



Briefing on the Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2017

November 2016

To offer joy to your everyday life



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

Contents

Our Major Businesses

P.2

Financial Summary for the Second Quarter of the Fiscal Year Ending March 31, 2017

P.6

Forecast for Fiscal Year Ending March 31, 2017

P.12

Appendix

P.19



Our Major Businesses

COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

Business segments, merchandise and number of stores

- We operate 1,561 directly managed stores and we have a total of 1,791 stores. These stores conduct our major businesses of media lead by "GEO" and reuse led by "Second Street."

As of September 2016
The number in () shows increase or decrease from March 31, 2016.

		Rental	Reuse (media)	Reuse (non-media)	New goods	Directly managed stores	Total number of stores (including distributors and franchise stores)
		○	○		○	1,056 ^{※1} (+2)	1,236 ^{※1} (+3)
	^{※2} Inte- grated stores	GEO	○		○	122 ^{※3} (+1)	122 ^{※3} (+1)
	Second Street			○	○		
				○	○	483 ^{※1} (+22)	533 ^{※1} (+25)
Others			○		○	11 (+4)	11 (+4)
						11 (+1)	11 (+1)

Rental : DVD, CD, comics, etc.

Reuse (media) : hardware/software of used games and used communication device, etc.

Reuse (reuse) : used clothes, accessories, furniture, home appliances, etc.

New goods : game hardware and software, communication device, DVD, private label clothes, etc.

※1 Includes integrated stores

※2 Includes Super Second Street and Jumble Store

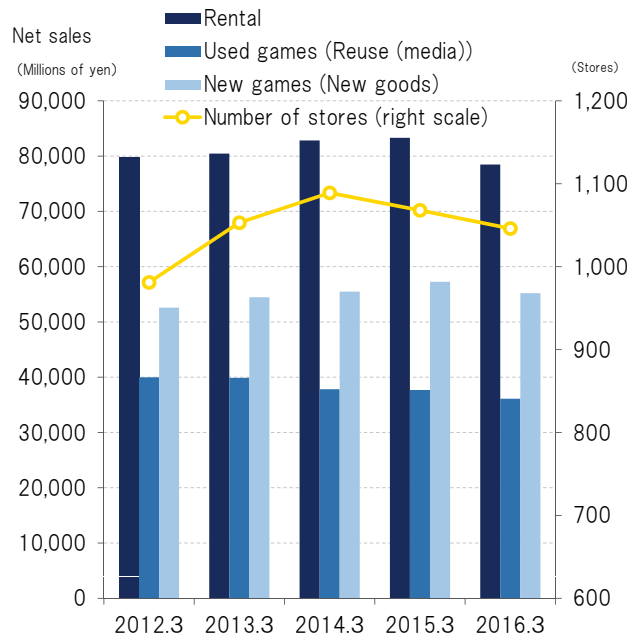
※3 Includes integration with media FC (3 stores) and reuse FC (3 stores)



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

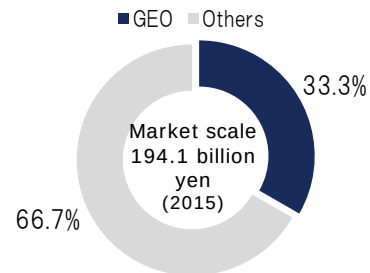
Major businesses and their position: (1) Media

- Major store: GEO
- Main businesses: rental, reuse (sale and purchase of used goods), sale of new goods
- Business form: multi-package and multi-supply
- Media sales ratio: 70.9%



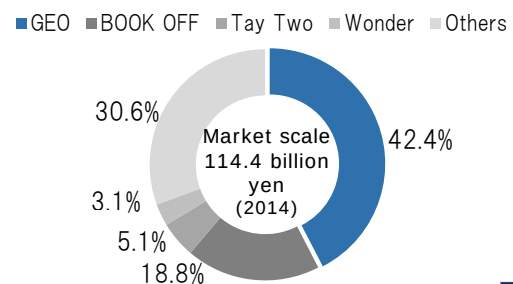
COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

