

KOMEHYO GROUP

Earnings Results Briefing for the Fiscal Year Ended March 31, 2020

May 2020

KOMEHYO Co., Ltd.

Securities code: 2780

(Second Section, Tokyo and Nagoya Stock Exchanges)

Corporate Planning Department IR strategy group

TEL: +81-52-249-5366

1 . Measures to prevent the spread of the novel coronavirus	P.02
2 . Overview of Financial Results for the Fiscal Year Ended March 31, 2020	P.05
3 . Business status	P.22
4 . Plan for the Fiscal Year Ending March 31, 2021 Medium-term Management Plan	P.41
5 . Reference Information (Company Profile, etc.)	P.45

Note:

This document is an English translation of a document prepared in Japanese.

Statements in this document that are not historical facts; statements concerning current plans, forecasts, strategies, and opinions of KOMEHYO Co., Ltd. are forward-looking statements subject to various risks and uncertainties.

These statements are prepared based on assumptions of the management of KOMEHYO Co., Ltd. using currently available information.

Actual results may differ significantly from forecasts due to a variety of factors; therefore, investors should not place undue reliance upon them.





In addition, this document is not intended to solicit investments. Investors should make investment decisions at their own discretion.

Measures to prevent the spread of the novel coronavirus

KOMEHYO GROUP

Determine sales policies by giving top priority to the safety of customers and employees

【Current response】

	<p>【store】</p> <p>Kanto area : Temporary shutdown from Wednesday, April 8</p> <p>Kansai and Chubu area : Temporary shutdown from Friday, April 17</p> <p>Partial postponement of the opening of KOMEHYO SHINJUKU MOMEN and purchase centers</p> <p>【Online store】 Open for business</p>
	<p>April : Cancellation of the second half of the event</p> <p>May : Scheduled to launch an online auction</p>
	<p>【Real】 Partly canceled in April</p> <p>【Live net auction】 Open for business</p>
	<p>【store】 Temporary shutdown from Wednesday, April 27</p> <p>【Online store】 Open for business</p>

Measures to prevent the spread of the novel coronavirus

KOMEHYO GROUP

Suspension of coming to work, online store sales, web-based education, and telecommuting

【Response during suspension of work】

Customers	<ul style="list-style-type: none">• Online store : Open for business• Home delivery Purchasing : Open for business(Non-Consolidated)
Suppliers	<ul style="list-style-type: none">• Scheduled to launch an online auction• Shortening the payment period for purchase from corporations
employees	<ul style="list-style-type: none">• In principle, all employees' attendance at work has been suspended (Only some employees come to work, depending on the type of work they perform)• Management and planning departments are telecommuting• Specialized training curriculum on the web for appraisers• Payment of leave allowance to employees and part-timers



1 . Measures to prevent the spread of the novel coronavirus	P.02
2 . Overview of Financial Results for the Fiscal Year Ended March 31, 2020	P.05
3 . Business status	P.22
4 . Plan for the Fiscal Year Ending March 31, 2021 Medium-term Management Plan	P.41
5 . Reference Information (Company Profile, etc.)	P.45

FY 2020 Financial Summary

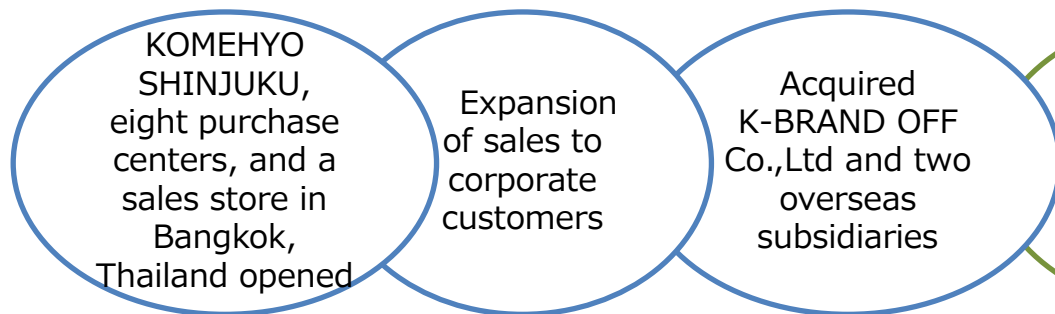
KOMEHYO GROUP

【Performance Highlights】 Net sales (consolidated/non-consolidated) and the amount of purchase from individual customers (non-consolidated) both were record highs

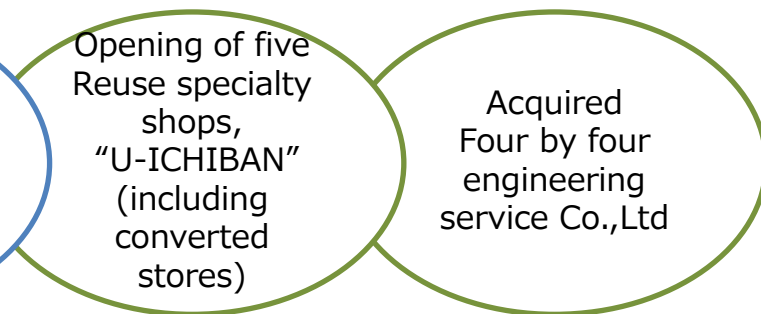
Consolidated	YoY	Non-Consolidated	YoY
Net Sales	112.9%	Net Sales	108.8%
Operating income	16.0%	Operating income	31.0%
Net income attributable to owners of parent	—	Net income	26.2%
		Purchases from individual customers	114.7%

【Business Topics】

Brand · Fashion business



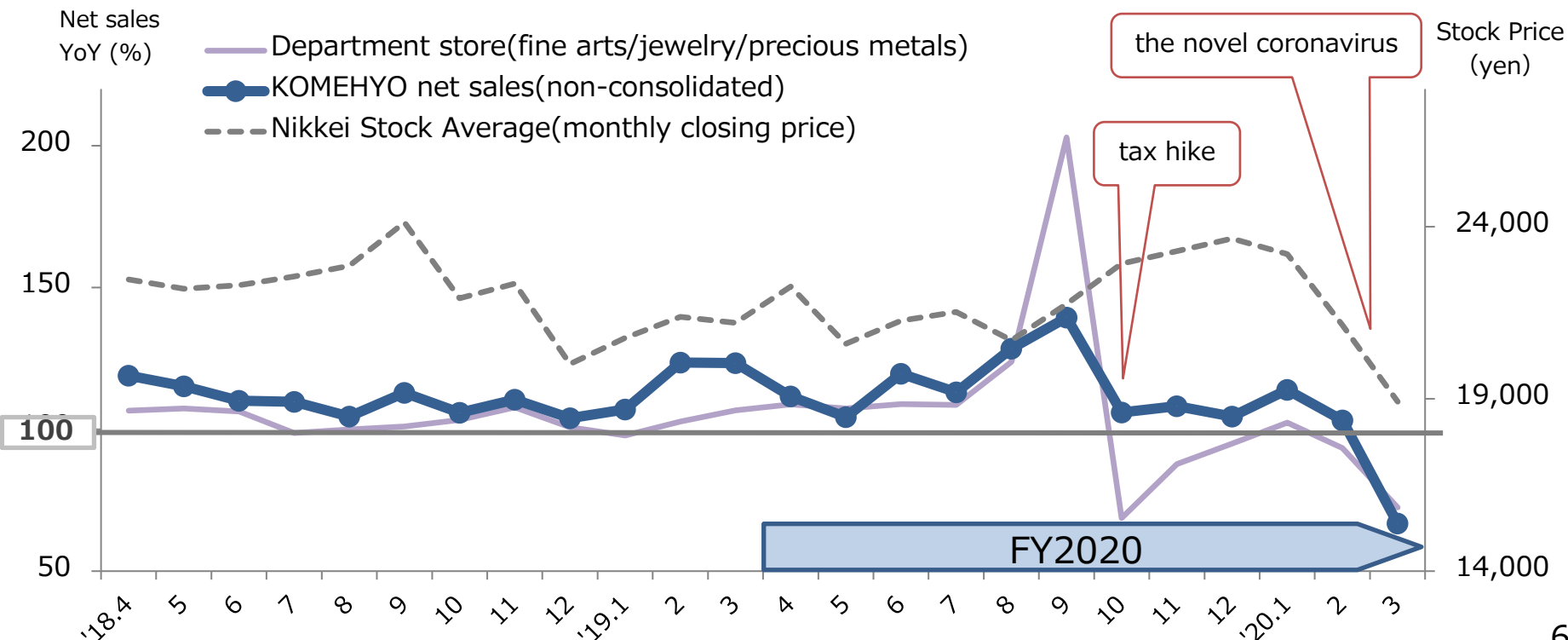
Tire and Wheel business



Economic Trend

KOMEHYO GROUP

The recent consumption tax hike, the novel coronavirus, etc. have had a major impact



(Source : JAPAN DEPARTMENT STORES ASSOCIATION website)

Overview of Income Statement (Consolidated)

KOMEHYO GROUP

(Millions of yen)	FY2018	FY2019	FY2020	Change	YoY
Net sales	45,497	50,960	57,510	+6,550	112.9%
Gross profit	12,968	13,796	14,562	+765	105.6%
Gross profit margin	28.5%	27.1%	25.3%	△1.8pt	—
SG&A expenses	11,342	11,936	14,265	+2,328	119.5%
Operating income	1,625	1,860	297	△1,562	16.0%
Ordinary income	1,610	1,826	9	△1,817	0.5%
Net income attributable to owners of parent	1,073	1,009	△234	△1,243	—

