

Earnings Results Briefing for the First Six Months of the Fiscal Year Ending March 31, 2022

November 10, 2021

Komehyo Holdings Co., Ltd.

Securities code: 2780

(Second Section, Tokyo and Nagoya Stock Exchanges)

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FY 2022 2Q Financial Summary

【First six months results】

- Both net sales and profits grew year on year.
- Strong individual purchases due to store openings and purchase events, etc and opened 14 Purchase centers.
- Corporate sales of the brand fashion business are contributing.
- Test introduction of AI authenticity / model number judgment at 48 stores including Purchase centers (October 2021)

【Full-year performance plan】

- Full-year performance plan unchanged from August 2021.
- We do not expect sales from foreigners visiting Japan this term.

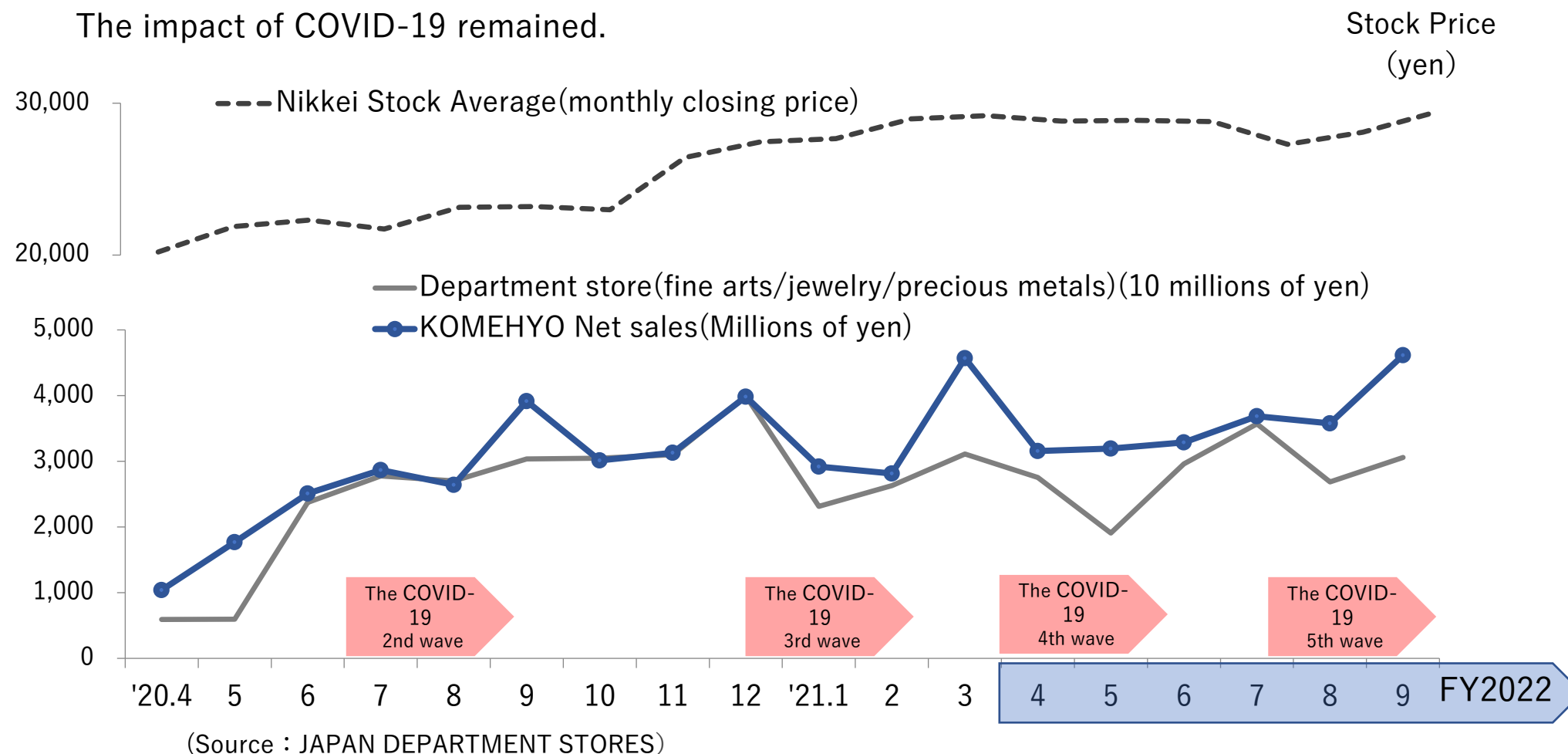
【Selection / application for new market category】

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



Economic Trend

The impact of COVID-19 remained.



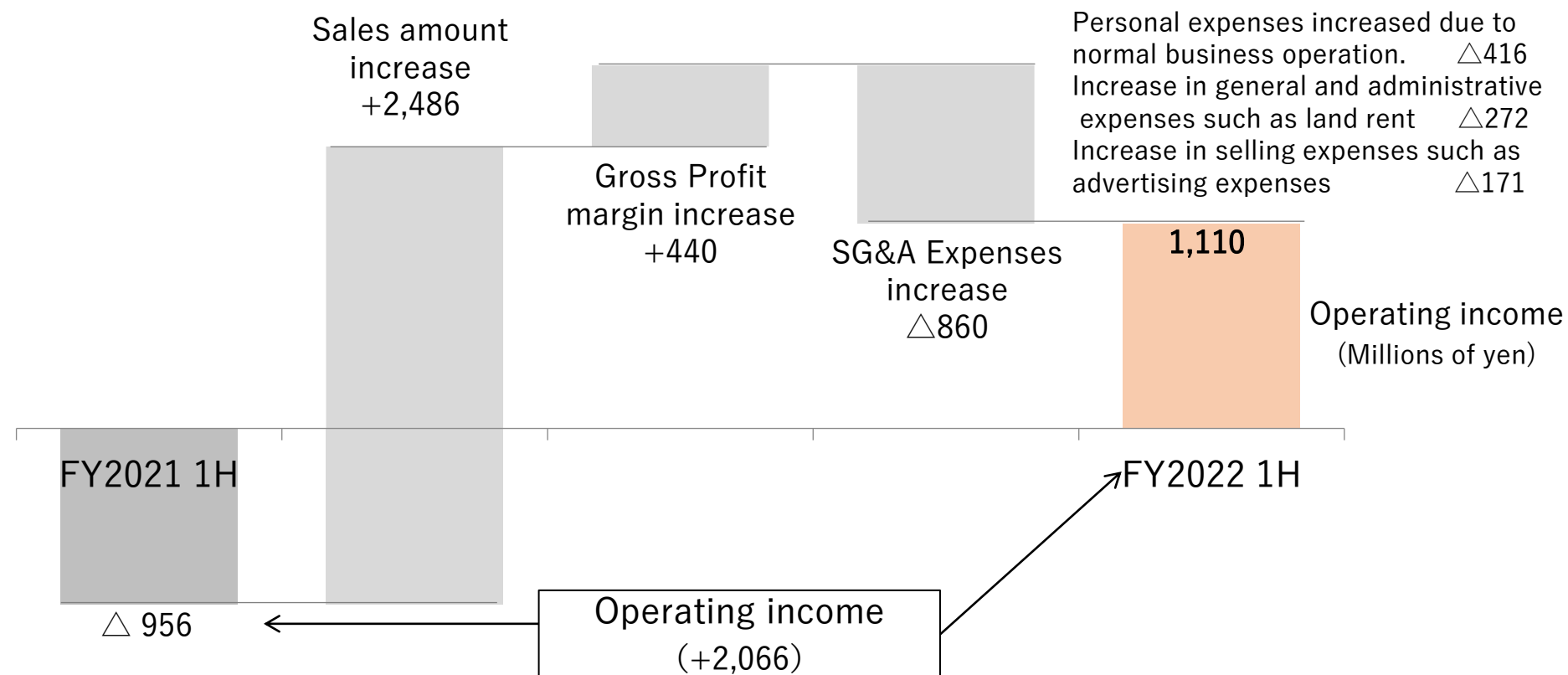
Overview of income statement

(Millions of yen)	FY2022 1Q	YoY	FY2022 2Q	YoY	FY2022 1H	YoY	vs 1H plan
Net sales	14,162	180.1%	16,472	127.1%	30,635	147.1%	<u>102.1%</u>
Gross profit	3,985	211.1%	4,215	124.5%	8,200	155.5%	—
Gross profit margin	28.1%	—	25.6%	—	26.8%	—	—
SG&A expenses	3,476	126.5%	3,613	103.8%	7,089	113.8%	—
Operating income	508	—	601	—	1,110	—	<u>108.9%</u>
Operating profit margin	3.6%	—	3.7%	—	3.6%	—	—
Ordinary income	515	—	610	—	1,125	—	<u>112.6%</u>
Net income attributable to owners of parent	337	—	385	—	722	—	<u>106.3%</u>

