

Summary of Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2019 (Japan GAAP)

February 8, 2019

GEO HOLDINGS CORPORATION

Securities Code: 2681
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Scheduled date to submit quarterly report: February 12, 2019
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, 2018 to December 31, 2018)

(1) Consolidated operating results

(The percentages indicate the rates of increase or decrease from the same period of the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Nine months ended:	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
December 31, 2018	217,352	(1.8)	12,934	(0.4)	13,876	1.9	8,495	7.3
December 31, 2017	221,225	11.7	12,984	85.0	13,619	81.6	7,916	91.9

(Note) Comprehensive income: 8,395 million yen (increase of 6.2%) for nine months ended December 31, 2018
7,908 million yen (increase of 87.0%) for nine months ended December 31, 2017

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Nine months ended:		
December 31, 2018	188.01	187.16
December 31, 2017	165.04	164.26

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of December 31, 2018	138,645	72,791	52.3
As of March 31, 2018	137,335	72,191	52.4

(Reference) Shareholders' equity: As of December 31, 2018: 72,536 million yen
As of March 31, 2018: 71,991 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, 2018	-	17	-	17	34
Fiscal Year ending March 31, 2019	-	17			
Fiscal Year ending March 31, 2019 (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, 2019 (from April 1, 2018 to March 31, 2019)

(The percentages indicate the rates of increase or decrease from the same period of the previous year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	yen
Full-year	290,000	(3.1)	12,500	(14.8)	14,000	(8.2)	7,600	14.9	168.20

(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, 2018	43,878,688 shares
As of March 31, 2018	48,349,700 shares
 - 2) Number of treasury shares:

As of December 31, 2018	—
As of March 31, 2018	450,000 shares
 - 3) Average number of outstanding shares:

During nine months ended December 31, 2018	45,184,580 shares
During nine months ended December 31, 2017	47,964,726 shares

* This summary is not subject to the quarterly review procedures by certified public accountants or audit firms.

* 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, (3) Explanation on forward-looking information including consolidated earnings forecast” on page 3 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, 2018 to December 31, 2018)

The Group's sales for nine months ended December 31, 2018 fell from the same period of the previous year due to the continuously shrinking sales for rental merchandise and also in reaction to the expansion of sales for new model game device during the same period of the previous year. On the other hand, the reuse market continued to expand regardless of the penetration of the flea market applications and increasing transactions for businesses that operate only through the internet using smartphone applications, etc. and we are experiencing active buying and selling of reuse merchandise mainly in clothing and accessories. In addition, while active distribution of communication device such as used smartphones, etc. is increasingly drawing attention, we are committed to organize a communication device sales network such as for used smartphones, etc. by training our staff to gain knowledge regarding mobiles and by posting more of these trained staff at our stores to recommend mobile products to the customers that suit their needs and explain the fee structures such as for low cost SIM.

In developing stores, we opened 46 new "Second Street" stores (including franchise stores) that are general stores dealing with purchase and sale of reuse items such as clothing and accessories, and home appliances, which is 6 stores in excess of our original annual plan of 40 stores and we aim to further expand our share in the reuse market.

The Group's gross profit ratio improved and gross profit increased from the previous period, which was mainly attributable to growth in sales for reuse merchandise. Operating profit was the same level as the previous year due to continued efforts to promote efficient operation of our existing stores although SG&A increased due to personnel costs and rent, etc. for opening new stores.

During the first quarter, the Company received compensation for vacation of land and buildings owned by the Company accompanying urban redevelopment project, which gave rise to non-operating income, and thereby resulted in increase in ordinary profit and profit attributable to owners of parent.

As a result, for the Group's results for nine months ended December 31, 2018, sales resulted in 217,352 million yen (1.8% decrease from the same period of the previous year), operating profit resulted in 12,934 million yen (0.4% decrease from the same period of the previous year), ordinary profit resulted in 13,876 million yen (1.9% increase from the same period of the previous year), and profit attributable to owners of parent resulted in 8,495 million yen (7.3% increase from the same period of the previous year).

The number of our stores as of December 31, 2018 is 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	1,640	29	104	(4)	125	1	1,869	26
Media	1,049	(5)	104	(4)	73	(2)	1,226	(11)
GEO mobile (mobile dedicated stores)	17	0					17	0
Reuse	569	34			52	3	621	37
WAREHOUSE	11	1					11	1
Others	11	(1)					11	(1)

Notes:

1. The number of stores is counted based on each store name.
2. Media stores include stores that sell and purchase home game related items and rent DVDs 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 and accessories, etc. 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, 2018 resulted in 86,308 million yen which is an increase of 1,742 million yen from the previous fiscal year end. This increase is mainly due to an increase of 3,832 million yen in notes and accounts receivable-trade, 8,398 million yen in merchandise and 2,265 million yen in other while there was a decrease of 12,718 million yen in cash and deposits. The non-current assets resulted in 52,336 million yen which is a decrease of 432 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 387 million yen in investments and other assets.

