

Happiness and D Co.,Ltd.

TSE Standard Securities Code: 3174

February 18, 2026

Escaping Three Consecutive Years of Losses—Gold Product Strategy and Buy-Back Business Transform Revenue Structure

Going Concern Risk Recedes with Profitability; Potential Stock Price Reversal via Brand Revaluation

This report conducts corporate value analysis from the perspective of "GCC Management™," a framework developed by J-Phoenix Research Co., Ltd. (hereinafter "JPR") that emphasizes three elements: Growth (revenue growth), Connection (improvement in people and business connections = enhanced return on capital = ROIC spread expansion = economic profit value), and Confidence (enhanced trust = reduced business risk = source of risk mitigation = lower WACC = book equity at minimum reflected in value).

1. Long-Term Outlook Building Foundations for a Japanese LVMH via Pure Gold Specialization & Buy-Back Business

Happiness & D Co., Ltd. is a TSE Standard-listed company operating jewelry, watch, and bag select shops in suburban shopping centers. Since FY2022.8, yen depreciation and inflation have depressed import brand sales, with the company posting operating losses continuously since FY2023.8. To address this structural challenge, the company is pursuing structural reforms centered on a "gold product enhancement and integrated buy-sell model." Over the past two fiscal periods, 31 stores have been consolidated, reorganizing to a 57 directly-operated store structure. Due to store closures and product mix optimization, existing store gross margin improved to 33.2% in December 2025 actual results, a 2% improvement YoY. The growth strategy has three pillars. First, establishing a jewelry format leveraging gold products including pure gold (24K), which is rare in the Japanese market. Capitalizing on the market opportunity where specialized gold product shops common in Asian countries barely exist in Japan, bullion product unit sales reached 142.3% of the prior year on an existing-store basis in FY2025.8, demonstrating rapid growth. Second, the company is building an integrated buy-sell model through a business alliance with Clarisse Co., Ltd., adding buy-back functionality to existing stores. Buy-back operations commenced at 30 stores as of Q1 FY2026.8, with plans to expand to all stores. Third, capturing inbound demand through group company ABHeri and leveraging Japanese brand trustworthiness for Asian expansion. FY2026.8 targets revenue of ¥8,481M (YoY -4.1%) and operating income of ¥30M, planning a return to profitability. Long-term, the Company aims to acquire succession-challenged Japanese brands under a "brand conglomerate strategy"—a Japanese adaptation of LVMH's European model integrating multiple brands from manufacturing to sales (see JPR report dated November 7, 2025).

2. Quarterly Outlook Off-Season Losses as Expected; Profitability via Year-End Sales & Enhanced Buy-Back

Consolidated results for Q1 FY2026.8 showed revenue of ¥1,815M (YoY -7.3%) and an operating loss of ¥138M. Store count decreased from 74 to 60, driving the revenue decline, but on an existing-store basis, revenue was 102.0% and gross profit 108.6% of the prior year, showing improvement. By product, jewelry posted revenue of ¥723M (+2.4%), the sole category with revenue growth, driven by rising gold prices. Watches declined to ¥178M (-29.9%) due to strategic downsizing. Positive factors include: continued existing-store revenue and gross profit outperformance, strong pure gold jewelry sales, gross margin improvement from vintage product deployment across 33 stores, and SG&A reduction from 14 store closures. Negative factors include: revenue scale contraction from reduced store count and softness in import brand sales.

[JPY mil]		2024.02	2024.05	2024.08	2024.11	2025.02	2025.05	2025.08	2025.11
Non-consolidated	Sales	3,532.3	2,409.5	2,396.6	1,957.7	2,768.6	1,980.7	2,134.4	1,815.1
	Gross Profit	1,260.2	905.1	905.7	769.1	1,051.0	796.9	824.2	780.9
	Gross Profit Margin	35.7%	37.6%	37.8%	39.3%	38.0%	40.2%	38.6%	43.0%
	SG&A	1,031.0	1,007.4	1,005.8	911.7	990.3	962.1	981.3	919.6
	SG&A Ratio	29.2%	41.8%	42.0%	46.6%	35.8%	48.6%	46.0%	50.7%
	Operating Profit	229.2	-102.3	-100.2	-142.6	60.7	-165.2	-157.1	-138.7

3. Stock Price Trends Trust Recovery via Profitability; Stock Price Upside Expected Through Brand Revaluation

The company's stock has been under cautious investor sentiment due to continuous operating losses and the disclosure of "material events related to going concern assumptions." On the financing front, new stock acquisition rights and unsecured bonds were issued through third-party allotment in October 2025, with 3,900 units (390,000 shares) exercised as of January 13, 2026. While warrant exercise contributes to short-term liquidity stabilization, it constitutes a dilution factor for existing shareholders. The company has obtained consent for modified repayment terms from lending banks and has concluded a ¥400M overdraft facility with Chiba Bank. The key focus is achieving cumulative profitability through H1. The company plan targets operating income of ¥135M, with the mid-April earnings release set to reveal year-end/New Year sales campaign results. If future upside is confirmed, the shareholder value analysis suggests potential upside of approximately ¥2,500 over 2-3 years as the market prices in such improvement.



