

Earnings Results Briefing for the First Quarter of the Fiscal Year Ending March 31, 2023

August 12, 2022

Komehyo Holdings Co., Ltd.

Securities code: 2780

(Tokyo and Nagoya Stock Exchanges)

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FY 2023 1Q Financial Summary

【Brand・Fashion business】

- Net sales increased 34.0% YoY and operating income also increased 54.5% YoY.
Operating profit margin grew by 0.5pt YoY.
- Record high purchases from individuals due to store openings and purchase events, etc.,
with openings of 11 purchase centers (of which, three are franchised stores).
- Corporate sales were also strong due to steady purchases from individuals.

【Tire and Wheel business】

- Net sales increased 9.6% YoY .Sales and income rose to attain a positive operating income figure in the first quarter since the fiscal year ended March 31, 2013.
- CRAFT's 50th anniversary campaign produced strong results.
Sales per customer rose after the acquisition of new custom product users.
- Release of new products from 4×4 Engineering Services.



Revision of results forecasts for the first half and the fiscal year ending March 31, 2023

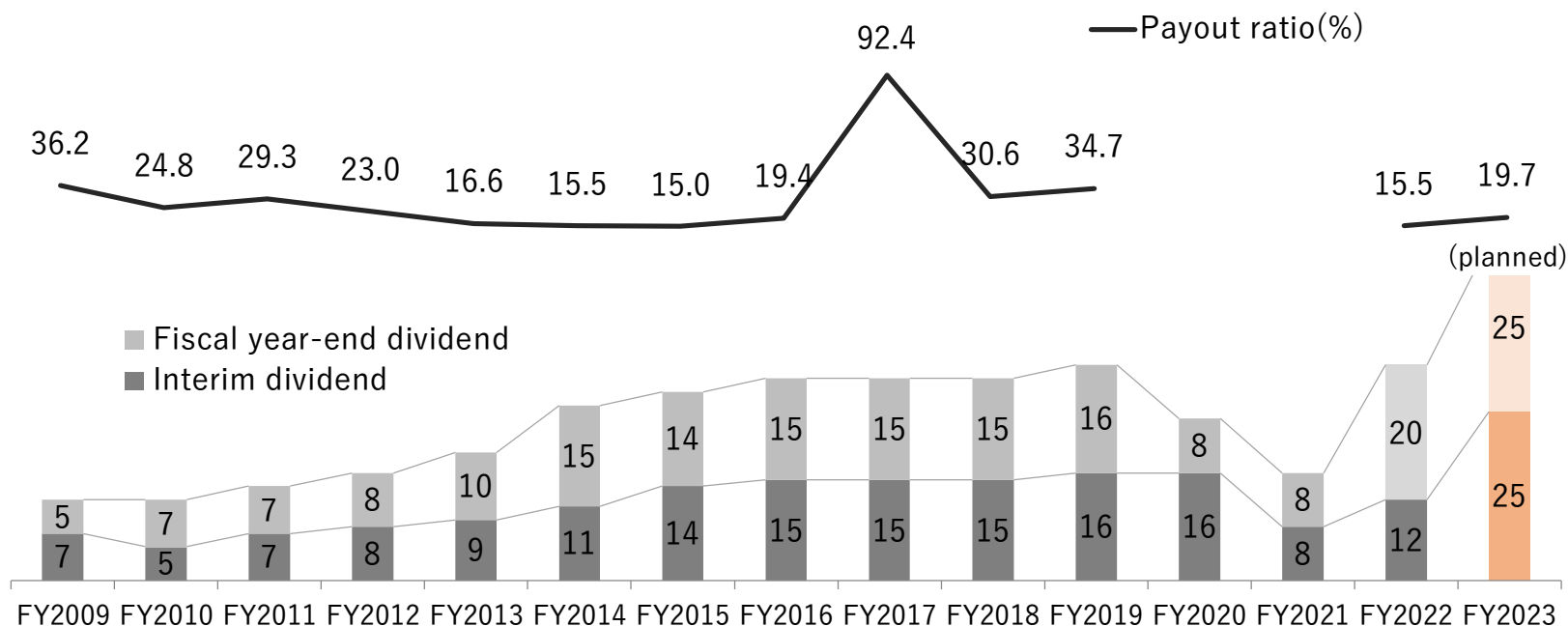
Sales exceeded the initial plan due to strong individual purchases and ample inventory. In addition, we were able to control expenses through advertising that emphasized efficiency, so each profit was increased.

	(Millions of yen)	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Basic earnings per share
1H FY2023	Forecasts released previously	35,500	1,160	1,020	700	63.89
	Revised forecasts announced on this occasion	38,500	1,550	1,430	1,000	91.27
	Change	3,000	390	410	300	—
	Rate of change	8.5%	33.6%	40.2%	42.9%	—
FY2023	Forecasts released previously	78,000	3,780	3,780	2,450	223.61
	Revised forecasts announced on this occasion	82,500	4,350	4,350	2,830	258.30
	Change	4,500	570	570	380	—
	Rate of change	5.8%	15.1%	15.1%	15.5%	—

Shareholder return

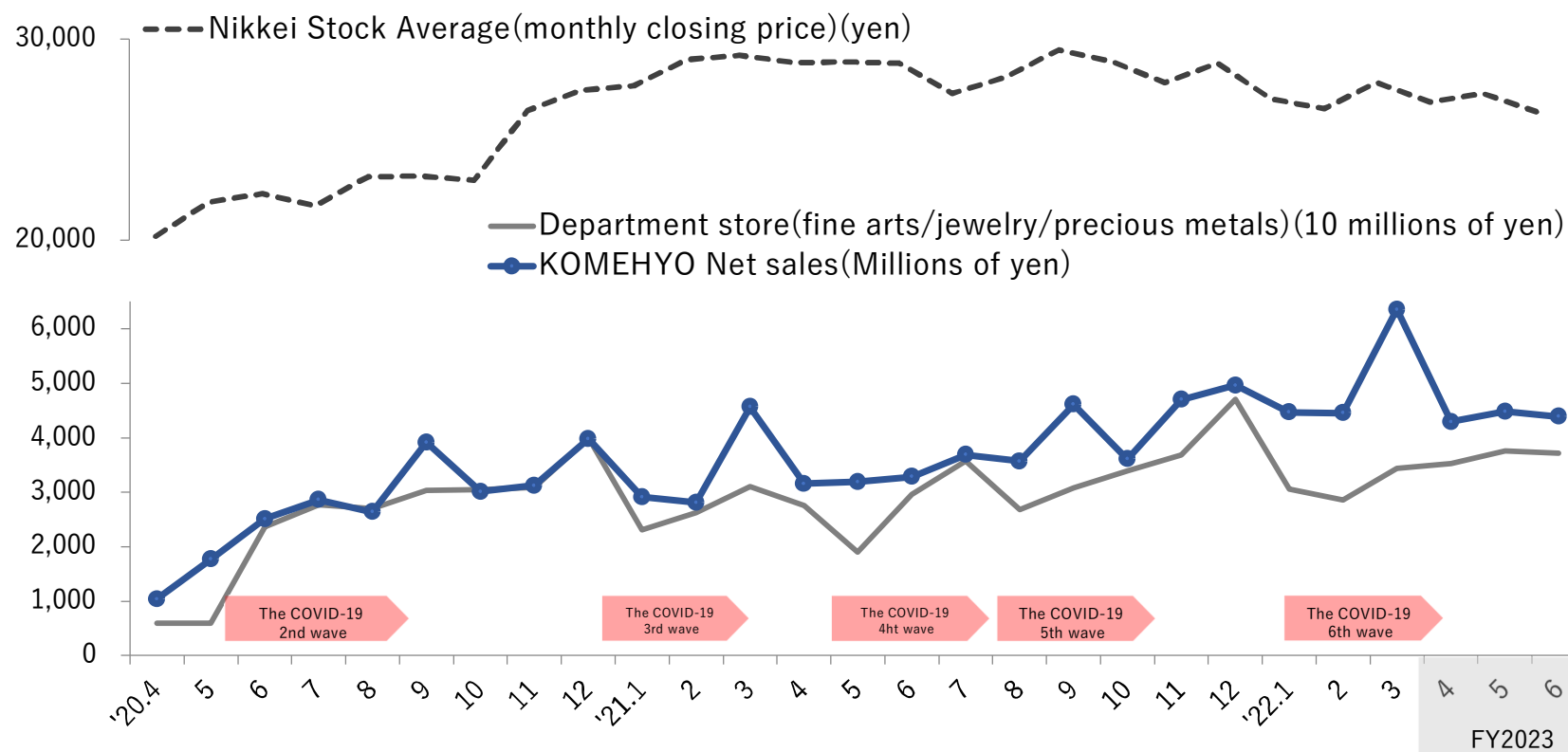
The annual dividend forecast is revised upwards from 44 yen to 50 yen per share, in consideration of the projected income level and others for the fiscal year ending March 31, 2023.

Aiming to increase dividends consistently in line with the status of profit and cash flow.



Economic Trend

KOMEHYO's net sales are hardly affected even under the pandemic.
Demand for high-priced items was strong.



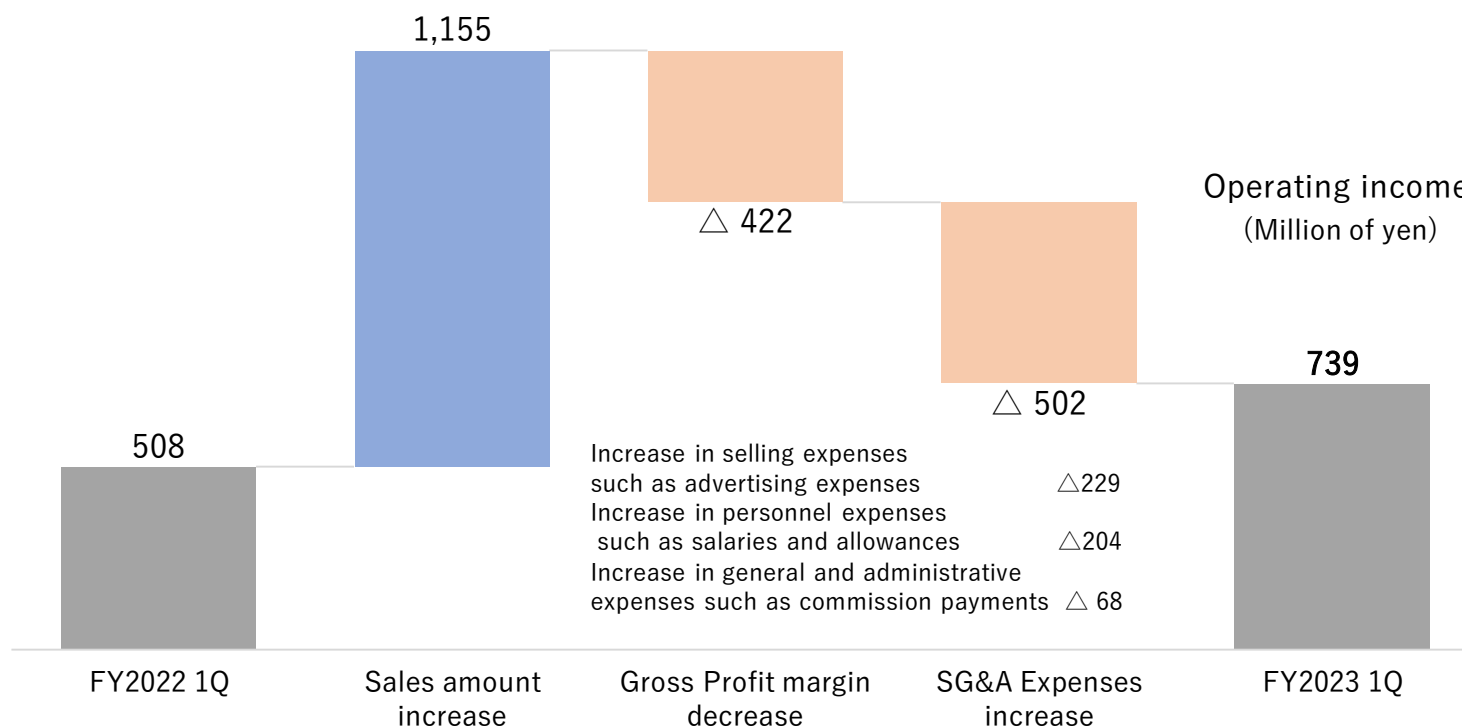
(Source : JAPAN DEPARTMENT STORES)

