



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

Stock code: 2930
Kitanotatsujin Corporation
January 14, 2021

Executive Summary

- ☞ Forecast for the full year was **revised upward**.
Net sales were projected at ¥9,100 million (up 10.6% from the previous forecast).
Meanwhile, profits at each level are expected to remain unchanged.
- ☞ In the third quarter of fiscal year ending February 28, 2021, the number of new customer acquisitions exceeded expectations, resulting in net sales of ¥2,419 million (+21.7% compared with the forecast) and operating profit of ¥543 million (+20.6% compared with the forecast).
- ☞ Achieved certain results from improvement in advertising investment efficiency and LTV improvement.
- ☞ New customer acquisitions through affiliates, Amazon, etc. were strong.

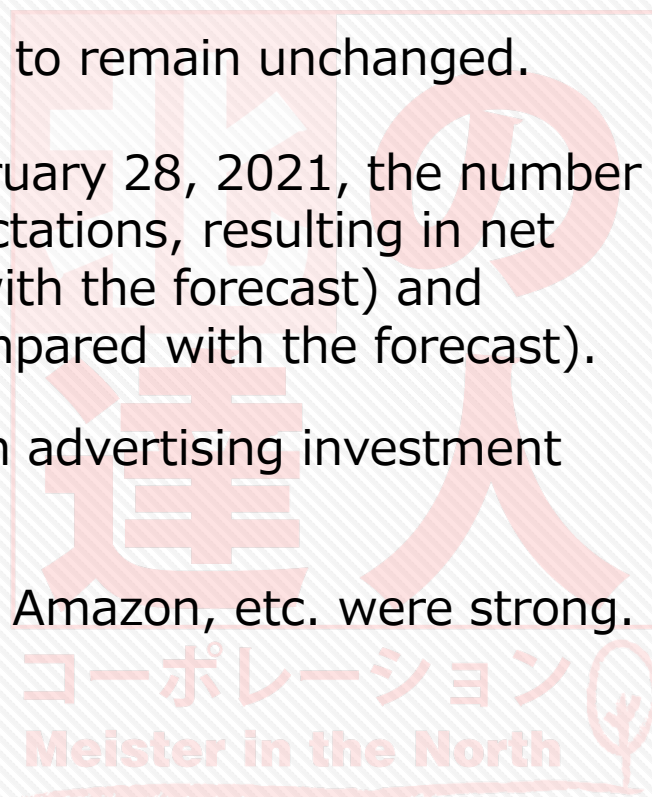
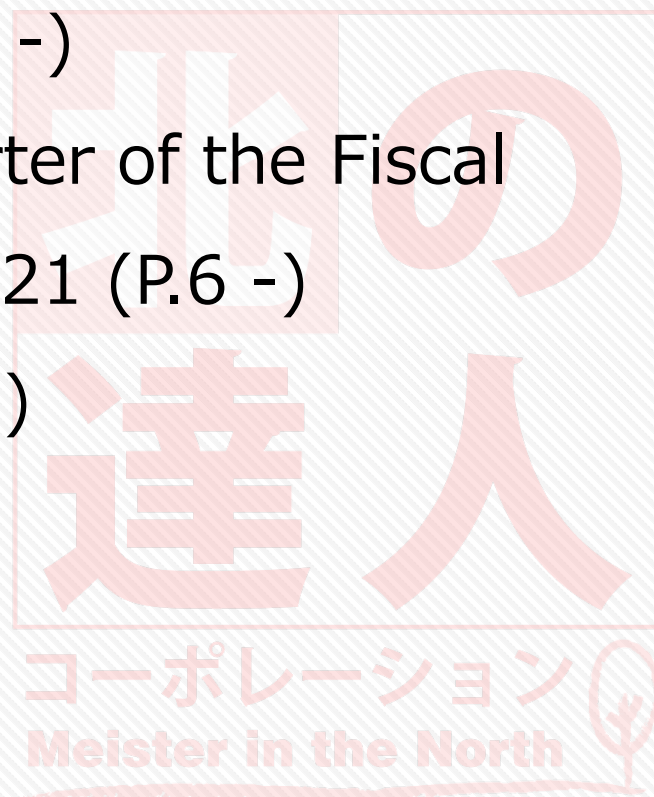


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Upward Revision in the Forecast for the Consolidated Fiscal Year



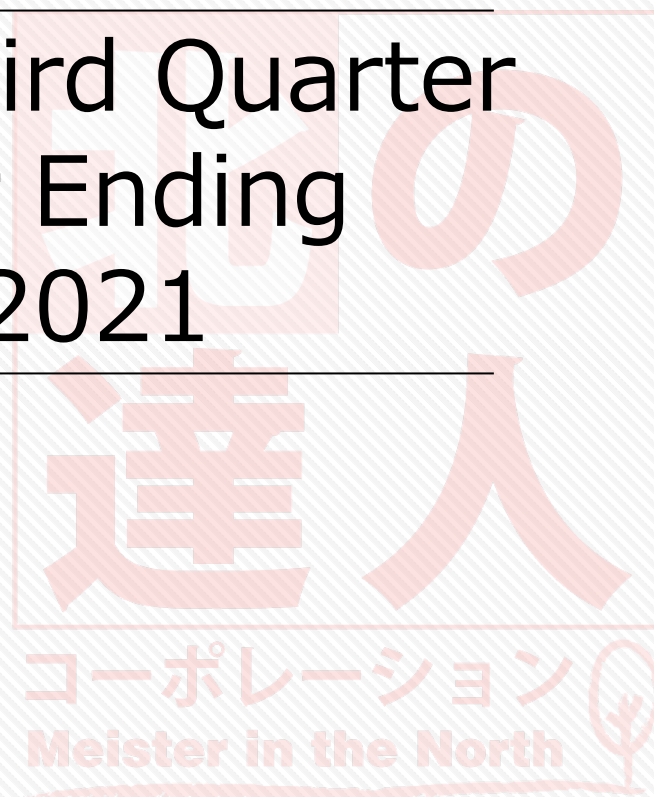
Upward revision in the forecast for the consolidated fiscal year

- Net sales forecast was **revised upward** to ¥9,100 million for the fiscal year ending February 28, 2021, reflecting higher-than-expected new customer acquisitions.
- The previous forecast remains unchanged for profits at each level due to the possibility of continuing strategic advertising expenses expansion.

(Millions of yen)

	Fiscal year ending February 28, 2021 (Previous forecast)	Fiscal year ending February 28, 2021 (Revised forecast)	Changes	Changes (%)
Net sales	8,227	9,100	+872	+10.6%
Operating profit	2,006	2,006	—	—
Ordinary profit	2,007	2,007	—	—
Profit	1,357	1,357	—	—

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



Key Performance Highlights [Quarterly Trends]

(Millions of yen)

	First quarter	Second quarter	Third quarter	Changes from the previous quarter
Net sales	2,268	2,323	2,419	+96
Gross profit	1,708	1,754	1,829	+75
Selling, general and administrative expenses	1,147	1,285	1,286	+1
Advertising expenses	623	732	668	-63
Operating profit	561	469	543	+74
Operating profit margin	24.7%	20.2%	22.4%	+2.2pt
Ordinary profit	560	473	548	+75
Profit	389	328	368	+40

- Net sales remained strong.
- Due to improved profitability, the number of new customer acquisitions was at the same level with lower advertising expenses than in 2Q.

