COMPANY RESEARCH AND ANALYSIS REPORT

Syuppin Co., Ltd.

3179

Tokyo Stock Exchange Prime Market

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Summary

Net sales and profits declined in FY3/26. Business growth is forecast for FY3/27

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" as a long-term vision, the Company has set a course to further advance combining re-value and 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 FY3/26 results

In FY3/26, net sales decreased 1.4% year on year (YoY) to ¥51,924mn and operating profit decreased 25.3% to ¥2,537mn. Net sales experienced a slight decline for the full fiscal year due to the late start in the Camera Business and Watch Business in 1H. The Camera Business was impacted by a slow start up through 2Q, when there were no new product releases from manufacturers. Meanwhile, the Watch Business surpassed the previous fiscal year as sales promotion measures proved effective—including reviews of selling prices aimed at improving inventory liquidity—despite seeing a temporary stagnation at the beginning of the fiscal year. On the profit and loss side, in addition to the downward pressure on earnings from lower net sales, profit declined substantially due to increases in sales promotion expenses and personnel expenses, among other factors.

2. FY3/27 forecasts

For FY3/27, the Company forecasts higher revenue and profit, with net sales up 6.1% YoY to ¥55,098mn and operating profit up 8.5% to ¥2,754mn. Net sales are expected to grow in each business, centered on EC sales. On the profit and loss side, although there will be a higher amortization burden accompanying the replacement of the core system, profit will rise due to the boost in earnings from higher net sales, as well as improvements in gross profit from the effects of inventory replacement (Watch Business) and other factors, with the operating margin also improving to 5.0% (4.9% in FY3/26). For the year-end dividend, the Company plans to pay ¥40 per share (dividend payout ratio of 45.9%), based on its basic policy of a 40%–50% dividend payout ratio.

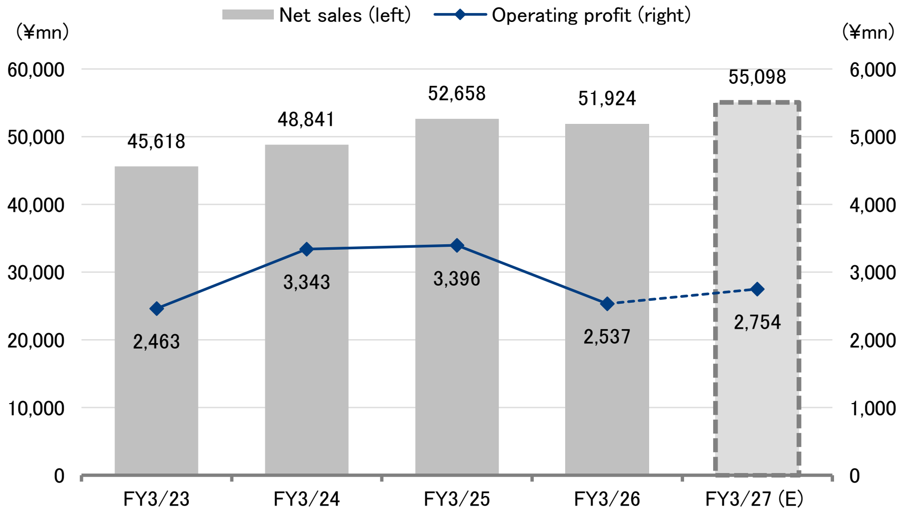
3. Strategy for future growth

Each year, the Company updates its three-year medium-term management plan, and in May 2026, it announced a new medium-term management plan. Positioning this as a phase for accumulating profit toward the realization of its long-term vision, the Company is pursuing three growth strategies: 1) steady growth of the Camera Business, 2) strengthening the Watch Business, and 3) strengthening the overseas business (cross-border EC). In particular, the scenario entails stably generating profit in the Camera Business while allocating management resources to the Watch Business, where higher growth is anticipated, in order to develop it into a second pillar. For the final year (FY3/29), the Company has set targets of ¥63,300mn in net sales (three-year average growth rate of 6.8%) and ¥3,700mn in operating profit (operating margin of 5.9%), while aiming for an ROE of 20.0%. Additionally, the Company is targeting an ROE of 30% or higher as a medium- to long-term goal.

Key Points

- FY3/26: Lower revenue and profit as the 1H underperformance in the Camera Business and Watch Business could not be recovered
- FY3/27: Outlook for higher revenue and profit on growth in each business, centered on EC sales
- Under the medium-term management plan, the policy is to allocate management resources to the Watch Business, which has growth potential, and develop it into a 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 786,000 (as of the end of March 2026). This number has been steadily built up through member acquisition, including recent net growth at a pace of approximately 5,350 members per month on average. With its basic policy being one store for one item, the Company operates three stores* in the Tokyo metropolitan area (as of the end of March 2026). 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.

* For the Bicycle Business, the EC site and store were closed at the end of October 2025.

The Company's business segments are composed of three segments*: Camera Business, Watch Business, and Stationery Business. The mainstay Camera Business accounts for approximately 80% of net sales. Going forward, the Company intends to allocate management resources to the Watch Business, where growth is expected, and make it a second pillar.