Overview of income statement

(Millions of yen)	FY2021 1Q	FY2022 1Q	FY2023 1Q	Change※	YoY※
Net sales	7,861	14,162	18,753	4,591	132.4%
Gross profit	1,888	3,985	4,717	732	118.4%
Gross profit margin	24.0%	28.1%	25.2%	△2.9pt	—
SG&A expenses	2,748	3,476	3,978	502	114.4%
Operating income	△860	508	739	230	145.3%
Operating profit margin	—	3.6%	3.9%	+0.3pt	—
Ordinary income	△937	515	760	244	147.4%
Net income attributable to owners of parent	△1,229	337	519	182	154.0%

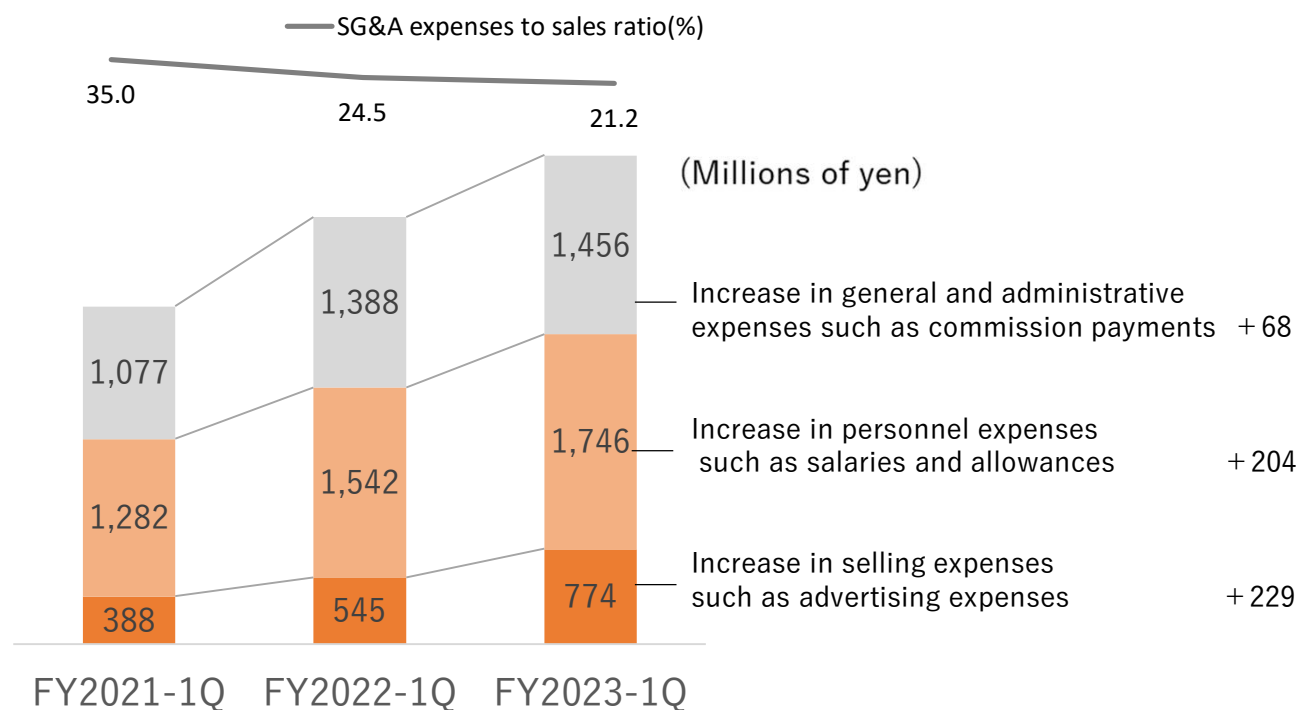
Operating income increase and decrease factor

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

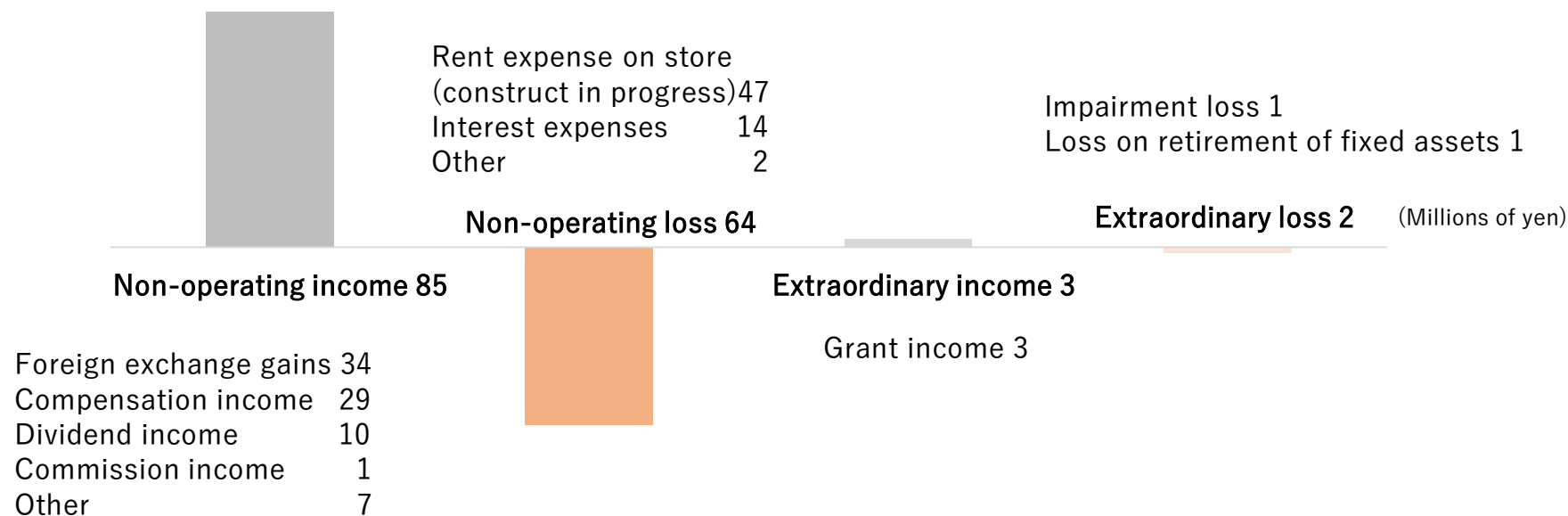


Changes in selling, general and administrative expenses

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



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



Balance sheet overview

(Millions of yen)	FY2022	FY2023-1Q	Change
Current assets	29,453	33,311	+ 3,857
Cash and deposits	9,080	9,946	+ 866
Inventories	15,308	18,208	+2,900
Other current assets	5,065	5,155	+89
Non-current assets	10,213	10,947	+733
Total assets	39,667	44,258	+ 4,591
Liabilities	18,966	23,057	+ 4,090
Interest-bearing liabilities	13,519	18,486	+ 4,966
Other liabilities	5,446	4,571	△875
Net assets	20,700	21,201	+ 500
Liabilities and Net Assets	39,667	44,258	+ 4,591

→Cash on hand increased due to buoyant purchases from individuals.

→Inventories increased with improved purchases from individuals.

→Borrowings increased due to an increase in cash on hand and inventories.

→Attributable to an increase in retained earnings and other factors

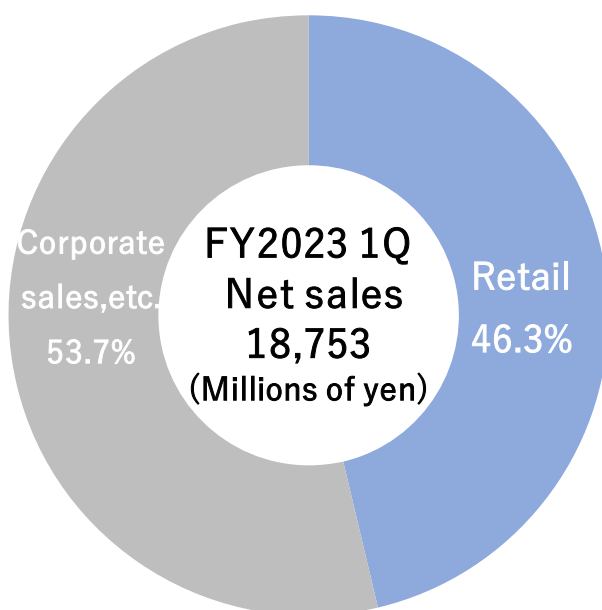
Overview by segment

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

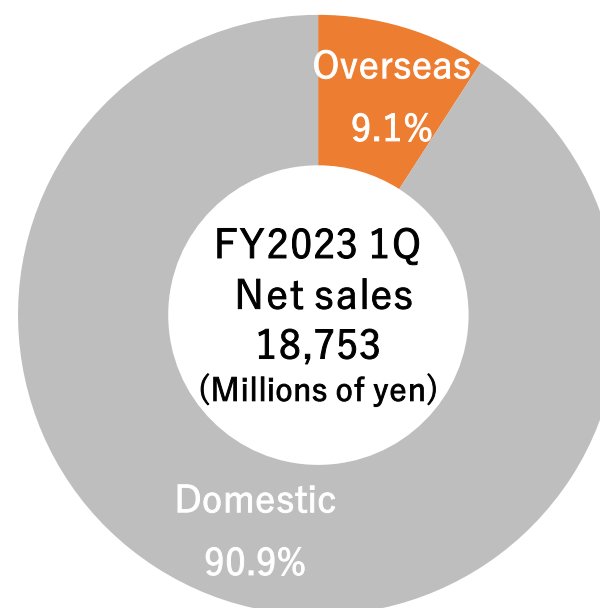
	(million of yen)	FY2021 1Q	FY2022 1Q	FY2023 1Q	Change※	YoY※
Brand Fashion	Net sales	7,137	13,277	17,794	4,517	134.0%
	Operating income	△823	472	730	257	154.5%
	Operating margin	—	3.6%	4.1%	—	—
Tire and Wheel	Net sales	711	864	947	83	109.6%
	Operating income	△33	△20	2	23	—
	Operating margin	—	—	0.3%	—	—
Real estate leasing	Net sales	16	84	71	△12	84.9%
	Operating income	△3	25	21	△3	86.5%
	Operating margin	—	29.8%	30.3%	—	—

Breakdown of consolidated Net sales (Retail / Overseas)

Corporate sales had a higher percentage due to strong purchases and for keeping stock new and fresh, whereas retail was also bullish, keeping its share at slightly below 50%.
The ratio of overseas sales dropped temporarily, attributable mainly to buoyant domestic sales and the lockdowns in Shanghai.



