



Financial Results Meeting for the Fiscal Year Ended February 28, 2026

Stock code: 2930
Kitanotatsujin Corporation
April 16, 2026

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 “level of new customer acquisitions” and the “level of 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

- 👉 Consolidated net sales came in at ¥11,210 million (+9.0% from the forecast) and consolidated operating profit came in at ¥1,000 million (+11.6%), exceeding the forecast.
- 👉 The number of new customer acquisitions, which bottomed out in the third quarter of FY2025, continued to remain strong in the fourth quarter of FY2026, marking the fifth consecutive quarter of growth.
- 👉 Product planning is steadily progressing toward expanding the product lineup.
The accuracy of plan screening greatly improved, significantly increasing the number of promising development projects generated.
- 👉 Consolidated net sales for FY2027 are expected to be a record high of ¥15,962 million (+42.4% YoY).
Meanwhile, profits are expected to increase slightly, reflecting accelerated upfront investments supported by strong new acquisitions, which is a positive outlook for the business.

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Highlights for the Fiscal Year Ended February 28, 2026

Consolidated Key Performance Highlights [Compared with Forecasts]

(Millions of yen)

	FY2026 forecast	FY2026 results	Changes	Changes (%)
Net sales	10,289	11,210	+921	+9.0%
Gross profit	7,797	8,484	+686	+8.8%
Selling, general and administrative expenses	6,899	7,483	+583	+8.5%
Advertising expenses	2,661	3,000	+338	+12.7%
Operating profit	897	1,000	+103	+11.6%
Operating profit margin	8.7%	8.9%	+0.2pt	
Ordinary profit	911	1,037	+125	+13.8%
Profit attributable to owners of parent	622	695	+73	+11.9%

- Both net sales and operating profit exceeded the forecast.
- New customer acquisitions at J NORTH FARM outperformed the plan, increasing advertising expenses. However, profits increased, driven by the accumulation of regular sales and strong e-commerce mall sales.

Key Performance Highlights [Compared Year on Year]

(Millions of yen)

	FY2025 results	FY2026 results	Changes	Changes (%)
Net sales	11,826	11,210	-616	-5.2%
Gross profit	8,966	8,484	-482	-5.4%
Selling, general and administrative expenses	7,291	7,483	+191	+2.6%
Advertising expenses	2,904	3,000	+96	+3.3%
Operating profit	1,675	1,000	-674	-40.3%
Operating profit margin	14.2%	8.9%	-5.2 pt	
Ordinary profit	1,704	1,037	-666	-39.1%
Profit attributable to owners of parent	1,205	695	-509	-42.3%

The accumulation of sales from regular customers has decreased as the new customer acquisitions at J NORTH FARM, which had decreased in FY2024, recovered only slowly in FY2025, resulting in net sales and profits being lower than the same period of the previous year. (See pages 18 and 19 for quarterly changes in sales.)

Consolidated Key Performance Highlights [Compared Quarter on Quarter]




(Millions of yen)

	FY2026 3Q results	FY2026 4Q results	Changes	Changes (%)
Net sales	2,768	3,195	+427	+15.4%
Gross profit	2,116	2,342	+226	+10.7%
Selling, general and administrative expenses	1,864	2,099	+235	+12.7%
Advertising expenses	747	846	+98	+13.2%
Operating profit	252	243	-9	-3.8%
Operating profit margin	9.1%	7.6%	-1.5 pt	
Ordinary profit	257	260	+3	+1.2%
Profit attributable to owners of parent	167	174	+6	+3.9%

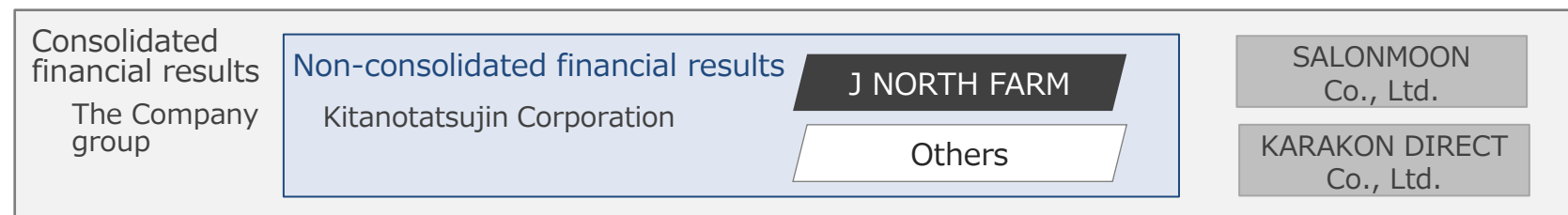
- Net sales and advertising expenses increased as new customer acquisitions at J NORTH FARM were strong.
- Operating profit decreased due to higher operating expenses, reflecting the recording of a provision for shareholder benefit in the fourth quarter.
- KARAKON DIRECT Co., Ltd. has been included in the consolidated financial results since the fourth quarter of FY2026.

Consolidated Financial Results by Segment

(Millions of yen)

Segment	Business	FY2026				Total
		1Q	2Q	3Q	4Q	
Health & Beauty Care business	 北の快適工房 J NORTH FARM	2,366	2,427	2,533	2,701	10,028
	 SALON MOON ^{PRO}	211	208	226	251	898
	 カラコンダイレクト KARAKON DIRECT	—	—	—	236	236
	Others*	18	13	8	6	46
Total net sales		2,596	2,649	2,768	3,195	11,210
Operating profit		240	264	252	243	1,000

<Segments of financial results>



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

* "Others" are comprised of the e-cigarette "SPADE."

This is treated separately from J NORTH FARM given the product characteristics and creation background. However, it accounts for only a small portion of the non-consolidated financial results.



Major Products

Non-consolidated Major Products

New products
Released in FY2026

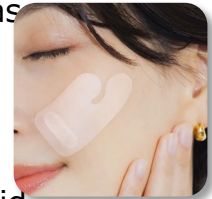


LIFIST Released on May 28, 2025

Category Beauty

Overview/Feature Next-generation micro needle lifting* cosmetics for sagging cheeks* with skin care effects

- The fifth release of the “DEEP PATCH Series,” microneedle cosmetics of the Company, which has opened up the market among many competing micro needle products
- Special-shaped patches with tabs for lifting and fixing* skin, smoothing out smile lines*, by injecting beauty needles containing hyaluronic acid as the main ingredient



colomo Released on February 17, 2026

Category Beauty

Overview/Feature Bifocal colored contact lenses that enhance the appearance of your eyes while correcting vision

- Developed for those who have begun to notice changes in their vision in daily life
- Daily disposable colored contact lenses classified as specially-controlled medical devices



* Physical effects of the patch

Non-consolidated Major Products

New product
Released in FY2027



Jinax

Released on March 6, 2026

Category

Kaiteki: Healthcare

Overview/
Feature

Pharmaceutical products (herbal medicine) that improve bowel movements and relieve symptoms of hemorrhoids*¹
Formulated with six naturally derived crude drugs

Existing products



DEEP PATCH Series

HYALO DEEP PATCH for wrinkles under the eyes and smile lines

MIKEN DEEP PATCH for the area between the eyebrows

ODEKO DEEP PATCH for the forehead

CHEEK PORE PATCH for the cheek pore zones*²

Category

Beauty

Overview/
Feature

Injectable cosmetics that directly deliver hyaluronic acid to the stratum corneum
Blend of beauty ingredients and sheet shape tailored to characteristics of facial areas

Recognized by the Guinness World Records™ for six consecutive years as the world's best-selling*³ products, being the first in the world to achieve six consecutive Guinness World Record™ wins for the sales records in the cosmetics section

*1 The following symptoms in individuals with moderate or greater physical strength who are prone to constipation and hard stools: hemorrhoids (blind piles), bleeding hemorrhoids, constipation, and mild rectal prolapse

*2 Area where cheek pores are concentrated

*3 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

Major Products



LID KIRARA

Category

Beauty

Overview/
feature

Eye care beauty gel against sagging eyelids

In addition to anti-aging, eyelids are lifted thanks to physical film effects immediately after application*1



HACKTICK

Category

Beauty

Overview/
feature

A single stick foundation that completes base makeup, serving five functions; to prevent sunburns, base for makeup, foundation, concealer, and face powder



Clear Strong Shot α

Category

Kaiteki: Skin care

Overview/
feature

Medicinal gel-type nail care product

Active ingredients penetrate into the nails*2 with our original penetrating technology and eliminate bacteria inside the nail with disinfection efficiency



KAITEKI OLIGO

Category

Kaiteki: Healthcare

Overview/
feature

Oligosaccharide food for household use which improves bowel movements for people with constipation tendency

Japan's first*3 food with functional claims containing a combination of five types of ingredients that improve bowel movements.



HYALO AID

Category

Kaiteki: Healthcare

Overview/
feature

A hyaluronic acid gel sheet that is applied directly to knees for delivering moisture. This product is directly "applied" to knees, different from conventional approaches such as "drinking," "rubbing," and "injecting"

*1 Physical film effect

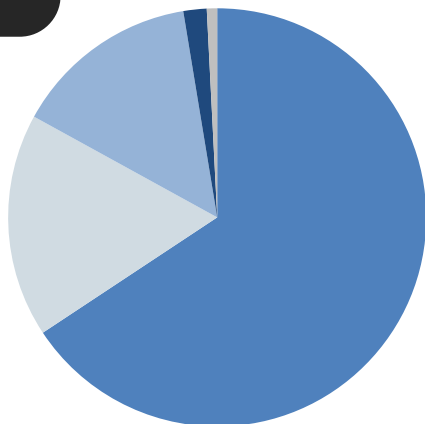
*2 To the surface of top plates

*3 See the website of the Consumer Affairs Agency. Survey by the Company in September 2019

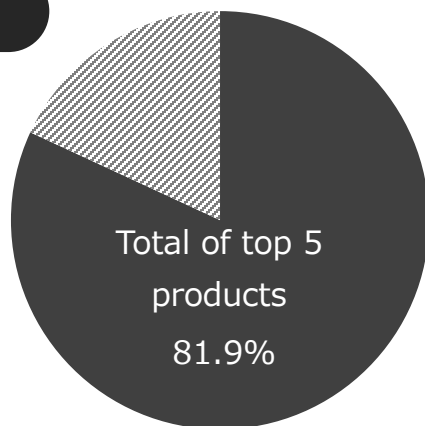
Breakdown of Net Sales

FY2026 full year

By category



Top 5 products



Category	Number of products as of the end of 4Q (kinds)	Percentage of net sales for FY2026 full year (%)
Reference: https://www.kaitekikobo.jp/shopping/		
Beauty	21	65.7
Kaiteki: Skin care	6	17.3
Kaiteki: Healthcare	8	14.4
Men's	4	1.8
Other*	2	0.8
Total	41	100

<By category>

- Beauty is the highest at 65.7%, followed by kaiteki: skin care at 17.3%
- The order of net sales by category has remained unchanged for the last few years

<Top five products>

Although top products vary, they account for approx. 81.9%

* Includes "SPADE."

The percentage of net sales by product differs from that for overall net sales as it does not include an adjustment for revenue recognition.

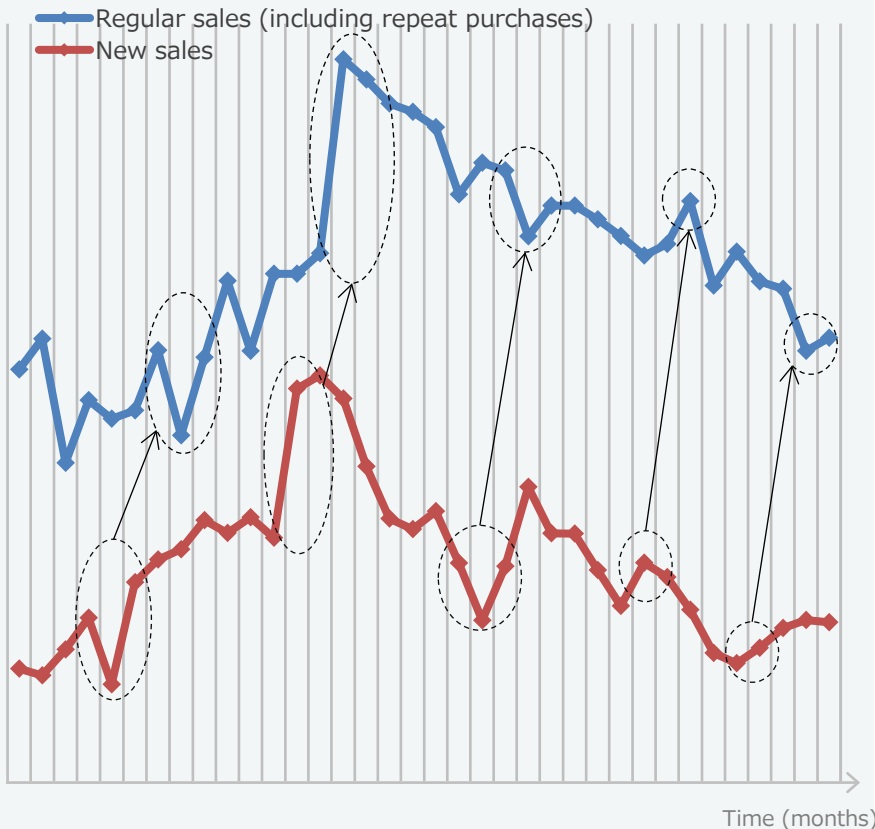


Analysis of Operating Results, etc.

