



GEO HOLDINGS CORPORATION
(TOKYO 1st Section:2681)

August 2017

Supplementary Materials on Financial Results of the First Quarter of the Fiscal Year Ending March 31, 2018

To offer joy to your everyday life



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The image shows a modern office interior. In the background, a white brick wall is illuminated by track lighting. A sign on the wall reads "2nd STREET" with a small logo to its left. In the foreground, there are wooden desks with curved dividers. A clock is visible on the left wall, and a wooden pillar is on the right.

Summary of Results



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Three months results

- On a consolidated basis, sales and profit increased, and operating profit achieved 92.0% of the forecast for the 1st half .
- Net sales resulted in 101.1% of the same period of the previous year from contribution of sales of Nintendo Switch related goods and reuse merchandise while rental sales softened. Operating profit was 128.0% of that of the same period of the previous year due to our efforts to cut down on selling, general and administrative expenses such as sales promotion expenses and consumables.

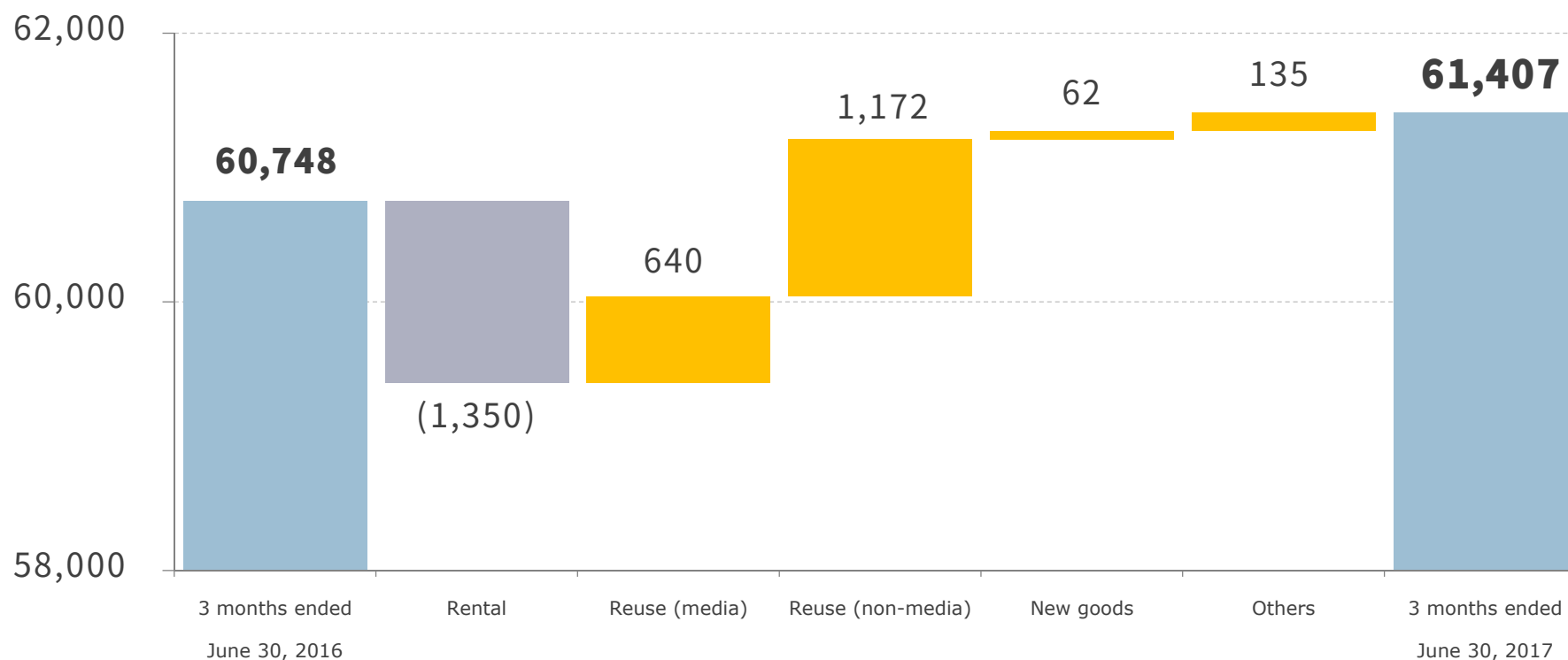
(Millions of yen)	Three months ended June 30, 2016 Results (Ratio to sales)	Three months ended June 30, 2017 Results (Ratio to sales)	Increase/decrease (Change)	Forecast for 1st Half of year ending March 31, 2018 (Achievement)
Net sales	60,748	61,407	659 101.1%	127,000 48.4%
Gross profit	27,339 45.0%	27,848 45.4%	509 101.9%	57,000 48.9%
SG&A	24,966 41.1%	24,811 40.4%	(154) 99.4%	53,700 46.2%
Operating profit	2,372 3.9%	3,036 4.9%	663 128.0%	3,300 92.0%
Ordinary profit	2,563 4.2%	3,316 5.4%	753 129.4%	3,500 94.8%
Profit	1,777 2.9%	1,843 3.0%	66 103.7%	1,600 115.2%



