






Supplementary Material for the First Quarter of the Fiscal Year Ending February 28, 2022

Stock code: 2930
Kitanotatsujin Corporation
July 15, 2021

Executive Summary

- 
 Strong performance was seen for various measures and the number of new customer acquisitions were higher than expected, with an increase of +34% year on year, resulting in net sales of ¥2,372 million, exceeding the forecast by 5.1%.
 - 
 Actively invested in advertising within the scope of achieving profitability that does not result in opportunity loss.
 - 
 Preparations for the release of mass market products scheduled for the consolidated fiscal year under review are proceeding smoothly.
- Cooperation with affiliate businesses has been strengthened and test sales were started on Amazon U.S.

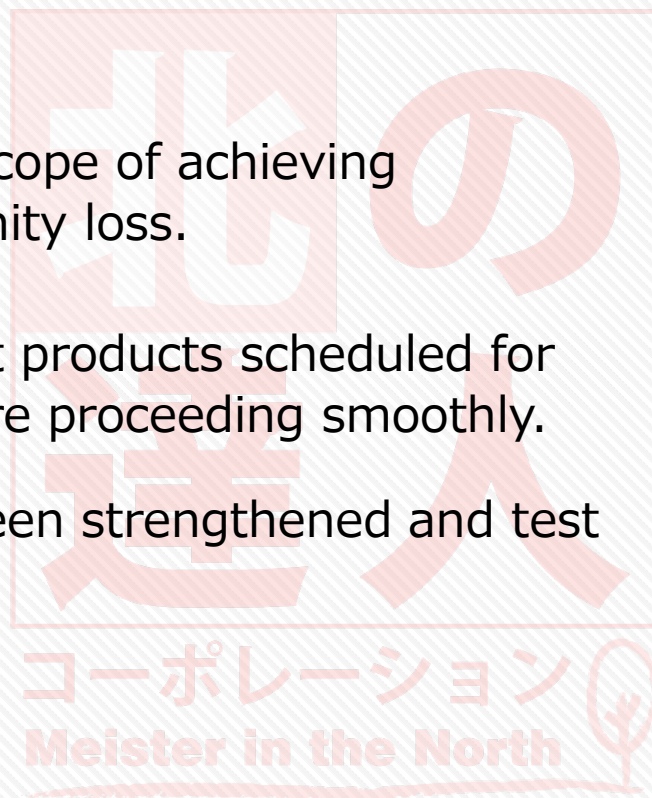
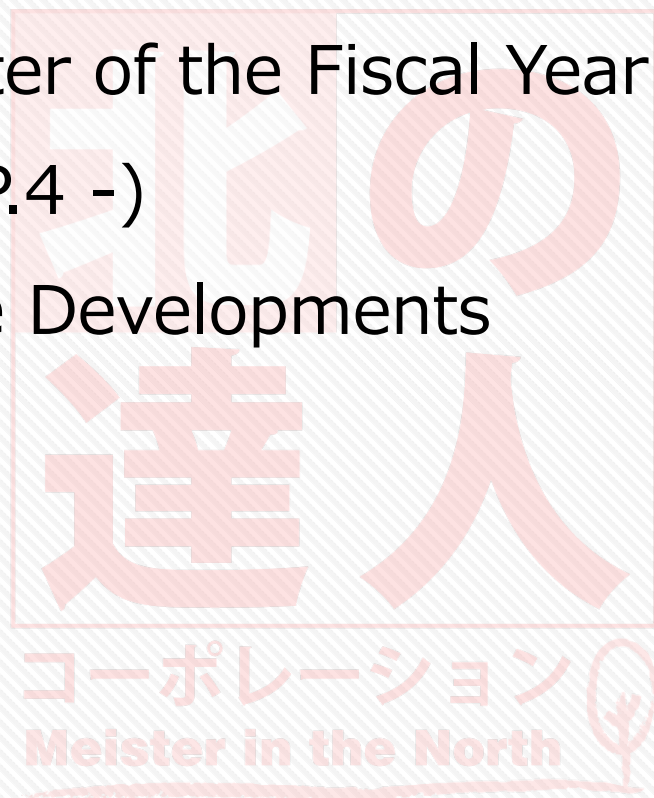
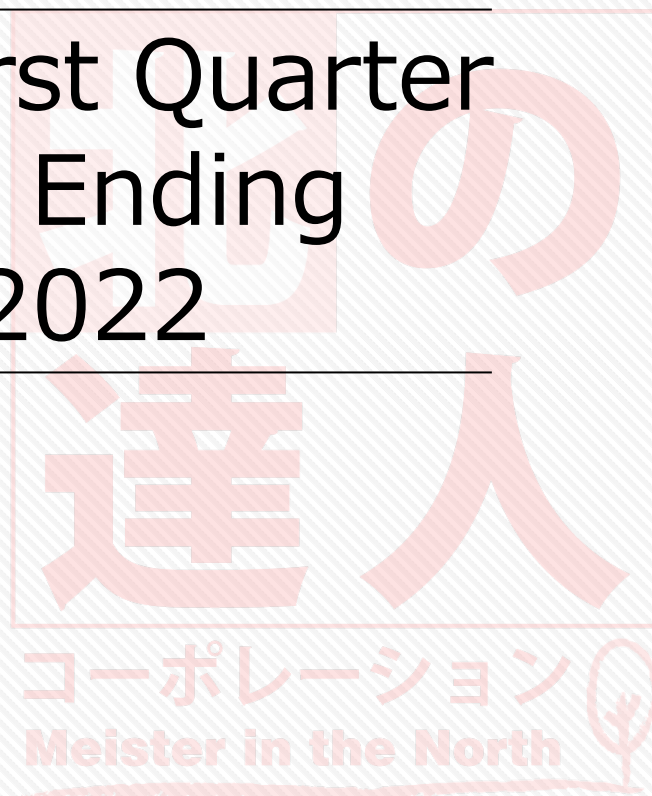


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Highlights for the First Quarter of the Fiscal Year Ending February 28, 2022



Key Performance Highlights [Compared with Forecasts (Plan)]

* Transitioned to consolidated accounting from the fiscal year ending February 28, 2022.

(Millions of yen)

	Consolidated forecast (plan) for the first quarter	Results for the first quarter	Changes	Changes (%)
Net sales	2,256	2,372	+115	+5.1%
Gross profit	1,703	1,808	+105	+6.2%
Selling, general and administrative expenses	1,268	1,407	+138	+10.9%
Advertising expenses	612	767	+155	+25.4%
Operating profit	434	401	-33	-7.6%
Operating profit margin	19.2%	16.9%	-2.3pt short	
Ordinary profit	435	408	-27	-6.2%
Profit attributable to owners of parent	309	288	-21	-6.8%

- The number of new customer acquisitions increased 34% year on year, a significantly higher increase than expected, and net sales were higher than the forecast.
- Profits at each level were lower than the forecast as a result of advertising investment on a scale that was much higher than planned.

Key Performance Highlights [Year on Year]

* Transitioned to consolidated accounting from the fiscal year ending February 28, 2022.

(Millions of yen)

	<Reference> Results (non-consolidated) for the first quarter of the fiscal year ended February 28, 2021	Results (consolidated) for the first quarter of the fiscal year ending February 28, 2022	Changes	Changes (%)
Net sales	2,268	2,372	+103	+4.6%
Gross profit	1,708	1,808	+100	+5.9%
Selling, general and administrative expenses	1,147	1,407	+260	+22.7%
Advertising expenses	623	767	+144	+23.1%
Operating profit	561	401	-160	-28.5%
Operating profit margin	24.7%	16.9%	-7.8pt	
Ordinary profit	560	408	-152	-27.2%
Profit (attributable to owners of parent)	389	288	-100	-25.9%

<Reasons for change in operating profit margin>

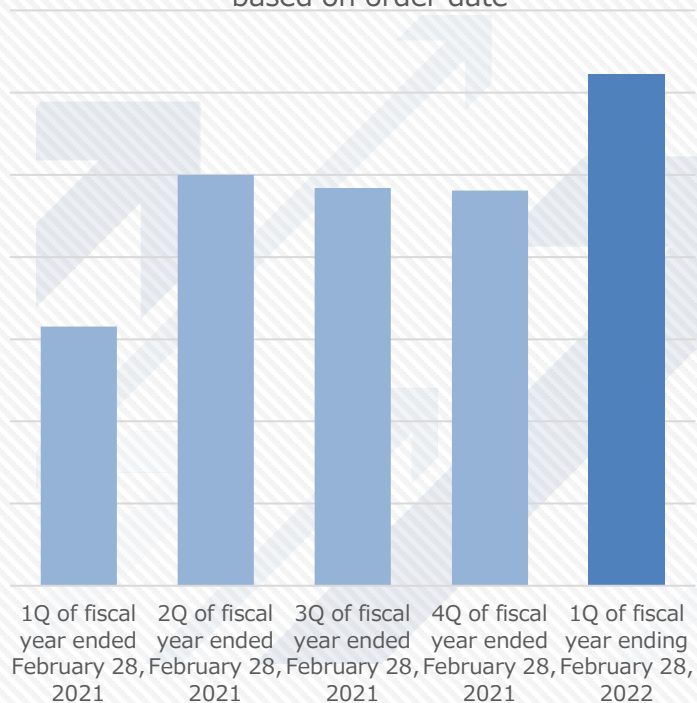
- New customer acquisitions were much higher than expected, and advertising expenses were higher than the plan.
- Net sales and operating profit resulting from shipping delays for some products are expected to be included from the second quarter.