Rental DVD market



Reference: Digital Content 2016

Secondhand market for media and games

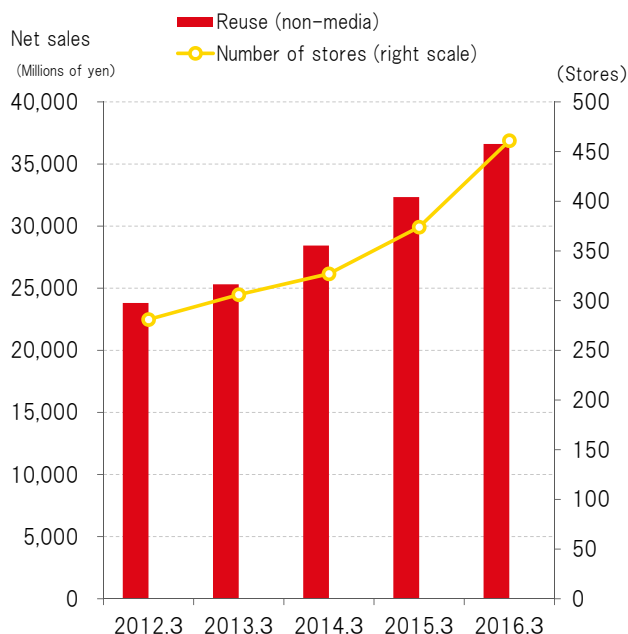


The Reuse Business Journal "Secondhand Market Databook 2016"

4

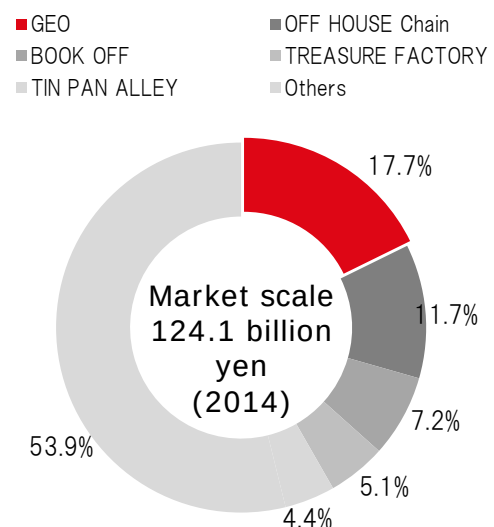
Major businesses and their position: (2) Reuse

- Major stores: Second Street, Jumble Store
- Main businesses: Reuse (sale and purchase of used goods), sale of new goods
- Business form: Comprehensive reuse business of clothes, accessories, furniture, home appliances, etc.
- Reuse sales ratio: 17.8%



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

Share in reuse (clothes and accessories)



The Reuse Business Journal "Secondhand Market Databook 2016"

5



Financial Summary for the Second Quarter of the Fiscal Year Ending March 31, 2017

COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

Six months results

- The group's performance resulted in a decrease in income and profit.
- Operating income achieved 92.0% of the forecast made at the beginning of the fiscal year.
- Operating income dropped 49% compared to the same period of the previous year due to reduced sales in rental and the cost of opening new Second Street stores.

(Millions of yen)

