



Kitanotatsujin Corporation: Business Overview

Stock code: 2930

Company Overview

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.

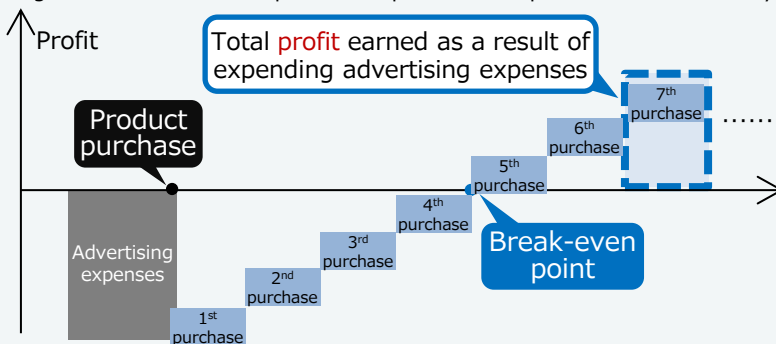
Business Model

◆ Customer characteristics

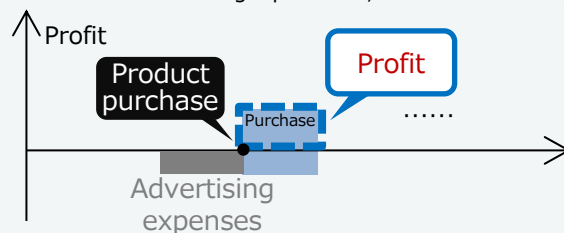
- The main customer base is in their 40s and over
- Sales from regular customers account for approx. 70% of overall sales

◆ 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

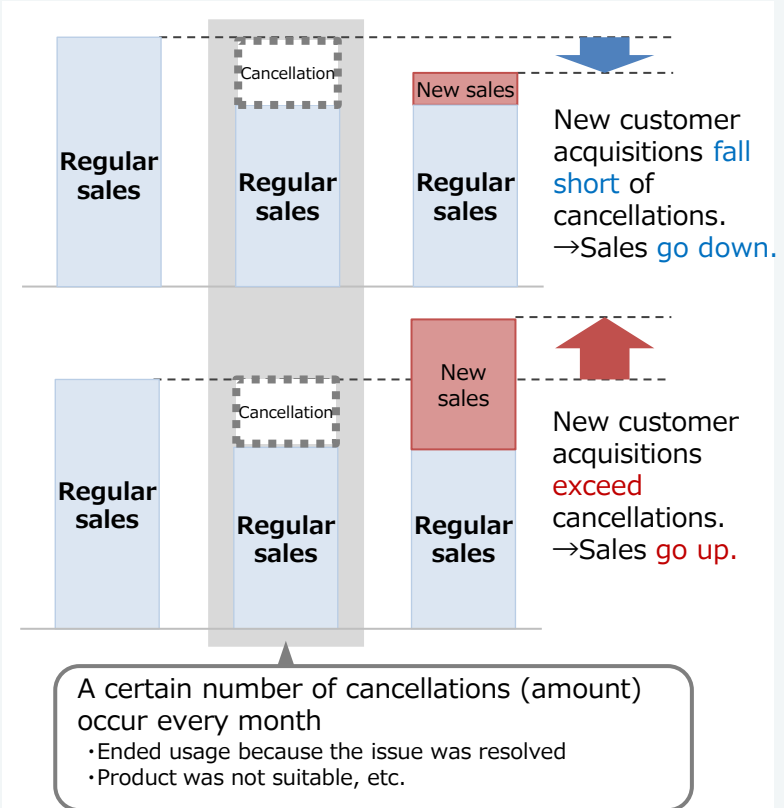


<E-commerce malls> Unit-purchase business model in which profitability is achieved with a single purchase, not a continuous purchase



