

KOMEHYO GROUP

**Earnings Results Briefing
for the Fiscal Year
Ended March 31, 2019**

May 2019

KOMEHYO Co., Ltd.

Securities code: 2780

(Second Section, Tokyo and Nagoya Stock Exchanges)

Corporate Planning Department IR strategy group

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INDEX

KOMEHYO GROUP

1 . Overview of Financial Results for the Fiscal Year Ended March 31, 2019	P. 02
2 . Business status	P. 14
3 . Plan for the Fiscal Year Ending March 31, 2020	P. 26
4 . Medium-term Management Plan	P. 36
5 . Reference Information (Company Profile, etc.)	P. 48

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.

Performance Highlights (Consolidated)

Net Sales	50,960 million yen, 1.1 times Year on Year
Operating income	1,860 million yen, 1.1 times Year on Year
Ordinary profit	1,826 million yen, 1.1 times Year on Year
Net income attributable to owners of parent company	1,009 million yen, 0.9 times Year on Year

(Extraordinary income of 76 million yen : Previous year)

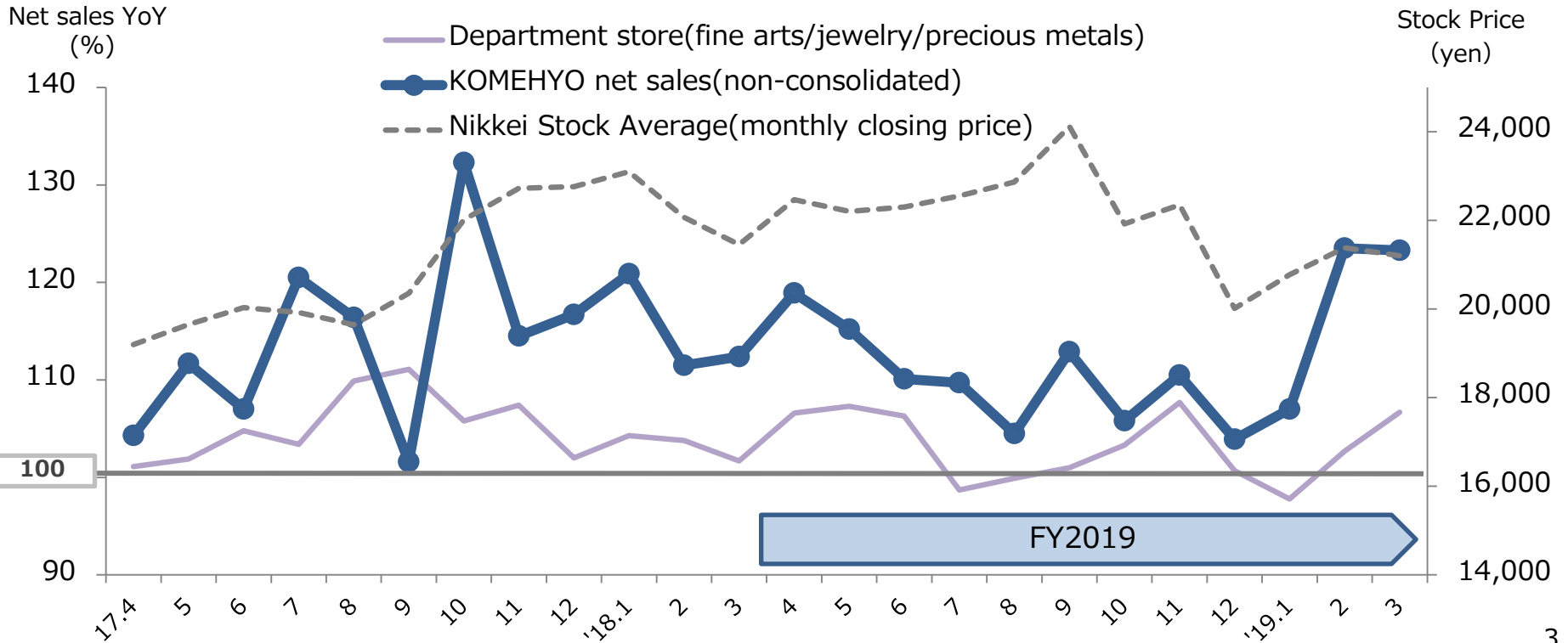
Business Topics

- Record purchase price of 21,000 million yen
- Acquisition of new customers through five purchasing events
- The first overseas store opened in Beijing in September 2018.

Economic Trend

KOMEHYO GROUP

While the economic environment remains on a moderate recovery path, uncertainty is growing in the global economy.



(Source : JAPAN DEPARTMENT STORES ASSOCIATION website)

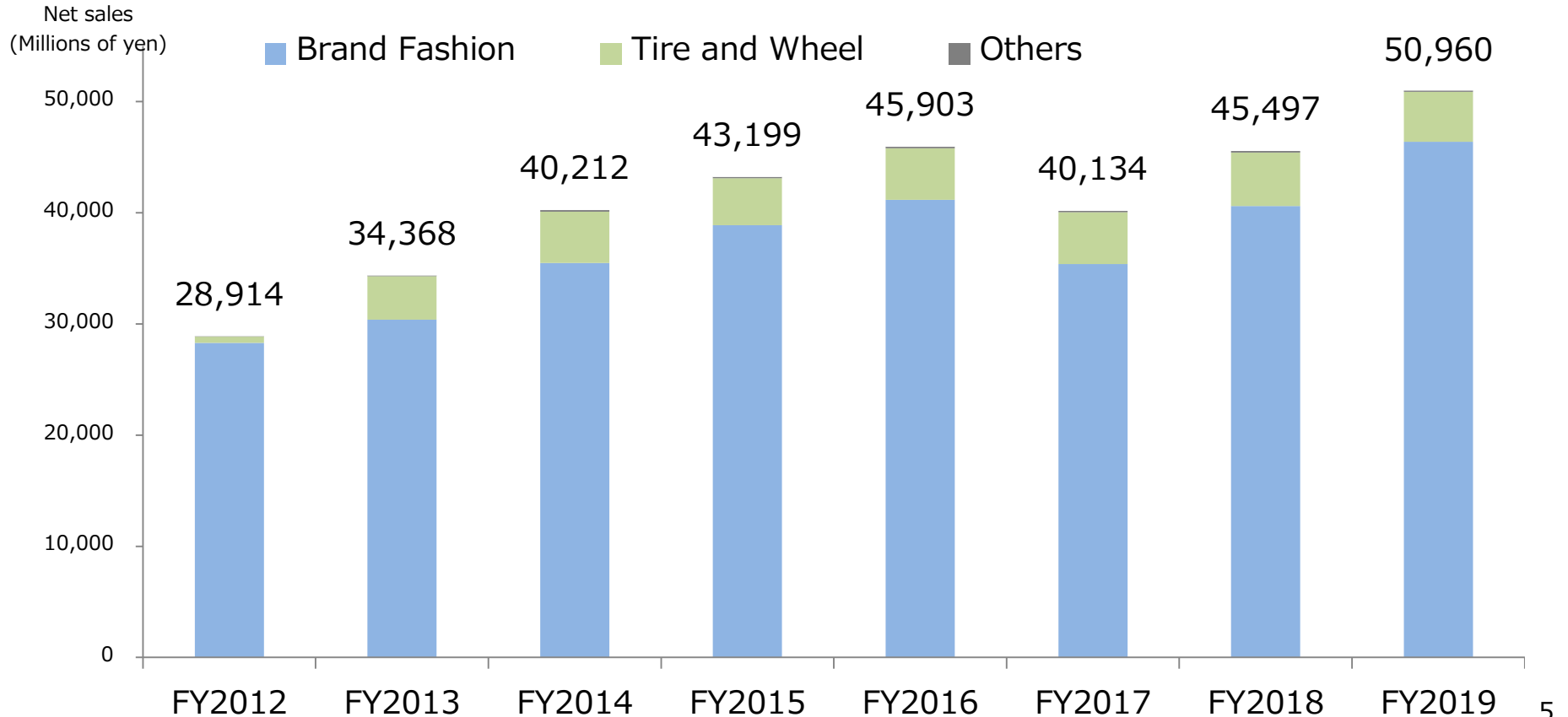
Overview of Income Statement (Consolidated)

KOMEHYO GROUP

(Millions of yen)	FY2017 (‘16.4-‘17.3)	FY2018 (‘17.4-‘18.3)	FY2019 (‘18.4-‘19.3)	Change	YoY
Net sales	40,134	45,497	50,960	+5,462	112.0%
Gross profit	11,144	12,968	13,796	+828	106.4%
Gross profit margin	27.8%	28.5%	27.1%	△1.4pt	—
SG&A expenses	10,312	11,342	11,936	+594	105.2%
Operating income	832	1,625	1,860	+234	114.4%
Ordinary income	815	1,610	1,826	+215	113.4%
Net income attributable to owners of parent	355	1,073	1,009	△64	94.0%

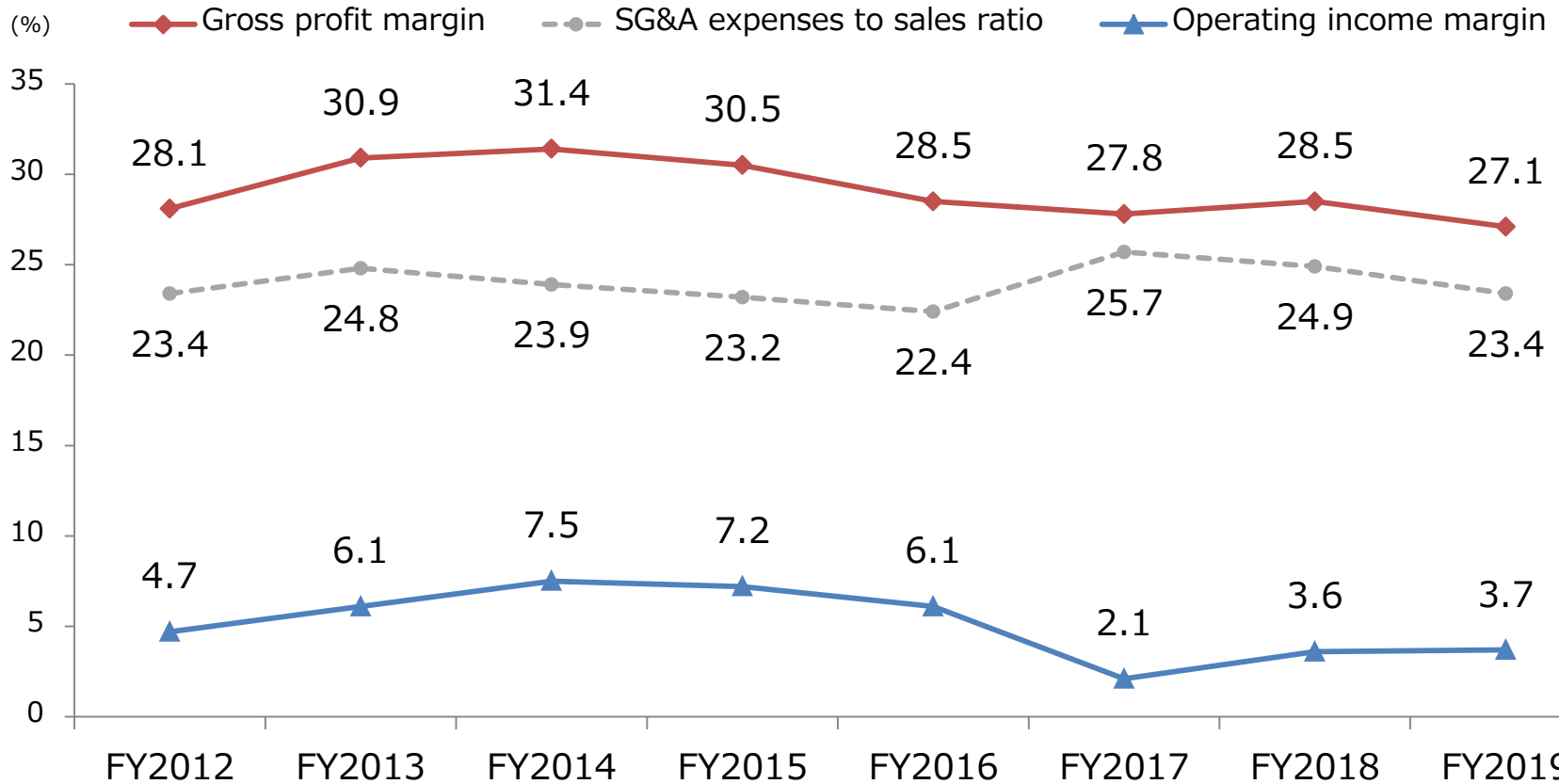
Net sales (Consolidated)