Key Performance Highlights [Compared with Forecasts (Plan)]

(Millions of yen)

	Forecast (plan) for the third quarter	Results for the third quarter	Changes	Changes (%)
Net sales	1,987	2,419	+432	+21.7%
Gross profit	1,474	1,829	+354	+24.1%
Selling, general and administrative expenses	1,024	1,286	+262	+25.6%
Advertising expenses	505	668	+162	+32.2%
Operating profit	450	543	+92	+20.6%
Operating profit margin	22.7%	22.4%	Unachieved 0.3pt	
Ordinary profit	450	548	+97	+21.7%
Profit	304	368	+64	+21.0%

- Net sales and profits at each level were much higher than the forecast due to an unexpected increase in the number of new customer acquisitions and an increase in subscription sales.

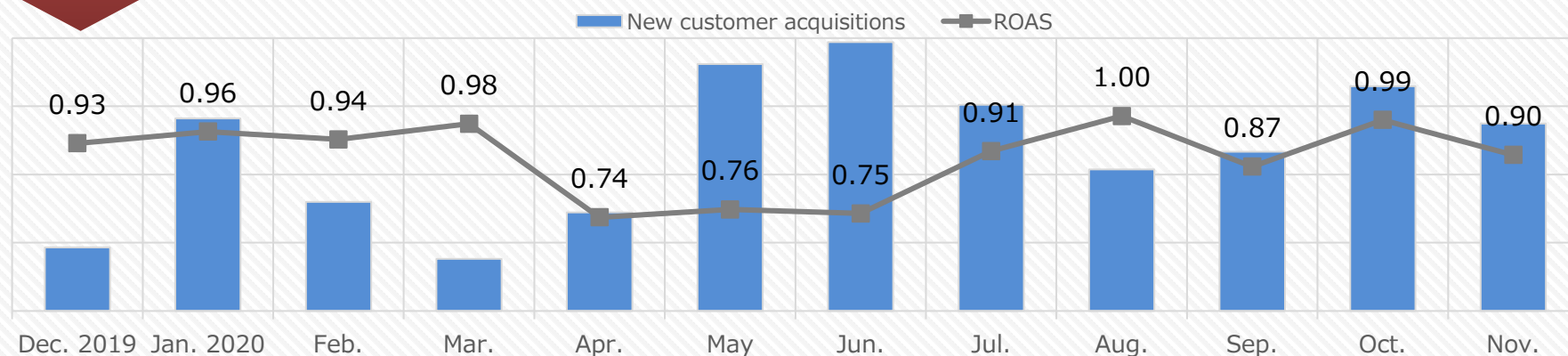
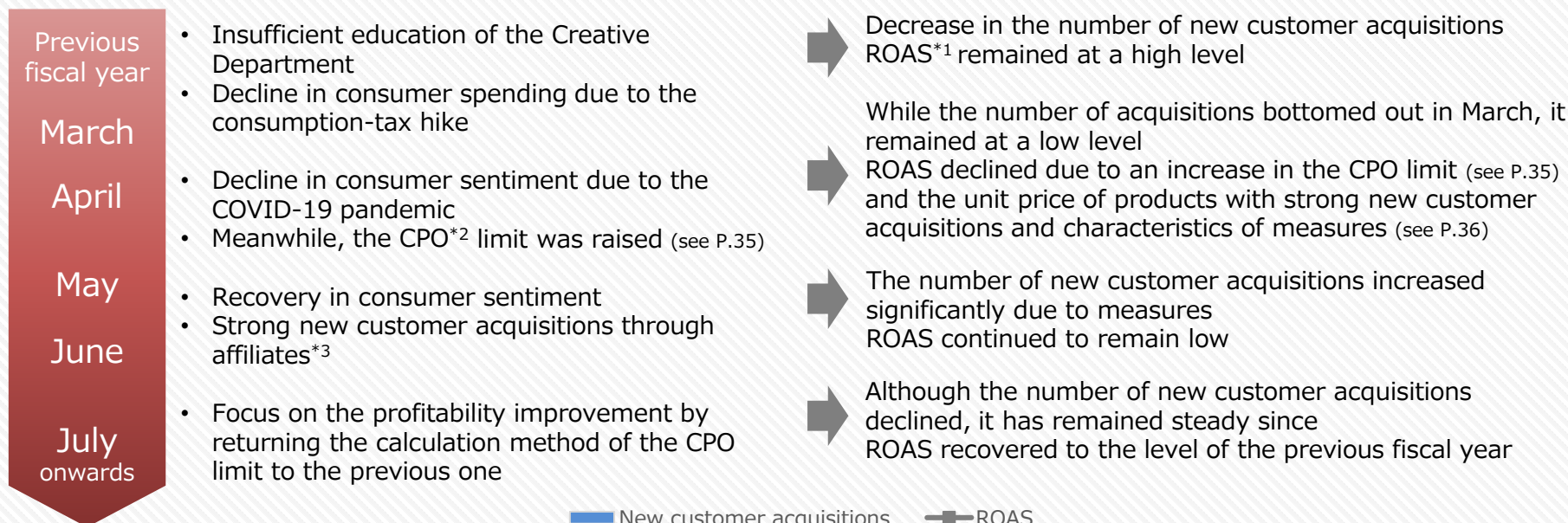
Key Performance Highlights [Compared with Forecasts (Plan)]

(Millions of yen)

	Forecast (plan) for the nine months ended November 30, 2020	Results for the nine months ended November 30, 2020	Changes	Changes (%)
Net sales	6,333	7,012	+678	+10.7%
Gross profit	4,739	5,292	+553	+11.7%
Selling, general and administrative expenses	3,059	3,719	+659	+21.6%
Advertising expenses	1,515	2,023	+508	+33.5%
Operating profit	1,680	1,573	-106	-6.3%
Operating profit margin	26.5%	22.4%	Unachieved 4.1pt	
Ordinary profit	1,680	1,582	-98	-5.9%
Profit	1,136	1,086	-50	-4.4%

- Net sales exceeded the plan due to an increase in the number of new customer acquisitions, while profits at each level fell short of the forecast due to deteriorating profitability of advertising investments in the first half.

The number of new customer acquisitions and advertising investment efficiency



*1 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.

*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.

