

# Syuppin Co., Ltd.

**3179**

Tokyo Stock Exchange Prime Market

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## Summary

### In FY3/24, record-high results achieved amid steady growth persisting in the Camera Business. In FY3/25, the Company also expects higher net sales and profits driven by growth in EC net sales

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 entered a new stage in terms of business model evolution. In May 2024, the Company updated its medium-term management plan (rolling), and declared its “transformation from an EC retailer to an EIC\*4 company, continually leveraging cutting-edge technology,” thereby setting out to further advance combining 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 AIMD (AI-driven merchandising system), AI-driven content recommendations (using an AI engine that analyzes customer preferences and distributes a large number of content articles 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 FY3/24 results

In FY3/24, the Company’s net sales grew 7.1% year on year (YoY) to ¥48,841mn, and operating income rose 35.7% to ¥3,343mn. Both net sales and profits at all levels reached record highs. In the core Camera Business, EC net sales were brisk as ongoing one-to-one marketing utilizing AI and enhancement of content centered on video streaming were successful. Duty-free sales (store sales) also grew on the back of strong inbound demand, contributing to the increase in net sales. Meanwhile, the Watch Business achieved a turn to profit despite lower sales for the fiscal year due to impact from a decline in global market prices in 2H FY3/23. It rapidly recovered as a result of stable market prices, inventory reshuffling, and enhancement of industry-first one-price buying\*1. In terms of profit, the Company secured a high gross margin, mainly from AIMD\*2 upgrades in the Camera Business. Meanwhile, the Company managed to attain sharp growth in operating income as a rise in gross profit offset an increase in personnel costs due to higher average salaries. In terms of activities, the Company forged a capital and business alliance with SIGMAXZY Holdings Inc. <6088>’s two subsidiaries (hereinafter “the SIGMAXZY Group”) in FY3/24, and embarked upon transformation into a technology company.

\*1 A service to guarantee the fixed-price purchase amount of items specified by the Company (launched in July 2013). Following its success in the Camera Business, the Company also introduced the service in earnest in the Watch Business from FY3/24.

\*2 An automated assist system that utilizes AI for the purchase and sales prices of used cameras. The Company previously decided prices manually for all of the roughly 20,000 items that it handles. Therefore, timely pricing was only possible for some items, which resulted in many cases of opportunity loss. This system enables prices to be determined completely automatically, and the setting of appropriate prices in a timely manner is expected to reduce opportunity losses.

Summary

**2. Outlook for FY3/25**

The Company forecasts continued growth in sales and profits in FY3/25, with net sales to rise 15.9% YoY to ¥56,617mn and operating income to increase 15.3% to ¥3,854mn. It assumes the Camera Business and the Watch Business will drive net sales growth, mainly in EC. In particular, it projects EC net sales growth of 35% in the Watch Business, owing to significant bolstering of one-price buying and full-fledged introduction of AI-Driven Merchandising (AIMD)\*. In terms of profit, it plans on upfront investments for revamping BRILLER (ladies brand salon) and establishing a new photography studio for content creation. However, it envisions attaining operating income growth, with the gross margin reaching a record high of 18.8% (18.7% in the previous fiscal year) due to the continued positive effects of AIMD and the Watch Business underpinning earnings.

| \* Using AI to predict watch price trends. |

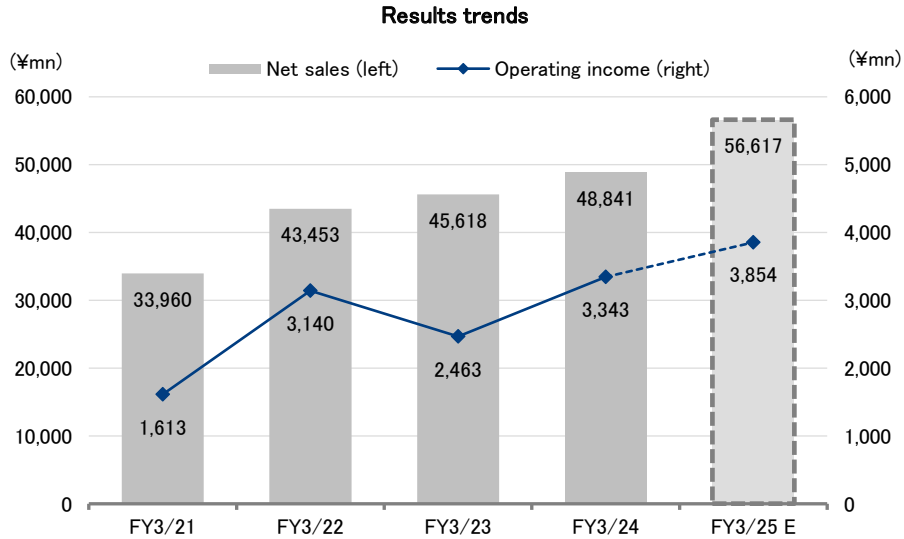
**3. Strategy for future growth**

The Company updates its three-year medium-term management plan annually, and in May 2024, it announced a new medium-term plan. It intends to continue to further grow its Camera and Watch businesses and revitalize its global expansion through cross-border EC, positioning sustainable growth in EC net sales through expansion of market share as the main driver. It also still plans to emphasize profit growth over sales growth by utilizing AI to improve profit margins and reducing its SG&A expense ratio through lean management. For FY3/27, the final year of the current plan, it aims to achieve net sales of ¥73,514mn (a three-year average annual growth rate of 14.6%) and operating income of ¥5,598mn (an operating margin of 7.6%).

**Key Points**

- In FY3/24, the Company achieved record-high results amid steady growth persisting in the core Camera Business
- The Watch Business achieved a turn to profit despite lower net sales, rapidly recovering due to stable market prices, inventory reshuffling, and enhanced one-price buying
- In FY3/25, the Company forecasts sales and profit growth, driven by EC sales expansion in the Camera Business and the Watch Business
- In its medium-term management plan, the Company intends to achieve sustainable growth in EC net sales and improve profit margins through AI utilization by working to further grow its Camera and Watch businesses as well as revitalizing global expansion through cross-border EC

Summary



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

## Business overview

**Is developing an EC business specializing in valuable “new and used items,” such as cameras and luxury watches. Continued unique evolution through aggressive use of AI technology**

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

The Company currently has over 670,000 Web members (as of the end of FY3/24). This number has been steadily increasing through continued net growth of over 4,000 new members every month. On the other hand, it has established a physical store network of five stores in the Tokyo metropolitan area, with its basic policy being one store for one item. Stores contribute to results to a certain extent, but their main function is to complement the EC business as bases to disseminate information. At the Company, new items and used items each play important roles, generating synergies while mutually interacting to increase the other's sales.

