

KOMEHYO



Earnings Results Briefing for the Third Quarter of the Fiscal Year Ending March 31, 2018

February 9 2018

KOMEHYO Co., Ltd.

Securities code: 2780 (Second Section, Tokyo and Nagoya Stock Exchanges)

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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.

Overview of Income Statement

(Consolidated)

Consolidated (Millions of yen)	FY2018 1Q (‘17.4-6)	YoY	FY2018 2Q (‘17.7-9)	YoY	FY2018 3Q (‘17.10-12)	YoY	FY2018 9 months (‘17.4-12)	YoY
Net sales	9,849	107.6%	10,913	111.2%	13,153	119.0%	33,916	113.0%
Gross profit	2,940	115.8%	2,988	116.5%	3,895	123.5%	9,824	118.9%
Gross profit margin	29.9%	+2.2pt	27.4%	+1.3pt	29.6%	+1.1pt	29.0%	+1.5pt
SG&A expenses	2,767	106.6%	2,700	104.8%	2,895	112.5%	8,362	108.0%
Operating income	173	—	288	—	1,000	172.0%	1,461	284.2%
Ordinary income	185	—	287	—	999	170.1%	1,472	294.8%
Net income attributable to owners of parent	100	—	195	649.2%	667	617.5%	963	1,202.5%

