Supplementary Material for the First Quarter of the Fiscal Year Ending February 28, 2026

Stock code: 2930
Kitanotatsujin Corporation
July 15, 2025

Important Note

- The Company employs a business model that reaps profits after three to four months pass from advertising expenses, a form of upfront investment

- The financial results forecast has been prepared based on the assumption that the pace of new customer acquisitions (upfront investment in advertising expenses) at the time of preparation will continue

Therefore, please understand the following when looking at quarterly forecasts:

・When profit is projected to fall below the forecast due to an increase in advertising expenses:
→ **Positive** from a long-term perspective since upfront investment is progressing steadily

・When profit is projected to exceed the forecast due to an decrease in advertising expenses:
→ **Negative** from a long-term perspective since upfront investment is not progressing steadily

Executive Summary

- ☞ Net sales came in at ¥2,596 million (+2.5% from the forecast) and operating profit came in at ¥240 million (+2.0% from the forecast), roughly in line with the forecast.
- ☞ The number of new customer acquisition, which bottomed out in the third quarter of FY2025, continued to grow steadily in the first quarter, outperforming the plan.
- ☞ We have focused on product planning toward expanding our product lineup.
- ☞ The three-year ”Medium-term Management Plan 2028” has been announced

  https://www.kitanotatsujin.com/en/wp-content/uploads/sites/2/2025/07/rep_20250715f.pdf

Table of Contents

Highlights for the First Quarter of the Fiscal Year Ending February 28, 2026

Consolidated Key Performance Highlights [Compared with Forecasts]

(Millions of yen)

	FY2026 1Q forecast	FY2026 1Q results	Changes	Changes (%)
Net sales	**2,533**	**2,596**	**+62**	**+2.5%**
Gross profit	**1,926**	**1,994**	**+68**	**+3.6%**
Selling, general and administrative expenses	**1,690**	**1,754**	**+63**	**+3.8%**
Advertising expenses	**647**	**695**	**+48**	**+7.5%**
Operating profit	**235**	**240**	**+4**	**+2.0%**
Operating profit margin	**9.3%**	**9.3%**	**-0.0 pt**	
Ordinary profit	**239**	**246**	**+7**	**+3.0%**
Profit attributable to owners of parent	**163**	**168**	**+5**	**+3.1%**

- Both net sales and operating profit were largely in line with the forecast.
- New customer acquisitions of J NORTH FARM outperformed the plan, increasing advertising expenses.

Consolidated (Reference) Key Performance Highlights [Compared Year on Year]

(Millions of yen)

	FY2025 1Q results	FY2026 1Q results	Changes	Changes (%)
Net sales	3,269	2,596	-673	-20.6%
Gross profit	2,458	1,994	-464	-18.9%
Selling, general and administrative expenses	2,069	1,754	-315	-15.2%
Advertising expenses	909	695	-214	-23.5%
Operating profit	389	240	-148	-38.3%
Operating profit margin	11.9%	9.3%	-2.6 pt	
Ordinary profit	394	246	-148	-37.6%
Profit attributable to owners of parent	266	168	-97	-36.5%

Consolidated

Financial Results by Segment and Brand

(Millions of yen)

Segment	Brand name	FY2025 1Q	FY2026 1Q
Health & Beauty Care business	北の快適工房 J NORTH FARM	**2,873**	**2,366**
	SALON MOON Pro	**232**	**211**
	Other brands	**49**	**18**
Others*	—	**115**	**–**
Total net sales		**3,269**	**2,596**
Operating profit		**389**	**240**

* We transferred all shares in FM NORTH WAVE CO., LTD. which had been classified into Others on July 31, 2024, and excluded the company from the scope of consolidation. Accordingly, results in “Others” are included in the scope of consolidation up to the date of deconsolidation.

Analysis of Operating Results, etc.

Non-consolidated

Explanation of Financial Results

<Sales profit and operating profit>

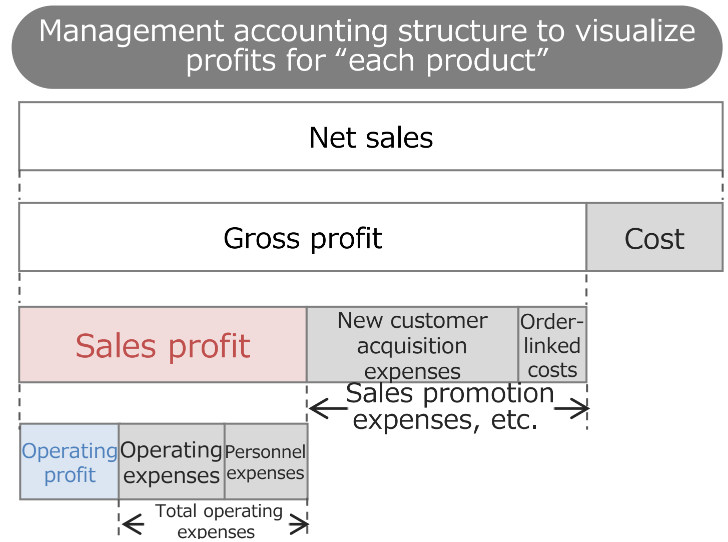
Our own unique management accounting method allows us to identify the factors behind changes in profit for each product, and we have focused in on "sales profit" and "operating profit" as important performance evaluation indicators.

Sales profit = gross profit − sales promotion expenses, etc.
(Order-linked costs*1 + New customer acquisition expenses*2)

Indicator that is significantly impacted by new customer acquisitions and directly reflects recent business conditions as new customer acquisition expenses vary based on changes in the number of new customer acquisitions.

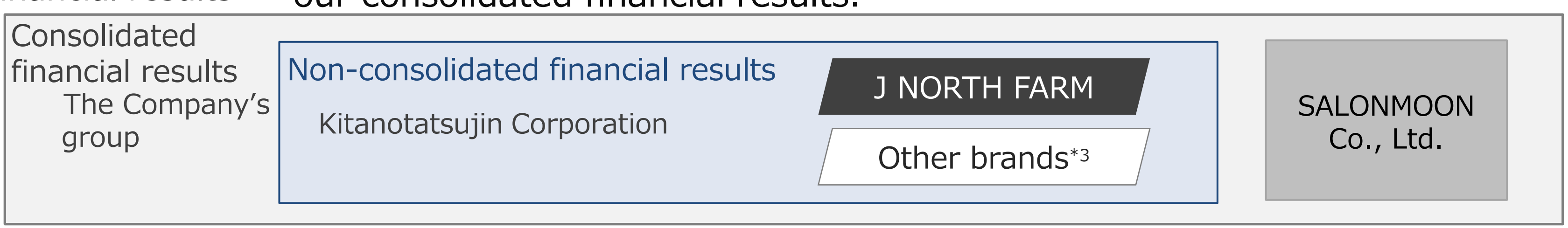
Operating profit = sales profit − total operating expenses
(Personnel expenses + Operating expenses)

Impacted by investments for future business expansion in addition to recent business results.



<Segments of financial results>

Non-consolidated financial results occupy a significant portion of our consolidated financial results.

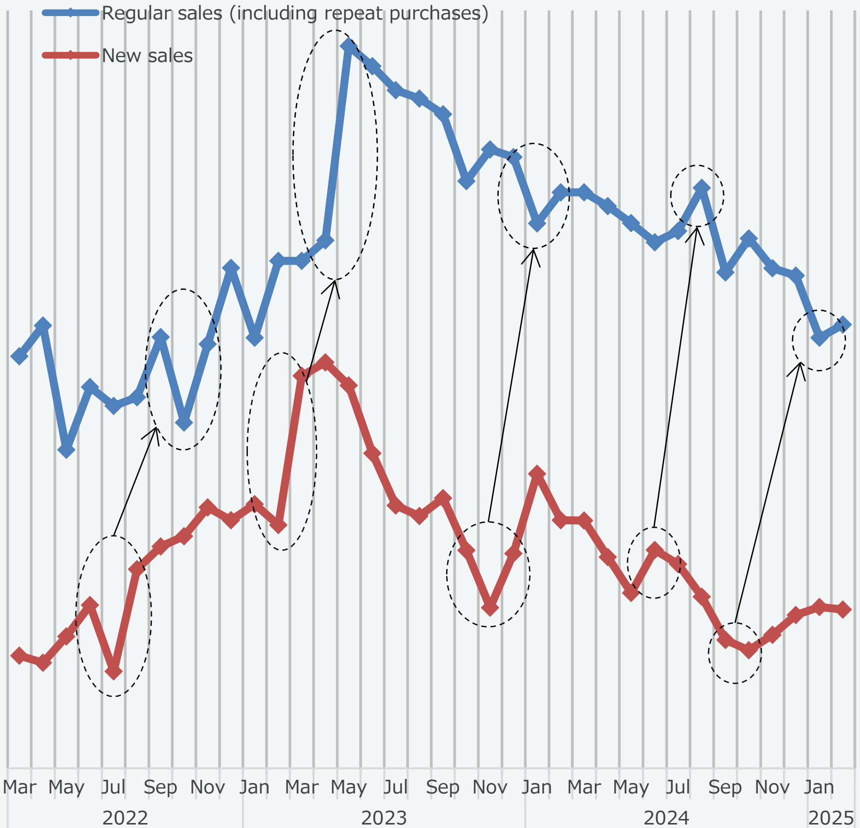


*1 Expenses that must be incurred for orders, including credit card transaction fees, shipping, packaging materials costs, enclosures and accessories, etc. In principle, it remains at a constant percentage of overall net sales.
*2 Expenses involved in the acquisition of new customers; primarily advertising expenses.
*3 "Other brands" are treated as a separate brand from J NORTH FARM given the product characteristics and creation background of the e-cigarette "SPADE." However, it accounts for only a small portion of the non-consolidated financial results.

