



July 17, 2025

To whom it may concern:

Company name	Kitanotatsujin Corporation
Representative	Katsuhisa Kinoshita Representative Director & President Stock code: 2930 Prime Market, Tokyo Stock Exchange SAPPORO SECURITIES EXCHANGE
Inquiries	Junichi Miura, Director, General Manager of Administration Department
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**Financial Results Meeting and Explanatory Meeting of Medium-term Management Plan
for Institutional Investors and Analysts Held**

Kitanotatsujin Corporation (the “Company”) provides notice that it held a financial results meeting for the first quarter of the fiscal year ending February 28, 2026 and an explanatory meeting of the medium-term management plan for institutional investors and analysts, where Representative Director & President Katsuhisa Kinoshita provided a presentation as follows.

<Wednesday, July 16, 2025, from 3:30 p.m. to 5:00 p.m. (Japan time)>

1. Highlights for the First Quarter of the Fiscal Year Ending February 28, 2026
2. Analysis of Operating Results, etc.
3. Financial Results Forecast
4. Medium-term Management Plan 2028
5. Q&A session

Please refer to the attached document for materials for the meeting and Q&A session (summary). Also, a video of the presentation is available through the following link:

- Financial Results Meeting (Japanese only)
<https://youtu.be/L2RXEf-j6lA>
- Explanatory Meeting of Medium-term Management Plan (Japanese only)
<https://youtu.be/lcD7wOKHqI0>

End



Financial Results Meeting for the First Quarter of the Fiscal Year Ending February 28, 2026

Stock code: 2930
Kitanotatsujin Corporation
July 16, 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 a 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

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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%

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.

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.

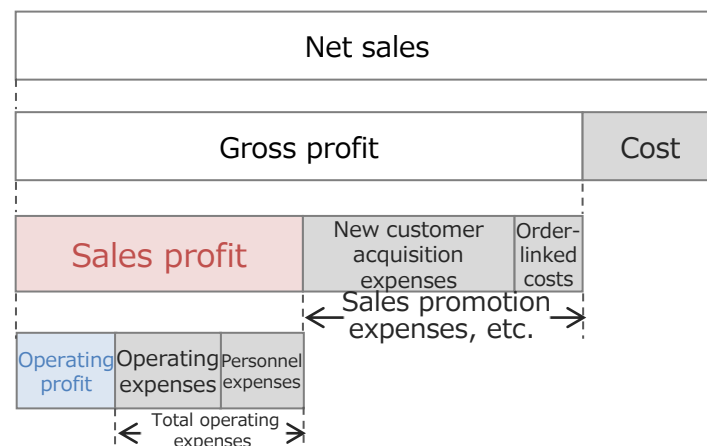
Sales profit = gross profit – sales promotion expenses, etc.
(Order-linked costs*¹ + New customer acquisition expenses*²)

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)

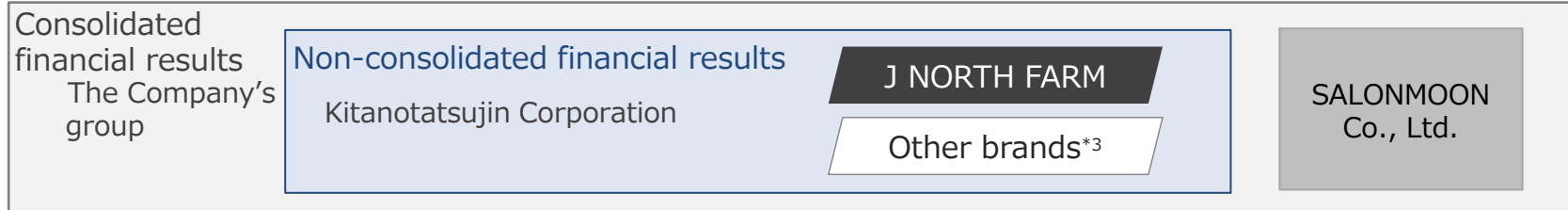
Impacted by investments for future business expansion in addition to recent business results.

Management accounting structure to visualize profits for “each product”



<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.

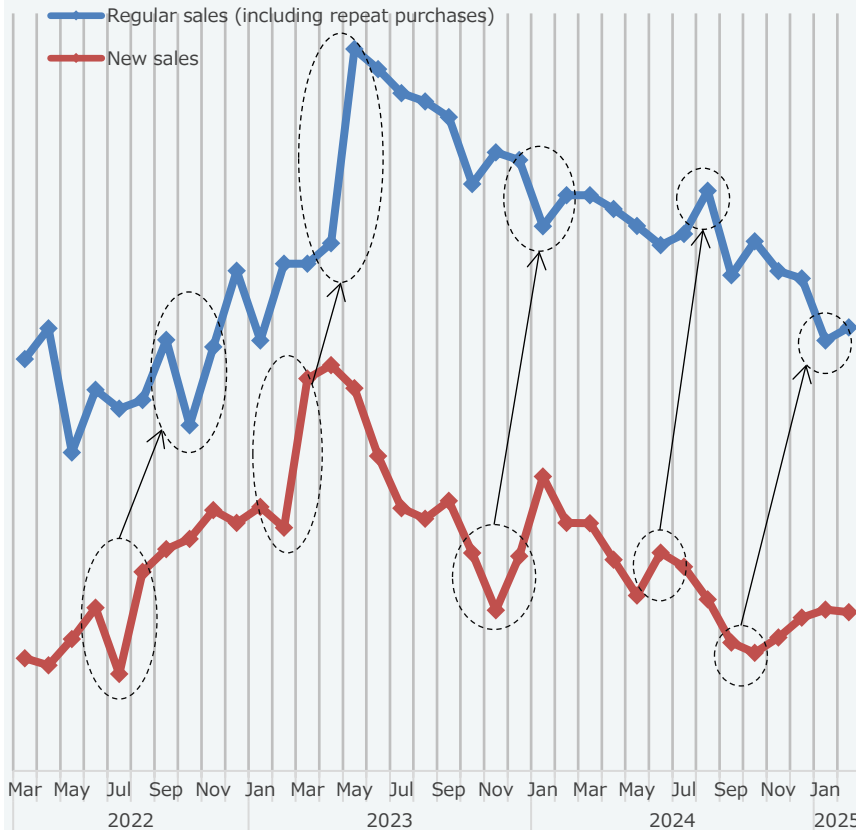
*2 Expenses involved in the acquisition of new customers; primarily advertising expenses.

*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

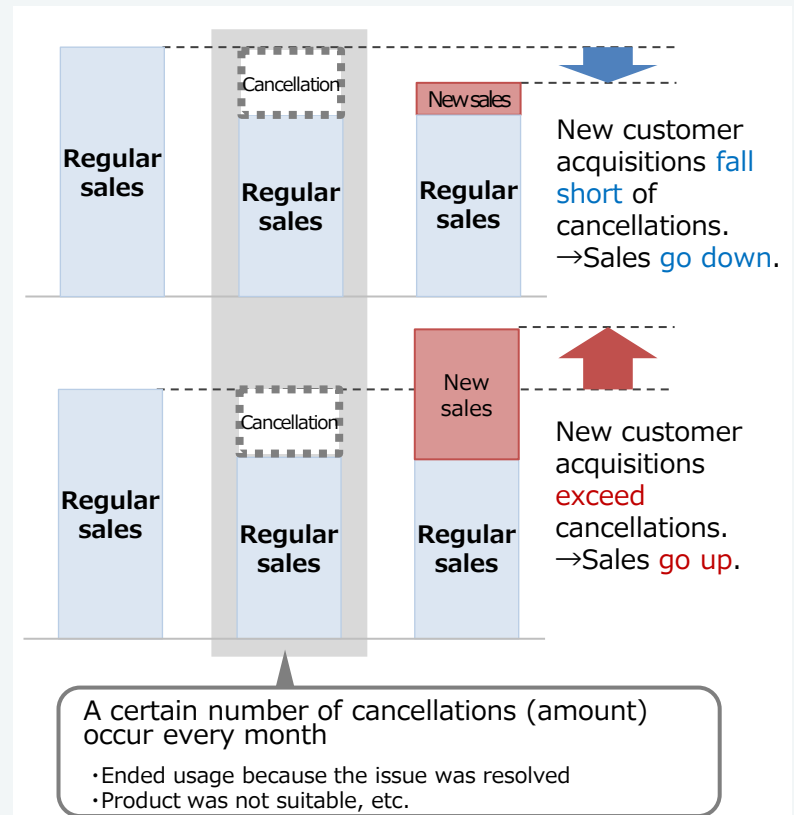
A change in new sales generally emerges as impact on regular sales in two or three months



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

◆ 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



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

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.

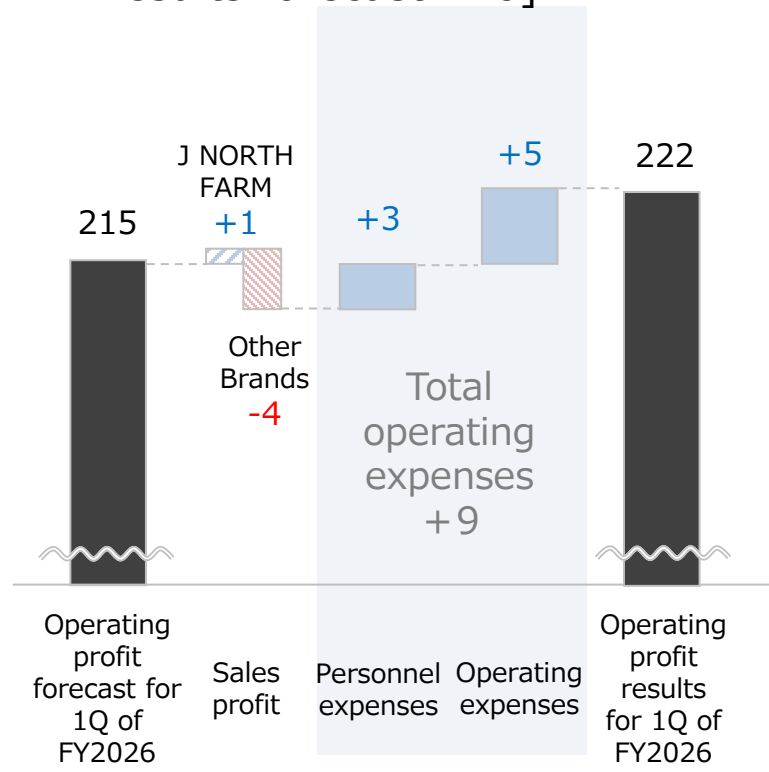
◆ Sales increased, causing sales profit to exceed the forecast.

◆ 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.

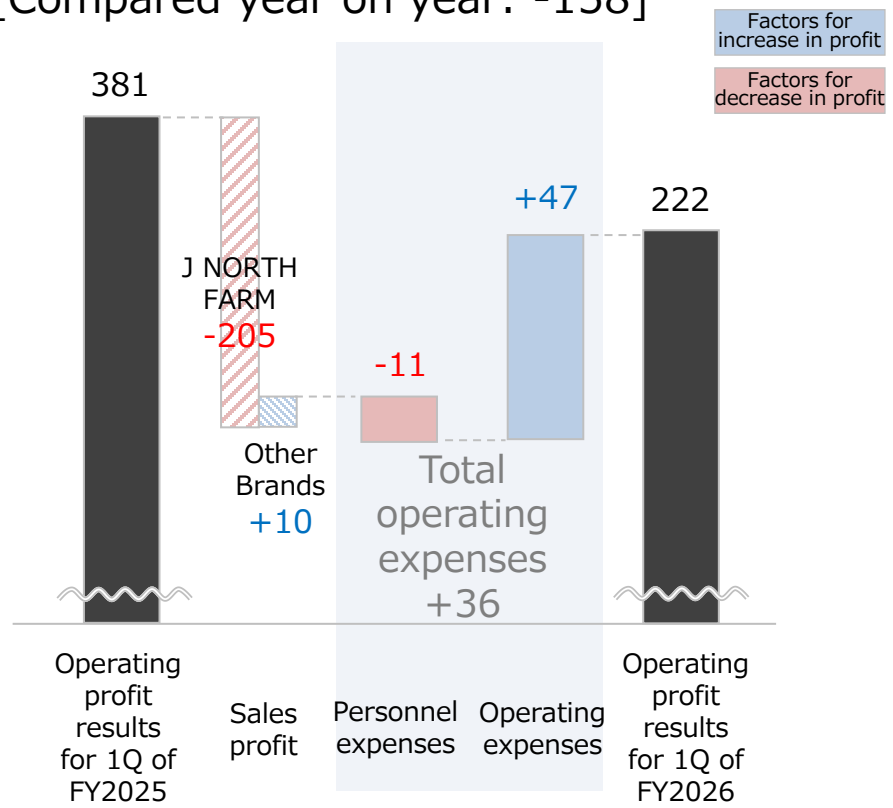
Factors behind change in operating profit

[Compared with financial results forecast: +6]



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

[Compared year on year: -158] (Millions of yen)



