

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2016 (Japan GAAP)

August 7, 2015

GEO HOLDINGS CORPORATION

Securities Code: 2681
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Scheduled date to submit quarterly report: August 11, 2015
Scheduled date to start dividend payment: —
Supplementary material on quarterly financial results: Yes
Briefing on this quarterly financial results : No

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(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the First Quarter (from April 1, 2015 to June 30, 2015)

(1) Consolidated operating results

(The percentages indicate the rates of increase or decrease from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Three months ended:	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
June 30, 2015	59,639	0.8	3,830	-	4,082	-	2,470	50.5
June 30, 2014	59,190	2.2	147	(95.0)	360	(88.3)	1,641	7.7

(Note) Comprehensive income: 2,501 million yen (increase of 55.8%) for three months ended June 30, 2015
1,604 million yen (decrease of 0.2%) for three months ended June 30, 2014

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Three months ended:		
June 30, 2015	47.19	46.93
June 30, 2014	30.40	30.36

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2015	121,153	65,010	53.6
As of March 31, 2015	127,612	63,214	49.4

(Reference) Shareholders' equity: As of June 30, 2015: 64,882 million yen
As of March 31, 2015: 63,007 million yen

2. Dividends

	Dividend per share (yen)				
(Record dates)	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Annual
Fiscal Year ended March 31, 2015	-	16	-	16	32
Fiscal Year ending March 31, 2016	-				
Fiscal Year ending March 31, 2016 (Forecast)	-	16	-	16	32

(Note) Modifications in the dividend forecast from the latest disclosure: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2016 (from April 1, 2015 to March 31, 2016)

(The percentages indicate the rates of increase or decrease from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	yen
Six months	127,000	1.7	5,000	96.7	5,200	87.7	2,700	(6.4)	51.59
Full-year	275,000	1.7	8,500	(11.1)	9,000	(10.3)	4,500	(38.7)	85.98

(Note) Modifications in the earnings forecast from the latest disclosure: Yes

Notes

- (1) Changes in important subsidiaries during this consolidated three months period (changes in Specified Subsidiaries accompanying a change in the scope of consolidation): None
- (2) Adoptions of special accounting treatments for quarterly consolidated financial statements: None
- (3) Changes in accounting principles or changes in accounting estimates or retrospective restatements.
 - 1) Changes in accounting principles due to amendments to accounting standards, etc.: Yes
 - 2) Changes in accounting principles other than 1): None
 - 3) Changes in estimates used for accounting: None
 - 4) Retrospective restatements: None
- (4) Number of shares outstanding (common stock)
 - 1) Number of shares outstanding (including treasury stock):

As of June 30, 2015	54,567,200 shares
As of March 31, 2015	54,401,200 shares
 - 2) Number of treasury shares:

As of June 30, 2015	2,106,500 shares
As of March 31, 2015	2,106,500 shares
 - 3) Average number of outstanding shares:

During three months ended June 30, 2015	52,340,645 shares
During three months ended June 30, 2014	53,996,500 shares

*Statement regarding the status of quarterly review procedures

This summary is not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this summary, the review procedures for the quarterly financial statements pursuant to the Financial Instruments and Exchange Act were not completed.

*Explanation regarding appropriate use of financial forecasts and other special remarks

The forward-looking statements included in this summary such as financial forecasts are based on currently available information and certain assumptions which we deem to be reasonable as of the date of this summary. Actual results may differ significantly from these forecasts due to various factors. Please see “1. Qualitative Information on Quarterly Results (1) Details of consolidated operating results” on page 2 of the Attachment on the assumptions used for forecasts and a note on reliance on forecasts.

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1. Qualitative Information on Quarterly Results

Forward-looking statements contained below are those determined by the Group (the Company and its consolidated subsidiaries) as at the end of the current quarter.

(1) Details of consolidated operating results

Consolidated Earnings (April 1, 2015 to June 30, 2015)

(Millions of yen)

	Results for three months ended June 30, 2014	Results for three months ended June 30, 2015	Change (%)	Three months ending September 30, 2015		Six months ending September 30, 2015	
				Earnings forecast	Achievement (%)	Earnings forecast	Achievement (%)
Sales	59,190	59,639	100.8%	127,000	47.0%	275,000	21.7%
Operating Income	147	3,830	-	2,900	132.1%	8,500	45.1%
Ordinary Income	360	4,082	-	3,100	131.7%	9,000	45.4%
Profit attributable to owners of parent	1,641	2,470	150.5%	1,300	190.0%	4,500	54.9%

For the Group's results for three months ended June 30, 2015, the sales for new goods were low but sales for other items were overall solid and sales reached the highest record for this period although it was only a slight increase. Also, since rental and reuse that are highly profitable comprised most of our sales while we incurred less selling, general and administrative expenses than expected such as personnel expenses, consumables, and advertisement and sales promotion due to limited promotional activity from lack of titles, operating income, ordinary income and profit attributable to owners of parent exceeded those of the same period of the previous year.