Explanation: Relationship between new sales and regular sales

◆ Correlation between new sales and regular sales

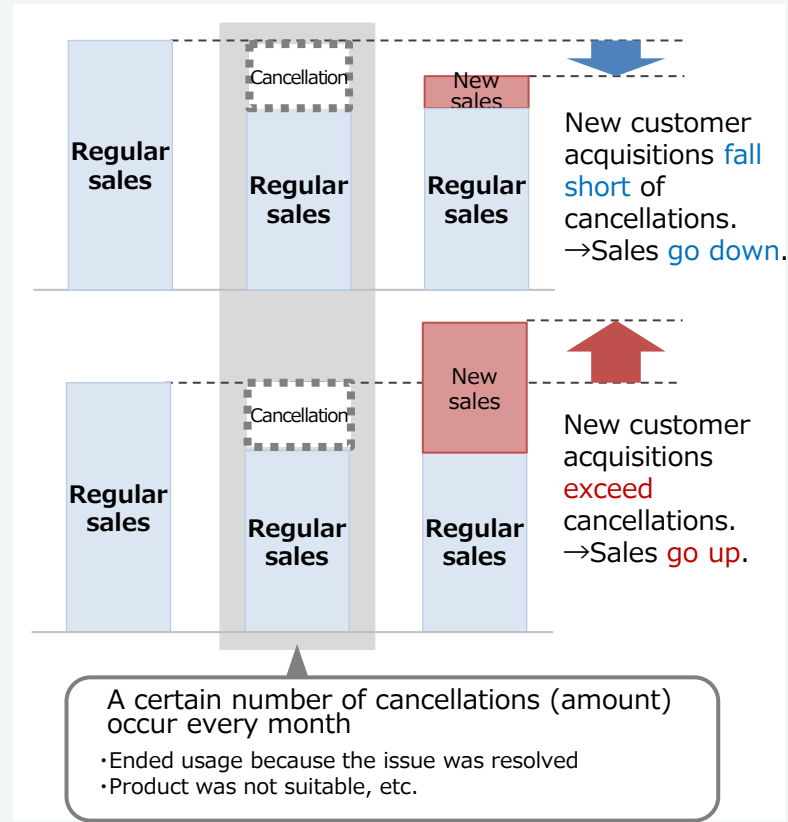
A change in new sales generally emerges as an impact on regular sales in two or three months



* 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



Explanation: Sales profit and operating profit

◆ Sales profit and operating profit

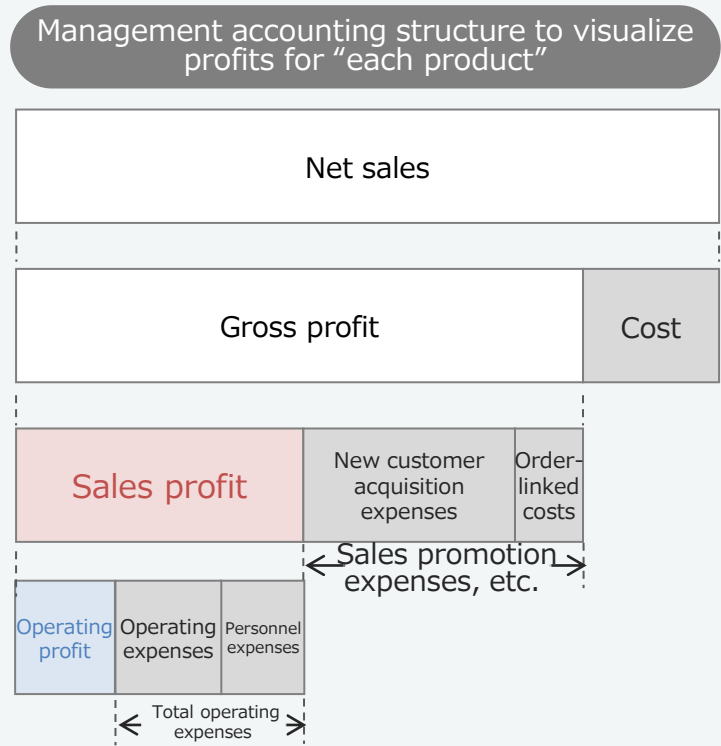
Our own unique management accounting method (five level profit management: see page 58) allows us to identify the factors behind changes in profit for each product, and we have focused in on “sales profit” and “operating profit” as important performance evaluation indicators.

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.



*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.

Quarterly changes and comparisons of results

(Millions of yen)

	Results								Forecast	Changes (vs. the current period)		
	FY2025				FY2026				FY2026	Compared with forecast	Quarter on quarter	Year on year
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	4Q			
Net sales	2,922	2,896	2,510	2,358	2,384	2,440	2,541	2,707	2,309	+398	+166	+349
Gross profit	2,310	2,332	2,006	1,805	1,895	1,929	1,999	2,145	1,818	+327	+146	+340
Sales promotion expenses, etc.	1,144	1,113	731	830	925	966	1,004	1,090	893	+197	+86	+260
Sales profit	1,165	1,219	1,275	974	969	962	995	1,054	925	+129	+59	+80
Operating profit	381	499	542	170	222	255	256	219	110	+109	-37	+48

<Compared with forecast>

Both net sales and sales profit increased significantly, driven by the accumulation of regular sales as well as growth in new sales supported by stronger-than-expected new acquisitions.

<Compared quarter on quarter>

Net sales through sales profit increased due to growth of new sales and the accumulation of regular sales. However, operating profit decreased due to higher operating expenses reflecting the recording of a provision for shareholder benefit to be delivered in FY2027 in the fourth quarter.

<Compared year on year>

Net sales increased significantly as new acquisitions remained strong and new sales increased.

Although sales promotion expenses, etc. also increased, sales profit exceeded the forecast, supported by the increased accumulation of regular sales.

Change in net sales and sales profit by sales category

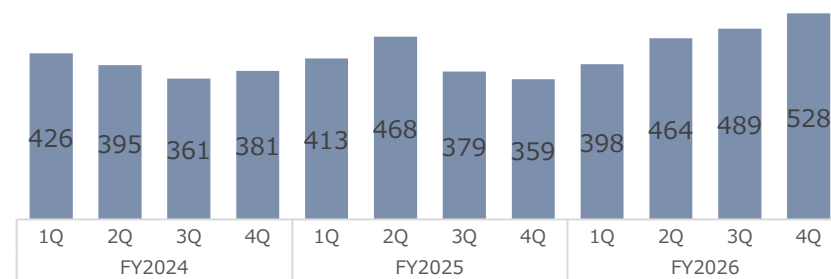
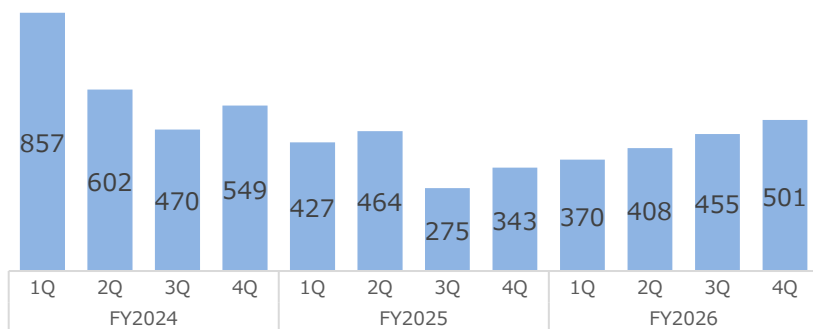
(Millions of yen)

	FY2024				FY2025				FY2026			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Net sales	3,558	3,431	3,041	2,988	2,873	2,851	2,467	2,325	2,366	2,427	2,533	2,701
(1) New sales												
Net sales	857	602	470	549	427	464	275	343	370	408	455	501
Sales profit	-1,205	-881	-558	-611	-573	-485	-328	-392	-463	-461	-456	-475
(2) Regular and other sales												
Net sales	2,087	2,433	2,208	2,056	2,031	1,918	1,811	1,622	1,596	1,555	1,587	1,671
Sales profit	1,531	1,757	1,627	1,496	1,506	1,431	1,371	1,204	1,200	1,157	1,184	1,239
(3) E-commerce mall sales												
Net sales	426	395	361	381	413	468	379	359	398	464	489	528
Sales profit	248	236	198	206	233	273	219	201	223	257	260	277
Sales profit	699	1,112	1,267	1,091	1,166	1,219	1,261	1,013	960	953	988	1,041

New sales are on a clear recovery trend and e-commerce mall sales posted a record high.

<New sales Change in net sales>

<E-commerce mall sales Change in net sales>



* There is a difference between the total amount of sales category (1) through (3) and the total amount for J NORTH FARM, as net sales of ¥188 million and sales profit of ¥125 million due to delayed deliveries in FY2023 are not stated in the first quarter of FY2024.

Factors behind change in sales profit

(Millions of yen)

	Compared quarter on quarter				Compared year on year			
	FY2026 3Q	FY2026 4Q	Changes	Changes (%)	FY2025 4Q	FY2026 4Q	Changes	Changes (%)
Net sales	2,533	2,701	+168	+6.7%	2,325	2,701	+375	+16.2%
(1) New sales								
Net sales	455	501	+46	+10.2%	343	501	+158	+46.1%
Sales promotion expenses, etc.	774	835	+60	+7.9%	636	835	+198	+31.2%
Sales profit	-456	-475	-19	-	-392	-475	-83	-
(2) Regular and other sales								
Net sales	1,587	1,671	+83	+5.3%	1,622	1,671	+48	+3.0%
Sales promotion expenses, etc.	79	89	+10	+13.3%	82	89	+7	+9.5%
Sales profit	1,184	1,239	+54	+4.6%	1,204	1,239	+34	+2.9%
(3) E-commerce mall sales								
Net sales	489	528	+38	+7.9%	359	528	+169	+47.1%
Sales promotion expenses, etc.	149	164	+15	+10.2%	102	164	+62	+61.4%
Sales profit	260	277	+17	+6.9%	201	277	+76	+37.7%
Sales profit	988	1,041	+53	+5.4%	1,013	1,041	+27	+2.8%

<Compared quarter on quarter>

- New sales steadily recovered after bottoming out in the third quarter of FY2025 and continued to increase. As advertising investment also increased, sales profit from new sales decreased.
- Net sales from regular sales increased reflecting growth in new sales of FY2026. E-commerce mall sales continued to perform well.

<Compared year on year>

- Net sales significantly increased as new sales recovered. Sales profit from new sales decreased as advertising investment increased.
- Both net sales and sales profit from regular sales increased, as the decrease in the accumulation of regular sales resulting from a decrease in new sales bottomed out. E-commerce mall sales significantly increased as they continue to perform well.

Factors behind change in sales profit

<Compared with financial results forecast for the full year>

(Millions of yen)

	Forecast	Results	Changes	Changes (%)
Net sales	9,235	10,028	+792	+8.6%
(1) New sales				
Net sales	1,393	1,736	+343	+24.6%
Gross profit	999	1,238	+239	+23.9%
Sales promotion expenses, etc.	2,763	3,096	+332	+12.0%
Sales profit	-1,764	-1,857	-93	-
Initial ROAS*1	56.3%	64.0%	-	-
(2) Regular and other sales				
Net sales	6,202	6,410	+208	+3.4%
Gross profit	4,938	5,099	+160	+3.3%
Sales promotion expenses, etc.	260	316	+56	+21.6%
Sales profit	4,677	4,782	+104	+2.2%
(3) E-commerce mall sales				
Net sales	1,640	1,881	+241	+14.7%
Gross profit	1,341	1,589	+248	+18.5%
Sales promotion expenses, etc.	450	571	+121	+27.0%
Sales profit	891	1,018	+127	+14.3%
Sales profit	3,805	3,943	+138	+3.6%

- ◆ 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.

- ◆ As new acquisitions continued to be strong, regular sales also increased.
- ◆ Sales promotion expenses, etc. are on an increasing trend due to the promotion of LTV*2 improvement measures.

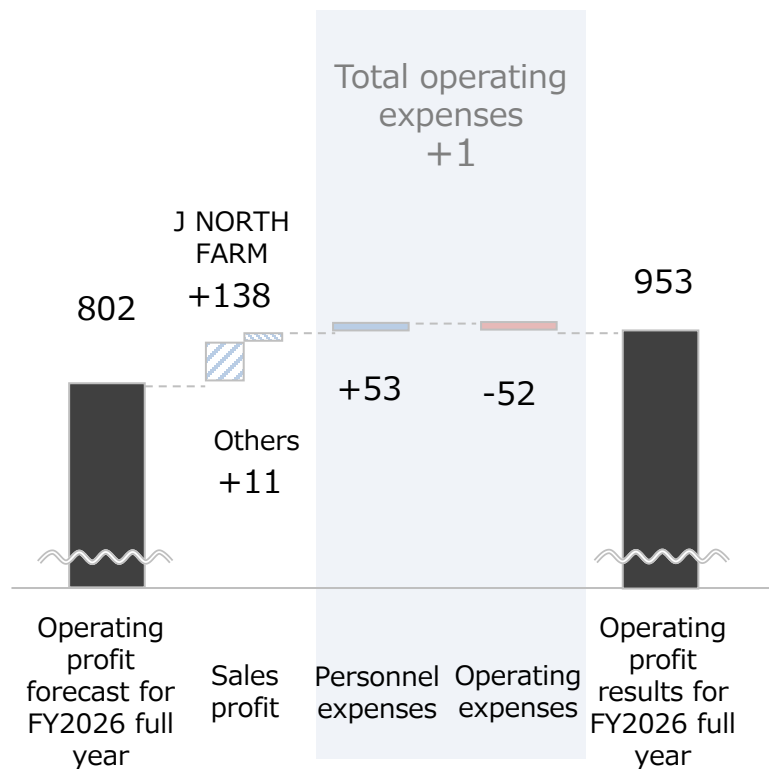
- ◆ Both net sales and sales profit increased significantly, driven by strong new acquisitions as well as measures implemented specifically for e-commerce malls.
- ◆ Net sales and profits reached a record high.

