



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



ジオ・チャンネル

GEO HOLDINGS CORPORATION
February 2016

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

Summary of consolidated income statement: nine months results

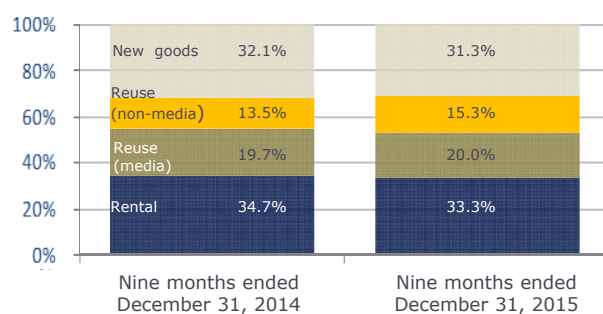


(Millions of yen)	Results for nine months ended December 31, 2014	Sales ratio	Results for nine months ended December 31, 2015	Sales ratio	Increase/decrease	Change
Net sales	201,179		198,381		(2,798)	98.6%
Gross profit	83,833	41.7%	87,339	44.0%	3,505	104.2%
SG&A	77,223	38.4%	73,552	37.1%	(3,671)	95.2%
Operating income	6,609	3.3%	13,787	6.9%	7,177	208.6%
Ordinary income	7,210	3.6%	14,844	7.5%	7,634	205.9%
Income before income taxes and minority interests	5,983	3.0%	14,512	7.3%	8,529	242.6%
Profit	5,151	2.6%	9,181	4.6%	4,029	178.2%

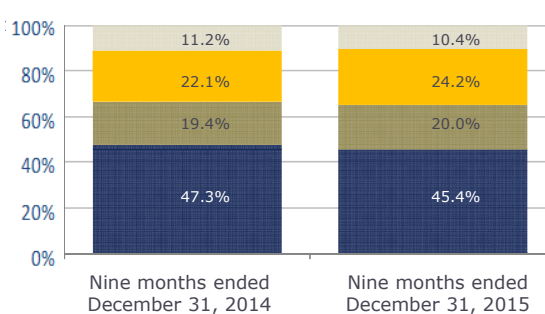
Sales and gross income based on core merchandise for nine months



Composition of Sales



Composition of Gross Income



(Millions of yen)	Results for nine months ended December 31, 2014	Nine months ended December 31, 2015		
		Results	Increase/decrease	Change
Rental	63,072	59,377	(3,694)	94.1%
Total reuse	60,060	62,995	2,935	104.9%
media	35,654	35,687	32	100.1%
non-media	24,405	27,308	2,902	111.9%
New goods	58,155	55,688	(2,467)	95.8%

Results	Nine months ended December 31, 2014 Gross income ratio	Nine months ended December 31, 2015			
		Results	Gross income ratio	Increase/decrease	Change
		36,443	57.8%	36,265	61.1%
		31,953	53.2%	35,386	56.2%
		14,942	41.9%	16,027	44.9%
		17,011	69.7%	19,359	70.9%
		8,635	14.8%	8,304	14.9%

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.

Summary of consolidated SG&A for nine months



(Millions of yen)	Results for nine months ended December 31, 2014	Sales ratio	Results for nine months ended December 31, 2015	Sales ratio	Increase/decrease	Change
Advertising	2,026	1.0%	1,804	0.9%	(221)	89.1%
Sales promotion	936	0.5%	516	0.3%	(419)	55.2%
Total selling expenses	6,969	3.5%	5,990	3.0%	(979)	85.9%
Total personnel expenses	36,294	18.0%	35,999	18.1%	(294)	99.2%
Utilities	4,802	2.4%	3,989	2.0%	(812)	83.1%
Rent	15,051	7.5%	14,973	7.5%	(77)	99.5%
Depreciation and amortization	3,151	1.6%	3,088	1.6%	(62)	98.0%
Consumables	2,282	1.1%	1,693	0.9%	(588)	74.2%
Maintenance	828	0.4%	1,033	0.5%	204	124.8%
Total other expenses	33,291	16.5%	31,525	15.9%	(1,765)	94.7%
Amortization of goodwill	668	0.3%	36	0.0%	(631)	5.5%
Total SG&A	77,223	38.4%	73,552	37.1%	(3,671)	95.2%

Revision as of February 8 of forecast for consolidated results for full-year



(Millions of yen)	Full year forecast								
	Nine months results	Sales ratio	Forecast for three months ending March 31, 2016	Sales ratio		Sales ratio	Increase/decrease	Change from the previous fiscal year	Change from forecast made on October 28, 2015
Net sales	198,381		66,618		265,000		(5,308)	98.0%	97.4%
Gross profit	87,339	44.0%	26,660	40.0%	114,000	43.0%	1,516	101.3%	
SG&A	73,552	37.1%	25,447	38.2%	99,000	37.4%	(3,925)	96.2%	
Operating income	13,787	6.9%	1,212	1.8%	15,000	5.7%	5,441	156.9%	110.3%
Ordinary income	14,844	7.5%	1,155	1.7%	16,000	6.0%	5,969	159.5%	109.6%
Profit	9,181	4.6%	818	1.2%	10,000	3.8%	2,662	136.3%	116.3%

(Basis)

- Net sales fell below expectations due to weak performance in rental movies.
- Less SG&A, such as personnel expenses, selling expenses and utilities, were incurred than anticipated.

