

BRIDGE REPORT



President Yasutaka Horiuchi

BOOKOFF GROUP HOLDINGS LIMITED(9278)

BOOKOFF
GROUP HOLDINGS

Company Information

Market	TSE Prime Markets
Industry	Retail (commerce)
President	Yasutaka Horiuchi
HQ Address	2-14-20 Kobuchi, Minami-ku, Sagamihara-shi
Year-end	May
HOMEPAGE	https://www.bookoffgroup.co.jp/en/index.html

Stock Information

Share Price	Number of shares issued (End of the term)		Total market cap	ROE (Actual)	Trading Unit
¥1,024	20,547,413 shares		¥21,040 million	9.9%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥20.00	2.0%	¥73.39	14.0x	¥827.94	1.2x

*The share price is the closing price on August 15. Each number is based on the result of the fiscal year ended May 2022.

Consolidated Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 (Actual)	91,538	1,766	2,307	1,449	82.07	20.00
May 2023 (Forecast)	95,000	1,950	2,300	1,450	73.39	20.00

* 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 the fiscal year ended May 2022 financial results of BOOKOFF GROUP HOLDINGS LIMITED and so on.

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Key Points

- In the fiscal year ended May 2022, sales were 91,538 million yen and ordinary income was 2,307 million yen (year-on-year changes are not written, because the previous term ended May 2021 spanned 14 months). The sales of existing directly managed stores in the Domestic BOOKOFF Business were healthy. Since some costs for IT investment were carried over to the following term, both sales and profit exceeded the initial forecast significantly, and were in line with the earnings forecast revised upwardly twice.
- Regarding sales of each product category, the annual sales of books declined. The sales of trading cards and hobby related products, on which the company concentrates, grew considerably. The sales of apparel, whose selling space had been reduced because of the continued sluggish performance, have been showing a year-on-year increase from the second quarter, and the annual sales of apparel grew. The strategic renovation is aimed at “making BOOKOFF entertaining” and “enhancing the business of trading cards and hobby related products and streamlining the operation of apparel selling spaces in BOOKOFF SUPER BAZAAR (BSB).” The company renovated 4 BOOKOFF stores and 15 BSB stores. Regarding the increase of app users, which is the core measure in the “ONE BOOKOFF” scheme, the number of app users as of the end of May 2022 was 5.19 million. The number of app users is steadily increasing, as they aim to increase it to 6 million by the end of May 2023.
- For the fiscal year ending May 2023, it is expected that sales will grow 3.8% year on year to 95 billion yen, operating income will rise 10.4% year on year to 1,950 million yen, and ordinary income will decline 0.3% year on year to 2.3 billion yen. They will resume the active opening of stores in each business, as it was restrained during the coronavirus pandemic. In the domestic BOOKOFF business, the company will resume the opening of BOOKOFF SUPER BAZAAR, and conduct the replacement with the package for making BOOKOFF entertaining. They will keep renovating existing stores actively, and open stores outside Japan, too, at an accelerated pace. They will also continue large-scale IT investment for earning revenues stably. Costs will reach a peak, including the carried-over costs, but operating income is projected to rise thanks to the growth of the premium service business (former name: the business for wealthy people) and the overseas business. The dividend is forecast to be 20.00 yen/share. The expected payout ratio is 27.3%.
- President Yasutaka Horiuchi gave the following message to shareholders and investors: “The novel coronavirus forced us into a difficult situation, but our efforts in the past 5 years paid off, and we were able to set a clear path toward significant growth based on the stable revenue base of the Domestic BOOKOFF Business with growth drivers being the Premium Service Business and the Overseas Business in the fiscal year ended May 2022. We were able to envision a growth scenario for the coming 3-5 years and procure funds through the retirement of treasury shares, so we will resume the opening of stores, which has been restrained for a while, in all businesses, not limited to the Domestic BOOKOFF Business, from all aspects, while considering this term as the first year of active investment. In addition, we will concentrate on the investment in human resources and IT, evolve from ‘BOOKOFF handling not only books,’ and strive to expand our business domain with the keyword ‘BOOKOFF Group not limited to BOOKOFF.’ Please keep expecting our growth.”

- In the fiscal year ended May 2022, the sales and number of customers of existing stores in the Domestic BOOKOFF Business increased 7.4% and 2.4%, respectively, year on year, showing favorable performance. This term, the sales of existing stores are conservatively projected to rise 1%, but we would like to pay attention to whether they can fortify the stable revenue structure of the Domestic BOOKOFF Business by renovating stores, increasing app users, etc. In addition, we would like to see the quarterly progress of the Premium Service Business and the Overseas Business, which are considered as growing businesses.

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 strengthen EC collaboration.

【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 137 people with disabilities).

【1-2 Business Description】

(1) Domestic BOOKOFF Business

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, trading cards, hobby, electronics (audio and visual devices, computers, etc.), apparel, sporting goods, baby goods, watches, brand bags, jewelry, tableware and miscellaneous goods). Furthermore, the company operates “BOOKOFF General Purchase Counter,” a shop specializing in the purchase of clothes, brand-name products, compact home appliances, etc., and the EC site “BOOKOFF Online.” The number of stores means the number of directly managed stores. The number of app users is as of the end of May 2022.

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 BOOKOFF 		 BOOKOFF SUPER BAZAAR 	
Avg. floor space, Number of stores	About 495 m ² 268 stores	Avg. floor space, Number of stores	About 3,135 m ² 47 stores
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 		 	
Avg. floor space, Number of stores	About 990 m ² 43 stores	Number of app members	5.19 million
Merchandise	“BOOKOFF” + Apparel/accessories, etc.		

(Source: the Company's material)

“BOOKOFF” and “BOOKOFF PLUS,” which are conventional small and medium-sized stores of books and software media, are important points of contact with customers and purchase sites, which cover the areas surrounding stations, downtown areas, and roadside areas. “BOOKOFF SUPER BAZAAR (BSB),” a large-sized general store of reuse products with an area of 500-1,000 tsubo (1,650-3,300 m²), which deals in a variety of products, exerts unrivaled competitive advantages as a local flagship store.

The sales of the Domestic BOOKOFF Business in the fiscal year ended May 2022 were about 85 billion yen, accounting for about 90% of total sales. “BOOKOFF” and “BOOKOFF PLUS” accounted for about 50%, and “BOOKOFF SUPER BAZAAR (BSB)” accounted for about 40% of the sales of the Domestic BOOKOFF Business.

(2) Premium Service Business (the former business for wealthy people)

The company operates 11 “HUGALL” shops, which purchase secondhand products from wealthy people in major department stores, 13 “aidect” shops, which purchase and sell jewels, receive orders, repair and remake jewels, and 15 “BOOKOFF General Purchase Counter” stores, which specialize in the purchase of mainly clothes, brand-name products, and compact home appliances.

