

Earnings Results Briefing for the Third Quarter of the Fiscal Year Ending March 31, 2022

February 14, 2022

Komehyo Holdings Co., Ltd.

Securities code: 2780

(Second Section, Tokyo and Nagoya Stock Exchanges)

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FY 2022 3Q Financial Summary

【Nine months results】

- Both net sales and profits grew year on year.
- Record high purchases from individuals due to store openings and purchase events, etc.
and opened 27 purchase centers (of which, two are franchised stores)
- Strong corporate sales of the Brand Fashion business associated with steady purchases from individuals
- AI to assess authenticity and model numbers has been installed in
all KOMEHYO stores specializing in purchasing. (As of December 2021)

【Full-year performance plan】

- Upward revision; plan to achieve in the first year operating and ordinary income
of the third year of the medium-term management plan
- Increase of fiscal year-end dividend (Annual dividend 24yen→28yen)

【Selection / application for new market category】

- Select and apply for "Standard Market" on the Tokyo Stock Exchange.



Revisions to full-year performance plan for the fiscal year ending March 31, 2022

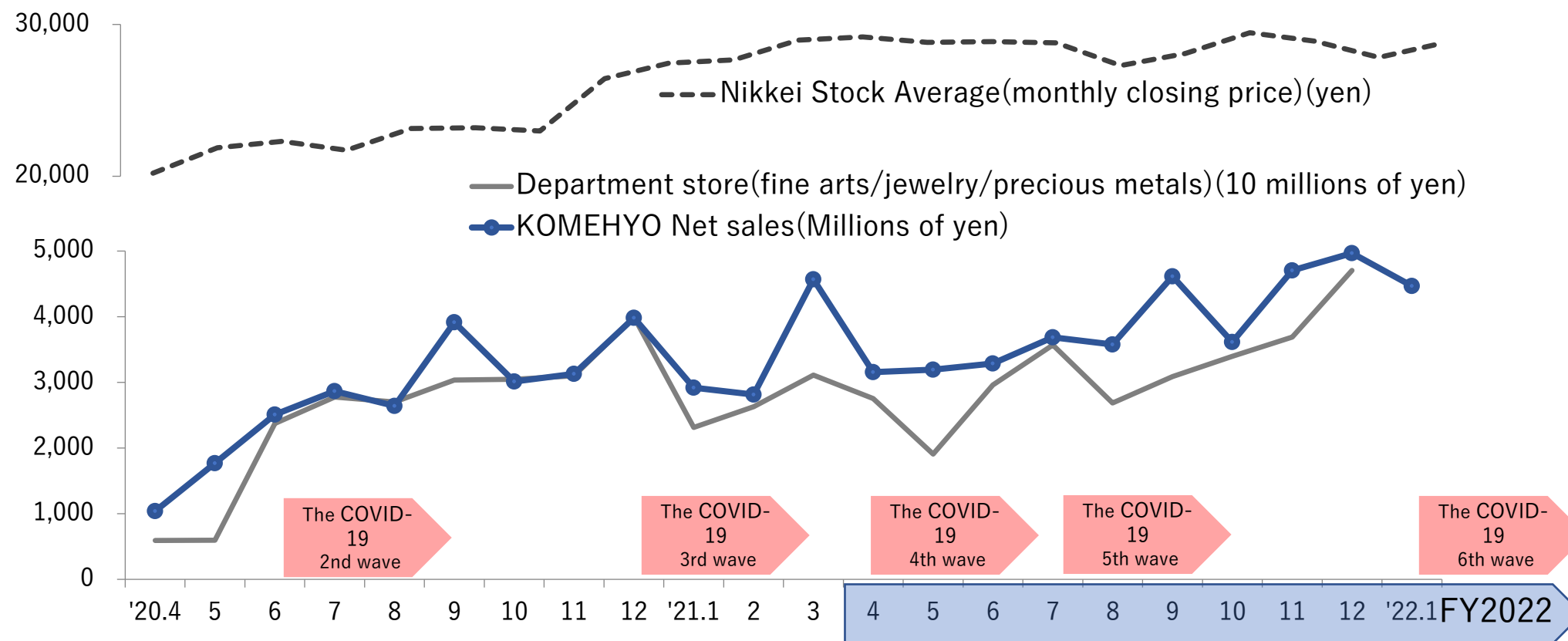
(Millions of yen)		Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Basic earnings per share
FY2022	Forecasts released previously	63,200	2,190	2,110	1,470	134.17
	Revised forecasts announced on this occasion	67,000	2,950	2,940	1,830	167.03
	Change	3,800	760	830	360	—
	Rate of change	6.0%	34.7%	39.3%	24.5%	—

(円)		Interim dividend	Fiscal year-end dividend	Annual dividend	Dividend payout ratio
Dividends	Forecasts released previously	12	12	24	17.9
	Revised forecasts announced on this occasion	12	16	28	16.8

※In the fourth quarter, we expect a decrease in income compared to the year-ago quarter for the three-month period because of upfront investments for the next fiscal year and beyond.

Economic Trend

Komehyo's sales are less susceptible to the impact of the COVID-19 because of the OMO initiatives and other factors.



(Source : JAPAN DEPARTMENT STORES)

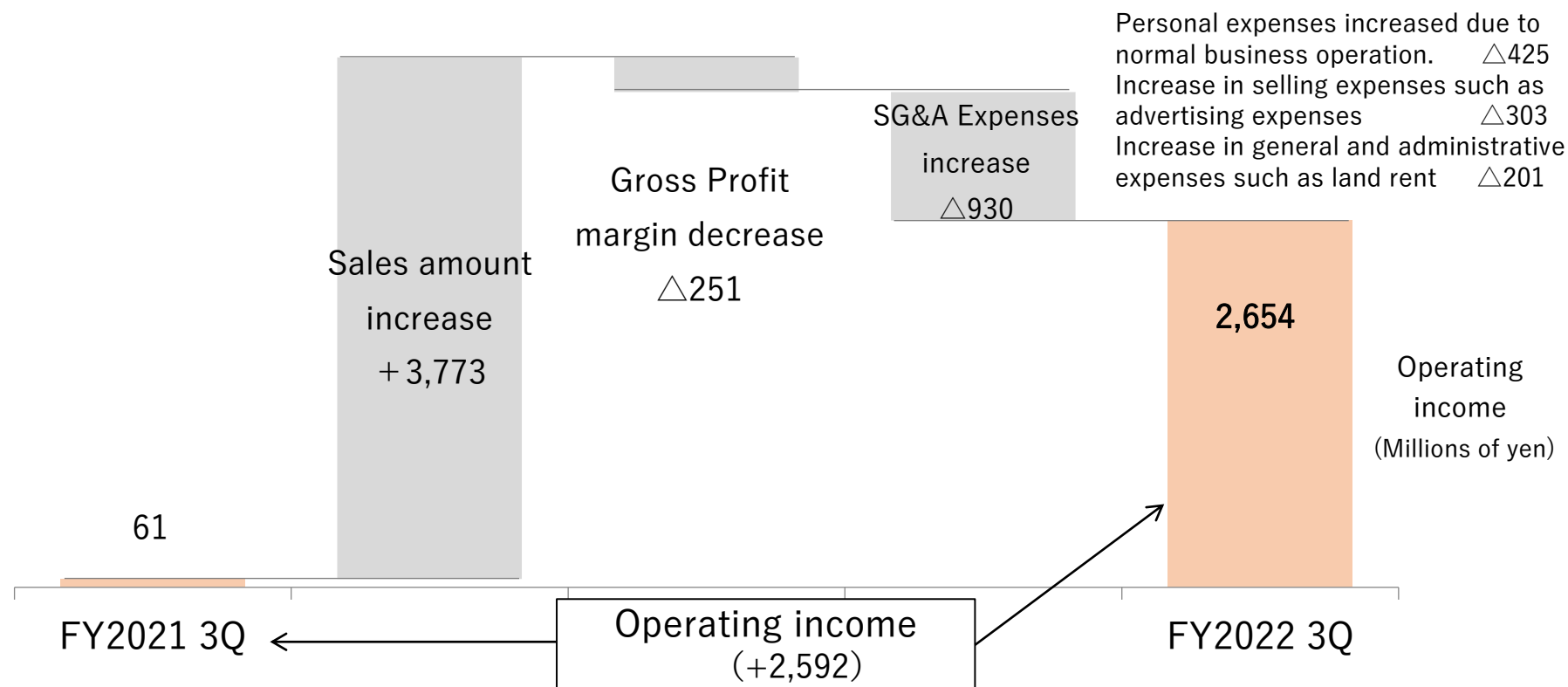
Overview of income statement

(Millions of yen)	FY2022 1Q	YoY	FY2022 2Q	YoY	FY2022 3Q	YoY ※	FY2022 9months	YoY ※
Net sales	14,162	180.1%	16,472	127.1%	19,237	127.1%	49,872	138.7%
Gross profit	3,985	211.1%	4,215	124.5%	5,067	113.3%	13,267	136.1%
Gross profit margin	28.1%	+ 4.1pt	25.6%	△0.5pt	26.3%	△3.3pt	26.6%	△0.5pt
SG&A expenses	3,476	126.5%	3,613	103.8%	3,523	102.0%	10,613	109.6%
Operating income	508	—	601	—	1,543	151.5%	2,654	4281.2%
Operating profit margin	3.6%	+ 14.5pt	3.7%	+ 8.3pt	<u>8.0%</u>	+ 1.3pt	5.3%	+ 5.1pt
Ordinary income	515	—	610	—	1,536	157.7%	2,662	—
Net income attributable to owners of parent	337	—	385	—	936	131.4%	1,659	—

※ Figures for the nine months under review after the application of the Accounting Standard for Revenue Recognition and figures for the nine months of the previous fiscal year before its application are compared.

Operating income increase and decrease factor

Sales increased on strong purchases from individuals. As expense control was successful, operating income rose significantly.



