November 8, 2017

Consolidated Summary Report
For the Second Quarter of the Fiscal Year Ending March 31, 2018
[Japanese GAAP]

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Quarterly Report issue date: November 9, 2017
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, 2018 (April 1, 2017 - September 30, 2017)

(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, 2017	39,211	(0.1)	(67)	-	169	-	(715)	-
Six months ended Sep. 30, 2016	39,270	8.2	(1,093)	-	(880)	-	(896)	-

(Note) Comprehensive income Six months ended Sep. 30, 2017: ¥(662) million (n.a.)
Six months ended Sep. 30, 2016: ¥(942) million (n.a.)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Six months ended Sep. 30, 2017	(34.83)	-
Six months ended Sep. 30, 2016	(43.64)	-

(2) Consolidated Financial Condition

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Sep. 30, 2017	48,810	13,465	27.3
As of Mar. 31, 2017	51,047	14,242	27.9

(Reference) Shareholders' equity As of Sep. 30, 2017: ¥13,324 million As of Mar. 31, 2017: ¥14,242 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, 2017	-	-	-	10.00	10.00
Fiscal year ending Mar. 31, 2018	-	-			
Fiscal year ending Mar. 31, 2018 (est.)			-	10.00	10.00

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

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2018 (April 1, 2017 - March 31, 2018)

(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	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	82,000	0.8	500	329.0	950	61.3	100	-	4.87

(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): 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, 2017	22,573,200	As of Mar. 31, 2017	22,573,200
(2) Treasury shares	As of Sep. 30, 2017	2,025,783	As of Mar. 31, 2017	2,025,782
(3) Average number of shares outstanding	Six months ended Sep. 30, 2017	20,547,418	Six months ended Sep. 30, 2016	20,547,418

* The current summary report is not subject to the quarterly review process.

* 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.

(How to view supplementary materials for quarterly financial results)

Supplementary materials for the quarterly financial results will be disclosed today (November 8, 2017), using the Timely Disclosure network (TDnet).

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The BOOKOFF Group focuses on its core reuse business, which helps pre-owned goods find new value in a new home. The business mission is to become BOOKOFF for people who don't let things go to waste and a partner offering infrastructure for a waste-free lifestyle for people who don't want to toss things away. The Group is striving to help create a truly recycle-based society through the reuse of pre-owned goods across a wide range of categories including books, CDs, DVDs, games, home appliances, apparel, sporting goods, baby goods and other miscellaneous household items.

To accomplish this mission and continue growing, our business activities are guided by two basic policies. First is maximizing purchases by leveraging the comprehensive power of the BOOKOFF Group. Second is maximizing sales efficiency in stores and using the Internet.

In the fiscal year ending on March 31, 2018, in order to establish a foundation capable of supporting sustainable growth, we move quickly to achieve stable earnings by significantly altering the HUGALL Business and making the Reuse Store Business more profitable.

In the Reuse Store Business, operations in Japan have been divided into five regional business units. This new structure makes it possible to use new merchandise and Internet sales to change the operations of stores one by one in a manner that reflects the characteristics of each store. Strengthening the management of stores is another goal. The objective of all these actions is to make stores more profitable. Guided by these management policies, we are accelerating the pace of new store openings and remodels with BOOKOFF SUPER BAZAAR (a comprehensive large-format store of BOOKOFF and other stores carrying a variety of reuse merchandise) and BOOKOFF PLUS (BOOKOFF stores combining apparel-related reuse merchandise) formats as our core package of retail outlets. During the first half, we opened three BOOKOFF SUPER BAZAAR stores. In addition, two BOOKOFF stores were converted into the BOOKOFF PLUS store format.

In the HUGALL Business, there are several activities under way to become profitable. This business is downsizing distribution centers to achieve the proper size to match the scale of this business and concentrating on two purchasing channels, centering on a purchasing service for affluent and wealthy individuals. One is a dispatch purchasing service, and the other is purchasing consultation desks at department stores.

As a result of these efforts, consolidated net sales amounted to ¥39,211 million, which was a 0.1% decrease from the same period of the previous fiscal year. The Group recorded an operating loss of ¥67 million (compared with an operating loss of ¥1,093 million in the same period of the previous fiscal year), an ordinary profit of ¥169 million (compared with an ordinary loss of ¥880 million in the same period of the previous fiscal year), and a loss attributable to owners of parent of ¥715 million (compared with a loss of ¥896 million in the same period of the previous fiscal year).

Although HUGALL sales in the first half were higher than one year earlier, there was an operating loss because of an increase in rents following the relocation of warehouse operations to a large logistics warehouse in the previous fiscal year and an increase in commission fee paid and other expenses.

Due to the outlook for an operating loss in the HUGALL Business in the current fiscal year, an asset impairment loss has been recorded for the non-current assets of hugall Inc. This loss resulted in a consolidated loss attributable to owners of parent in the first half of the fiscal year.

Business segment sales were as follows:

(Reuse Store Business)

The segment recorded net sales of ¥34,345 million for the first half, which was a 0.1% decrease compared with the same period of the previous fiscal year.

