April 14, 2023

To whom it may concern:

Company name Kitanotatsujin Corporation
Representative Katsuhisa Kinoshita
Representative Director & President
Stock code: 2930
Prime Market, Tokyo Stock Exchange
SAPPORO SECURITIES EXCHANGE
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Notice Concerning the Differences between Financial Results Forecasts and Actual Results

Kitanotatsujin Corporation (the "Company") provides notice about the differences between the full-year consolidated and non-consolidated financial results forecasts for the fiscal year ended February 28, 2023 announced on January 13, 2023 and the results announced today as follows.

1. Differences between the full-year financial results forecasts and the results for the fiscal year ended February 28, 2023
(From March 1, 2022 to February 28, 2023)

(Consolidated)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent	Profit per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	9,825	773	795	514	3.70
Results (B)	9,831	510	541	343	2.47
Changes (B – A)	6	(263)	(254)	(170)	
Changes (%)	0.1	(34.0)	(32.0)	(33.2)	
(Reference) Results for the previous fiscal year ended February 28, 2022	9,510	2,082	2,102	1,342	9.66

(Non-consolidated)

	Net sales	Operating profit	Ordinary profit	Profit	Profit per share
	Millions of yen	Millions of yen	Millions of yen	Millions of yen	Yen
Previous forecast (A)	8,735	796	846	574	4.13
Results (B)	8,725	520	581	399	2.87
Changes (B – A)	(9)	(275)	(264)	(175)	
Changes (%)	(0.1)	(34.6)	(31.2)	(30.5)	
(Reference) Results for the previous fiscal year ended February 28, 2022	8,739	2,086	2,127	1,388	9.99

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the fiscal year ended February 28, 2023. The consolidated and non-consolidated results for the previous fiscal year ended February 28, 2022 represent the figures before applying the accounting standard, etc.

2. Reasons for differences

Due to delayed deliveries resulting from taking orders over production capacity, and because the Company enhanced advertising investment strategically and systematically, net sales for the fiscal year ended February 28, 2023 were almost in line with the forecast, but operating income, ordinary profit, and profit attributable to owners of parent (profit) were lower than the forecast.

(Delayed deliveries resulting from taking orders over production capacity)

A rush of orders resulting from successful sales promotion activities for some products led to undersupplies and delayed deliveries, generating a few months of backlogs. As a result, advertising expenses incurred to win those orders were already recorded in the fiscal year ended February 28, 2023, and meanwhile, sales and profits for those delayed deliveries, which could have already been recorded, are to be recorded in the fiscal year ending February 29, 2024. Those delayed deliveries are expected to be settled by the end of the fiscal year ending February 29, 2024.

(Enhancement of advertising investment)

As new customer acquisition was very strong, with the number of new customer acquisitions for January 2023 reaching a record high, the Company made an advertising investment that was significantly larger than planned. In the subscription purchase type business, there is a certain lag between the time of implementation of advertising investment and the break-even point, and a loss arises immediately after making advertising investment while the amount of the loss grows proportionately larger as the amount of investment increases.

However, in order to secure the required profit, the Company has set a CPO limit, an upper limit of advertising expenses that can be used to acquire one new customer. In the fiscal year ended February 28, 2023, as the acquisition of new customers achieved within the CPO limit was strong, the Company enhanced advertising investment. The Company considers this situation to be positive because the investment is expected to generate greater profit in the future.

There is no revision to the forecast of cash dividends.

End