

# KOMEHYO



## Earnings Results Briefing for the First Six Months of the Fiscal Year Ending March 31, 2016

**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, 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

Achieved revenue and profit growth both on a consolidated and non-consolidated basis

Consolidated (Millions of yen)	FY2014 1H (2013.4-9)	FY2015 1H (2014.4-9)	FY2016 1H (2015.4-9)	YoY	vs. plan
Net sales	18,188	19,495	<b>20,936</b>	107.4%	101.6%
Gross profit	5,723	5,924	<b>6,149</b>	103.8%	-
Gross profit margin	31.5%	30.4%	<b>29.4%</b>	- 1.0pt	-
SG&A expenses	4,566	4,989	<b>5,001</b>	100.2%	-
Operating income	1,156	934	<b>1,148</b>	122.9%	113.7%
Ordinary income	1,152	954	<b>1,144</b>	119.9%	113.3%
Net income attributable to owners of parent	705	596	<b>699</b>	117.3%	116.7%
Non-consolidated (Millions of yen)	FY2014 1H (2013.4-9)	FY2015 1H (2014.4-9)	FY2016 1H (2015.4-9)	YoY	vs. plan
Net sales	16,469	17,817	<b>18,819</b>	105.6%	101.2%
Gross profit	5,019	5,251	<b>5,325</b>	101.4%	-
Gross profit margin	30.5%	29.5%	<b>28.3%</b>	- 1.2pt	-
SG&A expenses	3,832	4,333	<b>4,237</b>	97.8%	-
Operating income	1,186	917	<b>1,088</b>	118.6%	108.9%
Ordinary income	1,193	948	<b>1,093</b>	115.3%	109.3%
Net income	724	593	<b>669</b>	112.8%	113.5% 2

# Selling, General and Administrative Expenses

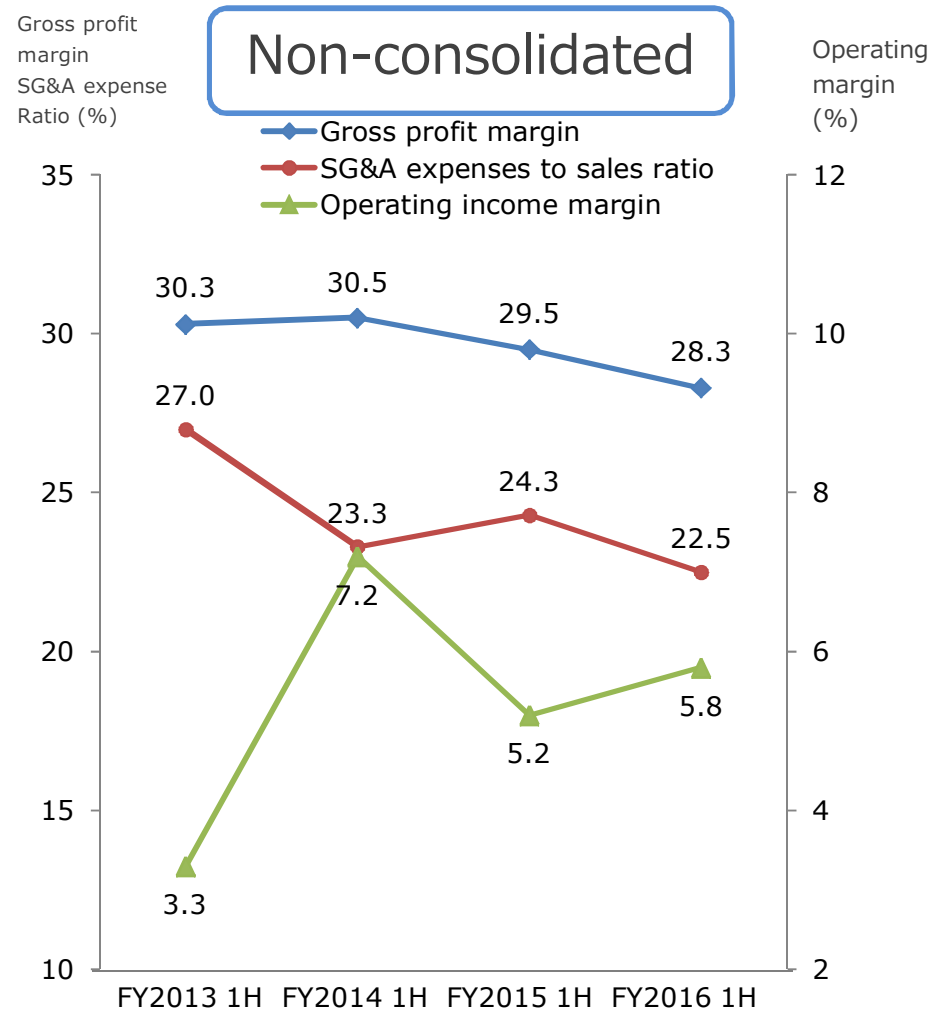
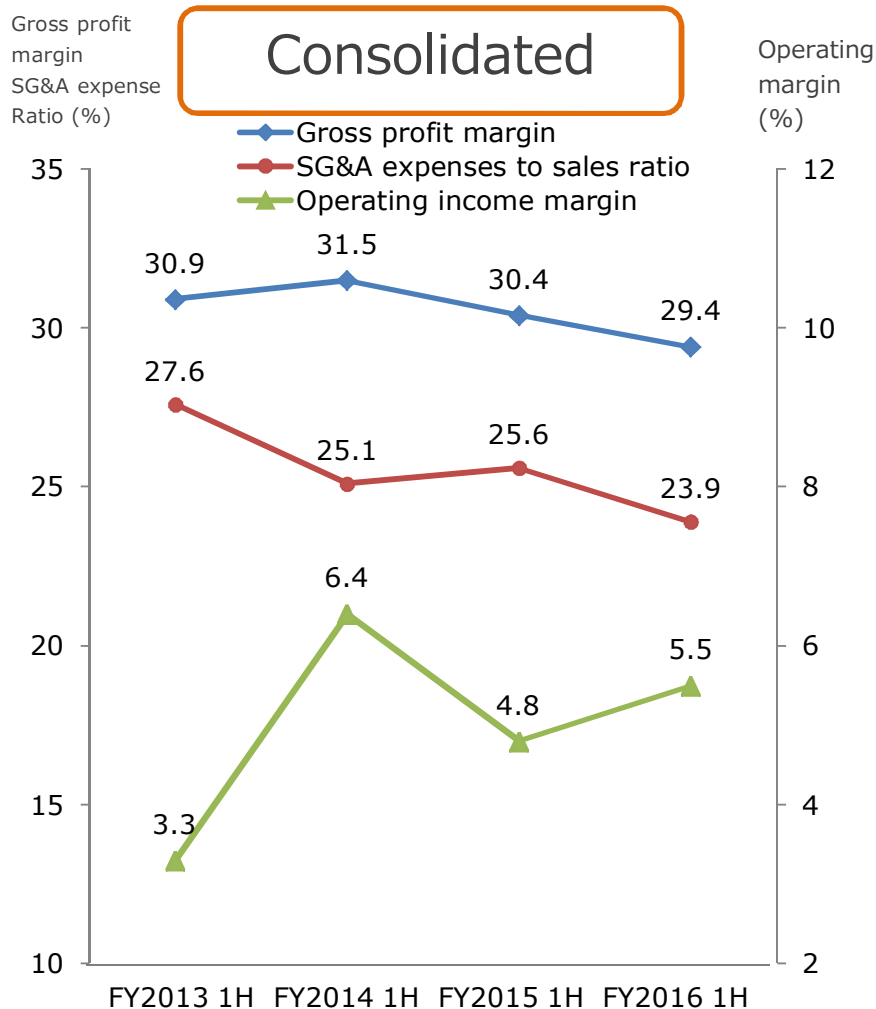
Consolidated: Although expenses increased due to store opening, lower selling expenses resulted in a slight increase in overall expenses

Consolidated (Millions of yen)	FY2015 1H (2014.4-9)	FY2016 1H (2015.4-9)	Change	YoY
<b>Selling, General and Administrative Expenses</b>	4,989	<b>5,001</b>	+ 11	100.2%
Selling expenses	874	<b>761</b>	- 113	87.0%
Personnel expenses	2,367	<b>2,326</b>	- 40	98.3%
General & administrative expenses	1,747	<b>1,912</b>	+ 165	109.5%
Rents	817	<b>871</b>	+ 53	106.6%
Maintenance expenses	108	<b>157</b>	+ 49	145.3%

Non-consolidated (Millions of yen)	FY2015 1H (2014.4-9)	FY2016 1H (2015.4-9)	Change	YoY
<b>Selling, General and Administrative Expenses</b>	4,333	<b>4,237</b>	- 96	97.8%
Selling expenses	878	<b>739</b>	- 139	84.1%
Personnel expenses	2,042	<b>1,989</b>	- 52	97.4%
General & administrative expenses	1,412	<b>1,508</b>	+ 95	106.8%

