KOMEHYO

Earnings Results Briefing for the Fiscal Year Ended March 31, 2018

May15, 2018

KOMEHYO Co., Ltd.
Securities code: 2780
(Second Section, Tokyo and Nagoya Stock Exchanges)
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INDEX

1. Overview of Financial Results for the Fiscal Year Ended March 31, 2018	P.02
2. Business status	P.11
3. Plan for the Fiscal Year Ending March 31, 2019	P.27
4. Medium-term Management Plan	P.32
5. Reference Information (Company Profile, etc.)	P.36

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.

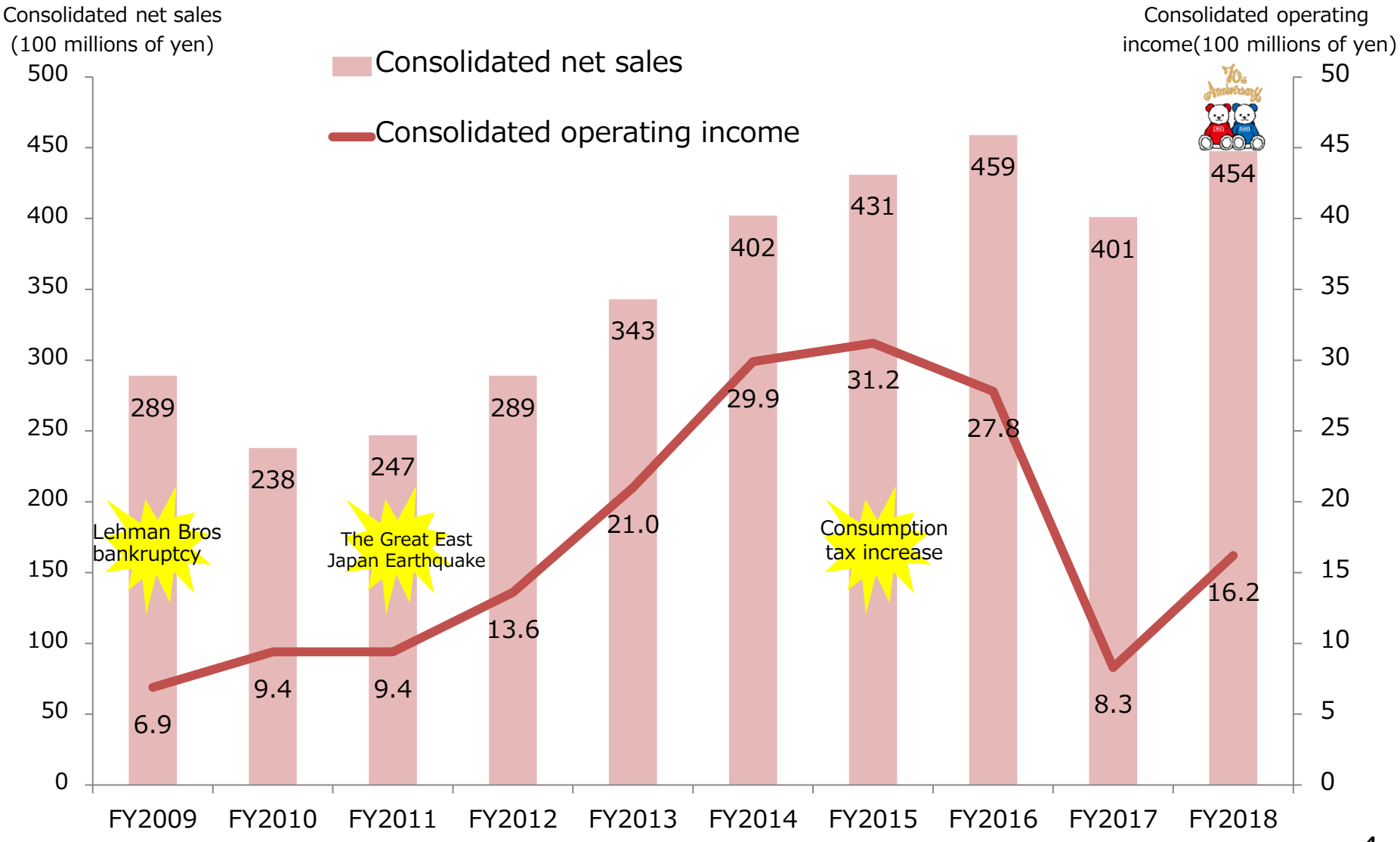
Overview of Income Statement

Consolidated (Millions of yen)	FY2016 ('15.4-'16.3)	FY2017 ('16.4-'17.3)	FY2018 ('17.4-'18.3)	Change	YoY
Net sales	45,903	40,134	45,497	+5,363	113.4%
Gross profit	13,061	11,144	12,968	+1,824	116.4%
Gross profit margin	28.5%	27.8%	28.5%	+0.7pt	–
SG&A expenses	10,271	10,312	11,342	+1,030	110.0%
Operating income	2,789	832	1,625	+793	195.3%
Ordinary income	2,742	815	1,610	+795	197.5%
Net income attributable to owners of parent	1,696	355	1,073	+718	301.8%

Overview of Income Statement

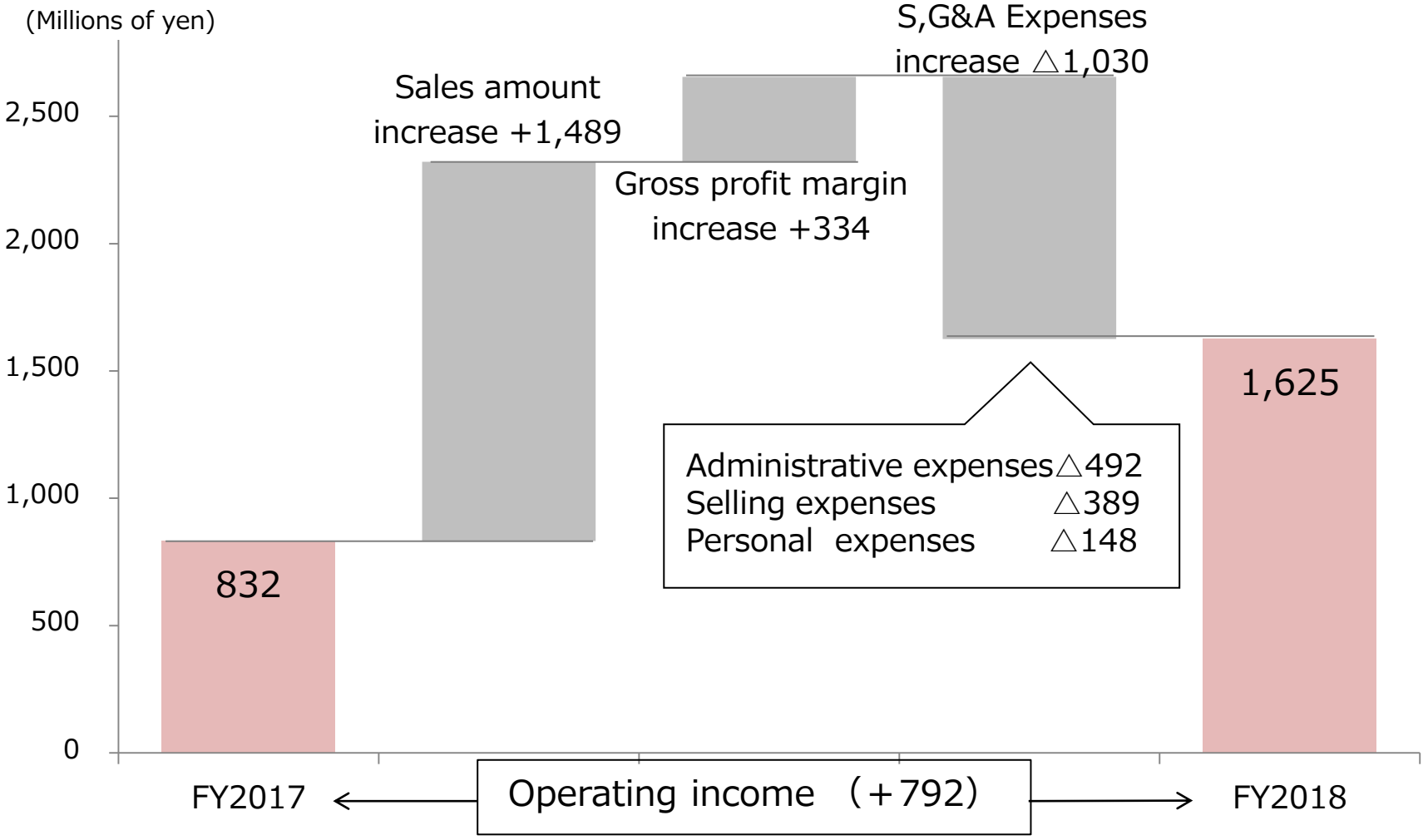
Non-consolidated (Millions of yen)	FY2016 ('15.4-'16.3)	FY2017 ('16.4-'17.3)	FY2018 ('17.4-'18.3)	Change	YoY
Net sales	40,554	34,891	39,682	+4,790	113.7%
Gross profit	11,090	9,339	10,869	+1,530	116.4%
Gross profit margin	27.3%	26.8%	27.4%	+0.6pt	–
SG&A expenses	8,664	8,836	9,716	+879	110.0%
Operating income	2,426	502	1,153	+650	229.3%
Ordinary income	2,400	490	1,256	+766	256.5%
Net income	1,480	147	895	+748	607.9%