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

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 was inducted into the Hall of Fame after winning Seller of the Year for the third consecutive year at the eBay Japan Awards 2024*2, an award given to the seller with the highest comprehensive evaluation, including sales performance and customer satisfaction. In May 2025, the Company launched on eBay for Canada and Germany, and in October, for the UK. Sales have been made to a total of 42 countries.

*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 performance, customer satisfaction, and other metrics on the eBay site operated by eBay Japan Co., Ltd. In the most recent 12-month period, the Company also achieved an astounding 100% positive feedback.

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, the cumulative number of Web members has grown to over 786,000, 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 to a level of 85% 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, physical stores have also been contributing to business performance to a certain extent 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 proportion of new items and used items in total net sales has been trending at roughly 1:1, with both playing important roles and contributing to the expansion of the membership base and earnings growth while interacting with each other. 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 launched, 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 distribution. After establishing a new dedicated department in April 2023 and setting up three in-house studios in January 2025, it posted product introduction videos (YouTube sub-channel) on the product pages of its own EC site in October 2025. In addition, for LINE, as a result of strengthening communications, the number of message distributions has increased 33-fold. 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 FY3/26, revenue and profits declined as the impact of various external factors could not be fully offset

1. Overview of FY3/26 financial results

(1) Results summary

Results in FY3/26 showed lower revenue and profit, with net sales down 1.4% YoY to ¥51,924mn, operating profit down 25.3% to ¥2,537mn, ordinary profit down 26.0% to ¥2,491mn, and net income down 16.6% to ¥1,685mn. Net sales and profit at each level came in mostly in line with the plan (the revised figures announced on November 10, 2025).

Net sales experienced a slight decline for the full fiscal year due to the late start in the Camera Business and Watch Business in 1H. The Camera Business was impacted by a slow start up through 2Q, when there were no new product releases from manufacturers. Meanwhile, the Watch Business surpassed the previous fiscal year as sales promotion measures proved effective—including reviews of selling prices aimed at improving inventory liquidity—despite seeing a temporary stagnation at the beginning of the fiscal year.

On the profit and loss side, in addition to the downward pressure on earnings from lower net sales, profit declined substantially due to increases in SG&A expenses, including sales promotion expenses, personnel expenses (base pay increases), and shipping expenses related to cross-border EC. The operating margin also declined to 4.9% (6.5% in FY3/25).

Regarding the financial position, while merchandise inventory decreased accompanying sales strengthening, intangible fixed assets related to the core system increased. As a result, total assets came to ¥18,096mn, roughly the same level as at the end of the previous fiscal year. Meanwhile, shareholders' equity rose slightly 0.9% from the end of the previous fiscal year to ¥10,254mn, as the accumulation of retained earnings (internal reserves) slightly exceeded dividend payments (external outflows). The equity ratio also edged up to 56.7% (56.2% at the end of the previous fiscal year).

Overview of FY3/26 financial results

(¥mn)

	FY3/25		FY3/26		YoY	
	Result	% of total / Profit margin	Result	% of total / Profit margin	Amount	%
Net sales	52,658	-	51,924	-	-733	-1.4%
Camera	41,237	78.3%	40,734	78.4%	-503	-1.2%
Watch	10,156	19.3%	10,399	20.0%	243	2.4%
Stationery	466	0.9%	479	0.9%	12	2.7%
Bicycle	797	1.5%	311	0.6%	-486	-60.9%
Cost of goods sold	42,805	81.3%	42,170	81.2%	-634	-1.5%
Gross profit	9,852	18.7%	9,753	18.8%	-98	-1.0%
SG&A expenses	6,455	12.3%	7,215	13.9%	760	11.8%
Operating profit	3,396	6.5%	2,537	4.9%	-859	-25.3%
Camera	4,559	11.1%	4,172	10.2%	-386	-8.5%
Watch	439	4.3%	303	2.9%	-135	-30.9%
Stationery	67	14.4%	71	14.9%	4	6.7%
Bicycle	19	2.5%	-49	-	-69	-
Adjustment	-1,688	-	-1,960	-	-271	-
Ordinary profit	3,368	6.4%	2,491	4.8%	-876	-26.0%
Net income	2,020	3.8%	1,685	3.2%	-335	-16.6%
EC net sales	40,638	77.2%	39,228	75.5%	-1,409	-3.5%
Store net sales	12,020	22.8%	12,696	24.5%	676	5.6%

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

Financial position at the end of FY3/26

(¥mn)

	End of FY3/25	End of FY3/26	Change
Current assets	15,733	14,502	-1,231
Cash and deposits	1,733	1,814	80
Accounts receivable - trade	3,277	2,771	-506
Merchandise	9,969	8,999	-969
Non-current assets	2,355	3,594	1,238
Property, plant and equipment	559	493	-66
Intangible assets	834	2,053	1,219
Investments and other assets	961	1,046	85
Total assets	18,088	18,096	7
Current liabilities	6,270	6,267	-2
Accounts payable - trade	1,521	1,246	-274
Interest-bearing debt	2,950	3,161	210
Contract liabilities	422	479	56
Non-current liabilities	1,650	1,573	-76
Interest-bearing debt	1,543	1,456	-87
Total net assets	10,168	10,254	86
Shareholders' equity	10,167	10,254	87
Total liabilities and net assets	18,088	18,096	7

