



President Yasutaka Horiuchi

BOOKOFF GROUP HOLDINGS LIMITED(9278)

# BOOKOFF

## GROUP HOLDINGS

### Company Information

Market	TSE 1st Section
Industry	Retail (commerce)
President	Yasutaka Horiuchi
HQ Address	2-14-20 Kobuchi, Minami-ku, Sagamihara-shi
Year-end	May
HOME PAGE	<a href="https://www.bookoffgroup.co.jp/en/index.html">https://www.bookoffgroup.co.jp/en/index.html</a>

### Stock Information

Share Price	Number of shares issued (End of the term)		Total market cap	ROE (Actual)	Trading Unit
¥946	20,547,413 shares		¥19,437 million	1.2%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥8.00	0.8%	¥22.93	41.3x	¥736.74	1.3x

\*The share price is the closing price on August 18. Each number is from the financial results of FY 5/21.

### Consolidated Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2018 (Actual)	80,049	613	1,092	-889	-43.31	10.00
March 2019 (Actual)	80,796	1,550	2,120	2,172	112.19	15.00
March 2020 (Actual)	84,389	1,428	1,898	240	13.77	6.00
May 2021 (Actual)	93,597	1,936	2,509	157	9.03	6.00
May 2022 (Forecast)*	85,000	950	1,200	400	22.93	8.00

\* The fiscal year ended May 2021 is 14 months accounting period. The forecasted values were provided by the company. Unit: million yen or yen.

We present this Bridge Report reviewing fiscal year ended May 2021 financial results and future initiatives of BOOKOFF GROUP HOLDINGS LIMITED and interview with President Horiuchi and so on.

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## Key Points

- In the term ended May 2021, the performance of directly managed BOOKOFF stores was almost unchanged from the previous year, due to the healthy sales of books, thanks to the demand from housebound consumers from the second quarter, despite the temporary closure of stores under the state of emergency in the first quarter (Apr. to Jun.). On the other hand, the business of purchase of used items at department stores and the overseas business were sluggish. The sales in the 12-month period from April 2020 to March 2021 were 80.1 billion yen, down 4.2 billion yen from the previous term ended March 2020. Ordinary income was 1.87 billion yen, almost unchanged from the previous term, when the revenue from the subsidy for assisting employment and special factors due to the change in the accounting period are excluded, as costs decreased due to the restriction on transportation and gross profit increased from the second quarter. The company posted an extraordinary loss of 1,536 million yen, including the impairment loss of goodwill of consolidated subsidiaries, fixed costs, including the rents and depreciation of directly managed stores inside and outside Japan, which were temporarily closed under the state of emergency or lockdowns, and a loss due to COVID-19.
- For the term ending May 2022, sales are projected to be 85 billion yen and ordinary income is forecasted to be 1.2 billion yen. Sales are expected to be unchanged from the pre-pandemic sales in the term ended March 2020 (12-month period), that is, 84.3 billion yen. Ordinary income is estimated to decrease from 1.9 billion yen in the term ended March 2020, as the company will start large-scale investment in IT this term. Regarding the impact of the novel coronavirus, it is assumed that consumers' stances of going out and spending will recover on a full-scale basis in the fourth quarter (Mar. to May). The company plans to pay a dividend of 8.00 yen/share, up 2.00 yen/share from the previous term. The expected payout ratio is 34.9%.
- The business performance of the company has been on a recovery track since the second quarter of the previous term, but considering the delay in opening stores due to the curtailed investment, the recovery of services for wealthy customers and overseas business, which are the growth fields, are taking time, and significant changes in the market environment after the pandemic, the company has abandoned the goal of achieving an ordinary income of 3 billion yen, which was set in the mid-term management policy, whose final fiscal year is the term ending May 2023.
- For the term ending May 2022, ordinary income is projected to decline 1.3 billion yen from the previous term to 1.2 billion yen, but it is expected to recover to 2.4 billion yen in the term ending May 2025, through the reduction of costs for investment and the growth of revenues from the BOOKOFF business, the business for wealthy customers, the overseas business, M&A, and business development.
- We interviewed the president Horiuchi about the review on the financial results of the previous term, his company's forte, future activities and issues to be dealt with, his message toward shareholders and investors, and so on. He said, "Seeing these financial results, I reconfirmed the resilience of the core business of BOOKOFF amid the coronavirus pandemic, and was able to lay out a clear road map for further growth. In order to complete the mission of 'Be a source of enjoyable and enriching lives for as many people as possible,' we will develop new businesses while improving our three pillars and grow to become 'the BOOKOFF Group operating not only BOOKOFF stores, but also other businesses.' All of us will make the utmost effort to live up to the expectations of shareholders and investors. We would appreciate your continued support."

- **Due to the change of the accounting period, it is unclear from the brief financial report, but the comparison between the cumulative fourth quarter of the term ended May 2021 (Apr. 2020 to Mar. 2021) and the term ended March 2020 (Apr. 2019 to Mar. 2020) indicates a 5% decrease in sales and a 13% increase in operating income. Considering the effects of the declarations of a state of emergency in April and May in 2020, the company performed well as mentioned in the interview with the president Horiuchi, and it can be highly evaluated because the fusion of the online and real shops titled “One BOOKOFF” based on its competitive advantages, that is, its nationwide network of stores and popularity, produced significant effects. We would like to pay attention to how they will proceed toward doubling the number of app users to have 6 million users in 2 years, and how they will implement measures for encouraging the users.**
- **If the coronavirus pandemic subsides, it is expected that the regrowth of the overseas business, especially the growth through franchise, will produce significant favorable effects on the entire corporate group through the improvement in the capacities to supply and buy products. We would like to pay attention to its progress, too.**

## 1. Company Overview

The company runs a group of the largest reuse chain stores that has expanded its reuse business into various fields, including books, CDs, DVDs, video games, apparel, sporting goods, baby goods and miscellaneous goods. It has about 800 (directly managed + franchised) store network covering all over the country. Also, they pursue synergies with “reuse at online stores”.

### **[1-1 Corporate Philosophies of the BOOKOFF Group]**

- Contributing to the economic and social development through our corporate activities.
- Providing opportunities for fulfillment both professionally and personally to all our dedicated employees.

With these corporate philosophies, the BOOKOFF Group has made efforts towards the reuse of various items, with a focus on the purchase and sale of “books”. By doing so, they have nurtured the brand, the store network, and human resources, which in turn have become the Group's strength. With their mission “Be a source of enjoyable and enriching lives for as many people as possible”, they aim to be a leading “reuse” company, and a company where people can grow and work with peace of mind, confidence, and enthusiasm.

### **[Efforts towards diversity]**

The company believes that “employees are the greatest asset” and that “developing skills and intelligence of human resources will directly lead to growth of the company.” Therefore, they strive to improve the work environment so each employee can utilize their strengths, and to provide opportunities for employee to develop their skills and fulfill themselves. As part of this, a region selection system was implemented in October 2014, allowing employees to work within a specific area. In addition, under the “married couple transfer system,” employees who are married couples may transfer to a store near their spouse’s workplace.

The BOOKOFF Group also makes an effort to provide employment for persons with disabilities, and they established B-Assist, Inc. in October 2010 (which was recognized as a special subsidiary under the Employment Promotion Act for Persons with Disabilities in December 2010). B-Assist, Inc. provides people with disabilities who are capable to work with employment opportunities and a suitable environment as part of “corporate activities” rather than “welfare” to support social participation and independence (BOOKOFF Group as a whole has employed more than 140 people with disabilities).

### **[1-2 Business Description]**

As the chain headquarter of the reuse stores “BOOKOFF” for books, software and more, the company operates the franchise (FC) system and directly managed stores. There are three types of directly managed stores; 1) “BOOKOFF” (books, CDs, DVDs, video games, electronics and mobile phones, etc.), 2) “BOOKOFF PLUS” (a medium-sized complex BOOKOFF with apparel & brand-name goods), and 3) “BOOKOFF SUPER BAZAAR” (a large-sized complex BOOKOFF with a wide variety of commodities; books, software, electronics (audio and visual devices, computers, etc.), apparel, sporting goods, baby goods, watches, brand bags, jewelry, tableware and miscellaneous goods).

It also operates the E-commerce (EC) site “BOOKOFF Online”, HUGALL that provides purchasing and trading services for the wealthy class at major department stores, new bookstores, and book review community websites.

BRIDGE REPORT



 BOOKOFF 		 BOOKOFF SUPER BAZAAR 	
Avg. floor space	About 430 m <sup>2</sup>	Avg. floor space	About 3,135 m <sup>2</sup>
Merchandise	Books, CDs, DVDs, video games, hobby goods, mobile phones, home appliances, etc.	Merchandise	“BOOKOFF” + Apparel/brand-name goods/household products/ sporting goods/kitchenware, etc.
 BOOKOFF PLUS 		 BOOKOFF One-stop Purchasing Consultation Desk 	
Avg. floor space	About 990 m <sup>2</sup>	Avg. floor space	About 66 m <sup>2</sup>
Merchandise	“BOOKOFF”+ Apparel/accessories, etc.	Merchandise	Stores specialize in purchasing apparel/luxury-brand goods/small size home appliances, etc.