# Profit Margin Trend

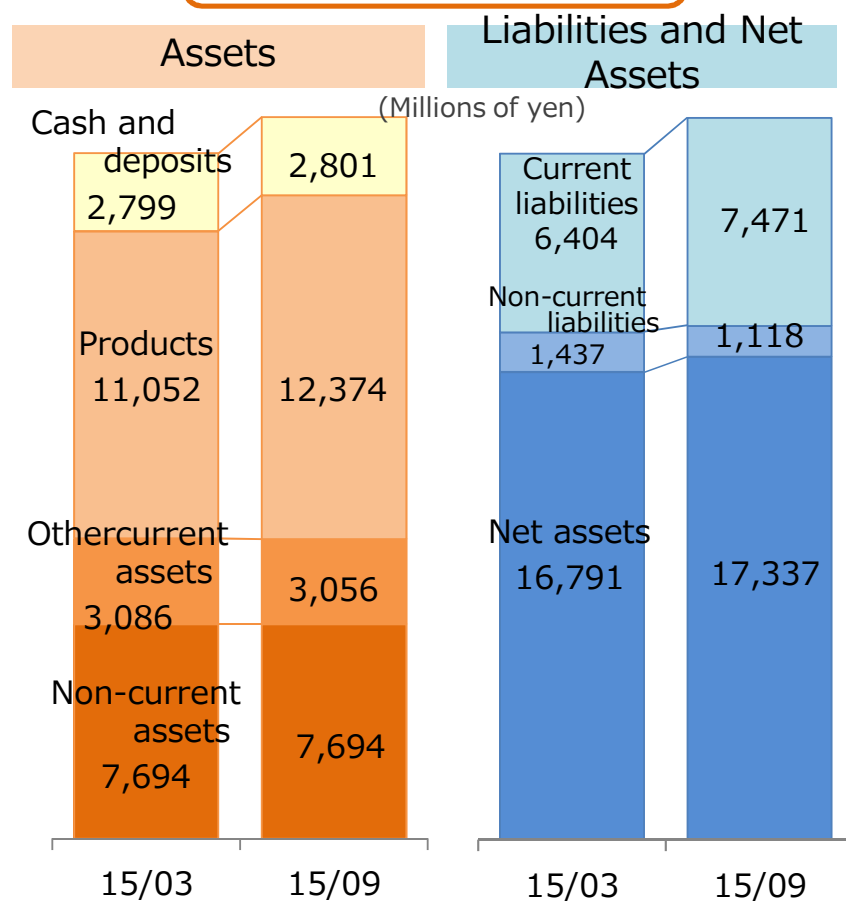
Operating margin increased by covering a decline in gross profit margin with a lower SG&A expense ratio



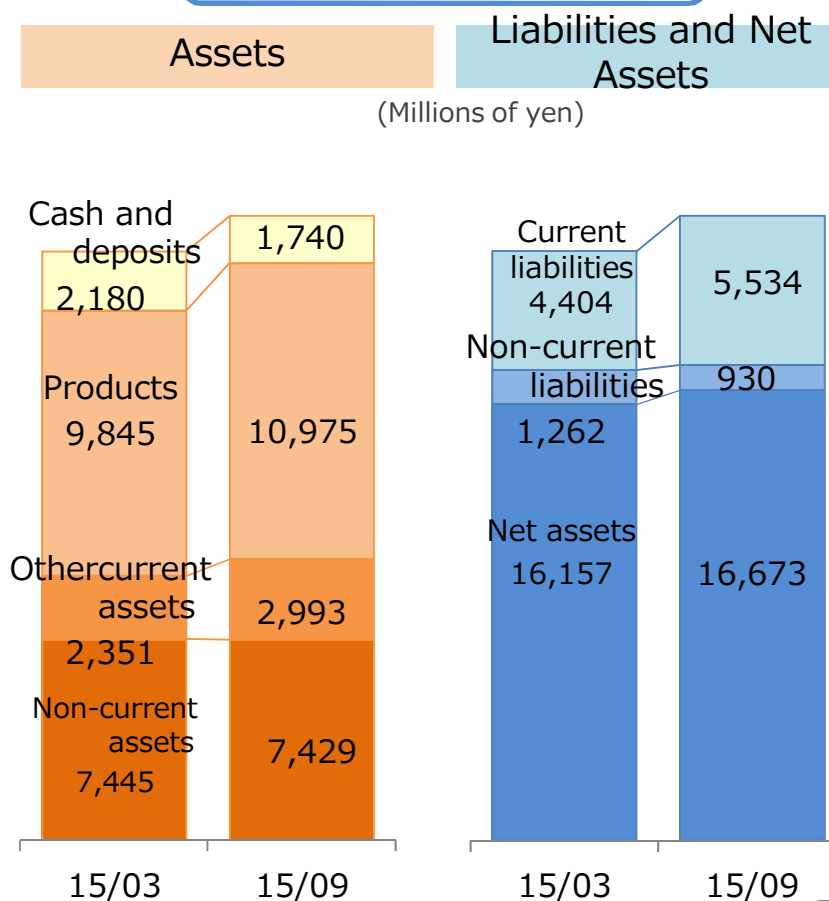
# Overview of Balance Sheet

Products increased due mainly to store opening and higher prices of brand-name product

## Consolidated



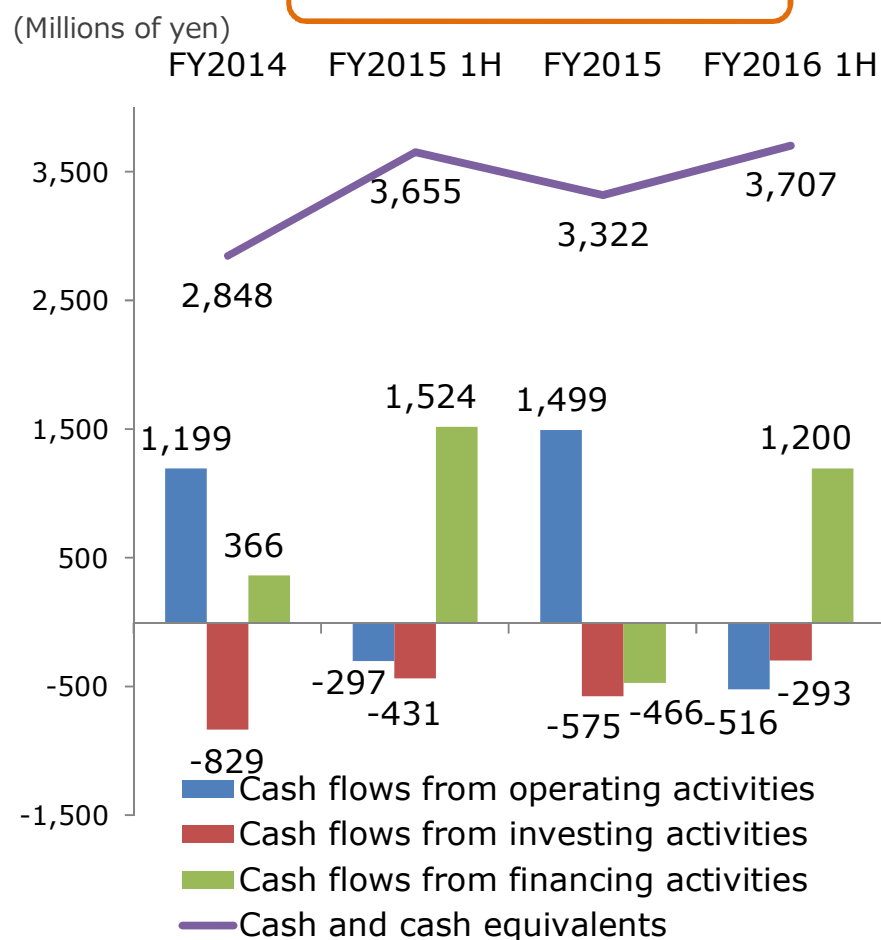
## Non-consolidated



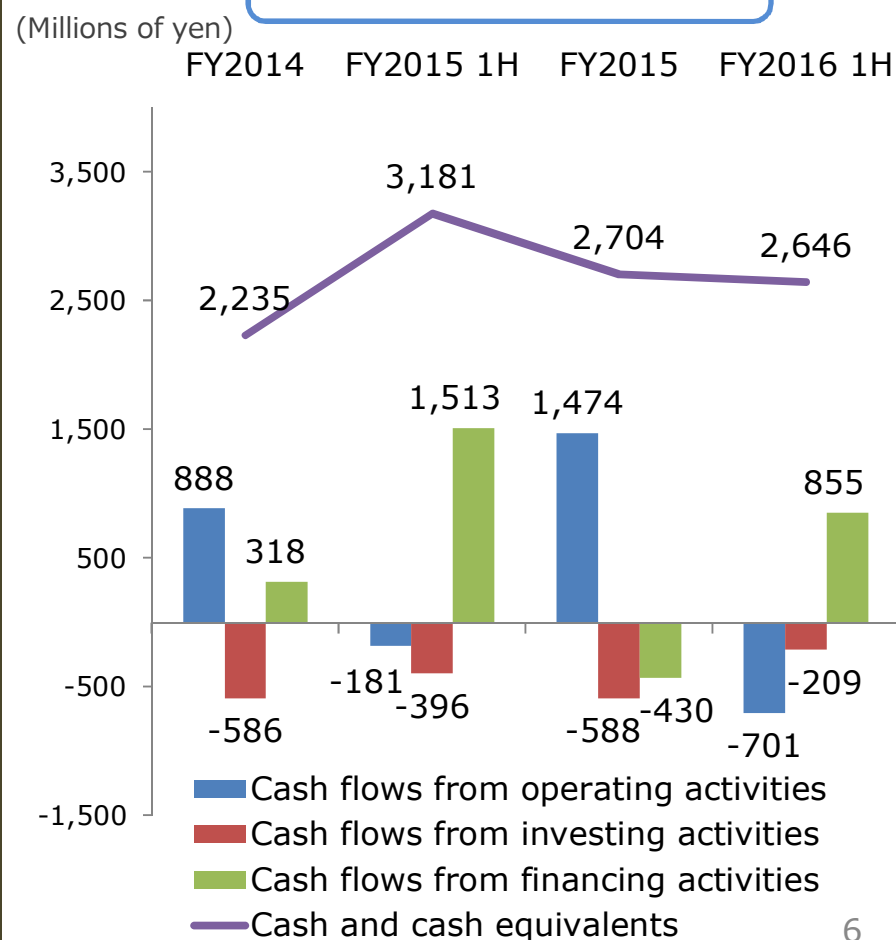
# Statement of Cash Flows

Cash flows from operating activities were negative due mainly to the opening of 4 stores and increases in products

## Consolidated



## Non-consolidated



# By Segment

Both the Brand Fashion segment and the Tire and Wheel segment posted strong results

	(Millions of yen)	FY2014 1 H	FY2015 1 H	<b>FY2016 1 H</b>	YoY
<b>Brand Fashion</b>	Net sales	16,609	17,967	<b>19,137</b>	106.5%
	Operating income	1,220	1,001	<b>1,167</b>	116.6%
	Operating margin	7.4%	5.6%	<b>6.1%</b>	+ 0.5pt
<b>Tire and Wheel</b>	Net sales	1,527	1,476	<b>1,754</b>	118.8%
	Operating income	- 77	- 85	<b>- 31</b>	-
	Operating margin	-	-	-	-
<b>Others</b>	Net sales	71	72	<b>66</b>	91.8%
	Operating income	12	18	<b>13</b>	72.4%
	Operating margin	18.1%	25.2%	<b>19.9%</b>	- 5.3pt
<b>Total</b>	Net sales	18,188	19,495	<b>20,936</b>	107.4%
	Operating income	1,156	934	<b>1,148</b>	122.9%
	Operating margin	6.4%	4.8%	<b>5.5%</b>	+ 0.7pt

