



# Earnings Results Briefing for the Third Quarter 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

9 months total :  
increased revenue decreased profits on a consolidated

Consolidated (Millions of yen)	FY2016 1Q (15.4-6)	YoY	FY2016 2Q (15.7-9)	YoY	FY2016 3Q (15.10-12)	YoY	FY2016 9 months (15.4-12)	YoY
Net sales	10,374	115.5%	10,562	100.4%	<b>12,982</b>	<b>105.3%</b>	<b>33,918</b>	<b>106.6%</b>
Gross profit	3,181	114.3%	2,967	94.5%	<b>3,710</b>	<b>93.4%</b>	<b>9,860</b>	<b>99.6%</b>
Gross profit margin	30.7%	△0.3pt	28.1%	△1.8 P	<b>28.6%</b>	△3.6pt	<b>29.1%</b>	△2.0pt
SG&A expenses	2,488	99.7%	2,512	100.8%	<b>2,728</b>	<b>105.0%</b>	<b>7,729</b>	<b>101.9%</b>
Operating income	692	241.4%	455	70.4%	<b>982</b>	<b>71.5%</b>	<b>2,130</b>	<b>92.3%</b>
Ordinary income	695	241.9%	449	67.3%	<b>974</b>	<b>70.8%</b>	<b>2,118</b>	<b>90.9%</b>
Net income attributable to owners of parent	387	250.3%	312	70.7%	<b>656</b>	<b>73.1%</b>	<b>1,356</b>	<b>90.8%</b>

# Overview of Income Statement

9 months total : Owing to Gross profit margin dropped,  
decreased profits on a non-consolidated

Non-consolidated (Millions of yen)	FY2016 1Q (15.4-6)	YoY	FY2016 2Q (15.7-9)	YoY	FY2016 3Q (15.10-12)	YoY	FY2016 9 months (15.4-12)	YoY
Net sales	9,264	113.8%	9,555	98.8%	<b>10,910</b>	<b>106.1%</b>	<b>29,730</b>	<b>105.8%</b>
Gross profit	2,754	112.2%	2,571	92.0%	<b>2,993</b>	<b>92.4%</b>	<b>8,319</b>	<b>98.0%</b>
Gross profit margin	29.7%	△0.5pt	26.9%	△2.0 P	<b>27.4%</b>	<b>△4.1pt</b>	<b>28.0%</b>	<b>△2.2pt</b>
SG&A expenses	2,101	97.3%	2,135	98.2%	<b>2,266</b>	<b>104.8%</b>	<b>6,503</b>	<b>100.1%</b>
Operating income	653	219.8%	435	70.2%	<b>727</b>	<b>67.5%</b>	<b>1,815</b>	<b>91.0%</b>
Ordinary income	668	217.3%	424	66.3%	<b>719</b>	<b>66.8%</b>	<b>1,812</b>	<b>89.5%</b>
Net income	376	220.4%	292	69.3%	<b>492</b>	<b>69.0%</b>	<b>1,162</b>	<b>88.9%</b>