(Source: the Company’s material)

**BOOKOFF Group**

Its main subsidiaries, Booklet Co. Ltd., BOOKOFF With Co., Ltd, BOOKOFF Okinawa Inc, Manas Co., Ltd and BOOKOFF Minami Kyushu, Inc. operate “BOOKOFF” stores in Japan. BOOKOFF With Co., Ltd operates reuse stores for apparel, baby goods and others, besides BOOKOFF stores. BOOKOFF With is also a franchisee of a reuse chain store, “Kingram,” which handles watches, brand bags and jewelry. Also, Booklet, BOOKOFF With and BOOKOFF Okinawa operate reuse stores for apparel and more.

Jewelry Asset Managers Inc. operates “aidect,” which specializes in precious metals and offers comprehensive services, including purchase, sale, customization, repair, and remaking.

As for overseas business operation, BOOKOFF U.S.A. INC. runs “BOOKOFF” stores in the United States, BOK MARKETING SDN.BHD runs “Jalan Jalan Japan” in Malaysia.

The company entered the Malaysian market in 2016 and have released a Malaysian original package called “Jalan Jalan Japan.” The store concepts of “Preloved in Japan,” “large amounts of goods,” and “low prices” match local needs, and business performance is strong. It will focus on human resource development and work to further expand the store network. First, they want to establish a twenty-store system within three to four years, and in their mid-term plan, they are also considering the acceptance of discarded products from competitors. The business in Malaysia is profitable, and it not only contributes to earnings, but also serves as an exit strategy for the Group (it sells products that could not be sold at stores in Japan locally). Domestic unsold products are disposed of as industrial waste. The Malaysian business leads reduction of disposal costs, and all stores are performing well. Store operations require securing a large number of products and operations to deal with a large number of products, making it difficult for other companies to develop similar businesses. As a result, this business is unique to the company, which boasts the best sales in the industry. In addition to the fact that Malaysian store managers are receiving training in management and other activities in Japan, Japanese employees of the manager class are dispatched to Malaysia to penetrate the management skills.

## 2. Fiscal Year ended May 2021 Financial Results

### 【2-1 Consolidated Results】

	FY 3/20	Ratio to sales	FY 5/21	Ratio to sales	YoY	Compared to the revised forecast
Sales	84,389	-	93,597	-	+10.9%	+0.6%
Gross profit	51,077	60.5%	56,890	60.8%	+11.4%	-
SG&A expenses	49,648	58.8%	54,953	58.7%	+10.7%	-
Operating income	1,428	1.7%	1,936	2.1%	+35.6%	+10.6%
Ordinary income	1,898	2.2%	2,509	2.7%	+32.2%	+9.1%
Profit attributable to owners of parent	240	0.3%	157	0.2%	-34.4%	-

\* Unit: million yen. The revised forecast is the company's earnings forecast disclosed in May 2021.

\*The company changed the account closing date to May 31 of each year, for the purpose of maximizing purchase and streamlining business operations by changing the accounting closing date to a date outside the busiest period from January to March. The term ended May 2021 was a 14-month period. The year-on-year change rate means the rate of change from the term ended March 2020 (12-month period) for reference.

In the term ended May 2021, the performance of directly managed BOOKOFF stores was almost unchanged from the previous year, due to the healthy sales of books, thanks to the demand from housebound consumers from the second quarter, despite the temporary closure of stores under the state of emergency in the first quarter (Apr. to Jun.). On the other hand, the business of purchase of used items at department stores and the overseas business were sluggish.

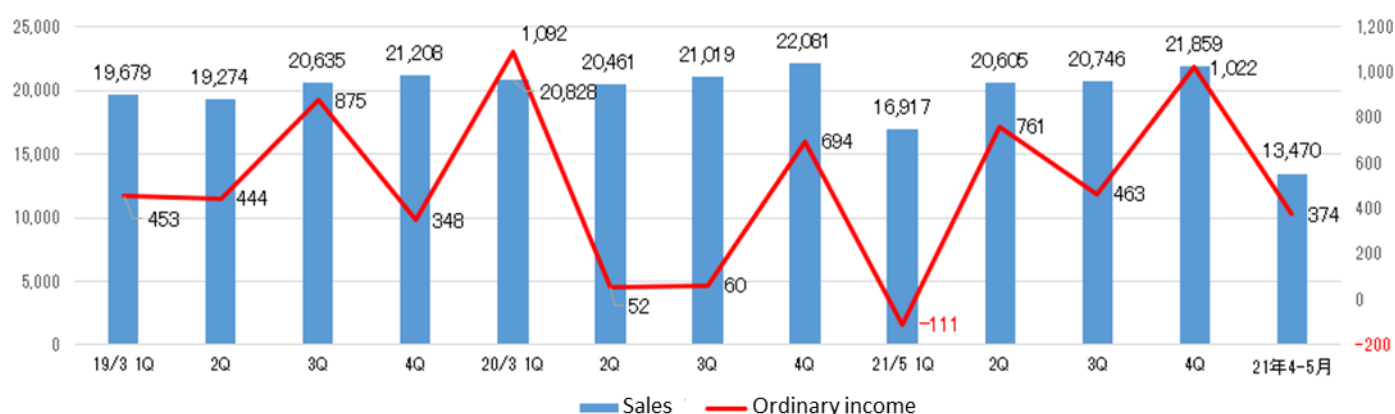
The sales in the 12-month period from April 2020 to March 2021 were 80.1 billion yen, down 4.2 billion yen from the previous term ended March 2020.

Ordinary income was 1.87 billion yen, almost unchanged from the previous term, when the revenue from the subsidy for assisting employment and special factors due to the change in the accounting period are excluded, as costs decreased due to the restriction on transportation and gross profit increased from the second quarter.

The company posted an extraordinary loss of 1.536 billion yen, including the impairment loss of goodwill of consolidated subsidiaries "Jewelry Asset Managers Inc." (597 million yen), and a loss due to COVID-19 (778 million yen) such as fixed costs, including the rents and depreciation of directly managed stores inside and outside Japan, which were temporarily closed under the state of emergency or lockdowns.

Due to the state of emergency declared in April 2021 and the subsequent expansion of the areas covered by the state of emergency, the company had expected sales to be weak. But in July 2021, the company upwardly revised its earnings forecast due to higher-than-expected sales at directly-managed stores in Japan and lower-than-expected advertising and other costs.

Quarterly net sales and ordinary income (Unit: million yen)





## BRIDGE REPORT



## 【2-2 Financial Condition and Cash Flow】

## Financial Conditions

	March 2020	May 2021	YoY		March 2020	May 2021	YoY
Current assets	23,704	24,017	+313	Current liabilities	16,697	17,584	+887
Cash and deposits	6,094	5,837	-257	Accounts payable-trade	459	560	+101
Accounts receivable-trade	1,898	2,120	+222	Short-term borrowings	10,180	11,481	+1,301
Merchandise	13,129	13,778	+649	Non-current liabilities	11,990	9,793	-2,197
Non-current assets	17,830	16,304	-1,526	Long-term borrowings	9,239	7,072	-2,167
Property, plant and equipment	6,273	5,848	-425	Liabilities	28,687	27,377	-1,310
Intangible assets	2,003	1,220	-783	Net assets	12,848	12,944	+96
Investments and other assets	9,553	9,234	-319	Retained earnings	8,550	8,603	+53
Total assets	41,535	40,321	-1,214	Total liabilities and net assets	41,535	40,321	-1,214

\* Unit: million yen. Borrowings include lease obligations.

Total assets were 40,321 million yen, down 1,214 million yen from the end of the previous term, mainly due to the posting of the impairment loss of goodwill.

Total liabilities decreased 1,310 million yen to 27,377 million yen, due to the decline in long-term debts.

Capital-to-asset ratio rose 1.2 points to 31.9%.

