北の達人
KITANO TATSUJIN

Financial Results Meeting for the Fiscal Year Ended February 28, 2025

Stock code: 2930
Kitanotatsujin Corporation
April 17, 2025

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Important Note

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

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

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

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

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

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Executive Summary

- ☞ Net sales came in at ¥11,826 million (+2.3% from the previous forecast) and operating profit came in at ¥1,675 million (+0.2% from the previous forecast), roughly in line with the revised forecast.

- ☞ The number of new customer acquisitions saw a recovery trend in the fourth quarter, showing a sign of improvements for some products.

- ☞ We have focused on product planning toward expanding our product lineup since the middle of FY2025.

  We have a policy to accelerate introduction of new products in order to create a situation where the number of new customer acquisitions continues to increase.

- ☞ We plan to announce the medium-term management plan by the end of July 2025.

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Highlights for the Fiscal Year Ended February 28, 2025

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Consolidated Key Performance Highlights [Compared with Revised Forecasts]

(Millions of yen)

	FY2025 forecast	FY2025 results	Changes	Changes (%)
Net sales	11,555	11,826	+271	+2.3%
Gross profit	8,840	8,966	+126	+1.4%
Selling, general and administrative expenses	7,167	7,291	+123	+1.7%
Advertising expenses	2,717	2,904	+186	+6.9%
Operating profit	1,672	1,675	+3	+0.2%
Operating profit margin	14.5%	14.2%	-0.3 pt	
Ordinary profit	1,694	1,704	+10	+0.6%
Profit attributable to owners of parent	1,143	1,205	+62	+5.4%

- Results are largely in line with the forecast revised on October 15, 2024.
- New customer acquisitions of J NORTH FARM were largely as expected and both net sales and operating profit remained in line with the revised forecast.

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Consolidated Key Performance Highlights [Compared Year on Year]

(Millions of yen)

	FY2024 results	FY2025 results	Changes	Changes (%)
Net sales	14,665	11,826	-2,839	-19.4%
Gross profit	10,832	8,966	-1,865	-17.2%
Selling, general and administrative expenses	9,383	7,291	-2,091	-22.3%
Advertising expenses	5,175	2,904	-2,271	-43.9%
Operating profit	1,449	1,675	+226	+15.6%
Operating profit margin	9.9%	14.2%	+4.3 pt	
Ordinary profit	1,480	1,704	+223	+15.1%
Profit attributable to owners of parent	994	1,205	+211	+21.2%

- Net sales were below the previous year due to the impact of a year on year decrease in new customer acquisitions for J NORTH FARM.
- Each profit below operating profit was higher than the previous year due to investment in advertising expenses as upfront investment for new customer acquisitions being lower than the previous year.

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Consolidated Financial Results by Segment and Brand

(Millions of yen)

Segment	Brand name	FY2025				
		1Q	2Q	3Q	4Q	Total
Health & Beauty Care business	北の快適工房 J NORTH FARM	2,873	2,851	2,467	2,325	10,517
	SALON MOON Pro	232	229	243	232	936
	Other brands	49	45	42	32	169
Others*	—	115	87	–	–	202
Total net sales		3,269	3,212	2,753	2,590	11,826
Operating profit		389	512	571	201	1,675

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

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Analysis of Operating Results, etc.

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Non-consolidated

Explanation of Financial Results

<Sales profit and operating profit>

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

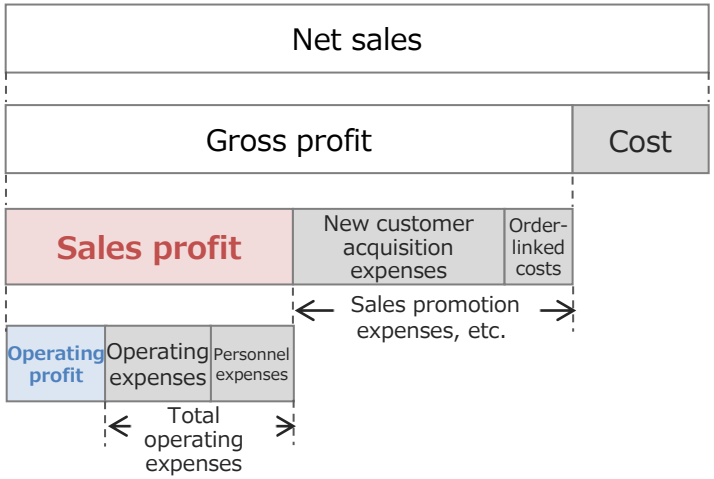
Sales profit = gross profit–sales promotion expenses, etc. (Order-linked costs*1+ New customer acquisition expenses*2)

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

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

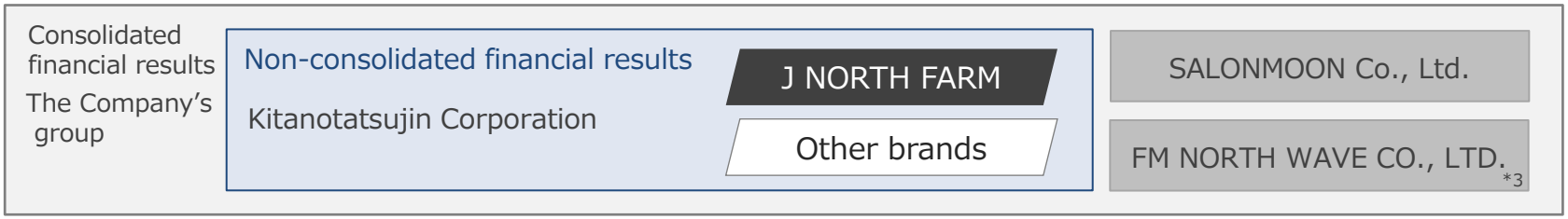
Impacted by investments for future business expansion in addition to recent business results.

Management accounting structure to visualize profits for “each product”



<Segments of financial results>

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



*1 Expenses that must be incurred for orders, including credit card transaction fees, shipping, packaging materials costs, enclosures and accessories, etc.
*2 Expenses involved in the acquisition of new customers; primarily advertising expenses.
*3 Transferred all shares in FM NORTH WAVE CO., LTD. on July 31, 2024, and excluded the company from the scope of consolidation.

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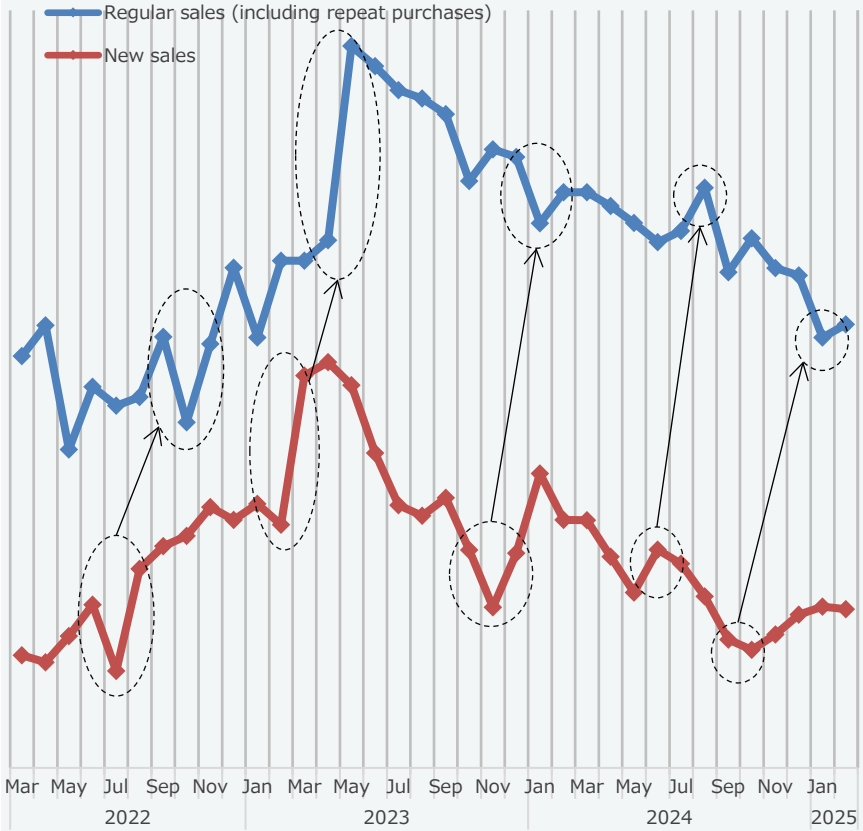
Non-consolidated Relationship between new sales and regular sales

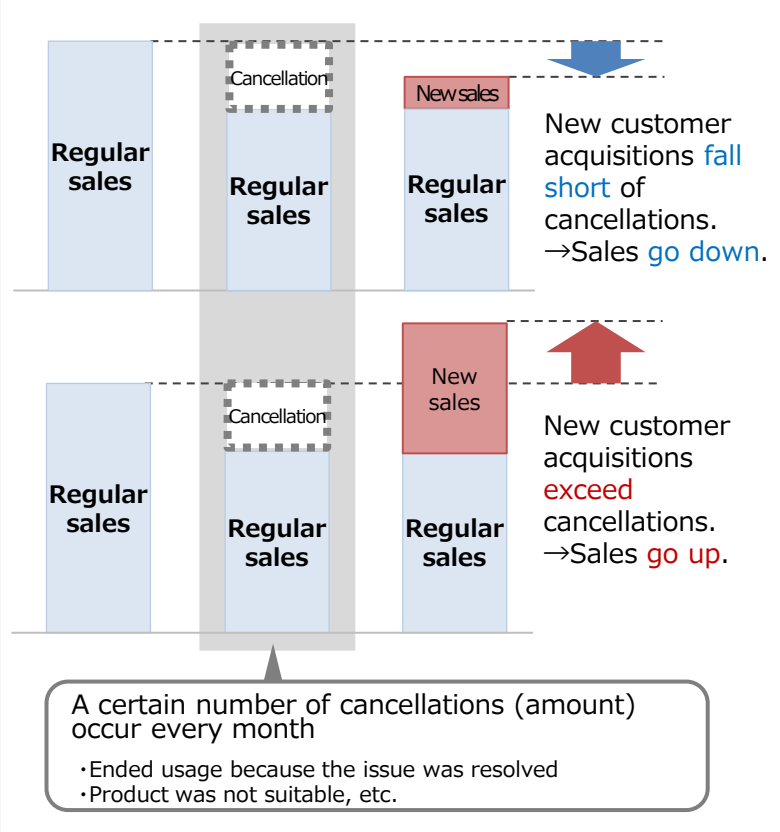
◆ Correlation between new sales and regular sales

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



◆ Profit structure

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



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

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Non-consolidated Key Performance

<Compared with revised financial results forecast for the full year>

(Millions of yen)

	Non-consolidated		
	Revised forecast	Results	Changes
Net sales	10,411	10,687	+275
Gross profit	8,322	8,454	+131
Sales promotion expenses, etc.	3,639	3,819	+180
Sales profit	4,683	4,634	-48
Operating profit	1,613	1,594	-19

J NORTH FARM

No major factors exist, as both net sales and sales profit did not significantly change from the revised forecast.

Other brands

We decided to terminate new customer acquisitions and various measures for our core brand “SPADE” and recorded loss on valuation of inventories as we project an excess of the number of products in stock.

(Millions of yen)

	J NORTH FARM			Other brands		
	Revised forecast	Results	Changes	Revised forecast	Results	Changes
Net sales	10,244	10,517	+273	167	169	+2
Gross profit	8,206	8,392	+186	115	61	-54
Sales promotion expenses, etc.	3,559	3,731	+171	79	88	+9
Sales profit	4,646	4,661	+14	36	-27	-63

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Non-consolidated | J NORTH FARM

Factors behind change in sales profit

<Compared with revised financial results forecast for the full year>

(Millions of yen)

	Revised forecast	Results	Changes	Changes (%)
Net sales	10,244	10,517	+273	+2.7%
(1) Difference in new sales				
Net sales	1,450	**1,510**	+60	+4.2%
Gross profit	1,116	**1,131**	+14	+1.3%
Sales promotion expenses, etc.	2,755	**2,911**	+156	+5.7%
Sales profit	-1,638	**-1,780**	-141	-8.7%
Initial ROAS*	57.8%	**55.8%**	–	–
(2) Difference in regular and other sales				
Net sales	7,184	**7,385**	+201	+2.8%
Gross profit	5,725	**5,868**	+142	+2.5%
Sales promotion expenses, etc.	325	**354**	+28	+8.9%
Sales profit	5,399	**5,513**	+113	+2.1%
(3) Difference in e-commerce mall sales				
Net sales	1,609	**1,621**	+11	+0.7%
Gross profit	1,364	**1,392**	+28	+2.1%
Sales promotion expenses, etc.	478	**464**	-13	-2.9%
Sales profit	885	**928**	+42	+4.8%
Sales profit	4,646	**4,661**	+14	+0.3%

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

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

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

* ROAS stands for Return On Advertising Spend, which is an indicator of advertising investment efficiency that measures how much sales are generated from advertising. In this case, this figure is calculated using "sales from new customer acquisitions" and "new customer acquisition expenses" included under sales promotion expenses, etc. If ¥1 million was used for new customer acquisition expenses, and ¥500 thousand of sales was generated, the ROAS is 0.50 (50.0%). If ROAS is 1.00 or less, the balance of income and expenditure at the first purchase will be negative. Meanwhile, if it is a subscription purchase, the balance will become positive as products are purchased continuously.