◆ 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

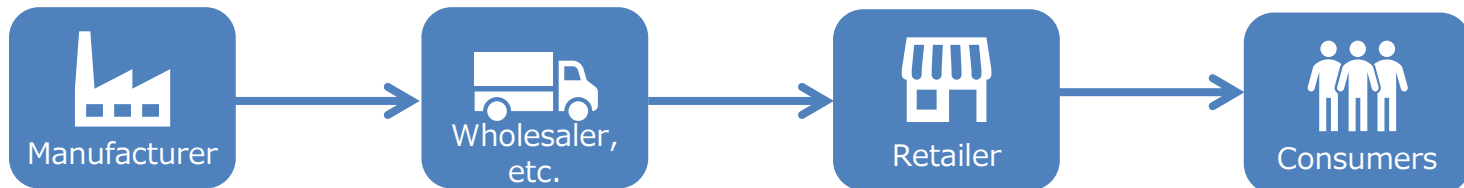
The Company's D2C model



The collected customer behavior data is utilized for new product planning and advertising content creation.

* Detailed customer behavior data cannot be obtained if they rely on an external advertising agency for customer acquisition.

Distribution routes of general manufacturers



It is difficult for manufacturers to obtain consumer behavior data.

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

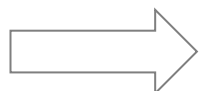
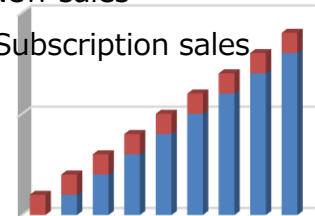
Together
with

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

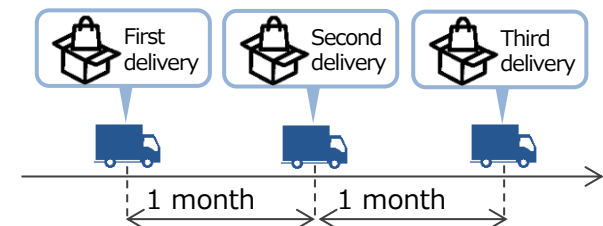
- Only commercialize products that bring solid satisfaction, under the policy, "A product will only be commercialized when an astonishingly fine product is created"
- Established original product development standards with **1,527 items** specifically designed for online sales and conduct a thorough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

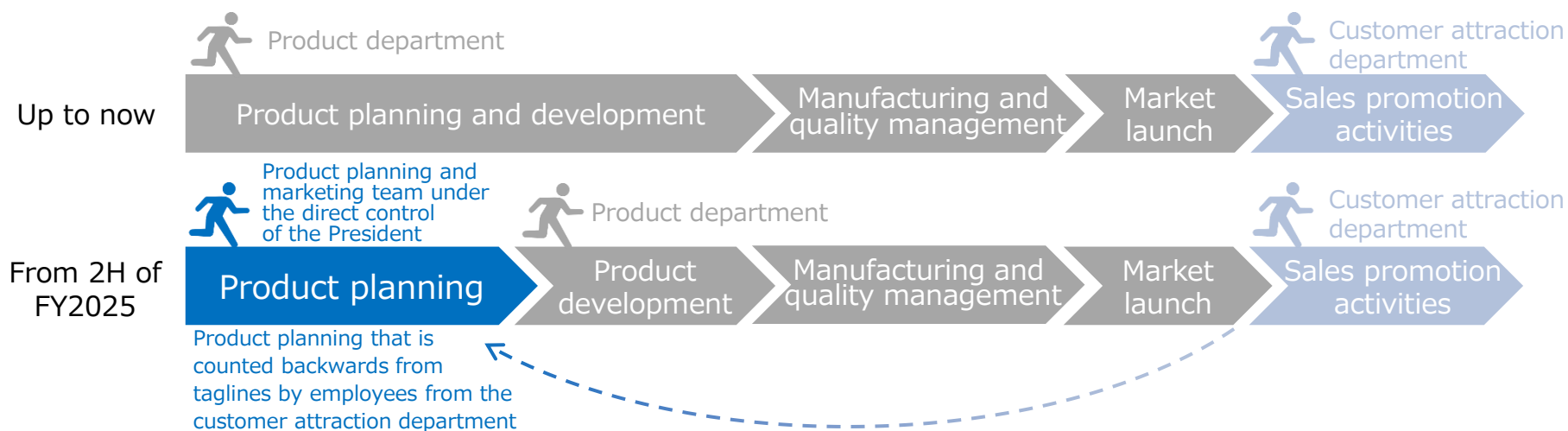


Product Strategy (from the Medium-term Management Plan 2028)