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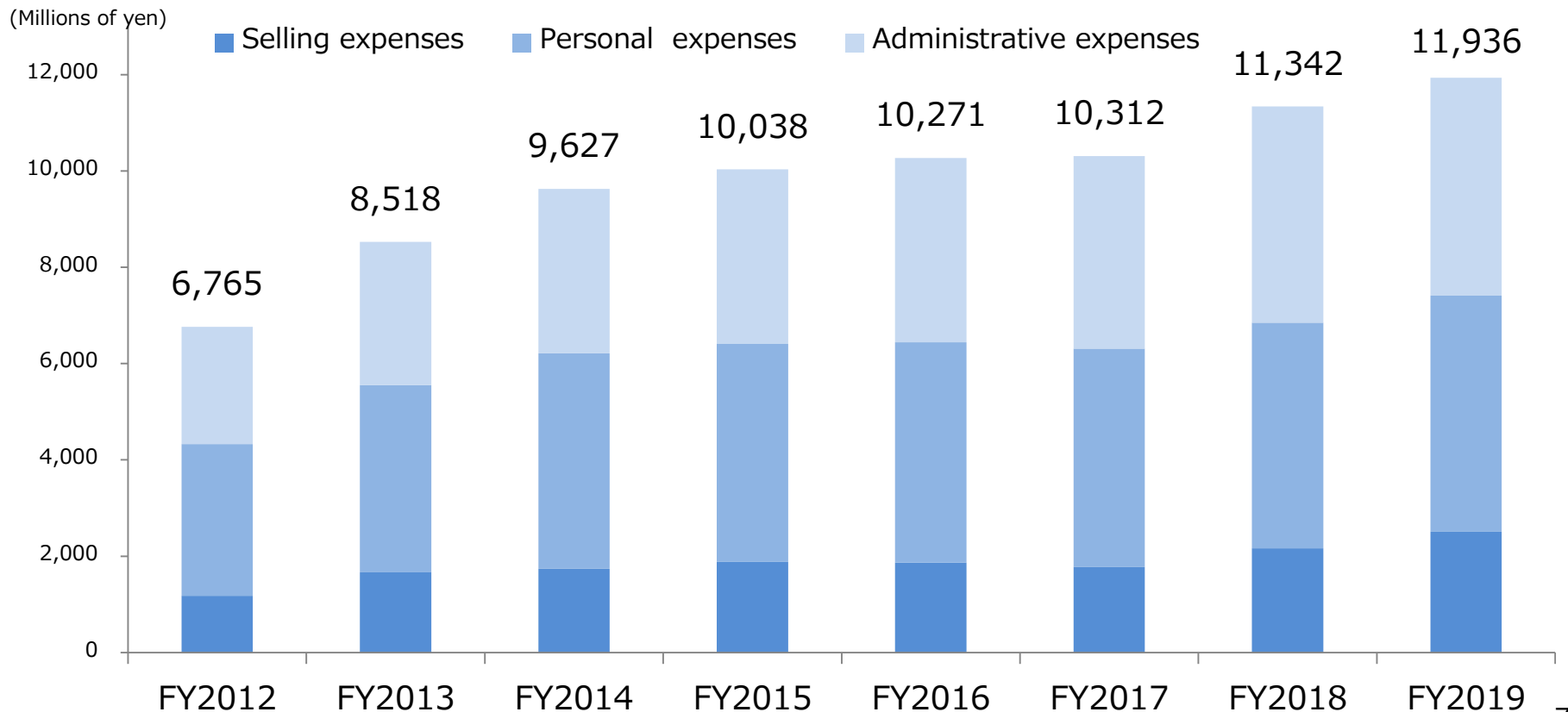
Profit Margin Trend (Consolidated)

KOMEHYO GROUP



SG&A expenses (Consolidated)

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Operating Income (Consolidated)

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Operating Income
(Millions of yen)

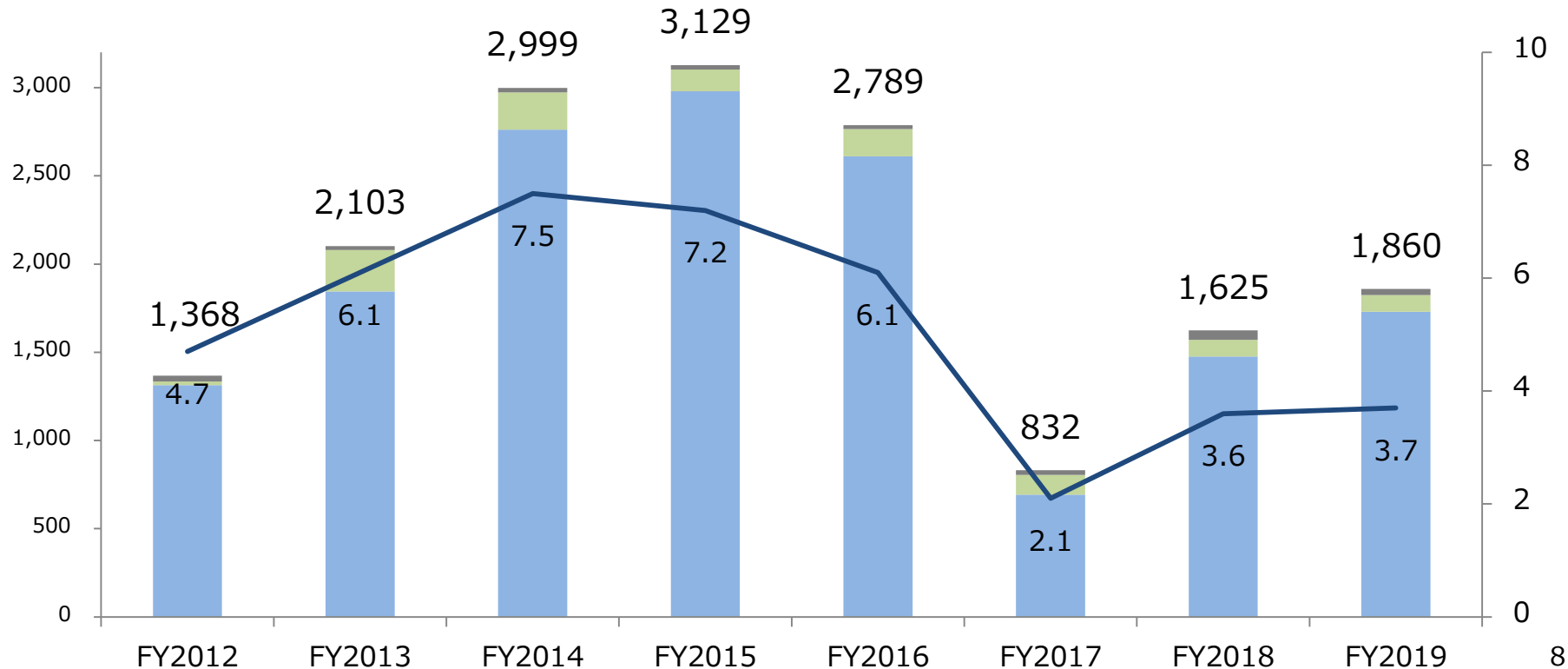
Brand Fashion]

Tire and Wheel

Others

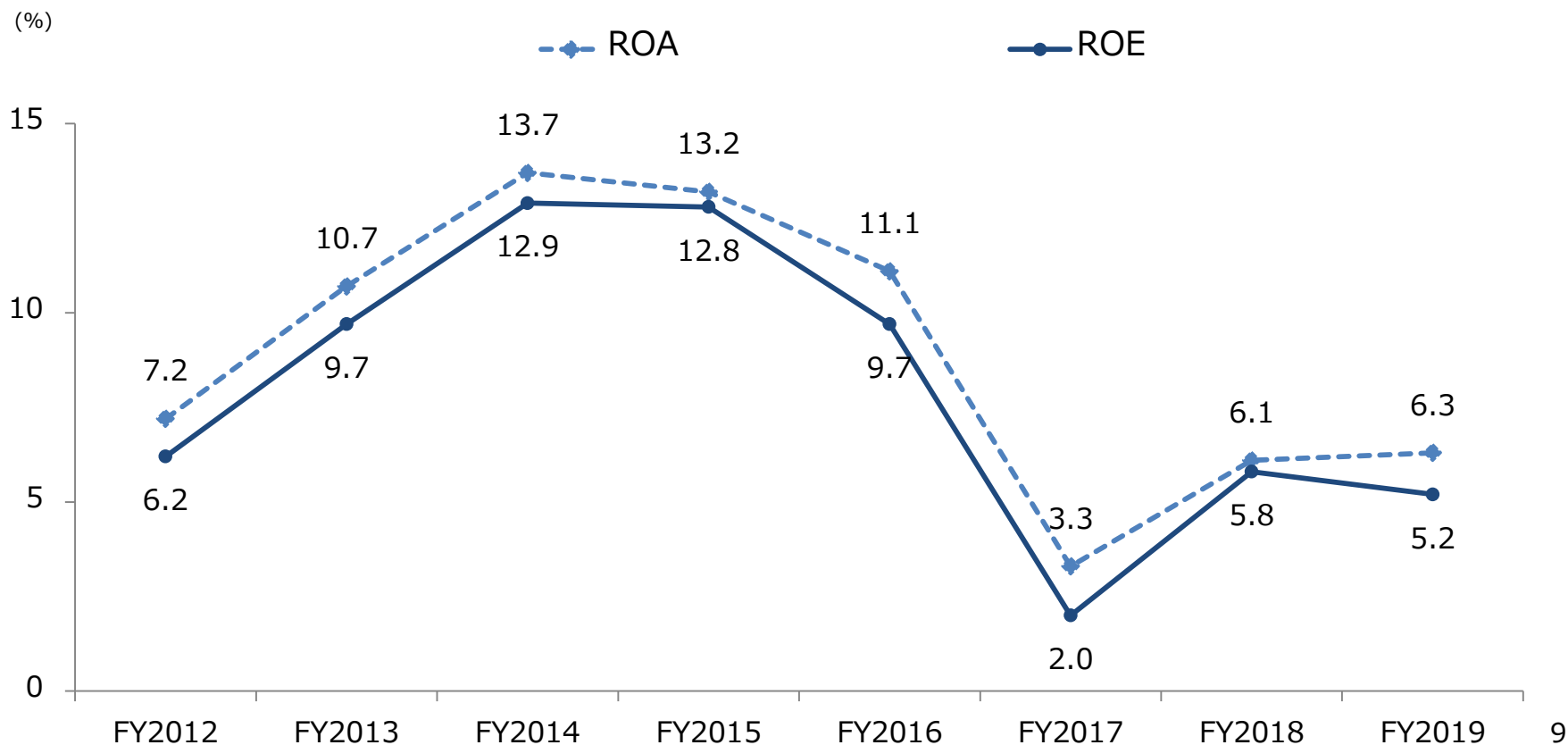
Operating income margin

Operating Income
Margin (%)



