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August 13, 2024

Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

Company name: Komehyo Holdings Co., Ltd.
Listing: Tokyo Stock Exchange / Nagoya Stock Exchange
Securities code: 2780
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Scheduled date to commence dividend payments: —
Preparation of supplementary material on financial results: Yes
Holding of financial results briefing: Scheduled (Posting videos on our website)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2024	33,499	33.5	2,137	23.9	2,186	24.1	1,412	19.3
June 30, 2023	25,096	33.8	1,724	133.2	1,762	131.9	1,183	127.9

Note: Comprehensive income for the three months ended June 30, 2024:¥1,792 million [42.8%]
for the three months ended June 30, 2023:¥1,254 million [79.5%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2024	128.92	—
June 30, 2023	108.05	—

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	75,327	29,980	39.3
March 30, 2024	64,039	28,770	44.4

Reference: Equity
As of June 30, 2024: ¥29,608 million
As of March 30, 2024: ¥28,405 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 30, 2024	—	44.0	—	44.0	88.0
Fiscal year ending March 30, 2025	—				
Fiscal year ending March 30, 2025 (Forecast)		52.0	—	52.0	104.0

Note: Revisions to the forecast of cash dividends most recently announced: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 to March 31, 2025)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Net income attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	68,500	29.8	3,400	5.9	3,380	3.3	2,210	3.4	201.71
Full year	144,500	21.0	8,470	13.6	8,400	12.3	5,560	10.6	507.47

Note: Revision to the financial results forecast announced most recently : Yes

＊ Notes

（1）Major changes in the scope of consolidation during the period under review : No

（2）Accounting policies adopted specially for the preparation of quarterly consolidated financial statements : Yes

（3）Changes in accounting policies, changes in accounting estimates and retrospective restatement

① Changes in accounting policies due to the revision of accounting standards : No
② Changes in accounting policies other than ① above : No
③ Changes in accounting estimates : No
④ Retrospective restatement : No

（4）Total number of issued shares (common shares)

① Total number of issued shares at the end of the period (including treasury stock)	Three months ended June 30, 2024	11,257,000shares	March 31, 2024	11,257,000shares
② Total number of treasury shares at the end of the period	Three months ended June 30, 2024	300,715shares	March 31, 2024	300,715shares
③ Average number of shares during the period:	Three months ended June 30, 2024	10,956,285shares	Three months ended June 30, 2023	10,956,372shares

＊ Review of the accompanying quarterly consolidated financial statements by certified public accountants or an auditing corporation: Yes (optional)

＊ Explanation of the proper use of financial results forecast and other notes

(Notes on the earnings forecasts and other forward-looking statements)

The earnings forecasts and other forward-looking statements herein are based on data currently available to the Company and certain assumptions that the Company believes are reasonable, and the Company has no intention of guaranteeing the achievability of them. Actual results may differ significantly from these forecasts due to various factors.

(How to obtain supplementary presentation materials for quarterly financial results)

Supplementary presentation materials for quarterly financial results will be published on the Komehyo Holdings' website as soon as the financial results are reported to the Tokyo Stock Exchange.

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1. Overview of business results, etc.

(1) Explanation of Operating Results

During the three months ended June 30, 2024, the Japanese economy was on the edge of transitioning from prolonged deflation to a virtuous circle of rising prices and wages, as exemplified by the Bank of Japan's ending the negative interest rate policy and increasing interest rates for the first time in 17 years in March 2024. However, the future remained uncertain, including the uncertain impact of interest rates and the fluctuation of exchange rates on domestic and overseas economies and the risk that prolonged price increases may put downward pressure on consumer spending.

In the reuse industry, the market as a whole continued to expand, reflecting moves to build a sustainable society and the growing awareness of reuse associated with these moves. The Komehyo Group has set its Mission (the significance of its existence): 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. Guided by this mission, the Group will contribute to creating sound reuse markets in Japan and overseas and will promote initiatives to enable many people to become familiar with reuse and aware of its convenience, aiming to achieve its Vision (what it aims to be like): We develop a concept of environmentally and socially conscious recycling into a culture.

