



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, Sagami-hara-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
¥1,279	20,547,413 shares		¥26,280 million	9.9%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥22.00	1.7%	¥80.96	15.8x	¥827.94	1.5x

\*The share price is the closing price on February 15. Number of shares outstanding, DPS, and EPS are from the 2Q FY 5/23 financial results; ROE and BPS are from the previous period.

## 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)	98,000	2,250	2,600	1,600	80.96	22.00

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

We present this Bridge Report reviewing the second quarter of the fiscal year ending May 2023 financial results of BOOKOFF GROUP HOLDINGS LIMITED and so on.

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## Key Points

- In the second quarter of the term ending May 2023, sales increased 13.5% year on year to 48,568 million yen. The sales of mainly trading cards, hobby goods, as well as other products such as apparel and software media, at directly managed stores in the domestic BOOKOFF business exceeded those in the same period of the previous year. The sales of the premium service business and the overseas business also increased. Operating income was 984 million yen, significantly exceeding that in the same period of the previous year. The sales of books, which have a high gross profit margin, were weak, the rate of increase in gross profit was lower than the increase in sales, and there was a minor increase in SG&A expenses. Still, the company recorded a significant increase in profit, to which the premium service business and the overseas business contributed greatly. The number of members of the official smartphone app under the "One BOOKOFF" concept has grown to 5.78 million.
- The earnings forecast has been revised upwardly. The sales in the premium service business, which operates services for wealthy people in Japan, and the overseas business centered on the United States and Malaysia exceeded expectations. Regarding the domestic BOOKOFF business, the sales of products such as trading cards, hobby goods, software media, and apparel are larger than expected. In addition, the company expects higher costs due to proactively opening stores and large-scale IT investments in all businesses. Moreover, the company predicts an increase in costs due to rising electricity rates in Japan exceeding initial expectations. However, the company took into consideration the favorable results in the first half.
- In the term ending May 2023, the company expects sales to increase 7.1% year on year to 98 billion yen, operating income 27.3% to 2,250 million yen, and ordinary income 12.7% to 2.6 billion yen. The dividend forecast has also been revised. The dividend is estimated to be 22.00 yen/share, up 2.00 yen/share from the previous term. The expected dividend payout ratio is 27.2%.
- Like in the first quarter, the results in the first half were favorable. While actively opening stores in all businesses, the company is steadily meeting the demand for reuse by focusing on trading cards and improving operations in apparel. In the second half of the current fiscal year, profit will increase slightly from the first half, but will decrease from the second half of the previous term due to the costs resulting from many new store openings, further increases in electricity charges, improvements in employee treatment, and the emergence of IT investment costs. However, this is considered a preparation phase for growth from the next fiscal year onward. We would like to pay attention to the extent to which sales and profit can accumulate in the second half.

## 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 137 people with disabilities).

### 【1-2 Business Description】

#### (1) Domestic BOOKOFF Business

As the chain headquarter of the reuse stores “BOOKOFF” for books, software media 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, trading cards, hobby goods, home appliances and mobile phones, etc.), 2) “BOOKOFF PLUS” (a medium-sized complex BOOKOFF with Apparel accessories), and 3) “BOOKOFF SUPER BAZAAR” (a large-sized complex BOOKOFF with a wide variety of commodities; Books, CDs, DVDs, video games, trading cards, hobby goods, home appliances(audio and visual devices, computers, etc.), apparel, luxury-brand goods, sporting goods, baby goods, watches, tableware, household products etc). In addition to books, the company operates the BOOKOFF One-stop purchasing consultation desk, which purchases anything, including watches, luxury-brand goods, apparel, tableware, and sporting goods, as well as the EC site “BOOKOFF Online.” The number of stores is the number of directly managed stores as of the end of May 2022. The number of app members is as of the end of November 2022.

 BOOKOFF 		 BOOKOFF SUPER BAZAAR 	
Avg. floor space, Number of stores	About 495 m <sup>2</sup> 268 stores	Avg. floor space, Number of stores	About 3,135 m <sup>2</sup> 47 stores
Merchandise	Books, CDs, DVDs, video games, trading cards, hobby goods, home appliances, mobile phones, etc.	Merchandise	“BOOKOFF” + Apparel/luxury brand goods/household products/ sporting goods/kitchenware, etc.

 <b>BOOKOFF PLUS</b>		 	
Avg. floor space, Number of stores	About 990 m <sup>2</sup> 43 stores	Number of app members	5.78 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 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 m<sup>2</sup>), which deals in a variety of products, exerts unrivaled competitive advantages as a regional 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 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. In addition to books, the company operates the BOOKOFF One-stop purchasing consultation desk (15 stores), which purchases anything, including watches, luxury-brand goods, apparel, tableware, and sporting goods.

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” mainly in Malaysia.

The company owns 3 participating stores in France.

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

### \* Malaysia

The company entered the Malaysian market in 2016 and have released a Malaysian original package called “Jalan Jalan Japan.”, and 9 stores are operating. It will focus on human resource development and work to further expand the store network. First, they want to establish twenty-stores 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.

In October 2022, the Jalan Jalan Japan Zhetysu-Semirechye store was opened in Almaty, Kazakhstan, as a participating store, by a local company.

Kazakhstan's capital, Almaty, is the largest city in Kazakhstan, located at roughly the same latitude as Hokkaido. By opening a store there, the company can develop it as an outlet for Japan's winter clothing and goods. The apparel business has gotten off to a good start. Thus, the company is planning to open ten or more stores through local member companies and is considering expanding to other countries in the future.





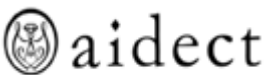

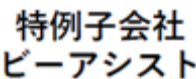



\* The U.S.

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 goods, 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 Consumption and Production.” 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 Japan	Creation of jobs and supply of quality products and apparel	
	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)

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.