They offer premium one-stop, one-table, one-to-one services based on reuse to customers who own valuable properties, whom the company has not approached enough.

The number of business footholds and the number of stores is as of the end of May 2022.

(3) Overseas Business

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 owns 3 franchised stores in France.

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* Malaysia

The company entered the Malaysian market in 2016 and have released a Malaysian original package called “Jalan Jalan Japan.”, and nine stores are operating. It will focus on human resource development and work to further expand the store network. First, they want to establish a twenty-store system including countries other than Malaysia, 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. Local subsidiaries are managed by expatriate employees, and stores are operated by mainly store managers and local staff who have been hired in each region.

* The U.S.

Made inroads into the U.S. market in 2000. The company operates 9 BOOKOFF stores, which purchase and sell books, software media, anime goods, hobby related products, etc. like BOOKOFF stores in Japan.

Like in Malaysia, local subsidiaries are managed by expatriate employees, and stores are operated by mainly local staff who have been hired in each region.

【1-3 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	
 Malaysia Business Jalan Jalan Japan	Creation of jobs and supply of quality products and apparel	
 Jewelry Asset Managers Inc.	Jewelry repair service for a longer life of jewelry	
 Authorized by the Law for Employment Promotion of Persons with Disabilities	Assistance and jobs for people with disabilities	
 Sagamihara City, Minamichita town	Partnerships with companies, governments and NPOs	

(Source: the Company's material)

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During the period of transition to a sustainable circulating society, the reuse business takes an important role. In order to strengthen the leading position for solving social issues, they established “the division for promoting publicity and attaining SDGs” in September 2021. They started the “School BOOKOFF” project, in which a curriculum regarding the reuse business of the BOOKOFF Group is produced and lectures are given to children, for elementary schools around Japan. It has been conducted for 60 classes of elementary schools around Japan, involving over 1,500 pupils.

In addition, the company started demonstration experiments for developing resources-recycling towns in cooperation with the Tokyu Group and the sale of processed food products that are about to expire and have a minor problem for reducing food loss.

2. Fiscal Year ended May 2022 Financial Results

【2-1 Consolidated Results】

	FY 5/21 (Apr. 2020-May 2021)	Ratio to sales	FY 5/22 (Jun. 2021-May 2022)	Ratio to sales	Compared to revised forecast
Sales	93,597	100.0%	91,538	100.0%	+2.9%
Gross profit	56,890	60.8%	54,212	59.2%	-
SG&A expenses	54,953	58.7%	52,445	57.3%	-
Operating income	1,936	2.1%	1,766	1.9%	-1.9%
Ordinary income	2,509	2.7%	2,307	2.5%	+0.3%
Profit attributable to owners of parent	157	0.2%	1,449	1.6%	+3.5%

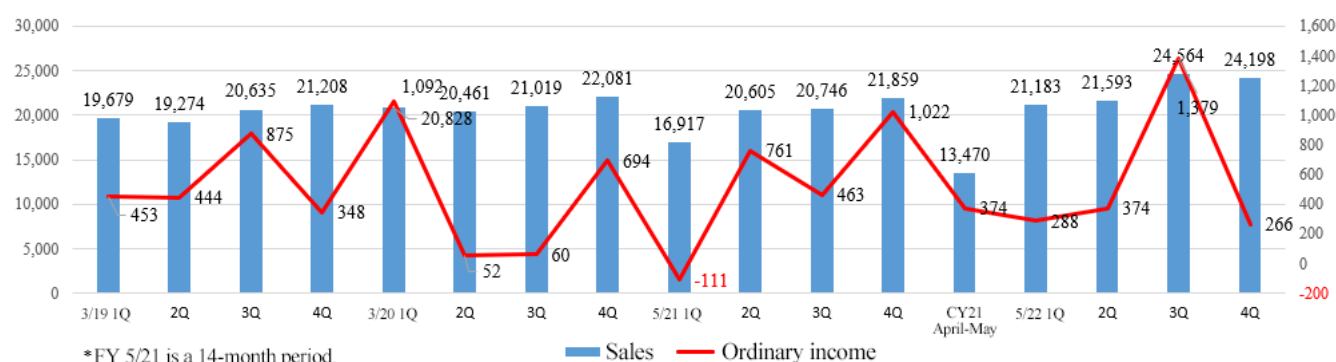
* Unit: million yen.

* Figures and YoY are not shown, because the term ended May 2021 was a 14-month period.

“Revised forecast” means the difference from the revised forecast announced in April 2022.

The sales of existing directly managed stores in the Domestic BOOKOFF Business were healthy. As some costs for IT investment were carried over to the following term, both sales and profit exceeded the initial forecast considerably, and were in line with the earnings forecast that has been upwardly revised twice.

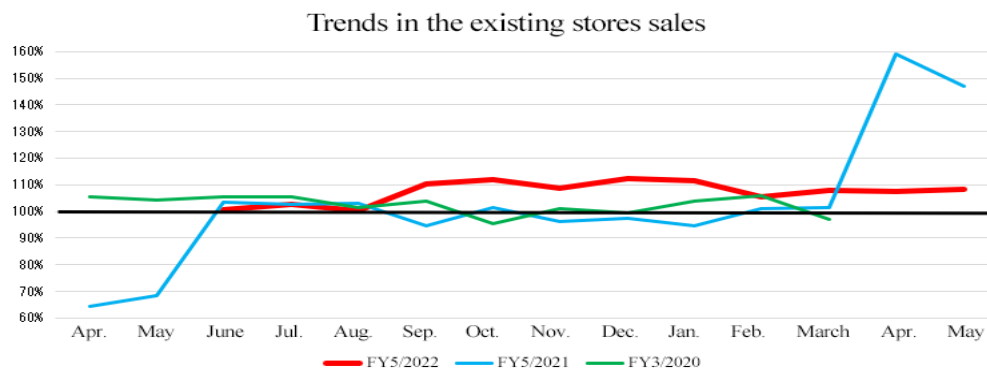
Trends of Sales and Ordinary Income (unit: million yen)



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**【2-2 Overview】**

The overview of the term ending May 2022 (June 2021 to May 2022) is as follows.

◎ Existing Store Sales

The ratio of annual sales of existing stores in the fiscal year ended May 2022 to those in the previous term was 107.4%, indicating a favorable performance.

The year-on-year growth rate of the number of customers was negative in the first quarter, but 3.8% in the second quarter, 4.3% in the third quarter, and 4.2% in the fourth quarter, showing continuous recovery, and it was 2.4% for the full year.

The recovery of consumer spending due to the decline in the number of people newly infected with the novel coronavirus and the active investment in the renovation of existing stores contributed.

The service that allows you to pick up the products you have purchased via the Internet at a nearby store performed well for books and promotes customers to “purchase other products when visiting the store.”

