



October 20, 2026

To whom it may concern:

Company name	Kitanotatsujin Corporation
Representative	Katsuhisa Kinoshita Representative Director & President Stock code: 2930 Prime Market, Tokyo Stock Exchange SAPPORO SECURITIES EXCHANGE
Inquiries	Junichi Miura, Director, General Manager of Administration Department
Phone number	050-2018-6578 (Direct dial to Department)

Financial Results Meeting for Institutional Investors and Analysts Held

Kitanotatsujin Corporation (the “Company”) provides notice that it held a financial results meeting for the Second Quarter of the Fiscal Year Ending February 28, 2027 where Representative Director & President Katsuhisa Kinoshita provided a presentation as follows.

<Thursday, October 16, 2026, from 3:30 p.m. to 5:00 p.m. (Japan time)>

Part 1: Overview of Our Business and Business Model

Part 2: Financial Results Briefing for the Second Quarter of the Fiscal Year Ending February 2027, followed by a Q&A Session

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

- Financial Results Meeting (Japanese only)
<https://youtu.be/xDK1Rco9B5w>

End



Financial Results Meeting for the Second Quarter of the Fiscal Year Ending February 28, 2027

Stock code: 2930
Kitanotatsujin Corporation
October 16, 2026

Company Overview

Company Name	Kitanotatsujin Corporation	
Business Overview	D2C business of J NORTH FARM, a cosmetics and health food brand	
Incorporated	May 2002 (Founded May 2000)	
Annual revenue and profit	FY2026 results Net sales: ¥11.21 billion; Operating profit: ¥1.00 billion FY2027 forecast Net sales: ¥15.96 billion; Operating profit: ¥1.05 billion	
Listing	Tokyo Stock Exchange, Prime Market / Sapporo Securities Exchange, Main Market	
Group Companies	SALONMOON Co., Ltd. KARAKON DIRECT Co., Ltd.	 

Offices and Headcount



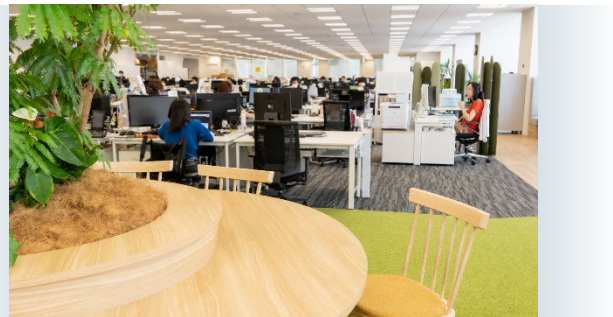
Tokyo Head Office
Kabukiza Tower, Ginza 4-
chome



Sapporo Head Office
Sapporo Sosei Square



 Our offices



Number of Officers
and Employees
250
(As of May 31, 2026)



Solving Beauty and Health Concerns

Development rule of “A product will only be commercialized when an astonishingly fine product is created”



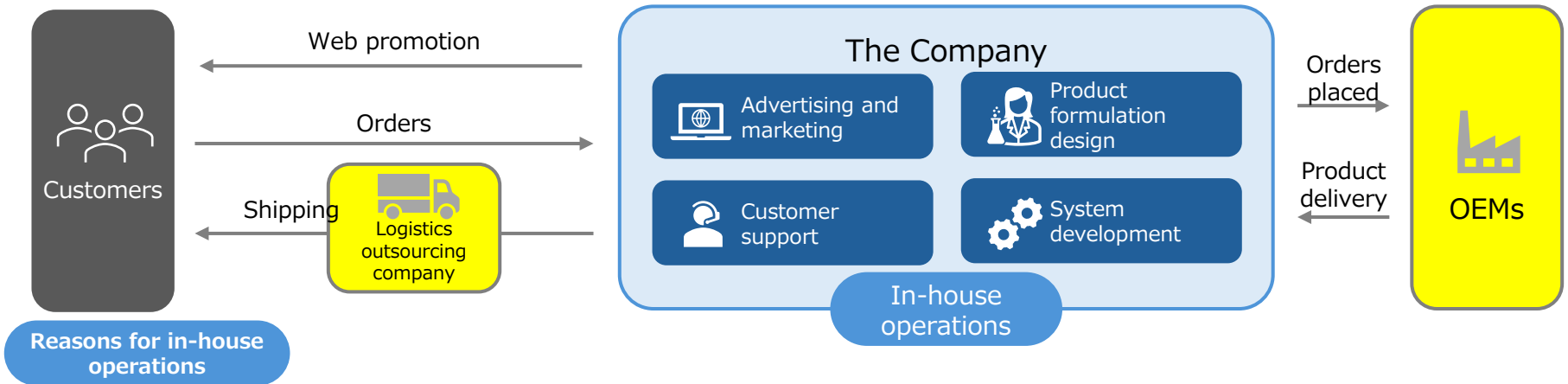
北の快適工房
J NORTH FARM

Developing and selling online cosmetics and health foods specialized for specific and serious concerns
In pursuit of “Satisfaction Quality,” approximately 1,500 quality checks are conducted on each product released

Just under 300,000 **regular customers** using **subscription purchase**

Our Business Model = A Cosmetics and Health Food D2C Company

Advertising and marketing, customer service, system development, product formulation design, etc.
Almost everything other than product manufacturing and shipping is operated in-house



1. "Advertising = We want to deliver the products we made ourselves"

"Customer support = We want to support our customers ourselves"

To build close connections with customers in this way, we prioritize an in-house approach, particularly for customer touchpoints.

2. Our expertise exceeds that of outsourcing partners.

As there were no suitable outsourcing partners in the early days of e-commerce, we built our own structure in-house. Having accumulated knowledge and practical experience over many years, our expertise remains superior even though outsourcing options have increased today, and we therefore continue to keep these operations in-house.

➡ Outsourcing would eliminate our advantage

How Did We Arrive at This Business Model?

[Elementary school]

Admired the occupation of the family of “Mitsuru Hanagata” in *Kyojin no Hoshi* (Star of the Giants)
= Longed to become a company president



[Junior high school]

Learned in a social studies (civics) class
that anyone can establish a company



[University]

Joined a student-run company

Engaged in business for the first time





[Company employee]

Joined Recruit to gain real-world experience



[Setback]

Started own business but failed within two years

Down to ¥50 in my wallet, I turned to manual labor



[Comeback]

Founded an online mail-order business for Hokkaido specialty products

and moved to Hokkaido

[Turning point]

Encountering “powdered oligosaccharide,” a health food



[Development]

Launch of the J NORTH FARM brand,
with the development rule of
“A product will only be commercialized
when a fine product is created”



Long-seller Product

“KAITEKI OLIGO”

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

- Accepted as a food with functional claims
- EOS theory (published in a book)
- Obtained a formulation patent (Patent No. 6328422)
- Received Monde Selection awards 13 times



Beauty Line



LIFIST



SARABRICH



Quick-Dry CATHY MILK



FURASHUWA



HACKTICK



PINTE



SHINPIST



EYE KIRARA II



colomo



CHEEK PORE PATCH



ODEKO DEEP PATCH



MIKEN DEEP PATCH



HYALO DEEP PATCH



20NEN HOIPPU



CARE NANO PACK



LUMINA PEEL



LID KIRARA



HANDPURENA



NECK ESTHE MIST



FIZISPA

Kaiteki Line: Household care



RIMOSAVON

Kaiteki Line: Healthcare



Jinax
(schedule II
pharmaceutical)



KAITEKI OLIGO



KAITEKI DOKA SLIM TEA



EZO-SHIKI SUSU TEA



KITANO DAICHINO
YUMESHIZUKU



KOJUKAN



ZUKISHIRAZU NO MI



OKOSAMAYOU KAITEKI
OLIGO



HYALO AID

Others



HOKKAIDO KAITAKUSHI
BUTTER

Kaiteki Line: Skin care



Mizumu Clear EX
(schedule II pharmaceutical)



MINNA NO HADAJUNTO
~CLEAR TYPE~



MINNA NO HADAJUNTO
~ATO CARE TYPE~



MINNA NO HADAJUN BURO



CLEAR FOOT VEIL



NO NO SMELL



Clear Strong Shot α

Men's Line



MOUDAS Medicinal Hair
Regrowth Stimulant



MEN's EYE KIRARA



PEEL SHOT



HARISHU

Recognized by Guinness World Records™ as the World's No. 1 in Sales*1

“DEEP PATCH Series” microneedle cosmetics

- Applies microneedle technology, which is also used in medical treatment
- Innovative cosmetics that inject needle-shaped beauty ingredients directly into the skin
- Huge seller with cumulative sales volume of over 66 million sheets*2



*1 “DEEP PATCH Series” as the world’s best-selling: Based on results of a global survey by TFCO Co., Ltd. The largest micro-needle cosmetic skin patch brand from March 2019 to February 2026

*2 Cumulative sales volume of “HYALO DEEP PATCH,” “MIKEN DEEP PATCH,” “ODEKO DEEP PATCH,” “CHEEK PORE PATCH,” and “LIFIST” through June 4, 2026



Mission

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



Vision

Become a leading Japanese global
D2C manufacturer of the next generation



Value

A group of Meisters (tatsujin) giving fun a shape
and making the world a better place

Characteristics of Our Management

Kitanotatsujin's Management Characteristics
(1)

**A product will only be commercialized
when an astonishingly fine product is
created**

“Satisfaction Quality”

Our Quality Management Initiatives

The Company has defined concepts of quality for the stages before and during use by customers, and has its own original evaluation items (1,527) → Many items are specific to mail-order sales

『新商品A』 商品開発工程における製造・品質チェック項目									
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* Featured in *Nikkei Trendy* (August 2018 issue)

Our Quality Management Initiatives

e.g.) Living environment test

All officers and employees use the product for one month in the same environment as customers, while referring to the printed materials actually enclosed (guidebook, instructions for use, etc.)

- Does the quality remain stable even when left in the bathroom?
- Is it certain that no skin problems or physical discomfort will occur?
- Is there anything inconvenient in its use?
- Are the instructions for use easy to understand?



Kitanotatsujin's Management Characteristics (2)

Not following trends

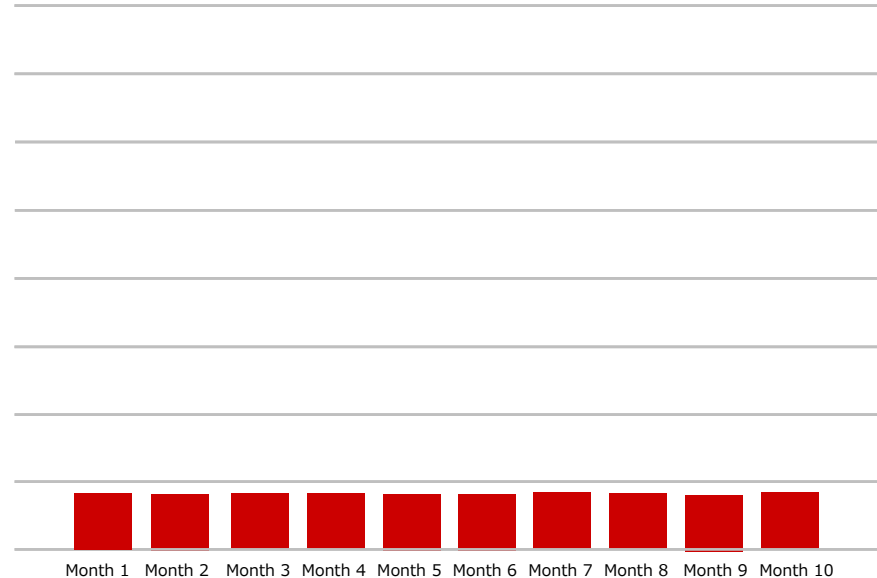
“Enka strategy”

Kitanotatsujin's Management Characteristics (3)

– Subscription Purchase Business –

Ordinary business model

Red: New sales



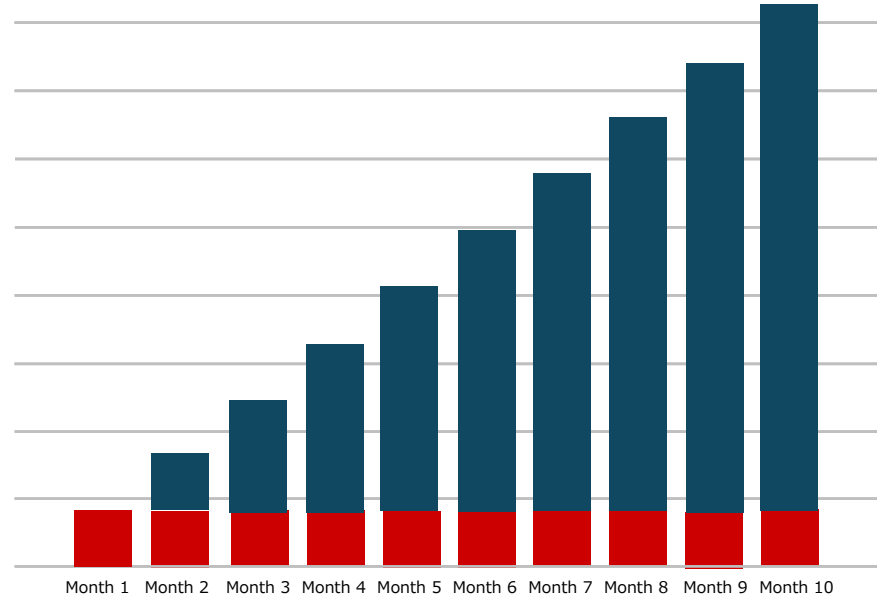
Kitanotatsujin's Management Characteristics (3)

– Subscription Purchase Business –

Subscription purchase business model

Red: New sales

Blue: Regular sales



Profit Structure

CPO	1-year LTV gross profit	2-year LTV gross profit	3-year LTV gross profit
10,000	13,800	17,000	18,200
Investment recovery rate	138%	170%	182%

CPO = Average cost of customer acquisition per customer

LTV gross profit = Average total gross profit from purchases made by one customer during the period

Profitability per customer

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cumulative gross profit on sales	3,000	4,000	5,000	6,000	7,000	8,000	9,000	10,000	11,000	12,000	13,000	13,800
CPO	10,000											
Profit/loss	-7,000	-6,000	-5,000	-4,000	-3,000	-2,000	-1,000	0	1,000	2,000	3,000	3,800

↓ The stronger the new customer acquisitions, the larger the loss in the first month, but the larger the profit after one year

100 customers	-¥0.70 mil.	-¥0.60 mil.	-¥0.50 mil.	-¥0.40 mil.	-¥0.30 mil.	-¥0.20 mil.	-¥0.10 mil.	0	¥0.10 mil.	¥0.20 mil.	¥0.30 mil.	¥0.38 mil.
1,000 customers	-¥7.00 mil.	-¥6.00 mil.	-¥5.00 mil.	-¥4.00 mil.	-¥3.00 mil.	-¥2.00 mil.	-¥1.00 mil.	0	¥1.00 mil.	¥2.00 mil.	¥3.00 mil.	¥3.80 mil.

Kitanotatsujin's Management Characteristics
(4)

The Law of Sales Minimization, Profit Maximization

Put simply, “the Law of Sales Minimization,
Profit Maximization” is the idea that

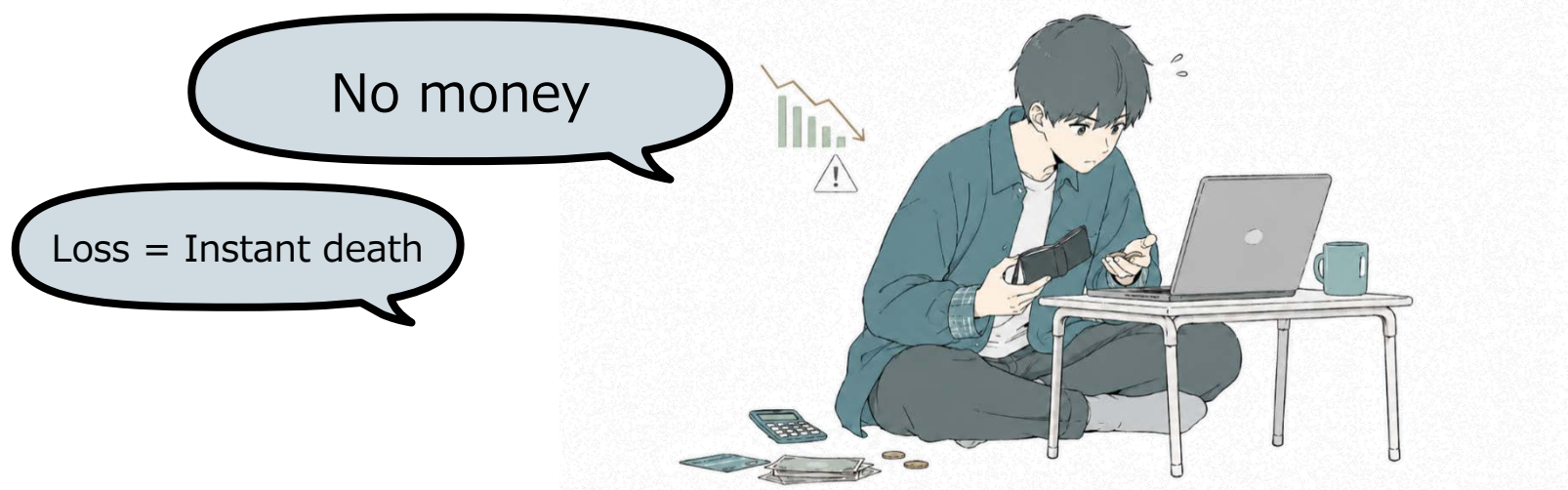
- We should think on a profit basis, not a sales basis
- For the same profit, lower sales are better

That is the basic way of thinking.

