



Supplementary Materials on Financial Results for the
Third Quarter of the Fiscal Year Ending March 31, 2019

GEO HOLDINGS CORPORATION (2681)

February 8, 2019



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Summary

Consolidated results for nine months ended December 31, 2018

- Gross profit increased from growth in sales for reuse merchandise
- Strong sales for the busy year-end shopping season
- Continuous control of SG&A through promoting operational efficiency

Efforts

- Strong sales for existing reuse stores
- New stores were opened as scheduled
- Sales involving EC grew

Consolidated Results for Nine Months Ended December 31, 2018

1

Operating profit was the same level as the same period of the previous year although sales declined from the same period

- Consolidated income statement for nine months ended December 31, 2018

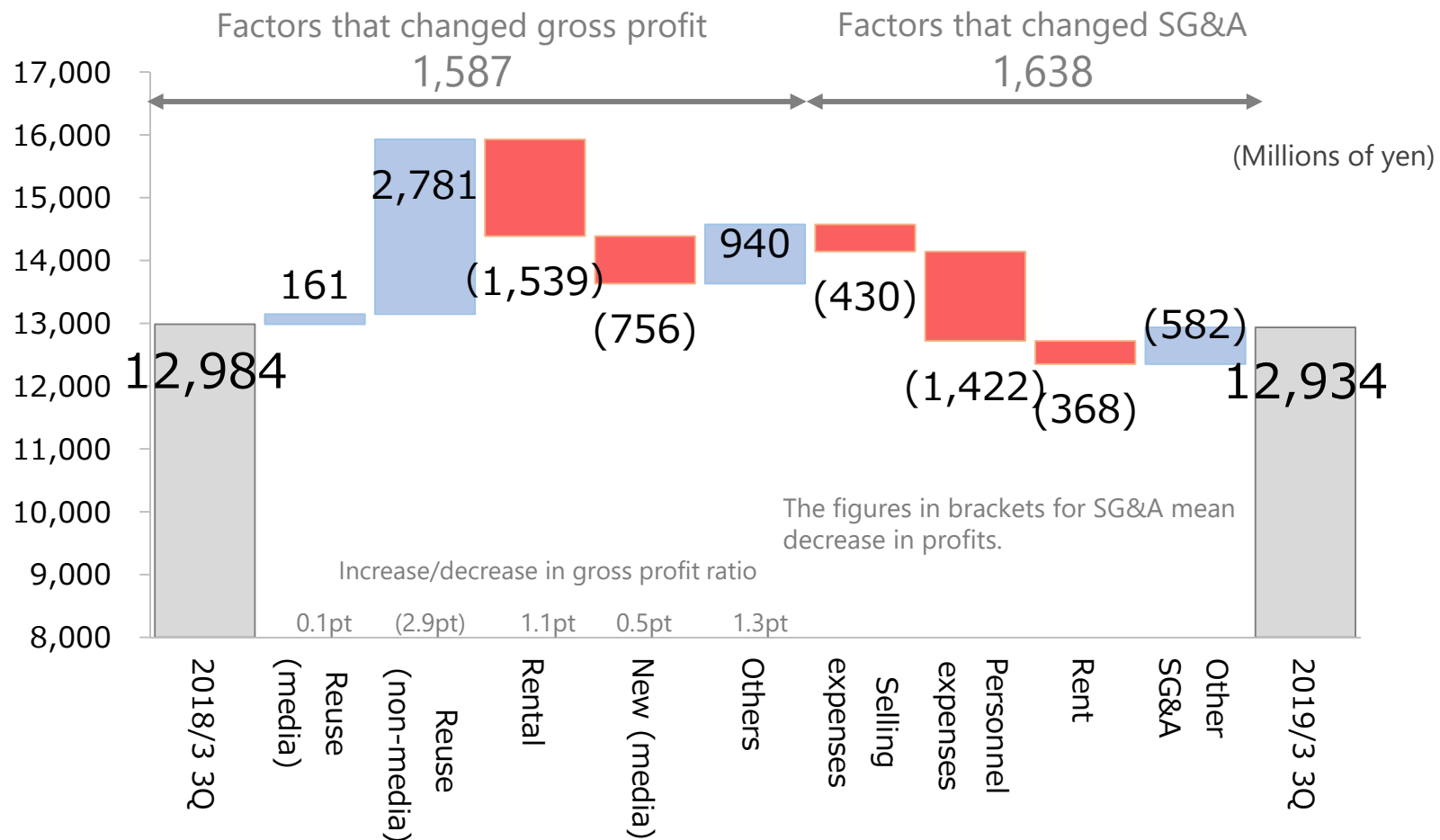
Gross profit exceeded from the same period of the previous year due to growth in sales for reuse merchandise although sales were 98.2% compared to the same period of the previous year which was the period that experienced expanded sales from the launch of the new model game device, etc. Operating profit was the same level as the previous year due to effective efforts of the existing stores to control SG&A although investments were made to open new stores.

