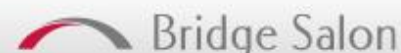


BRIDGE REPORT



President Yasutaka Horiuchi

BOOKOFF GROUP HOLDINGS LIMITED (9278)

BOOKOFF
GROUP HOLDINGS

Company Information

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

Stock Information

Share Price	Number of shares issued (End of the term)		Total market cap	ROE (Actual)	Trading Unit
¥1,310	20,547,413 shares		¥26,917million	8.7%	100 shares
DPS (Est.)	Dividend yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Actual)	PBR (Actual)
¥25.00	1.9%	¥106.22	12.3x	¥1,023.60	1.3x

*The share price is the closing price on January 22. The number of shares issued, DPS, and EPS are from 2Q of FY 5/25 financial results. ROE and BPS are previous results.

Consolidated Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 (Actual)	111,657	3,051	3,448	1,705	86.26	25.00
May 2025 (Forecast)	120,000	3,500	3,800	2,100	106.22	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 second quarter of the fiscal year ending May 2025 financial results of BOOKOFF GROUP HOLDINGS LIMITED.

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Key Points

- In the first half of the fiscal year ending May 2025, sales grew 7.3% year on year to 56.7 billion yen. All of the three businesses saw sales growth. Ordinary income rose 35.1% year on year to 1.7 billion yen. As the ratio of sales of books, whose gross profit margin is high, increased while the ratio of sales of trading cards, whose gross profit margin is low, decreased, overall gross profit margin improved 0.5 points, and gross profit rose 8.1% year on year. The augmentation of SG&A expenses was offset, so profit grew. Quarterly sales grew year on year and quarter on quarter, but all kinds of profits declined due to the augmentation of costs in the premium services business.
- The earnings forecast has been left unchanged. For the fiscal year ending May 2025, the company forecasts sales of 120 billion yen, up 7.5% year on year, an operating income of 3.5 billion yen, up 14.7% year on year, and an ordinary income of 3.8 billion yen, up 10.2% year on year. In the fiscal year ending May 2025, which is the second year of the mid-term management policy, the company will continue aggressively opening new stores in each of its businesses. In the BOOKOFF operations in Japan, depreciation from the large IT investment in the previous fiscal year and personnel and other expenses in each business will increase. Additionally, SG&A expenses will rise due to the cost of measures to prevent the recurrence of misconduct. However, the company expects an increase in profit due to new store openings in each business segment, the growth of existing BOOKOFF stores in Japan, and revisions to intersegment transaction prices. The key points are the recovery of procurement in the BOOKOFF operations in Japan and the premium services business, and the implementation of initiatives for preventing the recurrence of the misconduct. The dividend amount is expected to be 25.00 yen/share, unchanged from the previous fiscal year. The expected payout ratio is expected to be 23.5%.
- We interviewed President Horiuchi about the outline of the financial results in the first half of the fiscal year ending May 2025 and so on. Regarding the full-year forecast, he said, “The measures for preventing the recurrence of the misconduct will be implemented on a full-scale basis from the third quarter, and it is forecast that there will be costs or investments amounting to about 200 million yen mainly in the fourth quarter. In the first half of this fiscal year, we concentrated on the preventive measures, so we were not able to work on the BOOKOFF operations in Japan or the premium services business actively, but in the second half, we will actively expand these businesses. The most important point is the degree of recovery of procurement amount in the BOOKOFF operations in Japan and the premium services business. There remain uncertainties over the impact of the fraud problem in the premium services business, etc., but we will make efforts to recover our business by taking various measures.”

- In the BOOKOFF operations in Japan, which is our core business, the performance of books remains healthy. While the selling prices of newly published books rose 9% from 2019, the selling prices of BOOKOFF rose 11%, exceeding the average rise rate in the market. The company aims to raise the average price and expand gross profit by increasing the ratio of mid-priced and high-priced products. To do so, they implement a measure of buying talked-about books, mainly business-related books, and books that are to be made into a movie or TV program at their stores and e-commerce website at high prices. This measure turned out to be effective, and they procured sufficient inventory of high-quality products that are mid- or high-priced. The average selling price of used books increased significantly more than newly published books, and they achieved larger sales than newly published books. The domains of books and software media are not expected to grow considerably, but their value has not degraded, as they serve as a gateway to reuse. Accordingly, the company plan to pursue growth by increasing products in the reuse market other than books and software media, while securing sales and profit steadily.
- The rate of progress toward the annual forecast in the first half of this fiscal year is 47.3% for sales and 45.1% for ordinary income, which sales are almost as usual as previous years, and ordinary income is at a high level. In the BOOKOFF operations in Japan, which accounts for about 90% of sales and about 80% of profit, procurement amount dropped significantly due to the misconduct in the fiscal year ended July 2024, but it started recovering, and the sales at existing stores remain healthy, so it is highly likely that they will reach the earnings forecast. In the growing fields, the overseas business is performing well, but there is concern over the premium services business, because competition is getting fiercer and it has been affected by the impact of the misconduct. Their brand redevelopment seems to be intended also for taking a step toward the expansion of the premium services business. We would like to pay attention to the situation of the premium services business from the third quarter.

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 over 800 (directly managed + franchised) store networks covering all over the country. Also, they strengthen EC collaboration.

[1-1 Corporate Philosophies of the BOOKOFF Group]

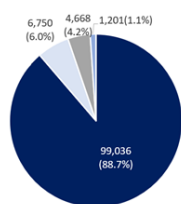
- Contributing to society through our business activities.
- the pursuit of employees' material and spiritual wellbeing.

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]

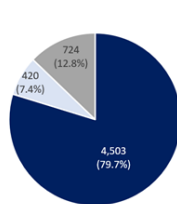
Their three core businesses are the BOOKOFF operations in Japan, the premium services business, and the overseas business. Other businesses include the operation of the trading card shop Japan TCG Center and the provision of a personal service called "BOOKOFF cleanout service" that declutters customers' homes. The company is working on various new business development initiatives to achieve medium-term revenue growth.

Segment sales composition (Unit: million yen, FY 5/24)



■ BOOKOFF operations in Japan ■ Premium Services Business
■ Overseas Business ■ Other

Segment profit composition (Unit: million yen, FY 5/24)







■ BOOKOFF operations in Japan ■ Premium Services Business
■ Overseas Business ■ Segment profit covers reportable segments

(1) BOOKOFF operations in Japan

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 2024.

			
Avg. floor space, Number of stores	About 429.8 m ² 610 stores	Avg. floor space, Number of stores	About 3,140 m ² 51 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 992 m ² 66 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 fiscal year ended May 2024 were about 99.0 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.

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The number of app users was 8.11 million as of the end of November 2024.

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.

(2) Premium Services Business

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" (18 shops), which purchases secondhand products from wealthy people in major department stores, the BOOKOFF Purchasing Consultation Desks (21 stores), which purchases anything, including watches, luxury-brand goods, apparel, tableware, and sporting goods and "aidect" (12 shops) for offering comprehensive jewelry-related services, which buy and sell jewels, receive orders, repair and remake jewels. The total number of stores is 51 as of November 31, 2024.

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 e-commerce website "Rehello."

(3) Overseas Business

As for overseas business operations, BOOKOFF U.S.A. INC. runs "BOOKOFF" stores (16 directly managed stores) in the United States, BOK MARKETING SDN.BHD. runs "Jalan Jalan Japan" in Malaysia with 13 directly managed stores and 1 FC store, J&K TRADING LLC operates 4 directly managed stores and 3 FC stores in Kazakhstan. In addition, the company has three FC 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 stores is as of the end of November 2024.

BRIDGE REPORT*** Malaysia**

The company entered the Malaysian market in 2016 and have released a Malaysian original package called “Jalan Jalan Japan.”, and 14 stores are operating as of the end of November 2024. 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). Previously, unsold products in Japan were often discarded as industrial waste. However, the Malaysian operations have provided a solution, enabling us to significantly reduce disposal costs. 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.

*** Kazakhstan**

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.

In April 2024, a joint venture company was established, and the operation of directly managed stores began. Currently, it operates 4 directly managed stores and 3 FC stores.

*** The U.S.**

Made inroads into the U.S. market in 2000. The company operates 16 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 4 as of the end of November 2024.

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.

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

In “Rakuten Ichiba,” the company opened “FOOD ReCO,” an e-commerce website 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.”

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**[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 over 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

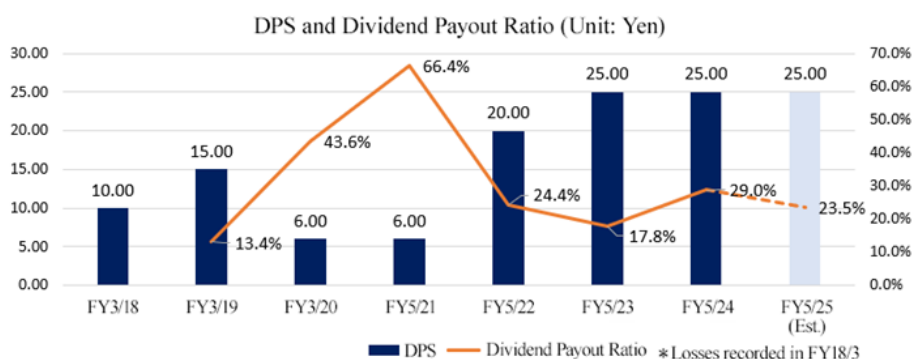
The company is working to create stores where users can sell goods with peace of mind by providing purchase services from the user's perspective and ensuring compliance with laws and regulations.

