

**KOMEHYO**

# **Earnings Results Briefing for the Fiscal Year Ending March 31, 2017**

**May, 2017**

**KOMEHYO Co., Ltd.**

**Securities code: 2780**

**(Second Section, Tokyo and Nagoya Stock Exchanges)**

**Corporate Planning Department IR strategy group**

**Phone +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

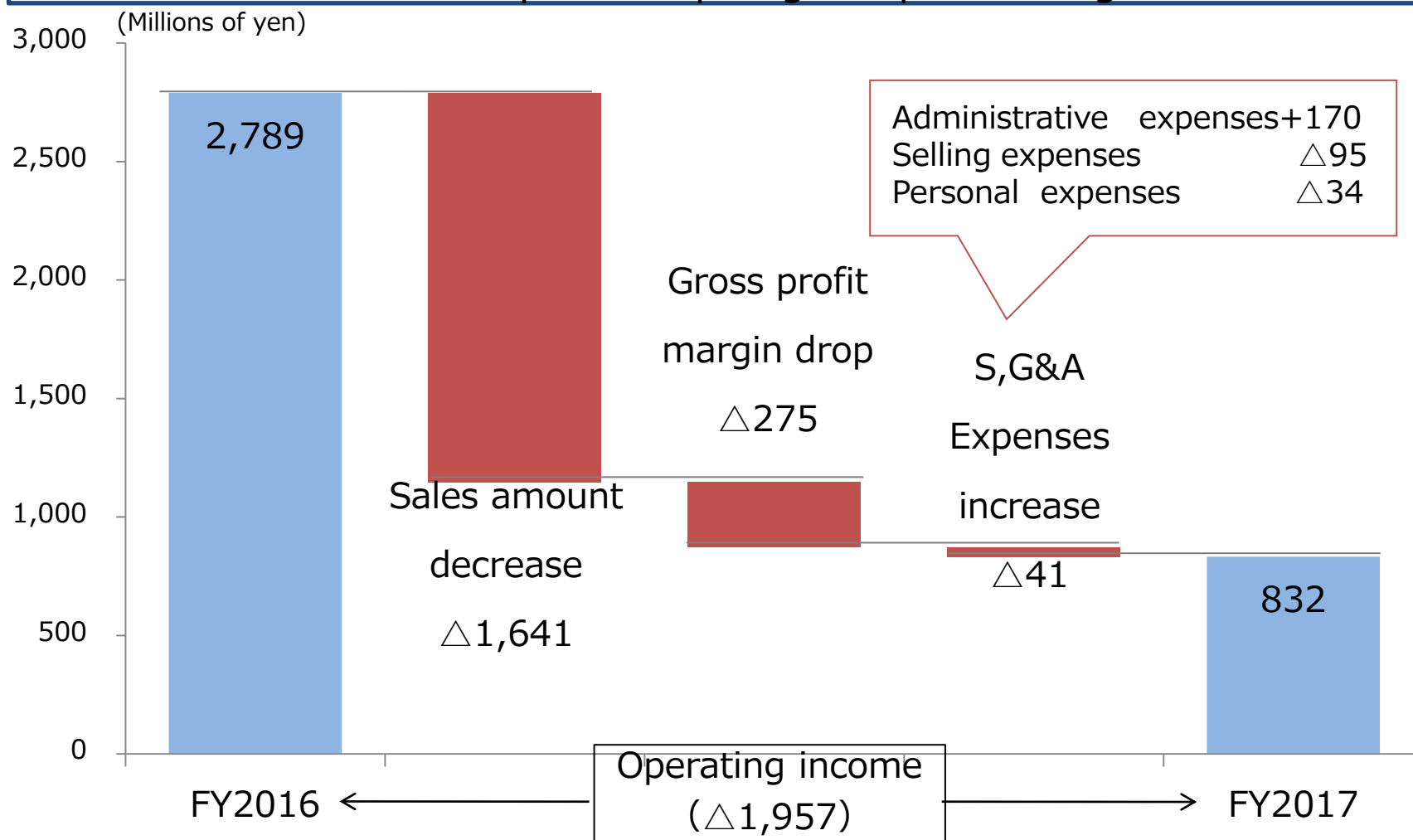
Consolidated (Millions of yen)	FY2015 (‘14.4-‘15.3)	FY2016 (‘15.4-‘16.3)	FY2017 (‘16.4-‘17.3)	Change	YoY
Net sales	43,199	45,903	<b>40,134</b>	△5,769	<b>87.4%</b>
Gross profit	13,168	13,061	<b>11,144</b>	△1,916	<b>85.3%</b>
Gross profit margin	30.5%	28.5%	<b>27.8%</b>	△0.7pt	—
SG&A expenses	10,038	10,271	<b>10,312</b>	+40	<b>100.4%</b>
Operating income	3,129	2,789	<b>832</b>	△1,957	<b>29.8%</b>
Ordinary income	3,162	2,742	<b>815</b>	△1,926	<b>29.7%</b>
Net income attributable to owners of parent	2,040	1,696	<b>355</b>	△1,340	<b>21.0%</b>

# Overview of Income Statement

<b>Non-consolidated</b> (Millions of yen)	<b>FY2015</b> ( <sup>'14.4</sup> - <sup>'15.3</sup> )	<b>FY2016</b> ( <sup>'15.4</sup> - <sup>'16.3</sup> )	<b>FY2017</b> ( <sup>'16.4</sup> - <sup>'17.3</sup> )	<b>Change</b>	<b>YoY</b>
Net sales	38,507	40,554	<b>34,891</b>	△ <b>5,662</b>	<b>86.0%</b>
Gross profit	11,363	11,090	<b>9,339</b>	△ <b>1,750</b>	<b>84.2%</b>
Gross profit margin	29.5%	27.3%	<b>26.8%</b>	△ <b>0.5pt</b>	—
SG&A expenses	8,590	8,664	<b>8,836</b>	<b>+172</b>	<b>102.0%</b>
Operating income	2,773	2,426	<b>502</b>	△ <b>1,923</b>	<b>20.7%</b>
Ordinary income	2,815	2,400	<b>490</b>	△ <b>1,909</b>	<b>20.4%</b>
Net income	1,830	1,480	<b>147</b>	△ <b>1,333</b>	<b>10.0%</b>

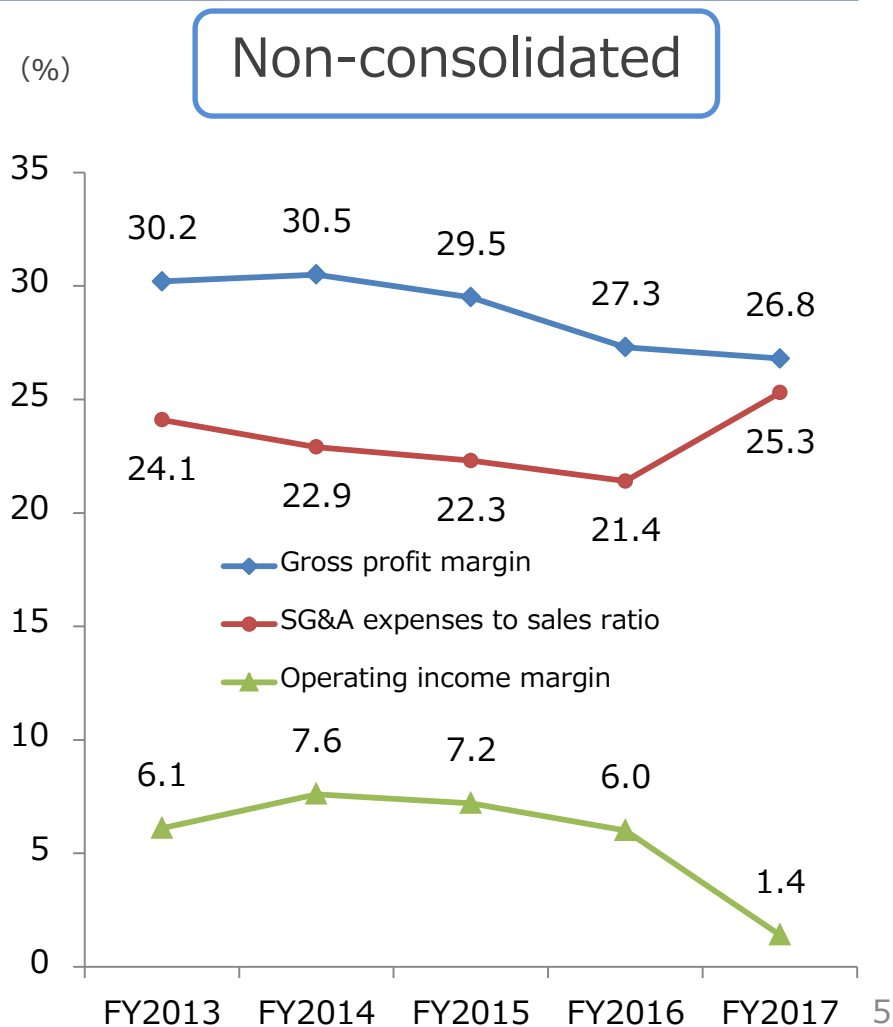
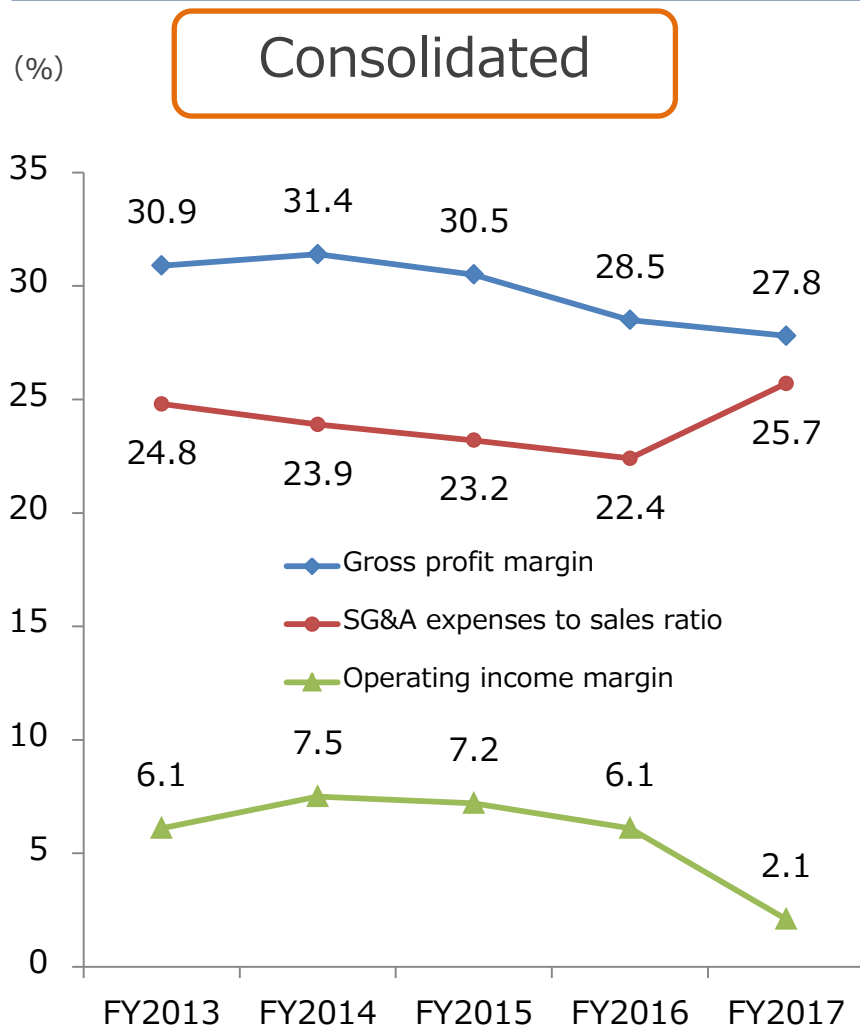
# Operating income increase and decrease factor ( Consolidated )

Operating income declined due to a decline in net sales and a 0.7 point drop in gross profit margin



