



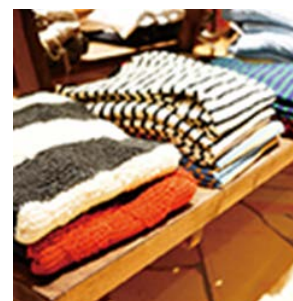
GEO HOLDINGS CORPORATION

(TOKYO 1st Section:2681)

November 2017

Briefing on the Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2018

To offer joy to your everyday life



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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Summary of Results



Six months results

- Net sales resulted in 110.8% of the same period of the previous year from contribution of game device and reuse merchandise while rental sales softened. Also, operating profit was 180.2% of that of the same period of the previous year due to our efforts to cut down on sale promotion expenses and consumables.

(Millions of yen)	Six months ended September 30, 2016 (Ratio to sales)	Six months ended September 30, 2017 (Ratio to sales)	Increase / decrease (Change)	Forecast for full year ending March 31, 2018 (Achievement)
Net sales	122,907	136,142	13,235 110.8%	285,000 47.8%
Gross profit	55,100 44.8%	58,334 42.8%	3,233 105.9%	117,700 49.6%
SG&A	50,959 41.5%	50,871 37.4%	(88) 99.8%	104,700 48.6%
Operating profit	4,141 3.4%	7,463 5.5%	3,322 180.2%	13,000 57.4%
Ordinary profit	4,468 3.6%	7,881 5.8%	3,412 176.4%	13,500 58.4%
Profit	2,417 2.0%	4,369 3.2%	1,951 180.8%	7,000 62.4%



Revision of forecast presented on October 27, 2017

- Rental sales remained sluggish even after big titles were released in July but Nintendo Switch related goods are anticipated to continue to contribute to sales for the 2nd half and we expect to achieve sales above our initial forecast.
- Our IT investment such as the self-checkout terminals has begun to bear fruit from the previous period and we expect that the SG&A, mainly personnel expenses, will be less than its initial forecast.

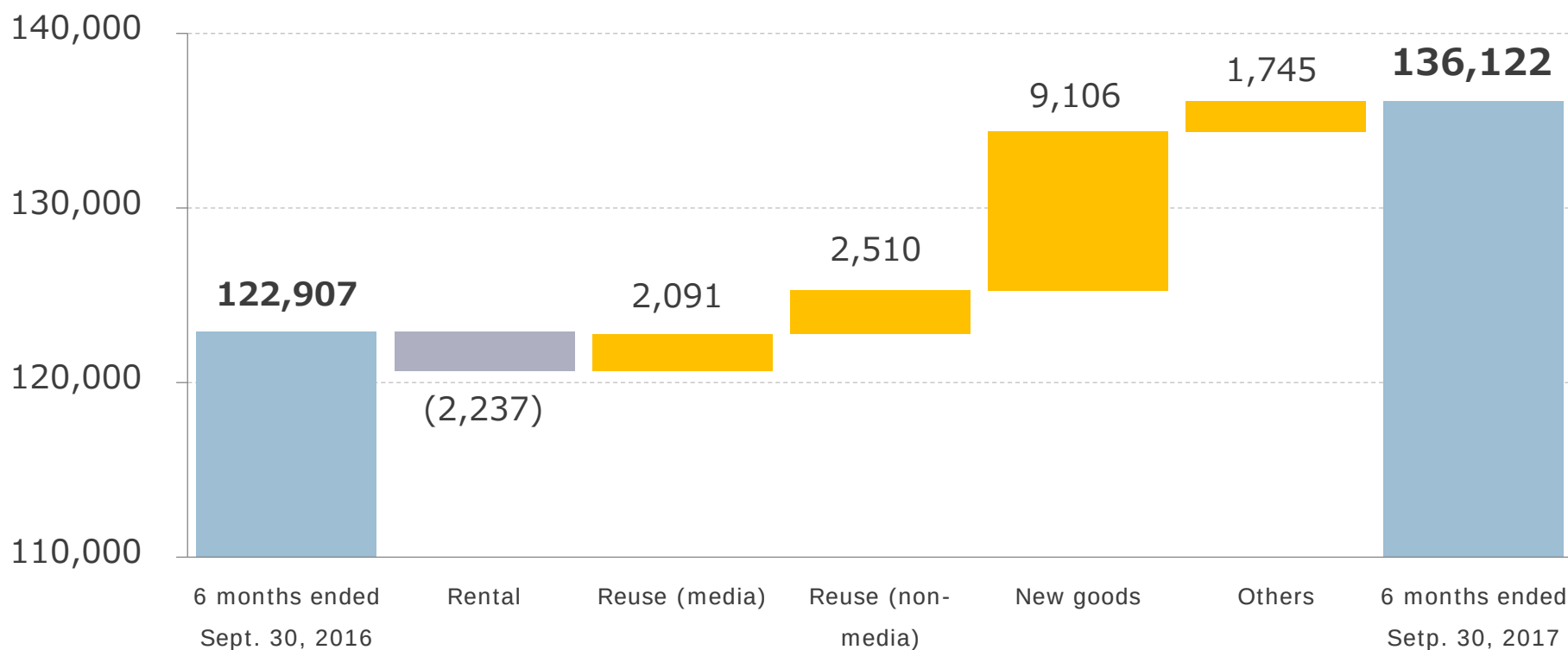
(Millions of yen)	Results of 1st half of year ending March 31, 2018 (Ratio to sales)	Forecast for 2nd half of year ending March 31, 2018 (Ratio to sales)	Forecast for full year ending March 31, 2018 (Ratio to sales)	Change from fiscal year ended March 31, 2017 (Change)	Change from full year forecast for year ending March 31, 2018 presented on May 12, 2017
Net sales	136,142	148,857	285,000	16,920 106.3%	104.4%
Gross profit	58,334 42.8%	59,365 39.9%	117,700 41.3%	5,703 105.1%	99.7%
SG&A	50,871 37.4%	53,828 36.2%	104,700 36.7%	1,365 101.3%	95.6%
Operating profit	7,463 5.5%	5,536 3.7%	13,000 4.6%	4,337 150.1%	152.9%
Ordinary profit	7,881 5.8%	5,618 3.8%	13,500 4.7%	4,459 149.3%	150.0%
Profit	4,369 3.2%	2,630 1.8%	7,000 2.5%	2,776 165.8%	155.6%



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

- Rental sales for six months did not exceed that of the same period of the previous year despite of release of hits and decreased by 2.23 billion yen (93.8% compared to the previous period).
- Sales for reuse (media) merchandise increased by 2.09 billion yen (108.7% compared to the previous period) due to solid increase in sales for used mobile and used games.
- Sales for reuse (non-media) merchandise increased solidly by 2.51 billion yen (113.9% compared to the previous period). This increase was attributable to increased sales from opening new stores and solid sales for clothing and accessories.
- Game software, etc. launched in summer led the sales, and sales for merchandise (new goods) increased by 9.1 billion yen (129.1% compared to the previous period).