Why did we come to think this way?

● Starting from a state where a loss = instant death

- The Company was started by one person with capital of ¥10,000, while working part-time at manual labor during the day
- With no money at all, every ¥10,000 invested had to become ¥12,000, or I could not make a living
It was not a matter of being “happy that sales went up”; what mattered was profit today, above all
- If ¥100,000 invested in advertising did not generate gross profit of ¥100,000 or more, it meant instant death
That is why we ran thorough profit-based simulations



● Completion of unit economics

- Gradually, a mechanism took shape showing how much profit a given amount of investment would generate

Many people separate the process of making “investments” to create “sales” from the process of reducing “costs” to generate “profit”

The Company simply formulates the relationship between “investment” and “profit” and operates based on that formula

“Sales management” and “cost reduction” are merely guides for the process

By repeating this, we reached net sales of ¥10.0 billion and profit of ¥2.9 billion while remaining debt-free

- What we realized is that, when thinking on a profit-maximization basis, sales do not necessarily need to be maximized



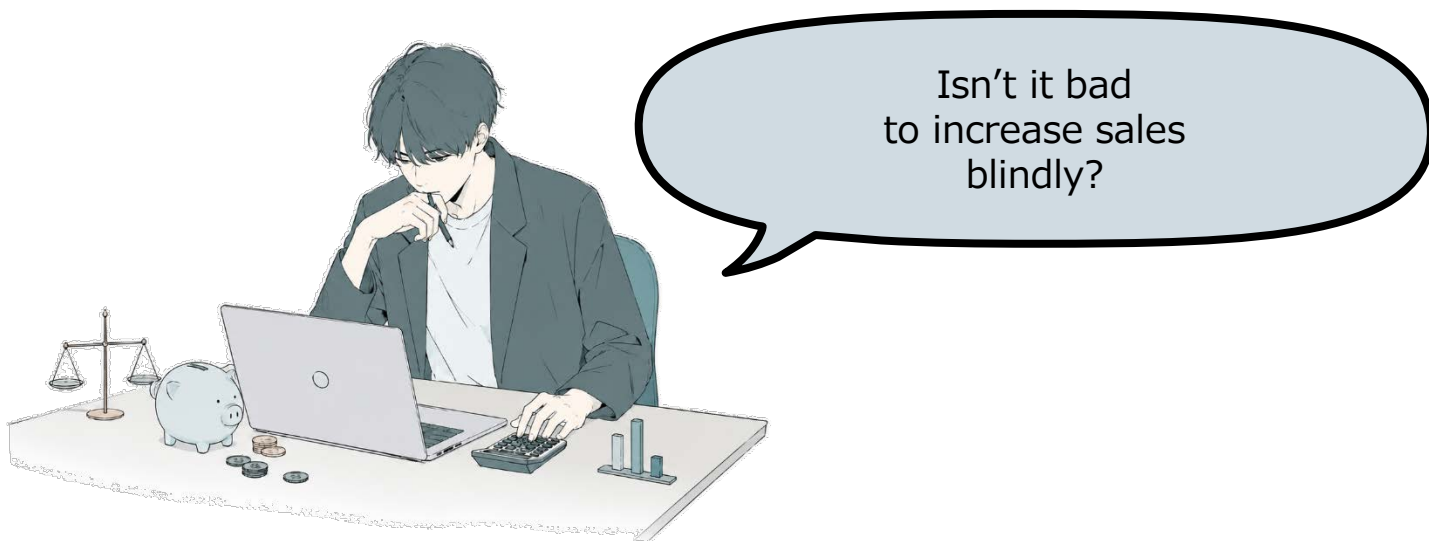
● For the same profit, lower sales are better

On the other hand, as our scale grew larger and larger, we came to realize that “fixed costs increase in line with sales”

In the Company’s case, the fixed costs of back-office departments grow in line with “the number of product orders received and shipped”

We came to regard sales growth without profit growth as dangerous from a management perspective, as it leads to higher fixed costs

→ For the same profit, lower sales are better



How to Maximize Profit Even While Lowering Sales

The Law of Sales Minimization, Profit Maximization

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

1-year LTV = The average amount of net sales
a customer will bring for one year

CPO = The amount of advertising expenses required
to acquire one customer

	Advertising expenses (Millions of yen)	No. of acquisitions	CPO	1-year sales (Millions of yen)	1-year profit (Millions of yen)
Total	¥10.00	1,000	10,000	¥11.00	¥1.00

Within CPO limit

Net sales: ¥11.00 million, profit: ¥1.00 million, profit margin: 9%

The Law of Sales Minimization, Profit Maximization

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

Ad C exceeds the CPO limit

Breakdown	Advertising expenses (Millions of yen)	No. of acquisitions	CPO	1-year sales (Millions of yen)	1-year profit (Millions of yen)
Ad A	¥3.00	375	8,000	¥4.13	¥1.13
Ad B	¥1.00	125	8,000	¥1.37	¥0.37
Ad C	¥6.00	500	12,000	¥5.50	-¥0.50
Total	¥10.00	1,000	10,000	¥11.00	¥1.00

Net sales: ¥11.00 million, profit: ¥1.00 million, profit margin: 9%

The Law of Sales Minimization, Profit Maximization

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

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Ad B	¥1.00	125	8,000	¥1.37	¥0.37
Ad C	¥6.00	500	12,000	¥5.50	¥-0.50
	↓	↓	↓	↓	↓
Total	¥4.00	500	8,000	¥5.50	¥1.50

What happens if Ad C is suspended?

Net sales: ¥11.00 million, profit: ¥1.00 million, profit margin: 9%

→ Net sales: ¥5.50 million, profit: ¥1.50 million, profit margin: 27%

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

The Law of Sales Minimization, Profit Maximization

The Company constantly manages the CPO of approximately 30,000 advertisements placed on a daily basis using its in-house system, and stops advertisements that exceed the CPO limit



Stopped advertisements are tuned in terms of placement conditions such as advertising content, consistency with the landing page, and bid amount, and then placed again

Tuning is repeated until they become profitable

Business Overview

- Composed of the following three companies:
Kitanotatsujin Corporation and its subsidiaries,
SALONMOON Co., Ltd. and KARAKON DIRECT Co., Ltd.
- Selling health and beauty products and beauty appliances under its own brands
- Reselling color contact lenses and other medical devices



	 北の達人 KITANO TATSUJIN	 SALON MOON ^{Pro}	 カラコンダイレクト KARAKON DIRECT
Area	Products originated from health and beauty-related concerns and needs	Beauty appliances (Hair irons, driers, etc.)	Medical devices (Color contact lenses, etc.)
Sales channel	Proprietary e-commerce sites and e-commerce malls	E-commerce malls + general stores	E-commerce malls
Manufacturing model	Fabless (Contracted manufacturing by OEMs)	Fabless (Contracted manufacturing by OEMs)	Resale

Important Note

- ◆ Kitanotatsujin Corporation (the Company) is a D2C company engaged mainly in subscription sales.

The Company employs a business model where it makes advertising investment for new customer acquisition as upfront investment and recovers the investment after three to four months through continued purchases thereafter.

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

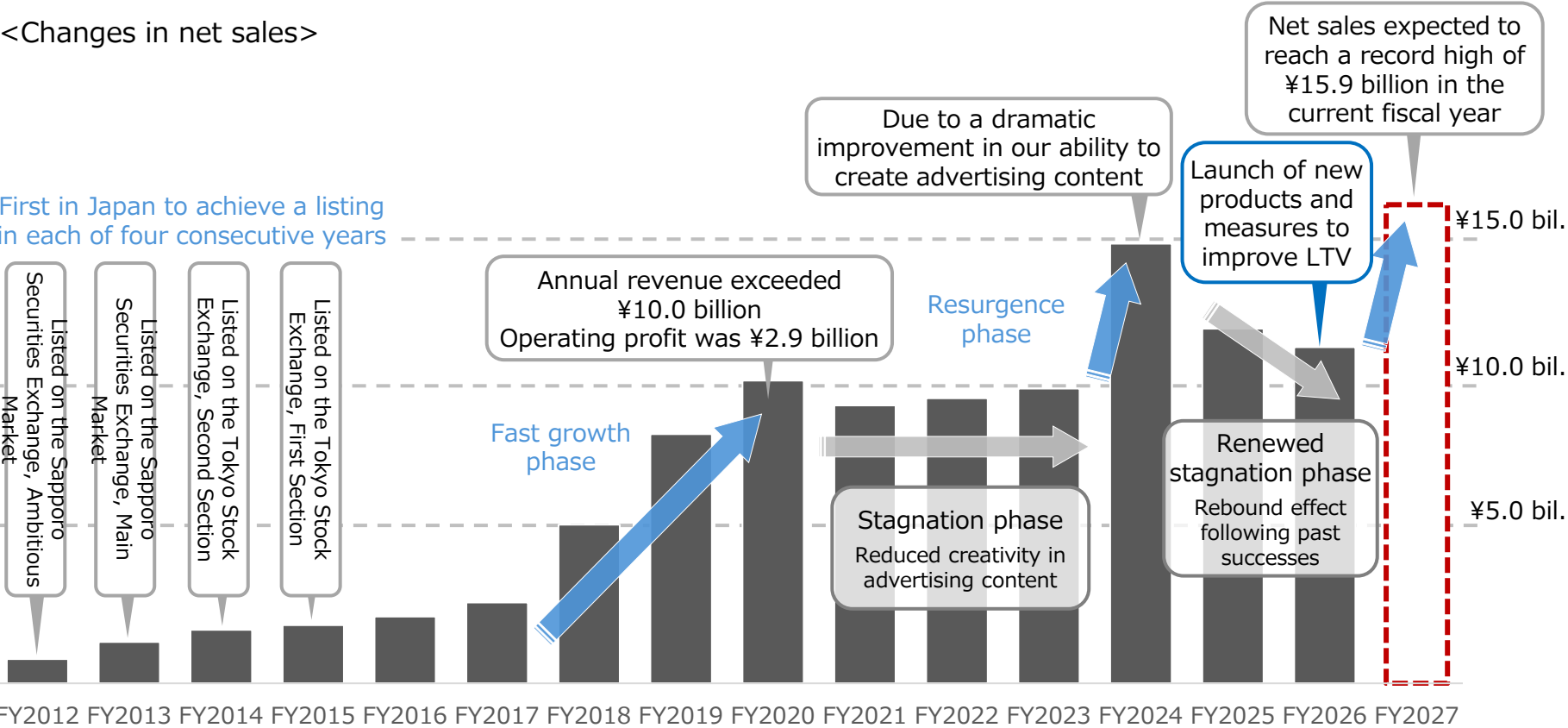
- ☞ This year is the second fiscal year under the “Medium-term Management Plan 2028” that covers three years.
Targets were achieved for the first year (FY2026), and the Company is on track to achieve them for the second year (FY2027, the current fiscal year).
- ☞ Consolidated net sales came in at ¥7,086 million for the six months ended August 31, 2026. Sales increased significantly by 35.1% year on year, driven by an increase in new customer acquisitions at J NORTH FARM, the mainstay business, and the contribution from the consolidation of KARAKON DIRECT Co., Ltd., among other factors.
- ☞ The number of new customer acquisitions at J NORTH FARM in the second quarter on a three-month basis remained at the second-highest level since FY2025, second only to the first quarter of FY2027.
- ☞ Consolidated operating profit came in at ¥350 million for the six months ended August 31, 2026, a 30.7% decrease year on year.
This was mainly due to upfront investments for new customer acquisitions aimed at expanding regular sales in the future.

Highlights for the Medium-term Management Plan

The Company's Status Over Time

<Changes in net sales>

First in Japan to achieve a listing
in each of four consecutive years



Numerical Summary of Medium-term Management Plan 2028 (Previous Fiscal Year)

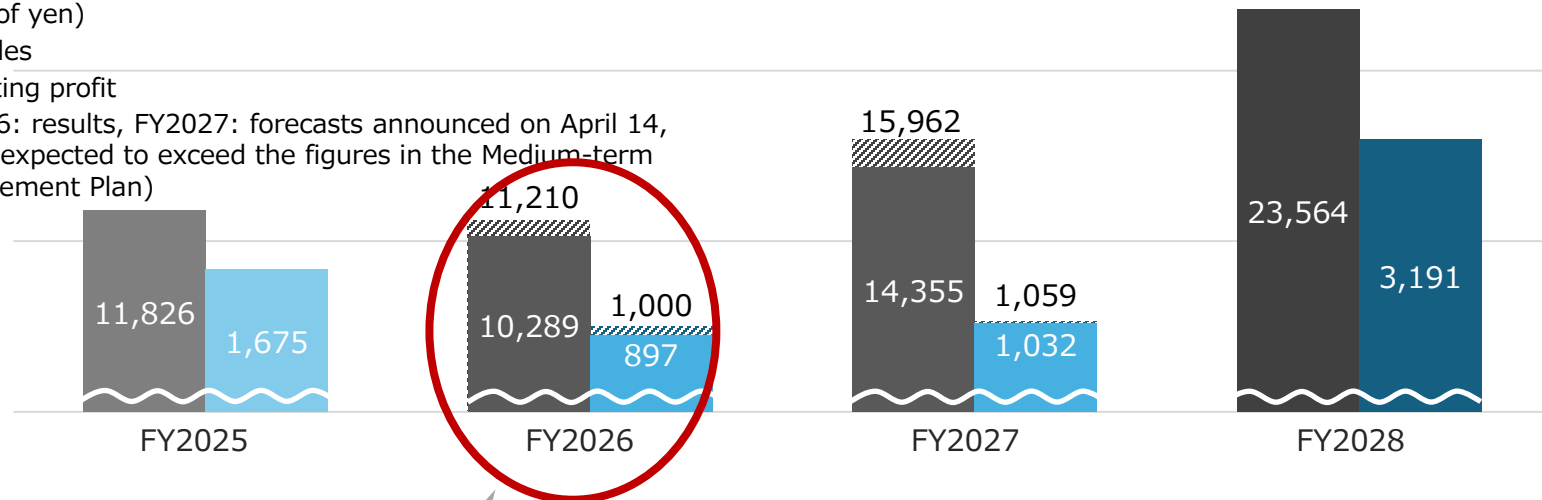
The Company aims to achieve ¥23.5 billion in consolidated net sales and ¥3.1 billion in operating profit in the “Three-year Plan until FY2028” announced on July 15, 2025.

(Millions of yen)

■ Net sales

■ Operating profit

▨ FY2026: results, FY2027: forecasts announced on April 14, 2026 (expected to exceed the figures in the Medium-term Management Plan)



At the formulation of the Medium-term Management Plan

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

Results of the previous fiscal year

New customer acquisitions were above expectations. Both net sales and operating profit exceeded the forecast.