# Profit Margin Trend

SG&A expenses increased  
due to declines in net sales and gross profit margin

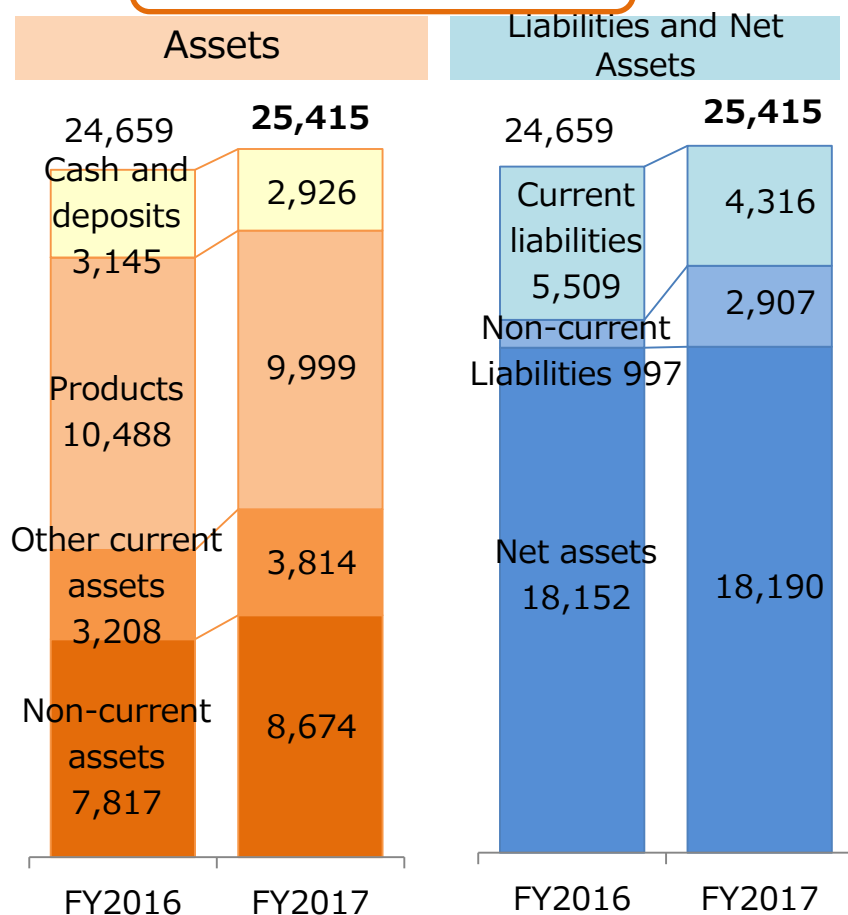


# Overview of Balance Sheet

Products decreased due to enhanced inventory controls

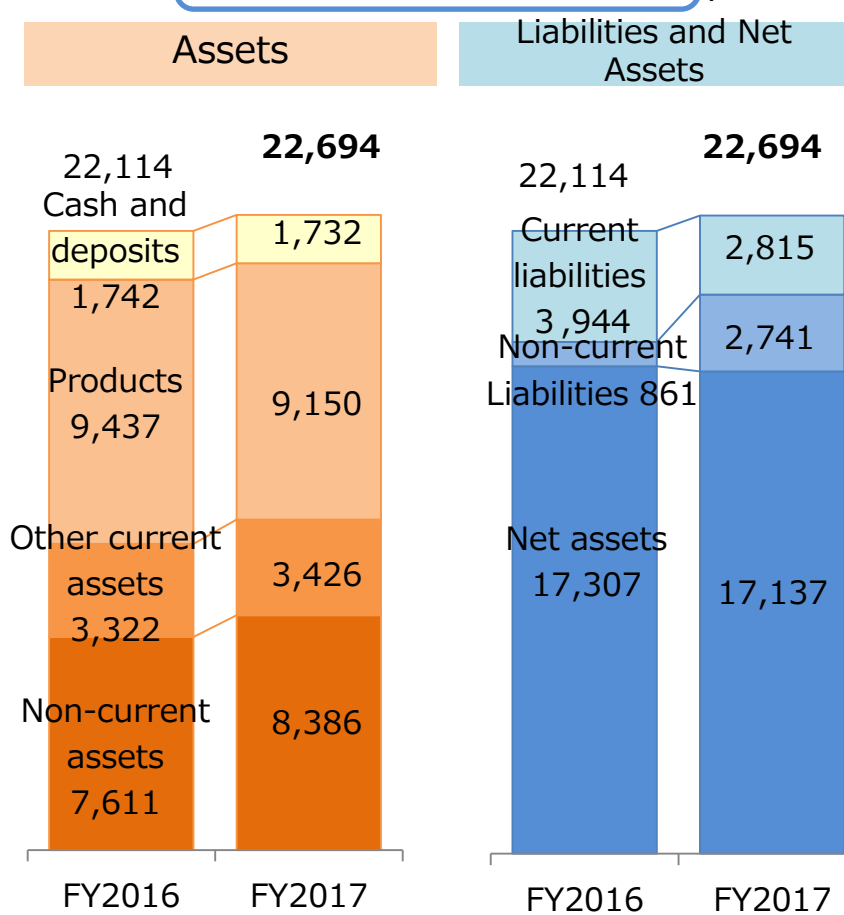
## Consolidated

(Millions of yen)



## Non-consolidated

(Millions of yen)

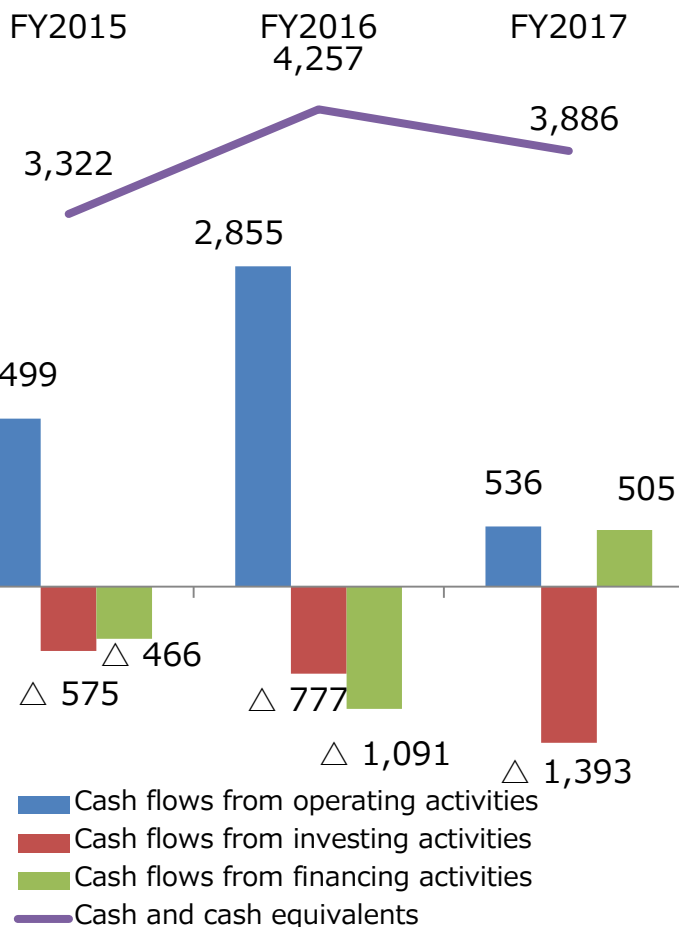


# Statement of Cash Flows

Cash flow from investing activities resulted in a large net outflow due to the opening of a large store

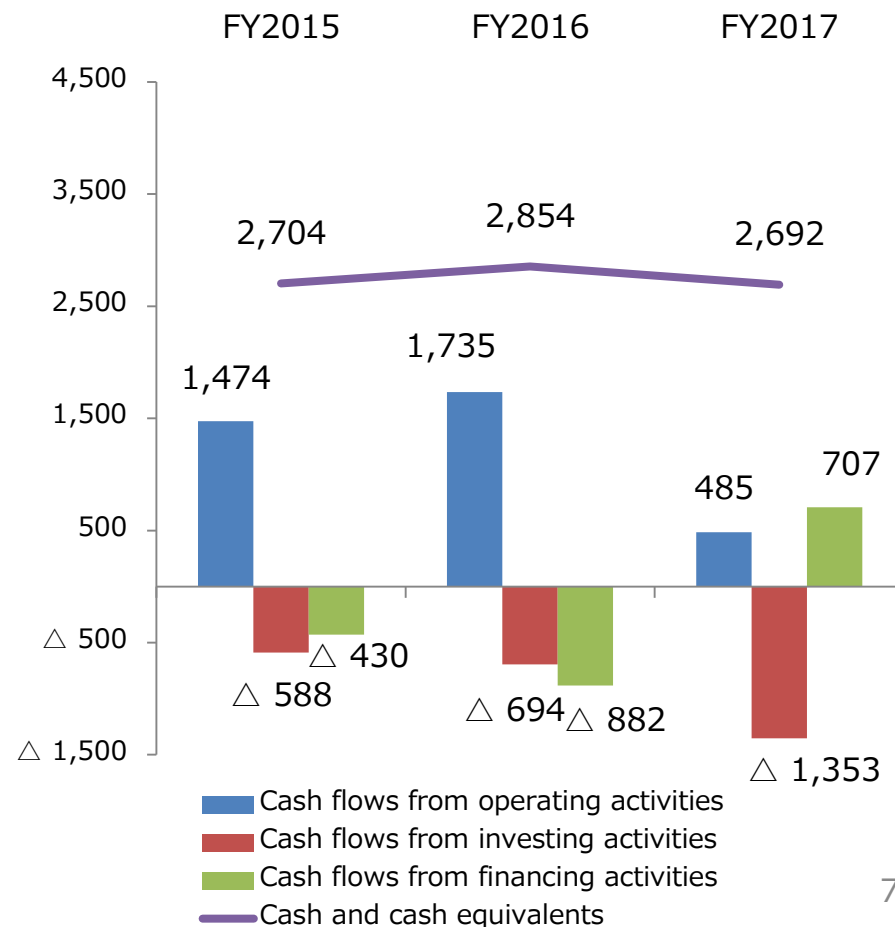
## Consolidated

(Millions of yen)



## Non-consolidated

(Millions of yen)





# By Segment

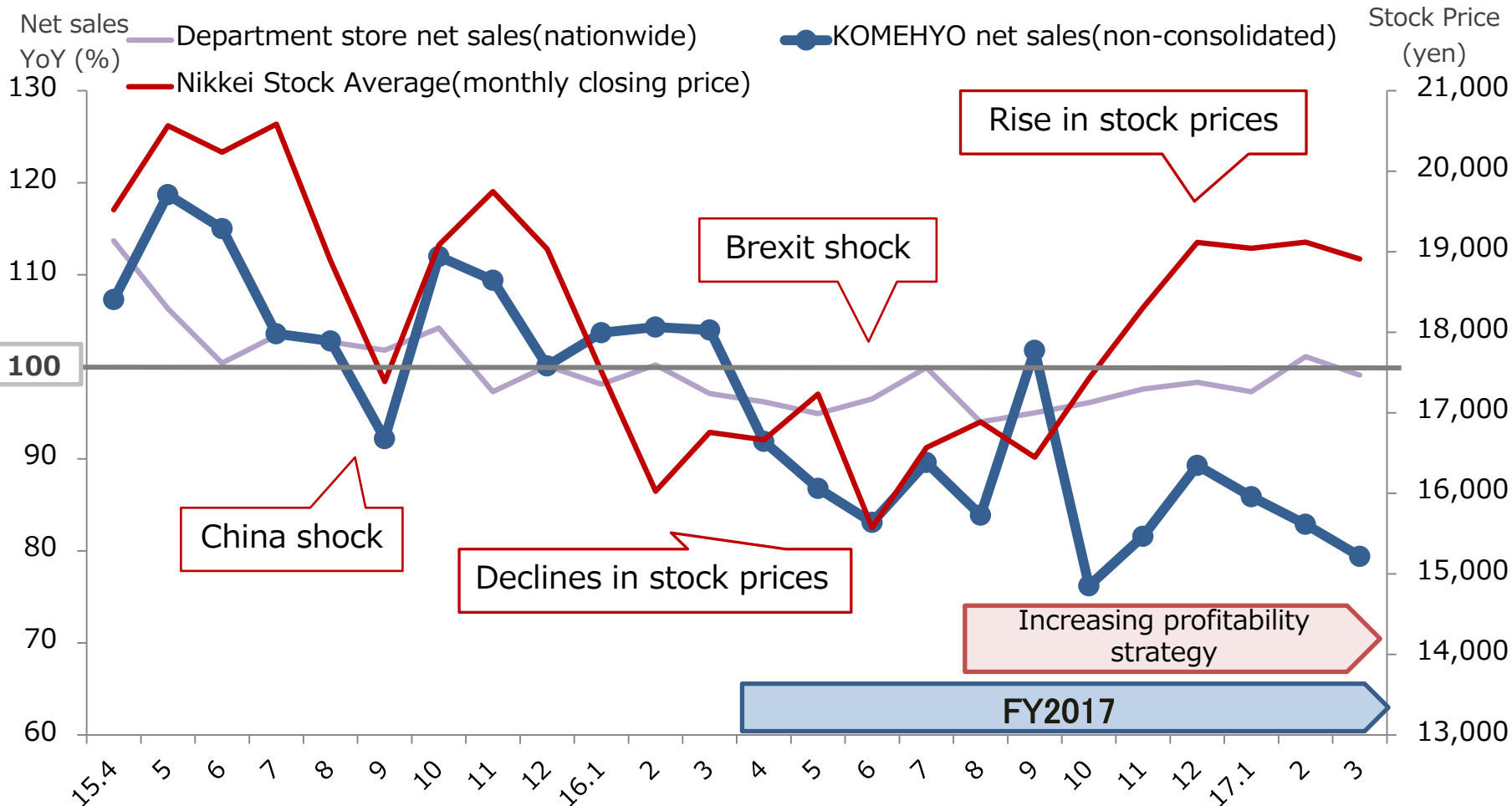
Tire and Wheel segment increased income and fall in profits