Net sales: Increase/decrease from the same period of the previous year

- Rental sales were soft and decreased by 1.35 billion yen (92.4% compared to the previous period).
- Sales for reuse (media) increased solidly by 640 million yen. Sales for used mobile are steadily increasing and sales for used games are also solid (105.5% compared to the previous period).
- Sales for reuse (non-media) increased solidly by 1.17 billion yen (112.7% compared to the previous period).
- Sales for merchandise (new goods) increased by 60 million yen from contribution of sales for Nintendo Switch and PS4 related goods (100.4% compared to the previous period).

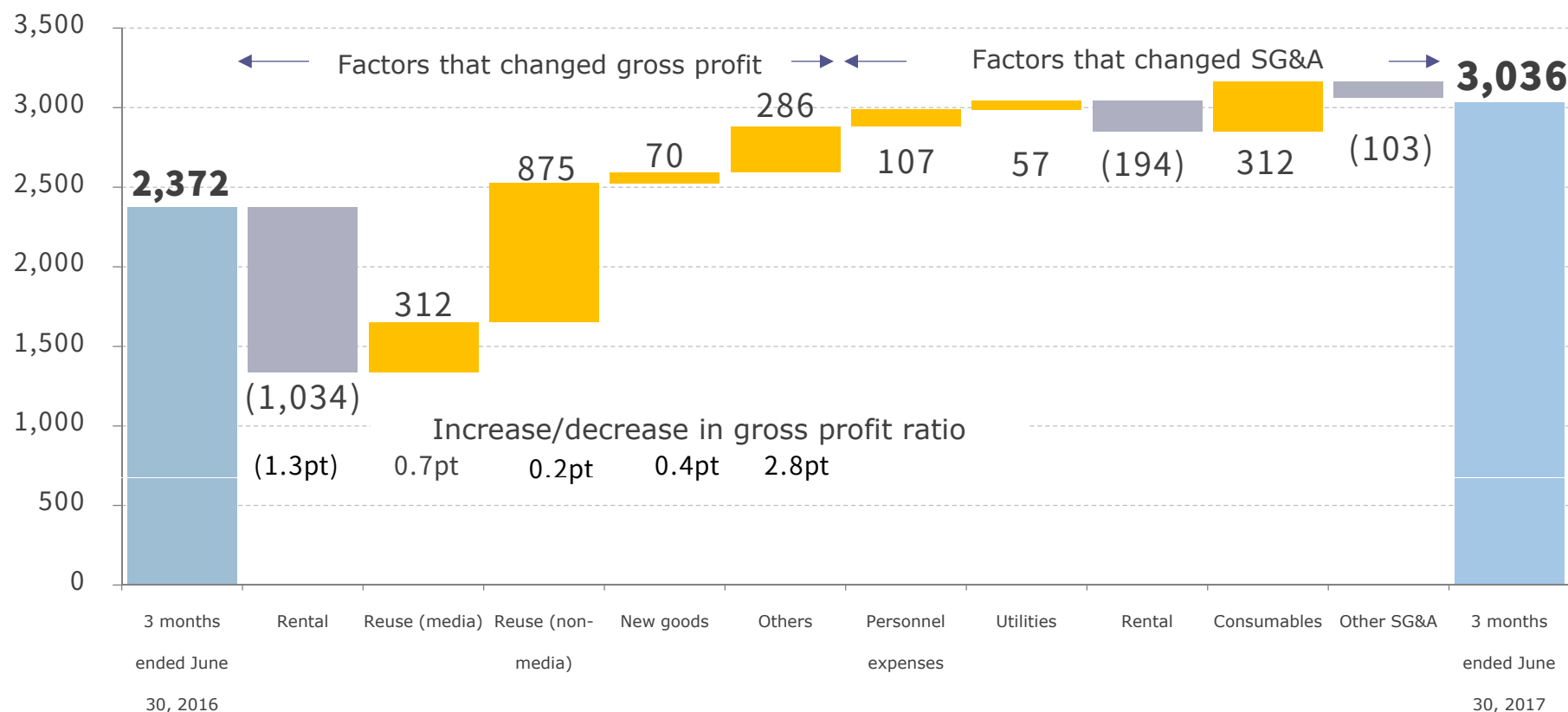
(Millions of yen)