Non-consolidated Relationship between new sales and regular sales

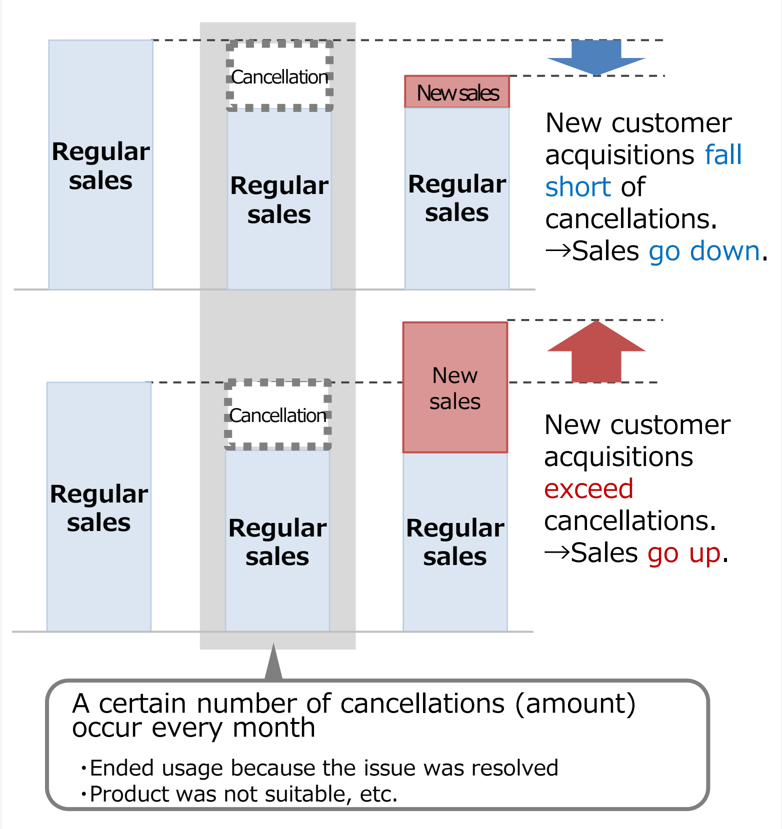
◆ Correlation between new sales and regular sales

A change in new sales generally emerges as impact on regular sales in two or three months



◆ Profit structure

Although a certain number of cancellations (amount) occurs every month, sales will grow by an increase in regular customers if new customer acquisitions exceed the number of cancellations



＊ For visualizing the correlation, the vertical axis represents different figures.

Non-consolidated Key Performance

<Compared with financial results forecast for the three months ended May 31, 2025>

(Millions of yen)

	Non-consolidated		
	Forecast	Results	Changes
Net sales	2,311	2,384	+73
Gross profit	1,818	1,895	+77
Sales promotion expenses, etc.	845	925	+80
Sales profit	972	969	-2
Operating profit	215	222	+6

J NORTH FARM

The new customer acquisitions were strong and net sales increased, which was accompanied by an increase in outlays for new customer acquisitions and other expenses, and sales profit was in line with the forecast.

(Millions of yen)

	J NORTH FARM			Other brands		
	Forecast	Results	Changes	Forecast	Results	Changes
Net sales	2,291	2,366	+74	19	18	-1
Gross profit	1,803	1,885	+81	15	10	-4
Sales promotion expenses, etc.	844	924	+80	1	1	0
Sales profit	958	960	+1	14	9	-4

Non-consolidated

J NORTH FARM

Factors behind change in sales profit

<Compared with financial results forecast for the three months ended May 31, 2025>

(Millions of yen)

	Forecast	Results	Changes	Changes (%)
Net sales	2,291	2,366	+74	+3.3%
(1) Difference in new sales				
Net sales	341	**370**	+29	+8.6%
Gross profit	245	**270**	+24	+9.9%
Sales promotion expenses, etc.	674	**733**	+59	+8.8%
Sales profit	-428	**-463**	-34	–
Initial ROAS*	56.7%	**58.3%**	–	–
(2) Difference in regular and other sales				
Net sales	1,575	**1,596**	+20	+1.3%
Gross profit	1,250	**1,273**	+23	+1.9%
Sales promotion expenses, etc.	66	**72**	+6	+9.4%
Sales profit	1,184	**1,200**	+16	+1.4%
(3) Difference in e-commerce mall sales				
Net sales	373	**398**	+24	+6.6%
Gross profit	306	**341**	+34	+11.2%
Sales promotion expenses, etc.	103	**117**	+14	+14.1%
Sales profit	203	**223**	+19	+9.7%
Sales profit	958	**960**	+1	+0.2%

- Net sales increased, as the number of new customer acquisitions was higher than expected.
- As we were able to make outlays for new customer acquisitions, sales promotion expenses, etc. increased. Sales profit was below the forecast but in a positive state.

- The accumulation of regular sales was higher than expected.
- Sales increased, causing sales profit to exceed the forecast.

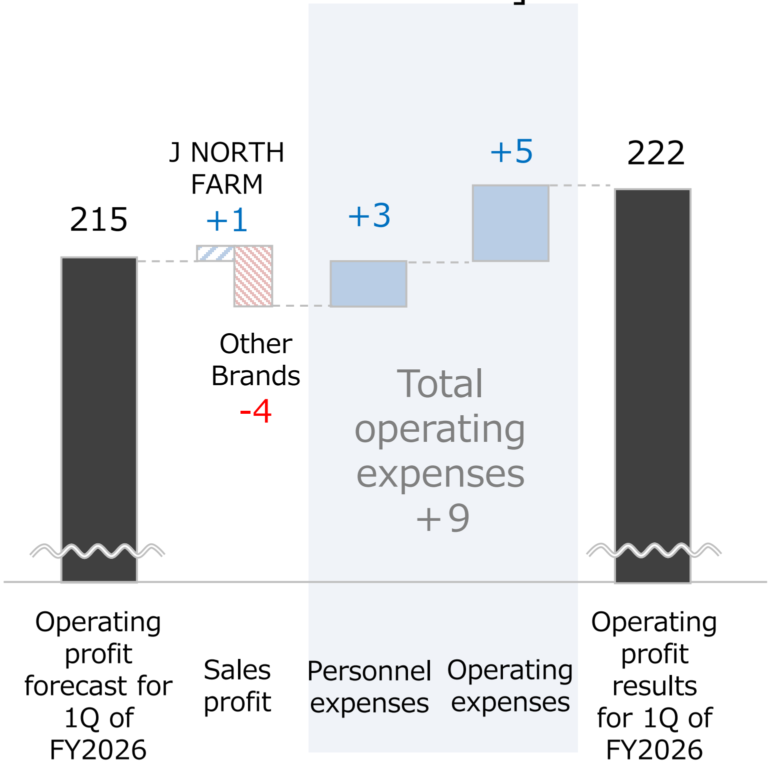
- Both net sales and sales profit were higher due to various measures.

* ROAS stands for Return On Advertising Spend, which is an indicator of advertising investment efficiency that measures how much sales are generated from advertising. In this case, this figure is calculated using “sales from new customer acquisitions” and “new customer acquisition expenses” included under sales promotion expenses, etc. If ¥1 million was used for new customer acquisition expenses, and ¥500 thousand of sales was generated, the ROAS is 0.50 (50.0%). 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.

