

Briefing on the Financial Results of the Fiscal Year
Ended March 31, 2018



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Second Street Fujieda Store (opened in May 2017 in Fujieda-shi, Shizuoka)



Financial Summary

Financial summary for the fiscal year ended March 31, 2018

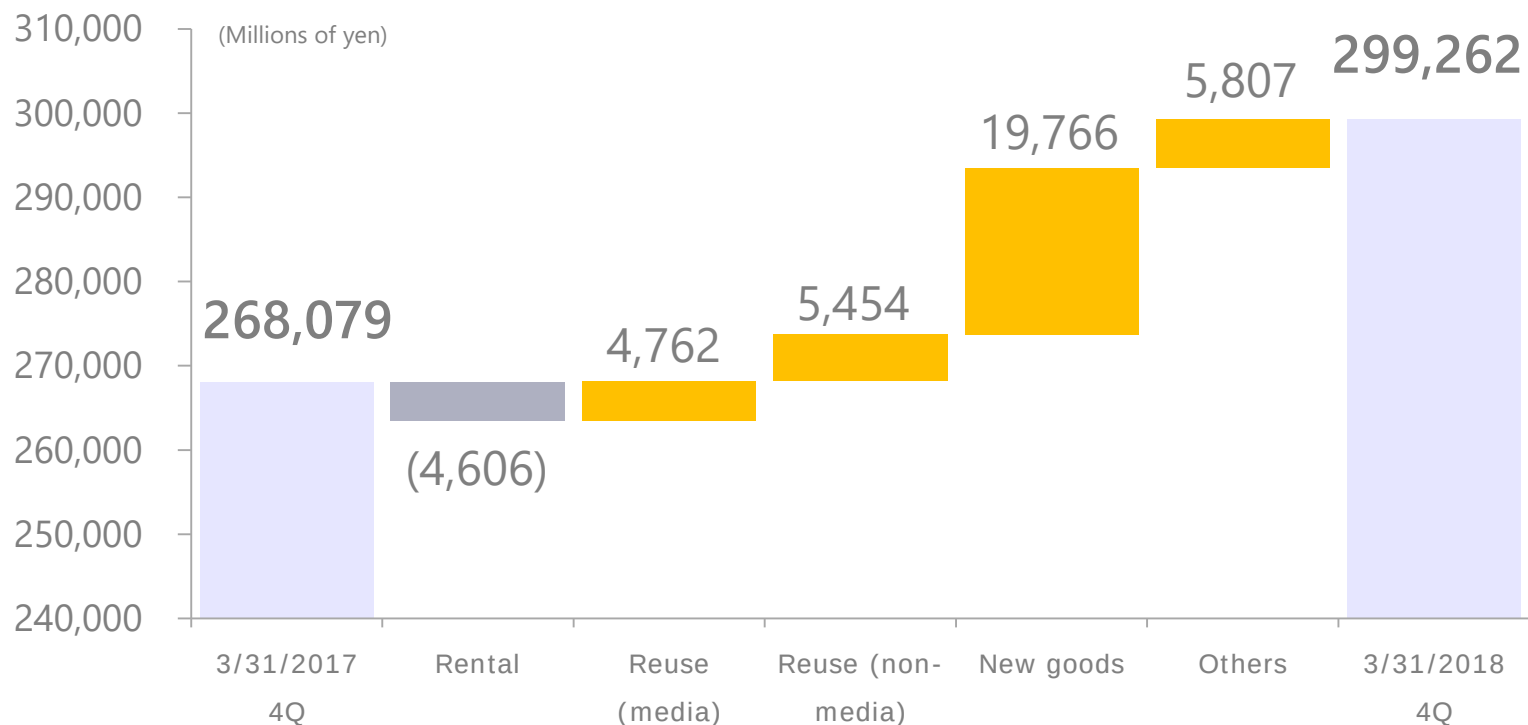
- Net sales reached record high of 299.2 billion yen (111.6% compared to the previous year) from contribution by new goods merchandise and reuse merchandise mainly comprised of game-related goods.
- Although expenses increased due to opening new stores, we made efforts to save on SG&A, such as personnel expenses and consumables, by installing LED lights inside the stores and reducing promotional activities by displaying new goods merchandise. As a result, operating profit was 169.3% compared to the previous year resulting in increased income and profits.

(Millions of yen)	2017/3 Full year results	(Ratio to sales)	2018/3 Full year results	(Ratio to sales)	Increase/ decrease	(Change)
Net sales	268,079		299,262		31,183	111.6%
Gross profit	111,996	41.8%	119,583	40.0%	7,587	106.8%
SG&A	103,334	38.5%	104,915	35.1%	1,580	101.5%
Operating profit	8,662	3.2%	14,668	4.9%	6,006	169.3%
Ordinary profit	9,040	3.4%	15,248	5.1%	6,207	168.7%
Profit	4,223	1.6%	6,614	2.2%	2,391	156.6%



