



November 12, 2018

# **Consolidated Summary Report** **For the Second Quarter of the Fiscal Year Ending March 31, 2019** **[Japanese GAAP]**

Company Name: BOOKOFF GROUP HOLDINGS LIMITED (BOOKOFF CORPORATION LIMITED) Stock Exchange: Tokyo  
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Quarterly Report issue date: November 14, 2018  
Dividend payment date: -  
Supplementary materials for quarterly financial results: Yes  
Quarterly financial results briefing: Yes

(Amounts less than one million yen are rounded down)

## **1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2019** **(April 1, 2018 - September 30, 2018)**

(1) Consolidated Results of Operations (Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %
Six months ended Sep. 30, 2018	38,953	(0.7)	549	-	897	430.3	441	-
Six months ended Sep. 30, 2017	39,211	(0.1)	(67)	-	169	-	(715)	-

(Note) Comprehensive income Six months ended Sep. 30, 2018: ¥442 million (n.a.)  
Six months ended Sep. 30, 2017: ¥(662) million (n.a.)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2018	21.47	-
Six months ended Sep. 30, 2017	(34.83)	-

(Note) The consolidated results of operations of BOOKOFF CORPORATION LIMITED (the "BOOKOFF Corporation") are presented.

## **(2) Consolidated Financial Condition**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2018	41,069	13,545	32.6
As of Mar. 31, 2018	47,882	13,307	27.5

(Reference) Shareholders' equity As of Sep. 30, 2018: ¥13,394 million As of Mar. 31, 2018: ¥13,166 million

- (Notes) 1. The consolidated financial condition of BOOKOFF Corporation is presented.  
2. Starting with the beginning of the first quarter of the current fiscal year, BOOKOFF GROUP HOLDINGS (the "Company") has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc. Prior-year figures have been adjusted retroactively.

## **2. Dividends**

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2018	-	-	-	10.00	10.00
Fiscal year ending Mar. 31, 2019	-	-	-	-	-
Fiscal year ending Mar. 31, 2019 (est.)	-	-	-	10.00	10.00

(Note) Revisions to the most recently announced dividend forecast: None

- (Notes) 1. Dividends paid from BOOKOFF Corporation are presented for the fiscal year ended March 31, 2018.  
2. The Company's dividend forecast is presented for the fiscal year ending March 31, 2019.

## **3. Consolidated Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 - March 31, 2019)**

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %	Million yen	YoY change %	Yen
Full year	80,500	0.6	1,100	79.2	1,600	46.4	1,300	-	67.52

(Note) Revisions to the most recently announced consolidated earnings forecasts: Yes

(Note) The Company's consolidated forecast for the fiscal year ending March 31, 2019 is presented.

Notes:

1. Significant changes in subsidiaries during the period (changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

New: - (company name) Excluded: - (company name)

2. Application of special accounting methods for presenting quarterly consolidated financial statements: None

3. Changes in accounting policies and accounting-based estimates, and restatements

(1) Changes due to revision of accounting standards: None

(2) Changes due to other reasons: None

(3) Changes in accounting-based estimates: None

(4) Restatements: None

4. Number of shares outstanding (common shares)

(Shares)

(1) Shares outstanding (including treasury shares)	As of Sep. 30, 2018	20,547,413	As of Mar. 31, 2018	22,573,200
(2) Treasury shares	As of Sep. 30, 2018	-	As of Mar. 31, 2018	2,025,785
(3) Average number of shares outstanding	Six months ended Sep. 30, 2018	20,547,414	Six months ended Sep. 30, 2017	20,547,418

\* The current summary report is not subject to the quarterly review by certified public accountants or auditing firms.

\* Cautionary statement regarding forecasts of operating results and special notes

(Forward-looking statements)

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. This report is not promises by the Company regarding future performance. Actual results may differ materially from those projected in the forward-looking statements due to a variety of factors. Please see "1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements" on page 3 of the attachments for items pertaining to the forecast stated above.

(How to view supplementary materials for quarterly financial results)

Supplementary materials for the quarterly financial results will be disclosed today (November 12, 2018), using the Timely Disclosure network (TDnet).