Number of new customer acquisitions and various measures

Measures to increase the number of new customer acquisitions showed strong results during the first quarter.

Number of new customer acquisitions: **+34% year on year**, an **increase of +13% from the fourth quarter of the previous fiscal year** immediately prior.

Number of new customer acquisitions
based on order date



1 Affiliates*

- New customer acquisitions through affiliates during the first quarter **increased +350% year on year**.

2 E-commerce malls

- New customer acquisitions through strengthening sales on e-commerce malls during the first quarter **increased +165% year on year**.
- Started test sales on Amazon U.S.

3 Infomercials

- Increased the number of call centers that can accept orders 24 hours a day, improving cases in which calls were not received and orders were missed out on.
- New customer acquisitions through infomercials significantly **increased by +877% year on year**.

* An online advertising method, where an affiliate posts advertisements about an advertiser's products and services on its blogs, websites, or other media. The advertiser pays a fee (commission) to the affiliate, if a viewer purchases the product through the link.

Number of new customer acquisitions and various measures

1 Strengthening cooperation with affiliate businesses

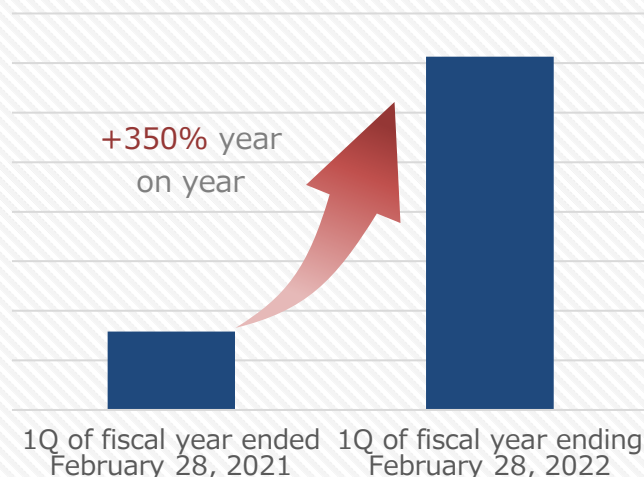
◆ Initiatives to strengthen cooperation undertaken by the dedicated team

- Regular exchanges of opinions on advertising contents and measures to increase the number of new customer acquisitions.
- Expanding selection of products handled by sharing product characteristics and appeal points at product information sessions for affiliates.

Each quarter has seen growth in numbers from the previous fiscal year.

New customer acquisitions through affiliates during the first quarter increased **+350% year on year.**

New customer acquisitions through affiliates



Aim to expand the number of products handled and advertising media, and utilize the strengths and characteristics of affiliates to increase the number of new customer acquisitions

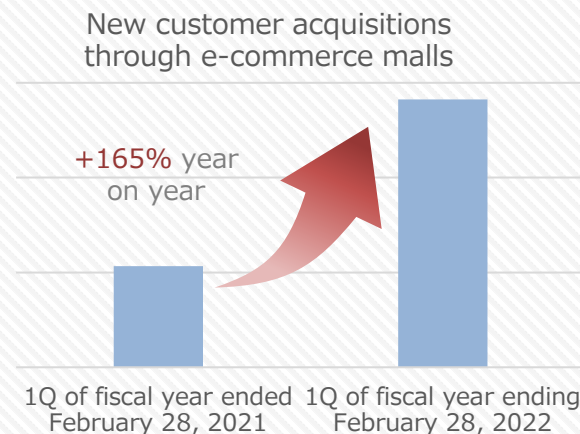
Number of new customer acquisitions and various measures

2 Strengthening sales through e-commerce malls

- ◆ New customer acquisitions through strengthening sales on e-commerce malls during the first quarter **increased +165% year on year.**

Steadily gaining customers belonging to a customer base different from before, **who purchase products on the Internet.**

➡ **Continue efforts for strengthening sales at e-commerce malls**



- ◆ **Amazon:** Recognized as an **important sales channel** for capturing overseas markets
 - Started test sales on Amazon U.S. to advance into the much larger market scale of Amazon U.S.
 - Utilized the expertise of ASHIGARU Co., Ltd., which became a group company from May 31, 2021.
 - ◇ Sales expertise in e-commerce malls
 - ◇ Product development expertise in the beauty home appliance category

➡ **Design measures focusing on developing Amazon-exclusive products based on the analysis of characteristics and trends for buyers on Amazon**

Number of new customer acquisitions and various measures

3 Initiatives with infomercials

Also engaging in advertisement distribution through methods that differ from previous online advertising.

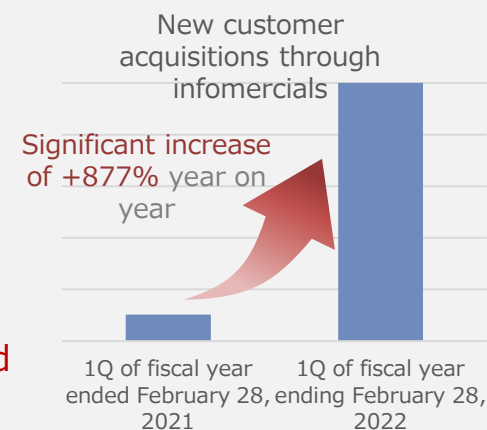
◆ Strong new customer acquisitions from infomercial advertising (BS broadcasting, etc.)

While the Company has been working on this measure for several fiscal years, due to its difference from customer acquisitions through the Internet, which is the main method for new customer acquisitions, results have not been readily apparent...



- Through continuing these initiatives, the Company has accumulated production expertise for infomercial advertising and improved its skills in selecting advertising distribution programs.
- During the first quarter, the Company increased the number of call centers that can accept orders 24 hours a day, improving cases in which calls were not received despite being placed resulting in orders being missed out on.

→ New customer acquisitions through infomercials significantly increased by +877% year on year.



- ◇ **Started advertising for new products** after the end of the first quarter.
- ◇ **Started infomercial advertising on FM radio broadcasts** by FM NORTH WAVE CO., LTD., which became a group company from March 31, 2021.