*1 ROAS stands for Return On Advertising Spend, which is an indicator of advertising investment efficiency that measures how much sales are generated from advertising. 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.

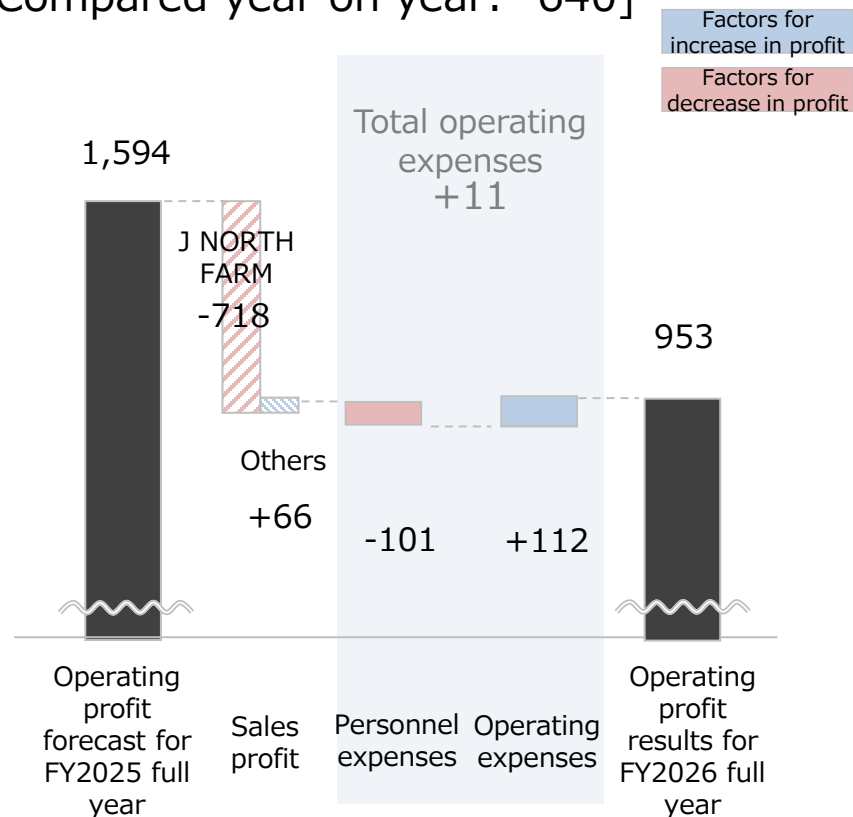
*2 LTV stands for Life Time Value, which is the amount of lifetime net sales a customer will bring. 1-year LTV is the amount of net sales a customer will bring for one year.

Non-consolidated Factors behind change in operating profit

[Compared with financial results forecast: +151]



(Millions of yen)
[Compared year on year: -640]



(Compared with financial results forecast)

- Wage decrease due to lower-than-planned staffing levels
- Increase in a provision for shareholder benefit due to a rise in the number of shareholders and enhancements to the benefit program

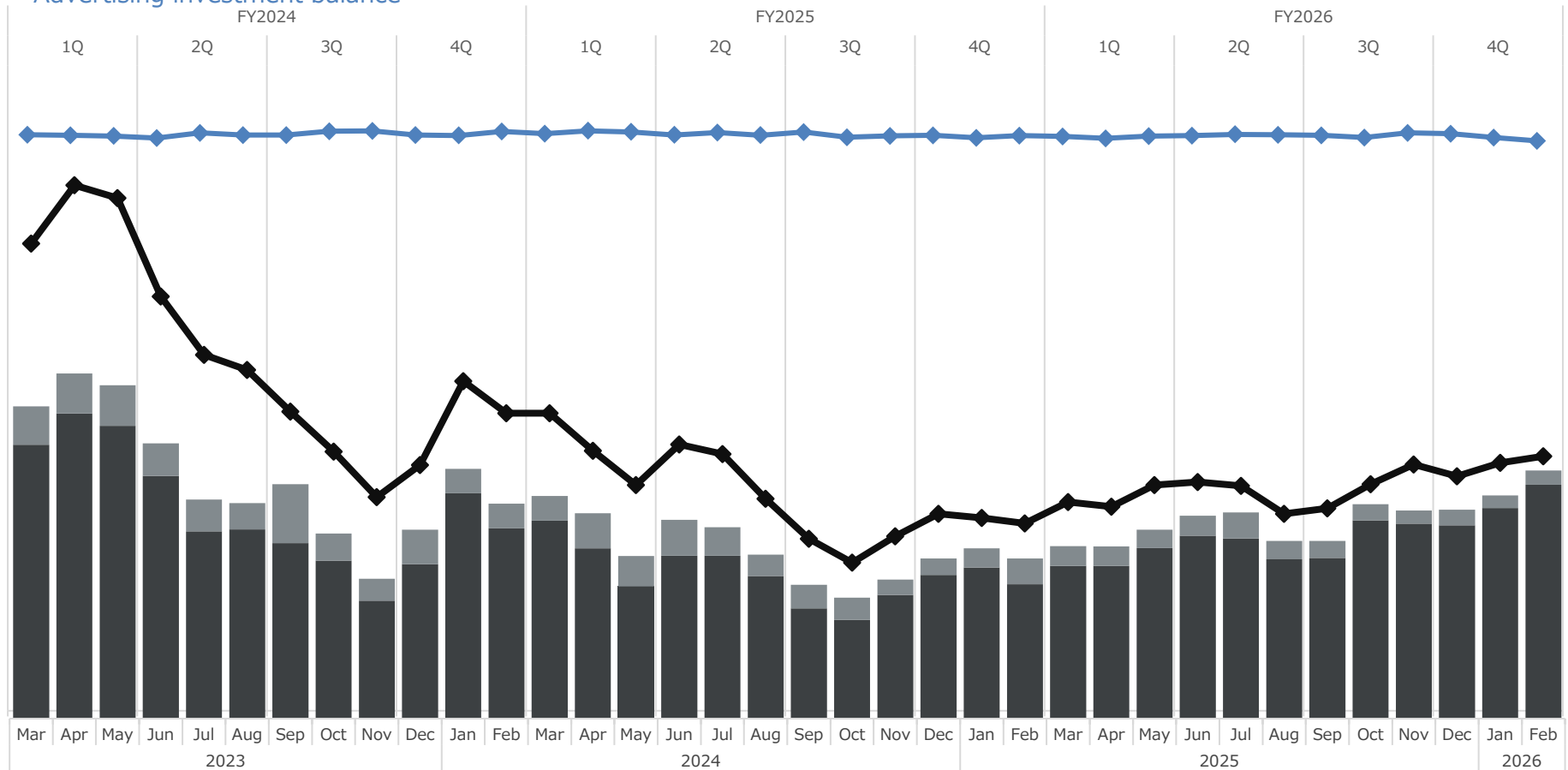
(Year on year)

- Wage increase due to pay rises, etc.
- Decrease due to optimization of distribution bases
- [Previous year] Expenses related to relocation of the Tokyo Head Office floor were incurred.

Relationship between number of new customer acquisitions and advertising expenses

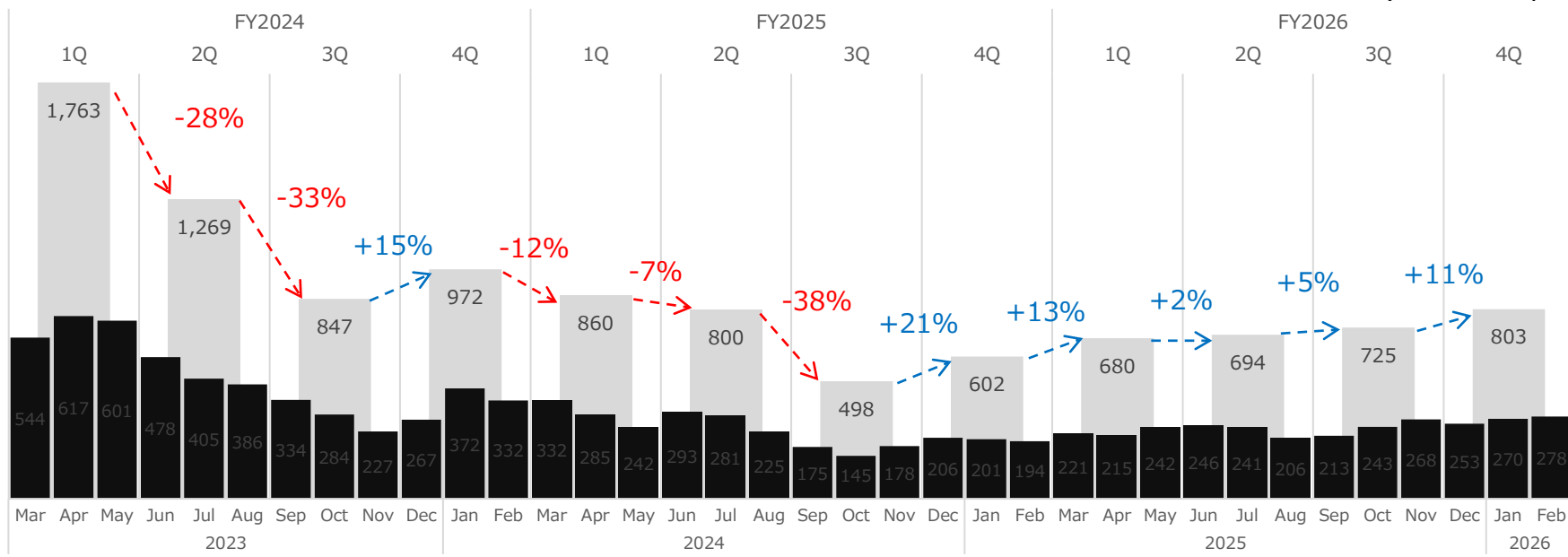
- Changes in the number of new customer acquisitions are directly linked to changes in advertising expenses.
- The advertising investment balance is maintained at a constant level.

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



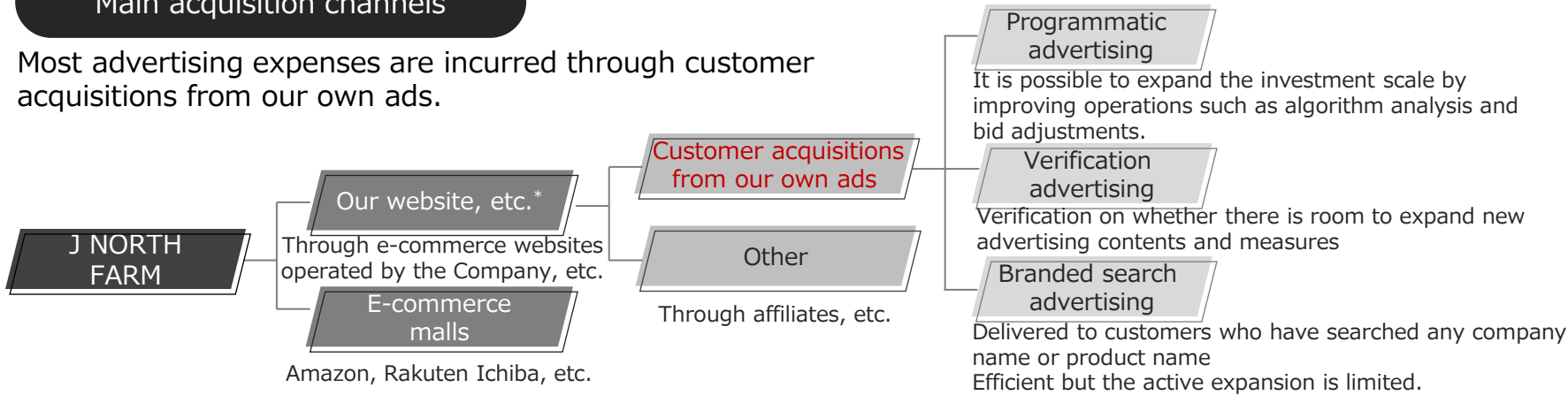
Changes in advertising expenses

(Millions of yen)



Main acquisition channels

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

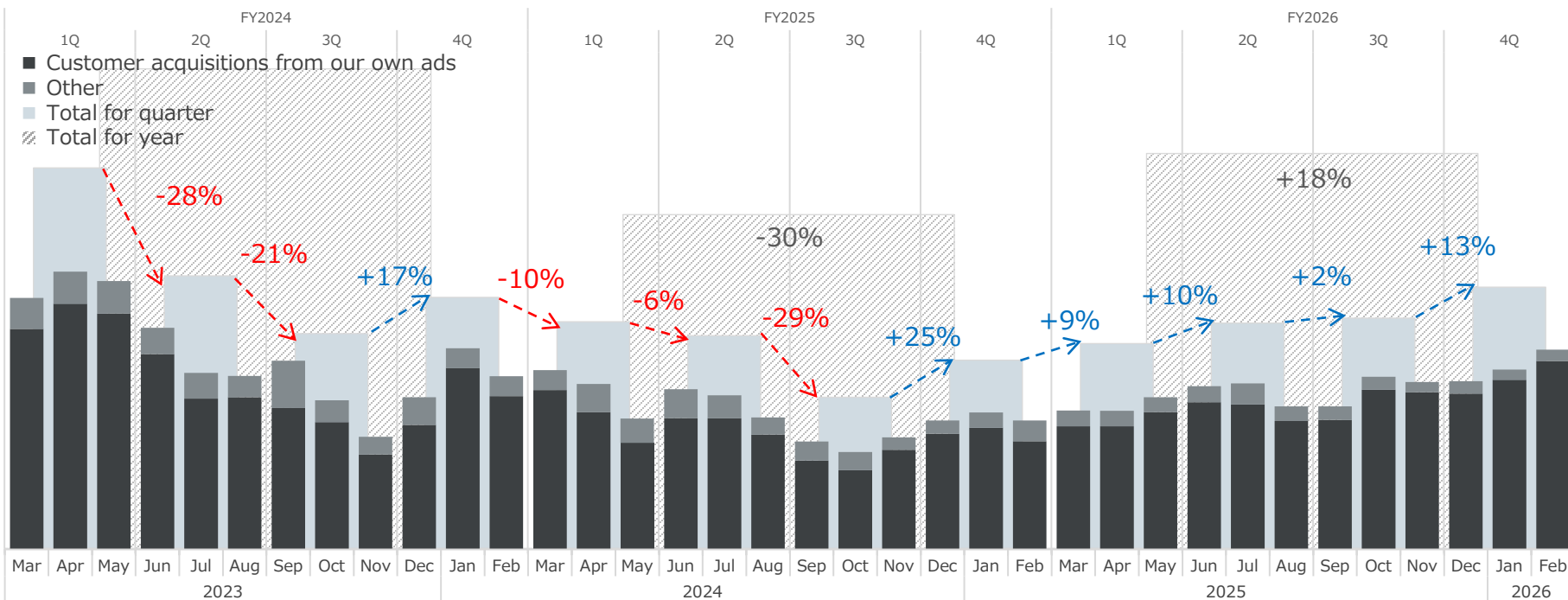


* "Our website, etc." includes the number of new customer acquisition (as well as a portion of orders made by phone, etc.) from all e-commerce websites operated by the Company, excluding e-commerce malls

Non-consolidated

Our website, etc.