Business overview

There are four business segments: Camera Business, Watch Business, Stationery Business, and Bicycles Business\*. The mainstay Camera Business provides approximately 75% of net sales. The Watch Business had struggled temporarily with impact from falling global prices for luxury watches, but is already recovering now, and the Company looks to accelerate growth 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 brands (ladies' brand salon), the Stationery Business under the KINGDOM NOTE brand, and the Bicycle Business under the CROWN GEARS brand.

## ■ The Company's features

### Strengths in platform-type business model, including its proprietary EC purchases, one-to-one marketing, and AI utilization

#### 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 purchasing members and the active rate\* are important KPIs. Currently, Web members have grown to over 670,000 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 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 has led to acquisitions of new members and continuous purchases.

\* The Company defines the active rate as the number of members who make a purchase 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.

The Company's features

**2. The Company's features (strengths)**

**(1) Proprietary model specializing in EC**

Since its foundation, the Company has focused 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 84% as of the end of FY3/24) 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 a base for disseminating information, driven by factors including inbound demand (duty-free sales). 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 the composition of total net sales provided by new items and used items trend to be around 1:1. For the Company, both play important roles and have contributed to expanding its customer base and its results growth, while mutually interacting to boost the other’s sales. Compared to used items with high profit margins, for which there are many single items, competition for new items is fierce. However, the significance of handling new items for the Company is not only their contribution to results but also that they provide opportunities to acquire new members (capture new customers) and trade in used items. In particular, when the Company sells a new item, it has a major impact on results and also provides it with 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”**

As previously explained, 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 buying 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).

The Company's features

#### (4) Platform-type business model

Another feature of the Company is that it has built a platform-type business model to encourage continuous purchases by providing valuable information within the sequence of 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\*<sup>1</sup> 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\*<sup>2</sup>.

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

\*<sup>2</sup> The Company automatically distributes recommended StockShot articles based on customers' browsing and purchase histories via LINE, e-zine, and push notifications in the app.

## Summary of results

### In FY3/24, record-high net sales achieved amid steady growth persisting in the Camera Business. The Watch Business also rapidly recovered, after being impacted by falling market prices

#### 1. Summary of the FY3/24 results

##### (1) Results summary

In the FY3/24 results, net sales increased 7.1% YoY to ¥48,841mn, operating income rose 35.7% to ¥3,343mn, ordinary income grew 37.1% to ¥3,344mn, and net income rose 36.8% to ¥2,322mn. The Company achieved record-high net sales and profits at all levels.

In the core Camera Business, strong EC and store results drove overall earnings growth. Although there were few tailwinds from new product launches in general, EC net sales were brisk as ongoing one-to-one marketing utilizing AI and enhancement of content centered on video streaming were successful. Also, growth in duty-free sales (store sales) on the back of brisk inbound demand contributed to the increase in net sales. Meanwhile, the Watch Business achieved a turn to profit despite lower net sales for the fiscal year due to impact from a decline in global market prices in 2H FY3/23. It rapidly recovered as market prices were stable and the Company promoted measures such as inventory reshuffling and enhancement of industry-first one-price buying.

In terms of profit, the Company secured a high gross margin centered on the Camera Business, particularly through AIMD upgrades. In addition, operating income rose sharply as growth in gross profit offset a rise in personnel expenses from higher average salaries. The operating income margin also improved to 6.8% from 5.4% a year earlier.



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Summary of results

In terms of financial condition, total assets rose 6.6% from the end of FY3/23 to ¥16,063mn, mainly reflecting an increase in merchandise (inventory) and an increase in software in progress in connection with system investment. Shareholders' equity increased 27.6% from the end of FY3/23 to ¥8,264mn due to higher retained earnings, so the equity ratio improved to 51.5% from 42.9%. Interest-bearing debt decreased 25.9% to 4,303mn, increasing financial health. Meanwhile, the Company apparently believes inventory, which came to approximately ¥9.2bn, is not sufficient yet.

Summary of the FY3/24 results

	FY3/23		FY3/24		Change	
	Result	%	Result	%	Amount	%
<b>Net sales</b>	45,618		48,841		3,223	7.1%
Cameras	32,721	71.7%	36,664	75.1%	3,943	12.1%
Watches	11,603	25.4%	10,974	22.5%	-629	-5.4%
Stationery	438	1.0%	433	0.9%	-5	-1.3%
Bicycles	854	1.9%	769	1.6%	-85	-10.0%
<b>Cost of sales</b>	37,864	83.0%	39,714	81.3%	1,849	4.9%
<b>Gross profit</b>	7,753	17.0%	9,127	18.7%	1,373	17.7%
<b>SG&amp;A expenses</b>	5,290	11.6%	5,783	11.8%	493	9.3%
<b>Operating income</b>	2,463	5.4%	3,343	6.8%	880	35.7%
Cameras	3,810	11.6%	4,294	11.7%	484	12.7%
Watches	-191	-1.6%	444	4.0%	635	-
Stationery	38	8.8%	62	14.3%	23	60.4%
Bicycles	55	6.5%	47	6.2%	-8	-14.6%
Adjustment	-1,250	-	-1,504	-	-254	-
<b>Ordinary income</b>	2,439	5.3%	3,344	6.8%	904	37.1%
<b>Net income</b>	1,697	3.7%	2,322	4.8%	625	36.8%
<b>EC net sales</b>	34,964	76.6%	36,967	75.7%	2,002	5.7%
<b>Store net sales</b>	10,654	23.4%	11,874	24.3%	1,220	11.5%

Note: For profits by segment, "%" is the ratio to that segment's net sales.