ROA and ROE (Consolidated)

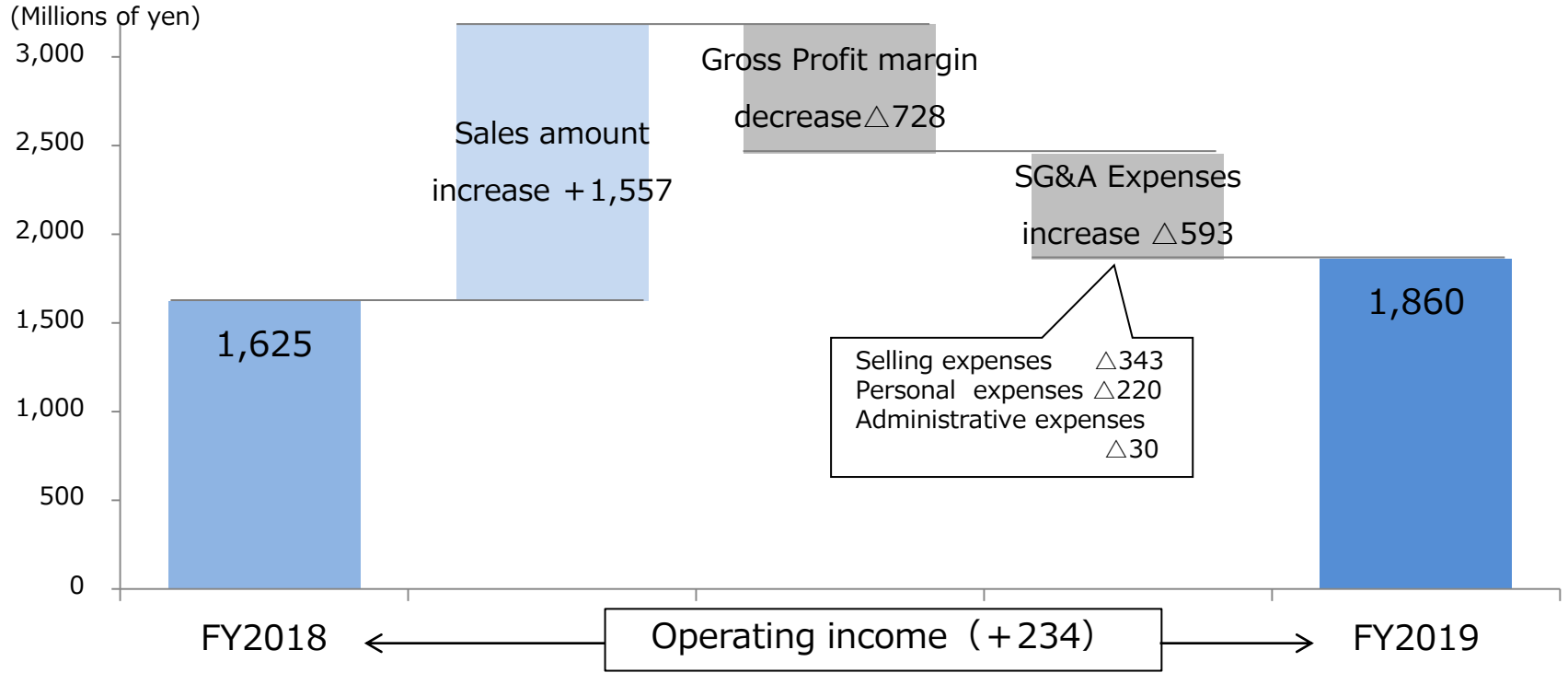
KOMEHYO GROUP



Operating income increase and decrease factor (Consolidated)

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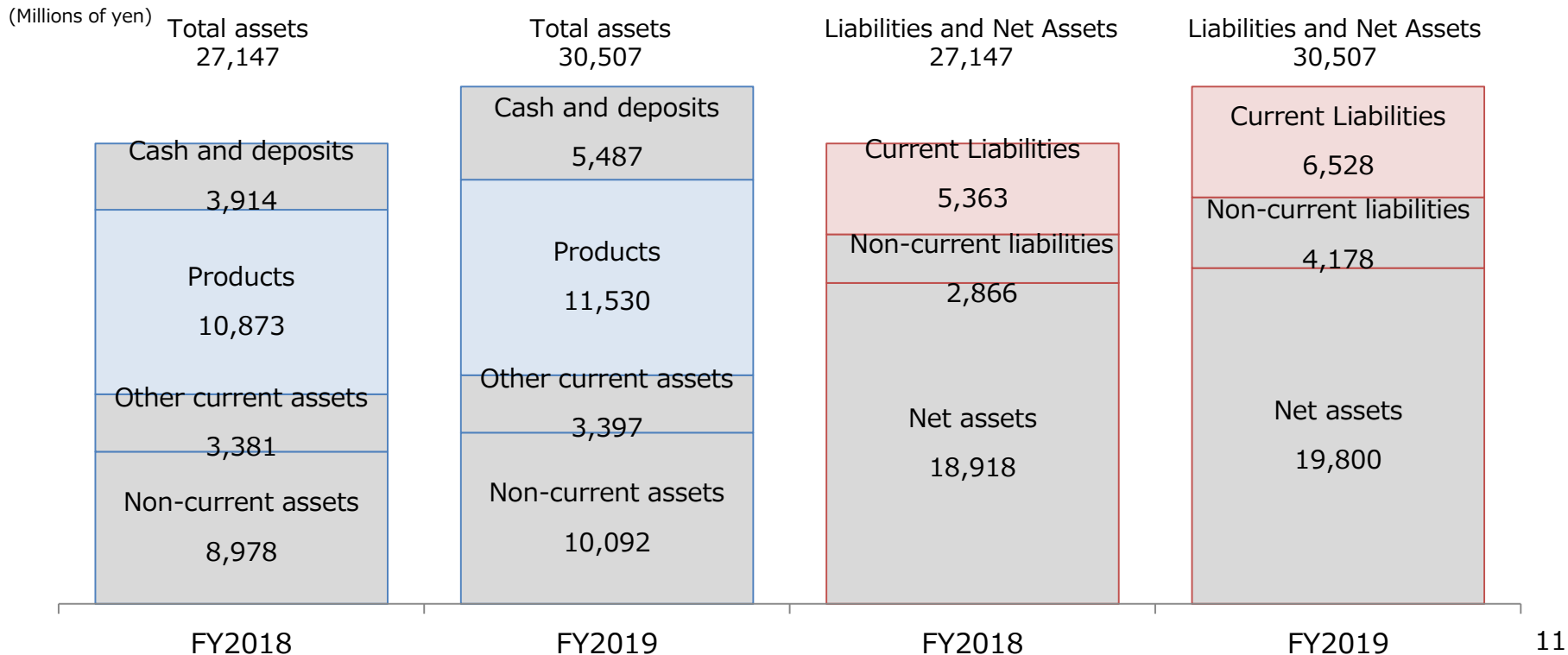
Operating income increased due to an increase in net sales



Overview of Balance Sheet (Consolidated)

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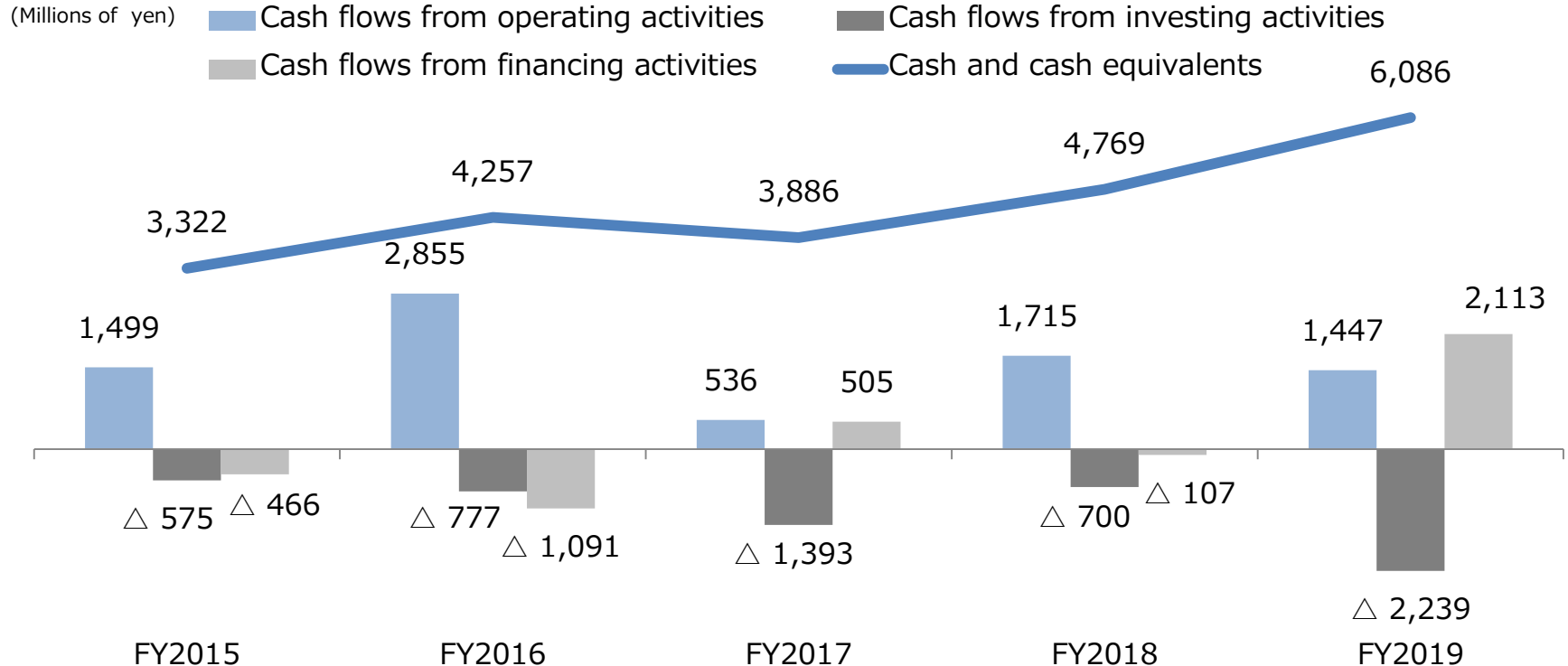
Increase in Net assets by opening new stores and grouping Shellman



Statement of Cash Flows (Consolidated)

KOMEHYO GROUP

Increased Cash flows from financing activities due to increase investments



By Segment

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	(Millions of yen)	FY2017	FY2018	FY2019	Change	YoY
Brand Fashion	Net sales	35,396	40,618	46,377	+5,758	114.2%
	Operating income	692	1,476	1,730	+253	117.2%
	Operating margin	2.0%	3.6%	3.7%	+0.1Pt	–
Tire and Wheel	Net sales	4,645	4,787	4,507	△280	94.1%
	Operating income	113	95	95	+0	100.4%
	Operating margin	2.4%	2.0%	2.1%	+0.1pt	–
Others	Net sales	137	146	122	△24	83.6%
	Operating income	26	53	34	△19	64.4%
	Operating margin	19.2%	36.6%	28.2%	△8.4pt	–

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1 . Overview of Financial Results for the Fiscal Year Ended March 31, 2019	P. 02
2 . Business status	P. 14
3 . Plan for the Fiscal Year Ending March 31, 2020	P. 26
4 . Medium-term Management Plan	P. 36
5 . Reference Information (Company Profile, etc.)	P. 48

FY2019 Target

Results, etc.