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

(2) Gross margin and SG&A expenses conditions

The overall gross profit margin for FY3/26 secured 18.8% (18.7% in FY3/25), surpassing the previous fiscal year despite having reviewed selling prices for the purpose of improving inventory liquidity in the Watch Business. Regarding SG&A expenses, in addition to outsourcing costs related to the core system that was completed during the fiscal year remaining at high levels, there were increases in sales promotion expenses (such as higher purchase and trade-in prices and shareholder benefits), personnel expenses (base pay increases), and shipping expenses related to cross-border EC, pushing the SG&A expenses ratio up to 13.9% (12.3% in FY3/25).

2. Results by business

(1) Camera Business

Net sales decreased 1.2% YoY to ¥40,734mn and segment profit went down 8.5% to ¥4,172mn, resulting in lower revenue and profit. The downturn up through 2Q had an impact, caused by the absence of major new product releases from manufacturers (including a stagnation in the replacement cycle) and a temporary slump in duty-free sales. The reactionary decline was particularly large given that the effect of new product releases had been a factor boosting results in FY3/24. From 3Q onward, the Company recovered through new product launches during the December sales season (activating the replacement cycle) and a significant recovery in duty-free sales boosted by the weaker yen, but this was not enough to cover the downturn up through 2Q. On the profit and loss side as well, profit declined due to the downward pressure on earnings from lower net sales and increases in expenses.

(2) Watch Business

Net sales increased 2.4% YoY to ¥10,399mn, but segment profit declined significantly 30.9% to ¥303mn, resulting in higher revenue but a substantial drop in profit. Although there was a temporary stagnation at the beginning of the fiscal year due to the impact of US tariff policy and delays in expanding the lineup of high-priced products, the Company secured higher revenue through sales promotion measures—including reviews of selling prices aimed at improving inventory liquidity—amid generally stable domestic market conditions, as well as a significant recovery in duty-free sales boosted by the weaker yen. On the profit and loss side, however, the review of selling prices and increases in selling expenses pushed down profit, resulting in a substantial decline in profit.

(3) Stationery Business

Net sales increased 2.7% YoY to ¥479mn and segment profit went up 6.7% to ¥71mn, resulting in higher revenue and profit. The proactive use of video content on YouTube and other platforms, as well as information dissemination via social media, proved effective.

(4) Bicycle Business

Net sales decreased 60.9% YoY to ¥311mn, and the segment posted a loss of ¥49mn (vs. a profit of ¥19mn in FY3/25). The EC site and store were closed at the end of October 2025, and the Bicycle Business was terminated as of March 31, 2026.

3. Global expansion

Cross-border EC net sales in FY3/26 decreased 4.1% YoY to ¥3,231mn. Although net sales declined as the impact of the US tariff policy at the beginning of the fiscal year could not be fully offset, sales trended on a recovery path from 2Q onward, and in 4Q, the weaker yen provided a tailwind, resulting in a record high for quarterly net sales. In May 2025, the Company opened stores on eBay for Canada and Germany, and in October for the UK, advancing sales strengthening in Europe.

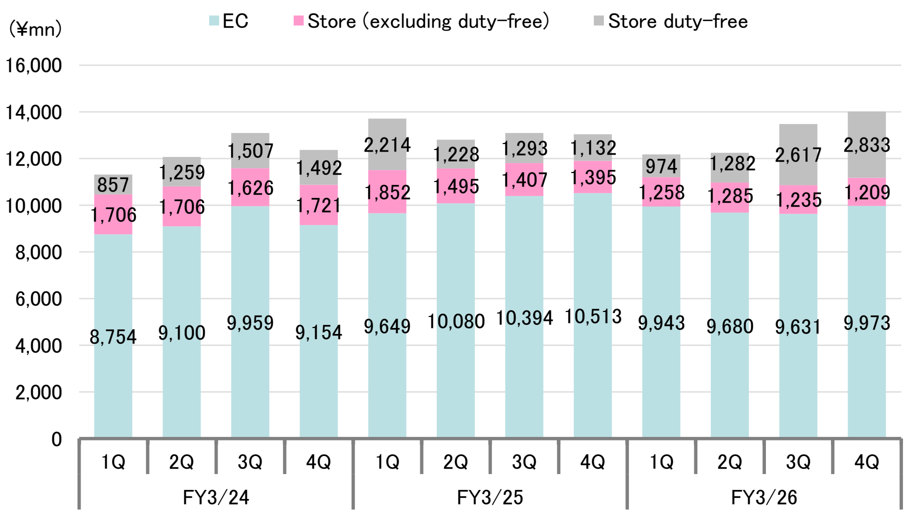
Progress in capturing next-generation target segments: younger users and women

4. Trends in quarterly results and KPI

(1) Trends in quarterly results

In FY3/26, net sales in 1Q fell significantly below the same period of the previous fiscal year—which had been a record high—due to a decline in duty-free sales accompanying yen appreciation and sluggish store sales. In 2Q, EC sales also stagnated because there were no new product launches (Camera Business) and lineup expansion lagged (Watch Business). However, from 3Q onward, net sales recovered, driven by the activation of the replacement cycle during the December sales season (Camera Business), sales promotion through measures such as selling price reviews aimed at inventory liquidity (Watch Business), and the tailwind from the weaker yen (cross-border EC, duty-free sales). In 4Q, net sales reached a record high on a quarterly basis.

