



Briefing on the Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2019

November 9, 2018

GEO HOLDINGS CORPORATION (2681)



To the victims of the recent natural disasters

We deeply sympathize with those who passed away from the recent torrential rain, earthquake and typhoon that struck Japan and we extend our condolence to the bereaved families.

Our thoughts are also with many victims of the disaster. We pray for recovery and reconstruction to be made and for peace to be restored in the victims' lives as soon as possible.

President

遠藤 結蔵



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Summary

Consolidated results for six months ended September 30, 2018

- Reduced sales due to sales remaining soft for rental merchandise and new games
- Gross profit for the entire Group increased from growth in sales for reuse merchandise
- Continuous control of SG&A through promoting operational efficiency

Efforts

- New stores were opened as scheduled
- Sales involving EC grew

Forecast

- The results for the 1st half exceeded the forecast and forecast for each profit was revised upwards

Consolidated Results for Six Months Ended September 30, 2018

We earned gross profit although sales declined

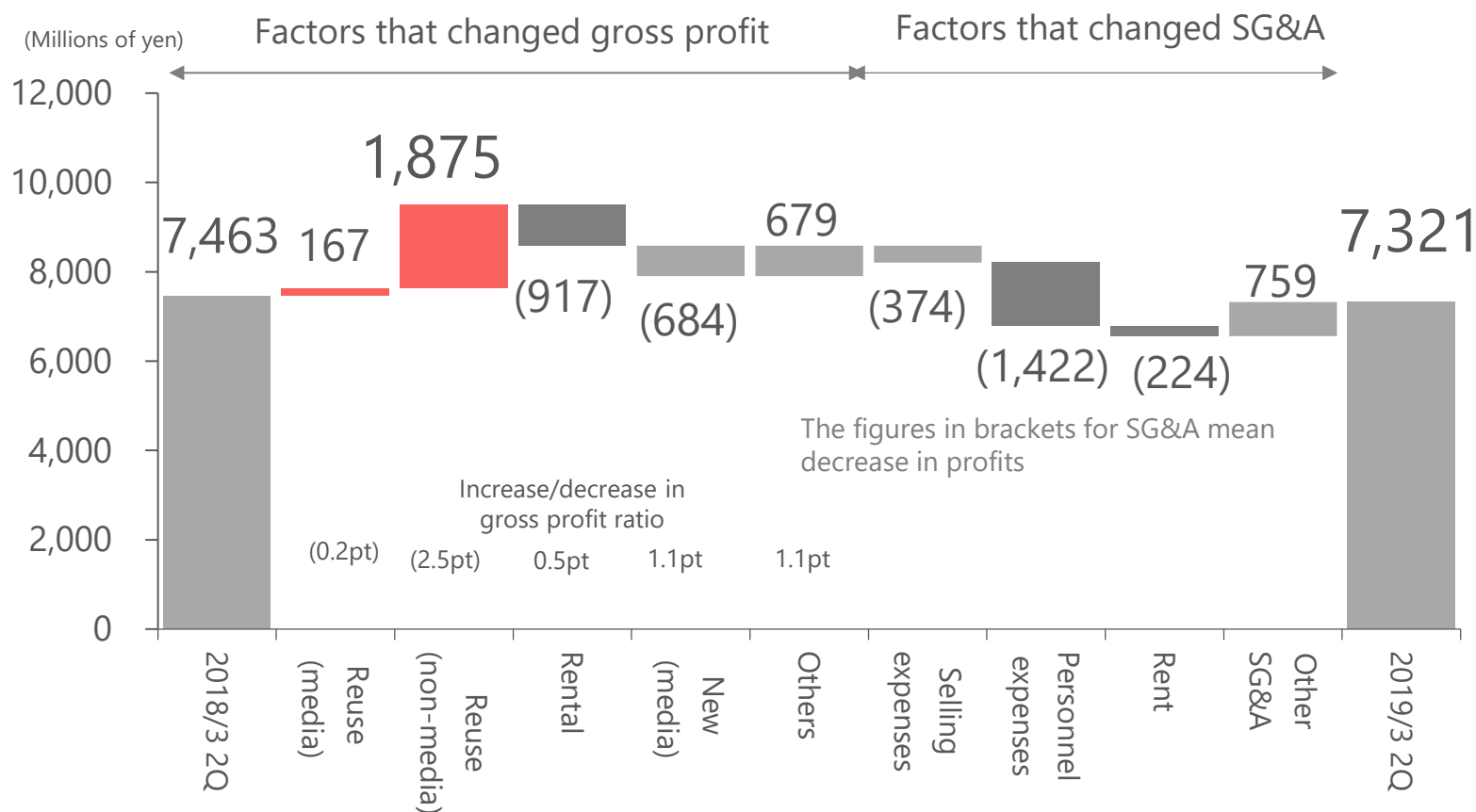
• Consolidated income statement for six months ended September 30, 2018

