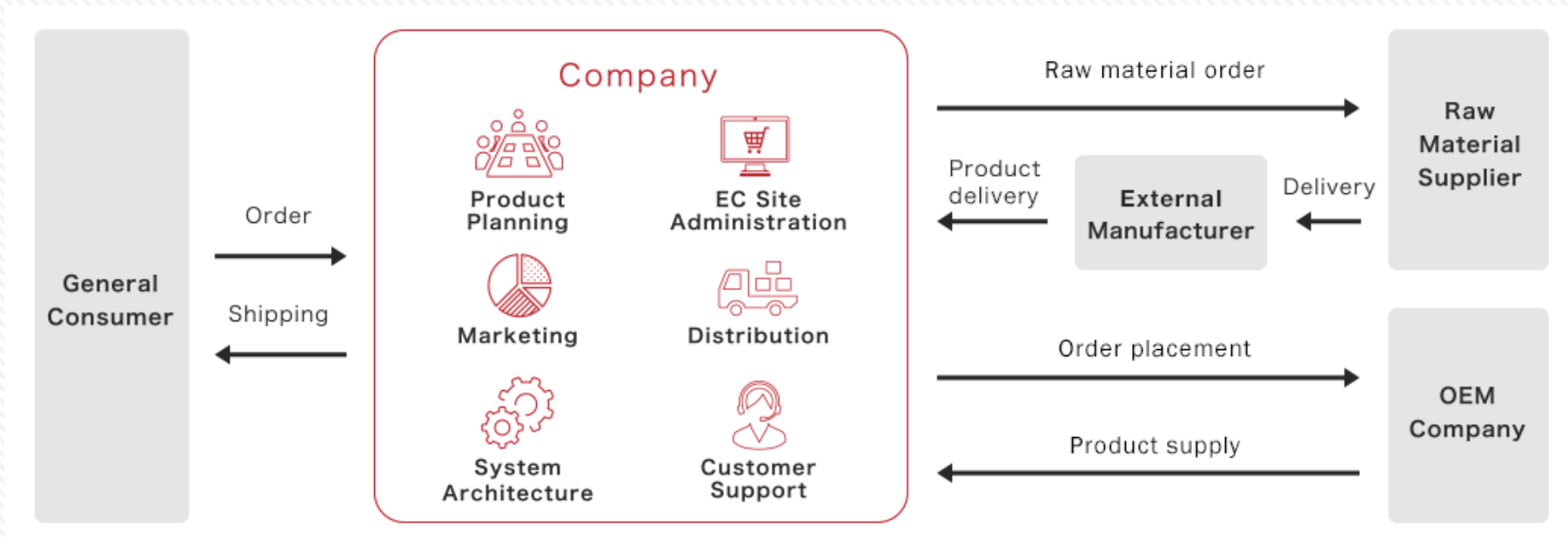
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## History

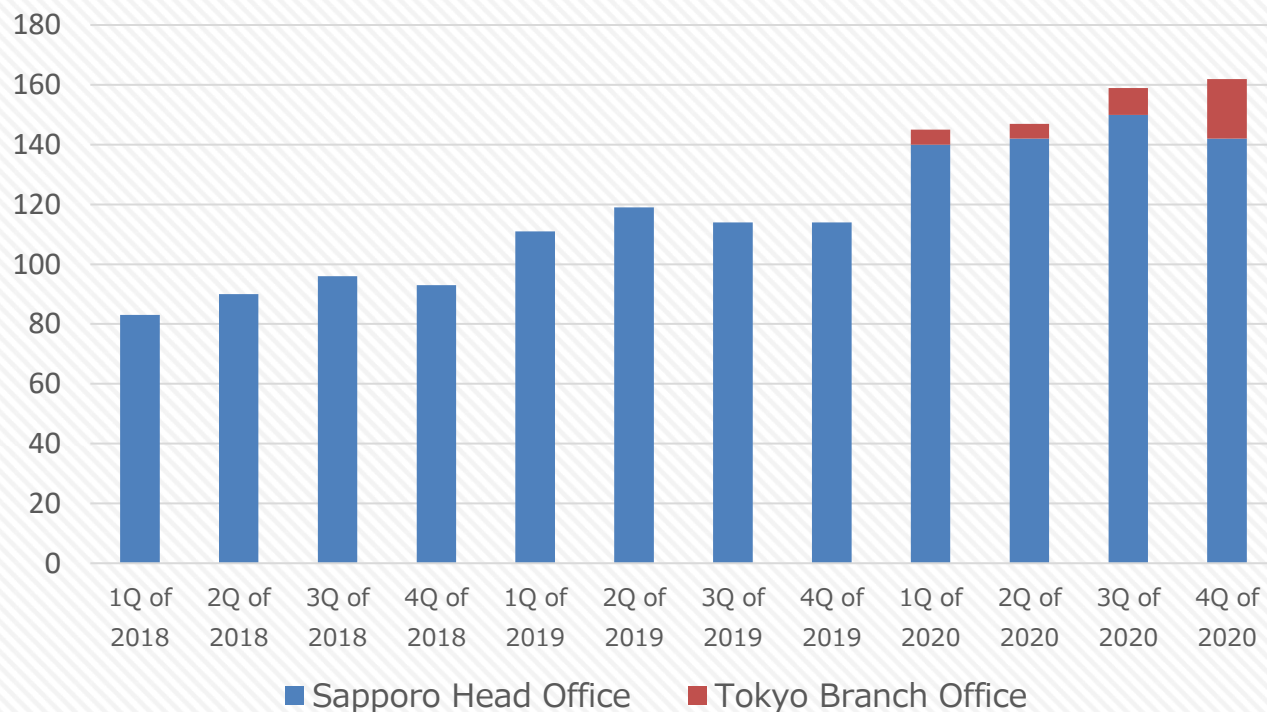
- May 2002: Founded Hokkaidou.co.jp., Ltd., Osaka with capital stock of ¥10,000,000
- September 2002: To strengthen product development, moved Head Office to 2 Kita-1-jonishi, Chuo-ku, Sapporo, Hokkaido
- May 2006: To cope with expanding business, moved Head Office to 2 Kita-7-jonishi, Kita-ku, Sapporo, Hokkaido
- July 2007: Began operation of health and beauty sales consolidation site “Kaiteki Friend Club (now “J North Farm”)”
- March 2009: Changed Trade Name to Kitanotatsujin Corporation
- November 2010: To cope with expanding business, moved Head Office to 1 Kita-7-jonishi, Kita-ku, Sapporo, Hokkaido
- February 2011: The Company sold its website for sales of Hokkaido specialties with the aim of shifting to sales of health and beauty products, etc.
- May 2012: Listed on Sapporo Securities Exchange, Ambitious Market
- March 2013: Upgraded to Main Market on Sapporo Securities Exchange
- November 2014: Listed on the Tokyo Stock Exchange, Second Section
- November 2015: Assigned to the Tokyo Stock Exchange, First Section
- December 2015: Opened Taiwan Branch Office
- January 2019: Opened Korea Representative Office
- February 2019: Became a member of the Japan Business Federation (Keidanren)
- March 2019: To cope with expanding business, moved Head Office to 1 Kita-1-jonishi, Chuo-ku, Sapporo, Hokkaido
- April 2019: Opened Tokyo Branch Office in Chuo-ku, Tokyo

