

# KOMEHYO

## Earnings Results Briefing for the First Quarter of the Fiscal Year Ending March 31, 2017

August 16, 2016

**KOMEHYO Co., Ltd.**

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

The IR strategy department TEL +81-52-249-5366

**Note:**

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

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

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

The actual results may differ significantly from the forecasts due to a variety of factors, and therefore investors should not place undue reliance on them.

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

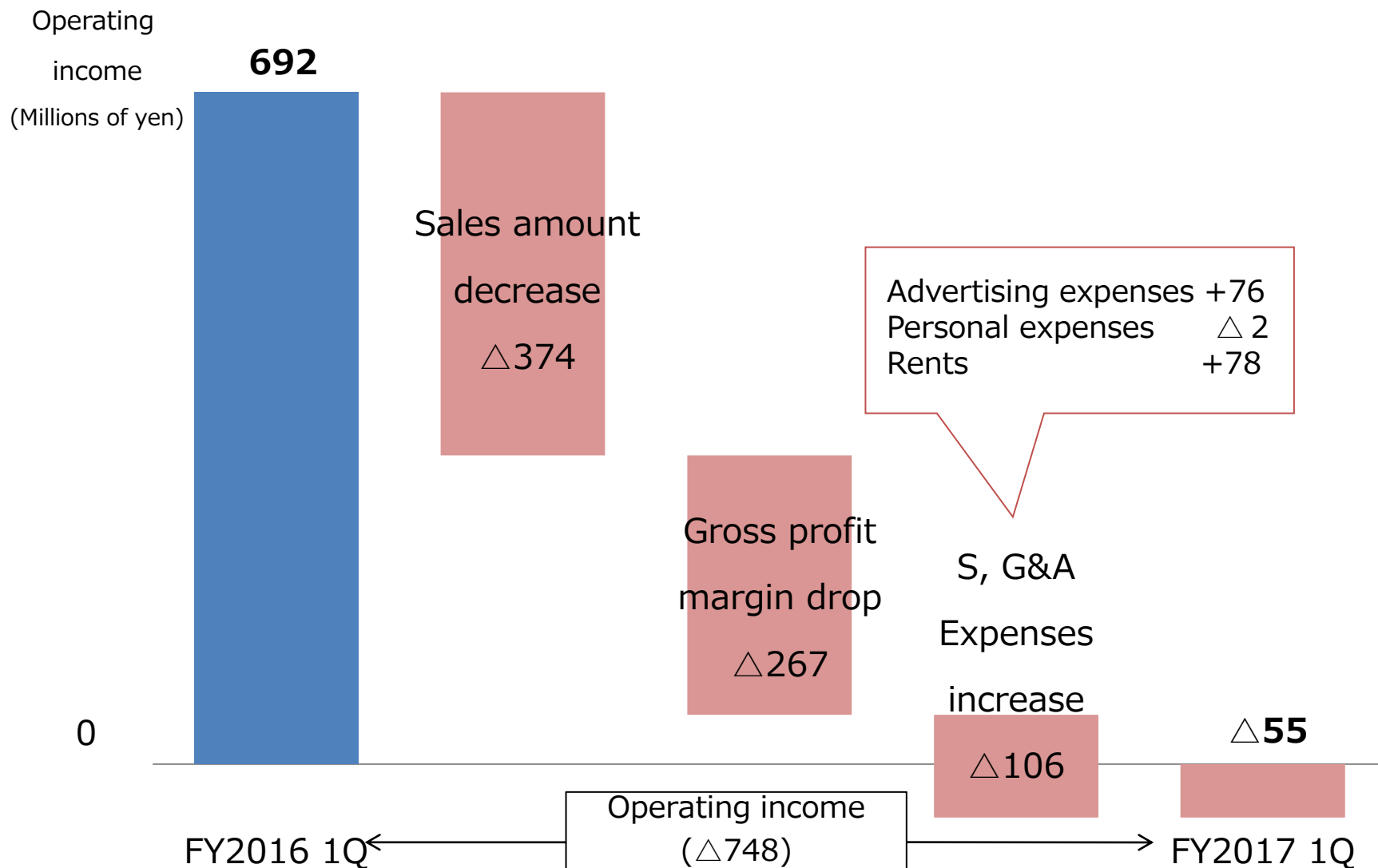
# Overview of Income Statement

| <b>Consolidated</b><br>(Millions of yen)       | FY2016 1Q | FY2017 1Q | Change | YoY    |
|--|-----------|-----------|--------|--------|
| Net sales                                      | 10,374    | 9,153     | △1,220 | 88.2%  |
| Gross profit                                   | 3,181     | 2,539     | △642   | 79.8%  |
| Gross profit margin                            | 30.7%     | 27.7%     | △3.0pt | —      |
| SG&A expenses                                  | 2,488     | 2,595     | +106   | 104.3% |
| Operating income                               | 692       | △55       | △748   | —      |
| Ordinary income                                | 695       | △68       | △764   | —      |
| Net income attributable<br>to owners of parent | 387       | △58       | △445   | —      |

# Overview of Income Statement

| <b>Non-consolidated</b><br>(Millions of yen) | FY2016 1Q | FY2017 1Q | Change | YoY    |
|--|-----------|-----------|--------|--------|
| Net sales                                    | 9,264     | 8,052     | △1,211 | 86.9%  |
| Gross profit                                 | 2,754     | 2,154     | △599   | 78.2%  |
| Gross profit margin                          | 29.7%     | 26.8%     | △2.9pt | —      |
| SG&A expenses                                | 2,101     | 2,225     | +123   | 105.9% |
| Operating income                             | 653       | △70       | △723   | —      |
| Ordinary income                              | 668       | △77       | △746   | —      |
| Net income                                   | 376       | △57       | △434   | —      |

