



# Notice of Convocation of the 27th Ordinary General Meeting of Shareholders

April 1, 2017 - March 31, 2018

## Date and time

Saturday, June 23, 2018 at 1 p.m.

(Attendance registration begins at 0:30 p.m.)

## Place

Shinagawa Intercity Hall 2-15-4, Konan, Minato-ku, Tokyo

## Meeting Agenda

Proposal No. 1: Appropriation of Retained Earnings

Proposal No. 2: Approval of Share Transfer Plan

Proposal No. 3: Election of One Substitute Audit & Supervisory Board Member

**BOOKOFF CORPORATION LIMITED**

Securities code: 3313

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## Message from the President

We started the past fiscal year in April 2017 with a new management framework that included a new Representative Director. During the fiscal year, our goal was a recovery in earnings of the BOOKOFF Group by making the Reuse Store Business more profitable and making significant changes in the HUGALL Business.

However, as the HUGALL Business was unable to produce earnings as planned, we recorded an asset impairment loss on its property and equipment and expenses for downsizing or terminating parts of this business, resulting in a net loss in the fiscal year. In the Reuse Store Business, the ordinary profit was as planned because of activities centered on cost reductions for making this business more profitable.

We have established a medium-term business plan that ends in the fiscal year ending in March 2021, when we will celebrate our 30th anniversary. We will rededicate ourselves to our corporate philosophy and focus 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.

Our strategy for accomplishing this goal is to upgrade individual stores and use the resources of the entire store chain to compete and win. Every store will have deep roots in the region it serves. Also, the entire chain will operate as “One BOOKOFF” to be a place that is a source of enjoyment for customers.

By fully utilizing our people, customer relationships, store network, brand recognition and other assets, we are determined to achieve consistent earnings growth in Japan’s expanding reuse market.

Thank you for your understanding and support as we continue to take the actions needed to accomplish our goals and build a sound base for growth.

Yasutaka Horiuchi  
President and CEO



## Reference Documents for the General Meeting of Shareholders

### ■ Proposal No. 1: Appropriation of Retained Earnings

The Company positions the distribution of earnings to shareholders as one of its highest management priorities, and also recognizes an increase in corporate value along with its business growth and expansion as the most important management issue.

In view of the current results of operations, future business activities and other items, the year-end dividend for the fiscal year ended March 31, 2018 (FY3/2018) is as follows.

- |  |   |
|--|---|
| (1) Type of dividend:                                    | Cash  |
| (2) Dividend payment and total amount:                   | 10 yen per share of common stock of the Company<br>Total amount of dividends: 205,474,150 yen |
| (3) Effective date of distribution of retained earnings: | June 25, 2018   |

## ■ Proposal No. 2: Approval of Share Transfer Plan

BOOKOFF plans to establish a pure holding company (parent company holding all shares of BOOKOFF) called BOOKOFF GROUP HOLDINGS LIMITED (the “Holding Company”) on October 1, 2018 (tentative) by using the sole-share transfer method in which BOOKOFF is the wholly owned subsidiary transferring the stock (the “Share Transfer”). After preparing a plan for the Share Transfer (the “Share Transfer Plan”), this plan was approved by the BOOKOFF Board of Directors on May 15, 2018. This proposal asks shareholders to approve the Share Transfer Plan.

The reason for the Share Transfer, an overview of the Share Transfer Plan and other information concerning this proposal are as follows.

### 1. Reason of the Share Transfer

The operating environment in Japan’s reuse industry, where BOOKOFF operates, is changing rapidly for many reasons. Most significant are the launch of reuse businesses by competitors and the growth of C-to-C services, such as flea market apps, and Internet B-to-C services.

To succeed in this difficult environment, we are concentrating on two themes. One is maximizing purchases by leveraging the comprehensive power of the BOOKOFF Group. Second is maximizing sales efficiency in stores and using the Internet. Our objective is to help create a truly recycle-based society through the reuse of books, CDs, DVDs, games, home appliances, apparel, sporting goods, baby goods and many other miscellaneous household items.

The BOOKOFF Group must be able to meet an increasingly diverse spectrum of customer needs, operate more efficiently, and become much more competitive in Japan’s reuse market. We reexamined our business structure in order to realign operations with speed and flexibility as needed for adapting to the rapid changes in our market and to benefit from the large scale of our operations. Our goals are to become consistently profitable quickly and to achieve more growth in corporate value.

Accomplishing these goals will require building a framework that facilitates fast and flexible management decisions. We believe that clearly defining accountability for the profitability and success of each group company is also essential. This is why the decision was made to change to a pure holding company structure by using a transfer of shares on October 1, 2018 for the establishment of a holding company that will own all the shares of BOOKOFF.

The newly established Holding Company will determine strategies, such as for opening stores and creating business models, procure funds for opening stores, and deploy human resources and other resources as needed for the development of new business formats. This framework is expected to result in the proper allocation of the BOOKOFF Group’s resources and more efficient management of the Group.

The Share Transfer will make BOOKOFF a wholly owned subsidiary of the Holding Company. As a result, BOOKOFF shares will be delisted and an application is to be submitted for the listing of the Holding Company’s shares on the first section of the Tokyo Stock Exchange. The timing of the listing will depend on the examination performed by the Tokyo Stock Exchange. But the plan is to list these shares on October 1, 2018, which will be the registration date (date of effectiveness of the Share Transfer) for the establishment of the Holding Company.

### 2. Overview of the content of the Share Transfer Plan

An overview of the content of the Share Transfer Plan is as stated in the following “Share Transfer Plan (Copy)”.

### Share Transfer Plan (Copy)

BOOKOFF CORPORATION LIMITED (“BOOKOFF”) has prepared the following share transfer plan (the “Share Transfer Plan”) in conjunction with the transfer of shares (the “Share Transfer”) for the purpose of establishing a parent company holding all shares of BOOKOFF (the “New Company”) by using the sole-share transfer method.

Article 1. Purposes, trade name, location of head office, and total number of authorized shares of the New Company and other matters to be set forth in the Articles of Incorporation

1. The purposes, trade name, location of head office, and total number of authorized shares of the New Company shall be as follows:

(1) Purposes

The purposes of the New Company shall be as specified in Article 2 of the Articles of Incorporation of BOOKOFF GROUP HOLDINGS LIMITED as shown in the Attachment.

(2) Trade Name

The trade name of the New Company shall be BOOKOFF GROUP HOLDINGS Kabushiki Kaisha, expressed in English as BOOKOFF GROUP HOLDINGS LIMITED.

(3) Location of Head Office

The head office of the New Company shall be located in 2-14-20 Kobuchi, Minami-ku, Sagami-hara, Kanagawa, Japan.

(4) Total number of authorized shares

The total number of authorized shares of the New Company shall be 40,000,000 shares.

2. In addition to the matters listed in the preceding item, the matters to be set forth in the Articles of Incorporation of the New Company shall be as set forth in the Articles of Incorporation of BOOKOFF GROUP HOLDINGS LIMITED as shown in the Attachment.

Article 2. Names of Directors, Audit & Supervisory Board Members and Accounting Auditor at incorporation of the New Company

1. The names of the Directors at the incorporation of the New Company shall be as follows:

President and CEO:	Yasutaka Horiuchi
Director:	Yoshifumi Tsutsumi
Director:	Yutaka Hyodo
Outside Director:	Katsuo Nakano
Outside Director:	Noriyuki Nobayashi
Outside Director:	Yoshitaka Sato
Outside Director:	Yuji Umemura
Outside Director:	Masayuki Chiba

2. The names of the Audit & Supervisory Board Members at the incorporation of the New Company shall be as follows:

Audit & Supervisory Board Member:	Hideaki Tamura
Outside Audit & Supervisory Board Member:	Agasa Naito
Outside Audit & Supervisory Board Member:	Hideaki Kobori

3. The name of the substitute Audit & Supervisory Board Member at the incorporation of the New Company shall be as follows:

Substitute Audit & Supervisory Board Member: Tsugio Yada

4. The name of the Accounting Auditor at the incorporation of the New Company shall be as follows:

Accounting Auditor: Deloitte Touche Tohmatsu LLC

Article 3. Shares to be delivered upon Share Transfer, and allotment thereof

1. At the time of the Share Transfer, immediately prior to the time that the New Company acquires all of the shares of BOOKOFF through the Share Transfer (the “Record Time”), the New Company will give the shareholders of BOOKOFF a number of shares of the common stock of the New Company equal to the number of BOOKOFF shares issued at the Record Time multiplied by one in lieu for their BOOKOFF common stock.

2. At the time of the Share Transfer, in accordance with the preceding item, the New Company will distribute one share of its common stock for every one share of BOOKOFF common stock held by BOOKOFF shareholders at the Record Time for the stock allocation.

Article 4. Cancellation of treasury shares

BOOKOFF shall cancel all the treasury shares (including the treasury shares acquired upon the appraisal right of opposing holders of shares under Paragraph 1, Article 806 of the Companies Act exercised at the time of the Share Transfer) held by BOOKOFF at the Record Time based on a resolution of the Board of Directors at a meeting to be held

by the day before the effective date of the Share Transfer.

**Article 5. Amount of capital stock and legal capital surplus of the New Company**

The amount of capital stock and legal capital surplus of the New Company as of the date of incorporation of the New Company shall be as follows:

- (1) Amount of capital:  
100 million yen
- (2) Amount of legal capital surplus:  
25 million yen.
- (3) Amount of legal retained earnings:  
0 yen

**Article 6. Date of incorporation of the New Company**

The date on which the incorporation of the New Company to be registered shall be October 1, 2018 (the “Date of Incorporation”); provided, however, that such date is subject to change based on the resolution of the BOOKOFF Board of Directors if it becomes necessary to do so due to the progress of the procedures for the Share Transfer and otherwise.

