

# KOMEHYO



## Earnings Results Briefing for the First Six Months of the Fiscal Year Ending March 31, 2018

November 15, 2017

**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.

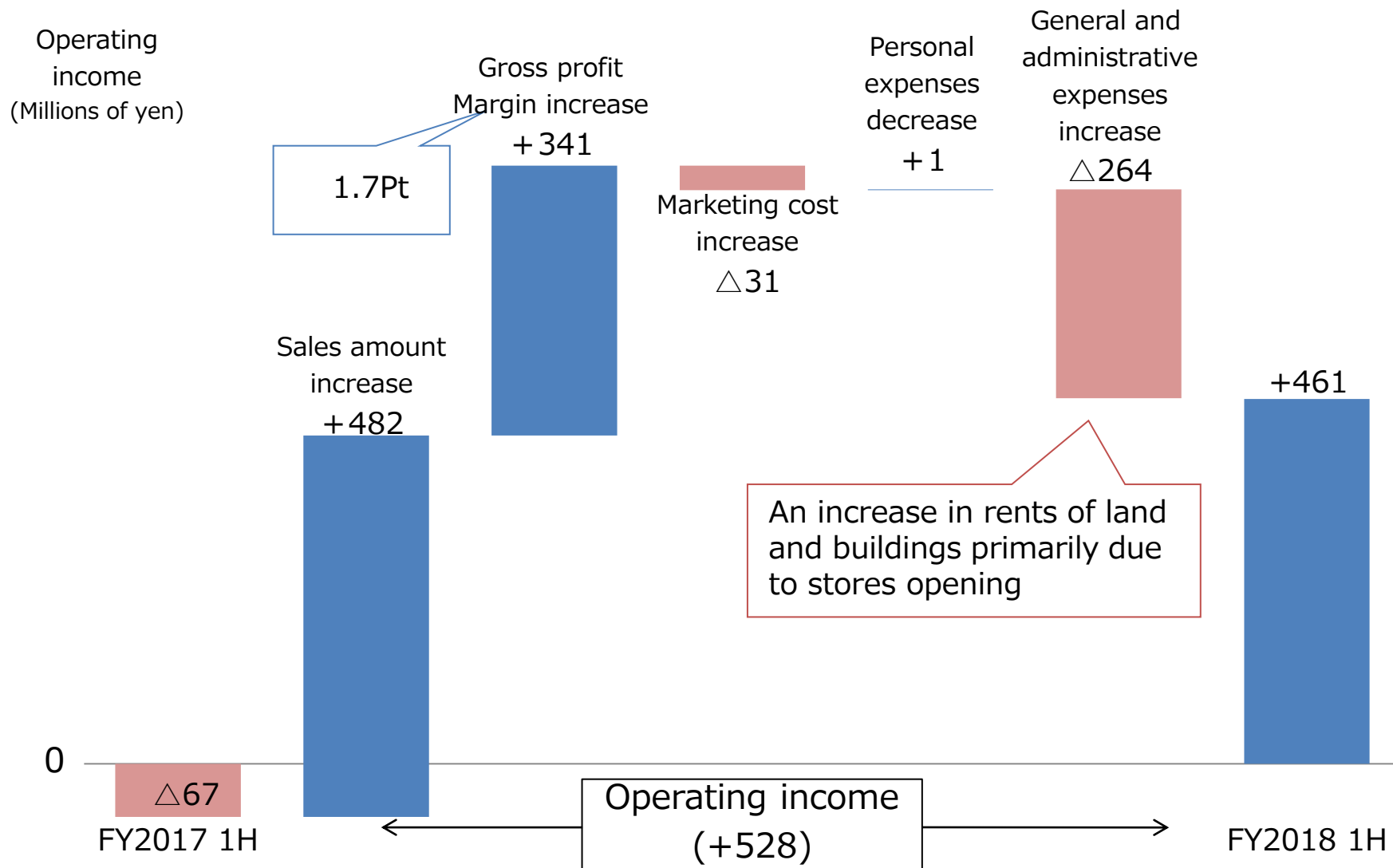
# Overview of Income Statement ( Consolidated )

<b>Consolidated</b> (Millions of yen)	FY2018 1Q	YoY	FY2018 2Q	YoY	FY2018 1H	YoY
Net sales	9,849	107.6%	10,913	111.2%	20,763	109.5%
Gross profit	2,940	115.8%	2,988	116.5%	5,928	116.1%
Gross profit margin	29.9%	+2.2Pt	27.4%	+1.3Pt	28.6%	+1.7pt
SG&A expenses	2,767	106.6%	2,700	104.8%	5,467	105.7%
Operating income	173	—	288	—	461	—
Ordinary income	185	—	287	—	472	—
Net income attributable to owners of parent	100	—	195	649.2%	295	—

# Overview of Income Statement ( Non-consolidated )

<b>Non-consolidated</b> (Millions of yen)	FY2018 1Q	YoY	FY2018 2Q	YoY	FY2018 1H	YoY
Net sales	8,673	107.7%	9,858	111.6%	18,532	109.7%
Gross profit	2,499	116.0%	2,579	115.6%	5,078	115.8%
Gross profit margin	28.8%	+2.0Pt	26.2%	+1.0pt	27.4%	+1.4pt
SG&A expenses	2,401	107.9%	2,360	104.8%	4,762	106.4%
Operating income	97	—	218	—	315	—
Ordinary income	226	—	217	—	444	—
Net income	168	—	148	604.0%	317	—