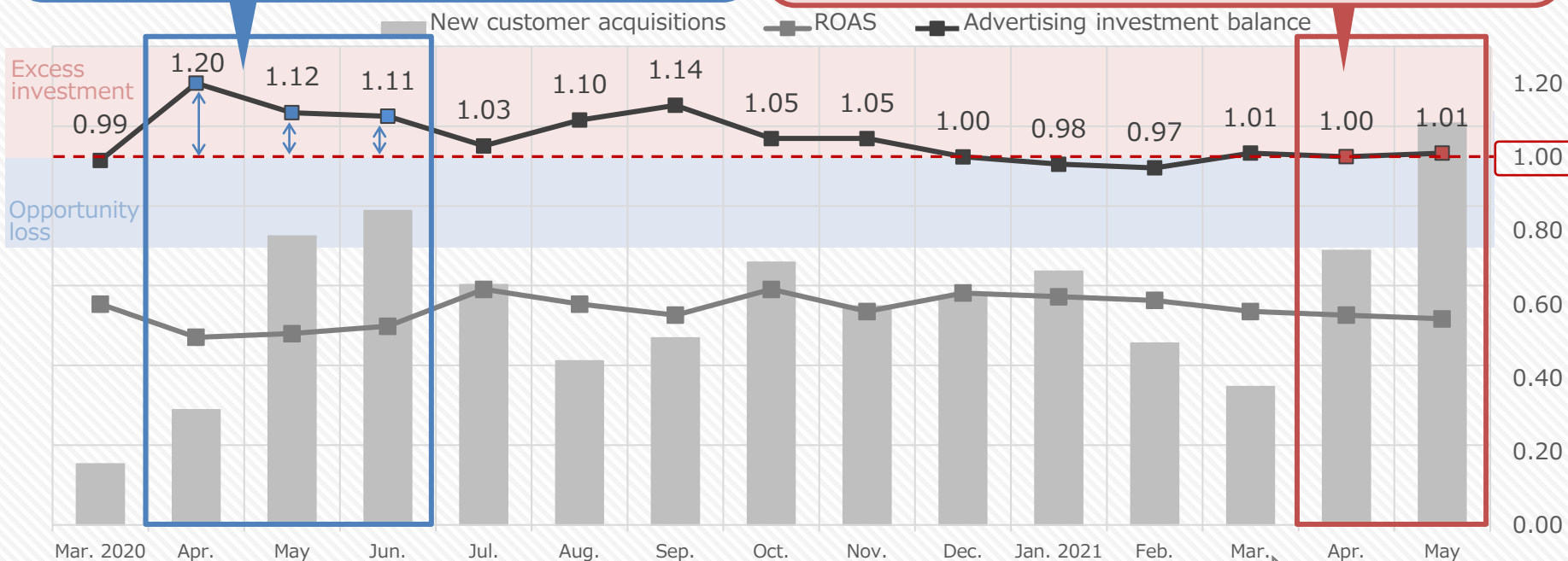
➡ Going forward, the Company will seek to expand the number of customers who do not purchase products over the Internet

Advertising investment efficiency and advertising expenses

Companies must pay close attention to the **advertising investment balance***1, an indicator for checking opportunity loss and unprofitability in advertising.

The number of new customer acquisitions is rising, but the advertising investment balance is higher than 1.00, exceeding the CPO*2 limit and **resulting in excess investment.**

ROAS*3 is falling slightly, but the advertising investment balance is at an optimal lever and the number of new customer acquisitions has increased significantly.
 → **The ideal situation is to increase the number of customer acquisitions at 1.00, the optimal advertising investment balance.**



Maintaining optimal advertising investment balance + expanding number of new customer acquisitions → **Profit maximization**

*1 A unique indicator that measures opportunity loss and unprofitability in advertising. Advertising investment indicates how much CPO was obtained with respect to the CPO limit. If it is less than 1.00, there is opportunity loss, and if it higher than 1.00, there is excess investment. Therefore, 1.00 is the optimal value. If the CPO limit is set to ¥10,000 and the CPO result is ¥9,000, the advertising investment balance is 0.90.

*2 CPO stands for Cost Per Order, which is the amount of advertising expenses per order.
 For example, if advertising expenses are ¥1 million and the number of new customer acquisitions is 100, the CPO is ¥10,000.

*3 ROAS stands for Return On Advertising Spend, which is an indicator of advertising investment efficiency that measures how much sales are generated from advertising. If ¥1 million was used for advertising expenses, and sales was ¥900 thousand, the ROAS is 0.90. If ROAS is 1.00 or less, the balance of income and expenditure at the first purchase will be negative. Meanwhile, if it is a subscription purchase, the balance will become positive as products are purchased continuously.

Products launched in the fiscal year ended February 28, 2021

Medicated skin disinfectant that kills bacteria deep inside the nail

クリアストロングショット アルファ

CLEAR STRONG SHOT α

Approved as a (medicated) quasi-drug, its effects can now be directly expressed with terms such as “disinfect” and “sterilize,” allowing the creation of commercials that are easier to understand for customers struggling with nail issues such as spots or discoloration.

Relaunched in May 2021

アイキララ
『EYE KIRARA II』に

アップバージョンアップ+

しました!

ハリ・弾力をさらにサポート
レチノール誘導体

MGAとの相乗効果でハリアップ
MGAブースター



Anti-aging cream exclusively for under the eyes

アイキララ

EYE KIRARA II

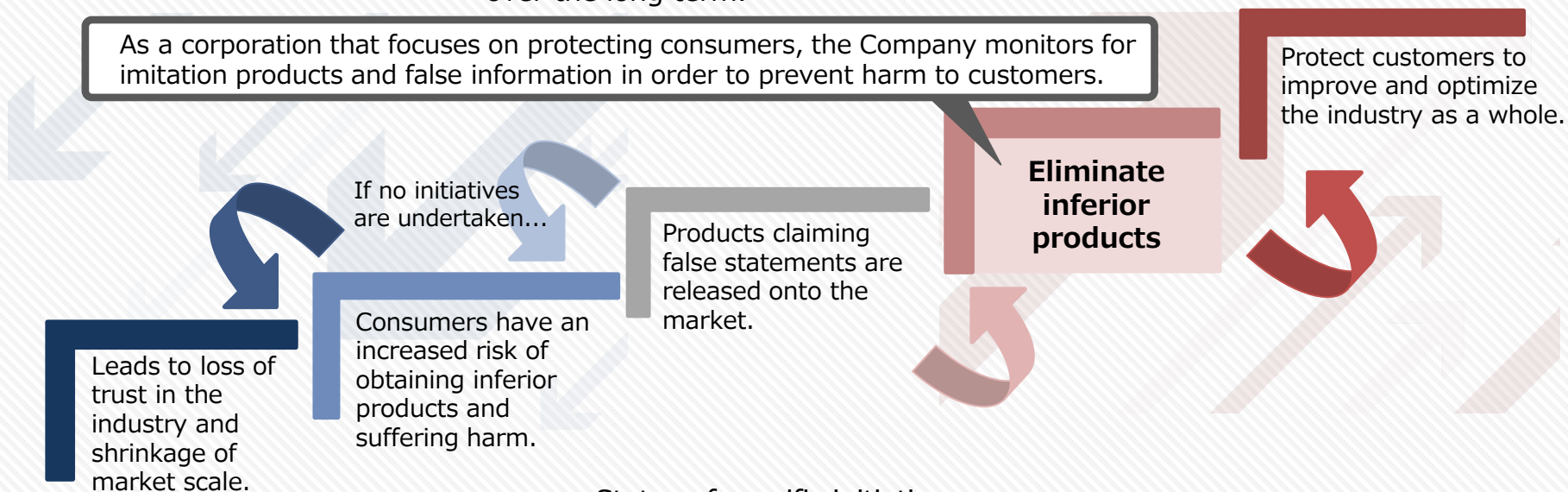
An enhanced version of the Company’s mainstay product, which has sold more than 2.50 million units in total. On top of further strengthening the current product’s commitment to “address dark circles and lack of firmness under the eyes,” it also contains new ingredients essential for treating dry, fine wrinkles under the eyes and redesigned packaging.

Relaunched in June 2021

In addition, 13 products received the Grand Gold Award and other accommodations at the international quality competition Monde Selection 2021.

Protection of intellectual property rights

- <The Company's initiatives>
- Mainly the "Office of Competition and Imitation Countermeasures" respects the intellectual property rights of the Company and other companies and promotes business activities in a fair competitive environment.
 - Our policy is to continue the Company's initiatives to optimize the industry over the long term.



<Status of specific initiatives>

Case seeking an injunction for unfair competition	<ul style="list-style-type: none"> • Competitor of the Company's product "KAITEKI OLIGO" was displaying that the product was 100% pure oligosaccharides. • Compared their product with the Company's product "KAITEKI OLIGO" and listed false facts. 	Misrepresentation of product quality	<Judgement in the first instance> Opposing party ordered to pay damages → Appeal filed
Case seeking compensation for damages	<ul style="list-style-type: none"> • Competitor of the Company's product "EYE KIRARA" was displaying multiple "1st place rankings," etc. without any rational basis. • Dissemination of false facts on affiliate sites comparing against the Company's product "EYE KIRARA." 	Misleading practices Damaging reputation	Pending
Litigation for design right infringement	Sales of microneedle cosmetics with a design similar to the Company's registered design (registration number: No. 1657009).	Infringement of design rights	Pending

Consolidated Balance Sheets

(Millions of yen)

Subject/Section	<Reference>	
	Fiscal year ended February 28, 2021 (non-consolidated)	First quarter ended May 31, 2021
(Cash and deposits)	3,612	4,047
Current assets	5,857	5,643
Non-current assets	343	892
Total assets	6,201	6,535
Current liabilities	1,022	1,084
Non-current liabilities	—	185
Total liabilities	1,022	1,270
Total net assets	5,179	5,265
Total liabilities and net assets	6,201	6,535

Through the preparation of consolidated balance sheets from the first quarter, the Company has included the assets and liabilities of subsidiaries. In addition, goodwill of ¥329 million has been generated to accompany consolidated financial statements.

