

Earnings Results Briefing for the Fiscal Year Ended March 31, 2022

May 2022

Komehyo Holdings Co., Ltd.

Securities code: 2780

(Tokyo and Nagoya Stock Exchanges)

IR · PR Department

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for the Fiscal Year Ended March 31, 2022
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FY 2022 Financial Summary

【Brand • Fashion business】

- Net sales increased 43.1% YoY and operating income also increased 570.3% YoY.
Operating profit margin grew by 3.9pt YoY.
- Record high purchases from individuals due to store openings and purchase events, etc.,
with openings of 37 purchase centers (of which, two are franchised stores)
- Corporate sales were also strong due to steady purchases from individuals.
- Opened a store specializing in sneakers at a department store

【 Tire and Wheel business 】

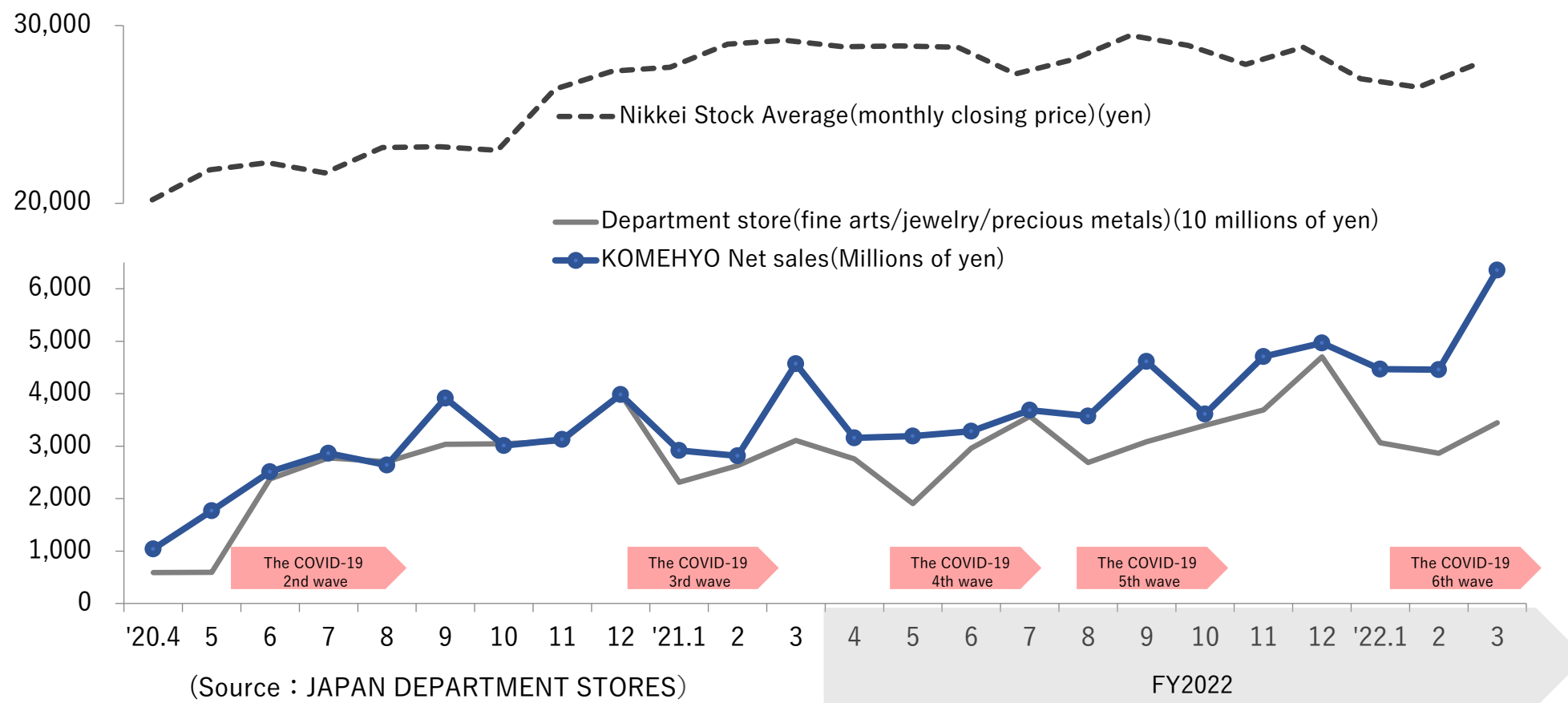
- Net sales increased 8.3% YoY and operating income
also increased 276.3% YoY. Operating profit margin grew by 2.4pt YoY.
- Release of new products from 4 × 4 Engineering Services



SNEAKER MARKET by KOMEHYO
(Opened in March 2022)

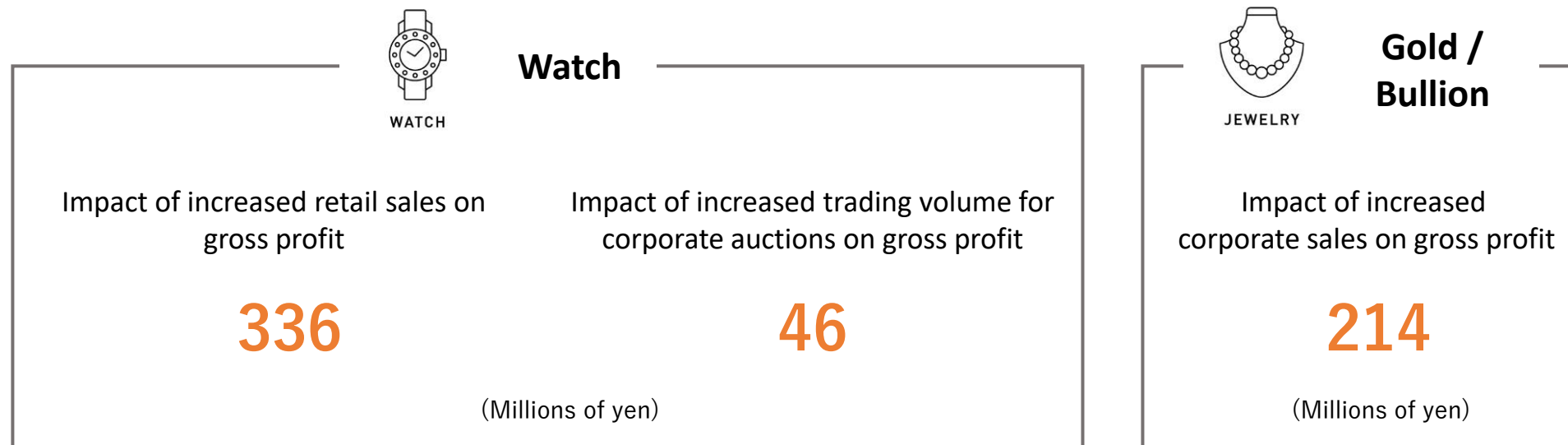
Economic Trend

KOMEHYO's net sales are less susceptible to the impact of the COVID-19.



Special factors of FY2022 (rising clock and gold prices)

Rising watch prices (continued from October 2020) and rising gold prices (end of February to March 2022) in the reuse market have an impact as a "tailwind" for the brand and fashion business.



Gross profit is estimated to be about **596 millions of yen**
There was a "tailwind" due to the external environment

FY 2022 Performance

Net sales, operating Income, ordinary income, and net income all surpassed previous record highs.

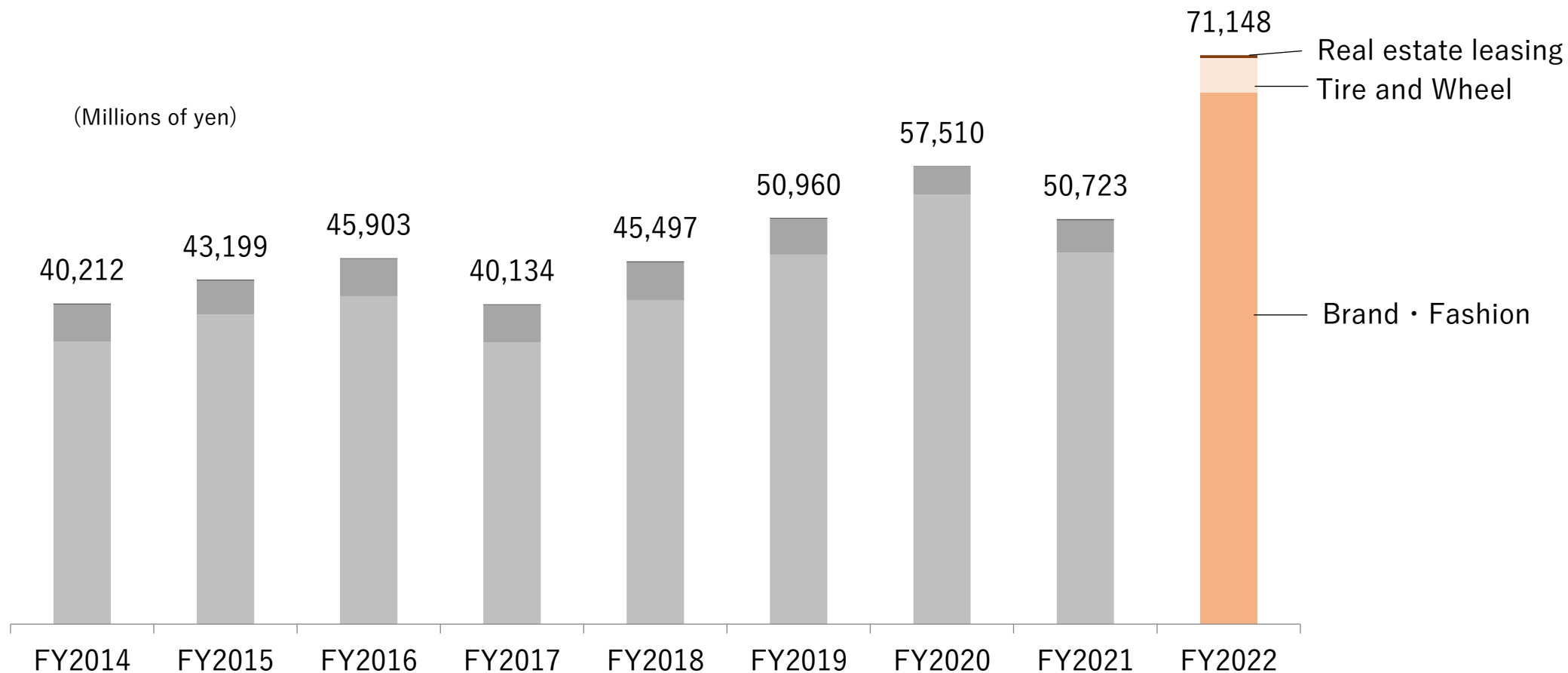
(Millions of yen)	FY2020	FY2021	FY2022	Change	YoY
Net sales	57,510	50,723	71,148	20,425	140.3%
Gross profit	14,562	13,836	18,415	4,579	133.1%
Gross profit margin	25.3%	27.3%	25.9%	△1.4pt	—
SG&A expenses	14,265	13,245	14,700	1,455	111.0%
Operating income	297	590	3,714	3,124	629.1%
Ordinary income	9	431	3,772	3,340	874.6%
Net income attributable to owners of parent	△234	△595	2,259	2,854	—

FY 2022 quarterly results

(Millions of yen)	FY2021 1Q	YoY	FY2021 2Q	YoY	FY2021 3Q	YoY	FY2021 4Q	YoY
Net sales	14,162	180.1%	16,472	127.1%	19,237	127.1%	21,276	144.0%
Gross profit	3,985	211.1%	4,215	124.5%	5,067	113.3%	5,147	125.8%
Gross profit margin	28.1%	+ 4.1pt	25.6%	△0.5pt	26.3%	△3.3pt	24.2%	△3.5pt
SG&A expenses	3,476	126.5%	3,613	103.8%	3,523	102.0%	4,086	114.7%
Operating income	508	—	601	—	1,543	151.5%	1,060	200.7%
Ordinary income	515	—	610	—	1,536	157.7%	1,109	221.2%
Net income attributable to owners of parent	337	—	385	—	936	131.4%	600	843.8%

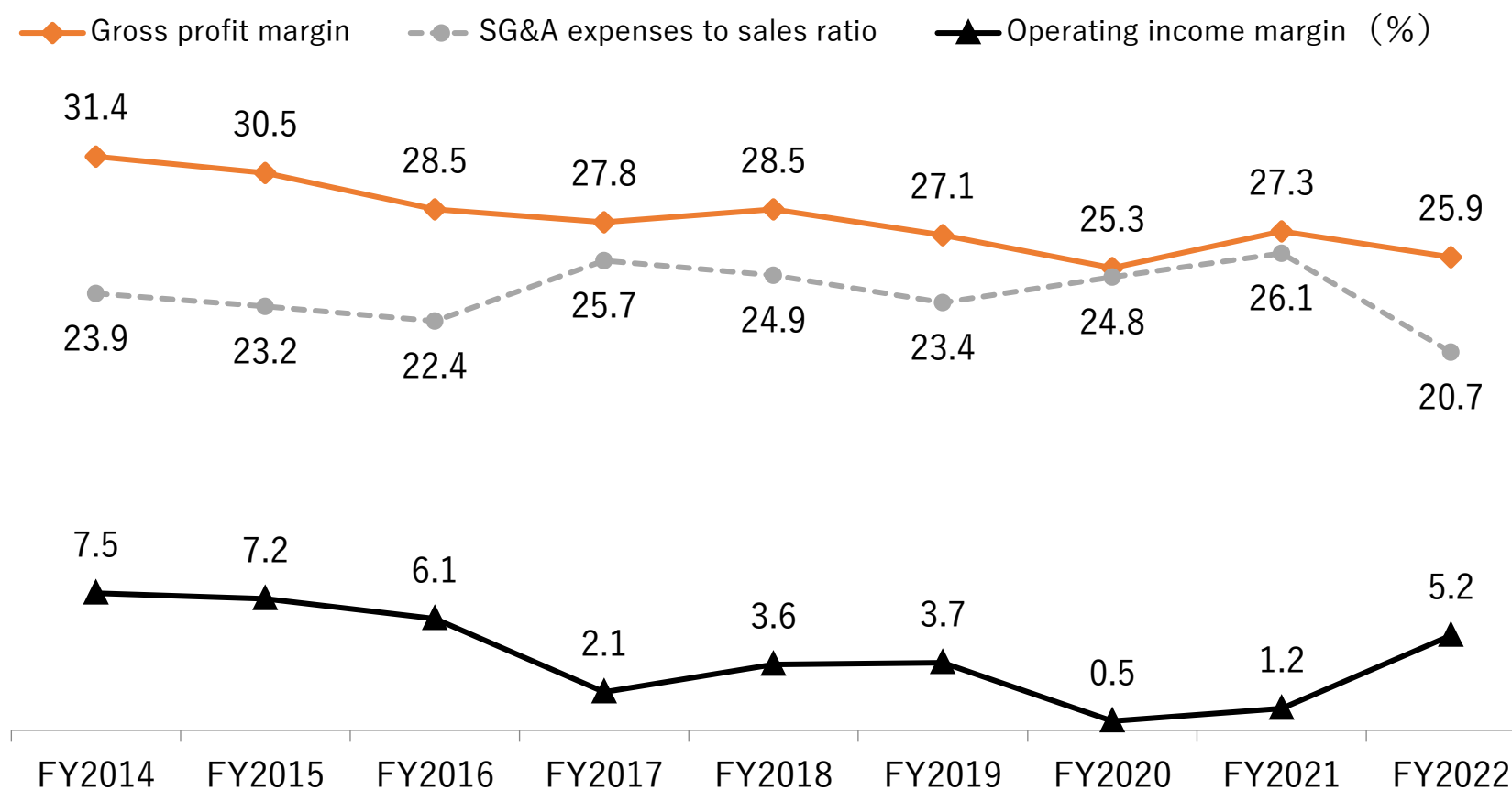
Changes in net sales

Corporate sales of the Brand Fashion business remained strong and reached a record high.



