COMPANY RESEARCH AND ANALYSIS REPORT

Syuppin Co., Ltd.

3179

Tokyo Stock Exchange Prime Market

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FISCO Ltd. Analyst

Ikuo Shibata

FISCO Ltd.

https://www.fisco.co.jp

Contents

Summary

In 1H FY3/26, net sales and profits declined due to various external factors. Aiming for a rebound in 2H

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 1H FY3/26 results

In 1H FY3/26, net sales decreased 7.9% year on year (YoY) to ¥24,424mn, and operating profit decreased 53.5% to ¥939mn, resulting in declines in both net sales and profits; net sales and profits at all levels fell short of the initial forecasts. Both core businesses, the Camera Business and Watch Business, were sluggish due to external factors. In the Camera Business, EC net sales were generally solid, but the absence of new product launches led to a downturn, with factors such as a reactionary decline from the prior-year period and stagnation in the replacement cycle. In the Watch Business, a temporary slowdown caused by US tariff policy, a decline in duty-free net sales due to rapid yen appreciation, and delays in lineup expansion weighed on results. On the profit and loss side, in addition to lower revenue from decreased net sales, a significant drop in profit was driven by increases in SG&A expenses, including sales promotion expenses, personnel expenses, and shipping expenses related to cross-border EC.

2. FY3/26 forecasts

For FY3/26 results, the Company revised down its full-year forecasts, taking into account the sluggish performance in 1H. It expects net sales to decline 1.8% YoY to ¥51,699mn and operating profit to decline 26.8% to ¥2,486mn, resulting in lower net sales and profits. For 2H, assumptions include revitalization of the replacement cycle through new product launches (Camera Business), and the effect of lineup expansion following completion of inventory refresh (Watch Business). In particular, demand is expected to be stimulated in 2H by the year-end shopping season and toward the fiscal year-end, and the Company intends to capture these demands to drive a rebound. Meanwhile, for FY3/26, the year-end dividend is unchanged from the initial forecast, with a planned dividend of ¥47.0 per share, an increase of ¥7.0.

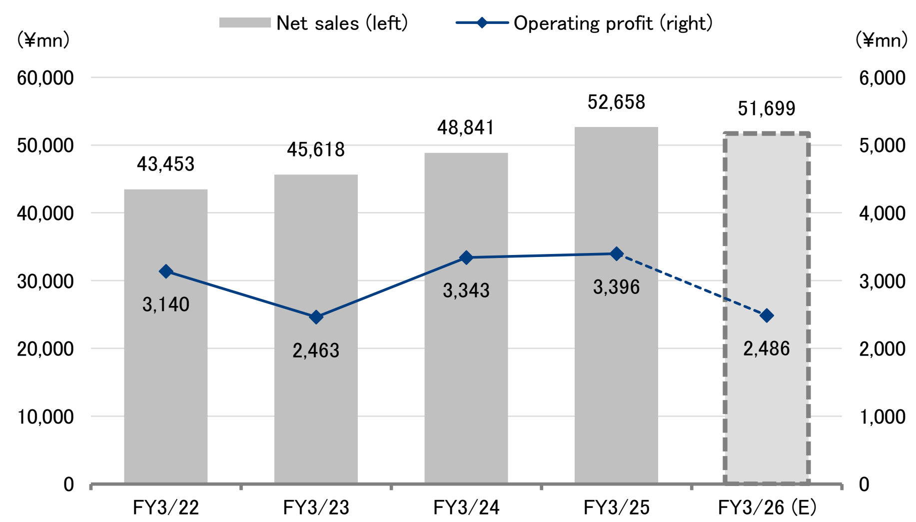
3. Strategy for future growth

Each year, the Company updates its three-year medium-term management plan, and in May 2025, it announced a new medium-term management plan. Although the FY3/26 earnings forecast was revised downward this time, there is no change in future direction, and it is scheduled to be updated in May 2026. EC net sales in the Camera Business are expected to continue posting high 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. As medium- to long-term targets, the Company aims for an ordinary profit margin of 8% or higher and ROE of 30% or higher.