- (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

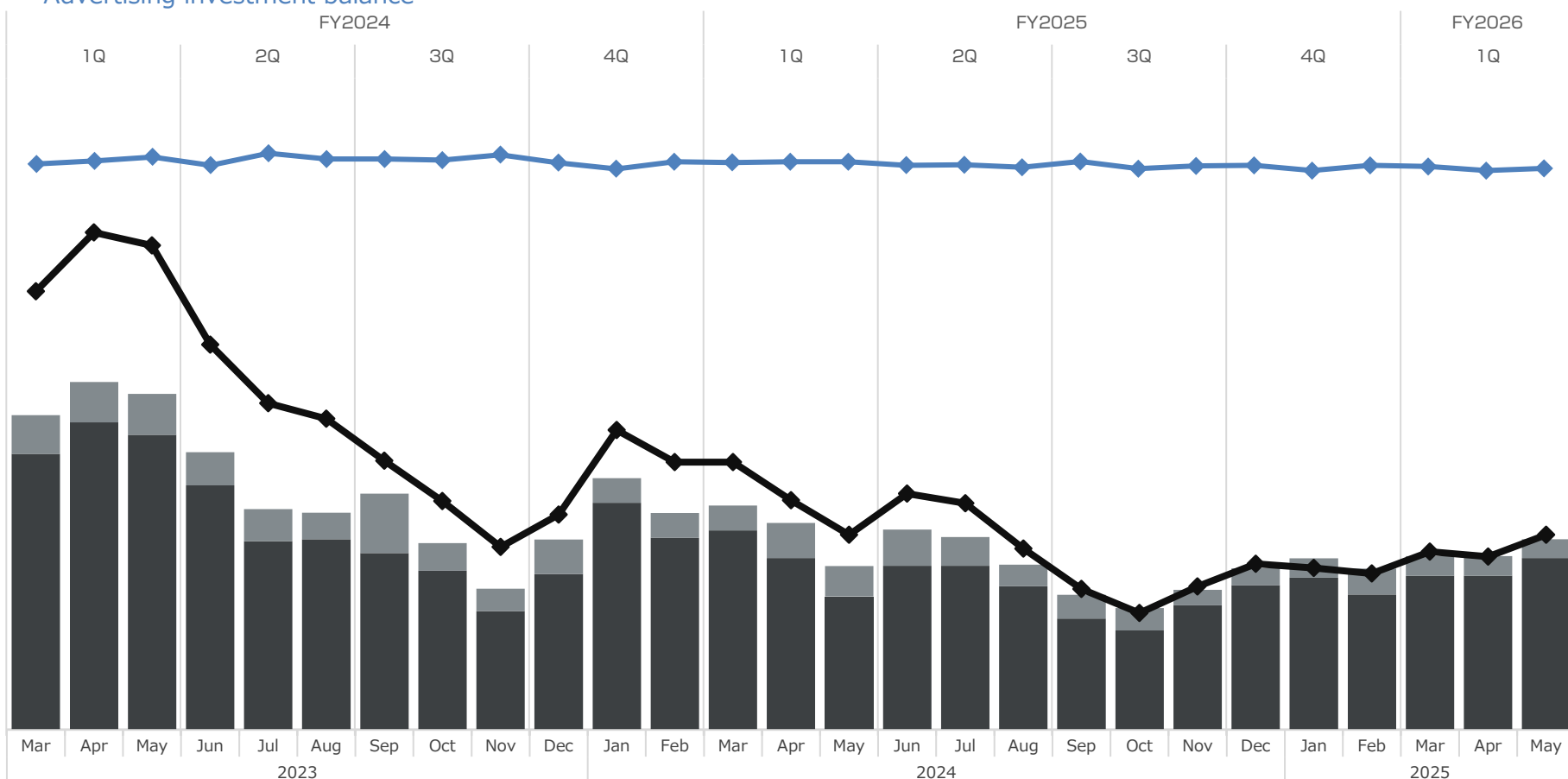
J NORTH FARM

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.

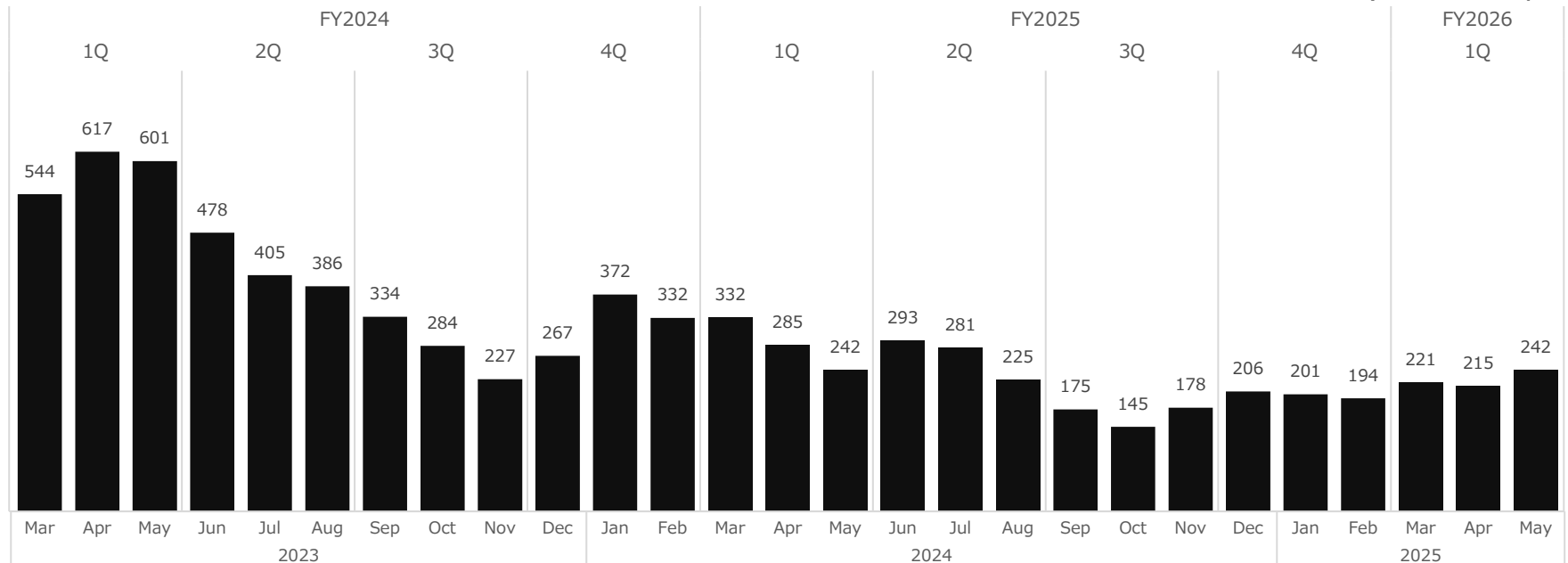
■ From our own ads (number of new customer acquisitions)
 ■ Other (number of new customer acquisitions)
 — Advertising expenses
 — Advertising investment balance

(Millions of yen)



Changes in advertising expenses

(Millions of yen)



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

<Main acquisition channels>



* "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

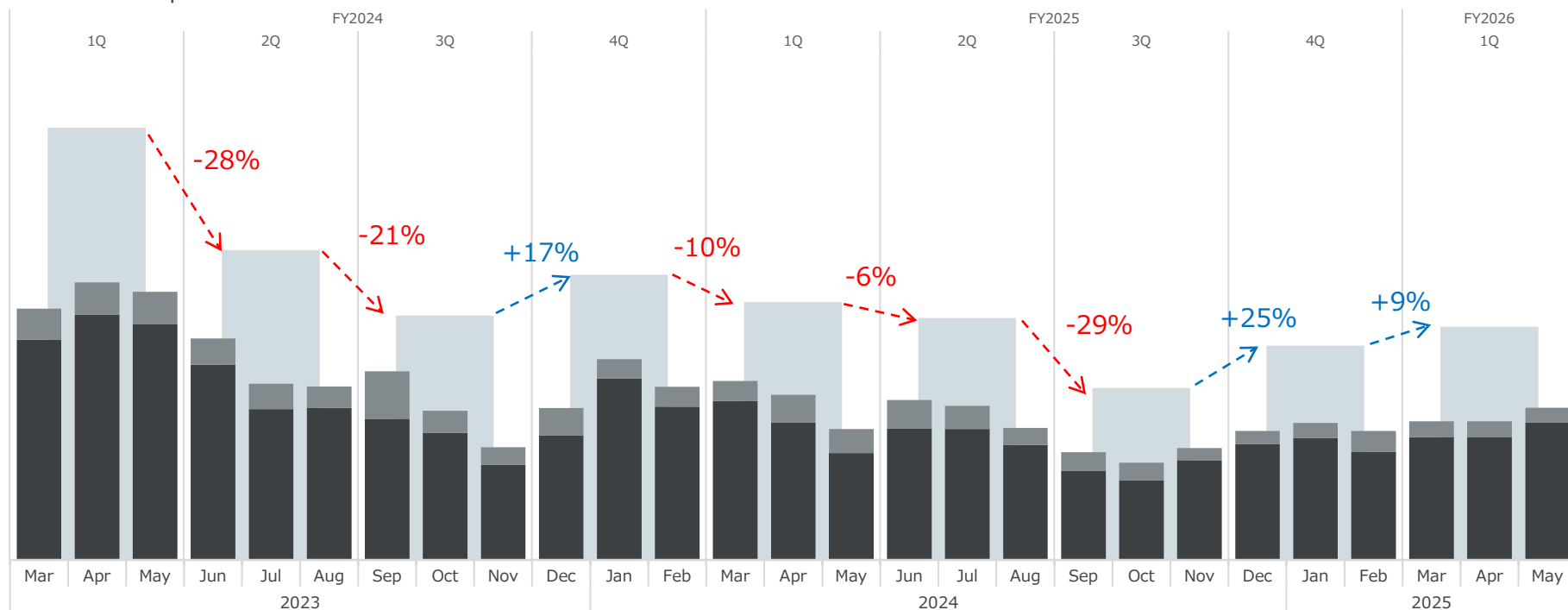
Non-consolidated

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.

- Customer acquisitions from our own ads
- Other
- Total for quarter



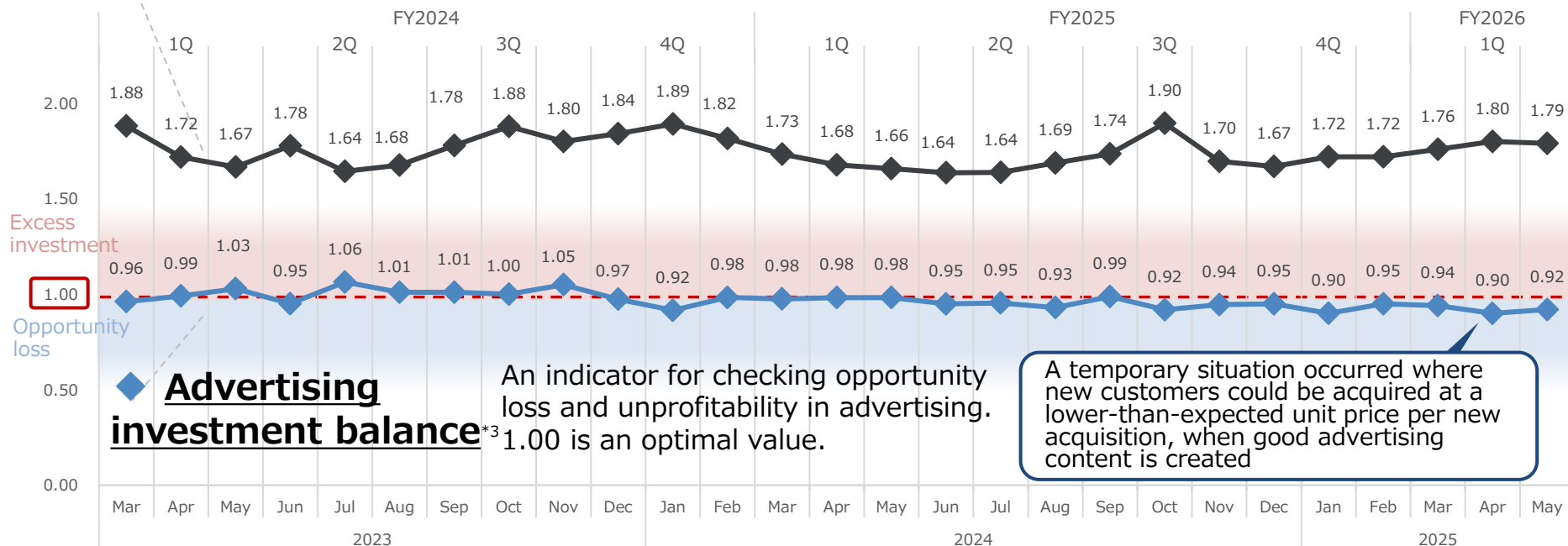
- ◆ Since the third quarter of FY2025, the number of new customer acquisitions has been in a recovery trend.
- Continuous efforts such as considering AI utilization, brushing up training content, and developing a system, in order to create advertising with a higher click-through rate, particularly “good advertising content” including sales pages with a higher purchase rate

Non-consolidated

Customer acquisitions
from our own ads

Advertising investment efficiency

◆ **1-year ROAS**^{*1*2} Amount of sales expected to result from advertising investment in one year



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.