In particular, with regard to the appropriateness of purchase prices, which is of greatest concern to users, the company has established a purchase price database at its head office based on a vast amount of transaction data, which no other company has, and uses this database as the basis for purchases at each of its stores.

[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.



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**[1-5 Sustainability]****(1) Fundamental Philosophy**

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

In August 2023, the company articulated this stance by establishing a Basic Policy for Sustainability and a Human Rights Policy, reinforcing the 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.

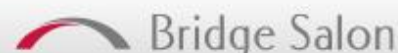
4. Human Rights Due Diligence

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.

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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 410 million items per year and sells about 280 million items per year. The reuse of CDs, DVDs, game software, and clothes is estimated to reduce CO₂ emissions by about 450,000 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

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

Progress in Reduction of CO₂ Emissions Involving

Business Activities

(Unit: t-CO₂)

		FY5/2022	FY5/2023	FY5/2024
CO ₂ emissions	Scope1	246	269	301
	Scope2	26,804	23,956	17,234
	Total	27,027	24,201	17,535

(Source: the Company's material)

② S (society)

◎ Human Capital Enhancement

The company believes that promoting diversity, which is the foundation for achieving well-being, is the most critical challenge.

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

Indicators and Targets

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

Progress on Indicators and Targets

	Targets	As of May 31, 2024
Percentage of female managers	At least 20%	9.6%
Use of child care time off by women	At least 100%	100%
Use of child care time off by men	At least 60%	87.5%

Applicable companies: BOOKOFF GROUP HOLDINGS LIMITED
BOOKOFF CORPORATION LIMITED

(Source: the Company's material)

◎ Initiatives

The company will collaborate with government agencies, companies and organizations to solve a wide range of social problems. By forming partnerships with related parties, it will lead the way in promoting a recycling-oriented society.

In April 2024, the second Furusato BOOKOFF store opened in Kisomisaki-cho, Kuwana-gun, Mie Prefecture, creating opportunities for children to read in municipalities that do not have bookstores. A regional cooperation agreement was concluded for regional development efforts through books, etc.

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.

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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 450,000 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>	
Provision of educational opportunities to the next generation	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.	
Promoting diversity	<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>	

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Private-public cooperation and inter-enterprise collaboration

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.



(Source: the Company's material)

2. First Half of Fiscal Year ending May 2025 Financial Results

[2-1 Consolidated Results]

	1H of FY 5/24	Ratio to sales	1H of FY 5/25	Ratio to sales	YoY
Sales	52,934	100.0%	56,781	100.0%	+7.3%
Gross profit	29,978	56.6%	32,396	57.1%	+8.1%
SG&A expenses	28,919	54.6%	30,898	54.4%	+6.8%
Operating income	1,059	2.0%	1,498	2.6%	+41.5%
Ordinary income	1,268	2.4%	1,713	3.0%	+35.1%
Quarterly profit attributable to owners of parent	705	1.3%	912	1.6%	+29.4%

* Unit: million yen.

Sales and profit increased.

Sales grew 7.3% year on year to 56.7 billion yen. All of the three businesses saw sales growth.

Ordinary income rose 35.1% year on year to 1.7 billion yen. As the ratio of sales of books, whose gross profit margin is high, increased while the ratio of sales of trading cards, whose gross profit margin is low, decreased, overall gross profit margin improved 0.5 points, and gross profit rose 8.1% year on year. The augmentation of SG&A expenses was offset, so profit grew.

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



Quarterly sales grew year on year and quarter on quarter, but all kinds of profits declined due to the augmentation of costs in the premium services business.

◎ Number of Group stores

As of the end of November 2024, there were 752 stores in the BOOKOFF operations in Japan (385 directly managed stores and 367 FC stores), 51 stores in the premium services business, and 37 stores in the overseas business (30 directly managed stores and 7 FC stores). Newly-opened (directly managed) stores were 13 in Japan and 6 overseas in the first half of the fiscal year ending May 2025. In detail, they opened 5 stores in the BOOKOFF operations in Japan, 6 stores in the premium services business, 6 stores in the overseas business, and 2 stores in the other business.

BRIDGE REPORT



Opening of new stores (direct)

Classification	Store Name	Store Packages	OPEN	Location
Domestic	Jambo Square Kashiba Store	BOOKOFF	March 22, 2024	Nara Pref.
Overseas	Berjaya Mega Mall Store	Jalan Jalan Japan	May 23	Malaysia
Other	Naha Okie Dori Store	Japan TCG Center	June 14	Okinawa Pref.
Overseas	MASSAPEQUA Store	BOOKOFF	June 28	The U.S.
Overseas	Aksai Store	Jalan Jalan Japan	July 6	Kazakhstan
Premium	Omiya Takashimaya Store	hugall	July 11	Saitama Pref.
Domestic	Ito-Yokado-Higashimurayama Store	BOOKOFF	July 12	Tokyo
Premium	Sakura Shinmachi-eki-mae Store	BOOKOFF Purchasing Consultation Desk	July 12	Tokyo
Domestic	Cha Town Kokura Store	BOOKOFF	July 13	Fukuoka Pref.
Overseas	Sayahat Store	Jalan Jalan Japan	July 27	Kazakhstan
Premium	Denenchofu Store	BOOKOFF Purchasing Consultation Desk	August 2	Tokyo
Overseas	The Mines Mall Store	Jalan Jalan Japan	September 12	Malaysia
Premium	Myogadani Store	BOOKOFF Purchasing Consultation Desk	September 13	Tokyo
Other	Kamata-eki Higashi-guchi Store	Japan TCG Center	September 14	Tokyo
Overseas	Vodnik Alatau Store	Jalan Jalan Japan	September 28	Kazakhstan
Premium	Meguro Store	BOOKOFF Purchasing Consultation Desk	October 10	Tokyo
Domestic	Soka Semon Plaza Store	BOOKOFF SUPER BAZAAR	November 5	Saitama Pref.
Premium	Yokohama Takashimaya Store	hugall	November 15	Kanagawa Pref.
Domestic	Livin Tanashi Store	BOOKOFF	November 27	Tokyo

Note: Since the account settlement periods of the domestic consolidated subsidiaries are different from the consolidated one, the BOOKOFF Jumbo Square Kashiba Store, which opened in March 2024, is classified as a new store opening in the first quarter of the fiscal year ending May 2025. Since the account settlement periods of the overseas consolidated subsidiaries are different from the consolidated one, Jalan Jalan Japan is classified as a newly opened store in the period of April to September 2024, and BOOKOFF USA is classified as a newly opened store in the period between March and August 2024.

[2-2 Segment Trends]

	1H of FY 5/24	Composition ratio	1H of FY 5/25	Composition ratio	YoY
Sales					
BOOKOFF operations in Japan	46,793	88.4%	49,705	87.5%	+6.2%
Premium services business	3,346	6.3%	3,427	6.0%	+2.4%
Overseas business	2,249	4.2%	2,933	5.2%	+30.4%
Others	545	1.0%	714	1.3%	+31.0%
Total	52,934	100.0%	56,781	100.0%	+7.3%
Segment income					
BOOKOFF operations in Japan	1,735	3.7%	2,381	4.8%	+37.2%
Premium services business	229	6.8%	17	0.5%	-92.4%
Overseas business	408	18.1%	414	14.1%	+1.4%
Others	-100	-	-110	-	-
Adjustment	-1,004	-	-989	-	-
Total	1,268	2.4%	1,713	3.0%	+35.1%

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

BRIDGE REPORT

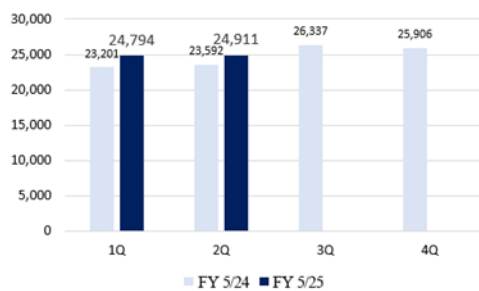
**(1) BOOKOFF operations in Japan**

Sales and profit increased.

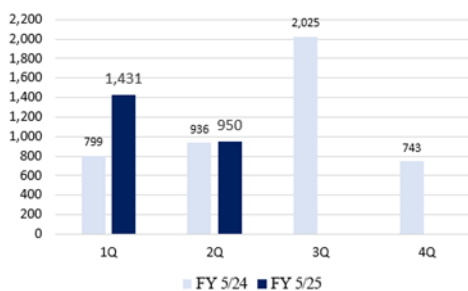
Sales of apparel, trading cards, hobby goods, home appliances, mobile phones, and books increased year on year at existing directly managed stores. The opening of new stores also contributed to this.