Key Points

- In 1H FY3/26, both the Camera Business and Watch Business declined due to external factors, resulting in lower net sales and profits
- Despite the FY3/26 full-year forecast being revised downward, the Company aims for a rebound in 2H
- The FY3/26 year-end dividend is unchanged from the initial forecast, with a planned dividend of ¥47.0 per share, up ¥7.0 YoY
- Under the medium-term management plan, the Camera Business will continue to drive performance. Policy to grow the Watch Business into the second pillar

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 cumulative number of Web members has exceeded 756,000 (as of the end of September 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 (as of the end of October 2025). 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. However, for the Bicycle Business, taking into account poor performance and market conditions, the Company plans to fully withdraw by the end of March 2026 (the EC site and physical stores were closed as of the end of October 2025).

The Company is expanding globally through cross-border EC, and 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 May 2025, the Company launched on eBay for Canada and Germany, and in October, for the UK.

*1 A purchase support service for overseas customers provided by BeeCruise inc., a consolidated subsidiary of BEENOS Inc.
*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.

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, cumulative number of Web members have grown to over 756,000 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 87.6% as of the end of September 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 they are often 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 has strengthened 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 28 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 1H FY3/26, both the Camera Business and Watch Business declined due to various external factors, resulting in lower net sales and profits

1. Overview of 1H FY3/26 financial results

(1) Results summary

In 1H FY3/26, net sales decreased 7.9% YoY to ¥24,424mn, operating profit decreased 53.5% to ¥939mn, ordinary profit decreased 54.0% to ¥922mn, and net income decreased 55.1% to ¥613mn, resulting in lower net sales and profits; net sales and profits at all levels fell short of the initial forecasts.

Net sales declined as both core businesses, the Camera Business and Watch Business, being sluggish. In the Camera Business, EC net sales were generally solid, but the absence of new product launches (a reactionary decline following a major new product launch in the prior-year period and stagnation in the replacement cycle) and a decline in duty-free net sales were factors behind the downturn. In the Watch Business, a temporary slowdown caused by US tariff policy, a decline in duty-free net sales due to rapid yen appreciation, and delays in lineup expansion weighed on results.

On the profit and loss side, in addition to the drag from lower net sales, there was a sharp decline in profit due to increases in SG&A expenses, including sales promotion expenses (raising trade-in prices and shareholder benefits), personnel expenses (base pay increases), and shipping expenses related to cross-border EC. The operating margin declined slightly to 3.8% (7.6% in prior-year period).

As for the financial position, total assets shrank 4.1% compared with the previous fiscal year-end to ¥17,354mn, due to a decrease in accounts receivable from lower net sales and a reduction in inventories accompanying strengthened sales. Meanwhile, equity decreased 7.3% compared with the previous fiscal year-end to ¥9,430mn, as dividend payments (cash outflow) exceeded the accumulation of retained earnings. As a result, the equity ratio also declined slightly to 54.3% (56.2% at the end of the previous fiscal year).

Overview of 1H FY3/26 financial results

(¥mn)

	1H FY3/25		1H FY3/26		YoY	
	Result	%	Result	%	Amount	%
Net sales	26,521		24,424		-2,097	-7.9%
Camera	20,412	77.0%	19,661	80.5%	-750	-3.7%
Watch	5,450	20.5%	4,269	17.5%	-1,181	-21.7%
Stationery	236	0.9%	229	0.9%	-7	-3.2%
Bicycle	421	1.6%	263	1.1%	-157	-37.4%
Cost of sales	21,419	80.8%	19,967	81.8%	-1,451	-6.8%
Gross profit	5,102	19.2%	4,456	18.2%	-646	-12.7%
SG&A expenses	3,081	11.6%	3,516	14.4%	434	14.1%
Operating profit	2,020	7.6%	939	3.8%	-1,080	-53.5%
Camera	2,493	12.2%	1,911	9.7%	-582	-23.4%
Watch	289	5.3%	3	0.1%	-285	-98.6%
Stationery	39	16.7%	28	12.5%	-10	-27.6%
Bicycle	14	3.3%	-30	-	-44	-
Adjustment	-816	-	-974	-	-157	-
Ordinary profit	2,003	7.6%	922	3.8%	-1,081	-54.0%
Net income	1,365	5.1%	613	2.5%	-752	-55.1%
EC net sales	19,730	74.4%	19,623	80.3%	-106	-0.5%
Store net sales	6,791	25.6%	4,800	19.7%	-1,990	-29.3%

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

Financial position at the end of 1H FY3/26

(¥mn)