Gross profit grew solidly attributable to growth in sales for reuse merchandise although sales declined from soft sales for rental merchandise and from the fact that the same period of the previous year experienced active market from the launch of new model game device, etc.

(Millions of yen)	Six months ended September 30, 2018 Results	Six months ended September 30, 2017 Results	Change
Net sales	132,573	136,142	97.4%
Gross profit	59,454	58,334	101.9%
(Gross profit ratio)	44.8%	42.8%	
SG&A	52,132	50,871	102.5%
Operating profit	7,321	7,463	98.1%
(Operating profit ratio)	5.5%	5.5%	
Ordinary profit	8,186	7,881	103.9%
Profit	4,981	4,369	114.0%

1 Gross profit increased solidly due to growth in sales for reuse merchandise

Gross profit was attained mainly led by growth in sales for reuse merchandise and change in the entire group's composition of profit. However, operating profit remained at the level of the same period of the previous year due to increased personnel expenses and rent from opening new stores.



Continuous efforts to control SG&A

Continuous efforts are being made to promote operational efficiency at existing stores although SG&A increased due to opening new stores.

(Millions of yen)	Amount of increase/decrease	Change	
Gross profit	1,119	101.9%	Attributable to increased sales for reuse merchandise.
Total SG&A	1,261	102.5%	
Selling expenses	374	108.5%	Expenses increased due to activities to promote sales and purchase and from increased sales including sales involving EC.
Personnel expenses	1,422	105.8%	Personnel expenses increased accompanying opening of new stores.
Rent	224	102.1%	The number of directly managed stores increased by 14 stores.
Other expenses	(759)	93.2%	Introduction of LED is nearly completed, and expenses decreased from lesser utility expenses.
Operating profit	(141)	98.1%	Remained at the level of the same period of the previous year due to achievement of gross income and controlling of SG&A.

The figures in brackets for SG&A mean decrease in profits.

Results Based on Merchandise

Sales declined from soft sales for rental merchandise and new games

- Sales based on merchandise (six months)

Sales largely dropped compared to the same period of the previous year because in the previous year, rental video “Your Name” and lead titles for Nintendo Switch and PS4 were launched from the second quarter.

(Millions of yen)	Six months ended September 30, 2018 Results	Six months ended September 30, 2017 Results	Change	Amount of increase/decrease
Reuse	50,492	46,552	108.5%	3,940
Media	26,539	26,013	102.0%	525
Non-media	23,953	20,539	116.6%	3,414
Rental	32,291	34,082	94.7%	(1,791)
New (media)	33,380	40,417	82.6%	(7,037)
Others	16,409	15,090	108.7%	1,319
Total	132,573	136,142	97.4%	(3,569)

On the other hand, reuse market is still active

- Gross profit based on merchandise (six months)

The impact of reduced sales for new (media) merchandise on profit was minimal and the entire group's gross profit increased from the same period of the previous year due to growth in sales for reuse merchandise while sales for rental merchandise continue to shrink.

