

Company Report

November 6, 2025

Leveraging DX and AI Capabilities to Seriously Launch an Online Pre-Owned Luxury Goods Business. Partnerships with LY Corporation & Mercari, Implementation of Stripe, Plus Capital & Business Alliances with Keystone & Others, Signal a Potential Game-Changing Shift!

Daikokuya Holdings is involved in pawn shops, pre-owned luxury goods and electronics businesses. The pawn shops and pre-owned luxury goods business account for over 95% of total sales. Based on the appraisal capabilities cultivated in the pawn shop business, the company is expanding its online business in pre-owned luxury goods business by leveraging its digital transformation and AI utilization capabilities. Since 2023, the company has been expanding its financial base, partnering with LY Corporation and Mercari, Inc., and introducing the global payment platform Stripe. The company believes that building up pre-owned inventory will establish a foundation for a recovery in performance.

The company's history dates to Mori Shinjiro Shoten, which was founded in 1915. It manufactures and sells lighting fixtures and was listed on the second section of the Tokyo Stock Exchange in 1961 as Mori Denki Co., Ltd. After a period of declining performance, in 1997 it received support from Far East Consortium International Limited, a Hong Kong business investment company headed by current CEO Kohei Ogawa. Furthermore, Daikokuya Co., Ltd., which was founded in 1947 and operated a pawn shop and pre-owned luxury goods business, joined as a subsidiary in 2013, with the company now operates pawn shops, pre-owned luxury goods businesses, and electrical appliance businesses.

The company's DNA is "a corporate culture that combines cutting-edge technology in an old business to pursue highly efficient business operations". Based on the stable but unlikely-to-grow pawn shop and electronics businesses, the company is rapidly expanding its online pre-owned luxury goods business by utilizing cutting-edge digital transformation and AI. The emphasis on profitability and efficiency is becoming ingrained in the company's DNA.

The company's difficulty in imitating lies in its "system for expanding the pre-owned luxury goods business by combining advanced appraisal capabilities, the ability to utilize DX and AI, and financial technology while securing stable revenue sources through the pawn shop and electrical machinery businesses". Securing stable revenue sources through the pawn shop and electrical machinery businesses can be considered a strength in the resale industry.

Strategy Advisors Inc.
Team Coverage



Stock Price & Trading Volumes



Source: Strategy Advisors

Key Indicators

Stock Price (11/05/2025)	48
52-Week High (6/30/2025)	89
52-Week Low (4/07/2025)	19
All-Time High (4/27/1984)	22,323.53
All-Time Low (3/16/2020)	17
# of Shares Issued (mn)	179.0
Market Capitalization (¥bn)	8.6
EV (¥bn)	77.8
Equity Ratio (FY3/25, %)	6.8
ROE (FY3/25 Actual, %)	-228.4
PER (FY3/26 CoE, Times)	—
PBR (FY3/25 Actual, Times)	20.5
Yield (FY3/26 CoE, %)	0.0

Source: Strategy Advisors

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It is also thought that it will take time for other companies to imitate its combination of high-level appraisal capabilities, the ability to utilize DX, AI and financial technology.

The company's equity story is that it has "after solidifying its financial foothold, it has shifted to an aggressive strategy leveraging its digital transformation, AI utilization capabilities and financial technology, leveraging its partnership with the SBI Group." The company's stock price fall since the mid-2010's due to sluggish overseas expansion. Entering the 2020's, the resale markets domestic inventory buildup was curbed following its withdrawal from overseas operations, leading to sluggish sales and profits and so the stock price continued to fall. However, during that time, the company has increased its gross profit margin, boosted its cross-ratio (inventory turnover rate x gross profit margin) and gradually strengthened its capital base. In October 2025, the company announced a fundraising from S Bank LLC, which is expected to significantly expand its financial position. This latest fundraising, combined with partnerships with LY Corporation and Mercari, Inc., and the introduction of Stripe in 2023, is likely to increase the company's chances of entering a virtuous cycle of inventory buildup and sales growth. In addition to the announcement of the fundraising, the company also announced the signing of a capital and business alliance agreement with Keystone Partners Co., Ltd, whose largest shareholder is SBI Group and S Bank. The contents of the alliance include the expansion of the company's group's business through collaboration between the company's group and the SBI Group and there are signs that this will be a "game-changing" move that will significantly expand the company's business operations.

Japanese GAAP - Consolidated

FY	Net Sales (¥mn)	YoY (%)	Operating Profit (¥mn)	YoY (%)	Ordinary Profit (¥mn)	YoY (%)	Net Profit (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
3/2022	17,381	37.9	63	-	-98	-	-292	-	-2.50	0.0
3/2023	12,452	28.4	129	103.0	-31	-	-275	-	-2.35	0.0
3/2024	10,967	-11.9	-143	-	-446	-	-539	-	-4.60	0.0
3/2025	10,232	-6.7	-904	-	-1,076	-	-968	-	-6.58	0.0
3/2026 CE	10,415	1.8	-600	-	-723	-	-677	-	-3.23	0.0

Source: Company Data. Compiled by Strategy Advisors.

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Executive Summary

Operates Pawn Shops, Pre-Owned Goods & Electrical Appliance Businesses

Daikokuya Holdings is involved in the pawn shop, pre-owned luxury goods and electrical machinery business. Pawn shops and pre-owned luxury goods business are the company's core businesses, accounting for over 95% of sales. Based on the appraisal capabilities cultivated in the pawn shop business, the company is accelerating the expansion of its online business in the pre-owned luxury goods business by leveraging its digital transformation and AI utilization capabilities. There is potential for significant expansion of the business scale by capitalizing on the expansion of the resale market. The electrical machinery business manufactures and sells electrical machinery and equipment used in explosion-proof areas such as factories. With customers, including various manufacturing and defense companies, the company can expect stable profits from this business going forward.

Bringing Various Businesses Under its Umbrella to Provide Corporate Support

The company's diverse business operations, including pawn shops, pre-owned luxury goods and electronics, are the result of current CEO Ogawa acquiring Mori Denki in 1997 and Daikokuya in 2013 as part of his investment business. Mr. Ogawa has experience as a president of an investment bank in New York and a business investment company in Hong Kong and he made Mori Denki and Daikokuya subsidiaries to support Japanese companies. He has since built the foundation of the company's structure by harnessing the power of digital transformation and AI globally and using cutting-edge financial technology.

The Company's DNA is a Corporate Culture That Combines Cutting-Edge Technology in the Pursuit of Highly Efficient Business Operations in an Old Business Environment

The company's "corporate DNA" is a "corporate culture that combines cutting-edge technology in an old business to pursue highly efficient business operations". The electrical business, which handles pawn shops and explosion-proof electric apparatus, is an old business and although it is stable, significant growth is unlikely. Using this field as a foundation building block, the company is combining its pre-owned luxury goods business and focusing on online businesses by making full use of cutting-edge digital transformation, AI and financial technologies such as fundraising, aiming for rapid business expansion. The company has a global digital transformation team that supports the company, as well as highly skilled appraisers and other personnel, and its emphasis on profitability and efficiency is becoming firmly ingrained in its corporate DNA.

Stable Core Operations Plus Appraisal Expertise, DX/AI Utilization & Financial Tech Create a Pre-Owned Luxury Goods Trading Model Difficult for Competitors to Replicate

What makes the company difficult to imitate is its "system for expanding the pre-owned luxury goods business by combining advanced appraisal capabilities, the ability to utilize DX and AI, and financial technology while securing stable revenue sources through the pawn shop and electrical machinery businesses". The pawn shops and electronics businesses are stable revenue sources, but the nature of the businesses is different, making it difficult to bring them under one umbrella, including the pre-owned luxury goods business. The system of bringing these businesses under one umbrella using financial technology, while expanding the pre-owned luxury goods business with high-level appraisal capabilities and the ability to utilize DX and AI, can be said to be unique and difficult to imitate.

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Domestic Business Sluggish Due to Loss Disposal of Overseas Business

Since the late 2010's, the company has fluctuated between operating profits and losses of around ¥100 million and ¥300 million. It has been due specifically to significant non-operating expenses, there have been years in which the company has posted operating losses and net losses. This is due to: 1) the decision in 2019 to withdraw from the business of SFL Group, which it acquired in the UK in 2015 and operated as a pawn shop and pre-owned luxury jewelry purchase and sale business; and 2) the liquidation in 2021 of a joint venture established in 2017 in partnership with a subsidiary of CITIC Group. Losses related to these overseas businesses have left the company with insufficient domestic funds to increase their pre-owned luxury inventory, resulting in continued poor performance. In FY3/25, the company invested in business development through partnerships with LY Corporation and Mercari, Inc., with the aim of achieving a turnaround and expansion in the future.

LY Corporation, Mercari, Inc. & Stripe Partnerships Help Formulate Rapid Growth Medium-Term Management Plan

The company has not disclosed a mid-term management plan, but its subsidiary Daikokuya announced one in July 2024 and has updated it subsequently on 3 occasions. From FY3/25 actual results to FY3/29 targets, the plan is to grow sales from ¥9.9 billion to ¥70.2 billion (CAGR 63.2%) and gross profit from ¥2.9 billion to ¥18.1 billion (CAGR 57.9%). For operating profit (excluding goodwill amortization), EBITDA and net income, the mid-term management plan projects a shift to profitability. The CAGR from the FY3/26 plan to the FY3/29 plan are 83.1%, 81.9% and 137.7% respectively, indicating expectations for significant revenue and profit growth at very high rates. This growth is driven by increased sales both domestically and internationally. Key factors include: a significant expansion of pre-owned luxury inventory through the "Otegaru AI" service in partnership with LY Corporation (4689 TSE Prime) and the "Purchase Request" service with Mercari, Inc. (4385 TSE Prime) and also the introduction of the global payment platform Stripe. However, the company announced a downward revision to its FY3/26 earnings forecast on October 31, 2025, indicating a less than smooth start.

The Company's Equity Story is That "After Solidifying its Financial Foothold, it Will Shift to an Aggressive Strategy, leveraging its Collaboration with SBI Group, Based on its Digital Transformation Capabilities & Financial Technology"

The company's equity story is that "after solidifying its financial foothold, it has shifted to an aggressive strategy leveraging its digital transformation, AI utilization capabilities and financial technology, leveraging its partnership with the SBI Group". The company's stock price fell due to sluggish overseas expansion since the mid-2010's. Entering the 2020's, the company curbed its domestic pre-owned luxury inventory buildup following the withdrawal of its UK business and Chinese joint venture, leading to sluggish sales and profits and so the stock price continued to fall. Continued losses led to the impairment of net assets, and the company announced "Going Concern Matters" from FY3/24, causing the stock price to fluctuate around ¥50.

By 2024, the company will have almost completed the restructuring of its overseas business, further increased its gross profit margin and improved its cross-ratio and therefore gradually has strengthened its capital base, allowing it to take an aggressive stance. In October 2025, the company revised its forecast downward and announced a fundraising initiative from S Bank, which is expected to significantly strengthen its financial position. In addition to its partnerships with LY Corporation and Mercari, Inc. and the introduction of Stripe in 2023, this latest round of funding is likely to increase pre-owned luxury product inventory and enter a virtuous cycle of expanding sales. Along with the announcement of the funding, the company also announced a capital and business alliance with Keystone and S Bank, of which SBI Group is the largest shareholder.

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The alliance includes the expansion of the company's group's business through collaboration between the company and the SBI Group as a whole; and there are signs that this will become a "game-changer" for the company and likely significantly expand its business.

1. Company Profile

1) General Business

**Involve in the
Pawn Shop, Pre-
Owned Luxury
Goods & Electrical
Appliances
Businesses**

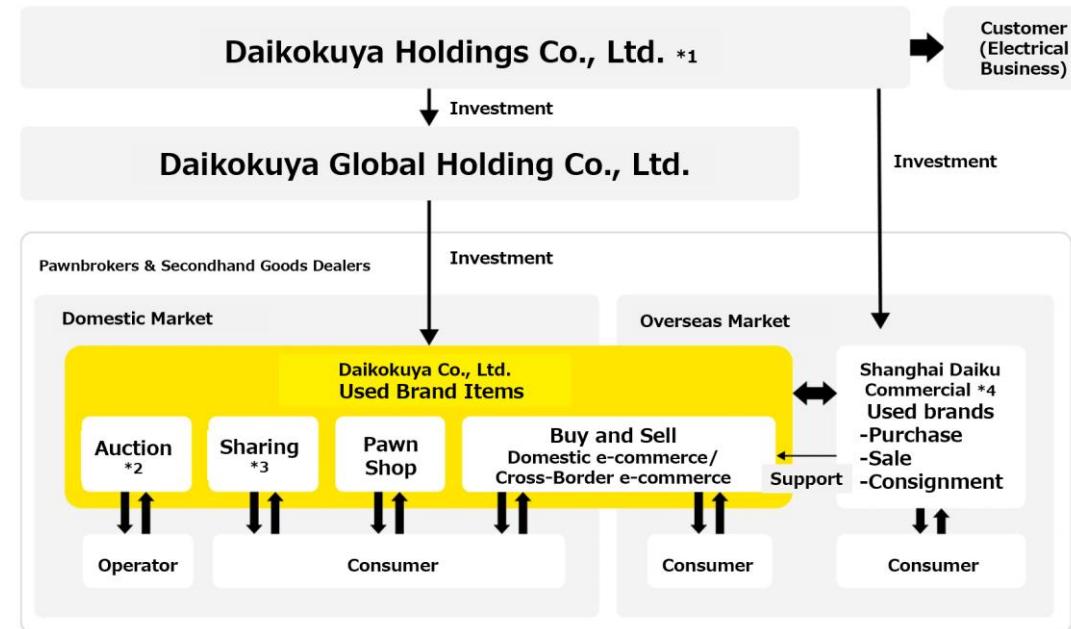
The company group's business structure is shown in Figure 1. It consists of the company itself and 10 consolidated subsidiaries. It is involved in the pawn shop, pre-owned luxury goods and electrical machinery businesses. Pawn shops and pre-owned luxury goods business are mainly run by subsidiary Daikokuya, while the electrical machinery business is run by the company itself, making the company both a holding company and an operating company.

Pawn shops and pre-owned luxury goods business primarily operate pawn shops in accordance with the Pawn Shop Business Act, and purchases and sells pre-owned luxury items (bags, watches, jewelry, etc.) in accordance with the Antique Dealings Act. This is the company's core business, accounting for 96.8% of sales and 91.3% of employees in FY3/25. In the buying and selling of pre-owned luxury goods, the company primarily engages in C to B product purchases and engages in B to C product sales. In addition to having 24 Stores nationwide, the company is also promoting online purchases and sales.

The electrical business's products consist of industrial lighting fixtures, control systems and electrical construction materials. Industrial lighting fixtures and electrical construction materials are sold through local agents and distributors, while control systems are primarily sold as OEM products and for specific users. The investment business also has the capacity to make business revitalization investments through SBO Inc. and Orion Capital Management.

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Figure 1. Business Structure of the Company Group



*1) Including SBO Inc. and Orion Capital Management Co., Ltd.

*2) B to B online auction business

*3) Luxury bag sharing service business

*4) Shanghai subsidiary in China (disclosed on March 8, 2021)

Source: Company Data. Compiled by Strategy Advisors.

In 2013, ASIA Growth Capital, Ltd. (now Daikokuya Holdings Co., Ltd., formerly Mori Denki Co., Ltd.) acquired shares in D Wonderland Inc. (now Daikokuya Global Holdings Co., Ltd.), making Daikokuya a subsidiary and resulting in roughly the same structure as it is today. In FY3/2014, the company posted sales of ¥9.17 billion, an operating profit of ¥1.14 billion with a market capitalization of ¥13.33 billion (as of the end of March 2014). In FY3/2025, the company posted sales of ¥10.23 billion, an operating loss of ¥0.90 billion and had a market capitalization of ¥3.87 billion (as of the end of March 2025).

Since FY3/2019, the company has been posting operating losses or low operating profits, but the company has positioned FY3/2025 as "the kickoff year for introducing cutting-edge technologies using AI and DX to the world", deepening its partnerships with LY Corporation and Mercari, Inc. In October 2025, the company announced it would raise funds from S Bank and by strengthening its financial position, the pre-owned luxury business may be able to increase its inventory and enter a virtuous cycle of expanding sales. Combined with business partnerships with Keystone and others, this could be a game-changing step that will significantly expand the company's business.

