



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 |
| HOME PAGE | 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 | |
|-------------|-------------------------------------------|------------------|--------------|--------------|--------------|
| ¥1,255 | 20,547,413 shares | ¥25,787million | 15.7% | 100 shares | |
| DPS (Est.) | Dividend yield (Est.) | EPS (Est.) | PER (Est.) | BPS (Actual) | PBR (Actual) |
| ¥25.00 | 2.0% | ¥80.94 | 15.5x | ¥954.20 | 1.3x |

*The share price is the closing price on January 24. The number of shares issued, DPS, and EPS are from the 2Q of FY 5/24 financial results. ROE and BPS are previous results.

Consolidated Earnings Trends

| Fiscal Year | Net Sales | Operating Income | Ordinary Income | Net Income | EPS | DPS |
|---------------------|-----------|------------------|-----------------|------------|--------|-------|
| 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 (Actual) | 101,843 | 2,578 | 3,040 | 2,769 | 140.15 | 25.00 |
| May 2024 (Forecast) | 106,000 | 2,600 | 3,000 | 1,600 | 80.94 | 25.00 |

* The fiscal year ended May 2021 is 14 months accounting period. The forecasted values were provided by the company. Unit: million yen. Net income is profit attributable to the owners of the parent. The same applies hereafter.

We present this Bridge Report reviewing the 2Q of the fiscal year ending May 2024 financial results of BOOKOFF GROUP HOLDINGS LIMITED.

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Key Points

- In the second quarter of the fiscal year ending May 2024, sales grew 9.0% year on year to 52.9 billion yen. Sales grew in the BOOKOFF operations in Japan, the premium services
- business, and the overseas business. Ordinary income increased 3.6% year on year to 1.2 billion yen. Despite the increase rate of gross profit fell below the sales growth rate, including a slight decline of books that have a high gross profit margin, the company absorbed the increase in SG&A expenses, turning a loss from the first quarter into a profit for the first half of the fiscal year. The second quarter (September-November) saw an increase in both revenue and profit year on year and the previous quarter.
- The earnings forecast remains unchanged. Sales will grow 4.1% year on year to 106 billion yen, operating income will rise 0.8% year on year to 2.6 billion yen, and ordinary income will decline 1.3% year on year to 3 billion yen. The company will keep actively opening stores in each business. On the other hand, operating and ordinary incomes are expected to be unchanged from the previous fiscal year due to dynamic customer trends and challenges in workforce recruitment and development. Net income is expected to decrease due to the absence of temporary factors that improved the previous fiscal year's performance. The dividend amount is expected to be 25.00 yen/share, unchanged from the previous fiscal year. The expected payout ratio is 30.9%.
- The BOOKOFF operations in Japan, which accounts for about 90% of sales, posted higher sales and lower profits year on year in the first quarter (June-August), but in the second quarter, sales and profit increased year on year on a cumulative basis. Also, in the quadrennial period (September-November), sales and profit for this segment have notably improved year on year and quarter on quarter. The overall progress rate for the first half of the fiscal year outperformed the past two years, with 49.9% for sales and 42.3% for ordinary income. The company is planning to open a large complex BOOKOFF with a wide variety of commodities in the second half of the fiscal year. Together with existing stores, which are performing well, they are expected to achieve steady revenue growth. We would like to pay attention to how much they can grow sales and profit, while it is projected that sales will increase slightly and profit will be unchanged from the previous fiscal year.

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 networks covering all over the country. Also, they strengthen EC collaboration.

【1-1 Corporate Philosophies of the BOOKOFF Group】

- Contributing to society through our business activities.
- the pursuit of employees' material and spiritual wellbeing.

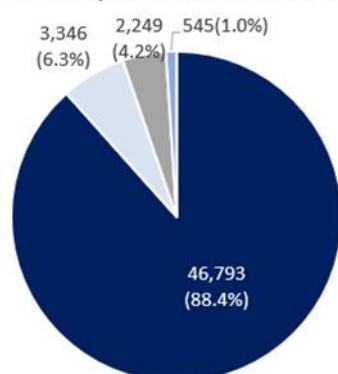
With these corporate philosophies, the BOOKOFF Group has made efforts towards the reuse of assorted items, with a focus on the purchase and sale of “books”. By doing so, they have nurtured the brand, the store network, and human resources, which in turn have become the Group's strength. With their mission “Be a source of an enjoyable and prosperous life for as many people as possible. “; they aim to be a leading “reuse” company, and a company that can continue to grow while enabling all employees to do their jobs with confidence and enthusiasm..

【1-2 Business Description】

Their three core businesses are the BOOKOFF operations in Japan, the premium services business, and the overseas business. In addition, they are developing businesses in the “business development domain” for expanding revenues in the medium term.

They have omitted the description of segment information, because the number of business segments was one, but from the term ending May 2024, they disclosed the information on the segments: “the BOOKOFF operations in Japan,” “the premium services business,” “the overseas business,” and “other.”

Segment Sales Configuration
(Unit: million yen, The first half of FY 5/24)



■ domestic BOOKOFF business ■ premium service business ■ overseas business ■ others

(1) BOOKOFF Operations in Japan





In the term ended May 2023, sales exceeded 90 billion yen, and ordinary income was about 3.5 billion yen.

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.) and “ASO-VIVA” specializing in the sale and purchase of “enjoyable items,” such as trading cards, game software, and hobby-related products.

The number of stores means the sum of the number of directly managed stores and the number of franchised stores as of the end of November 2023.

BRIDGE REPORT



| | | | |
|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|
|  | |  | |
| Avg. floor space, Number of stores | About 495 m ² 619 stores | Avg. floor space, Number of stores | About 3,135 m ² 48 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. |
|  | |  | |
| Avg. floor space, Number of stores | About 990 m ² 68 stores | Avg. floor space, Number of stores | About 132 m ² 5 stores |
| Merchandise | “BOOKOFF” + Apparel/accessories, etc. | Merchandise | trading cards, video games, hobby goods |

(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 m²), which deals in a variety of products, exerts unrivaled competitive advantages as a regional flagship store.

The sales of the BOOKOFF operations in Japan in the 2Q of fiscal year ending May 2024 were about 46.7 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 BOOKOFF operations in Japan.

The company is promoting the "One BOOKOFF" initiative, which aims to deliver unique, "once-in-a-lifetime encounters" with reused items to all customers in the most optimal way, utilizing the official smartphone app, the EC channel, and the nationwide store network. Efforts include expanding app users, operating an electronic purchasing system (reducing user reception time and increasing store operational efficiency), linking store inventory with e-commerce, implementing in-store pickup services for e-commerce products, and introducing cashless purchasing systems.

The number of app users was 6.93 million yen as of the end of November 2023.

Over 30% of our customers at the register are app users. App-based promotions have been effective in attracting customers, leading to an increase in the number of customers visiting the store.

The company will shift its focus to a phase that aims to increase the frequency of store visits and sales per member rather than to increase the number of members.

The company is enhancing CRM and enriching its loyalty program, which was introduced in May 2023, to visualize and reward customer engagement with BOOKOFF within the app. The company intends to closely connect with customers' daily lives and encourage them to return to the store and make purchases again.

At the same time, the company is also working on a large-scale development project to revamp its store POS and system, which is scheduled for release during the fiscal year ending May 2024.

(2) Premium Services Business

In the term ended May 2023, sales were about 5.4 billion yen and ordinary income was about 300 million yen.

They aim to promote customers who own valuable items, to which BOOKOFF has not appealed enough, to use their reuse services with various brands.

