COMPANY RESEARCH AND ANALYSIS REPORT

Syuppin Co., Ltd.

3179

Tokyo Stock Exchange Prime Market

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Contents

Summary

Net sales and operating profit reached consecutive record highs in FY3/25

Syuppin Co., Ltd. <3179> (hereafter, also "the Company") is an e-commerce (EC) enterprise specializing in valuable items, such as cameras and luxury watches. Utilizing the different customer needs and product characteristics between used and new items, the Company has realized an expansion of the membership base and results growth, while having used and new items interact to support the other's sales. Recently, it has been working on initiatives including proprietary EC purchases, one-to-one marketing*1, and the utilization of CGM*2, and it continues to evolve its platform-type business model. During the past few years, store sales have been affected by the COVID-19 pandemic, and the Watch Business, which has been engaged in strategic inventory investment, has temporarily lost steam as prices have fallen globally. In contrast, the mainstay Camera Business has been steadily growing led by EC with the introduction of new AI-based features*3, etc., so it can be said that the Company has steadily progressed to a higher stage in terms of business model evolution. Aiming for a "transformation from an EC retailer to an EIC*4 company, continually leveraging cutting-edge technology," the Company has set a course to further advance combining re-value with technology.

*1 Marketing tailored to each customer based on information such as their purchase and activity histories
*2 An abbreviation of Consumer Generated Media, which refers to media with content involving general users, including bulletin boards and word-of-mouth websites
*3 AI-driven merchandising system (AIMD) and AI-driven content recommendations (using an AI engine that analyzes customer preferences and distributes articles from a large volume of content created and owned by the Company), etc.
*4 An abbreviation of Electronic Intelligent Commerce, which is a term the Company coined for combining intelligence with electronic commerce (EC)

1. Overview of FY3/25 results

In FY3/25 results, net sales increased 7.8% year on year (YoY) to ¥52,658mn, and operating profit increased by 1.6% to ¥3,396mn, as the Company achieved higher revenue and profit, setting consecutive record-high results. The mainstay Camera Business steadily expanded, led by EC, and drove growth in overall results. In the Watch Business, results were firm until July 2024, but turned soft starting in August due to the impacts of a decrease in inbound tourism associated with yen appreciation as well as short-term exchange rate fluctuations. On the profit front, although SG&A expenses increased due to factors such as operating expenses related to strengthening systems and commission expenses linked to net sales, the Company secured increased operating profit by strengthening its earnings base through increased revenue. As for activities, the Company implemented strategic initiatives from a long-term perspective, such as establishing new video content studios and enhancing the value of its point program.

2. FY3/26 forecasts

For FY3/26 results, the Company is projecting net sales to rise 4.3% YoY to ¥54,940mn and operating profit to increase by 0.6% to ¥3,417mn, so the Company is forecasting continued revenue and profit growth. Net sales are expected to continue growing in the Camera Business, led by EC. The Company has adopted a conservative plan for the Watch Business, given that it is highly susceptible to the impact of market trends and exchange rates. On the profit front, while SG&A expenses are expected to rise due to factors such as increased personnel expenses stemming from base salary increases and workforce expansion, these increases are expected to be offset by a boost in profit fueled by growth in the Camera Business, enabling the Company to secure higher operating profit. The Company has also announced an increase in the dividend payout ratio and plans to increase dividends for the fifth consecutive year.

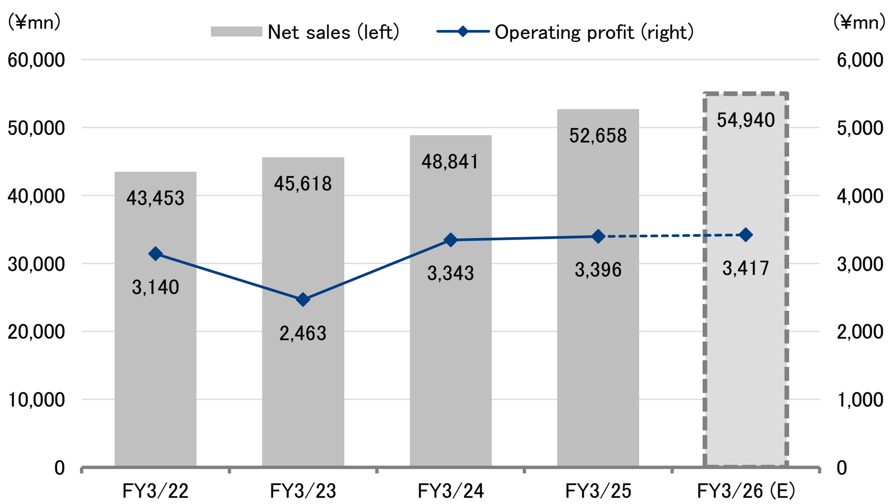
3. Strategy for future growth

The Company updates its three-year medium-term management plan annually, and in May 2025, it announced a new medium-term management plan. EC net sales in the Camera Business are expected to continue posting double-digit growth, driving expansion in overall results. Meanwhile, although the Company has initially adopted a conservative outlook for the Watch Business, which is more highly susceptible to market conditions, it anticipates a recovery starting in FY3/27 and aims to put the business on track to become its second core pillar. In addition, the Company plans to strengthen its foundation for future growth by investing in core systems and data warehouses. The Company's targets for FY3/28, the final year of the current plan, are net sales of ¥69,016mn (a three-year average annual growth rate of 9.4%), and operating profit of ¥4,415mn (an operating margin of 6.4%).

Key Points

- In FY3/25, the Company posted record-high net sales and operating profit as the Camera Business expanded steadily, led by EC
- The Watch Business performed sluggishly, due to impacts such as the appreciating yen beginning in August 2024
- Revenue and profit growth trend expected to continue in FY3/26. An increase in the dividend payout ratio was announced
- In the medium-term management plan, EC net sales in the Camera Business are expected to maintain double-digit increases, driving growth in results. In addition, the Company will engage in system investments and other initiatives with an eye on the future

Results trends



Source: Prepared by FISCO from the Company's financial results

Business overview

Developing an EC business specializing in valuable new and used items, such as cameras and luxury watches

The Company is an EC enterprise specializing in valuable items (used and new items), such as cameras and luxury watches. It achieved strong growth by establishing its own business model that harnesses the Internet and its positioning as a business dealing with highly specialized items, capitalizing on the expansion of the EC market. It continues to evolve into a specialist EC site that harnesses technologies by introducing AIMD and AI-driven content recommendations.