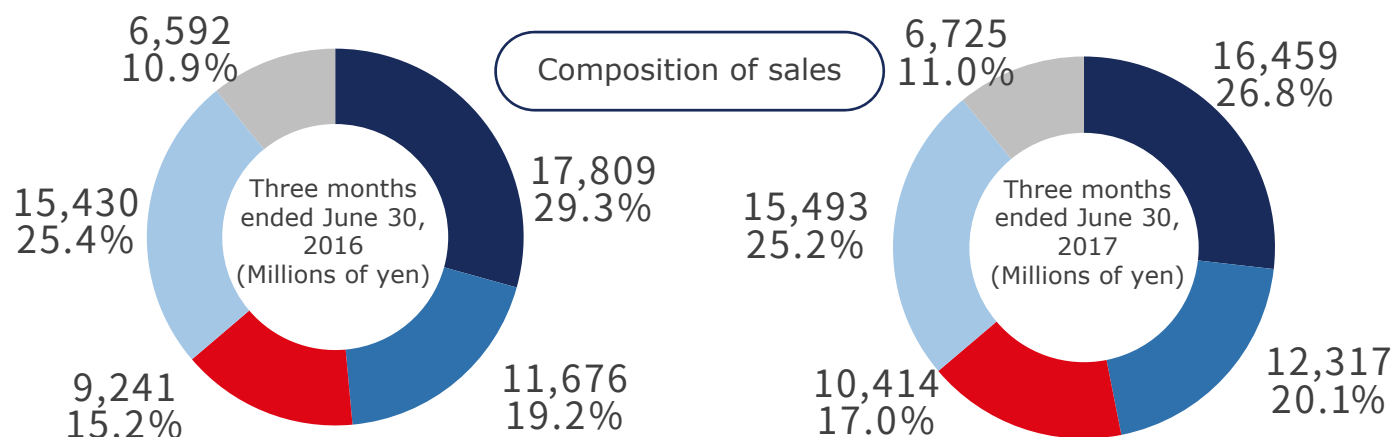
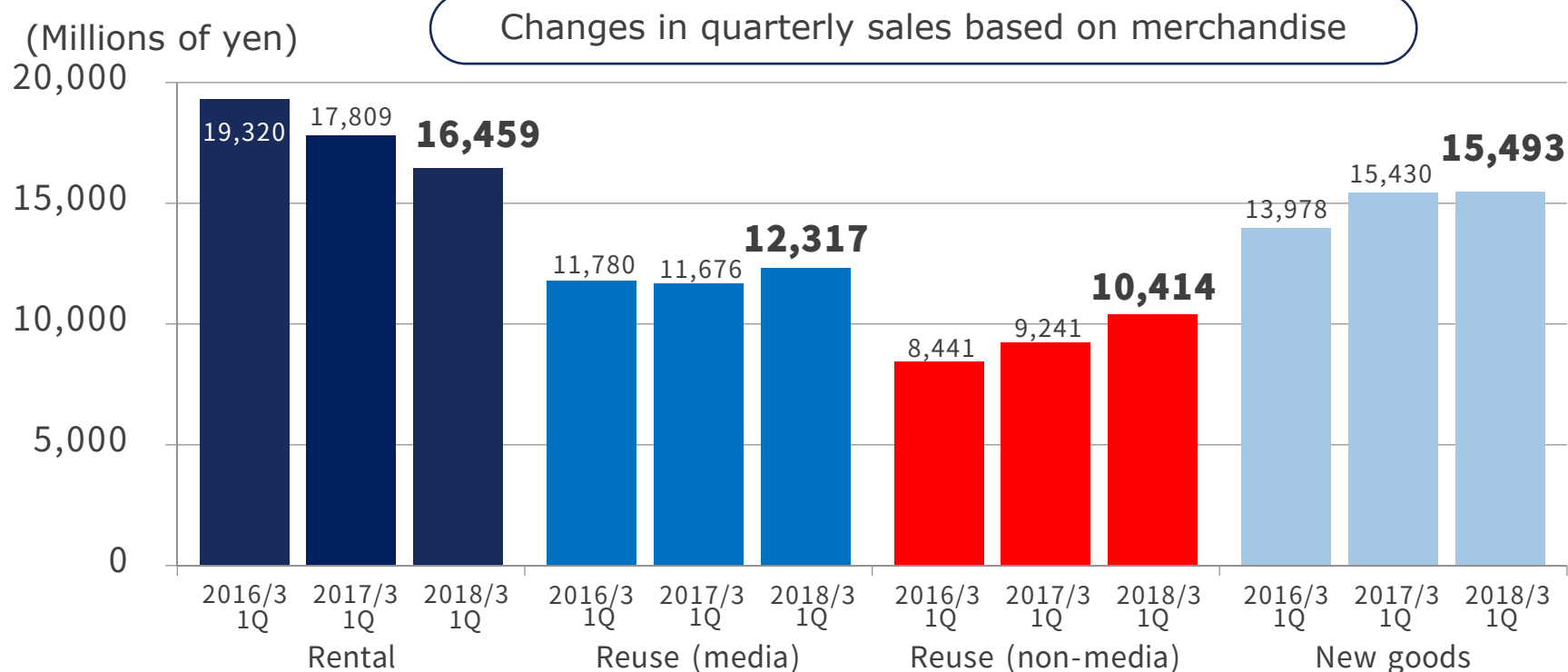
Operating profit: Increase/decrease from the same period of the previous year

- Gross profit decreased by 1.03 billion yen due to reduced sales for rental and 1.3 point decline in gross profit ratio.
- For reuse (media), gross profit increased by 310 million yen from increased sales for used games and used smartphones and 0.7 point increase in gross profit ratio.
- For reuse (non-media), gross profit increased by 870 million yen from increased sales for reuse (non-media) merchandise and 0.2 point increase in gross profit ratio.
- SG&A decreased by 150 million yen from reduced sales promotion expenses, personnel expenses and consumables.