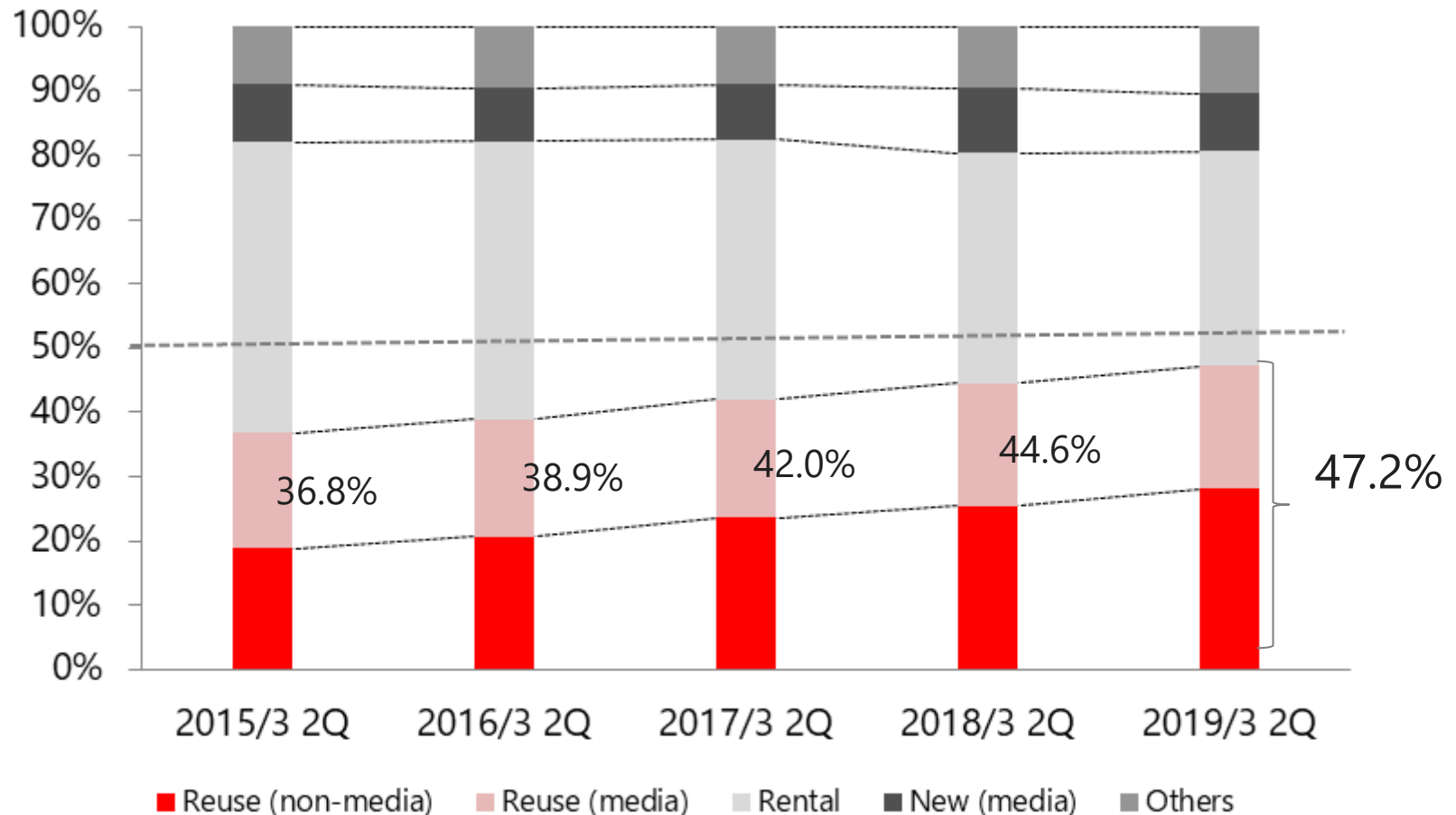
(Millions of yen)	Six months ended September 30, 2018 Results	Six months ended September 30, 2017 Results	Change	Amount of increase/decrease
Reuse	28,070	26,028	107.8%	2,042
Media	11,337	11,170	101.5%	167
Non-media	16,732	14,857	112.6%	1,875
Rental	19,903	20,821	95.6%	(917)
New (media)	5,266	5,950	88.5%	(684)
Others	6,213	5,533	112.3%	679
Total	59,454	58,334	101.9%	1,119