Consolidated Statements of Cash Flows

(Millions of yen)

Subject/Section	<Reference> Three months ended May 31, 2020 (non-consolidated) March 1, 2020 to May 31, 2020	Three months ended May 31, 2021 March 1, 2021 to May 31, 2021
Cash flows from operating activities	-149	457
Cash flows from investing activities	-11	133
Cash flows from financing activities	-286	-162
Effect of exchange rate change on cash and cash equivalents	-1	5
Net increase (decrease) in cash and cash equivalents	-448	434
Cash and cash equivalents at beginning of period	4,088	3,612
Cash and cash equivalents at end of period	3,639	4,047

The main factors for the changes during the first quarter were an increase in profit before income taxes of ¥416 million, a decrease in payment of income taxes of ¥237 million, and an increase in proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥262 million.

Current Situation and Future Developments



Current Situation and Future Developments

◆ Shifting strategies from top share in niche market to capturing partial share of mass market

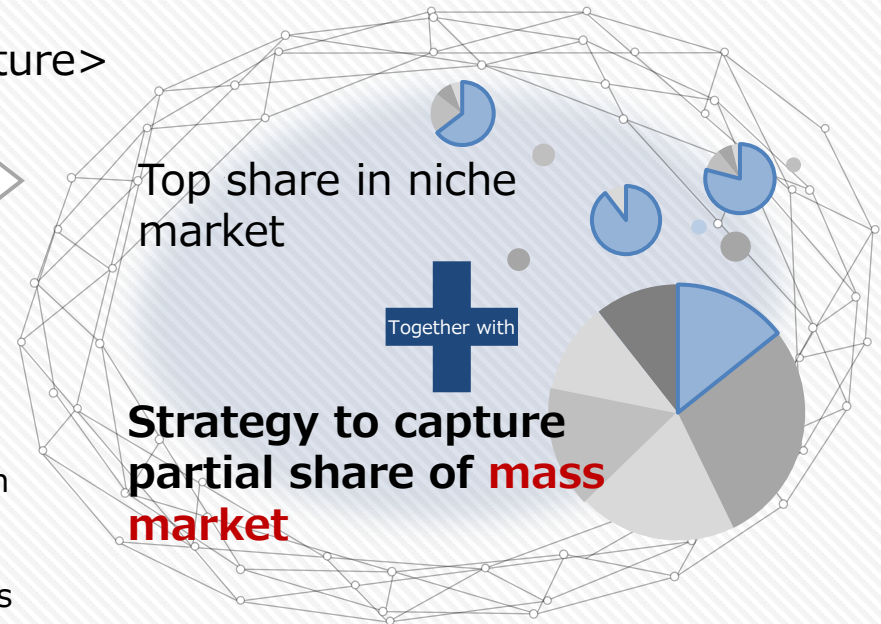
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<Future>

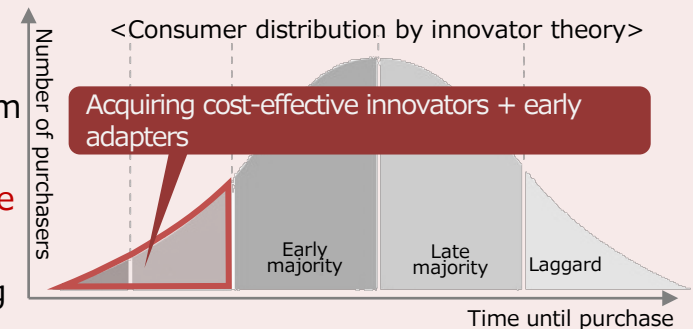
Changes in market environment

- Increased amount of information due to increased use of the Internet from the spread of mobile devices (smartphones, tablets, etc.)
- Purchasing behavior in which consumers select products after comparing and considering multiple products



Develop a sales strategy that does not rely on brand strength or name recognition by delivering high quality products that appropriately capture the needs of target consumers and deliver them with pinpoint accuracy.

- Similar sales strategies are possible regardless of market scale
- Focus on acquiring a highly cost-effective customer base by utilizing expertise on highly profitable and efficient advertising



Current Situation and Future Developments

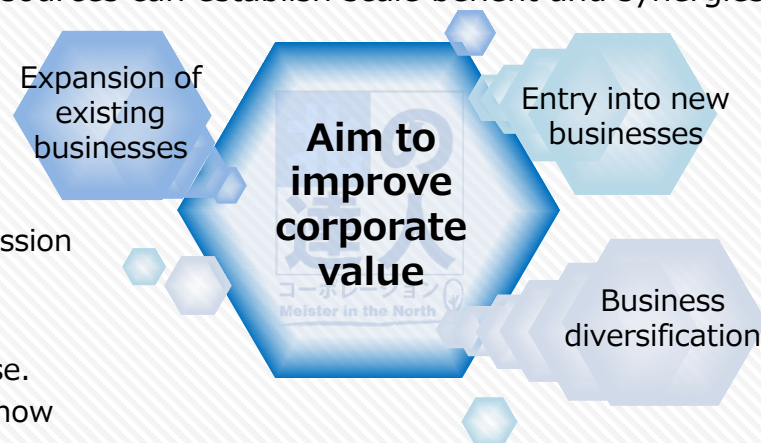
◆ Diversification of revenue base and acceleration of growth through **aggressive M&As**

Our policy is to aggressively engage in M&A of companies that operate the same D2C* and E-commerce businesses as the Company that offer high-quality products but are limited on funds and personnel, and where the introduction of the Company's expertise and management resources can establish scale benefit and synergies.

◆ **Solicitation of aspiring entrepreneurs** who want to start new D2C businesses

Expand business scale while developing multiple businesses with net sales over ¥10.0 billion

- Actively hire personnel who possess excellent business plans and passion for entrepreneurship.
- Founder and current Representative Director & President, Katsuhisa Kinoshita, provides a first-hand account of his own personal expertise.
- Launch new businesses by supporting aspiring entrepreneurs who show promise and share the Company's vision and purpose.



<Current>

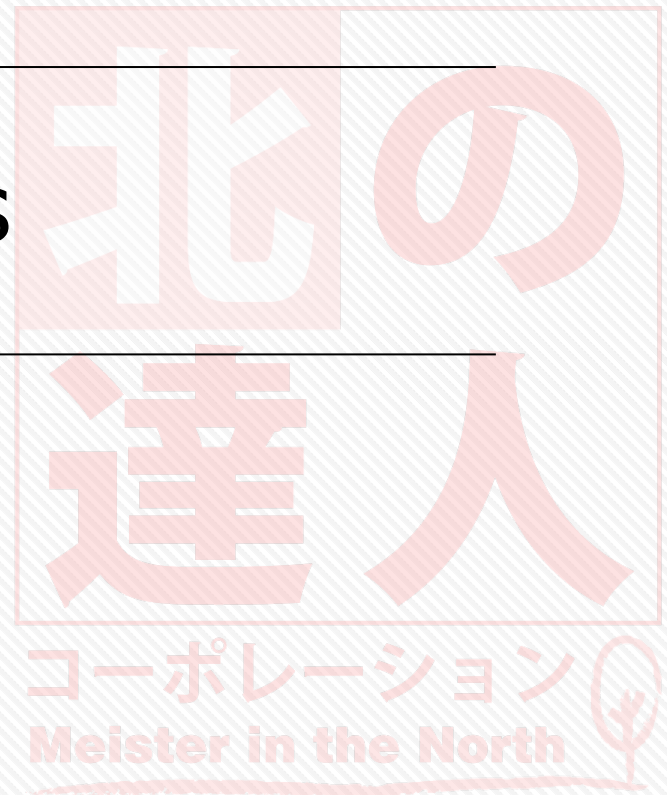
- Actively collect information and evaluate M&A of D2C and E-commerce companies that meet the Company's conditions.
- Several aspiring entrepreneurs have joined the company and are in the process of launching businesses within the fiscal year ending February 28, 2022.

<Future>

Continue to actively engage in the early achievement of medium- and long-term targets of net sales of ¥100.0 billion in net sales and ¥30.0 billion in operating profits.