	(百万円)	FY2015	FY2016	FY2017	Change	YoY
Brand Fashion	Net sales	38,874	41,175	35,396	△5,778	86.0%
	Operating income	2,979	2,611	692	△1,919	26.5%
	Operating margin	7.7%	6.3%	2.0%	△4.3pt	—
Tire and Wheel	Net sales	4,232	4,640	4,645	+5	100.1%
	Operating income	124	155	113	△41	73.1%
	Operating margin	2.9%	3.3%	2.4%	△0.9pt	—
Others	Net sales	134	132	137	+4	103.6%
	Operating income	25	22	26	+3	115.3%
	Operating margin	19.2%	17.2%	19.2%	+2.0pt	—

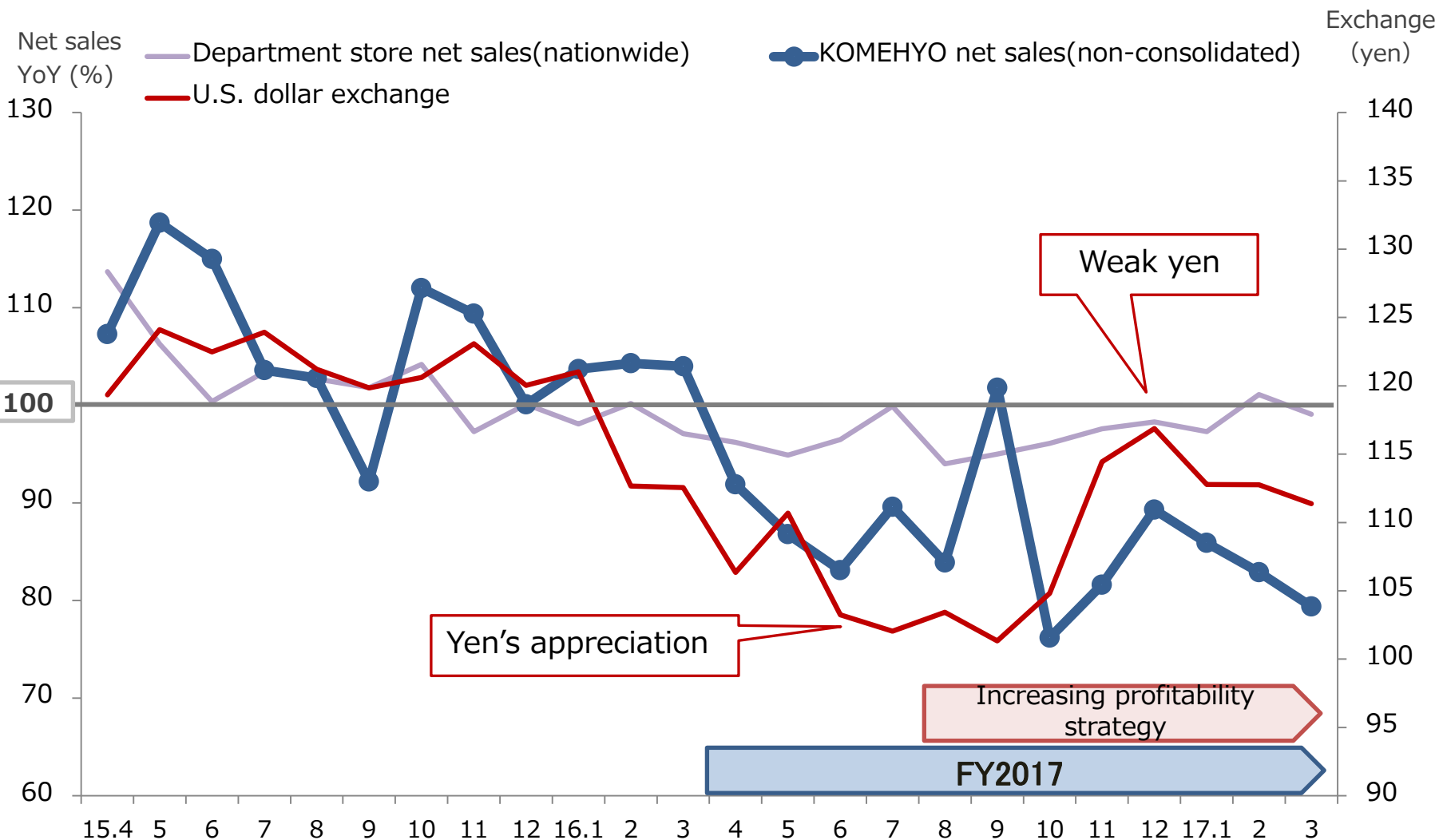
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# External Environment(1) Domestic Economy, and Business Sentiment : The Nikkei Stock Average

Consumption was weak  
due to major changes in the economic environment



# External Environment(2) Domestic Economy, and Business Sentiment : U.S. dollar exchange



(出所：日本百貨店協会HP)

# External Environment(3)

## Reuse market size

Online sales increased sharply, while store sales declined

Reuse market size of the wide sense 2,059 billion yen

Reuse market size 1.6 trillion yen

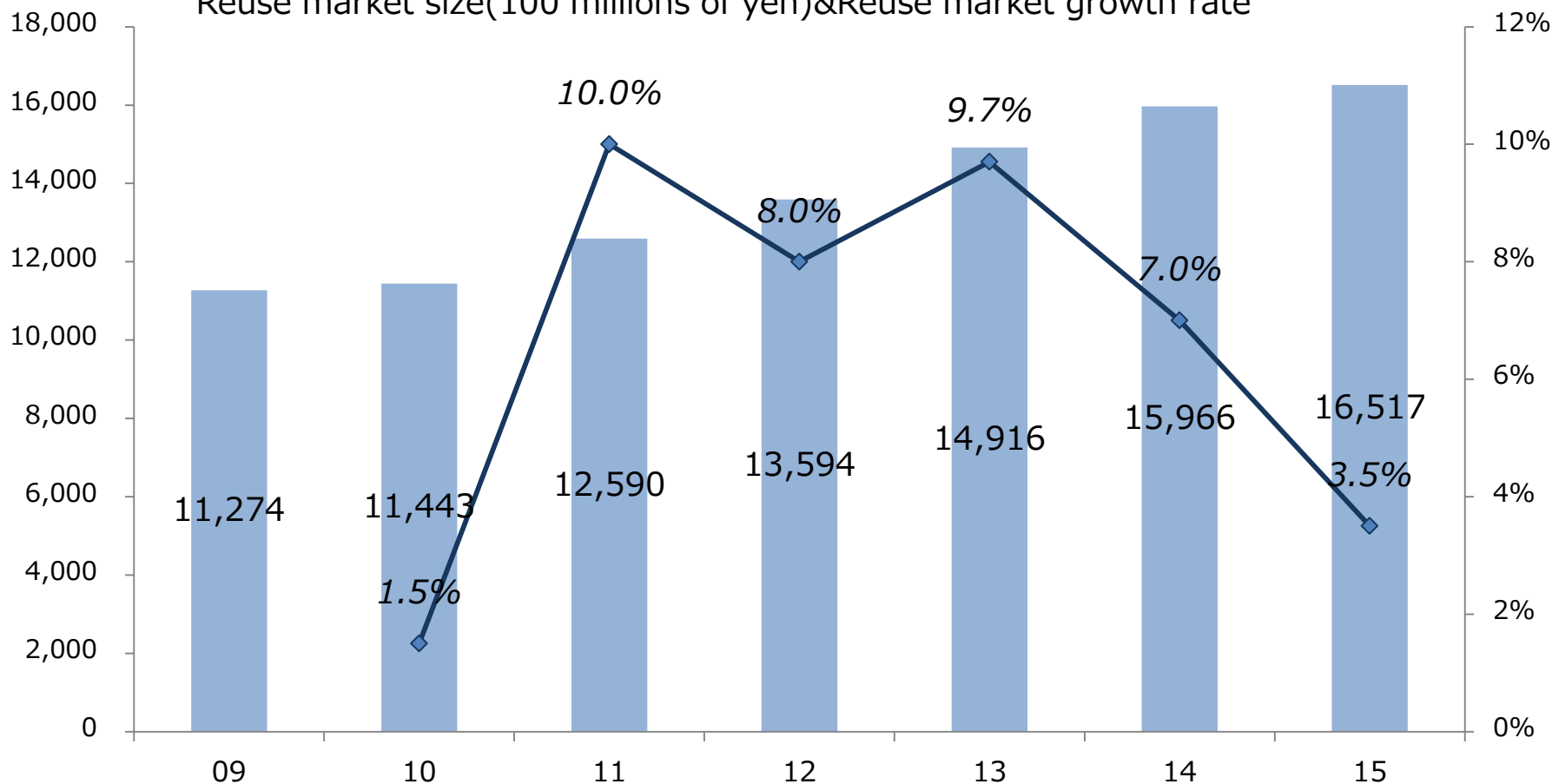
Supplier business • Export	Store-based sales	Online sales
B to B 4,079 (YoY103.5%)	B to C 9,460 (YoY96.9%)	C to C 4,039 (YoY114.8%)
		B to C 2,502 (YoY120.7%)
(100 millions of yen)	Others 516	

## External Environment(4)

### Reuse market growth rate

The market growth rate, which was on the rise,  
has been declining in recent years

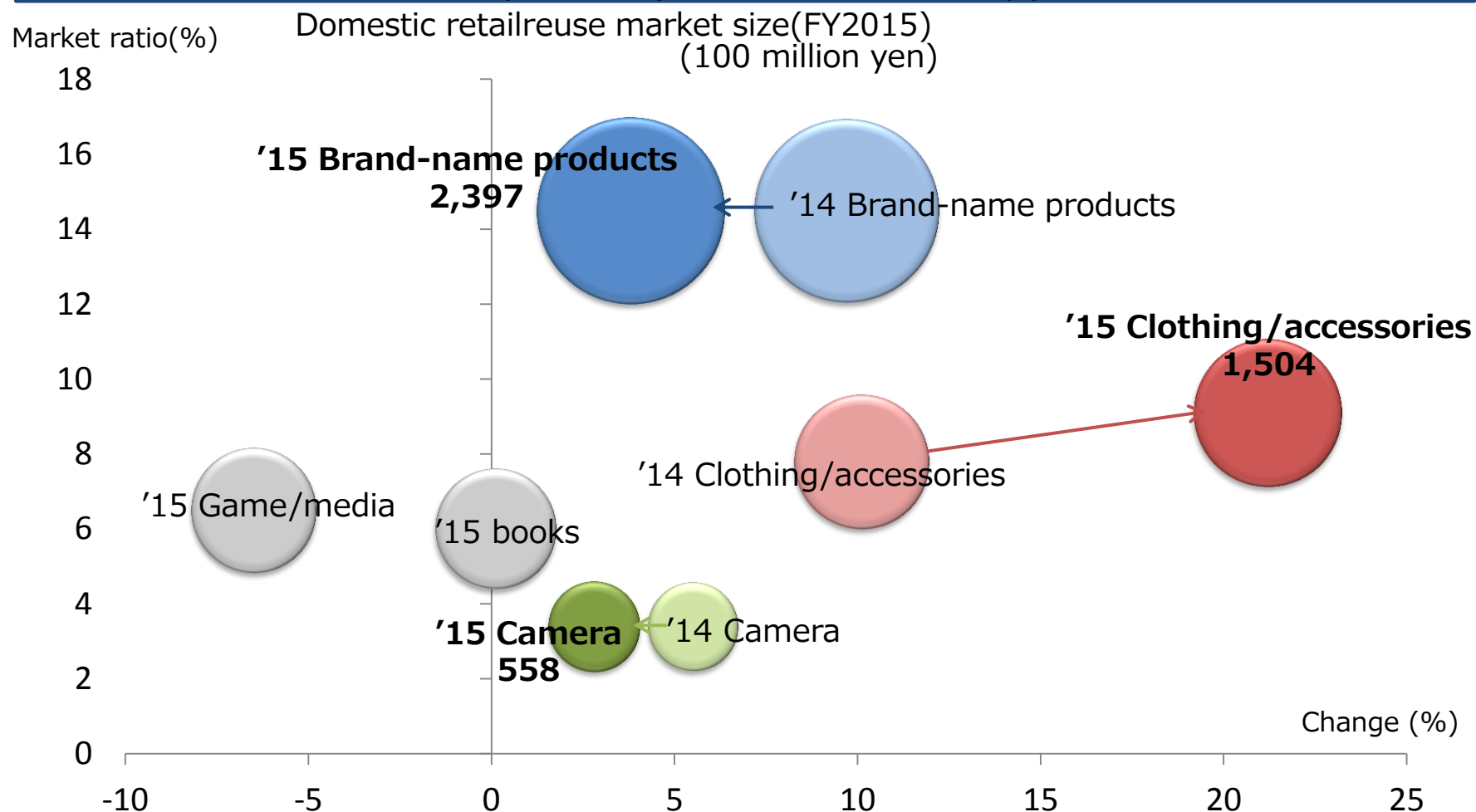
Reuse market size(100 millions of yen)&Reuse market growth rate