Guided by these ideas, the Group as a whole worked to achieve its Vision. As a result, the Group's net sales for the three months ended June 30, 2024 increased 33.5% year on year to 33,499 million yen. In the Brand Fashion business, sales increased significantly, with record-high net sales achieved by Komehyo Co., Ltd. and K-Brand Off Co., Ltd. Sales also increased in the Tire and Wheel business, mainly reflecting strong sales of summer tires.

Regarding operating income, ordinary income and net income attributable to owners of parent, gross profit increased with the increase in net sales and selling, general and administrative expenses were controlled as planned. As a result, operating income increased 23.9% year on year, to 2,137 million yen, ordinary income grew 24.1% year on year to 2,186 million yen and net income attributable to owners of parent increased 19.3% year on year to 1,412 million yen. Thus, all of these indicators increased significantly.

Consolidated results (Millions of yen)	Three months ended June 30, 2023	Three months ended June 30, 2024	YoY	Change
Net sales	25,096	33,499	33.5%	8,402
Operating profit	1,724	2,137	23.9%	412
Ordinary profit	1,762	2,186	24.1%	423
Profit attributable to owners of parent	1,183	1,412	19.3%	228

Performance results by business segment are as follows.

① Brand Fashion business

In the Brand Fashion business, Group companies in Japan opened 11 purchase centers, in addition to KOMEHYO Nagoya main store BAG+, a sales store offering select products, and KOMEHYO Nihonbashi store, a store annexed with sales facilities, which were opened by Komehyo Co., Ltd. K-Brand Off Co., Ltd. opened two purchase centers (franchised stores). Among the overseas Group companies, SAHA KOMEHYO COMPANY LIMITED (Thailand) opened one sales store and KOMEHYO SINGAPORE PTE. LTD. (Singapore) opened one store.

Regarding the purchase price of used goods, Komehyo Co., Ltd. strengthened existing stores by

enhancing promotional activities and campaigns in addition to holding purchase events under the concept, "Sell your goods at the reliable and familiar store nearby," aggressively opening purchase centers and taking other measures. Further, to expand the lineup of products offered at retail stores, goods were purchased from individuals for high purchase prices, with a focus on popular products, and corporate purchasing was also actively utilized.

Regarding sales, the Group increased online contact points starting with an e-commerce site and contact centers, enhanced the in-store inventory to respond to the increase in the number of visitors to stores, including foreigners visiting Japan, took measures to deepen its relationship with customers and renovated multiple BRAND OFF retail stores in Japan and overseas. In addition, in response to strong purchases from individuals, the Group strengthened corporate sales after enhancing products for retail and strengthened the corporate auctions that KOMEHYO Auction Co., Ltd. and K-Brand Off Co., Ltd. each operate.

Regarding operating income, net sales increased significantly because retail sales remained steady due to strong purchases, and further, corporate sales were strengthened. As a result, gross profit increased despite a decline in the gross profit margin. Additionally, it was possible to control selling, general and administrative expenses as planned, which proved effective.

As a result of the above, the net sales of this segment for the three months ended June 30, 2024 were 32,377 million yen (up 34.5% year on year) and operating income was 2,106 million yen (up 25.1% year on year).

② Tire and Wheel business

Regarding sales of tires, wheels and parts for customization, sales of used goods remained favorable due to an increase in the number of items offered at online auctions, and sales of various products, mainly including popular series of wheels that were planned and sold in-house, remained strong.

As a result of the above, the net sales of this segment for the three months ended June 30, 2024 were 1,111 million yen (up 10.1% year on year) and the segment posted an operating loss of 3 million yen (compared to an operating income of 2 million yen in the same period of the previous fiscal year).

③ Real Estate Leasing business

In the Real Estate Leasing business, the Group manages the leasing of stores and leases the Group companies' major stores to the Group companies.