The Company currently has over 728,000 Web members (as of the end of March 2025). This number has been steadily increasing through continued net growth of over 4,600 new members every month. On the other hand, it has established a physical store network of five stores in the Tokyo metropolitan area, with its basic policy being one store for one item. Stores contribute to results to a certain extent, but their main function is to complement the EC business as bases to disseminate information. At the Company, new items and used items each play important roles, generating synergies while mutually interacting to increase the other's sales.

There are four business segments: Camera Business, Watch Business, Stationery Business, and Bicycle Business*. The mainstay Camera Business provides approximately 80% of net sales. The Watch Business has recovered from the impact from falling global prices for luxury watches, but sales have recently turned soft due to the impact of exchange rate fluctuations. The Company looks to put it back on track by strategically enhancing the product lineup and expanding globally, while promoting a framework for enabling appropriate procurement and inventory investment.

* The Camera Business is conducted under the Map Camera brand, the Watch Business under the GMT and BRILLER (ladies' brand salon) brands, the Stationery Business under the KINGDOM NOTE brand, and the Bicycle Business under the CROWN GEARS brand.

The Company's features

Strengths in the platform-type business model

1. The growth model

The Company's net sales have grown alongside the increase in the number of Web members. It can be said to have a recurring-revenue business model, in which alongside the acquisition of new customers through effective EC marketing, it captures members and promotes continuous purchases, which leads to sales growth. Therefore, in addition to the number of newly acquired members and the total number of members, the number of Web purchasing members and the active rate* are important KPIs. Currently, Web members have grown to over 728,000 people, but there remains plenty of room for the number of newly acquired members (and total members) to further increase in the future through its proprietary business model, including strengthening measures for young and female members and expanding its market share in areas outside the Kanto region. Also, increasing the number of Web purchasing members through maintaining and raising the active rate can be expected to be beneficial for improving results and costs. Moreover, the accumulation of merchandise (the inventory of used items) is an important KPI that will lead to sales increasing in the future. Whereas similar industries (reuse, recycling, etc.) spend large amounts on advertising to collect a wide range of used items, the Company collects valuable inventory items, which are its core value, through 1) its proprietary mechanism for EC purchases, 2) its powers of discernment and brand power as a specialty store, and 3) the utilization of AI, which have led to acquisitions of new members and continuous purchases. The enhancement of merchandise inventory helps make advertising more effective, thereby creating a virtuous cycle.

* The Company defines the active rate as the number of members who make a purchase at the Company's website in a fiscal quarter (excluding the number of purchases at malls) in relation to the total number of members at the start of that quarter.

2. The Company's features (strengths)

(1) Proprietary model specializing in EC

Since its foundation, the Company has been continuously focusing on a model specializing in EC that is limited to valuable items. It can be said to have established a unique position through specializing in high-value-added items and the convenience of EC. In particular, it is able to respond flexibly to economic fluctuations as it does not incur fixed costs. Additionally, it benefits from having few bottlenecks for increasing sales and from being able to focus on achieving high profitability alongside the growth of net sales. Another strength is that the Company has increased the percentage of sales on the Company's website (approximately 87% as of the end of March 2025) by providing its own services, in contrast to the high dependence of competitors on other companies' malls. This has enabled its platform-type business model described later, as well as a reduction in the burden of fees. Meanwhile, stores have been making a certain contribution to business performance and serving as bases for disseminating information, driven by factors including inbound demand (duty-free sales) and other tailwinds over the past several years. The Company intends to continue developing its business based around EC, especially by using its own website as a platform.

(2) Synergies between new items and used items

The Company perceives that the composition of total net sales provided by new items and used items tends to be around 1:1. For the Company, both play important roles and have contributed to expanding its customer base and its results growth, while mutually interacting to boost the other's sales. Compared to used items with high profit margins, for which there are many single items, competition for new items is fierce. However, the significance of handling new items for the Company is not only their contribution to results but also that they provide opportunities to acquire new members (capture new customers) and trade in used items. In particular, when a new item is sold, it has a major impact on results and also provides the biggest opportunity to acquire a new member. Therefore, the handling of new items functions as a catalyst in order to increase sales of used items. Conversely, for sales of new items as well, the Company is able to differentiate itself through trade-ins of used items owned by customers (by indicating purchase prices that are acceptable to customers), which generates synergies.

(3) Mechanism for collecting valuable inventory items

The Company's growth depends on how it collects valuable inventory items (used items). Preparing a high-quality inventory not only raises the value of the Company's brand and attracts buyers, it also creates a virtuous cycle through building trust with sellers, which in turn leads to the collection of more high-quality inventory items. It has been able to differentiate itself from other companies by working to enhance functions, including by 1) indicating purchase prices that are acceptable to customers and that correspond to the item's value determined by detailed assessment standards, 2) responding to trade-in needs by handling new items, and 3) enabling estimated purchase prices to be easily obtained on the internet. It is also introducing its own mechanism for EC purchases, including one-price purchasing and the receive-first, send-later service*1, further raising convenience for the customers to sell, which has led to increases in the EC purchase amount. It also aggressively uses AI, working on improving efficiency (reducing opportunity losses) through an online personal identification service using AI facial authentication*2 and deployment of AIMD and other measures. Recently, it has also begun deploying and operating mechanisms utilizing AI and data to make purchase decisions and price decisions in the Watch Business.

*1 A service that enables the customer to receive the item in advance when trading-in (exchanging) a camera that they own and purchasing a new item (launched in September 2014)

*2 The Company previously needed users to mail in a personal identity confirmation document (original certified copy of the resident's certificate) to authenticate their identity, but installation of a system capable of matching the user's face and image on an identification card allows authentication online (an ID and password are sufficient to complete the authentication procedure for second and subsequent purchases).