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

(Millions of yen)

Non-operating loss 47		Extraordinary loss 380	
Non-operating income 56		Extraordinary income 23	
Foreign exchange gain	22	Grant income	13
Dividend income	14	Gain on sale of	
Commission income	4	fixed assets	10
Other	14		
		Impairment loss※	235
		Loss on retirement of	
		fixed assets	133
		Loss due to temporary	
		closure	11

※Demolition of real estate rental properties due to deterioration in line with the reorganization plan for the Nagoya Main Office area

Impairment loss 103 ・ Loss on retirement of fixed assets 120

Stores scheduled to be relocated (Ginza Store, Nagoya Main Store Kimono Hall)

Impairment loss 30 ・ Loss on retirement of fixed assets 8

Goodwill recognized at the time of acquisition of Eve Corporation Co., Ltd., a consolidated subsidiary

Impairment loss 96

Balance sheet overview

(Millions of yen)	FY2021	FY2022 3Q	Change
Current assets	27,286	29,111	+1,825
Cash and deposits	10,538	8,109	△2,429
Products	12,649	16,229	+3,579
Other current assets	4,097	4,772	+675
Non-current assets	10,116	10,257	+141
Total assets	37,402	39,368	+1,966
Liabilities	18,955	19,350	+394
Interest-bearing liabilities	14,746	15,207	460
Other liabilities	4,209	4,143	△66
Net assets	18,446	20,018	+1,571
Liabilities and Net Assets	37,402	39,368	+1,966

- Normalization of cash on hand as a precaution against COVID-19
- Newer used products are on the increase due to strong purchases from individuals.
- Borrowings decreased with the normalization of cash on hand.
- Attributable to an increase in retained earnings and other factors

Overview by segment

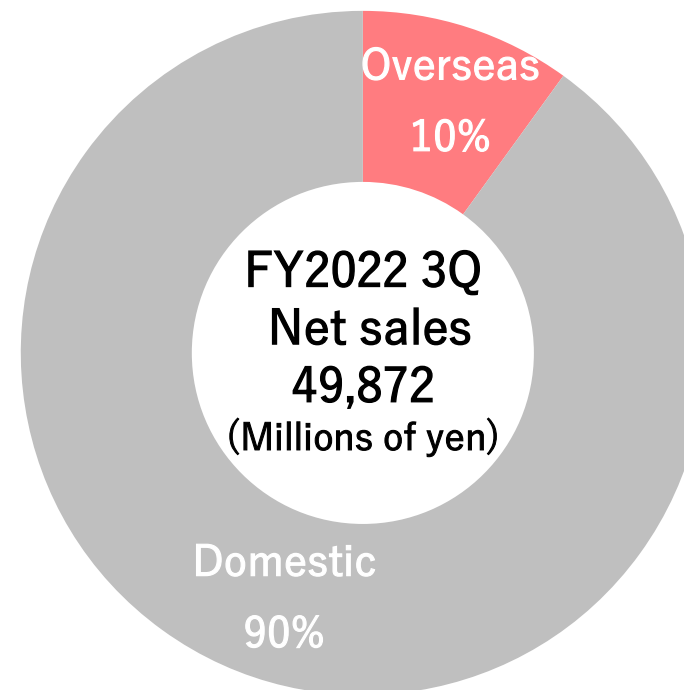
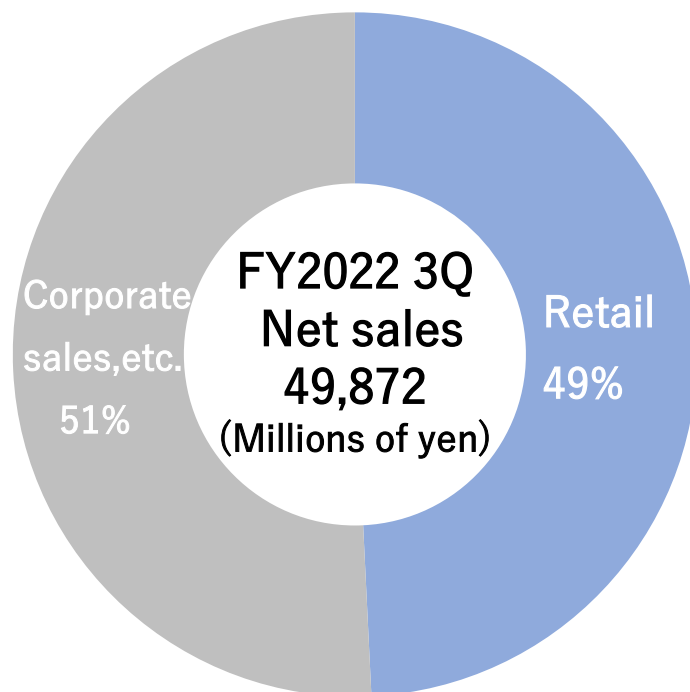
In the Brand Fashion business, both sales and profit increased thanks to favorable purchases from individuals and the strong results of auctions among companies. Sales and profit also increased in the Tire and Wheel business owing to the strong sales of winter tires.

	(Millions of yen)	FY2022 1Q	YoY	FY2022 2Q	YoY	FY2022 3Q	YoY ※	FY2022 9months	YoY ※
Brand Fashion	Net sales	13,277	186.0%	15,622	128.8%	17,450	129.6%	46,390	141.6%
	Operating income	472	—	569	—	1,129	146.5%	2,171	—
	Operating margin	3.6%	+ 15.1pt	3.6%	+ 4.0pt	6.5%	+ 0.8pt	4.7%	+ 5.0pt
Tire and Wheel	Net sales	864	121.5%	790	101.3%	1,766	106.9%	3,420	108.8%
	Operating income	△20	—	△35	—	230	110.8%	173	137.0%
	Operating margin	—	—	—	—	13.0%	+ 0.4pt	5.1%	+ 1.1pt
Real estate leasing	Net sales	84	513.1%	84	424.0%	84	98.7%	253	207.8%
	Operating income	25	—	25	—	26	106.7%	77	396.1%
	Operating margin	29.8%	+ 50.9pt	30.2%	+ 39.8pt	31.4%	+ 2.3pt	30.5%	+ 14.5pt

※ Figures for the nine months under review after the application of the Accounting Standard for Revenue Recognition and figures for the nine months of the previous fiscal year before its application are compared.

Breakdown of consolidated Net sales (Retail / Overseas)

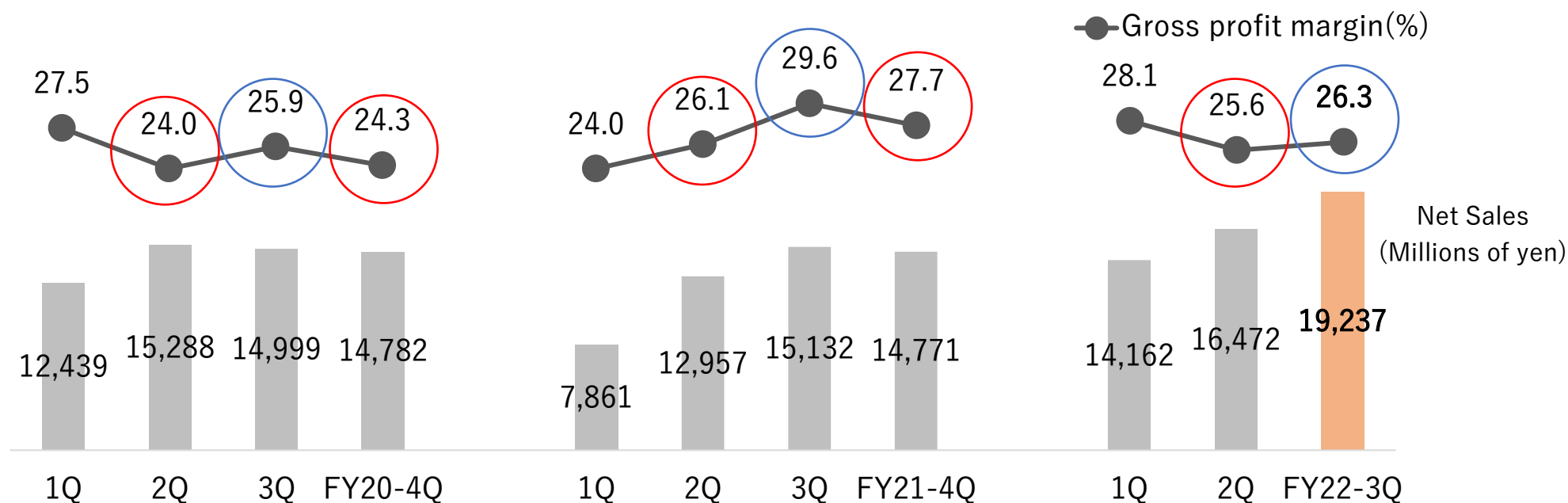
The hybrid business of retail and corporate sales is balanced across the Group as a whole. Even including the third quarter, which is the busy season in Japan, the ratio of overseas sales remained steady at 10% of total sales.



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

Trends in Consolidated Net sales and Gross Profit Margin

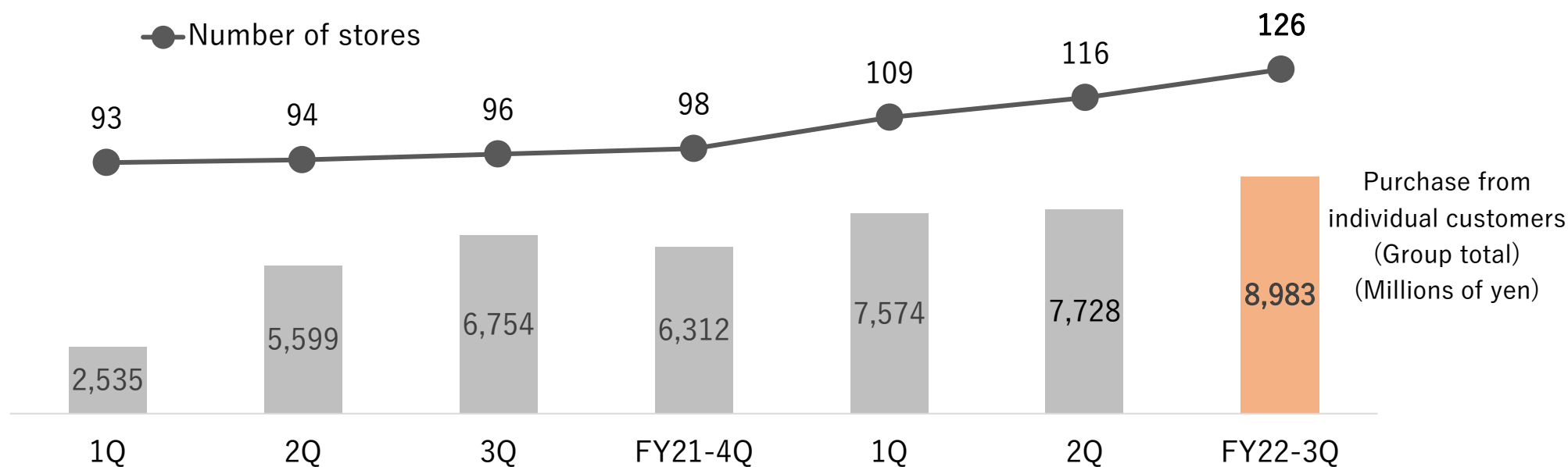
In 3Q, corporate sales with low gross margins increased significantly due to strong purchases from individuals.