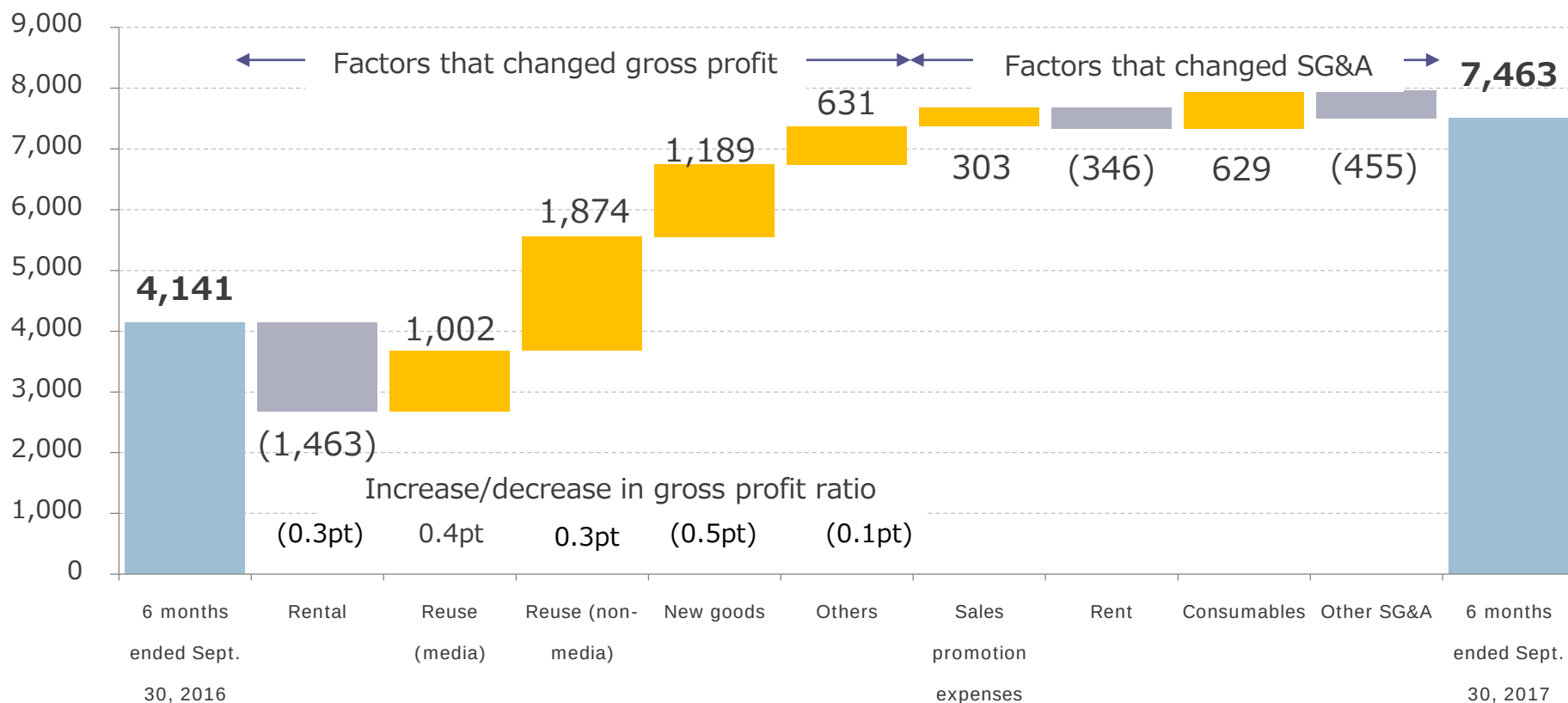
(Millions of yen)



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

- Gross profit decreased by 1.46 billion yen due to decrease in rental sales and 0.3 point decrease in gross profit ratio.
- For reuse (non-media) merchandise, gross profit increased by 1.87 billion yen due to increased sales for reuse (non-media) merchandise and 0.3 point increase in gross profit ratio.
- For merchandise (new goods), gross profit increased by 1.18 billion yen due to increase in game related sales although gross profit ratio fell by 0.5 points.
- SG&A is a similar level to that of the same period of the previous year (decreased by 80 million yen) due to continuous cut down in sales promotion expenses and consumables.

