

Jupiter Shop Channel (JSC) business presentation and site tour

<Main Q&A>

Date: Wednesday, October 11, 2017

Attendee: President&CEO, Keiji Tanaka, Jupiter Shop Channel (JSC)

Business situation

What differentiates JSC from JSC's competitors?

I would like to refrain from commenting on our competitors, but I believe our main differences are in program and product strength.

I think our program appeals to viewers because the producers of the products appear on the program as guests. They explain the advantages of their product and convey their passion. Also, our program has no script or manuals, and I think this interactive nature has earned viewers' sympathy, leading to build and retain a fan base. As for products, we are unique in that we offer many original products discovered by our buyers in Japan and abroad, and they can only be purchased at JSC at reasonable prices.

Among all JSC's products, what is the percentage of original products?

Around 30% of products are fashion-related, which are mostly original. Including other products, around 50% of all products are original.

Are there any changes in customers, such as age composition? What are the issues for the future?

Our main customers continue to be women in their 40s, 50s and 60s. However, we are seeing an increasing number among the generation of our main customers' children (we can expect to see the formation of a new customer base among the 40s to 60s age group). JSC focuses on providing unique, high-quality products, and does not intend to narrow down its target age group. Top customers have become loyal customers, and the key is how to turn new customers into loyal customers. We have to consider how to address this issue in 15 to 20 years' time, when the millennials become our main customers. While promoting e-commerce (EC) and sales through digital marketing, I believe that communicating the appeal of products and the program through dialogue (analog hospitality) on live broadcast continues to be essential (and will be a differentiating point with the progress of digital society).

Are logistics costs, such as courier costs, on the rise?

We purchase and store inventories by ourselves (we are not a brokerage but face customers at our own responsibility), and have established an efficient logistics operation with the cooperation of suppliers. Therefore, there has been no significant increase in costs so far. However, we recognize that further improvements in efficiency will become an issue in the future. There has been no need for raising transportation costs that are basically borne by the customer except for fresh products and some other products.

What is the situation of business in Thailand?

The business has not achieved profitability due in part to minimum start-up costs like IT systems and depreciation of the call center and studio. Although there are some delays in the initial plan due to political unrest and the mourning of the king's passing, the delay is within the expected range, and important indicators (sales and number of customers) are steadily growing. Based on our experience of the business start-up in Japan, we expect the Thai business to take five to six years to become profitable from start-up, and think it will do well from now on.

Future growth strategy

How will JSC increase customers in the future?

Since TV shopping only accounts for 0.4% (540 billion yen) of the total 140 trillion-yen retail market, and JSC's recognition is considered lower than major rivals, we believe that there are many potential customers that we have not been able to reach. Therefore, we expect to be able to continue growing our number of customers and sales strongly among potential customers by reaching them through digital marketing and other means.

Furthermore, we hope to continue to achieve stable growth by further enhancing JSC's strengths, such as product strength from offering numerous original products at reasonable prices and our program strength for attracting viewers.

Will the trend toward increasing EC in the retail industry be a threat for JSC?

A decline in consumers' resistance toward mail order such as online-shopping (non-physical sales) would lead to an increase in potential customers of JSC, which takes the form of non-physical sales of TV shopping. Therefore, we welcome the increase in EC.

The increase in EC would be a threat to operators who sell general-purpose products using the same method as other companies, but would be favorable for JSC, which sells original products through original methods.