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

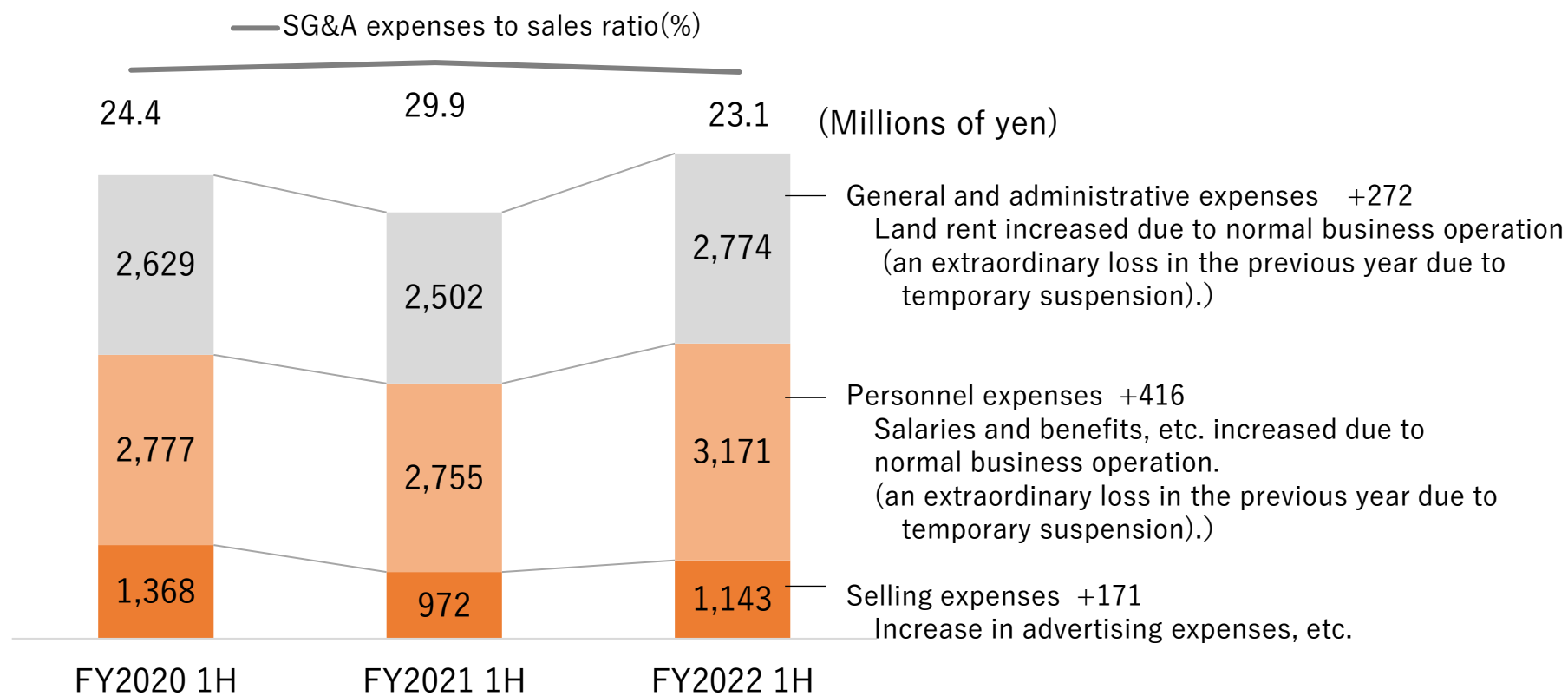
Operating income increase and decrease factor

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

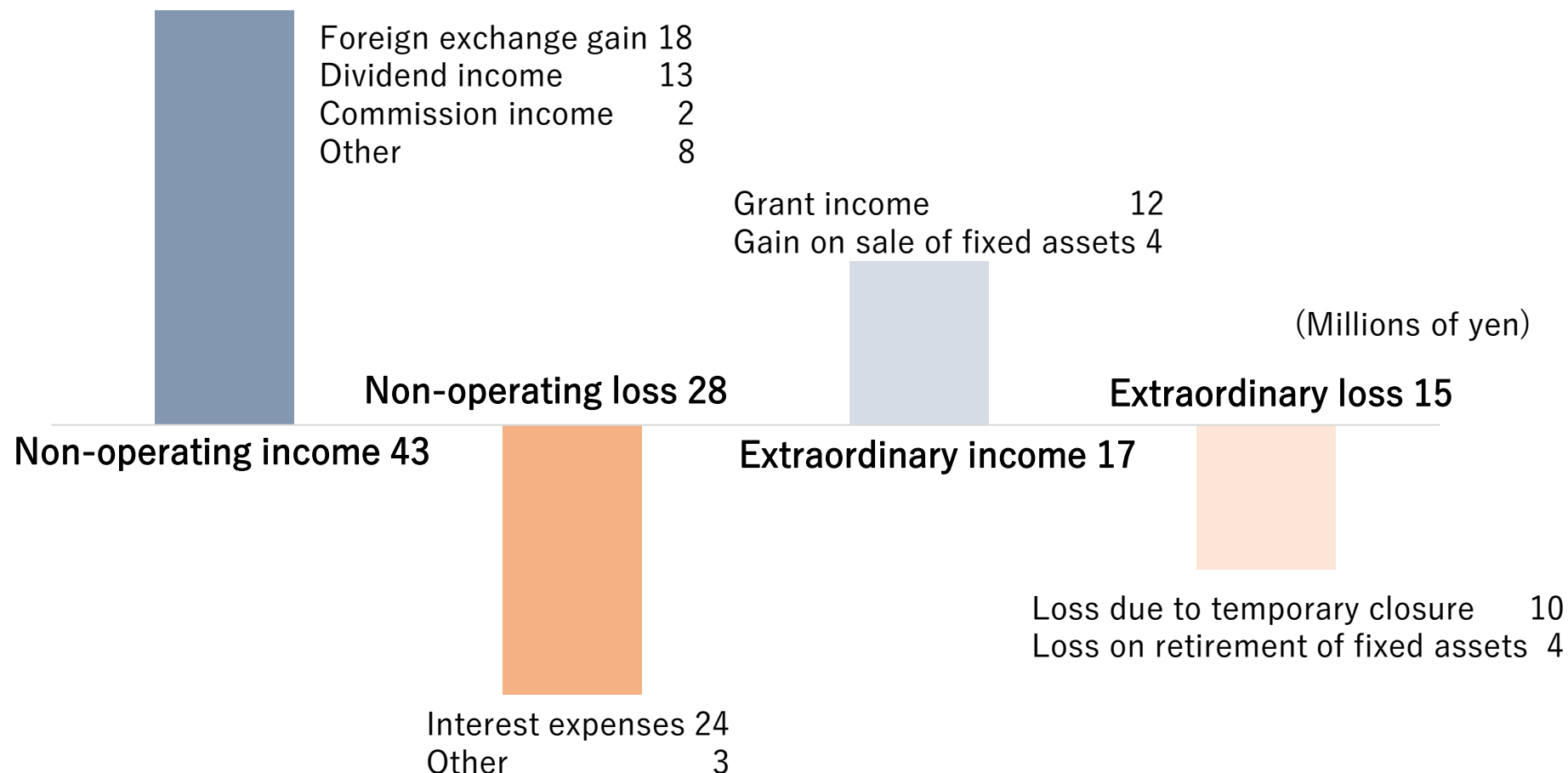


Changes in selling, general and administrative expenses

SG&A ratios declined due to efficiency-oriented advertisements.



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



Balance sheet overview

(Millions of yen)	FY2021	FY2022 1H	Change
Current assets	27,286	26,984	△302
Cash and deposits	10,538	7,706	△2,832
Products	12,649	15,064	+2,414
Other current assets	4,097	4,212	+115
Non-current assets	10,116	10,404	+288
Total assets	37,402	37,388	△13
Liabilities	18,955	18,175	△780
Interest-bearing liabilities	14,746	14,371	△374
Other liabilities	4,209	3,803	△405
Net assets	18,446	19,213	+766
Liabilities and Net Assets	37,402	37,388	△13

→ Normalization of cash on hand as a precaution against COVID-19

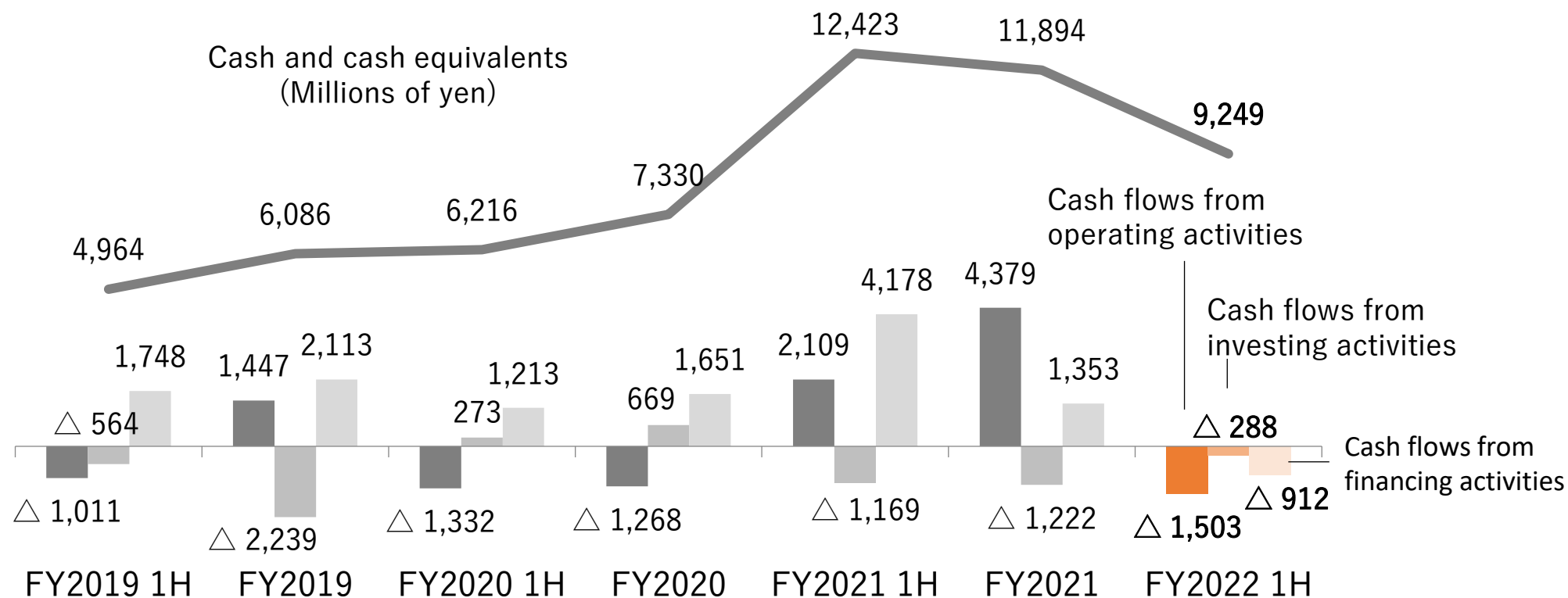
→ Increased merchandise for year-end shopping season through improved purchase from individuals.

→ Borrowings decreased with the normalization of cash on hand.

→ Attributable to an increase in retained earnings and other factors

Statement of Cash Flows

Operating cash flow decreased partly due to an increase in inventories in preparation for a busy season in the second half of the fiscal year.



Overview by segment

In the Brand fashion business, both sales and profit increased thanks to improved 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 result of customized products.