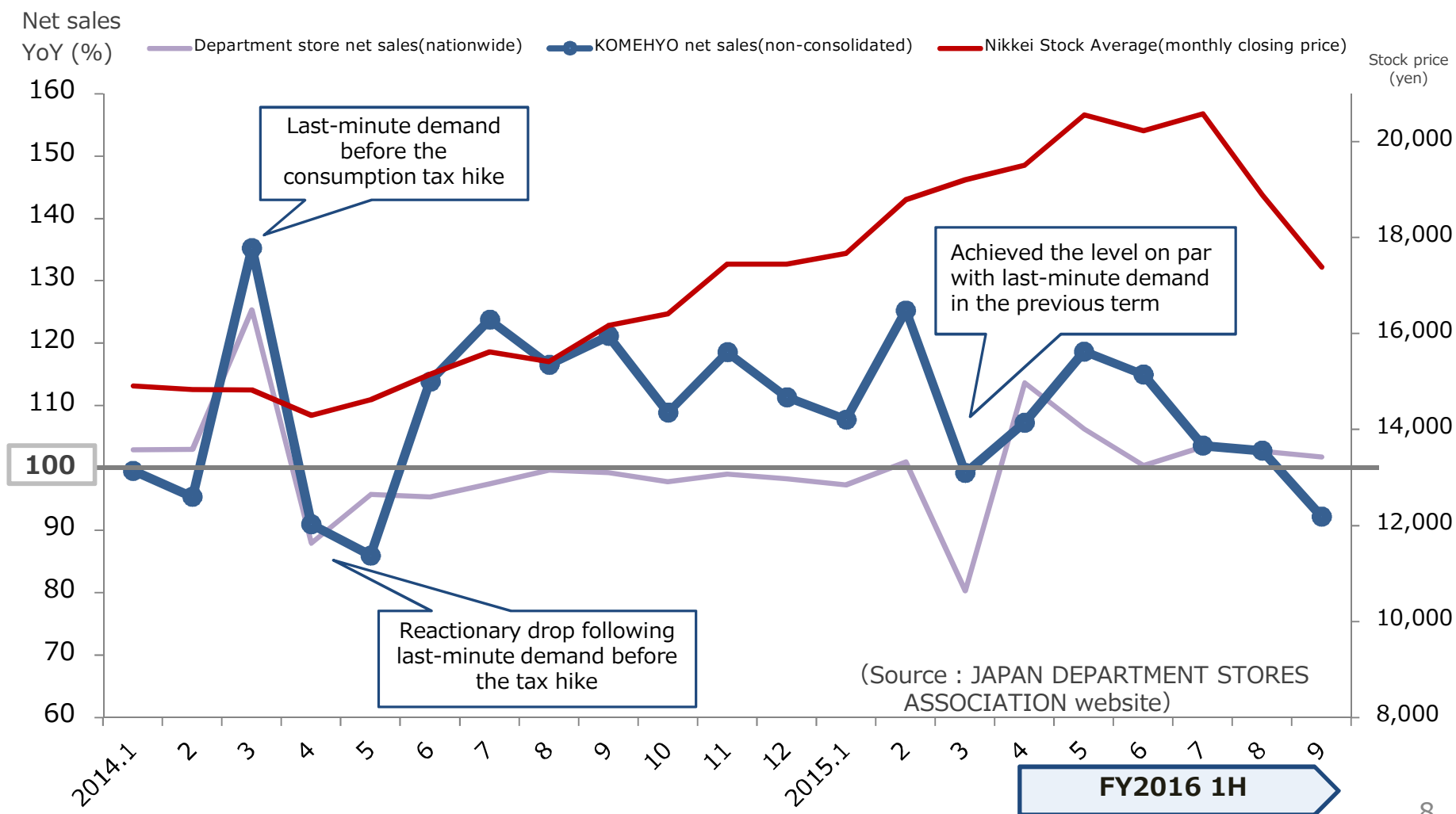
\* The total above includes other adjustments.



# External Environment (1)

## Economic Trends

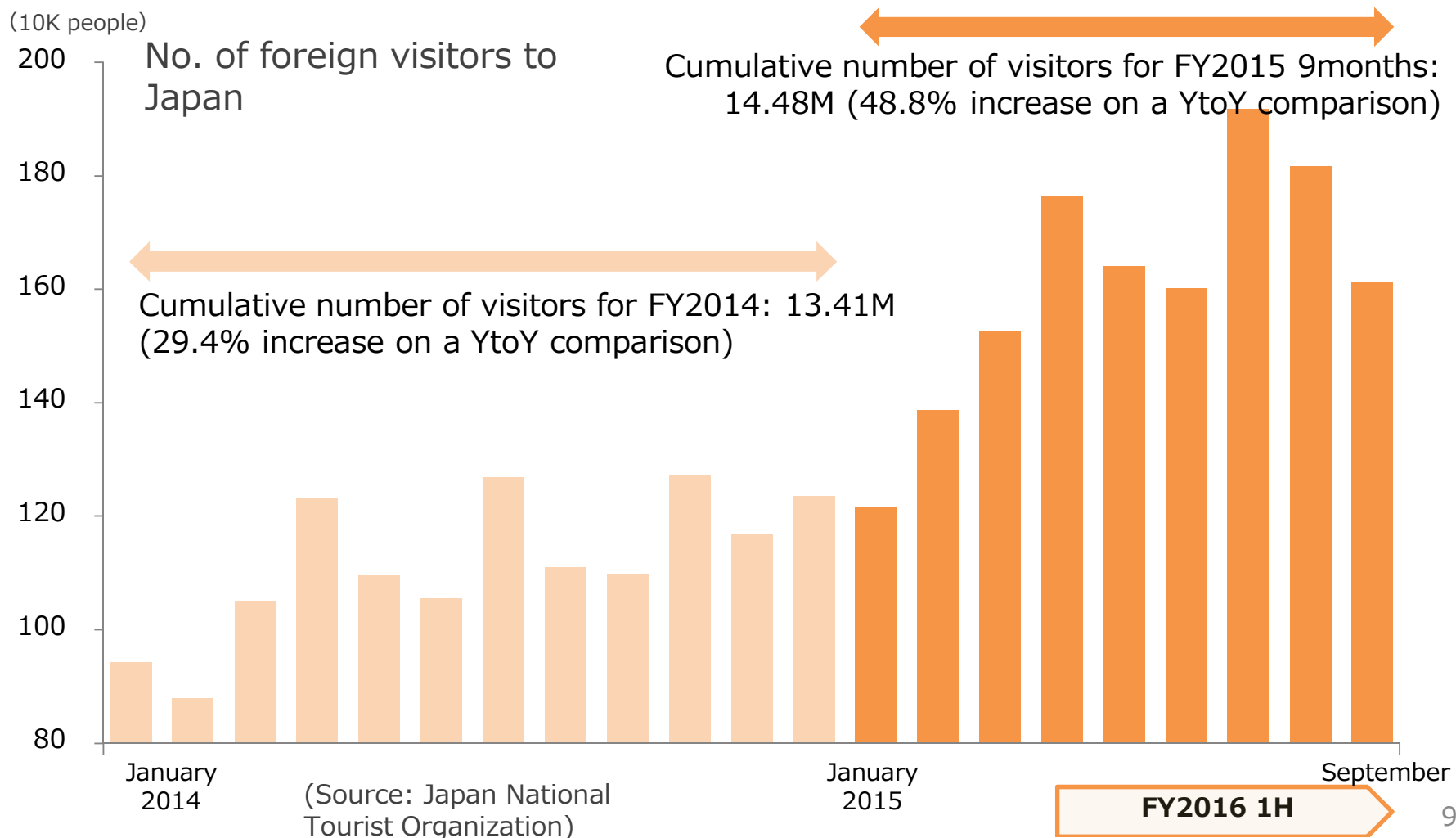
Stock prices fell globally in August 2015 due to growing concerns over the Chinese economy



# External Environment (2)

## Inbound Tourism Consumption

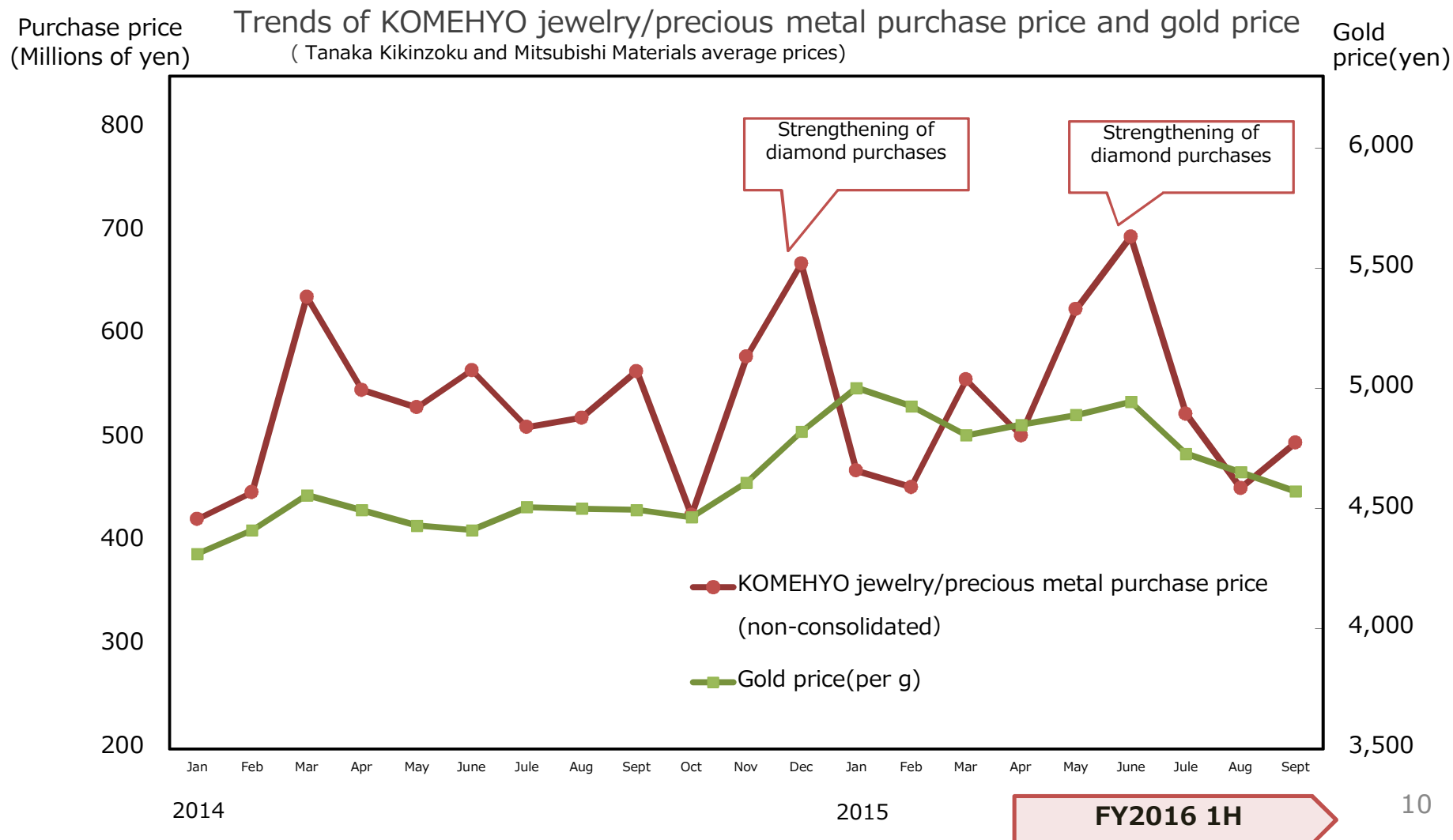
The number of foreign visitors to Japan increased steadily