Trend in quarterly net sales

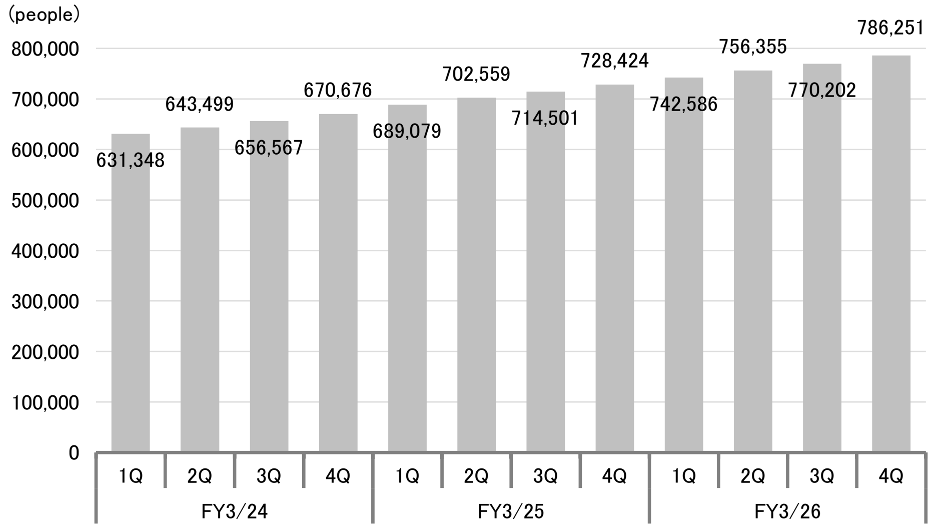


Source: Prepared by FISCO from the Company's supplementary financial results materials

(2) Number of Web members

The cumulative number of Web members as of the end of March 2026 increased steadily to 786,000 (up 58,000 YoY). 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 and monthly 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. In addition to contributions from the enhancement of the points program*1 introduced in FY3/25, the number of items registered on wish lists*2 and the number of registrations for email notifications of product arrivals*3 are also growing steadily. These one-to-one marketing measures are also factors helping to keep active rate at a high level. In particular, regarding email notifications of product arrivals, the number of distributions has increased significantly since the Company began providing notification functionality via LINE in addition to email and app notifications in May 2022. Furthermore, the number of request-based distributions*4 has also been trending solidly, driven by combining one-to-one marketing, AIMD, and AI-driven content recommendations. 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*5.

*1 Introduction of a mechanism whereby points are awarded even when purchases are made using points. This appears to be contributing to improvements in customer satisfaction and repeat purchase rates, as well as providing advantages when purchasing new items.

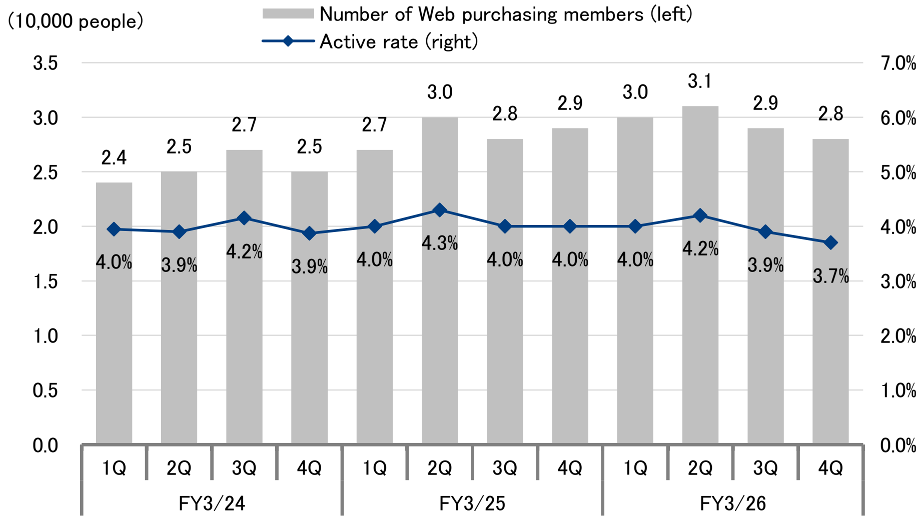
*2 The number of new registrations for wish lists has been trending at a monthly average of approximately 72,000, expanding to around 2.90mn as of the end of March 2026.

*3 The number of new registrations for email notifications of product arrivals has also been trending at a monthly average of approximately 6,000, expanding to around 210,000 as of the end of March 2026.