Long-Term Outlook + Quarterly Review

Edited & Written by | J-Phoenix Research Inc. | Osamu Miyashita | www.j-phenix.com

Company Overview

Location	Chuo-ku, Tokyo
Representative	Satoshi Maehara
Established	1990/9/1
Capital	348.69 million yen
Listing Date	2012/6/22
URL	https://www.happiness-d.co.jp/
Industry	Retail
Key Indicators as of Feb. 16, 2026	
Stock Price	622 Yen
52-Week High	786 Yen
52-Week Low	551 Yen
Shares Outstanding	2,981,600 Shares
Trading Unit	100 Shares
Market Capitalization	1,855 mil Yen
Company Forecast Dividend	0 Yen
Forecast EPS	-20.27 Yen
Forecast P/E Ratio	- x
PBR	15.81x
Actual BPS	39.34 Yen
(End of August 2025)	

Business Performance Trends	Sales mil Yen	YoY %	Income mil Yen	profit %	Income mil Yen	YoY %	Net Profit mil Yen	YoY %	EPS Yen	Stock Price	
										High	Low
FY8/24 actual	10,780	-15.3%	-158	-	-186	-	-459	-	-180.39	954	880
FY8/25 actual	8,841	-18.0%	-404	-	-435	-	-808	-	-317.59	915	789
FY8/26 forecast	8,481	-4.1%	30	-	-13	-	-52	-	-20.71	869	644
FY8/25 Q1 actual	1,957	-19.8%	-142	-	-150	-	-153	-	-60.50	869	779
FY8/26 Q1 actual	1,815	-7.3%	-138	-	-149	-	-153	-	-59.68	731	594

[Source] JPR.

This report is prepared by J-Phoenix Research Co., Ltd. (JPR) for informational purposes only and is not a solicitation to buy or sell securities. While based on information JPR believes reliable, JPR makes no warranty regarding accuracy, reliability, completeness, suitability, or timeliness. JPR shall not be liable for any direct or indirect damages arising from use of or reliance on this report. Investment decisions rest solely with the investor. For detailed precautions, see final page.

Shareholder Value Analysis

[JPY 100 mil]

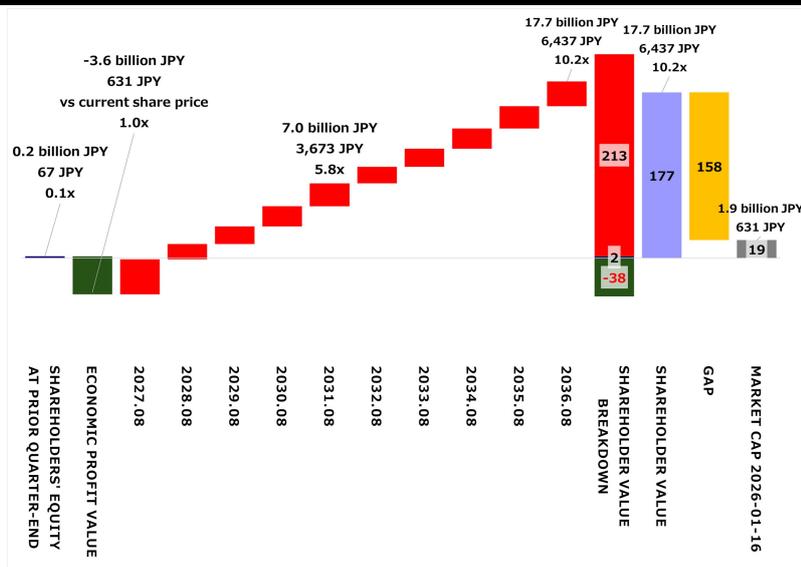
Growth Value	+	Economic Profit Value	+	Book Equity
213		-38		2

Shareholder Value

Shareholder Value Reflecting 10-Year Scenario Analysis

177

10-Year Shareholder Value Projection Model Estimate Based on the Present Value of Future Cash Flows



[Source] Prepared by JPR.