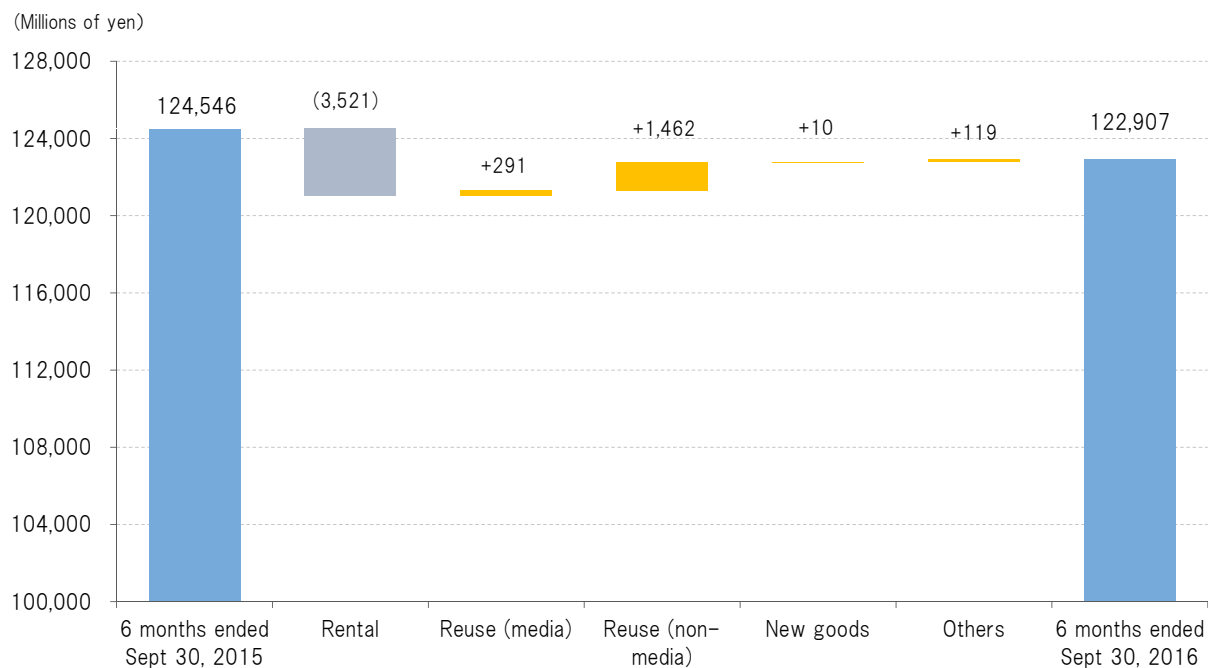
	Six months ended September 30, 2015		Six months ended September 30, 2016				1st half of year ending March 31, 2017		Full year ending March 31, 2017	
	Results	Sales ratio	Results	Sales ratio	Increase/ decrease	Change	Forecast	Achieve- ment	Forecast	Achieve- ment
Net sales	124,546		122,907		(1,639)	98.7%	129,000	95.3%	277,000	44.4%
Gross profit	56,838	45.6%	55,100	44.8%	(1,738)	96.9%	57,500	95.8%	118,000	46.7%
SG&A	48,736	39.1%	50,959	41.5%	+2,222	104.6%	53,000	96.2%	107,000	47.6%
Operating income	8,101	6.5%	4,141	3.4%	(3,960)	51.1%	4,500	92.0%	11,000	37.6%
Ordinary income	8,765	7.0%	4,468	3.6%	(4,296)	51.0%	5,100	87.6%	12,000	37.2%
Income before income taxes and minority interests	8,631	6.9%	3,934	3.2%	(4,696)	45.6%				
Profit	5,417	4.4%	2,417	2.0%	(3,000)	44.6%	2,460	98.3%	6,000	40.3%



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

Net sales: Factors that caused change from the same period of the previous year

- Sales for rental merchandise declined by 3.5 billion yen from the effect of Rio Olympics and Paralympics.
- Sales for reuse (non-media) merchandise increased soundly despite the effect of typhoons and lingering summer heat during August through September.
- The increase in sales for used mobile lifted net sales for reuse (media) merchandise.