* D2C stands for Direct to Consumer, which is a system to sell our products directly to consumers through e-commerce sites.

References



Company Overview

Company Name	Kitanotatsujin Corporation
Representative	Katsuhisa Kinoshita, Representative Director & President
Incorporated	May 2002 (Founded in May 2000)
Head Office	Sapporo, Hokkaido
Bases	Tokyo Branch Office, Taiwan Branch Office, Korea Representative Office
Listing	TSE 1st Section Market SSE Main Market 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
Officers and Employees, etc.	200 people (As of May 31, 2021)
E-commerce site	"J NORTH FARM" https://www.kaitekikobo.jp/

Product Strategy

◆ Product development specifically designed for the E-commerce business

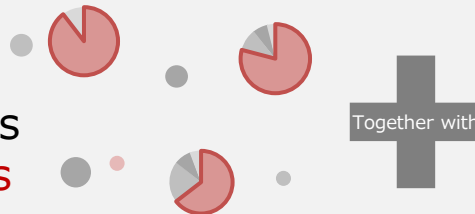
- Develop the E-commerce business that sells a total of 32 **original products** on the Internet to meet specific customer needs, including **cosmetics and health foods**
- Only commercialize products that bring solid satisfaction, under the policy, **“A product will only be commercialized when an astonishingly fine product is created”**
- **Established original product development standards with 750 items** specifically designed for online sales and conduct a thorough monitor survey
- **Only 2% of development projects** meet these standards to be **commercialized**, thereby pursuing dominant customer satisfaction and quality maintenance



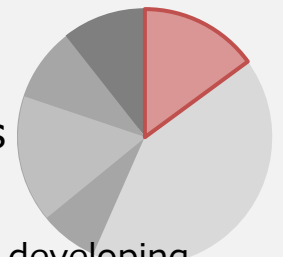
◆ Featured in the NIKKEI TRENDY (August 2018 issue)

◆ Market

Dominant shares in **niche markets**



Adopt strategy for acquiring partial shares in **mass markets**



Design a sales strategy that does not depend on brand power or name recognition by developing high-quality products that appropriately capture customer needs regardless of the market scale

Product Strategy

◆ Products for men

- Increase demands for products from men
- Growth potential of the men's cosmetics market, the scale of which has grown approximately ¥120.0 billion, and further growth is expected going forward*



Focus on **development of products for men that specialize in men's skin types and constitution** (three products have been launched as of the current point)



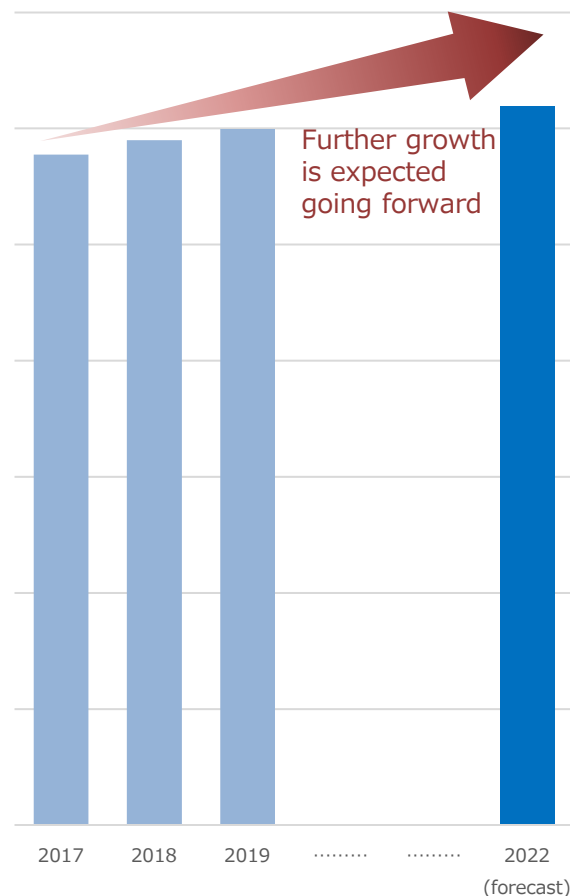
Aging care mist lotion for men
HARISHU

[Quasi-drug] Spots prevention peeling gel for men
PEEL SHOT

Cream specialized for under the eyes of men
MEN'S EYEKIRARA

Net sales for our men's line (products for men)
increased +73% year on year during the first quarter

Domestic market scale of men's cosmetics



Prepared by the Company based on "Marketing Handbook of Cosmetics 2020 No. 2" published on March 26, 2020 by FUJI KEIZAI CO., LTD.

* "Marketing Handbook of Cosmetics 2020 No. 2" published on March 26, 2020 by FUJI KEIZAI CO., LTD.

Sales Strategy

◆ Performance evaluation indicators

We place more emphasis on **profits** than on net sales.

As the E-commerce business can generate more net sales by increasing advertising investment (increasing advertising placement volume), we cannot evaluate our performance by net sales alone.

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

Content	Amount	CPO	Advertising expenses (millions of yen)	1-year net sales (millions of yen)	1-year profit (millions of yen)
Ad A	500	8,000	4.00	5.50	1.50
Ad B	500	12,000	6.00	5.50	-0.50
Total	1,000	10,000	10.00	11.00	1.00

Net sales: ¥11.00 million
 Profit: ¥1.00 million
 →Profit margin: 9%

↓ Upon suspending advertisement B that exceeds the CPO limit...

Content	Amount	CPO	Advertising expenses (millions of yen)	1-year net sales (millions of yen)	1-year profit (millions of yen)
Ad A	500	8,000	4.00	5.50	1.50
Ad B	500	12,000	6.00	5.50	-0.50
Total	500	8,000	4.00	5.50	1.50

Net sales: ¥5.50 million
 Profit: ¥1.50 million
 →Profit margin: 27%

Net sales is halved, but profit is 1.5 times higher and the profit margin is 3 times higher

⇒ The law of sales minimization, profit maximization

(Explained in the figure on the right)

◆ Advertising optimization system

- (1) Analyze daily accumulated data and calculate LTV*
- (2) Set a CPO limit for each product as the upper limit for advertising expenses
- (3) Calculate and manage CPO on a daily basis by subdividing approximately 5,000 advertisements presented regularly into various segments
- (4) Automatically suspend advertisements that exceed the CPO limit
- (5) The Company develops and operates a system that manages the above process.

⇒ Develop system where only highly profitable advertising remains



* LTV stands for Life Time Value, which is the amount of lifetime net sales a customer will bring.