# External Environment(5)

## Reuse market according to the product

The size of the clothing market expanded  
due primarily to free market apps

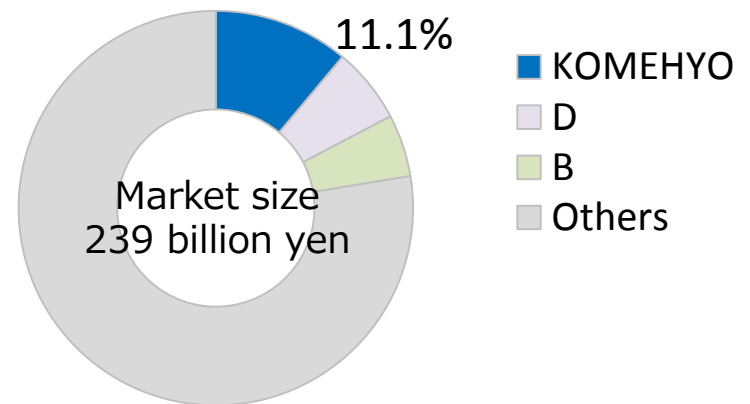
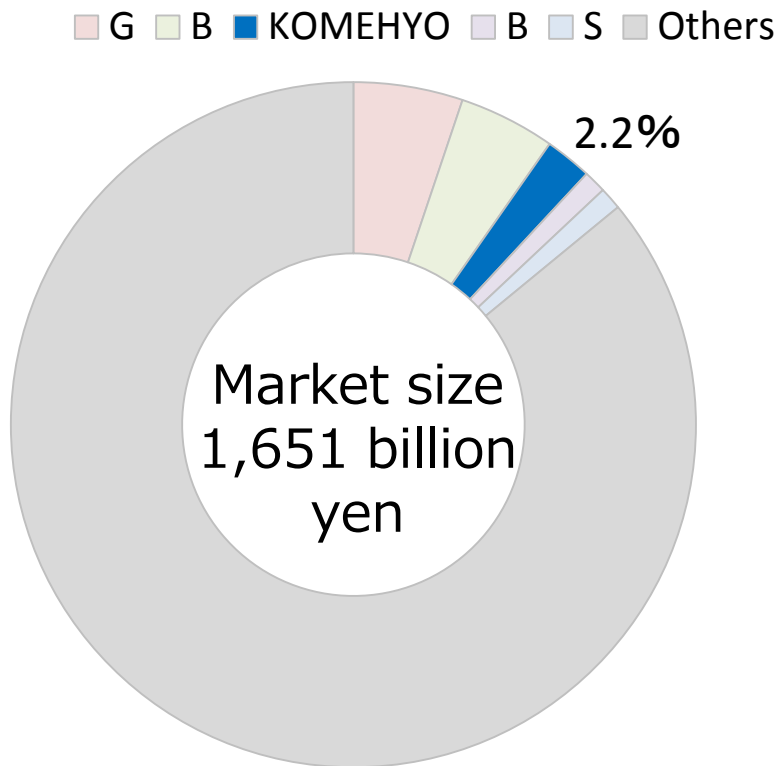


# External Environment(5) Ranking in the Secondhand industry

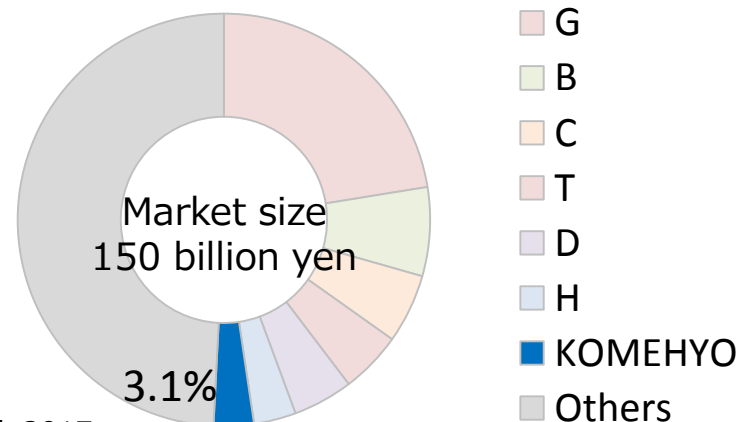
Secondhand sales amount :No.3、Brand-name products sales amount:No.1、Clothing/accessories sales amount:No.7

Secondhand sales amount(FY2015)

Brand-name products sales amount(FY2015)



Clothing/accessories sales amount(FY2015)





# Revision of corporate strategies : Increasing profitability

Revision of strategies in line with changes in the external environment

**Extended  
growth**

A large red circle with a subtle gradient and a shadow below it. A blue arrow points from this circle to the right, towards the blue circle.

**Increasing  
profitability**

A large blue circle with a subtle gradient and a shadow below it.

# Store strategy

Concentration of functions into new and existing stores

'17.1~7 Withdrawal

Medium-sized store  
: shibuya-koendori store

Small-sized store  
: sakae central park store  
Namba walk store  
kobe motomachi store  
Canal city hakata store

LINK SMILE  
: Wing town okazaki store  
Laguna gamagori store

USED MARKET : Osu store

urca jewel  
: Musashi-koyama store



'17.2~5 Opening of New Stores (Large-scale)