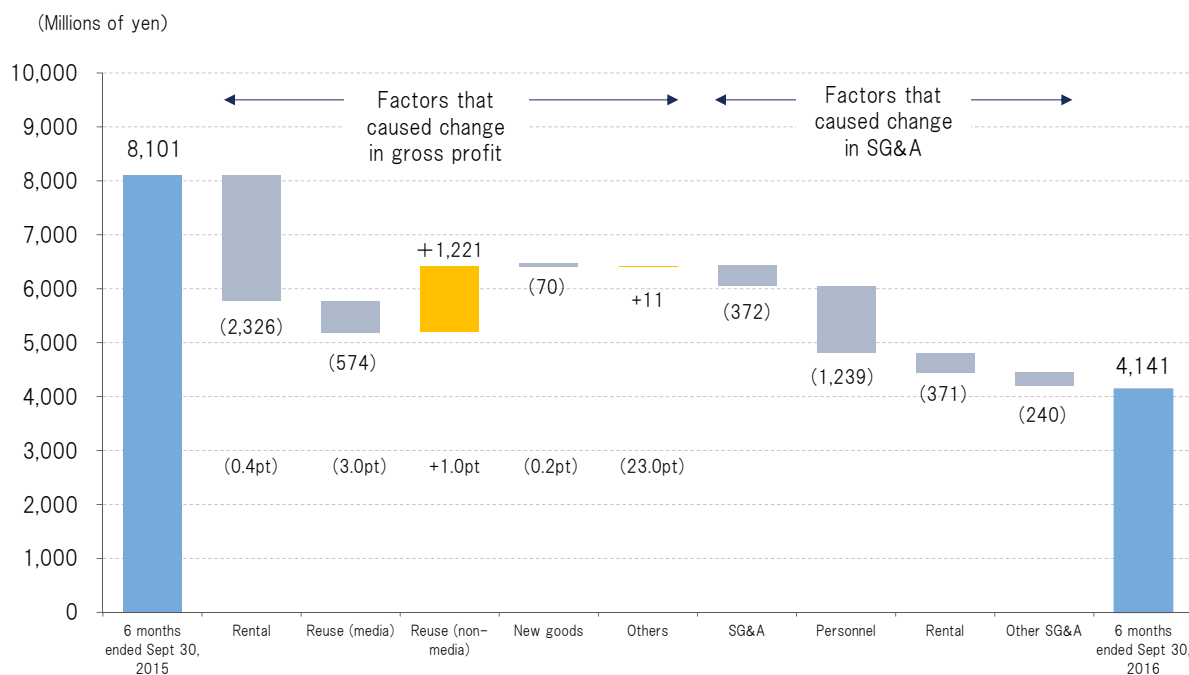


COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

8

Operating income: Factors that caused change from the same period of the previous year

- Supported by improved profitability, gross profit for reuse merchandise increased significantly.
- Although gross profit decreased due to decrease in profit and increase in personnel costs and rents from increasing the number of stores, operating income achieved 90% of the forecast at the beginning of the fiscal year due to strengthened cost management.



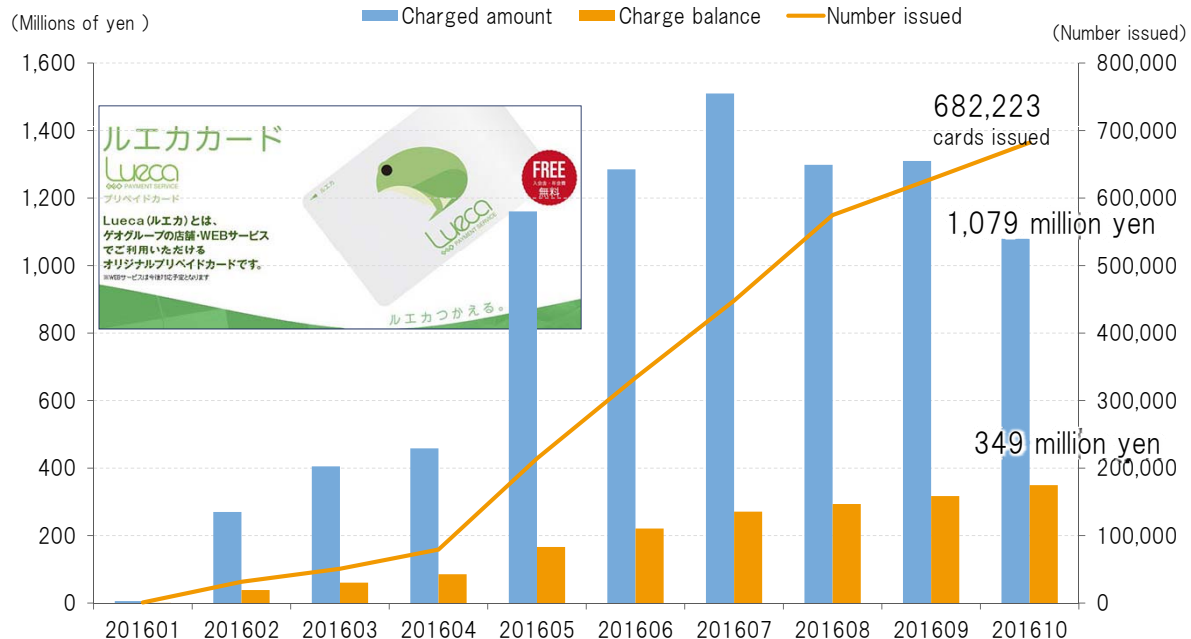
COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

9

Topics for the 1st Half: Trends in use of Lueca

- Since Lueca came in service from February 2016, the number of Lueca cards issued and the charge balance increased solidly.
- Lueca's convenience as a payment card is gaining recognition and its utility rate (used amount and charged amount) is 96% which is very high.

