Supplementary Material for the Second Quarter of the Fiscal Year Ending February 28, 2021

Stock code: 2930
Kitanotatsujin Corporation
October 15, 2020

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Executive Summary

- Net sales were ¥4,592 million (up 5.7% compared with forecasts) backed by a greater-than-expected rise in the number of new customer acquisitions.

- Operating profit was ¥1,030 million (down 16.2% compared with forecasts) due to advertising investment that was greater than the plan for new customer acquisitions, and lower ROAS.

- In May and June, the raised CPO limit resulted in a significant increase in the number of new customer acquisitions. Meanwhile, since ROAS declined significantly, the CPO limit was lowered in July and August to focus on improving ROAS.

- Achieved a certain level of improvement in LTV through successful cross-selling measures for customers who are regularly buying products, as well as measures to promote service continuation at a contact point dedicated for customers who wish to cancel subscriptions

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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 August 31, 2020)	
【Officers and Employees, etc.】	186 people (As of August 31, 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

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Product Strategy

Product development specifically designed for the E-commerce business

- Develop the E-commerce business that sells a total of 34 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

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 MEN

◆ Featured in the NIKKEI TRENDY (August 2018 issue)

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Products for men

Looking to increasing demands for products from men and growth potential of the men's cosmetics market (its scale has grown to approximately ¥120.0 billion, and further growth is expected going forward*), we are also focusing on the development of products for men that specialize in men's skin types and constitution.
Two products have already been launched in the fiscal year ending February 28, 2021.

Market

<Current>
We are mainly developing niche market products that can generate net sales of ¥1.0 billion to ¥2.0 billion from a single product.

<Future>
We will mainly develop mass-market products that can generate net sales of ¥5.0 billion to ¥10.0 billion from a single product.

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

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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 only by net sales.

Advertising optimization system

(1) Analyze daily accumulated data and calculate LTV*1
(2) Set a CPO*2 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 a system where only highly profitable advertising will remain

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

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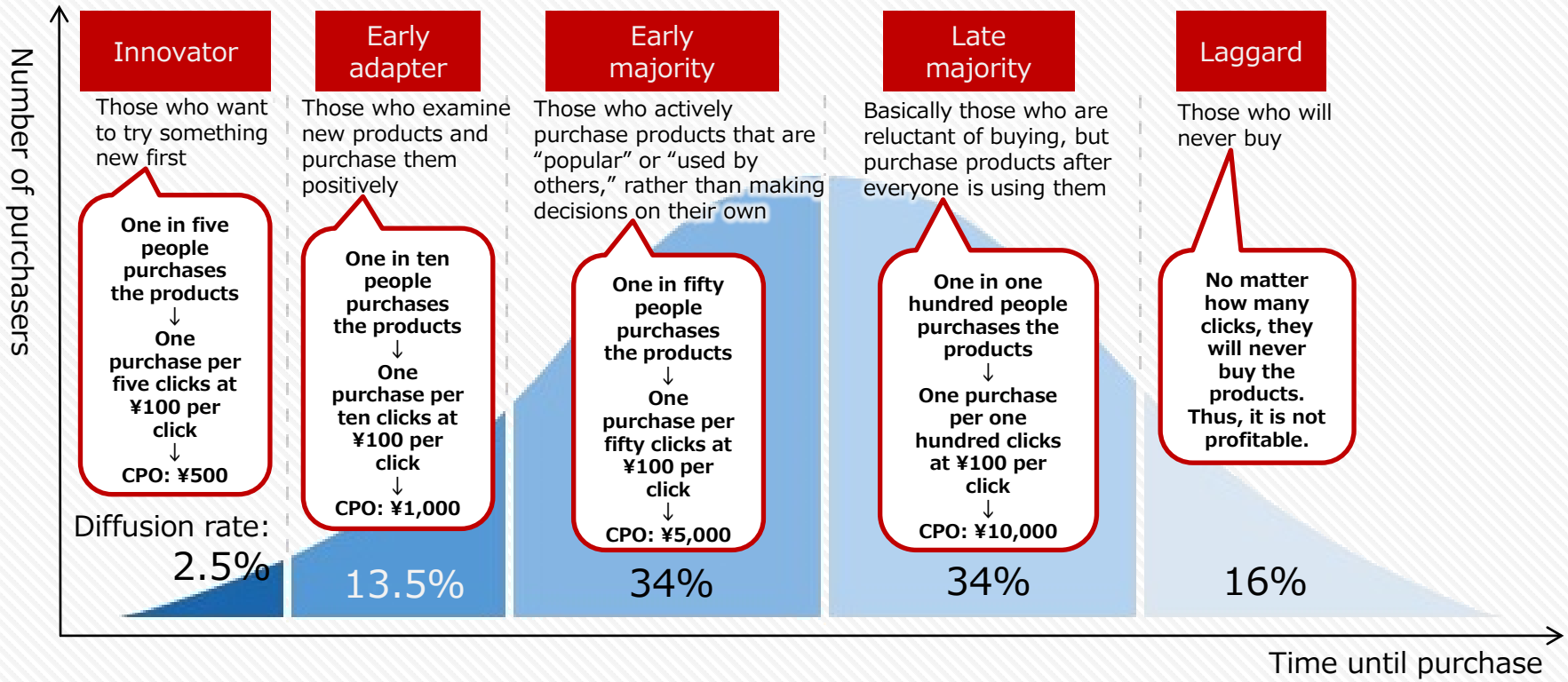
Correlation between CPO and the number of new customer acquisitions

■ 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.

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

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Calculation method of the optimal CPO limit

■ 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

Example) 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
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

→ In this case, it is most desirable to set the CPO limit to ¥6,000.

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Five level profit management

- Visualize profits on five levels for “each product” -

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

	Total of all products	Product (1) ×	Product (2) △	Product (3) ◎
Net sales	10,000	6,000	3,000	1,000
Profit (1) Gross profit or loss	4,400	2,500	1,200	700
Order-linked costs (enclosures, accessories, settlement charges, shipping fees, packaging materials, etc.)	600	300	200	100
Profit (2) Net gross profit	3,800	2,200	1,000	600
Sales promotion expenses (primarily advertising expenses)	1,800	1,500	200	100
Profit (3) Sales profit	2,000	700	800	500
ABC (Active Based Costing)	200	100	70	30
Profit (4) ABC profit	1,800	600	730	470
Operating expenses (rent expenses and indirect operating personnel expenses, etc.)	700	420	210	70
Profit (5) Operating profit for each product	1,100	180	520	400
Operating profit margin for each product	11%	3%	17%	40%

- 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 discussed in the Company.
- By thoroughly managing this profit, it will be possible to maintain a high operating profit margin in the mass market.
- Based on results for the fiscal year ended February 29, 2020, operating profit per employee was ¥23.32 million, ROE was 54.2%, and operating profit margin was 28.9%.

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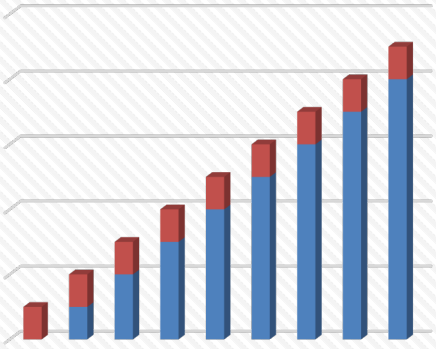
<Product strategy>
- Product development specifically designed for the E-commerce business
- Strict product development standards
- Focus on the development of products for men as well
- Development of mass-market products

<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

Together with

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

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

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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

*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

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Food with functional claims “KAITEKI OLIGO”

Our sales of oligosaccharide food for household use is the highest in Japan.*1

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

*1 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”

- Awarded the Monde Selection nine times
  (Awarded the Grand Gold Award eight times and the Gold Award one time between 2012 and 2020)
- 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.