During the first half, four directly operated stores and two franchise stores were opened. There were six closings of directly operated stores and four closings of franchise stores, including one store that was closed to be combined with another Group store in the same building under a single brand.

As in the previous fiscal year, the existing BOOKOFF stores continued to focus on the purchase and sale of reuse home appliances and sales of store merchandise on the YAHUOKU! Internet auction service of Yahoo Japan. In addition, the Group has conducted education and training activities for the part-time workers in order to enhance purchasing and sales capabilities. The opening of comprehensive large-format stores and the inclusion of newly consolidated subsidiary BOOKOFF With Co., Ltd. contributed to sales. However, total segment sales decreased mainly because of lower sales of books, software media, apparel and other merchandise at existing BOOKOFF stores.

(BOOKOFF Online Business)

The segment recorded net sales of ¥3,031 million for the first half, which was a 6.1% decrease compared with the same period of the previous fiscal year.

As in the previous fiscal year, customer data was used to improve the E-commerce website and make other improvements. In addition, activities started in the first quarter for the expansion of sales channels such as Yahoo Shopping. Despite all these measures, segment sales were lower due to a decline in book sales and other reasons.

(HUGALL Business)

The segment recorded net sales of ¥1,186 million for the first half, which was a 24.2% increase compared with the same period of the previous fiscal year.

As in the previous fiscal year, there were many activities to purchase a variety of merchandise. Two major initiatives are a service that goes to customers' homes to purchase items, mainly in the 23 wards of Tokyo, and the operation of One-Stop Purchasing Consultation Desks at several department stores. These initiatives increased sales of our E-commerce website, which is our main distribution channel, as well as special event sales. The result was growth in segment sales.

(Other)

The segment recorded net sales of ¥648 million for the first half, which was an 8.0% decrease compared with the same period of the previous fiscal year.

(2) Explanation of Financial Position

(Current Assets)

Current assets at the end of the second quarter were ¥31,267 million, a decrease of ¥1,300 million compared with ¥32,567 million at the end of the previous fiscal year. This was mainly due to decreases of ¥1,069 million in cash and deposits and ¥207 million in notes and accounts receivable-trade.

(Non-current Assets)

Non-current assets at the end of the second quarter were ¥17,542 million, a decrease of ¥936 million compared with ¥18,479 million at the end of the previous fiscal year. This was mainly due to decreases of ¥517 million in property, plant and equipment resulting from closing of stores and booking of impairment loss, and ¥422 million in investments and other assets resulting from a decrease in shares of subsidiaries and associates caused by making BOOKOFF With and BOK MARKETING SDN.BHD. consolidated subsidiaries, while there was an increase of ¥2 million in intangible assets.

(Liabilities)

Liabilities at the end of the second quarter were ¥35,344 million, a decrease of ¥1,460 million compared with ¥36,804 million at the end of the previous fiscal year. Income taxes payable decreased ¥331 million after the payment of income taxes and loans payable decreased ¥1,053 million due to repayment of bank loans.

(Net Assets)

Net assets at the end of the second quarter were ¥13,465 million, a decrease of ¥776 million compared with ¥14,242 million at the end of the previous fiscal year. This was mainly due to a ¥967 million decrease in retained earnings resulting mainly from a loss attributable to owners of parent and dividend payments from surplus, while there was a ¥141 million increase in non-controlling interests resulting from making BOOKOFF With and BOK MARKETING SDN.BHD. consolidated subsidiaries.

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

There are no revisions to the forecast that was announced on May 10, 2017.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	FY3/2017 (As of Mar. 31, 2017)	Second quarter of FY3/2018 (As of Sep. 30, 2017)
Assets		
Current assets		
Cash and deposits	15,268,310	14,198,575
Notes and accounts receivable-trade	1,617,922	1,410,206
Merchandise	12,614,825	12,548,360
Other	3,071,754	3,115,086
Allowance for doubtful accounts	(4,906)	(4,405)
Total current assets	32,567,906	31,267,823
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,920,351	4,514,897
Leased assets, net	1,924,159	1,826,692
Other, net	1,000,544	986,248
Total property, plant and equipment	7,845,056	7,327,838
Intangible assets		
Goodwill	268,447	258,762
Other	1,152,616	1,164,999
Total intangible assets	1,421,064	1,423,761
Investments and other assets		
Guarantee deposits	8,186,531	8,081,638
Other	1,117,053	784,078
Allowance for doubtful accounts	(90,281)	(74,758)
Total investments and other assets	9,213,303	8,790,958
Total non-current assets	18,479,423	17,542,559
Total assets	51,047,330	48,810,382

(Unit: thousand yen)