Topics

Change in the Group's gross profit (composition)

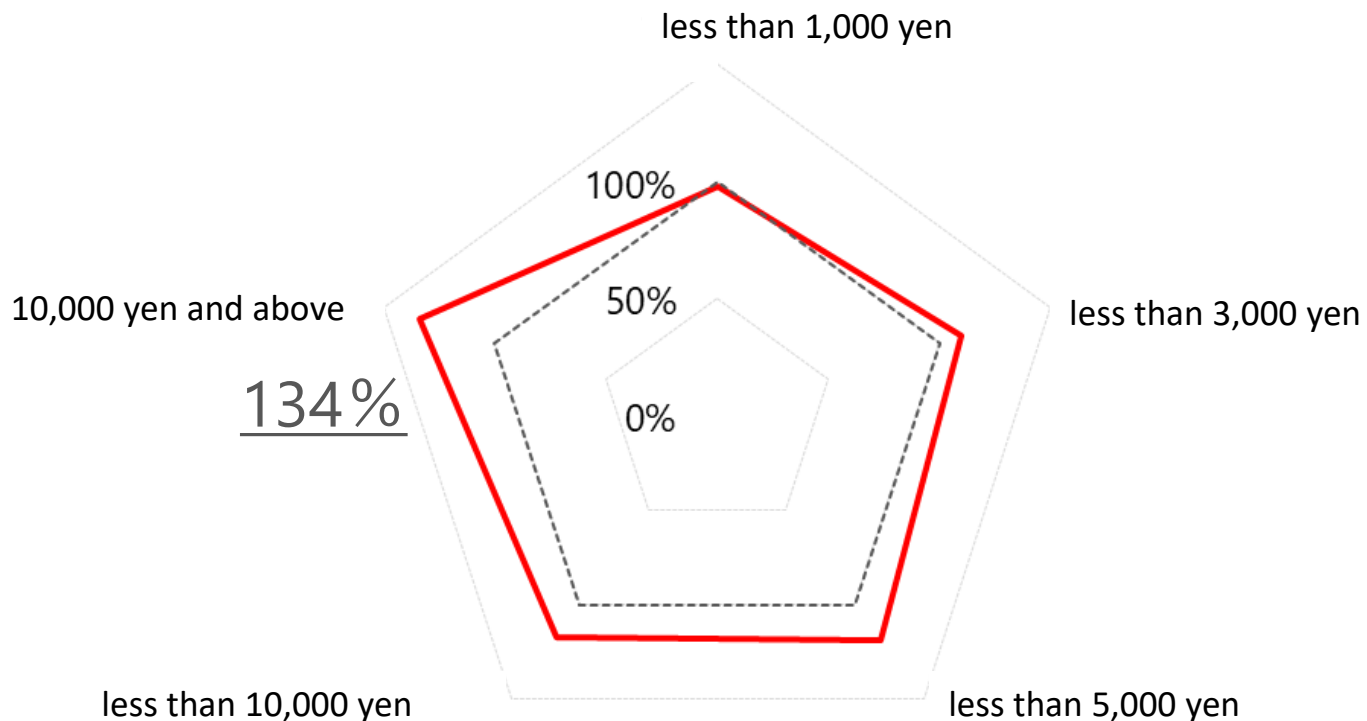
- Composition of gross profit based on merchandise (six months)

The composition of reuse merchandise is increasing every year and it has reached 47.2%.