## Cash Flows (CF)

	FY 3/20 (For 12 months)	FY 5/21 (For 14 months)	Increase/Decrease
Operating cash flow(A)	3,543	2,235	-1,308
Investing cash flow(B)	-2,744	-1,331	+1,413
Free cash flow (A+B)	799	904	+105
Financing cash flow	-832	-1,158	-326
Cash and Equivalents at the end of term	6,094	5,837	-257

\* Unit: million yen

## 【2-3 Activities】

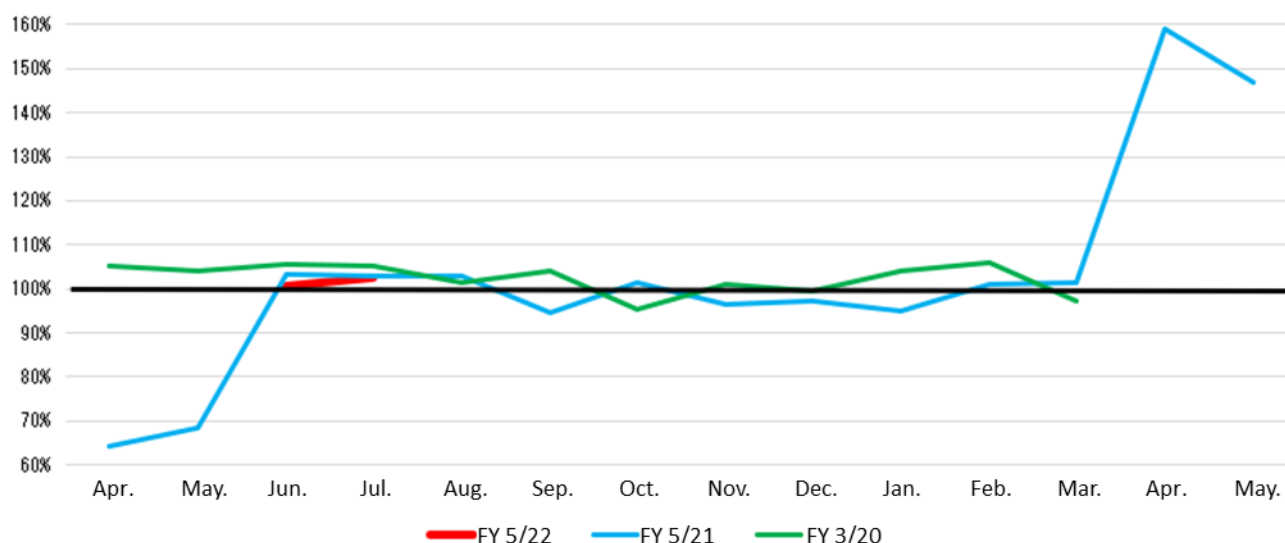
## ◎ Situation of Business Operations

Due to the state of emergency from April to May 2020, about 250 directly managed stores in Japan (about 60%) were temporarily closed throughout the period or on Saturdays, Sundays, and national holidays only.

While taking measures against the novel coronavirus, the company resumed almost ordinary operations in June 2020. The company continued to take some measures, such as the shortening of business hours, according to the situation of spread of COVID-19 in each region.

◎ Existing Store Sales

Trends in the existing store sales



The average sales of existing stores from the second quarter to the fourth quarter of the term ended May 2021 (Jul. 2020 to Mar. 2021) were 99.0% of those in the previous year.

Then, sales grew considerably in April and May 2021, compared with the sluggish sales in the previous year, and the sales in the term ending May 2022 remain over 100% of those in the previous year.

◎ Merchandise and Locations

\*Merchandise

Thanks to the demand from housebound consumers, books, whose gross profit rate is high, sold well, and the sales of “other products,” including trading cards, hobby related products, sports/outdoor gears, and miscellaneous goods increased. On the other hand, the sales of apparel were sluggish, due to the restraint of going out, etc.

Domestic Directly Managed Stores, Year-on-Year Change in Sales by Products

	1Q	2Q	3Q	4Q	4Q (cumulative total)	5Q
Books	84.9%	106.7%	103.2%	97.6%	97.8%	127.1%
Software media (music, videos, and video games)	89.4%	95.1%	94.5%	92.4%	92.9%	118.2%
Apparel	48.3%	82.3%	84.8%	90.9%	76.1%	270.1%
Precious metals, watches, high-end bags	64.6%	102.8%	95.6%	97.5%	90.9%	234.5%
Trading cards and hobby related products	74.0%	108.2%	116.2%	129.9%	108.2%	269.8%
Home appliances, mobile phones	73.1%	89.2%	88.8%	95.8%	86.8%	164.2%
Sports and outdoor equipment	67.3%	115.9%	108.1%	109.8%	101.1%	263.7%
Other	85.7%	123.5%	122.9%	122.1%	114.7%	232.5%
<b>Total</b>	<b>78.2%</b>	<b>100.1%</b>	<b>98.3%</b>	<b>98.7%</b>	<b>93.9%</b>	<b>152.6%</b>

\* The results of existing store

\*Locations

Due to the voluntary restraint of going out, the performance of stores in the vicinity of stations and in downtown was sluggish, but the performance of stores in suburban and roadside areas, which are accessible by car from homes, was healthy.

◎ Stores

The number of stores as of the end of May 2021 was 793. Seeing the changes in the customer trend amid the coronavirus pandemic, the company revised its store opening strategy within that term.

The company decided to curtail or control investment in stores temporarily, continue the remodeling of existing BOOKOFF stores, and pursue a good balance between the opening of new stores and the remodeling of existing stores for the large-scale store BOOKOFF SUPER BAZAAR.

The number of newly opened BOOKOFF SUPER BAZAAR stores was 5 in the term ended March 2020 and 1 in the term ended May 2021. Remodeling was conducted for 97 stores in the term ended March 2020 and 49 stores in the term ended May 2021.

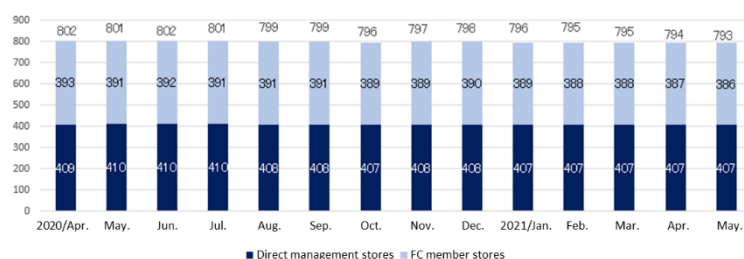
Through remodeling, the company focuses on the upgrade of individual stores, for example, by setting a selling space for trading cards, which are promising.

Investment in Stores

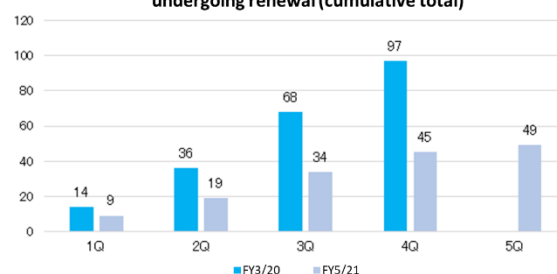
Classification		Store name	Opened date	Location	Selling space area
Direct management	Opening of new stores	BOOKOFF SUPER BAZAAR 1-Gou Kyoto Fushimi Store	May 11	Kyoto City, Kyoto Pref.	2,663 m <sup>2</sup>
		Jalan Jalan Japan Tesco Rawang Store	November 2	Malaysia	1,653 m <sup>2</sup>
		BOOKOFF Onojo Mikasagawa Store	February 20	Onojo City, Fukuoka Pref.	638m <sup>2</sup>
FC	Newly opened	BOOKOFF FukuokaYukuhashi Store	April 28	Yukuhashi City, Fukuoka Pref.	363 m <sup>2</sup>
		BOOKOFF Châtelet Store	June 1	France	339 m <sup>2</sup>
		BOOKOFF Niigata Kameda Inter Store	December 11	Niigata City, Niigata Pref.	284 m <sup>2</sup>
		Jalan Jalan Japan Tesco Seberang Jaya Store	February 24	Malaysia	1,653 m <sup>2</sup>
	Repackaged	BOOKOFF PLUS Ena Store	May 2	Ena City, Gifu Pref.	894 m <sup>2</sup>
		BOOKOFF PLUS Symphony Plaza HachinoheNumadate Store	June 12	Hachinohe City, Aomori Pref.	1,049 m <sup>2</sup>
		BOOKOFF PLUS Kani Store	August 7	Kani City, Gifu Pref.	1,244 m <sup>2</sup>
		BOOKOFF PLUS Iida Store	November 6	Iida City, Nagano Pref.	998m <sup>2</sup>
		BOOKOFF PLUS Kazo Store	November 13	Kazo City, Saitama Pref.	754m <sup>2</sup>
		BOOKOFF PLUS Sendai Minami-Bypass Store	March 20	Natori City, Miyagi Pref.	2,605m <sup>2</sup>

\*Selling space area includes the figures calculated by Investment Bridge.

Change in the number of stores



Change in the number of direct management stores undergoing renewal (cumulative total)



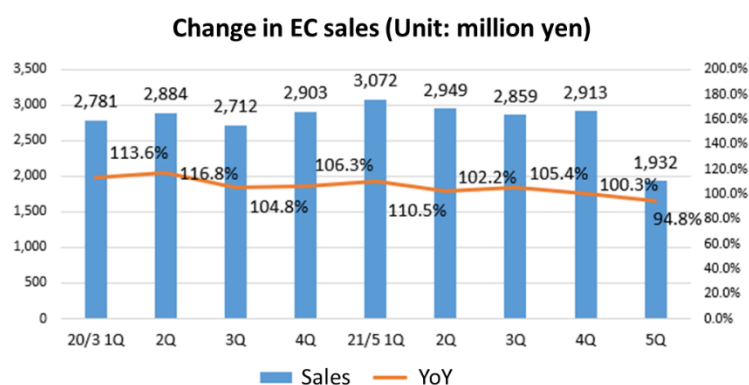


## ◎ EC Sales

The EC sales of the company are calculated by adding up the sales of “BOOKOFF Online,” the sales of directly managed BOOKOFF Auction Stores in Yahoo! Auctions, the sales of directly managed stores via “BOOKOFF Online,” and the EC sales of “HUGALL.”