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

Since the start of operations, the BOOKOFF Group has always been guided by the two corporate philosophies of “contributing to society through our business activities” and “the pursuit of employees’ material and spiritual wellbeing.” We are currently implementing a medium-term business plan that ends in the fiscal year ending in March 2021, when we will celebrate our 30th anniversary. We are rededicating ourselves to our corporate philosophies and focusing our activities on the mission of “being a source of an enjoyable and prosperous life for many people.”

Based on this mission, we will use our strengths in Japan’s growing reuse market to become the leading reuse company with books as the core category. Our goal is to become the reuse store chain used by the largest number of customers as we adapt to changes in market conditions.

We have established two core strategies in order to accomplish this goal.

#### Core strategy I: Upgrade individual stores

We believe that upgrading reuse services in both our retail format and Internet platform is the starting point for becoming Japan’s leading reuse company that serves the largest number of customers. We are working on improvements for all store format packages and services.

#### Core strategy II: Use all the BOOKOFF Group’s strengths

In the past, the BOOKOFF Group provided separate services at stores and through channels other than stores. Now, we are creating an integrated framework that combines the platforms for members and buying and selling merchandise with systems that support these activities and with other items. In addition, every service will make full use of member and merchandise information, operational expertise, and other resources we have accumulated in each service category. The objective of these activities is to operate as “One BOOKOFF.”

There were many activities during the first half for accomplishing these strategic goals. In the Reuse Store Business, more merchandise categories were added to stores to reflect the characteristics of each store’s market, a new store BINGO Shibuya MODI was opened, and the third Jalan Jalan Japan store was opened in Malaysia. In the BOOKOFF Online Business, there were measures for improving the efficiency of distribution warehouse operations. As the first step toward achieving the “One BOOKOFF” concept, membership IDs in the BOOKOFF Online Business and at BOOKOFF stores were integrated and BOOKOFF released an official app.

As a result of these efforts, consolidated net sales amounted to ¥38,953 million, which was a 0.7% decrease from the same period of the previous fiscal year. The Group recorded an operating profit of ¥549 million (compared with an operating loss of ¥67 million in the same period of the previous fiscal year), an ordinary profit of ¥897 million (a 430.3% increase), and profit attributable to owners of parent of ¥441 million (compared with a loss of ¥715 million in the same period of the previous fiscal year).

Business segment sales were as follows:

#### (Reuse Store Business)

The segment recorded net sales of ¥34,841 million for the first half, which was a 1.4% increase compared with the same period of the previous fiscal year.

During the first half, two directly operated stores and one franchise store were opened. (There were six closings of directly operated stores and 14 closings of franchise stores).

The main reasons for the increase in sales were higher sales of software media at existing BOOKOFF stores, the opening of comprehensive large-format stores in the previous fiscal year, and the consolidation of Manas Co., Ltd. and BOK MARKETING SDN.BHD. in the previous fiscal year.

#### (BOOKOFF Online Business)

The segment recorded net sales of ¥3,615 million for the first half, which was a 19.3% increase compared with

the same period of the previous fiscal year.

Sales growth was attributable primarily to higher E-commerce website sales and the expansion of sales channels in the previous fiscal year to include Yahoo Shopping, Amazon and other platforms.

(Other)

The segment recorded net sales of ¥495 million for the first half, which was a 23.5% decrease compared with the same period of the previous fiscal year. (Two directly operated store were closed).

First half consolidated sales decreased 0.7% from the same period of the previous fiscal year. This main reason is the termination of the special event sales business operated by the HUGALL Business in the previous fiscal year.

## (2) Explanation of Financial Position

Starting with the beginning of the first quarter of the current fiscal year, the Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018), etc. Prior-year figures have been adjusted retroactively in order to facilitate comparisons.

Assets, Liabilities and Net Assets at the End of the Second Quarter

(Current Assets)

Current assets at the end of the second quarter were ¥24,933 million, a decrease of ¥5,828 million compared with ¥30,762 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥5,899 million in cash and deposits resulting from the early redemption of bonds with share acquisition rights.