In reuse, we opened converted the name of the "Jumble Store" that specializes in clothing and accessories to the general store, "Second Street," and 12 new "Second Street" stores by with an aim to improve the brand value.

In media, we opened three "GEO mobile" stores through closing and consolidating GEO stores. "GEO mobile" is a new business that focuses on mobile-related goods.

Our current number of stores and facilities are as follows which reflects the implementing of our above strategies in store development.

() show increase or decrease from the end of the previous fiscal year.

	Directly-managed stores		Distributors		FC stores		Total	
	Increase (decrease)		Increase (decrease)		Increase (decrease)		Increase (decrease)	
GEO Group stores	1,382	12	93	1	128	0	1,603	13
Media stores	983	0	93	1	86	(2)	1,162	(1)
GEO mobile	6	3					6	3
Integrated stores	96	(2)					96	(2)
Reuse stores	293	14			42	2	335	16
WAREHOUSE	10	0					10	0

Notes:

- Media stores include stores that rent DVDs and sell and purchase home game related items.
- Reuse stores include stores that sell and purchase clothing, home electronics and other items.
- A store that operates under multiple store names at one facility is counted as a single store and such store is included among integrated stores.
- GEO mobile means a mobile store that is not operating inside the same facility of a GEO store. GEO mobile also includes separate brands such as "Smart & Collection."

(2) Details of consolidated financial position

[Assets]

The current assets as of June 30, 2015 resulted in 63,191 million yen which is a decrease of 5,468 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 1,224 million yen in cash and deposits, 838 million yen in accounts receivable-trade, 1,555 million yen in merchandise, and 1,861 million yen in others. The non-current assets resulted in 57,961 million yen which is a decrease of 991 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 950 million yen in property, plant and equipment.

As a result, the total assets as of June 30, 2015 resulted in 121,153 million yen which is a decrease of 6,459 million yen from the previous fiscal year end.

[Liabilities]

The current liabilities as of June 30, 2015 resulted in 29,326 million yen which is a decrease of 5,741 million yen from the previous fiscal year end. This decrease is mainly due to an increase of 883 million yen in current portion of long-term loans payable while the accounts payable-trade decreased by 3,325 million yen and others by 3,299 million yen. Non-current liabilities resulted in 26,815 million yen which is a decrease of 2,514 million yen from the previous fiscal year end. This is mainly due to a decrease of 2,767 million yen in long-term loans payable.

As a result, total liabilities resulted in 56,142 million yen which decreased by 8,255 million yen from the previous fiscal year end.

[Net assets]

The net assets as of June 30, 2015 resulted in 65,010 million yen which is an increase of 1,796 million yen from the previous fiscal year end. This increase is mainly due to 2,470 million yen in profit attributable to owners of parent for the three months ended June 30, 2015, and 836 million yen of distribution of surplus as dividend.

From the above, the equity ratio resulted in 53.6% (49.4% as of the previous fiscal year end).

(3) Explanation on forward-looking information including consolidated earnings forecast

For three months ended June 30, 2015, while rental and reuse that are profitable performed well, less selling, general and administrative expenses were incurred for personnel expenses, consumables, and advertising and sales promotion due to limited promotional activities from lack of titles. For this reason, we anticipate that the operating income, ordinary income and profit attributable to parent company shareholders for six months ending September 30, 2015 will exceed their forecasts. We will therefore revise our earnings forecast for six months ending September 30, 2015 as follows: net sales to 127,000 million yen, operating income to 5,000 million yen, ordinary income to 5,200 million yen, and profit attributable to parent company shareholders to 2,700 million yen, respectively, which is also indicated in the "Notice concerning revision of earnings forecast" disclosed as of August 7, 2015 (the notice is only available in Japanese).

We, however, did not revise the forecast for full year because there are currently uncertain factors. We will promptly give notice if we should revise the forecast.

(Note) The above forecast is based on certain basis based on information currently available to us which we decided are reasonable and actual results may differ significantly due to various factors.