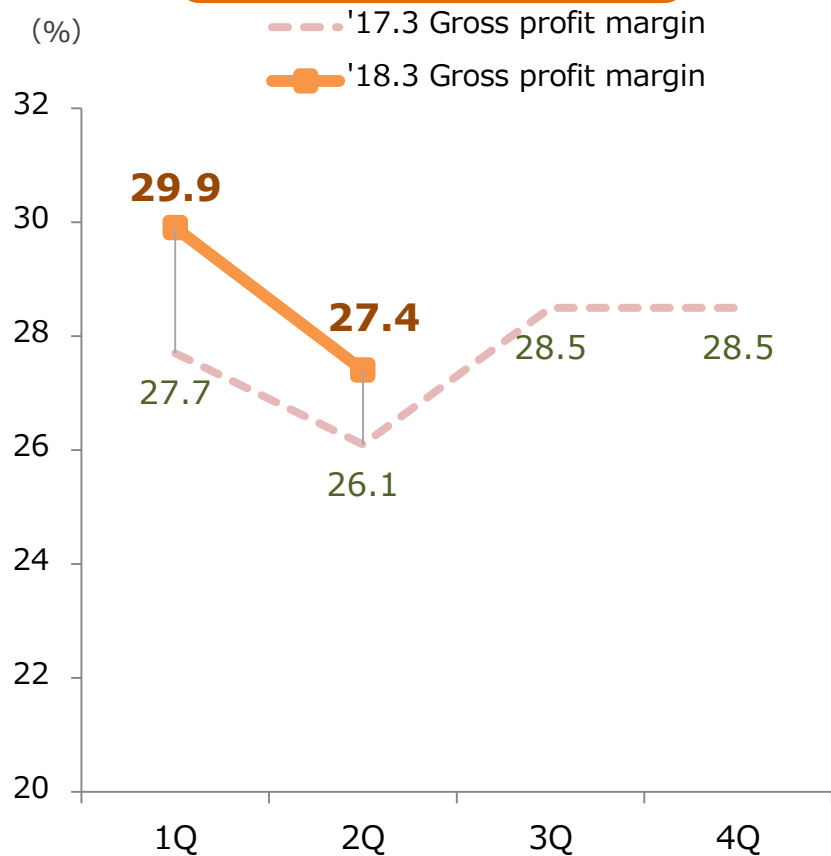
# Operating income decrease factor ( Consolidated )