*4 Combined with the aforementioned email notifications of product arrivals, this equates to a total of 27.44mn notifications on a quarterly basis, which thereby creates information delivery capability and customer contact points equivalent to approximately 610 brick-and-mortar stores (the Company's estimate) in terms of the number of customers visiting stores.

*5 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

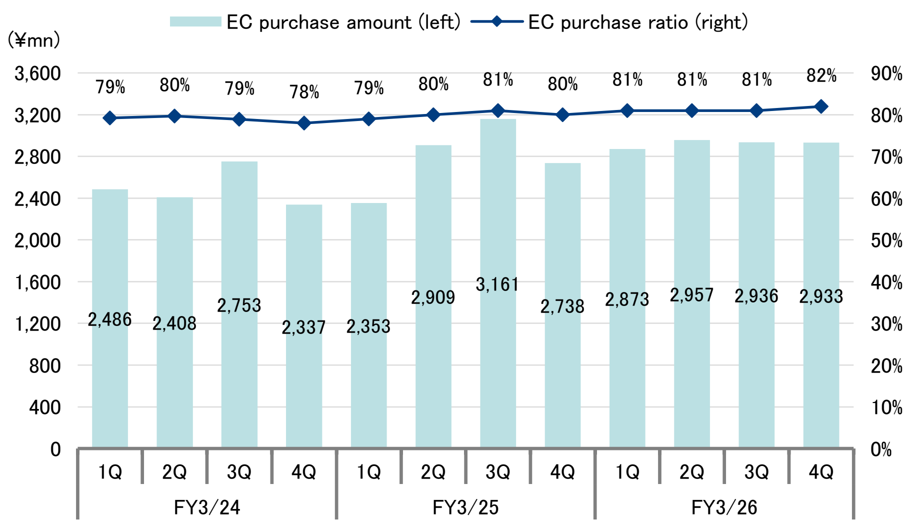


Source: Prepared by FISCO from the Company's supplementary financial results materials

(4) Used camera 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 supplementary financial results materials

5. Other topics

The replacement of the core system, which had been a long-term undertaking, has been completed, and operation finally commenced in April 2026. The pillars are the utilization of cutting-edge technologies such as AI and the big data (data warehouse) accumulated by the Company. The aim is to enhance operational efficiency as well as to create value both in the evolution as a platform for deploying various technologies (front-end domain) and the use of AI in the deepening of business analysis and marketing strategy (core domain).

6. Summary of FY3/26

In summarizing FY3/26, the key point can be said to be how to evaluate the performance aspect, in which both the Camera Business and the Watch Business were sluggish. FISCO views this as a result of the overlapping of various external factors in 1H, which not only directly caused the deterioration in performance—including the reactionary decline—but also indirectly impacted the core parts of the Company's business model, such as creating replacement cycles (Camera Business) and expanding lineups (Watch Business). However, with regard to the Camera Business, the expansion of touchpoints through its proprietary one-to-one marketing and the strengthening of video content continue to drive favorable new member acquisition and purchase promotion (active rate). In addition, EC used-item purchasing also remains at high levels due to the operation of AIMD, among other factors. It can therefore be said that these results do not indicate a structural change in the competitiveness and superiority of the Company's business model itself or in the market environment. In fact, when comparing only 2H performance, both net sales and profit exceeded the same period of the previous fiscal year, indicating that the 1H downturn was a temporary one.

Meanwhile, with respect to the Watch Business, where the business model has not yet been sufficiently established, it remains susceptible to market conditions, exchange rate fluctuations, and tariffs due to the characteristics of its products. Addressing these issues remains 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.

Outlook

For FY3/27, each business will grow with higher revenue and profit projected

1. FY3/27 forecasts

For FY3/27, the Company forecasts higher revenue and profit, with net sales up 6.1% YoY to ¥55,098mn, operating profit up 8.5% to ¥2,754mn, ordinary profit up 8.5% to ¥2,703mn, and net income up 9.9% to ¥1,851mn.

Net sales are expected to grow in each business, centered on EC sales.

On the profit and loss side, although there will be a higher amortization burden accompanying the replacement of the core system, profit will rise due to the boost in earnings from higher net sales, as well as improvements in gross profit from the effects of inventory replacement (Watch Business) and other factors, with the operating margin also improving to 5.0% (4.9% in FY3/26).

FY3/27 forecasts

(¥mn)

	FY3/26		FY3/27		YoY	
	Result	Ratio to net sales	Forecast	Ratio to net sales	Amount	%
Net sales	51,924	-	55,098	-	3,173	6.1%
Camera	40,734	78.4%	43,300	78.6%	2,565	6.3%
Watch	10,399	20.0%	11,300	20.5%	900	8.7%
Stationery	479	0.9%	570	1.0%	90	19.0%
Bicycle	311	0.6%	-	-	-	-
Gross profit	9,753	18.8%	10,500	19.1%	746	7.6%
Operating profit	2,537	4.9%	2,754	5.0%	216	8.5%
Ordinary profit	2,491	4.8%	2,703	4.9%	211	8.5%
Net income	1,685	3.2%	1,851	3.4%	165	9.9%