Changes in number of new customer acquisitions



- ◆ Since the third quarter of FY2025, the number of new customer acquisitions has remained on a recovery trend, increasing for the fifth consecutive quarter.
 - Continuous efforts to create advertising with a higher click-through rate, particularly “good advertising content” including sales pages with a higher purchase rate
 - Creating advertising content through the utilization of generative AI has improved quality
- ◆ By accelerating product planning, we plan to increase the number of new customer acquisitions by expanding our product lineup (refer to pages 54 to 55).
 - Improving the structure by measures such as an increase in personnel of a specialized team and setting and controlling KPIs by counting backwards from the planned release of new products
 - Both the quality of draft plans and the verification speed significantly improved through active utilization of generative AI for tasks such as “generating and brushing up ideas that accurately grasp customers’ issues” and “analyzing results of external tests,” making it possible to place more focus on processes where humans should demonstrate creativity
 - Many potential products have advanced from the planning phase to the development phase, moving toward planned new product launches in and beyond FY2027

Non-consolidated

Our website, etc.

Acceleration of new acquisitions by generative AI

- ◆ The main driver of strong customer acquisition is an increasingly sophisticated advertising content creation process utilizing generative AI.

As generative AI becomes more widespread and lowers barriers to advertising content creation, we will maximize our advantage by leveraging data and know-how obtained through in-house advertising operations.

“Quantitative” advantages



Internally accumulating and managing all historical data on successful advertising content



Achieving highly accurate large-scale production using generative AI, based on extensive data

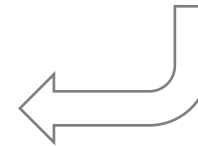
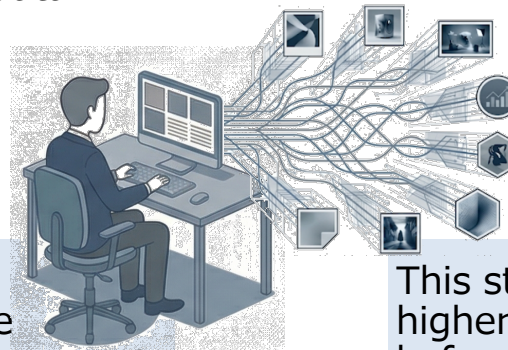
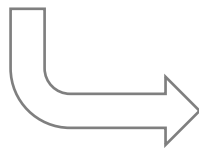
“Qualitative” advantages



The Company's top creators leverage generative AI



Diverse and sophisticated expressions can be achieved flexibly, overcoming constraints related to photo sessions and production costs



The entire process up to operations is completed in-house and supported by a sufficient amount of data owned by the Company.

This structure enables the production of higher-quality advertising than ever before and supports the continued creation of hit advertisements.

We will maximize our advantage by leveraging our proprietary data, top creators, and generative AI.

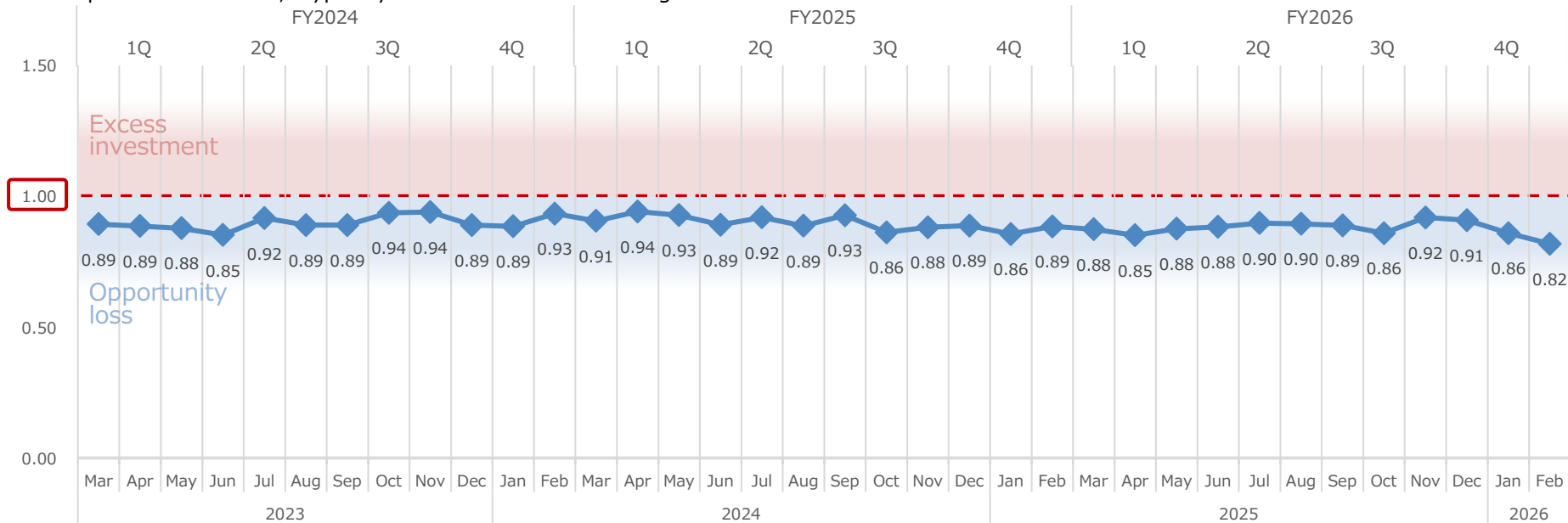
Advertising investment balance*1

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

• This indicator is practically managed with a safety margin in consideration of changes in the market environment and excess investment risk. This remains below 1.00 in many cases, while minimizing opportunity loss (a strategic decision for achieving both profitability and sustainable growth).

The advertising investment balance is calculated with “programmatic advertising” (see page 24) as it accurately reflects the actual condition.

- The outcome of “programmatic advertising” varies significantly depending on skills of operations such as algorithm analysis and bid adjustments and accordingly, it is possible to expand the investment scale through operational improvements.
- “Verification advertising”**2 and “branded search advertising”**3, for which room for expansion and the degree of skill demonstration are limited, do not accurately reflect the actual operational ability.
- Months significantly below 1.00 are temporary, as this reflects a “phenomenon in which new acquisitions increase while the cost per new acquisition decreases,” typically when effective advertising content is created.



*1 A unique indicator that measures opportunity loss and unprofitability in advertising. Advertising investment indicates how much CPO was obtained with respect to the CPO limit*4. If it is less than 1.00, there is opportunity loss, and if it is higher than 1.00, there is excess investment. Therefore, 1.00 is the optimal value. If the CPO limit is set to ¥10,000 and the CPO result is ¥9,000, the advertising investment balance is 0.90.

*2 The advertising investment balance of verification advertising exceeds 1.00, as it is permitted to exceed the CPO limit to a certain level to verify whether there is room for expansion.

*3 The advertising investment balance of branded search advertising is lower than 1.00, as the customer base is limited and therefore the acceleration of investment is limited, while it delivers ad to customers who already know products, etc., leading to acquisitions at the level significantly below the CPO limit.

*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.

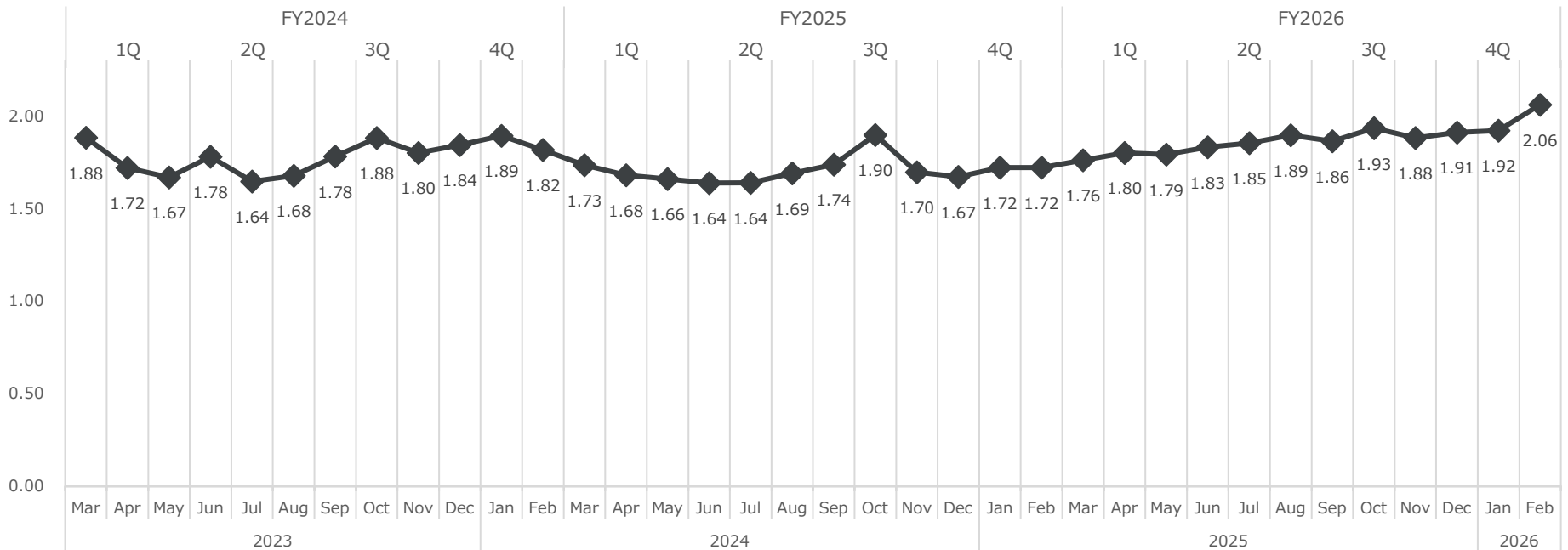
Change in 1-year ROAS

1-year ROAS*1*2

Amount of sales expected to result from advertising investment in one year

This is an efficiency indicator that represents a relationship between advertising investment and the resulting expected one-year sales. The overall acquisition from our own ads managed and operated by the Company are measured.

It is monitored in a holistic way.



*1 Used as a projection of how much sales are expected to result from advertising in one year.

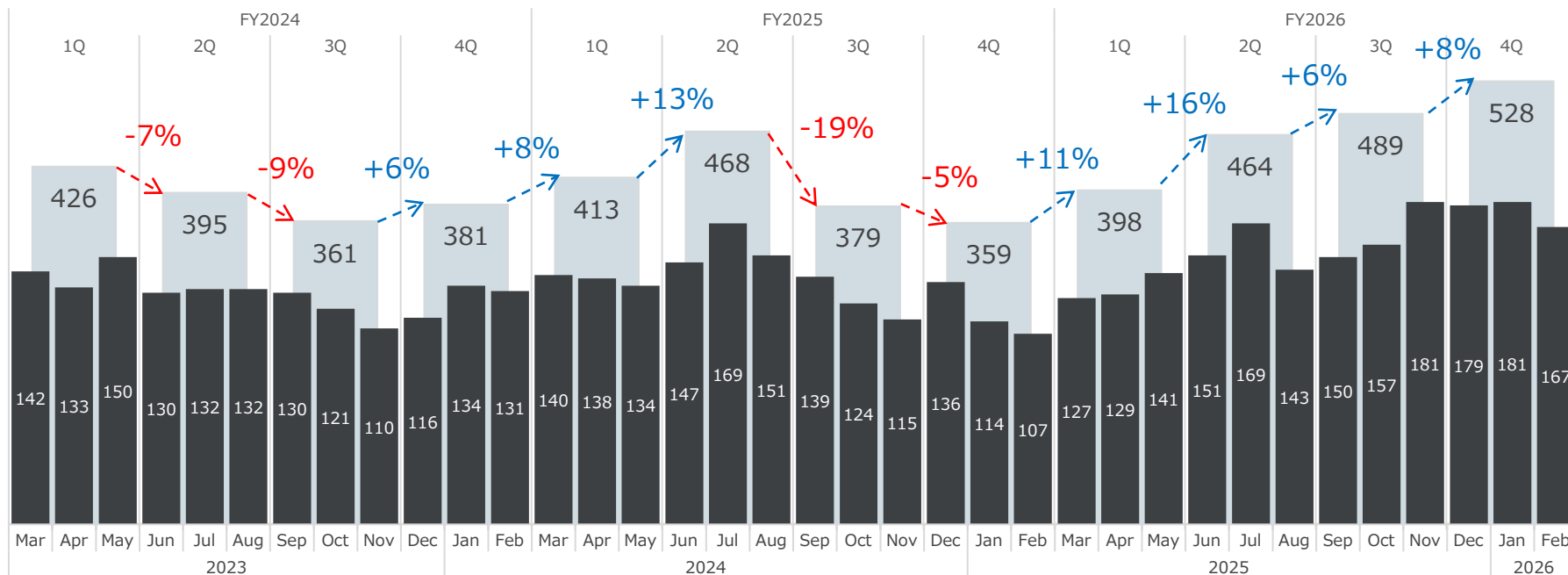
If ¥1 million was used for advertising, and sales of ¥1.5 million are expected to be generated, the projected 1-year ROAS is 1.50.