“EYE KIRARA,” one product sells every 27 seconds.*2

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

- Awarded the Gold Award of the Monde Selection for five consecutive years (2016 to 2020)
- Run in medical journals, representing a rare achievement for cosmetic products
- “MEN’s EYE KIRARA” for men was also launched in January 2019.

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Highlights for the Second Quarter of the Fiscal Year Ending February 28, 2021

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Key Performance Highlights [Year on Year]

(Millions of yen)

	Results for the second quarter of the fiscal year ended February 29, 2020	Results for the second quarter of the fiscal year ending February 28, 2021	YoY changes	YoY %
Net sales	5,055	4,592	-463	-9.2%
Gross profit	3,851	3,462	-388	-10.1%
Selling, general and administrative expenses	2,461	2,432	-28	-1.2%
Advertising expenses	1,515	1,355	-159	-10.5%
Operating profit	1,390	1,030	-360	-25.9%
Operating profit margin	27.5%	22.4%	Deteriorated 5.1pt	
Ordinary profit	1,390	1,033	-356	-25.7%
Profit	947	717	-229	-24.2%

- Both revenue and profit decreased due to a significant decline in the number of new customer acquisitions.

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Key Performance Highlights [Compared with Forecasts (Plan)]

(Millions of yen)

	Forecast (plan) for the second quarter	Results for the second quarter	Changes	Changes (%)
Net sales	4,345	4,592	+246	+5.7%
Gross profit	3,264	3,462	+198	+6.1%
Selling, general and administrative expenses	2,034	2,432	+397	+19.5%
Advertising expenses	1,010	1,355	+345	+34.2%
Operating profit	1,229	1,030	-199	-16.2%
Operating profit margin	28.3%	22.4%	Unachieved 5.9pt	
Ordinary profit	1,230	1,033	-196	-16.0%
Profit	832	717	-114	-13.7%

- Net sales exceeded the plan backed by the advertising investment made more than the plan. Meanwhile, profits at each level were below forecasts due to the advertising investment made more than the plan and the deteriorating profitability.

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Key Highlights in New Customer Acquisitions

	March 2020	April 2020	May 2020	June 2020	July 2020	August 2020
Advertising expenses (Millions of yen)	**158**	**204**	**261**	**309**	**240**	**182**
ROAS*	**0.98**	**0.74**	**0.76**	**0.75**	**0.91**	**1.00**

- Although there is a trend of a decline in the number of new customer acquisitions in recent months, the worst period in March is over.
- Used advertising expenses that exceeded the initial plan by ¥345,338 thousand
- ROAS declined in April to June due to “the unit price of products with strong new customer acquisitions and characteristics of measures” and “mistakes in setting the CPO limit.”

*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.

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Unit price of products with strong new customer acquisitions and characteristics of measures

■ The CPO limit is calculated based on the LTV of the products.

	Unit price	Average number of purchases	LTV
Product A	¥5,000	9 times	¥45,000
Product B	¥6,000	7 times	¥42,000
Product C	¥7,000	5 times	¥35,000

- LTV differs depending on product genre and characteristics.
- There are products with a low unit price but a large average number of purchases, which yield higher LTV.
- The unit price of Product C is higher than that of Product A, but the CPO limit can be set higher for Product A.
- As Product A yields a high LTV and a sufficient return on investment can be expected, discounts and other measures can be deployed to increase the number of new customer acquisitions.

If new customer acquisitions are strong for Product A, the unit price for new sales will decline and ROAS will drop temporarily. However, since its LTV is high, the contribution to profits can be expected over the long term.

→ New customer acquisitions were strong for these products in April to June.

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Mistakes in setting the CPO limit

■ The CPO limit was raised to increase the number of new customer acquisitions.

While the majority of new customer acquisitions are made through orders that require advertising expenses, there is a certain number of "orders that do not require advertising expenses," which are placed via search engines and malls.

"Orders that do not require advertising expenses" were analyzed and considered that they increase in proportion to an increase in advertising placement volume. The CPO limit was calculated by considering the above correlation and incorporating new factors.

Actually, there is only a low correlation between the advertising placement volume and "orders that do not require advertising expenses." As a result, advertising was placed with a "too high CPO limit."

A factor for the deterioration of ROAS in April to June

Return the calculation method of the CPO limit to the previous one from July onward

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The number of new customer acquisitions and advertising investment

Previous fiscal year

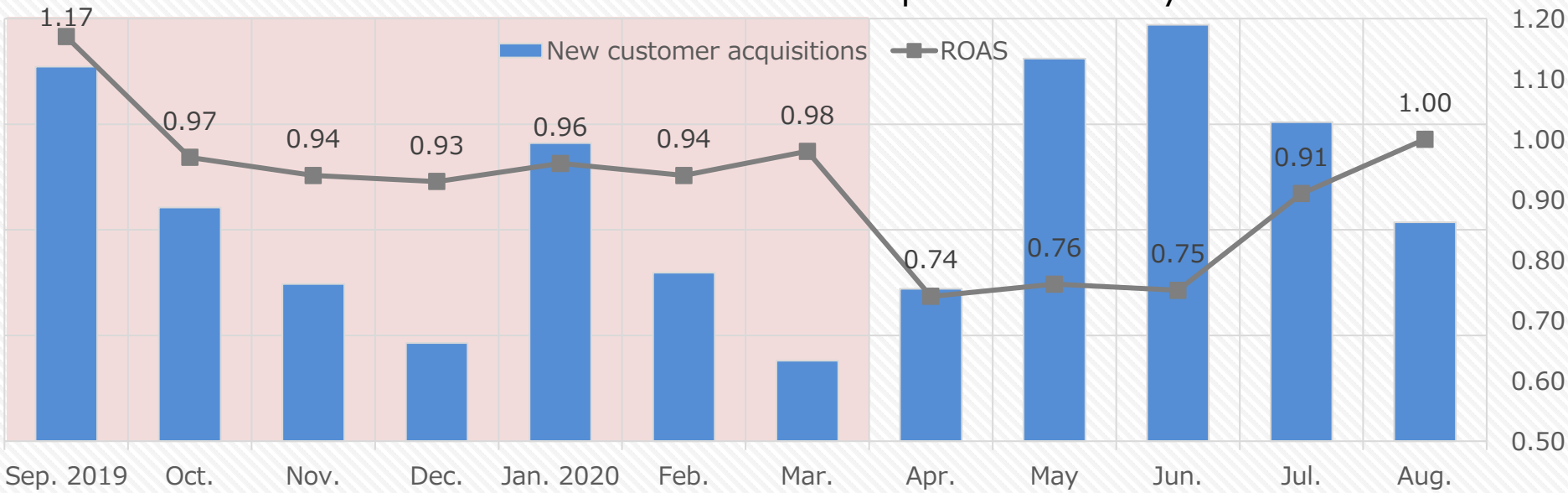
- Insufficient education of the Creative Department
- Decline in consumer spending due to the consumption-tax hike

→ The number of new customer acquisitions significantly decreased in the second half.
ROAS remained at a high level.

