April 8, 2022

Consolidated Summary Report
For the Third Quarter of the Fiscal Year Ending May 31, 2022
[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
Inquiries: Ryotaro Hara, General Manager of Corporate Planning Department Tel: +81-42-750-8588

Quarterly Report issue date: April 8, 2022
Dividend payment date: -
Supplementary materials of 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 May 31, 2022 (June 1, 2021 - February 28, 2022)

(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 Feb. 28, 2022	67,340	-	1,595	-	2,041	-	1,290	-
Nine months ended Dec. 31, 2020	58,268	(6.5)	737	(11.1)	1,113	(7.6)	(44)	-

(Note) Comprehensive income Nine months ended Feb. 28, 2022: ¥1,337 million (-%)
Nine months ended Dec. 31, 2020: ¥(11) million (-%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Nine months ended Feb. 28, 2022	73.94	-
Nine months ended Dec. 31, 2020	(2.53)	-

(Note) BOOKOFF GROUP HOLDINGS changed its fiscal year end from March 31 to May 31 beginning with the fiscal year that ended on May 31, 2021. No year-on-year changes are shown for the nine months ended February 28, 2022 because the first nine months are different. The first nine months of the current fiscal year ended on February 28, 2022 and the first nine months of the previous fiscal year, which was a transitional fiscal year, ended on December 31, 2020.

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Feb. 28, 2022	41,076	14,188	34.3
As of May 31, 2021	40,321	12,944	31.9

(Reference) Shareholders' equity As of Feb. 28, 2022: ¥14,082 million As of May 31, 2021: ¥12,854 million

2. Dividends

	Dividend per share					
	End of 1Q	End of 2Q	End of 3Q	End of 4Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen	Yen
Fiscal year ended May 31, 2021	-	0.00	-	-	6.00	6.00
Fiscal year ending May 31, 2022	-	0.00	-			
Fiscal year ending May 31, 2022 (est.)				-	20.00	20.00

(Note) Revisions to the most recently announced dividend forecast: Yes

3. Consolidated Forecast for the Fiscal Year Ending May 31, 2022 (June 1, 2021 - May 31, 2022)

(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	89,000	-	1,800	-	2,300	-	1,400	-	80.21

(Notes) 1. Revisions to the most recently announced consolidated earnings forecasts: Yes
2. No prior-year comparisons are shown because the fiscal year ended on May 31, 2021 was a 14-month transitional fiscal period due to the change in the fiscal year.
3. BOOKOFF GROUP HOLDINGS disposed of its treasury shares on October 21, 2021 as restricted stock remuneration. Net income per share in the consolidated forecast for the fiscal year ending May 31, 2022 reflects the effect of disposal of these treasury shares.

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: Yes

(2) Changes due to other reasons: None

(3) Changes in accounting-based estimates: None

(4) Restatements: None

(Note) Please see “2. Quarterly Consolidated Financial Statements and Notes, (3) Notes to Quarterly Consolidated Financial Statements, Changes in Accounting Policies” on page 9 of the attachments for further information.

4. Number of shares outstanding (common shares) (Shares)

(1) Shares outstanding (including treasury shares)	As of Feb. 28, 2022	20,547,413	As of May 31, 2021	20,547,413
(2) Treasury shares	As of Feb. 28, 2022	3,088,900	As of May 31, 2021	3,100,000
(3) Average number of shares outstanding	Nine months ended Feb. 28, 2022	17,452,739	Nine months ended Dec. 31, 2020	17,447,413

* 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 (April 8, 2022), using the Timely Disclosure network (TDnet).

Table of Contents

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.

The previous fiscal year was a 14-month transitional fiscal year from April 1, 2020 to May 31, 2021 due to the change in the fiscal year end. Consequently, no year-on-year comparisons are shown because of the different first nine months of the current fiscal year (June 1, 2021 to February 28, 2022) and previous fiscal year (April 1 to December 31, 2020).

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." In addition, the Group has established the following mission for business activities in accordance with these philosophies: Be a source of an enjoyable and prosperous life for as many people as possible.

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 provided at stores in all of our businesses, whether in Japan or other countries, to reflect the needs of regions served and targeted customer segments is the starting point for becoming a leading reuse company that serves the largest number of customers. To accomplish this goal, we are making upgrades in a manner that matches the format packages and services of individual stores.