The trends in transactions (selling only) based on price range for reuse clothing and accessories:

As the reuse market is becoming increasingly more active, the growth rate in the price range of 10,000 yen and above reached 134%. ※1



※1 Comparison between actual sales during the period from October 2017 to September 2018 and actual sales during the period from October 2016 to September 2017.

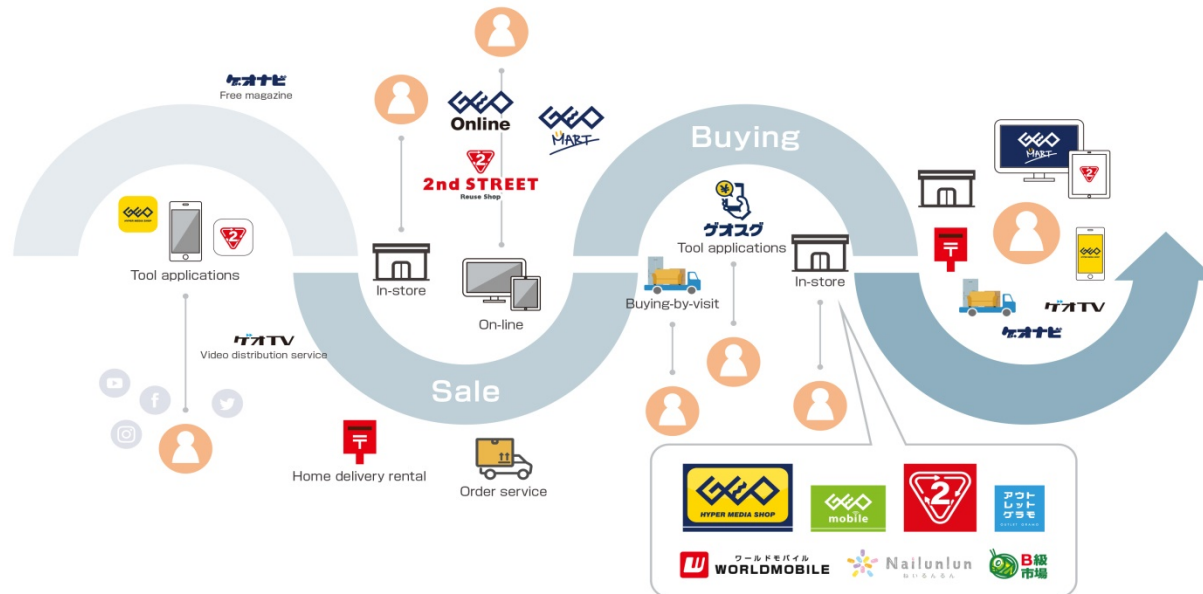
The below is a comparison of sales involving electronic commerce in retail services among our services.



	Six months ended September 30, 2018 Results	Six months ended September 30, 2017 Results	Change
(Millions of yen)			
Sales involving EC	4,363	2,932	148.8%
Number of items sold involving EC	969,134	701,148	138.2%

Our business model

We will organize a seamless sale and purchase environment between in-store and internet and we will provide more convenient and comfortable services for consumers through various channels.



Quick appraisal!
Quick payment!

Our cash buying application
"GEOsugu" was released on August 27.

※After confirming pick-up, funds could be remitted within 5 hours.



Our stores: We now have 600 reuse stores

Total number of stores for the Group: 1,853 stores

	As of September 30, 2018	As of March 31, 2018	Increase/ decrease
GEO group's stores and facilities	1,853	1,843	10
Retail service stores	1,842	1,833	9
 GEO shops	1,211	1,220	(9)
Directly managed stores	1,033	1,037	(4)
Distributors and franchise stores	178	183	(5)
 GEO mobile shop	16	17	(1)
 Second Street	604	584	20
Jumble Store			
Directly managed stores	553	535	18
Franchise stores	51	49	2
Others	11	12	(1)
 Amusement facilities	11	10	1