March

- Decline in consumer sentiment due to the COVID-19 pandemic

→ The number of new customer acquisitions further decreased.
ROAS remained as high as in the previous fiscal year.



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April

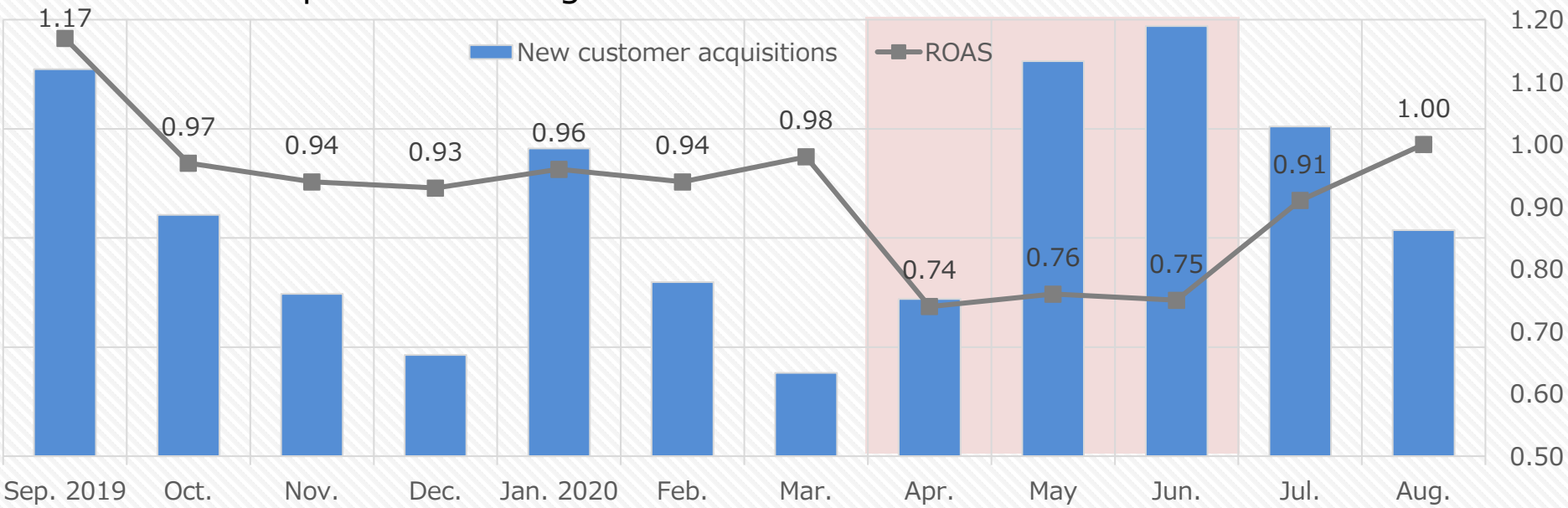
- Decline in consumer sentiment due to the COVID-19 pandemic
- Meanwhile, the CPO limit was raised.

→ The number of new customer acquisitions increased, but remained at a low level. ROAS declined due to “the unit price of products with strong new customer acquisitions and characteristics of measures” and “mistakes in setting the CPO limit.”

May and June

- Recovery in consumer sentiment
- Raising of the CPO limit
- Advertising placements on major media outlets
- Strong new customer acquisitions through affiliates

→ The number of new customer acquisitions recovered to the high level of around September 2019. ROAS remained at a low level due to the same reasons for April.



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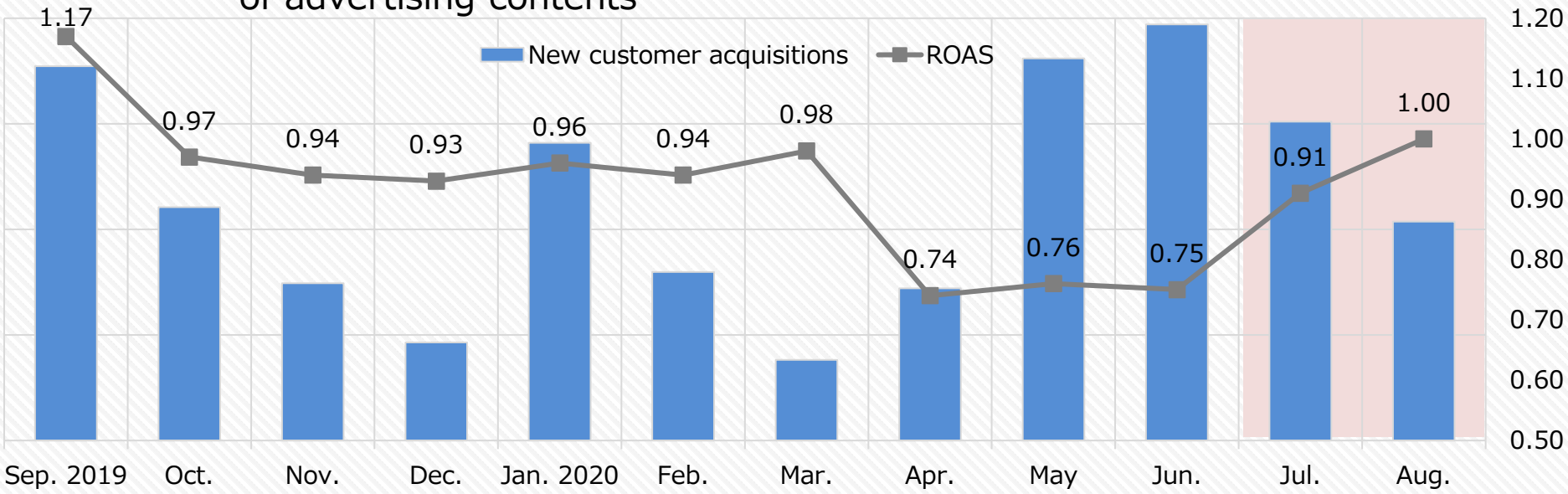
July and August

- Focus on the profitability improvement by returning the calculation method of the CPO limit to the previous one
- Poor new customer acquisitions even with the successful measures, due to wearing out of advertising contents

The number of new customer acquisitions decreased. Meanwhile, ROAS recovered to the previous fiscal year's level by returning the calculation method of the CPO limit to the previous one.



- While ROAS improved, the number of new customer acquisitions slumped.
- Another factor was a failure to increase the number of new customer acquisitions to a degree appropriate for the increase in the CPO limit, due to the fundamental lack of capability in the customer acquisition system.

→ Strengthening of the Creative Department is the prime task.

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Approach to customers who are regularly buying products

Implemented full-scale approach to existing customers who are regularly buying products for the six months ended August 31, 2020

Specific measures (1)

Cross-selling*1 and up-selling*2 to improve LTV

Cross-selling measures showed an increase in the success rate from 1.3% to 8.8% and contributed to achieving a certain level of improvement in LTV.

Illustration of cross-selling as reference

×

(Example) Would you like some lotion as well?

*1 A sales method to ask customers to purchase not only the products they are currently purchasing, but also other products. In addition to improving LTV, customers will benefit from lower settlement charges and shipping fees.