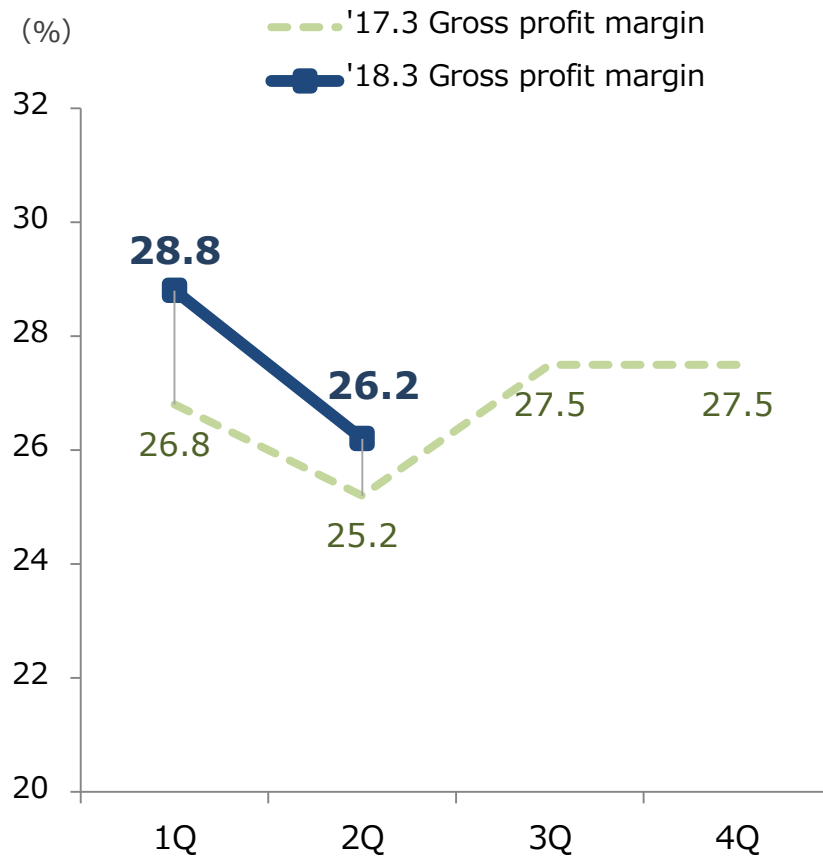
# Gross Profit Margin Trend

A year-on-year improvement resulting from adjustment of inventory

## Consolidated

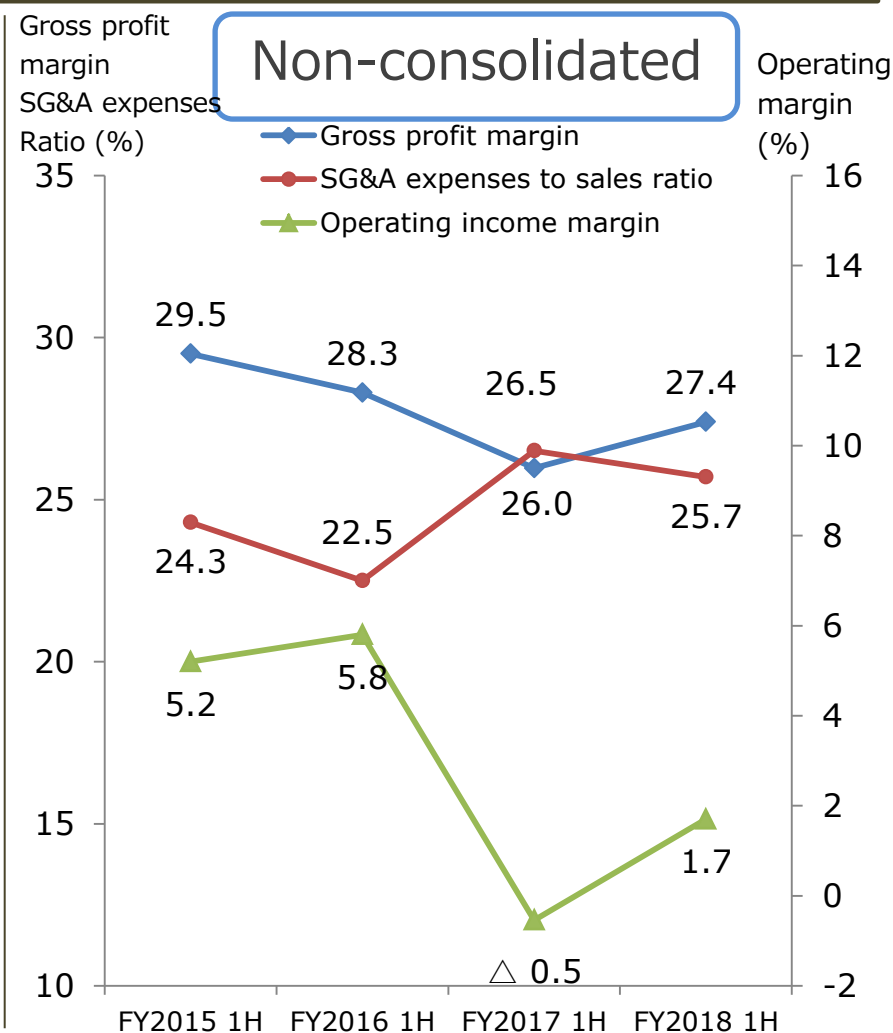
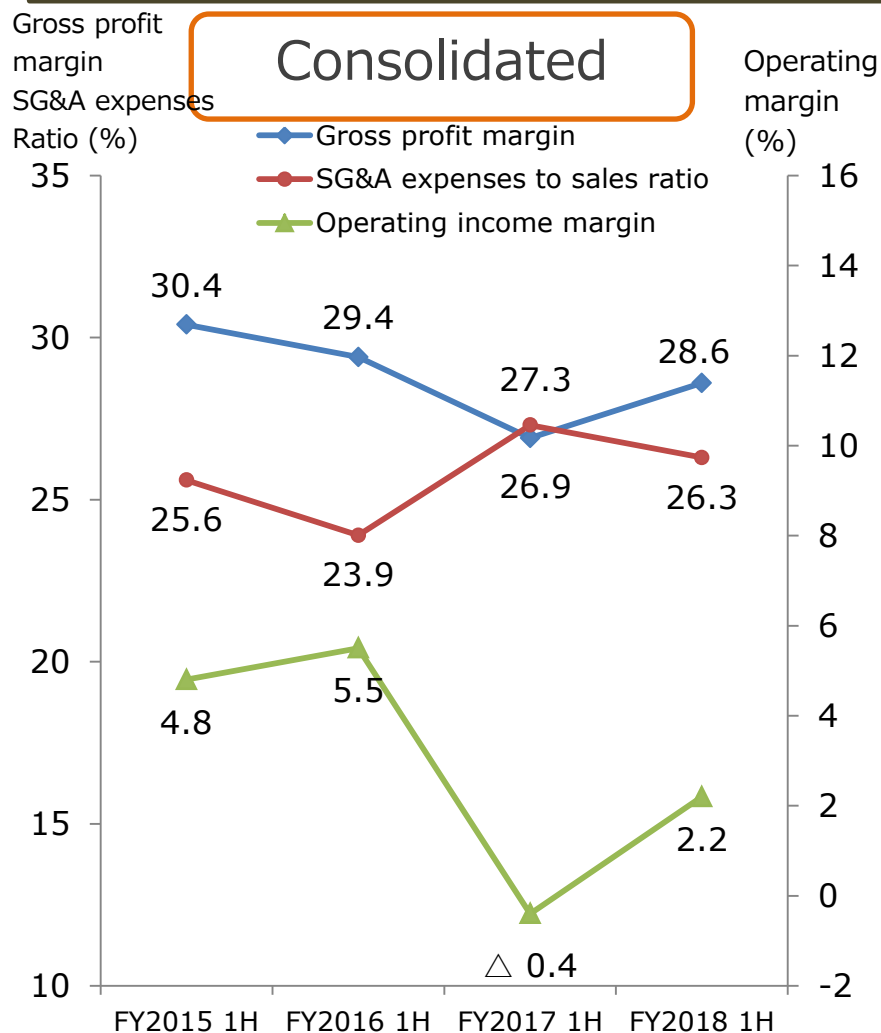


