

KOMEHYO

Earnings Results Briefing for the Fiscal Year Ending March 31, 2016

May16 2016

KOMEHYO Co., Ltd.

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

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

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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.

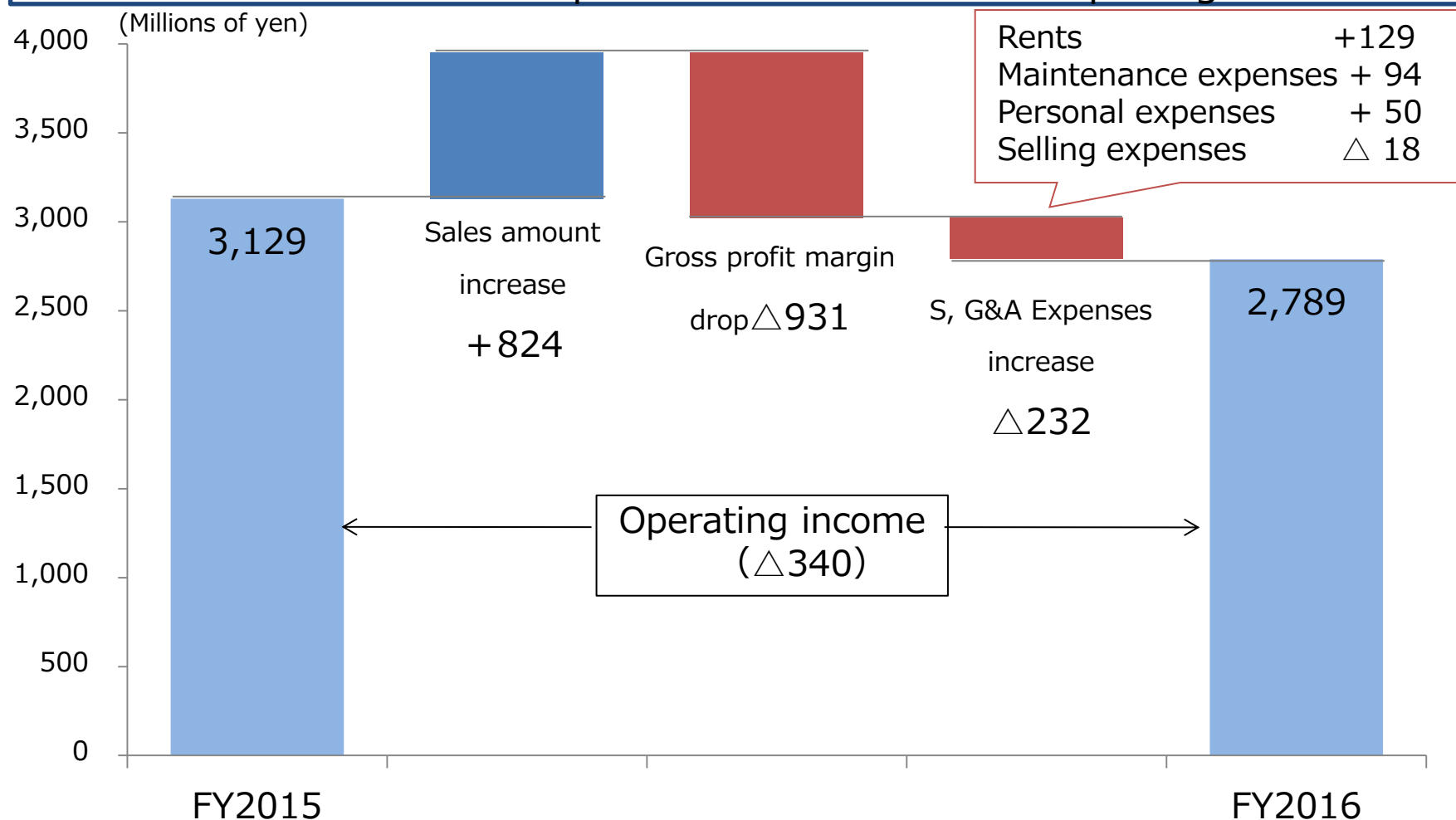
Overview of Income Statement

Consolidated net sales: posted a new record high

Consolidated (Millions of yen)	FY2014 (‘13.4-’14.3)	FY2015 (‘14.4-’15.3)	FY2016 (‘15.4-’16.3)	Change	YoY
Net sales	40,212	43,199	45,903	+ 2,704	106.3%
Gross profit	12,627	13,168	13,061	△107	99.2%
Gross profit margin	31.4%	30.5%	28.5%	△2.0pt	—
SG&A expenses	9,627	10,038	10,271	+ 232	102.3%
Operating income	2,999	3,129	2,789	△340	89.1%
Ordinary income	2,988	3,162	2,742	△420	86.7%
Net income attributable to owners of parent	1,834	2,040	1,696	△343	83.2%

Operating income increase and decrease factor (Consolidated)

Gross profit margin decreased 2.0 pt. with higher general & administrative expenses due to new store openings



Overview of Income Statement

Non-consolidated net sales: posted a new record high

Non-consolidated (Millions of yen)	FY2014 (‘13.4-‘14.3)	FY2015 (‘14.4-‘15.3)	FY2016 (‘15.4-‘16.3)	Change	YoY
Net sales	35,176	38,507	40,554	+ 2,046	105.3%
Gross profit	10,733	11,363	11,090	△273	97.6%
Gross profit margin	30.5%	29.5%	27.3%	△2.2pt	—
SG&A expenses	8,059	8,590	8,664	+ 73	100.9%
Operating income	2,674	2,773	2,426	△347	87.5%
Ordinary income	2,672	2,815	2,400	△415	85.2%
Net income	1,637	1,830	1,480	△349	80.9%

Selling, General and Administrative Expenses

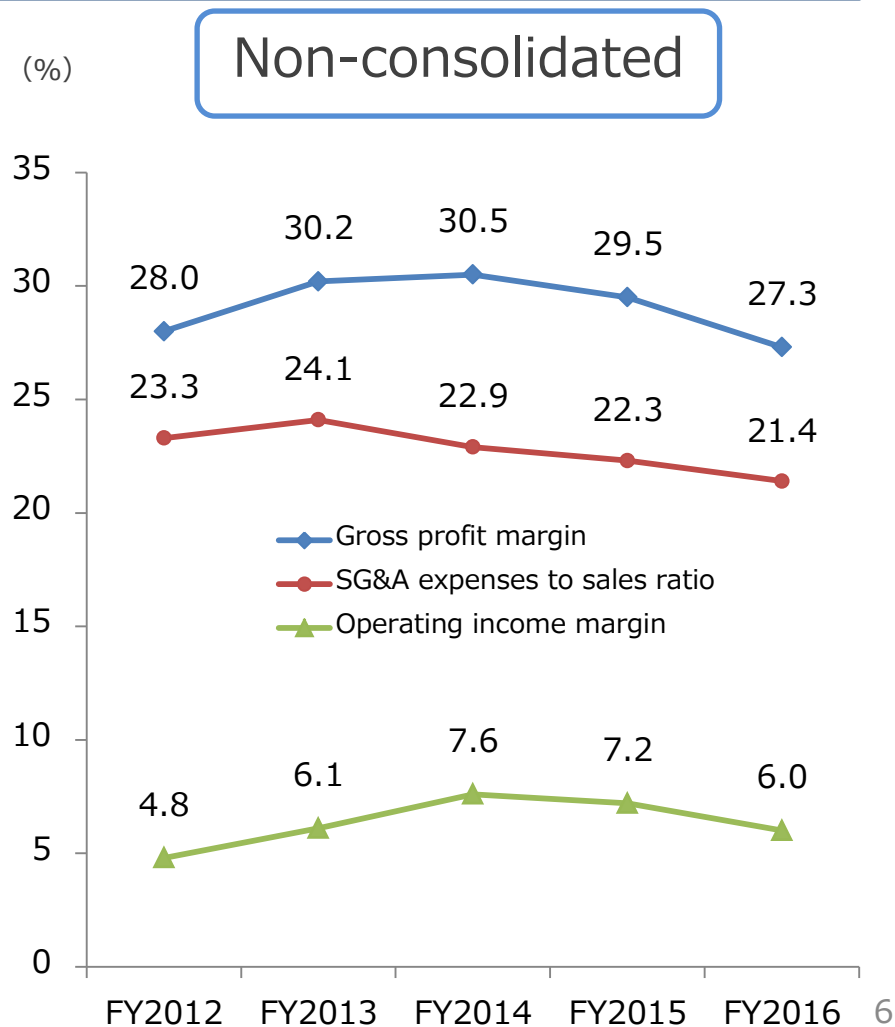
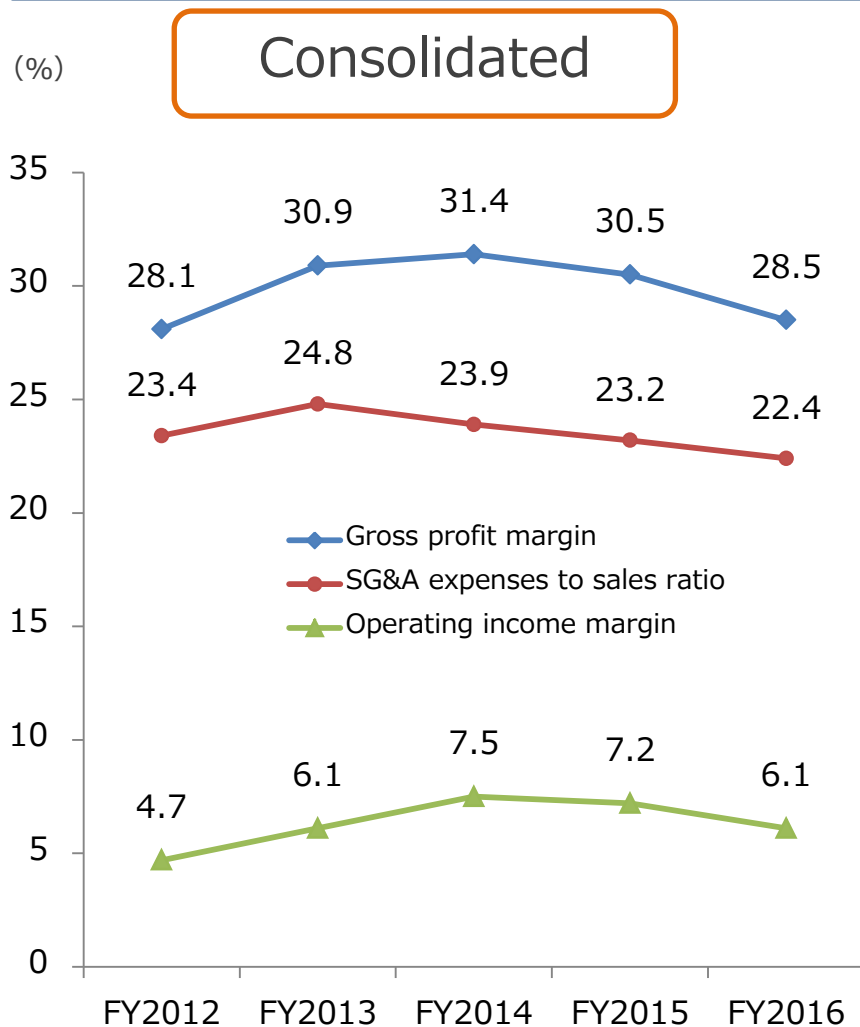
General & administrative expenses
including rents increased due to active new store openings