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

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Summary of results

**Financial condition at the end of March 2024**

(¥mn)

	End of March 2023 Result	End of March 2024 Result	Change	
			Amount	%
<b>Current assets</b>	13,202	13,961	759	5.8%
Cash and deposits	1,423	1,321	-102	-7.2%
Accounts receivable - trade	2,469	2,733	263	10.7%
Merchandise	8,812	9,265	453	5.1%
<b>Non-current assets</b>	1,863	2,101	237	12.7%
Property, plant and equipment	320	290	-29	-9.3%
Intangible assets	624	893	269	43.1%
Investments and other assets	919	917	-1	-0.2%
<b>Total assets</b>	15,066	16,063	996	6.6%
<b>Current liabilities</b>	5,640	5,979	339	6.0%
Accounts payable - trade	1,374	1,463	89	6.5%
Interest-bearing debt	2,902	2,549	-353	-12.2%
Contract liabilities	232	333	101	43.9%
<b>Non-current liabilities</b>	2,946	1,817	-1,129	-38.3%
Interest-bearing debt	2,903	1,754	-1,149	-39.6%
<b>Net assets</b>	6,479	8,266	1,786	27.6%
Shareholders' equity	6,477	8,264	1,786	27.6%
<b>Total liabilities and net assets</b>	15,066	16,063	996	6.6%

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

**(2) Gross margin and SG&A expenses conditions**

Gross margin (overall) for FY3/24 was 18.7%, improving significantly from 17.0% a year earlier and returning to the usual level\*. This reflects contributions from AIMD upgrades in the Camera Business and the promotion of profitable sales through inventory turnover in the Watch Business. As for SG&A expenses, personnel expenses rose accompanying higher average salaries, and sales-linked promotion expenses, credit usage fees, and other such costs increased. Although the SG&A expense ratio inched up to 11.8% from 11.6% a year earlier, it is reasonable to view the ratio as under control at the 11% level.

\* In FY3/23, the gross profit margin temporarily declined significantly, owing mainly to the posting of losses on valuation of merchandise inventory in the Watch Business.

**Breakdown of SG&A expenses**

(¥mn)

	FY3/23		FY3/24		Change	
	Result	Ratio to net sales	Result	Ratio to net sales	Amount	%
<b>SG&amp;A expenses</b>	5,290	11.6%	5,783	11.8%	493	9.3%
Personnel expenses	1,645	3.6%	1,794	3.7%	149	9.1%
Advertising expenses	36	0.1%	73	0.2%	36	99.3%
Promotion expenses	939	2.1%	1,069	2.2%	129	13.7%
Outsourcing expenses	370	0.8%	389	0.8%	19	5.1%
Commission expenses	1,157	2.5%	1,279	2.6%	121	10.5%
Depreciation	193	0.4%	173	0.4%	-20	-10.4%
Rent expenses on land and buildings	352	0.8%	354	0.7%	1	0.4%
Other	593	1.3%	649	1.3%	56	9.5%

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

Summary of results

## 2. Results by business

### (1) Camera Business (EC ratio: 84.2%)

Both net sales and profit recorded steady growth and achieved new record highs. Net sales increased 12.1% YoY to ¥36,664mn and segment profit gained 12.7% to ¥4,294mn. Despite few tailwinds from new camera launches and negative impact from a system disruption\*<sup>1</sup> during a period of time, EC net sales were brisk as some new products generated record sales and ongoing one-to-one marketing utilizing AI, such as AIMD and AI-driven content recommendations, and enhancement of content centered on video streaming\*<sup>2</sup> were successful. In particular, traffic from notifications through social media such as LINE and YouTube increased\*<sup>3</sup>, and the second highest ever EC net sales were recorded in March 2024 (highest ever including store sales). Store sales also grew sharply along with recovery in duty-free sales. In terms of profit, segment profit grew as higher sales and the positive effects of AIMD helped to offset higher personnel expenses, and the segment profit margin reached a record high of ¥11.7%, up from 11.6% a year earlier.

\*<sup>1</sup> A system disruption caused the Company to suspend its store operations on Rakuten Ichiba and Yahoo! Shopping (hereinafter "domestic online malls") from December 1, 2023 to January 22, 2024. The disruption was due to an unsuccessful system switchover in a situation where reverting to the previous system was impossible as the function linking data from domestic online malls with the Company's mission-critical system was discontinued at the end of November 2023. The Company estimates this resulted in opportunity losses of ¥393mn, so it can be said that the impact is negligible.

\*<sup>2</sup> The popularity of a video showcasing the Nikon Z f launched in October 2023 spurred the number of video views per month to nearly double, and promotional effects are starting to become visible.

\*<sup>3</sup> LINE notifications increased 14-fold over two years, while the amount of purchases via YouTube increased 2.3-fold over one year.

### (2) Watch Business (EC ratio: 48.7%)

Net sales declined 5.4% YoY to ¥10,974mn, but earnings improved sharply with a turn to segment profit of ¥444mn from a loss of ¥191mn in the previous fiscal year. Net sales for the full fiscal year declined amid stable market prices for luxury watches. However, this was in line with expectations. Net sales for 4Q rose 14.1% YoY, reflecting recovery in momentum from June together with improved inventory turnover due to data-driven sales and purchasing. In terms of profit, the segment achieved a rapid recovery, turning to the black after posting a loss in FY3/23 when it was affected by a downturn in global market prices. Notably, the Company secured solid segment profit through measures such as clearing out in 1Q nearly all inventory for which generating a gross profit is challenging, and strengthening from 2Q its industry-first one-price buying\*.

\* The Company increased the number of applicable items from 2,600 to over 6,000, and is conducting purchases at prices that facilitate securing a profit overall through this buying method where there is no discounting at the quotation stage.

### (3) Stationery Business (EC ratio: 70.4%)

Net sales declined but profit rose YoY. Net sales decreased 1.3% YoY to ¥433mn and segment profit gained 60.4% to ¥62mn. Despite sluggish growth in EC net sales, profit increased substantially given progress made in generating sales of high-value and high-margin products.