(4) Platform-type business model

The Company has built a platform-type business model to encourage continuous purchases by providing valuable information at each of the following stages: pre-purchase → time of purchase → post-purchase. Its strategy is to create a virtuous cycle of information about enjoying cameras (pre-purchase) → services to make purchases easier (time of purchase) → services to enjoy an item after purchasing (post-purchase), expand and invigorate its membership base by enlarging that cycle, and tie that to further results growth. For services at the time of purchase in particular, it incorporates one-to-one marketing by personalizing its EC website (including with wish lists, email notifications of product arrivals, and personal recommendations). It is also working on communicating via the Web magazine* and utilizing CGM to enhance information and cultivate fans, aiming to be Japan's largest portal website specializing in cameras. In the past few years, it has continued to evolve in its own way by harnessing AI to introduce unique features, such as AIMD and AI-driven content recommendations, and enhancing content creation features. The Company is strengthening its YouTube content and LINE communications, and in April 2023 established a new dedicated department. In January 2025, it established three new studios within the Company, and it has reinforced sales promotions for the EC business. In addition, for LINE, as a result of strengthening communications, the number of communications increased by 17 times. The Company is increasing touch points with customers to raise brand recognition and further promote sales growth.

* The Company distributes the Web magazine StockShot that brings together four types of content, and it has more than 1mn PV per month.

Results overview

In FY3/25, the Camera Business continued to steadily expand, driving growth in overall results

1. Overview of FY3/25 results

(1) Results summary

In the FY3/25 results, net sales increased 7.8% YoY to ¥52,658mn, operating profit rose 1.6% to ¥3,396mn, ordinary profit grew 0.7% to ¥3,368mn, and net income decreased 13.0% to ¥2,020mn. Excluding net income, the Company achieved higher revenue and profit, setting consecutive record-high results. However, net sales and profit at each level were below forecasts.

The mainstay Camera Business steadily expanded sales, centered on EC, and drove growth in overall results. With the market expanding to women and young people, enhancement of one-to-one marketing using AI, content centered on video distribution, and value enhancement initiatives for the point program contributed positively. In addition, sales of the successor to a popular model also provided a tailwind. At the same time, the Watch Business saw steady sales through July 2024, but starting in August, sales turned soft and fell below forecast due to the impacts of a decrease in inbound tourism associated with yen appreciation and short-term exchange rate fluctuations.

On the profit front, although SG&A expenses increased due to factors such as operating expenses related to strengthening systems and commission expenses linked to net sales, the Company secured increased operating profit by strengthening its earnings base through increased revenue. The results fell below forecasts mainly due to a decline in gross margin in the Camera Business due to a one-time factor*, and underperformance in the Watch Business in response to the impact of exchange rate fluctuations. The operating margin declined slightly to 6.5% (6.8% in FY3/24). In addition, net income was the only profit indicator to decrease. This decrease was due to an impairment loss on software assets (extraordinary loss).

* Due to temporary destabilization associated with the tuning of AIMD (already normalized)

With regard to its financial position, total assets increased by 12.6% compared to the end of the previous fiscal year to ¥18,088mn, reflecting an increase in cash and deposits, accumulation of merchandise inventory, the establishment of new studios to strengthen content, and the expansion of floor space for the BRILLER ladies' brand salon. In particular, merchandise inventory, a source of growth, was successfully secured, increasing by 7.6% YoY to ¥9,969mn. Equity increased by 23.0% to ¥10,167mn on an increase in internal reserves and other factors, so the equity ratio improved to 56.2% (51.5% at the end of the previous fiscal year). At the same time, interest-bearing debt went up by 4.4% to ¥4,494mn.

Summary of FY3/25 results

(¥mn)

	FY3/24		FY3/25		YoY	
	Result	%	Result	%	Amount	%
Net sales	48,841		52,658		3,816	7.8%
Camera	36,664	75.1%	41,237	78.3%	4,572	12.5%
Watch	10,974	22.5%	10,156	19.3%	-817	-7.5%
Stationery	433	0.9%	466	0.9%	33	7.7%
Bicycle	769	1.6%	797	1.5%	28	3.7%
Cost of sales	39,714	81.3%	42,805	81.3%	3,091	7.8%
Gross profit	9,127	18.7%	9,852	18.7%	725	7.9%
SG&A expenses	5,783	11.8%	6,455	12.3%	671	11.6%
Operating profit	3,343	6.8%	3,396	6.5%	53	1.6%
Camera	4,294	11.7%	4,559	11.1%	264	6.2%
Watch	444	4.0%	439	4.3%	-4	-1.0%
Stationery	62	14.3%	67	14.4%	5	8.1%
Bicycle	47	6.2%	19	2.5%	-27	-58.4%
Adjustment	-1,504	-	-1,688	-	-184	-
Ordinary profit	3,344	6.8%	3,368	6.4%	24	0.7%
Net income	2,322	4.8%	2,020	3.8%	-301	-13.0%
EC net sales	36,967	75.7%	40,638	77.2%	3,671	9.9%
Store net sales	11,874	24.3%	12,020	22.8%	145	1.2%

Note: For profits by segment, "%" is the ratio to that segment's net sales.
Source: Prepared by FISCO from the Company's financial results

Financial position at the end of FY3/25

(¥mn)

	End of FY3/24 Result	End of FY3/25 Result	Change
Current assets	13,961	15,733	1,771
Cash and deposits	1,321	1,733	412
Accounts receivable - trade	2,733	3,277	544
Merchandise	9,265	9,969	703
Non-current assets	2,101	2,355	254
Property, plant and equipment	290	559	269
Intangible assets	893	834	-58
Investments and other assets	917	961	44
Total assets	16,063	18,088	2,025
Current liabilities	5,979	6,270	290
Accounts payable - trade	1,463	1,521	57
Interest-bearing debt	2,549	2,950	400
Contract liabilities	333	422	88
Non-current liabilities	1,817	1,650	-166
Interest-bearing debt	1,754	1,543	-210
Net assets	8,266	10,168	1,901
Shareholders' equity	8,264	10,167	1,902
Total liabilities and net assets	16,063	18,088	2,025

Source: Prepared by FISCO from the Company's financial results

(2) Gross margin and SG&A expenses conditions

In FY3/25, the Company secured a gross margin (overall) of 18.7%, the same level as in FY3/24. This was attributable to steady growth in the highly profitable Camera Business through an improved mix, which offset factors such as a temporary decrease in the gross margin in the Camera Business. Regarding SG&A expenses, the SG&A expense ratio was 12.3% (11.8% in FY3/24), increasing slightly but continuing to remain at a low level. The slight increase reflected factors such as business outsourcing expenses for system investment, sales promotion expenses linked to net sales, and credit usage fees.