Number issued, charged amount, and charge balance of Lueca



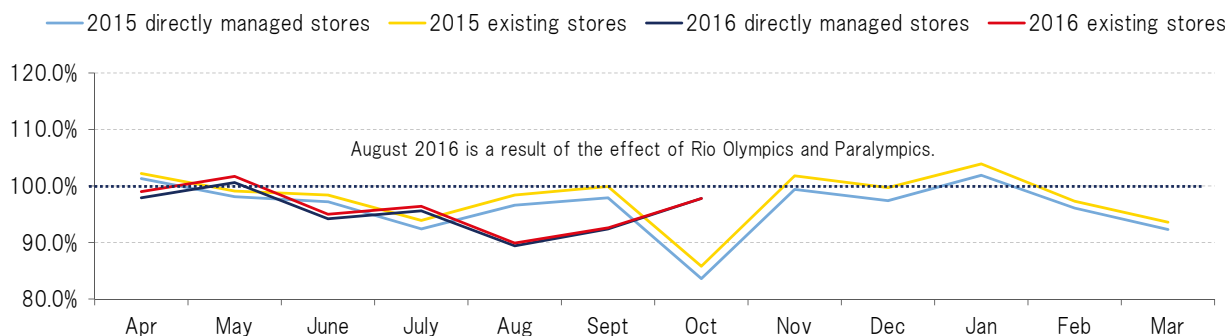
COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

10

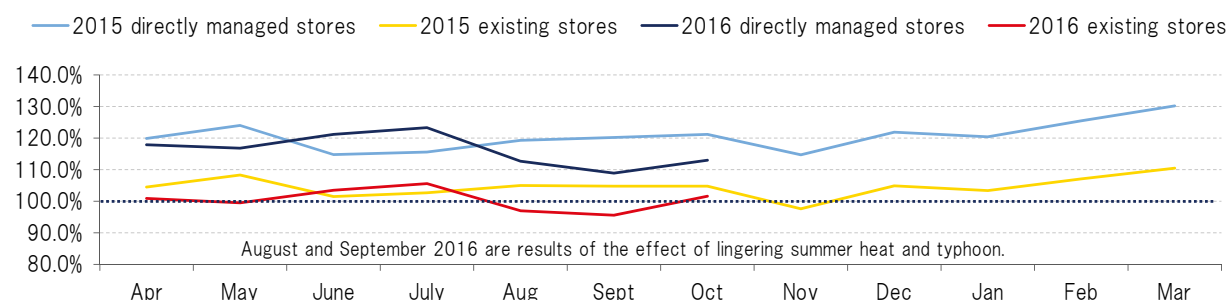
Monthly change in net sales compared with previous year

- Reuse stores struggled from the effect of lingering summer heat and typhoon during August through September but existing stores recovered to 100% level in October.

Reuse (media) stores



Reuse (non-media) stores



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

11



Forecast for Fiscal Year Ending March 31, 2017

COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

Forecast (full year)

- We anticipate strong sales in our major merchandise - game software and DVD, sales of which are expected to be at the level of original projection mainly due to the year-end shopping season. The budget lays emphasis on the 2nd half of this year but the forecast for full year was maintained the same.

