

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

November 9, 2015

GEO HOLDINGS CORPORATION

Securities Code: 2681
Representative: Yuzo Endo, President
Contact: Yasuo Mitani, General Manager,
Investor Relations Dept.

Listed Exchange : Tokyo
URL: <http://www.geonet.co.jp>

Telephone: +81 52 350 5711

Scheduled date to submit quarterly report: November 12, 2015

Scheduled date to start dividend payment: December 9, 2015

Supplementary material on quarterly financial results: Yes

Briefing on this quarterly financial results : Yes (to analysts and institutional investors)

(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the Second Quarter (from April 1, 2015 to September 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	
Six months ended:	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
September 30, 2015	124,546	(0.3)	8,101	218.7	8,765	216.5	5,417	87.9
September 30, 2014	124,932	2.2	2,542	(52.4)	2,769	(50.0)	2,883	1.2

(Note) Comprehensive income: 5,392 million yen (increase of 91.2%) for six months ended September 30, 2015
2,819 million yen (decrease of 3.2%) for six months ended September 30, 2014

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Six months ended:		
September 30, 2015	103.39	102.75
September 30, 2014	53.46	53.39

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of September 30, 2015	130,110	67,961	52.1
As of March 31, 2015	127,612	63,214	49.4

(Reference) Shareholders' equity: As of September 30, 2015: 67,838 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	-	16			
Fiscal Year ending March 31, 2016 (Forecast)			-	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 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
Full-year	272,000	0.6	13,600	42.3	14,600	45.6	8,600	17.2	164.30

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

Notes

- (1) Changes in important subsidiaries during this consolidated six 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 September 30, 2015	54,628,200 shares
As of March 31, 2015	54,401,200 shares
 - 2) Number of treasury shares:

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

During six months ended September 30, 2015	52,401,167 shares
During six months ended September 30, 2014	53,938,450 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 (3) Explanation on forward-looking information including consolidated financial forecasts" on page 4 of the Attachment on the assumptions used for forecasts.

Table of Contents for the Attachments

1. Qualitative Information on Quarterly Results.....	2
(1) Details of consolidated operating results	2
(2) Details of consolidated financial position	3
(3) Explanation on forward-looking information including consolidated earnings forecast	4
2. Matters Relating to Summary Information (Notes)	5
Changes in accounting principles, changes in accounting estimates, retrospective restatement	5
3. Consolidated Financial Statements for the Quarter	6
(1) Consolidated balance sheets.....	6
(2) Consolidated quarterly income statement and statement of comprehensive income	7
Income statement	7
Statement of comprehensive income	8
(3) Consolidated quarterly statement of cash flow	9
(4) Notes on consolidated financial statements.....	10
(Notes on going concern assumptions)	10
(Notes on significant change in shareholders' equity)	10
(Segment information).....	10
(Subsequent events)	10

1. Qualitative Information on Quarterly Results

(1) Details of consolidated operating results

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

(Millions of yen)

	Results for six months ended September 30, 2014	Results for six months ended September 30, 2015	Change (%)	Year ending March 31, 2016	
				Earnings forecast	Achievement (%)
Sales	124,932	124,546	99.7%	272,000	45.8%
Operating Income	2,542	8,101	318.7%	13,600	59.6%
Ordinary Income	2,769	8,765	316.5%	14,600	60.0%
Profit attributable to owners of parent	2,883	5,417	187.9%	8,600	63.0%

For the Group's results for six months ended September 30, 2015, the sales for reuse performed well but sales for each of the merchandises in media excluding used mobile were low and sales declined overall from the same period of the previous year. However, operating income, ordinary income, and profit attributable to owners of parent all exceeded those of the same period of the previous year because gross income ratio improved for rental and reuse merchandise and because 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.

In reuse, we continued to convert the storefronts of "Jumble Stores" that specialize in clothing and accessories to the general stores, "Second Street," and opened 24 new "Second Street" stores, opening a total of 57 "Second Street" stores with an aim to further improve the brand value. We also opened the large store "Super Second Street" for the first time in Kyushu.

In media, we opened seven integrated stores that also have in conjunction the "Second Street" stores. In our more-focusing mobile, we opened three "GEO mobile" stores which is a new business that focuses on mobile-related goods. We also increased the number of GEO stores that have more enhanced mobile corners.