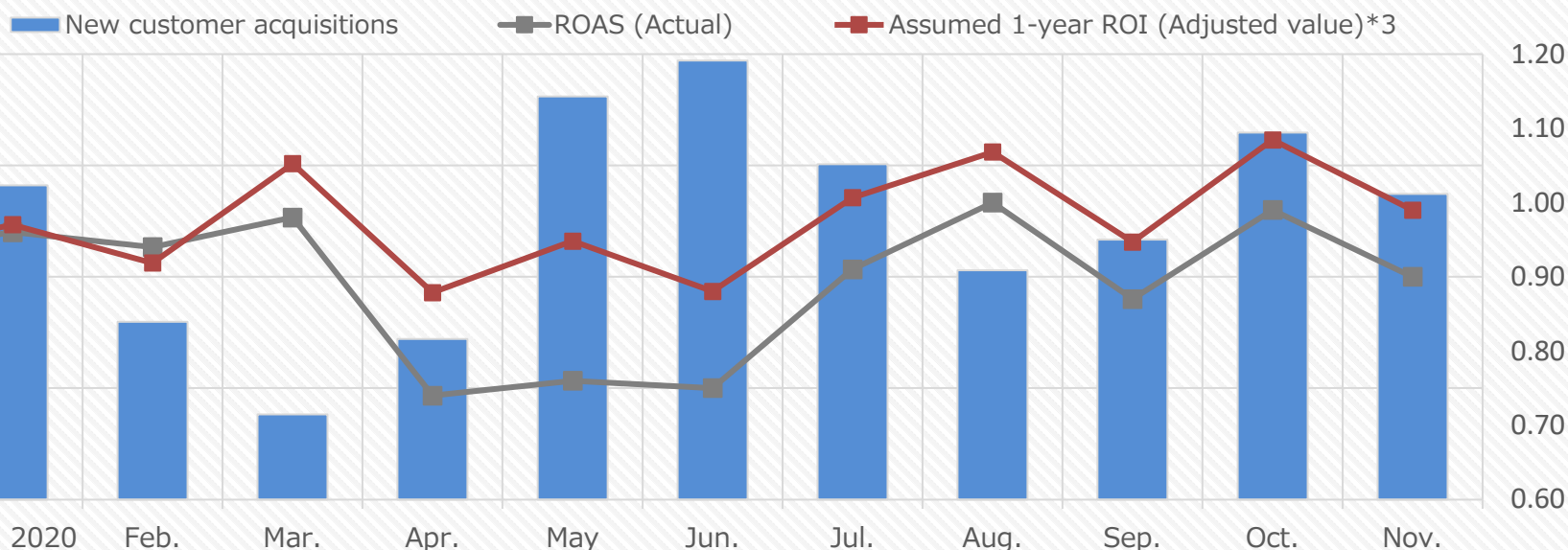
*3 An online advertising method, where an affiliate posts advertisements about an advertiser's products and services on its blogs, websites, or other media. The advertiser pays a fee (commission) to the affiliate, if a viewer purchases the product through the link.

Analysis through Advertising Investment Efficiency

ROAS: How much new products sales are acquired through the invested advertising expenses.

Assumed 1-year ROI^{*1}: How much profit is expected to be generated in one year's time for invested advertising expenses.

- The assumed 1-year ROI for advertising expenses is calculated using accurate LTV^{*2} calculation skills based on a vast amount of data to date.
- Emphasis on gaining an understanding of profit-based investment efficiency**, considering factors such as product profit margins and repeat rates.



Divergence due to the unit price of products with strong new customer acquisitions and characteristics of measures (see P.36) from April to June 2020

→ Assumed 1-year ROI decline is lower than the decline in ROAS and is **expected to contribute to future profits**

^{*1} ROI stands for Return On Investment, which is a benchmark for advertising investment efficiency that measures the amount of profit made on advertising placements. We use the assumed 1-year ROI as an indicator of how much net gross profit (a proprietary indicator calculated by subtracting order-linked costs such as product cost, shipping, and settlement fees from 1-year LTV) can be expected to be earned from advertising in one year.

^{*2} LTV stands for Life Time Value, which is the amount of lifetime net sales a customer will bring.

^{*3} The assumed 1-year ROI is a figure adjusted so that the ROAS (0.93) is the same as the assumed 1-year ROI (not disclosed) as of December 2019. The figures have been adjusted to facilitate comparison with ROAS and are not actual numbers.

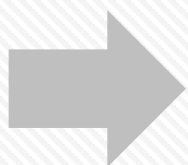
LTV improvement measures

The Company also actively took measures to improve LTV during the nine months ended November 30, 2020.

Improvement in LTV will lead to an increase in the number of new customer acquisitions.

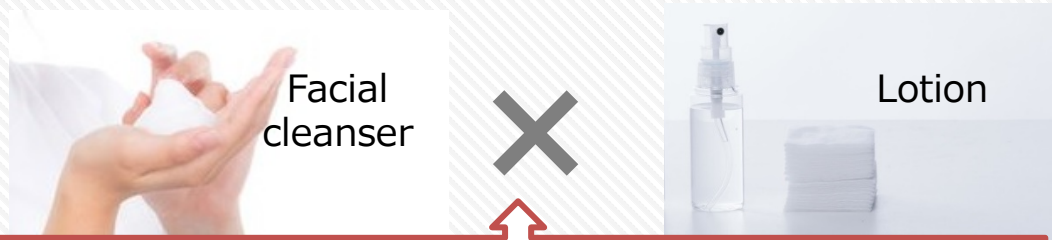
(See P.33 for details)

Specific measures (1) Cross-selling*¹ and up-selling*²



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.

LTV improvement measures

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.

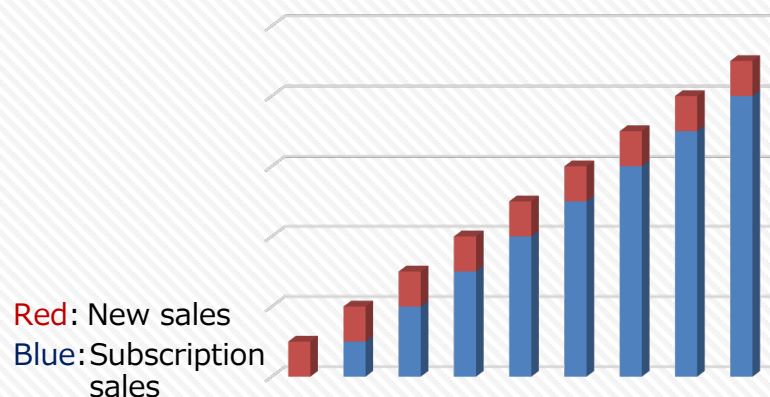
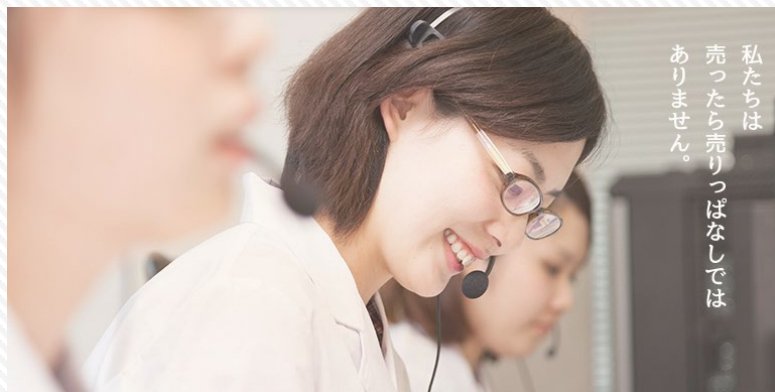
<Previously>

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

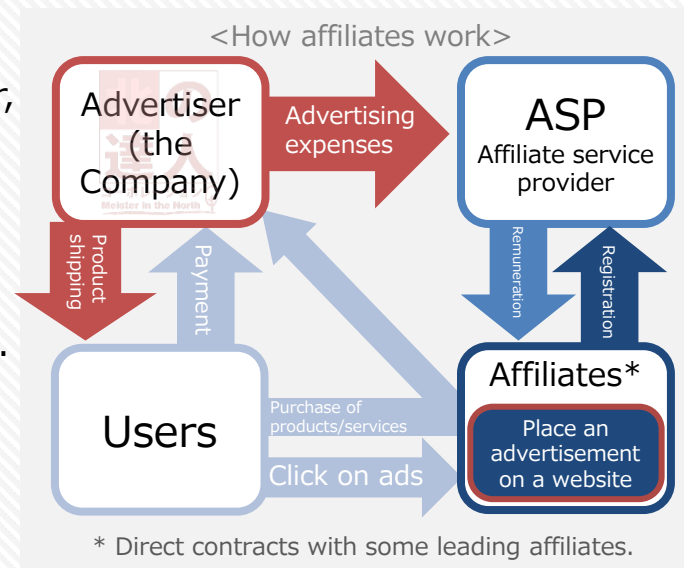
➔ Increase in the rate of customers who wish to continue subscription purchases from 8.0% before the establishment of the contact point to 16.3%.
Continue efforts to improve customer satisfaction and the rate of continued subscription purchases of customers who are regularly buying products



Other measures

1 Approach to affiliate businesses

- 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 2.1 times** compared to the figure before implementing the initiatives.



