

Financial Results Meeting for the Second Quarter of the Fiscal Year Ending
February 28, 2025
Q&A Session (Summary)
(Held on October 17, 2024)

[Question] What are the reasons why the number of new customers acquired by J NORTH FARM decreased in May 2024 and increased in June 2024?

[Answer] There are no major reasons, and it is within the normal range of fluctuation.

[Question] Regarding the development and improvement of in-house education and training systems and a ramp-up of recruitment to improve the Creative Department, how will these measures improve BLP and HLP?

[Answer] The purchase rate fluctuates depending on the quality of BLP and HLP, and even good content can become exhausted (a phenomenon in which numbers deteriorate as people grow tired of viewing it). Therefore, it is necessary to continuously create good content, but skills are dependent on the creator, and there are few staff members capable of creating content. Increasing the number of such staff members through recruitment and training will lead to an increase in the amount of content created and enable switching to new BLP and HLP according to the degree of exhaustion.

[Question] As for improving the Creative Department, when is the issue expected to be resolved?

[Answer] We are unable to provide a specific time for resolving the issue.

[Question] Could you be more specific about “numerical conditions for post-launch success?”

[Answer] We conduct an external test in the form of a questionnaire in which subjects answer on a five-point scale their willingness to purchase the target product. When the percentage of positive responses to a purchase exceeds a certain level, we deem the product as having high sales potential. We have judged that product lines that have been launched and have been growing steadily in the past few years have a certain degree of certainty in their sales potential, given that the previously mentioned figures are outstandingly high.

[Question] I understand that two phases of tests are conducted in product development, consisting of external test (1) and external test (2). How many items have progressed to the respective phases?

[Answer] There are 20-30 items in progress in the external test (1) phase and about 10 items in external test (2) phase.

[Question] Why does it take one to two years for product lineup expansion to contribute to business performance?

[Answer] The previously mentioned external tests are in the planning phase of the product, and only after passing these tests does the product move into the development phase. Since the product must meet strict and numerous product development criteria to ensure high quality, it takes at least one year to launch a product.

[Question] What is the reason for the increase in gross profit margin in the first half?

[Answer] This was due to the high sales ratio of products with a high gross profit margin.

(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.