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Non-consolidated **J NORTH FARM**

Factors behind change in sales profit

<Compared with results for the FY2024 full year>

(Millions of yen)

	FY2024	FY2025	Changes	Changes (%)
Net sales	13,019	10,517	-2,502	-19.2%
(1) Difference resulting from the effect of delayed deliveries on the financial results forecast				
Net sales	188	–	-188	–
Gross profit	144	–	-144	–
Sales promotion expenses, etc.	18	–	-18	–
Sales profit	125	–	-125	–
(2) Difference in new sales				
Net sales	2,480	**1,510**	-969	-39.1%
Gross profit	1,723	**1,131**	-592	-34.4%
Sales promotion expenses, etc.	4,980	**2,911**	-2,068	-41.5%
Sales profit	-3,256	**-1,780**	+1,476	+45.3%
Initial ROAS	52.6%	**55.8%**	–	–
(3) Difference in regular and other sales				
Net sales	8,786	**7,385**	-1,400	-15.9%
Gross profit	6,868	**5,868**	-999	-14.6%
Sales promotion expenses, etc.	456	**354**	-101	-22.2%
Sales profit	6,412	**5,513**	-898	-14.0%
(4) Difference in e-commerce mall sales				
Net sales	1,565	**1,621**	+56	+3.6%
Gross profit	1,313	**1,392**	+79	+6.1%
Sales promotion expenses, etc.	424	**464**	+40	+9.6%
Sales profit	889	**928**	+39	+4.4%
Sales profit	4,170	**4,661**	+491	+11.8%

- Due to delayed deliveries in the first quarter of FY2024.

- The number of new customer acquisitions decreased, resulting in a decrease in net sales too.
- As we were not able to make outlays for new customer acquisitions, sales promotion expenses, etc. decreased, resulting in sales profit exceeding the forecast.

- Both regular sales and sales profit decreased as new customer acquisitions did not exceed cancellations.

- Both net sales and sales profit slightly increased due to various measures.

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Non-consolidated | Other brands

New Business Planning Office

Established to create major brands following J NORTH FARM and SALONMOON
Program for launching new brands and D2C businesses

Main brand SPADE

- Nicotine and tar-free e-cigarette that produces no secondhand smoke, unlike paper cigarettes and heated tobacco products
- Launched in October 2021

- For allocating limited management resources in an optimal manner, we will terminate new customer acquisitions and various measures for "SPADE."

Factor 1

Limited media available for advertising

- Possible gateway to smoking of paper cigarettes, heated tobacco, etc.
- Concerns about negative effects on minors

Factor 2

LTV* remained lower than expected

Used to adopt a management method that is different from the existing management system adopted by J NORTH FARM, such as incorporating outside knowledge to break free from established concepts

- Delivery of products to existing regular customers will continue.
- Sales profit was -¥27 million, mainly because loss on valuation of inventories was recorded for FY2025 as there is a projected excess in the number of products in stock due to the above factors.

However, as "other brands" including SPADE account for a small portion of the overall performance, the impact on results is minor.

* LTV stands for Life Time Value, which is the amount of lifetime net sales a customer will bring (lifetime net sales earned per new customer acquisition).

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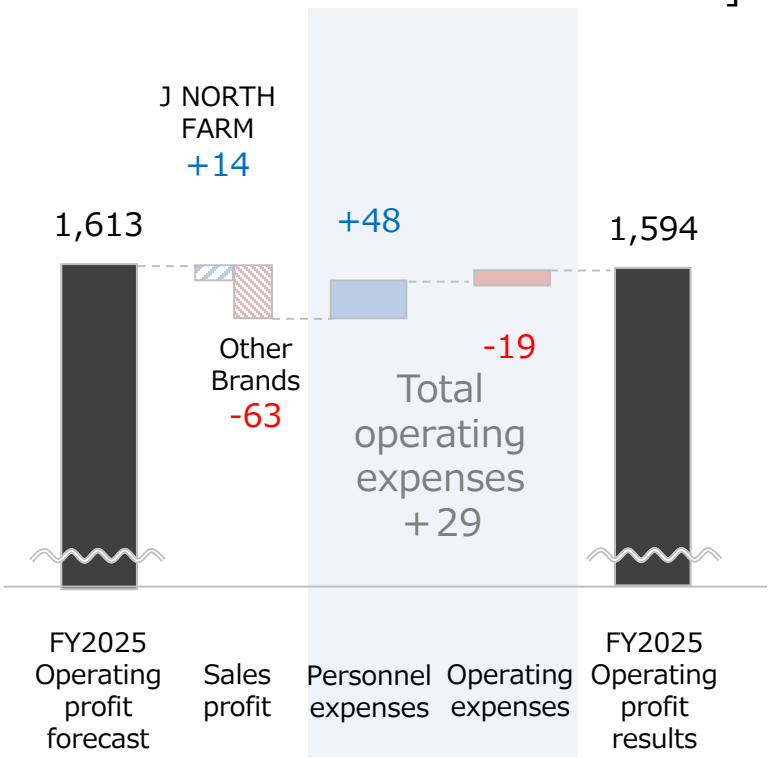
Non-consolidated Factors behind change in operating profit

[Compared with revised financial results forecast: -19]

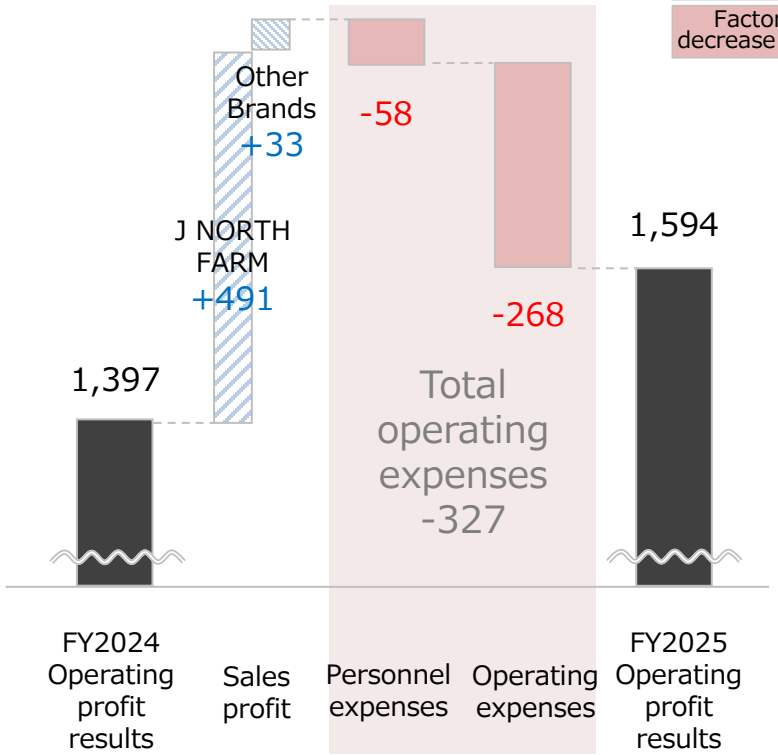


[Compared year on year: +197]

(Millions of yen)

Factors for increase in profit

Factors for decrease in profit



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

(Year on year)
- Decrease in advertising expenses
- Relocation of the Tokyo Head Office floor and an increase in system-related expenses
- Increase in shareholder-related expenses

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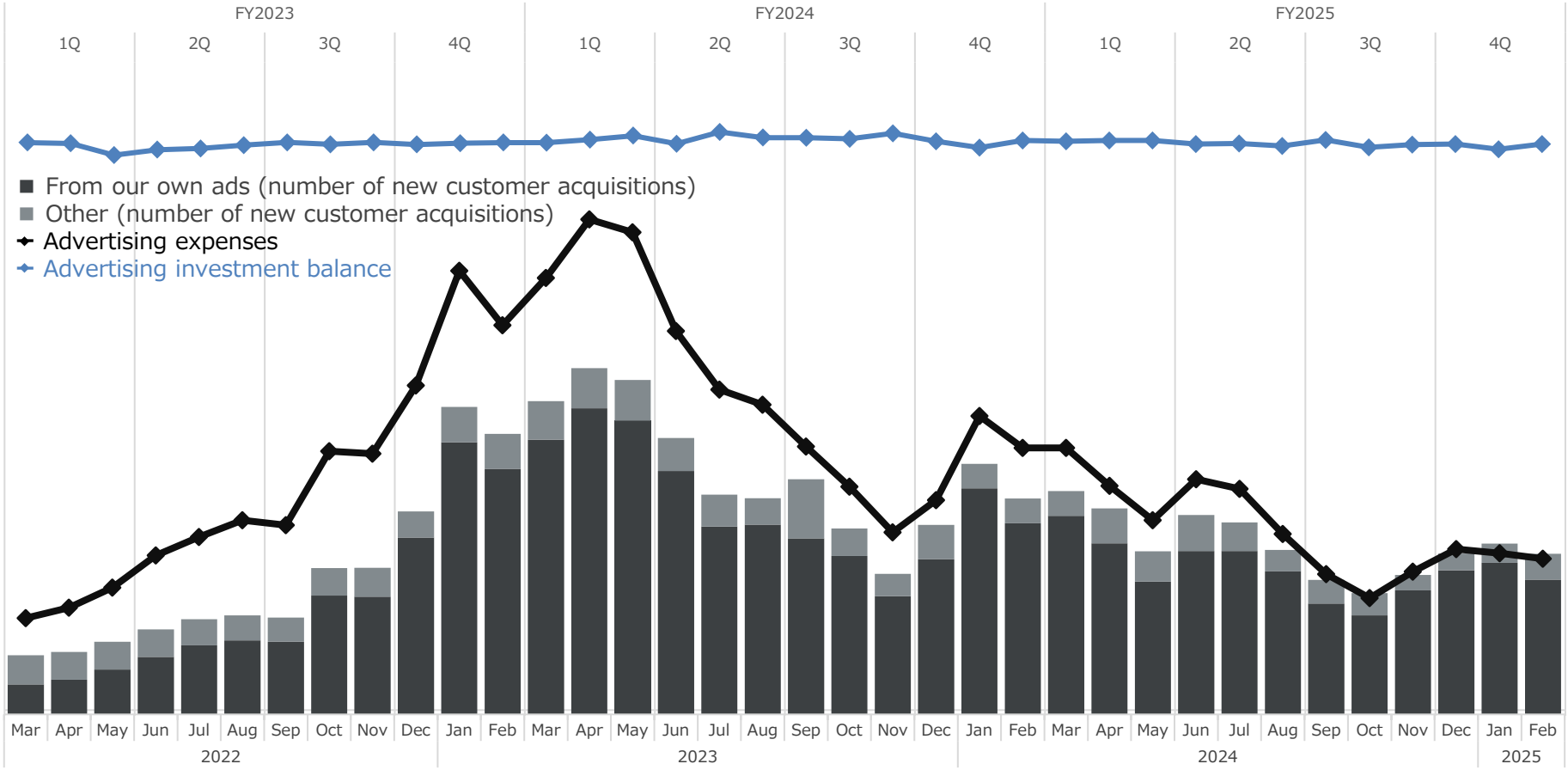
Non-consolidated **J NORTH FARM**

Relationship between number of new customer acquisitions and advertising expenses

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

(Millions of yen)