(Millions of yen)

	Full year ended March 31, 2016		Full year ending March 31, 2017				1st half of year ending March 31, 2017		2nd half of year ending March 31, 2017	
	Results	Sales ratio	Forecast	Sales ratio	Increase/ decrease	Change from the previous year	Results	Achieve- ment	Forecast	Change from the same period of the previous year
Net sales	267,910		277,000		9,089	103.4%	122,907	44.4%	154,093	107.5%
Gross profit	116,112	43.3%	118,000	42.6%	1,887	101.6%	55,100	46.7%	62,900	106.1%
SG&A	99,559	37.2%	107,000	38.6%	7,440	107.5%	50,959	47.6%	56,041	110.3%
Operating income	16,552	6.2%	11,000	4.0%	(5,552)	66.5%	4,141	37.6%	6,859	81.2%
Ordinary income	17,824	6.7%	12,000	4.3%	(5,824)	67.3%	4,468	37.2%	7,532	83.2%
Income before income taxes and minority interests	16,491	6.2%					3,934			
Profit	10,563	3.9%	6,000	2.2%	(4,563)	56.8%	2,417	40.3%	3,583	70.1%



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

Our emphasis for the 2nd half: Media

- New model PS4 was released in September. The PS4 software and 3DS million seller titles are anticipated to be released during the 2nd half of this year which would invigorate the market and attract more customers to our stores.

New game software release

		Number of major titles (annual million sellers)	Major device
Fiscal year ended March 31, 2016	1st half	3	3DS
	2nd half	2	3DS・WiiU
Fiscal year ending March 31, 2017	1st half	0	—
	2nd half	4 (anticipated)	PS4・3DS

TOPICS

SONY PlayStation®VR launched on October 13
Major software titles are scheduled to be released soon which would trigger increased sales



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

14

Our emphasis for the 2nd half: Reuse

- We will focus more on buying brand goods and simultaneously enhance customer's convenience in selling them to us on the web.

The nationwide Second Street commenced buying and selling luxury brand clothes.
We hope to increase sales for all clothes and accessories.



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

15

Our emphasis for the 2nd half: Mobile

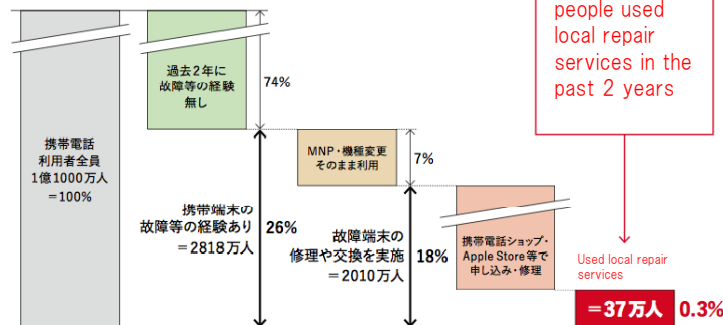
■ We commenced smartphone repairing business.

We became registered under the "Certified Repairing Business Operator System" of the Ministry of Internal Affairs and Communications and we commenced iPhones low price repairing business at 29 locations nationwide (we have the largest number of locations in Japan) from October 27, 2016.

It is estimated that more than 10 million people experienced repairing their iPhones. It is also estimated that mobile repair market exceeds 100 billion yen and the market trend is still on the rise. We will aim to establish ourselves as a repairing business operator.

We will take advantage of our directly managed stores and we intend to increase our stores that provide repairing services to 100 locations by September 2017.

Repairing services actually used



総務大臣認定 登録修理業者
電気通信事業法：T000007 電波法：R000007

iPhone 格安修理

安心 即日修理 3ヶ月保証

Service	Time	Price
画面割れ修理	60分	12,000円~
バッテリー交換	30分	7,500円~
各種パーツ交換	30分	7,800円~
水没診断	180分	14,000円~

Source: Estimated from "NRI Survey on repair of mobile phones"



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

16

Our emphasis for the 2nd half: Omni Channel and EC business

- By integrating the real stores and Web of each business of the GEO group, we promote 2-way channel coordination of "from Web to stores" and "from stores to Web."
- We are gradually expanding EC such as by releasing our mobile main store site, and renewing our reuse buying site.