2 Strengthening sales through online shopping malls

- Strengthen sales through **Amazon, Rakuten Ichiba** and other online shopping malls. The number of new customer acquisitions on Amazon increased **approximately 3.7 times** compared to before improvements.
- Aim at **gaining customers belonging to a customer base different from before, who purchase products on the Internet.**

Other measures

3 Advertising distribution other than online advertising

- Advertisements and articles in magazines, including men's fashion magazines.
- Utilization of TV advertisement on terrestrial channels in some parts of Hokkaido and other regions.
- Strong new customer acquisitions from infomercial advertising on BS broadcasting, etc.
- Approach to customers who do not purchase products on the Internet.

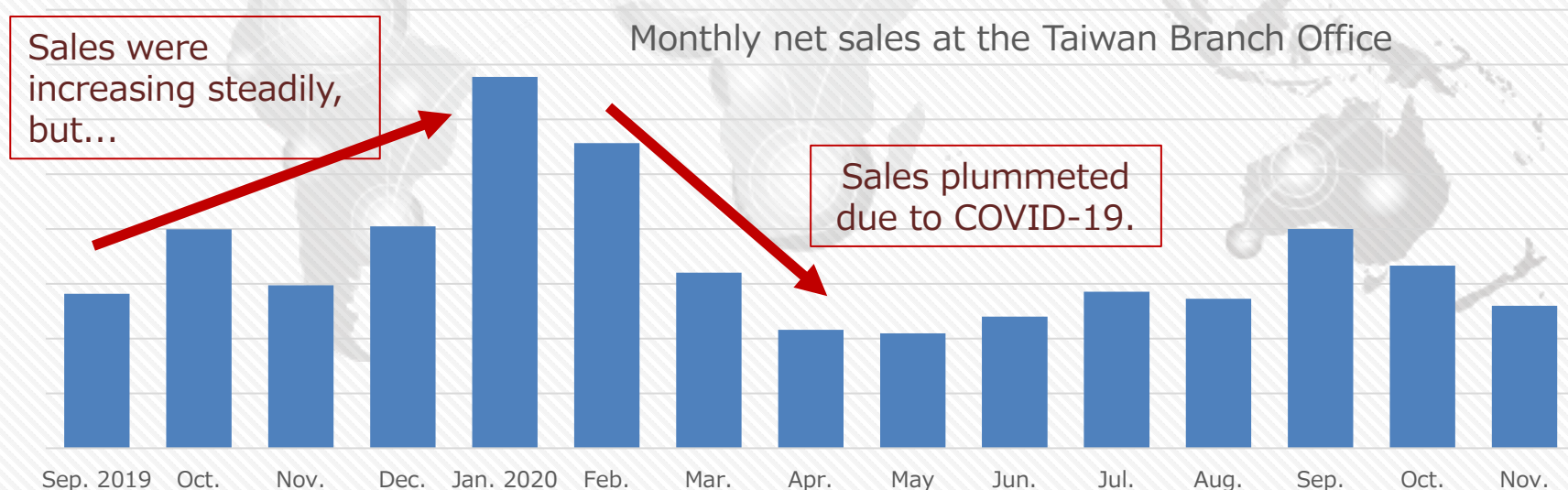


4 Holding meetings with customers to receive feedback

- 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.

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 nine months ended November 30, 2020, we have **begun developing a system to expand our Taiwan Branch Office**, such as **increasing the number of products handled, hiring and training full-time staff from Taiwan, and researching new advertising media**.
- We have also begun preparing for expanding into Asian countries other than Taiwan.



Launched new products in the third 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

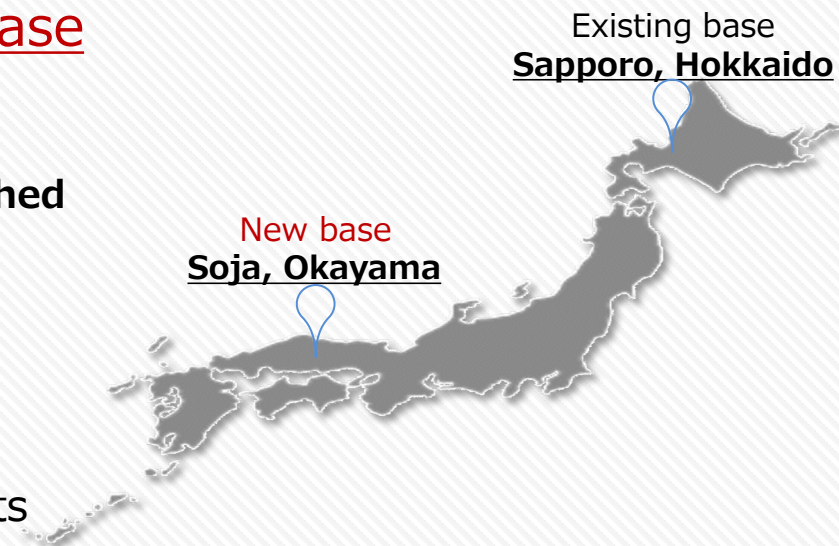
Launched in August 2020

Establishment of a new logistics base

In addition to the existing logistics base in Sapporo, Hokkaido, a new base was established in Soja, Okayama

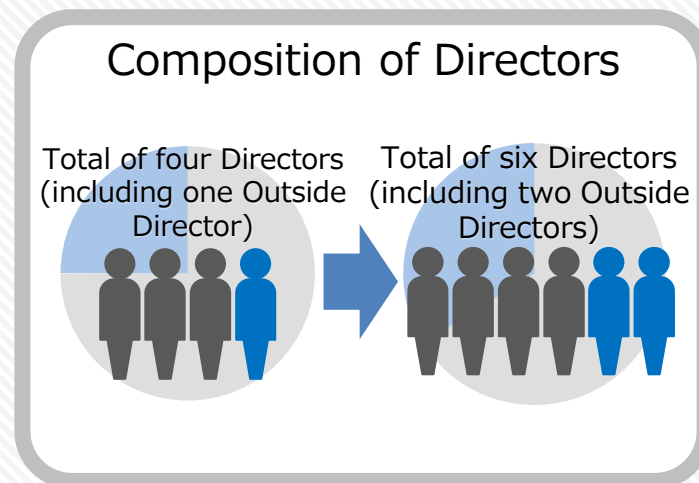
<Purpose>

- Avoiding geographic risks from concentrating on a single location
- Reduction of shipping and handling costs and other expenses



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.



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



(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."



(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.

Balance Sheets

(Millions of yen)

Subject/Section	Fiscal year ended February 29, 2020	Third quarter ended November 30, 2020	Changes	Changes (%)
(Cash and deposits)	4,088	3,767	-320	-7.8%
Current assets	5,521	5,295	-225	-4.1%
Non-current assets	380	335	-45	-12.0%
Total assets	5,902	5,630	-271	-4.6%
Current liabilities	1,554	752	-802	-51.6%
Non-current liabilities	—	—	—	—
Total liabilities	1,554	752	-802	-51.6%
Total net assets	4,347	4,878	530	+12.2%
Total liabilities and net assets	5,902	5,630	-271	-4.6%

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.