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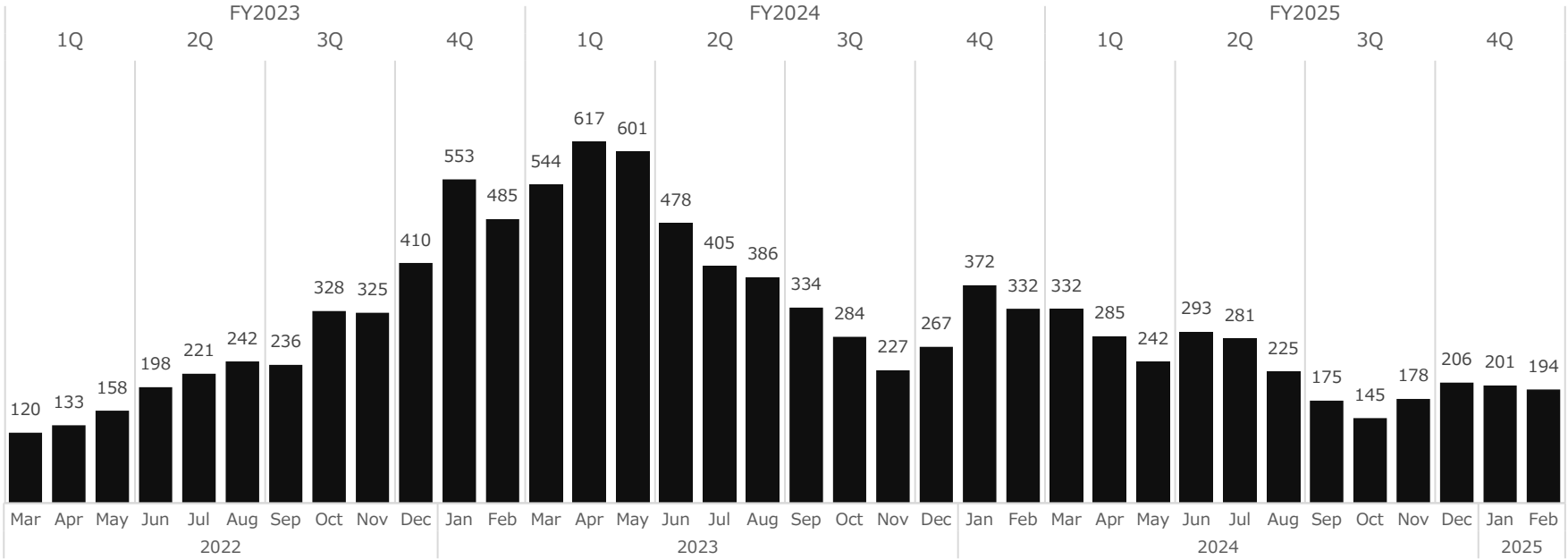
Non-consolidated **J NORTH FARM**

Changes in advertising expenses

(Millions of yen)



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

<Main acquisition channels>

J NORTH FARM

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

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

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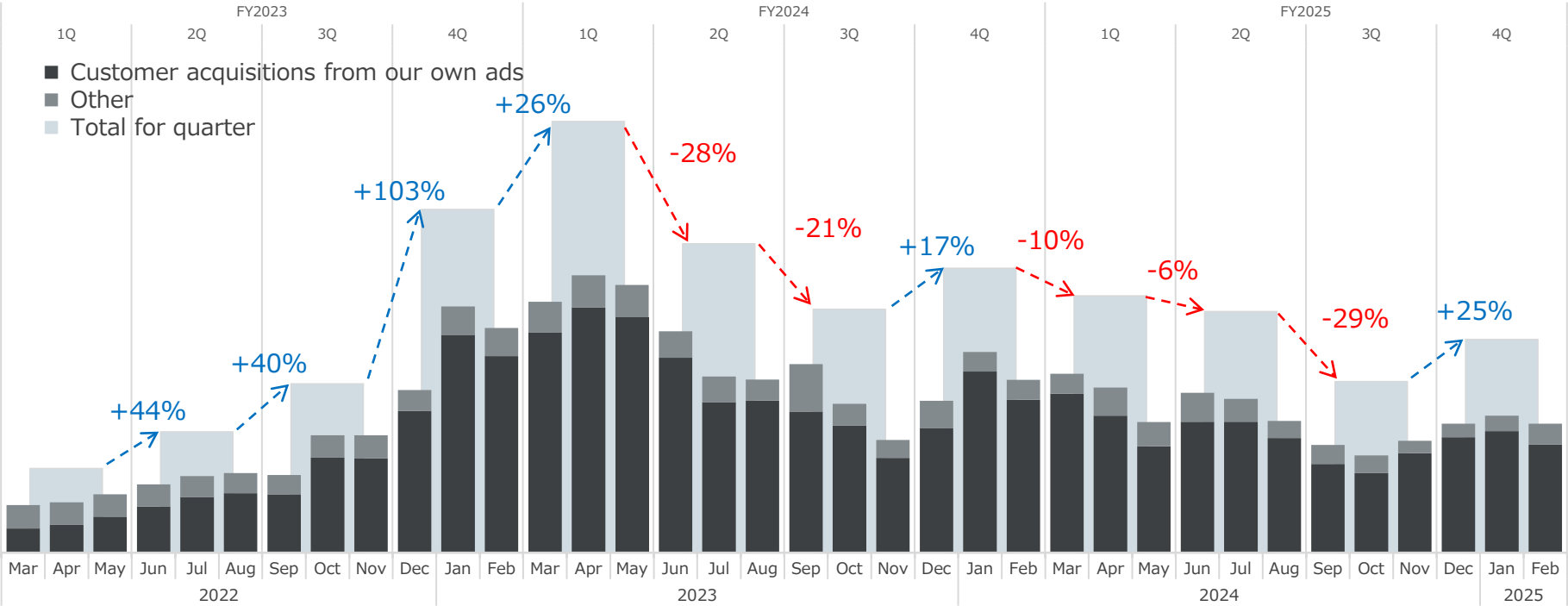
Non-consolidated | Our website, etc.

Changes in number of new customer acquisitions

The number of new customer acquisitions for the fourth quarter of FY2025 increased 25% QonQ.



- The number of new customer acquisitions for some products increased in the third quarter.

  As the period of time from their release is shorter than other mainstay products, the exhaustion of advertising content in sales pages (phenomenon in which consumers are tired of watching it) is limited. However, new acquisitions became possible without changing sales pages as destination sites, by creating advertising with a higher click-through rate.

  →Advertising content creation skills improved to a certain extent, continuing to create quality advertising.

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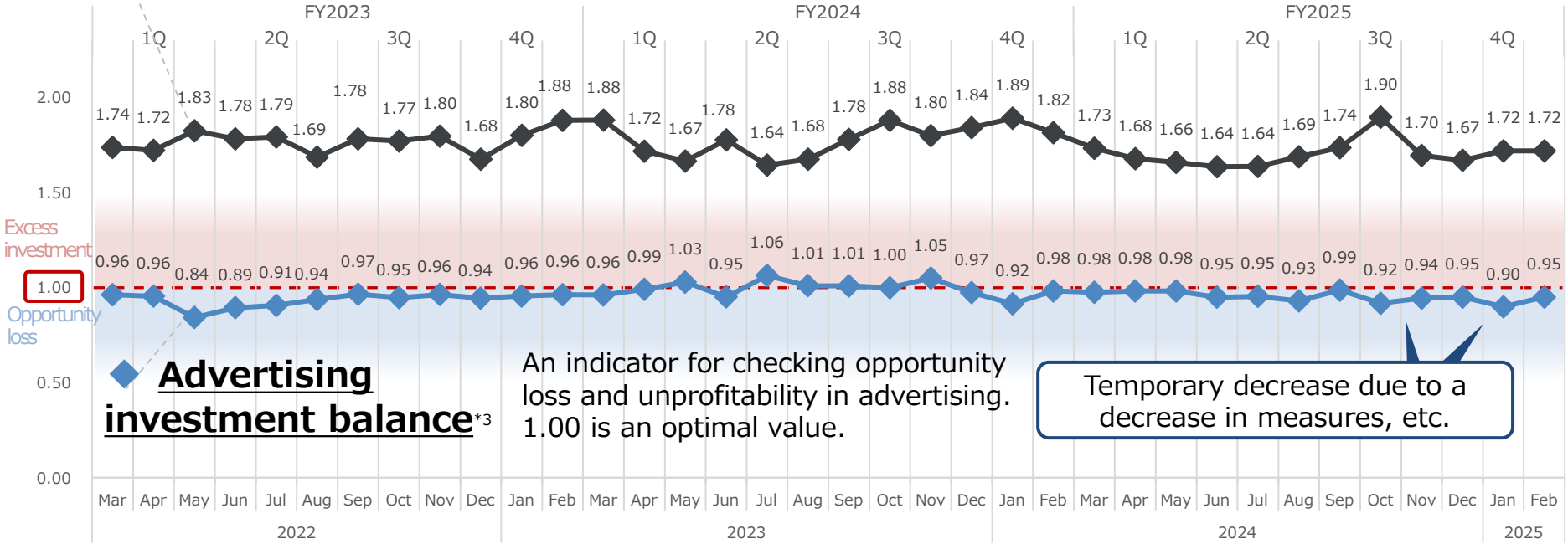
Non-consolidated

Customer acquisitions from our own ads

Advertising investment efficiency

◆ **1-year ROAS**[*1 *2] Amount of sales expected to result from advertising investment in one year



◆ **Advertising investment balance**[*3]

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

Temporary decrease due to a decrease in measures, etc.

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

*1 Used as a projection of how much sales are expected to result from advertising in one year. If ¥1 million was used for advertising, and sales of ¥1.5 million are expected to be generated, the projected 1-year ROAS is 1.50.
*2 "Initial ROAS" is an indicator for measuring how much initial sales are generated from advertising investment. However, even though profitability may not be decreasing, ROAS values will trend downward when the share of the products to which a high CPO limit*4can be assigned due to their high LTV, despite their low unit price, has increased, meaning that there were cases in which this indicator was not an accurate depiction of investment efficiency. As it is necessary to factor in these aspects when evaluating advertising investment efficiency in the subscription purchase model, which is based on continued purchases, 1-year ROAS is used for calculation. While initial ROAS is calculated as "initial sales (results) ÷advertising expenses (results)," 1-year ROAS is calculated as "1-year sales (projection) ÷advertising expenses (results)." The figures for sales over a period of one year are simulated projections derived from massive amounts of data, including past results and repeat purchase rates, etc., and these same projections are used in actual ad management to set CPO limits.
*3 A unique indicator that measures opportunity loss and unprofitability in advertising. Advertising investment indicates how much CPO was obtained with respect to the CPO limit. If it is less than 1.00, there is opportunity loss, and if it is higher than 1.00, there is excess investment. Therefore,1.00 is the optimal value. If the CPO limit is set to ¥10,000 and the CPO result is ¥9,000, the advertising investment balance is 0.90.
*4 Upper limit of advertising expenses that can be used to acquire one new customer, calculated backward from the required profit, using the relationship between "CPO," which is the amount of advertising expenses required to acquire one new customer, and LTV.

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Non-consolidated | Our website, etc.

Measures to increase new customer acquisitions

◆ Focus on improving the Creative Department

	Advertising	BLP	HLP
<Customer leads>	Click due to interest	Increase the intent to purchase	Purchase our products
<Required elements>	・Stimulation of interest ・Appropriate targeting ・Attractive expressions	・Appropriateness of the content connection from advertising to BLP ・Leading to HLP	・Purchasing instructions
<Our current situation>	Skills are at a certain level thanks to past efforts	**Future issues**	**Future issues**

Until now

Advertising content creation issues

・Create good advertising content
・Continuously create new advertising content using different viewpoints and approaches, since advertising content, after a certain period of time, becomes exhausted

Priority was given to advertising

Sales pages:
・Require diverse skills due to the difficulty to create new ones
・Also require many resources for creation and verification work
・Have a slower exhaustion rate than advertising

Advertising skills improved to a certain level through system development and training over the long term

Now

Sales page issues

The exhaustion of landing sales pages is becoming pronounced due to the continuous distribution of good advertising

Building an organizational foundation
・Develop and improve in-house education and training systems
・Ramp up recruitment at our customer attraction departments
→ ・Strengthen recruitment of local persons with creative experience as those dedicated to remote working
・Strengthen recruitment of staff members with an entrepreneurial mindset and leadership skills (talent able to lead strategic planning, planning execution as a product manager)

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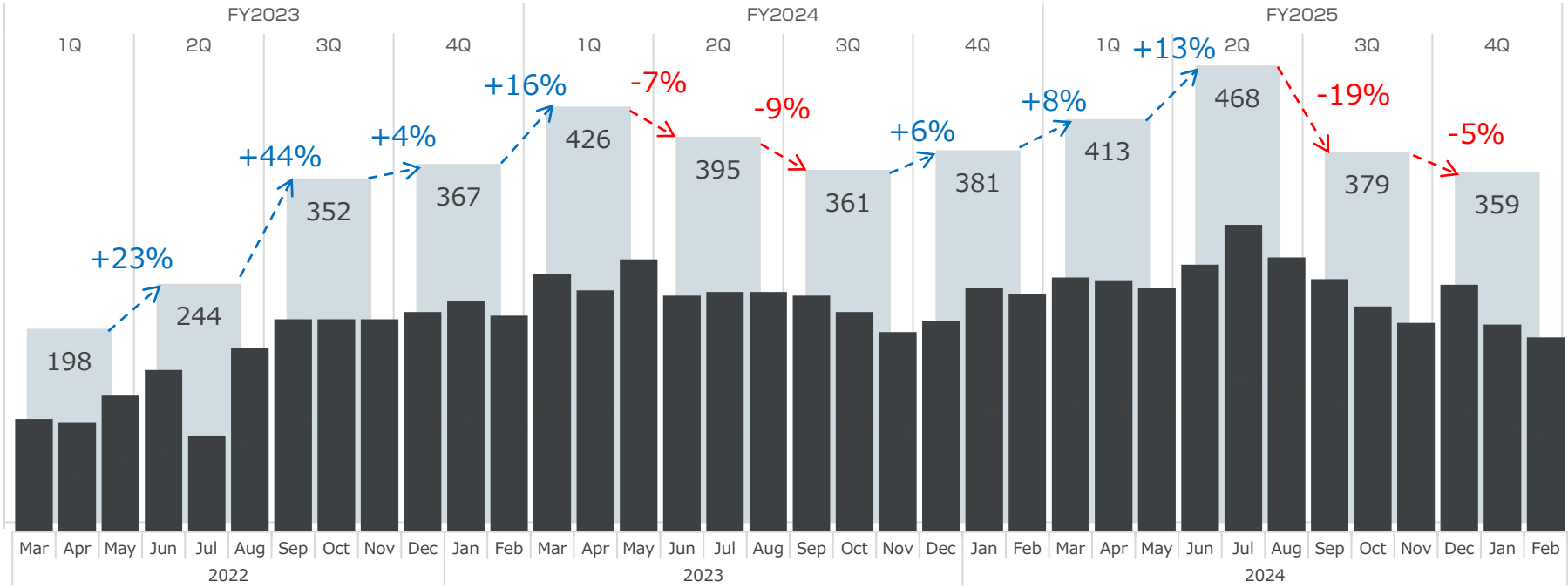
Non-consolidated | E-commerce malls

Changes in net sales

Net sales for e-commerce malls in the fourth quarter of FY2025 were -5% quarter on quarter.

