



The GEO Group
Supplementary Materials on Financial Results of the First Quarter
of the Fiscal Year Ending March 31, 2016



GEO HOLDINGS CORPORATION
August 2015

<http://www.geonet.co.jp/>

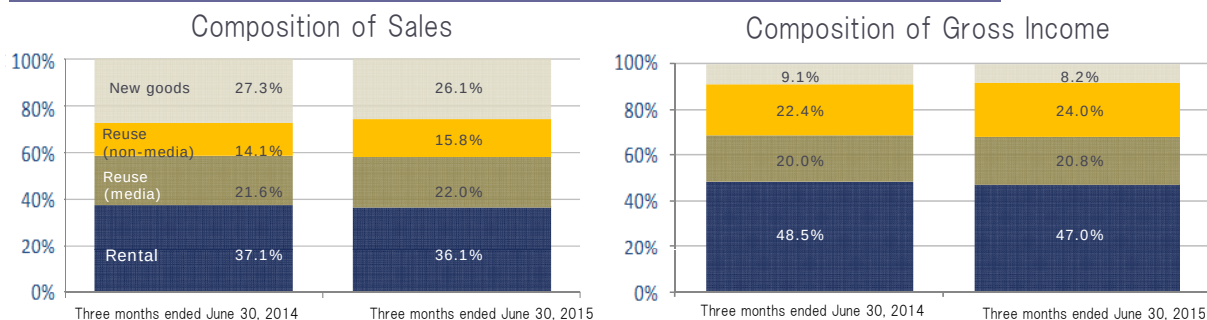
Summary of Consolidated Income Statement: Three months results



	Three months ended June 30, 2014		Three months ended June 30, 2015		Increase/ decrease	Change	Initial budget for 1st Half of year ending March 31, 2016	Achieve- ment rate	Budget for full year ending March 31, 2016	Achieve- ment rate
	Results	Sales ratio	Results	Sales ratio						
Net sales	59,190		59,639		448	100.8%	127,000	47.0%	275,000	21.7%
Gross profit	25,925	43.8%	27,721	46.5%	1,796	106.9%	55,000		115,000	
SG&A	25,777	43.5%	23,891	40.1%	(1,885)	92.7%	52,100		106,500	
Operating income	147	0.2%	3,830	6.4%	3,682	2588.7%	2,900	132.1%	8,500	45.1%
Ordinary income	360	0.6%	4,082	6.8%	3,721	1131.5%	3,100	131.7%	9,000	45.4%
Income before income taxes and minority interests	18	0.0%	3,960	6.6%	3,941	20854.9%				
Net income	1,641	2.8%	2,470	4.1%	828	150.5%	1,300	190.0%	4,500	54.9%



Factor Analysis 1 (Sales and Gross Income based on merchandise)



Millions of yen	Results for Three months ended June 30, 2014	Three months ended June 30, 2015		
		Results	Increase/decrease	Change
Rental	19,750	① 19,320	(429)	97.8%
Total reuse	18,988	20,222	1,234	106.5%
Media	11,494	② 11,780	286	102.5%
Non-media	7,493	③ 8,441	948	112.6%
New goods	14,557	④ 13,979	(578)	96.0%

Three months ended June 30, 2014		Three months ended June 30, 2015			
Results	Gross income ratio	Results	Gross income ratio	Increase/decrease	Change
11,533	58.4%	11,864	① 61.4%	330	102.9%
10,077	53.1%	11,322	56.0%	1,245	112.4%
4,755	41.4%	5,246	② 44.5%	490	110.3%
5,321	71.0%	6,075	③ 72.0%	754	114.3%
2,159	14.8%	2,083	14.9%	④ (75)	96.5%

- ① Sales were overall low due to lack of titles but rental business contributed to profit because of reduced purchases which consequently improved gross income ratio. Rental comics performed well and contributed to both sales and profit.
- ② The market of used games was not active and sales continued to slump but low sales were supplemented by the leap in sales of used cell phones.
- ③ Although the opening of new stores was delayed, the current stores performed solidly.
- ④ Due to poor number in hit merchandise, sales did not exceed the projection but its effect on income was small.

Note) The amounts are calculated based on each category of merchandise, i.e., rental, reuse (media), reuse (non-media) and new goods instead of based on rental stores and reuse stores.



Factor Analysis 2 (Summary of SG&A)

	Three months ended June 30, 2014		Three months ended June 30, 2015		(Millions of yen)	
	Results	Sales ratio	Results	Sales ratio	Increase/decrease	Change
Advertising	603	1.0%	① 483	0.8%	(120)	80.1%
Sales promotion	310	0.5%	① 159	0.3%	(151)	51.3%
Total selling expenses	2,243	3.8%	1,803	3.0%	(439)	80.4%
Total personnel expenses	12,096	20.4%	② 11,706	19.6%	(389)	96.8%
Utilities	1,425	2.4%	1,248	2.1%	(176)	87.6%
Rent	4,984	8.4%	4,950	8.3%	(33)	99.3%
Depreciation and amortization	1,041	1.8%	992	1.7%	(48)	95.3%
Consumables	975	1.6%	③ 501	0.8%	(473)	51.4%
Maintenance	281	0.5%	④ 421	0.7%	140	149.9%
Total other expenses	11,212	18.9%	10,347	17.4%	(865)	92.3%
Amortization of goodwill	225	0.4%	33	0.1%	(191)	14.8%
Total SG&A	25,777	43.5%	23,891	40.1%	(1,885)	92.7%

- ① Promotional activity was limited due to lack of strong "game" and "rental" titles.
- ② Personnel expenses did not increase by allocating personnel efficiently in anticipation of declining sales.
- ③ The decline from three months ended June 30, 2014 is due to reduced number of store redecorations (18 Family Book stores were redecorated during three months ended June 30, 2014).
- ④ This amount is less than the initial budget because of a delay in works to install LED.