(Non-current Assets)

Non-current assets at the end of the second quarter were ¥16,136 million, a decrease of ¥983 million compared with ¥17,120 million at the end of the previous fiscal year. This was mainly due to decreases of ¥455 million in property, plant and equipment, ¥39 million in intangible assets, and ¥488 million in investments and other assets.

(Liabilities)

Liabilities at the end of the second quarter were ¥27,524 million, a decrease of ¥7,049 million compared with ¥34,574 million at the end of the previous fiscal year. Bonds with share acquisition rights decreased ¥7,700 million due to the early redemption, income taxes payable decreased ¥181 million after the payment of income taxes, and accounts payable-trade decreased ¥110 million, while loans payable increased ¥1,406 million.

(Net Assets)

Net assets at the end of the second quarter were ¥13,545 million, an increase of ¥237 million compared with ¥13,307 million at the end of the previous fiscal year. This was mainly due to dividend payments while there was a booking of profit attributable to owners of parent.

## (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

The consolidated forecast for the fiscal year ending March 31, 2019, which was announced on May 10, 2018 by BOOKOFF Corporation, has been revised. For more information, please refer to the press release titled “Notice of Revisions to Consolidated Forecasts” (Japanese version only) dated November 12, 2018.

## 2. Quarterly Consolidated Financial Statements and Notes

### (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	FY3/2018 (As of Mar. 31, 2018)	Second quarter of FY3/2019 (As of Sep. 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	13,860,355	7,960,710
Notes and accounts receivable-trade	1,488,764	1,382,625
Merchandise	12,949,201	12,788,496
Other	2,465,649	2,803,202
Allowance for doubtful accounts	(1,761)	(1,239)
Total current assets	30,762,210	24,933,796
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,030,287	3,730,453
Leased assets, net	1,587,494	1,419,382
Other, net	893,256	905,613
Total property, plant and equipment	6,511,038	6,055,450
Intangible assets		
Goodwill	138,218	112,484
Other	1,165,461	1,151,556
Total intangible assets	1,303,680	1,264,040
Investments and other assets		
Guarantee deposits	7,940,492	7,571,951
Other	1,439,330	1,321,858
Allowance for doubtful accounts	(74,458)	(77,193)
Total investments and other assets	9,305,364	8,816,616
Total non-current assets	17,120,082	16,136,107
<b>Total assets</b>	<b>47,882,293</b>	<b>41,069,904</b>

	(Unit: thousand yen)	
	FY3/2018 (As of Mar. 31, 2018)	Second quarter of FY3/2019 (As of Sep. 30, 2018)
<b>Liabilities</b>		
Current liabilities		
Accounts payable-trade	452,354	342,086
Short-term loans payable	5,386,680	7,800,000
Current portion of long-term loans payable	4,966,884	4,188,054
Current portion of bonds with share acquisition rights	7,700,000	-
Lease obligations	388,181	347,451
Income taxes payable	666,342	484,808
Provision for bonuses	298,246	320,534
Provision for sales rebates	680,369	618,484
Provision for shareholder benefit program	90,683	46,845
Provision for loss on store closing	55,389	36,547
Provision for loss on disaster	-	13,251
Other	4,065,439	3,920,596
Total current liabilities	24,750,570	18,118,660
Non-current liabilities		
Long-term loans payable	6,268,059	6,039,709
Provision for loss on store closing	35,087	38,438
Asset retirement obligations	1,785,050	1,759,760
Lease obligations	1,306,364	1,168,422
Other	429,428	399,803
Total non-current liabilities	9,823,989	9,406,133
Total liabilities	34,574,559	27,524,794
<b>Net assets</b>		
Shareholders' equity		
Capital stock	3,652,394	3,652,394
Capital surplus	4,192,922	3,846,183
Retained earnings	6,605,076	5,931,860
Treasury shares	(1,255,575)	-
Total shareholders' equity	13,194,817	13,430,437
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	81,345	91,716
Foreign currency translation adjustment	(110,021)	(127,209)
Total accumulated other comprehensive income	(28,676)	(35,492)
Non-controlling interests	141,592	150,165
Total net assets	13,307,733	13,545,110
Total liabilities and net assets	47,882,293	41,069,904

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Six-month Period)

(Unit: thousand yen)

