



The GEO Group

Supplementary Materials on Financial Results of the First Quarter of the Fiscal Year Ending March 31, 2017

August 2016

To offer joy to your everyday life



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



Summary of results

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The main focus of our management strategies

- Continue to expand “reuse” P8
- Growth of the “mobile” business P9
- Introduce “Lueca” P10



Summary of Consolidated Income Statement: Three months results

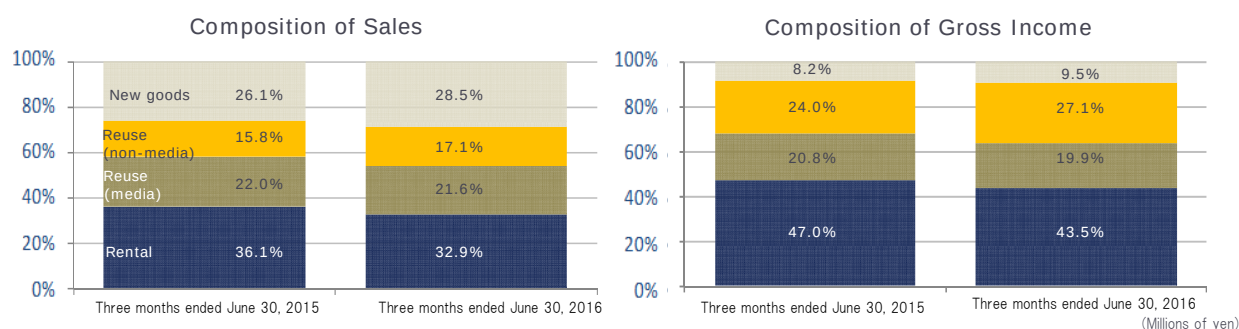
■ We achieved record high sales for the same period

	Three months ended June 30, 2015	Sales ratio	Three months ended June 30, 2016	Sales ratio	Increase/ decrease	Change	Forecast for 1st Half of year ending March 31, 2017	(Millions of yen)		
	Results		Results					Achieve-ment	Forecast for full year ending March 31, 2017	Achieve-ment
Net sales	59,639		60,748		1,108	101.9%	129,000	47.1%	277,000	21.9%
Gross profit	27,721	46.5%	27,339	45.0%	(382)	98.6%	57,500	47.5%	118,000	23.2%
SG&A	23,891	40.1%	24,966	41.1%	1,074	104.5%	53,000	47.1%	107,000	23.3%
Operating income	3,830	6.4%	2,372	3.9%	(1,457)	61.9%	4,500	52.7%	11,000	21.6%
Ordinary income	4,082	6.8%	2,563	4.2%	(1,518)	62.8%	5,100	50.3%	12,000	21.4%
Income before income taxes and minority interests	3,960	6.6%	2,469	4.1%	(1,491)	62.3%				
Profit	2,470	4.1%	1,777	2.9%	(692)	72.0%	2,460	72.3%	6,000	29.6%

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Sales and gross income based on core merchandise



	Results for Three months ended June 30, 2015	Three months ended June 30, 2016		
		Results	Increase/decrease	Change
Rental	19,320	17,809	①(1,511)	92.2%
Total reuse	20,222	20,918	696	103.4%
Media	11,780	② 11,677	(103)	99.1%
Non-media	8,441	③ 9,241	799	109.5%
New goods	13,978	④ 15,430	1,451	110.4%

	Three months ended June 30, 2015		Three months ended June 30, 2016			
	Results	Gross income ratio	Results	Gross income ratio	Increase/decrease	Change
	11,864	61.4%	10,837	60.8%	(1,026)	91.3%
	11,322	56.0%	11,728	56.1%	406	103.6%
	5,246	44.5%	4,962	42.5%	(284)	94.6%
	6,075	72.0%	③ 6,766	73.2%	690	111.4%
	2,083	14.9%	2,372	15.4%	289	113.9%

- ① The sales for rental were soft.
 ② The sales for used games slumped but sales for used mobile grew solidly.
 ③ The opening of new stores contributed to sales and gross income.
 ④ PS4-related merchandise such as Dragon Quest Heroes II contributed to sales.

Note) The amounts are not calculated based on the categories of shops (rental shop and reuse shop) but they are calculated based on each category of merchandise, i.e., rental, reuse (media), reuse (non-media), and new goods at the rental shop and reuse shop.