(Millions of yen)



Sales based on merchandise



- Rental
- Reuse (media)
- Reuse (non-media)
- New goods
- Others

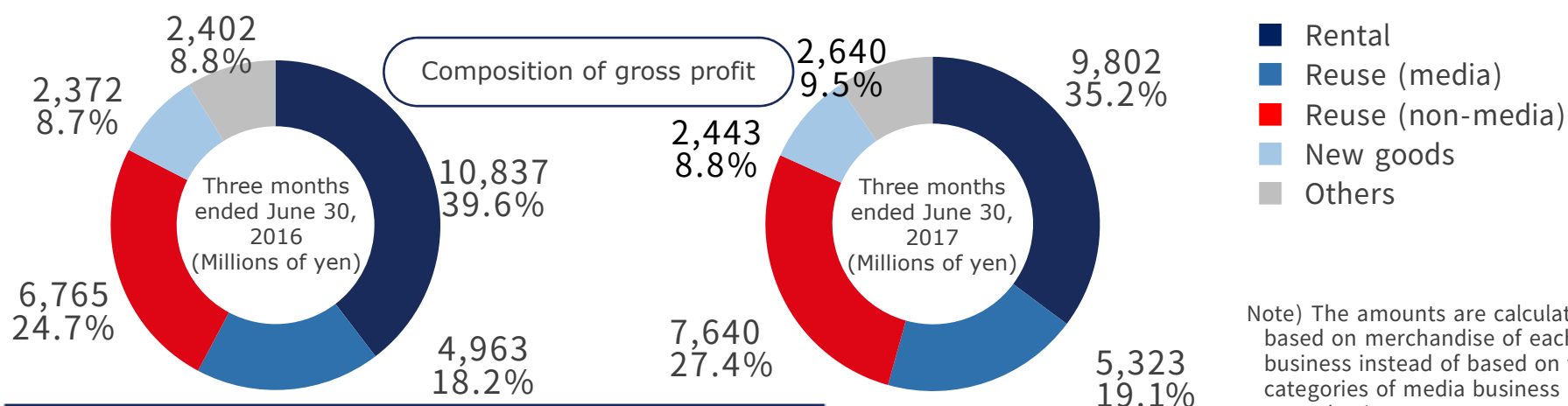
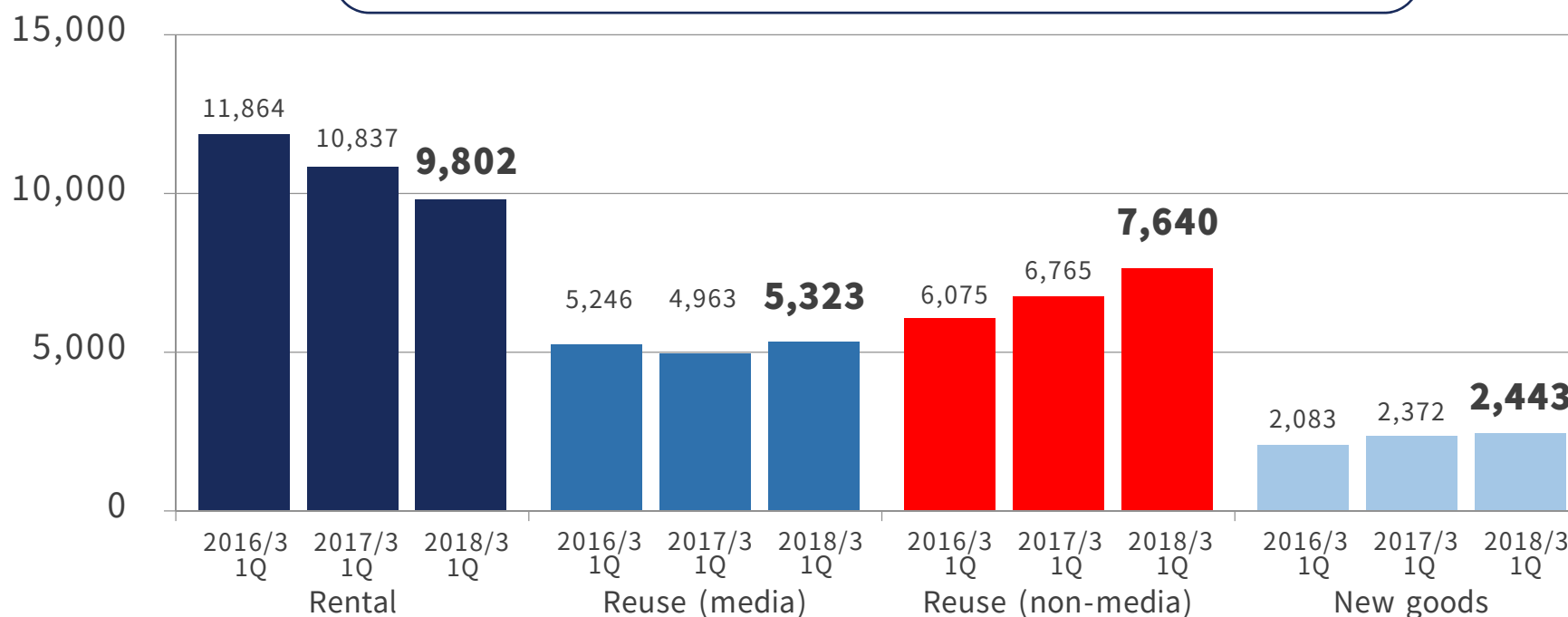
Note) The amounts are calculated based on merchandise of each business instead of based on the categories of media business and reuse business.