# External Environment (3)

## Gold Price

Implemented measures to strengthen purchase in line with the price of gold



# Initiative (1) Opening of New Stores

Opened 4 stores in FY2016 1H;  
planning to open 3 stores in FY2016 2H and 1 store in FY2017

## FY2016 1H store open

KOMEHYO  
Sakae Central Park Store  
April 29, 2015 (approx.  
66m<sup>2</sup>)

KOMEHYO  
Kobe Motomachi Store  
May 25, 2015 (approx.  
220m<sup>2</sup>)

KOMEHYO  
Purchasing Center  
Ikebukuro Nishiguchi  
July 17, 2015 (approx.  
102m<sup>2</sup>)

KOMEHYO  
Purchasing Center  
Tachikawa Kitaguchi  
September 18, 2015  
(approx. 167m<sup>2</sup>)

## FY2016 2H store open (plan)

KOMEHYO  
Canal City Hakata Store  
October 1, 2015 (approx.  
138m<sup>2</sup>)



KOMEHYO  
Jiyugaoka Store  
November 2015 (planned)  
(approx. 84m<sup>2</sup>)

KOMEHYO  
Tenjin Store  
March 2016 (planned)  
(approx. 193m<sup>2</sup>)

## FY2017 store open (planned)

KOMEHYO  
Umeda Store  
February 2017 (planned)  
(approx. 1,318m<sup>2</sup>)

# Store Map

KOMEHYO

26 stores (as of September 2015)  
<http://www.komehyo.co.jp>

## Chubu

Nagoya Store  
(Main Building, Kimono  
Building, Camera/Musical  
Instrument Building,  
Purchasing Center Osu)  
Meieki Sun Road Store  
Sakae Central Park Store  
Toyota Store

4.29 OPEN

## Kansai

Shinsaibashi Store  
Whity Umeda Store  
Namba Walk Store  
Abeno Store  
Kyoto Shinkyogoku Store  
Kobe Sannomiya Store  
Kobe Motomachi Store  
Hiroshima-Hondori Store

5.25 OPEN



LINK SMILE: 7 stores (7 in Aichi)

USED MARKET: 4 stores (3 in Aichi, 1 in Nagano)

Stores (to be) opened in FY2016 2H  
(October 2015-)

Canal City Hakata Store on October 1

Jiyugaoka Store on November 27

Tenjin Store in March 2016

Stores to be opened in FY2017

Umeda Store in February 2017

## Kanto

Shinjuku Store  
Ginza Store  
Aoyama Store  
Shibuya Koendori Store  
Machida Store  
Omiya-Higashiguchi Store  
Kashiwa-Higashiguchi Store  
Purchasing Center Shibuya  
Purchasing Center Harajuku  
Purchasing Center Kichijoji  
Purchasing Center Yurakucho  
Purchasing Center Yokohama Nishiguchi

Purchasing Center  
Ikebukuro Nishiguchi  
Purchasing Center  
Tachikawa Kitaguchi

7.17 OPEN

9.18 OPEN

# Initiative (2)

## Purchase from Individual Customers

Purchases from individual customers remained solid

Amount of purchase from individual customers (Millions of yen)	FY2014 1H (13.4-9)	FY2015 1H (14.4-9)	<b>FY2016 1H</b> (15.4-9)	YoY
Purchasing Center	7,148	8,173	<b>8,896</b>	108.8%
Home delivery Purchasing	381	365	<b>440</b>	120.4%
Total	7,529	8,539	<b>9,336</b>	109.3%



KOMEHYO Purchasing Center  
Osu

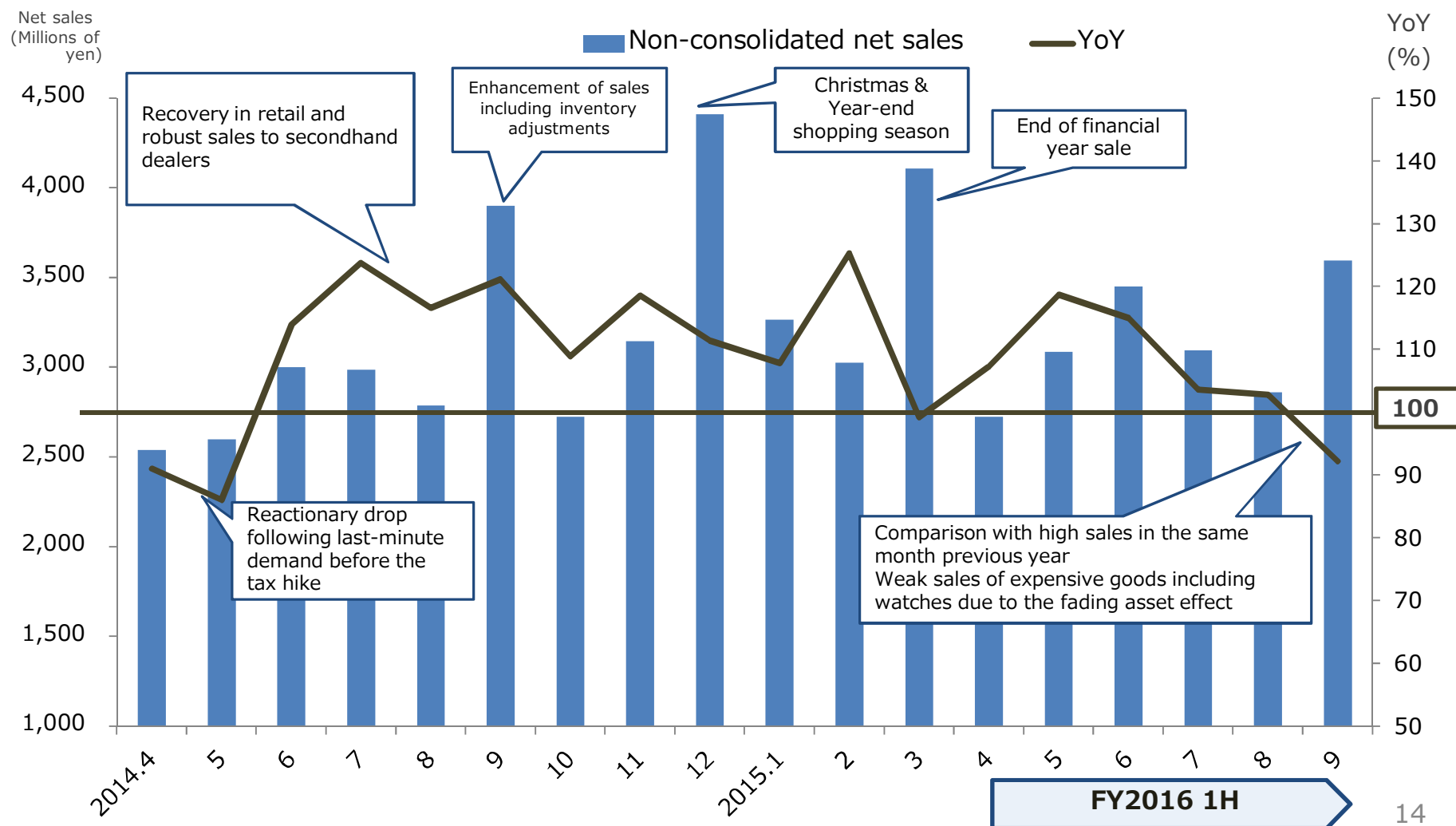


Home delivery purchase website

# Initiative (3)

## Monthly Sales

Monthly sales have decreased year-on-year since July 2015  
(a sharp increase in sales last year)



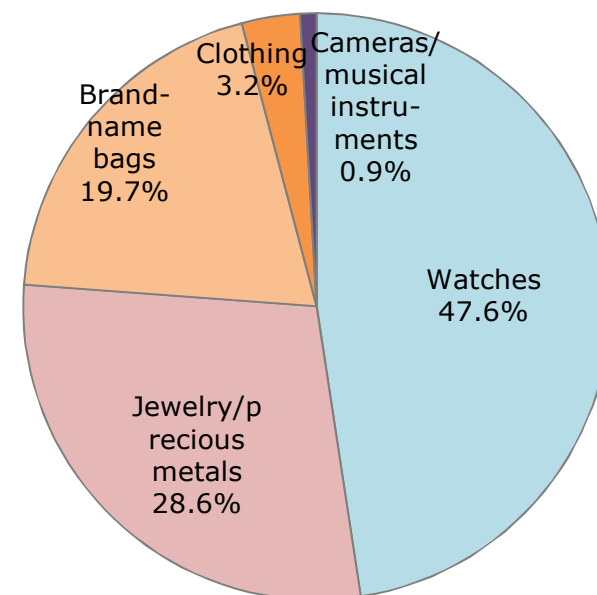
# Initiative (4)