The quarterly profit in this segment in the second quarter (September-November) was unchanged year on year, as SG&A expenses augmented due to the operation expenses of stores, such as personnel costs, and marketing expenses at the headquarters, whose posting was put off in the first quarter.

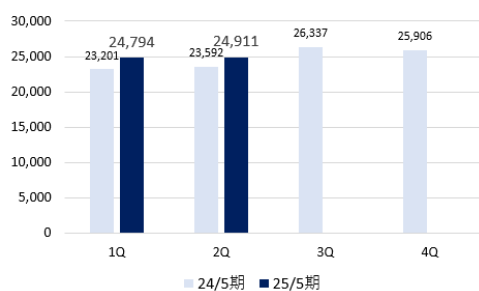
BOOK OFF operations in Japan: Trends in sales
(Unit: million yen)



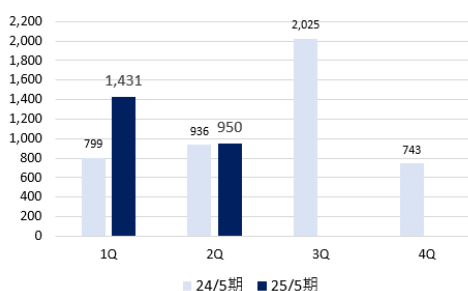
BOOK OFF operations in Japan: Trends in segment profit
(Unit: million yen)



国内ブックオフ事業 売上高推移
(単位：百万円)



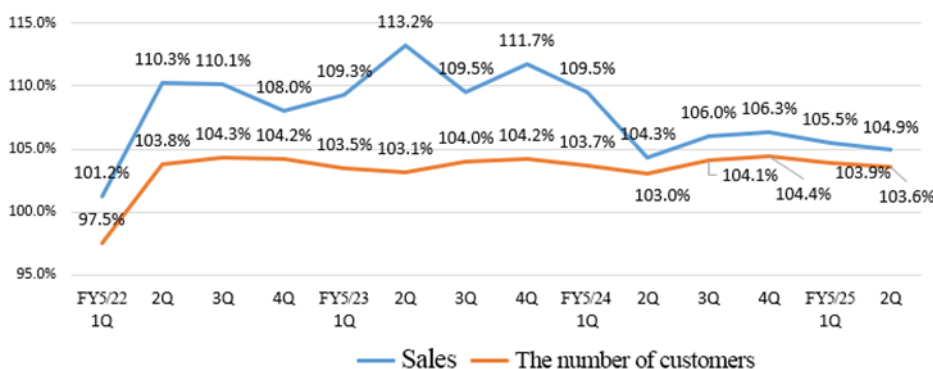
国内ブックオフ事業 セグメント利益推移
(単位：百万円)

**◎ Existing Store Sales**

Existing stores continued to show strong performance in the first half of the fiscal year ending May 2025, with sales increasing to 5.2% year on year. The number of customers in the same period grew 3.7%, and also grew 4.9% and 3.6%, respectively, in the second quarter (September-November). Monthly sales grew for the 46th consecutive month.

The company continues its strategic investments in two main areas: "making BOOKOFF entertaining" and "strengthening the line-up of trading cards and hobby goods." Renovation was carried out in existing 9 stores in the first half.

Status of existing stores (year on year)



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◎ Products

The sales of all products, excluding software media, including music, videos, and games, grew year on year.

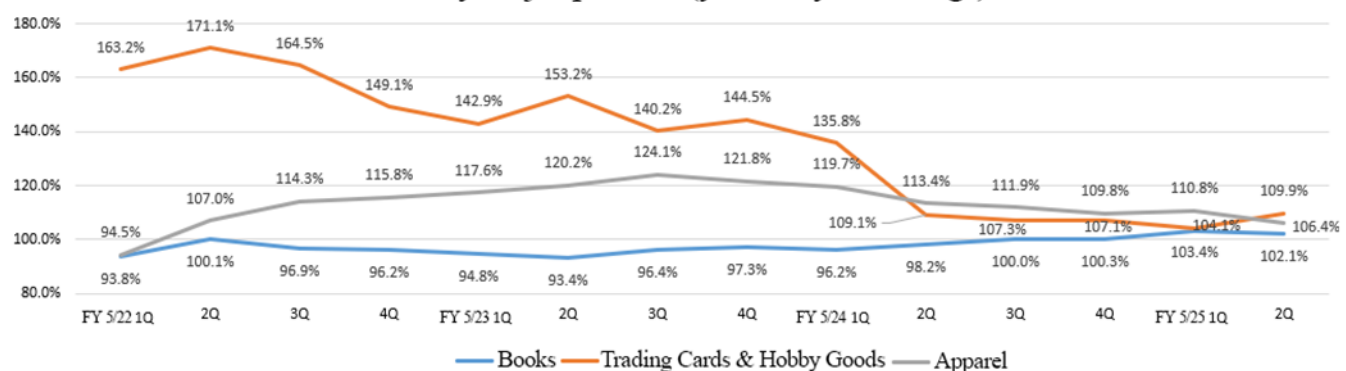
The sales of books increased year on year for the fourth consecutive quarter. It is forecast that the long-trend will inevitably be negative, but measures, such as pricing ones, for keeping sales from declining year on year turned out to be effective.

Regarding the performance of trading cards and hobby goods, the sales of hobby goods are contributing. The sales of trading cards have been declining year on year, due to the drop in unit prices of used trading cards, but the number of cards sold has increased from the previous year, and a recovery trend got stronger from the first quarter.

Regarding apparel, winter clothes started selling well later than usual because the decline in air temperature started later than usual, but in November, air temperature started dropping, and the sales of apparel started recovering.

Regarding precious metals, watches, brand-name bags, the sales of brand-name bags are contributing. The demand from foreign visitors to Japan remains healthy.

Sales by major product (year-on-year change)



(Domestic Directly Managed Stores, first half of FY 5/25 Trends by Product Category)

	YoY	Composition ratio
Books	102.8%	22.8%
Software media (music, videos, and video games)	99.5%	22.6%
Apparel	108.3%	12.0%
Precious metals, watches, brand-name bags	105.6%	9.2%
Trading cards and hobby goods	106.8%	20.1%
Home appliances, mobile phones	112.4%	5.0%
Sports and outdoor equipment	112.8%	3.5%
Other	119.7%	4.7%
Total	105.2%	100.0%

(2) Premium Services Business

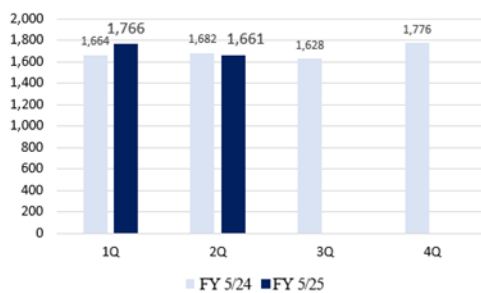
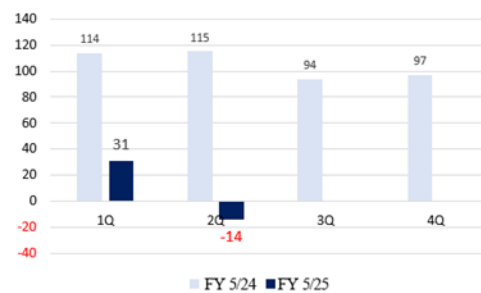
Sales increased, but profit decreased.

Procurement amount increased year on year thanks to the opening of stores in previous fiscal years, so sales grew, but after the release of news on the misconduct, the number of customers introduced by alliance partners, such as financial institutions, decreased, so the growth of procurement amount became sluggish.

Profit decreased, as sales efficiency did not improve, so the growth of sales and gross profit was limited, costs augmented due to the opening of new stores, and they increased employees for business growth. The augmentation of costs due to the revision of prices for transactions between segments, too, affected the performance, but this factor is temporary.

The company opened six new stores in the first half: two hugall stores and four BOOKOFF Purchasing Consultation Desk stores.

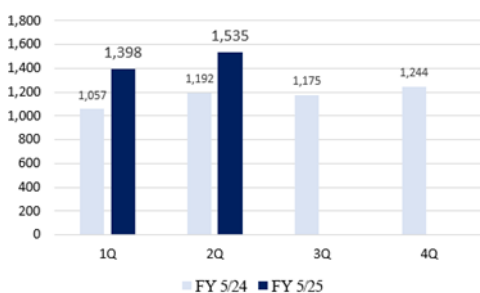
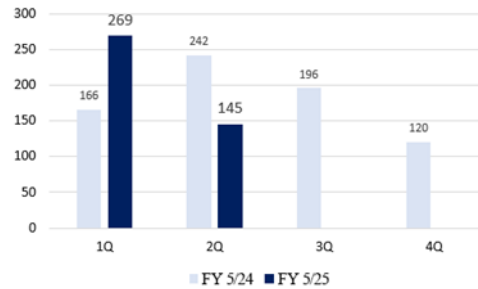
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Premium services business: Trends in sales
(Unit: million yen)Premium services business: Trends in segment profit
(Unit: million yen)**(3) Overseas Business**

Sales and profit increased.

