



Kitanotatsujin Corporation

Financial Results Briefing for the Fiscal Year Ended February 2022

April 19, 2022

Event Summary

[Company Name]	Kitanotatsujin Corporation	
[Company ID]	2930-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended February 2022	
[Fiscal Period]	FY2021 Annual	
[Date]	April 19, 2022	
[Number of Pages]	31	
[Time]	15:30 – 16:30 (Total: 60 minutes, Presentation: 40 minutes, Q&A: 20 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	2	
	Katsuhisa Kinoshita	Representative Director & President
	Takahito Kudo	Director, General Manager of Administration Department
[Analyst Names]*	Mikihiko Yamato	Okasan Securities Co., Ltd.

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Presentation

Moderator: Now that the time has arrived, we will begin the presentation of the financial results of Kitanotatsujin Corporation for FY2022.

First, before we begin, we would like to inform you of the following. Web participants can ask questions by clicking on the Q&A button at the bottom of the screen. The question-and-answer session will be held after the presentation. We will answer questions from the web audience as well as from the actual participants. Please note that we will not disclose the name of the person who asks questions via the web.

Due to time constraints, we may not be able to answer all of your questions. However, we will also be accepting questions in a questionnaire after the event, and all questions will be uploaded to the official company website at a later date.

This briefing is scheduled to end at 4:30 PM. Please refrain from exchanging business cards in order to prevent the spread of COVID-19.

I would now like to introduce the two attendees for today's meeting. Katsuhisa Kinoshita, Representative Director & President, and Takahito Kudo, Director and General Manager of the Administration Department.

Now, President Kinoshita, please go ahead.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Executive Summary

- ☞ Net sales and operating profit were higher than the revised forecast announced on January 14, 2022.
- ☞ While the number of new customer acquisitions on our website decreased due to lower advertising placement volume, new acquisitions at e-commerce malls were favorable. We will further strengthen this area.
- ☞ Changed our policies for developing and releasing new products.
- ☞ Return to niche market dominating strategies from mass-market strategies.

Kitanotatsujin Corporation All rights reserved.

2

Kinoshita: Once again, my name is Kinoshita, President of Kitanotatsujin Corporation. Thank you very much for taking time out of your busy schedules to join us today. Thank you very much for your cooperation.

Now, let me begin my talk. The first will be an executive summary.

First, sales and operating income exceeded the revised forecast announced on January 14, 2022, and the number of new acquisitions via our in-house website declined due to a decrease in advertising, but new acquisitions through e-commerce malls are strong. The four main strategies are to further strengthen e-commerce, release new products, change development policies, and return to a strategy of shifting from the mass market to niche markets.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

Key Performance Highlights [Compared with Forecasts (Plan)]

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

(Millions of yen)



- The full-year forecast was revised at the announcement of third quarter results. Net sales and operating profit were higher than the revised forecast.
- Due to the recording of extraordinary losses, profit attributable to owners of parent fell short of the revised plan.

Kitanotatsujin Corporation All rights reserved.

5

Now to the highlights for FY2022. First are the key performance highlights, compared to the forecast.

First of all, sales are down 10.8% from the initial forecast. The initial forecast of JPY10.657 billion was down 10% to JPY9.51 billion.

Then move to the right side. Operating income was JPY2.082 billion, up 11.3% from the original forecast of JPY1.871 billion.

The biggest reason for the decline in sales and the increase in profit is on the left side, advertising expenses. The planned investment in advertising of JPY3.061 billion turned out to be JPY2.233 billion, which is a 27% reduction. As we were unable to make the expected investment, sales fell though immediate profit remained. I think the most correct way to look at it is that things did not go as expected.

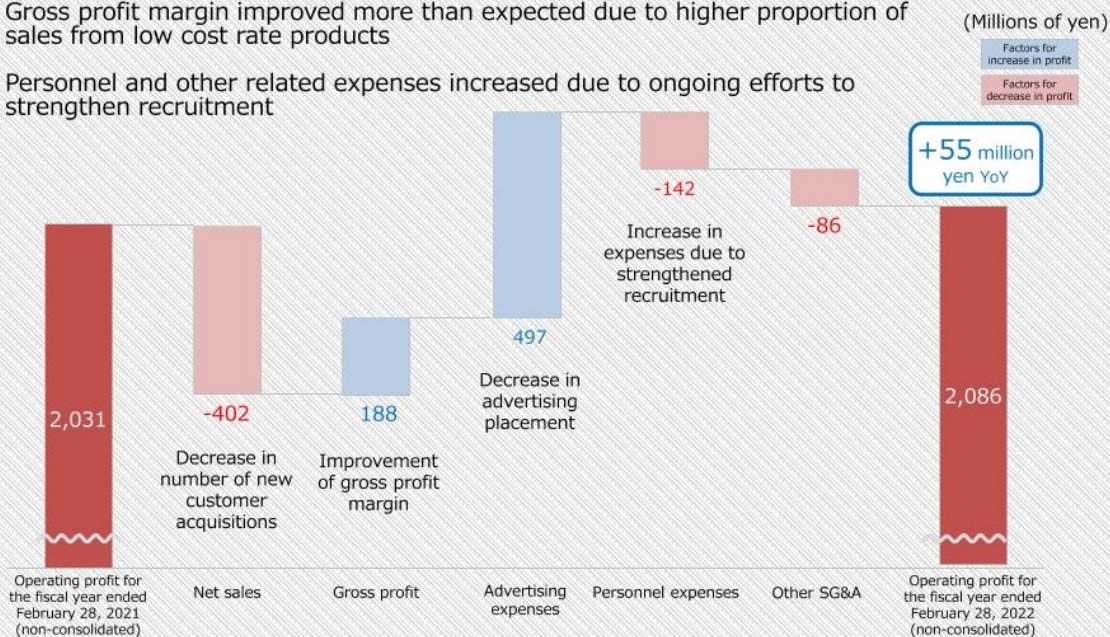
Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

Analysis of factors for increase/decrease in operating profit (Year on Year on a non-consolidated basis)

- As advertising placement volume decreased, advertising expenses also decreased
- Gross profit margin improved more than expected due to higher proportion of sales from low cost rate products
- Personnel and other related expenses increased due to ongoing efforts to strengthen recruitment



Kitanotatsujin Corporation All rights reserved.

6

This is an analysis of factors contributing to the increase or decrease in operating income.

The leftmost figure is operating income of JPY2.031 billion for FY2021, while the operating income of the previous term is on the right side and is JPY2.086 billion.

The largest portion is the reduction in advertising, which is shown in the light blue area in the middle. Sales decreased accordingly, as the red area on the right shows.

The other factors, such as improvement in operating margin and costs to strengthen recruitment, contributed to a positive balance of JPY55 million.

This is followed by an analysis of operating results.

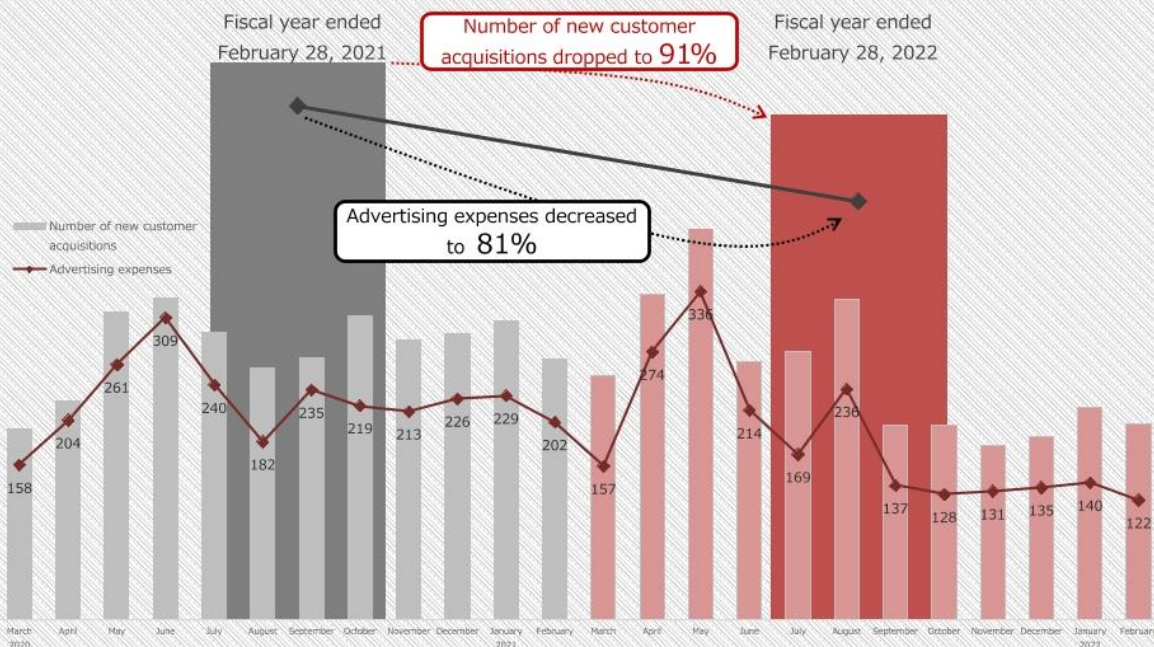
First of all, our business model is a subscription business model, in which we acquire new customers, who then become regular customers, and we continue to increase sales. If the number of new acquisitions is greater than the number of terminations, sales will increase, and if the number of terminations is greater, sales will decrease.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