2) Past Performance Trends

The 2020's Saw a Slow Recovery in Business Performance Due to Restructuring of their Overseas Businesses

Figure 2 shows the consolidated income statement from FY3/19. Operating income fluctuated between profits and losses of around ¥100 million to ¥300 million. There have been many years with large non-operating expenses and extraordinary losses, resulting in operating losses and net losses. This is due to the decision in 2019 to withdraw from SFL Group, a UK company acquired in 2015 that buys and sells used jewelry and operates pawn shops, plus the liquidation in 2021 of a joint venture established in 2017 in partnership with CITIC Xingbang Asset Management Corporation Ltd., a subsidiary of CITIC Group. Due to the restructuring of overseas businesses, domestic funds were insufficient, preventing the pre-owned luxury business from fully accumulating inventory for sales. In FY3/25, expenses were incurred in business development through partnerships with Mercari Inc. and LY Corporation, resulting in a larger operating loss.

Figure 2. Consolidated Income Statement (¥mn)

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26 CoE
Net Sales	20,439	17,270	12,606	17,195	12,447	10,967	10,232	10,415
Cost Of Sales	14,019	12,172	9,480	13,779	8,966	7,693	7,175	
Gross Profit	6,419	5,098	3,125	3,416	3,480	3,273	3,056	
Gross Profit Margin	31.4%	29.5%	24.8%	19.9%	28.0%	29.8%	29.9%	
Selling, General and Administrative Expenses	6,582	4,961	3,478	3,538	3,356	3,417	3,960	
Operating Profit	-163	136	-352	-122	124	-143	-904	-600
Operating Profit Margin	-0.8%	0.8%	-2.8%	-0.7%	1.0%	-1.3%	-8.8%	-5.8%
Non-Operating Income	24	36	53	31	31	30	16	
Non-Operating Expenses	583	564	413	193	191	333	188	
Ordinary Profit	-722	-391	-712	-283	-35	-446	-1,076	-723
Ordinary Profit Margin	-3.5%	-2.3%	-5.6%	-1.6%	-0.3%	-4.1%	-10.5%	-6.9%
Extraordinary Profit	7	249	0	13	0	0	0	
Extraordinary Losses	24	1,563	58	26	34	106	47	
Profit Before Income Taxes	-740	-1,706	-771	-297	-70	-552	-1,123	
Cooperate Taxes	330	275	-31	159	182	-15	-120	
(Corporate Tax Rate)	-44.6%	-16.1%	4.0%	-53.5%	-260.0%	2.7%	10.7%	
Profit	-1,070	-1,981	-739	-456	-252	-537	-1,002	
Profit (Loss) Attributable to Non-controlling Interests	-31	-137	-22	5	26	2	-34	
Profit Attributable to Owners of Parent	-1,039	-1,844	-716	-462	-279	-539	-968	-677
Net Profit Margin	-5.1%	-10.7%	-5.7%	-2.7%	-2.2%	-4.9%	-9.5%	-6.5%
EPS (¥)	-9.19	-15.77	-6.13	-3.95	-2.39	-4.60	-6.58	-3.23
ROE	-25.6%	-63.6%	-45.8%	-48.5%	-49.1%	-236.3%	-426.4%	
ROIC (Invested Capital)	-3.9%	-1.4%	-4.1%	-4.1%	-0.9%	-2.3%	-14.1%	
ROIC (Business Assets)	-9.0%	-3.1%	-8.0%	-7.6%	-2.0%	-5.4%	-33.4%	
DPS (¥)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Ave. # of Shares During the Period (Million Shares)	113	116	116	116	116	117	147	
End of Period Shares (Million Shares)	116	116	116	116	116	120	168	

Source: SPEEDA. Created by Strategy Advisors.

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Primarily Consists of 2 Segments, with the Majority Being Pawn Shop and Pre-Owned Luxury Goods Businesses

The company's segments are the pawn shop, the pre-owned luxury goods business and the electronics business. The investment business is currently classified as "others". As shown in Figure 3, most sales come from the pawn shop and the pre-owned luxury goods business. The pawn shop business is a financial business that provides loans using pawns as collateral and earns pawn revenue from these loans. Therefore, the level of the operating loan balance determines pawn revenue. In recent years, the operating loan balance has been in the low ¥2 billion range and pawn revenue has remained stable at around ¥800 million. All pawn revenue becomes gross profit, making it a stable source of revenue. While most of the operating profit comes from the pawn shop and the pre-owned luxury goods business, there are also years when the business posts an operating loss. The electronics business has a stable operating profit margin of over 20%, making it a business that generates reliable operating profits.

Figure 3. Sales and Operating Profit by Segment (¥mn)

FY	Sales	By Segment						(Operating Loans)	(Pawn Revenue)
		Electrical Business	Sales Share	Pawn Shop, Pre-Owned Luxury Goods Business	Sales Share	Others	Sales Share		
3/19	20,439	393	1.9%	20,045	98.1%	0	0.0%	1,789	-
3/20	17,270	333	1.9%	16,936	98.1%	0	0.0%	1,963	-
3/21	12,606	287	2.3%	12,319	97.7%	-	-	1,615	-
3/22	17,195	277	1.6%	16,918	98.4%	-	-	1,802	785
3/23	12,447	277	2.2%	12,170	97.8%	-	-	2,136	845
3/24	10,967	295	2.7%	10,671	97.3%	-	-	2,108	880
3/25	10,232	330	3.2%	9,901	96.8%	-	-	2,118	841

FY	Operating Profit	By Segment						Adj.
		Electrical Business	Profit Margin	Pawn Shop, Pre-Owned Luxury Goods Business	Profit Margin	Others	Profit Margin	
3/19	-163	125	32.0%	285	1.4%	-88	-	-486
3/20	136	65	19.5%	537	3.2%	-67	-	-399
3/21	-43	64	22.3%	-64	-0.5%	-42	-	-309
3/22	-122	63	23.0%	166	1.0%	-42	-	-310
3/23	124	62	22.7%	457	3.8%	-44	-	-351
3/24	228	77	26.1%	192	1.8%	40	-	-372
3/25	-449	113	34.2%	-517	-5.2%	-45	-	-454

Note: Operating loans are pledged as collateral.

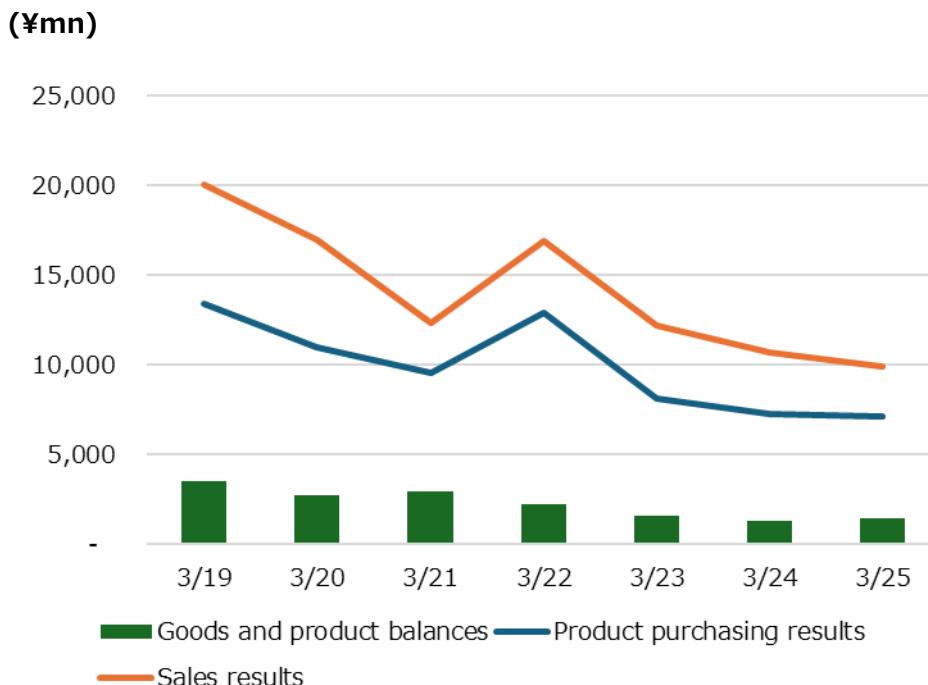
Source: Company Data. Compiled by Strategy Advisors.

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In Order to Increase Sales at Pawn Shops & in the Pre-Owned Luxury Goods Business, Funds are Needed to Increase Purchasing Power

As shown in Figure 4, the sales of the company's pawn shop and pre-owned luxury goods business are closely linked to the actual product purchasing performance and the product and finished goods balance (≒ pre-owned luxury inventory balance). In other words, if purchasing increases and pre-owned luxury inventory builds up, sales will increase. When building pre-owned luxury inventory, the most important factor is the funds for purchasing. If there are sufficient funds, the pre-owned luxury business can build up abundant inventory and sell it to obtain funds for the next purchase. When funds are insufficient, some form of fundraising is required.

Figure 4. Performance of Sales, Product Purchase and Product Balances for Pawn Shop and Pre-Owned Luxury Goods Business



Note: Goods and product balances are pledged as collateral.

Source: Company Data. Compiled by Strategy Advisors.

Purchasing Has Been Restrained Until Now, but is Now Entering a Phase to Start Accumulating Pre-Owned Luxury Inventory, Again

Pre-owned luxury item volumes increased due to the prolonged impact of COVID-19, but apart from that period, pre-owned luxury has consistently restrained product purchases and reduced its inventory. In FY3/25, the reorganization of its overseas business ended and pre-owned luxury businesses inventory balance had generally bottomed out. As described in the next section, the company is strengthening its capital, expanding purchases and is in the phase of building up pre-owned luxury inventory.

3) Shareholder Composition and Capital Increase

The Majority of Shareholders Were Individual Shareholders

Individuals and others account for the majority, at over 80% of stock ownership. Domestic financial institutions account for less than 1%, while financial instruments business operators, other corporates and foreign corporations (other than individuals) all account for just a few percent. As of the end of March 2025, the number of shareholders was 29,999, with an average holding unit per person of 56.1. The company has been posting net losses since FY3/17 and released "Going Concern Matters" since FY3/24, so as a result there are few institutional investors. The top 10 shareholders are mostly securities companies and individuals and there has been a lot of turnovers.

Shareholders' Equity has Increased

The change in the company's shareholder composition is due to the exercise of stock acquisition rights and convertible bonds issued to Mr. Ogawa and others in 2023 and 2024 to address a capital shortage. Capital and capital reserves are increasing and shareholder equity is being strengthened (Figure 6).

Figure 5. Shareholder Composition/Trends in Top 10 Shareholders

<Shareholder Composition Ratio>		Ownership Ratio			
Classification		End of March 2021	End of March 2022	End of March 23	End of March 24
Government and Local Governments		-	-	-	-
Financial Institutions	4.851%	0.029%	0.548%	0.306%	0.358%
Financial Instruments Business Operators	6.872%	3.398%	7.184%	3.441%	3.913%
Other Corporations	3.959%	3.981%	4.225%	6.760%	3.141%
Foreign Corporations etc.	2.127%	4.537%	3.241%	1.223%	5.688%
– Non-Individuals					
– Individuals	0.422%	0.619%	0.748%	1.268%	1.447%
Individuals and Others	81.767%	87.434%	84.050%	86.998%	85.450%

<Trend of Top 10 Shareholders>		Number of Shares Held ('000)			
Classification		End of March 2021	End of March 2022	End of March 23	End of March 24
Mr. Kohei Ogawa	18,161 (15.53%)	18,161 (15.53%)	18,161 (15.53%)	14,228 (11.84%)	18,509 (10.98%)
BNYM SA/NV FOR BNYM FOR BNY GCM	-	-	-	-	3,779
CLIENTS ACCOUNTS M LSCB RD					(2.24%)
BNYM AS AGT/CLTS NON-TREATY	-	-	-	-	2,835
JASDEC					(1.68%)
Nomura Securities	-	-	-	1,378 (1.15%)	1,885 (1.12%)
Mr. Kikuo Arai	-	633 (0.54%)	-	633 (0.53%)	1,795 (1.07%)
Mitsubishi UFJ Morgan Stanley Securities	-	-	650 (0.56%)	-	1,713 (1.02%)
Uozu Kairiku Unyu Soko Co., Ltd.	1,136 (0.97%)	1,136 (0.97%)	1,136 (0.97%)	1,136 (0.95%)	1,516 (0.90%)

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Mr. Tomochika Goto	-	-	-	-	1,488 (0.88%)
Mr. Shinichi Asai	-	-	-	-	1,299 (0.77%)
Mr. Shinji Ogawa	-	-	-	-	1,100 (0.65%)
The Tokyo Tanshi	-	-	-	3,000 (2.50%)	-
SBI Securities	2,310 (1.98%)	830 (0.71%)	2,015 (1.72%)	1,253 (1.04%)	-
Mr. Toshio Tamura	652 (0.56%)	652 (0.56%)	652 (0.56%)	652 (0.54%)	-
Hokkaido Kairic	-	-	-	630 (0.52%)	-
Mr. Mikiharu Takahashi	-	-	-	535 (0.45%)	-
Mr. Hiroki Koga	-	-	-	513 (0.42%)	-
Rakuten Securities	2,151 (1.84%)	-	1,900 (1.62%)	-	-
SMBC Nikko Securities	-	742 (0.63%)	1,085 (0.93%)	-	-
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENTS ACCOUNTS M ILM FE	-	-	1,013 (0.87%)	-	-
Monex, Inc.	2,388 (2.04%)	-	830 (0.71%)	-	-
Matsui Securities	-	-	674 (0.58%)	-	-
BNYM GCM CLIENTS ACCOUNTS JPRD AC ISG	-	1,489 (1.27%)	-	-	-
Mr. Seietsu Tanabe	1,071 (0.92%)	1,071 (0.92%)	-	-	-
CREDIT SUISSE AG, SINGAPORE BRANCH - FIRM EQUITY (POETS)	-	735 (0.63%)	-	-	-
NOMURA INTERNATIONAL PLC A/C JAPAN FLOW	-	734 (0.63%)	-	-	-
Japan Securities Finance	5,672 (4.85%)	-	-	-	-
Mr. Tomotaka Akatsu	956 (0.82%)	-	-	-	-
Mr. Hideyuki Mizuno	862 (0.74%)	-	-	-	-

Source: Company Data. Compiled by Strategy Advisors.

Figure 6. Status of Capital Strengthening/Changes in Shareholder Equity

<Capital Reinforcement Status>

	Issued Shares Total Balance (Shares)	Capital Balance (\$1,000)	Capital Reserve Balance (\$1,000)	Shareholders' Equity (\$1,000)
3/2024	120,213,866	3,039,646	1,405,028	1,051,360
9/2024	123,785,294	3,089,646	1,455,028	1,647,823
3/2025	168,569,594	3,722,834	2,088,216	1,449,677
10/2025	222,767,198	4,323,742	2,689,124	—

Source: Company Data. Compiled by Strategy Advisors.

**On October 31st, a
Third-Party
Allotment of New
Shares to S Bank
Was Resolved &
Approximately
¥4.3 billion Was
Raised**

On 31st October, 2025, the company resolved to issue a third-party allotment of new shares to S Bank, raising approximately ¥4.3 billion, subject to approval at an extraordinary general meeting of shareholders scheduled to be held on December 10, 2025. S Bank is a silent partnership investment destination for a fund managed and operated by Keystone, whose largest shareholder is SBI Group. The company Keystone and S Bank have also signed a capital and business alliance agreement.

Figure 7 shows an overview of the third-party allotment and business alliance, as well as the status of major shareholders after the third-party allotment. Capital and capital reserves are expected to increase by a total of ¥4.36 billion, with ¥2.45 billion allocated to pre-owned luxury inventory procurement. Given that average inventory in Q2 FY3/26 was in the ¥1.2 billion range, approximately doubling the investment could significantly increase the pre-owned luxury businesses inventory in 2026.

Additionally, ¥1.337 billion has been allocated to M&A, capital and business alliance expenses. The business alliance stipulates that "Keystone will introduce and share information about investment opportunities for the company and provide opportunities for joint investment consideration" and "Keystone Group will provide financing for the company's investment". Keystone has already begun M&A discussions with several companies in the resale industry. Keystone has already begun specific discussions with one resale company and has confirmed interest in approximately 3 other companies and there is a possibility of future introductions.

The business alliance also stipulates "expanding the company's business through collaboration between the company's group and the SBI Group as a whole". As for the major shareholder, S Bank holds approximately 68% of the shares, so we can expect new developments in the future.