How Many Years Ahead Does the Share Price Look?

10-Year Shareholder Value Model—Stacked PV of Future Shareholder Value

	2026.08	2027.08	2028.08	2029.08	2030.08	2031.08	2032.08	2033.08	2034.08	2035.08	2036.08	
Revenue	85	93	103	113	124	137	150	165	182	200	220	
Revenue growth rate	-4.1%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
Change in revenue	-23	8	9	10	11	12	14	15	17	18	20	
Operating profit	0.3	2.8	4.1	5.6	7.5	9.6	11.3	13.2	15.5	18.0	20.9	
Operating profit margin	0.35%	3.00%	4.00%	5.00%	6.00%	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	
NOPAT	0.2	1.9	2.9	3.9	5.2	6.6	7.8	9.2	10.7	12.5	14.5	
NOPATMargin	0.2%	2.1%	2.8%	3.5%	4.2%	4.9%	5.2%	5.6%	5.9%	6.3%	6.6%	
Beg. invested capital / revenue	50.9%	50.9%	50.9%	50.9%	50.9%	50.9%	50.9%	50.9%	50.9%	50.9%	50.9%	
ROIC	0.5%	4.1%	5.5%	6.8%	8.2%	9.6%	10.3%	10.9%	11.6%	12.3%	13.0%	
WACC	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	
ROIC-WACC	-3.8%	-0.1%	1.2%	2.6%	4.0%	5.3%	6.0%	6.7%	7.4%	8.1%	8.7%	
ROIC/WACC	0.11	0.97	1.29	1.61	1.93	2.25	2.41	2.58	2.74	2.90	3.06	
Beg. invested capital	43.1	47.5	52.2	57.4	63.2	69.5	76.4	84.1	92.5	101.7	111.9	
Economic profit	-1.6	-0.1	0.6	1.5	2.5	3.7	4.6	5.6	6.8	8.2	9.8	
Change in economic profit	-1.6	1.6	0.7	0.8	1.0	1.2	0.9	1.0	1.2	1.4	1.6	
TV (change in economic profit)	-38.2	36.6	16.6	20.0	23.8	28.2	21.0	24.3	28.1	32.4	37.3	
PV factor	1.00	0.96	0.92	0.88	0.85	0.81	0.78	0.75	0.72	0.69	0.66	
PV of TV (change in economic profit)	-38.2	35.1	15.3	17.6	20.2	22.9	16.4	18.2	20.2	22.3	24.6	
Cumulative shareholder value	-36.2	-1.1	14.2	31.8	52.0	74.9	91.3	109.5	129.7	152.0	176.6	
Cumulative shareholder value factor	-1,215.6	-38.0	475.6	1,067.3	1,744.1	2,513.7	3,062.7	3,672.9	4,349.3	5,097.4	5,922.9	
Estimated share price (per share; Y5 shareholder value realized in Y3 incl. next 2yrs value)	631 JPY	1259 JPY	1886 JPY	2514 JPY	3063 JPY	3673 JPY	4349 JPY	5097 JPY	5923 JPY	6174 JPY	6437 JPY	
Multiple vs current price	1.00	1.99	2.99	3.98	4.85	5.82	6.89	8.08	9.39	9.79	10.20	
Closing price 2025-10-31	671 JPY											
Economic profit value [JPY 100 mil]	-38											
Growth value [JPY 100 mil]	202											
Shareholders' equity [JPY 100 mil]	2											
}	Shareholder value [JPY 100 mil]						177					
	Share price equivalent						6,437 JPY					
	Market capitalization [JPY 100 mil] 2025-Oct-31						19					
	Closing price						631 JPY					

[Source] Prepared by JPR.

This report is prepared by J-Phoenix Research Co., Ltd. (JPR) for informational purposes only and is not a solicitation to buy or sell securities. While based on information JPR believes reliable, JPR makes no warranty regarding accuracy, reliability, completeness, suitability, or timeliness. JPR shall not be liable for any direct or indirect damages arising from use of or reliance on this report. Investment decisions rest solely with the investor. For detailed precautions, see final page.

Growth  **Growth Trajectory Toward Japanese LVMH via Gold Product Enhancement and Integrated Buy-Sell Model**

Growth Stories of Employees and the Company
Values and Worldviews Aimed at Weaving Intergenerational Bonds Through Anniversary Jewelry

Happiness and D prioritizes "hospitality-driven service without hard selling" and "long-term customer engagement," specializing in life milestone gifting such as wedding anniversaries, coming-of-age ceremonies, and 60th birthday celebrations. Products are positioned as "vessels of memory" passing family bonds to the next generation, realized through an auto-dealer-style model integrating buy-back and sales across life stages. H&D targets suburban families with gold-centered jewelry, AbHeri serves urban affluent and inbound tourists with luxury jewelry, and No. offers unisex jewelry for career professionals aged 25-45. This three-tier structure delivers "excitement" to all stakeholders: anniversary experiences and trade-in convenience for customers, growth opportunities for employees, sustainable returns for investors, and preservation of Japan's jewelry culture.