## Non-consolidated



# Profit Margin Trend

Gross profit margin increase, SG&A expenses to sales ratio decrease

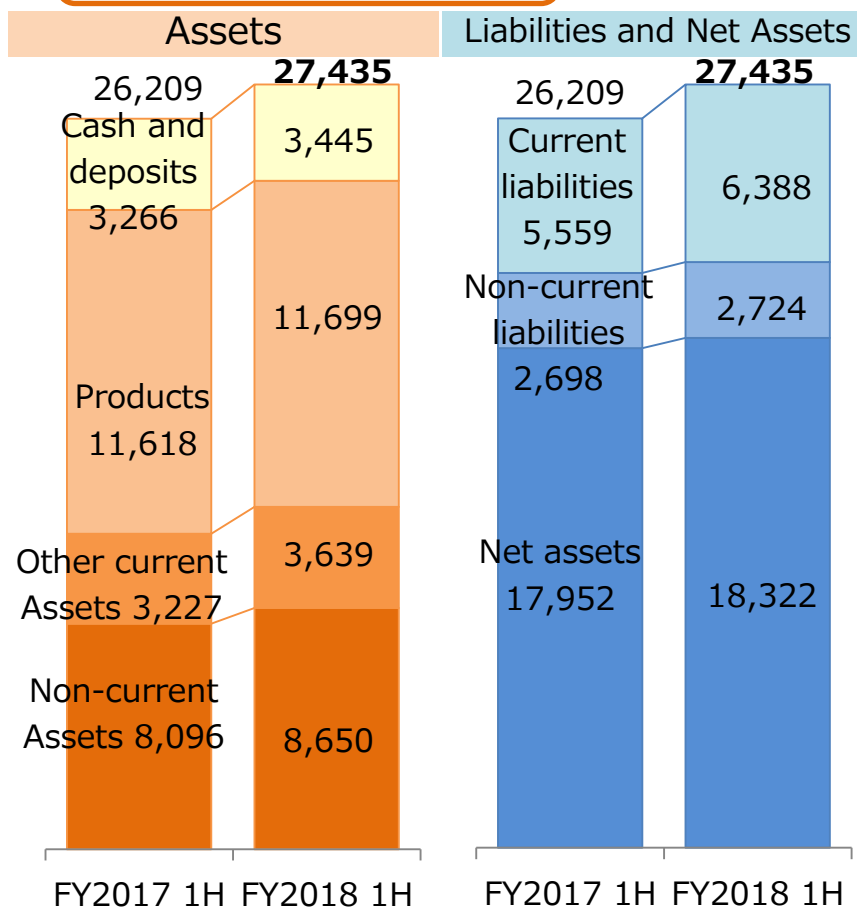


# Overview of Balance Sheet

An increase in fixed assets (year on year)  
due to the opening of new large stores

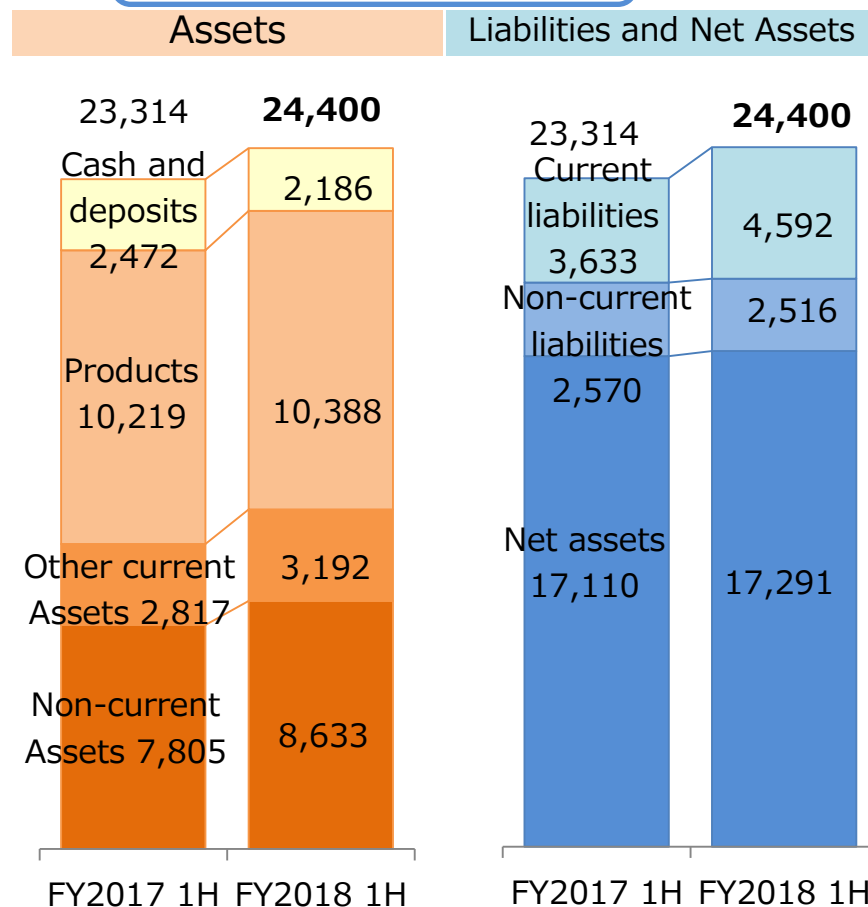
## Consolidated

(Millions of yen)



## Non-consolidated

(Millions of yen)

