

# Summary of Financial Statements for the Fiscal Year Ended March 31, 2019 (Japan GAAP)

May 10, 2019

## GEO HOLDINGS CORPORATION

Securities Code: 2681

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Scheduled date of the Annual General Shareholders Meeting: June 25, 2019

Scheduled date to submit annual securities report: June 26, 2019

Scheduled date to start dividend payment: June 26, 2019

Supplementary material on financial results: Yes

Briefing on this annual financial results : Yes (to analysts and institutional investors)

(Amounts less than million yen are discarded.)

## 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

### (1) Consolidated operating results

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

|                    | Net sales         |       | Operating profit  |      | Ordinary profit   |      | Profit attributable to owners of parent |      |
|--------------------|-------------------|-------|-------------------|------|-------------------|------|-----------------------------------------|------|
| Fiscal Year ended: | (Millions of yen) | %     | (Millions of yen) | %    | (Millions of yen) | %    | (Millions of yen)                       | %    |
| March 31, 2019     | 292,560           | (2.2) | 15,668            | 6.8  | 17,632            | 15.6 | 10,301                                  | 55.7 |
| March 31, 2018     | 299,262           | 11.6  | 14,668            | 69.3 | 15,248            | 68.7 | 6,614                                   | 56.6 |

(Note) Comprehensive income: 10,191 million yen (increase of 53.6%) for fiscal year ended March 31, 2019  
6,636 million yen (increase of 54.2%) for fiscal year ended March 31, 2018

|                    | Earnings per share (yen) | Fully diluted earnings per share (yen) | Return on equity (%) | Ratio of ordinary profit to total assets (%) | Ratio of operating profit to net sales (%) |
|--------------------|--------------------------|----------------------------------------|----------------------|----------------------------------------------|--------------------------------------------|
| Fiscal Year ended: |                          |                                        |                      |                                              |                                            |
| March 31, 2019     | 229.62                   | 228.62                                 | 13.9                 | 12.9                                         | 5.4                                        |
| March 31, 2018     | 137.96                   | 137.25                                 | 9.2                  | 11.1                                         | 4.9                                        |

(Reference) Equity in net income of affiliates: 13 million yen for fiscal year ended March 31, 2019  
17 million yen for fiscal year ended March 31, 2018

### (2) Consolidated financial position

|                      | Total assets      | Net assets        | Shareholders' equity ratio | Book value per share |
|----------------------|-------------------|-------------------|----------------------------|----------------------|
|                      | (Millions of yen) | (Millions of yen) | %                          | (yen)                |
| As of March 31, 2019 | 136,590           | 74,609            | 54.4                       | 1,693.99             |
| As of March 31, 2018 | 137,335           | 72,191            | 52.4                       | 1,502.96             |

(Reference) Shareholders' equity: As of March 31, 2019: 74,336 million yen  
As of March 31, 2018: 71,991 million yen

### (3) Consolidated statement of cash flow

|                    | Cash flow from operating activities | Cash flow from investing activities | Cash flow from financing activities | Cash and cash equivalents at end of period |
|--------------------|-------------------------------------|-------------------------------------|-------------------------------------|--------------------------------------------|
|                    | (Millions of yen)                   | (Millions of yen)                   | (Millions of yen)                   | (Millions of yen)                          |
| Fiscal Year ended: |                                     |                                     |                                     |                                            |
| March 31, 2019     | 7,903                               | (6,318)                             | (8,052)                             | 38,774                                     |
| March 31, 2018     | 16,345                              | (2,969)                             | (5,253)                             | 45,175                                     |

## 2. Dividends

|                                              | Dividend per share (yen) |                 |                 |          |        | Total dividend paid | Dividend payout ratio (consolidated) | Ratio of dividends to shareholders' equity |
|----------------------------------------------|--------------------------|-----------------|-----------------|----------|--------|---------------------|--------------------------------------|--------------------------------------------|
| (Record dates)                               | 1st quarter end          | 2nd quarter end | 3rd quarter end | Year-end | Annual | (Millions of yen)   | %                                    | %                                          |
| Fiscal Year ended March 31, 2018             | -                        | 17              | -               | 17       | 34     | 1,627               | 24.6                                 | 2.3                                        |
| Fiscal Year ended March 31, 2019             | -                        | 17              | -               | 17       | 34     | 1,491               | 14.8                                 | 2.1                                        |
| Fiscal Year ending March 31, 2020 (Forecast) | -                        | 17              | -               | 17       | 34     |                     | 29.1                                 |                                            |

## 3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

(The percentages indicate the rates of increase or decrease from the previous year for full year, and from the same period of the previous year for quarter.)

|           | 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 | 310,000           | 6.0 | 10,000            | (36.2) | 10,500            | (40.5) | 5,250                                   | (49.0) | 117.02             |