(Millions of yen)	Nine months ended December 31, 2018 Results	Nine months ended December 31, 2017 Results	Change
Net sales	217,352	221,225	98.2%
Gross profit	91,819	90,231	101.8%
(Gross profit ratio)	42.2%	40.8%	
SG&A	78,885	77,247	102.1%
Operating profit	12,934	12,984	99.6%
(Operating profit ratio)	6.0%	5.9%	
Ordinary profit	13,876	13,619	101.9%
Profit	8,495	7,916	107.3%

1

Sales for reuse merchandise grew solidly

Gross profit reached record high led mainly by solid growth in sales for reuse merchandise. However, operating profit was the same level as the same period of the previous year due to increased personnel expenses and rent from opening new stores.



1

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	1,587	101.8%	Attributable to increased sales for reuse merchandise.
Total SG&A	1,638	102.1%	
Selling expenses	430	106.3%	Expenses increased due to activities to promote sales and purchase and from increased sales including sales involving EC.
Personnel expenses	1,422	103.7%	Personnel expenses increased accompanying opening of new stores.
Rent	368	102.3%	The number of directly managed stores increased by 29 stores.
Other expenses	(582)	96.4%	Introduction of LED is nearly completed, and expenses decreased from lesser utility expenses.
Operating profit	(50)	99.6%	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

2

Sales for reuse merchandise were solid although sales for rental and new (media) merchandise were soft

- Sales based on merchandise (nine months)

Sales for new (media) merchandise continued to struggle resulting in a decrease by 11.0 points because the same period of the previous year experienced expanded sales for new model game device, etc. While sales for rental merchandise continued to fall, sales for reuse merchandise grew solidly and total sales in merchandise resulted in 98.2% compared to the same period of the previous year.

(Millions of yen)	Nine months ended December 31, 2018 Results	Nine months ended December 31, 2017 Results	Change	Amount of increase/ decrease
Reuse	79,429	73,668	107.8%	5,760
Media	40,190	39,899	100.7%	291
Non-media	39,238	33,769	116.2%	5,469
Rental	47,421	50,814	93.3%	(3,393)
New (media)	64,781	72,785	89.0%	(8,004)
Others	25,720	23,956	107.4%	1,764
Total	217,352	221,225	98.2%	(3,873)

2

In composition, reuse merchandise increased by 2.4 points from the same period of the previous year

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

The decline in sales for new (media) merchandise had small impact on profits, and despite of the continuous shrinking sales for rental merchandise, gross profit was 101.8% compared to the same period of the previous year due to growth in sales for reuse merchandise. In composition of gross profit, reuse merchandise increased by 2.4 points from the same period of the previous year.