	End of FY3/25	End of 1H FY3/26	Change
Current assets	15,733	14,491	-1,242
Cash and deposits	1,733	1,748	14
Accounts receivable - trade	3,277	2,710	-567
Merchandise	9,969	9,385	-584
Non-current assets	2,355	2,863	507
Property, plant and equipment	559	523	-36
Intangible assets	834	1,271	436
Investments and other assets	961	1,068	107
Total assets	18,088	17,354	-734
Current liabilities	6,270	6,019	-250
Accounts payable - trade	1,521	1,593	72
Interest-bearing debt	2,950	2,725	-225
Contract liabilities	422	444	22
Non-current liabilities	1,650	1,905	254
Interest-bearing debt	1,543	1,804	261
Total assets	10,168	9,430	-738
Shareholders' equity	10,167	9,430	-737
Total liabilities and net assets	18,088	17,354	-734

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

(2) Gross margin and SG&A expenses conditions

The overall gross margin in 1H FY3/26 came to 18.2% due to the absence of new product launches in the Camera Business and revisions to selling prices aimed at inventory turnover in the Watch Business, falling below the strong level of the prior-year period (19.2%). In addition, for SG&A expenses, outsourcing costs related to the core system scheduled for completion during the period remained elevated, and increases in sales promotion expenses (such as higher trade-in prices and shareholder benefits), personnel expenses (base pay increases), and shipping expenses related to cross-border EC also pushed up the SG&A ratio to 14.4% (11.6% in the prior-year period).

2. Results by business

(1) Camera Business (EC ratio: 87.3%)

Net sales decreased 3.7% YoY to ¥19,661mn, and segment profit went down 23.4% to ¥1,911mn, resulting in decreases in both revenue and profit. EC net sales were firm, rising 1.5% to ¥17,168mn, driven by growth in Web members and the effects of various initiatives. However, the lack of flagship new product launches by manufacturers (leading to a pullback and a pause in replacement cycles) and a decline in tax-free net sales caused both new and used items to underperform expectations. On the profit front, earnings also declined due to lower net sales and higher SG&A expenses, and the segment margin fell to 9.7% (12.2% in the prior-year period).

(2) Watch Business (EC ratio: 48.0%)

Net sales decreased 21.7% YoY to ¥4,269mn, and segment profit went down 98.6% to ¥3mn, resulting in decreases in both revenue and profit. Tax-free net sales slumped sharply due to a temporary stagnation stemming from US tariff policy and the impact of rapid yen appreciation. Although domestic market prices were stable, procurement (supply) of high-priced products failed to keep up, preventing sufficient lineup expansion, which also weighed on results. On the profit side, revisions to selling prices aimed at inventory turnover and higher SG&A expenses squeezed profit, and the segment margin dropped significantly to 0.1%.

(3) Stationery Business (EC ratio: 70.3%)

Net sales decreased 3.2% YoY to ¥229mn, and segment profit went down 27.6% to ¥28mn, resulting in decreases in both revenue and profit. While net sales remained roughly on par with the prior-year period, higher costs from store relocations and base pay increases led to lower earnings.

(4) Bicycle Business (EC ratio: 92.4%)

Net sales decreased 37.4% YoY to ¥263mn, and the segment posted a loss of 30mn (vs. a profit of ¥14mn in the prior-year period). Toward the end-October 2025 closure of the EC site and physical stores, the Company worked on planned inventory sell-through.

3. Global expansion

Cross-border EC net sales in 1H FY3/26 were ¥1,475mn, down 12.7% YoY, but looking at just 2Q, it exceeded the prior-year period as the effects of US tariff policy ran their course. In May 2025, the Company launched stores on eBay for Canada and Germany, and in October for the UK, and is strengthening sales in Europe, partly to mitigate risks from US tariff policy.