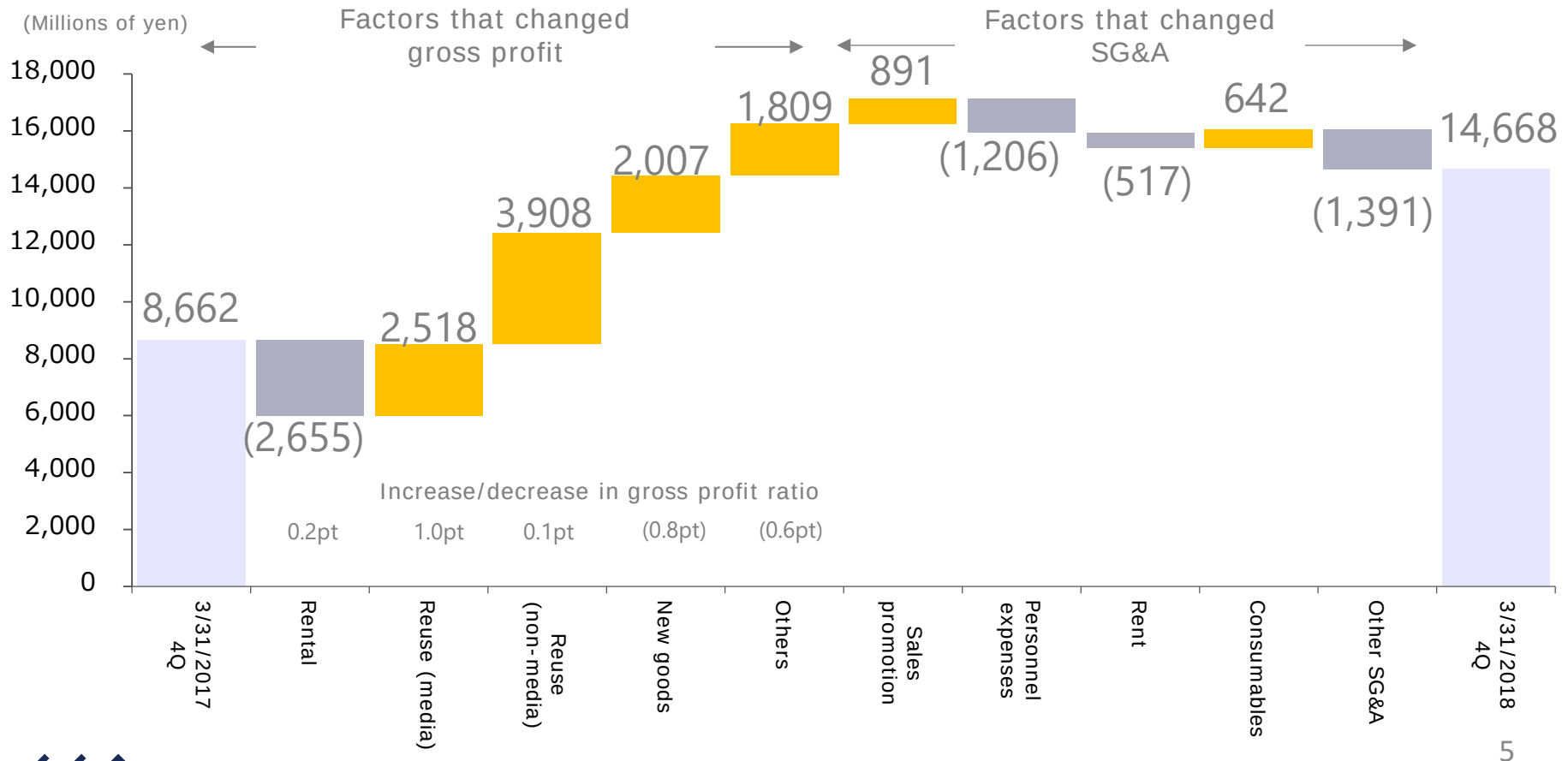
Net sales: Increase / decrease from the previous year

- Rental sales remained soft and declined by 4.6 billion yen (93.5% compared to the previous year) although there were hits during the summer for rental merchandise.
- Sales for reuse (media) such as used games, used game device, and used mobile, and sales for reuse (non-media), mainly clothing and accessories, both increased solidly, and sales for both of these reuse items increased from the previous year.
- Sales for new goods merchandise made significant contribution with an increase by 19.7 billion yen (124.3% compared to the previous year) due to continuous hits in game hardware and software.



Operating profit: Increase / decrease from the previous year

- The sales for reuse merchandise (both media and non-media) supplemented the decline in sales for rental merchandise.
- The increase in sales for new goods merchandise also caused gross profit to increase by 2 billion yen (117.4% compared to the previous year).
- SG&A increased due to increase in expenses due to opening new stores but operating profit increased from the previous year (169.3% compared to the previous year) due to increase in gross profit.



Breakdown of SG&A

- The utilities expenses decreased due to efforts to reduce expenses for sales promotion and consumables and installing LED but SG&A increased by 1.5 billion yen (101.5% compared to the previous year) due to increase in personnel expenses and rent.

(Millions of yen)	2017/3 Full year results	(Ratio to sales)	2018/3 Full year results	(Ratio to sales)	Increase/ decrease	(Change)
Advertising	2,828	1.1%	2,968	1.0%	140	105.0%
Sales promotion	1,521	0.6%	630	0.2%	(891)	41.4%
Total selling expenses	9,351	3.5%	9,426	3.2%	75	100.8%
Total personnel expenses	50,383	18.8%	51,589	17.2%	1,206	102.4%
Utilities	4,901	1.8%	4,608	1.5%	(292)	94.0%
Rent	20,851	7.8%	21,369	7.1%	517	102.5%
Depreciation and amortization	4,495	1.7%	4,599	1.5%	104	102.3%
Consumables	2,245	0.8%	1,602	0.5%	(642)	71.4%
Maintenance	1,185	0.4%	1,690	0.6%	505	142.6%
Total other expenses	43,599	16.3%	43,898	14.7%	298	100.7%
Total SG&A	103,334	38.5%	104,915	35.1%	1,580	101.5%

Number of stores

■ 1,611 directly manages stores Total of 1,843 stores

(Number in parenthesis indicates increase/decrease in stores from the end of the previous year)

As of March 31, 2018

	Directly managed stores opened		Directly managed stores	Total (including distributors and franchise stores)
	1st Half	2nd Half		
	5	9	1,037 (decreased by 9)	1,220 (decreased by 3)
	19	17	535※ (increased by 29)	584※ (increased by 29)
	1	1	17 (increased by 1)	17 (increased by 1)
 あなただけの ウェアハウス	0	0	10 (decreased by 1)	10 (decreased by 1)
Others	11	2	12 (increased by 12)	12 (increased by 12)

※ Including Super Second Street and buying-only stores





Geo Osu Store (Opened in December 2017 in Nagoya-shi, Aichi)

Topics

Topics: Media



Dragon Quest

Software: 3,150,000※



Nintendo Switch

Hardware : 3,520,000 units※



"Your Name"

Achieved 4th
highest
box-office
sales in history



Monster Hunter

Software :
2,000,000※



Limited benefit
"Cool Cup"



Original steelbook

© 2016 "Your Name" Production Partnership



Colored wireless controller for PlayStation®4
sold only from GEO

For new goods merchandise which is one of our core merchandise for media, mainly Nintendo Switch and popular software attracted customers. In addition, we added value to our media business and effectively used space by providing **original goods and benefits** and holding **events** at stores.