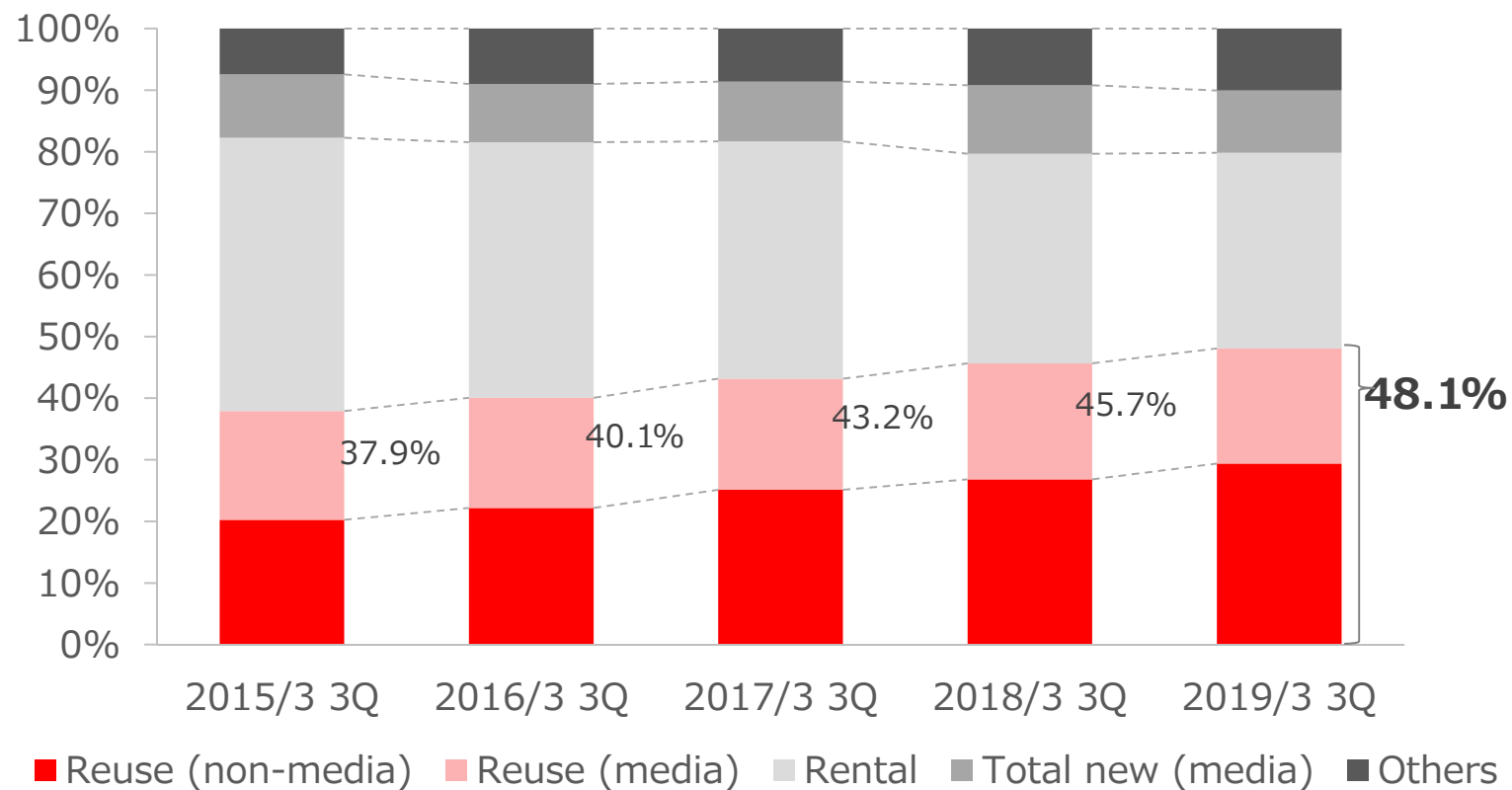
(Millions of yen)	Nine months ended December 31, 2018 Results	Nine months ended December 31, 2017 Results	Change	Amount of increase/ decrease
Reuse	44,135	41,192	107.1%	2,943
Media	17,152	16,990	101.0%	161
Non-media	26,983	24,201	111.5%	2,781
Rental	29,164	30,703	95.0%	(1,539)
New (media)	9,281	10,037	92.5%	(756)
Others	9,238	8,297	111.3%	940
Total	91,819	90,231	101.8%	1,587

2

Change in the Group's gross profit (composition)

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

The composition of reuse merchandise is increasing every year and it has reached 48.1%.