The net sales of this segment for the three months ended June 30, 2024 were 82 million yen (up 15.0% year on year) and operating income was 27 million yen (up 25.9% year on year).

（２）Explanation of Financial Position

(Assets)

Total assets as of June 30, 2024 were 75,327 million yen, which is an increase of 11,287 million yen from the end of the previous fiscal year. This mainly reflects increases of 2,705 million yen in cash and deposits, 344 million yen in accounts receivable - trade, 6,342 million yen in inventories, 1,082 million yen in other current assets (including accounts receivable - other), 390 million yen in buildings and structures, net, 264 million yen in other intangible assets (including software) and 103 million yen in investments and other assets.

(Liabilities)

Total liabilities as of June 30, 2024 were 45,346 million yen, which is an increase of 10,077 million yen from the end of the previous fiscal year. This is mainly because decreases of 2,453 million yen in current portion of long-term borrowings and 641 million yen in income taxes payable were more than offset by increases of 525 million yen in accounts payable - trade, 12,276 million yen in short-term borrowings, 148 million yen in other current liabilities (including deposits received) and 195 million yen in long-term borrowings.

(Net assets)

Total net assets as of June 30, 2024 were 29,980 million yen, which is an increase of 1,210 million yen from the end of the previous the fiscal year. This is mainly because increases of 1,412 million yen in net income attributable to owners of parent and 260 million yen in foreign currency translation adjustment more than offset 482 million yen in dividends of surplus.

As a result, the equity ratio stood at 39.3% (compared to 44.4% at the end of the previous fiscal year).

(３) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

The consolidated financial results forecast and dividends forecast for the fiscal year ending March 31, 2025 announced in the Consolidated Financial Results for the Fiscal Year Ended March 31, 2024 dated May 13, 2024 have been revised.

For details, please refer to the "Notice regarding revisions to business performance and dividend forecasts" announced today (August 13, 2024).

① Revision of consolidated performance forecast

Consolidated Financial Results Forecast (Millions of yen)	Fiscal year ending March 2025 2nd quarter cumulative	Fiscal year ending March 2025 Full year
Net sales	68,500	144,500
Operating profit	3,400	8,470
Ordinary profit	3,380	8,400
Profit attributable to owners of parent	2,210	5,560

② Revision of dividend forecast

	Annual dividends per share (Yen)		
	Second quarter-end	Fiscal-year end	Total
Previous forecasts	50.00	50.00	100.00
Revised forecasts	52.00	52.00	104.00
Actual results for the current fiscal year	—	—	—
Actual results for the previous fiscal year (Fiscal year ended March 31, 2024)	44.00	44.00	88.00

2. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	15,208,866	17,914,477
Accounts receivable - trade	3,917,182	4,261,364
Inventories	24,353,155	30,695,293
Other	6,447,695	7,529,732
Total current assets	49,926,900	60,400,868
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,619,444	5,010,174
Land	1,644,961	1,644,961
Construction in progress	156,906	31,739
Other, net	1,048,097	1,120,299
Total property, plant and equipment	7,469,408	7,807,174
Intangible assets		
Goodwill	449,586	531,261
Leased assets	752,061	778,033
Other	1,669,547	1,934,464
Total intangible assets	2,871,194	3,243,760
Investments and other assets	3,771,971	3,875,532
Total non-current assets	14,112,574	14,926,467
Total assets	64,039,475	75,327,335
Liabilities		
Current liabilities		
Accounts payable - trade	870,728	1,395,886
Short-term borrowings	19,154,400	31,431,300
Current portion of bonds payable	72,000	72,000
Current portion of long-term borrowings	2,788,170	335,160
Lease liabilities	395,098	415,205
Accounts payable - other	1,428,784	1,478,517
Income taxes payable	1,442,075	800,630
Contract liabilities	463,476	366,282
Provision for bonuses	1,198,397	1,117,201
Provision for merchandise warranties	10,417	10,297
Provision for point card certificates	102,088	107,027
Other	510,418	659,367
Total current liabilities	28,436,056	38,188,876
Non-current liabilities		
Bonds payable	68,000	32,000
Long-term borrowings	4,825,000	5,020,000
Lease liabilities	431,281	442,663
Provision for retirement benefits for directors (and other officers)	23,598	23,598
Provision for merchandise warranties	610	630
Provision for point card certificates	177,879	208,839
Retirement benefit liability	126,063	134,083
Asset retirement obligations	953,440	1,035,370
Contract liabilities	115,816	137,484
Other	111,726	123,390
Total non-current liabilities	6,833,416	7,158,060
Total liabilities	35,269,473	45,346,937