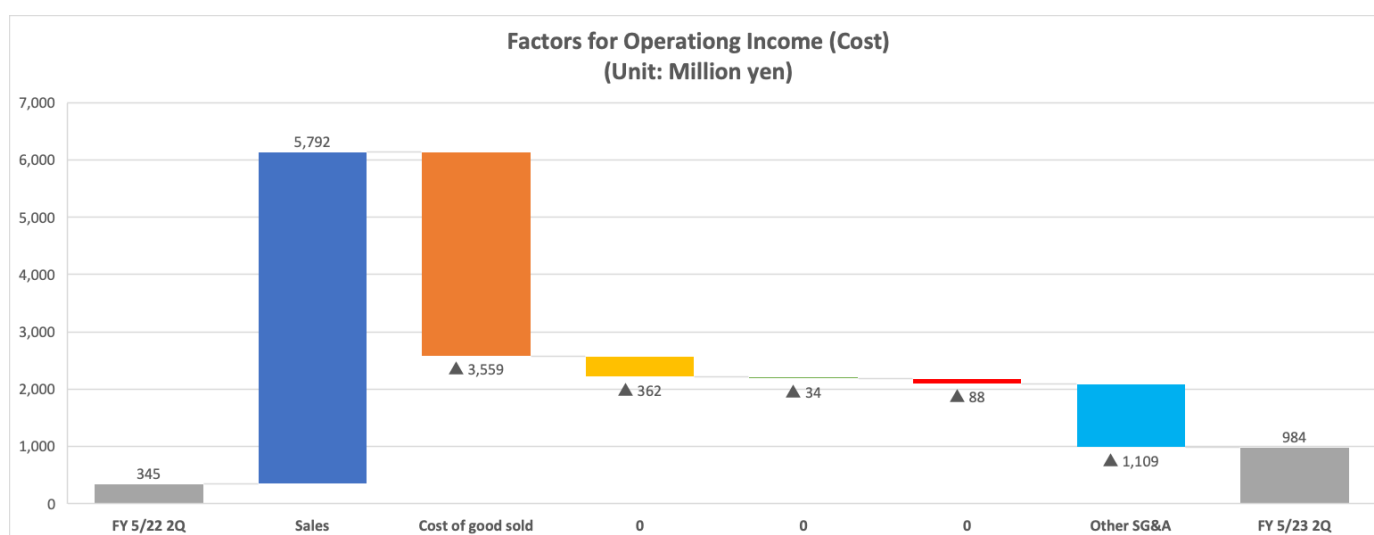
In addition, the company started demonstration experiments for developing resources-recycling towns in cooperation with the Tokyu Group and the sale of processed food products that are about to expire and have a minor problem for reducing food loss.

## 2. The second quarter of Fiscal Year ending May 2023 Financial Results

### [2-1 Consolidated Results]

	FY5/22 2Q	Ratio to sales	FY5/23 2Q	Ratio to sales	Compared to same term last year
Sales	42,776	100.0%	48,568	100.0%	+13.5%
Gross profit	25,579	59.8%	27,811	57.3%	+8.7%
SG&A expenses	25,234	59.0%	26,827	55.2%	+6.3%
Operating income	345	0.8%	984	2.0%	+184.8%
Ordinary income	662	1.5%	1,224	2.5%	+84.8%
Profit attributable to owners of parent	457	1.1%	921	1.9%	+101.6%

\* Unit: million yen.



\*Created by Investment Bridge Co., Ltd. based on disclosed material

\* ▲ in the cost item indicates an increase in cost.

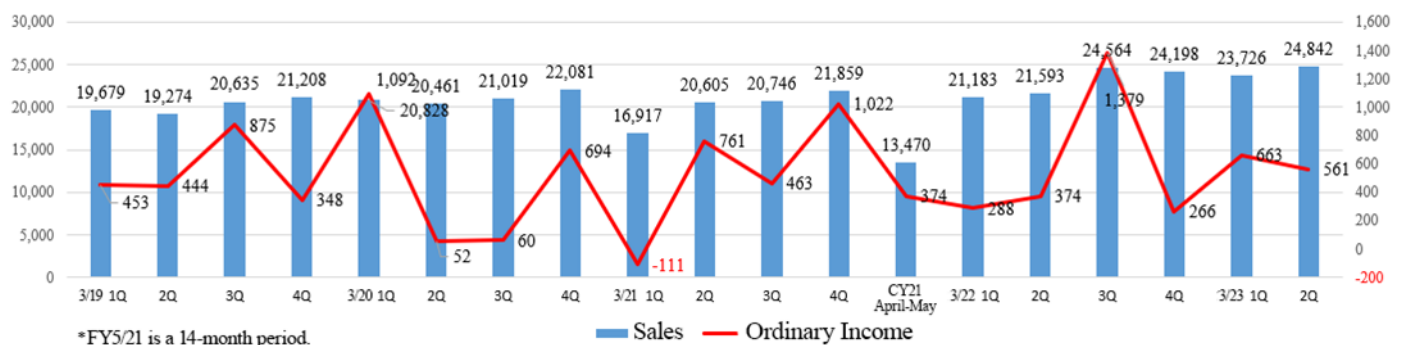
### Increased revenues, significant increase in profit

Sales increased 13.5% year on year to 48,568 million yen. The sales of mainly trading cards, hobby goods, as well as other products such as apparel and software media, at directly managed stores in the domestic BOOKOFF business exceeded those in the same period of the previous year. The sales of the premium service business and the overseas business also increased. Operating income was 984 million yen, significantly exceeding that in the same period of the previous year. The sales of books, which have a high gross profit margin, were weak, the rate of increase in gross profit was lower than the increase in sales, and there was a minor increase in SG&A expenses. Still, the company recorded a significant increase in profit, to which the premium service business and the overseas business contributed greatly.