### Notes

- (1) Changes in important subsidiaries during the fiscal year ended March 31, 2019 (changes in Specified Subsidiaries accompanying a change in the scope of consolidation): None
- (2) 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
- (3) Number of shares outstanding (common stock)
  - 1) Number of shares outstanding (including treasury stock):
 

|                      |                   |
|----------------------|-------------------|
| As of March 31, 2019 | 43,882,588 shares |
| As of March 31, 2018 | 48,349,700 shares |
  - 2) Number of treasury shares:
 

|                      |                |
|----------------------|----------------|
| As of March 31, 2019 | 36 shares      |
| As of March 31, 2018 | 450,000 shares |
  - 3) Average number of outstanding shares:
 

|                                             |                   |
|---------------------------------------------|-------------------|
| During the fiscal year ended March 31, 2019 | 44,862,703 shares |
| During the fiscal year ended March 31, 2018 | 47,944,280 shares |

(Reference) Unconsolidated Results for the Fiscal Year Ended March 31, 2019  
(from April 1, 2018 to March 31, 2019)

(1) Unconsolidated operating results

(The percentages indicate the rate of increase or decrease from the previous year.)

|                    | Net sales         |       | Operating profit  |     | Ordinary profit   |       | Profit            |   |
|--------------------|-------------------|-------|-------------------|-----|-------------------|-------|-------------------|---|
| Fiscal Year ended: | (Millions of yen) | %     | (Millions of yen) | %   | (Millions of yen) | %     | (Millions of yen) | % |
| March 31, 2019     | 8,086             | (0.1) | 1,217             | 5.9 | 1,984             | 125.1 | 1,298             | - |
| March 31, 2018     | 8,096             | 17.2  | 1,150             | 3.1 | 881               | (9.3) | (386)             | - |

|                    | Earnings per share<br>(yen) | Fully diluted<br>earnings per share<br>(yen) |
|--------------------|-----------------------------|----------------------------------------------|
| Fiscal Year Ended: |                             |                                              |
| March 31, 2019     | 28.94                       | 28.81                                        |
| March 31, 2018     | (8.06)                      | -                                            |

(2) Unconsolidated financial position

|                      | Total assets      | Net assets        | Shareholders' equity<br>ratio | Shareholders' equity<br>per share |
|----------------------|-------------------|-------------------|-------------------------------|-----------------------------------|
|                      | (Millions of yen) | (Millions of yen) | %                             | (yen)                             |
| As of March 31, 2019 | 69,001            | 27,415            | 39.3                          | 618.53                            |
| As of March 31, 2018 | 75,952            | 34,003            | 44.5                          | 705.70                            |

(Reference) Shareholders' equity: As of March 31, 2019 27,142 million yen  
As of March 31, 2018 33,803 million yen

\*This summary is not subject to the audit procedures by a certified public accountant or audit corporation.

\*Explanation regarding appropriate use of financial forecasts and other special remarks

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 the Company will achieve those targets. Actual results may differ significantly from these forecasts due to various factors. Please see "1. Overview of Results of Operations, etc.," "(1) Overview of Operating Results" on page 2 of the Attachments for the basis of forecasts and notes on reliance on forecasts.

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# 1. Overview of Results of Operations, etc.

## (1) Overview of Operating Results

### (i) Results for the current fiscal year

According to the market report concerning electronic commerce published by Ministry of Economy, Trade and Industry, the reuse market (excluding automobiles and motorcycles, and B to B, etc.) has been steadily expanding, with the approximate market scale of 1,880 billion yen in 2016, and 2,100 billion yen in 2017. On the other hand, the downward trend still continues for the video rental market using store outlets, the Group's founding business, and in regard to the home game market, demand for the previous year's hit new model game device has settled down.

In such an environment, our group focused on expanding our sales network and market share through brick-and-mortar stores, and developing infrastructure for providing seamless services such as concurrent selling with EC, through attempts to adapting to the changing environment with our policy to "offer joy to everyday life."

As a result, sales for the current fiscal year resulted in 292,560 million yen (2.2% decrease from the previous fiscal year) although we focused on covering the decline in sales for media stores with contribution from reuse stores whose annual average of monthly sales for existing stores were 108.7% compared to the previous year. In profits, operating profit resulted in 15,668 million yen (6.8% increase from the previous fiscal year), from the effect of reviewing SG&A in parallel with investing in the installment of additional self-checkout terminals in media stores, ordinary profit resulted in 17,632 million yen (15.6% increase from the previous fiscal year) due to the receipt of compensation for urban redevelopment project within Sapporo-shi and insurance related to natural disasters and such, and profit attributable to owners of parent resulted in 10,301 million yen (55.7% increase from the previous fiscal year).