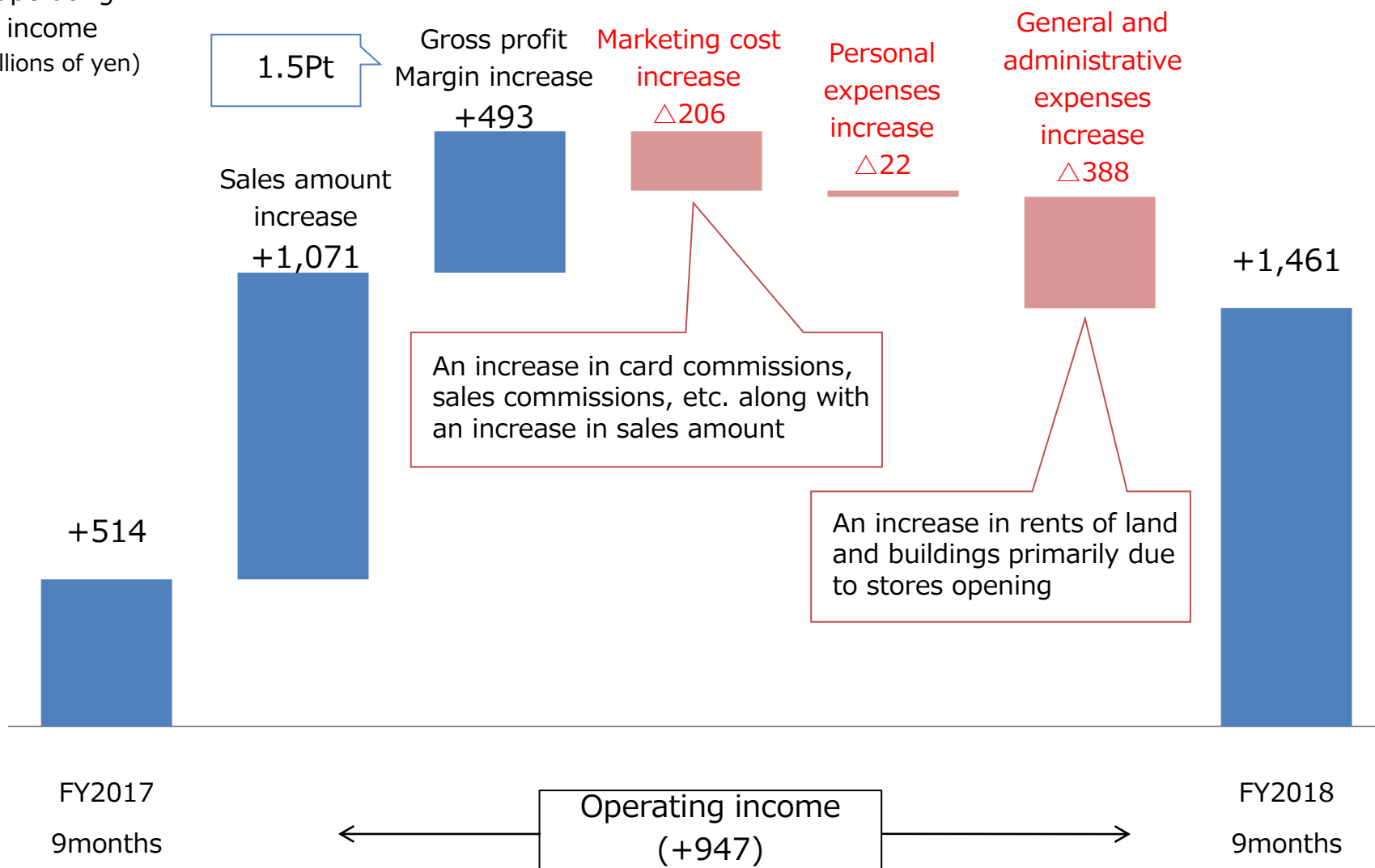
Overview of Income Statement

(Non-consolidated)

Non-Consolidated (Millions of yen)	FY2018 1Q (‘17.4-6)	YoY	FY2018 2Q (‘17.7-9)	YoY	FY2018 3Q (‘17.10-12)	YoY	FY2018 9 months (‘17.4-12)	YoY
Net sales	8,673	107.7%	9,858	111.6%	10,894	120.0%	29,427	113.3%
Gross profit	2,499	116.0%	2,579	115.6%	3,103	124.1%	8,181	118.8%