KOMEHYO  
Umeda store  
February 16, 2017



KOMEHYO Shinjuku  
store ANNEX  
May 19, 2017



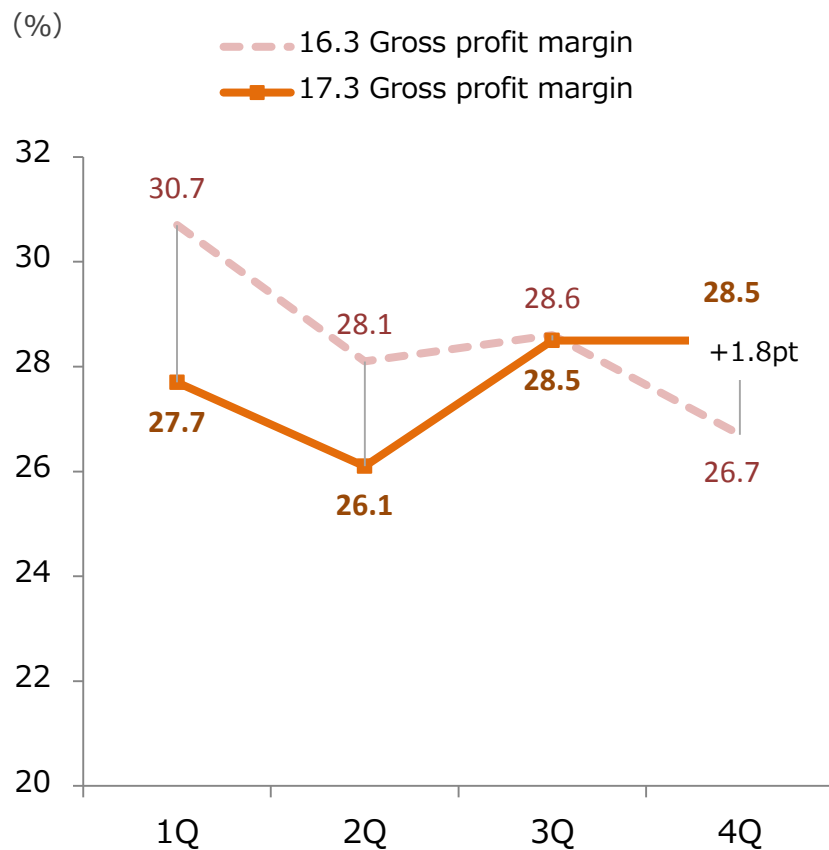
KOMEHYO  
Meieki store  
May 27, 2017

# Increasing profitability(1)

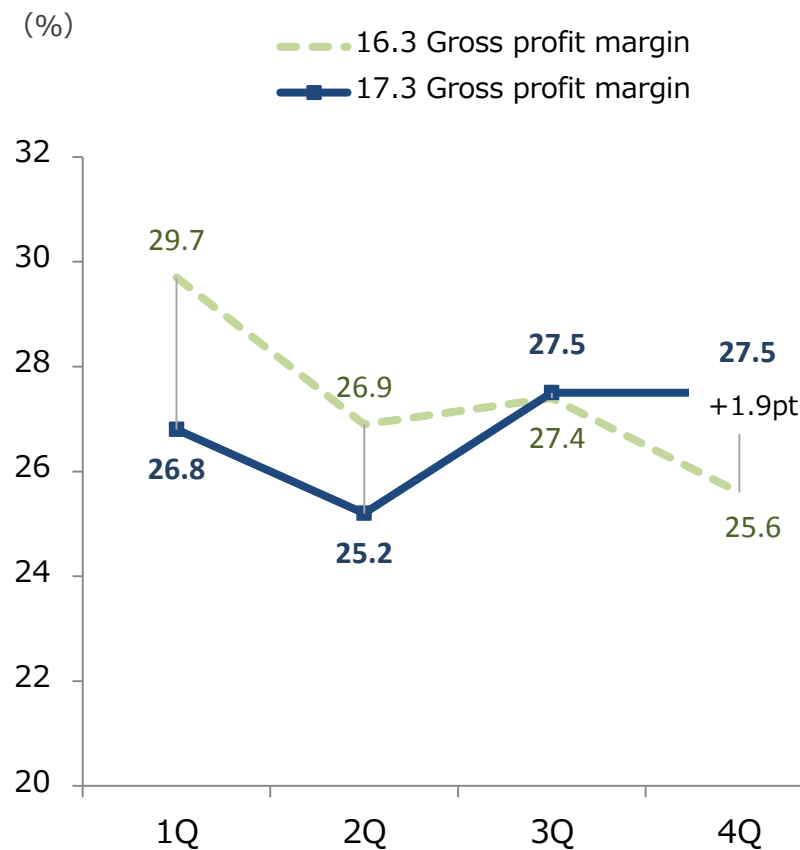
## Change of the Gross profit margin

Gross profit margin (4Q) :  
Achieved a significant year-on-year improvement

### Consolidated



### Non-consolidated

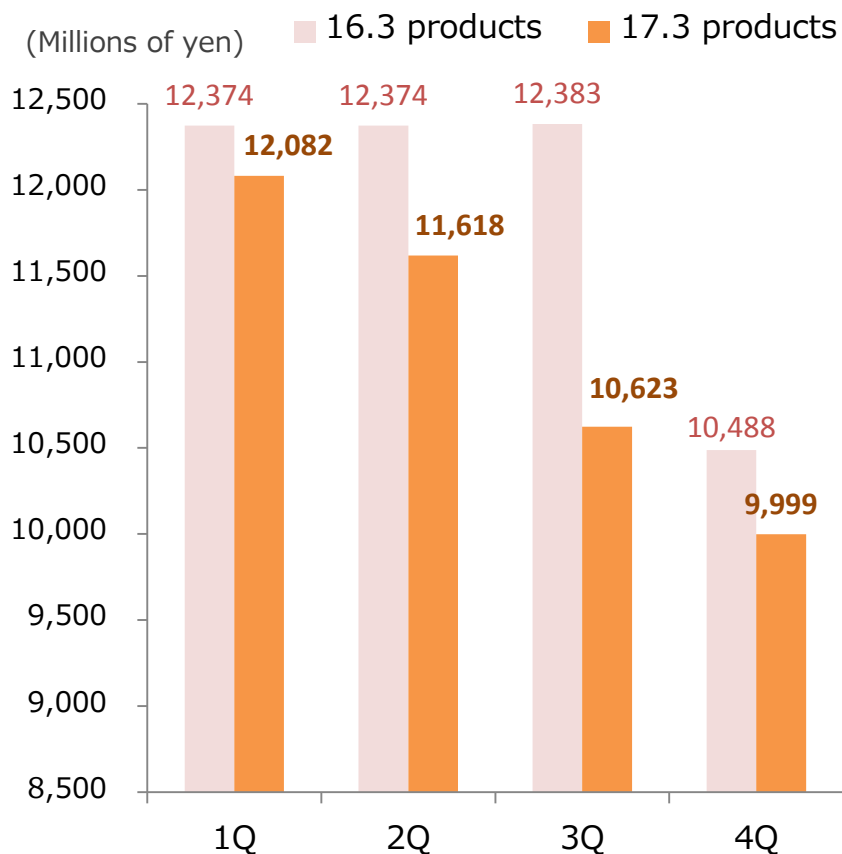


# Increasing profitability(2)

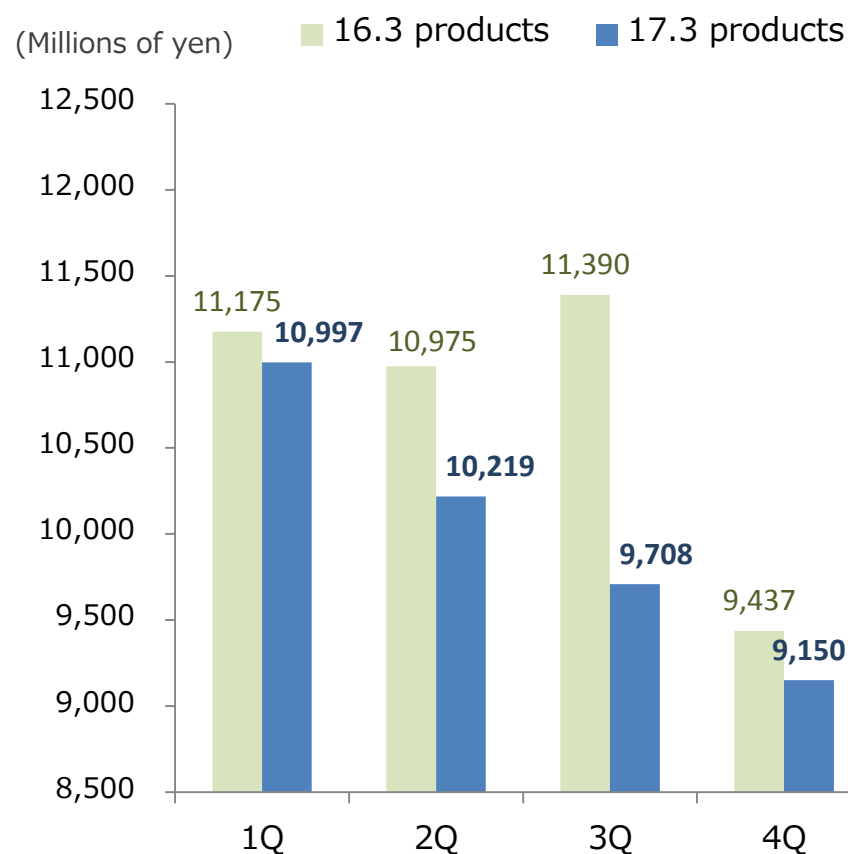
## Products compression

Products: reduced drastically, mainly potentially problematic inventory such as slow-moving inventory

### Consolidated



### Non-consolidated

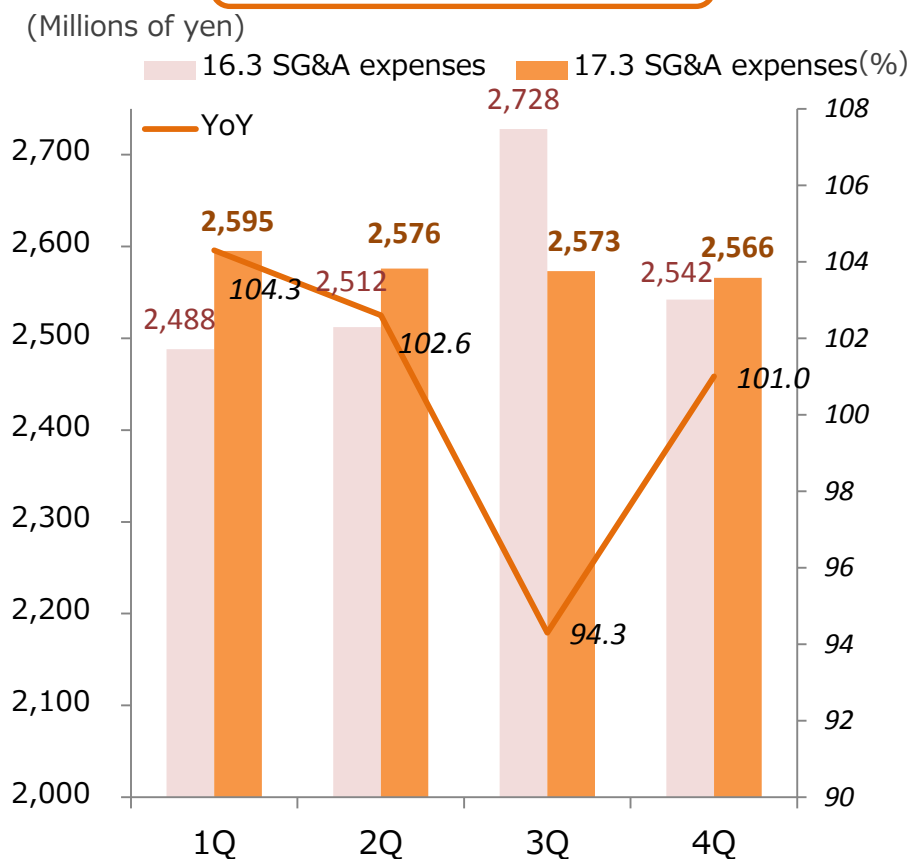


# Increasing profitability(3)

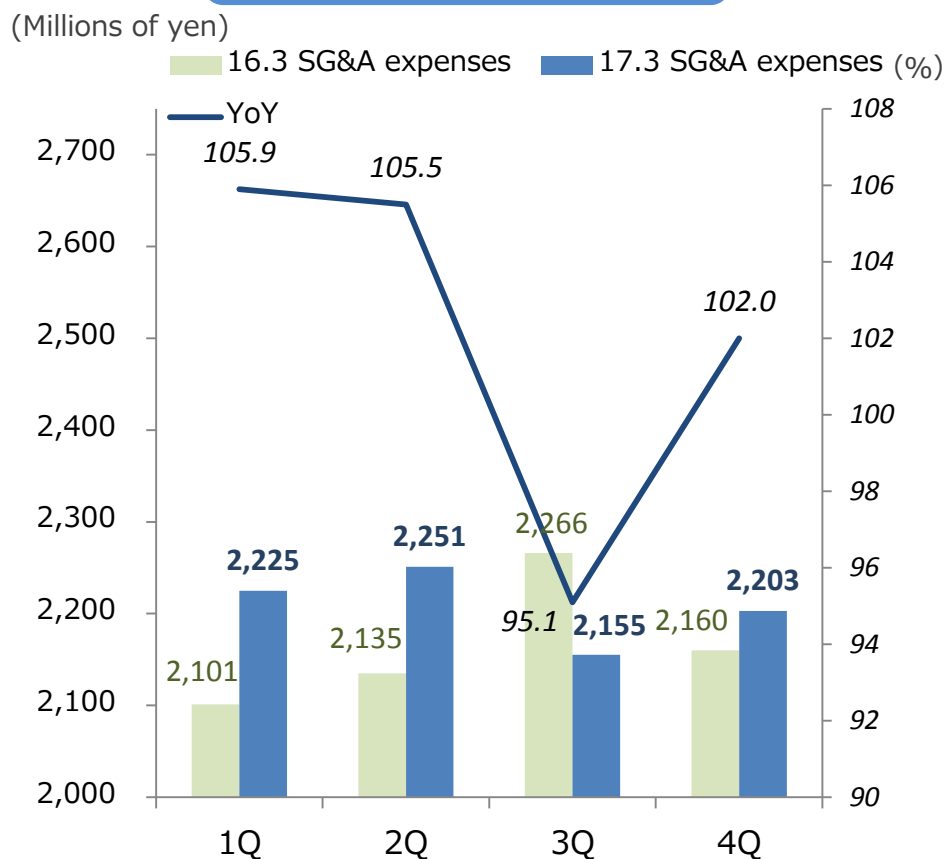
## Change of SG&A expenses

2H : Reduced the overall SG&A expenses including advertising expenses and personnel expenses

### Consolidated



### Non-consolidated



# Initiative(1)

## Purchase from Individual Customers

Strengthened purchases through *LINE De Satei* and  
“Purchase Promotion Campaign”

Amount of purchase from individual customers	FY2015 (‘14.4-’15.3)	FY2016 (‘15.4-’16.3)	<b>FY2017</b> (‘16.4-’17.3)	<b>Change</b>	<b>YoY</b>
Purchasing Center	16,596	17,537	<b>15,927</b>	$\Delta 1,609$	<b>90.8%</b>
Home delivery Purchasing	841	887	<b>789</b>	$\Delta 97$	<b>89.0%</b>
Total (Millions of yen)	17,438	18,425	<b>16,717</b>	$\Delta 1,707$	<b>90.7%</b>

### 【 LINE De Satei 】

started evaluating brand-name products in June 2016



### 【Purchase Promotion Campaign】

Rolled out a campaign of increasing purchase prices for brands and items of the month

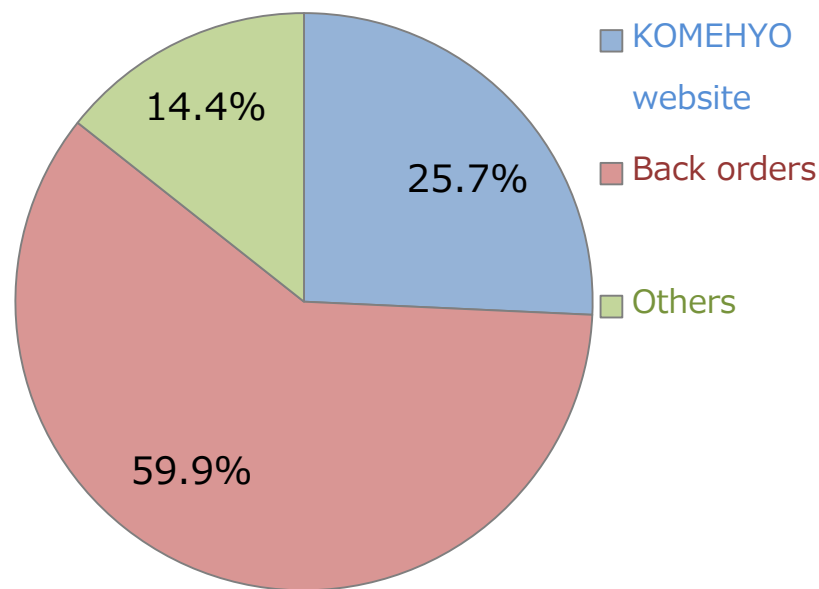


## Initiative(2) Online Sales

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

FY2017	Net sales (Millions of yen)	Net sales YoY	No. of products sold YoY
All online stores	6,147	97.4%	103.3%

【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(3) Member's Card

Integrated management of customer information,  
covering physical and online stores

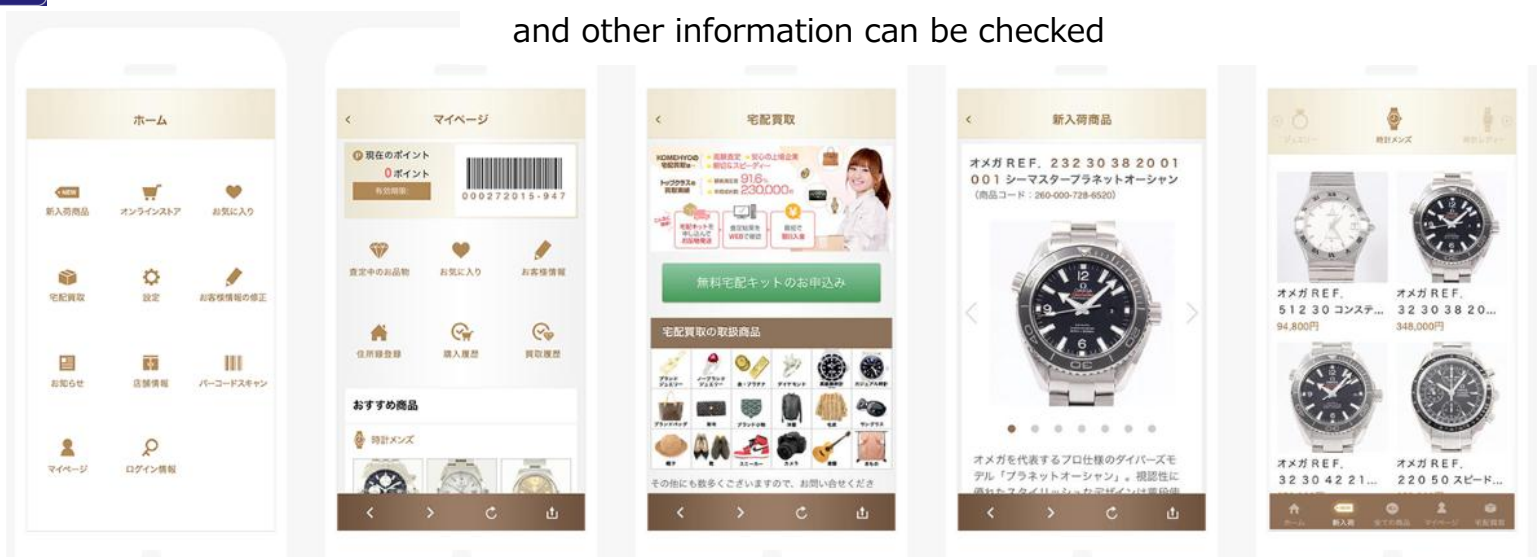
Card members(FY2017)	No.	YoY
Total members	689,000	114.5%