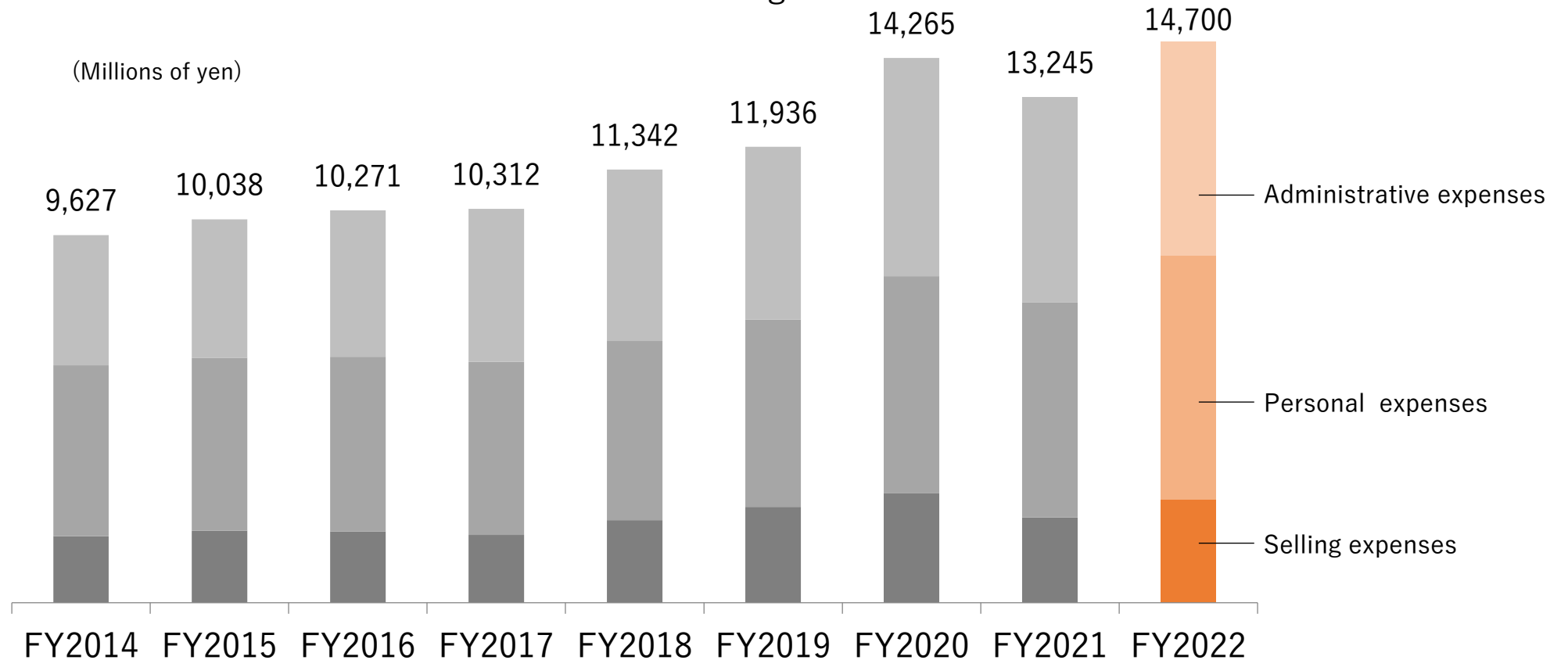
Changes in profit ratios

Operating profit margin increased, despite a decline in the gross profit margin, offset by a decline in the SG&A expenses to sales ratio.



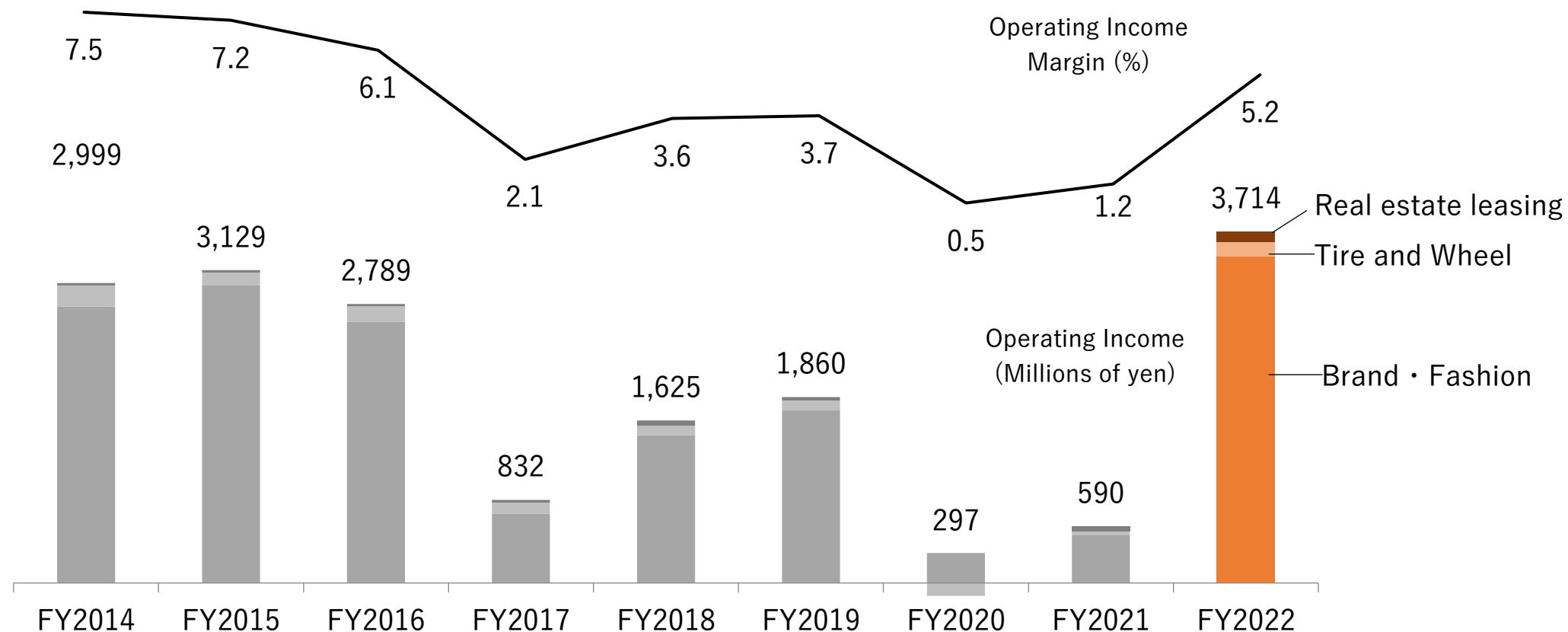
Changes in expenses

There were increases in selling expenses such as advertising expenses, as well as in personnel expenses such as salaries and allowances and recruiting costs.



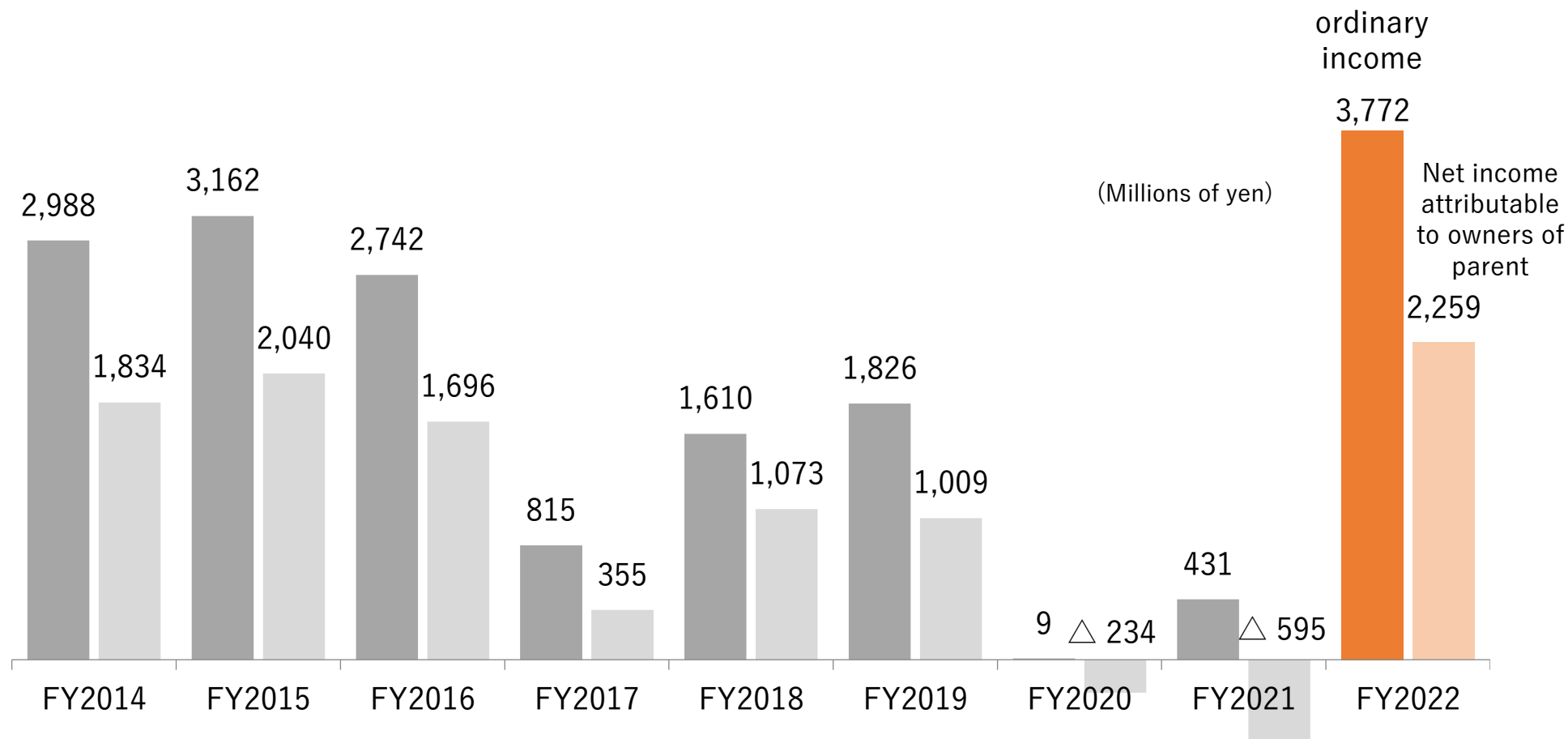
Changes in Operating income

Purchases from individuals remained strong and net sales increased. Operating income reached a record high thanks to expense control and other initiatives.



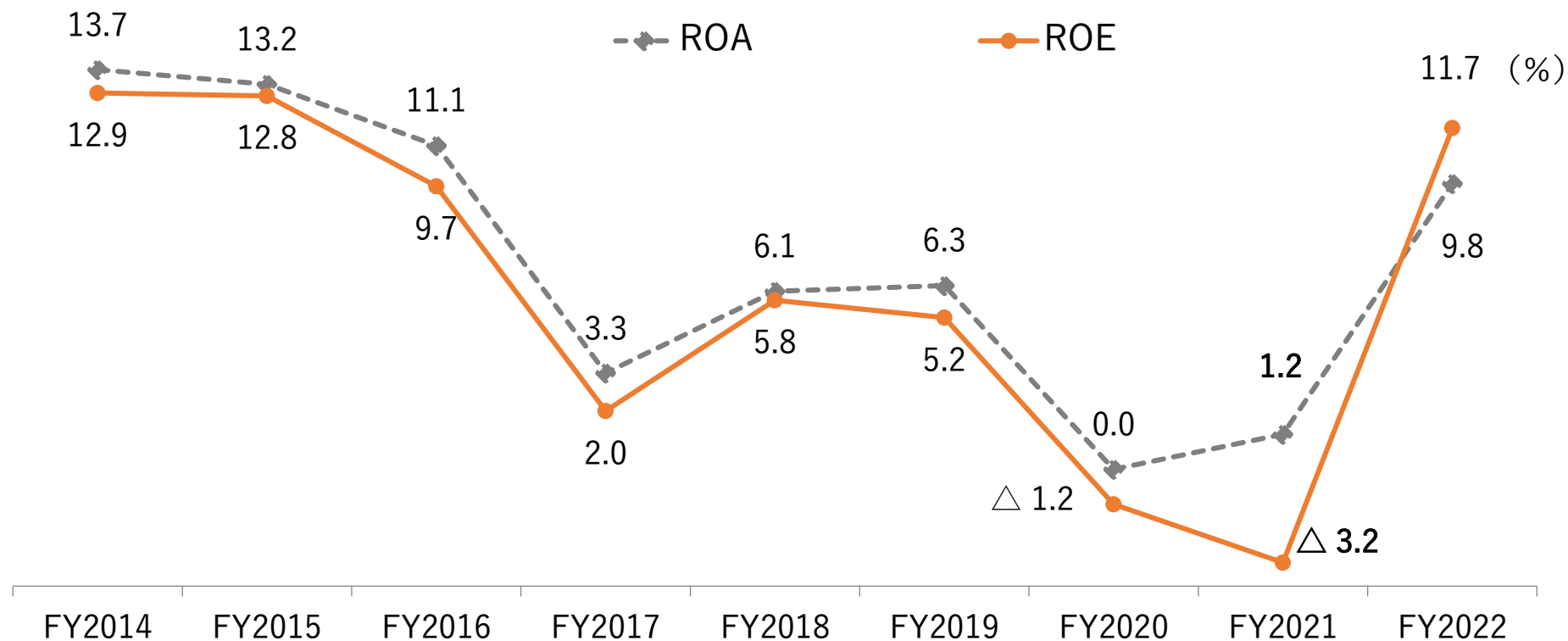
Changes in ordinary income / net income

Both ordinary income and net income attributable to owners of parent hit record highs.



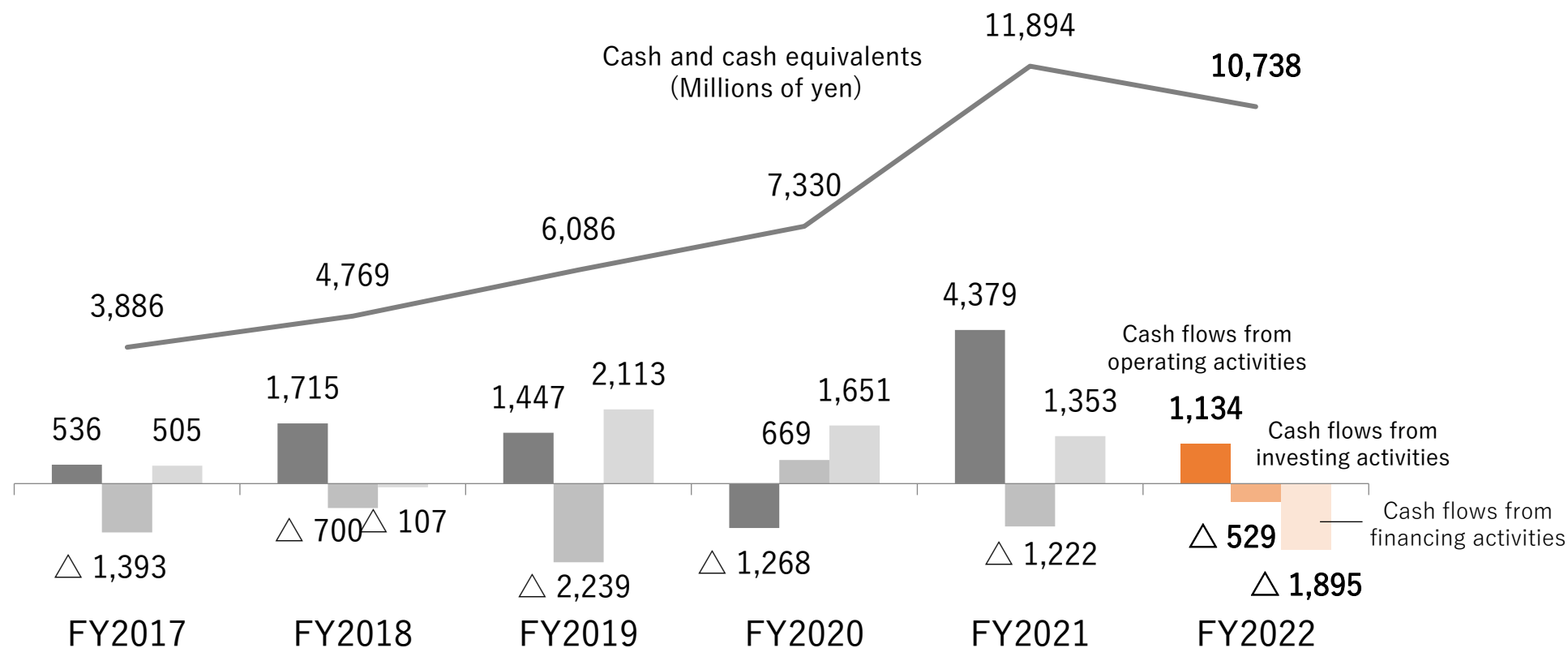
Changes in ROA/ROE

A double-digit ROE was regained with the improvement of operating profit margin.