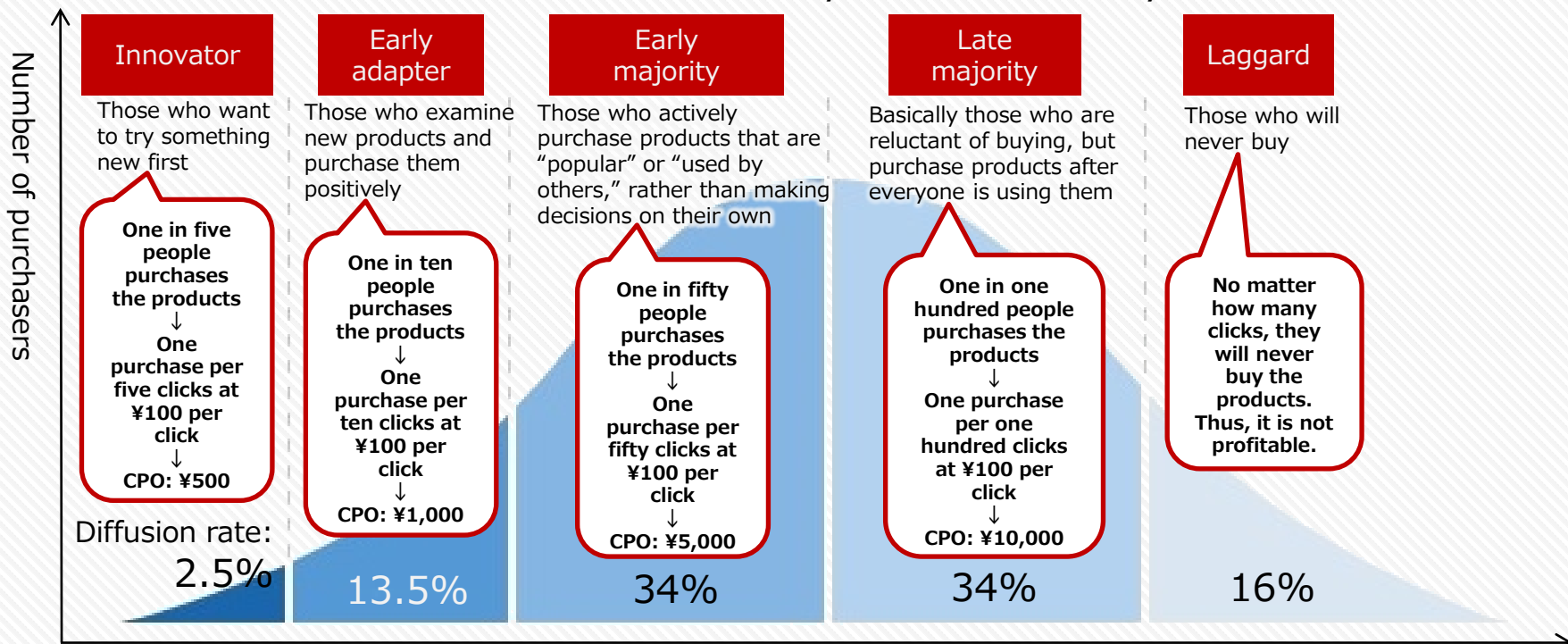
Sales Strategy

◆ Correlation between CPO and the number of new customer acquisitions

Profit = Number of new customer acquisitions × Profit per customer (LTV – CPO)

Advertising expenses and the number of new customer acquisitions fall under the "law of diminishing returns."* CPO (acquisition cost per order) tends to increase as the number of new customer acquisitions increases.

Consumer distribution by innovator theory



The more you expand your customer base, the greater the CPO will be. Time until purchase

*A theory in which, under a certain condition, an additional production factor will increase overall production volume, but the increase will gradually diminish

Sales Strategy

◆ **Five level profit management** Visualize profits on five levels for “each product” (Millions of yen)

	Total of all products	Product (1) ×	Product (2) △	Product (3) ◎
Net sales	100.00	60.00	30.00	10.00
Cost	56.00	35.00	18.00	3.00
Profit (1) Gross profit or loss	44.00	25.00	12.00	7.00
Gross profit margin	44%	42%	40%	70%
Order-linked costs (enclosures, accessories, settlement charges, shipping fees, packaging materials, etc.)	5.00	3.00	1.50	0.50
Profit (2) Net gross profit	39.00	22.00	10.50	6.50
Net gross profit margin	39%	37%	35%	65%
Sales promotion expenses (primarily advertising expenses)	19.90	16.00	3.50	0.40
Profit (3) Sales profit	19.10	6.00	7.00	6.10
Sales profit margin	19%	10%	23%	61%
ABC (Activity Based Costing)	1.90	0.50	1.20	0.20
Profit (4) ABC profit	17.20	5.50	5.80	5.90
ABC profit margin	17%	9%	19%	59%
Operating expenses (rent expenses and indirect operating personnel expenses, etc.)	7.00	4.20	2.10	0.70
Profit (5) Operating profit for each product	10.20	1.30	3.70	5.20
Operating profit margin for each product	10%	2%	12%	52%

Gross profit by product

Mandatory cost per order

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

- Although sales of Product (1) are increasing, this is due to spending more on sales promotion expenses, and profit is not as high.
- Sales of Product (3) are low, but it has a high gross profit margin as a result of less spending on sales promotion expenses and ABC. However, it is easy to overlook this matter, since a product with low ABC is not often discussed in the Company.

Sales Strategy

◆ Calculation method of the optimal CPO limit and the benefits of LTV improvement

Profit = Number of new customer acquisitions × Profit per customer (LTV - CPO)

- Lowering the CPO increases the profit per customer, but decreases the number of new customer acquisitions
- Higher the CPO increases the number of new customer acquisitions, but decreases the profit per customer

➡ It is important to find the most profitable CPO

<In the case of LTV of ¥10,000>

↓ Diminishing returns begin from here

CPO	¥3,000	¥4,000	¥5,000	¥6,000	¥7,000	¥8,000	¥9,000
Number of new customer acquisitions	100	120	150	200	250	270	300
Sales	¥1,000,000	¥1,200,000	¥1,500,000	¥2,000,000	¥2,500,000	¥2,700,000	¥3,000,000
Profit per customer	¥7,000	¥6,000	¥5,000	¥4,000	¥3,000	¥2,000	¥1,000
Profit	¥700,000	¥720,000	¥750,000	¥800,000	¥750,000	¥540,000	¥300,000

Most profitable profit per customer
Most profitable
Largest number of new customer acquisitions
Largest sales

→ If we are to maximize sales, we should set the CPO at ¥9,000, but because we are aiming to maximize profits, it is most desirable to set the CPO limit at ¥6,000.

<In the case of LTV of ¥12,000>

↓ Diminishing returns begin from here

CPO	¥3,000	¥4,000	¥5,000	¥6,000	¥7,000	¥8,000	¥9,000
Number of new customer acquisitions	100	120	150	200	250	270	300
Sales	¥1,200,000	¥1,440,000	¥1,800,000	¥2,400,000	¥3,000,000	¥3,240,000	¥3,600,000
Profit per customer	¥9,000	¥8,000	¥7,000	¥6,000	¥5,000	¥4,000	¥3,000
Profit	¥900,000	¥960,000	¥1,050,000	¥1,200,000	¥1,250,000	¥1,080,000	¥900,000

Most profitable profit per customer
Most profitable
Largest number of new customer acquisitions
Largest sales

→ If LTV increases by 1.2 times, profit will increase even with the same CPO limit of ¥6,000. It is also possible to raise the CPO limit setting to ¥7,000, which is the optimal limit CPO.

LTV improvement: Makes it possible to increase profit with the same CPO and raise the CPO limit setting

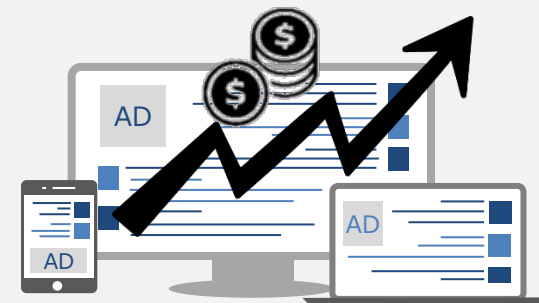
Sales Strategy

◆ Identify “excess investment” and “opportunity loss” with the advertising investment balance indicator

How much sales are generated from products newly acquired through invested advertising expenses:

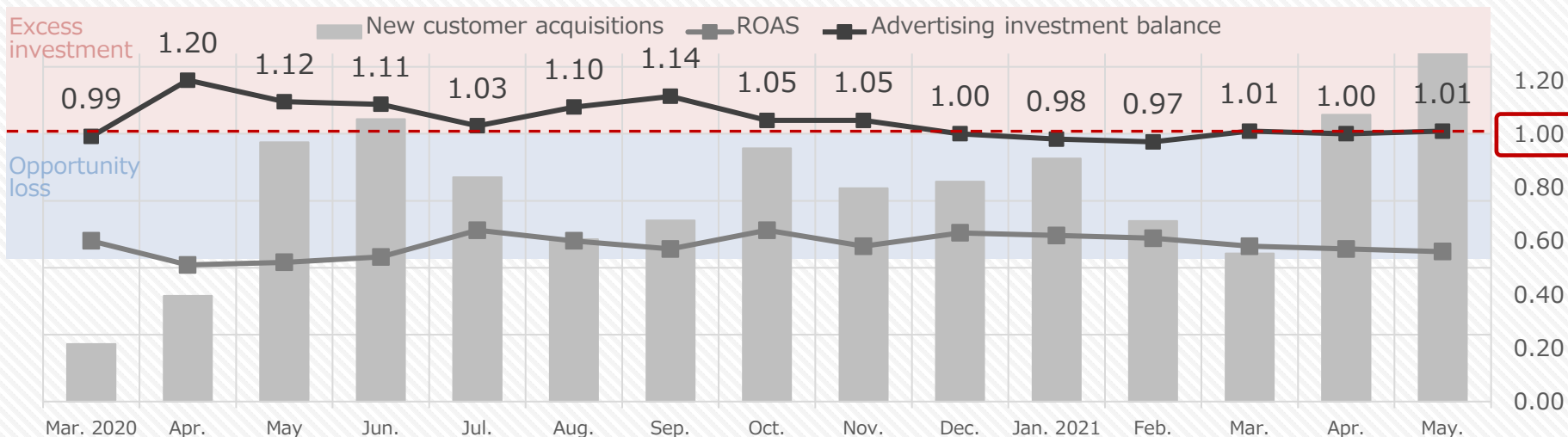
ROAS

$$= \frac{\text{Sales via advertising}}{\text{Advertising expenses}}$$



- No optimal value exists for comparing responses to each ad or the same ad at different times
- We have changed our calculation method to more accurately show the actual situation*

Check “excess investment” and “opportunity loss” by using the **advertising investment balance indicator** with an optimal value of 1.00 (calculated by CPO result/CPO limit)



* The subscription purchase-driven business model, in which the balance of income and expenditure at the first purchase will be negative but will become positive as products are purchased continuously, and the single-purchase business model, a major purchasing system in e-commerce malls in which a single purchase results in a positive addition to the balance, are models with fundamentally different profit-making mechanisms and the ROAS differs greatly. In addition, there are a considerable number of sales from new customer acquisitions (via search engines, etc.) that do not require advertising expenses generated when increasing product name recognition and advertising placement volume. These sales were previously included when calculating ROAS, but have been excluded from calculations in order to measure the efficiency of investment in attracting customers for subscription purchases, the main foundation of the E-commerce business.