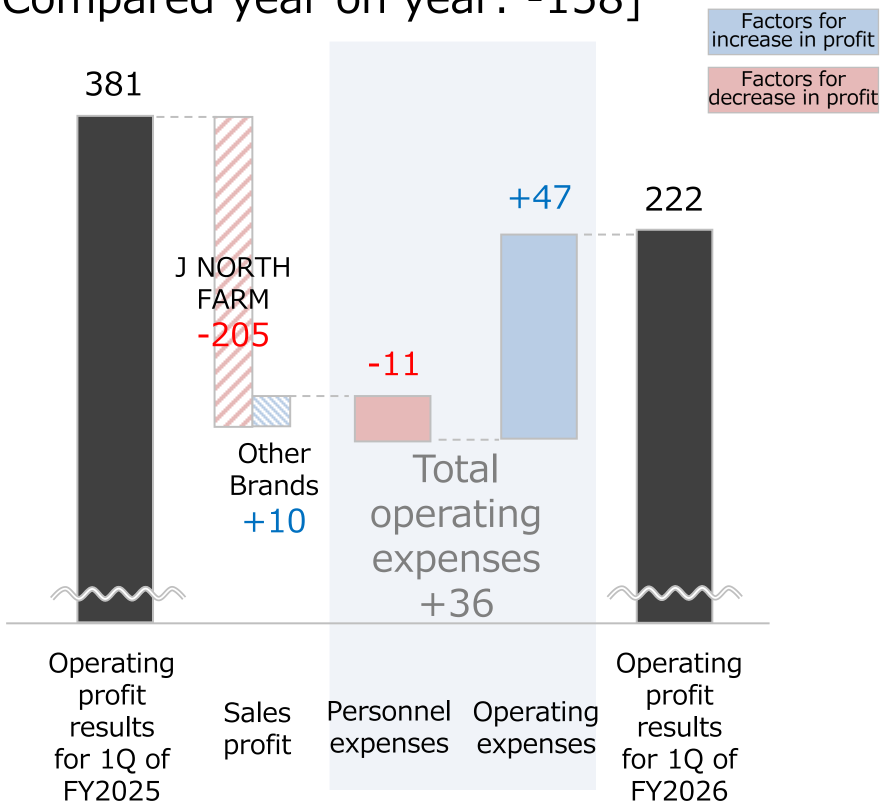
Factors behind change in operating profit

(Millions of yen)

[Compared with financial results forecast: +6]



[Compared year on year: -158]



(Compared with financial results forecast)
No significant increase or decrease

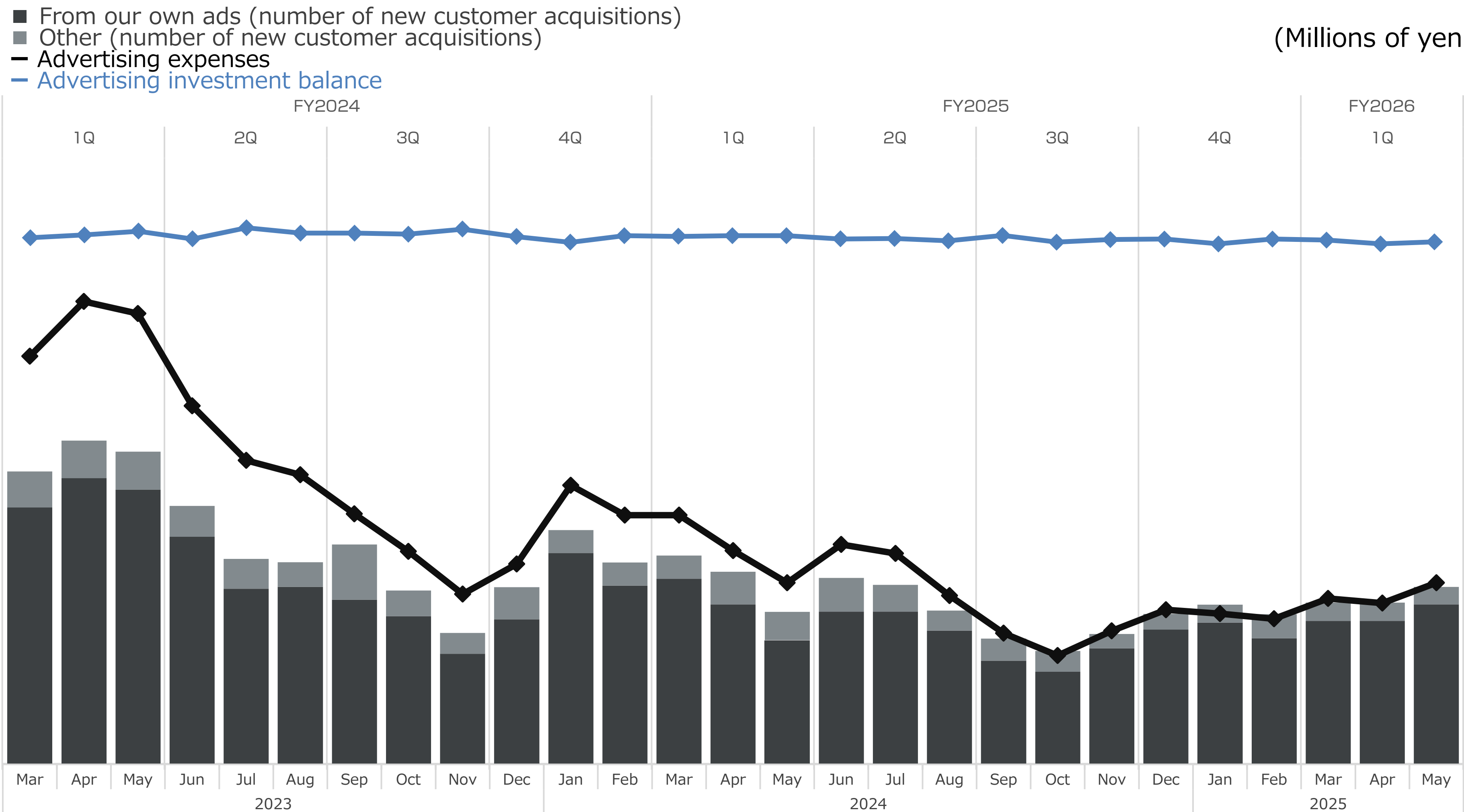
(Year on year)
・Optimization of distribution bases
・In the previous year, expenses related to relocation of the Tokyo Head Office floor were incurred.

Non-consolidated

J NORTH FARM

Relationship between number of new customer acquisitions and advertising expenses

・Changes in the number of new customer acquisitions are directly linked to changes in advertising expenses.
・The advertising investment balance is maintained at a constant level.

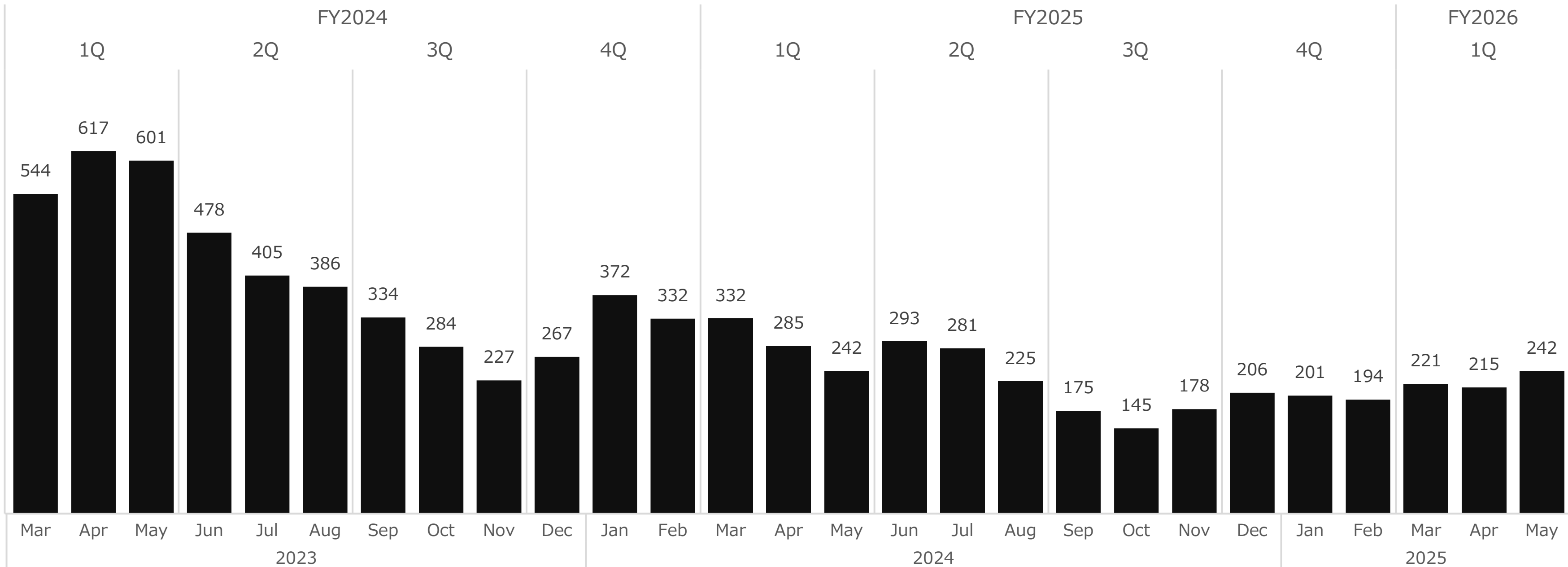


Non-consolidated

J NORTH FARM

Changes in advertising expenses

(Millions of yen)



Most advertising expenses are incurred through customer acquisitions from our own ads.