Sales in the United States "BOOKOFF", and "Jalan Jalan Japan" in Malaysia and Kazakhstan increased due to growth in existing stores and store openings in the previous fiscal year. In the first half of this fiscal year, the sales of BOOKOFF USA grew 17.5% year on year and the sales of Jalan Jalan Japan (in Malaysia only) increased 19.4% year on year. In Kazakhstan, they incurred costs for developing a system for managing the established joint venture company and opening 3 directly managed stores, so the profit growth in the first half was slight and profit dropped in the second quarter (September-November).

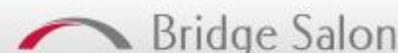
As directly managed stores, they opened a new BOOKOFF store in the U.S. and 5 new stores of Jalan Jalan Japan.

Overseas business: Trends in sales
(Unit: million yen)Overseas business: Trends in segment profit
(Unit: million yen)**[2-3 Financial Condition]****Financial Conditions**

	May 2024	November 2024	YoY		May 2024	November 2024	YoY
Current assets	32,208	32,962	+754	Current liabilities	20,551	19,007	-1,544
Cash and deposits	7,180	7,041	-139	Accounts payable-trade	783	907	+124
Accounts receivable-trade	3,397	3,608	+211	Short-term debt	11,580	10,631	-949
Inventories	18,825	19,159	+334	Non-current liabilities	13,483	16,396	+2,913
Non-current assets	22,334	23,444	+1,110	Long-term debt	10,801	13,674	+2,873
Property, plant and equipment	9,854	11,226	+1,372	Total liabilities	34,034	35,404	+1,370
Intangible assets	2,428	2,344	-84	Net assets	20,507	21,001	+494
Investments and other assets	10,052	9,873	-179	Retained earnings	13,534	13,952	+418
Guarantee deposits	7,311	7,341	+30	Treasury shares	-587	-587	0
Total assets	54,542	56,406	+1,864	Total liabilities and net assets	54,542	56,406	+1,864

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

BRIDGE REPORT



As they procured inventory, inventory assets increased. As tangible fixed assets grew through the opening of new stores, total assets rose 1.8 billion yen from the end of the previous fiscal year to 56.4 billion yen.

Total liabilities augmented 1.3 billion yen from the end of the previous fiscal year to 35.4 billion yen, due to the increase in long-term interest-bearing liabilities.

Net assets increased by 0.4 billion yen from the end of the previous fiscal year to 21.0 billion yen due to an increase in retained earnings.

The equity ratio decreased by 0.5 points from the end of the previous fiscal year to 36.6%.

◎ Cash Flows (CF)

	1H of FY 5/24	1H of FY 5/25	YoY
Operating cash flow (A)	220	935	+715
Investing cash flow (B)	-1,269	-1,763	-494
Free cash flow (A+B)	-1,049	-828	+221
Financing cash flow	2,068	658	-1,410
Cash and Equivalents at the end of term	6,616	7,041	+425

* Unit: million yen.

The cash inflow from operating activities increased and the deficit of free cash flow shrank, as interim net income before taxes and other adjustments rose and the increase in inventory assets shrank year on year.

The cash position improved.

[2-4 Topics]

(1) Measures for preventing the misconduct

In November 2024, they announced their measures for preventing the recurrence of the misconduct.

They are based on the report on the special investigation committee's investigation conducted from June to October 2024. There are four measures: (1) to revise rules for operations and strengthen their systems, (2) to tighten the checking process for controlling operations, (3) to revise the standards for staffing and evaluating personnel, and (4) to improve the levels of compliance with laws and regulations and corporate ethics. In addition to the measure of tightening control for preventing the misconduct, they will strengthen the system for detecting illegal acts and stick to the stance of eradicating all improper acts, to develop an environment that prevents any misconduct from being committed.

(1) Review of operational rules and strengthening of systems		Preventive workplace process measures based on the methods used for the fraudulent activity (Strengthen preventive checking activities)
(2) Reinforce checking activities concerning business operation controls		Measures to prevent and quickly discover improper behavior (Reinforce checking activities to discover problems)
(3) Review of personnel allocation and evaluation criteria	(4) Compliance and improvement of corporate ethics	Measures to make the implementation of preventive measures as effective as possible

(Source: the Company's material)

After announcing their measures for preventing the recurrence of the misconduct, they started full-scale activities for implementing and sharing them.

In the second quarter (September-November), they “revised rules for managing cash and deposits,” “replaced personnel for physical inventory check at the end of November,” “reviewed their management processes,” and “analyzed abnormal values at the headquarters.” For system development, they “listed projects,” and completed 5 out of 52 projects, and installed the completed systems. They have just started the above measures, but the measures for preventing the recurrence of the misconduct will be implemented on a full-scale basis from the third quarter, and it is forecast that costs or investments will amount to around 200 million yen in mainly the fourth quarter.

3. Fiscal Year ending May 2025 Financial Forecast

[3-1 Earning Forecasts]

	FY 5/24 Act.	Ratio to sales	FY 5/24 Est.	Ratio to sales	YoY	Progress rate
Sales	111,657	100.0%	120,000	100.0%	+7.5%	47.3%
Operating income	3,051	2.7%	3,500	2.9%	+14.7%	42.8%
Ordinary income	3,448	3.1%	3,800	3.2%	+10.2%	45.1%
Net income	1,705	1.5%	2,100	1.8%	+23.2%	43.4%

* Unit: million yen.

No change in earnings forecast. Sales and profits are expected to increase.

There is no change in the earnings forecast. The company forecasts sales of 120 billion yen, up 7.5% year on year, an operating income of 3.5 billion yen, up 14.7% year on year, and an ordinary income of 3.8 billion yen, up 10.2% year on year.

In the fiscal year ending May 2025, which is the second year of the mid-term management policy, the company will continue aggressively opening new stores in each of its businesses. It will accelerate the pace of new store openings in the premium services business and the overseas business, which are expected to grow.

In the BOOKOFF operations in Japan, depreciation from the large IT investment in the previous fiscal year and personnel and other expenses in each business will increase. Additionally, SG&A expenses will rise due to the cost of measures to prevent the recurrence of misconduct. However, the company expects an increase in profit due to new store openings in each business segment, the growth of existing BOOKOFF stores in Japan.

The key points are the recovery of procurement in the BOOKOFF operations in Japan and the premium services business, and the implementation of initiatives for preventing the recurrence of the misconduct.

It is projected that they will incur the costs for efforts to prevent the recurrence of the misconduct mainly from the third quarter.

The dividend amount is expected to be 25.00 yen/share, unchanged from the previous fiscal year. The expected payout ratio is 23.5%.

[3-2 Assumptions and forecasts]

(1) BOOKOFF operations in Japan

The company plans to open 6-8 new stores, including those replacing existing ones, across the BOOKOFF, BOOKOFF PLUS, and BOOKOFF SUPER BAZAAR brands. In the first half of this fiscal year, they steadily opened 5 stores.

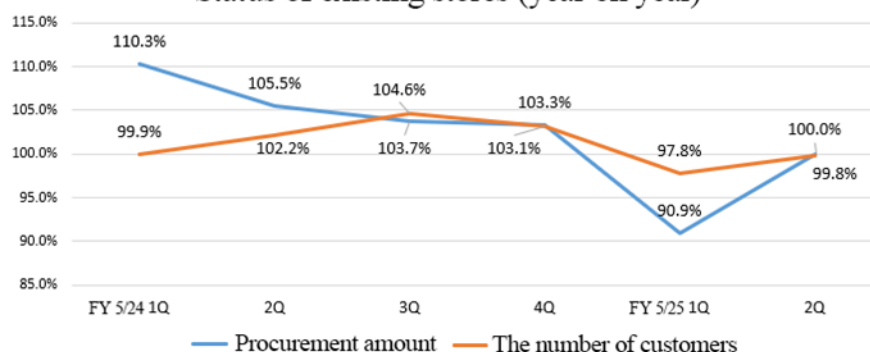
In addition to new store openings, it will continue implementing renovations at existing stores to strengthen the trading card and hobby goods and optimize overall store layouts. Given the company's focus on revitalizing existing trading card sales at existing stores, it will postpone new openings of its "ASO-VIVA" stores.

The company anticipates that the ratio of sales at directly managed stores to those in the previous year will be 105% in the first half, 102% in the second half, and 103.9% for the full year.

However, increased personnel costs due to aggressive store openings, higher software amortization expenses, and adjustments to intersegment transaction prices are projected to lead to a decrease in profit.