Consolidated (Millions of yen)	FY2015	FY2016	Change	YoY
Selling, General and Administrative Expenses	10,038	10,271	+ 232	102.3%
Selling expenses	1,887	1,868	$\triangle 18$	99.0%
Personnel expenses	4,524	4,574	+ 50	101.1%
General & administrative expenses	3,627	3,828	+ 201	105.6%
Depreciation	636	589	$\triangle 46$	92.6%
Rents	1,650	1,780	+ 129	107.9%

Non-consolidated (Millions of yen)	FY2015	FY2016	Change	YoY
Selling, General and Administrative Expenses	8,590	8,664	+ 73	100.9%
Selling expenses	1,815	1,720	$\triangle 94$	94.8%
Personnel expenses	3,846	3,900	+ 53	101.4%
General & administrative expenses	2,928	3,042	+ 114	103.9%

Profit Margin Trend

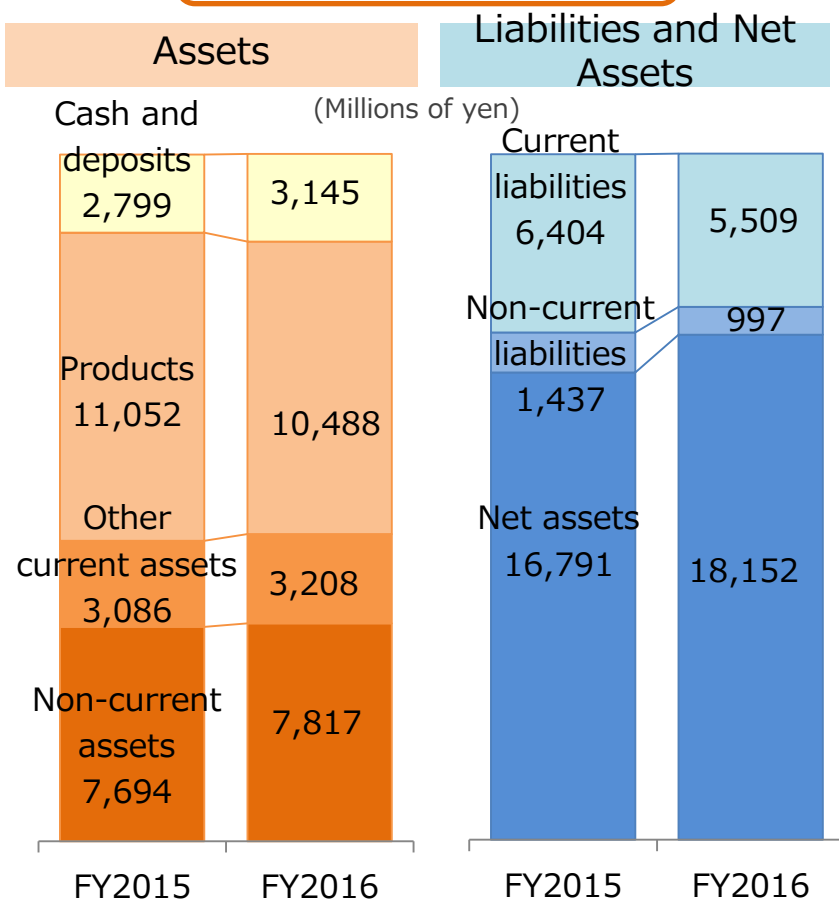
Operating income margin decreased as gross profit margin decreased, which offset a decrease in SG&A expenses



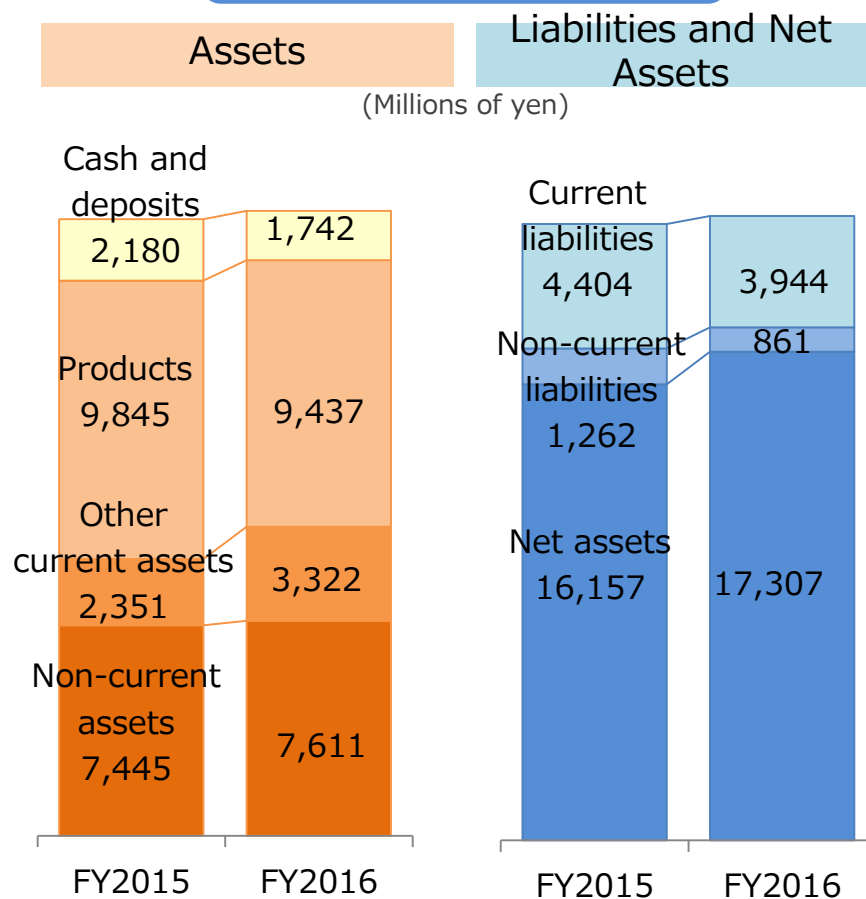
Overview of Balance Sheet

Products decreased due to improved inventory control

Consolidated



Non-consolidated

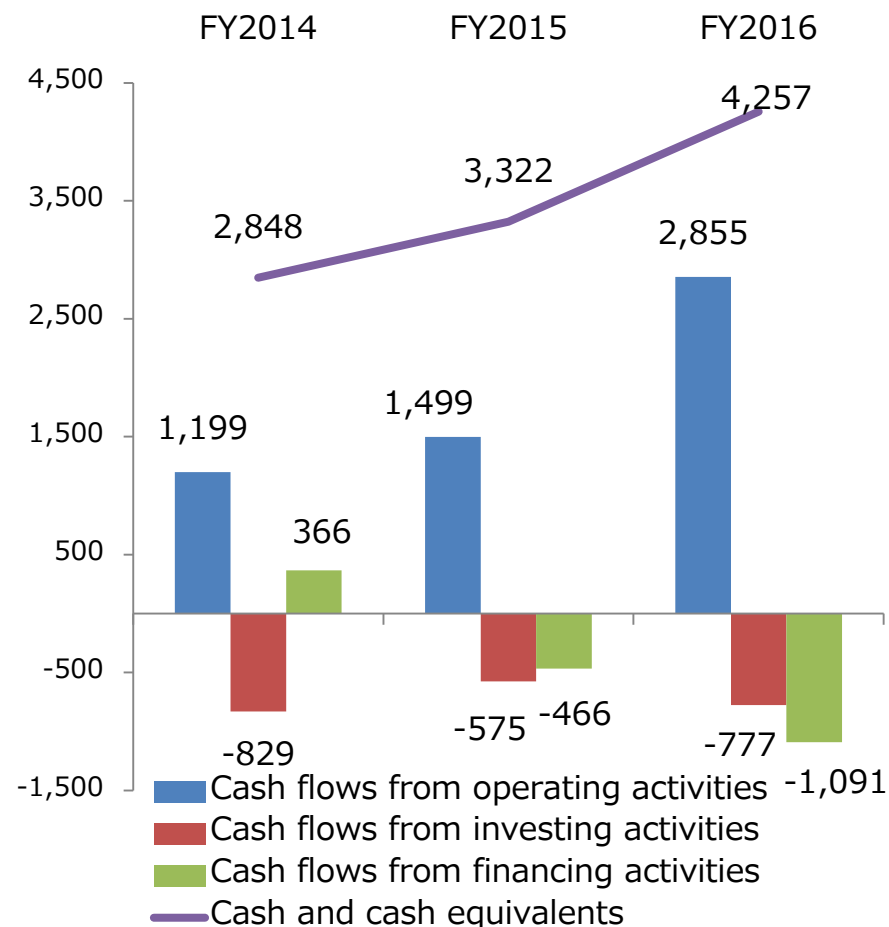


Statement of Cash Flows

Cash flows from operating activities were stable,
partly due to the effects of inventory reductions