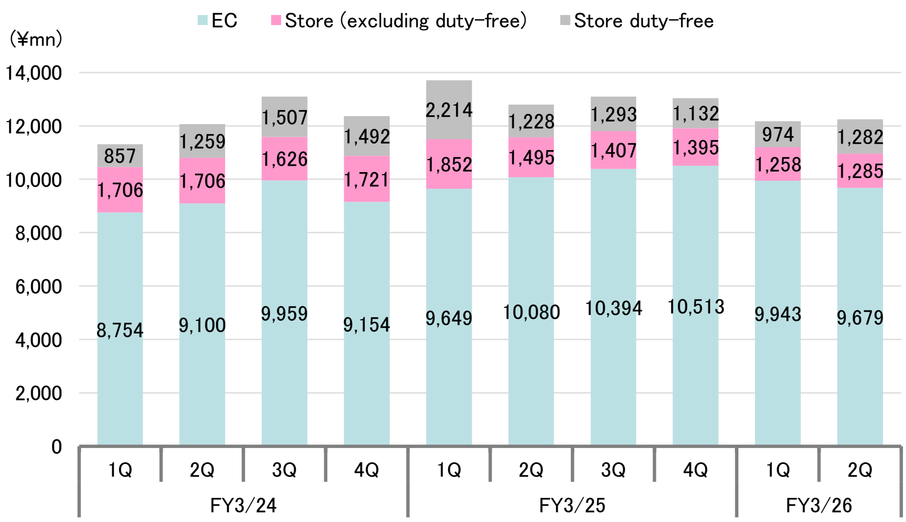
Progress is being made in capturing next-generation target segments: younger users and women

4. Trends in quarterly results and KPI

(1) Trends in quarterly results

In 1H FY3/26, 1Q fell well below the prior-year period, which had been a record high, due to a decline in tax-free net sales accompanying yen appreciation and sluggish store sales; in 2Q, EC sales also stagnated because there were no new product launches in the Camera Business and lineup expansion lagged in the Watch Business.

Trend in quarterly net sales

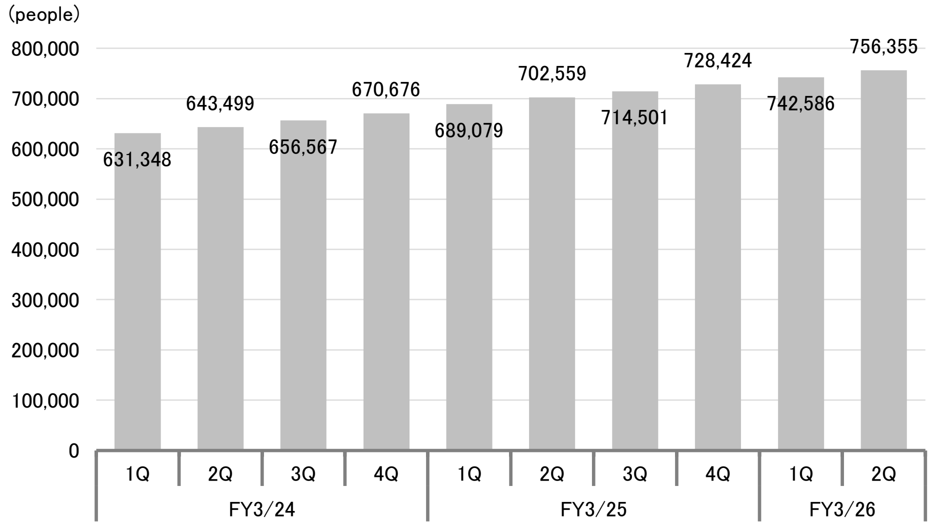


Source: Prepared by FISCO from the Company's results briefing materials

(2) Number of Web members

The cumulative number of Web members increased steadily to 756,000 people as of the end of September 2025, up 28,000 people from the end of the previous fiscal year. 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.

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. Enhancements to the points program introduced in FY3/25 are contributing, and the number of items registered on wish lists*1 and email notifications of product arrivals*2 are also growing steadily; these one-to-one marketing measures are helping keep activity rates at a high level. 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. Further, combining one-to-one marketing, AIMD, and AI-driven content recommendations has also increased the number of requests*3 sent out when registered products drop in price, 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.

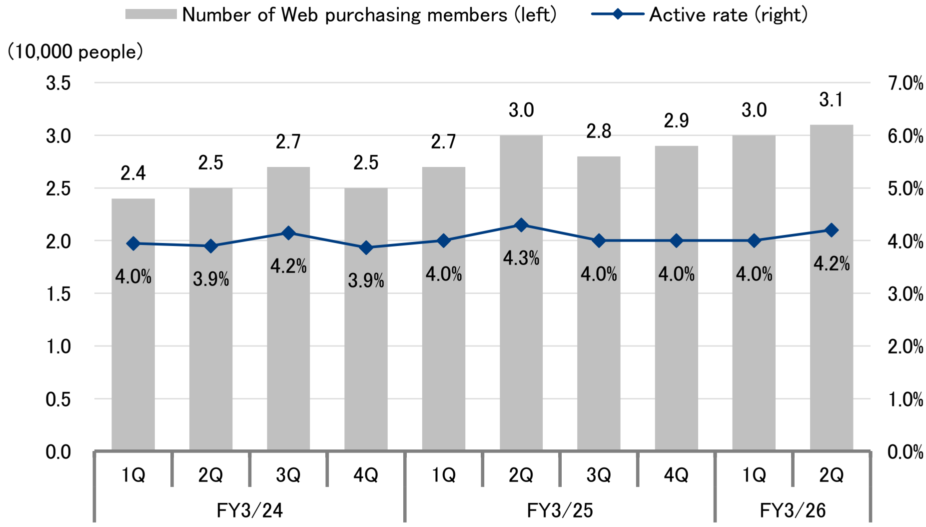
*1 The number of new registrations for wish lists has been trending at a monthly average of around 76,000 and had risen to approximately 2.77mn as of the end of September 2025.