*2 A sales method to ask customers to purchase products with a higher unit price than products they are currently purchasing, or to shift to another regular course which offers a larger number of products than the course that they currently subscribe to. In addition to improving LTV, customers will benefit from higher discount rates offered for regular courses.

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Specific measures (2)

Establishment of a dedicated contact point to improve the rate of continued subscription purchases

There is a certain number of cases of incorrect usage, such as usage amounts and frequency of usage, with respect to reasons for cancellation, including “cannot feel any positive effect,” “receiving new products before using up previous ones,” etc.

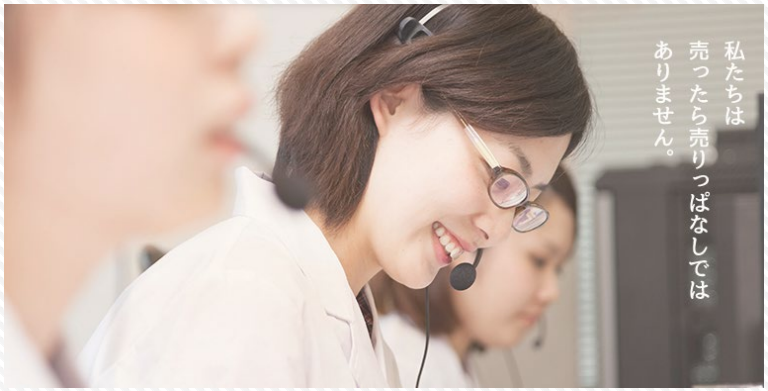
<Previously>

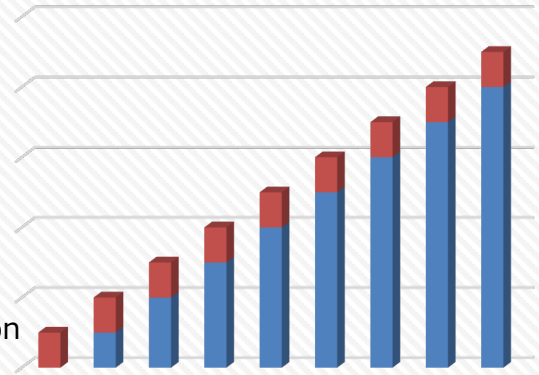
Did not specifically ask for feedback from customers, and processed cancellations

<Initiatives>

Established a dedicated contact point, after improving knowledge of in-house professional staff based on their expertise as developers, as well as improving the service quality of telephone support

Increase in the rate of customers who wish to continue subscription purchases from 8.0% before the establishment of the contact point to 14.1%. Continue efforts to improve customer satisfaction and the rate of continued subscription purchases of customers who are regularly buying products





Red: New sales
Blue: Subscription sales

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Other measures

1 Full-scale implementation of approach to affiliates* by a dedicated team

- Affiliates were the main source of acquisition of new customers several fiscal years ago. At the time, SEO (Search Engine Optimization) was a major means. However, Google's update has slowed it down.
- Current affiliates are mainly "performance-based advertising agencies," where affiliates advertise using their own funds (ad-affiliates).
- Since the number of highly skilled affiliates has increased, the Company has once again reinforced efforts for affiliates.
- The number of new customer acquisitions through affiliates after implementing initiatives increased by approximately 1.7 times compared to the figure before implementing the initiatives.

2 Strengthening sales through shopping malls

- Strengthen sales through Amazon and other shopping malls
- Aim at gaining customers belonging to a customer base different from before, who purchase products on the Internet

*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.

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3 Advertising distribution other than online advertising

- Magazine advertisement including advertising in male fashion magazines, and media publications
- Utilization of TV advertisement on terrestrial channels in some parts of Hokkaido and other regions
- Approach to customers who do not purchase products on the Internet

4 Holding meetings with customers to receive feedback

- Hold meetings with customers who are currently purchasing the Company’s products, those who used to purchase the Company’s products in the past but have canceled their regular purchases, those who know about the Company’s products but have not bought any, etc.
- Receive feedback directly from customers regarding motivation for purchases, reasons for cancellation, reasons for not buying, etc.
- The customer feedback will be used for improving advertising contents and customer satisfaction.

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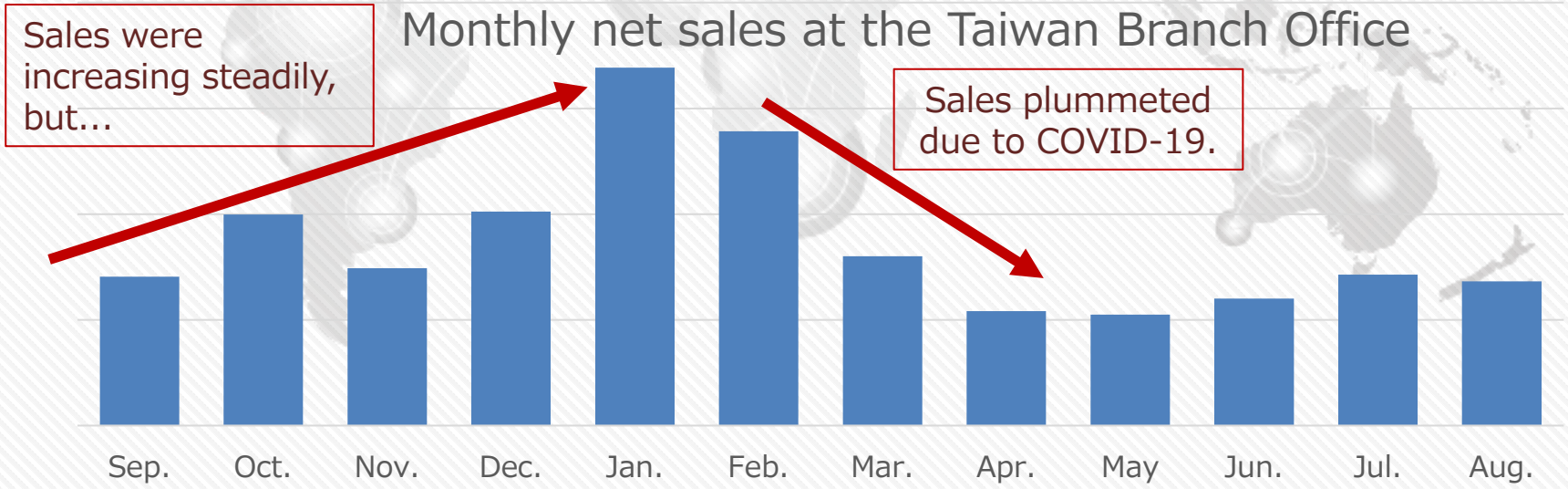
Overseas Business Development

- At the Taiwan Branch Office, which steadily increased sales during the previous fiscal year, net sales growth slowed due to a decline in consumer sentiment caused by the spread of COVID-19, which were severer than in Japan.
- However, net sales of the Taiwan Branch Office account for only a small portion of total sales and have a minor impact on the Company's overall business performance.
- During the six months ended August 31, 2020, we have begun developing a system to expand our Taiwan Branch Office, such as increasing the number of products handled, hiring several full-time staff from Taiwan, including designers, and providing training for them.
- We have also begun preparing for expanding into Asian countries other than Taiwan.