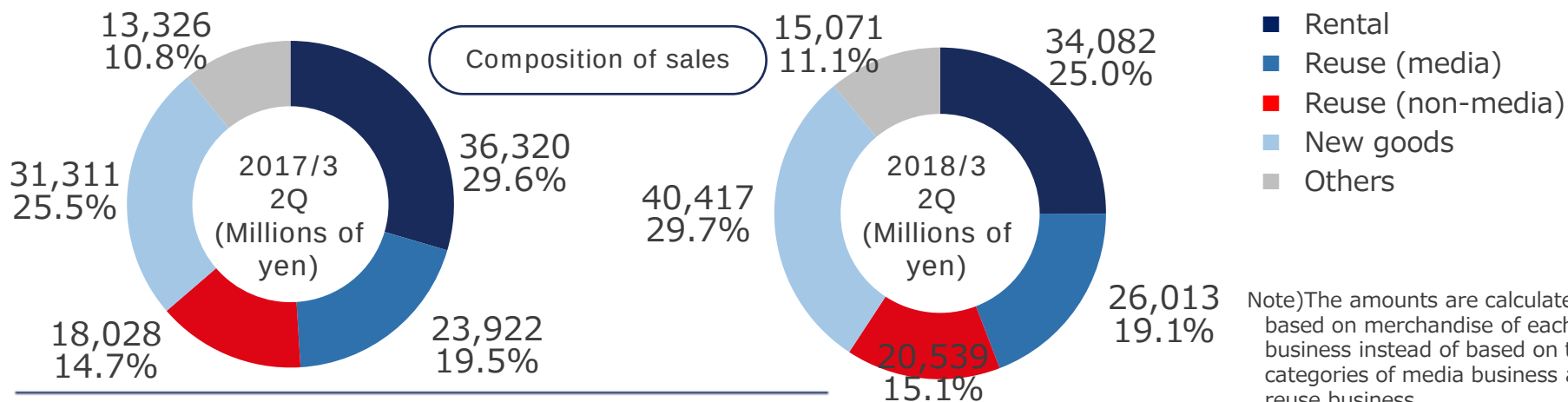
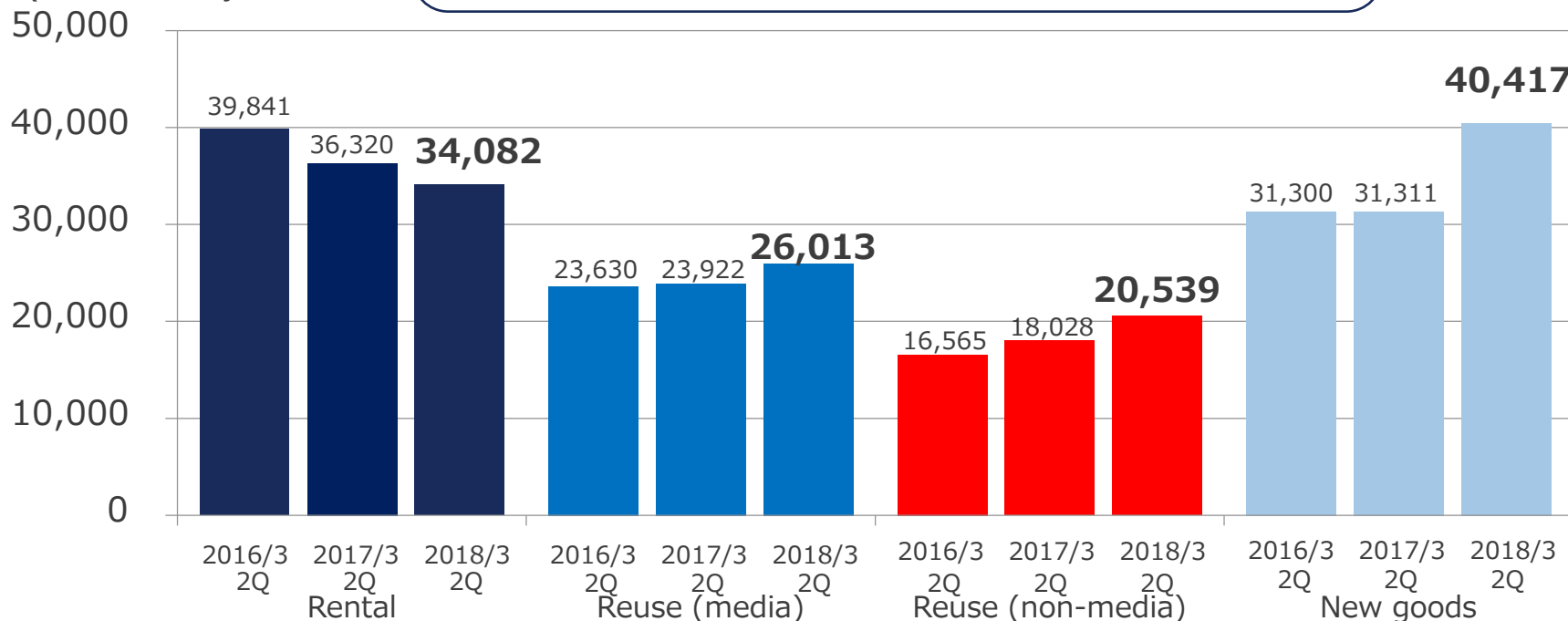
(Millions of yen)



Sales based on merchandise

(Millions of yen)