<Main acquisition channels>

J NORTH FARM

- **Our website, etc.***
  Through e-commerce websites operated by the Company, etc.
  - **Customer acquisitions from our own ads**
  - **Other**
    Through affiliates, etc.
- **E-commerce malls**
  Amazon, Rakuten Ichiba, etc.

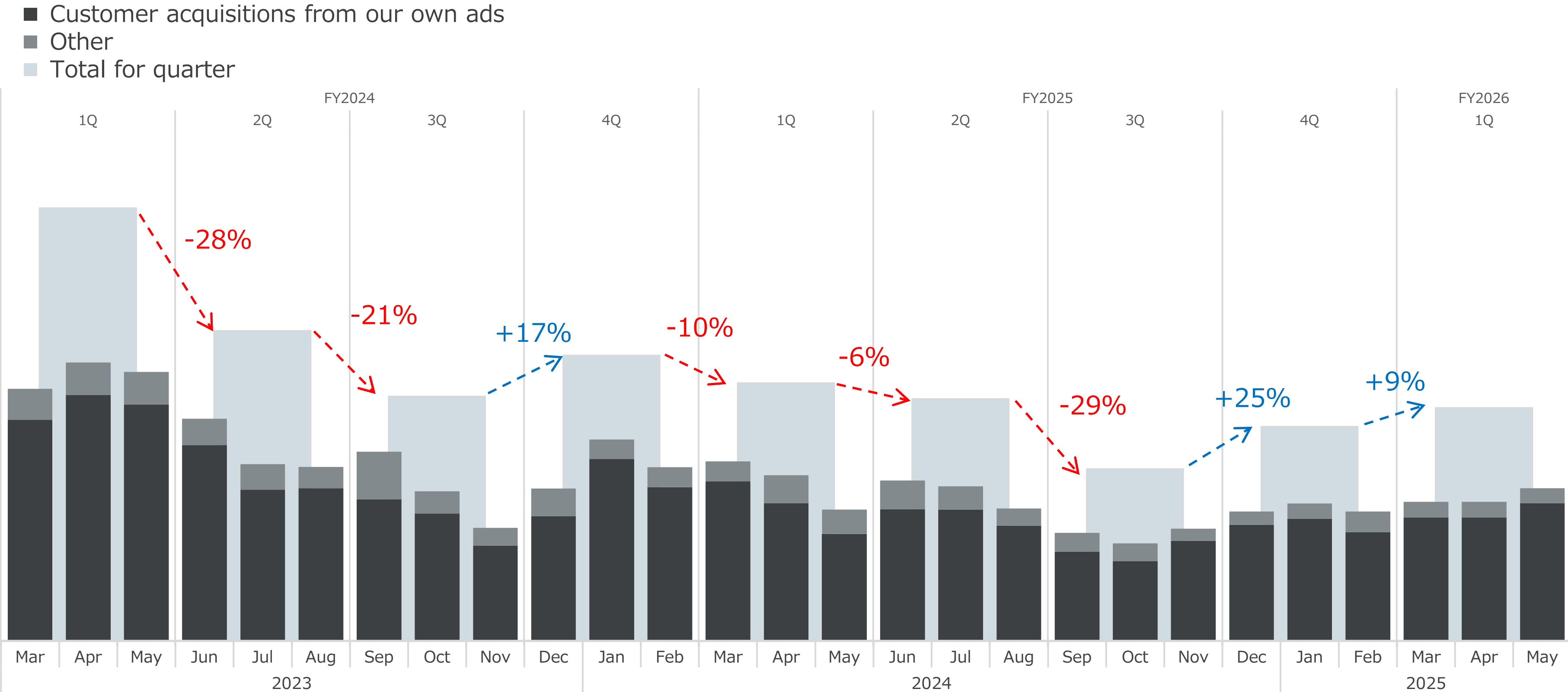
* "Our website, etc." includes the number of new customer acquisition (as well as a portion of orders made by phone, etc.) from all e-commerce websites operated by the Company, excluding e-commerce malls

Non-consolidated

Our website, etc.

Changes in number of new customer acquisitions

The number of new customer acquisitions for the first quarter of FY2026 increased 9% QonQ.



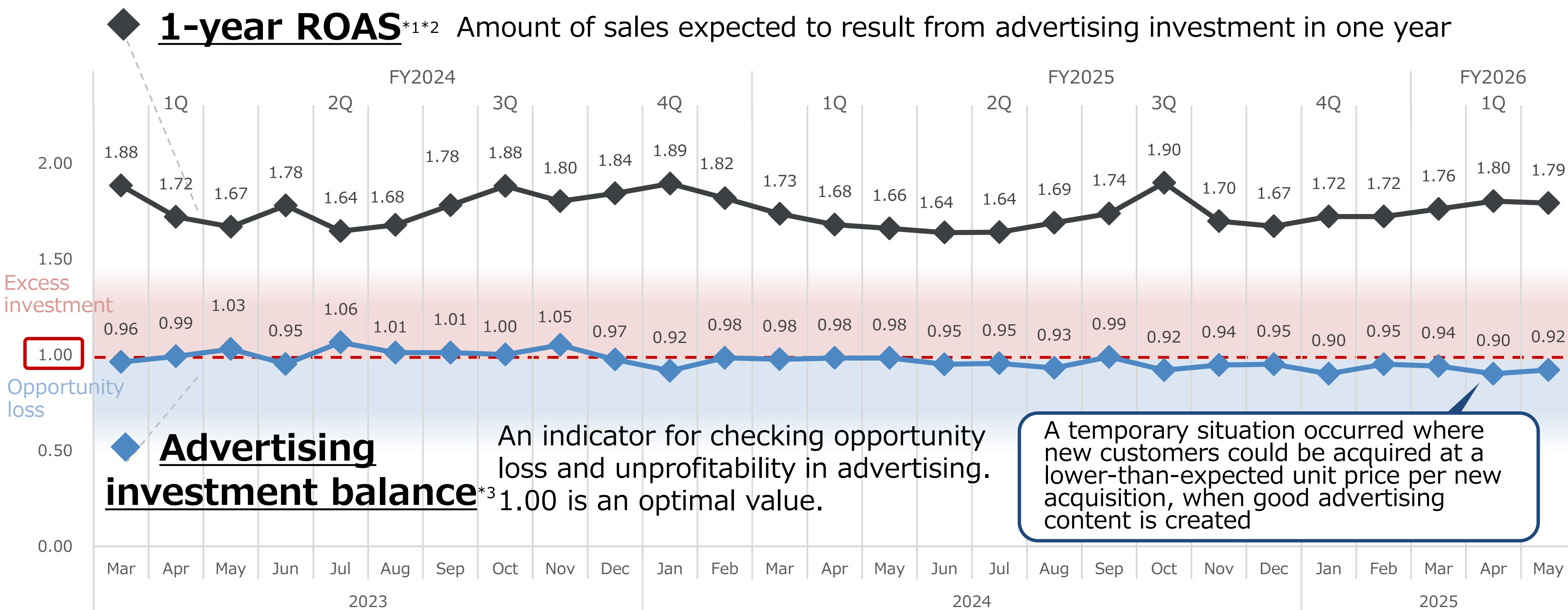
◆ Since the third quarter of FY2025, the number of new customer acquisitions has been in a recovery trend.

・Continuous efforts such as considering AI utilization, brushing up training content, and developing a system, in order to create advertising with a higher click-through rate, particularly "good advertising content" including sales pages with a higher purchase rate

Non-consolidated

Customer acquisitions from our own ads

Advertising investment efficiency



We will continue to strive to enhance the number of new customer acquisitions while maintaining the optimal advertising investment balance of 1.00.

*1 Used as a projection of how much sales are expected to result from advertising in one year. If ¥1 million was used for advertising, and sales of ¥1.5 million are expected to be generated, the projected 1-year ROAS is 1.50.
*2 “Initial ROAS” is an indicator for measuring how much initial sales are generated from advertising investment. However, even though profitability may not be decreasing, ROAS values will trend downward when the share of the products to which a high CPO limit*4can be assigned due to their high LTV, despite their low unit price, has increased, meaning that there were cases in which this indicator was not an accurate depiction of investment efficiency. As it is necessary to factor in these aspects when evaluating advertising investment efficiency in the subscription purchase model, which is based on continued purchases, 1-year ROAS is used for calculation. While initial ROAS is calculated as “initial sales (results) ÷advertising expenses (results),” 1-year ROAS is calculated as “1-year sales (projection) ÷advertising expenses (results).” The figures for sales over a period of one year are simulated projections derived from massive amounts of data, including past results and repeat purchase rates, etc., and these same projections are used in actual ad management to set CPO limits.
*3 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.
*4 Upper limit of advertising expenses that can be used to acquire one new customer, calculated backward from the required profit, using the relationship between “CPO,” which is the amount of advertising expenses required to acquire one new customer, and LTV.

