

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

November 11, 2016

GEO HOLDINGS CORPORATION

Securities Code: 2681

Representative: Yuzo Endo, President

Contact: Kensuke Imura,
General Manager, Corporate Strategy Dept.

Scheduled date to submit quarterly report: November 14, 2016

Scheduled date to start dividend payment: December 9, 2016

Supplementary material on quarterly financial results: Yes

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

Listed Exchanges : Tokyo

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

Telephone: +81 52 350 5711

(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the Second Quarter (from April 1, 2016 to September 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	
Six months ended:	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
September 30, 2016	122,907	(1.3)	4,141	(48.9)	4,468	(49.0)	2,417	(55.4)
September 30, 2015	124,546	(0.3)	8,101	218.7	8,765	216.5	5,417	87.9

(Note) Comprehensive income: 2,486 million yen (decrease of 53.9%) for six months ended September 30, 2016
5,392 million yen (increase of 91.2%) for six months ended September 30, 2015

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Six months ended:		
September 30, 2016	50.07	49.89
September 30, 2015	103.39	102.75

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of September 30, 2016	126,500	66,679	52.6
As of March 31, 2016	130,207	64,961	49.8

(Reference) Shareholders' equity: As of September 30, 2016: 66,552 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	-	17			
Fiscal Year ending March 31, 2017 (Forecast)			-	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
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 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 shares):

As of September 30, 2016	48,278,200 shares
As of March 31, 2016	48,244,200 shares
 - 2) Number of treasury shares:

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

During six months ended September 30, 2016	48,269,790 shares
During six months ended September 30, 2015	52,401,167 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

(Note concerning forward-looking statements)

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 “Details of consolidated operating results” on page 2 of the Attachment on the assumptions used for forecasts and a note on reliance on forecasts.

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1. Qualitative Information on Quarterly Results

(1) Details of consolidated operating results

Consolidated Earnings (April 1, 2016 to September 30, 2016)

(Millions of yen)

	Results for six months ended September 30, 2015	Results for six months ended September 30, 2016	Change (%)	Year ending March 31, 2017	
				Earnings forecast	Achievement (%)
Net Sales	124,546	122,907	98.7%	277,000	44.4%
Operating Income	8,101	4,141	51.1%	11,000	37.6%
Ordinary Income	8,765	4,468	51.0%	12,000	37.2%
Profit attributable to owners of parent	5,417	2,417	44.6%	6,000	40.3%

For the Group's results for six months ended September 30, 2016, sales were solid for all merchandise in reuse (non-media) except for rental. Sales for rental dropped considerably from the effect of the olympics held in the second quarter, and sales declined as a result.

In profits, the profits for used mobile and reuse (non-media) merchandise grew solidly but the profits for other merchandise were unable to cover the drop in rental sales. Also, due to the increase in selling, general and administrative expenses accompanying the increase in the number of stores, operating income, ordinary income and profit attributable to owners of parent decreased from those of the same period of the previous year.

In store strategies, we aggressively opened 32 new stores for reuse (non-media) (including franchise stores) such as our stores operating under the store names "Second Street" and "Jumble Store" to enhance our value as a leading company in reuse of clothes and accessories while the scale of reuse market is expanding.

In media (where we operate under the store name "GEO"), we reopened 2 stores after relocation.

In mobile-related business which we began focusing on since the previous year, we opened 4 "GEO mobile" stores which is a new form of business and we continued to reinforce the mobile corner inside the GEO stores.

Our current number of stores and facilities are as follows which reflects 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)	
Total number of GEO group stores and facilities	1,445	28	99	5	125	(1)	1,669	32
Media	948	5	99	5	78	(4)	1,125	6
GEO mobile	11	4					11	4
Integrated	122	1					122	1
Reuse	364	21			47	3	411	24
WAREHOUSE	11	1					11	1

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.

(Sales for core merchandise: Six months results)

(i) Rental

The sales for rental videos softened particularly during the summer in which strong sales are ordinarily anticipated and although rental book performed solidly, sales for rental resulted in 36,320 million yen (91.2% compared to the same period of the previous year).

(ii) Reuse (media)

Sales grew for used mobile which supplemented the slump in the sale for used games and sales resulted in 23,922 million yen (101.2% compared to the same period of the previous year).

(iii) Reuse (non-media)

The hits of typhoons in August through September and delay in seasonal change of clothes from prolonged high average temperature caused sales for existing reuse stores to slightly fall. However, because of an increase in the number of stores by the opening of new stores, sales resulted in 18,028 million yen (108.8% compared to the same period of the previous year).

(iv) New goods

In new games, the software mainly for PS4 contributed to sales and sales resulted in 31,311 million yen (100.0% compared to the same period of the previous year).

(2) Details of consolidated financial position

The total assets as of September 30, 2016 resulted in 126,500 million yen which is a decrease of 3,707 million yen from the previous fiscal year end.

The net assets were 66,679 million yen, and equity ratio was 52.6%.

(Cash flow)

Cash and cash equivalents ("cash") at the end of period that ended in September 30, 2016 were 33,024 million yen which is a decrease of 6,362 million yen compared to that at fiscal year ended March 31, 2016.

The results of each item of cash flow and their causal factors for the six months ended September 30, 2016 are as follows.

Cash flows from operating activities

As a result of operating activities, cash decreased by 30 million yen (where this increased by 9,746 million yen in the same period of the previous fiscal year).