The company operates “hugall” (15 shops as of the end of November 2023), which purchases secondhand products from wealthy people in major department stores, the BOOKOFF Purchasing Consultation Desks (14 stores), which purchases anything, including watches, luxury-brand goods, apparel, tableware, and sporting goods and “aitect” (12 shops) for offering comprehensive jewelry-related services, which buy and sell jewels, receive orders, repair and remake jewels.

The strengths of “hugall” include the rich know-how to operate shops in department stores, the swift recoupment of investment, and the purchase by a specialized team versed in various genres visiting each customer.

“BOOKOFF Purchasing Consultation Desks” handles not only used products of luxury brands, but also used books and software media, to differentiate its service from competitors’ services.

In January 2023, the company substantially expanded the product lineup and functions of its e-commerce website, which had been operating under the name “hugall fashion,” and newly opened it as “rehello,” a site handling the premium lines of the BOOKOFF Group. The site aims to expand the breadth and depth of the customer experience by offering services such as ordering products from BOOKOFF Group stores (some stores), confirming products to be purchased, in-store pickup, fitting services, and accepting orders for refurbishing and repairing services through the site.

The premium services business supplies products to BOOKOFF SUPER BAZAAR, etc., contributing to the BOOKOFF group’s revenues, and opens shops in regions and places where it is difficult to open BOOKOFF stores, contributing to the brand development of the corporate group, and generates synergetic effects, such as the sale of apparel via the EC site “rehello.”

(3) Overseas Business

Actual results for the fiscal year ended May 2023 Net sales of approximately 4.2 billion yen, ordinary income of approximately 600 million yen.

As for overseas business operations, BOOKOFF U.S.A. INC. runs “BOOKOFF” stores (13 stores) in the United States, BOK MARKETING SDN.BHD runs “Jalan Jalan Japan” (13 stores) mainly in Malaysia.

The company owns 3 participating stores in France.

They have established a position as a unique, highly entertaining retailer in each region, and give top priority to “the development of native employees.”

The number of business footholds and the number of stores is as of the end of November 2023.

* Malaysia

The company entered the Malaysian market in 2016 and have released a Malaysian original package called “Jalan Jalan Japan.”, and 13 stores are operating. It will focus on human resource development and work to further expand the store network. 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. Furthermore, in September 2023, the company is opening its second store in the Republic of Kazakhstan, the Jalan Jalan Japan Gallereya Mall store (franchised store).

* The U.S.

Made inroads into the U.S. market in 2000. The company operates 13 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.

(4) Business development domain

Currently, they engage in mainly the following business development projects.

① Business of operating the shop specializing in trading cards “Japan TCG Center”

The trading card shop “Japan TCG Center” purchases and sells used cards, and deals in a wide array of brand-new packages and related goods. The shop has a “duel space” for playing trading cards and targets a broad range of customers, including beginners and experts. The number of shops was 2 as of the end of November 2023.

② Business of recycling CD plastics

With the technology provided through partnership with an external enterprise, the company recycles plastics from about 1,700 tons of unsold CDs and DVDs at BOOKOFF stores. They sell them to makers, etc. to provide new value.

③ Cleanout business

This service is for meeting the needs for cleaning out rooms at the time of inheritance, disposal of goods before death, relocation, etc. In this service, they clean out rooms by sorting, removing, disposing of, and purchasing unnecessary items. As of November 2023, this service was available in Tokyo, Kanagawa, Saitama, and Chiba Prefecture.

④ “FOOD ReCO,” an EC site for processed food products whose best-before periods are about to expire

In “Rakuten Ichiba,” the company opened “FOOD ReCO,” an EC site for selling processed food products whose best-before periods are about to expire.

They contribute to the reduction of food loss by offering “edible food products to be discarded” and “products that have nowhere to go.”

【1-3 Company strengths】

The company believes that its strengths in the reuse market are primarily in the following areas.

(1) Recognition No.1

The results of a survey of domestic reuse chain users indicate that the company has 96% awareness. Almost all respondents are familiar with the company.

The company's long track record of operation and nationwide expansion of brick-and-mortar stores are the reasons for this, and are strong barriers to entry that cannot be easily followed by other companies.

(2) Number of customers No.1

The number of customers using the company's services is approximately 90 million per year (total number of customers).

The above recognition, coupled with a network of approximately 800 stores nationwide and the “One BOOKOFF” concept aimed at maximizing customer access both in-store and online, has garnered strong support from users for its convenience.

(3) Book inventory No.1

The number of books in stock exceeds 100 million. Books are core products of the company, which started its business with the purchase and sale of used books. Books are read by a broad range of people, so customers tend to start using the reuse-related service through books. Accordingly, it can be expected that customers will buy other products. Namely, books contribute significantly to the development of a stable customer base.

(4) Human Resource Development System

In order to realize its business mission of "Be a source of an enjoyable and prosperous life for as many people as possible." in mentioned above, the company believes that human resource development is essential.

The company is focusing on human resource development to support store operations through a human resource development curriculum based on its management philosophy and other philosophies and various manuals, as well as a career development system for all employees.

In addition to improving customer satisfaction through "smiling, courteous, and speedy responses" at stores, the company is also working to raise the awareness of each employee to participate in improving operational efficiency at the distribution center.

(5) Creating stores that offer peace of mind

In order to realize its business mission of "Be a source of an enjoyable and prosperous life for as many people as possible." in mentioned above, the company believes that human resource development is essential.

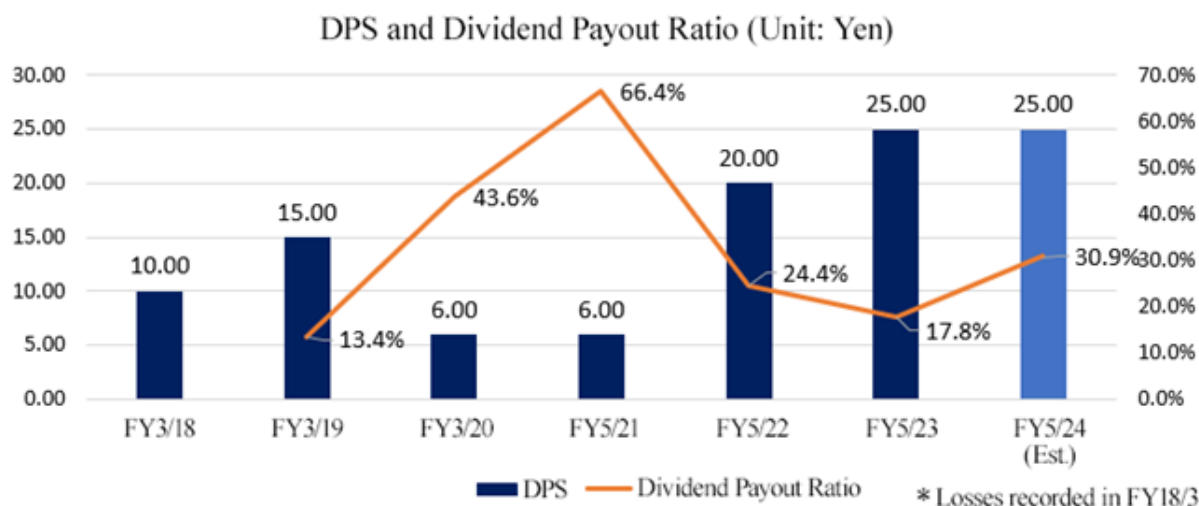
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【1-4 Return to shareholders】

Considering profit allocation as one of the most important items, they will utilize internal reserve effectively for strategic investment and enhancement of the financial standing to improve corporate value.

Their basic policy is to keep paying dividends stably with a payout ratio of 20-30% with respect to consolidated net income.