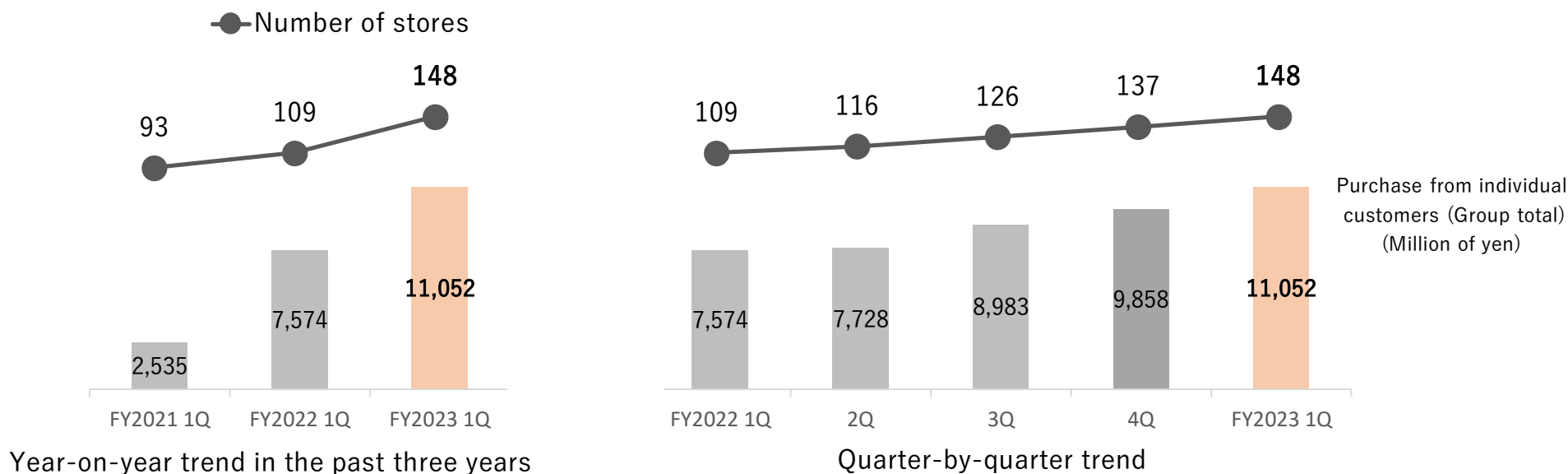
- "Corporate sales" includes auction fees.



- "Overseas" is the sales of overseas group companies.
- The ratio of overseas business does not include domestic tax-free sales, etc.

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.

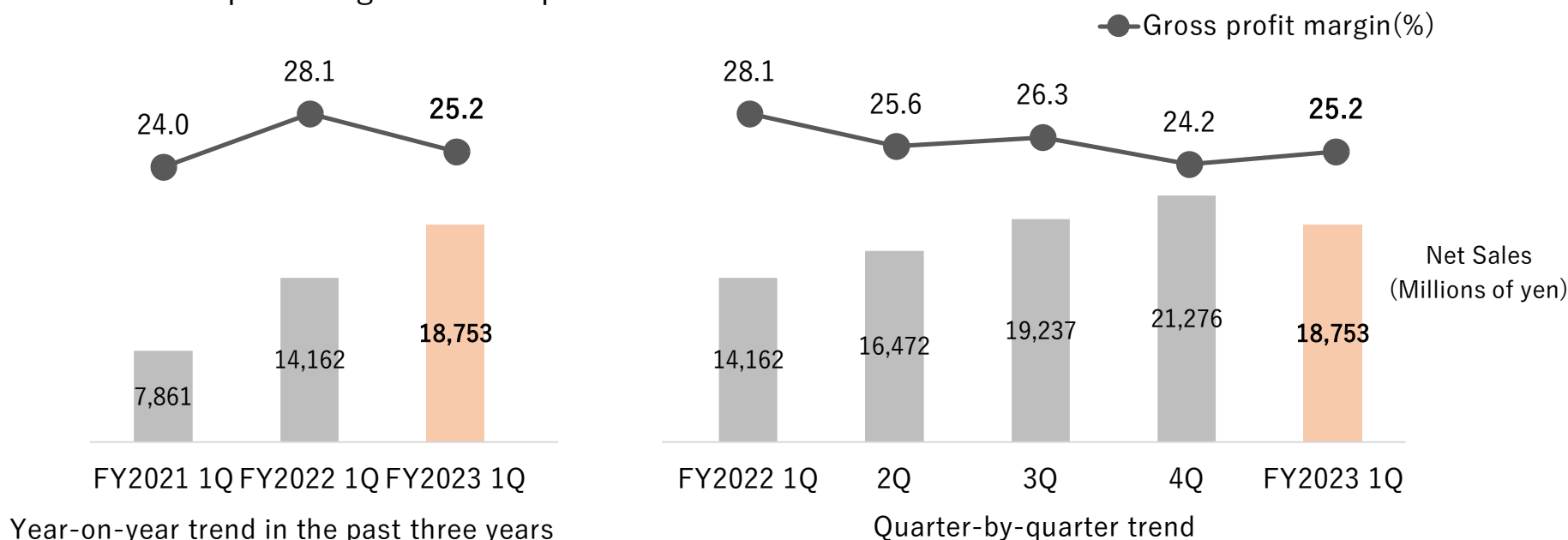


※The individual purchase amount is the amount purchased from an individual customer through the following route.

- Purchasing at stores
- Purchasing at visited sites
- Purchasing at events
- Purchasing using home delivery services

Trends in Consolidated Net sales and Gross Profit Margin

In FY2022 4Q, corporate sales with a low gross margin increased significantly, mainly reflecting the steep rise in gold market price.



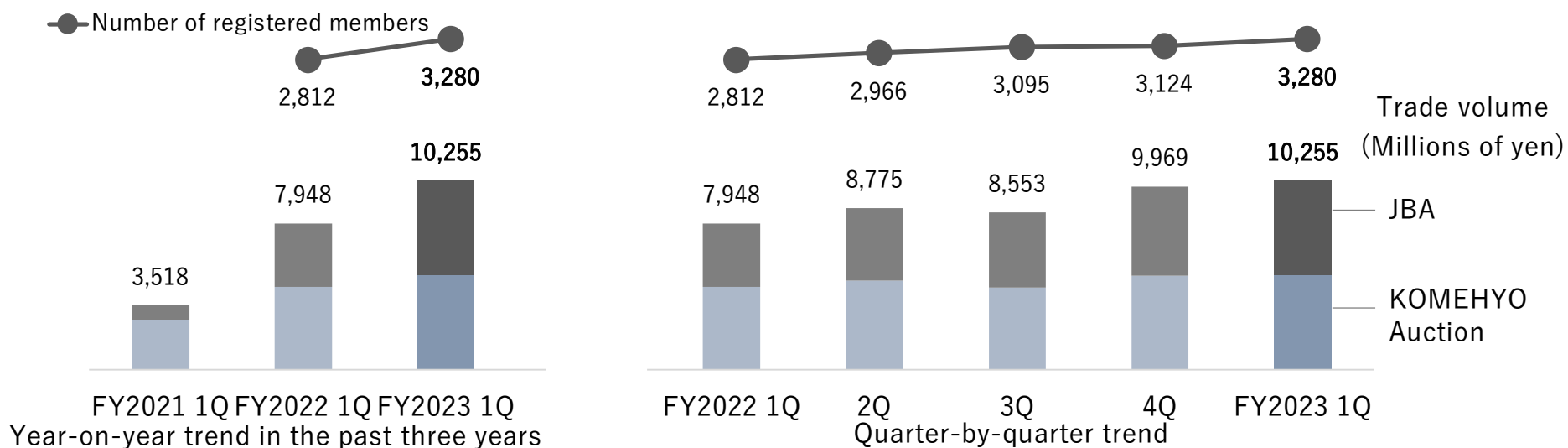
Trend in gross profit margin

- The figure tends to rise in the third quarter, when the ratio of retail is high in the year-end busy season.
- Inventories are revised in September and in March. The figure tends to fall in the second and fourth quarters.
- The figure may vary depending on the weightings of items that can be purchased.

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 29% YoY.

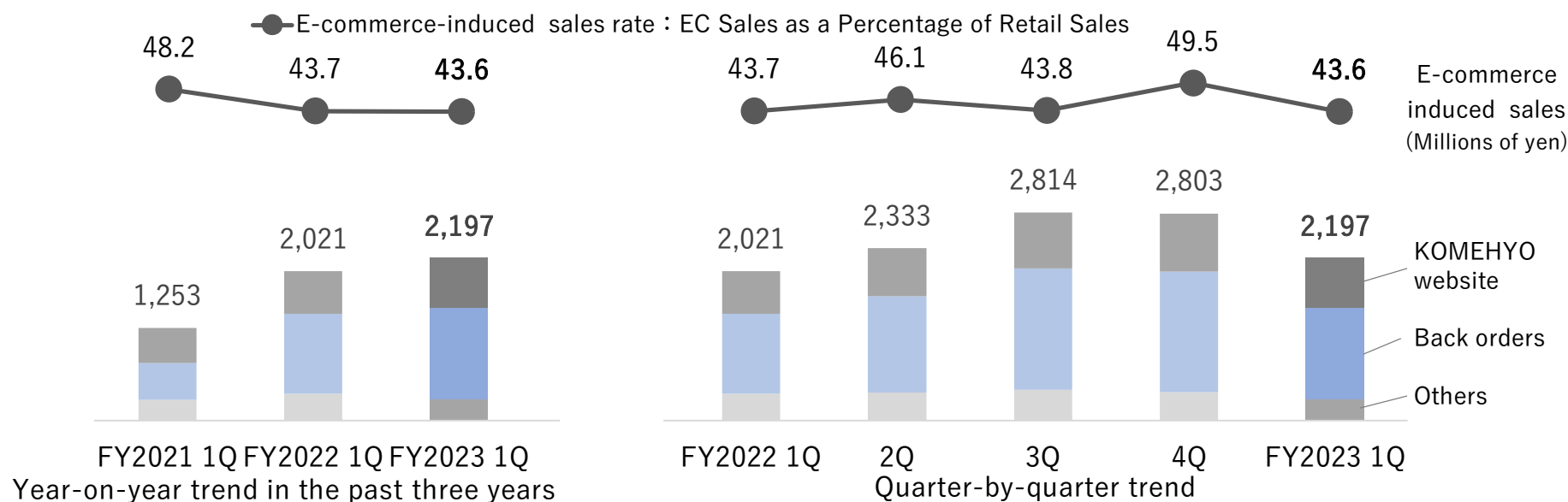


※KOMEHYO auction : The online auction method

※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)

While the infection situation of the new corona is calming down, shopping habits via EC are firmly established
Focus on own EC site (KOMEHYO ONLINE) with high advertising cost-effectiveness by controlling the number of listings on other companies' sites



※KOMEHYO website: Make a purchase by directly clicking the KOMEHYO online 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 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 148 stores (As of June 2022)

The figure in parentheses () represents the increase during the first quarter.