The results for major merchandise are as follows.

|             |           | Fiscal Year ended<br>March 31, 2019<br>(Millions of yen) | Increase from the<br>previous fiscal year (%) |
|-------------|-----------|----------------------------------------------------------|-----------------------------------------------|
| Rental      |           | 62,288                                                   | 93.5%                                         |
| Reuse goods | Media     | 54,173                                                   | 99.7%                                         |
|             | Non-media | 52,493                                                   | 116.5%                                        |
| New (media) |           | 89,218                                                   | 88.2%                                         |

The group's stores and facilities as at the end of the current fiscal year are as follows.

|                                                 | Directly managed stores |                                                       | Distributors |                                                       | Franchise stores |                                                       | Total |                                                       |
|-------------------------------------------------|-------------------------|-------------------------------------------------------|--------------|-------------------------------------------------------|------------------|-------------------------------------------------------|-------|-------------------------------------------------------|
|                                                 |                         | Increase (decrease) from the previous fiscal year end |              | Increase (decrease) from the previous fiscal year end |                  | Increase (decrease) from the previous fiscal year end |       | Increase (decrease) from the previous fiscal year end |
| Total number of GEO group stores and facilities | 1,649                   | 38                                                    | 105          | (3)                                                   | 124              | 0                                                     | 1,878 | 35                                                    |
| Media                                           | 1,043                   | (11)                                                  | 105          | (3)                                                   | 72               | (3)                                                   | 1,220 | (17)                                                  |
| GEO mobile (mobile dedicated stores )           | 17                      | 0                                                     |              |                                                       |                  |                                                       | 17    | 0                                                     |
| Reuse                                           | 578                     | 43                                                    |              |                                                       | 52               | 3                                                     | 630   | 46                                                    |
| Warehouse                                       | 12                      | 2                                                     |              |                                                       |                  |                                                       | 12    | 2                                                     |
| Others                                          | 16                      | 4                                                     |              |                                                       |                  |                                                       | 16    | 4                                                     |

Notes:

1. The numbers of stores are counted based on each store name.
2. The stores that rent DVDs and sell and purchase home game related items are counted as media stores (store names: GEO, GEO mobile).
3. GEO mobile means mobile store that does not operate within a media store.
4. The stores that sell and purchase clothing and accessories, etc. are counted as reuse stores (store names: Second Street, Super Second Street, 2nd Outdoor, Jumble Store, etc.).

(ii) Future forecast

In the operating environment of the group, the shrinking trends for rental merchandise are expected to continue, and it is necessary to take action. As forecast for the next fiscal year, we anticipate reduced profit due to continuous investment in reuse and new retail format and exploring new products in the aim of achieving growth over the long term, while continuing to open new stores for GEO mobile in media business, and Second Street in reuse business, in order to secure sales. Specifically, in addition to continuing to open new reuse stores that sell clothing and accessories as the core merchandise and demonstrate growing sales, we will proactively focus on stores that specialize in luxury brands and stores that only purchase merchandise which we have not been able to gain a sufficient foothold. Moreover, we will invest in e-commerce including strengthening logistics and we will create a seamless environment for sale and purchase and rental in order to enhance convenience for customers.

From the above, as forecast for consolidated results for fiscal year ending March 31, 2020, we project sales of 310,000 million yen (6.0% increase from the previous fiscal year), operating profit of 10,000 million yen (36.2% decrease from the previous fiscal year), ordinary profit of 10,500 million yen (40.5% decrease from the previous fiscal year), and profit attributable to owners of parent of 5,250 million yen (49.0% decrease from the previous fiscal year)

## (2) Overview of consolidated financial position

### [Cash Flows]

Cash and cash equivalents (“cash”) at the end of the current fiscal year decreased by 6,401 million yen from the end of the previous fiscal year and resulted in 38,774 million yen.

The situations of each cash flow and their major factors for the current fiscal year are as follows.

#### (Cash flows from operating activities)

As a result of operating activities, cash increased 7,903 million yen (where this increased 16,345 million yen in the previous fiscal year).

The major factors for this increase were an increase of inventory of 4,916 million yen, purchase of rental assets of 5,881 million yen, and income taxes paid of 7,555 million yen while there were profit before income taxes of 16,680 million yen and rental assets depreciation of 6,152 million yen.

#### (Cash flows from investing activities)

As a result of investing activities, cash decreased 6,318 million yen (where this decreased 2,969 million yen in the previous fiscal year).

The major factor for this decrease was expenditures of 4,184 million yen from purchasing property, plant and equipment.

#### (Cash flows from financing activities)

As a result of financing activities, cash decreased 8,052 million yen (where this decreased 5,253 million yen in the previous fiscal year).

The major factors for this decrease were payments of cash dividend of 1,565 million yen, and expenditures of 6,308 million yen from purchasing treasury stocks.