Second Street Ohdate Store
(Ohdate-shi, Akita Prefecture)



Second Street Shizuoka Tenma Store
(Shizuoka-shi, Shizuoka Prefecture)



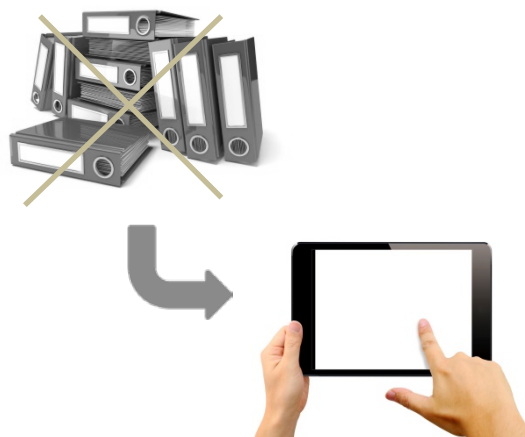
Second Street Toyohira No.36 Store
(Sapporo-shi, Hokkaido)

Energy saving efforts: We completed introducing LED in nearly 80% of our stores

We began introducing LED lighting in our stores to reduce CO2 emission and to promote efficient use of energy. As of September 30, 2018, 1,485 of our stores had LED and we are giving ongoing consideration to the environment. We will continue proactively introducing LED in our stores, reduce paper by digitalizing, and aim to become a company that is friendly and clean to the environment.



LED introduced in
1,485 stores



Tablets introduced in
all stores to promote
paperless



Over 2,000 units of
self-checkout
terminals introduced

(As of September 30, 2018)

Forecast

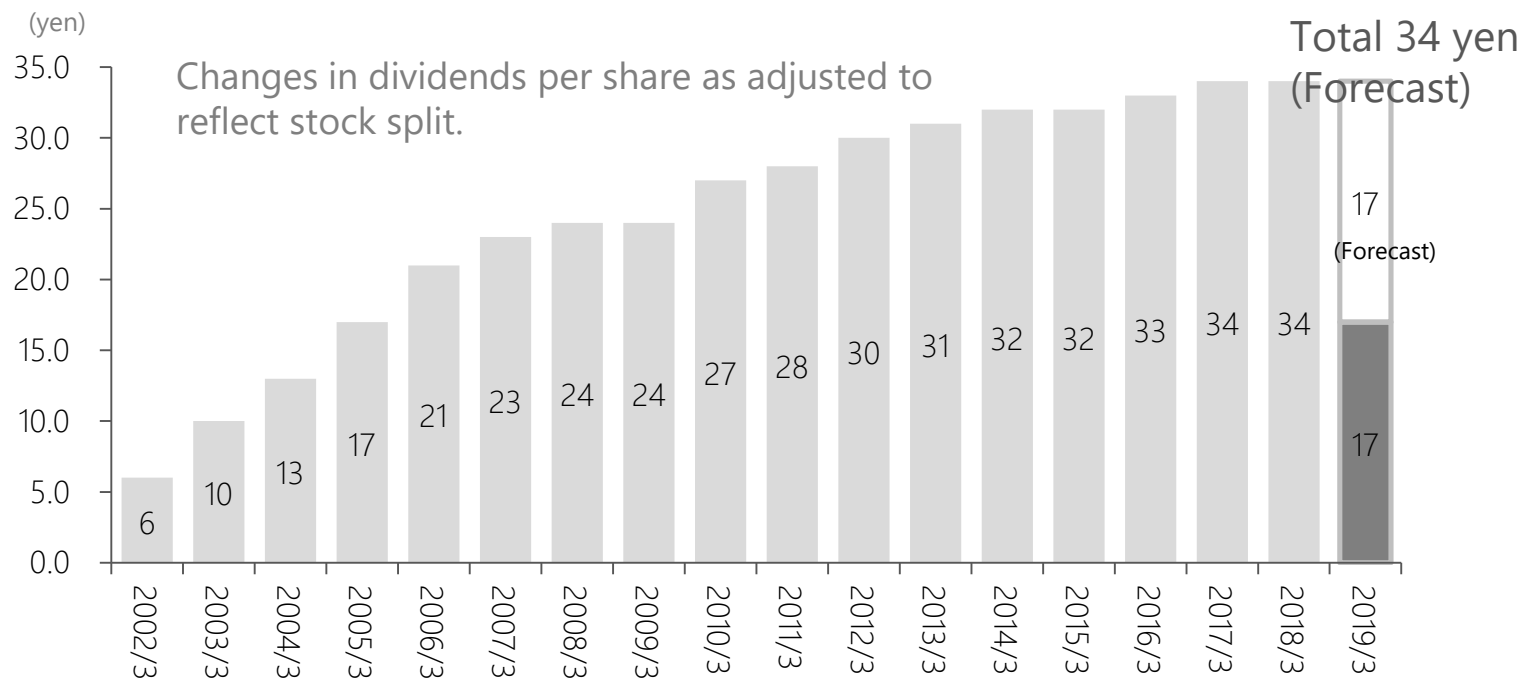
The full year forecast was revised upwards as we posted results above our expectation attributable to solid growth in sales for reuse merchandise and efforts to control SG&A during the 1st half of the fiscal year ending March 31, 2019.