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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

→Approx. 130% Year on Year purchase price of large stores (Umeda/Meieki/Shinjuku ANNEX)
→Opening of 4 stores specializing in purchasing
→Approx 300 million yen in actual sales

→Approximately 105% Year on Year

→+ 1.4 points Year on Year
→16 business partners

→Brand Fashion Business: + 0.1 pt
→Non-consolidated: 167 million yen increase over the previous year
→Non-consolidated: SG & A expenses ratio of Δ 1.9 pt

KOMEHYO Auction

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

→2 times a month from June 2018
Volume: Approx. 127% Year on Year

Purchases from individual customers

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Record amount of individual purchases through new store openings and various measures








Amount of purchase from individual customers (Millions of yen)	FY2017	FY2018	FY2019	Change	YoY
purchase center	15,927	18,009	20,109	+2,099	111.7%
Home delivery Purchasing	789	906	957	+50	105.6%
Total	16,717	18,916	21,067	+2,150	111.4%



Purchase event

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Partial amendment of the Secondhand Articles Dealer Act,
we went to "Customer's usual location" to make reuse more accessible.

Event Partners	interphase	Percentage of new customers	
Hoshigaoka Terrace	2018.6.13 – 7.9	 49%	
Komeda Coffee Honten	2018.10.28 – 11.11	 76%	
Hoshigaoka Terrace	2019.1.9 – 1.31	 44%	
TAKASHIMAYA Gate Tower Mall	2019.1.30 – 2.26	 60%	
Porester Ichinomiya	2019.2.2	 100%	

New Store : the purchasing center

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	Location	Opening date
Purchase Center Toyota	Toyota City,Aichi Prefecture	Oct 2018
Purchase Center Kyodo Nodai Street	Setagaya-ku Tokyo	Nov 2018
Purchase Center Mukogaoka-Yuen Station	Kawasaki City, Kanagawa Prefecture	Dec 2018
Purchase Center Hoshigaoka Terrace	Nagoya City, Aichi Prefecture	Mar 2019
Purchase Center Shin-Koiwa	Katsushika-ku Tokyo	May 2019(planned)



[Purchase Center Hoshigaoka Terrace]

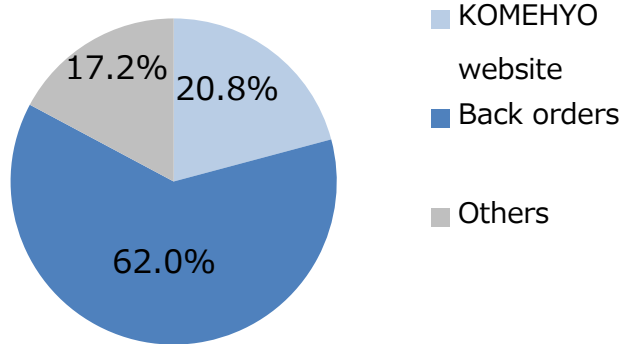


E-commerce-induced sales

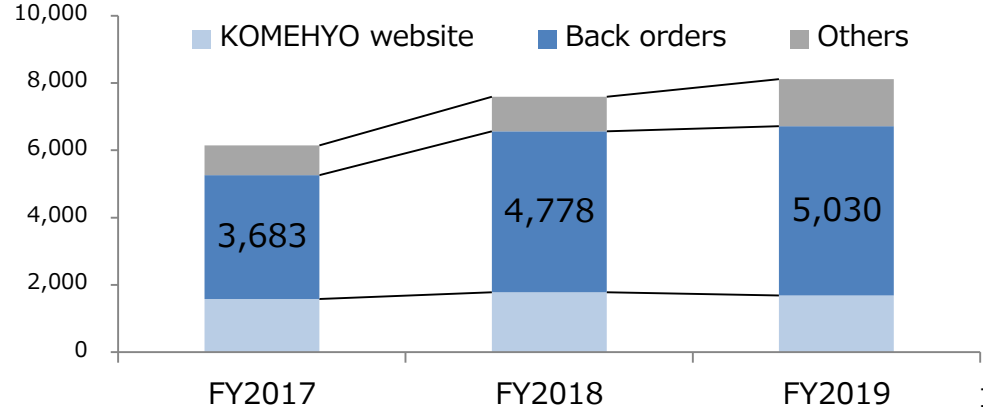
“Buy Online and Pick up in Store,” connecting brick-and-mortar stores with e-commerce sites, is on an upward trend

(Millions of yen)	FY2017	FY2018	FY2019	Net sales YoY	No. of products sold YoY
E-commerce-induced sales	6,147	7,594	8,119	106.9%	107.1%
E-commerce-induced sales rate	25.7%	27.9%	29.3%	—	—

【 Percentage of online sales by channel (FY2019)】 (Million of yen)



【Online sales trend by channel】



*EC Sales as a Percentage of Retail Sales

Customer Management

Integrated management of customer information , covering physical and online stores

Card members(FY2019)

No.

YoY

Total members

860,000

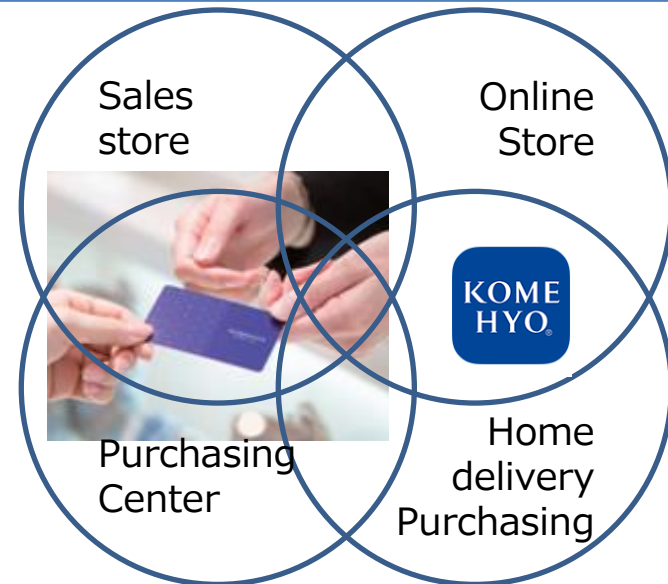
108.6%

【 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



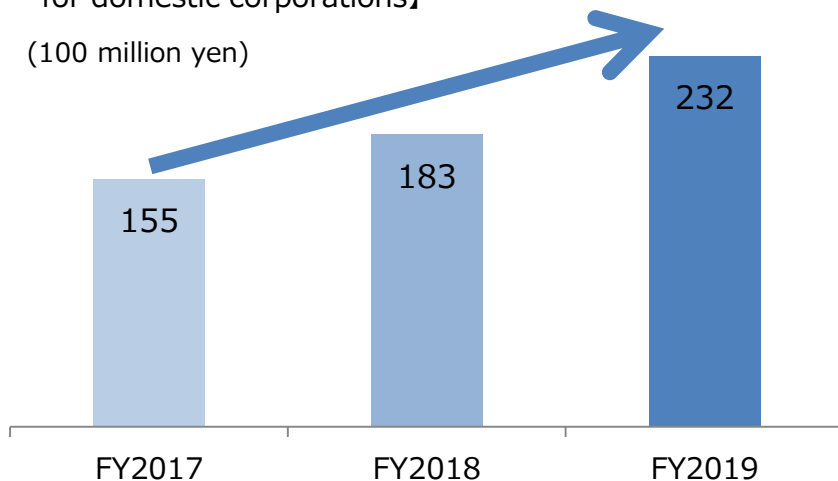
Sales to corporate customers

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KOMEHYO Auction Distribution Value Expansion Trend

	Trade volume (Millions of yen)	YoY	No. of member companies
FY2019	23,200	126.9%	942 ※112companies increased this term

【Transition of auction distribution amount
for domestic corporations】
(100 million yen)



【Auctions are held twice a month】

Since June 2018, we have been holding jewelry, watch and bag auctions twice a month to strengthen profitability



Systematic training of appraisers who are capable of judging

Total No. of appraisers

Total No. of VMD masters (Internal qualification)
and VMD instructors (National qualification)

FY2019

355 persons

90 persons

YoY Change

+ 26 persons

± 0 persons

[KOMEHYO appraiser]

Systematic development curriculum for appraisers

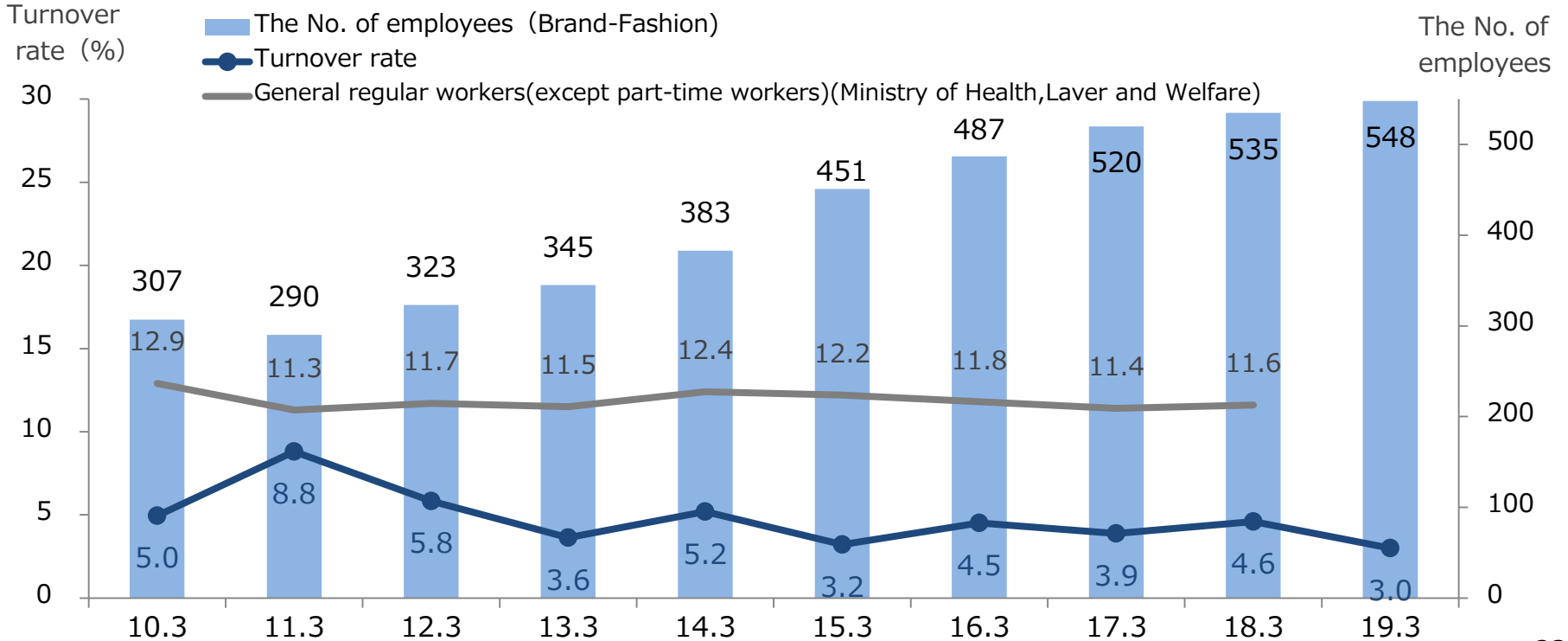
Appraisers assess on the spot

Market systems that allow inventory and distribution
to be monitored are supported.



Talented person fixation degree KOMEHYO GROUP

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



Brand • Fashion business Initiatives 2 KOMEHYO GROUP

19.3 Target

Results, etc.