## (3) Basic policy in distributing profits and dividends for the current and next fiscal year

One of the Company’s top management priorities is to return profit to shareholders. For this purpose, the Company will continue to endeavor to establish a sound managerial base and improve profitability. The Company’s policy is to pay dividends that reflect the performance and the Company currently pays dividends twice a year at interim and year-end as dividend of surplus.

The dividend of surplus is decided by the shareholders meeting for the year-end dividend and by the board of directors for the interim dividend.

Pursuant to the above basic policy, an interim dividend of 17 yen per share was paid and an year-end dividend of 17 yen is scheduled to be paid.

The Company paid dividends as follows over the recent five (5) years.

|          | Fiscal Year ended |                |                |                |                |
|----------|-------------------|----------------|----------------|----------------|----------------|
|          | March 31, 2015    | March 31, 2016 | March 31, 2017 | March 31, 2018 | March 31, 2019 |
| Interim  | 16                | 16             | 17             | 17             | 17             |
| Year-end | 16                | 17             | 17             | 17             | 17             |
| Total    | 32                | 33             | 34             | 34             | 34             |

(per share in yen)

In accordance with the above policy, the Company is scheduled to pay an interim dividend of 17 yen per share and a year-end dividend of 17 yen per share which results in an annual dividend of 34 yen per share for the fiscal year ending March 31, 2020.

## 2. The GEO Group Companies

The GEO group is comprised of the GEO HOLDINGS CORPORATION, 21 subsidiaries, and an affiliate. The group mainly operates stores that rent, purchase and sell used goods, and sell new goods of mainly packaged software to the general public (the “media shop”), stores that sell and purchase used clothes, variety goods and home electronics and others (the “reuse shop”), and amusement facilities.

In addition, the group is also advancing into the wholesale business of these merchandise, and operation of on-line services and internet shop.

### The group companies and their businesses

(As of March 31, 2019)

| Type of company     | Business                                                      | Operating Company                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Holding company     | Planning and administration of group management               | GEO HOLDINGS CORPORATION (the Company)                                                                                                                                                                                                                                                                                                                                                                                                 |
| Operating companies | Operation of media shop, reuse shop, and amusement facilities | GEO CORPORATION                                                                                                                                                                                                                                                                                                                                                                                                                        |
|                     | Others                                                        | GEO NETWORKS CORPORATION<br>Gramolux Inc.<br>Chelsea International Co., Ltd.<br>World mobile corporation<br>BUNZO CORPORATION<br>GEO CLEAR CORPORATION<br>EISYS, inc.<br>Entertainment Network Frontier Inc.<br>GEO INTERACTIVE CORPORATION<br>GEO payment service corporation<br>GEO BUSINESS SUPPORT Co., Ltd.<br>GEO CONSULTING CORPORATION<br>Family Book co., Ltd.<br>Yugen Kaisha Pflug<br>2ND STREET TRADING MALAYSIA SDN. BHD. |

A company accounted for by the equity-method:

T&G Inc.

A subsidiary excluded from the scope of consolidation (not accounted for by the equity method):

Voga inc. (and four others)

## 3. Basic idea in selection of the accounting standards

With respect to accounting standards, we apply the Japanese accounting standards to enable comparison with competitors in the same industry in Japan.

#### 4. Consolidated Financial Statements

##### (1) Consolidated Balance Sheets

(Millions of yen)

|                                       | As of March 31, 2018 | As of March 31, 2019 |
|---------------------------------------|----------------------|----------------------|
| <b>Assets</b>                         |                      |                      |
| Current assets                        |                      |                      |
| Cash and deposits                     | 42,667               | 35,789               |
| Notes and accounts receivable - trade | 5,562                | 6,251                |
| Merchandise                           | 30,007               | 35,071               |
| Other                                 | 6,384                | 7,362                |
| Allowance for doubtful accounts       | (55)                 | (68)                 |
| Total current assets                  | 84,566               | 84,406               |
| Non-current assets                    |                      |                      |
| Property, plant and equipment         |                      |                      |
| Rental assets                         | 91,478               | 86,502               |
| Accumulated depreciation              | (87,292)             | (82,676)             |
| Rental assets, net                    | 4,186                | 3,825                |
| Buildings and structures              | 42,869               | 44,080               |
| Accumulated depreciation              | (30,461)             | (31,208)             |
| Buildings and structures, net         | 12,407               | 12,872               |
| Land                                  | 5,235                | 5,187                |
| Other                                 | 28,806               | 29,928               |
| Accumulated depreciation              | (22,240)             | (23,835)             |
| Other, net                            | 6,566                | 6,092                |
| Total property, plant and equipment   | 28,396               | 27,978               |
| Intangible assets                     | 1,443                | 1,517                |
| Investments and other assets          |                      |                      |
| Long-term loans receivable            | 2,261                | 1,838                |
| Leasehold and guarantee deposits      | 15,393               | 15,576               |
| Deferred tax assets                   | 4,433                | 3,897                |
| Other                                 | 1,724                | 2,255                |
| Allowance for doubtful accounts       | (883)                | (879)                |
| Total investments and other assets    | 22,929               | 22,688               |
| Total non-current assets              | 52,769               | 52,183               |
| Total assets                          | 137,335              | 136,590              |