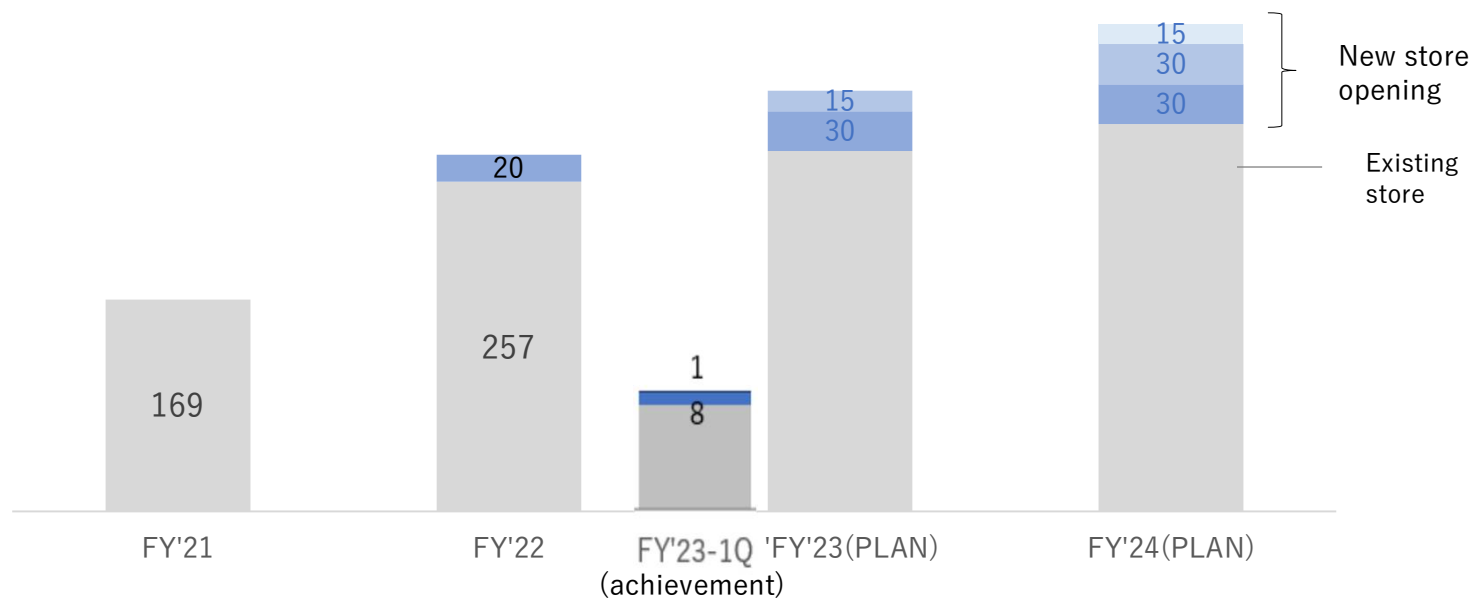
	Brand Fashion					Tire and Wheel	
	 KOMEHYO	 LINKSMILE by KOMEHYO USED MARKET by KOMEHYO	 BRAND OFF T O K Y O	 Shellman Since 1971	 WORM	 Craft Since 1972 KUMAMOTO JAPAN	 U-ICHIBAN
Flagship stores	5	—	2	1	—	—	—
Sales Stores	—	2	—	6	2	—	—
Stores annexed with sales facilities	12	6	2	—	—	10	4
Purchasing Center	67 (8)	—	8	—	—	—	—
Franchised purchasing centers	—	—	5 (3)				
Overseas	5	—	11	—	—	—	—
Total	89	8	28	7	2	10	4



Effect of opening the purchase center (KOMEHYO)

More than 30 purchase centers have been opened since the previous fiscal year, and 100 purchase centers will have been opened in the three years, in places where customers pass by daily. We are planning to increase purchase from individual customers by 3.0 billion yen per year (1.5 billion yen during the fiscal year), targeting purchases from individual customers at 100 million yen per purchase center.

(100 million of yen)



Efforts to strengthen purchasing (KOMEHYO)

Eight purchasing centers launched

Mainly inside large commercial facilities in an extensive area from Kanto to Kyushu

PARCO-ya UENO / PERIE CHIBA / Colette Mare/
Luvit town KARIYA/ TAKATSUKI HANKYU / KOBE OKAMOTO/
MARK IS MOMOCHI / AEON MALL TSUKUSHINO



33 purchase events held

- At commercial facilities and department stores considered to be reassuring, familiar and close to consumers since they are found in their daily life
- Events may lead to launch of permanent stores.



Efforts to strengthen purchasing (K-BRAND OFF)

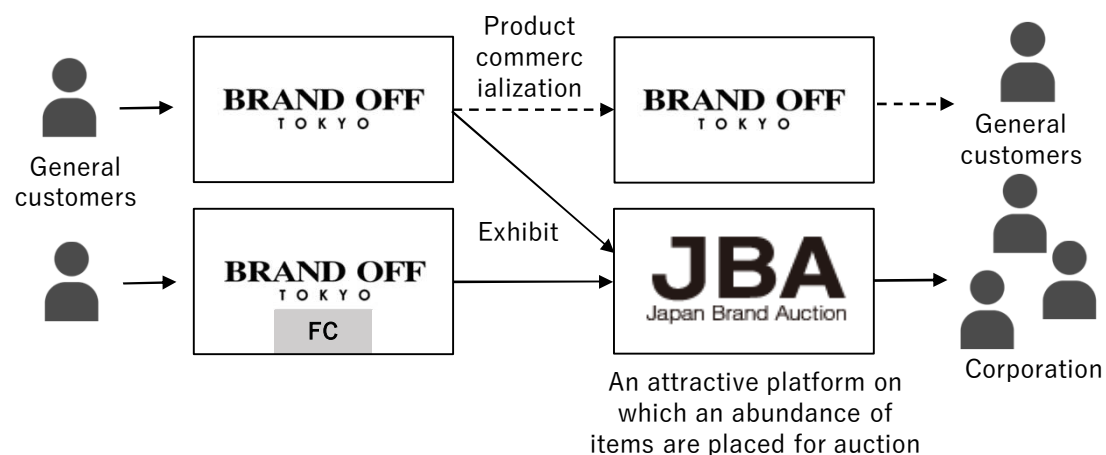
A hundred franchised purchase centers will be set up in the three-year period starting in the previous fiscal year.
We are aiming to introduce at least 20 new stores by the end of the current fiscal year.
Items purchased at franchise purchase centers are put to auction (JBA). The trade volume thus increases.

Three franchise purchase centers launched

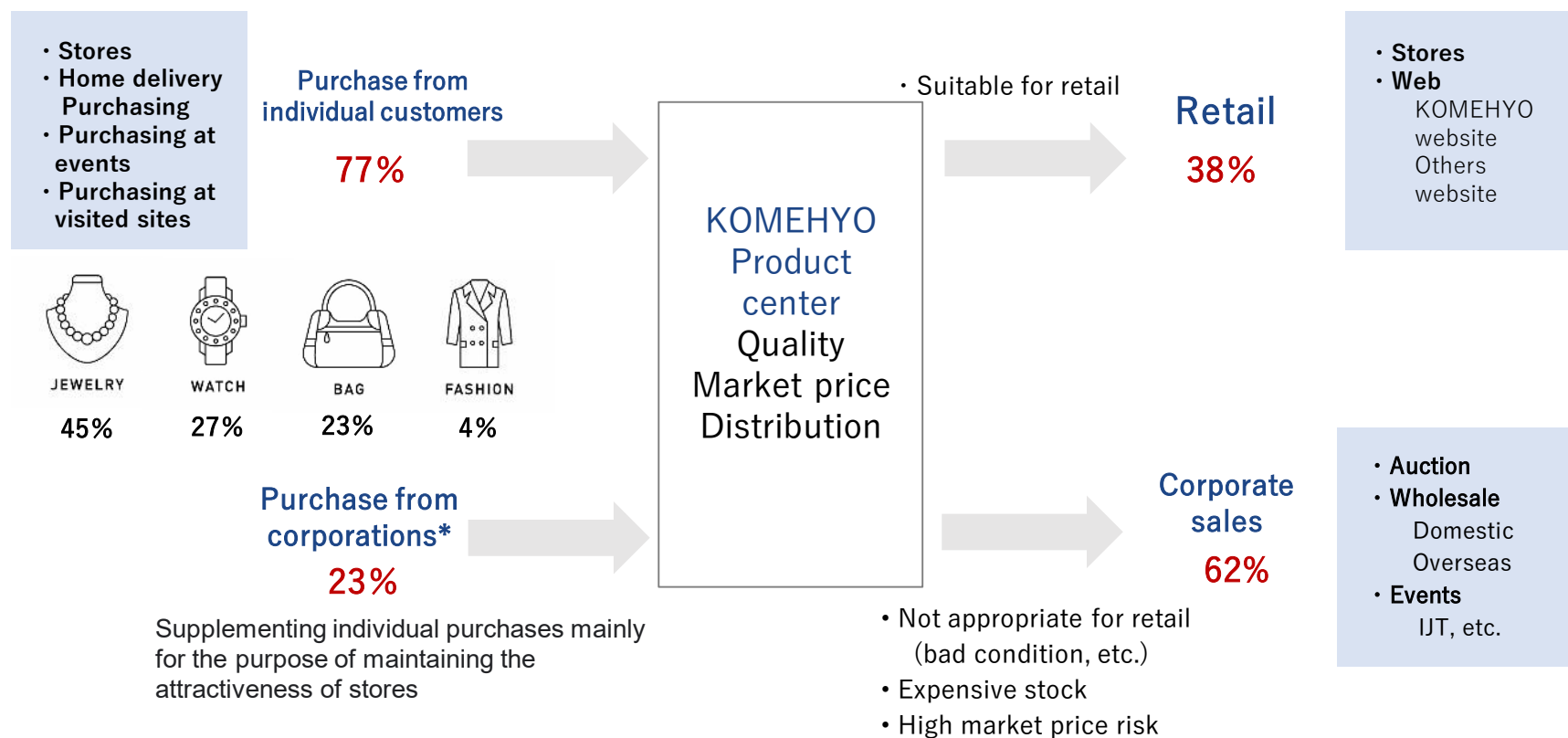
GOTANDA TOC store / YOKOHAMA MOTOMACHI store
/ SUBWAY NANBA store



An increase in bases for purchase helped increase the trade volume in the auction.



Product distribution (FY2023-1Q KOMEHYO)



Continue strengthening OMO (KOMEHYO)

Customer services on smartphones

A total of 287 staff members across the country holds smartphones exclusively for customer services to digitally communicate directly with customers. After-sales services and customer needs are stored in form of data and notices are given about incoming goods. That opens the way for more in-depth one-to-one communication.

actual results

Number of customers that can be communicated 1.3 Folds YoY
Number of sales 1.5 Folds YoY
Number of purchases 1.5 Folds YoY



Live Commerce

Chinese influencers launch live commerce sites on social media. That increases frequency of live commerce events. KOMEHYO will handle inventories for live commerce in a bid to boost profitability of corporate sales.

actual results

Sales 1.3 folds YoY



contact center

A contact center was set up in August 2020 as a function for the e-commerce.

It responds to inquiries on goods, how to operate and others through voice and chat communication. KOMEHYO seeks to build a shopping environment that allows customers to purchase without worries on the non-face-to-face platform and to easily obtain information they want.

actual results

Number of chats 1.2 folds YoY
Number of orders placed over the phone 1.5 folds YoY
Sales per customer through the contact center 2.4 folds the level without through the contact center



Technology indispensable to store operation : AI

The system has been introduced to all the KOMEHYO purchase centers, all of K-Brand Off's franchised purchase centers and some of the LINK SMILE and USED MARKET shops. It will be introduced to purchase events and to the global business. It is a technology indispensable to removal of counterfeit goods from circulation and to growth of the Komehyo Holdings Group.