Growth Story of the Real Market Value
Offered and Future Market Size
Gold as Asset Class Combined with Emotional Value as a Vessel of Memory

TAM is the Japanese jewelry market, projected at approximately 6% CAGR from USD 11.29 billion in 2024 through 2033, driven by affluent wealth management, inbound tourist purchases, and younger self-gifting demand. SAM comprises the anniversary gift and pure gold investment markets, where milestone gifting is augmented by asset formation needs from rising gold prices. Japan lacks specialized gold jewelry shops common elsewhere in Asia, making 24-karat jewelry an untapped growth area. SOM encompasses in-mall jewelry plus the pre-owned market via the integrated buy-sell model. The Company targets buy-back and resale at 30 of 57 stores by August 2026. Through the ABC system and accumulated buy-back data, the Company targets growth from ¥8.8 billion in FY08/2025 to ¥22.2 billion within 10 years via structural reforms and M&A.

Capital-Market Growth Story Metrics
Revenue Outlook (10-Year)
Three-Tier Brand Strategy and Trusted Brand Establishment

FY08/2026 return to profitability (¥30 million operating income) would alleviate going concern doubts, triggering a virtuous investor cycle. The bullion jewelry shift progresses smoothly: gross margin reached 40.6% in FY08/2025 (vs. 38.2%) with unit sales reaching 174.2% of the prior year (up 74.2% YoY); vintage sales introduced at 54 stores. The November 2025 Clarisse partnership activates the integrated buy-sell model, targeting ¥ 0.8-1.0 billion revenue by 2027. February employee training deploys buy-back skills across all 228 stores by August 2026. AbHeri opens Osaka Grand Green in March 2025 for Kansai affluent and inbound demand. Under this scenario, H&D core grows to ¥9.5 billion, AbHeri to ¥4.5 billion (9x), No. to ¥2.5 billion, and M&A to ¥5.7 billion via 17-18 acquisitions — projecting ¥22.2 billion revenue, 9.5% operating margin, and 10.1% ROIC by FY08/2035.

Connection  **Circular Model Maximizing Customer Lifetime Value Through Engagement**

Connection Stories within Employees and Companies Management Resource
Connection Strategies

Differentiation Through Buy-Back Know-How and Customer Relationship Capital
 Happiness and D's differentiation rests on three pillars: "bullion jewelry appraisal expertise," "integrated buy-back and sales know-how," and "long-cultivated customer relationship capital." Human and intellectual capital are the greatest strengths, with stores designed around the anniversary concept shop model. Accumulated service expertise constitutes the core of competitiveness. Vintage handling expanded to 56 of 57 stores by December 2025. The strategic priority is the integrated buy-sell model: through the Clarisse Co., Ltd. alliance, buy-back know-how is introduced with company-wide training from February. Similar to auto dealers bundling trade-ins, the Company leverages existing Rolex purchaser relationships for engagement-driven repeat business. Precious metal hydrometer investment improves appraisal accuracy. Continuous human and intellectual capital improvement strengthens competitive advantage.

Connection story of business resources in the real market
Business Model Dynamics
Earnings Improvement Through Integrated Buy-Sell Model

Happiness and D's business model centers on value circulation through integrated buy-back and sales of bullion jewelry and vintage items. As an "anniversary concept shop," the Company earns revenue by providing a milestone gift selection venue — differentiating from buy-back specialty stores whose "financial distress" impression deters entry, while naturally attracting jewelry purchasers for trade-up needs. October 2025 same-store sales reached 108.9% YoY with 33.6% gross margin; unit sales 107.4%, average spend 102.1%. Fixed costs decline through 14 store closures; gross margin improves via vintage handling expansion from 33 to 54 stores. Accumulated buy-back data will sharpen procurement precision, reducing inventory risk. Suppressing procurement costs through buy-back while building a circular model achieves sustainable operations and revenue diversification.

