



The GEO Group

Briefing on the Financial Results of the Second Quarter of the Fiscal Year Ending March 31, 2016



ジオ・チャンネル

*This is an English translation for reference purpose only, and the original disclosure document was filed on November 9, 2015 at 11:30 (GMT+9)

GEO HOLDINGS CORPORATION
November 2015

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

Summary of Consolidated Income Statement: Six months results

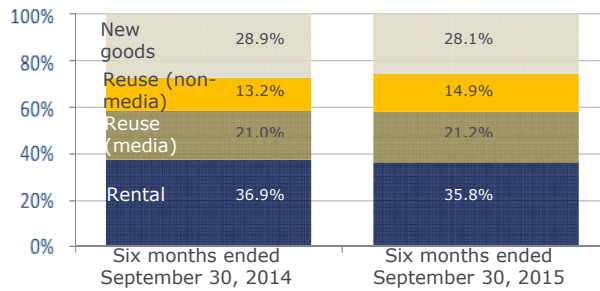


(Millions of yen)	Results for six months ended September 30, 2014	Sales ratio	Results for six months ended September 30, 2015	Sales ratio	Increase/ decrease	Change	Results for three months ended June 30, 2015	Results for three months ended September 30, 2015
Net sales	124,932		124,546		(385)	99.7%	59,639	64,907
Gross profit	54,235	43.4%	56,838	45.6%	2,603	104.8%	27,721	29,116
SG&A	51,692	41.4%	48,736	39.1%	(2,955)	94.3%	23,891	24,845
Operating income	2,542	2.0%	8,101	6.5%	5,559	318.7%	3,830	4,271
Ordinary income	2,769	2.2%	8,765	7.0%	5,995	316.5%	4,082	4,683
Income before income taxes and minority interests	2,141	1.7%	8,631	6.9%	6,490	403.1%	3,960	4,670
Profit	2,883	2.3%	5,417	4.4%	2,534	187.9%	2,470	2,947

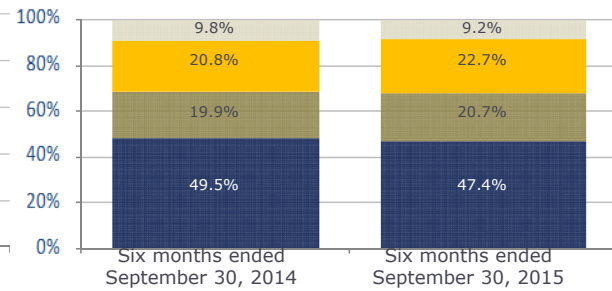
Sales and Gross Income based on core merchandise for six months



Composition of Sales



Composition of Gross Income



(Millions of yen)	Results for six months ended September 30, 2014	Six months ended September 30, 2015				Six months ended September 30, 2014		Six months ended September 30, 2015			
		Results	Increase/decrease	Change		Results	Gross income ratio	Results	Gross income ratio	Increase/decrease	Change
Rental	41,541	39,841	(1,699)	95.9%		24,577	59.2%	24,611	61.8%	34	100.1%
Total reuse	38,436	40,195	1,759	104.6%		20,175	52.5%	22,493	56.0%	2,317	111.5%
media	23,629	23,630	1	100.0%		9,873	41.8%	10,731	45.4%	857	108.7%
non-media	14,806	16,565	1,758	111.9%		10,302	69.6%	11,762	71.0%	1,459	114.2%
New goods	32,462	31,300	(1,161)	96.4%		4,856	15.0%	4,774	15.3%	(82)	98.3%

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 the categories of rental stores and reuse stores.