Statements of Cash Flows

(Millions of yen)

Subject/Section	Nine months ended November 30, 2019 March 1, 2019 to November 30, 2019	Nine months ended November 30, 2020 March 1, 2020 to November 30, 2020	Changes
Cash flows from operating activities	1,241	251	-989
Cash flows from investing activities	-94	-26	+67
Cash flows from financing activities	-637	-548	+88
Effect of exchange rate change on cash and cash equivalents	1	2	+1
Net increase (decrease) in cash and cash equivalents	511	-320	-832
Cash and cash equivalents at beginning of period	2,687	4,088	+1,400
Cash and cash equivalents at end of period	3,199	3,767	+568

The main factors for the changes during the period were an increase in profit before income taxes of ¥1,578 million, a decrease in payment of income taxes of ¥1,114 million, and a decrease in payment of dividends of ¥548 million.

Future Developments



Future Developments

■ Changes in internal organization (initiatives during the third quarter of the fiscal year ending February 28, 2021)

- Web Marketing Department → Directly managed by the Representative Director & President who has extensive experience and knowledge in web marketing
- Product Department → Specializes in departments under the control of the Director & Vice President



■ Continuation of strengthening of each department and measures

- Improve internal training system and hire experienced personnel
- Strengthening creative capabilities
- Various measures to improve LTV
- Further expansion of sales channels in online shopping malls and use of affiliates
- Expansion of product genres being developed
- Brushing up market research methods as a basis for product development decisions

- ➡
- **Increase in the number of new customer acquisitions and expansion of sales and profits**
 - **Improvement in the speed of product development in an aim to launch multiple mass-market products during the next fiscal year**

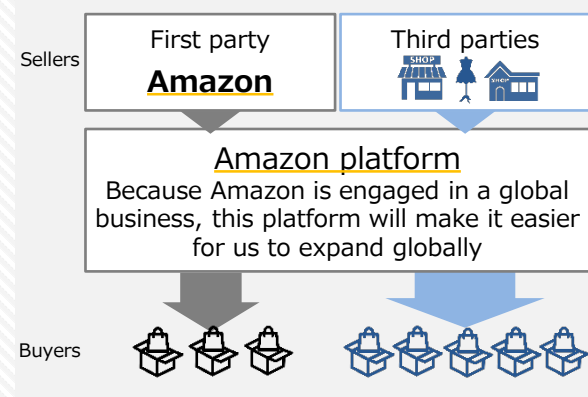
Future Developments

■ Initiatives with Amazon

Domestic acquisitions were strong during the nine months ended November 30, 2020

<Analysis>

- The amount of Amazon distribution transactions will grow more for third parties (Marketplace), sellers outside of Amazon, than for first party, which is Amazon.
- It has changed from a place where people search for and purchase major well-known brand products, to **a place where people search by product category and compare products from well-known and unknown brands.**
- It will be a place where sales can be greatly increased not by brand power but by product power



→ **There is a lot of room for growth in our company**

<Currently>
Listing existing
products



<In the future>
Analyze buyer characteristics and
trends, and focus on **developing**
Amazon exclusive products



We will work to capture the global common platform of Amazon in order to gain a foothold for future overseas expansion

Future Developments

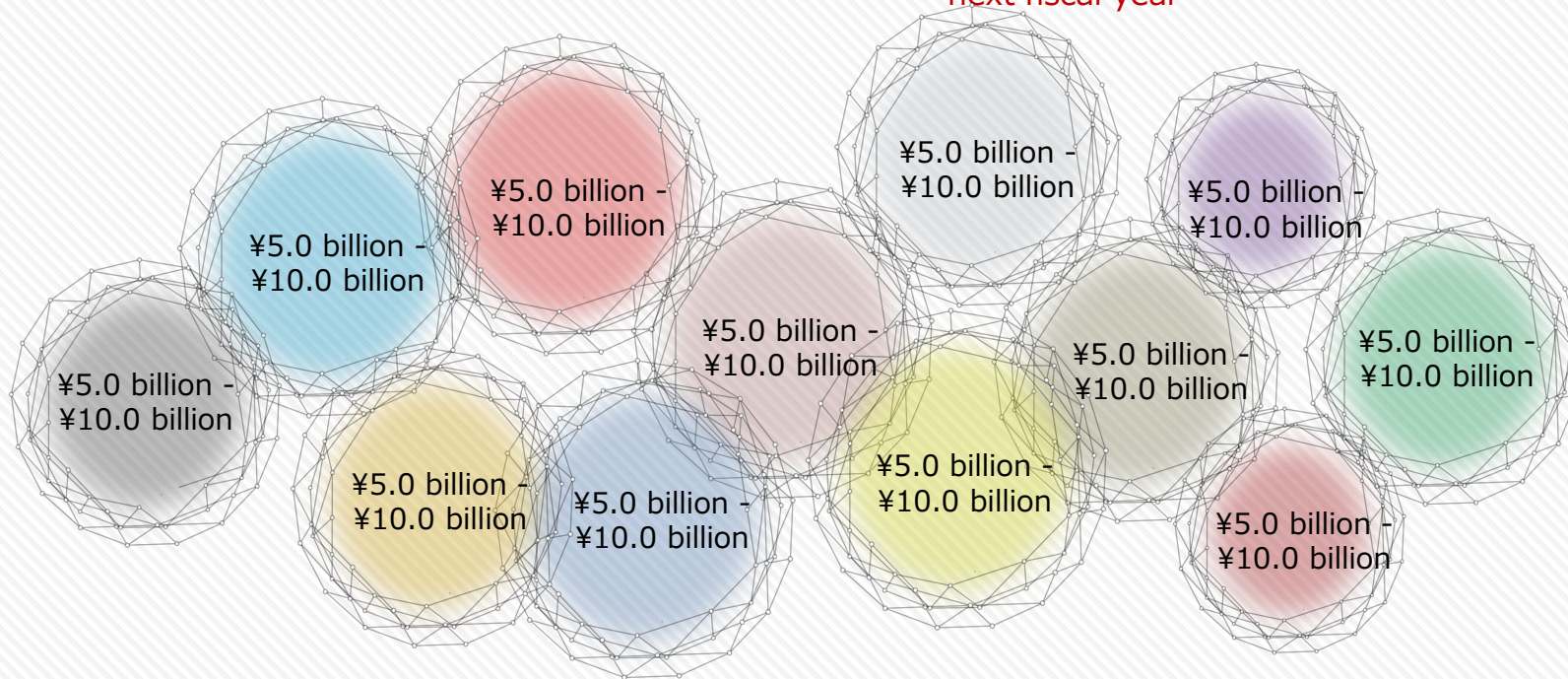
<Current>

- 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
- Aim to launch multiple products during the next fiscal year



While focusing on sales promotion activities in Japan, we consider overseas expansion other than Taiwan and utilize platforms such as Google, Facebook, Twitter, Amazon, etc.