### (4) Bicycle Business (EC ratio: 58.9%)

Both net sales and profit decreased YoY. Net sales declined 10.0% to ¥769mn and segment profit fell 14.6% to ¥47mn. Although EC net sales were lackluster since prices rose for fully assembled bicycles due to yen depreciation and COVID-19 health-related demand subsided, the segment managed to stay in the black even amid a cooling market.

Summary of results

**3. Global expansion**

As for cross-border EC, the Company has steadily established a structure for business expansion. In the Camera Business, it opened a Map Camera store in August 2017 on eBay, the world’s largest online marketplace. 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 2023\*2, marking the second straight year of receiving this award granted to the seller with the best overall evaluation of sales and other performance. Cross-border EC has been steadily expanding net sales through such initiatives, with growth of 29.9% YoY to ¥3,284mn in FY3/24.

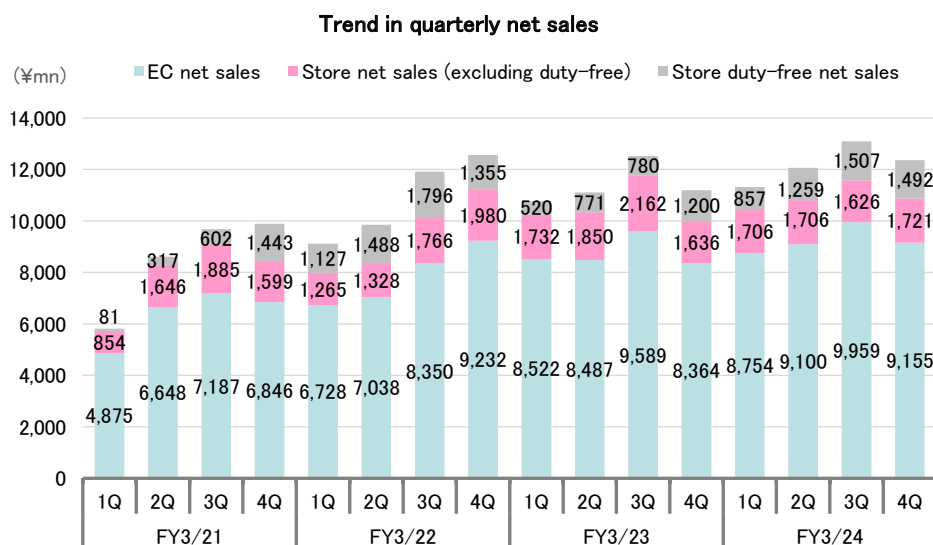
\*1 A purchase support service for overseas customers provided by BeeCruise inc., a consolidated subsidiary of BEENOS <3328>.

\*2 An award granted to sellers in Japan with top sales and other performance on the eBay site operated by eBay Japan Co., Ltd.

**4. Trends in quarterly results and KPI**

**(1) Trends in quarterly results**

Looking at the quarterly trend in net sales from FY3/21, sales fell greatly in the 1Q of FY3/21 due to the pandemic but from 2Q onward, sales benefited from the tailwind of nesting demand and the effect of various measures. Consequently, EC net sales were brisk and even exceeded prepandemic levels. In FY3/22, although COVID-19 continued to have an impact, EC net sales expanded steadily, while tax-free sales in the Watch Business also made a significant contribution due to strategic enhancement of the product lineup. As a result, results in the 4Q set a new record high on a quarterly basis. In FY3/23, the Watch Business was weak because duty-free sales were depressed by lockdowns in China and global prices fell sharply, but the Camera Business continued on a growth trajectory, so overall results levels have stayed high led by EC net sales. Since the outset of FY3/24, the Camera Business has continued to grow and the Watch Business has been recovering with net sales reaching an all-time high in 3Q on a quarterly basis.



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

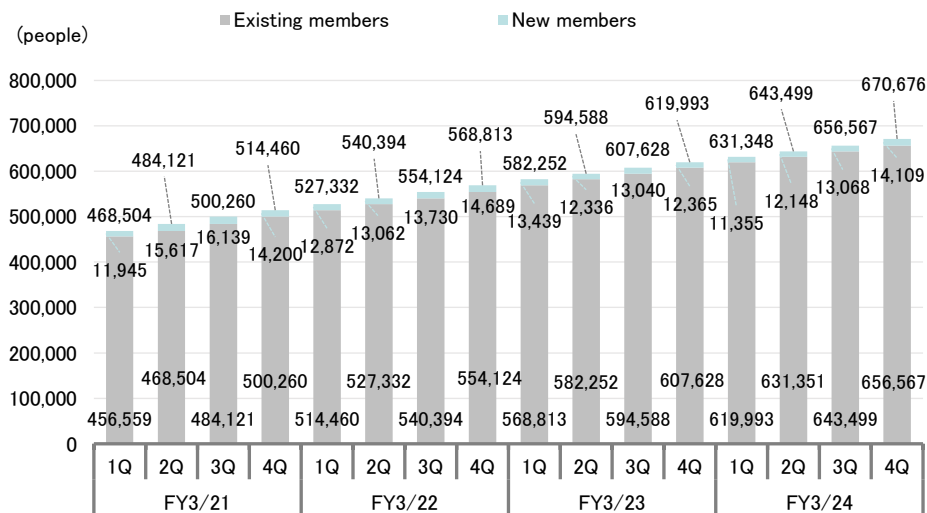
Summary of results

**(2) Number of Web members**

The number of Web members continues to steadily increase. It topped 670,000 to reach 670,676 people at the end of FY3/24, up 50,683 people from the end of FY3/23. In addition to the spread of Instagram and other social media as well as stay-at-home orders due to COVID-19 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, 40.2% are aged 10 to 39, and the ratio of females within that is higher than for other age groups at 23.4%, making them a new target group\*. Also, that the average use unit price is being maintained even though the percentage of younger Web members is increasing is a trend worth noting.

| \* Women accounted for 16.8% of all Web members but 21.6% of newly registered members (cumulative in 1-3Q) in FY3/24. |

