

Consolidated Summary Report
For the Third Quarter of the Fiscal Year Ending March 31, 2020
[Japanese GAAP]

Company Name:	BOOKOFF GROUP HOLDINGS LIMITED	Stock Exchange:	Tokyo
Code Number:	9278	URL:	https://www.bookoffgroup.co.jp/en/
Representative:	Yasutaka Horiuchi, President and CEO		
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Quarterly Report issue date:		February 14, 2020	
Dividend payment date:		-	
Supplementary materials for quarterly financial results:		Yes	
Quarterly financial results briefing:		None	

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2020

(April 1, 2019 - December 31, 2019)

(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 %
Nine months ended Dec. 31, 2019	62,308	4.6	828	(36.1)	1,204	(32.0)	559	(40.8)
Nine months ended Dec. 31, 2018	59,588	-	1,296	-	1,772	-	945	-

(Note) Comprehensive income

Nine months ended Dec. 31, 2019:

¥510 million (down 45.2%)

Nine months ended Dec. 31, 2018:

¥930 million (n.a.)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended Dec. 31, 2019	32.09	-
Nine months ended Dec. 31, 2018	47.27	-

(Note) Year-on-year changes for the nine months ended December 31, 2018 are not presented as BOOKOFF GROUP HOLDINGS was established on October 1, 2018 through a transfer of stock.

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2019	42,731	13,125	30.6
As of Mar. 31, 2019	40,647	13,006	31.6
(Reference) Shareholders' equity		As of Dec. 31, 2019: ¥13,064 million	As of Mar. 31, 2019: ¥12,844 million

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
Fiscal year ended Mar. 31, 2019	Yen -	Yen -	Yen -	Yen 15.00	Yen 15.00
Fiscal year ending Mar. 31, 2020	Yen -	Yen 0.00	Yen -	Yen 18.00	Yen 18.00
Fiscal year ending Mar. 31, 2020 (est.)					

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

There are no dividends for the end of 1Q and 2Q of the fiscal year ended March 31, 2019 as BOOKOFF GROUP HOLDINGS was established on October 1, 2018 through a transfer of stock.

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 - March 31, 2020)

(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	84,000	4.0	1,400	(9.7)	1,900	(10.4)	900	(58.6)	51.58

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

Regarding revisions to the dividend forecast, please refer to the press release titled "Notice of Revisions to Consolidated Forecasts" (Japanese version only) dated February 13, 2020.

Notes:

1. Significant changes in subsidiaries during the period (changes in specific subsidiaries accompanied by changes in the scope of consolidation): Yes

New: 1 (company name) Jewelry Asset Managers Inc. Excluded: 1 (company name) Reuse Connect Co., Ltd.

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 Dec. 31, 2019	20,547,413	As of Mar. 31, 2019	20,547,413
(2) Treasury shares	As of Dec. 31, 2019	3,100,000	As of Mar. 31, 2019	3,100,000
(3) Average number of shares outstanding	Nine months ended Dec. 31, 2019	17,447,413	Nine months ended Dec. 31, 2018	19,995,050

* 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 BOOKOFF GROUP HOLDINGS regarding future performance. Actual results may differ materially from those projected in the forward-looking statements due to a variety of factors.

(How to view supplementary materials for quarterly financial results)

Supplementary materials for the quarterly financial results will be disclosed today (February 13, 2020), using the Timely Disclosure network (TDnet).

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

Forward-looking statements in this Consolidated Summary Report are based on information available to management as of the end of the third quarter of the current fiscal year.

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 on March 31, 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.”