GEO Group's Major Efforts

■ GEO Group's major efforts

Deep focus on the reuse market

Develop new business and merchandise by exploiting the media shop's ability to attract customers and maximize profitability for the media business

Realize comfortable and seamless retailing service

Create growth opportunities by diversifying business

Acquire human resources and invest in training

Our stores: To be more closer to our customers

Total number of stores for the Group: 1,869

	As of December 31, 2018	As of March 31, 2018	Increase/ decrease
GEO group's stores and facilities	1,869	1,843	26
Retail service stores	1,858	1,833	25
 GEO shops	1,209	1,220	(11)
Directly managed stores	1,032	1,037	(5)
Distributors and franchise stores	177	183	(6)
 GEO mobile shop	17	17	0
 Second Street Jumble Store	621	584	37
Directly managed stores	569	535	34
Franchise stores	52	49	3
Others	11	12	(1)
 Amusement facilities	11	10	1

※ Including Super Second Street and buying-only stores



Second Street
Higashi Osaka Houji Store
(Higashi Osaka-shi, Osaka)



Second Street/GEO Moriyama Kikko Store
(Nagoya-shi, Aichi Prefecture)

3

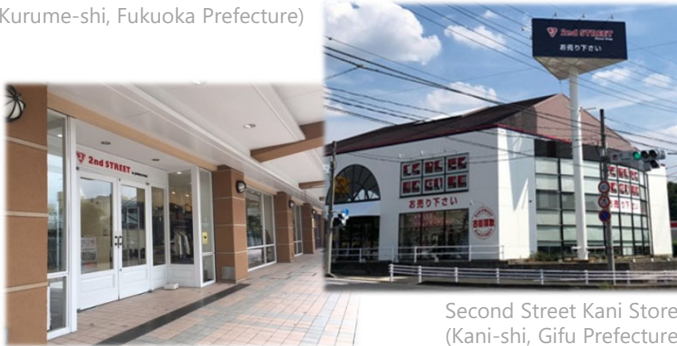
Plans for new stores (reuse stores)

We originally planned to open 40 new stores during the year ending in March 2019 but we consequently opened 46 new stores as of December 2019 (a total net increase of 37 stores).

We aim to have a total of 800 reuse stores by the end of March 2023 which shall include stores not only in Japan but also abroad.



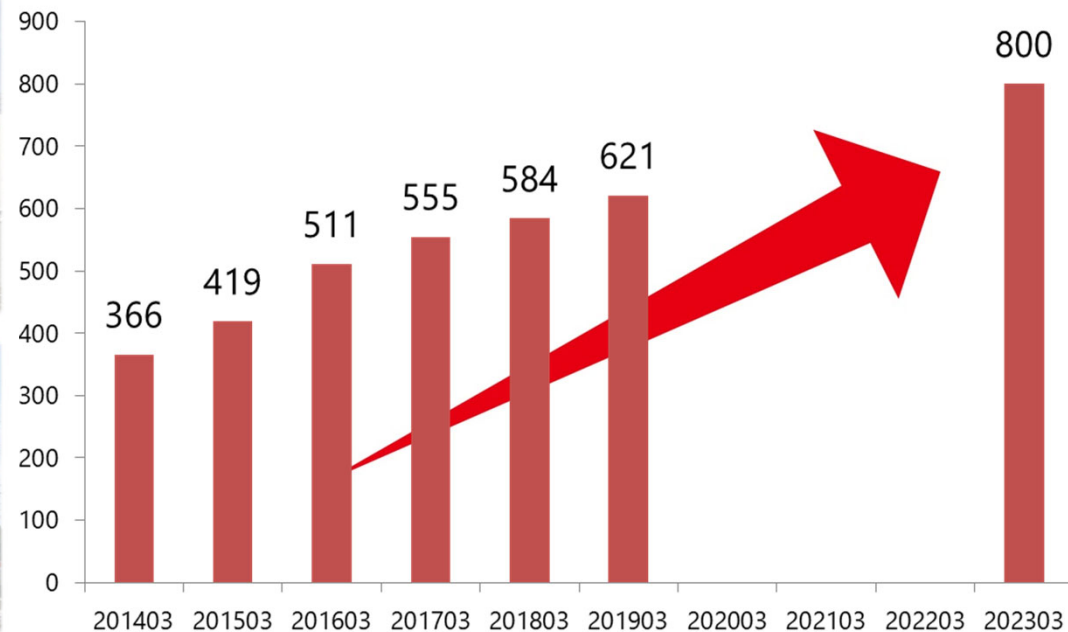
Second Street Kurume Aikawa Store
(Kurume-shi, Fukuoka Prefecture)