	Full year forecast for fiscal year ending March 31, 2019	Increase/ decrease	Change	Original forecast for fiscal year ending March 31, 2019
(Millions of yen)				
Sales	290,000	0.0%	96.9%	290,000
Operating profit	12,500	45.3%	85.2%	8,600
Ordinary profit	14,000	53.8%	91.8%	9,100
Profit	7,600	65.2%	114.9%	4,600

Returns to Shareholders

Our basic policy is to create a sound managerial base, improve profitability, and pay dividends that reflect our performance.

Dividends are paid from retained earnings twice a year as interim dividends and year-end dividends. It was resolved for an interim dividend of 17 yen per share to be paid as scheduled for fiscal year ending March 31, 2019.



Change in shareholder benefit system

For the main purpose of further cherishing the relationship with our shareholders who hold our shares over the long term, we reviewed part of the shareholder benefit system and we changed this to grant 50% off on rentals at our media stores to long term (one year or longer) holding shareholders. We will also issue a discount coupon as “Compliments to Shareholders” that may be used at our reuse stores to shareholders who hold 1 tangen unit (100 shares) or more shares as of the end of March.

Shareholders as of March 31

2,000 yen discount coupon
exercisable at reuse stores
**Let reuse become more closer
to living**

※Effective until May 31 of the following year. One discount coupon worth 500 yen will be issued for every purchase of 1,000 yen (excluding tax).

Shareholders as of September 30
who hold shares continuously for
a period of one year or longer

50% off on rentals
exercisable at media stores
**50% off for one year even on
hot new titles**

※Effective approximately for one year.
Discount may be given to the maximum
of 1 million yen.

Appendix

Balance sheets

	As of September 30, 2018	Composi- tion	As of March 31, 2018	Composi- tion	Amount of Increase/ decrease
(Millions of yen)					
Current assets	78,274	59.8%	84,566	61.6%	(6,292)
Cash and deposits	33,341		42,667		(9,326)
Merchandise	31,955		30,007		1,948
Non-current assets	52,603	40.2%	52,769	38.4%	(166)
Total property, plant and equipment	28,253		28,396		(142)
Intangible assets	1,470		1,443		26
Investments and other assets	22,878		22,929		(51)
Total assets	130,878	-	137,335	-	(6,457)
Current liabilities	30,594	23.4%	35,618	25.9%	(5,023)
Accounts payable-trade	10,643		12,316		(1,673)
Current portion of long-term loans payable	4,868		5,539		(671)
Non-current liabilities	30,207	23.1%	29,526	21.5%	681
Long-term loans payable	20,668		19,897		771
Total liabilities	60,802	46.5%	65,144	47.4%	(4,342)
Treasury shares	(0)		(525)		525
Total net assets	70,076	53.5%	72,191	52.6%	(2,115)
Total liabilities and net assets	130,878	-	137,335	-	(6,457)