Numerical Summary of Medium-term Management Plan 2028 (Current Fiscal Year)

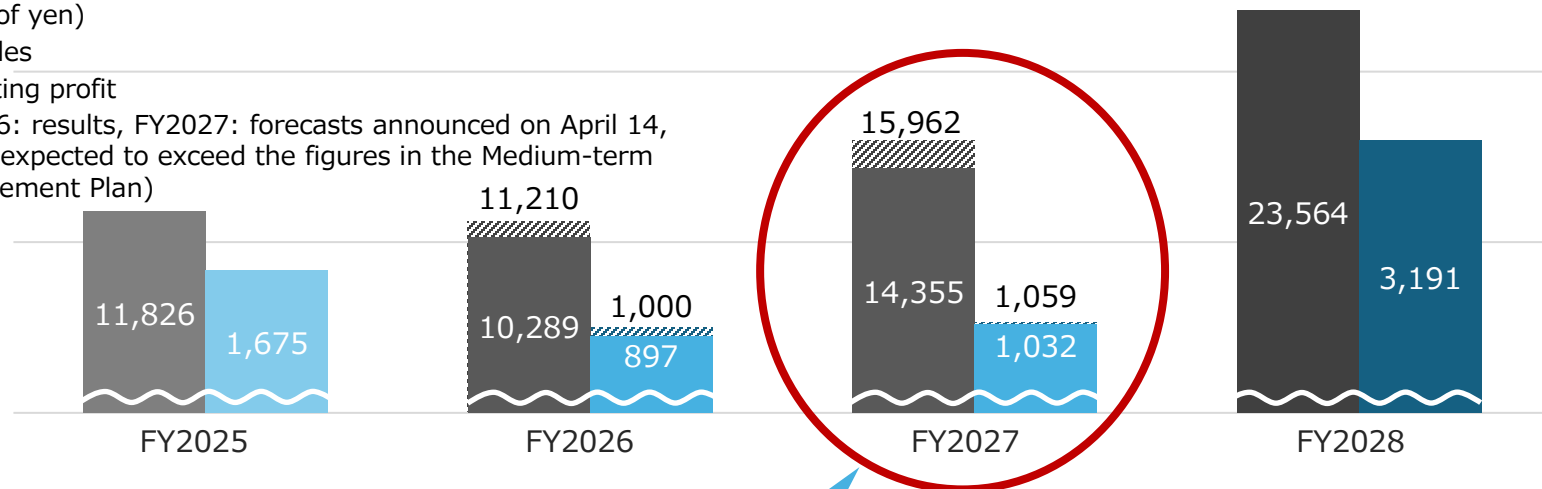
The Company aims to achieve ¥23.5 billion in consolidated net sales and ¥3.1 billion in operating profit in the “Three-year Plan until FY2028” announced on July 15, 2025.

(Millions of yen)

■ Net sales

■ Operating profit

⚡ FY2026: results, FY2027: forecasts announced on April 14, 2026 (expected to exceed the figures in the Medium-term Management Plan)



At the formulation of the Medium-term Management Plan

Net sales significantly increased mainly due to an increase in upfront investments for new customer acquisitions in FY2026 and FY2027, while operating profit remained flat. This state is positive from a long-term perspective since upfront investment is progressing steadily.

At the development of the FY2027 forecast

Net sales are expected to exceed the initial forecast, due to new customer acquisitions performing stronger than the expectation at the formulation of the Medium-term Management Plan, and the effect of the acquisition of KARAKON DIRECT, Co., Ltd. Forecast for operating profit is unchanged for the active investments for new customer acquisitions planned toward FY2028.

Numerical Summary of Medium-term Management Plan 2028 (Next Fiscal Year)

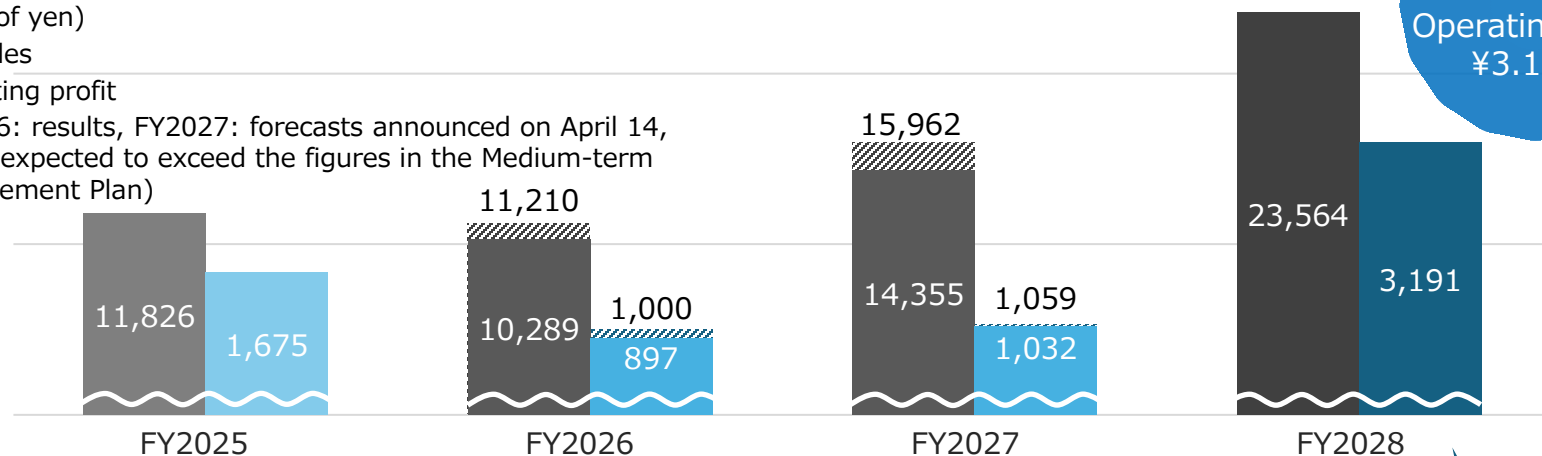
The Company aims to achieve ¥23.5 billion in consolidated net sales and ¥3.1 billion in operating profit in the “Three-year Plan until FY2028” announced on July 15, 2025.

(Millions of yen)

■ Net sales

■ Operating profit

▨ FY2026: results, FY2027: forecasts announced on April 14, 2026 (expected to exceed the figures in the Medium-term Management Plan)



At the formulation of the Medium-term Management Plan

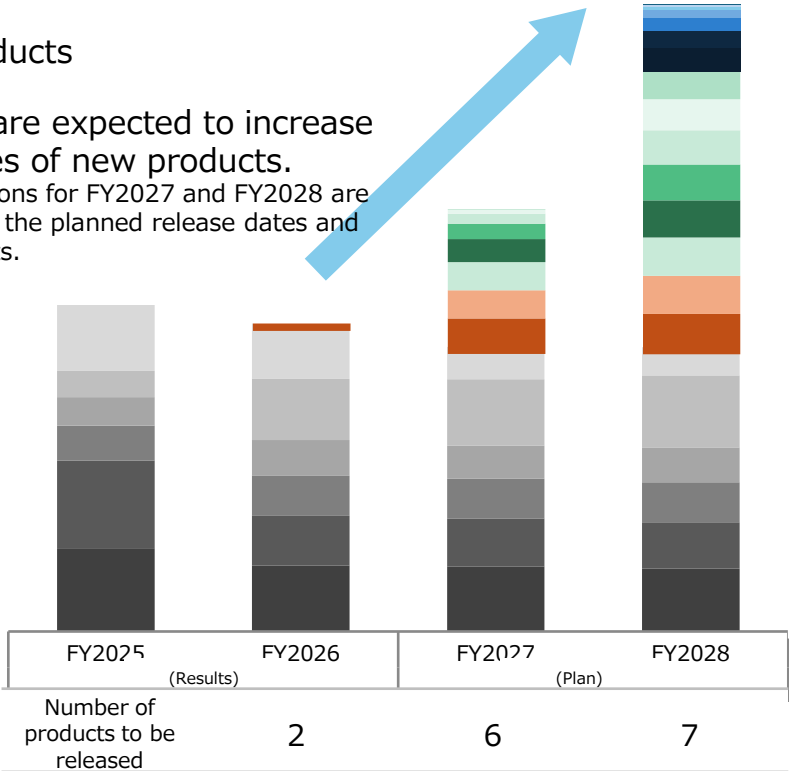
Though upfront investments continue to increase, regular customers are steadily accumulated, resulting in improvements in operating profit.

Kitanotatsujin's Growth Strategy (Expanding Product Lineup)

Change in net sales considering the introduction of new products



Net sales in total are expected to increase by adding net sales of new products.
* The product compositions for FY2027 and FY2028 are assumptions based on the planned release dates and the number of products.



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

Group Highlights for the Second Quarter of the Fiscal Year Ending February 28, 2027

Key Performance Highlights [Compared Year on Year (Cumulative)]

(Millions of yen)

	FY2026 2Q results	FY2027 2Q results	Changes	Changes (%)
Net sales	5,245	7,086	+1,840	+35.1%
Gross profit	4,024	5,034	+1,009	+25.1%
Selling, general and administrative expenses	3,519	4,684	+1,165	+33.1%
Sales promotion expenses, etc.*	2,009	3,022	+1,013	+50.4 %
Operating profit	505	350	-155	-30.7%
Ordinary profit	518	370	-148	-28.6%
Profit attributable to owners of parent	354	230	-123	-34.9%

Net sales significantly increased driven by strong new customer acquisitions.

Meanwhile, all profit figures decreased due to upfront investments in the form of increased new customer acquisition expenses.

- The following factors contributed to the significant increase in net sales: an increase in new sales due to strong new customer acquisitions accompanied by increases in regular and other sales at J NORTH FARM; growth of e-commerce malls; and net sales of ¥591 million from KARAKON DIRECT Co., Ltd., which became a consolidated subsidiary in December 2025.
- Operating profit decreased year on year due to upfront investments in the form of increased new customer acquisition expenses aimed at acquiring a customer base that will serve as a source of future regular sales, associated with an increase in new customer acquisitions at J NORTH FARM.

* Order-linked costs (settlement charges, shipping fees, packaging materials costs, enclosures and accessories, etc.) + new customer acquisition expenses (expenses involved in the acquisition of new customers; primarily advertising expenses)

Key Performance Highlights [Compared Quarter on Quarter]

(Millions of yen)

	FY2027 1Q results	FY2027 2Q results	Changes	Changes (%)
Net sales	3,209	3,876	+666	+20.8%
Gross profit	2,326	2,708	+382	+16.4%
Selling, general and administrative expenses	2,428	2,255	-172	-7.1%
Sales promotion expenses, etc.	1,585	1,437	-147	-9.3%
Operating profit	-102	452	+555	—

In the second quarter, net sales and operating profit increased from the previous quarter (the first quarter of FY2027).

- In the first quarter, new customer acquisition expenses were recorded upfront, while the recording of certain net sales, cost of sales, and order-linked costs was delayed until the second quarter due to shipping delays.

Operating profit for the second quarter includes profit from products whose shipments were delayed from the first quarter.

* Details are discussed on page 49.

Key Performance Highlights [Compared Year on Year (Quarterly)]

(Millions of yen)

	FY2026 2Q results	FY2027 2Q results (Underlying figure*)	Changes	Changes (%)
Net sales	2,649	3,629	+979	+37.0%
Gross profit	2,029	2,562	+532	+26.2%
Selling, general and administrative expenses	1,764	2,212	+447	+25.3%
Sales promotion expenses, etc.	1,028	1,393	+365	+35.6%
Operating profit	264	350	+85	+32.3%

Both sales and profit increased compared with the same quarter of the previous fiscal year as well.

The results for the second quarter on a three-month basis showed steady growth.

- Net sales increased compared with the same quarter of the previous fiscal year, mainly due to sales growth at J NORTH FARM, the mainstay business.
- Both sales and profit increased, with operating profit growing compared with the same quarter of the previous fiscal year despite continued investment for future growth.

* Details are discussed on page 50.

* Strong new customer acquisitions in the first quarter of FY2027 resulted in demand for certain products outpacing production and created an order backlog of approx. ¥286 million as of the end of the first quarter of FY2027. This caused a temporary timing gap in recording net sales and the related expenses, leading to a decrease in profit.

The underlying figures are calculated by deducting the figures attributable to products ordered in the first quarter of FY2027 but shipped in the second quarter (net sales of ¥279 million) from the actual figures for the second quarter of FY2027, and adding the figures for shipments delayed as of the end of the second quarter of FY2027 (net sales of ¥31 million).

Corresponding cost of sales and order-linked costs are also adjusted in the same way and therefore differ from the actual figures reported for accounting purposes.

Financial Results by Segment

(Millions of yen)

Segment	Operating company	Business	FY2027		Total
			1Q	2Q	
Health & Beauty Care business	Kitanotatsujin Corporation	 北の快適工房 J NORTH FARM	2,711	3,380	6,092
		Others*	4	4	9
	SALONMOON Co., Ltd.		211	181	393
	KARAKON DIRECT Co., Ltd.	 カラコンダイレクト KARAKON DIRECT	281	309	591
Total net sales			3,209	3,876	7,086

<Segments of financial results> Non-consolidated financial results of Kitanotatsujin Corporation occupy a significant portion of consolidated financial results of the Company group.

Consolidated financial results The Company group	Non-consolidated financial results		J NORTH FARM		SALONMOON Co., Ltd.
	Kitanotatsujin Corporation		Others		KARAKON DIRECT Co., Ltd.

* "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.

Key Performance Highlights [Compared with Forecasts]

(Millions of yen)

	FY2027 2Q forecast	FY2027 2Q results	Changes	Changes (%)
Net sales	7,266	7,086	-180	-2.5%
Gross profit	5,111	5,034	-76	-1.5%
Selling, general and administrative expenses	4,766	4,684	-82	-1.7%
Sales promotion expenses, etc.	3,150	3,022	-127	-4.0%
Operating profit	344	350	+5	+1.6%
Ordinary profit	354	370	+15	+4.4%
Profit attributable to owners of parent	234	230	-4	-1.8%

Net sales were 2.5% below the forecast, while operating profit was in line with the plan.

For the mainstay business, the main factors behind net sales falling below the forecast were as follows: average sales per first purchase were lower than expected because the actual mix of purchase courses selected by customers differed from the assumed mix for certain products; net sales for the products whose shipments had been delayed were recorded later than expected; and recording of regular and other sales was delayed compared with the timing assumed when the forecast was developed.

* Details are discussed on page 51.

Financial Results by Company

Kitanotatsujin Corporation

The company plans, develops, and sells products at J NORTH FARM, focusing on health and beauty-related products.

- Planning and developing products under its own brand originated from specific concerns and needs of customers, without being influenced by trends
- Operating its business mainly on its own e-commerce sites and adopting the subscription purchase system that enables continued purchases

◆ Mainstay products

- DEEP PATCH Series, including “HYALO DEEP PATCH” and other injectable cosmetics
- “KAITEKI OLIGO,” oligosaccharide food for household use which improves bowel movements for people with constipation tendency



◆ Recent new products*

- Released on June 22, 2026 “Mizumu Clear EX (schedule II pharmaceutical),” medication for athlete’s foot, especially around nails
- Released on September 24, 2026 “FUREN ONE,” an underarm odor care product for people with axillary osmidrosis, combining five functions in one bottle
- Released on October 1, 2026 “SHIROAWA Gray Hair Color Shampoo,” released from “HACKTICK,” a new brand
(See page 62 for the brand strategy)

◆ FY2027 2Q Topics

- The Company made progress in developing a customer attraction structure to support the expansion of its product lineup, with the aim of sustaining strong new customer acquisitions.
- In the first quarter, certain products performed better than expected and the orders outpaced production, creating an order backlog for which sales were yet to be recorded. The order backlog was largely cleared, and the associated net sales were recorded (with ¥31 million remaining unrecorded).

* The second quarter of FY2027 covers the period from June 1 to August 31, 2026. Products released in September and October are not included in the results for the second quarter.

Key Performance Highlights [Compared Year on Year (Cumulative)]

(Millions of yen)

	FY2026 2Q results	FY2027 2Q results	Changes	Changes (%)
Net sales	4,825	6,102	+1,276	+26.5%
Gross profit	3,825	4,684	+859	+22.5%
Selling, general and administrative expenses	3,321	4,363	+1,042	+31.4%
Sales promotion expenses, etc.	1,892	2,802	+910	+48.1%
Operating profit *1	503	321	-182	-36.3%
Ordinary profit	516	338	-178	-34.5%
Profit	365	222	-143	-39.2%

Reasons for increase in net sales

New sales increased due to strong new customer acquisitions, accompanied by increases in regular and other sales. Performance of e-commerce malls also remained

Reasons for decrease in profit

Upfront investments increased, including sales promotion expenses, etc. associated with the strong new customer acquisitions.

Although regular and other sales from newly acquired customers are expected to accumulate going forward, profit decreased in the current period because the associated expenses were recorded upfront.

- New customer acquisition expenses within sales promotion expenses, etc. increased by ¥811 million year on year.
 - New customer acquisition expenses totalling ¥2,208 million incurred from March to August 2026 are expected to generate gross profit of ¥3,401 million from the newly acquired customers over the one-year period after each customer is acquired.
- For reference, if this ratio is applied to the year-on-year increase of ¥811 million in new customer acquisition expenses, the corresponding gross profit is estimated to be approximately ¥1,250 million*2.

