

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2018 (Japan GAAP)

August 8, 2017

GEO HOLDINGS CORPORATION

Securities Code: 2681
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 Scheduled date to submit quarterly report: August 10, 2017
 Scheduled date to start dividend payment: —
 Supplementary material on quarterly financial results: Yes
 Briefing on this quarterly financial results : No

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(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the First Quarter (from April 1, 2017 to June 30, 2017)

(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, 2017	61,407	1.1	3,036	28.0	3,316	29.4	1,843	3.7
June 30, 2016	60,748	1.9	2,372	(38.1)	2,563	(37.2)	1,777	(28.0)

(Note) Comprehensive income: 1,859 million yen (increase of 4.9%) for three months ended June 30, 2017
 1,773 million yen (decrease of 29.1%) for three months ended June 30, 2016

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Three months ended:		
June 30, 2017	38.25	38.15
June 30, 2016	36.83	36.69

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2017	124,846	68,115	54.4
As of March 31, 2017	130,768	67,711	51.7

(Reference) Shareholders' equity: As of June 30, 2017: 67,954 million yen
 As of March 31, 2017: 67,562 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, 2017	-	17	-	17	34
Fiscal Year ending March 31, 2018	-				
Fiscal Year ending March 31, 2018 (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, 2018 (from April 1, 2017 to March 31, 2018)

(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	127,000	3.3	3,300	(20.3)	3,500	(21.7)	1,600	(33.8)	33.44
Full-year	273,000	1.8	8,500	(1.9)	9,000	(0.5)	4,500	6.6	94.06

(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.: None
 - 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, 2017	48,291,200 shares
As of March 31, 2017	48,291,200 shares
 - 2) Number of treasury shares:

As of June 30, 2017	450,000
As of March 31, 2017	—
 - 3) Average number of outstanding shares:

During three months ended June 30, 2017	48,206,265 shares
During three months ended June 30, 2016	48,261,625 shares

* This summary is not subject to the quarterly review procedures.

* 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 “1. Qualitative Information on Quarterly 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, 2017 to June 30, 2017)

(Millions of yen)

	Results for three months ended June 30, 2016	Results for three months ended June 30, 2017	Change (%)	Six months ending September 30, 2017		Year ending March 31, 2018	
				Earnings forecast	Achievement (%)	Earnings forecast	Achievement (%)
Net sales	60,748	61,407	101.1%	127,000	48.4%	273,000	22.5%
Operating income	2,372	3,036	128.0%	3,300	92.0%	8,500	35.7%
Ordinary income	2,563	3,316	129.4%	3,500	94.8%	9,000	36.8%
Profit attributable to owners of parent	1,777	1,843	103.7%	1,600	115.2%	4,500	41.0%

For the Group's results for three months ended June 30, 2017, as the sales for rental were soft but launching in March of merchandise (new goods) relating to "Nintendo Switch" contributed to sales, and in addition, sales for reuse, mainly clothing and accessories, were solid, the Group achieved record high sales during this period although this was only a slight increase. In profits, gross profit exceeded the gross profit for the same period of the previous year. Also, we strived to cut down on selling, general and administrative expenses such as sales promotion expenses, personnel expenses, and consumables. As a result, operating income, ordinary income and profit attributable to owners of parent increased from those of the same period of the previous year.

In developing stores, we opened 11 new "Second Street" stores (including franchise stores) that are general stores dealing with purchase and sales of reuse items from clothing and accessories to furniture and home appliances in the aim of expanding our share in the reuse market and improving the brand value of the "Second Street."

In used mobiles that are our new merchandise, the market is becoming more active and demand for "low cost smartphones" is growing. We continuously aim to gain recognition of used mobile by providing various services such as repair services and mobile-related support provided from our specialized staff.

The number of our stores as of June 30, 2017 is as follows.

() 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	1,595	16	103	2	125	0	1,823	18
Media	1,061	(1)	103	2	76	0	1,240	1
GEO mobile (mobile dedicated stores)	16	0					16	0
Reuse	516	10			49	0	565	10
WAREHOUSE	10	(1)					10	(1)
Others	8	8					8	8

Notes:

1. The number of stores is counted based on each store name.
2. Media stores include stores that rent DVDs and sell and purchase home game related items where they operate under the store names of GEO and GEO mobile.
3. GEO mobile means mobile store that does not operate within a media store.

4. Reuse stores include stores that sell and purchase clothing, home appliances and other items. Reuse stores operate under the store names of Second Street, Super Second Street, 2nd Outdoor, and Jumble Store, etc.