Number of new customer acquisitions and advertising expenses



Kitanotatsujin Corporation All rights reserved.

8

As you can see in the graph here, the number of new acquisitions decreased to 91% compared to the previous quarter, which is a slight decrease in the number of new acquisitions. We have just reduced our advertising spend on new acquisitions to 81%.

Because we are a mail-order company, our advertising expenses are different from those of a typical manufacturer and are not a percentage of sales but rather more like a distribution expense. The number of acquisitions has also decreased by 10% due to a 20% decrease in advertising expenses and investments, although this is mostly linked to sales.

In the case of a 20% decrease in advertising expenses and only a 10% decrease in the number of acquisitions, efficiency has improved a little, but the overall number of acquisitions is still decreasing.

Support

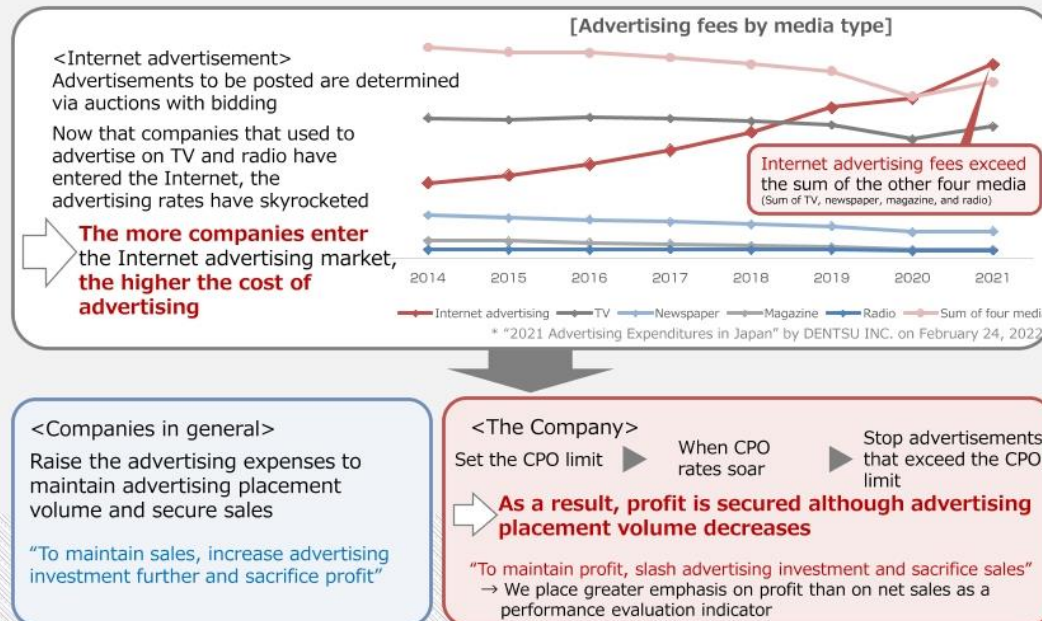
Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

Factors for decrease in the number of new customer acquisitions

◆ External factor 1: Soaring Internet advertising rates



* 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.

Kitanotatsujin Corporation All rights reserved.

9

There are a variety of factors that have contributed to the decrease in the number of new acquisitions, but the main trend is the soaring price of online advertising as an external factor.

Though I don't think it is a good idea to use external factors to explain why performance is not ideal, I think it is necessary to be aware of the current situation.

The growth of online advertising alone exceeded the total of the four mass media last year. What this means is that companies are shifting their advertisements from TV, radio, magazines, and newspapers to the Internet. So, advertising money is flowing in that way.

As a result, online advertising, as well as other types of advertising, is basically sold on a bidding or auction basis for a limited amount of advertising space, and as the number of people using online advertising increases, the market price of advertising skyrockets.

The question is to what extent this will continue to soar, but there are many people who have moved to online advertising because of the low advertising costs via the Internet. The trend might stop at some point, but as it stands now, the cost is soaring. As a result, we have been involved in online advertising since there were still few companies participating in the industry, but advertising costs have been rising rapidly compared to that time.

Therefore, regarding competition in advertising bidding, we are not only competing with other mail-order companies or cosmetics companies, but also with major firms such as Toyota. Today, Rakuten Mobile, for example, is doing a lot of advertising. This is where the market for online advertising itself is currently going up.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

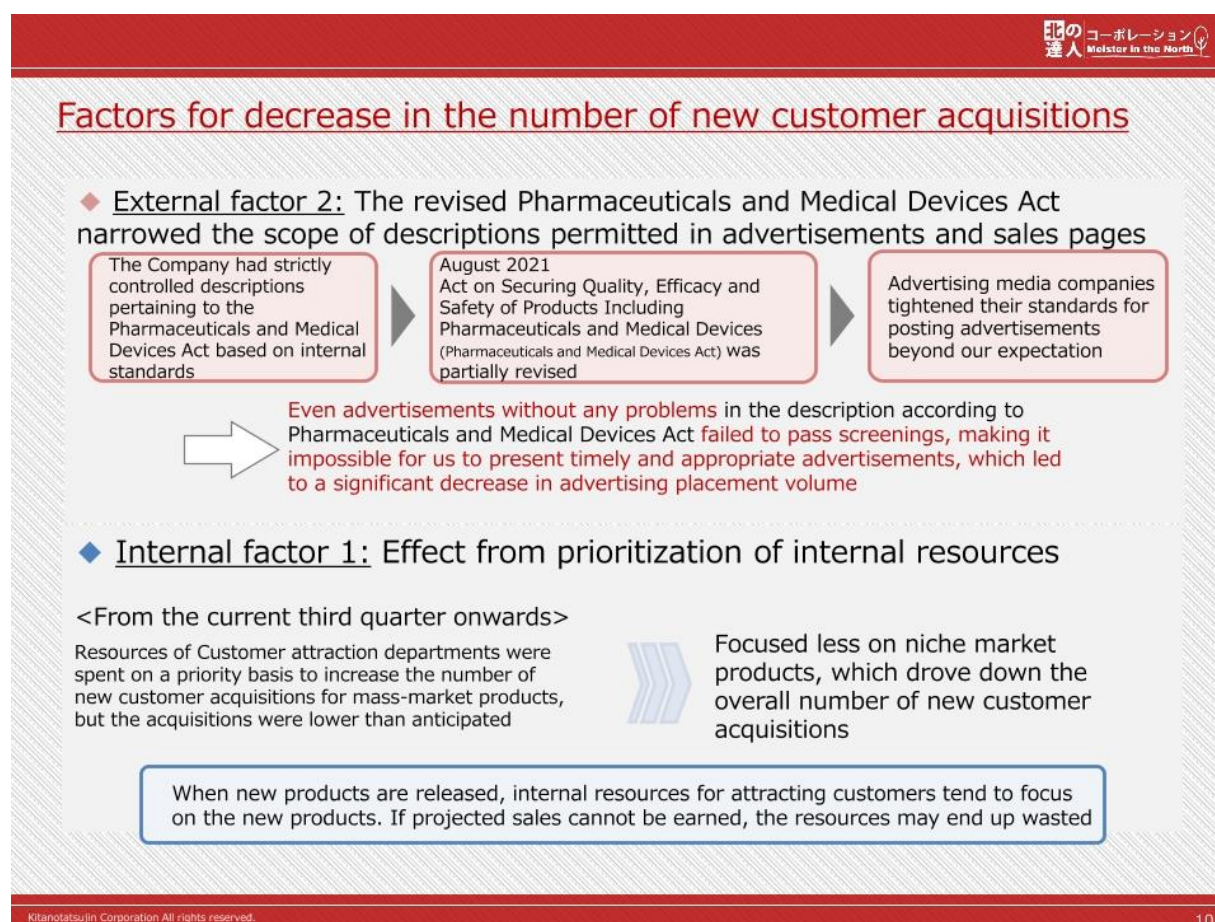
SCRIPTS
Asia's Meetings, Globally

There are two ways to respond as you can see at the bottom, and the response on the left is very typical for a company. When advertising market prices rise, many companies protect their sales by raising advertising costs to maintain the volume of ad placements. First of all, in my opinion, many companies are making the decision to further increase advertising expenses in order to maintain sales somehow. This has put pressure on profits.

