



## The GEO Group Briefing on the Financial Results of the Fiscal Year Ended March 31, 2016



ジオ・チャンネル

GEO HOLDINGS CORPORATION  
May 2016

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

Fiscal Year ended March 31, 2016



### Summary of results

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# Financial Summary for Fiscal Year Ended March 31, 2016

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## Summary of Income Statement

- Lower net sales due to softening of sales for rental and new goods (games)
- Profit increased due to higher gross income ratio and less SG&A

| Profit increased due to higher gross income rate and less SG&A |                                  |             |                                  |             |                   |        |                            |                   |                                          |
|----------------------------------------------------------------|----------------------------------|-------------|----------------------------------|-------------|-------------------|--------|----------------------------|-------------------|------------------------------------------|
|                                                                | Fiscal Year ended March 31, 2015 |             | Fiscal Year ended March 31, 2016 |             |                   |        |                            | (Millions of yen) |                                          |
|                                                                | Results                          | Sales ratio | Results                          | Sales ratio | Increase/decrease | Change | Difference from projection |                   | Projection presented on February 8, 2016 |
| Net sales                                                      | 270,308                          |             | 267,910                          |             | (2,397)           | 99.1%  | 2,910                      | 101.1%            | 265,000                                  |
| Gross profit                                                   | 112,483                          | 41.6%       | 116,112                          | 43.3%       | 3,629             | 103.2% |                            |                   |                                          |
| SG&A                                                           | 102,925                          | 38.1%       | 99,559                           | 37.2%       | (3,365)           | 96.7%  |                            |                   |                                          |
| Operating income                                               | 9,558                            | 3.5%        | 16,552                           | 6.2%        | 6,994             | 173.2% | 1,552                      | 110.4%            | 15,000                                   |
| Ordinary income                                                | 10,030                           | 3.7%        | 17,824                           | 6.7%        | 7,793             | 177.7% | 1,824                      | 111.4%            | 16,000                                   |
| Income before income taxes and minority interests              | 8,486                            | 3.1%        | 16,491                           | 6.2%        | 8,004             | 194.3% |                            |                   |                                          |
| Profit                                                         | 7,337                            | 2.7%        | 10,563                           | 3.9%        | 3,225             | 144.0% | 563                        | 105.6%            | 10,000                                   |

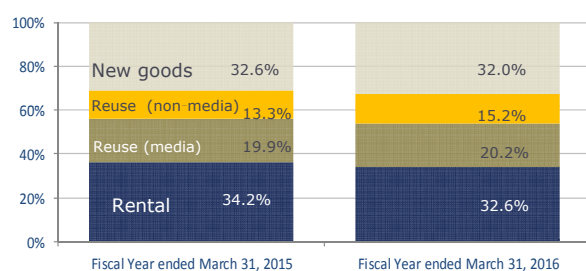
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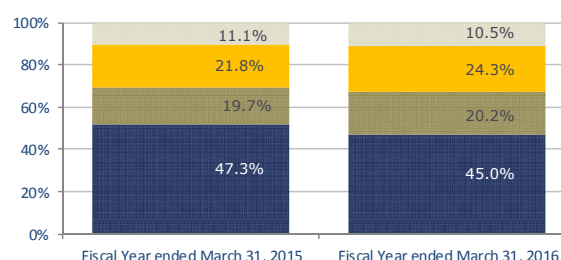
## Sales and gross income based on core merchandise

### ■ Solid growth in both sales and gross income for reuse

Composition of Sales



Composition of Gross Income



(Millions of yen)

|             | Fiscal Year ended March 31, 2015 |  | Fiscal Year ended March 31, 2016 |                   |        |  |
|-------------|----------------------------------|--|----------------------------------|-------------------|--------|--|
|             | Results                          |  | Results                          | Increase/decrease | Change |  |
| Rental      | 83,307                           |  | 78,481                           | (4,825)           | 94.2%  |  |
| Total reuse | 80,868                           |  | 85,247                           | 4,378             | 105.4% |  |
| media       | 48,526                           |  | 48,632                           | 105               | 100.2% |  |
| non-media   | 32,341                           |  | 36,614                           | 4,273             | 113.2% |  |
| New goods   | 79,568                           |  | 77,156                           | (2,412)           | 97.0%  |  |