(Millions of yen)



<Initiatives implemented in FY2025>

- Sales promotion activities, advertising contents creation, and advertisement optimization targeted at e-commerce malls
- Reduced costs by reviewing delivery methods

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Non-consolidated

Products released in FY2025

FLASHWA

Blended 113 types of beauty ingredients
All-in-one cosmetics using carbon dioxide*1 bubbles

All-in-one cosmetics with creamy and gelatinous carbonated bubbles using 100% carbon dioxide*1 propellant
[Released in August 2024]

cashymilk

Leave-in hair treatment, enabling quick hair drying*2

Leave-in hair milk, shortening dryer time*2
[Released in September 2024]

SARABRICH

Placenta*3 essence taken from thoroughbred Hokkaido horses

- Newly added umbilical cord extract*4
- 1,000 bottles sold in one minute and 51 seconds after launch
[Released in February 2025]

The above products were developed before changing the new product development policy (refer to page 39) and new products developed in line with the new policy will be released from FY2026.

*1 Carbonic acid gas (propellant)
*2 Comparison of drying time when applying this product before using a dryer and that when using a dryer after hair-washing (data obtained; the effect may change depending on use environment, etc.).
*3 Skin smoothing and moisturizing ingredient
*4 Moisturizing ingredient

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Non-consolidated PR Activities on YouTube, etc.

Purpose Recruitment marketing

Staff members who were already familiar with our philosophy and efforts before expressing interest in joining the Company tended to be more motivated and engaged than those who only learned about us for the first time during the job search process.
Based on this, we started PR activities for the Company itself from around 2020 to stimulate recruitment.

Content X, lectures, publications, YouTube, TikTok, etc.

Results 1. Number of applications grew from 6,000 in 2019, before starting PR activities, to 10,000 from 2020 and onward

	Before starting PR activities			After starting PR activities				
	2017	2018	2019	2020	2021	2022	2023	2024
Number of applicants (mid-career)	1,340	2,509	6,081	10,173	10,841	7,899	10,678	10,887

2. Percentage of recent applicants who knew the Company before applying= 43.99%*

Type of initial application route (major category)	Applications	Survey responses	Familiar with the Company	Percentage familiar with the Company
Web media	811	534	216	40.45%
Agent	550	153	63	41.18%
Scouting	13	9	6	66.67%
Our own media	87	70	52	74.29%
Total	1,461	766	337	43.99%

* Figures on and after the start of data accumulation through surveys

The two observations listed above indicate that approximately 4,000 people per year submitted applications as a result of PR activities.

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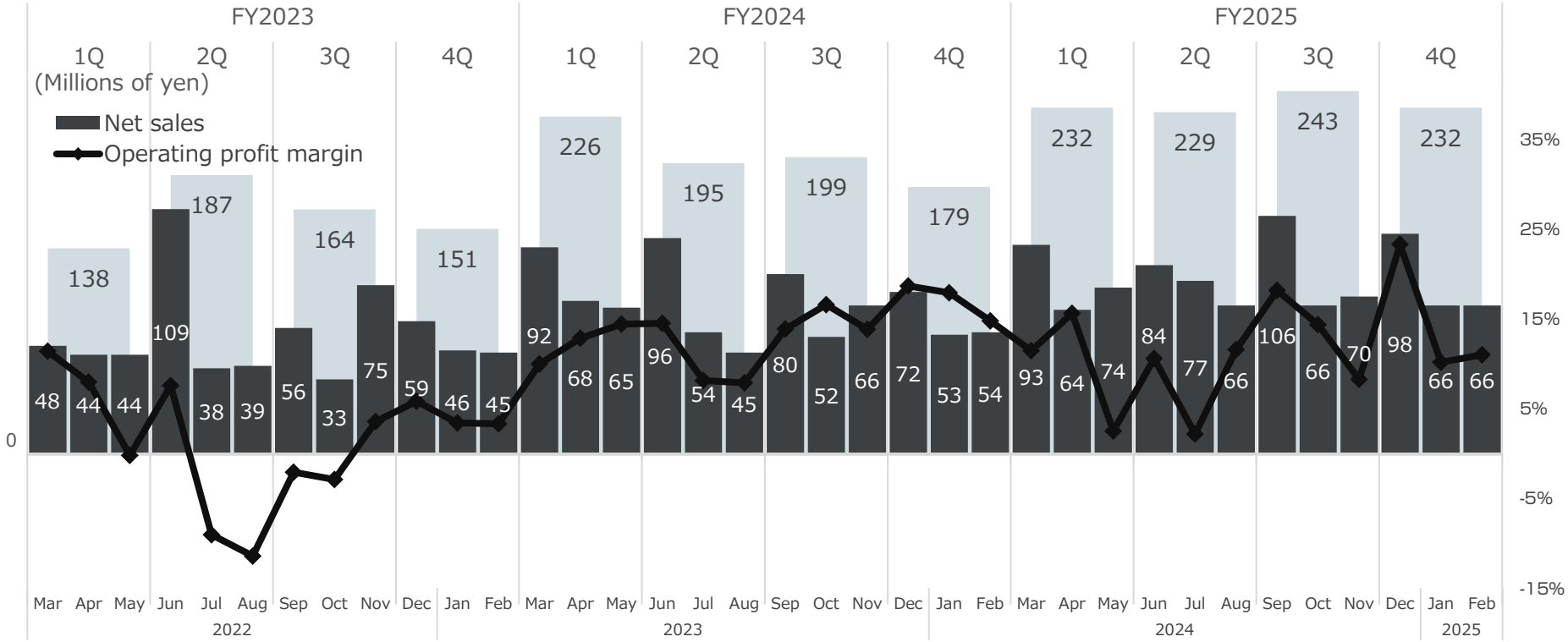
SALONMOON Co., Ltd.

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

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

<Changes in financial results>
・Although the Company operated at a loss for some months in FY2023 mainly due to the impact of the depreciation of the Japanese yen, the operating profit margin has recovered to previous levels.
・The decline in the operating profit margin in May and July 2024 was due to factors such as a change in the sales channel composition and temporary costs incurred in expanding sales channels.



* The increase in net sales for June 2022 resulted from the concentration of wholesale demand following the launch of store front sales at home appliance mass merchandisers' stores.

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SALONMOON
Co., Ltd.

<Initiatives implemented in the fourth quarter of FY2025>

- 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
  - ・Revaluate our unique characteristics and user base
  - ・Created optimized ad content for each e-commerce mall
- Released new products and developed series products

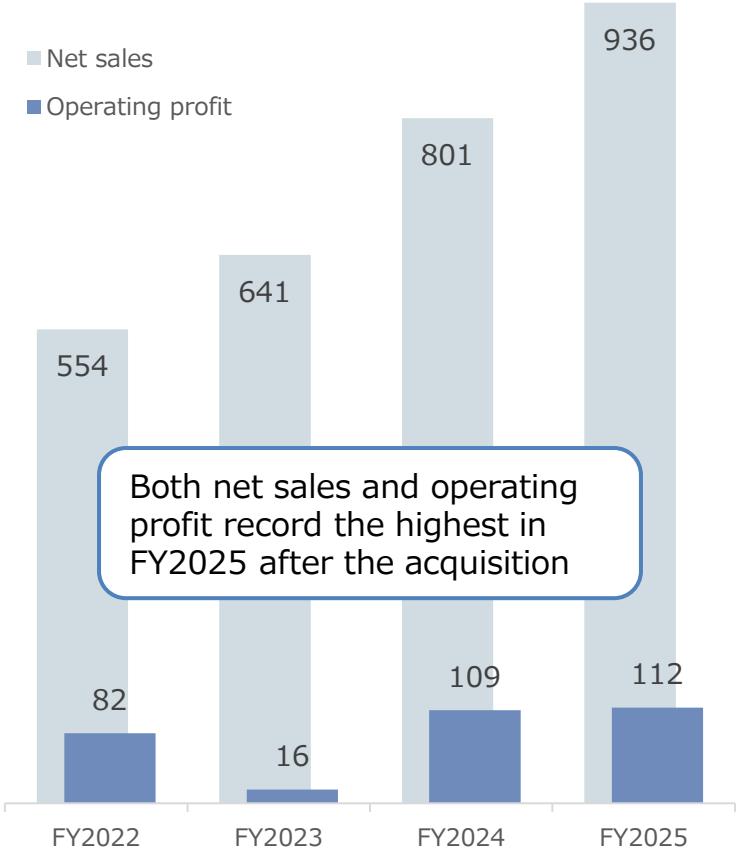
"Booster Ion Dryer"

Released on December 20, 2024
Introduced dryers as a new beauty appliance category

- Storefront sales to increase brand awareness and attract new customer base
- The total amount of shipments of SALONMOON's hair iron series surpassed 1.23 million units.

We will seek to further enhance brand value and awareness.

Changes in net sales and operating profit



Both net sales and operating profit record the highest in FY2025 after the acquisition

*1 The above shows the actual amount of SALONMOON Co., Ltd. without adjustments such as eliminations of intergroup transactions occurred as the amount of those transactions is minor
*2 Figures for FY2022 show those for nine months, as we acquired the shares on May 31, 2021.

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Consolidated

Consolidated Balance Sheets

(Millions of yen)

Subject/Section	FY2024/4Q end As of February 29, 2024	FY2025/4Q end As of February 28, 2025
Current assets	7,709	7,960
(Cash and deposits)	4,783	5,698
Non-current assets	940	1,197
Total assets	8,649	9,157
Current liabilities	1,515	1,234
Non-current liabilities	136	56
Total liabilities	1,652	1,291
Total net assets	6,996	7,866
Total liabilities and net assets	8,649	9,157

<Main factors for the changes from the end of FY2024>
¥915 million increase in cash and deposits, ¥324 million decrease in inventories under assets
¥246 million decrease in income taxes payable under liabilities
¥843 million increase in retained earnings under net assets

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Consolidated

Consolidated Statements of Cash Flows

(Millions of yen)

Subject/Section	Full year for 2024 March 1, 2023 to February 29, 2024	Full year for 2025 March 1, 2024 to February 28, 2025
Cash flows from operating activities	453	1,814
Cash flows from investing activities	-277	-530
Cash flows from financing activities	-223	-366
Effect of exchange rate change on cash and cash equivalents	2	-0
Net increase (decrease) in cash and cash equivalents	-44	915
Cash and cash equivalents at beginning of period	4,828	4,783
Cash and cash equivalents at end of period	4,783	5,698

The main factors for the changes were profit before income taxes of ¥1,695 million, income taxes paid of -¥725 million, payments of guarantee deposits of -¥400 million, and dividends paid of -¥361 million.