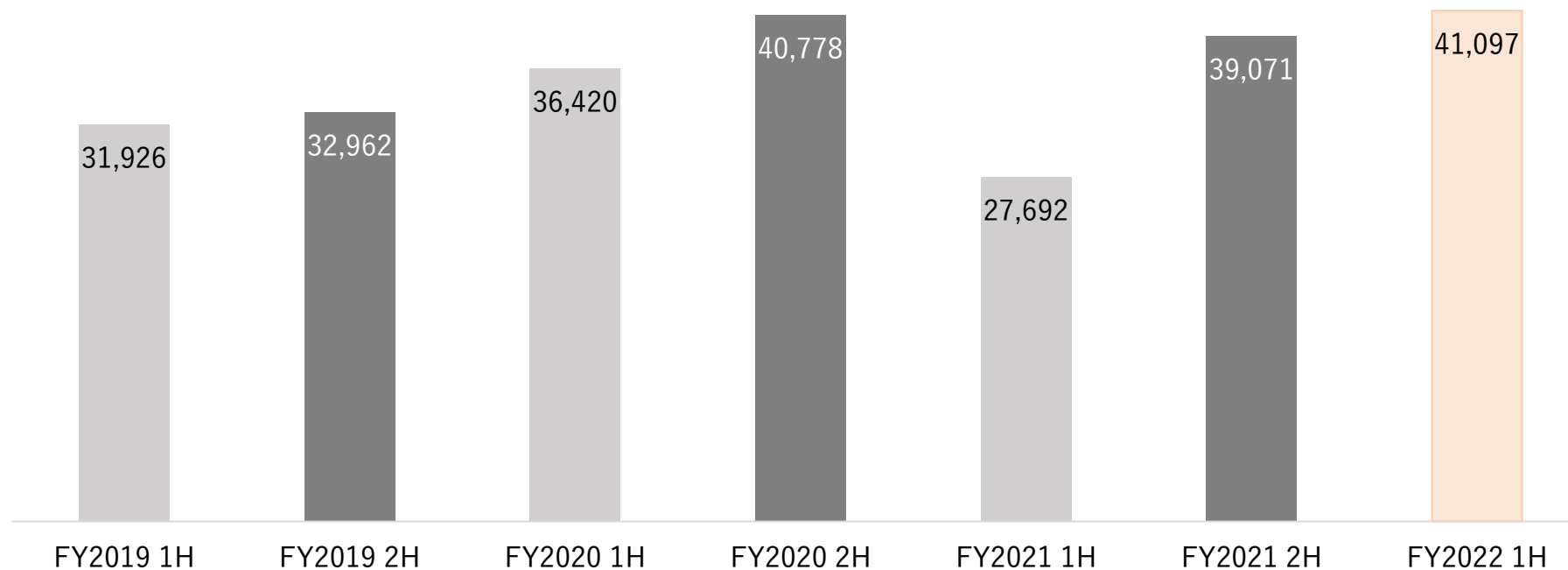
	(Millions of yen)	FY2022 1Q	YoY	FY2022 2Q	YoY	FY2022 1H	YoY
Brand Fashion	Net sales	13,277	186.0%	15,622	128.8%	28,940	150.0%
	Operating income	472	—	569	—	1,042	—
	Operating margin	3.6%	—	3.6%	—	3.6%	—
Tire and Wheel	Net sales	864	121.5%	790	101.3%	1,654	110.9%
	Operating income	△20	—	△35	—	△56	—
	Operating margin	—	—	—	—	—	—
Real estate leasing	Net sales	84	513.1%	84	424.0%	168	464.2%
	Operating income	25	—	25	—	50	—
	Operating margin	29.8%	—	30.2%	—	30.0%	—

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

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)

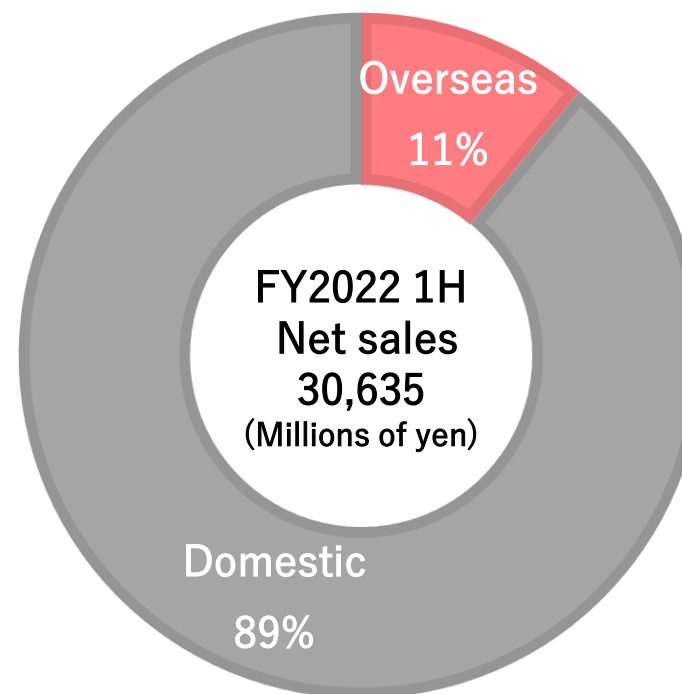
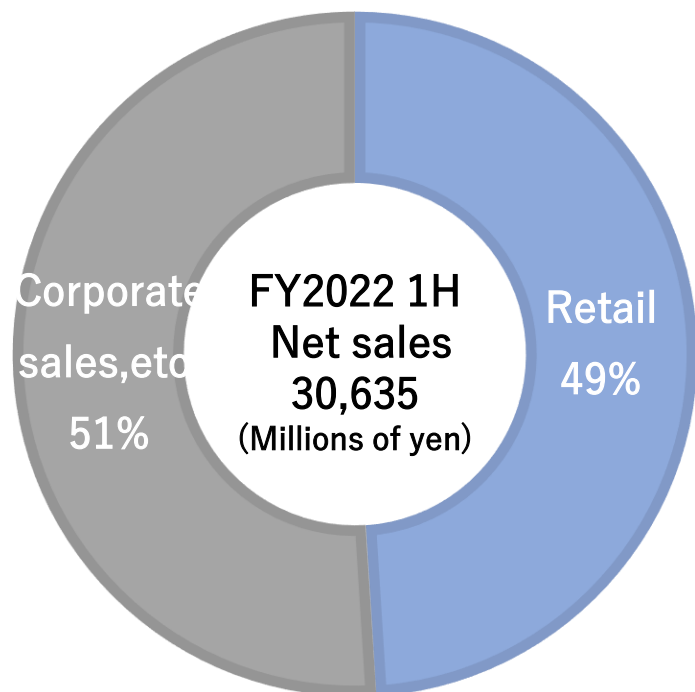


GMV is calculated simply by adding and subtracting sales and volume information at the KOMEHYO auction based on consolidated sales.

Breakdown of consolidated Net sales (Retail / Overseas)

The hybrid business of retail and corporate sales, including auctions among companies, is balanced in the Group as a whole.

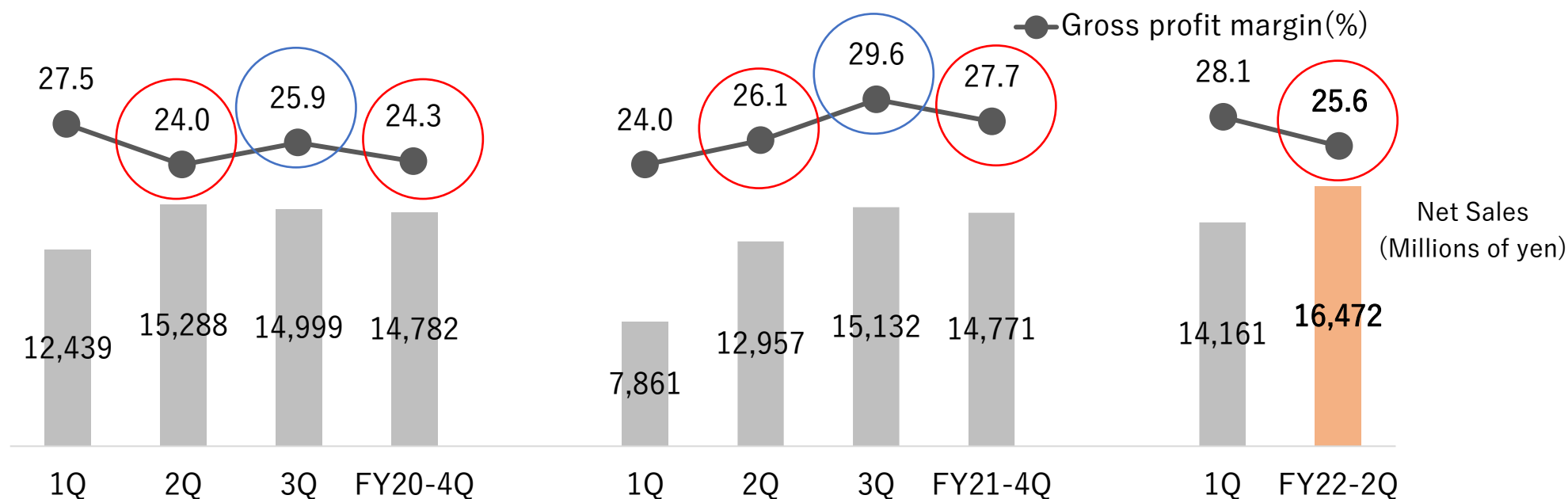
The ratio of overseas is expected to increase as the focus shifts to global expansion.



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

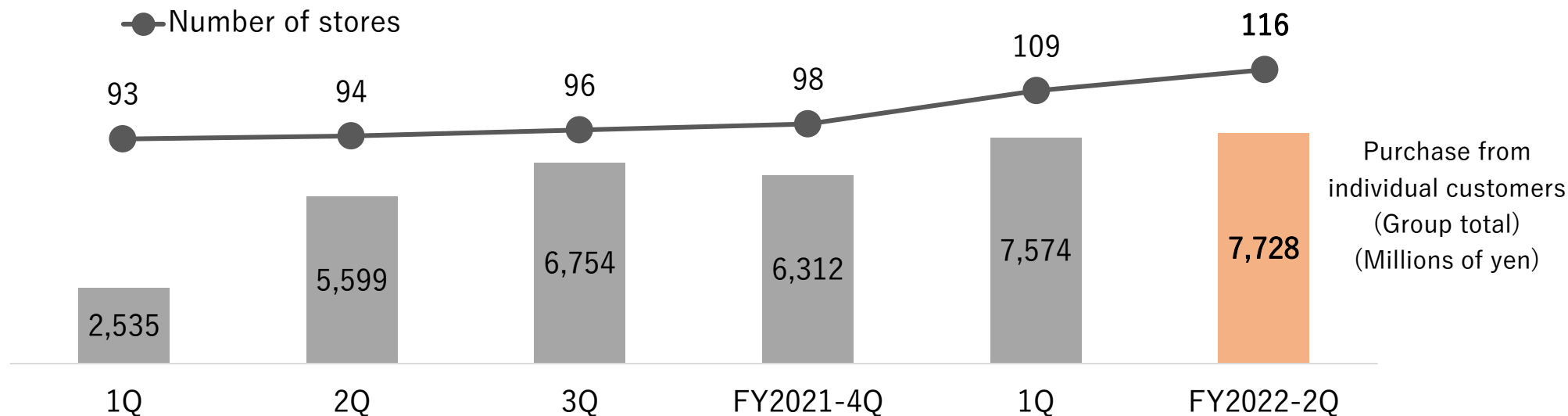
Trends in Consolidated Net sales and Gross Profit Margin

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)

The amount of individual purchases increased chiefly due to the opening of Komehyo's purchasing centers, the holding of the KAITORI GO purchasing event, and an increase in the amount of purchases per customer.

