



November 11, 2020

Consolidated Summary Report
For the Second Quarter of the Fiscal Year Ending May 31, 2021
[Japanese GAAP]

Company Name: BOOKOFF GROUP HOLDINGS LIMITED Stock Exchange: Tokyo
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Quarterly Report issue date: November 12, 2020
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 May 31, 2021
(April 1, 2020 - September 30, 2020)

(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, 2020	37,522	(9.1)	517	(41.2)	650	(43.2)	(284)	-
Six months ended Sep. 30, 2019	41,289	-	881	-	1,144	-	557	-

(Note) Comprehensive income Six months ended Sep. 30, 2020: ¥(256) million (-%)
Six months ended Sep. 30, 2019: ¥488 million (-%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2020	(16.31)	-
Six months ended Sep. 30, 2019	31.98	-

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2020	41,091	12,486	30.2
As of Mar. 31, 2020	41,535	12,848	30.7

(Reference) Shareholders' equity As of Sep. 30, 2020: ¥12,413 million As of Mar. 31, 2020: ¥12,768 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, 2020	-	0.00	-	6.00	6.00
Fiscal year ending May 31, 2021	-	0.00	-	-	-
Fiscal year ending May 31, 2021 (est.)	-	-	-	6.00	6.00

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

3. Consolidated Forecast for the Fiscal Year Ending May 31, 2021 (April 1, 2020 - May 31, 2021)

(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	96,000	-	1,300	-	1,650	-	200	-	11.46

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

No prior-year comparisons are shown because the fiscal year ending on May 31, 2021 is a 14-month transitional fiscal period due to the change in the fiscal year.

For the 12-month period ending on March 31, 2021, we forecast consolidated sales of ¥81,000 million, operating profit of ¥1,000 million, ordinary profit of ¥1,300 million and profit attributable to owners of parent of ¥0 million.

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, 2020	20,547,413	As of Mar. 31, 2020	20,547,413
(2) Treasury shares	As of Sep. 30, 2020	3,100,000	As of Mar. 31, 2020	3,100,000
(3) Average number of shares outstanding	Six months ended Sep. 30, 2020	17,447,413	Six months ended Sep. 30, 2019	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 (November 11, 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 second quarter.

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 May 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 every service category. The objective of these activities is to operate as “One BOOKOFF.”

During the first half, we opened BOOKOFF SUPER BAZAAR 1-Gou Kyoto Fushimi Store. Furthermore, we have continued to make 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.

In the first half, the majority of stores directly operated by the BOOKOFF Group temporarily closed or closed only on weekends and holidays in response to the state of emergency in Japan and requests to companies to reduce or suspend business activities because of COVID-19. Most stores that altered operations are located in areas where governments made these requests. As a result, existing store sales were much lower than one year earlier. Starting in the middle of May, we reduced operating hours and sales areas at stores and began reopening most stores while taking many actions to prevent COVID-19 infections. Operations generally returned to normal in early June. Directly operated existing store sales in Japan of the BOOKOFF Group were far below sales one year earlier in April and May but sales from June to August were higher than one year earlier.

As a result, consolidated net sales amounted to ¥37,522 million, a 9.1% decrease from the same period of the previous fiscal year. The BOOKOFF Group recorded an operating profit of ¥517 million, a 41.2% decrease from the same period of the previous fiscal year, an ordinary profit of ¥650 million, a 43.2% decrease from the same period of the previous fiscal year, and a loss attributable to owners of parent of ¥284 million (compared with a profit of ¥557 million in the same period of the previous fiscal year).

The loss attributable to owners of parent was the result of the loss on COVID-19.

(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 ¥6,715 million, an increase of ¥620 million at the end of the previous fiscal year.

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

(Cash Flows from Operating Activities)

Net cash provided by operating activities amounted to ¥1,192 million (compared with ¥955 million provided in the same period of the previous fiscal year). There were positive factors including ¥704 million in depreciation and a ¥536 million decrease in inventories. Negative factors included loss before income taxes of ¥166 million.

(Cash Flows from Investing Activities)

Net cash used in investing activities amounted to ¥650 million (compared with ¥1,928 million used in the same period of the previous fiscal year). Negative factors included ¥273 million for the purchase of property, plant, and equipment associated with new store openings, ¥217 million for the purchase of intangible assets related to additional investments in systems and ¥126 million for transfer of stores. Cash outflows were reduced from one year earlier as the BOOKOFF Group held down new store openings and the transfer of stores from franchisees.