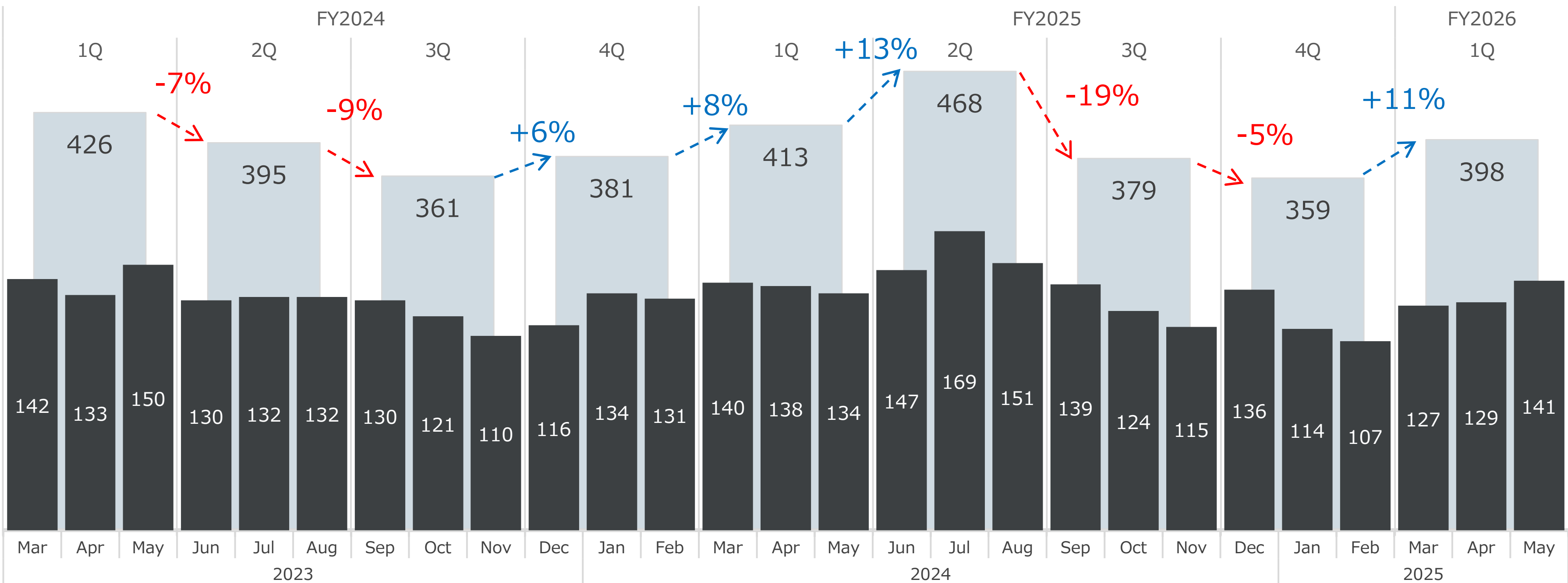
Non-consolidated

E-commerce malls

Changes in net sales

Net sales for e-commerce malls in the first quarter of FY2026 were +11% quarter on quarter.

(Millions of yen)



<Initiatives implemented in FY2026>

- Sales promotion activities, advertising contents creation, and advertisement optimization targeted at e-commerce malls
- Implementation of measures intended to raise the rate of participation in sales

Non-consolidated

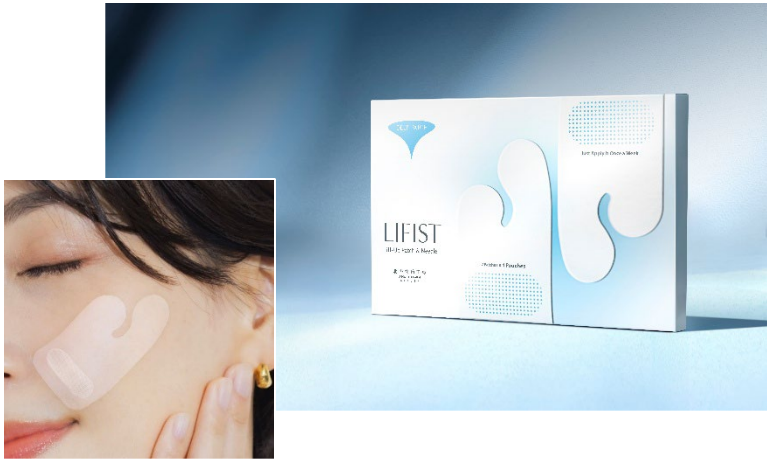
Products released in FY2026

LIFIST

Next-generation micro needle lifting*1 cosmetics against sagging cheeks*1 with skin care effects

The fifth release of “injectable cosmetics” that arrange needle-shaped beauty ingredients, including concentrated hyaluronic acid*2 as the main ingredient, on the patch

[Released in May 2025]



◆ The first release after a change into the new product development policy

・Product “planning” and “development” in which the existing product department engaged in an integrated manner are separated into different phases and the product planning and marketing team newly established in the latter half of FY2025 focuses on “planning.”

・External tests added to the existing flow to product development

The same level of tests as “hit products” which were released within the last few years and became mainstay products is conducted and only passed projects move to a development phase.

*1 Physical effects of the patch
*2 Moisturizing ingredients

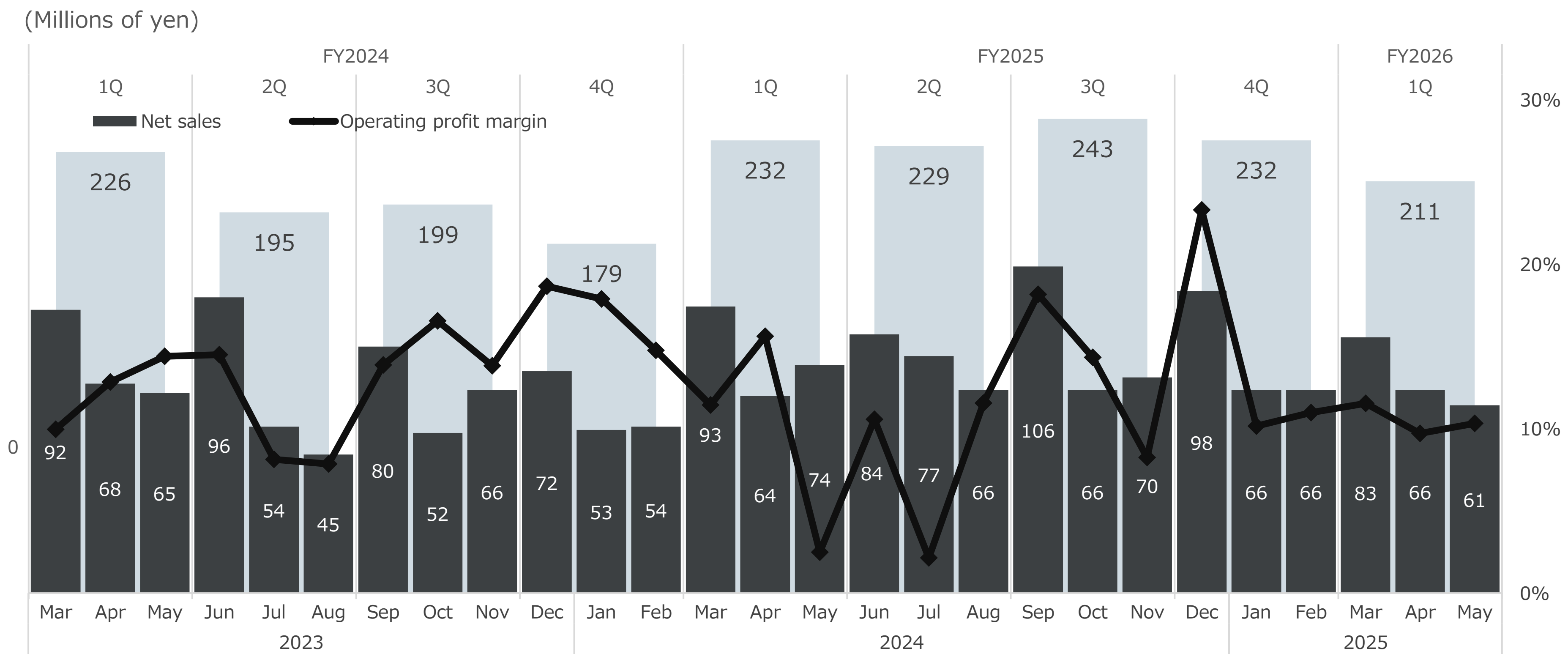
SALONMOON Co., Ltd.