	First six months of FY3/2018 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/2019 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	39,211,627	38,953,555
Cost of sales	16,169,734	15,771,021
Gross profit	23,041,892	23,182,534
Selling, general and administrative expenses	23,109,808	22,633,187
Operating profit (loss)	(67,916)	549,347
Non-operating income		
Rent revenues on facilities	8,717	139,650
Gain from installment of vending machine	71,301	67,644
Gain on sales of recycling goods	189,041	182,760
Other	86,725	190,300
Total non-operating income	355,786	580,355
Non-operating expenses		
Interest expenses	88,281	78,563
Share of loss of entities accounted for using equity method	1,281	87
Rent expenses on facilities	2,429	129,413
Other	26,718	24,636
Total non-operating expenses	118,710	232,701
Ordinary profit	169,159	897,001
Extraordinary income		
Gain on sales of non-current assets	-	61,069
Gain on bargain purchase	20,476	-
Gain on transfer of store	-	26,129
Total extraordinary income	20,476	87,198
Extraordinary losses		
Loss on valuation of investment securities	1,322	-
Loss on closing of stores	-	22,202
Provision for loss on store closing	18,418	32,012
Loss on retirement of non-current assets	5,263	11,955
Impairment loss	509,467	33,110
Loss on disaster	-	3,192
Provision for loss on disaster	-	13,251
Total extraordinary losses	534,471	115,724
Profit (loss) before income taxes	(344,834)	868,475
Income taxes-current	221,110	295,778
Income taxes-deferred	139,979	122,266
Total income taxes	361,089	418,045
Profit (loss)	(705,924)	450,430
Profit attributable to non-controlling interests	9,649	9,334
Profit (loss) attributable to owners of parent	(715,574)	441,095



Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Unit: thousand yen)

	First six months of FY3/2018 (Apr. 1, 2017 – Sep. 30, 2017)	First six months of FY3/2019 (Apr. 1, 2018 – Sep. 30, 2018)
Profit (loss)	(705,924)	450,430
Other comprehensive income		
Valuation difference on available-for-sale securities	33,596	(7,939)
Foreign currency translation adjustment	9,335	(17,890)
Share of other comprehensive income of entities accounted for using equity method	75	18,251
Total other comprehensive income	43,007	(7,577)
Comprehensive income	(662,917)	442,852
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(672,490)	434,278
Comprehensive income attributable to non-controlling interests	9,572	8,573

### (3) Notes to Quarterly Consolidated Financial Statements

(Notes Concerning the Going-Concern Premise)

Not applicable.

(Significant Changes in Shareholders' Equity)

The Company retired 2,025,787 shares of its treasury shares as of September 28, 2018 pursuant to the resolution of the Board of Directors on August 21, 2018. As a result, capital surplus decreased ¥346,738 thousand, retained earnings decreased ¥908,838 thousand, and treasury shares decreased ¥1,255,577 thousand in the first six months of FY3/2019.

(Segment Information)

#### Segment Information

I. First six months of FY3/2018 (Apr. 1, 2017 – Sep. 30, 2017)

1. Information on the amounts of net sales, profit or loss for each reportable segment

(Unit: thousand yen)

	Reportable segment				Other (Note)	Total	Adjustment	Amount reported in quarterly consolidated statement of income
	Reuse Store Business	BOOKOFF Online Business	HUGALL Business	Total				
Net sales								
Sales to external customers	34,345,034	3,031,791	1,186,506	38,563,332	648,295	39,211,627	-	39,211,627
Inter-segment sales and transfers	17,772	645,135	193,001	855,908	179,623	1,035,531	(1,035,531)	-
Total	34,362,806	3,676,926	1,379,507	39,419,240	827,918	40,247,158	(1,035,531)	39,211,627
Segment profit (loss)	1,488,585	120,443	(617,162)	991,866	(74,786)	917,079	(984,995)	(67,916)

Note: Other segment is mainly engaged in operation of directly operated stores selling new books, planning, design, and construction of interior and exterior works for stores in all segments, and operation of a book review community site.