(Millions of yen)	Fiscal year ending March 31, 2019		Fiscal year ended March 31, 2018			
	1Q Results	2Q Results	1Q Results	2Q Results	3Q Results	4Q Results
Net sales	64,425	68,148	61,407	74,735	85,082	78,037
(Change from the same period of the previous year)	104.9%	91.2%	101.1%	120.2%	113.4%	111.3%
Gross profit	29,093	30,360	27,848	30,486	31,897	29,352
(Change from the same period of the previous year)	104.5%	99.6%	101.9%	109.8%	108.6%	106.7%
(Gross profit ratio)	45.2%	44.6%	45.3%	40.8%	37.5%	37.6%
SG&A	25,368	26,763	24,811	26,059	26,375	27,667
(Change from the same period of the previous year)	102.2%	102.7%	99.4%	100.3%	99.5%	106.9%
Operating profit	3,724	3,596	3,036	4,426	5,521	1,684
(Change from the same period of the previous year)	122.7%	81.3%	128.0%	250.3%	192.0%	102.4%

Cash flow

		Six months ended September 30, 2018	Six months ended September 30, 2017	Amount of Increase/ decrease
(Millions of yen)				
	Depreciation	2,042	2,398	(355)
	Rental asset depreciation and amortization	3,183	3,622	(438)
	Impairment loss	49	593	(544)
	Purchase of rental asset	(2,649)	(2,692)	42
	Cash flow from operating activities subtotal	5,923	5,193	729
	Income taxes paid	(4,696)	(534)	(4,162)
	Net cash provided by (used in) operating activities	1,811	6,476	(4,665)
	Purchase of property, plant and equipment	(2,105)	(2,051)	(53)
	Net cash provided by (used in) investing activities	(3,007)	(1,928)	(1,078)
	Increase in short-term loans payable	10,100	10,400	(300)
	Decrease in short-term loans payable	(10,100)	(12,040)	1,940
	Proceeds from long-term loans payable	3,100	2,900	200
	Repayments of long-term loans payable	(3,000)	(3,425)	425
	Cash dividends paid	(812)	(819)	6
	Purchase of treasury shares	(6,308)	(525)	(5,783)
	Net cash provided by (used in) financing activities	(7,086)	(3,579)	(3,506)
	Net increase (decrease) in cash and cash equivalents	(8,282)	968	(9,251)
	Cash and cash equivalents at end of period	36,960	38,020	(1,060)
	Free cash flow (simple)	(1,196)	4,548	(5,744)

Sales based on merchandise (three months)

	Three months ended September 30, 2018 Results	Three months ended September 30, 2017 Results	Change	Amount of increase/decr ease
(Millions of yen)				
Reuse	25,071	23,821	105.2%	1,249
Media	13,260	13,696	96.8%	(436)
Non-media	11,810	10,124	116.7%	1,686
Rental	16,782	17,623	95.2%	(840)
New (media)	17,804	24,924	71.4%	(7,119)
Others	8,491	8,368	101.5%	123
Total	68,148	74,735	91.2%	(6,586)

Gross profit based on merchandise (three months)

(Millions of yen)	Three months ended September 30, 2018 Results	Three months ended September 30, 2017 Results	Change	Amount of increase/decrease
Reuse	13,872	13,064	106.2%	807
Media	5,781	5,847	98.9%	(66)
Non-media	8,091	7,217	112.1%	873
Rental	10,483	11,018	95.1%	(535)
New (media)	2,803	3,507	79.9%	(704)
Others	3,202	2,897	110.5%	305
Total	30,360	30,486	99.6%	(125)



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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