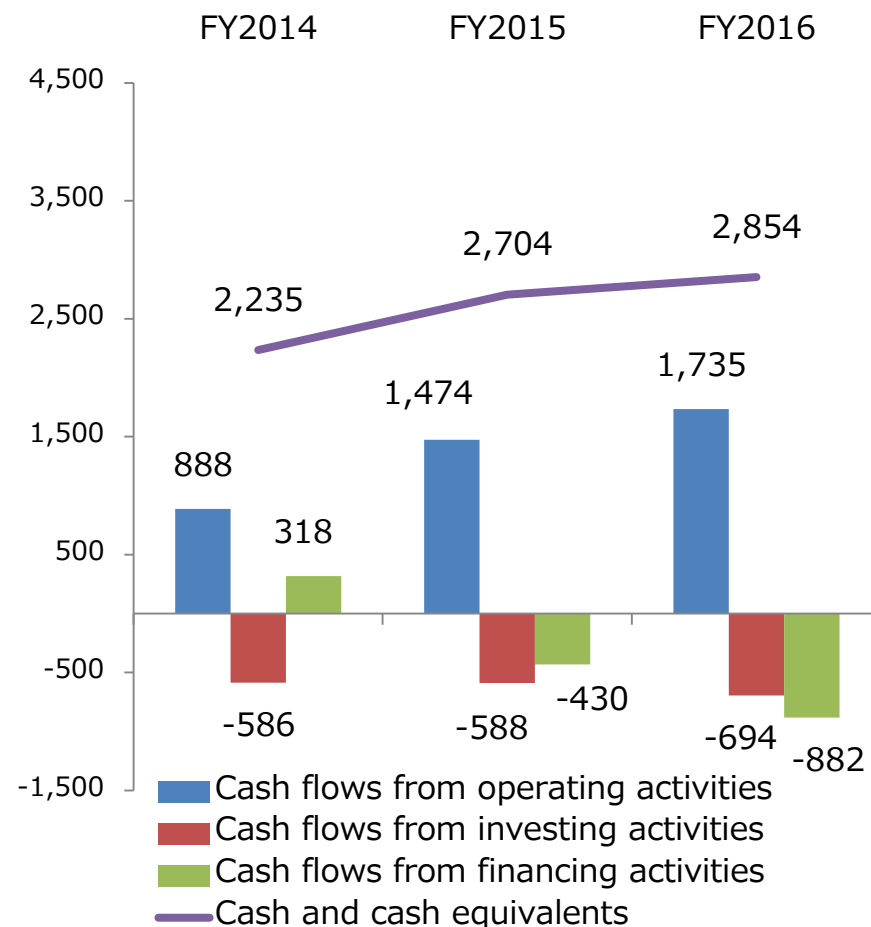
Consolidated

(Millions of yen)



Non-consolidated

(Millions of yen)



By Segment

Tire and Wheel segment posted strong results

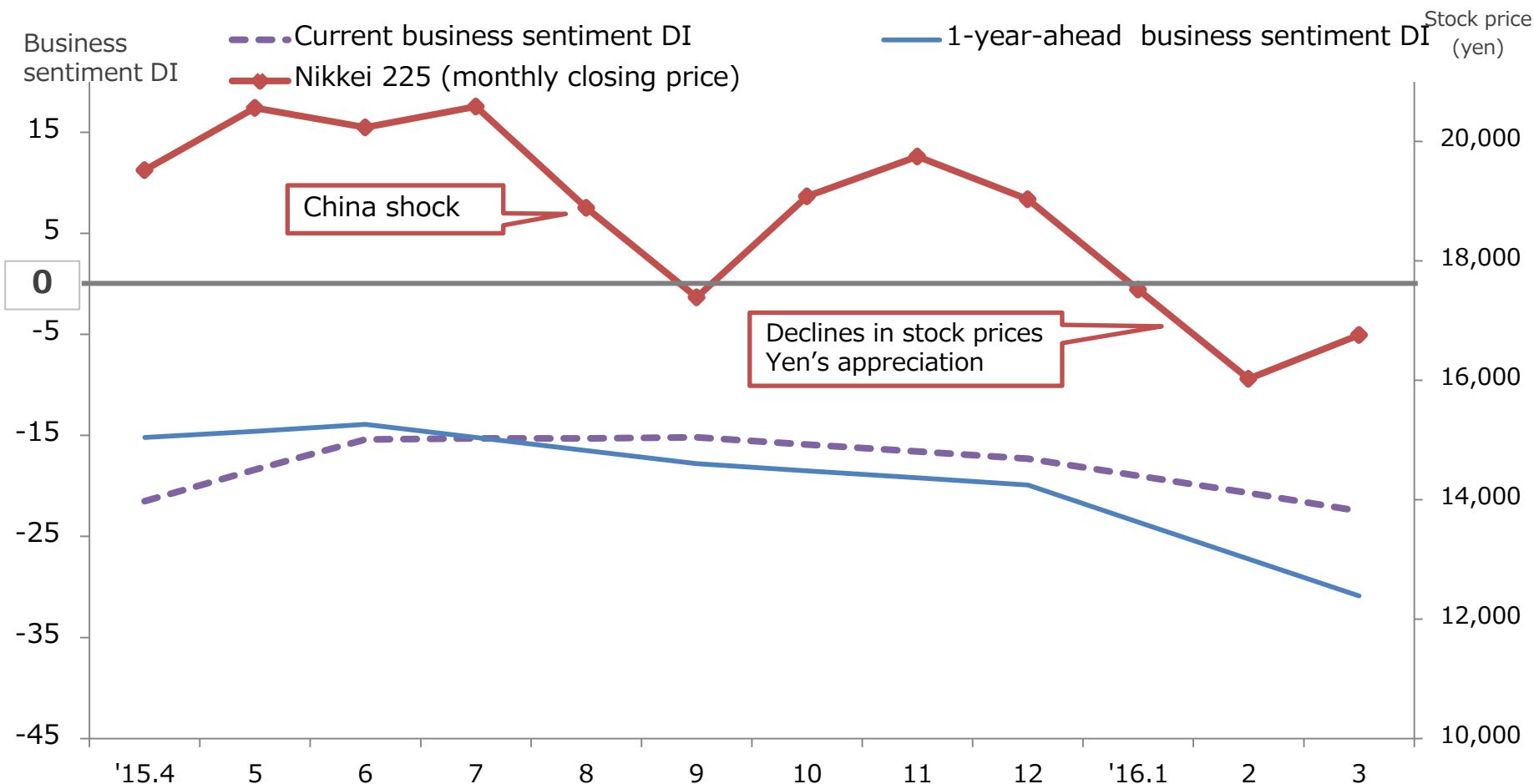
	(Millions of yen)	FY2014	FY2015	FY2016	Change	YoY
Brand Fashion	Net sales	35,473	38,874	41,175	+2,300	105.9%
	Operating income	2,763	2,979	2,611	△367	87.7%
	Operating margin	7.8%	7.7%	6.3%	△1.4pt	—
Tire and Wheel	Net sales	4,637	4,232	4,640	+408	109.6%
	Operating income	210	124	155	+30	124.5%
	Operating margin	4.5%	2.9%	3.3%	+0.4pt	—
Others	Net sales	141	134	132	△1	98.6%
	Operating income	26	25	22	△3	88.3%
	Operating margin	18.8%	19.2%	17.2%	△2.0pt	—

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External Environment(1)

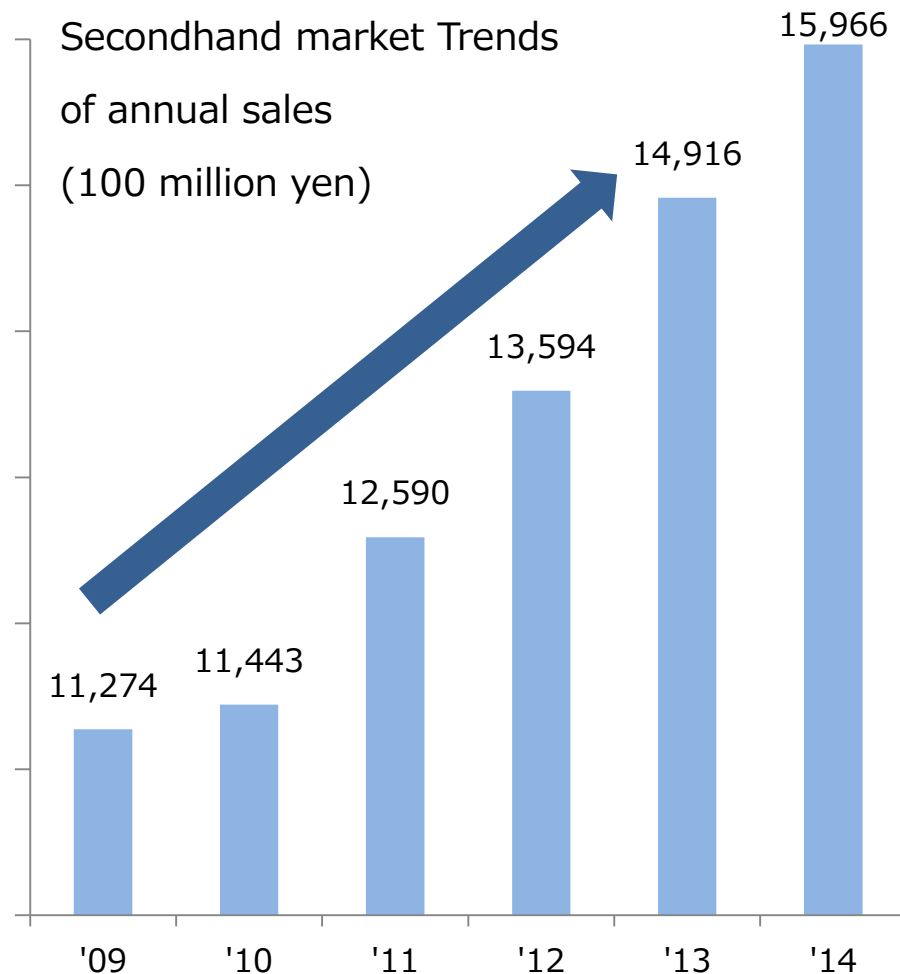
Domestic Economy, and Business Sentiment