Since we are in the mail-order business, we have set a maximum CPO, or cost per acquisition, and we stop advertising when it exceeds this maximum CPO. This approach will ensure profits, but it will reduce the volume of advertising. The profit per person can be secured, but the advertising market rate is rising, and if the advertising market rate exceeds a certain level, the volume of advertising will stop and, therefore, decrease. We are able to maintain per-capita profit, but the number of orders themselves, and the number of new acquisitions themselves, will stop.

Therefore, in order to maintain profitability, we invest less in advertising, at the expense of sales. I don't think there is any particular right or wrong, but that is the way we are doing it.

As a result, profits have been maintained, but sales have declined slightly.



This is the second external factor.

The Pharmaceutical Affairs Law was revised last August. The biggest thing is that a surcharge system was introduced, but this is irrelevant if we are abiding by the law.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

SCRIPTS
Asia's Meetings, Globally

The main part of the Pharmaceutical Affairs Law is the effect on the expression part, and advertising media companies have set the advertisement placement standard very much as a result of this revision, meaning that it has become stricter.

I don't think the Pharmaceutical Affairs Law is the only reason for this, but the listing criteria have been tightened considerably since about August or September of last year. This probably came about because of a request for cooperation from the government, or perhaps it is a sign of awareness that online media has overtaken the mass media anyway and is very public.

However, we didn't really consider this to be a problem as we had always used expressions that were strict and in line with the law. However, they assigned people who were quite inexperienced to screen the companies. The screening process is now even dropping expressions that would not have caused any problems at all.

When we explain things to them properly, we get a pass, but I often feel that people who lack considerable knowledge are assigned to these screening positions. However, each media outlet is also a business, and if they are unable to run ads as a result of strict ad diagnoses, they are losing opportunities. We understand that each media outlet is prepared for this, and we would like to work together with them in this regard.

However, the current media screening departments are often a little unknowledgeable, and we are having a difficult time with this. We do not yet know how long this will continue or whether it will take shape at a certain stage.

And next, we proceed with internal factors. As a result of prioritization of internal resources, we have launched products for the mass market since Q3 of the consolidated fiscal year. We prioritized the allocation of resources from the customer acquisition department to this area, but the number of new acquisitions was considerably lower than expected.

This has reduced our focus on traditional niche markets where we can reliably acquire a certain amount of new business, which has resulted in a decline in the overall number of new acquisitions.

When we launch a new product, we tend to focus our resources on attracting customers to the new product, but if the new product does not lead to sales as expected, resources may be wasted. As I will discuss later, we intend to improve in this area by changing the way we launch and allocate resources in the future.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Factors for decrease in the number of new customer acquisitions

◆ Internal factor 2: Insufficient “development and education of the Creative Department”

<What it takes to increase the number of new customer acquisitions>

- Creation of advertisements getting high click-through rates
- Creation of sales pages with a high purchase rate

Multiple skills required

- Understanding of users and products
- Creation of advertisements from various angles
- Consistency between advertisements and sales page

<Recruiting strategy>

- ◆ Kinoshita, our Representative Director & President, began disseminating information via social media, lectures, and book publication, etc., two years ago
→ Raise our profile and bolster our image in the web marketing industry to recruit experienced persons
- ◆ Expand the office of the Tokyo Branch Office and recruit persons working remotely from home

Achieved some success in recruiting high-experienced staff

- Headcount of customer attraction departments was up approx. 30% in recent two years
- Recruit persons with experience in advertising contents for EC and mail orders, and those from the Japan Fair Trade Commission

On the other hand, development and education of the Creative Department, as well as business handover, remained insufficient



Failed to create many advertisements capable of attracting customers within the CPO limit

The second internal factor, which I have been mentioning for the past two years, is that the Creative department lacked the necessary capacity. We were not able to improve this area in time.

To increase the number of new customers, it is necessary to create advertisements with high click-through rates and sales pages with high purchase rates, and it is necessary to have personnel with the skills to understand users and products, and create advertisements and sales pages from various perspectives.

As a recruitment strategy, I have been disseminating information through social networking, lectures, and book publishing for about two years now, and have become quite well known in the web marketing industry. Perhaps some of you have seen flyers of my lectures and the like, but my name recognition has increased dramatically over the past two years, and we have improved our image. This has allowed us to recruit experienced workers quite successfully. In response, we have expanded our Tokyo branch office while we were originally headquartered almost entirely in Hokkaido, and we are now hiring people nationwide who are willing to work remotely.

In those areas, we have had some success in recruiting highly experienced members. We feel that we have finally attracted a fairly talented group of people. The number of people in the Customer Attraction department has increased by approximately 30% in the past two years. We have recruited people with creative experience in e-commerce and mail-order businesses, as well as people from the Japan Fair Trade Commission, who check the creative work in the Company.

While we are gathering human resources, we have yet to catch up with the development, training, and handover procedures in the Creative department. I am getting a good feeling that the creative power is gradually improving as we see it.

Support

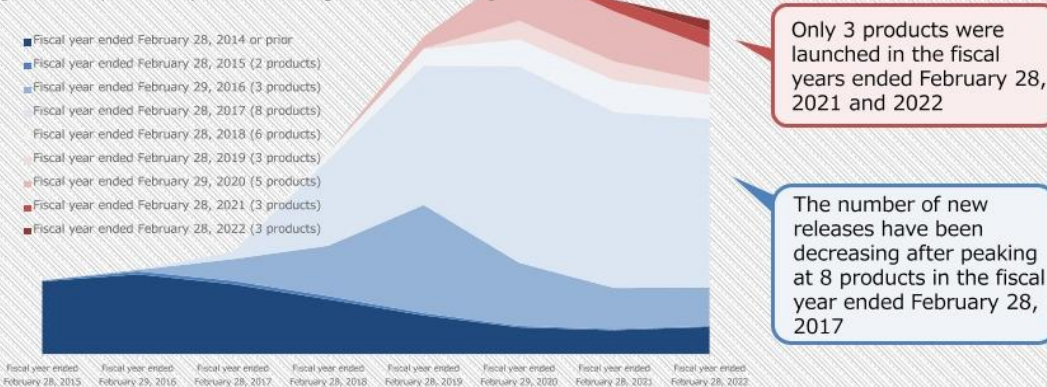
Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

Factors for decrease in the number of new customer acquisitions

- ◆ Internal factor 3: Failed to increase the number of new product releases
 - **Subscription purchase type business**
 - It is **essential to acquire new customers** who bring in future sales and profit
 - **“Skin care cosmetics,”** our current mainstay, **are influenced by trends** to a certain extent
 - **It is necessary to launch new products continuously to stimulate new demand** with trends in mind

[Sales composition by release timing of new products]



Kitanotatsujin Corporation All rights reserved.

12

This is the third internal factor.

The number of new product releases has not been able to increase, and the subscription-based business model is critical to attracting new customers who will generate future sales and profits.

While acquiring regular customers with existing products, new customers will be acquired when a certain percentage of customers cancel their subscriptions. In this context, new products are more likely to attract new customers, so it is necessary to introduce new products at a certain rate.

