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Notice Regarding the Formulation of Recurrence Prevention Measures and the Disciplinary Action Against Officials

As stated in the “Notice Regarding the Release of the Special Investigation Committee's Investigation Report (Public Version)” dated October 15, 2024, BOOKOFF GROUP HOLDINGS LIMITED (the “Company”) has confirmed through an investigation by the Special Investigation Committee (the “Investigation Committee”) that there was a case of fictitious purchases by employees, inappropriate accounting of inventory, and the improper acquisition of cash due to these factors (the “Case”) at multiple stores operated by a subsidiary of the Company. The Company has sincerely accepted the results of the investigation by the Investigation Committee, the analysis of the causes of the incident, and the recommendations for measures to prevent a recurrence, and the Board of Directors has resolved the measures to prevent a recurrence that the Company will implement.

In addition, in order to take the series of facts seriously and clarify management responsibility, we have decided.

We would like to express our sincere apologies to our shareholders, investors and all other stakeholders for the inconvenience and concern caused by this incident. We will work to restore trust by steadily implementing measures to prevent a recurrence.

1. About the Survey Results

As a result of the investigation by the investigative committee, it was determined that there was no evidence of systemic misconduct in any of the cases. It was also determined that each case of misconduct did not necessarily involve the same type of misconduct, and that each perpetrator acted according to their own judgment and in response to individual circumstances. There was no evidence of communication or collaboration between cases or stores to carry out the same type of misconduct.

However, given that the majority of these cases occurred within a short period of time over the past few years, it was determined that the Company had certain deficiencies in its organizational response to the prevention of misconduct and its check and monitoring systems, and that these deficiencies had led to the occurrence of these cases of misconduct.

For details of the survey results, please see the “Notice Regarding the Release of the Special Investigation Committee's Investigation Report (Public Version)” released on October 15, 2024.

2. Analysis of the Causes of the Outbreak

The following are the details of the causes of the misconduct that the investigation committee recognized.

- (1) Lack or deficiency of compliance awareness among store employees
- (2) Concentration of authority within the store over a long period of time in the hands of specific employees
- (3) Insufficient organizational response to the prevention of misconduct, etc.
- (4) Insufficient establishment of a system of checks and monitoring by superiors of store employees for the prevention of misconduct, etc.
- (5) Insufficient system-based measures to prevent misconduct, etc.
- (6) Insufficient measures to prevent misconduct, etc. in each business process
 - (i) Inadequacy of checks and balances at the time of purchase (including inadequacy of rules at the time of purchase)
 - (ii) Inadequacy of checks and balances at the time of inventory (including inadequacy of rules at the time of inventory)

- (iii) Inadequacy of checks and balances at the time of product management (including inadequacy of rules at the time of product management)
- (iv) Inadequacy of checks and balances at the time of product disposal (including inadequacy of rules at the time of product disposal)
- (v) Inadequate checks and balances for cash management and internal cash withdrawals (including inadequate rules for cash management and internal cash withdrawal measures)

3. Overview of Measures to Prevent Recurrence

Based on the causes of the recent incidents of misconduct, the Investigation Committee has formulated the following measures to prevent the recurrence of similar incidents of misconduct, and to ensure that future corporate management and store operations are conducted appropriately, in accordance with the recommendations for preventing the recurrence of misconduct.

(1) Review of Operational Rules and Strengthening of Systems for Store Operations

In order to prevent the occurrence of fictitious purchases, inappropriate inventory management, and the unauthorized acquisition of cash or products by employees, we will review existing rules and establish new rules, and develop systems accordingly, as listed below.

(A) Matters related to preventing the recurrence of fictitious purchases

- (i) Considering the introduction of a point-of-sale system or cash register to strengthen operational procedures that separate purchases and settlements
- (ii) Reviewing approval rules for high-value purchases and utilizing workflows
- (iii) Strengthening the checking function of the electronic secondhand products ledger

(B) Matters related to preventing the recurrence of inappropriate inventory management (including fictitious inventory)

- (i) Strengthening controls over the registration function for the disposal and conversion of products
- (ii) Reviewing the rules for rewriting product labels, changing the registration function, and strengthening controls
- (iii) Reviewing the approval rules for incoming and outgoing products
- (iv) Adding to and reviewing the contents of the physical inventory manual
- (v) Strengthening of confirmation of actual conditions through personnel rotation during physical inventory
- (vi) Implementation of operational training related to physical inventory and inventory management

(C) Matters related to the prevention of recurrence of the unauthorized acquisition of cash or products

- (i) Regarding the replenishment of cash and deposits in stores, the abolition of the use of personal accounts by employees
- (ii) The installation of additional security cameras in store counters and backyards

(2) Review of personnel allocation and evaluation criteria

From the perspective of strengthening internal controls in store operations, we will review the following manuals and introduce additional checks.

- (A) Review of the on-site manual and checklist for area managers
- (B) Implementation of regular operational inspections in store operations organizations
- (C) Strengthening of checks for long-term employees at the same store and those holding multiple positions
- (D) Implementation of management reviews and documentation of on-site inventory checks
- (E) Implementation of investigations and detection of abnormal values in transaction records and product management registrations using numerical analysis at headquarters
- (F) Implementation of regular questionnaires for employees (for the purpose of fraud detection and operational review)

(3) Review of personnel allocation and evaluation criteria

In order to improve the effectiveness of operational controls within the store management organization, we will restructure the personnel system and review the personnel evaluation system as follows.

- (A) Reduction of concurrent positions by increasing the number of store management personnel.
- (B) Allocation of personnel in charge of operational inspections within the store management organization.
- (C) Addition of internal control items to career path evaluations (personnel assessments)
- (D) Reflection of personnel evaluations based on internal audit results.

(4) Compliance and improvement of corporate ethics

We will work on the following to further improve compliance awareness among employees and improve corporate ethics as an organization.

- (A) Review of the Group Code of Conduct and Guidelines.
- (B) Addition of content to deter misconduct in regular compliance training for all employees.
- (C) Addition of content to prevent and detect misconduct in regular training for managers.

4. About the Disciplinary Actions for Officials

In order to take this situation seriously and clarify management responsibility for the delay in the announcement of financial results, etc., regarding this matter, the following officials of the Company and its subsidiary BOOKOFF CORPORATION LIMITED have had their performance-linked compensation for the term ending May 2024 reduced.

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- Details of the reduction in performance-linked compensation

President and CEO	30% reduction
Two Internal Directors	30% reduction
Two Executive Officers	8-15% reduction

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- Details of the reduction in performance-linked compensation

Four Executive Officers	9-17% reduction
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In addition, from the perspective of ensuring management oversight responsibility for the occurrence of this incident and thorough implementation of measures to prevent a recurrence, the Company's representative director, directors (excluding outside directors), and executive officers in charge of business operations have decided to voluntarily return the following monthly remuneration.

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- Details of remuneration return

President and CEO	30% of monthly remuneration
Two Internal Directors	10% of monthly remuneration
Two Executive Officers	10% of monthly remuneration

- Period of return of remuneration
November 2024 to January 2025 (3 months)