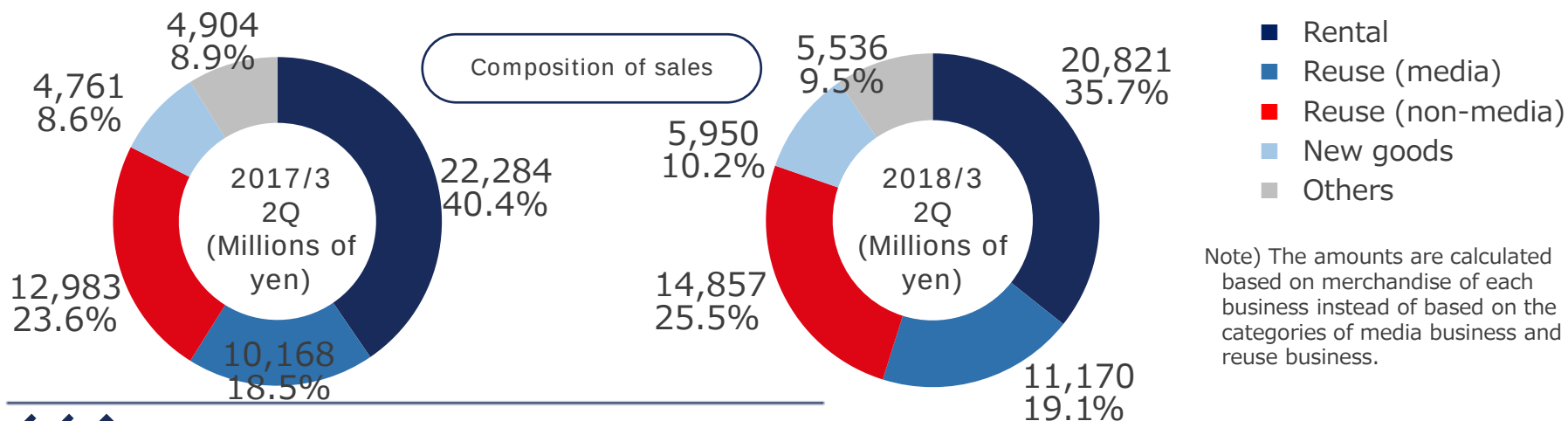
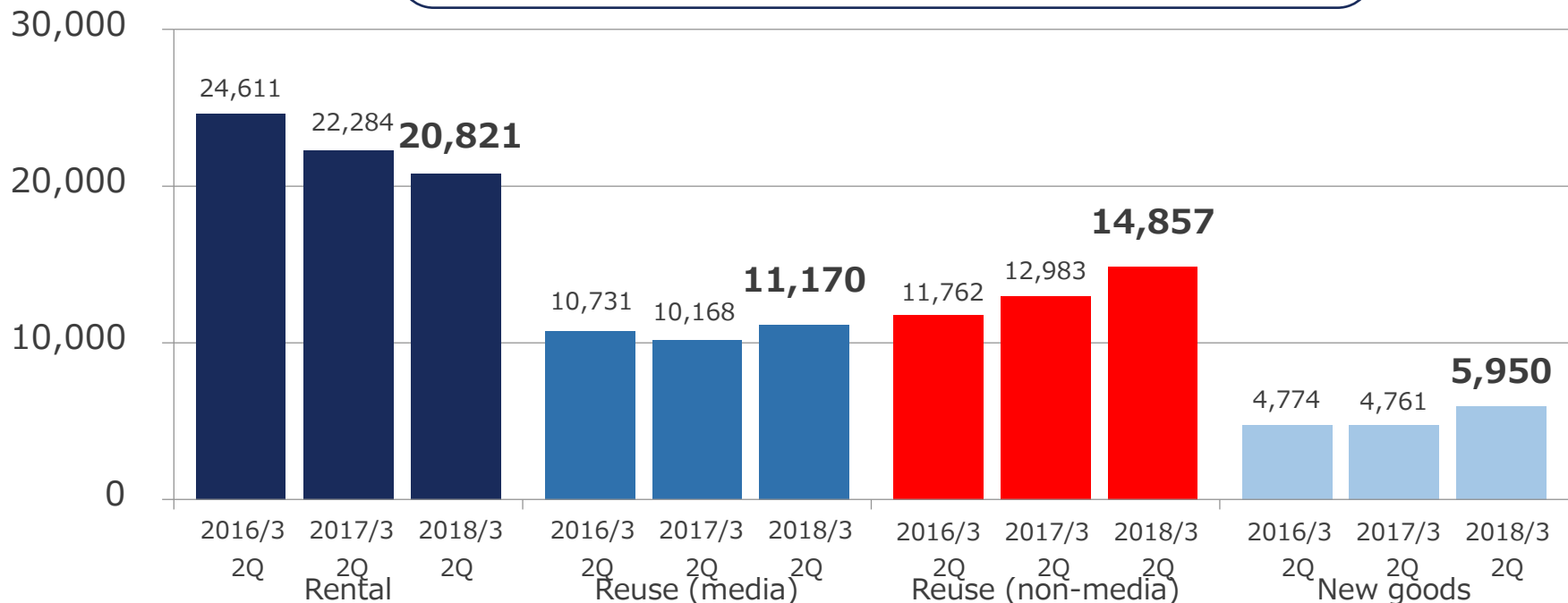
Changes in quarterly sales based on merchandise



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

- Rent increased by 103.4% compared to the previous period and maintenance costs increased by 212.3% compared to the previous period due to opening of new stores, but SG&A decreased by 80 million yen as a result of further cut down on consumables at stores.

	Six months ended September 30, 2016		Six months ended September 30, 2017		(Millions of yen)	
	Results	Ratio to sales	Results	Ratio to sales	Increase/decrease	Change
Advertising	1,216	1.0%	1,230	0.9%	14	101.2%
Sales promotion	645	0.5%	341	0.3%	(303)	52.9%
Total selling expenses	4,301	3.5%	4,388	3.2%	86	102.0%
Total personnel expenses	24,761	20.1%	24,706	18.1%	(55)	99.8%
Utilities	2,564	2.1%	2,416	1.8%	(147)	94.2%
Rent	10,309	8.4%	10,655	7.8%	346	103.4%
Depreciation and amortization	2,180	1.8%	1,958	1.4%	(221)	89.8%
Consumables	1,444	1.2%	814	0.6%	(629)	56.4%
Maintenance	501	0.4%	1,065	0.8%	563	212.3%
Total other expenses	21,896	17.8%	21,780	16.0%	(115)	99.5%
Total SG&A	50,959	41.5%	50,871	37.4%	(88)	99.8%



Numbers of stores

1,592 directly managed stores Total of 1,821 stores

As of September 30, 2017

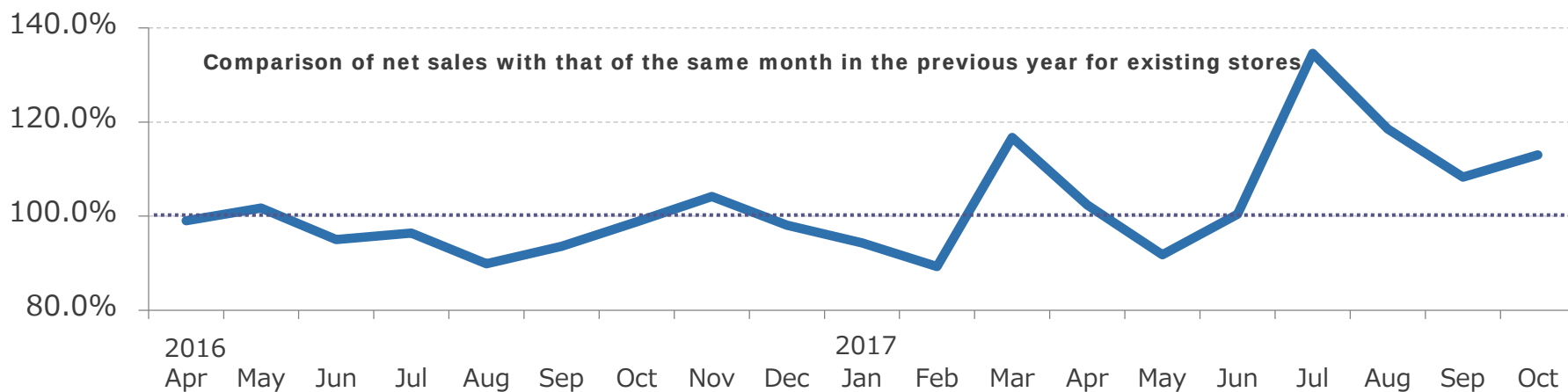
	Numbers of new stores opened		Directly managed stores		Total (including distributors and franchise stores)	
	1Q	2Q		Increase/ decrease from previous fiscal year end		Increase/ decrease from previous fiscal year end
	3	5	1,035	(11)	1,215	(8)
	11	8	520※	14	569※	14
	1	0	16	±0	16	±0
	0	0	10	(1)	10	(1)
Others	8	3	11	11	11	11

※ Including Super Second Street and Jumble Store, etc.