**Quarterly trends in the number of Web members**



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

Summary of results

**(3) Purchasing numbers and the active rate**

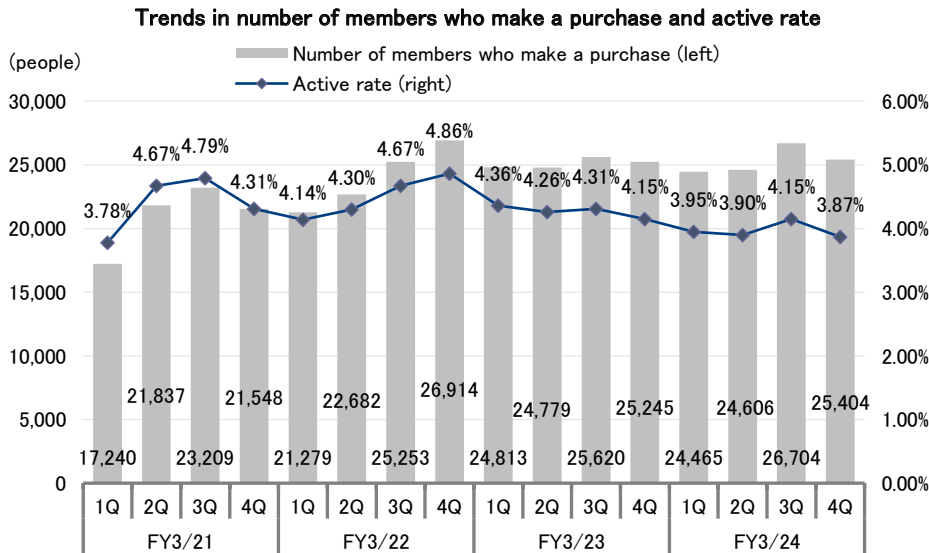
Both the number of purchasing members and the active rate continue to trend strongly, along with a net increase in the number of new members. The number of registrations for wish lists\*<sup>1</sup> and email notifications of product arrivals\*<sup>2</sup> are also both growing steadily, and it seems that a factor for this is that these one-to-one marketing measures are maintaining a high active rate. In particular, the Company began providing product arrival notifications using LINE in addition to email and app notifications in May 2022, which resulted in a big increase in the number of communications\*<sup>2</sup>. Further, combining one-to-one marketing, AIMD, and AI-driven content recommendations has also increased the number of requests sent out when registered products drop in price\*<sup>3</sup>, 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\*<sup>4</sup>.

\*1 The number of products registered on wish lists are on an uptrend at 70,000-80,000 items per month and reached a record high in March approaching 90,000 items. It grew to 2,278,130 items at end of FY3/24 (up 299,738 from the end of the previous fiscal year).

\*2 The number of registrations for email notifications of product arrivals exceeded 140,000 to reach 140,241 at the end of FY3/24 (up 22,218 from the end of the previous fiscal year), and the monthly average number of emails sent out surpassed 400,000. In particular, the number of notifications sent using LINE have increased 14-fold over two years.

\*3 The Company sends a monthly average of 5mn smartphone notifications. This combined with the aforementioned email notifications of product arrivals equates to a total of 16mn notifications on a quarterly basis, which thereby gives rise to information delivery capability and customer contact points equivalent to approximately 350 brick-and-mortar stores in terms of number of customers visiting stores.

\*4 The Company established the Content Creation Department to which it has assigned numerous professionals with practical experience in video production. Going forward, the Content Creation Department will focus on producing and streaming video content.

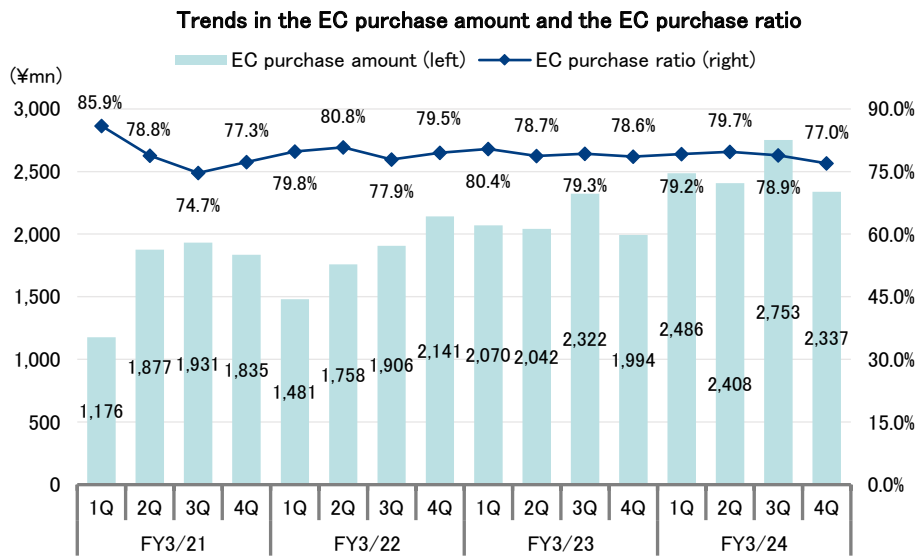


Source: Prepared by FISCO from the Company's results briefing materials

Summary of results

**(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 (June 2020), AIMD (March 2021), and AI-driven content recommendations (March 2022) 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, which are two of the various differentiation factors, are also both performing well and it can be said that these are contributing to the increase in the EC purchase ratio.



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

**5. Summary of the FY3/24**

In summary, the Company's performance in FY3/24 was affected for a period of time by a system disruption but is commendable in that two key points once again underscored the strengths of the Company's business model. First, the Company managed to boost earnings overall by utilizing AI and various other EC initiatives to attain ongoing growth in the Camera Business. Second, the Company mounted a rapid recovery in the Watch Business from the deceleration in 2H FY3/23 to achieve record-high results. The Company's activities such as upgrading AIMD, bolstering online purchase estimates for watches, and enhancing content centered on video streaming also led to improvement in various KPIs. Moreover, the Company's capital and business alliance with the SIGMAXYZ Group described hereinafter is a noteworthy move towards further evolution.