Uncertainties due to an abrupt slowdown
in China's economy and other factors

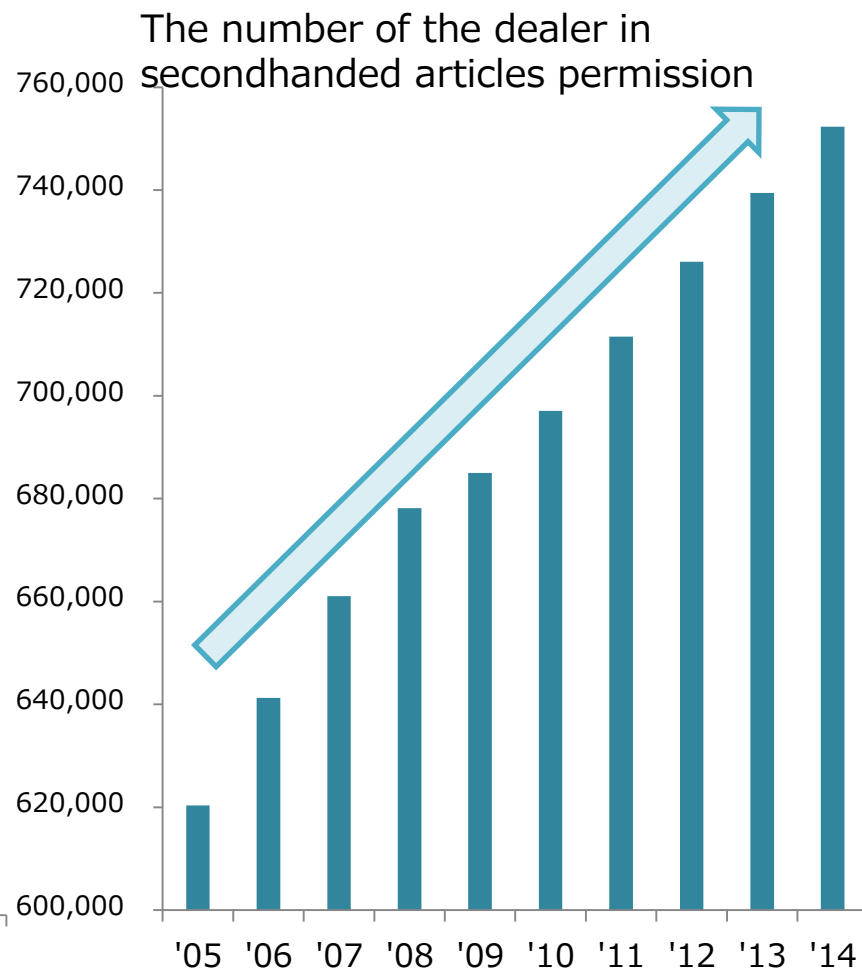


External Environment(2) Secondhand Market

Secondhand market is expanding



Source: The Reuse Business Journal Secondhand Business Data Book 2016

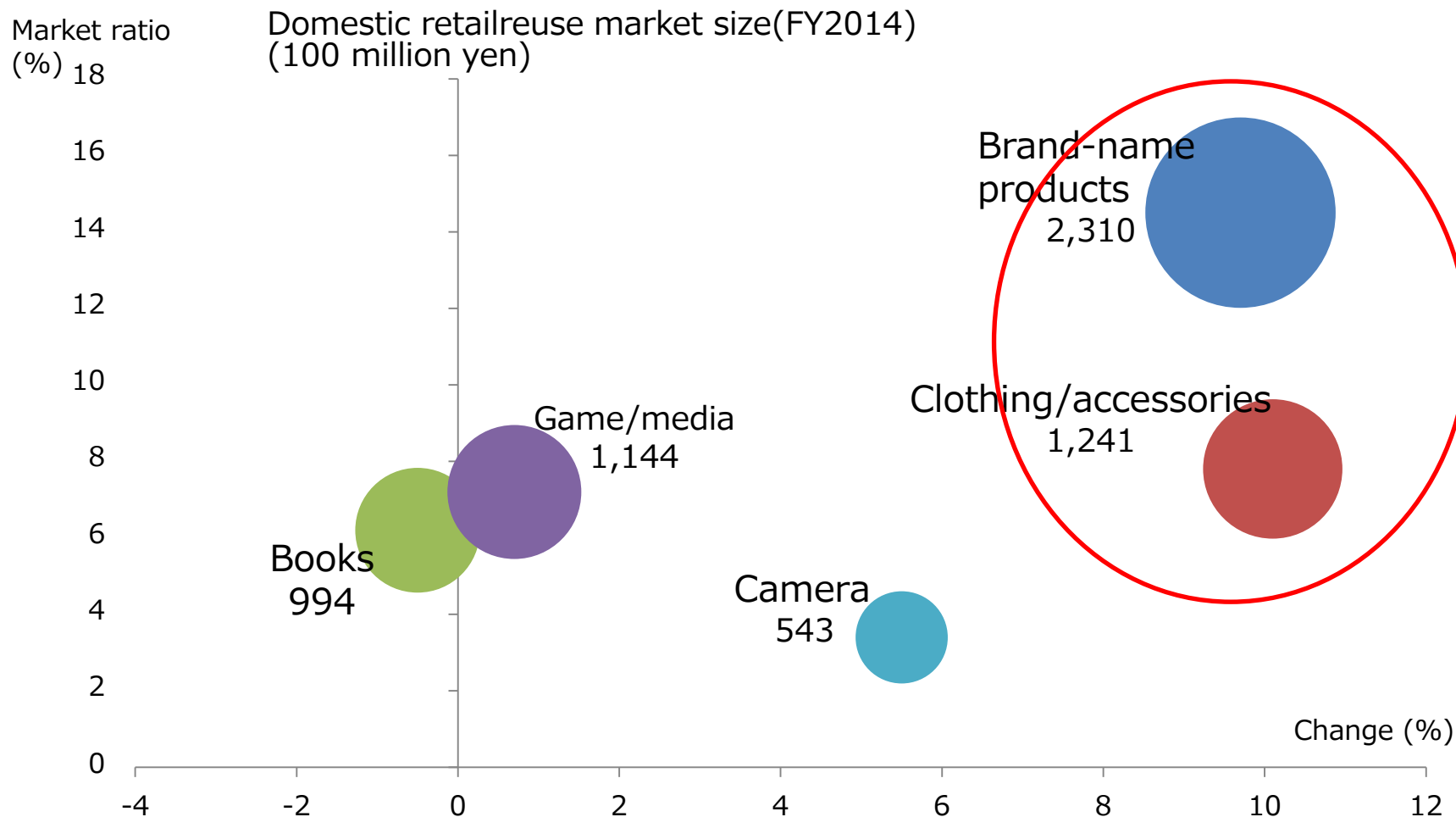


Source: The National Police Agency 12

External Environment(3)

Reuse market according to the product

Brand name products and clothing are on a growing trend in terms of both growth rate and market size

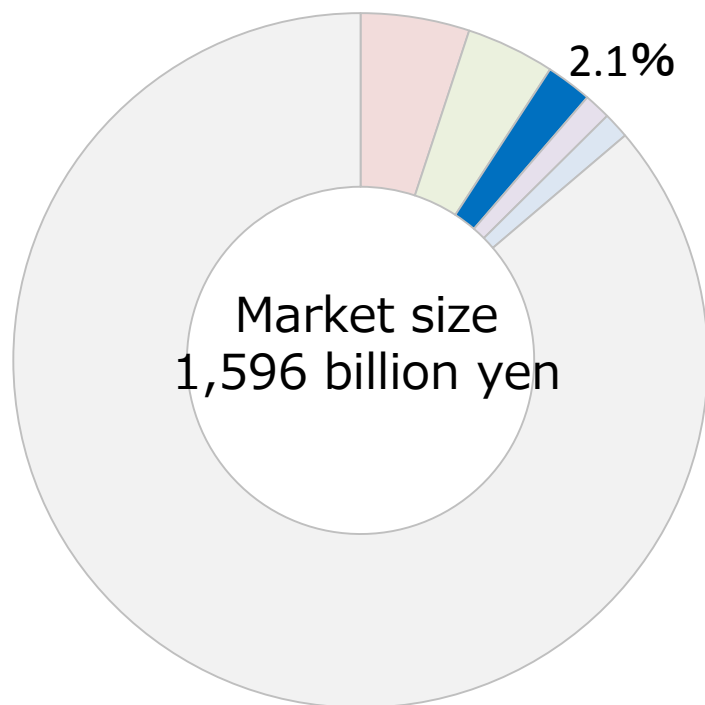


External Environment(4) Ranking in the Secondhand industry

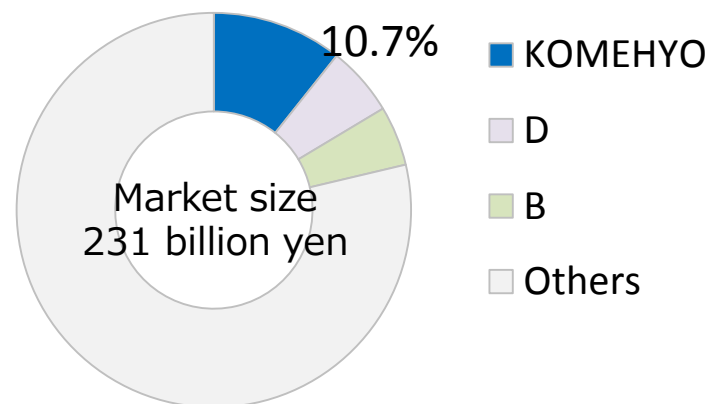
Secondhand sales amount :No.3、Brand-name products sales amount:No.1、Clothing/accessories sales amount:No.6

Secondhand sales amount(FY2014)

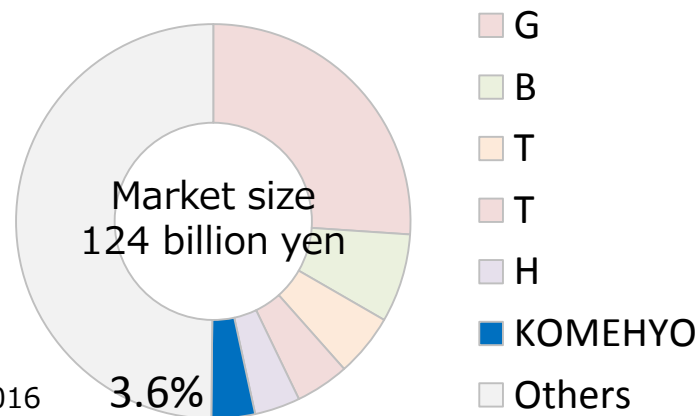
■ G ■ B ■ KOMEHYO ■ S ■ K ■ Others



Brand-name products sales amount(FY2014)



Clothing/accessories sales amount(FY2014)



Initiative(1) Opening of New Stores

Opened 9 stores in FY2016 ; Small-scale 5 stores,
Purchasing Center 2 stores、 LINK SMILE 1 store、 urca jewel 1 store

【FY2016 1H store open】

KOMEHYO

Sakae Central Park Store
April 29, 2015
(approx. 66m²)