Gross profit margin	28.8%	+2.0pt	26.2%	+1.0pt	28.5%	+1.0pt	27.8%	+1.3pt
SG&A expenses	2,401	107.9%	2,360	104.8%	2,435	113.0%	7,197	108.5%
Operating income	97	—	218	—	668	193.6%	984	388.7%
Ordinary income	226	—	217	—	666	186.6%	1,110	447.9%
Net income	168	—	148	604.0%	455	—	772	—

Operating income decrease factor (Consolidated)

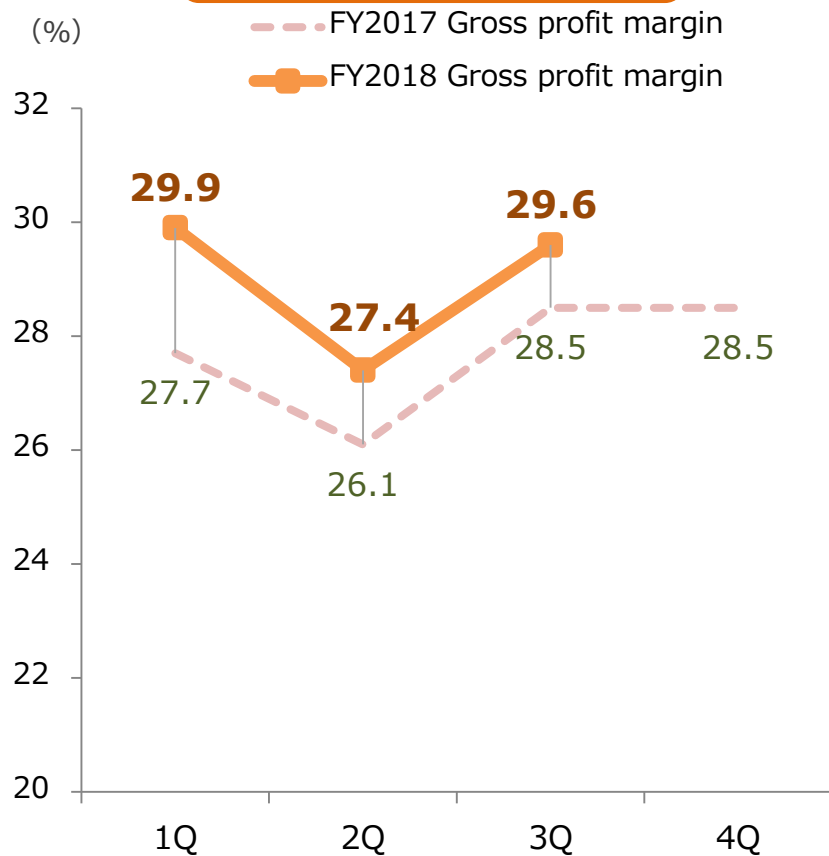
Operating
income
(Millions of yen)