【1-5 Sustainability】

(1) Fundamental Philosophy

Under the group's management philosophy, they treat sustainability as a crucial element of management. We recognize that their customers' activities of selling and buying at "BOOKOFF" contribute to the extension of product lifespans and waste reduction, aligning with our "vision of a circular society. "

In August 2023, we articulated this stance by establishing a Basic Policy for Sustainability and a Human Rights Policy, reinforcing our dedication to ESG-focused management.

<Basic Sustainability Policy>

| | |
|--------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental (E): | <ul style="list-style-type: none"> ▪ Foster eco-friendly business activities. ▪ Expand reuse/recycle initiatives to promote a circular society. |
| Social (S): | <ul style="list-style-type: none"> ▪ Make jobs worthwhile and workplace ease ▪ Create comfortable environments for everyone ▪ Solidarity and harmony with local communities |
| Governance (G): | <ul style="list-style-type: none"> ▪ Ensure decision-making from diverse perspectives, and maintain integrity in management ▪ Disclose information appropriately and conduct a responsible dialogue. |

<Human Rights Policy>

We believe that the protection of fundamental human rights is a prerequisite for creating a sustainable world. Therefore, in order to understand human rights and fulfill their responsibility to respect human rights, they have established the following human rights policy.

1. Basic Stance on Human Rights

We understand that corporate activities can potentially and overtly affect human rights. This policy conforms to international standards and will be put into practice in accordance with the United Nations "Guiding Principles on Business and Human Rights. "

2. Scope of this Policy

This policy applies to all directors and all employees (including part-time employees) of group companies.

3. Commitment to Addressing Human Rights Issues in Corporate Activities

① Elimination of Discrimination

We respect individual human rights and diversity. We do not discriminate on any grounds including gender, age, nationality, race, religion, social background, employment status, marital status, pregnancy, health condition, gender identity, physical characteristics, or the presence or absence of disabilities.

② Appropriate Workplace Environment

We strive to provide a workplace environment where the human rights of all directors and employees of group companies are respected. This includes providing a healthy and safe workplace environment free from all forms of harassment, whether mental or physical, ensuring proper management of working hours, guaranteeing minimum wages, protecting privacy, and respecting freedom of association and the right to collective bargaining. We also do not tolerate any form of forced labor, child labor, or human trafficking.

4. Human Rights Due Diligence

In line with the United Nations "Guiding Principles on Business and Human Rights," we conduct human rights due diligence to identify, assess, prevent, and mitigate the negative impacts of corporate activities on human rights. Should it become evident that we are causing or contributing to human rights abuses, we will strive to correct these issues.

5. Remedial Measures

They provide a reporting system that allows all stakeholders to report human rights concerns without suffering any disadvantage. In the event of an allegation of human rights violations, they will promptly investigate, take remedial action to correct the negative impact on human rights, take steps to reduce future risks, and approach related people.

6. Education and Training

To ensure the effectiveness of this policy, they continually provide appropriate education and training to all directors and employees of group companies.

(2) Main Initiatives

① E (environment)

In order to realize a recycling society, the company will enhance its approach to slow down and reduce the consumption of resources. Through the domestic BOOKOFF chain, the company purchases about 400 million items per year and sells about 260 million items per year. The reuse of CDs, DVDs, game software, and clothes is estimated to reduce CO₂ emissions by about 460,000 tons per year. In addition to the reuse (purchase and sale) of items, which is the mainstay, the company develops private-brand products by utilizing discarded books, recycles and sells plastics from discarded CDs and DVDs, and sells upcycled items through REMARKET, as activities for expanding reuse and recycling businesses.

In response to climate change issues, the company announced its support for the TCFD recommendations in August 2023.

Indicators and Targets

CO₂ Emissions Involving Business Activities (Unit: t-CO₂)

| | | FY5/2021 | F5/2022 | FY5/2023 |
|---------------------------|--------|----------|---------|----------|
| CO ₂ emissions | Scope1 | 213 | 223 | 245 |
| | Scope2 | 24,953 | 26,804 | 23,956 |
| | Total | 25,166 | 27,027 | 24,201 |

Target for Reduction of CO₂ Emissions

| | FY2030 | FY2045 |
|------------------------|--------|-----------------------|
| Reduction vs. FY2021*1 | 50% | Become carbon neutral |

*1: CO₂ emissions at BOOKOFF CORPORATION LIMITED, the major business company

Target for Business Sites Using Renewable Energy Electricity

| | FY2030 | FY2040 |
|-----------------------------------|--------|--------|
| Renewable electricity locations*2 | 15% | 50% |

*2: Taking into account an expected net increase in the number of stores

(Source: the Company's material)

② S (society)

The company develops personnel while considering their respective career paths, adopted diverse systems for creating a comfortable working environment, and promotes the employment of disabled people.

The company cooperates and collaborates with local communities, governments, and partners in various ways to popularize the reuse of items.

They also actively participate in school education to diffuse the reuse of items.

Under the diversity policy, the following approaches will be taken.

1. Commitment from the management team
2. Cultivating an inclusive corporate culture that welcomes and respects diversity
3. Fair, equitable, and transparent system flow
4. Evaluation and confirmation
5. Employee participation and engagement

Business Action Plan based on the Next Generation Act and Women's Advancement Act

Period: September 1, 2023 to May 31, 2028

Target 1: Provision of opportunities for work life

The target is to increase the percentage of female managers (rank of regional manager or group manager or higher) to at least **20%**.

Target 2: Balance between work and home life

Achieve **100%** use of child care time off for female employees and a utilization rate of at least **60%** for male employees

Applicable companies: BOOKOFF GROUP HOLDINGS LIMITED
BOOKOFF CORPORATION LIMITED

(Source: the Company's material)

③ G (governance)

The company is striving to enrich the dialogue with shareholders and investors, by enriching the website contents, holding briefing sessions for individual investors, streaming the videos of briefing sessions online, holding general meetings of shareholders on Saturdays, involving President Horiuchi in meetings for institutional investors, and disclosing information in English.


For their governance structure, they established a sustainability strategy committee in 2022.

The representative director and president serves as chair of the committee, and holds a meeting once or more times per six months. The committee identifies various risks and opportunities regarding climate change, etc., discusses policies and strategies, and monitors the progress of action plans in each section.

(3) Efforts to achieve SDGs


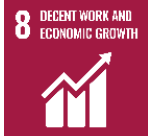

In order to attain Sustainable Development Goals (SDGs), the company selected the SDGs goals and targets that are related to their business and have a social impact, and identified material issues.