|             | Fiscal Year ended March 31, 2015 |                    | Fiscal Year ended March 31, 2016 |                    |                   |        |
|-------------|----------------------------------|--------------------|----------------------------------|--------------------|-------------------|--------|
|             | Results                          | Gross income ratio | Results                          | Gross income ratio | Increase/decrease | Change |
| Rental      | 48,743                           | 58.5%              | 47,885                           | 61.0%              | (857)             | 98.2%  |
| Total reuse | 42,773                           | 52.9%              | 47,221                           | 55.4%              | 4,448             | 110.4% |
| media       | 20,288                           | 41.8%              | 21,444                           | 44.1%              | 1,155             | 105.7% |
| non-media   | 22,484                           | 69.5%              | 25,777                           | 70.4%              | 3,293             | 114.6% |
| New goods   | 11,514                           | 14.5%              | 11,189                           | 14.5%              | (325)             | 97.2%  |

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

### ■ Lower SG&A from previous year from power saving measures and efficient store operations

(Millions of yen)

|                               | Fiscal Year ended March 31, 2015 |             | Fiscal year ended March 31, 2016 |             |                   |        |
|-------------------------------|----------------------------------|-------------|----------------------------------|-------------|-------------------|--------|
|                               | Results                          | Sales ratio | Results                          | Sales ratio | Increase/decrease | Change |
| Total selling expenses        | 9,193                            | 3.4%        | 8,384                            | 3.1%        | (808)             | 91.2%  |
| Advertising                   | 2,804                            | 1.0%        | 2,730                            | 1.0%        | (73)              | 97.4%  |
| Sales promotion               | 1,110                            | 0.4%        | 729                              | 0.3%        | (380)             | 65.7%  |
| Total personnel expenses      | 48,313                           | 17.9%       | 48,511                           | 18.1%       | 198               | 100.4% |
| Total other expenses          | 44,534                           | 16.5%       | 42,626                           | 15.9%       | (1,907)           | 95.7%  |
| Utilities                     | 6,475                            | 2.4%        | 5,410                            | 2.0%        | (1,065)           | 83.6%  |
| Rent                          | 20,044                           | 7.4%        | 20,048                           | 7.5%        | 4                 | 100.0% |
| Depreciation and amortization | 4,230                            | 1.6%        | 4,234                            | 1.6%        | 3                 | 100.0% |
| Consumables                   | 2,818                            | 1.0%        | 2,371                            | 0.9%        | (446)             | 84.2%  |
| Maintenance                   | 1,489                            | 0.6%        | 1,425                            | 0.5%        | (64)              | 95.7%  |
| Amortization of goodwill      | 884                              | 0.3%        | 37                               | 0.0%        | (846)             | 4.2%   |
| Total SG&A                    | 102,925                          | 38.1%       | 99,559                           | 37.2%       | (3,365)           | 96.7%  |

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## Summary of issues we addressed during the Fiscal Year ended March 31, 2016