## BRIDGE REPORT



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

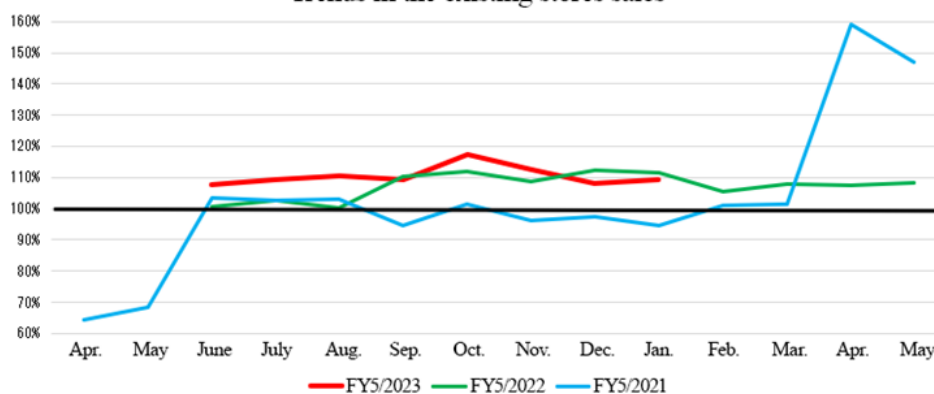


The number of members of the official smartphone app under the "One BOOKOFF" concept has grown to 5.78 million.

## 【2-2 Overview】

### ◎ Existing Store Sales

Trends in the existing stores sales



Due to store renovation and marketing measures such as maximizing the app membership base, sales at existing stores have greatly exceeded those in the same period of the previous year.

In addition to the crowds of people returning to downtown areas, the increase in budget-minded consumers and the demand for maintaining the current lifestyle due to soaring prices of resources are contributing to the reuse industry as a whole.

### ◎ Products and locations

#### \*Products

The sales of books decreased year on year. As the demand from housebound consumers has subsided and the sales of new paper-based books are declining, a downtrend in sales is inevitable for the time being.

The company will concentrate on reducing the rate of decline.

The trading card and hobby goods business, on which the company is focusing, continued to perform well. Increasing transactions through store renovations also contributed to sales growth. The new trading card market also continues to grow.

The company is currently holding a large-scale trading card event, BOOKOFF Trading Cafe Festival, nationwide. By holding events on a scale beyond the company's stores in major cities, it aims to attract customers to nearby stores and provide amateurs with a more immersive experience, thereby increasing trading card fans and expanding the market.

Apparel sales continued to be sluggish from the term before last, and the sales floor area was reduced. However, sales exceeded the previous year's level from the second quarter of the previous fiscal year onward. In addition to streamlining through changes in store operations, the trend of curtailing expenses among people is contributing the sales of apparel.

As the ratio of sales of trading cards and hobby goods, 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.

## BRIDGE REPORT

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

	1Q of FY 5/22	2Q of FY 5/22	3Q of FY 5/22	4Q of FY 5/22	1Q of FY 5/23	2Q of FY 5/23	3Q of FY 5/23	4Q of FY 5/23
Books	93.8%	100.1%	96.9%	96.2%	94.8%	93.4%	-	-
Software media (music, videos, and video games)	97.0%	104.1%	101.4%	98.3%	104.0%	110.8%	-	-
Apparel	94.5%	107.0%	114.3%	115.8%	117.6%	120.2%	-	-
Precious metals, watches, high-end bags	97.9%	111.5%	113.1%	125.6%	111.8%	118.6%	-	-
Trading cards and hobby goods	163.2%	171.1%	164.5%	149.1%	142.9%	153.2%	-	-
Home appliances, mobile phones	92.0%	108.4%	113.6%	107.7%	118.0%	113.0%	-	-
Sports and outdoor equipment	102.2%	112.1%	121.7%	111.0%	107.4%	117.1%	-	-
Other	112.9%	123.5%	118.0%	110.6%	124.7%	115.3%	-	-
<b>Total</b>	<b>101.2%</b>	<b>110.3%</b>	<b>110.1%</b>	<b>108.0%</b>	<b>109.3%</b>	113.2%	-	-

\* The results of existing store

\*Locations

Suburban and roadside stores continued to perform well. As the impact of the COVID-19 pandemic has faded, the sales of stores in the vicinities of stations and stores in downtown areas are growing.

◎ Stores

The number of stores as of the end of November 2022 is 791. A total of 9 new stores were opened, including seven directly managed domestic stores and two directly managed overseas stores. The company renovated 21 stores in the first half (15 stores in the second quarter). Of the seven directly managed domestic stores, one is ASO-VIVA, one is a BOOKOFF purchase center, and two are BOOKOFF One-stop purchasing consultation desks.

ASO-VIVA is a new BOOKOFF specialty store that sells trading cards, games, and other playable items and provides customers of anime and hobbies with a place where people can play regardless of whether it is new or used. When the first store was opened in Wakayama City, Wakayama Prefecture, in August 2022, the impact on the sales of the two existing BOOKOFF stores in Wakayama City was limited. Thus, since it was shown that different store formats could coexist with the existing stores, the company plans to open new types of stores in the areas of existing stores to maximize local sales.

(Regarding renewal)

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

Although 60 stores were renovated in the previous term, the company's main investment in this term is for opening stores, including replacing old stores.