Revision as of October 28 of forecast for consolidated results for full-year



(Millions of yen)	Full-year forecast							
	1st Half results		2nd Half forecast					
		Sales ratio		Sales ratio	Sales ratio	Increase/decrease	Change from the previous fiscal year	Change from forecast made on May 8, 2015
Net sales	124,546		147,454		272,000		1,691	98.9%
Gross profit	56,838	45.6%	59,962	40.7%	116,800	42.9%	4,316	103.8%
SG&A	48,736	39.1%	54,464	36.9%	103,200	37.9%	274	100.3%
Operating income	8,101	6.5%	5,499	3.7%	13,600	5.0%	4,041	142.3%
Ordinary income	8,765	7.0%	5,835	4.0%	14,600	5.4%	4,569	145.6%
Profit	5,417	4.4%	3,183	2.2%	8,600	3.2%	1,262	117.2%

(Basis)

- The forecast for the 2nd Half is basically the same as initially disclosed on May 8.
- 50 "reuse" stores are scheduled to be opened during the 2nd Half (including those to be opened at the former media store sites and to be opened as integrated stores).
- In "media," we will actively purchase in anticipation of strong new titles (such as rentals of "Jurassic Park," "Mission: Impossible" and games of "Monster Hunter X (Cross)" and "Star Wars Battlefront"), and we will also make efforts in promoting GEO Channel to be launched in February.
- SG&A takes into consideration the increase in the amount of SG&A due to time lag of this amount for the 1st Half.



Changes in our stores

	As of March 31, 2015	Opened	Changed name	Changed business	Integrated ↔ specialized	As of September 30, 2015	Increase/ decrease from March 31, 2015
Media	983	3		(2)	(4)	968	(15)
GEO mobile specialty store in the above	3	3			4 media stores relocated	6	+3
Integrated	98	+2			+3	103	+5
Super Second Street	5	① +1				6	+1
Media+Jumble Store	54		(8)		(3)	43	(11)
Media+Second Street	39	+1	+8		② +6	54	+15
Reuse	279	+24		+2	+2	307	+28
Jumble Store	135	+2	(25)		+2	114	(21)
Second Street	144	+22	+25		④ +2	193	+49
Warehouse	10					10	
Total directly managed stores	1,370					1,388	+18
Distributors	92					94	+2
Franchise stores	128					127	(1)
Total	1,590					1,609	+19



① Super Second
Street Hakoziaki
Store
(newly opened)



② Second Street Tsuruse
Store (integrated with
GEO Tsuruse Store)



③ GEO Yamaguchi Ohuchi
Store (relocated and
renewed)



④ Second Street Sendai Ayashi Store
(changed business from media store)



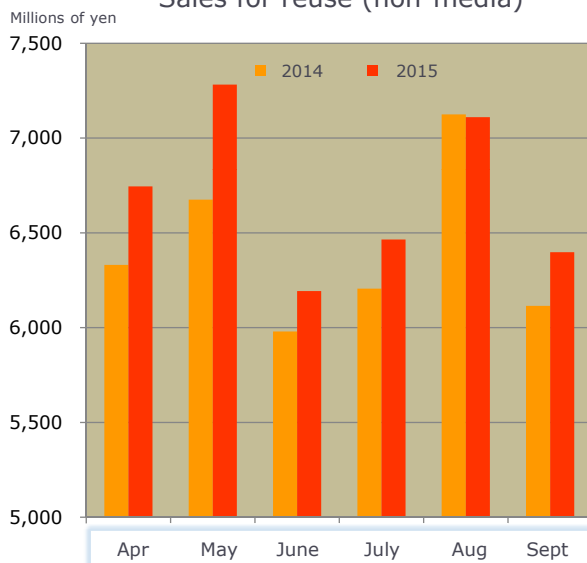
Summary of progress made in issues we must address

Issues	Progress
Expedite the expansion of "reuse"	→ See p.7
Maintain and improve profits for "media"	→ See p.8
Establish the "mobile" business	→ See p.9
Continue to pursue in depth the network strategy	→ See p.10 and p.11
Gain a foothold in new business field	Continue to seek to acquire new field of business as an extension of the current business and through M&A