KOMEHYO HONG KONG LIMITED

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

→Net sales of 1.74 billion yen
(Approx. 122% Year on Year)

BEIJING HUAXIA KOMEHYO LIMITED

Expansion of B-to-C business with a focus on Beijing

→Retail store “LuxStory” to
open a branch in Beijing
in September 2018

KOMEHYO SHANGHAI LIMITED

Development of B-to-B business targeting the Chinese
mainland in Shanghai

→Scheduled to open in June 2019
(Resident Representative)

SAHA KOMEHYO COMPANY LIMITED (THAI)

Eve Corporation

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

→Joint venture established in December 2018
The office opened in January 2019
(Resident Representative)

Shellman

Import and sale of antique watches and antique jewelry
Development and sales of original watches

→In August 2018 sneaker shop
(WORM TOKYO) to the relocated
to Harajuku Jingumae area

→Added to Group companies in November 2018



Tire and wheel business Initiatives

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FY2019 Target

Results, etc.

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

→Two of the Craft stores were converted to 「U-ICHIBAN」
in April 2018

Two of the Craft stores were converted to 「U-ICHIBAN」
in April 2019

→106.8% increase in net sales over the previous year

→Operating income margin + 0.1 points

「URBAN OFF CRAFT」 is added to one of the Craft in July 2018
「URBAN OFF CRAFT」 is added to two of the Craft in February 2019



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1 . Overview of Financial Results for the Fiscal Year Ended March 31, 2019	P. 02
2 . Business status	P. 14
3 . Plan for the Fiscal Year Ending March 31, 2020	P. 26
4 . Medium-term Management Plan	P. 36
5 . Reference Information (Company Profile, etc.)	P. 48

Fiscal 2020 Plan (Consolidated)

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Higher costs due to business expansion are expected to result in higher sales and lower profits

(Millions of yen)	FY2020 1H plan	YoY	FY2020 plan	YoY
Net sales	27,000	115.8%	56,400	110.7%
Operating income	458	93.5%	1,329	71.4%
Ordinary income	427	85.7%	1,261	69.0%
Net income attributable to owners of parent	243	75.6%	727	72.0%

*"Shinjyuku WATCH store" Expected to decrease due to rent increase due to opening of new store, personal expensive increase due to business expansion, etc.

Group structure ('19.5)

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Brand Reuse Business
 retail store operation
 "KOMEHYO" "LINK SMILE" "USED MARKET"

KOMEHYO

**KOMEHYO
Auction**

BtoB
Auction business

**KOMEHYO
HONG KONG
LIMITED**

BtoB
Global business
supervision

**Eve
Corporation**

Apparel business,
Sneakers business,
Shoes care business

Shellman

Antique watch,
Antique jewelry
business

Craft

Tire · wheel business
Operation of sales
store 'Craft'

**AUTO
Parts
Japan**

Tire · wheel business
Operation of sales
store 'U-ICHIBAN'

**Four by four
Engineering
Services**

Tire · Wheel business
Planning of automobile
Parts, R&D ,
manufacturing, etc.

**KOMEHYO
SHANGHAI
LIMITED**

(CHINA)
Product supply
to Beijing

**BEIJING
HUAXIA
KOMEHYO
LIMITED**

(CHINA)
[JV]
Operation of sales
store 'LuxStory'

**SAHA
KOMEHYO
COMPANY
LIMITED**

(THAI)
[JV]

NJKP

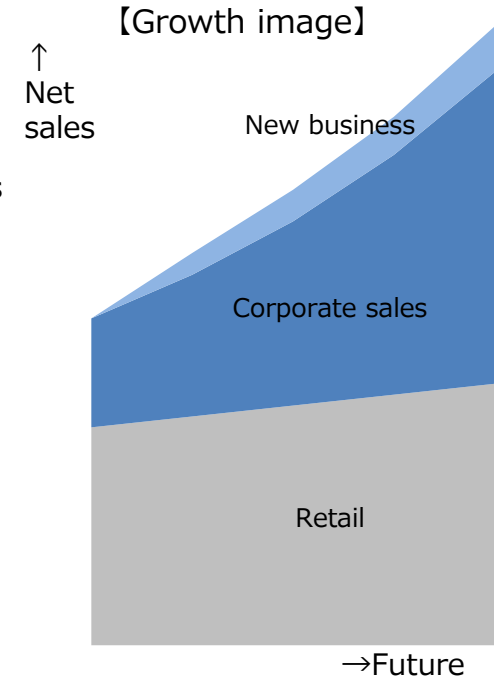
(HONG KONG)
[JV]
Diamond auction

Brand · Fashion business

Tire and Wheel business

Aim to capture the top market share and expand GMV (total amount of distribution)

1. Strengthening Individual Purchase
 - *Promoting Alliance and Purchasing Events
 - *Continue to open stores specializing in purchasing
2. Strengthening the Corporate Business
 - *Expanding GMV (total amount of distribution): Focusing on KOMEHYO Auctions
3. Strengthen product management functions
 - *Establish operations to ensure growth in Global Value Volumes (total amount of distribution)
4. Strengthening the EC
 - *Omni Channel (Cooperation between EC sites and stores)
→Enrichment of EC sites, use of marketplaces, promotion of promotions
5. Strengthening IT and DT (Data Technology)
 - *Use of data obtained from GMV (total amount of distribution) and use of AI to determine authenticity
6. Human resource development
 - *Education for appraisers, education and training for each level
7. New business
 - *Challenge to new businesses, including overseas businesses

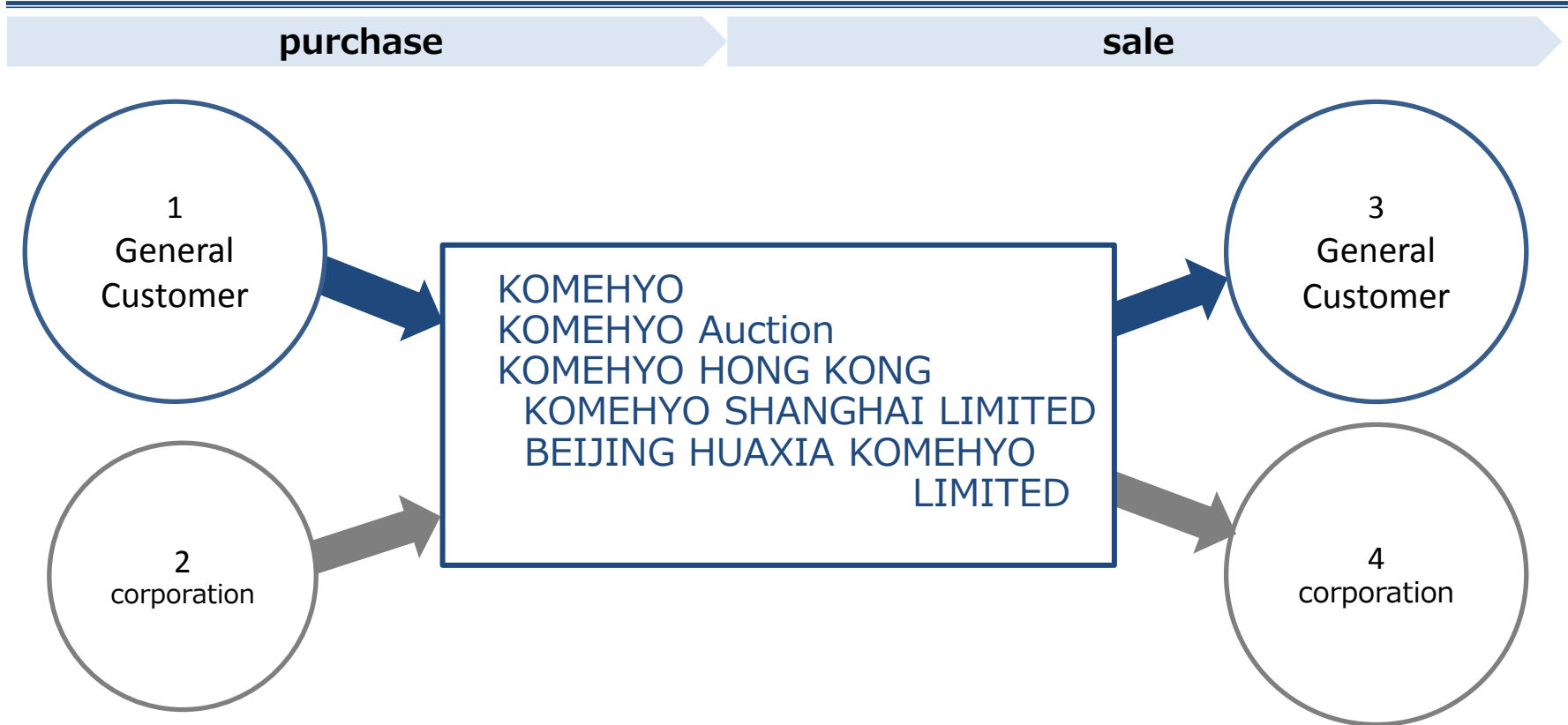


relocation plan for the Shinjuku area

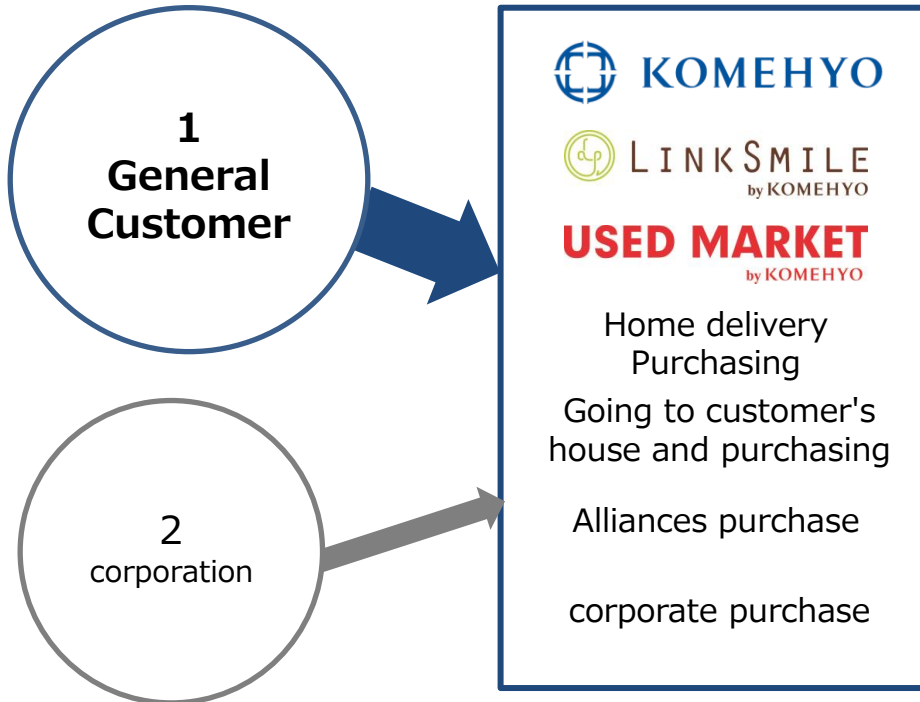
	Shinjyuku store	Shinjyuku store ANNEX	Shinjyuku WATCH store
'19.2	 <p>Jewelry, precious metals, watches, bags, lady's clothing, Purchasing Center</p>	 <p>men's bags, men's clothing, Purchasing Center</p>	 <p>New open</p>
'19.5	<p>Jewelry, precious metals, bags, lady's clothing, Purchasing Center</p>	<p>men's bags, men's clothing, Purchasing Center</p>	
'20.2 (planned)	<p>Closed</p>	<p>Renewal open</p>	

Brand · Fashion Business Structure

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Strengthening purchase from general customers



1.KAITORI GO (Alliances and Events)

Establishment of specialized departments,
department stores, etc.
Focusing on alliances and events with
other companies



