

## BUSINESS REPORT (April 1, 2015 to March 31, 2016)

### 1. Current Status of the Corporate Group

#### ■ Results of Operations for the Fiscal Year Under Review (FY3/2016)

##### (1) Progress and achievements

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, apparel, sporting goods, baby goods and other miscellaneous household items.

To realize the Group's management philosophy and achieve further business growth, the Medium-Term Business Plan was formulated in May 2015. With this plan in place and based on the two basic policies of maximizing purchases by leveraging the comprehensive power of the BOOKOFF Group and maximizing sales efficiency in stores and over the Internet, the Group expects to achieve sustainable growth by effectively implementing the following four key strategies: reinvent BOOKOFF; expand comprehensive reuse stores; grow the BOOKOFF Online Business; and increase the scope of operations and revenues in the HUGALL Business.

The current fiscal year, which is the first year of the Medium-Term Business Plan, is positioned as a time to prepare for measures aimed at reaching the target of operating income of ¥4 billion in the fiscal year ending on March 31, 2020. Group companies continue to open stores, primarily comprehensive large-format stores, while focusing on two activities: (1) starting the purchase and sale of reuse home appliances and (2) establishing an infrastructure for Internet sales of merchandise at stores. Progress continues with strengthening purchasing and improving sales efficiency to build a base for reaching the medium-term earnings target.

Guided by these management policies, we are accelerating the pace of new store openings and remodels with BOOKOFF SUPER BAZAAR (a large-scale complex of BOOKOFF and other stores carrying a variety of reuse merchandise) and BOOKOFF PLUS (BOOKOFF stores combining apparel-related merchandise) formats as our core package of retail outlets. During the current fiscal year, we opened one BOOKOFF SUPER BAZAAR store and three BOOKOFF PLUS stores. In addition, one BOOKOFF store was converted into a BOOKOFF PLUS store.

The existing BOOKOFF stores have started handling reuse home appliances to add a new merchandise category and there were measures for submitting store merchandise to the YAHUOKU! auction service of Yahoo Japan. In addition, there were more part-time worker recruitment and training activities to be prepared for the expected growth in purchases and sales resulting from advertising expenditures to promote the start of reuse home appliance operations.

In the BOOKOFF Online Business, there were investments for warehouse expansions and other actions to support growth aimed at offering customers the largest possible selection of used books. In the HUGALL Business, there were substantial up-front investments for strengthening this business and for increasing the volume of goods purchased in order to become profitable.

As a result of these efforts, consolidated net sales amounted to ¥76,564 million, which was a 3.0% increase from the previous fiscal year. The Group recorded an operating loss of ¥530 million (compared with operating income of ¥1,127 million in the previous fiscal year), and an ordinary income of ¥5 million, which was a 99.7% decrease from the previous fiscal year.

Loss attributable to owners of parent amounted to ¥528 million (compared with a profit of ¥151 million in the previous fiscal year), due to an extraordinary loss including impairment loss on existing stores.

Segment		FY3/2015		FY3/2016		YoY change	
		Amount	% to total sales	Amount	% to total sales	Amount	YoY change %
Reuse Store Business	Store sales	(Thousands yen) 60,501,889	(%) 81.4	(Thousands yen) 65,791,294	(%) 85.9	(Thousands yen) 5,289,404	(%) 8.7
	Sales to franchisees	2,730,024	3.7	2,748,686	3.6	18,661	0.7
	Sub-total	63,231,914	85.1	68,539,980	89.5	5,308,066	8.4
BOOKOFF Online Business		4,859,564	6.5	5,592,568	7.3	733,004	15.1
HUGALL Business		457,586	0.6	970,997	1.3	513,411	112.2
Packaged Media Business		5,587,748	7.5	1,227,997	1.6	(4,359,750)	(78.0)
Total for reportable segments		74,136,814	99.7	76,331,545	99.7	2,194,731	3.0
Other		211,105	0.3	232,514	0.3	21,408	10.1
Total sales		74,347,920	100.0	76,564,060	100.0	2,216,139	3.0

## ■ Reuse Store Business

### Business

The Company is engaged in chain headquarters operations for franchise systems and directly operated stores for the BOOKOFF book and software reuse shop.

To expand our comprehensive reuse business, we leverage the BOOKOFF brand to operate BOOKOFF SUPER BAZAAR (a large-scale complex of BOOKOFF and other stores carrying a variety of reuse merchandise) and BOOKOFF PLUS (BOOKOFF stores combining apparel-related merchandise). We purchase and sell pre-owned goods at these stores across a wide range of categories, including books, software, apparel, sporting goods, baby goods, watches, luxury-brand bags, precious metals, kitchenware, and miscellaneous household items.

The subsidiary BOOKOFF U.S.A. INC. is engaged in operations for directly operated stores for the BOOKOFF overseas.

### Results of operations for FY3/2016

The segment recorded net sales of ¥68,539 million, which was an 8.4% increase compared with the previous fiscal year.

During the fiscal year, eight directly operated stores and five franchise stores were opened. There were 85 closings of directly operated stores, including 76 stores that were closed to be combined with another Group store in the same building under a single brand and 11 closings of franchise stores. In addition, 10 stores were added by purchasing the shares of companies that had been operating reuse stores on their own under franchising agreements.

The existing BOOKOFF stores focused on improving book-pricing operations to reflect the balance of supply and demand for each title. Stores started handling reuse home appliances to add a new merchandise category and there were measures for submitting store merchandise to YAHUOKU!

Segment sales increased due to higher sales at existing stores and an increase in the number of directly operated stores because of new store openings, and the transfer of operations and purchase of shares of companies operating franchised stores.