5

Changes in our stores



	As of March 31, 2015	As of December 31, 2015	Increase/decrease from March 31, 2015
Media	983	954	(29)
GEO mobile specialty store in the above	3	6	+3
Integrated	98	113	+15
Reuse	279	331	+52
Warehouse	10	10	
Total directly managed stores	1,370	1,408	+38
Distributors	92	95	+3
Franchise stores	128	128	
Total	1,590	1,631	+41



Second Street Kamishinjo Store (newly opened)



GEO & Second Street Sasebo Daito Store (opened as an integrated store)



GEO & Second Street Kazo Store (a store in which Second Street is integrated with GEO Shop)

- 69 reuse stores newly opened (including stores opened through integration and through change of business)
- 17 stores were changed to integrated stores by establishing reuse stores "Second Street" into sales floors of media stores "GEO Shop." Two integrated stores became reuse specialty stores by ceasing their media stores.

6

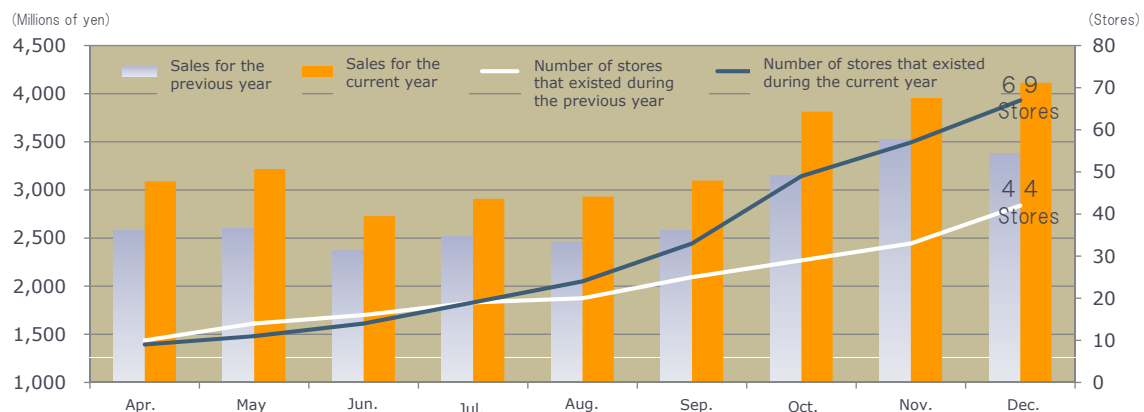


Summary of progress made in issues we must address

Issues	Progress
Expedite the expansion of "reuse"	→ See p.8
Maintain and improve profits for "media"	•Rental movies: Although sales slumped, we will continue making efforts to achieve gross income by improving the gross income ratio •Games: Profits did not exceed the previous year due to limited number of big titles
Establish the "mobile" business	→ See p.9
Continue to pursue in depth the network strategy	→ See p.10
Gain a foothold in new business field	Continue seeking to acquire new field of business as an extension of the current business and through M&A



Expansion of the reuse stores



· Number of stores increased to approximately 1.6 times from the previous year

· Small-scale Second Street stores were opened



Second Street Ekoda Store
(approx. 56 tsubo)



Second Street Kyoto Ryukoku University Store
(approx. 42 tsubo)



Evolution of "GEO Mobile"

Sales floors are designed to experience used mobiles



Renewed opening of Nagoya Osu Shintenchu Tori Store



Game tablet section

Promote efficiency through tiny size stores



GEO Nakano Broadway Store (Nakano-ku, Tokyo) with sales floor of approximately 13 tsubo

We now focus more on foreign travelers visiting Japan.
(We began selling Japan Travel SIM.)