The “One BOOKOFF” scheme under the concept of “providing all customers with ‘the once-in-a-lifetime encounter’ with reused products by utilizing the EC channel and nationwide store network with its official smartphone app in an optimal manner” accelerated the installation and expansion of the electronic purchase system (shortening the waiting time of customers and streamlining store operation), the start of linkage between in-store stocks and EC, making EC products available at stores, and cashless purchase.

As the needs for non-face-to-face transactions and shortening of time spent at a store grew, the number of official smartphone app users exceeded 3 million by the end of May 2021. The investment will be continued from this term onward.



\* 5Q is April to May 2021. YoY are comparisons with April-May 2020.

## ◎ Wealthy Customers

Temporarily closed, but has resumed normal operations. The customer traffic at commercial facilities did not show a significant recovery, but the company’s policy for business expansion remains unchanged.

The company posted the impairment loss of goodwill related to the consolidated subsidiary Jewelry Asset Managers Inc.

## ◎ Overseas Business

The business environment in Malaysia was severe under lockdowns, but the response and evaluation of customers were favorable, and the company plans to open more stores to increase the number of stores to 20.

The business in the U.S., too, was affected by lockdowns, but almost got out of the coronavirus crisis, and profitability has improved. The company will resume the opening of stores.

## 【2-4 Topics】

(1) The postponement of the second screening on conformity with the criteria for remaining listed in the new market category and measures for satisfying the criteria for the prime market

As a result of the first evaluation of TSE on the conformity with the criteria for remaining listed in the new market category on July 9, 2021, the company was notified that “the number of tradable shares,” “the ratio of tradable shares,” and “trading value” satisfy the criteria for remaining listed in the prime market, but “the market cap of tradable shares” does not satisfy the criteria.

Since the above market cap of tradable shares does not include the shares described as being intended for “net investment” in the latest large shareholding report and owned by shareholders who have traded the shares of the company in the past 5 years, the company planned to submit “additional documents on share certificates for net investment, etc.” as documents for the second screening on conformity after consulting with TSE in advance, but it turned out, through prior consultation, that there existed a difference in recognition of tradable shares between the company and TSE, and it became difficult to obtain the results of the second screening as assumed. Accordingly, the company refrained from submitting documents for the second screening.

Regarding the concrete plan and measures for satisfying the criteria for remaining listed in the prime market, the company plans to disclose them through “the plan for complying with the criteria for remaining listed,” which is to be submitted and disclosed to TSE from September to December 2021.

### 3. Fiscal Year ending May 2022 Financial Forecast

#### 【3-1 Earning Forecasts】

	FY 5/21 Act. (14 months)	Ratio to sales	FY 5/22 Est. (12 months)	Ratio to sales	YoY
Sales	93,597	-	85,000	-	-9.2%
Operating income	1,936	2.1%	950	1.1%	-51.0%
Ordinary income	2,509	2.7%	1,200	1.4%	-52.2%
Profit attributable to owners of parent	157	0.2%	400	0.5%	+153.8%

\* Unit: million yen. YoYs are reference values.

Sales are projected to be 85 billion yen and ordinary income is forecasted to be 1.2 billion yen. Sales are expected to be unchanged from the pre-pandemic sales in the term ended March 2020 (12-month period), that is, 84.3 billion yen. Ordinary income is estimated to decrease from 1.9 billion yen in the term ended March 2020, as the company will start large-scale investment in IT this term.

#### 【3-2 Preconditions】

##### \*COVID-19

The vaccination in Japan will progress, but the number of infected people will fluctuate and become almost on a plateau from the first to second quarters (Jun. to Nov.). It is assumed that the number of infected people will start decreasing somewhat in the third quarter (Dec. to Feb.), and users' stance of going out and consumption will fully recover in the fourth quarter (Mar. to May).

##### \*Existing BOOKOFF stores

The sales of existing directly managed stores in Japan were 100% of those in the previous year.

Gross profit margin will decline, as the company will increase the handling amount of trading cards and hobby related products, whose sales grew in the previous term.

The company will continue measures for increasing app users for realizing "One BOOKOFF."

##### \*Opening and renewal of stores

Ten stores of BOOKOFF SUPER BAZAAR will be renewed.

The company will open 4 or 5 BOOKOFF stores that handle more trading cards and hobby related products, while replacing existing stores with some of them.

The company will open a total of 5 or 6 stores in foreign countries, including the U.S. and Malaysia.

##### \*Investment in IT and marketing

In order to secure stable revenues of BOOKOFF, the company will conduct strategic investment in IT and marketing.

The costs for marketing to increase app users and renewing EC sites and POS will be considerable, decreasing profit temporarily.

#### (Dividend)

The company plans to pay dividends stably based on good business performance, with the aim of achieving a payout ratio of 30-35% with respect to consolidated net income.

For the term ending May 2022, the company plans to pay a dividend of 8.00 yen/share, up 2.00 yen/share from the previous term.

The expected payout ratio is 34.9%.

## 4. Future Strategy

### 【4-1 Business Environment】

According to company documents (Survey by Recycle Tsushin, 2020), the size of the Reuse Market, which doubled in the span of 7 years from 1.2 trillion yen in 2011 to 2.1 trillion yen in 2018, is expected to reach 3.2 trillion yen by the year 2025.

As part of this market, CtoC is seeing a rapid increase in usage due to the distribution of flea market apps, but they pose issues, such as the safety and security in interpersonal transactions and reasonability of prices.

Because of this, real recycling shops and stores that purchase used items are the ones that are incorporating the needs of customers who want to safely utilize Reuse Services, which is why BtoC Services, which can offer reliability in addition to convenience, are thought to have a major advantage.

### 【4-2 The Company's Strengths】

Within the company, the following points are thought to be the company's major strengths within the Reuse Market.

#### (1) Highest Degree of Recognition

According to a survey among the users of domestic reuse chain companies, the company had a degree of recognition of 96%. Almost all the users surveyed knew about the company.

The long-term store operation and the nationwide operation of physical stores are factors behind the high degree of recognition, which cannot be easily caught up to by other companies, providing a powerful barrier for entry into the market.

#### (2) Largest Number of Users

The company's annual number of users is 90 million (gross). In addition to the degree of recognition mentioned above, users have been highly supportive of the company's convenience in usage, through the store network comprised of 800 stores across the country and the vision of "One BOOKOFF" which is presently being formulated.

#### (3) Largest Book Inventory

The company's current book inventory is over 100 million books. Books, which still remain the major products for the company that started its business with the purchase and sale of books, attract a wide range of customers and can easily become an entry point into the Reuse Service, because of which users can be expected to buy other products offered by the company, greatly contributing to the formation of a stable userbase.

#### (4) Personnel Training System

In order to fulfill the company's business mission of "Be a source of enjoyable and enriching lives for as many people as possible," the company believes that the training of personnel in addition to the brand power and store network mentioned above is essential, which is why it has created a personnel training system for all of its employees, not limited to its permanent employees but also including part-time employees.

The company is focusing on personnel training in order to support the operation of its stores through its management philosophy, along with a personnel training curriculum based on a variety of manuals and a career advancement system for all of its workers.

In addition to improving the satisfaction of customers through a "smiling, polite and speedy response" at its stores, the company is also making efforts to improve the sense of participation for each of its workers in increasing the operating efficiency at its distribution center.

#### (5) Creation of Reliable Stores

The company is taking initiatives to create stores where its users can safely sell their products making sure to comply with the law and create a purchasing service from the user's point of view.

In particular, regarding the reasonability of purchasing prices which is the most relevant aspect to users, the company has put together a purchasing price database that is based on an enormous amount of transaction data that other companies do not have, and uses this database for purchases that take place at its stores.