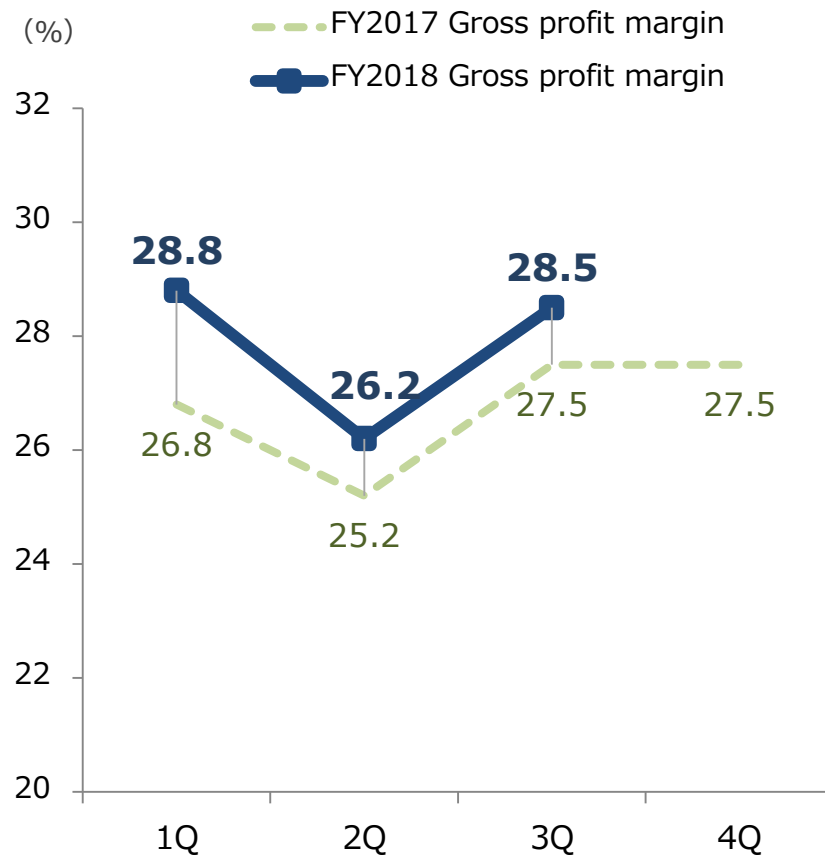
Gross Profit Margin Trend

Improvement from a year earlier due to reinforced inventory controls

Consolidated



Non-consolidated

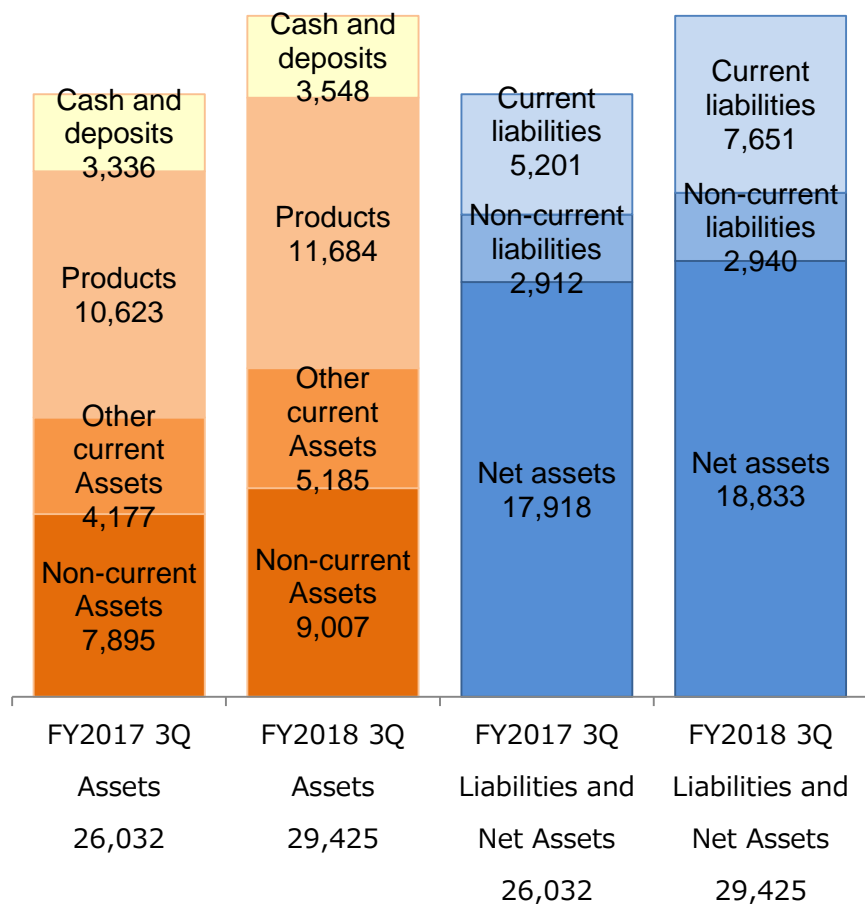


Overview of Balance Sheet

Increase in fixed assets due to factors including the opening of large stores. (on a year-on-year basis)