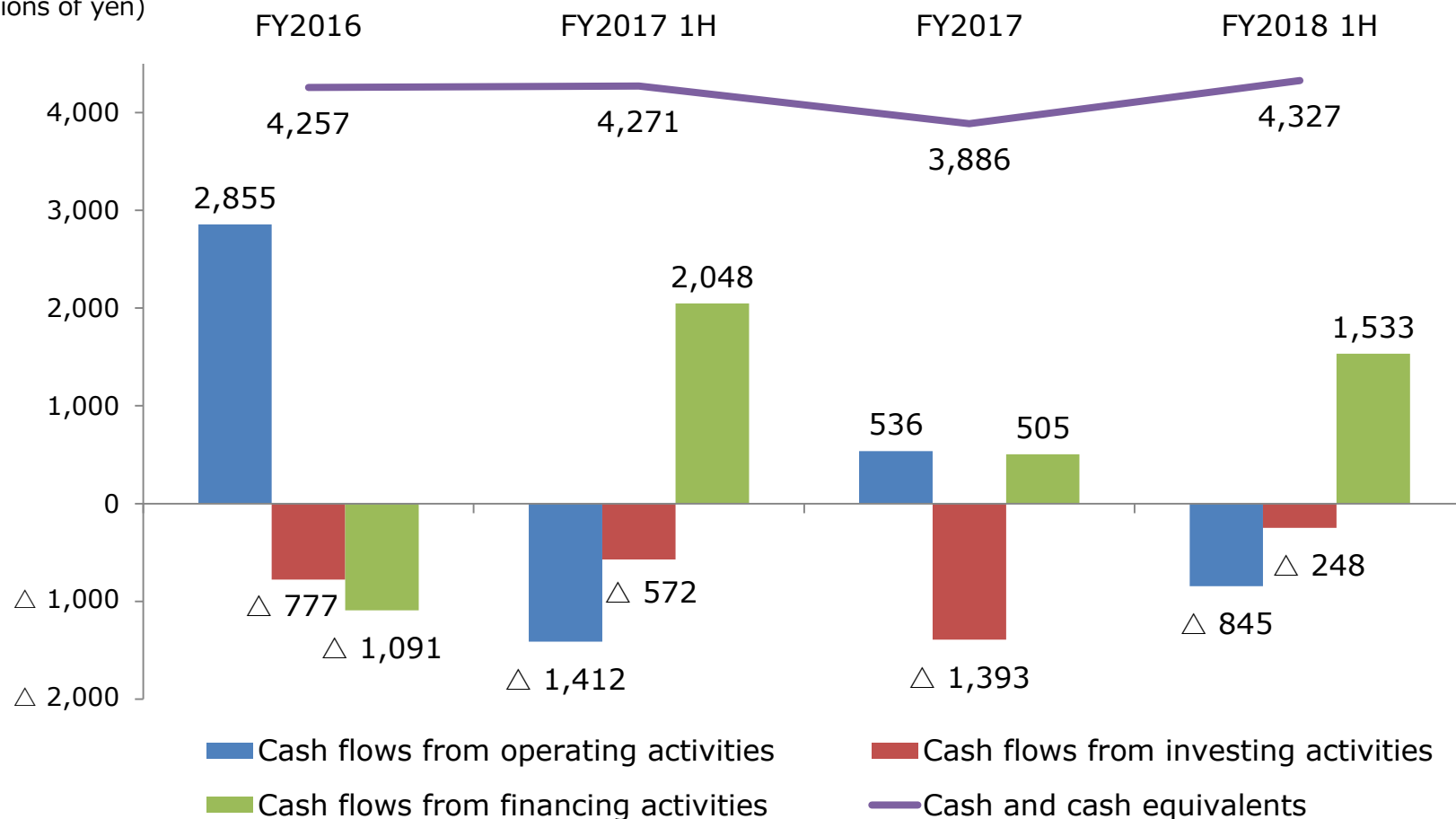


# Statement of Cash Flows

Cash flows from operating activities were negative due mainly to an increase in inventories

Consolidated

(Millions of yen)





# By Segment

## The Brand Fashion Business: An improvement in earnings

	(百万円)	FY2018 1Q	YoY	FY2018 2Q	YoY	FY2018 1H	YoY
Brand Fashion	Net sales	8,827	107.9%	10,027	112.1%	18,854	110.1%
	Operating income	157	—	315	1,631.7%	472	—
	Operating margin	1.8%	+2.3pt	3.1%	+2.9pt	2.5%	+2.6pt
Tire and Wheel	Net sales	997	105.2%	862	102.2%	1,859	103.8%
	Operating income	1	—	△41	—	△40	—
	Operating margin	0.1%	+2.4pt	△4.8%	△0.3pt	△2.2%	+1.1pt
Others	Net sales	38	110.2%	37	107.5%	76	108.8%
	Operating income	15	285.3%	14	183.0%	29	224.6%
	Operating margin	39.4%	+24.2pt	37.5%	+15.5pt	38.4%	+19.8pt