During the first nine months of the current fiscal year, we undertook initiatives to add more merchandise categories to stores to reflect the characteristics of each store’s market. These activities also included the opening of five locations of BOOKOFF SUPER BAZAAR (5 Gou Sapporo Miyanosawa Store, Ito-Yokado Nagareyama Store, Mito Himego Store, Aguro Garden Kobe Komagabayashi Store and 25 Gou Yao Nagahata Store), one BOOKOFF store, three locations of the BOOKOFF One-stop Purchasing Consultation Desk, and two Jalan Jalan Japan stores in Malaysia, conversion of one BOOKOFF store into the BOOKOFF PLUS store format, as well as measures to enhance the efficiency of our distribution warehouse operations. Furthermore, we have made substantial investments for improving services for app members and establishing a network of franchised stores using our e-purchasing system. Investments have been also used to create an omni-channel structure that utilizes the BOOKOFF Online website and to move forward with our O2O (online-to-offline) strategy. Conducting all business operations in a cohesive manner as “One BOOKOFF” is the objective of all these initiatives.

As a result of these efforts, consolidated net sales amounted to ¥62,308 million, which was a 4.6% increase from the same period of the previous fiscal year. The Group recorded an operating profit of ¥828 million (a 36.1% decrease), an ordinary profit of ¥1,204 million (a 32.0% decrease), and profit attributable to owners of parent of ¥559 million (a 40.8% decrease).

Since the Group’s business segments have been combined into a single segment beginning with the first quarter of the current fiscal year, information by business segment is omitted.

(2) Explanation of Financial Position

(Current Assets)

Current assets at the end of the third quarter of the current fiscal year were ¥24,482 million, an increase of ¥717 million compared with ¥23,765 million at the end of the previous fiscal year. Major components were decreases of ¥244 million in cash and deposits and ¥322 million in other current assets, and increases of ¥907 million in merchandise and ¥371 million in accounts receivable-trade.

(Non-current Assets)

Non-current assets at the end of the third quarter of the current fiscal year were ¥18,248 million, an increase of ¥1,366 million compared with ¥16,882 million at the end of the previous fiscal year. Major components were increases of ¥475 million in property, plant and equipment, ¥819 million in intangible assets and ¥71 million in investments and other assets.

(Liabilities)

Liabilities at the end of the third quarter of the current fiscal year were ¥29,605 million, an increase of ¥1,965 million compared with ¥27,640 million at the end of the previous fiscal year. Major components were an increase of ¥1,986 million in borrowings.

(Net Assets)

Net assets at the end of the third quarter of the current fiscal year were ¥13,125 million, an increase of ¥119 million compared with ¥13,006 million at the end of the previous fiscal year. Major components were dividend payments and 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, 2020, which was announced on May 10, 2019, has been revised. For more information, please refer to the press release titled “Notice of Revisions to Consolidated Forecasts” (Japanese version only) dated February 13, 2020.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

	FY3/2019 (As of Mar. 31, 2019)	Third quarter of FY3/2020 (As of Dec. 31, 2019)	(Unit: million yen)
Assets			
Current assets			
Cash and deposits	6,142	5,898	
Accounts receivable-trade	1,590	1,961	
Merchandise	12,915	13,823	
Other	3,122	2,799	
Allowance for doubtful accounts	(6)	(0)	
Total current assets	23,765	24,482	
Non-current assets			
Property, plant and equipment			
Buildings and structures, net	3,770	4,186	
Leased assets, net	1,352	1,440	
Other, net	810	781	
Total property, plant and equipment	5,932	6,408	
Intangible assets			
Goodwill	84	823	
Other	1,120	1,200	
Total intangible assets	1,204	2,024	
Investments and other assets			
Guarantee deposits	7,530	7,604	
Other	2,274	2,272	
Allowance for doubtful accounts	(60)	(60)	
Total investments and other assets	9,744	9,816	
Total non-current assets	16,882	18,248	
Total assets	40,647	42,731	