Business results for the past decade



Operating income increase and decrease factor（ Consolidated ）

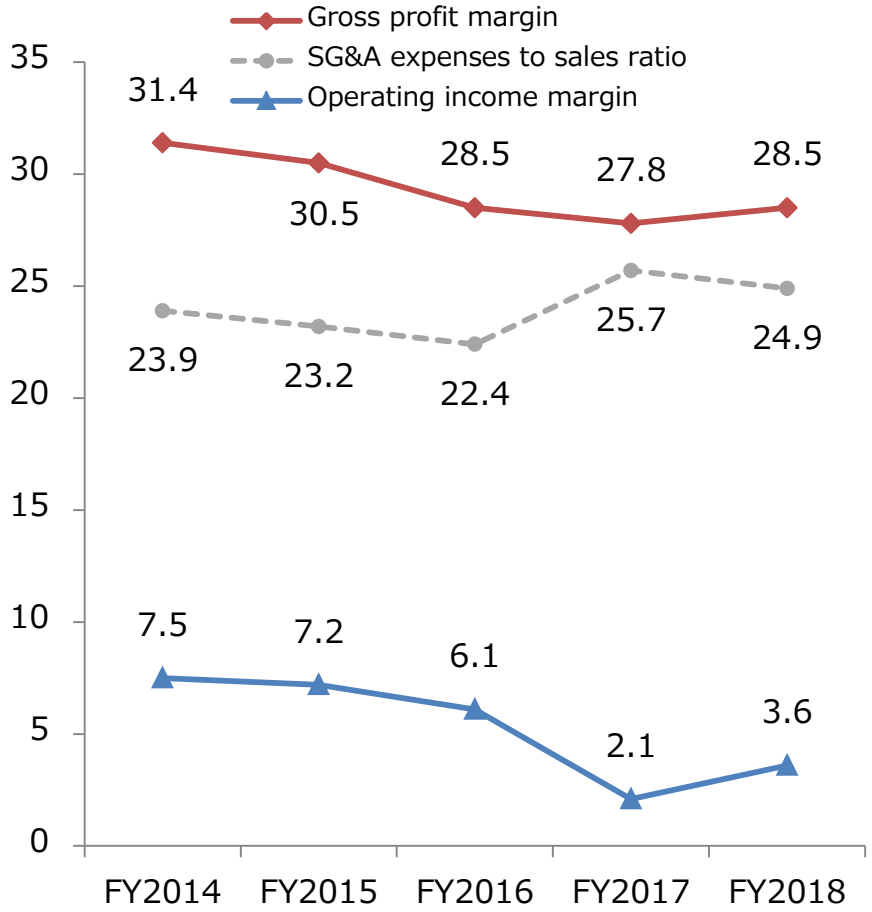
Operating income increased due to an increase in net sales and a 0.7 point increase in gross profit margin



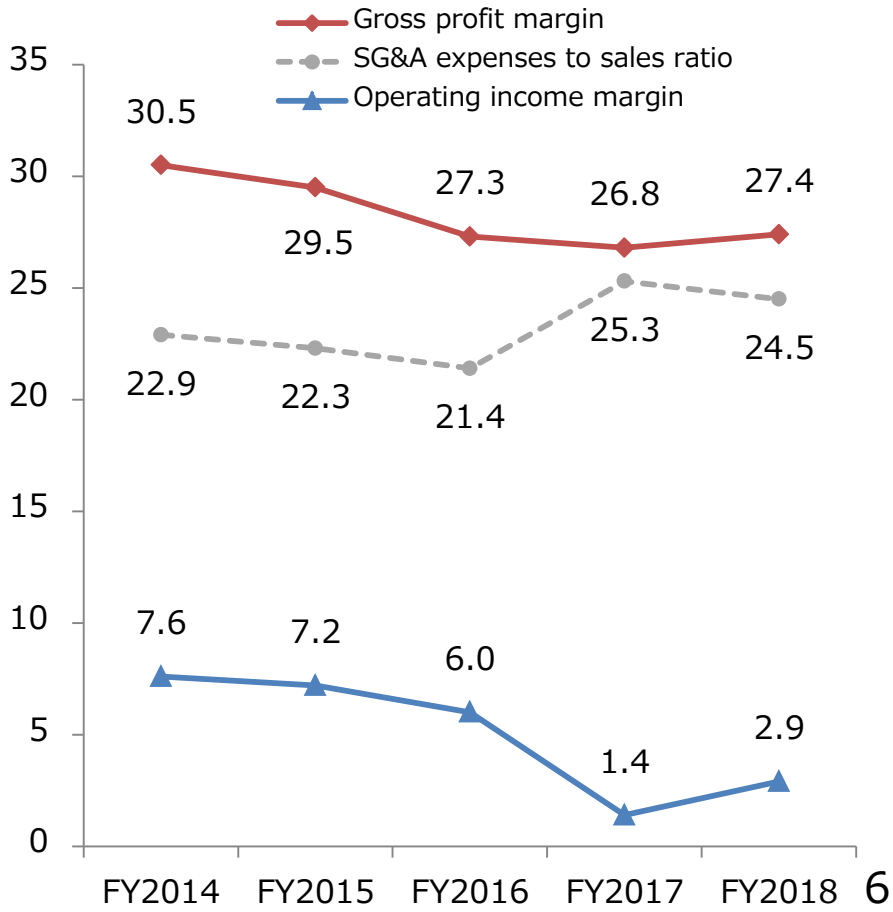
Profit Margin Trend

Operating margin rises due to an increase in net sales and an increase in gross profit margin

Consolidated



Non-consolidated

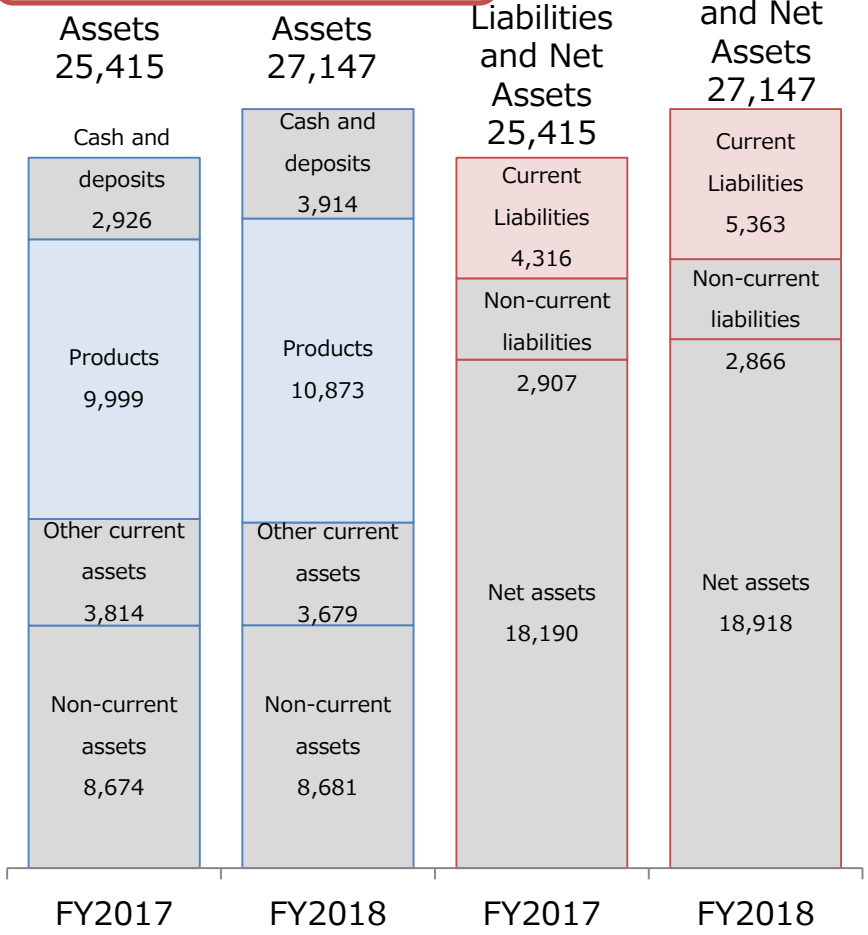


Overview of Balance Sheet

Increase in products owing to new opening of large stores and favorable conditions concerning purchases of used goods from customers

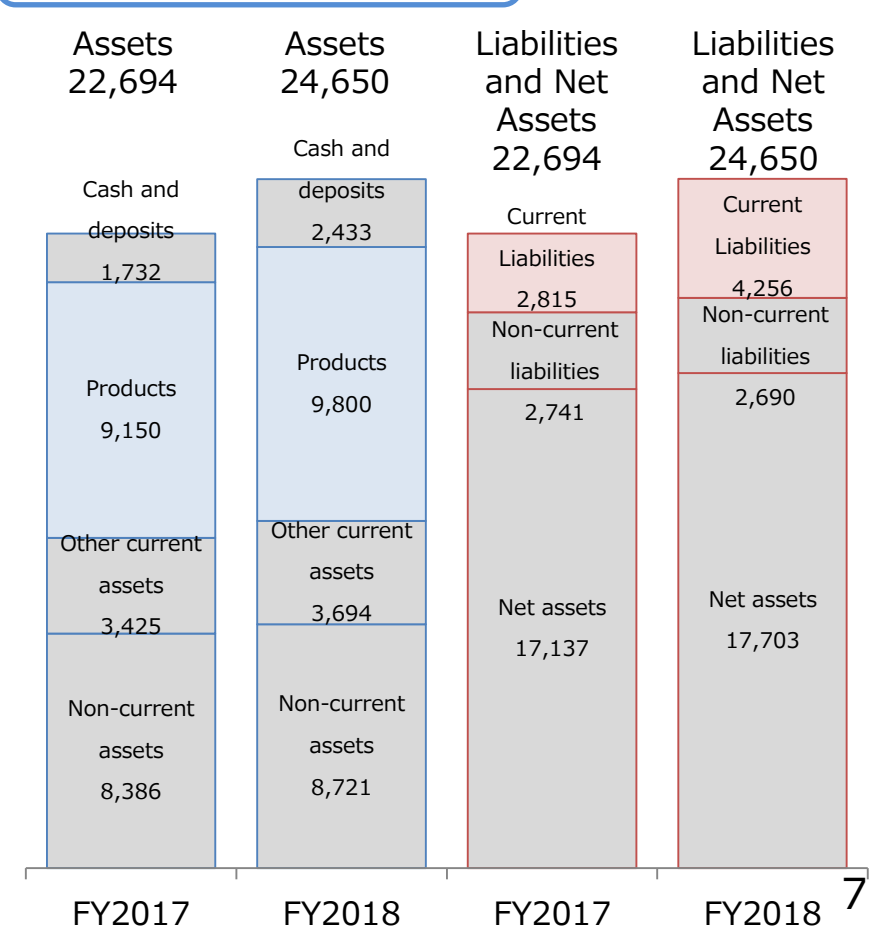
Consolidated

(Millions of yen)