*1 Due to the change in presentation made in the first quarter of FY2027, selling, general and administrative expenses, operating profit, and their changes (amount and percentage) are calculated using the figures in the previous fiscal year restated to reflect the change in the presentation. Previously, personnel expenses and rental charges billed in connection with concurrent roles held at consolidated subsidiaries were recorded as “non-operating income.” However, considering that these billed amounts represent adjustments to cost allocations with consolidated subsidiaries—and acknowledging the potential for the scale of such transactions to grow as the number of subsidiaries increases—we determined that directly deducting these amounts from the relevant line items within “selling, general and administrative expenses” would more accurately reflect the nature of the expenses and the Company’s non-consolidated operating profit. Accordingly, we have changed the presentation method starting from the first quarter of FY2027. As a result, in the statement of income for the same period of the previous fiscal year (six months ended August 31, 2025), the ¥26 million previously recorded as “non-operating income” has been reclassified as a deduction from the relevant “selling, general and administrative expenses” line items, resulting in an increase in “operating profit” by the same amount. There is no impact on “ordinary profit” or “profit.” The above applies to the non-consolidated operating profit figures for FY2026 presented hereinafter. As this change pertains to non-consolidated financial results and the billed amounts represent inter-group transactions that are eliminated in consolidated financial statements, there is no impact on the consolidated statement of income.

*2 This estimate is calculated on a proportional basis using the average acquisition efficiency for the current fiscal year and is not a forecast of a year-on-year increase in gross profit. Gross profit is calculated before deducting new customer acquisition expenses, order-linked costs, operating expenses, etc. and does not represent operating profit or investment returns. Gross profit may vary depending on factors such as future continued purchases and changes in product mix.

Key Performance Highlights [Compared Quarter on Quarter]

(Millions of yen)

	FY2027 1Q results	FY2027 2Q results	Changes	Changes (%)
Net sales	2,716	3,385	+669	+24.6%
Gross profit	2,149	2,535	+386	+18.0%
Selling, general and administrative expenses	2,253	2,110	-143	-6.4%
Sales promotion expenses, etc.	1,469	1,333	-135	-9.2%
Operating profit	-104	425	+529	—

As the benefits of upfront investments began to contribute to sales and profit, operating profit improved significantly despite continued investments.

- Operating profit remained low in the first quarter due to upfront investments for new customer acquisitions and shipping delays that caused certain sales and profits to be recorded in the second quarter.
- In the second quarter, operating profit increased significantly from the previous quarter despite continued upfront investments for new customer acquisitions, as the benefits of investments made in the first quarter began to contribute to sales and profit, and profit that had not been recorded due to shipping delays was recorded.

(Millions of yen)

	FY2026 2Q results	FY2027 2Q results (Underlying figure*)	Changes	Changes (%)
Net sales	2,440	3,138	+697	+28.6%
Gross profit	1,929	2,389	+460	+23.8%
Selling, general and administrative expenses	1,660	2,066	+406	+24.5%
Sales promotion expenses, etc.	966	1,289	+323	+33.4%
Operating profit	269	323	+53	+19.9%

Investment for new customer acquisitions increased.

Sales and profit increased even on an underlying basis, as regular and other sales contributed to profit.

- Net sales on an underlying basis increased by 28.6% compared with the same quarter of the previous fiscal year due to increases in both new sales and regular and other sales from customers acquired in the past.
- While sales promotion expenses, etc. increased in line with increased investment for new customer acquisitions, regular and other sales contributed to profit. As a result, operating profit on an underlying basis increased by 19.9% compared with the same quarter of the previous fiscal year.

* Strong new customer acquisitions in the first quarter of FY2027 resulted in demand for certain products outpacing production and created an order backlog of approx. ¥286 million as of the end of the first quarter of FY2027. This caused a temporary timing gap in recording net sales and the related expenses, leading to a decrease in profit.

The underlying figures are calculated by deducting the figures attributable to products ordered in the first quarter of FY2027 but shipped in the second quarter (net sales of ¥279 million) from the actual figures for the second quarter of FY2027, and adding the figures for shipments delayed as of the end of the second quarter of FY2027 (net sales of ¥31 million).

Corresponding cost of sales and order-linked costs are also adjusted in the same way and therefore differ from the actual figures reported for accounting purposes.

Key Performance Highlights [Compared with Forecasts]

(Millions of yen)

	FY2027 2Q forecast	FY2027 2Q results	Changes	Changes (%)
Net sales	6,212	6,102	-110	-1.8%
Gross profit	4,730	4,684	-45	-1.0%
Selling, general and administrative expenses	4,432	4,363	-69	-1.6%
Sales promotion expenses, etc.	2,888	2,802	-85	-3.0%
Operating profit	297	321	+23	+7.9%
Ordinary profit	338	338	+0	+0.1%
Profit	236	222	-13	-5.9%

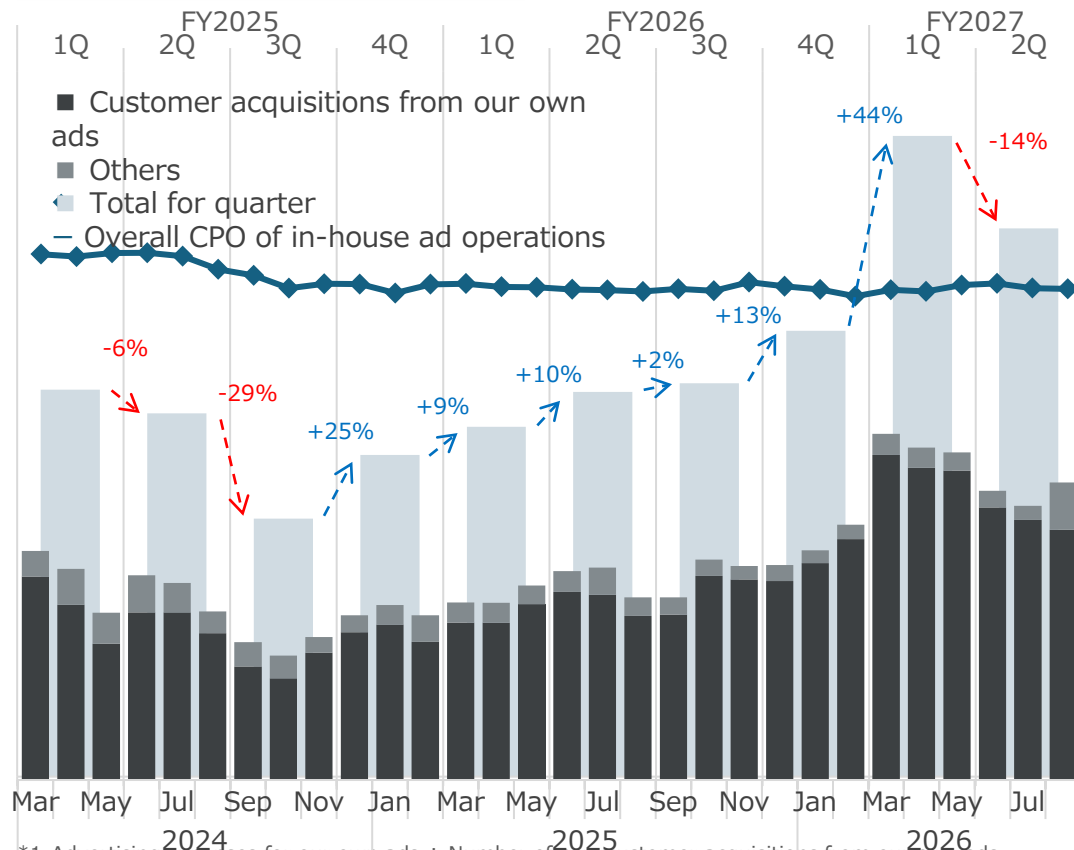
Net sales fell below the forecast by ¥110 million, while operating profit exceeded the forecast by ¥23 million.

(The variance between forecast and actual operating profit includes the effect of the change in the presentation method.)

Factors for difference between forecasts and results

- Factors behind net sales falling ¥110 million below the forecast
 - Average sales per first purchase were lower than expected because the actual mix of purchase courses differed from the assumed mix for certain products.
 - New sales fell below the plan mainly because the order backlog was cleared later than expected.
 - Regular and other sales fell below the plan, as the actual trends in purchases differed from those assumed in the simulation used for the sales forecast.
- Factors behind operating profit exceeding the forecast by ¥23 million
 - Sales promotion expenses, etc. were lower than planned.
 - The amount deducted from selling, general and administrative expenses due to the change in presentation is reflected in the actual figures but not in the forecast.
 - Ordinary profit was largely in line with the forecast.

Changes in number of new customer acquisitions on our website, etc.



The number of new customer acquisitions decreased by 14% quarter on quarter (QonQ) but was still the second-highest since FY2025, second only to the first quarter of FY2027.

- The main factor behind the QonQ decrease in the number of new customer acquisitions was a rebound effect following the exceptionally positive initial response to new products released from the end of the fourth quarter of FY2026 through the beginning of the first quarter of FY2027.
- Investment efficiency is maintained, since overall CPO of in-house ad operations (cost of customer acquisition per customer)*1 is maintained at a certain level regardless of an increase or decrease in the number of new customer acquisitions.
- With a view to future expansion of the product lineup, the Company implemented measures to develop a structure to support attracting customers to multiple products, such as utilization of generative AI and review of the method for advertising verification.

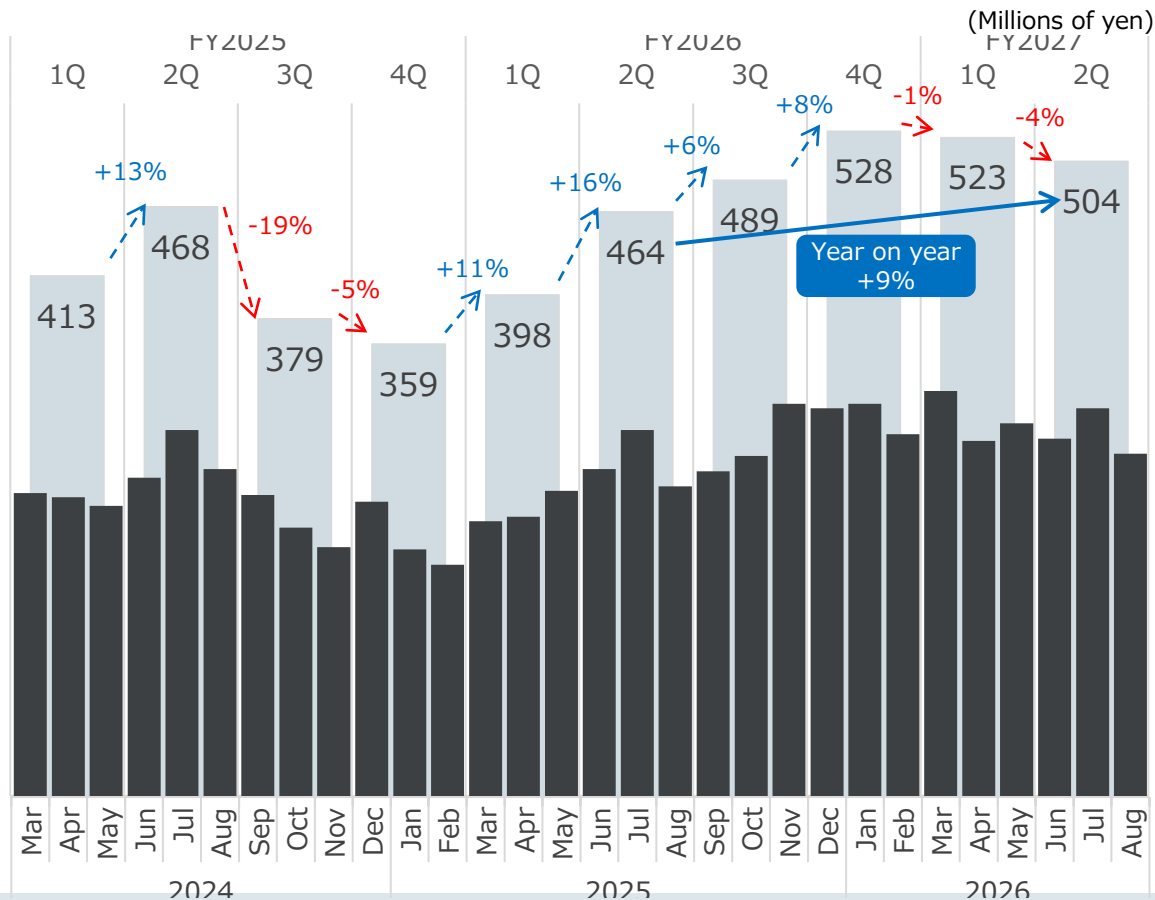
Main acquisition channels



*1 Advertising expenses for our own ads ÷ Number of new customer acquisitions from our own ads

*2 "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

Changes in net sales for e-commerce malls



Net sales for e-commerce malls in the second quarter of FY2027 were +9% year on year.

- Due to the prioritized allocation of strong-selling products to our own websites and inventory shortages, certain products were unavailable for sale. As a result, stores in e-commerce malls experienced opportunity loss in serving customers directed to them through advertising.

Net sales have been on a downward trend since the first quarter of FY2027 due to these factors but are expected to improve from the third quarter as the supply situation normalizes.

- Improvement of advertising content (such as product images and product explanation pages) and advertisement optimization targeted at e-commerce malls

→ Improvement of advertising content to highlight the uniqueness and advantage of our products more clearly, considering the nature of e-commerce malls where customers compare and consider multiple products before purchasing

- Participation in sales at each e-commerce mall
- Initiatives to raise the rate of participation in sales
- Exploration of new advertising placements
- Start of business on TikTok Shop and promotion of video posting by TikTok influencers

With a focus on beauty appliances such as hair irons and dryers under the original hair care brand “SALONMOON,” the company provides products that address customers’ concerns and needs related to hair care.

- Planning, developing, and selling products emphasizing usability and functionality, with an aim to deliver products that will enable customers to enjoy salon quality care at home
- Providing high-quality products at affordable prices by partnering with OEMs with high technological competencies in manufacturing of beauty appliances
- Sales come primarily from various e-commerce malls such as Amazon, Rakuten Ichiba, and Qoo10, and partially from storefront sales at home appliance mass merchandisers’ stores and discount stores.

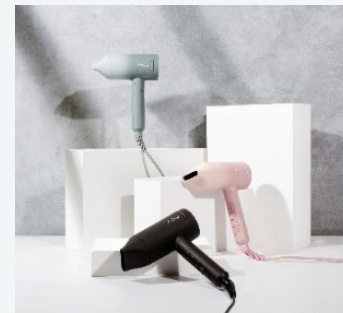
◆ Major Products

“MIRROR DOUBLE ION® hair straightening iron”

- A hair iron with advanced functions such as high-concentration negative ions and highly functional plates developed with enthusiasm
- Available in a choice of two solid colors and more than one gradient color

“BOOSTER ION DRIER”

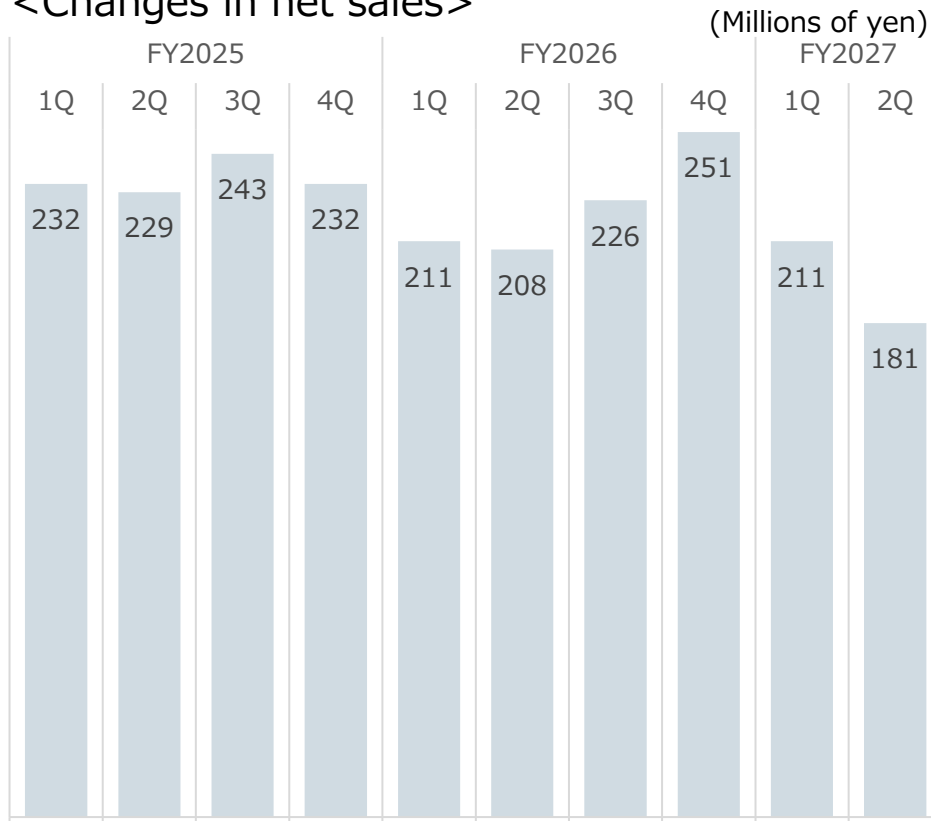
- A Highly functional drier providing faster drying, beauty in hair, and convenience at the same time.
- Available in three colors including a solid and two gradient colors



◆ FY2027 2Q Topics

- SALONMOON improved its ability to attract customers and its advertising efficiency by promoting measures such as improvements in advertising content and its appeal to customers on major e-commerce malls and sales initiatives aligned with sales events.
- In response to increased cost of goods purchased due to depreciation of the yen, the company is operating its business while improving efficiency in advertising investment and optimizing its price strategies.