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Financial Results Forecast

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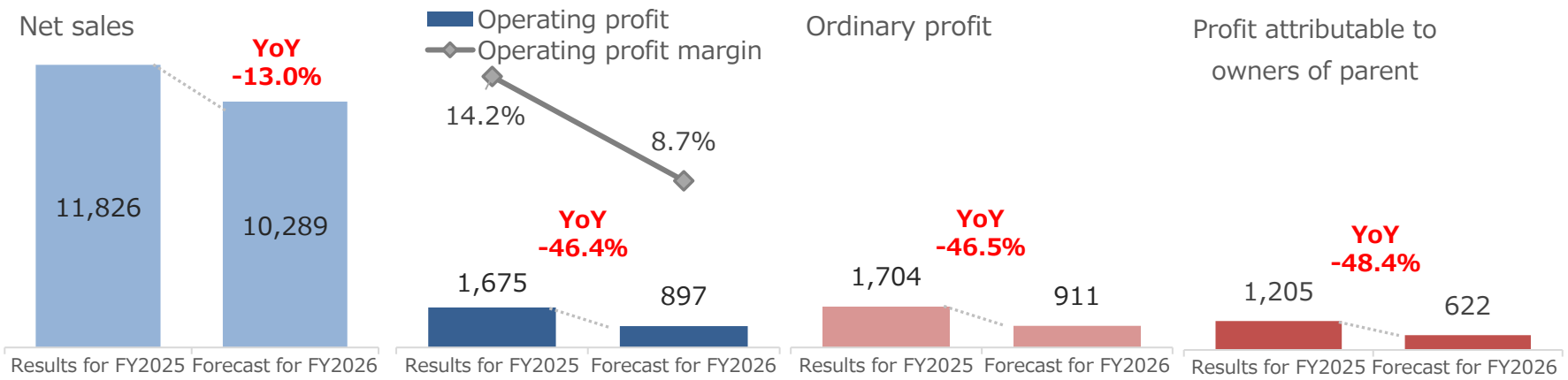
Consolidated Financial Results Forecast

(Millions of yen)

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

(Millions of yen)



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Non-consolidated Financial Results Forecast

(Millions of yen)

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

・The above reflects conservative estimates on the assumption that the status of new customer acquisitions remains at the level when the financial results forecast was prepared.
・Positioned as a preparation stage toward expanding the product lineup.

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Non-consolidated | J NORTH FARM

Factors behind change in sales profit

<Comparison between FY2025 results and FY2026 forecast >

(Millions of yen)

	FY2025	FY2026	Changes	Changes (%)
Net sales	10,517	**9,235**	-1,281	-12.2%
(1) Difference in new sales				
Net sales	1,510	**1,393**	-117	-7.8%
Gross profit	1,131	**999**	-131	-11.6%
Sales promotion expenses, etc.	2,911	**2,763**	-147	-5.1%
Sales profit	-1,780	**-1,764**	+16	+0.9%
Initial ROAS	55.8%	**56.3%**	–	–
(2) Difference in regular and other sales				
Net sales	7,385	**6,202**	-1,183	-16.0%
Gross profit	5,868	**4,938**	-930	-15.9%
Sales promotion expenses, etc.	354	**260**	-94	-26.6%
Sales profit	5,513	**4,677**	-836	-15.2%
(3) Difference in e-commerce mall sales				
Net sales	1,621	**1,640**	+19	+1.2%
Gross profit	1,392	**1,341**	-51	-3.7%
Sales promotion expenses, etc.	464	**450**	-14	-3.1%
Sales profit	928	**891**	-36	-4.0%
Sales profit	4,661	**3,805**	-856	-18.4%

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

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

Decrease due to a decrease in new sales
→Details are on the next page

Net sales remain almost flat, as a decrease in new sales does not have immediate impact.

Sales profit decreases due to impact of our product share.

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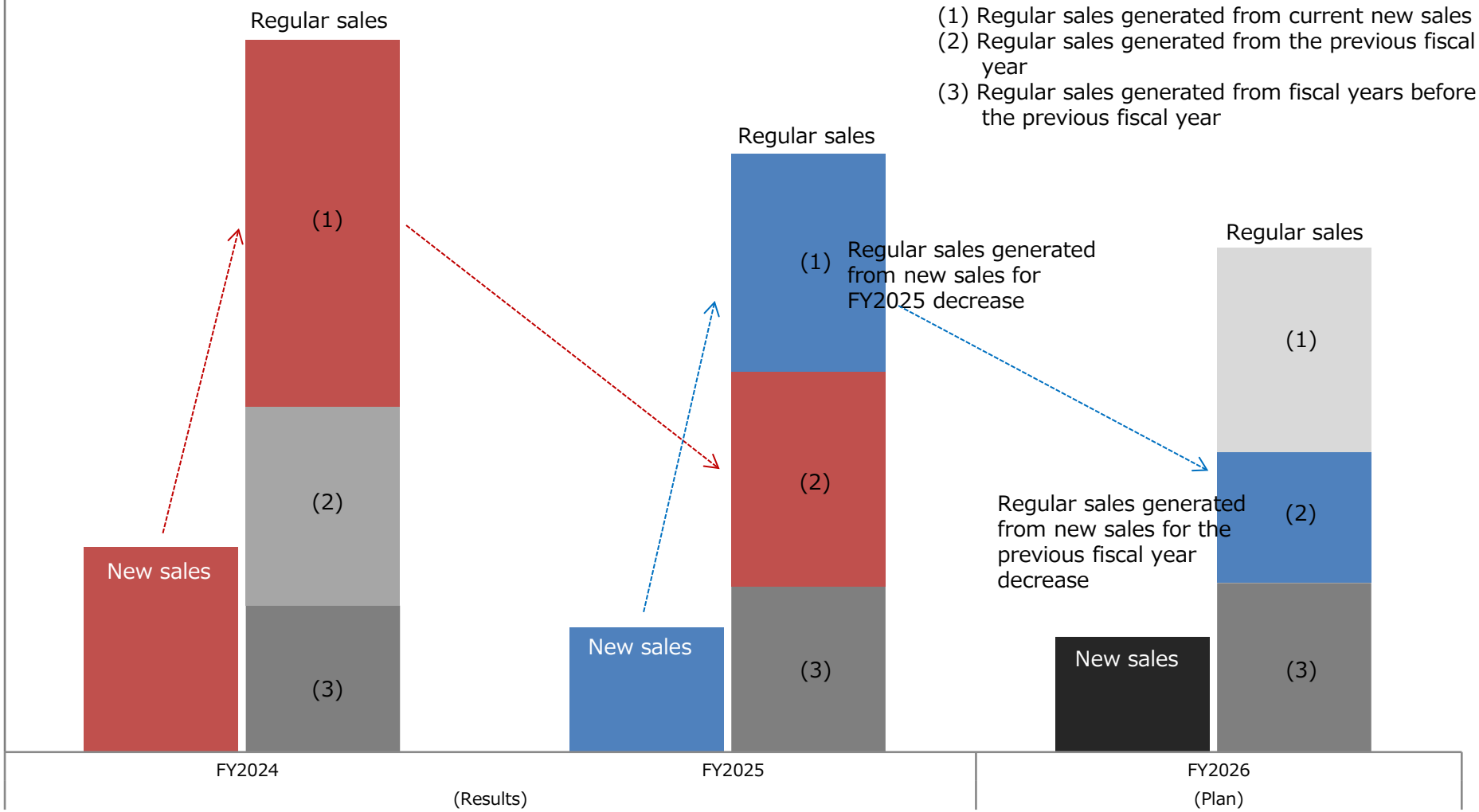
Non-consolidated **J NORTH FARM**

Factors behind decrease in regular sales

The major factor is a decrease in regular sales due to a decrease in new sales for FY2025.
(* Refer to page 11 for a correlation between new sales and regular sales.)



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Explanation About Future Growth Strategy

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Non-consolidated

Analysis of current status of net sales, new customer acquisitions, sales profit

Currently, is the situation of Kitanotatsujin worsening, maintaining, or growing?

(Millions of yen)

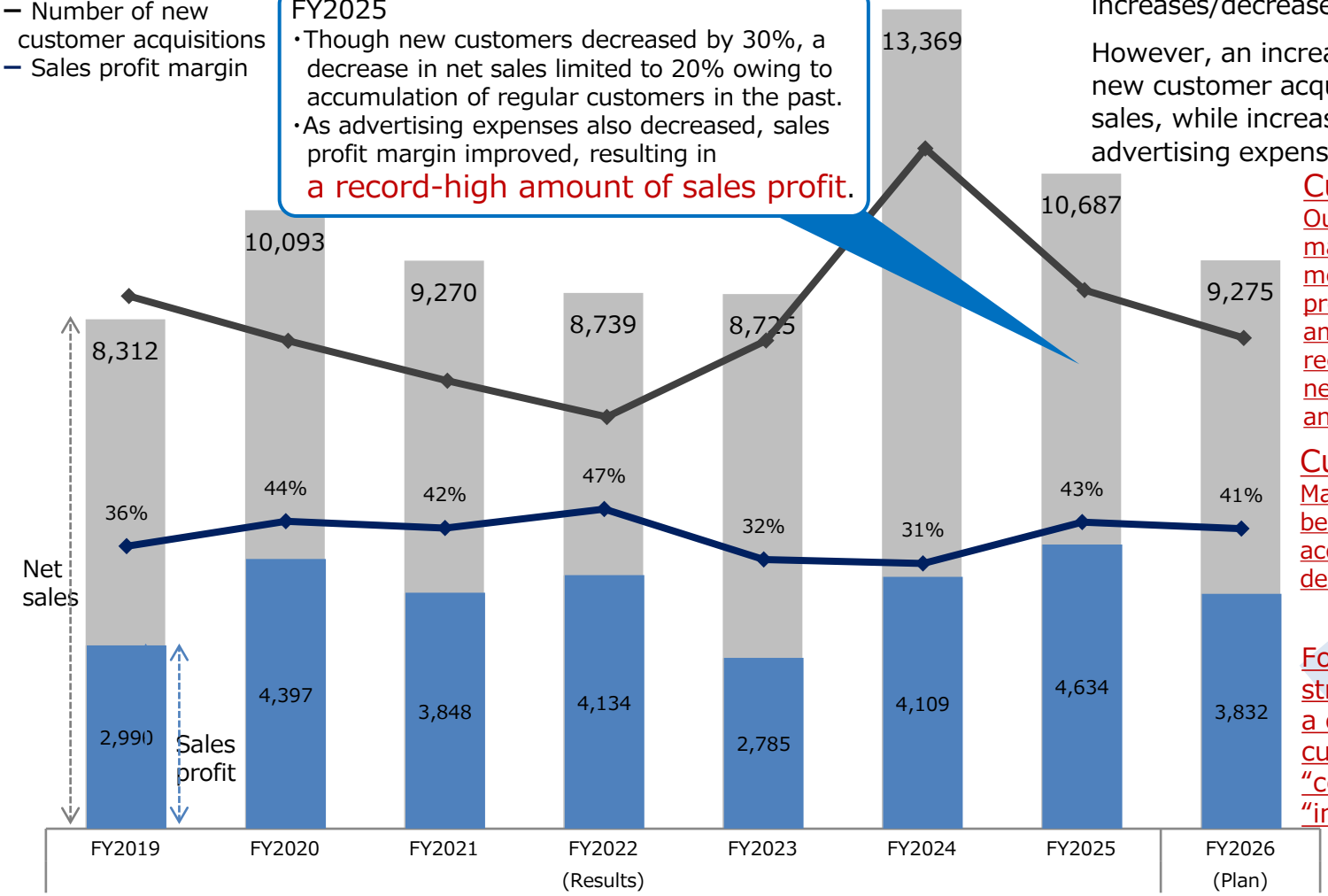
– Number of new customer acquisitions

– Sales profit margin

FY2025

・Though new customers decreased by 30%, a decrease in net sales limited to 20% owing to accumulation of regular customers in the past.

・As advertising expenses also decreased, sales profit margin improved, resulting in a record-high amount of sales profit.



The number of new customer acquisitions increases/decreases net sales.

However, an increase in the number of new customer acquisitions increases net sales, while increasing expenses due to advertising expenses.

Current status (1)

Our own unique management accounting method maintains sales profit margin and sales profit amounts at a certain level regardless of the status of new customer acquisitions and net sales amount.

Current status (2)

Maintaining but not growing, because new customer acquisitions "increase and decrease."

For preparing the growth strategy, we shall consider a cycle where new customer acquisitions "continue to grow," not "increase and decrease."