Gross profit based on merchandise

(Millions of yen)

Changes in quarterly gross profit based on merchandise



Note) The amounts are calculated based on merchandise of each business instead of based on the categories of media business and reuse business.



Breakdown of SG&A

- From opening new reuse stores and renovation of current stores, rent (103.8% compared to the previous period) and maintenance costs(210.0% compared to the previous period) increased but SG&A decreased by 150 million yen as a result of reducing other expenses.

	Three months ended June 30, 2016		Three months ended June 30, 2017		(Millions of yen)	
	Results	Ratio to sales	Results	Ratio to sales	Increase/decrease	Change
Advertising	525	0.9%	506	0.8%	(19)	96.3%
Sales promotion	330	0.5%	206	0.3%	(123)	62.5%
Total selling expenses	2,068	3.4%	2,081	3.4%	12	100.6%
Personnel expenses	12,381	20.4%	12,273	20.0%	(107)	99.1%
Utilities	1,065	1.8%	1,007	1.6%	(57)	94.6%
Rent	5,129	8.4%	5,324	8.7%	194	103.8%
Depreciation and amortization	1,003	1.7%	938	1.5%	(64)	93.6%
Consumables	668	1.1%	356	0.6%	(312)	53.3%
Maintenance	161	0.3%	338	0.6%	177	210.0%
Total other expenses	10,516	17.3%	10,456	17.0%	(59)	99.4%
Total SG&A	24,966	41.1%	24,811	40.4%	(154)	99.4%



Number of stores

1,595 directly managed stores ("DMS")

Total of 1,823 stores

As of June 30, 2017

					DMS		Total (including distributors and franchise stores)	
	Rental	Reuse (media)	Reuse (non- media)	New goods		Increase/ decrease from previous fiscal year end		Increase/ decrease from previous fiscal year end
	○	○		○	1,045	(1)	1,224	1
			○	○	516※	10	565※	10
		○		○	16	±0	16	±0
 あなたの ウェアハウス					10	(1)	10	(1)
Others		○	○	○	8	8	8	8

※ Including Super Second Street and Jumble Store, etc.





Topics



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Topics: Media



- Nintendo Switch related goods and software launched at the end of the previous year end performed well.

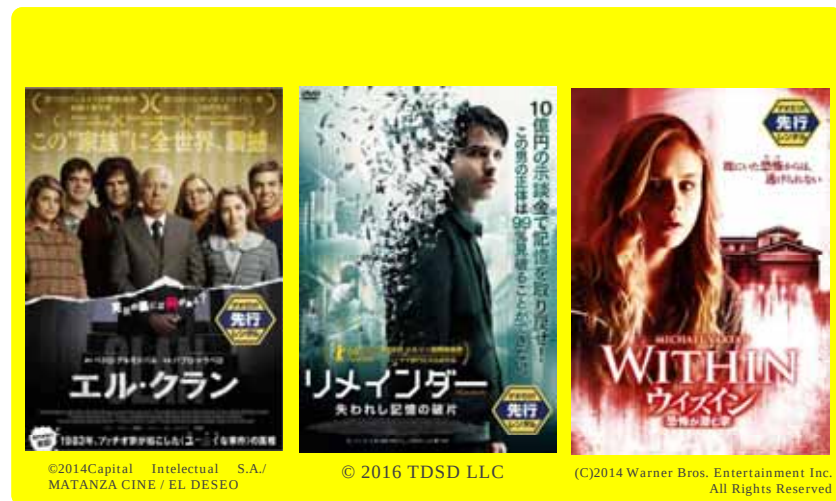
Software such as "MARIOKART 8 DELUXE" (launched in April 2017) and "ARMS" (launched in June 2017) for new model game device "Nintendo Switch" performed well and the sale of both new and used software of "Monster Hunter Double Cross" (launched in March 2017) contributed to sales.