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Launched new products in the second quarter of the fiscal year ending February 28, 2021

"DEEP PATCH Series" No. 4

チークポアパッチ

CHEEK PORE PATCH

Launched in March 2020

[Quasi-drug] Spots prevention peeling gel for men

PEEL SHOT

Launched in May 2020

Aging care mist lotion for men

HARISHU

Launched in August 2020

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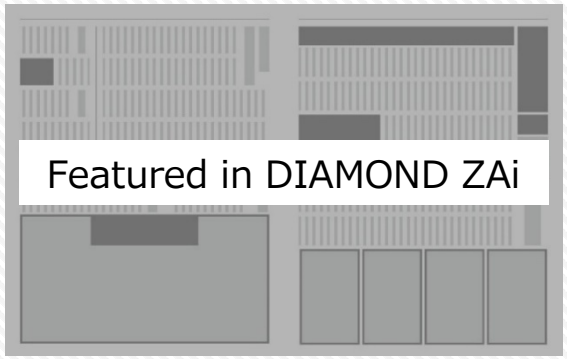
External evaluations and media publications

September 10, 2020 After the second quarter under review	"DEEP PATCH Series," which are sold through our own brand "J NORTH FARM," were recognized by the Guinness World Records™ as the world's best-selling* products in the microneedle cosmetics market. The certification ceremony was held.

August 28, 2020	Selected for the fourth time and for three consecutive years as one of the "Asia's 200 Best Under A Billion (Good-standing Small-size Listed Companies)" in the August 2020 issue of Forbes Asia, an Asian edition of the U.S. economic magazine Forbes

August 21, 2020	Featured as one of the recommended stocks by analysts in the article "Japan's Strongest Stock: Summer 2020" in the October 2020 issue of the financial information magazine "DIAMOND ZAi"



*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)

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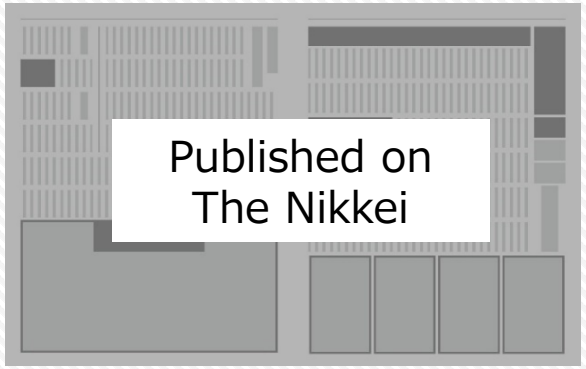
July 3, 2020	327 people participated in the Japan Management Consultants Association's "Kitanotatsujin Seminar on Five Strategies to Surpass Competitors" (Participation fee: ¥45,000) Became a topic as the "Authority in Online Marketing"
May 12, 2020	Published on the web media, "ShinR25," which targets young business people with high motivation for growth, as "The Expert in Overcoming Recessions"
March 24, 2020	Ranked fourth in the "Medium-sized Listed Companies (NEXT 1000) with High Five-year Average Operating Profit Per Employee" in The Nikkei nationwide edition

Seminar on Five Strategies to Surpass Competitors

コロナ不況が噂される今、どんな会社にいるべきなの？

BtoBのビジネスは弱い!? "北の達人"木下社長が教える「逆境に強い会社の7カ条」



Published on The Nikkei

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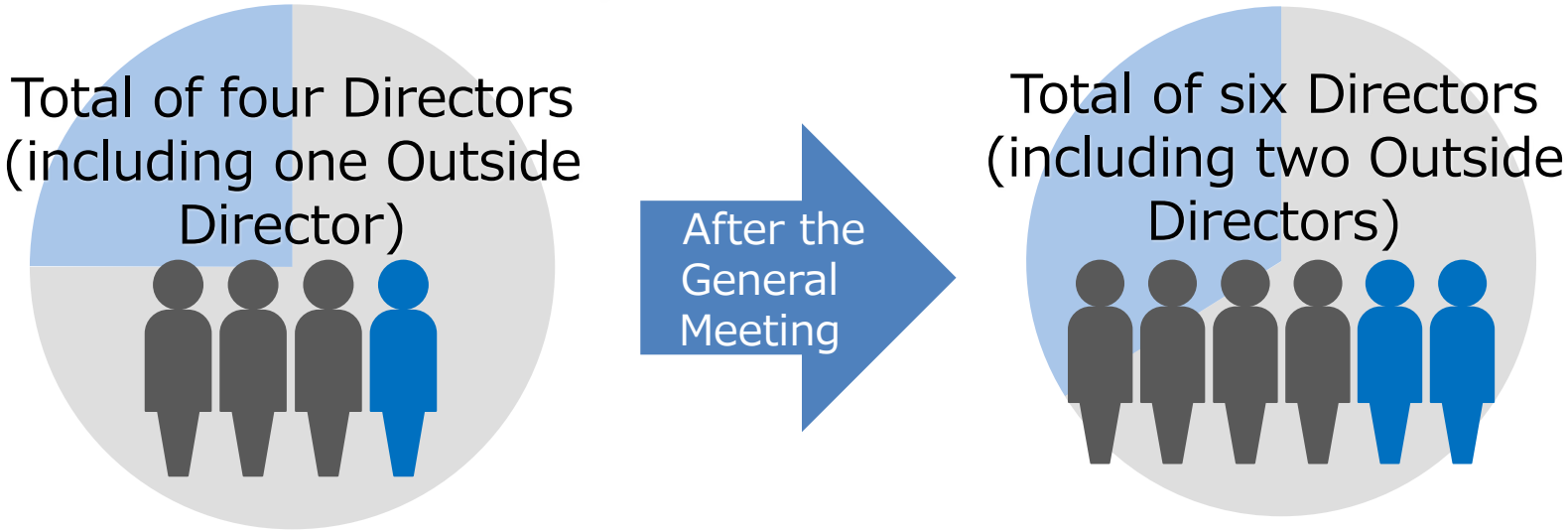
Corporate Governance System

- Mr. Shigeatsu Shimizu, Senior Managing Director, resigned at the conclusion of the Ordinary General Meeting of Shareholders in the previous fiscal year.
- Increased the number of Directors in order to strengthen the management system, and elected three Directors (including one Outside Director) at the said Ordinary General Meeting of Shareholders.

Composition of Directors



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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.

■ Topic: Settlement of a case seeking an order of provisional disposition

SNS adver-tising

(Background)
hugkumi+ inc., whose product "hugkumi Oligo" is a competitor of the Company's product "KAITEKI OLIGO," was displaying in their SNS advertising that the product could "fight off coronavirus by improving immunity from within your body."

北の達人コーポレーション Meister in the North

(Petition)
Misrepresentation of product quality and infringement of business interests
→ Petition filed at the Tokyo District Court

Tokyo District Court

(Result)
The court gave a nearly complete approval of the Company's claim, and a settlement was reached in court.
→ hugkumi+ inc. posted an apology on their website and SNS.