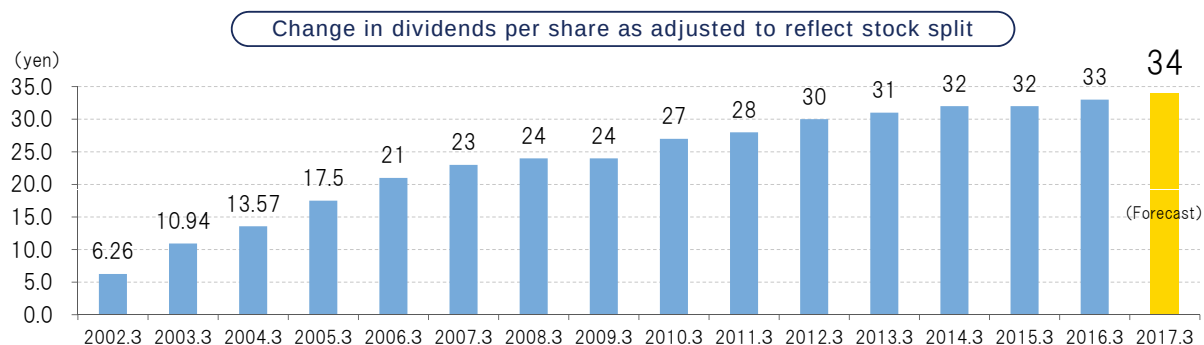


COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

17

Shareholder return

- We recognize that returning profits to shareholders is one of management priorities and our basic policy is to create a sound managerial base, improve profitability, and pay dividends that reflect our performance.



Shareholder benefits

Shareholders may choose from either of the below:

- ① 50% off on all rental goods
- or
- ② An equivalent of 2,000 yen discount coupon on reuse

Shareholders entitled to shareholder benefits:

A shareholder who holds one unit (100 shares) or more who is registered in the shareholders register as of the end of March and September



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

18



Appendix

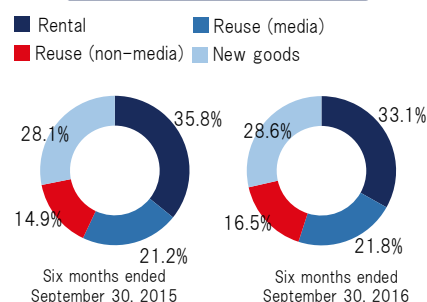
Sales and gross profit based on core merchandise

■ Sales

(Millions of yen)

	Results for six months ended September 30, 2015	Six months ended September 30, 2016		
		Results	Increase/decrease	Change
Rental	39,841	36,320	(3,521)	91.2%
Total reuse	40,195	41,950	+1,754	104.4%
Media	23,630	23,922	+291	101.2%
Non-media	16,565	18,028	+1,462	108.8%
New goods	31,300	31,311	+10	100.0%

Composition of Sales

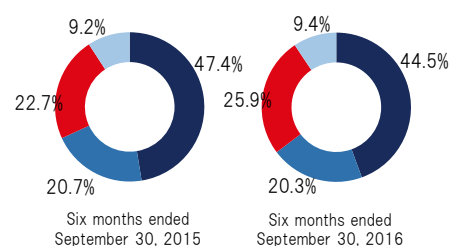


■ Gross Profit

(Millions of yen)

	Six months ended September 30, 2015		Six months ended September 30, 2016			
	Results	Gross profit ratio	Results	Gross profit ratio	Increase/decrease	Change
Rental	24,611	61.8%	22,285	61.4%	(2,326)	90.6%
Total reuse	22,493	56.0%	23,140	55.2%	+646	102.9%
Media	10,731	45.4%	10,157	42.5%	(574)	94.7%
Non-media	11,762	71.0%	12,983	72.0%	+1,221	110.4%
New goods	4,774	15.3%	4,703	15.0%	(70)	98.5%

Composition of Gross Profit



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 media business and reuse business.



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

20

Breakdown of SG&A

(Millions of yen)

	Six months ended September 30, 2015		Six months ended September 30, 2016			
	Results	Sales ratio	Results	Sales ratio	Increase/decrease	Change
Total selling expenses	3,929	3.2%	4,301	3.5%	372	109.5%
Advertising	1,199	1.0%	1,216	1.0%	17	101.4%
Sales promotion	327	0.3%	645	0.5%	318	197.3%
Total personnel expenses	23,522	18.9%	24,761	20.1%	1,239	105.3%
Total other expenses	21,285	17.1%	21,896	17.8%	610	102.9%
Utilities	2,876	2.3%	2,564	2.1%	(312)	89.2%
Rent	9,937	8.0%	10,309	8.4%	371	103.7%
Depreciation and amortization	2,010	1.6%	2,180	1.8%	170	108.7%
Consumables	1,151	0.9%	1,444	1.2%	293	125.5%
Maintenance	799	0.6%	501	0.4%	(297)	62.8%
Total SG&A	48,736	39.1%	50,959	41.5%	2,222	104.6%