This decrease is mainly due to payments of 4,785 million as income taxes and expenditures of 3,905 million yen to purchase rental assets while income before income taxes and minority interests was 3,934 million yen and rental asset depreciation and amortization was 4,472 million yen.

Cash flows from investing activities

As a result of investing activities, cash decreased by 5,354 million yen (where this decreased by 2,850 million yen in the same period of the previous fiscal year).

This decrease is mainly due to expenditures of 3,158 million yen from purchases of property, plant and equipment and expenditures of 1,205 million yen from purchases of securities.

Cash flows from financing activities

As a result of financing activities, cash decreased by 977 million yen (where this decreased by 1,938 million yen in the same period of the previous fiscal year).

This decrease is mainly due to repayments of long-term loans payable of 4,458 million yen and cash dividends paid of 820 million yen while there were proceeds from long-term loans payable of 4,400 million yen.

(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” (PITF 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 second quarter is minimal.

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

(Millions of yen)

	As of March 31, 2016	As of September 30, 2016
Assets		
Current assets		
Cash and deposits	37,683	31,472
Accounts receivable - trade	4,100	3,795
Merchandise	24,894	25,632
Other	7,618	9,308
Allowance for doubtful accounts	(281)	(301)
Total current assets	74,015	69,907
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,402	13,845
Other, net	19,608	19,091
Total property, plant and equipment	33,010	32,937
Intangible assets	1,865	2,057
Investments and other assets		
Lease and guarantee deposits	14,905	15,097
Other	7,741	7,840
Allowance for doubtful accounts	(1,332)	(1,341)
Total investments and other assets	21,315	21,597
Total non-current assets	56,192	56,592
Total assets	130,207	126,500
Liabilities		
Current liabilities		
Accounts payable - trade	12,631	11,717
Current portion of long-term loans payable	8,333	7,000
Income taxes payable	4,815	1,373
Provision for bonuses	1,665	1,641
Other	10,284	8,775
Total current liabilities	37,731	30,508
Non-current liabilities		
Long-term loans payable	19,509	20,784
Asset retirement obligations	4,406	5,025
Other	3,598	3,502
Total non-current liabilities	27,514	29,312
Total liabilities	65,246	59,820
Net assets		
Shareholders' equity		
Capital stock	8,871	8,889
Capital surplus	3,283	3,302
Retained earnings	52,542	54,139
Total shareholders' equity	64,697	66,331
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166	236
Deferred gains or losses on hedges	(15)	(16)
Total accumulated other comprehensive income	150	220
Subscription rights to shares	113	127
Total net assets	64,961	66,679
Total liabilities and net assets	130,207	126,500

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

Income statement

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Net sales	124,546	122,907
Cost of sales	67,707	67,806
Gross profit	56,838	55,100
Selling, general and administrative expenses	48,736	50,959
Operating income	8,101	4,141
Non-operating income		
Real estate rent	638	646
Other	545	262
Total non-operating income	1,184	908
Non-operating expenses		
Rent expenses on real estates	379	389
Other	141	192
Total non-operating expenses	520	581
Ordinary income	8,765	4,468
Extraordinary losses		
Impairment loss	122	533
Other	10	-
Total extraordinary losses	133	533
Profit before income taxes	8,631	3,934
Income taxes - current	3,140	1,380
Income taxes - deferred	73	137
Total income taxes	3,213	1,517
Profit	5,417	2,417
Profit attributable to owners of parent	5,417	2,417

Statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Profit	5,417	2,417
Other comprehensive income		
Valuation difference on available-for-sale securities	(8)	70
Deferred gains or losses on hedges	(17)	(1)
Total other comprehensive income	(25)	69
Comprehensive income	5,392	2,486
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,392	2,486

(3) Consolidated quarterly statement of cash flow

(Millions of yen)

	Six months ended September 30, 2015	Six months ended September 30, 2016
Cash flows from operating activities		
Profit before income taxes	8,631	3,934
Depreciation	2,380	2,568
Rental asset depreciation and amortization	5,284	4,472
Impairment loss	122	533
Interest and dividend income	(25)	(20)
Interest expenses	117	104
Decrease (increase) in inventories	852	(646)
Purchase of Rental asset	(4,762)	(3,905)
Increase (decrease) in accrued consumption taxes	(1,990)	(487)
Other, net	(626)	(1,701)
Subtotal	9,985	4,852
Interest and dividend income received	15	10
Interest expenses paid	(117)	(107)
Income taxes paid	(119)	(4,785)
Net cash provided by (used in) operating activities	9,764	(30)
Cash flows from investing activities		
Purchase of securities	-	(1,205)
Purchase of property, plant and equipment	(2,621)	(3,158)
Other, net	(228)	(991)
Net cash provided by (used in) investing activities	(2,850)	(5,354)
Cash flows from financing activities		
Increase in short-term loans payable	7,400	9,900
Decrease in short-term loans payable	(7,400)	(9,900)
Proceeds from long-term loans payable	2,400	4,400
Repayments of long-term loans payable	(3,487)	(4,458)
Cash dividends paid	(836)	(820)
Other, net	(13)	(98)
Net cash provided by (used in) financing activities	(1,938)	(977)
Net increase (decrease) in cash and cash equivalents	4,975	(6,362)
Cash and cash equivalents at beginning of period	33,914	39,386
Cash and cash equivalents at end of period	38,889	33,024

(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, 2015 (consolidated) and the six months ended September 30, 2016 (consolidated):

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