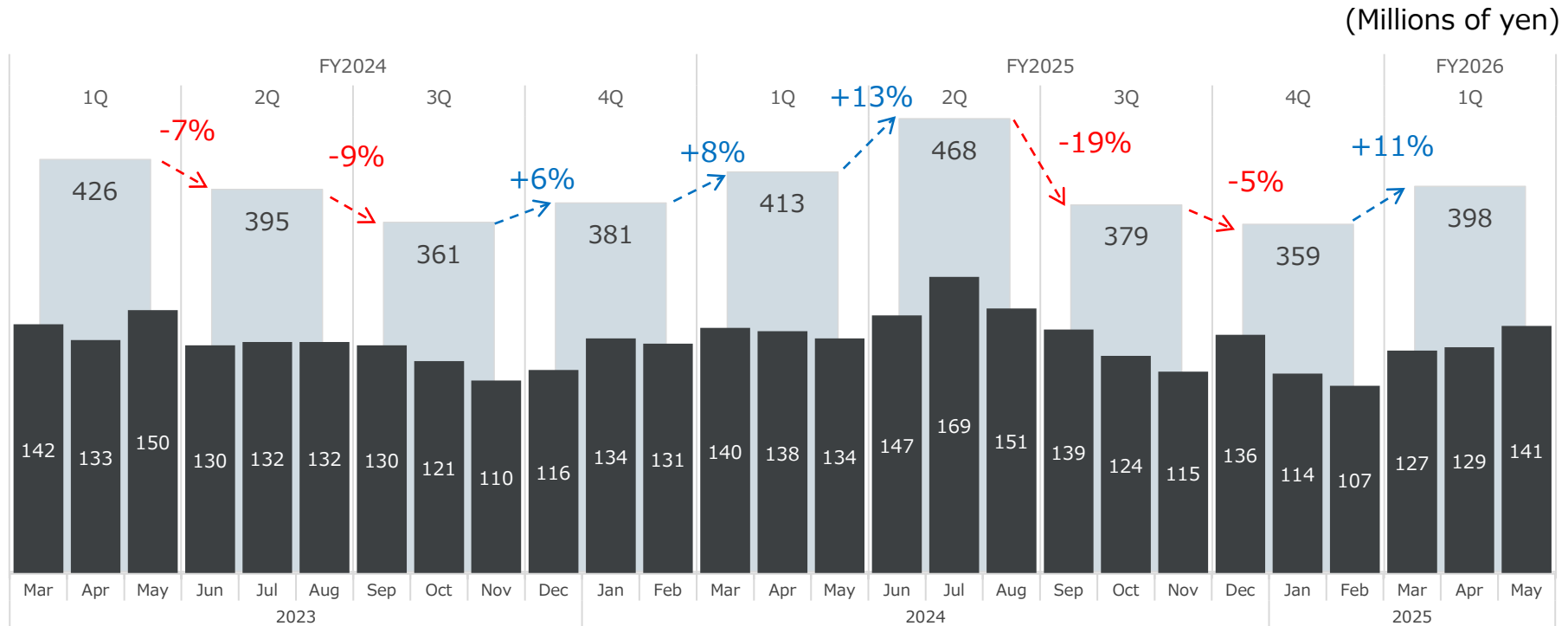
^{*2} "Initial ROAS" is an indicator for measuring how much initial sales are generated from advertising investment. However, even though profitability may not be decreasing, ROAS values will trend downward when the share of the products to which a high CPO limit^{*4} can be assigned due to their high 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.

Changes in net sales

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



<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

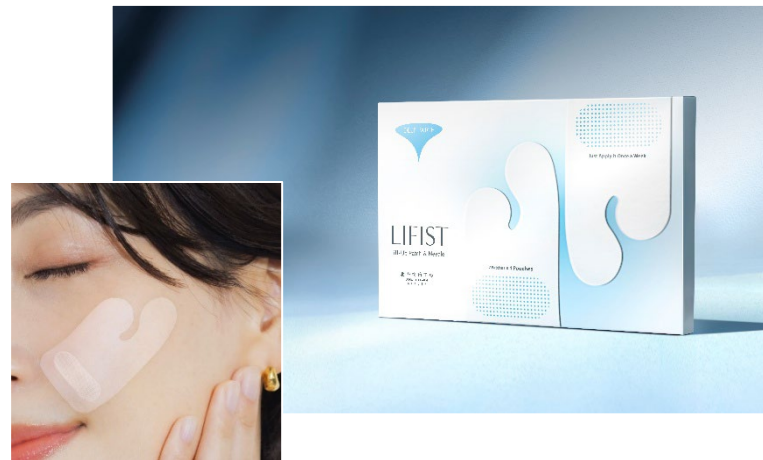
Non-consolidated Products released in FY2026

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

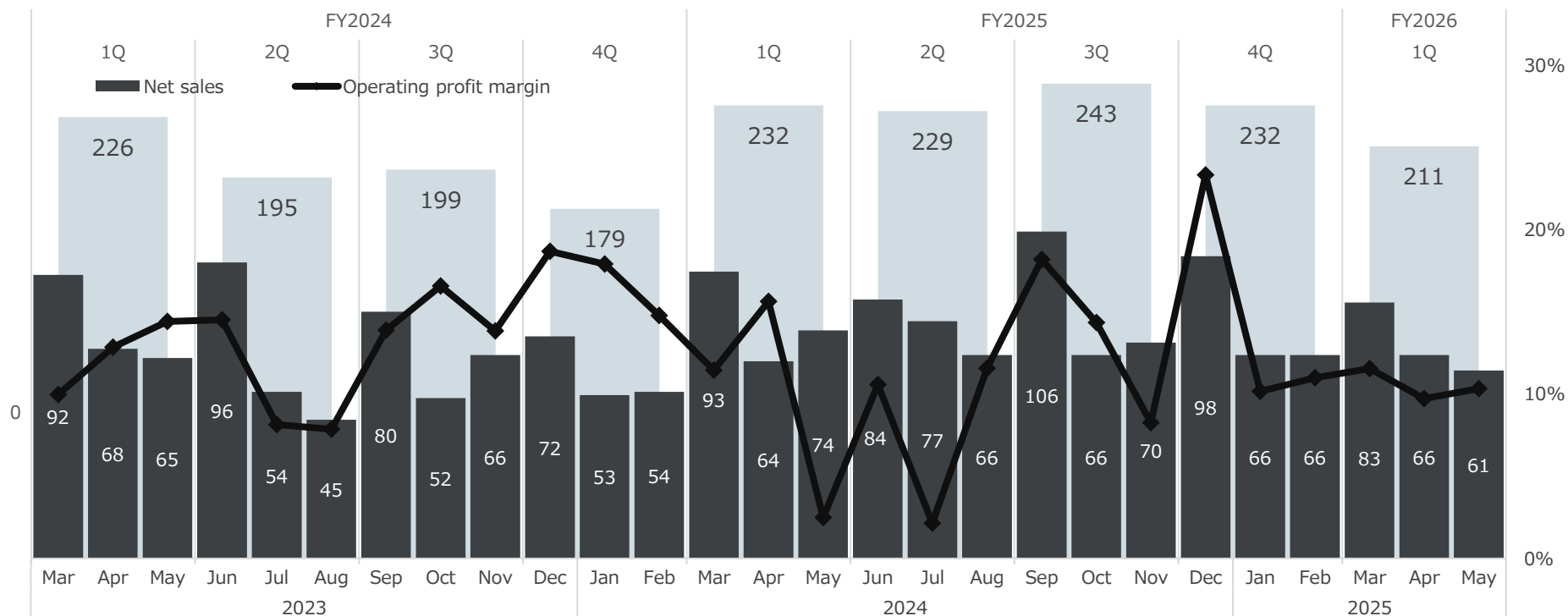
SALONMOON Co., Ltd.

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.

(Millions of yen)



<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

We will seek to further enhance brand value and awareness to boost performance

* 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 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

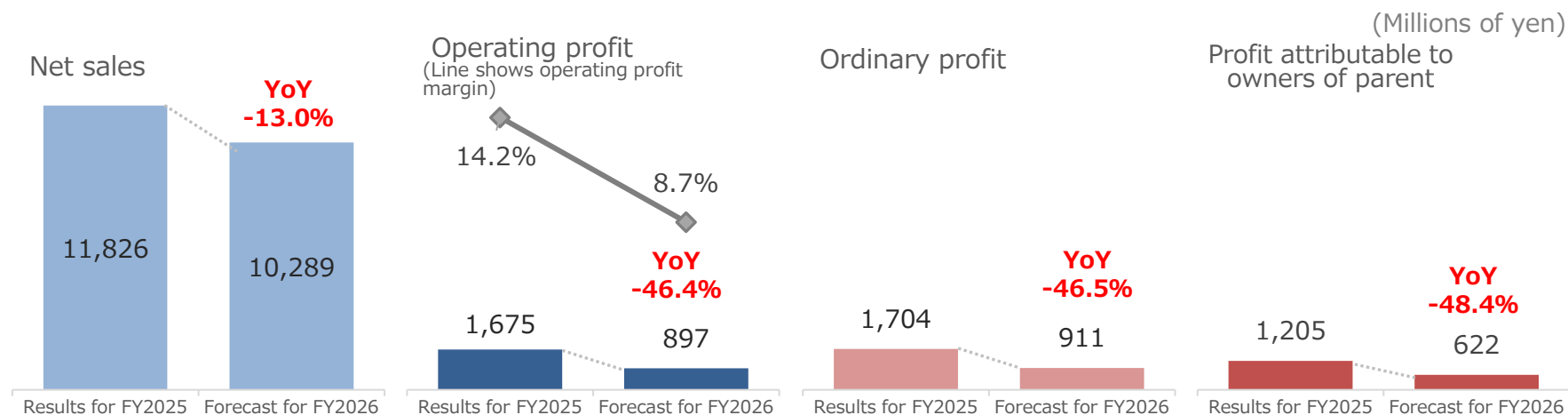


Financial Results Forecast

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.

<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.

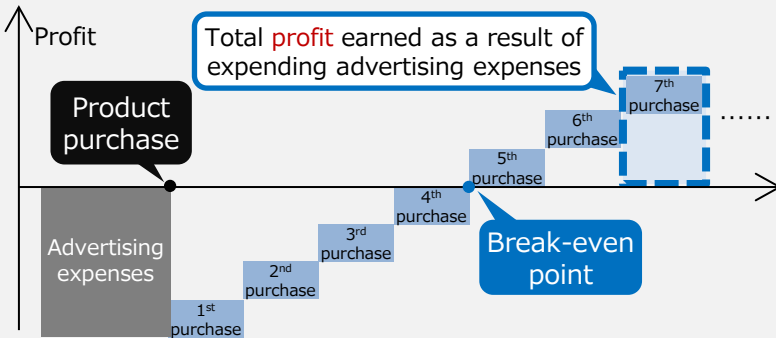
Business Model

◆ Customer characteristics

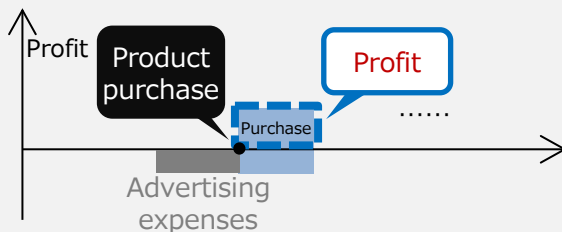
- The main customer base is in their 40s and over
- Sales from regular customers account for approx. 70% of overall sales

◆ 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

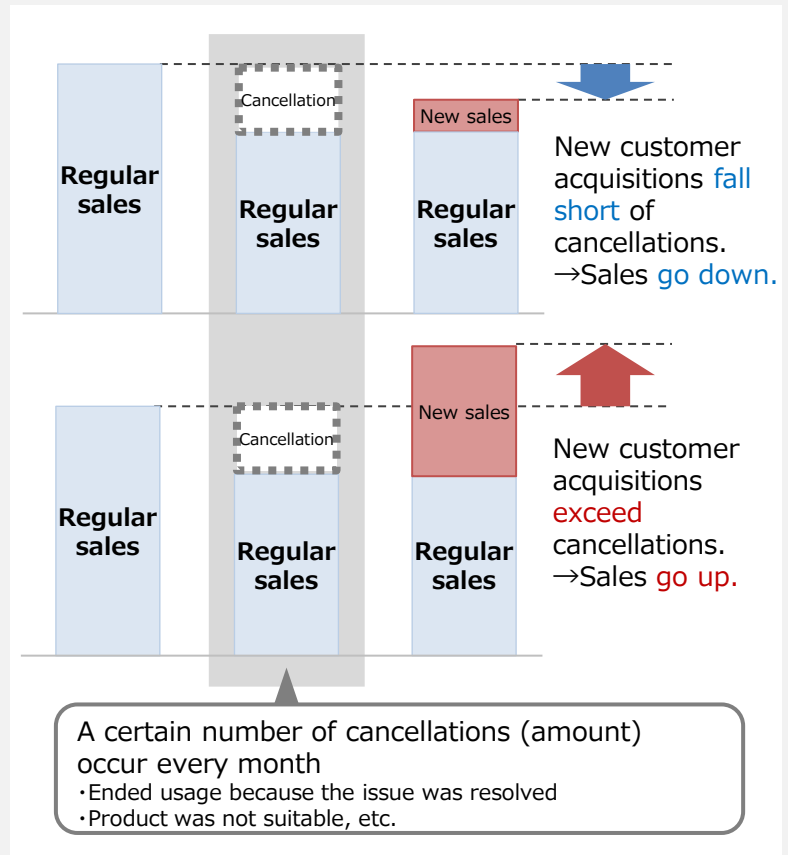


<E-commerce malls> Unit-purchase business model in which profitability is achieved with a single purchase, not a continuous purchase



◆ 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



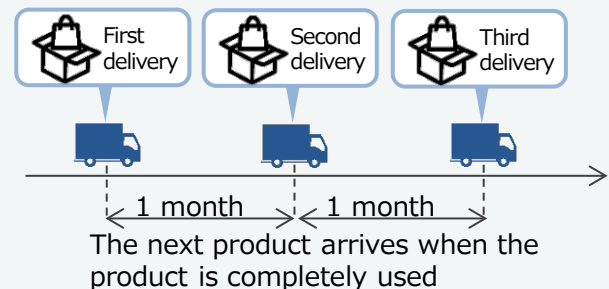
◆ Stringent product development standards

- 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]