2. Results by business

(1) Camera Business (EC ratio: 84.6%)

Net sales increased by 12.5% YoY to ¥41,237mn, while segment profit went up by 6.2% to ¥4,559mn, as results steadily increased, led by EC. With the market expanding for demographics such as women and young people, results benefited from factors including one-to-one marketing using AI, specifically AIMD and AI-driven content recommendations, improved content centered on video streaming, and value enhancement of a newly launched point program*. Additionally, it appears that launching sales of a successor to a popular model served as a tailwind. With regard to YouTube content in particular, video production efficiency improved following the opening of three video studios within the Company, with continuing double-digit growth in the number of new viewers. Progress was also made on acquiring new viewers, including younger demographics. In addition, LINE communications grew by 17 times since strengthening measures in 2022. On the profit front, although there was a temporary decrease in the gross margin due to tuning of AIMD, revenue growth more than offset this impact, enabling the Company to maintain profit growth. As a result, the segment profit margin was 11.1%, with only a limited decrease from FY3/24 (11.7%).

* The system was revised to grant points even when customers use points to make purchases.

(2) Watch Business (EC ratio: 46.2%)

Net sales decreased 7.5% YoY to ¥10,156mn, and segment profit went down 1.0% to ¥439mn, so there were decreases in both revenue and profit. Market prices for high-end mechanical watches were relatively stable through July 2025, so the Watch Business results started off steadily. However, beginning in August, revenue decreased below forecast, due partly to a global decline in stock prices, a decrease in inbound tourism associated with the appreciating yen, and the impact of short-term exchange rate fluctuations. On the profit side, the Company continued to pursue profit-focused sales strategies, including those benefiting from the effect of AI support MD, but profit decreased as lower revenue weighed on earnings. The Company secured a segment profit ratio of 4.3% (4.0% in FY3/24), supported partly by strong performance through July.

(3) Stationery Business (EC ratio: 73.1%)

Net sales increased by 7.7% YoY to ¥466mn, while segment profit went up 8.1% to ¥67mn, so both revenue and profit increased. Sales were steady for both EC and stores, as sales and profit both achieved firm growth.

(4) Bicycle Business (EC ratio: 92.8%)

Net sales increased by 3.7% YoY to ¥797mn, and segment profit decreased 58.4% to ¥19mn, so revenue increased but profit decreased. Although duty-free sales decreased, EC net sales were strong, achieving double-digit growth. On the profit front, profits decreased as a result of higher mall usage fees stemming from the strengthening of strategic mall sales, including efforts to develop new customers.

3. Global expansion

As for cross-border EC, the Company has steadily established a structure for business expansion. In the Camera Business, it opened a Map Camera store in August 2017 on eBay, one of the world's largest online marketplaces. In the Watch Business, it opened a GMT store in May 2019 on Chrono24, a leading global luxury watches marketplace, and one on eBay in July 2020. In 2022, it introduced Buyee Connect*1, an overseas sales support service. The Company's emphasis on quality of service is also helping it to gain widespread brand recognition overseas. Notably, Map Camera received Seller of the Year at the eBay Japan Awards 2024*2, marking the third straight year of receiving this award granted to the seller with the best overall evaluation of sales, customer satisfaction, and other performance. In FY3/25, cross-border EC net sales grew 2.5% YoY to ¥3,368mn, helped partly by the expansion of the product lineup for Australia on eBay. Beginning in FY3/26, the Company also launched stores for the Canadian and German markets on eBay. With concerns mounting about the impact of U.S. tariff issues, the Company is looking to strengthen sales in Europe.

*1 A purchase support service for overseas customers provided by BeeCruise inc., a consolidated subsidiary of BEENOS Inc. <3328>
*2 An award granted to sellers in Japan that have achieved top sales, customer satisfaction, and other performance on the eBay site operated by eBay Japan Co., Ltd. In terms of customer satisfaction, the Company has received 99.9% positive feedback from approximately 320,000 responses.

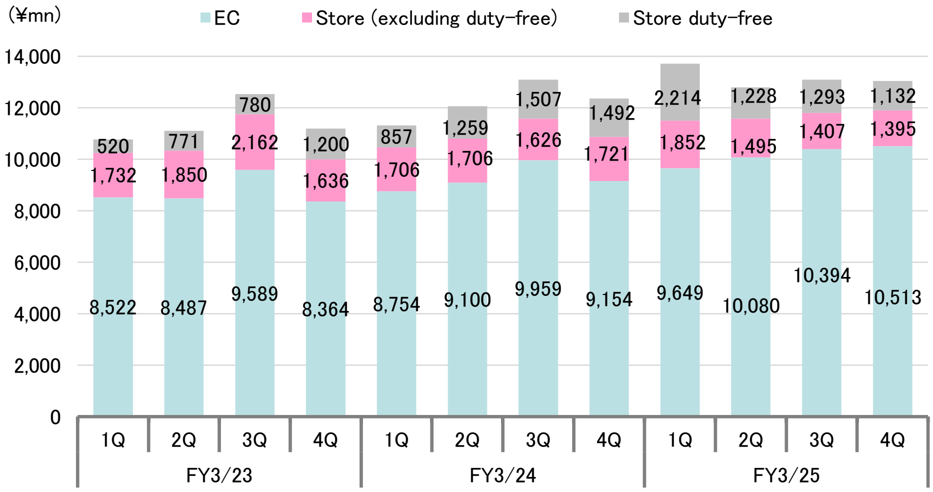
Progress is being made in capturing next-generation target segments: younger users and women

4. Trends in quarterly results and KPI

(1) Trends in quarterly results

In FY3/25, the Company made a strong start in 1Q, achieving a record-high performance level on a quarterly basis. However, from 2Q onward, the Watch Business turned soft due to factors such as the impact of the appreciating yen, leading to weak store sales (and duty-free sales). Meanwhile, EC net sales continued to expand steadily, led by the Camera Business, remaining above the ¥10.0bn mark for three consecutive quarters.