2. Matters Relating to Summary Information (Notes)

Changes in accounting principles, changes in accounting estimates, retrospective restatement

Changes in accounting principles:

(Application of accounting standards for business combination and others)

From the current quarter, we applied the “Accounting Standards for Business Combinations” (Accounting Standards No. 21, revised on September 13, 2013, the “Business Combination Accounting Standards”), “Accounting Standards for Consolidated Financial Statements” (Accounting Standards No. 22, revised on September 13, 2013, the “Consolidated Accounting Standards”), “Accounting Standards for Business Divestiture” (Accounting Standards No. 7, revised on September 13, 2013, the “Business Divestiture Accounting Standards”) and others, pursuant to which we accounted as capital surplus the difference resulting from changes in our ownership in subsidiaries which we continue to control, and we changed our accounting method to account the acquisition-related expenses as expenses in the consolidated fiscal year in which they were incurred. With respect to business combination to be executed after the beginning of the current quarter, we changed our accounting method to reflect the allocation amount of the acquisition cost after the provisional accounting treatment is settled in the quarterly financial statements for the relevant quarter in which the business combination took effect. We also changed the statement of quarterly net income. In order to reflect the change in this statement, we rearranged our quarterly financial statements for the first quarter of the previous fiscal year.

In applying the Business Combination Accounting Standards, we observed the transitional methods stipulated in the Business Combination Accounting Standards paragraph 58-2(4), the Consolidated Accounting Standards paragraph 44-5(4) and Business Divestiture Accounting Standards paragraph 57-4(4), and we applied these standards from the beginning of the current quarter.

The application of these accounting standards will not affect the profit and loss.

3. Consolidated Financial Statements for the Quarter
(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2015	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	32,052	30,827
Accounts receivable - trade	4,077	3,239
Merchandise	23,834	22,279
Other	8,987	7,125
Allowance for doubtful accounts	(292)	(280)
Total current assets	68,659	63,191
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,622	13,480
Other, net	20,420	19,611
Total property, plant and equipment	34,043	33,092
Intangible assets	1,277	1,301
Investments and other assets		
Lease and guarantee deposits	14,735	14,621
Other	12,648	12,697
Allowance for doubtful accounts	(3,751)	(3,751)
Total investments and other assets	23,632	23,568
Total non-current assets	58,952	57,961
Total assets	127,612	121,153
Liabilities		
Current liabilities		
Accounts payable - trade	13,540	10,215
Current portion of long-term loans payable	7,097	7,981
Other	14,430	11,130
Total current liabilities	35,068	29,326
Non-current liabilities		
Long-term loans payable	21,843	19,076
Asset retirement obligations	3,994	4,044
Other	3,491	3,695
Total non-current liabilities	29,329	26,815
Total liabilities	64,398	56,142
Net assets		
Shareholders' equity		
Capital stock	8,615	8,720
Capital surplus	6,090	6,196
Retained earnings	49,998	51,632
Treasury shares	(1,979)	(1,979)
Total shareholders' equity	62,724	64,569
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	282	313
Total accumulated other comprehensive income	282	313
Subscription rights to shares	206	127
Total net assets	63,214	65,010
Total liabilities and net assets	127,612	121,153

(2) Consolidated quarterly income statement and statement of comprehensive income

Income statement

	(Millions of yen)	
	Three months ended June 30, 2014	Three months ended June 30, 2015
Net sales	59,190	59,639
Cost of sales	33,265	31,917
Gross profit	25,925	27,721
Selling, general and administrative expenses	25,777	23,891
Operating income	147	3,830
Non-operating income		
Real estate rent	292	323
Other	196	204
Total non-operating income	488	527
Non-operating expenses		
Interest expenses	58	59
Rent expenses on real estates	145	192
Other	70	23
Total non-operating expenses	275	275
Ordinary income	360	4,082
Extraordinary losses		
Impairment loss	341	121
Total extraordinary losses	341	121
Income before income taxes and minority interests	18	3,960
Income taxes - current	221	1,406
Income taxes - deferred	(1,844)	83
Total income taxes	(1,622)	1,490
Profit	1,641	2,470
Profit attributable to owners of parent	1,641	2,470

Statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2014	Three months ended June 30, 2015
Profit	1,641	2,470
Other comprehensive income		
Valuation difference on available-for-sale securities	(37)	30
Total other comprehensive income	(37)	30
Comprehensive income	1,604	2,501
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,604	2,501

(3) Notes on consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

None

(Segment information)

【Segment information】

For the three months ended June 30, 2014 (consolidated) and the three months ended June 30, 2015 (consolidated):
This section is omitted because the Group only has one reporting segment, the retail services.