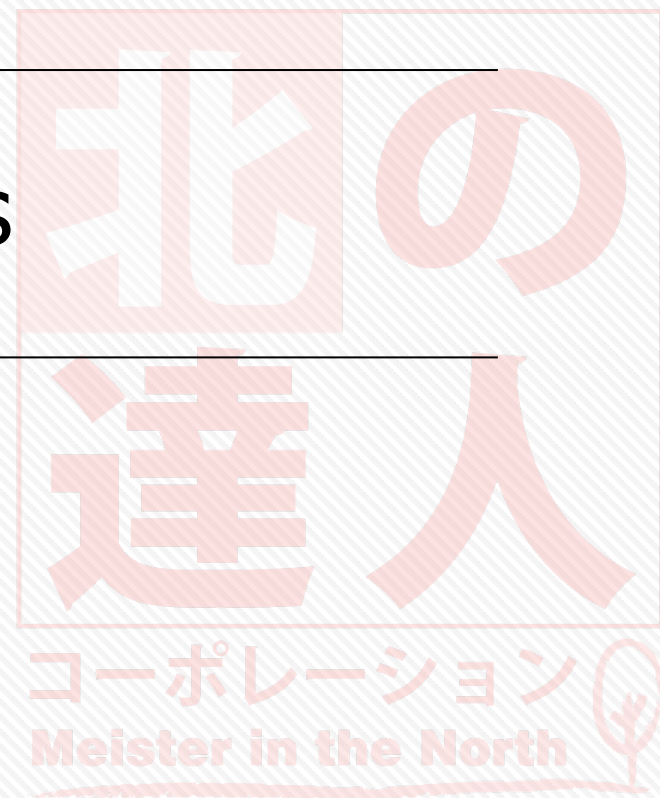
Future Developments

- Diversification of revenue base and acceleration of growth through **aggressive M&As**
Work on cases where scale benefit can be established, and synergies are expected



➔ **Early achievement of ¥100.0 billion in net sales and ¥30.0 billion in operating profits**

References



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



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)

Product Strategy

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.

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
- (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 a system where only highly profitable advertising will remain

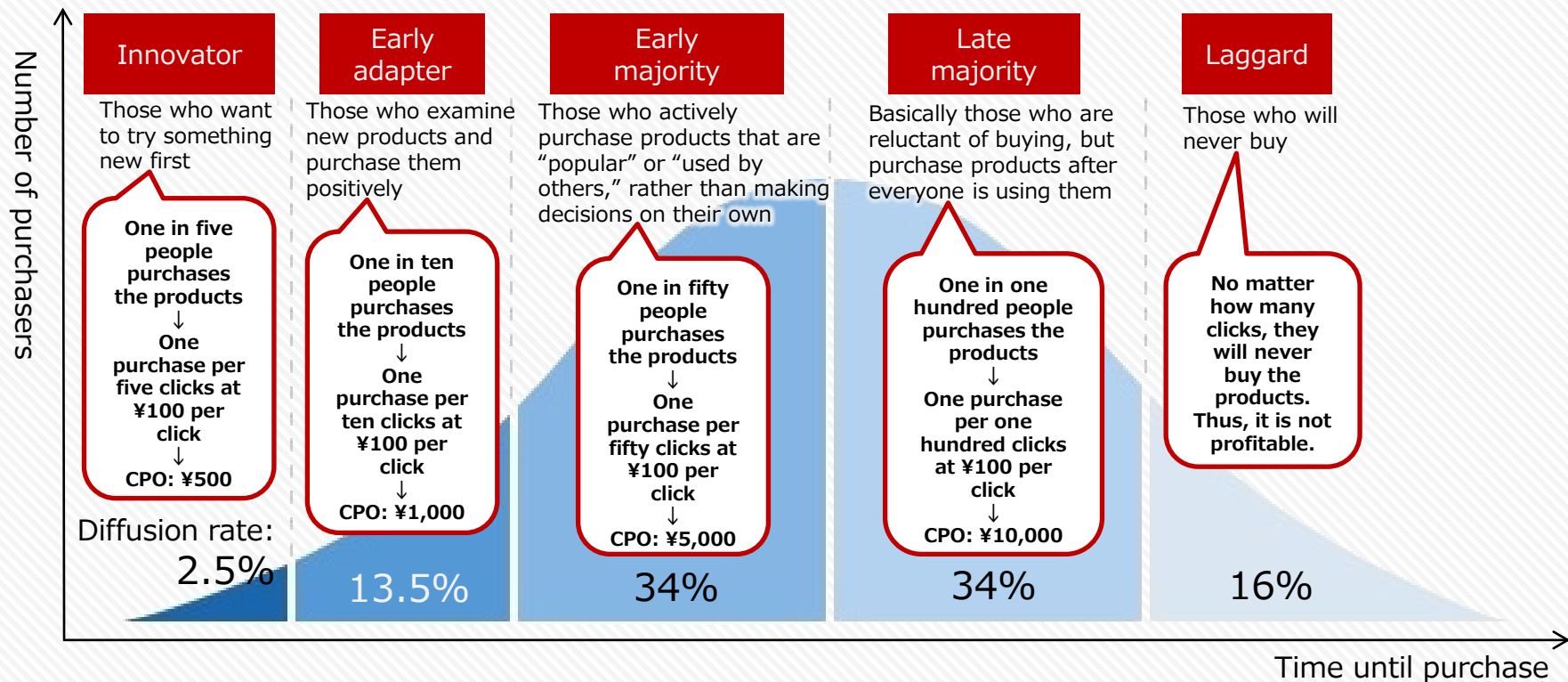


Correlation between CPO and the number of new customer acquisitions

■ 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

Five level profit management

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

		Total of all products	Product (1) ×	Product (2) △	Product (3) ◎
Gross profit by product	Net sales	10,000	6,000	3,000	1,000
	Profit (1) Gross profit or loss	4,400	2,500	1,200	700
Mandatory cost per order	Order-linked costs (enclosures, accessories, settlement charges, shipping fees, packaging materials, etc.)	600	300	200	100
Gross profit – order-linked costs = net gross profit (coined term)	Profit (2) Net gross profit	3,800	2,200	1,000	600
	Sales promotion expenses (primarily advertising expenses)	1,800	1,500	200	100
Net gross profit – sales promotion expenses = sales profit (coined term)	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
Personnel expenses for each product	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%.