2. Differences between total profit or loss for reportable segments and amounts recorded in the quarterly consolidated statement of income, and details on those differences (items related to the difference)

(Unit: thousand yen)

Profit	Amount
Total for reportable segment	991,866
Profit classified as "other"	(74,786)
Eliminations for inter-segment transactions	54,883
Corporate expenses (Note)	(1,039,878)
Operating loss on the quarterly consolidated statement of income	(67,916)

Note: Corporate expenses are mainly general administrative expenses of the Company.

3. Information concerning impairment loss on non-current assets, goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

In the Reuse Store Business, the BOOKOFF Online Business and the HUGALL Business segments, the Company has identified the stores and facilities that have generated continuous losses from their operating activities and are determined to be unlikely to improve their profitability in the future as well as the stores and facilities whose scope of use was changed in a manner that significantly reduced their recoverable amounts. The Company has then reduced their book values to their recoverable amounts, and the amount of reduction was recognized as an impairment loss and presented as an extraordinary loss.

The Company recorded an impairment loss of ¥509,467 thousand for the first six months of FY3/2018. The breakdown by segment is as follows.

In the Reuse Store Business, there was an impairment loss of ¥32,465 thousand.

In the BOOKOFF Online Business, there was an impairment loss of ¥78,100 thousand.

In the HUGALL Business, there was an impairment loss of ¥392,888 thousand.

Significant change in goodwill

Detailed explanations are omitted due to immateriality.

### Significant gain on bargain purchase

A gain on bargain purchase of ¥20,476 thousand was booked in the Reuse Store Business due to acquisition of Manas Co., Ltd. in the first three months of FY3/2018.

## II. First six months of FY3/2019 (Apr. 1, 2018 – Sep. 30, 2018)

### 1. Information on the amounts of net sales, profit or loss in reportable segments

(Unit: thousand yen)

	Reportable segment			Other (Note 2)	Total	Adjustment	Amount reported in quarterly consolidated statement of income
	Reuse Store Business	BOOKOFF Online Business	Total				
Net sales							
Sales to external customers	34,841,849	3,615,948	38,457,798	495,756	38,953,555	-	38,953,555
Inter-segment sales and transfers	40,932	982,207	1,023,140	198,812	1,221,953	(1,221,953)	-
Total	34,882,782	4,598,156	39,480,939	694,569	40,175,508	(1,221,953)	38,953,555
Segment profit (loss)	1,671,353	13,456	1,684,809	(34,582)	1,650,226	(1,100,879)	549,347

Notes: 1. The HUGALL Business was discontinued in FY3/2018 and excluded from reportable segments.

2. Other segment is mainly engaged in operation of directly operated stores selling new books, planning, design, and construction of interior and exterior works for stores in all segments, and operation of a book review community site.

### 2. Differences between total profit or loss for reportable segments and amounts recorded in the quarterly consolidated statement of income, and details on those differences (items related to the difference)

(Unit: thousand yen)

Profit	Amount
Total for reportable segment	1,684,809
Profit classified as “other”	(34,582)
Eliminations for inter-segment transactions	31,151
Corporate expenses (Note)	(1,132,031)
Operating profit on the quarterly consolidated statement of income	549,347

Note: Corporate expenses are mainly general administrative expenses of the Company.

### 3. Information concerning impairment loss on non-current assets, goodwill, etc. for each reportable segment

#### Significant impairment losses related to non-current assets

In the Reuse Store Business and the BOOKOFF Online Business segments, the Company has identified the stores and facilities that have generated continuous losses from their operating activities and are determined to be unlikely to improve their profitability in the future as well as the stores and facilities whose scope of use was changed in a manner that significantly reduced their recoverable amounts. The Company has then reduced their book values to their recoverable amounts, and the amount of reduction was recognized as an impairment loss and presented as an extraordinary loss.

The Company recorded an impairment loss of ¥33,110 thousand for the first half of FY3/2019. The breakdown by segment is as follows.

In the Reuse Store Business, there was an impairment loss of ¥27,411 thousand.

In the BOOKOFF Online Business, there was an impairment loss of ¥5,699 thousand.

#### Significant change in goodwill

Detailed explanations are omitted due to immateriality.

#### Significant gain on bargain purchase

Not applicable.

*This financial report is solely a translation of the Company's Kessan Tanshin (including attachments) in Japanese, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*