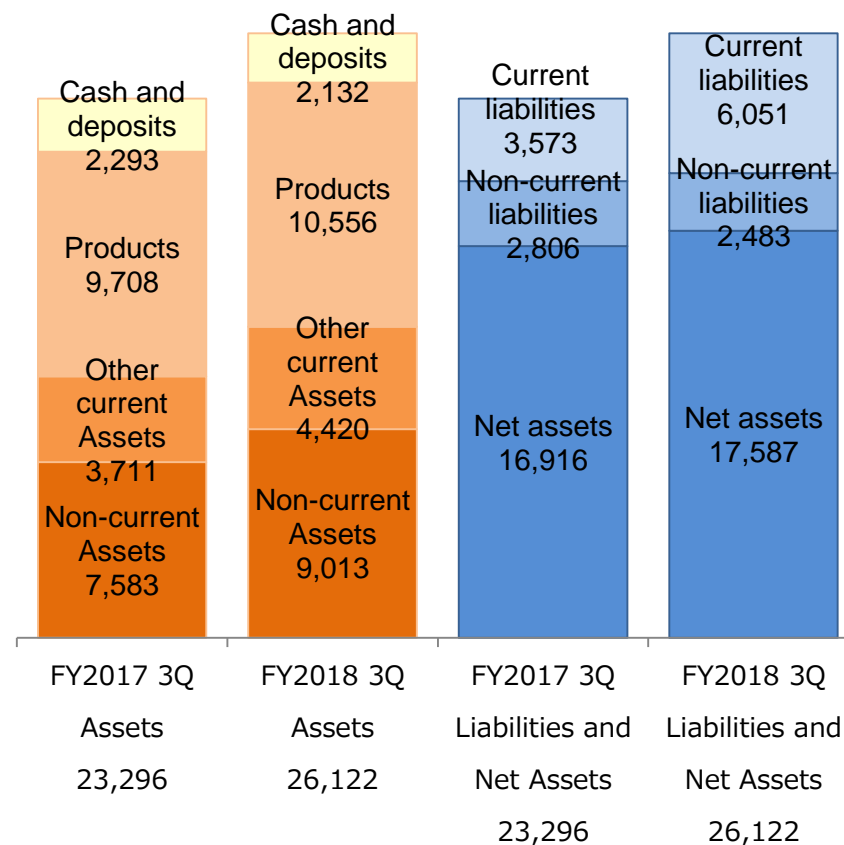
Consolidated

(Millions of yen)



Non-consolidated

(Millions of yen)



By Segment

The Brand Fashion Business Earnings improvement progressed

(Millions of yen)		FY2018 1Q (‘17.4-6)	YoY	FY2018 2Q (‘17.7-9)	YoY	FY2018 3Q (‘17.10-12)	YoY	FY2018 9 months (‘17.4-12)	YoY
Brand Fashion	Net sales	8,827	107.9%	10,027	112.1%	11,092	120.5%	29,947	113.7%
	Operating income	157	—	315	1,631.7%	747	186.0%	1,220	319.7%
	Operating margin	1.8%	+2.3pt	3.1%	+2.9pt	6.7%	+2.3pt	4.1%	+2.7pt
Tire and Wheel	Net sales	997	105.2%	862	102.2%	2,038	111.9%	3,898	107.8%
	Operating income	1	—	△41	—	239	138.2%	199	175.4%
	Operating margin	0.1%	+2.4pt	△4.8%	△0.3pt	11.7%	+2.2pt	5.1%	+2.0pt
Others	Net sales	38	110.2%	37	107.5%	36	107.3%	112	108.3%
	Operating income	15	285.3%	14	183.0%	13	211.1%	42	220.3%
	Operating margin	39.4%	+24.2pt	37.5%	+15.5pt	36.1%	+17.8pt	37.7%	+19.2pt

Revised FY2018 plan

Upward adjustment from the revision made in August

Consolidated
(Millions of yen)