※Number sold in Japan
Reference: "mediacreate fami-tsu.com"

■ The reuse market scale is expanding

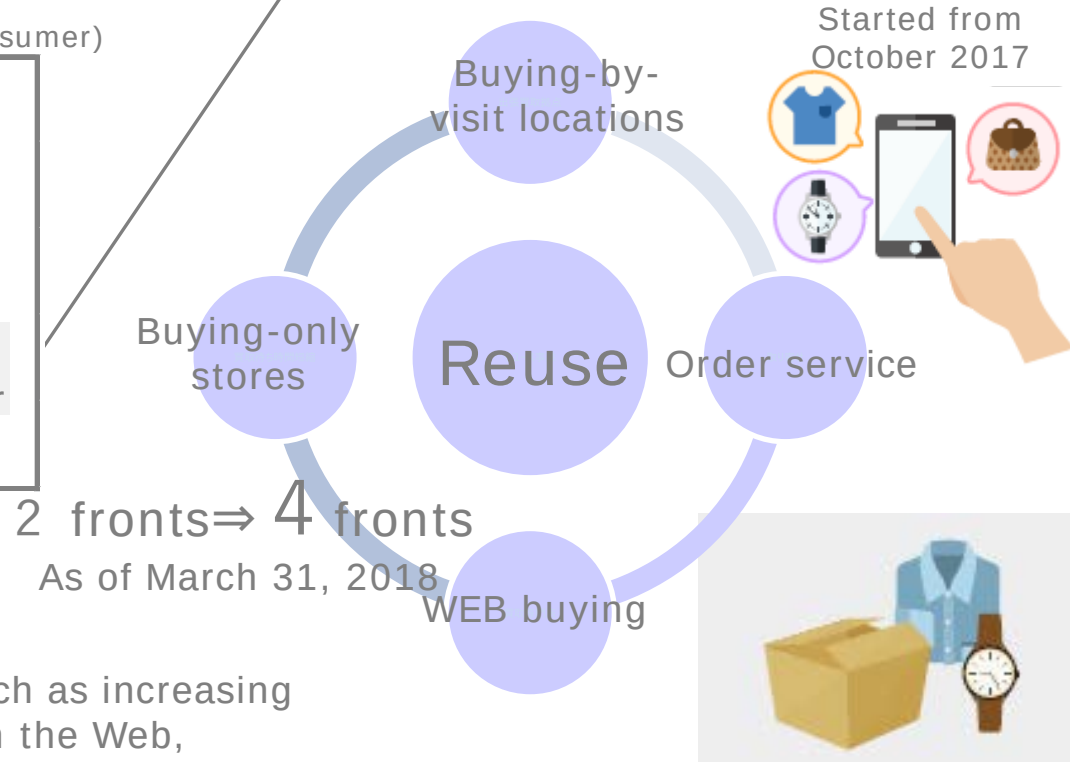
• Reuse market sale in 2016

B to C (Business to Consumer)	C to C (Consumer to Consumer)
Sales at real stores 931.5 billion yen	509.3 billion yen
increased by 126.9 billion yen from the previous year	
internet 286.2 billion yen	

The Reuse Business Journal
“Secondhand Market Databook 2018”

By providing various buying methods such as increasing the kinds of merchandise that we buy on the Web, expanding our buying-by-visit fronts, and commencing order service, we organized an environment to enable to “experience reuse” **more conveniently and more closely**.

20 locations ⇒ **39 locations**
As of March 31, 2018



2 fronts ⇒ **4 fronts**
As of March 31, 2018

Apply ⇒ Pack and send ⇒ Transaction complete



138,212.50 million yen

The amount of economic loss caused by “cracked smartphone displays” (our estimate)

As communication device such as smartphones and tablets are spreading, we **addressed** various **needs** of our customers by enabling customers to make reservations on the internet in advance to repair smartphones and by commencing “used smartphone warranty” for used device such as smartphones and tablets.



The screenshot shows the GEO mobile website with a green header and navigation bar. The main content area features a large green banner for "iPhone 格安修理サービス" (iPhone Affordable Repair Service) with the text "スマホを修理する To repair the smartphone". Below the banner are four circular icons representing different repair services: 画面修理 (Screen Repair), バッテリートラブル (Battery Trouble), カメラ・その他の故障 (Camera & Other Malfunctions), and 水没トラブル (Water Damage Trouble). A blue button at the bottom of the banner says "店舗での修理予約はこちら" (Reserve repair at the store here).

To the right of the banner, a white circle contains the text: "42 locations As of March 31, 2018".

Below the banner, there is a section titled "ジオ 中古スマホ保証" (GEO Used Smartphone Warranty) with a red heart icon. It lists three types of damage: 破損 (Damage), 水没 (Water Damage), and 自然故障 (Natural Failure). Below this, a blue box highlights a "最大 80%" (Maximum 80%) discount on the purchase price of the terminal. At the bottom, a blue box shows a "加入金 15%" (Joining fee 15%) and a "保証料 16,000円" (Warranty fee 16,000 yen).

Topics: Online service

Officially
open from
March 29



In March 2018, we renewed and opened GEO's EC website that provides enhanced functions **where goods could be found more easily** (large-sized crystal display television could be purchased) **and with improved convenience** (reservation could be made to purchase new goods game software) that are different from services provided at real stores.



Topics: Provision of various services



We had approximately 1,500 units of self-checkout terminals installed as of March 31, 2018 and we will continue installing more.



Original electronic money “Lueca”



Started from July 2017



Started from February 2018



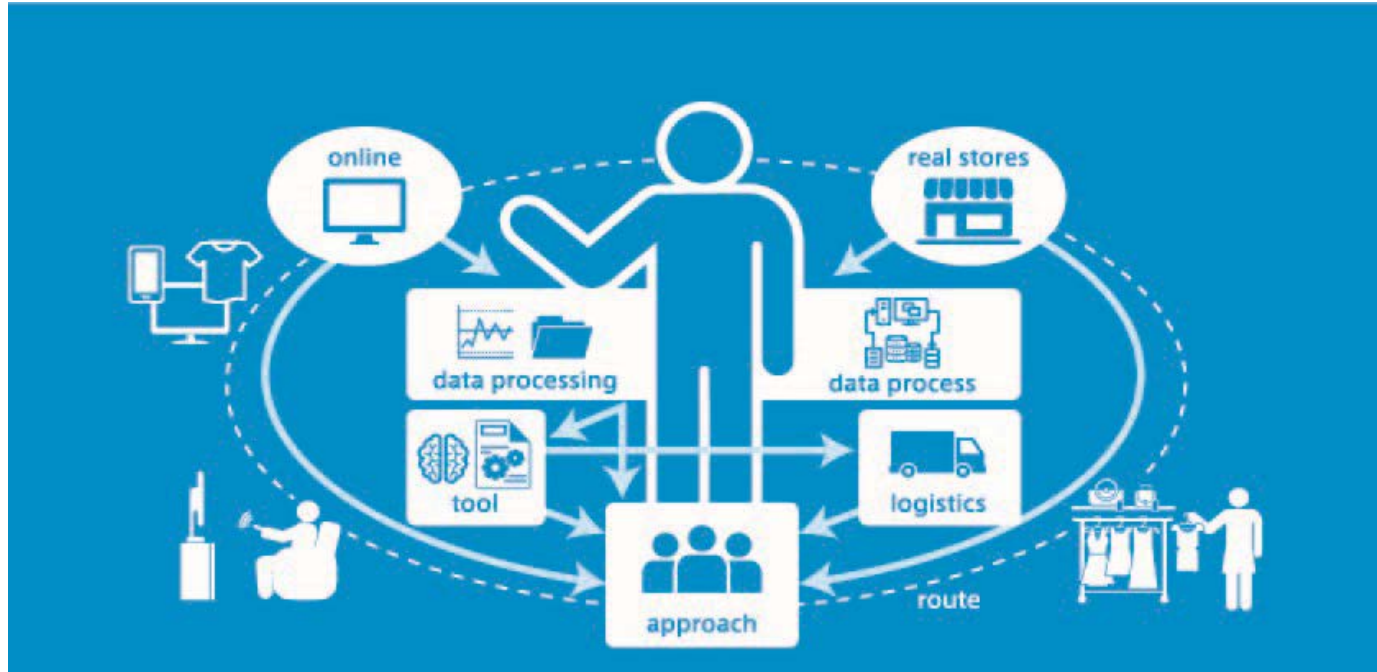
Our cashiers and self-checkout terminals accept not only cash and credit cards but also GEO's original electronic money “Lueca” and “LINE Pay.” We proposed services that are most suitable for our customers by providing such various payment methods.