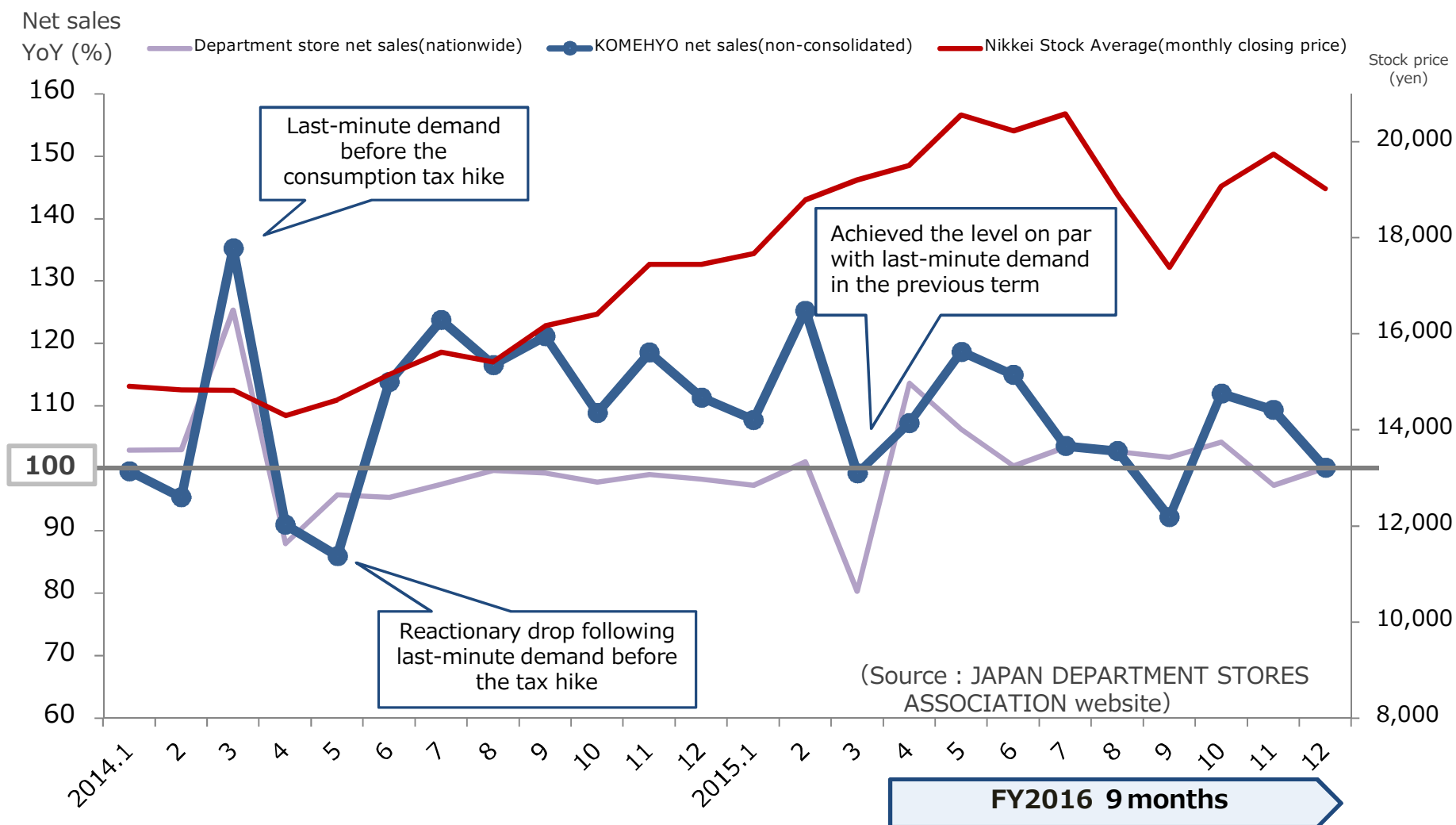
# By Segment

9 months total : Tire and Wheel segment increased in revenue and profits									
	(Millions of yen)	<b>FY2016 1Q</b> (15.4-6)	YoY	<b>FY2016 2Q</b> (15.7-9)	YoY	<b>FY2016 3Q</b> (15.10-12)	YoY	<b>FY2016 9 months</b> (15.4-12)	YoY
Brand Fashion	Net sales	9,421	114.8%	9,716	99.6%	<b>11,060</b>	<b>106.4%</b>	<b>30,197</b>	<b>106.5%</b>
	Operating income	686	213.5%	480	70.7%	<b>774</b>	<b>68.2%</b>	<b>1,942</b>	<b>90.8%</b>
	Operating margin	7.3%	+3.4pt	4.9%	△2.1pt	<b>7.0%</b>	△3.9pt	<b>6.4%</b>	△1.1pt
Tire and Wheel	Net sales	930	125.2%	824	112.3%	<b>1,901</b>	<b>99.3%</b>	<b>3,655</b>	<b>107.8%</b>
	Operating income	△1	—	△30	—	<b>201</b>	<b>86.5%</b>	<b>169</b>	<b>114.6%</b>
	Operating margin	—	—	—	—	<b>10.6%</b>	△1.6pt	<b>4.7%</b>	+0.3pt
Others	Net sales	33	93.3%	32	90.3%	<b>32</b>	<b>101.8%</b>	<b>98</b>	<b>94.8%</b>
	Operating income	7	86.3%	6	60.8%	<b>5</b>	<b>134.4%</b>	<b>18</b>	<b>84.1%</b>
	Operating margin	21.4%	△1.7pt	18.3%	△8.9pt	<b>17.8%</b>	+4.3pt	<b>19.2%</b>	△2.4pt

\* The total above includes other adjustments.