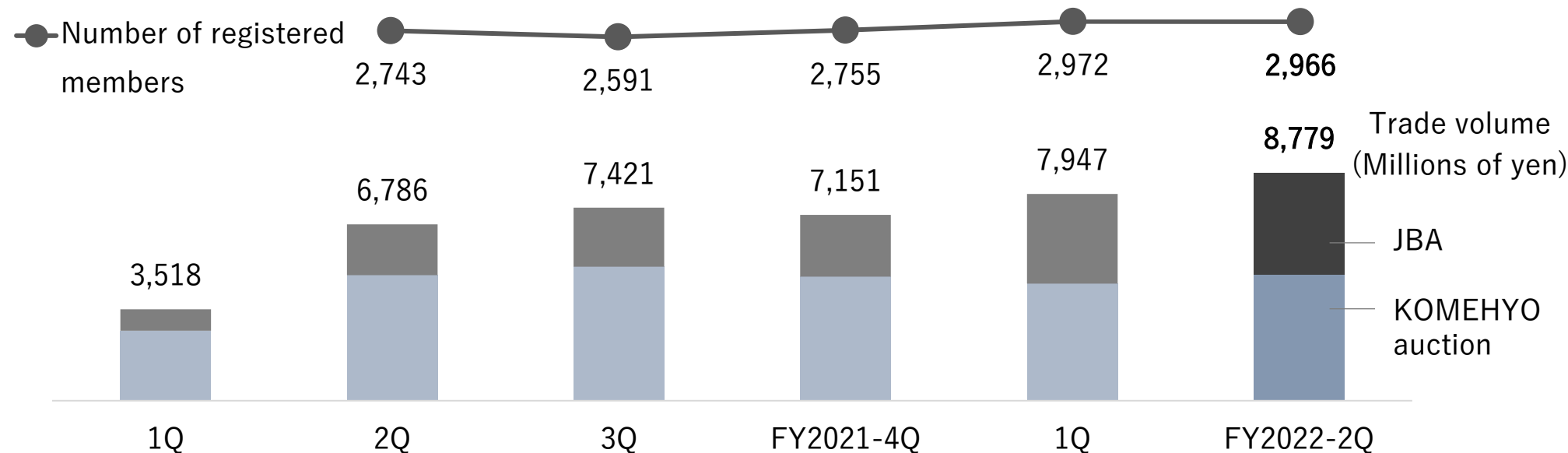


※The individual purchase amount is the amount purchased from an individual customer through the following route.

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

Changes in corporate auction trade volume

The number of corporate members and trading volume increased thanks mainly to the strong results of JBA Auction (particularly the offline auctions held in Kanazawa).



※KOMEHYO auction : The online bidding method

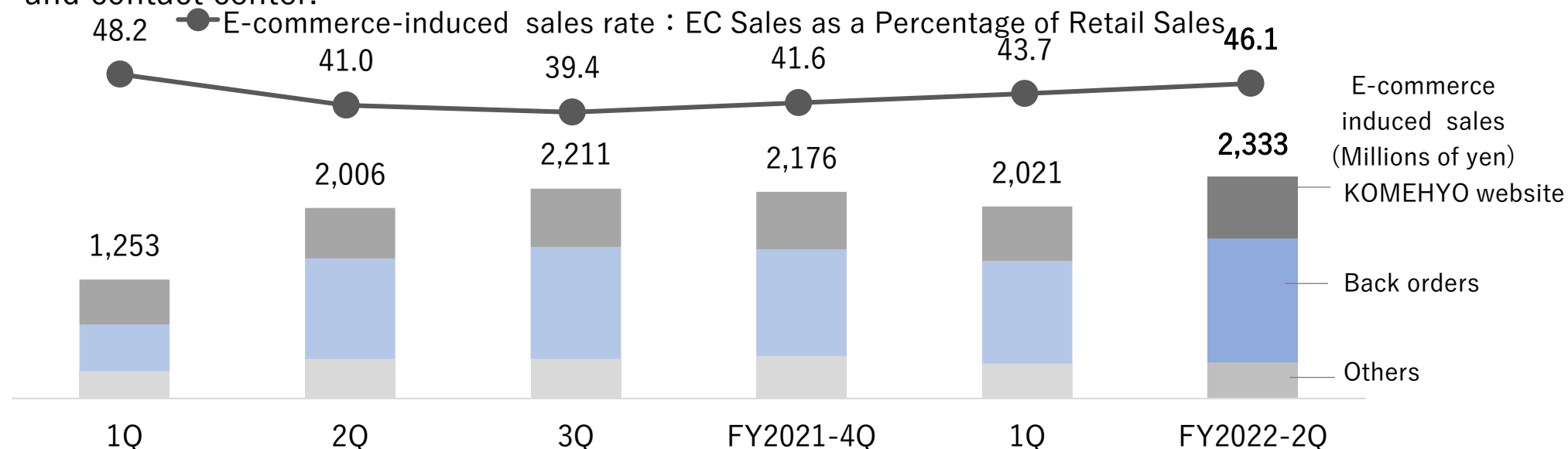
※K-BRAND OFF : Japan Brand Auction(JBA)TOKYO – the real bidding method

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

JBA Live Net Auction – The online bidding method

EC(KOMEHYO)

The e-commerce contribution ratio increased due to sales growth on Komehyo's online store and catalog orders, mostly as a result of an increase in merchandise supplied to retail stores through improved purchase from individuals and enhancement of the e-commerce replacement and contact center.



※KOMEHYO's online store: 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.

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.

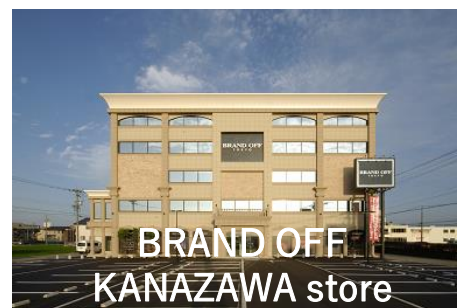
Other companies' websites: Make a purchase at a store KOMEHYO set up at an Internet sales site operated by another company.

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Stores : Group total 116 stores ('21.9)

	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 STORE	 U-ICHIBAN
Flagship stores	5		2	1			
Sales Stores		1		6	2	10	4
Stores annexed with sales facilities	11	7	2				
Purchasing Center	41		9				
Overseas	3		12				
Total	60	8	25	7	2	10	4



Opened stores in FY2022 1H (KOMEHYO)

KOMEHYO opened 14 purchasing centers in the first half of the fiscal year and is making steady progress towards the goal of opening 30 stores in the fiscal year.

West Japan

KOMEHYO Purchasing Center

1Q HAKATA HANKYU

AEON MALL IBARAKI

KAWANISHI HANKYU

2Q DAIMARU SUMA

AEON MALL KOBE KITA

East Japan

KOMEHYO Purchasing Center

1Q HIBARIGAOKA PARCO

SAPPORO TOKYO

2Q COCOON CITY

MARUHIRO IRUMA

Central

KOMEHYO Purchasing Center

1Q AEON MALL KUWANA

VERSAWALK NISHIO

AEON MALL ATSUTA

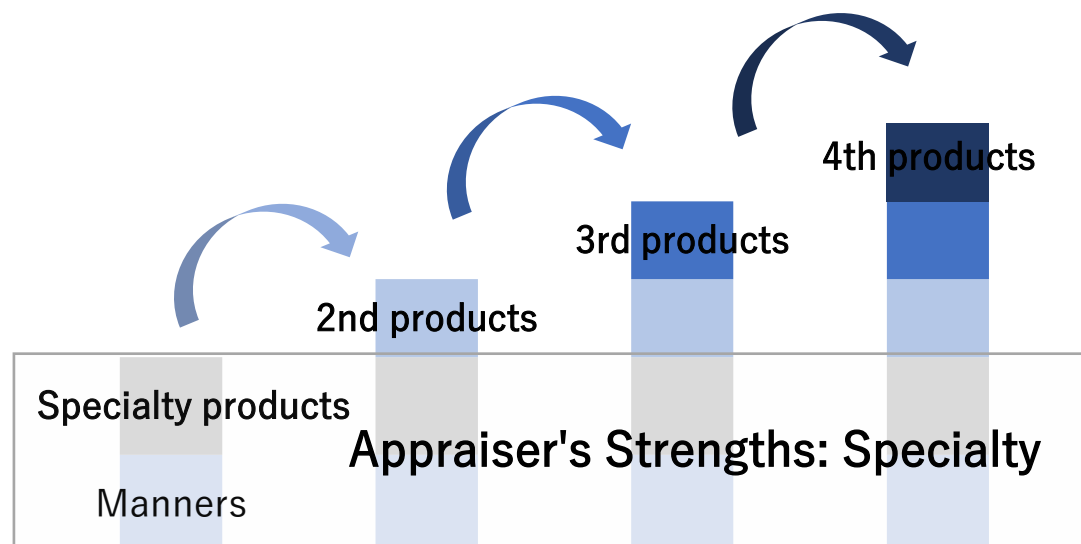
2Q ISSYA

TOYOHASHI KALMIA

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.