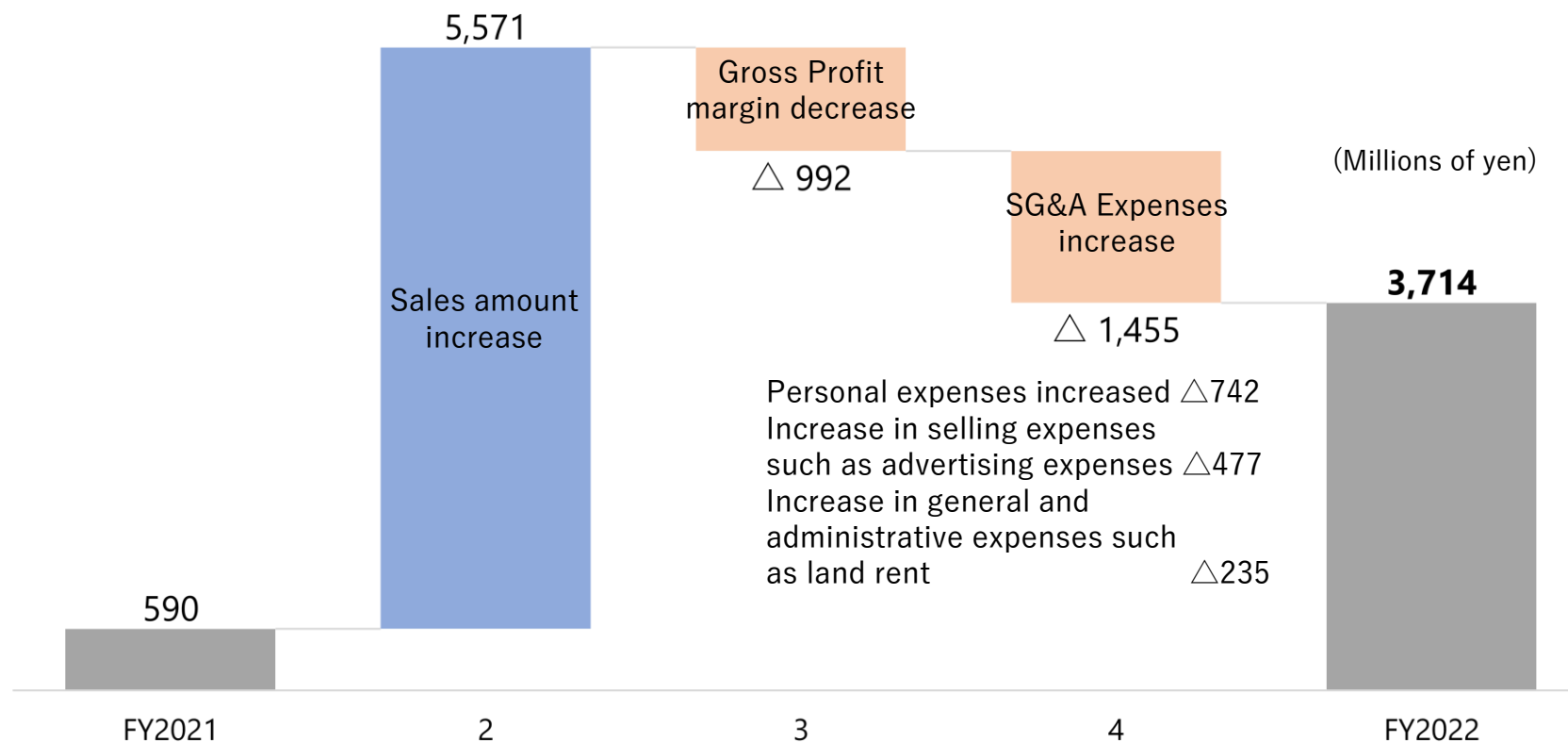
Statement of Cash Flows

Cash flows from financing activities turned negative, and cash and cash equivalents decreased due to the repayment of debt



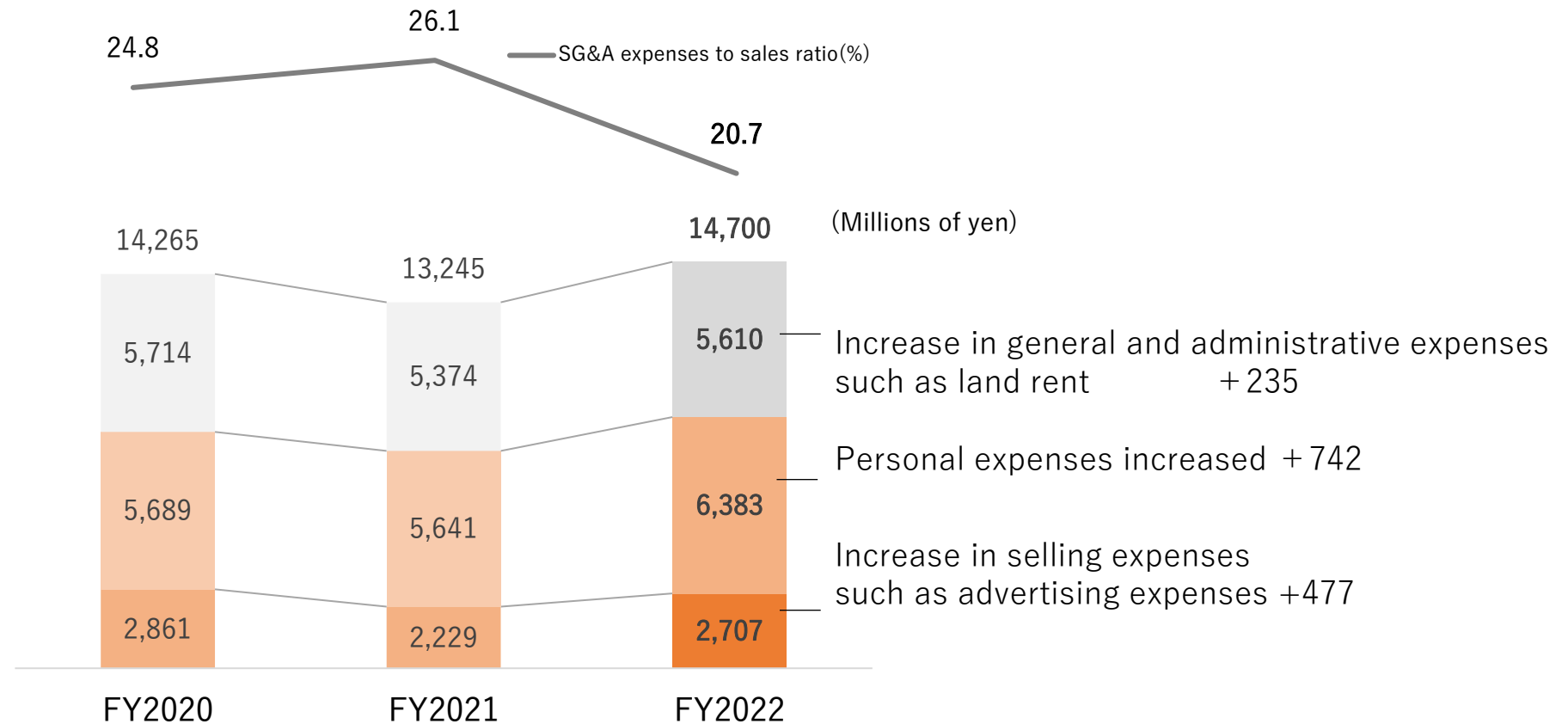
Operating income increase and decrease factor

Purchases from individuals remained strong and net sales increased. Operating income grew significantly thanks to expense control and other efforts.

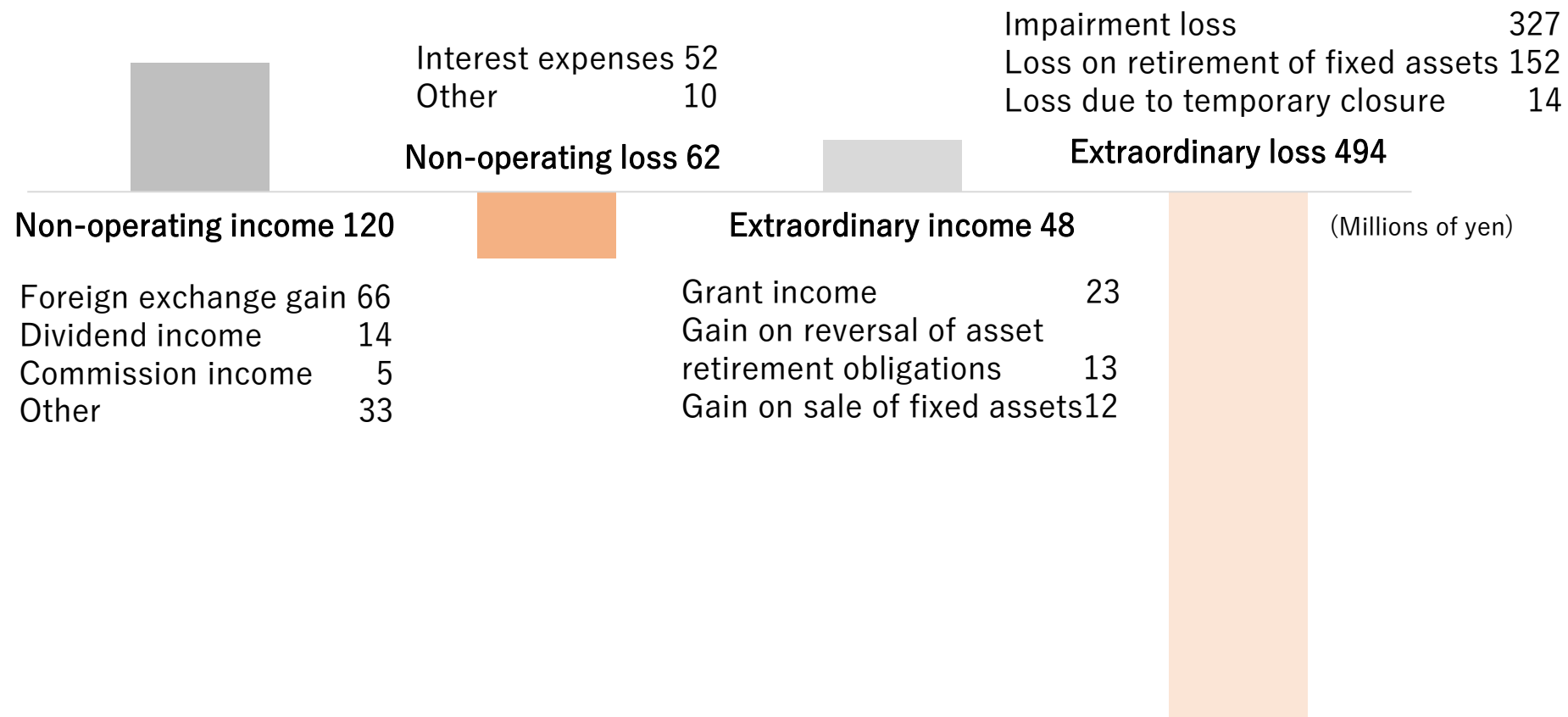


Changes in selling, general and administrative expenses

Ratio of SG&A expenses declined due in part to efficiency-oriented advertising.



Non-operating income(loss) / Extraordinary income(loss)



Balance sheet overview

(Millions of yen)	FY2021	FY2022	Change	
Current assets	27,286	29,453	2,167	
Cash and deposits	10,538	9,080	△1,458	→Decreased due to repayment of debt
Products	12,649	15,277	+2,627	→Merchandise increased with improved purchases from individuals.
Other current assets	4,097	5,096	+999	
Non-current assets	10,116	10,213	+97	
Total assets	37,402	39,667	2,265	
Liabilities	18,955	18,966	10	
Interest-bearing liabilities	14,746	13,519	△1,226	→Borrowings decreased with the normalization of cash on hand.
Other liabilities	4,209	5,446	1,237	
Net assets	18,446	20,700	+2,254	→Attributable to an increase in retained earnings and other factors
Liabilities and Net Assets	37,402	39,667	2,265	

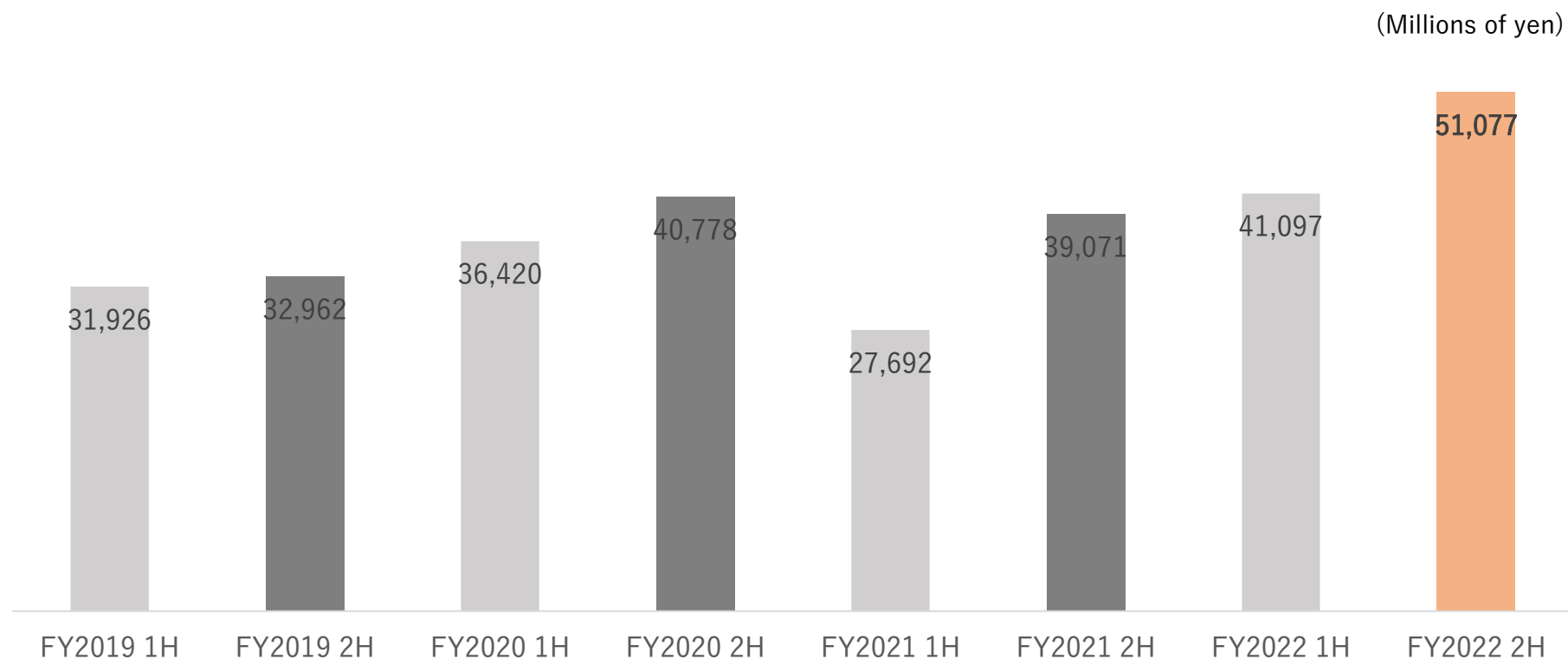
Overview by segment

In the Brand Fashion business, both sales and profit increased thanks to strong purchases from individuals and the strong results of auctions for companies. Sales and profit also increased in the Tire and Wheel business owing to the strong sales of summer and winter tires.