# Operating income increase and decrease factor ( Consolidated )

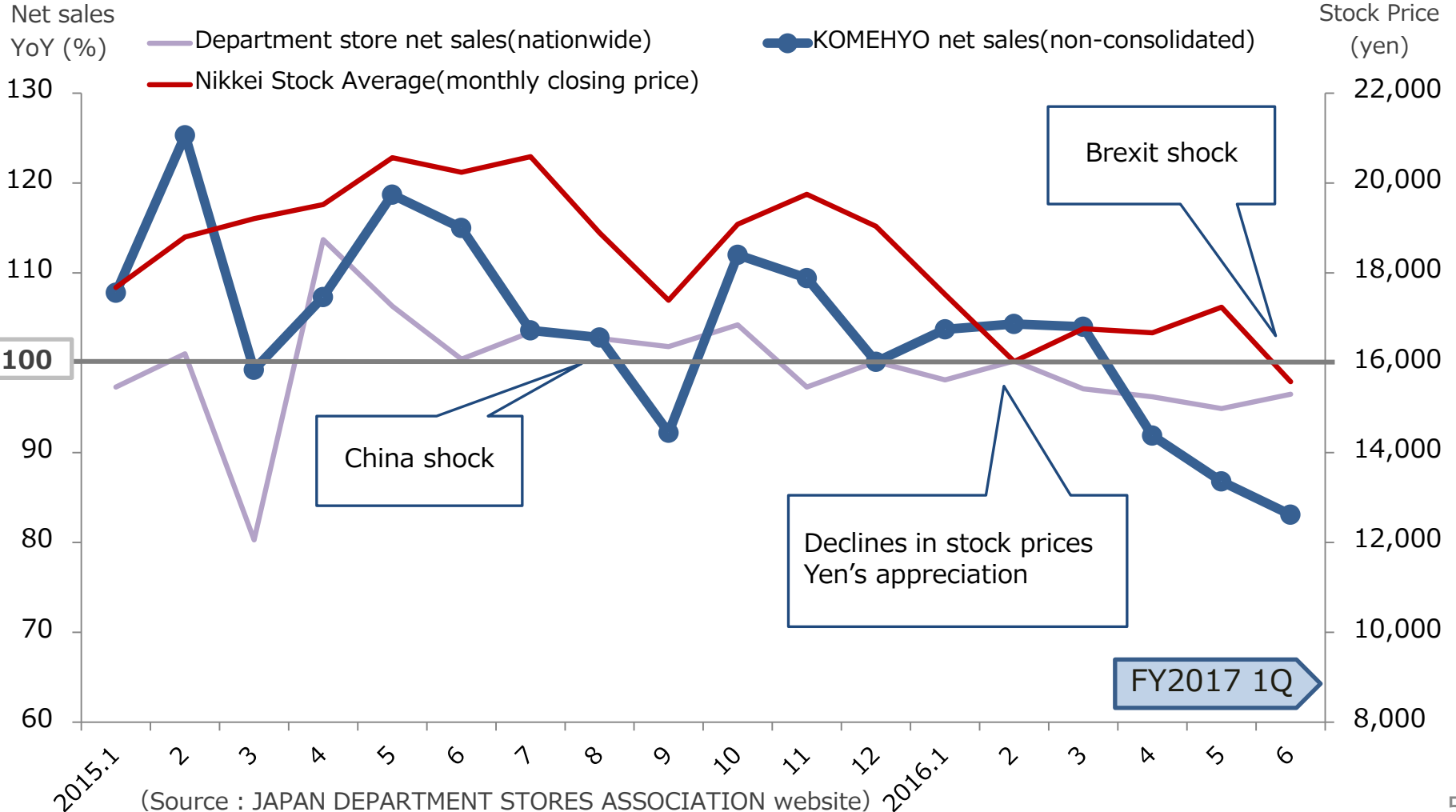


# By Segment

|                | (Millions of yen) | FY2016 1Q | FY2017 1Q | YoY    |
|----------------|-------------------|-----------|-----------|--------|
| Brand Fashion  | Net sales         | 9,421     | 8,181     | 86.8%  |
|                | Operating income  | 686       | △39       | —      |
|                | Operating margin  | 7.3%      | △0.5%     | △7.8pt |
| Tire and Wheel | Net sales         | 930       | 948       | 102.0% |
|                | Operating income  | △1        | △21       | —      |
|                | Operating margin  | △0.1%     | △2.3%     | △2.4pt |
| Others         | Net sales         | 33        | 34        | 103.8% |
|                | Operating income  | 7         | 5         | 73.7%  |
|                | Operating margin  | 21.4%     | 15.2%     | △6.2pt |

# External Environment Economic Trend

Consumer spending was weak due to significant changes in the economic environment



# Opening of New Stores

Opened one store in Q1;  
planning to open large-scale stores in February and May 2017

【FY2017 1Q store open】



KOMEHYO  
Purchasing Center  
Shinjuku  
Minamiguchi  
May 28, 2016  
(117m<sup>2</sup>)

【FY2018 store open (planned)】

KOMEHYO  
Nagoya-eki Store  
May 2017  
(1,320m<sup>2</sup>)

【FY2017 4Q store open (planned)】



KOMEHYO  
Umeda Store

February 2017  
(1,318m<sup>2</sup>)

# Purchase from Individual Customers

Acquisition of new customers  
through LINE De Satei in the future