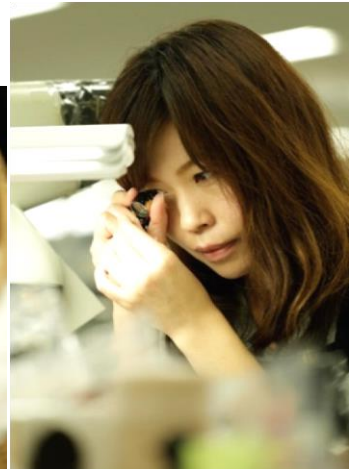
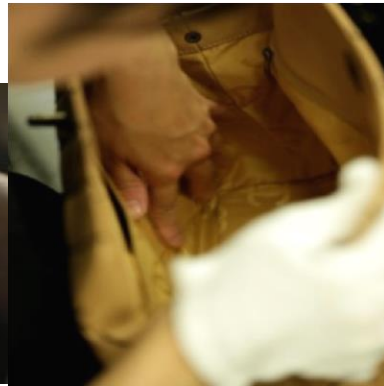
2.Continue to open stores specializing in
purchasing

Respond to increases in the volume of products purchased and purchased



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

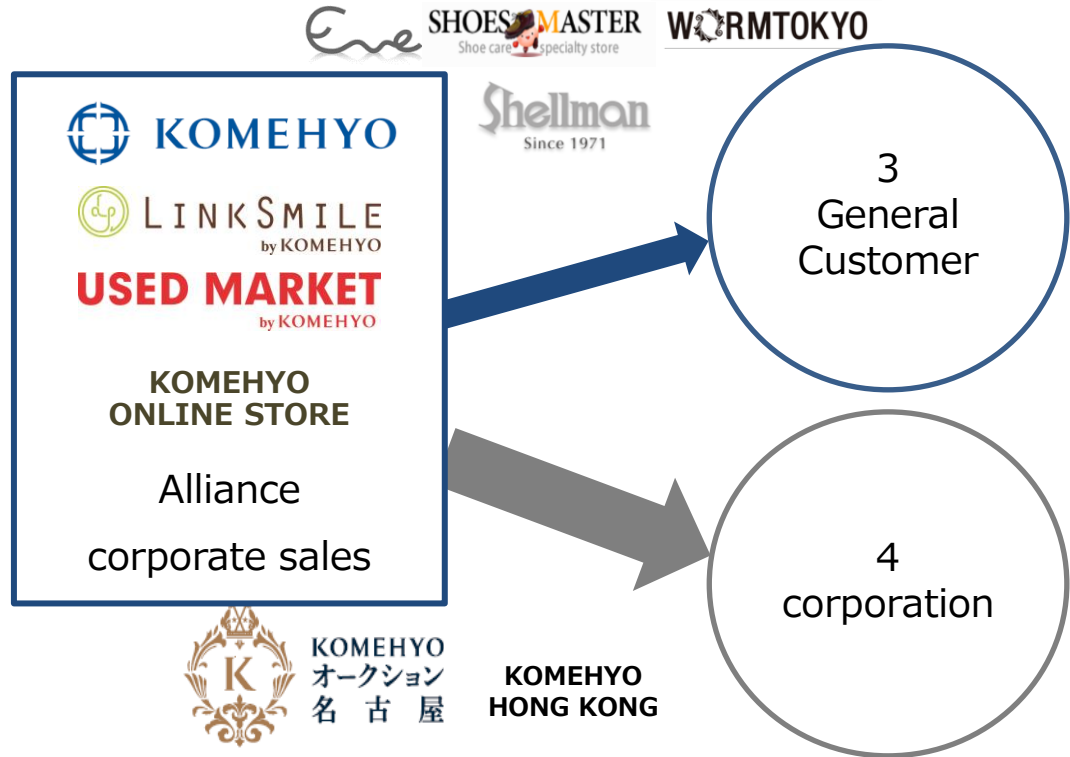


Brand · Fashion Business Sales (KOMEHYO)

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Strengthen sales to corporate clients through auctions

1. Strengthen sales to corporate customers
2. Strengthen KOMEHYO auctions
Continue to hold two tournaments



Strengthen profitability by strengthening used products and highly specialized sales channels

1. Strengthening store profitability
 - *Stores specializing in used tires and wheels: "U-ICHIBAN"
 - *Strengthen specialized sales channels: "URBAN OFF CRAFT", "EURO style Craft"
2. Strengthening the EC
 - *Expanding sales channels for e-commerce sites
 - *Use of SNS (LINE, instagram)
3. New Initiatives
 - *Planning, R & D, manufacturing, etc., of automotive parts



URBAN OFF CRAFT

EUROSTYLE Craft



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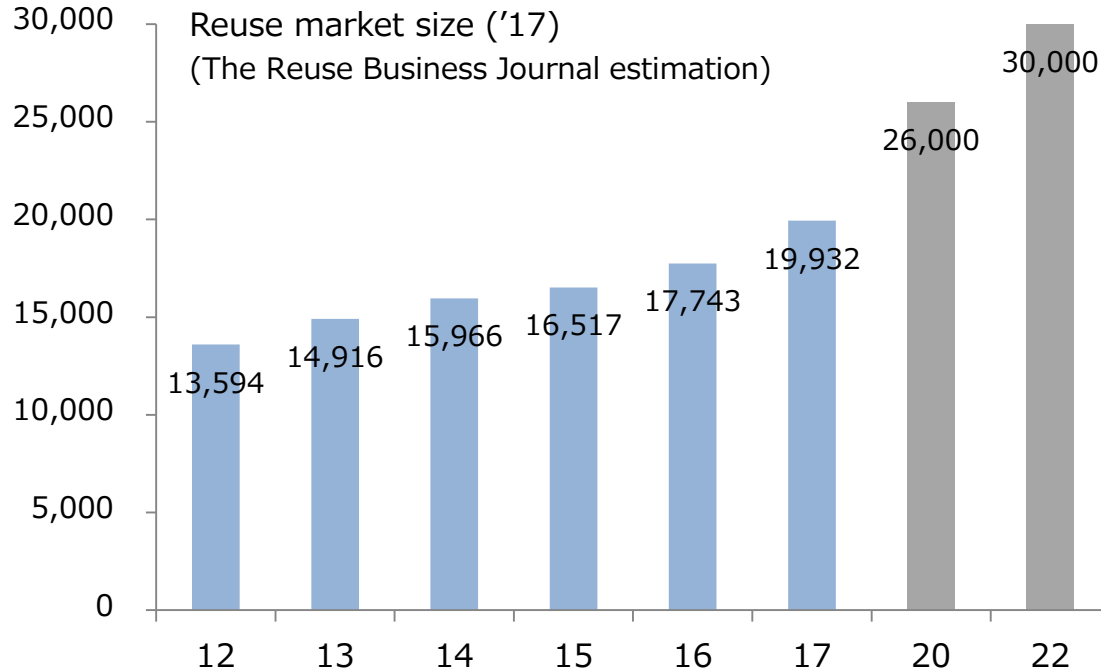
1 . Overview of Financial Results for the Fiscal Year Ended March 31, 2019	P. 02
2 . Business status	P. 14
3 . Plan for the Fiscal Year Ending March 31, 2020	P. 26
4 . Medium-term Management Plan	P. 36
5 . Reference Information (Company Profile, etc.)	P. 48

Reuse market growth rate

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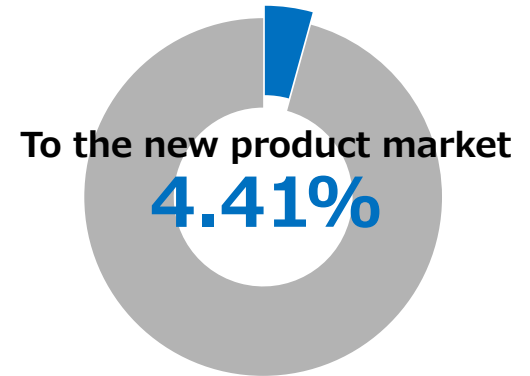
The reuse market continues to grow each year

(100 million yen)



Market Size Comparison
of New and Reuse('16)

Size of the reuse market
1,774,300 Millions of yen



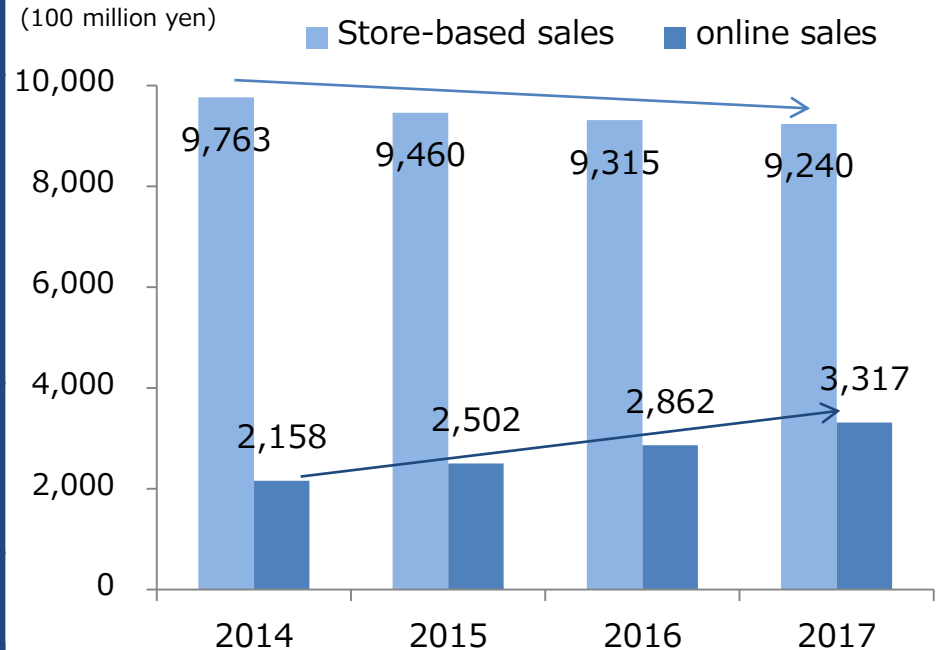
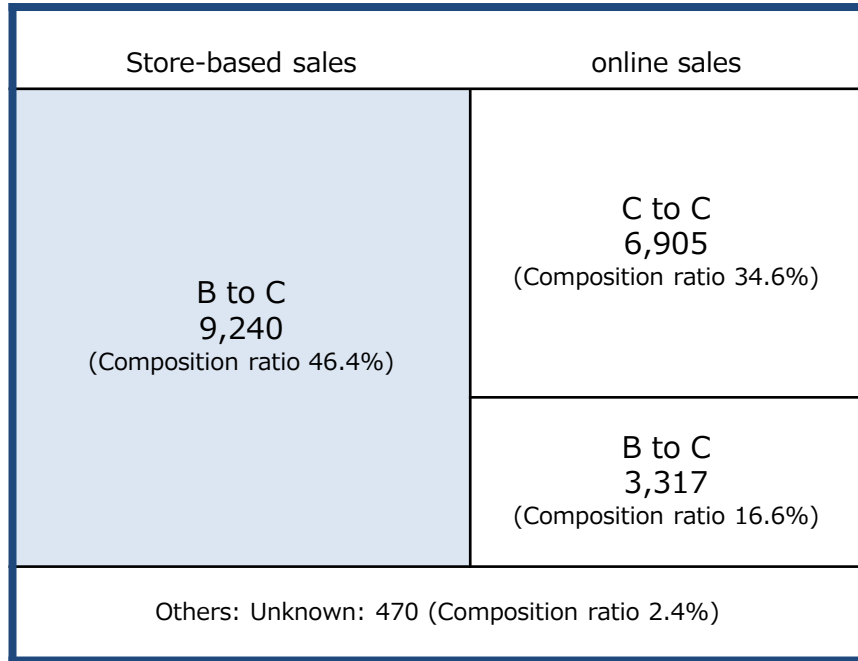
※Branded products, apparel, accessories,
home appliances, furniture, books, games, toys,
sporting goods, car accessories

