

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2020 (Japan GAAP)

August 8, 2019

GEO HOLDINGS CORPORATION

Securities Code: 2681

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Scheduled date to submit quarterly report: August 9, 2019

Scheduled date to start dividend payment: —

Supplementary material on quarterly financial results: Yes

Briefing on this quarterly financial results: No

(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the First Quarter (from April 1, 2019 to June 30, 2019)

(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	
Three months ended:	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
June 30, 2019	63,918	(0.8)	2,602	(30.1)	2,802	(38.1)	1,505	(45.9)
June 30, 2018	64,425	4.9	3,724	22.7	4,524	36.4	2,781	50.9

(Note) Comprehensive income: 1,482 million yen (decrease of 47.0%) for three months ended June 30, 2019
2,798 million yen (increase of 50.5%) for three months ended June 30, 2018

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Three months ended:		
June 30, 2019	34.29	34.23
June 30, 2018	58.15	57.92

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2019	133,536	75,355	56.2
As of March 31, 2019	136,590	74,609	54.4

(Reference) Shareholders' equity: As of June 30, 2019: 75,083 million yen
As of March 31, 2019: 74,336 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, 2019	-	17	-	17	34
Fiscal Year ending March 31, 2020	-				
Fiscal Year ending March 31, 2020 (Forecast)	-	17	-	17	34

(Note) Modifications in the dividend forecast from the latest disclosure: None

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 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	310,000	6.0	10,000	(36.2)	10,500	(40.5)	5,250	(49.0)	119.62

(Note) Modifications in the earnings forecast from the latest disclosure: None

Notes

- (1) Changes in important subsidiaries during this consolidated three 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 June 30, 2019	43,929,488 shares
As of March 31, 2019	43,882,588 shares
 - 2) Number of treasury shares:

As of June 30, 2019	36 shares
As of March 31, 2019	36 shares
 - 3) Average number of outstanding shares:

During three months ended June 30, 2019	43,888,760 shares
During three months ended June 30, 2018	43,838,013 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

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” on page 1 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, 2019 to June 30, 2019)

The Group's sales for three months ended June 30, 2019 were the same level as the same period of the previous year, as a result of the Group's proactive promotional activities such as television commercials and the existing "Second Street" stores continuously delivering solid sales despite the downtrend in video rentals continued and only few new major game titles being released during this period. However, due to increased SG&A mainly attributable to promotional activities and increase in personnel expenses associated with preparation for opening new stores, operating profit, ordinary profit and profit attributable to owners of parent for three months ended June 30, 2019 all declined from the same period of the previous year.

The reuse market continues to grow, and we opened 9 new "Second Street" stores in the aim of expanding our share in the reuse market as well as gaining recognition of the "Second Street" and improving its brand value.

Furthermore, we opened our first off price store (OPS business) in Kohoku-ku, Yokohama-shi, which is a new retail format for the Group, and we started exploring to build the chain of this business. An off-price store is a business to sell apparel manufacturers' surplus production and off-season goods, etc. always at discount prices and such business is growing in the United States.

In our business of selling and offering services online, which is a growing market, in addition to in-stores, we are also proceeding with the creation of an easy shopping environment by increasing various selling and buying opportunities that meet customers' need such as by providing information, buying, and attracting customers through the online site application.

As a result, for the Group's results for three months ended June 30, 2019, sales resulted in 63,918 million yen (0.8% decrease from the same period of the previous year), operating profit resulted in 2,602 million yen (30.1% decrease from the same period of the previous year), ordinary profit resulted in 2,802 million yen (38.1% decrease from the same period of the previous year), and profit attributable to owners of parent resulted in 1,505 million yen (45.9% decrease from the same period of the previous year).

The number of our stores as of June 30, 2019 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	1,662	13	102	(3)	120	(4)	1,884	6
Media	1,045	2	102	(3)	68	(4)	1,215	(5)
GEO mobile (mobile dedicated stores)	21	4					21	4
Reuse	584	6			52	0	636	6
WAREHOUSE	13	1					13	1
Others	20	4					20	4

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, home appliances and other items. Reuse stores operate under the store names of Second Street, Super Second Street, 2nd Outdoor, and Jumble Store, etc.
5. Second Street USA is included in Others from this fiscal year.

(2) Details of consolidated financial position

[Assets]

The current assets as of June 30, 2019 resulted in 80,068 million yen which is a decrease of 4,337 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 6,853 million yen in cash and deposits while there was an increase of 2,107 million yen in merchandise. The non-current assets resulted in 53,468 million yen which is an increase of 1,284 million yen from the previous fiscal year end. This increase is mainly due to an increase of 1,662 million yen in intangible assets.