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**

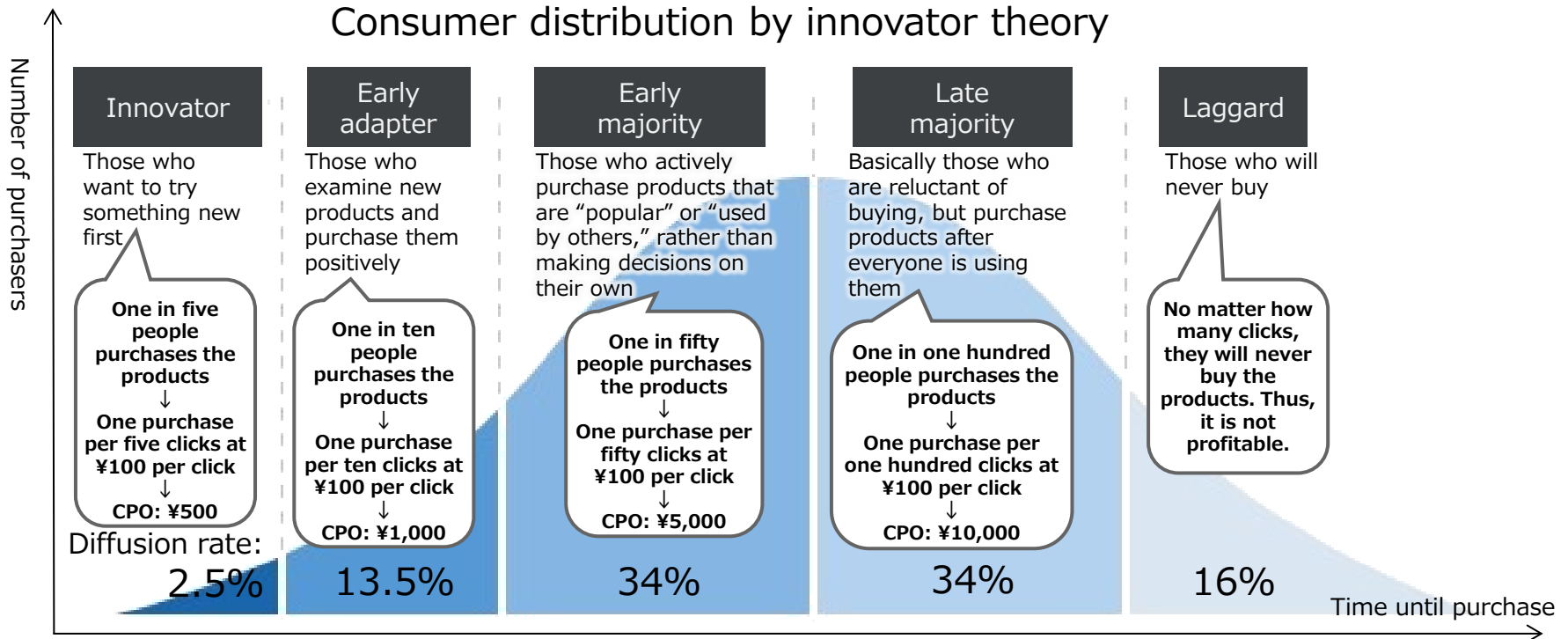


Sales Strategy

◆ Correlation between CPO and the number of new customer acquisitions

$$\text{Profit} = \text{Number of new customer acquisitions} \times \text{Profit per customer (LTV - CPO)}$$

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.



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)

	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%

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

- 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



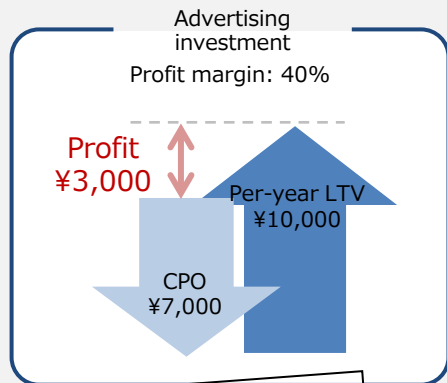
Prevent a decline in profitability due to excess advertising investment

Set the CPO limit to secure the required profit



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

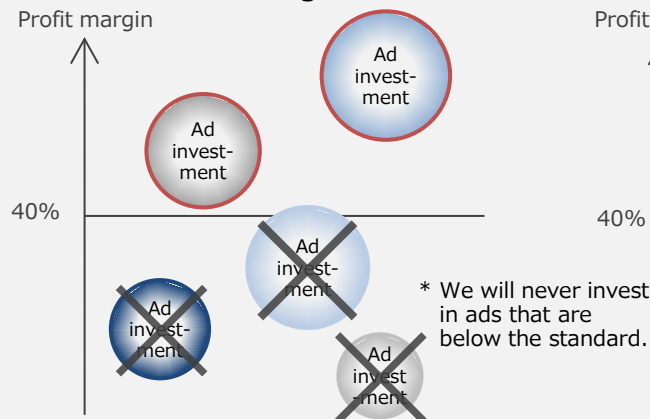
Our method of setting the CPO limit and our advertising investment policy



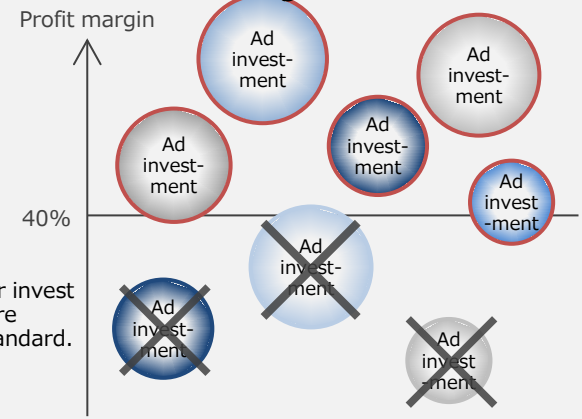
Good investment

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



- 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.



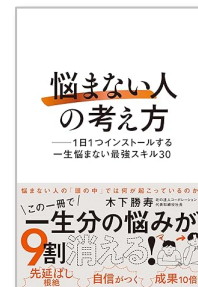
*¹ Global survey by TFCO Co., Ltd. The largest micro-needle cosmetic skin patch brand (DEEP PATCH Series) with sales amount for the period from March 2019 to February 2025

*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

Difference between general e-commerce stores and D2C stores

	A. General e-commerce stores	B. D2C (Direct sales from manufacturers)
Examples	Amazon, ZOZO	The Company, BULK HOMME, FABIUS, RANKUP (MANARA), Premier Anti-Aging (Duo)
Main sales style	On-demand sales	Regular purchase, subscription
Main product category	Mainly national brand items including furniture, interior decoration, home appliances, and apparel	Mainly private brand items including health food and cosmetics
Product lineup	Items procured from other company's brands (retailer)	Original products of each company (manufacturer)
How to obtain sales, the quantity of items	For obtaining 1,000 cases of sales, purchasing by 1,000 people is required. Therefore, in order to attract interest of 1,000 people, a wide variety of items are handled with wider target setting (over several thousands of or several tens of thousands of items).	For obtaining 1,000 cases of sales, 100 times of purchasing by ten people are required. Highly repeatable products responding to niche needs are introduced.
Ease of obtaining sales	If there are many items available, some will inevitably sell. Sales are easily made as all the only requirement is the procurement of popular items.	Difficult as companies must make a small number of original products successful on their own.
Competitiveness	Items for sale are procured from other sources. Therefore, as competitors may sell the same items, price competition is likely to occur. (Particularly, price comparison is easy between online shopping sites.)	Competition with other companies is unlikely to occur as original products are sold.
Stock control	Work processes such as inventory control and product shipment are complicated.	Work processes such as inventory control and product shipment are simple.
Dead stock	More products remain unsold.	Fewer products remain unsold.
Core skill	IT (recommendation functions to find existing needs and backyard functions to control a large quantity of items)	Marketing (ad creatives to create market need)
Overall	Although it is easy to make sales, generating profit is difficult due to price competition and significant backyard costs.	It is difficult to make sales. However, if successfully sold, profit is easily generated owing to less likelihood of price competition and lower backyard costs.

Difference between cosmetics sold via e-commerce and in stores

	Commonly sold products in stores (and legacy mail order brands originating from non-e-commerce business such as FANCL, DHC, and Saishunkan Pharmaceutical)	E-commerce products
Line-up	Line products, released as a series (Full line-up strategy of the Lanchester Strategy)	One-off products (Differentiation strategy of the Lanchester Strategy)
Similar needs	Needs similar to those for fashion items	Needs similar to those for drugs and quasi-drugs
Advertisement content	Brands	Individual products
USP	Brand image, brand concept	Efficacy, feel, and immediate efficiency of individual products
Price range	Department stores: ¥5,000 or higher Drug stores: ¥2,000 or lower	¥3,000 to ¥4,000
Volume of contents	For three months	For one month
Packaging	Design for catching people's eyes in a showcase (display)	Design for attracting attention in sales pages, protection of quality and in shipping, sizes corresponding to courier shipping fee standards
Product explanations	Explained by sales personnel	Detailed explanations can be provided with a landing page and attached documents
Accelerated aging test	Tests based on the assumption that products are placed in storefronts	Test items in consideration of delivery processes such as “a product is left in a postbox for a long period of time in extremely cold Hokkaido or an extremely hot metropolitan area” and “courier mishandling packages.”

* The left-side strategy is applied to national brand products to be sold via e-commerce as they are recognized in the real market. The right-side strategy aims to “catch customers on the internet by increasing awareness via the internet.”

Difference of the “ratio of advertising expenses” between mail order and in-store sales

When comparing the “ratio of advertising expenses” in net sales, even if the same products are sold, the basic definitions of “net sales” and “advertising expenses” are different between mail order and in-store sales and therefore, simple comparisons are not possible.

The following is an appropriate method for comparing “sales promotion costs” incurred to obtain sales.

* The gray part shows a simple comparison and the bottom is a comparison as a result of adjusting the blue part.

	Mail order	In-store sales
Market distribution amount	100	160
Distribution margin	0	60
Net sales for accounting	100	100
Advertising expenses	30	20
Ratio of “advertising expenses” to “net sales for accounting”	30/100=30%	20/100=20%
Ratio of “advertising expenses + distribution margin” to “market distribution amount”	30/100=30%	80/160=50%

Simple comparison

(2) The actual market distribution amount is the amount of net sales for accounting plus distribution margin.

(1) In the case of in-store sales, distribution margin for retailers and wholesalers is incurred.

(3) Advertising expenses for mail order are deemed virtually the same as distribution margin for in-store sales.

(4) An appropriate comparison is made with the market distribution amount as a denominator and advertising expenses + distribution margin as a numerator.



Explanatory Meeting of Medium-term Management Plan

Stock code: 2930
Kitanotatsujin Corporation
July 16, 2025

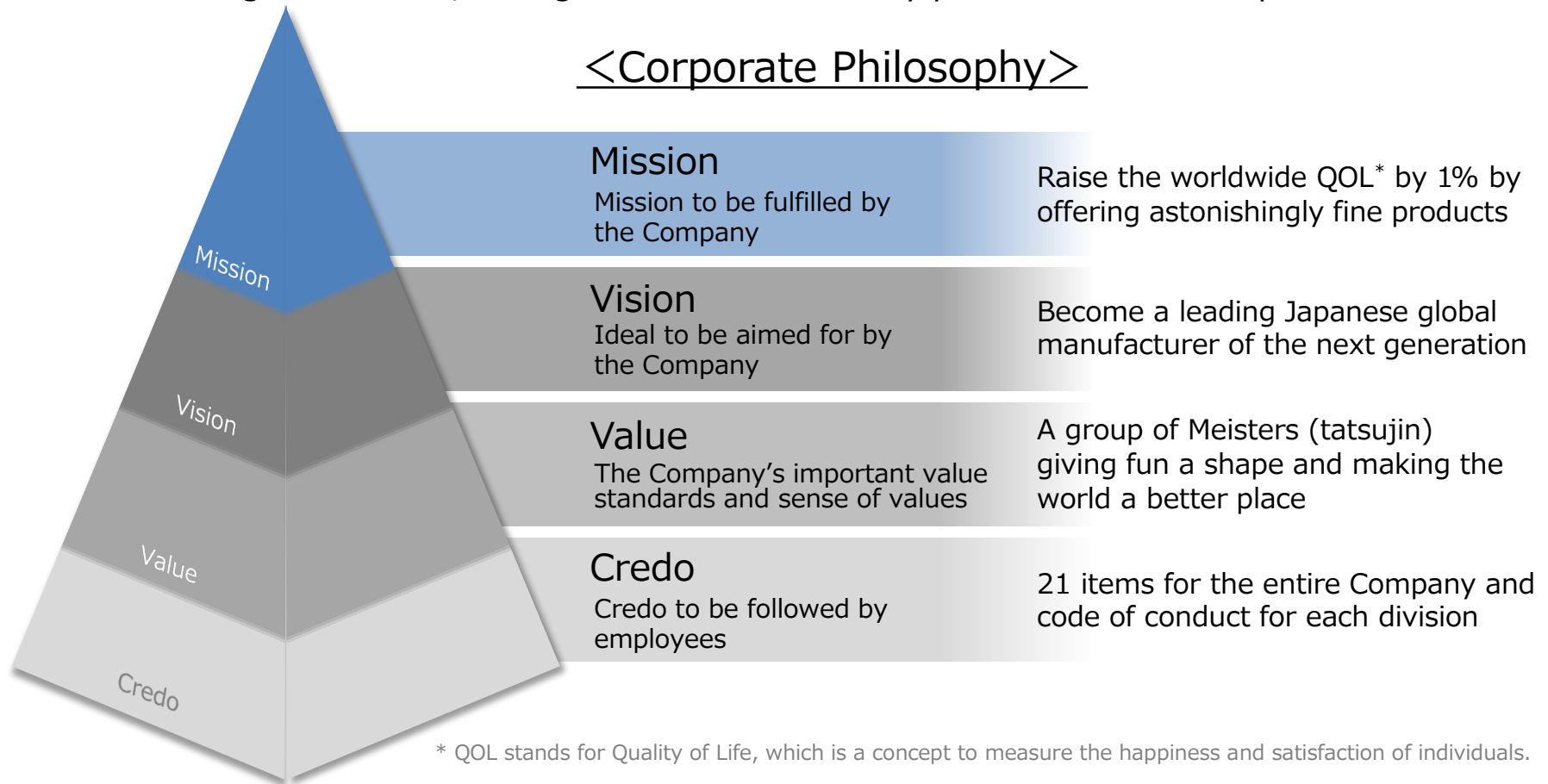
Our MVV

The Company's Mission, Vision, and Value (MVV) was set forth in 2022.