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.

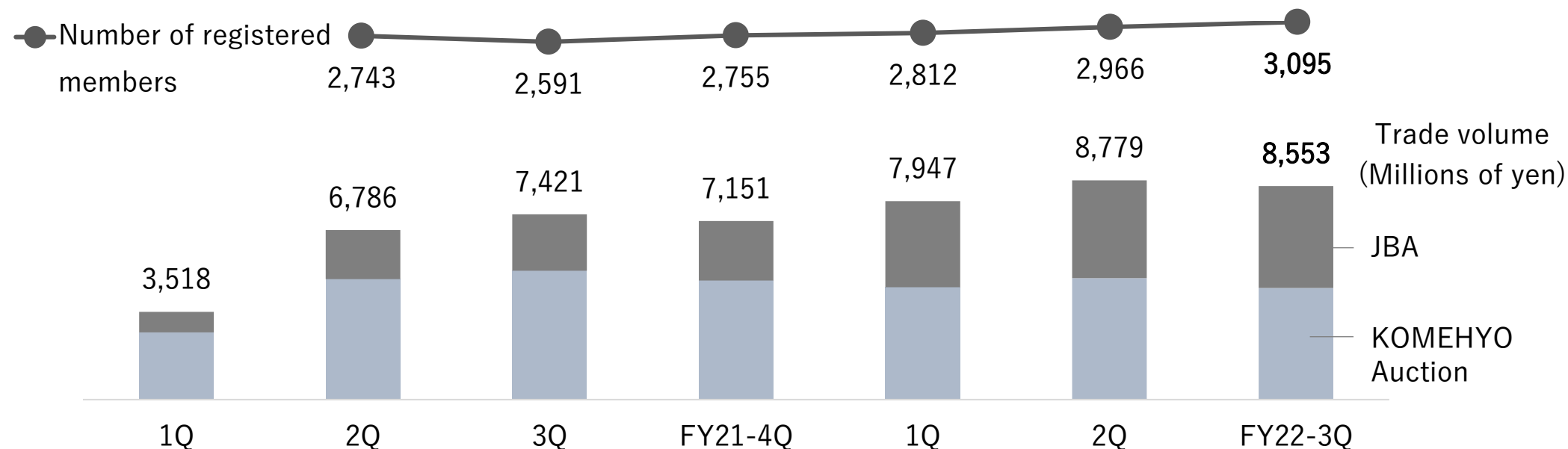


※The individual purchase amount is the amount purchased from an individual customer through the following route.

- 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 15% YoY.



※KOMEHYO auction : The online bidding method

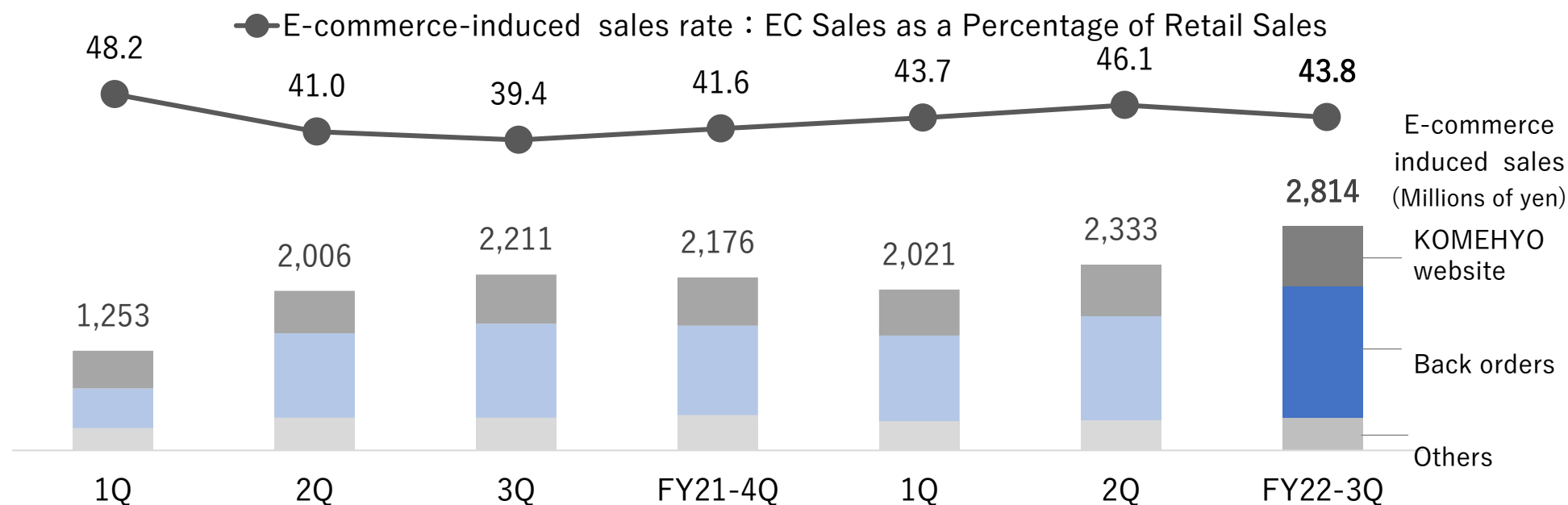
※K-BRAND OFF : Japan Brand Auction(JBA)TOKYO – the real bidding method

Japan Brand Auction(JBA)KANAZAWA – the live auction method

JBA Live Net Auction – The online bidding method

E-commerce-induced sales rate(KOMEHYO)

The e-commerce contribution ratio increased 4.4pt YoY, despite an increase in store purchases, mainly of clothing, as the COVID-19 situation eased. E-commerce-induced sales grew 27% YoY.



※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.

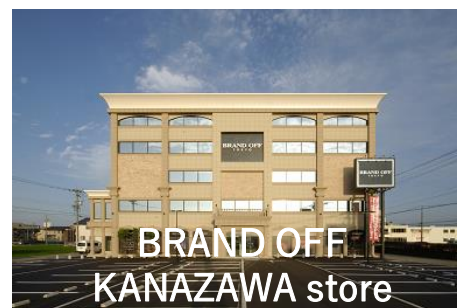
Back orders(Purchasing from a catalog): Make a purchase after choosing a product from a catalog at the KOMEHYO online store, having the product delivered to a nearby KOMEHYO store and making sure of the product in person.

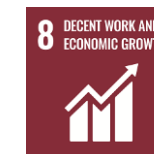
Others(Other companies' websites): Make a purchase at a store KOMEHYO set up at an Internet sales site operated by another company.

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Stores : Group total 126 stores ('21.12)

	Brand Fashion					Tire and Wheel	
	 KOMEHYO	 LINKSMILE by KOMEHYO  USED MARKET by KOMEHYO	 BRAND OFF T O K Y O	 Shellman Since 1971	 WORM	 Craft SINCE 1972 KOMEHYO GROUP	 U-ICHIBAN
Flagship stores	5		2	1			
Sales Stores		2	—	6	2	10	4
Stores annexed with sales facilities	11	6	2				
Purchasing Center	49		10 _(FC2)				
Overseas	5		11				
Total	70	8	25	7	2	10	4





Opened stores in FY2022 3Q (KOMEHYO)

KOMEHYO opened 22 purchasing centers in the 3Q of the fiscal year and is making steady progress towards the goal of opening 30 stores in the fiscal year.

