

August 6, 2024

Company name: BOOKOFF GROUP HOLDINGS LIMITED
Name of representative: Yasutaka Horiuchi
President and CEO
(Securities code: 9278; TSE Prime Market)
Inquiries: Ryotaro Hara
General Manager of Corporate Planning Department
(Telephone: +81-42-750-8588)

Notice Regarding the Progress of the Investigation by the Special Investigation Committee

BOOKOFF GROUP HOLDINGS LIMITED (the “Company”) released a “Notice of Establishment of Special Investigation Committee and Postponement of Announcement of Financial Results for the Fiscal Year Ended May 31, 2024 (FY2024/5)” on June 25, 2024. It was discovered that several stores operated by the Company’s subsidiary had fictitious purchases by employees, improper recording of inventory, and the possibility of improper acquisition of cash through these irregularities (hereinafter referred to as the “Case”). The Company has therefore established a Special Investigation Committee (hereinafter referred to as the “Investigation Committee”) consisting of independent, neutral and fair outside experts. The Investigation Committee is currently conducting an investigation to clarify the Case.

Although the investigation by the Investigation Committee itself is still ongoing, we would like to provide the following information on the current status of the Investigation Committee’s investigation from the perspective of prompt and fair disclosure of corporate information to our shareholders and other stakeholders.

1. Background to the Establishment of the Investigation Committee and Current Status of the Investigation

The establishment of the Investigation Committee was triggered by the investigation of inventory variances identified in the Company’s year-end inventory, which led to the possibility of fictitious purchases by employees, improper recording of inventory, and the possibility of improper acquisition of cash through these irregularities.

As explained in the Company’s press release dated June 25, the Company conducted temporary physical inventories at all of its directly managed stores in Japan and overseas in order to clarify the actual contents of these inventories.

Based on the results of the temporary inventories, the Investigation Committee is currently conducting and continuing its investigation. At this point, the Investigation Committee has reported that the following acts have been discovered.

(1) Improper processing of purchases (Fictitious purchases)

- i. The Company’s system records a purchase for which no actual transaction exists, and the employee who actually conducted such purchase receives the cash corresponding to such purchase.
- ii. Although the actual purchase exists and the amount appraised to the customer was appropriate, the unit price or the number of items is padded when the purchase is registered in the Company’s system. Registering a purchase with a different product code when registering it in the Company’s system, and the employee who conducted the said act embezzles the cash amount of the padded amount.
- iii. Falsifying or overstating sales by recording a purchase in the Company’s system that is not an actual transaction, and then registering sales of the equivalent product in the Company’s system.

(2) Improper recording of inventory

- i. Recording fictitious inventory amounts to cancel out inventory variances caused by (1) above.
- ii. Recording fictitious inventories in order to improve the performance of the relevant store with respect to inventory variances that have occurred regardless of (1) above.
- iii. Disposal procedures that differ from internal rules or conversion of product codes that are not permitted under internal rules.

In the year-end inventory and temporary physical inventories of all directly operated stores of the Company, the above (1) and (2) are currently found in 24 stores of BOOKOFF operations in Japan, and 70 million yen is recognized as the improper inventory recording that has been found. Such recognized amount is the amount of improper inventory posting that the Company is aware of at this time, and the Investigation Committee will make final factual findings and assessments regarding each act in the future. Therefore, we have been informed that the impact of each act currently discovered is currently being verified, including the appropriateness of the amount recognized by the Company.

At all of the Company's directly managed stores, physical inventory at each store has been conducted primarily by the manager or assistant manager in charge of each store in accordance with established rules. In addition, the comprehensiveness of the physical inventory and whether or not the inventory was conducted in accordance with the rules were checked and verified by the area managers who supervise multiple stores and other superiors of the store managers and assistant managers.

However, we were unable to detect each of the above-mentioned inappropriate inventory recording activities discovered this time in the physical inventory that had been conducted based on such a system.

We have been informed that the Investigation Committee is currently analyzing the causes of each of the above inappropriate acts discovered, as well as continuing to confirm the facts in detail.

2. Upcoming actions to be taken

Based on the above-mentioned misconduct discovered to date, the Investigation Committee will conduct a questionnaire survey of all employees of the Company Group in the future in order to confirm whether or not similar misconduct has occurred or whether or not new misconduct exists. In addition, the Investigation Committee will analyze the financial figures of the Company's group and conduct other investigations to determine whether or not similar misconduct has occurred or whether or not other inappropriate transactions have taken place.

The Company will fully cooperate with the investigation by the Investigation Committee and will continue the investigation. We have also received a report from the Investigation Committee that the investigation by the Investigation Committee is expected to continue for the time being, and we will promptly announce the results of the investigation as soon as we receive the Investigation Committee's report.

We sincerely apologize for any inconvenience and concern this may cause to our shareholders, investors, and other concerned parties.