Resource-connection story metrics
ROIC outlook

ROIC Improvement Through Buy-Back Data Utilization and Inventory Efficiency
 FY08/2025 showed an operating loss of ¥404 million, rendering ROIC incalculable; however, gross margin improved to 40.6% with jewelry at 55.3%. Phase 1 (2026-2027) targets profitability transition from -4.6% to 3.0% operating margin. Gross margin above 40% is maintained through bullion jewelry mix, with SG&A compressed via store closures. Invested capital targets approximately 65% of revenue through inventory turnover improvement (3.5x to 4.0x) and buy-back data procurement optimization, targeting 3-4% ROIC. Phase 2 (2028-2030) targets 5-7% operating margin as the buy-sell model permeates all 228 stores and AbHeri Osaka/No. urban stores reach cruising speed, with 5-7% ROIC. Phase 3 (2031-2035) targets 9.5% operating margin and 10.1% ROIC with M&A at full operation, establishing a Japanese brand conglomerate where "soul and brain are held by Japan, operations outsourced." Delay in 2026 profitability risks cascading scenario collapse.

Confidence  **Stable Growth Through Customer Lifetime Value Maximization and Japanese Brand Trust**

Trust story among employees and within the company Profitability and financial stability

Improved Profitability and Financial Stability Through Buy-Back Business and Pure Gold Shift
 Happiness and D's financial stability foundation is the transition to a circular model driven by bullion jewelry sales and vintage buy-back/sales. FY08/2025 consolidated revenue was ¥8,841 million (down 18.0% YoY), with ¥404 million operating loss, ¥435 million recurring loss, and ¥808 million net loss; however, structural reform results are materializing. Revenue decline reflects the temporary impact of 14 store closures, while gross margin improvement demonstrates earnings structure strengthening. October 2025 same-store sales reached 108.9% YoY, unit sales 107.4%, and average spend 102.1%, all exceeding prior year. Gross margin improved 1.8pp to 33.6% through pure gold enhancement and vintage deployment at 33 stores. The Company plans to raise up to ¥514 million via 13th series stock acquisition rights and 1st series unsecured bonds through third-party allotment, funding M&A (¥30 million), buy-back equipment (¥16 million), store relocation (¥60 million), and inventory (¥367 million). While the equity ratio declined, capital raising balances growth investment and financial stabilization. The anniversary concept shop model deepens differentiation as buy-back and sales data accumulates.

Trust Stories in the Real Market
Social Contribution & Governance

Contribution to Circular Society Through Reuse Business and Enhanced Controls
 Happiness and D pursues circular society realization through its business: establishing a circular reuse model via vintage product buy-back and sales, and creating joy as an "anniversary concept shop" for life milestone gifting that enhances customer experience. The Clarisse Co., Ltd. alliance strengthens precious metal and brand goods buy-back/resale, building an efficient reuse structure achieving both circular society contribution and revenue diversification. February employee training enhances company-wide buy-back skills, targeting 30-store deployment by August 2026. Risk management focuses on diversified procurement sourcing, improved accuracy via accumulated buy-back/sales data, and enhanced appraisal precision through precious metal hydrometer investment. Store development advances through street-level relocations with strengthened buy-back capabilities considering regional characteristics. Operationally, underperforming store closures improve efficiency while bullion jewelry and vintage product handling expand as new growth areas. These business structure transformations enhance Happiness and D's corporate value and sustainability.

Trust-story evaluation metrics
WACC outlook

Cost of Capital Reduction Through Return to Profitability and Japanese Brand Trust
 Two worldviews coexist in the Company's cost of capital: market-data-based approximately 4.2% (beta = 0.47) versus estimated actual cost of equity exceeding 15%, implied by going concern qualification and 2.7% equity ratio. Financial institutions have consented to loan repayment term modifications. Profitability in 2026 should improve credit assessments and reduce borrowing rates — envisioning approximately 12% in Phase 1 (2026-2027), 10% in Phase 2 (2028-2030), and 8% in Phase 3 (2031-2035). ESG initiatives including recycled ocean plastic products and vintage sales circular economy contribution strengthen non-financial dimensions, forming the foundation for medium-to-long-term cost of capital reduction. The CEO's emphasis on "Japanese brand trust" represents a difficult-to-replicate advantage based on decades of cultural accumulation, contributing to capital cost reduction. Risk remains extremely high for short-term investors.

[Source] Prepared by JPR.

This report is prepared by J-Phoenix Research Co., Ltd. (JPR) for informational purposes only and is not a solicitation to buy or sell securities. While based on information JPR believes reliable, JPR makes no warranty regarding accuracy, reliability, completeness, suitability, or timeliness. JPR shall not be liable for any direct or indirect damages arising from use of or reliance on this report. Investment decisions rest solely with the investor. For detailed precautions, see final page.