# External Environment Economic Trend

Owing to the sudden slowdown of the Chinese economy,  
The prospects of Japanese economy are unpredictable



# Initiative (1) Opening of New Stores

Opened 6 stores in FY2016 9months;  
planning to open 3 stores in FY2016 4Q and 2 stores in FY2017

## FY2016 1H store open

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

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

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

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

## FY2016 3Q store open

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

KOMEHYO  
Jiyugaoka Store  
November 27, 2015 (84m<sup>2</sup>)



KOMEHYO Canal City Hakata Store

## FY2017 store open (planned)

KOMEHYO  
Purchasing Center  
Shinjyuku Minamiguchi  
May 2016 (117m<sup>2</sup>)

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

## FY2016 4Q store open (planned)

LINK SMILE by KOMEHYO  
Kasugaikashihara Store  
March 2016 (388m<sup>2</sup>)

urca jewel by KOMEHYO  
Musashikoyama Store  
March 2016 (133m<sup>2</sup>)

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

# Store Map (as of December 2015)

## 【Chubu】

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

## 【West japan】

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



**KOMEHYO : 28 stores**  
**LINK SMILE : 7 stores (7 in Aichi)**  
**USED MARKET : 4 stores (3 in Aichi, 1 in Nagano)**

## Stores to be opened in FY2016 4Q (January 2016-)

LINK SMILE by KOMEHYO Kasugaikashihara Store in March 2016  
urca jewel by KOMEHYO Musashikoyama Store in March 2016  
Tenjin Store in March 2016

## Stores to be opened in FY2017

Purchasing Center Shinjyu Minamiguchi in May 2016  
Umeda Store in February 2017

## 【East japan】

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

# Initiative (2)

## Purchase from Individual Customers

Purchases from individual customers remained solid

Amount of purchase from individual customers	FY2016 1Q (15.4-6)	YoY	FY2016 2Q (15.7-9)	YoY	FY2016 3Q (15.10-12)	YoY	FY2016 9 months (15.4-12)	YoY
Purchasing Center	4,690	116.7%	4,206	101.2%	<b>4,781</b>	<b>110.8%</b>	<b>13,677</b>	<b>109.5%</b>
Home delivery Purchasing	227	123.6%	212	117.1%	<b>259</b>	<b>102.0%</b>	<b>699</b>	<b>112.8%</b>
Total (Millions of yen)	4,917	117.0%	4,418	101.9%	<b>5,041</b>	<b>110.3%</b>	<b>14,377</b>	<b>109.7%</b>



KOMEHYO Purchasing Center Osu

Home delivery purchase website





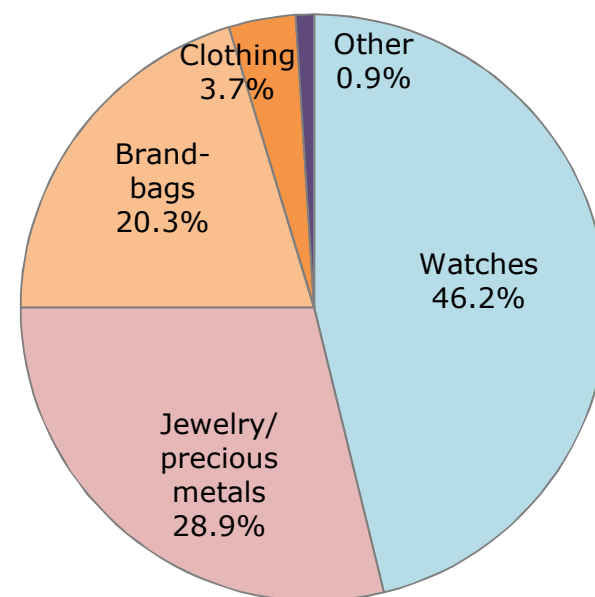
# Initiative (3)