Network strategy

- We achieved 4 million downloads of GEO application
- GEO Channel scheduled to commence services from February



Very reasonable rental charge



Basic plan
590 yen/month
(excluding tax)



Store rental pack 590 yen
(excluding tax)

※Rent up to 20 old movies per month at stores



Delivery pack 590 yen
(excluding tax)

※Rent up to 8 old movies (DVDs only) per month for 14 nights/15 days

※Services to commence sequentially from February



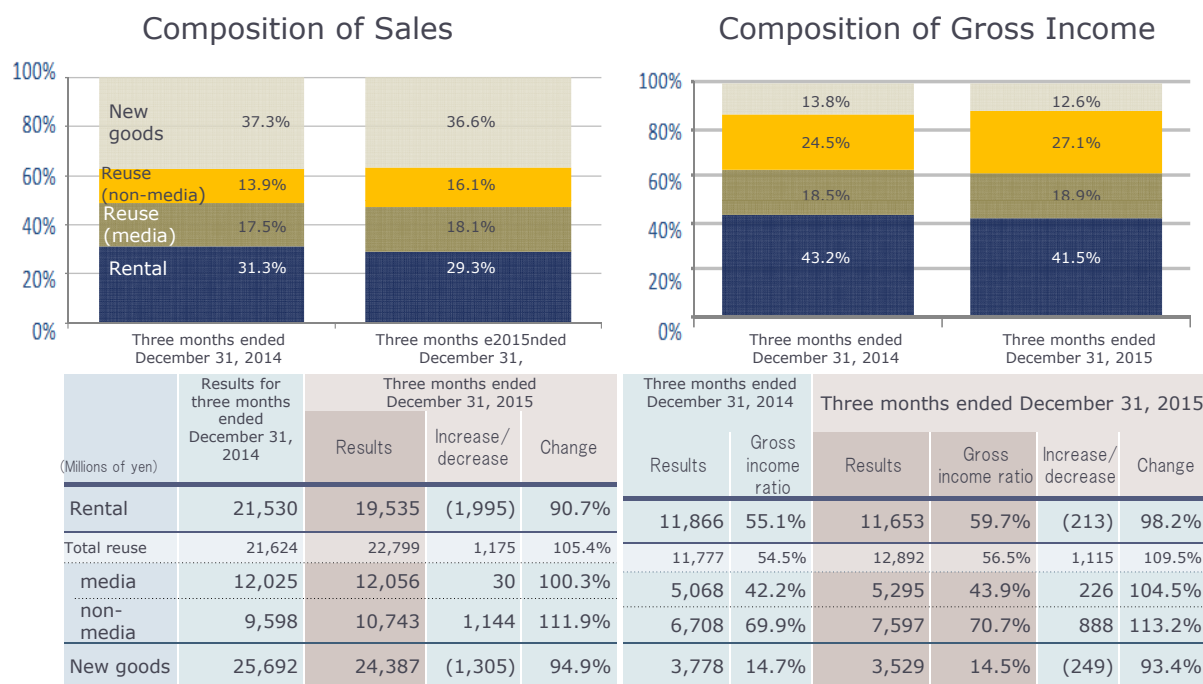
Appendices



Summary of consolidated income statement: three months results

(Millions of yen)	Results for three months ended December 31, 2014	Sales ratio	Results for three months ended December 31, 2015	Sales ratio	Increase/ decrease	Change
Net sales	76,247		73,834		(2,412)	96.8%
Gross profit	29,598	38.8%	30,500	41.3%	902	103.0%
SG&A	25,531	33.5%	24,815	33.6%	(715)	97.2%
Operating income	4,067	5.3%	5,685	7.7%	1,618	139.8%
Ordinary income	4,440	5.8%	6,079	8.2%	1,639	136.9%
Income before income taxes and minority interests	3,841	5.0%	5,880	8.0%	2,038	153.1%
Profit	2,268	3.0%	3,763	5.1%	1,494	165.9%

Sales and gross income based on core merchandise for three months



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.

Summary of consolidated SG&A for three months



(Millions of yen)	Results for three months ended December 31, 2014	Sales ratio	Results for three months ended December 31, 2015	Sales ratio	Increase/decrease	Change
Advertising	748	1.0%	605	0.8%	(142)	80.9%
Sales promotion	325	0.4%	189	0.3%	(136)	58.1%
Total selling expenses	2,449	3.2%	2,061	2.8%	(388)	84.1%
Total personnel expenses	12,073	15.8%	12,477	16.9%	403	103.3%
Utilities	1,386	1.8%	1,113	1.5%	(273)	80.3%
Rent	5,050	6.6%	5,036	6.8%	(13)	99.7%
Depreciation and amortization	1,069	1.4%	1,077	1.5%	8	100.8%
Consumables	605	0.8%	542	0.7%	(63)	89.6%
Maintenance	373	0.5%	234	0.3%	(139)	62.7%
Total other expenses	10,789	14.2%	10,276	13.9%	(512)	95.2%
Amortization of goodwill	218	0.3%	—	—	(218)	0.1%
Total SG&A	25,531	33.5%	24,815	33.6%	(715)	97.2%



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.

Contact information

5F, OMC Bld. 8-8 Fujimi-cho, Nagoya-shi, Aichi Prefecture
GEO Holdings Corporation, Investor Relations Department
Tel.052-350-5711 Fax.052-350-5701
e-mail info@geonet.co.jp