(2) Details of consolidated financial position

[Assets]

The current assets as of June 30, 2017 resulted in 70,553 million yen which is a decrease of 5,527 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 3,270 million yen in cash and deposits and 3,138 million yen in others while there was an increase of 1,145 million yen in merchandise. The non-current assets resulted in 54,293 million yen which is a decrease of 393 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 875 million yen in property, plant and equipment while there was an increase of 394 million yen in intangible assets.

As a result, the total assets as of June 30, 2017 resulted in 124,846 million yen which is a decrease of 5,921 million yen from the previous fiscal year end.

[Liabilities]

The current liabilities as of June 30, 2017 resulted in 29,053 million yen which is a decrease of 4,927 million yen from the previous fiscal year end. This decrease is mainly due to an increase of 3,140 million yen in short-term loans payable while there was a decrease of 6,842 million yen in accounts payable-trade and 1,445 million yen in others. Non-current liabilities resulted in 27,678 million yen which is a decrease of 1,398 million yen from the previous fiscal year end. This is mainly due to a decrease of 1,500 million yen in long-term loans payable.

As a result, total liabilities resulted in 56,731 million yen which decreased by 6,325 million yen from the previous fiscal year end.

[Net assets]

The net assets as of June 30, 2017 resulted in 68,115 million yen which is an increase of 403 million yen from the previous fiscal year end. This increase is mainly due to 1,843 million yen in profit attributable to owners of parent, 820 million yen of distribution of surplus as dividend and share repurchase of 525 million yen.

From the above, the equity ratio resulted in 54.4% (51.7% 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 12, 2017.

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

(Millions of yen)

	As of March 31, 2017	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	34,087	30,817
Notes and accounts receivable - trade	4,595	4,308
Merchandise	25,773	26,919
Other	11,747	8,609
Allowance for doubtful accounts	(123)	(101)
Total current assets	76,081	70,553
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,482	13,439
Other, net	17,614	16,782
Total property, plant and equipment	31,097	30,221
Intangible assets	2,049	2,444
Investments and other assets		
Lease and guarantee deposits	15,319	15,401
Other	7,076	7,102
Allowance for doubtful accounts	(856)	(877)
Total investments and other assets	21,539	21,627
Total non-current assets	54,687	54,293
Total assets	130,768	124,846
Liabilities		
Current liabilities		
Accounts payable - trade	16,322	9,479
Short-term loans payable	-	3,140
Current portion of long-term loans payable	6,072	6,293
Other	11,585	10,139
Total current liabilities	33,980	29,053
Non-current liabilities		
Long-term loans payable	20,437	18,937
Asset retirement obligations	5,064	5,162
Other	3,575	3,578
Total non-current liabilities	29,076	27,678
Total liabilities	63,056	56,731
Net assets		
Shareholders' equity		
Capital stock	8,896	8,896
Capital surplus	3,309	3,309
Retained earnings	55,125	56,027
Treasury shares	-	(525)
Total shareholders' equity	67,331	67,708
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	243	258
Deferred gains or losses on hedges	(12)	(11)
Total accumulated other comprehensive income	231	246
Subscription rights to shares	149	161
Total net assets	67,711	68,115
Total liabilities and net assets	130,768	124,846

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

Income statement

	(Millions of yen)	
	Three months ended June 30, 2016	Three months ended June 30, 2017
Net sales	60,748	61,407
Cost of sales	33,409	33,559
Gross profit	27,339	27,848
Selling, general and administrative expenses	24,966	24,811
Operating profit	2,372	3,036
Non-operating income		
Real estate rent	333	320
Compensation for damage income-NOI	-	150
Other	137	166
Total non-operating income	471	637
Non-operating expenses		
Rent expenses on real estates	194	240
Other	85	116
Total non-operating expenses	280	357
Ordinary profit	2,563	3,316
Extraordinary losses		
Impairment loss	93	366
Total extraordinary losses	93	366
Profit before income taxes	2,469	2,949
Income taxes - current	664	789
Income taxes - deferred	26	316
Total income taxes	691	1,105
Profit	1,777	1,843
Profit attributable to owners of parent	1,777	1,843

Statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2016	Three months ended June 30, 2017
Profit	1,777	1,843
Other comprehensive income		
Valuation difference on available-for-sale securities	(2)	14
Deferred gains or losses on hedges	(2)	0
Total other comprehensive income	(4)	15
Comprehensive income	1,773	1,859
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,773	1,859

(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, 2016 (consolidated) and the three months ended June 30, 2017 (consolidated):
Description is omitted because the Group reports only through one segment, i.e., retail services.