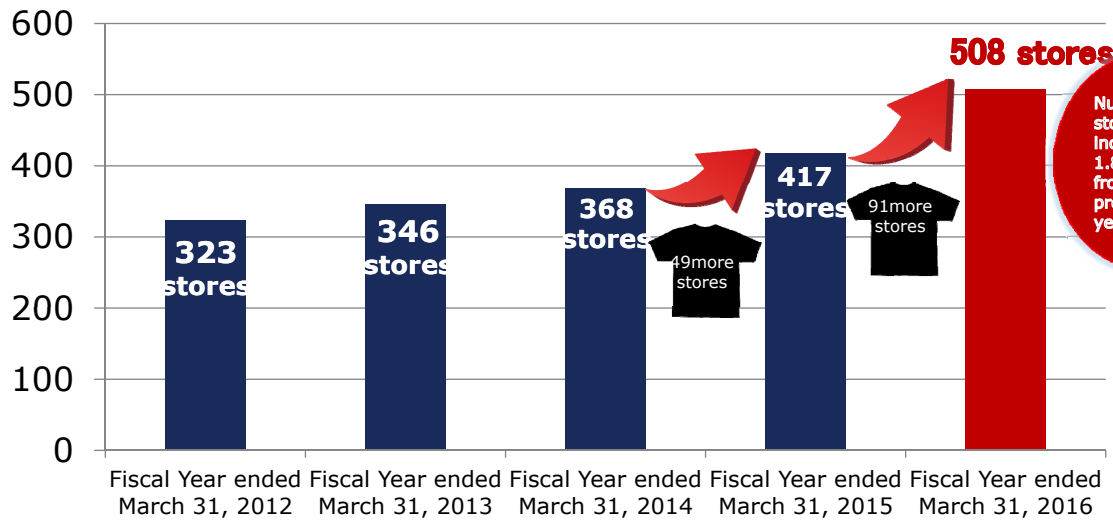
### Issues we addressed and results

| Issues                                           | Results                                                                                               |
|--------------------------------------------------|-------------------------------------------------------------------------------------------------------|
| Expedite the expansion of "reuse"                | →See P9                                                                                               |
| Maintain and improve profits for "media"         | · Although sales were lower for rental and new goods, we earned profit from higher gross income ratio |
| Establish the "mobile" business                  | →See P10                                                                                              |
| Continue to pursue in depth the network strategy | →See P11                                                                                              |
| Gain a foothold in new business field            | · Continue to seek new business opportunities such as through M&A                                     |



## Expedite the expansion of “reuse”

### ■ The opening of reuse stores is accelerated



· We achieved 500 stores as of March 31, 2016 (including franchise stores). The opening of stores accelerated at a rate of 1.8 times compared to the previous year.



Second Street Konosu Fukiage Store



## Establish the “mobile” business

Mobile specialty store “GEO mobile” opened at multiple sites



Renewed opening of Nagoya Osu Shintenchidori Store



GEO mobile Shibuya Center-Gai Store



GEO mobile Hakata Station Chikushiguchi Store

GEO mobile sells “GEO Smartphones” which is a set of low cost SIM and new or used mobile

Game and mobile store opened

**GEO ゲオスマホ**



GEO Ikebukuro Kitaguchi Store



## Continue to pursue in depth the network strategy

### ■ GEO Channel commenced services from February 22

Provide broader choice and convenience to GEO users

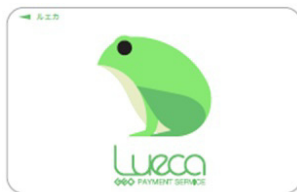


Basic plan  
590 yen/month  
(excluding tax)



### ■ We achieved 4 million downloads of GEO application (as of October 7, 2015)

### ■ We commenced our original electronic money "Lueca" service



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## Changes in our stores

|                                            | As of<br>March 31,<br>2015 | Newly<br>opened | Changed<br>store<br>name | Changed<br>business | As of<br>March<br>31,<br>2016 | Increase<br>/decrease<br>from<br>March 31,<br>2015 |
|--------------------------------------------|----------------------------|-----------------|--------------------------|---------------------|-------------------------------|----------------------------------------------------|
| <b>Media</b>                               | 983                        | 7               |                          | (9)                 | 943                           | (40)                                               |
| GEO mobile specialty<br>store in the above | 3                          | 4               |                          |                     | 7                             | 4                                                  |
| <b>Integrated</b>                          | 98                         |                 |                          |                     | 121                           | 23                                                 |
| Super Second Street                        | 5                          | ① 1             |                          |                     | 6                             | 1                                                  |
| Media+Jumble Store                         | 54                         |                 | (15)                     |                     | 36                            | (18)                                               |
| Media+Second<br>Street                     | 39                         | ② 25            | 15                       |                     | 79                            | 40                                                 |
| <b>Reuse</b>                               | 279                        |                 |                          |                     | 343                           | 64                                                 |
| Jumble Store                               | 135                        | 6               | (52)                     |                     | 92                            | (43)                                               |
| Second Street                              | 144                        | 49              | 52                       | ③ 9                 | 251                           | 107                                                |
| <b>Warehouse</b>                           | 10                         |                 |                          |                     | 10                            |                                                    |
| Total directly managed<br>stores           | 1,370                      |                 |                          |                     | 1,417                         | 47                                                 |
| Distributors                               | 92                         |                 |                          |                     | 94                            | 2                                                  |
| Franchise stores                           | 128                        |                 |                          |                     | 126                           | (2)                                                |
| <b>Total</b>                               | <b>1,590</b>               |                 |                          |                     | <b>1,637</b>                  | <b>47</b>                                          |