1) BOOKOFF operations in Japan

BOOKOFF operations in Japan are the Group's core business and have consistent sales and earnings that account for a large share of consolidated sales and earnings. As a result, this business generates funds for investments for activities for growth. There are separate management policies for the two categories of stores, which are based mainly on floor area, and for online stores, primarily BOOKOFF Online, and e-commerce distribution centers.

2) Business for affluent customers

This sector consists of two services that target mainly affluent and high-net-worth customers. One is the operation of purchasing desks at department stores using the hugall brand. The other is the operation of jewelry repair, restoration and sales locations at department stores and shopping centers using the name aidect brand. Both services are valuable channels for serving customer segments that are not covered by BOOKOFF stores. The hugall service uses its improved efficient operations extending from purchases to sales in order to generate earnings by purchasing quality reuse items primarily at purchasing desks located at department stores. To continue increasing earnings, the hugall service is focusing on adding more locations, mainly at department stores, and constantly increasing the number of customers. At the aidect service, the main goal is becoming profitable. To accomplish this, the highest priorities are operating existing stores more efficiently and increasing the volume of services for order-made items, which have a high profit margin.

3) Overseas business

The BOOKOFF Group operates stores in the United States and France. In addition, the Group started operating stores in Malaysia under the name Jalan Jalan Japan in 2016 to create a channel for selling surplus merchandise in Japan.

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. As the digital shift alters the spending patterns of customers of the BOOKOFF operations in Japan, we need to leverage all of our strengths in order to continue growing. In addition, we must continue expanding our businesses for affluent customers and our overseas operations as our group's business activities become more diverse. Our growth will also be backed by the use of operational expertise acquired over many years, our highly talented workforce and the linkage of merchandise among different business units.

The most important initiative within this core strategy is the "One BOOKOFF" concept for our core BOOKOFF operations in Japan. This concept has the following objective.

"One BOOKOFF"

Our goal is to seamlessly integrate our member base, sales and purchasing platforms, the systems that underpin these operations, and other resources. We want to allow all of our services to utilize our assets including information and expertise concerning members, merchandise, operations and other items acquired by individual operations. By facilitating this widespread sharing of resources, we plan to increase the volume of business for the entire BOOKOFF chain of stores in Japan while improving the earnings of every store.

To accomplish this goal, we are making strategic IT and marketing investments in the current fiscal year to increase the consistency of earnings in the BOOKOFF operations in Japan as the pandemic continues to impact the business climate. We are also making investments in remodeling BOOKOFF SUPER BAZAAR stores with the goal of achieving a recovery in the earnings of these stores. In addition, we are positioning this fiscal year as a time for taking on new challenges in order to improve the profitability of services for affluent customers and of our overseas operations, which are business sectors with good prospects for growth.

We are continuously making investments for activities involving the "One BOOKOFF" concept. These activities include measures to increase the number of members using our official app, distributing coupons and conducting special sales exclusively for members, allowing customers to pick up at stores merchandise purchased using the app, and other convenient and valuable services. 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.

In BOOKOFF operations in Japan, we actively renovated existing BOOKOFF SUPER BAZAAR and BOOKOFF PLUS stores during the first nine months. Sales of books, which are the largest components of sales, were lower than the very high level of one year earlier with demand associated with the need to stay home during the pandemic. But there were big increases from one year earlier in sales in the trading card and hobby goods category because of numerous activities for raising the sales of these products, such as the expansion of trading card sales areas and the establishment of space for trading card duels.

At businesses for affluent and high-net-worth customers, sales were higher than one year earlier despite the negative effect of the pandemic on purchasing desks at department stores and other business operations.

In Malaysia, Jalan Jalan Japan stores were forced to suspend operations due to a pandemic lockdown. However, as the lockdown was lifted the number of customers remained steady, and sales recovered to the pre-pandemic level. In the United States, we actively used SNS and other media to raise awareness, and as a result, purchases and sales at BOOKOFF stores were at high levels. In particular, sales of local books and anime goods were significantly higher than one year earlier. During the first nine months, we opened BOOKOFF KAKA'AKO store in the U.S. and Jalan Jalan Japan Masai store in Malaysia.