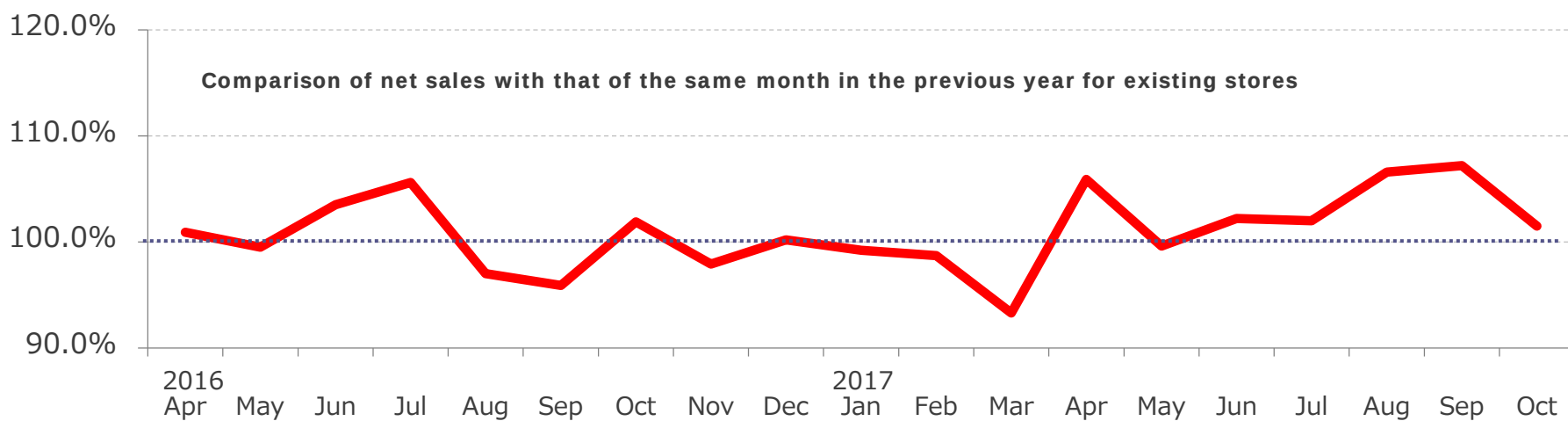


Monthly change in net sales compared with previous year

Media stores



Reuse stores



Topics for the 1st Half



Topics for the 1st half: Media

- PS4 and Nintendo related game software and device performed well.

In addition to the game software launched in summer such as “Splatoon 2” (July 21) and “Dragon Quest XI: Sugisarishi Toki o Motomete” (July 29), game device and peripherals also sold well. During July 21 (Friday) to 31 (Monday), 2017, sales reached 200.7% and number of customers who made purchases reached 112.7% compared to those of the same period of the previous year.



© 2017 Nintendo

- We added value to our sale of popular DVDs and game software by attaching special benefits.

Before the simultaneous launch of sale and rental of the movie “Your Name” in DVD and blu-ray on July 26 (Wednesday), we conducted subscription sale for blu-ray attached with a limited benefit of our original steelbook available only from GEO. We also conducted subscription sale for Nintendo Switch™ software “Splatoon 2” also attached with a special benefit only from GEO.



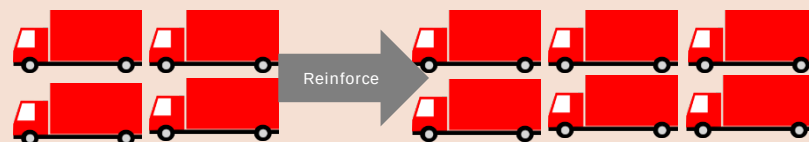
Original steelbook
© 2016 “Your Name”
Production Partnership



Limited benefit “Cool Cup (pair set)”

■ Expand and reinforce buying-by-visit

This “buying-by-visit ” service is for large home electronics and furniture that cannot be carried by oneself. The buying team will visit homes for no charge to buy even only one item. The 24 buying-by-visit locations at which the buying teams are stationed at the end of March 2017 were further reinforced to 39 locations to expand the area for handling buying-by-visit.



■ Reinforce buying-by-delivery (WEB buying) (expedite appraisal)

Through this WEB buying service, the user applies on the internet to sell goods, and a carrier visits the user's home to pick up the goods which allows the user to easily send the goods and have them appraised. During the current period, we focused on expediting this appraisal process by increasing our appraisal staff.



安心してご利用ください

すべて
0円
配送・査定・返却送料
が全て無料

年間買取実績
380万点
全国どこでも
ご利用いただけます

査定は
1点でも
お気軽に
お申しください

■ “Smartphone Clearance Sales”

We held the “Smartphone Clearance Sales” at all nation-wide GEO shops, GEO mobiles, and GEO mobile on-line stores where we sold used smartphones at a maximum discount price of 80%.

We offered 300,000 used mobiles from our inventory such as where we offered iPhone 5s 16GB for 9,800 yen which is a 33% discount from ordinary sales price, and Xperia Z1 f SO-02F on which Pokemon GO could be played on for 1,996 yen which is an 80% discount. We sold over 80,000 used mobiles during the 17 days from September 15 to October 1.



■ Full-scale operation of the processing center

We unified our corporate purchasing, reprocessing, and EC operations for smartphones by opening a multi-product processing center in Nagoya. This center shall become our mail-order factory that targets an EC ratio of 20%.

We invested approximately 100 million yen to create this center as the core facility for mobiles. At this center, smartphones purchased in massive numbers from corporations are appraised, reprocessed together with smartphones purchased at stores, and are quickly shipped and distributed for EC.