(million of yen)		1Q	YoY	2Q	YoY	3Q	YoY	4Q	YoY	FY2022	YoY
Brand Fashion	Net sales	13,277	186.0%	15,622	128.8%	17,450	129.6%	20,297	146.5%	66,688	143.1%
	Operating income	472	–	569	–	1,129	146.5%	1,083	185.5%	3,254	670.3%
	Operating margin	3.6%	+ 15.1pt	3.6%	+ 4.0pt	6.5%	+ 0.8pt	5.3%	+ 1.1pt	4.9%	+ 3.9pt
Tire and Wheel	Net sales	864	121.5%	790	101.3%	1,766	106.9%	961	106.6%	4,382	108.3%
	Operating income	△20	–	△35	–	230	110.8%	△26	–	147	376.3%
	Operating margin	–	–	–	–	13.0%	+ 0.4pt	–	–	3.4%	+ 2.4pt
Real estate leasing	Net sales	84	513.1%	84	424.0%	84	98.7%	80	97.7%	334	163.2%
	Operating income	25	–	25	–	26	106.7%	23	91.5%	101	221.5%
	Operating margin	29.8%	+ 50.9pt	30.2%	+ 39.8pt	31.4%	+ 2.3pt	29.6%	△2.0pt	30.2%	7.9pt

Changes in gross merchandise value

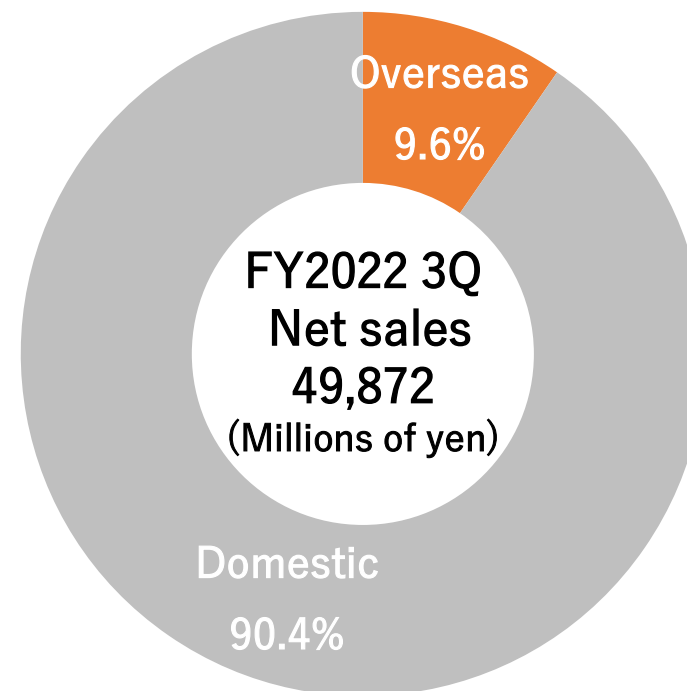
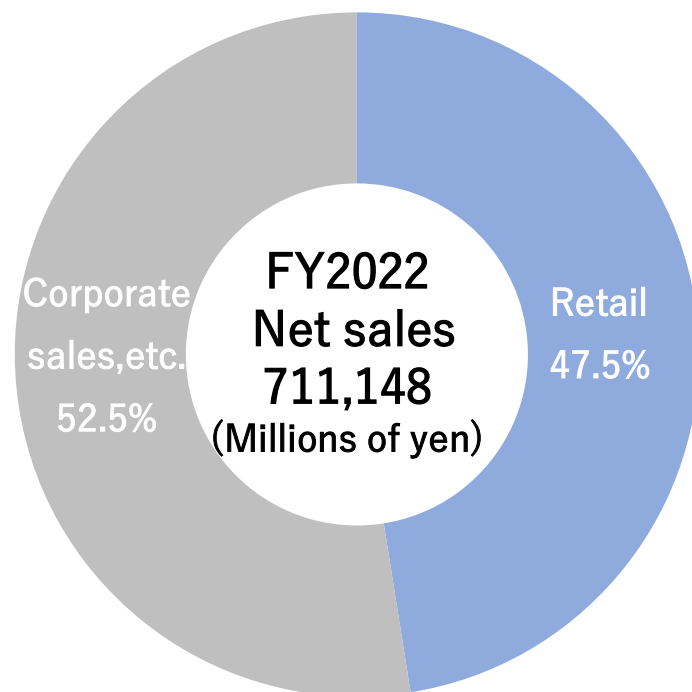
GMV, which indicates the scale of our business, is an indicator of the promotion of relay use.
GMV growth leads to business growth and improved profitability



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

Breakdown of consolidated Net sales (Retail / Overseas)

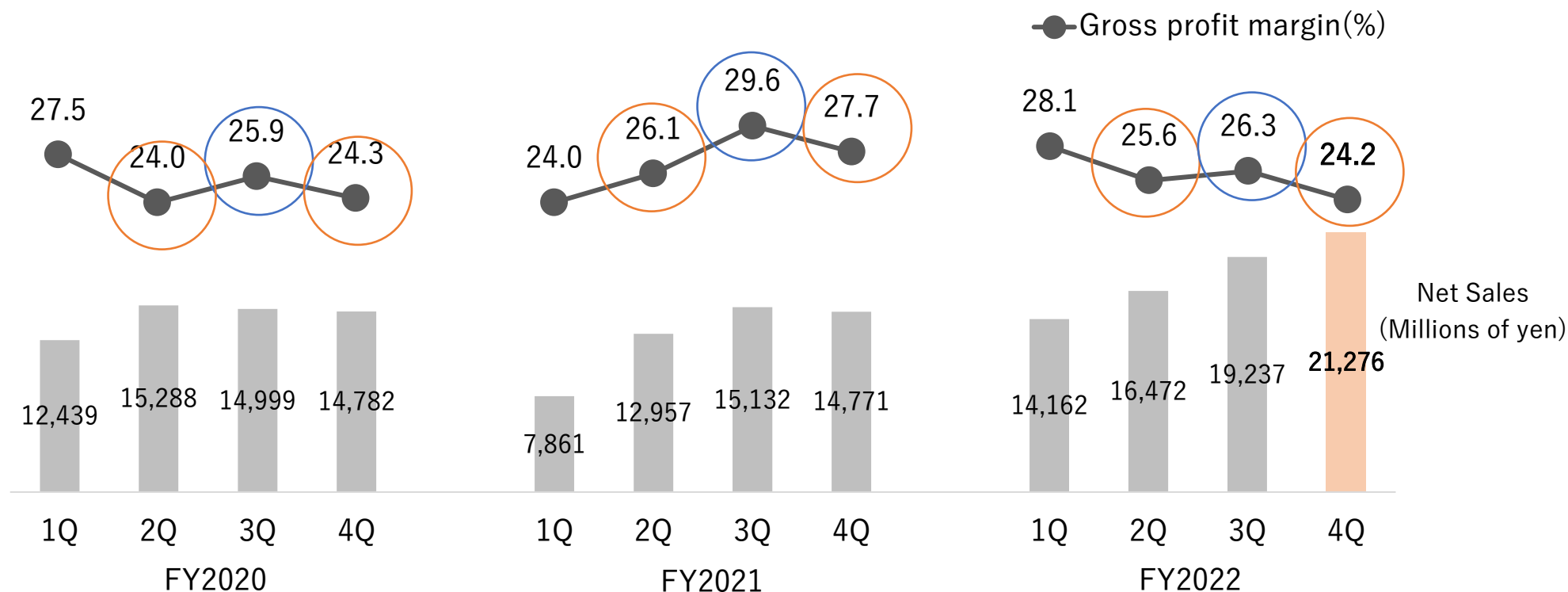
The hybrid business of retail and corporate sales is balanced across the Group as a whole. Even including the third quarter, which is the busy season in Japan, the ratio of overseas sales remained steady at 10% of total sales.



※The ratio of overseas business does not include domestic tax-free sales, etc.

Trends in Consolidated Net sales and Gross Profit Margin

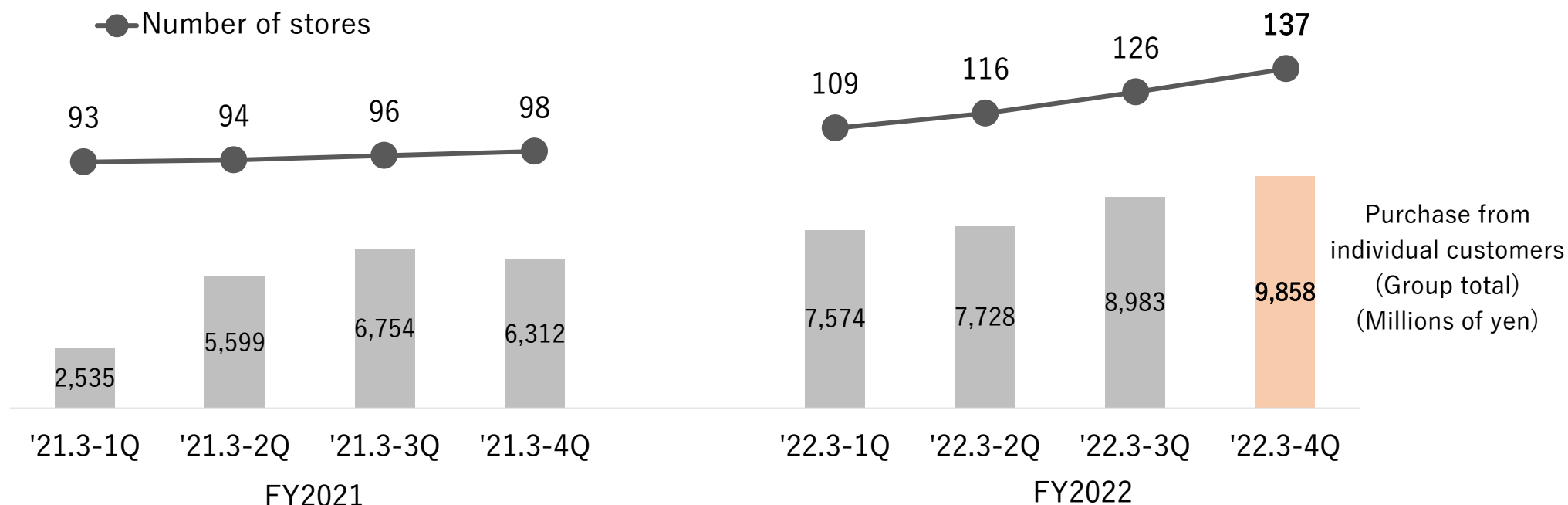
In 4Q, corporate sales with a low gross margin increased significantly, mainly reflecting the steep rise in gold market price.



Seasonal factors behind the change in the gross profit margin include a tendency to increase in the third quarter, when the ratio of retail increases for the year-end shopping season, and a tendency to decrease in the second and fourth quarters for stock-taking.

Purchase from individual customers (Group total)

Purchases from individuals remained favorable with the opening of Komehyo's purchasing centers, the holding of KAITORI Go purchasing events, and an increase in the amount of purchases per customer. In particular, the purchase price of watches increased sharply.



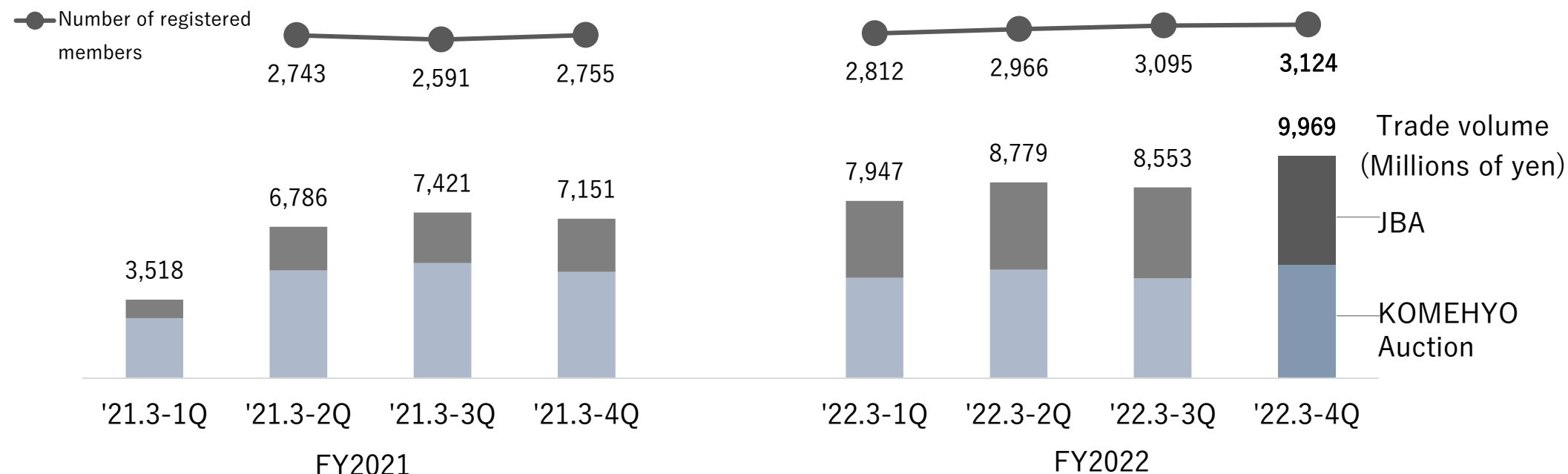
※The individual purchase amount is the amount purchased from an individual customer through the following route.

- Purchasing at stores
- Purchasing at visited sites
- Purchasing at events (KOMEHYO)
- Purchasing using home delivery services (KOMEHYO)

Changes in corporate auction trade volume

JBA auctions (particularly the offline auctions in Kanazawa) continued to be strong due to an increase in the number of registered members.

The total volume of auctions among companies increased 40% YoY.

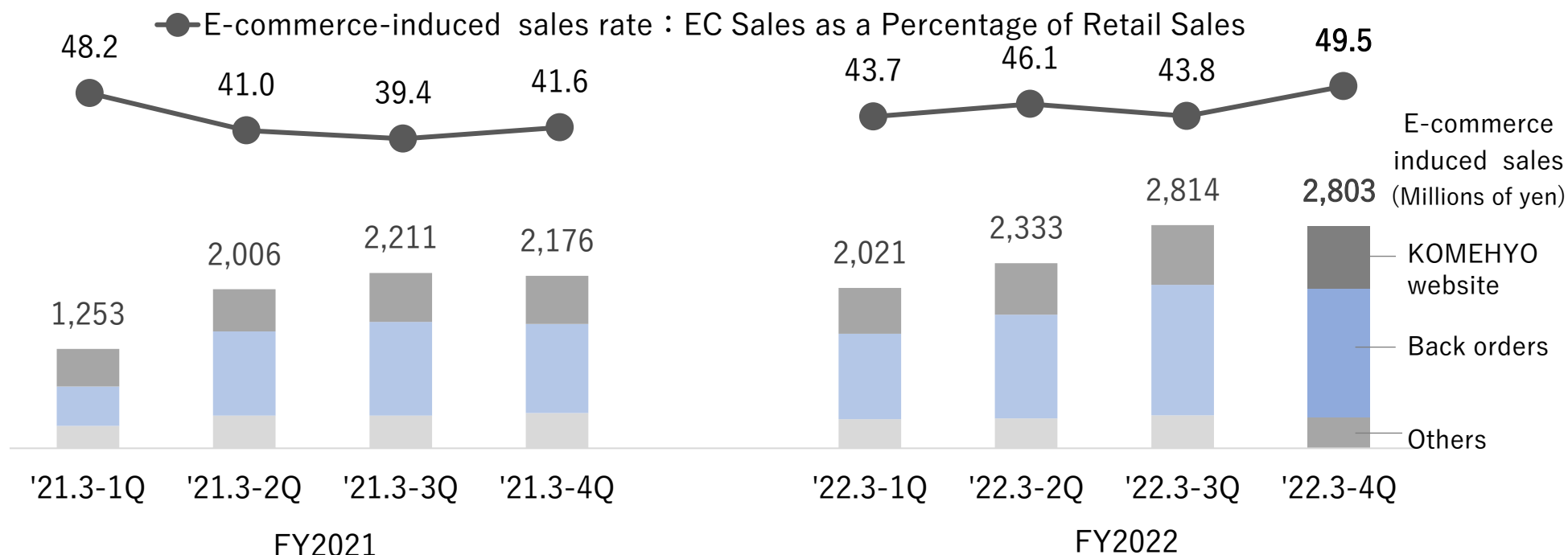


※KOMEHYO auction : The online auction method
 ※K-BRAND OFF : Japan Brand Auction(JBA)TOKYO – the real bidding method
 Japan Brand Auction(JBA)KANAZAWA – the live auction method
 JBA Live Net Auction – The online bidding method

E-commerce-induced sales rate(KOMEHYO)

While the infection situation of the new corona is settling down, the habit of shopping through EC has become established.

The EC involvement rate increased by 3.9 points from 42.7% in the 21.3 period to 46.6% in the 21.3 period, and the target of 50% is just around the corner.

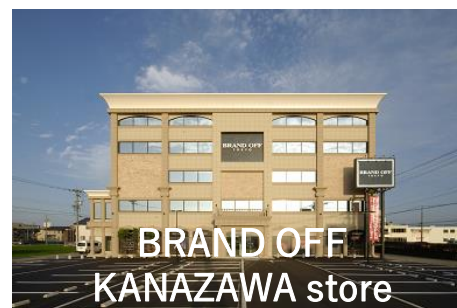


※KOMEHYO website: Make a purchase by directly clicking the KOMEHYO online store or by making a phone call to a contact center and receiving a customer service.
 Back orders(Purchasing from a catalog): Make a purchase after choosing a product from a catalog at the KOMEHYO online store, having the product delivered to a nearby KOMEHYO store and making sure of the product in person.
 Others(Other companies' websites): Make a purchase at a store KOMEHYO set up at an Internet sales site operated by another company.