Second Street Kani Store
(Kani-shi, Gifu Prefecture)

Second Street Aobadai Tokyo Square Store
(Aoba-ku, Yokohama-shi, Kanagawa Prefecture)

Unit: Number of stores



3

Annual change in sales for existing stores compared with previous year (3 months moving average)

Sales for reuse stores continued to exceed the sales of the previous year.

Sales for media stores remained soft because the same period of the previous year experienced expanded sales for new model game devices.

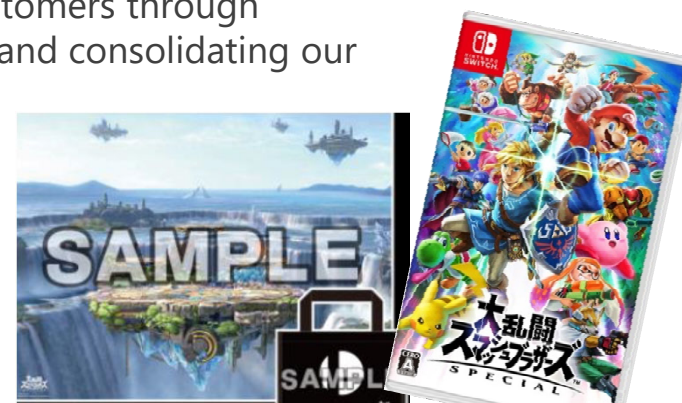
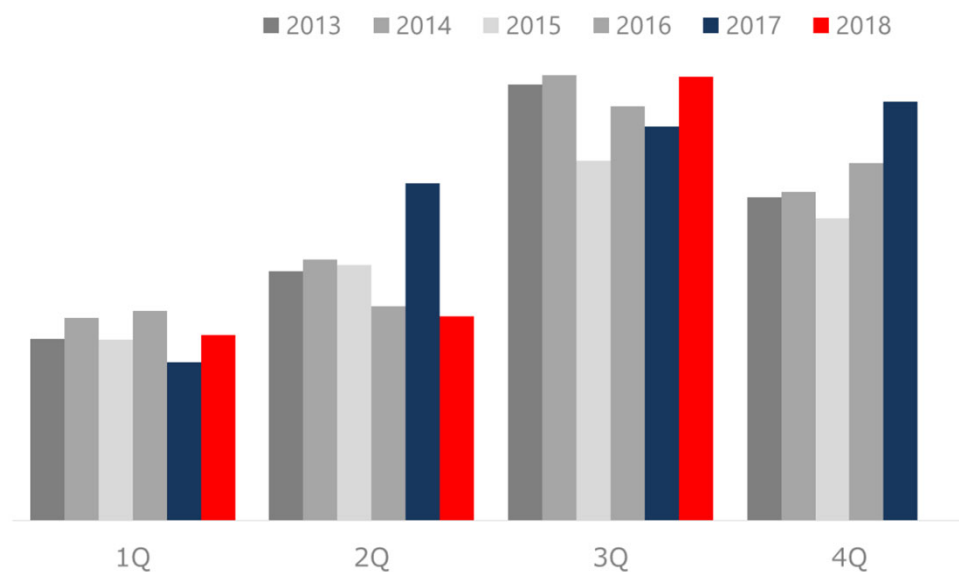


3

Maximize profitability for the media business

While sales for new (media) merchandise remain sluggish, the sales for game software for this quarter were led mainly by the titles launched in December. At GEO shops, we will create an environment to attract more customers to also popular titles for new game software, etc. by becoming stores that are close to customers through organizing and maintaining our store network by relocating and consolidating our stores.