◎ Products and locations*** Products**

The annual sales of books dropped. The performance was firm, but in the first half of the term, it was affected by the recoil from the demand from housebound consumers in the previous year. In the second half, the year-end purchase campaign did not exert sufficient effects compared with normal years, and procurement amount did not reach the expected level. They consider that it is necessary to polish their purchase services, for example, by enhancing visiting purchase according to users’ needs.

The sales of trading cards and hobby-related products, on which the company focuses, significant growth for the full years. In addition to purchase and sale of items, the company implemented some measures based on its expertise, including the expansion of the selling area while setting spaces for trading cards directly, so-called duel space and the increase in precision of reference prices for respective cards, and these measures paid off.

By setting purchase prices while considering competitors, the company is procuring more items.

The scale of the domestic market of brand-new trading cards had been 80-100 billion yen for nearly 10 years until 2018, but due to the boom of Pokemon cards, it has rapidly grown in the past few years, reaching 160 billion yen in 2021.

The company infers that the market of used cards has the same scale, so this market remains promising.

The selling space of apparel had been decreased, because of its sluggish performance, but year-on-year growth has been observed from the second quarter, and annual sales increased. The company tried to sell off products that have been unsold for a certain period of time while putting importance on inventory turnover for low-priced products, and sell high-priced products, such as brand-name products, after purchasing them at raised prices and adding new value. Such well-balanced operation paid off.

The sales of precious metals, watches, brand-name bags, and sports/outdoor goods grew considerably.

As the ratio of sales of trading cards and hobby-related products, whose gross profit margin is low, is increasing, overall gross profit margin is declining, but the gross profit of existing stores is improving due to sales expansion.

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

	1Q of FY 5/21	2Q	3Q	4Q	5Q	1Q of FY 5/22	2Q	3Q	4Q	Full year
Books	84.9%	106.7 %	103.2 %	97.6%	127.1 %	93.8%	100.1 %	96.9%	96.2%	96.7%
Software media (music, videos, and video games)	89.4%	95.1%	94.5%	92.4%	118.2 %	97.0%	104.1 %	101.4 %	98.3%	100.1 %
Apparel	48.3%	82.3%	84.8%	90.9%	270.1 %	94.5%	107.0 %	114.3 %	115.8 %	108.0 %
Precious metals, watches, high-end bags	64.6%	102.8 %	95.6%	97.5%	234.5 %	97.9%	111.5 %	113.1 %	125.6 %	111.7 %
Trading cards and hobby related products	74.0%	108.2 %	116.2 %	129.9 %	269.8 %	163.2 %	171.1 %	164.5 %	149.1 %	161.1 %
Home appliances, mobile phones	73.1%	89.2%	88.8%	95.8%	164.2 %	92.0%	108.4 %	113.6 %	107.7 %	105.2 %
Sports and outdoor equipment	67.3%	115.9 %	108.1 %	109.8 %	263.7 %	102.2 %	112.1 %	121.7 %	111.0 %	112.5 %
Other	85.7%	123.5 %	122.9 %	122.1 %	232.5 %	112.9 %	123.5 %	118.0 %	110.6 %	116.1 %
Total	78.2%	100.1 %	98.3%	98.7%	152.6 %	101.2 %	110.3 %	110.1 %	108.0 %	107.4 %

* The results of existing store

*Locations

The stores in suburban and roadside areas keep contributing to overall performance. The sales of stores around stations and downtown areas have not returned to the pre-pandemic level.

◎ Stores

The number of stores as of the end of May 2022 stood at 790. The company opened 1 directly managed store (specializing in trading cards) in Japan and opened 2 directly managed stores overseas, for a total of 3 stores, and renewed 60 stores in this fiscal year.

(Regarding renewal)

The strategic investments in renovation are for “making BOOKOFF entertaining” and “strengthening the business of trading cards and hobby related products and streamlining the apparel selling space of BOOKOFF SUPER BAZAAR (BSB).”

* more emphasis on entertainment

In November 2021, the company renewed BOOKOFF No. 250 Higashi-okayama Store, converting part of the backyard spaces on the first and second floors into selling areas for trading cards and card duels. In addition, the company concentrated on retro games, toys, hobby-related items, and brand-new products. This renewal was aimed at realizing a store where customers can not only sell and buy used products, but also enjoy themselves there.

BOOKOFF stores in Wakayama, Akita, etc. are attracting trading card users healthily thanks to the effects of renovation.

The company renovated a total of 4 stores for making them entertaining.

The company plans to further expand growth opportunities, by utilizing its capacity to provide spaces for enjoying trading cards in local cities, in which competitors cannot open shops.

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* more sales of trading cards/hobby goods of BOOKOFF SUPER BAZAAR (BSB) and a more productive apparel sales area

In September 2021, the company renewed BSB No. 1 Yokkaichi-Hinaga Store, converting the selling space for trading cards and hobby-related products into the selling space exclusively for trading cards and newly establishing a space for card duels with 64 seats, while reducing the area of the apparel selling space by about 20% to improve the efficiency of selling and counter operations.

For other selling spaces, the company improved counter operations and the routes workers take in stores, and expanded aisle width, to enable customers to walk around more comfortably in the store.

The company renovated a total of 15 stores for enriching the lineup of trading cards and hobby related products and streamlining the operation of apparel selling spaces.

(Opened “Japan TCG Center,” which is the first store specializing in trading cards.)

In November 2021, the company opened “Japan TCG Center Kichijoji-Kitaguchi Store,” which is the first store specializing in trading cards in the BOOKOFF Group. The selling area is 54 tsubo (\div 178 m²).

In addition to the purchase and sale of used items, this store deals in plenty of brand-new packages and card supplies (goods for card games) and has a space for enjoying card duels inside the store, targeting a broad range of customers, including beginners and experts. While expanding the selling areas for trading cards and setting spaces for enjoying card duels at existing BOOKOFF stores, the company will operate the specialized store “Japan TCG Center” rather than the “BOOKOFF” brand, in order to attract trading card users.