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## ■BOOKOFF Online Business

### Business

The subsidiary BOOKOFF Online, Inc. operates BOOKOFF Online, an E-commerce website selling books, software and other merchandise.

### Results of operations for FY3/2016

The segment recorded net sales of ¥5,592 million, which was a 15.1% increase compared with the previous fiscal year.

Sales benefited from an increase in the number of BOOKOFF Online website members. An increasing number of items on this website resulting from more warehouse capacity and cooperation with stores to increase inventories also contributed to sales growth. In addition, higher sales resulted from the redesign of a smartphone website and a tie-up with YAHUOKU! for the submission of merchandise to this auction.

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## ■HUGALL Business

### Business

The subsidiary hug all, Inc. operates reuse businesses beyond the traditional retail format, dealing in products from a much greater range of categories.

### Results of operations for FY3/2016

The segment recorded net sales of ¥970 million in the current fiscal year, which was a 112.2% increase compared with the previous fiscal year.

There were many activities to strengthen merchandise purchasing capabilities. One is going to customers' homes to purchase items, a service that is offered mainly in the 23 wards of Tokyo. We also developed the "ReUse Smart at anytime," a comprehensive purchasing system that uses automated lockers. Another step was the opening of a One-Stop Purchasing Consultation Desk at Nihombashi Mitsukoshi Department Store. These initiatives had a positive effect on sales of our E-commerce site, which is our main distribution channel. The result was growth in segment sales.

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## ■Packaged Media Business

### Business

The Company operates Aoyama Book Center, Ryusui Shobo and yc-vox stores (new book sales).

### Results of operations for FY3/2016

The segment recorded net sales of ¥1,227 million, which was a 78.0% decrease compared with the previous fiscal year.

No new stores were opened in this segment during the current fiscal year.

Due to the transfer of TSUTAYA Business to NIPPON SHUPPAN HANBAI INC. in the previous fiscal year, net sales in this segment decreased significantly.

## ■ Other

### Business

The subsidiary BOM Corporation, Inc. is engaged in interior and exterior planning, design, and construction of stores in all segments.

The subsidiary B-Assist, Inc. is engaged in processing of merchandise for sale at stores.

### Results of operations for FY3/2016

The segment recorded net sales of ¥232 million, which was a 10.1% increase compared with the previous fiscal year.

#### (2) Capital expenditures

The total amount of capital expenditures for the current fiscal year was ¥3,345 million (including guarantee deposits related store leases and leased assets), which were mainly spent for development of POS systems as well as new store openings and store renovation.

#### (3) Financing activities

For the current fiscal year, as was the case in the previous fiscal year, the Company procured funds required to be use for new store openings and other purposes by borrowings from financial institutions while at the same time enhancing efficiency of cash management within the Group.

As a result of the above, as of the end of the current fiscal year, the amount of outstanding borrowings from financial institutions was ¥16,735 million, an increase of ¥3,980 million year-on-year, and that of outstanding bonds payable was ¥1,000 million (no change year-on-year).

#### (4) Transfer, absorption-type split, or incorporation-type split of businesses

There are no significant matters to be noted.

#### (5) Acquisition of businesses transferred from other companies

The Company newly established BOOKOFF OKINAWA as a subsidiary as of May 1, 2015 and acquired store businesses that its franchisees had operated.

#### (6) Assumption of rights and obligations of other companies' businesses as a result of absorption-type merger or absorption-type split

The Company completed an absorption-type merger of its subsidiary B&H Co., Ltd. as of July 1, 2015.

#### (7) Acquisition or disposal of shares and other ownership interests, or stock acquisition rights held by other companies

The Company acquired all of the shares of its franchisee Booklet Co., Ltd., making it a subsidiary as of May 1, 2015.

The Company also acquired all of the shares of Booklog, Inc., making it a subsidiary as of January 18, 2016.

## ■ Status of Assets and Operating Results for the Past Three Fiscal Years

Category	22nd term (Fiscal year ended March 31, 2013)	23rd term (Fiscal year ended March 31, 2014)	24th term (Fiscal year ended March 31, 2015)	25th term (Current fiscal year) (Fiscal year ended March 31, 2016)
Net sales (Thousand yen)	76,670,937	79,159,033	74,347,920	76,564,060
Ordinary income (Thousand yen)	2,366,143	2,608,418	1,677,925	5,764
Profit (loss) attributable to owners of parent (Thousand yen)	1,058,088	951,702	151,479	(528,566)
Net income (loss) per share (Yen)	57.30	52.09	7.46	(25.69)
Total assets (Thousand yen)	39,455,164	40,336,661	47,437,915	50,514,020
Net assets (Thousand yen)	15,249,721	15,226,338	17,203,111	15,968,465

Note: The weighted average number of shares of common stock used in the calculation of net income per share for the 22nd and 23rd terms did not include shares of the Company's stock held by the BOOKOFF Corporation Employee Stock Ownership Association Trust.

## ■ Status of Parent and Significant Subsidiaries

### (1) Status of parent

Not applicable.

### (2) Status of significant subsidiaries

Name of company	Capital stock	Shareholding ratio of the Company	Main business lines
BOOKOFF U.S.A., INC.	US\$ 3 million	100.0%	Operations of "BOOKOFF" stores in the United States
BOOKOFF Online, Inc.	¥100,000 thousand	100.0%	Operations of "BOOKOFF Online" that is a book and software reuse shop on the Internet
hug all, Inc.	¥100,000 thousand	100.0%	Operations of reuse business beyond the traditional retail format
Booklet Co., Ltd.	¥10,000 thousand	100.0%	Operations of "BOOKOFF" and other stores in Japan

Notes: 1. The Company has ten consolidated subsidiaries including the above four significant ones, two non-consolidated subsidiaries and one affiliated company accounted for using the equity method.