Our company originally started out as a health food company, but actually there is not much difference between newly released health food products and those that have been on the market for 5 or 10 years. Yet, new products are more important than old products, because they are more popular than old products, or products that have just been launched are relatively popular.

However, our original stance was to release new products only when the product itself is good, which has resulted in a slower pace of new products. As a result, as shown in the graph below, products released in February of 2017 still account for the majority of sales, while products released after that date are fewer in number or have not grown that much. This is the current situation.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

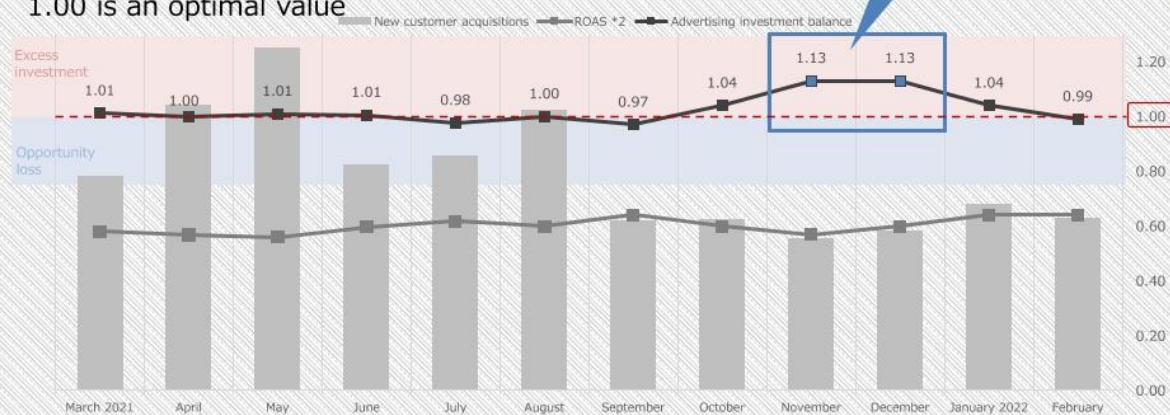
SCRIPTS
Asia's Meetings, Globally

Advertising investment efficiency

<Advertising investment balance*1>

An indicator for checking opportunity loss and unprofitability in advertising
1.00 is an optimal value

The advertising investment balance is higher than 1.00, exceeding the CPO limit and **resulting in excess investment.**
Planned excess investment (temporary) to validate new products



The number of new customer acquisitions decreased, but **maintain optimal advertising investment balance** instead of making excess investment to gain immediate sales



Strove for profit maximization, which resulted in operating profit higher than the forecast and the year-earlier result

*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 is 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. 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.

On the other hand, as I mentioned earlier, the investment efficiency of advertising itself has been reduced by about 20%, but the number of acquisitions itself has been reduced by about 10%, so the efficiency itself has not worsened that much.

This is an advertising investment balance chart: 1.0 reflects the most balanced state. The market is not over-invested, nor is there any opportunity loss. The market itself has remained at almost 1.0 for a long time.

There are some areas where we have slightly exceeded the limit, but basically, we have been able to maintain the level of investment. There have been times when we have intentionally experimented with various investments.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

New customer acquisitions at e-commerce malls

The subscription purchase type business is our pillar.
→ Less priority has been placed on e-commerce malls (Amazon, Rakuten Ichiba, etc.) where most shopping behavior is focused on single purchases.



Rapid increase in users who buy products only in e-commerce malls
→ **Strengthen sales in e-commerce malls**

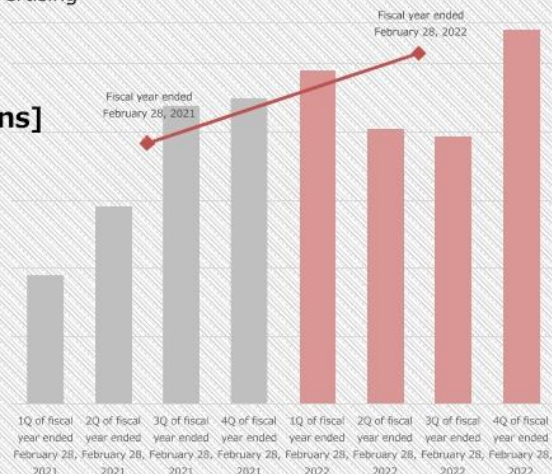
At e-commerce malls, customers purchase products upon comparing them with other companies' products on their own. Therefore, the impact from soaring Internet advertising rates will be limited

Quarterly number of new customer acquisitions
Annual number of new customer acquisitions

[Number of new customer acquisitions]

- Rose to 134% of the previous fiscal year
- Marked the highest monthly sales at Rakuten in May 2021 and Amazon in January 2022
- Rose to 140% of the immediately preceding period

- Start development of products exclusively on offer at certain malls
- Continue efforts to increase sales at e-commerce malls



The following is the status of new acquisitions in e-commerce malls.

In our case, we have our own website, and there are shopping malls such as Amazon and Rakuten, as well as other e-commerce malls.

For our in-house site, we are basically leveraging ads. We basically get people to view our ads, whether they were interested in the product or not. Showing them the ad once could make them get back to it at some point.

As for e-commerce malls, for example, we would be dealing with people who were planning to buy shampoo. Thus, the clientele is actually completely different. It's as different as, for example, the clientele of discount stores compared to supermarkets.

We have always focused on our in-house website, but with COVID-19, it is said that many people are now shopping online instead of in person. This online buying is flowing from physical stores to e-commerce malls. It's not that they are flowing to in-house sites, but to existing platforms such as Amazon or Rakuten.

E-commerce malls themselves have been growing rapidly since the pandemic, and we are now beginning to focus on e-commerce malls as a way to seize this opportunity.

As for e-commerce malls, we currently only sell the same products that we sell on our own website, but the customer base and perspectives are quite different, so we will probably develop products exclusively for e-commerce malls in the future.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

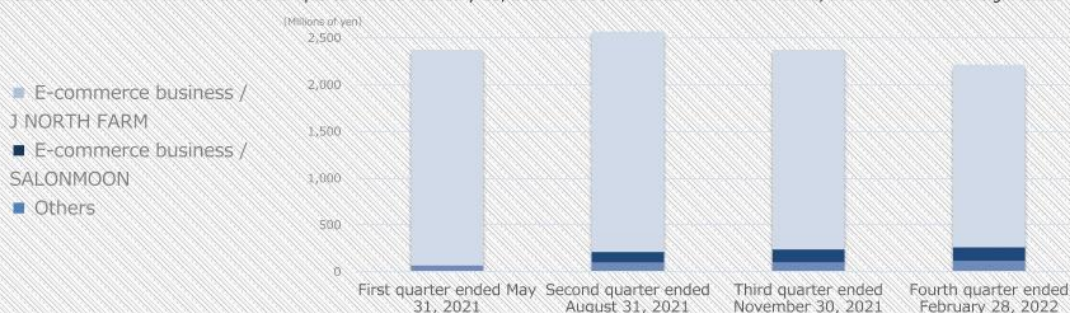
North America 1.800.674.8375
Email Support support@scriptsasia.com

Net sales by segment and brand

(Millions of yen)

Segment	Brand name	First quarter ended May 31, 2021	Second quarter ended August 31, 2021	Third quarter ended November 30, 2021	Fourth quarter ended February 28, 2022
E-commerce business	北の達人工場 J NORTH FARM	2,306	2,355	2,123	1,953
	SALON MOON ^{Pro}	-	113	137	145
Others	-	65	96	98	115
Total		2,372	2,565	2,359	2,214

* As the main business of the Company's group is the E-commerce business and the other business segments are insignificant, a description of the segment information is omitted.
Net sales of J NORTH FARM for the fourth quarter ended February 28, 2022 include net sales from other brands, but the amount is insignificant.



Kitanotatsujin Corporation All rights reserved.

15

The following section is by segment. Sales by brand.

J NORTH FARM is our traditional business, but this business has been declining in Q4.

The second company, SALONMOON, is a hair iron company that we acquired, which sells mainly to shopping malls, and is growing steadily.