*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 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.

Changes in net sales

Net sales for e-commerce malls in the fourth quarter of FY2026 were +8% quarter on quarter (+47% year on year).

(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

→ In November 2025, monthly revenue exceeded ¥100 million on Amazon, which is a record high. Net sales marked an increase for four consecutive quarters in FY2026, reaching a record high for both the fourth quarter and the full year.

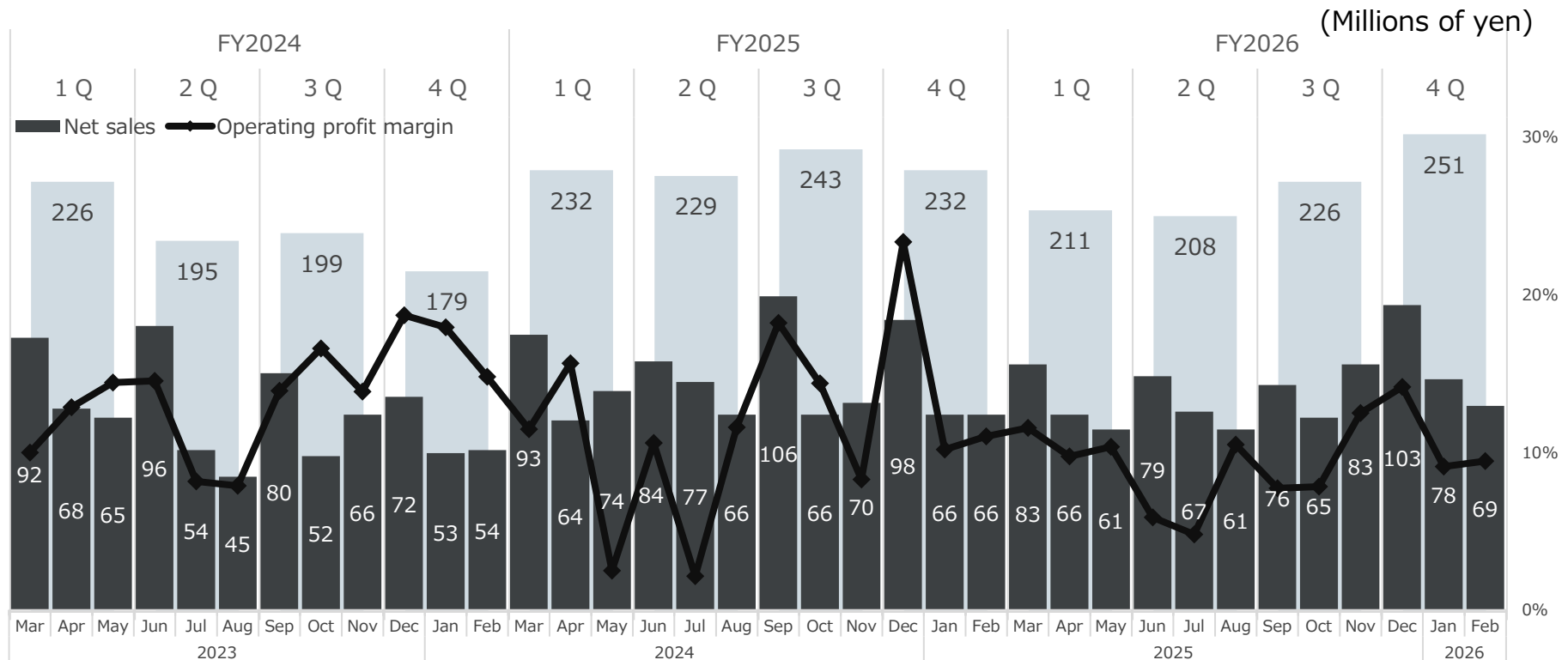
SALONMOON Co., Ltd.

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.



Net sales for the fourth quarter of FY2026 were +11% quarter on quarter.



<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
 - Preparing for opening of multiple stores, and conducting user interviews
- ◆ Development and release of new products and series products
- ◆ Storefront sales at nationwide consumer electronics chains, major variety shops, and discount stores to increase brand awareness and attract new customer base
 - Started sale of “Booster Ion Dryers” at some storefronts.
- ◆ The “Booster Ion Dryer” gained higher attention and the purchase increased after being introduced in the “Try-and-rank (dryers under ¥10,000)” corner of “Saturday Plus,” a TV program of MAINICHI BROADCASTING SYSTEM, broadcasted in August 2025.
- ◆ 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 1.50 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.

KARAKON DIRECT Co., Ltd.

December 1, 2025

- Acquired all shares of Rebirth Chain Consulting Co., Ltd. (current KARAKON DIRECT Co., Ltd.)
- Changed the trade name to KARAKON DIRECT Co., Ltd.

Background

The Company has determined that its expertise, know-how, etc. of promotional activities, creative production, and advertising optimization, specifically for e-commerce malls, will contribute to further enhancing Rebirth Chain Consulting's profitability and competitiveness.

(Millions of yen)

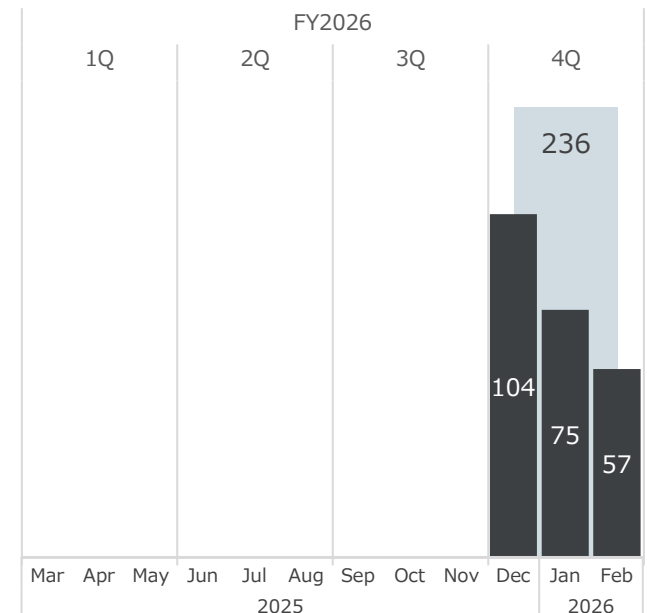
Sale of color contact lenses

- Selling 90 or more products through e-commerce malls such as Qoo10 and Rakuten Ichiba in the growing color contact lens market
- Boasting a repeat customer base from which numerous high ratings and reviews are received, maintaining an efficient order and delivery process capable of handling a wide range of products

<Initiatives for the FY2026>

- ◆ Various initiatives to develop an efficient operational workflow
- ◆ Reviewing the sales situation at e-commerce malls and considering appropriate measures

As with SALONMOON, monthly net sales fluctuate depending on the timing of e-commerce mall sale periods. Net sales increased significantly in December due to shipments in this sale period.



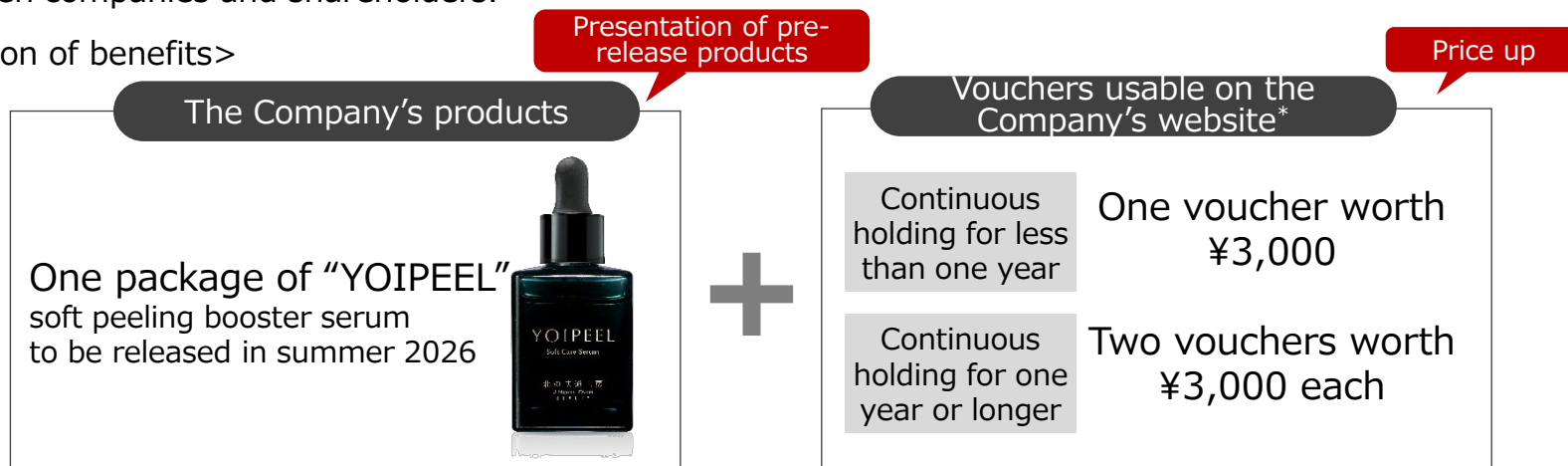
The Company has introduced a shareholder benefit program to thank our shareholders for their ongoing support and deepen their understanding of the Company's business.

In order to promote “unifying shareholders and consumers” to further raise the attractiveness of investing in shares of the Company and make our shareholders fans of the Company's products, the Company has **changed and enhanced the program** in light of opinions received about the shareholder benefit program and requests found in the shareholder questionnaire survey.

→ This change brings about further growth of the business and ultimately, helps to enhance corporate value by raising brand loyalty, deepening understanding of the business, and providing constructive and practical feedback, among others.

“Shareholders also being consumers of products and services” represents an ideal relationship between companies and shareholders.

<Description of benefits>



<Eligible shareholders> Shareholders who are listed or recorded in the shareholder register as of the end of February 2026 and hold at least one unit (100 shares).

<Presentation timing> Scheduled to be shipped in mid-August 2026

* The vouchers can only be used for our products priced at ¥3,300 or more under our brand “J NORTH FARM” (excluding some products) on the online store exclusively for our shareholders.

Consolidated Consolidated Balance Sheets

(Millions of yen)

Subject/Section	FY2025/4Q end As of February 28, 2025	FY2026/4Q end As of February 28, 2026
Current assets	7,960	8,109
(Cash and deposits)	5,698	5,701
Non-current assets	1,197	1,381
Total assets	9,157	9,490
Current liabilities	1,234	1,385
Non-current liabilities	56	57
Total liabilities	1,291	1,442
Total net assets	7,866	8,047
Total liabilities and net assets	9,157	9,490

<Main factors for the changes from the end of FY2025>

¥187 million increase in accounts receivable - trade, and contract assets, ¥203 million increase in goodwill under assets

¥185 million increase in accounts payable - trade, ¥171 million increase in accounts payable -other

Consolidated Statements of Cash Flows

(Millions of yen)

Subject/Section	Full year for FY2025 March 1, 2024 to February 28, 2025	Full year for FY2026 March 1, 2025 to February 28, 2026
Cash flows from operating activities	1,814	846
Cash flows from investing activities	-530	-301
Cash flows from financing activities	-366	-542
Effect of exchange rate change on cash and cash equivalents	(0)	1
Net increase (decrease) in cash and cash equivalents	915	3
Cash and cash equivalents at beginning of period	4,783	5,698
Cash and cash equivalents at end of period	5,698	5,701

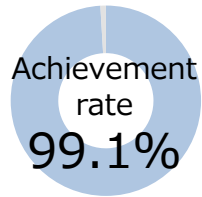
The main factors for the changes were profit before income taxes of ¥1,036 million, income taxes paid of -¥464 million, purchase of shares of subsidiaries resulting in change in scope of consolidation of -¥271 million, and dividends paid of -¥542 million.

Financial Results Forecast and Progress of Medium-term Management Plan

Progress of “Medium-term Management Plan 2028”

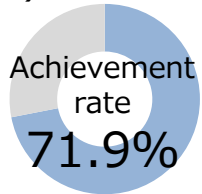
◆ Progress in FY2026 of the measures in the Medium-term Management Plan

(1) Net sales of existing products



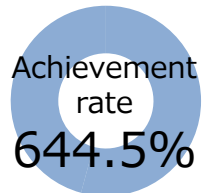
- Performance remained largely in line with the plan, with proactive advertising investments focused on mainstay products.
- It became possible to create more advertising content by utilizing generative AI.

(2) Net sales of new products



- Achievement is delayed due to lower-than-expected new acquisitions and a change in release timing.

(3) Net sales from LTV improvement



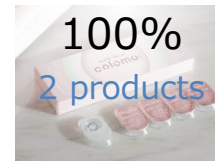
- Performance is progressing better than planned, supported by measures such as improvements to upselling pages, enclosed materials, and follow-up calls.