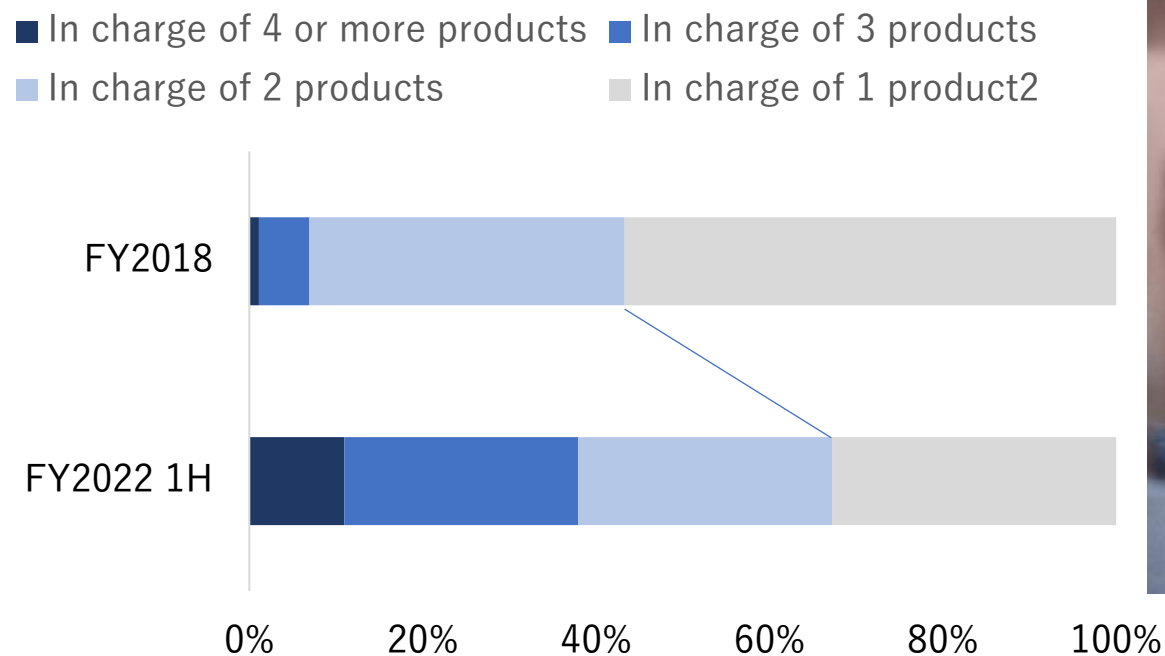
Process of appraisers' skill learning



Human resources development (KOMEHYO)

They start with a type of merchandise in which they specialize and learn about other types, and the ratio of multi-skilled appraisers increased to two thirds of all appraisers.

Appraiser skill composition

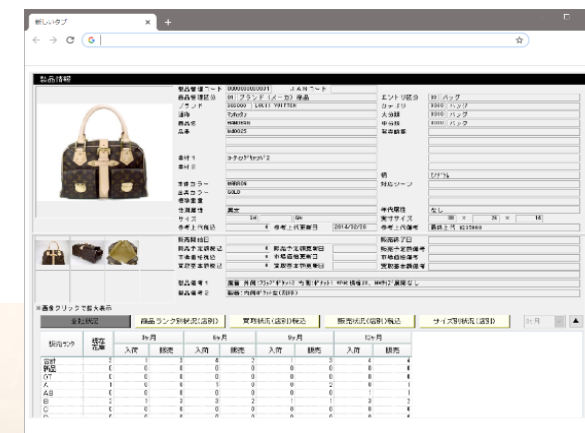
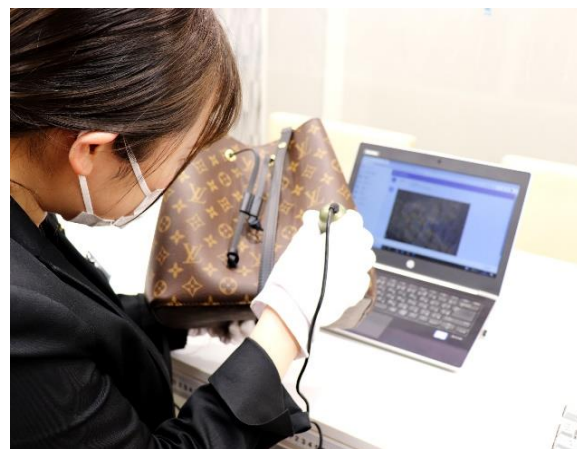


Assessment of authenticity and model numbers through AI

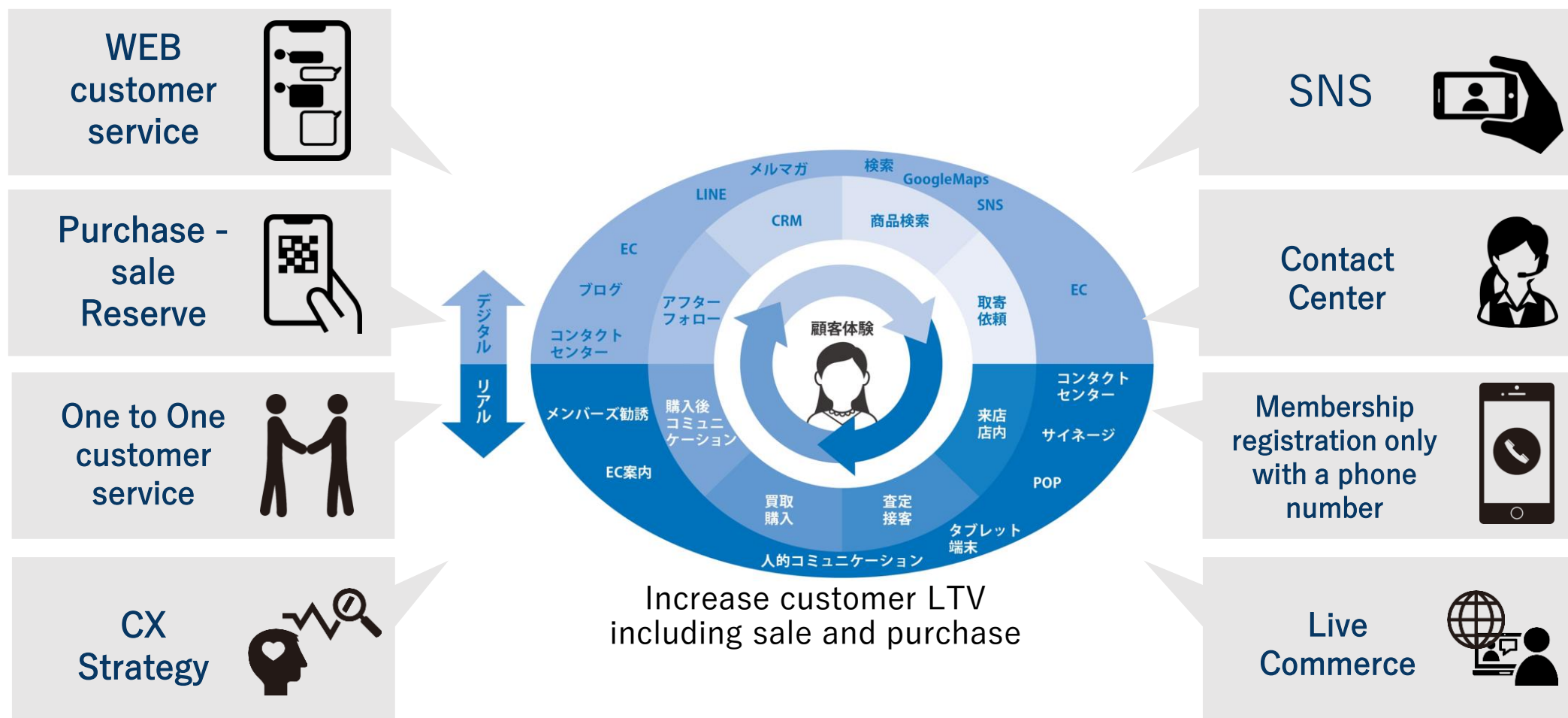
Test introduction of Assessment of authenticity and model numbers through AI which support the opening of purchasing centers - aim to introduce it to all stores this term

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

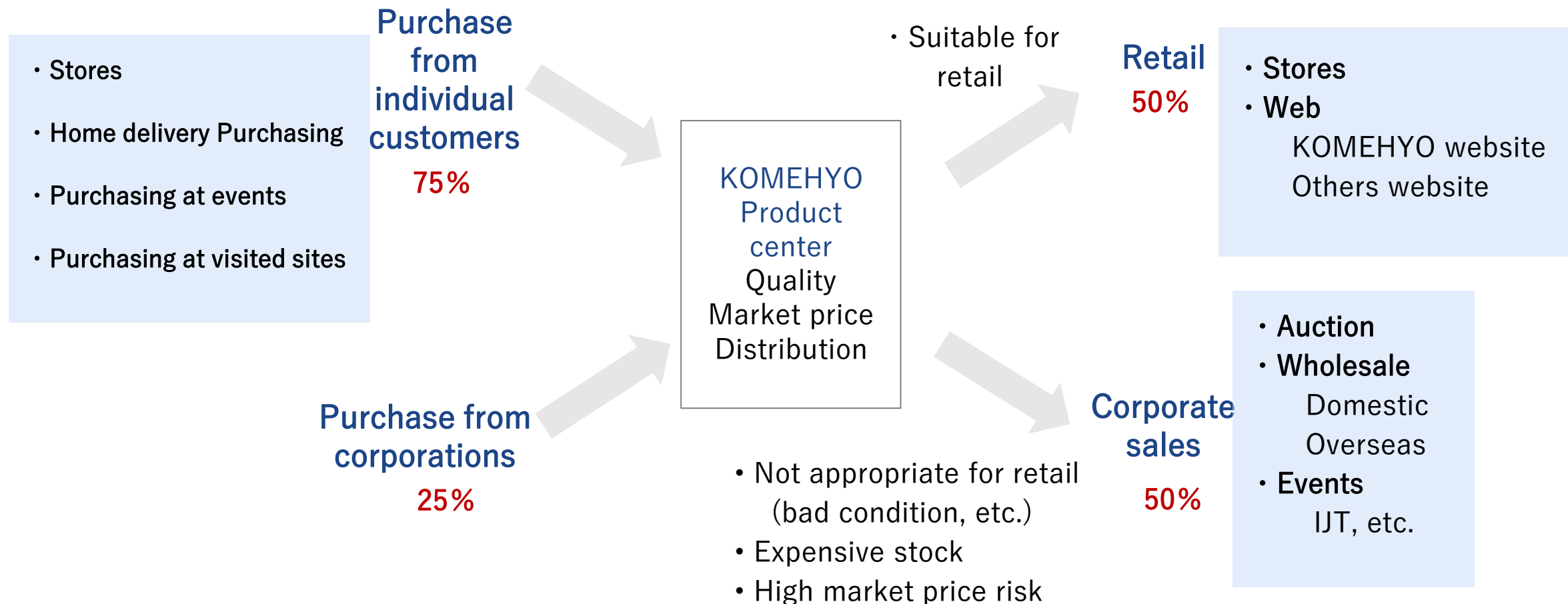
- Improvement of communication with customers
- Elimination of counterfeit goods
- Quicker development of assessors
- Global expansion
- Franchise development



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

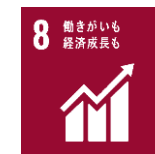


Product distribution image (KOMEHYO)



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 editin



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会える

Old Shoes ReStore Collection



Corporate Auction (KOMEHYO Auction)

Plans for member website renewal



(Logo changed in September 2021)

Four points

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 business (SAHA KOMEHYO (Thai land))

In Bangkok, Thailand, people are returning to stores as the pandemic subsides. Komehyo decided on a plan to increase stores from the current two-store structure with Komehyo at Central World and Komehyo at Central Bangna based on a strong partnership.