# FY2018 plan

<b>Consolidated</b> (Millions of yen)	FY2018 plan	YoY
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Net sales	43,300	107.9%
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Operating income	1,330	159.8%
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Ordinary income	1,330	163.1%
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Net income attributable to owners of parent	800	224.8%
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<b>Non-consolidated</b> (Millions of yen)	FY2018 plan	YoY
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Net sales	37,900	108.6%
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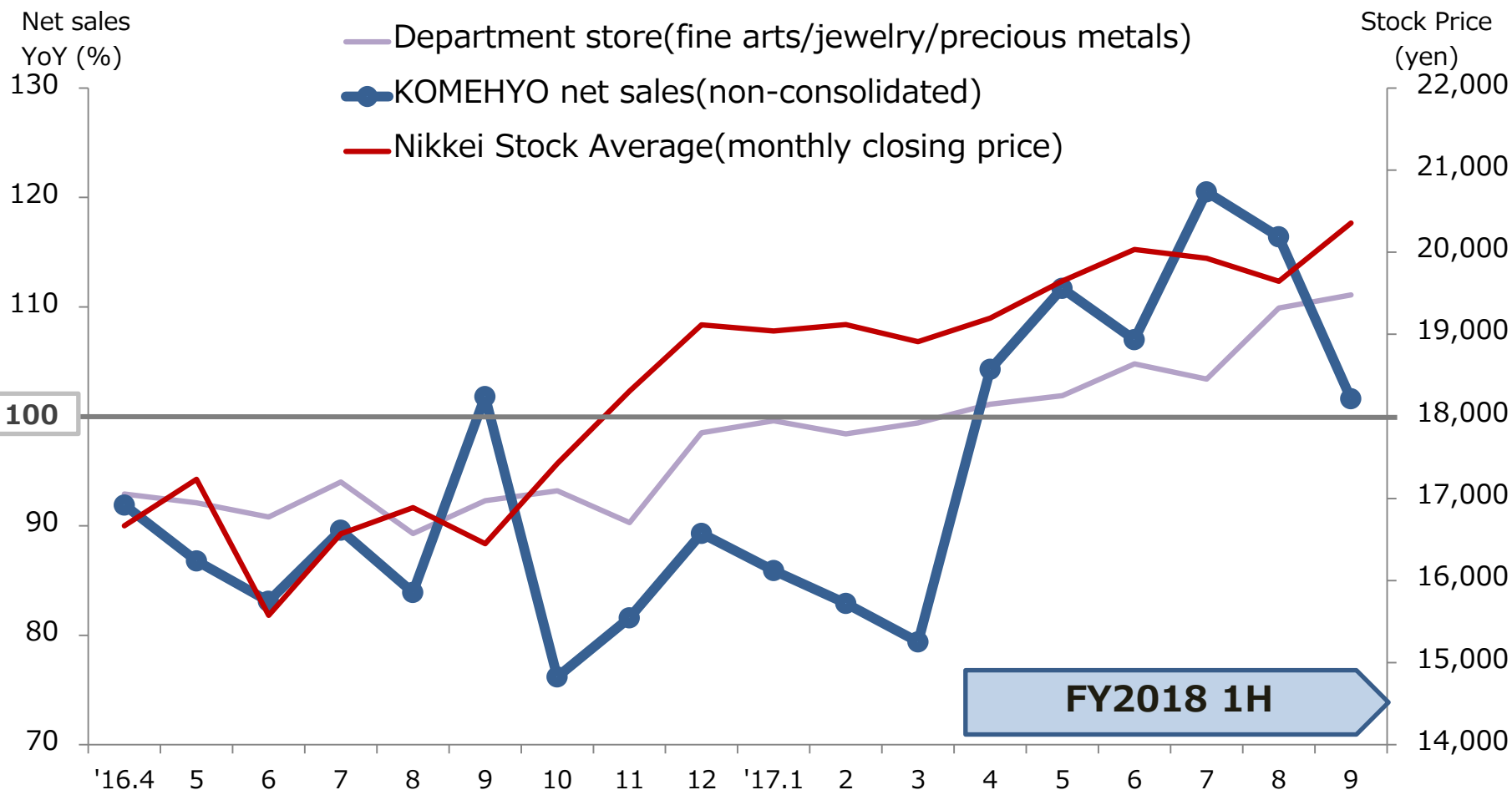
Operating income	900	179.0%
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Operating income	1,000	204.1%
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Net income	620	420.8%
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# Economic Trend

The economic environment remains on a moderate recovery path



# Issues in Core Businesses

## ① Successful opening of large stores

- Enhancement of customer management
  - Acquisition of new customers
  - Expansion of existing customers
- Introduction of new products
- Enhancement of online backorders



## ② Increasing profitability

- Improvement of gross margin
- Enhancement of inventory controls
  - Long-term inventories, low-yield inventories
- Enhancement of cost controls
- Enhancement of purchases from individual customers



## ③ Optimization of individual stores

- Increasing profitability of each store
- Enhancement of major products
- Enhancement of trade-in and purchase guarantees



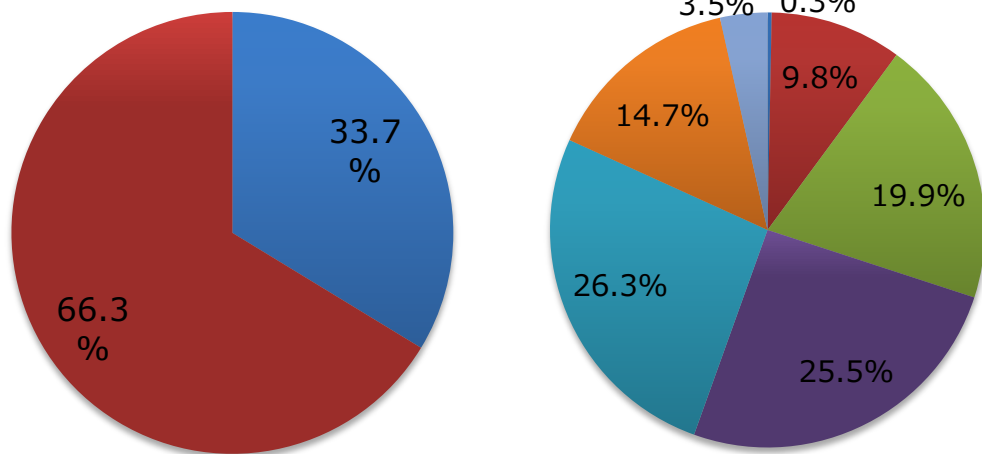
# Response to issues①

## Umeda store ('17.2)

Projected an upscale image and won favor of women in their 40s and 50s who are looking for high-priced items