Providing highly functional hair irons at affordable prices under its own hair care brand SALONMOON

・The main customer base is in their 20s to 40s
・Sales come primarily from e-commerce malls, with the new addition of storefront sales at home appliance mass merchandisers' stores, etc.

<Changes in financial results>

・The decline in the operating profit margin in May and July 2024 was due to factors such as a change in the sales channel composition and temporary costs incurred in expanding sales channels.



SALONMOON
Co., Ltd.

<Initiatives for the FY2026>

- Sales promotion measures for major e-commerce malls (Amazon, Rakuten Ichiba, Qoo10, etc.)
  - ・Coupon initiatives and participation in sales
  - ・Scrupulous advertising initiatives to optimize search engine results
  - ・Conducting user interviews to utilize real voices from customers for promotion
- Release of new products and development of series products
- Storefront sales at nationwide consumer electronics chains, major variety shops, and discount stores to increase brand awareness and attract new customer base
- Utilization of product placement*
- Promotion campaign to customers of “J NORTH FARM“
- Adjustment and verification of advertisement investments for improving profitability of some malls

  → Although performance of some malls falls below the plan, repeated verifications are continued to boost performance.

The total amount of shipments of beauty appliance series “SALONMOON” surpassed 1.30 million units

<u>We will seek to further enhance brand value and awareness to boost performance</u>

* One of advertising methods where real company names and product names (brands) are displayed as props and backgrounds in content such as films, dramas, YouTube videos, and manga.

Consolidated

Consolidated Balance Sheets

(Millions of yen)

Subject/Section	FY2025/4Q end As of February 28, 2025	FY2026/1Q end As of May 31, 2025
Current assets	7,960	7,622
(Cash and deposits)	5,698	5,150
Non-current assets	1,197	1,164
Total assets	9,157	8,787
Current liabilities	1,234	998
Non-current liabilities	56	56
Total liabilities	1,291	1,055
Total net assets	7,866	7,731
Total liabilities and net assets	9,157	8,787

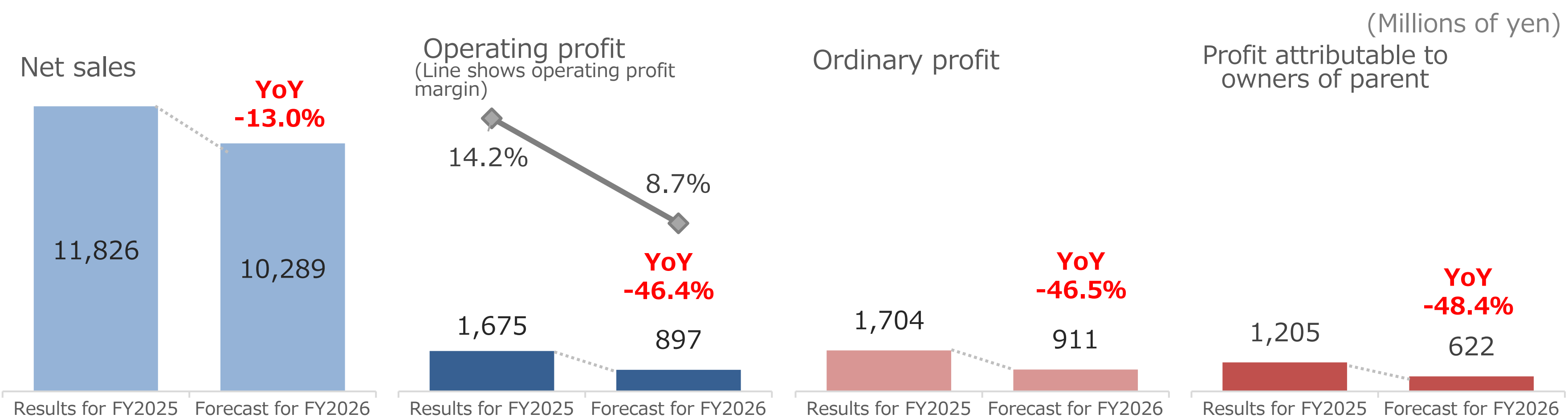
<Main factors for the changes from the end of FY2025>
¥547 million decrease in cash and deposits under assets
¥149 million decrease in income taxes payable under liabilities
¥137 million decrease in retained earnings under net assets

Financial Results Forecast

Consolidated Financial Results Forecast

(Millions of yen)

	FY2025 results	FY2026 forecast	Changes	Changes (%)
Net sales	**11,826**	**10,289**	**-1,537**	**-13.0%**
Operating profit	**1,675**	**897**	**-777**	**-46.4%**
Operating profit margin	**14.2%**	**8.7%**	**-5.5 pt**	
Ordinary profit	**1,704**	**911**	**-792**	**-46.5%**
Profit attributable to owners of parent	**1,205**	**622**	**-583**	**-48.4%**



Non-consolidated Financial Results Forecast

(Millions of yen)

	FY2025 results	FY2026 forecast	Changes	Changes (%)
Net sales	10,687	9,275	-1,412	-13.2%
Gross profit	8,454	7,309	-1,144	-13.5%
Sales promotion expenses, etc.	3,819	3,476	-343	-9.0%
Sales profit	4,634	3,832	-801	-17.3%
Total operating expenses	3,040	3,030	-9	-0.3%
Operating profit	1,594	802	-791	-49.7%
Operating profit margin	14.9%	8.7%	-6.2 pt	
Ordinary profit	1,634	862	-771	-47.2%
Profit	1,151	612	-538	-46.8%

FY2026 forecast has been prepared on the assumption that the status of new customer acquisitions continue at the level as of the date of announcement on April 14, 2025.

Although the impact of “expanding product lineup” and “initiatives for improving LTV” planned to be implemented in the Medium-term Management Plan 2028 announced today on the forecast was considered, it is insignificant given the assumed timing of product release and initiatives to be implemented and therefore, the financial results forecast is currently unchanged.

Non-consolidated

J NORTH FARM

Factors behind change in sales profit

<Comparison between FY2025 results and FY2026 forecast>

(Millions of yen)

	FY2025	FY2026	Changes	Changes (%)
Net sales	10,517	**9,235**	-1,281	-12.2%
(1) Difference in new sales				
Net sales	1,510	**1,393**	-117	-7.8%
Gross profit	1,131	**999**	-131	-11.6%
Sales promotion expenses, etc.	2,911	**2,763**	-147	-5.1%
Sales profit	-1,780	**-1,764**	+16	–
Initial ROAS	55.8%	**56.3%**	–	–
(2) Difference in regular and other sales				
Net sales	7,385	**6,202**	-1,183	-16.0%
Gross profit	5,868	**4,938**	-930	-15.9%
Sales promotion expenses, etc.	354	**260**	-94	-26.6%
Sales profit	5,513	**4,677**	-836	-15.2%
(3) Difference in e-commerce mall sales				
Net sales	1,621	**1,640**	+19	+1.2%
Gross profit	1,392	**1,341**	-51	-3.7%
Sales promotion expenses, etc.	464	**450**	-14	-3.1%
Sales profit	928	**891**	-36	-4.0%
Sales profit	4,661	**3,805**	-856	-18.4%

New sales decrease as new customer acquisitions in the first half of FY2025 were larger than the present and the financial forecast for FY2026 was prepared based on the assumption that new customer acquisitions remain at the level when the forecast was prepared.

Sales profit slightly increases as a result of a decrease in sales promotion expenses, etc. due to the above.

Decrease due to a decrease in new sales

Net sales remain almost flat, as a decrease in new sales from our website does not have immediate impact.
Sales profit decreases due to impact of our product share.

References

会社概要

Company Name	Kitanotatsujin Corporation
Representative	Katsuhisa Kinoshita, Representative Director & President
Incorporated	May 2002 (Founded in May 2000)
Head Office	Chuo-ku, Tokyo and Sapporo, Hokkaido
Listing	TSE Prime Market　　SSE Main Market May 2012　Listed on Sapporo Securities Exchange, Ambitious Market March 2013　Upgraded to Main Market on Sapporo Securities Exchange November 2014　Listed on the Tokyo Stock Exchange, Second Section November 2015　Assigned to the Tokyo Stock Exchange, First Section April 2022　Transferred to the Tokyo Stock Exchange, Prime Market
Officers and Employees, etc.*	220 (19) people (As of February 28, 2025)

* The number of personnel. The number of temporary workers (including part-time workers) is shown in parenthesis, on an annual-average basis, and is not included in the number of officers and employees, etc.