Our Future Emphasis



Second Street JR Yoshizuka Station Buying-Only Store (Fukuoka-shi, Fukuoka)

Our future emphasis



We will make various connections sought by customers seamless and organize an environment to allow easier shopping.

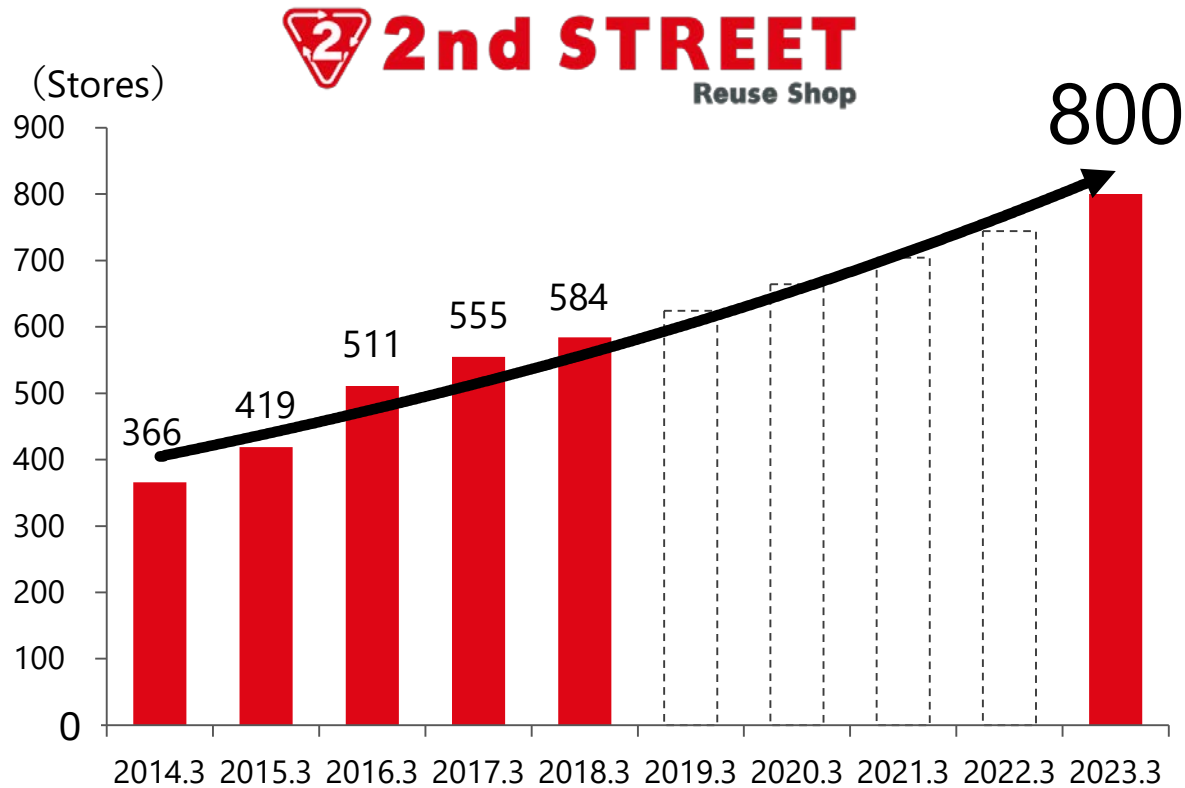
Our future emphasis: Open new stores

Plans for new stores

Plans for new stores		
	Number of stores	Description
	18	Plans including relocation and consolidation
	40	Develop the format for 800 stores by fiscal 2023
	5	Mobile stores with professional staff stationed

We will continue strengthening the foundation (i.e., stores) to provide reuse items, new goods and rental merchandise.





With the rise of C to C (consumer-to-consumer), the reuse market is expanding but competition is also increasing at the same time. However, we are planning to open 40 new reuse stores for fiscal year ending in March 31, 2019. Our strategy in opening new stores is to gain a foothold to achieve 800 reuse stores including those abroad and not only in Japan.

Our future emphasis: E-commerce strategy



We will connect the sales channels between real stores and e-commerce by enhancing our internet site such as “Second Street Online” and “GEO MART” and organize logistics and environment to create an environment that enables to sell and purchase goods from either channel.



Our future emphasis: Logistics



2nd STREET
USA, Inc.



Los Angeles, USA: Melrose

We conduct buying-by-visit and supply goods to stores mainly through our eight logistic centers located nationwide. We will strengthen logistics at our stores in Japan and abroad by employing diverse personnel.





Second Street Machida Kanemori Store (Opened in September 2017 in Machida-shi, Tokyo)

Forecast

Forecast for fiscal year ending March 31, 2019

- As forecast of results for the full year, we anticipate reduced income due to completion of a period of good sales for new merchandise that performed well in the previous year. We also project an increase in SG&A due to opening new reuse stores, investing in e-commerce, enforcing logistics, and investing in human resources, all for the purpose of achieving long-term growth. However, we consider that the fiscal year ending in March 31, 2019 is the “year to invest” and we will aim to enhance corporate value in the future.