Source: Prepared by FISCO from the Company's financial results and medium-term management plan (FY3/27–FY3/29)

2. FISCO's view

While continued caution is required regarding external factors such as the highly uncertain economic environment, trade relations, and exchange rate fluctuations, FISCO judges that there is a certain degree of reasonableness to the premises underlying the Company's forecasts. This judgment is based on: the impact of the external factors that dragged down performance in 1H FY3/26 having run its course and the trend of recovery in performance from 2H; the solid trend in key KPIs for the Camera Business, including the accumulation of the membership base; and progress in inventory adjustments in the Watch Business and the anticipated effects of lineup expansion. What should be noted are the direction of the further evolution of the business model in the mainstay Camera Business, and initiatives aimed at strengthening the Watch Business, which will serve as the axis of future growth. In particular, regarding the former, expectations are focused on how the Company will develop proprietary services and mechanisms that attract enthusiasts (fans) under the new core system. For the latter, meanwhile, lineup expansion will determine the success or failure. How the Company will differentiate itself from competitors in strengthening its product sourcing capabilities, and whether those differentiating factors will function effectively as a system—as in the Camera Business—will likely be important factors in assessing the outlook.

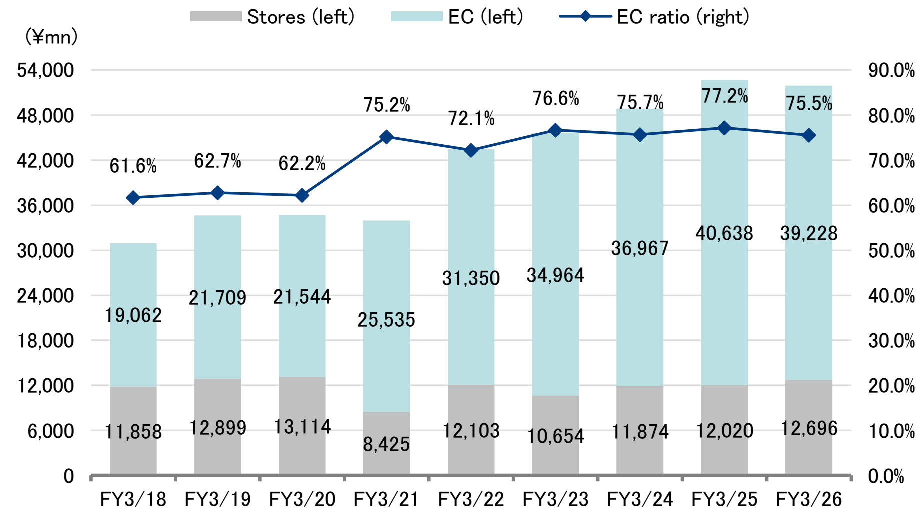
Results trends up to the present

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. In FY3/26, EC sales struggled and net sales declined due to various external factors and delays in lineup expansion (Watch Business).

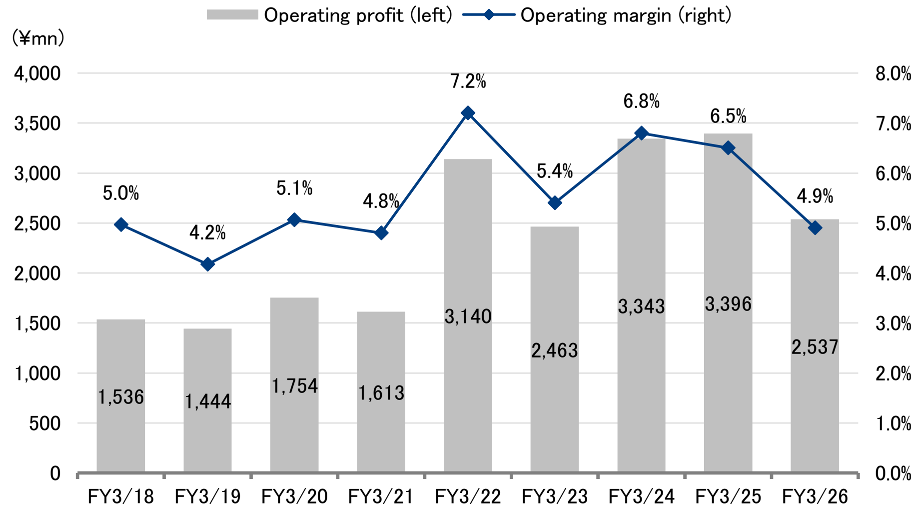
Profits (operating profit) have also generally increased along with sales growth. While operating margin has been in the 4%–5% range for some time, the introduction of AIMD improved gross margins and helped curb SG&A expenses, resulting in a significant improvement in the profit margin in FY3/22. In 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. The decline in profit margins in FY3/26 was due to inventory adjustments and increases in expenses.