Changes in sales for new game software (Image chart on sales results)



※GEO's limited Super Smash Bros. SPECIAL
Original "Battle field" plastic picnic sheet



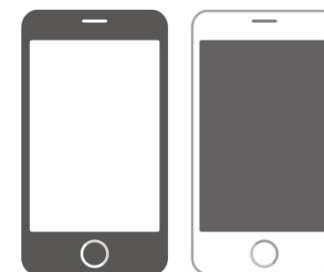
c 2018 Nintendo
Original Game: c Nintendo / HAL Laboratory, Inc.
Characters: c Nintendo / HAL Laboratory, Inc. / Pokemon. / Creatures Inc.
/ GAME FREAK inc. / SHIGESATO ITOI / APE inc. / INTELLIGENT SYSTEMS / Konami Digital Entertainment /
SEGA / CAPCOM CO., LTD. / BANDAI NAMCO Entertainment Inc. / MONOLITHSOFT / CAPCOM U.S.A., INC.
/ SQUARE ENIX CO., LTD.

3

Boost sales for used mobile (smartphones and tablets)

We provide at our store network (mainly at GEO shops and GEO mobile) and through our EC site used mobiles that will increasingly become more popular in the future.

We aim to become the leader in the used mobile market by providing professional training to our staff and by increasing locations stationed with our professional staff.



■ Highly professionalized sales

Professional staff (number of staff)

300 460

As of December 2017 As of December 2018

Number of locations stationed with
our professional staff
(number of stores)

77 125

As of December 2017 As of December 2018

Sales compared with the
previous period
(nine months)

121.4%

※Professional staff means the Company's employees who met the Company's standards by acquiring knowledge in mobile devices and who could introduce mobile products that suit the customers' needs and explain the fee structures such as for low cost SIM.



3

Sales involving EC

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



(Millions of yen)	Nine months ended December 31, 2018 Results	Nine months ended December 31, 2017 Results	Change
Sales involving EC	7,515	5,283	142.3%
Number of items sold involving EC	1,679,448	1,215,423	138.2%

Challenges to provide seamless retail services

Started
on 12/10



We entered the business of selling drugs and cosmetics through EC.

"GEO Drug" deals in over 1,300 kinds of products ranging from health food products such as supplements, cosmetics, and hygiene products such as masks and adhesive plasters. This service targets users who have difficulty in shopping in-store because of their daily schedule that do not allow them to shop in-store during store hours.



GEO Sugu: Immediate cashing application

In the business of buying used goods, there are increasingly more demand for "quick appraisal" and "quick payment." GEO commenced this service to respond to the needs of users who want quicker appraisals without tedious procedures or taking time, want to receive quicker payment or do not have time to visit stores to sell.

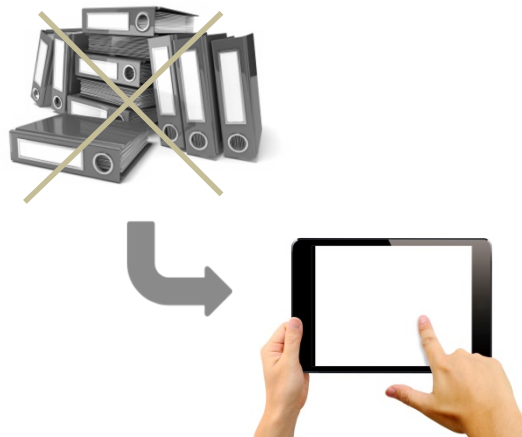
Started
on 8/27

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 December 31, 2018, 1,488 of our stores had LED and we are giving ongoing consideration to the environment. We will continue to proactively introduce LED in our stores, reduce paper by digitalizing, and aim to become a clean company that is friendly to the environment.