Non-consolidated

(Millions of yen)

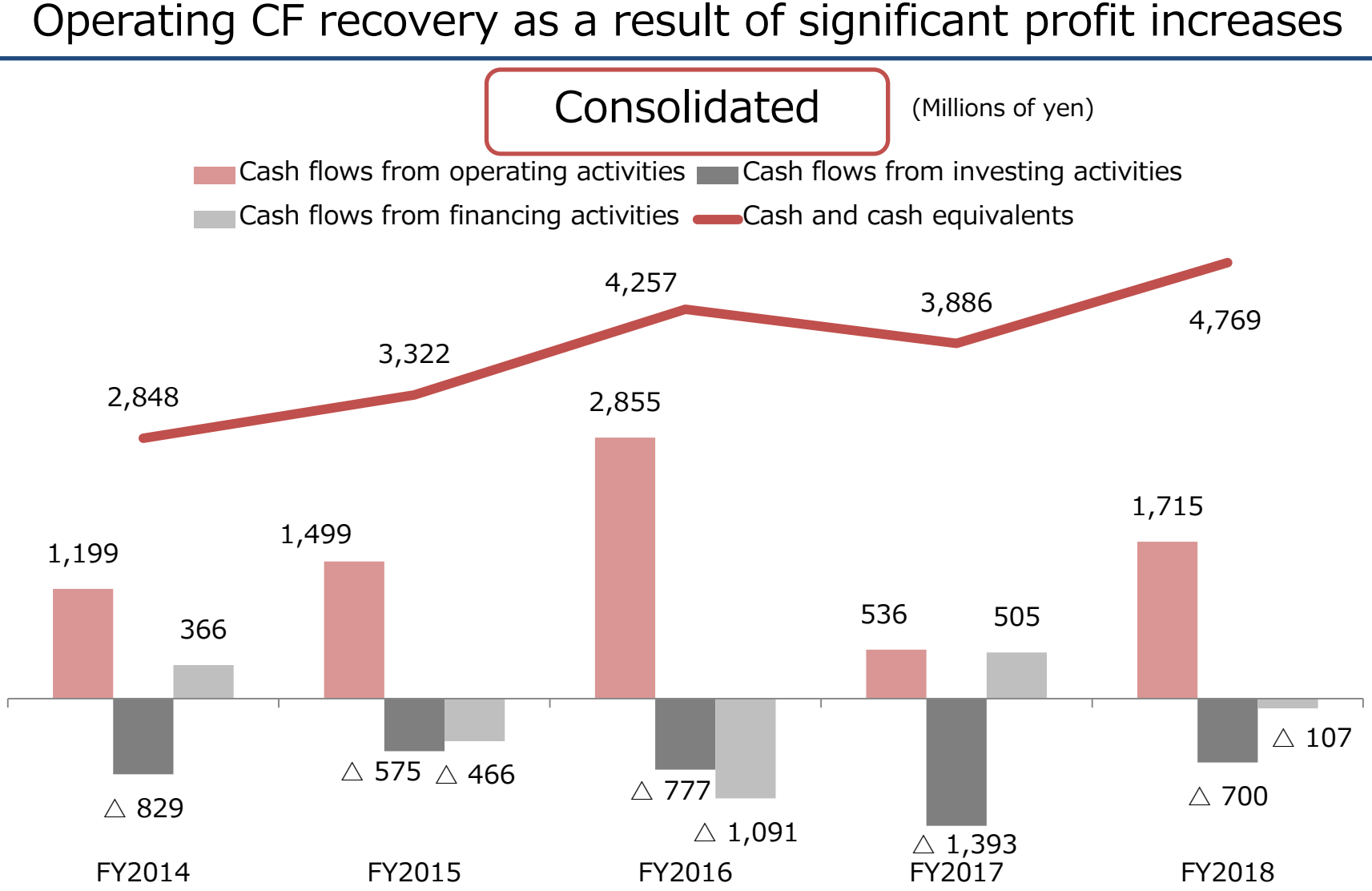


Statement of Cash Flows

Operating CF recovery as a result of significant profit increases

Consolidated

(Millions of yen)



By Segment

Mainstay brand fashion business:
significant increases in income and profit

	(Millions of yen)	FY2016	FY2017	FY2018	Change	YoY
Brand Fashion	Net sales	41,175	35,396	40,618	+5,221	114.8%
	Operating income	2,611	692	1,476	+784	213.2%
	Operating margin	6.3%	2.0%	3.6%	+1.6pt	–
Tire and Wheel	Net sales	4,640	4,645	4,787	+141	103.1%
	Operating income	155	113	95	△18	83.8%
	Operating margin	3.3%	2.4%	2.0%	△0.4pt	–
Others	Net sales	132	137	146	+8	106.5%
	Operating income	22	26	53	+27	203.2%
	Operating margin	17.2%	19.2%	36.6%	+17.4pt	–

KOME HYO

1. Overview of Financial Results for the Fiscal Year Ended March 31, 2018	P.02
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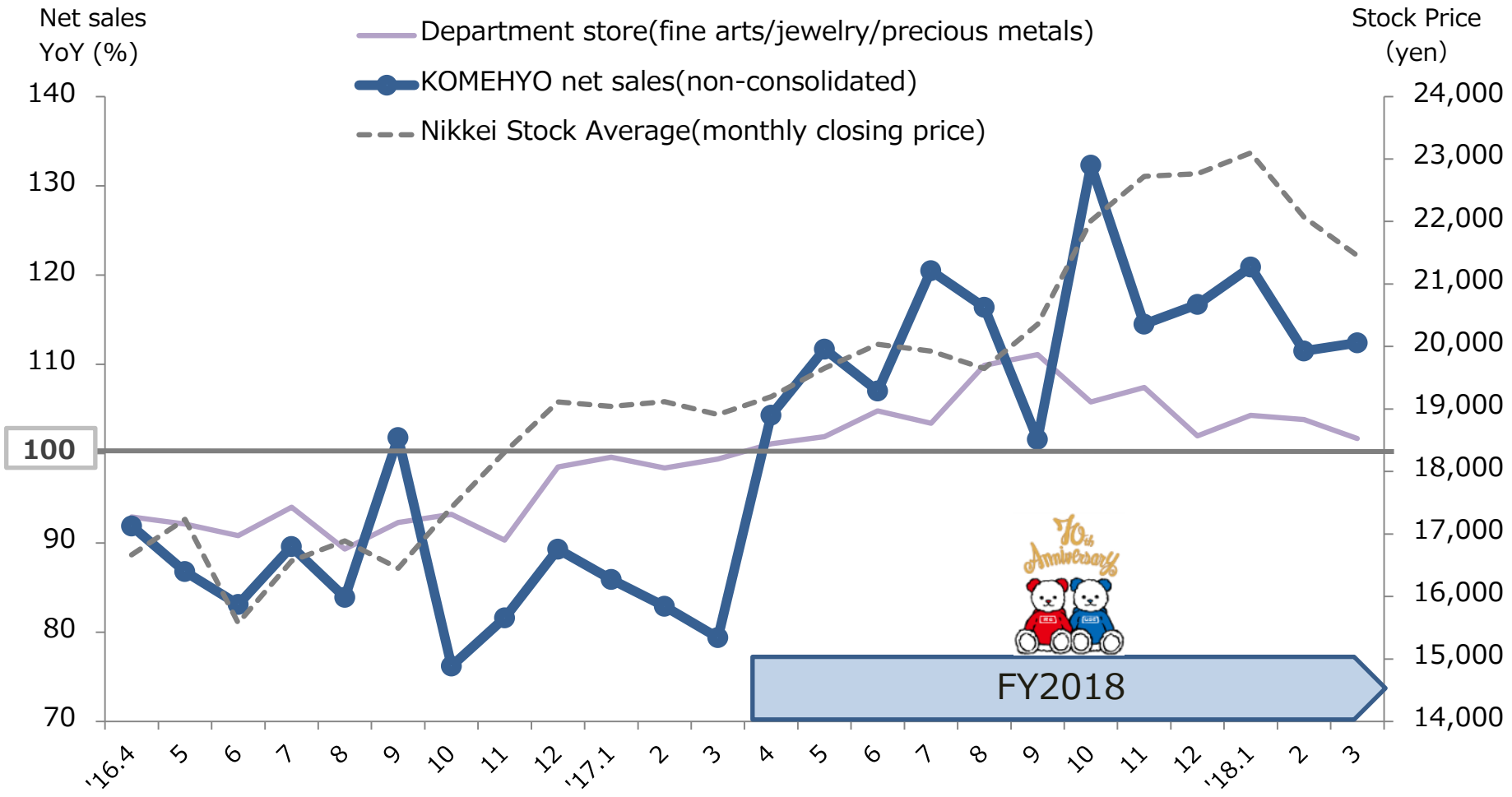
Economic Trend

