

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2017 (Japan GAAP)

August 8, 2016

GEO HOLDINGS CORPORATION

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Scheduled date to submit quarterly report: August 10, 2016

Scheduled date to start dividend payment: —

Supplementary material on quarterly financial results: Yes

Briefing on this quarterly financial results : No

(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the First Quarter (from April 1, 2016 to June 30, 2016)

(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, 2016	60,748	1.9	2,372	(38.1)	2,563	(37.2)	1,777	(28.0)
June 30, 2015	59,639	0.8	3,830	-	4,082	-	2,470	50.5

(Note) Comprehensive income: 1,773 million yen (decrease of 29.1%) for three months ended June 30, 2016
2,501 million yen (increase of 55.8%) for three months ended June 30, 2015

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Three months ended:		
June 30, 2016	36.83	36.69
June 30, 2015	47.19	46.93

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2016	122,959	65,954	53.5
As of March 31, 2016	130,207	64,961	49.8

(Reference) Shareholders' equity: As of June 30, 2016: 65,838 million yen
As of March 31, 2016: 64,848 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, 2016	-	16	-	17	33
Fiscal Year ending March 31, 2017	-				
Fiscal Year ending March 31, 2017 (Forecast)	-	17	-	17	34

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(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	129,000	3.6	4,500	(44.5)	5,100	(41.8)	2,460	(54.6)	50.96
Full-year	277,000	3.4	11,000	(33.5)	12,000	(32.7)	6,000	(43.2)	124.28

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

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 shares):

As of June 30, 2016	48,277,700 shares
As of March 31, 2016	48,244,200 shares
 - 2) Number of treasury shares:

As of June 30, 2016	—
As of March 31, 2016	—
 - 3) Average number of outstanding shares:

During three months ended June 30, 2016	48,261,625 shares
During three months ended June 30, 2015	52,340,645 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. There is no guarantee that we will achieve those financial forecasts. 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.

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	3
2. Matters Relating to Summary Information (Notes).....	4
(1) Changes in accounting principles, changes in accounting estimates, retrospective restatement.....	4
(2) Additional information	4
3. Consolidated Financial Statements for the Quarter	5
(1) Consolidated balance sheets	5
(2) Consolidated quarterly income statement and statement of comprehensive income	6
Income statement	6
Statement of comprehensive income	7
(3) Notes on consolidated financial statements	8
(Notes on going concern assumptions).....	8
(Notes on significant change in shareholders' equity)	8
(Segment information).....	8

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, 2016 to June 30, 2016)

(Millions of yen)

	Results for three months ended June 30, 2015	Results for three months ended June 30, 2016	Change (%)	Three months ending September 30, 2016		Six months ending September 30, 2016	
				Earnings forecast	Achievement (%)	Earnings forecast	Achievement (%)
Net sales	59,639	60,748	101.9%	129,000	47.1%	277,000	21.9%
Operating income	3,830	2,372	61.9%	4,500	52.7%	11,000	21.6%
Ordinary income	4,082	2,563	62.8%	5,100	50.3%	12,000	21.4%
Profit attributable to owners of parent	2,470	1,777	72.0%	2,460	72.3%	6,000	29.6%

For the Group's results for three months ended June 30, 2016, the sales for rental were low but sales for new goods such as game software and sales for reuse such as clothing and accessories were solid and the Group achieved record high sales during this period although this was only a slight increase. In profits, gross profit did not exceed the gross profit for the same period of the previous year due to the composition of sales being different from that of the previous period. Also, because selling, general and administrative expenses increased due to increase in the number of stores and from conducting active sales promotion of our group's original electronic money "Lueca," operating income, ordinary income and profit attributable to owners of parent decreased from those of the same period of the previous year.

In developing stores, we are converting the store name of "Jumble Store" that specializes in clothing and accessories to a general store, "Second Street." We further opened 15 new "Second Street" stores (including franchise stores) in hope of improving the brand value of the "Second Street."

In addition to opening the above new stores, we opened our first reuse store that specializes in buying brand items to expand our merchandise line-up from clothing and accessories to luxury brand items.

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)	
Total number of GEO group stores and facilities	1,431	14	94	0	125	(1)	1,650	13
Media	947	4	94	0	79	(3)	1,120	1
GEO Mobile	9	2					9	2
Integrated	122	1					122	1
Reuse	352	9			46	2	398	11
WAREHOUSE	10	0					10	0

Notes:

- Media stores include stores that rent DVDs and sell and purchase home game related items.
- GEO mobile means mobile store that does not operate within a GEO store.
- 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.

4. Reuse stores include stores that sell and purchase clothing, home electronics and other items.

(2) Details of consolidated financial position

[Assets]

The current assets as of June 30, 2016 resulted in 66,964 million yen which is a decrease of 7,051 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 6,896 million yen in cash and deposits, 866 million yen in accounts receivable-trade while there was an increase of 104 million yen in merchandise, and 620 million yen in others. The non-current assets resulted in 55,995 million yen which is a decrease of 196 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 547 million yen in property, plant and equipment while there was an increase of 74 million yen in intangible assets and 276 million yen in investments and other assets.