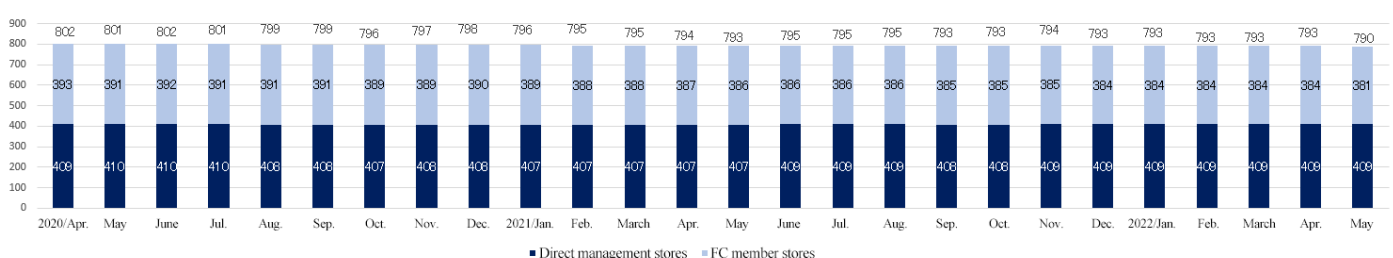


(Source: the Company's material)

Investment in Stores

Classification		Store name	Store package	Opened date	Location	Selling space area
Direct management	Opening of new stores	KAKA'AKO STORE	BOOKOFF	March 20	USA	208 m ²
		Masai Store	Jalan Jalan Japan	May 25	Malaysia	1,653 m ²
		Kichijoji-Kitaguchi Store	Japan TCG center	November 27	Musashino City, Tokyo	179m ²

Trend of the number of stores



◎ EC Sales

Under the “One BOOKOFF” scheme based on the concept of “enabling all customers to have a once-in-a-lifetime encounter with reused products in an optimal way by utilizing its EC channel and nationwide store network with an official smartphone app,” the company has taken some measures, including the increase of app users, the installation and upgrade of electronic purchase systems (decreasing the waiting time of users and streamlining store operations), the linkage of data on store inventory with EC, the start of the service of preparing products ordered in EC at a nearby store, and the start of cashless purchase of used items.

The number of app users as of the end of May 2022 stood at 5.19 million, up over 2 million in a year. The increase rate of app users is rising. They aim to increase it to 6 million by the end of May 2023, and it is likely that they will be able to achieve this goal earlier than it from the end of this year to the beginning of next year.

Over 30% of customers who have paid at a cashier’s desk became app users, so the number of app users exceeded the number of membership card users. The measures for reeling in customers with an app turned out to be effective, increasing customers as mentioned above.

It is known that if card users among customers become app users, annual purchase amount (LTV) will increase 1.3 times. In addition, the sales from “the service of preparing products ordered online at actual BOOKOFF stores” is strong, and over 30% of customers using this service purchase other products at stores when picking up products they have ordered online. Like this, app users are producing favorable effects on the company’s revenues.

The company will make continuous efforts to stabilize the revenues of the domestic BOOKOFF business by increasing app users.

The sales from the chain via BOOKOFF Online in this fiscal year stood at 9,089 million yen, down 98.9% year on year.

The sales from the chain via BOOKOFF Online means the sum of the sales of products ordered in the EC site “BOOKOFF Online” and shipped from EC centers, the sales of products shipped from directly managed stores and franchised stores, and the sales of products ordered online and picked up at directly managed or franchised stores.

The year-on-year decline is attributable to the recoil from the special demand for shipment from EC centers in the first quarter of the previous year. These results and the above-mentioned growth of the service of preparing products ordered online at actual stores indicate that the recent performance has been healthy.

◎ Premium Service Business

It has been affected by the spread of COVID-19, but the sales of HUGALL have been growing steadily, reaching the pre-pandemic level. The company resumed the opening of new shops of HUGALL in department stores, opening them in Sendai Mitsukoshi in Sendai-shi, Miyagi Prefecture, Mitsukoshi Toyota in Toyota-shi, Aichi Prefecture, etc. in the fiscal year ended May 2022.

Regarding aidect, which receives orders for jewels created or remade by jewelers, the reform of internal systems took time and the number of orders from customers visiting shops decreased due to the coronavirus pandemic.

◎ Overseas Business

“Jalan Jalan Japan” had to temporarily close stores due to the lockdown in Malaysia, but after the lifting of the lockdown, the number of customers became healthy, and sales have recovered to the pre-pandemic level. The opening of stores was slightly delayed due to the lockdown, but they will keep opening stores to operate 20 stores overseas in not only Malaysia, but also other countries, while enriching the supply network from Japan.

Regarding “BOOKOFF” in the U.S., the purchase and sale of items have been healthy since the lifting of the lockdown, and sales exceeded the pre-pandemic level, thanks to the inflation, etc. In particular, the figures and goods of Japanese anime, manga, etc. are popular. BOOKOFF is attaining the position as a highly entertaining store. By utilizing social media and events, they communicate with customers, improving popularity and promoting purchase.

In each country, the company opened a new directly managed store for further growth.

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【2-3 Financial Condition and Cash Flow】

Financial Conditions

	May 2021	May 2022	YoY		May 2021	May 2022	YoY
Current assets	24,017	28,329	+4,312	Current liabilities	17,584	16,289	-1,295
Cash and deposits	5,837	8,203	+2,366	Accounts payable-trade	560	735	+175
Accounts receivable-trade	2,120	2,333	+213	Short-term borrowings	11,481	8,514	-2,967
Merchandise	13,778	15,412	+1,634	Non-current liabilities	9,793	12,324	+2,531
Non-current assets	16,304	16,766	+462	Long-term favorable sub-liabilities	7,072	9,679	+2,607
Property, plant and equipment	5,848	6,214	+366	Liabilities	27,377	28,614	+1,237
Intangible assets	1,220	1,607	+387	Net assets	12,944	16,482	+3,538
Investments and other assets	9,234	8,943	-291	Retained earnings	8,603	9,948	+1,345
Guarantee deposits	7,492	7,306	-186	Treasury shares	-2,343	-596	+1,747
Total assets	40,321	45,096	+4,775	Total liabilities and net assets	40,321	45,096	+4,775

* Unit: million yen. Borrowings include lease obligations.

Total assets grew 4,775 million yen from the end of the previous term to 45,096 million yen, due to the increase of cash and deposits through the retirement of treasury shares.

Total liabilities augmented 1,237 million yen to 28,614 million yen, due to the decline in short-term debt, the increase in accounts payable, the augmentation of long-term interest-bearing liabilities, etc.

Net assets rose 3,538 million yen to 16,482 million yen, due to the growth of retained earnings, the decrease of treasury shares, etc.

Capital-to-asset ratio increased 4.4 points from the end of the previous term to 36.3%.

Cash Flows (CF)

	FY 5/22
Operating cash flow(A)	2,782
Investing cash flow(B)	-1,863
Free cash flow (A+B)	919
Financing cash flow	1,408
Cash and Equivalents at the end of term	8,203

* Unit: million yen

3. Fiscal Year ending May 2023 Financial Forecast

[3-1 Earning Forecasts]

	FY 5/22 Act.	Ratio to sales	FY 5/23 Est.	Ratio to sales	YoY
Sales	91,538	100.0%	95,000	100.0%	+3.8%
Operating income	1,766	1.9%	1,950	2.1%	+10.4%
Ordinary income	2,307	2.5%	2,300	2.4%	-0.3%
Profit attributable to owners of parent	1,449	1.6%	1,450	1.5%	+0.1%

* Unit: million yen.