(4) Number of new products released



LIFIST May 2025 release

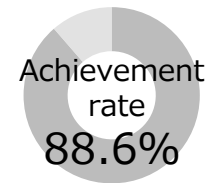
Next-generation micro needle lifting* cosmetics against sagging cheeks* with skin care effects



colomo February 2026 release

Bifocal colored contact lenses that enhance the appearance of your eyes while correcting vision

(5) SALONMOON



- Sales fell short of expectations, resulting in lower-than-planned revenue.

(6) M&A (not incorporated in the Plan)

Acquired all shares of Rebirth Chain Consulting Co., Ltd. (current KARAKON DIRECT Co., Ltd.) on December 1, 2025

We are confident in achieving the Medium-term Management Plan, as it has been progressing largely as planned, driven by core measures.

* Physical effects of the patch

Consolidated Financial Results Forecast

(Millions of yen)

	FY2026 results	FY2027 forecast	Changes	Changes (%)
Net sales	11,210	15,962	+4,751	+42.4%
Operating profit	1,000	1,059	+58	+5.9%
Operating profit margin	8.9%	6.6%	-2.3 pt	
Ordinary profit	1,037	1,080	+43	+4.2%
Profit attributable to owners of parent	695	734	+38	+5.5%

	FY2027 1Q	FY2027 2Q	FY2027 3Q	FY2027 4Q	FY2027 (full year)
Net sales	3,343	3,923	4,372	4,323	15,962
Operating profit	-15	359	463	251	1,059
Operating profit margin	-0.5%	9.2%	10.6%	5.8%	6.6%
Ordinary profit	-12	367	467	258	1,080
Profit attributable to owners of parent	-21	255	322	176	734

Non-consolidated Financial Results Forecast

(Millions of yen)

	FY2026 results	FY2027 forecast	Changes	Changes (%)
Net sales	10,075	13,828	+3,753	+37.3%
Gross profit	7,970	10,379	+2,409	+30.2%
Sales promotion expenses, etc.	3,987	6,186	+2,199	+55.2%
Sales profit	3,982	4,193	+210	+5.3%
Total operating expenses	3,029	3,236	+207	+6.8%
Operating profit	953	956	+3	+0.3%
Operating profit margin	9.5%	6.9%	-2.5%	
Ordinary profit	1,032	1,037	+5	+0.6%
Profit	725	725	+0	+0.0%

- Net sales will grow, driven by an increase in new acquisitions, the launch of new products, and the accumulation of regular sales.
- Operating profit is expected to increase slightly, due to a higher cost rate resulting from a change in the product mix, a significant increase in sales promotion expenses, etc. driven by increased advertising investment for new acquisitions, and higher personnel expenses.

Financial Results Forecast

(Millions of yen)

	FY2027 1Q	FY2027 2Q	FY2027 3Q	FY2027 4Q	FY2027 (full year)
Net sales	2,820	3,391	3,746	3,869	13,828
Gross profit	2,200	2,529	2,779	2,870	10,379
Sales promotion expenses, etc.	1,436	1,452	1,548	1,749	6,186
Sales profit	764	1,076	1,231	1,120	4,193
Total operating expenses	794	749	798	893	3,236
Operating profit	-29	326	432	226	956
Operating profit margin	-1.0%	9.6%	11.6%	5.9%	6.9%
Ordinary profit	-11	349	451	248	1,037
Profit	-11	247	315	173	725

- Operating profit and other lower-level profits are expected to decrease in the first quarter of FY2027, as net sales and operating profit are recorded in subsequent quarters due to shipment delays for certain products for which new acquisitions are strong, resulting in an inventory shortage.
 - Net sales of J NORTH FARM will increase toward the end of the fiscal year, driven by an increase in new acquisitions and the launch of new products.
- As sales promotion expenses, etc. also increase, growth in operating profit is expected to slow down.

<Comparison between FY2026 results and FY2027 forecast>

(Millions of yen)

	FY2026	FY2027	Changes	Changes (%)
Net sales	10,028	13,809	+3,781	+37.7%
(1) New sales				
Net sales	1,736	3,189	+1,452	+83.7%
Gross profit	1,238	2,100	+862	+69.6%
Sales promotion expenses, etc.	3,096	5,071	+1,974	+63.8%
Sales profit	-1,857	-2,970	-1,112	-
Initial ROAS	64.0%	69.6%	-	-
(2) Regular and other sales				
Net sales	6,410	8,664	+2,253	+35.2%
Gross profit	5,099	6,643	+1,544	+30.3%
Sales promotion expenses, etc.	316	475	+158	+49.9%
Sales profit	4,782	6,168	+1,386	+29.0%
(3) E-commerce mall sales				
Net sales	1,881	1,956	+74	+4.0%
Gross profit	1,589	1,620	+30	+1.9%
Sales promotion expenses, etc.	571	639	+68	+11.9%
Sales profit	1,018	980	-37	-3.7%
Sales profit	3,943	4,179	+236	+6.0%

New sales are expected to increase through the year, driven by continued strong new acquisitions for mainstay products as well as the launch of new products.

Sales profit decreases as a result of an increase in sales promotion expenses, etc. due to the above.

Net sales are expected to increase as regular sales steadily accumulate, supported by strong new sales carried over from the previous fiscal year.

Sales promotion expenses, etc. are expected to increase due to LTV improvement measure.

Net sales increase slightly due to our measures.

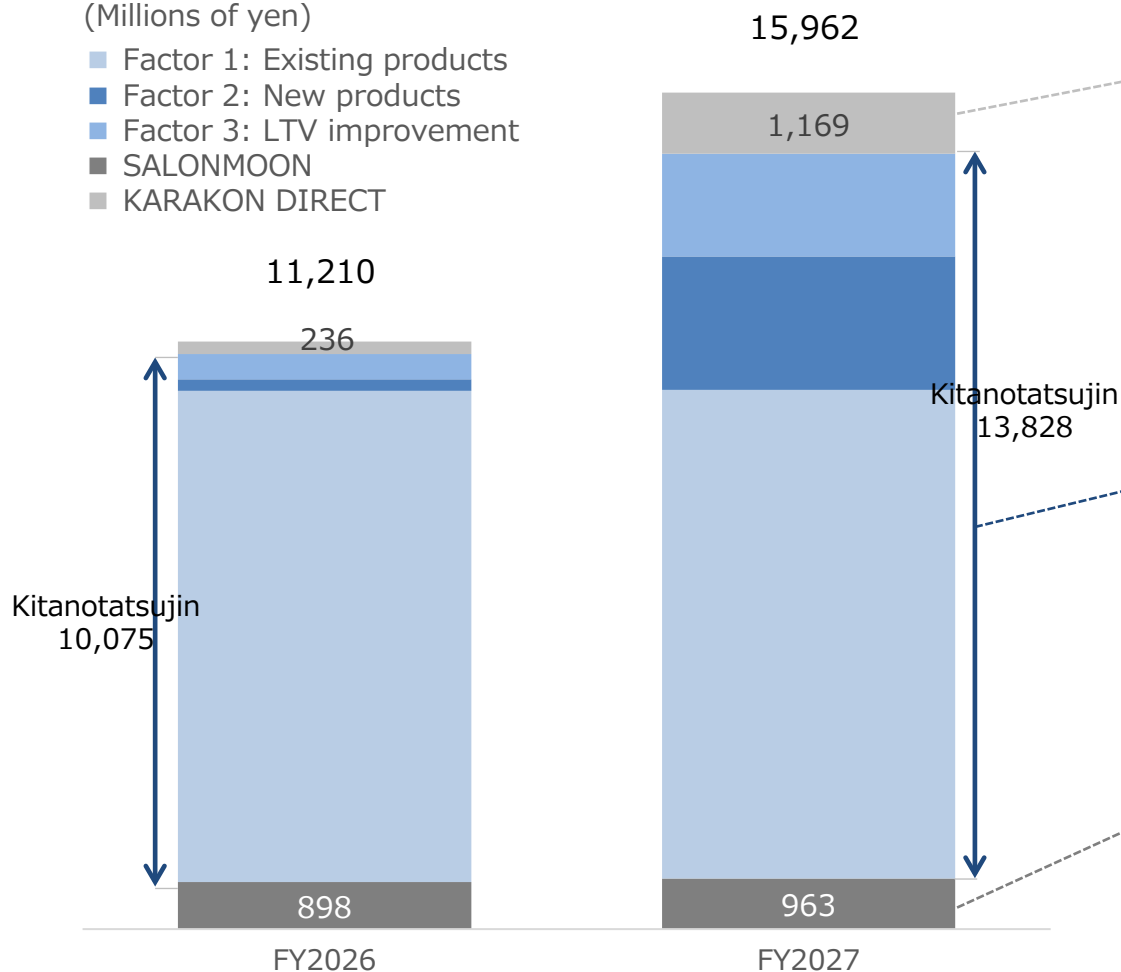
Sales profit decreases due to impact of our product share.

Consolidated Financial Results Forecast

- ◆ Analysis of factors driving net sales growth in the FY2027 forecast compared with FY2026 results

(Millions of yen)

- Factor 1: Existing products
- Factor 2: New products
- Factor 3: LTV improvement
- SALONMOON
- KARAKON DIRECT



KARAKON DIRECT +¥932 million

Significant sales growth driven by a full-year contribution in FY2027, compared to a three-month contribution for FY2026, when it became a subsidiary

Kitanotatsujin +¥3,753 million

The three factors driving net sales growth are expected to grow significantly, supported by the steady execution of measures carried over from FY2026, enabling increased investments in new acquisitions and the accumulation of regular sales of existing products.

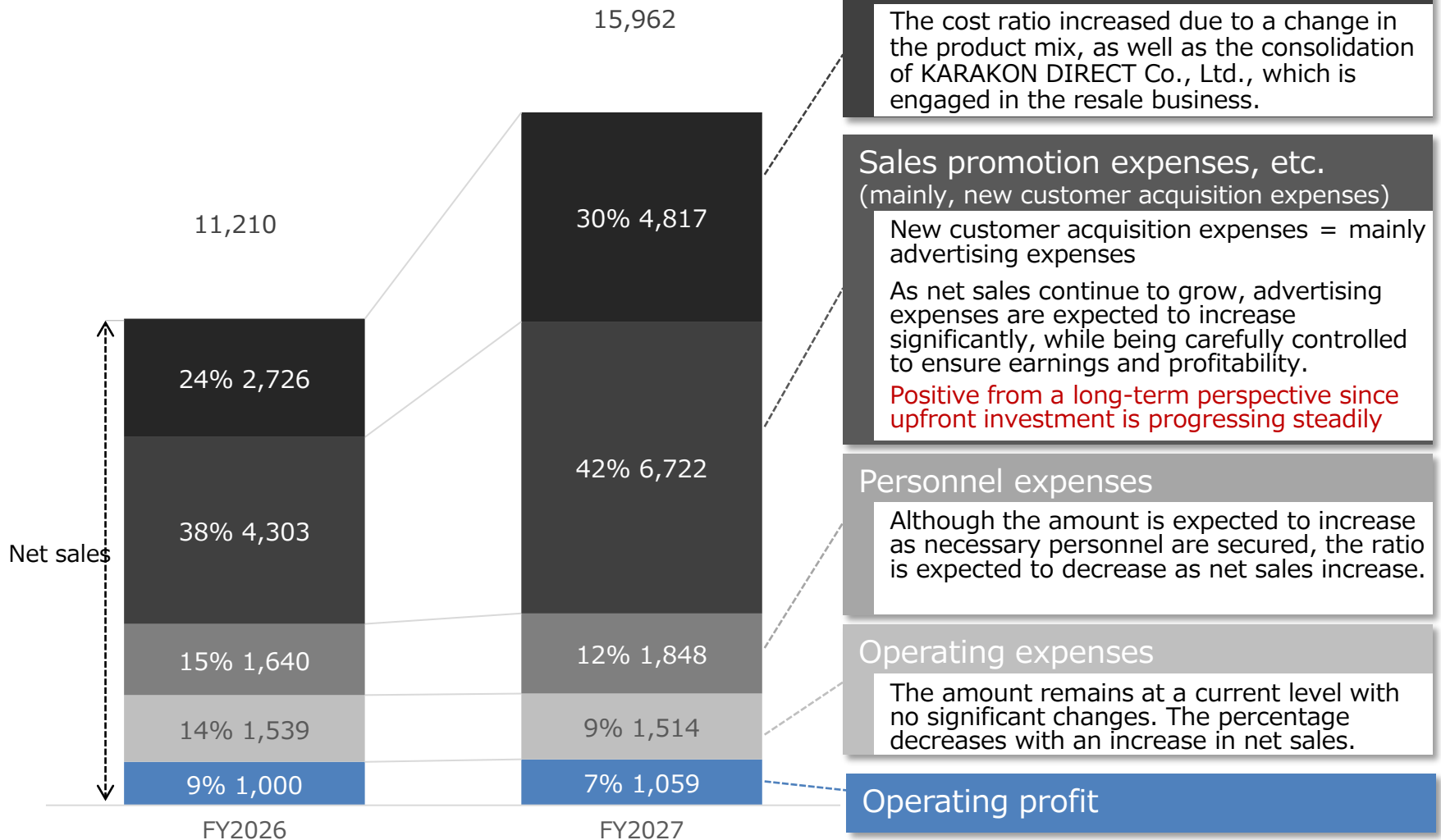
SALONMOON +¥65 million

We are aiming for steady growth.

Consolidated Financial Results Forecast

◆ Analysis of factors driving net sales growth in the FY2027 forecast compared with FY2026 results

(Millions of yen)



Costs

The cost ratio increased due to a change in the product mix, as well as the consolidation of KARAKON DIRECT Co., Ltd., which is engaged in the resale business.