## ■ Topics

### Concluded a capital and business alliance with the SIGMAXYZ Group, with an eye to transforming into a technology company

In March 2024, the Company entered into a capital and business alliance agreement with the SIGMAXYZ Group, which is engaged in corporate transformation and business creation through consulting and investment business collaboration. SIGMAXYZ Inc. has been providing consulting services to the Company since 2013, and has experience in AIMD development and deployment support in the Camera Business and deployment of mission-critical systems. One purpose of the alliance is to foster deeper ties through the secondment of consulting personnel and provision of capital and advanced consulting services from the SIGMAXYZ Group. Another is to harness revaluation and technology, including through the development of system personnel, strengthening of AI initiatives, and formulation and execution of sophisticated strategies, to realize business growth in the domain of high-end merchandise with high added value. The capital alliance entailed the disposal of treasury stock, and 457,000 common shares (1.97% of total outstanding shares) were allotted to SIGMAXYZ Investment Inc. on April 15, 2024. The total amount of funds raised was ¥499mn (issue price per share of ¥1,093), which the Company plans to use for consulting and development costs for revamping mission-critical systems, EC systems, and so forth.

## ■ Business forecasts

### The Company expects higher sales and profits again in FY3/25 driven by EC net sales growth, with the Camera Business and the Watch Business steadily expanding

#### 1. FY3/25 forecasts

The Company forecasts continued growth in sales and profits in FY3/25, with net sales to rise 15.9% YoY to ¥56,617mn, operating income to grow 15.3% to ¥3,854mn, ordinary income to rise 14.4% to ¥3,824mn, and net income to increase 13.6% to ¥2,639mn.

It assumes the Camera Business and the Watch Business will drive net sales growth, mainly in EC. In particular, it envisions EC net sales growth of 35% YoY in the Watch Business, owing primarily to significant bolstering of one-price buying and full-fledged introduction of AIMD.

In terms of profit, it plans on upfront investments for revamping BRILLER (ladies brand salon) and establishing a new photography studio for content creation. However, it envisions attaining operating income growth, with the gross margin reaching a record high of 18.8% (18.7% in the previous fiscal year) due to the continued positive effects of AIMD and the Watch Business underpinning earnings.



## Business forecasts

## FY3/25 forecasts

	FY3/24		FY3/25		Change	
	Result	%	Forecast	%	Amount	%
Net sales	48,841		56,617		7,775	15.9%
Gross profit	9,127	18.7%	10,663	18.8%	1,535	16.8%
SG&A expenses	5,783	11.8%	6,808	12.0%	1,024	17.7%
Operating income	3,343	6.8%	3,854	6.8%	510	15.3%
Ordinary income	3,344	6.8%	3,824	6.8%	479	14.4%
Net income	2,322	4.8%	2,639	4.7%	316	13.6%

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

## 2. FISCO's outlook

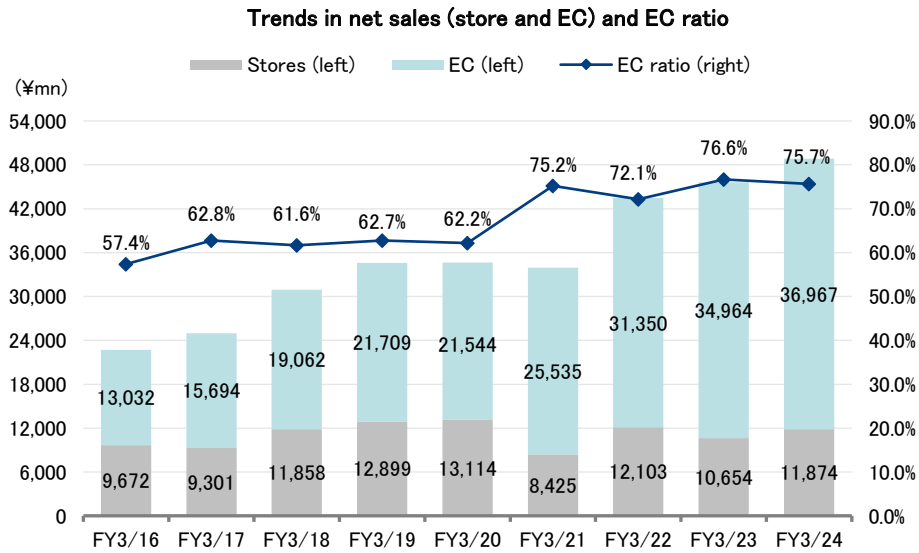
The effects of the unstable economic climate and market fluctuations continue to require attention. However, the Company's forecast assumptions are reasonable, and FISCO believes that the Company is fully capable of attaining its forecasts. In particular, FISCO believes there is potential for results to top the Company's forecasts. The reasons are 1) the Company's business model centered on EC is continuing to steadily evolve while expanding the number of communications and membership base, 2) the Company's new initiatives (such as one-price buying and AIMD) in the Watch Business where there is a huge market are proving successful, and 3) brisk inbound demand (duty-free sales) continues. A point to watch is how the Company invests in sustainable growth now when its performance is strong. In that sense, its capital and business alliance with the SIGMAXYZ Group indicates its future direction and its management's level of commitment. FISCO will be watching the Company's development of personnel with digital skills, reinforcement of AI measures, and other efforts going forward to transform into an EIC company, and their results.

## Results trends up to the present time

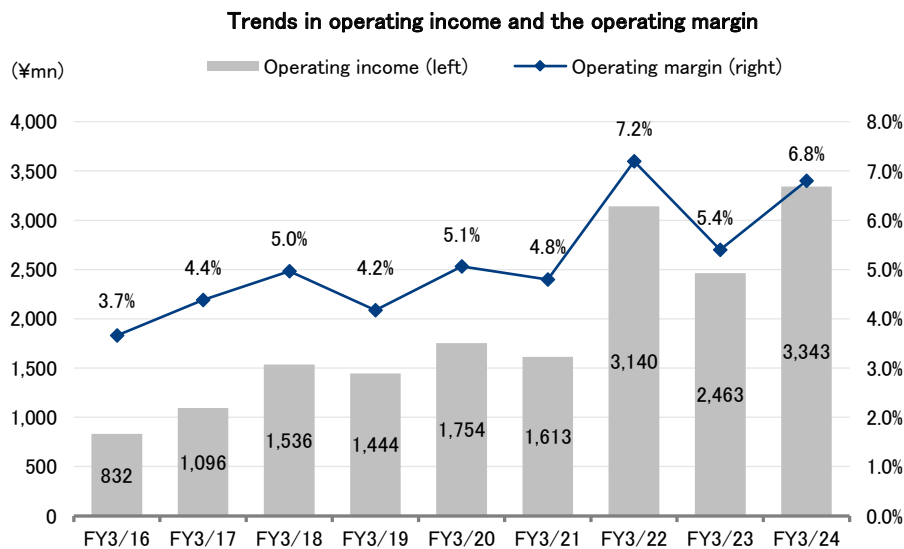
### Realized upward growth through the increase in the number of Web members resulting from unique EC initiatives, including those harnessing AI