*2 The number of new registrations for email notifications of product arrivals has been trending at a monthly average of around 7,500 and had risen to approximately 196,000 as of the end of September 2025.

*3 This combined with the aforementioned email notifications of product arrivals equates to a total of 24.51mn notifications on a quarterly basis, which thereby gives rise to information delivery capability and customer contact points equivalent to approximately 545 brick-and-mortar stores (the Company's estimate) in terms of number of customers visiting stores.

*4 In January 2025, the Company established studios within the Company to further strengthen its YouTube content. In October 2025, the Company launched the Map Camera SHOWCASE CHANNEL as product introduction videos, and at GMT, it also launched SHOWCASE VIDEO in June 2025.

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

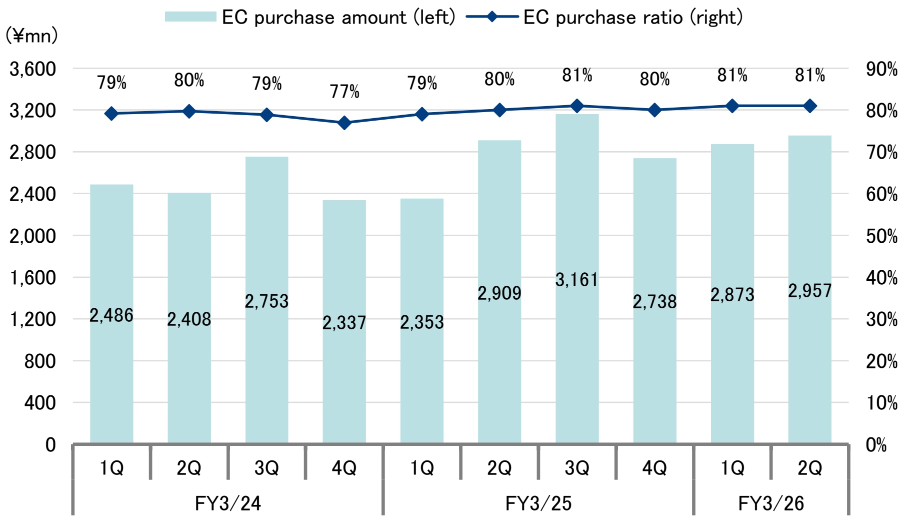


Source: Prepared by FISCO from the Company's results briefing materials

(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 1H FY3/26

In summing up 1H FY3/26, how to assess the underperformance in the core Camera Business and Watch Business emerged as the key issue for gauging the outlook. That said, a level-headed assessment of the causes is necessary. We at FISCO believe the sharp underperformance was driven by a confluence of transitory external factors—1) no new product launches, 2) US tariff policy, and 3) rapid yen appreciation—and does not indicate any change in the competitiveness or advantages of the Company's business model itself, nor a structural shift in market conditions. The fact that EC sales in the Camera Business, including KPIs, have been firm thanks to the effects of various measures even amid a tough external environment could be considered evidence of this. That said, clearly a shift to a business model less susceptible to external factors is a challenge going forward. In particular, compared with the Camera Business, the Watch Business, whose business model is not yet fully established, is more vulnerable to market conditions and currency fluctuations due to market characteristics, and addressing this will be a major theme going forward. The Company intends to absorb inherent business-specific risks by securing margins through scale expansion and accelerating inventory turnover, and FISCO also believes this is an achievable challenge precisely because the Company's business model can fully leverage economies of scale through EC and AI utilization. While continuing trial and error, if the Company can bring innovation to the industry and establish a unique positioning—particularly in the affluent market centered on high-priced, highly scarce products— as it did in the Camera Business, significant profits can be expected. In terms of activities, the Company also achieved certain results in initiatives to raise the media value of its own EC site, such as launching product introduction videos (including an archive of valuable product videos) and expanding cross-border EC (entry into Europe).