**【4-3 Value Creation of BOOKOFF】**

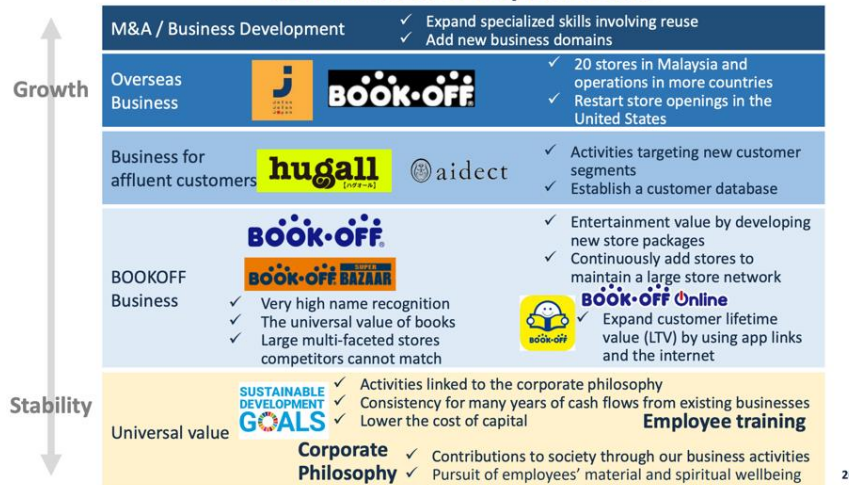
By fulfilling the company’s business mission of “Be a source of enjoyable and enriching lives for as many people as possible,” the company is aiming for the maximization of its enterprise value.

In order to achieve that, the company will create a solid, universal value by promoting the training of personnel based on its management philosophy and pursue growth by promoting all of its business from that foundation.

**The BOOKOFF Group Value Creation Map**



Our mission: Be a source of enjoyable and enriching lives for many people  
 = **Maximization of corporate value**



(Source: the Company’s material)

**【4-4 Business Expansion】**

**(1) BOOKOFF Business**

**① Store Expansion**

As mentioned previously, foreseeing a change in the trends of users amid the novel coronavirus pandemic, the company will revise its conventional strategies regarding opening of stores and temporarily curtail and control its investment in stores.

**\*BOOKOFF SUPER BAZAAR**

In order to break out of the stagnation in the apparel industry which has a high sales composition ratio, the company will focus on the renewal of existing stores.

**\*BOOKOFF**

Seeing the formation of smaller business regions due to the impact of the novel coronavirus as a significant business opportunity, the company will prioritize the promotion of locally based business.

The company will implement renewals which pursue the sense of entertainment by procuring more trading cards and hobby related products, which sell well.

**\*BOOKOFF General Purchasing Counter**

In addition to specializing in the purchase of high-quality products in urban areas and shipping them to stores in the area, the company will also strengthen its coordination and marketing with HUGALL, which is a business targeted at wealthy customers.

**② Product-Specific Strategy**

**\*Books and Software**

These remain the core of the company’s sales as well as valuable products for motivating users to visit stores.

In addition to increasing convenience through the utilization of online services, the company plans to expand the usage through trial periods for subscription services.

**\*Trading Cards and Hobby Related Products**

Their sales increased significantly during the coronavirus pandemic. The company will strengthen them through concentrated investments.

Through the handling of new merchandize, the company will improve the freshness of its products and increase sales. While the new merchandize will be a factor in the decrease in gross profit margin, the company believes it will trigger increases in the scale of second-hand sales and purchases.

**\*Apparel**

Due to a curtailment of the opportunities to go outside as a result of the coronavirus pandemic, the downtrend due to the primary market slump is expected to continue for a while.

The company plans to improve its profitability by adjusting its sales floor area and optimizing its operation.

**\*Other Strategic Products**

Sports and outdoor goods showed favorable trends amid the coronavirus pandemic. Rental services will also be offered in the future.

The company will continue to foster features of individual stores according to regional characteristics through the enrichment of the lineup of records, etc.

**③ Marketing Strategy**

The company started its new promotion “Arujan! (We Have It!)” in May 2021.

As the company is aiming to have its users recognize anew the value and services of BOOKOFF such as its complete assortment of books and diversity in products, it shifted its marketing strategy from the conventional sale model and direct advertisement to a value-focused model and brand advertisement with the aim of regularly attracting customers.

The company will not limit itself to TV commercials, but utilize the Internet, social media, PR and in-store ads, to encourage the dormant customer base which has started to recede from BOOKOFF to visit the stores again.

**④ The “One BOOKOFF” Scheme**

“One BOOKOFF” Scheme is the concept of “delivering the feeling of a ‘once-in-a-lifetime encounter’ with a used product to every customer through an optimal method by utilizing the EC channel and the nationwide store network and with the official smartphone app as a starting point.” As mentioned previously, the number of official application users exceeded 3 million in May 2021.



(Source: the Company’s material)

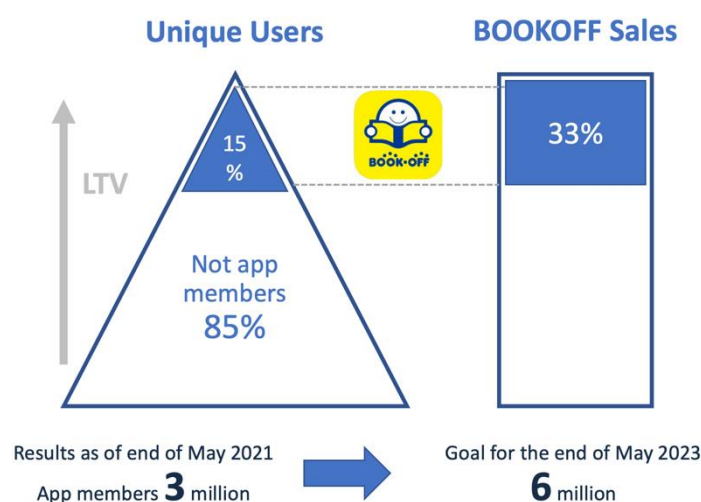


## (Features of the Official App)

Product Search	Allows you to search for products from approximately 4.2 million products through the app. Possible to find products that one could not find in a store near them.
Purchasing From the App	Allows you to purchase products without going to a store. One can make purchases even if there are no stores near them or they do not have the time to visit a store. Free shipping if your purchase price is 1500 yen or over.
Pick-up at a Store	Allows you to pick up the products you purchased on the app from a store nearby. Free shipping starting from one product (only applicable for certain stores)
Coupon	On the app, you can check coupons for the specific store they have registered with, as well as information on sales held in all stores.

The company will strive to increase the number of app users by further advertising the convenience of the official app.

The company aims to double the number of app users to 6 million by the end of May 2023, as well as to have 15% of BOOKOFF users be app subscribers and have them account for 1/3 of the sales.



(Source: the Company's material)

**(2) Businesses for Wealthy People**

According to company documents (Nomura Research Institute ‘NRI Questionnaire Survey for the Upper-Class’), wealthy people in Japan (sum of lower-upper-class, upper-class and upper-upper-class) consisted of 4.75 million households, which had increased by 1.21 million households over 10 years from 2009, and are expected to continue to increase.

Through an increase in the number of locations, the company can expect an increase in purchases as well as earnings.

Thus, the company will increase reuse oriented toward the upper-class through the following 2 approaches.

The first approach is toward the upper-class customer base who do not use BOOKOFF services.

The company will continue to proactively expand in the future, centered on major department stores through “HUGALL (9 locations),” which provides purchasing services for wealthy people in major department stores, as well as “aidect (14 locations),” which specializes in precious metals, is operated by Jewelry Asset Managers Inc. and provides purchasing and selling services.

The second approach is toward the upper-class customers who use BOOKOFF services.

The company will reopen BOOKOFF General Purchasing Counters (15 stores) in the posh areas mainly in the Tokyo Metropolitan Area.

An impairment loss of goodwill for Jewelry Asset Managers Inc. was posted in the financial report for the previous term, but the revenue structure has been improving due to the optimization of operations and the utilization of the in-house distribution network.

The company will use its unique approach to maximize the points of contact with its target base.

**(3) Overseas Business**

**BRIDGE REPORT**



The following are the policies for each specific region.

① USA (9 stores)

Japanese animation is widely acclaimed in the USA and exported products from Japan are creating high added value. In addition to export, in order to strengthen purchasing and selling in the USA, the company will focus on training store managers. As the revenue structure has been well-organized, the company will open new stores for the first time in 8 years.

② Malaysia (8 stores)

The external environment has been harsh due to the lockdowns enforced after the spread of the novel coronavirus, but the company is anticipating business growth as the demand from users remains high. The company is aiming for a 20 store-system by expanding its domestic supply chain.

The company will not purchase used items in Malaysia, but sell the products that were not sold in Japan.

By utilizing affiliated stores from external partners, the company will also start expanding into countries other than Malaysia.

③ France (3 stores)

The 3 stores are all FC stores.






**(4) Promotion of M&A and Business Development**

In the reuse domain, by strengthening the specialization of products, creating a store network for covering uncultivated areas, and approaching a new customer base, the company will further expand the business domain through promoting synergy with reuse in domains outside of reuse, a sense of entertainment in stores, and M&A and business development from the viewpoint of being a pillar for future business.

**(5) Initiatives Toward SDGs**

The act of buying and selling products at BOOKOFF itself expands the lifespan of those products, thus contributing to society by reducing the number of products thrown away. This accomplishes a vitally important role by fulfilling SDG 12, which is about “Responsible Production and Consumption.” Following these, the company is working to make contributions toward the fulfillment of SDGs through its various activities centered around its major business in the reuse industry.