The economic environment remains on a moderate recovery path



(Source : JAPAN DEPARTMENT STORES ASSOCIATION website)

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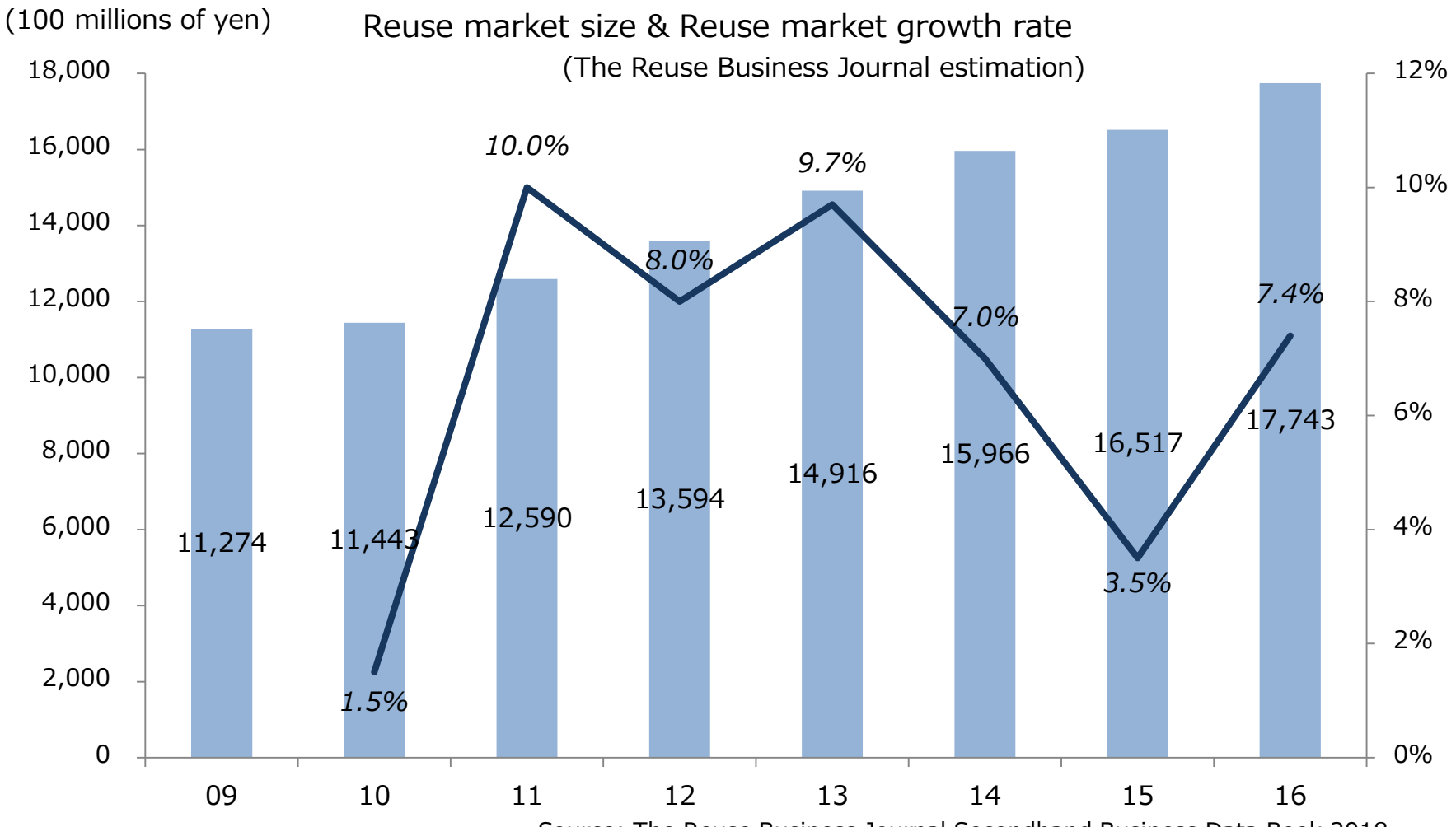
Reuse market growth rate

The reuse market continues to grow each year



Source: The Reuse Business Journal Secondhand Business Data Book 2018

Reuse market size

C-to-C internet sales driving market growth

Reuse market size('16) 1.7 trillion yen (The Reuse Business Journal estimation)

(100 millions of yen)

Store-based sales	Online sales
B to C 9,315 (YoY98.5%)	C to C 5,093 (YoY126.1%)
	B to C 2,862 (YoY114.4%)
Others 473	

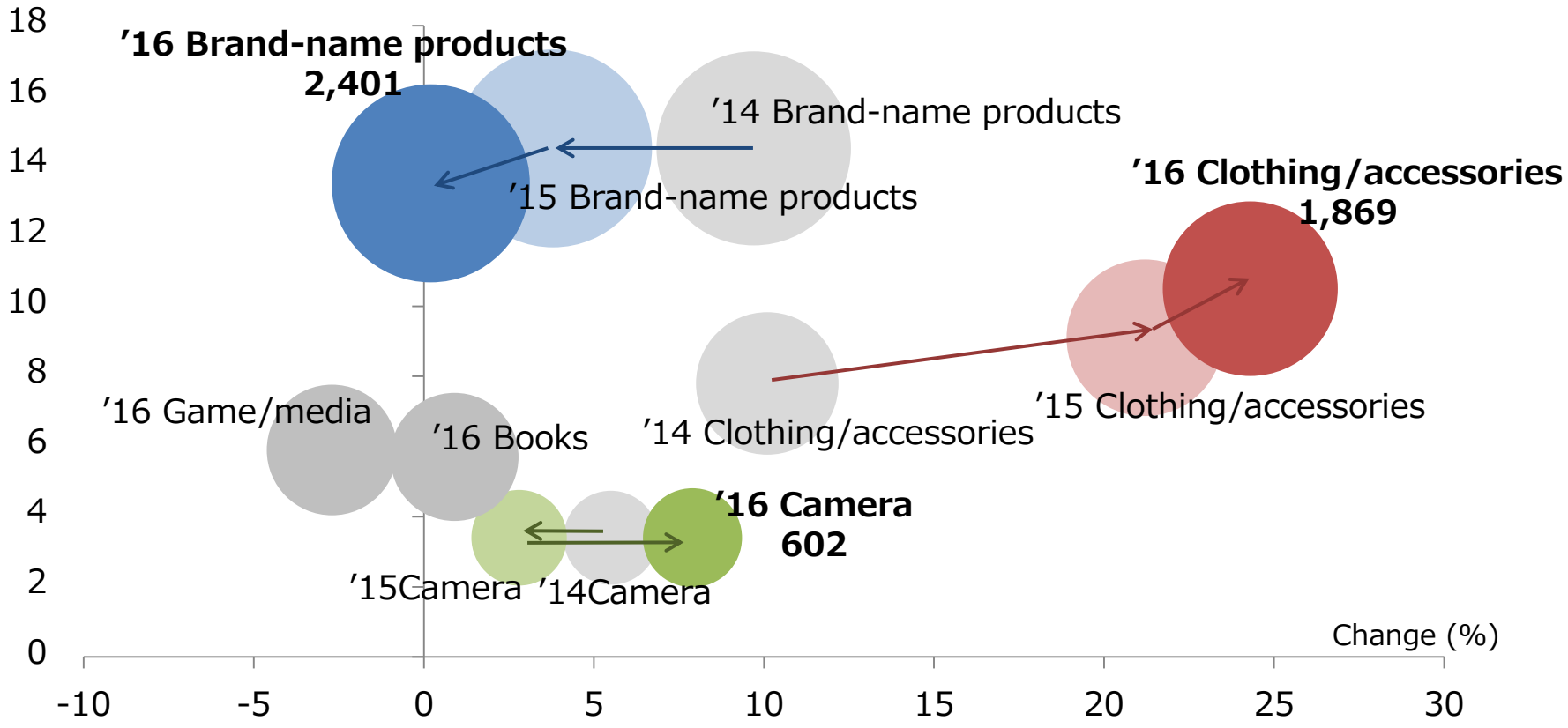
Source: The Reuse Business Journal Secondhand Business Data Book 2018

Reuse market according to the product

Scale of market for clothing and fashion goods
is expanding owing to flea market apps etc.