2. Subsidiary Booklet Co., Ltd. became the Company's subsidiary as of May 1, 2015 when the Company acquired its shares.

3. Subsidiary BOOKOFF OKINAWA was newly established as of May 1, 2015 and become a consolidated subsidiary of the Company.

4. Subsidiary B&H Co., Ltd. was merged into the Company as of July 1, 2015.

5. Subsidiary Booklog, Inc. became the Company's subsidiary as of January 18, 2016 when the Company acquired its shares.

6. Subsidiary BOM Corporation, Inc. was merged into the Company as of April 1, 2016.

### (3) Status of other significant business combinations

Dai Nippon Printing Co., Ltd. falls under the "other associated companies" of the Company and owns 15.66% of voting rights of the Company combined with those owned by its subsidiaries, MARUZEN-YUSHODO Company, Limited and Toshokan Ryutsu Center, Co., Ltd.

The Company entered into a capital and business alliance agreement with Yahoo Japan Corporation as of April 24, 2014, based on which it issued new shares and convertible bonds through a third party allotment to

Yahoo Japan Corporation. As a result, Yahoo Japan Corporation acquired and owned 15.09% of voting rights of the Company, becoming one of the “other associated companies” of the Company.

Accordingly, SoftBank Corp., a parent company of Yahoo Japan Corporation, is the “parent company of other associated companies” of the Company.

## ■Important Issues

This section explains important issues of the BOOKOFF Group.

- (1) Realizing the goal of becoming “a company with an infrastructure for people who refuse to discard items that can be reused”

The BOOKOFF Group has positioned the goal of becoming a “company with an infrastructure for people who refuse to discard items that can be reused” as its business mission. We aim to simultaneously expand our customer base and maintain a competitive advantage by instilling the image of “BOOKOFF for people who don’t let things go to waste” in people’s minds.

To achieve this goal, our business activities will be based on a branding strategy that incorporates this business mission. And in order to provide a standard of service that enables customers to use each store with peace of mind, we will improve operational standards by making sure that employees fully understand company manuals and by providing practical training.

- (2) Initiatives for business growth based on medium- to long-term business policies

Based on medium- to long-term business policies calling for maximizing purchases by leveraging the comprehensive power of the BOOKOFF Group and maximizing sales efficiency in stores and over the Internet, the BOOKOFF Group will achieve progress concerning the following four initiatives.

- Reinvent BOOKOFF (from BOOKOFF for books to BOOKOFF for all reuse items)
- Expand our comprehensive reuse stores (Create large and multi-format reuse stores for an overwhelming competitive advantage)
- Grow our BOOKOFF Online Business (Offer the largest possible book selection and expand into other product categories)
- Increase the scope of operations and revenues in the HUGALL Business (Advance from the business model launch to growth and profitability)

By taking various actions based on these four initiatives, we are aiming for consistent growth.

- (3) Communicate and instill the BOOKOFF Group corporate principles

BOOKOFF views thorough compliance as the foundation of socially responsible company. We have established compliance guidelines that must be followed by the BOOKOFF Group's directors and employees for building mutual trust with all stakeholders. In order to ensure the thorough awareness of the guidelines’ principles, there are training sessions and meetings targeting all directors and employees. There are also compliance awareness campaigns that use newsletters and the internal corporate intranet.

For accountability, we use a system of internal controls that create transparency for the division of responsibilities. In addition, we are dedicated to the timely and proper disclosure of corporate information and prompt announcements of results of operations.

■ Principal Places of Business (as of March 31, 2016)

(1) Head office: 2-14-20 Kobuchi, Minami-ku, Sagamihara, Kanagawa, Japan

(2) Stores

Region	Number of stores
Reuse Store Business	
Hokkaido	11 stores including BOOKOFF PLUS Sapporo Kawazoe Store
Tohoku	22 stores including BOOKOFF SUPER BAZAAR Sendai Sakurano Store
Kanto Koshinetsu	
Ibaraki	11 stores including BOOKOFF SUPER BAZAAR Arakawaoki Store
Gunma	9 stores including BOOKOFF SUPER BAZAAR Route 17 Maebashi LiRiCA Store
Saitama	23 stores including BOOKOFF SUPER BAZAAR Omiya Stellar Town Store
Chiba	20 stores including BOOKOFF SUPER BAZAAR Vivit Minamifunabashi Store
Tokyo	74 stores including BOOKOFF SUPER BAZAAR Hachioji Minamino Store
Kanagawa	50 stores including BOOKOFF SUPER BAZAAR Route 409 Kawasaki Minatocho Store
Yamanashi	7 stores including BOOKOFF PLUS Tatomi Showa Street Store
Chubu / Hokuriku	40 stores including BOOKOFF SUPER BAZAAR Route 248 Seiyu Okazaki Store
Kinki	63 stores including BOOKOFF SUPER BAZAAR Moriguchi Jaguartown Store
Chugoku / Shikoku	22 stores including BOOKOFF SUPER BAZAAR Route 54 Hiroshima Yagi Store
Kyushu / Okinawa	24 stores including BOOKOFF SUPER BAZAAR North Tenjin Store
Overseas	7 stores including BOOKOFF 49 W 45th NY Store
Subtotal	383 stores
Packaged Media Business	6 stores including Aoyama Book Center Main Store
Total	389 stores