The Company is aiming for long-term growth and development by thinking from the customer's point of view, providing products and services for solving customers' challenges, and consistently pursuing reliable, high-quality manufacturing quality.

The Medium-term Management Plan 2028 is positioned as a growth phase for achieving the mission, during which we will actively promote business expansion.

<Corporate Philosophy>



* QOL stands for Quality of Life, which is a concept to measure the happiness and satisfaction of individuals.

Positioning of Medium-term Management Plan 2028

Mission

Raise the worldwide QOL by 1% by offering astonishingly fine products

Focusing on strengthening sales in the domestic market with a view to future global development



Medium-term
Management Plan
2028

Set as **a cornerstone to the next stage of growth** toward achievement of the mission

From here, we will draw a new growth track.

Overview of Growth Strategy (Summary)



Expand product lineup and increase the number of new customer acquisitions by newly establishing a team specialized for product planning and introducing a planning model for hit products

→Establish a structure where 10 products can be annually released in FY2029 and thereafter

Strengthen CRM^{*1} to raise the upselling^{*2} rate, cross-selling^{*3} rate, and retention rate toward improving LTV^{*4}



Maintain steady performance with sales promotion know-how for existing e-commerce malls

Others

Utilization of M&A and alliances

(These are extra initiatives and not incorporated as figures into the Medium-term Management Plan 2028.)

*1 CRM stands for Customer Relationship Management, which is a method to establish good relationships between companies that provide products and services and customers.

*2 Sales technique to encourage customers to buy more expensive products than those they currently buy or move to a regular course that offers more products than their current regular course. It improves LTV and furthermore, offers customers the benefit of a higher discount rate on regular course.

*3 Sales technique to encourage customers to buy additional products other than those they currently buy. It improves LTV and furthermore, offers customers the benefit of reductions in settlement fees and shipping costs.

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

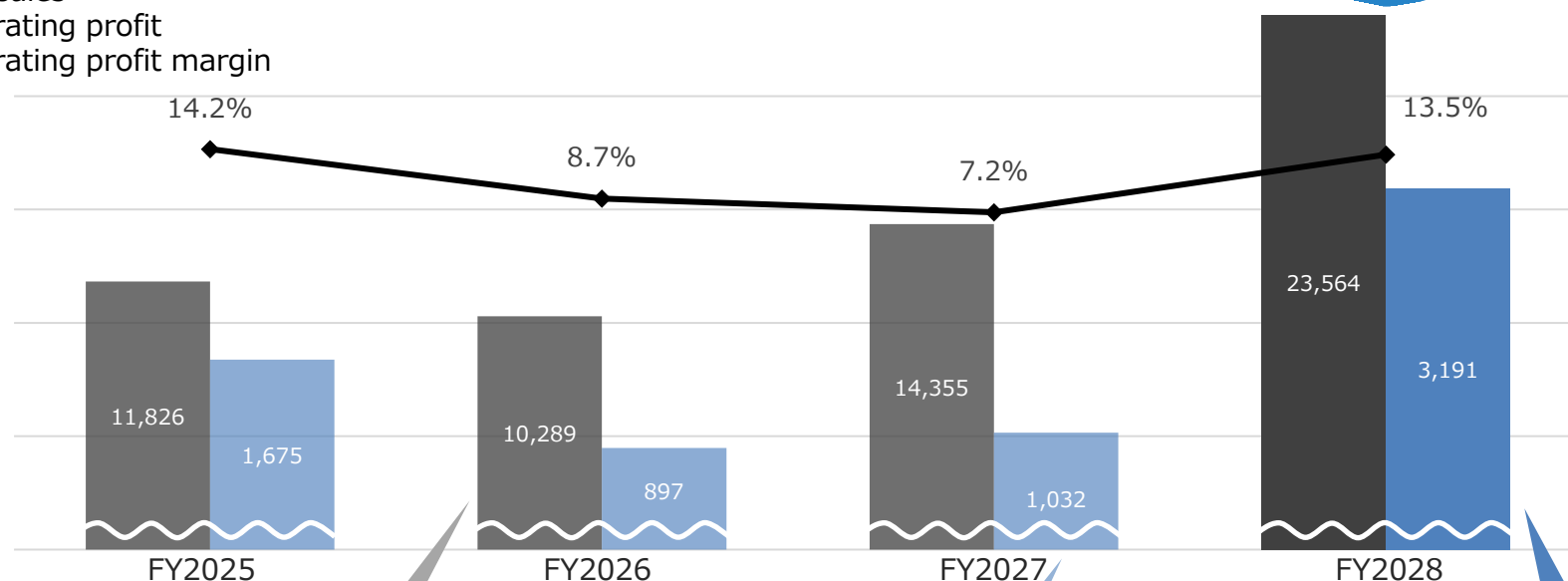
*5 FY (Fiscal Year) refers to our accounting year. FY2025 indicates a period from March 1, 2024 to February 28, 2025.

Numerical Summary of Medium-term Management Plan 2028

The Company aims to achieve ¥23.5 billion in consolidated net sales and ¥3.1 billion in operating profit for a three-year period until FY2028.

(Millions of yen)

- Net sales
- Operating profit
- Operating profit margin



Accumulation of regular sales decreases due to a decrease in new sales through FY2025, resulting in decreases in both net sales and operating profit.

Operating profit margin declines mainly due to an increase in upfront investments for new customer acquisitions in FY2026 and FY2027.

Though upfront investments continue to increase, regular customers are steadily accumulated, resulting in improvements in both operating profit and operating profit margin.

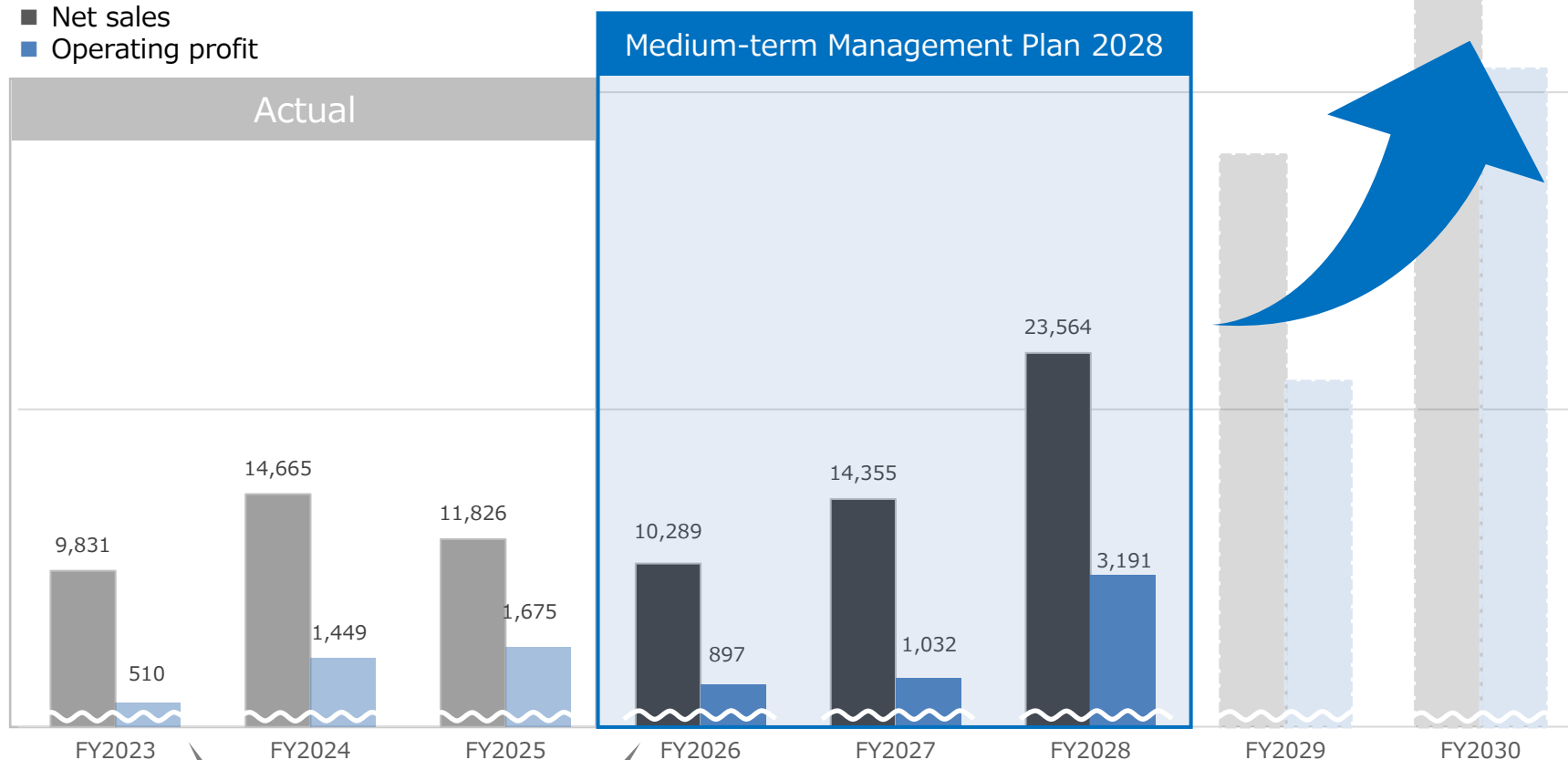
* FY2026 forecast announced on April 14, 2025 has been prepared on the assumption that the status of new customer acquisitions continues at the level as of the date of announcement.

Although the impact of each initiative planned to be implemented in the Medium-term Management Plan 2028 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.

Trend Chart of Net Sales and Operating Profit

(Millions of yen)

- Net sales
- Operating profit



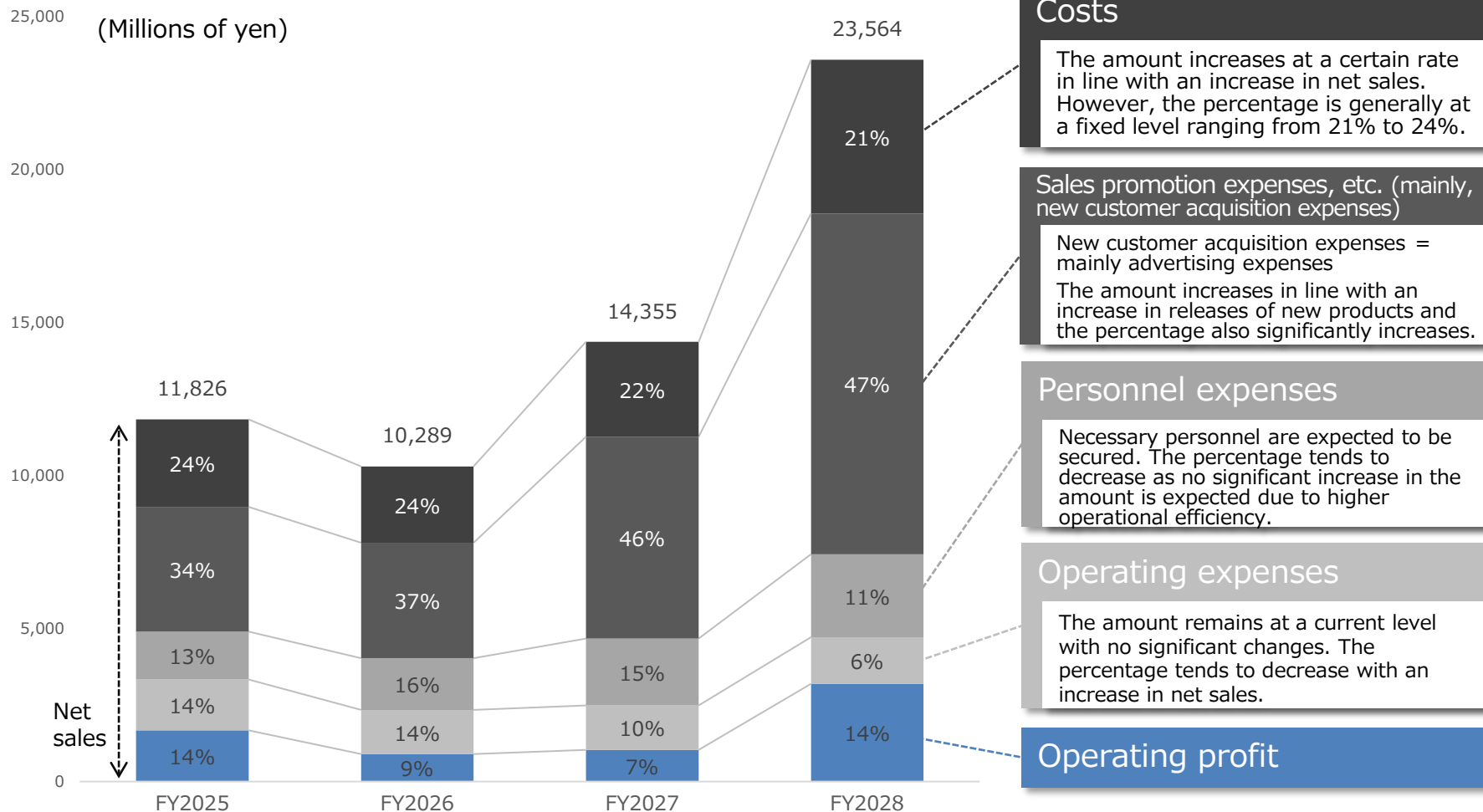
Though upfront investments for new customer acquisitions increased in FY2023, resulting in a decrease in operating profit, it led to an increase in net sales in FY2024.