Outlook

Although revising down the FY3/26 full-year forecast, the Company aims for a rebound in 2H

1. FY3/26 forecasts

For FY3/26 results, the Company revised down its full-year forecasts, taking into account the sluggish performance in 1H. Net sales are expected to decline 1.8% YoY to ¥51,699mn (revised downward by ¥3,241mn), operating profit to decrease 26.8% to ¥2,486mn (revised downward by ¥931mn), ordinary profit to decline 27.2% to ¥2,453mn (revised downward by ¥933mn), and net income to decrease 19.0% to ¥1,637mn (revised downward by ¥665mn), implying lower revenue and profit.

As assumptions for 2H results, the Company expects revitalization of the replacement cycle from new product launches in the Camera Business and lineup expansion effects accompanying completion of the product inventory refresh in the Watch Business. In particular, 2H can be expected to see demand stimulation toward the year-end shopping season and the fiscal year-end, and the Company intends to put in place a structure to firmly capture demand and stage a comeback.

Outlook for FY3/26

(¥mn)

	FY3/25		FY3/26				YoY	
	Result	Ratio to net sales	Initial forecast	Ratio to net sales	Revised forecast	Ratio to net sales	Amount	%
Net sales	52,658		54,940		51,699		-959	-1.8%
Operating profit	3,396	6.5%	3,417	6.2%	2,486	4.8%	-910	-26.8%
Ordinary profit	3,368	6.4%	3,387	6.2%	2,453	4.7%	-915	-27.2%
Net income	2,020	3.8%	2,303	4.2%	1,637	3.2%	-383	-19.0%

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

2. FISCO's view

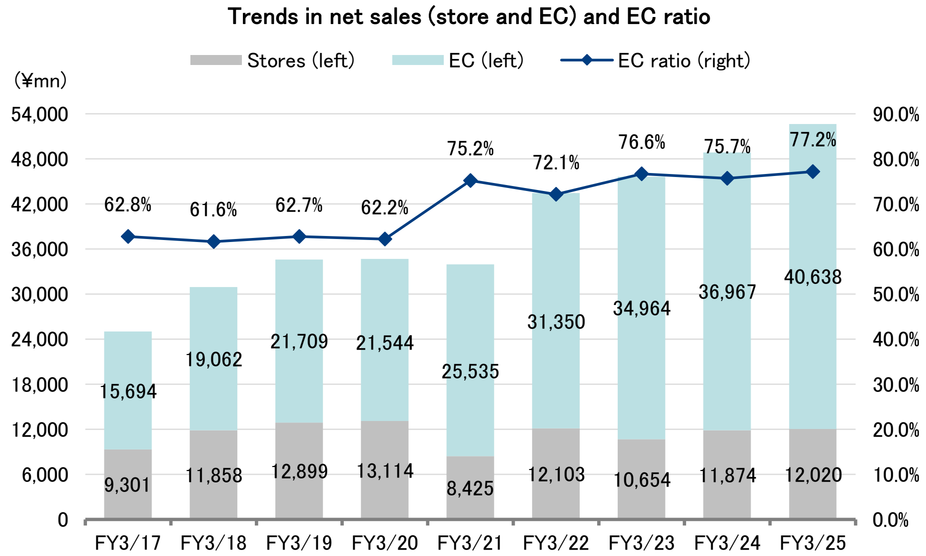
To achieve the revised full-year earnings forecast, 2H net sales of ¥27,274mn and operating profit of ¥1,546mn will be required, and given the slump in interim results, this appears somewhat aggressive. While external factors such as an unstable economic environment and exchange rate fluctuations continue to warrant caution, We at FISCO judge that if the various conditions underpinning the 2H outlook (revival of the replacement cycle and lineup expansion effects, etc.) materialize, achieving the full-year earnings forecast will come well into view. In particular, in respect to the Watch Business, the Company is in the process of evolving it into a platform-type business model like the Camera Business by firmly capturing its core target segment while repeatedly learning and adapting to various external factors. We will be watching future developments closely from that perspective.