KOMEHYO

Kobe Motomachi Store
May 25, 2015
(approx. 220m²)

KOMEHYO

Purchasing Center
Ikebukuro Nishiguchi
July 17, 2015
(approx. 102m²)

KOMEHYO

Purchasing Center
Tachikawa Kitaguchi
September 18, 2015
(approx. 167m²)

【FY2016 2H store open】

KOMEHYO

Canal City Hakata Store
October 1, 2015
(approx. 138m²)

KOMEHYO

Jiyugaoka Store
November 11, 2015
(approx. 84m²)



KOMEHYO Canal City Hakata Store

LINK SMILE by KOMEHYO

Kasugai kashihara store
March 4 , 2016
(approx. 388m²)

KOMEHYO

Tenjin store
March 26 , 2016
(approx. 193m²)

【FY2017 store open(planned)】

KOMEHYO

Purchasing Center
Sinjyuku mimamiguchi
May 2016 (planned)
(approx. 117m²)

KOMEHYO

Umeda Store
February 2017 (planned)
(approx. 1,318m²)

urca jewel by KOMEHYO

Musashi koyama store
March 31 , 2016
(approx. 133m²)

Initiative(2) Talent Development

Buyer development through original curriculums by a dedicated division

	Single-item buyers Able to evaluate 1 item	Multiple-item buyers Able to evaluate 2 items or more	Total No. of buyers (in operation)
FY ended March 2016	176 persons	110 persons	286 persons
YoY Change	+ 12 persons	+ 22 persons	+ 34 persons



Final test of buyer development program



Training program for non-standard products



Textbooks

Initiative(3)

Purchase from Individual Customers

Purchases from individual customers remained solid

Amount of purchase from individual customers	FY2014 (‘13.4- ‘14.3)	FY2015 (‘14.4- ‘15.3)	FY2016 (‘15.4- ‘16.3)	Change	YoY
Purchasing Center	15,089	16,596	17,537	+941	105.7%
Home delivery Purchasing	805	841	887	+45	105.4%
Total (Millions of yen)	15,895	17,438	18,425	+986	105.7%



Tenjin
store



Jiyugaoka Store



Purchasing Center
Tachikawa Kitaguchi



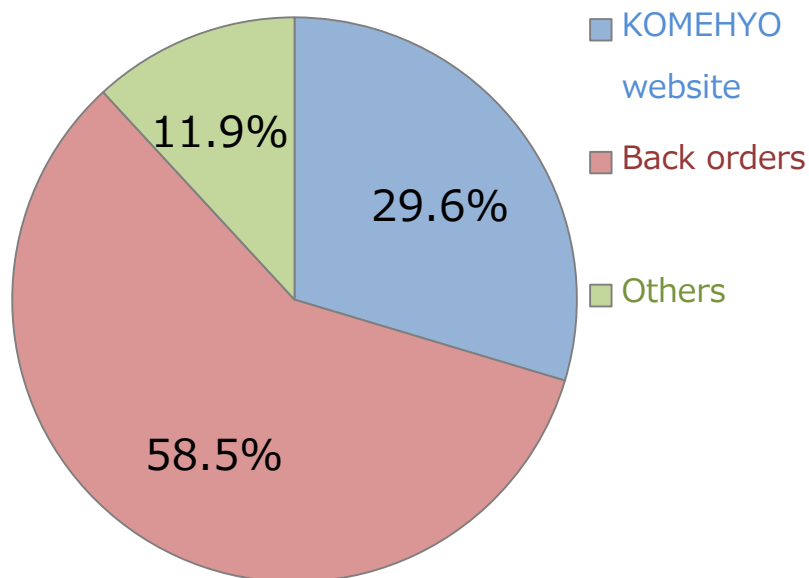
Purchasing Center
Ikebukuro Nishiguchi

Initiative(4) Online Sales

Leveraging omni channel retailing, leading customers from online stores to physical stores and vice versa

FY2016	Net sales (Millions of yen)	Net sales YoY	No. of products sold YoY
All online stores	6,309	103.1%	134.2%

【Percentage of online sales by channel】 【Roles of smartphone e-commerce sites】



Omni channel retailing



Initiative1: Enabling delivery to physical stores
 Initiative2: installment payment estimation services
 Initiative3: enhanced product inquiry services

Apps: Obtaining detailed product information using bar-code readers

Initiative(5) Member's Card

Integrated management of customer information,
covering physical and online stores

Card members(FY2016)	No.	YoY
Total members	602,000	120.2%



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

KOMEHYO
Member's card



Initiative(6) KOMEHYO Auction

Sales to secondhand dealers in Japan

	Frequency	Trade volume (FY2016)	YoY	No. of member companies
Restaurant auction (Jewelry, watches, bags)	Monthly 3 days	JPY17,900 million	114.5%	655
Apparel auction (Clothing)	Monthly 1 day	JPY330 million	146.8%	



KOMEHYO auction



KOMEHYO auction

Initiative(7) KOMEHYO HONG KONG

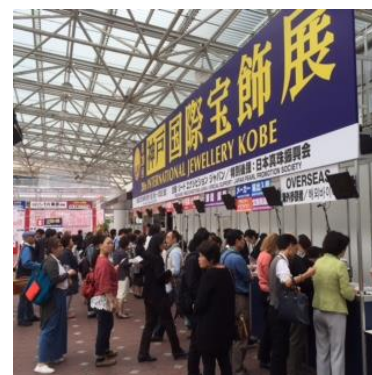
Sales to secondhand dealers abroad

FY2016	Net sales
KOMEHYO HONG KONG LIMITED	approx. 2 billion yen

- Onsite staff for overseas contacts
- Participation in NJKP auctions
- Jewelry show
- Expansion of B2B business



N J K P auctions



Jewelry show



Initiative(8) Tire and Wheel

Sale of tires, wheels, and vehicle parts

FY2016	Net sales (Millions of yen)	Composition	YoY
Tires/wheels	4,065	87.6%	107.7%
Parts (incl. labor charge)	574	12.4%	125.4%
Segment total	4,640	100.0%	109.6%



Craft website homepage

【Strengthen of sales】

- Summer tires
- Customized parts : car height control
- Luxury wheel

【 Leveraging new product center 】

- Contributing to web sales
- Improving efficiency of embedding and other operations



Craft Nakagawa Store

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FY2017 plan

Increased profit and revenue are forecasted on both consolidated and non-consolidated bases (full-year)

Consolidated (Millions of yen)	FY2017 1H plan	YoY	FY2017 plan	YoY
Net sales	21,000	100.3%	48,000	104.6%
Operating income	930	81.0%	2,850	102.2%
Ordinary income	930	81.2%	2,850	103.9%
Net income attributable to owners of parent	620	88.6%	1,900	112.0%

Non-consolidated (Millions of yen)	FY2017 1H plan	YoY	FY2017 plan	YoY
Net sales	18,500	98.3%	42,500	104.8%
Operating income	850	78.1%	2,450	101.0%
Operating income	850	77.8%	2,450	102.1%
Net income	580	86.6%	1,650	111.5%

Key Issues to Be Addressed(1)

Enhancing new store openings and store management

1. Manage and analyze customer information → increase number of returning customers

**2. Implement various promotion initiatives
→ increase number of new customers**

**3. Opening stores for purchasing
→ improved purchasing from individual customers**

【 KOMEHYO Umeda Store】
February 2017 (planned)



Building for planned store opening(1 - 3 F)

【 KOMEHYO Nagoya-ekimae Store】
May 2017 (planned)



KOMEHYO Nagoya-ekimae Store

Key Issues to Be Addressed(2)

Strengthening Product Control Function

1. Enhance the product maintenance system, including processing, repairing and cleaning

2. Review the product management system/schemes

→ More efficient supply system, reduced management costs, and enhanced authenticity checks

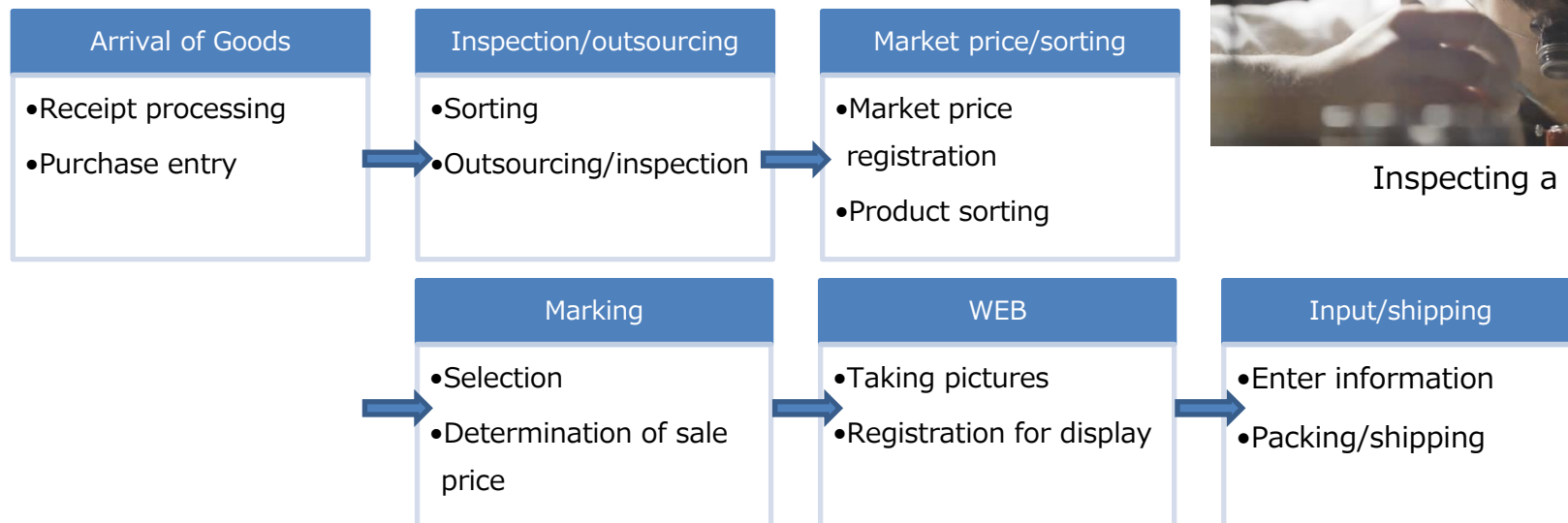


Jewelry inspection



Inspecting a watch

【Value Chains in Product Center】



Key Issues to Be Addressed(3)