Figure 7. Overview of Third-Party Allotment and Business Alliance, Status of Major Shareholders After Third-Party Allotment

<Outline of Third-Party Allotment of New Shares>

Resolution Date	October 31, 2025
# of Newly Issued Shares	485,055,672 shares
Issue Price	¥9 (closing price on the resolution date: ¥40)
Total issue price	¥4,365,501,048 (closing market cap on the resolution date: ¥8.91 billion)
Allocated to	S Bank LLC
Use of proceeds	Estimated proceeds: ¥4.337 billion -Repayment of a term loan from financial institutions by Daikokuya : ¥550 million -Working Capital (for Inventory Purchase): ¥2.450 billion -M&A and Alliance-Related Expenses: ¥1.337 billion

<Summary of Business Alliance>

- ① Keystone and S Bank provide support for the establishment and operation of the company's management system
- ② Keystone and S Bank will introduce and share information about investment opportunities for the company and provide opportunities for joint investment consideration.
- ③ Keystone Group's financing for the investments planned by the company group
- ④ Expanding the Group's business through collaboration between the Group and the SBI Group as a whole

<Status of Major Shareholders After Third-Party Allotment>

Name / Company Name	Post-Allotment Shareholding (Shares)	Post-Allotment Voting Power Ratio (%)
S Bank LLC	485,055,672	68.54
Mr. Kohei Ogawa	41,404,232	5.85
Rakuten Securities	5,333,100	0.75
Mr. Koji Kotaka	4,632,200	0.65
BNYM SA/NV For Bnym For Bny Gcm Clients Accounts M Lscb Rd	2,765,735	0.39
Mr. Kenichiro Morita	2,690,000	0.38
Japan Securities Finance	2,490,900	0.35
Uozu Kairiku Unyu Soko Co., Ltd.	1,516,000	0.21
Mr. Shota Abe	1,000,000	0.14
J.P. Morgan Securities Japan	932,407	0.13
Total	547,820,246	77.40

Note: Calculated based on the shareholder list as of September 30, 2025, including the increase due to third-party allotment of new shares.

Source: Company Data. Compiled by Strategy Advisors.

2. Characteristics of Affiliated Companies and Current and New Management Teams

4) Daikokuya's Features

Daikokuya Co., Ltd., is a Company Handling Jewelry, Gold, Watches & Branded Bags

Daikokuya Co. Ltd., which was founded in 1947 and sells, buys and pawns jewelry, precious metals, watches, branded bags and other items in Stores and online. As shown in Figure 8, there are 24 Stores in Total in Tokyo, Chiba, Kanagawa, Saitama, Aichi, Osaka, Hyogo, Fukuoka, Shizuoka and Miyagi.

The Stores are located in busy areas where department Stores are concentrated, as well as in terminal stations. The Shinjuku flagship Store faces Yasukuni road, the Roppongi Store faces Gaien higashi road, and the Ginza Store faces Sotobori road, which are central streets in the area and they stand out with their yellow "Daikokuya" sign. Except for a few tenant Stores, they also have pawn shops attached.

Figure 8. Daikokuya Store Expansion

Location	Store Name	Pawnshop (Co-located)	Location	Store Name	Pawnshop (Co-located)
Tokyo	Shinjuku Main Store	○	Kanagawa	Kawasaki Store	○
	Shinjuku No. 2 Store	○		Yokohama Store	○
	Shibuya Store	○	Saitama	Omiya Store	○
	Ginza Store	○	Aichi	Nagoya Osu Store	○
	Roppongi Store	○	Osaka	Shinsaibashi Store	○
	Azabu Juban Store	○		Osaka Minami Store	○
	Ikebukuro Store	○		Umeda Store	○
	Ueno Store	○	Hyogo	Kobe Motomachi Store	○
	Kichijoji Parco Store		Fukuoka	Fukuoka Tenjin Main Building	○
Chiba	Funabashi Store	○	Shizuoka	Shizuoka Parco Store	
	Kashiwa Store	○	Miyagi	Sendai Parco Store	
	Narita Store	○			
	Chiba Store	○			

Shinjuku Main Store



Roppongi Store

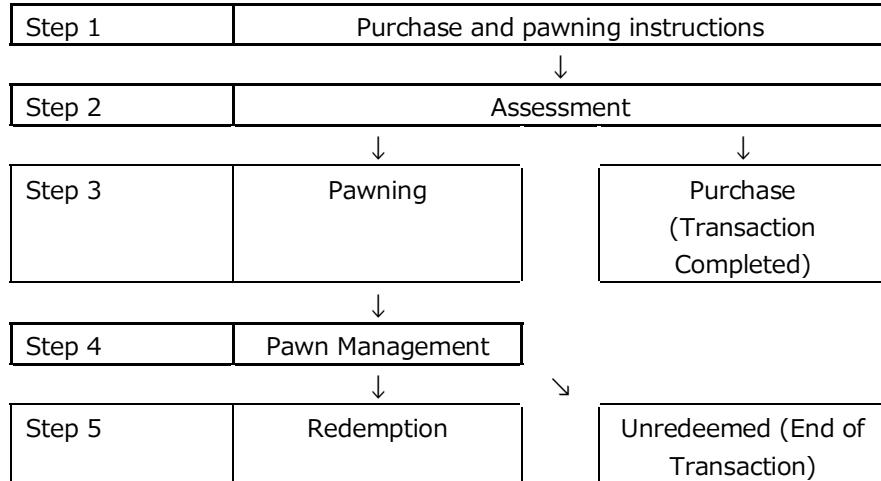


Note: "Daikokuya" with the yellow signs is a 'different' company.

Source: Company Data. Compiled by Strategy Advisors.

By combining the pawn shop business with the pre-owned luxury goods business, the 'customer response flow' for pre-owned luxury goods brought in by Daikokuya Stores is shown in Figure 9.

Figure 9. Daikokuya Store Customer Service Flow



Source: Company Data. Compiled by Strategy Advisors.

By Operating a Pawn Shop, We Can Strengthen Our Appraisal and Explanation Skills and Ensure Stable Profits

In step 1, it is necessary to explain the difference between purchase and pawning and ensure that the customer understands it. In the case of pawning, the pawn shop bears the risk of price fluctuations of the pawn during the repayment period (usually 3-months), so the appraisal amount is generally lower than in the case of purchase. However, redemption is possible by paying the principal and pawn and the deadline can be extended by paying an extension fee. The pawn shop will be entrusted with managing the pawn until the repayment period.

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At a specialty Store, there is no need to explain pawning in Step 1; the transaction with the customer is completed after appraisal and purchase. At Daikokuya, step 1 explains pawning, step 4 involves pawn management, and step 5 involves prompting the customer to decide whether to redeem or not redeem. Pawn shops offer more touchpoints with customers and are more likely to increase customer loyalty.

Meanwhile, Store staff are required to not only be able to appraise items and explain purchasing and pawning matters, but also to be knowledgeable about product storage, market trends, interest rates, taxes and life planning. Highly skilled Store staff encourage repeat customer visits. Serving Daikokuya customers, who often bring in luxury items such as jewelry, precious metals, watches and designer bags, allows staff to acquire skills like those of private bankers at financial institutions, sales representatives at department Stores and salespeople for designer goods and luxury cars.

Daikokuya also operates a pawn shop business, ensuring stable income from pawn fees. The pawn shop business is not subject to the total amount restrictions or interest rate restrictions of the Money Lending Control Act, so demand is solid. In addition, by obtaining collateral, it is possible to provide safe loans. Although it is necessary to secure cash in order to provide same-day loans, this contributes to stable income.

Daikokuya's distinctive features include its ability to appraise and explain products through its attached pawn shop, as well as stable income from pawning fees. In 2013, Daikokuya became a subsidiary of what was then ASIA Growth Capital, Ltd. (now Daikokuya Holdings) and has since become the company's main business. Since becoming a subsidiary, the company has been pursuing highly efficient business operations, with a particular emphasis on cross-ratio (inventory turnover rate x gross profit margin).

5) Mori Denki's Features

**The Electrical
Machinery
Business Dates
Back to Mori
Shinjiro Shoten,
Founded in 1915**

The company's electrical business began in 1915 when founder Mr. Shinjiro Mori established Mori Shinjiro Shoten and began manufacturing and selling lighting fixtures. Born in Tokyo in 1892, Mr. Shinjiro Mori joined the steel pipe wholesaler Saito Chohachiro Shoten as an apprentice after graduating from elementary school. He began visiting customers from the age of 15 and performed well alongside adults. His business acumen was soon recognized and he was recruited by Yaesu Shokai, an electrical construction company. Although he suffered from illness at one point, the business expanded steadily after the establishment of Mori Shinjiro Shoten.

One day, frustrated by the high prices of the products he was selling despite their poor performance, he developed the Mori-style galvanized outdoor lamp himself. It was well received for its better performance and lower price than previous products. Initially, he outsourced production, but eventually he had his own factory and even opened a new one. He adopted a mass production method, which was groundbreaking at the time and made use of many press machines to manufacture Mori-style lighting fixtures, including the Mori-style galvanized outdoor lamp. As the business expanded, he reorganized into Mori Denki Co., Ltd. in 1935.

In 1946, with the postwar economic recovery, the company resumed operations and as a pioneer in lighting fixtures and electrical circuit devices, focused on developing products that offered safety, durability and labor savings. It established a reputation for itself, earning phrases like "Mori Denki for explosion-proofing" and "Matsushita in the West, Mori Denki in the East". In 1961, the company was listed on the Second Section of the Tokyo Stock Exchange, further enhancing its credibility. In 1970, the company developed an all-stainless-steel explosion-proof lighting fixture that was resistant to salt damage and various gases, obtaining patents in both Japan and the United States. While performance temporarily deteriorated, the company continued operations with support from Far East Electric in 1997. It withdrew from businesses that had expanded in the 1980's and now specializes in explosion-proof electric apparatus.

Mainly Manufacture & Sell Products Used in Explosion-Proof Areas (Hazardous Locations) like Factories

The main products manufactured in the electrical machinery business are as shown in Figure 10. They are mainly used in "explosion-proof areas (hazardous locations)" in factories. An "explosion-proof area" is a location where flammable substances are present in the air, where fires and explosions could occur. According to the Industrial Safety and Health Regulations and the Electrical Machinery and Equipment Explosion-Proof Structure Standards, when using electronic equipment in hazardous locations, equipment with an explosion-proof structure must be used.

There are various requirements for electronic equipment, such as gas, steam, dust and pressure, and only a limited number of companies can manufacture them. This is an area where demand from various manufacturing industries and the defense industry is expected to continue into the future.

Figure 10. Main Products in the Electrical Equipment Business

<Stainless steel Mori-style safety explosion-proof incandescent lamp>



<Mori-style pressure-resistant explosion-proof wall lamp>



Source: Company Materials.

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The distinctive feature of the Electrical Business is that it operates highly efficiently with a small number of employees in the niche industry of explosion-proof electronic machinery and equipment. As of the end of the fiscal year ending March 2025, the number of employees in this business was just 9, and sales per employee were approximately ¥36.74 million. It is expected that the company will continue to operate its business highly efficiently, targeting various manufacturing industries such as semiconductor manufacturing plants and the defense industry.

6) Current and New Management Structure

Current CEO, Mr. Ogawa, Was in the Process of Establishing an Attitude That Emphasizes Profitability & Efficiency

Keystone is a Company That Manages and Operates Corporate Rehabilitation & Growth Support Funds

The company's current structure was largely built by current CEO and President, Mr. Ogawa has experience working in investment banking in New York and as president of a business investment company in Hong Kong and has utilized his M&A and finance skills to acquire and restructure companies such as Mori Denki, Sakurada and Daikokuya. He has also thoroughly implemented the Cross-Ratio approach within the company, while also instilling an emphasis on profitability and efficiency using advanced AI and DX capabilities.

The management structure is scheduled to change based on the capital and business alliance agreement between the company Keystone and S Bank announced on October 31, 2025. Keystone is a company that manages and operates a corporate revitalization and growth support fund (investment limited partnership) established in May 2009. In October 2020, SBI Financial Services Co., Ltd. acquired 33.4% of the shares, making it an equity-method affiliate of SBI Holdings, Inc.

Using its financial structure and business know-how, Keystone is committed to generating appropriate returns by investing in socially meaningful projects such as job creation and the transmission of technical know-how through corporate revitalization and has invested a total of over ¥140 billion.

The Keystone webpage lists the company's features as follows:

•**Personnel** - We have members with a wide range of careers and achievements.

The two CEOs of the GP management company are well versed in all areas of financing and investment.

Top careers in each business field manage the fund and execute operations (high level of know-how)

•**Philosophy** (investment philosophy) - Stable and steady management

Coexistence of high safety and returns (Lower loss rate than banks, much higher returns than banks)

Fund management is a win-win for all

Supporting all your business needs and contributing to society

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• **Performance** - A solid track record as a fund management company

Since its founding, the company has steadily raised funds and continues to provide high dividends.

Keystone's major investment projects are shown in Figure 11. They use a variety of methods to support corporate revitalization and growth.

Figure 11. Keystone's Track Record of Supporting Corporate Revitalization & Growth

Company Name	Main Business Activities	Overview of Corporate Revitalization & Growth Support
Fujikyu	Handicraft-related retail sales, e-commerce, education/classes, publishing business	Third-party allotment of new shares, business revitalization, transition to a holding company structure
Le Tech	Real estate solutions, real estate management, real estate brokerage	Third-party allocation of new shares, introduction of investment opportunities and financial support from Keystone, and acquisition as a wholly owned subsidiary of Sumitomo Forestry Co., Ltd.
John Bull	Apparel manufacturing and sales	All stock acquisitions, business revitalization, MBO
Diamond Asset Finance	Corporate real estate financing business, investment apartment financing business, real estate rental business	Business revitalization, sale of all shares to SBI Shinsei Bank, Ltd.
Ascentec	Virtual Desktop Solutions	Partial share acquisition and collaboration promotion

Source: Company Data. Compiled by Strategy Advisors.

The Board of Directors Will Transition on 10 Dec 2025

The board of directors will be as shown in Figure 12, subject to the election of directors at the extraordinary general meeting of shareholders to be held on December 10, 2025.

Figure 12. Board of Directors Composition (Planned)

Full Name	New Job Title (Planned)	Position at Keystone
Michihiro Iwaoka	CEO	Executive Officer
Tomoaki Tsutsumi	Chairman of the Board	Representative Director
Atsushi Nishiura	Director	(Former Representative Director and President of Japan Craft Holdings Co., Ltd., Keystone's capital and business partner)
Tadashi Shiraishi	Outside Director	Outside Director
Atsushi Yamazaki	Outside Director	-

Source: Company Data. Compiled by Strategy Advisors.

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Mr. Tomoaki Tsutsumi, Who Will Become Chairman of the Board. He is Considered a Good Fit for the Company

Mr. Tomoaki Tsutsumi, Keystone's Representative Director and soon-to-be Chairman of the Board, won a gold medal in the 470 class at the 1989 World Sailing Championships. "Yachting taught me how to develop and implement strategies and tactics, which was extremely helpful when I entered the financial business world" he said. He joined Sanwa Bank, Limited (now MUFG Bank, Ltd.), where he was the youngest person to be appointed to the New York branch. There, he was exposed to cutting-edge financial engineering, including derivatives and structured finance and honed his knowledge of financial transactions, documentation and language skills.

After returning to Japan, he worked in domestic and international structured finance at MUFG Bank, Ltd., where he gained experience in corporate loans, accounts receivable liquidation (ABL), leveraged buyout loans, sell-and-leave (S&L) loans, business succession, M&A, corporate restructuring etc., through hands-on work. His broad background led him to found Keystone. His approach to viewing business from a global perspective and leveraging financial technology to operate profitably will be a perfect fit for the company.

Capital and Business Alliance with Keystone Will Increase the Company's Growth Potential

Keystone has a proven track record in supporting corporate revitalization and growth. They have the know-how to support corporate revitalization and growth by utilizing three value-up methods: "balance sheet reorganization", "profit and loss improvement" and "strengthening of management systems", as well as 3 business restructuring methods: "vertical", "horizontal" and "diversification." With Keystone's representative director and other highly skilled personnel taking hands-on roles in management as chairman and president of the company, it is believed that the company's potential for growth is increasing.

7) Corporate DNA

What is Corporate DNA?

Every company has its own DNA. A corporate DNA is the unique values and management philosophy that are rooted in the organization and all employees and it is often the source of a company's competitiveness. A company begins to grow in earnest when its founder starts a business with a strong passion and its products and services become widely accepted by the public. As a company grows, the founder's passion is thought to evolve into the company's DNA. In addition, when management succession or M&A takes place, there are cases where a new philosophy is formulated, or a new corporate culture is instilled. Creating a business strategy that makes use of a company's DNA and implementing it is thought to increase the probability of success.