The procurement amount at existing stores dropped year on year significantly once in July 2024, but after that, it has been on a recovery track. The trend in the second half of this fiscal year will determine whether they will achieve the forecast performance.

Status of existing stores (year on year)



(2) Premium Services Business

While they planned to open 11 stores, they opened 6 stores in the first half of this fiscal year, showing a steady progress.

In addition to continuing to open new stores, the company will also focus on securing and training human resources, an important measure, and expects a decrease in profit due to the revision of transaction prices between segments.

The degree of recovery of procurement amount will determine whether they will achieve the forecast performance.

(3) Overseas Business

While they planned to open 12 directly managed stores (4 in Malaysia, 5 in Kazakhstan, and 3 in the U.S.), they opened 7 stores (6 directly managed stores and 1 FC store) in the first half of this fiscal year.

The company anticipates increased revenue and profits due to the positive impact of our previous store openings.

(4) Other

While Japan TCG Center planned to open 4 stores, they opened 2 stores in the first half of this fiscal year.

4. Mid-term Management Policy and its Progress**[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.

In this context, the company is undergoing trial and error to restructure its business foundation by strengthening the collaboration between its e-commerce website, BOOKOFF Official Online Store, and its physical stores, launching a premium service for high-value items and establishing new BOOKOFF Purchasing Consultation Desk stores specialized in purchasing.

Although the COVID-19 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 2023), the size of the Japanese reuse market increased from 1.1 trillion yen in 2009 to 2.9 trillion yen in 2022. The market scale is expected to expand further to reach 4.0 trillion yen in 2030.

[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."

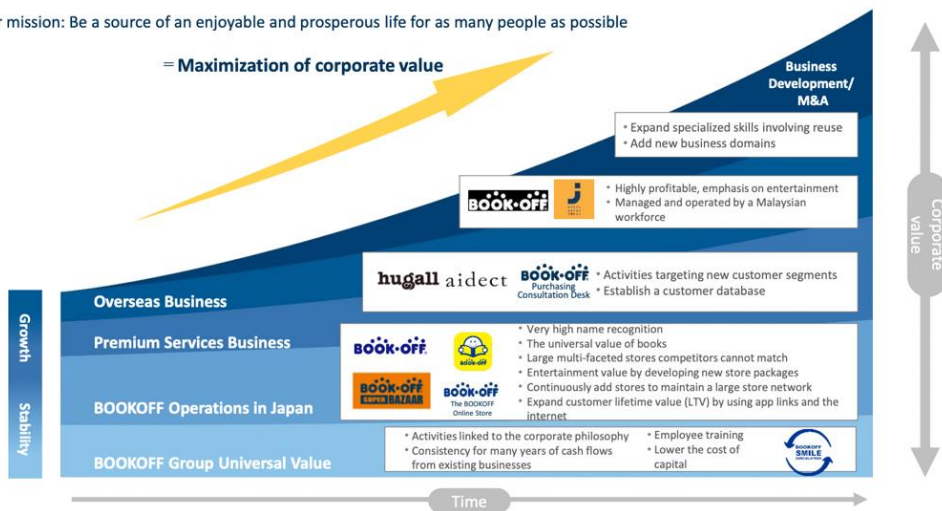
BRIDGE REPORT

The BOOKOFF Group Value Creation Map

BOOKOFF GROUP HOLDINGS

Our mission: Be a source of an enjoyable and prosperous life for as many people as possible

= Maximization of corporate value



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(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.”

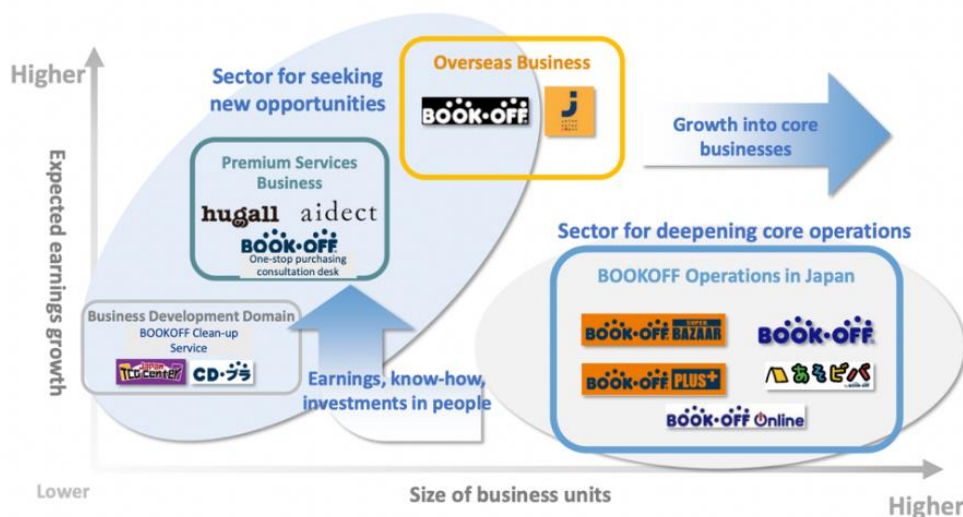
(2) Categorization of Each Business

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.

Business Strategy

BOOKOFF GROUP HOLDINGS



- ✓ Building a business portfolio resilient to changes in the business climate by shifting the deployment of people, money and know-how from the deepening sector to the opportunity sector

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(Source: the Company's material)

The company faced difficulty, which is the recording of loss, in the BOOKOFF operations in Japan, 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.



(Source: the Company’s material)

◎ Products

The company will expand the diversity of items in order to satisfy regional preferences with books being the core product.

*Regarding books

Market environment and the company’s status

Partially due to the sluggish sales of newly published books, the sales of used books of the company (at all directly managed stores) decreased 6% between 2019 and 2023. The sales recovered temporarily due to the demand from housebound customers amid the COVID-19 pandemic, and became sluggish again after the subsiding of the pandemic, so the sales declined 2.5% year on year in 2023, but in the first half of fiscal year ending May 2025, the sales rebounded 2.8% year on year.

The number of newly published books sold is sluggish, but the average unit price rose 9% between 2019 and 2023. The selling price of the company increased 11%, showing a higher rate of rise than the market average.

BRIDGE REPORT



The company's initiatives

Books 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. They engage in various measures for maintaining the gross profit from books, such as appropriate pricing, the improvement in convenience of purchase of used books, visualization of inventory, and the improvement in information retrieval efficiency.

•Price policy

The company aims to increase the average spending per customers, by raising the ratio of mid- and high-priced books. Regarding the variation in sales of products in each price range, the sales growth rate between the first half of fiscal year ended May 2023 and the first half of fiscal year ending May 2025 was negative 22% for products priced at 220 yen or lower, 19% and 7% for products priced at 221-999 yen and 1,000 yen or higher, respectively, and 4% for overall performance. As a result, the ratio of sales of products in each price range became as follows. Products priced at 220 yen or lower account for 17%, down 6%; products priced at 221-999 yen account for 36%, up 4%; and products priced at 1,000 yen or higher make up 47%, up 1%.

In order to increase the ratio of mid- and high-priced products, they implement measures for buying used items at high prices, such as the announcement of talked-about books and books that are to be made into a movie or TV program that they would purchase at high prices at their stores and e-commerce website, and the development of selling spaces where such books are showcased as items they would buy at high prices. As a result, the inventory of high-quality products that are mid- or high-priced increased, and the average selling price increased more significantly than newly published books and the sales of used books were larger than those of newly published books.

•Utilization of a smartphone app

The utilization of digital technology has contributed to the growth of sales of books.

The number of official smartphone app members as of the end of November 2024 was over 8.11 million. Over 70% of customers who use the official website via a smartphone app receive books at a real store. In addition, over 30% of customers receiving books at a real store purchase other books there. The sales of books received at a real store have been increasing steadily year by year.

With their official smartphone app, they have enabled customers to receive products at a real store, make their used items purchased cashless, and so on, anytime, anywhere. Like this, the company offers the value of unique experience to customers.

Future outlook

Due to the stagnant sales of newly published books, the ratio of sales of books and software media is projected to decline year by year while the total sales of the company will grow. However, they will remain core products. Their basic strategy is to expand sales and profit by releasing products other than books and software media.

*Other products

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 further strengthen sale with such efforts as increasing the number of stores that handle such items and developing store packages specializing in them.

They will deal in more apparel products that are mid- or high-priced.

Regarding brand-name bags and precious metals, the company operates a Specialist System, an in-house certification system.

In the purchase of brand-name bags and precious metals, not only the price but also the attitude of the clerk who deals with the customer is an important factor. Thus, the company has implemented certification exams for its staff on customer services and product knowledge (watches, brand-name bags) to enhance the overall quality of its service.