Others will be FM NORTH WAVE.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

Consolidated Balance Sheets

(Millions of yen)

Subject/Section	<Reference> Previous fiscal year ended February 28, 2021 (non-consolidated)	Current fiscal year ended February 28, 2022 (consolidated)
(Cash and deposits)	3,612	5,210
Current assets	5,857	6,808
Non-current assets	343	747
Total assets	6,201	7,555
Current liabilities	1,022	1,235
Non-current liabilities	—	174
Total liabilities	1,022	1,409
Total net assets	5,179	6,146
Total liabilities and net assets	6,201	7,555

Through the preparation of consolidated balance sheets from the current fiscal year, the Company has included the assets and liabilities of subsidiaries. In addition, goodwill of ¥280 million has been recorded on the consolidated balance sheets.

This is the balance sheet.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

Consolidated Statements of Cash Flows

(Millions of yen)

Subject/Section	<Reference> Previous fiscal year (non-consolidated) March 1, 2020 to February 28, 2021	Current fiscal year (consolidated) March 1, 2021 to February 28, 2022
Cash flows from operating activities	682	1,753
Cash flows from investing activities	-609	197
Cash flows from financing activities	-555	-363
Effect of exchange rate change on cash and cash equivalents	7	9
Net increase (decrease) in cash and cash equivalents	-475	1,597
Cash and cash equivalents at beginning of period	4,088	3,612
Cash and cash equivalents at end of period	3,612	5,210

The main factors for the changes during the period were an increase in profit before income taxes of ¥2,071 million, a decrease in payment of income taxes of ¥610 million, a decrease in payment of dividends of ¥347 million, and an increase in proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation of ¥262 million.

Cash Flow.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

Current Situation and Future Developments

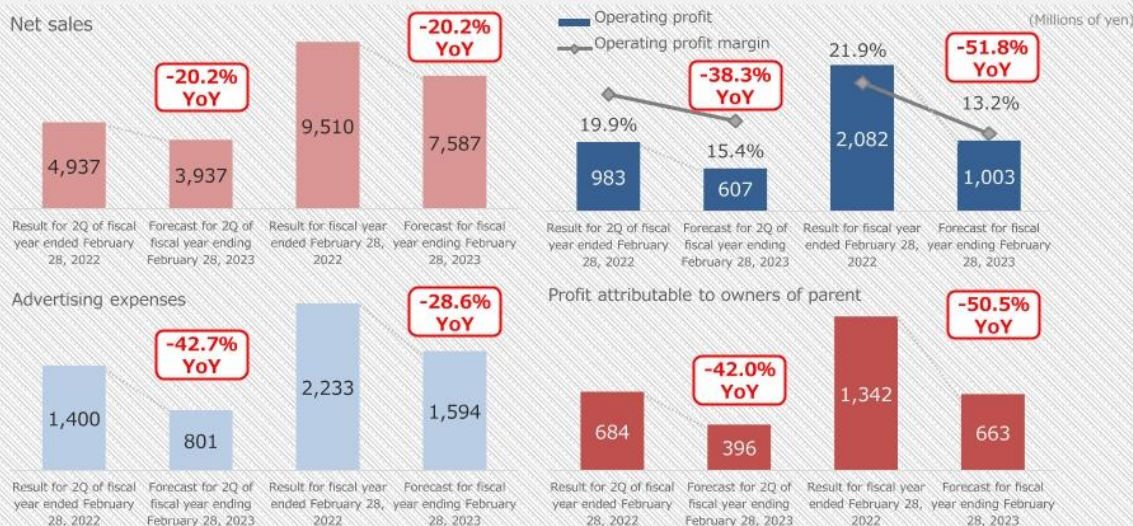
◆ Forecast for the fiscal year ending February 28, 2023

“Change policies for developing and releasing new products,” “Return to niche market dominating strategies,” “Actively expand e-commerce malls,” and take other measures to recover and expand the number of new customer acquisitions in our mainstay e-commerce business



The impact from the strategies, initiatives, and measures are uncertain and cannot be quantified.

The forecast is therefore based on the premise of the continuation of current trends in new customer acquisitions.



Kitanotatsujin Corporation All rights reserved.

19

The following is about the current situation and the future.

First, in the consolidated financial results for FY2023, in our mainstay e-commerce business, we will work to recover and expand the number of new acquisitions by changing our product development and launch policies, returning to a niche-top strategy, and aggressively expanding our e-commerce malls.

However, because the impact of strategies, measures, and initiatives is unclear and very difficult to quantify, we are presenting this forecast based on the assumption that the current new acquisition situation will continue.

This is what it looks like. Sales were down 20.2% YoY to JPY7.587 billion, and operating income was down 51.8% to JPY1.003 billion.

We intend to implement new measures in this area in the future, but the figures do not reflect such measures yet. Thus, this can be considered as the baseline from where we will grow further.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

SCRIPTS
Asia's Meetings, Globally

Current Situation and Future Developments

◆ Change policies for developing and releasing new products

<Previous>

Due to the heavy workload required for each product release, we were unable to release many products



<Future>

Release new products as a "single-purchase type product"

→ Only products passing certain sales criteria will become available as "subscription purchase type products"



More products can be launched with the same overall workload

(We keep the subscription purchase type business by adding the release as a single-purchase type product during the development phase of subscription purchase type products.)

Kitanotatsujin Corporation All rights reserved.

20

The first thing we will do in the future is to change our product development and sales policies. Although we have launched a small number of products, we have been unable to launch a large number of products in the past due to the extremely high preparation load required in advance of launching a product.

In our case, when we first plan a product, we do market research. Then we develop it. When we develop a product, we try various methods, make various products, and conduct monitoring surveys to see if we can get a sense of the product to some extent. From there, we need to build a stable supply system, but this is a very burdensome task.

What this means is that our products are relatively more than just a solution to the customer's issues. Many of them are more like drugs. Many of our customers have found that their problems have been resolved using our products. Many of them continue to purchase products on a regular basis, and they are very reluctant to have the ingredients of the products changing.

Generally, cosmetics are often upgraded, but customers who really like the product do not want the ingredients to change too much, regardless of whether the product is upgraded or not. When they have finally come across a good product, they don't want it to change in the slightest. Therefore, when we launch a product, we do so based on the assumption that we will be able to provide such customers with the exact same ingredients in a stable manner for a long time. For example, when we try to manufacture a product at a relatively small factory, we check to see if we can really set up a system to increase production.

For example, cosmetics are actually placed in a pot and heated over a flame, and if the size of the pot is changed, the texture will change. People may or may not care, but for those who have been using the product for a long time with a subscription, even such a change can make a big difference in the way they feel. In other

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com

SCRIPTS
Asia's Meetings, Globally

words, when increasing production, it is necessary to confirm all the details of what kind of production increase system to set up.

Also, dozens of different raw materials are used to make a single product, but in fact, not all of the raw materials are necessarily in stable supply. For example, it is quite common for a raw material manufacturer to discontinue a product because this raw material is no longer selling well. Therefore, we have to make sure that each raw material can be supplied in a stable manner.

Also, I want to know if each company involved is in good business condition. In order to ensure stable production, we want to avoid the situation where a company has good products, but the management is not good so that the Company goes out of business and is no longer able to produce them.

If we try to do everything while confirming such things, there will be a great number of conditions, and it will take a great deal of time to establish a system that can provide a stable supply. We take that much time to launch most of our products. This is how we do what we launch as a subscription.

We spend a lot of time on this but, in fact, there is one disadvantage to this approach: it can take two to three years from the timing of the market research to the launch if we are not careful. We have spent so much time on this. By then, in fact, the market environment may have changed completely. Therefore, we decided to launch the product on a subscription basis. However, it did not sell well. To be honest, this was the case. If the product does not sell well, the Company will end up discontinuing the product, despite the fact that the Company has taken the initial steps to make preparations and establish a stable supply system. This has been the case very recently. This is partly because the way we did it was not very good.

In the future, when we launch a new product, we will not take it to the level of a stable supply system, but rather, once the first lot is ready to launch and the quality is high enough, we will launch the product. Once the product is launched and we know that it will sell very well and that it will sell well even if it is purchased on a regular basis, we will then establish a stable supply system. Once there, it was launched. At first, for example, if the initial lot is 5,000 units, 5,000 units will be made and released.

After watching the sales of these 5,000 units, we will decide whether we could do this on a subscription basis. Once these units are sold out, we would create a stable supply system. We will release the product on a subscription basis, although there will be a slight time lag.