	Reuse and paper recycling	
<p>Malaysia Business Jalan Jalan Japan</p>	Creation of jobs and supply of quality products and apparel	
<p>Jewelry Asset Managers Inc.</p>	Jewelry repair service for a longer life of jewelry	
<p>特例子会社 ビーアシスト</p> <p>Authorized by the Law for Employment Promotion of Persons with Disabilities</p>	Assistance and jobs for people with disabilities	

<b>BRIDGE REPORT</b>			
  Sagamihara City, Minamichita town	Partnerships with companies, governments and NPOs	 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	 17 PARTNERSHIPS FOR THE GOALS

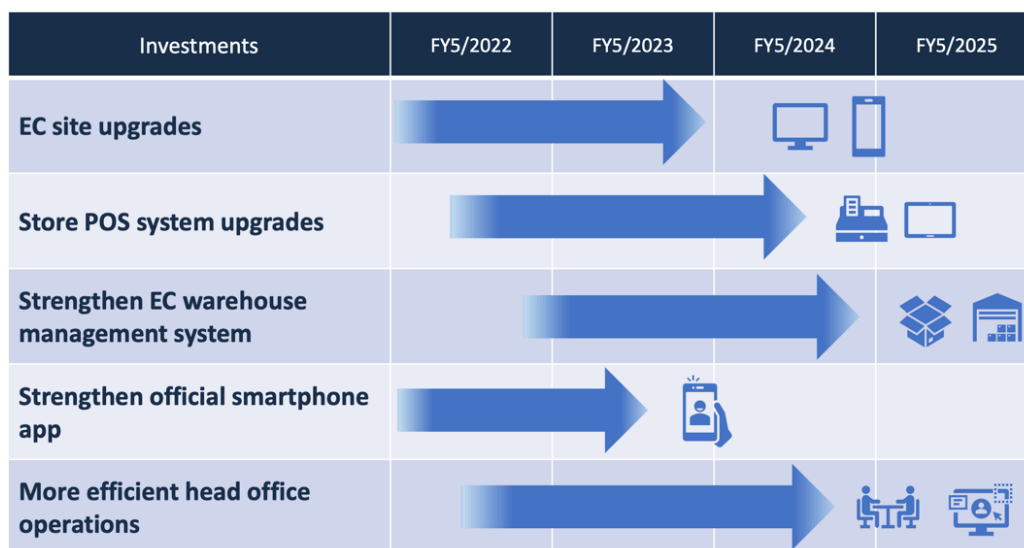
(Source: the Company's material)

**【4-5 Investment and Store Opening Plans】**

**(1) IT Investment**

In addition to strengthening coordination between stores and e-commerce and pursuing digital transformation, the company will implement large-scale IT investment to renovate deteriorating IT infrastructure, etc.

Because of this, the next 2-3 years will be a peak in investment and expenses, becoming a factor in the temporary fall in earnings.



(Source: the Company's material)

**(2) Store Opening Plans**

This term, the BOOKOFF business is focusing on the renovation of the large-scale store BOOKOFF SUPER BAZAAR. Opening of new stores will resume from the next term. BOOKOFF is opening 4-5 new stores, with a mixture of opening new stores and replacements. The company is planning to proactively open new stores overseas.

BRIDGE REPORT



Store package	Current no. of stores	FY5/2022	FY5/2023	FY5/2024	FY5/2025
	48	Focus on remodeling existing stores	1 to 2 new suburban roadside stores every year		
	621	4 to 5 new entertainment-type stores/store replacements every year			
	15	More ties with other stores/businesses	2 to 3 new stores in urban locations every year		
	9	4 to 5 new permanent locations at dept. stores every year			
	9	1 to 2 new stores every year in the U.S.			
	8	4 to 5 new stores every year in Malaysia and other countries			

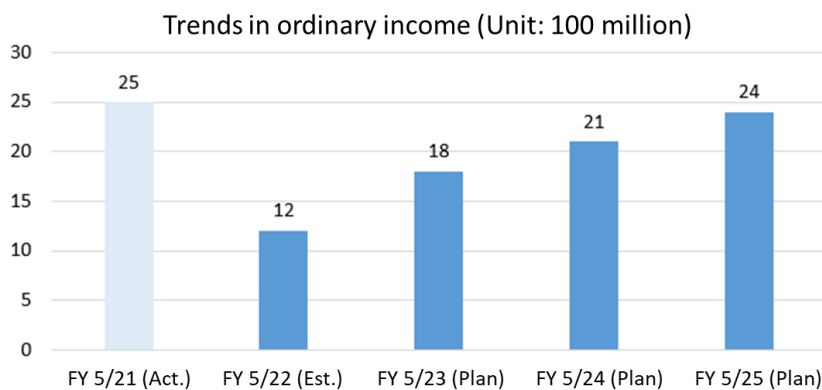
(Source: the Company's material)

#### 【4-6 Profit assumption】

According to the financial report for the previous term, the spread of the novel coronavirus had a major impact on their business activities as the company had to temporarily suspend activities for over half of its directly managed stores in Japan, heavily damaging earnings and curtailing investment in opening new stores.

The company has entered a recovery trend in the second quarter of the previous term, but taking into account the delay in store opening plans due to a curtailment of investment, requiring a certain amount of time for recovery in the overseas businesses and services oriented toward the upper-class, which are growing sectors, and the drastic changes in the post-pandemic market environment, the company has withdrawn the goal of achieving an ordinary income of 3 billion yen that it set up within the medium-term management policy with the term ending May 2023 as the final fiscal year.

As mentioned previously, the mindset of users for going outside and consuming products following the spread of the novel coronavirus is expected to fully recover in the fourth quarter of this term (Mar.-May). Meanwhile, the ordinary income for the next 4 years due to the above-mentioned business activities is expected to be as follows.



Due to the disappearance of special factors such as a change in the accounting period and coronavirus subsidies, along with the implementation of strategic IT and marketing investment in order to solidify the stable earnings of the BOOKOFF business, ordinary income for the term ending May 2022 will be down 1.3 billion yen from the previous term. Afterward, the company is planning to achieve 2.4 billion yen in the term ending May 2025 through an increase in the earnings from each business.

#### \*BOOKOFF Business

The company will increase LTV through the linkage with the app, continuing the stable earnings. Profit will grow from the term ending May 2024 after the disappearance of investment costs.

#### \*Business for Wealthy People

The company will steadily acquire earnings from the term ending May 2023 by increasing the number of locations.

#### \*Overseas Business

The company will increase earnings from the term ending May 2023 through proactive expansion.

#### \*M&A and Business Development

Extra earnings starting from the term ending May 2024.



## 5. Interview with President Horiuchi

We asked President Horiuchi to share his thoughts on the strengths of his company, challenges and areas to improve moving forward, and his message to shareholders and investors, etc., while looking back on the financial results of the previous term.

**Q: “First, would you please summarize the financial results for the previous term? The effects of COVID-19 must have been substantial. Consequent challenges must have emerged, and strenuous efforts must have been made in certain areas. Could you please elaborate on this?”**

In April and May of last year, under the Declaration of a State of Emergency, about 250 stores (about 60% of all directly managed stores) were temporarily closed on Saturdays, Sundays, and holidays or all days. Naturally, sales in existing stores declined by more than 30% from the previous year, but from June onward, we took sufficient countermeasures, and operations returned to normal as a whole. Subsequently, we adjusted our operations in accordance with restrictions placed in response to the spread of infection, such as reduced business hours. However, sales at existing stores from the second to the fourth quarters (July 2020 to March 2021) remained nearly unchanged from the previous year.

I believe that there are three primary factors that led to these results.

The first and biggest factor is that the “One BOOKOFF” scheme that we have steadily built up, which fuses the Internet and the real world, has been amply successful.

For example, until recently, if you want to buy something good, you would travel by train to visit an urban store with a wide selection of goods. However, consumers are now changing their mindset and behavior, going online to look for local stores with satisfactory products. Also, the trend of ordering products online and picking them up at local stores is spreading far beyond our imagination.

We realized that through the fusion of the Internet and the real world, the physical proximity between customers and stores has more meaning than ever before.

Secondly, I was able to reaffirm that demand for books is steady.

There was a time when there were various discussions about what our main product should be, but after I became the president, we re-positioned ourselves as a leading reuse company with a focus on books, and steadily expanded our functions and updated our database. As a result, we have been able to meet demand from people staying at home.

The third factor, which is related to the first factor, is the healthy performance of locally based stores targeting small business areas. Although conditions were austere for stores in urban areas, our roadside stores with a floor space of 100 to 150 tsubo (about 330 to 495 m<sup>2</sup>) were able to expand their range of products according to customer demand through the “One BOOKOFF” strategy. In addition, many customers visited their local BOOKOFF as a result of a project encouraging customers to visit via an application, as well as renovations to the exterior.