The earnings and operating income are forecasted to increase

It is expected that sales will grow 3.8% year on year to 95 billion yen, operating income will rise 10.4% year on year to 1,950 million yen, and ordinary income will decline 0.3% year on year to 2.3 billion yen. They will resume the active opening of stores in each business, as it was restrained during the coronavirus pandemic. In the domestic BOOKOFF business, the company will resume the opening of BOOKOFF SUPER BAZAAR, and conduct the replacement with the package for making BOOKOFF entertaining. They will keep renovating existing stores actively, and open stores outside Japan, too, at an accelerated pace. They will also continue large-scale IT investment for earning revenues stably. Costs will reach a peak, including the carried-over costs, but operating income is projected to rise thanks to the growth of the premium service business (former name: the business for wealthy people) and the overseas business. The dividend is forecast to be 20.00 yen/share. The expected payout ratio is 27.3%.

[3-2 Outlook for each business segment]

(1) Domestic BOOKOFF Business

◎Sales and Profit

Operating income is expected to increase 243 million yen from the previous term.

The assumed year-on-year growth rate of sales of existing stores is 1%. Existing store sales will continue to grow, especially for trading cards and hobby-related products. On the other hand, considering the trend of books, which is the main contributor to sales and profit, the company expects companywide sales to be up YoY in the first half of the year, but sluggish in the second half. Gross profit will increase in line with larger sales.

Personnel costs will rise due to better compensation for existing employees and higher minimum wages in addition to the increase of employees due to new store openings, and costs will also augment due to the use of the Internet and the promotion of One BOOKOFF.

(2) Premium Service Business

◎Sales and Profit

Operating income is expected to increase 260 million yen from the previous term.

All of the business categories were significantly affected by COVID-19 in the first half of the previous fiscal year. Since operations have been restored to normal, recent purchase and sales trends have been favorable, and the company expects these to contribute to the full-year performance, resulting in a significant increase in operating income.

The company will expand its over-the-counter services, for example, by offering aidect's services after the organizational integration at each location.

(3) Overseas Business

◎Sales and Profit

Operating income is expected to increase 103 million yen from the previous term.

Jalan Jalan Japan in Malaysia, which was significantly affected by the lockdown in the first half of the previous fiscal year, has been performing well since operations were restored, and is expected to contribute to the full-year increase in profit.

Jalan Jalan Japan will begin to expand its operations outside Malaysia.

(4) Other

Japan TCG Center, a specialty store for trading cards, plans to open 1-2 new stores.

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 reuse 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.

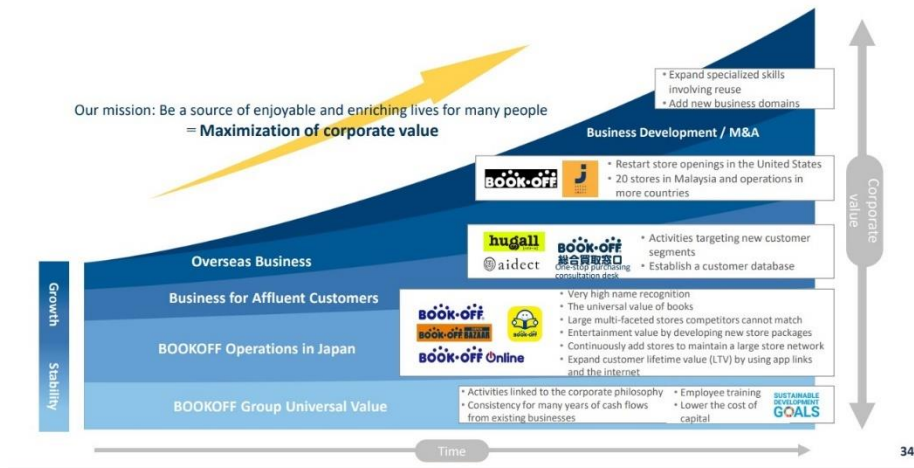
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【4-3 Value Creation of BOOKOFF】

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.



(Source: the Company's material)

【4-4 Recent Situation】

In FY 3/17, profitability declined to a severe level due to trials and errors in transforming the trade area and merchandise, including the rollout of home electronics in all directly operated domestic BOOKOFF stores and the launch of HUGALL.

The company's profitability recovered toward FY 3/20, as a result of the closure of unprofitable stores and channels and the delegation of authority to each region, and earnings remained flat despite the cost burden from large-scale IT investments in the domestic BOOKOFF business and the impact of the COVID-19 pandemic on the business for wealthy people and overseas business.

After the end of FY 5/22, the company recognizes that it has overcome the COVID-19 pandemic and entered a phase of business expansion.

In FY 4/22, the company procured approximately 2.2 billion yen through the retirement of treasury shares. Going forward, the company intends to use the funds raised to maximize corporate and shareholder value and contribute to the realization of a recycling-oriented society as a "leading reuse company with a focus on books."

In addition to securing funds for growth, the company has improved the liquidity of its shares, with the market capitalization of tradable shares exceeding 10 billion yen as of the end of May 2022.

As of the end of June last year, it was the only criterion it did not meet for maintaining its listing on the Prime Market of TSE. Now, the company meets the criteria.

【4-5 Business policy for growth】

The company aims to expand revenues with the synergy between the initiative of "upgrade individual stores" and the initiative of "use all the BOOKOFF Group's strengths."

In the initiative of "upgrade individual stores," the company will pursue store operation that would increase the satisfaction level of customers in each region by increasing products based on the ideas of staff in each store considering regional characteristics while handling books as core products as its forte.

Under the philosophy of "making all-out efforts," the company aims to increase the number of points of contact with customers by utilizing both real stores and the Internet for both "sale" and "purchase" under the One BOOKOFF concept.

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【4-6 Business Expansion】

(2) Domestic BOOKOFF Business

① Polishing individual stores

* BOOKOFF SUPER BAZAAR

The company will strengthen its trading cards and hobby-related products as well as improve the efficiency of its apparel sales floor. At Seiyu Okazaki Store 248, which was renovated in February 2021, gross profit increased 8% due to an increase in gross profit from trading cards and hobby-related products. Apparel sales have stopped falling and are trending upward due to operational improvements.

Following the reform of 15 stores in the previous fiscal year, the company will renovate 6-7 stores this fiscal year.

In addition, new store openings, which had been curbed due to the COVID-19 pandemic, will resume at a pace of 1-2 stores per year.

In terms of merchandise, each store will strengthen its specialization in sports and outdoor goods, brand bags, etc., in accordance with regional characteristics.

*BOOKOFF/BOOKOFF PLUS

Gross profit increased 21% at the Nara Hokkeji store, which was renovated to make it more entertaining, installing duel space (space for competing). This led to an increase in the number of customers not only for trading cards and hobby-related products, but also for books and software.