Market ratio(%)

Domestic retailreuse market size(FY2016) (100 millions of yen)

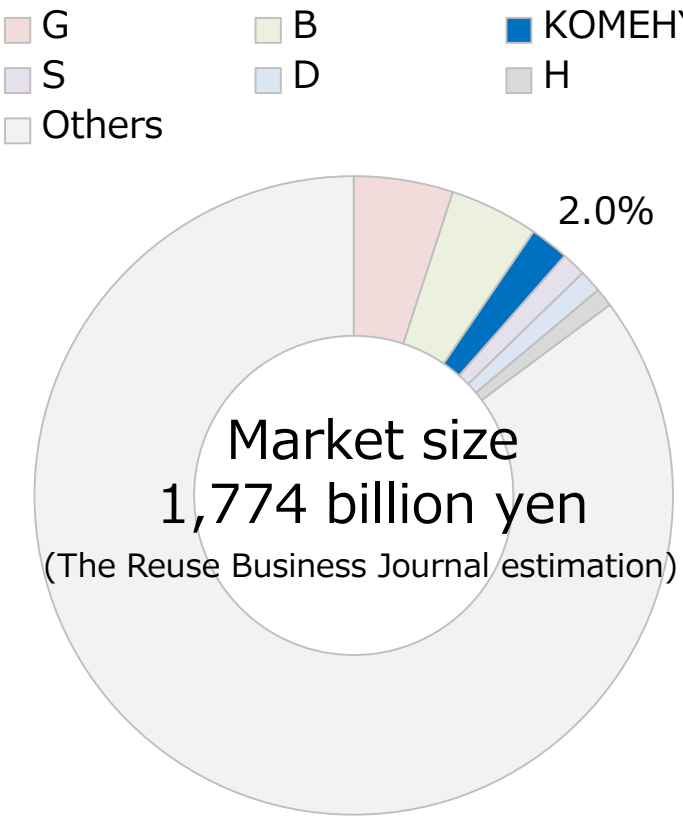


Source: The Reuse Business Journal Secondhand Business Data Book 2016,2017,2018

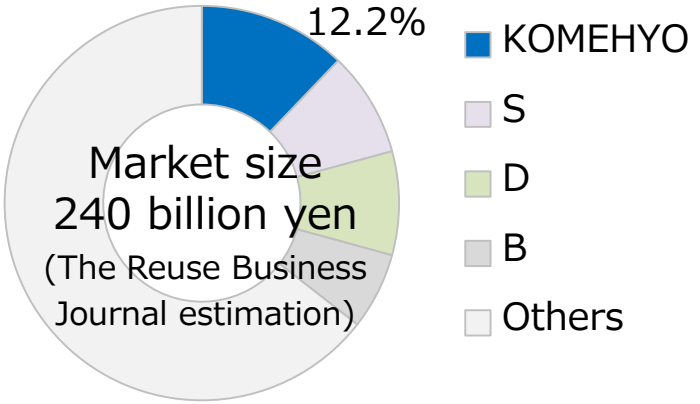
Ranking in the Secondhand industry

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

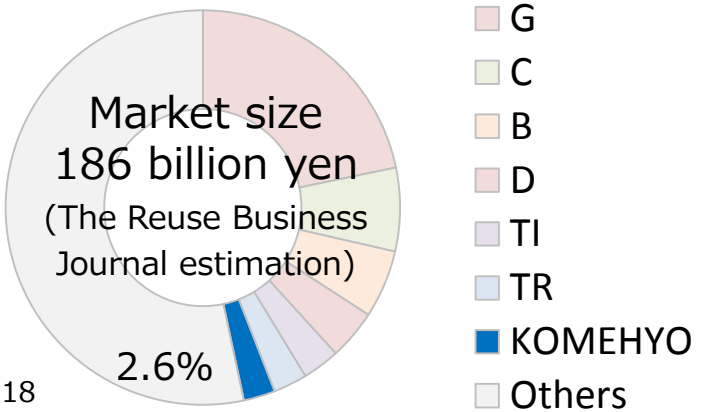
Secondhand sales amount(FY2016)



Brand-name products sales amount(FY2016)



Clothing/accessories sales amount(FY2016)



Source: The Reuse Business Journal Secondhand Business Data Book 2018

Initiative(1)
Successful opening of large stores

Opening of 3 large stores:business performance seeing solid shift

	Umeda store	Shinjyuku store ANNEX	Meieki store
Opening time	‘17.2	‘17.5	‘17.5
Location	Shibata2-2-1, Kita-ku,Osaka city OSAKA UK･GATE 1-3F	Shinjyuku3-19-7 Shinjyuku-ku Ranzan BLD B1-5F	Meieki4-8-24 Nakamura-ku Nagoya city MEI CLASSY BLD 1-2F
Results of 3stores	Net sales : approx. 4 billion yen、 Amount of purchase from individual customers : approx. 2 billion yen		





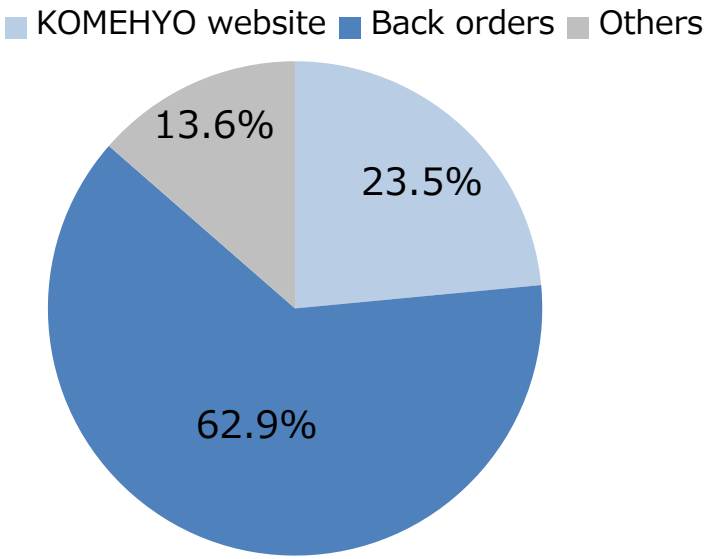


Initiative(2)
Enhancement of E-commerce-induced sales

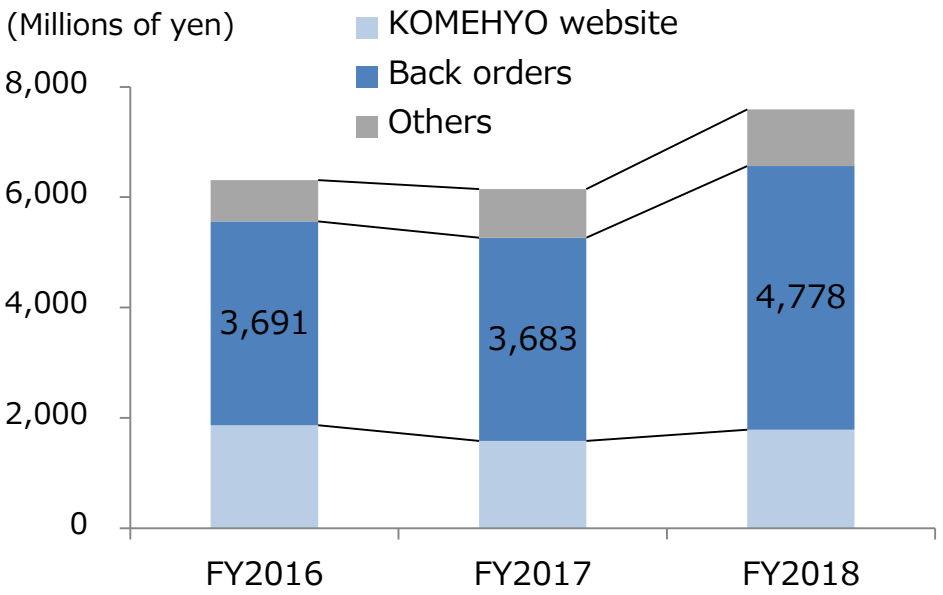
"Buy Online and Pick up in Store," connecting brick-and-mortar stores with e-commerce sites, is on an upward trend

(Millions of yen)	**FY2016** ('15.4-'16.3)	**FY2017** ('16.4-'17.3)	**FY2018** ('17.4-'18.3)	Net sales YoY	No. of products sold YoY
E-commerce-induced sales	6,309	6,147	7,594	123.5%	110.8%
E-commerce-induced sales rate	15.6%	17.6%	19.1%	–	–

【 Percentage of online sales by channel (FY2018)】



【Online sales trend by channel】



Initiative(3)
Enhancement of purchases from individual customers

Amounts in terms of purchases of used goods from individuals are highest ever owing to new store openings and various measures

Amount of purchase from individual customers	FY2016 (‘15.4-’16.3)	FY2017 (‘16.4-’17.3)	FY2018 (‘17.4-’18.3)	Change	YoY
Purchasing Center	17,537	15,927	18,009	+2,081	113.1%
Home delivery Purchasing	887	789	906	+117	114.9%
Total (Millions of yen)	18,425	16,717	18,916	+2,198	113.2%

【Enhancement of and purchase utilizing LINK SMILE etc.】

More convenient for customers by installing a jewelry purchase function in a suburban store

- USED MARKET Inazawa store(‘17.4)
- LINK SMILE Uedayama Store (‘17.7)
- LINK SMILE Kamakuradai store (’18.2)
- LINK SMILE kasugaikashihara store(’18.3)



Initiative(4)
Enhancement of customer management

Integrated management of customer information,
covering physical and online stores

Card members(FY2018)	No.	YoY
Total members	792,000	112.0%

【 Customer management 】

Management of visit history of card-holding members, including store visit dates, stores visited, products purchased, and amounts in terms of used goods purchased from them

Provision of information on events including sales alongside product shipment statuses via directly-mailed materials, telephone calls and so on



Initiative(5)
Talent Development

Systematically implemented by original curriculums
by a dedicated division

(in operation)	Total No. of buyers	Total No. of VMD masters（Internal qualification） and VMD instructors (National qualification)
FY ended March 2018	329persons	90persons
YoY Change	+11persons	+8persons

【Training program for non-standard products】





【 Training program for VMD 】

【 Training program for fostering the next generation】







※VMD : Stands for visual merchandising
(method where merchandising is conducted in a visual sense)

Initiative(6)
Challenge to The C-to-C Business

The C-to-C Business: Free market app "*KANTE*"

【Free market app "*KANTE*"】
Service started in November 2017
Free market app specializing in brand- name products
Providing purchasers with a sense of assurance through judgment of authenticity

Nurturing a healthy culture of reuse



April 2018
Acquisition of the Sharing Economy Trust Mark (first acquisition of the mark by a flea market app)