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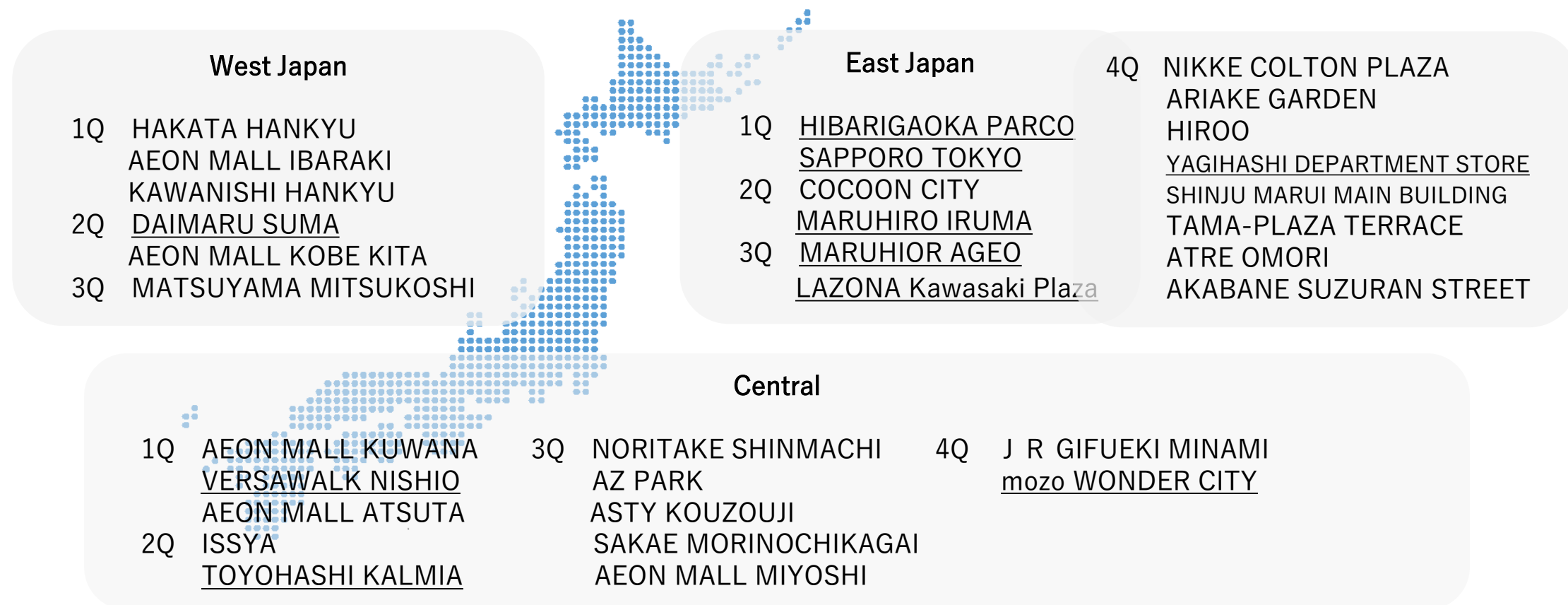
Stores : Group total 137 stores (As of March 2022)

	Brand Fashion					Tire and Wheel	
	 KOMEHYO	 LINKSMILE by KOMEHYO USED MARKET by KOMEHYO	BRAND OFF T O K Y O	<i>Shellman</i> Since 1971	WORM	 Craft SINCE 1972 KOMEHYO GROUP	 U-ICHIBAN
Flagship stores	5	—	2	1	—	—	—
Sales Stores	—	2	—	6	2	—	—
Stores annexed with sales facilities	12	6	2	—	—	10	4
Purchasing Center	59	—	10(FC2)	—	—	—	—
Overseas	5	—	11	—	—	—	—
Total	81	8	25	7	2	10	4



Opened stores in FY2022 (KOMEHYO/Purchasing centers)

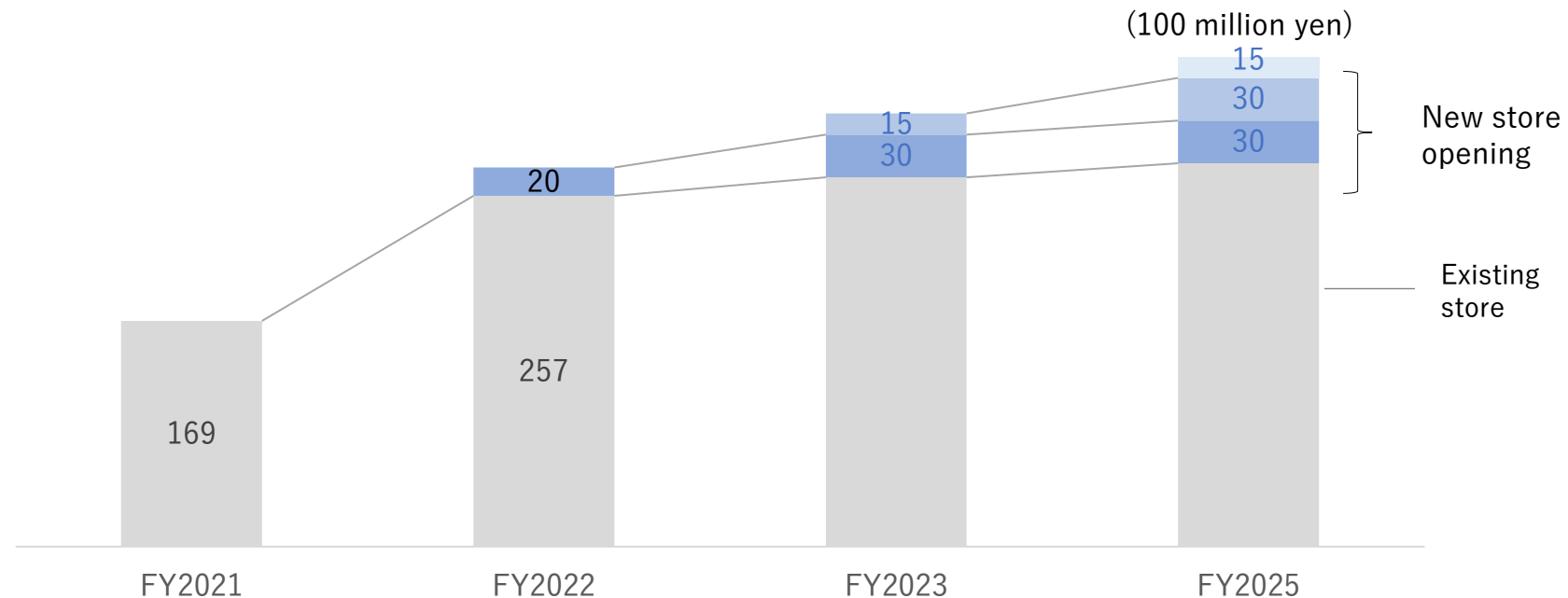
KOMEHYO opened 32 purchase centers in the fiscal year and achieved the goal of opening more than 30 stores per year.



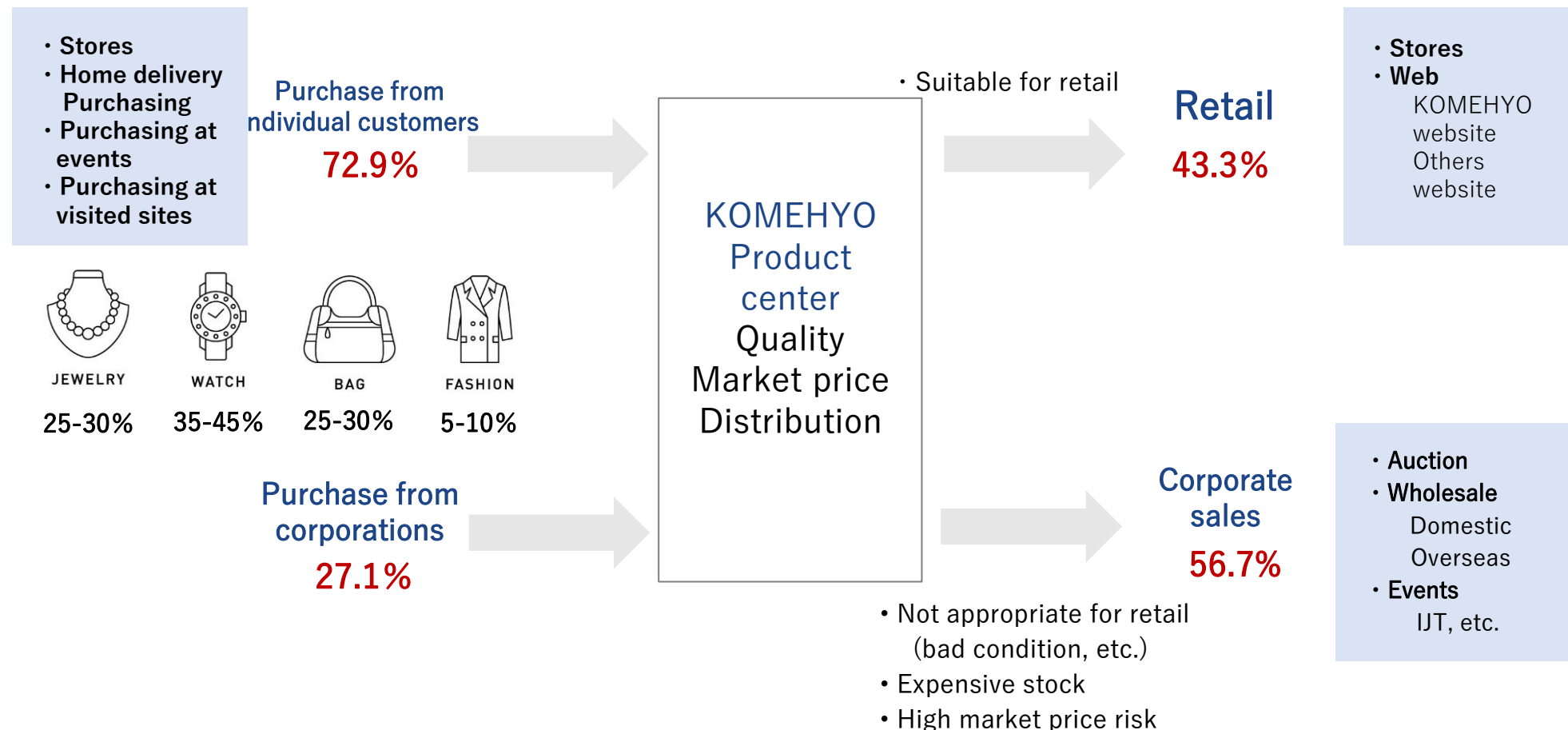
※Stores with underlining are stores specializing in purchases, and they became permanent stores with the "KAITORI GO" purchasing event as a foothold.

Effect of opening the purchase center image (KOMEHYO)

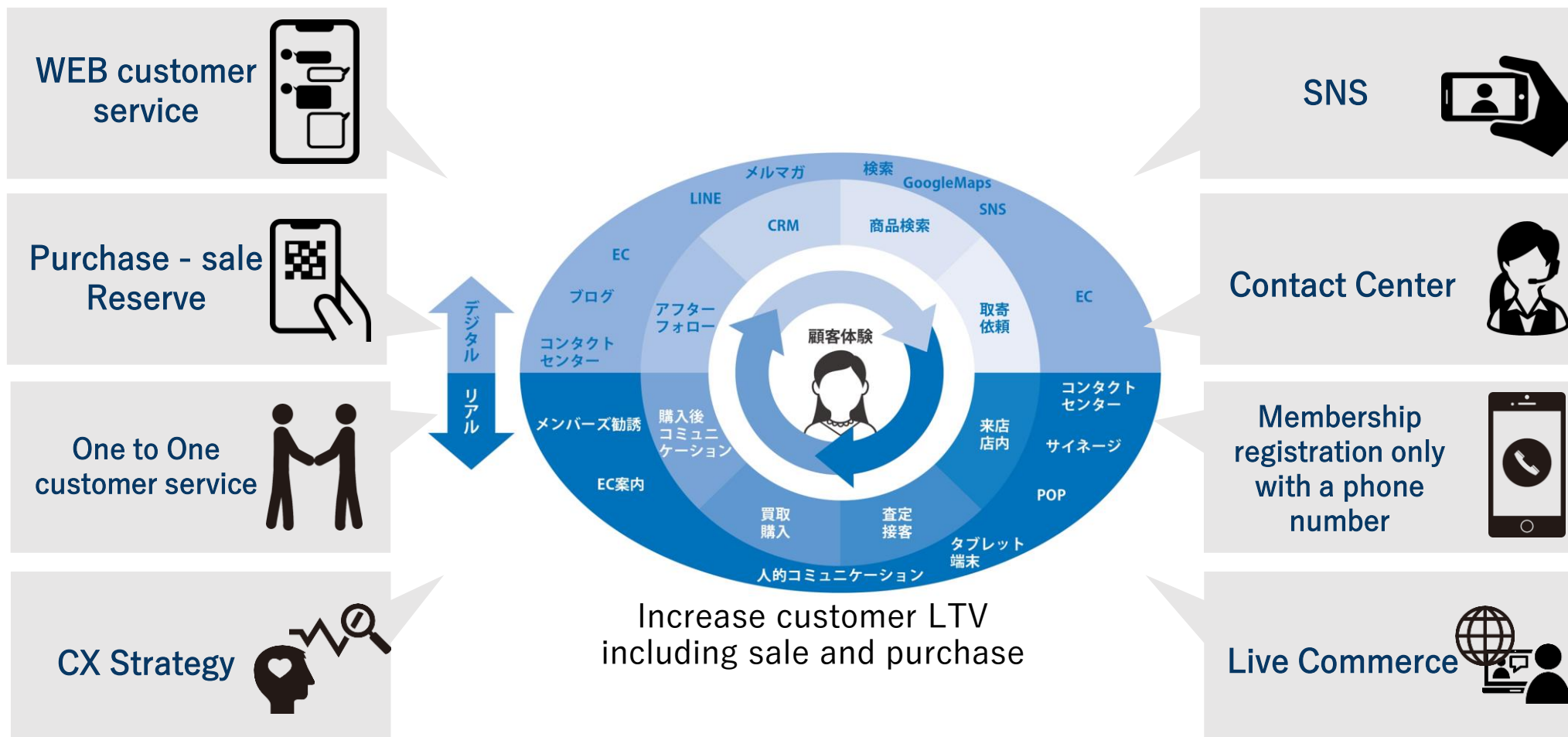
More than 30 purchase centers have been opened since the previous fiscal year, and 100 purchase centers will have been opened in the three years, in places where customers pass by daily. We are planning to increase purchase from individual customers by 3.0 billion yen per year (1.5 billion yen during the fiscal year), targeting purchases from individual customers at 100 million yen per purchase center.



Product distribution image (KOMEHYO)

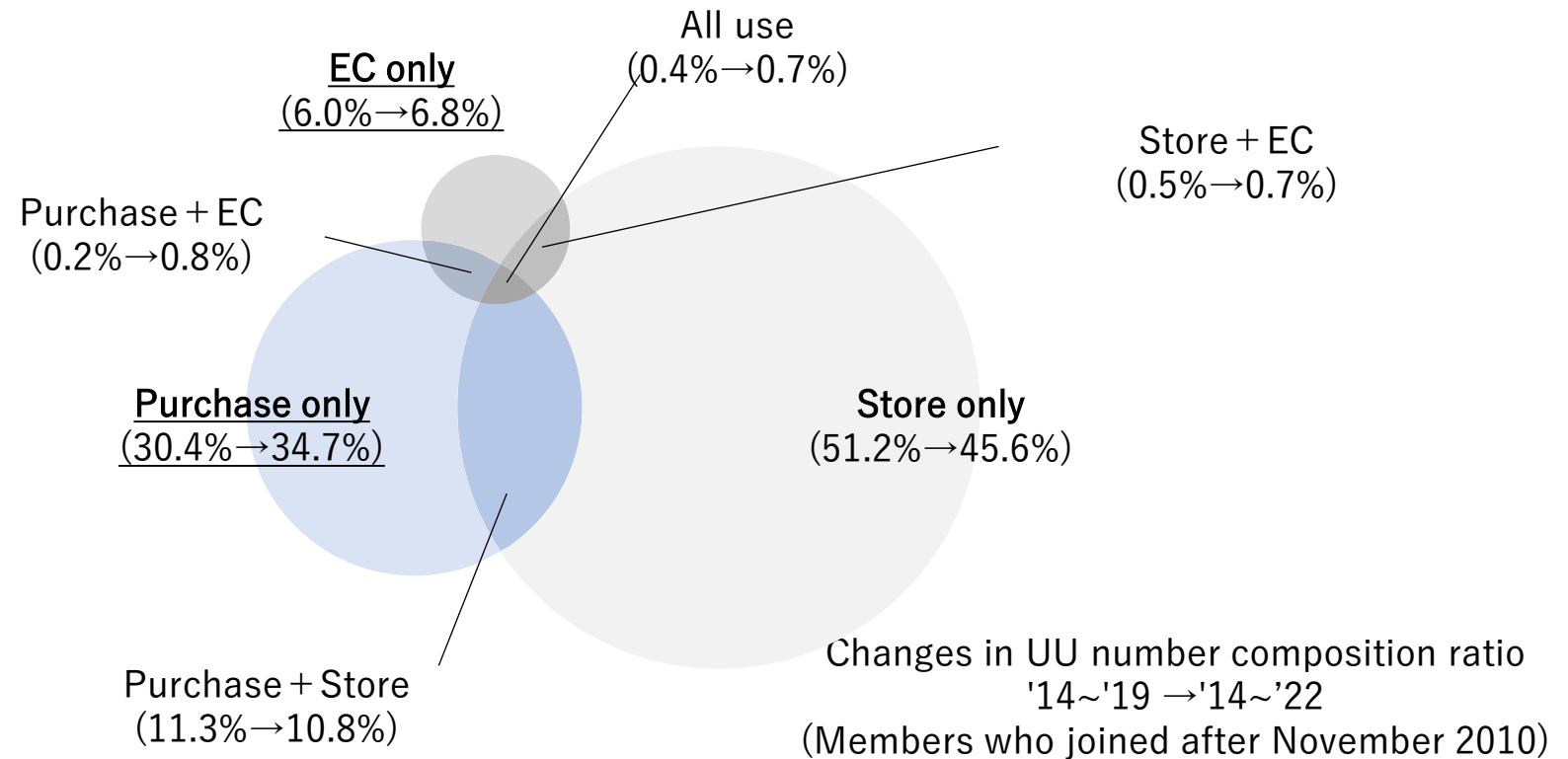


Strengthening OMO that will continue from the previous term (KOMEHYO)