In order to take initiatives for dealing with the identified material issues, the publicity and SDGs divisions organize a team for having group-wide discussions and implementing the initiatives, actively cooperate with external partners while utilizing the strengths of the BOOKOFF group, and strive to solve social issues through business.

| materiality | summary | SDGs |
|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <p>*Significant reduction of waste and sustainable management of forests</p> <p>*Realization of a carbon-neutral society</p> | <p>The reuse business of the BOOKOFF group reduces CO₂ emissions by 460,000 tons per year. In addition, the company recycles 28,000 tons of used paper per year in cooperation with business partners. This preserves about 600,000 trees in the forest environment per year (*estimated by the company).</p> <p>Following the recommendations of TCFD, the company will qualitatively and quantitatively improve the disclosure of information on governance, strategies, risk control, and climate change based on the frameworks for indicators and goals.</p> |  |

BRIDGE REPORT



| | | |
|----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| <p>Provision of educational opportunities to the next generation</p> | <p>The company produces curricula regarding reuse business, tasks, and various measures, and implements a variety of educational support programs and gives lectures utilizing the reuse business, according to growth stages, including early childhood, and elementary, middle, and high schools. In education, they focus on nearby stores, so that children can think about social and environmental issues as familiar ones.</p> |  |
| <p>Private-public cooperation and inter-enterprise collaboration</p> | <p>The company launched “a project for developing a comfortable working environment” as a measure for developing a working environment in which female employees can work vigorously and flourish and realizing a good work-life balance, and engages in initiatives for enabling workstyles suited for various life stages, including childcare, child rearing, and nursing care, regardless of age and gender.</p> <p>Specifically, at the principal business entity, BOOKOFF CORPORATION LIMITED, they established two goals to be attained by the end of fiscal year 2028: "Goal 1: Increase the proportion of female managerial staff (Supervising Area Managers, and higher positions than group manager) to over 20.0%" and "Goal 2: To increase the ratio of male employees who have taken childcare leave to 60% or higher while keeping said ratio for female employees at 100%."</p> <p>Furthermore, they established a special subsidiary for employing disabled people, to actively recruit disabled people and secure diversity.</p> |  |
| <p>Private-public cooperation and inter-enterprise collaboration</p> | <p>The company engages in the initiative of extending the lifespan of each item by selling products that were not sold and to be discarded in Japan via “Jalan Jalan Japan,” a shop of used items outside Japan, and fosters partnership with related organizations, to promote the realization of a recycling society cooperatively.</p> |  |

(Source: the Company’s material)

2. 2Q of Fiscal Year ending May 2024 Financial Results

【2-1 Consolidated Results】

| | 2Q of FY5/23 | Ratio to sales | 2Q of FY5/24 | Ratio to sales | Compared to same term last year |
|---------------------------------------------------|--------------|----------------|--------------|----------------|---------------------------------|
| Sales | 48,568 | 100.0% | 52,934 | 100.0% | +9.0% |
| Gross profit | 27,811 | 57.3% | 29,978 | 56.6% | +7.8% |
| SG&A expenses | 26,827 | 55.2% | 28,919 | 54.6% | +7.8% |
| Operating income | 984 | 2.0% | 1,059 | 2.0% | +7.6% |
| Ordinary income | 1,224 | 2.5% | 1,268 | 2.4% | +3.6% |
| Quarterly Profit attributable to owners of parent | 921 | 1.9% | 705 | 1.3% | -23.5% |

* Unit: million yen.

Sales and profit increased.

Sales grew 9.0% year on year to 52.9 billion yen. Sales grew in the BOOKOFF operations in Japan, the premium services business, and the overseas business. Ordinary income increased 3.6% year on year to 1.2 billion yen. Despite the increase rate of gross profit fell below the sales growth rate, including a slight decline of books that have a high gross profit margin, the company absorbed the increase in SG&A expenses, turning a loss from the first quarter into a profit for the first half of the fiscal year. The second quarter (September-November) saw an increase in both revenue and profit year on year and the previous quarter.

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



【2-2 Segment Trends】

| | 2Q of FY5/23 | Ratio to sales | 2Q of FY5/24 | Ratio to sales | Compared to same term last year |
|-----------------------------|--------------|----------------|--------------|----------------|---------------------------------|
| Sales | | | | | |
| BOOKOFF operations in Japan | 43,399 | 89.4% | 46,793 | 88.4% | +7.8% |
| Premium services business | 2,919 | 6.0% | 3,346 | 6.3% | +14.6% |
| Overseas business | 1,922 | 4.0% | 2,249 | 4.2% | +17.0% |
| Others | 325 | 0.7% | 545 | 1.0% | +67.4% |
| Total | 48,568 | 100.0% | 52,934 | 100.0% | 9.0% |
| Segment income | | | | | |
| BOOKOFF operations in Japan | 1,433 | 3.3% | 1,735 | 3.7% | +21.1% |
| Premium services business | 253 | 8.7% | 229 | 6.8% | -9.7% |
| Overseas business | 382 | 19.9% | 408 | 18.1% | +6.8% |
| Others | -48 | - | -100 | - | - |
| Adjustment | -797 | - | -1,004 | - | - |
| Total | 1,224 | 2.5% | 1,268 | 2.4% | +3.6% |

* Unit: million yen. Segment profit is composed of the ratio of profit to sales.

(1) BOOKOFF Operations in Japan

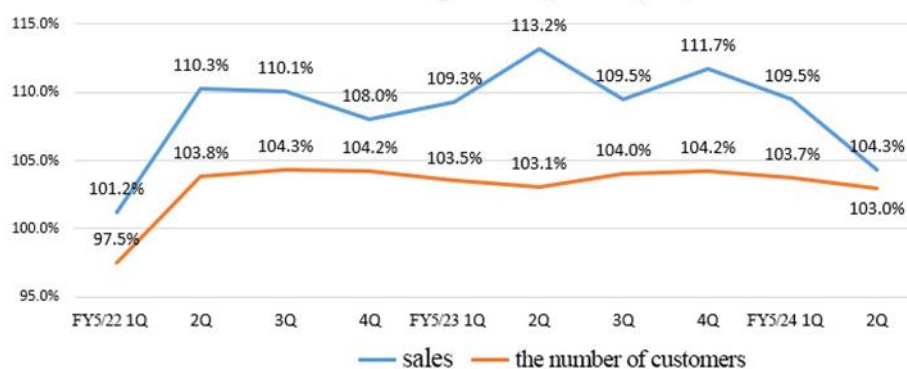
Sales and profit increased.

In the existing directly-managed stores, sales of trading cards, hobbies, apparel, precious metals, watches, high-end bags, and software media exceeded those of the previous fiscal year.

Despite a decrease in gross profit margin in the previous fiscal year due to a higher sales composition ratio of trading cards, the company focused on controlling the gross profit margin in the second quarter of this fiscal year, securing profits exceeding those of the first quarter.

◎Existing Store Sales

Status of existing stores (year on year)



Renovating existing stores and marketing measures, such as maximizing the app users base, have resulted in a robust performance in the second quarter (September-November), with sales in existing stores reaching 104.3% year on year, and the number of customers 103.0% year on year.

◎Products and locations***Products**

Only books saw a year-on-year decline in sales. There are the effects of the subsiding of demand from housebound consumers and the drop in the number of copies of new paper books sold, and a long-term downtrend is considered unavoidable, but books remain core products, as described below. The company will strive to minimize the decline.

The trading card business, on which the company is focusing, continues to perform well, with a 23% year on year increase in sales.

The domestic new trading card market has seen significant growth, reaching 114.9 billion yen in 2020, 162.4 billion yen in 2021, and 212.3 billion yen in 2022. Despite fluctuations in the second-hand market, the overall market is steadily growing.

The company is dedicated to creating stores that cater not to collectors, but to players, with plans to expand the base of players by holding real events such as "Trading Card Festivals" and increasing the number of stores with battle spaces.

The hobby goods business is also performing well, with a 34% year on year increase in sales.

In addition to selling and buying goods, the company is continuing to transform its stores into entertainment venues to create opportunities for customers to visit, such as "mini 4WD circuits," "plastic model displays," and "rental layouts for model trains." In addition, the company disseminate information through social media and mass media, and also implementation of initiatives for disseminate information about our stores and regions' unique initiatives through our own media, "BOOKOFF wo Tachiyomi!"



A mini 4WD circuit



Display of plastic models



Rental layout for model trains

(Source: the Company's material)

The sales of apparel, too, increased year on year. The company continues to work on improving efficiency through changes in store operations and other measures.