(Millions of yen)

|                                                       | As of March 31, 2018 | As of March 31, 2019 |
|-------------------------------------------------------|----------------------|----------------------|
| <b>Liabilities</b>                                    |                      |                      |
| Current liabilities                                   |                      |                      |
| Accounts payable - trade                              | 12,316               | 11,484               |
| Current portion of long-term loans payable            | 5,539                | 4,203                |
| Current portion of bonds                              | 56                   | -                    |
| Income taxes payable                                  | 4,634                | 3,001                |
| Provision for bonuses                                 | 2,085                | 2,126                |
| Other                                                 | 10,985               | 10,564               |
| Total current liabilities                             | 35,618               | 31,380               |
| Non-current liabilities                               |                      |                      |
| Long-term loans payable                               | 19,897               | 21,193               |
| Lease obligations                                     | 1,411                | 1,304                |
| Deferred tax liabilities                              | 19                   | 19                   |
| Asset retirement obligations                          | 6,201                | 6,216                |
| Other                                                 | 1,995                | 1,865                |
| Total non-current liabilities                         | 29,526               | 30,599               |
| Total liabilities                                     | 65,144               | 61,980               |
| <b>Net assets</b>                                     |                      |                      |
| Shareholders' equity                                  |                      |                      |
| Capital stock                                         | 8,933                | 8,944                |
| Capital surplus                                       | 3,345                | 3,357                |
| Retained earnings                                     | 59,984               | 61,891               |
| Treasury shares                                       | (525)                | (0)                  |
| Total shareholders' equity                            | 71,738               | 74,193               |
| Accumulated other comprehensive income                |                      |                      |
| Valuation difference on available-for-sale securities | 262                  | 147                  |
| Deferred gains or losses on hedges                    | (8)                  | (7)                  |
| Foreign currency translation adjustment               | -                    | 2                    |
| Total accumulated other comprehensive income          | 253                  | 142                  |
| Share acquisition rights                              | 200                  | 272                  |
| Total net assets                                      | 72,191               | 74,609               |
| Total liabilities and net assets                      | 137,335              | 136,590              |

(2) Consolidated Income Statement and Statement of Comprehensive Income

Consolidated Income Statement

(Millions of yen)

|                                                               | Fiscal year ended<br>March 31, 2018 | Fiscal year ended<br>March 31, 2019 |
|---------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Net sales                                                     | 299,262                             | 292,560                             |
| Cost of sales                                                 | 179,678                             | 170,787                             |
| Gross profit                                                  | 119,583                             | 121,772                             |
| Selling, general and administrative expenses                  | 104,915                             | 106,104                             |
| Operating profit                                              | 14,668                              | 15,668                              |
| Non-operating income                                          |                                     |                                     |
| Interest and dividend income                                  | 46                                  | 34                                  |
| Insurance income                                              | 172                                 | 900                                 |
| Compensation income                                           | -                                   | 654                                 |
| Real estate rent                                              | 1,234                               | 718                                 |
| Other                                                         | 688                                 | 555                                 |
| Total non-operating income                                    | 2,142                               | 2,863                               |
| Non-operating expenses                                        |                                     |                                     |
| Interest expenses                                             | 176                                 | 154                                 |
| Rent expenses on real estates                                 | 936                                 | 418                                 |
| Other                                                         | 449                                 | 326                                 |
| Total non-operating expenses                                  | 1,562                               | 899                                 |
| Ordinary profit                                               | 15,248                              | 17,632                              |
| Extraordinary losses                                          |                                     |                                     |
| Impairment loss                                               | 2,122                               | 744                                 |
| Loss on valuation of shares of subsidiaries<br>and associates | 325                                 | 199                                 |
| Amortization of goodwill                                      | 275                                 | -                                   |
| Other                                                         | 22                                  | 8                                   |
| Total extraordinary losses                                    | 2,745                               | 952                                 |
| Profit before income taxes                                    | 12,502                              | 16,680                              |
| Income taxes - current                                        | 5,644                               | 5,810                               |
| Income taxes - deferred                                       | 243                                 | 567                                 |
| Total income taxes                                            | 5,888                               | 6,378                               |
| Profit                                                        | 6,614                               | 10,301                              |
| Profit attributable to owners of parent                       | 6,614                               | 10,301                              |