## Inbound Tourism Consumption

Sales of inbound tourism consumption remained solid  
(the degree differs according to country)

FY2016 1H (2015.4-9)		Net sales (Millions of yen)	Composition	YoY
<b>Inbound tourism consumption</b>		<b>2,945</b>	<b>-</b>	<b>126.6%</b>
By country	China	1,550	52.6%	143.9%
	Philippines	290	9.9%	192.2%
	Thailand	282	9.6%	81.6%
	South Korea	132	4.5%	116.6%
	Taiwan	112	3.8%	102.1%

Net sales composition by product  
(FY2016 1H)



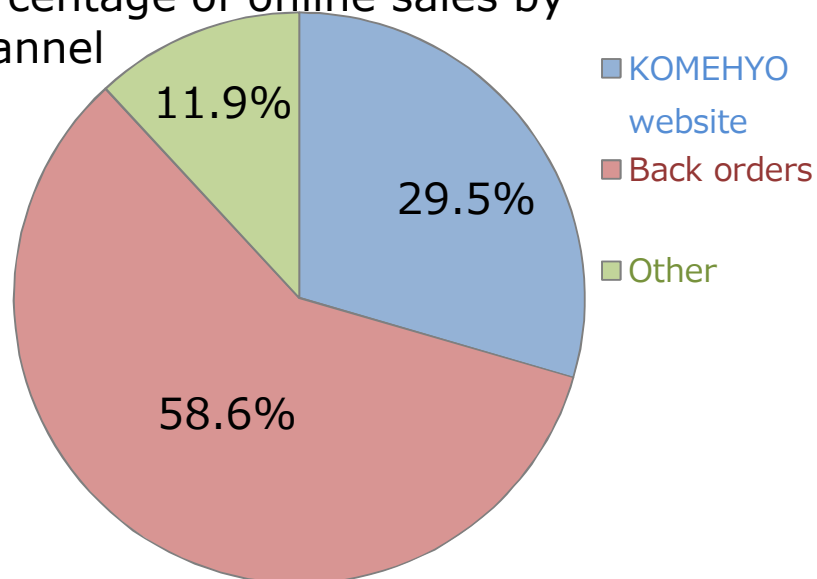


## Initiative (5) Online Sales

Entered in cross-border e-commerce by opening an eBay (overseas mall) store in August 2015

FY2016 1H	Net sales (Millions of yen)	Net sales YoY	No. of products sold YoY
All online stores	2,948	107.0%	154.3%

Percentage of online sales by channel



### KOMEHYO website

Order/settlement via komehyo.jp

### Back orders

(1) Customers specify a store to do back orders online

(2) Store staff suggest/back order products to suit customer needs

### Other

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

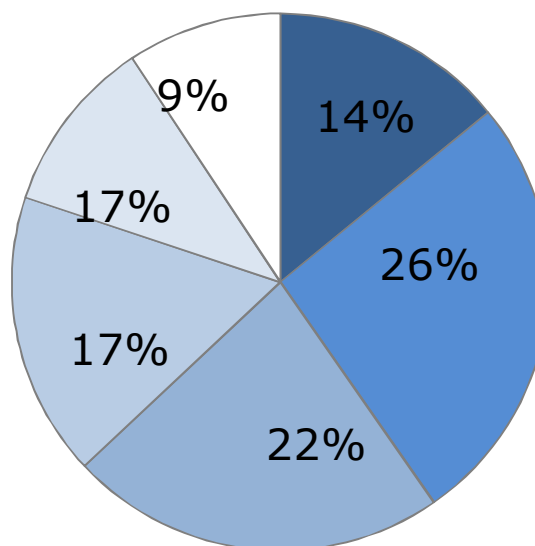
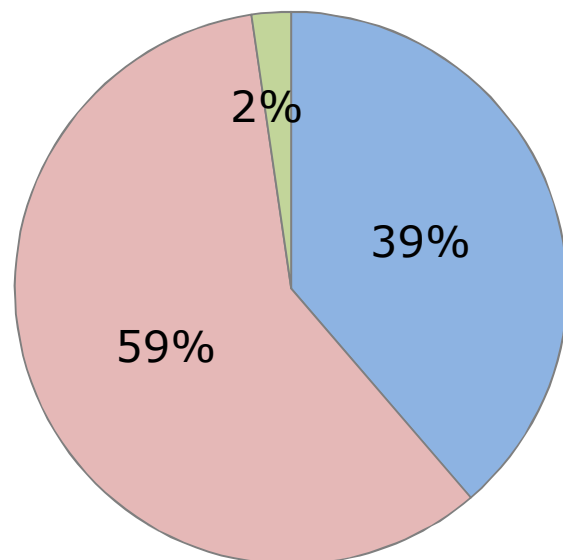
# Initiative (6) Member's Card

The number of KOMEHYO member's card holders is increasing steadily

Card members	No.	YoY
Total members (FY2016 1H)	556,000	129.9%

Attributes of card members (as of FY2016 1H)

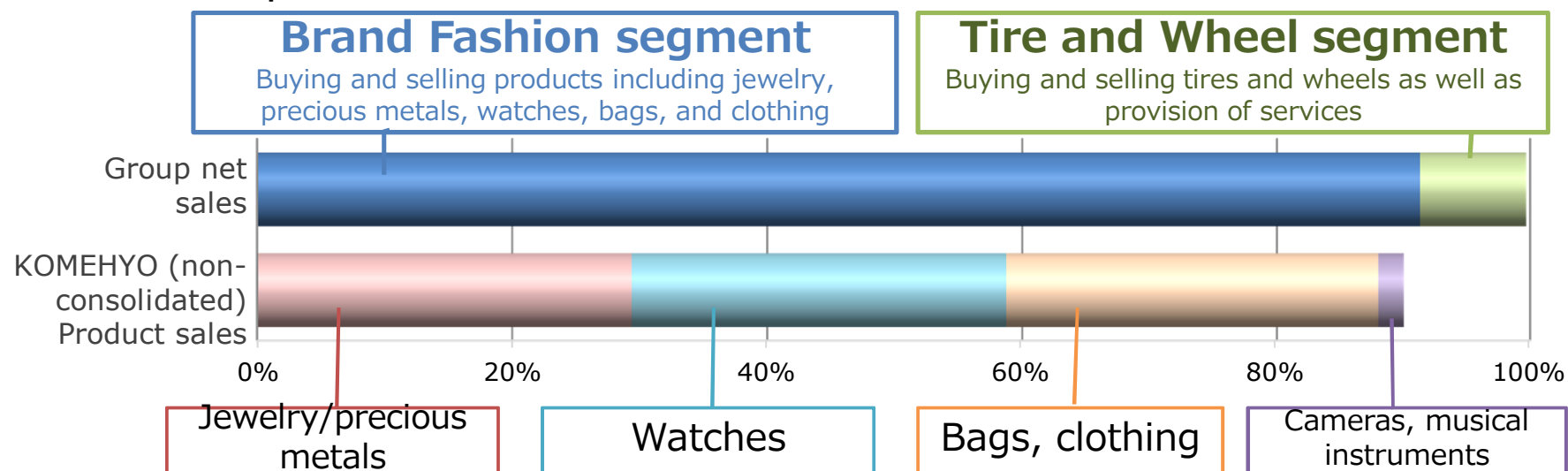
Male Female Unknown 20s 30s 40s 50s 60s Other



Direct mail for card members  
(example)

# Group Status

Sales composition (cumulative FY2016 1H results)



## Subsidiary

	KOMEHYO auction	KOMEHYO HONG KONG LIMITED	CRAFT Co., Ltd.	AUTO PARTS JAPAN
Established Capital	June 2012 JPY20 million	June 2013 HKD4 million	April 1980 JPY72 million	May 2013 JPY30 million
Business activities	Planning, operation, management, etc. of auction for secondhand dealers	Buying and selling products including jewelry, precious metals, watches, and bags outside Japan	Sale of passenger-car tires, aluminum wheels, auto accessories, and parts	Import, sale, and purchase of auto parts

# Subsidiary (1) Brand Fashion Segment

Sales to secondhand dealers in Japan and abroad

## KOMEHYO Auction

	Frequency	Trade volume (FY2016 1H)	YoY	No. of member companies
Restaurant auction (Jewelry, watches, bags)	Monthly 3 days	JPY8,800 million	121.7%	607
Apparel auction (Clothing)	Monthly 1 day	JPY160 million	171.4%	



Restaurant auction

## KOMEHYO HONG KONG LIMITED

- Jewelry show
- Participation in overseas auctions
- Expansion of B2B business



Jewelry show

# Subsidiary (2)

## Tire and Wheel Segment

### Sale of tires, wheels, and parts

FY2016 1H	Net sales (Millions of yen)	Composition	YoY
Tires/wheels	1,393	79.4%	117.3%
Parts (incl. labor charge)	324	18.5%	144.3%
Others	36	2.1%	57.5%
Segment total	1,754	100.0%	118.8%



Craft website homepage

#### Enhancement of online sales

- Renewal of Craft website design
- Smartphone-compatible website
- Constantly listing 6 million combinations