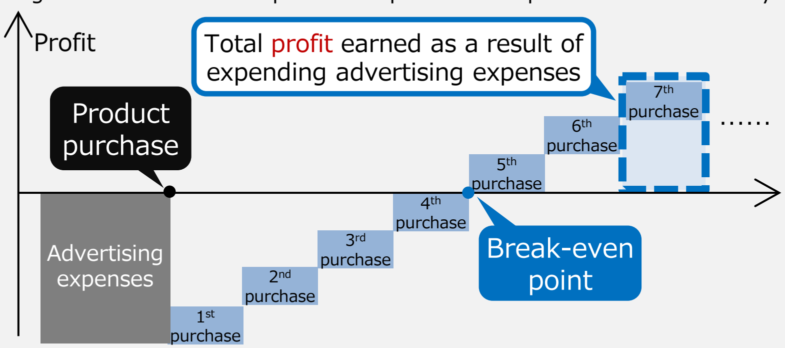
Business Model

◆ Customer characteristics

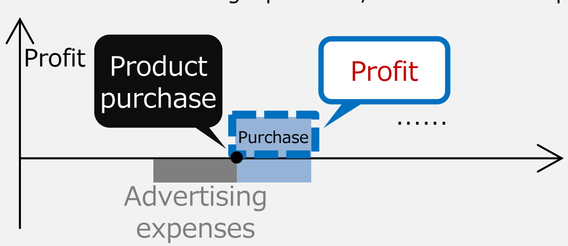
・The main customer base is in their 40s and over
・Sales from regular customers account for approx. 70% of overall sales

◆ Monetization schemes by channel

<Our website> Subscription purchase-driven business model in which the balance of income and expenditure at the first purchase will be negative but will become positive as products are purchased continuously

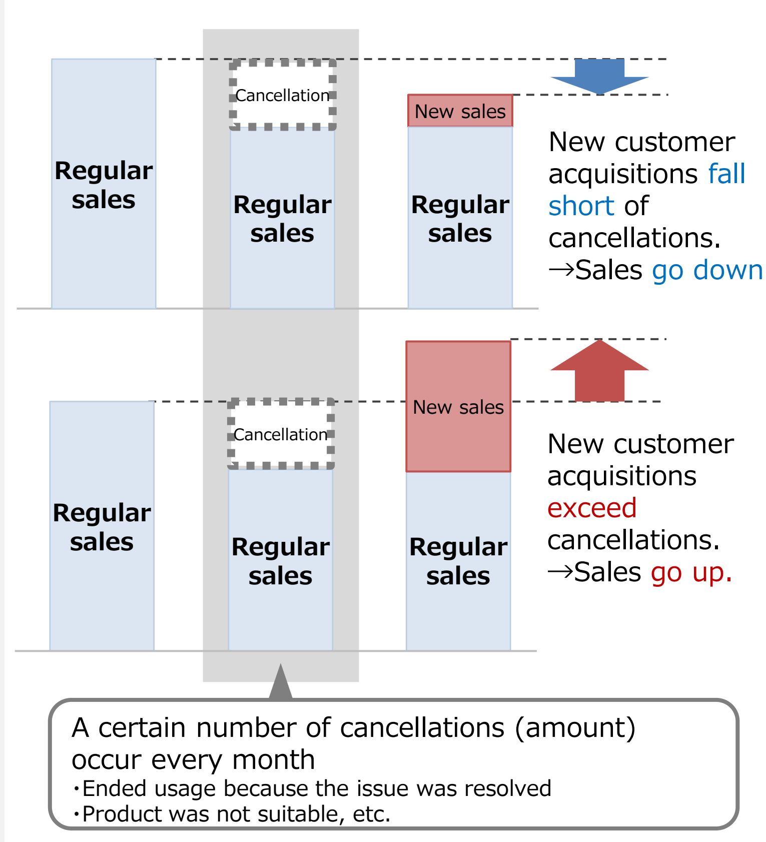


<E-commerce malls> Unit-purchase business model in which profitability is achieved with a single purchase, not a continuous purchase



◆ Profit structure

Although a certain number of cancellations (amount) occurs every month, sales will grow by acquiring new customers that exceed the number of cancellations



Business Model

<Product strategy>

- Product development specifically designed for the E-commerce business
- Strict product development standards
- Products designed for delivery at fixed periods

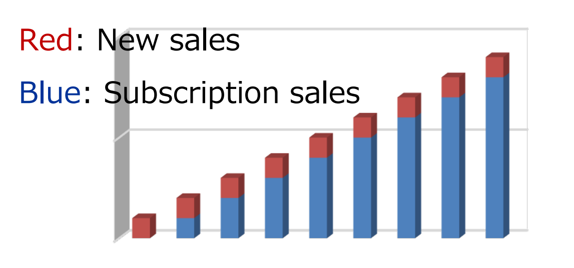
<Sales strategy>

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

Together with

Adoption of D2C × Subscription-driven business model

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



Realize a profit structure that enables stable growth

Product Strategy

◆ Product development specifically designed for the E-commerce business

・Develop the E-commerce business that sells a total of 39 original products on the Internet to meet specific customer needs, including cosmetics and health foods

・Products specialized for solving customers’ concerns for health and beauty

◆ Stringent product development standards

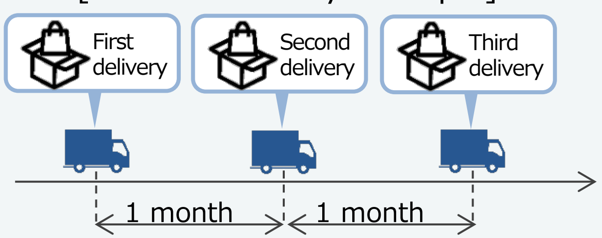
・Only commercialize products that bring solid satisfaction, under the policy, “A product will only be commercialized when an astonishingly fine product is created”

・Established original product development standards with approximately 1,400 items specifically designed for online sales and conduct a thorough monitor survey

◆ Product design

All products are generally designed and developed to be completely used in one month

[Product delivery example]



The next product arrives when the product is completely used

Sales Strategy

◆ Performance

We place more emphasis on profits than on net sales.

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

⇨ The law of sales minimization, profit maximization
(Explained in the figure on the right)

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

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

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

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

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

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

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

◆ 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) Manage approximately 50 thousand advertisements a month and calculate and check CPO on a daily basis
(4) Automatically suspend advertisements that exceed the CPO limit
(5) The Company develops and operates a system that manages the above process.

⇨ Develop system where only highly profitable advertising remains

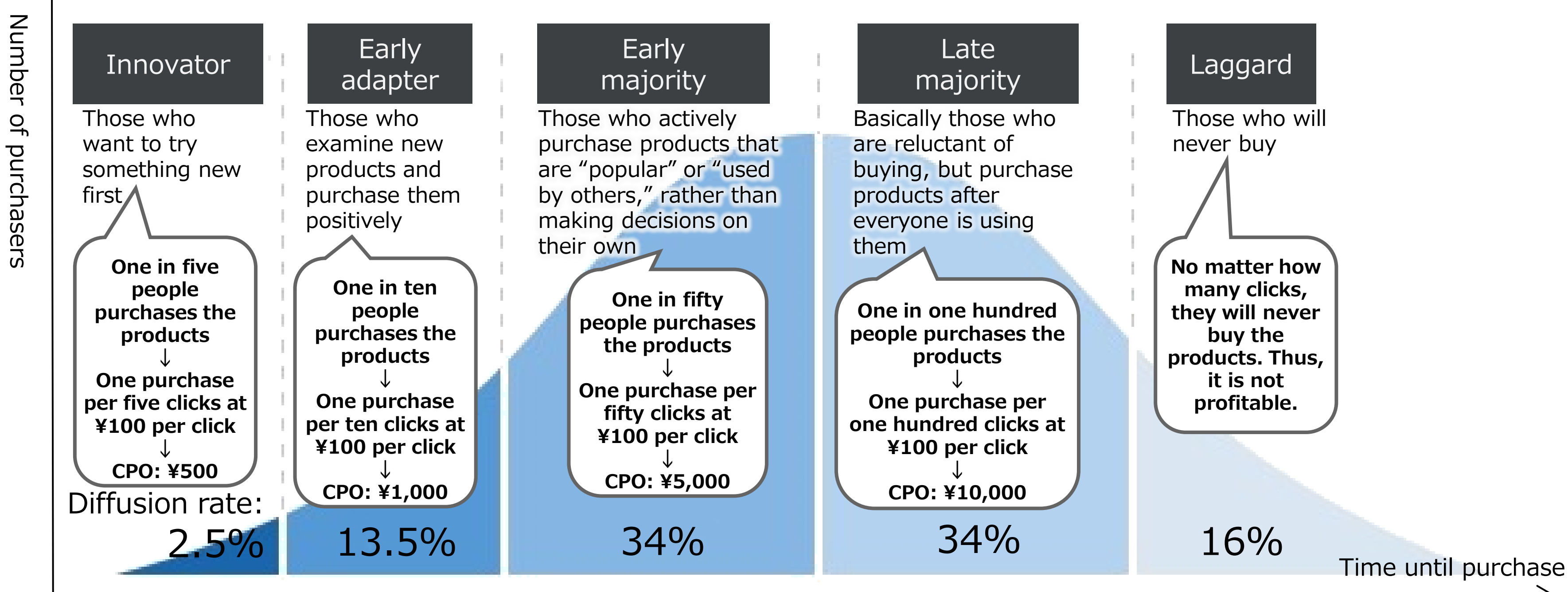
Sales Strategy

◆ Correlation between CPO and the number of new customer acquisitions

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

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

Consumer distribution by innovator theory



The more you expand your customer base, the greater the CPO will be.
→ We target the point at which profit is maximized without deterioration in profitability.