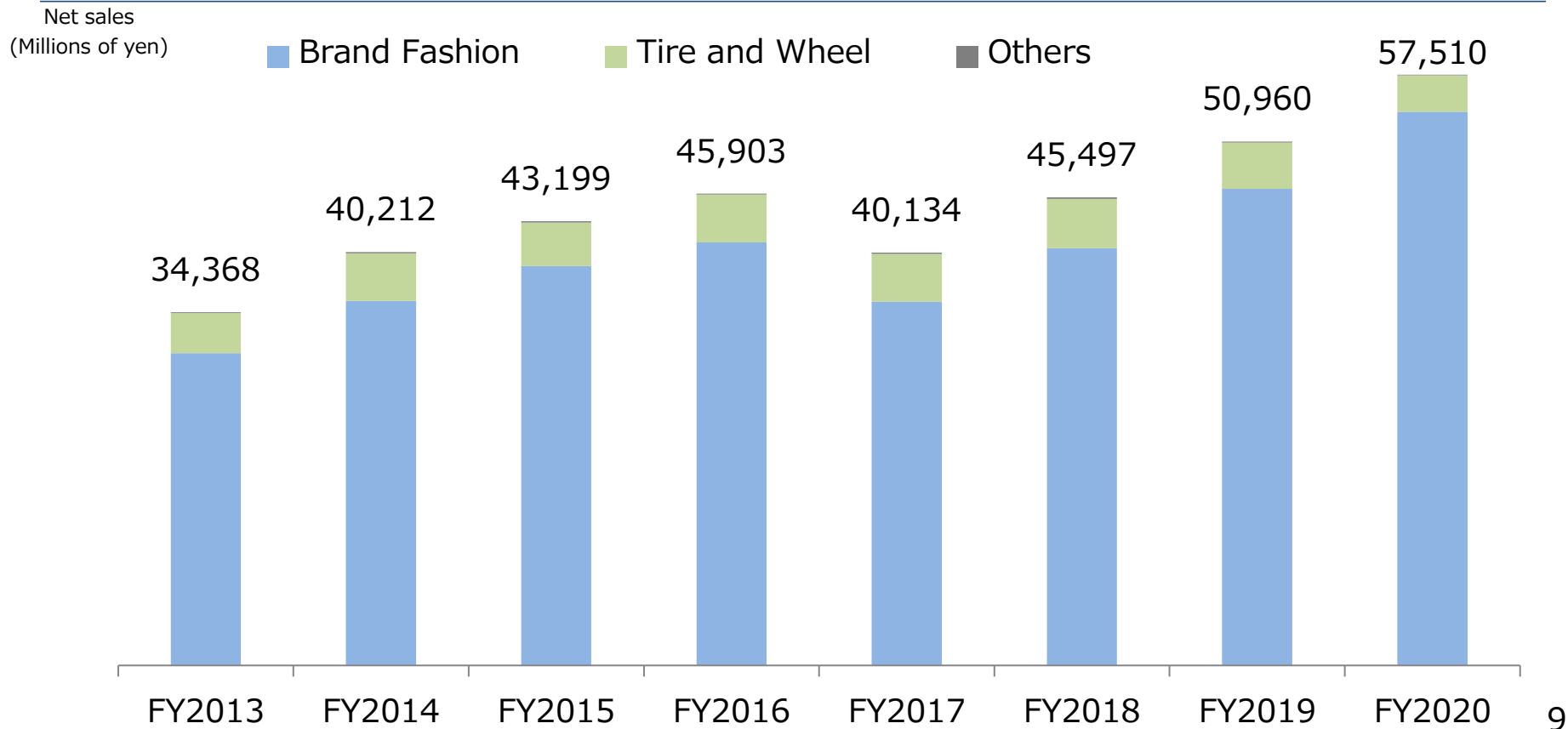
Overview of Income Statement (Non-Consolidated)

KOMEHYO GROUP

(Millions of yen)	FY2018	FY2019	FY2020	Change	YoY
Net sales	39,682	44,391	48,307	+3,915	108.8%
Gross profit	10,869	11,559	11,564	+4	100.0%
Gross profit margin	27.4%	26.0%	23.9%	△2.1pt	—
SG&A expenses	9,716	10,042	11,093	+1,051	110.5%
Operating income	1,153	1,517	470	△1,047	31.0%
Ordinary income	1,256	1,524	458	△1,065	30.1%
Net income	895	974	254	△719	26.2%

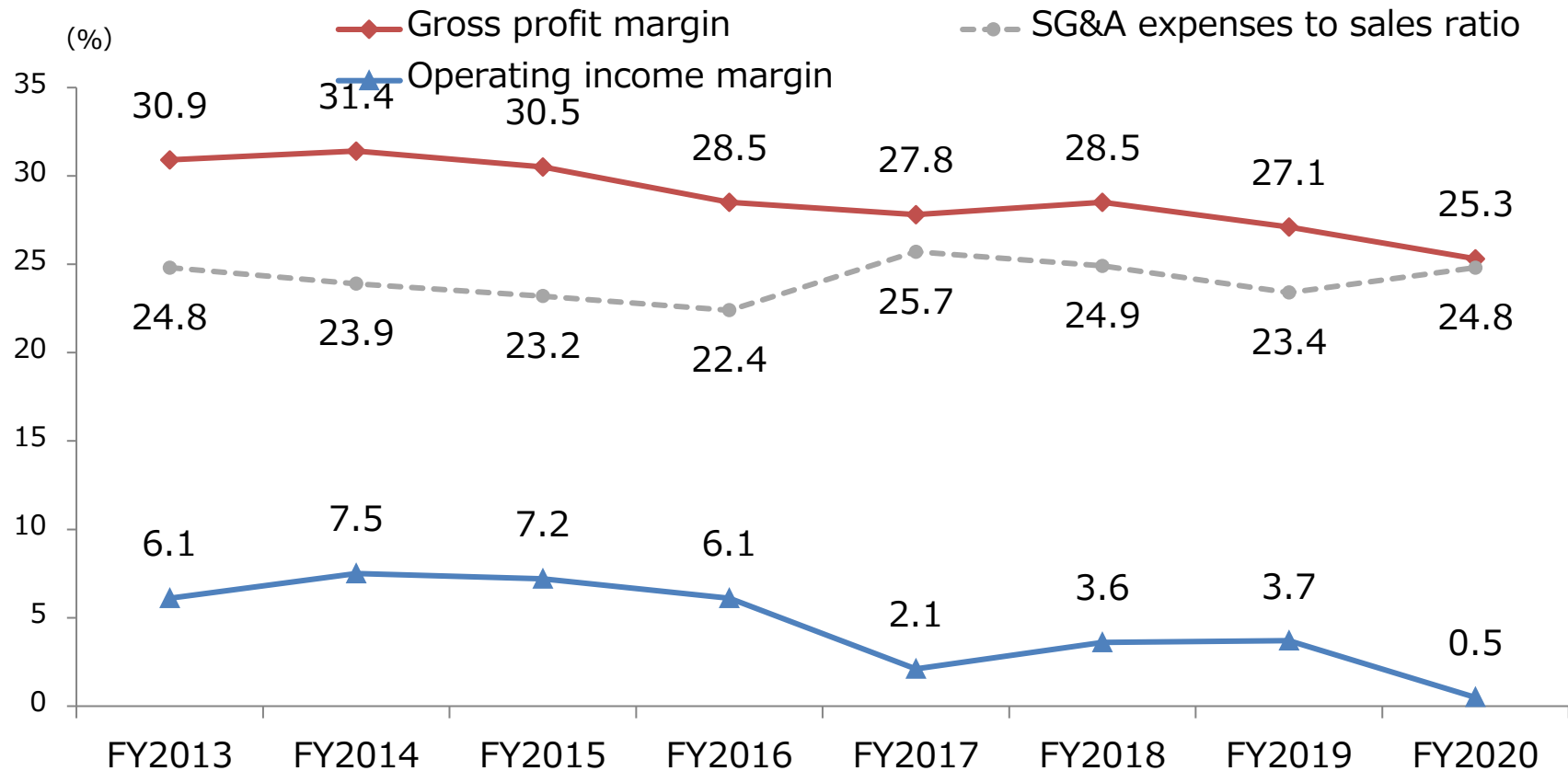
Net sales (Consolidated)

KOMEHYO GROUP



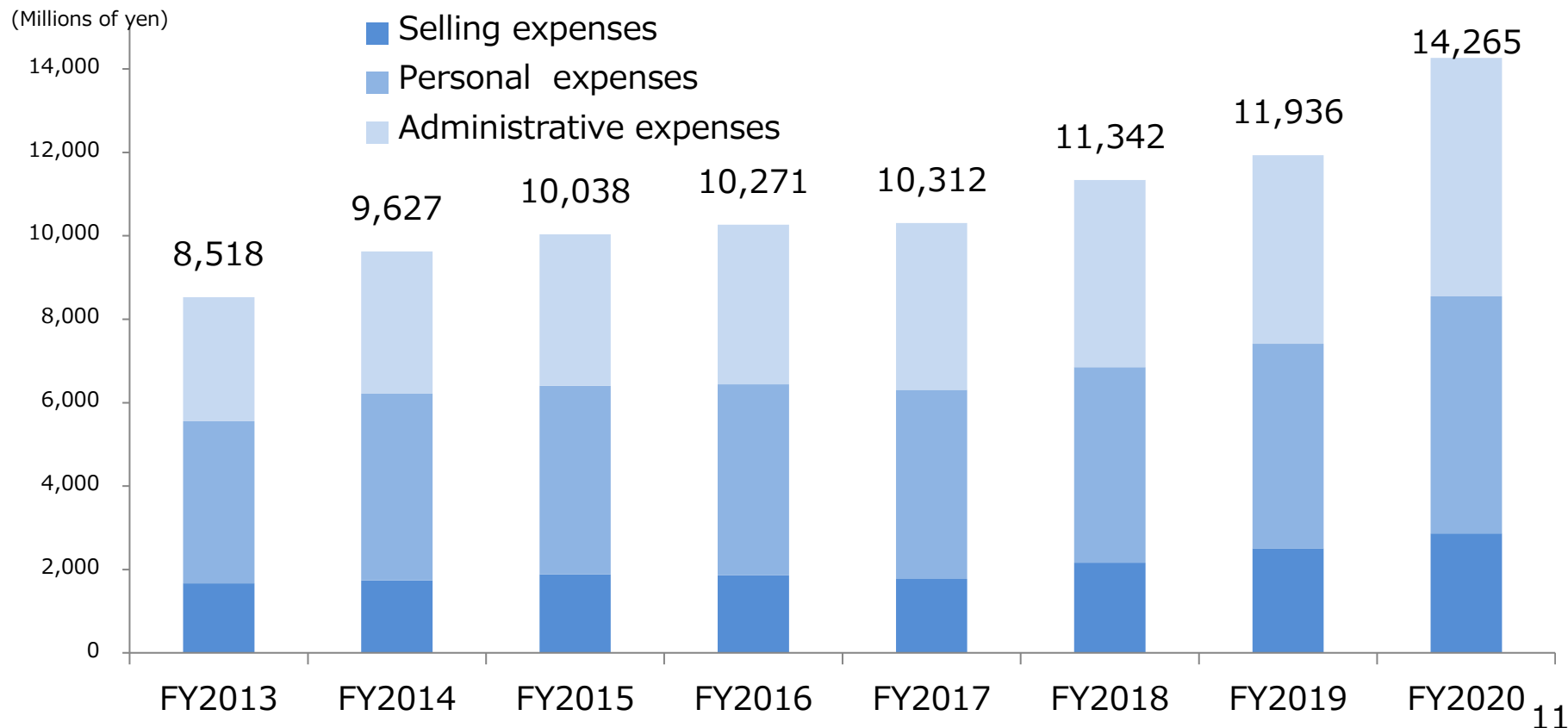
Profit Margin Trend (Consolidated)