Company's DNA – A Corporate That Combines Cutting-Edge Technology in an Old Business Practices to Pursue Highly Efficient Business Operations

The company's DNA is a corporate culture that combines cutting-edge technology in an old business to pursue highly efficient business operations. Mori Denki's explosion-proof electronic machinery and appliances and Daikokuya's pawn shop business are traditional businesses with little potential for significant growth on their own. By utilizing cutting-edge financial technology to bring these businesses under their umbrella and reorganizing their financial and business operations with an emphasis on capital return, the company has created a revenue base. Building on this foundation, the company is expanding into a growing resale market using digital transformation and AI technologies.

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Daikokuya's business operations also emphasize cross-ratios, a philosophy that is thoroughly applied even to the appraisal of Store staff at pawn shops and pre-owned luxury goods business. The pursuit of high efficiency is deeply rooted in the company's DNA. Going forward, this DNA will likely be further strengthened and developed through its business alliance with Keystone, whose largest shareholder is SBI Group.

3. Business Strategy

1) Michael E. Porter's Positioning Theory Approach

Focusing on Concentration & Differentiation Strategies

Michael Porter argues that to succeed in a certain industry, it is necessary to take a clear position. In positioning theory, there are 3 basic strategies for taking a specific position and building a competitive advantage: (1) cost leadership strategy, (2) focus strategy and (3) differentiation strategy, and it is considered essential to steer towards one of them. Daikokuya, the company's main business, focuses on (2) focus strategy and (3) differentiation strategy and is challenging itself to achieve cost leadership in the future.

Focus on the Pre-Owned Luxury Goods Business Using DX & AI

A focus strategy is a strategy that concentrates management resources in a narrow, specific market (customer segment, region, specific product, etc.) to gain a competitive advantage. To gain a competitive advantage, it is essential to make choices that are different from those of competitors.

The company is pursuing a strategy of focusing on and differentiating itself from its "pre-owned luxury goods business utilizing DX and AI". Most of its expected future revenue growth will come from online resale goods sales, and much of its investment in DX human resources, funds and other resources is focused online. The expansion of the pre-owned luxury goods business through online sales is supported by its pawn shop and electronics businesses. All pawn revenue from the pawn shop business becomes gross profit. The electronics business also enjoys stable cash inflows, based on its position in the explosion-proof field. Furthermore, the in-Store pawn shop business and the pre-owned luxury goods business provide the foundation for enhancing appraisal capabilities.

By focusing on its pre-owned luxury goods business utilizing digital transformation and AI, Daikokuya has the potential to achieve cost leadership in the future. In the pawn shop and pre-owned luxury goods business world, the condition of each resale varies, making it difficult to determine standard prices. Some luxury resale retailers take advantage of the uncertainty of prices, resulting in a gray area where they conduct face-to-face transactions at prices that appear unfair. By expanding its pre-owned luxury goods business utilizing digital transformation and AI, Daikokuya will be able to present transparent standard prices to the public. This could potentially help expand the industry while ensuring appropriate profitability and increasing market share.

Daikokuya's business strategy can be diagrammed as shown in Figure 13.

Figure 13. Daikokuya's Business Strategy and Porter's Classification

	Purchasing	Sale	
Online	Otegaru AI②③ Purchase Request②③⇒①	Partnership with Stripe ③	① Cost Leadership Strategy ② Focused Strategy ③ Differentiation Strategy
	Building and utilizing a product database ②③ Utilizing DX and AI power ②③		
Store	Pawn shop attached③		

Source: Company Data. Compiled by Strategy Advisors.

The product database is the foundation of all online/Store purchasing/sales activities. Digital transformation has been used to combine online and Store information to build a database that is being used to improve pricing and profitability in purchasing/sales. The Stores also have pawn shops, which strengthen their appraisal and explanation capabilities and are utilized in both purchasing and sales. The Otegaru AI offers a more convenient service than other resale companies online. The Purchase Request is intended to purchase used products that were previously sold through C to C by utilizing Mercari. While increasing purchasing using digital transformation and AI in this way, the company is also expanding its sales destinations overseas through a partnership with Stripe. The company aims to create a virtuous cycle by increasing both purchasing and sales.

2) Resource-Based View (RBV) Approach

The Company's Difficulty of Imitation is "System for Expanding the Pre-Owned Luxury Goods Business by Combining Advanced Appraisal Capabilities, the Ability to Utilize DX & AI, and Financial Technology while Securing Stable Revenue Sources through the Pawn Shop and Electrical Machinery Businesses"

In contrast to Porter's positioning theory, there is an approach called the "Resource-Based View (RBV)" that focuses on a company's management resources. Jay Barney, a leading authority on RBV, advocates VRIO as a framework for checking the strength of a company's resources. He lists "Value", "Rarity", "Inimitability" and "Organization" as evaluation criteria for the possibility of effectively utilizing a company's resources. VRIO is an acronym for these 4 evaluation criteria and Barney believes that resources that are "inimitability" and backed by "organization" contribute to competitive advantage.

If we evaluate the company's resources using VRIO, we get the following:

V: In the expanding resale market for branded goods, having a purchasing and sales network that utilizes digital transformation and AI based on high appraisal capabilities will provide a huge growth opportunity and have high economic value.

R: The company's ability to utilize DX and AI, which supports API (Application Programming Interface) integration with LY Corporation and Mercari, Inc., a price display engine, image recognition and more, is rare in the pre-owned business world.

I: While securing stable revenue sources through the pawn shop and electronics businesses, the company's system, which combines advanced appraisal capabilities, the ability to utilize DX and AI and financial technology, is difficult for other companies to imitate.

O: Pawn shops and Pre-owned business are stable organizations that maintain advanced appraisal capabilities and are also flexible organizations that bring together cutting-edge DX and AI utilization capabilities globally.

We believe that these resources will greatly contribute to future business expansion.

3) Reasons Why Daikokuya is Difficult to Imitate

Daikokuya's 4 Strengths Resonate with Each Other, Making it Difficult for Other Companies to Imitate

The factors contributing to Daikokuya's difficulty to imitate stem from the following four strengths:

Strength 1: Profit support through the addition of a pawn shop and strengthened appraisal and explanation capabilities

Strength 2: Engagement ability to retain highly skilled personnel

Strength 3: Collaboration with platforms

Strength 4: High awareness of profitability and capital costs

While each of these strengths may not be number one in the industry on its own, Daikokuya believes that the combination of these 4 strengths will give it a solid position in the expanding resale market, something that will be difficult for competitors to imitate.

Strength 1: Profit Support by Having a Pawn Shop & Strengthening Appraisal and Explanation Capabilities

Strength 1: Profit Support Through the Addition of a Pawn Shop and Strengthened Appraisal and Explanation Capabilities

One of its strengths is the support for profits provided by the pawn shop, as well as the strengthening of appraisal and explanation capabilities.

The pawn shop business generate stable annual pawn revenues of approximately ¥800 million. Furthermore, if unredeemed items can be sold for more than their collateral value, excess profits can be earned. While the number of pawn shops is declining, demand for loans from pawn shops, which do not affect credit information, remains strong and stable revenues are expected going forward.

Operating a pawn shop also continually strengthens the ability to appraise and explain products. For example, if a customer purchases an item for ¥1 million, you must be able to explain that the purchase price is ¥250,000 and the pawn value is ¥200,000, thereby helping them decide about purchasing and pawning. Furthermore, you must develop appraisal skills to determine the condition of the product and set a price while eliminating counterfeits. At the time of appraisal, you must consider the price and time frame at which the item can be sold and propose the most appropriate price.

Daikokuya specializes in appraising the finest luxury items. For example, they purchase items such as Richard Mille watches, Harry Winston jewelry and Hermès Birkin bags for just a few million yen, even though their retail prices can reach tens of millions of yen. As a consumer finance company, it is rare to find a company that can provide such high amounts of capital instantly. By dealing with such high-end items,

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Store staff develop their appraisal and explanation skills and acquire high levels of skill.

The profitability support provided by having a pawn shop attached to the Store will also have a positive effect on future Store development. Daikokuya intends to have a pawn shop attached to any new Stores it opens in the future, which will have the effect of lowering the Store's break-even point. Only a few listed resale companies have pawn shops attached to their Stores, so this is a differentiating factor.

Strength 2: Engagement Ability to Retain Highly Skilled Personnel

Strength 2: Engagement Ability to Retain Highly Skilled Personnel

The second strength of the firm is the ability to retain and engage highly skilled personnel.

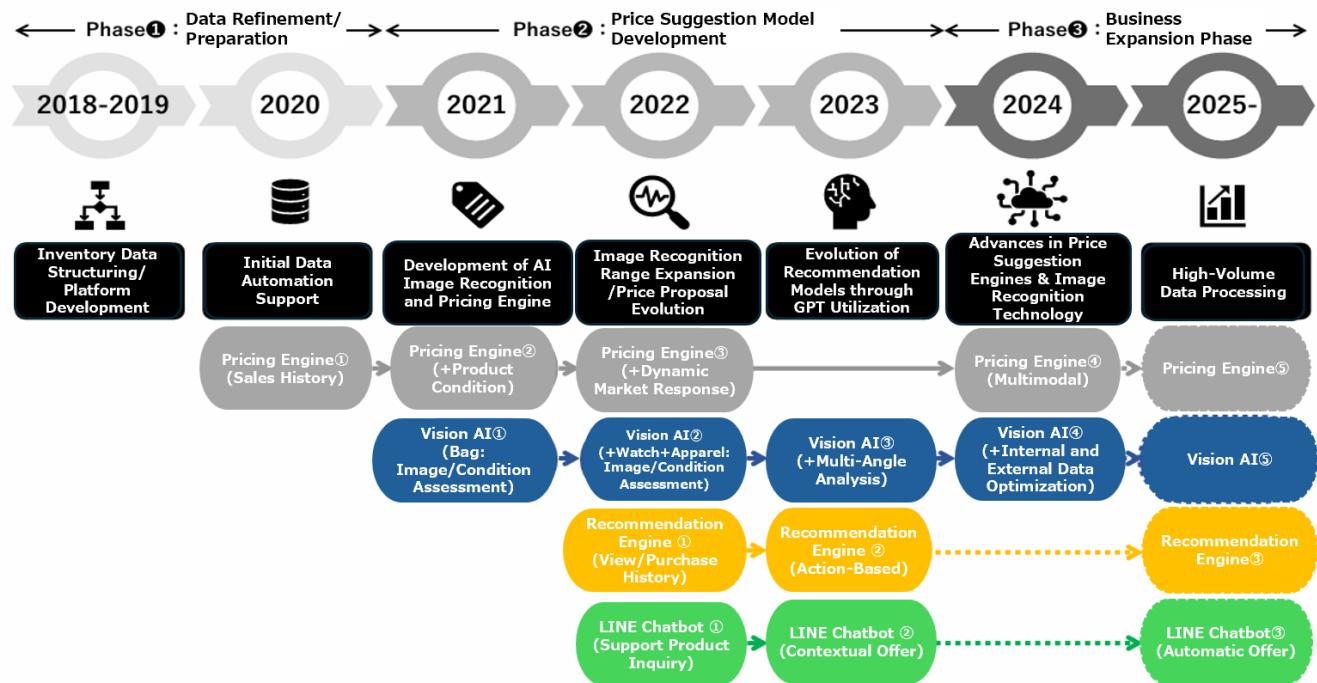
One highly skilled individual is Mr. Yoela Palkin, a Russian American who supports Daikokuya's digital transformation and AI. She studied at the University of California, Berkeley, one of the leading IT research centers in the United States. While still a student, she started a company, managed and then sold it. Since then, she has worked in a variety of roles, including as an IT engineer, venture capitalist and consultant. She is involved in the development of Daikokuya's e-commerce website, partnerships with LY Corporation and Mercari, Inc., and digital transformation design for the implementation of Stripe. She has a global network of IT-related personnel. By working with Palkin on cutting-edge digital transformation, Daikokuya can utilize the world's most advanced IT technology. For example, about AI, the development stages are as shown in Figure 14.

Store staff with acquired skills are also highly skilled in human resources. Not only do they receive a fair salary, but by showing the company's direction and increasing engagement, the company is able to maintain and improve its appraisal capabilities, which will support future business development.

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Figure 14. Daikokuya's AI Technology Timeline

● Reference: Daikokuya's AI Technology Timeline



Source: Company Data. Compiled by Strategy Advisors.

Strength 3: Integration with Platforms

Strength 3: Collaboration with Platforms

The third strength is its ability of integration with platforms.

Daikokuya has partnered with LY Corporation to launch the "Otegaru AI" service and is also in the proof-of-concept stage with Mercari, Inc. for the "Purchase Request" service. LINE has the highest usage rate of any social media service/app at 91.1% (Source: Ministry of Internal Affairs and Communications, Information and Communications Policy Research Institute, "Reiwa 6 Survey Report on Information and Communications Media Usage Time and Information Behavior").

Mercari is the leading flea market application provider in the C to C resale market. Partnering with these 2 companies is expected to accelerate the accumulation of track record, information accumulation and system improvements. While other resale businesses are also using LINE, Daikokuya's API integration provides greater convenience. While other companies may eventually follow suit, Daikokuya will likely gain first-mover advantage by gradually building a track record.

Strength 4: High Awareness of Profitability & Capital Costs

Strength 4: High Awareness of Profitability and Capital Costs

The fourth strength is a high level of awareness of profitability and capital costs.

The company places great importance on the Cross-Ratio. It is conscious of inventory periods at the purchasing stage and has high inventory turnover rates by having sales channels both online and in Stores. It also purchases and sells at fair prices and ensures an appropriate gross profit margin by passing on inflation-related price fluctuations. The company's high level of awareness of profitability is also instilled in its employees. It also has financial skills and has made full use of a variety of fund-raising methods, resulting in a high level of awareness of capital costs.

4. Equity Story

The Equity Story: "After Solidifying its Financial Foothold, it Has Shifted to an 'Offensive' Strategy. It Will Leverage its Collaboration with SBI Group, its Digital Transformation & AI Capabilities, and its Financial Technology"

Strategy Advisors' equity story consists of a) a feasible and detailed business strategy, and b) an exciting dream. Another condition for the equity story is that it must make the most of the company's inherent difficulty to imitate, a trait that is based on the company's DNA. Currently, the company is expected to achieve both a) and b) simultaneously, as it is financially backed and is anticipating significant sales growth through its online pre-owned luxury goods business, which utilizes digital transformation and AI. The company's equity story is that "after solidifying its financial foothold, it will shift to an 'offensive' strategy, leveraging its partnership with the SBI Group and its digital transformation and AI capabilities and financial technology as its foundation".

The first key point is "solidifying its financial foundation". Daikokuya's appraisal capabilities, enabled by its pawn shop, are expected to continue to improve. Expanding its business in the resale market requires appraisal capabilities, which are essential for profitable growth. Daikokuya appears to have the necessary foundation. Regarding finances, the electronics business provides the company's cash flow. Furthermore, pawn revenue from the pawn shop business generates stable cash flow.

Since 2020, the company has recorded extraordinary losses due to the restructuring of its overseas business, which has hindered its domestic pre-owned inventory buildup. However, the restructuring has now been completed and the stock acquisition rights and convertible bonds allotted to Mr. Ogawa and others in 2023 and 2024 have been exercised. Furthermore, the financing from S Bank announced in October 2025 has solidified the company's financial foundation. The company is now ready to build up a large amount of pre-owned inventory and begin selling it.

The second key point is a sudden shift to an "offensive" approach, leveraging its digital transformation and AI capabilities and its collaboration with the SBI Group as a foundation for financial technology. The company had posted net losses for nine consecutive fiscal years and its net assets were impaired, leading to a listing of "going concerning matters". Prior to the resolution for a third-party allotment of new shares in October 2025, its market capitalization was below ¥10 billion, its stock price hovered around ¥50, its PER was around 70x and its PBR was around 25x, both of which were extremely high.

During the COVID-19 pandemic, the company transitioned to a network-based business model using AI systems. Since 2023, the company has partnered with LY Corporation and Mercari, Inc., and introduced Stripe, and significantly expanded its network in both purchasing and selling, rapidly shifting to an "offensive" approach. In the expanding resale market, the company will use its appraisal capabilities to maintain and improve its Cross-Ratio and ensure profitability. Its financial base will be significantly strengthened based on a capital and business alliance with Keystone, of which SBI Group is the largest shareholder, with an additional ¥2.45 billion being invested in pre-owned inventory procurement. The contents of the alliance include "expanding the company group's business through collaboration between the company group and the SBI Group as a whole" and in the medium term, business expansion through collaboration with SBI Group is also expected.