Reuse market size

Online Sales Drive Market Growth

Reuse market size('17) 1.9 trillion yen (The Reuse Business Journal estimation)

【Reuse Markets (B to C)】



Reference: Estimate based on The Reuse Business Journal Secondhand Business Data Book 2018 and estimated recycling communications (dated May 11, 2019)

Medium-Term Basic Objectives (Consolidated)

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Aim for medium- to long-term growth through strategic investment

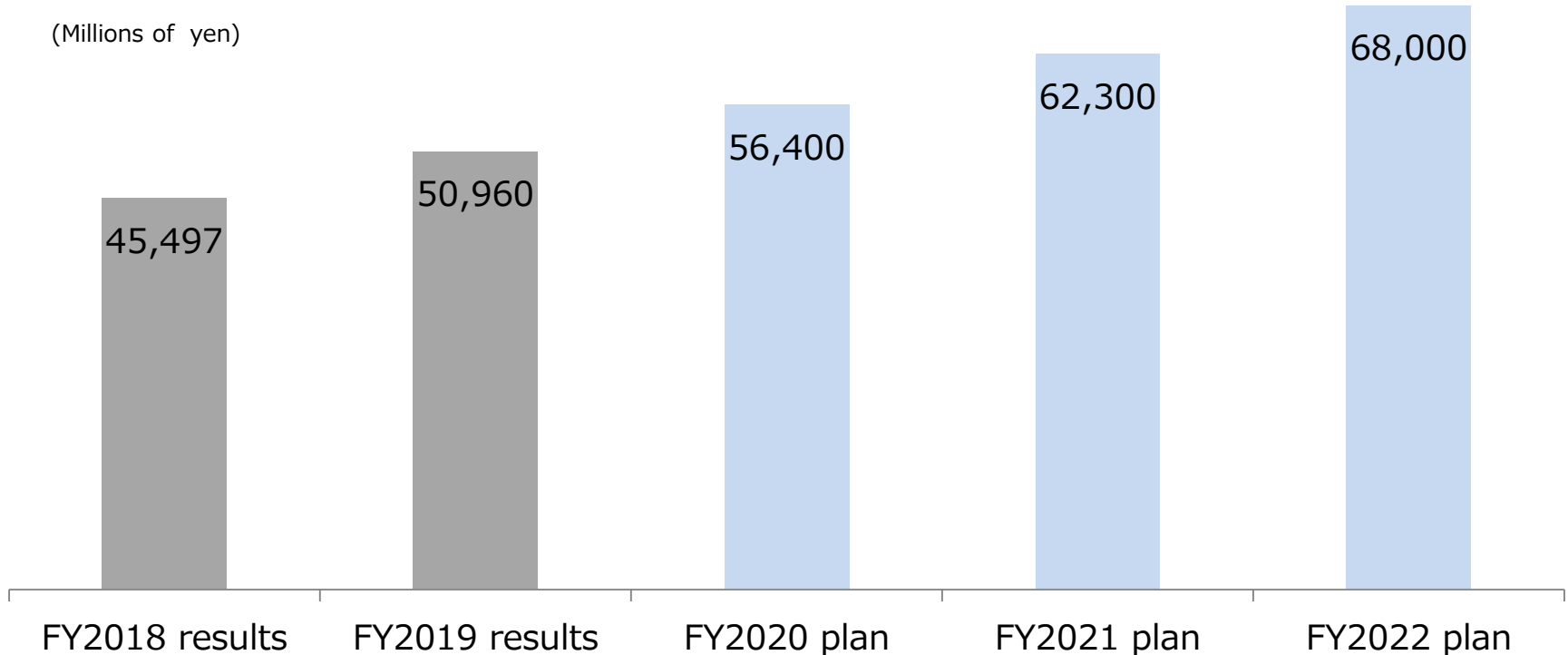
(Millions of yen)	FY2020 (‘19.4-‘20.3)	FY2021 (‘20.4-‘21.3)	FY2022 (‘21.4-‘22.3)
Net sales	56,400	62,300	68,000
Operating income	1,329	2,210	2,630
Operating margin	2.4%	3.5%	3.9%

Net Sales Plan (Consolidated)

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Generate JPY68 billion on a consolidated in the fiscal year ending March 31, 2022

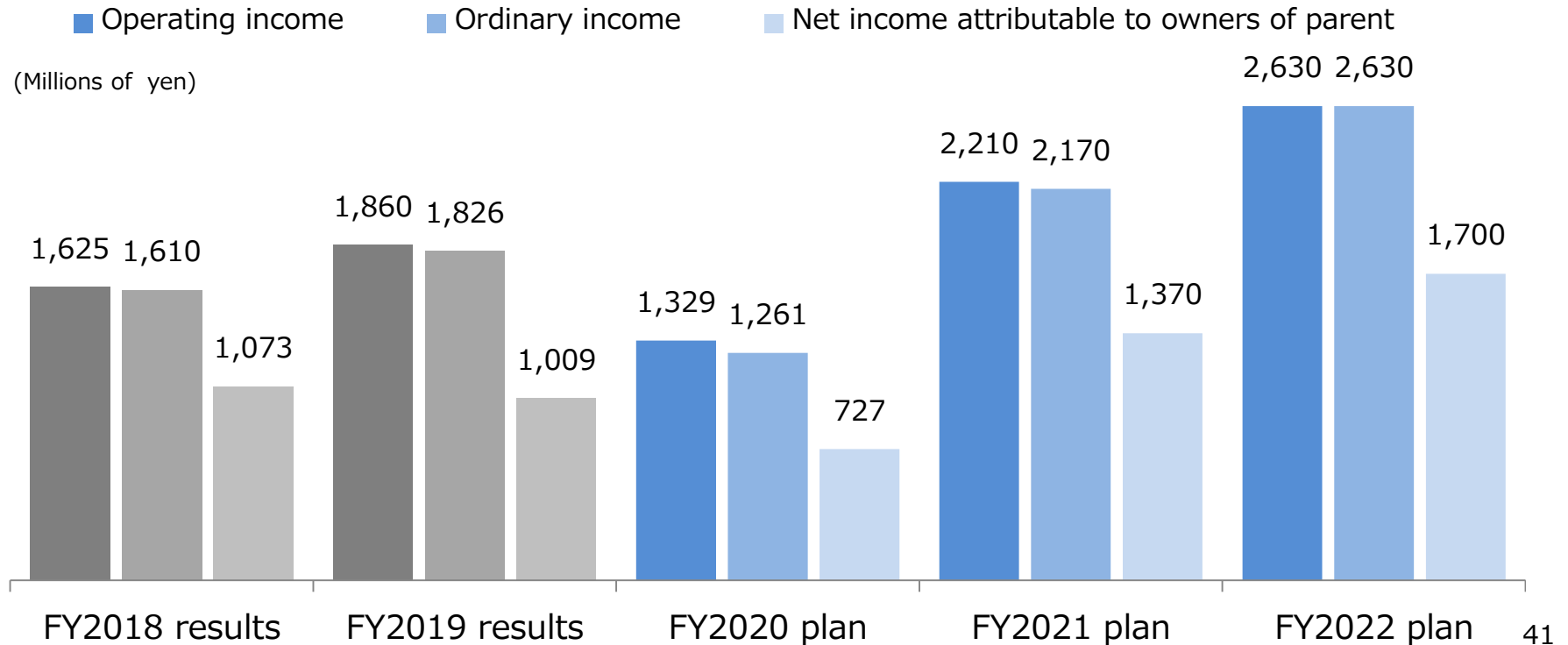
(Millions of yen)



Profit Plan (Consolidated)

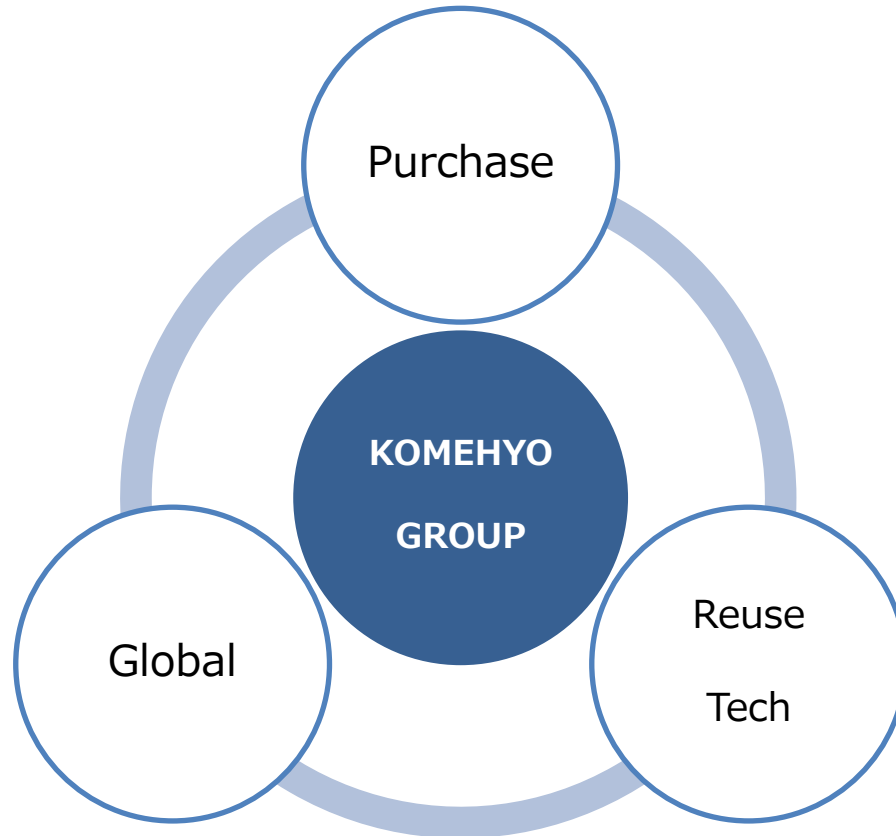
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Aim for medium- to long-term growth through strategic investment



Three key themes for mid- and long-term growth strategy

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Purchase KAITORI GO

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Established a specialized department to focus on alliances with other companies and events