【KOMEHYO card members('17.9)】

Male Female 10's 20's 30's 40's 50's 60's 70's~





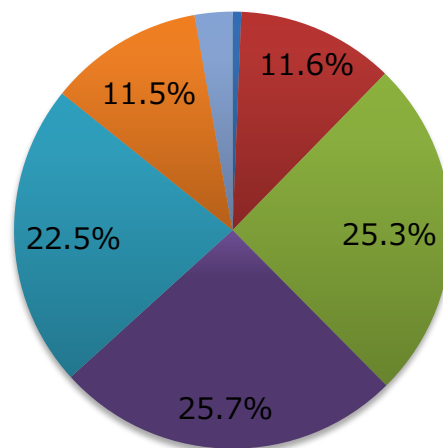
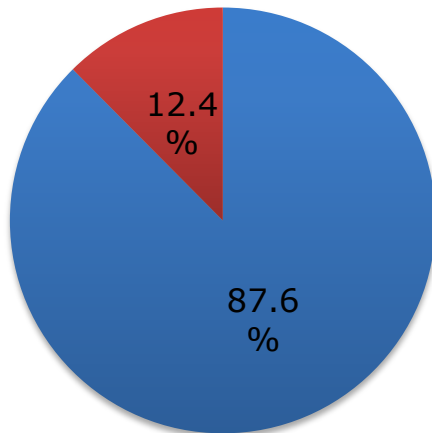
# Response to issues ①

## Shinjyuku store ANNEX ('17.5)

Men's Store handles men's clothing items ranging from casual clothes to business suits and accessories

【KOMEHYO card members('17.9)】

Male Female 10's 20's 30's 40's 50's 60's 70's~  
2.8% 0.6%

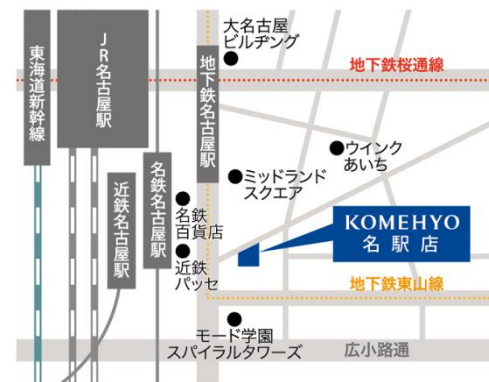
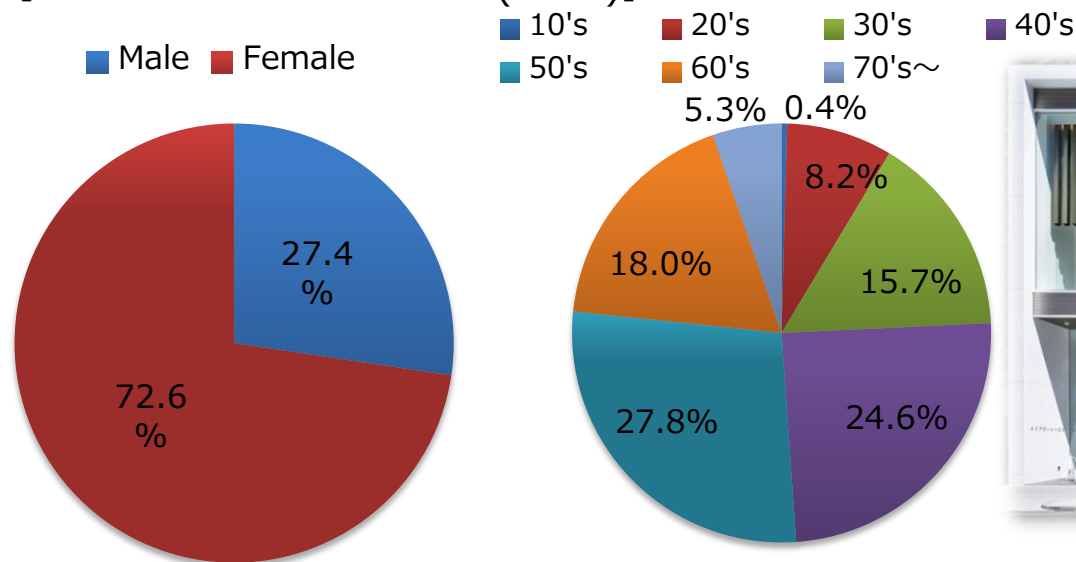