Note: The number of stores above include those operated by the non-consolidated subsidiaries with details as follows:  
21 stores in the Reuse Store Business segment

■ Status of Employees (as of March 31, 2016)

(1) Status of employees of the Group

Business segment	Number of employees	Year-on-year change
Reuse Store Business	955 (4,299) persons	Increase of 126 persons (Increase of 709 persons)
BOOKOFF Online Business	54 (279) persons	Decrease of 13 persons (Decrease of 14 persons)
HUGALL Business	51 (40) persons	Increase of 16 persons (Increase of 6 persons)
Packaged Media Business	14 (33) persons	No change (Decrease of 167 persons)
Other	17 (49) persons	Increase of 3 persons (Increase of 13 persons)
Corporate (common)	65 (12) persons	Increase of 2 persons (Decrease of 1 person)
Total	1,156 (4,712) persons	Increase of 134 persons (Increase of 546 persons)

- Notes: 1. The number of employees refers only to that of full-time employees (excluding those temporarily transferred from the Group to outside the Group, but including those temporarily transferred from outside the Group to the Group) and the annual average number of part-time and contract employees is presented separately in the parentheses.
2. The number of employees presented in the “Corporate (common)” is the number of those belonging to the administrative departments that cannot be classified into any specific segment.

(2) Status of employees of the Company

Number of employees	Year-on-year change	Average age	Average number of years in service
947 (4,035) persons	Increase of 101 (534) persons	33.4	7.0 years

Note: The number of employees refers only to that of full-time employees (excluding those temporarily transferred from the Company to outside the Company, but including those temporarily transferred from outside the Company to the Company) and the annual average number of part-time and contract employees is presented separately in the parentheses.

■ Status of Principal Lenders (as of March 31, 2016)

(Thousand yen)

Lender	Outstanding amount borrowed
Mitsubishi UFJ Trust and Banking Corporation	2,932,796
Mizuho Bank, Ltd.	2,233,973
Sumitomo Mitsui Banking Corporation	2,153,044
The Bank of Yokohama, Ltd.	1,972,999
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	1,961,043

Note: Other than the above borrowings from financial institutions, the Company has issued unsecured bonds at the aggregate amount of ¥1,000,000 thousand underwritten by The Bank of Tokyo-Mitsubishi UFJ, Ltd. as a sole underwriter.

■ Other Significant Matters Concerning the Corporate Group

Not applicable.



## 2. Summary of the Company

### ■ Status of Stock (as of March 31, 2016)

- (1) Total number of authorized shares 40,000,000 shares  
(2) Total number of issued shares 22,573,200 shares  
(3) Number of shareholders 22,408  
(4) Major Shareholders

Name of shareholders	Number of shares held (shares)	Shareholding ratio (%)
Yahoo Japan Corporation	3,100,000	15.08
Hard Off Corporation	1,400,300	6.81
Dai Nippon Printing Co., Ltd.	1,283,000	6.24
MARUZEN-YUSHODO Company, Limited	1,183,300	5.75
BOOKOFF Corporation Employee Stock Ownership Association	1,133,192	5.51
Kodansha Company Ltd.	833,300	4.05
SHUEISHA Inc.	833,300	4.05
SHOGAKUKAN Inc.	833,300	4.05
TRC, Inc.	750,000	3.65
BOOKOFF Corporation Franchisee Stock Ownership Association	448,510	2.18

Notes: 1. The Company holds 2,025,782 shares of treasury shares, which is excluded from the above table of major shareholders.

2. Shareholding ratio is calculated after deducting the number of the treasury shares.

■ Status of the Board Members

(1) Directors and Audit & Supervisory Board Members (as of March 31, 2016)

Position	Name	Responsibilities and significant concurrent positions
Director and Senior Advisor	Mayumi Hashimoto	
President and CEO	Nobuyuki Matsushita	
Director	Kazunobu Harada	
Director	Shingo Koganei	
Director	Yohei Miyazaki	Representative Director, hug all, Inc.
Director	Yasutaka Horiuchi	Representative Director, BOOKOFF Online, Inc. Representative Director, Booklog, Inc.
Director	Yushi Chousa	
Director	Katsuo Nakano	
Director	Noriyuki Nobayashi	Chief Marketing Officer, FiNC inc. Director, LEGS COMPANY, LTD.
Director	Yoshitaka Sato	
Director	Yuji Umemura	Corporate Officer, Yahoo Japan Corporation
Director	Yoshihumi Tsutsumi	Full-time Corporate Auditor, Tribeck Strategies Inc.
Director	Masayuki Chiba	Director, MARUZEN-YUSHODO Company, Limited
Full-time Audit & Supervisory Board Member	Hideaki Tamura	
Audit & Supervisory Board Member	Minoru Akashi	
Audit & Supervisory Board Member	Masami Ikeda	Honto Business Division, Dai Nippon Printing Co., Ltd.
Audit & Supervisory Board Member	Agasa Naito	Partner in Tanabe & Partners