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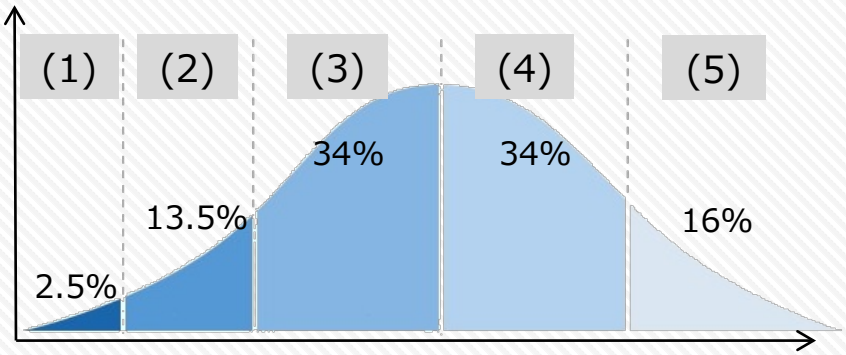
Addressing issues

- Rebuilding the internal organizational structure for medium- and long-term growth -

Strengthening the Creative Department (initiatives to strengthen sales capabilities)

<Premise>
- The acquisition of new customers who will regularly buy products in the future is essential for further expanding our business performance.
- We have already acquired a certain number of customers in the innovator (1) and early adapter (2) customer bases.
- Meanwhile, we are struggling to acquire customers in the early majority (3) and other two customer bases due to higher hurdles for acquisition. The strengthening of the Creative Department is the prime task.



<Initiatives>
- Build an education system by highly skilled personnel with abundant experience
- Continue to strengthen recruitment of experienced personnel who can be expected to contribute to business results in a short period of time and are industry-ready
- Representative Director & President, Mr. Kinoshita himself utilizes Twitter (@kinoppirx78), offers lectures and seminars to raise awareness of the Company within the industry.

<Progress>
- Achieved a certain level of improvement by establishing a education system and strengthening recruitment
- Increase in the number of applications of talented personnel with various achievements and management experience, etc.
- Meanwhile, we will continue these efforts, as the impact on business performance is limited and it will take time to fundamentally rebuild the internal organization.

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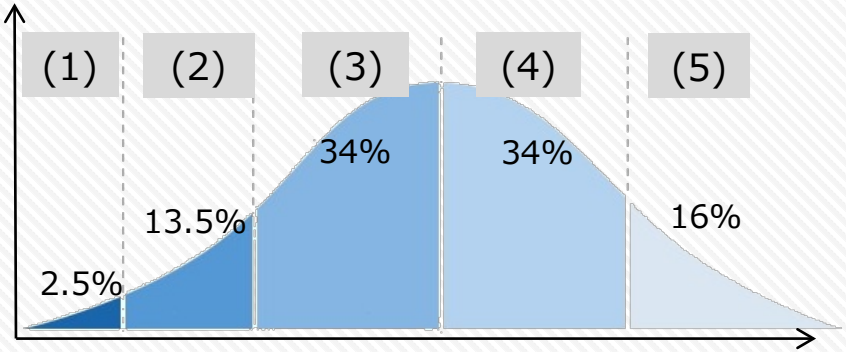
Strengthening the Product Development Department (initiatives to enhance product competitiveness)

<Premise>
- Increase in the number of customers in the innovator (1) and early adapter (2) customer bases in proportion to the number of products and the products' market scale
- Development of mass-market products that can generate net sales of ¥5.0 billion to ¥10.0 billion from a single product, while maintaining a high profit margin
- The ability to launch as many mass-market products as possible will be an important factor for future business performance.



<Initiatives>
- Strengthen the recruitment of personnel from major cosmetics manufacturers, etc.
- Expansion of product categories for development
- Revision and implementation of market research methods used as criteria for product development

<Progress>
- Steady expansion of the Product Development Department through the strengthening of recruitment
- A significant increase in the number of development projects under consideration
- Three products launched during the six months ended August 31, 2020 were niche market products. We have not launched any mass-market products yet.
- With quality as a top priority, it usually takes several years from product development to launch. We will continue to expedite development.

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Balance Sheets

(Millions of yen)

Subject/Section	Fiscal year ended February 29, 2020	Second quarter ended August 31, 2020	Changes	Changes (%)
(Cash and deposits)	4,088	3,847	-240	-5.9%
Current assets	5,521	5,357	-163	-3.0%
Non-current assets	380	340	-40	-10.6%
Total assets	5,902	5,697	-204	-3.5%
Current liabilities	1,554	938	-616	-39.7%
Non-current liabilities	–	–	–	–
Total liabilities	1,554	938	-616	-39.7%
Total net assets	4,347	4,759	+412	+9.5%
Total liabilities and net assets	5,902	5,697	-204	-3.5%

The main factors for the changes were a decrease in “Current liabilities“ due to the payment of income taxes payable and an increase in “Net assets” due to the recording of profit.

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Understanding the Current Situation and Future Outlook

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Understanding the Current Situation and Our Future Initiatives

(Understanding the current situation)

- While ROAS is improving, the number of new customer acquisitions is decreasing.
- Although a certain level of improvement was achieved by addressing issues, the impact on business performance is limited, and it is currently not clear when the issues will be resolved.
- The timing of when COVID-19 will be contained also remains unclear.

→ Therefore, we must conservatively estimate the number of new customer acquisitions going forward.

(Our future initiatives)

- Our top priority is to focus on strengthening the Creative Department and the Product Development Department.
- Full-scale efforts on utilizing advertising placements on the major media outlets and video advertisements

→ Increase the number of new customer acquisitions, while maintaining high ROAS
The Company has not changed its forecast announced on April 14, 2020.

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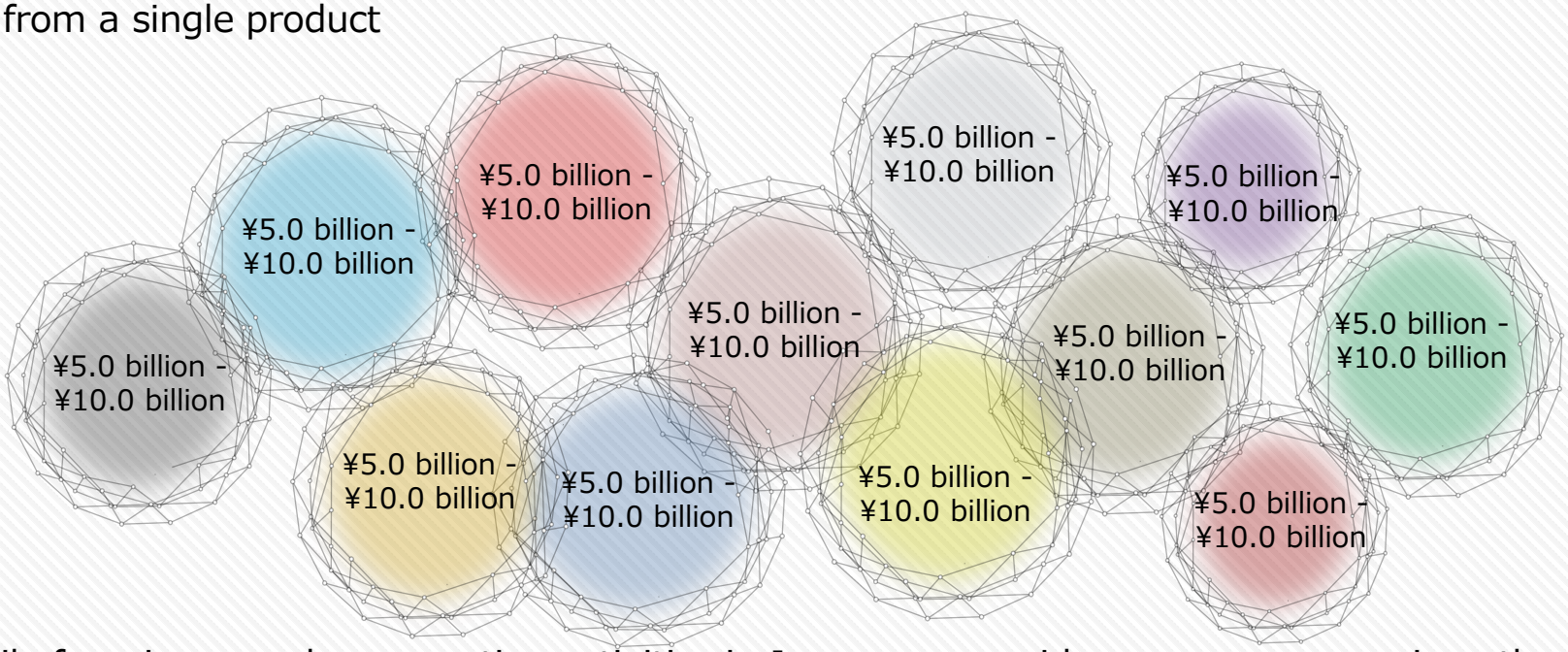
Future Strategies