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(4) 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 2017	180 persons	138 persons	318 Persons
YoY Change	+ 4 persons	+ 28 persons	+ 32 persons



Training program for non-standard products

Promotion of women in the workplace: Holding meetings between outside directors (female) and female employees

## Female MG meeting

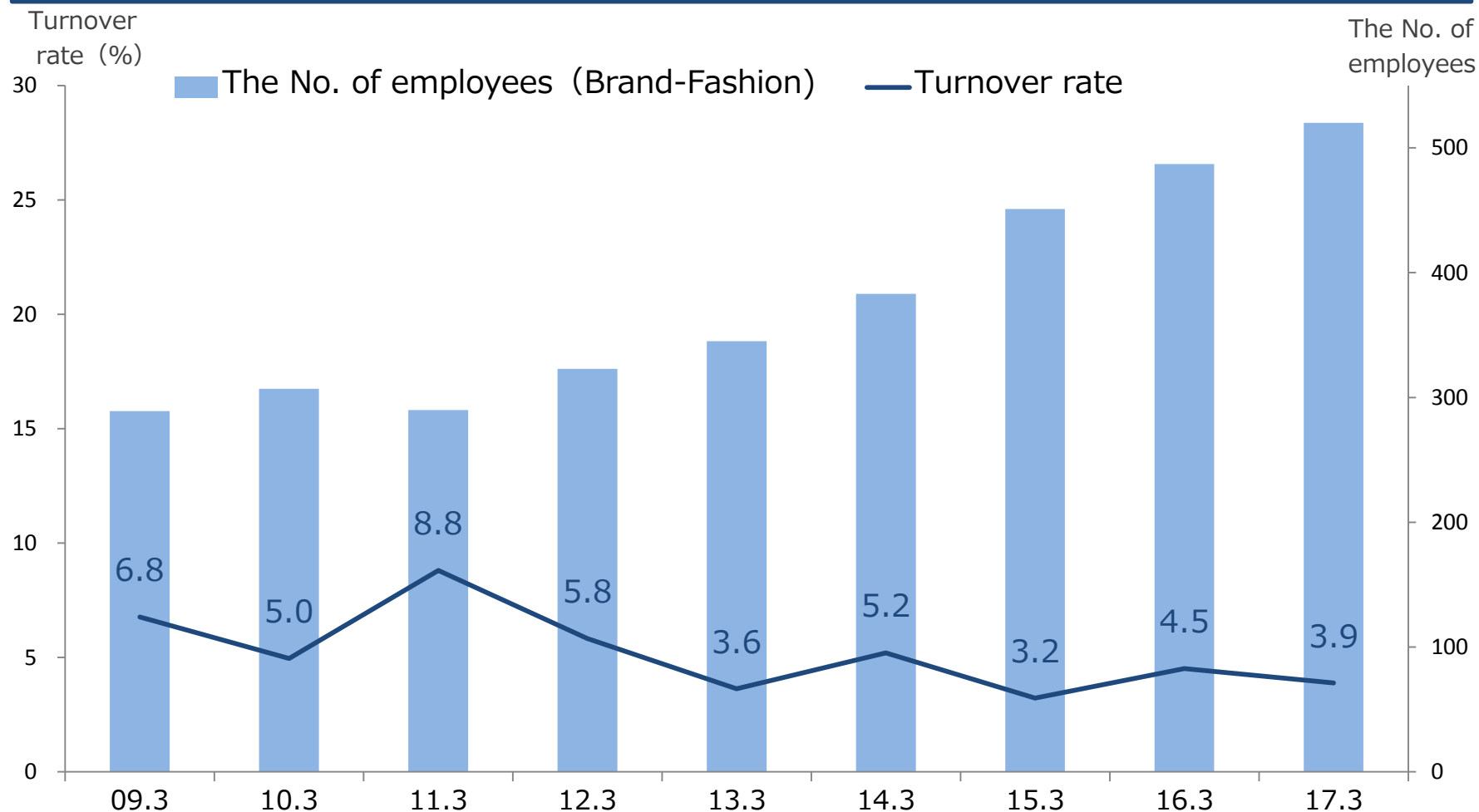
Schedule	Three times enforcement (Dec 2016~Jan 2017)
Theme	<ul style="list-style-type: none"> <li>• Workplace where women feel welcome and comfortable</li> <li>• Workplace where women do not feel welcome and comfortable</li> <li>• If I were a manager, I would implement these changes to make the company a place where everyone wants to continue working.</li> <li>• Survey on promotion, etc.</li> </ul>
Participant	Female employees above manager level



# Initiative(3)

## Talented person fixation degree

Staff turnover remained low, improving the stability of the work force



# Subsidiary(1)KOMEHYO Auction

Sales to secondhand dealers in Japan

	Frequency	Trade volume (FY2017)	YoY	No. of member companies
Jewelry, Watches, Bags	Monthly 3 days	JPY 15,200 million	84.6%	740
Clothing	Monthly 1 day	JPY 310 million	93.4%	



State of the auction

# Subsidiary(2)KOMEHYO HONG KONG

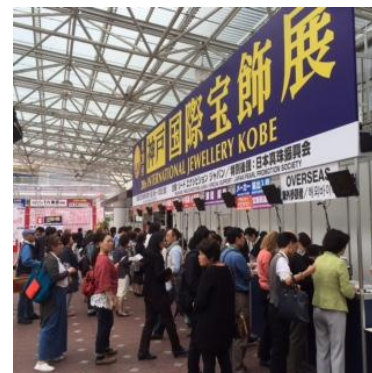
Sales to secondhand dealers abroad

FY2016	Net sales
KOMEHYO HONG KONG LIMITED	approx. JPY 900 million



N J K P auctions

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



Jewelry show

# Subsidiary(3) Tire and Wheel

Sale of tires, wheels, and vehicle parts

FY2017	Net sales (Millions of yen)	Composition	YoY
Tires/wheels	3,954	85.1%	97.3%
Parts (incl. labor charge)	691	14.9%	120.4%
Segment total	4,645	100.0%	100.1%



【Original wheel】

↑ AXEL VERSU

↓ AXEL GRELL

【Original wheel wearing example】



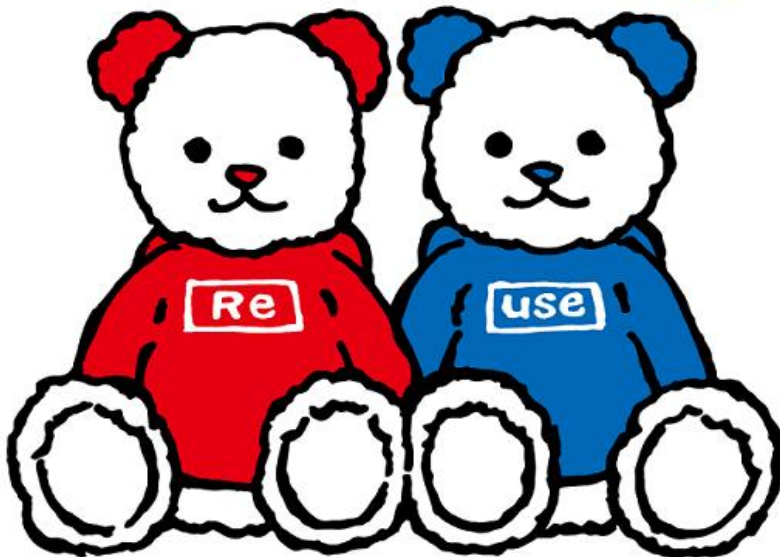


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# FY2018 plan

KOMEHYO Co., Ltd. will celebrate its 70th anniversary in FY2018

70<sup>th</sup>  
Anniversary



## 【 70th Anniversary Bear】

Produced in commemoration of the 70th anniversary with the aim of continuing to be a company that is trusted by customers

Will appear in various media and at sales floors as a guide during the anniversary year

# FY2018 plan

Increased profit and revenue are forecasted on both consolidated and non-consolidated bases

Consolidated (Millions of yen)	FY2018 1H plan	YoY	FY2018 plan	YoY
Net sales	19,400	102.3%	42,800	<b>106.6%</b>
Operating income	80	—	1,230	<b>147.8%</b>
Ordinary income	80	—	1,230	<b>150.8%</b>
Net income attributable to owners of parent	50	—	750	<b>210.8%</b>

Non-consolidated (Millions of yen)	FY2017 1H plan	YoY	FY2017 plan	YoY
Net sales	17,300	102.4%	37,400	<b>107.2%</b>
Operating income	20	—	840	<b>167.0%</b>
Operating income	130	—	950	<b>193.8%</b>
Net income	80	—	580	<b>393.6%</b>



# Growth Scenario

Take the challenge into C2C channels and other areas,  
while solidifying core businesses

Reuse market size of the wide sense 2,059 billion yen

Reuse market size 1.6 trillion yen

Supplier business • Export

Store-based sales

Online sales

B to B

B to C

C to C

• Challenge to  
CtoC channel  
**The autumn of '17  
「App」 start**

- Brand reuse No.1
- To the global market
- Cost shrinkage

- Synergy of WEB  
and the real store
- Introduction of  
new products

B to C

Others

# Issues in Core Businesses

## ① Successful opening of large stores

- Enhancement of customer management
  - Acquisition of new customers
  - Expansion of existing customers
- Introduction of new products
- Enhancement of online backorders



## ② Increasing profitability

- Improvement of gross margin
- Enhancement of inventory controls
  - Long-term inventories, low-yield inventories
- Enhancement of cost controls
- Enhancement of purchases from individual customers



## ③ Optimization of individual stores

- Increasing profitability of each store
- Enhancement of major products
- Enhancement of trade-in and purchase guarantees



# New store(1)KOMEHYO Umeda store



“価値あるモノに囲まれたプレミアムな空間”をコンセプトにした  
西日本最大級の店舗が大阪・梅田にオープン!  
これまであまり取扱いのなかった衣料品や万年筆なども加え  
約7,000点の豊富な品揃えで皆様をお待ちいたしております。



**1F  
Lobby**

宝石、時計、バッグ



**2F  
Room**

バッグ、衣料品



**3F  
Salon**

買取



# New store(2) KOMEHYO Shinjyuku store ANNEX

ビル丸ごと  
メンズアイテム。

KOMEHYO  
SHINJUKU  
ANNEX  
OPEN  
5.19 11:00

総数5,000点。

メンズアイテム5,000点!  
新宿店7・8Fから移転OPEN!

4F

Men's Shoes

シューズのみ扱うメンズシューズフロア。  
スニーカーからドレスシューズまで揃います。  
取扱ブランド/ JOHN LOBB, EDWARD GREEN, Berluti,  
ALDEN, Danner, RED WING, new balance, NIKE, adidas



3F

Men's Import Brand

インポートハイブランドを中心に扱うアパレルフロア。  
取扱ブランド/ HERMES, LOUIS VUITTON, MONCLER, GUCCI,  
GIVENCHY, SAINT LAURENT, DOLCE & GABBANA, Dsquared2



2F

Men's Casual

トレンドのカジュアルブランドが揃うアパレルフロア。  
取扱ブランド/ Supreme, STUSSY, PATAGONIA,  
THE NORTH FACE, GARCONS, RALPH LAUREN, LEE, LEVI'S



1F

Trend・Brand Bag

バッグ、アイウェア、アクセサリ、コスメを扱う  
トレンドアイテムフロア。

B1F

Men's Business

オーダースーツ、時計、筆記用具を扱うビジネスフロア。  
取扱ブランド/ ROLEX, OMEGA, MONTBLANC, BOGLIOLI,  
LARDINI, INCOTEX, PT01, Finamore