Assessing authenticity and model numbers of bags, wallets, purses and small articles from famous brands. Supporting Hermes, Louis Vuitton, Chanel, Gucci and Prada

purchase centers
KOMEHYO
LINK SMILE
USED MARKET

Improvement of
communication with
customers
(Enhanced CX)

training assessors

Curtailment of time for
training assessors
(Shorter lead time for launch)

Franchised purchasing centers
BRAND OFF

Support for owners
(Superiority in acquisition of
new franchisees)

**Future
development plan**


**Purchase events
GLOBAL**

Improvement of communication with customers

Prevention of the know-how drain
To be introduced to overseas stores as well

Format of auctions among companies

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

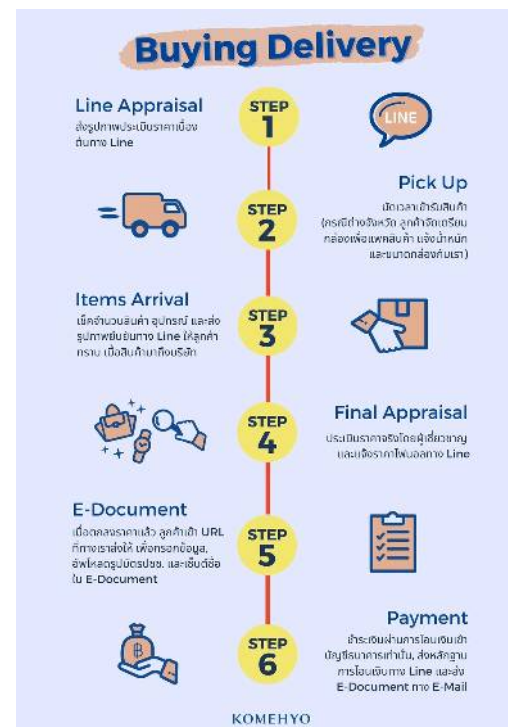
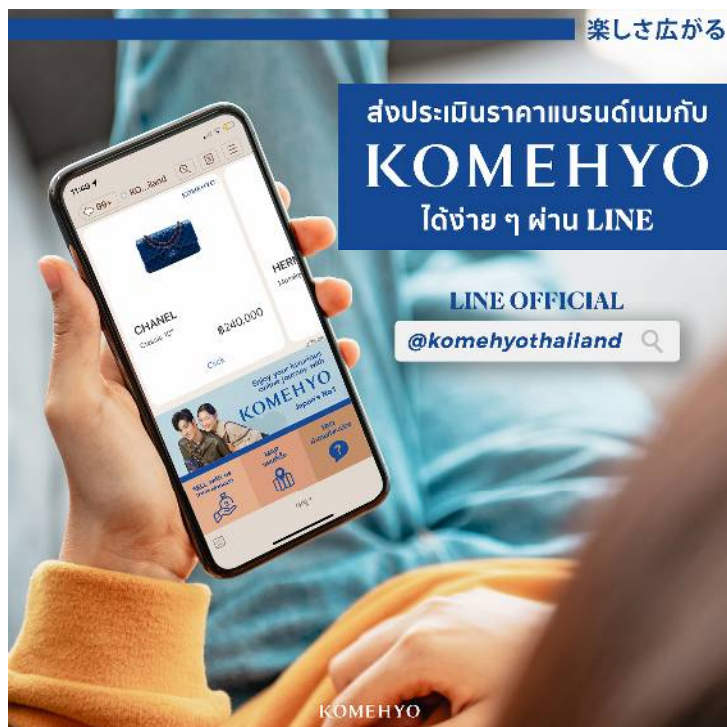
		Frequency of corporate auctions
	Jewels / watches / bags	Online auction 2 times/ month
	Apparel clothing	Online auction Monthly
 (K-BRAND OFF)	JBA Kanazawa	Real auction Monthly
	JBA Tokyo	Online auction Monthly
	JBA Live net	Online auction Every Monday and Thursday



Oversea (SAHA KOMEHYO (Thailand))

The Delivery Buying Service, a purchase service for existing customers that involves a pickup of goods to be purchased, was commenced in May 2022 for the purpose of strengthening contact-free purchase services.

Users send an application on the LINE app and the goods are transported to the store by a mixed cargo transport service.



Tire and Wheel

Sales and income rose to attain a positive operating income figure in the first quarter since the fiscal year ended March 31, 2013.

CRAFT

The 50th anniversary event was held to increase wheels and supplies for custom product users. It leads to attracting customers, and the average price per customer increases.



Auto Parts Japan

- Strengthened full-year sales of winter items online and increased sales.
- Introduced an automatic washing machine to improve the efficiency of used product offering operations



4 × 4 engineering service

- Transactions via social media with new users living overseas increased.
- Active participation in offline events led to acquisition of orders.
- Country suspensions for the new Mitsubishi Delica D:5 and other models sold well.

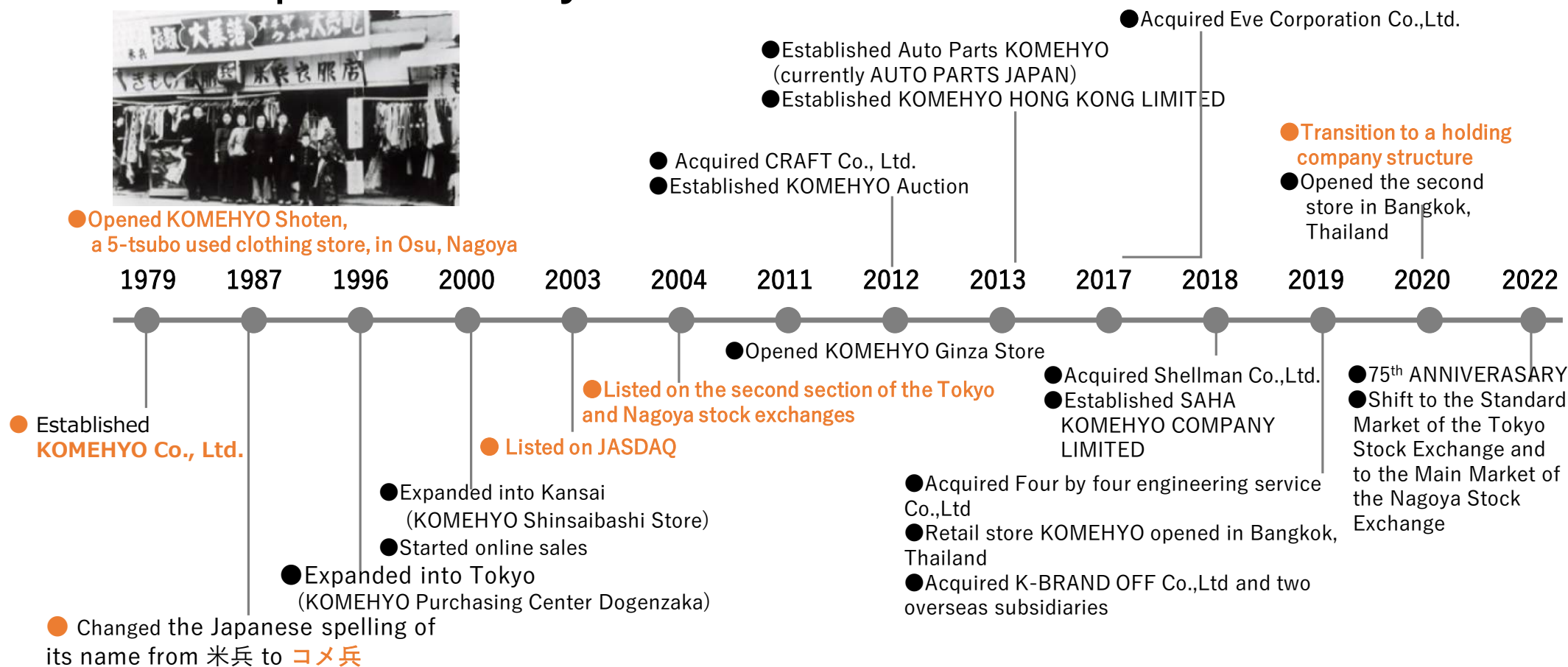


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Corporate Profile

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: 987 Non-consolidated: 11 (As of June 2022)
Business activities	Management planning, business operation support, administration and others for the corporate group engaging in the Brand-Fashion Business and the Tire-Wheel Business
Fiscal year-end	March
Stock	Second Section, Tokyo and Nagoya Stock Exchanges (Securities code: 2780; Unit: 100 shares)

Corporate History



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.

From reuse to relay use We will inherit that "value".

Maintenance, remake, editing, connection with people.

"Relay youth" is not just a downcycle of the value of things, but an upcycle of increasing the value, even though it is reused.

As values for a sustainable future society spread, we will contribute to the formation of a sustainable society by respecting producers and users and relaying their "feelings".



KOMEHYO HD Group materiality (important issue)

Work on four tasks of purchase, sales, appraisal, and restoration to realize the circulation of value through environmentally and socially conscious recycling, in pursuit of both promotion and growth of reuse and value improvement of used goods.



Value Chain for RELAY USE

Purchase Making reuse a common practice in society

Promotion and growth of reuse

Sales Developing the reuse market further

Appraisal Pursuing fair sustainability

Value improvement of used goods

Restoration Restoring value with our unique technical capabilities

A value chain where value circulates through relay use

Developing the reuse market further

Contributing to the development of the reuse market by proposing quality items, taking advantage of the diversity of new items, unused items, items for reuse, and others

- Revitalizing the reuse market through BtoB auctions
- Providing unique value
- Disseminating the reuse culture to other countries to used goods to the world
- Introducing environmentally friendly shopping bags
- Expanding the reuse customer base in Japan and overs



Restoring value with our unique technical capabilities

Creating new value by understanding the intrinsic value of goods and applying expertise that has been accumulated internally over many years.

