



November 8, 2019

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

Company Name: BOOKOFF GROUP HOLDINGS LIMITED Stock Exchange: Tokyo
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Quarterly Report issue date: November 11, 2019
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, 2020
(April 1, 2019 - September 30, 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 %
Six months ended Sep. 30, 2019	41,289	-	881	-	1,144	-	557	-
Six months ended Sep. 30, 2018	-	-	-	-	-	-	-	-

(Note) Comprehensive income Six months ended Sep. 30, 2019: ¥488 million (n.a.)
Six months ended Sep. 30, 2018: ¥- million (n.a.)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2019	31.98	-
Six months ended Sep. 30, 2018	-	-

(Note) Figures for the six months ended September 30, 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 Sep. 30, 2019	41,039	13,102	31.8
As of Mar. 31, 2019	40,647	13,006	31.6

(Reference) Shareholders' equity As of Sep. 30, 2019: ¥13,053 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Mar. 31, 2019	-	-	-	15.00	15.00
Fiscal year ending Mar. 31, 2020	-	0.00	-	-	-
Fiscal year ending Mar. 31, 2020 (est.)	-	-	-	18.00	18.00

(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	83,000	2.7	1,800	16.1	2,300	8.5	1,200	(44.8)	68.78

(Note) Revisions to the most recently announced consolidated earnings forecasts: None

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 Sep. 30, 2019	20,547,413	As of Mar. 31, 2019	20,547,413
(2) Treasury shares	As of Sep. 30, 2019	3,100,000	As of Mar. 31, 2019	3,100,000
(3) Average number of shares outstanding	Six months ended Sep. 30, 2019	17,447,413	Six months ended Sep. 30, 2018	-

* 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 (November 8, 2019), using the Timely Disclosure network (TDnet).

Table of Contents

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Consolidated Statement of Cash Flows	3
(3) Explanation of Financial Position	3
(4) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements	3
2. Quarterly Consolidated Financial Statements and Notes	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	6
For the Six-month Period	
Quarterly Consolidated Statement of Comprehensive Income	7
For the Six-month Period	
(3) Quarterly Consolidated Statement of Cash Flows	8
(4) Notes to Quarterly Consolidated Financial Statements	9
(Notes Concerning the Going-Concern Premise)	9
(Significant Changes in Shareholders' Equity)	9
(Segment Information)	9

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 second quarter of the current fiscal year.

BOOKOFF GROUP HOLDINGS LIMITED was established as pure holding company of BOOKOFF CORPORATION LIMITED on October 1, 2018 through a transfer of stock. Consequently, there are no comparisons with the first half of the previous 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 half 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 BOOKOFF SUPER BAZAAR 5 Gou Sapporo Miyanosawa Store, BOOKOFF SUPER BAZAAR Ito-Yokado Nagareyama Store, the BOOKOFF One-stop Purchasing Consultation Desk on Nodai Street in Kyodo (Setagaya-ku, Tokyo), BOOKOFF Hikifune Store, the BOOKOFF One-stop Purchasing Consultation Desk in Hiroo, and the fourth Jalan Jalan Japan store in Malaysia, 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 ¥41,289 million. The Group recorded an operating profit of ¥881 million, an ordinary profit of ¥1,144 million, and profit attributable to owners of parent of ¥557 million.

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 Consolidated Statement of Cash Flows

Cash and cash equivalents (“net cash”) at the end of the second quarter of the current fiscal year amounted to ¥5,083 million, a decrease of ¥1,059 million at the end of the previous fiscal year.

Consolidated cash flows and the primary reasons for their fluctuation during the first half the current fiscal year are as follows:

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥955 million. There were positive factors including profit before income taxes of ¥1,002 million, and ¥772 million in depreciation. Negative factors included a ¥584 million increase in inventories and income taxes paid of ¥256 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥1,928 million. Negative factors included ¥675 million for the purchase of property, plant, and equipment associated with new store openings, ¥231 million for the purchase of intangible assets related to additional investments in systems, ¥590 million for transfer of stores and ¥570 million for other payments.

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to ¥67 million. There were positive factors including a net increase of ¥545 million in borrowings. Negative factors included ¥213 million for repayments of lease obligations, and ¥261 million for cash dividends paid.

(3) Explanation of Financial Position

(Current Assets)

Current assets at the end of the second quarter of the current fiscal year were ¥23,139 million, a decrease of ¥625 million compared with ¥23,765 million at the end of the previous fiscal year. Major components were an increase of ¥847 million in merchandise, and decreases of ¥1,059 million in cash and deposits and ¥588 million in other current assets.

(Non-current Assets)

Non-current assets at the end of the second quarter of the current fiscal year were ¥17,899 million, an increase of ¥1,017 million compared with ¥16,882 million at the end of the previous fiscal year. Major components were increases of ¥267 million in property, plant and equipment and ¥840 million in intangible assets, and a decrease of ¥89 million in investments and other assets.

(Liabilities)

Liabilities at the end of the second quarter of the current fiscal year were ¥27,936 million, an increase of ¥295 million compared with ¥27,640 million at the end of the previous fiscal year. Major components were an increase of ¥957 million in borrowings, and a decrease of ¥842 million in other current liabilities.

(Net Assets)

Net assets at the end of the second quarter of the current fiscal year were ¥13,102 million, an increase of ¥96 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.