5. Current Business Situation & Recent Performance Trends

1) Current State of Business

Use the COVID-19 Pandemic as an Opportunity to Restructure Systems to Accelerate Globalization

The COVID-19 pandemic that began in early 2020 had a major impact on the company's business. When the state of emergency was declared in April 2020, pawn shops were exempt from the closure request as they were deemed "facilities necessary for maintaining social life". However, inbound demand slumped and people refraining from going out also hindered the company's performance. While the company continued to operate pawn shops as a consumer finance company during this time, it saw this as an opportunity to accelerate globalization and rebuild its systems using digital transformation and AI to strengthen its online business. While inbound demand showed signs of recovery after the pandemic subsided, a full recovery has yet to be achieved due to the company's decision to curtail inventory buildups to streamline its overseas business.

Highly Convenient Otegaru AI

With the use of digital transformation and AI, in 2024 the firm launched the Otegaru AI service using LINE. Using an AI appraisal chatbot, specific brands, models and prices can be instantly suggested from photos, 24 hours a day, based on the branded product data held by Daikokuya. As shown in Figure 15, the service is designed to be more convenient than other online appraisal services in terms of questionnaire items, reception times, etc. In my own test, the company provided a rough estimate within two minutes of the appraisal starting. With other companies, I was contacted several hours after requesting an appraisal and asked to take a photo again.

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Figure 15. Otegaru AI Screen / Comparison with Other Online Purchase Services



	Daikokuya	Company A	Company B
Assessment Process	Product Category Selection Photo Shoot Sending Photos	Product category selection Survey responses (approximately 4-5) Photo shoot Sending photos	Appraisal via video call with an appraiser
Application	LINE	LINE	-
Reception Hours	24 Hours	10-17	10-21

Source: Company Data. Compiled by Strategy Advisors.

Automated Purchasing Using AI Has Processing Capabilities That Far Exceed Human Power

Another example of the use of DX and AI is "Purchase Request" utilizing Mercari. Through API integration with Mercari, product data listed on Mercari is analyzed in real time and purchase prices can be automatically presented based on the latest market prices. This is currently in the proof-of-concept stage. Figure 16 compares automated purchasing with manual processing.

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Figure 16. Comparison of Automated Purchasing Process and Manual Process

● Daikokuya's Strengths : AI Purchase

AI purchasing dramatically increases the number of transactions processed per day, enabling business expansion without being limited by the number of staff.

Number of Cases Processed by AI and Humans		
	AI Automation	Human Workload (Per Day)
Product Information Extraction	1 Million Items Image diagnosis and automatic extraction of product information	1,000-2,000 items
Selection of Offer Recipients (=Simple Appraisal)	Automatic assessment Conduct assessment by referencing the database	Visually check product information Assessments will be conducted while the database is being reviewed
Purchase Offer	0.1 Million Items Automatically implemented from valid offers	10-20 items

Source: Company Data. Compiled by Strategy Advisors.

The automated purchasing system is expected to process 500-1,000 product information requests per day using AI, generating 5,000-10,000 purchase offers. When making offers, the system references a database continuously updated by Daikokuya Store staff, automatically selecting items to prioritize based on market demand and price, and then automatically executing the offers. This allows Daikokuya's appraiser to focus solely on appraisals and authenticity assessments. In a three-day demonstration experiment conducted in May 2025, the system generated a maximum of 1,452 offers per day, resulting in 353 successful purchases totaling approximately ¥34 million. The system is also working to improve operational efficiency and detect fraud, including automatic product information identification and automatic registration of product information at the time of listing. If the company can generate 10,000 purchase offers per day as expected, it expects to be able to generate 2,000 offers per day and purchase items worth ¥85.6 billion annually, significantly increasing its inventory.

Daikokuya is Mercari's first collaboration with a purchasing business. Mercari users no longer must go through the trouble of applying to a purchasing business again if an item they have listed remains unsold, which increases convenience. With "Otegaru AI-Easy Brand Purchase" and "Purchase Request" the following are features:

- Image recognition technology (Google Vision AI) - Identifies the brand and product category based on input product image data

Dynamic Pricing - Based on the product input data, the latest market price is displayed. Machine learning is used to identify trends from product data, including fluctuations, enabling product identification and optimal valuation.

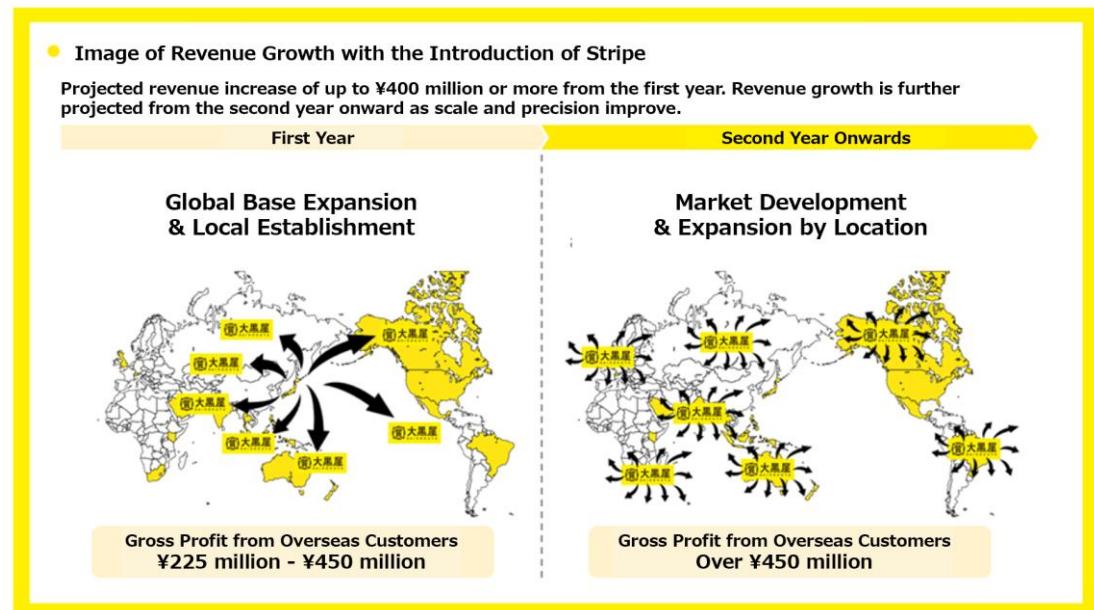
•Natural language processing - Analyzes chat text and converts it into data that can be used for appraisals and valuations. Presenting appraisal results and concluding purchase contracts are also done automatically in a natural way.

These are the techniques used, making the most of Daikokuya's strengths.

Plans for Significant Revenue Growth Through Stripe Implementation

In June 2025, the company announced it would introduce the global payment platform Stripe. The aim is to leverage Stripe's security and brand recognition to gain global trust in transactions. By providing a highly convenient payment method, the company aims to achieve significant revenue growth, as shown in Figure 17.

Figure 17. Image of Revenue Growth Due to the Introduction of Stripe



Source: Company Data. Compiled by Strategy Advisors.

2) Latest Full-Year Results and Forecast

FY3/25 is the Kickoff Year for Cutting-Edge Technologies Using DX & AI

Figure 2 shows the results for FY3/25 and forecast for FY3/26. In FY3/25, the Japanese economy is recovering slowly and demand for branded goods is recovering thanks to the asset effect. The pre-owned luxury goods business is also seeing a tailwind due to growing awareness of resale. FY3/25 was the kick-off year for Daikokuya, which introduced cutting-edge technology using DX and AI to the world.

In FY3/25, the company revised its full-year earnings forecast downward when announcing its Q2 and Q3 financial results and disclosed a difference between the forecast and the actual results when announcing its full-year financial results. While the company had hoped for an increase in inbound demand, it did not reach the expected level and while it sought to build up inventory to ensure profitability, competition with other companies prevented it from building up inventory as expected.

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The Deficit Is Expected to Continue in FY3/26

Furthermore, the steady progress of its partnerships with LY Corporation and Mercari, Inc. resulted in system-related expenses, leading to a downward revision.

The company initially expected to post positive operating income, ordinary income, and net income attributable to owners of the parent for FY3/26. However, following the resolution to issue a third-party allotment of new shares in October 2025 and enter into a capital and business alliance agreement, the company revised its earnings forecast downward.

Operating income and below are now in the red and the company expects to post a net loss for the 10th consecutive fiscal year. This is due to the company's slow inventory buildup through its partnership with LY Corporation's Otegaru AI service, which did not go as expected, and to sluggish sales in Stores and online. With progress made in capital strengthening, the company is ready to return inventory levels, which were suppressed during the COVID-19 pandemic, to pre-COVID levels.

The firm believes it will be able to maintain a certain level of profitability through its thorough management focused on cross-ratios, even during the COVID-19 pandemic, and its ongoing efforts to enhance dynamic pricing using AI, strengthen risk management, and enhance price adjustment functions. Our future performance will depend significantly on the extent to which pre-owned businesses inventory buildup and sales through "Otegaru AI" and "Purchase Request" recover smoothly.

6. Medium to Long-Term Outlook

Hidden Assets in Average Japanese Households Are on the Rise

Figure 18 shows an estimate of the total value of hidden assets (unnecessary items that have not been used for more than a year) in the average Japanese household. In 2023, this will be approximately ¥66.7 trillion, accounting for 11.3% of the nominal GDP for that year (¥591.9 trillion). Compared to 2018, this represents a 1.8x increase over the 5 years. With growing awareness of sustainability, it is thought that an increasing proportion of households are recognizing unwanted items as "assets". It is expected that an increase in products will flow into the resale market.

Figure 18. Trends in Hidden Assets in Japan

Item	2018	2021	2023
Total hidden assets	¥ 37.0 trillion	¥ 43.7 trillion	¥ 66.7 trillion
Amount of hidden assets per person (including clothing and accessories)	¥ 281,000 (¥ 117,000)	¥ 345,000 (¥ 117,000)	¥ 532,000 (¥ 207,000)

Source: Created by Strategy Advisors based on "Survey on Hidden Assets in Japanese Households" by Mercari (2018, 2021, 2023)

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The Resale Market is Expected to Continue Expanding

The trend in the domestic resale market size is shown in the upper graph of Figure 19. It has steadily expanded since the survey began in 2009, exceeding ¥3.1 trillion by 2023. Department Store sales for that year were approximately ¥5.4 trillion (source: Japan Department Stores Association) and home improvement Store sales were approximately ¥3.3 trillion (Source: Ministry of Economy, Trade and Industry, "Current Commerce Survey"), rapidly expanding its presence within the retail industry. Reasons for the rapid expansion of the resale market include: (1) growing consumer environmental awareness, (2) expanding inbound tourism demand and (3) growing awareness of lifestyle conservation due to rising prices.

Since the adoption of the SDGs by the United Nations General Assembly in 2015, domestic Japanese consumers have also rapidly become more environmentally conscious. Regarding inbound tourism demand, various policies have been implemented based on the Tourism Nation Promotion Basic Plan and although it temporarily declined due to the COVID-19 pandemic, it is now recovering. While rising prices have led to a growing awareness of lifestyle conservation, there is likely demand for luxury goods, despite a tendency to save on everyday items. The Basic Policy on Economic and Fiscal Management and Reform 2025, which was approved by the Cabinet in June 2025, also advocates realizing a tourism-oriented nation and promoting resale, and it is expected that the market will continue to expand in the future.

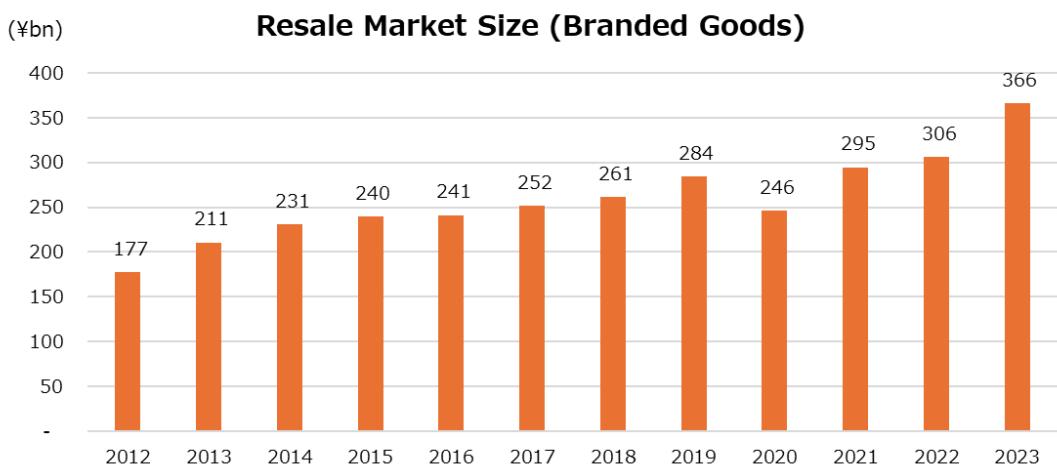
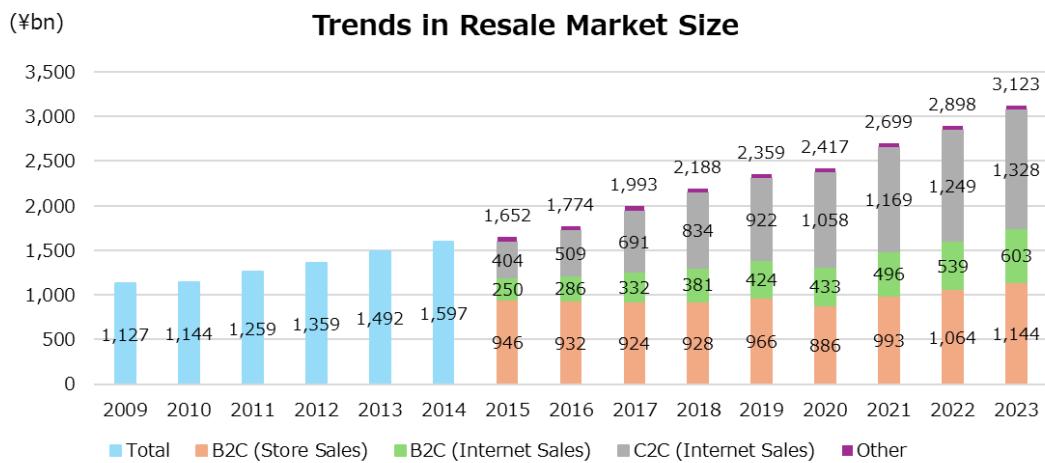
The resale market can be divided into B to C (Store Sales, Online Sales) and C to C (Online Sales). Since 2015, the average annual growth rates have been 2.4%, 11.6% and 16.0%, respectively. Growth in the C to C (online sales) market has been driven by flea market applications such as Mercari and Rakuma. Growth has slowed somewhat since 2020, and companies are finding a way forward in cross-border sales. B to C (Store sales) has seen a remarkable growth rate since COVID-19. Resale companies are strengthening both store sales and online sales and are also seeking expansion through flea market applications and lifting the ban on official corporate shops.

The Resale Market (Branded Goods) Continues to Expand

Furthermore, the market size for branded goods in the resale market is as shown in the graph below in Figure 19. The rise in the prices of new branded goods has led to an increase in pre-owned sales prices and inbound demand has also driven up prices, resulting in a high growth rate.