- We hosted advance rental events, etc.

We hosted advance rental for movies at GEO stores such as for the crime suspense "El Clan," thriller with a story of amnesia "Remainder," and suspense horror "Within."

We also hosted rental DVD discount campaign "Touching and moving experience brought by GEO - Let's enjoy movies more" at 22 GEO stores in Okinawa Prefecture.



- Continue to reinforce purchase (buying) of merchandise

In order to reinforce purchase of merchandise to expand sales for reuse, we opened Kobe-Okamoto (buying only) Store in Kobe City following our buying only stores in Aichi and Tokyo that specialize in buying.

We also reinforced our buying team for “buying-by-visit” and expanded the area for handling buying-by-visit.



- Our original apparel brand “A.Q. (ANTIQULOTHES)”

We opened our first store dedicated to our original apparel brand “A.Q. (ANTIQULOTHES)” in AEON MALL HANYU in June 2017.

“A.Q. (ANTIQULOTHES)” is the first apparel-dedicated permanent store. We will continue planning to open this store at other shopping centers and fashion buildings.



- We commenced “Internet reservation for repair services”

We commenced internet reservation services on smartphone purchase site to provide low cost repair services for iPhone where customers may make reservation for repairs by inputting their models and the contents of repair needed.

Also, to commemorate the commencement of our internet reservation service, we hosted a campaign to provide 3,000 yen discount on front panel repairs and battery exchange for 4 models in total during a period from May 1 (Monday) to June 30 (Friday).



- We reinforced the sale of low cost SIM through tie-up with MVNO businesses

We reinforced our mobile services by hosting joint campaign with each MVNO businesses such as “Smartphone Set Campaign” with OCN Mobile One, “Set Discount Campaign” with UQ mobile, “Basic Monthly Charge Discount Campaign” with Rakuten Mobile, and “Household Budget Support Campaign” with AEON Mobile.



Returns to Shareholders



Share repurchase

We repurchased our shares in accordance with the provisions of our Articles of Incorporation to allow implementation of flexible capital policies to adapt to changes in the managerial environment.

【Class of shares repurchased】

- Common stock

【Period for repurchase (contract base)】

- From June 8, 2017 to June 22, 2017

【Total number of shares repurchased】

- 450,000 shares

【Total repurchased amount】

- 525,291,600 yen

【Method of repurchase】

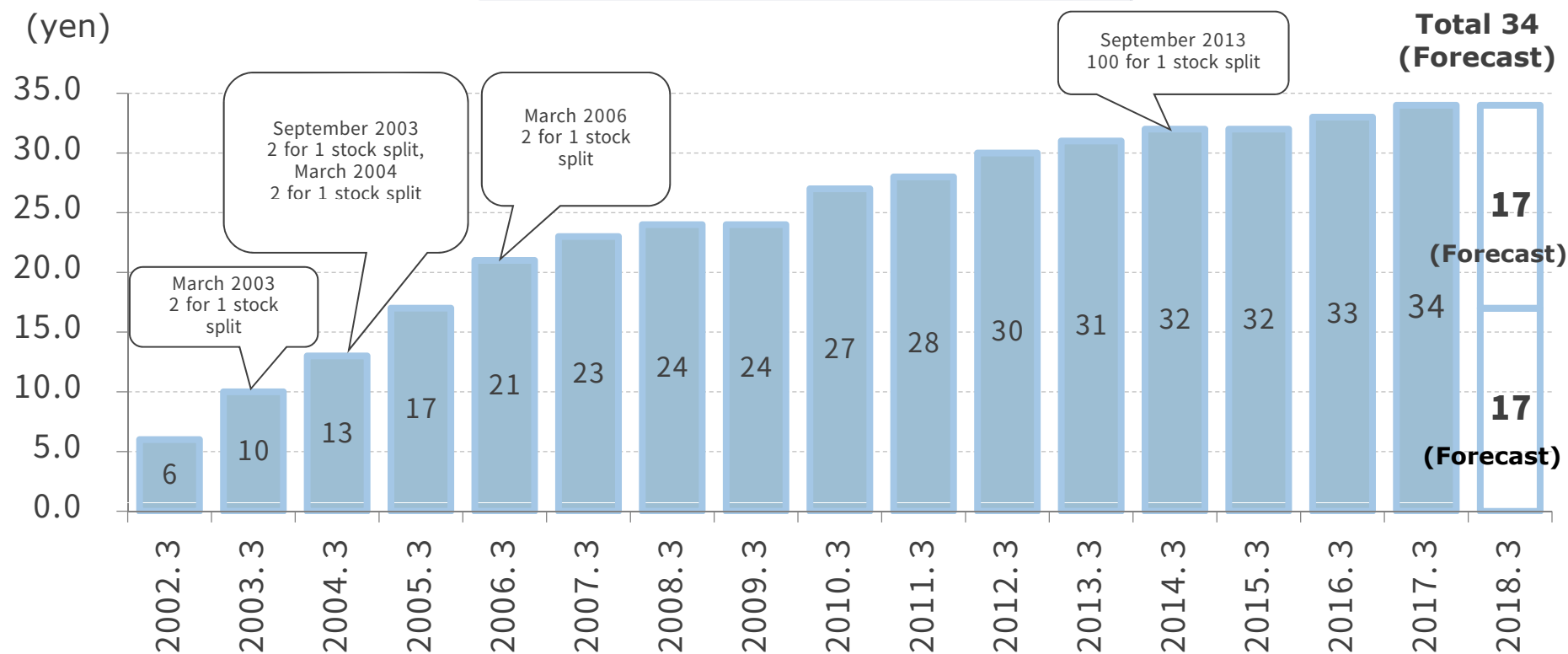
- Open market purchase through a trust bank