# Response to issues ①

## Meieki store('17.5)

Visited by many customers who are doing shopping around Nagoya Station

【KOMEHYO card members('17.9)】



# Response to issues ①

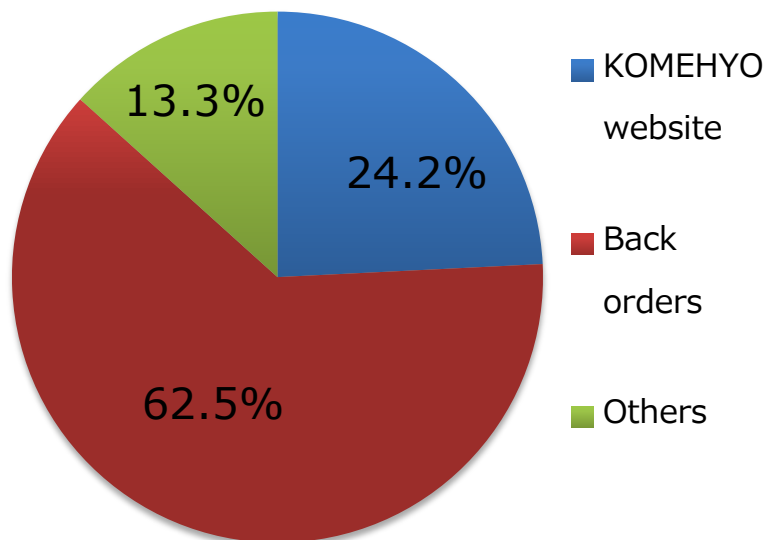
## E-commerce-induced sales

“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	YoY	FY2018 2Q	YoY	FY2018 1H	YoY
E-commerce-induced sales	1,453	109.6%	1,914	128.4%	3,367	119.6%
E-commerce-induced sales rate	18.0%	—	21.7%	—	19.9%	—

【Percentage of online sales by channel】

【KOMEHYO ONLINE STORE】





# Response to issues ②

## Purchase from Individual Customers

Has won the No.1 position in customer satisfaction surveys.  
Purchases from individual customers posted a double-digit increase.

Amount of purchase from individual customers	FY2018 1Q	YoY	FY2018 2Q	YoY	FY2018 1H	YoY
Purchasing Center	4,359	107.2%	4,617	118.3%	8,977	112.6%
Home delivery Purchasing	210	94.4%	218	115.4%	429	104.1%
Total (Millions of yen)	4,570	106.5%	4,836	118.2%	9,406	112.2%

### 【 2017 Oricon Customer Satisfaction Survey in Japan 】

Has won first place in the category of "Brand-name Products Purchase Stores."

Ranked first in all rankings by questionnaire item.

Highly appreciated with the intention to recommend at 81.9% and intention to use again at 79.5%.

Detailed questionnaire items	Rank
Ease of use	No.1
Store atmosphere and cleanliness	No.1
Floor staff's ability to attend to customers	No.1
Evaluation	No.1
Purchase price	No.1
Campaign	No.1



# Response to issues ②

## UM Inazawa store · LS Uedayama store

Establishment of Purchasing Center  
—Enhancement of purchases from individual customers

【USED MARKET Inazawa store】('17.4.1～)



【LINK SMILE Uedayama store】('17.7.1～)



# Response to issues ③

## Guarantee for trade-ins and buy-backs

Offering the full scale of guarantee for trade-ins and buy-backs in physical stores and e-commerce sites



KOMEHYO  
買取保証  
サービス

Up to 30,000yen improves

KOMEHYO  
買取保証  
サービス

Three years guarantee of relief

KOMEHYO  
買取保証  
サービス

Can be used with other campaigns



KOMEHYO  
下取  
サービス

Up to 10,000yen improves

KOMEHYO  
下取  
サービス

With article which we did not use to the nearest store

KOMEHYO  
下取  
サービス

Please select your favorite items totaling more than 30,000 yen at the sales floor

KOMEHYO  
下取  
サービス

Purchase at online store and sell at home delivery purchasing

# Subsidiary(1)KOMEHYO Auction

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

FY2018 1H	Trade volume (Millions of yen)	YoY	No. of member companies
Jewelry Watches Bags	8,800	104.6%	786
Clothing	160	116.1%	





# Subsidiary(2)KOMEHYO HONG KONG

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

	Net sales (Millions of yen)	YoY
FY2018 1H	527	135.9%

【Hong Kong Jewelry show】



# Subsidiary(3) Craft、Auto Parts Japan

## Sale of tires, wheels, and vehicle parts

FY2018 1H	Net sales (Millions of yen)	YoY
Tires/wheels	1,532	109.2%
Parts	280	82.6%
Others	46	96.6%
Segment total	1,859	103.8%

### [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 x 4 and Urban SUV



# 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**

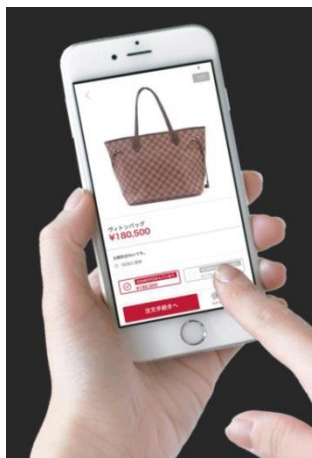


### [Characteristics of functions]



#### 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



# 70<sup>th</sup> anniversary event



Held a special event to mark the 70th anniversary  
to show our appreciation to the local community in Osu, Nagoya

[Exercise courses given by leading athletes] ('17.7.27)



[Acrobat Musical "AMAZING Hakkenden"] ('17.8.30)





# Reference Information(1) Store Type

## KOMEHYO 26 stores ('17.9)



### 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 店舗

## LINKSMILE 5 stores ('17.9) by KOMEHYO



### Sales/Purchase ※

Ladies casual  
clothing,  
bags,  
accessories

## USED MARKET 3 stores ('17.9) by KOMEHYO



### Sales/Purchase ※

clothing in the low  
price range,  
bags,  
accessories

(※ Some stores only as for the sale)

**Total 34 stores ('17.9)**

# Reference Information(2)

## Shareholder return

### Dividend changes