Trend in quarterly net sales



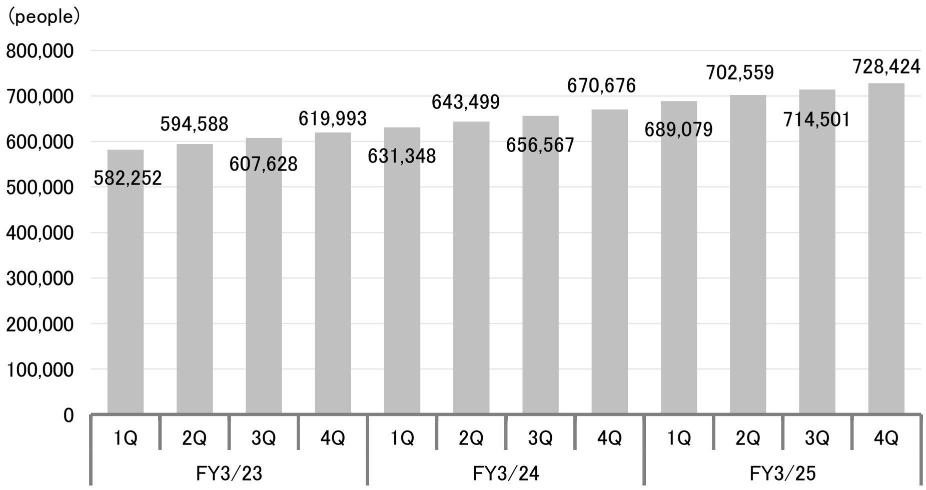
Source: Prepared by FISCO from the Company's results briefing materials

(2) Number of Web members

The number of Web members remained steady at 728,000 people at the end of FY3/25, up 57,000 people from the end of FY3/24. In addition to the spread of Instagram and other social media spurring more people to take up photography as an affordable, familiar hobby, this is likely because the Company's brand and websites it operates have gained increased recognition as its initiatives to strengthen EC so far are proving successful. Looking at the breakdown of Web members by generation, there is a wide range of age groups. However, 40% are aged 10 to 39, and the ratio of females within that is higher than for other age groups at 24%, making them a new target group*. Also, that the average use unit price is being maintained even though the percentage of younger Web members is increasing is a trend worth noting.

* Women also accounted for 23% of all new members in 4Q.

Quarterly trends in the number of Web members



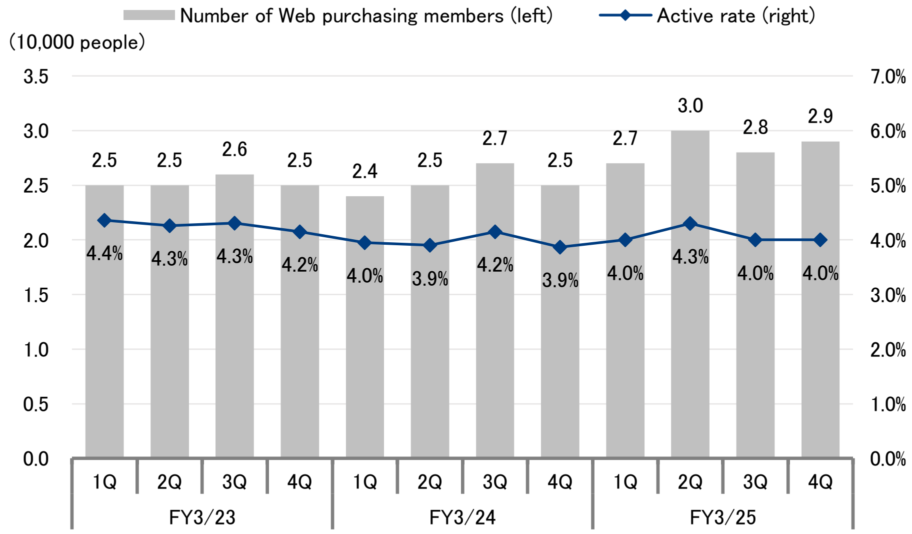
Source: Prepared by FISCO from the Company's results briefing materials

(3) Number of Web purchasing members and the active rate

Both the number of Web purchasing members and the active rate continue to trend strongly, along with a net increase in the number of new members. The number of registrations for wish lists*1 and email notifications of product arrivals*2 are also both growing steadily, and it seems that a factor for this is that these one-to-one marketing measures are maintaining a high active rate. In particular, the Company began providing product arrival notifications using LINE in addition to email and app notifications in May 2022, which resulted in a big increase in the number of communications*2. Further, combining one-to-one marketing, AIMD, and AI-driven content recommendations has also increased the number of requests sent out when registered products drop in price*3, which is contributing to the expansion of transaction opportunities. Moreover, with the Company having been focusing on enhancing content centered on video streaming, it has apparently been making progress in attracting viewers from the previously untapped younger demographic*4.

*1 The number of new registrations for wish lists has been trending at a monthly average of around 90,000 and had risen to approximately 2.60mn as of the end of March 2025.
*2 The number of new registrations for email notifications of product arrivals has been trending at a monthly average of around 7,000 and had risen to approximately 180,000 as of the end of March 2025.
*3 This combined with the aforementioned email notifications of product arrivals equates to a total of 15.73mn notifications on a quarterly basis, which thereby gives rise to information delivery capability and customer contact points equivalent to approximately 350 brick-and-mortar stores (the Company's estimate) in terms of number of customers visiting stores.
*4 The Company established the Content Creation Department to which it has assigned several professionals with practical experience in video production. In January 2025, it also newly established studios within the Company to further strengthen its YouTube content.

Trends in the number of Web purchasing members and the active rate

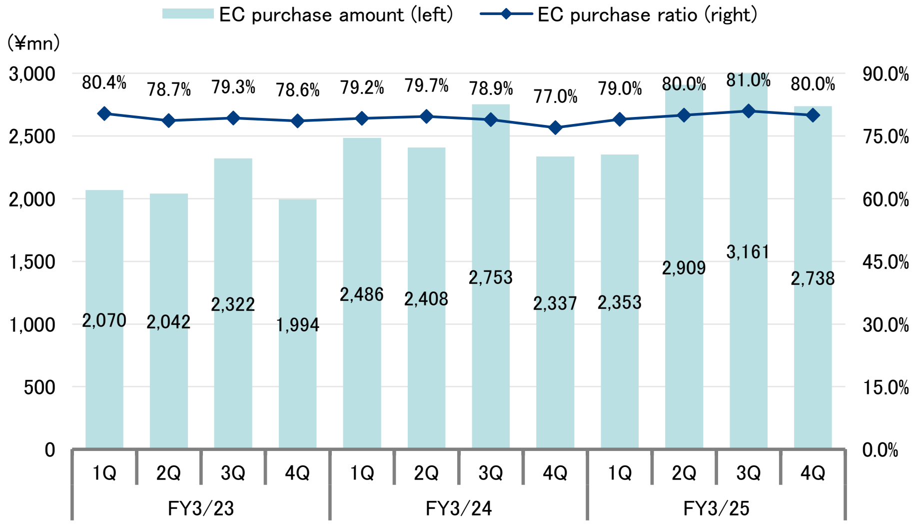


Source: Prepared by FISCO from the Company's results briefing materials

(4) Used cameras purchase amount

For the used cameras purchase amount also, the measures intended to strengthen EC, including introducing an AI facial authentication system, AIMD, and AI-driven content recommendations are proving successful, and the EC purchase ratio is trending at a level close to 80%. The receive-first, send-later service and the trade-in exchange service are also both performing well and these are contributing to the increase in the EC purchase ratio.