West Japan

1Q HAKATA HANKYU
AEON MALL IBARAKI
KAWANISHI HANKYU
2Q DAIMARU SUMA
AEON MALL KOBE KITA
3Q MATSUYAMA MITSUKOSHI

East Japan

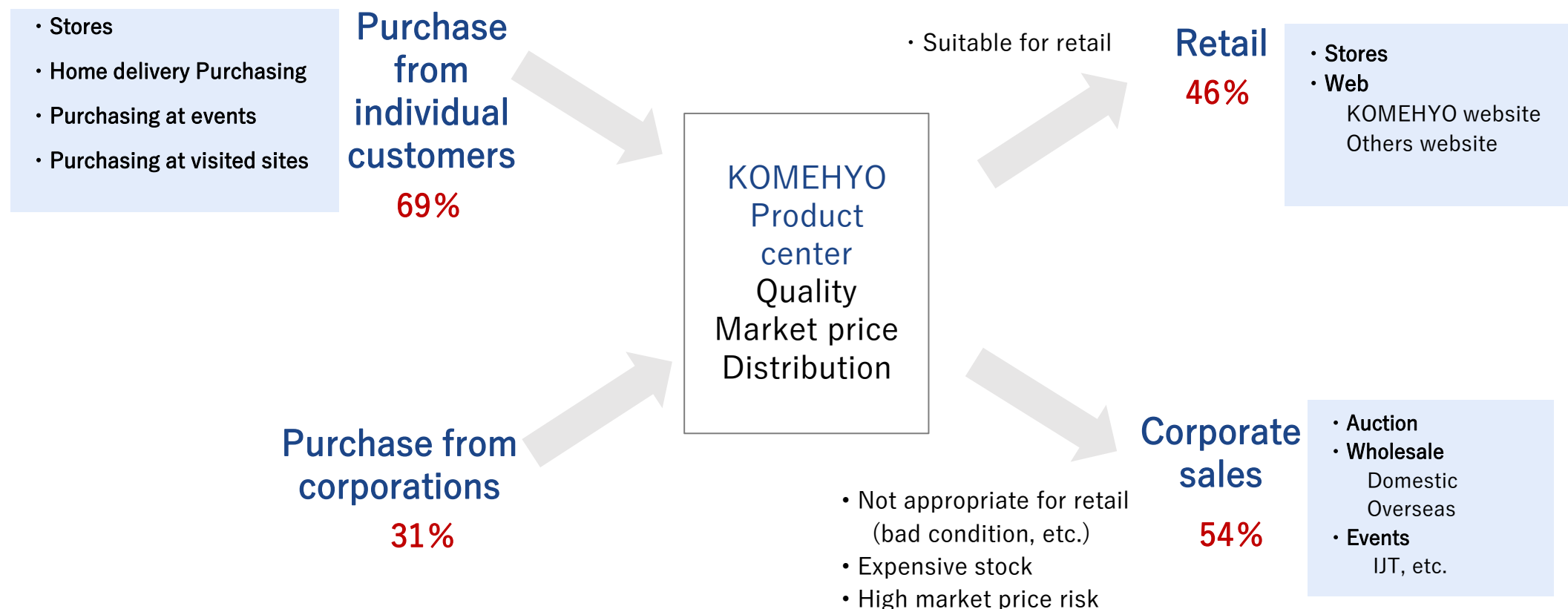
1Q HIBARIGAOKA PARCO
SAPPORO TOKYO
2Q COCOON CITY
MARUHIRO IRUMA
3Q MARUHIOR AGEO
LAZONA Kawasaki Plaza

Central

1Q	AEON MALL KUWANA <u>VERSAWALK NISHIO</u> AEON MALL ATSUTA	3Q	NORITAKE SHINMACHI AZ PARK ASTY KOUZOUJI SAKAE MORINOCHIKAGAI AEON MALL MIYOSHI
2Q	ISSYA <u>TOYOHASHI KALMIA</u>		

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

Product distribution image (KOMEHYO)





Relocation of Ginza store (KOMEHYO)

With the expiration of the contract period, the current Ginza store will be open until February 15, 2022 (Tuesday). After the relocation, the new store will offer convenient OMO experiences such as "one-to-one customer service" and "e-commerce back orders," etc.

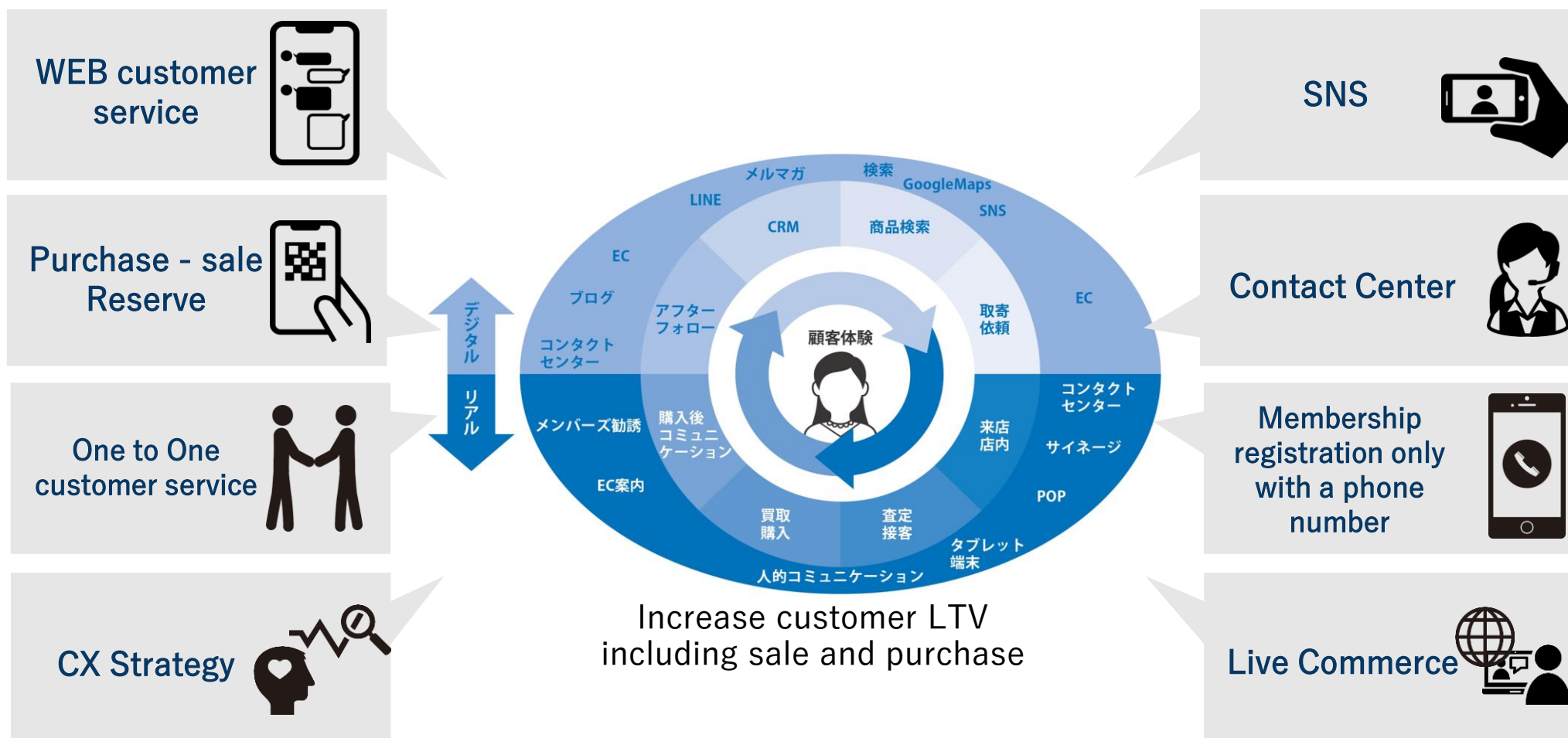
Phase 1: Relocation Sale at KOMEHYO Ginza Store
until February 15, 2022 (Tuesday)

Phase 2: KOMEHYO GINZA Limited (EXITMELSA Ginza 3F)
back order service and purchase by appointment only
from Friday, February 18 to late May

Phase 3: KOMEHYO GINZA PLUS (West Fifth Avenue Sakaguchi Building 1, 2F)
Offering sales and purchases and limited services
from late May



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

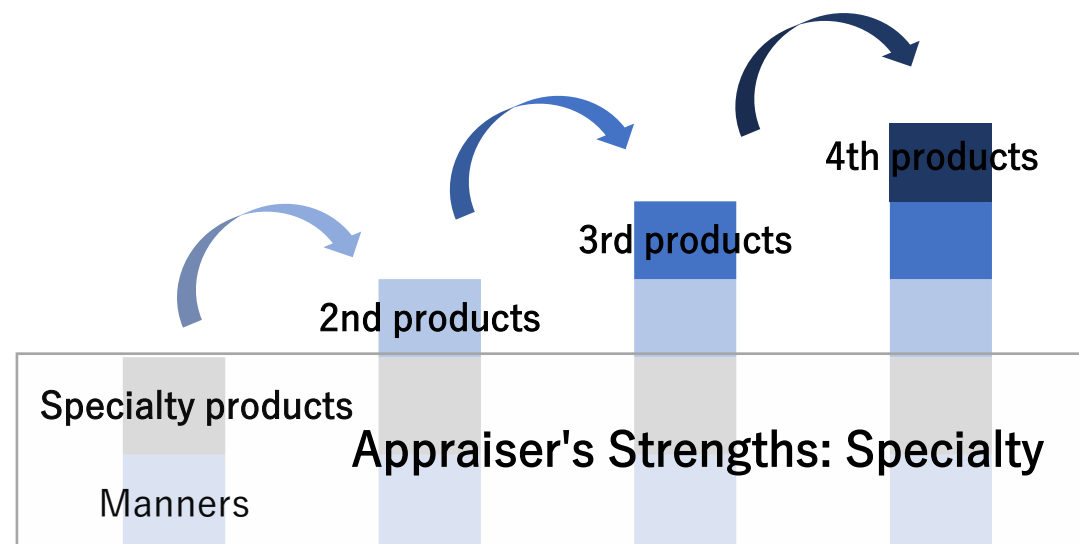


Human resources development (KOMEHYO)



The development of appraisers who support the opening of purchasing centers focuses on education to enable each appraiser to appraise multiple merchandise types.

Process of appraisers' skill learning

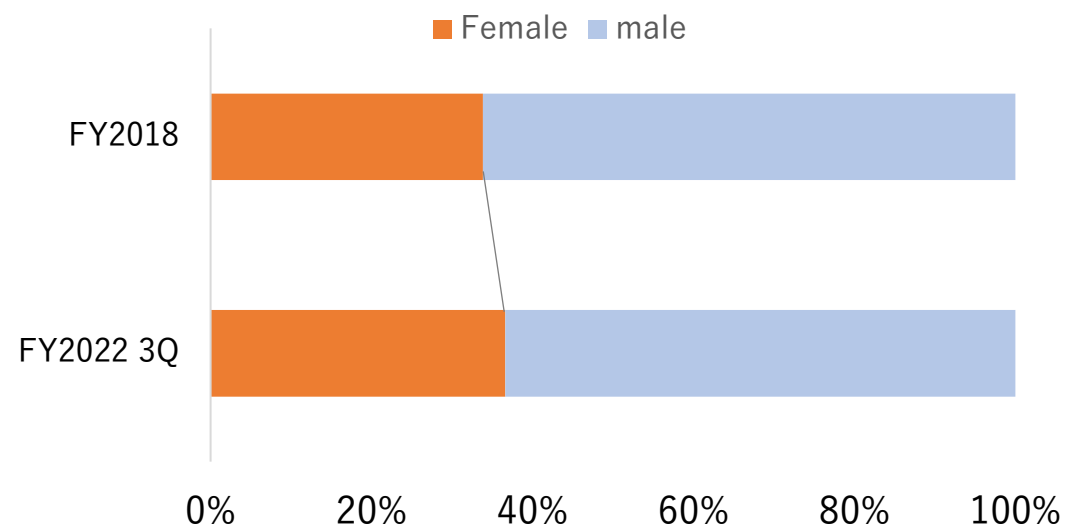


Human resources development (KOMEHYO)



The number of female appraisers is rising each year due to the systematization of training.
Of the 73 stores in Japan, the number of female store managers and assistant managers increased to 14 stores.

