

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.