ACCESS

■KOMEHYO新宿店から…  
「伊勢丹」北側の通りを  
「新宿駅」方面へ徒歩3分

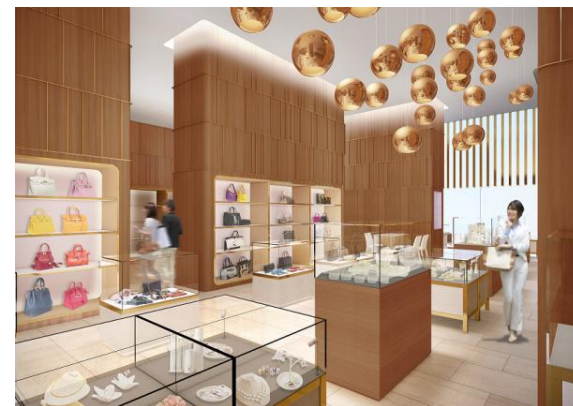
■新宿駅から…  
B9出口から徒歩1分

# New store(3)KOMEHYO Meieki store



KOMEHYO 名駅店

5.27SAT Grand Open





# Renewal store UM Inazawa store

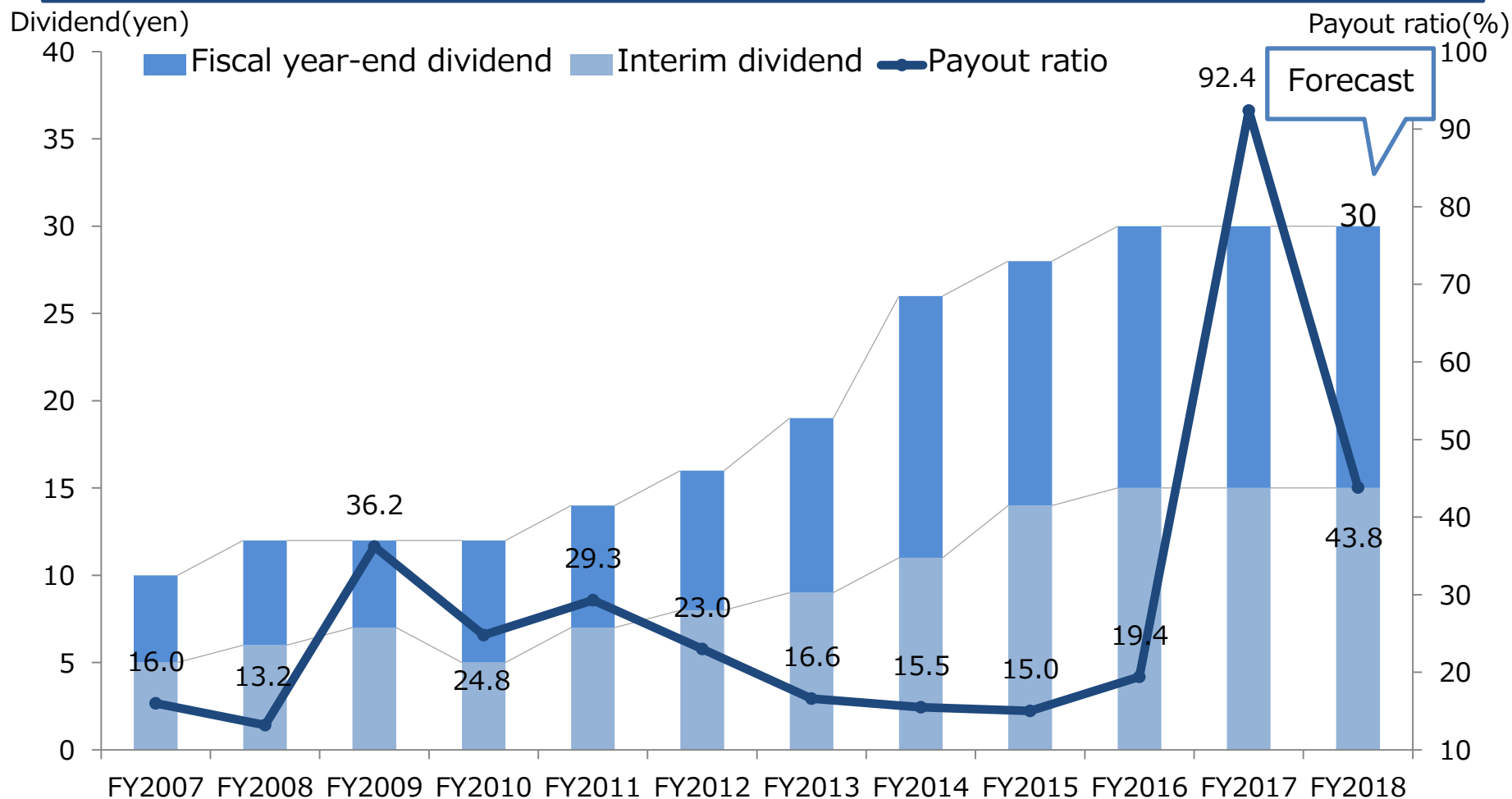
## 17.4 Establishment of Purchasing Center

—Enhancement of purchases from individual customers



# Shareholder return

## Dividend changes



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# Medium-term Basic Targets (Consolidated)

Solid recovery of business performance by increasing profitability

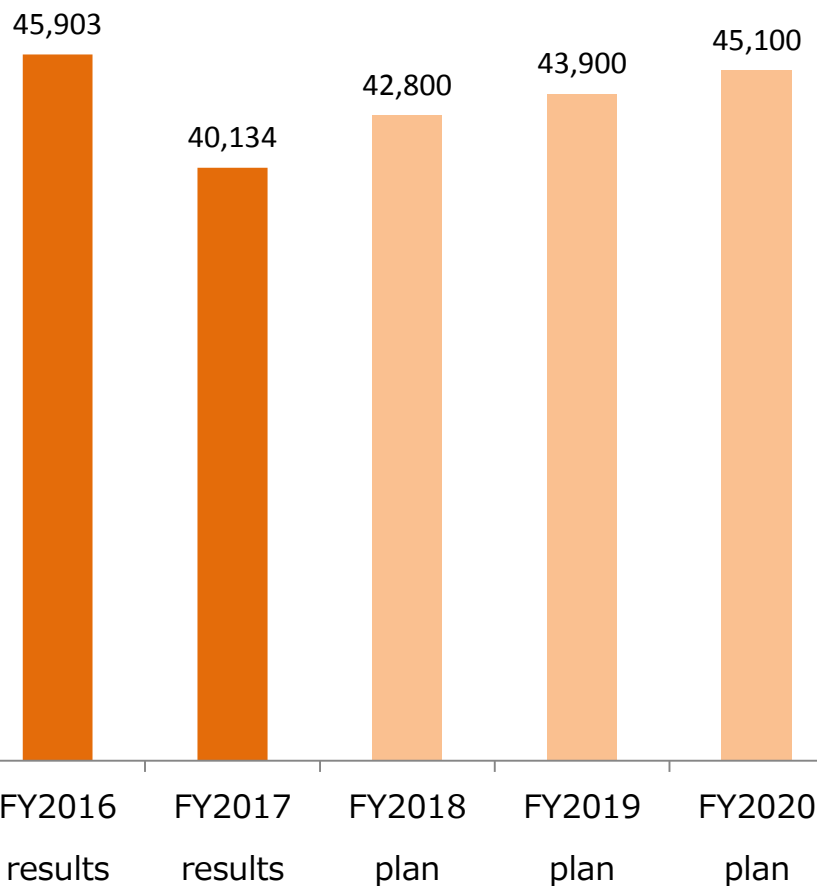
Consolidated		FY2018 (‘17.4-‘18.3)	FY2019 (‘18.4-‘19.3)	FY2020 (‘19.4-‘20.3)
Net sales		JPY42.8B	JPY43.9B	JPY45.1B
Operating income		JPY1.23B	JPY1.58B	JPY1.91B
Operating margin		2.9%	3.6%	4.2%
Store openings		4 stores	2 stores	2 stores
Store type	KOMEHYO Sale store (Purchasing Center juxtaposition)	2 stores	—	—
	KOMEHYO Purchasing Center	2 stores	2 stores	2 stores

# Net Sales Plan

Generate JPY45 billion and JPY39 billion on a consolidated and non-consolidated basis respectively in the fiscal year ending March 31, 2020

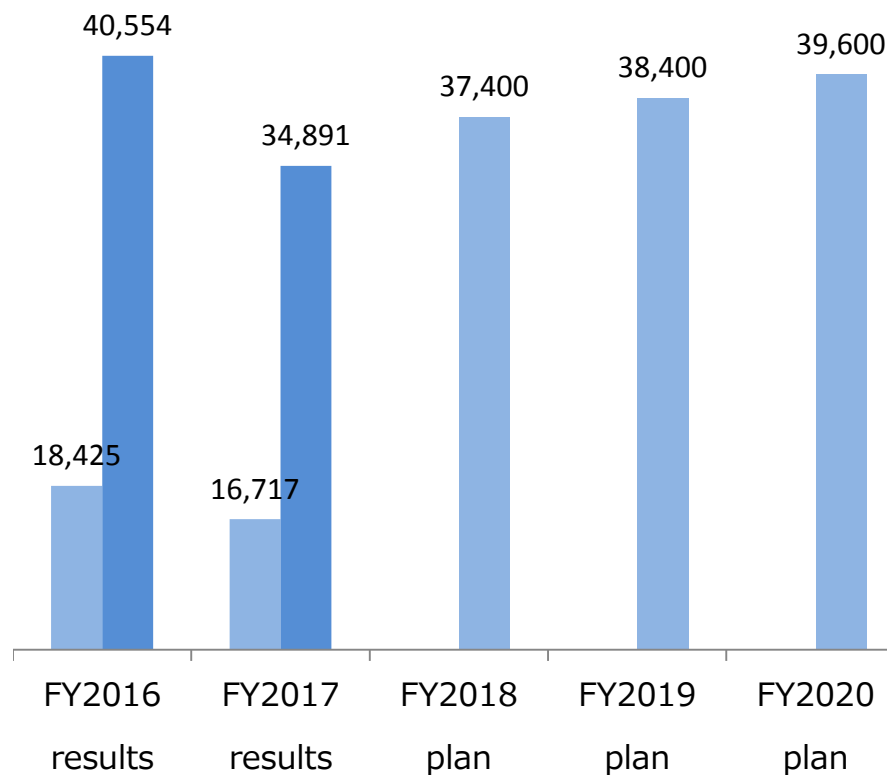
## Consolidated

Net sales (Millions of yen)



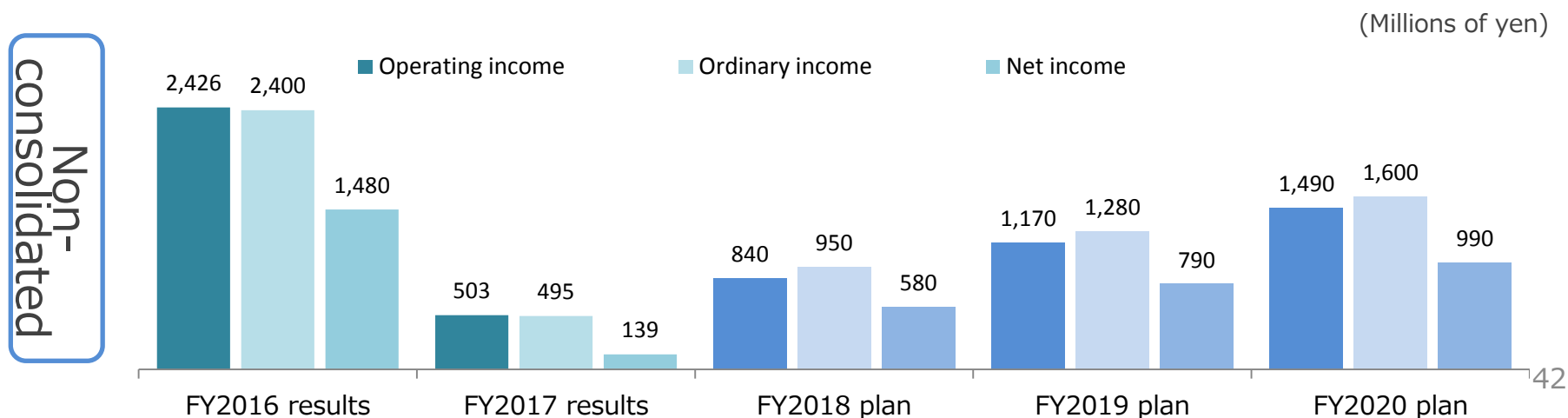
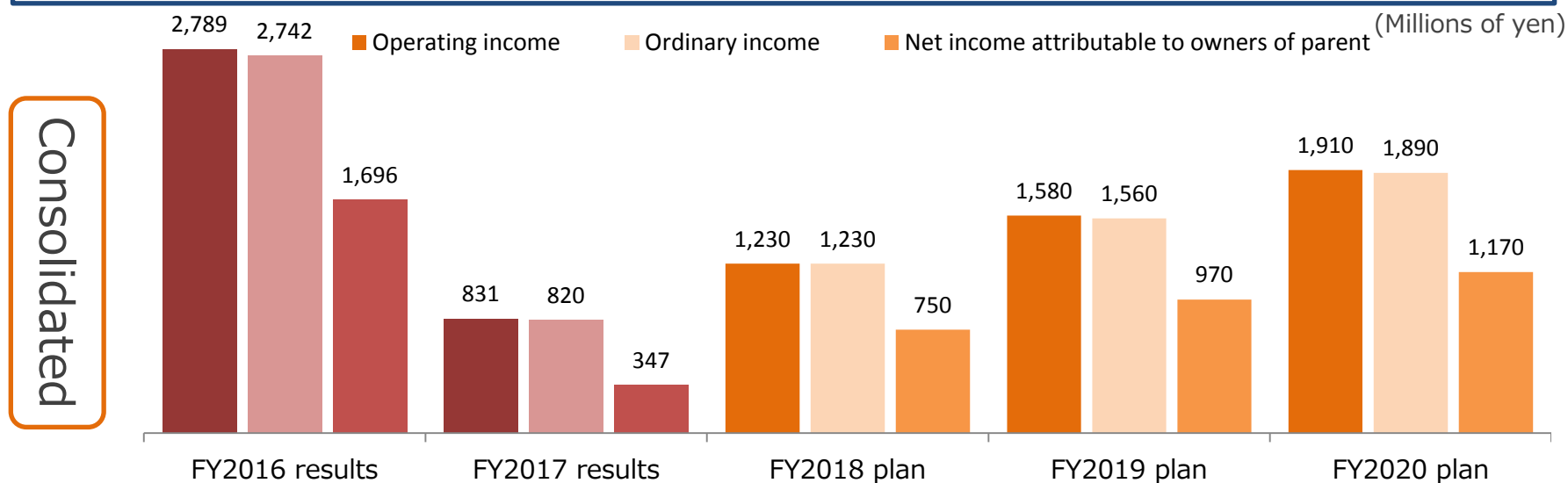
## Non-Consolidated