Appraiser skill composition



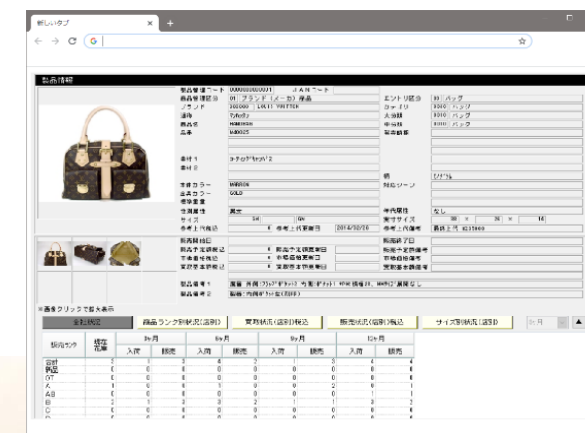
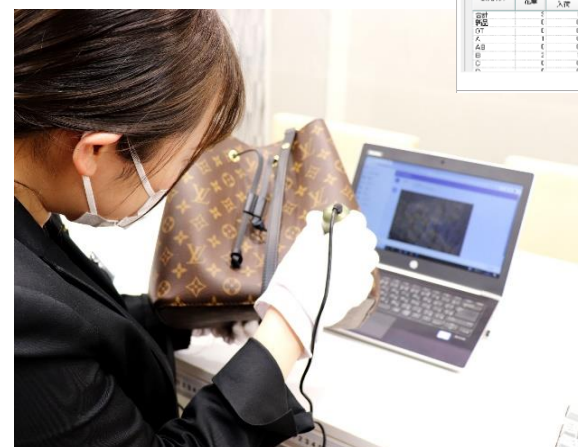
Assessment of authenticity and model numbers through AI

AI to assess authenticity and model numbers, supporting the opening of purchasing centers, has been installed in all KOMEHYO stores specializing in purchasing.



Formation of reuse market which customers can use with peace of mind

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



Sustainable efforts (KOMEHYO)

Cooperate with commercial facilities as an effort
to increase merchandise value and promote the appeal of the merchandise using POP ads, etc.



Raise merchandise value by editing



TSUNAGU
BY KOMEHYO

Remake jewelry



mi luna



Old Shoes Restore

あのときの あこがれともう一度出える

Old Shoes ReStore Collection



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

		FY2022.1Q	2Q	3Q
 <p>それでは、いい商いを。 KOMEHYO オークション</p> <p>KOMEHYO AUCTION</p>	Jewels / watches / bags	Online auction 2 times/ month		
	Apparel clothing	Online auction Monthly		
 <p>JBA Japan Brand Auction</p> <p>(K-BRAND OFF)</p>	JBA Kanazawa	Real auction Monthly		
	JBA Tokyo	Online auction Monthly		
	JBA Live net	Online auction Every Monday and Thursday		

<div>  KOMEHYO OAKHON </div>		<div> Onlineオークション商品リスト </div>		<div> 会員登録： 新規 </div>					
<div> 戻る </div>		<div> 2021年2月16日Online バッグ(出品289 種) </div>		<div> 商品番号： 43 </div>					
<div> 戻る </div>		<div> 43 </div>		<div> 入力する </div>					
<div> 登録 番号 </div>	<div> 修正 番号 </div>	<div> 画像 </div>	<div> 原価 単価 </div>	<div> 入力 人数 </div>	<div> 入札 開始 人数 </div>	<div> 品名 </div>	<div> ブランド </div>	<div> 商品 説明 </div>	<div> 商品 ランク </div>
1			原価 二割	60,000	0	バッグ	GUCCI	252872-PP3RXC GGキャンパス 95098682-LEIGHT BROWN 糸ボタンに縫い付、底裏なし	A
			原価 二割	70,000	3	バッグ	CELINE	145718163 MRL LUNDAGNE カーフ 25X30X10CQXSLR F.A.0.14 F.C.T.0.14 パイダル、 上裏なし	A/B
			原価 二割	40,000	1	バッグ	LOEWE	PALM A.5 BBEA C5M80N TOILE キャンバス LEIGHT BLU.1-WHITE 700N1	A/B
4	100		原価 二割	30,000	2	バッグ	LOEWE	A23102026 ラフィア NATURAL NERO YELLOW SMILEYEMBLEM 41267	A/B
5			原価 一割	70,000	3	バッグ	HUGO BOSS	014074CXL ガーザンターティ 56 トワフルアッシュ HUGO BOSS N パイダルに縫い付、底裏なし (小) 参考売上代：1,200円	A
			原価 二割					0026 "キャンパス"に縫い付、 底裏なし	
			原価 二割	80,000	0	バッグ	CHANEL	11406 カーフ H80002X ラグナ マリー サンティ 100007015 シルキー付、内底にカット縫付 表裏両手し縁	B
8			原価 二割	100,000	1	バッグ	CHANEL	20895 エステル BLAC 13151603 参考売上	
			原価 二割					145718163 MRL LUNDAGNE	



Oversea (KOMEHYO Shanghai (CHINA))



KOMEHYO Shanghai now has three stores: Shanghai Isetan (photo on the left) 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).



Tire and Wheel



Sales of both summer and winter products were higher than the previous year and remained strong. Amid a rash of wheel shortages in the industry, sales and profits were secured with ample inventory on hand.



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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: 924 Non-consolidated: 16 (As of December 2021)
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.

存在意義
MISSION

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.

目指す姿
VISION

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

価値観
VALUE

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.

We will pass on the value of products through environmentally and socially conscious recycling instead of just reusing.

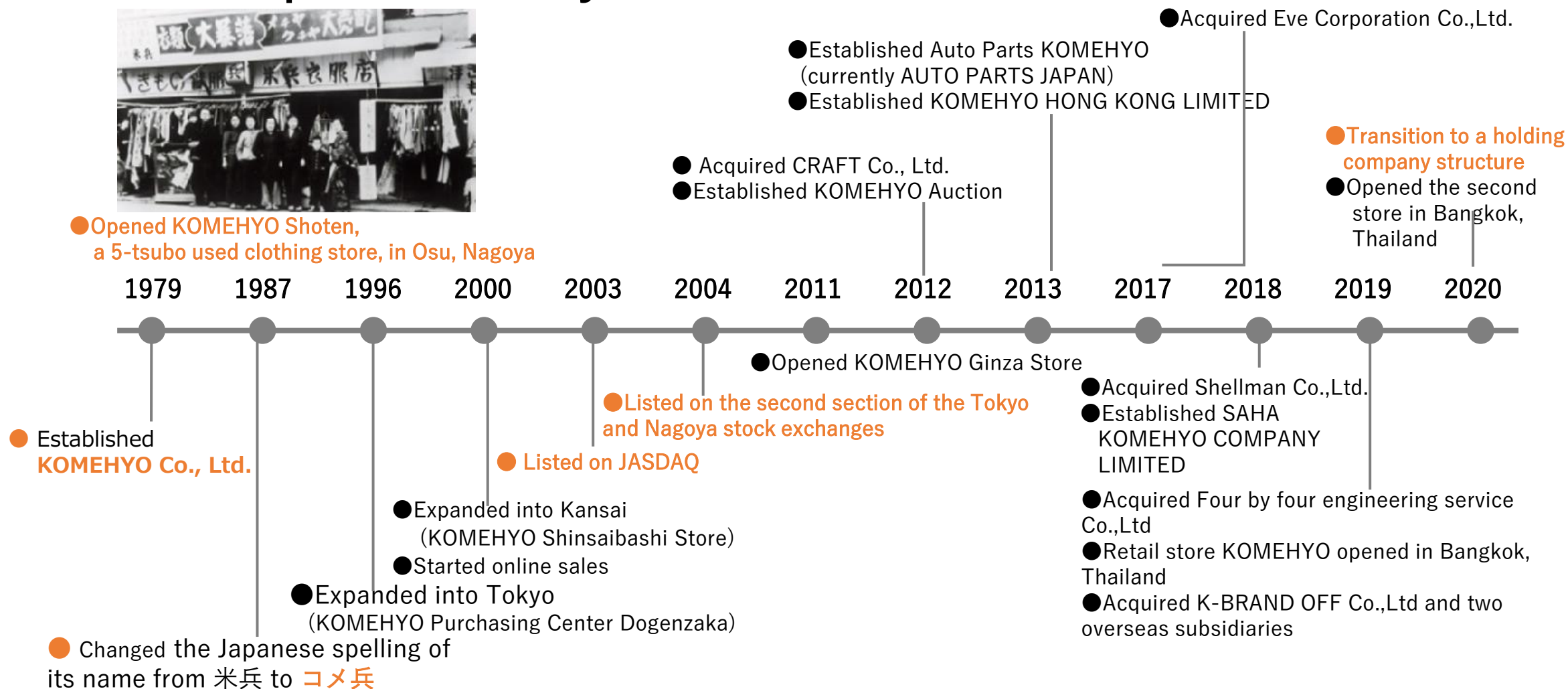
Maintenance, remaking, reorganizing and human relationships

Environmentally and socially conscious recycling, while it means reusing products, aims to pass down the concept of upcycling that enhances the value of products, instead of just downcycling products.