17 media stores  
completely closed



① Super Second Street Hakozaiki Store (First store in Kyushu region)



② Second Street Hamamatsu Sanjino Store (opened as integrated store with GEO Hamamatsu Sanjino Store)



③ Second Street Takinomizu Store (changed business from media)

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## Fiscal Year ending March 31, 2017



### Forecast

- Forecast (Full year) P15
- Reference Forecast (1st Half) P16

### Issues we must address

- Issues we must address P18
- Expedite the expansion of “reuse” P19
- Realize omni-channel retailing P20

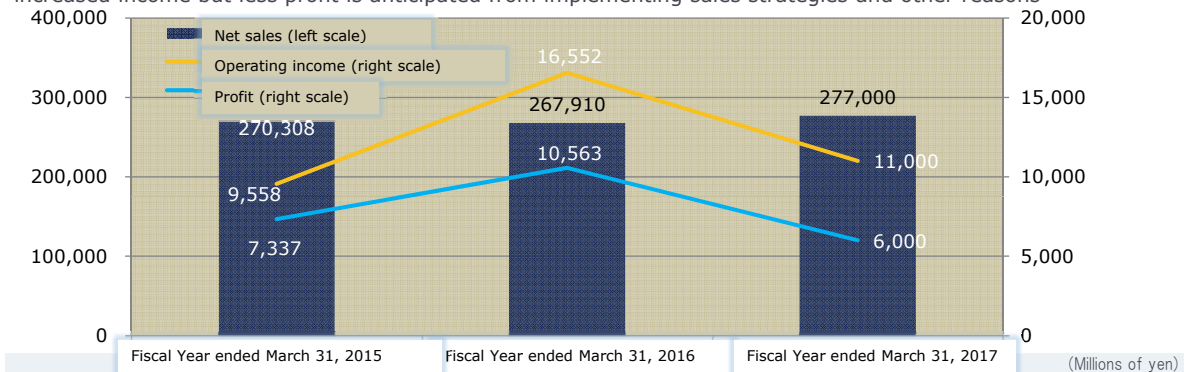


## Forecast for Fiscal Year ending March 31, 2017



## Forecast (Full year)

- While higher sales is projected from expansion of reuse business and recovery of new goods (games), increased income but less profit is anticipated from implementing sales strategies and other reasons



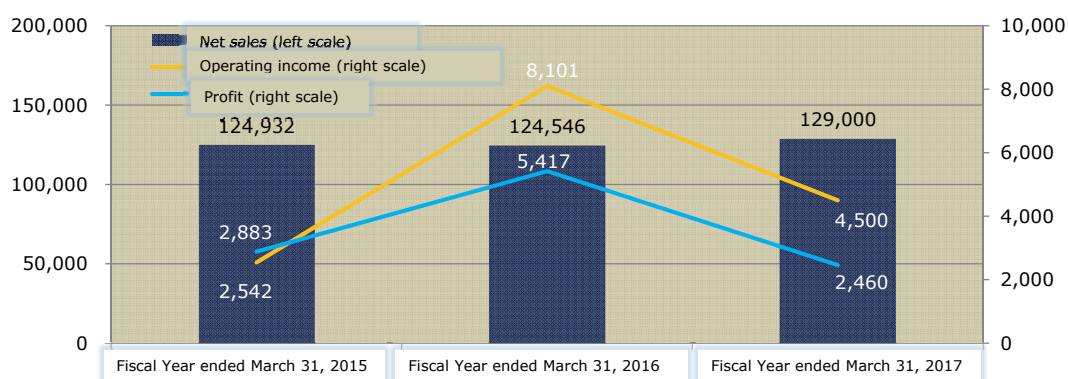
| Fiscal year ending March 31, 2017 | Net sales | Gross profit | SG&A    | Operating income | Ordinary income | Profit  |
|-----------------------------------|-----------|--------------|---------|------------------|-----------------|---------|
|                                   | 277,000   | 118,000      | 107,000 | 11,000           | 12,000          | 6,000   |
| Sales ratio                       |           | 42.6%        | 38.6%   | 4.0%             | 4.3%            | 2.2%    |
| Fiscal Year ended March 31, 2016  | 267,910   | 116,112      | 99,559  | 16,552           | 17,824          | 10,563  |
| Increase/decrease                 | 9,089     | 1,887        | 7,440   | (5,552)          | (5,824)         | (4,563) |
| Change                            | 103.4%    | 101.6%       | 107.5%  | 66.5%            | 67.3%           | 56.8%   |