	(Unit: million yen)	
	FY3/2019 (As of Mar. 31, 2019)	Third quarter of FY3/2020 (As of Dec. 31, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	431	591
Short-term borrowings	5,926	8,320
Current portion of long-term borrowings	3,716	3,489
Lease obligations	348	402
Income taxes payable	135	194
Provision for sales rebates	546	526
Provision for loss on store closing	44	52
Other provisions	469	186
Other	4,899	4,784
Total current liabilities	<u>16,518</u>	<u>18,548</u>
Non-current liabilities		
Long-term borrowings	7,775	7,595
Provision for loss on store closing	29	14
Asset retirement obligations	1,747	1,846
Lease obligations	1,159	1,183
Other	410	418
Total non-current liabilities	<u>11,121</u>	<u>11,057</u>
Total liabilities	<u>27,640</u>	<u>29,605</u>
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	6,489	6,485
Retained earnings	8,571	8,870
Treasury shares	(2,343)	(2,343)
Total shareholders' equity	<u>12,817</u>	<u>13,112</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	158	113
Foreign currency translation adjustment	(131)	(160)
Total accumulated other comprehensive income	<u>27</u>	<u>(47)</u>
Non-controlling interests	<u>161</u>	<u>61</u>
Total net assets	<u>13,006</u>	<u>13,125</u>
Total liabilities and net assets	<u>40,647</u>	<u>42,731</u>

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income
(For the Nine-month Period)

(Unit: million yen)

	First nine months of FY3/2019 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/2020 (Apr. 1, 2019 – Dec. 31, 2019)
Net sales	59,588	62,308
Cost of sales	23,907	24,506
Gross profit	35,681	37,801
Selling, general and administrative expenses	34,384	36,972
Operating profit	1,296	828
Non-operating income		
Share of profit of entities accounted for using equity method	-	15
Rent revenues on facilities	217	249
Gain from installment of vending machine	109	100
Gain on sales of recycling goods	268	261
Other	236	114
Total non-operating income	832	740
Non-operating expenses		
Interest expenses	117	119
Share of loss of entities accounted for using equity method	4	-
Rent expenses on facilities	202	230
Other	31	15
Total non-operating expenses	356	365
Ordinary profit	1,772	1,204
Extraordinary income		
Gain on sales of non-current assets	60	-
Gain on transfer of store	26	-
Total extraordinary income	87	-
Extraordinary losses		
Loss on store closings	39	46
Provision for loss on store closing	48	27
Loss on retirement of non-current assets	43	117
Impairment loss	33	30
Loss on disaster	14	28
Other	3	-
Total extraordinary losses	181	250
Profit before income taxes	1,678	954
Income taxes-current	460	247
Income taxes-deferred	259	119
Total income taxes	719	366
Profit	958	587
Profit attributable to non-controlling interests	13	27
Profit attributable to owners of parent	945	559

Quarterly Consolidated Statement of Comprehensive Income
(For the Nine-month Period)

(Unit: million yen)

	First nine months of FY3/2019 (Apr. 1, 2018 – Dec. 31, 2018)	First nine months of FY3/2020 (Apr. 1, 2019 – Dec. 31, 2019)
Profit	958	587
Other comprehensive income		
Valuation difference on available-for-sale securities	(39)	8
Foreign currency translation adjustment	2	(31)
Share of other comprehensive income of entities accounted for using equity method	10	(53)
Total other comprehensive income	(27)	(76)
Comprehensive income	930	510
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	918	484
Comprehensive income attributable to non-controlling interests	12	25

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Concerning the Going-Concern Premise)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

I. First nine months of FY3/2019 (Apr. 1, 2018 – Dec. 31, 2018)

See "II. First nine months of FY3/2020, Changes in reportable segments."

II. First nine months of FY3/2020 (Apr. 1, 2019 – Dec. 31, 2019)

This information is omitted because the Group has only a single segment.

(Changes in reportable segments)

The Group's "Reuse Store Business" and "BOOKOFF Online Business" segments have been combined into a single segment beginning with the first quarter of the current fiscal year. This change is based on the "One BOOKOFF" concept. Since the integration of real store sales and online sales has progressed with the introduction of the online sales system, it was decided that the integration of the business segments would present our business results in a manner that more closely matches the actual transactions.

As a result of this change, the Group will consist of a single segment, and therefore segment information for the first nine months of FY3/2019 and FY3/2020 is not presented.

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.