Enhancing E-Commerce/IT

1. Improve EC sites, enhance coordination with physical stores for marketing

**2. Implement various initiatives including alliances and promotion
Further leverage EC**

3. Review and enhance information technologies

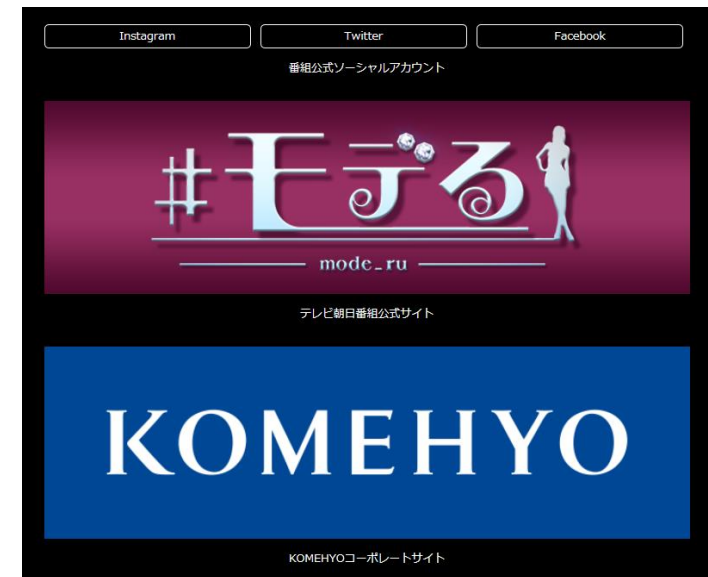
【Tie-up with Rakuten points reward card】

Tie-up with Rakuten points reward card is to start from summer of 2016.



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

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



Key Issues to Be Addressed(4)

Enhancing Talent Development

- 1. Strengthen leader development through training programs such as those for next-generation leaders and coaching**
- 2. Enhance development of buyers in line with store opening plans**
- 3. Establish and enhance educational programs
→ Better customer services**
- 4. Promote active involvement of women
→ Establish an environment for facilitating career progression and a systematic training framework**



Newly-appointed manager training program



Skill enhancement training program

Key Issues to Be Addressed(5)

New Business Initiatives

1. Establish overseas bases
→ strengthen overseas business
2. Develop new customers
→ expand corporate business
3. Examine new operation methods
→ strengthen auction business



Jewelry fair



NJKP diamond auction



Products presented

Key Issues to Be Addressed(6)

Increasing Sales/Revenue of Tire and Wheel Business

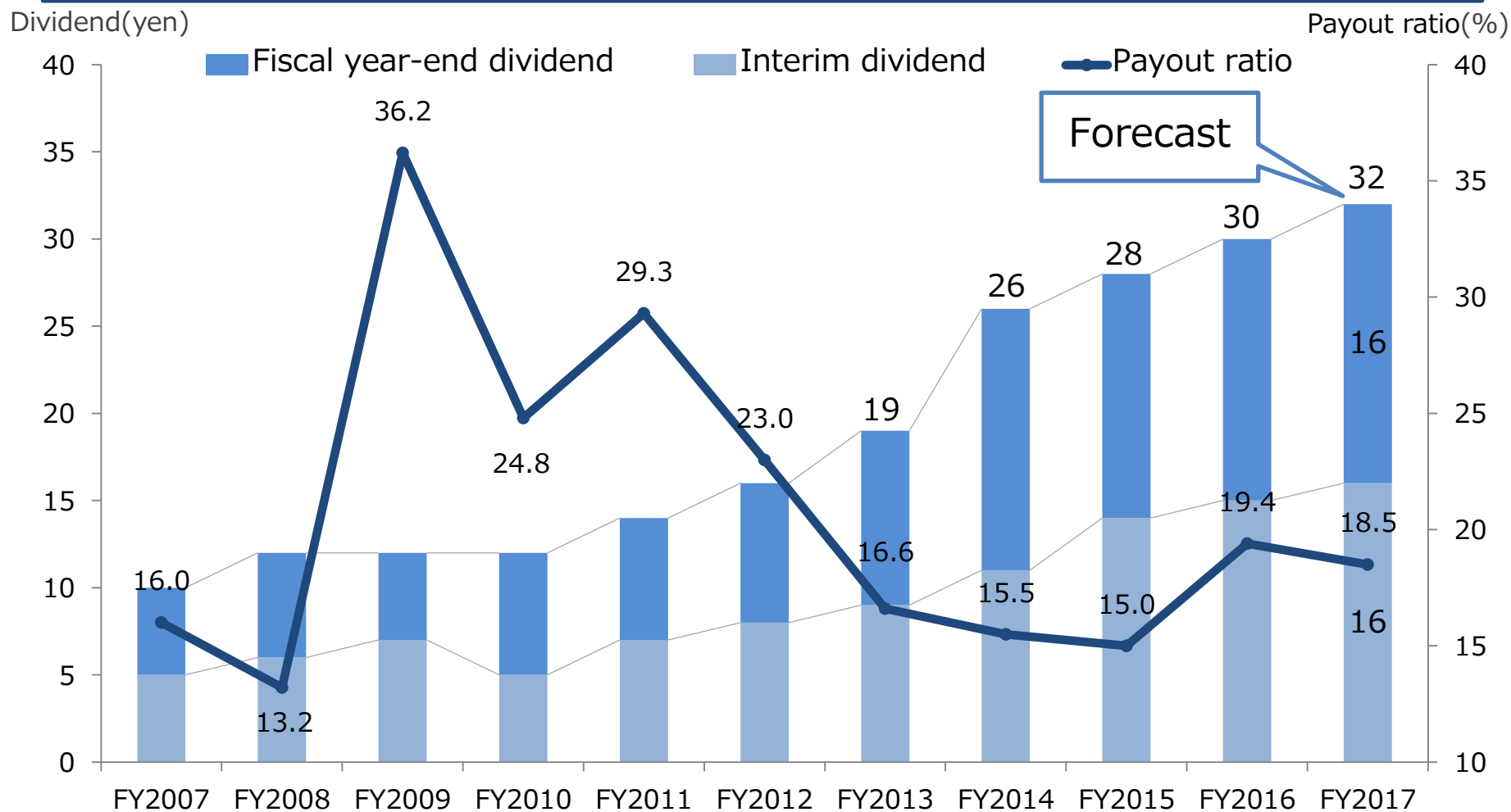
1. Strengthen original auto supply
→ higher profit margin
2. Expand sale channels through e-commerce sites
3. Become more appealing through SNS
→ develop new customer bases
4. Reform logistics functions
→ greater operational efficiency



Original Wheel : AXEL REDIRE
AXEL Briller

Shareholder return

Dividend changes



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Medium-term Basic Targets (Consolidated)

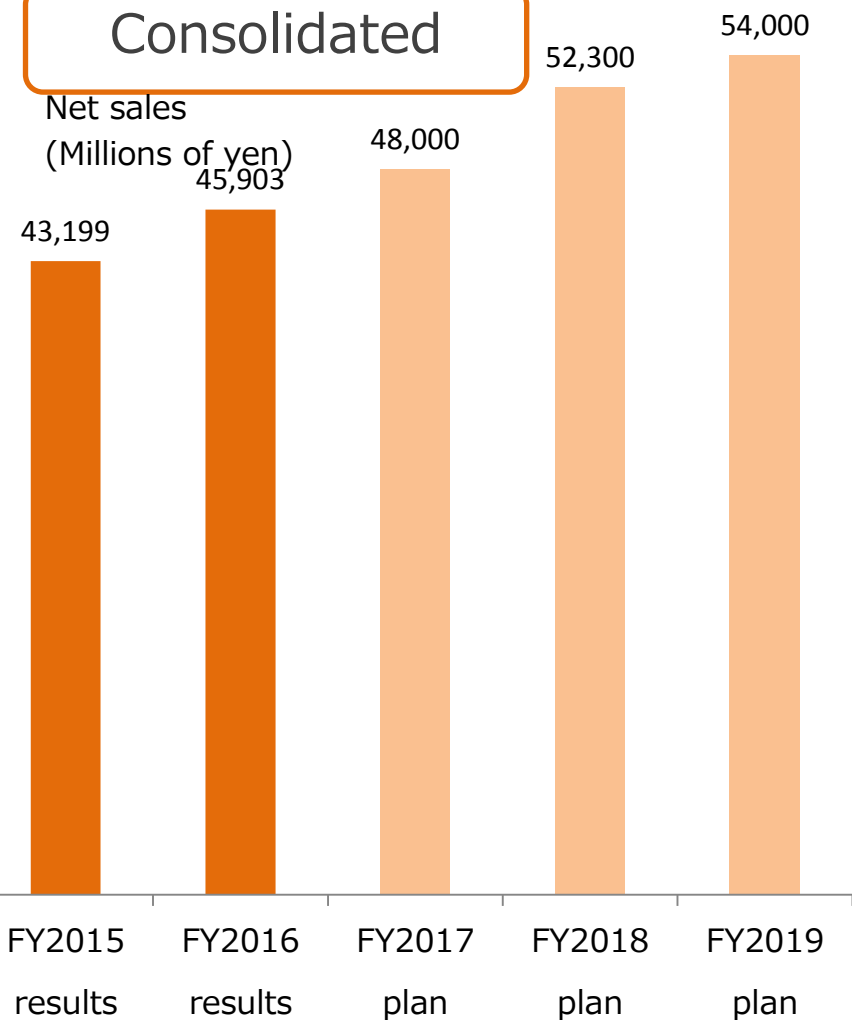
Achieve sustainable growth focusing on the opening of new stores

Consolidated		FY2017 (‘16.4-‘17.3)	FY2018 (‘17.4-‘18.3)	FY2018 (‘18.4-‘19.3)
Net sales		JPY48.0B	JPY52.3B	JPY54.0B
Operating income		JPY2.85B	JPY3.25B	JPY3.40B
Operating margin		5.9%	6.2%	6.3%
Store openings		6 stores	6 stores	6 stores
Store type	KOMEHYO small-scale Purchasing Center	5 stores	5 stores	5 stores
	by KOMEHYO LINK SMILE USED MARKET urca jewel	1 store	1 store	1 store