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

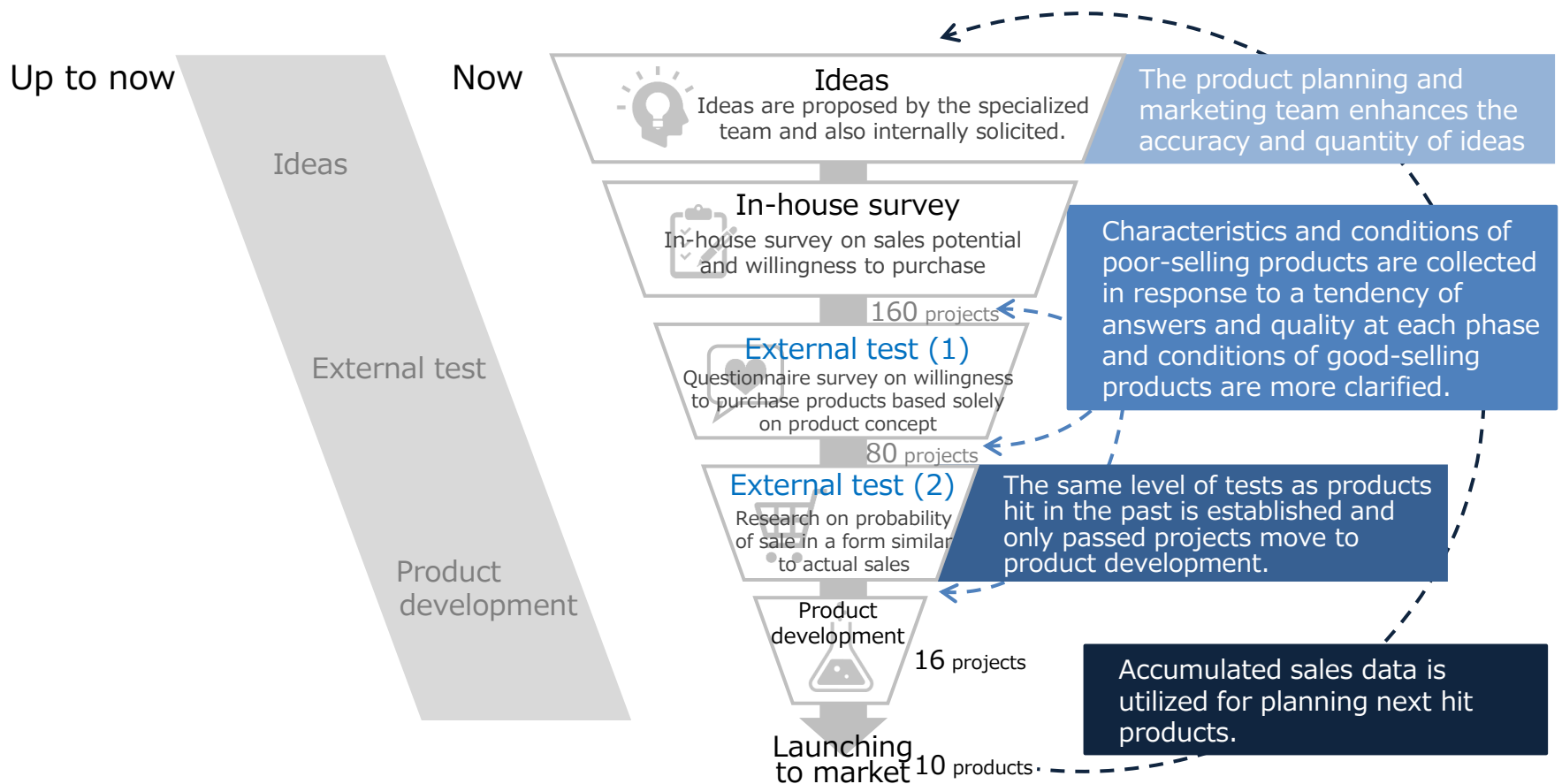
As a specialized team has been established, dedicated personnel for focusing on planning have been secured, leading to an increase in “quantity” and enhancement of “quality” of product planning.