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

<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

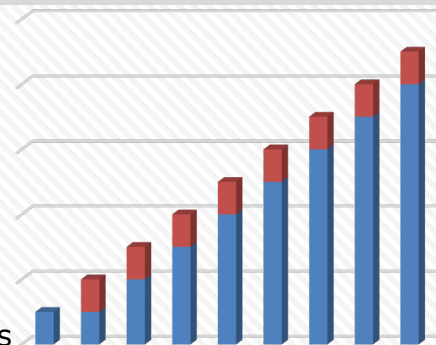
Together
with

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

Red: New sales

Blue: Subscription sales

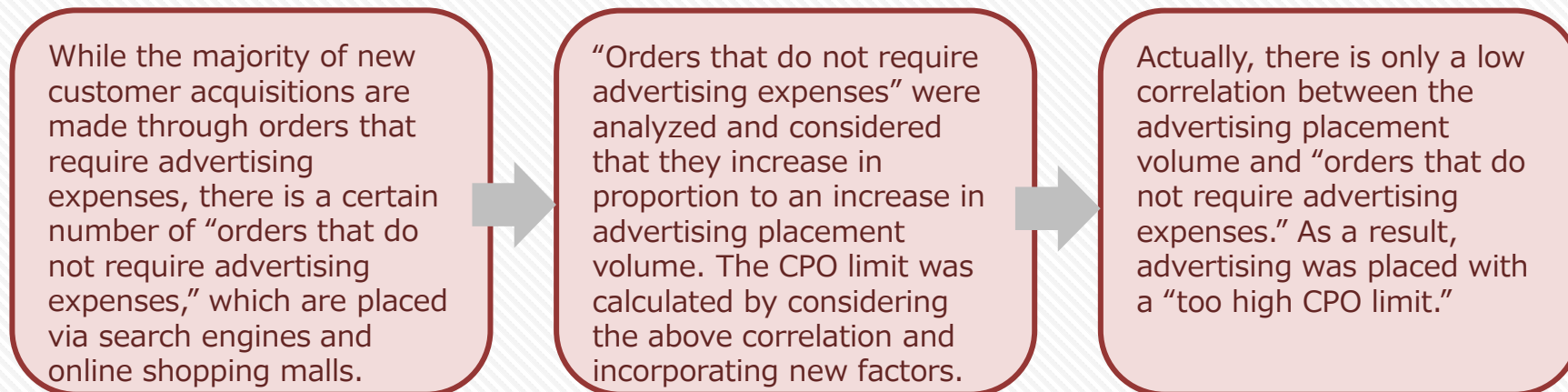


→ Realize a profit structure that enables stable growth

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

Raising the CPO limit

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



A factor for the deterioration of ROAS in April to June 2020

Return the calculation method of the CPO limit to the previous one from July 2020 onward

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.



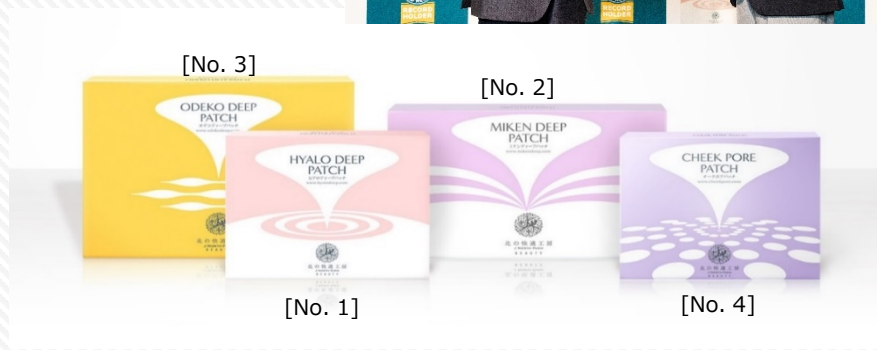
If new customer acquisitions are strong for Product A, the unit price for new sales will decline and ROAS will drop temporarily. However, **since its LTV is high, the contribution to profits can be expected over the long term.**

→ New customer acquisitions were strong for these products in April to June 2020.

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

Major Products

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

- 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.

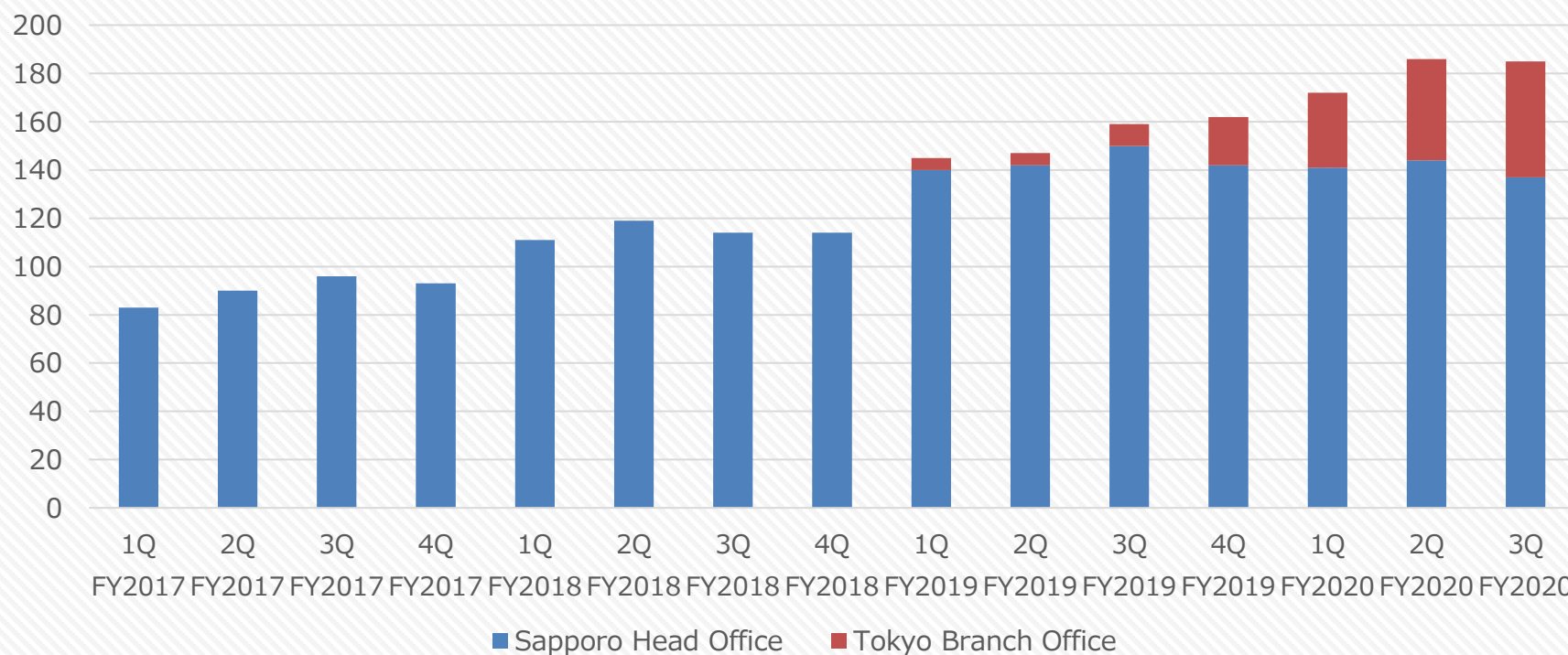


*2 As of September 7, 2018 (research by the Company)