	FY3/2017 (As of Mar. 31, 2017)	Second quarter of FY3/2018 (As of Sep. 30, 2017)
Liabilities		
Current liabilities		
Accounts payable-trade	343,217	345,050
Short-term loans payable	6,539,191	6,565,591
Current portion of long-term loans payable	3,664,791	4,395,404
Lease obligations	389,489	409,521
Income taxes payable	767,005	435,496
Provision for bonuses	282,460	296,797
Provision for sales rebates	630,262	665,202
Provision for shareholder benefit program	64,297	44,990
Provision for loss on store closing	49,919	18,418
Other	3,905,774	3,752,200
Total current liabilities	16,636,409	16,928,673
Non-current liabilities		
Bonds with subscription rights to shares	7,700,000	7,700,000
Long-term loans payable	8,925,930	7,115,371
Asset retirement obligations	1,573,962	1,720,544
Lease obligations	1,573,967	1,449,731
Other	394,550	430,096
Total non-current liabilities	20,168,409	18,415,743
Total liabilities	36,804,818	35,344,417
Net assets		
Shareholders' equity		
Capital stock	3,652,394	3,652,394
Capital surplus	4,187,003	4,192,922
Retained earnings	7,747,457	6,779,476
Treasury shares	(1,260,826)	(1,255,573)
Total shareholders' equity	14,326,028	13,369,219
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	53,057	86,825
Foreign currency translation adjustment	(136,574)	(131,308)
Total accumulated other comprehensive income	(83,516)	(44,482)
Non-controlling interests	-	141,228
Total net assets	14,242,511	13,465,965
Total liabilities and net assets	51,047,330	48,810,382

(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 FY3/2017 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/2018 (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	39,270,031	39,211,627
Cost of sales	16,111,055	16,169,734
Gross profit	23,158,976	23,041,892
Selling, general and administrative expenses	24,252,833	23,109,808
Operating loss	(1,093,856)	(67,916)
Non-operating income		
Gain from installment of vending machine	76,084	71,301
Gain on sales of recycling goods	204,601	189,041
Other	109,328	95,443
Total non-operating income	390,014	355,786
Non-operating expenses		
Interest expenses	90,923	88,281
Share of loss of entities accounted for using equity method	4,390	1,281
Foreign exchange losses	42,112	-
Other	38,800	29,147
Total non-operating expenses	176,226	118,710
Ordinary profit (loss)	(880,068)	169,159
Extraordinary income		
Gain on bargain purchase	-	20,476
Total extraordinary income	-	20,476
Extraordinary losses		
Loss on valuation of investment securities	-	1,322
Loss on closing of stores	8,674	-
Provision for loss on store closing	35,087	18,418
Loss on retirement of non-current assets	12,083	5,263
Impairment loss	81,924	509,467
Loss on disaster	13,619	-
Total extraordinary losses	151,388	534,471
Loss before income taxes	(1,031,457)	(344,834)
Income taxes-current	187,016	221,110
Income taxes-deferred	(321,817)	139,979
Total income taxes	(134,800)	361,089
Loss	(896,657)	(705,924)
Profit attributable to non-controlling interests	-	9,649
Loss attributable to owners of parent	(896,657)	(715,574)

Quarterly Consolidated Statement of Comprehensive Income

(For the Six-month Period)

(Unit: thousand yen)

	First six months of FY3/2017 (Apr. 1, 2016 – Sep. 30, 2016)	First six months of FY3/2018 (Apr. 1, 2017 – Sep. 30, 2017)
Loss	(896,657)	(705,924)
Other comprehensive income		
Valuation difference on available-for-sale securities	(10,271)	33,596
Foreign currency translation adjustment	(35,450)	9,335
Share of other comprehensive income of entities accounted for using equity method	(366)	75
Total other comprehensive income	(46,089)	43,007
Comprehensive income	(942,746)	(662,917)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(942,746)	(672,490)
Comprehensive income attributable to non-controlling interests	-	9,572

(3) Notes to Quarterly Consolidated Financial Statements

(Notes Concerning the Going-Concern Premise)

Not applicable.

(Significant Changes in Shareholders' Equity)

Not applicable.

(Segment Information)

Segment Information

I. First six months of FY3/2017 (Apr. 1, 2016 – Sep. 30, 2016)

1. Information on the amounts of net sales, profits or losses 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	34,381,812	3,228,605	955,126	38,565,544	704,487	39,270,031	-	39,270,031
Inter-segment sales and transfers	162,215	667,385	754	830,355	173,357	1,003,712	(1,003,712)	-
Total	34,544,028	3,895,991	955,880	39,395,899	877,844	40,273,744	(1,003,712)	39,270,031
Segment profit (loss)	(46,612)	132,154	(116,494)	(30,952)	(39,021)	(69,974)	(1,023,882)	(1,093,856)

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

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	(30,952)
Profit classified as "other"	(39,021)
Eliminations for inter-segment transactions	33,320
Corporate expenses (Note)	(1,057,202)
Operating loss on the quarterly consolidated statement of income	(1,093,856)

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

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

Significant impairment losses related to non-current assets

In the Reuse Store Business and the HUGALL Business segments, the Company has identified the stores 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 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 ¥81,924 thousand for the first six months of FY3/2017. The breakdown by segment is as follows.

In the Reuse Store Business, there was an impairment loss of ¥52,777 thousand.
In the HUGALL Business, there was an impairment loss of ¥29,147 thousand.

Significant change in goodwill

Detailed explanations are omitted due to immateriality.

Significant gain on bargain purchase

Not applicable.

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

1. Information on the amounts of net sales, profits or losses 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 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 of 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.