<Current>

- Achieve net sales of ¥10.0 billion, while maintaining high profitability
- Acquire know-how to create a business of ¥4.0 billion to ¥5.0 billion from a single product

<Future>

Focus on the product development that can deploy multiple businesses of ¥5.0 billion to ¥10.0 billion from a single product in large mass markets



While focusing on sales promotion activities in Japan, we consider overseas expansion other than Taiwan, where business performance has expanded.
By utilizing platforms such as Google, Facebook, Twitter, Amazon, etc., achieve net sales of ¥100.0 billion and operating profit of ¥30.0 billion by developing businesses of ¥5.0 billion to ¥10.0 billion × Multiple markets.

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References

北の達人コーポレーション Meister in the North

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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
August 2019:	Designated as margin trading issues on the Tokyo Stock Exchange, First Section and Sapporo Securities Exchange
February 2020:	Increased the floor space of Tokyo Branch Office

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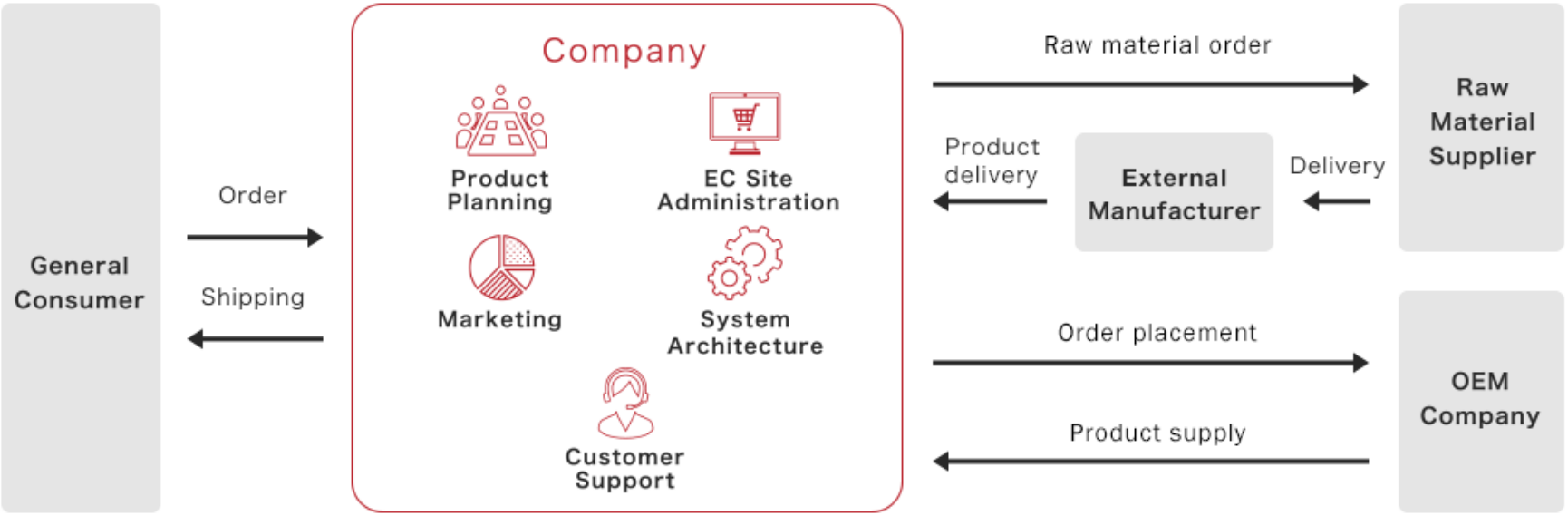
Main Business Structure



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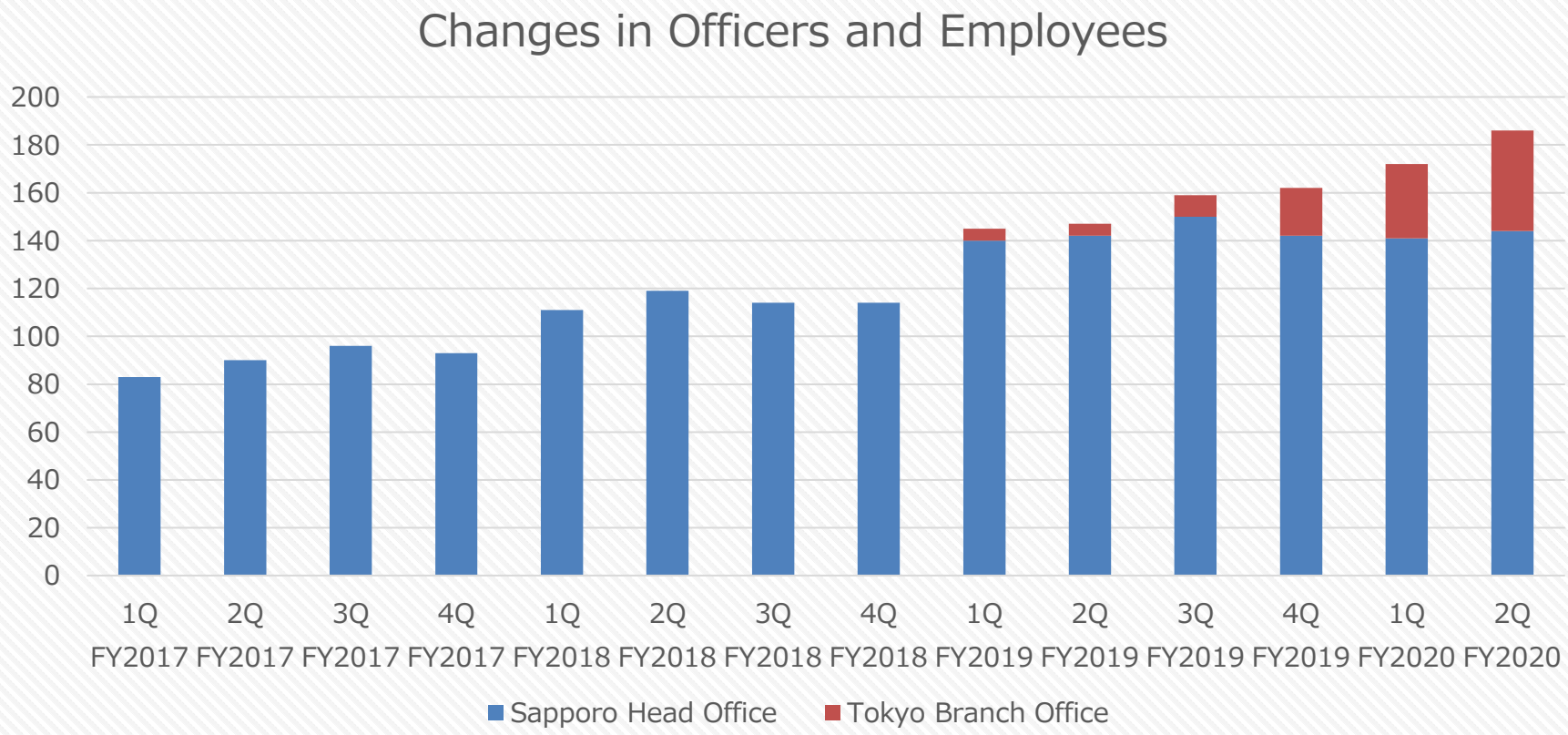
Personnel Changes