| Amount of purchase<br>from individual<br>customers | FY2016 1Q | FY2017 1Q | YoY   |
|--|-----------|-----------|-------|
| Purchasing<br>Center                               | 4,690     | 4,067     | 86.7% |
| Home delivery<br>Purchasing                        | 227       | 222       | 97.9% |
| Total<br>(Millions of yen)                         | 4,917     | 4,290     | 87.2% |



【 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



Promoted initiatives to increase brand recognition,  
as well as sales and purchases focusing mainly on the Kanto area

【 Sponsoring an SNS linked TV Program  
“#モデる [modeling]” 】

On air from April 3, 2016  
Started sponsoring a new TV program by TV  
Asahi “#モデる” (Sundays, 23:10-23:15)



【TVCM「LINE De Satei」】

On air since June 2016

Promoting LINE De Satei with rap messages

→ Average valuations approaching  
300 items/day from June 20 to 30



Increased sales from other companies' websites  
by promoting cross-border EC and other approaches

| FY2017 1Q           | Net sales<br>(Millions of yen) | Composition | YoY    |
|---------------------|--------------------------------|-------------|--------|
| KOMEHYO website ※ 1 | 360                            | 27.2%       | 85.3%  |
| Back orders ※ 2     | 781                            | 59.0%       | 96.2%  |
| Other ※ 3           | 182                            | 13.8%       | 115.8% |
| Total               | 1,325                          | 100.0%      | 95.1%  |



KOMEHYO apps

App that can be used as a member card of KOMEHYO Co., Ltd.