Tire and Wheel

Urban Off Craft specializing in 4WD vehicles and SUVs maintained strong sales by meeting demand for custom products such as wheels and supplies.

The stores positioned aluminum wheels in a high-price range as products focused on sales activities and successfully met customers' requests for each vehicle, such as the measurement of actual vehicles and color customization of nuts, alignment parts, and wheels.



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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: 945 Non-consolidated: 16 (As of September 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.。

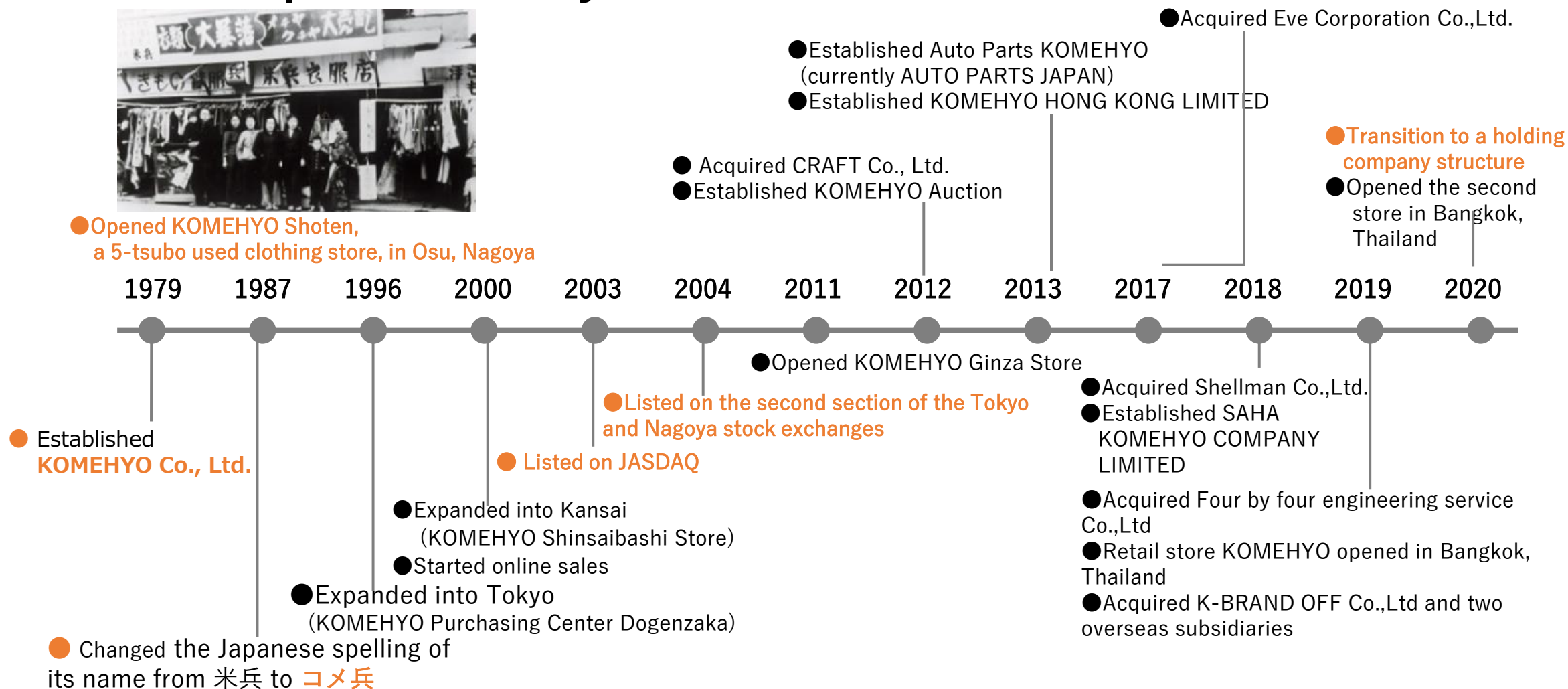
Maintenance, remaking, reorganizing and human relationships

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.

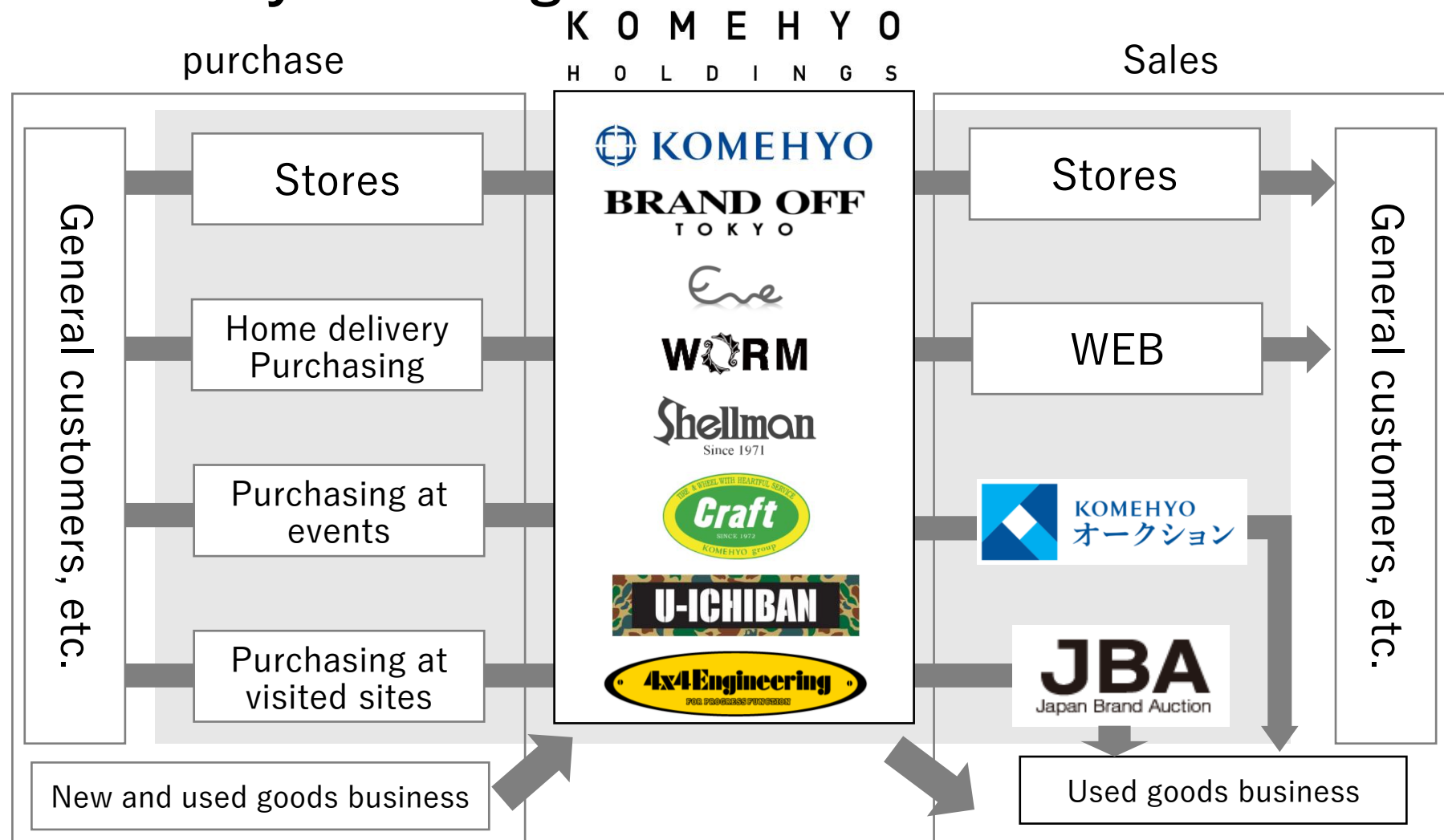
As more people share common value with an eye toward the creation of a sustainable society going forward, we will contribute to establishing such a society by promoting the concept of respecting producers and users while simultaneously sharing such concept with as many people as possible.