- Rental Hold campaign to approach dormant members
- Game Increased income is anticipated from sale of series of past hit titles
- Reuse 100 stores opened (including at former media store sites and opening of integrated stores)
- Others Sales promotion expenses increased due to bonus charge of electronic money "Lueca"

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## Reference Forecast (1st Half)



|                                               | Net sales | Gross profit | SG&A   | Operating income | Ordinary income | Profit  |
|-----------------------------------------------|-----------|--------------|--------|------------------|-----------------|---------|
| 1st half of Fiscal Year ending March 31, 2017 | 129,000   | 57,500       | 53,000 | 4,500            | 5,100           | 2,460   |
| Sales ratio                                   |           | 44.6%        | 41.1%  | 3.5%             | 4.0%            | 1.9%    |
| 1st half of Fiscal Year ended March 31, 2016  | 124,546   | 56,838       | 48,736 | 8,101            | 8,765           | 5,417   |
| Increase/decrease                             | 4,453     | 661          | 4,263  | (3,601)          | (3,665)         | (2,957) |
| Change                                        | 103.6%    | 101.2%       | 108.7% | 55.5%            | 58.2%           | 45.4%   |

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## Issues we must address during Fiscal Year ending March 31, 2017

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### Issues we must address

| Issues we must address                                                                           | Challenges for Fiscal Year ending March 31, 2017                                                                              |
|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| Continue to expand the reuse business                                                            | →See P19                                                                                                                      |
| Develop new business and merchandise by exploiting the media shop's ability to attract customers | · Flexibly and quickly select merchandise and implement sales promotion activities that suit the market trends of each "area" |
| Realize omni-channel retailing                                                                   | →See P20                                                                                                                      |
| Gain a foothold in new business field                                                            | · Seek to participate in new field of business as an extension of the current business and through M&A                        |