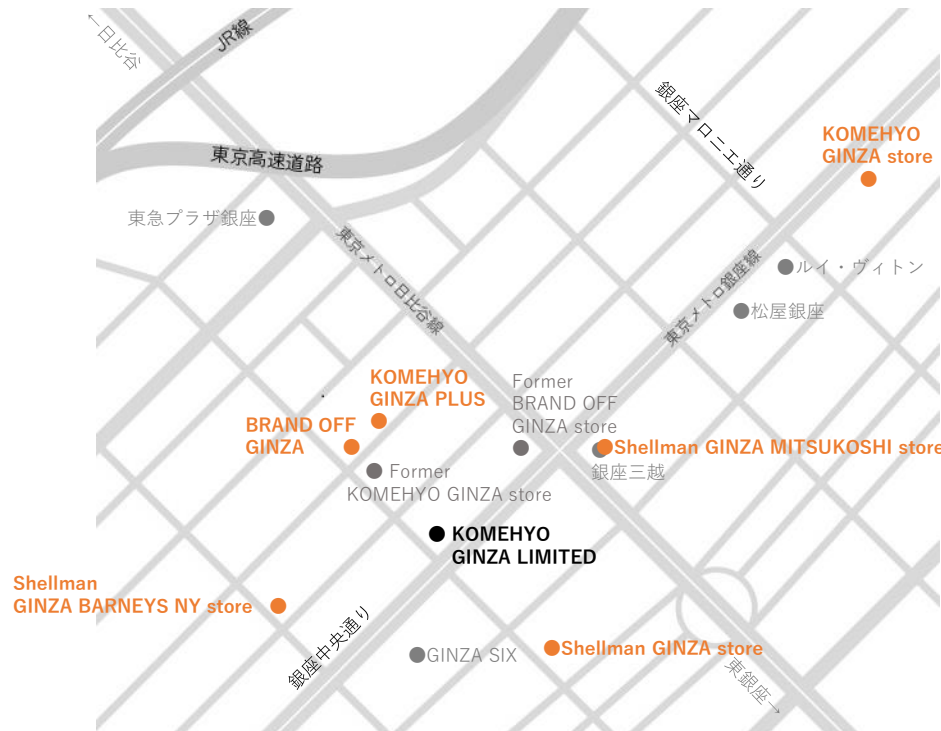
Status of utilization by members (KOMEHYO)

While the majority of members only purchase goods or only sell their goods at stores, there also exist those who both purchase and sell goods. The ratios of those who only buy and sell goods online are rising due to the OMO strategy and the openings of purchase centers.



Store development in the Ginza area

Ginza is an important area for strengthening retail sales.
Expand stores as a group and expand contact points with customers.



Future plans

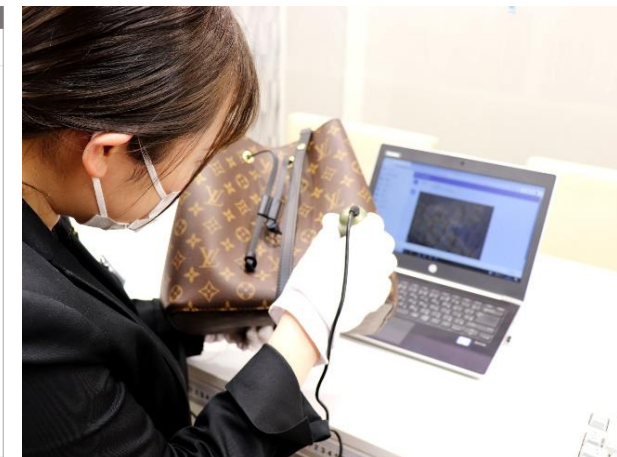
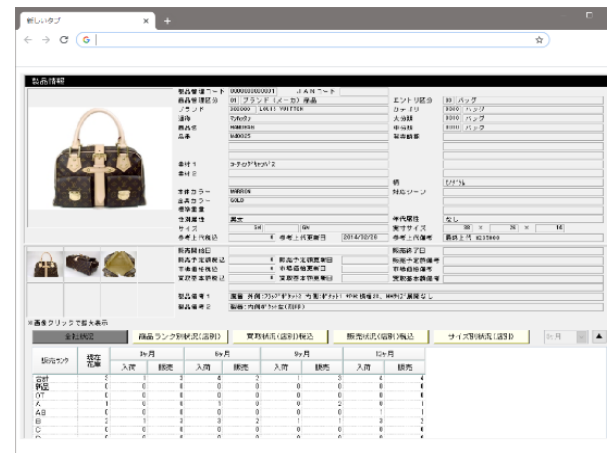
- Until late July KOMEHYO GINZA Limited
(back order service and purchase by appointment only)
- Early September **KOMEHYO GINZA PLUS**
(back order service and purchase by appointment only)
- Early October **BRAND OFF GINZA store relocation**
(Sale / Purchase / Pawn shop)
- Late November **KOMEHYO GINZA store (Tentative)**
(Sale / Purchase)

Assessment of authenticity and model numbers through AI

The AI has been introduced to all KOMEHYO purchase centers. It will also be introduced to purchase centers of K-BRAND OFF (franchised stores).

In the future, the AI is planned to be introduced to LINK SMILE by KOMEHYO and KAITORI Go purchasing events.

- Improvement of communication with customers
- Elimination of counterfeit goods
- Quicker development of assessors
- Global expansion
- Franchise development



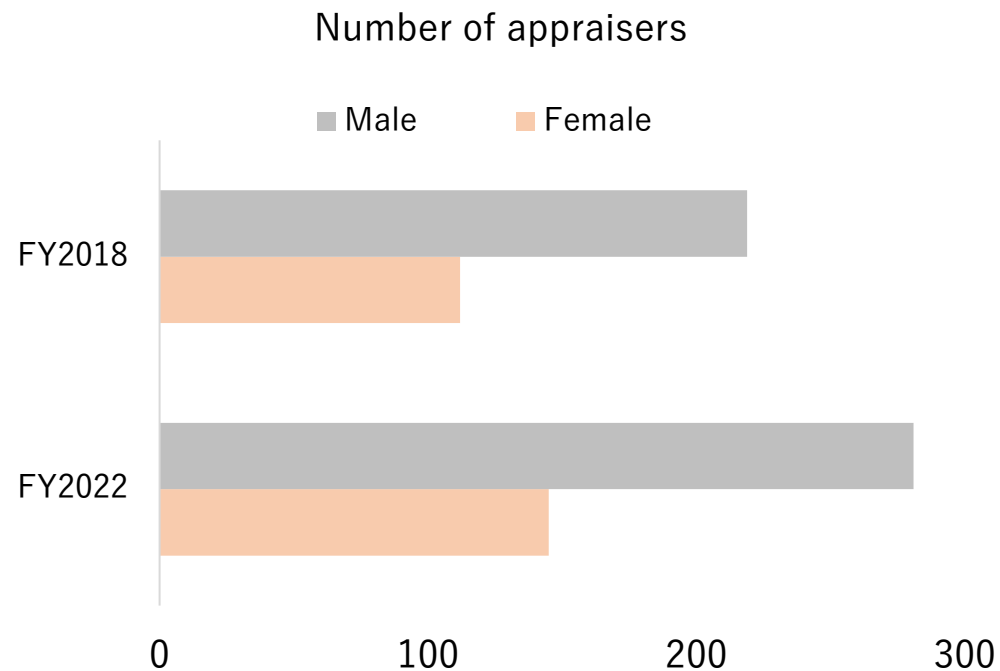
Human capital management (KOMEHYO)

In the business model of environmentally and socially conscious recycling, humans play a wide range of roles (knowledge, skills, expertise, speed, relationship with customers, etc.), making it important to take initiatives to develop and retain human resources.



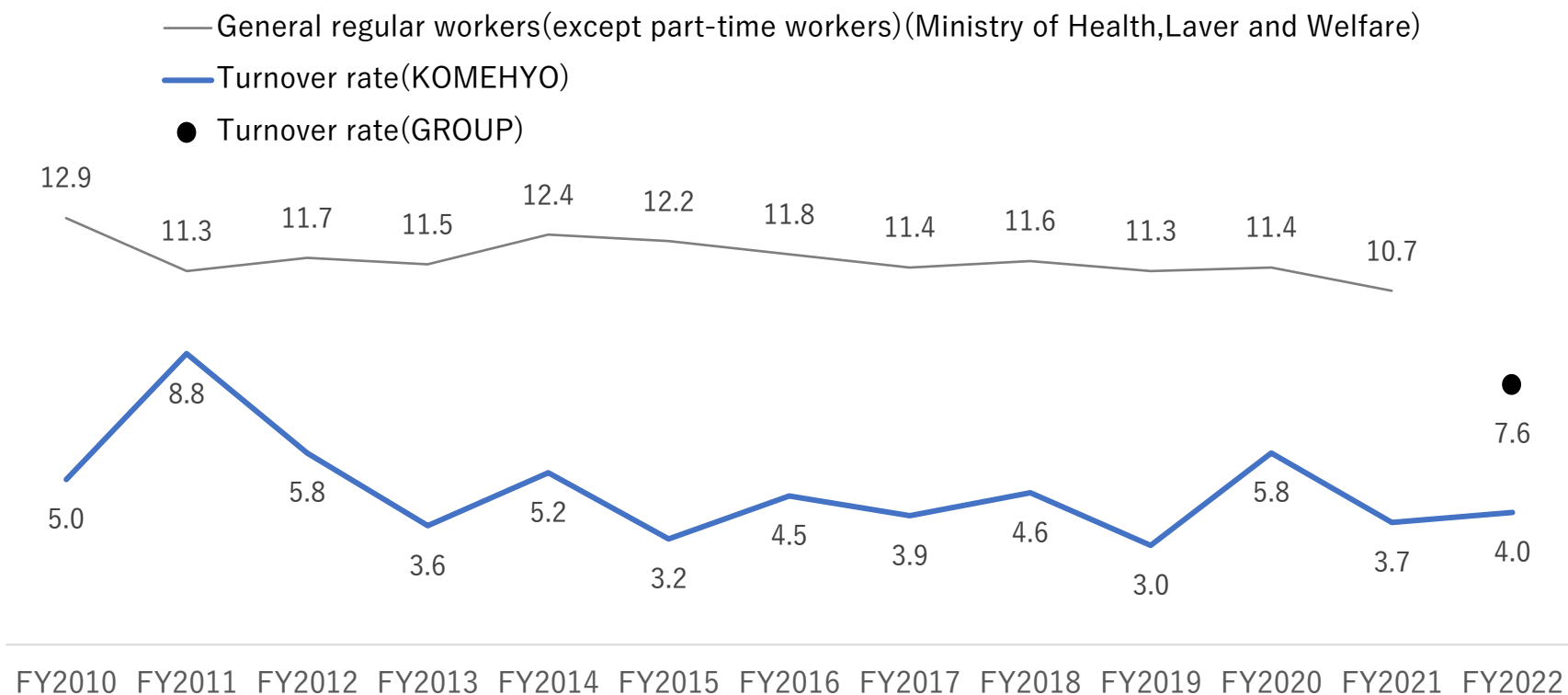
Human resources development (KOMEHYO)

The number of female appraisers is rising steadily due to the systematization of training.
Of the 84 stores in Japan, the number of female store managers and assistant managers increased to 18 stores.





Human resources retention rate

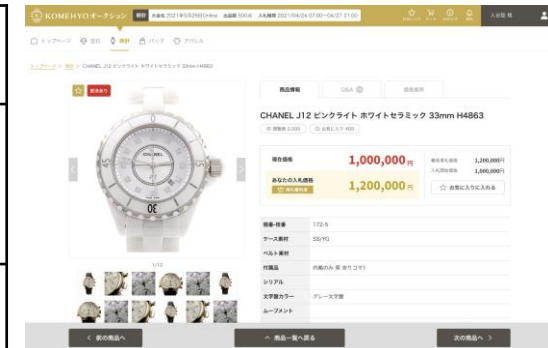
Employee turnover rate has been low, which means that the employee retention rate has been high. This enables to accumulate expertise, laying a foundation for stable growth.



Format of auctions among companies

KOMEHYO Auction and JBA complement each other in terms of area, date and format of the event.

		Frequency of corporate auctions
	Jewels / watches / bags	Online auction 2 times/ month
	Apparel clothing	Online auction Monthly
 (K-BRAND OFF)	JBA Kanazawa	Real auction Monthly
	JBA Tokyo	Online auction Monthly
	JBA Live net	Online auction Every Monday and Thursday



Corporate Auction (KOMEHYO Auction)

Renewal of the member site from "bid method" to "auction method"
Improving member convenience and making it a more attractive platform



1. Visualize pricing process through bid-up system
2. Increase bidding efficiency through simultaneous bids using the shopping cart function
3. Facilitate the discovery of intended items using narrowed-down search and special condition search
4. Allow instant purchase setting to reduce the lead time to conversion to cash

Oversea (KOMEHYO Shanghai (CHINA))

KOMEHYO Shanghai now has three stores: Shanghai Isetan and Shanghai Takashimaya's limited-time stores have been converted to permanent stores, and a new store has been opened at LaLa Station (photo on the right).



Shanghai Isetan



Shanghai Takashimaya's



LaLa station Shanghai

Tire and Wheel

Both sales and profit increased as CRAFT focused its efforts on selling summer and winter products and custom products such as suspension. Moreover, 4 × 4 Engineering Services released new products.



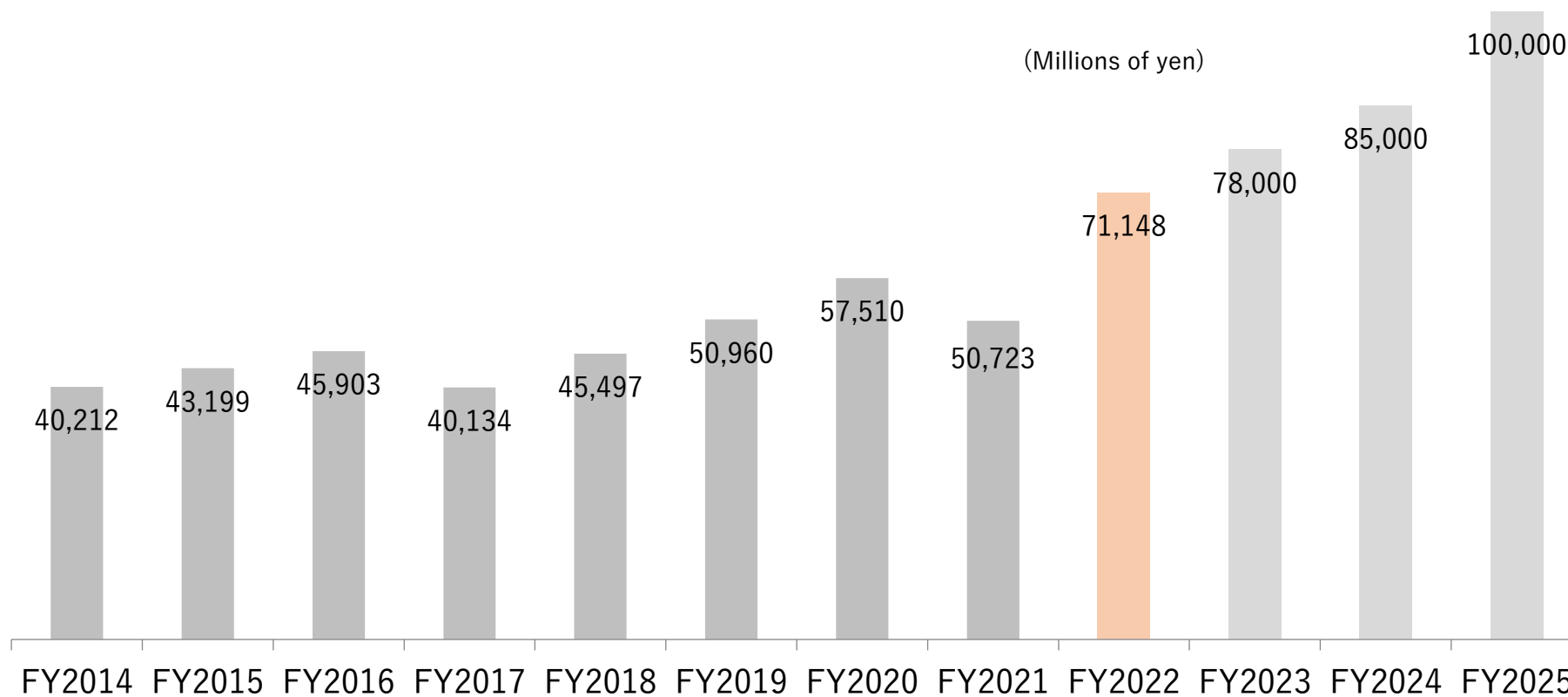
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Medium-term management target (until FY2025)