- Manufacturing and discovering distinct, attractive products
- Next vintage, vintage, and antique products
- Repair/restoration of fashion items, bags, watches, and jewelry
- Product lineup for offering good quality from all over the world
- Improving product knowledge
- Developing the standard of product quality of Japan in other countries



Making reuse a common practice in society

Making it a common practice to sell goods which will no longer be used
Promoting education and creating opportunities for breaking away from the social structure of mass production for mass consumption

- Initiatives to ensure that recycling of goods creates new value and leads to happiness
- Strengthening measures to drive KAITORI GO (creating opportunities through cross-industrial collaboration)
- Improving engagement
- Disseminating the culture of handing down goods from person to person, from Japan to the world
- Creating an environment where goods can be purchased casually without worry
- Cooperating with related government ministries and agencies and related organizations



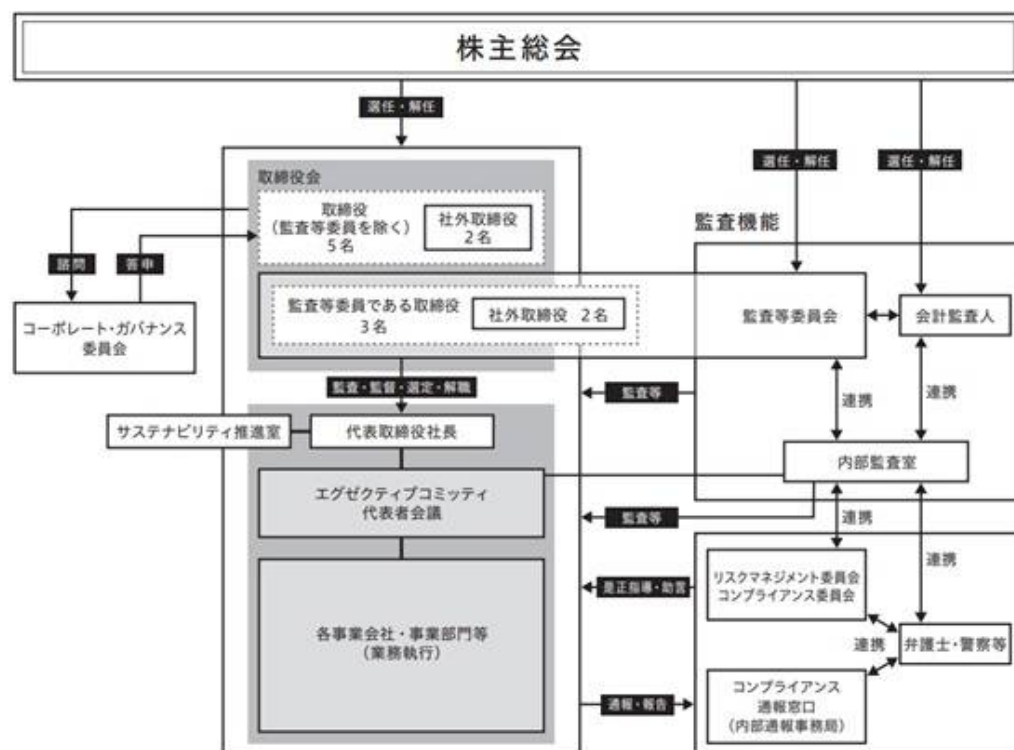
Pursuing fair sustainability

Creating a sound reuse market, where anyone can have a sense of security, with the Komehyo Holdings Group's skills to determine the value

- Promoting reuse technologies (use of AI for assessing authenticity and model numbers)
- Eliminating counterfeit goods from the reuse market
- Working together with partners (business partners, franchised store owners, and auction members)
- Efforts to ensure fair purchase prices and sales prices
- Awareness-raising activities to prevent trouble or damage related to reuse, such as coercive buying
- Developing appraisers with a unique curriculum



Corporate governance system



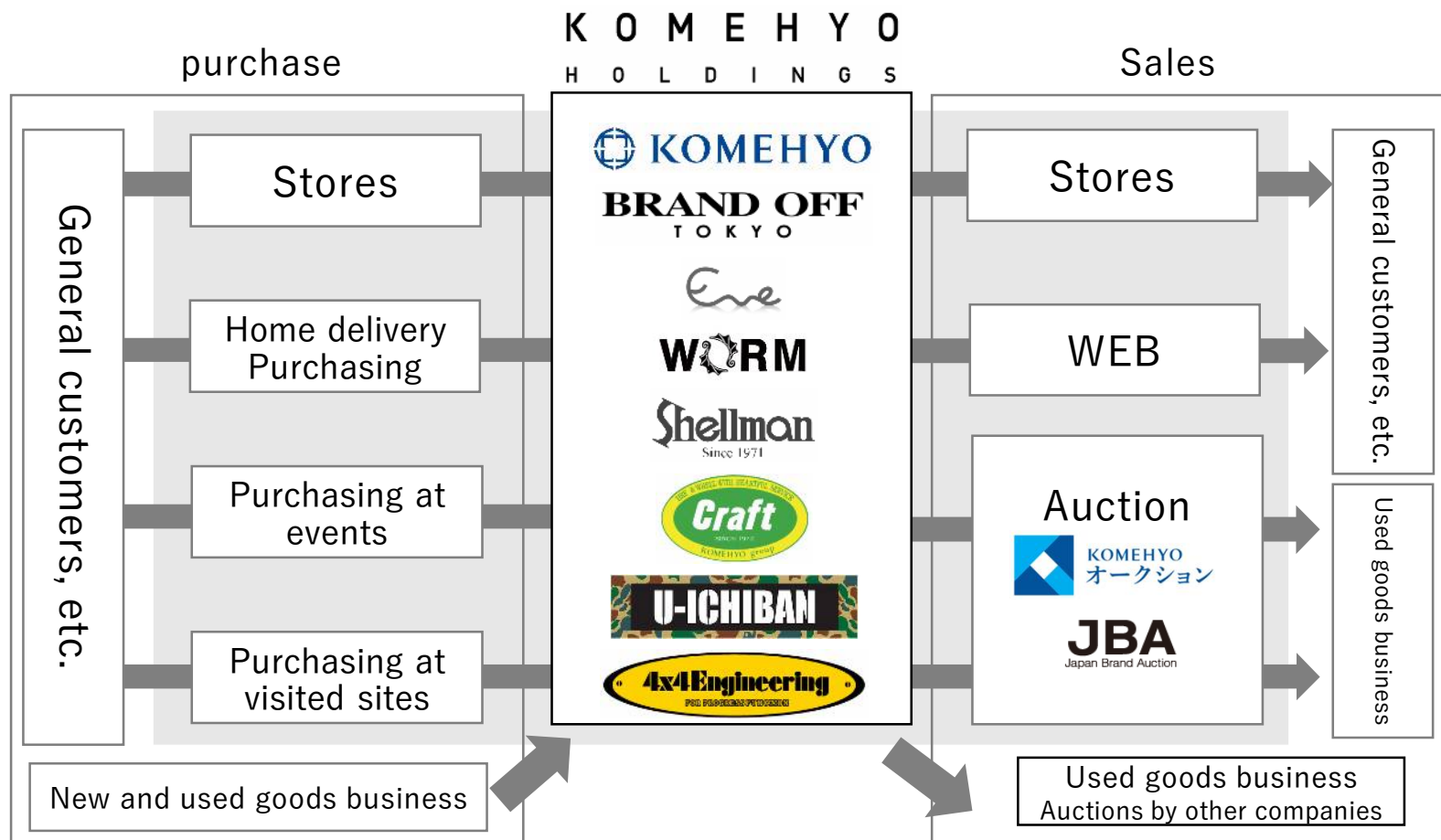
The Group's management efficiency and business performance are aimed at respecting the interests of not only shareholders, but also employees, customers, business partners, creditors, local communities, and other people who have great influences and interests. We are working on strengthening corporate governance with an emphasis on improvement and compliance as the most important management issue.

Officer system



Name		Takuji Ishihara	Toshio Sawada	Yuya Yamauchi	Masaru Hirauchi	Yoshiko Nakahara	Kazutoshi Torita	Momoko Murase	Miyuki Minamiru
Title		President and Representative Director	Managing Director	Director	Outside Director	Outside Director	Director (Audit and Supervisory Committee Member)	Outside Director (Audit and Supervisory Committee Member)	Outside Director (Audit and Supervisory Committee Member)
Skills matrix	Corporate management	○	○	○	○				
	Management strategy and planning	○	○	○	○	○	○		
	Marketing	○		○	○				
	Experience and knowledge in the industry	○	○	○					
	Business development and innovation			○	○				
	Global		○	○	○				
	IT・DX			○	○				
	Finance・Accounting					○	○	○	
	Legal・Risk Management								○
	governance					○	○	○	○
	ESG・Sustainable	○				○			
Qualifications, etc.		MBA			Small business doctor			CPA Tax accountant	Lawyer

Business system diagram



Medium-term management target (until FY2025)

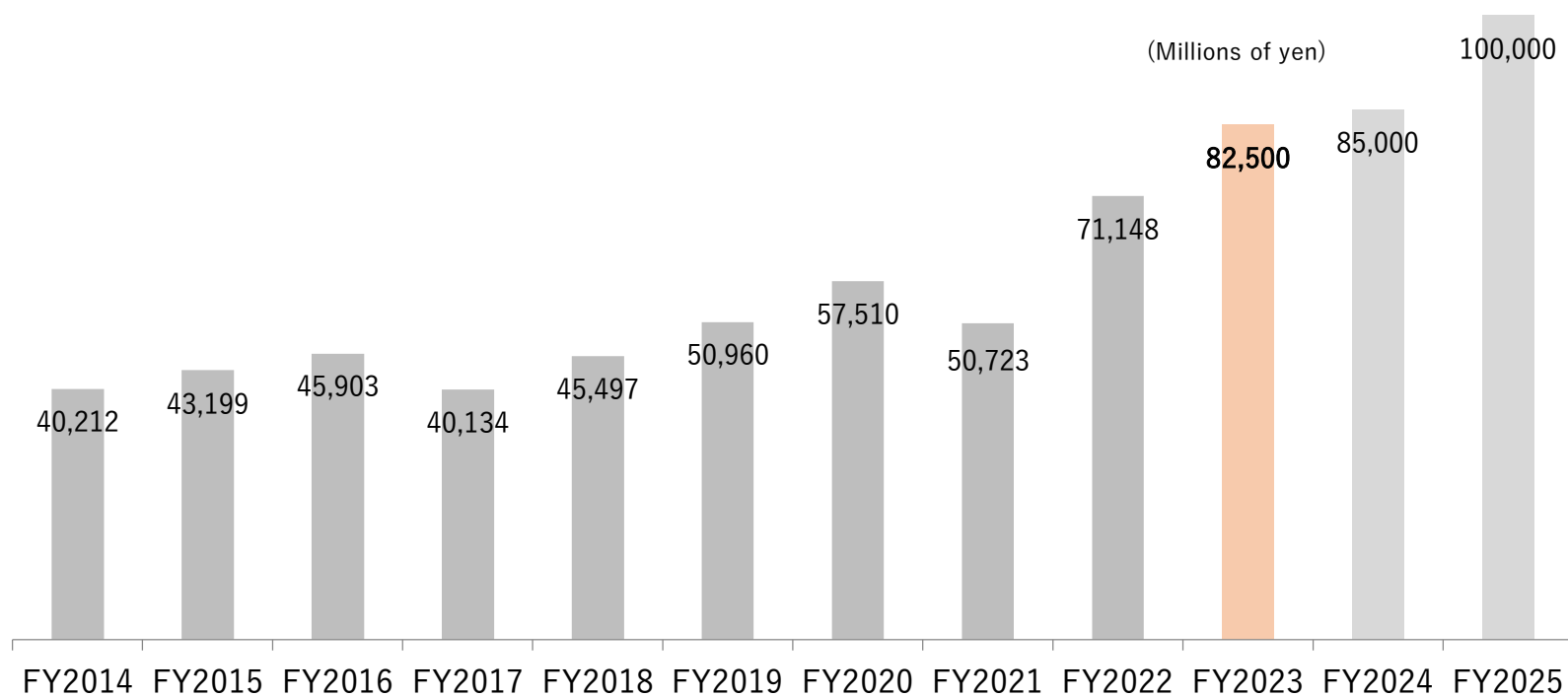
(Millions of yen)	FY2023 *1		FY2024 *2	FY2025 *2*3
	1H	Full year	Full year	Full year
Net sales	38,500	82,500	85,000	100,000
Operating income	1,550	4,350	4,400	5,500
Operating profit margin	4.0 %	5.3 %	5.2 %	5.5 %
Ordinary income	1,430	4,350	4,400	5,500
Net income attributable to owners of parent	1,000	2,830	2,850	3,450