Quarterly Earnings Analysis

Q1 FY2026/8 (Sep–Nov 2025) Consolidated Results

1. Earnings: Off-Season Loss Narrows; Same-Store Trend Improving

Q1 FY2026.8 consolidated results showed revenue of ¥1,815M (YoY -7.3%), operating loss of ¥138M (vs. ¥142M loss in the prior year period), and recurring loss of ¥159M (vs. ¥173M loss). Store count decreased from 74 to 60, a reduction of 14 stores, which was the primary driver of the revenue decline. On the other hand, existing-store revenue was 102.0% and gross profit 108.6% of the prior year, maintaining an improving trend. Gross margin also improved by 1.6 percentage points from 40.2% to 41.8%. SG&A was reduced to ¥897M (YoY -8.9%) due to store closures.

2. Category Trends: Jewelry Only Growth Driver; Watches Under Strategic Rationalization

[Jewelry] Revenue ¥723M (YoY +2.4%), gross profit ¥426M (+4.7%)—the sole category achieving revenue and profit growth. Bullion jewelry performed strongly against the backdrop of rising gold prices, and the "jewelry shift" strategy proved effective. Gross margin maintained at 59.0%. [Watches] Revenue ¥178M (-29.9%), gross profit ¥32M (-24.5%). This represents an intentional downsizing as part of structural reform, with the revenue mix declining from 13.0% to 9.8%. [Bags & Accessories] Revenue ¥913M (-8.4%), gross profit ¥300M (-11.6%). Largely impacted by store reductions, but the introduction of vintage (pre-owned) products is driving gross margin improvement.

3. Financial Position and Financing: Warrant Exercise Progress and Banking Support

Total assets at Q1-end were ¥4,072M (down ¥207M from prior fiscal year-end), and net assets were ¥1,227M (down ¥30M). The quarterly net loss of ¥160M was partially offset by capital reinforcement through warrant exercise (capital and capital reserve each increased by ¥105M). New stock acquisition rights and unsecured bonds were issued on November 4, 2025. As of January 13, 2026, a cumulative 6,300 units (630,000 shares) have been exercised. A ¥400M overdraft facility has been concluded with Chiba Bank, fully drawn. The company has disclosed "material events related to going concern assumptions," with FY2026.8 profitability and completion of warrant-based fundraising as prerequisites for business continuity.

Quarterly Earnings Details

[JPY mil]

Item		2024.02	2024.05	2024.08	2024.11	2025.02	2025.05	2025.08	2025.11
Non-consolidated	Sales	3,532.3	2,409.5	2,396.6	1,957.7	2,768.6	1,980.7	2,134.4	1,815.1
	Gross Profit	1,260.2	905.1	905.7	769.1	1,051.0	796.9	824.2	780.9
	Gross Profit Margin	35.7%	37.6%	37.8%	39.3%	38.0%	40.2%	38.6%	43.0%
	SG&A	1,031.0	1,007.4	1,005.8	911.7	990.3	962.1	981.3	919.6
	SG&A Ratio	29.2%	41.8%	42.0%	46.6%	35.8%	48.6%	46.0%	50.7%
Operating Profit	229.2	-102.3	-100.2	-142.6	60.7	-165.2	-157.1	-138.7	

[Source] Prepared by JPR based on company materials.

This report is prepared by J-Phoenix Research Co., Ltd. (JPR) for informational purposes only and is not a solicitation to buy or sell securities. While based on information JPR believes reliable, JPR makes no warranty regarding accuracy, reliability, completeness, suitability, or timeliness. JPR shall not be liable for any direct or indirect damages arising from use of or reliance on this report. Investment decisions rest solely with the investor. For detailed precautions, see final page.

Appendix: Management Restructuring and Key Evaluation Perspectives

Appendix

On January 13, JPR Representative Director Osamu Miyashita conducted an interview with President Maehara. The following is a summary of the discussion.

Qualitative Analysis:

President Maehara × Miyashita (Analyst)

Theme 1: Business Environment and Current Position

— Landscape at the Starting Point of Structural Transformation —

[Miyashita (Analyst)]

With unprofitable store elimination complete and no further impairment risk, how do you assess the current business environment?

[President Maehara]

While full profitability is not yet achieved, domain expansion progresses steadily--shifting to higher-margin products, strengthening buy-back, and expanding gold-related business. We are on track for full-year profitability. In the Japanese jewelry market, my focus is gold. We aim to establish pure gold products as a business pillar. Japan's 24K jewelry market represents significant latent opportunity--Asian countries like China have strong demand, but Japan has very few specialized retailers. We aim to fill this gap.