Sales promotion expenses, etc. (mainly, new customer acquisition expenses)

New customer acquisition expenses = mainly advertising expenses

As net sales continue to grow, advertising expenses are expected to increase significantly, while being carefully controlled to ensure earnings and profitability.

Positive from a long-term perspective since upfront investment is progressing steadily

Personnel expenses

Although the amount is expected to increase as necessary personnel are secured, the ratio is expected to decrease as net sales increase.

Operating expenses

The amount remains at a current level with no significant changes. The percentage decreases with an increase in net sales.

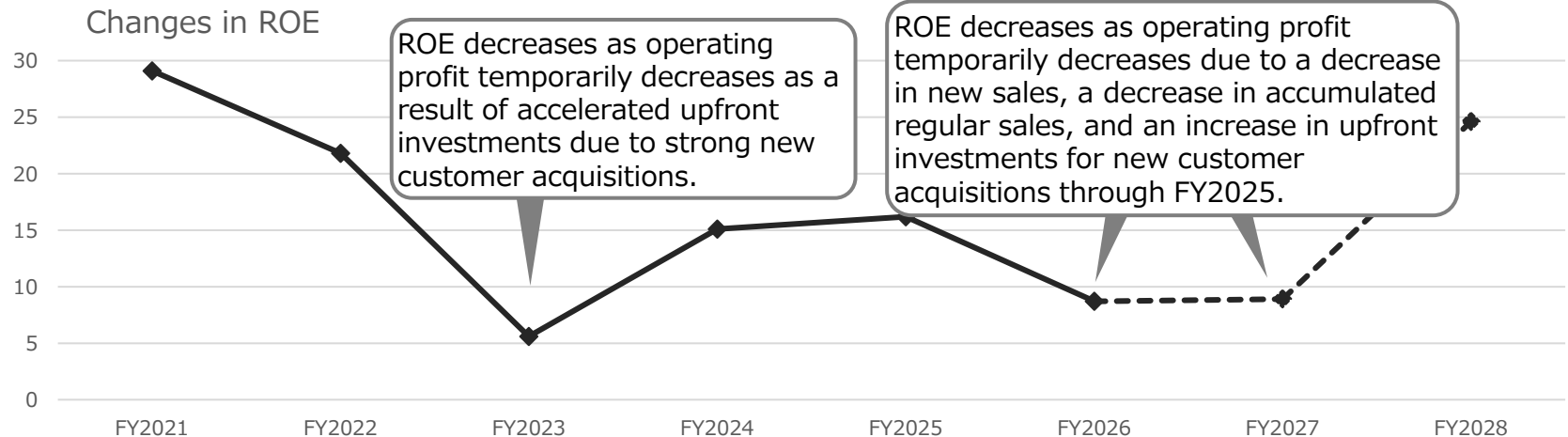
Operating profit

Consolidated Financial Results Forecast

◆ 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 7%*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

Expected Questions and Answers

Expected Questions and Answers

Q1 How do you evaluate the results of FY2026?

The number of new customer acquisitions, which is one of our important KPIs, has increased for five consecutive quarters. It had fully bottomed out but is now on an upward trend and we view this positively.

Even if it were to temporarily turn into a decline, we can maintain an upward trend by implementing the PDCA cycle in the shortest possible time to accelerate a turnaround. Therefore, we also positively evaluate that we are achieving a systematic response capability with high reproducibility.

Q2 I heard that the utilization of generative AI is one of the factors behind the increase in new customer acquisitions. What is the specific advantage?

We have built a structure where data related to customers, advertising, and sales is internally accumulated and the processes from product planning through sales are implemented in a fully integrated way. By combining this database and operational know-how with generative AI, we have achieved sophisticated advertising content creation.

By exploiting our advantage of in-house advertising operations, from a “quantitative” view, we can carry out mass production of “advertising content with a high success probability” based on actual operational data and, from a “qualitative” view, continue the creation of high-quality advertising content by realizing sophisticated expressions through generative AI utilized by our top creators.

These efforts will improve the quantity and quality of advertising content at the same time, which generate our competitive advantage, resulting in new acquisitions.

Expected Questions and Answers

Q3

Is there any change in the assumptions used in preparing the financial results forecast, compared with the previous forecasts?

Yes, there is. Previously, we assumed that the recent status of new acquisitions for existing products would continue and did not incorporate the contributions from new products due to high uncertainty. However, in the financial results forecast for FY2027, we have incorporated contributions from the launch of new products and the resulting acquisitions of new customers based on certain reasonable assumptions. This is because the precision of the outlook for the number of new products to be released and their probability of success has improved due to our more sophisticated marketing skills, the establishment of a hit product creation model, and the improvement of product planning and development systems; all done with the aim of disclosing a financial results forecast that more accurately reflects actual conditions.

Q4

What is the reason for the expected operating loss in the first quarter of FY2027?

Some products have been facing shipping delays due to inventory shortages as new acquisitions remain strong.

During this period, we have received pre-orders from new customers without suspending advertising placement to avoid opportunity loss. Net sales and operating profit related to these orders are recorded with a delay; therefore, an operating loss is expected in the first quarter of FY2027.

Q5

What is the reason for a 6-point deterioration in the cost ratio in the consolidated financial results of FY2027 from FY2026?

This is due to the full-year contribution of KARAKON DIRECT in FY2027, compared to only the three-month contribution in FY2026. KARAKON DIRECT engages in the resale business with high-cost ratios. The other reason is that in Kitanotatsujin, the percentage of sales of high-cost ratio products to total sales has increased.

However, we have determined the upper limit of advertising investments for each product in consideration of costs and order-linked costs to secure returns on advertising investments exceeding a certain level. Therefore, we can maintain the return per new acquisition.



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.*	227 (15) people (As of February 28, 2026)

* 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.

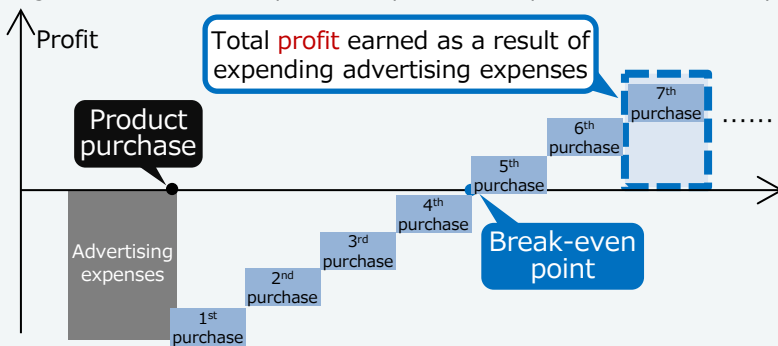
Business Model

◆ Customer characteristics

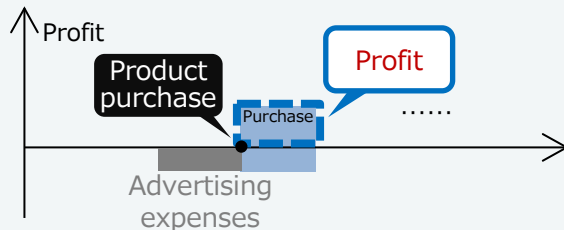
- The main customer base is in their 40s and over
- Sales from regular customers account for approx. 70% of overall sales

◆ 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

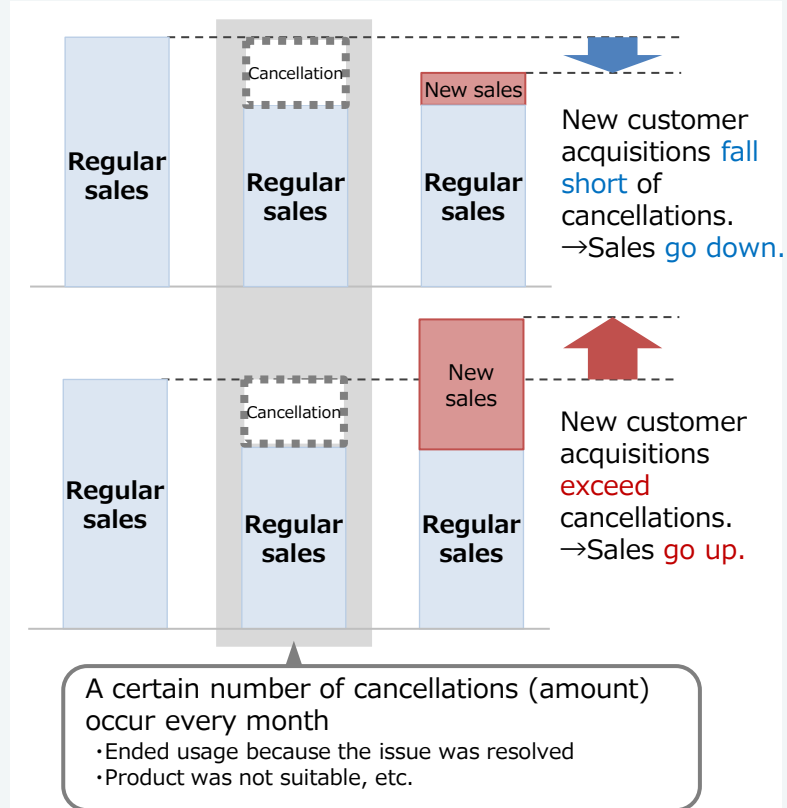


<E-commerce malls> Unit-purchase business model in which profitability is achieved with a single purchase, not a continuous purchase



◆ Profit structure

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



Business Model

◆ Business model

- Integrated production and sales model that seamlessly implements processes from product planning through sales
- Use customer data acquired through direct sales on our own e-commerce sites as the foundation

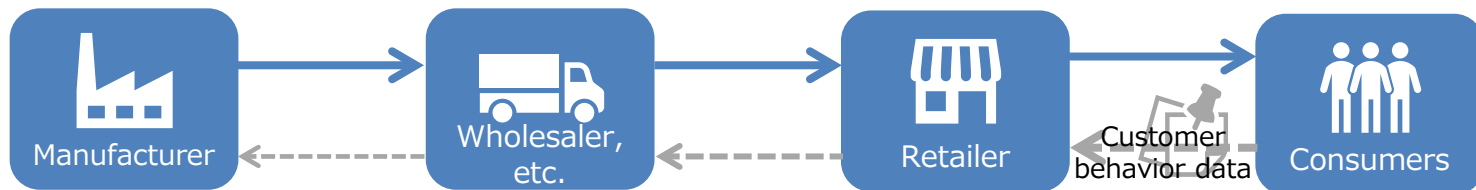
The Company's D2C model



We employ a D2C model where sales are primarily conducted on our e-commerce sites by attracting customers through in-house advertising operations.

- Customer behavior data, including their inflow routes, viewed products, on-site behavior, and purchase history are directly collected and accumulated in-house.
- The collected customer behavior data is utilized for new product planning and advertising content creation.

Distribution routes of general manufacturers



- It is difficult for manufacturers to directly obtain detailed consumer behavior data.
- If products are sold on e-commerce malls such as Amazon and Rakuten Ichiba, customer behavior data is managed by those platform companies.
- Even with direct sales on their own sites, detailed customer behavior data cannot be obtained if they rely on an external advertising agency for customer acquisition.

Business Model

Integrated production and sales business model that seamlessly implements processes from product planning through sales

<Product strategy>

- Product development specifically designed for the E-commerce business
- Strict quality standards
- Products designed for delivery at fixed periods
- The product planning and marketing team under the direct control of the President was newly established to focus on product planning
- A “planning model for hit products” was introduced to the existing product development process

<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

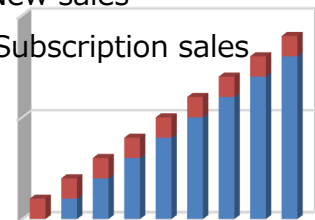
Together
with

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

Red: New sales

Blue: Subscription sales



➔ **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 42 **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

◆ Strict quality standards

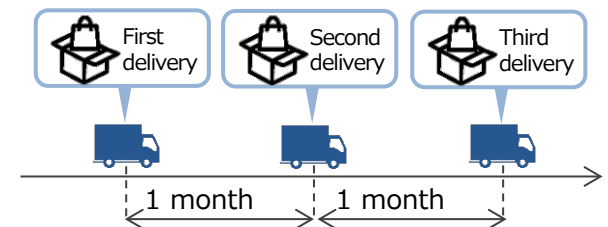
- Only commercialize products that bring solid satisfaction, under the policy, **"A product will only be commercialized when an astonishingly fine product is created"**
- **Established original product development standards with 1,527 items** specifically designed for online sales and conduct a thorough monitor survey

◆ Product design

A subscription purchase-driven business model is adopted in principle, where all products are generally designed and developed to be completely used in one month and the next product arrives when the product is completely used



Product delivery example

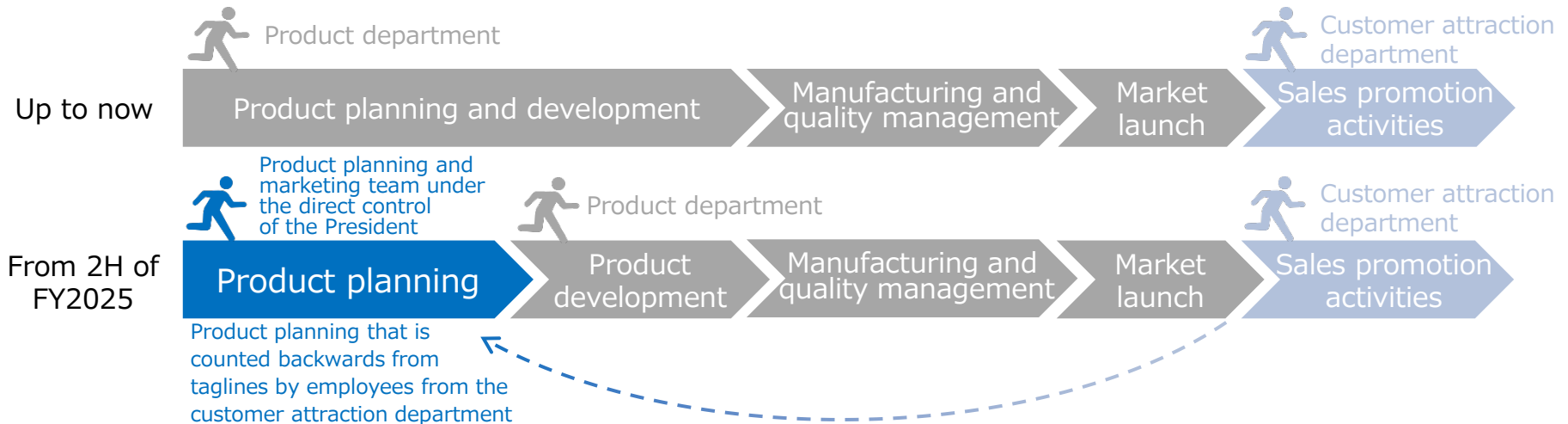


Product Strategy (from the Medium-term Management Plan 2028)

We will expand product lineup as a major initiative of the Medium-term Management Plan 2028. 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.