(Domestic Directly Managed Stores, first half of FY24/5 Trends by Product Category)

| | Compared to same term last year | Ratio to sales |
|-------------------------------------------------|---------------------------------|----------------|
| Books | 97.2% | 23.6% |
| Software media (music, videos, and video games) | 99.9% | 24.3% |
| Apparel | 116.1% | 11.7% |
| Precious metals, watches, high-end bags | 117.0% | 9.1% |
| Trading cards and hobby goods | 121.5% | 19.1% |
| Home appliances, mobile phones | 108.6% | 4.8% |
| Sports and outdoor equipment | 108.0% | 3.3% |
| Other | 104.0% | 4.1% |
| Total | 106.8% | 100.0% |

* The results of existing store

*Locations

Sales were robust for suburban and roadside stores, and sales were also robust for stores in the vicinities of stations and downtown areas.

◎ Stores

The number of stores as of the end of November 2023 is 740 (619 BOOKOFF stores, 68 BOOKOFF PLUS store, 48 BOOKOFF SUPER BAZAAR stores, 5 ASO-VIVA stores). A total of new 9 directly managed domestic stores opened in the first half of the fiscal year ending May 2024.

(Regarding renewal replace)

The company continues its strategic investments in two main areas: "making BOOKOFF entertaining" and "strengthening the line-up of trading cards and hobby goods."

BRIDGE REPORT

**Opening of new stores (direct)**

| Classification | Store Name | Store Packages | OPEN | Location |
|----------------|------------------------------|----------------|-------------|----------------|
| Domestic | Yoshizuya Shin-Inazawa Store | BOOKOFF PLUS | July 28 | Aichi Pref. |
| Domestic | Hitachi-eki-mae Store | BOOKOFF PLUS | September 7 | Ibaraki Pref. |
| Domestic | DCM Kamiiso Store | BOOKOFF | September 8 | Hokkaido |
| Domestic | Musashi-Koganei Store | BOOKOFF | October 6 | Tokyo |
| Domestic | Aeon-hashimoto Store | BOOKOFF | October 27 | Kanagawa Pref. |
| Domestic | AeonMall-Omuta Store | BOOKOFF | November 11 | Fukuoka Pref. |
| Domestic | Ito-Yokado-Mizonokuchi Store | BOOKOFF | November 17 | Kanagawa Pref. |
| Domestic | AeonMall-Kusatsu Store | ASO-VIVA | November 22 | Shiga Pref. |
| Domestic | AeonMall-Suzuka Store | ASO-VIVA | November 24 | Mie Pref. |

(2) Premium Services Business

Sales increased, but profit decreased.

Despite an increase in sales due to new store openings in the previous fiscal year, a decrease in profit was reported, due to an increased sales composition of precious metals lowering gross profit margin and expanding the workforce to support business growth.

(3) Overseas Business

Sales and profit increased.

In the United States "BOOKOFF", and in Malaysia "Jalan Jalan Japan" saw increased sales due to store openings in the previous fiscal year, achieving increased profit despite additional investments in workforce expansion and better treatment for employees.

【2-3 Financial Condition and Cash Flow】**Financial Conditions**

| | May 2023 | November 2023 | YoY | | May 2023 | November 2023 | YoY |
|-------------------------------|-------------|------------------|--------|----------------------------------|-------------|------------------|--------|
| Current assets | 29,112 | 31,530 | +2,418 | Current liabilities | 17,945 | 21,057 | +3,112 |
| Cash and deposits | 5,544 | 6,616 | +1,072 | Accounts payable-trade | 814 | 898 | +84 |
| Accounts receivable-trade | 3,008 | 3,225 | +217 | Short-term debt | 10,384 | 13,951 | +3,567 |
| Merchandise | 17,612 | 18,977 | +1,365 | Non-current liabilities | 13,210 | 12,773 | -437 |
| Non-current assets | 21,101 | 21,764 | +663 | Long-term debt | 10,532 | 10,069 | -463 |
| Property, plant and equipment | 8,852 | 9,438 | +586 | Total liabilities | 31,155 | 33,830 | +2,675 |
| Intangible assets | 2,443 | 2,510 | +67 | Net assets | 19,057 | 19,464 | +407 |
| Investments and other assets | 9,804 | 9,815 | +11 | Retained earnings | 12,322 | 12,534 | +212 |
| Guarantee deposits | 7,296 | 7,336 | +40 | Treasury shares | -591 | -587 | +4 |
| Total assets | 50,213 | 53,295 | +3,082 | Total liabilities and net assets | 50,213 | 53,295 | +3,082 |

* Unit: million yen. Borrowings and interest-bearing debt include lease obligations.

Total assets increased 3.0 billion yen from the end of the previous period to 53.2 billion yen, mainly due to an increase in cash and deposits, inventories, and property, plant and equipment.

Total liabilities increased by 2.6 billion yen to 33.8 billion yen due to an increase in short-term debt.

Net assets increased by 0.4 billion yen to 19.4 billion yen due to an increase in retained earnings.

The equity ratio increased by 1.6 points from the end of the previous term to 36.0%.

BRIDGE REPORT

**Cash Flows (CF)**

| | 2Q of FY 5/23 | 2Q of FY 5/24 | YoY |
|-----------------------------------------|---------------|---------------|--------|
| Operating cash flow(A) | -861 | 220 | +1,081 |
| Investing cash flow(B) | -2,147 | -1,269 | +878 |
| Free cash flow (A+B) | -3,008 | -1,049 | +1,959 |
| Financing cash flow | 1,919 | 2,068 | +149 |
| Cash and Equivalents at the end of term | 7,195 | 6,616 | -579 |

* Unit: million yen.

Operational cash flow turned positive due to an increase in quarterly net income before taxes and other adjustments, etc. The cash outflow from investment activities decreased due to reduced expenditures on tangible fixed assets, resulting in a reduction in the negative free cash flow as well.

The cash position decreased.

3. Fiscal Year ending May 2024 Financial Forecast

【3-1 Earning Forecasts】

| | FY 5/23 Act. | Ratio to sales | FY 5/24 Est. | Ratio to sales | YoY | Progress rate |
|-----------------------------------------|--------------|----------------|--------------|----------------|--------|---------------|
| Sales | 101,843 | 100.0% | 106,000 | 100.0% | +4.1% | 49.9% |
| Operating income | 2,578 | 2.5% | 2,600 | 2.5% | +0.8% | 40.7% |
| Ordinary income | 3,040 | 3.0% | 3,000 | 2.8% | -1.3% | 42.3% |
| Profit attributable to owners of parent | 2,769 | 2.7% | 1,600 | 1.5% | -42.2% | 44.1% |

* Unit: million yen.

No change in earnings forecast. Sales is expected to increase but profit is to be consistent with the previous term.

There is no change in the earnings forecast. It is expected that sales will grow 4.1% year on year to 106 billion yen, operating income will rise 0.8% year on year to 2.6 billion yen, and ordinary income will decline 1.3% year on year to 3 billion yen.

The company will keep actively opening stores in each business. On the other hand, operating income and ordinary income are expected to remain at the same level as the previous year due to the fluid impact of future customer trends and the securing and training of personnel. Profit attributable to owners of parent is expected to decrease in reaction to the temporary factors of the previous year.

The dividend amount is expected to be 25.00 yen/share, unchanged from the previous term. The expected payout ratio is 30.9%.

【3-2 Assumptions】

(1) BOOKOFF Operations in Japan

The company plans to open 10-11 stores of BOOKOFF SUPER BAZZAR, BOOKOFF, and BOOKOFF PLUS, and 2-3 stores of ASO-VIVA for a year.