*1 Earnings forecast revised on August 8, 2022

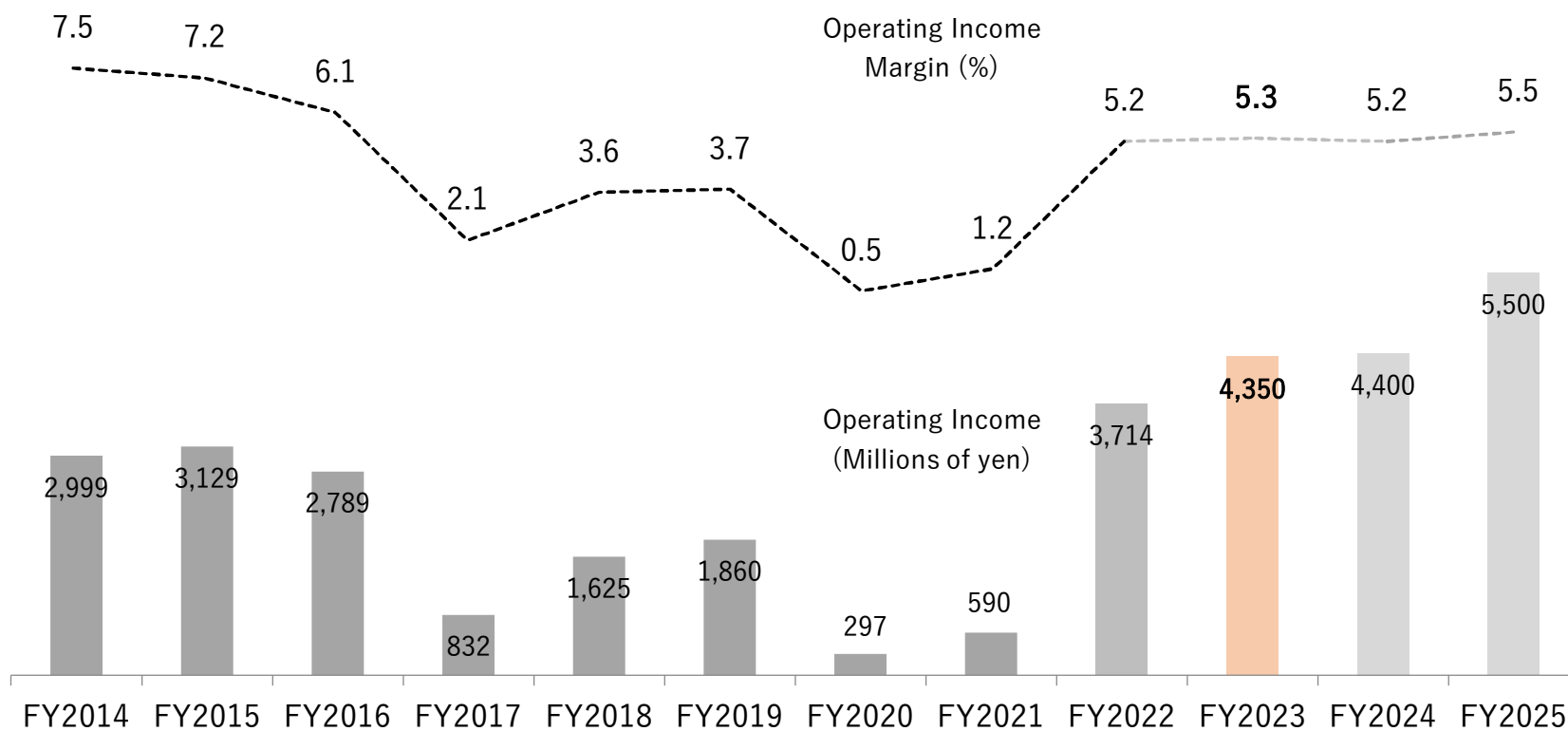
*2 A rolling forecast will be provided in May 2024.

*3 It is expected that retail sales will increase as inbound demand returns in the fiscal year ending March 2025.

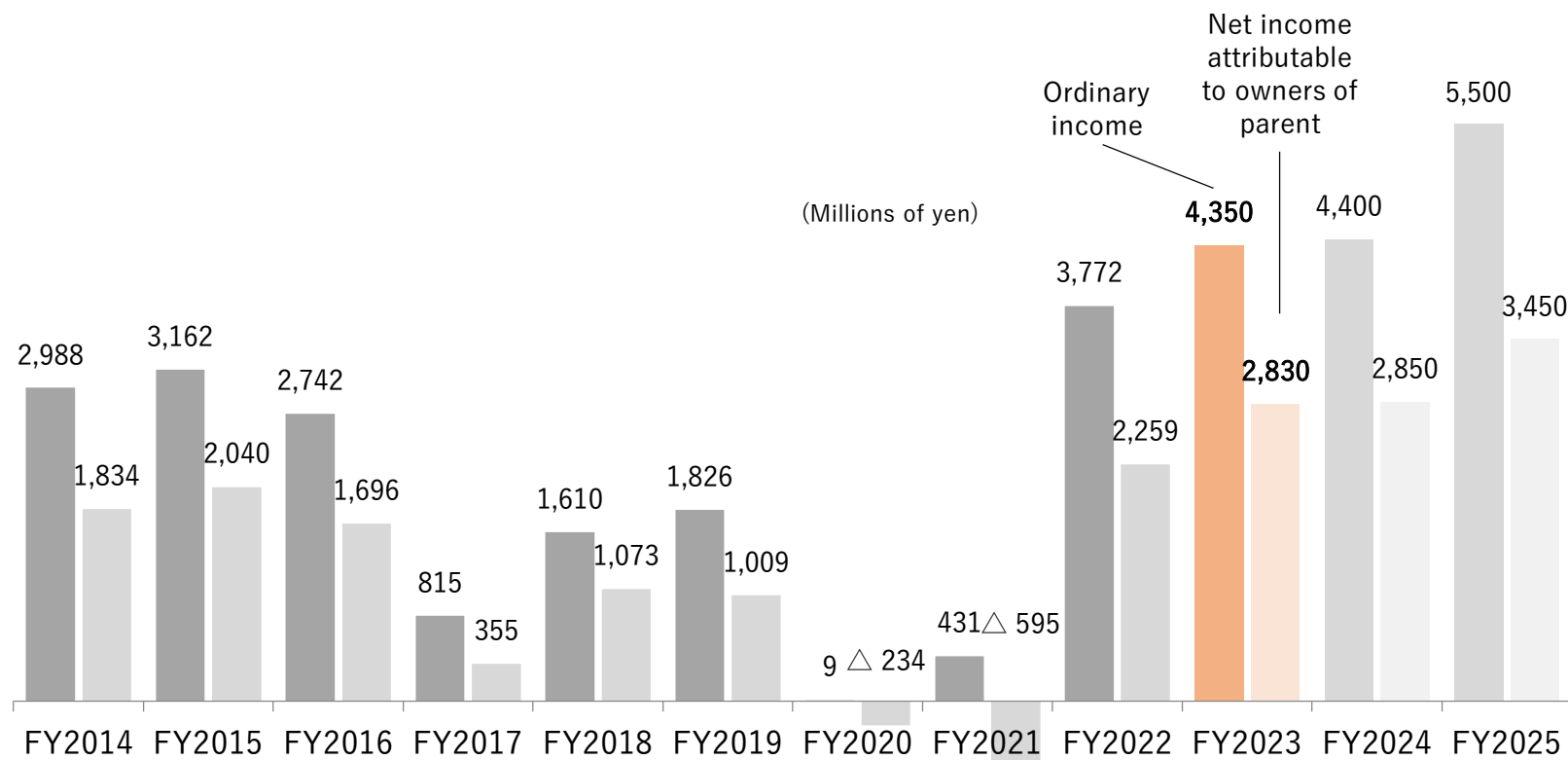
Sales plan



Operating Profit Plan



Ordinary income/Net income Plan



Medium-term management plan:

Continuous business expansion through investments in growth businesses and human resource development

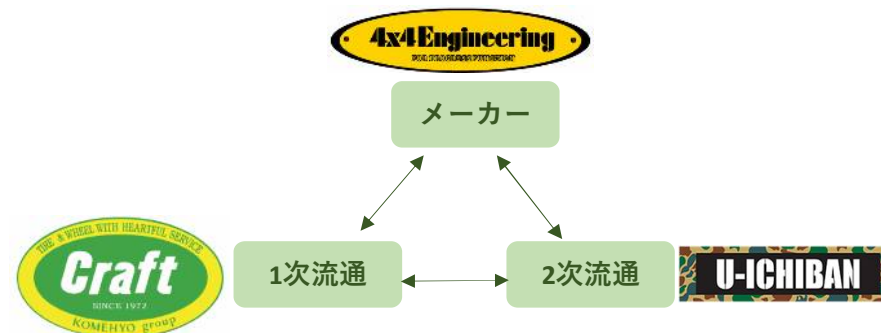
Brand Fashion

1. Achieving growth with existing core businesses
2. Achieving growth with businesses that contribute to the distribution of used goods to revitalize the market
3. Achieving growth with businesses that contribute to market growth and the formation of a sound market

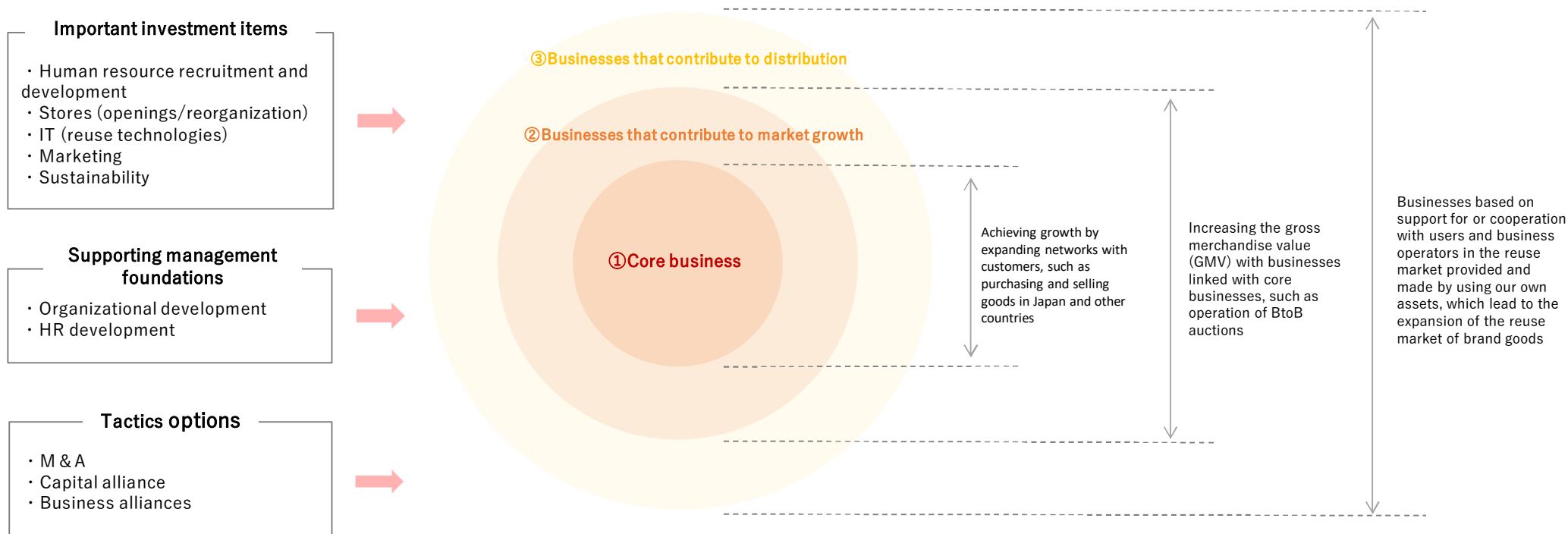


Tire/Wheel

1. Strengthening profitability
2. Strengthening product development
3. Making attempts at businesses and items with affinity