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Breakdown of SG&A

	Three months ended June 30, 2015		Three months ended June 30, 2016		(Millions of yen)	
	Results	Sales ratio	Results	Sales ratio	Increase/decrease	Change
Advertising	483	0.8%	525	0.9%	42	108.8%
Sales promotion	159	0.3%	330	0.5%	① 170	207.4%
Total selling expenses	1,803	3.0%	2,068	3.4%	265	114.7%
Total personnel expenses	11,706	19.6%	12,381	20.4%	② 674	105.8%
Utilities	1,248	2.1%	1,065	1.8%	③ (183)	85.3%
Rent	4,950	8.3%	5,129	8.4%	② 178	103.6%
Depreciation and amortization	992	1.7%	1,003	1.7%	11	101.1%
Consumables	501	0.8%	668	1.1%	② 167	133.3%
Maintenance	421	0.7%	161	0.3%	(260)	38.2%
Total other expenses	10,380	17.4%	10,516	17.3%	135	101.3%
Total SG&A	23,891	40.1%	24,966	41.1%	1,074	104.5%

- ① We strengthened sales promotion such as providing bonus charge for "Lueca."
 ② These increases are due to increase in the number of stores.
 ③ This decrease is due to the effect of introduction of LED lighting.



Changes in our stores



① GEO Cross Mall Kiyotake Store (newly opened media store)



② GEO Mobile Namba Walk Store (newly opened)

	As of March 31, 2016	Newly opened	Changed store name	As of June 30, 2016	Increase/decrease from March 31, 2016
Media	943	① 4		947	4
GEO mobile specialty store in the above	7	② 2		9	2
Integrated	121			122	1
Super Second Street	6			6	0
Media+Jumble Store	36		(9)	27	(9)
Media+Second Street	79	2	9	89	10
Reuse	343			352	9
Jumble Store	79		(24)	45	(34)
Second Street	264	③ 13	④ 24	307	43
Amusement	10	1		10	0
Total directly managed stores	1,417			1,431	14
Distributors	94	2		94	0
Franchise stores	126	3		125	(1)
Total	1,637			1,650	13



③ Second Street Omuta Kita Store (newly opened reuse store)



④ Second Street Fukuyama Ekiya Store (changed store name from "Jumble Store" to "Second Street")

- We will continue to change the store name of "Jumble Store" to "Second Street" to attain the top reuse brand.



The main focus of our management strategies

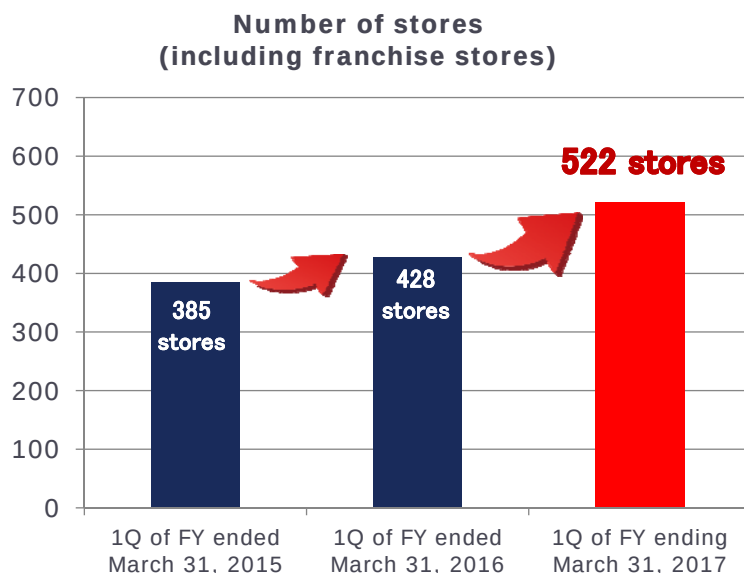
Issues we must address	
Convert our business portfolio (from media to reuse)	Continue to expand the “reuse” business → See P8
Develop new business and merchandise by exploiting the media shop's ability to attract customers and maximize profits for the media business	Development of the “mobile” business → See P9
Realize omni-channel retailing	Introduce “Lueca” → See P10
Choose which main strategy to pursue based on investment efficiency	Continue to invest in expanding reuse business
Create growth opportunities by diversifying business	Seek new business such as through M&A

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Convert our business portfolio

- 16 new stores were opened (including franchise stores and buying only store)
- We opened a store in Aichi Prefecture that only buys luxury goods. We will expand merchandise line-up besides clothing and accessories.