(Millions of yen)	2017/3 Results	(Ratio to sales)	2018/3 Results	(Ratio to sales)	2019/3 Forecast	(Ratio to sales)	Increase/ decrease	(Change)
Net sales	268,079		299,262		290,000		(9,262)	96.9%
Gross profit	111,996	41.8%	119,583	40.0%	118,600	40.9%	(983)	99.2%
SG&A	103,334	38.5%	104,915	35.1%	110,000	37.9%	5,084	104.8%
Operating profit	8,662	3.2%	14,668	4.9%	8,600	3.0%	(6,068)	58.6%
Ordinary profit	9,040	3.4%	15,248	5.1%	9,100	3.1%	(6,148)	59.7%
Profit	4,223	1.6%	6,614	2.2%	4,600	1.6%	(2,014)	69.5%



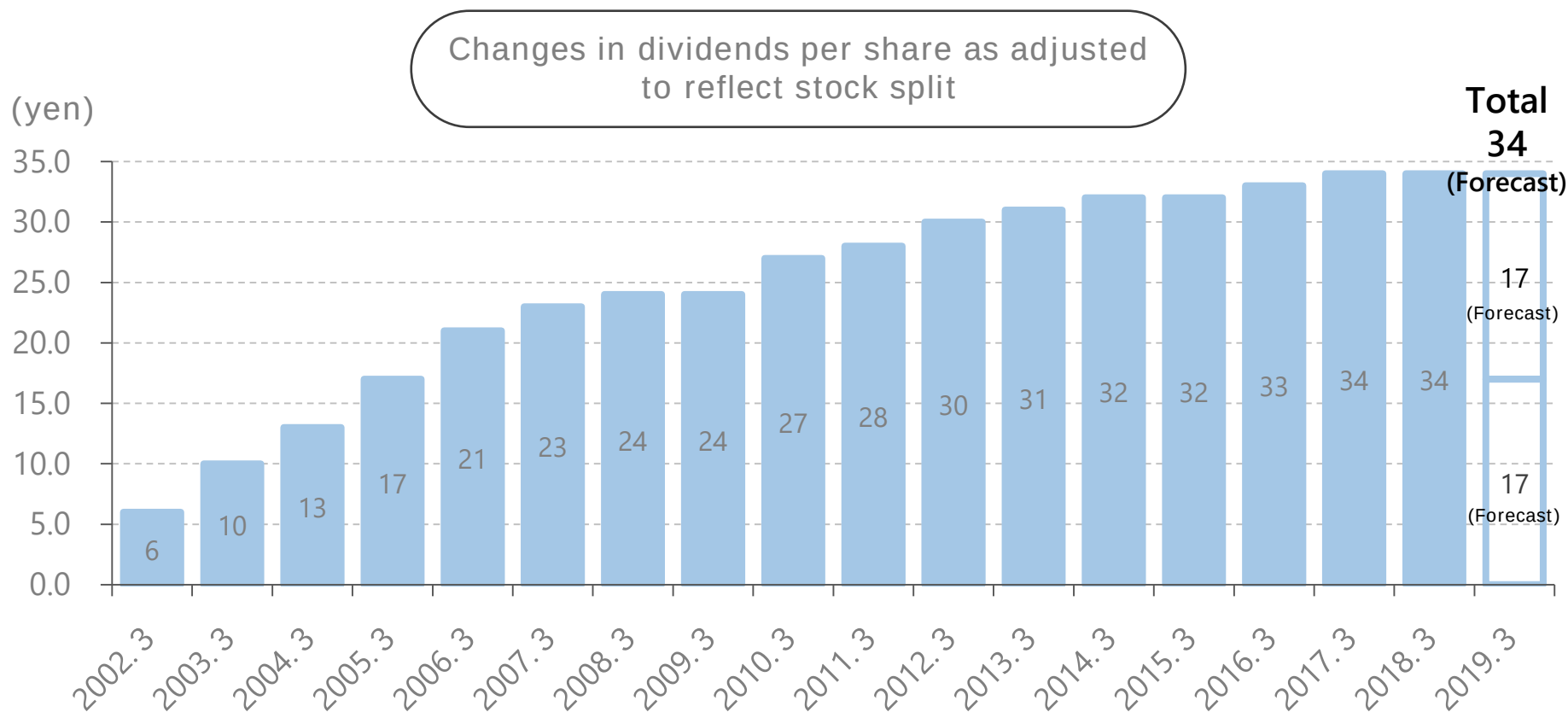
Returns to Shareholders



GEO & Second Street Ohzu Store (Opened in July 2017 in Ohzu-shi, Ehime)