In the city of Musashino in Tokyo, we opened Japan TCG Center Kichijoji-eki-kitaguchi store. This is the BOOKOFF Group's first store specializing in trading cards. Customers can buy and sell trading cards at the store and purchase new card packs as well as many types of merchandise associated with trading cards. The store also has a space for trading card duels.

As a result, consolidated net sales amounted to ¥67,340 million. The BOOKOFF Group recorded an operating profit of ¥1,595 million, an ordinary profit of ¥2,041 million, and a profit attributable to owners of parent of ¥1,290 million.

There is no business segment information because the BOOKOFF Group has only a single segment.

(2) Explanation of Financial Position

(Current Assets)

Current assets at the end of the third quarter were ¥25,053 million, an increase of ¥1,035 million compared with ¥24,017 million at the end of the previous fiscal year. There were increases of ¥621 million in merchandise and ¥554 million in cash and deposits.

(Non-current Assets)

Non-current assets at the end of the third quarter were ¥16,022 million, a decrease of ¥281 million compared with ¥16,304 million at the end of the previous fiscal year. This was mainly attributable to decreases of ¥110 million in property, plant and equipment and ¥432 million in investments and other assets, while there was an increase of ¥261 million in intangible assets.

(Liabilities)

Liabilities at the end of the third quarter were ¥26,888 million, a decrease of ¥488 million compared with ¥27,377 million at the end of the previous fiscal year. This was mainly attributable to a decrease of ¥418 million in borrowings.

(Net Assets)

Net assets at the end of the third quarter were ¥14,188 million, an increase of ¥1,243 million compared with ¥12,944 million at the end of the previous fiscal year. Major components were dividend payments and the profit attributable to owners of parent.

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

For information about the consolidated forecast for the fiscal year ending May 31, 2022, please refer to the press release titled “Notice of Revisions to Consolidated Forecasts and Dividend Forecasts” (Japanese version only) dated April 8, 2022.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	FY5/2021 (As of May 31, 2021)	Third quarter of FY5/2022 (As of Feb. 28, 2022)
Assets		
Current assets		
Cash and deposits	5,837	6,392
Accounts receivable-trade	2,120	2,055
Merchandise	13,778	14,399
Other	2,282	2,206
Allowance for doubtful accounts	(0)	(0)
Total current assets	24,017	25,053
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,974	3,801
Leased assets, net	1,126	1,087
Other, net	747	849
Total property, plant and equipment	5,848	5,738
Intangible assets		
Goodwill	136	99
Other	1,084	1,382
Total intangible assets	1,220	1,482
Investments and other assets		
Guarantee deposits	7,492	7,296
Other	1,803	1,565
Allowance for doubtful accounts	(60)	(60)
Total investments and other assets	9,234	8,801
Total non-current assets	16,304	16,022
Total assets	40,321	41,076

(Unit: million yen)

	FY5/2021 (As of May 31, 2021)	Third quarter of FY5/2022 (As of Feb. 28, 2022)
Liabilities		
Current liabilities		
Accounts payable-trade	560	722
Short-term borrowings	7,232	6,554
Current portion of long-term borrowings	3,952	2,785
Lease obligations	297	255
Income taxes payable	115	401
Provision for sales rebates	421	-
Provision for bonuses	582	396
Other provisions	93	202
Other	4,328	4,446
Total current liabilities	17,584	15,763
Non-current liabilities		
Long-term borrowings	6,133	7,560
Asset retirement obligations	2,383	2,401
Lease obligations	939	921
Other	337	241
Total non-current liabilities	9,793	11,124
Total liabilities	27,377	26,888
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	6,485	6,487
Retained earnings	8,603	9,789
Treasury shares	(2,343)	(2,335)
Total shareholders' equity	12,845	14,042
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	75	77
Foreign currency translation adjustment	(66)	(36)
Total accumulated other comprehensive income	8	40
Non-controlling interests	90	105
Total net assets	12,944	14,188
Total liabilities and net assets	40,321	41,076