**Article 7. General Meeting of Shareholders to approve Share Transfer Plan**

1. BOOKOFF shall convene an Ordinary General Meeting of Shareholders to be held on June 23, 2018, where it shall seek the approval of this Plan and resolutions on matters necessary for the Share Transfer.
2. The date of the Ordinary General Meeting of Shareholders as set forth in the preceding item is subject to change based on an the resolution of the BOOKOFF Board of Directors if it becomes necessary to do so due to the progress of the procedures for the Share Transfer and otherwise.

**Article 8. Listing of Shares of the New Company**

The New Company shall plan to list, on the Date of Incorporation, the common shares issued thereby on the first section of the Tokyo Stock Exchange.

**Article 9. Administrator of shareholder registry of the New Company**

The administrator of the shareholder registry of the New Company shall be Mitsubishi UFJ Trust and Banking Corporation.

**Article 10. Change of conditions for share transfer and suspension of Share Transfer**

The New Company may, by resolution of the BOOKOFF Board of Directors, changes the conditions for the Share Transfer or suspend the Share Transfer during the period from the date the Share Transfer Plan is prepared until the Date of Incorporation in the event of a natural disaster or some other event that significantly alters BOOKOFF’s assets or business operations.

**Article 11. Effectiveness of the Share Transfer Plan**

If the Share Transfer Plan is not approved at the BOOKOFF Ordinary General Meeting of Shareholders, or if this plan is unable to receive the approval of legally designated government agencies in Japan or other countries (including the submission of effective notification documents to these agencies), this Plan will no longer be in effect.

May 15, 2018

2-14-20 Kobuchi, Minami-ku, Sagami-hara, Kanagawa  
BOOKOFF CORPORATION LIMITED  
Yasutaka Horiuchi, President and CEO

**Attachment**

**Articles of Incorporation of BOOKOFF GROUP HOLDINGS LIMITED**

Chapter 1. General Provisions

(Trade Name)

Article 1. The trade name of the Company shall be BOOKOFF GROUP HOLDINGS Kabushiki Kaisha, expressed in English as BOOKOFF GROUP HOLDINGS LIMITED.

(Purposes)

Article 2. The Company will hold stock and other ownership interests in companies that perform the following activities for the purpose of overseeing the management of these companies and conducting related activities.

1. Purchases, sales, consigned sales, repairs, processing and imports/exports of used merchandise
2. Purchases, sales, consigned sales, repairs, processing and imports/exports of used merchandise using the Internet
3. Operation of an Internet shopping mall
4. Solicitation of operators of franchised secondhand bookstores and oversight of the operations of these stores
5. Transactions involving the stores, store equipment and furniture, and operating rights of franchisees
6. Purchases, sales, rentals and imports/exports of merchandise
7. Operation and intermediary services for movies, stage plays and vocal performances
8. Agency services for imports and exports of used merchandise
9. Activities involving the use of credit cards
10. Activities involving photo development, etc.
11. Management of restaurants
12. Sales of groceries and beverages
13. Purchases, sales, leasing, brokerage, arrangement, management, and appraisal of real estate
14. Planning, designs, execution and management of the construction of store buildings and installation of equipment and interior finishing and decoration work
15. Purchases and sales, leasing and maintenance for store building interior equipment, furniture, machinery and other facilities
16. Acquisition and holding of securities
17. Sale, storage and management of freight
18. Freight transportation business
19. Provision of credit, including loans, loan guarantees and purchases of monetary claims
20. General management consulting
21. Intermediary services for corporate mergers and alliances for technologies, sales, manufacturing and other activities
22. Management and administrative services for assets of investment partnerships
23. Management and administrative services for assets of small and medium-sized companies' investment limited-liability partnerships
24. Investment advisory business
25. Development, sales and exports of educational equipment for children
26. Planning and operation of cultural activity schools
27. Planning, design, operation and management of amusement equipment for children
28. Non-life insurance agency and life insurance sales
29. Mobile phone sales agencies business; sales of mobile phones and agency business for phone subscription application procedures
30. Activities involving purchases and sales of tickets for movies, concerts, travel and other items and of gift certificates
31. Collection, transport, disposal and reuse of general and industrial waste and sales and imports and exports of products made from waste materials
32. All activities associated with the above items

(Location of Head Office)

Article 3 The head office of the Company shall be located in Sagamihara, Kanagawa.

(Organization Elements)

Article 4 The Company shall have a General Meeting of Shareholders, Board Directors, and the following entities.

- (1) Board of Directors
- (2) Audit & Supervisory Board Members
- (3) Audit & Supervisory Board
- (4) Accounting Auditor

(Method of Public Notice)

Article 5. Public notices of the Company shall be carried out by electronic publication. If an accident or other unavoidable circumstances do not permit notification through electronic means, public notice shall be conducted through publication in the Nihon Keizai Shimbun (Nikkei) newspaper.



## Chapter 2. Shares

### (Total Number of Authorized Shares)

Article 6. The total number of authorized shares of the Company shall be 40,000,000 shares.

### (Purchase of Treasury Shares)

Article 7. The Company may, by resolution of the Board of Directors, acquire its own shares through market trading or otherwise pursuant to the provisions of Paragraph 2, Article 165 of the Companies Act.

### (Number of Share Unit)

Article 8. Share unit of the Company shall be 100 shares.

### (Rights of Holdings of Shares Less Than One Unit)

Article 9. The Company's shareholders may not exercise any rights other than those listed below with respect to their shares less than one unit.

- (1) Rights set forth in each item of Paragraph 2, Article 189 of the Companies Act
- (2) Right to make a request as provided for in Paragraph 1, Article 166 of the Companies Act
- (3) Right to receive allocations of shares or share acquisition rights offered in proportion to the number of shares held by each shareholder

### (Administrator of Shareholder Registry)

Article 10. The Company shall appoint an administrator of shareholder registry.

2. The administrator of shareholder registry and its administration office shall be designated by a resolution of the Board of Directors and this information will be announced.
3. The register of shareholders and the register of share acquisition rights will be created and kept at administrator of shareholder registry. The any other matters related to the register of shareholders and the register of share acquisition rights shall be handled by the administrator of shareholder registry and not by the Company.

### (Share Handling Regulations)

Article 11. The handling of the Company's stock and related fees shall be governed by laws, regulations or the Articles of Incorporation as well as by the Share Handling Regulations established by the Board of Directors.

## Chapter 3. General Meeting of Shareholders

### (Convocation)

Article 12. The Ordinary General Meeting of Shareholders shall be convened in June every year, and an extraordinary general meeting of shareholders shall be convened whenever necessary.

### (Record Date for Ordinary General Meeting of Shareholders)

Article 13. The record date for voting rights at the Ordinary General Meeting of Shareholders of the Company shall be the 31st of March each year.

### (Convener and Chairman)

Article 14. The President and CEO shall convene the General Meeting of Shareholders and act as the chairman thereof.

2. If the President and CEO is unable to serve as the chairman due to an accident, another Director, who is selected in accordance with the order of priority determined by Board of Directors in advance, shall convene the General Meeting of Shareholders and act as the chairman thereof.

### (Disclosure and Deemed Provision of Reference Documents for General Meeting of Shareholders through the Internet)

Article 15. In convening a General Meeting of Shareholders, it may be deemed that the Company has provided the shareholders with the necessary information to be described or indicated in the reference documents for the General Meeting of Shareholders, business reports, non-consolidated financial statements, and consolidated financial statements if such information is disclosed through the Internet in accordance with the Ministry of Justice Ordinance of Japan.

### (Method of Adopting Resolutions)

Article 16. Unless otherwise provided by laws, regulations or the Articles of Incorporation, resolutions of the General Meeting of Shareholders shall be adopted by a majority vote of the shareholders present and entitled to vote.

2. The resolution of the General Meeting of Shareholders stipulated in Paragraph 2, Article 309 of the Companies Act shall be adopted by not less than two-thirds of the votes of shareholders present at the meeting who hold not less

than one-third of the voting rights of all shareholders entitled to exercise their voting rights.

(Exercise of Voting Rights by Proxy)

Article 17. A shareholder may designate another shareholder with voting rights as his/her proxy to exercise the designating shareholder's voting right.

2. A shareholder or his/her proxy shall submit to the Company a document evidencing the appointment of the proxy at each applicable General Meeting of Shareholders.

Chapter 4. Directors and Board of Directors

(Number of Directors)

Article 18. The Company shall have no more than 14 Directors.

(Election of Directors)

Article 19. Directors shall be elected by a resolution of the General Meeting of Shareholders.

2. A resolution for the election of Directors shall require the presence of shareholders holding not less than one-third of the voting rights of all shareholders entitled to exercise their voting rights, and it shall be adopted by a majority vote of the shareholders present.
3. A resolution for the election of Directors shall not be conducted by cumulative voting.

(Term of Office of Directors)

Article 20. The term of office of a Director shall expire at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within two years after the election.

2. The term of office of a substitute Director or a Director who is elected due to an increase in the number of Directors shall be the same as the remaining term of office of the current Directors.

(Representative Directors and Directors with Specific Titles)

Article 21. The Representative Directors shall be appointed by the resolution of the Board of Directors.

2. The Board of Directors may, by resolution, elect one Chairman, one President, and one or more Vice Chairman, Vice Presidents, Senior Managing Directors and Managing Directors.

(Person to Convene Board of Directors Meeting and Chairman)

Article 22. Unless otherwise provided by laws and regulations, the President and CEO shall convene the Board of Directors and act as the chairman of the meetings.

2. If the President and CEO is unable to serve as the chairman due to an accident, another Director, who is selected in accordance with the order of priority determined by Board of Directors in advance, shall convene the Board of Directors and act as the chairman thereof.

(Convocation Notice for the Board of Directors Meeting)

Article 23. The convocation notice of a meeting of Board of Directors shall be dispatched to each Director and Audit & Supervisory Board Member no later than three days prior to the date of such meeting; provided, however, that such period may be shortened in case of emergency.

2. The Board of Directors meetings may be convened without using the procedure for calling these meetings only if all Directors and Audit & Supervisory Board Members agree.