Changes in dividends

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



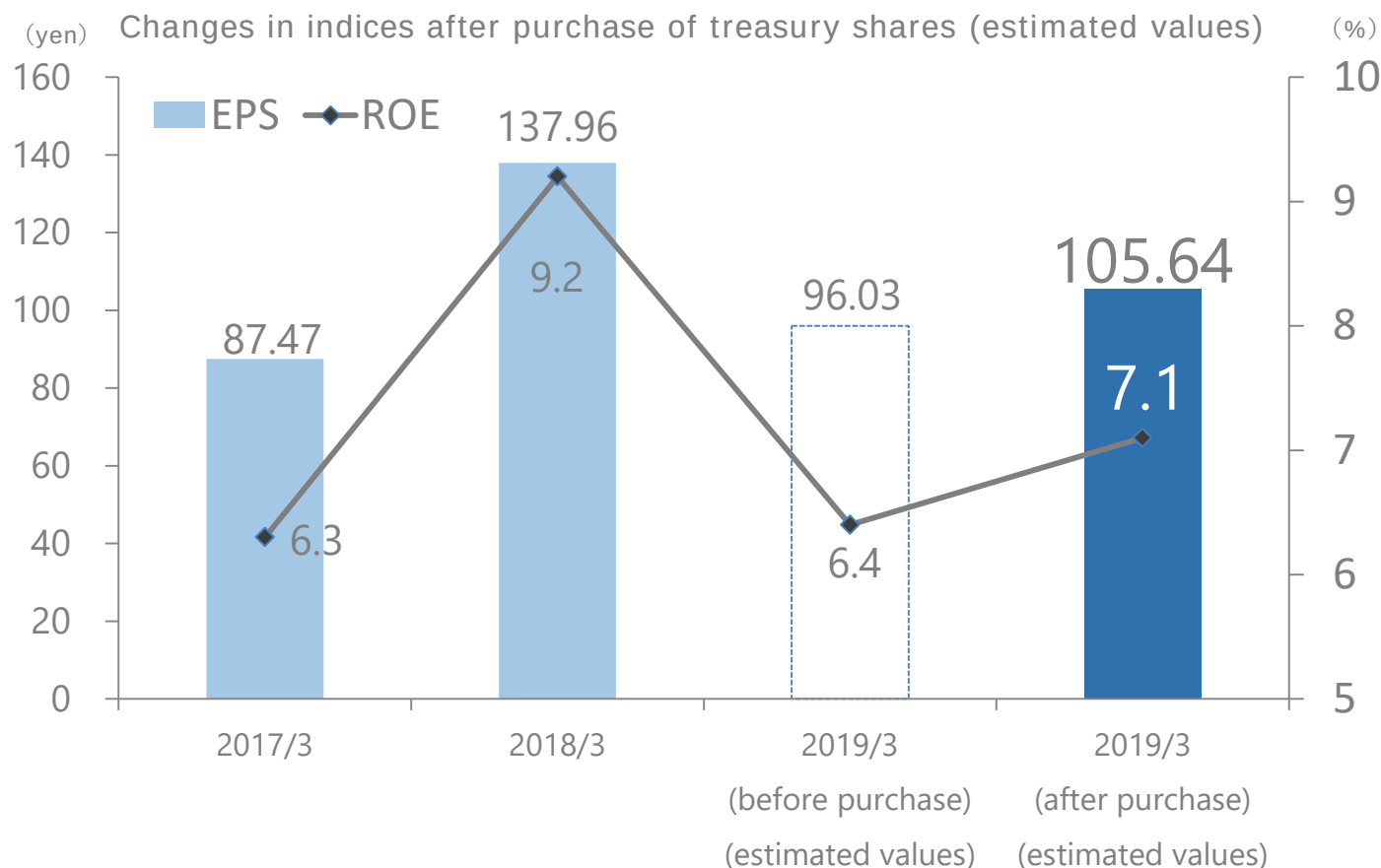
Purchase of treasury shares

- On May 10, 2018, we announced that we will purchase treasury shares by tender offer for the purpose of returning profit to shareholders and enhancing capital efficiency.

- Number of shares to be acquired : 4,356,000 shares (maximum)

- Total acquisition price : 6,804,072,000 yen (maximum)

- ※All shares purchased shall be promptly cancelled after completion of the tender offer.



※The increase in net assets and total assets before and after the tender offer are not taken into account.



Changes in shareholder benefits



(Before change)

Record date for allotment	Period continuously held	Number of shares held
Common for all shareholders as of the end of September and end of March	-	100 shares or more
(1) Media stores: 50% off on rentals (2) Reuse stores: 2,000 yen discount coupon on reuse goods ※ Shareholders may choose from either (1) or (2). Both benefits are effective for six months.		

(After change)

Record date for allotment	Period continuously held	Number of shares held
Shareholders as of the end of September	one year or longer	100 shares or more
(3) Media stores: 50% off on rentals ※ Effective for one year. ※ Maximum amount of discount is 1 million yen.		
Shareholders as of the end of March	-	100 shares or more
(4) Reuse stores: 2,000 yen discount coupon on reuse		

Our group has introduced shareholder benefit system in hope of our shareholders to visit our stores and make purchases as customers. On February 23, 2018, we announced the above changes to the shareholder benefit system in hope of encouraging more shareholders to hold our shares over a long period. (The above changes will be implemented from the shareholders registered in the shareholders register as of September 30, 2018.)





Second Street Itami Nishino Store (Opened in July 2017 in Itami-shi, Hyogo)

Appendix

Balance sheets

(Millions of yen)	As of 3/31/2017	As of 3/31/2018	Increase/decrease
Current Assets	76,081	86,385	10,304
Cash and deposits	34,087	42,667	8,579
Merchandise	25,773	30,007	4,233
Non-current assets	54,687	50,950	(3,736)
Property, plant and equipment	31,097	28,396	(2,701)
Intangible assets	2,049	1,443	606
Investments and other assets	21,539	21,110	(429)
Total assets	130,768	137,335	6,567
Current liabilities	33,980	35,618	1,637
Accounts payable-trade	16,322	12,316	(4,005)
Current portion of long-term loans payable	6,072	5,539	(532)
Non-current liabilities	29,076	29,526	450
Long-term loans payable	20,437	19,897	(539)
Total liabilities	63,056	65,144	2,087
Total net assets	67,711	72,191	4,480
Total liabilities and net assets	130,768	137,335	6,567



Income statement

(Millions of yen)	2017/3				2018/3			
	1Q Results	2Q Results	3Q Results	4Q Results	1Q Results	2Q Results	3Q Results	4Q Results
Net sales	60,748	62,159	75,057	70,114	61,407	74,735	85,082	78,037
(Change from same period of the previous year)	101.9%	95.8%	101.7%	100.8%	101.1%	120.2%	113.4%	111.3%
Gross profit	27,339	27,761	29,378	27,517	27,848	30,486	31,897	29,352
(Change from same period of the previous year)	98.6%	95.3%	96.3%	95.6%	101.9%	109.8%	108.6%	106.7%
(Gross profit ratio)	45.0%	44.7%	39.1%	39.2%	45.3%	40.8%	37.5%	37.6%
SG&A	24,966	25,993	26,502	25,872	24,811	26,059	26,375	27,667
(Change from same period of the previous year)	104.5%	104.6%	106.8%	99.5%	99.4%	100.3%	99.5%	106.9%
Operating profit	2,372	1,768	2,876	1,644	3,036	4,426	5,521	1,684
(Change from same period of the previous year)	61.9%	41.4%	50.6%	59.5%	128.0%	250.3%	192.0%	102.4%