Significant sales growth is expected in FY2027 and FY2028 due to the accumulation of regular customers, as upfront investments for new customer acquisitions are increased in FY2026 and FY2027.

We will establish a structure where 10 products can be annually released in FY2029 and thereafter and draw a growth track with significant increases in both sales and profit.

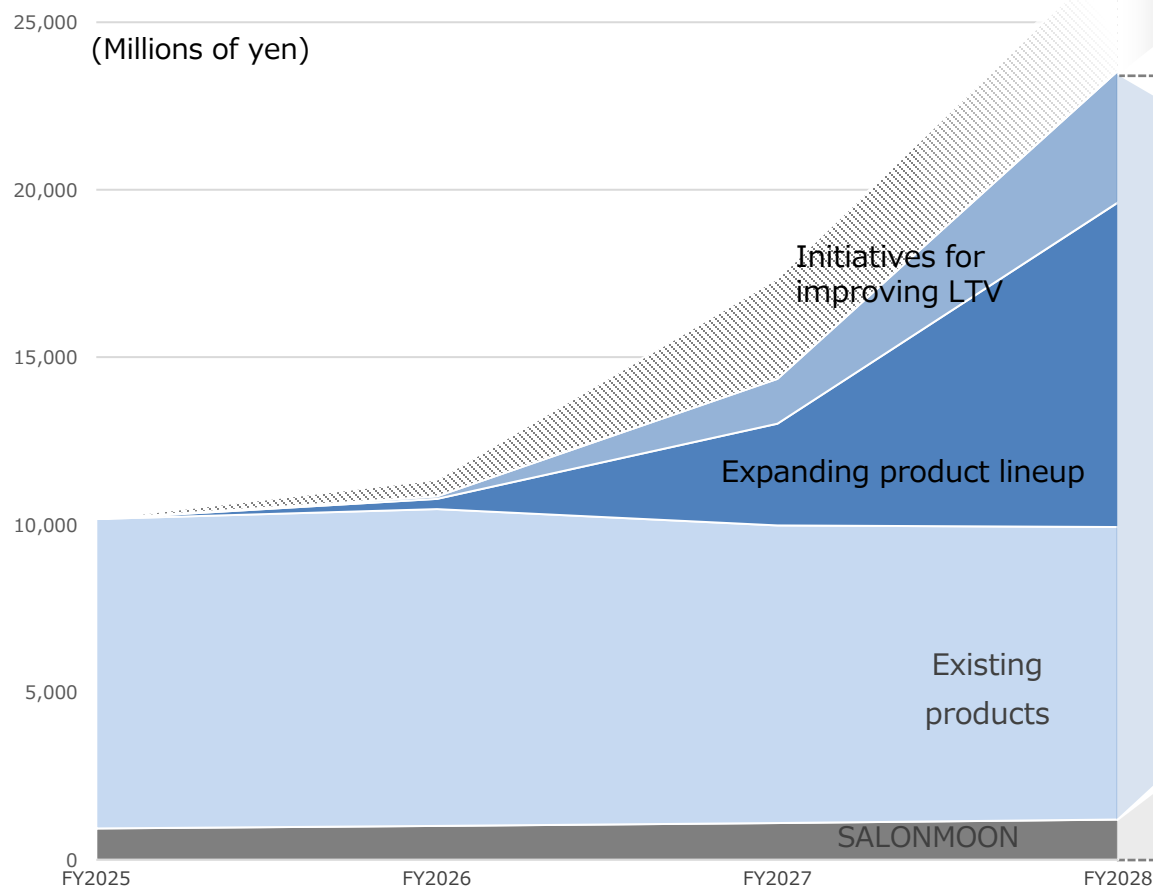
Change in Expenses and Operating Profit in Net Sales

Though costs and sales promotion expenses, etc. increase, operating profit increases mainly due to a decline in the percentage of expenses with characteristics similar to fixed costs to net sales.



Contribution to Net Sales of Growth Strategy

Disaggregation of net sales of the Company's group by future initiatives shows that the future initiatives by Kitanotatsujin Corporation contribute most significantly to the business expansion.



Others and extra initiatives

M&As and other initiatives which are not incorporated

Medium-term Management Plan 2028 Net sales ¥23.5 billion

Kitanotatsujin Corporation

Growth of J NORTH FARM is expected to become the largest contributor to expansion of the Company's group's performance.

Major initiatives are:

1. Expanding product lineup
2. Improving LTV

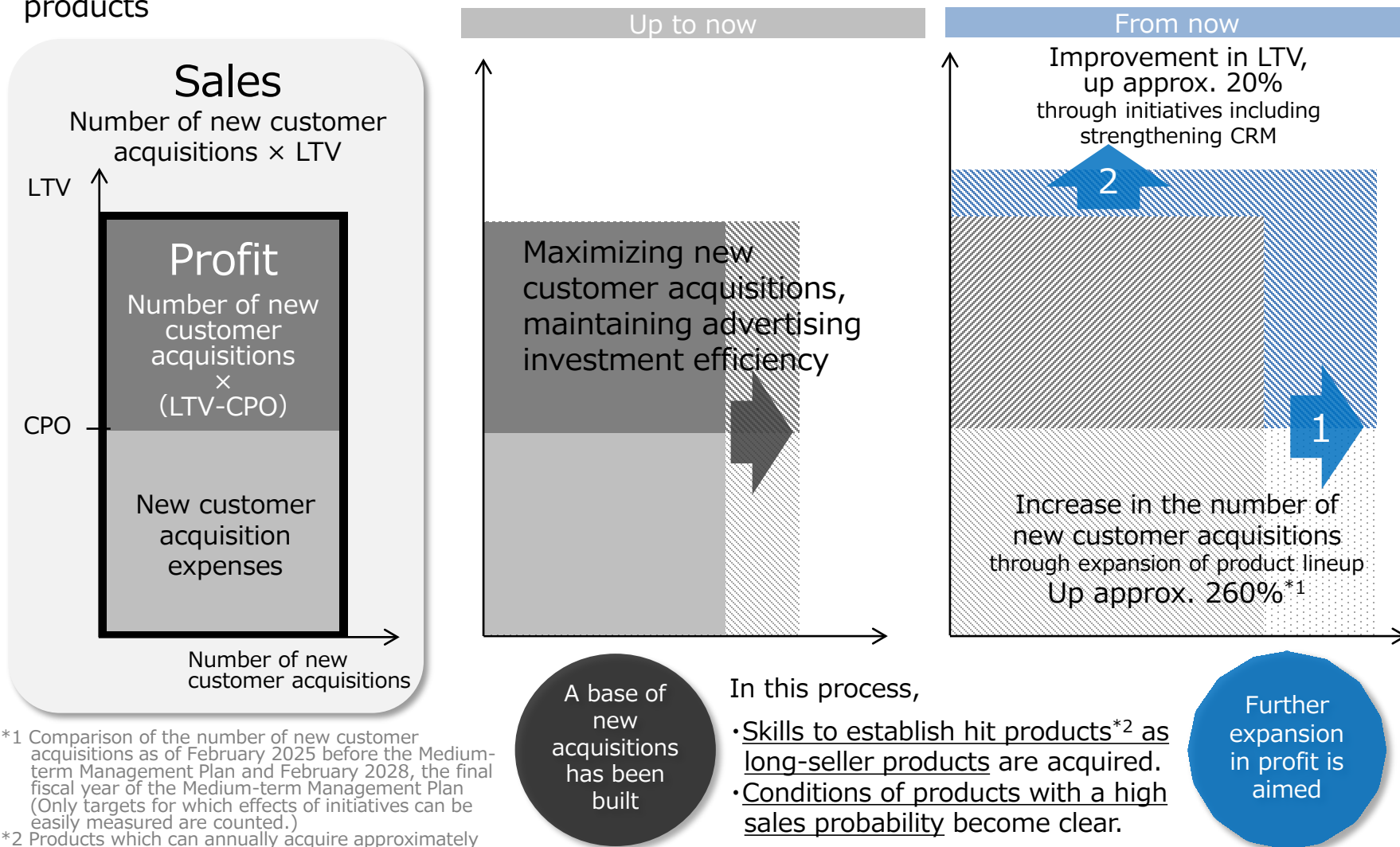
The highly probable number of existing products is incorporated based on the current status of new customer acquisitions to prioritize a focus on new products.

SALONMOON

Steady performance is expected to continue.

Diversification of Growth Strategy of Kitanotatsujin

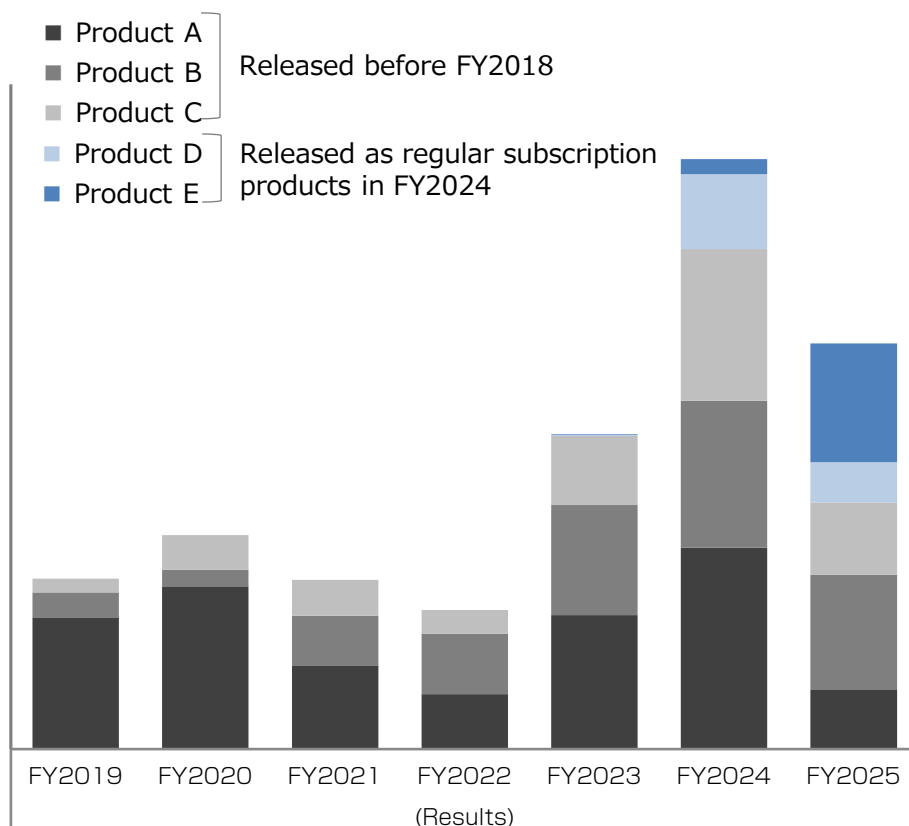
Shift away from maximizing the number of new customer acquisitions from existing products



Kitanotatsujin's Growth Strategy (Expanding Product Lineup)

Know-how for “establishing a product as a long-seller” and “planning hit products” acquired in the process of maximizing new customer acquisitions

<Change in the number of new customer acquisitions for mainstay products>



Existing mainstay products

Products A to C were released through FY2017 to FY2018. They have maintained new customer acquisitions for a long period, repeating an increase and decrease, as these products did not see a peak of new customer acquisitions due to demand from new release immediately after the launch.

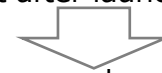


Creative skills* to establish a hit product as a long-seller have been developed.

New mainstay products

Comparing FY2023 and FY2025, Products D and E contributed to growth in new acquisitions.

Multiple products were released through FY2022 to FY2024. However, clear difference in figures has been seen between products D and E which have grown to mainstay products and products which did not grow to such products, clarifying “numerical conditions for a hit after launch.”