(Omission of Resolution of Board of Directors)

Article 24. A resolution of the Board of Directors shall be deemed to have been adopted upon the fulfillment of the requirements of Article 370 of the Companies Act.

(Regulations of the Board of Directors)

Article 25. Matters relating to the Board of Directors shall be governed by the Regulations of the Board of Directors established by the Board of Directors, unless otherwise provided by laws, regulations or the Articles of Incorporation.

(Remunerations for Directors)

Article 26. The remunerations, bonuses and other property interests as consideration for the execution of duties paid by the Company (the "Remunerations") to Directors shall be determined by a resolution of the General Meeting of Shareholders.

(Exemption from Liability of Directors)

Article 27. Pursuant to the provisions of Paragraph 1, Article 426 of the Companies Act, the Company may, by the resolution of the Board of Directors, exempt Directors (including former Directors) from their liability to compensate for damages due to a failure to perform their duties. The limit of liability shall be set at the amount prescribed by laws and regulations.

2. Pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act, the Company may enter into an agreement with Directors (excluding executive directors) to limit their liability to compensate for damages due to a failure to perform their duties; provided, however, that the limit of liability under such agreement shall be the minimum amount of liability prescribed by laws and regulations.

Chapter 5. Audit & Supervisory Board Members and Audit & Supervisory Board

(Number of Audit & Supervisory Board Members)

Article 28. The Company shall have no more than four Audit & Supervisory Board Members.

2. Based on the provisions of Paragraph 3, Article 329 of the Companies Act, the Company may elect substitute Audit & Supervisory Board Members to prepare for an insufficient number of Audit & Supervisory Board Members as prescribed by laws and regulations

(Election of Audit & Supervisory Board Members)

Article 29. Audit & Supervisory Board Members shall be elected by a resolution of the General Meeting of Shareholders.

2. A resolution for the election of Audit & Supervisory Board Members shall require the presence of shareholders holding not less than one-third of the voting rights of all shareholders entitled to exercise their voting rights, and it shall be adopted by a majority vote of the shareholders present.

(Term of Office of Audit & Supervisory Board Members)

Article 30. The term of office of an Audit & Supervisory Board Member shall expire at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within four years after the election.

2. The term of office of an Audit & Supervisory Board Member, who is elected as the substitute for a Audit & Supervisory Board Member who retired from office before the expiration of the term of office, will end at the end of the term of office of the individual who was replaced.
3. Pursuant to the provisions of Paragraph 3, Article 329 of the Companies Act, the effectiveness of a resolution electing a substitute Audit & Supervisory Board Member ends at the beginning of the Ordinary General Meeting of Shareholders for the last business year ending within four years of the substitute's election.
4. If a substitute becomes an Audit & Supervisory Board Member, the term of office will end at the end of the term of office of the individual who was replaced. However, this term of office may not go beyond the conclusion of the Ordinary General Meeting of Shareholders for the last business year ending within four years of the substitute's election.

(Full-time Audit & Supervisory Board Members)

Article 31. The Audit & Supervisory Board shall elect full-time Audit & Supervisory Board Members by its resolution.

(Convocation Notice for the Audit & Supervisory Board Meeting)

Article 32. The convocation notice of a meeting of Audit & Supervisory Board shall be dispatched to each Audit & Supervisory Board Member no later than three days prior to the date of such meeting; provided, however, that such period may be shortened in case of emergency.

2. The Audit & Supervisory Board meetings may be convened without using the procedure for calling these meetings only if all Audit & Supervisory Board Members agree.

(Regulations of the Audit & Supervisory Board)

Article 33. Matters relating to the Audit & Supervisory Board shall be governed by the Regulations of the Audit & Supervisory Board established by the Audit & Supervisory Board, unless otherwise provided by laws, regulations or the Articles of Incorporation.

(Remunerations for Audit & Supervisory Board Members)

Article 34. The Remunerations for Audit & Supervisory Board Members shall be determined by a resolution of the General Meeting of Shareholders.

(Exemption from Liability of Audit & Supervisory Board Members)

Article 35. Pursuant to the provisions of Paragraph 1, Article 426 of the Companies Act, the Company may, by the resolution of the Board of Directors, exempt Audit & Supervisory Board Members (including former Audit & Supervisory Board Members) from their liability to compensate for damages due to a failure to perform their duties. The limit of liability shall be set at the amount prescribed by laws and regulations.

2. Pursuant to the provisions of Paragraph 1, Article 427 of the Companies Act, the Company may enter into an agreement with Audit & Supervisory Board Members to limit their liability to compensate for damages due to a failure to perform their duties; provided, however, that the limit of liability under such agreement shall be the minimum amount of liability prescribed by laws and regulations.

Chapter 6. Accounting Auditor

(Election of Accounting Auditor)

Article 36. The Accounting Auditor shall be elected by a resolution of the General Meeting of Shareholders.

(Term of Office of Accounting Auditor)

Article 37. The term of office of an Accounting Auditor shall expire at the conclusion of the Ordinary General Meeting of Shareholders held with respect to the last business year ending within one year after the election.

2. Unless otherwise resolved at the Ordinary General Meeting of Shareholders described in the preceding item, an Accounting Auditor shall be deemed re-elected at such Ordinary General Meeting of Shareholders.

(Remunerations for Accounting Auditor)

Article 38. The Remunerations for an Accounting Auditor shall be determined by the President by obtaining the approval of the Audit & Supervisory Board.

Chapter 7. Accounts

(Business Year)

Article 39. The business year of the Company shall be a one-year period starting on April 1 of each year and ending on March 31 of the following year.

(Record Date for Dividend Payments)

Article 40. The record date for the Company's year-end dividend is March 31 of each year.

2. In addition to the dividends in the preceding item, the Company may establish a record date and pay other dividends.

(Interim Dividends)

Article 41. The Company may, by resolution of the Board of Directors, pay interim dividends with the September 30 of each year as a record date.

(Period of Exclusion for Dividend Payments)

Article 42. In the case of a cash dividend, the Company shall be relieved of the liability to make the payments if dividends are not received within a full three year period beginning from the date of commencement of payment.

Supplementary Provisions

(First Business Year)

Article 1. Irrespective of the provisions of Article 39, the first business period of the Company will begin on the date of incorporation and end on March 31, 2019.

(Remunerations for first Directors and Audit & Supervisory Board Members)

Article 2. Irrespective of the provisions of Article 26 and Article 34, aggregate Remunerations for Directors for the period beginning on the date of incorporation and ending at the close of the first Ordinary General Meeting of Shareholders is not more than 166,500,000 yen and the aggregate Remunerations for Audit & Supervisory Board Members for this period is not more than 27,000,000 yen.

(Deletion of Supplementary Provisions)

Article 3. These supplementary provisions will be deleted at the conclusion of the Company's first Ordinary General Meeting of Shareholders.

### 3. Summary of Article 206 of the Companies Act Enforcement Regulations

#### (1) Items concerning suitability of payment

##### 1) Number of shares and allocation

###### a. Share transfer ratio

BOOKOFF shareholders of record immediately prior to the effectiveness of the Share Transfer will receive one share of the new holding company's common stock for each share of BOOKOFF common stock.

###### b. Number of shares in one tangen (trading unit)

The Holding Company will use the tangen system with one tangen equal to 100 shares.

###### c. Basis for determination of the share transfer ratio

The purpose of the Share Transfer is to use the transfer of BOOKOFF shares for the establishment of a parent company that will own all shares of BOOKOFF. The composition of the shareholders of the Holding Company will be the same as for BOOKOFF when the Share Transfer takes place. As preventing any negative effects concerning the interests of shareholders is the highest priority, the decision was made to distribute one share of Holding Company common stock for each share of BOOKOFF common stock.

###### d. Result of third-party calculations, method used and basis for calculations

No third-party calculation of the stock transfer ratio was performed for the reason explained in the preceding item c.

###### e. Number of new shares to be distributed due to the Share Transfer (tentative)

22,573,200 shares

However, if the number of shares of BOOKOFF stock issued changes prior to the date of effectiveness of the Share Transfer, the number of new shares distributed by the Holding Company will also change. Prior to the date of effectiveness of the Share Transfer, BOOKOFF plans to retire as many shares of treasury shares as possible within practical limits (including treasury shares acquired in association with the purchase of stock resulting from the exercise of stock purchase warrant (as prescribed in Paragraph 1, Article 806 of the Companies Act) when the Share Transfer takes place). No Holding Company stock will be distributed for the retired treasury shares.

##### 2) Capital stock and legal capital surplus

The capital stock and legal capital surplus of the Holding Company must be within the ranges prescribed by laws and regulations. Appropriate decisions will be made about capital stock and legal capital surplus based on the activities and size of the Holding Company as well as this company's capital policy and other factors.

#### (2) Disposals of significant assets following the end of the final fiscal year of BOOKOFF

No applicable items.

## 4. Matters Concerning the Holding Company's Directors

Directors of the Holding Company will be as follows.