Trends in the EC purchase amount and the EC purchase ratio



Source: Prepared by FISCO from the Company's results briefing materials

5. Summary of FY3/25

Summing up FY3/25, due to the impact of yen appreciation from August 2024, the Watch Business has seen soft sales, but except for this, the mainstay Camera Business is seen to have steadily expanded overall, led by EC. The strong trend in each KPI can be viewed as evidence that the Company's business model has maintained a competitive edge. In particular, strengthening communications on LINE and enriching video content on YouTube have become new drivers (driving the creation of touch points), enabling the Company to capture next-generation target segments such as younger users and women. This is commendable from the perspective of ensuring the sustainability of the Company's business model. At the same time, in the Watch Business, which is highly susceptible to the impact of outside factors, results show once again its high volatility. That is to say, compared to cameras, whose enthusiasts have increased for the purpose of spending on experiences, purchase behavior for watches is partly speculative; purchases react sensitively to market conditions and asset effects, and even though the market is cooling off from a temporary bubble, speculative behavior remains to a certain extent. Having said this though, there has been no change in the fact that the market scale is over ¥1tn, that at its core are highly passionate enthusiasts and the presence of consumers with specific expectations for watches as fashion items, and that these consumers remain an attractive target for the Company. It could be said that the issue going forward is establishing a business model that generates stable earnings and its own unique positioning. In addition, with regard to activities, the Company has taken initiatives with an eye on the future, such as establishing new video content studios and enhancing the value of its point program.

Outlook

Revenue and profit growth trend expected to continue in FY3/26

1. FY3/26 forecasts

For FY3/26 results, the Company is projecting net sales to rise 4.3% YoY to ¥54,940mn, operating profit to increase by 0.6% to ¥3,417mn, ordinary profit to rise 0.6% to ¥3,387mn, and net income to increase 14.0% to ¥2,303mn. The outlook remains for a continued trend of revenue and profit growth.

Net sales are expected to continue growing in the Camera Business, led by EC. Meanwhile, the Company has adopted a conservative plan for the Watch Business, given that it is highly susceptible to the impact of market trends and exchange rates. On the profit front, while SG&A expenses are expected to increase due to factors such as increased personnel expenses associated with base salary increases and workforce expansion, the Company expects to secure higher operating profit, supported by earnings growth driven by the expansion of the Camera Business.

Outlook for FY3/26

(¥mn)

	FY3/25		FY3/26		YoY	
	Result	Ratio to net sales	Forecast	Ratio to net sales	Amount	%
Net sales	52,658		54,940		2,282	4.3%
Camera	41,237	78.3%	44,011	80.1%	2,774	6.7%
Watch	10,156	19.3%	9,651	17.6%	-505	-5.0%
Stationery	466	0.9%	480	0.9%	14	2.9%
Bicycle	797	1.5%	797	1.5%	0	0.0%
Gross profit	9,852	18.7%	10,431	19.0%	579	5.9%
SG&A expenses	6,455	12.3%	7,014	12.8%	559	8.7%
Operating profit	3,396	6.5%	3,417	6.2%	21	0.6%
Ordinary profit	3,368	6.4%	3,387	6.2%	19	0.6%
Net income	2,020	3.8%	2,303	4.2%	283	14.0%

Source: Prepared by FISCO from the Company's financial results and results briefing materials

2. FISCO's view

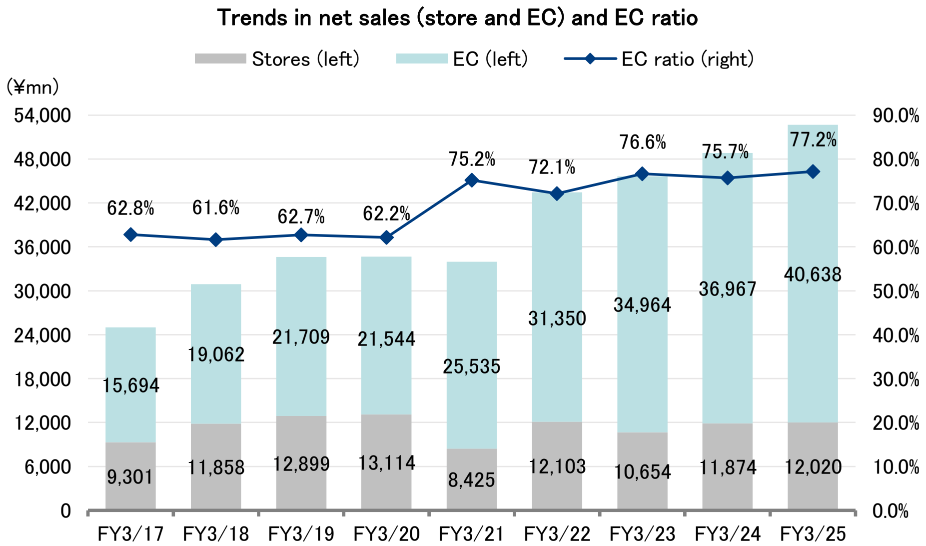
Although the impact of unstable economic conditions, including U.S. tariff issues, and exchange rate fluctuations continue to require caution, considering factors such as 1) conservative assumptions have been set based on negative factors and 2) KPIs in the Camera Business are performing strongly, we at FISCO believe that there is a sufficient possibility that full-year forecasts will be achieved. Naturally, in the Watch Business, whose sales have been soft, the factors behind changes in results will need to continue to be monitored. The Watch Business has always been susceptible to market conditions, exchange rates, and economic trends, and includes speculative behavior. The Company is repeatedly learning while addressing various outside factors and is in the process of evolving into a platform-type business model like the Camera Business by firmly capturing its core target. Accordingly, future initiatives will be watched closely from those perspectives.