Our current numbers of stores and facilities are as follows which reflect the implementing of our above store strategies.

() 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	1,388	18	94	2	127	(1)	1,609	19
Media stores	968	(15)	94	2	83	(5)	1,145	(18)
GEO mobile	6	3					6	3
Integrated stores	103	5					103	5
Reuse stores	307	28			44	4	351	32
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."

(Sales for major merchandise: Six months results)

(i) Rental

In contrast to the same period of the previous fiscal year, there were no hits in rental videos during this six months period. Rental book performed well but not to a level to cover the decline in rental videos, and sales resulted in 39,841 million yen (95.9% compared to the same period of the previous fiscal year).

(ii) Reuse (media)

The sales for used games were weak but because many stores added used mobile to their line-up of merchandise, the sales resulted in 23,630 million yen (100% compared to the same period of the previous fiscal year).

(iii) Reuse (non-media)

The sales for reuse (non-media) resulted in 16,565 million yen (111.9% compared to the same period of the previous fiscal year) due to increase in the number of newly opened stores and current stores achieving monthly sales that increased from the same months of the previous fiscal year consecutively for six months.

(iv) New goods

The sales for new game devices increased from the same period of the previous fiscal year but these sales were insufficient to cover the drop in sales due to lack of titles in new game software, and sales resulted in 31,300 million yen (96.4% compared to the same period of the previous fiscal year).

(2) Details of consolidated financial position

The total assets as of September 30, 2015 were 130,110 million yen which is an increase of 2,497 million yen from the previous fiscal year end.

The net assets were 67,961 million yen, and equity ratio was 52.1%.

(Cash flow)

Cash and cash equivalents at end of period that ended on September 30, 2015 ("cash") were 38,889 million yen which is an increase of 4,975 million yen compared to that at fiscal year ended March 31, 2015.

The results of each item of cash flow and their causal factors for the six months ended September 30, 2015 are as follows.

Cash flows from operating activities

As a result of operating activities, cash increased by 9,764 million yen (where this increased by 6,013 million yen in the same period of the previous fiscal year).

This increase is mainly due to an expenditure of 4,762 million yen from purchase of rental asset, rental asset depreciation and amortization of 5,284 million yen, and income before income taxes and minority interests of 8,631 million yen.

Cash flows from investing activities

As a result of investing activities, cash decreased by 2,850 million yen (where this decreased by 4,726 million yen in the same period of the previous fiscal year).

This decrease is mainly due to an expenditure of 2,621 million yen from purchase of property, plant and equipment.

Cash flows from financing activities

As a result of financing activities, cash decreased by 1,938 million yen (where this increased by 3,843 million yen in the same period of the previous fiscal year).

This decrease is mainly due to proceeds from long-term loans payable of 2,400 million yen, repayments of long-term loans payable of 3,487 million yen, and cash dividends paid of 836 million yen.

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

Concerning the consolidated earnings forecast, no change was made to the forecast for full year disclosed as of October 28, 2015.

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 first 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 first 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 profit. In order to reflect the change in this statement, we rearranged our quarterly financial statements for the six months period 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 first 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 September 30, 2015
Assets		
Current assets		
Cash and deposits	32,052	37,400
Accounts receivable - trade	4,077	3,854
Merchandise	23,834	23,187
Other	8,987	6,813
Allowance for doubtful accounts	(292)	(286)
Total current assets	68,659	70,968
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,622	13,695
Other, net	20,420	19,984
Total property, plant and equipment	34,043	33,679
Intangible assets	1,277	1,655
Investments and other assets		
Lease and guarantee deposits	14,735	14,864
Other	12,648	12,661
Allowance for doubtful accounts	(3,751)	(3,720)
Total investments and other assets	23,632	23,806
Total non-current assets	58,952	59,141
Total assets	127,612	130,110
Liabilities		
Current liabilities		
Accounts payable - trade	13,540	13,411
Current portion of long-term loans payable	7,097	8,067
Income taxes payable	265	3,118
Provision for bonuses	1,420	1,510
Other	12,744	8,565
Total current liabilities	35,068	34,674
Non-current liabilities		
Long-term loans payable	21,843	19,785
Asset retirement obligations	3,994	4,084
Other	3,491	3,604
Total non-current liabilities	29,329	27,474
Total liabilities	64,398	62,148
Net assets		
Shareholders' equity		
Capital stock	8,615	8,753
Capital surplus	6,090	6,228
Retained earnings	49,998	54,579
Treasury shares	(1,979)	(1,979)
Total shareholders' equity	62,724	67,581
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	282	274
Deferred gains or losses on hedges	-	(17)
Total accumulated other comprehensive income	282	256
Subscription rights to shares	206	123
Total net assets	63,214	67,961
Total liabilities and net assets	127,612	130,110