Products D and E were released after a variety of trial-and-error, **accumulating know-how for planning hit products**

* Skills for creating “advertising content” including advertisements and sales pages

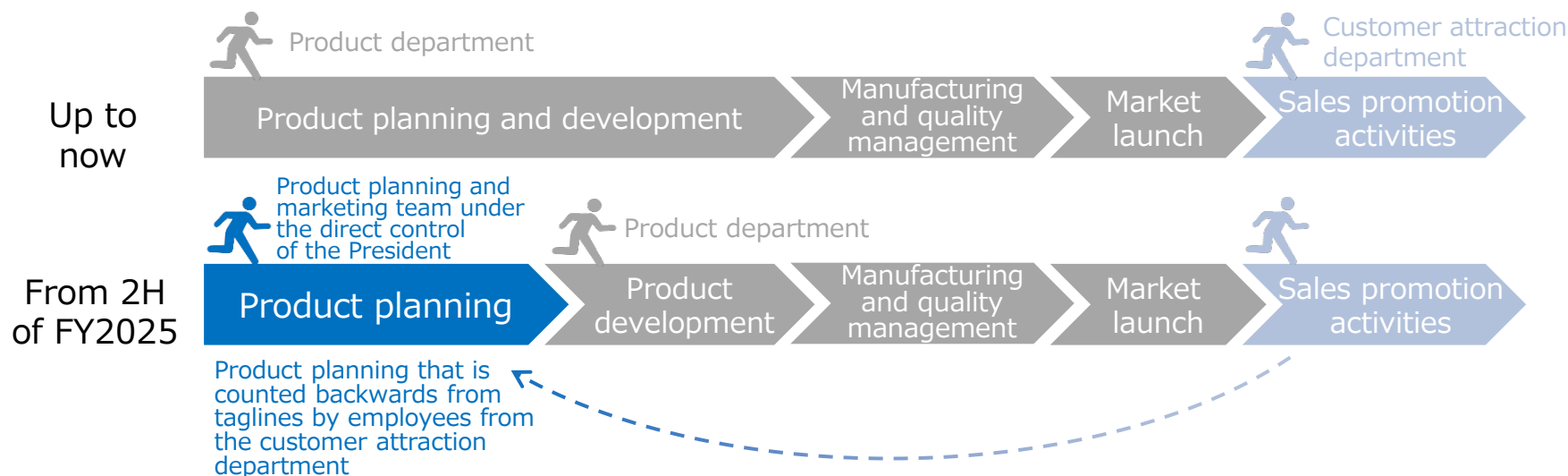
It is necessary to create new advertising content using different viewpoints and approaches, since advertising content, after a certain period of time, becomes exhausted.

Kitanotatsujin's Growth Strategy (Expanding Product Lineup)

For releasing “annually 10 items” of “hit products”

The newly established product planning and marketing team under the direct control of the President focuses on product planning

- Product “planning” and “development” in which the existing product department engaged in an integrated manner are separated into different phases.



- The personnel deployment and structure have been changed so that “product planning” can be conducted with a view to “sales promotion activities.”
- Focusing on increasing products to be released through KPI setting and management

As a specialized team has been established, dedicated personnel for focusing on planning have been secured, leading to an increase in “quantity” and enhancement of “quality” of product planning.

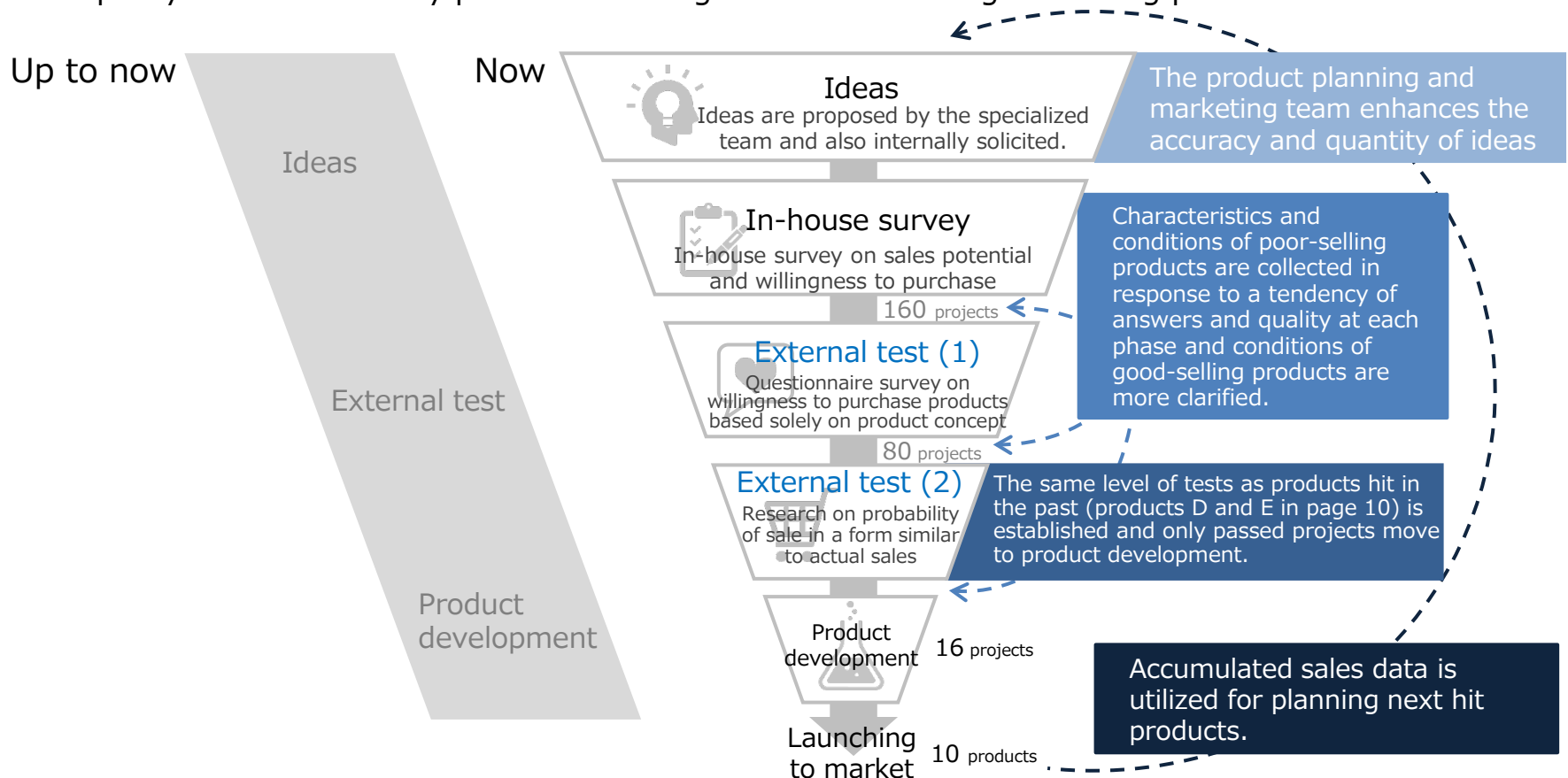
Kitanotatsujin's Growth Strategy (Expanding Product Lineup)

For releasing “annually 10 items” of “hit products”

Introducing a “planning model of hit products” to the existing process to product development

Conditions of good-selling products and poor-selling products are quantified based on sales performance of approximately 50 products that were released up to date.

Our policy is to release only products clearing the conditions of good-selling products.



Kitanotatsujin's Growth Strategy (Expanding Product Lineup)

So that the customer attraction department can respond to the increasing number of products to be handled due to an increase in new products

Recruitment

Launching
the "recruitment marketing team"



Implementation of social
recruiting strategies

→ Using our SNS account with
170,000 followers in total*1



Remote worker recruitment project
limited to persons with creative
experience



Strengthening recruitment of
persons with high IQ

→ Continuing recruitment of
persons with IQ 130 or higher
in charge of operations

Training and structure

Developing a structure where advertising contents
with current high quality can be mass-produced
without significantly increasing personnel



- Launching the generative AI project team
- Establishing a system where, with "the Company's know-how and AI," even a small number of staff can mass-produce advertising contents, maintaining a current level of quality



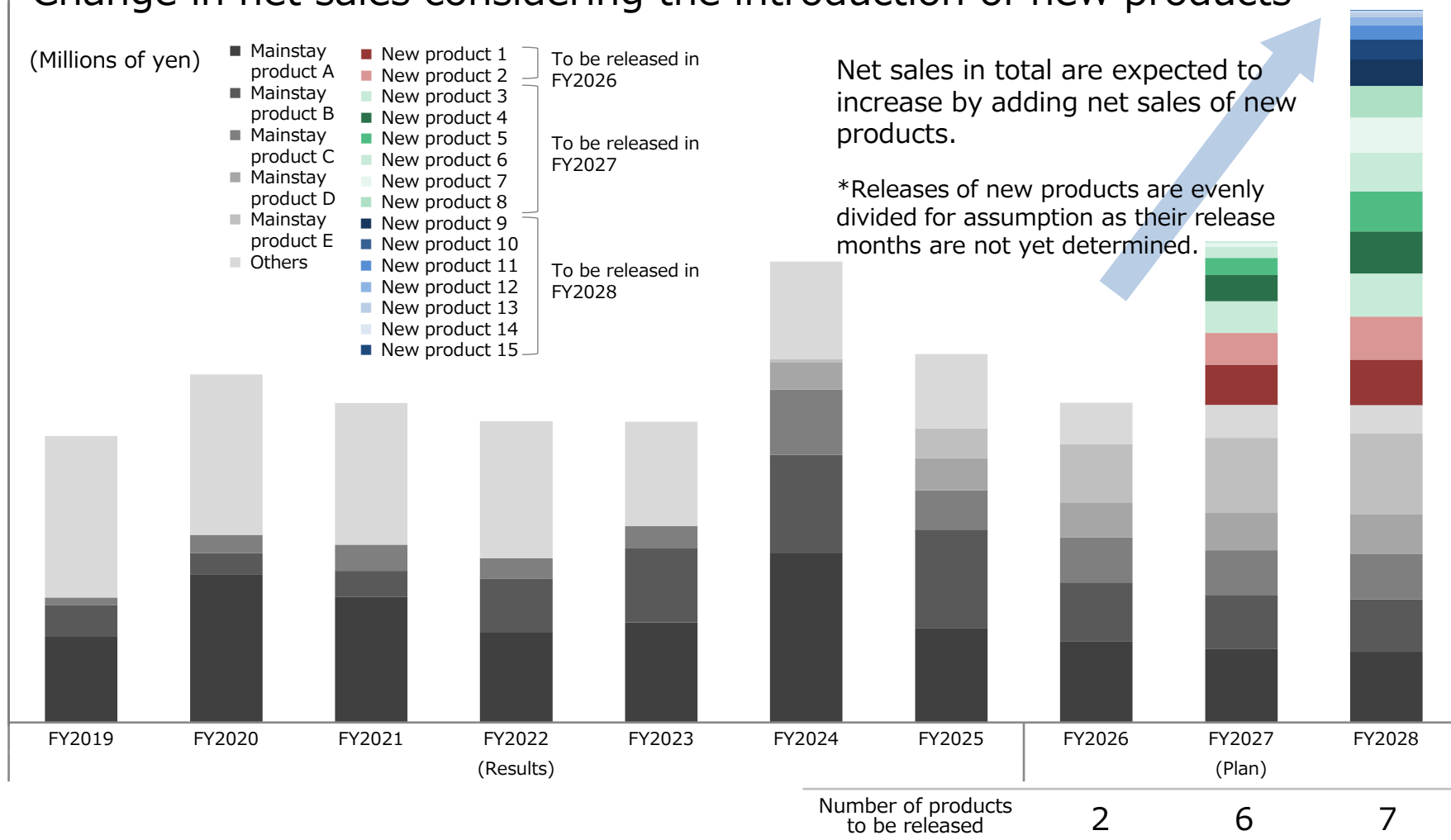
Upskilling through our unique
fundamentals and technical marketing
training*2 to learn practical web
marketing technique

*1 As of July 2025

*2 Education and development program of advertisement creation staff to learn and practice basic advertising creation techniques

Kitanotatsujin's Growth Strategy (Expanding Product Lineup)

Change in net sales considering the introduction of new products



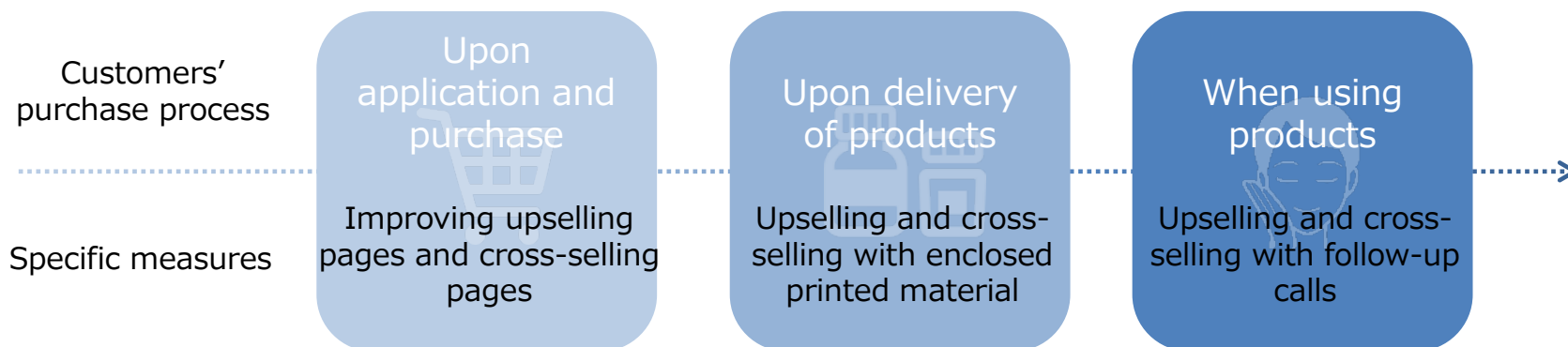
Establish a structure where 10 products can be annually released in FY2029 and thereafter to increase the number of new customer acquisitions

Kitanotatsujin's Growth Strategy (Improving LTV)

Up to now Not yet commenced as focuses were placed on new customer acquisitions “through creative ability” in selection and concentration of limited resources.

Now The “base” has been built to maximize new customer acquisitions, maintaining advertising investment efficiency and accordingly, the initiative began with high potential.

- As the first initiative by the Company, a specialized project team was launched.
- For multiple measures, consideration, implementation, and verification of effects are underway in parallel.



Aiming to improve LTV by approximately 20% compared to the prior period by increasing customer satisfaction and strengthening CRM to raise the upselling and cross-selling rates and retention rate

Growth Strategy (Consolidated Subsidiaries and Others)

SALONMOON

Maintaining steady performance based on expansion of existing products

- New products are slightly incorporated.
- As for expansion of existing products, both dryers and hair irons are expected to grow sales.