Revision as of August 7 of forecast for consolidated results



Revised upwards for 1st Half Maintained the same for full-year

(Millions of yen)	Full-year forecast									
	1st Half forecast					2nd Half forecast				
	Three months results	Sales ratio	Six months forecast	Sales ratio	Sales ratio		Sales ratio		Sales ratio	
Net sales	59,639		67,361		127,000		148,000		275,000	
Gross income	27,721	46.5%	28,279	42.0%	56,000	44.1%	② 59,000	39.9%	115,000	41.8%
SG&A	23,891	40.1%	① 27,109	40.2%	51,000	40.2%	55,500	37.5%	106,500	38.7%
Operating income	3,830	6.4%	1,170	1.7%	5,000	3.9%	3,500	2.4%	8,500	3.1%
Ordinary income	4,082	6.8%	1,118	1.7%	5,200	4.1%	3,800	2.6%	9,000	3.3%
Net income	2,470	4.1%	230	0.3%	2,700	2.1%	1,800	1.2%	4,500	1.6%

(Background)

① Additional expenses are projected due to the delay of opening new stores and installing LED.

② With regard to rental business, while it is anticipated that the competition in the VOD market will become fierce, we consider that a strong line-up of titles in rental business is an advantage for us and we take this to be a golden opportunity to activate the rental market. We will therefore aim to maintain and expand customers and sales through "setting flexible price," "active purchasing" and "actively promoting advertisement and sales."

⇒Forecast was revised in view of market trends

Changes in our stores



② Second Street Hiroshima Oshiba Store (newly opened)



③ Second Street Sagamiara Hikarigaoka Store (name changed from JS to SS)

	As of March 31, 2015	Opened	Changed name	Integrated⇄specialized	As of June 30, 2015	Increase/decrease from March 31, 2015
Media	983				983	
GEO mobile specialty store in the above	3	① 3		3 media stores were closed	6	3
Integrated	98			(2)	96	(2)
Reuse	279	12		2	293	14
Jumble Store (JS)	135	2	(3)	2	136	1
Second Street (SS)	144	② 10	③ 3		157	13
Warehouse	10				10	
Total directly managed stores	1,370				1,382	12
Distributors	92				93	1
Franchise stores	128				128	
Total	1,590				1,603	13



① GEO mobile Shibuya Center Street Store

2 GEO stores were closed to expand retail space for SS. We will continue to increase integrated stores.



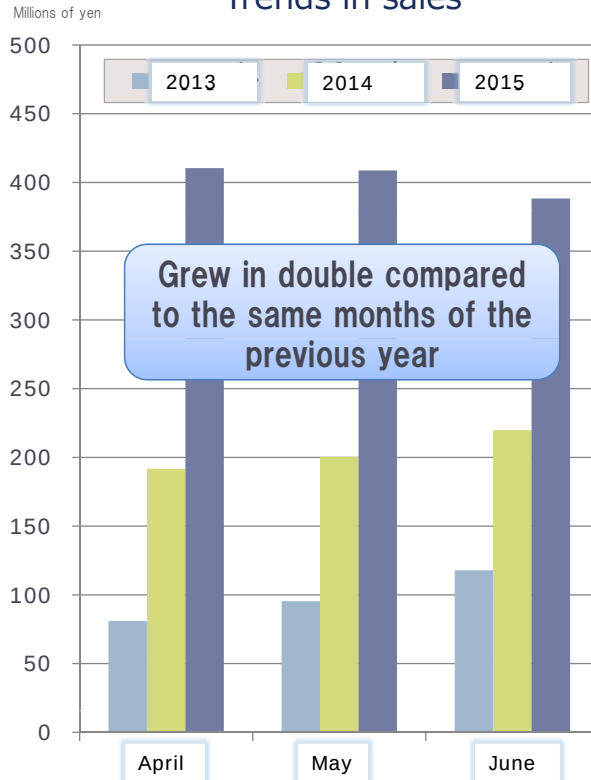
② Second Street Sendai Rokuchonome Store (newly opened)

- Only 3 stores specializing in mobile were opened.
- 20 mobile stores are scheduled to be opened but they would not necessarily be specializing in mobile, and mobile corners inside GEO stores are also considered to be promoted to mobile stores.
- In opening new reuse stores, we will continue to pursue our policy to "attain a total of 100 stores by opening new stores, changing business of current stores, and relocating."



Progress in mobile business

Trends in sales



① Deliver MNP on the same day

Achieved

Could be handled at 10 GEO mobile stores including in-shops at GEO's media stores

② New voice call SIM issued on the same/next day

Achieved

Could be handled at 10 GEO mobile stores including in-shops at media stores

③ Extended warranty service

Achieved

Currently provided at 5 stores as scheduled

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Notice concerning forward-looking statements

All indications made in this document concerning forecasts of performance, policies, management strategies, targets, plans, understanding and assessment of facts, as well as outlook on performance with respect to the Group, excluding historical facts, only reflect our current expectations, predictions, plans, understanding, assessments and others based on information available to the Group. These indications, facts or preconditions (assumptions) by their nature may be inaccurate from an objective perspective and they are exposed to potential risks of being affected by changes in general business environment, weather, economic trends, consumer trends, and consumer preferences. Therefore, no guarantee is made that the indications in this document will be realized in the future as projected.

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