#### Enhancement of SNS activities

- Twitter, Facebook, LINE



Craft Nakagawa Store

# Medium-term Basic Targets (Consolidated)

Achieve sustainable growth focusing on the opening of new stores

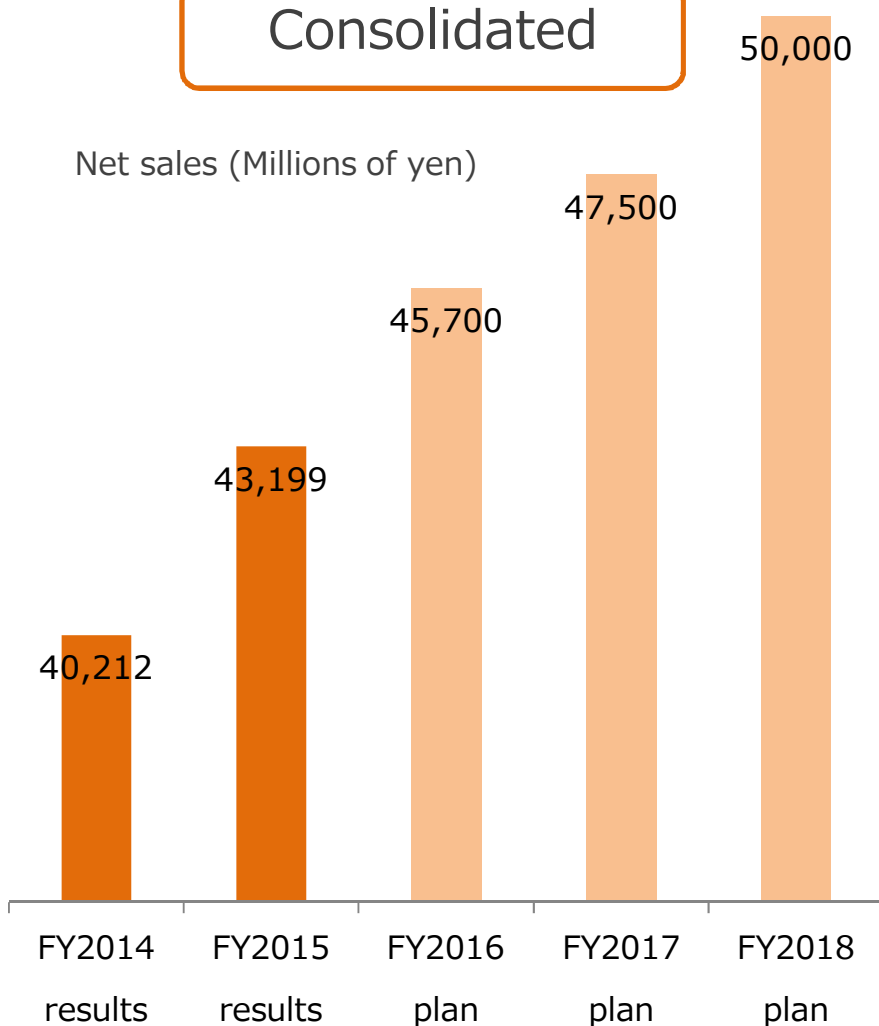
<b>Consolidated</b>		<b>FY2016</b> (15.4-16.3)	<b>FY2017</b> (16.4-17.3)	<b>FY2018</b> (17.4-18.3)
Net sales		JPY45.7B	JPY47.5B	JPY50.0B
Operating income		JPY3.17B	JPY3.20B	JPY3.25B
Operating margin		6.9%	6.7%	6.5%
Store openings		11 stores	6 stores	- store
Store type	KOMEHYO (small-scale, Purchasing Center)	8 stores	3 stores	- store
	by KOMEHYO - LINK SMILE - USED MARKET	3 stores	3 stores	- store

# Net Sales Plan

Generate JPY50 billion and JPY45 billion on a consolidated and non-consolidated basis respectively in the fiscal year ending March 31, 2018

## Consolidated

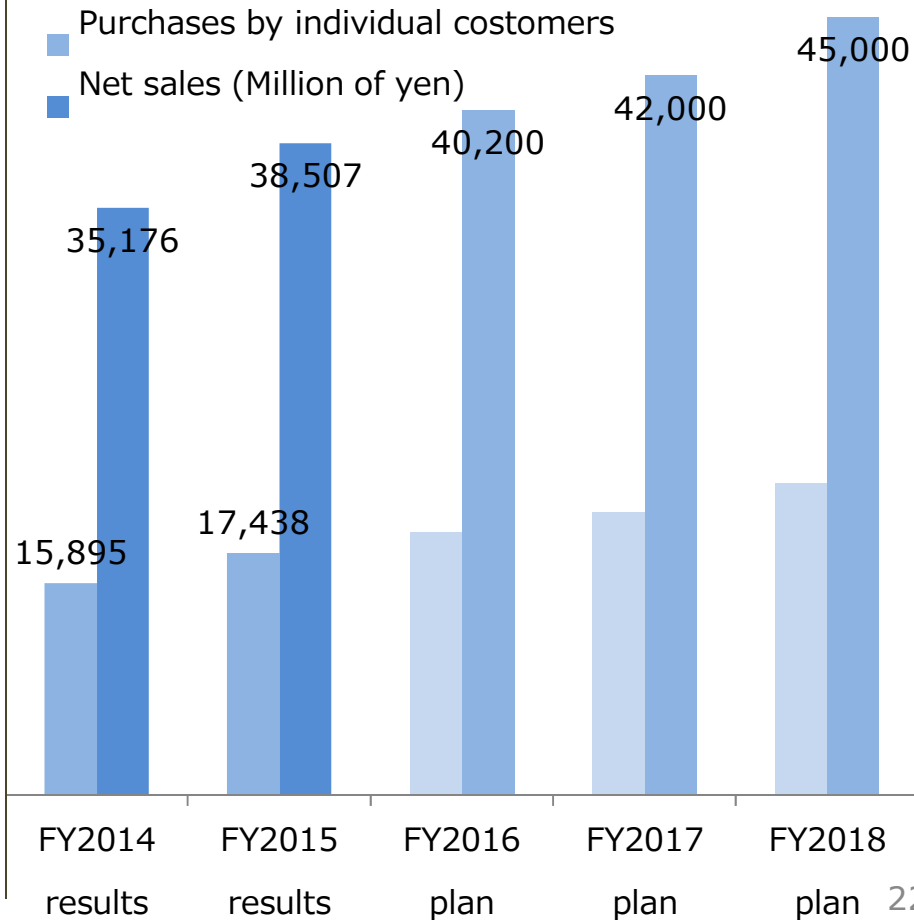
Net sales (Millions of yen)



## Non-consolidated

Purchases by individual customers

Net sales (Million of yen)

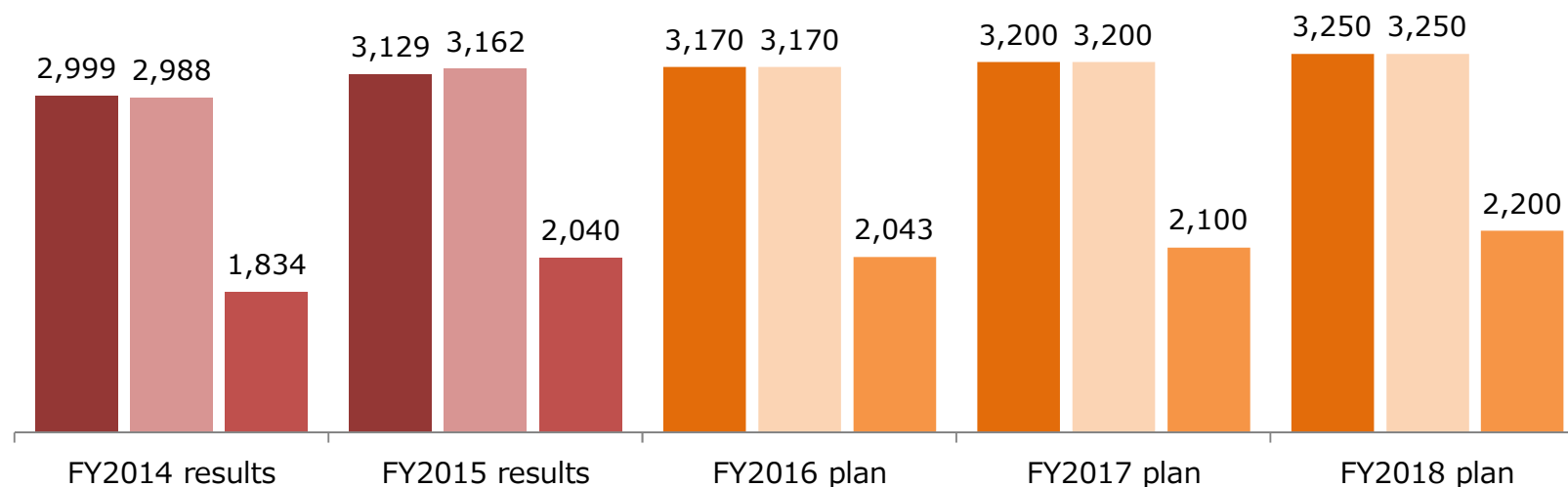


# Profit Plan

Achieve sustainable profit growth by increasing net sales

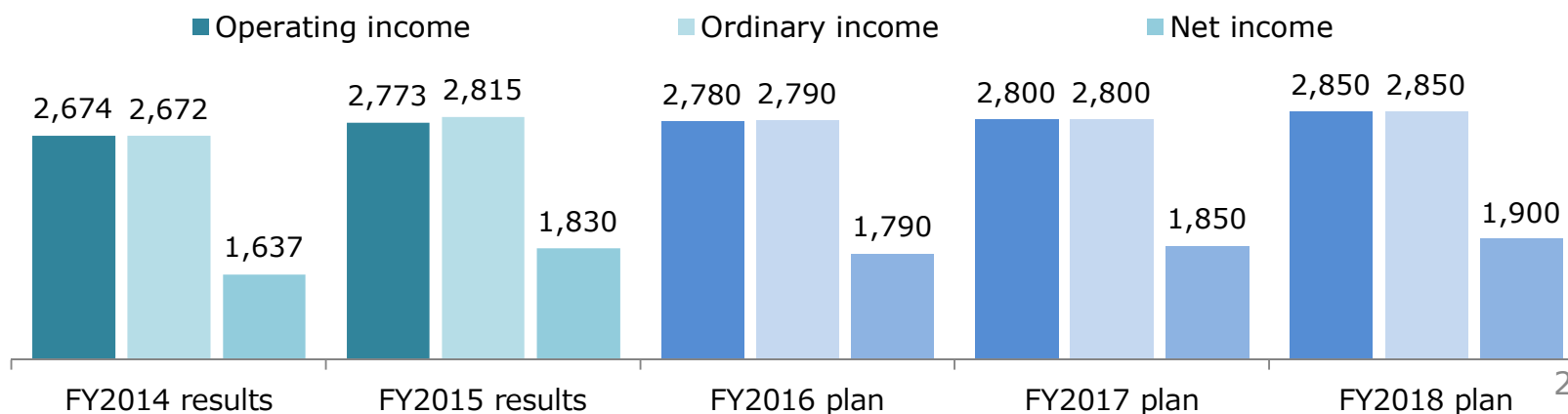
Operating income Ordinary income Net income attributable to owners of parent (Millions of yen)