LED introduced in
1,488 stores



Tablets introduced in
all stores to promote
paperless



Over 2,000 units of
self-checkout
terminals introduced

(As of December 31, 2018)

Appendix

4

Balance sheets

	As of December 31, 2018	Composition	As of March 31, 2018	Composition	Amount of Increase/decrease
(Millions of yen)					
Current assets	86,308	62.3%	84,566	61.6%	1,742
Cash and deposits	29,948		42,667		(12,718)
Merchandise	38,405		30,007		8,398
Non-current assets	52,336	37.7%	52,769	38.4%	(432)
Property, plant and equipment	28,314		28,396		(81)
Intangible assets	1,480		1,443		36
Investments and other assets	22,541		22,929		(387)
Total assets	138,645	-	137,335	-	1,309
Current liabilities	36,074	26.0%	35,618	25.9%	456
Accounts payable - trade	18,638		12,316		6,321
Current portion of long-term loans payable	4,049		5,539		(1,490)
Non-current liabilities	29,779	21.5%	29,526	21.5%	253
Long-term loans payable	20,200		19,897		302
Total liabilities	65,853	47.5%	65,144	47.4%	709
Treasury shares	0		(525)		525
Total net assets	72,791	52.5%	72,191	52.6%	600
Total liabilities and net assets	138,645	-	137,335	-	1,309

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Income statement

	Fiscal year ending March 31, 2019			Fiscal year ended March 31, 2018			
	1 Q	2 Q	3 Q	1 Q	2 Q	3 Q	4 Q
(Millions of yen)	Results	Results	Results	Results	Results	Results	Results
Net sales	64,425	68,148	84,778	61,407	74,735	85,082	78,037
(Change from the same period of the previous year)	104.9%	91.2%	99.6%	101.1%	120.2%	113.4%	111.3%
Gross profit	29,093	30,360	32,365	27,848	30,486	31,897	29,352
(Change from the same period of the previous year)	104.5%	99.6%	101.5%	101.9%	109.8%	108.6%	106.7%
(Gross profit ratio)	45.2%	44.6%	38.2%	45.3%	40.8%	37.5%	37.6%
SG&A	25,368	26,763	26,753	24,811	26,059	26,375	27,667
(Change from the same period of the previous year)	102.2%	102.7%	101.4%	99.4%	100.3%	99.5%	106.9%
Operating profit	3,724	3,596	5,612	3,036	4,426	5,521	1,684
(Change from the same period of the previous year)	122.7%	81.3%	101.6%	128.0%	250.3%	192.0%	102.4%

4

Sales based on merchandise (three months)

(Millions of yen)	FY 3/31/2019 1Q Results	FY 3/31/2019 2Q Results	FY 3/31/2019 3Q Results	FY 3/31/2018 1Q Results	FY 3/31/2018 2Q Results	FY 3/31/2018 3Q Results	FY 3/31/2018 4Q Results
Reuse	25,421	25,071	28,936	22,731	23,821	27,115	25,747
Media	13,278	13,260	13,651	12,317	13,696	13,885	14,440
Non-media	12,142	11,810	15,284	10,414	10,124	13,230	11,306
Rental	15,508	16,782	15,130	16,459	17,623	16,732	15,829
New (media)	15,575	17,804	31,401	15,493	24,924	32,368	28,400
Others	7,922	8,491	9,310	6,725	8,368	8,867	8,062
Total	64,425	68,148	84,778	61,407	74,735	85,082	78,037

4

Gross profit based on merchandise (three months)

	FY 3/31/2019		FY 3/31/2019		FY 3/31/2019		FY 3/31/2018		FY 3/31/2018		FY 3/31/2018		FY 3/31/2018	
(Millions of yen)	1Q	Results	2Q	Results	3Q	Results	1Q	Results	2Q	Results	3Q	Results	4Q	Results
Reuse		14,198		13,872		16,064		12,964		13,064		15,163		13,932
Media		5,556		5,781		5,814		5,323		5,847		5,819		6,074
Non-media		8,641		8,091		10,250		7,640		7,217		9,344		7,858
Rental		9,420		10,483		9,260		9,802		11,018		9,882		9,332
New (media)		2,462		2,803		4,014		2,443		3,507		4,085		3,502
Others		3,014		3,202		3,025		2,640		2,897		2,767		2,586
Total		29,093		30,360		32,365		27,848		30,486		31,897		29,352
Gross profit ratio		45.2%		44.6%		38.2%		45.3%		40.8%		37.5%		37.6%



Notice concerning forward-looking statements

All indications made in this document including those regarding future 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.

Contact information

GEO Holdings Corporation
Corporate Planning Department
TEL : 052-350-5711
FAX : 052-350-5701
Email : info@geonet.co.jp