Results trends up to the present

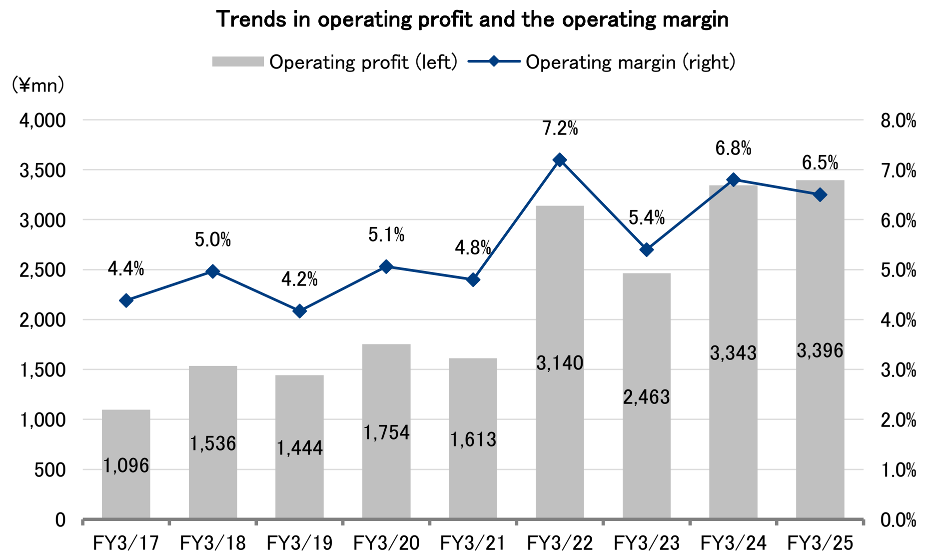
Realized upward growth through the increase in the number of Web members resulting from unique EC initiatives

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

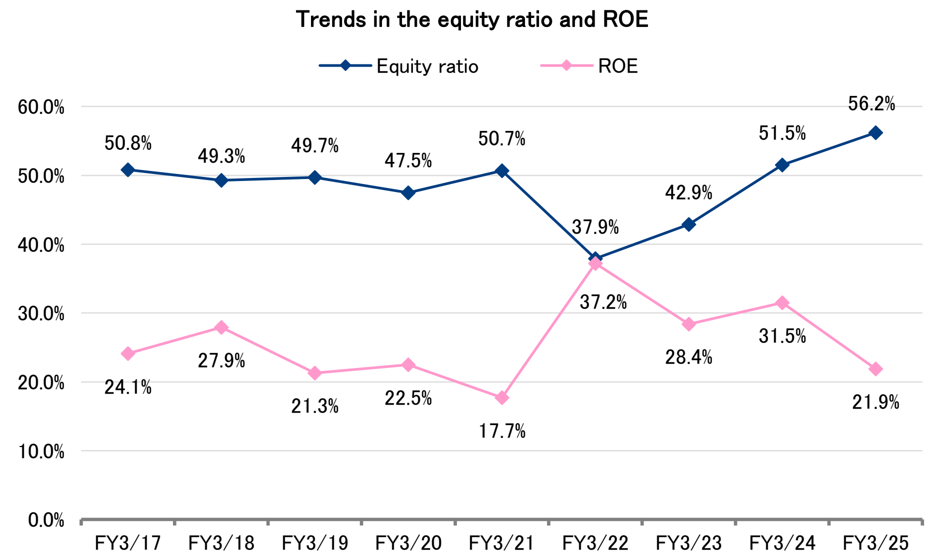


Source: Prepared by FISCO from the Company's financial results



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

Under the medium-term management plan, the Camera Business continues to drive results. Policy to grow the Watch Business into the second pillar

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, and the AI facial authentication system, 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. Direction 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. Although the earnings forecast for FY3/26 was revised downward, there is no change in the future direction, and an updated plan will be issued in May 2026. Going forward, the core EC net sales are planned to maintain high growth, and the Company will also work to strengthen cross-border EC. 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. As medium- to long-term targets, it aims for an ordinary profit margin of 8% or higher and ROE of 30% or higher.

> * 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).

3. Growth strategy

(1) Expansion of share in the Camera Business

In the digital camera market, against a backdrop such as the growing popularity of social media and content creation, the number of frequent users (enthusiasts) is expected to expand, along with increased demand (including a shift) toward superior digital imaging equipment. At the Company, to lock in new and existing customers, it plans to invigorate the Syuppin point program (establish a Syuppin market area) and develop services utilizing AI and technology (raise activity rates), and, by promoting a new worldview*, also work to capture share in new markets.