Consolidated



(Millions of yen)

Non-consolidated

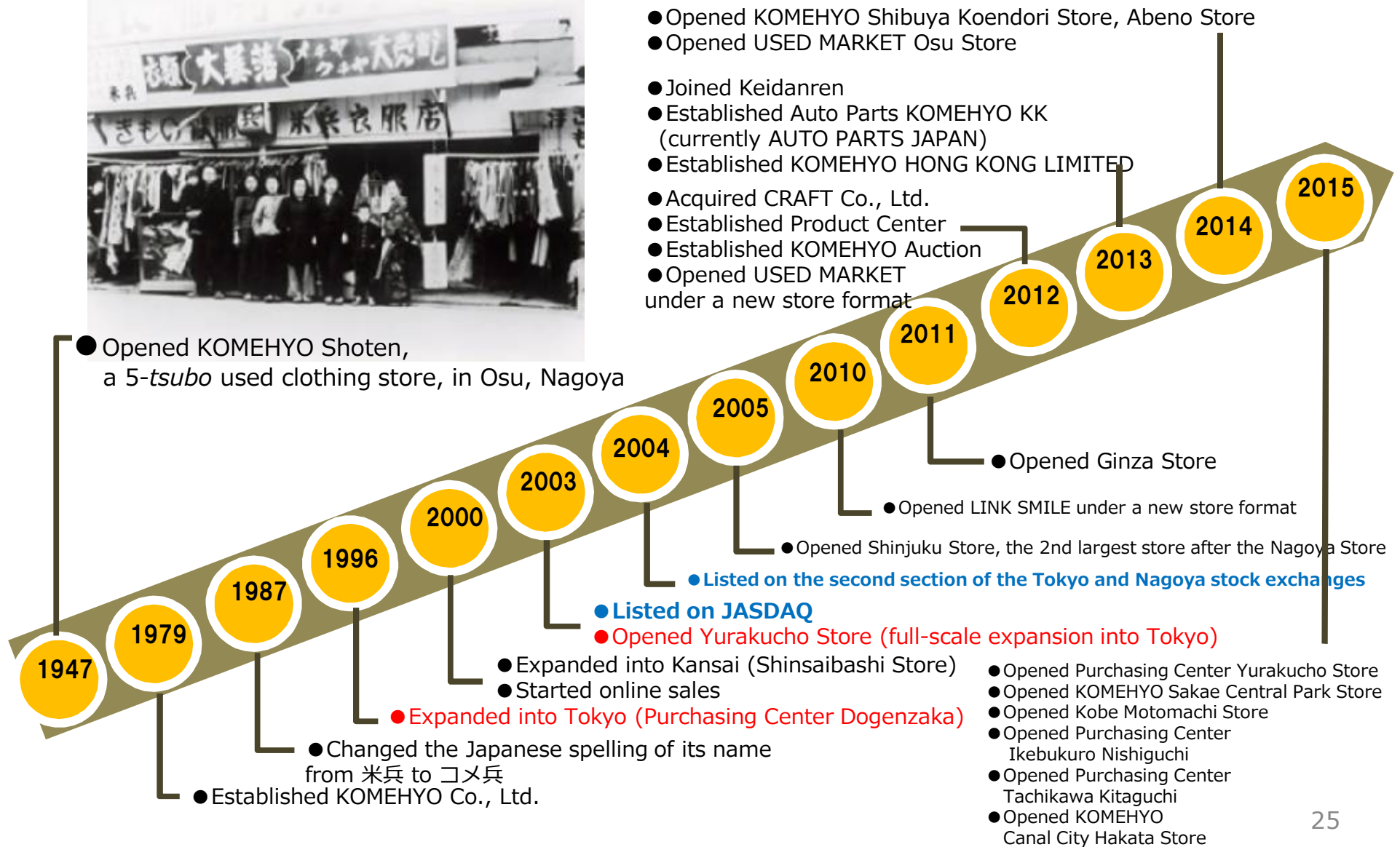




# Company Profile

Company name	KOMEHYO Co., Ltd.
Established	May 1979
Head Office	3-25-31 Osu, Naka-ku, Nagoya
Representative	President, Representative Director: Takuji Ishihara
Capital	1,803 million yen
No. of employees	Consolidated: 590, Non-consolidated: 479
Business activities	Buying and selling used and new products including jewelry, precious metals, watches, bags, clothing, kimonos, cameras, and musical instruments, as well as real estate leasing
Fiscal year-end	March
Stock	Second Section, Tokyo and Nagoya Stock Exchanges (Securities code: 2780; Unit: 100 shares)
(As of September 2015)	

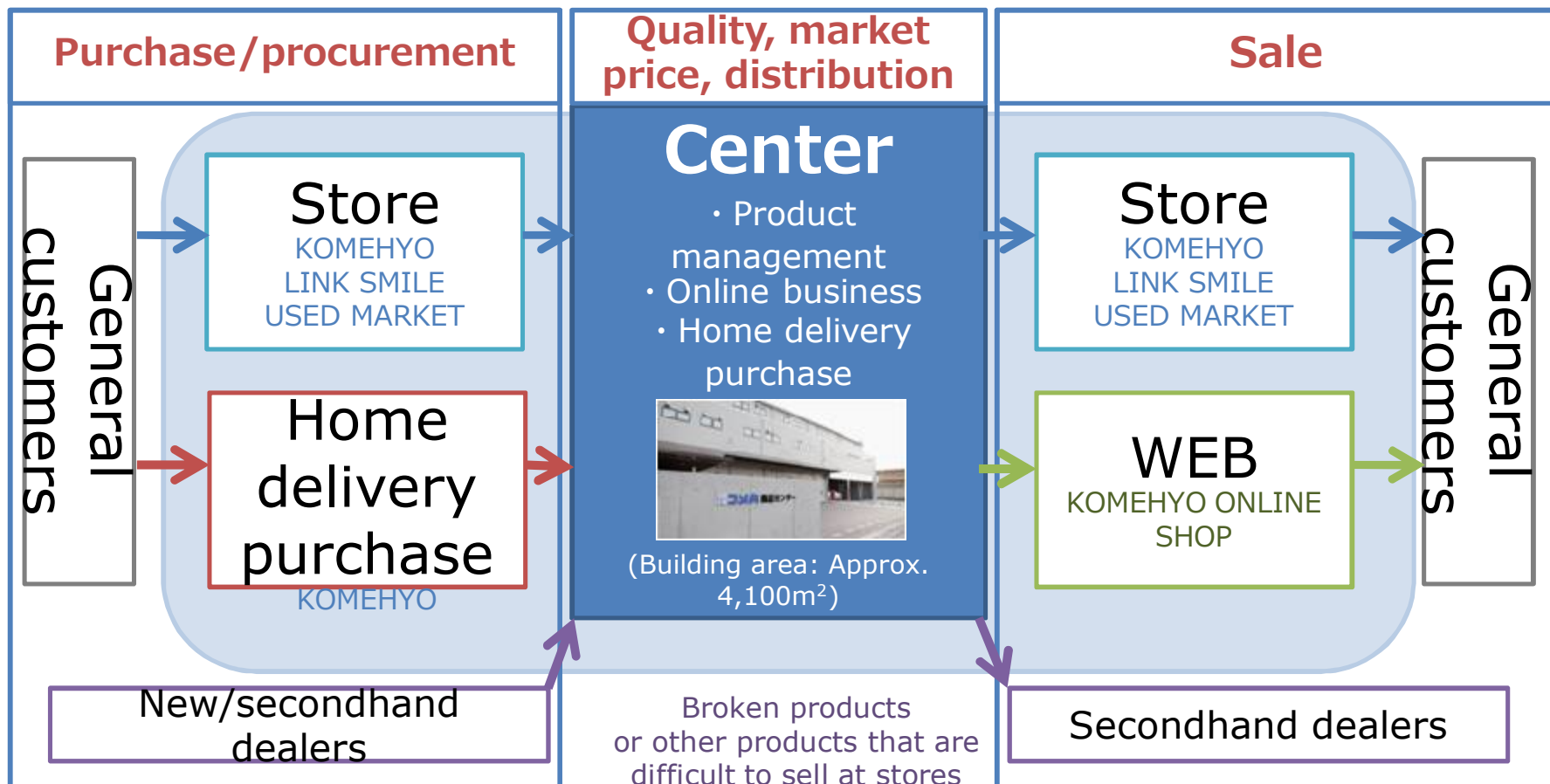
# Corporate History



# KOMEHYO Business Model

## Main functions of Product Center

- (1) Thorough confirmation of product authenticity/quality
- (2) Market price management
- (3) Maintenance
- (4) Product development speed/cost management
- (5) Stable/appropriate supply of products to stores