Looking back at the Company's results through FY3/23, 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. Average annual growth rate over the 11 years from FY3/13, when the Company went public, to FY3/24, is 13.2% (of which the average annual growth rate of EC net sales was 17.6%). Profits (operating income) 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 came to 5.4%. However, the operating margin recovered to the 6.8% level in FY3/24, demonstrating the effectiveness of the Company's steps to increase its real earnings capacity.

Results trends up to the present time



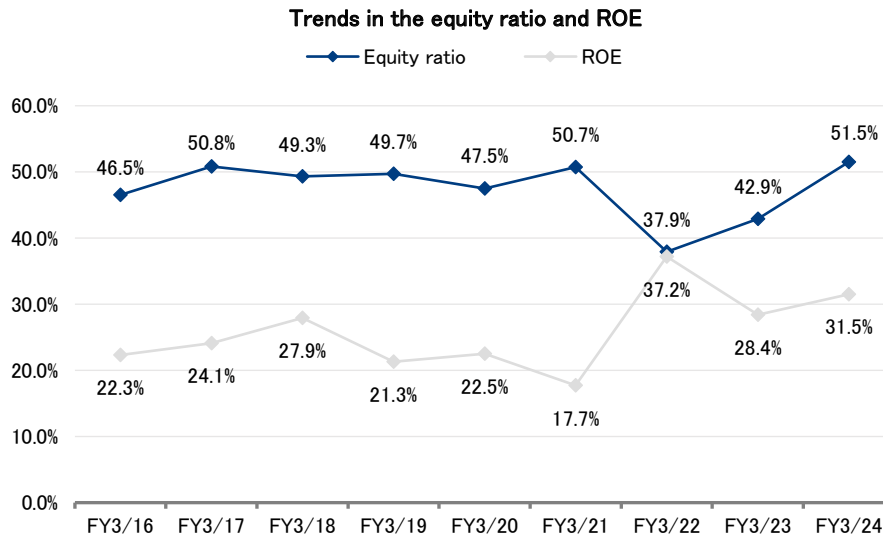
Source: Prepared by FISCO from the Company's results briefing materials



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

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 returned to a level exceeding 50% again in FY3/24. Meanwhile, ROE, an indicator of capital efficiency, rose to 37.2% in FY3/22 and stayed above the 30% level in FY3/24.

Results trends up to the present time



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

## ■ Medium- to long-term strategy

**Promoting three-year medium-term management plan (rolling method). No change in the Company's direction of aiming for profit growth through the use of AI and lean management while working toward further growth in Camera and Watch businesses and on cross-border EC**

### 1. The Company's business environment

#### (1) Camera market

The camera market contracted for some years amid the spread of smartphones, but has picked up since FY2020, when the transition to full-size mirrorless cameras began in earnest and companies all began releasing highly anticipated new products, which has been a boon for specialty camera stores. Full-fledged migration to full-size mirrorless cameras is especially expected to gain steam accompanying the resolution of the semiconductor shortages through the first half of 2022, and total domestic shipments will continue to grow, with increases of 131.9% YoY in 2022 (163.3% YoY in value) and 120.4% in 2023 (106.8% in value)\*. High growth is also expected in 2024, when the Paris Olympics will be held (as it has become customary to release flagship cameras during Olympic years). The number of people taking up photography seriously as a hobby and engaging in video-related work is on an upward trend, which has led to a shift in camera buying activity from volume retail stores to specialty camera stores in the quest for more "professional" equipment. The used camera market is also expected to remain brisk for some time, because products that are replaced by the latest model go on sale as used items.

\* According to the Company's materials. The source is the Camera & Imaging Products Association.

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Medium- to long-term strategy

## (2) Watch market

The imported watch market in Japan has approached the ¥1tn mark\*. It grew 26% YoY to ¥738.1bn in 2022, partly because of strong motivation to sell products even if it meant lowering prices amid weak inbound demand (duty-free sales) due to COVID-19 and falling global prices for luxury watches. It expanded 29% YoY to ¥955.7bn in 2023, continuing to grow briskly amid relatively stable market prices. It is a market with significant room for growth for the Company, which has a roughly 2% share. The Company has been investing strategically in inventory since announcing in September 2021 its aim to become the top Rolex store in Japan. It expanded its Rolex listings to one of the largest in Japan at the end of December 2021 and has worked to further enhance its product lineup, but that proactive approach was affected by falling market prices, which led to temporary struggles. Since the beginning of 2023, however, market prices have been stable and the Company's earnings have recovered.

\* According to the Company's materials. The source is the Japan Clock & Watch Association.

## 2. Medium-term management plan

Each year, the Company updates its three-year medium-term management plan, and in May 2024, it announced a new medium-term plan. The Company revised its forecast upward for top-line growth compared with the previous medium-term management plan, and raised its gross margin target. On the other hand, it also slightly raised its forecast for investments to generate profit (such as development of system personnel, system investment to bolster AI measures, and establishment of a new photography studio for content creation). That said, the Company is still headed in the same direction. It intends to continue to focus on EC by utilizing new technology, further grow the mainstay Camera Business, take the Watch Business from recovery to expansion, and to revitalize its global expansion through cross-border EC. In particular, it is emphasizing profit growth over sales growth by advancing the two measures of 1) using AI to maximize sales and profits and 2) reducing SG&A expenses through lean management. For FY3/27, the final year of the plan, it targets net sales of ¥73,514mn (a three-year average annual growth rate of 14.6%) and operating income of ¥5,598mn (an operating margin of 7.6%).