(1) 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

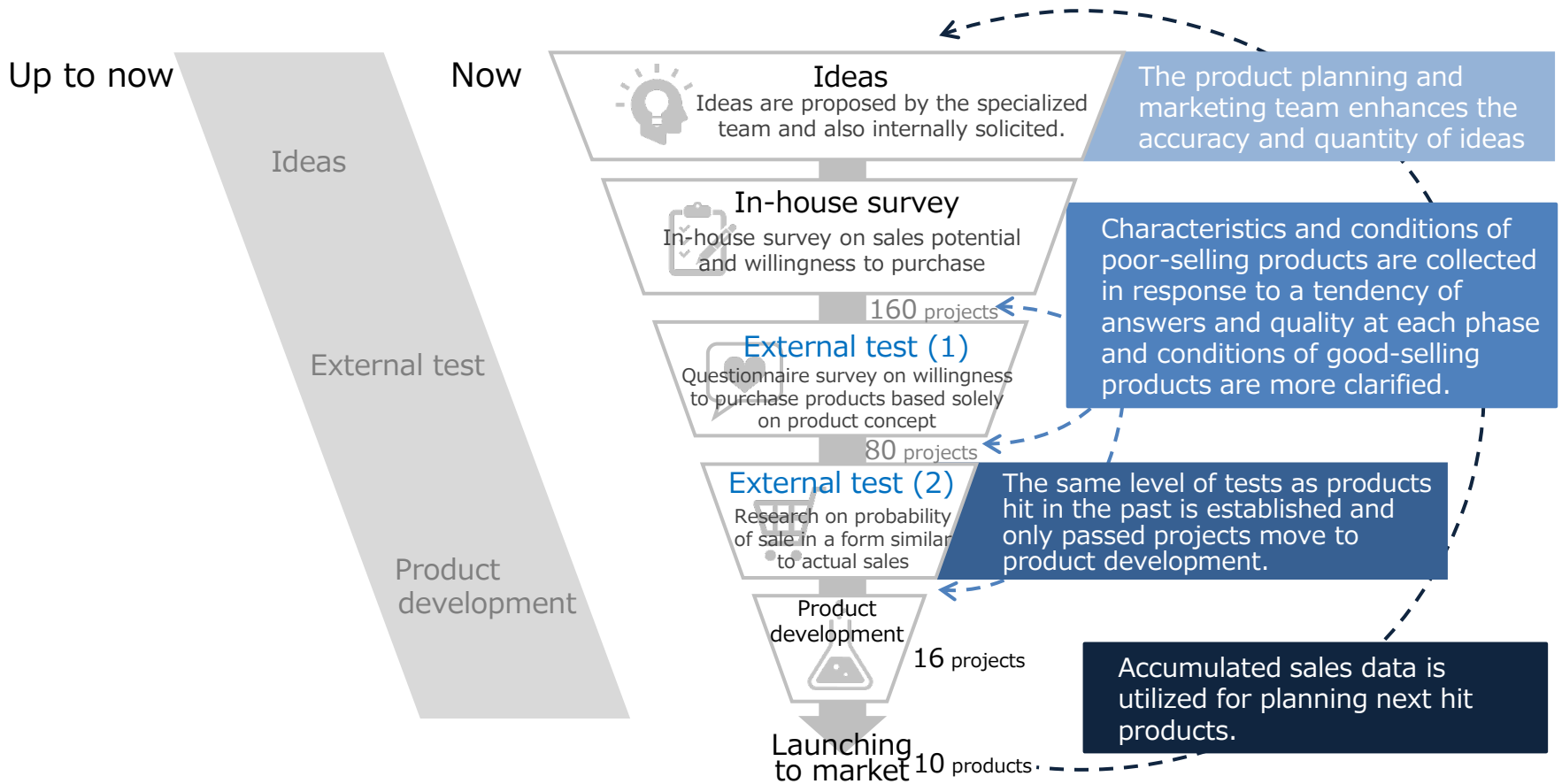
As a specialized team has been established, dedicated personnel for focusing on planning have been secured, leading to an increase in “quantity” and enhancement of “quality” of product planning.

Product Strategy (from the Medium-term Management Plan 2028)

(2) 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.



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**

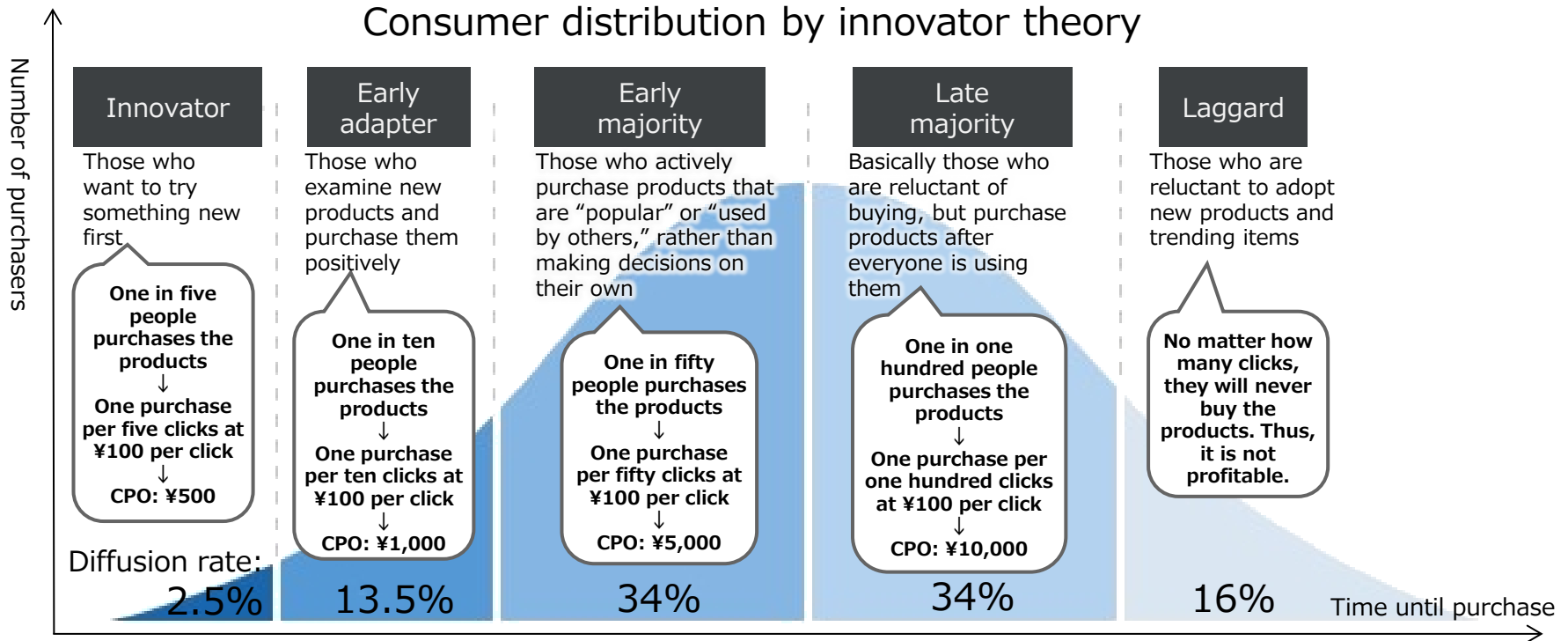


Sales Strategy

◆ 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

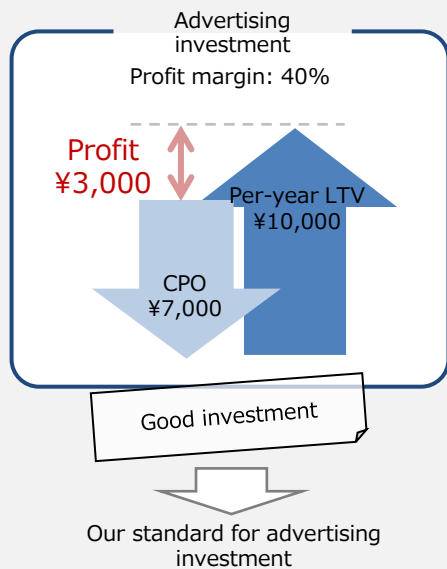
Enhancement of advertising investment → Increase in sales

Prevent a decline in profitability due to excess advertising investment

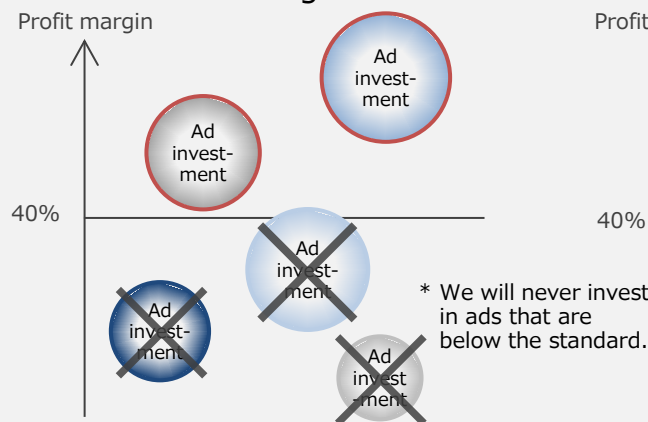
Set the CPO limit to secure the required profit

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

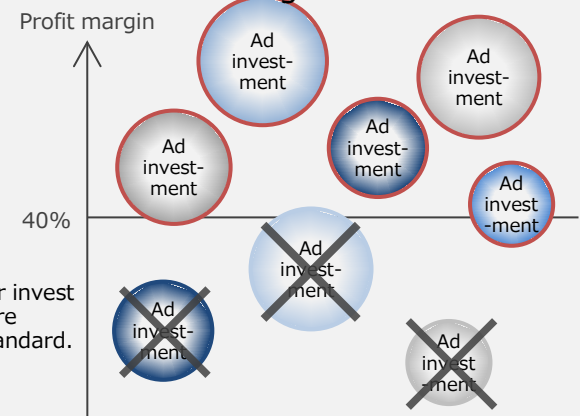


If there are only a few ads that are above the standard, we reduce the total amount of advertising investment



Our basic approach

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



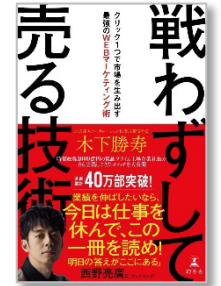
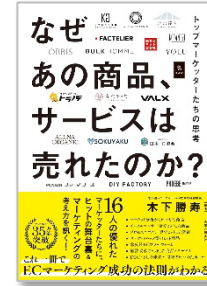
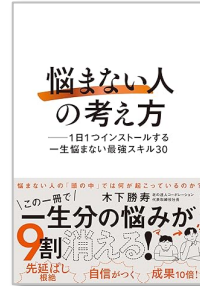
- If we exceed the CPO limit, we reduce advertising investment and dial down promotion to acquire new customers.
- If new customer acquisitions continue to be achieved within the CPO limit, we enhance advertising investment in order to avoid opportunity loss and strive to increase future profit.

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

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
The Art of Sales Without a Fight The Ultimate Web Marketing Technique of Creating Markets with a Single Click	September 3, 2025



Other Indicators

	FY2017 (non-consolidated)	FY2018 (non-consolidated)	FY2019 (non-consolidated)	FY2020 (non-consolidated)	FY2021 (non-consolidated)	FY2022 (consolidated)	FY2023 (consolidated)	FY2024 (consolidated)	FY2025 (consolidated)	FY2026 (consolidated)
ROE (%) (return on equity)	24.8	48.8	48.9	54.2	29.1	21.8	5.6	15.1	16.2	8.7
ROA (%) (return on assets)	18.6	32.9	33.5	38.9	22.9	17.8	4.5	12.1	13.5	7.5
Equity ratio (%)	67.4	67.3	69.4	73.7	83.5	81.3	79.5	80.9	85.9	84.8
Dividend payout ratio (%)	30.9	30.3	38.7	30.3	30.0	30.0	60.7	30.8	40.4	70.1 (planned)
Cash dividends per share (yen)	0.84	2.19	3.60	4.30	3.00	2.90	1.50	2.20	3.50	3.50 (planned)
Number of shareholders	8,926	31,667	47,978	54,307	47,042	67,843	74,809	87,841	100,470	129,554

*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 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.

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