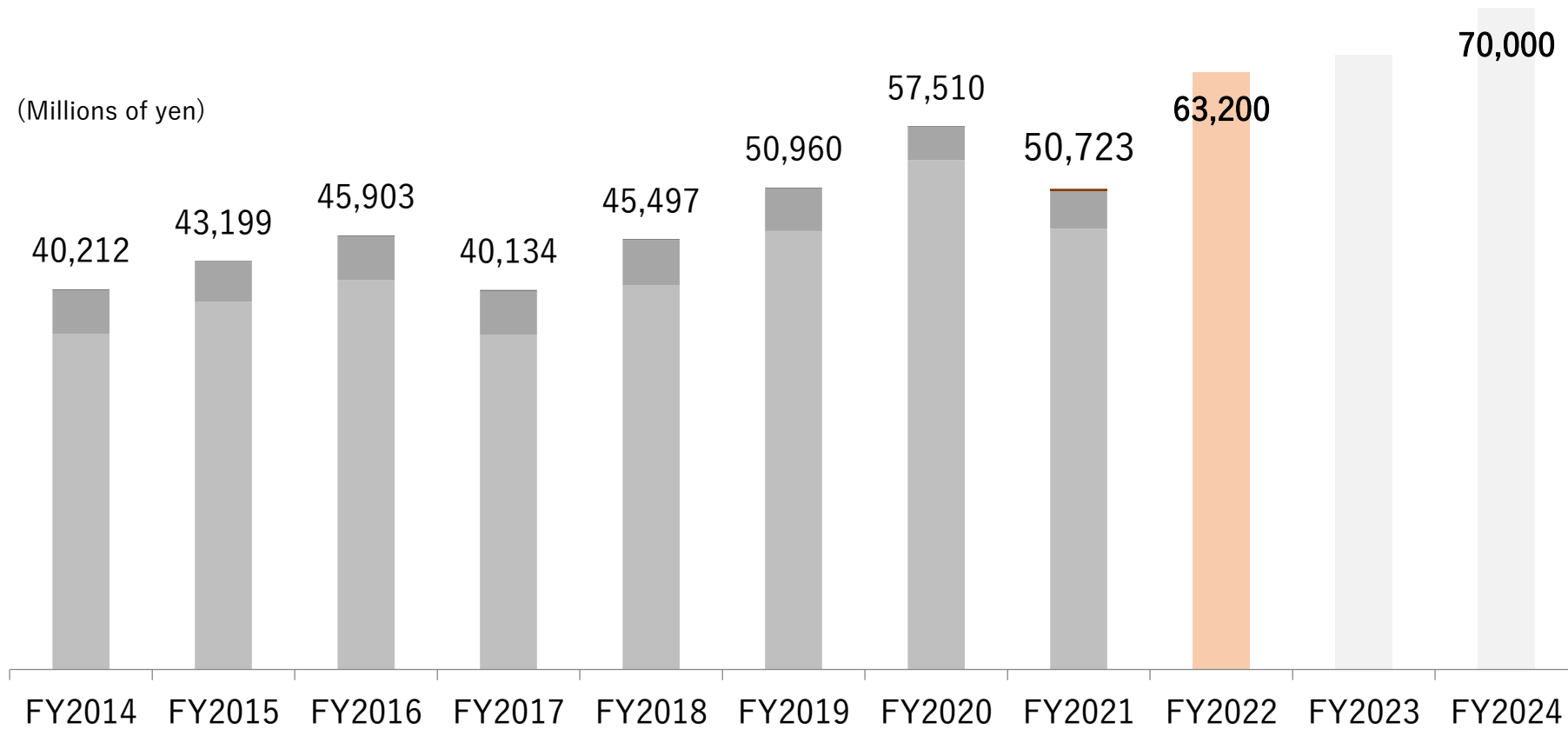
Corporate History



Business system diagram

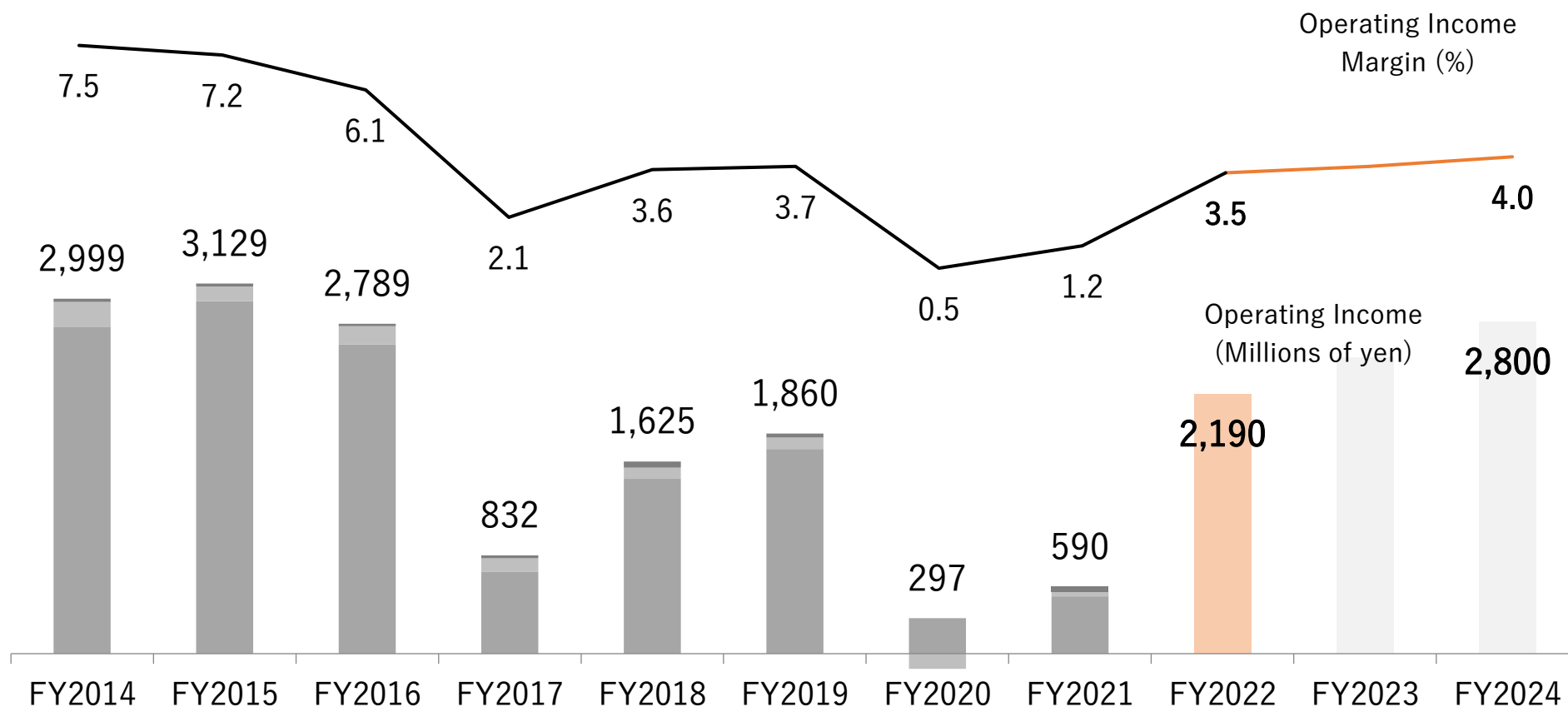


Sales plan



※ 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.

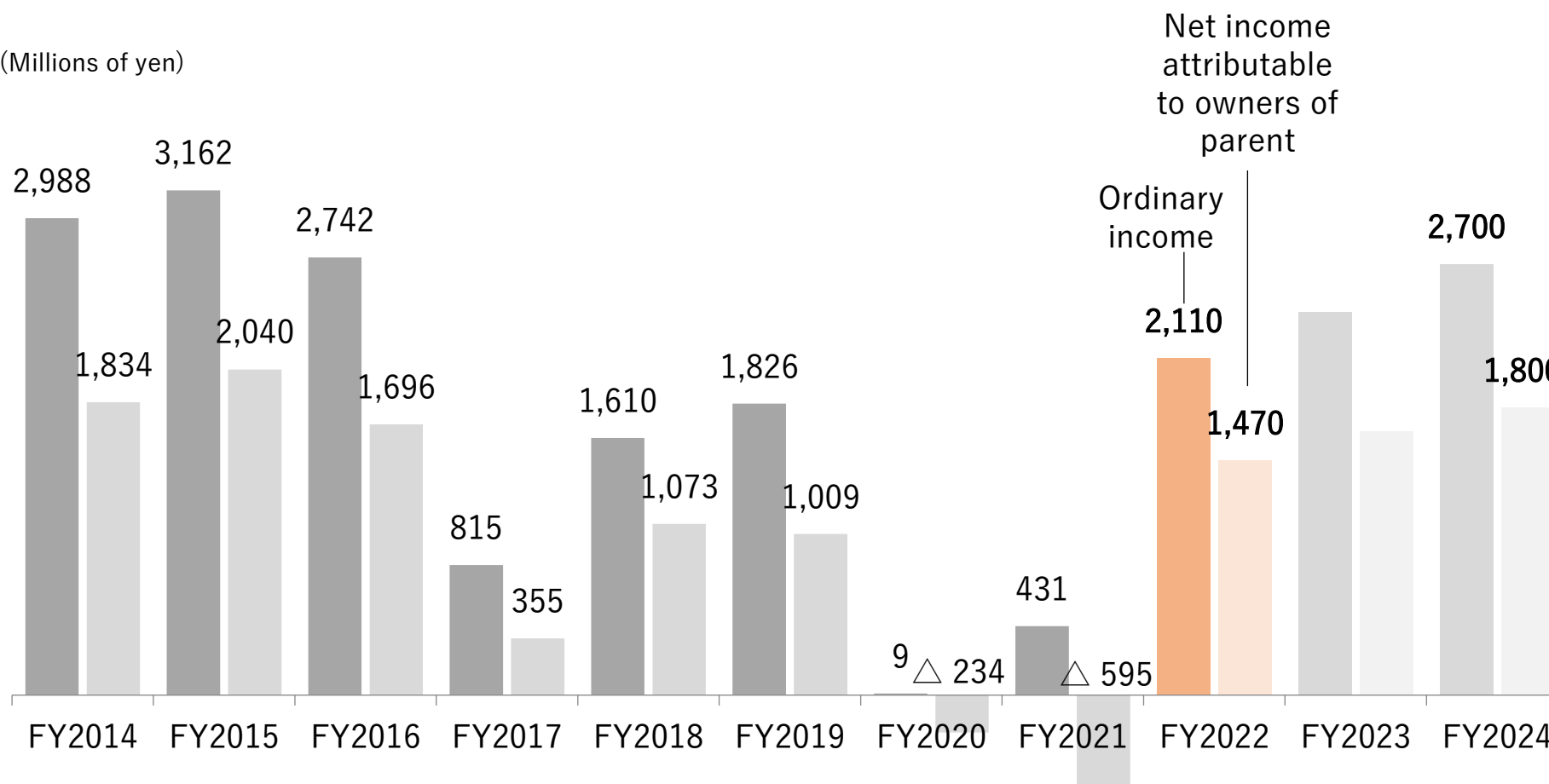
Operating Profit Plan



※ 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.