A mark issued by Sharing Economy Association Japan, which serves to officially certify a reliable service with a function as matching platform

Subsidiary(1) KOMEHYO Auction

Expand sales channels of used products, reinforce procurement and collect industry information

Business activities	Established Capital	Location
Planning, operation, management, etc. of auction for secondhand dealers	June 2012 JPY20million	Naka ward, Nagoya city

FY2018	Trade volume (Millions of yen)	YoY	No. of member companies
Jewelry/Watches /Bags	17,900	118.0%	830 ※90companies increased this term
Clothing	360	115.1%	



【State of the auction】

【Preview venue】



Subsidiary(2) KOMEHYO HONG KONG

Aiming for the development of sales channels overseas
and the expansion of business in China

Company name	Business activities	Established Capital	Location
KOMEHYO HONG KONG LIMITED	Buying and selling products including jewelry, precious metals, watches, and bags outside Japan	June 2013 HK＄18million	HONG KONG
BEIJING HUA XIA KOMEHYO LIMITED (Subsidiary of KOMEHYO HONG KONG)		June 2017 20 million Yuan	Beijing China
KOMEHYO SHANGHAI LIMITED (Subsidiary of KOMEHYO HONG KONG)		December 2017 3 million Yuan	Shanghai China

FY2018	Net sales	YoY
KOMEHYO HONG KONG LIMITED	approx. JPY 1,422 million	159.0%







Subsidiary(3) Craft、Auto Parts Japan

Sale of tires, wheels, and vehicle parts

Company name	Business activities	Established Capital	Location
CRAFT Co., Ltd.	Sale of passenger-car tires, aluminum wheels, auto accessories, and parts	April 1980 JPY72million	Nakagawa ward Nagoya city
AUTO PARTS JAPAN Co., Ltd.	Import, sale, and purchase of auto parts Operation of sales store 'U-ICHIBAN'	May 2013 JPY30million	

【EURO STYLE Craft】
Opened in Craft Nagoya Dome West store 2F in September 2017
Enhance customization of euro compact car



【URBAN OFF CRAFT】
Opened in Craft Nakagawa store 2F in October 2017
Proposing customization of Urban SUV



【U-ICHIBAN】
Opened in Craft Inazawa store and Ogaki store in April 2018
Strengthened sales and purchase of used products at Auto Parts Japan



Subsidiary(4)
Eve Corporation、Ark marketing japan

We converted e-commerce apparel and shoe-care stores into subsidiaries in December 2017

Company name	Business activities	Established Capital	Head Office
Eve Corporation Co.,Ltd.	Wholesale and retail of imported apparel,bags,and accessories; Operation of mail-order sites "Mike MUSEUM" Purchase and sales of shoes, etc. Operation of mail-order sites "WORM TOKYO" Operation of the store of "WORM TOKYO"	May 2010 9 million yen	Meguro Tokyo
Ark marketing japan Co.,Ltd.	Sales of shoe-care goods, shoe maintenance service, etc. Operation of mail-order site "SHOES MASTER"	August 2013 1 million yen	





KOME HYO

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3. Plan for the Fiscal Year Ending March 31, 2019	P.27
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FY2019 plan

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

Consolidated (Millions of yen)	FY2019 1H plan	YoY	FY2019 plan	YoY
Net sales	22,900	110.3%	50,000	109.9%
Operating income	475	102.9%	1,900	116.9%
Ordinary income	475	100.4%	1,900	117.9%
Net income attributable to owners of parent	300	101.6%	1,200	111.7%

Non-consolidated (Millions of yen)	FY2019 1H plan	YoY	FY2019 plan	YoY
Net sales	20,400	110.1%	43,000	108.4%
Operating income	400	126.6%	1,500	130.1%
Operating income	400	90.0%	1,500	119.3%
Net income	270	85.0%	1,000	111.6%

Brand・Fashion

KOMEHYO

1. Enhancement of purchases from individual customers
   - Increase in purchases of used goods from customers at existing stores (mainly at 3 large stores)
   - Store open for purchases
   - Expansion of services entailing staff visits to customer locations for the purchase of used goods from them in the Kanto, Kansai and Chubu areas
2. Enhancement of online sales and purchases of used goods from customers
   - Continued strengthening of measures at stores relating to shipment between stores of products requested by customers
   - Improvement of sales ratios involving EC
   - Enhancement of alliances relating to home-visit purchasing of used goods from customers
3. Enhancement of profitability
   - Improvement of operating margin
   - Enhancement of inventory controls
   - Enhancement of cost controls











KOMEHYO Auction

Precious stones, watches and bags: 2 auctions scheduled per month (From June 2018)

Eve Corporation, Ark marketing japan

Enhancement of sales for imported apparel, sneakers and so on alongside the purchase of such used goods from customers

Overseas , Tire and Wheel

KOMEHYO HONG KONG LIMITED



Overseas business management
Expansion of B-to-B business in Hong Kong
(Auction , Jewelry show)

BEIJING HUAXIA KOMEHYO JIMITED

Expansion of B-to-C business with a focus on Beijing
(Aiming to shift from the opening of new stores to deployment at many stores)



KOMEHYO SHANGHAI LIMITED

Development of B-to-B business targeting the Chinese mainland in Shanghai
(Aiming for business expansion in conjunction with BEIJING HUAXIA KOMEHYO LIMITED)

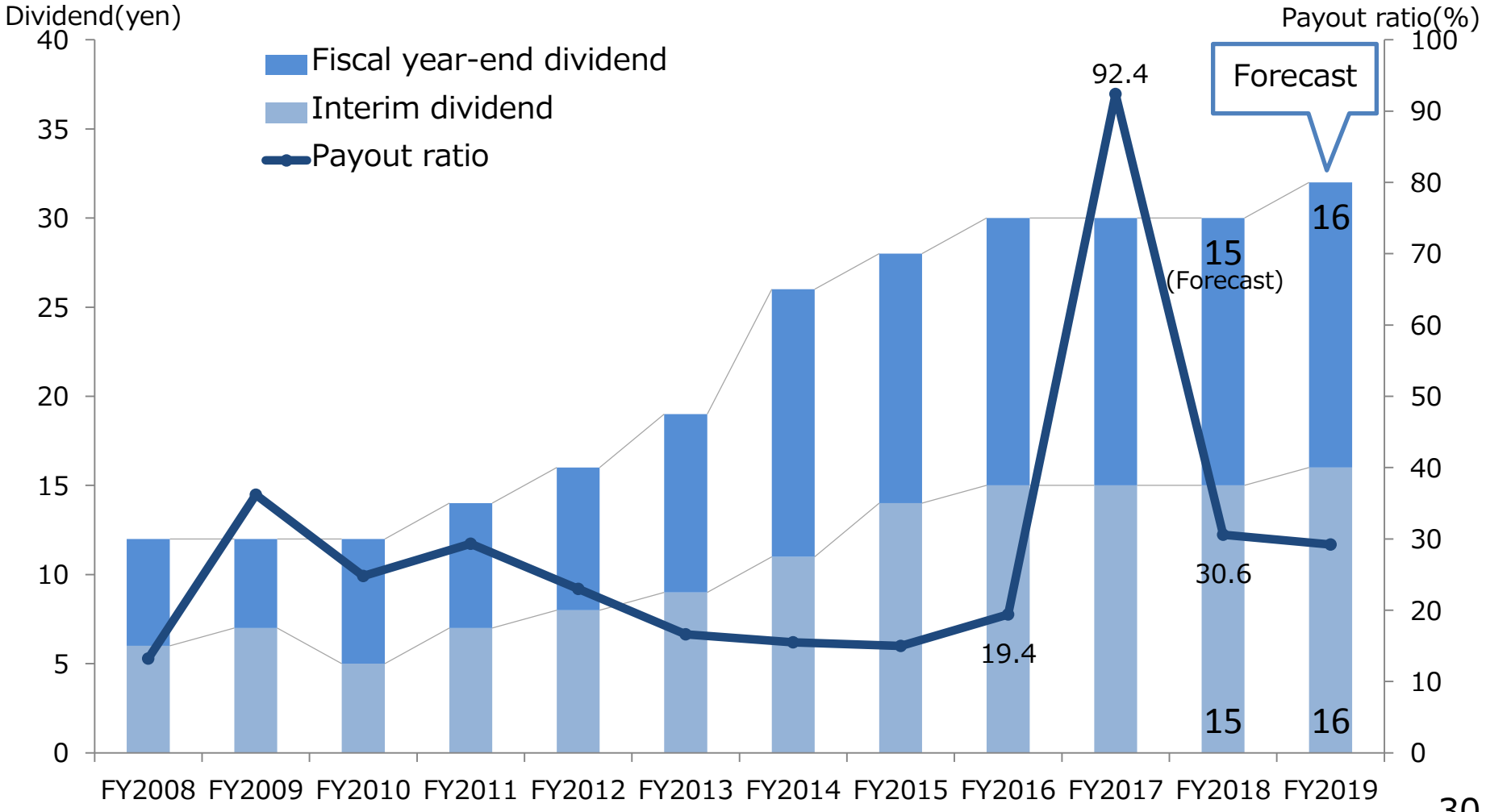
Craft、AUTO PARTS JAPAN



1．Enhancement of online sales and
→Function consolidation at Auto Parts Japan
Aiming to Second-hand goods shop「U-ICHIBAN」
2．Enhancement of EC sales
3．Enhancement of profitability

Shareholder return

Dividend changes



KOME HYO

1. Overview of Financial Results for the Fiscal Year Ended March 31, 2018	P.02
2. Business status	P.11
3. Plan for the Fiscal Year Ending March 31, 2019	P.27
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Medium-term Basic Targets (Consolidated)