Following the renovation of four stores in the previous fiscal year, the company plans to replace four to five stores this fiscal year by closing smaller stores of around 100 tsubo (330 m²) and opening new stores of around 300 tsubo (990 m²) in size in the neighborhood. The company considers its stores to be important customer contact points and purchase bases, and will maintain and expand its store network.

② making all-out efforts

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 5.0 million in May 2022.

The company has been distributing membership cards (no-name type targeting light users) since 2015, but compared to card members who only receive and use points, app members, who can use coupons, sales, and various other sales promotion schemes, have a large gap in the repeat purchase rate and annual purchase amount per customer after one year.

The company has set a target of 6 million app members by the end of May 2023, and aims to have 15% of BOOKOFF users become app members, which would account for one-third of the company's sales, but app members now account for 31% of the total number of customers sold, more than card members, and the company is close to achieving this target.

By further promoting the convenience of the official app, the company aims to further expand the number of app members.

Characteristics of Members and Purchases

	 Membership card Started in 2015; a card with no registration primarily for occasional customers	 Smartphone app Started in 2018; registered members receive coupons, invitations to sales and other benefits
Annual purchases per member *1	¥6,000	¥20,000
Pct. of repeat use after one year *2	9%	33%
Pct. of customers making purchases (FYS/2022)	26%	31%

(Source: the Company's material)

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*Marketing Strategy

The marketing strategy will be extremely important in order to make a concerted effort.

In order to remind customers of BOOKOFF's values and services, such as its extensive book selection and diversity of merchandise, a promotion called "Arujan!" was launched in May 2021. The company is shifting from conventional sale-type and direct advertising to value-appealing and brand advertising aimed at attracting customers on a steady basis.

The company is not only using TV commercials but is also appealing to a wide range of customers via the Internet, SNS, PR, and stores to encourage dormant customers who haven't visited BOOKOFF recently to visit the store.

*Future Outlook

The company will encourage new and dormant customers to visit the store through marketing promotions and have them become app members when they visit the store.

The acquisition of members is progressing steadily toward the target of 6 million by May 2023, and CRM measures will be implemented in earnest with the goal of increasing purchase value per customer (LTV*).

The company plans to launch a loyalty program for app members in 2022. In addition to providing coupons to motivate members to return to the store and make purchases, incentives will also be given for using the app, making the app more closely linked to daily life.



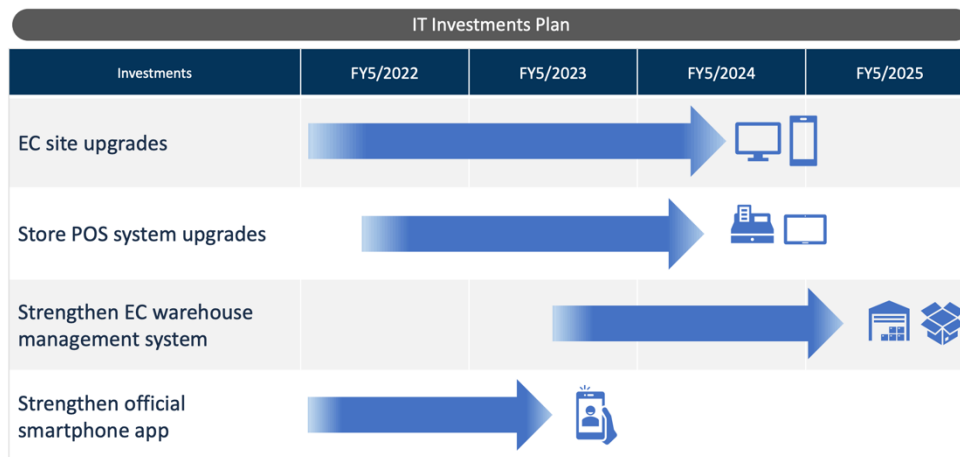
(Source: the Company's material)

③ IT investment

In addition to strengthening the linkage between stores and e-commerce and promoting DX, the company is proceeding with large-scale IT investments based on plans, including the reform of aging IT infrastructure. However, the transition of infrastructure for the upgrade of the e-commerce site is taking longer than expected, resulting in a revision of plans and a delay in the timing of cost accrual.

The current and next fiscal years will be the peak period for investments and expenses, which will temporarily depress earnings

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(Source: the Company's material)

(2) Premium Service Business

According to the company's data (Nomura Research Institute's "NRI Wealth Survey of High Net Worth Individuals"), the number of high-net-worth households (the sum of semi-net-worth, high-net-worth, and ultra-net-worth households) in Japan in 2019 was 4.75 million, up 1.08 million in about 15 years since 2005. Even in the two years since 2017, the number of households has increased 270,000. The expansion is remarkable compared to the mass and upper-mass segment, with its larger number of households, which has only increased by 50,000 households over the past two years.

The company believes that the increase in the number of locations will directly lead to an increase in purchases and revenues, and will accelerate the opening of new stores in places where the company has not been able to reach its customer base and where they seek its services.

On the other hand, there are many competitors opening new stores in the market for purchasing brand-name goods and precious metals, and the company recognizes that it is difficult to differentiate itself by offering only purchase services.

Unlike its competitors, the company does not only purchase brand-name goods and precious metals, but also has "BOOKOFF Sogo Buyback Window," a store specializing in the purchase of a wide range of merchandise, and "aitect," which offers jewelry repair services at its stores.

The company intends to use the group's linkage of functions as a competitive advantage to expand contacts with affluent customers and capture their needs, by first reaching out to affluent customers who are still hesitant to sell brand-name goods and precious metals through the purchase of books and jewelry repair services.

The company will open 4-5 HUGALL department store purchase desks each fiscal year, targeting major department stores nationwide, and will resume opening 3-4 BOOKOFF general purchase points each fiscal year, mainly in the central Tokyo area.

In addition, Jewelry Asset Managers, which operates aitect, was merged into BOOKOFF Corporation in order to strengthen the linkage of functions.

The company aims to increase HUGALL's earnings and monetize aitect by expanding its network and strengthening the linkages of functions.

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(Source: the Company's material)

(3) Overseas Business

Each business category in the overseas business is highly profitable, with an ordinary income of approximately 300 million yen in FY 5/22, mainly in the U.S. Also, the contribution of profits to the group has been on the rise in recent years, so the company will aggressively expand its business in both the U.S. and Malaysia.

*The U.S.

After entering the U.S. market in 2000, the company struggled for many years to become profitable, but after the COVID-19 pandemic, it succeeded in adding value through anime products, etc., and combined with local inflationary trends, profitability has been increasing. The company opened a limited-time store in Brooklyn, NY, where the sales of anime merchandise grew significantly, and the response was strong throughout the U.S.

The company will continue to expand its business not only on the East and West coasts, but also throughout the U.S.