KOMEHYO GROUP



SG&A expenses (Consolidated)

KOMEHYO GROUP



Operating Income (Consolidated)

KOMEHYO GROUP

Operating Income
(Millions of yen)

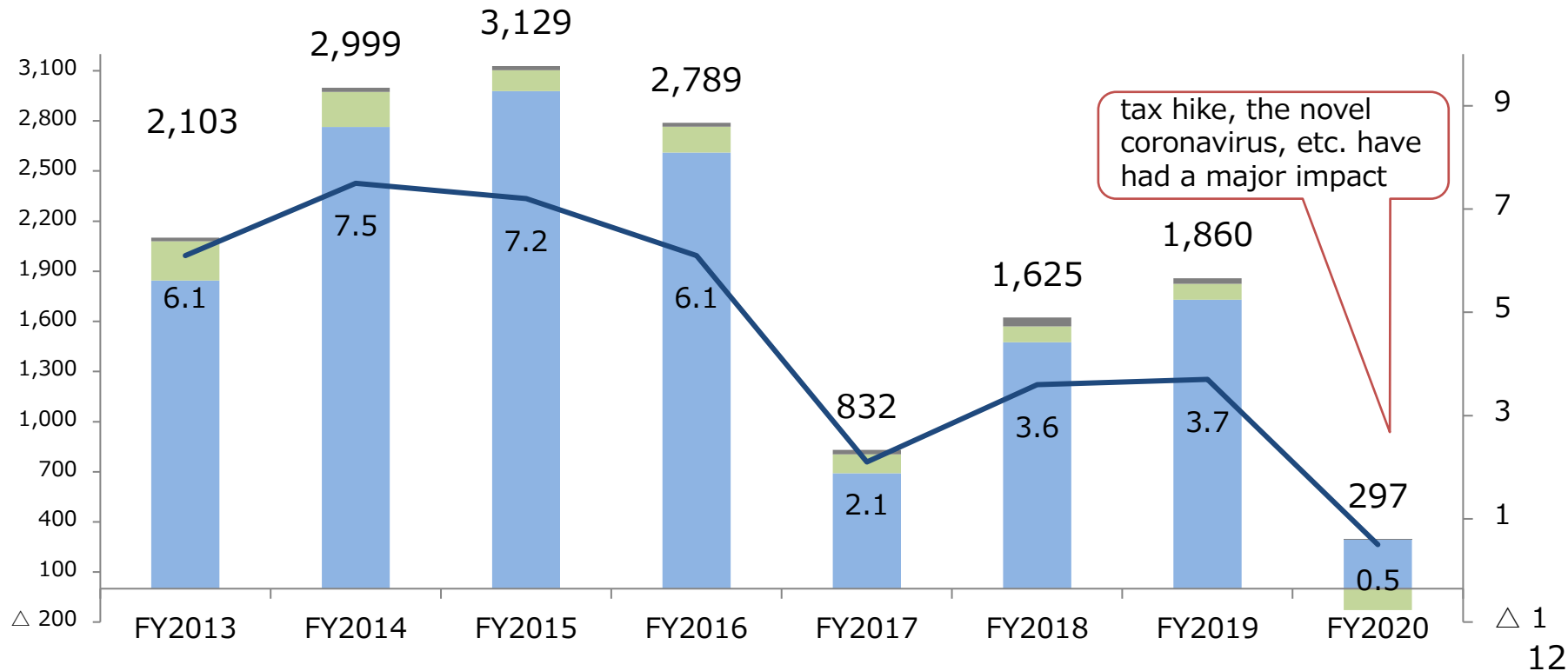
Brand Fashion

Tire and Wheel

Others

Operating income margin

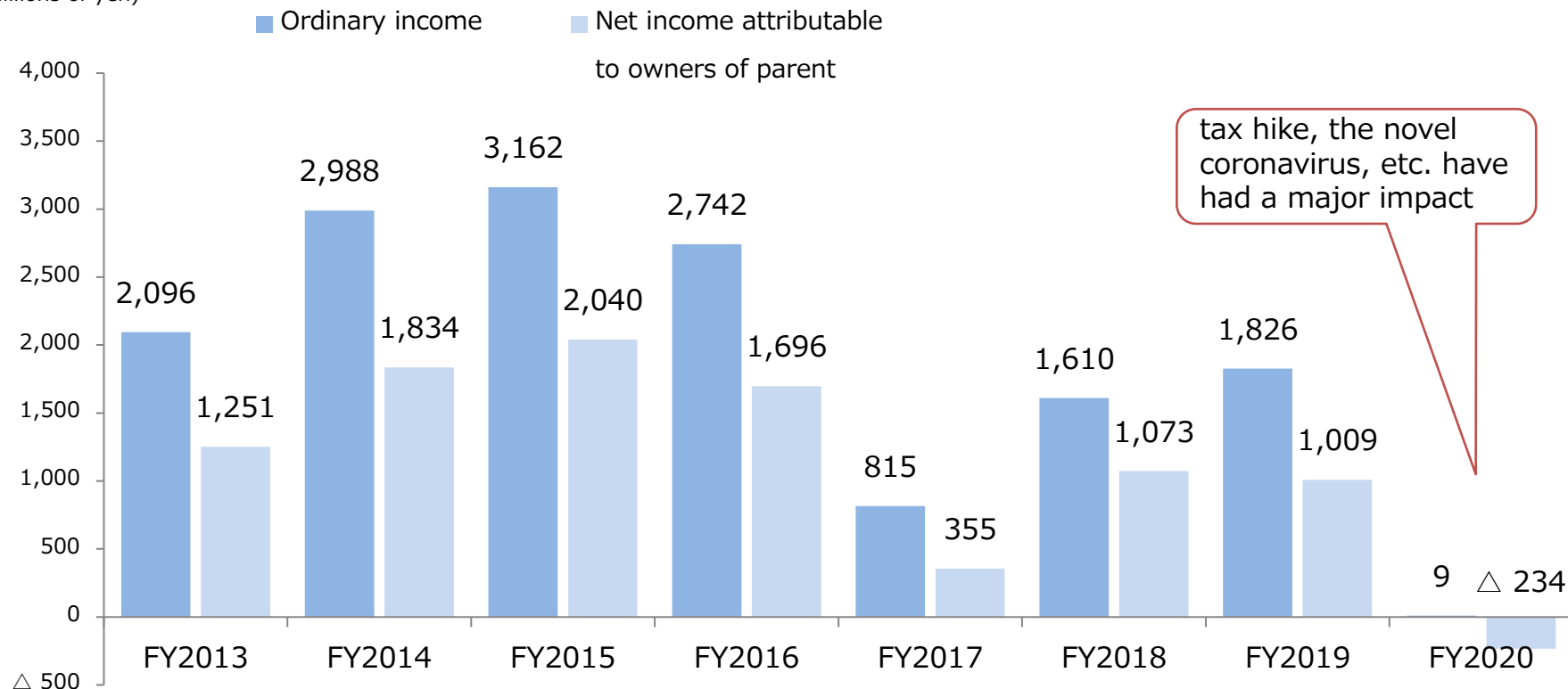
Operating Income
Margin (%)



Ordinary income/Net income attributable to owners of parent(Consolidated)

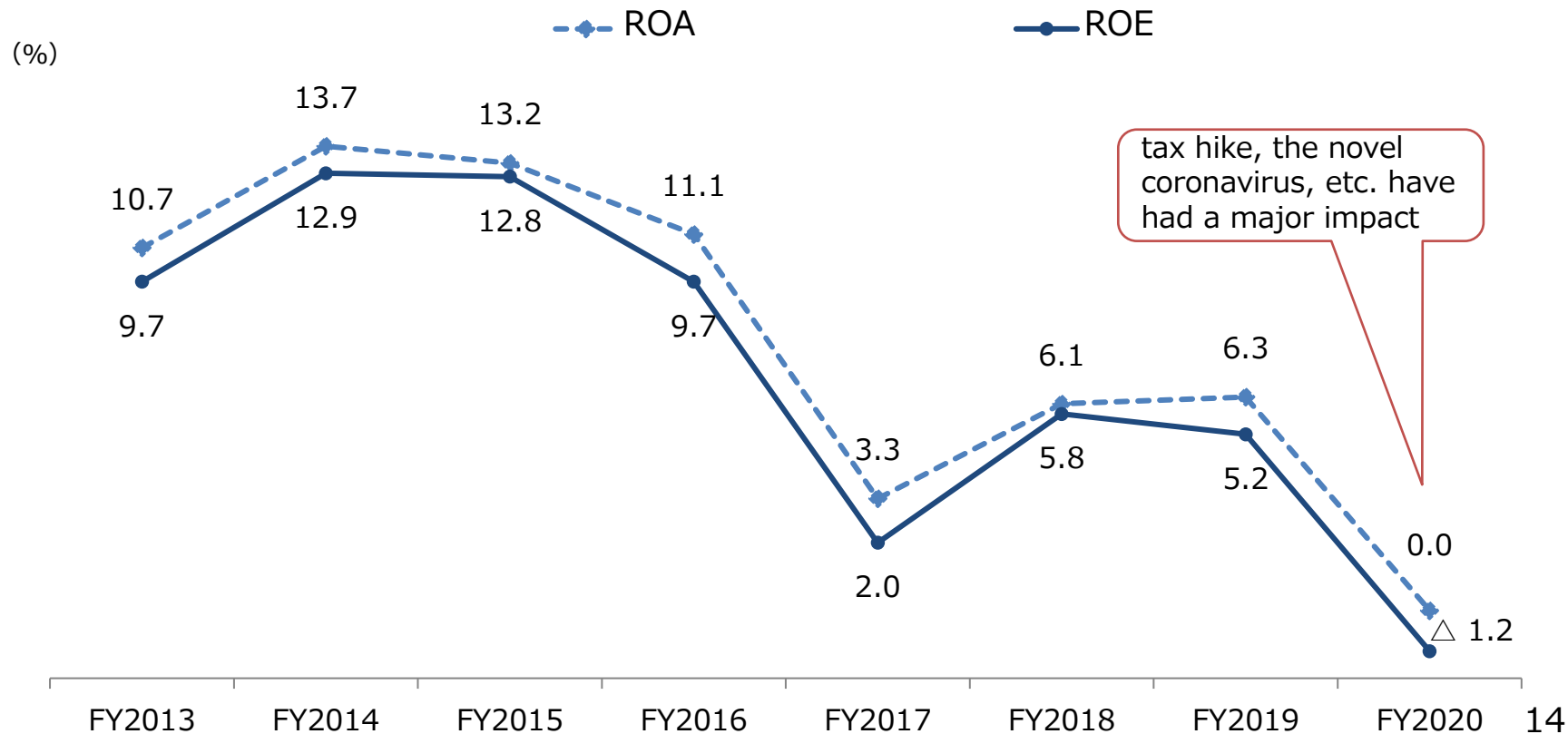
KOMEHYO GROUP

(Millions of yen)



ROA•ROE(Consolidated)

KOMEHYO GROUP



Gross Merchandise Value (Consolidated)

KOMEHYO GROUP

Increased 10.0 billion yen through an increase in purchase from individual customers and the conversion of K-Brand Off into a group company, etc.