Statement of Comprehensive Income

(Millions of yen)

|                                                       | Fiscal year ended<br>March 31, 2018 | Fiscal year ended<br>March 31, 2019 |
|-------------------------------------------------------|-------------------------------------|-------------------------------------|
| Profit                                                | 6,614                               | 10,301                              |
| Other comprehensive income                            |                                     |                                     |
| Valuation difference on available-for-sale securities | 18                                  | (114)                               |
| Deferred gains or losses on hedges                    | 3                                   | 1                                   |
| Foreign currency translation adjustment               | -                                   | 2                                   |
| Total other comprehensive income                      | 21                                  | (110)                               |
| Comprehensive income                                  | 6,636                               | 10,191                              |
| Comprehensive income attributable to                  |                                     |                                     |
| Comprehensive income attributable to owners of parent | 6,636                               | 10,191                              |

(3) Consolidated Statements of Change in Net Assets

(For the fiscal year ended March 31, 2018)

(Millions of yen)

|                                                                    | Shareholders' equity |                 |                   |                 |                            |
|--------------------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                                    | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period                             | 8,896                | 3,309           | 55,125            | —               | 67,331                     |
| Changes of items during period                                     |                      |                 |                   |                 |                            |
| Issuance of new shares - exercise of subscription rights to shares | 36                   | 36              |                   |                 | 72                         |
| Dividends of surplus                                               |                      |                 | (1,634)           |                 | (1,634)                    |
| Profit attributable to owners of parent                            |                      |                 | 6,614             |                 | 6,614                      |
| Acquisition of treasury shares                                     |                      |                 |                   | (525)           | (525)                      |
| Cancellation of treasury shares                                    |                      |                 |                   |                 | —                          |
| Change in the scope of consolidation                               |                      |                 | (120)             |                 | (120)                      |
| Net changes of items other than shareholders' equity               |                      |                 |                   |                 |                            |
| Total changes of items during period                               | 36                   | 36              | 4,859             | (525)           | 4,407                      |
| Balance at end of current period                                   | 8,933                | 3,345           | 59,984            | (525)           | 71,738                     |

|                                                                    | Valuation difference on available-for-sale securities | Accumulated other comprehensive income |                                         |                                              | Subscription rights to shares | Total net assets |
|--------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------|-----------------------------------------|----------------------------------------------|-------------------------------|------------------|
|                                                                    |                                                       | Deferred gains or losses on hedges     | Foreign currency translation adjustment | Total accumulated other comprehensive income |                               |                  |
| Balance at beginning of current period                             | 243                                                   | (12)                                   | —                                       | 231                                          | 149                           | 67,711           |
| Changes of items during period                                     |                                                       |                                        |                                         |                                              |                               |                  |
| Issuance of new shares - exercise of subscription rights to shares |                                                       |                                        |                                         |                                              |                               | 72               |
| Dividends of surplus                                               |                                                       |                                        |                                         |                                              |                               | (1,634)          |
| Profit attributable to owners of parent                            |                                                       |                                        |                                         |                                              |                               | 6,614            |
| Acquisition of treasury shares                                     |                                                       |                                        |                                         |                                              |                               | (525)            |
| Cancellation of treasury shares                                    |                                                       |                                        |                                         |                                              |                               |                  |
| Change in the scope of consolidation                               |                                                       |                                        |                                         |                                              |                               | (120)            |
| Net changes of items other than shareholders' equity               | 18                                                    | 3                                      | —                                       | 21                                           | 50                            | 72               |
| Total changes of items during period                               | 18                                                    | 3                                      | —                                       | 21                                           | 50                            | 4,480            |
| Balance at end of current period                                   | 262                                                   | (8)                                    | —                                       | 253                                          | 200                           | 72,191           |

(For the fiscal year ended March 31, 2019)

(Millions of yen)

|                                                                    | Shareholders' equity |                 |                   |                 |                            |
|--------------------------------------------------------------------|----------------------|-----------------|-------------------|-----------------|----------------------------|
|                                                                    | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period                             | 8,933                | 3,345           | 59,984            | (525)           | 71,738                     |
| Changes of items during period                                     |                      |                 |                   |                 |                            |
| Issuance of new shares - exercise of subscription rights to shares | 11                   | 11              |                   |                 | 23                         |
| Dividends of surplus                                               |                      |                 | (1,560)           |                 | (1,560)                    |
| Profit attributable to owners of parent                            |                      |                 | 10,301            |                 | 10,301                     |
| Acquisition of treasury shares                                     |                      |                 |                   | (6,308)         | (6,308)                    |
| Cancellation of treasury shares                                    |                      |                 | (6,834)           | 6,834           | 0                          |
| Change in the scope of consolidation                               |                      |                 |                   |                 |                            |
| Net changes of items other than shareholders' equity               |                      |                 |                   |                 |                            |
| Total changes of items during period                               | 11                   | 11              | 1,907             | 525             | 2,455                      |
| Balance at end of current period                                   | 8,944                | 3,357           | 61,891            | (0)             | 74,193                     |