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

21

Balance sheets

	As of March 31, 2016	As of September 30, 2016	Change
Assets			
Cash and deposits	37,683	31,472	(6,211)
Accounts receivable-trade	4,100	3,795	(305)
Merchandise	24,894	25,632	738
Other	7,618	9,308	1,690
Allowance for doubtful accounts	(281)	(301)	(20)
Total current assets	74,015	69,907	(4,108)
Total property, plant and equipment	33,010	32,937	(73)
Intangible assets	1,865	2,057	192
Total investments and other assets	21,315	21,597	282
Total non-current assets	56,192	56,592	400
Total assets	130,207	126,500	(3,707)
Liabilities			
Accounts payable-trade	12,631	11,717	(914)
Current portion of long-term loans payable	8,333	7,000	(1,333)
Income taxes payable	4,815	1,373	(3,442)
Provision for bonuses	1,665	1,641	(24)
Other	10,284	8,775	(1,509)
Total current liabilities	37,731	30,508	(7,223)
Long-term loans payable	19,509	20,784	1,275
Asset retirement obligations	4,406	5,025	619
Other	3,598	3,502	(96)
Total non-current liabilities	27,514	29,312	1,798
Total liabilities	65,246	59,820	(5,426)
Net assets			
Capital stock	8,871	8,889	18
Capital surplus	3,283	3,302	19
Retained earnings	52,542	54,139	1,597
Total shareholders' equity	64,697	66,331	1,634
Total accumulated other comprehensive income	150	220	70
Subscription rights to shares	113	127	14
Total net assets	64,961	66,679	1,718
Total liabilities and net assets	130,207	126,500	(3,707)



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

22

Income statement: Six months results

	Six months ended September 30, 2015	Sales ratio	Six months ended September 30, 2016	Sales ratio	Increase/ decrease	Change
Net sales	124,546		122,907		(1,639)	98.7%
Cost of sales	67,707	54.4%	67,806	55.2%	99	100.1%
Gross profit	56,838	45.6%	55,100	44.8%	(1,738)	96.9%
SG&A	48,736	39.1%	50,959	41.5%	2,222	104.6%
Operating income	8,101	6.5%	4,141	3.4%	(3,960)	51.1%
Non-operating income	1,184	1.0%	908	0.7%	(275)	76.7%
Non-operating expenses	520	0.4%	581	0.5%	60	111.7%
Ordinary income	8,765	7.0%	4,468	3.6%	(4,296)	51.0%
Total extraordinary losses	133	0.1%	533	0.4%	400	400.8%
Profit before income taxes	8,631	6.9%	3,934	3.2%	(4,696)	45.6%
Total income taxes	3,213	2.6%	1,517	1.2%	(1,696)	47.2%
Profit	5,417	4.4%	2,417	2.0%	(3,000)	44.6%



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

23

Income statement: Three months results

	Three months ended September 30, 2015	Sales ratio	Three months ended September 30, 2016	Sales ratio	Increase/ decrease	Change
Net Sales	64,907		62,159		(2,748)	95.8%
Gross profit	29,116	44.9%	27,761	44.7%	(1,355)	95.3%
SG&A	24,845	38.3%	25,993	41.8%	1,147	104.6%
Operating income	4,271	6.6%	1,768	2.8%	(2,502)	41.4%
Ordinary income	4,683	7.2%	1,904	3.1%	(2,778)	40.7%
Profit before income taxes	4,670	7.2%	1,465	2.4%	(3,205)	31.4%
Profit	2,947	4.5%	639	1.0%	(2,308)	21.7%



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

24

Statements of cash flow

	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 tax	(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



COPYRIGHT © GEO HOLDINGS CORPORATION. ALL RIGHTS RESERVED.

25

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.

Contact information

5F, OMC Bld. 8-8 Fujimi-cho, Nagoya-shi, Aichi Prefecture

GEO Holdings Corporation, Corporate Strategy Department

Tel.052-350-5711 Fax.052-350-5701

e-mail info@geonet.co.jp