Photo from left: Satoshi Maehara (Representative Director & President, Happiness & D Co., Ltd.)
Osamu Miyashita (Representative Director, J-Phoenix Research Co., Ltd.)
January 13, 2026, at Happiness & D Head Office

Asia Has Pure Gold Specialty Shops. Japan Lacks Youth-Oriented Stores, Creating Market Opportunity.

[Miyashita (Analyst)]

Why the focus on pure gold jewelry?

[President Maehara]

In Asia including China, bullion specialty chains are widespread, yet this format barely exists in Japan--a critical gap.

While Japan has 18K gold buyers, 24K pure gold outlets are extremely limited. Latent demand exists for high-purity gold, whether coins or bars. We are building a framework to significantly expand our 24K product lineup based on our existing strengths in bullion jewelry--a clear market opportunity.

— From Sales-Only to Integrated Buy-Sell Model —

Integrated Buy-Sell Model Strategy to Maximize Customer Lifetime Value.

[Miyashita (Analyst)]

What transformation is your business model undergoing?

[President Maehara]

Three major transformations.

First, strengthening bullion jewelry. We acquired "JUNGOLD" distribution rights and are building a 24K framework, positioning pure gold jewelry--with asset value--as a core assortment.

Second, expanding brand product lineup. Previously focused on parallel imports from Louis Vuitton and others, we are pivoting toward vintage and accessible casual brands, creating a three-tier price structure.

Third, building an integrated buy-sell model. Through the Clarisse Co., Ltd. alliance, we are adding buy-back capabilities, moving toward coexisting sales and purchasing.

Of 55 total stores, 30 planned for integrated buy-sell operations. Buy-back expansion to all stores planned. Negotiating with commercial facilities.

Differentiation through integrated buy-sell model creates customer loyalty, similar to auto dealer trade-ins. Strategy shifts from high-turnover transactions to customer engagement.

[Miyashita (Analyst)]

Current status of buy-back store deployment?

[President Maehara]

Of 55 domestic stores, 30 are planned for both sales and buy-back. For the remaining 25, we are negotiating with commercial facilities. Ultimately, we aim for buy-back at nearly all stores.

[Miyashita (Analyst)]

How do you differentiate from buy-back specialty stores?

[President Maehara]

Many buy-back stores exist, but few integrate buying and selling--most operate fragmented structures.

Our approach differs. Like auto dealers: a Mercedes or BMW customer trading up often returns to that dealership, valuing one-stop convenience. Bundling trade-ins and new sales secures total profitability while offering competitive prices.

We apply this model. When a Rolex customer returns, our staff knows their preferences and provides personalized buy-back and purchase service--creating loyalty that buy-back-only operators cannot replicate.

Theme 3: Perspective on Financial and Revenue Structure

— Revenue Structure Improvement Through Engagement-Model Transition —

Gross Margin Improvement Through Multi-Layered Customer Touchpoints and Sourcing Advantage.

Long-accumulated expertise in customer service and bestselling trend identification is the source of competitive advantage. Vintage goods handling knowledge establishes superiority in the buy-back business.

[Miyashita (Analyst)]

Impact of business model transformation on revenue structure?

[President Maehara]

The key is revenue anchored in customer relationships. In the auto industry, continuous touchpoints through inspections generate various revenue opportunities. We aim to replicate this in jewelry.

Buy-back capabilities maintain touchpoints after initial sale, creating multiple transactions within ongoing relationships rather than one-off purchases.

[Miyashita (Analyst)]

This parallels a strategy where suit orders accumulate data, analyze bestsellers, enable bulk purchasing to improve sourcing, then generate additional revenue.

[Miyashita (Analyst)]

What are your unique sourcing advantages?

[President Maehara]

Our strength is the discerning eye and customer base cultivated over many years. In brand product handling, we have accumulated know-how in customer preferences and bestselling trends--translating directly into buy-back competitive advantage.

Theme 4: Management Resources and Organizational Change

— Internalizing Buy-Back Capabilities and Human Capital Development —

Internalizing Buy-Back Capabilities by Leveraging the Existing Customer Base.

[Miyashita (Analyst)]

What organizational changes occurred entering the buy-back business?

[President Maehara]

The most significant change is strengthened human capital development. Since the September alliance, Clarisse Co., Ltd. training has progressively equipped staff with buy-back skills. Buying and selling require different competencies, making systematic training essential.

Buy-back stores often feature glass-fronted structures creating a psychological barrier--concern about financial distress.