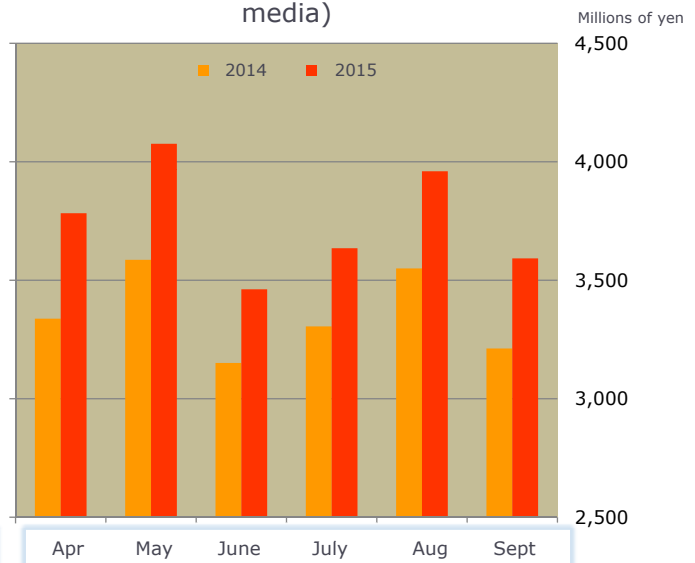


Trends in reuse

Sales for reuse (non-media)



Gross income for reuse (non-media)



- 25 new stores were opened. 33 "Jumble Stores," that specialize in clothing and accessories changed to a general store, "Second Street." "Second Street" brand is gaining more recognition and achieved solid sales.
- We increased occasions to attract customers to stores by increasing campaigns to purchase used goods before the busy season.



Media (rental)

× スタジオ地図

スタジオ地図キャラクターになりきろう!
家族で!
なりきりフォトコンテスト
応募期間: 7月24日(金)~9月1日(火)

賞品最大
10万円相当!!

進撃の巨人

進撃のGEOキャンペーン

500円以上のお会計で
豪華賞品が当たる!

【後編】キャンペーン期間: 9月23日(祝・水)まで

詳しくは応募券またはGEO公式HP、GEO公式アプリをチェック!

- While the DVD rental market has become established, we actively held campaigns to advertise our DVD rental business through challenging new advertising methods instead of through traditional methods of distributing leaflets or seasonal TV commercials. Such examples are our "The boy and the beast" campaign held from June to July and our "Attack on GEO" campaign held from July to September.

Progress in mobile business



Commenced delivery of MNP on the same day



Introduced additional three types of SIM free smart phones



Expanded sales floor inside the media stores

Focused on purchasing iPhone and others



GEO Ikebukuro North Exit Store GEO Kurawanka Hirakata Store

Converted rental floors to mobile floors



Expanded mobile floors by approximately 2.4 times



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Pursue in depth the network strategy



Released recommend application "Kuchiko"

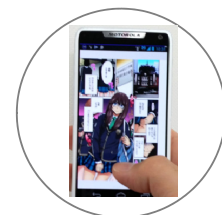
Distribution of comics

Can carry to anywhere

No need to return

Can read anytime

Can read anywhere



Comics are provided in page view format optimized for smartphones



• The recommend application "Kuchiko" that provides reviews such as for DVDs and comics was released in September on Android and iOS.

• Comic distribution grew solidly.

• Announced "Hybrid VOD" in partner with avex. Services will be provided from February 2016.