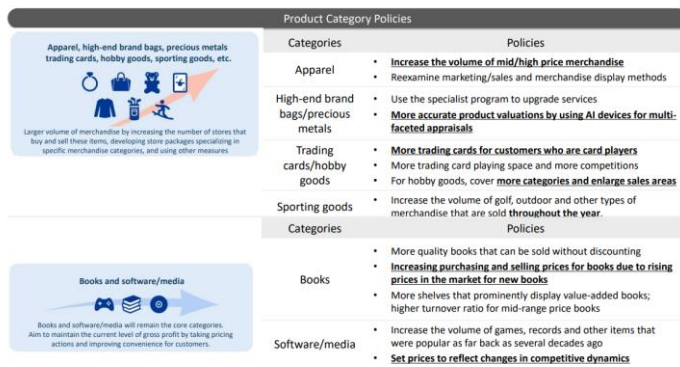
They will also make efforts to improve the precision of appraisal by appraising used items from multiple aspects by utilizing AI equipment.

BRIDGE REPORT



BOOKOFF Operations in Japan Product Category Policies

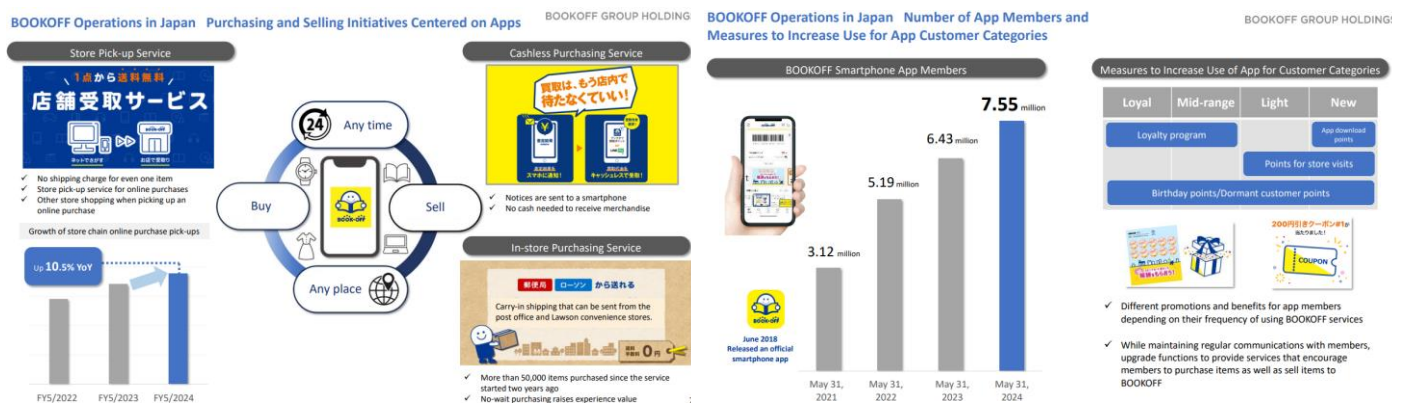
BOOKOFF GROUP HOLDINGS



(Source: the Company's material)

◎ Strengthening and expanding the contact points with customers

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)

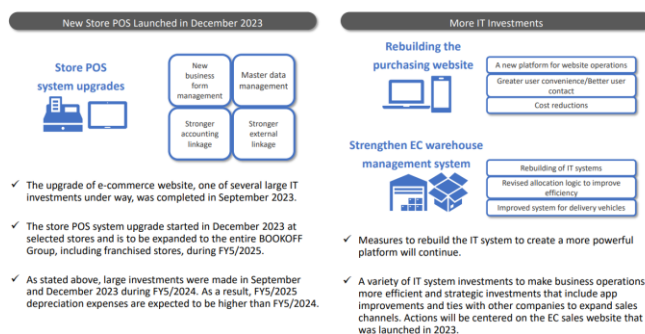
As mentioned above, the company had 8.11 million app subscribers as of the end of November 2024. The growth in the number of app users is beginning to translate into increased use of the company's various unique services and increased revenues.

Although the number of app users is on track to reach 10 million, the company will continue to focus on expanding MAU (Monthly Active Users) by providing enhanced functions and high-quality customer experience rather than just focusing on increasing the number of subscribers.

◎ IT Investment

BOOKOFF Operations in Japan Progress with IT Investments

BOOKOFF GROUP HOLDINGS



(Source: the Company's material)

BRIDGE REPORT



Among its major IT investment projects, the updating of the e-commerce website was completed in September 2023. The in-store POS system upgrade was released in December 2023 and has already been installed in pilot stores. The company plans to gradually roll out this system to all stores, including franchised stores, throughout the fiscal year ending May 2025.

Moving forward, it will focus on developing a purchase website and strengthening its e-commerce warehouse system.

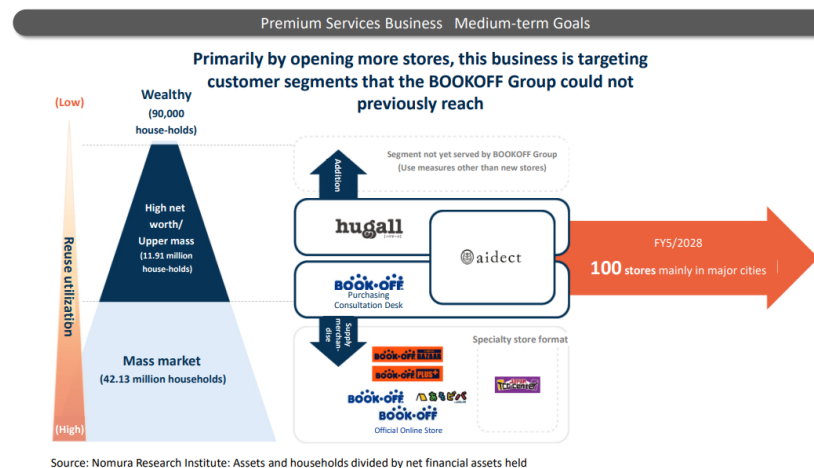
The depreciation arising out of IT-related investments is expected to reach a peak in fiscal year ending May 2025 or fiscal year ending May 2026.

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.

In order to establish 100 stores in mainly major cities by fiscal year ending May 2028, they started accelerating the opening of stores in fiscal year ending May 2025.

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.



(Source: the Company's material)



(Source: the Company's material)

Products sourced from hugall are primarily sold BtoB, with a focus on quickly converting high-priced items into cash to improve turnover rather than pursuing high profit margins.

Products purchased at the BOOKOFF Purchasing Consultation Desk are sold mainly through the company's own e-commerce website "Rehelo" and through BOOKOFF SUPER BAZAAR, a BOOKOFF operations in Japan.

BRIDGE REPORT



Since the revamping in January 2023, the e-commerce website “Rehello” has seen a significant expansion in its product offerings and features. This has led to a 39% increase in sales in the fiscal year ended May 2024. To further enhance customer convenience and drive sales, the company introduced a new in-store pickup service that allows customers to view and purchase items they are considering on the “Rehello” website at a designated store.

Based on the brand concept of offering reliable purchase services to users who are not accustomed to selling used items and realizing a “place” where they can encounter something new, they decided to rename the BOOKOFF Purchasing Consultation Desk for purchase “Rehello” like their e-commerce website (the new name is scheduled to be used next fiscal year).

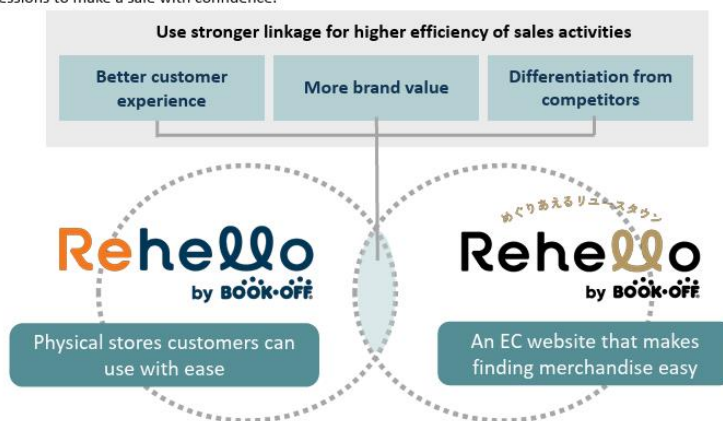
They aim to improve the efficiency of sale by enhancing the linkage between real stores that can be casually visited by customers and the e-commerce website where customers can search for products easily.

Premium Services Business Rebranding as Rehello

BOOKOFF GROUP HOLDINGS

The Rehello Brand Concept

Rehello stands for **places where people can enjoy entirely new experiences**, enabling even individuals not accustomed to selling their possessions to make a sale with confidence.