Changes in dividends

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

Change in dividends per share as adjusted to reflect stock split



Shareholder benefits

- Our group introduces shareholder benefits for the purpose that our shareholders would visit our stores and make purchases as customers. (As of March 31, 2017, we had a total of 69,458 shareholders.)
- Shareholders may choose from either of the below benefits.
 - ① 50% off on all rental goods during the complimentary period (may be used in combination with other discounts)
 - ② An equivalent of 2,000 yen discount coupon on reuse (4 coupons each worth 500 yen)
- Shareholders eligible for shareholder benefits are the shareholders holding 1 tangent unit (100 shares) or more of the shares as registered in the shareholders register as of the end of March and September.



Appendix



Balance sheets

(Millions of yen)	As of March 31, 2017	As of June 30, 2017	Increase/ decrease
Current assets	76,081	70,553	(5,527)
Cash and deposits	34,087	30,817	(3,270)
Merchandise	25,773	26,919	1,145
Non-current assets	54,687	54,293	(393)
Property, plant and equipment	31,097	30,221	(875)
Intangible assets	2,049	2,444	394
Investments and other assets	21,539	21,627	87
Total assets	130,768	124,846	(5,921)
Current liabilities	33,980	29,053	(4,927)
Accounts payable-trade	16,322	9,479	(6,842)
Current portion of long-term loans payable	6,072	6,293	220
Non-current liabilities	29,076	27,678	(1,398)
Long-term loans payable	20,437	18,937	(1,500)
Total liabilities	63,056	56,731	(6,325)
Total net assets	67,711	68,115	403
Total liabilities and net assets	130,768	124,846	(5,921)



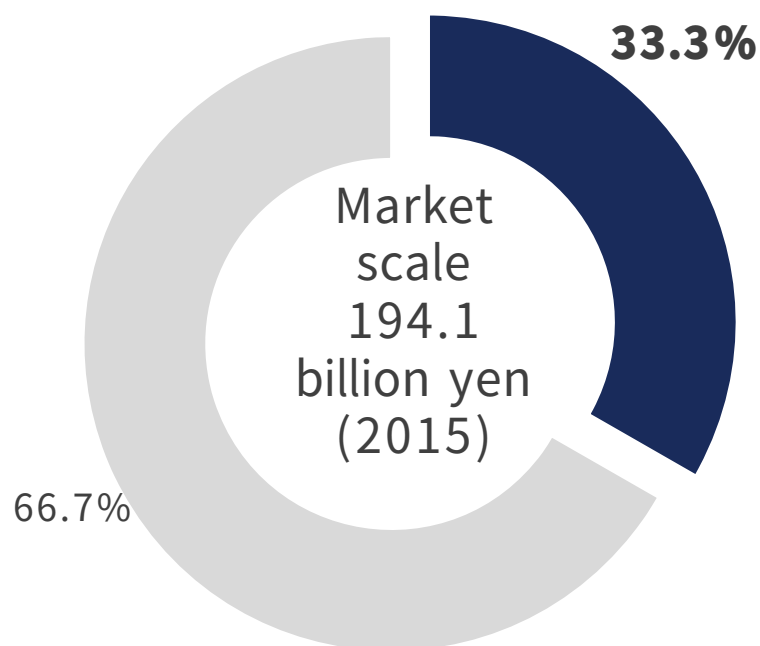
Our market share (media)