Revised
FY2018 Plan

YoY

Net sales

44,800

111.6%

Operating
income

1,580

189.8%

Ordinary
income

1,580

193.7%

Net income
attributable
to owners of
parent

1,020

286.7%

**Non-
consolidated**
(Millions of yen)

Revised
FY2018 Plan

YoY

Net sales

39,000

111.8%

Operating
income

1,070

212.8%

Operating
income

1,190

242.8%

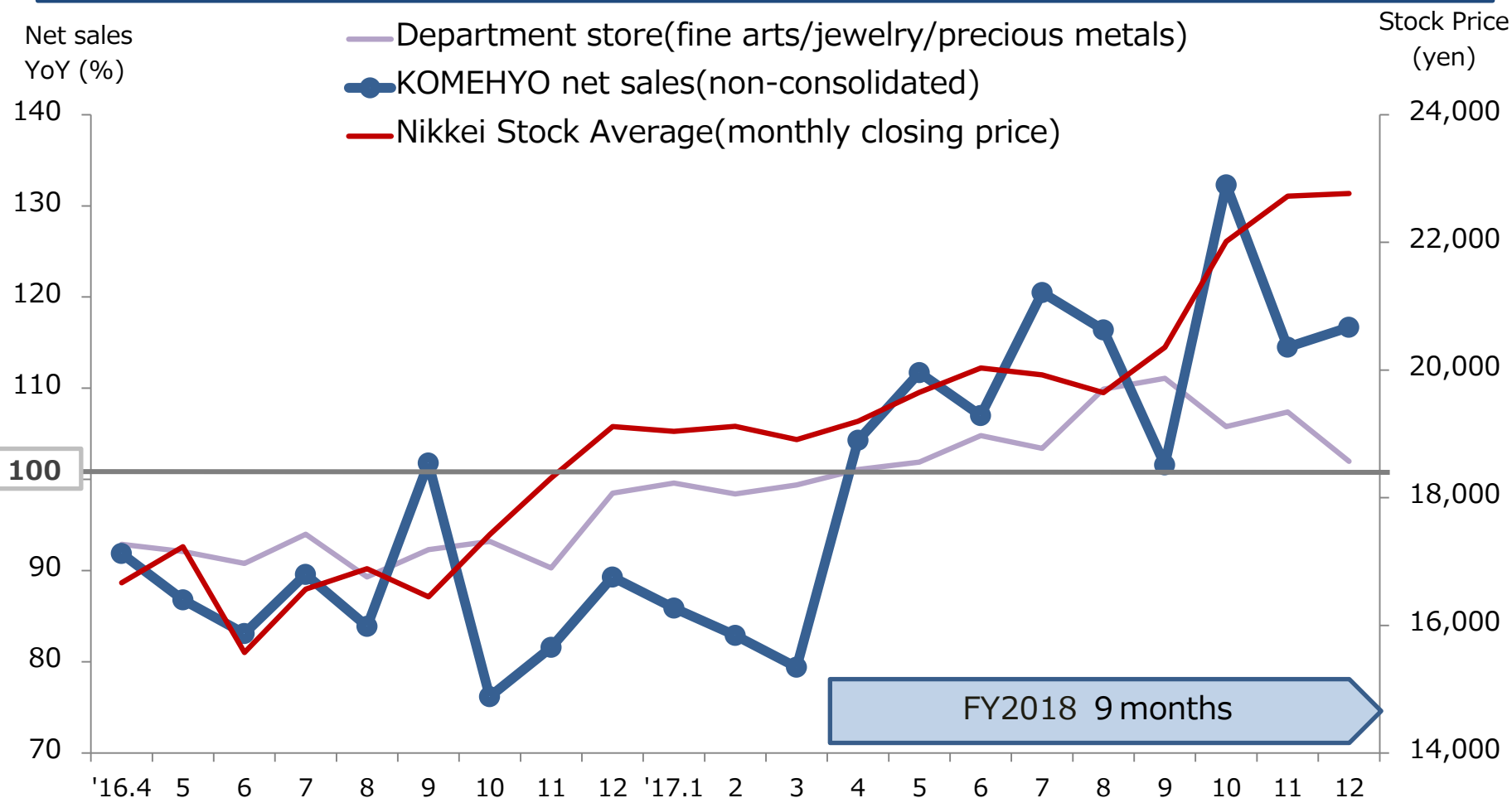
Net income

820

556.5%

Economic Trend

The economic environment remains on a moderate recovery path



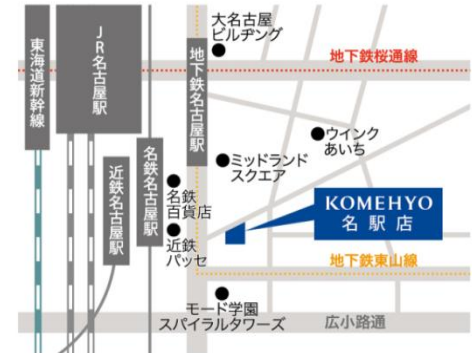
Initiative① Opening of New Stores

Large stores were opened near major railway stations
in Tokyo, Nagoya, and Osaka

【Umeda store ('17.2)】

【Shinjyuku store ANNEX('17.5)】

【Meieki store('17.5)】



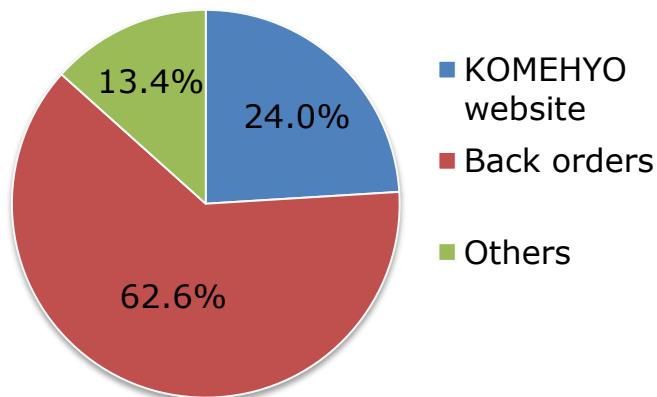
Initiative②

E-commerce-induced sales

“Buy Online and Pick up in Store,” connecting brick-and-mortar stores with e-commerce sites, is on an upward trend

(Millions of yen)	FY2018 1Q (‘17.4-6)	YoY	FY2018 2Q (‘17.7-9)	YoY	FY2018 3Q (‘17.10-12)	YoY	FY2018 9 months (‘17.4-12)	YoY
E-commerce-induced sales	1,453	109.6%	1,914	128.4%	2,150	124.5%	5,518	121.4%
E-commerce-induced sales rate	18.0%	—	21.7%	—	19.7%	—	18.8%	—

【 Percentage of online sales by channel】



【 Features of Online Request for Checking Actual Items 】

- ①Easy: Make an application on the e-commerce site
- ②Peace of mind: You can check the item at a physical store.
- ③Free of charge: No charge if you do not buy it.



We respond to customers' need for “I want to see the actual item” and “I want to decide after I try it” because it is a used item.

Initiative③

Purchase from Individual Customers

Purchases by individual customers have maintained an upward trend due to advertising and publicity.