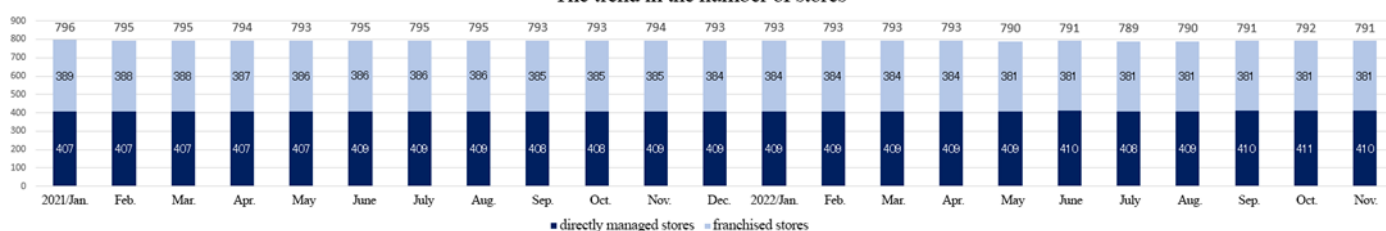
## BRIDGE REPORT



## Opening of new stores

Classification		Store Name	Store Packages	OPEN	Location	Sales floor space
Direct management	Overseas	Tampoi	Jalan Jalan Japan	April 1	Malaysia	1,593 m <sup>2</sup>
	Overseas	ANIMELAB BROOKLYN	BOOKOFF	July 1	The U.S.	99 m <sup>2</sup>
	Domestic	Aeon Mall Wakayama	ASO-VIVA	August 2	Wakayama Pref.	99 m <sup>2</sup>
	Domestic	Kasukabe Toyoharu	BOOKOFF	August 4	Saitama Pref.	664 m <sup>2</sup>
	Domestic	Suzuka Hunter	BOOKOFF	August 6	Mie Pref.	846 m <sup>2</sup>
	Domestic	Kasuga Hakusan Street	BOOKOFF One-stop purchasing consultation desk	August 20	Tokyo	33 m <sup>2</sup>
	Domestic	Aeon Honmoku	BOOKOFF	September 10	Kanagawa Pref.	1,084 m <sup>2</sup>
	Domestic	Frespo Hachioji Minamino	BOOKOFF Purchase Counter	September 17	Tokyo	99 m <sup>2</sup>
	Domestic	Azabu Juban	BOOKOFF One-stop purchasing consultation desk	October 15	Tokyo	56 m <sup>2</sup>

The trend in the number of stores



Since most of BOOKOFF's new store openings are replacements of old stores (dismantling old stores and building new stores), there is no significant change in the total number of stores. While the company plans to open 4-5 stores this term, it has already opened four stores, including ASO-VIVA, and is planning on opening more stores.

The company will open 1 or 2 BOOKOFF SUPER BAZAARS in the second half of this year. The properties are already almost finalized.

## ◎ EC Sales

Under the “One BOOKOFF” concept 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 service of used items.

**BRIDGE REPORT**

The number of app members as of the end of November 2022 was 5.78 million, and it is almost certain that the target of 6 million by the end of May 2023 will be achieved ahead of schedule.

More than 30% of the customers who proceeded to checkout became app members, exceeding the number of card members. Measures to attract customers through the app have been effective, leading to an increase in the number of customers visiting stores.

With the goal of reaching 6 million members in sight, the company plans to shift its focus in the next fiscal year to improving CRM, increasing the frequency of store visits, and increasing sales per member rather than increasing the number of members. Therefore, it released the beta version of the loyalty program.

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 4,324 million yen, down 98.3% 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 "store pick-up service," in which you order online and pick it up at a nearby store, continues to perform well. On the other hand, sales of BOOKOFF Online, in which you order online and request home delivery, were below the sales in the same period of the previous year, as it was affected by the fact that its main products are books and software media. The company plans to work on expanding the range of products it handles as part of the ongoing renovation of its EC site.

**◎ Premium Service Business**

The sales of hugall and BOOKOFF One-stop purchasing consultation desk have been strong, exceeding those in the same period of the previous year. The purchase amount exceeded the pre-pandemic level by 60%. Despite the impact of the novel coronavirus, the number of bases has increased, the flow of people to downtown areas has recovered, and the prices of precious metals have soared. The company is planning to open 4-5 hugall stores this term and 3-4 BOOKOFF One-stop purchasing consultation desks. In the first half, the company opened three hugall stores and two BOOKOFF One-stop purchasing consultation desks.

The company will open stores that can be opened ahead of schedule during the current term while keeping an eye on the results at the end of the term.

**◎ Overseas Business****-Malaysia**

Sales of Jalan Japan grew significantly, partly due to the rebound from the previous year's lockdown. Sales in the first half were 134% above the pre-pandemic level. Local recognition improvement and unit price revisions have also increased sales per store.

The company plans to open 2-3 stores this term and has already opened one new directly managed store in the first half.

In October 2022, a Jalan Japan store was opened in Kazakhstan as a franchise store.

**-The U.S.**

BOOKOFF performed well, and the sales in the first half exceeded the pre-pandemic level by 52%.

Purchases and sales of books and software media in the U.S. continue to be strong. Also, as Japanese anime figures and goods and manga are also popular, the stores meet customer expectations as highly entertaining stores.

Utilizing social media and influencers, continuously participating in anime-related events, and continuing communication with customers led to increased recognition and acquisition of customers.

The company plans to open 1-2 stores this term and has already opened a new directly managed store in the first half.