At this stage, we used to assume that if we had 10 products, all 10 would be available for subscription purchase, but from now on, we will be able to narrow down the number of products that should become available for subscription purchase to about five out of the 10 products we have launched. This means that the power required for a stable supply system here will be reduced, and since we know that what we put out afterwards will surely sell, we will be able to direct our resources to attract customers here as well, which I believe will make us more efficient.

By doing so, we will reduce the burden of product development so that we can produce a greater number of products, and we will concentrate our resources on products that we know will sell well and attract customers.

We are now planning to increase the number of product development projects in this way. Currently, we have a large number of products in the planning stages, and although we cannot say for certain, we expect the pace of product launches to increase considerably. In my opinion, there are many products waiting to be released that I am quite confident about.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com



Current Situation and Future Developments

◆ Actively expand e-commerce malls

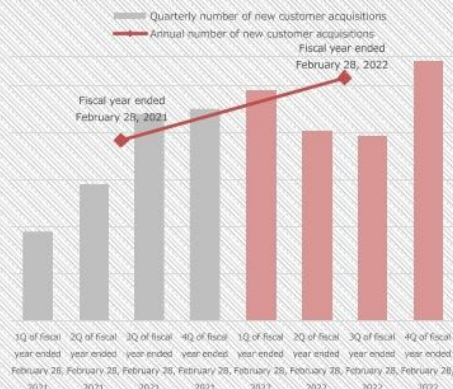
With the spread of COVID-19, consumers' purchasing behavior notably shifted away from conventional brick-and-mortar stores to e-commerce malls such as Amazon and Rakuten

E-commerce malls market
growing rapidly

Strengthen sales at e-commerce malls

→ Focus more resources on e-commerce malls than ever to actively capture the growth in "e-commerce malls" trading zone

At e-commerce malls, customers purchase products by comparing them with other companies' products on their own without relying on advertisements. Therefore, the impact from soaring Internet advertising rates will be limited.



◆ Amazon

We continue efforts, recognizing it as an **important sales channel** for capturing overseas markets

Started product development for and test sales on Amazon U.S. to advance into the much larger market scale of Amazon U.S.

→ The result was unfavorable. We did not reach full-scale operation in the current fiscal year

◆ Strengthen overseas development, including a new store opening at an e-commerce mall exclusively for Taiwan and consideration of a store opening at an e-commerce mall in Singapore

It is a place of aggressive expansion in e-commerce malls. As I mentioned earlier, the market for e-commerce malls is growing rapidly.

The logic of advertising investment here is very different from that of our own website. The items I have explained so far are basically the investment logic for launching a product on the in-house website. For example, when a product is sold on the Company's own website as a subscription purchase with a cost of JPY3,000, the average cost is JPY12,000 to JPY15,000 annually through repeat sales.

While some people terminate, some people purchase repeatedly. Therefore, if you spend, for example, JPY10,000 to acquire one customer as an investment in advertising, you will earn a profit of only JPY5,000.

We invest in advertising while calculating everything in this way, but in the case of shopping malls, although there is basically a subscription function, many people do not use it. They buy the single item each time. Thus, if we were to spend JPY10,000 to sell a JPY3,000 item, this would be a complete loss. On the other hand, in the case of shopping malls, users come to the shopping mall to buy. Thus, advertising is highly effective. You can spend JPY2,000 to sell a JPY3,000 product, and this can be enough for the customer to acquire the product.

On the other hand, the shopping mall's logic is that if a certain product is actually sold, it will actually appear higher in the search results due to the shopping mall's algorithm. For example, if a person has purchased shampoo, the shampoo product will appear strongly in the search results.


What this order means is that some of the best-selling products will be at the top of the list. People who know what they are doing here will actually pour a lot of advertising into the site and make it higher in the search results by selling a lot of ads, even if they lose money on those ads. There is a way to make it profitable all the while getting people who come through search regardless of advertising.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com

We have been calculating these figures for a long time, and we have come to the point where we can almost see the numbers. Thus, we will be able to see the results from the following month onward if we make a certain percentage of our investment in this way. We intend to increase sales at shopping malls while investing aggressively in advertising. I think this is where we are finally starting to understand the algorithm.



Current Situation and Future Developments

◆ Return to our initial strategies


<Mass-market products>

Struggled in new customer acquisitions

The Company's skills did not match

Well-received by existing customers

- Mass-market products feature more versatility
- Customers with a certain level of loyalty are apt to purchase



We learned that certain profit increases are possible with mass-market products

But no more than several hundred million yen per year

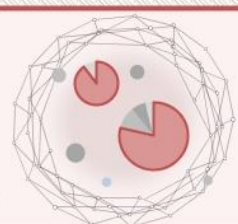
Return to our initial strategies

To achieve profit of several billion yen and expansion to a scale of tens of billion yen...

It is more important to increase the number of new customer acquisitions

◆ In light of the current environment and the Company's skills and expertise, **place priority on developing niche market products that can more easily attract new customers**

◆ **Promote again the niche market dominating strategies in which the Company excels** to "provide products that appropriately capture the niche needs of consumers, offer them only to those who need it and establish a firm position in the market," aiming to forge solid footing again



Kitanotatsujin Corporation All rights reserved.
23

Originally, we were trying to capture the top share in the niche market with our products, but we have changed our strategy since the year before last to focus on products for the mass market. As a result, we are struggling to acquire new customers. I am wondering if our skills were not a good fit for a mass market product. I have been in the field, but I feel that we are very inefficient in in terms of acquisition.

And on the other hand, when we sold the product to existing customers, it sold quite well. For example, with our previous products, we had a customer who suffered from constipation, and she really liked the Kaiteki Origo product. However, this customer was not interested in anti-aging products when we presented them, stating that wrinkles are not a concern.

Actually, mass-market products have a very wide range of targets, so cross-selling is quite easy with these products. Cross-selling to existing customers does not require advertising costs, so we realize that it can be a very profitable business. The target is already a consumer of our company products, so the target becomes narrower.

We felt that this would allow us to increase profits from mass-market products by a few hundred million yen a year. At our current scale, we expect to accumulate several hundred million yen per year in profits.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasias.com

In order to expand our profits to billions or tens of billions of yen, we should focus on products that are easy to attract new customers. We believe that we should return to developing niche market products that are easy to acquire.

In order to regain our footing, we will once again push forward with our niche-top strategy, which is our strongest point, in order to deliver products that accurately meet consumers' niche needs only to those who need them, and to establish a firm position within the market.

Most of the products currently being prepared for launch are niche products. I am also a member of the Product Planning Department and the Product Planning Committee, but I am always thinking about what sells in the mass market. We had always talked about whether we would be able to reach JPY10 billion, but we were gradually moving toward a niche market, and I had been trying to get the Company to focus on the masses.

Since we feel that the mass market is currently more difficult for us, we have decided to promote product planning for the niche market once again. Most of our future products will be for the niche market.



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.

Genres of new businesses will be limited to fields where the Company's expertise can be applied (mail orders, online sales, beauty and health, etc.)

◆ **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>

- Established New Business Planning Office in the current fiscal year
- Released new SPADE and MENVE brands
- Actively collect information and evaluate M&A of D2C and E-commerce companies that meet the Company's conditions

<Future>

Continue to actively engage in the further business expansion and profitability improvement

Kitanotatsujin Corporation All rights reserved.
24

In the future, we will continue to consider M&A opportunities, including the acquisition of two companies in the previous fiscal year, as part of our efforts to diversify our earnings base through aggressive M&A.

Furthermore, we want to launch a new D2C business, and we have launched two brands in the last quarter. We have just started up this business, so it has not grown yet, but we are planning to engage in new businesses to the extent that our know-how can be utilized in this way.