*Malaysia

Since the lockdown was lifted, sales have been on a V-shaped recovery. The company plans to open two new stores each fiscal year, and aims to establish a 20-store network, including stores in Malaysia and other countries, by strengthening purchases at group stores and opening up exit functions (see below). However, the company recognizes that securing additional merchandise for sale will be an issue in expanding into a larger number of stores.

In order to expand operations in both the U.S. and Malaysia, it will be essential to train local staff and secure the human resources to take on these tasks.

*Opening the exit function to realize a "society without dumping"

Products that could not be sold out in Japan are selling well in Malaysia because they meet the needs of local customers, and with a store inventory turnover rate of 220% and an inventory digestion rate of 95%, it is becoming a complete exit function for the group.

As mentioned above, the company aims to build a 20-store network, including Malaysia and other countries, and to achieve this goal, the company believes it is essential to further "open up the exit function" and strengthen its merchandise procurement capabilities.

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The company has been collaborating with other reuse and recycling partners for several years now, and its network has expanded significantly over the past 1-2 years, but in order to further scale up its operations in the future, the following initiatives are underway.

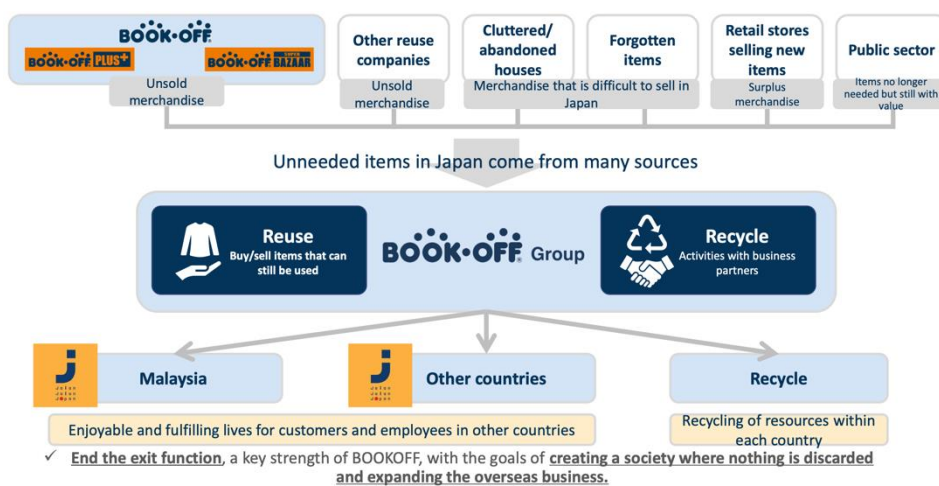
*In addition to promoting collaboration with Tokyu Corporation on the SDGs, the company has begun a dialogue with other electric railway companies.

*The BOOKOFF Okatazuke (cleaning up) service has been launched.

*Joined the Benry franchise, a lifestyle support service.

*The company has already begun accepting unsold goods from manufacturers, mainly sundries.

The company aims to establish a 20-store network over the next five years, and intends to open up the outlet function, which is one of the company's strengths, in order to both realize a "waste-free society" and expand its business.



(Source: the Company's material)

(4) New Business Development

① BOOKOFF Cleaning Service

In May 2022, the company began offering the "BOOKOFF Cleaning Service," a one-stop service for individuals to clean up items in their homes in conjunction with the clearance of belongings or the sale of real estate.

The "BOOKOFF Cleaning Service" has been offered mainly to real estate companies and other corporations that have applied for the service, but the company has opened a new website for individuals.

The service reduces the total amount of waste by separating items that can be sold as reusable items from those that can be reused as resources when removing items from the house, and offsets the purchase price from the total cost of the cleanup operation, thereby reducing the cost burden on the customer.

Depending on the customer's convenience, a qualified professional staff member will visit the site and provide an estimate of the cost of the sorting and removal work, and after the work is completed, the customer will be billed for the cost of the cleanup work after offsetting the appraised value of the purchased items. If the purchase price exceeds the estimated amount, the difference is paid to the customer. Currently, the service area covers Tokyo and three prefectures, but the company plans to expand the area by increasing the number of cooperating companies.

② Japan TCG Center, a specialty store for trading cards

The first store in Musashino City, Tokyo is performing well. Start to expand to multiple stores.

③ Food purchase service for corporate customers

The company purchases food products approaching their expiration date and offers them at reasonable prices at BOOKOFF stores. The service has been widely covered by various media as a contribution to food loss reduction.

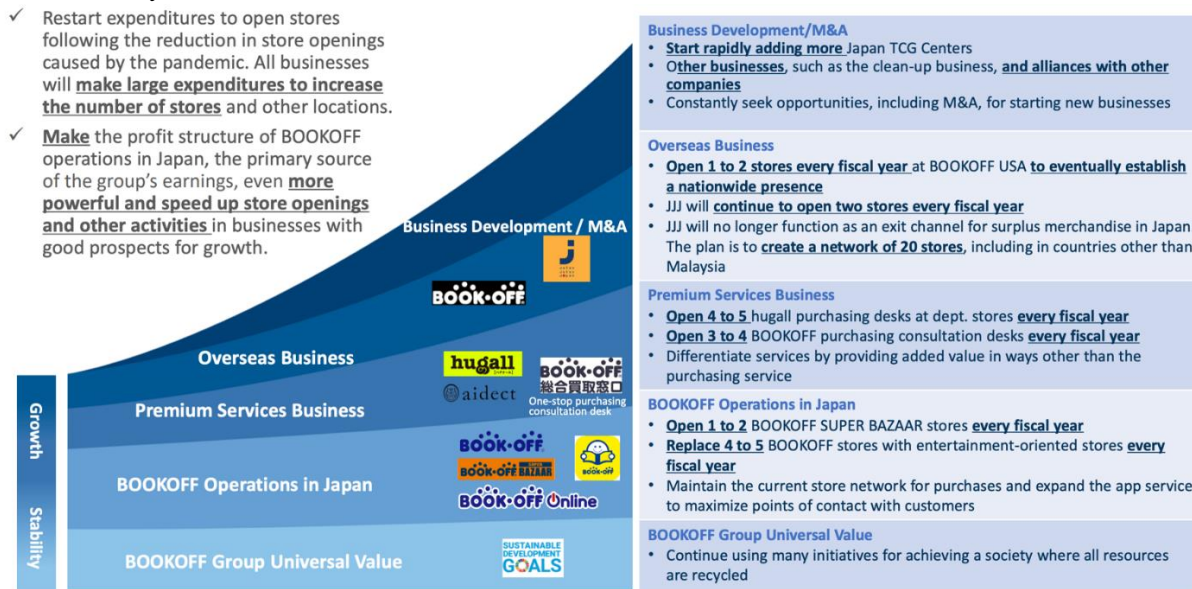
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**(5) Growth Plan by Business (Summary)**

In the domestic BOOKOFF business, premium services business, and overseas business, the company will resume investment in store openings and aggressively open new stores.