Date deleting operations



Topics for the 1st half: Online service

■ Continuously enforce EC

Our group is focusing more on using the internet while utilizing the advantages of our directly managed stores. In promoting EC, each business will increase the number of stores that sell the merchandise both in-store and online, increase the number of merchandise sold online, and increase the sales channel while minimizing the use of warehouses.

Particularly for mobile, EC ratio showed remarkable growth from 4.5% to 16.6% due to our efforts to sell both in-store and online.

Media EC

Number of merchandise sold online, number of stores that sell both in-store and online



March 2017
138,000 items
26 stores



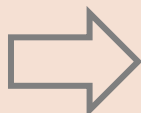
September 2017
780,000 items
98 stores

Reuse EC

Number of merchandise sold online, number of stores that sell both in-store and online, EC ratio



March 2017
260,000 items
All stores
8.5 %



September 2017
375,000 items
All stores
8.1 %

Mobile EC

Number of merchandise sold online, number of stores that sell both in-store and online, EC ratio



March 2017
14,000 items
17 stores
4.5 %



September 2017
40,000 items
86 stores
16.6 %



2nd STREET

Our Emphasis for the 2nd Half



Our emphasis for the 2nd half: Media



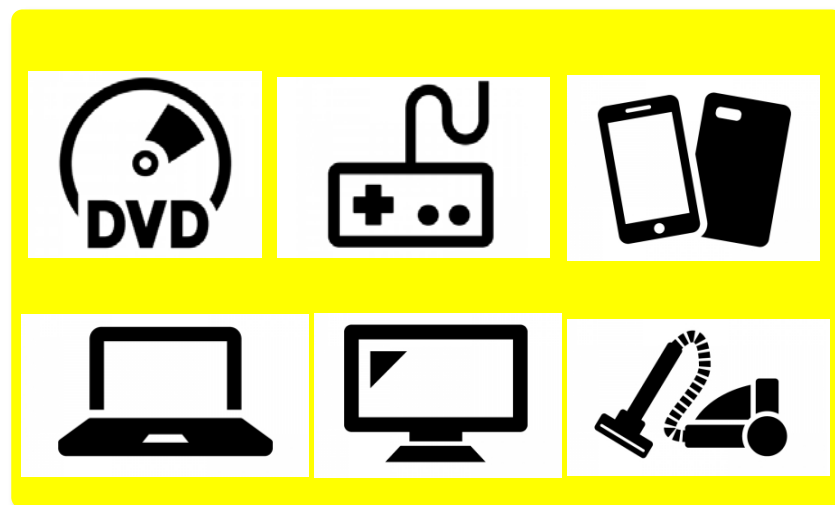
- Increase customers to visit the stores through continuous sale campaigns

We host various campaigns such as game software discount sale for a limited period , and “campaign to rent new movies for 100 yen” for one-day only to take part in memorial day campaigns such as “Premium Friday Campaign” or “Video Day (November 3/Culture Day).” We will continue to hold campaigns to create value for entertainment and to invigorate the packaged video market.



- Expand and reinforce our merchandise line-up

GEO shops mainly rent DVDs and CDs, and sell new and used game device, new and used mobile, and newly published books. This line-up will be expanded to PC and peripheral device, television, vacuum cleaners, and home electronics to attract more customers to stores by providing a broader choice.



Our emphasis for the 2nd half: Reuse



■ Customers may order from stock

“Second Street Order Service” is a service that allows users to order clothing and accessories sold on Second Street online store (WEB transaction) to be sent to the real stores chosen by the users to try them on. We commenced this service from October 10, 2017 and we aim to further enhance convenience for the users by utilizing the store network throughout Japan and expand the number of items available for this service.



■ Continue campaigns to improve recognition of reuse

All of our general reuse shops such as Second Street are continuously holding campaigns and discount sales to increase buying. We will improve recognition of reuse and expand this market by continuing to hold campaigns through various channels such as applications, home page and TV commercials.

- We commenced “Used Smartphone Warranty” services nationwide

We began providing used smartphone warranty services for a charge at part of the stores since August 2016. On November 7, 2017, we all together commenced “GEO Used Mobile Warranty” with further enhanced warranty content at approximately 1,000 GEO shops and GEO mobile stores.

We will further expand recognition of a secure and safe used mobile market.



- Deployment of a complex store with game device merchandise

Our mobile shop “GEO mobile” will deploy a complex store of “mobiles” and “games” that will not only deal in mobiles and smartphone related merchandise but also in game device related merchandise that have high affinity with mobiles and smartphones.

Our first complex store GEO Mobile Ario Kasai Store (Edogawa-ku, Tokyo) is scheduled to be opened on November 17, 2017.