In the first half of the fiscal year, the company opened 7 stores of BOOKOFF and BOOKOFF PLUS, and 2 stores of ASO-VIVA. The company plans to open a large complex of stores in the second half of the fiscal year, and is making steady progress.

The company will keep enriching the lineup of trading cards and hobby-related products at existing stores, streamline the operations for apparel (BOOKOFF SUPER BAZZAR), and make BOOKOFF more entertaining.

Sales at existing directly managed stores in the first half of the fiscal year were 106.8% year on year, almost in line with expectations, compared with 110.9% in fiscal year ended May 2023. The company expects 101% in the second half of the fiscal year.

(2) Premium Services Business

The company plans to open 4-5 new shops of “hugall” and “the BOOKOFF Purchasing Consultation Desks” for a year.

In the first half of the fiscal year, there were no store openings due to the intensifying competition, but the company is revising its store-opening areas, and all store openings this fiscal year are scheduled for the second half of the fiscal year.

While continuing to open shops, they will concentrate on the securing and training of human resources as important measures.

(3) Overseas Business

For “Jalan Jalan Japan,” the company plans to open 3-4 stores for a year, including franchised ones. In the U.S., they plan to open 2-3 new stores.

One “Jalan Jalan Japan” participating store was launched in the first half of the fiscal year, with a focus on new openings in the second half of the fiscal year.

They plan to invest in equipment for supplying more products to Malaysia.

4. Mid-term management policy

[4-1 Progress So Far and Business Environment]

The company started business as BOOKOFF CORPORATION LIMITED with purchase and sale of used books and had grown by proactively opening stores as well as expanding the product lineup since 2000, and it boosted profit by opening complex stores and larger stores even though there were only a few areas left where it could open stores.

Amid the expansion of e-commerce and customer-to-customer (CtoC) markets, however, the company did not generate sufficient earnings and ended up recording net loss in fiscal years 2016 to 2018.

Under these circumstances, the company was committed to restructuring its business base through trial and error for business reform, such as the launch of an e-commerce website, “BOOKOFF Online,” and the premium services business that handles expensive items, and the establishment of “the BOOKOFF Purchasing Consultation Desks,” a new kind of store that specializes in purchasing items.

Although the coronavirus pandemic affected the company’s performance, it has successfully built a business structure that can generate an ordinary income of 3 billion yen through re-strengthening of the BOOKOFF business in Japan, concentration on the premium services business and the overseas business, and development of new types of stores.

After a phase of major changes, it considers the current and succeeding terms to be a new phase of growth.

According to the company’s reference material (based on information by The Reuse Business Journal in 2022), the size of the Japanese reuse market increased from 1.1 trillion yen in 2009 to 3.0 trillion yen in 2022. The market scale is expected to expand further to reach 3.5 trillion yen (with the Compound Annual Growth Rate (CAGR) being 7.6%) in 2025.

[4-2 What we aim for]

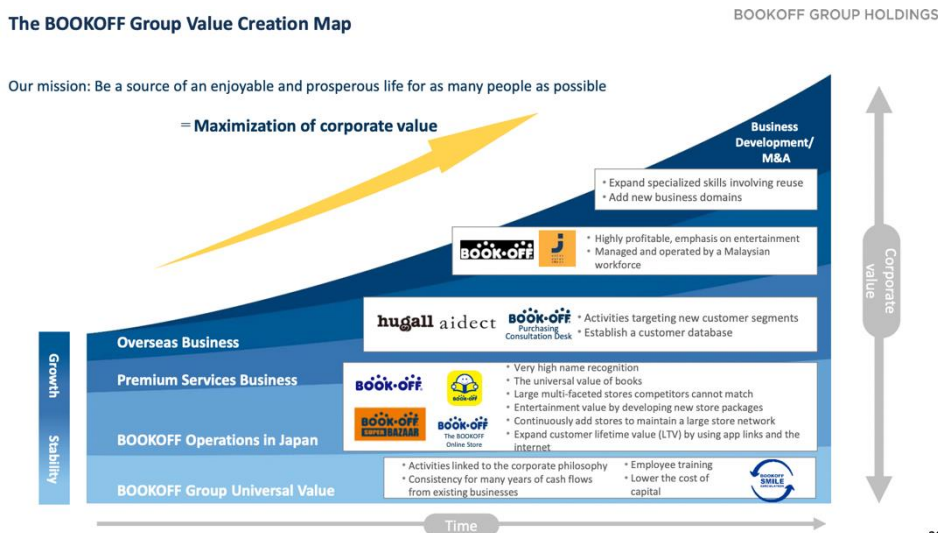
The company aims to be a leading “reuse” company in the booming reuse market.

To do so, it will take such initiatives as development of an environment that allows customers of all ages and genders to get a good deal on buying and selling items with a sense of joy and safety, realization of a society that does not throw away things, popularization of reuse among people all over the world, and activities to encourage a greater number of people to reuse things.

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

The company propels its businesses forward and pursues growth on the basis of the BOOKOFF Group’s universal value that consists of “activities linked to the corporate philosophy,” “employee training,” “consistency for many years of cash flows from existing businesses,” and “lower cost of capital.”

In addition, the company will continue to consider new business development and M&A based on the following policies: "it must be in line with the management philosophy and mission," "it must be able to leverage the strengths created by the BOOKOFF Group's business development," and "it must lead to new career development for employees working for the BOOKOFF Group."



(Source: the Company’s material)

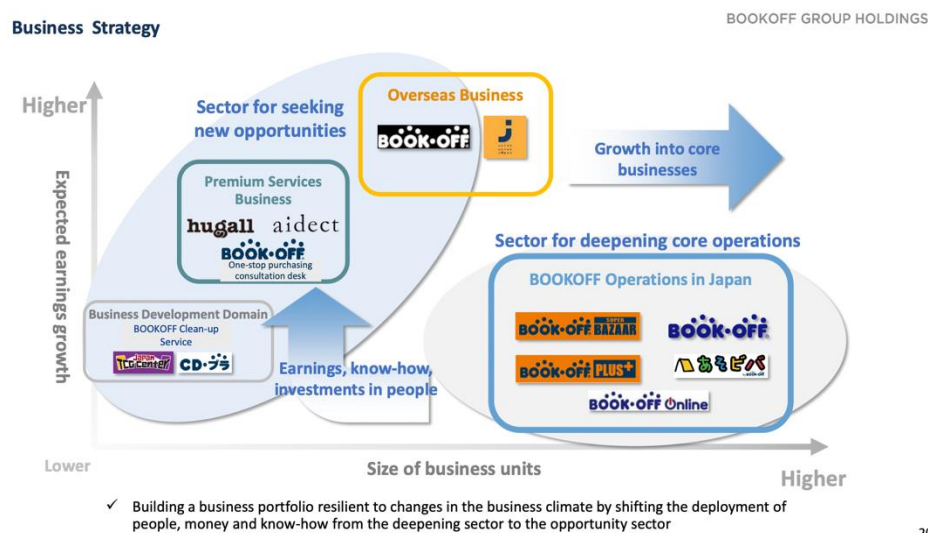
[4-3 Business Policy]

(1) Overview

Their medium-term business policy is to become the “BOOKOFF Group that is much more than just BOOKOFF,” a step ahead of the former objective “BOOKOFF that handles not only books,” or “transform the business portfolio,” because the company considers this is essential for realizing sustainable growth while striking a balance between exploration and exploitation in the growing market under the “Corporate Philosophies,” “MISSION,” and “VISION” mentioned in “1. Company Overview.”