- Notes: 1. Directors Katsuo Nakano, Noriyuki Nobayashi, Yoshitaka Sato, Yuji Umemura, Yoshihumi Tsutsumi and Mr. Masayuki Chiba are Outside Directors.
2. Audit & Supervisory Board Members Minoru Akashi, Masami Ikeda and Agasa Naito are Outside Audit & Supervisory Board Members.
3. Full-time Audit & Supervisory Board Member Hideaki Tamura, Audit & Supervisory Board Members Minoru Akashi and Masami Ikeda have considerable expertise in finance and accounting as follows:
- Full-time Audit & Supervisory Board Member Hideaki Tamura had been engaged in supervising financial reporting and tax from April 2004 to December 2007 as the Head of the Accounting Department of the Company. He is also a qualified Certified Public Accountant.
  - Audit & Supervisory Board Member Minoru Akashi has experience in financing and other operations at The Mitsubishi Trust and Banking Corporation (currently Mitsubishi UFJ Trust and Banking Corporation).
  - Audit & Supervisory Board Member Masami Ikeda had been engaged in providing advice and guidance on financial reporting, finance and tax for its domestic subsidiaries of Dai Nippon Printing Co., Ltd. from June 1987 to May 1996
4. There was a change in position of a Director of the Company as of March 15, 2016 as follows.
- Director Kazunobu Harada: Director and Vice President (before the change) to Director (after the change)
5. The Company has filed Directors Katsuo Nakano, Noriyuki Nobayashi, Yoshitaka Sato and Yoshihumi Tsutsumi; and Audit & Supervisory Board Members Minoru Akashi and Agasa Naito as Independent Executives pursuant to the provision of the securities exchanges in which the Company is listed.

(2) Directors and Audit & Supervisory Board Members retired during the FY3/2016

Name	Retirement date	Reason of the retirement	Position, responsibilities and significant concurrent positions at the time of retirement
Kazunobu Harada	April 21, 2015	Resignation	Outside Audit and Supervisory Board Member

(3) Remuneration to Directors and Audit & Supervisory Board Members

a. Aggregate amount of remuneration for the current fiscal year

Item	Number of Directors and Audit & Supervisory Board Members	Amount of remuneration (Thousands yen)
Directors (o/w, Outside Directors)	12 (5)	95,550 (14,400)
Audit & Supervisory Board Members (o/w, Outside Audit & Supervisory Board Members)	4 (3)	23,048 (8,048)
Total (o/w, Outside Board Members)	16 (8)	118,598 (22,448)

Notes: 1. Apart from the above, ¥48,000 thousand of employee salaries have been paid to four Directors who serve concurrently as employees.

2. The number of Directors with remuneration includes one Director (o/w, one Outside Director) who retired at the conclusion of the 24th Ordinary General Meeting of Shareholders held on June 27, 2015 and excludes three Directors without remuneration (o/w, two Outside Directors and one Outside Director who retired at the conclusion of the 24th Ordinary General Meeting of Shareholders held on June 27, 2015).

3. The number of Audit & Supervisory Board Members with remuneration includes one Audit & Supervisory Board Member (o/w, one Outside Audit & Supervisory Board Member) who retired in the fiscal year and excludes one Audit & Supervisory Board Member without remuneration (o/w, one Outside Audit & Supervisory Board Member).

4. The amount of remuneration to be paid to Directors was resolved at the 12th Ordinary General Meeting of Shareholders held on June 24, 2003 as no more than ¥18,500 thousand per month (not including the employee salaries of Directors who serve concurrently as employees).

5. The amount of remuneration to be paid to Audit & Supervisory Board Members was resolved at the 12th Ordinary General Meeting of Shareholders held on June 24, 2003 as no more than ¥3,000 thousand per month.

b. Retirement benefits paid to the Board Members in the current fiscal year

Not applicable.

c. Aggregate amount of remuneration and other amounts that Outside Board Members received from the parent company or subsidiaries, etc.

Not applicable.

d. Method of determining the policy over determining the amount of remuneration to be paid to the Board Members or its calculation method, and overview of the policy

The remuneration to be paid to Directors are to be determined within the limit resolved in General Meeting of Shareholders by the Remuneration Review Committee that consists of the President and Independent Outside Directors after making consideration over the performance of the Company and the contribution of each Director to the Company. This policy has been resolved at the Board of Directors meetings.

The remuneration and other amounts to be paid to Audit & Supervisory Board Members are to be determined with discussion among Audit & Supervisory Board Members within the limit resolved in General Meeting of Shareholders.

(4) Matters Concerning the Company's Outside Board Members

a. Significant concurrent positions as business executer at other organizations and relationship between the Company and such organizations

Director Mr. Noriyuki Nobayashi serves concurrently as Chief Marketing Officer of FiNC inc. and as Director of LEGS COMPANY, LTD. There is no special relationship between FiNC inc. and the Company. LEGS COMPANY, LTD. is engaged in general transactions over advertising planning and sales promotion articles and other materials with the Company and its subsidiaries.

Director Mr. Yuji Umemura serves concurrently as Corporate Officer of Yahoo Japan Corporation. Yahoo Japan Corporation is one of the Company's major shareholders and "other associated companies." Yahoo Japan Corporation and the Company are under capital and business alliance relationship.

Director Yoshihumi Tsutsumi serves concurrently as a Full-time Corporate Auditor at Tribeck Strategies Inc. There is no special relationship between Tribeck Strategies Inc. and the Company.

Director Masayuki Chiba serves concurrently as Director of MARUZEN-YUSHODO Company, Limited. MARUZEN-YUSHODO Company, Limited is one of the Company's major shareholders and the "subsidiary of other associated companies." MARUZEN-YUSHODO Company, Limited is engaged in general transaction with the Company and its subsidiaries over construction and equipment of stores.

Audit & Supervisory Board Member Masami Ikeda works at Honto Business Division in Dai Nippon Printing Co., Ltd. Dai Nippon Printing Co., Ltd. is one of the Company's major shareholders and the "other associated companies." Dai Nippon Printing Co., Ltd. is engaged in general transaction with the Company and its subsidiaries over procurement of merchandise and other operations.