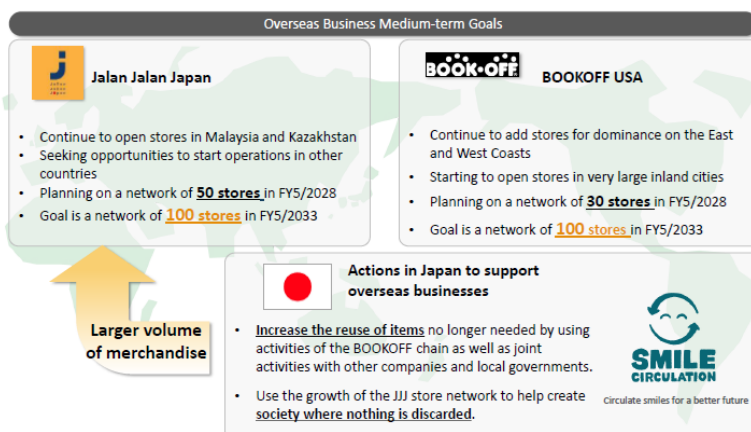
(Source: the Company's material)

③ Overseas Business

The company will aggressively open new stores in Malaysia, Kazakhstan, and the United States. They will also strive to brush up the ability to supply products.

Overseas Business Medium-term Goals

BOOKOFF GROUP HOLDINGS



(Source: the Company's material)

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◎ 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 fiscal year ending May 2028 and to 100 by the fiscal year ending May 2033. Given the high level of trust and popularity of Japanese products in Kazakhstan, the company foresees growth. Thus, it plans to expand its presence there while implementing appropriate risk management measures.

In September 2024, they developed a business model of specializing in apparel, in addition to the conventional operation of stores dealing in a broad range of products. At present, they operate 2 stores in Malaysia and 3 stores in Kazakhstan.

The clothes sent from Japan are washed in each country, and sold as high-quality used clothes that have no wrinkles or odor. They create proposal-based selling spaces with visual merchandising focused on visual elements as the know-how of the corporate group. Another characteristic is the development of enjoyable selling spaces targeted at families, which is the forte of existing stores of Jalan Jalan Japan.

JJJ The Mines Mall store (opened on Sep. 12, 2024)



(Source: the Company's material)

They believe that the provision of unprecedented value in Malaysia will lead to the cultivation of new markets in the mature field of used clothing in Malaysia.

The opening of new stores of Jalan Jalan Japan has been restricted by the necessity to secure miscellaneous goods, but stores specializing in apparel can be opened at an accelerated pace, because they can utilize plentiful clothes from Japan. From now on, they will open both general stores and apparel stores.

◎ 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 fiscal year ending May 2028 and 100 stores by the fiscal year ending May 2033.

BOOKOFF Massapequa store (opened on June 28, 2024)



(Source: the Company's material)

BRIDGE REPORT



In order to expand the market and streamline store operations, they will polish the capability of managing local human resources and improve operations and customers' experiences. In order to keep opening stores to increase the number of stores to 100, it is necessary to secure real estate throughout the U.S., so they will conduct surveys more actively.

For management and personnel development, they will promote at least three employees to store managers in Japan and the U.S. and hold training for developing new stores in Arizona.

For developing stores and selling products, they will revise the rules for display, promote the creation of efficient selling spaces, update store equipment, such as product description tools for enhancing the effect of sales promotion, revise the methods for selling anime goods, approach new customers, and integrate systems for purchase and appraisal.

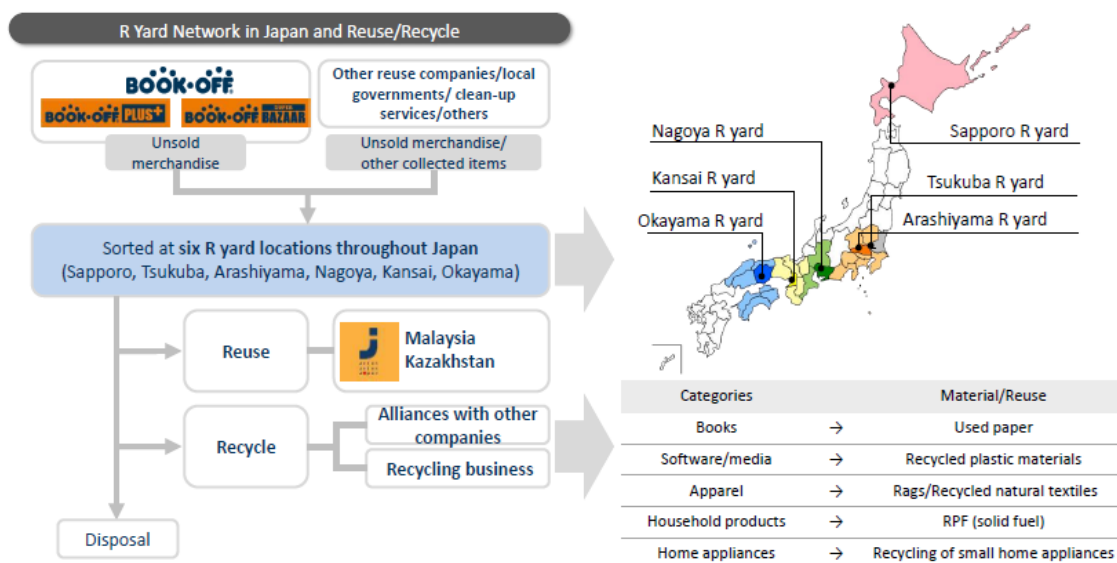
◎ Strengthen the supply capability

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.

The company is considering expanding the number of its R yards, which are currently located at six sites nationwide and are used for sorting merchandise.

Overseas Business Jalan Jalan Japan R Yard Network in Japan and Reuse/Recycle BOOKOFF GROUP HOLDINGS



(Source: the Company's material)

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.

The company plans to open four new stores in the fiscal year ending May 2025 and plans to operate about ten stores over the medium term while monitoring efficiency and profitability.

*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.

BRIDGE REPORT



*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]

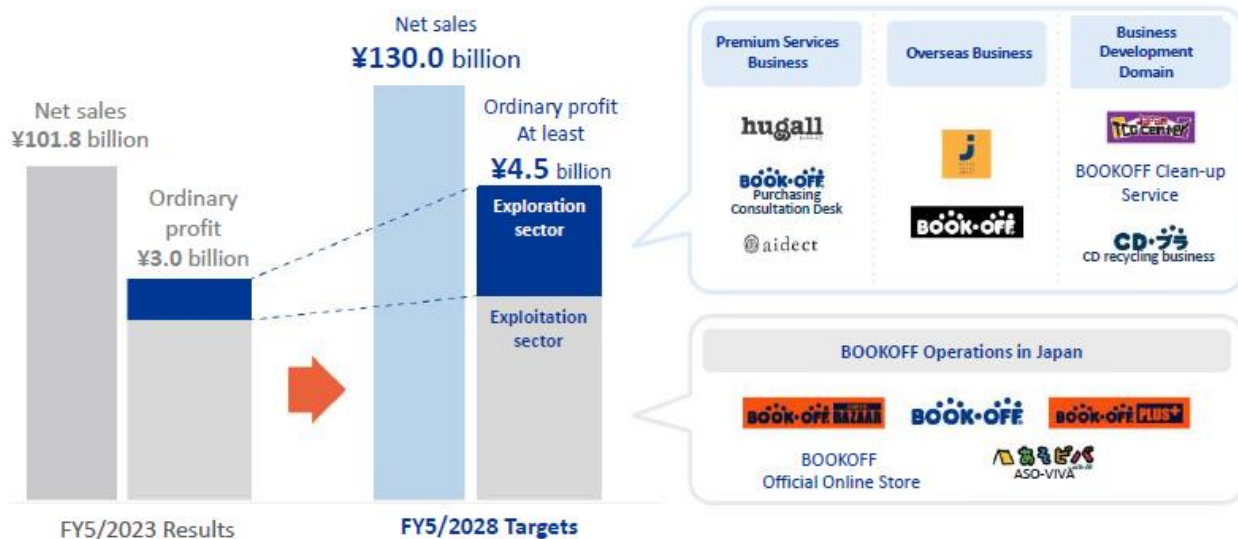
◎ Profit Expansion

The company's numerical goals are "sales of 130 billion yen and an ordinary income of over 4.5 billion yen" in the fiscal year ending May 2028.

By steadily generating profit from core business areas and accelerating profit growth in high-profitability exploration areas to increase their contribution to overall profits, the company aims to significantly exceed its previous record-high ordinary income of 3.8 billion yen and improve its consolidated profit margin.

Sales and Profit Targets and Outlook

BOOKOFF GROUP HOLDINGS



- ✓ The goal is earnings far above the previous record (ordinary profit of ¥3.8 billion) by increasing earnings in the exploration sector.
- ✓ Planning to increase consolidated profitability by raising the percentage of earnings from businesses in the exploration sector, which have high profit margins.