Support

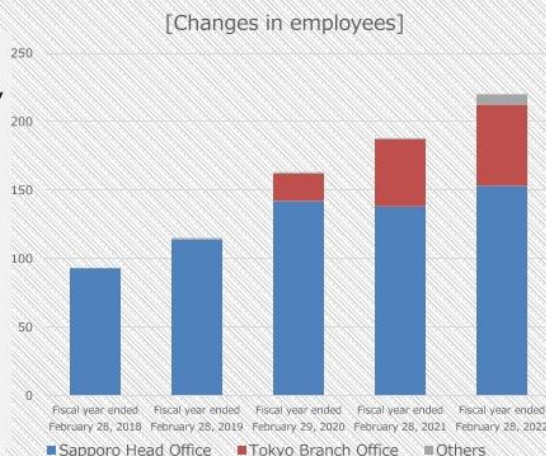
Japan	03.4405.3160	North America	1.800.674.8375
Tollfree	0120.966.744	Email Support	support@scriptsasias.com

Current Situation and Future Developments

◆ Strengthen recruitment by making the Tokyo Branch Office into a Head Office

Recruitment of middle positions, experienced staff and specialist staff, which is our long-standing issue, has successively succeeded, thanks to efforts focused on human resource development

- ◆ Person with experience in advertising contents for EC and mail orders
- ◆ Person with experience in controlling a customer division
- ◆ Person from the Japan Fair Trade Commission
- ◆ Person with qualification as a lawyer and a patent attorney
- ◆ Person with experience in formulation development of cosmetics



July 2022 **Make the Tokyo Branch Office into a Head Office**

Shift to a double headquarters system: Sapporo Head Office and Tokyo Head Office

→ **Further strengthen recruitment to acquire personnel with a focus on experienced persons**

This is to strengthen recruitment by making the Tokyo branch office the head office.

We have been expanding our Tokyo office for the past two years. This is completely for recruitment. Especially at the Hokkaido head office, it was difficult to hire experienced workers for almost all positions.

We are still a venture company. On the other hand, there are some parts of the business that can be run if there is motivation, in which inexperienced people have worked hard to improve their capabilities, but there are areas where we need people who have some degree of experience. We knew that it would be difficult to recruit only in Hokkaido, so we established a Tokyo branch about two years ago.

And now, recruitment for career-track positions is almost exclusively in Tokyo. However, there are still many people in the industry who are unaware of the fact that we are headquartered in Hokkaido and only have a branch office in Tokyo, so we are turning the Tokyo office to a headquarter as well. We will have two headquarters, one in Sapporo and the other in Tokyo, in order to strengthen our recruiting capabilities. We intend to use this to further strengthen our recruitment efforts and to secure experienced and other human resources.

The following is some reference material, so please have a look at it as well.

That concludes my explanation. Thank you very much.

Moderator: Thank you very much.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

Question & Answer

Moderator [M]: Okay, we will now move on to the question-and-answer session.

We will first take questions from the audience. Do you have any questions?

Now, we have a young man here. Please go ahead.

Hirozumi [Q]: My name is Hirozumi from Daiwa Securities. Two things, if I may.

Please tell us more about how the sales went for Shinpist and Moudas, which were promising new products. Can you reveal any actual amounts? If not, I would like to know how much progress was made against your company's assumptions. Why did Shinpist and Moudas perform rather poorly? This is the first point, please.

Kinoshita [A]: I can't give you a specific figure, but I would like to state that it was about one-tenth of what we expected.

Our previous products appealed to people's problems. However, this time, we have introduced a product in the all-in-one gel genre and a product in the hair-growth agent genre. We have seen the response to our advertisements and other activities. When we said "all-in-one gel," customers immediately thought of existing products in that genre. Thus, it was pretty hard to differentiate ourselves there.

The customers basically had a preconceived notion. Perhaps this has a very high CPO. I think the same applies for other companies in the industry. I think it would be different if the brand was already well established, but when you say "all-in-one gel," the response would be like: "Oh, it's basically an all-in-one gel." It is not a new term, and some people have already decided not to use all-in-one gel products, so these people will be completely excluded.

If CPO is quite high, the cost per customer acquisition is rather high, and this is a factor that we have not been able to overcome, although we have done a lot of work.

The same is true with regard to hair growth products. After all, I think everyone is watching tons of advertisements for hair growth products. This has led to a situation where those who use hair growth products use them and those who don't use them don't.

No matter how much we try to differentiate our products and introduce hair growth products, we will probably not be able to move forward from there. So, I think the cost per person acquisition is quite high to overcome this.

When it comes to hair growth products, there is Newmo. I think there also is Pharma Foods, but I don't know the detailed figures. I think they have set a very high CPO. I think it would be better to enter a market where we can make use of our strengths.

Hirozumi [Q]: Understood. Thank you very much.

My next question is, and if I'm wrong I'd like you to point it out, but you mentioned that you have been unable to keep up with the creative development for about two years, and my understanding is that your company is doing it in-house.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

 **SCRIPTS**
Asia's Meetings, Globally

I want to know if there is a dichotomy between what you are doing in-house and the fact that you can't keep up with the creative maintenance.

For example, if your company were to stop doing in-house work and instead hire a large outside agency or something, would the creativity be better? Or, could it be done in-house? Or, perhaps your company may not be able to turn an efficient CPO or something if you sacrifice your in-house status?

Our main expectation is for you to be creative and do it more efficiently, but for example, could it be that if you start pursuing creativity, you should rely on outside sources or something like that? Please tell us if your company's goal of strengthening creativity and your company's efficiency are two opposites. I would like for it to be pointed out if I was wrong about something.

Kinoshita [A]: There was a time when I was not sure about the creative process, and there was a time when I thought about relying on outside companies, but now I think that basically in-house production will increase both efficiency and creative power.

The creative content is partly a matter of expressiveness, but it is also very important to understand the product itself, which is really the marketing part. It depends on how far we go in understanding the product as marketing.

In the case of the web, the level of design and expression is still lower than in non-web advertising, but it is still acceptable. In this case, it is still possible to get by without hiring a skilled outside designer, and it is more important to understand the product.

When it comes to understanding and working with products, in-house resources are far superior. However, in-house is not necessarily a good thing. The problem was that we did not have a solid in-house training system in place.

I am involved in the training myself. However, I was not able to educate them well in some areas. We even tried to ask some outside advertising agencies at some point. Outside advertising agencies have a variety of perspectives, which was fine with me, but I really felt that there were limits to their understanding of the product.

I think it is probably best if the in-house human resources have a broader perspective instead. So now, once again, I would like to push forward with in-house activities, although, of course, we might seek some assistance from advertising agencies.

Hirozumi [Q]: That is a good sign because the adoption you mentioned is progressing. You mentioned that it is gradually improving, but do you feel confident that good creativity will emerge in the future?

Kinoshita [A]: Yes, indeed. It is very promising.

Hirozumi [M]: Understood. Please let me know if there is any progress. Thank you very much.

Moderator [M]: Thank you for your question.

Does anyone have any other questions at the venue? Please go ahead.

Yamato [Q]: My name is Yamato from Okasan Securities. Thank you for your explanation. I would like to ask three questions.

First, what has been the impact on affiliates in particular since the revision of the Pharmaceutical Affairs Law last year, and what has happened since then? Will this make you stop focusing on affiliates in the future? Is

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com



there anything you can say in this regard? What is the current status of your company and what are your thoughts on the future?

Kinoshita [A]: First of all, in the case of affiliates, it is not directly related to the Pharmaceutical Affairs Law, but rather, as I mentioned earlier, each media outlet has set stricter standards for publication due to the Pharmaceutical Affairs Law. However, we have to admit that many affiliates are relatively poor at this. So, the reality is that pretty much each affiliate is now reluctant to do so.

We are working together with a company that is trying to be positive while other affiliates will disappear, but we are not sure whether this is an opportunity or a risk. That's the honest truth. It doesn't feel like smooth sailing, nor does it feel like it's a waste. However, in general, it is becoming more and more difficult for affiliates to create creative works in accordance with the Pharmaceutical Affairs Act.

Yamato [Q]: I think the attitude of the so-called sponsor side has suddenly tightened, but is there any prospect of this easing in the future?

Kinoshita [M]: You mean industry-wise?

Yamato [Q]: Yes. I think there was talk of unnecessarily strict checks, but are there any signs that we will return to easing?

Kinoshita [A]: Our company has always been strict. We used to check all the creative work that affiliates created and checked it against the Pharmaceutical Affairs Law and the Act against Unjustifiable Premiums and Misleading Presentations. The affiliates that have a relationship with our company are about to get over that in the first place, so as far as we are concerned, it doesn't really matter.