Others (M&A and alliances)

Aiming for roll-up M&A of companies holding products for which our know-how of the customer attraction department can be utilized, not for diversification of the business.

(Operating the business under the Company's infrastructure* by acquiring part of the business or products of target companies)

Profitability improvement model by the business acquisition

	Before acquisition	After acquisition
Net sales	¥10.0 bil.	¥10.0 bil.
Gross profit	¥8.0 bil.	¥8.0 bil.
Sales profit	¥2.0 bil.	¥3.0 bil.
Operating profit	¥0.5 bil.	¥2.0 bil.

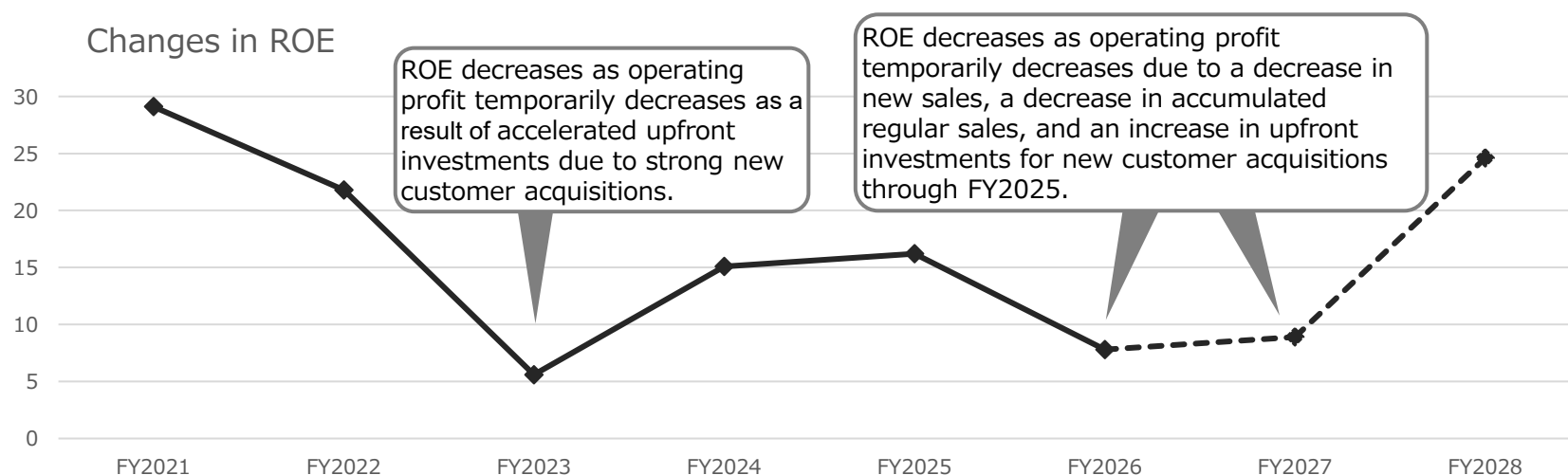
Profitability improves by **integrating** the infrastructure **into the Company**, as new customer acquisition expenses, order-linked costs, and other costs **can be reduced**, in addition to decreasing costs for order receipt, distribution, customers, rent, etc.

* Our unique system including an advertising optimization system and management accounting method

Initiatives Toward Realizing Management That is Conscious of Cost of Capital and Stock Price

Analysis of current status

- The cost of equity estimated by the Company's CAPM^{*1} is approximately 6%^{*2}. However, we do not think that exceeding the cost of capital calculated by this model meets investors' needs.
- ROE is in a decreasing trend due to lowering profitability.



Future initiatives

- Aiming to increase profitability through achieving the Medium-term Management Plan
- Improving active dialogues with shareholders and investors further to make adjustments with a level required of the Company in an appropriate manner
- Continuing a focus on growth investments while securing safety of funds as a company in a growth phase

^{*1} CAPM stands for capital asset pricing model

^{*2} Median of values calculated by financial institutions

Returns to Shareholders

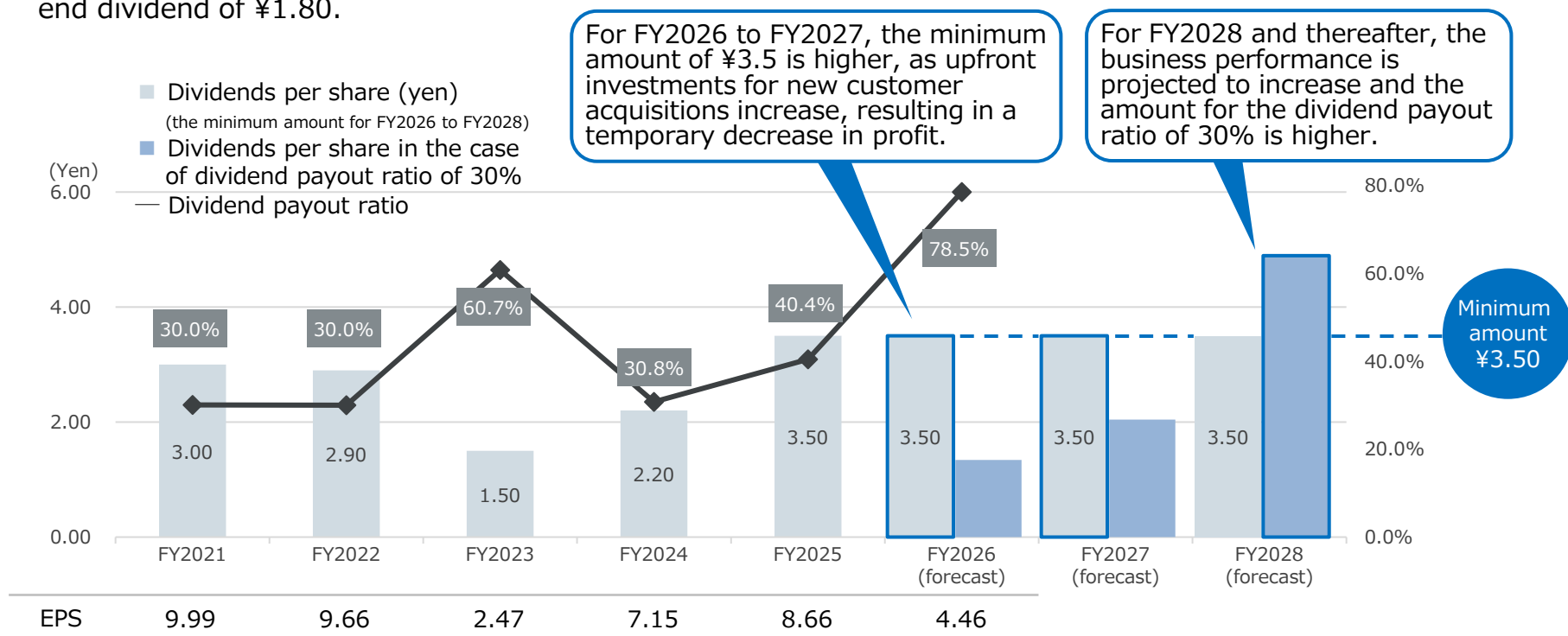
Current policy Target consolidated dividend payout ratio of approximately 30%

New policy Target consolidated dividend payout ratio of approximately 30%

The minimum amount of dividends per share shall be ¥3.50 annually during a period of the Medium-term Management Plan 2028 (FY2026 to FY2028).

- As revenue increases along with business growth, the amount of returned dividends increases, maintaining the previous consolidated dividend payout ratio
- A temporary decrease of profit will be seen during FY2026 to FY2028, a shifting period for the future business growth. Accordingly, we have set the minimum amount, thereby making efforts to return profit to shareholders through paying continuous and stable dividends.

We plan to pay an annual dividend of ¥3.50 per share for FY2026 with an interim dividend of ¥1.70 and a year-end dividend of ¥1.80.



* The Company transitioned to consolidated accounting from FY2022. The graph above indicates non-consolidated figures for FY2021 and consolidated figures for FY2022 and thereafter.

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**Financial Results Meeting for the First Quarter of the Fiscal Year Ending February 28,
2026 and Explanatory Meeting of Medium-term Management Plan**
Q&A Session (Summary)
(Held on July 16, 2025)

[Question] What is the Company's evaluation of the status of new customers acquisitions by J NORTH FARM in the first quarter?

[Answer] Although our evaluation is that new customer acquisitions in the first quarter were stronger than expected and remained generally in a positive state, we believe there will be some fluctuations in new customer acquisitions going forward and will continue to closely monitor the situation.

[Question] The medium-term management plan appears to be ambitious in terms of both net sales and operating profit for FY2027/2028. If you were unable to achieve these goals, what would you consider to be the main factors behind this?

[Answer] If the release of new products does not go as planned, or if the released products do not sell as well as expected, it will have an impact on our progress.

[Question] Does this mean that there may be a delay in the number of new products to be released in FY2026-2028? Also, what kind of situations would result in released products not selling as well as expected?

[Answer] While there is the potential for a certain amount of deviation from the plan, we do not anticipate any significant delays.

Although we release products based on theoretical projections of expected sales, these estimates are not guarantees, and actual performance may diverge once we reach that point. Furthermore, we have witnessed cases in the past in which there was a positive initial response immediately after launch, only for sales to stall shortly thereafter. In order to improve the accuracy of our projections, we will continue to refine our approach through the PDCA cycle. At the same time, we recognize the importance of showing the status of new products after launch not just in terms of the initial reception, but on a regular basis.

[Question] Of the two products scheduled to be released in FY2026, is my understanding correct in that the first product has already been launched to market? Also, when is the second product scheduled to be released?

[Answer] As you are aware, we have already launched the first product, "LIFIST." The second product is scheduled to be released near the end of the fiscal year.

[Question] Sales profit for J NORTH FARM in the first quarter decreased by ¥200 million year on year. What were the main factors behind this? Also, which products are currently the mainstay sellers, and how much are they expected to drive performance going forward?

[Answer] The decrease in net sales and sales profit is due to a decrease in regular sales as a result of the decrease in the number of new customer acquisitions in the previous year. We are not disclosing the specific names of mainstay products or individual product forecasts at this point in time.

[Question] How many new products have been launched in the past? Also, what types of new product categories are being considered going forward?

[Answer] In the past, we released around five or six new products annually. However, our current scheme for progressing from product planning to launch has since changed, so please consider this figure to be for reference purposes only. In terms of new products going forward, we will continue to focus primarily on cosmetics while also examining the potential of areas such as pharmaceuticals and advanced medical devices.

- [Question] The medium-term management plan shows considerable growth in both net sales and operating profit by FY2028. In particular, how should we interpret the increase in the operating profit margin and growth of operating profit?
- [Answer] Currently, fixed costs such as personnel expenses and operating expenses will not increase in any significant manner due to the fact that our structure ensures they are generally covered by the increased sales in the medium-term plan, leading to an increase in operating profit in line with increased sales under the improved operating profit margin.
- [Question] Regarding new customer acquisitions, you mentioned challenges with landing pages in the fourth quarter of FY2025. Have these issues been resolved at the current point in time?
- [Answer] We recognize that our creative ability has improved to a certain extent.
- [Question] Are there any existing products that you are particularly confident in? If so, what is the basis for that confidence?
- [Answer] Although we are confident in all of the products we release, to highlight specific examples, we are particularly proud of “HYALO DEEP PATCH” and the “DEEP PATCH Series,” having been recognized by the Guinness World Records™ for six consecutive years as the brand that holds the world’s highest market share for sales in micro-needle cosmetic skin patches.
- [Question] Some companies are selling micro-needle cosmetics on TV shopping channels. Does this present competition? Also, what is your status in terms of patents?
- [Answer] While there is competition to a certain extent, our recognition is that it does not pose a significant threat due to the authority afforded to us by Guinness certification and our strengths in terms of pricing and product quality. As for patents, some are held by our OEM partners, while others are owned by us.
- [Question] What is your schedule for using AI in the production of creative content?
- [Answer] We are actively promoting the utilization of the rapidly-evolving potential of AI. In particular, AI is already being used frequently in areas such as image production. That said, we have determined that it is still difficult to substitute the conceptual work involved in “what to communicate, and to whom” with AI, and believe that at the current point in time, the most effective approach is to have skilled human beings well-versed in conceptual work use generative AI as a tool to maximize results.
- [Question] Regarding the changes in search behaviors resulting from the spread of AI, what initiatives are you adopting and what impact do you expect?
- [Answer] Seeing as we do not employ SEO (search engine optimization) measures in the first place, we do not believe there will be any negative impact caused by changes in search behaviors.
- [Question] What initiatives are you adopting regarding the release of TikTok Shop in Japan?
- [Answer] We recognize TikTok Shop as simply another sales method, and have not implemented any initiatives in this area at the current point in time. Seeing as there does not seem to be significant benefits for early-adopters, we have determined that it will be more efficient to engage with this platform once successful examples and sales schemes by other companies have been more clearly established.
- [Question] Why are micro-needle products not being sold in international markets?
- [Answer] We are currently prioritizing domestic sales, and have therefore refrained from international expansion. Since regulations differ by country, we may consider entering markets in countries where potential exists.

[Question] In a stage of rapid sales expansion, would your manufacturing capabilities be able to keep up with the actual demand?

[Answer] Our policy is to accumulate sales through multiple mainstay products instead of relying on a specific large-scale product that accounts for a high percentage of sales. Furthermore, we basically select a different OEM partner for each product, so our manufacturing is not concentrated with any specific OEM partner. As such, our recognition is that this will not be an issue going forward.

(Note)

This document is not a direct transcript of the Q&A session held at the meeting.

Please note that partial corrections and revisions have been made based on the judgement of the Company to improve understanding.