【Joint purchase events with other companies】



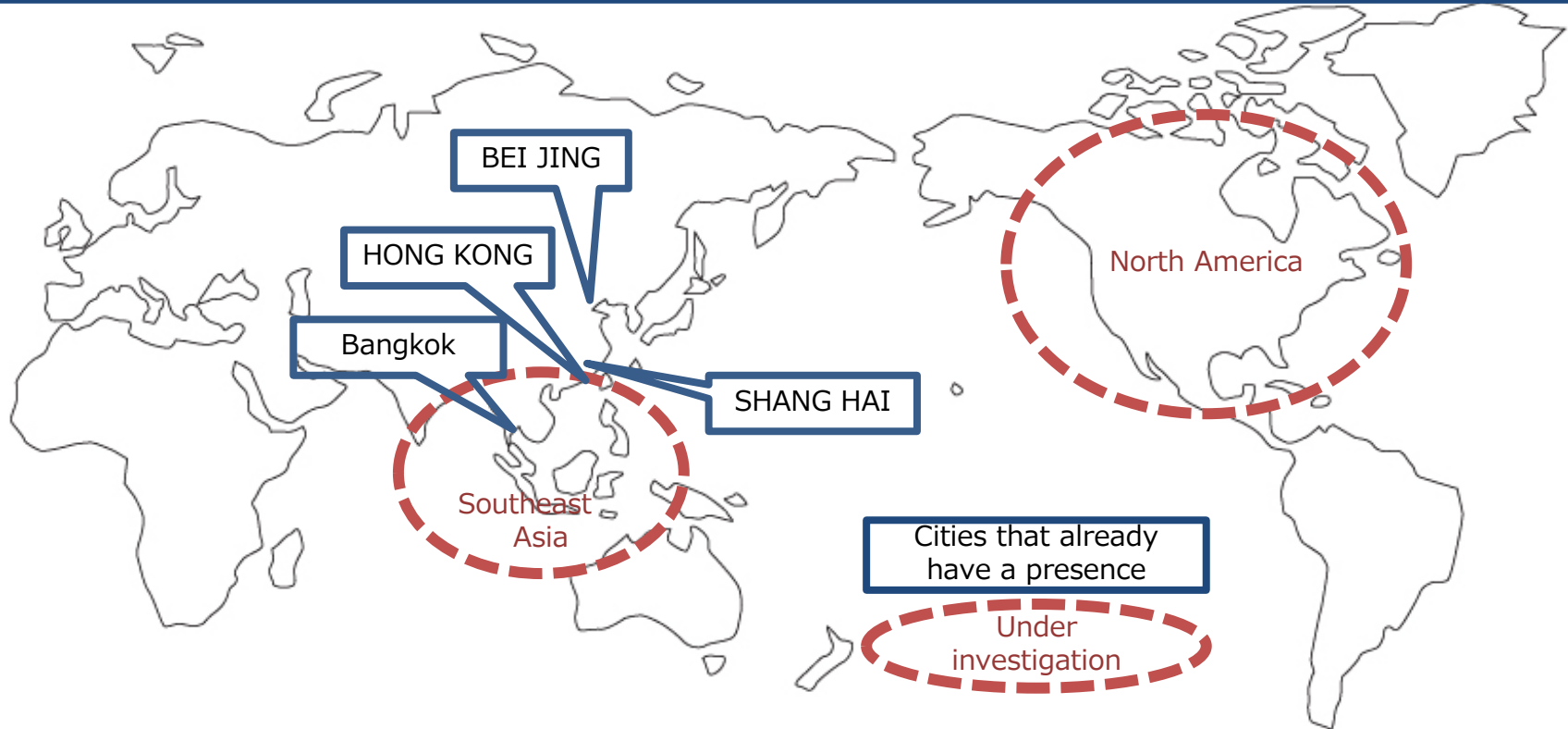
Customers feel when selling unwanted goods

"Do they really sell?"

With psychological hurdles such as "It is difficult to go to the purchase shop."

In order to achieve this, we use the expression "GO" and we hope that KOMEHYO will visit customers' usual places and feel that reuse is a casual activity.

Aim to expand reuse business overseas



Data Technology — Leverage the vast amount of data in your enterprise

【Purpose of introducing AI】

Efficiency of the
purchase process

More efficient
education for
appraisers

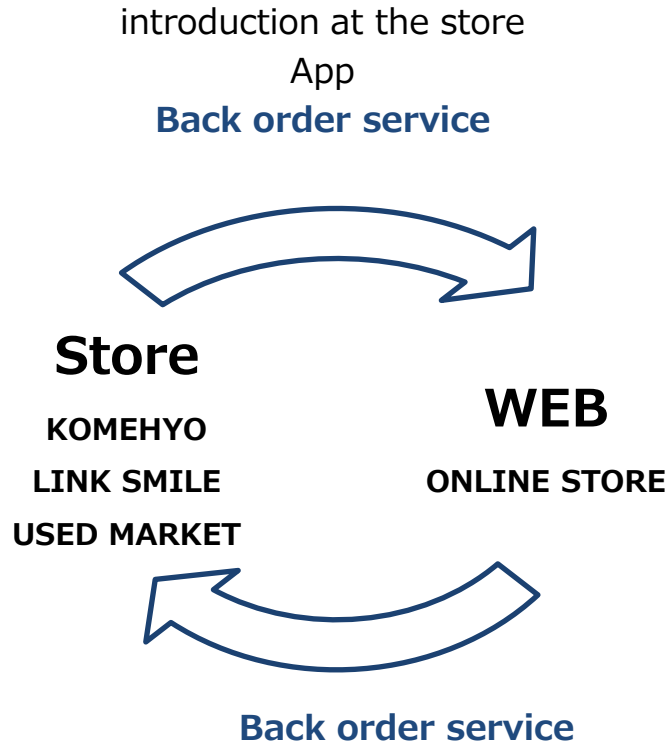
Enhance
communication with
customers

Global Expansion



*To be introduced in FY 2019

Promotion of omni-channel linking stores and the Internet



【Advantages of ordering】

In order to check the product visually,
You can purchase with a sense of security and
satisfaction.

【Unit price for back order】

About 2 ~ 3 times more mail-order sales
through its own sites

Solving social problems such as the distribution of illegal products with the ability to appraise them

【Free market app specializing in brand- name products :KANTE】

Providing purchasers with a sense of assurance through judgment of authenticity

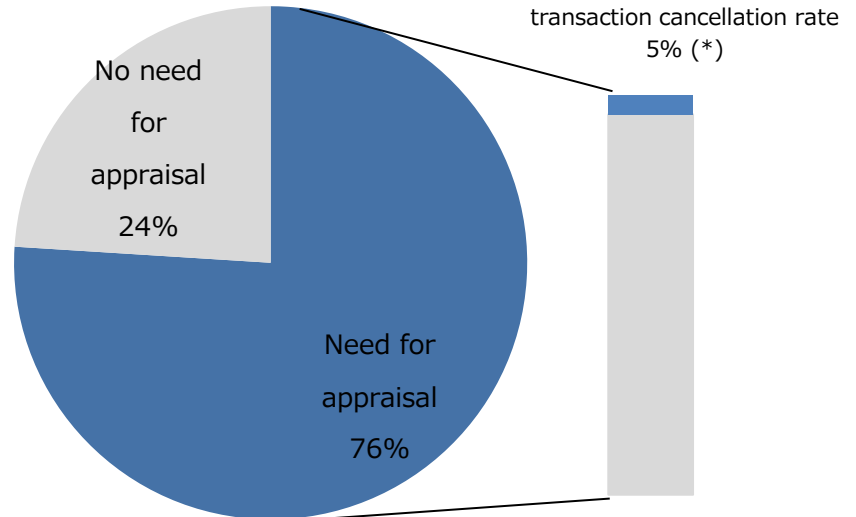


Appraisal gives buyers peace of mind



Nurturing a healthy culture of reuse

Proportion of persons using expert opinion('19.3)



*Not only inappropriate items, but also missing accessories, wrong listing information, and items not subject to appraisal are included.

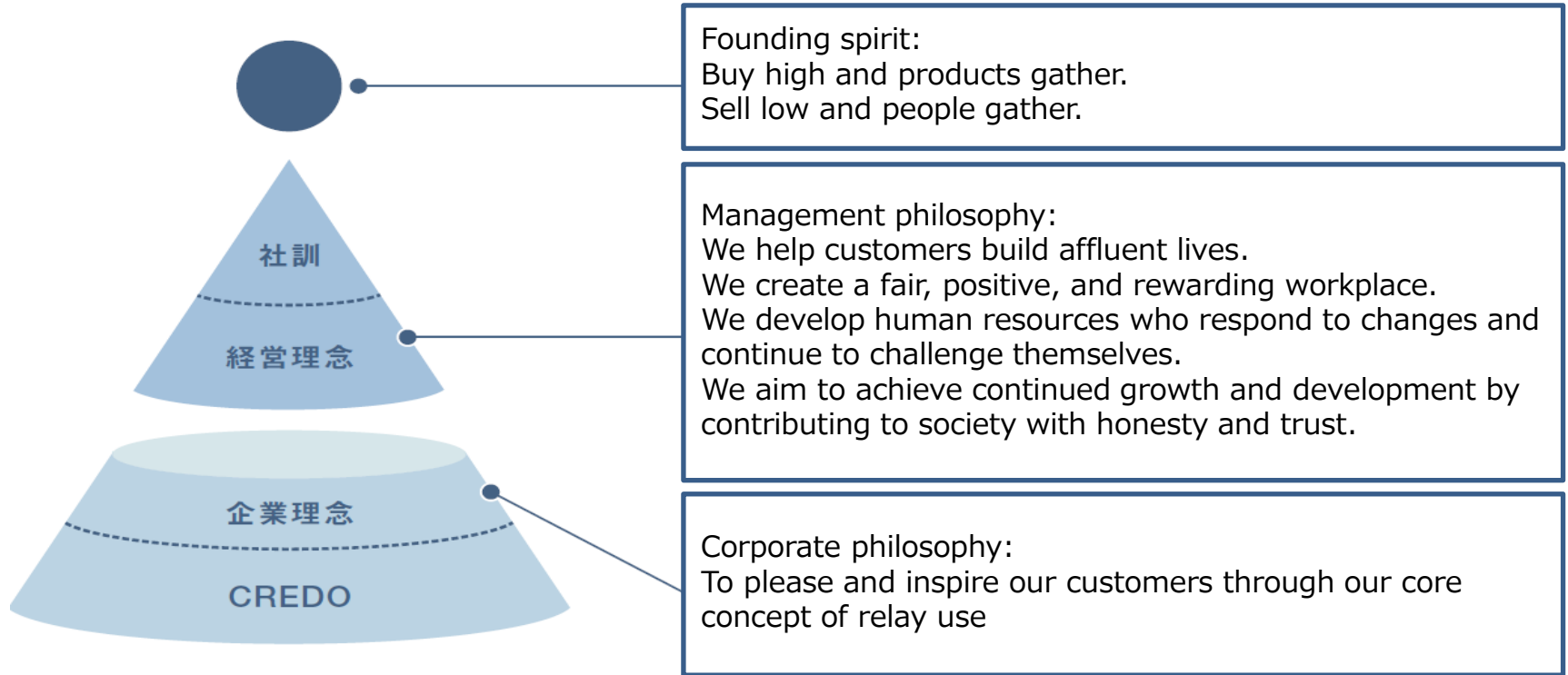
KOMEHYO GROUP

1 . Overview of Financial Results for the Fiscal Year Ended March 31, 2019	P. 02
2 . Business status	P. 14
3 . Plan for the Fiscal Year Ending March 31, 2020	P. 26
4 . Medium-term Management Plan	P. 36
5 . Reference Information (Company Profile, etc.)	P. 48

Corporate Profile

KOMEHYO GROUP

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: 689 (As of March 2019)
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)



Corporate History

KOMEHYO GROUP



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

1979 1987 1996 2000 2003 2004 2005 2011 2012 2013 2015 2017 2018

● Established KOMEHYO Co., Ltd.

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

● Expanded into Tokyo (Purchasing Center Dogenzaka)

● Started online sales

● Expanded into Kansai (Shinsaibashi Store)

● Opened Yurakucho Store (full-scale expansion into Tokyo)

● 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 Ginza Store

● Acquired CRAFT Co., Ltd.

● Established Product Center

● Established KOMEHYO Auction

● Established Auto Parts KOMEHYO KK (currently AUTO PARTS JAPAN)

● Established KOMEHYO HONG KONG LIMITED

● Opened Purchasing Center Yurakucho, Ikebukuro-nishiguchi, tachikawa-kitaguchi

● Opened Jiyugaoka store

● Opened Umeda Store, Shinjuku Store ANNEX, Meieki Store

● Acquired Eve Corporation Co., Ltd., Ark marketing japan Co., Ltd.

● Opened Purchasing Center Toyota, Kyodo-nodai street, Mukogaoka-yuen, Hoshigaoka Terrace

● Acquired Shellman Co., Ltd.

● First Overseas Store Opened in Beijing, China

Store Type

KOMEHYO GROUP



28 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 **8** stores

Purchasing Center
 Opening stores in major cities
Purchase only **11** stores



5 stores



Sale and purchase * Ladies
 casual clothing, Bags, small items, etc.



3 stores



Sale and purchase * clothing at a lower price point
 Bags, small items, etc.

*Some stores only sell

Total 36 stores ('19.3)

Shareholder return

KOMEHYO GROUP

Dividend changes