(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 FY5/2021 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY5/2022 (Jun. 1, 2021 – Feb. 28, 2022)
Net sales	58,268	67,340
Cost of sales	22,521	27,340
Gross profit	35,747	39,999
Selling, general and administrative expenses	35,010	38,404
Operating profit	737	1,595
Non-operating income		
Rent revenues on facilities	242	115
Gain from installment of vending machine	87	93
Gain on sales of recycling goods	155	164
Subsidy income	190	203
Other	77	100
Total non-operating income	754	677
Non-operating expenses		
Interest expenses	120	107
Share of loss of entities accounted for using equity method	5	1
Rent costs on facilities	228	103
Other	23	19
Total non-operating expenses	378	231
Ordinary profit	1,113	2,041
Extraordinary income		
Compensation for forced relocation	-	58
Gain on forgiveness of debts	-	69
Total extraordinary income	-	127
Extraordinary losses		
Loss on retirement of non-current assets	35	21
Impairment losses	31	-
Loss on COVID-19	778	70
Other	12	0
Total extraordinary losses	858	92
Profit before income taxes	255	2,076
Income taxes-current	347	549
Income taxes-deferred	(57)	224
Total income taxes	289	774
Profit (loss)	(34)	1,302
Profit attributable to non-controlling interests	10	11
Profit (loss) attributable to owners of parent	(44)	1,290

Quarterly Consolidated Statement of Comprehensive Income

(For the Nine-month Period)

(Unit: million yen)

	First nine months of FY5/2021 (Apr. 1, 2020 – Dec. 31, 2020)	First nine months of FY5/2022 (Jun. 1, 2021 – Feb. 28, 2022)
Profit (loss)	(34)	1,302
Other comprehensive income		
Valuation difference on available-for-sale securities	14	(11)
Foreign currency translation adjustment	(19)	33
Share of other comprehensive income of entities accounted for using equity method	27	13
Total other comprehensive income	22	35
Comprehensive income	(11)	1,337
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(18)	1,322
Comprehensive income attributable to non-controlling interests	6	15

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Concerning the Going-Concern Premise)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

Application of Accounting Standard for Revenue Recognition

The BOOKOFF Group has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter of the current fiscal year. Based on these standards, revenue expected to be received in exchange for the provision of promised goods and services is recognized when the control of the goods and services is transferred to customers. The primary change due to the application of this standard is a revision in the method for recognizing sales for some transactions where net rather than gross sales were recognized in prior years. Beginning in the current fiscal year, gross sales are recognized for these transactions based on the determination of the role of the BOOKOFF Group (directly or to an agent) concerning sales to customers. For loyalty points granted to customers for sales of merchandise to customers and items purchased from customers, a provision for sales rebates, which is the value of the points expected to be used, was deducted from sales in prior years. This method has been changed to the classification of points granted for sales of merchandise to customers as a performance obligation. Transaction prices are allocated based on independent sales prices calculated to reflect the amount of points that are not expected to be used. Points granted for items purchased from customers are recognized as an allowance for the cost of points.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new standard is then applied beginning with this amount of retained earnings. However, the BOOKOFF Group has applied the method prescribed in Paragraph 86 of this standard and has not retrospectively applied the new accounting policy to contracts in which almost all revenue were recognized in accordance with the previous measures prior to the beginning of the first quarter of the current fiscal year. Furthermore, the method prescribed in proviso (1) to Paragraph 86 of the new accounting standard is used. For contract revisions to contracts that were made prior to the beginning of the first quarter of the current fiscal year, accounting procedures are performed based on the contract terms that reflect all revisions. The cumulative effect is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, net sales increased ¥639 million, and selling, general and administrative expenses increased ¥637 million during the first nine months of the current fiscal year. Operating profit, ordinary profit and profit before income taxes increased ¥1 million yen each in the first nine months. There is no effect of the application of these standards on retained earnings at the beginning of the current fiscal year.

Due to the application of the Accounting Standard for Revenue Recognition, "provision for sales rebates" in the current liabilities section of the consolidated balance sheet in the previous fiscal year is, from the first quarter of the current fiscal year, included in "other" and "other provisions." In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the consolidated financial statements for the previous first nine months and full fiscal year to conform to the new presentation.

Application of the Accounting Standard for Fair Value Measurement

The Group has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) and other standards from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional treatment in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). There is no effect of the application of these standards on the quarterly consolidated financial statements.

(Segment Information)

I. First nine months of FY5/2021 (Apr. 1, 2020 – Dec. 31, 2020)

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

II. First nine months of FY5/2022 (Jun. 1, 2021 – Feb. 28, 2022)

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

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.