## Inbound Tourism Consumption

The degree differs according to countries

FY2016 9 months (15.4-12)		Net sales (Millions of yen)	Composition	YoY
<b>Inbound tourism consumption</b>		<b>4,644</b>	<b>—</b>	<b>109.2%</b>
By country	China	2,330	50.2%	122.2%
	Philippines	483	10.4%	174.3%
	Thailand	430	9.3%	65.2%
	The United States	214	4.6%	146.0%
	South Korea	207	4.5%	115.1%
	Taiwan	172	3.7%	85.2%
	Indonesia	144	3.1%	112.1%

Net sales composition by product  
(FY2016 9 months)



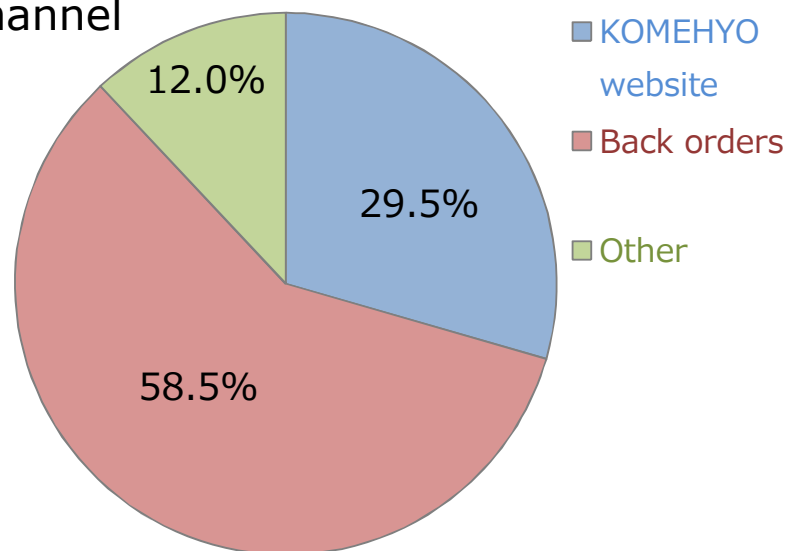
# Initiative (4)

## Online Sales

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

FY2016 9 months (15.4-12)	Net sales (Millions of yen)	Net sales YoY	No. of products sold YoY
All online stores	4,803	106.9%	142.2%

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 (5)

## Tire and Wheel

### Sale of tires, wheels, and vehicle parts

FY2016 9 months (15.4-12)	Net sales (Millions of yen)	Composition	YoY
Tires/wheels	3,058	83.7%	106.8%
Parts(incl. labor charge)	531	14.5%	126.8%
Others	65	1.8%	61.1%
Segment total	3,655	100.0%	107.8%

#### 【Strengthen of sales】

- Summer tires
- Suspension
- Luxury wheel

#### 【 Strengthen of SNS activities】

- Twitter, Facebook, LINE



Craft website homepage



Craft Nakagawa Store

# FY2016 year end expectation and Progress

<b>Consolidated</b> (Millions of yen)	FY2016 Plan (15.4-16.3)	FY2016 9months results (15.4-12)	Progress rate
Net sales	45,700	<b>33,918</b>	<b>74.2%</b>
Operating income	3,170	<b>2,130</b>	<b>67.2%</b>
Ordinary income	3,170	<b>2,118</b>	<b>66.8%</b>
Net income attributable to owners of parent	2,043	<b>1,356</b>	<b>66.4%</b>

<b>Non-consolidated</b> (Millions of yen)	FY2016 Plan (15.4-16.3)	FY2016 9months results (15.4-12)	Progress rate
Net sales	40,200	<b>29,730</b>	<b>74.0%</b>
Operating income	2,780	<b>1,815</b>	<b>65.3%</b>
Ordinary income	2,790	<b>1,812</b>	<b>65.0%</b>
Net income	1,790	<b>1,162</b>	<b>64.9%</b>