Audit & Supervisory Board Member Agasa Naito serves as a Partner in Tanabe & Partners. There is no special relationship between the law office and the Company.

- b. Significant concurrent positions as outside director or other position at other organizations and relationship between the Company and such organization.

Not applicable.

- c. Principal activities during the current fiscal year

- Attendance at the Board of Directors Meetings and the Audit & Supervisory Board Meetings

		Board of Directors Meeting (Number of meetings held: 12)		Audit & Supervisory Board Meeting (Number of meetings held: 15)	
		Number of meetings attended	Attendance rate (%)	Number of meetings attended	Attendance rate (%)
Director	Katsuo Nakano	12	100.0	-	-
Director	Noriyuki Nobayashi	12	100.0	-	-
Director	Yoshitaka Sato	12	100.0	-	-
Director	Yuji Umemura	11	91.7	-	-
Director	Yoshihumi Tsutsumi	10	100.0	-	-
Director	Masayuki Chiba	9	90.0	-	-
Audit & Supervisory Board Member	Minoru Akashi	12	100.0	15	100.0
Audit & Supervisory Board Member	Masami Ikeda	12	100.0	15	100.0
Audit & Supervisory Board Member	Agasa Naito	10	100.0	11	100.0

- Notes: 1. Apart from the Board of Directors meetings above, there were nine occasions of resolution in writing that are deemed resolutions of Board of Directors meeting pursuant to the Article 370 of the Companies Act and Article 26 of the Company's Articles of Incorporation.
2. Directors Yoshihumi Tsutsumi, Masayuki Chiba and Audit & Supervisory Board Member Agasa Naito

were newly elected at the 24th Ordinary General Meeting of Shareholders held on June 27, 2015. Therefore, the number of Board of Directors meetings held after the appointment was ten.

3. Audit & Supervisory Board Member Agasa Naito was newly elected at the 24th Ordinary General Meeting of Shareholders held on June 27, 2015. Number of the Audit & Supervisory Board meeting held after the appointment was eleven.

- Participation of the Outside Directors to the discussions at the Board of Directors meeting and other meetings

Director Katsuo Nakano has provided various pieces of advice regarding the Company's franchise business and management in general based on his long years of experience in managing companies operating BOOKOFF franchisee stores and on his various experiences including management of subsidiary in a major corporate group.

Director Noriyuki Nobayashi has provided various pieces of advice regarding the Company's service, sales promotion, marketing, approaches to new business and management in general based on his wealth of experience and expertise in his engagement in the management at other company.

Director Yoshitaka Sato has provided various pieces of advice regarding the Company's publication related business and management in general based on his wealth of experience and wide range of insights at major publishing company and industry.

Director Yuji Umemura has provided various pieces of advice regarding the Company's future business activities and management in general based on his wealth of experience and expertise in E-commerce business and system development.

Director Yoshihumi Tsutsumi has provided various pieces of advice regarding the Company's management in general based on experience of a partner in a major audit firm and expertise of a Certified Public Accountant.

Director Masayuki Chiba has provided various pieces of advice regarding future business activities and management in general based on his wealth of experience and wide range of insights of a business executive and director at other companies.

- Participation of Outside Audit & Supervisory Board Members to the discussions at the Board of Directors meetings and Audit & Supervisory Board meetings

Audit & Supervisory Board Member Minoru Akashi has provided supervision and various pieces of advice regarding management in general based on long years of business experience in financial institution and insights based on the experience.

Audit & Supervisory Board Member Masami Ikeda has provided supervision and various pieces of advice regarding management in general based on his wealth of experience and wide range of insights of business executer, outside director, outside auditor and at other companies.

Audit & Supervisory Board Member Agasa Naito has provided supervision and various pieces of advice regarding management in general based on expertise and experience as an attorney-at-law.

- d. Overview of content of limited liability contracts

The Company has entered into an agreement with each Outside Director and each Outside Audit & Supervisory Board Member in accordance with Paragraph 1, Article 427 of the Companies Act to limit liabilities for damages to the Company as stipulated in Paragraph 1, Article 423 of the Companies Act. The Company intends to limit the liabilities under the agreement to the minimum liability amount stipulated in Paragraph 1, Article 425 of the Companies Act.

■ **Matters concerning Stock Acquisition Rights**

- (1) Status of stock acquisition rights held by Directors and Audit & Supervisory Board Members of the Company awarded as compensation for performance of their duties as of the end of the current fiscal year  
Not applicable.
- (2) Status of stock acquisition rights awarded to employees as compensation for performance of their duties during the current fiscal year  
Not applicable.
- (3) Other significant matters concerning stock acquisition rights  
Outline of the first unsecured convertible bond with stock acquisition rights issued in accordance with the resolution of the Board of Directors held in April, 2014