I hear that the industry has become tougher after all. I have been quite concerned about the quality of the creative work done by affiliates who, from my point of view, are not very good at what they do and have been violating the Pharmaceutical Affairs Law. I think that's the right way to look at it.

Yamato [Q]: I feel that the cases of affiliates, who have a close relationship with your company, not passing the requirements is increasing.

Kinoshita [A]: Yes, indeed. Therefore, we advertise, and our affiliates advertise as well, but in the end, what used to be acceptable is now being rejected by the media. Thus, we are making and submitting materials for this purpose, and we are telling our affiliates that they can submit their ads accordingly as well.

Just as it takes a lot of time and effort for us, it also takes a lot of time and effort for the affiliates.

Yamato [Q]: Thank you.

The second point is the advertising trends in the online market, as shown on slide nine, where you introduced a chart showing the growth of the online advertising market due to the inflow of other media. Will this accelerate, especially in the next two years? Will the level go up? Isn't there a structural problem in which advertisements that were able to be placed in the past are no longer able to be placed?

Kinoshita [A]: This is not a one-year trend, but a gradual one. I believe that the advertising industry is in a bit of a bubble, and advertising costs are rising rapidly, but I think that many companies are probably not making a profit from this. At some point, I am wondering if the bubble will burst, but it seems to be continuing quite well.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com



For me, I really wanted the recession to come as soon as possible. Nowadays, online advertising itself is soaring at an increasing pace. However, once you get above a certain point, I think it automatically shrinks from there, but I don't know what stage that is. It is still growing, contrary to my initial expectations. I feel that it is going up structurally.

Yamato [Q]: Thank you.

The third and final point is a bit similar to the previous one but slide 11 shows the hiring of creative and highly experienced members. I think it is difficult to see from the outside when and how much the Creative Department will improve. Since the hiring of outside members will have a relatively visible effect, do you think that, for the time being, your company's marketing capabilities will improve by strengthening this area?

Kinoshita [A]: I don't think that creativity alone is enough, but I think that if this new product and creativity are combined with the new products that are coming out, it will be quite successful.

Yamato [M]: Thank you.

Kinoshita [A]: Quite a few things have changed in terms of creativity. Web marketing is a job that can be divided into two major parts: The creative and emotional part of delivering this kind of product to a person, and the humanities and sciences part of tuning the product based on digital data results.

However, there are many people, not only in our company but in the industry as a whole, who look at creativity from a science-oriented perspective, using numbers and such. So, we thoroughly analyzed all the successful creativity, and then created the work by adapting it as needed. There is a slight tendency to do things without looking at the product or the user.

In the world of stocks, it is similar to technical investing. It is almost like looking at numbers alone, with little knowledge of the actual situation of the Company, but technical marketing has become so advanced that it almost prevents new creative ideas from being born.

This has been happening in our company for quite a while, and it seems that the work that newcomers learn is to imitate and develop creative work that has been successful in the past. This seems to have the highest probability of success.

When I was away from the scene, that kind of flow developed. We couldn't develop any new creative work. Then, people with various experiences from completely different companies came in, and with their various experiences, we decided to start from scratch once again. In the past few months or so, the creative work we produce has changed drastically compared to what we have done in the past.

Until now, it was like giving it a makeover multiple times. For example, if we are talking about making photos, you should take a photo while thinking how to convey a certain product, but technically oriented people simply like to attach all the photos that hit in the past. There were no more people taking new photos.

The creative process has changed dramatically as we have brought in people from the outside through mid-career hires, who had been almost completely eliminated from creating new things, to create new photographs and to see the appeal of this product in a different way than before.

There are still some areas that have not changed at all, but now that those areas are in place, I believe that we will be able to grow considerably if we combine new products with our creative abilities.

Yamato [M]: Thank you very much.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com

 **SCRIPTS**
Asia's Meetings, Globally

Moderator [Q]: Thank you very much.

I will then move on to the questions we have received from the web.

The first question is, what is your forecast for consolidated sales before application of the revenue recognition standard for the current FY2023?

Please respond.

Kudo [A]: I am Kudo, Director and General Manager of the Administration Department. I will answer this question.

The adoption of the revenue recognition standard mainly impacts the rights to return products and the processing of coupons, and the annual impact on profit will be about JPY20 million to JPY30 million. The impact on sales will be negligible.

Moderator [Q]: Thank you very much.

There is a follow-up question. I think there may be some overlap with the previous question from the audience, but assuming that the trend toward stricter regulations will not return to easing in the future, it will be difficult for affiliate sales to recover in the foreseeable future. What sales channels could be considered to get back on the growth track?

Please respond.

Kinoshita [A]: While I think there will be a time when there will be some easing, affiliates don't have separate sales channels. It's the same advertising media after all. For example, with Yahoo!, there are cases where we advertise directly to Yahoo!, and there are cases where affiliates advertise to Yahoo!, and in the end we are all doing it in the same place.

The current situation is that we are borrowing external power from affiliates, and if this fails, this market will not disappear. Apart from that, the market will turn to media such as Yahoo! and Facebook, so there are places where we will expand our reach considerably. There are actually still people who switch jobs and join us because their affiliate business has gone bad.

In fact, in the larger scheme of things, affiliate marketing is not a separate sales channel. It is simply a matter of people, so I don't really think about it too much.

Moderator [Q]: Thank you very much.

A follow-up question: What was the sales ratio of EC malls in the previous fiscal year?

Please respond.

Kudo [A]: We did not disclose a definite figure, but it is about 5% to 10%. The percentage is less than 10%.

Moderator [M]: Thank you very much.

We would like to end the presentation with a final question. Are there any questions? Okay, if there are no questions, we will conclude the question-and-answer session. Thank you for your many questions. Thank you, President.

Kinoshita [M]: Thank you very much.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptasia.com



Moderator [M]: That concludes the presentation of the financial results of Kitanotatsujin Corporation for FY2022.

Thank you very much for taking time out of your busy schedule to join us today.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
4. *This document has been translated by SCRIPTS Asia.*

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com



Disclaimer

SCRIPTS Asia reserves the right to edit or modify, at its sole discretion and at any time, the contents of this document and any related materials, and in such case SCRIPTS Asia shall have no obligation to provide notification of such edits or modifications to any party. This event transcript is based on sources SCRIPTS Asia believes to be reliable, but the accuracy of this transcript is not guaranteed by us and this transcript does not purport to be a complete or error-free statement or summary of the available data. Accordingly, SCRIPTS Asia does not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information contained in this event transcript. This event transcript is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal.

In the public meetings and conference calls upon which SCRIPTS Asia's event transcripts are based, companies may make projections or other forward-looking statements regarding a variety of matters. Such forward-looking statements are based upon current expectations and involve risks and uncertainties. Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks, which are more specifically identified in the applicable company's most recent public securities filings. Although the companies may indicate and believe that the assumptions underlying the forward-looking statements are accurate and reasonable, any of the assumptions could prove inaccurate or incorrect and, therefore, there can be no assurance that the anticipated outcome described in any forward-looking statements will be realized.

THE INFORMATION CONTAINED IN EVENT TRANSCRIPTS IS A TEXTUAL REPRESENTATION OF THE APPLICABLE PUBLIC MEETING OR CONFERENCE CALL. ALTHOUGH SCRIPTS ASIA ENDEAVORS TO PROVIDE ACCURATE TRANSCRIPTIONS, THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE TRANSCRIPTIONS. IN NO WAY DOES SCRIPTS ASIA OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BY ANY PARTY BASED UPON ANY EVENT TRANSCRIPT OR OTHER CONTENT PROVIDED BY SCRIPTS ASIA. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S PUBLIC SECURITIES FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS. THIS EVENT TRANSCRIPT IS PROVIDED ON AN "AS IS" BASIS. SCRIPTS ASIA DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, AND ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT.

None of SCRIPTS Asia's content (including event transcript content) or any part thereof may be modified, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of SCRIPTS Asia. SCRIPTS Asia's content may not be used for any unlawful or unauthorized purposes.

The content of this document may be edited or revised by SCRIPTS Asia at any time without notice.

Copyright © 2022 SCRIPTS Asia Inc. ("SCRIPTS Asia"), except where explicitly indicated otherwise. All rights reserved.

Support

Japan 03.4405.3160
Tollfree 0120.966.744

North America 1.800.674.8375
Email Support support@scriptsasia.com