Gross Merchandise Value (100 millions of yen)



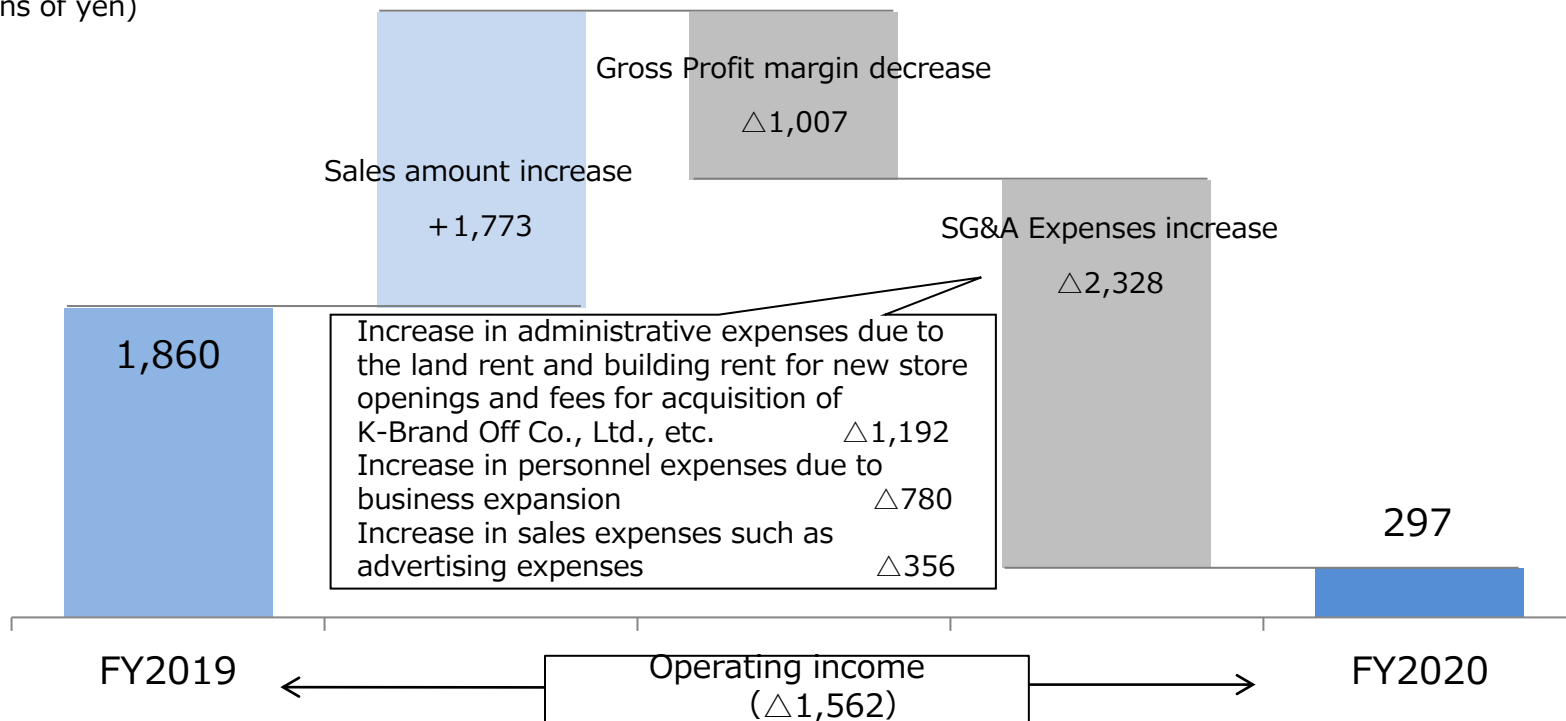
GMV is calculated simply by adding and subtracting sales and volume information at the KOMEHYO auction based on consolidated sales.

Operating income decrease factor (Consolidated)

KOMEHYO GROUP

Profit decrease due to increases in expenses, such as rents and personnel expenses

(Millions of yen)

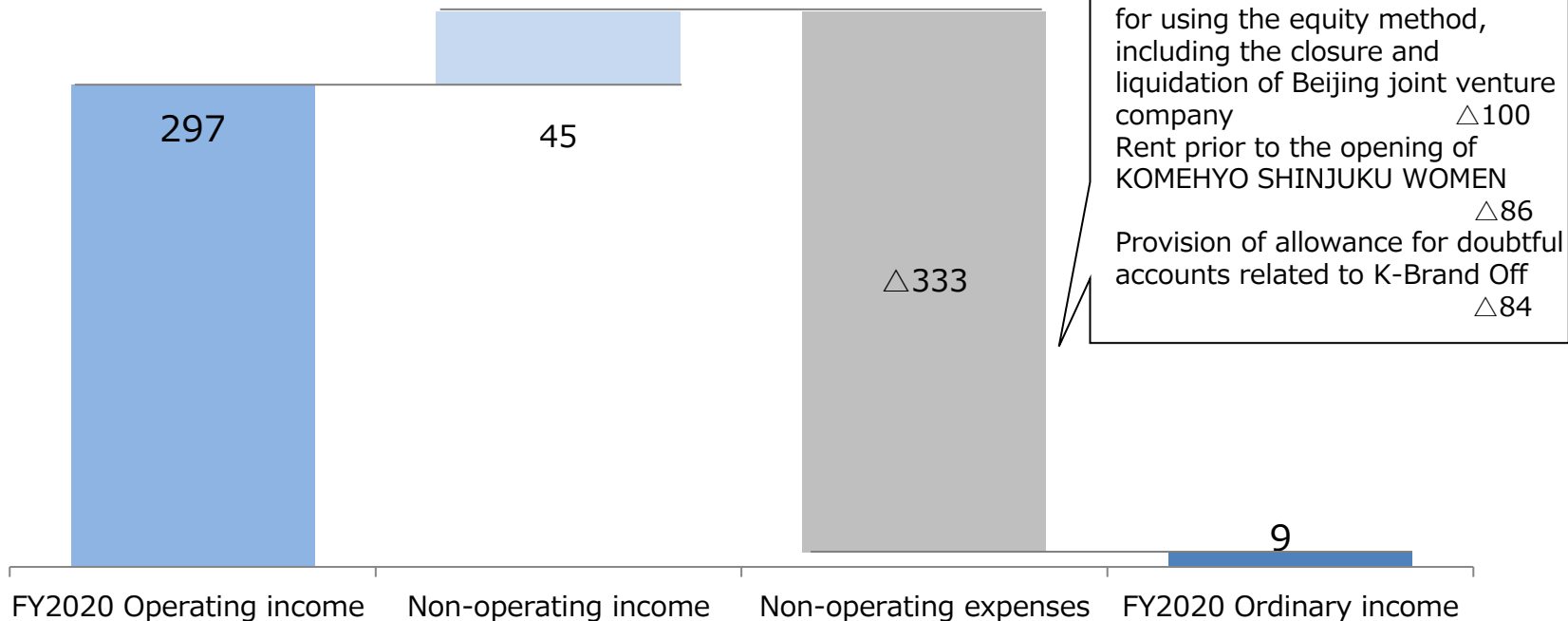


Ordinary income decrease factor (Consolidated)

KOMEHYO GROUP

Profit decreased due to increase in non-operating expenses

(Millions of yen)