Results trends up to the present time

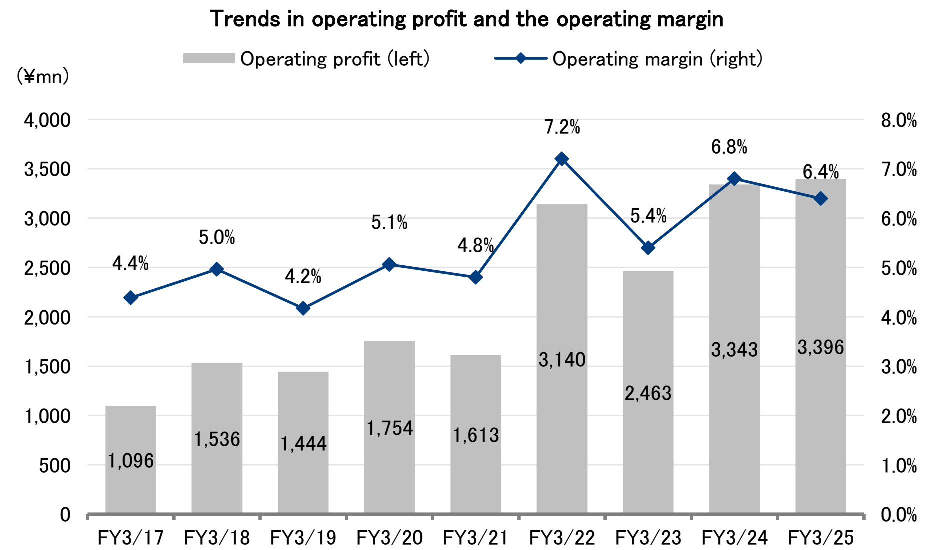
Realized upward growth through the increase in the number of Web members resulting from unique EC initiatives

Looking back at the Company's results through FY3/25, net sales have achieved steady growth along with an increase in Web members and growth in EC net sales. Although sales growth was sluggish for two consecutive fiscal years from FY3/20 onward due to the Company's focus on improving gross margins over sales growth, the impact of the consumption tax hike, and a drop in store sales due to COVID-19, in FY3/22, the Company achieved a significant increase in sales with the impact of a variety of EC measures (including the introduction of AIMD) and growth in the Watch Business resulting from strategic inventory investments. The average annual growth rate of EC net sales based on organic growth alone was 17% over the 12 years from FY3/13, when the Company went public, to FY3/25. Profits (operating profit) have also generally increased along with sales growth. While operating margin has been in the 4%–5% range for some time, the introduction of AIMD improved gross margins and helped curb SG&A expenses, resulting in a significant improvement in the profit margin in FY3/22. In FY3/23, there was a temporary slump in the Watch Business and the operating margin decreased to 5.4%. However, the operating margin recovered to the 6.8% level in FY3/24. That said, the Watch Business continues to experience somewhat unstable conditions, as it remains highly susceptible to external factors such as exchange rate fluctuations.

Results trends up to the present time

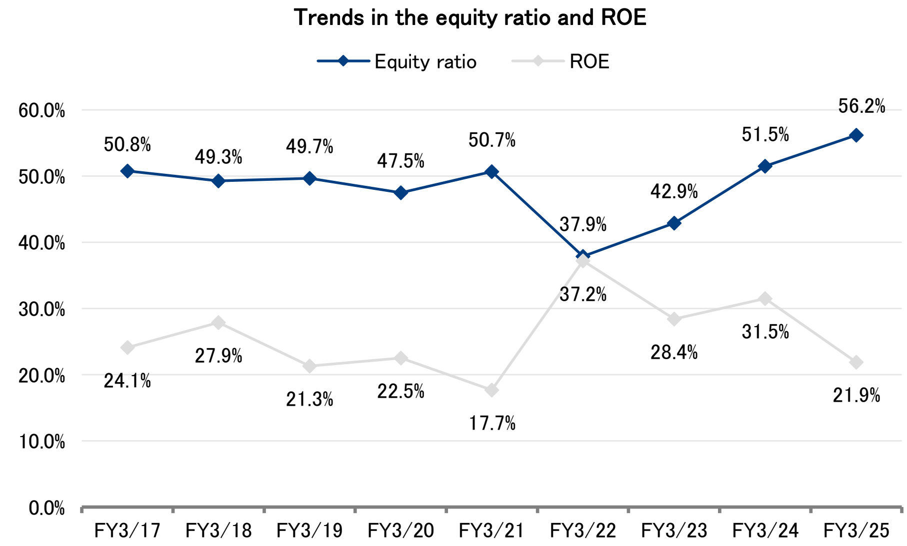


Source: Prepared by FISCO from the Company's financial results



Source: Prepared by FISCO from the Company's financial results

In terms of finances, the equity ratio has remained stable at the 50% level for some time. While it fell to 37.9% in FY3/22 due to the acquisition of treasury shares from the founder, it has remained above 50% since FY3/24. Meanwhile, ROE, an indicator of capital efficiency, has also remained at a high level. Even in FY3/25, which included a one-time factor (impairment loss on software assets), ROE exceeded 20%. The Company can be seen as maintaining a favorable financial position, with a well-balanced combination of financial stability and return on capital.



Source: Prepared by FISCO from the Company's financial results

Medium- to long-term growth strategy

Aiming to be an EIC company, continually leveraging cutting-edge technology

1. Vision

The Company aims to transform from an EC retailer to an EIC company, continually leveraging cutting-edge technology. It intends to further advance combining re-value with technology. In particular, it plans to enhance the precision of AIMD, AI-driven content recommendations, the AI facial authentication system, and AI support MD, which have been deployed in advance in the Camera Business. At the same time, the Company plans to promote the application of these technologies to the Watch Business and work to further refine its unique business model (platform) across both the Camera Business and the Watch Business. In addition, it will step up efforts to conduct system investments and human resource development (strengthen the organizational framework) to support these initiatives.

2. Announcement of medium-term management plan (rolling)

Each year, the Company updates its three-year medium-term management plan, and in May 2025, it announced a new medium-term management plan. In light of an uncertain market outlook, including the impacts of U.S. tariff issues and foreign exchange fluctuations, the Company conservatively revised its top-line growth forecast from the previous medium-term management plan. However, it continues to project double-digit growth in its core EC net sales, and that scenario remains unchanged. On the profit front, the Company is taking a conservative view of the impacts of highly uncertain market trends (particularly in the Watch Business). It will work to stabilize the gross margin and reduce procurement risk through the use of AI. The Company also intends to actively implement growth investments with an eye on the future (including merchandise inventory, AI use, system enhancements, human resources)*, and anticipates increased depreciation and personnel expenses as a result. For the final year of the plan (FY3/28), the Company is targeting net sales of ¥69,016mn (a three-year average annual growth rate of 9.4%) and operating profit of ¥4,415mn (an operating margin of 6.4%). It also aims to maintain an ROE of 30% or more.