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

Sales Strategy

◆ **Five level profit management** Visualize profits on five levels for “each product”

(Millions of yen)

Gross profit by product

Mandatory cost per order

Gross profit − order-linked costs = net gross profit (coined term)

Net gross profit − new customer acquisition expenses = sales profit (coined term)

Personnel expenses for each product

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

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

Sales Strategy

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

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

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

It is important to find the most profitable CPO

<In the case of LTV of ¥10,000>

Diminishing returns begin from here

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

Most profitable profit per customer

Most profitable

Largest number of new customer acquisitions

Largest sales

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

<In the case of LTV of ¥12,000>

Diminishing returns begin from here

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

Most profitable profit per customer

Most profitable

Largest number of new customer acquisitions

Largest sales

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

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

Sales Strategy

◆ Enhancement of advertising investment and relationship to profit

For online sales, the amount of advertising investment and sales correlate

Enhancement of advertising investment ▶ Increase in sales

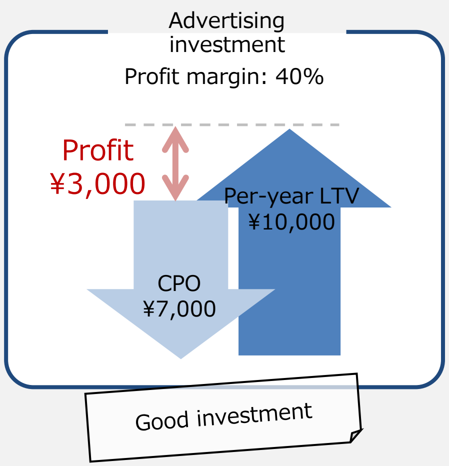
\+

Prevent a decline in profitability due to excess advertising investment

▶ Set the CPO limit to secure the required profit

⇨ It becomes possible to increase sales by enhancing advertising investment while maintaining profitability

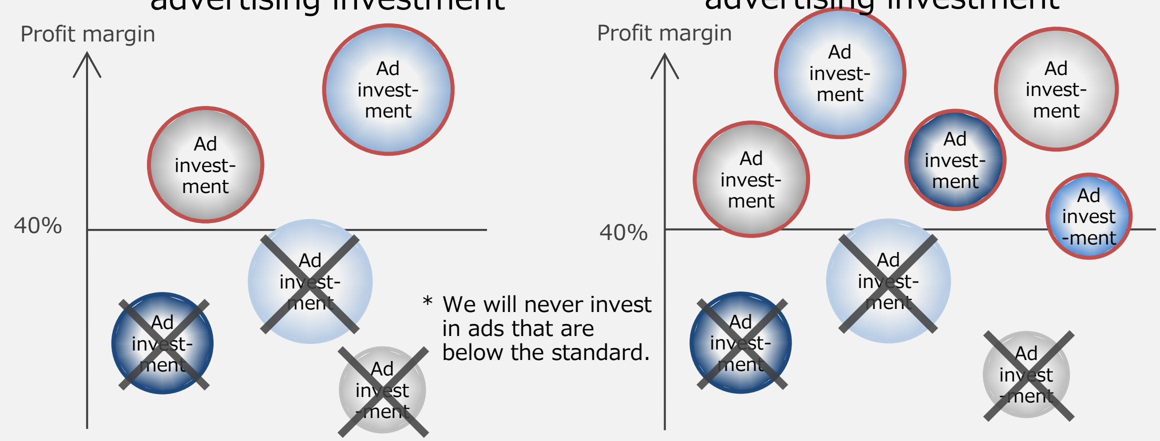
Our method of setting the CPO limit and our advertising investment policy



Our standard for advertising investment

If there are only a few ads that are above the standard, we reduce the total amount of advertising investment

If there are many ads that are above the standard, we increase the total amount of advertising investment



* We will never invest in ads that are below the standard.

Our basic approach

- If we exceed the CPO limit, we reduce advertising investment and dial down promotion to acquire new customers.
- If new customer acquisitions continue to be achieved within the CPO limit, we enhance advertising investment in order to avoid opportunity loss and strive to increase future profit.

Advertising expenses are the expenses arising from **upfront investments** to acquire customers. A loss due to **advertising expenses temporarily increases** as advertising investment increases.

Major Products

◆ **"DEEP PATCH Series" were recognized by the Guinness World Records™ for six consecutive years as the world's best-selling*1 products, being the first in the world to achieve six consecutive Guinness World Record™ wins in the same category of the cosmetics section**

- 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

【No. 1】 【No. 2】 【No. 3】 【No. 4】

◆ **Food with functional claims "KAITEKI OLIGO"**

Oligosaccharide food for household use which improves bowel movements for people with constipation tendency (increases stool volume and frequency of bowel movements)

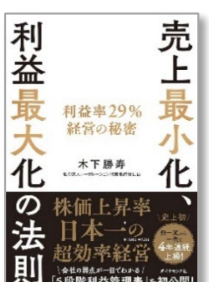
- Awarded the Monde Selection 13 times (Awarded the Grand Gold Award eight times and the Gold Award five times between 2012 and 2024)
- The registration as a food with functional claims was accepted in May 2019.
- "OKOSAMAYOU KAITEKI OLIGO," a product for children, was launched in February 2019.

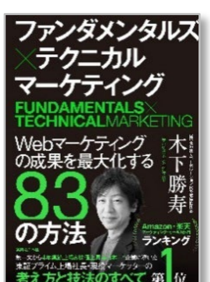
*1 Global survey by TFCO Co., Ltd. The largest micro-needle cosmetic skin patch brand (DEEP PATCH Series) with sales amount for the period from March 2019 to February 2025
*2 Area where cheek pores are concentrated

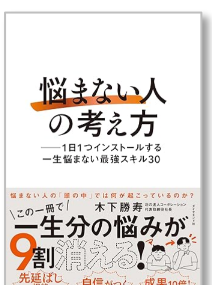
Information on the Company’s strategies, etc.

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

Books	Release date
The Law of Sales Minimization, Profit Maximization —Management Secrets for a 29% Profit Margin	June 16, 2021
FUNDAMENTALS X TECHNICAL MARKETING —83 Ways to Maximize the Results of Web Marketing	April 28, 2022
The Law of Time Minimization, Result Maximization —”A Capable Person’s Thinking Algorithm,” Installing One Story a Day	November 16, 2022
Team X —The Story Behind Building a Team that Improved Performance 13x in a Single Year	November 15, 2023
The Way of Thinking of a Positive-minded Person —30 Most Effective Skills for a Worry-free Life, Installing One a Day	September 3, 2024
Why Did That Product and Service Sell Well? Thoughts of Top Marketers	January 23, 2025







Other Indicators

	FY2016 (non-consolidated)	FY2017 (non-consolidated)	FY2018 (non-consolidated)	FY2019 (non-consolidated)	FY2020 (non-consolidated)	FY2021 (non-consolidated)	FY2022 (consolidated)	FY2023 (consolidated)	FY2024 (consolidated)	FY2025 (consolidated)
ROE (%) (return on equity)	18.0	24.8	48.8	48.9	54.2	29.1	21.8	5.6	15.1	16.2
ROA (%) (return on assets)	14.4	18.6	32.9	33.5	38.9	22.9	17.8	4.5	12.1	13.5
Equity ratio (%)	86.5	67.4	67.3	69.4	73.7	83.5	81.3	79.5	80.9	85.9
Dividend payout ratio (%)	41.4	30.9	30.3	38.7	30.3	30.0	30.0	60.7	30.8	40.4
Cash dividends per share (yen)	0.71	0.84	2.19	3.60	4.30	3.00	2.90	1.50	2.20	3.50
Number of shareholders	8,128	8,926	31,667	47,978	54,307	47,042	67,843	74,809	87,841	100,470

*1 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
*2 As FY2022 was the first year of consolidated accounting, ROE and ROA were calculated based on equity and total assets as of fiscal year-end

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