Name (Date of Birth)	Brief personal history and positions in the Company (Significant concurrent positions)	No. of shares held
Yasutaka Horiuchi (April 28, 1976)	<p>April 1999      Joined the Chuo Coopers &amp; Lybrand Consulting Co., Ltd. (formerly)</p> <p>August 2004    Joined Tohmatsu Consulting Co., Ltd. (currently Deloitte Tohmatsu Consulting LLC)</p> <p>March 2006     Joined the Company</p> <p>April 2008     Executive Officer, Deputy General Manager of Administrative Division of the Company</p> <p>June 2009     Director, Executive Officer, General Manager of Administrative Division of the Company</p> <p>April 2012     Director, Executive Officer, General Manager of the Corporate Planning Department of the Company</p> <p>April 2013     Director and Executive Officer of the Company</p> <p>April 2015     President and CEO of BOOKOFF Online, Inc.</p> <p>January 2016    President and CEO of Booklog, Inc.</p> <p>March 2016     Director, Executive Officer, General Manager of the Corporate Planning Department of the Company</p> <p>April 2017     Director and Executive Officer of the Company</p> <p>April 2017     President and CEO of the Company (to present)</p>	23,900
Yoshifumi Tsutsumi (November 5, 1949)	<p>October 1973    Passed the second test of Certified Public Accountant Examination</p> <p>December 1973    Joined Tohmatsu Aoki &amp; Co. (currently Deloitte Touche Tohmatsu LLC)</p> <p>June 1987       Firm member of Sanwa Tohmatsu Aoki Audit Corporation (currently Deloitte Touche Tohmatsu LLC)</p> <p>October 2010    Head of the Kyoto Office of Deloitte Touche Tohmatsu LLC</p> <p>March 2015     Full-time Corporate Auditor of Tribeck Strategies Inc. (to present)</p> <p>June 2015       Outside Director of the Company</p> <p>June 2017       Director of the Company (to present)</p> <p>(Significant concurrent positions) Full-time Corporate Auditor, Tribeck Strategies Inc.</p>	0
Yutaka Hyodo (September 17, 1965)	<p>April 1989       Joined The Nippon Fire &amp; Marine Insurance Co., Ltd. (currently Sompo Japan Nipponkoa Insurance Inc.)</p> <p>August 2001     Joined Yahoo Japan Corporation</p> <p>July 2010       Senior Manager of Marketing Promotion Department, EC Operation Division, Consumer Business Group of Yahoo Japan Corporation</p> <p>January 2011    Senior Manager of Category 3 Department, EC Operation Division, Consumer Business Group of Yahoo Japan Corporation</p> <p>July 2012       Vice President of Auction Unit, Consumer Business Company of Yahoo Japan Corporation</p> <p>February 2013    President and CEO of Carview Corporation</p> <p>June 2017       Director of the Company (to present)</p> <p>October 2017    President and CEO of Booklog, Inc. (to present)</p>	0
Katsuo Nakano (October 9, 1944)	<p>April 1968       Joined KASHIYAMA CO., LTD. (currently ONWARD HOLDINGS CO., LTD.)</p> <p>April 1995       President and CEO of Booklet Co., Ltd.</p> <p>March 2011     Advisor of ONWARD HOLDINGS CO., LTD.</p> <p>June 2011       Outside Director of the Company (to present)</p> <p>March 2012     Advisor of ONWARD HOLDINGS CO., LTD. (part-time)</p>	3,400

Name (Date of Birth)	Brief personal history and positions in the Company (Significant concurrent positions)	No. of shares held
Noriyuki Nobayashi (November 18, 1964)	<p>April 1987      Joined Recruit Co., Ltd.</p> <p>December 2003      Joined Lawson, Inc.</p> <p>May 2007      Director of LAWSON TICKET INC. (currently LAWSON HMV Entertainment, Inc. (“LHE”))</p> <p>June 2007      Director of i-Convenience, Inc. (currently LHE)</p> <p>September 2007      Senior Vice President, Marketing Station Director, General Manager of Services Division of Lawson, Inc.</p> <p>March 2009      Senior Vice President, General Manager of Entertainment &amp; Service Development Division of Lawson, Inc.</p> <p>February 2010      President and CEO, General Manager of Live Entertainment Business Division of LAWSON ENTERMEDIA, INC. (currently LHE)</p> <p>May 2010      President of LAWSON ENTERMEDIA, INC.</p> <p>December 2010      Outside Director of HMV Japan K.K. (currently LHE) (part-time)</p> <p>May 2011      Director of LAWSON ENTER MEDIA, INC. (currently LHE) (part-time)</p> <p>June 2011      Outside Director of the Company (to present)</p> <p>September 2011      Director of LHE</p> <p>March 2013      Director of LEGS COMPANY, LTD.</p> <p>March 2014      Managing Executive Officer of LEGS COMPANY, LTD.</p> <p>March 2015      Senior Managing Director of LEGS COMPANY, LTD.</p> <p>January 2016      Director of LEGS COMPANY, LTD.</p> <p>March 2017      Managing Executive Officer, CMO of FiNC inc. Director and CMO of FiNC inc.</p>	10,000
Yoshitaka Sato (May 27, 1946)	<p>March 1969      Joined Shogakukan Hanbai Inc. (currently SHOGAKUKAN Inc.)</p> <p>March 1997      General Manager of Marketing Division of SHOGAKUKAN Inc.</p> <p>June 2003      Executive Officer, General Manager of President Office of SHOGAKUKAN Inc.</p> <p>May 2007      Advisor of President Office of SHOGAKUKAN Inc.</p> <p>June 2012      Advisor of SHOWATOSHO Co.,Ltd. Outside Director of the Company (to present)</p>	0

Name (Date of Birth)	Brief personal history and positions in the Company (Significant concurrent positions)	No. of shares held
Yuji Umemura (May 7, 1967)	<p>April 1990      Joined All Nippon Airways Co., Ltd. (currently ANA HOLDINGS INC.)</p> <p>May 2004      Joined Yahoo Japan Corporation (“Yahoo Japan”)</p> <p>April 2008      Senior Manager of Planning Department, Search Business Division of Yahoo Japan</p> <p>April 2009      Senior Manager of Search Development Department, Front End Development Division, R&amp;D Group of Yahoo Japan</p> <p>April 2012      Senior Manager of Development 1 Department, Media Development Division, Media Business Group of Yahoo Japan</p> <p>July 2012      Vice President of Search Media Unit of Yahoo Japan</p> <p>April 2013      Vice President of YAHUOKU! Unit of Yahoo Japan</p> <p>April 2014      Corporate Officer, President of YAHUOKU! Company of Yahoo Japan</p> <p>June 2014      Outside Director of the Company (to present)</p> <p>March 2015      Director of Carview Corporation (to present)</p> <p>August 2015      Outside Director of Sony Real Estate Corporation (to present)</p> <p>June 2016      Outside Director of The Japan Net Bank, Limited</p> <p>April 2018      Corporate Officer, President of YAHUOKU! Services Group, Commerce Company of Yahoo Japan (to present)</p> <p>(Significant concurrent positions) Corporate Officer, Yahoo Japan Corporation</p>	0
Masayuki Chiba (September 4, 1957)	<p>April 1981      Joined Dai Nippon Printing Co., Ltd. (“DNP”)</p> <p>October 2001      General Manager of 2nd Sales Unit, Tokyo 3rd Sales Department, Business Foam Operation Division of DNP</p> <p>October 2009      Education &amp; Publication Distribution Solutions Division of DNP</p> <p>April 2012      General Manager of Marketing Promotion Department, Education &amp; Publication Distribution Solutions Division of DNP</p> <p>April 2014      Head of Education Business Development Unit, “honto” Business Division of DNP</p> <p>April 2015      Director of Maruzen Company, Ltd. (currently MARUZEN - YUSHODO Company, Limited)</p> <p>June 2015      Outside Director of the Company (to present)</p> <p>January 2016      Head of MARUZEN-YUSHODO Cooperative Support Team, “honto” Business Division of DNP</p> <p>October 2016      Head of MARUZEN CHI Cooperative Support Team, “honto” Business Division of DNP</p> <p>November 2016      Director of Japan Digital Library Service Co.,Ltd. (to present)</p> <p>April 2018      Managing Director of MARUZEN -YUSHODO Company, Limited (to present)</p> <p>(Significant concurrent positions) Managing Director, MARUZEN -YUSHODO Company, Limited</p>	0

Notes: 1. There are no special conflicts of interests between candidates for Directors and the Company, and no special conflicts of interests are expected between candidates for Directors and the Holding Company.

2. Mr. Katsuo Nakano, Mr. Noriyuki Nobayashi, Mr. Yoshitaka Sato, Mr. Yuji Umemura and Mr. Masayuki Chiba are candidates for Outside Directors.

3. (1) We have designated Mr. Katsuo Nakano as a candidate for an Outside Director because we believe that he is capable of providing advice regarding 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.

(2) We have designated Mr. Noriyuki Nobayashi as a candidate for an Outside Director because we believe that he is capable of providing advice regarding 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.

(3) We have designated Mr. Yoshitaka Sato as a candidate for an Outside Director because we believe that he is



- capable of providing advice regarding publication related business and management in general based on his wealth of experience and wide range of insights at major publishing company and industry.
- (4) We have designated Mr. Yuji Umemura as a candidate for an Outside Director because we believe that he is capable of providing advice regarding future business activities and management in general based on his wealth of experience and expertise in E-commerce business and planning and development of services.
- (5) We have designated Mr. Masayuki Chiba as a candidate for an Outside Director because we believe that he is capable of providing 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.
4. At the conclusion of this year's General Meeting of Shareholders, the terms of office of Mr. Katsuo Nakano and Mr. Noriyuki Nobayashi as Outside Directors will be seven years, and the terms of office of Mr. Yoshitaka Sato, Mr. Yuji Umemura and Mr. Masayuki Chiba as Outside Directors will be six years, four years and three years, respectively.
5. The Company has entered into an agreement with Mr. Katsuo Nakano, Mr. Noriyuki Nobayashi, Mr. Yoshitaka Sato, Mr. Yuji Umemura and Mr. Masayuki Chiba 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 as stipulated in Paragraph 1, Article 425 of the Companies Act. If these individuals assume positions as Outside Directors of the Holding Company, the Holding Company will enter into liability limitation agreements with the same content stated above with them.
6. Mr. Katsuo Nakano, Mr. Noriyuki Nobayashi and Mr. Yoshitaka Sato are neither the case of the independence criteria set by securities exchanges in which the Company is listed nor the independence criteria set by the Company. They are registered at the exchange as independent executives, and if they assume positions as Outside Directors of the Holding Company, they will be registered at the exchange as independent executives of the Holding Company.
7. The number of BOOKOFF shares held is as of March 31, 2018. Shares of the Holding Company will be distributed at the share transfer ratio based on the ownership of BOOKOFF stock immediately prior to the acquisition of all BOOKOFF stock by the Holding Company.