(Thousands of yen)

	As of March 31, 2024	As of June 30, 2024
Net assets		
Shareholders' equity		
Share capital	1,803,780	1,803,780
Capital surplus	1,909,872	1,909,872
Retained earnings	24,013,796	24,944,252
Treasury shares	△80,858	△80,858
Total shareholders' equity	27,646,589	28,577,045
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	67,056	79,021
Foreign currency translation adjustment	691,836	952,647
Total accumulated other comprehensive income	758,892	1,031,668
Non-controlling interests	364,519	371,684
Total net assets	28,770,002	29,980,398
Total liabilities and net assets	64,039,475	75,327,335

（２）Quarterly Consolidated Statements of Income and Comprehensive Income

(Quarterly Consolidated Statements of Income)

(First quarter consolidated cumulative period)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	25,096,827	33,499,768
Cost of sales	18,504,212	24,920,044
Gross profit	6,592,614	8,579,723
Selling, general and administrative expenses	4,867,992	6,442,304
Operating profit	1,724,621	2,137,419
Non-operating income		
Interest income	1,736	4,980
Dividend income	11,510	18,623
Foreign exchange gains	31,300	46,902
Commission income	1,571	1,083
Insurance claim income	2,672	7,202
Other	6,114	9,039
Total non-operating income	54,905	87,833
Non-operating expenses		
Interest expenses	13,196	37,511
Rent expenses on store(construct in progress)	2,234	－
Other	1,568	1,132
Total non-operating expenses	16,998	38,643
Ordinary profit	1,762,528	2,186,608
Extraordinary income		
Gain on sale of non-current assets	668	179
Total extraordinary income	668	179
Extraordinary losses		
Loss on retirement of non-current assets	151	54,809
Loss on cancellation of rental contracts	542	5,860
Impairment losses	7,791	－
Total extraordinary losses	8,484	60,670
Profit before income taxes	1,754,713	2,126,117
Income taxes	565,230	709,075
Profit	1,189,482	1,417,042
Profit attributable to non-controlling interests	5,603	4,509
Profit attributable to owners of parent	1,183,879	1,412,532

(Quarterly Consolidated Statements of Comprehensive Income)

(First quarter consolidated cumulative period)

(Thousands of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	1,189,482	1,417,042
Other comprehensive income		
Valuation difference on available-for-sale securities	7,585	11,965
Foreign currency translation adjustment	57,818	363,292
Total other comprehensive income	65,404	375,257
Comprehensive income	1,254,886	1,792,299
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,240,147	1,785,134
Comprehensive income attributable to non-controlling interests	14,739	7,164

(３) Notes to Quarterly Consolidated Financial Statements

(Notes regarding accounting treatments specific to the preparation of quarterly consolidated financial statements)

(Calculation of tax expenses)

Regarding tax expenses, we reasonably estimate the effective tax rate after applying tax effect accounting to the consolidated net income before taxes for the consolidated fiscal year including the current first quarter, and multiply the quarterly net income before taxes by the estimated effective tax rate. It is calculated as follows.

However, for companies whose tax expenses would be extremely unreasonable if calculated using the estimated effective tax rate,

The amount calculated using the effective statutory tax rate is recorded.