I am also very grateful to our frontline staff for their efforts in human resources development and operations to meet the expectations of our customers. While our large-scale BOOKOFF SUPER BAZZAR complexes and urban stores, which had been our main source of revenue, struggled, we were able to increase store sales comparable to those in the previous year from the second quarter onward, thanks to the efforts of our frontline staff.

In addition, we have discovered that trading cards and hobby-related products are promising merchandise.

Under the policy of “upgrading individual stores,” we have each store decide what kind of merchandise they want to put their efforts into. In regard to trading cards, we believe that they have a high sales potential that can be strengthened and expanded in all stores, so we implement measures, including the development of exclusive sales areas.

The next issue that came to light was the positioning and handling of apparel in large-scale stores.

Even before the COVID-19 crisis, we were aware that apparel sales were an issue, as sales of winter clothing were slowing down due to warmer winters, and primary distribution was becoming a challenge. This was then augmented by the lack of demand due to people staying home. In addition, the apparel business is a sales model realized by attracting customers from a wide area in large-scale store complexes, so we believe that it is necessary to revise our conventional approach to operations and focus on profitability.

In addition to strengthening the linkage between stores and e-commerce and promoting DX, we need to revamp our aging IT infrastructure.

We have concluded that we must upgrade our system to respond to the increase in transaction volume resulting from the demand of people staying home and the increase in the number of our application subscribers without causing any inconvenience to our customers.

**Q: “Once again, could you tell us your thoughts on the strengths and competitive advantages of your company, President Horiuchi?”**

We have several strengths, but the greatest strength is our overwhelming popularity in the reuse market.

Over the course of over 30 years, we have built a history of operating stores in all prefectures, and combined with the results of our TV promotional campaigns, the BOOKOFF brand recognition is as high as 95% to 96%.

In addition to recognition, when asked, “Where is the best place near your house to sell things?” An overwhelming number of customers respond with the answer, “BOOKOFF,” according to a market survey. This is an extremely important point.

The reason for this is that we have made “books” our core product.

There are books that are suitable for all ages and genders, and cater to the interests and tastes of each and every person. Over the years, we have cultivated an environment where people can use books, which are accessible to almost anyone, in a friendly and enjoyable way. A typical example of a place where children are allowed to go shopping alone is a bookstore. A child comes to a bookstore with his/her allowance. This naturally brings families and communities together.

As a result, we have been able to achieve a degree of recognition as well as an unmatched sense of closeness with our customers, which is one of our major strengths.

In addition, our human resources development system has played a major role in building trust with our customers over the years, and I believe this is another one of our major strengths.

Our company has long established a system to promote part-time employees to full-time employees through human resources development. This promotion system is symbolized by Ms. Hashimoto, our second-generation company president.

In human resources development, we start by conveying the management philosophy to part-time employees so that they understand it. This is crucial because it will be the basis of their decision-making and mindset towards work. When I say human resources development, it may sound rather technical, but in our company, it is not something viewed as such, but rather as one of the key factors of our philosophy and foundational way of thinking.

The next factor after human resources development is on-site operations.

In convenience stores and supermarkets for example, unified products are all bought at the same prices by the head office, so operations revolve around purchase prices. In the reuse business however, no two items are the same, so each store is different. It is therefore necessary for each store to manage itself, with the staff supporting the manager at the center of operations.

Although there is a program to train employees on basic operations based on manuals for each commercial product, the actual application of the program is left up to each store. Each employee will individually review their actions and make improvements by implementing the PDCA method. The continuous cycle of PDCA after transferring authority to each store naturally results in human resources development.

The mission of all employees, including part-time workers, is to “be a source of enjoyable and enriching lives for as many people as possible,” and the fact that they are personally involved in store management helps build a strong business foundation for the company.

**Q: “Thank you very much. I see that you have already established a framework that will allow you to further refine your competitive edge.”**

**“Next, I would like to ask about your future initiatives. First, there is the “One BOOKOFF” scheme. As you mentioned earlier, you were highly successful in the previous fiscal year, but to further enhance this, you plan to double the number of application subscribers from the current 3 million to 6 million in two years. Could you tell us about any specific measures and initiatives you are taking?”**

The most effective conduit for enrollment is within in-store operations. Our staff promote customers to subscribe as they pass through the cash register. Based on our past results and experience, we estimate that we will be able to acquire one million subscribers per year, or two million subscribers in two years, if we continue to thoroughly reach out in this way.

How do we acquire the remaining 1 million people, or 0.5 million members per year? They will be first given a reason to subscribe through acquiring points. And this is somewhat of a challenge, so we need to implement a system, but I think the key is in how we offer benefits to application subscribers.

When we held a campaign exclusive to application subscribers during this year's Golden Week, we were able to register customers who had not been interested in membership previously as subscribers. They included not only young customers, but also a substantial number of customers in their 60s and 70s.

We will use these results as a reference point in offering benefits to application subscribers through various services to promote membership. Of course, we must work to enhance our members' LTV (lifetime value) after subscription by providing satisfaction with their membership so that they will stay with us. We believe that it is necessary to make "One BOOKOFF" more user-friendly and mature.

**Q: "Next, I would like to ask about your business targeting wealthy customers. It appears that competition with other companies engaged in the reuse business is becoming aggressive. Would you please talk about your initiatives in this area as well?"**

As you mentioned, this business has caught the attention of other companies.

Under such circumstances, we believe that there are three ways to defend our business.

First, in purchase services, we will have to compete in purchase prices and economic conditions, so it is important to make a difference in the services we provide.

HUGALL offers not only purchasing services, but also consignment sales for paintings and other items, providing a way for customers to sell their items at better prices. We also provide other services to meet various needs at the time of inheritance.

The second way is to provide added value through "aidect," a specialty store for ordering and remaking jewelry operated by our subsidiary, Jewelry Asset Managers Inc.

"aidect" offers not only purchasing services, but also repair and remake services to hand down jewelry to the next generation.

"aidect" is located in the Daimaru Tokyo store in Tokyo and the Daimaru Umeda store in Osaka, but department stores where top brands are housed are resistant to second-hand items. Some brands have clearly indicated that they do not purchase second-hand products.

Competition in opening shops for purchase services in department stores and commercial facilities is becoming aggressive, and for this reason, department stores may not readily agree to house businesses that only offer purchasing services. However, "aidect" is promoted as "a comprehensive service contact point for wealthy customers, mainly for purchases," which is a big advantage.

We have received positive feedback for events we are holding in department stores where we have yet to open a store, so we believe that this will lead to future store openings.

The third way is to improve BOOKOFF's general purchasing counters and open more stores in urban areas.

In order to strengthen our business targeting wealthy customers, we have combined BOOKOFF and HUGALL's general purchasing counter teams.

HUGALL is housed in department stores and commercial facilities, and is currently working in partnership with direct sales staff of department stores. Its operations, services, and customer service for wealthy customers are of a very high standard, and has a high rate of repeat use.

By introducing HUGALL's outstanding services to the BOOKOFF general purchasing counter, we will create a system that will satisfy our semi-wealthy customers who also use BOOKOFF to sell high-priced items such as precious metals and paintings in addition to books. We will also increase the number of locations.

**Q: "Next, could you tell us about your future plans and prospects for overseas business?"**

The only risk factor is the novel coronavirus.

All stores in Malaysia were temporarily closed due to lockdown, but based on the assumption that the effects of infection will be contained in the next fiscal year, we believe that we can increase the number of stores to from 8 to over 10 in the next fiscal year and steadily increase sales and profits.

In the U.S. as well, we will continue to monitor the impact of COVID-19, but now that our profit structure is in place, we plan to resume opening new stores for the first time in eight years.

In Malaysia, in addition to the current direct management system, we will also be expanding our franchise system.

In the franchise system, stores are operated by other companies, and we supply products and brands. There are two advantages to this. One is that we will be able to supply products not only to Malaysia, but also to all ASEAN countries, Central Asia, and Africa, and earn income from the supply of products without the need for operating costs.

This will also have a significant positive impact on our domestic business.

In the past, products that could not be sold domestically had to be disposed of at an almost zero selling price in the end, but if we can supply these products to franchises instead, it will be a big plus for domestic cost management.

In addition, we will be able to take more risks in purchasing products, which will result in higher customer satisfaction and increased purchase volume.

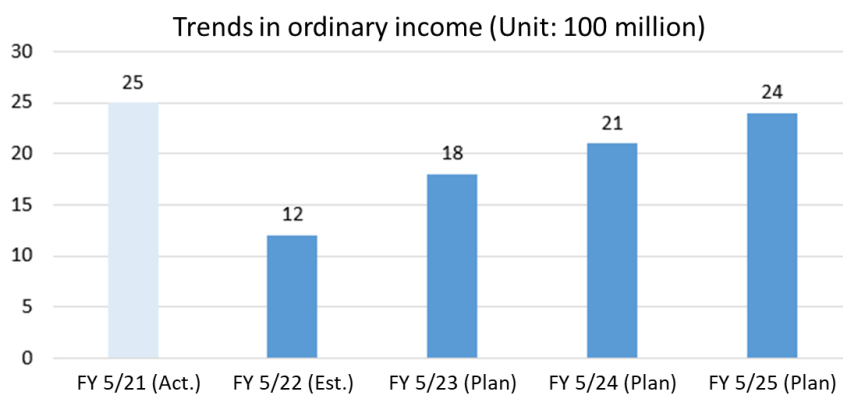
In this way, we believe that this will have a significant positive effect on our company group as a whole, rather than on our overseas business alone.