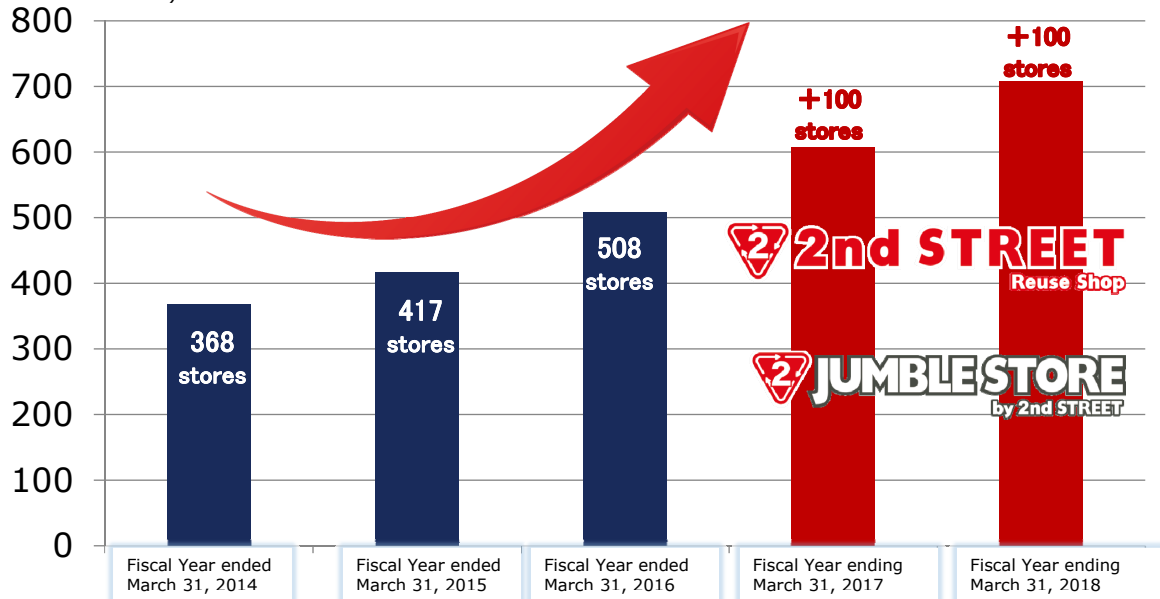
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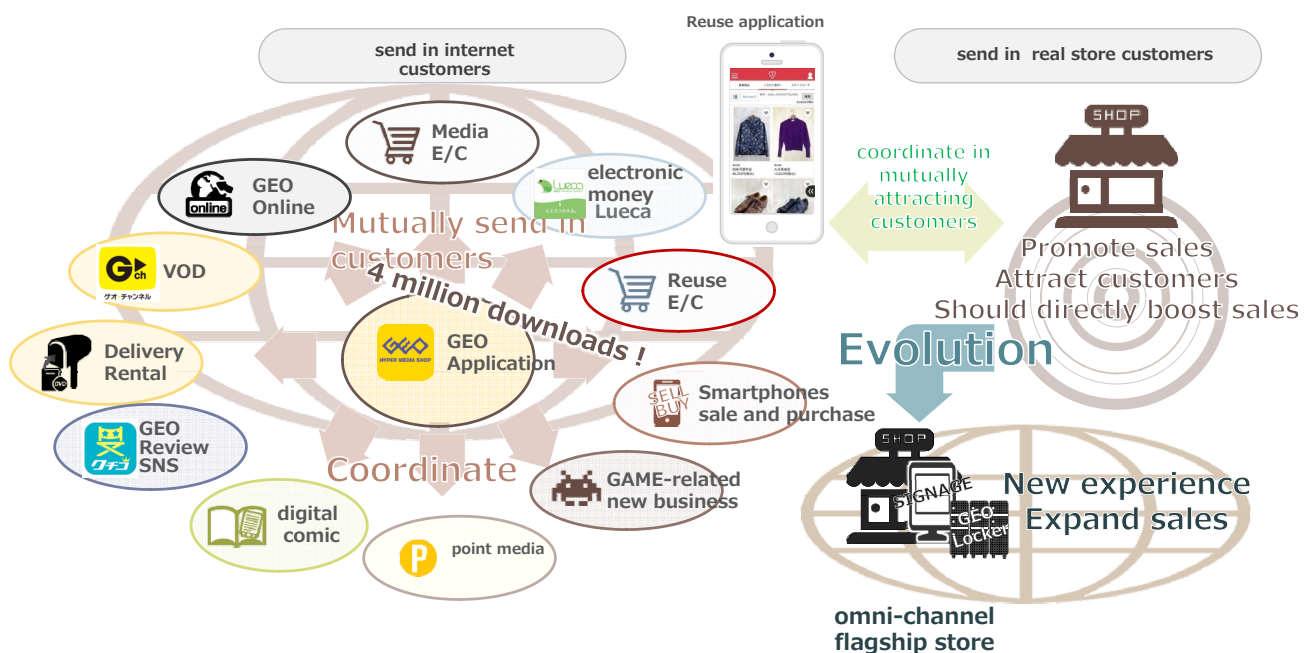
## Continue to expand the reuse business

- We opened 100 stores each year (and we expect to attain over 700 stores during Fiscal Year ending March 2018)

(Number of stores)