|                                                                    | Valuation difference on available-for-sale securities | Accumulated other comprehensive income |                                         |                                              | Subscription rights to shares | Total net assets |
|--------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------|-----------------------------------------|----------------------------------------------|-------------------------------|------------------|
|                                                                    |                                                       | Deferred gains or losses on hedges     | Foreign currency translation adjustment | Total accumulated other comprehensive income |                               |                  |
| Balance at beginning of current period                             | 262                                                   | (8)                                    | —                                       | 253                                          | 200                           | 72,191           |
| Changes of items during period                                     |                                                       |                                        |                                         |                                              |                               |                  |
| Issuance of new shares - exercise of subscription rights to shares |                                                       |                                        |                                         |                                              |                               | 23               |
| Dividends of surplus                                               |                                                       |                                        |                                         |                                              |                               | (1,560)          |
| Profit attributable to owners of parent                            |                                                       |                                        |                                         |                                              |                               | 10,301           |
| Acquisition of treasury shares                                     |                                                       |                                        |                                         |                                              |                               | (6,308)          |
| Cancellation of treasury shares                                    |                                                       |                                        |                                         |                                              |                               | 0                |
| Change in the scope of consolidation                               |                                                       |                                        |                                         |                                              |                               |                  |
| Net changes of items other than shareholders' equity               | (114)                                                 | 1                                      | 2                                       | (110)                                        | 72                            | (37)             |
| Total changes of items during period                               | (114)                                                 | 1                                      | 2                                       | (110)                                        | 72                            | 2,418            |
| Balance at end of current period                                   | 147                                                   | (7)                                    | 2                                       | 142                                          | 272                           | 74,609           |

(4) Consolidated Statements of Cash Flows

(Millions of yen)

|                                                                               | Fiscal year ended<br>March 31, 2018 | Fiscal year ended<br>March 31, 2019 |
|-------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Cash flows from operating activities                                          |                                     |                                     |
| Profit before income taxes                                                    | 12,502                              | 16,680                              |
| Depreciation                                                                  | 5,449                               | 4,334                               |
| Rental assets depreciation                                                    | 7,038                               | 6,152                               |
| Impairment loss                                                               | 2,122                               | 744                                 |
| Interest and dividend income                                                  | (46)                                | (34)                                |
| Interest expenses                                                             | 176                                 | 154                                 |
| Compensation income                                                           | -                                   | (654)                               |
| Decrease (increase) in notes and accounts receivable - trade                  | 41                                  | (647)                               |
| Decrease (increase) in inventories                                            | (2,869)                             | (4,916)                             |
| Purchase of Rental assets                                                     | (6,429)                             | (5,881)                             |
| Increase (decrease) in notes and accounts payable - trade                     | (4,524)                             | (866)                               |
| Increase (decrease) in accrued consumption taxes                              | 1,144                               | (463)                               |
| Other, net                                                                    | 1,536                               | 339                                 |
| Subtotal                                                                      | 16,142                              | 14,941                              |
| Interest and dividend income received                                         | 30                                  | 15                                  |
| Interest expenses paid                                                        | (176)                               | (154)                               |
| Income taxes paid                                                             | (1,545)                             | (7,555)                             |
| Income taxes refund                                                           | 1,894                               | -                                   |
| Proceeds from compensation                                                    | -                                   | 654                                 |
| Proceeds from dividend income from entities accounted for using equity method | -                                   | 2                                   |
| Net cash provided by (used in) operating activities                           | 16,345                              | 7,903                               |
| Cash flows from investing activities                                          |                                     |                                     |
| Purchase of property, plant and equipment                                     | (3,248)                             | (4,184)                             |
| Purchase of intangible assets                                                 | (805)                               | (655)                               |
| Payments of loans receivable                                                  | (685)                               | (662)                               |
| Other, net                                                                    | 1,770                               | (815)                               |
| Net cash provided by (used in) investing activities                           | (2,969)                             | (6,318)                             |
| Cash flows from financing activities                                          |                                     |                                     |
| Increase in short-term loans payable                                          | 10,400                              | 10,100                              |
| Decrease in short-term loans payable                                          | (12,040)                            | (10,100)                            |
| Proceeds from long-term loans payable                                         | 5,000                               | 5,500                               |
| Repayments of long-term loans payable                                         | (6,372)                             | (5,539)                             |
| Cash dividends paid                                                           | (1,630)                             | (1,565)                             |
| Purchase of treasury shares                                                   | (525)                               | (6,308)                             |
| Other, net                                                                    | (83)                                | (138)                               |
| Net cash provided by (used in) financing activities                           | (5,253)                             | (8,052)                             |
| Effect of exchange rate change on cash and cash equivalents                   | -                                   | 0                                   |
| Net increase (decrease) in cash and cash equivalents                          | 8,123                               | (6,468)                             |
| Cash and cash equivalents at beginning of period                              | 36,908                              | 45,175                              |
| Increase in cash and cash equivalents from newly consolidated subsidiary      | 143                                 | 67                                  |
| Cash and cash equivalents at end of period                                    | 45,175                              | 38,774                              |