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

Income statement

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Net sales	124,932	124,546
Cost of sales	70,697	67,707
Gross profit	54,235	56,838
Selling, general and administrative expenses	51,692	48,736
Operating income	2,542	8,101
Non-operating income		
Real estate rent	580	638
Other	391	545
Total non-operating income	971	1,184
Non-operating expenses		
Interest expenses	112	117
Rent expenses on real estates	301	379
Other	329	23
Total non-operating expenses	744	520
Ordinary income	2,769	8,765
Extraordinary losses		
Impairment loss	628	122
Other	-	10
Total extraordinary losses	628	133
Income before income taxes and minority interests	2,141	8,631
Income taxes - current	523	3,140
Income taxes - deferred	(1,266)	73
Total income taxes	(742)	3,213
Profit	2,883	5,417
Profit attributable to owners of parent	2,883	5,417

Statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2014	Six months ended September 30, 2015
Profit	2,883	5,417
Other comprehensive income		
Valuation difference on available-for-sale securities	(64)	(8)
Deferred gains or losses on hedges	-	(17)
Total other comprehensive income	(64)	(25)
Comprehensive income	2,819	5,392
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,819	5,392

(3) Consolidated quarterly statement of cash flow

	(Millions of yen)	
	Six months ended September 30, 2014	Six months ended September 30, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	2,141	8,631
Depreciation	2,498	2,380
Rental asset depreciation and amortization	6,956	5,284
Impairment loss	628	122
Interest and dividend income	(65)	(25)
Interest expenses	112	117
Decrease (increase) in notes and accounts receivable - trade	490	223
Decrease (increase) in inventories	(736)	852
Purchase of Rental asset	(6,931)	(4,762)
Increase (decrease) in accrued consumption taxes	1,238	(1,990)
Other, net	952	(849)
Subtotal	7,285	9,985
Interest and dividend income received	56	15
Interest expenses paid	(112)	(117)
Income taxes paid	(1,216)	(119)
Net cash provided by (used in) operating activities	6,013	9,764
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,918)	(2,621)
Other, net	192	(228)
Net cash provided by (used in) investing activities	(4,726)	(2,850)
Cash flows from financing activities		
Increase in short-term loans payable	12,300	7,400
Decrease in short-term loans payable	(12,300)	(7,400)
Proceeds from long-term loans payable	10,000	2,400
Repayments of long-term loans payable	(4,311)	(3,487)
Purchase of treasury shares	(461)	-
Cash dividends paid	(864)	(836)
Other, net	(518)	(13)
Net cash provided by (used in) financing activities	3,843	(1,938)
Net increase (decrease) in cash and cash equivalents	5,130	4,975
Cash and cash equivalents at beginning of period	21,799	33,914
Cash and cash equivalents at end of period	26,929	38,889

(4) 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 six months ended September 30, 2014 (consolidated) and the six months ended September 30, 2015 (consolidated):

Description is omitted because the Group reports only through one segment, i.e., retail services.

(Subsequent events)

Acquisition of treasury shares

The board of directors of GEO Holdings Corporation, at its meeting held on November 2, 2015, resolved to acquire treasury shares, and, as a method for this acquisition, to conduct tender offer in accordance with the following schedule pursuant to the provisions of Article 156, paragraph 1 of the Companies Act which is applied by rereading the provisions of Article 165, paragraph 3 of the same.

1. Reason To return profit to shareholders and improve capital efficiency
2. The details of the resolution of the board of directors concerning acquisition of treasury shares:
 - (1) Type of shares to be acquired: Common stock
 - (2) Total number of shares to be acquired: 4,600,100 shares (maximum)
 - (3) Acquisition period: From November 4, 2015 to January 31, 2016
 - (4) Total acquisition price: 7,590,165,000 yen (maximum)
 - (5) Method of acquisition: Through tender offer for its treasury shares by filing a tender offer notification
 - (6) Date to start payment for the shares acquired through tender offer: December 25, 2015