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

There are no revisions to the forecast that was announced on May 10, 2019.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	FY3/2019 (As of Mar. 31, 2019)	Second quarter of FY3/2020 (As of Sep. 30, 2019)
Assets		
Current assets		
Cash and deposits	6,142	5,083
Accounts receivable-trade	1,590	1,759
Merchandise	12,915	13,763
Other	3,122	2,534
Allowance for doubtful accounts	(6)	(0)
Total current assets	23,765	23,139
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,770	3,999
Leased assets, net	1,352	1,387
Other, net	810	812
Total property, plant and equipment	5,932	6,199
Intangible assets		
Goodwill	84	864
Other	1,120	1,180
Total intangible assets	1,204	2,044
Investments and other assets		
Guarantee deposits	7,530	7,612
Other	2,274	2,102
Allowance for doubtful accounts	(60)	(60)
Total investments and other assets	9,744	9,654
Total non-current assets	16,882	17,899
Total assets	40,647	41,039

(Unit: million yen)

	FY3/2019 (As of Mar. 31, 2019)	Second quarter of FY3/2020 (As of Sep. 30, 2019)
Liabilities		
Current liabilities		
Accounts payable-trade	431	532
Short-term borrowings	5,926	7,170
Current portion of long-term borrowings	3,716	3,293
Lease obligations	348	376
Income taxes payable	135	170
Provision for sales rebates	546	529
Provision for loss on store closing	44	88
Other provisions	469	415
Other	4,899	4,056
Total current liabilities	16,518	16,633
Non-current liabilities		
Long-term borrowings	7,775	7,911
Provision for loss on store closing	29	19
Asset retirement obligations	1,747	1,806
Lease obligations	1,159	1,145
Other	410	420
Total non-current liabilities	11,121	11,302
Total liabilities	27,640	27,936
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	6,489	6,485
Retained earnings	8,571	8,867
Treasury shares	(2,343)	(2,343)
Total shareholders' equity	12,817	13,109
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	158	101
Foreign currency translation adjustment	(131)	(157)
Total accumulated other comprehensive income	27	(55)
Non-controlling interests	161	49
Total net assets	13,006	13,102
Total liabilities and net assets	40,647	41,039

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Six-month Period)

(Unit: million yen)

	First six months of FY3/2020 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	41,289
Cost of sales	15,966
Gross profit	25,322
Selling, general and administrative expenses	24,441
Operating profit	881
Non-operating income	
Share of profit of entities accounted for using equity method	16
Rent revenues on facilities	166
Gain from installment of vending machine	68
Gain on sales of recycling goods	182
Other	77
Total non-operating income	510
Non-operating expenses	
Interest expenses	78
Rent expenses on facilities	153
Other	14
Total non-operating expenses	247
Ordinary profit	1,144
Extraordinary losses	
Loss on store closings	7
Provision for loss on store closing	53
Loss on retirement of non-current assets	44
Impairment loss	30
Other	6
Total extraordinary losses	142
Profit before income taxes	1,002
Income taxes-current	165
Income taxes-deferred	264
Total income taxes	430
Profit	572
Profit attributable to non-controlling interests	14
Profit attributable to owners of parent	557

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Unit: million yen)

	First six months of FY3/2020 (Apr. 1, 2019 – Sep. 30, 2019)
Profit	572
Other comprehensive income	
Valuation difference on available-for-sale securities	(1)
Foreign currency translation adjustment	(27)
Share of other comprehensive income of entities accounted for using equity method	(55)
Total other comprehensive income	(84)
Comprehensive income	488
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	474
Comprehensive income attributable to non- controlling interests	13

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: million yen)

	First six months of FY3/2020 (Apr. 1, 2019 – Sep. 30, 2019)
Cash flows from operating activities	
Profit before income taxes	1,002
Depreciation	772
Impairment loss	30
Amortization of goodwill	47
Increase (decrease) in allowance for doubtful accounts	(5)
Increase (decrease) in provision for loss on store closing	53
Provision for allowance of sales discounts	(39)
Interest expenses	78
Share of loss (profit) of entities accounted for using equity method	(16)
Loss on store closings	7
Loss on retirement of non-current assets	44
Decrease (increase) in trade receivables	(127)
Decrease (increase) in inventories	(584)
Increase (decrease) in trade payables	87
Other, net	(489)
Subtotal	861
Interest and dividends received	6
Interest paid	(80)
Payments for loss on disaster	(2)
Income taxes paid	(256)
Income taxes refund	425
Net cash provided by (used in) operating activities	955
Cash flows from investing activities	
Purchase of property, plant and equipment	(675)
Purchase of intangible assets	(231)
Payments for guarantee deposits	(167)
Proceeds from refund of guarantee deposits	179
Proceeds from transfer of stores	(590)
Other, net	(442)
Net cash provided by (used in) investing activities	(1,928)
Cash flows from financing activities	
Net increase (decrease) in short-term borrowings	1,123
Proceeds from long-term borrowings	1,500
Repayments of long-term borrowings	(2,077)
Repayments of lease obligations	(213)
Dividends paid	(261)
Dividends paid to non-controlling interests	(2)
Other, net	(135)
Net cash provided by (used in) financing activities	(67)
Effect of exchange rate change on cash and cash equivalents	(18)
Net increase (decrease) in cash and cash equivalents	(1,059)
Cash and cash equivalents at beginning of period	6,142
Cash and cash equivalents at end of period	5,083

(4) Notes to Quarterly Consolidated Financial Statements

(Notes Concerning the Going-Concern Premise)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

First six months of FY3/2020 (Apr. 1, 2019 – Sep. 30, 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 six months of the current fiscal year 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.