Outstanding points, purchasing history, selling history, and other information can be checked

※1 KOMEHYO website

Order/settlement via komehyo.jp

※2 Back orders

- Customers specify a store to do back orders online
- Store staff suggest/back order products to suit customer needs

※3 Other

Order/payment via other companies' websites, such as Rakuten Ichiba, Yahoo!, Amazon, and eBay stores

# Tire and Wheel

Sales for customized car parts (car height control) were strong

| FY2017 1Q     | Net sales<br>(Millions of yen) | Composition | YoY    |
|---------------|--------------------------------|-------------|--------|
| Tires/wheels  | 749                            | 79.0%       | 99.6%  |
| Parts         | 190                            | 20.1%       | 114.6% |
| Others        | 8                              | 0.9%        | 72.4%  |
| Segment total | 948                            | 100.0%      | 102.0% |

# Revised H1 plan/FY2017 plan

Plans were revised downwards  
in anticipation of challenging conditions continuing

| <b>Consolidated</b><br>(Millions of yen)       | Revised H1 plan | YoY change | Revised FY2017 Plan | YoY change |
|--|-----------------|------------|---------------------|------------|
| Net sales                                      | 18,500          | 88.4%      | 41,500              | 90.4%      |
| Operating income                               | △143            | —          | 1,230               | 44.1%      |
| Ordinary income                                | △157            | —          | 1,230               | 44.9%      |
| Net income attributable<br>to owners of parent | △160            | —          | 840                 | 49.5%      |
| <b>Non-consolidated</b><br>(Millions of yen)   | Revised H1 plan | YoY change | Revised FY2017 plan | YoY change |
| Net sales                                      | 16,500          | 87.7%      | 36,000              | 88.8%      |
| Operating income                               | △175            | —          | 850                 | 35.0%      |
| Ordinary income                                | △177            | —          | 850                 | 35.4%      |
| Net income                                     | △165            | —          | 550                 | 37.2%      |

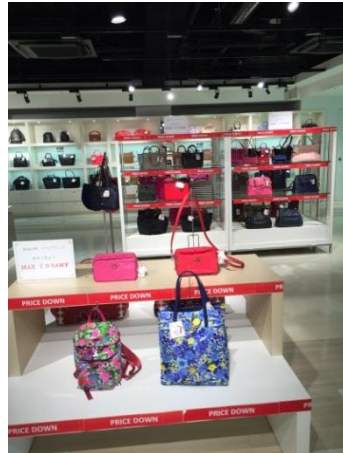
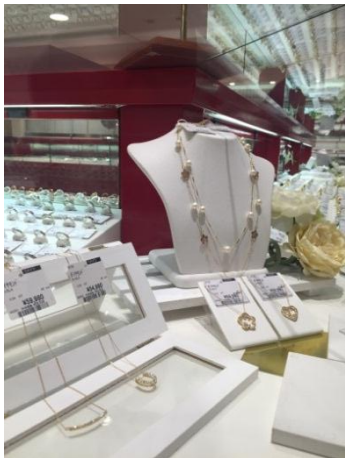
# Future tasks ①

Temporary revision of strategies  
in response to changes in the external environment

Expansion/growth ➡ **Increasing profitability**

**Initiative 1.**  
**Shift focus from**  
**net sales to gross**  
**profit margin**

- Increasing purchases and sales of products which are easy to relatively secure a gross margin
- Increasing purchases from individual customers and companies, as well as the accuracy of inventory control based on data



# Future tasks ②

Temporary revision of strategies  
in response to changes in the external environment

Expansion/growth ➡ **Increasing profitability**

## Initiative 2. Strengthen acquisitions of new customers

- Promotions focusing on LINE De Satei
- Enhancing visual product display at stores
- Frequent updating of blog on the KOMEHYO website





## Future tasks ③

Temporary revision of strategies  
in response to changes in the external environment

Expansion/growth ➡ **Increasing profitability**

### **Initiative 3. Promote return visits by existing customers**

- Managing customer information and enhancing relationships with customers through direct mailings and other approaches
- Enhancing customer service approach mainly for store staff



# Future tasks ④

Temporary revision of strategies  
in response to changes in the external environment

Expansion/growth ➡ **Increasing profitability**

**Initiative 4.  
Increase  
purchases from  
individual  
customers**

- Assigning experienced buyers to stores
- Enhancing OJT to train buyers
- Frequently confirming market price with the product management department