(Cash Flows from Financing Activities)

Net cash provided by financing activities amounted to ¥89 million (compared with ¥67 million used in the same period of the previous fiscal year). There were positive factors including net increase in borrowings of ¥423 million. Negative factors included ¥222 million for repayments of lease obligations and ¥104 million for cash dividends paid.

(3) Explanation of Financial Position

(Current Assets)

Current assets at the end of the second quarter were ¥23,435 million, a decrease of ¥269 million compared with ¥23,704 million at the end of the previous fiscal year. The major changes were a ¥620 million increase in cash and deposits mainly because funds were procured for responses to the COVID-19 crisis, and decreases of ¥503 million in merchandise and ¥301 million in other current assets.

(Non-current Assets)

Non-current assets at the end of the second quarter were ¥17,656 million, a decrease of ¥174 million compared with ¥17,830 million at the end of the previous fiscal year. There was an increase of ¥147 million in investments and other assets mainly due to an increase in deferred tax assets, and decreases of ¥224 million in property, plant and equipment and ¥97 million in intangible assets.

(Liabilities)

Liabilities at the end of the second quarter were ¥28,605 million, a decrease of ¥82 million compared with ¥28,687 million at the end of the previous fiscal year. This was mainly attributable to an increase of ¥422 million in borrowings to procure funds from banks for responses to the COVID-19 crisis, and decreases of ¥309 million in other current liabilities and ¥172 million in lease obligations in non-current liabilities.

(Net Assets)

Net assets at the end of the second quarter were ¥12,486 million, a decrease of ¥361 million compared with ¥12,848 million at the end of the previous fiscal year. Major components were second quarter loss attributable to owners of parent and dividend payments.

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

There are no revisions to the forecast that was announced on August 7, 2020.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: million yen)

	FY3/2020 (As of Mar. 31, 2020)	Second quarter of FY5/2021 (As of Sep. 30, 2020)
Assets		
Current assets		
Cash and deposits	6,094	6,715
Accounts receivable-trade	1,898	1,813
Merchandise	13,129	12,625
Other	2,583	2,281
Allowance for doubtful accounts	(0)	(0)
Total current assets	23,704	23,435
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,187	4,092
Leased assets, net	1,359	1,239
Other, net	727	716
Total property, plant and equipment	6,273	6,048
Intangible assets		
Goodwill	793	746
Other	1,210	1,159
Total intangible assets	2,003	1,906
Investments and other assets		
Guarantee deposits	7,561	7,529
Other	2,052	2,231
Allowance for doubtful accounts	(60)	(60)
Total investments and other assets	9,553	9,700
Total non-current assets	17,830	17,656
Total assets	41,535	41,091

(Unit: million yen)

	FY3/2020 (As of Mar. 31, 2020)	Second quarter of FY5/2021 (As of Sep. 30, 2020)
Liabilities		
Current liabilities		
Accounts payable-trade	459	551
Short-term borrowings	5,960	7,365
Current portion of long-term borrowings	3,803	4,401
Lease obligations	417	424
Income taxes payable	282	252
Provision for sales rebates	512	470
Provision for loss on store closings	27	24
Other provisions	497	449
Other	4,738	4,428
Total current liabilities	16,697	18,368
Non-current liabilities		
Long-term borrowings	8,058	6,477
Provision for loss on store closings	9	-
Asset retirement obligations	2,358	2,405
Lease obligations	1,181	1,009
Other	381	344
Total non-current liabilities	11,990	10,237
Total liabilities	28,687	28,605
Net assets		
Shareholders' equity		
Share capital	100	100
Capital surplus	6,485	6,485
Retained earnings	8,550	8,161
Treasury shares	(2,343)	(2,343)
Total shareholders' equity	12,792	12,403
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31	83
Foreign currency translation adjustment	(55)	(72)
Total accumulated other comprehensive income	(24)	10
Non-controlling interests	79	72
Total net assets	12,848	12,486
Total liabilities and net assets	41,535	41,091