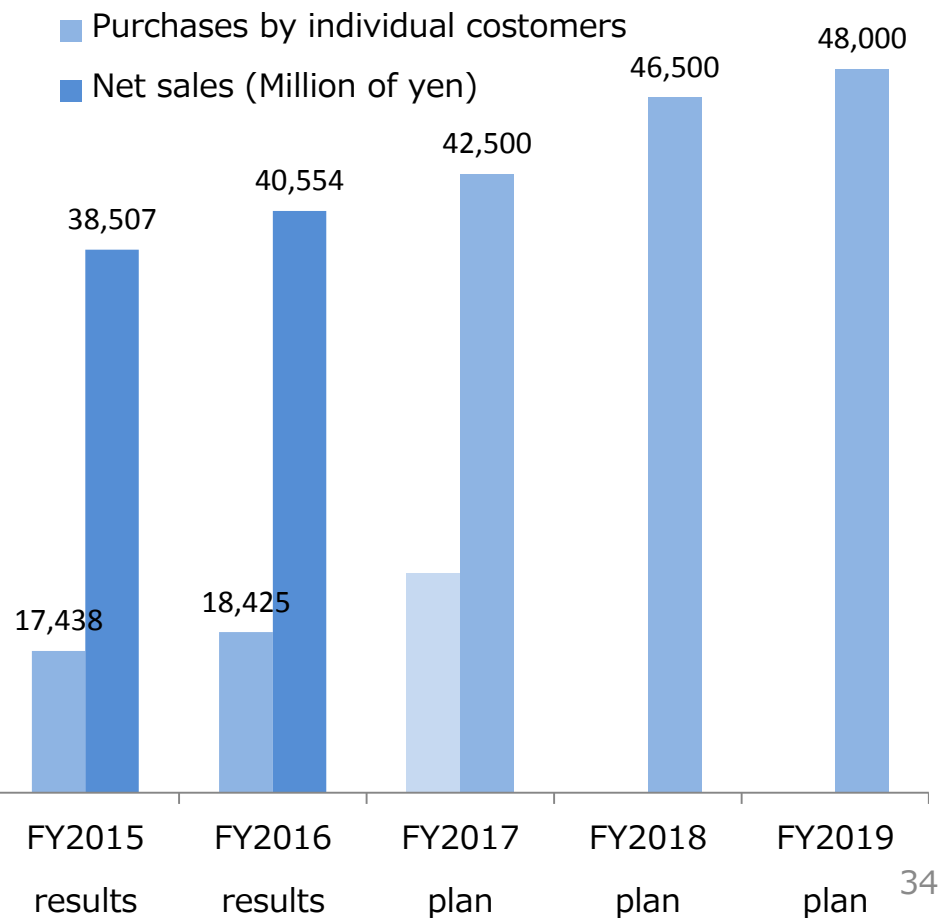
Net Sales Plan

Generate JPY54 billion and JPY48 billion on a consolidated and non-consolidated basis respectively in the fiscal year ending March 31, 2019

Consolidated

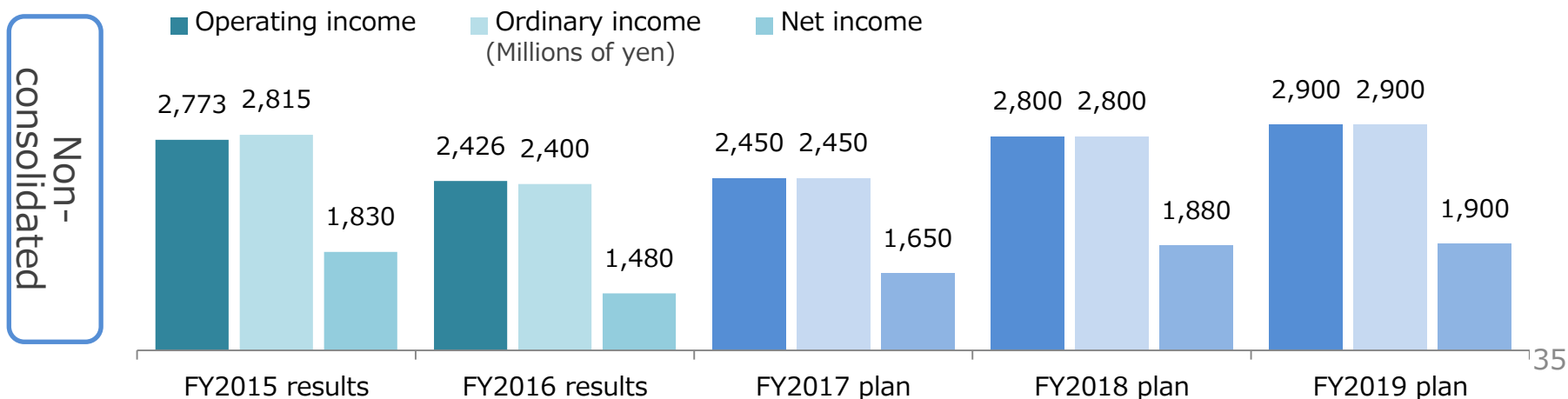
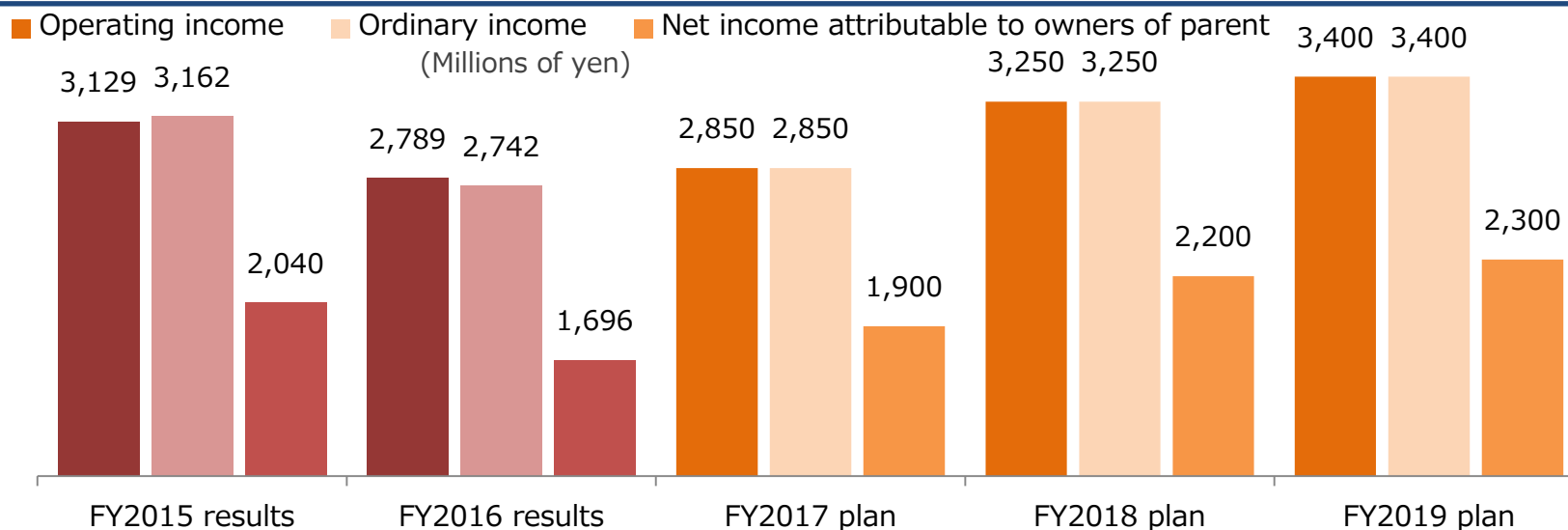


Non-consolidated



Profit Plan

Achieve sustainable profit growth by increasing net sales



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Corporate History



- Opened KOMEHYO Shibuya Koendori Store, Abeno Store
- Opened USED MARKET Osu Store

- Joined Keidanren
- Established Auto Parts KOMEHYO KK (currently AUTO PARTS JAPAN)
- Established KOMEHYO HONG KONG LIMITED
- Acquired CRAFT Co., Ltd.
- Established Product Center
- Established KOMEHYO Auction
- Opened USED MARKET under a new store format

- Opened KOMEHYO Shoten, a 5-tsubo used clothing store, in Osu, Nagoya

1947

1979

1987

1996

2000

2003

2004

2005

2010

2011

2012

2013

2014

2015

- Changed the Japanese spelling of its name from 米兵 to コメ兵

- Established KOMEHYO Co., Ltd.

- Expanded into Kansai (Shinsaibashi Store)
- Started online sales

- Expanded into Tokyo (Purchasing Center Dogenzaka)

- Listed on JASDAQ

- Listed on the second section of the Tokyo and Nagoya stock exchanges

- Opened Yurakucho Store (full-scale expansion into Tokyo)