<Changes in net sales>



Net sales for the second quarter of FY2027 were -13% year on year.

- Sales promotion measures for expanding net sales at major e-commerce malls such as Amazon, Rakuten Ichiba, and Qoo10
- As it procures many of the products from abroad, SALONMOON is affected by an increase in cost of goods purchased due to depreciation of the yen.

During the second quarter of FY2027, SALONMOON promoted improvement of efficiency in advertising investment and optimization of its price strategies by prioritizing maintenance of profitability.

KARAKON DIRECT Co., Ltd.

The company purchases and sells products, mainly color contact lenses and other medical devices.

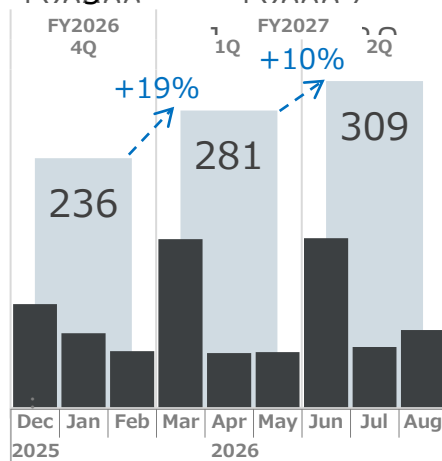
- Selling 90 or more products through e-commerce malls such as Qoo10 and Rakuten Ichiba in the growing color contact lens market
- Boasting a repeat customer base from which numerous high ratings and reviews are received, maintaining an efficient order and delivery process capable of handling a wide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

◆ FY2027 2Q Topics

The company is promoting PMI measures aiming at improved efficiency in selling and advertising, utilizing the Company's marketing know-how and operational improvement know-how.

- Some major stores are making progress in reduction of advertising expenses and improvement of profit margins, and are starting to show the initial effect of the efforts for improving profitability after acquisition.

<Changes in net sales>



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.

Net sales for the second quarter of FY2027 were +10% QonQ.

- Monthly net sales fluctuate depending on the timing of e-commerce mall sale periods.
- Net sales increased significantly in June due to shipments in this sale period.

Financial Results Forecast and Progress of Medium-term Management Plan

Numerical Summary of Medium-term Management Plan 2028 (Previous Fiscal Year)(Reproduced from page 36)

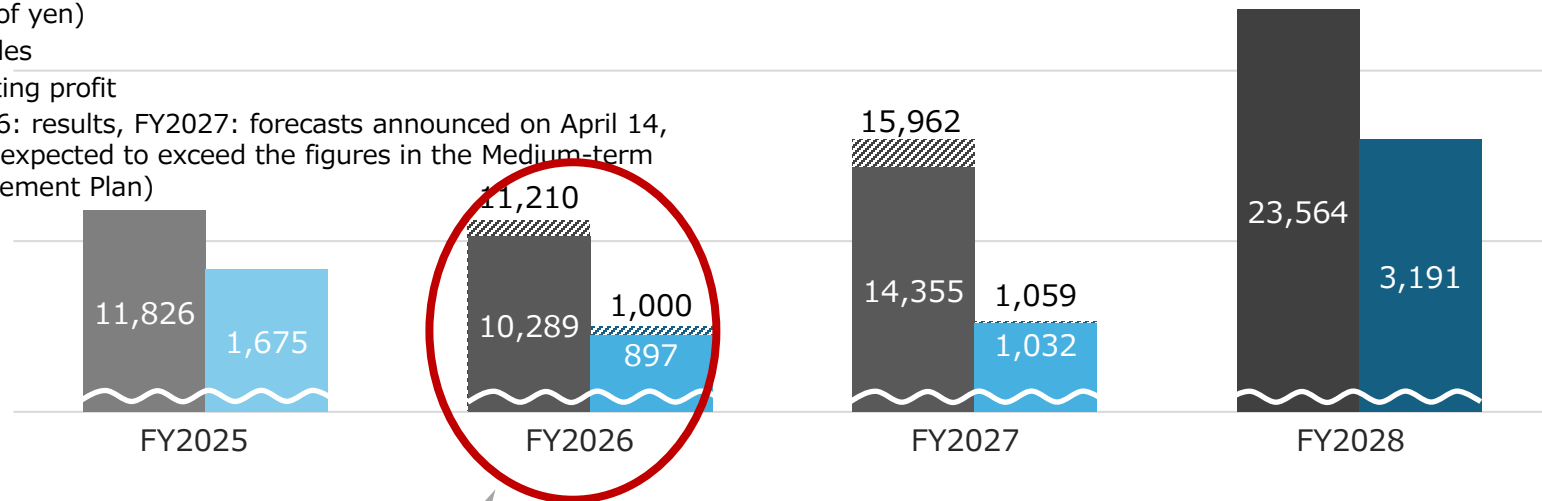
The Company aims to achieve ¥23.5 billion in consolidated net sales and ¥3.1 billion in operating profit in the “Three-year Plan until FY2028” announced on July 15, 2025.

(Millions of yen)

■ Net sales

■ Operating profit

▨ FY2026: results, FY2027: forecasts announced on April 14, 2026 (expected to exceed the figures in the Medium-term Management Plan)



At the formulation of the Medium-term Management Plan

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

Results of the previous fiscal year

New customer acquisitions were above expectations. Both net sales and operating profit exceeded the forecast.

Numerical Summary of Medium-term Management Plan 2028 (Current Fiscal Year)

(Reproduced from page 37)

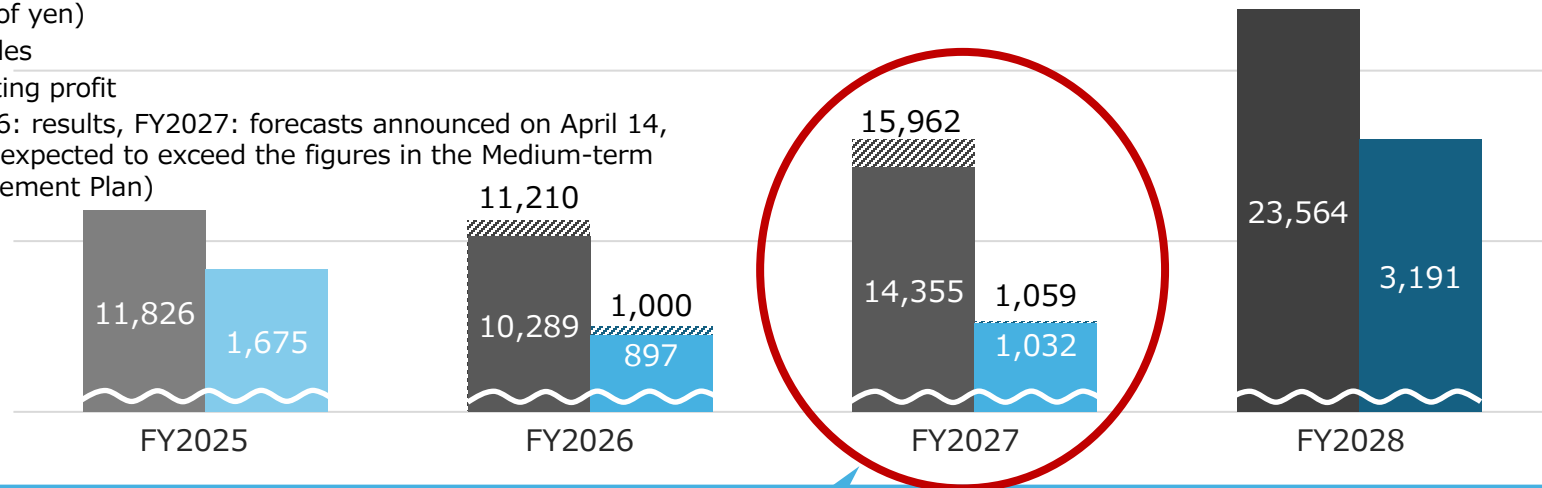
The Company aims to achieve ¥23.5 billion in consolidated net sales and ¥3.1 billion in operating profit in the “Three-year Plan until FY2028” announced on July 15, 2025.

(Millions of yen)

■ Net sales

■ Operating profit

⚡ FY2026: results, FY2027: forecasts announced on April 14, 2026 (expected to exceed the figures in the Medium-term Management Plan)



At the formulation of the Medium-term Management Plan

Net sales significantly increased mainly due to an increase in upfront investments for new customer acquisitions in FY2026 and FY2027, while operating profit remained flat. This state is positive from a long-term perspective since upfront investment is progressing steadily.

At the development of the FY2027 forecast

Net sales are expected to exceed the initial forecast, due to new customer acquisitions performing stronger than the expectation at the formulation of the Medium-term Management Plan, and the effect of the acquisition of KARAKON DIRECT, Co., Ltd. Forecast for operating profit is unchanged for the active investments for new customer acquisitions planned toward FY2028.

Numerical Summary of Medium-term Management Plan 2028 (Next Fiscal Year)

(Reproduced from page 38)

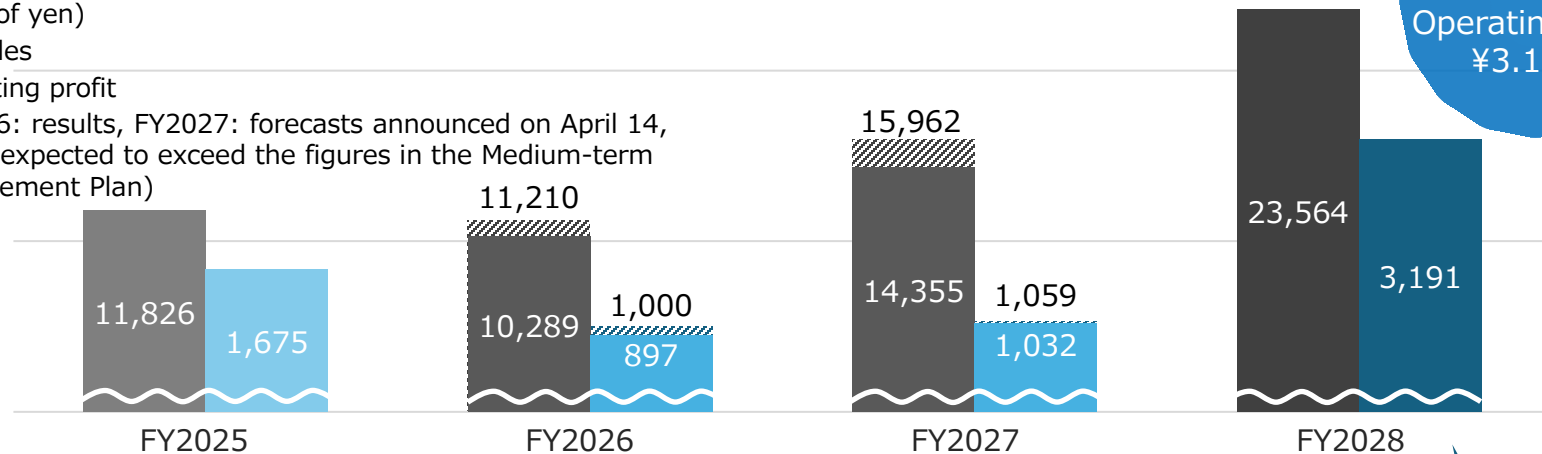
The Company aims to achieve ¥23.5 billion in consolidated net sales and ¥3.1 billion in operating profit in the “Three-year Plan until FY2028” announced on July 15, 2025.

(Millions of yen)

■ Net sales

■ Operating profit

⚡ FY2026: results, FY2027: forecasts announced on April 14, 2026 (expected to exceed the figures in the Medium-term Management Plan)



Net sales
¥23.5 bil.
Operating profit
¥3.1 bil.

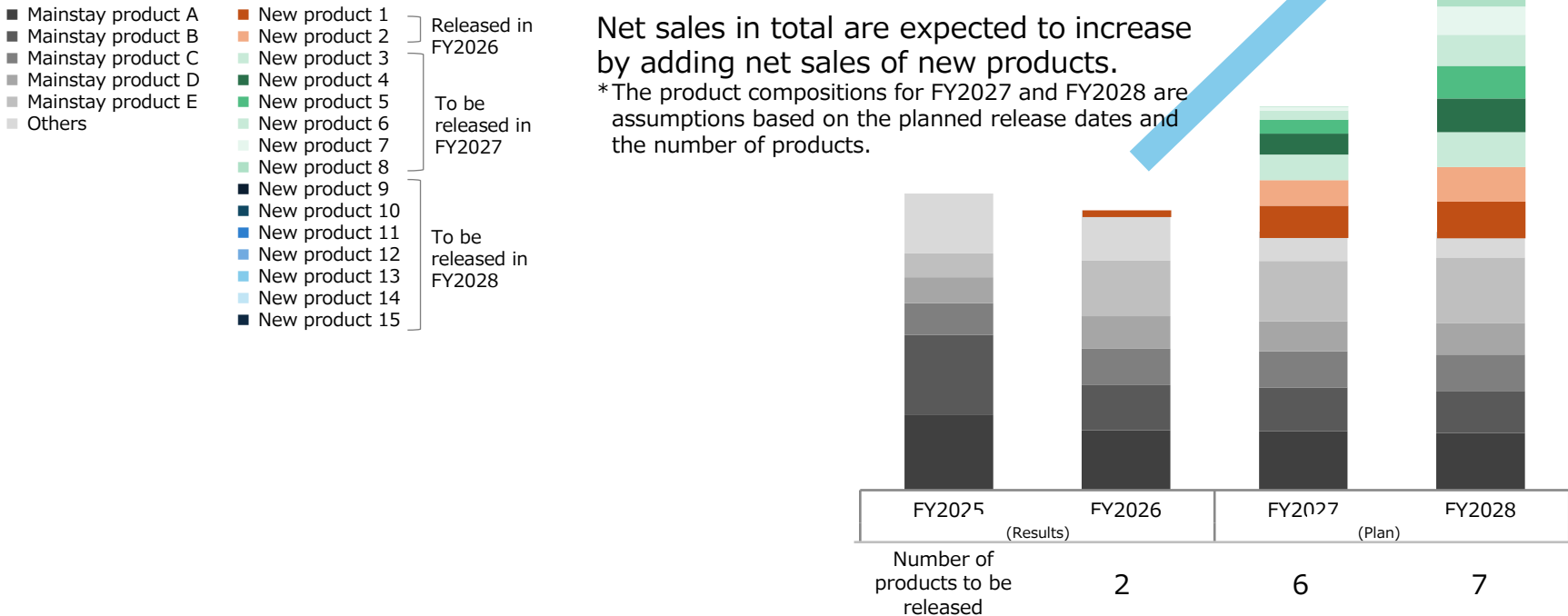
At the formulation of the Medium-term Management Plan

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

Kitanotatsujin's Growth Strategy

(Expanding Product Lineup) (Reproduced from page 39)

Change in net sales considering the introduction of new products



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

Promote a brand strategy through the launch of “HACKTICK,” a new brand

“HACKTICK,” the new brand



- Launched as an age-care beauty brand on October 1, 2026, after the end of the second quarter of FY2027
- Positioned “HACKTICK,” an existing product, as its mainstay item
- Operates as a separate brand from “J NORTH FARM”
- Launched with a certain number of existing customers



Background

- One of the Company's strengths is its know-how in steadily acquiring new customers through direct-response advertising that communicates the appeal of the products themselves.
- In addition to investing in advertising for individual products, the Company has introduced a brand strategy designed to create synergies among its products and improve investment efficiency, with the aim of further increasing new customer acquisitions with limited resources as it expands its product lineup going forward.