Details of Convertible Bond with Stock Acquisition Rights	
Total amount of bonds issued	¥7,700,000,000
Amount of each bond	¥100,000,000
Interest rate	Bonds bear no interest
Issue date of bonds	May 15, 2014
Method and due date for Redemption	To be redeemed at face value of bonds on December 31, 2018
Method for subscription	All the bonds above were issued to Yahoo Japan Corporation via allotment to a third party.
Details of Stock Acquisition Rights	
Total number of stock acquisition right attached to bonds above	77
Class and number of stocks subject to stock acquisition right	<ul style="list-style-type: none"> <li>• Common stock of the Company</li> <li>• Number obtained by dividing the amount of bonds under the stock acquisition rights by the conversion price.</li> </ul>
Conversion price	¥751
Payment for stock acquisition rights	No payment is required for stock acquisition rights
Description of the property to be contributed upon the exercise of the stock acquisition rights and the amount thereof	<ul style="list-style-type: none"> <li>• All amount of the bonds under the stock acquisition rights</li> <li>• Amount equal to total amount of the bonds</li> </ul>
Exercise period of stock acquisition rights	From July 1, 2015 to December 31, 2018
Capital stock and legal capital surplus to be increased when stock will be issued upon exercise of stock acquisition rights	<ol style="list-style-type: none"> <li>1. The amount of capital stock to be increased by the issuance of stock upon exercise of stock acquisition rights shall be half of an increase in paid-in capital, which is calculated in accordance with the item 21 of Article 17 of the Ordinance on Accounting of Companies, provided that any amount less than one (1) yen shall be rounded up to the nearest yen.</li> <li>2. The amount of legal capital surplus to be increased shall be the upper limit of an increase in paid-in capital less an increase in capital stock.</li> </ol>
Conditions for exercise of stock acquisition right	<ul style="list-style-type: none"> <li>• If consolidated operating income for any fiscal year from the year ended March 31, 2015 to the year ending March 31, 2018 exceeds ¥2,200 million, 45% of stock acquisition rights can be exercised. If the consolidated operating income above exceeds ¥2,700 million, 100% of stock acquisition rights can be exercised.</li> <li>• When the ratio of voting rights held by the holders of stock acquisition rights falls below 15%, 100% of the stock acquisition rights can be exercised.</li> </ul>

## ■ Status of Independent Accounting Auditor

- (1) Name: Deloitte Touche Tohmatsu LLC
- (2) Amounts of remuneration to be paid to the Independent Accounting Auditor

	Amounts of remuneration
Remuneration for the current fiscal year to be paid to the Independent Accounting Auditor	¥45,000 thousand
Sum of money and other property benefits to be paid by the Company and its subsidiaries to the Independent Accounting Auditor	¥45,000 thousand

Notes: 1. The audit agreement entered into by the Independent Accounting Auditor and the Company does not clearly distinguish the amount for the audit under the Companies Act and for the audit under the Financial Instruments and Exchange Act, and the two amounts cannot be substantially distinguished from each other. Therefore, the remuneration to be paid by the Company to the Independent Accounting Auditor indicates the total for the two audits.

2. Based on the necessary materials and reports from the Board of Directors, relevant internal departments, and Independent Accounting Auditor, Audit & Supervisory Board confirmed and considered the content of audit plan, execution of business, and the basis for calculating remuneration estimates, etc. As a result, the Audit & Supervisory Board gave its consent with regard to the amounts of remuneration, etc. to be paid to the Independent Accounting Auditor.

- (3) Policy on decisions concerning dismissal or non-reappointment of Independent Accounting Auditor

The Audit & Supervisory Board may dismiss the Independent Accounting Auditor if it determines that any act or circumstance of the Independent Accounting Auditor falls under any items of Article 340, Paragraph 1 of the Companies Act. In this case, an Audit & Supervisory Board member appointed by the Audit & Supervisory Board shall report the fact that the Audit & Supervisory Board has dismissed the Independent Accounting Auditor and reasons thereof at the first General Meeting of Shareholders to be held after such dismissal.

The Audit & Supervisory Board, if it determines that the Independent Accounting Auditor has difficulty executing his/her duties or considers it necessary to do so, may determine the agenda for dismissal or non-reappointment of the Independent Accounting Auditor to be submitted to a General Meeting of Shareholders.

- (4) Overview of content of limited liability contracts  
Not applicable.

## ■ System to Ensure the Propriety of Business Operations and the Operational Status of the System

1. Overview of decisions made for the system to ensure the propriety of business operations

Followings are the overview of decisions made for the system to ensure that members of the Board of Directors and employees perform their duties in compliance with laws, regulations and Articles of Incorporation, and systems to ensure the propriety of business operations of the Company:

- (1) System to ensure that members of the Board of Directors and employees perform their duties in compliance with laws, regulations and the Articles of Incorporation
  - a. The Company shall establish “Compliance Guideline” which is a basic principle and code of conduct regarding compliance and observance of laws and regulations, social norms, and corporate ethics. Moreover, the Company shall make it public to the members of Board of Directors and Executive Officers (hereinafter referred to as “Officers”) as well as employees of the Company and its subsidiaries (hereinafter referred to as “the Group”).
  - b. The Company shall establish Compliance Management Committee where it ensures observance of laws and regulations, Articles of Incorporations and internal regulations within the Group, identifies issues and proposes countermeasures.
  - c. The Company shall establish a whistleblowing contact point (the “BOC Hotline”) within an