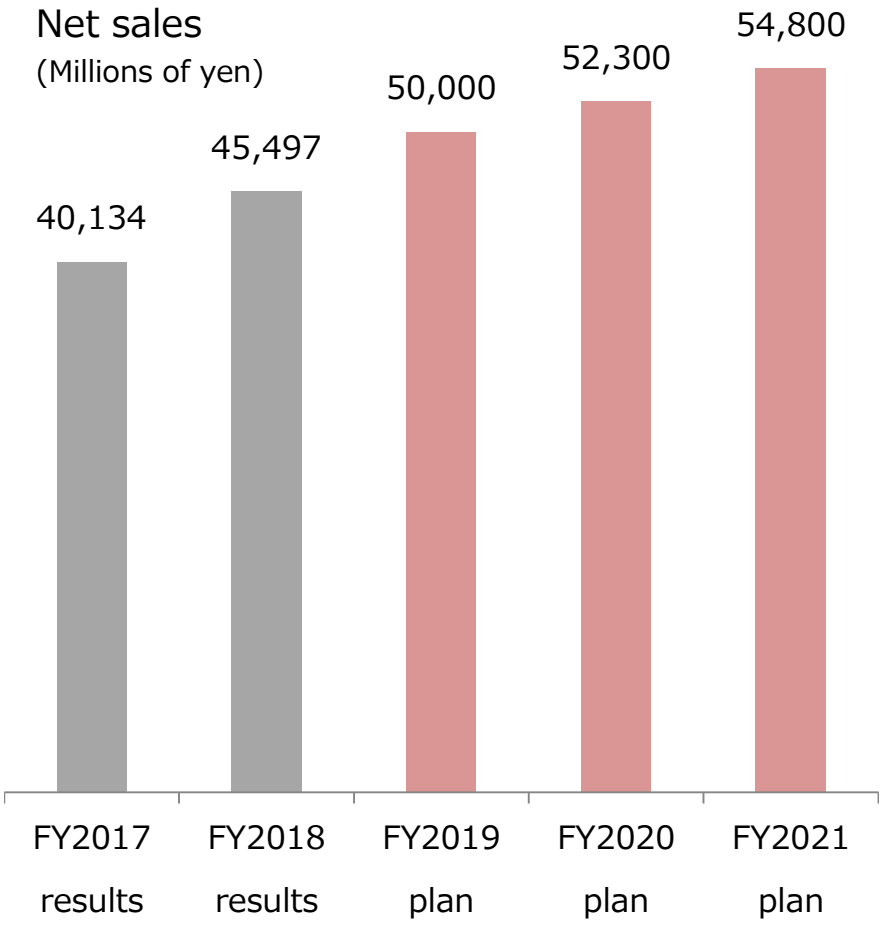
Solid recovery of business performance by increasing profitability

Consolidated	FY2019 ('18.4-'19.3)	FY2020 ('19.4-'20.3)	FY2020 ('20.4-'21.3)
Net sales	JPY50.0B	JPY52.3B	JPY54.8B
Operating income	JPY1.90B	JPY2.26B	JPY2.57B
Operating margin	3.8%	4.3%	4.7%
Store openings ＊Mainly Purchasing Center	2 stores	– (Undecided)	– (Undecided)

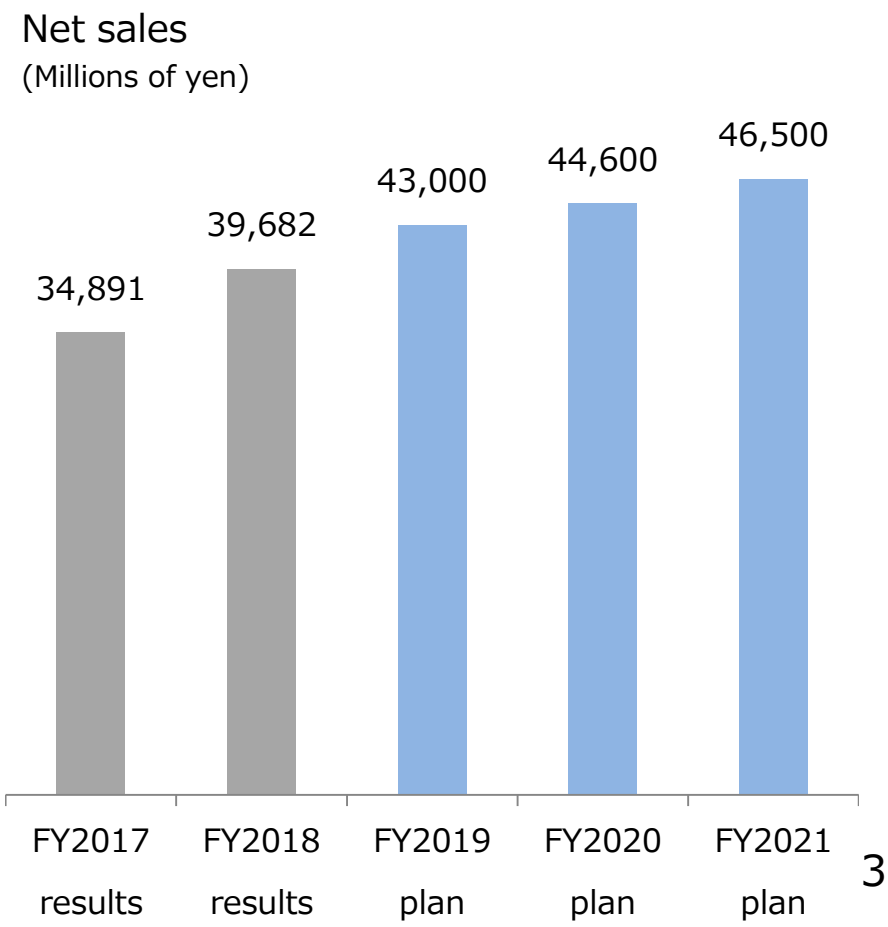
Net Sales Plan

Generate JPY54 billion and JPY46 billion on a consolidated and non-consolidated basis respectively in the fiscal year ending March 31, 2021

Consolidated



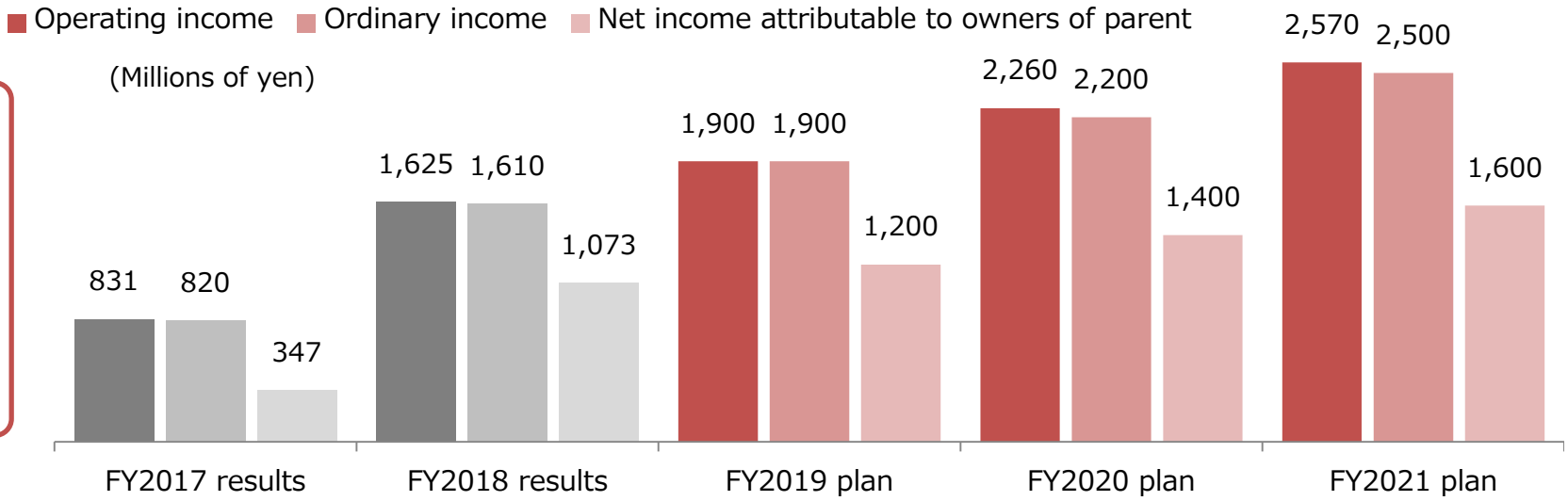
Non-Consolidated



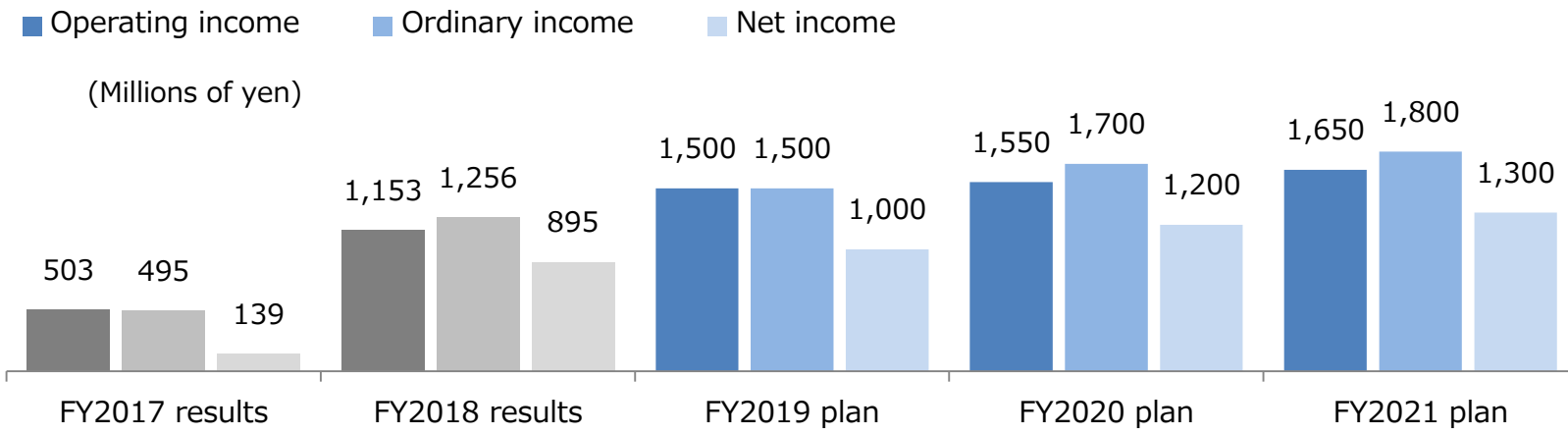
Profit Plan

Achieve sustainable profit growth
by increasing net sales and improving profit margin