**Q: “In this financial results presentation, you have indicated the level of ordinary income until the term ending May 2025. Please explain your assumption and views on this.”**

As I mentioned earlier, there is an urgent need to revamp our IT infrastructure, so we will make major IT investments to support DX, including the renewal of the EC site and store POS, in addition to the strengthening of our applications. The depreciation for this will be almost the same from this fiscal year to the term ending May 2025.

Marketing investments will mainly be made in the current and next fiscal years, and will decrease thereafter.

Accordingly, profit will decrease in the term ending May 2022, even if the effects of the change in the accounting period are excluded, but recover later. The profit increase toward the term ending May 2023 is based on the assumption that COVID-19 will be contained and the performance of urban stores will recover.



**Q: “Next, please tell us about your current challenges.”**

We believe that our key challenge is to determine how to improve the effectiveness of our marketing plans in addition to the results of our IT investments.

Even if we double the number of application subscribers to 6 million as planned, we need to activate those 6 million people to improve added value. There is no such thing as a fixed price for used goods; if you say 250 yen, it's 250 yen, but we need to implement a system to make people want to buy it even if it costs 300 yen.

Of course, we will continue to upgrade individual stores and develop human resources, but at the same time, we must utilize IT to provide added value to our customers and increase profitability.

Also, in future business development, we will take on the challenge of entering new business areas.

When we think about what services we can provide to our 6 million subscribers, we do not think it is necessary to limit ourselves to the framework of the reuse business.

Offering digital content, for example, may be a way to “be a source of enjoyable and enriching lives for as many people as possible.” There is also the idea of partnering with other companies to provide services that makes life more convenient by sharing a common membership base. Utilizing membership data is an important key.

We would like to secure human resources through mergers, acquisitions and alliances.

**Q: “Finally, please give a message to shareholders and investors?”**

We are now in our 31st year, and it is an important time for us to build our business for the next decade.

Through these financial results, I believe that we have re-confirmed the strength of BOOKOFF’s core business. The COVID-19 crisis has made this evident, and we can now see a clear path forward for future growth.

From now on, we will develop each of the three tiers of our business: our BOOKOFF business, our business targeting wealthy customers, and our overseas business.

Our corporate story up until now has been one of how to develop our BOOKOFF business, but we have made a major shift to one of how to develop the entire BOOKOFF Group, with the BOOKOFF business at its core.

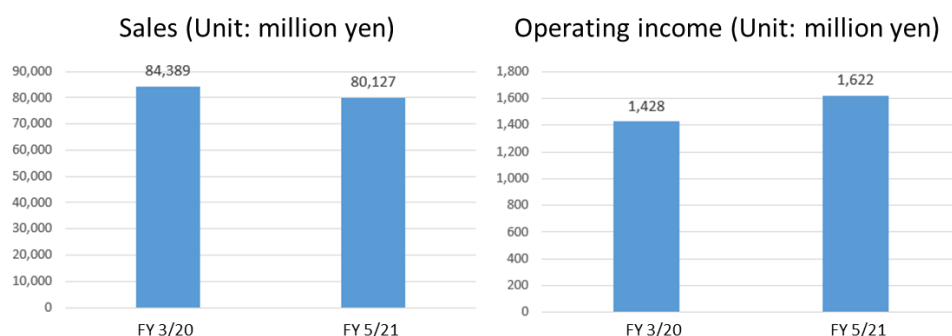
To complete our mission to “be a source of enjoyable and enriching lives for as many people as possible,” we will strengthen our three pillars while working to develop new businesses to transform into BOOKOFF Group, that is much more than just BOOKOFF.

We will strive in company-wide efforts to meet the expectations of our shareholders and investors, and I ask for your continued support.

## 6. Conclusions

Due to the change of the accounting period, it is unclear from the brief financial report, but the comparison between the cumulative fourth quarter of the term ended May 2021 (Apr. 2020 to Mar. 2021) and the term ended March 2020 (Apr. 2019 to Mar. 2020) indicates a 5% decrease in sales and a 13% increase in operating income. Considering the effects of the declarations of a state of emergency in April and May in 2020, the company performed well as mentioned in the interview with the president Horiuchi, and it can be highly evaluated because the fusion of the online and real shops titled “One BOOKOFF” based on its competitive advantages, that is, its nationwide network of stores and popularity, produced significant effects. We would like to pay attention to how they will proceed toward doubling the number of app users to have 6 million users in 2 years, and how they will implement measures for encouraging the users.

If the coronavirus pandemic subsides, it is expected that the regrowth of the overseas business, especially the growth through franchise, will produce significant favorable effects on the entire corporate group through the improvement in the capacities to supply and buy products. We would like to pay attention to its progress, too.



FY 3/20 is from April 2019 to March 2020. FY 5/21 is 4Q accumulation (April 2020 to March 2021).



## <Reference: Corporate Governance>

### ◎ Organization type, and the composition of directors and auditors

Organization type	Company with auditors
Directors	7 directors, including 4 outside ones
Auditors	3 auditors, including 2 outside ones

\*Our company will become a company with an audit committee, if it is approved at the third annual meeting of shareholders to be held on August 28, 2021.

◎ Corporate Governance Report: Updated on June 30, 2020

### Basic policy

Under the BOOKOFF GROUP HOLDINGS Limited, which is a pure holding company, the Group's common corporate philosophy is "Contributing to the economic and social development through our corporate activities" and "Providing opportunities for fulfillment both professionally and personally to all our dedicated employees" and the basic principles of our corporate governance are "ensuring transparency and efficiency of management," "rapid decision-making," and "enhancing accountability." Based on these principles, we will establish good relationships with our stakeholders, including shareholders, customers, employees, business partners, and local communities, and establish a system to make transparent, fair, prompt, and decisive decision-making. We aim to achieve sustainable growth and increase corporate value over the medium to long term.

### <Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

[Principle 1-4]

In accordance with the "Regulations on Investment and Securities Management," the company stipulates policy not to acquire cross-holding shares in principle. However, as an exception, it may hold shares of its franchise chain member companies.

As for the voting rights of strategically held shares, we exercise them appropriately, after perusing the contents of bills, communicating with the companies if necessary, and judging whether it would contribute to the improvement of shareholder value.

### <Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

[Principle 4-9]

Our company formulated the criteria for evaluating the independence of outside directors and outside auditors, and discloses them via reports on corporate governance. In addition, two independent outside directors of our company supervise business administration and check whether there is any conflict of interest, while giving appropriate advice and opinions about managerial strategies and making important decisions from an independent viewpoint, based on their technical knowledge and plenty of experiences in business administration, marketing, and retail.

### 【Supplementary principle 4-11①】

The Company considers that it is appropriate to have about 8 to 10 directors and about 3 to 4 corporate auditors in order to have substantial and effective discussions at the Board of Directors meetings. Currently, there are 3 internal directors, 4 outside directors (of which 2 are independent outside directors), 1 full-time corporate auditor, and 2 outside corporate auditors (1 of which is an independent outside corporate auditor). The directors consist of experienced business executives, certified public accountants, persons with extensive business experience, and persons highly qualified in their field. The corporate auditors consist of certified public accountants, lawyers, and persons coming from business companies. In particular, the outside directors and outside corporate auditors are persons with abundant knowledge and experience, and we consider the balance of members in a way that ensures stable and sustainable growth can be achieved. Regarding the appointment of directors, we select them based on whether the candidates contribute to the enhancement of our corporate value, have dialogue with them, and discuss at the Nominating Advisory Committee, which consists of the President and independent outside directors, based the Committee's rules. Finally, the decision is made at the Board of Directors. Guidelines regarding the appointment of outside directors are in place, and their independence criteria are in the convocation notice and the report on corporate governance.

## [Principle 5-1]

The company appoints an executive in charge of IR and designates the Corporate Planning Department as in charge of IR. For shareholders and investors, the company holds financial results briefings once in six months, and is conducting small meetings and individual interviews as needed. In addition, the company has established the IR policy and disclosed it on its website.

■IR Policy <Policy to promote constructive dialogue with shareholders>

<https://www.bookoffgroup.co.jp/en/ir/policy.html>

This report is intended solely for information purposes, and is not intended as a solicitation to invest in the shares of this company. The information and opinions contained within this report are based on data made publicly available by the Company, and comes from sources that we judge to be reliable. However, we cannot guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and or opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

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