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Figure 19. Trends in Resale Market Size/ (Branded Goods)

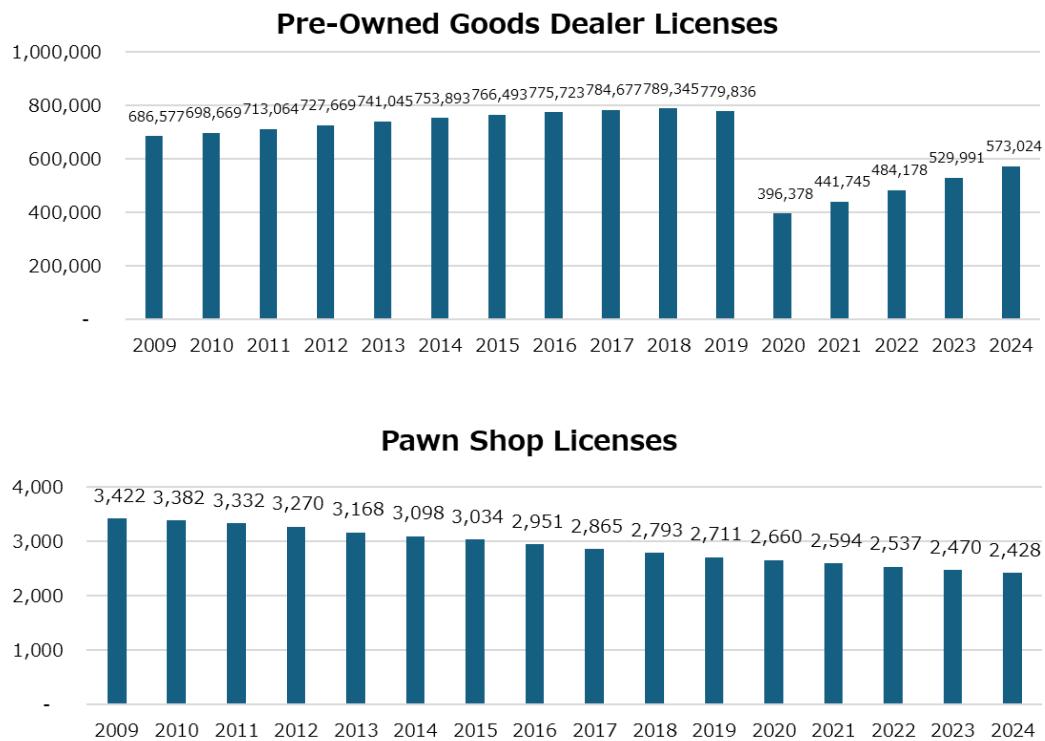


Source: Strategy Advisors. Based on 'Recycled Communications' Statistics.

Pre-Owned Goods Dealer Licenses are Increasing. The Number of Pawn Shop Licenses is Decreasing

As the resale market expands, the number of pre-owned goods dealer licenses and the number of pawn shop licenses have changed over time, as shown in Figure 20. The number of pre-owned goods dealer licenses has been increasing almost consistently, but the number of pawn shops has been decreasing consistently. While the number of pre-owned goods dealer licenses is increasing in line with the expansion of the resale market, the number of pawn shops is decreasing as many family businesses go out of business due to a lack of successors. While competition within the pre-owned goods trading market is intensifying, competition in the pawn shop market is weakening.

Figure 20. Trends in the Number of Pre-Owned Goods Dealer Licenses /Pawn Shop Licenses



Note: In 2020, the Antique Dealings Act was partially revised, and licenses for pre-owned goods dealers were changed from licenses issued by the prefectural public safety commission where the business office is located to licenses issued by the prefectural public safety commission that has jurisdiction over the location of the main business office, resulting in a decrease in the number of licenses.

Source: National Police Agency, "Overview of Pre-owned luxury goods business and Pawn Shop Business". Compiled by Strategy Advisors.

Pre-Owned Luxury Goods Businesses Find it Difficult to Set up Pawn Shops

Here, we will consider why it is difficult for pre-owned luxury goods businesses to set up pawn shops. Pawn shops are governed by the pawn shop business act and pre-owned goods trading is governed by the antique dealings act. While there are many commonalities, there are also differences, as shown in Figure 21.

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Figure 21. Main Differences between the Pawn Shop Business Act and the Antique Dealings Act

Item	Pawn Shop Business Act and its Enforcement Regulations	Antique Dealings Act and its Enforcement Regulations
Business License	Permission required for each business location	Nationwide business operations possible with one license at the main business location
Storage	Each business location must have pawn storage	
Equipment	facilities that meet standards for fire prevention, theft prevention, moisture prevention, and rodent prevention.	-
Going Out of Business	Regarding pawn agreements, the lender must recover the loaned amount, return the pawned items, and take any other action required to terminate the pawn agreement in accordance with the contents of the agreement.	-

Source: Company Data. Compiled by Strategy Advisors.

Pawn shops require a license for each business location, making the process more complicated than operating a store that only sells pre-owned goods. Furthermore, the law requires the establishment of pawn storage facilities, with standards varying from prefecture to prefecture. Pawn storage facilities must be established after thorough consultation with police stations and construction companies. Furthermore, when closing a business location, it is mandatory to take steps to terminate pawn contracts and coordination must be made with all pawned customers. In other words, opening and closing a pawn shop requires time and money, making it difficult to do so quickly. Only a small number of listed pre-owned luxury goods businesses also have pawn shops.

2) Growth Strategy/Medium-Term Management Plan

The Medium-Term Management Plan Announced by Subsidiary Daikokuya in May 2025 has not been Launched Smoothly

While the company has not presented a medium-term management plan, its subsidiary, Daikokuya, has released such a plan. The planned figures announced on May 25 are shown in Figure 22. From the FY3/25 results to the FY3/29 plan, the company plans to increase sales from ¥9.9 billion to ¥70.2 billion (CAGR 63.2%) and gross profit from ¥2.9 billion to ¥18.1 billion (CAGR 57.9%). The CAGR for operating profit (excluding goodwill amortization), EBITDA and net income from the FY3/26 plan, which calls for a return to profitability, are 83.1%, 81.9% and 137.7% respectively, leading to extremely high growth rates for both sales and profits. These growth rates are due to the "Otegaru AI" service in partnership with LY Corporation and the "Purchase Request" service in partnership with Mercari Inc.

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This mid-term management plan did not get off to a good start, as evidenced by a downward revision of the earnings forecast in October 2025. Although the company has strengthened its capital and has set a target of increasing pre-owned inventory by using the funds raised for purchases and arranging for borrowings of 80% of the inventory valuation, it is unclear whether it will be able to achieve its sales and profit targets.

Figure 22. Daikokuya's Medium-Term Management Plan (¥mn)

(¥mn)	FY3/24	FY3/25	FY3/25	FY3/26	FY3/27	FY3/28	FY3/29
	Results	CoE As of July '24	Results	Mid-Term Plan As of May '25			
Net Sales	10,671	15,666	9,900	16,838	27,399	45,189	70,244
GP	3,164	4,533	2,920	4,702	7,307	11,760	18,130
GPM	29.6%	28.9%	29.5%	27.9%	26.7%	26.0%	25.8%
OP (Ex. Goodwill)	226	1,081	△484	1,376	2,705	5,073	8,446
OPM	2.1%	6.9%	△4.9%	8.2%	9.9%	11.2%	12.0%
EBITDA	273	1,134	△436	1,431	2,774	5,179	8,612
EBITDA margin	2.6%	7.2%	△4.4%	8.5%	10.1%	11.5%	12.3%
NP	△452	199	△827	439	1,920	3,562	5,896
Assets	14,867	15,240	13,455	15,148	17,794	23,680	32,211
Liabilities	5,385	5,559	4,797	6,051	6,776	9,101	11,736
Net assets	9,482	9,681	8,658	9,097	11,017	14,579	20,474

Note: The figures above are extracted from the company's press release, "Notice of Revision to the Mid-Term Management Plan (2025-2029)" dated May 15, 2025.

Source: Company Data. Compiled by Strategy Advisors.

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A distinctive feature of Daikokuya's medium-term business plan is that it is updated repeatedly in a short period of time, as shown in Figure 23. Specific measures are being adopted gradually, and the business is being developed at a very rapid pace.

Figure 23. Daikokuya's Medium-Term Management Plan Update

Date	Added Content
July 3, 2024	Medium-term Management Plan 2025-2029
Nov 29, 2024	Updated Medium-Term Management Plan Otegaru AI (Partnership with LY Corporation) Overview Overview of the purchase service (Partnership with Mercari, Inc.)
February 14, 2025	Second updated version of the medium-term management plan Otegaru AI Details
May 15, 2025	3rd Updated Medium-Term Management Plan Otegaru AI screen, business model, and other details Details of the number of Purchase Requests processed (Partnership with Mercari, Inc.), business model, etc.

Source: Company Data. Compiled by Strategy Advisors.

Concrete Progress in Otegaru AI

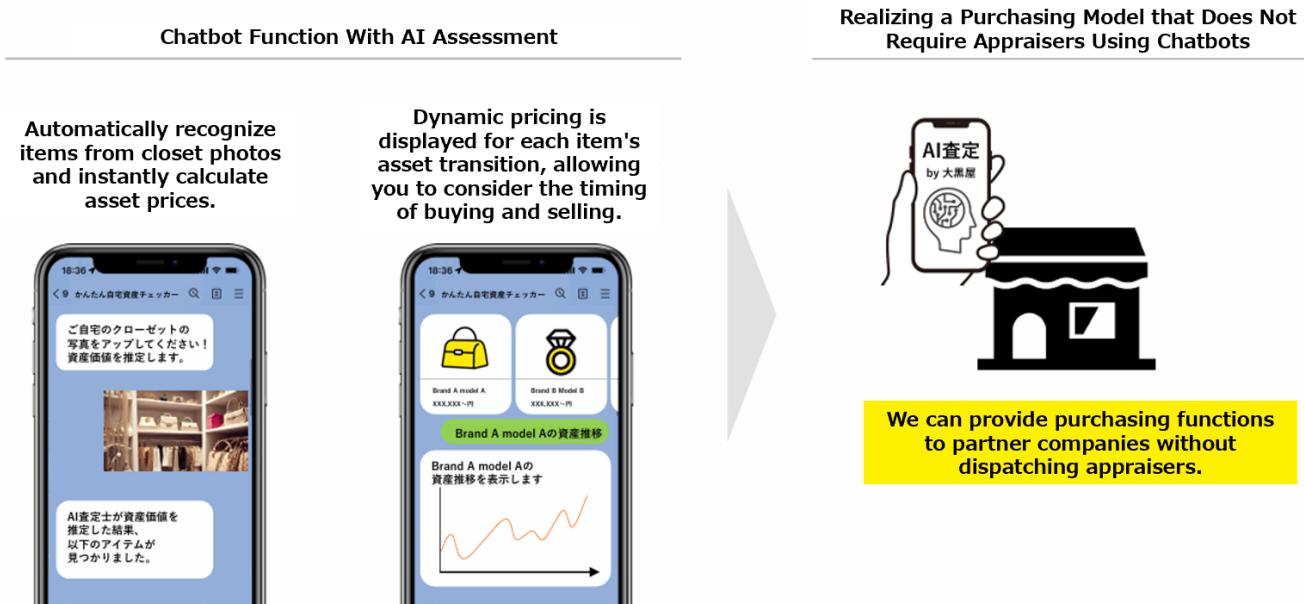
In table 24, we can see that the Otegaru AI initiative is making rapid progress in its implementation.

Figure 24. Progress of Otegaru AI

<July 3, 2024>

● Purchase policy: Purchase Service Function Provided (Feasibility)

The fully AI-powered instant appraisal function using the LINE chatbot allows the purchasing function to be provided without dispatching an appraiser to the providing company, allowing partner companies to provide purchasing services to their customers.



<Nov 29, 2024>

● Future Direction: Partnership Examples

By providing AI-based systems and store operation models, we are accelerating the realization of new retail formats. We have already begun collaborations with major Japanese platforms, further contributing to the revitalization of the Japanese economy and the promotion of a recycling-oriented society.

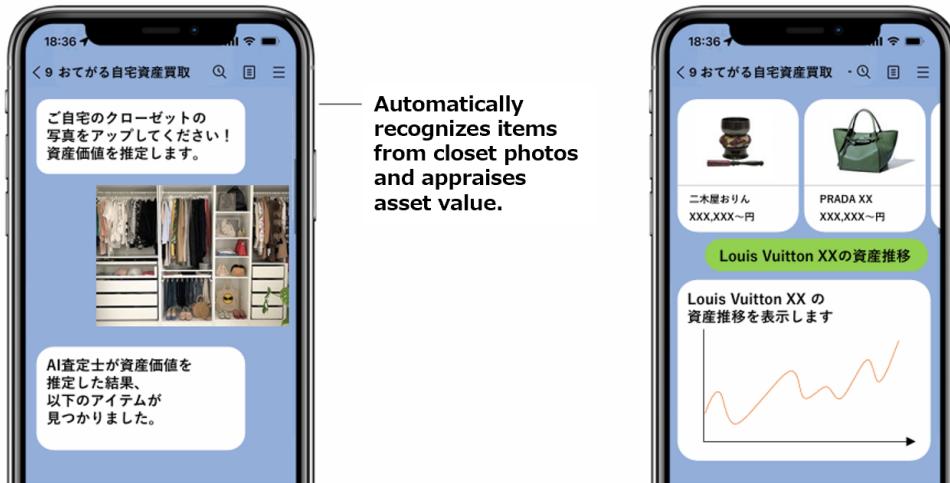
	LY Corporation	Mercari, Inc.
The Back-ground	Daikokuya develops and operates various systems related to secondhand brand-name goods (purchase and sale, AI image appraisal, dynamic pricing, domestic and international inventory linkage systems, etc.) and was considering collaborating with other industries to further expand its business.	Daikokuya was considering partnering with a different industry that could effectively utilize its appraisal functions based on its well-established appraisal technology.
Purpose	LY Corporation's customer base and auction system, which are the largest in Japan, will be combined with the system that Daikokuya has developed to strengthen the online purchasing and sales operations of both companies.	The aim is to develop a service that makes it easy for Mercari customers who are troubled by the hassle of listing items, and by combining it with the Daikokuya system, the two companies will strengthen their online purchasing and sales..
Overview	<p>Otegaru-Easy Anything Purchase</p> <ul style="list-style-type: none"> Daikokuya purchases used items using LINE, puts them up for auction on Yahoo! Auctions, and gives the user additional purchase price based on the winning bid amount. Users can find out the estimated purchase price in advance through AI appraisal on their LINE account. All purchase-related transactions, including registration, collection, appraisal, and transfer, are completed via LINE chatbot. 	<p>Mercari Purchase Service</p> <ul style="list-style-type: none"> Daikokuya will purchase items listed on Mercari's marketplace. Through this service, the two companies aim to work together to realize a reuse society.

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<Feb 14, 2025>

● Daikokuya's Strengths: AI Appraisal Chatbot

With over 8 years of accumulated data in Daikokuya's luxury brand database, we instantly identify specific brands, models, and prices from photos. Our dynamic pricing AI enables us to display fair appraisal values based on current market prices.



Automatically recognizes items from closet photos and appraises asset value.

Display total value and asset trends for each item from past to present. For reference in buying and selling.

<Feb 14, 2025>

● Daikokuya's Strengths : AI-Generated Voice Chat Avatars

The development of voice-enabled conversational avatars has enabled the provision of unmanned buyback services utilizing generative AI and interactive advertising tools within stores.

We have developed a video call appraisal function using an AI voice dialogue avatar, an evolution of chatbots. By combining image recognition AI, voice recognition AI, image generation AI, natural language processing, etc., we can boost cross-selling through interactive dialogue with consumers by using AI that generates more natural voices.



By using a PC or SP camera to capture a picture of the product, an approximate purchase price will be provided and any questions can be asked on the spot, allowing for smoother communication.

In addition to dialogue, they also make impactful in-store proposals to attract customer attention, such as entertaining campaigns and coupon distribution using gachapon machines, product recommendations, and purchase information.



Appraiser: Please show me the items you brought with you today.

User: (holds item up to camera)

Appraiser: It's a Louis Vuitton Monogram

Neverfull GM.

User: Yes, that's right.

Appraiser: I'd like to ask you a few questions.

When did you purchase this?

User: About two years ago.

Appraiser: Please tell us about the condition of the item.

User: Barely used and in like new condition.

Appraiser: Thank you.

Now, let me estimate the approximate purchase price... As a result of the assessment, your item can be purchased for approximately 160,000 yen.

Daikokuya Holdings | 6993 (TSE Standard)

<May 15, 2025>

Daikokuya's Strengths: AI Appraisal Chatbot (24-hour Instant Appraisal)

The development of voice-enabled conversational avatars has enabled the provision of unmanned buyback services utilizing generative AI and interactive advertising tools within stores.

AI Appraisal Chatbot



The screenshots show the following sequence of interactions:

- Message 1: "おでがるブランド買取" (Brand Buyback) with a red ribbon graphic.
- Message 2: "おでがるブランド買取" with a "店舗検索" (Store Search) button.
- Message 3: "おでがるブランド買取" with a "写真査定" (Photo Appraisal) button.
- Message 4: "おでがるブランド買取" showing a Louis Vuitton bag image and the message: "アイテム画像を受け取りました。写真査定結果が出るまで少々お待ちください。" (Item image received. Photo appraisal result will be out soon.)
- Message 5: "おでがるブランド買取" with the AI's response: "AI鑑定士が鑑定した結果、こちらのアイテムは¥80,000円～¥300,000円の買取金額になる可能性が高いです。" (AI appraiser's result: The item has a high probability of being valued between ¥80,000 and ¥300,000 yen.)
- Message 6: "おでがるブランド買取" with the final message: "買取金額が1,000円未満でしたのでYahooオークションへの出品はございません。" (The buyback amount was less than 1,000 yen, so it is not listed on Yahoo Auctions.)