Consolidated



Non-consolidated



KOME HYO

1. Overview of Financial Results for the Fiscal Year Ended March 31, 2018	P.02
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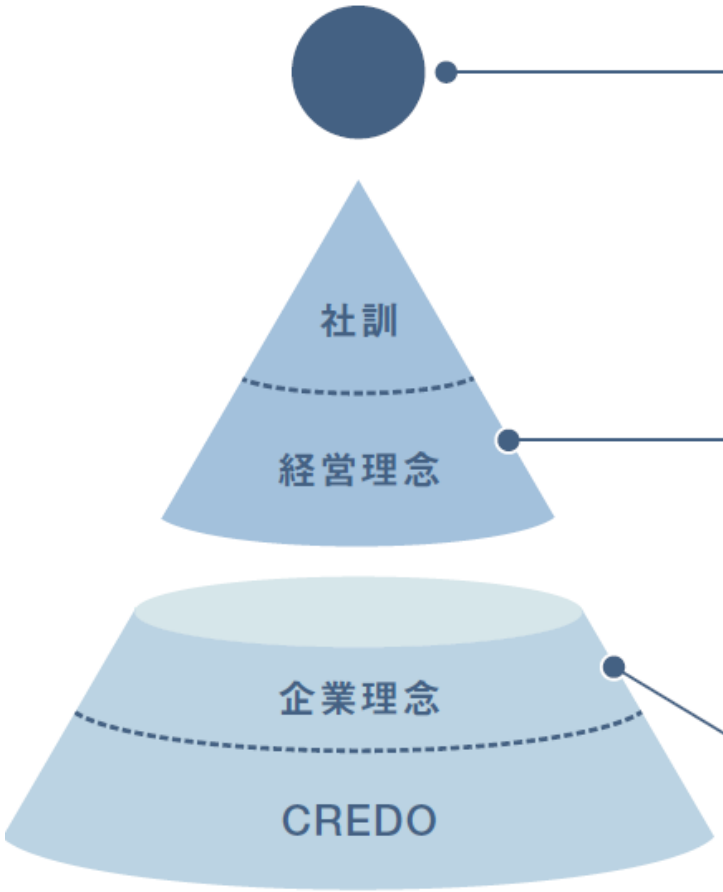
Company Profile

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: 634, Non-consolidated:520 (As of March 2018)
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



Founding spirit:
Buy high and products gather.
Sell low and people gather.

Management philosophy:
We help customers build affluent lives.
We create a fair, positive, and rewarding workplace.
We develop human resources who respond to changes and continue to challenge themselves.
We aim to achieve continued growth and development by contributing to society with honesty and trust.

Corporate philosophy:
To please and inspire our customers through our core concept of relay use

Corporate History



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

1979 ●Established KOMEHYO Co., Ltd.

1987 ●Changed the Japanese spelling of its name from 米兵 to コメ兵

1996 ●Expanded into Tokyo (Purchasing Center Dogenzaka)

2000 ●Started online sales
●Expanded into Kansai (Shinsaibashi Store)

2003 ●Opened Yurakucho Store (full-scale expansion into Tokyo)
●**Listed on JASDAQ**

2004 ●**Listed on the second section of the Tokyo and Nagoya stock exchanges**

2005 ●Opened Shinjuku Store, the 2nd largest store after the Nagoya Store

2011 ●Opened Ginza Store

2012 ●Established Product Center
●Acquired CRAFT Co., Ltd.
●Established KOMEHYO Auction

2013 ●Established Auto Parts KOMEHYO KK (currently AUTO PARTS JAPAN)
●Established KOMEHYO HONG KONG LIMITED

2015 ●Opened Jiyugaoka store
●Opened Purchasing Center Yurakucho、Ikebukuro-nishiguchi、tachikawa-kitaguchi

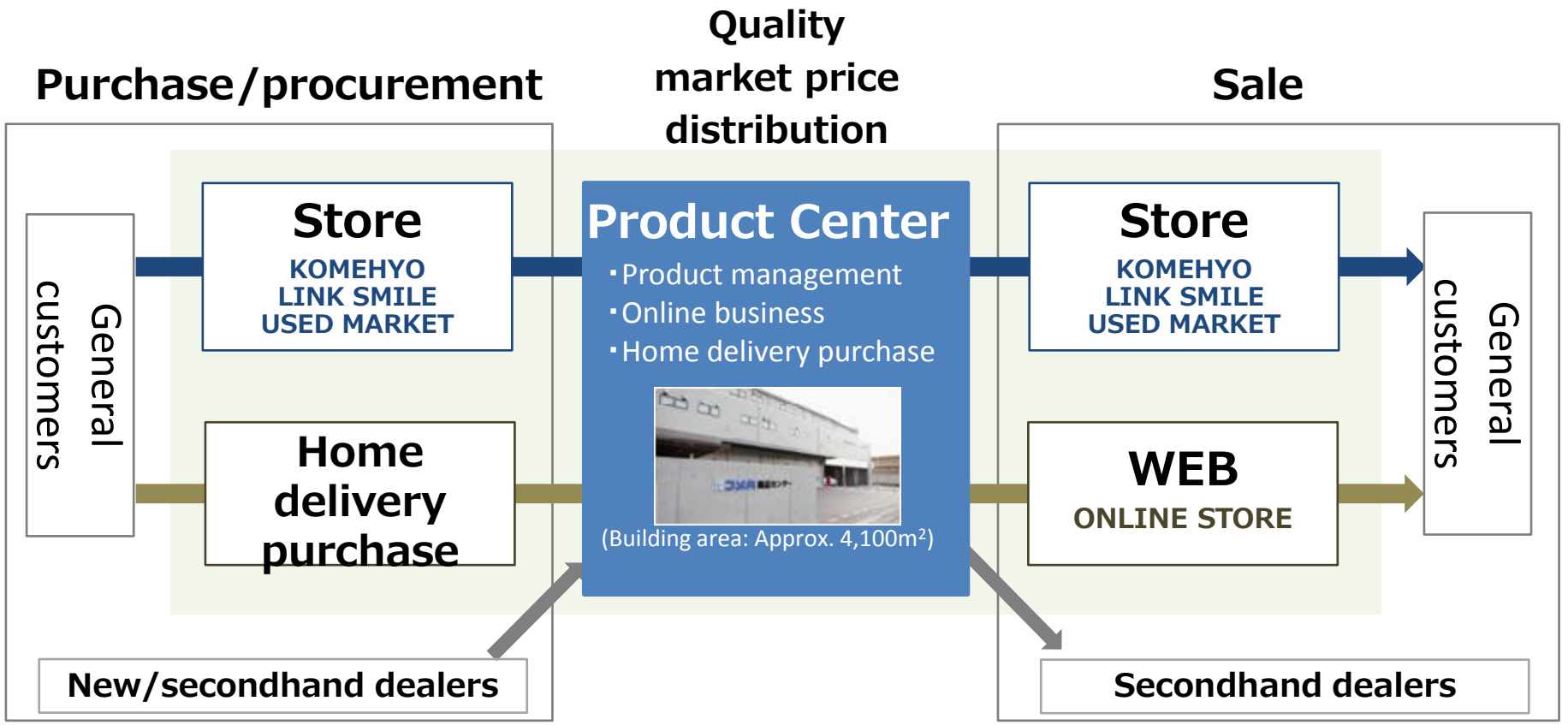
2016 ●Opened Tenjin store, Purchasing Center Shinjyuku-minamiguchi

2017 ●Opened Umeda Store, Shinjyuku Store ANNEX,Meieki Store
●Acquired Eve Corporation Co.,Ltd.、Ark marketing japan Co.,Ltd.

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



Store Type

KOMEHYO 26 stores



Large-scale

Nagoya Store, Meieki Store, Shinjuku Store/ANNEX, Ginza Store, Umeda Store

Sales/Purchase

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

6 stores



Mid-scale

Opening stores in large major cities

Sales/Purchase

3 stores



Small-scale

Opening stores in major cities

Sales/Purchase

10 stores

Purchasing Center

Opening stores in major cities

Purchase only

7 stores

LINK SMILE by KOMEHYO 5 stores



Sales/Purchase ※
Ladies casual clothing, bags, accessories

USED MARKET by KOMEHYO 3 stores



Sales/Purchase ※
clothing in the low price range, bags, accessories

(※ Some stores only as for the sale)

Total 34 stores ('18.3)

※ We left the Meieki-sunroad store in April 2018

Talented person fixation degree

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