As a result, the total assets as of June 30, 2019 resulted in 133,536 million yen which is a decrease of 3,053 million yen from the previous fiscal year end.

[Liabilities]

The current liabilities as of June 30, 2019 resulted in 27,967 million yen which is a decrease of 3,413 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 2,893 million yen in accounts payable-trade. Non-current liabilities resulted in 30,214 million yen which is a decrease of 385 million yen from the previous fiscal year end. This is mainly due to a decrease of 517 million yen in long-term loans payable.

As a result, total liabilities resulted in 58,181 million yen which decreased by 3,798 million yen from the previous fiscal year end.

[Net assets]

The net assets as of June 30, 2019 resulted in 75,355 million yen which is an increase of 745 million yen from the previous fiscal year end. This decrease is mainly due to 1,505 million yen in profit attributable to owners of parent and dividends of 746 million yen paid from retained earnings.

From the above, the equity ratio resulted in 56.2% (54.4% as of the previous fiscal year end).

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

With respect to consolidated earnings forecast, there were no changes from the full year forecast presented on May 10, 2019.

2. Consolidated Financial Statements for the Quarter
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2019	As of June 30, 2019
Assets		
Current assets		
Cash and deposits	35,789	28,935
Notes and accounts receivable - trade	6,251	6,320
Merchandise	35,071	37,179
Other	7,362	7,708
Allowance for doubtful accounts	(68)	(74)
Total current assets	84,406	80,068
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,872	13,170
Other, net	15,106	15,095
Total property, plant and equipment	27,978	28,266
Intangible assets		
Goodwill	-	1,657
Other	1,517	1,521
Total intangible assets	1,517	3,179
Investments and other assets		
Leasehold and guarantee deposits	15,576	15,797
Other	7,991	7,125
Allowance for doubtful accounts	(879)	(901)
Total investments and other assets	22,688	22,022
Total non-current assets	52,183	53,468
Total assets	136,590	133,536
Liabilities		
Current liabilities		
Accounts payable - trade	11,484	8,591
Short-term borrowings	-	2,150
Current portion of long-term borrowings	4,203	3,996
Other	15,692	13,230
Total current liabilities	31,380	27,967
Non-current liabilities		
Long-term borrowings	21,193	20,676
Asset retirement obligations	6,216	6,263
Other	3,188	3,274
Total non-current liabilities	30,599	30,214
Total liabilities	61,980	58,181
Net assets		
Shareholders' equity		
Share capital	8,944	8,969
Capital surplus	3,357	3,382
Retained earnings	61,891	62,612
Treasury shares	(0)	(0)
Total shareholders' equity	74,193	74,963
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	147	133
Deferred gains or losses on hedges	(7)	(7)
Foreign currency translation adjustment	2	(6)
Total accumulated other comprehensive income	142	119
Share acquisition rights	272	271
Total net assets	74,609	75,355
Total liabilities and net assets	136,590	133,536

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

Consolidated Income Statement

	(Millions of yen)	
	Three months ended June 30, 2018	Three months ended June 30, 2019
Net sales	64,425	63,918
Cost of sales	35,331	34,189
Gross profit	29,093	29,728
Selling, general and administrative expenses	25,368	27,126
Operating profit	3,724	2,602
Non-operating income		
Rental income from real estate	182	173
Other	839	197
Total non-operating income	1,021	370
Non-operating expenses		
Interest expenses	40	36
Rental expenses on real estate	106	78
Other	74	55
Total non-operating expenses	221	170
Ordinary profit	4,524	2,802
Extraordinary losses		
Impairment loss	40	39
Other	50	-
Total extraordinary losses	90	39
Profit before income taxes	4,434	2,762
Income taxes - current	1,484	836
Income taxes - deferred	167	421
Total income taxes	1,652	1,257
Profit	2,781	1,505
Profit attributable to owners of parent	2,781	1,505

Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2018	Three months ended June 30, 2019
Profit	2,781	1,505
Other comprehensive income		
Valuation difference on available-for-sale securities	13	(13)
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustment	1	(9)
Total other comprehensive income	16	(23)
Comprehensive income	2,798	1,482
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,798	1,482

(3) Notes on consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

None

(Segment information)

【Segment information】

For the three months ended June 30, 2018 (consolidated) and the three months ended June 30, 2019 (consolidated):

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