- external lawyer's office to protect whistleblowers from disadvantageous treatment, and apply the framework to Officers, as well as employees of the Group.
- d. The Internal Auditing Department, which is independent from operating departments, shall conduct internal audit of the Group as a whole.
  - e. The Company shall never become involved with anti-social forces, and shall take a firm stance on them as the entire Group, and deal with improper demands by closely coordination with police and lawyers.
- (2) System to store and manage information pertaining to the execution of duties by Directors
    - a. The Company shall establish regulations regarding storage and management of documents (including electromagnetic recording media), and define the responsibility and authority for document management, document storage periods and management methods.
    - b. The Company shall establish regulations regarding the information security management, and establish and maintain appropriate level of information security.
    - c. The Company shall establish regulations regarding information system management, and manage and maintain the information system in a secure manner.
  - (3) Regulations concerning the management of the risk of loss and other relevant systems
    - a. The Company shall establish regulations to address risks while it communicates and share risk information within the Group. Moreover, the Company shall take initial measures to the risks, then establish and operate special task force properly.
    - b. The Company shall establish Risk Management Committee where it identifies risks, and consults and proposes the countermeasures to the risks.
  - (4) System to ensure the efficient execution of duties by Directors
    - a. The Company shall specify the authority assigned to the organizational bodies, departments and positions in the regulations, and ensure appropriate and effective decision-making and execution of duties.
    - b. The Company shall promote operational efficiency across the Group.
    - c. The Company shall promote the proper communication of information and communications between Officers and employees by using information system. Documents such as materials used in the meeting bodies shall be reviewed in advance, and managed appropriately for storage and inspection.
  - (5) System to ensure propriety of business operation conducted by the Group
    - a. The Company considers its subsidiaries as one of the departments of the Company. Based on that, reporting line and authority as well as reporting requirements shall be established to include each organization within the subsidiaries, and managed comprehensively across the Group.
    - b. The Internal Auditing Department shall conduct internal audit of the Group as a whole including the subsidiaries.
  - (6) System to ensure proper financial reporting by the Group
    - a. The Company shall establish accounting regulations to ensure proper accounting practice in accordance with relevant laws and regulations and accounting standards.
    - b. The Company shall comply with relevant laws and the regulations of the securities exchange to ensure proper and timely financial reporting.
    - c. The Internal Auditing Department shall report the evaluations and improvements through identification and recording of the status of Company-wide internal control and business processes.
    - d. The Company shall assess if the internal control system for preparing financial reports works effectively on a continuous basis and make revisions if necessary.
  - (7) Matters concerning employees where Audit & Supervisory Board Members request employees to assist with duties, matters concerning independence of the employees from Directors, and matters concerning securement of effectiveness of the instructions to the employees
    - a. If Audit & Supervisory Board Members request to assign employees to assist them in the execution of their duties, the Company shall consult with them to choose appropriate employees.
    - b. The personnel affairs of the employees who assist the Audit & Supervisory Board Members shall



be consulted with Full-time Audit & Supervisory Board Members and determined upon the consent of them.

- c. If the employees serve concurrently as the employees at other department, the execution of duties related to Audit & Supervisory Board Members should be prior to all other duties.
- (8) System to report to Audit & Supervisory Board Members and system to ensure that whistleblowers do not suffer from disadvantageous treatment due to such reports
- a. The Officers and employees of the Group shall inform the Audit & Supervisory Board Members of any fact or other significant business administration matters that may cause the Company to suffer significant damage or loss in a timely and appropriate manner.
  - b. Internal Auditing Department shall report audit results to the Audit & Supervisory Board Members in a timely and appropriate manner.
  - c. The status of whistleblowing submitted via “BOC Hotline”, which aims to protect whistleblowers from disadvantageous treatment, as well as the status of processing of such whistleblowing shall be reported periodically to Audit & Supervisory Board Members.
  - d. If details of the whistleblowing are related to the scope where auditors need in execution of their duties or the whistleblowers want to communicate the fact to the Audit & Supervisory Board Members, Audit & Supervisory Board Members shall be informed promptly.
- (9) Matters concerning policies of costs and debts incurred in the execution of duties of Audit & Supervisory Board Members
- a. When Audit & Supervisory Board Members request to pay in advance or reimburse the cost incurred in the execution of their duties, such costs or payables shall be paid or settled promptly unless otherwise such costs would be considered as unnecessary for the execution of their duties.
- (10) Other system to ensure effective audits by Audit & Supervisory Board Members
- a. While the Representative Director shall have a regular meeting with Audit & Supervisory Board Members, he/she provides necessary information to the Full-time Audit & Supervisory Board Members in a timely manner to enhance smooth communication with them.
  - b. The Internal Auditing Department and Audit & Supervisory Board Members shall exchange information on a timely basis and collaborate to perform audit.
  - c. When Audit & Supervisory Board Members or their supportive employees request to report the matter regarding the execution of their duties and to submit relevant materials, the Officers and employees of the Group shall respond to the requests promptly and appropriately.
  - d. Full-time Audit & Supervisory Board Members shall attend important meetings of the Group, review key documents related to the execution of duties such as internal memos (*Ringisho*), and understand material decision-making processes and the status of executing operations.

## 2. Overview of operational status of systems to ensure the propriety of business operation

The Group operates an internal control system based upon the determination of systems to ensure the propriety of business operations.

The Group holds both Compliance Management Committee and Risk Management Committee on a monthly basis. While the former committee aims to monitor the Group’s compliance conditions in accordance with laws and regulation, Articles of Corporation and internal regulations, the latter is to identify risks and discuss measures. Those committees report the details of the discussion to Management Committee where they identify issues and propose countermeasures.

Full-time Audit & Supervisory Board Members attend important internal meetings including the mentioned above, understand decision-making processes as well as the status of executing operations, and has spoken as necessary.

The Internal Auditing Department, which is independent from operating departments, performs internal audit of the Group as a whole, while it reports audit results to Audit & Supervisory Board Members in a timely and appropriate manner and performs audit collaboratively with Audit & Supervisory Board Members.

A whistleblowing contact point, which is established within an external lawyer's office, is operated for protecting whistleblowers from disadvantageous treatment.

Documents and information regarding the execution of duties are managed properly in accordance with the relevant regulations.

All of the subsidiaries are considered as one of the departments within the Company. Based on the context, the authority and reporting requirements are established to include the subsidiaries and managed comprehensively across the Group.

The Group continues to exchange information with police and other relevant organizations in order to eliminate the relationship with anti-social forces.

■ **Basic Policies concerning Control of the Company**

Not applicable.