(Notes on segment information)

I For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

１. Net sales and income (loss) for each reportable segment and the breakdown of revenue

(Thousands of yen)

	Reportable Segment			Total	Adjustment amount	Amount recorded in quarterly consolidated statements of income (Note) 1
	Brand/Fashion business	Tire and wheel business	real estate rental business			
Net sales						
Revenue from contracts with customers	24,075,946	1,009,220	－	25,085,166	－	25,085,166
Other revenue	－	－	11,660	11,660	－	11,660
Net sales to outside customers	24,075,946	1,009,220	11,660	25,096,827	－	25,096,827
Inter-segment net sales or transfers	－	－	59,967	59,967	△59,967	－
Total	24,075,946	1,009,220	71,627	25,156,794	△59,967	25,096,827
Segment profit	1,683,289	2,219	21,709	1,707,218	17,403	1,724,621

(Note) １. Segment income matches the operating income in the quarterly consolidated statements of income.

２. Other revenue is based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

３. The segment income adjustment of 17,403 thousand yen includes the elimination of inter-segment transactions of 208,512 thousand yen and company-wide expenses of -191,109 thousand yen that are not allocated to any of the reportable segments. Company-wide expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

２. Non-current assets impairment losses, goodwill and other information for each reportable segment

(Significant impairment losses in non-current assets)

For stores, etc. which show signs of impairment attributed to a decline in profitability associated with changes in the market and the environment, etc., their book values were reduced to the recoverable amounts and the reduction was posted as impairment losses of 7,791 thousand yen under extraordinary losses, in accordance with the Accounting Standard for Impairment of Fixed Assets. By segment, impairment losses of non-current assets were 7,108 thousand yen in the Brand Fashion business and 683 thousand yen in the Tire and Wheel business.

(Significant changes in the amount of goodwill)

There are no applicable items.

(Significant gain on negative goodwill)

There are no applicable items.

Ⅱ For the three months ended June 30, 2023 (from April 1, 2024 to June 30, 2024)

1. Net sales and income (loss) for each reportable segment and the breakdown of revenue

(Thousands of yen)

	Reportable Segment			Total	Adjustment amount	Amount recorded in quarterly consolidated statements of income (Note) 1
	Brand/Fashion business	Tire and wheel business	real estate rental business			
Net sales						
Revenue from contracts with customers	32,377,210	1,111,047	—	33,488,258	—	33,488,258
Other revenue	—	—	11,509	11,509	—	11,509
Net sales to outside customers	32,377,210	1,111,047	11,509	33,499,768	—	33,499,768
Inter-segment net sales or transfers	—	—	70,829	70,829	△70,829	—
Total	32,377,210	1,111,047	82,339	33,570,597	△70,829	33,499,768
Segment profit or loss (△)	2,106,431	△3,785	27,323	2,129,968	7,450	2,137,419

(Note) 1. Segment income matches the operating income in the quarterly consolidated statements of income.

2. Other revenue is based on the Accounting Standard for Lease Transactions (ASBJ Statement No. 13).

3. The segment income adjustment of 7,450 thousand yen includes the elimination of inter-segment transactions of 276,481 thousand yen and company-wide expenses of -269,031 thousand yen that are not allocated to any of the reportable segments. Company-wide expenses mainly consist of general and administrative expenses that do not belong to any reportable segment.

2. Non-current assets impairment losses, goodwill and other information for each reportable segment

(Significant impairment losses in non-current assets)

There are no applicable items.

(Significant changes in the amount of goodwill)

There are no applicable items.

(Significant gain on negative goodwill)

There are no applicable items.

(Notes when there is a significant change in the amount of shareholders' equity)

There are no applicable items.

(Notes regarding going concern assumption)

There are no applicable items.

(Notes on quarterly consolidated statements of cash flows)

The Company did not prepare quarterly consolidated statements of cash flows for the first three months under review. Depreciation (including amortization of intangible assets except for goodwill and long-term prepaid expenses) and amortization of goodwill for the three months under review are as follows.

(thousands of yen)	For the three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)	For the three months ended June 30, 2023 (from April 1, 2024 to June 30, 2024)
Depreciation expense	372,173	507,334
Amortization of goodwill	19,783	19,783