(2) Categorization of Each Business

Categorizing the BOOKOFF operations in Japan into “Exploitation” and the premium services business, the overseas business, and the realm of business development into “Exploration,” the company will invest the profit, know-how, and human resources generated in the Exploitation category in the businesses categorized in Exploration. It will build a business portfolio that is capable of dealing with environmental changes by developing the businesses in the Exploration category to become its core businesses.



(Source: the Company’s material)

The company faced difficulty, which is the recording of loss, in the domestic BOOKOFF business, but overcame the difficulty, and it got back on track and is growing on a steady basis.

Within this context, the company has captured, as it were, the essence of personnel training, such as fundamental management skills, communication techniques, methods of building teams and motivating employees.

It will apply the excellent know-how of personnel training to the businesses categorized as Exploration. Although this approach will be challenging in some part because of the differences in business models between the categories of Exploitation and Exploration, the company will endeavor to achieve considerable growth by utilizing the system of personnel training, which is one of its fortes, in the Exploration businesses.

(3) Policies of Each Business

① BOOKOFF operations in Japan

The medium-term policy for this business is “to provide customers with the best reuse experience,” and the company is committed to “expanding the variety of items in order to satisfy regional preferences with books being the core product” and “making BOOKOFF super-convenient and super-enjoyable.”

As the BOOKOFF Group’s core business, the company will improve capital efficiency while securing the current profit level, and continuously provide the personnel and know-how to the growing businesses.

It will strive to encourage customers to visit stores more frequently and provide customers with opportunities to visit stores in the customer-targeted strategy, enhance the value of experience, reduce customer cost, and ensure continuity of improvement in the purchase strategy, and improve usability, increase the variety of items to handle, and enrich its official app with more functions in the digital strategy.

In the personnel strategy, the company is aware of the importance of proactive employment and more diverse evaluation criteria and career path plans.

“Expanding the diversity of items in order to satisfy regional preferences with books being the core product”

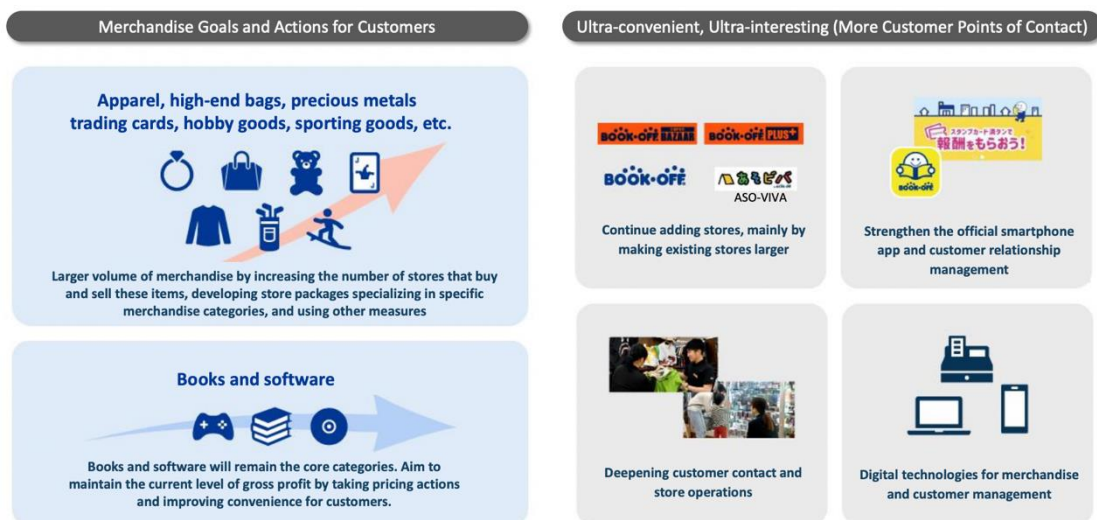
Sales of newly-published books are going down, and the company’s sales of books are lower than those of the previous year. Books, however, are used by customers of all ages and genders, which means that they provide a broad customer base. Furthermore, gross margin for books is high. In the reuse industry, there are powerful category killers of each product category, such as apparel and brand-name goods. Therefore, the company has recognized that books are its strategically important product when it comes to differentiation from other companies.

In order to maintain the amount of gross profit generated from books, the company will strive to enforce appropriate pricing policies, improve purchase convenience, visualize the book inventory, and make it easier to check the inventory.

Regarding products whose sales are increasing on a continuous basis, such as apparel, brand-name bags, precious metals, trading cards, hobby-related goods, and sporting goods, the company will strengthen sale with such efforts as increasing the number of stores that handle such items and developing store packages specializing in them.

“Making BOOKOFF super-convenient and super-enjoyable”

The company will strengthen and expand its touch points with customers with various efforts including continuously opening stores while focusing principally on making the size of the existing stores larger, developing new store packages, enhancing customer relationship management (CRM) policies using the official smartphone app, pursuing customer services and sales floor creation, and promoting digitization of product and customer management.



(Source: the Company’s material)

② Premium Services Business

The medium-term policy for this business is to approach the customer segments that the BOOKOFF Group was not able to attract mainly by opening new stores.

The company plans to operate 100 stores primarily in major cities by the term ending May 2028.

In addition to opening new stores, it will not only retain a competitive edge by enhancing hospitality and responsiveness, but also expand its touch points with customers by implementing more proactive approaches, other than opening of new stores, through expansion of alliance partners, such as direct sales staff of department stores, real estate companies, and finance-related companies, with the aim of newly acquiring upper-class customers.

Premium Services Business Medium-term Goals



Source: Nomura Research Institute: Assets and households divided by net financial assets held

(Source: the Company’s material)

③ Overseas Business

◎ Jalan Jalan Japan

The company considers expanding this business to new countries while continuing to open stores in Malaysia and Kazakhstan. It plans to increase the number of stores to 50 by the term ending May 2028 and to 100 by the term ending May 2033.

◎ The United States

In addition to opening stores in the east and west coast areas of the United States so as to gain a dominant position there, the company will start to newly expand the business to inland megacities.

It aims to open 30 stores by the term ending May 2028 and 100 stores by the term ending May 2033.

Another important issue is to increase the capability of supplying products to follow the growth in the number of stores it opens. The company will contribute to realizing a society that does not throw away things by increasing the number of chain Jalan Jalan Japan stores as well as promote reuse of unwanted items in collaboration not only with the BOOKOFF Group’s chain stores, but also with other companies and municipalities.

④ Business Development Domain

*Stores Specializing in Trading Cards

The company will begin to proactively open stores of “Japan TCG Center” primarily in Tokyo, Nagoya, Osaka, and ordinance-designated cities and operate franchise business.

It aims to increase the BOOKOFF Group’s market share and monetize the business by handling various brands in the growing trading card market.

*CD Plastics Recycling Business

The company will take on a challenge of launching a business through which it not only reduces waste, but also encourages people all over the world to realize the high value it puts using its creativity.

*Cleanout Business

The company plans to increase the number of partner companies so that it can cover wider areas to offer the service in other regions than Tokyo and neighboring three prefectures.

It intends to fulfil customers’ expectations by reducing waste as much as possible, curtailing disposal cost, and subtracting the buying amount from the cleanout fee.