<Product strategy>

- Product development specifically designed for the E-commerce business
- Strict product development standards
- Development of mass-market products
- Focus on the development of products for men as well

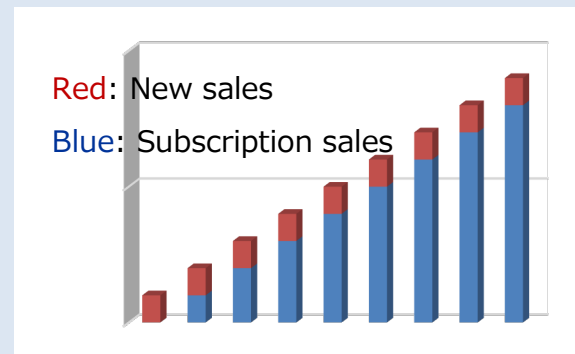
<Sales strategy>

- Basic policy that places an emphasis on profits
- Advertising optimization system developed by the Company
- Calculation of the optimal CPO limit based on the correlation between CPO and the number of new customer acquisitions
- Profit management fine-tuned for each product
- Advertising placement management through advertising investment balance indicators



Adoption of **D2C × Subscription-driven** business model

- Direct feedback on customer data and products is available
- High-precision marketing backed by the feedback is realizable
- A steadily growing business model



Realize a profit structure that enables stable growth

Information on the Company's strategies

In addition to the product and sales strategies explained in this document, we also disclose our strategies related to the Company's management, including our personnel strategy, etc.

Videos

Videos explaining our business model/business overview
<https://www.kitanotatsujin.com/aboutus/media-performance/>



Books

The Law of Sales Minimization,
 Profit Maximization
 —Management Secrets for a
 29% Profit Margin

Released on June 16, 2021



Major Products

“DEEP PATCH Series” were recognized by the Guinness World Records™ as the world’s best-selling*1 products

- 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



[No. 1] “HYALO DEEP PATCH” for wrinkles under the eyes and smile lines

[No. 2] “MIKEN DEEP PATCH” for the area between the eyebrows

[No. 3] “ODEKO DEEP PATCH” for the forehead

[No. 4] “CHEEK PORE PATCH” for the cheek pore zones*2



Food with functional claims “KAITEKI OLIGO”

Our sales of oligosaccharide food for household use is the highest in Japan.*3

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

- Awarded the Monde Selection 10 times (Awarded the Grand Gold Award eight times and the Gold Award two times between 2012 and 2021)
- The registration as a food with functional claims was accepted in May 2019.
- “OKOSAMAYOU KAITEKI OLIGO,” a product for children, was launched in February 2019.



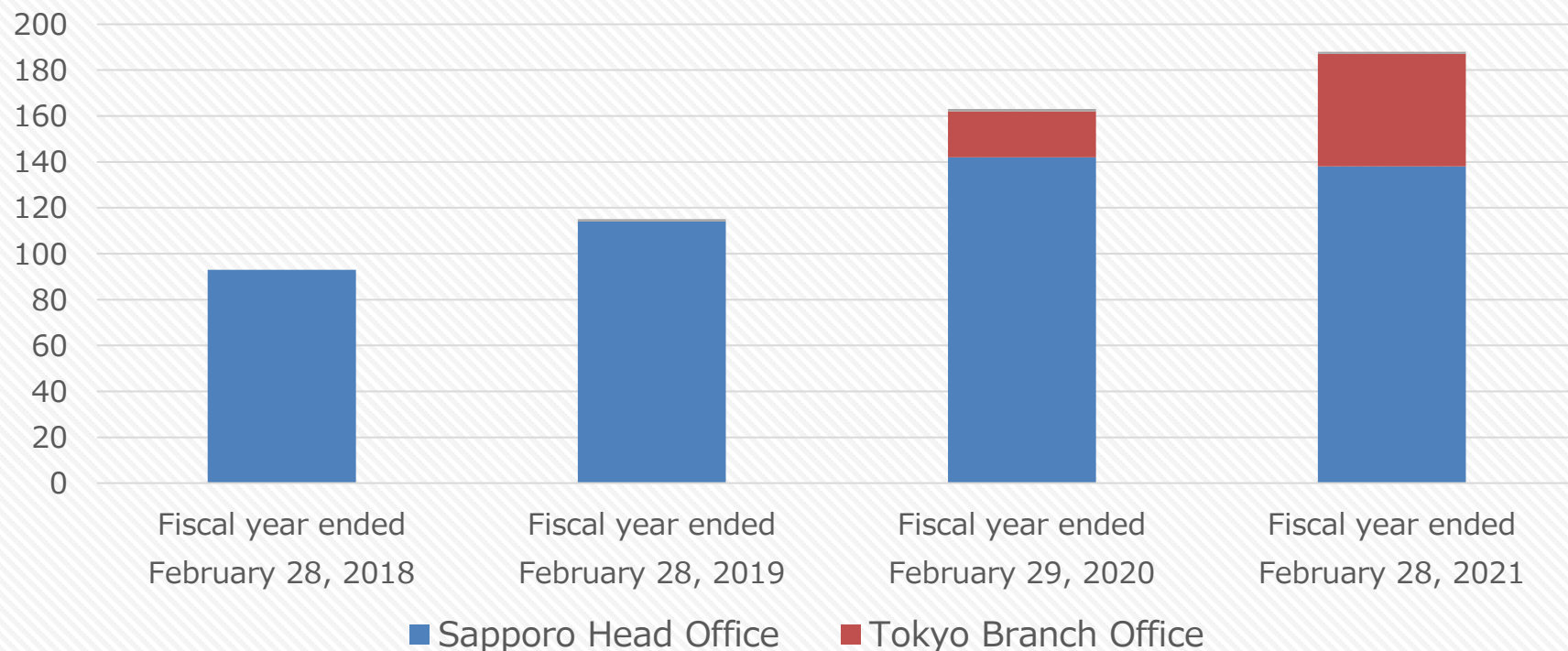
*1 The largest micro-needle cosmetic skin patch brand, with aggregated sales amount of \$45,082,226 for the one-year period from March 2019 to February 2020 (including HYALO DEEP PATCH, MIKEN DEEP PATCH, and ODEKO DEEP PATCH)

*2 Area where cheek pores are concentrated

*3 Research by JMA Research Institute Inc. (May 2016). The annual sales up to the previous fiscal year of home use products sold in Japan, such as powder, granules and syrup products containing “oligos and oligosaccharides”