- Opened LINK SMILE under a new store format

- Opened Shinjuku Store, the 2nd largest store after the Nagoya Store

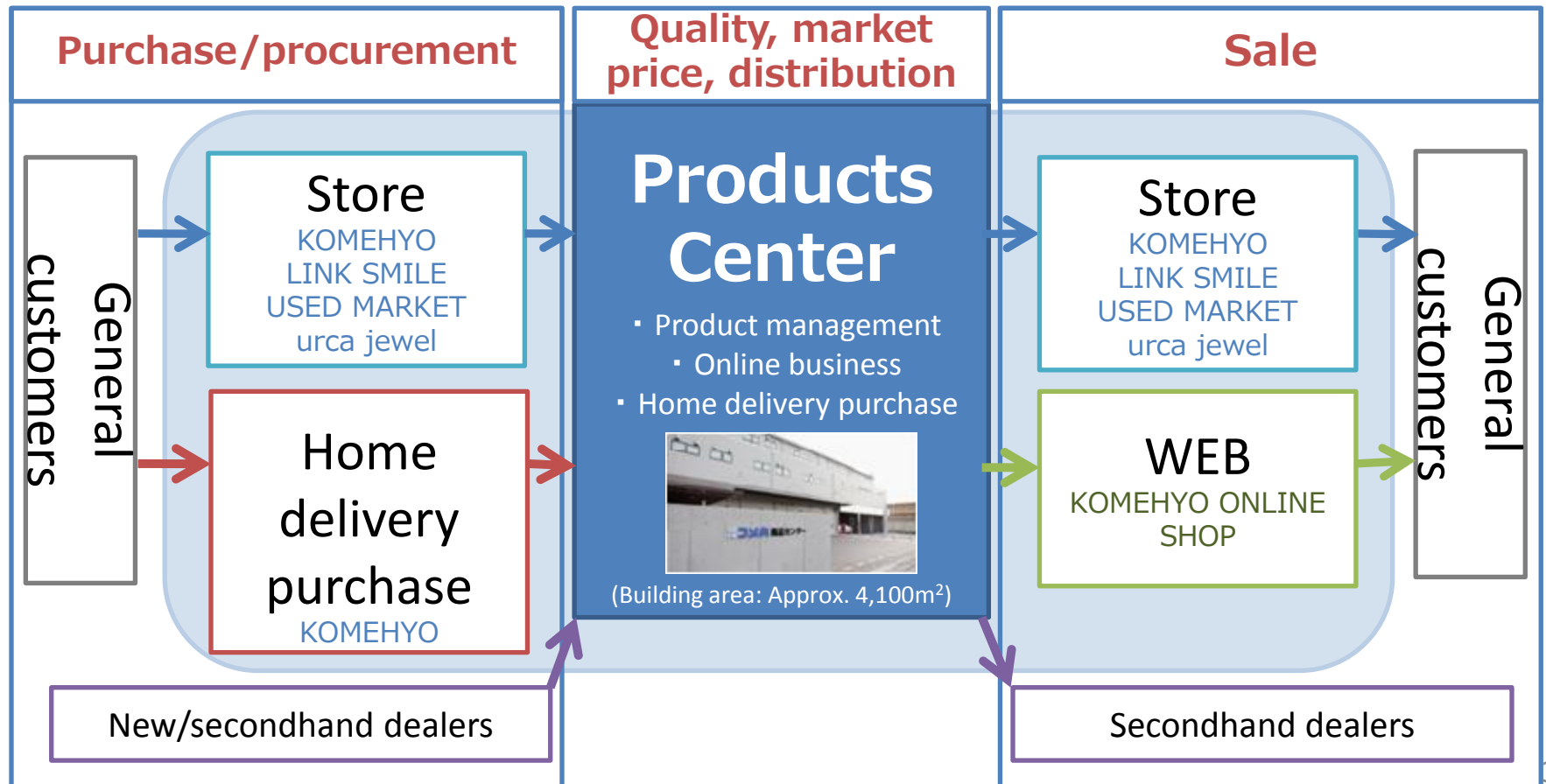
- Opened Ginza Store

- Opened Purchasing Center Yurakucho Store, Ikebukuro Nishiguchi, Tachikawa Kitaguchi,
- Opened KOMEHYO Sakae Central Park Store, Kobe Motomachi Store, Canal City Hakata Store

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



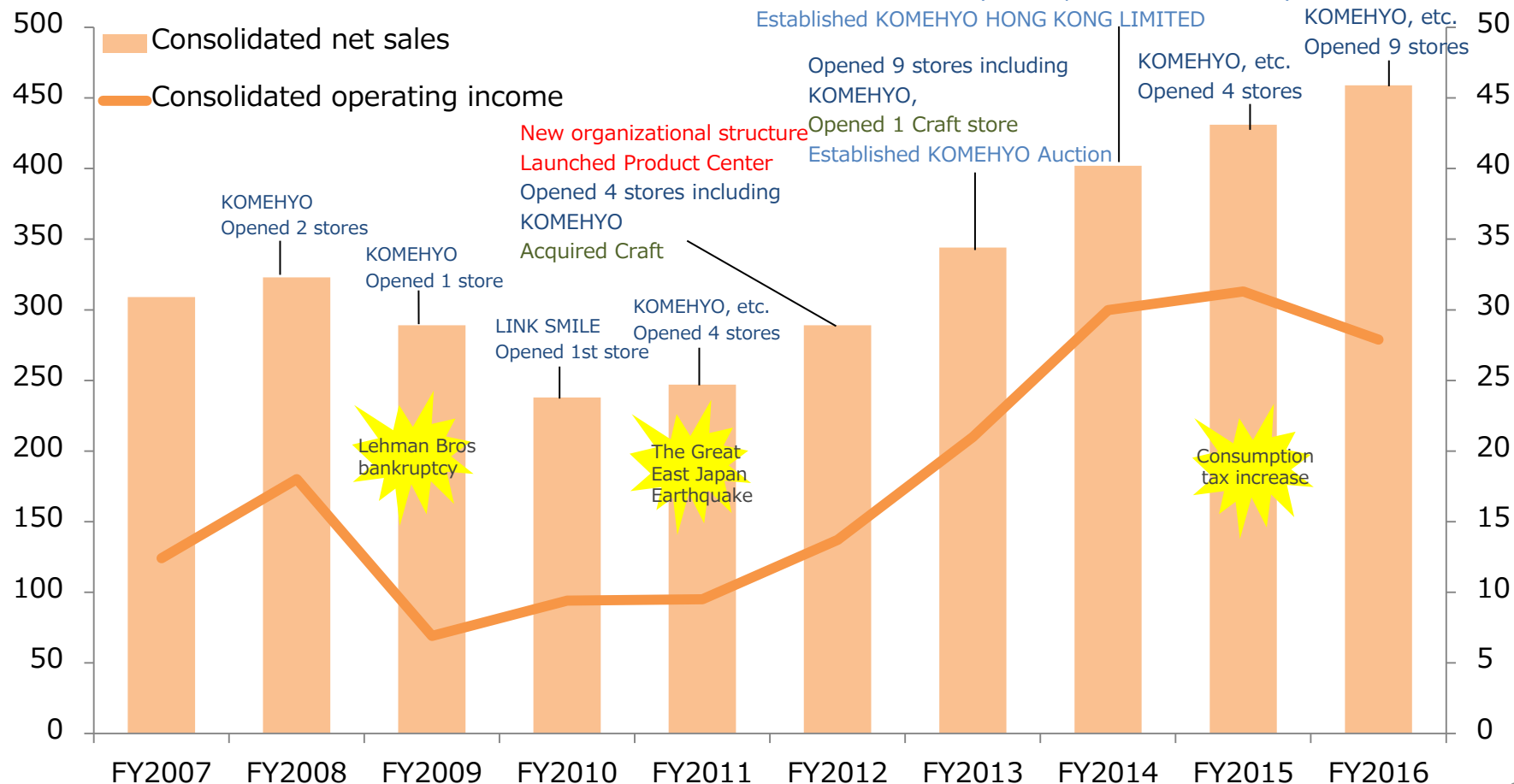
Business results for the past decade

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

Consolidated net sales
(100 million yen)

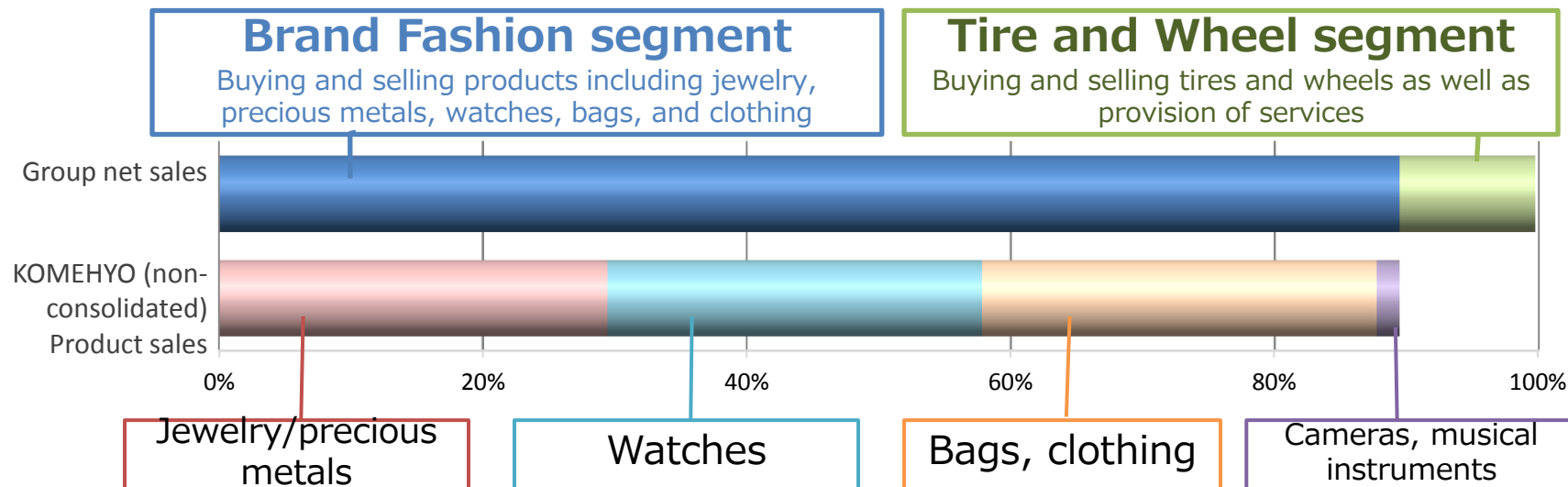
Opened 5 KOMEHYO stores, 2 Craft stores
Auto Parts KOMEHYO (currently AUTO PARTS JAPAN)
Established KOMEHYO HONG KONG LIMITED

Consolidated operating income (100 million yen)



Group Status

Sales composition (cumulative FY2016 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

Store Type (1)

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

29
Store
(as of
March
2016)

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

15 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
March
2016)



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
March
2016)



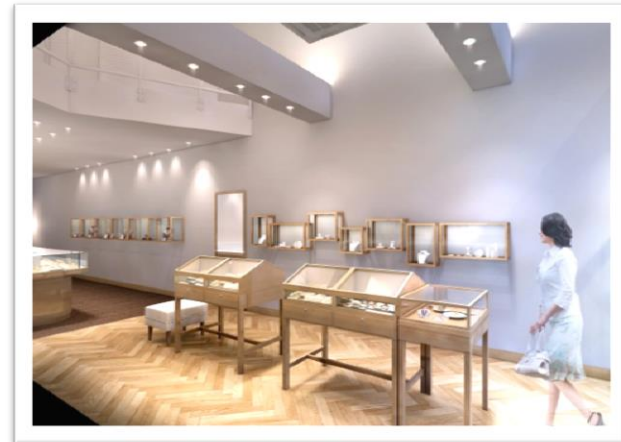
Main products (sale/purchase): Clothing, bags, accessories
Red tags are attached to products and prices are lowered every two weeks

Store Type (4)

Stores focusing on sales and purchase of jewelry, precious metals

urca jewel
by KOMEHYO

1
stores
(as of March
2016)



Main products (sale/purchase): jewelry, precious metals
All goods new finish、Replacement promotion of jewelry、
Development of the remake jewelry、Repair service