As a result, the total assets as of December 31, 2018 resulted in 138,645 million yen which is an increase of 1,309 million yen from the previous fiscal year end.

[Liabilities]

The current liabilities as of December 31, 2018 resulted in 36,074 million yen which is an increase of 456 million yen from the previous fiscal year end. This increase is mainly due to an increase of 6,321 million yen in accounts payable-trade while there was a decrease of 1,490 million yen in current portion of long-term loans payable, 3,007 million yen in income taxes payable, and 959 million yen in provision for bonuses. Non-current liabilities resulted in 29,779 million yen which is an increase of 253 million yen from the previous fiscal year end. This is mainly due to an increase of 302 million yen in long-term loans payable.

As a result, total liabilities resulted in 65,853 million yen which is an increase of 709 million yen from the previous fiscal year end.

[Net assets]

The net assets as of December 31, 2018 resulted in 72,791 million yen which is an increase of 600 million yen from the previous fiscal year end. This increase is mainly due to 8,495 million yen in profit attributable to owners of parent, dividends of 1,560 million yen paid from retained earnings, and purchase of treasury shares for 6,308 million yen.

From the above, the equity ratio resulted in 52.3% (52.4% as of the previous fiscal year end).

(3) Explanation on forward-looking information including consolidated earnings forecast

There is no change to the consolidated earnings forecast for full year presented on November 9, 2018.

2. Consolidated Financial Statements for the Quarter
(1) Consolidated balance sheets

	(Millions of yen)	
	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	42,667	29,948
Notes and accounts receivable - trade	5,562	9,394
Merchandise	30,007	38,405
Other	6,384	8,649
Allowance for doubtful accounts	(55)	(90)
Total current assets	84,566	86,308
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,407	13,349
Other, net	15,988	14,965
Total property, plant and equipment	28,396	28,314
Intangible assets	1,443	1,480
Investments and other assets		
Lease and guarantee deposits	15,393	15,517
Other	8,419	8,011
Allowance for doubtful accounts	(883)	(986)
Total investments and other assets	22,929	22,541
Total non-current assets	52,769	52,336
Total assets	137,335	138,645
Liabilities		
Current liabilities		
Accounts payable - trade	12,316	18,638
Current portion of long-term loans payable	5,539	4,049
Income taxes payable	4,634	1,627
Provision for bonuses	2,085	1,126
Other	11,041	10,633
Total current liabilities	35,618	36,074
Non-current liabilities		
Long-term loans payable	19,897	20,200
Asset retirement obligations	6,201	6,299
Other	3,427	3,279
Total non-current liabilities	29,526	29,779
Total liabilities	65,144	65,853
Net assets		
Shareholders' equity		
Capital stock	8,933	8,942
Capital surplus	3,345	3,355
Retained earnings	59,984	60,085
Treasury shares	(525)	(0)
Total shareholders' equity	71,738	72,383
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	262	154
Deferred gains or losses on hedges	(8)	(7)
Foreign currency translation adjustment	-	6
Total accumulated other comprehensive income	253	153
Share acquisition rights	200	255
Total net assets	72,191	72,791
Total liabilities and net assets	137,335	138,645

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

Income statement

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Net sales	221,225	217,352
Cost of sales	130,993	125,532
Gross profit	90,231	91,819
Selling, general and administrative expenses	77,247	78,885
Operating profit	12,984	12,934
Non-operating income		
Real estate rent	942	544
Compensation income	-	654
Other	646	441
Total non-operating income	1,588	1,639
Non-operating expenses		
Rent expenses on real estates	719	322
Provision of allowance for doubtful accounts	-	142
Other	234	232
Total non-operating expenses	953	697
Ordinary profit	13,619	13,876
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	-	92
Impairment loss	781	64
Total extraordinary losses	781	156
Profit before income taxes	12,837	13,719
Income taxes - current	4,250	4,584
Income taxes - deferred	670	639
Total income taxes	4,921	5,224
Profit	7,916	8,495
Profit attributable to owners of parent	7,916	8,495

Statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	7,916	8,495
Other comprehensive income		
Valuation difference on available-for-sale securities	(10)	(107)
Deferred gains or losses on hedges	2	1
Foreign currency translation adjustment	-	6
Total other comprehensive income	(8)	(99)
Comprehensive income	7,908	8,395
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	7,908	8,395

(3) Notes on consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

The Company acquired 4,039,012 treasury shares through tender offer pursuant to the resolution of its board of directors meeting held on May 10, 2018 and cancelled 4,489,012 treasury shares on August 31, 2018 pursuant to the resolution of its board of directors meeting held on July 27, 2018. As a result, retained earnings increased by 100 million yen and treasury shares decreased by 525 million yen for the nine months ended December 31, 2018, and as of December 31, 2018, retained earnings were 60,085 million and treasury shares were 0 million yen.

(Segment information)

【Segment information】

For the nine months ended December 31, 2017 (consolidated) and the nine months ended December 31, 2018 (consolidated):

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