Our stores differ. Originally designed as bright jewelry shops, customers naturally transition from browsing products to inquiring about buy-back services.

Targets existing brand purchasers, distinct from buy-back specialty store clientele. Continuous relationship with post-buy-back sales promotion constitutes a key differentiator.

[Miyashita (Analyst)]

Does your existing customer base differentiate you from buy-back specialists?

[President Maehara]

Precisely. Our customers are brand purchasers, a different segment from buy-back store clientele. After completing buy-back, staff naturally invite browsing, connecting each transaction to the next sale. At buy-back stores, the transaction ends with purchase. This continuity is a critical differentiator.

Theme 5: Risk Assessment and Challenges

— Relationship with the Chinese Market and Positioning of Japanese Brands —

Risk Transformation Anchored in "Japan Brand" Trustworthiness

[Miyashita (Analyst)]

How do you view the Chinese market amid geopolitical risk?

[President Maehara]

Authenticity concerns inevitably arise for brand products in China. However, authentication within China is handled rigorously, and routing through Japan confers additional trust.

Wagyu beef illustrates: Matsusaka beef commands high overseas valuations through Japanese provenance. Similarly, "Japan" functions as trust certification in brand goods and jewelry--a structural competitive advantage in the global luxury market.

Japan's competitive advantage lies in trust (the Confidence pillar of the GCC framework). Long-accumulated trust is difficult to replicate, forming the foundation for global leadership.

[Miyashita (Analyst)]

Japanese companies' competitive advantage lies in "trust." The GCC framework identifies Growth, Connection, and Confidence.

Japan is not necessarily strong in Growth or Connection. However, in Confidence, Japan stands at the world's highest level--trust accumulated over years cannot be replicated.

[President Maehara]

A trust structure where "passing through Japan" confers credibility is a formidable barrier to entry. Leveraging this, we aim to grow as a global brand conglomerate.

Value Chain
Optimization
Through Core
Function
Internalization
× Operations
Externalization.

Theme 6: Medium-to-Long-Term Evaluation Framework

— Value Chain Design and Japanese Competitive Advantage —

[Miyashita (Analyst)]

How should we evaluate your company's medium-to-long-term growth?

[President Maehara]

In building a Japanese brand conglomerate, value chain design is critical. Design and strategy must be controlled from Japan, while operations can be outsourced.

[Miyashita (Analyst)]

Could you elaborate on the value chain structure?

[President Maehara]

Over three months, we have refined this vision through domestic and international inquiries. The "Japan's Brand Conglomerate" concept attracts diverse partnerships. Japanese brands carry significant global value rooted in quality and trust.

Governance strategy: Japan retains "soul and brain" core functions while outsourcing downstream operations. Leveraging Japan's cultural heritage to build a brand conglomerate.

[Miyashita (Analyst)]

This aligns with governance design. Internal vs. external control directly links to corporate value. Core secured through equity, downstream through contracts.

[President Maehara]

Exactly. Japan assumes the ""soul and brain"" functions.

[Miyashita (Analyst)]

If executed, potential exists to become Japan's representative brand conglomerate within 10 years. Japan's 2,000-year cultural trust creates an inimitable competitive advantage.

[President Maehara]

We are committed to steadily advancing toward realizing that vision.

Disclaimer

This report is issued by Toward the Infinite World, Inc. and IFIS JAPAN LTD. ("Issuers") under the brand name "ANALYST NET" (registered trademark), written by external partners and analysts.

- This report aims to introduce and explain target companies using a nontraditional approach.
- Issuers may receive compensation directly or indirectly from target companies for issuing this report and for other services.
- External partners and analysts may receive compensation directly or indirectly from the target companies for additional work apart from writing this report. The external partners and analysts may have already been involved or may be involved in some trading of securities of target companies in the future.
- This report is solely for informational purposes and does not constitute a solicitation of securities or other financial products. Final investment decisions rest with the investor.
- While based on information deemed reliable, the Issuers do not guarantee accuracy, completeness, or timeliness. Opinions and forecasts herein may change without notice.
- Issuers shall not be liable for any damages investors may incur by relying on this report.
- Copyright belongs to the Issuers. Unauthorized reproduction, distribution, or commercial use is prohibited by law.

This report is prepared by J-Phoenix Research Co., Ltd. (JPR) for informational purposes only and is not a solicitation to buy or sell securities. While based on information JPR believes reliable, JPR makes no warranty regarding accuracy, reliability, completeness, suitability, or timeliness. JPR shall not be liable for any direct or indirect damages arising from use of or reliance on this report. Investment decisions rest solely with the investor. For detailed precautions, see final page.