(Source: the Company's material)

◎ Financial Policies with Capital Cost in Mind

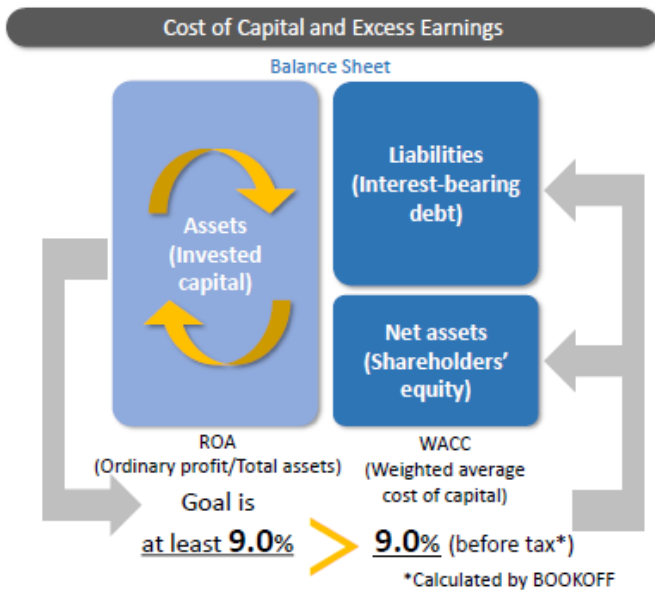
The company's target of return on asset (ROA) for the fiscal year ending May 2028 is 9.0% or higher.

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.

BRIDGE REPORT



*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. Interview with President Horiuchi

We asked President Horiuchi about an overview of the financial results for the first half of the fiscal year ending May 2025.

Q: Please tell us your evaluation of the financial results for the first half of the fiscal year ending May 2025.

While operating income increased significantly by 171.9% year on year in the first quarter (June-August), it decreased 40.6% year on year in the second quarter (September-November). This is due to several factors, including the fact that the investigation into the fraud case in the first quarter made it impossible to carry out business promotion activities as planned, resulting in costs being pushed back to the second quarter, and the fact that aggressive opening of stores, including the large-scale BOOKOFF SUPER BAZAAR, was carried out in the second quarter.

Although some aspects of the business in the first and second quarters fell short of expectations, the overall results were largely in line with expectations, with increased sales and profit.

Q: Could you also comment briefly on each of your businesses?

(1) BOOKOFF operations in Japan

In the first half, sales of all products, excluding software media such as music, videos, and games, exceeded those in the same period of the previous year, and sales of books, which are our core products, exceeded those in the same period of the previous year for the fourth consecutive quarter.

The number of newly published paper-based books sold is declining, and we believe that a long-term downtrend is inevitable. However, while the average sales price of new books across the market has increased 9% from 2019, our sales price has increased 11%, exceeding the market average.

While we are narrowing down low-priced products price at 220 yen or lower, such as pocket books, we aim to increase the proportion of medium- and high-priced products priced at 221 yen or higher, thereby raising the average unit price and expanding gross profit. To achieve this, we are implementing measures of buying used books at high prices, such as advertising items that would be purchased at high prices at our stores and e-commerce websites for popular works, mainly business books, and books that are to be made into films or TV programs, and developing sales areas using such works as samples. This has been successful, and we have been able to secure an inventory of high-quality medium- and high-priced products, achieving an increase in average selling price and secure procurement amount that exceed those of new books.

In addition, the use of digital technology is also contributing to the expansion of book sales.

BRIDGE REPORT



As of the end of November 2024, the number of official smartphone app members exceeded 8.11 million, and of those customers who use the official website via the smartphone app, more than 70% pick up products at a real store. In addition, the ratio of customers who make additional purchases at the time of store pickup exceeds 30%, and the sales of books through store pickup are steadily increasing every fiscal year.

The fields of books and software media will not grow significantly, but they still have value as an entry point to the reusable product business, so we will continue to pursue growth by securing sales and profit through the measures mentioned above while expanding the market share of reusable products other than books and software media.

(2) Premium services business

Since the release of the information about the fraudulent activity, the growth of purchases has slowed down due to the impact of factors such as a decrease in the introduction of customers from partners who have wealthy customers, such as banks and real estate companies, and a temporary halt in partnership negotiations.

In this business, we sell purchased products through three routes.

The first is sale through secondhand markets, mainly for high-priced items, which have been significantly affected by the decrease in the introduction of customers.

The second is sale through the BOOKOFF operations in Japan. This has not been significantly affected.

The third is Rehello, an e-commerce website focused on mid-priced apparel and fashion accessories. At Rehello, we aimed to improve sales efficiency through changes to the operating system, but despite the increase in logistics volume, sales efficiency did not improve as much as expected in terms of product listing work, pricing, and website traffic, and the growth of sales and gross profit was limited.

(3) Overseas business

In September 2024, Jalan Jalan Japan developed stores specializing in apparel, which differ from its conventional stores with a comprehensive product lineup, and opened its first store in Kazakhstan. Currently, we operate two stores in Malaysia and three stores in Kazakhstan.

In the case of operating stores with a full product lineup, apparel tends to become excessive due to variations in product supply. While we were thinking about how to utilize this apparel, we found that winter clothing is very popular in Kazakhstan, which has a high latitude, so we took on the challenge of developing stores specializing in apparel.

In addition to the stores with a comprehensive product lineup, we believe that the development of apparel stores that are relatively smaller will further accelerate the pace of store opening in overseas business.

In the U.S., in addition to continuing to open dominant strategy-based stores on the East and West Coasts, we will begin expanding into megacities centered on state capitals in the inland region.

To expand our market reach and boost store efficiency, we are investing in the development of our local management teams. Our goal is to have 100 stores, and to achieve that, we will need to secure locations across the U.S., not just in major cities. That means we will be ramping up our site selection efforts. Our business expansion in the U.S. will continue with two store formats: full-line BOOKOFF stores and specialized anime and figure shops.

Q: Please tell us about the key points for achieving the full-year forecast.

Regarding measures to prevent the recurrence of misconduct, we expect that costs and investments of about 200 million yen will be incurred, mainly in the fourth quarter, with full-scale implementation starting in the third quarter.

In this situation, the most crucial point is the degree of recovery in purchases in the BOOKOFF operations in Japan and the premium services business.

Although there are some uncertain factors, such as the impact of the fraud problem in the premium services business, we will make efforts to recover by implementing various measures.

6. Conclusions

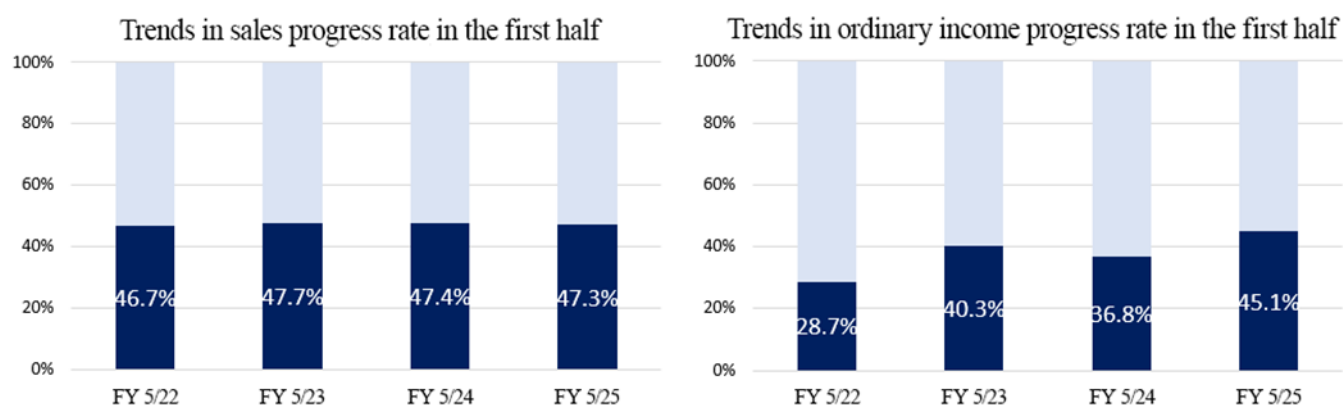
The rate of progress toward the annual forecast in the first half of this fiscal year is 47.3% for sales and 45.1% for ordinary income, which sales are almost as usual as previous years, and ordinary income is at a high level.

In the BOOKOFF operations in Japan, which accounts for about 90% of sales and about 80% of profit, procurement amount dropped significantly due to the misconduct in the fiscal year ended July 2024, but it started recovering, and the sales at existing stores remain healthy, so it is highly likely that they will reach the earnings forecast.

In the growing fields, the overseas business is performing well, but there is concern over the premium services business, because competition is getting fiercer and it has been affected by the impact of the misconduct.

Their brand redevelopment seems to be intended also for taking a step toward the expansion of the premium services business.

We would like to pay attention to the situation of the premium services business from the third quarter.



*Figures from FY 5/22 to FY 5/24 are the ratios of first-half results to full-year results

<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 directors (including 4 independent executives)
Audit and supervisory committee members	4 members, including 3 outside directors (including 2 independent executives)

◎ Corporate Governance Report: Updated on November 26, 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>

BRIDGE REPORT



[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 2024.

■ Financial Results for the Fiscal Year Ended May 31, 2024

<https://ssl4.eir-parts.net/doc/9278/tdnet/2510545/00.pdf>

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