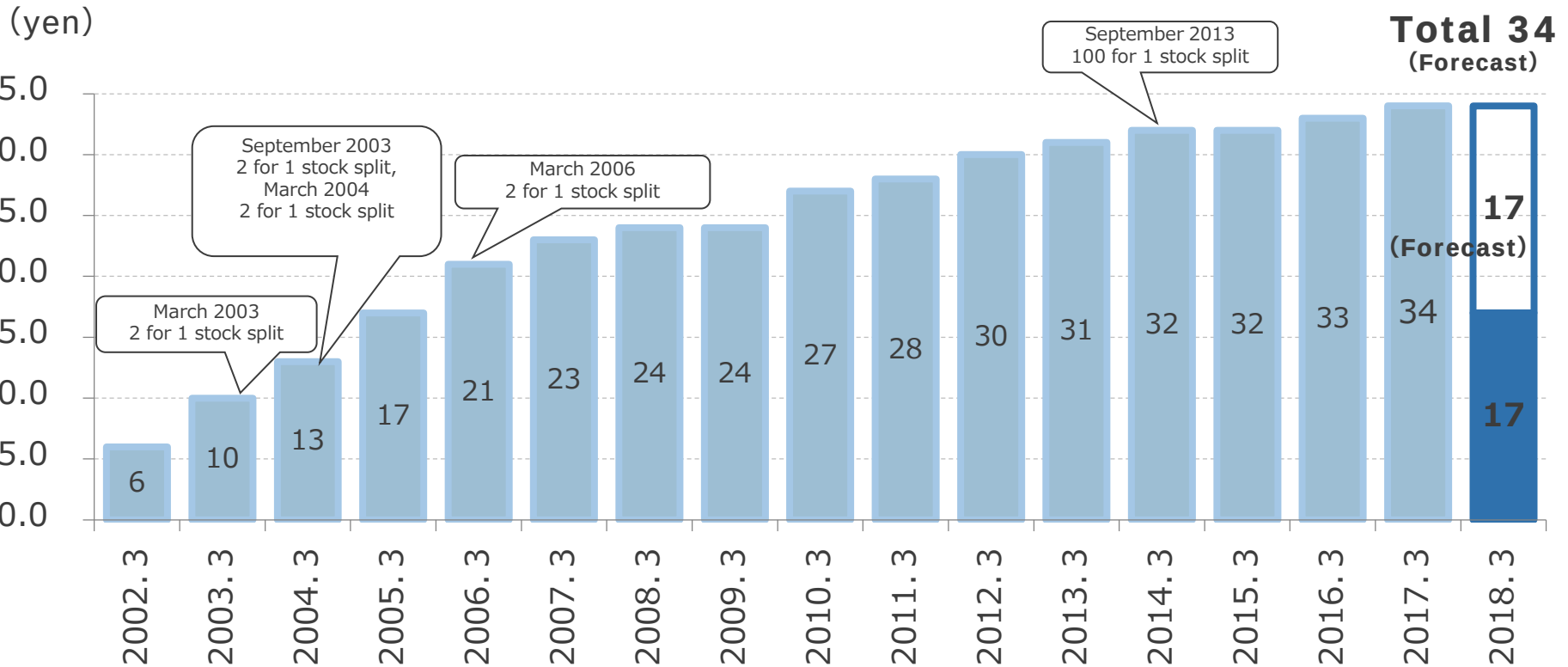
Returns to Shareholders



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



ANTIQUULOTHES

Appendix



Balance sheets

(Millions of yen)		As of March 31, 2017	As of September 30, 2017	Increase / decrease
	Current assets	76,081	77,305	1,224
	Cash and deposits	34,087	36,193	2,105
	Merchandise	25,773	27,879	2,105
	Non-current assets	54,687	53,232	(1,454)
	Property, plant and equipment	31,097	29,443	(1,653)
	Intangible assets	2,049	2,265	215
	Investments and other assets	21,539	21,523	(16)
	Total assets	130,768	130,538	(229)
	Current liabilities	33,980	30,761	(3,219)
	Accounts payable-trade	16,322	11,197	(5,125)
	Current portion of long-term loans payable	6,072	5,947	(125)
	Non-current liabilities	29,076	29,094	18
	Long-term loans payable	20,437	20,337	(100)
	Total liabilities	63,056	59,855	(3,200)
	Total net assets	67,711	70,682	2,971
	Total liabilities and net assets	130,768	130,538	(229)



Income statements

(Millions of yen)	2017 / 3				2018 / 3	
	1Q Results	2Q Results	3Q Results	4Q Results	1Q Results	2Q Results
Net sales	60,748	62,159	75,057	70,114	61,407	74,735
(Change from the same period of the previous year)	101.9%	95.8%	101.7%	100.8%	101.1%	120.2%
Gross profit	27,339	27,761	29,378	27,517	27,848	30,486
(Change from the same period of the previous year)	98.6%	95.3%	96.3%	95.6%	101.9%	109.8%
(Gross profit ratio)	45.0%	44.7%	39.1%	39.2%	45.4%	40.8%
SG&A	24,966	25,993	26,502	25,872	24,811	26,059
(Change from the same period of the previous year)	104.5%	104.6%	106.8%	99.5%	99.4%	100.3%
Operating profit	2,372	1,768	2,876	1,644	3,036	4,426
(Change from the same period of the previous year)	61.9%	41.4%	50.6%	59.5%	128.0%	250.3%



Sales based on merchandise

(Millions of yen)	2017 / 3				2018 / 3	
	1Q Results	2Q Results	3Q Results	4Q Results	1Q Results	2Q Results
Net sales	60,748	62,159	75,057	70,114	61,407	74,735
Rental	17,809	18,510	17,778	17,151	16,459	17,623
Reuse (media)	11,676	12,245	12,546	13,108	12,317	13,696
Reuse (non-media)	9,241	8,786	11,747	9,845	10,414	10,124
New goods	15,430	15,880	26,173	23,935	15,493	24,924
Others	6,592	6,738	6,813	6,075	6,725	8,368

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)	2017 / 3				2018 / 3	
	1Q Results	2Q Results	3Q Results	4Q Results	1Q Results	2Q Results
Gross profit (Gross profit ratio)	27,339 45.0%	27,761 44.7%	29,378 39.1%	27,517 39.2%	27,848 45.4%	30,486 40.8%
Rental	10,837 60.9%	11,448 61.8%	10,247 57.6%	10,160 59.2%	9,802 59.6%	11,018 62.5%
Reuse (media)	4,963 42.5%	5,204 42.5%	5,082 40.5%	5,295 40.4%	5,323 43.2%	5,847 42.9%
Reuse (non-media)	6,765 73.2%	6,218 70.8%	8,252 70.2%	6,915 70.2%	7,640 73.4%	7,217 72.3%
New goods	2,372 15.4%	2,388 15.0%	3,502 13.4%	3,267 13.6%	2,443 15.8%	3,507 14.7%
Others	2,402 36.4%	2,503 37.1%	2,295 33.7%	1,880 30.9%	2,640 39.3%	2,897 34.6%

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



Cash flow

(Millions of yen)		Six months ended September 30, 2016	Six months ended September 30, 2017	Increase / decrease
	Depreciation	2,568	2,398	(170)
	Rental asset depreciation	4,472	3,622	(850)
	Impairment loss	533	593	60
	Purchase of rental asset	(3,905)	(2,692)	1,212
	Cash flow from operating activities subtotal	4,852	5,193	341
	Income taxes paid	(4,785)	(534)	4,250
	Net cash provided by (used in) operating activities	(30)	6,476	6,507
	Purchase of securities	(1,205)	—	1,205
	Purchase of property, plant and equipment	(3,158)	(2,051)	1,106
	Net cash provided by (used in) investing activities	(5,354)	(1,928)	3,426
	Increase in short-term loans payable	9,900	10,400	500
	Decrease in short-term loans payable	(9,900)	(12,040)	(2,140)
	Proceeds from long-term loans payable	4,400	2,900	(1,500)
	Repayments of long-term loans payable	(4,458)	(3,425)	1,032
	Cash dividends paid	(820)	(819)	1
	Net cash provided by (used in) financing activities	(977)	(3,579)	(2,602)
	Net increase (decrease) in cash and cash equivalents	(6,362)	968	7,331
	Cash and cash equivalents at end of period	33,024	38,020	4,996
	Free cash flow	(5,385)	4,548	9,933