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

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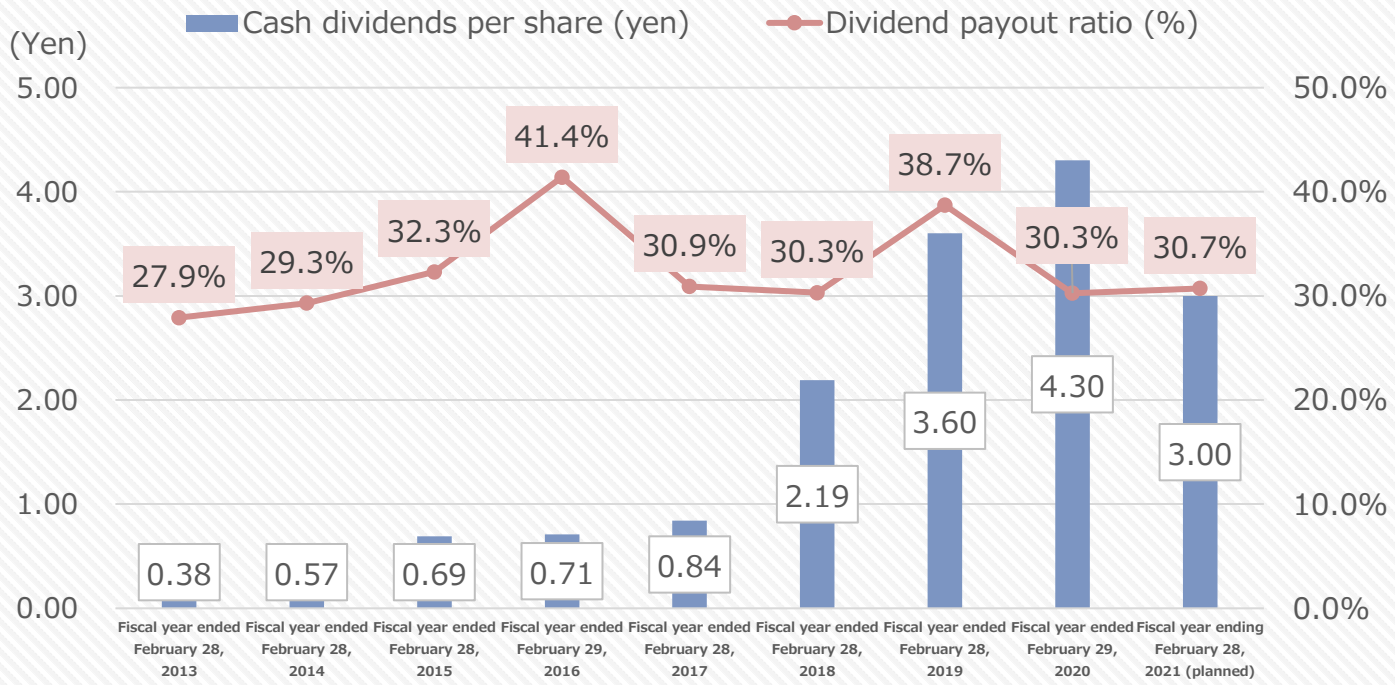
Actual and Projected Dividends

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 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

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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
Equity ratio (%)	86.5	67.4	67.3	69.4	73.7
Dividend payout ratio (%)	41.4	30.9	30.3	38.7	30.3
Cash dividends per share (yen)	0.71	0.84	2.19	3.60	4.30
Number of shareholders	8,128	8,926	31,667	47,978	54,307

(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

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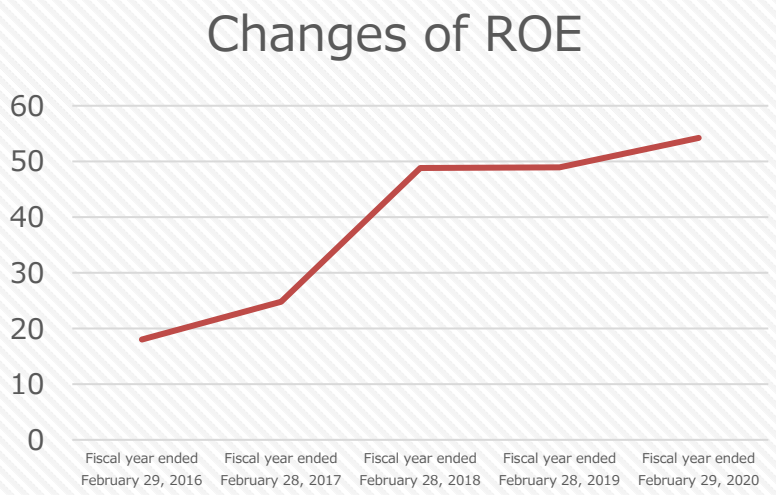
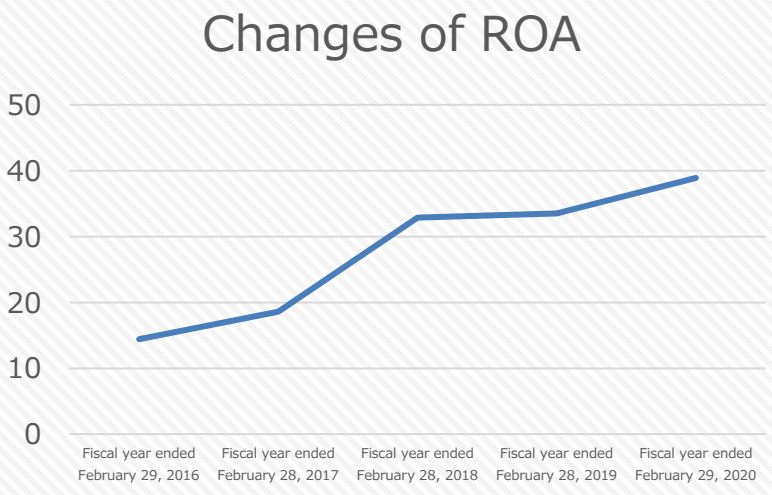
Changes of ROE and ROA

	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%





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Major Awards Received

August 2020:	Selected for the fourth time and for three consecutive years as one of 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

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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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