5. Matters Concerning the Holding Company's Audit & Supervisory Board Members  
Audit & Supervisory Board Members of the Holding Company will be as follows.

Name (Date of Birth)	Brief personal history and positions in the Company (Significant concurrent positions)	No. of shares held
Hideaki Tamura (May 27, 1960)	<p>April 1984      Joined Japan Petroleum Exploration Co., Ltd.</p> <p>October 1994    Passed the second test of Certified Public Accountant Examination</p> <p>September 1995    Joined BDO Sanyu Consulting Co., Ltd. (formerly)</p> <p>August 2000      Joined Tokyo Kyodo Accounting Office</p> <p>August 2002      Joined Ernst &amp; Young ShinNihon (currently Ernst &amp; Young ShinNihon LLC)</p> <p>April 2004        Joined the Company as the Head of the Accounting Department</p> <p>January 2008     Executive Staff of the Administrative Department of the Company</p> <p>April 2008        Executive Staff of the Auditor Office of the Company</p> <p>June 2008        Full-time Audit &amp; Supervisory Board Member of the Company (to present)</p>	5,500
Agasa Naito (October 2, 1976)	<p>October 2001     Registered as an attorney-at-law (Daiichi Tokyo Bar Association) Joined Nagashima Ohno &amp; Tsunematsu</p> <p>May 2008        Registered as an attorney-at-law at New York State Bar Association</p> <p>June 2011        Joined Tanabe &amp; Partners</p> <p>April 2013        Partner in Tanabe &amp; Partners (to present)</p> <p>June 2015        Outside Audit &amp; Supervisory Board Member of the Company (to present)</p> <p>(Significant concurrent positions) Partner in Tanabe &amp; Partners</p>	0

Name (Date of Birth)	Brief personal history and positions in the Company (Significant concurrent positions)	No. of shares held
Hideaki Kobori (August 2, 1966)	April 1989      Joined Dai Nippon Printing Co., Ltd. (“DNP”)	0
	March 2007      Senior Expert for Related Business Department of DNP	
	September 2010      Auditor of Intelligent Wave Inc. (to present)	
	April 2012      Outside Auditor of Maruzen Company, Ltd. (currently MARUZEN-YUSHODO Company, Limited)	
	April 2013      Outside Auditor of Maruzen CHI Holdings Co., Ltd.	
	April 2015      Head of Related Business Department of DNP	
	April 2016      Head of Related Business Department, Administrative Division of DNP	
	June 2016      Outside Audit & Supervisory Board Member of the Company (to present)	
	October 2017      Head of Group Business Promotion Department, Business Promotion Division of DNP (to present)	
	(Significant concurrent positions) Head of Group Business Promotion Department, Business Promotion Division, DNP	

- Notes: 1. There are no special conflicts of interests between candidates for Audit & Supervisory Board Members and the Company, and no special conflicts of interests are expected between candidates for Audit & Supervisory Board Members and the Holding Company.
2. Ms. Agasa Naito and Mr. Hideaki Kobori are candidates for Outside Audit & Supervisory Board Members.
3. (1) We have designated Ms. Agasa Naito as a candidate for an Outside Audit & Supervisory Board Member because we believe that she is capable of providing supervision and advice regarding management in general based on expertise and experience as an attorney-at-law. Although she has no experience in involving in corporate management in the past, the Company has made the decision that she is capable of appropriately carrying out her duties as an Outside Audit & Supervisory Board Member according to the above-mentioned reasons.
- (2) We have designated Mr. Hideaki Kobori as a candidate for an Outside Audit & Supervisory Board Member because we believe that he is capable of providing supervision and advice regarding management in general based on his wealth of experience and wide range of insights of a business executive and outside auditor at other companies.
4. At the conclusion of this year’s General Meeting of Shareholders, the terms of office of Ms. Agasa Naito and Mr. Hideaki Kobori as Outside Audit & Supervisory Board Members will be three years and two years, respectively.
5. The Company has entered into an agreement with Ms. Agasa Naito and Mr. Hideaki Kobori 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 as stipulated in Paragraph 1, Article 425 of the Companies Act. If these individuals assume positions as Outside Audit & Supervisory Board Members of the Holding Company, the Holding Company will enter into liability limitation agreements with the same content stated above with them.
6. Ms. Agasa Naito is neither the case of the independence criteria set by securities exchanges in which the Company is listed nor the independence criteria set by the Company. She is registered at the exchange as an independent executive, and if she assumes position as an Outside Audit & Supervisory Board Member of the Holding Company, she will be registered at the exchange as an independent executive of the Holding Company.
7. The number of BOOKOFF shares held is as of March 31, 2018. Shares of the Holding Company will be distributed at the share transfer ratio based on the ownership of BOOKOFF stock immediately prior to the acquisition of all BOOKOFF stock by the Holding Company.

6. Matters Concerning the Holding Company's Substitute Audit & Supervisory Board Member  
A Substitute Audit & Supervisory Board Member of the Holding Company will be as follows.

Name (Date of Birth)	Brief personal history and positions in the Company (Significant concurrent positions)	No. of shares held
Tsugio Yada (July 22, 1948)	<p>April 1976 Appointed as a public prosecutor of Tokyo District Public Prosecutors Office</p> <p>Subsequently, served for Public Prosecutors Offices at the Districts of Sendai, Chiba, Kushiro, Tokyo, Osaka and Tokyo</p> <p>August 1989 Retired as a public prosecutor at Special Investigation Department of Tokyo District Public Prosecutors Office</p> <p>September 1989 Registered as an attorney-at-law (Daiichi Tokyo Bar Association) Founded Yada Law Office</p> <p>May 1995 Managing Partner of Nozomi Sogo Attorneys at Law (renamed from Yada Law Office) (to present)</p> <p>(Significant concurrent positions) Managing Partner of Nozomi Sogo Attorneys at Law</p>	0

Notes: 1. Nozomi Sogo Attorneys at Law whose Managing Partner is Mr. Tsugio Yada is one of the law offices that have entered into a legal advisory contract with the Company. The Holding Company is also planning to conclude a similar agreement with Nozomi Sogo Attorneys at Law.

- Mr. Tsugio Yada is a candidate for the substitute Audit & Supervisory Board Member.
- We have designated Mr. Tsugio Yada as a candidate for the substitute Outside Audit & Supervisory Board Member because we believe that he is capable of providing supervision and advice regarding management in general based on his extensive experiences and professional knowledge and insight on the corporate legal affairs in general. Although Mr. Tsugio Yada has no experience in involving in corporate management in the past, the Company has made the decision that he is capable of appropriately carrying out his duties as an Outside Audit & Supervisory Board Member according to the above-mentioned reasons.
- If Mr. Tsugio Yada assumes a position as an Audit & Supervisory Board Member of the Holding Company, the Holding Company will enter into an agreement with him in accordance with Paragraph 1, Article 427 of the Companies Act to limit liabilities for damages to the Holding Company as stipulated in Paragraph 1, Article 423 of the Companies Act. The Holding Company intends to limit the liabilities under the agreement to the minimum liability amount stipulated in Paragraph 1, Article 425 of the Companies Act.
- The number of BOOKOFF shares held is as of March 31, 2018. Shares of the Holding Company will be distributed at the share transfer ratio based on the ownership of BOOKOFF stock immediately prior to the acquisition of all BOOKOFF stock by the Holding Company.

7. Matters Concerning the Holding Company's Accounting Auditor  
An Accounting Auditor of the Holding Company will be as follows.

Name	Deloitte Touche Tohmatsu LLC	
Head office	Shinagawa Intercity 2-15-3, Konan, Minato-ku, Tokyo	
History	<p>May 1968 Established Tohmatsu Aoki &amp; Co.</p> <p>May 1975 Joined Touche Ross International &lt;TRI&gt; (currently Deloitte Touche Tohmatsu Limited &lt;DTTL&gt;)</p> <p>February 1990 Renamed Deloitte Touche Tohmatsu</p> <p>July 2009 Renamed Deloitte Touche Tohmatsu LLC due to the change of the type of audit corporation</p>	

Notes: 1. BOOKOFF made a payment to Deloitte Touche Tohmatsu LLC for advice, guidance and other services for the reexamination of remuneration for Directors and Audit & Supervisory Board Members as defined in non-auditing activities in Paragraph 1, Article 2 of the Certified Public Accountants Act.

- Deloitte Touche Tohmatsu LLC, which is the independent accountant for BOOKOFF, will be selected as the independent accountant in order to maintain the continuity of the auditing framework for the consolidated financial statements. The BOOKOFF Audit & Supervisory Board believes that, due to the professional expertise, independence and suitability of Deloitte Touche Tohmatsu LLC, there is an infrastructure in place for ensuring that audits of the group of the Holding Company will be performed in a proper and suitable manner.

### ■ Proposal No. 3: Election of One Substitute Audit & Supervisory Board Member

As the effect of the election of the substitute Audit & Supervisory Board Member elected at the 26th Ordinary General Meeting of Shareholders held on June 24, 2017 will expire at the beginning of this Meeting, in order to prepare for an insufficient number of Audit & Supervisory Board Members as prescribed by laws and regulations, the Company asks shareholders to elect the following candidate for substitute Audit & Supervisory Board Member.

This proposal has received the consent of the Audit & Supervisory Board.

The candidate for the substitute Audit & Supervisory Board Member is as follows.