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Non-consolidated Operating profit

Sales profit was a record high in FY2025, but operating profit was not.
→Because total operating expenses approximately doubled compared with FY2020 with the highest operating profit

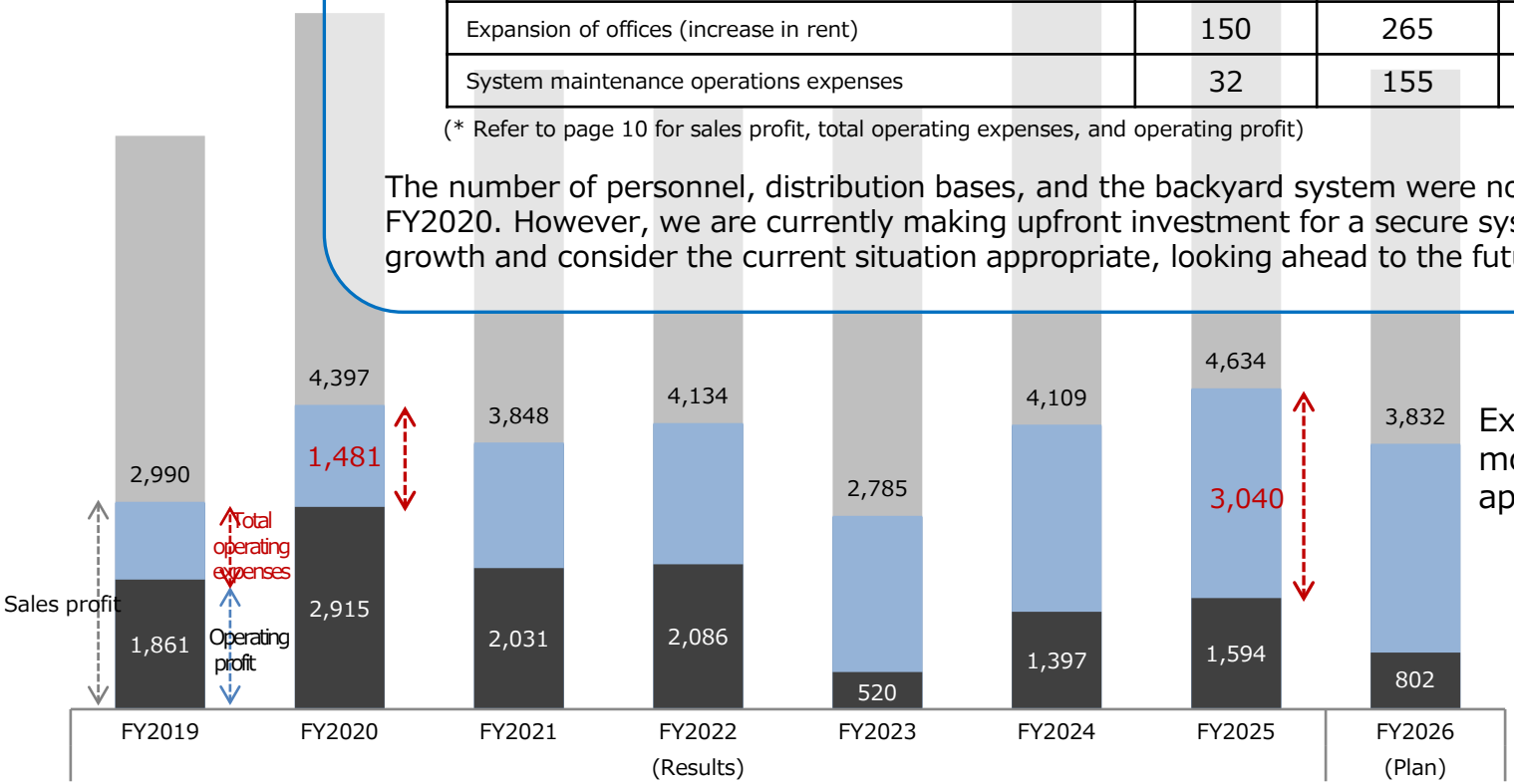
(Millions of yen)

Major factors	FY2020	FY2025	Changes
Personnel expenses	726	1,532	+806
Warehousing-related expenses (increase in distribution bases)	33	146	+112
Expansion of offices (increase in rent)	150	265	+115
System maintenance operations expenses	32	155	+123

(* Refer to page 10 for sales profit, total operating expenses, and operating profit)

The number of personnel, distribution bases, and the backyard system were not stable in FY2020. However, we are currently making upfront investment for a secure system and future growth and consider the current situation appropriate, looking ahead to the future.

(Millions of yen)



Expenses continue to be monitored and appropriately managed.

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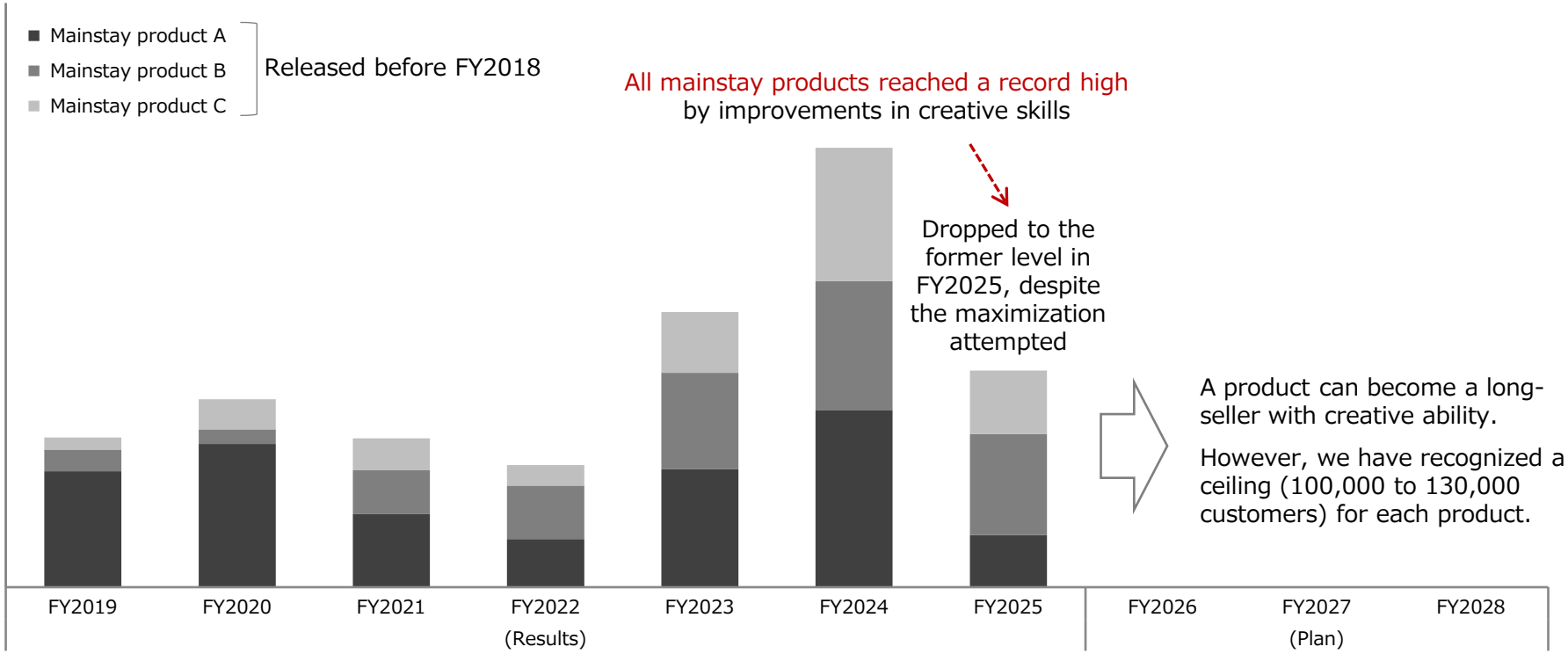
Non-consolidated

Analysis of current status of existing products

(for creating a cycle where new customer acquisitions continue to grow)

Change in the number of new customer acquisitions (not sales) for existing mainstay products



- These products were released through FY2017 to FY2018. They have maintained new customer acquisitions for a long period, repeating an increase and decrease, as these products did not see a peak of new customer acquisitions due to demand from new release immediately after the launch nor growth of new customer acquisitions with time.
  →The Company has a skill for consistently improving advertisements to keep freshness of products and establish a hit product as a long-seller product, not as a short-lived product.

- Until now, we had focused on continuing to grow "existing products" with creative ability. However, as potential of each product is limited, we should create a cycle for continuing to increase products for customer attraction by introducing new products, in addition to relying on "existing products."

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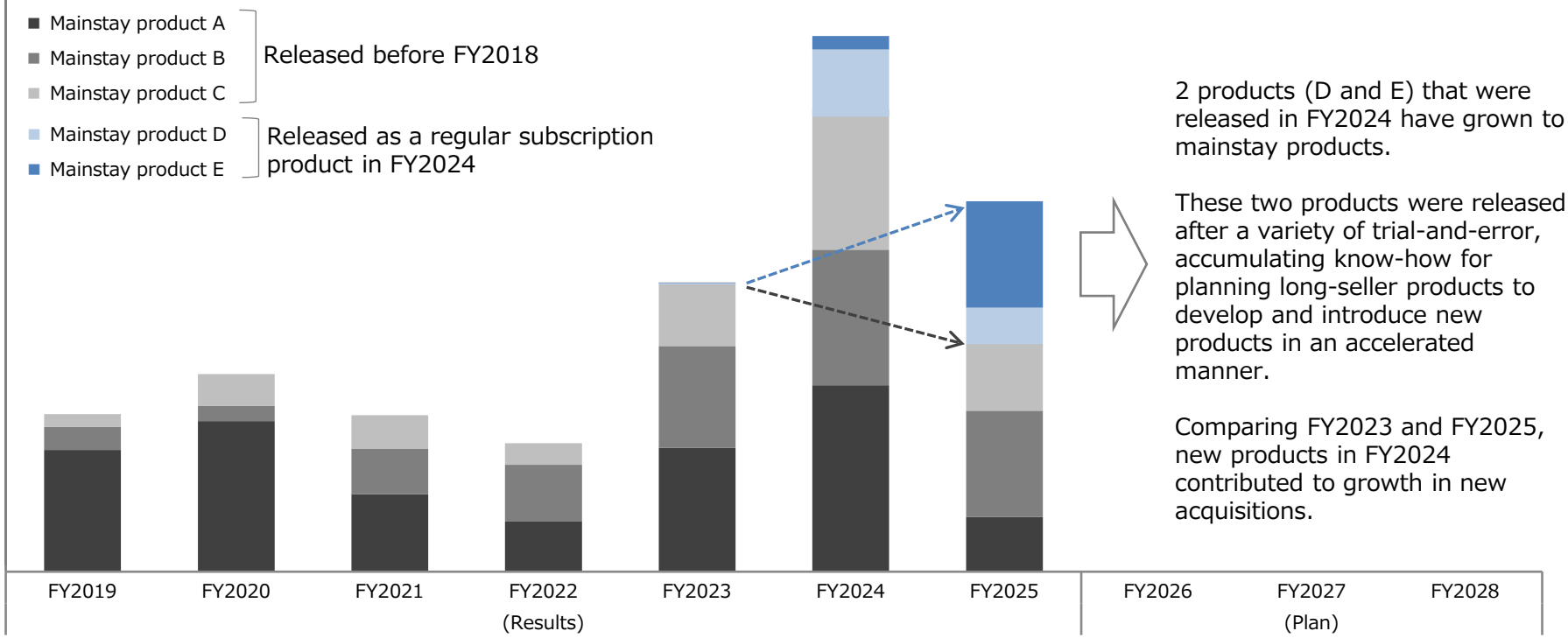
Non-consolidated

Analysis of current status of new products

(for creating a cycle where new customer acquisitions continue to grow)

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



2 products (D and E) that were released in FY2024 have grown to mainstay products.

These two products were released after a variety of trial-and-error, accumulating know-how for planning long-seller products to develop and introduce new products in an accelerated manner.

Comparing FY2023 and FY2025, new products in FY2024 contributed to growth in new acquisitions.

- Multiple products were released through FY2022 to FY2024. However, clear difference in figures has been seen between products D and E which have grown to mainstay products and products which did not grow to such products, clarifying “numerical conditions for a hit (acquiring 100,000 to 130,000 customers annually) after launch.”
- The product planning and marketing team under the direct control of the President has been renewed in the latter half of FY2025 to focus on product planning.

