

*This is an English translation for reference purpose only, and the original disclosure document was filed on February 8, 2018 at 16:00 (GMT+9)

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

February 8, 2018

GEO HOLDINGS CORPORATION

Securities Code: 2681

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Scheduled date to submit quarterly report: February 9, 2018

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 Third Quarter (from April 1, 2017 to December 31, 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	
Nine months ended:	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
December 31, 2017	221,225	11.7	12,984	85.0	13,619	81.6	7,916	91.9
December 31, 2016	197,964	(0.2)	7,017	(49.1)	7,499	(49.5)	4,125	(55.1)

(Note) Comprehensive income: 7,908 million yen (increase of 87.0%) for nine months ended December 31, 2017
4,229 million yen (decrease of 53.5%) for nine months ended December 31, 2016

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Nine months ended:		
December 31, 2017	165.04	164.26
December 31, 2016	85.46	85.16

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of December 31, 2017	140,652	73,406	52.1
As of March 31, 2017	130,768	67,711	51.7

(Reference) Shareholders' equity: As of December 31, 2017: 73,215 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	-	17	-		
Fiscal Year ending March 31, 2018 (Forecast)				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 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
Full-year	285,000	6.3	13,000	50.1	13,500	49.3	7,000	65.8	146.24

(Note) Modifications in the earnings forecast from the latest disclosure: None

Notes

- (1) Changes in important subsidiaries during this consolidated nine 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 December 31, 2017	48,315,700 shares
As of March 31, 2017	48,291,200 shares
 - 2) Number of treasury shares:

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

During nine months ended December 31, 2017	47,964,726 shares
During nine months ended December 31, 2016	48,273,162 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 December 31, 2017)

(Millions of yen)

	Results for nine months ended December 31, 2016	Results for nine months ended December 31, 2017	Change (%)	Year ending March 31, 2018	
				Earnings forecast	Achievement (%)
Net Sales	197,964	221,225	111.8%	285,000	77.6%
Operating Income	7,017	12,984	185.0%	13,000	99.9%
Ordinary Income	7,499	13,619	181.6%	13,500	100.9%
Profit attributable to owners of parent	4,125	7,916	191.9%	7,000	113.1%

For the Group's results for nine months ended December 31, 2017, the falling trends for rental merchandise continued and sales for rental decreased. However, we achieved record high sales for this period which was strongly led by game-related merchandise (new goods) such as Nintendo Switch during the busy year-end shopping season and also by solid sales for reuse merchandise of mainly clothing and accessories. In profits, gross profit exceeded that of the same period of the previous year due to increase in sales. In selling, general and administrative expense, we continuously made efforts to cut down on selling expenses and consumables. As a result, operating profit, ordinary profit, and profit attributable to owners of parent increased from those of the same period of the previous year.

In developing stores, we relocated our existing media stores and converted them into large stores to increase our shares in several regions. For reuse (non-media) stores, we opened 28 new "Second Street" stores (including franchise stores) that are general stores dealing with purchase and sales of reuse items of mainly clothing and accessories. We also opened reuse stores specializing in outdoor equipment and private brand specialized stores 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 mobiles by providing various services such as repair services and commencing mobile-related warranty service support provided from our specialized staff to meet various needs of our customers, and by also expanding e-commerce for used mobiles.

The numbers of our stores as of December 31, 2017 are 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	1,607	28	109	8	126	1	1,842	37
Media	1,055	(7)	109	8	77	1	1,241	2
GEO mobile (mobile dedicated stores)	17	1					17	1
Reuse	530	24			49	0	579	24
WAREHOUSE	10	(1)					10	(1)
Others	12	12					12	12

Notes:

1. The numbers of stores are 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 electronics 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 December 31, 2017 were 87,375 million yen which is an increase of 11,294 million yen from the fiscal year ended March 31, 2017. This increase is mainly attributable to an increase of 3,684 million yen in cash and deposits, an increase of 4,151 million yen in notes and accounts receivable-trade and 6,445 million yen in merchandise while there was a decrease of 3,030 million yen in other current assets. Non-current assets were 53,276 million yen which is a decrease of 1,410 million yen from the fiscal year ended March 31, 2017. This increase is attributable to an increase of 376 million yen in total investments and other assets while property, plant and equipment decreased by 1,812 million yen.