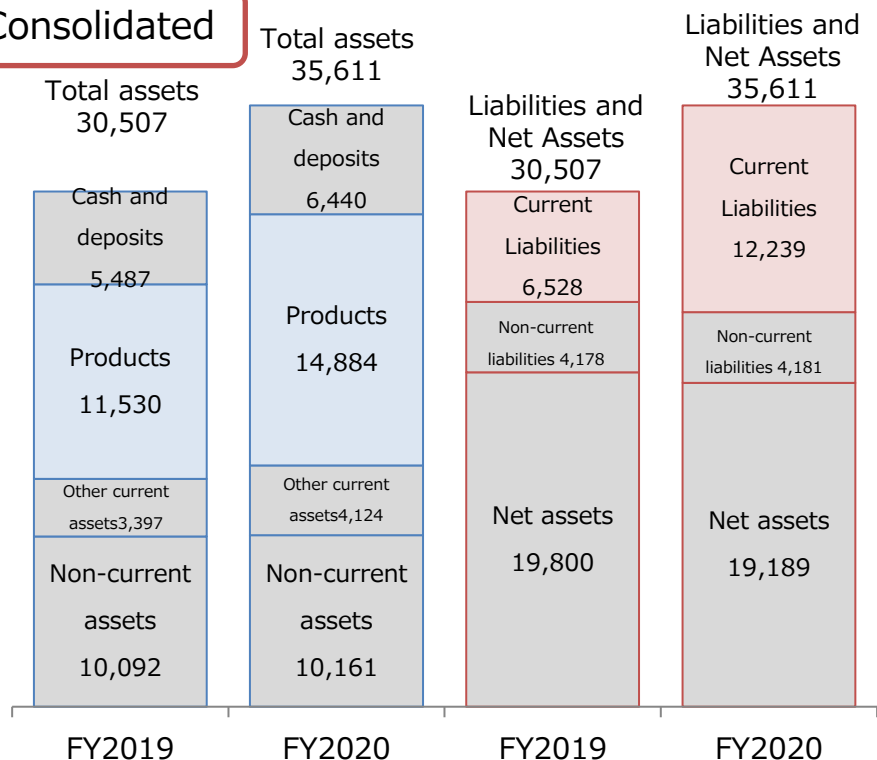


Overview of Balance Sheet

KOMEHYO GROUP

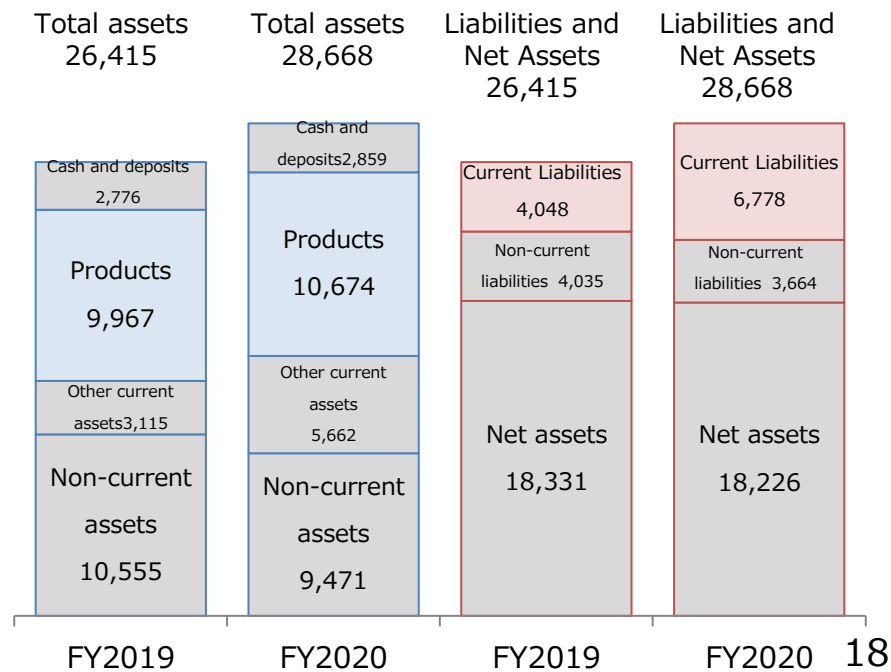
(Consolidated) Surge in current liabilities mainly due to turning K-Brand OFF into a group company

Consolidated



Non-Consolidated

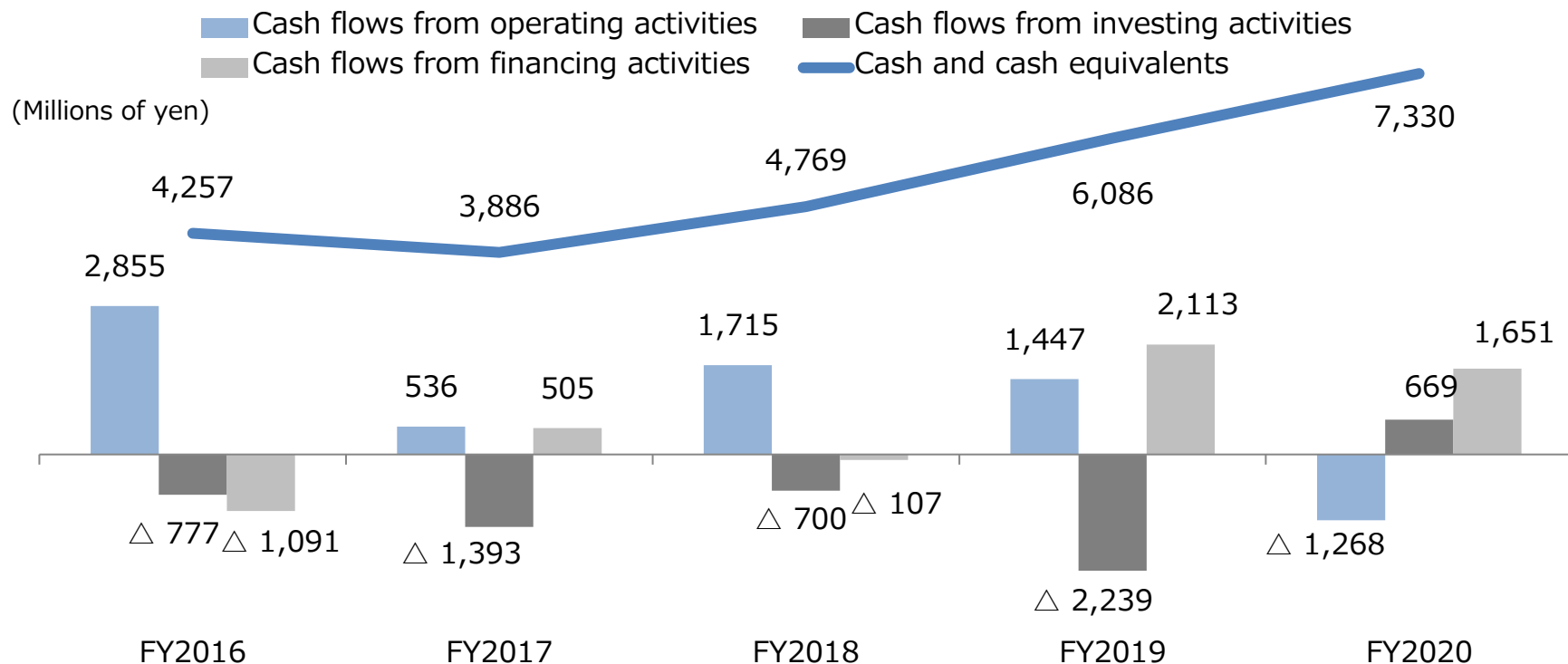
(Millions of yen)



Statement of Cash Flows (Consolidated)

KOMEHYO GROUP

Net cash flow from operating activities was negative mainly due to an increase in inventories resulting from the conversion of K-Brand Off into a group company, etc.



By Segment

KOMEHYO GROUP

(Millions of yen)		FY2018	FY2019	FY2020	Change	YoY
Brand Fashion	Net sales	40,618	46,377	53,886	+7,509	116.2%
	Operating income	1,476	1,730	424	△1,305	24.6%
	Operating margin	3.6%	3.7%	0.8%	△2.9pt	—
Tire and Wheel	Net sales	4,787	4,507	3,544	△962	78.6%
	Operating income	95	95	△128	△224	—
	Operating margin	2.0%	2.1%	—	—	—
Others	Net sales	146	122	89	△32	73.2%
	Operating income	53	34	1	△33	3.7%
	Operating margin	36.6%	28.2%	1.4%	—	—

1. Measures to prevent the spread of the novel coronavirus	P.02
2. Overview of Financial Results for the Fiscal Year Ended March 31, 2020	P.05
3. Business status	P.22
4. Plan for the Fiscal Year Ending March 31, 2021 Medium-term Management Plan	P.41
5. Reference Information (Company Profile, etc.)	P.45

Brand・Fashion Initiatives 1

KOMEHYO GROUP

FY2020 Target	Results, etc.
<p>1. Strengthening Individual Purchase</p> <ul style="list-style-type: none">*Promoting Alliance and Purchasing Events*Continue to open stores specializing in purchasing	<p>→(Non-Consolidated) Amount of purchase from individual customers : Record high of 24.1 billion yen</p> <p>→(Non-Consolidated) Fifty or more purchase events at department stores, etc.</p> <p>→(Non-Consolidated) Eight purchase centers opened</p>
<p>2. Strengthening the Corporate Business</p> <ul style="list-style-type: none">*Expanding GMV (total amount of distribution): Focusing on KOMEHYO Auctions	<p>→Increase in GMV by 10.0 billion yen due to an increase in the trading volume of KOMEHYO Auction and the conversion of K-Brand Off into a group company</p>
<p>3. Strengthen product management functions</p> <ul style="list-style-type: none">*Establish operations to ensure growth in Global Value Volumes (total amount of distribution)	<p>→(Non-Consolidated) Preparation of manuals for product management operations</p>

Brand・Fashion Initiatives 2

KOMEHYO GROUP

FY2020 Target	Results, etc.
<p>4. Strengthening the EC *Omni Channel (Cooperation between EC sites and stores) →Enrichment of EC sites, use of marketplaces, promotion of promotions</p>	<p>→(Non-Consolidated) Replace the EC site</p>
<p>5. Strengthening IT and DT (Data Technology) *Use of data obtained from GMV (total amount of distribution) and use of AI to determine authenticity</p>	<p>→(Non-Consolidated) Increase in the accumulation and accuracy of information on counterfeits in line with an increase in purchases Switching of in-house groupware</p>
<p>6. Human resource development *Education for appraisers, education and training for each level</p>	<p>→(Non-Consolidated) 367 appraisers in operation Nurturing candidates for managerial positions through next-generation training</p>
<p>7. New business *Challenge to new businesses, including overseas businesses</p>	<p>→Opened a sales store in Bangkok, Thailand</p>

Purchases from individual customers(Non-Consolidated)

KOMEHYO GROUP

Record amount of individual purchases through new store openings and various measures

Amount of purchase from individual customers (Millions of yen)	FY2018	FY2019	FY2020	Change	YoY
purchase center	18,009	20,109	23,164	+3,054	115.2%
Home delivery Purchasing	906	957	992	+34	103.6%
Total	18,916	21,067	24,156	+3,089	114.7%

【Purchase event 「KAITORI GO」】



New Store : the purchasing center (Non-Consolidated)

KOMEHYO GROUP

	Opening date		Opening date
Purchase Center Shinkoiwa-minamiguchi (Katsushika-ku Tokyo)	May 2019	Purchase Center Deli square imaike (Nagoya City, Aichi Prefecture)	Feb 2020
Purchase Center Gakugeidaigaku-nishiguchi (Meguro-ku Tokyo)	Jul 2019	Purchase Center sengawa (Chofu-City Tokyo)	Mar 2020
Purchase Center Kokubunji-minamiguchi (Kokubunji-City Tokyo)	Sep 2019	Purchase Center Musashikoyama (Shinagawa-ku Tokyo)	May 2020 (planed)
Purchase Center Kamata-nishiguchi (Ota-ku Tokyo)	Sep 2019	Purchase Center Motosumiyoshi (Kawasaki-City Kanagawa Prefecture)	May 2020 (planed)
Purchase Center Sangenjaya-sakaedori (Setagaya-ku Tokyo)	Nov 2019	Purchase Center HILL'S WALK Tokushige (Nagoya City, Aichi Prefecture)	Jun 2020 (planed)
Purchase Center Seijougakuenmae (Setagaya-ku Tokyo)	Feb 2020	Purchase Center Kintetsu Yokkaichi (Yokkaichi-City Mie-Prefecture)	Jun 2020 (planed)

【 Purchase Center Sangenjaya-sakaedori】



【Purchase Center Seijougakuenmae】



Store Type (Non-Consolidated)

KOMEHYO GROUP



35 stores



Large-scale

**Nagoya Store, Meieki Store,
Ginza Store, Umeda Store,
SHINJUKU**

Sales/Purchase

Jewelry, precious metals,
watches, bags, clothing, etc.