Automated chatbot combining natural language processing (NLP) and AI

- Available 24 hours
- Instant valuation of brand, model and price

※Other chat services are manually operated, so they only respond during business hours and provide same-day estimates at the earliest.

Source: Company Data. Compiled by Strategy Advisors.

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Figure 25. Half-Year/Quarterly Performance Trends (¥mn)

FY	3/23		3/24		3/25	
	H1	H2	H1	H2	H1	H2
Income Statement						
Net Sales	6,688	5,760	5,514	5,453	5,000	5,232
Cost of Sales	4,972	3,995	3,854	3,840	3,439	3,737
Gross Profit	1,716	1,765	1,660	1,613	1,561	1,495
Gross Profit Margin	25.7%	30.6%	30.1%	29.6%	31.2%	28.6%
SG&A Expenses	1,748	1,609	1,669	1,748	1,926	2,035
Sales to SG&A Expenses	26.1%	27.9%	30.3%	32.1%	38.5%	38.9%
Operating Profit	-32	157	-9	-135	-364	-540
OP Margin	-0.5%	2.7%	-0.2%	-2.5%	-7.3%	-10.3%
Non-Operating Income / Expenses	-78	-81	-55	-246	-109	-62
Profit Before Income Taxes	-111	75	-65	-382	-474	-603
Pretax Income Margin	-1.7%	1.3%	-1.2%	-7.0%	-9.5%	-11.5%
Extraordinary Profit / Losses	-14	-20	-13	-92	-27	-18
Profit Before Income Taxes	-125	55	-78	-474	-502	-622
Cooperative Taxes (Corporate Tax Rate)	73	109	74	-89	-39	-82
Profit Attributable to Owners of Parent	-208	-71	-165	-375	-449	-519
Net Profit Margin	-3.1%	-1.2%	-3.0%	-6.9%	-9.0%	-9.9%

FY	3/23				3/24				3/25				3/26	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	
Income Statement														
Net Sales	3,711	2,977	3,291	2,469	2,865	2,649	2,941	2,512	2,655	2,346	2,751	2,481	2,459	
Cost of Sales	2,818	2,154	2,307	1,687	1,985	1,869	2,064	1,776	1,849	1,590	2,013	1,723	1,764	
Gross Profit	893	823	983	782	880	780	877	736	805	756	738	758	695	
Gross Profit Margin	24.1%	27.6%	29.9%	31.7%	30.7%	29.4%	29.8%	29.3%	30.3%	32.2%	26.8%	30.5%	28.3%	
SG&A Expenses	891	857	814	794	836	833	870	878	969	957	1,012	1,023	978	
Sales to SG&A Expenses	24.0%	28.8%	24.7%	32.2%	29.2%	31.4%	29.6%	35.0%	36.5%	40.8%	36.8%	41.2%	39.8%	
Operating Profit	2	-34	169	-12	44	-53	7	-142	-163	-201	-275	-265	-283	
OP Margin	0.1%	-1.1%	5.1%	-0.5%	1.5%	-2.0%	0.2%	-5.7%	-6.2%	-8.6%	-10.0%	-10.7%	-11.5%	
Non-Operating Income / Expenses	-37	-40	-52	-29	-25	-30	-228	-18	-20	-89	-32	-30	-27	
Profit Before Income Taxes	-36	-74	116	-41	18	-83	-221	-161	-184	-290	-307	-296	-310	
Pretax Income Margin	-1.0%	-2.5%	3.5%	-1.7%	0.6%	-3.1%	-7.5%	-6.4%	-6.9%	-12.4%	-11.2%	-11.9%	-12.6%	
Extraordinary Profit / Losses	-5	-9	-15	-4	-10	-2	-76	-16	-16	-11	0	-19	-3	
Profit Before Income Taxes	-41	-83	101	-46	7	-86	-297	-177	-201	-301	-306	-315	-314	
Cooperative Taxes (Corporate Tax Rate)	44	29	78	31	83	-10	-75	-13	-2	-37	-31	-51	-41	
Profit Attributable to Owners of Parent	-107.1%	-34.5%	77.2%	-67.8%	1163.9%	11.2%	25.4%	7.6%	1.1%	12.2%	10.0%	16.1%	13.1%	
Net Profit Margin	-2.5%	-3.9%	0.3%	-3.3%	-2.9%	-3.1%	-7.3%	-6.4%	-7.4%	-10.8%	-9.6%	-10.2%	-10.7%	

Source: Company Data. Compiled by Strategy Advisors.

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3) Comparison with Other Companies

An Industry with Ample Potential for Double-Digit Growth

Profitability is shown in Figure 26. Many other companies are achieving double-digit growth in both sales and operating profit. The company is not a good reference as it recorded an operating loss until FY3/25, but the company has the potential to achieve double-digit growth if it can build up inventory.

Figure 26. Profitability Comparison with Peers

Company Name	Ticker	FY	Net Sales	Sales	OP		OPM	ROE	ROIC	Equity
					CAGR					
					(¥mn)	(%)	(¥mn)	(%)	(%)	(%)
Daikokuya HD	6993	3/25	10,232	-9.9	-904	n.a.	-8.8	-494.7	-14.1	6.3
Komehyo HD	2780	3/25	158,995	22.6	6,177	83.5	3.9	15.6	6.6	37.0
BuySell Technologies	7685	12/24	59,974	36.1	4734	41.1	7.9	22.8	10.4	26.9
Valuence HD	9270	8/25	84,841	17.5	1,454	18.2	1.7	-21.8	-2.4	23.8
LIFE CREATE	216A	12/24	2,026	11.1	13	n.a.	0.6	27.1	0.3	11.8
ZEROJAPAN	171A	6/25	3,725	7.1	211	6.2	5.7	14.4	4.2	17.2
Tay Two	7610	2/25	36,478	11.2	912	28.5	2.5	8.4	6.8	45.9
GT HD	5883	5/25	38,917	39.2	1,293	45.3	3.3	19.9	5.7	19.6
Syuppin	3179	3/25	52,658	8.7	3,397	14.1	6.5	21.9	18.1	56.2
WATT MANN	9927	3/25	8,383	17.9	584	13.5	7.0	10.4	10.2	67.2

Note: CAGR are the average of the past 5 fiscal years. However, LIFE CREATE has a 2-year average, ZEROJAPAN has a 3-year average and GT Holdings has a 4-year average.

Source: Company Data. Compiled by Strategy Advisors.

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Furthermore, a comparison of store expansion and medium-term management plans with other companies is shown in Figure 27. Komehyo Holdings plans to increase the number of Stores by 39.5% over 4 years, and BuySell Technologies plans to increase the number of Stores by 55.5% over 3 years, demonstrating an aggressive store opening strategy. Net sales CAGR is expected to be 20% for Komehyo Holdings and 32.7% for BuySell Technologies and they plan to aggressively expand in response to the expansion of the resale market. Note that only Daikokuya Holdings, Life Create and GT Holdings have pawn shops attached to their Stores, with Life Create Inc. operating one Store and GT Holdings operating 10 Stores.

Figure 27. Comparison of Business Conditions with Peers

Company Name	Core Brands	FY	# of Stores	Medium-Term Management Plan				Targets
				With Pawnshop Formulation	Date of Formulation	Completion Period		
Daikokuya HD	Daikokuya	3/25	Domestic 24	21	Jul-24	Mar-29	Sales CAGR 63.2% (Plan revised May 25)	
Komehyo HD	KOMEHYO, BRAND OFF, RodeoDrive, etc.	3/25	301 (domestic 273, overseas 28)	—	May-24	Mar-28	Sales CAGR 20%, number of group Stores 420, overseas sales ratio 15%	
BuySell Technologies	BuySell, Timeless, WAKABA, THIERRY, Kaitori Musubi, Fukuchan, etc.	12/24	Domestic 418	—	Feb-25	Dec-27	Sales CAGR 32.7%, number of group Stores 650, leading position in on-site purchase	
Valuence HD	Nanoya, BRAND CONCIER, Hakkodo, ALLU	8/24	186 (Domestic 139, Overseas 39)	—	Oct-24	Aug-27	240 domestic Stores (FY8/30), 90 overseas Stores	
LIFE CREATE	Ecoplus, Handcraft	24/12	Domestic 15	1	—	—	—	
ZEROJAPAN	Wonder Price	6/25	Domestic 26	—	—	—	—	
Tay Two	Fruhon-ichiba, Furuichi, Toreca-park, Vector, BRANDOFF	2/25	Domestic 172	—	—	—	—	
GT HD	Tokyo Brand, collection SHIBA, HOUBIDOU, Osakaya, Marubeni Pawnshop	5/25	Domestic 19	10	—	—	—	
Syuppin	MapCamera, GMT, BRILLER, etc.	3/25	Domestic 4	—	May-25	Mar-28	Sales CAGR 9.4%	
WATT MANN	Watt Mann, etc.	3/25	Domestic 60	—	—	—	—	

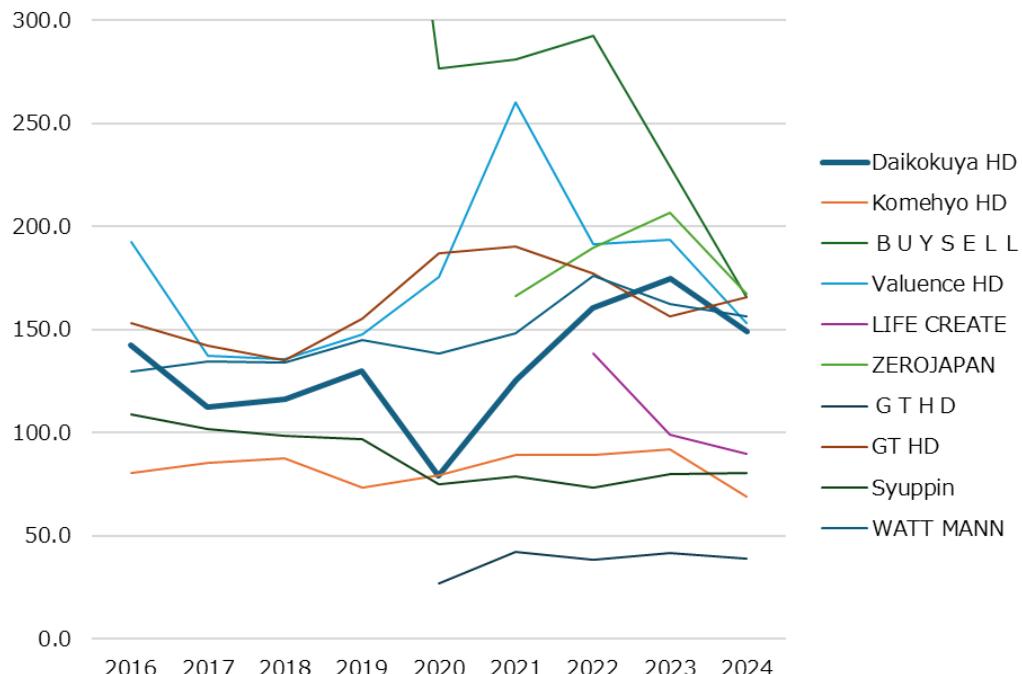
Source: Company Data. Compiled by Strategy Advisors.

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Cross-Ratio is on the Rise

The company uses "Cross-Ratio (inventory turnover rate x gross profit margin)" as an important indicator. A comparison with other companies is shown in Figure 28.

Figure 28. Cross-Ratio of Each Company (Unit: %)



<Company Ranking>

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Cross-Ratio (%)	142.2	112.1	116.0	129.7	78.9	125.6	160.2	174.7	148.8
Ranking	3/6	4/6	May 7	May 7	6/8	6/9	6/10	4/10	6 /10
Ending Inventory (¥mn)	3,297	4,175	3,796	2,771	2,978	2,274	1,567	1,315	1,440

Note: Cross-Ratio is calculated according to Recycle Tsushin's formula: "End-of-period inventory turnover (cost of sales / end-of-period inventory) x gross profit margin," and may differ from the disclosure materials of each company.

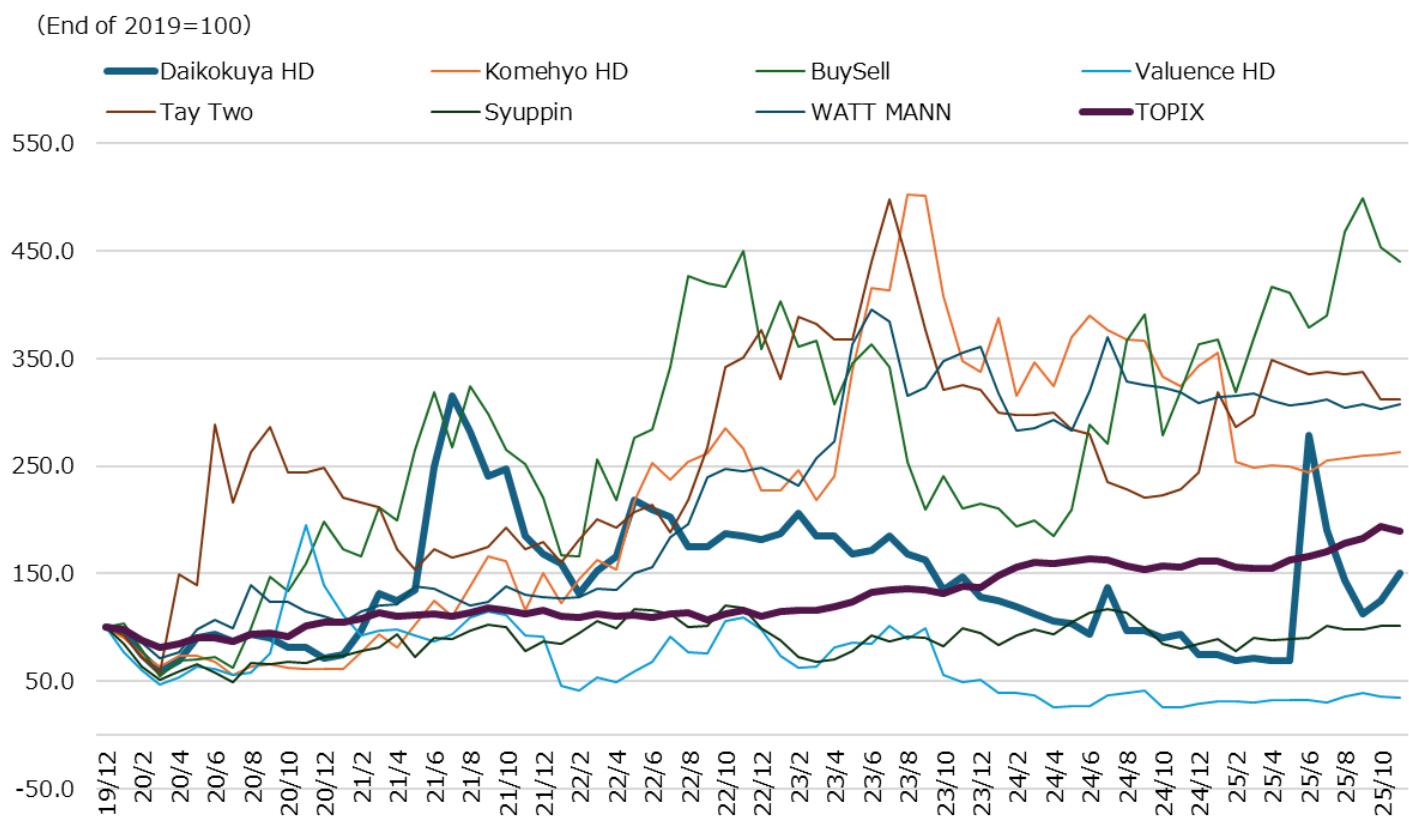
Source: Strategy Advisors. Based on 'Recycled Communications' statistics.

Although the company ranked poorly in the latter half of the 2010's when it refrained from building up inventory due to the liquidation of overseas subsidiaries, in recent years it has recovered to a mid-level position within the industry. The company expects to further increase its inventory turnover rate through Stores and online. By improving its cross-ratio amid growing sales, the company can significantly expand profits.