Purchases by individual customers  
Net sales (Millions of yen)



# Profit Plan

Achieve sustainable profit growth by increasing net sales



1 . Overview of Financial Results for the Fiscal Year Ending March 31, 2017	P.02
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4 . Medium-term Management Plan	P.39
5 . Reference Information (Company Profile, etc.)	P.43

# 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: 614, Non-consolidated:509(As of March 2017)
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)
Management philosophy	<p>We help customers build affluent lives.</p> <p>We create a fair, positive, and rewarding workplace.</p> <p>We develop human resources who respond to changes and continue to challenge themselves.</p> <p>We aim to achieve continued growth and development by contributing to society with honesty and trust.</p>

# 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

2017

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

- Opened LINK SMILE under a new store format

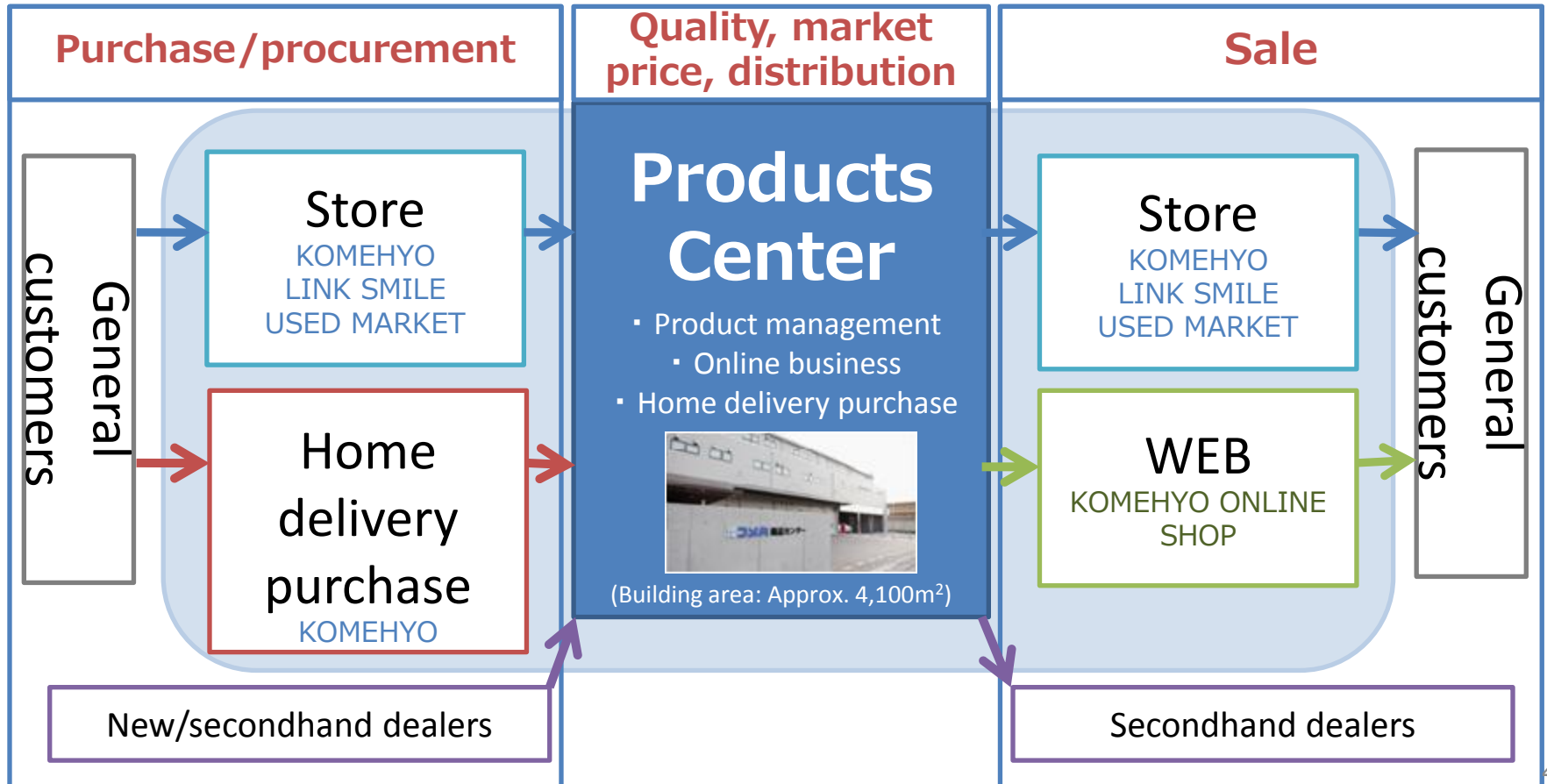
- Opened Ginza Store

- Opened KOMEHYO Umeda Store, Shinjuku Store ANNEX, Meiki Store

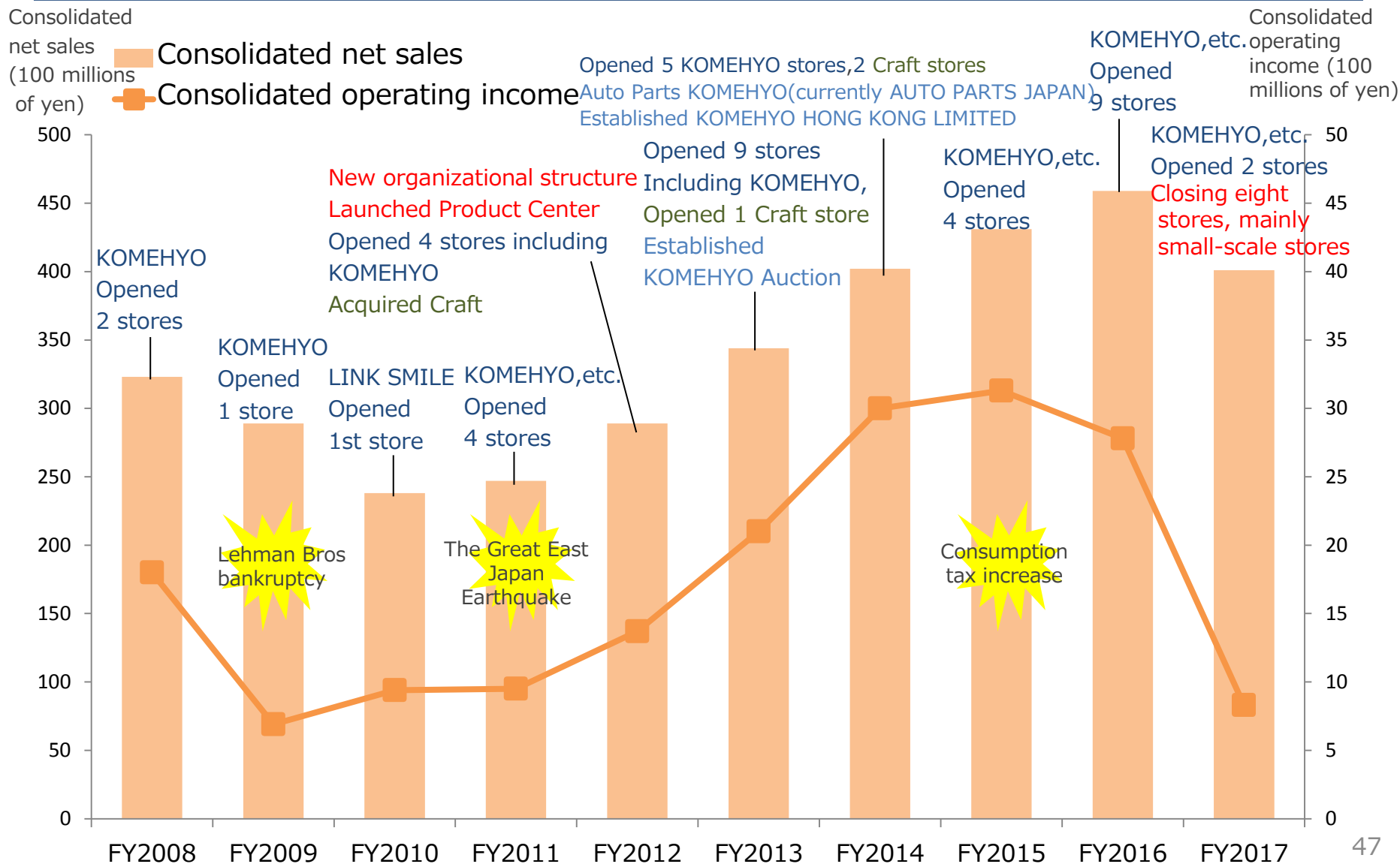
# KOMEHYO Business Model

## 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



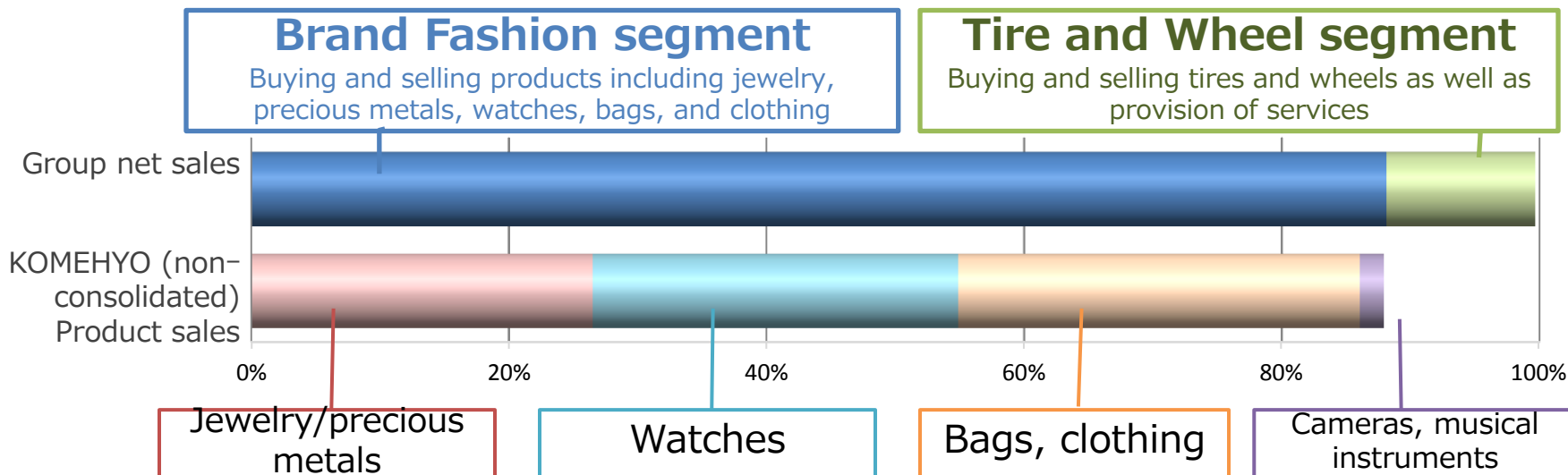
# Business results for the past decade





# Group Status

【Sales composition (cumulative FY2017 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

27

Stores  
(as of  
March  
2017)

# KOMEHYO



## Large-scale

**Nagoya Store,  
Shinjuku Store,  
Ginza Store, Umeda Store**

**Store size** 300~ *tsubo*

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

Jewelry, precious metals,  
watches, bags,  
clothing, etc.

4 stores

## Mid-scale

Opening stores in large  
major cities

**Store size**

Approx. 100-200 *tsubo*

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

Jewelry, precious metals,  
watches, bags,  
clothing

3 stores

## Small-scale

Opening stores in major  
cities

**Store size**

Approx. 20-30 *tsubo*

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

Jewelry, precious metals,  
watches, bags,  
Strengthening  
backorder

13 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 ※



5  
Stores  
(as of  
March  
2017)



**Main products (sales/purchase):** Ladies casual clothing, bags, accessories  
Operating 5 stores in Aichi

(※Some stores only as for the sale)

# Store Type (3)

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

## USED MARKET by KOMEHYO

3  
stores  
(as of  
March  
2017)



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

(※Some stores only as for the sale)