5 stores

Mid-scale

Opening stores in large major cities

Sales/Purchase

3 stores



Small-scale

Opening stores in major cities

Sales/Purchase

8 stores



Purchasing Center

Opening stores in major cities

Purchase only

19 stores



5 stores

Sale and purchase *
Ladies casual clothing,
Bags, small items, etc.



3 stores

Sale and purchase *
Clothing at a lower price point
Bags, small items, etc.

*Some stores only sell

Total 43 stores ('20.03)

KOMEHYO SHINJUKU relocation completed

KOMEHYO GROUP

A three-store system in the proximity of Shinjuku Station was completed, enhancing convenience for customers

【KOMEHYO SHINJUKU WOMEN '20.6 Scheduled】



【Image】



EC OMO※(Non-Consolidated)

KOMEHYO GROUP

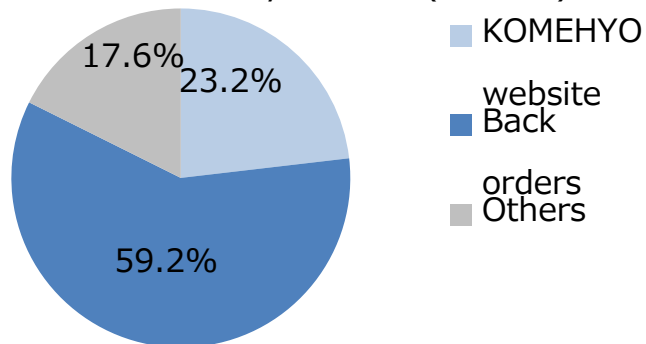
Rapid increase in the use of "in-house EC" in March
due to the influence of people refraining from going out

(Millions of yen)	FY2017	FY2018	FY2019	Net sales YoY	No. of products sold YoY
E-commerce-induced sales	7,594	8,119	7,827	96.4%	105.4%
E-commerce-induced sales rate	27.9%	29.3%	29.6%	—	—

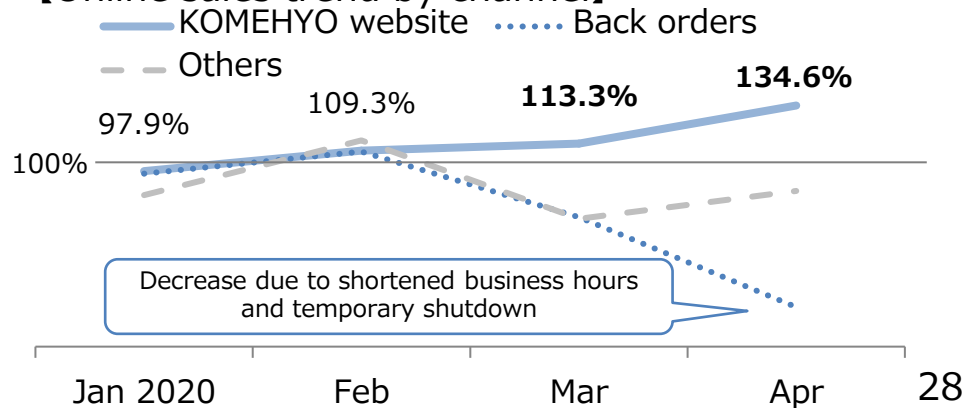
※Online Merges with Offline

※※EC Sales as a Percentage of Retail Sales

【Percentage of online sales by channel (FY2020)】



【Online sales trend by channel】



Customer Management (Non-Consolidated)

KOMEHYO GROUP

Integrated management of customer information , covering physical and online stores

Card members(FY2020)

No.

YoY

Total members

922,000

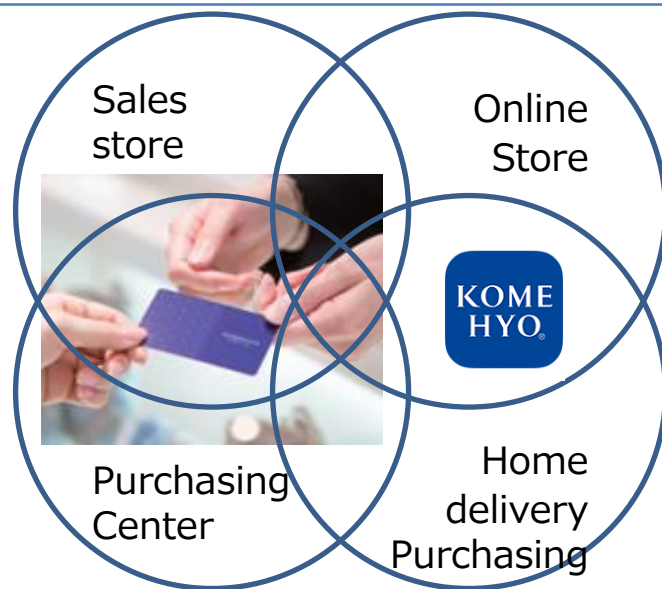
107.2%

【 Customer management 】

Management of visit history of card-holding members, including store visit dates, stores visited, products purchased, and amounts in terms of used goods purchased from them



Set up and provide events and privileges tailored to customer usage and needs



Sales to corporate customers

KOMEHYO GROUP

KOMEHYO Auction Distribution Value Expansion Trend

Trade volume
(Millions of yen)

YoY

No. of member
companies

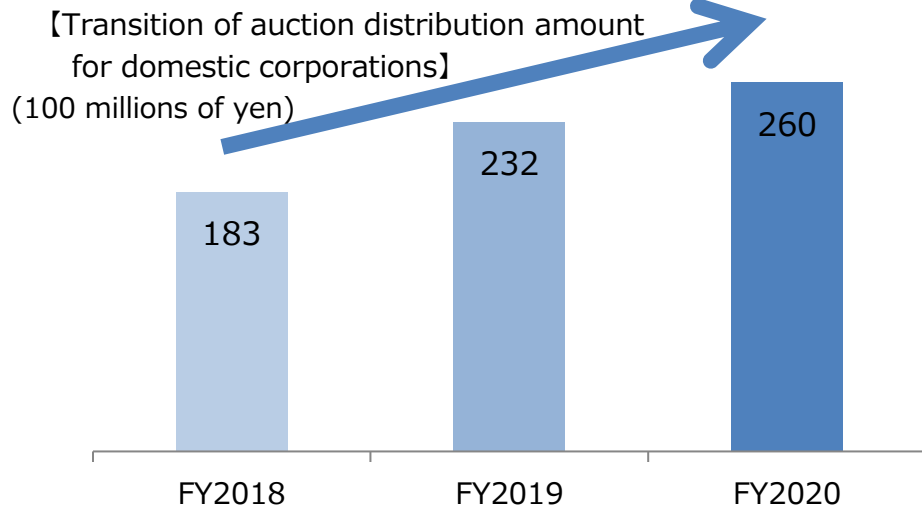
FY2020

26,000

111.8%

971

※29 companies
increased this term



Planned training for appraisers to strengthen purchasing

Total No. of appraisers

FY2020

367 persons

YoY Change

+ 12 persons

[KOMEHYO appraiser]

Systematic development curriculum for appraisers

Appraisers assess on the spot

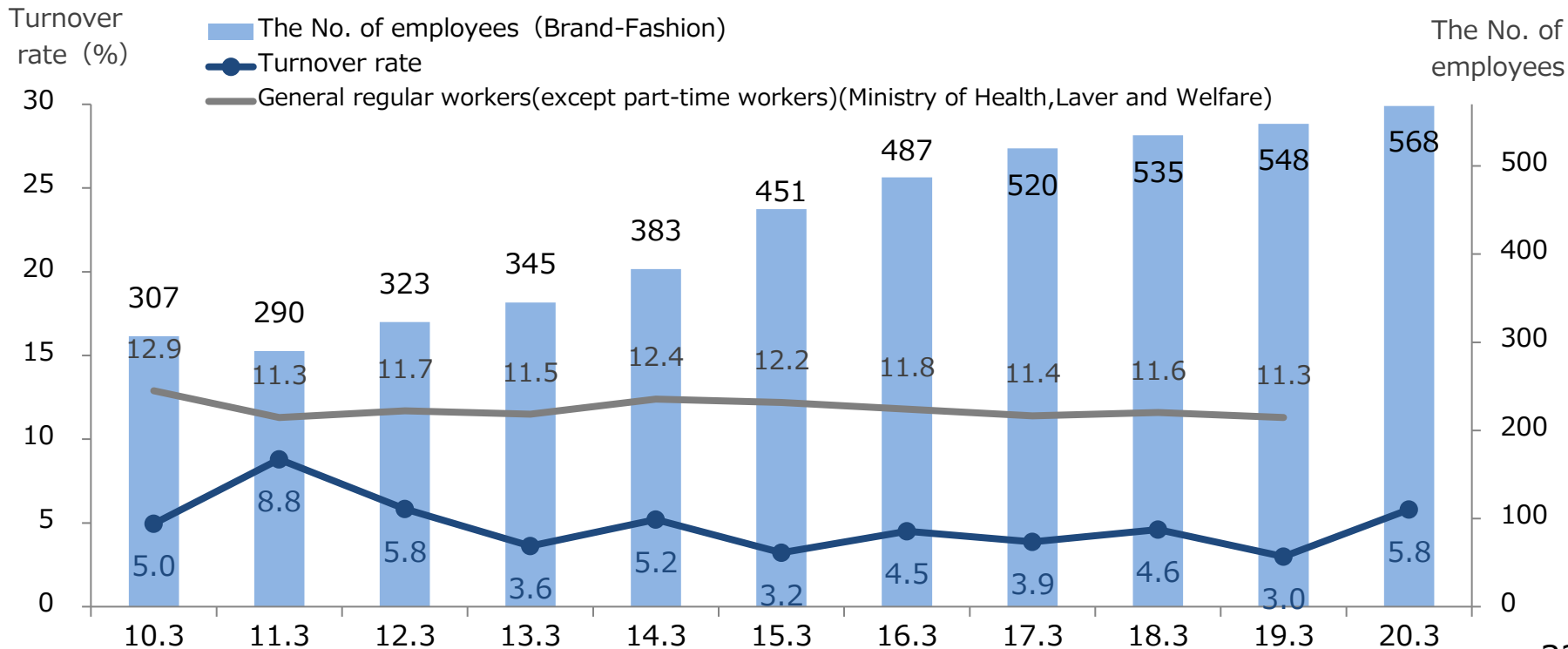
Market systems that allow inventory and distribution to be monitored are supported.