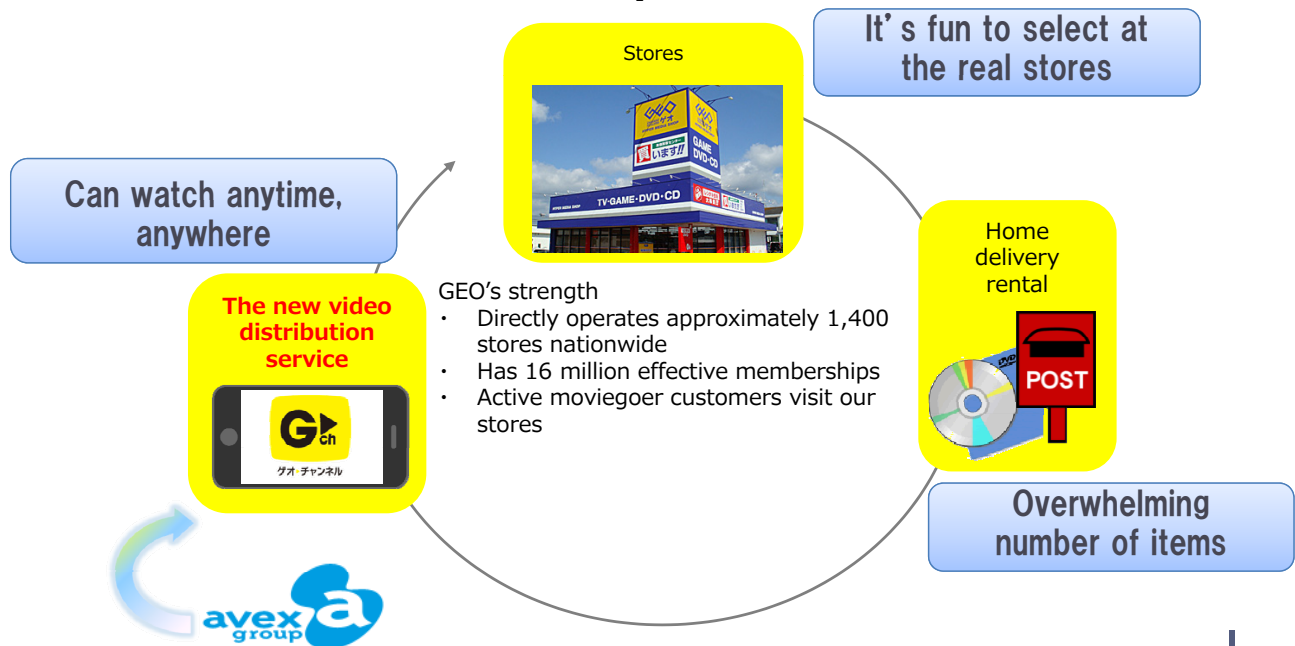
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Our VOD distribution service "GEO Channel"

A New Proposal for video life We created an Omni-Channel for video experience



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Appendices

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Summary of Consolidated Income Statement: Three months results



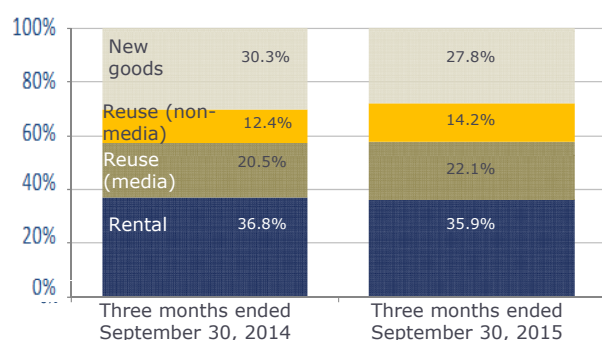
(Millions of yen)	Results for three months ended September 30, 2014	Sales ratio	Results for three months ended September 30, 2015	Sales ratio	Increase/decrease	Change
Net sales	65,741		64,907		(834)	98.7%
Gross profit	28,309	43.1%	29,116	44.9%	807	102.9%
SG&A	25,915	39.4%	24,845	38.3%	(1,069)	95.9%
Operating income	2,394	3.6%	4,271	6.6%	1,877	178.4%
Ordinary income	2,409	3.7%	4,683	7.2%	2,274	194.4%
Income before income taxes and minority interests	2,122	3.2%	4,670	7.2%	2,548	220.1%
Profit	1,241	1.9%	2,947	4.5%	1,705	237.4%