# Business results for the past decade

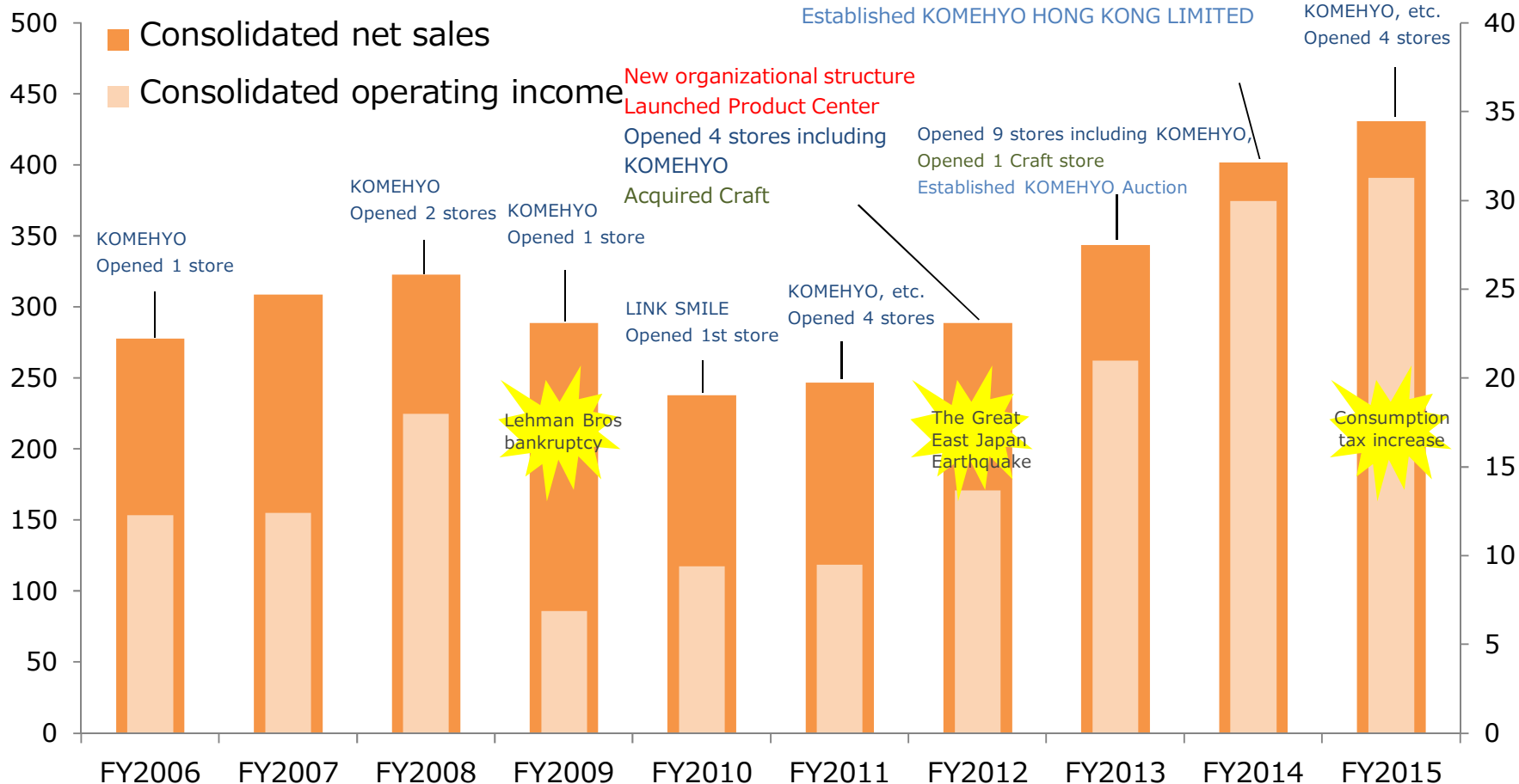
Achieved a V-shaped recovery with store opening, new organizational structure, and subsidiary establishment

Consolidated net sales  
(100 million yen)

Opened 5 KOMEHYO stores, 2 Craft stores  
Auto Parts KOMEHYO (currently AUTO PARTS JAPAN)  
Established KOMEHYO HONG KONG LIMITED

Consolidated operating income  
(100 million yen)

KOMEHYO, etc.  
Opened 4 stores



# Store Type (1)

Stores focusing on sale and purchase of jewelry, precious metals, watches, and bags

26

Store  
(as of  
September  
2015)

# KOMEHYO



## Large-scale comprehensive reuse store

**Nagoya Store: Approx. 2,024 tsubo**

**Shinjuku Store: Approx. 829 tsubo**

**Main products (sales/purchase):**

Jewelry, precious metals, watches, bags, clothing  
Kimonos, cameras, musical instruments

2 stores

## Mid-scale

Opening stores in large major cities

**Store size**

Approx. 100-300 tsubo

**Main products (sales/purchase):**

Jewelry, precious metals, watches, bags, clothing

5 stores

## Small-scale

Opening stores in major cities

**Store size**

Approx. 20-30 tsubo

**Main products (sale/purchase):**

Jewelry, precious metals, watches, bags, clothing  
Strengthening backorder

12 stores

## Purchasing Center

Opening stores in major cities

**Main products (purchase only):**

Jewelry, precious metals, watches, bags, clothing

7 stores

## Store Type (2)

Stores focusing on sales and purchase of ladies casual clothing



7  
Store  
(as of  
September  
2015)



**Main products (sales/purchase):** Ladies casual clothing, bags, accessories  
Operating 7 stores in Aichi



## Store Type (3)

Stores focusing on sales and purchase of clothing in the low price range

# USED MARKET

by KOMEHYO

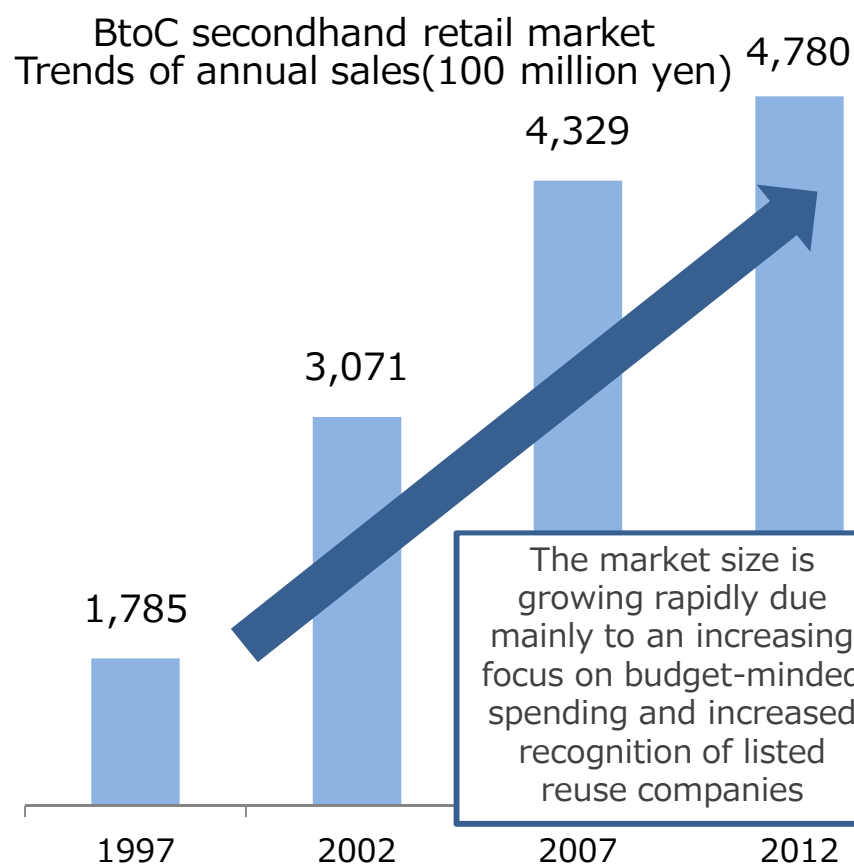
4

stores  
(as of  
September  
2015)

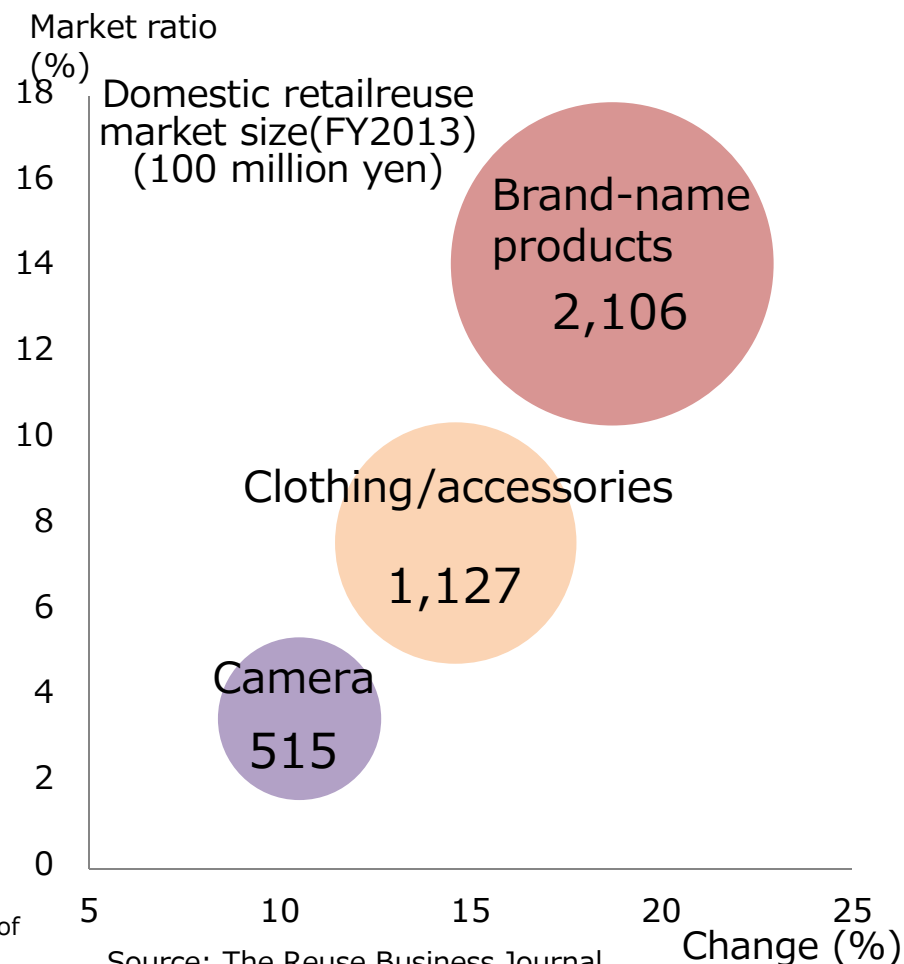


**Main products (sale/purchase):** Clothing, bags, accessories  
Red tags are attached to products and prices are lowered every two weeks

## The BtoC reuse market is expanding



Source: The Ministry of Economy, Trade and Industry 1997-2007 "Census of Commerce" Miscellaneous secondhand stores (including antique stores)  
The Ministry of the Environment 2012 "Implementation Guidelines for Surveys of Reuse Goods Circulation and Market Size" (except cars, motorcycles, mopeds, books) (interim report)



Source: The Reuse Business Journal  
Secondhand Business Data Book  
2015



# Shareholder Return

## Dividend trends