As a result, the total assets as of December 31, 2017 were 140,652 million yen which is an increase of 9,884 million yen from the fiscal year ended March 31, 2017.

(Liabilities)

The current liabilities as of December 31, 2017 were 39,261 million yen which is an increase of 5,281 million yen from the fiscal year ended March 31, 2017. This increase is mainly attributable to an increase of 2,625 million yen in accounts payable-trade and increase of 2,739 million yen in income taxes payable. Non-current liabilities were 27,983 million yen which is a decrease by 1,092 million yen from the fiscal year ended March 31, 2017. This decrease is mainly attributable to a decrease of 1,387 million yen in long-term loans payable.

As a result, total liabilities were 67,245 million yen which is an increase of 4,189 million yen from the fiscal year ended March 31, 2017.

(Net assets)

The total net assets as of December 31, 2017 were 73,406 million yen which is an increase of 5,695 million yen from the fiscal year ended March 31, 2017. This increase is mainly attributable to quarterly profit attributable to owners of parent of 7,916 million yen, dividends of surplus of 1,643 million yen and acquisition of treasury shares of 525 million yen.

As a result, equity ratio was 52.1% as of December 31, 2017 (51.7% as of the fiscal year ended March 31, 2017).

(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 October 27, 2019.

2. Consolidated Financial Statements for the Quarter and Major Notes

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2017	As of December 31, 2017
Assets		
Current assets		
Cash and deposits	34,087	37,772
Notes and accounts receivable - trade	4,595	8,746
Merchandise	25,773	32,219
Other	11,747	8,717
Allowance for doubtful accounts	(123)	(80)
Total current assets	76,081	87,375
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,482	13,452
Other, net	17,614	15,832
Total property, plant and equipment	31,097	29,284
Intangible assets	2,049	2,076
Investments and other assets		
Lease and guarantee deposits	15,319	15,479
Other	7,076	7,216
Allowance for doubtful accounts	(856)	(779)
Total investments and other assets	21,539	21,916
Total non-current assets	54,687	53,276
Total assets	130,768	140,652
Liabilities		
Current liabilities		
Accounts payable - trade	16,322	18,948
Current portion of long-term loans payable	6,072	5,756
Income taxes payable	448	3,188
Other	11,136	11,369
Total current liabilities	33,980	39,261
Non-current liabilities		
Long-term loans payable	20,437	19,049
Asset retirement obligations	5,064	5,218
Other	3,575	3,716
Total non-current liabilities	29,076	27,983
Total liabilities	63,056	67,245
Net assets		
Shareholders' equity		
Capital stock	8,896	8,909
Capital surplus	3,309	3,322
Retained earnings	55,125	61,286
Treasury shares	-	(525)
Total shareholders' equity	67,331	72,992
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	243	233
Deferred gains or losses on hedges	(12)	(10)
Total accumulated other comprehensive income	231	223
Subscription rights to shares	149	190
Total net assets	67,711	73,406
Total liabilities and net assets	130,768	140,652

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

Income statement

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Net sales	197,964	221,225
Cost of sales	113,485	130,993
Gross profit	84,479	90,231
Selling, general and administrative expenses	77,461	77,247
Operating profit	7,017	12,984
Non-operating income		
Real estate rent	965	942
Other	416	646
Total non-operating income	1,382	1,588
Non-operating expenses		
Rent expenses on real estates	587	719
Other	313	234
Total non-operating expenses	900	953
Ordinary profit	7,499	13,619
Extraordinary income		
Gain on sales of investment securities	47	-
Total extraordinary income	47	-
Extraordinary losses		
Impairment loss	912	781
Other	9	-
Total extraordinary losses	922	781
Profit before income taxes	6,624	12,837
Income taxes - current	2,345	4,250
Income taxes - deferred	153	670
Total income taxes	2,499	4,921
Profit	4,125	7,916
Profit attributable to owners of parent	4,125	7,916

Statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2016	Nine months ended December 31, 2017
Profit	4,125	7,916
Other comprehensive income		
Valuation difference on available-for-sale securities	101	(10)
Deferred gains or losses on hedges	2	2
Total other comprehensive income	103	(8)
Comprehensive income	4,229	7,908
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,229	7,908

(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 nine months ended December 31, 2016 (consolidated) and the nine months ended December 31, 2017 (consolidated):

Description is omitted because the Group reports only through one segment, i.e., retail services.