***Exploration of New Businesses**

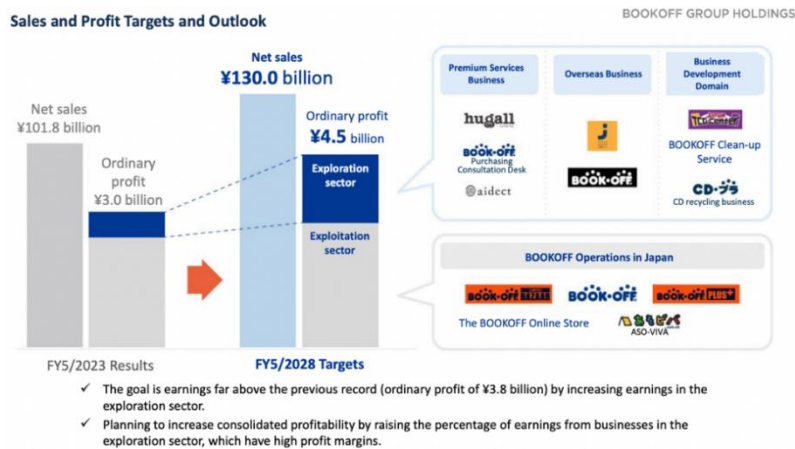
The company continues to consider developing new businesses and conducting mergers and acquisitions on the basis of its policies that businesses should “help the BOOKOFF Group follow the corporate philosophies and mission,” “allow the BOOKOFF Group to take advantage of the strengths produced through its business operations,” and “allow the BOOKOFF Group’s employees to carve out new careers.”

【4-4 Numerical Goals】

◎ Profit Expansion

The company’s numerical goals are “sales of 130 billion yen and an ordinary income of over 4.5 billion yen” in the term ending May 2028.

The company aims to earn profit that considerably exceeds its record profit (ordinary income of 3.8 billion yen) by steadily growing the Exploitation business and increase the profit composition of the profitable Exploration business, thus improving the profit margin on a consolidated basis.



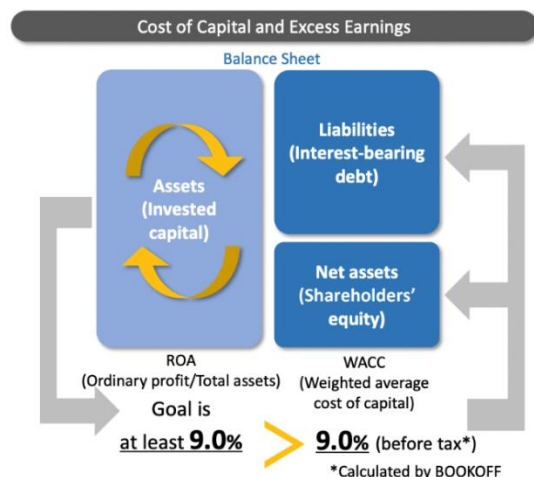
(Source: the Company’s material)

◎ Financial Policies with Capital Cost in Mind

The company’s target of return on asset (ROA) for the term ending May 2028 is 9.0% or higher.

Regarding capital cost, the company calculates that the Weighted Average Cost of Capital (WACC) will be around 9.0% and aims to generate excess profits (economic value added) by improving profitability as well as breaking its record profit (ordinary income of 3.8 billion yen) through proactive investment mainly in the growing businesses.

*The company has traditionally used ordinary income as a key performance indicator (KPI) for its business segments, so it adopts an ROA that uses ordinary income, which has taken deep root in the company’s business segments, as a key goal indicator (KGI). Furthermore, its ROA and Return on Invested Capital (ROIC) are almost the same because it holds relatively small surplus assets.

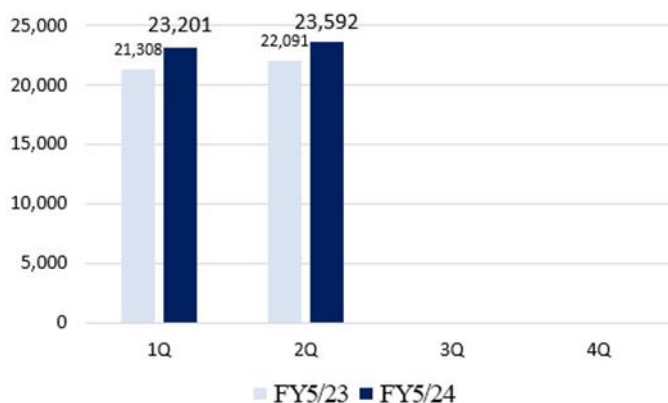


(Source: the Company’s material)

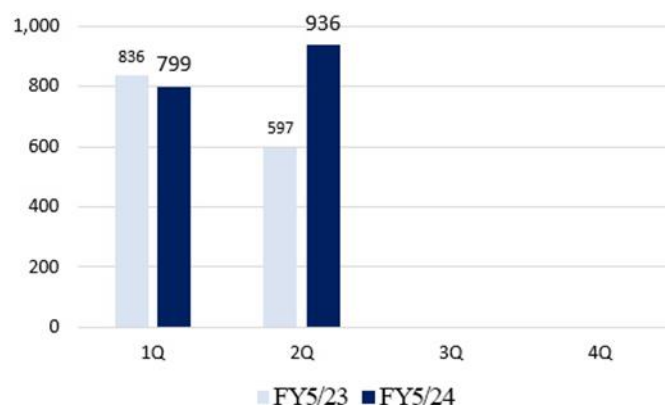
5. Conclusions

The BOOKOFF operations in Japan, which accounts for about 90% of sales, posted higher sales and lower profits year on year in 1Q (June-August), but in 2Q (September-November), sales and profits increased year on year on a cumulative basis. In the second quarter (September-November), both sales and profits were up year on year and from the previous term (Q1-Q3), and the business has turned around strongly.

Domestic BOOKOFF business Quarterly Sales Trends
(Unit: million yen)



Domestic BOOKOFF Quarterly Segment Profit Trends
(Unit: million yen)



The company's second half of the fiscal year progress rate is 49.9% for sales and 42.3% for recurring profit, both of which are higher than in the past two years. The company plans to open a large general reuse complex in the second half of the fiscal year, which, together with the strong performance of existing stores, should lead to steady earnings growth.

It will be interesting to see how much the company can add to its forecast, while it is projected that sales will increase slightly and profit will be unchanged from the previous fiscal year.

<Reference: 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 (including 3 independent executives) |

◎ Corporate Governance Report: Updated on January 25, 2024

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.

In our company, the board of directors examines the shares we hold, and individually discusses the meanings of strategically held shares. (Items to be discussed)

*Qualitative items

- Background for acquisition of the shares
- Whether or not our company has transactions with each issuing company
- Meanings of shareholding
- Business potential
- Risks in the case of not holding the shares
- Merits and demerits in the case of continuous shareholding

*Quantitative items

- Dividend amount received per year
- Profit or loss from valuation of the shares

Regarding the exercise of voting rights, we scrutinize each proposal, check the performance, financial standing, etc. of each issuing company in the past 3 years, hold dialogues with companies if necessary, judge whether or not each proposal contributes to the improvement in shareholder value, and then exercise voting rights appropriately.

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

【Supplementary Principle 2-4①】

Our corporate group set a policy for developing human resources while securing diversity, a policy for establishing an in-company environment, and goals, and discloses their progress in our website, etc.

■ Diversity Policy, (goals, action plans, and their statuses)

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

【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 group's management strategy.

Also, 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 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/ir/policy.html>

【Actions to achieve business administration conscious of cost of capital and share price】【Also available in English】

Regarding business administration conscious of capital cost and share price, the company has articulated in its "Mid-Term Management Plan" its financial policy of recognizing capital costs and improving capital returns, aiming for a transformation in its business portfolio. The plan includes specific explanations of mid-term action plans for each business segment.

For details, please refer to the "Mid-Term Management Plan" page of the financial results for the fiscal year ended May 2023.

■ Financial Results for the Fiscal Year Ended May 31, 2023

<https://ssl4.eir-parts.net/doc/9278/tdnet/2310145/00.pdf>

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