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**

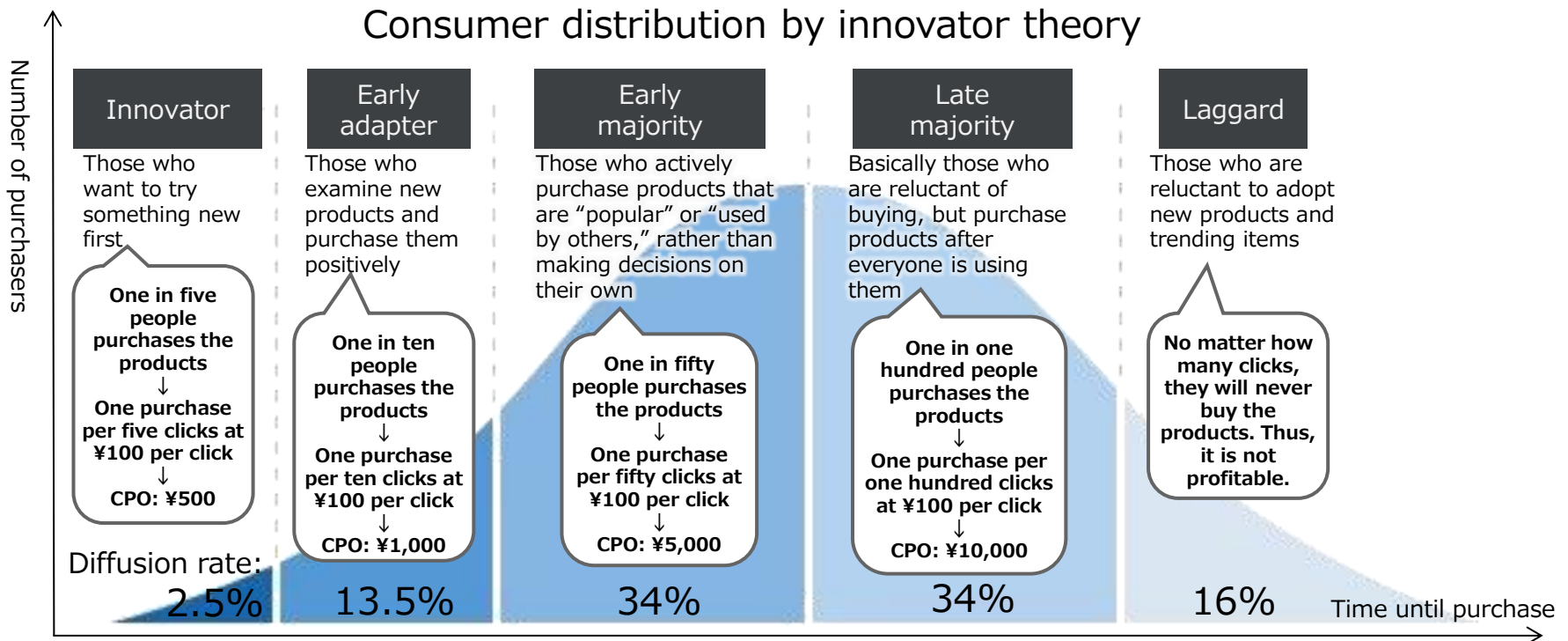


Sales Strategy

◆ 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.