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Non-consolidated Product development structure

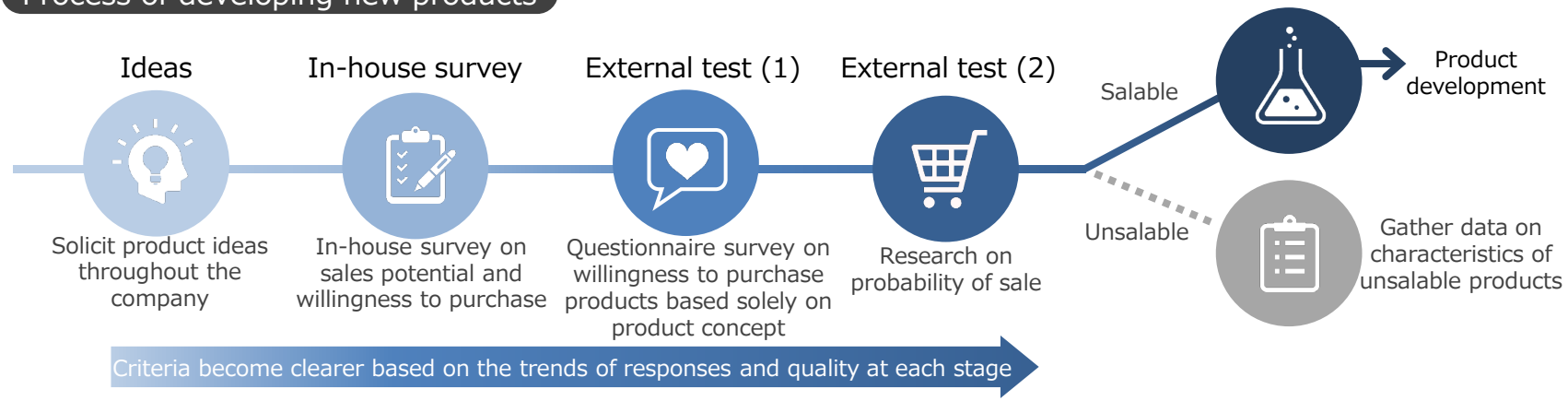
Until now Limit focus on new product development

- Advertising content quickly becomes exhausted and sluggish after launching new products
- It was unclear that which products would grow to a hit product after launch

Now Accelerate development and launch of new products

- Numerical conditions for a hit after launch were clarified
- Creative skills to establish a hit product as a long-seller were arranged
- Aim to build a system capable of launching 10 or more new products per year while maintaining current uncompromising stance on quality

Process of developing new products



- KGI and KPI are set for the product planning and marketing team to develop a system for annually creating 10 products that are able to acquire 100,000 to 130,000 customers.
- Since it takes over one year to develop a new product, the launch of a large number of new products will get into full swing in and after FY2027.

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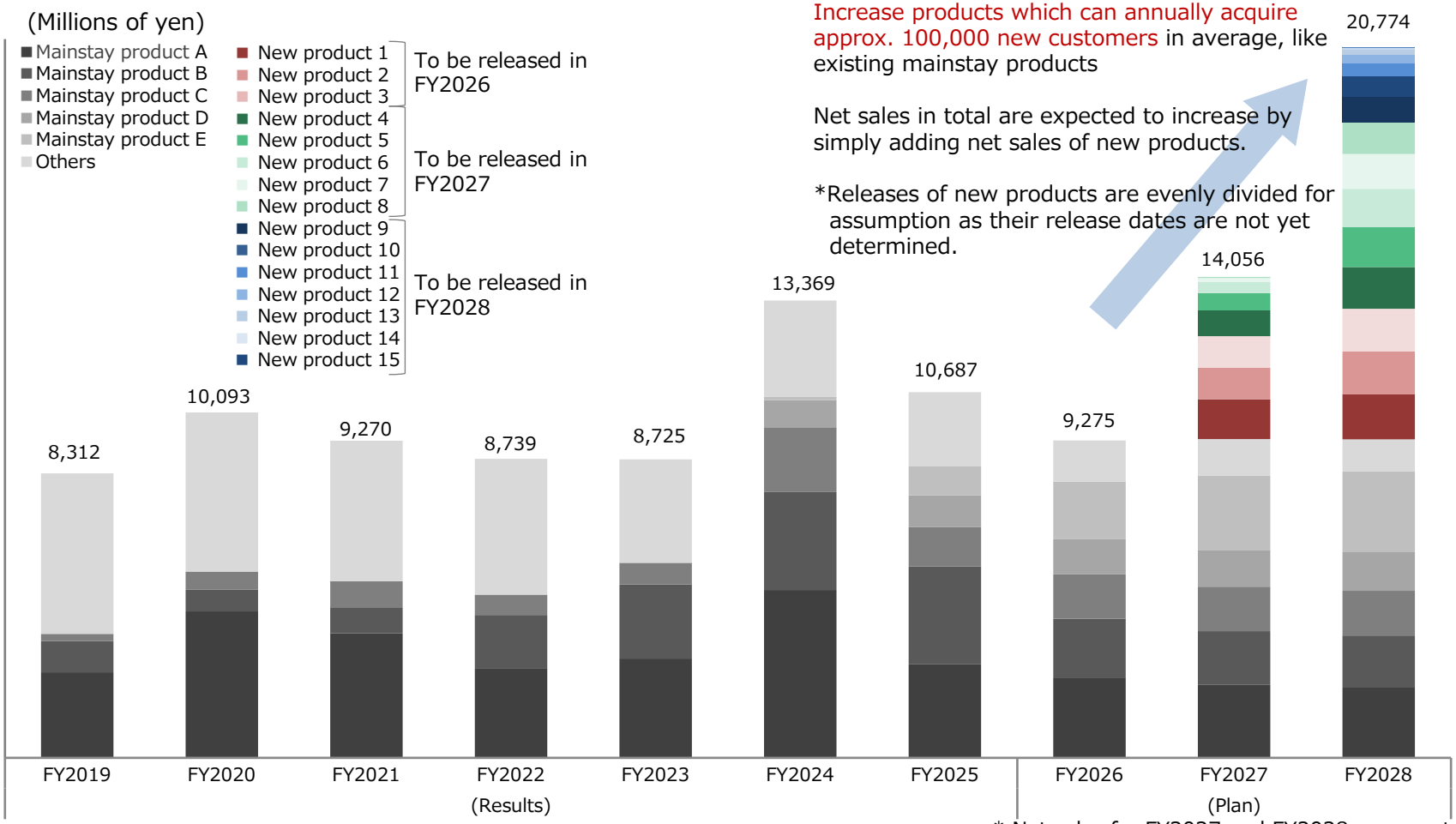
Non-consolidated

Growth strategy　Expanding product lineup

Change in net sales considering the introduction of new products



Increase products which can annually acquire approx. 100,000 new customers in average, like existing mainstay products

Net sales in total are expected to increase by simply adding net sales of new products.

*Releases of new products are evenly divided for assumption as their release dates are not yet determined.

* Net sales for FY2027 and FY2028 represent simulated figures based on a certain assumption.

We plan to announce a medium-term management plan which incorporates impact of releases of new products and M&As, and a policy of returns to shareholders based on the plan by around the end of July 2025, as such impact is currently under examination.

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References

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会社概要

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

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

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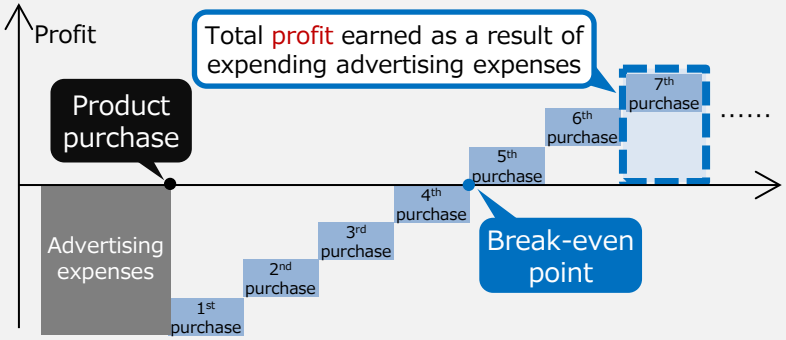
Business Model

◆ Customer characteristics

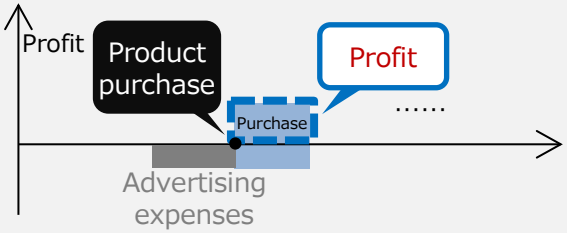
・The main customer base is in their 40s and over
・Sales from regular customers account for approx. 70% of overall sales

◆ Monetization schemes by channel

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

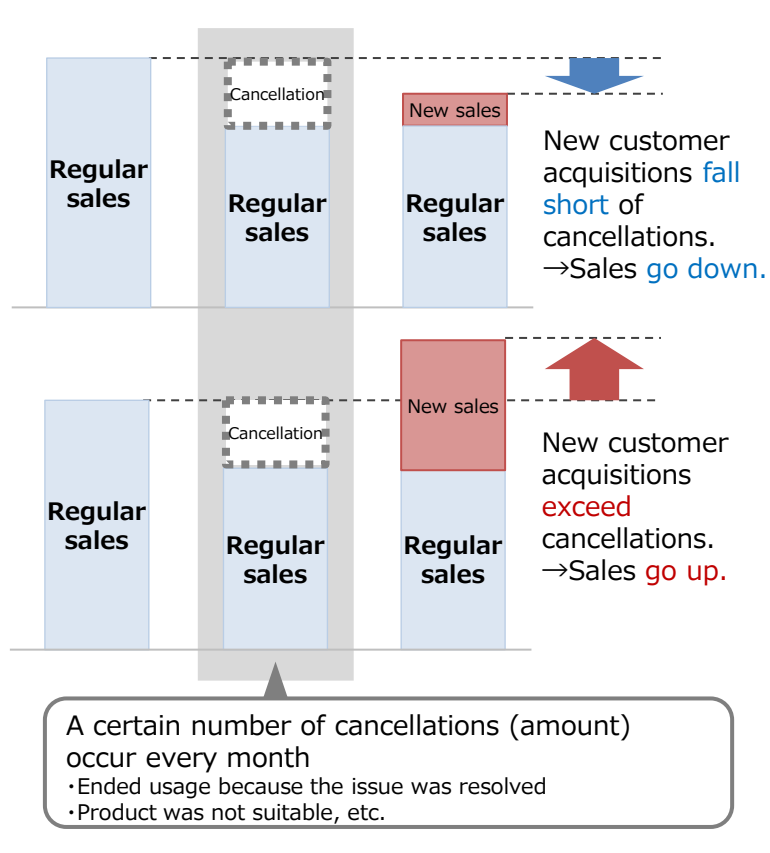


<E-commerce malls> Unit-purchase business model in which profitability is achieved with a single purchase, not a continuous purchase



◆ Profit structure

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



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Business Model

<Product strategy>

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

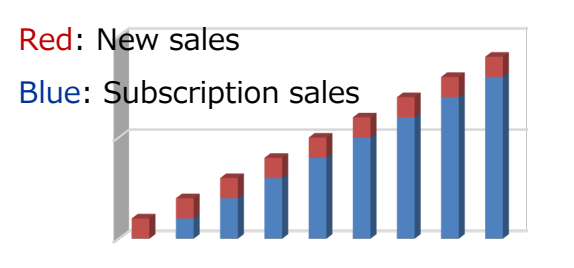
<Sales strategy>

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

Together with

Adoption of D2C × Subscription-driven business model

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



Realize a profit structure that enables stable growth

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Product Strategy

◆ Product development specifically designed for the E-commerce business

- Develop the E-commerce business that sells a total of 38 original products on the Internet to meet specific customer needs, including cosmetics and health foods
- Products specialized for solving customers' concerns for health and beauty

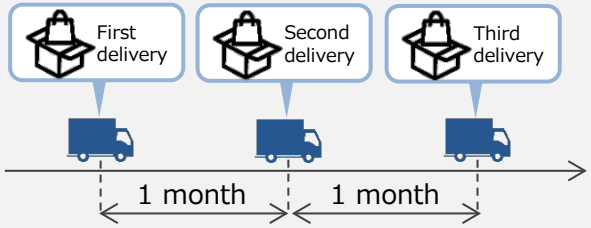
◆ Stringent product development standards

- Only commercialize products that bring solid satisfaction, under the policy, "A product will only be commercialized when an astonishingly fine product is created"
- Established original product development standards with approximately 1,475 items specifically designed for online sales and conduct a thorough monitor survey
- Only 2% of planned projects meet these standards to be commercialized, thereby pursuing dominant customer satisfaction and quality maintenance

◆ Product design

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

[Product delivery example]



The next product arrives when the product is completely used

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Sales Strategy

◆ Performance evaluation indicators

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) Calculate and manage CPO on a daily basis by subdividing several thousands to tens of thousands of advertisements presented regularly into various segments
(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