Personnel Changes

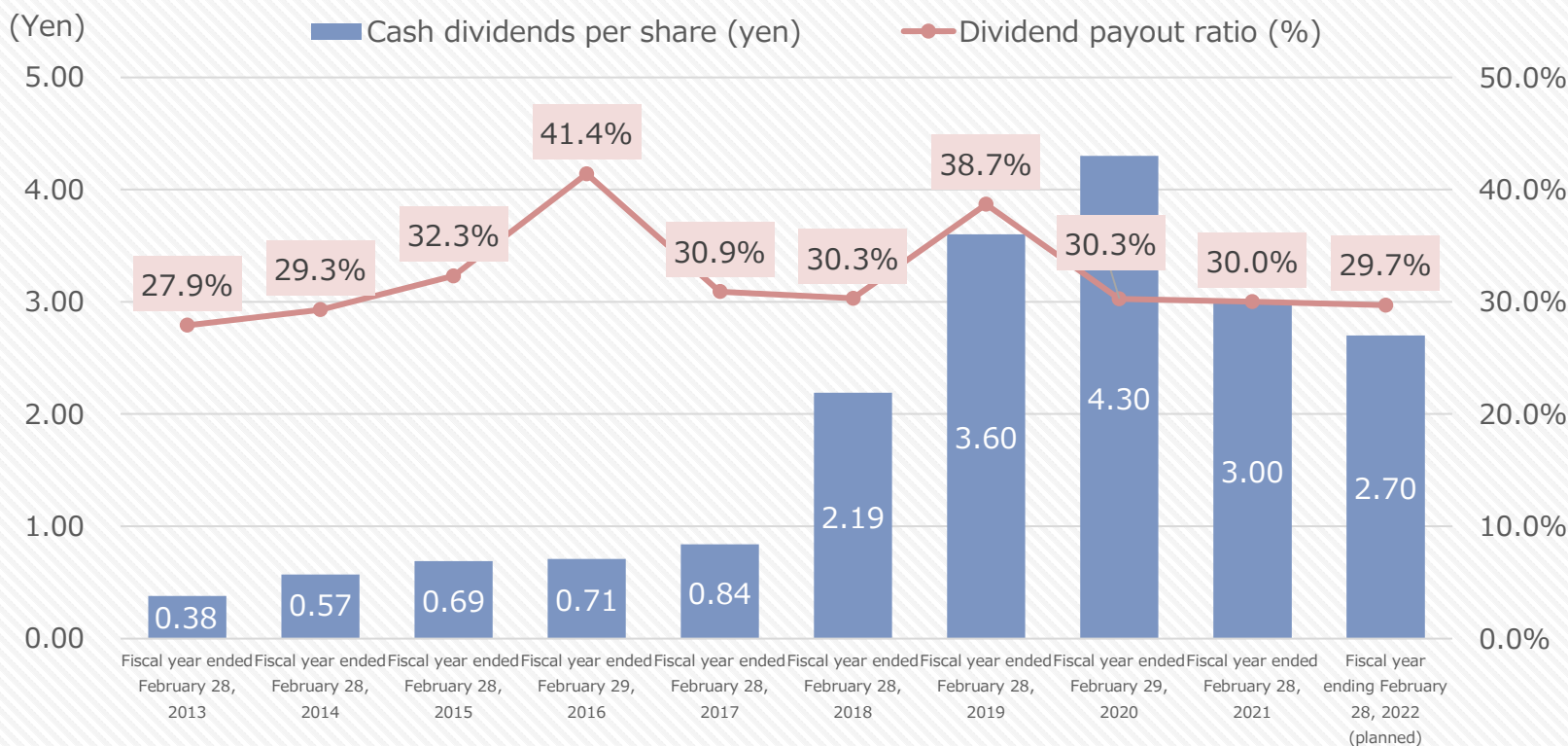
Changes in Officers and Employees



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

Actual and Projected Dividends

The Company is working to return profits to shareholders by paying dividends, 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 ¥1.30, a year-end dividend of ¥1.40, and an annual dividend of ¥2.70 per share for the fiscal year ending February 28, 2022.



(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 January 3, 2014

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 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

Other Indicators

	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	Fiscal year ended February 28, 2021
ROE (%) (return on equity)	18.0	24.8	48.8	48.9	54.2	29.1
ROA (%) (return on assets)	14.4	18.6	32.9	33.5	38.9	22.9
Equity ratio (%)	86.5	67.4	67.3	69.4	73.7	83.5
Dividend payout ratio (%)	41.4	30.9	30.3	38.7	30.3	30.0
Cash dividends per share (yen)	0.71	0.84	2.19	3.60	4.30	3.00
Number of shareholders	8,128	8,926	31,667	47,978	54,307	47,042

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

(Fractions less than one sen are rounded up.)

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 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

Major Awards Received

- November 2020: Awarded the “Asia’s 200 Best Under A Billion” in Forbes Asia
- September 2019: Awarded the Internet Shopping Award in the “Asia Direct Marketing Vision 2019”
- 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 Candidates 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



Group Companies

FM NORTH WAVE CO., LTD.

FM radio station with a broadcast area covering Hokkaido

<Business content>

- Main station broadcast and advertising broadcast via VHF radio
- Production and sales of broadcast programs
- Sales of broadcast time, etc.



Media

- ▶ Increase sales by producing mail-order programs
 - J NORTH FARM
 - SALONMOON
- ▶ Expand existing advertising business

Audio content

- Develop expertise for creating strong fans
 - ▶ Horizontal expansion into audio media
- Develop audio mail-order content
 - ▶ Expand to other stations

Brand

- Utilize brand power as a brand that everyone in Hokkaido knows about
 - ▶ Other business development using the NORTH WAVE brand



➡ Aim to **expand** business and performance as the **Kitanotatsujin Group**

Group Companies

ASHIGARU Co., Ltd.

Sells own "SALONMOON" hair iron on various e-commerce malls

<Business content>

- Manufacture and sales of home appliance products, apparel, miscellaneous foreign goods, etc.

"SALONMOON" hair iron

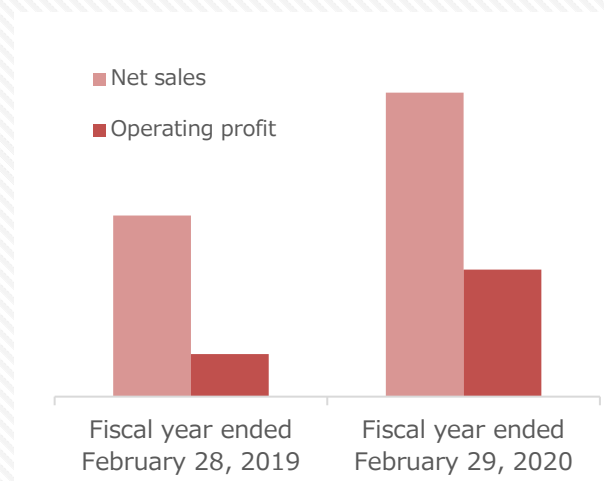
- Breakout success with a total of over 150 thousand units sold in the two years since the company was founded.
- Reviews on main e-commerce sites show high levels of customer satisfaction.

Further business expansion by expanding sales channels in e-commerce malls and entering new markets in the product development category, including beauty home appliances



<Operational results (Disclosed information only)>
(Millions of yen)

	Fiscal year ended February 28, 2019	Fiscal year ended February 29, 2020
Net sales	203	341
Operating profit	48	143

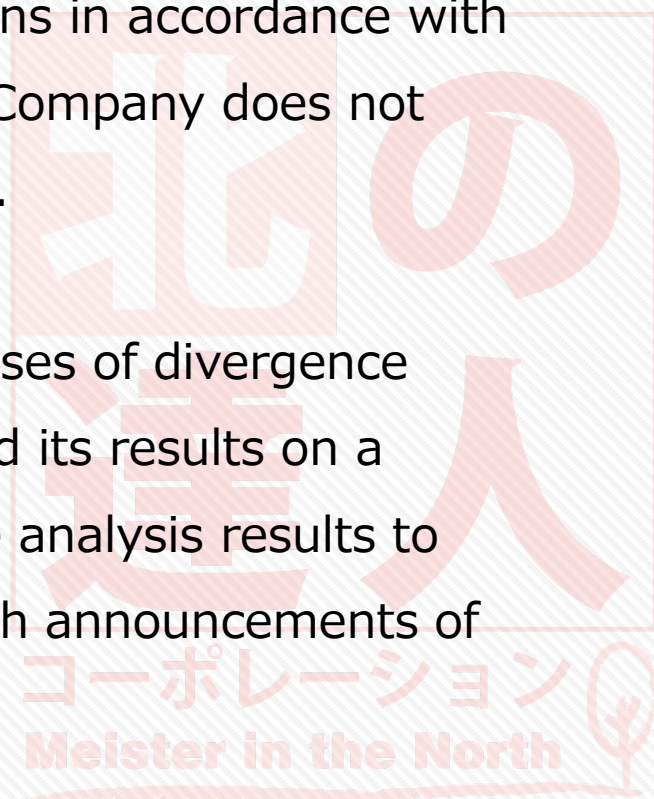


Aim to **expand** business and performance as the **Kitanotatsujin Group**

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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