## BRIDGE REPORT

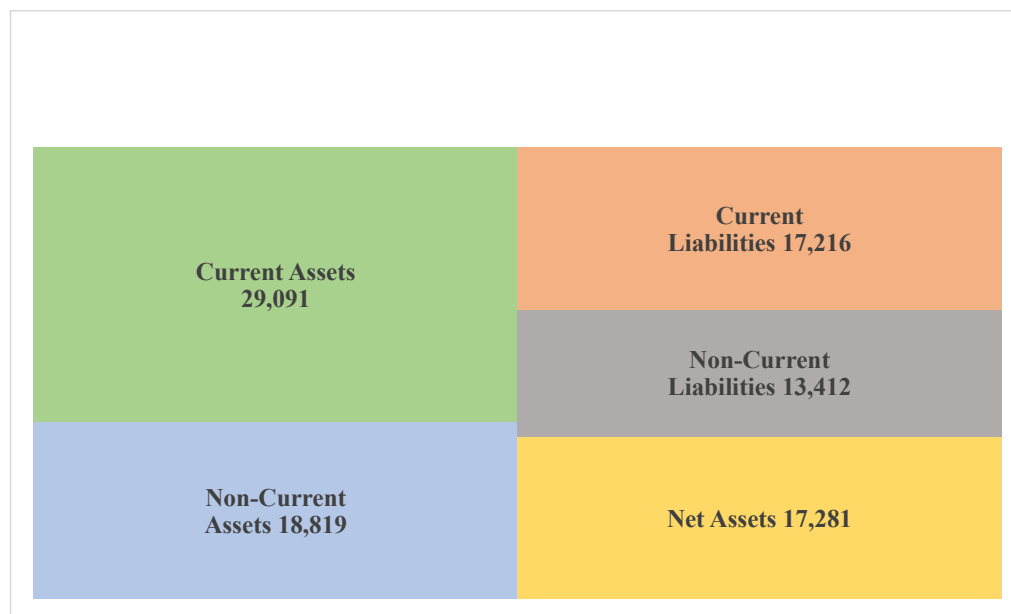


## 【2-3 Financial Condition and Cash Flow】

## Financial Conditions

	May 2022	November 2022	YoY		May 2022	November 2022	YoY
Current assets	28,329	29,091	+762	Current liabilities	16,289	17,216	+927
Cash and deposits	8,203	7,195	-1,008	Accounts payable-trade	735	828	+93
Accounts receivable-trade	2,333	2,684	+351	Short-term debt	8,514	10,804	+2,290
Merchandise	15,412	16,640	+1,228	Non-current liabilities	12,324	13,412	+1,088
Non-current assets	16,766	18,819	+2,053	Long-term debt	9,679	10,803	+1,124
Property, plant and equipment	6,214	7,687	+1,473	Total liabilities	28,614	30,629	+2,015
Intangible assets	1,607	2,184	+577	Net assets	16,482	17,281	+799
Investments and other assets	8,943	8,947	+4	Retained earnings	9,948	10,474	+526
Guarantee deposits	7,306	7,182	-124	Treasury shares	-596	-591	+5
Total assets	45,096	47,911	+2,815	Total liabilities and net assets	45,096	47,911	+2,815

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



\*Created by Investment Bridge Co., Ltd. based on disclosed material

Total assets increased by 2.8 billion yen from the end of the previous term to 47.9 billion yen because of an increase in inventory assets due to the proactive development of strategic products and an increase in tangible fixed assets due to new store openings, renovations of existing stores, and acquisitions.

Total liabilities increased by 2 billion yen to 30.6 billion yen due to an increase in long-term and short-term borrowings.

Net assets increased by 800 million yen to 17.2 billion yen due to an increase in retained earnings.

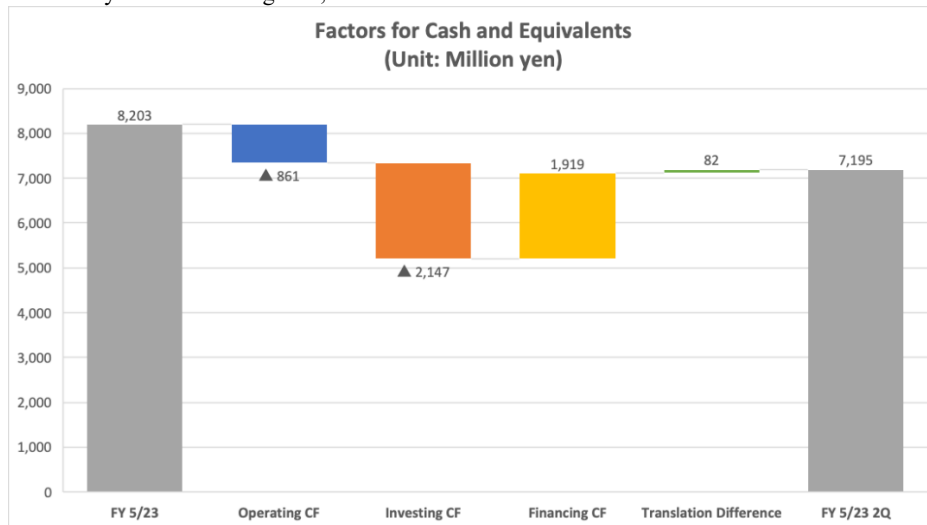
The equity ratio decreased by 0.6 points from the end of the previous term to 35.7%.

## BRIDGE REPORT

**Cash Flows (CF)**

\*Created by Investment Bridge Co., Ltd. based on disclosed material

\*Created by Investment Bridge Co., Ltd. based on disclosed material



	FY 5/22 2Q	FY 5/23 2Q	YoY
Operating cash flow(A)	33	-861	-894
Investing cash flow(B)	-817	-2,147	-1,330
Free cash flow (A+B)	-784	-3,008	-2,224
Financing cash flow	990	1,919	+929
Cash and Equivalents at the end of term	6,050	7,195	+1,145

\* Unit: million yen.

Net income before taxes and other adjustments increased, but operating CF recorded a deficit due to an increase in accounts receivable, and the deficit of free CF expanded due to the rise in the purchase of property plant and equipment.

The cash position improved.

**【2-4 Topics】****(1) Designation as a company whose weight in TOPIX will decrease gradually and the outlook for recovery**

The criteria for a TOPIX (Tokyo Stock Price Index) constituent set by the Tokyo Stock Exchange is a market capitalization of 10 billion yen or more. The company was designated as a company whose weight in TOPIX will decrease gradually in the second evaluation in October 2022 because the reference date for the company, whose term ends in May, is the end of the term before the previous term and the company is considered as unachieved, and its inclusion ratio was gradually reduced.

However, as of the third evaluation in October 2023 (for figures as of the end of May 2022), the company had already met the criteria and expects that over the next year, the inclusion ratio will recover to the level before the decline.