## Realize omni-channel retailing

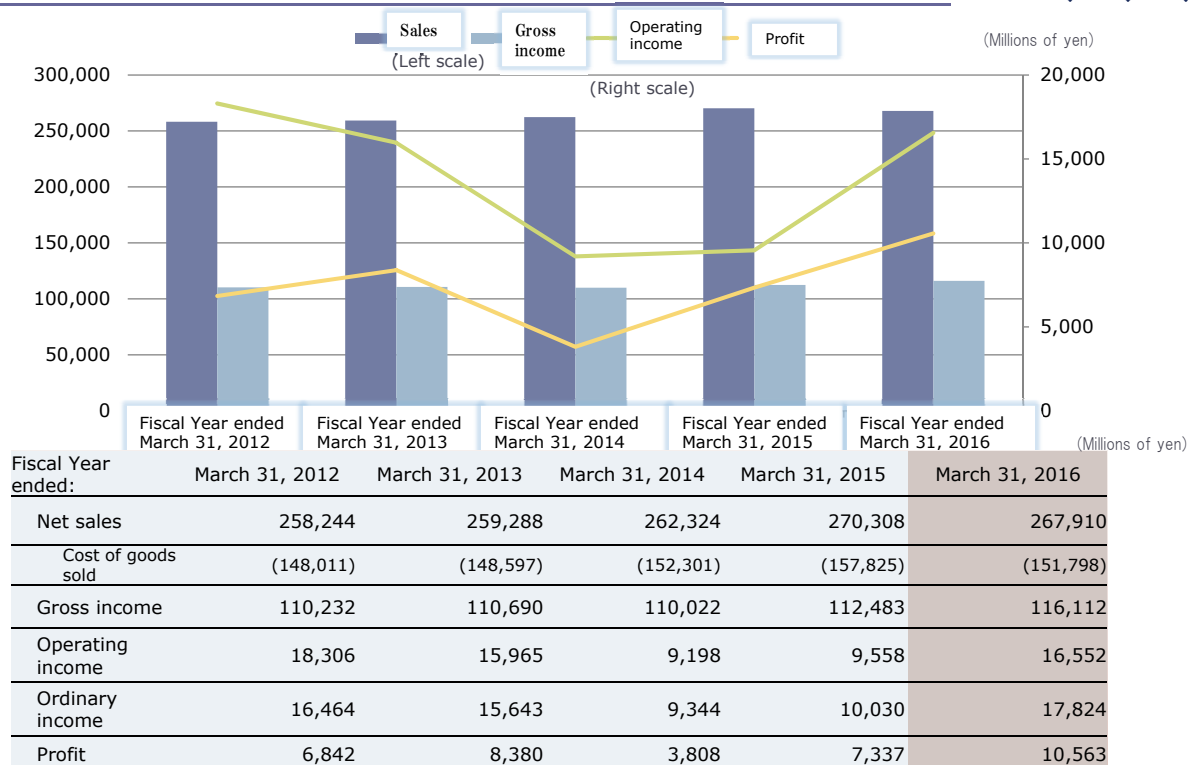




# Appendices



## Changes in profits for the recent five years (consolidated)



## Summary of Consolidated Balance Sheet for the recent five years



(Millions of yen)

| As of:                                  | March 31, 2012 | March 31, 2013 | March 31, 2014 | March 31, 2015 | March 31, 2016 |
|-----------------------------------------|----------------|----------------|----------------|----------------|----------------|
|                                         | Balance        | Balance        | Balance        | Balance        | Balance        |
| Current assets                          | 56,240         | 55,166         | 54,729         | 68,659         | 74,015         |
| Non-current assets                      | 71,834         | 66,186         | 60,851         | 58,952         | 56,192         |
| <b>Assets</b>                           | <b>128,075</b> | <b>121,353</b> | <b>115,581</b> | <b>127,612</b> | <b>130,207</b> |
| Current liabilities                     | 43,889         | 39,405         | 34,713         | 35,068         | 37,731         |
| Non-current liabilities                 | 30,759         | 23,970         | 21,668         | 29,329         | 27,514         |
| <b>Liabilities</b>                      | <b>74,649</b>  | <b>63,375</b>  | <b>56,381</b>  | <b>64,398</b>  | <b>65,246</b>  |
| Shareholders' equity                    | 50,229         | 56,648         | 58,729         | 62,724         | 64,697         |
| <b>Net assets</b>                       | <b>53,425</b>  | <b>57,978</b>  | <b>59,199</b>  | <b>63,214</b>  | <b>64,961</b>  |
| <b>Total liabilities and net assets</b> | <b>128,075</b> | <b>121,353</b> | <b>115,581</b> | <b>127,612</b> | <b>130,207</b> |
| Interest-bearing liabilities            | 33,381         | 28,101         | 23,317         | 29,343         | 28,097         |
| Net interest-bearing liabilities        | 5,309          | 3,999          | 3,447          | (2,708)        | (9,585)        |
| BPS (book value per share) (yen)        | 92,690.69      | 105,331.25     | 1,093.16       | 1,204.85       | 1,344.16       |
| ROA (return on assets)                  | 5.4%           | 6.7%           | 3.2%           | 6.0%           | 8.2%           |
| ROE (return on equity)                  | 14.3%          | 15.6%          | 6.6%           | 12.0%          | 16.5%          |
| Total amount of dividend paid           | 1,631          | 1,675          | 1,727          | 1,692          | 1,612          |