Amount of purchase from individual customers	FY2018 1Q (‘17.4-6)	YoY	FY2018 2Q (‘17.7-9)	YoY	FY2018 3Q (‘17.10-12)	YoY	FY2018 9 months (‘17.4-12)	YoY
Purchasing Center	4,359	107.2%	4,617	118.3%	4,712	118.8%	13,690	114.7%
Home delivery Purchasing	210	94.4%	218	115.4%	246	130.8%	675	112.5%
Total (Millions of yen)	4,570	106.5%	4,836	118.2%	4,959	119.3%	14,366	114.6%

【 LINE De Satei 】

started evaluating brand-name products in June 2016

Responding to customer need that they want to know valuation first and are hesitant to ask for valuation only at stores

➡ Total "number of Satei" : about 60,000
(‘17.12)



Initiative④

Enhancement of purchases :LS Kamakuradai store

Establishment of Purchasing Center

—Enhancement of purchases from individual customers

【LINK SMILE Kamakuradai store】('18.2.9)



The third store after
USED MARKET Inazawa store('17.4)、
LINK SMILE Uedayama store('17.7)



More convenient for customers
by installing a purchase counter
in a suburban store

【USED MARKET Inazawa store】('17.4)



【LINK SMILE Uedayama store】('17.7)



Initiative⑤

Challenge to The C-to-C Business

The C-to-C Business: Free market app "KANTE"

【Free market app "KANTE"】

Service started in November 2017

Free market app specializing in brand-name products
Providing purchasers with a sense of assurance
through judgment of authenticity

➔ Nurturing a healthy culture of reuse

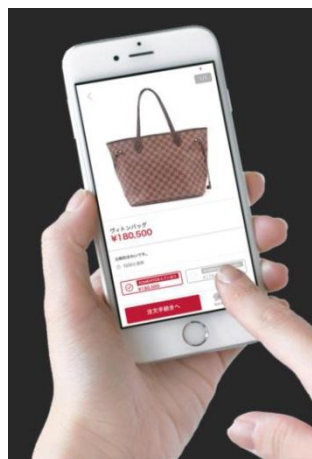


【Characteristics of functions】



POINT 1

Follow the guidelines:
Take a photo of your item and select the information in sequence. By simply entering some basic information, you can put your item up for sale



POINT 2

You can start the purchasing procedure by simply pushing a button. Proceed with your trade following the guidelines. Then all you have to do is to wait for your purchase to arrive!