**(2) Book Ticket, a book subscription service**

The fixed-price service, Book Ticket, which allows you to purchase books under 220 yen (including tax) at up to 70% off at stores, is available at 154 BOOKOFF stores nationwide, and an all-you-can-read plan for e-magazines was added in August 2022.

This is an attempt to create incentives for customers to visit the company's stores, which in turn increases LTV.

**(3) Adopting PayPay, the cashless purchase service**

The company adopted PayPay, the cashless purchase service, in July 2022 to eliminate the waiting time for assessment and do away with payment in cash. It can be used at over 600 BOOKOFF stores nationwide.

### 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	Revised ratio	Progress ratio
Sales	91,538	100.0%	98,000	100.0%	+7.1%	+3.2%	49.6%
Operating income	1,766	1.9%	2,250	2.3%	+27.3%	+15.4%	43.7%
Ordinary income	2,307	2.5%	2,600	2.7%	+12.7%	+13.0%	47.1%
Profit attributable to owners of parent	1,449	1.6%	1,600	1.6%	+10.4%	+10.3%	57.6%

\* Unit: million yen.

#### Upwardly revised earnings forecast

The earnings forecast has been revised upwardly. The sales in the premium service business, which operates services for wealthy people in Japan, and the overseas business centered on the United States and Malaysia exceeded expectations. Regarding the domestic BOOKOFF business, the sales of products such as trading cards, hobbies-related products, software media, and apparel are larger than expected. In addition, the company expects higher costs due to proactively opening stores and large-scale IT investments in all businesses. Moreover, the company predicts an increase in costs due to rising electricity rates in Japan exceeding initial expectations. However, the company took into consideration the favorable results in the first half.

In the term ending May 2023, the company expects sales to increase 7.1% year on year to 98 billion yen, operating income 27.3% to 2,250 million yen, and ordinary income 12.7% to 2.6 billion yen. The dividend forecast has also been revised. The dividend is estimated to be 22.00 yen/share, up 2.00 yen/share from the previous term. The expected dividend payout ratio is 27.2%.

#### 【3-2 Comments from President Horiuchi】

- \* Our focus this year was on two pillars, stabilizing our earnings base while making aggressive investments. So far, we have been able to generate more income than expected while making steady investments. We will do the same in the second half.
- \* We are currently designing the next medium-term policy by reflecting on what kind of world we aspire to create in the future. In order to make this medium-term plan convincing and feasible, we need to produce solid results this term, so the second half is an important key to realize that.
- \* After the equity financing, we conducted last year, some of our activities and achievements have been highly evaluated, but on the other hand, we feel that there are still some areas where we have not been able to meet expectations. Thus, from the next fiscal year onward, we would like to grow the company to an even higher stage while returning the benefits from these accomplishments to shareholders.
- \* We would like to ask our shareholders and investors to continue to support us from a medium/long-term perspective.

### 4. Conclusions

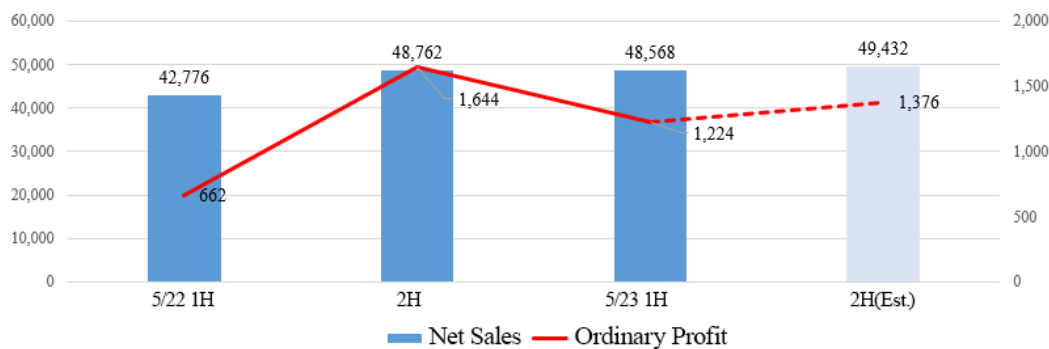
Like in the first quarter, the results in the first half were favorable. While actively opening stores in all businesses, the company is steadily meeting the demand for reuse by focusing on trading cards and improving operations in apparel. In the second half of the current fiscal year, profit will increase slightly from the first half, but will decrease from the second half of the previous term due to the costs resulting from many new store openings, further increases in electricity charges, improvements in employee treatment, and the emergence of IT investment costs. However, this is considered a preparation phase for growth from the next fiscal year onward.

We would like to pay attention to the extent to which sales and profit can accumulate in the second half.

## BRIDGE REPORT



Net Sales and Ordinary Profit (Millions of yen)



## &lt; Reference1: Future Strategy &gt;

## 【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.

## 【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" concept 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.

### 【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 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.

**【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 “Use all the BOOKOFF Group’s strengths,” 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.

**【6 Business Expansion】****(1) Domestic BOOKOFF Business****① Upgrade individual stores****\* BOOKOFF SUPER BAZAAR**

The company will strengthen its trading cards and hobby goods 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 goods. 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 goods, but also for books and software media.

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 m<sup>2</sup>) and opening new stores of around 300 tsubo (990 m<sup>2</sup>) 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 Use all the BOOKOFF Group’s strengths****The “One BOOKOFF” concept**

“One BOOKOFF” concept 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 5.5 million in August 2022.