7. Stock Price Trends and Valuations

Figure 29 shows the relative stock price trends of competitors and TOPIX, with the stock price at the end of 2019 set at 100.

Figure 29. Stock Price Trends of Competitors (Since 2020)

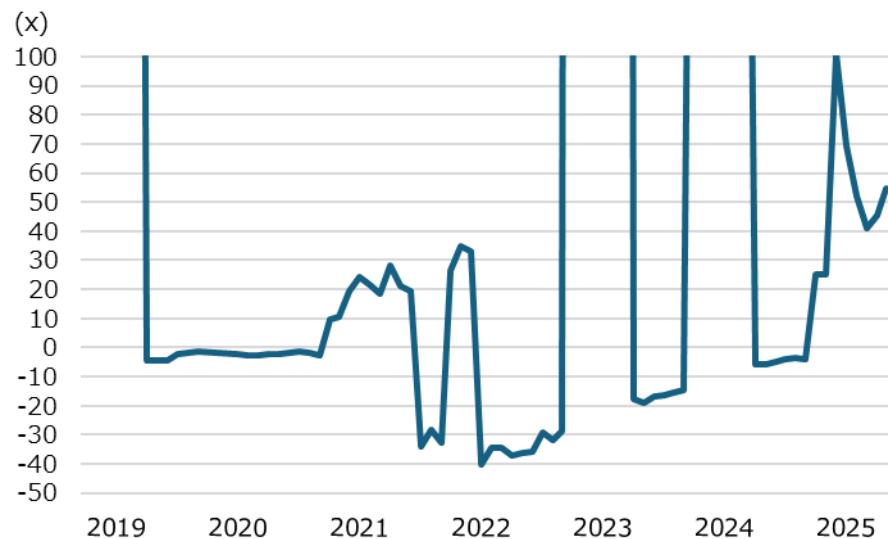


Source: Strategy Advisors.

Given the Deterioration in Business Performance, Current Valuation is Not Very Useful

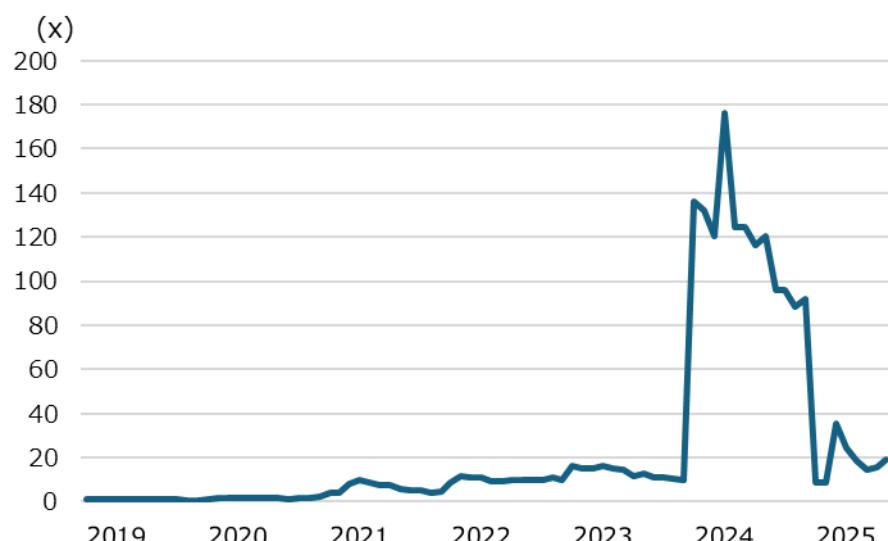
In terms of valuation, despite the company's poor performance, the PER was around 70x and the PBR was around 25x, both extremely high levels, before the resolution for the third-party allotment of new shares in October 2025. Looking at history, the EPS level has fluctuated widely, so PER has no room for stability, and PBR has also fluctuated greatly (Figures 30 and 31). The average PER for peers excluding the company is 13.6x and the PBR is 2.6x (Figure 32).

Figure 30. Trends in PER



Source: Strategy Advisors.

Figure 31. Trends in PBR (After Deduction of Non-Controlling Interests)



Source: Strategy Advisors.

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Figure 32. Valuation Comparison with Peers

Company Name	Ticker	FY	Stock Price	Market	PER	PBR	Dividend	ROE
					Cap	Yield		
					(Nov 5)	(CE)	Results	(CE)
				(¥)	(¥mn)	(times)	(times)	(%)
Daikokuya HD	6993	3/25	48	8,594	-	22.0	-	-494.7
Komehyo HD	2780	3/25	3,025	33,152	7.2	1.0	3.5	15.6
BuySell Technologies	7685	12/24	3,285	101,277	19.6	7.9	0.8	22.8
Valuence HD	9270	8/24	964	12,676	17.4	1.7	1.6	-21.8
LIFE CREATE	216A	24/12	1,250	500	-	2.7	-	27.1
ZEROJAPAN	171A	6/25	2,167	1,734	-	2.6	-	14.4
Tay Two	7610	2/25	134	8,527	12.1	1.4	3.0	8.4
GT HD	5883	5/25	1,600	7,423	-	1.9	-	19.9
Syuppin	3179	3/25	1,264	27,274	12.0	2.7	3.7	21.9
WATT MANN	9927	3/25	768	6,719	13.5	2.0	2.6	10.4
Average (excluding					13.6	2.6		
Daikokuya HD)								

Source: Strategy Advisors.

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3 Points to Watch for in Future Stock Price Developments

The following 3 points are important to watch regarding the future development of the company's stock price.

The first is to make the stock market aware of the company's prospects for profitability from FY3/27 onwards. Although the company initially forecast a profit for each year since FY3/22, it ended up posting losses, resulting in 9 consecutive years of net losses. The company also initially forecasted a profit for FY3/26, but revised its forecast downward to a loss in October 2025. We believe that the stock market does not have a high level of confidence in the company's earnings forecasts. With the company's capital increase and organizational structure now in place, it is necessary to make the market aware of the company's prospects for profitability from FY3/27 onwards.

The second is the removal of the "going concerning matters" statement. It is believed that this statement has led some institutional and individual investors to exclude the company from their investment portfolio. The company will be required to demonstrate that it has improved its financial situation by raising funds and posting profits and is in a cycle of increasing sales by building up inventory.

The third is to see a strong growth in online purchasing and sales. Daikokuya's medium-term management plan forecasts high CAGR growth in both sales and profits, but it is unlikely that this will be achieved in FY3/26. It will be necessary to demonstrate that the company is on a growth trajectory from FY3/27 onwards.

8. ESG Initiatives

A change in management was also announced along with the capital and business alliance in October 2025. The following is the information as of June 2025, when the securities report for FY3/25 was published.

As of June 2025, 2 of the company's 5 directors are independent outside directors, and the company meets the criteria for Standard Market listed companies (principle 4-8) under the Corporate Governance Code. There are no female directors. The skills matrix for each director has not been disclosed, but the company says it is considering creating one in the future. The company is a company with an audit & supervisory board, and 2 of the 3 auditors are independent outside directors. At present, there are no specific plans regarding the appointment, dismissal or succession of the CEO.

The main company has 13 employees and 187 employees in the consolidated group (as of the end of March 2025). As the company is not subject to disclosure obligations under the Act on Promotion of Women's Participation and Advancement in the Workplace, it does not disclose the ratio of female managers, the rate at which males take childcare leave or the difference in wages between male and female workers.

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The company aims to build a "sustainable recycling-based society" by becoming "the global number one brand resaled company through AI instant appraisal and digital transformation". Its main businesses, pawn shops and pre-owned luxury goods businesses, are resale businesses and are initiatives for sustainability. The company believes that the resale business reduces waste by reusing limited resources and contributes to reducing CO2 emissions.

As part of our sustainability governance system, we identify risks and opportunities arising from changes in the external environment as appropriate and discuss and decide on countermeasures at the Board of Directors meetings. We will also report on our sustainability initiatives in response to changes in society and the environment at future Board of Directors meetings and continue to promote these activities.

The human capital strategy positions human resources as one of the capitals that should be prioritized and has created a human resources strategy to promote recruitment based on everyone's ability, regardless of nationality, gender, etc. However, ensuring diversity, such as promoting women, foreigners and mid-career hires to managerial positions, is still limited.

In the business of purchasing and selling pre-owned luxury items, it is essential to develop personnel with the ability to authenticate and assess items and the company is continually working to develop such personnel. However, the company has not set any specific targets for its personnel development policy, internal environment improvement policy or indicators for the internal environment improvement policy.

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Figure 33. (Figure 2) Consolidated Statement of Income (¥mn)

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25	3/26 CoE
Net Sales	20,439	17,270	12,606	17,195	12,447	10,967	10,232	10,415
Cost Of Sales	14,019	12,172	9,480	13,779	8,966	7,693	7,175	
Gross Profit	6,419	5,098	3,125	3,416	3,480	3,273	3,056	
Gross Profit Margin	31.4%	29.5%	24.8%	19.9%	28.0%	29.8%	29.9%	
SG&A Expenses	6,582	4,961	3,478	3,538	3,356	3,417	3,960	
Operating Profit	-163	136	-352	-122	124	-143	-904	-600
Operating Profit Margin	-0.8%	0.8%	-2.8%	-0.7%	1.0%	-1.3%	-8.8%	-5.8%
Non-Operating Income	24	36	53	31	31	30	16	
Non-Operating Expenses	583	564	413	193	191	333	188	
Ordinary Profit	-722	-391	-712	-283	-35	-446	-1076	-723
Ordinary Profit Margin	-3.5%	-2.3%	-5.6%	-1.6%	-0.3%	-4.1%	-10.5%	-6.9%
Extraordinary Profit	7	249	0	13	0	0	0	
Extraordinary Losses	24	1,563	58	26	34	106	47	
Profit Before Income Taxes	-740	-1,706	-771	-297	-70	-552	-1,123	
Cooperate Taxes	330	275	-31	159	182	-15	-120	
(Corporate Tax Rate)	-44.6%	-16.1%	4.0%	-53.5%	-260.0%	2.7%	10.7%	
Profit	-1,070	-1,981	-739	-456	-252	-537	-1,002	
Profit (Loss) Attributable to Non-controlling Interests	-31	-137	-22	5	26	2	-34	
Profit Attributable to Owners of Parent	-1,039	-1,844	-716	-462	-279	-539	-968	-677
Net Profit Margin	-5.1%	-10.7%	-5.7%	-2.7%	-2.2%	-4.9%	-9.5%	-6.5%
EPS (¥)	-9.19	-15.77	-6.13	-3.95	-2.39	-4.60	-6.58	-3.23
ROE	-25.6%	-63.6%	-45.8%	-48.5%	-49.1%	-236.3%	-426.4%	
ROIC (Invested Capital)	-3.9%	-1.4%	-4.1%	-4.1%	-0.9%	-2.3%	-14.1%	
ROIC (Business Assets)	-9.0%	-3.1%	-8.0%	-7.6%	-2.0%	-5.4%	-33.4%	
DPS (¥)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Average Number of Shares During the Period (Million Shares)	113	116	116	116	116	117	147	
End of Period Shares (Million Shares)	116	116	116	116	116	120	168	

Source: SPEEDA. Created by Strategy Advisors.

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Figure 34. Consolidated Balance Sheet (¥mn)

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Current Assets	10,684	7,646	6,504	5,921	5,370	5,165	4,870
Cash and Deposits	2,080	1,793	1,003	1,043	901	948	559
Accounts Receivable	609	377	430	372	382	444	411
Inventories	3,857	2,831	3,034	2,330	1,627	1,385	1,524
Short-Term Loans	3,049	1,963	1,615	1,802	2,136	2,108	2,118
Allowance for doubtful accounts	-47	-4	-3	-1	-1	-1	-1
Others	1,136	686	425	375	325	281	259
Fixed Assets	2,158	1,669	1,603	1,442	1,334	1,353	1,408
Tangible Fixed Assets	428	309	263	247	217	249	215
Intangible Fixed Assets	559	476	432	395	361	326	294
Investments and Other Assets	1,170	883	906	798	756	776	898
Investment Securities	245	70	80	34	40	61	66
Security Deposit	770	701	674	672	630	606	588
Deferred Tax Assets	132	109	149	85	77	76	205
Others	23	3	3	7	9	33	39
Total Assets	12,842	9,315	8,107	7,363	6,705	6,518	6,279
Current Liabilities	3,874	6,688	4,645	4,774	5,575	4,842	4,538
Accounts Payable	356	69	49	36	47	66	35
Accounts payable - other	0	0	0	0	521	566	534
Interest-Bearing Debt	2,789	5,900	3,900	3,900	4,700	4,040	3,800
Short-Term Borrowings	2,399	3,000	3,500	3,500	3,500	3,890	3,500
Current Portion of Long-Term Borrowings	390	2,900	400	400	1,200	150	300
Unpaid Corporate Taxes	208	82	107	132	146	14	15
Advances received	0	0	0	0	0	0	0
Others	521	637	589	706	161	156	154
Non-Current Liabilities	4,360	86	1,692	1,298	95	1,039	746
Interest-Bearing Debt	4,265	0	1,600	1,200	0	850	550
Retirement benefit liabilities	0	0	0	3	8	13	18
Asset Retirement Obligations	15	15	16	16	16	16	16
Others	80	71	76	79	71	160	162
Total Net Assets	4,607	2,541	1,769	1,289	1,034	635	994
Shareholders' Equity	4,724	2,881	2,164	1,701	1,422	1,051	1,449
Share capital	2,955	2,955	2,955	2,955	2,955	3,039	3,722
Capital surplus	1,003	1,003	1,003	1,003	1,003	1,087	1,771
Treasury Shares	768	-1,075	-1,792	-2,254	-2,534	-3,073	-4,041
Treasury Shares	-2	-2	-2	-2	-2	-2	-2
Accumulated Other Comprehensive Income	-887	-965	-994	-1,017	-1,019	-1,053	-1,055
Stock Acquisition Rights	25	24	24	24	24	32	29
Non-Controlling Interests	744	600	575	580	607	605	571
Total Liabilities and Net Assets	12,842	9,315	8,107	7,363	6,705	6,518	6,279
Interest-Bearing Debt	7,054	5,900	5,500	5,100	4,700	4,890	4,350
Capital Adequacy Ratio	36.8%	30.9%	26.7%	23.1%	21.2%	16.1%	23.1%
D/E Ratio	1.5	2.0	2.5	3.0	3.3	4.7	3.0

Source: SPEEDA. Created by Strategy Advisors.

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Figure 35. Consolidated Cash Flow Statement (¥mn)

FY	3/19	3/20	3/21	3/22	3/23	3/24	3/25
Cash Flows from Operating Activities							
Profit Before Taxes	-740	-1,706	-771	-297	-70	-552	-1,123
Depreciation	182	130	93	81	72	69	69
Equity in Earnings of Affiliates	79	156	3	0	0	0	0
Impairment losses	4	122	11	7	7	13	15
Working Capital	-548	-971	276	-749	-704	-199	137
Others	1,680	3,072	-10	1,380	949	239	-291
Total	657	803	-398	422	254	-430	-1,193
Cash Flows from Investing Activities							
Purchase / Sale of Tangible Assets	-8	51	-15	-33	-17	-77	-23
Purchase / Sale of Intangible Assets	-3	0	0	0	-3	0	-1
Purchase / Sale of Investment Securities	0	0	0	0	0	0	0
Others	-119	-1	14	39	20	74	4
Total	-130	50	-1	6	0	-3	-20
Cash Flows from Financing Activities							
Net Increase/Decrease in Short-Term Borrowings	-400	600	500	0	0	390	-390
Net Increase/Decrease in Long-Term Borrowings	-900	-1,755	-900	-400	-400	-200	-150
Issuance of Shares	249	0	0	0	0	0	0
Expenditures for Acquisition of Treasury Stock	0	0	0	0	0	0	0
Others	1	0	0	0	0	276	1,364
Total	-1,050	-1,155	-400	-400	-400	466	824
Exchange Differences on Cash and Cash Equivalents	-79	13	10	10	4	14	0
Net Increase / Decrease in Cash and Cash Equivalents	-603	-287	-789	40	-142	46	-389
Cash and Cash Equivalents at Beginning of Period	2,683	2,080	1,793	1,003	1,043	901	948
Cash and Cash Equivalents at End of Period	2,080	1,793	1,003	1,043	901	948	559
Free Cash Flow	527	853	-399	428	254	-433	-1,213

Source: SPEEDA. Created by Strategy Advisors.

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