Packaged video rental market share

■ GEO

■ Others



Reference: Digital Content White Paper 2016

Reuse (media and games) market share

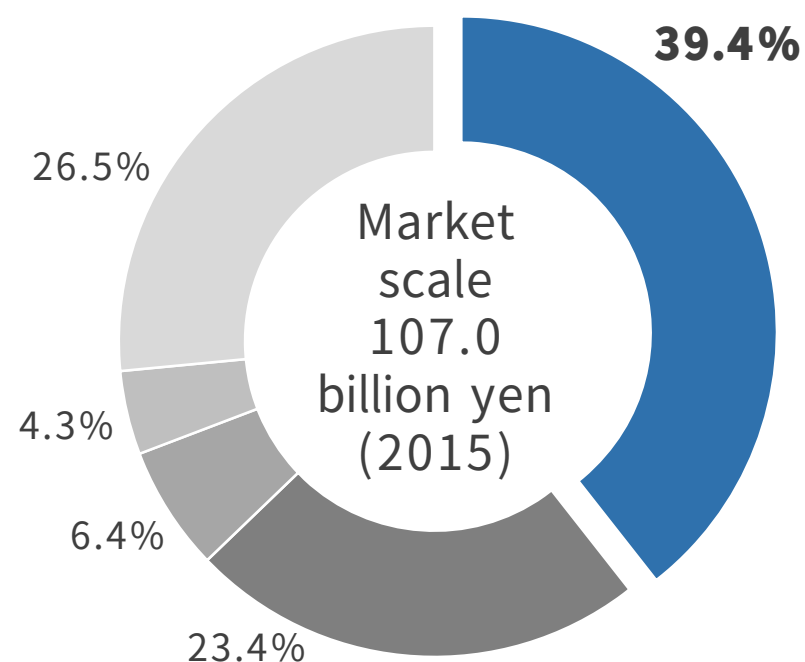
■ GEO

■ Company B

■ Company T

■ Company W

■ Others



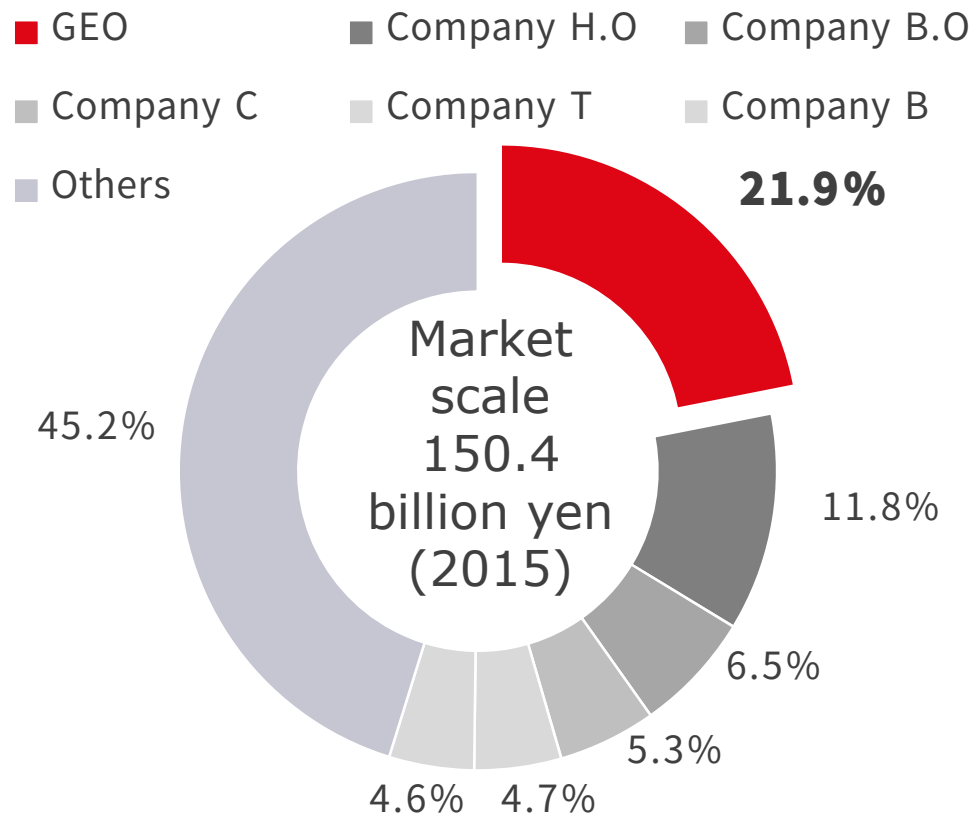
The Reuse Business Journal
"Secondhand Market Databook 2017"



Our market share (reuse)



Reuse (clothes and accessories) market share



The Reuse Business Journal "Secondhand Market Databook 2017"



Corporate profile

As of June 30, 2017

Company name	GEO HOLDINGS CORPORATION
Date of incorporation	January 1989
Head office	OMC Bldg. 8-8, Fujimi-cho, Naka-ku, Nagoya-shi, Aichi ken 460-0014 TEL : 052-350-5700
Representative director	Yuzo Endo, President and CEO
Common Stock	8,896 million yen
Listed exchange	Tokyo Stock Exchange 1st Section
Number of employees	4,269 (consolidated)
Group companies (consolidated subsidiaries)	GEO CORPORATION, GEO NETWORKS CORPORATION, GEO INTERACTIVE CORPORATION, GRAMOLUX Co., Ltd., Entertainment Network Frontier Inc., EISYS, inc., GEO BUSINESS SUPPORT Co., Ltd., Family Book co., Ltd., GEO payment service corporation, GEO CONSULTING CORPORATION, World mobile corporation, Chelsea International Co., Ltd.



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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