# Main Business Structure



# Personnel Changes

## Changes in Officers and Employees



\* Tokyo Branch Office was established in April 2019 at Nihonbashi, Chuo-ku, Tokyo

## ◆ New products for the fiscal year ended February 29, 2020

“Injectable cosmetics series”  
Second series



“MIKEN DEEP PATCH”  
Released in July 2019

“Injectable cosmetics series”  
Third series



“ODEKO DEEP PATCH”  
Released in September  
2019

A supplement product  
specifically for men to approach  
hygiene problems from within to  
care for endless dripping sweat



“ASESUCARE”  
Released in November  
2019



# ◆Renewing foods with functional claims and quasi-drugs

Six years from its first release  
Health food

↓  
**Designated as a food with functional claims!!**



**“KITANO DAICHINO YUMESHIZUKU”**  
June 2019

Thirteen years from its first release  
The Company’s long selling product  
Health food

↓  
**Designated as a food with functional claims!!**



**“KAITEKI OLIGO”**  
September 2019

Two years from its first release  
Cosmetic product

↓  
**Designated as a quasi-drug!!**



**“LUMINAPEEL”**  
January 2020

## ◆ Major Achievement Ranking and Awards

- Ranked third in the “Starting Salary Ranking 2019” (The Nikkei)
- Ranked second in the “Medium-sized Listed Companies (NEXT 1000) Whose Average Salary Increased in Past Three Years” (The Nikkei)
- Ranked fourth in the “Growth Stock Ranking” in which companies’ growth rates in operating profit are expected to be high for the current fiscal year (DIAMOND, Inc.)
- Selected as the “JPX-Nikkei Mid and Small Cap Index” for two consecutive years (Tokyo Stock Exchange and The Nikkei)
- Ranked tenth in the “Ranking of Revenue Growth Rate Among Medium-sized Listed Companies (NEXT 1000) Whose Revenue Have Increased for Three Consecutive Years” (The Nikkei)
- Awarded the “Internet Shopping Award” in the “Asia Direct Marketing Vision 2019”
- Ranked third in the “Medium-sized Listed Companies (NEXT 1000) with a High Three-year Average Dividend on Equity (DOE)” (The Nikkei)
- Katsuhisa Kinoshita, Representative Director & President of the Company, was selected first in the “Ranking of Enterprise Managers Evaluated by the Market” (Toyo Keizai Online)
- Ranked second in the “Medium-sized Listed Companies (NEXT 1000) with an Increase in Foreign Shareholders in FY2018” (The Nikkei)
- The Company with an expected ROE of 55.4% for the current fiscal year (Toyo Keizai forecast) ranked first as the “Companies with High ROE by Continuously Increasing Profits” (Toyo Keizai Online).
- Selected for the third time as the “Asia’s 200 Best Under A Billion (Good-standing Small-size Listed Companies)” (Forbes Asia, an Asian edition of the U.S. economic magazine Forbes)
- Ranked first in Hokkaido and eighth nationwide in the “Ranking of the Most Profitable Companies in Each Prefecture for the 2019 Interim Result” (comparing the operating profit margins between the cumulated results for the second quarter among listed companies ending their fiscal years in February and March) (DIAMOND Online)
- Ranked third in the “Medium-sized Listed Companies (NEXT 1000) with a High Three-year Average for Return on Invested Capital (ROIC)” (The Nikkei)
- Ranked third in the “Medium-sized Listed Companies (NEXT 1000) with a Large Three-year Increase in PBR (Price-to-Book Ratio)” (The Nikkei)
- Ranked fourth in the “Medium-sized Listed Companies (NEXT 1000) with High Five-year Average Operating Profit Per Employee” (The Nikkei)



## Medium-term Management Plan

In the Internet industry in which the Company operates, the business environment is rapidly changing, and it is necessary to make swift and flexible management decisions in accordance with the business environment. Accordingly, the Company does not disclose its medium-term management plan.

The Company carries out the analysis of causes of divergence between the plans for a single fiscal year and its results on a regular basis, and discloses and explains the analysis results to stakeholders, including shareholders, through announcements of financial results, etc.

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