Policies

- Continue using the existing direct-response advertising approach to sales
- Build a brand that itself becomes a reason for purchase
- Seek to increase branded searches, organic traffic, repeat purchases, and cross-selling



Expected benefits

- Establishment of a sales base not solely dependent on advertising investment
- Improved efficiency in ramping up sales at the time of new product releases
- Maintaining our ability to acquire new customers while building brand assets

Accumulate brand awareness and brand value while maintaining our strength in direct-response advertising to establish a sales base not solely dependent on advertising investment



Direct-response
advertising



First
purchases



Accumulation
of brand
awareness



Branded searches,
repeat purchases,
and cross-selling



Sales base less
dependent on
advertising

* Approach to the Brand Strategy

Item	Brand PR	Direct-response PR
Analogy	Advertising that promotes the “store”	Advertising that promotes “product features”
Role	Improvement of awareness and image	Directly linked to sales (reaching consumers who are ready to buy)
Weakness	Consumers will not make a purchase if the brand does not offer a product they want, regardless of how well recognized the brand is or how positive its image is.	Consumers tend to forget where they purchased a product, making it difficult to generate repeat orders.

Strategy by phase

1 Business launch phase: Prioritize direct-response PR

Firstly, communicate the appeal of the products to steadily generate sales.

2 Growth phase: “Piggyback” brand PR on direct-response PR

Integrate efforts to build brand awareness with communication of the products’ appeal to avoid opportunity loss when customers try to make a repeat purchase.

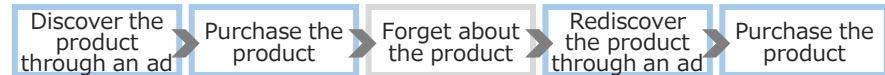
(Shift to a strategy that integrates promotion of brand awareness with product advertising.)

With direct-response PR alone, opportunity loss may occur because customers may forget the “product name” or “where they purchased it” when they want to make a repeat purchase.

Change in the purchase process

Aim to reduce reliance on advertising and build customer loyalty by combining brand PR with direct-response PR.

Process up to now Direct-response PR only



→ Advertising expenses are incurred constantly and continuously.

Desired process Direct-response + brand PR



→ Create an environment where customers return on their own through increased brand awareness.

As announced in the Medium-term Management Plan 2028, **release of six products** is planned.

- The plan is steadily in progress.
- Release dates have already been determined for each quarter.

Details of products released and to be released in FY2027

Beauty	2 products
Kaiteki: Skin care	2 products
Kaiteki: Healthcare	1 product
Others	1 product

1Q

2Q

3Q

4Q



March 2026
Jinax

Kaiteki: Healthcare



March 2026
HOKKAIDO
KAITAKUSHI
BUTTER

Others



June 2026
Mizumu Clear EX

Kaiteki: Skin care



September 2026
FUREN ONE

Kaiteki: Skin care



October 2026
SHIROAWA Gray
Hair Color
Shampoo

Beauty
(HACKTICK brand)



December 2026

Beauty
(HACKTICK brand)

* The release dates are based on the current plans and may be changed.

Major Products

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

HOKKAIDO KAITAKUSHI BUTTER

Released on March 31, 2026

Category

Others

Overview/
Feature

Extra rich butter with a high milk fat content*² produced in a traditional method that has been practiced for 150 years since the era of the Hokkaido Development Commissioner

- Rich and warm taste with a milk fat content of 83% or more, achieved by using ingredients produced in Hokkaido only and churning them over a long time
- Designed to bring out flavors of the ingredients using "Kamuy Mintal Salt," a natural salt made of sea water from the Funka Bay in Hokkaido



Mizumu Clear EX

Released on June 22, 2026

Category

Kaiteki: Skin care

Overview/
Feature

Medication for athlete's foot around nails (schedule II pharmaceutical)

- Thoroughly eliminates trichophyton to cure athlete's foot around nails



*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 A milk fat content higher than the minimum threshold of 80% specified as the compositional standard for butter in the "Provisions in the Ministerial Ordinance on Milk, etc." issued by the Ministry of Health, Labour and Welfare

Released after FY2027 2Q



FUREN ONE

Category Kaiteki: Skin care

Overview/ Feature An all-in-one*¹ underarm odor care product for people with axillary osmidrosis

- Delivers five benefits in one bottle: antibacterial protection*², perspiration control, quick drying*³, pleasant fragrance, and a refreshing feel

Released on September 24, 2026

SHIROAWA Gray Hair Color Shampoo

Category Beauty

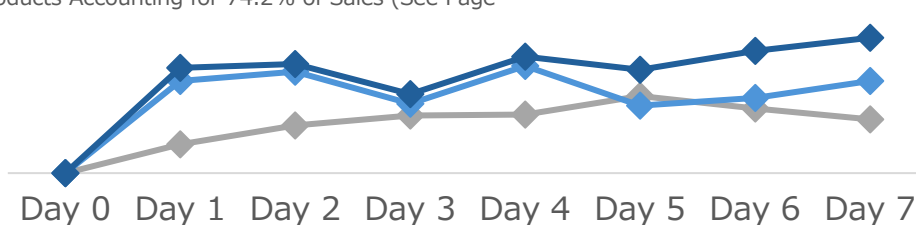
Overview/ Feature

- A new option for coloring gray hair with “white foam”
- Rather than dyeing gray hair dark all at once, it gradually colors gray hair with each use, producing a natural-looking shade that blends in with the rest of the hair
- Released as the second product under the HACKTICK brand

Released on October 1, 2026

<New customer acquisitions after the product releases>

— Average of the Top 5 Products Accounting for 74.2% of Sales (See Page 83 for Details)
— Frenwan



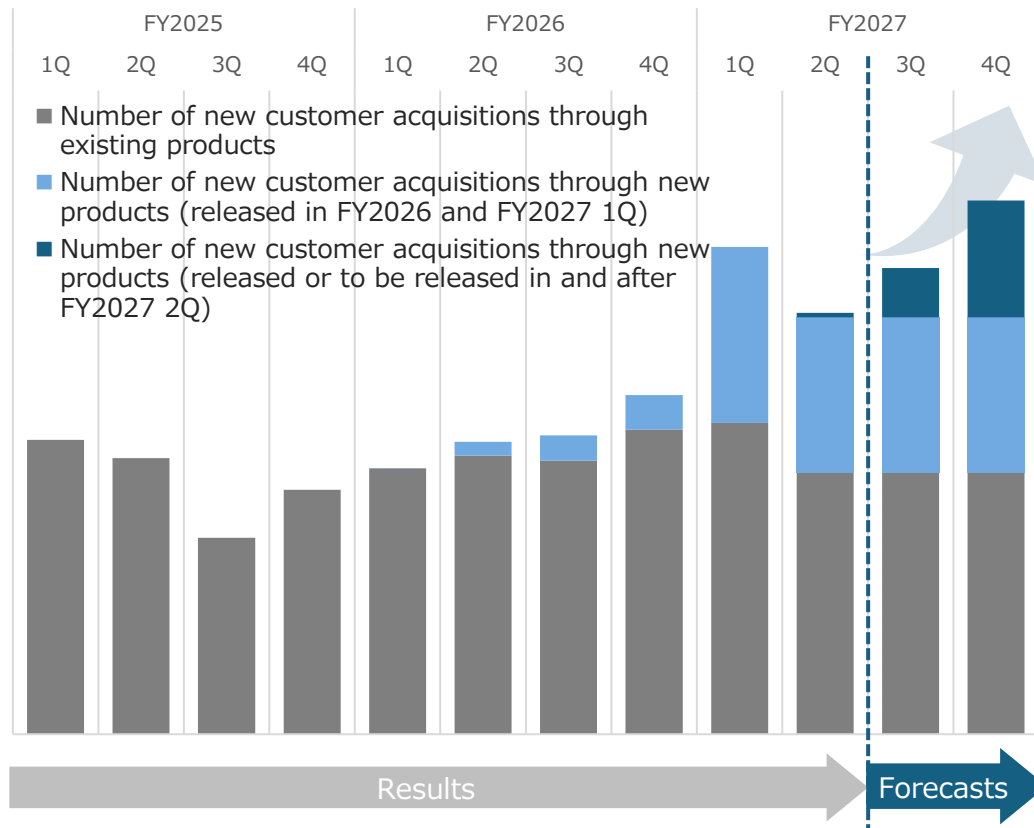
By incorporating the key success factors of the existing top five best-selling products from the product planning stage, these two products have shown strong initial sales performance, outperforming the existing hit products from launch.

*¹ Five benefits the product is designed to deliver are combined in a single product.

*² Presented as the mechanism of action for preventing underarm odor associated with axillary osmidrosis.

*³ It does not suppress secretion of sebum but provides a smooth, non-greasy feel by absorbing excess sebum from the skin's surface.

Number of new customer acquisitions through new products to be released



- One new product attracts 220 to 300 customers a day on average. We have a spiral customer attraction model that accumulates new customers whenever a new product is introduced.

* Continuously attracting 1,700 customers a day for two years would make an annual revenue of ¥10 billion.
(Depends on products)

- One more product is planned to be released by the end of FY2027.

However, achieving a certain number of customers (e.g. 500 customers) by releasing one product is more efficient than releasing two products. Therefore, if a released product becomes a huge hit, the number of products to be released may be reduced or releases of subsequent products may be postponed to focus on the hit product.

* Seven products are planned to be released in the next fiscal year (FY2028).

Product planning

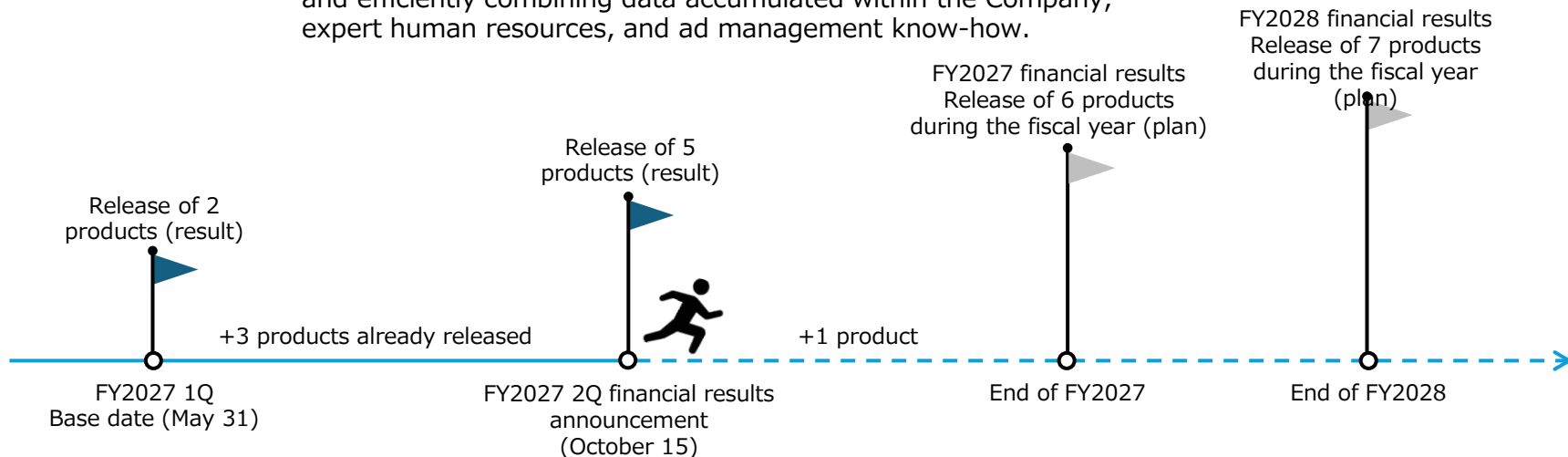
Moving to product development for “good-selling products” decided upon based on objective numerical criteria

- Some of the released new products achieved new customer acquisitions exceeding the initial expectation.
- Planned products yet to be released are also under development toward sequential releases.

Sales promotion

Customer attraction structure responsive to any increase in new products

- A structure was established where customer attraction for multiple products can be handled in parallel through utilizing generative AI and efficiently combining data accumulated within the Company, expert human resources, and ad management know-how.

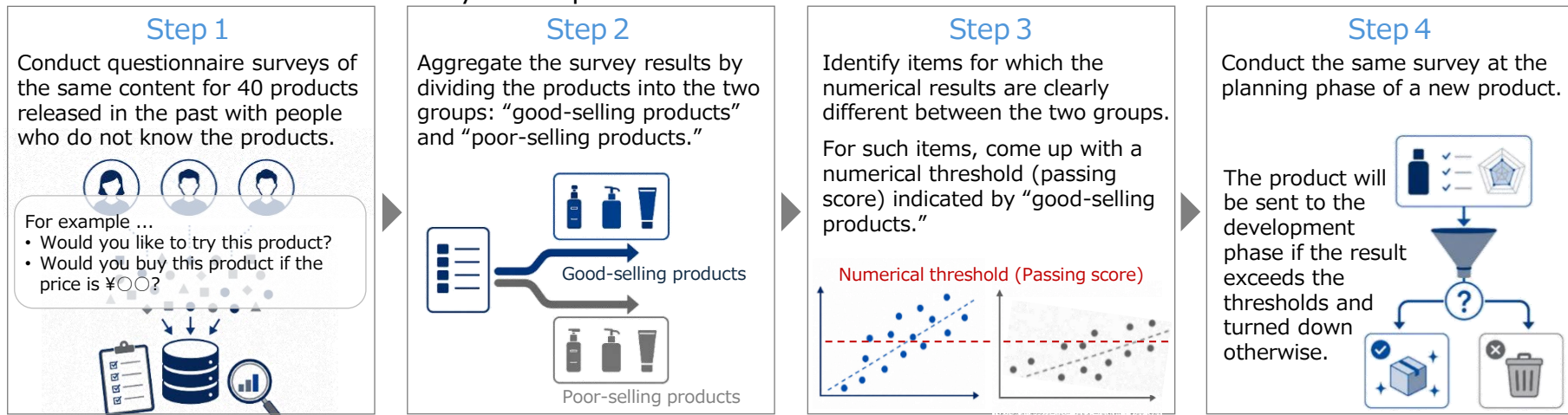


Making steady progress toward achievement of “net sales of ¥23.5 billion” and “operating profit of ¥3.1 billion” in FY2028, the final fiscal year of the Medium-term Management Plan (next fiscal year)

Two Reasons Why We Became Able to Ensure Our Products' Success

Product planning

1. A “system that can predict success of a planned product based on numerical values” was successfully developed.



A structure was developed where product planning decisions can be made based on objective and reproducible numerical criteria, instead of relying largely on experience and intuition of the persons in charge as we used to.

- The questionnaire assessment was conducted for 137 product plans: 20 met the criteria and 117 were decided not to be released.
- Plans selected for possible release accounted for 14.6% of the total. The accuracy of identifying plans that are likely to pass the test has improved by leveraging past test results and patterns observed in products that passed the test.
- A wide variety of plans are considered without restricting product categories. Plans that meet the objective evaluation criteria are prioritized for advancement to the development phase based on the product scale and release timing required to achieve the Medium-term Management Plan. By narrowing down plans at the proposal stage while maintaining the evaluation criteria, the number of plans advanced to the development phase was kept at three. The percentage of plans that advanced from the proposal stage to the development phase has risen from 11.5% to 23.1%.

Two Reasons Why We Became Able to Ensure Our Products' Success

Sales promotion

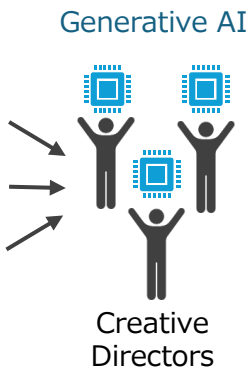
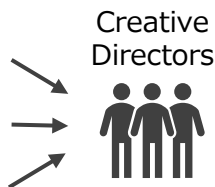
2. Enhancement of customer attraction structure to support increases in the number of new products

Structure up to now



Enhancement of the customer attraction structure

- Utilization of generative AI
- Review of the verification method
- Division of roles in the production process



Creative directors can only focus on a limited number of products. The number of ads that can be created per person is also limited.

- Improve the efficiency of advertising verification by reviewing the verification method
- Carve out parts of the production process to allow creative directors to focus on planning and verification
- Utilize generative AI to improve the quantity and quality of creative content produced by leveraging data from past successful cases and know-how.



Opportunity losses occur due to reactive sales promotion failure



A structure was established that enables us to launch new products and acquire customers for existing products in parallel.

Expected Questions and Answers

Expected Questions and Answers

Q1 How do you evaluate the results of the second quarter of FY2027?

We view them positively.