> * As part of that effort, it has been holding the special event TOP NOTCH, themed "Camera is Fashion," since March 2025. At its second event (September 2025), the Company staged a fashion show themed "Fusion," and worked to acquire customers from the apparel market through social media sharing from the venue.

(2) Growth strategy for the Watch Business

As the global pre-owned luxury watch market is expected to expand, the simultaneous advance of EC and the rising proportion of affluent consumers are clear tailwinds for the Company, which intends to thoroughly sow the seeds for the coming blue ocean and grow the business into the second pillar. In particular, by leveraging its success stories in the Camera Business (such as creating abundant articles and video contents), enhancing a lineup centered on high-price, high-scarcity products, and deploying SR/CRM initiatives for affluent customers, the Company will establish a unique positioning and aim to be No. 1 in luxury mechanical watches in EC.

(3) Strengthening overseas business

To cultivate a new pillar, the Company will also work to strengthen cross-border EC. First, it will set buyer ratings (feedback on eBay, etc.) as the primary KPI and, by maintaining high quality, aim to build strong brand power and expand sales. It also plans to build overseas buying operations through M&A of local companies. Once on track, this has the potential to expand the overseas business by rolling out the successful model from Japan.

(4) Leveraging the new core system

By leveraging the new core system and data warehouse scheduled for completion during FY3/27, the Company intends to evolve from "One to One" to "One to Me." Specifically, it will open a public Customer My Page (opt-in setting) and further strengthen CGM, providing a venue for communication among customers. By also enabling customer-to-customer transactions (with the Company mediating to provide safety and security), it will activate the platform and secure new revenue opportunities (such as brokerage fees). It also aims to deliver a new purchasing experience on its EC site by leveraging the latest AGI technologies*.

* An abbreviation of artificial general intelligence, which, unlike conventional AI specialized for specific tasks, possesses general-purpose capabilities that can respond with creativity and flexibility.

4. 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 launch of core systems and data warehouses next fiscal year (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.

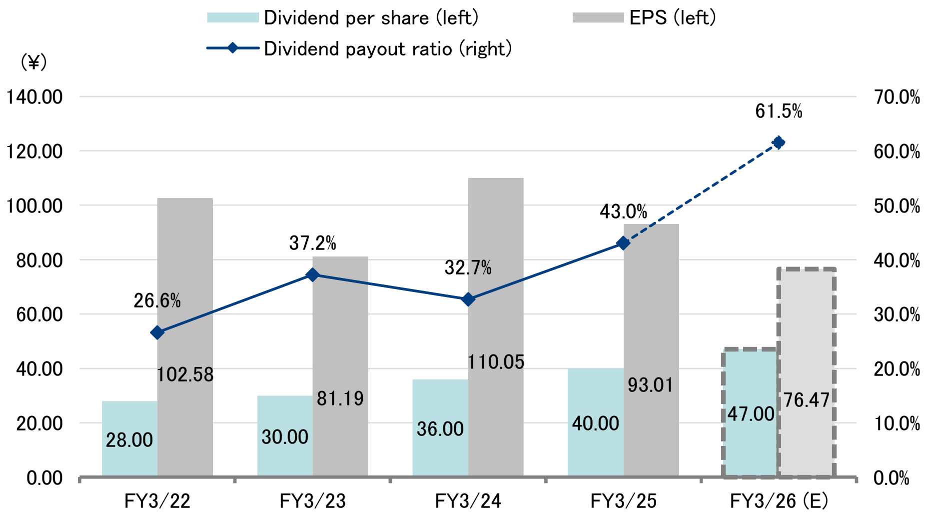
Shareholder return policy

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. With the announcement of revision to the dividend standards in May 2025, the Company has significantly increased the dividend payout ratio to 40% to 50% from the previous policy of continuously paying a stable and ongoing dividend based on earnings growth with a dividend payout ratio of 25% to 35% as a standard.

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. If realized, that would mark the fifth straight year of dividend growth. Despite the downward revision to the earnings forecast, keeping the dividend forecast unchanged can be regarded as reflecting both the view that this earnings downturn is temporary and a shareholder-focused stance.

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



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FISCO

Disclaimer

■ For inquiries, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: support@fisco.co.jp