POINT 3

With "KOMEHYO Appraisal" by experienced experts, you can trade high-priced brands with peace of mind

Subsidiary① KOMEHYO Auction

Expand sales channels of used products, reinforce procurement
and collect industry information

FY2018 9 months	Trade volume (Millions of yen)	YoY	No. of member companies
Jewelry	13,300	114.3%	810 ※70 companies increased this term
Watches			
Bags			
Clothing	260	116.5%	

【State of the tournament】



【Preview venue】



Subsidiary②

KOMEHYO HONG KONG

Strengthen purchases of used products in Japan
for exploring overseas sales channels

	Net sales (Millions of yen)	YoY
FY2018 9 months	962	161.2%

【Hong Kong Jewelry show】



Subsidiary③

Craft、Auto Parts Japan

Sale of tires, wheels, and vehicle parts

FY2018 9 months (‘17.4-12)	Net sales (Millions of yen)	YoY
Tires/wheels	3,371	111.7%
Parts	455	87.2%
Others	71	94.6%
Segment total	3,898	107.8%

【EURO STYLE Craft】

Opened in Craft Nagoya Dome West store
2F in September 2017

Support customization focusing on euro
compact car



【URBAN OFF CRAFT】

Opened in Craft Nakagawa store 2F
in October 2017

Proposing customization such as “Lift up
suspension” for Cross Country Style
4 × 4 and Urban SUV



Subsidiary④

Eve Corporation、Ark marketing japan

We converted e-commerce apparel and shoe-care stores into subsidiaries in December 2017

Company name	Eve Corporation Co.,Ltd.	Ark marketing japan Co.,Ltd.
Established	May 2010	August 2013
Head Office	Jiyugaoka, Meguro ku Tokyo	
Capital	9 million yen	1 million yen
Business activities	<p>1. Wholesale and retail of imported apparel, bags, and accessories; Operation of mail-order sites "Mike MUSEUM"</p> <p>2. Purchase and sales of shoes, etc. Operation of mail-order sites "WORM TOKYO" Operation of the store of "WORM TOKYO"</p> <div data-bbox="374 993 595 1100" data-label="Image"> </div> <p>eve corporation</p> <div data-bbox="653 955 1143 1233" data-label="Image"> </div> <p>【The store of WORM TOKYO】</p>	<p>1. Sales of shoe-care goods, shoe maintenance service, etc. Operation of mail-order site "SHOES MASTER"</p> <div data-bbox="1182 993 1479 1058" data-label="Image"> </div> <div data-bbox="1485 901 1798 1160" data-label="Image"> </div> <p>【Example of handled goods】</p>
Representative	President, Representative Director : Masaki Miwa (KOMEHYO Co., Ltd. Director)	

Reference Information①

Store Type

KOMEHYO 26 stores



Large-scale

**Nagoya Store, Meieki Store,
Shinjuku Store/ANNEX,
Ginza Store, Umeda Store**
Sales/Purchase

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

6_{stores}

Mid-scale

Opening stores in large major cities
Sales/Purchase

3_{stores}

Small-scale

Opening stores in major cities
Sales/Purchase

10_{stores}

Purchasing Center

Opening stores in major cities
Purchase only

7_{stores}



LINKSMILE 5 stores by KOMEHYO



Sales/Purchase ※
Ladies casual
clothing, bags,
accessories

USED MARKET 3 stores by KOMEHYO



Sales/Purchase ※
clothing in the low
price range, bags,
accessories

(※ Some stores only as for the sale)

Total 34 stores ('17.12)

Reference Information②

Shareholder return

Dividend changes

Dividend(yen)

Payout ratio(%)