Although the forecast for the current fiscal year was set at levels above those announced in the “Medium-term Management Plan 2028,” performance remains strong relative to the forecast.

In implementing various measures and initiatives to achieve the Medium-term Management Plan, there may be quarterly fluctuations in the timing for recording sales, the sales performance of individual products, and the number of new customer acquisitions. However, we believe that the foundation for growth over the medium to long term, on which the Company places particular emphasis, is being steadily strengthened.

Q2 The number of new customer acquisitions decreased for the first time in some time. What were the factors behind this decline?

The main factor behind the decrease in the number of new customer acquisitions compared with the first quarter of FY2027 was a rebound effect following the exceptionally positive initial response to the new products released from the end of the fourth quarter of FY2026 through the beginning of the first quarter of FY2027.

Another factor was that we allocated human resources to preparations for planned new product launches as part of our efforts to develop a customer attraction structure to support the future expansion of our product lineup.

However, the quarterly result was at the second-highest level since FY2025, second only to the first quarter of FY2027, indicating that our ability to acquire new customers remains strong.

Expected Questions and Answers

Q3 Regarding the recently announced launch of a new brand, why did you decide to adopt a brand strategy at this point, given that you had not pursued such a strategy before?

The Company had long been studying brand strategies and came to believe that implementing a brand strategy would require certain foundations, such as hit products that can serve as symbols and know-how in creating pathways that connect brand image to purchases.

Now that we have accumulated a track record with our products and know-how in creating pathways from advertising to sales, and the necessary foundations are taking shape to a certain extent, we decided that this was the right time to launch the new brand.

Going forward, we will seek to build brand awareness and increase branded searches, organic traffic, and repeat purchases by incorporating a brand strategy while maintaining our existing ability to acquire new customers, thereby strengthening the foundation for growth over the medium to long term.

Q4 What degree of impact has there been on business from the increases in material prices and logistics costs due to increased instability in the Middle East?

We are continuously gathering and analyzing information, particularly regarding the impact of the naphtha shortage.

For existing products, we are securing necessary materials, components, and supplies for at least one year, and there is currently no significant impact on FY2027 financial results.

For new products, we are taking measures such as diversifying suppliers and considering alternative materials. As a result, we have found no impact on release plans.

For logistics, a stable structure has been maintained through collaboration with multiple logistics partners, and there has been no significant increase in logistics costs.

Impacts in and after FY2028 are under examination.

Accounting Numerical Data

Quarterly changes and comparisons of results

(Millions of yen)

	Results						Forecast	Changes (vs. the current period)		
	FY2026						FY2027	Compared with forecast	Quarter on quarter	Year on year
	1Q	2Q	3Q	4Q	1Q	2Q	2Q			
Net sales	2,384	2,440	2,541	2,707	2,716	3,385	3,391	-5	+669	+944
Gross profit	1,895	1,929	1,999	2,145	2,149	2,535	2,529	+6	+386	+606
Sales promotion expenses, etc.	925	966	1,004	1,090	1,469	1,333	1,452	-119	-135	+366
Sales profit	969	962	995	1,054	679	1,202	1,076	+125	+522	+239
Operating profit	234	269	270	233	-104	425	326	+98	+529	+155

<Compared with forecast>

For the second quarter on a three-month basis, net sales fell below the forecast by ¥5 million, while operating profit exceeded the forecast by ¥98 million. Sales promotion expenses, etc. were lower than planned by ¥119 million.

<Compared quarter on quarter>

The number of new customer acquisitions decreased by 14% quarter on quarter but was still the second-highest since FY2025, second only to the first quarter of FY2027. Net sales increased by ¥669 million quarter on quarter, including sales recorded in the second quarter for products ordered in the first quarter but shipped in the second quarter due to shipping delays. Sales promotion expenses, etc. decreased by ¥135 million. Operating profit, which was negative ¥104 million in the first quarter, increased to ¥425 million in the second quarter.

<Compared year on year>

Net sales and operating profit increased year on year by ¥944 million and ¥155 million, respectively, due to increases in new sales and regular and other sales. Operating profit includes profit related to sales recorded in the second quarter for products ordered in the first quarter but shipped in the second quarter due to shipping delays. See page 50 for the comparison based on the figures adjusted for the impact of the shipping delays.

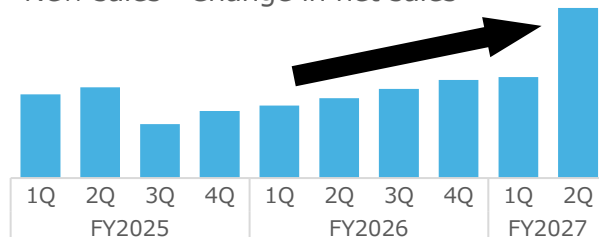
(J NORTH FARM) Change in net sales and sales profit by sales category

(Millions of yen)

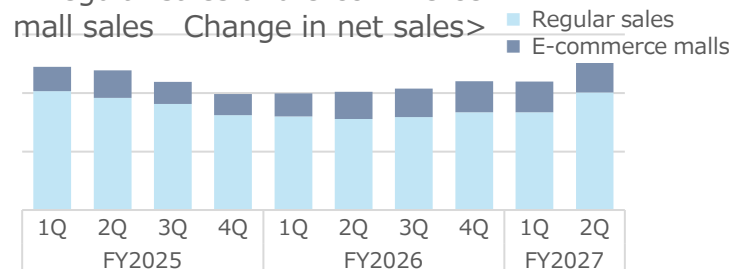
	FY2025				FY2026				FY2027	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Net sales	2,873	2,851	2,467	2,325	2,366	2,427	2,533	2,701	2,711	3,381
(1) New sales										
Net sales	427	464	275	343	370	408	455	501	516	869
Sales profit	-573	-485	-328	-392	-463	-461	-456	-475	-830	-495
(2) Regular and other sales										
Net sales	2,031	1,918	1,811	1,622	1,596	1,555	1,587	1,671	1,670	2,007
Sales profit	1,506	1,431	1,371	1,204	1,200	1,157	1,184	1,239	1,233	1,422
(3) E-commerce mall sales										
Net sales	413	468	379	359	398	464	489	528	523	504
Sales profit	233	273	219	201	223	257	260	277	274	269
Sales profit	1,166	1,219	1,261	1,013	960	953	988	1,041	677	1,196

New sales steadily increased. Regular sales were on a recovering trend after bottoming out in the second quarter of FY2026.

<New sales Change in net sales>



<Regular sales and e-commerce mall sales Change in net sales>



(J NORTH FARM) Factors behind change in sales profit

[Compared with results]

(Millions of yen)

	Compared quarter on quarter				Compared year on year			
	FY2027 1Q	FY2027 2Q	Changes	Changes (%)	FY2026 2Q	FY2027 2Q	Changes	Changes (%)
Net sales	2,711	3,381	+669	+24.7%	2,427	3,381	+953	+39.3%
(1) New sales								
Net sales	516	869	+352	+68.2%	408	869	+461	+113.0%
Sales promotion expenses, etc.	1,199	1,052	-146	-12.2%	751	1,052	+301	+40.0%
Sales profit	-830	-495	+334	—	-461	-495	-34	—
(2) Regular and other sales								
Net sales	1,670	2,007	+337	+20.2%	1,555	2,007	+452	+29.1%
Sales promotion expenses, etc.	102	124	+22	+21.6%	74	124	+49	+66.7%
Sales profit	1,233	1,422	+189	+15.3%	1,157	1,422	+265	+23.0%
(3) E-commerce mall sales								
Net sales	523	504	-19	-3.8%	464	504	+39	+8.6%
Sales promotion expenses, etc.	166	155	-11	-6.8%	139	155	+16	+11.8%
Sales profit	274	269	-4	-1.7%	257	269	+12	+4.8%
Sales profit	677	1,196	+519	+76.6%	953	1,196	+243	+25.5%

<Compared quarter on quarter>

- New sales increased significantly by 68.2% compared with the first quarter.
- The deficit in profit from new sales narrowed from ¥830 million to ¥495 million. This was due to an increase in gross profit resulting from higher new sales, including sales recorded for products whose shipments had been delayed from the first quarter, as well as a decrease in sales promotion expenses, etc.
- Regular sales also increased by 20.2% and sales profit increased by 15.3% compared with the first quarter.

<Compared year on year>

- New sales increased significantly by 113.0% year on year.
- Although sales promotion expenses, etc. increased as new customer acquisitions grew, the deficit in profit from new sales remained largely unchanged year on year.
- Both regular sales and sales profit increased due to the accumulation of past new customer acquisitions.
- E-commerce malls also performed well, exceeding the level recorded in the same period of the previous fiscal year.

(J NORTH FARM) Factors behind change in sales profit

<Compared with financial results forecast for FY2027 1H>

(Millions of yen)

	Forecast	Results	Changes	Changes (%)
Net sales	6,202	6,092	-109	-1.8%
(1) New sales				
Net sales	1,522	1,386	-136	-9.0%
Gross profit	1,009	925	-84	-8.3%
Sales promotion expenses, etc.	2,389	2,252	-137	-5.7%
Sales profit	-1,379	-1,326	+53	—
Initial ROAS*	70.9%	68.6%	-2.3pt	—
(2) Regular and other sales				
Net sales	3,749	3,678	-71	-1.9%
Gross profit	2,939	2,883	-55	-1.9%
Sales promotion expenses, etc.	199	227	+28	+14.3%
Sales profit	2,740	2,656	-84	-3.1%
(3) E-commerce mall sales				
Net sales	773	866	+92	+12.0%
Gross profit	299	322	+22	+7.7%
Sales promotion expenses, etc.	473	543	+70	+14.8%
Sales profit	1,834	1,873	+38	+2.1%
Sales profit				

◆ While new sales fell below the plan, sales profit exceeded the plan

- Although new customer acquisitions remained strong, average sales per first purchase were lower than expected because the actual mix of purchase courses selected by customers differed from the assumed mix for certain products. New sales fell below the plan by ¥136 million mainly due to delays in the timing for clearing the order backlog.
- Meanwhile, sales promotion expenses, etc. were also lower than planned by ¥137 million. As a result, profit from new sales exceeded the plan by ¥53 million.

◆ Regular and other sales fell below the plan

This difference is not due to a decrease in demand or a higher cancellation rate but difference in the timing to record the sales and will not cause significant changes in the expected amount of regular sales for the year.

◆ Performance of e-commerce malls exceeded the plan

Net sales and sales profit exceeded the plan by ¥97 million and ¥70 million, respectively.

However, loss of sales opportunities occurred due to the prioritization of promotional activities for strong-selling products and customer acquisition efforts on our own website, as well as inventory shortages of certain products.

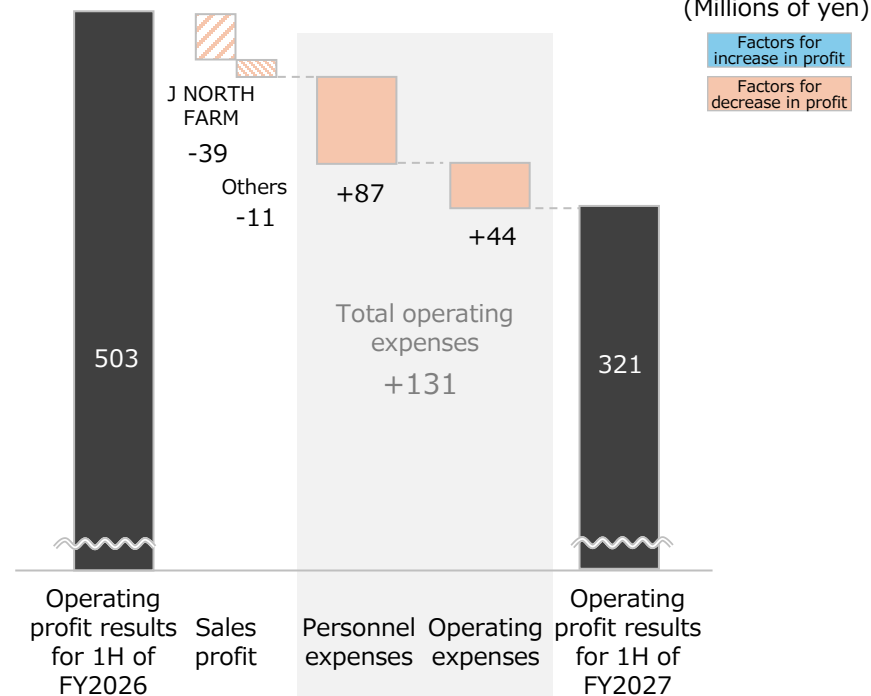
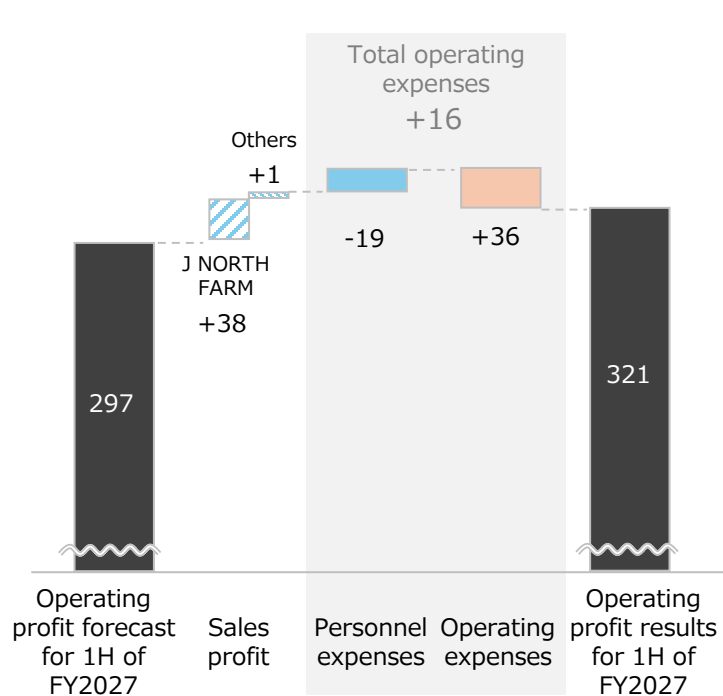
* ROAS stands for Return On Advertising Spend, which is an indicator of advertising investment efficiency that measures how much sales are generated from advertising.