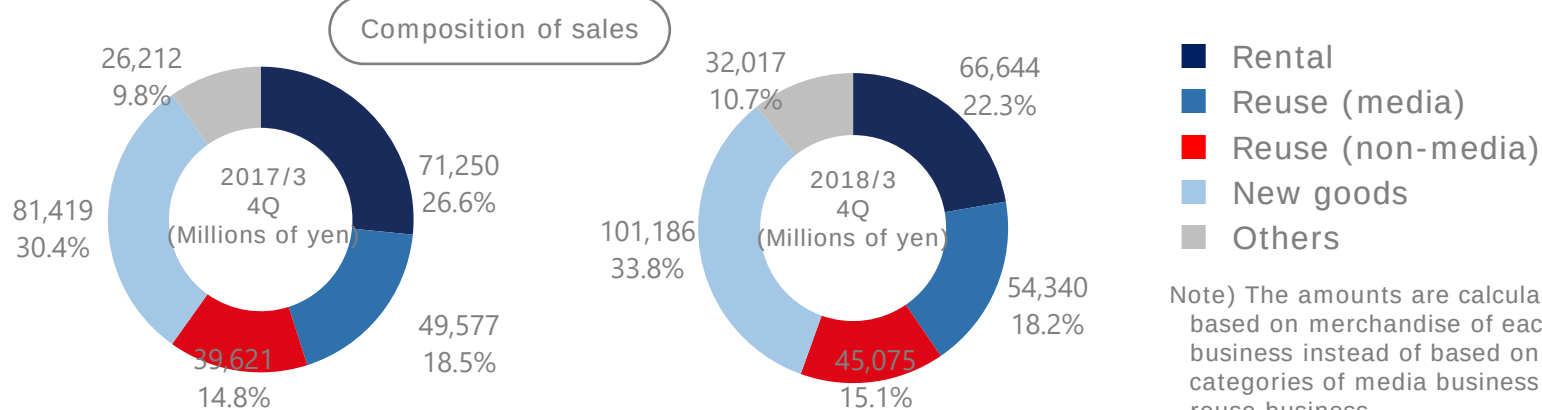
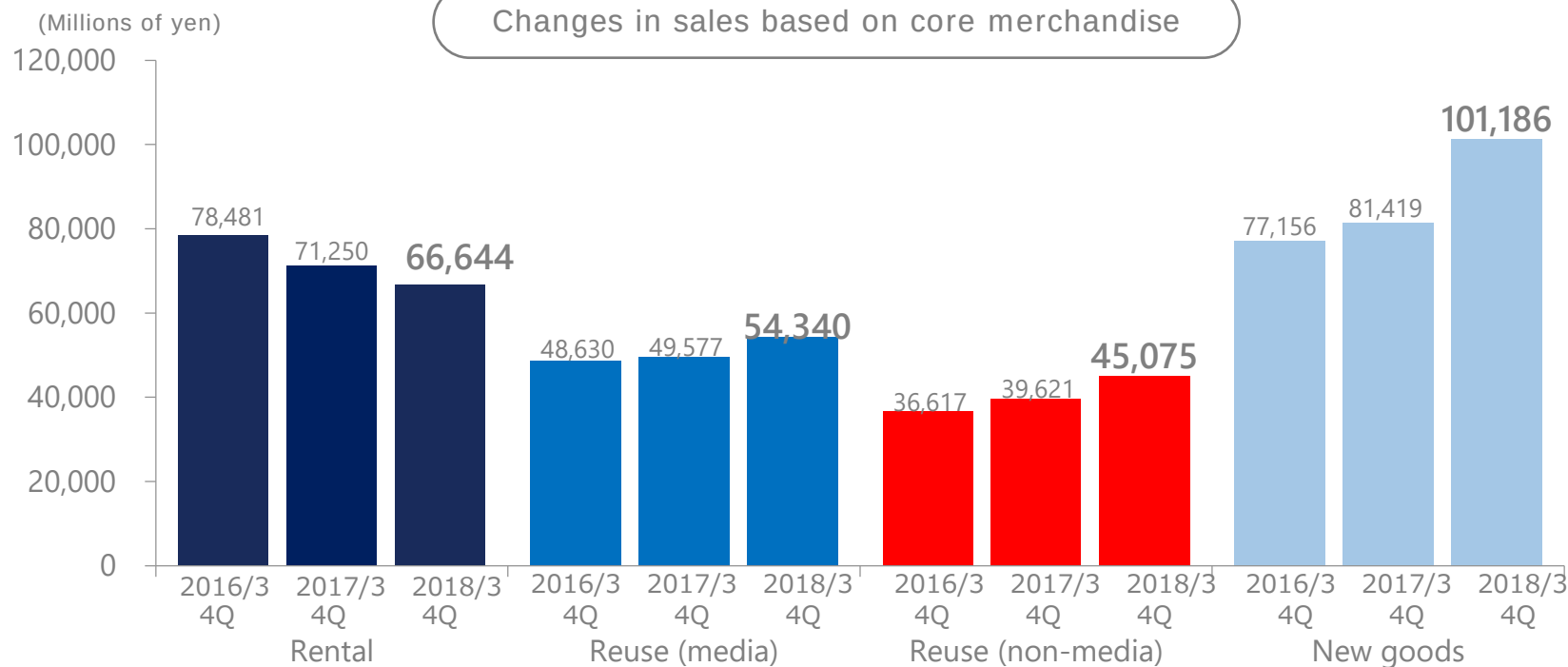


Cash flow

(Millions of yen)	March 31, 2017	March 31, 2018	Increase/decrease
Depreciation	5,303	5,449	146
Rental assets depreciation	8,648	7,038	(1,609)
Impairment loss	1,862	2,122	259
Purchase of rental assets	(7,857)	(6,429)	1,428
Cash flows from operating activities subtotal	17,173	16,142	(1,030)
Income taxes paid	(8,208)	(1,545)	6,662
Net cash provided by (used in) operating activities	8,786	16,345	7,559
Purchase of property, plant and equipment	(5,412)	(3,248)	2,164
Purchase of intangible assets	(971)	(805)	165
Net cash provided by (used in) investing activities	(8,082)	(2,969)	5,112
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	7,000	5,000	(2,000)
Repayments of long-term loans payable	(8,333)	(6,372)	1,961
Cash dividends paid	(1,636)	(1,630)	5
Net cash provided by (used in) financing activities	(3,182)	(5,253)	2,070
Net increase (decrease) in cash and cash equivalents	(2,478)	8,123	10,601
Cash and cash equivalents at end of period	36,908	45,175	8,267
Free cash flow	704	13,376	12,672