## Summary of Consolidated Cash Flow Statements for the recent five years



(Millions of yen)

※Only the major items are selected.

| Fiscal Year ended:                                         | March 31, 2012  | March 31, 2013 | March 31, 2014 | March 31, 2015 | March 31, 2016  |
|------------------------------------------------------------|-----------------|----------------|----------------|----------------|-----------------|
| Income before income taxes and minority interests          | 15,308          | 14,665         | 7,726          | 8,486          | 16,491          |
| Depreciation                                               | 5,399           | 5,467          | 5,166          | 5,105          | 5,051           |
| Rental assets depreciation                                 | 15,052          | 14,244         | 13,150         | 13,554         | 10,377          |
| Impairment loss                                            | 1,089           | 1,529          | 1,218          | 1,543          | 1,319           |
| Purchase of rental assets                                  | (16,244)        | (13,247)       | (13,422)       | (12,267)       | (9,320)         |
| Others                                                     | 4,635           | (11,201)       | (5,582)        | 1,000          | (4,110)         |
| <b>Net cash provided by (used in) operating activities</b> | <b>25,241</b>   | <b>11,457</b>  | <b>8,255</b>   | <b>17,424</b>  | <b>19,807</b>   |
| Purchase of property, plant and equipment                  | (4,379)         | (4,454)        | (4,937)        | (7,374)        | (5,819)         |
| Sale of property, plant and equipment                      | 113             | 234            | 72             | 214            | 503             |
| Purchase of intangible assets                              | (352)           | (362)          | (385)          | (514)          | (1,054)         |
| Sale of intangible assets                                  | —               | —              | 38             | —              | —               |
| Others                                                     | 254             | (713)          | (4,188)        | 250            | 2,159           |
| <b>Net cash provided by (used in) investing activities</b> | <b>(4,364)</b>  | <b>(5,296)</b> | <b>(9,401)</b> | <b>(7,416)</b> | <b>(4,209)</b>  |
| Increase in short-term loans payable                       | 3,700           | 9,050          | 13,550         | 12,310         | 9,000           |
| Decrease in short-term loans payable                       | (4,113)         | (9,020)        | (13,630)       | (12,310)       | (9,000)         |
| Proceeds from long-term loans payable                      | 2,150           | 6,860          | 11,200         | 15,400         | 6,000           |
| Repayment of long-term loans payable                       | (12,191)        | (11,480)       | (10,972)       | (9,124)        | (7,097)         |
| Repayments of finance lease obligations                    | (2,664)         | (2,350)        | (1,958)        | (570)          | (196)           |
| Others                                                     | (1,914)         | (2,674)        | (1,979)        | (3,598)        | (8,831)         |
| <b>Net cash provided by (used in) financing activities</b> | <b>(15,034)</b> | <b>(9,615)</b> | <b>(3,790)</b> | <b>2,107</b>   | <b>(10,125)</b> |
| <b>Net increase (decrease) in cash and cash equivalent</b> | <b>5,842</b>    | <b>(3,455)</b> | <b>(4,935)</b> | <b>12,114</b>  | <b>5,472</b>    |
| Cash and cash equivalents at beginning of period           | 24,347          | 30,190         | 26,735         | 21,799         | 33,914          |
| Cash and cash equivalents at end of period                 | 30,190          | 26,735         | 21,799         | 33,914         | 39,386          |
| FCF                                                        | 20,876          | 6,160          | (1,145)        | 10,007         | 15,597          |



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## 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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