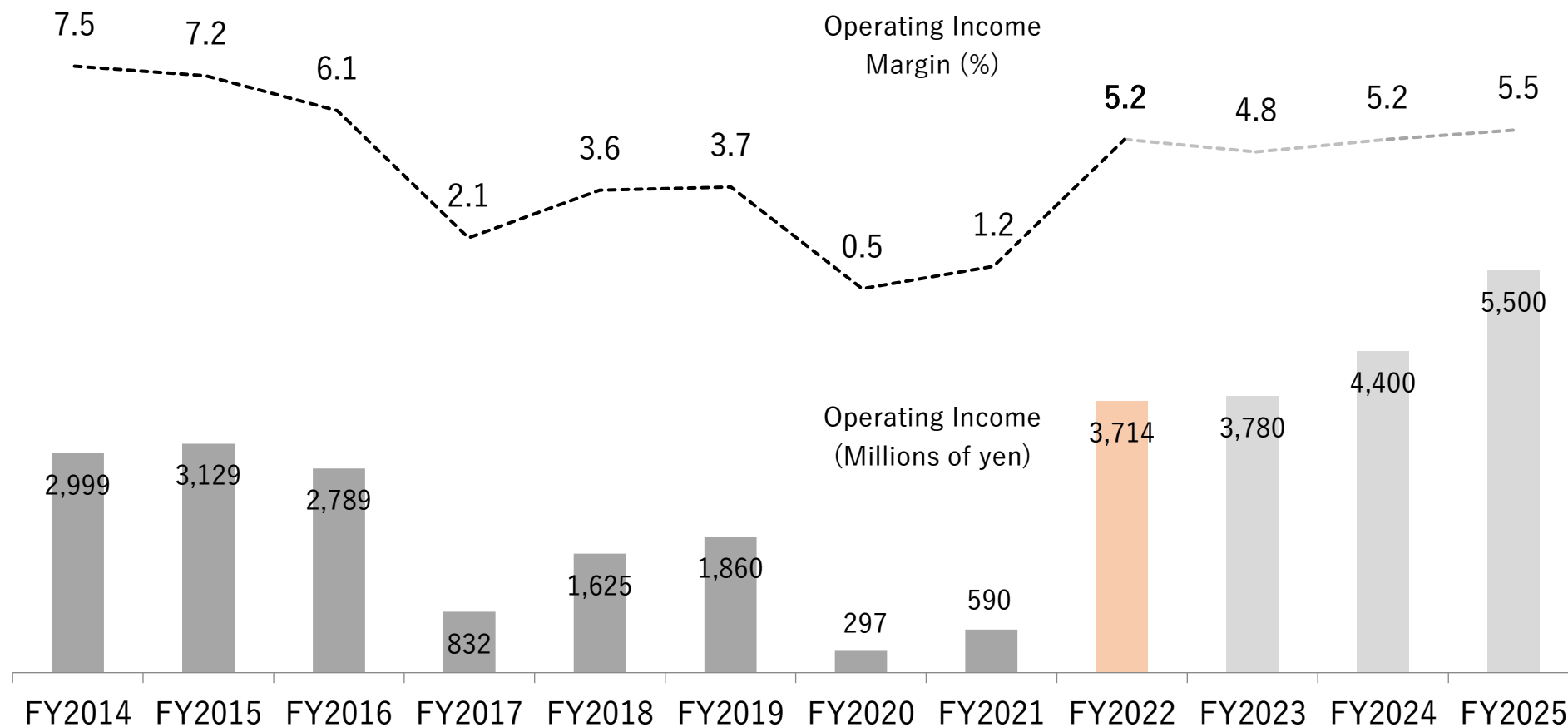
(Millions of yen)	FY2023		FY2024	FY2025
	1H	Full year	Full year	Full year
Net sales	35,500	78,000	85,000	100,000
Operating income	1,160	3,780	4,400	5,500
Operating profit margin	3.3 %	4.8 %	5.2 %	5.5 %
Ordinary income	1,020	3,780	4,400	5,500
Net income attributable to owners of parent	700	2,450	2,850	3,450

※It is expected that retail sales will increase as inbound demand returns in the fiscal year ending March 2025.

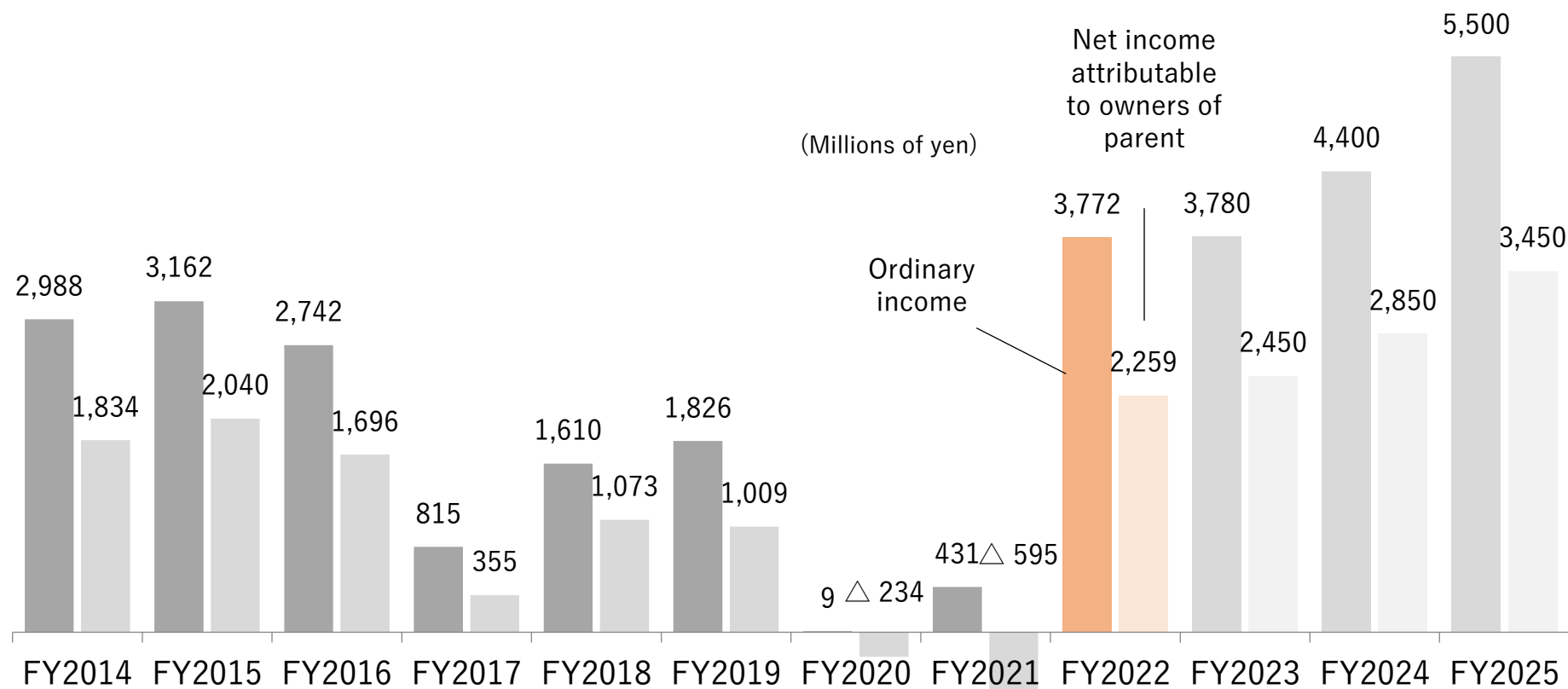
Sales plan



Operating Profit Plan



Ordinary income/Net income Plan



Medium-term management plan:
Continuous business expansion through investments in growth businesses and human resource development

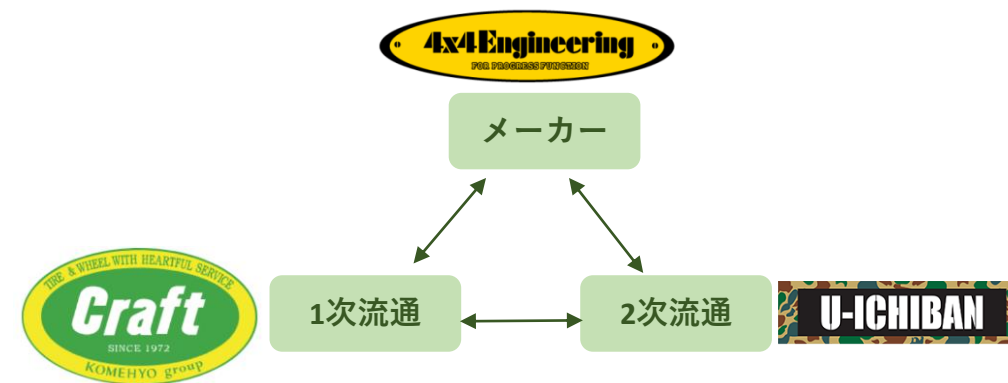
Brand Fashion

1. Achieving growth with existing core businesses
2. Achieving growth with businesses that contribute to the distribution of used goods to revitalize the market
3. Achieving growth with businesses that contribute to market growth and the formation of a sound market

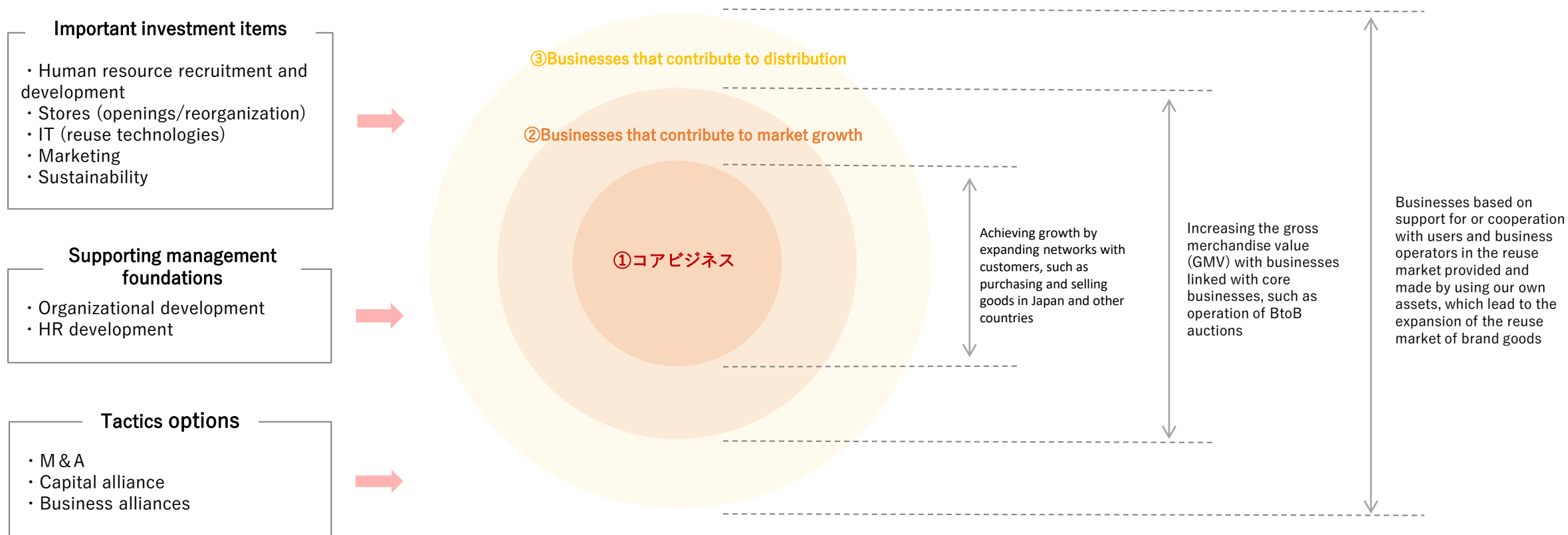


Tire/Wheel

1. Strengthening profitability
2. Strengthening product development
3. Making attempts at businesses and items with affinity



Growth in the brand reuse market image



Medium-term Management Plan : Brand · Fashion

Gaining more influence in the reuse market by making maximum use of the Group's assets

1. Achieving growth with existing core businesses

= Domestic =

- Increasing the number of purchasing channels
(continuing to open purchase centers and strengthening alliances)
- Creating seamless customer touch points by using digital technologies and improving the customer experience value through the reorganization of stores
- Improving the value of used goods by means of upcycling

= Overseas =

- Strengthening purchase and sales through the opening of new stores at each base, etc.
- Developing new bases
- Building a network for the distribution of products among overseas bases



Medium-term Management Plan : Brand · Fashion

Gaining more influence in the reuse market by making maximum use of the Group's assets

2. Achieving growth with businesses that contribute to the distribution of used goods to revitalize the market

- Auctioning more items through franchise development (openings of 100 purchase centers by franchised stores)
- Providing reuse technologies, expertise, and market information to member companies
- Acquiring new member companies in Japan and other countries by using digital technologies



3. Achieving growth with businesses that contribute to market growth in Japan and overseas and the formation of a sound reuse market

- Supporting the growth of reuse-related businesses with SaaS
- Supporting new entrant companies, etc. by using human resources and training systems
- Business cooperation using databases (customer data and product data)



Medium-term Management Plan : Tire • Wheel

Expanding the business by strengthening profitability and investing in growth drivers

1. Strengthening profitability through collaboration among the three companies

- Strengthening and opening specialty stores developed according to customer preference
- Strengthening the sale and purchase of used tires and wheels and controlling their inventory
- Improving productivity and strengthening expertise through investment in human resources

2. Investing in product development

- Planning and manufacturing wheels and automobile parts by taking advantage of brand power
- Stepping up efforts to supply products to overseas markets
- Maintaining and increasing brand power in Japan and overseas

3. Approaching businesses and items with affinity

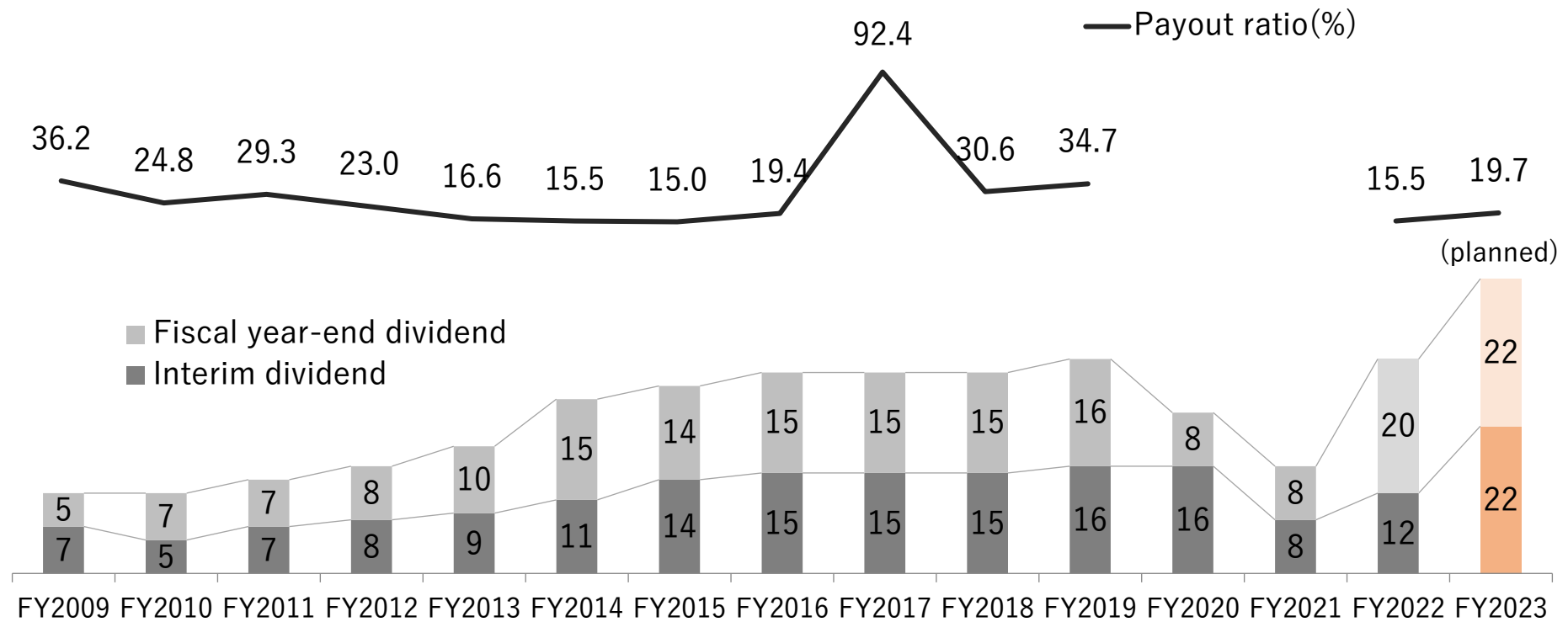
- Used cars
- Automotive supplies
- Car camping supplies



1. Overview of Financial Results
for the Fiscal Year Ended March 31, 2022
2. Initiatives for the Fiscal Year
Ended March 31, 2022
3. Medium-term Management Plan
- 4. Shareholder return**
5. Company Profile, etc.