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

Factors behind change in operating profit

[Compared with financial results forecast: +23]

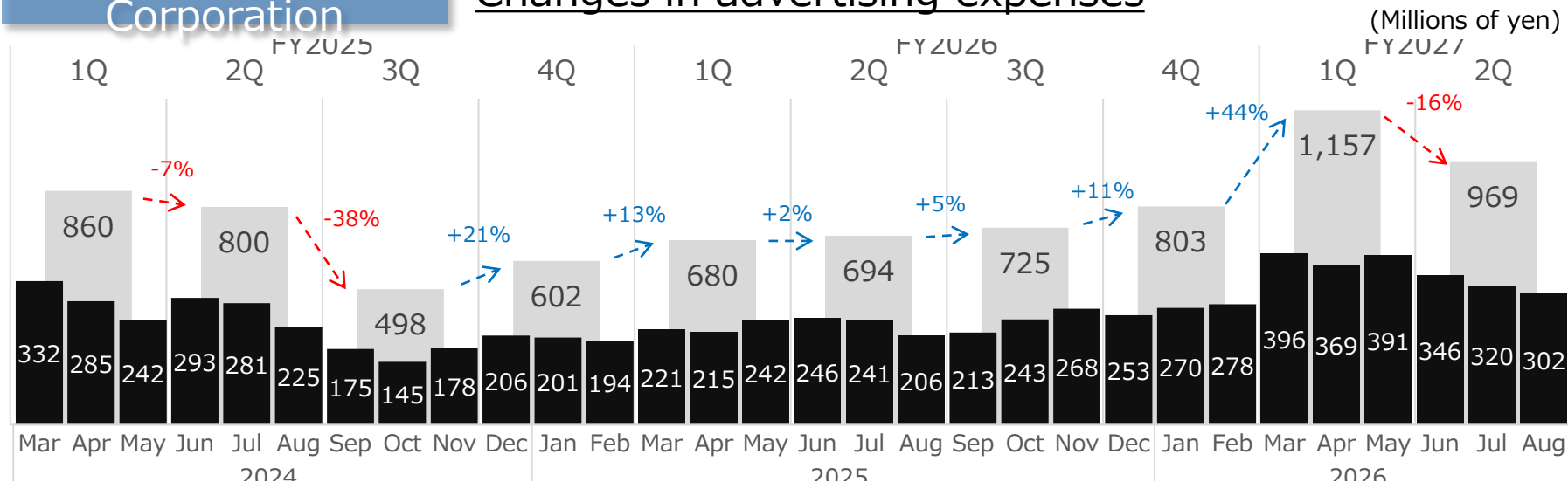
[Compared year on year: -182]



(Compared with financial results forecast) Increase in operating expenses due to costs associated with customer service systems

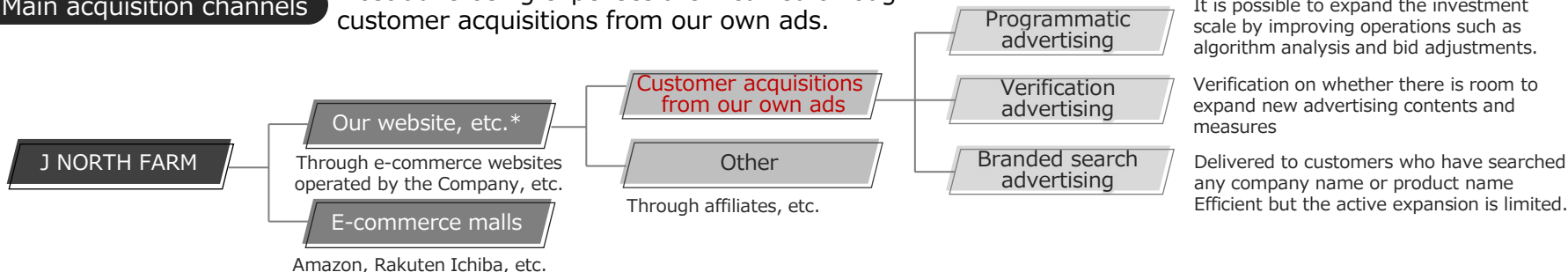
(Compared year on year) Increase in personnel expenses related to customer services and increase in operating expenses due to costs associated with a customer service system

Changes in advertising expenses



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

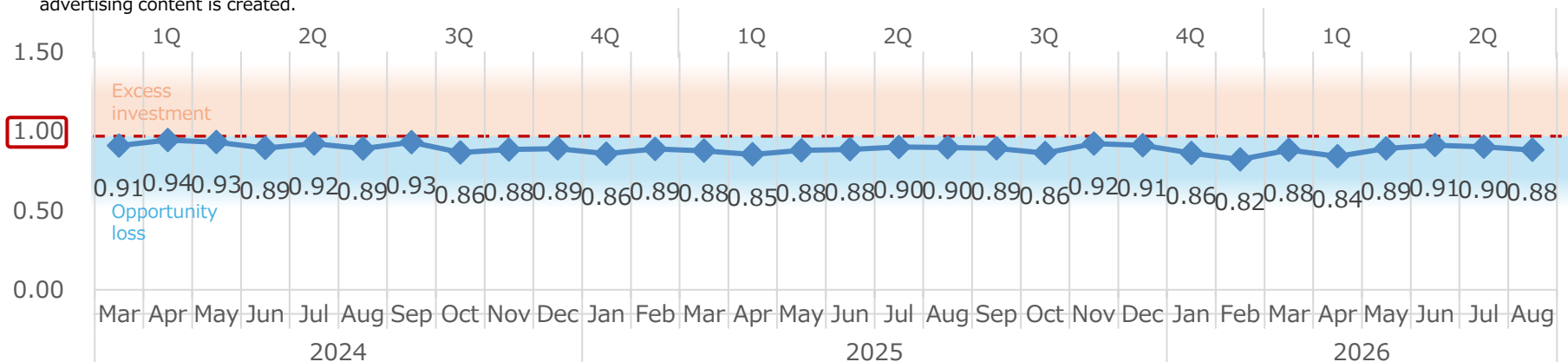
◆ Advertising investment balance^{*1}

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” 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 reflect a “phenomenon in which new customer acquisitions increase while the cost per new customer 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^{*5}.

^{*5} 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.

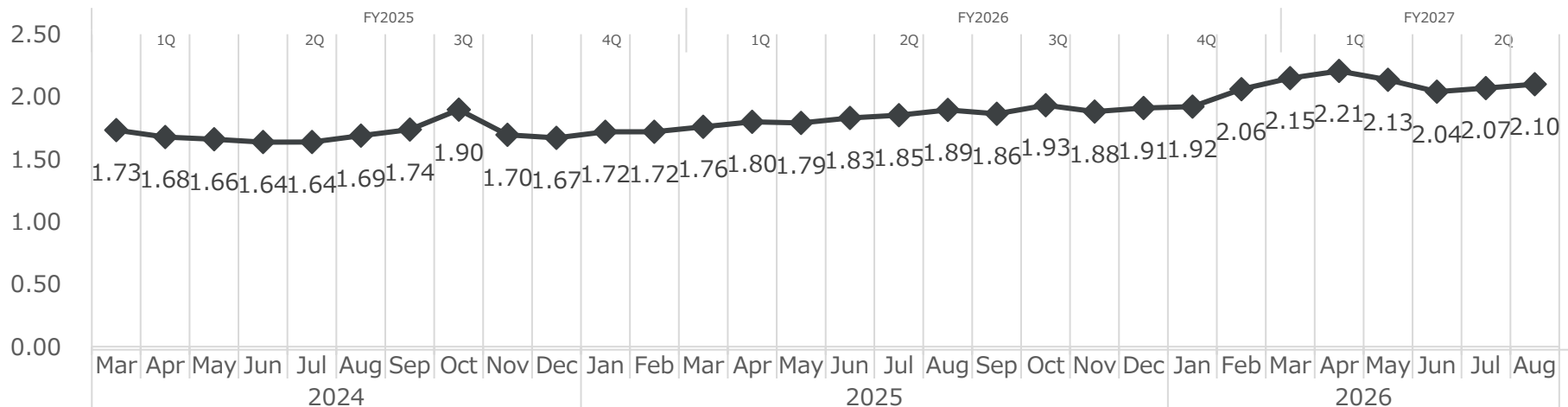
Change in 1-year ROAS

◆ 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.

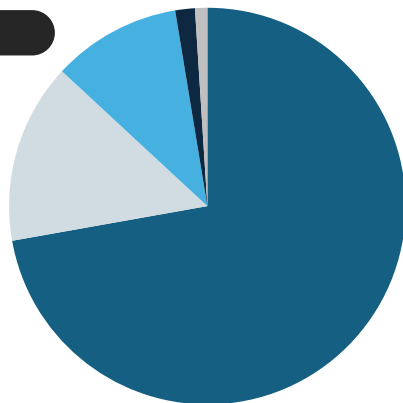
If ¥1 million was used for advertising, and sales of ¥1.5 million are expected to be generated, the projected 1-year ROAS is 1.50.

*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.

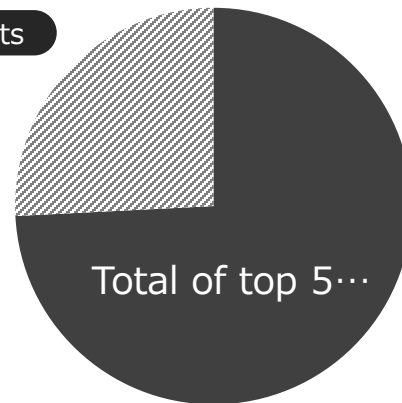
Breakdown of Net Sales

Six months ended
August 31, 2026
(FY2027 1H)

By category



Top 5 products



Category

Reference:
<https://www.kaitekikobo.jp/shopping/>
<https://www.hack-tick.com/products/>

Category	Number of products as of the end of 2Q (kinds)	Percentage of net sales for FY2027 1H
Beauty	21	74.8%
Kaiteki: Skin care	7	13.5%
Kaiteki: Healthcare	9	9.2%
Men's	4	1.3%
Other*	3	1.1%
Total	44	100%

* 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.

<By category>

- Beauty is the highest at 74.8%, followed by Kaiteki: Skin care at 13.5%
- 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. 74.2%

Returns to Shareholders

◆ Dividends

Dividends for FY2027

Interim dividend	¥1.7
Year-end dividend (Forecast)	¥1.8
Cash dividends per share (Forecast)	¥3.5

◆ Shareholder Benefit Program (FY2026 Results)

The Company's products

One package of "YOIPEEL"
soft peeling booster serum
(Provided as a shareholder
benefit item before
the product release)



Vouchers*

Continuous holding for
less than one year
One voucher worth ¥3,000

Continuous holding for
one year or longer
Two vouchers worth
¥3,000 each

<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> Shipped on August 17, 2026

Yield based on holding 100 shares

(based on the closing price on October 7, 2026, continuous holding for less than one year)

Dividend yield: 2.6% Shareholder benefit yield: 77.4% Total yield: 80.0%

* The vouchers can only be used for our products listed on the online store exclusively for our shareholders.

Consolidated Balance Sheets

(Millions of yen)

Subject/Section	FY2026/4Q end As of February 28, 2026	FY2027/2Q end As of August 31, 2026
Current assets	8,109	7,979
(Cash and deposits)	5,701	4,454
Non-current assets	1,381	1,327
Total assets	9,490	9,306
Current liabilities	1,385	1,196
Non-current liabilities	57	57
Total liabilities	1,442	1,254
Total net assets	8,047	8,052
Total liabilities and net assets	9,490	9,306

Consolidated Statements of Cash Flows

(Millions of yen)

Subject/Section	FY2026 1H March 1, 2025 to August 31, 2025	FY2027 1H March 1, 2026 to August 31, 2026
Cash flows from operating activities	205	-992
Cash flows from investing activities	-1	-4
Cash flows from financing activities	-305	-250
Effect of exchange rate change on cash and cash equivalents	1	—
Net increase (decrease) in cash and cash equivalents	-100	-1,247
Cash and cash equivalents at beginning of period	5,698	5,701
Cash and cash equivalents at end of period	5,598	4,454

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
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
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

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- This document is provided for informational purposes only and is not intended to be a public offering, investment solicitation, marketing or other activities in respect of specific products such as the Company's shares.
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Financial Results Meeting for the Second Quarter of the
Fiscal Year Ending February 28, 2027
Q&A Session (Summary) (Held on October 16, 2026)

- [Question] It was explained that one of the reasons for the shortfall in sales was that the composition of purchase plans for certain products differed from expectations; could you please elaborate on the specific circumstances? Furthermore, might this have an impact on future recurring sales?
- [Answer] We offer one-month and three-month subscription plans. However, a higher-than-expected proportion of customers selected the one-month plan, which affected net sales. Although we expect this trend to have some impact on future recurring sales, we currently believe that the financial impact will not be significant and can be offset by other initiatives.
- [Question] Will the introduction of a new brand strategy bring about a change in the CPO's way of thinking?
- [Answer] There is no change to the current approach to CPO in response-based advertising. On the other hand, in brand strategy, whilst it is expected that the response rate for standard advertising will improve—and consequently CPO will decrease—as a result of measures such as television adverts, television adverts themselves incur costs; therefore, these must be taken into account when evaluating the overall results.
Consequently, whilst the fundamental concept of CPO remains unchanged, we believe it is necessary to make adjustments to the methods used to measure effectiveness and conduct simulations.
- [Question] With the launch of the brand strategy, are there any plans to make substantial investments in mass media advertising and similar initiatives? Furthermore, if so, could this affect the achievement of the medium-term business plan?
- [Answer] We plan to continue investing in advertising as part of our brand strategy. However, as we have traditionally allocated approximately 2 billion yen per half-year to advertising and promotional expenditure, even if we were to invest 200 million yen in television adverts, this would represent only around 10 per cent of our existing advertising and promotional budget. Given the scale of our advertising investment, we do not anticipate this having a significant impact on our medium-term management plan. However, depending on the timing of the investment, there may be a time lag before we see a return, which could temporarily affect our financial performance; nevertheless, viewed over the course of the year, we do not believe this will result in a significant negative impact.
- [Question] Is it correct to understand that the company shifted from a strategy of building up a market worth 2 to 3 billion yen to one targeting a larger market, and subsequently returned to a strategy focused on a market of 2 to 3 billion yen? Could you also explain the aims behind the new brand, 'HACKTICK'?
- [Answer] We are currently targeting a market of around 5 billion yen, which is larger than the conventional market size of 2 to 3 billion yen. Whilst there is relatively little competition in a market of 2–3 billion yen, the number of competitors increases significantly in a 5-billion-yen market; consequently, measures to maintain a competitive advantage become crucial. As relying solely on the appeal of the product itself makes it more likely to be compared with similar products launched by competitors, we believe it is necessary to promote not only the value of the product itself but also the value of the brand, and are therefore actively pursuing a brand strategy.
- [Question] Although the number of new customers acquired in Q2 of FY2027 has fallen compared with Q1 of FY2027, what is the current progress in Q3 of FY2027? Furthermore, are there any signs that the CPO is rising?
- [Answer] New products tend to drive growth in new customer acquisition for approximately one to two months following their launch; in Q2 of FY2027, however, new customer acquisition levelled off due to the timing of new product launches. By contrast, Q3 of FY2027 has seen steady growth, partly due to the launch of new products in September and October.
Furthermore, as a general rule, the Company does not invest in advertising beyond the set maximum CPO, and adjusts the number of acquisitions whilst maintaining the CPO at a consistent level. Consequently, the CPO has remained stable recently, and new customer acquisition is performing robustly within that range.

- [Question] Whilst the timing of new product launches is likely to affect financial performance, are there any deviations from the initial projections regarding the two products scheduled for FY2026 and the six products scheduled for FY2027? Furthermore, as seven products are planned for launch in FY2028, could you please provide an update on the progress and market response?
- [Answer] At present, there are no particular issues with our new product launch plans. In fact, we are moving forward with the development of more products than originally planned, and the number of new products launched may exceed our initial plan. As of now, we have no significant concerns regarding the plans.
- [Question] Please could you provide information on your cybersecurity framework and the costs of these measures, to the extent that this does not affect your business operations?
- [Answer] Whilst I am unable to disclose the specific details of these measures, our company operates the system in-house and, in light of recent incidents such as data breaches, we are implementing various security measures whilst holding internal meetings to discuss them.
- [Question] Although it is generally considered that brand strategy CPO is more difficult to measure than response advertising, is it possible to measure its effectiveness in the same way?
- [Answer] When it comes to brand strategy, it is difficult to measure effectiveness in exactly the same way as for response-based advertising; instead, evaluation must be based on certain hypotheses. When our company previously operated a radio station, we analysed sales figures and other data from the regions where we ran radio adverts to measure their effectiveness. Similarly, with regard to brand PR, whilst we believe it is difficult to achieve a completely accurate measurement, we consider it possible to assess effectiveness to a certain extent by comparing and analysing multiple indicators.
- [Question] As there is no sales history for the new product, is the LTV based on a forecast? Could you also explain the basis for the forecast, its accuracy, and the risk that the actual LTV may fall short of the projection?
- [Answer] As there is no sales history for new products, we forecast LTV by referring to the performance data of approximately 40 products launched in the past, and set the maximum CPO based on this. Although LTV varies from product to product, there have been almost no instances to date where the differences have been extremely significant. Furthermore, following the launch of a product, we collect actual performance data on a monthly basis and, as this data accumulates, we review the LTV forecast and adjust the maximum CPO accordingly. Whilst the actual LTV may sometimes exceed or fall short of the forecast, by continuously verifying and adjusting these figures, we prevent significant deviations from our projections over the long term, and to date, no major failures have occurred.
- [Question] What is the reason behind the company's ability to launch six to seven new products a year whilst maintaining its policy of 'only releasing truly excellent products'? Is this due to the strengthening of its development structure, or has it relaxed its product launch criteria?
- [Answer] This is not because we have relaxed our product commercialisation standards, but is primarily due to the strengthening of our product planning structure. At our company, only around half of the products that pass the planning stage are actually commercialised; we refrain from launching products that do not meet our quality standards. This standard has not changed significantly from the past. On the other hand, the strengthening of the product planning team has led to an increase in the number of proposals, which in turn has resulted in a rise in the number of new products. Furthermore, the feasibility of commercialisation has improved not only through our traditional approach of developing entirely original products, but also through an increase in cases where we collaborate with OEM manufacturers to develop products based on existing technologies and manufacturing processes. In addition, we continue to follow the established process whereby planning staff actually use the products to assess whether their quality is high enough to be recommended to customers. As our business model is based on the

premise of repeat purchases, we are proceeding with product development without compromising on quality standards.

[Question] Is there scope to further increase the number of new products launched each year in the future?

[Answer] Given our current product development and post-launch sales structure, we consider around 10 products per year to be a reasonable benchmark.

As human resources are required not only for product development but also for post-launch sales activities, we recognise that it would be difficult to increase the number of product launches under our current structure. Whilst this figure may increase in the future should our staffing levels be expanded, we are currently using around 10 products per year as our benchmark.

(Note)

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

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