Personnel Changes

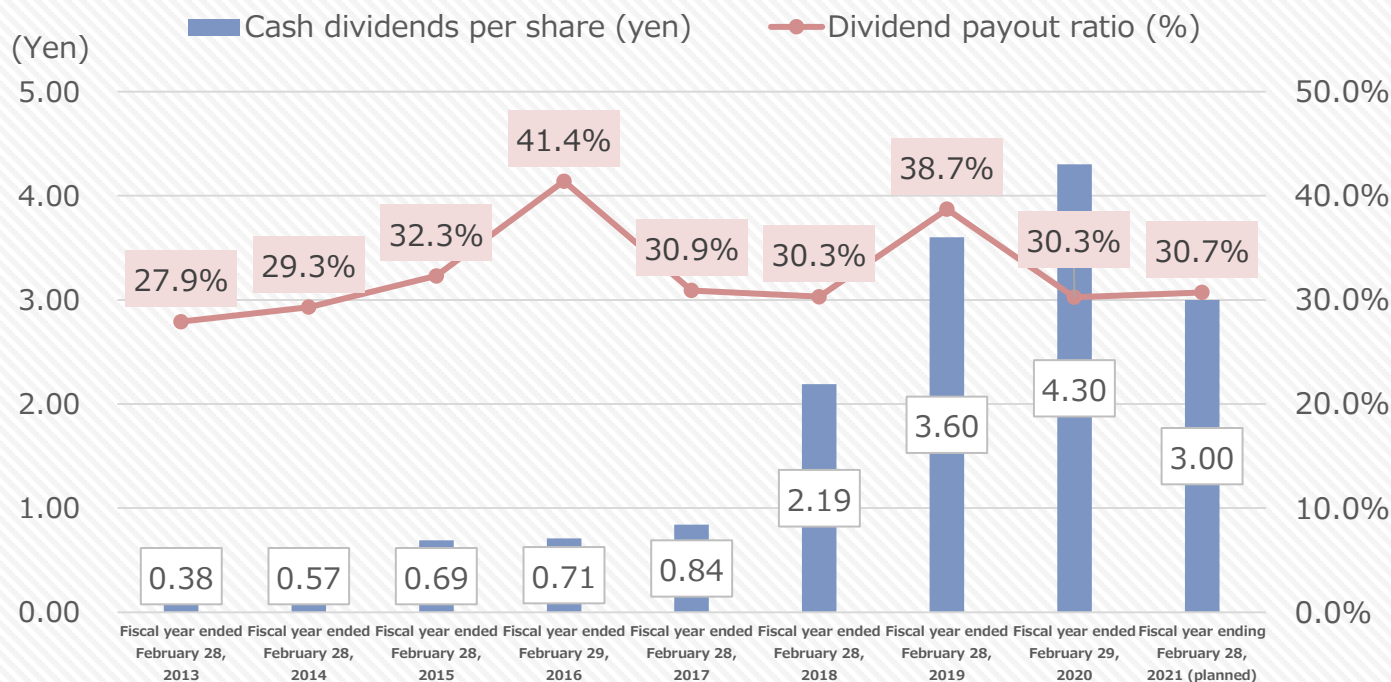
Changes in Officers and Employees



* 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 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

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

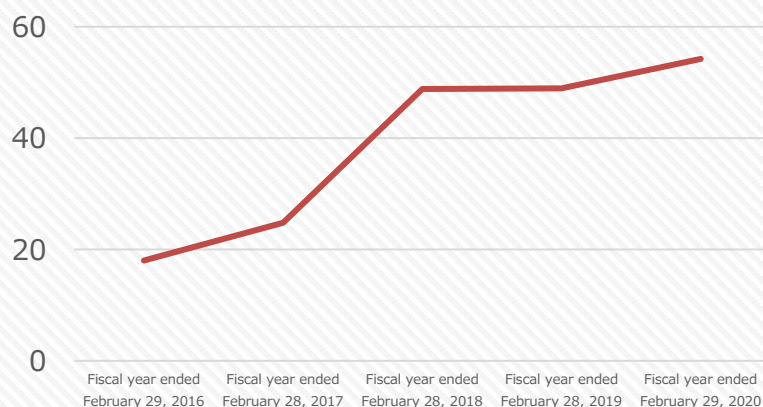
A 2-for-1 stock split for common shares as of November 6, 2017

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

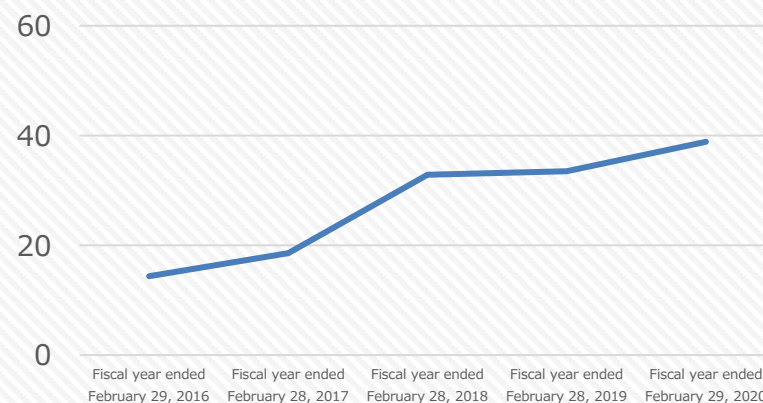
Changes of ROE and ROA

	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



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



External evaluations and media publications

November 9,
2020

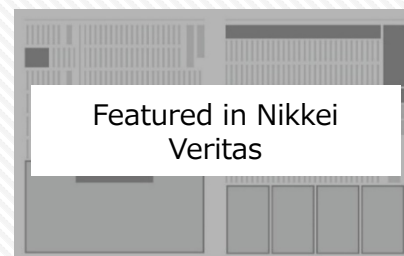
Selected as a constituent stock of the “JPX-Nikkei Mid and Small Cap Index” jointly calculated by the Tokyo Stock Exchange and Nikkei Inc. for three consecutive years.



Selected as a constituent stock of JPX-Nikkei Mid and Small Cap Index

October 25, 2020

“NIKKEI VERITAS,” a weekly investment and financial information newspaper published by Nikkei Inc. ranked our Representative Director & President, Katsutoshi Kinoshita, first in the “ranking of stock price appreciation during the president's tenure,” in recognition of his management ability.



Featured in Nikkei Veritas

September 10,
2020

“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.



*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)

External evaluations and media publications

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."

Featured in DIAMOND
ZAi

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."



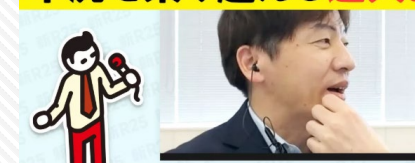
Seminar on
Five Strategies
to Surpass
Competitors



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."

不況を乗り越える達人。



コロナ不況が喝される今、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」

March 24, 2020

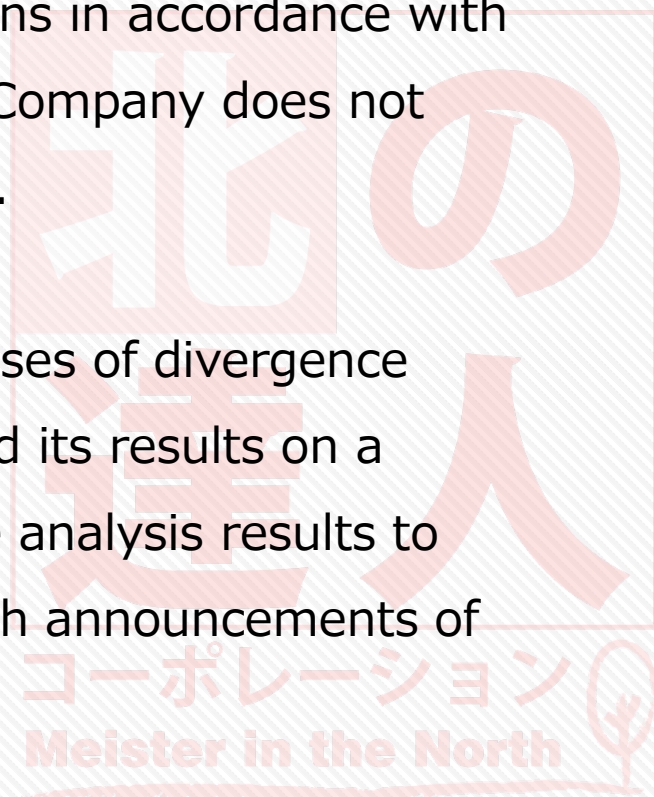
Ranked fourth in the "Medium-sized Listed Companies (NEXT 1000) with High Five-year Average Operating Profit Per Employee" in The Nikkei nationwide edition.

Published on
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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