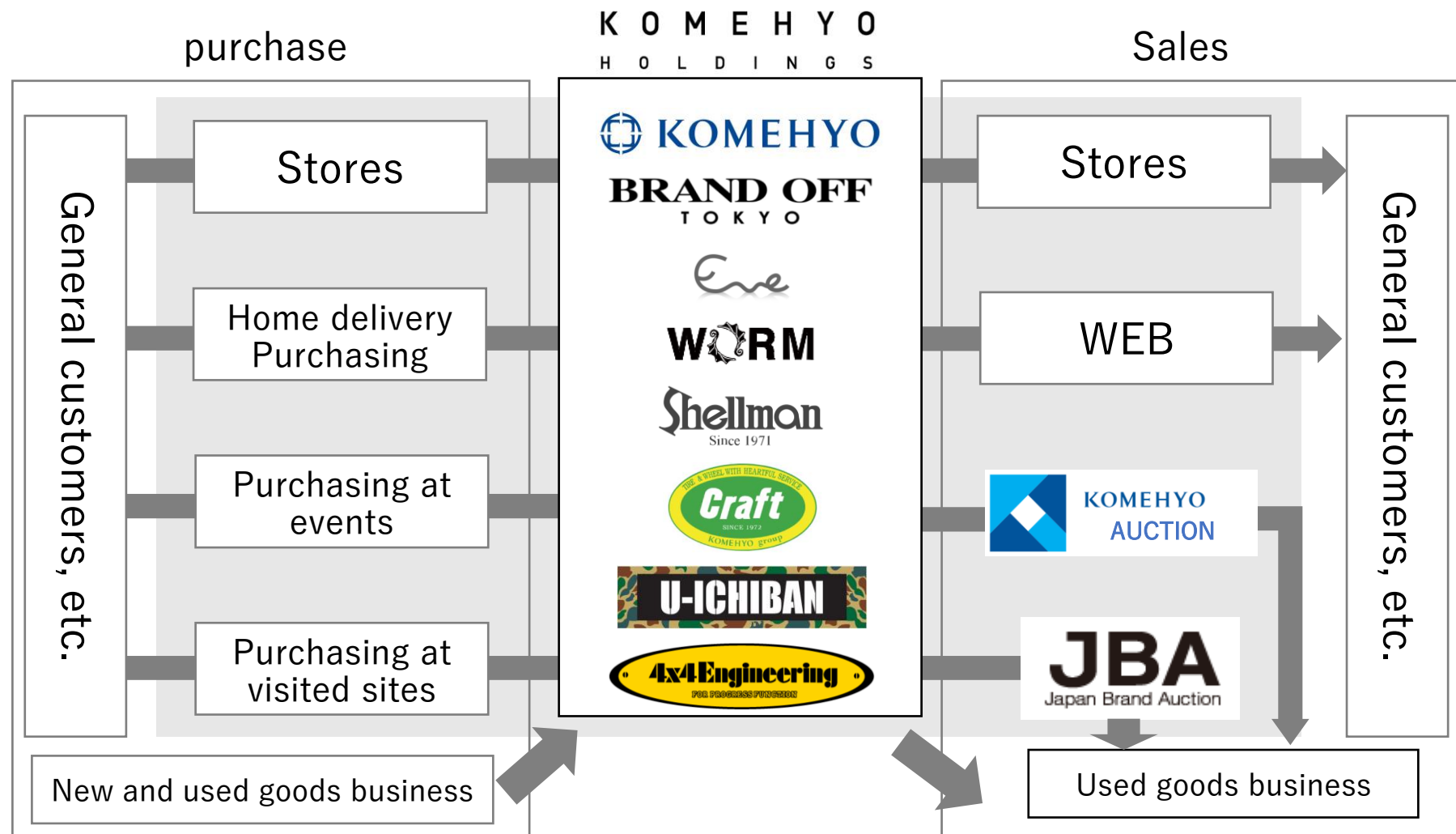
As more people share common value with an eye toward the creation of a sustainable society going forward, we will contribute to establishing such a society by promoting the concept of respecting producers and users while simultaneously sharing such concept with as many people as possible.



Corporate History



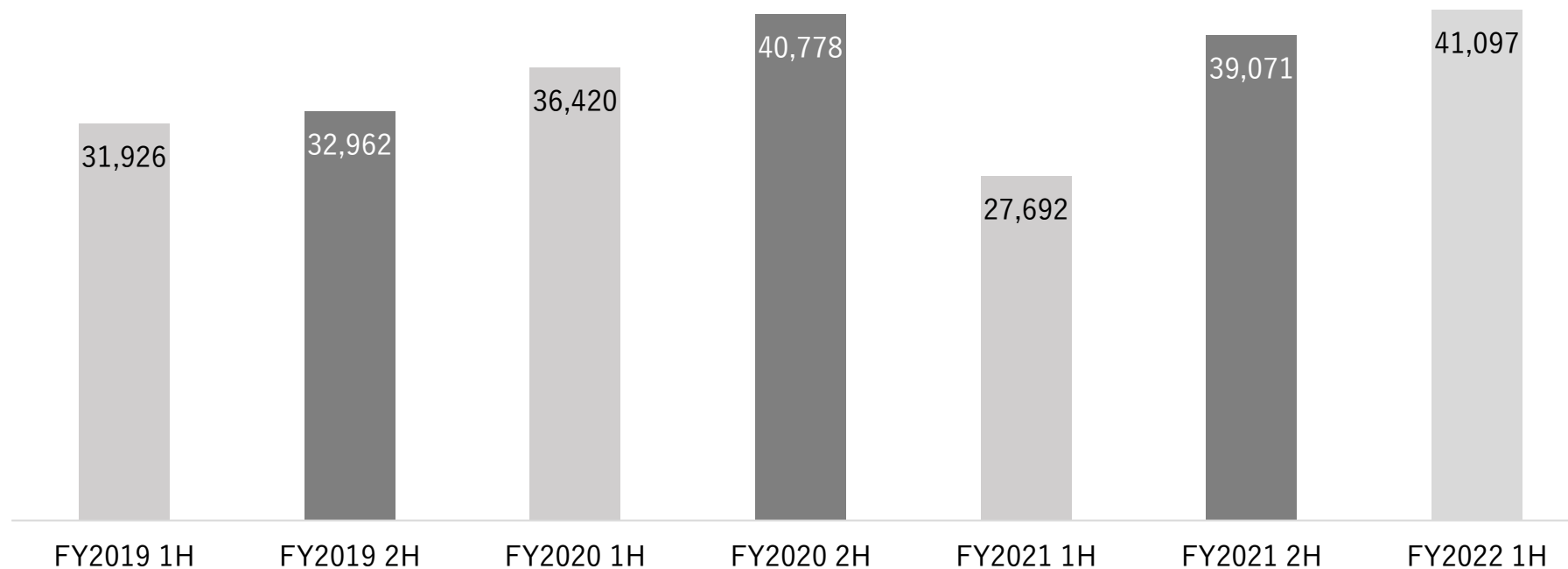
Business system diagram



Gross Merchandise Value

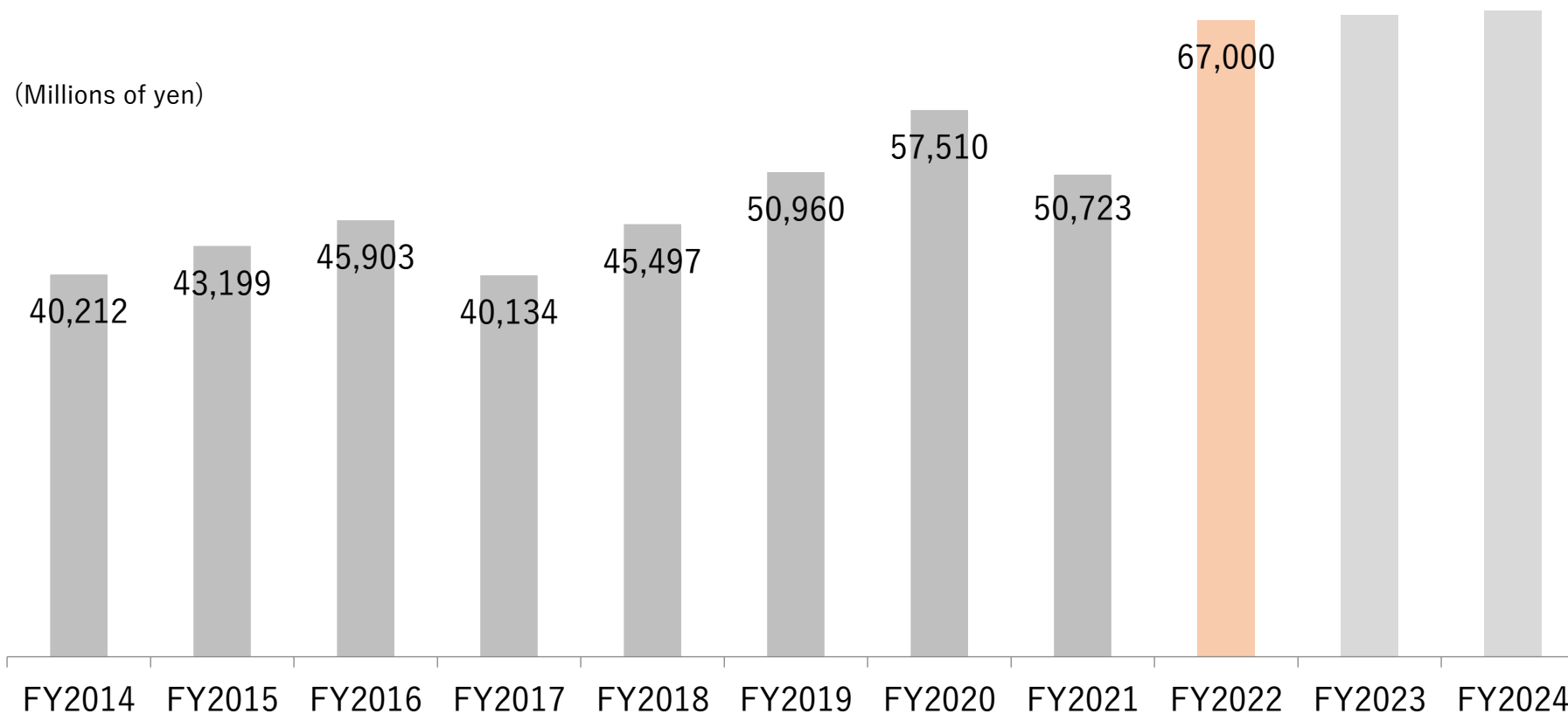
Gross merchandise value (GMV) increased from two fiscal years earlier primarily due to the consolidation of K-Brand Off.