Talented person fixation degree (Non-Consolidated)

KOMEHYO GROUP

Staff turnover remained low , improving the stability of the work force



Thai business

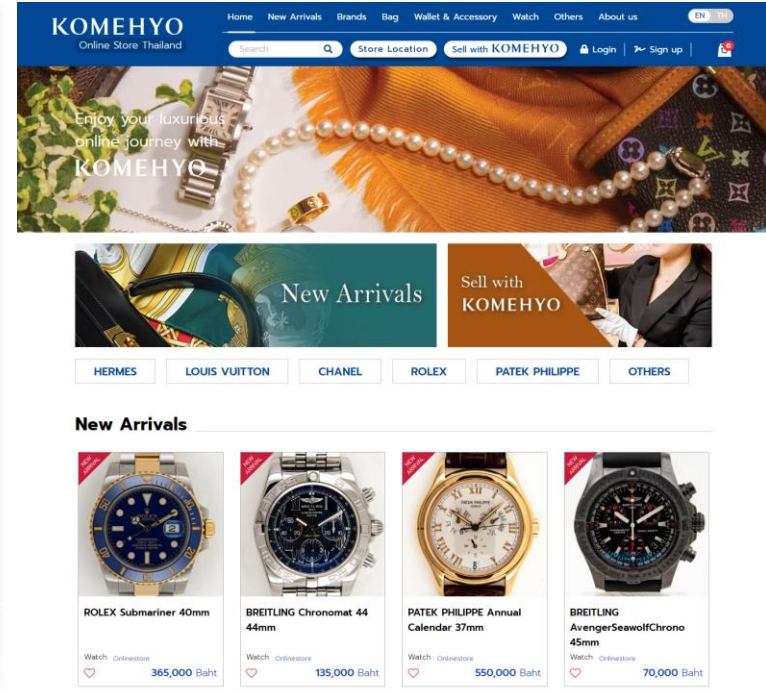
KOMEHYO GROUP

Opened the first overseas store under the trade name of "KOMEHYO,"
and launched a website

【KOMEHYO@CENTRAL WORLD (Bangkok) 】



【Website】



China business

KOMEHYO GROUP

Beijing joint venture company was dissolved,
but experience and resources are concentrated in Shanghai to strengthen the China business

【BEIJING HUAXIA KOMEHYO LIMITED】

Established in June 2017

[LuxStory] retail store opened in September 2018

Dissolved in December 2019 (Resolution)

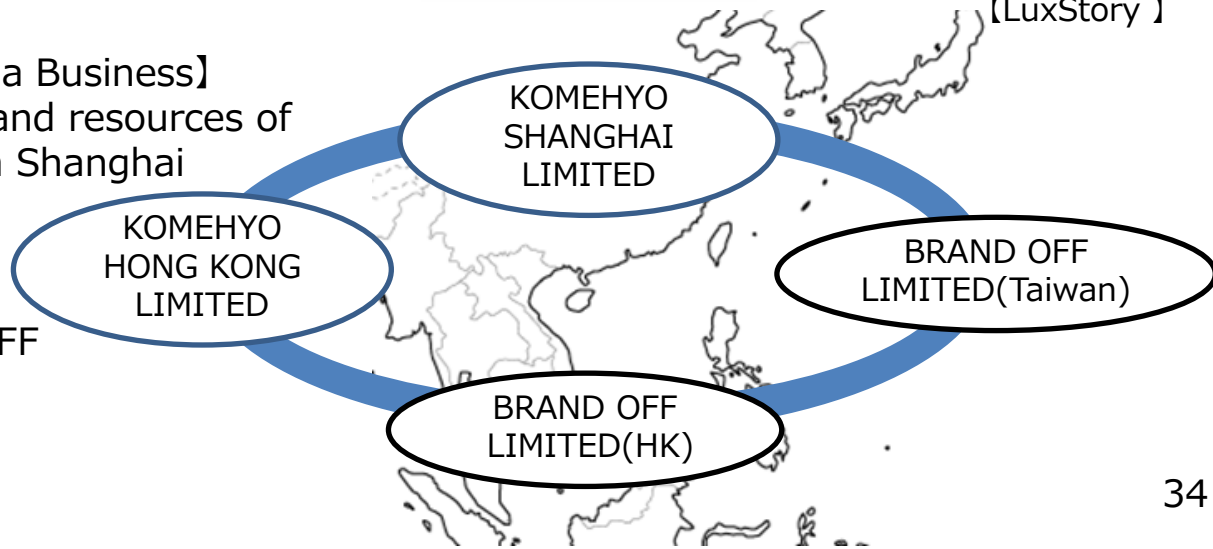


【LuxStory】

【Future direction of the China Business】

Experience, achievements and resources of
Beijing are concentrated on Shanghai

The China Business is
reinforced by adopting
the knowhow of K-Brand OFF
subsidiaries



K-BRAND OFF (Acquired on December 3, 2019)

KOMEHYO GROUP

Domestic business was profitable in the month of December - Injection of knowhow, governance, funds, etc.

	K-BRAND OFF (Japan)	BRAND OFF LIMITED (HONG KONG)	名流國際名品股份 有限公司(Taiwan)
Retail store [BRAND OFF]	7 directly managed stores, 2 FC stores	6 directly managed stores, 2 FC stores (HONG KONG, THAI)	3 directly managed stores
BtoB Auction business [Japan Brand Auction]	2 venues (Kanazawa and Ginza)	—	—

【Representative director and other staff were dispatched】



【Head Office (Kanazawa City, Ishikawa Prefecture)】



【Japan Brand Auction】



Reference : Restructuring of reuse industry

KOMEHYO GROUP

[Used sales ranking2020]

Used	Brand	Company	Used sales (100 millions of yen)
1		GEO HOLDINGS CORPORATION+OKURA GEO HOLDINGS CORPORATION	1,191 1,066
2		BOOK OFF GROUP HOLDINGS+aidect	799
3		DAIKOKUYA(TICKET)	450
4	1	KOMEHYO+K-BRAND OFF KOMEHYO	523 420
5	2	Valuence Holdings	378
8	3	DAIKOKUYA HOLDINGS	200
17	6	OKURA	125
24	9	K-BRAND OFF	103

(The Reuse Business journal No.479)

Tire and wheel business Initiatives

KOMEHYO GROUP

FY2020 Target	Results, etc.
<p>1. Strengthening store profitability</p> <ul style="list-style-type: none">*Stores specializing in used tires and wheels: "U-ICHIBAN"*Strengthen specialized sales channels: "URBAN OFF CRAFT", "EURO style Craft"	<p>→Decrease in sales and profits mainly due to a warm winter and higher tire prices</p> <p>→Used sales increased 181.8% YoY through the conversion of three stores from Craft to U-ICHIBAN, and the opening of two other new stores</p>
<p>2. Strengthening the EC</p> <ul style="list-style-type: none">*Expanding sales channels for e-commerce sites*Use of SNS (LINE, instagram)	<p>→Increase in the number of entries due to more efficient entries</p>
<p>3. New Initiatives</p> <ul style="list-style-type: none">*Planning, R & D, manufacturing, etc., of automotive parts	<p>→Planning and manufacturing of wheels and suspensions at 4×4 Engineering Service</p>

Tire and Wheel New Stores

KOMEHYO GROUP

Opened reuse specialty store "U-ICHIBAN" with high profit margin

【Omiya Baipasu store '19.4
Convert from craft】



【Toyohashi store '19.5
Convert from craft】



【Yokkaichi store '19.5
Convert from craft】



【Okazaki store
'19.6 New store】



【Kagamigahara store
'19.8 New store】



Tire and Wheel Store Type

KOMEHYO GROUP

【New Tire and Wheel】



10 Stores



URBAN OFF CRAFT

4 Stores※

EURO STYLE Craft

1 Store※

※Located in a craft store



【Reuse Tire and Wheel】



7 Stores



1 . Measures to prevent the spread of the novel coronavirus	P.02
2 . Overview of Financial Results for the Fiscal Year Ended March 31, 2020	P.05
3 . Business status	P.22
4 . Plan for the Fiscal Year Ending March 31, 2021 Medium-term Management Plan	P.41
5 . Reference Information (Company Profile, etc.)	P.45

Disclosure when reasonably foreseeable

Net sales	Promoting the use of the online store Launch an online auction →Reopening of stores and opening of new stores by giving top priority to the safety of customers and employees
SG&A expenses	Restraint through cost control



**Plan for the
Fiscal Year
Ending March 31,
2021
Medium-term
Management
Plan**

To be announced as soon as disclosure becomes possible

Aiming to increase GMV (Gross Merchandise Value) by ensuring appropriate profits

1. Ensuring appropriate profits
 - Controlling purchase and sales prices, reviewing the composition of high-profit margin merchandise, etc. → Ensuring an appropriate gross profit margin
 - Efforts to reduce fixed costs such as land rent and building rent, and improving the efficiency of advertising and other expenses → Ensuring appropriate operating income
2. Strengthening the EC
 - Developing an online trading environment and implementing measures
3. Ensuring the volume of purchase from individual customers
 - Strengthening alliances and implementing various promotional measures
 - Promoting purchase from individual customers by opening new stores
4. Strengthening the Corporate Business
 - Strengthen and streamline the auction business by launching an online auction, etc., and promote business alliances
 - Expansion of gross merchandise value (GMV) and acquisition of new customers
5. Strengthening IT and DT (Data Technology)
 - Strengthening of IT, such as data technology (DT) and the determination of authenticity using AI
 - Aim for the medium- to long-term growth of businesses based on these initiatives

Strengthen profitability by strengthening used products and highly specialized sales channels