Second Street Motoyama buying only store

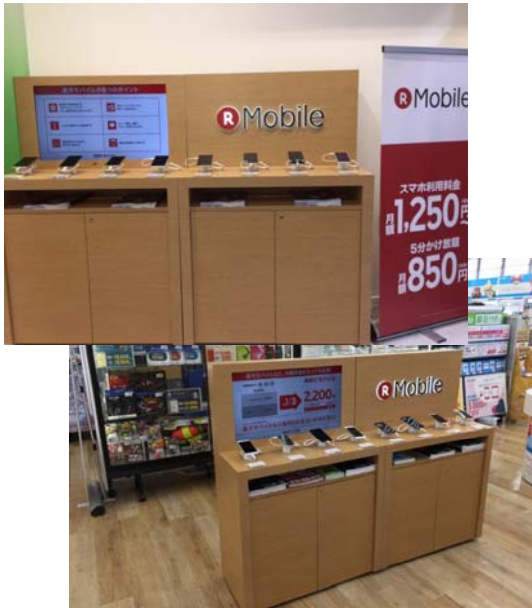
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Develop new business and merchandise by exploiting the media shop's ability to attract customers



We began to deal in "Rakuten Mobile."

We are developing stores that focus on supporting settings for mobile products.



GEO mobile Sakae Mori no Chikagai Store

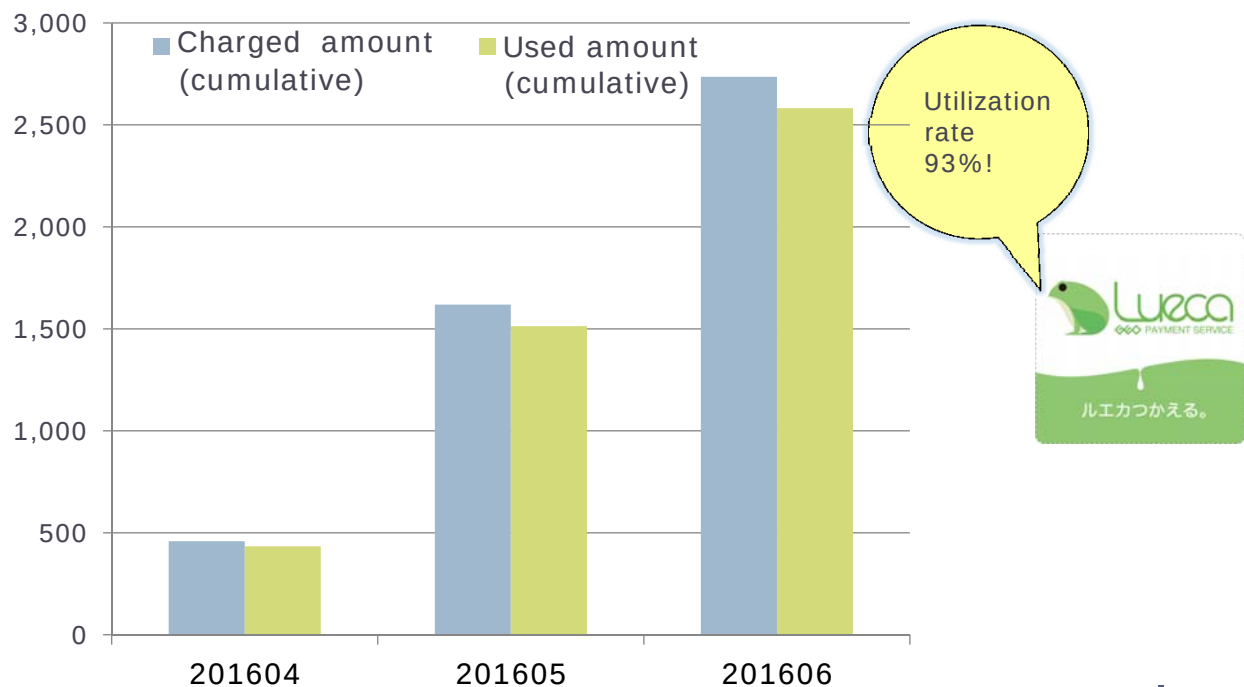
We set an exclusive corner in GEO mobile stores.

Realize omni-channel retailing



■ Our original electronic money "Lueca" (in service from February 2016)

(Millions of yen)





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 and dividends 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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