### Overview of the new medium-term management plan

(¥mn)

	FY3/24		FY3/25		FY3/26		FY3/27		Average growth rate
	Result	Ratio to net sales	Forecast	Ratio to net sales	Forecast	Ratio to net sales	Forecast	Ratio to net sales	
<b>Net sales</b>	48,841		56,617		64,505		73,514		14.6%
<b>Cameras</b>	36,664	75.1%	41,972	74.1%	47,972	74.4%	54,841	74.6%	14.4%
<b>Watches</b>	10,974	22.5%	13,177	23.3%	14,855	23.0%	16,754	22.8%	15.1%
<b>Stationery</b>	433	0.9%	509	0.9%	580	0.9%	660	0.9%	15.1%
<b>Bicycles</b>	769	1.6%	958	1.7%	1,098	1.7%	1,259	1.7%	17.9%
<b>Gross profit</b>	9,127	18.7%	10,663	18.8%	12,171	18.9%	13,895	18.9%	15.0%
<b>SG&amp;A expenses</b>	5,783	11.8%	6,808	12.0%	7,558	11.7%	8,297	11.3%	12.8%
<b>Operating income</b>	3,343	6.8%	3,854	6.8%	4,612	7.2%	5,598	7.6%	18.7%
<b>Ordinary income</b>	3,344	6.8%	3,824	6.8%	4,582	7.1%	5,568	7.6%	18.5%
<b>Net income</b>	2,322	4.8%	2,639	4.7%	3,162	4.9%	3,842	5.2%	18.3%

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

Medium- to long-term strategy

### 3. Medium- to long-term focus points

FISCO thinks 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. 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. With scope for the Company to increase its share in the ¥1tn market, there are high expectations for progress going forward. 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 Watch 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 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. FISCO will closely monitor the Company's progress in solidifying a unique business model, including the use of outside resources.

## ■ SDGs initiatives

### **Aims to contribute to a sustainable society through “newly created businesses for important products with value” and “development of an easy-to-work environment”**

Regarding SDGs (sustainable development goals) that have been receiving strong interest from investors, the Company wants to leverage initiatives aimed at resolving social issues in boosting its own enterprise value, just as it has done up to now, through “newly created businesses for important products with value” and “development of an easy-to-work environment.” In particular, as one concrete example of an effort in “newly created businesses for important products with value,” it replaced all the paper used in items like product packaging and name cards with eco-friendly materials. Its policy is also to change the original goods and the novelty goods in consideration of the environment. In addition, the Company enhanced its information disclosure in 2022, including by starting to disclose information based on the recommendations of the Task Force on Climate-related Disclosures (TCFD)\*<sup>1</sup> and responding to the CDP questionnaire\*<sup>2</sup>. It also concluded an official partner agreement in July 2022 with Shougaisha Jiritsu Suishin Kikou Association\*<sup>3</sup> to take part in Paralympic Art, a program that supports disabled artists. Since the outset of 2023, the Company has also become a signatory to the United Nations Global Compact and has raised its target for reducing greenhouse gas emissions\*<sup>4</sup>.

\*1 This organization was established by the Financial Stability Board to promote understanding and disclosure of the financial impacts on companies brought about by climate change. It published a final report compiling recommendations regarding information disclosure in June 2017.

\*2 This questionnaire is sent out to obtain companies' environmental information based on requests from major purchasing companies that are enthusiastic about supply chain engagement, institutional investors that make ESG investments, and so forth.

\*3 The Association offers the use of art works such as paintings and designs to help disabled artists become financially independent.

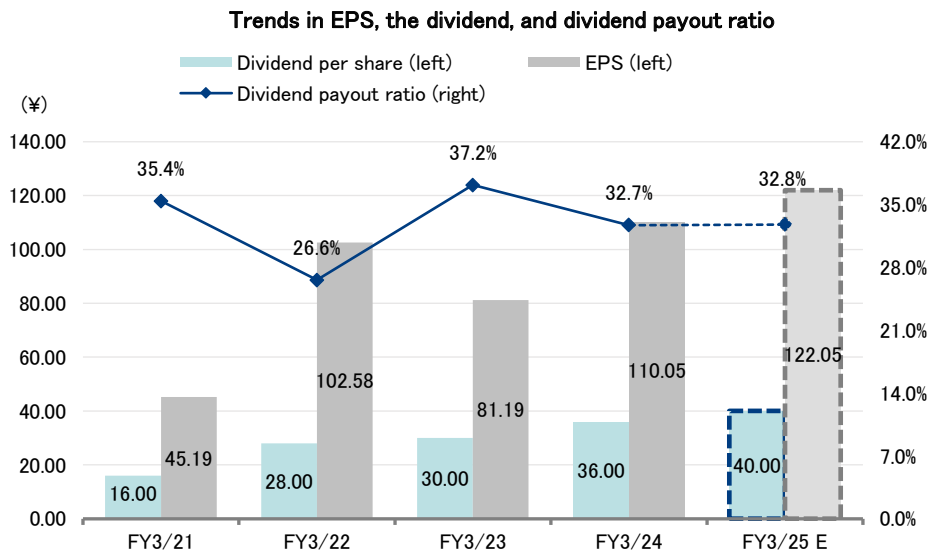
\*4 The Company raised its Scope 1 and 2 emissions target from a 27% reduction in emissions by 2030 relative to its emissions in 2020 to a target of net zero emissions by 2030.

## Shareholder returns

### Plans to pay a ¥40 dividend in FY3/25 (up ¥4 YoY)

The Company sees shareholder returns as a management issue and has a basic policy of returning profits to shareholders through dividends. Previously, it had continuously paid a stable dividend, but from FY3/17, it changed its dividend policy to being based on the dividend payout ratio. It currently targets a dividend payout ratio in a range of 25% to 35%.

For FY3/24, the Company has decided to pay a year-end dividend of ¥36 per share (a payout ratio of 32.7%), an increase of ¥6 from the previous fiscal year. For FY3/25, the Company plans to pay a dividend of ¥40 per share, an increase of ¥4 from the previous fiscal year. If realized, that would mark the fourth straight year of dividend growth.



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

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