## Tsugio Yada

Candidate for reelection

Candidate for Substitute Outside  
Audit & Supervisory Board  
Member

#### ● Brief personal history and positions in the Company

- April 1976 Appointed as a public prosecutor of Tokyo District Public Prosecutors Office  
Subsequently, served for Public Prosecutors Offices at the Districts of Sendai, Chiba, Kushiro, Tokyo, Osaka and Tokyo
- August 1989 Retired as a public prosecutor at Special Investigation Department of Tokyo District Public Prosecutors Office
- September 1989 Registered as an attorney-at-law (Daiichi Tokyo Bar Association)  
Founded Yada Law Office
- May 1995 Managing Partner of Nozomi Sogo Attorneys at Law (renamed from Yada Law Office) (to present)

#### ● Date of birth

July 22, 1948

#### ● Number of shares of the Company held

0 share

#### ● Significant concurrent positions

Managing Partner of Nozomi Sogo Attorneys at Law

#### ● Particular conflicts of interest between the candidate and the Company

Nozomi Sogo Attorneys at Law whose Managing Partner is Mr. Tsugio Yada is one of the law offices that have entered into a legal advisory contract with the Company.

#### ● The reason for the nomination

Although Mr. Tsugio Yada has no experience in involving in corporate management in the past, he has extensive experiences and professional knowledge and insight on the corporate legal affairs in general. As we have determined that he is capable of providing supervision and advice on our management in general, we have nominated him as a candidate for substitute Outside Audit & Supervisory Board Member and we would like to ask for his election.

Note: If Mr. Tsugio Yada assumes a position as an Audit & Supervisory Board Member, the Company will enter into an agreement with him 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.

## Reference

### **Independence Standards of the Outside Directors and the Outside Audit & Supervisory Board Members**

BOOKOFF CORPORATION LIMITED (hereinafter “the Company”) shall deem any Outside Director or Outside Audit & Supervisory Board Member (hereinafter “Outside Board Member”) lacking independence if he or she falls under any of the following items:

1. As of the present day or within the past one year, any Outside Board Member is/was an executive director, executive officer as defined in the Companies Act, other executive officer, other similar officer or employee (hereinafter “Executive Person”) of “a present customer with whom the Company and its subsidiaries (hereinafter “the Group”) cannot promptly discontinue transactions” or “a present customer who cannot promptly discontinue transactions with the Group.”
2. As of the present day or within the past one year, any Outside Board Member is/was a professional belonging to an organization that is the Group’s “present fee recipient with whom the Group cannot promptly terminate the contract” or the Group’s “present fee recipient who cannot promptly terminate the contract with the Group.”
3. As of the present day or within the past one year, any Outside Board Member is/was an Executive Person or non-executive director of the present parent company of the Company.
4. As of the present day or within the past one year, any Outside Board Member is/was an Audit & Supervisory Board Member of the present parent company of the Company. (This item shall apply only for the independence standards of Outside Audit & Supervisory Board Members.)
5. As of the present day or within the past one year, any Outside Board Member is/was an Executive Person of the present fellow subsidiary (the company that shares the same parent) of the Company.
6. As of the present day or within the past one year, any Outside Board Member receives/received from the Group cash or other properties at the amount of ¥2.4 million or more per year other than remuneration as an Outside Board Member.
7. A spouse or a person within the second degree of affinity of any Outside Board Member is/was a person who falls/fell under any of the above Items 1 to 6.
8. As of the present day or within the past one year, a spouse or a person within the second degree of affinity of any Outside Board Member falls/fell under the following:
  - (1) An Executive Person of the Company or its subsidiaries
  - (2) A non-executive director of the Company or its subsidiaries (This item shall apply only for the independence standards of Outside Audit & Supervisory Board Members.)
9. Any Outside Board Member holds 10% or more of the voting rights of the Company (or is an Executive Person of a legal entity that holds 10% or more of the voting rights of the Company).
10. Any Outside Board Member is an Executive Person of a legal entity for whom an Executive Person of the Group is an Outside Director. (This item shall apply only for the independence standards of Outside Directors.)
11. Any Outside Board Member receives from the Group donations that he or she cannot promptly discontinue receiving (or is an Executive Person of an organization that receives from the Group donations that it cannot promptly discontinue receiving).
12. As of the present day or within past one year, any Outside Board Member is/was an Executive Person of a present “other associated companies” or the “parent company or subsidiaries of the other associated companies) of the Company.
13. An aggregate term of office as Outside Board Member of the Company exceeds 10 years.

## **Evaluation of the Board of Directors Effectiveness**

The Company has put in place a system under which each Director makes its self-assessment and the Board of Independent Outside Directors conducts analysis and assessment of the effectiveness of the entire Board of Directors as well as the assessment of the Chairman of the Board of Directors.

During the fiscal year that ended March 31, 2018, the following assessments were performed as in the previous fiscal year. Assessments covered the composition, agenda and deliberations, operation, and effectiveness of the chairman. The resulting assessment was that the Board is generally effective, but there are issues.

- (1) Self-assessment by Internal Directors
- (2) Assessment of all Directors using questionnaires and opinion hearing from them
- (3) Assessment to the entire Board of Directors by the Board of Independent Outside Directors consisting of three Independent Outside Directors and one Independent Outside Audit & Supervisory Board Member
- (4) Assessment of the Chairman of the Board of Directors by the Board of Independent Outside Directors

To further improve the quality of discussions and accuracy of monitoring activities for a recovery in performance, executive officers and department managers attend meetings of the Board of Directors and provide thorough explanations of various subjects. In addition, there will be more activities for increasing the volume of associated documents and the quality of their contents.

The assessment again concluded that the Board of Directors holds open discussions concerning a sufficient range of due to the attendance by a variety of individuals and the effective operation of meetings in accordance with agenda items.

To further improve the effectiveness of the Board of Directors, the Directors will hold extensive discussions based on medium and long-term viewpoints. Also, in their role as an advisory body concerning nominations, the Directors will work on ensuring the continuity of the Company's business operations.

## **Nomination of Candidates for Directors and Audit & Supervisory Board Members**

All of the Company's Directors were elected at the 26th Ordinary General Meeting of Shareholders that was held in June 2017 to a two-year term that ends at the close of the 28th Ordinary General Meeting of Shareholders to be held in June 2019.

The Nomination Advisory Committee consists of the President and the three Independent Outside Directors. The members of this committee discussed whether or not to submit proposals concerning the election and termination of Directors to the June 2018 shareholders meeting and concluded that no proposal should be submitted. As a result, this committee sent no report to the Board of Directors concerning the submission of proposals involving the Board of Directors at the June 2018 shareholders meeting.

The Auditory & Supervisory Board has discussed submitting the same candidate for substitute Audit & Supervisory Board Member at the Ordinary General Meeting of Shareholders in June 2017 and agreed to retain the same candidate. This candidate was then approved by the Board of Directors.

## **The Company's Initiatives Related to Japan's Corporate Governance Code**

The Company discloses the implementation status of each basic principle of the Corporate Governance Code by posting it as "Our Initiatives Related to Japan's Corporate Governance Code" on its website:  
<http://www.bookoff.co.jp/en/>

## BUSINESS REPORT (April 1, 2017 to March 31, 2018)

### 1. Current Status of the Corporate Group

#### ■ Results of Operations for the Fiscal Year Under Review (FY3/2018)

##### (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 with an infrastructure for a waste-free lifestyle for people who don't want to toss things away. The BOOKOFF Group is dedicated to helping 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 ended on March 31, 2018, in order to establish a foundation capable of supporting sustainable growth, activities were centered on a business strategy with two central goals. First is making the Reuse Store Business more profitable. Second is making significant changes in the HUGALL Business.

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 current fiscal year, 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 were a number of actions with the goal of making this business profitable. Two significant measures were the termination of the Tokyo Reuse Apparel special event sales business and the integration of the HUGALL Business with the BOOKOFF Online Business.

As a result of these efforts, consolidated net sales amounted to ¥80,049 million, which was a 1.6% decrease from the previous fiscal year. The Group recorded an operating profit of ¥613 million, which was a 426.6% increase from the previous fiscal year, an ordinary profit of ¥1,092 million, which was an 85.6% increase from the previous fiscal year, and a loss attributable to owners of parent of ¥889 million (compared with a loss of ¥1,159 million in the previous fiscal year).

In the Reuse Store Business, there was an asset impairment loss for comprehensive large-format stores that are not expected to become profitable soon, losses for closing unprofitable stores and an addition to the allowance for store closing and other losses. In the HUGALL Business, where there was an operating loss in the past fiscal year, there was an asset impairment loss for the non-current assets of hugall Inc. In addition, the income tax and other tax rates at hugall Inc., which has an accumulated loss, were higher than initially expected because earnings were less than planned. As a result, there was a consolidated loss attributable to owners of parent.

## Sales by Segment

Segment		26th term (Fiscal year ended March 31, 2017)		27th term (Current fiscal year) (Fiscal year ended March 31, 2018)		YoY change	
		Amount	% to total sales	Amount	% to total sales	Amount	YoY change %
Reuse Store Business	Store sales	(Thousand yen) 68,468,477	(%) 84.2	(Thousand yen) 68,261,492	(%) 85.3	(Thousand yen) (206,985)	(%) (0.3)
	Sales to franchisees	2,682,302	3.3	2,303,646	2.9	(378,655)	(14.1)
	Sub-total	71,150,780	87.5	70,565,138	88.2	(585,641)	(0.8)
BOOKOFF Online Business		6,522,270	8.0	6,140,683	7.6	(381,587)	(5.9)
HUGALL Business		2,244,571	2.7	2,071,284	2.6	(173,286)	(7.7)
Total for reportable segments		79,917,621	98.2	78,777,106	98.4	(1,140,514)	(1.4)
Other		1,426,418	1.8	1,272,653	1.6	(153,765)	(10.8)
Total sales		81,344,039	100.0	80,049,760	100.0	(1,294,279)	(1.6)

## ■ 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, home appliances, apparel, sporting goods, baby goods, watches, luxury-brand bags, precious metals, kitchenware, and miscellaneous household items.

### Results of operations for FY3/2018

The segment recorded net sales of ¥70,565 million for the current fiscal year, which was a 0.8% decrease compared with the previous fiscal year.

During the fiscal year, 13 directly operated stores and two franchise stores were opened. There were 14 closings of directly operated stores and 18 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.