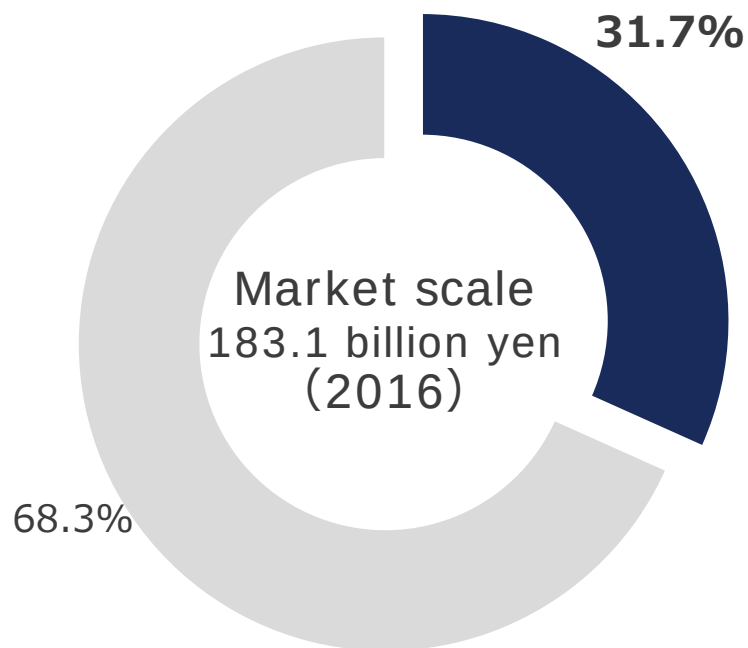
Our market share (media)



Packaged video rental market share

■ GEO

■ Others



Reuse (media and games) market share

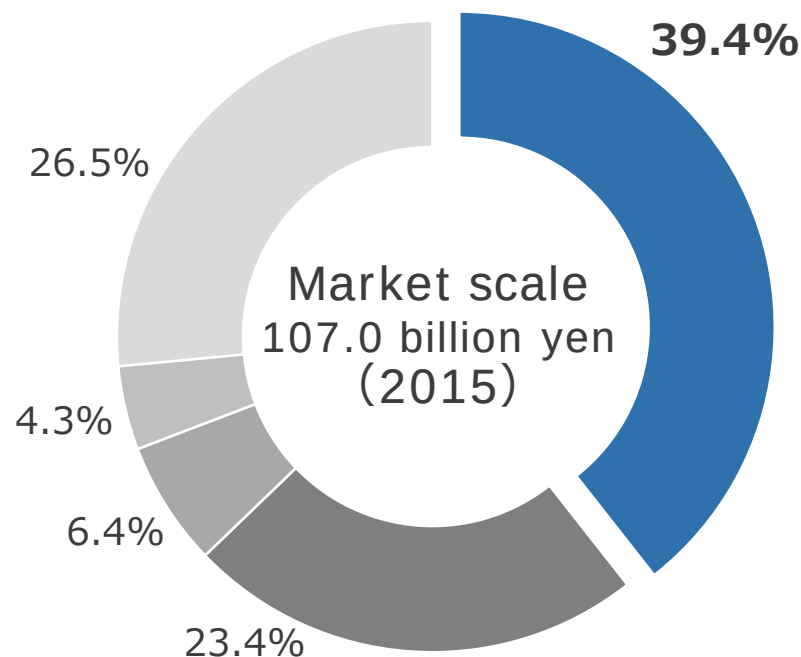
■ GEO

■ Company B

■ Company T

■ Company W

■ Others



Reference: Digital Content White Paper 2017

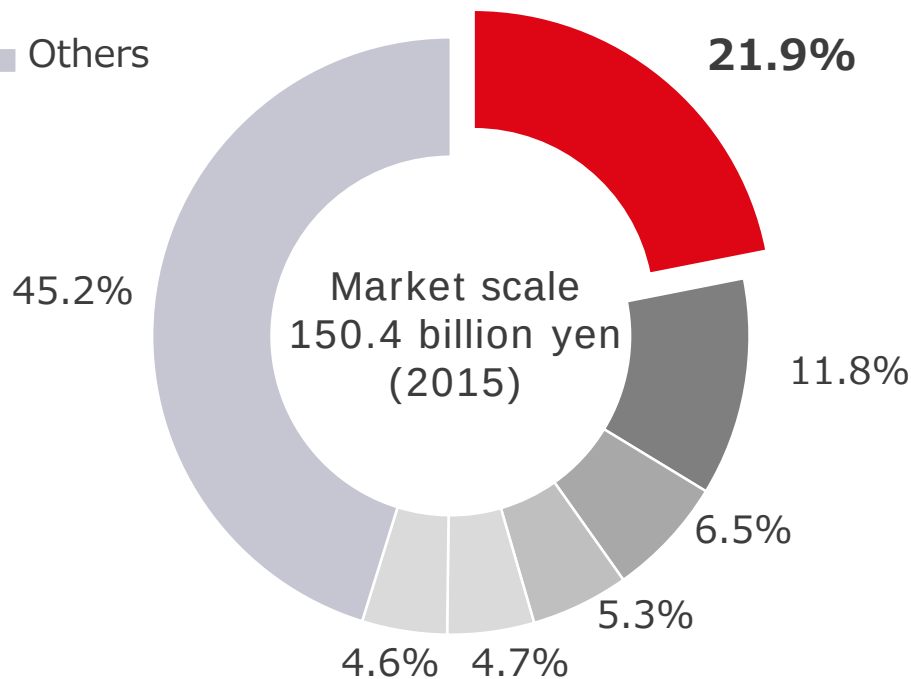
The Reuse Business Journal
"Secondhand Market Databook 2017"



Our market share (reuse)



Reuse (clothes and accessories) market share



The Reuse Business Journal
“Secondhand Market Databook 2017”