Growth in the brand reuse market image



Medium-term Management Plan : Brand · Fashion

Gaining more influence in the reuse market by making maximum use of the Group's assets

1. Achieving growth with existing core businesses

= Domestic =

- Increasing the number of purchasing channels
(continuing to open purchase centers and strengthening alliances)
- Creating seamless customer touch points by using
digital technologies and improving the customer experience value through the reorganization of stores
- Improving the value of used goods by means of upcycling

= Overseas =

- Strengthening purchase and sales through the opening of new stores at each base, etc.
- Developing new bases
- Building a network for the distribution of products among overseas bases



Medium-term Management Plan : Brand · Fashion

Gaining more influence in the reuse market by making maximum use of the Group's assets

2. Achieving growth with businesses that contribute to the distribution of used goods to revitalize the market

- Auctioning more items through franchise development
(openings of 100 purchase centers by franchised stores)
- Providing reuse technologies, expertise, and market information to member companies
- Acquiring new member companies in Japan and other countries by using digital technologies



3. Achieving growth with businesses that contribute to market growth in Japan and overseas and the formation of a sound reuse market

- Supporting the growth of reuse-related businesses with SaaS
- Supporting new entrant companies, etc. by using human resources and training systems
- Business cooperation using databases (customer data and product data)



Medium-term Management Plan : Tire · Wheel

Expanding the business by strengthening profitability and investing in growth drivers

1. Strengthening profitability through collaboration among the three companies

- Strengthening and opening specialty stores developed according to customer preference
- Strengthening the sale and purchase of used tires and wheels and controlling their inventory
- Improving productivity and strengthening expertise through investment in human resources

2. Investing in product development

- Planning and manufacturing wheels and automobile parts by taking advantage of brand power
- Stepping up efforts to supply products to overseas markets
- Maintaining and increasing brand power in Japan and overseas

3. Approaching businesses and items with affinity

- Used cars
- Automotive supplies
- Car camping supplies



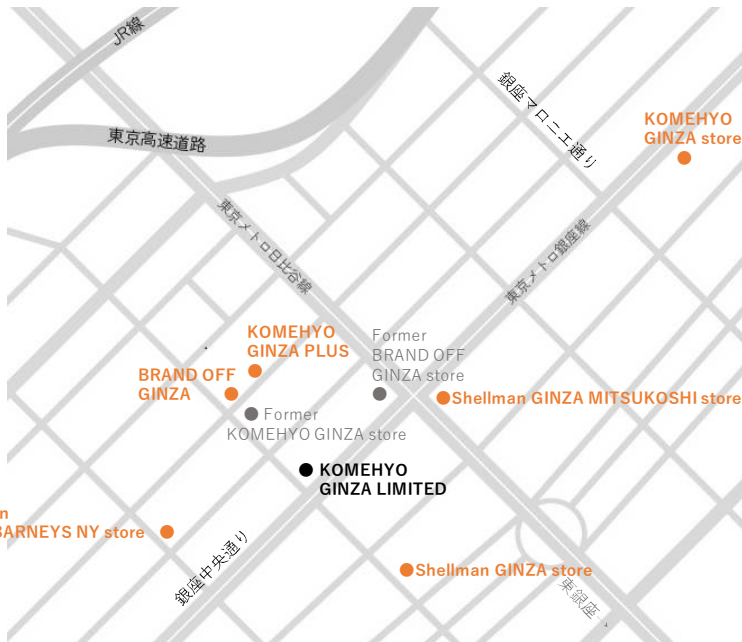
January 2023

H O L D I N G S



Store development in the Ginza area

Ginza is an important area for strengthening retail sales.
Expand stores as a group and expand contact points with customers.



KOMEHYO GINZA PLUS image



BRAND OFF GINZA store image

- | | |
|-------------------|--|
| February 15, 2022 | KOMEHYO GINZA CLOSED |
| Feb 18-Aug 28 | KOMEHYO GINZA LIMITED OPEN |
| September 1 | KOMEHYO GINZA PLUS
Scheduled to open |
| Early October | BRAND OFF GINZA store
Scheduled to relocate |
| January 2023 | KOMEHYO GINZA store
Scheduled to open |

Human capital management (KOMEHYO)

In the business model of environmentally and socially conscious recycling, humans play a wide range of roles (knowledge, skills, expertise, speed, relationship with customers, etc.), making it important to take initiatives to develop and retain human resources.

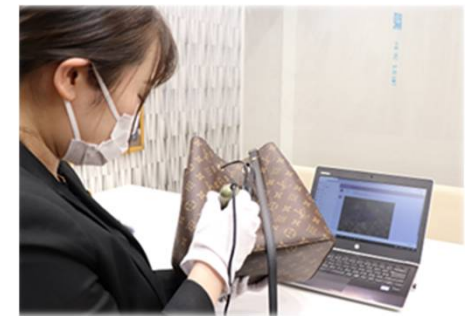


Sale

Purchase

Reproduction

Evaluation



Human capital management (KOMEHYO)

Groupwide training of personnel for the next generation

KOMEHYO provide opportunities for groupwide training aimed at developing management personnel and executives for the next generation. It continues training of staff to display their individual capabilities to the fullest degree. It carries out organizational development directly linked to business operations to ensure effective human capital management.



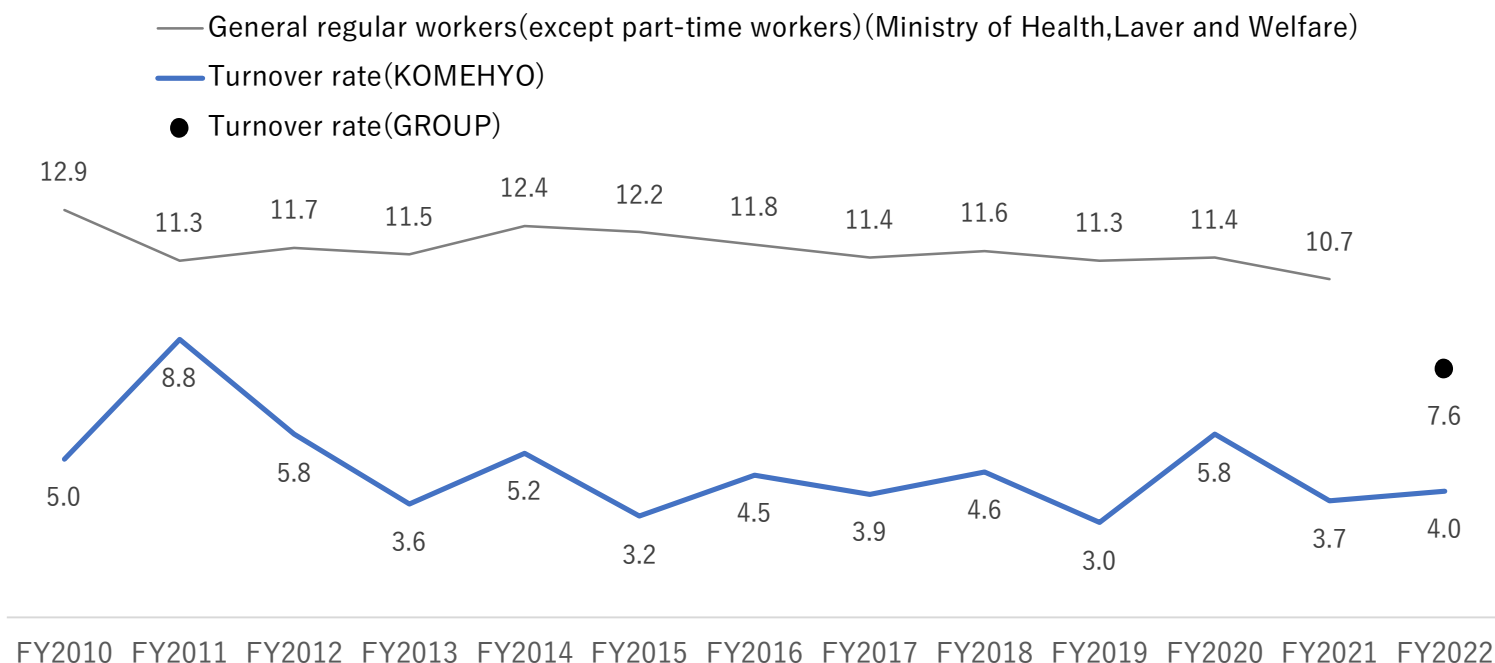
Education of assessors by a team dedicated to education

KOMEHYO focuses its efforts on education of assessors and sales staff. The education team has systematized various knowledge and skills involved in communication with customers. The system will stably develop assessors requisite to store launch and help shorten the lead time for it.



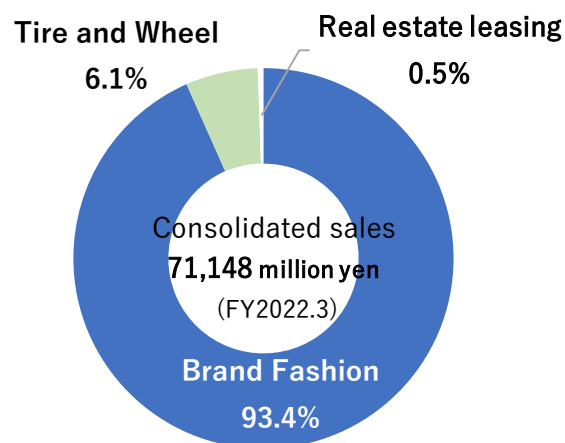
Human resources retention rate

Employee turnover rate has been low, which means that the employee retention rate has been high. This enables to accumulate expertise, laying a foundation for stable growth.

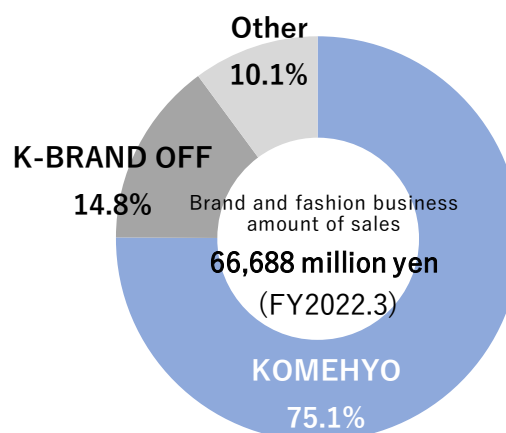


Sales shares by segment and by sales channel (FY2022)

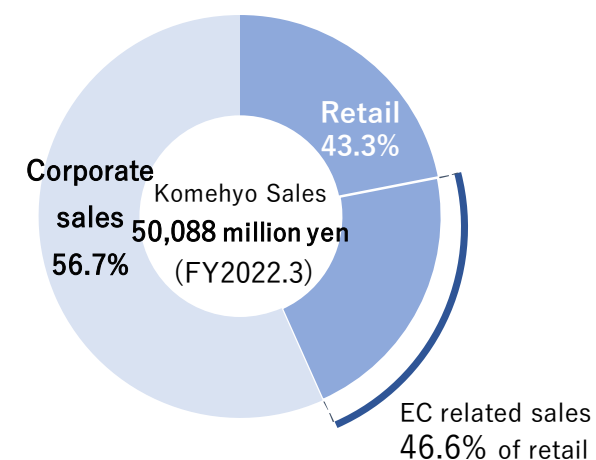
By segment



Brand/fashion business by operating company



By sales channel



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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.

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