Trends in net sales (store and EC) and EC ratio



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

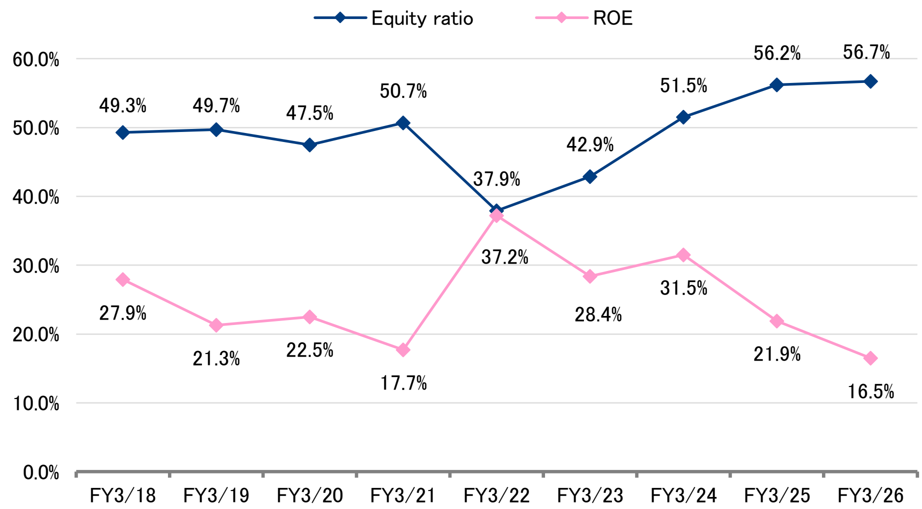
Trends in operating profit and the operating margin



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, exceeding 15% even in FY3/26, which saw a decline in profit. The Company can be seen as maintaining a favorable financial position with a well-balanced combination of financial stability and return on capital.

Trends in the equity ratio and ROE



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

Medium- to long-term growth strategy

New medium-term management plan focuses on steady growth of the Camera Business and strengthening the Watch Business

1. Vision (long-term vision)

The Company aims to transform from an EC retailer into an Electronic Intelligent Commerce company that continually leverages cutting-edge technology, and intends to further advance the combination of re-value and 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.

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

Each year, the Company updates its three-year medium-term management plan to promptly reflect changes in the business environment, and in May 2026, it announced a new medium-term management plan. Positioned as the first step toward realizing the long-term vision, this plan is oriented toward further evolving the Company's proprietary business model as an EC platformer and shifting into a phase of accumulating profit. The Company is pursuing three growth strategies: 1) steady growth of the Camera Business, 2) strengthening the Watch Business, and 3) strengthening the overseas business (cross-border EC). In particular, the scenario entails stably generating profit in the Camera Business while allocating management resources to the Watch Business, where higher growth is anticipated, in order to develop it into a second pillar. Additionally, the Company intends to continue actively pursuing the overseas business (cross-border EC) to capture growth in global markets.

For the final year (FY3/29), the Company has set targets of ¥63,300mn in net sales (three-year average growth rate of 6.8%) and ¥3,700mn in operating profit (operating margin of 5.9%), while aiming for an ROE of 20%. Furthermore, the Company is also keeping an ROE of 30% or higher in view over the medium to long term. In particular, the Company projects an average annual growth rate of 18.0% for net sales and 53.7% for operating profit in the Watch Business, positioning it as a future earnings driver.

Medium-term management plan (announced in May 2026)

(¥mn)

	FY3/26		FY3/27		FY3/28		FY3/29		Average growth rate
	Result	Ratio to net sales	Plan	Ratio to net sales	Plan	Ratio to net sales	Plan	Ratio to net sales	
Net sales	51,924	-	55,098	-	59,000	-	63,300	-	6.8%
Camera	40,734	78.4%	43,300	78.6%	44,400	75.3%	45,500	71.9%	3.8%
Watch	10,399	20.0%	11,300	20.5%	14,100	23.9%	17,100	27.0%	18.0%
Stationery	479	0.9%	570	1.0%	600	1.0%	630	1.0%	9.6%
Gross profit	9,753	18.8%	10,500	19.1%	11,500	19.5%	12,700	20.0%	9.2%
SG&A expenses	7,215	13.9%	7,800	14.1%	8,400	14.2%	8,900	14.1%	7.2%
Operating profit	2,537	4.9%	2,754	5.0%	3,200	5.4%	3,700	5.9%	13.4%
Ordinary profit	2,491	4.8%	2,703	4.9%	3,100	5.3%	3,700	5.8%	14.1%
Net income	1,685	3.2%	1,851	3.4%	2,100	3.6%	2,500	4.0%	14.0%
ROE	16.5%		17.3%		18.5%		20.0%		

Source: Prepared by FISCO from the Company's financial results and medium-term management plan (FY3/27–FY3/29)

3. Growth strategy

(1) Steady growth of 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 active rate), 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) Strengthening 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-priced, highly scarce 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 the overseas business (cross-border EC)

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. In the future, the Company is also considering building overseas buying operations through M&A of local companies. If realized, this holds the potential to lead to an expansion of the overseas business through the rollout of the successful model from Japan.