"One BOOKOFF" Concept Flowchart





(Source: the Company's material)

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			
	 <p>Membership card</p> <p>Started in 2015; a card with no registration primarily for occasional customers</p>	 <p>Smartphone app</p> <p>Started in 2018; registered members receive coupons, invitations to sales and other benefits</p>	
Annual purchases per member *1	¥6,000	<	<u>¥20,000</u>
Pct. of repeat use after one year *2	9%	<	<u>33%</u>
Pct. of customers making purchases (FY5/2022)	26%	<	<u>31%</u>

(Source: the Company's material)

### \*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.



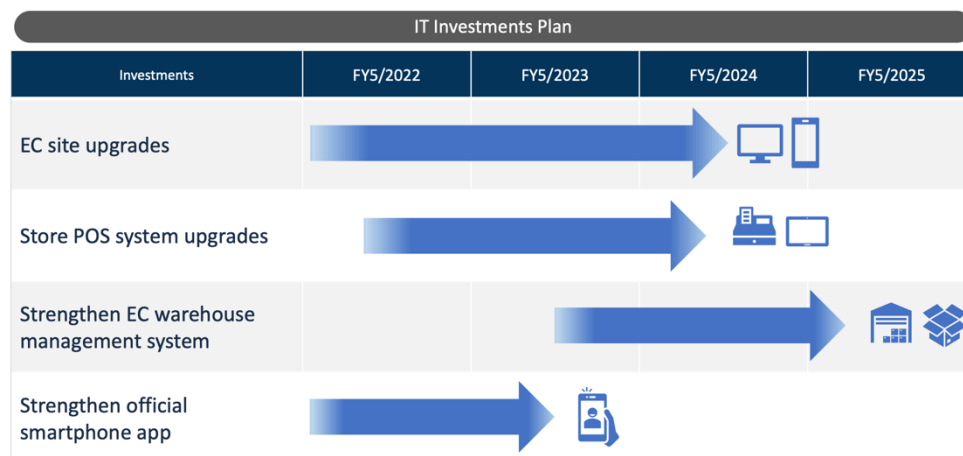
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(Source: the Company's material)

### 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



(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.

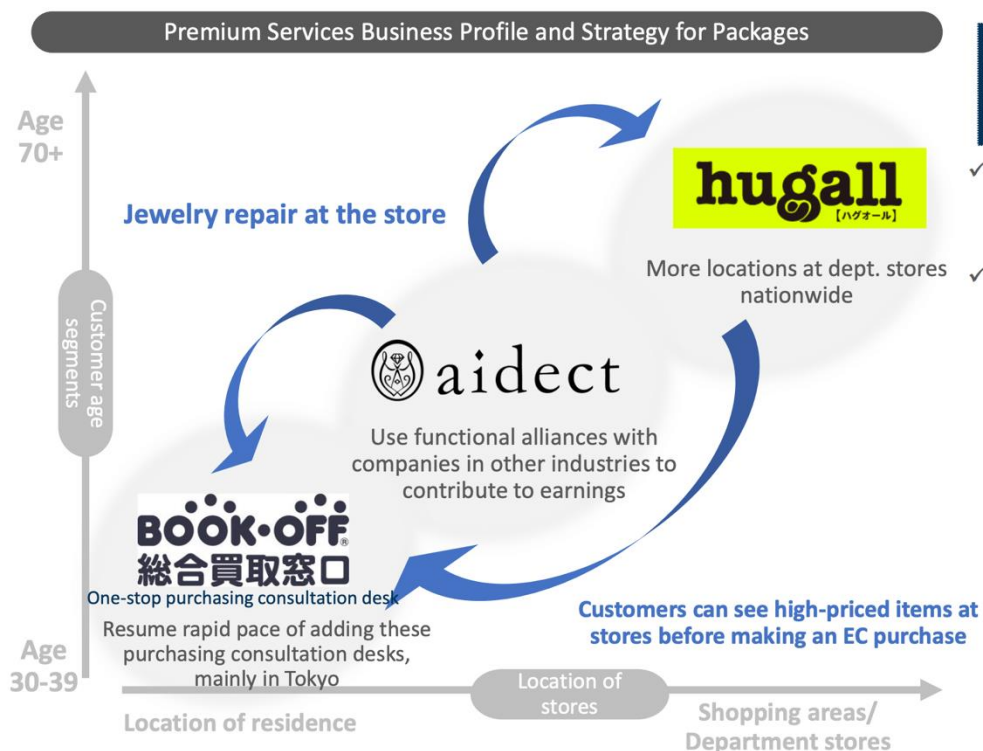
Unlike its competitors, the company does not only purchase brand-name goods and precious metals, but also has "BOOKOFF Sogo Buyback Window," a store specializing in the purchase of a wide range of merchandise, and "aidect," which offers jewelry repair services at its stores.

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 One-stop purchasing consultation desks each fiscal year, mainly in the central Tokyo area.

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

The company aims to increase HUGALL's and BOOKOFF One-stop purchasing consultation desk's earnings and monetize aidect by expanding its network and strengthening the linkages of functions.



(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.

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.

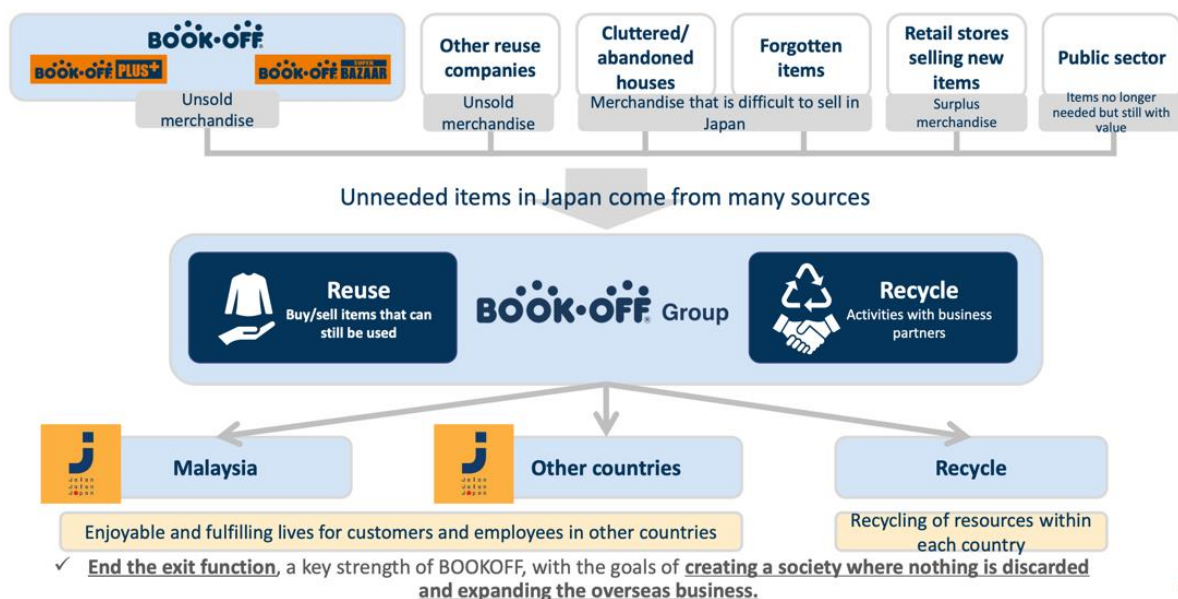
\*In addition to promoting collaboration with Tokyu Corporation on the SDGs, the company has begun a dialogue with other electric railway companies.