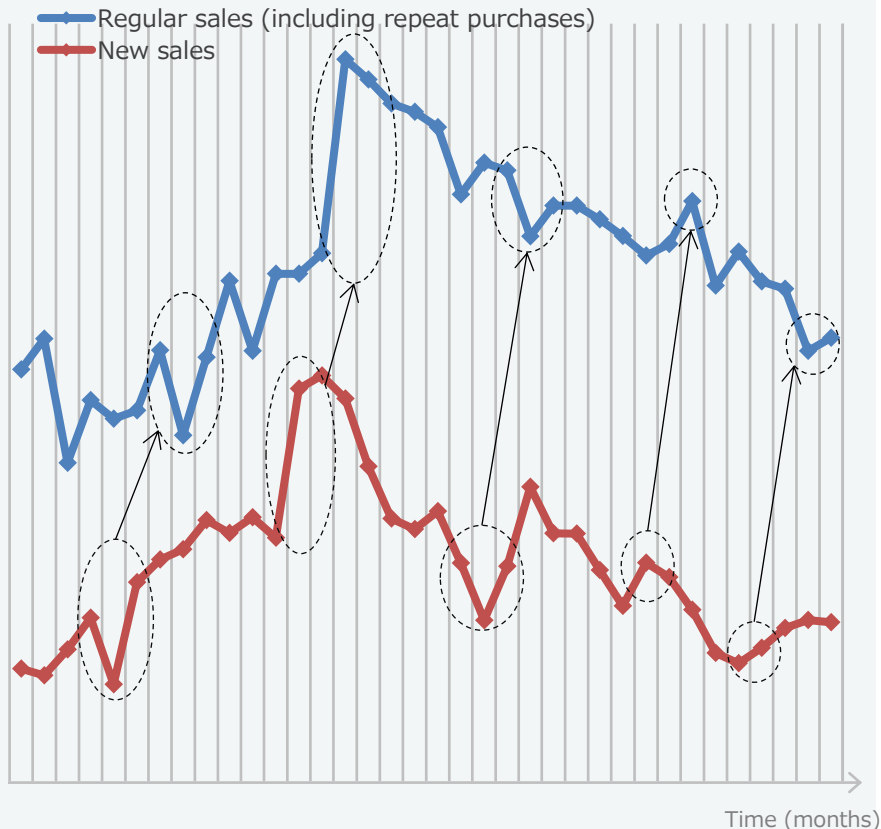
→ We target the point at which profit is maximized without deterioration in profitability.

*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

◆ Correlation between new sales and regular sales

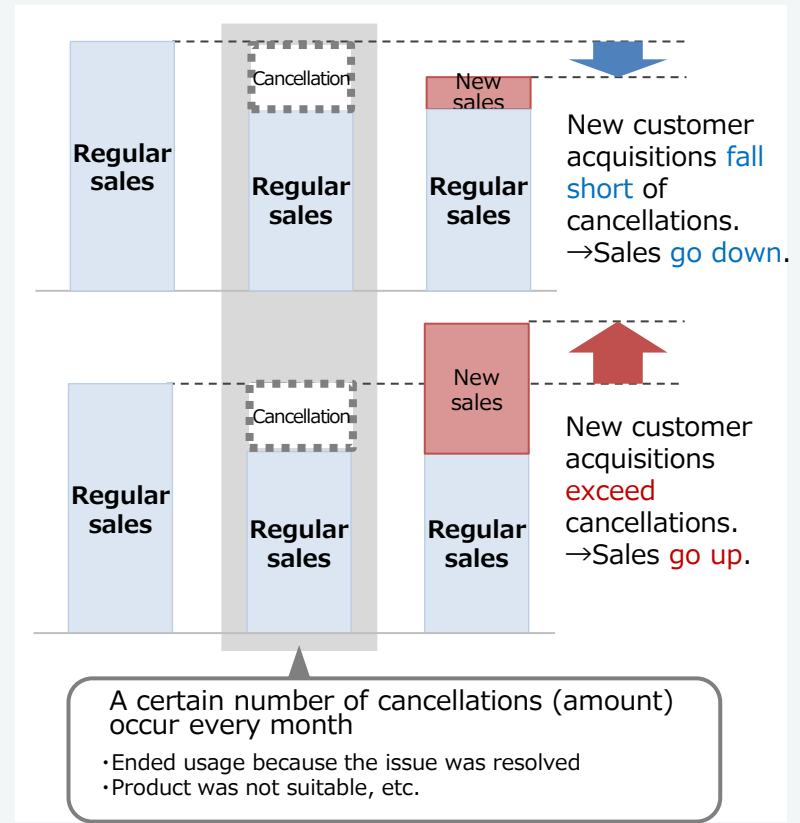
A change in new sales generally emerges as an impact on regular sales in two or three months



* 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



Sales Strategy

◆ 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.