> * As a leading initiative, the Company plans to invest approximately ¥1.5bn in replacing its core systems and data warehouses, which will serve as the foundation for future growth. The aim is to strengthen both front-end functions (platforms that support various technologies) based on big data and core functions (using AI for management analysis and marketing strategy).

Overview of the medium-term management plan (announced in May 2025)

(¥mn)

	FY3/25		FY3/26		FY3/27		FY3/28		Average annual growth rate
	Result	Ratio to net sales	Forecast	Ratio to net sales	Forecast	Ratio to net sales	Forecast	Ratio to net sales	
Net sales	52,658		54,940		61,487		69,016		9.4%
Camera	41,237	78.3%	44,011	80.1%	49,615	80.7%	56,060	81.2%	10.8%
Watch	10,156	19.3%	9,651	17.6%	10,423	17.0%	11,310	16.4%	3.7%
Stationery	466	0.9%	480	0.9%	537	0.9%	603	0.9%	9.0%
Bicycle	797	1.5%	797	1.5%	911	1.5%	1,014	1.5%	8.4%
Gross profit	9,852	18.7%	10,431	19.0%	11,363	18.5%	12,596	18.3%	8.5%
SG&A expenses	6,455	12.3%	7,014	12.8%	7,646	12.4%	8,180	11.9%	8.2%
Operating profit	3,396	6.5%	3,417	6.2%	3,717	6.0%	4,415	6.4%	9.1%
Ordinary profit	3,368	6.4%	3,387	6.2%	3,687	6.0%	4,385	6.4%	9.2%
Net income	2,020	3.8%	2,303	4.2%	2,507	4.1%	2,981	4.3%	13.9%
EC net sales	40,638	77.2%	45,314	82.5%	51,861	84.3%	59,390	86.1%	13.5%
Number of employees (people)	269		292		295		297		
Net sales per employee*	196		188		208		232		

* Annual net sales divided by the average number of employees at the beginning and end of each fiscal year (including dispatched and part-time workers)
Source: Prepared by FISCO from the Company's results briefing materials

3. Medium- to long-term focus points

We at FISCO think the Company's strategy of further boosting its presence in designated areas by using AI, pursuing various types of value, and emphasizing profit growth is reasonable. The Watch Business, with respect to which the Company has taken a strategic approach thus far, has been temporarily affected by unforeseen market fluctuations and yen appreciation. However, that could present an opportunity for the Company to come to a significant turning point in terms of differentiating itself from its competitors under a scenario where the Watch Business enhances precision of its business model by embracing the use of AI and other technologies, in a manner akin to the approach that has spurred progress of the Camera Business. Also, potential long-term upside drivers are full-fledged overseas activity, including M&A and business alliances, and creation of new income sources. Regarding overseas efforts, the Company has already carried out test marketing and increased its visibility centered on the Camera Business, and is steadily receiving positive feedback from customers through cross-border EC. If it can establish brand power and purchase formats overseas like it has in Japan, that is likely to become a new growth pillar. There is also potential for creation of further new income sources (such as the development of paid services that leverage its information capability and membership base and expanding into the media business). Keys to realizing that potential are the Company's ability to monetize a membership base with high loyalty and enhanced quality and quantity, and a format for gathering content information that is attractive to enthusiasts. In any case, the planned replacement of core systems and data warehouses in FY3/27 could mark a major turning point toward further evolution in the Company's business model, and the targeted direction and expected benefits will be watched closely.

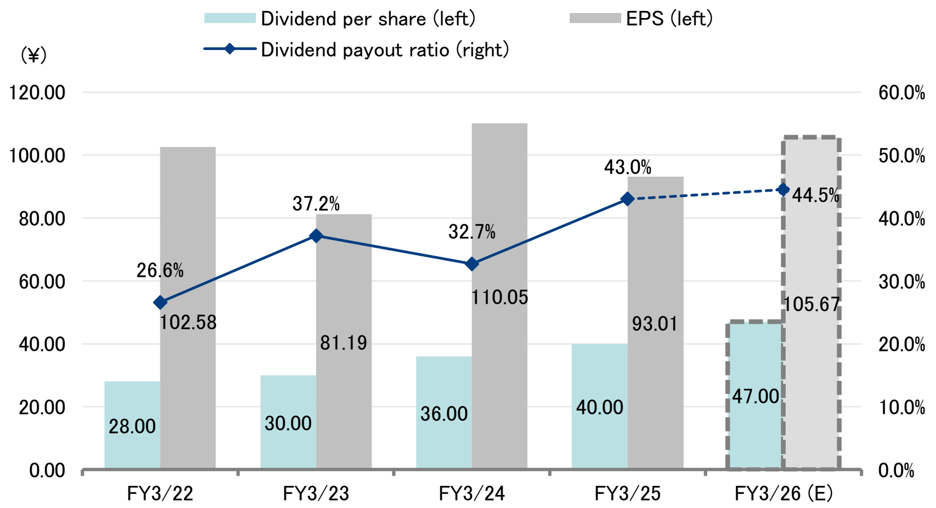
Shareholder return policy

Dividend payout ratio raised to 40% to 50%, with plans to increase the dividend for FY3/26 by ¥7 from the previous fiscal year

The Company sees shareholder returns as a management issue and has a basic policy of returning profits to shareholders through dividends. In May 2025, the Company announced a revision to its dividend standards. Previously, it had continuously paid a stable and ongoing dividend based on earnings growth with a dividend payout ratio of 25% to 35% as a standard. From FY3/26, the Company has significantly increased the dividend payout ratio to 40% to 50%.

For FY3/25, the Company paid a year-end dividend of ¥40.0 per share, an increase of ¥4.0 from the previous fiscal year (dividend payout ratio: 43.0%). For FY3/26, when the new dividend standards will be applied, the Company plans to pay a year-end dividend of ¥47.0 per share, an increase of ¥7.0 from FY3/25 (dividend payout ratio: 44.5%). If realized, that would mark the fifth straight year of dividend growth.

Trends in EPS, dividend per share, and dividend payout ratio



Source: Prepared by FISCO from the Company's financial results

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