\*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.



3

(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.

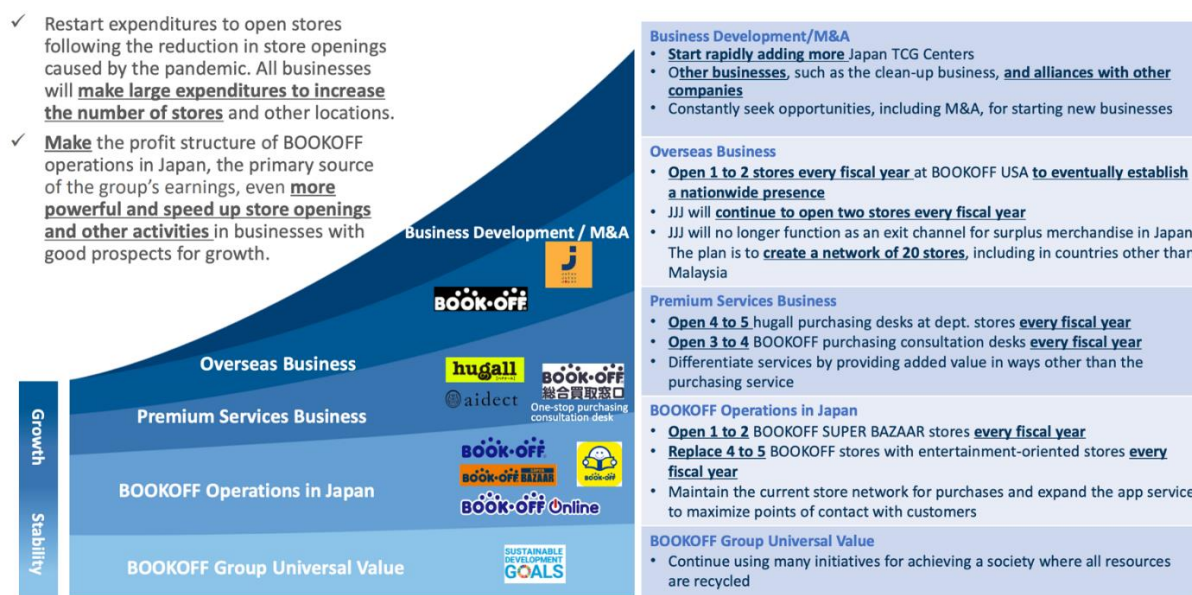
#### (5) Growth Plan by Business (Summary)

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.

## BRIDGE REPORT



(Source: the Company's material)

## <Reference2: Corporate Governance>

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

Organization type	Company with audit and supervisory committee
Directors	9 directors, including 5 outside ones

◎ Corporate Governance Report: Updated on August 29, 2022

### 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 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.

**【Supplementary Principle 4-2②】**

In order to promote medium/long-term improvement of corporate value and settlement of issues related to sustainability, we believe that it is essential to visualize the reuse concept itself, which is our core business, and strive to improve recognition. For our sustainability initiatives, please refer to Supplementary Principle 3-1 (3) and our website. In addition, the Sustainability Strategy Committee, which was established in June 2022, will continue to review the basic policies for initiatives related to sustainability.

Moreover, the Board of Directors oversees the allocation of management resources, mainly investments in human capital and intellectual property, and the execution of strategies related to the business portfolio.

**<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 2012, we launched a project to create a comfortable working environment based on dialogue between the president and female employees and introduced various systems, mainly a work location selection system, and a re-employment system. After that, in 2020, we started the Diversity & Inclusion Project, through which we will work to design systems, support careers, and foster a corporate culture to promote the active participation of women further.

We are continuing our activities to increase the ratio of female managers to 1.5 times the ratio for the fiscal year 2020 by the end of the fiscal year 2025.

**(ii) People from different countries**

We respect everyone'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 June 2022, the ratio of mid-career hires to all employees of BOOKOFF Corporation was 44.0%, and that of mid-career hires in the management positions was 15.0%.

**【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.

In addition, for the purpose of ensuring a company-wide management system that identifies important issues related to sustainability, reviews policies and strategies to tackle them, supports and monitors business divisions, and collects related information, we have established a sustainability strategy committee in June 2022.

## BRIDGE REPORT



## &lt;Our effort in sustainability&gt;

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.

## &lt;Investment in human capital and intellectual properties&gt;

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.

## &lt;Risk and Revenue Earning Opportunities Associated with Climate Change&gt;

We disclose the impact of our business activities on climate change on our website based on the TCFD (Task Force on Climate-related Financial Disclosures), an internationally established disclosure framework.

## ■ Tackling Climate Change (TCFD)

<https://www.bookoffgroup.co.jp/sustainability/tcfid.html>

## [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】

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 &lt;Policy to promote constructive dialogue with shareholders&gt;

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

## BRIDGE REPORT



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