As a result, the total assets as of June 30, 2016 resulted in 122,959 million yen which is a decrease of 7,247 million yen from the previous fiscal year end.

[Liabilities]

The current liabilities as of June 30, 2016 resulted in 30,050 million yen which is a decrease of 7,681 million yen from the previous fiscal year end. This decrease is mainly due to an increase of 2,500 million yen in short-term loans payable, while there was a decrease of 3,527 million yen in accounts payable-trade, 1,187 million yen in current portion of long-term loans payable, and 5,465 million yen in others. Non-current liabilities resulted in 26,954 million yen which is a decrease of 559 million yen from the previous fiscal year end. This is mainly due to a decrease of 579 million yen in long-term loans payable.

As a result, total liabilities resulted in 57,004 million yen which decreased by 8,241 million yen from the previous fiscal year end.

[Net assets]

The net assets as of June 30, 2016 resulted in 65,954 million yen which is an increase of 993 million yen from the previous fiscal year end. This increase is mainly due to 1,777 million yen in profit attributable to owners of parent for the three months ended June 30, 2016, and 820 million yen of distribution of surplus as dividend.

From the above, the equity ratio resulted in 53.5% (49.8% as of the previous fiscal year end).

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

With respect to consolidated earnings forecast, there were no changes from the full year forecast presented on May 11, 2016.

2. Matters Relating to Summary Information (Notes)

(1) Changes in accounting principles, changes in accounting estimates, retrospective restatement

Changes in accounting principles:

(Application of practical solution on a change in depreciation method due to Tax Reform 2016)

Accompanying the above tax reform, we applied to our current first quarter the “Practical solution on a change in depreciation method due to Tax Reform 2016” (Practical Issues Task Force No. 32 of June 17, 2016) where we changed the depreciation method of building and accompanying facilities and structures acquired on and after April 1, 2016 from declining-balance method to straight-line method.

The effect of the above change on operating income, ordinary income and profit before income taxes for the current first quarter is minimal.

(2) Additional information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

We applied from our current first quarter the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan Guidance No. 26 of March 28, 2016).

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

	(Millions of yen)	
	As of March 31, 2016	As of June 30, 2016
Assets		
Current assets		
Cash and deposits	37,683	30,786
Accounts receivable - trade	4,100	3,233
Merchandise	24,894	24,998
Other	7,618	8,238
Allowance for doubtful accounts	(281)	(293)
Total current assets	74,015	66,964
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,402	13,525
Other, net	19,608	18,938
Total property, plant and equipment	33,010	32,463
Intangible assets	1,865	1,940
Investments and other assets		
Lease and guarantee deposits	14,905	15,056
Other	7,741	7,877
Allowance for doubtful accounts	(1,332)	(1,341)
Total investments and other assets	21,315	21,591
Total non-current assets	56,192	55,995
Total assets	130,207	122,959
Liabilities		
Current liabilities		
Accounts payable - trade	12,631	9,103
Short-term loans payable	-	2,500
Current portion of long-term loans payable	8,333	7,145
Other	16,766	11,300
Total current liabilities	37,731	30,050
Non-current liabilities		
Long-term loans payable	19,509	18,930
Asset retirement obligations	4,406	4,448
Other	3,598	3,576
Total non-current liabilities	27,514	26,954
Total liabilities	65,246	57,004
Net assets		
Shareholders' equity		
Capital stock	8,871	8,889
Capital surplus	3,283	3,302
Retained earnings	52,542	53,500
Total shareholders' equity	64,697	65,692
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166	164
Deferred gains or losses on hedges	(15)	(18)
Total accumulated other comprehensive income	150	145
Subscription rights to shares	113	116
Total net assets	64,961	65,954
Total liabilities and net assets	130,207	122,959

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

Income statement

	(Millions of yen)	
	Three months ended June 30, 2015	Three months ended June 30, 2016
Net sales	59,639	60,748
Cost of sales	31,917	33,409
Gross profit	27,721	27,339
Selling, general and administrative expenses	23,891	24,966
Operating income	3,830	2,372
Non-operating income		
Real estate rent	323	333
Other	204	137
Total non-operating income	527	471
Non-operating expenses		
Rent expenses on real estates	192	194
Other	82	85
Total non-operating expenses	275	280
Ordinary income	4,082	2,563
Extraordinary losses		
Impairment loss	121	93
Total extraordinary losses	121	93
Profit before income taxes	3,960	2,469
Income taxes - current	1,406	664
Income taxes - deferred	83	26
Total income taxes	1,490	691
Profit	2,470	1,777
Profit attributable to owners of parent	2,470	1,777

Statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2015	Three months ended June 30, 2016
Profit	2,470	1,777
Other comprehensive income		
Valuation difference on available-for-sale securities	30	(2)
Deferred gains or losses on hedges	-	(2)
Total other comprehensive income	30	(4)
Comprehensive income	2,501	1,773
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,501	1,773

(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, 2015 (consolidated) and the three months ended June 30, 2016 (consolidated):
Description is omitted because the Group reports only through one segment, i.e., retail services.