(5) Notes to consolidated financial statements

(Going concern assumptions)

None

(Segment information)

[Segment information]

For the previous fiscal year (from April 1, 2017 to March 31, 2018) and the current fiscal year (from April 1, 2018 to March 31, 2019):

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

[Related information]

For the previous fiscal year (from April 1, 2017 to March 31, 2018) and the current fiscal year (from April 1, 2018 to March 31, 2019):

1. Information based on products and services:  
Description is omitted because the group reports only through one segment, i.e., retail services.
2. Information based on region:
  - (1) Net sales:  
Description is omitted because net sales towards outside customers in Japan exceed 90% of the net sales indicated in the consolidated income statement.
  - (2) Property, plant and equipment:  
Description is omitted because the amount of property, plant and equipment in Japan exceed 90% of the amount of property plant and equipment indicated in the consolidated balance sheets.

[Information on impairment loss on fixed assets for each reporting segment]

For the previous fiscal year (from April 1, 2017 to March 31, 2018) and the current fiscal year (from April 1, 2018 to March 31, 2019):

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

[Information on amortization and unamortized balance of goodwill for each reporting segment]

For the previous fiscal year (from April 1, 2017 to March 31, 2018) and the current fiscal year (from April 1, 2018 to March 31, 2019):

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

[Information on gain on negative goodwill for each reporting segment]

For the previous fiscal year (from April 1, 2017 to March 31, 2018) and the current fiscal year (from April 1, 2018 to March 31, 2019):

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

(Per share information (in yen))

|                                  | Fiscal Year ended<br>March 31, 2018 | Fiscal Year ended<br>March 31, 2019 |
|----------------------------------|-------------------------------------|-------------------------------------|
| Shareholders' equity per share   | 1,502.96                            | 1,693.99                            |
| Earnings per share               | 137.96                              | 229.62                              |
| Fully diluted earnings per share | 137.25                              | 228.62                              |

(Notes)

1. The basis for calculating the shareholders' equity per share is as follows.

(Millions of yen except share information)

|                                                                                                               | Fiscal Year ended<br>March 31, 2018 | Fiscal Year ended<br>March 31, 2019 |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Total net assets                                                                                              | 72,191                              | 74,609                              |
| Amount to be deducted from total net assets                                                                   | 200                                 | 272                                 |
| (Stock acquisition rights in the above)                                                                       | [200]                               | [272]                               |
| (Non-controlling interests in the above)                                                                      | [—]                                 | [—]                                 |
| Net assets at the end of the fiscal year attributable to common shares                                        | 71,991                              | 74,336                              |
| Number of common shares at the end of the fiscal year used for calculating the shareholders' equity per share | 47,899,700                          | 43,882,552                          |

2. The basis for calculating the earnings per share and fully diluted earnings per share is as follows.

(Millions of yen except share information)

|                                                                                                                                                  | Fiscal Year ended<br>March 31, 2018                                                           | Fiscal Year ended<br>March 31, 2019                                                           |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| Earnings per share                                                                                                                               |                                                                                               |                                                                                               |
| Profit attributable to owners of parent                                                                                                          | 6,614                                                                                         | 10,301                                                                                        |
| Amount not attributable to common shareholders                                                                                                   | —                                                                                             | —                                                                                             |
| Profit attributable to owners of parent for common shares                                                                                        | 6,614                                                                                         | 10,301                                                                                        |
| Average number of shares outstanding during the fiscal year                                                                                      | 47,944,280                                                                                    | 44,862,703                                                                                    |
| Fully diluted earnings per share                                                                                                                 |                                                                                               |                                                                                               |
| Adjustments to profit attributable to owners of parent                                                                                           | —                                                                                             | —                                                                                             |
| Increase in the number of common shares                                                                                                          | 248,191                                                                                       | 196,960                                                                                       |
| (Subscription rights to shares included in the above as number of shares)                                                                        | [248,191]                                                                                     | [196,960]                                                                                     |
| Description of potential shares that were not included in calculating the fully diluted earnings per share due to them having no dilutive effect | 286,500 shares subject to the Company's stock options (for the 10th stock acquisition rights) | 285,000 shares subject to the Company's stock options (for the 10th stock acquisition rights) |

(Subsequent events after the current period)

None