Gross Merchandise Value (100 millions of yen)



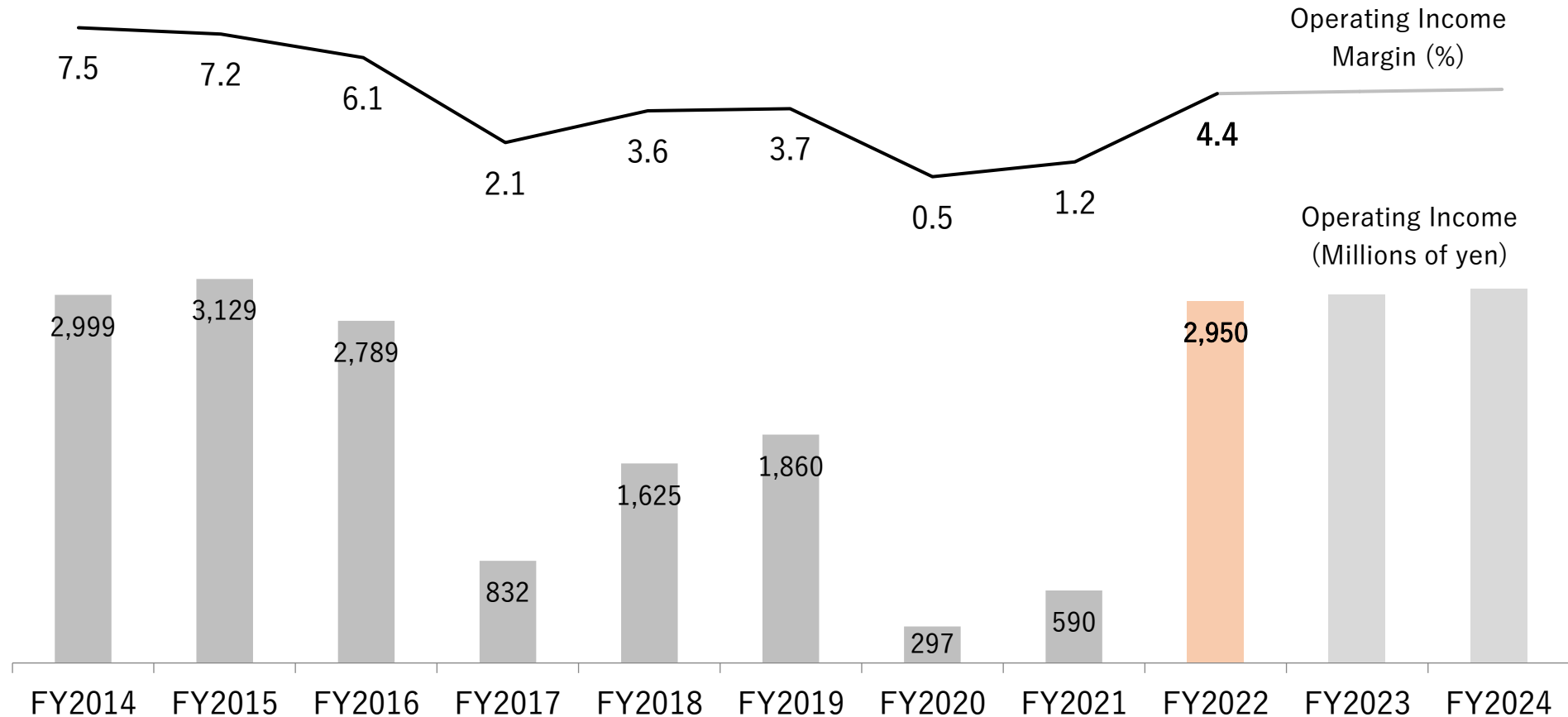
GMV is calculated simply by adding and subtracting sales and volume information at the KOMEHYO auction based on consolidated sales.

Sales plan



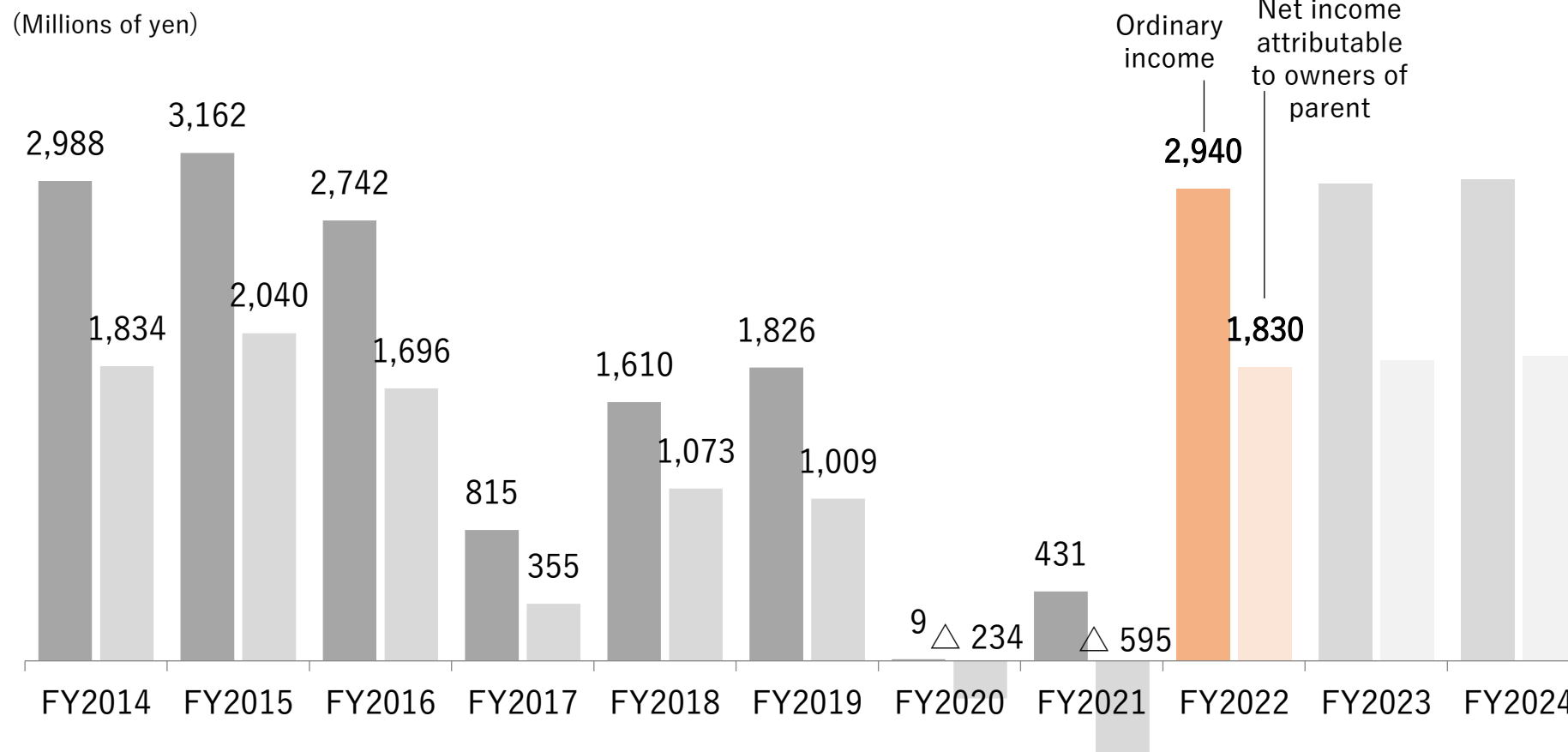
※ Changes were made to business plans for the first half and the fiscal year announced at the beginning of the fiscal year.
No change in medium-term plan.

Operating Profit Plan



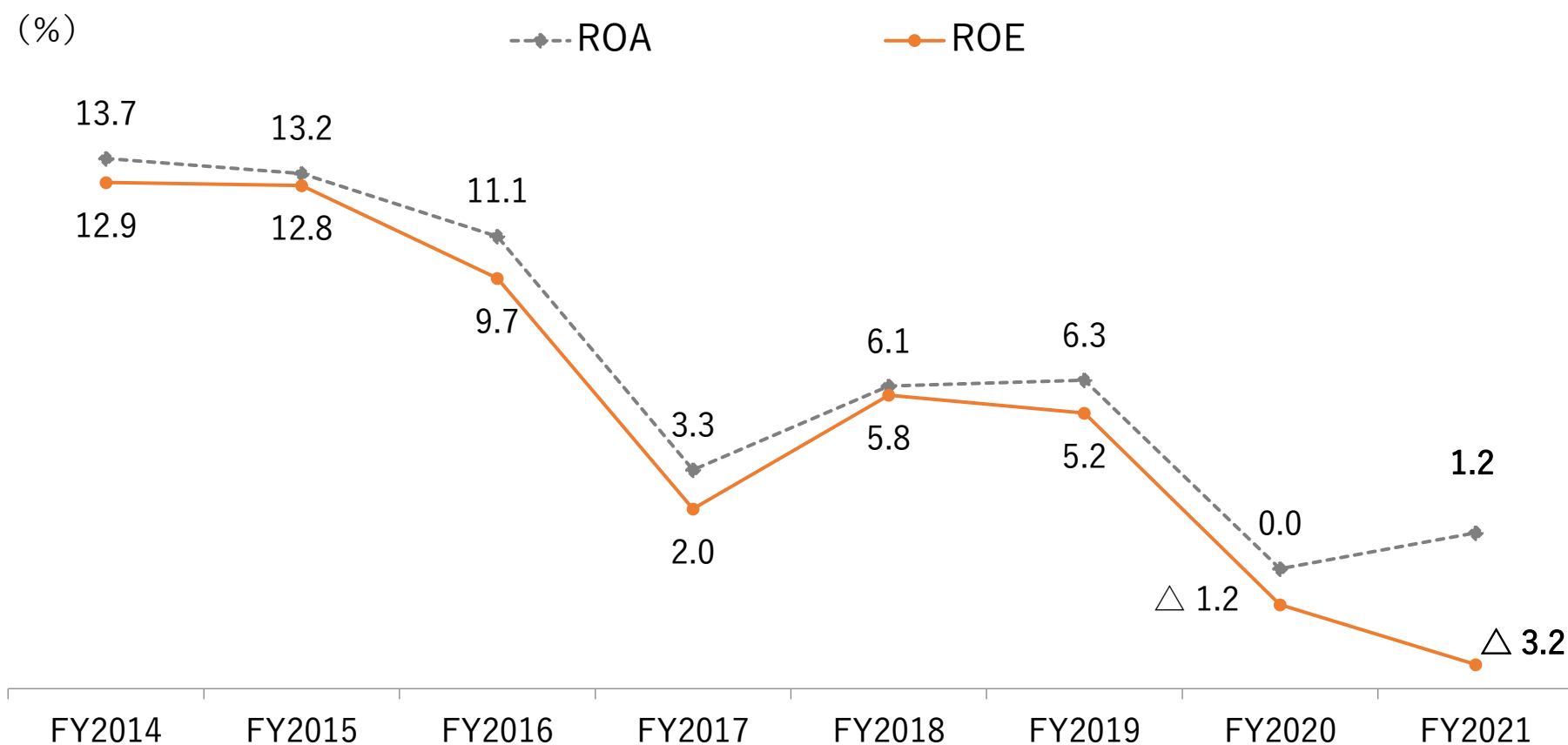
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No change in medium-term plan.