While further solidifying the earnings of the domestic BOOKOFF business, which is the foundation of the Group's earnings, the company will accelerate store openings and take action in businesses with growth potential, including the premium services and overseas businesses.

To expand the Group's universal value, the company will continue to promote each initiative toward the realization of a recycling-oriented society.



(Source: the Company's material)

5. Message from President Horiuchi

President Yasutaka Horiuchi gave the following message to shareholders and investors.

During the recovery process from the difficult period around 2017, when we were trying to get back on a growth track, we were hit by the COVID-19 pandemic and once again faced a difficult situation. However, our efforts in the past 5 years paid off, and we were able to set a clear path toward significant growth based on the stable revenue base of the Domestic BOOKOFF Business with growth drivers being the Premium Service Business and the Overseas Business in the fiscal year ended May 2022.

We were able to envision a growth scenario for the coming 3-5 years and procure funds through the retirement of treasury shares, so we will resume the opening of stores, which has been restrained for a while, in all businesses, not limited to the Domestic BOOKOFF Business, from all aspects, while considering this term as the first year of active investment.

In addition, we will concentrate on the investment in human resources and IT, evolve from 'BOOKOFF handling not only books,' and strive to expand our business domain with the keyword 'BOOKOFF Group not limited to BOOKOFF.'

Please keep expecting our growth.

6. Conclusions

In the fiscal year ended May 2022, the sales and number of customers of existing stores in the Domestic BOOKOFF Business increased 7.4% and 2.4%, respectively, year on year, showing favorable performance. This term, the sales of existing stores are conservatively projected to rise 1%, but we would like to pay attention to whether they can fortify the stable revenue structure of the Domestic BOOKOFF Business by renovating stores, increasing app users, etc. In addition, we would like to see the quarterly progress of the Premium Service Business and the Overseas Business, which are considered as growing businesses.

<Reference: Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory committee
Directors	10 directors, including 6 outside ones

◎ Corporate Governance Report: Updated on December 21, 2021

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.

The basic policies on each principle of the Corporate Governance Code are disclosed in "Our Company's Commitment to the Corporate Governance Code."

■ Our Company's Commitment to the Corporate Governance Code

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

<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.

【Supplementary Principle 3-1③】

<Risk and Revenue Earning Opportunities Associated with Climate Change>

We collect and analyze essential data regarding the impacts of our company's business activities on climate change and continue our approach to enhancement of quality and quantity in our disclosure based on TCFD, an internationally established framework of disclosure, or an equivalent framework.

【Supplementary Principle 4-1③】

We do not have set a succession plan, however, we established a system which assists us in nominating highly transparent and fair successors and selecting director candidates, at the board meeting held between the time period after the end of the fiscal year and before the general meeting of shareholders is held, based on the effectiveness of the board meetings run by the board of independent outside directors, the chairperson's assessment, as well as reports from the nomination advisory committee, when there is a change of the president or a selection of directors for nominating the next president and new directors.

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

【Supplementary Principle 2-4①】

<Our view on ensuring diversity>

We consider our employees to be the greatest asset and the source of the group's competitiveness. We strive to create a workplace environment for our employees and provide them with opportunities for skill development and self-fulfillment, in order to secure diversity.

<Objectives and development status for ensuring diversity>

(i) Women

In response to a dialogue between our company's president and female employees, we launched "the Project for Creating a Pleasant Working Place" in 2012, to design systems, support career development, and foster corporate culture in order to further promote female employees' advancement by implementing various systems including Workplace Selection System and Rehiring System. Currently, we continue the activities to increase the ratio of female managers 1.5 times from fiscal year 2020 by fiscal year 2025.

(ii) Foreign Nationals

We respect each individual's personality regardless of their nationality when it comes to recruiting and developing part-time employees in our domestic business. Moreover, in our overseas business, we define "localization" as a key measure from the viewpoint of actively promoting and stabilizing our business, and proactively promote recruitment of home-grown executives and store managers. As of November 2021, we have 9 store managers of local nationals among our 16 overseas stores, and we continue to engage in personnel development, while considering the labor condition in each country and differences in culture and value.

(iii) Mid-career Hires

We regularly hire full-time employees according to our Part-time Staff Recruitment System. As of September 2021, the ratio of mid-career hires to all employees of BOOKOFF Corporation was 45.8%, and that of mid-career hires in the management positions was 13.2%.

【Supplementary Principle 3-1③】

Our sustainability initiatives and investments in human capital and intellectual properties are explained and disclosed in Financial Results Presentation material upon disclosure of our management strategy.

<Our effort in sustainability>

We consider that it is the role of our corporate group to accelerate the formation of a recycling-based society, while providing happy and fulfilling lives to our customers through our reuse business.

As part of our sustainability initiatives, we engage in various activities including (1) promoting the reusing and recycling of disused articles through external partner companies, (2) committing to reuse business, and building curricula associated with SDG 12 "Responsible Consumption and Production" as well as participating in school education, and (3) developing a program to donate the purchase amount from disused articles to humanitarian aid groups and environmental protection organizations.

For more specific details, our PR and SDGs Promotion Office established in September 2021 take the lead to strive for appropriate disclosure on our company's website, etc.

<Investment in human capital and intellectual properties>

We consider our employees to be our greatest asset and the source of the group's competitiveness. We strive to create a workplace environment for our employees and provide them with opportunities for skill development and self-fulfillment.

<Risk and Revenue Earning Opportunities Associated with Climate Change>

We collect and analyze essential data regarding the impact of our company's business activities and continue our approach to enhancement of quality and quantity in our disclosure based on TCFD, an internationally established framework of disclosure, or an equivalent framework.

[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.

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**【Supplementary principle 4-11①】**

We consider having 8~10 directors are adequate to engage in substantive and effective discussions at the board meetings. Currently, the board consists of 4 internal directors and 6 outside directors (3 of them are independent outside directors), and each director's expected field, their primary knowledge, experience, capability, and expertise are as presented in "The Composition of the Board of Directors (Skills Matrix)" on the last page of this Report.

With regard to the selection of directors, the Nomination Advisory Committee (consists of president and independent outside directors) selects candidates according to the internal rules, based on the evaluation through interviews for checking whether they can contribute to our company's sustainable growth and improvement of our corporate value, and then decisions are made at the board meeting after the audit supervisor committee are notified of the candidates. Regarding director candidates who belong to the audit supervisor committee, our selection is based on whether they can contribute to the maintenance and enhancement of the company's sound management and social trust. If the candidates have ability to perform neutral and objective auditing, then final decisions are made at the board meeting after they are discussed and agreed by the audit supervisor committee. Furthermore, we have an established guideline for the selection of outside directors, and criteria for the independence of outside directors are disclosed in the convening notice as well as the Corporate Governance Report.

[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>

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