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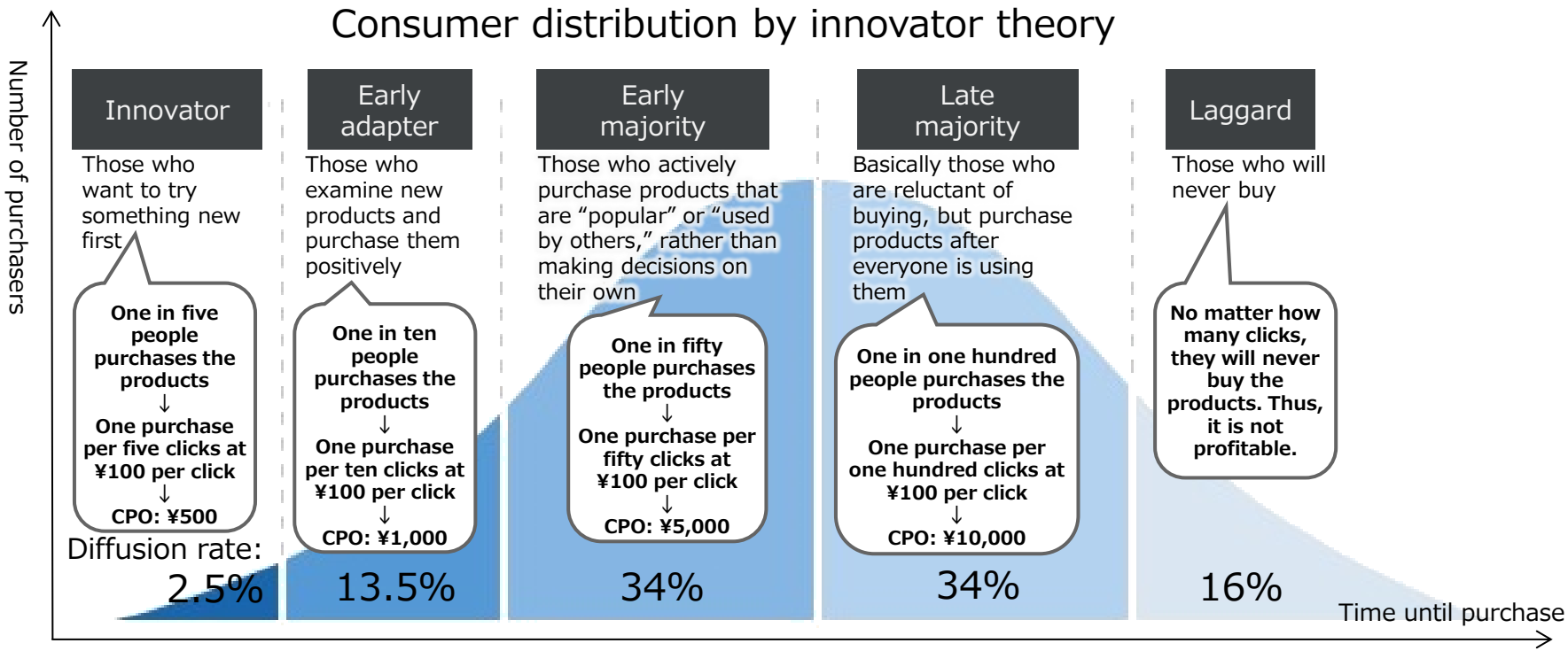
Sales Strategy

◆ Correlation between CPO and the number of new customer acquisitions

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

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



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.

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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.

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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

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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

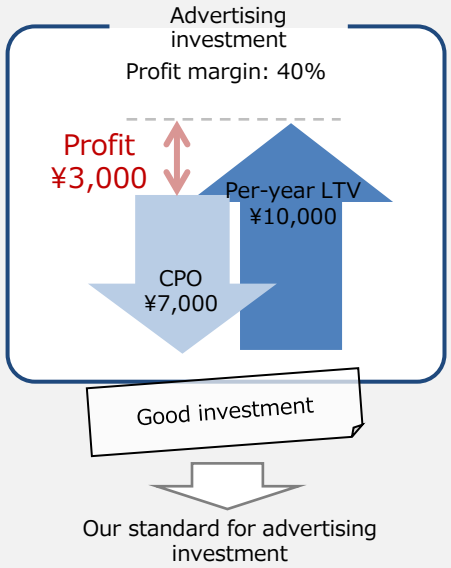
＋

Prevent a decline in profitability due to excess advertising investment

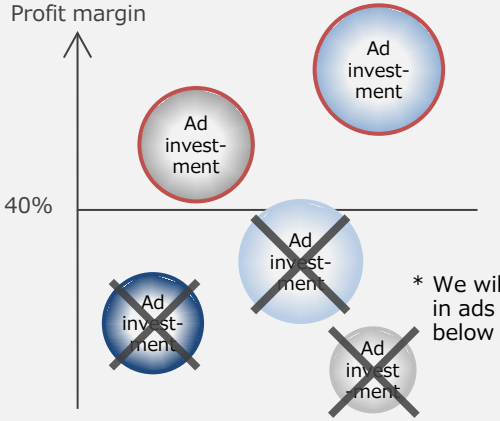
▶ Set the CPO limit to secure the required profit

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

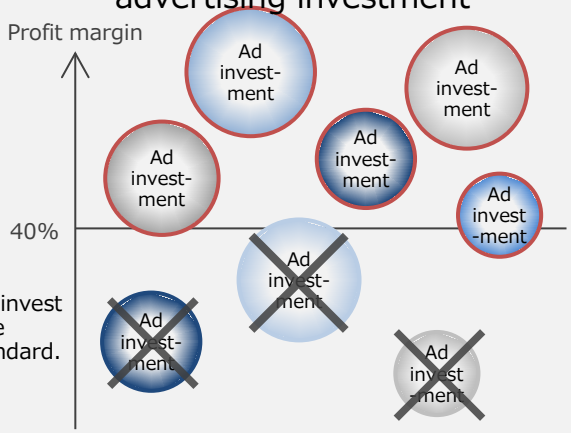
Our method of setting the CPO limit and our advertising investment policy



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



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



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

Our basic approach

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

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

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Major Products

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

- Apply the microneedle technology, which is also used in medical treatments
- A new concept of cosmetic products to directly inject needle-shaped beauty ingredients into the skin

【No. 1】 "HYALO DEEP PATCH" for wrinkles under the eyes and smile lines
【No. 2】 "MIKEN DEEP PATCH" for the area between the eyebrows
【No. 3】 "ODEKO DEEP PATCH" for the forehead
【No. 4】 "CHEEK PORE PATCH" for the cheek pore zones*2

【No. 1】 【No. 2】 【No. 3】 【No. 4】

◆ Food with functional claims "KAITEKI OLIGO"

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

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

*1 Global survey by TFCO Co., Ltd. The largest micro-needle cosmetic skin patch brand (DEEP PATCH Series) with sales amount for the period from March 2019 to February 2024
*2 Area where cheek pores are concentrated

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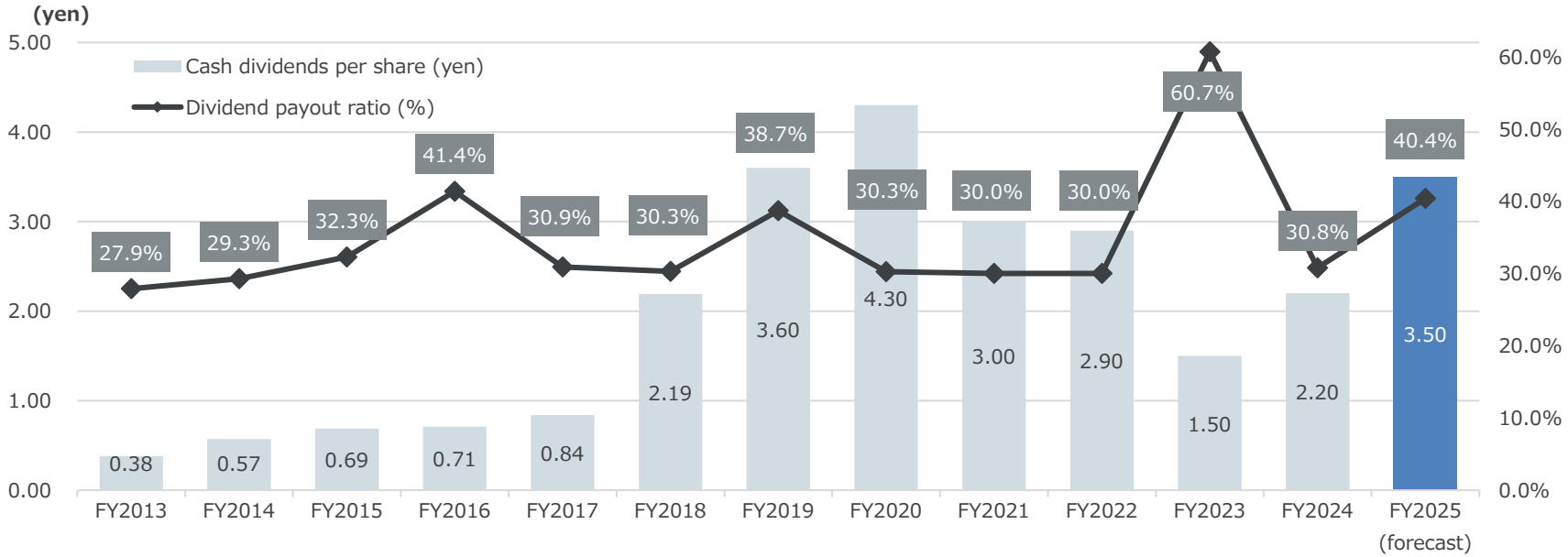
Returns to Shareholders [Dividends]

1 Dividends for FY2026 not yet determined

The Company will pay an annual dividend of ¥3.50 (planned) per share for FY2025 with an interim dividend of ¥1.30 and a year-end dividend of ¥2.20 (planned).

We plan to pay an interim dividend and a year-end dividend respectively for FY2026. However, as we are currently preparing a medium-term management plan and a policy of returns to shareholders based on this plan, the amount of dividends is not yet determined. It will be announced by around the end of July 2025, along with the medium-term management plan, etc.



*1 Cash dividends per share are translated based on the impact of the following six stock splits. (Fractions less than one sen are rounded up.)
A 4-for-1 stock split for common shares as of February 9, 2013 A 2-for-1 stock split for common shares as of January 3, 2014 A 2-for-1 stock split for common shares as of June 1, 2015
A 2-for-1 stock split for common shares as of April 1, 2017 A 2-for-1 stock split for common shares as of November 6,2017 A 3-for-1 stock split for common shares as of February 15, 2018
*2 The Company transitioned to consolidated accounting from FY2022. The graph above indicates non-consolidated figures for the period up to FY2021 and consolidated figures for FY2022 and thereafter.

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Returns to Shareholders [Shareholder Benefit Program]

2 From FY2025: Enhancement of the program and additional benefits for long-term shareholders

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 will change and enhance the program in light of opinions received about the existing shareholder benefit program and requests found in the shareholder questionnaire survey.
  → "Shareholders also being consumers of products and services" represents an ideal relationship between companies and shareholders, as it 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.
- The Company will offer additional benefits for long-term shareholders*1 with the purpose of encouraging a greater number of shareholders to continue holding shares.

<Description of benefits>

The Company's products

Eyelid beauty gel, one of our mainstay products

One package of "LID KIRARA"
(10 g, approx. one month of use)

+

Vouchers usable on the Company's website*2

Enhancement

Continuous holding for less than one year	One voucher worth ¥1,000
Continuous holding for one year or longer	Two vouchers worth ¥1,000 each

Benefits for long-term shareholders

<Eligible shareholders>

The new program will be applied starting from shareholders who are listed or recorded in the shareholder register as of the end of February 2025 and hold at least one unit (100 shares).

*1 The holding period for benefits for long-term shareholders will be determined retrospectively from the end of February 2025 (record date).
*2 The vouchers can only be used for our products under our brand "J NORTH FARM" (excluding some products) on the online store exclusively for our shareholders.

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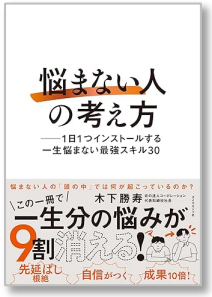
Information on the Company’s strategies, etc.

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



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Other Indicators

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

*1 Cash dividends per share are translated based on the impact of the following stock splits:
(Fractions less than one sen are rounded up.)
A 2-for-1 stock split for common shares as of June 1, 2015
A 2-for-1 stock split for common shares as of April 1, 2017
A 2-for-1 stock split for common shares as of November 6, 2017
A 3-for-1 stock split for common shares as of February 15, 2018
*2 As FY2022 was the first year of consolidated accounting, ROE and ROA were calculated based on equity and total assets as of fiscal year-end

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Major Awards Received

November 2020: Awarded the “Asia’s 200 Best Under A Billion” in Forbes Asia

September 2019: Awarded the Internet Shopping Award in the “Asia Direct Marketing Vision 2019”

February 2017: Special E-Commerce Promotion Award Recipient at “Japan Venture Awards 2017” hosted by the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN (backed by The Small and Medium Enterprise Agency, Ministry of Economy, Trade and Industry, etc.)

September 2015: Japanese Representative Candidates Finalist for EY Entrepreneur of the Year 2015, an international award program for entrepreneurs

February 2014: Awarded the Minister of Economy, Trade and Industry Award at the “2014 IT Management Awards for Small and Medium Enterprises”

起業家の登竜門。
JAPAN VENTURE AWARDS
2017

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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.

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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.”

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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
Simple comparison: Net sales for accounting	100	100
Simple comparison: Advertising expenses	30	20
Simple comparison: 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%**

(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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