(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)	First six months of FY5/2021 (Apr. 1, 2020 – Sep. 30, 2020)
Net sales	41,289	37,522
Cost of sales	15,966	14,249
Gross profit	25,322	23,272
Selling, general and administrative expenses	24,441	22,754
Operating profit	881	517
Non-operating income		
Share of profit of entities accounted for using equity method	16	-
Rent revenues on facilities	166	162
Gain from installment of vending machine	68	58
Gain on sales of recycling goods	182	103
Other	77	60
Total non-operating income	510	385
Non-operating expenses		
Interest expenses	78	82
Share of loss of entities accounted for using equity method	-	5
Rent costs on facilities	153	152
Other	14	13
Total non-operating expenses	247	253
Ordinary profit	1,144	650
Extraordinary losses		
Loss on store closings	7	4
Provision for loss on store closings	53	2
Loss on retirement of non-current assets	44	24
Impairment loss	30	17
Loss on COVID-19	-	767
Other	6	-
Total extraordinary losses	142	816
Profit (loss) before income taxes	1,002	(166)
Income taxes-current	165	241
Income taxes-deferred	264	(121)
Total income taxes	430	119
Profit (loss)	572	(286)
Profit (loss) attributable to non-controlling interests	14	(2)
Profit (loss) attributable to owners of parent	557	(284)

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)	First six months of FY5/2021 (Apr. 1, 2020 – Sep. 30, 2020)
Profit (loss)	572	(286)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1)	19
Foreign currency translation adjustment	(27)	(21)
Share of other comprehensive income of entities accounted for using equity method	(55)	31
Total other comprehensive income	(84)	29
Comprehensive income	488	(256)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	474	(250)
Comprehensive income attributable to non-controlling interests	13	(6)

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: million yen)

	First six months of FY3/2020 (Apr. 1, 2019 – Sep. 30, 2019)	First six months of FY5/2021 (Apr. 1, 2020 – Sep. 30, 2020)
Cash flows from operating activities		
Profit (loss) before income taxes	1,002	(166)
Depreciation	772	704
Impairment loss	30	17
Amortization of goodwill	47	70
Increase (decrease) in allowance for doubtful accounts	(5)	(0)
Increase (decrease) in provision for loss on store closings	53	2
Increase (decrease) in provision for allowance of sales discounts	(39)	(42)
Interest expenses	78	82
Share of loss (profit) of entities accounted for using equity method	(16)	5
Loss on store closings	7	4
Loss on retirement of non-current assets	44	24
Loss on COVID-19	-	767
Decrease (increase) in trade receivables	(127)	85
Decrease (increase) in inventories	(584)	536
Increase (decrease) in trade payables	87	91
Other, net	(489)	(159)
Subtotal	861	2,023
Interest and dividends received	6	7
Interest paid	(80)	(82)
Payments associated with disaster loss	(2)	-
Payments for loss on COVID-19	-	(728)
Income taxes paid	(256)	(283)
Income taxes refund	425	255
Net cash provided by (used in) operating activities	955	1,192
Cash flows from investing activities		
Purchase of property, plant and equipment	(675)	(273)
Purchase of intangible assets	(231)	(217)
Payments of guarantee deposits	(167)	(39)
Proceeds from refund of guarantee deposits	179	124
Proceeds from transfer of store	(590)	(126)
Other, net	(442)	(118)
Net cash provided by (used in) investing activities	(1,928)	(650)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,123	1,406
Proceeds from long-term borrowings	1,500	650
Repayments of long-term borrowings	(2,077)	(1,633)
Repayments of lease obligations	(213)	(222)
Dividends paid	(261)	(104)
Dividends paid to non-controlling interests	(2)	-
Other, net	(135)	(7)
Net cash provided by (used in) financing activities	(67)	89
Effect of exchange rate change on cash and cash equivalents	(18)	(10)
Net increase (decrease) in cash and cash equivalents	(1,059)	620
Cash and cash equivalents at beginning of period	6,142	6,094
Cash and cash equivalents at end of period	5,083	6,715

(4) Notes to Quarterly Consolidated Financial Statements

(Notes Concerning the Going-Concern Premise)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Additional Information)

In the first half, there was no additional information concerning the effects of COVID-19 and there were no significant revisions of information in the Securities Report for the previous fiscal year.

(Segment Information)

I. First six months of FY3/2020 (Apr. 1, 2019 – Sep. 30, 2019)

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

II. First six months of FY5/2021 (Apr. 1, 2020 – Sep. 30, 2020)

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.