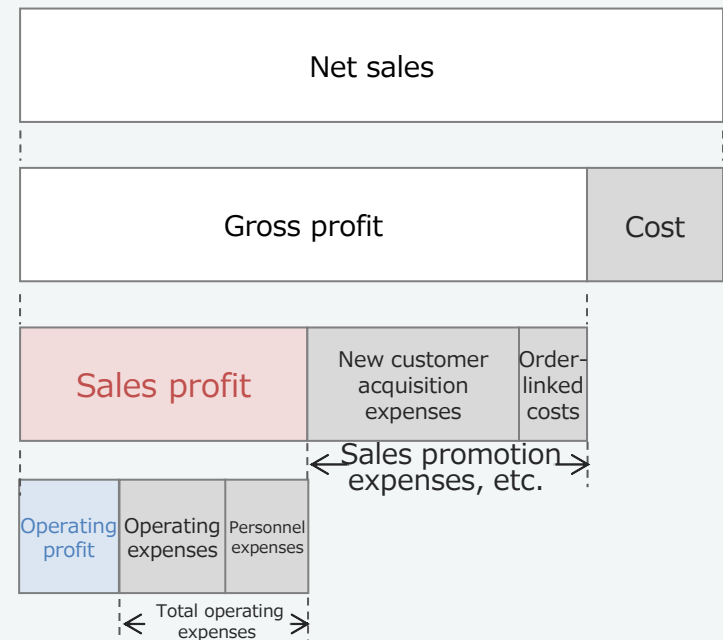
Sales profit = gross profit – sales promotion expenses, etc.
(Order-linked costs*¹ + New customer acquisition expenses*²)

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.

Management accounting structure to visualize profits for “each product”



*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.

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



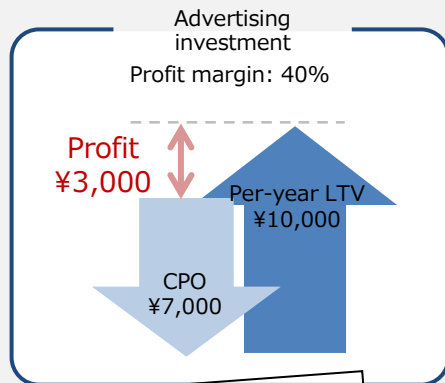
Prevent a decline in profitability due to excess advertising investment

Set the CPO limit to secure the required profit



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

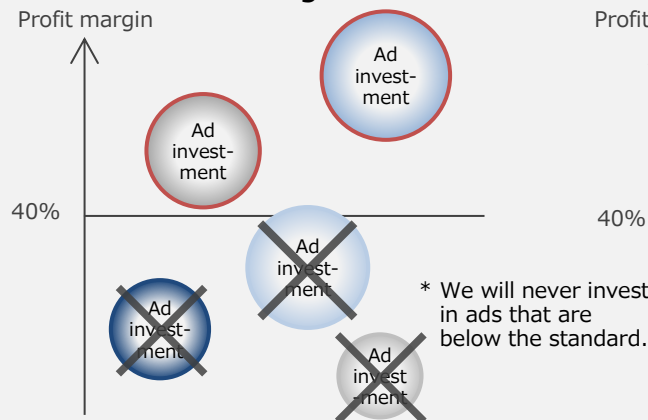
Our method of setting the CPO limit and our advertising investment policy



Good investment

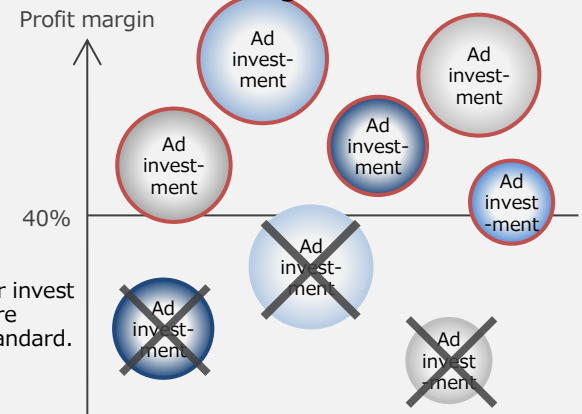
Our standard for advertising investment

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



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
<i>Jiatama Brain Switch</i>	June 30, 2026



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