1. Improving profit margins by reinforcing sales of used tires and wheels
 - Stores specializing in used tires and wheels: "U-ICHIBAN"
2. Strengthening sales at specialized stores with sophisticated tastes
 - URBAN OFF CRAFT, which proposes the customization of SUVs and four-wheel-drive off-road vehicles
 - EURO STYLE Craft, which proposes trends for imported European vehicles
 - Securing used merchandise by capturing demand for trade-in and purchase
3. Review of sites in some areas
 - Redeploying management resources to focus more on used merchandise
4. Focus on the planning and manufacturing of automobile parts
 - Bring new products to the market

1 . Measures to prevent the spread of the novel coronavirus	P.02
2 . Overview of Financial Results for the Fiscal Year Ended March 31, 2020	P.05
3 . Business status	P.22
4 . Plan for the Fiscal Year Ending March 31, 2021 Medium-term Management Plan	P.41
5 . Reference Information (Company Profile, etc.)	P.45

Corporate Profile

KOMEHYO GROUP

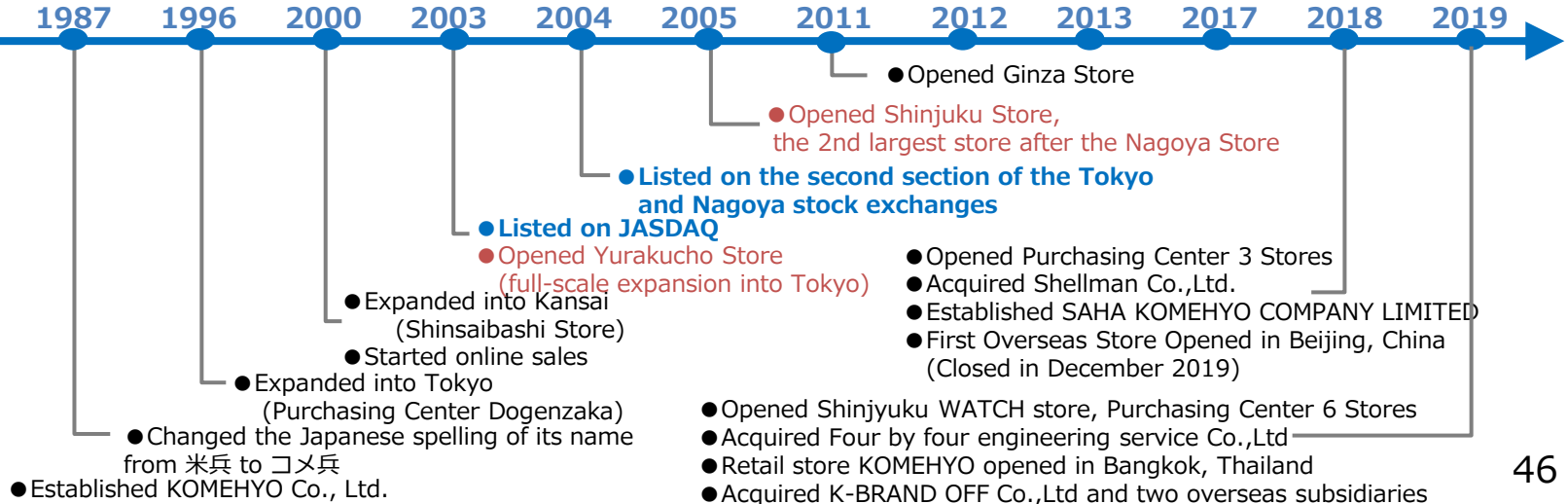
Company name	KOMEHYO Co., Ltd.
Established	May 1979
Head Office	3-25-31 Osu, Naka-ku, Nagoya
Representative	President, Representative Director: Takuji Ishihara
Capital	1,803 million yen
No. of employees	Consolidated: 944 Non-Consolidated: 535 (As of March 2020)
Business activities	Buying and selling used and new products including jewelry, precious metals, watches, bags, clothing, kimonos, cameras, and musical instruments, as well as real estate leasing
Fiscal year-end	March
Stock	Second Section, Tokyo and Nagoya Stock Exchanges (Securities code: 2780; Unit: 100 shares)

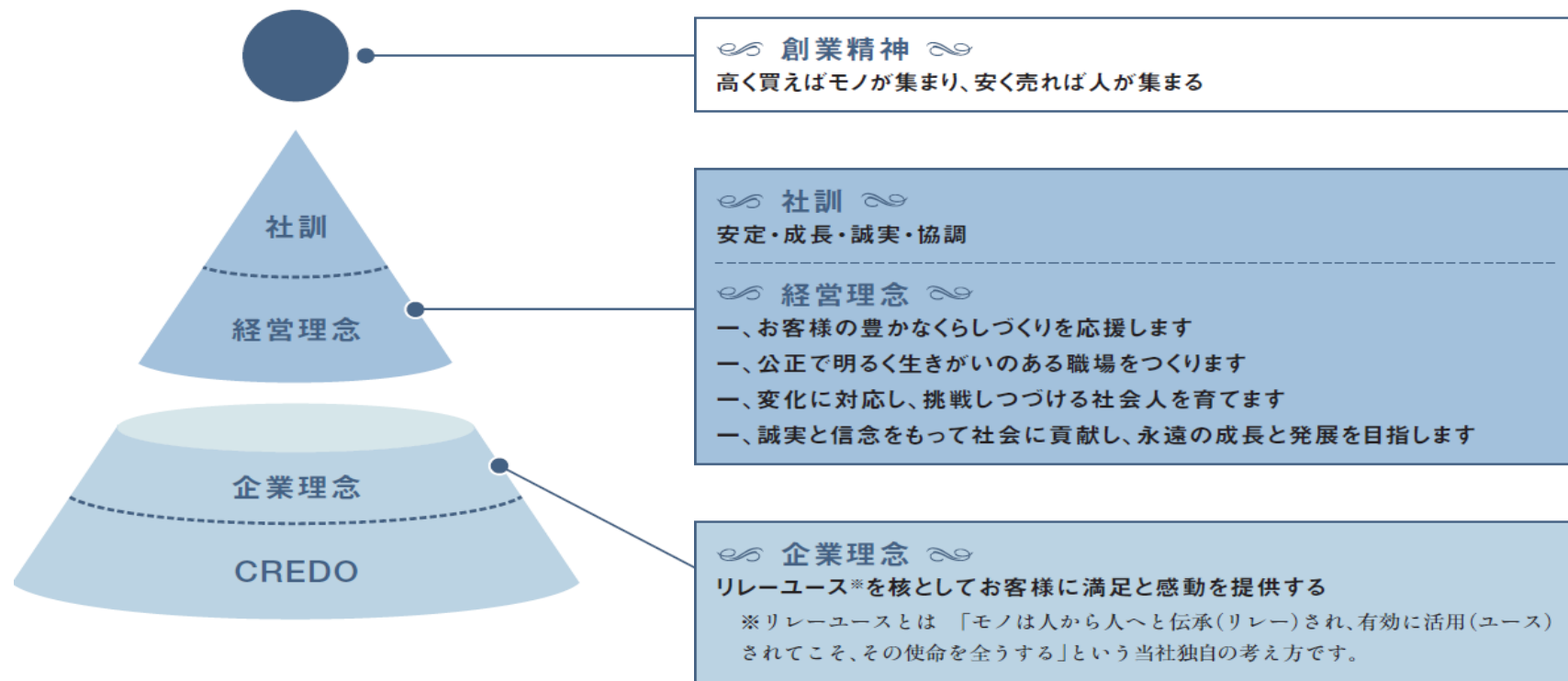
Corporate History

KOMEHYO GROUP



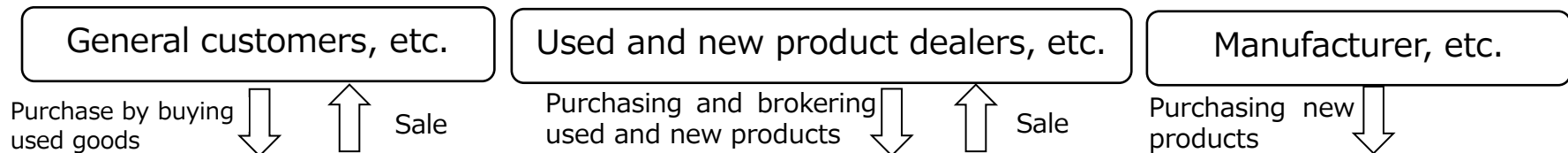
● Opened KOMEHYO Shoten,
a 5-tsubo used clothing store, in Osu, Nagoya





Business system diagram

KOMEHYO GROUP

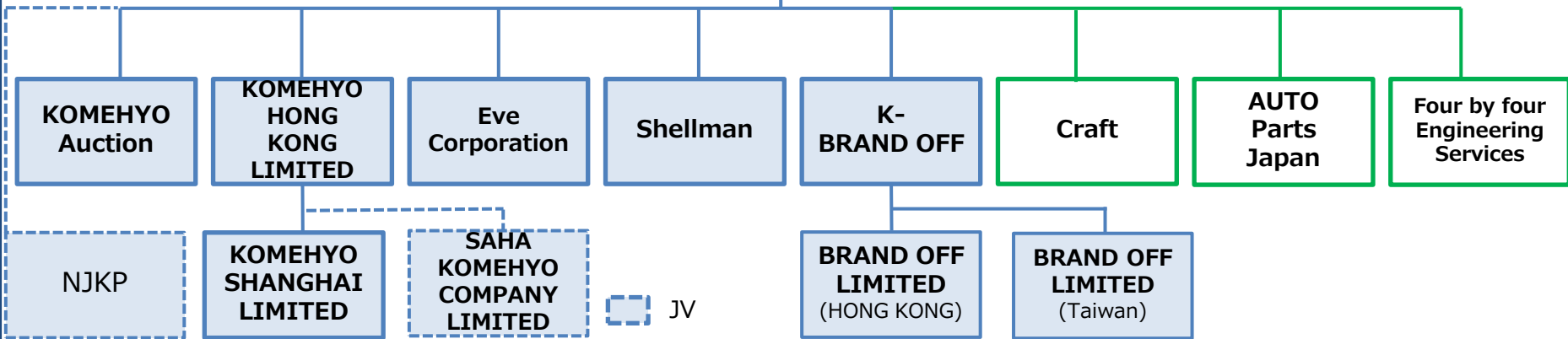


【KOMEHYO GROUP】

KOMEHYO

Brand Reuse Business

- Brand · Fashion business
- Tire and Wheel business



Shareholder return

KOMEHYO GROUP

Dividend changes