4. Financial policy

The Company intends to allocate funds obtained from three years of operating cash flow (¥8.0bn in total) and utilization of interest-bearing debt (¥1.3bn) as follows: ¥3.6bn to shareholder returns (dividend payout ratio of 40%–50%), ¥3.2bn to product purchasing (particularly investment in expanding product lineups in the Watch Business), ¥0.7bn to system investments and others (EC platform strengthening/replacement), and ¥1.8bn to other investments (human resources investment, M&A, etc.). As an image of the balance sheet three years from now, while merchandise inventory will increase to ¥12.2bn (up ¥3.2bn from the end of the previous fiscal year), the Company will also pay attention to financial discipline and maintain the equity ratio at the 60% level.

5. 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 newly announced medium-term management plan clearly sets forth a strategy of focusing more intensively on the Watch Business. While an efficient and highly profitable proprietary business model has already been established in the mainstay Camera Business, how to effectively utilize the funds earned and know-how accumulated there, and how to develop a second pillar for sustainable growth and risk diversification (including business lifecycle management), have been long-standing structural challenges for the Company. The plan demonstrates that the Company has finally taken a stance of steering decisively toward addressing these challenges. This can also be viewed as evidence that a certain degree of positive response and a path forward have become visible through the trial and error of recent years, including failures. FISCO also believes there is sufficient rationale for focusing on the Watch Business when considering affinity with the Camera Business: 1) the similarity of the products themselves (compact, high-value-added products, high sales efficiency, low inventory holding costs, etc.), 2) similarity of operations (sharing of know-how including systemic aspects across everything from product sourcing to storage and sales), 3) affinity with the existing customer base (affluent customer marketing, improvement of LTV), 4) EC × specialization (authenticity assessment, product knowledge, data utilization know-how, etc.), and 5) global expansion (globally recognized brands, room for expansion of cross-border EC). On the other hand, a concern is how the Company will overcome the difficulties unique to watches—such as the significant market price fluctuations, including speculative movements—through its proprietary business model. If the Company can introduce AI and technology as it has done in the Camera Business to enhance the precision of the business model, this would represent a major opportunity in terms of differentiating itself from competitors. Its credibility as a listed company and its strong financial base will also be significant advantages in handling high-priced products and expanding lineups. In any case, given that this is a market expected to see massive global growth, simply establishing a niche position could be expected to have a significant impact on performance.

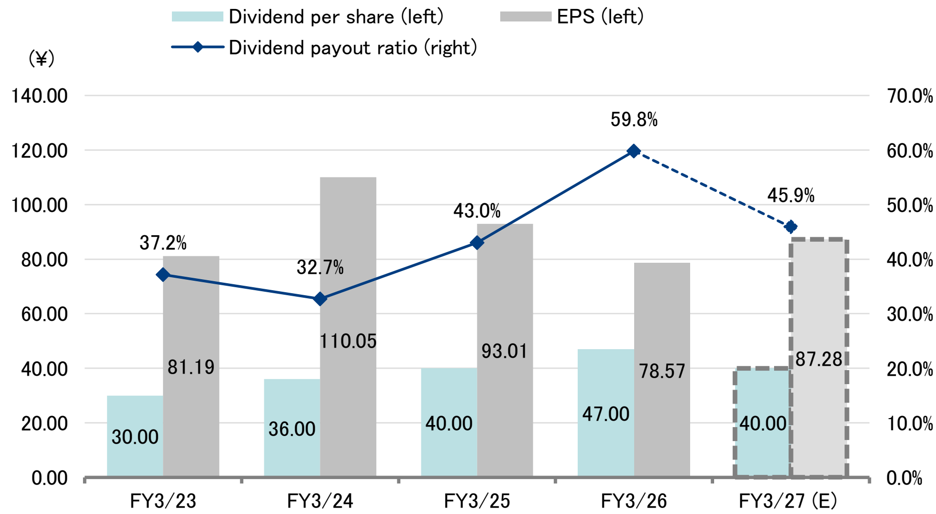
For the Camera Business as well, there is still ample room for evolution as a platform, including through the use of AI and data. Going forward, attention should also be paid to the potential creation of new revenue sources (for example, the introduction of paid services leveraging the Company's information capabilities and membership base, expansion into media businesses, etc.). To that end, the key will be how to monetize a system for gathering content information that is attractive to enthusiasts, including a membership base with high loyalty and enhanced quality and quantity. The replacement of the core system and data warehouse has the potential to become a major turning point toward the further evolution of the business model, and attention should be paid to future developments and the emergence of effects.

Shareholder return policy

Basic policy based on a dividend payout ratio of 40%–50%. For FY3/27, the Company plans a dividend of ¥40.0 per share, a decrease of ¥7.0

The Company's shareholder return policy is based on a dividend payout ratio of 40%–50%, with a basic approach of providing stable, continuous dividends in line with profit growth. Despite the downward revision of performance for FY3/26, the Company decided on a dividend of ¥47.0 per share, an increase of ¥7.0 YoY, in line with the initial forecast. This decision was based on the judgment that the factors involved were short-term in nature, together with the view that returning profits to shareholders was the highest priority. For FY3/27, in accordance with its dividend policy, the Company plans a dividend of ¥40.0 per share (dividend payout ratio of 45.9%), a decrease of ¥7.0.

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



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

Disclaimer

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