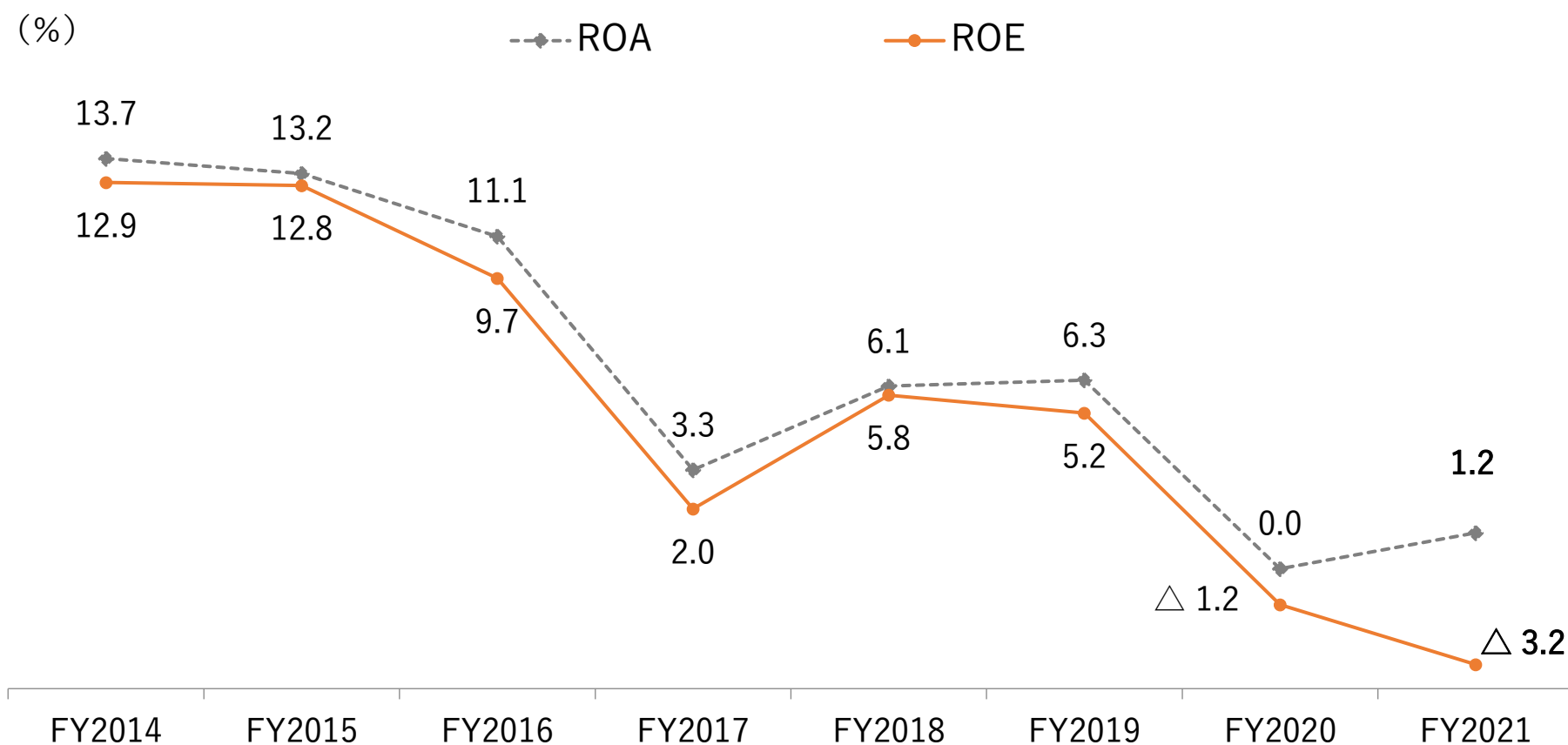
Ordinary income/Net income Plan

(Millions of yen)



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No change in medium-term plan.

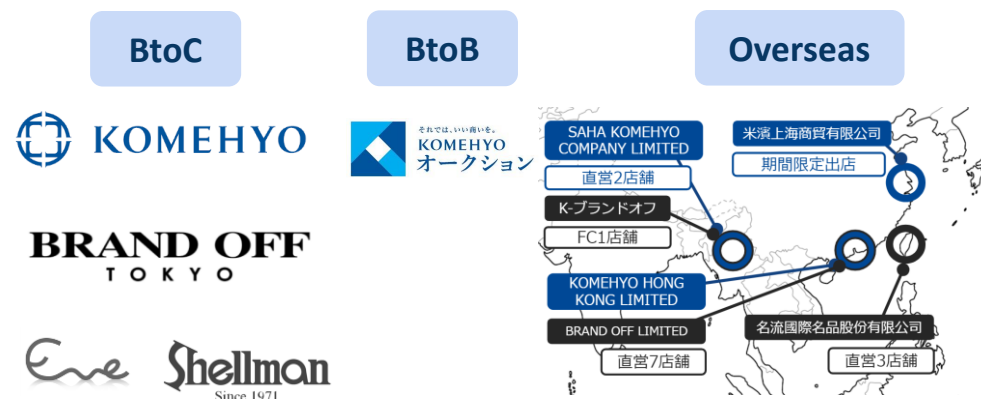
Changes in ROA/ROE



Medium-term Management Plan

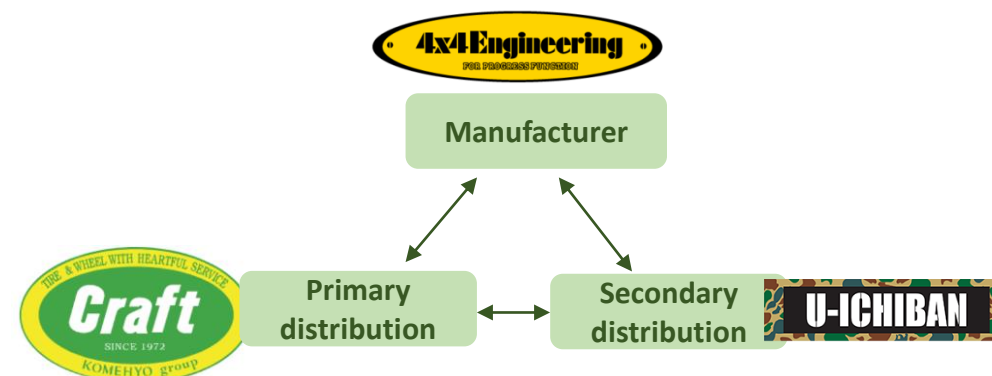
Brand · Fashion business

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

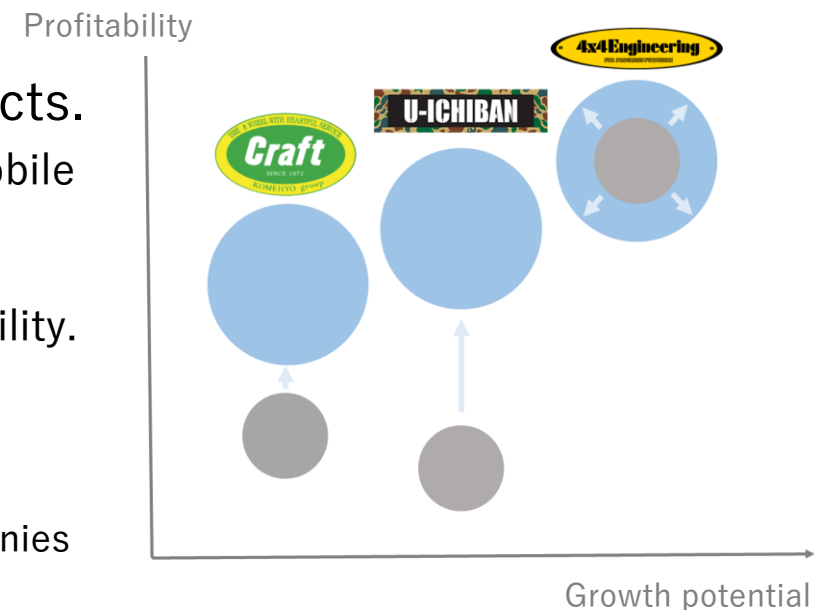
- Strengthen specialty stores developed according to customer preference and sales of which are not affected by the weather.
- Strengthen the sale and purchase of used tires and wheels.
- Implement inventory management utilizing databases and establish priority categories.



2. Growth drivers - Strengthening of new products.

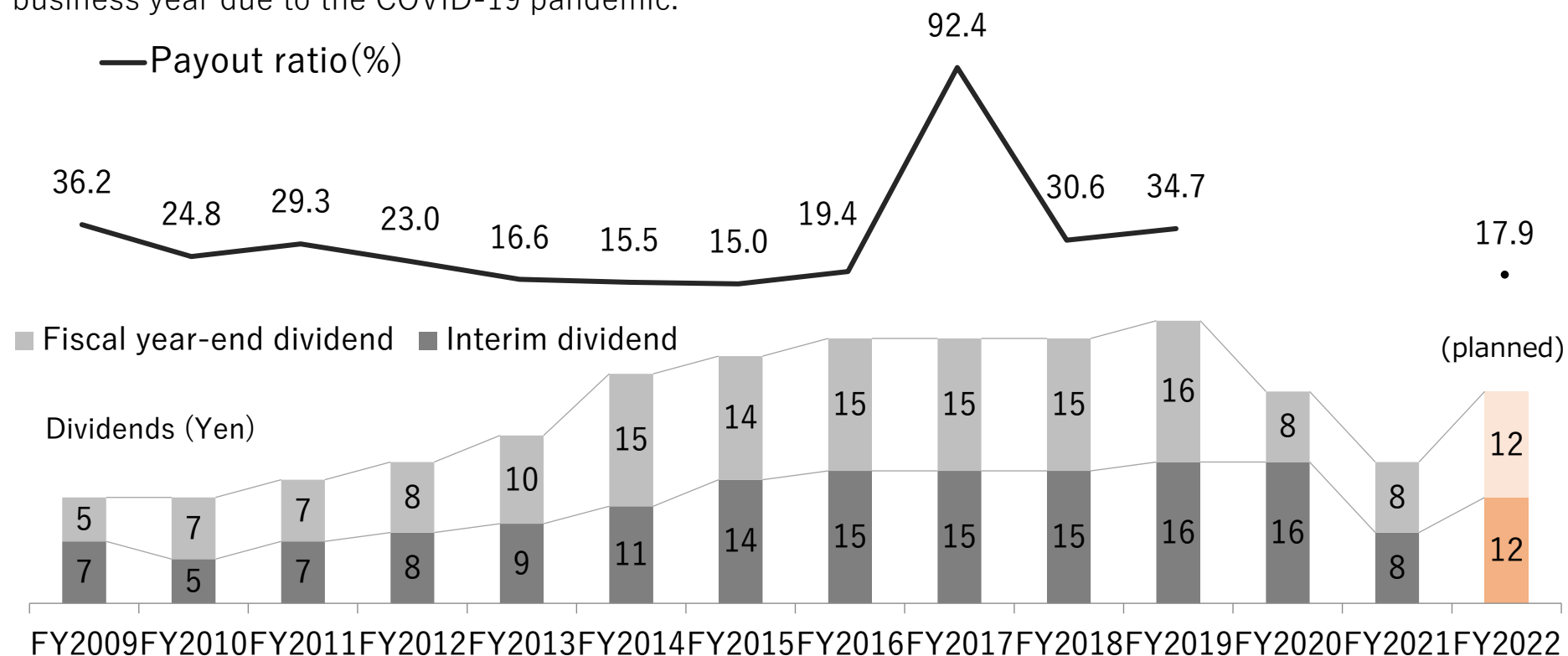
- Facilitate the planning and manufacturing of automobile parts such as wheels.
- Step up efforts to supply product to global markets.
- Establish business portfolios with a focus on profitability.

Growth image of 3 companies



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:

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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.