Sales based on merchandise



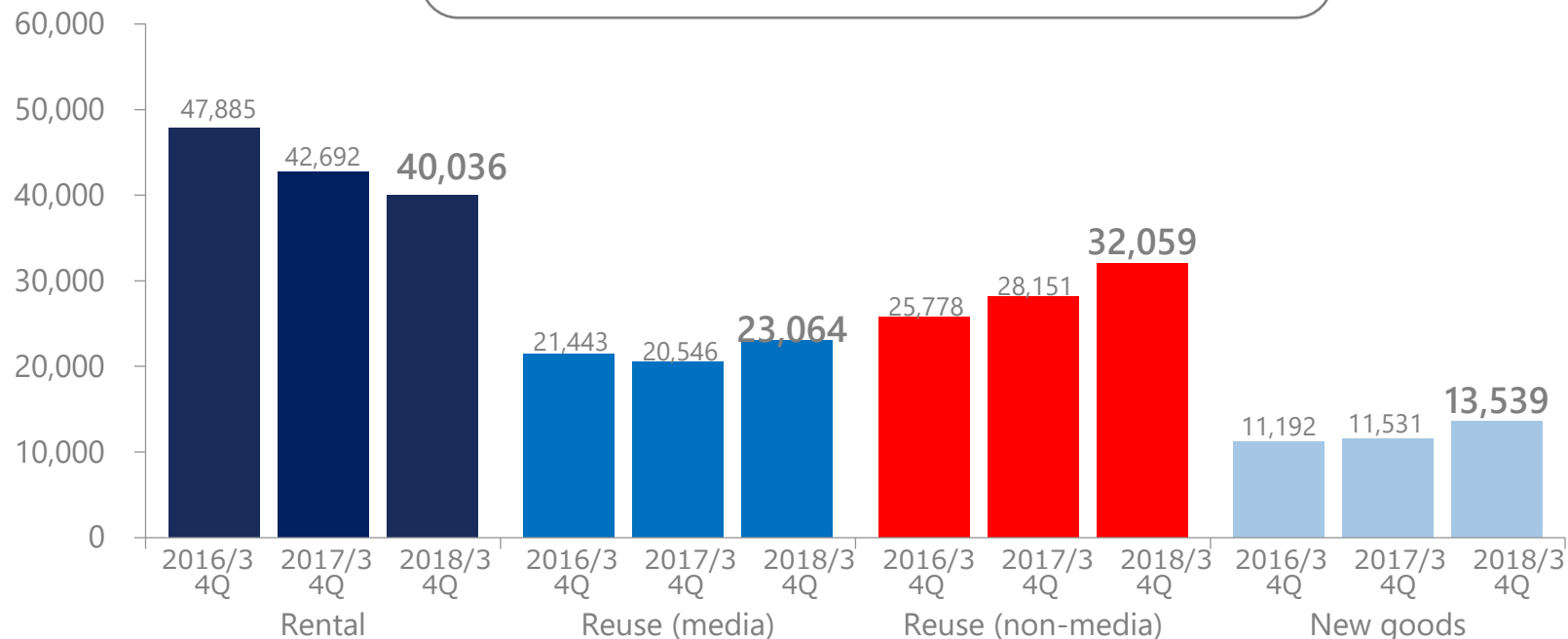
Note) The amounts are calculated based on merchandise of each business instead of based on the categories of media business and reuse business.



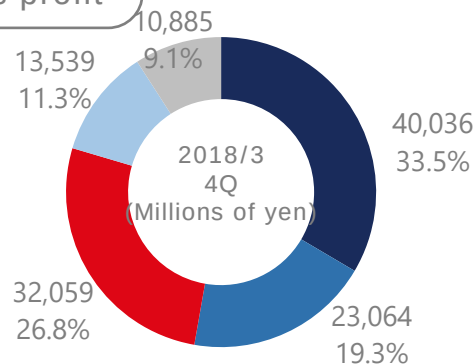
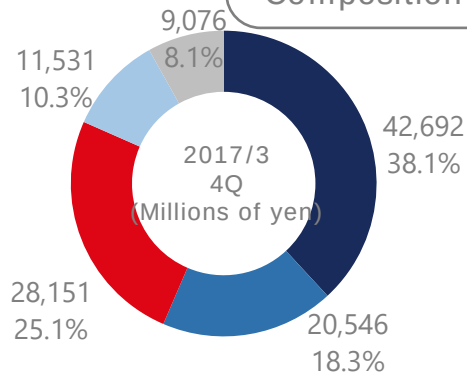
Gross profit based on merchandise

(Millions of yen)

Changes in gross profit based on core merchandise



Composition of gross profit



- 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.



Quarterly sales based on merchandise

(Millions of yen)	2017/3				2018/3			
	1Q Results	2Q Results	3Q Results	4Q Results	1Q Results	2Q Results	3Q Results	4Q Results
Net sales	60,748	62,159	75,057	70,114	61,407	74,735	85,082	78,037
•Rental	17,809	18,510	17,778	17,151	16,459	17,623	16,732	15,829
•Reuse (media)	11,676	12,245	12,546	13,108	12,317	13,696	13,885	14,440
•Reuse (non-media)	9,241	8,786	11,747	9,845	10,414	10,124	13,230	11,306
•New goods	15,430	15,880	26,173	23,935	15,493	24,924	32,368	28,400
•Others	6,592	6,738	6,813	6,075	6,724	8,368	8,867	8,062

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



Quarterly gross profit based on merchandise

(Millions of yen)	2017/3				2018/3			
	1Q Results	2Q Results	3Q Results	4Q Results	1Q Results	2Q Results	3Q Results	4Q Results
Gross profit	27,339	27,761	29,378	27,517	27,848	30,486	31,897	29,352
(Gross profit ratio)	45.0%	44.7%	39.1%	39.2%	45.3%	40.8%	37.5%	37.6%
•Rental	10,837	11,448	10,247	10,160	9,802	11,018	9,882	9,332
	60.8%	61.8%	57.6%	59.2%	59.6%	62.5%	59.1%	59.0%
•Reuse (media)	4,963	5,204	5,082	5,295	5,323	5,847	5,819	6,074
	42.5%	42.5%	40.5%	40.4%	43.2%	42.7%	41.9%	42.1%
•Reuse (non-media)	6,765	6,218	8,252	6,915	7,640	7,217	9,344	7,858
	73.2%	70.8%	70.2%	70.2%	73.4%	71.3%	70.6%	69.5%
•New goods	2,372	2,388	3,502	3,267	2,443	3,507	4,085	3,502
	15.4%	15.0%	13.4%	13.7%	15.8%	14.1%	12.6%	12.3%
•Others	2,402	2,503	2,295	1,880	2,640	2,897	2,767	2,586
	36.4%	37.1%	33.7%	30.9%	39.3%	34.6%	31.2%	32.1%

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



【 Shop List 】



Media shop



Reuse shop



Mobile shop



Amusement



Corporate philosophy: “To offer joy to your everyday life”

Shop List

Media shop

Number of stores (as of March 31, 2018)
1,220 stores

Major merchandise handled:

Rental merchandise, games, used mobile



Number of stores (as of March 31, 2018)
584 stores

Major merchandise handled:

General reuse shop that mainly handles clothing, accessories, home appliances, and furniture



Shop List

Mobile shop

Number of stores (as of March 31, 2018)
17 stores

Major merchandise handled:

Used mobile, low cost SIM and used PC



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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