The Reuse Store Business started using a new regional business unit structure in the current fiscal year. Major activities at existing BOOKOFF stores included a focus on merchandise and sales areas that match the characteristics of their respective markets, the use of the YAHUOKU! Internet auction service for Internet sales of store merchandise, and training programs for part-time store personnel for improving their merchandise purchasing and sales capabilities. In addition, this business opened comprehensive large-format stores and made BOOKOFF With Co., Ltd. a consolidated subsidiary. However, total segment sales decreased mainly because of lower sales of books, software media, apparel and other merchandise at existing stores.



## ■ 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 FY3/2018

The segment recorded net sales of ¥6,140 million for the current fiscal year, which was a 5.9% decrease compared with 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 for the expansion of sales channels such as Yahoo Shopping in the first quarter, and Amazon in the third quarter. Despite all these measures, segment sales were lower due to a decline in book sales and other reasons.

## ■ HUGALL Business

### Business

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

Note: The subsidiary hug all, Inc. was dissolved as a result of a merger with the subsidiary BOOKOFF Online, Inc. as of March 21, 2018.

### Results of operations for FY3/2018

The segment recorded net sales of ¥2,071 million for the current fiscal year, which was a 7.7% decrease compared with 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. In addition, the HUGALL Business was combined with the BOOKOFF Online Business to raise efficiency. However, segment sales decreased due to the termination of the Tokyo Reuse Apparel special event sales business.

## ■ Other

### Business

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

The subsidiary Booklog, Inc. operates book review community site.

### Results of operations for FY3/2018

The segment recorded net sales of ¥1,272 million for the current fiscal year, which was a 10.8% decrease compared with the previous fiscal year.

One directly operated store was closed during the current fiscal year.

## (2) Capital expenditures

The total amount of capital expenditures for the current fiscal year was ¥1,364 million (including guarantee deposits related store leases and leased assets), which were mainly spent for development of sales and purchasing 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 used 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 these actions, as of the end of March 2018, the amount of outstanding borrowings from financial institutions was ¥16,621 million, a decrease of ¥2,508 million from one year earlier.

## (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

There are no significant matters to be noted.

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

The subsidiary hug all, Inc. was dissolved as a result of a merger with the subsidiary BOOKOFF Online, Inc. as of March 21, 2018.

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

The Company acquired all of the shares of its franchisee Manas Co., Ltd., making it a subsidiary as of April 1, 2017.

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

Category	24th term (Fiscal year ended March 31, 2015)	25th term (Fiscal year ended March 31, 2016)	26th term (Fiscal year ended March 31, 2017)	27th term (Current fiscal year) (Fiscal year ended March 31, 2018)
Net sales (Thousand yen)	74,347,920	76,564,060	81,344,039	80,049,760
Ordinary profit (Thousand yen)	1,677,925	5,764	588,959	1,092,858
Profit (loss) attributable to owners of parent (Thousand yen)	151,479	(528,566)	(1,159,113)	(889,974)
Net income (loss) per share (Yen)	7.46	(25.69)	(56.41)	(43.31)
Total assets (Thousand yen)	47,437,915	50,514,020	51,047,330	47,888,501
Net assets (Thousand yen)	17,203,111	15,968,465	14,242,511	13,307,733

### ■ 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\$ 1 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
Booklet Co., Ltd.	¥10,000 thousand	100.0%	Operations of "BOOKOFF" and other stores in Japan

Notes: 1. The Company has 12 consolidated subsidiaries as of the end of the current fiscal year including the above three significant ones, and one affiliated company accounted for using the equity method.

2. The Company acquired all of the shares of its franchisee Manas Co., Ltd., making it a subsidiary as of April 1, 2017.
3. The subsidiary hug all, Inc. was dissolved as a result of a merger with the subsidiary BOOKOFF Online, Inc. as of March 21, 2018.

(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 TRC Library Service Inc.

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) Accomplish the business mission of “being a source of an enjoyable and prosperous life for many people.”

The BOOKOFF Group has established this new mission and, by pursuing this mission, aims to become Japan’s leading reuse company with a reuse store chain that has the largest number of customers in Japan.

To achieve these goals, we plan to open more comprehensive large-format stores, establish sales areas and a level of services that make every existing store a place that customers can enjoy, improve the level of store operations by giving employees a full understanding of company manuals and performing practical training, and conducting activities based on a branding strategy linked to the mission.

(2) Earnings stabilization for sustainable growth

We plan to stabilize earnings of the Reuse Store Business and the BOOKOFF Online Business in order to quickly build a platform for supporting measures aimed at achieving sustainable growth.

Another goal is establishing and using a unified foundation and service framework for the entire store chain in order to take forceful actions with the goal of increasing the BOOKOFF Group’s corporate value in every business segment for many years.

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

The BOOKOFF Group has established two new themes for its business policy: upgrade individual stores and use the resources of the entire chain to compete and win. Our objective is constant growth of business operations by pursuing the concept of “One BOOKOFF” in which all store chain customers, information and systems are unified and shared.

(4) 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.

## 2. Summary of the Company

### ■ Status of Stock (as of March 31, 2018)

- (1) Total number of authorized shares 40,000,000 shares  
 (2) Total number of issued shares 22,573,200 shares  
 (3) Number of shareholders 29,645  
 (4) Major Shareholders

Name of shareholders	Number of shares held (shares)	Shareholding ratio (%)
Yahoo Japan Corporation	3,100,000	15.08
Hard Off Corporation	1,418,100	6.90
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	1,018,339	4.95
Kodansha Company Ltd.	833,300	4.05
SHUEISHA Inc.	833,300	4.05
SHOGAKUKAN Inc.	833,300	4.05
TRC Library Service Inc.	750,000	3.65
BOOKOFF Corporation Franchisee Stock Ownership Association	369,815	1.79

- Notes: 1. The Company holds 2,025,785 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, 2018)

Position	Name	Responsibilities and significant concurrent positions
President and CEO	Yasutaka Horiuchi	
Director	Mayumi Hashimoto	
Director	Yoshifumi Tsutsumi	Full-time Corporate Auditor, Tribeck Strategies Inc.
Director	Yutaka Hyodo	
Director	Katsuo Nakano	
Director	Noriyuki Nobayashi	
Director	Yoshitaka Sato	
Director	Yuji Umemura	Corporate Officer, Yahoo Japan Corporation
Director	Masayuki Chiba	Director, MARUZEN-YUSHODO Company, Limited
Full-time Audit & Supervisory Board Member	Hideaki Tamura	
Audit & Supervisory Board Member	Agasa Naito	Partner in Tanabe & Partners
Audit & Supervisory Board Member	Hideaki Kobori	Head of Group Business Promotion Department, Business Promotion Division, Dai Nippon Printing Co., Ltd.

- Notes: 1. Directors Mr. Katsuo Nakano, Mr. Noriyuki Nobayashi, Mr. Yoshitaka Sato, Mr. Yuji Umemura and Mr. Masayuki Chiba are Outside Directors.  
 2. Audit & Supervisory Board Members Ms. Agasa Naito and Mr. Hideaki Kobori are Outside Audit & Supervisory Board Members.  
 3. Full-time Audit & Supervisory Board Member Mr. Hideaki Tamura and Audit & Supervisory Board Member Mr. Hideaki Kobori have considerable expertise in finance and accounting as follows:
- Full-time Audit & Supervisory Board Member Mr. 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 Mr. Hideaki Kobori has been engaged in finance and accounting at Dai Nippon Printing Co., Ltd. from December 1994 to present.

- The Company has filed Directors Mr. Katsuo Nakano, Mr. Noriyuki Nobayashi, Mr. Yoshitaka Sato and Audit & Supervisory Board Member Ms. 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 FY3/2018

Not applicable.

(3) 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.

(4) 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 (Thousand yen)
Directors (o/w, Outside Directors)	12 (4)	83,891 (11,700)
Audit & Supervisory Board Members (o/w, Outside Audit & Supervisory Board Members)	2 (1)	19,350 (4,800)
Total (o/w, Outside Board Members)	14 (5)	103,241 (16,500)

Notes: 1. Apart from the above, ¥9,645 thousand of employee salaries have been paid to four Directors who serve concurrently as employees.

2. The number of Directors with remuneration includes four Directors who retired at the conclusion of the 26th Ordinary General Meeting of Shareholders held on June 24, 2017, and excludes two Directors without remuneration (o/w, two Outside Directors).

3. The number of Audit & Supervisory Board Members with remuneration 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.

(5) 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 served concurrently as Director and Chief Marketing Officer of FiNC inc. but he retired on March 26, 2018. There is no special relationship between FiNC inc. and the Company.

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 Mr. 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. MARUZEN-YUSHODO and BOOKOFF belong to the same business category.

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

Audit & Supervisory Board Member Mr. Hideaki Kobori serves as Head of Group Business Promotion Department, Business Promotion Division of 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.

- 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: 15)		Audit & Supervisory Board Meeting (Number of meetings held: 16)	
		Number of meetings attended	Attendance rate (%)	Number of meetings attended	Attendance rate (%)
Director	Katsuo Nakano	15	100.0	-	-
Director	Noriyuki Nobayashi	15	100.0	-	-
Director	Yoshitaka Sato	15	100.0	-	-
Director	Yuji Umemura	14	93.3	-	-
Director	Masayuki Chiba	13	86.7	-	-
Audit & Supervisory Board Member	Agasa Naito	14	93.3	15	93.8
Audit & Supervisory Board Member	Hideaki Kobori	15	100.0	16	100.0

Note: Apart from the Board of Directors meetings above, there were four 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.

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

Director Mr. 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 Mr. 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 Mr. 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 Mr. 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 planning and development of services.

Director Mr. Masayuki Chiba has provided various pieces of advice regarding the Company's 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 Ms. Agasa Naito has provided supervision and various pieces of advice regarding management in general based on expertise and experience as an attorney-at-law.