Ordinary income/Net income Plan



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No change in medium-term plan.

Changes in ROA/ROE



Medium-term Management Plan

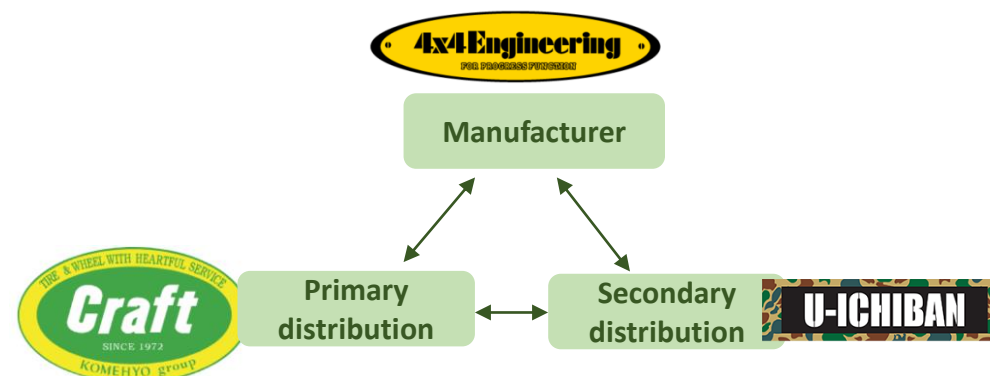
Brand · Fashion business

1. Strengthening of the scheme of purchasing from individuals and retailing
2. Strengthening of the corporate business
3. Development of overseas businesses and strengthening of reuse technologies.



Tire · Wheel business

1. Stabilization and strengthening of profitability
2. Strengthening of new products.



Medium-term Management Plan : Brand · Fashion

1. toC - Strengthening of the scheme of purchasing from individuals and retailing
 - Increase the number of purchasing channels (acceleration of new store openings and facilitation of FC and alliances).
 - Raise the capability of existing stores and improving CRM through OMO with a focus on LTV.
 - Facilitate the upcycling of purchased products.
2. toB - Strengthening of the corporate business
 - Strengthen and streamline the auction business.
 - Accelerate collaboration-based businesses.
 - Acquire new business partner companies.
3. Growth drivers - Development of overseas businesses and strengthening of reuse technologies.
 - Drive growth in overseas channels (enhance profit levels).
 - Utilize data on products and customers among the group companies.
 - Enhance purchasing channels through the utilization of AI.



Medium-term Management Plan : Tire · Wheel

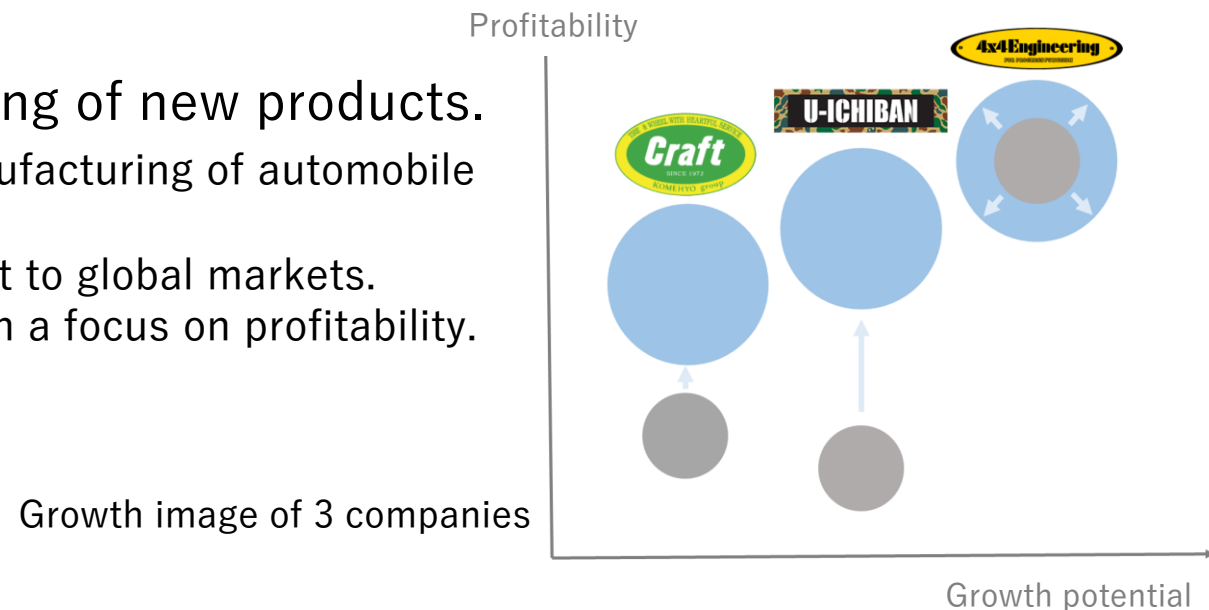
1. Collaboration among the three companies – Stabilization and strengthening of profitability

- Strengthen specialty stores developed according to customer preference and sales of which are not affected by the weather.
- Strengthen the sale and purchase of used tires and wheels.
- Implement inventory management utilizing databases and establish priority categories.



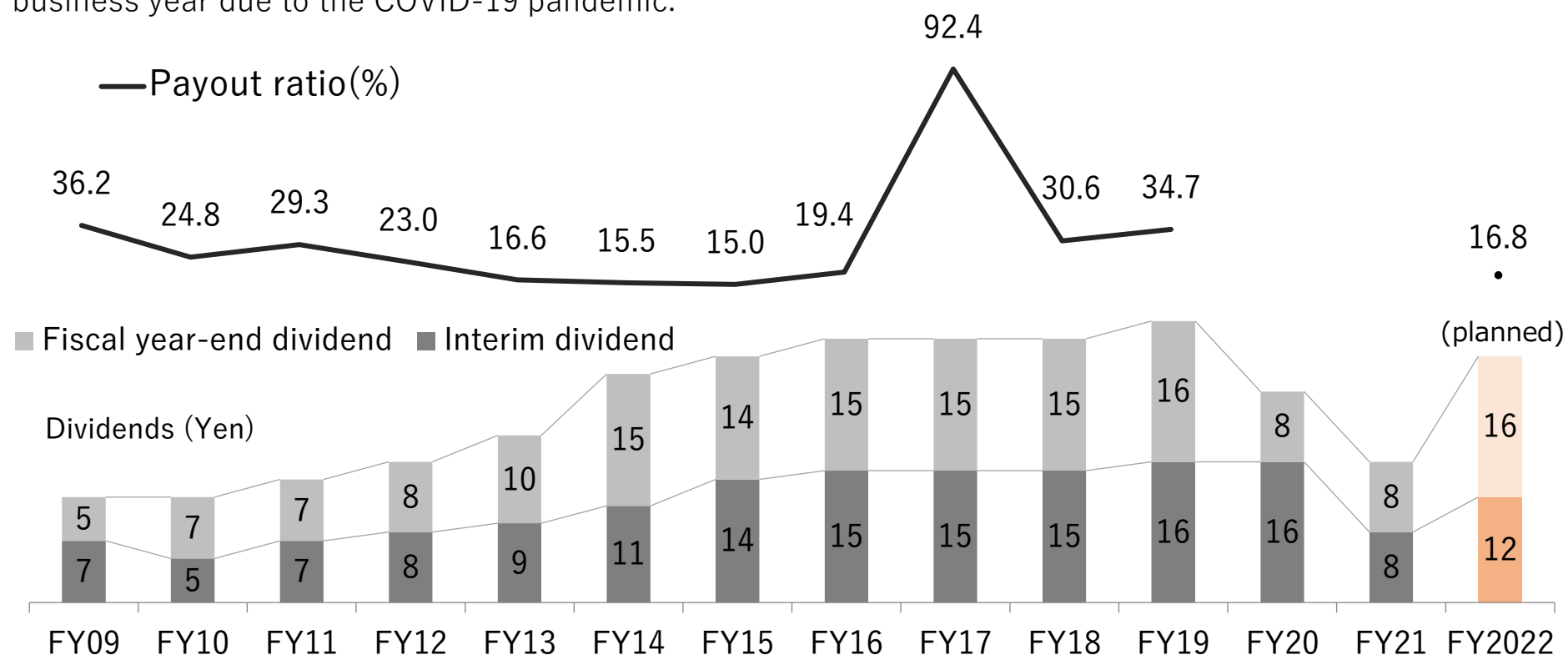
2. Growth drivers - Strengthening of new products.

- Facilitate the planning and manufacturing of automobile parts such as wheels.
- Step up efforts to supply product to global markets.
- Establish business portfolios with a focus on profitability.



Shareholder return

Komehyo Holdings aims for a stable dividend increase from now after a decline in dividends until the previous business year due to the COVID-19 pandemic.



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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.