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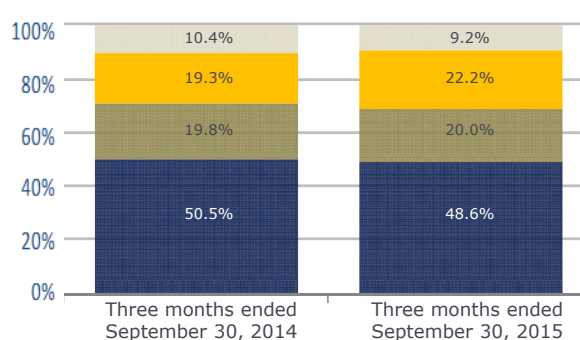
Sales and Gross Income based on core merchandise for three months



Composition of Sales



Composition of Gross Income



(Millions of yen)	Results for three months ended September 30, 2014	Results for three months ended September 30, 2015			Three months ended September 30, 2014		Three months ended September 30, 2015			
		Results	Increase/decrease	Change	Results	Gross income ratio	Results	Gross income ratio	Increase/decrease	Change
Rental	21,790	20,520	(1,269)	94.2%	13,043	59.9%	12,747	62.1%	(295)	97.7%
Total reuse	19,448	19,973	525	102.7%	10,098	51.9%	11,171	56.0%	1,072	110.6%
media	12,134	11,849	(285)	97.7%	5,117	42.2%	5,484	46.4%	367	107.2%
non-media	7,313	8,123	810	111.1%	4,981	68.1%	5,686	70.0%	705	114.2%
New goods	17,904	17,321	(583)	96.7%	2,697	15.1%	2,691	15.5%	(6)	99.8%

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 the categories of rental stores and reuse stores.

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Summary of SG&A for three months

(Millions of yen)	Results for three months ended September 30, 2014	Sales ratio	Results for three months ended September 30, 2015	Sales ratio	Increase/decrease	Change
Advertising	674	1.0%	716	1.1%	41	106.1%
Sales promotion	300	0.5%	167	0.3%	(132)	56.0%
Total selling expenses	2,276	3.5%	2,125	3.3%	(151)	93.4%
Total personnel expenses	12,124	18.4%	11,815	18.2%	(309)	97.5%
Utilities	1,990	3.0%	1,627	2.5%	(362)	81.8%
Rent	5,016	7.6%	4,986	7.7%	(30)	99.4%
Depreciation and amortization	1,040	1.6%	1,017	1.6%	(22)	97.9%
Consumables	701	1.1%	649	1.0%	(51)	92.6%
Maintenance	173	0.3%	377	0.6%	203	217.7%
Total other expenses	11,289	17.2%	10,901	16.8%	(387)	96.6%
Amortization of goodwill	224	0.3%	3	0.0%	(221)	1.5%
Total SG&A	25,915	39.4%	24,845	38.3%	(1,069)	95.9%



Supplementary information: Acquisition of treasury shares and tender offer for the treasury shares

We announced on November 2 that we will acquire treasury shares and that we will conduct tender offer to acquire treasury shares for the purposes of returning profit to shareholders and to improve capital efficiency.

- Total number of shares to be acquired: 4,600,100 shares (maximum)
- Total acquisition price: 7,590,165,000 yen (maximum)

Anticipated figures when maximum shares are acquired.

※Values before tender offer are as of September 30, 2015.

	Profit for full-year (forecast) (Millions of yen)	Shareholders' equity (Millions of yen)	Total assets (Millions of yen)	Total number of issued shares (excluding treasury shares) (thousand shares)	Earnings per share (yen)	Book value per share (yen)	Return on equity (%)	Equity ratio (%)
Before tender offer	8,600	67,838	130,110	52,521	163.7	1,291.6	12.7	52.1
Tender offer conducted		(7,590)	(7,590)	(4,600)				
After tender offer	8,600	60,248	122,520	47,922	179.5	1,257.2	14.3	49.2

※Increase/decrease in shareholders' equity and total assets before and after the tender offer are not taken into consideration.

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