Audit & Supervisory Board Member Mr. Hideaki Kobori has provided supervision and various pieces of advice regarding management in general based on his wealth of experience and wide range of insights of a business executive and outside auditor at other companies.

## Consolidated Financial Statements

Consolidated Balance Sheet (As of March 31, 2018)

(Unit: thousand yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	31,430,188	Current liabilities	24,750,570
Cash and deposits	13,860,355	Accounts payable-trade	452,354
Notes and accounts receivable-trade	1,488,764	Short-term loans payable	5,386,680
Merchandise	12,949,201	Current portion of long-term loans payable	4,966,884
Supplies	31,063	Current portion of bonds with share acquisition rights	7,700,000
Deferred tax assets	667,977	Lease obligations	388,181
Other	2,434,586	Accounts payable-other	1,878,230
Allowance for doubtful accounts	(1,761)	Income taxes payable	666,342
Non-current assets	16,458,313	Provision for bonuses	298,246
Property, plant and equipment	6,511,038	Provision for sales rebates	680,369
Buildings and structures	4,030,287	Provision for shareholder benefit program	90,683
Land	175,299	Provision for loss on store closing	55,389
Leased assets	1,587,494	Other	2,187,209
Construction in progress	698	Non-current liabilities	9,830,197
Other	717,257	Long-term loans payable	6,268,059
Intangible assets	1,303,680	Lease obligations	1,306,364
Goodwill	138,218	Provision for loss on store closing	35,087
Leased assets	7,151	Asset retirement obligations	1,785,050
Other	1,158,310	Other	435,636
Investments and other assets	8,643,594	Total liabilities	34,580,768
Investment securities	388,892	<b>Net assets</b>	
Long-term loans receivable	11,062	Shareholders' equity	13,194,817
Deferred tax assets	172,226	Capital stock	3,652,394
Guarantee deposits	7,940,492	Capital surplus	4,192,922
Other	205,379	Retained earnings	6,605,076
Allowance for doubtful accounts	(74,458)	Treasury shares	(1,255,575)
		Accumulated other comprehensive income	(28,676)
		Valuation difference on available-for-sale securities	81,345
		Foreign currency translation adjustment	(110,021)
		Non-controlling interests	141,592
		Total net assets	13,307,733
Total assets	47,888,501	Total liabilities and net assets	47,888,501

Note: Amounts are rounded down to the nearest thousand yen.



## Consolidated Statement of Income (April 1, 2017 to March 31, 2018)

(Unit: thousand yen)

Item	Amount	
Net sales		80,049,760
Cost of sales		33,054,989
Gross profit		46,994,770
Selling, general and administrative expenses		46,381,030
Operating profit		613,740
Non-operating income		
Gain from installment of vending machine	127,922	
Gain on sales of recycling goods	375,826	
Other	278,995	782,744
Non-operating expenses		
Interest expenses	170,136	
Share of loss of entities accounted for using equity method	2,282	
Rent expenses on facilities	67,440	
Other	63,766	303,626
Ordinary profit		1,092,858
Extraordinary income		
Gain on sales of investment securities	2,682	
Compensation for transfer	36,000	
Gain on bargain purchase	20,476	59,158
Extraordinary losses		
Loss on valuation of investment securities	1,322	
Loss on closing of stores	33,784	
Provision for loss on store closing	90,476	
Loss on retirement of non-current assets	21,085	
Impairment loss	1,103,570	1,250,241
Loss before income taxes		98,223
Income taxes-current	675,484	
Income taxes-deferred	107,814	783,299
Loss		881,522
Profit attributable to non-controlling interests		8,451
Loss attributable to owners of parent		889,974

Note: Amounts are rounded down to the nearest thousand yen.

## Consolidated Statement of Changes in Equity (April 1, 2017 to March 31, 2018) (Unit: thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,652,394	4,187,003	7,747,457	(1,260,826)	14,326,028
Changes of items during period					
Change of scope of consolidation		5,918	(47,024)	5,253	(35,851)
Dividends of surplus			(205,382)		(205,382)
Loss attributable to owners of parent			(889,974)		(889,974)
Purchase of treasury shares				(2)	(2)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	5,918	(1,142,381)	5,250	(1,131,211)
Balance at end of current period	3,652,394	4,192,922	6,605,076	(1,255,575)	13,194,817

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	53,057	(136,574)	(83,516)	-	14,242,511
Changes of items during period					
Change of scope of consolidation					(35,851)
Dividends of surplus					(205,382)
Loss attributable to owners of parent					(889,974)
Purchase of treasury shares					(2)
Net changes of items other than shareholders' equity	28,287	26,553	54,840	141,592	196,432
Total changes of items during period	28,287	26,553	54,840	141,592	(934,778)
Balance at end of current period	81,345	(110,021)	(28,676)	141,592	13,307,733

Note: Amounts are rounded down to the nearest thousand yen.

## Non-consolidated Financial Statements

Balance Sheet (As of March 31, 2018)

(Unit: thousand yen)

Assets		Liabilities	
Item	Amount	Item	Amount
Current assets	28,378,467	Current liabilities	25,178,338
Cash and deposits	13,042,300	Accounts payable-trade	627,127
Accounts receivable-trade	1,043,942	Short-term loans payable	6,696,488
Merchandise	11,012,145	Current portion of long-term loans payable	4,901,068
Supplies	23,600	Current portion of bonds with share acquisition rights	7,700,000
Prepaid expenses	1,050,930	Lease obligations	373,806
Deferred tax assets	563,895	Accounts payable-other	1,380,526
Other	1,643,415	Accrued expenses	1,408,759
Allowance for doubtful accounts	(1,761)	Income taxes payable	612,328
Non-current assets	19,142,816	Advances received	45,485
Property, plant and equipment	5,458,985	Deposits received	368,478
Buildings	3,174,332	Provision for bonuses	241,000
Structures	164,107	Provision for sales rebates	621,096
Tools, furniture and fixtures	427,623	Provision for shareholder benefit program	90,683
Land	141,643	Provision for loss on store closing	55,389
Leased assets	1,551,278	Asset retirement obligations	56,100
Intangible assets	1,001,288	Non-current liabilities	9,477,745
Goodwill	49,304	Long-term loans payable	6,155,511
Software	836,380	Lease obligations	1,288,457
Leased assets	7,151	Provision for loss on store closing	35,087
Other	108,452	Asset retirement obligations	1,536,999
Investments and other assets	12,682,542	Other	461,689
Investment securities	335,234	Total liabilities	34,656,083
Shares of subsidiaries and associates	1,871,529	<b>Net assets</b>	
Long-term loans receivable	11,062	Shareholders' equity	12,798,074
Long-term loans receivable from subsidiaries and associates	4,275,930	Capital stock	3,652,394
Deferred tax assets	118,213	Capital surplus	4,098,904
Guarantee deposits	7,570,693	Legal capital surplus	3,846,183
Other	485,337	Other capital surplus	252,721
Allowance for doubtful accounts	(1,985,458)	Retained earnings	6,383,248
		Legal retained earnings	17,707
		Other retained earnings	6,365,540
		General reserve	300,504
		Retained earnings brought forward	6,065,036
		Treasury shares	(1,336,472)
		Valuation and translation adjustments	67,126
		Valuation difference on available-for-sale securities	67,126
		Total net assets	12,865,200
Total assets	47,521,284	Total liabilities and net assets	47,521,284

Note: Amounts are rounded down to the nearest thousand yen.

## Non-consolidated Statement of Income (April 1, 2017 to March 31, 2018) (Unit: thousand yen)

Item	Amount	
Net sales		65,619,974
Cost of sales		26,690,994
Gross profit		38,928,980
Selling, general and administrative expenses		37,965,053
Operating profit		963,926
Non-operating income		
Interest income	86,635	
Dividend income	8,140	
Rent income on facilities	44,025	
Gain from installment of vending machine	118,390	
Gain on sales of recycling goods	266,341	
Other	116,389	639,922
Non-operating expenses		
Interest expenses	174,923	
Rent expenses on facilities	35,662	
Other	43,659	254,244
Ordinary profit		1,349,604
Extraordinary income		
Gain on sales of investment securities	2,682	
Compensation for transfer	36,000	38,682
Extraordinary losses		
Loss on valuation of investment securities	1,322	
Loss on valuation of shares of subsidiaries and associates	737,468	
Loss on closing of stores	30,344	
Provision for loss on store closing	90,476	
Loss on retirement of non-current assets	18,617	
Impairment loss	466,571	1,344,801
Loss before income taxes		43,484
Income taxes-current	567,430	
Income taxes-deferred	9,645	577,075
Loss		533,590

Note: Amounts are rounded down to the nearest thousand yen.

## Non-consolidated Statement of Changes in Equity (April 1, 2017 to March 31, 2018) (Unit: thousand yen)

	Shareholders' equity									
	Common stock	Capital surplus			Retained earnings			Treasury shares	Total shareholders' equity	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						General reserve	Retained earnings brought forward			
Balance at beginning of current period	3,652,394	3,846,183	252,721	4,098,904	17,707	300,504	6,804,101	7,122,312	(1,336,469)	13,537,141
Changes of items during period										
Dividends of surplus							(205,474)	(205,474)		(205,474)
Net loss							(533,590)	(533,590)		(533,590)
Purchase of treasury shares									(2)	(2)
Net changes of items other than shareholders' equity										
Total changes of items during period	-	-	-	-	-	-	(739,064)	(739,064)	(2)	(739,067)
Balance at end of current period	3,652,394	3,846,183	252,721	4,098,904	17,707	300,504	6,065,036	6,383,248	(1,336,472)	12,798,074

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	41,906	41,906	13,579,048
Changes of items during period			
Dividends of surplus			(205,474)
Net loss			(533,590)
Purchase of treasury shares			(2)
Net changes of items other than shareholders' equity	25,219	25,219	25,219
Total changes of items during period	25,219	25,219	(713,848)
Balance at end of current period	67,126	67,126	12,865,200

Note: Amounts are rounded down to the nearest thousand yen.