Shareholder return

Aiming to increase dividends consistently in line with the status of profit and cash flow



1. Overview of Financial Results
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Corporate Profile

Company name	Komehyo Holdings Co., Ltd.
Established	May 1979 ※Transition to holding company system in October 2020
Head Office	3-25-31 Osu, Naka-ku, Nagoya
Representative	President, Representative Director: Takuji Ishihara
Capital	1,803 million yen
No. of employees	Consolidated: 967 Non-consolidated: 16 (As of March 2022)
Business activities	Groupwide corporate planning, management and marketing, and real estate business
Fiscal year-end	March
Stock	Second Section, Tokyo and Nagoya Stock Exchanges (Securities code: 2780; Unit: 100 shares)

Mission

Komehyo Holdings is necessary for a sustainable recycling society.
It acts as a relay point in the connection of “people,” “things,” and “society.”
We will strive to connect “good quality” and “value” to the future.



We respect people for making products, thank people for providing products for use by other people, and make people who reuse such products happy, and by doing so, create an empathy-based recycling society.

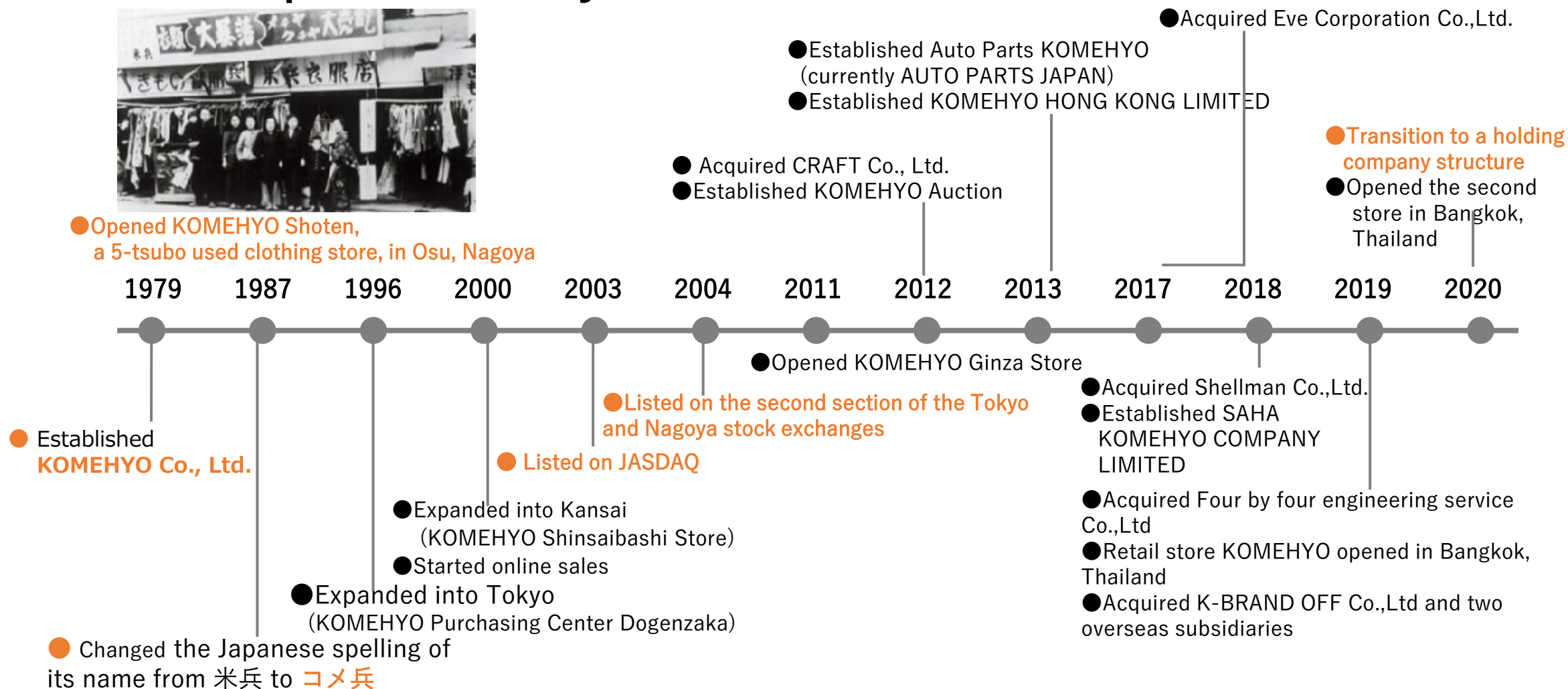


We develop a concept of environmentally and socially conscious recycling into a culture.



We listen and empathize with what others say.
We value the importance of talking.
We take action proactively.
We are not afraid of creating change.

Corporate History



From reuse to relay use We will inherit that "value".

Maintenance, remake, editing, connection with people.
"Relay youth" is not just a downcycle of the value of things,
but an upcycle of increasing the value, even though it is
reused.

As values for a sustainable future society spread, we will
contribute to the formation of a sustainable society by
respecting producers and users and relaying their "feelings".



KOMEHYO HD Group materiality (important issue)

Work on four tasks of purchase, sales, appraisal, and restoration to realize the circulation of value through environmentally and socially conscious recycling, in pursuit of both promotion and growth of reuse and value improvement of used goods.



Value Chain for RELAY USE

Purchase Making reuse a common practice in society

Promotion and growth of reuse

Sales Developing the reuse market further

Appraisal Pursuing fair sustainability

Value improvement of used goods

Restoration Restoring value with our unique technical capabilities

A value chain where value circulates through relay use

Developing the reuse market further

Contributing to the development of the reuse market by proposing quality items, taking advantage of the diversity of new items, unused items, items for reuse, and others

- Revitalizing the reuse market through BtoB auctions
- Providing unique value
- Disseminating the reuse culture to other countries to d used goods to the world
- Introducing environmentally friendly shopping bags
- Expanding the reuse customer base in Japan and overs



Making reuse a common practice in society

Making it a common practice to sell goods which will no longer be used
Promoting education and creating opportunities for breaking away from the social structure of mass production for mass consumption

- Initiatives to ensure that recycling of goods creates new value and leads to happiness
- Strengthening measures to drive KAITORI GO (creating opportunities through cross-industrial collaboration)
- Improving engagement
- Disseminating the culture of handing down goods from person to person, from Japan to the world
- Creating an environment where goods can be purchased casually without worry
- Cooperating with related government ministries and agencies and related organizations



Restoring value with our unique technical capabilities

Creating new value by understanding the intrinsic value of goods and applying expertise that has been accumulated internally over many years.

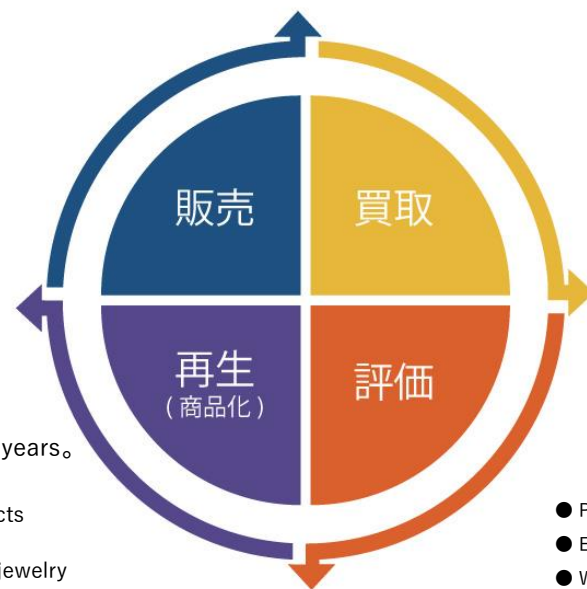
- Manufacturing and discovering distinct, attractive products
- Next vintage, vintage, and antique products
- Repair/restoration of fashion items, bags, watches, and jewelry
- Product lineup for offering good quality from all over the world
- Improving product knowledge
- Developing the standard of product quality of Japan in other countries



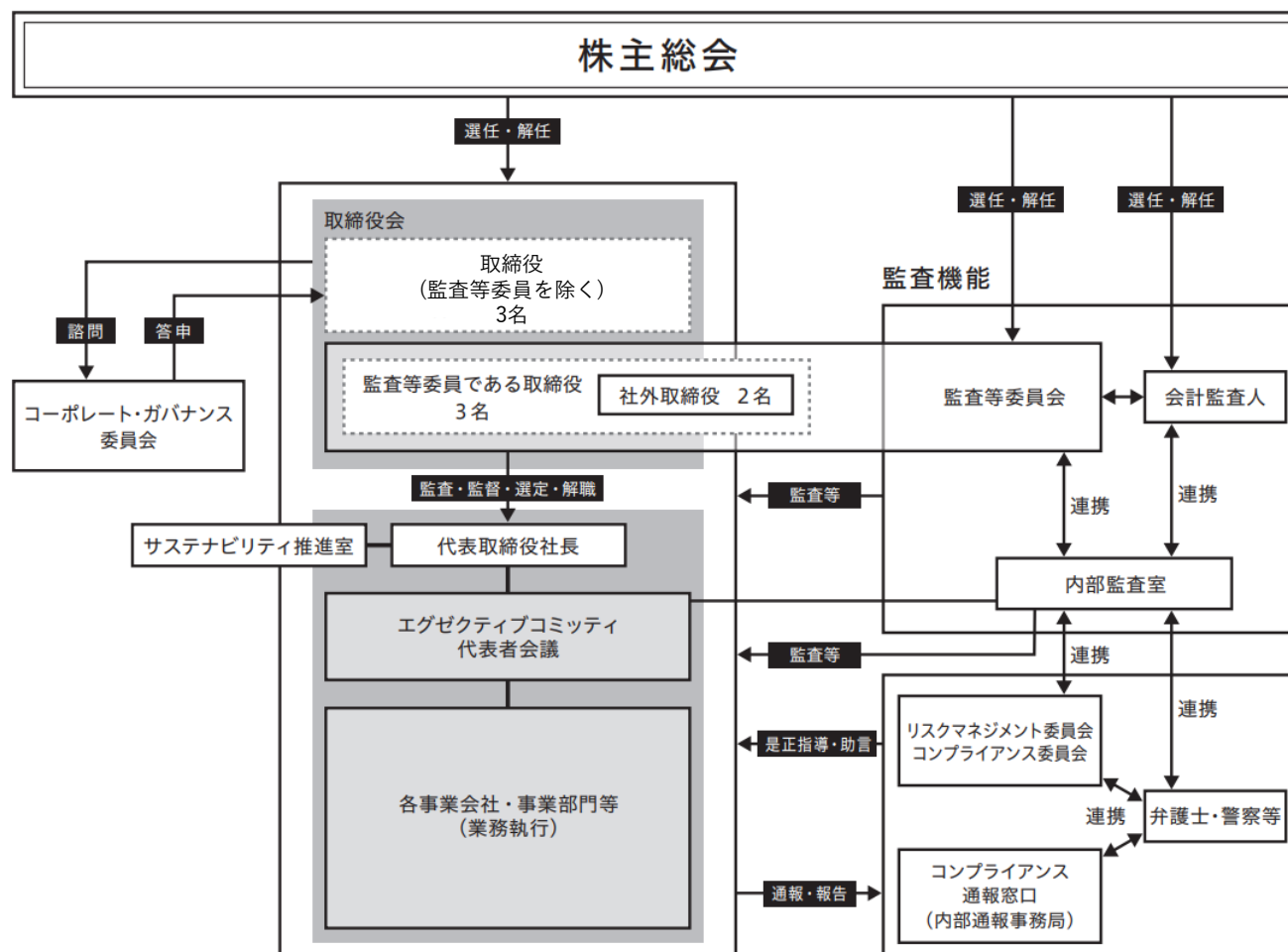
Pursuing fair sustainability

Creating a sound reuse market, where anyone can have a sense of security, with the Komehyo Holdings Group's skills to determine the value

- Promoting reuse technologies (use of AI for assessing authenticity and model numbers)
- Eliminating counterfeit goods from the reuse market
- Working together with partners (business partners, franchised store owners, and auction members)
- Efforts to ensure fair purchase prices and sales prices
- Awareness-raising activities to prevent trouble or damage related to reuse, such as coercive buying
- Developing appraisers with a unique curriculum



Corporate governance system



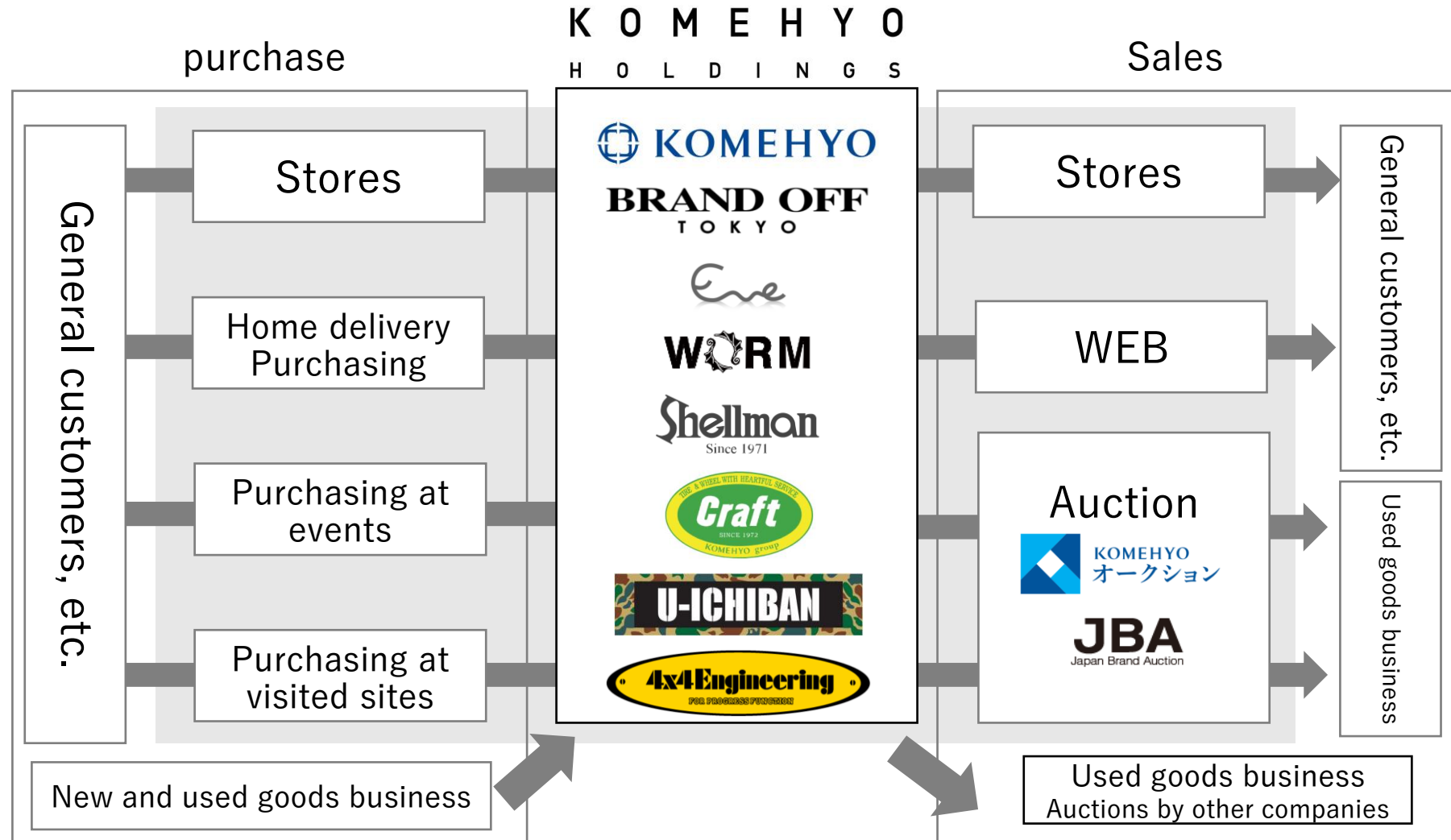
The Group's management efficiency and business performance are aimed at respecting the interests of not only shareholders, but also employees, customers, business partners, creditors, local communities, and other people who have great influences and interests. We are working on strengthening corporate governance with an emphasis on improvement and compliance as the most important management issue.

Officer system



Name	Takuji Ishihara	Toshio Sawada	Yuya Yamauchi	Kazutoshi Torita	Momoko Murase	Miyuki Minamiru
Position	President and Representative Director	Managing Director	Director	Director (Audit and Supervisory Committee Member)	Director (Audit and Supervisory Committee Member)	Director (Audit and Supervisory Committee Member)
Outside Director					○	○
Independence					○	○
Major skills and careers	MBA Sales Division Marketing Vice President, Japan Reuse Affairs Association	Sales Division Overall product control Administration Officer, Association Against Counterfeit Product Distribution	Marketing Corporate planning Business development	Corporate planning Internal control	Lawyer	Certified accountant Tax accountant

Business system diagram



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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 Holdings 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.