



Supplementary Materials on Financial Results for the  
First Quarter of the Fiscal Year Ending March 31, 2020

GEO HOLDINGS CORPORATION (2681)

August 8, 2019



# Summary

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# Consolidated Results for Three Months Ended June 30, 2019

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## 1

## Profit decreased despite of increase in gross profit compared to the previous year

- Three months ended June 30, 2019: Consolidated income statement

Sales were 99.2% and gross profit was 102.2%, respectively, compared to and maintaining the same level as the same period of the previous year. However, operating profit was 69.9% and ordinary profit was 61.9%, respectively, compared to and falling from the same period of the previous year due to increase in SG&A.

| (Millions of yen)        | Three months<br>ended June 30,<br>2018 Results | Three months<br>ended June 30,<br>2019 Results | Increase/<br>decrease | Change |
|--------------------------|------------------------------------------------|------------------------------------------------|-----------------------|--------|
| Net sales                | 64,425                                         | 63,918                                         | (506)                 | 99.2%  |
| Gross profit             | 29,093                                         | 29,728                                         | 635                   | 102.2% |
| (Gross profit ratio)     | 45.2%                                          | 46.5%                                          |                       |        |
| SG&A                     | 25,368                                         | 27,126                                         | 1,758                 | 106.9% |
| Operating profit         | 3,724                                          | 2,602                                          | (1,122)               | 69.9%  |
| (Operating profit ratio) | 5.8%                                           | 4.1%                                           |                       |        |
| Ordinary profit          | 4,524                                          | 2,802                                          | (1,722)               | 61.9%  |
| Profit*                  | 2,781                                          | 1,505                                          | (1,276)               | 54.1%  |

\*Profit is the profit attributable to owners of parent.

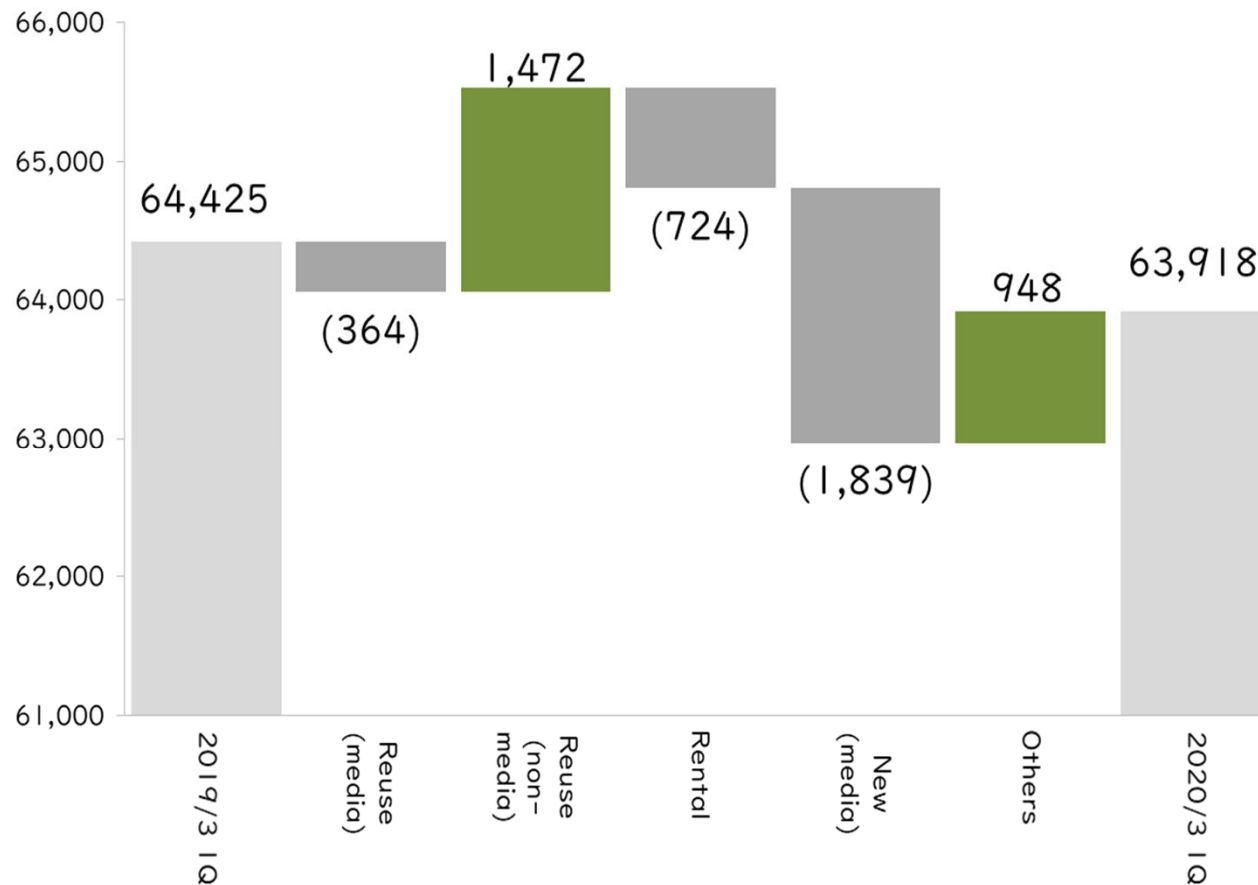
## 1

## Sales slightly fell due to softening sales for “New (media)” merchandise

- Three months ended June 30, 2019: Change in sales

Sales slightly fell compared to the same period of the previous year due to continuous downtrend in video rentals, absence of new major titles for game software that would drive sales, and sluggish sales in new (media) merchandise.

(Millions of yen)

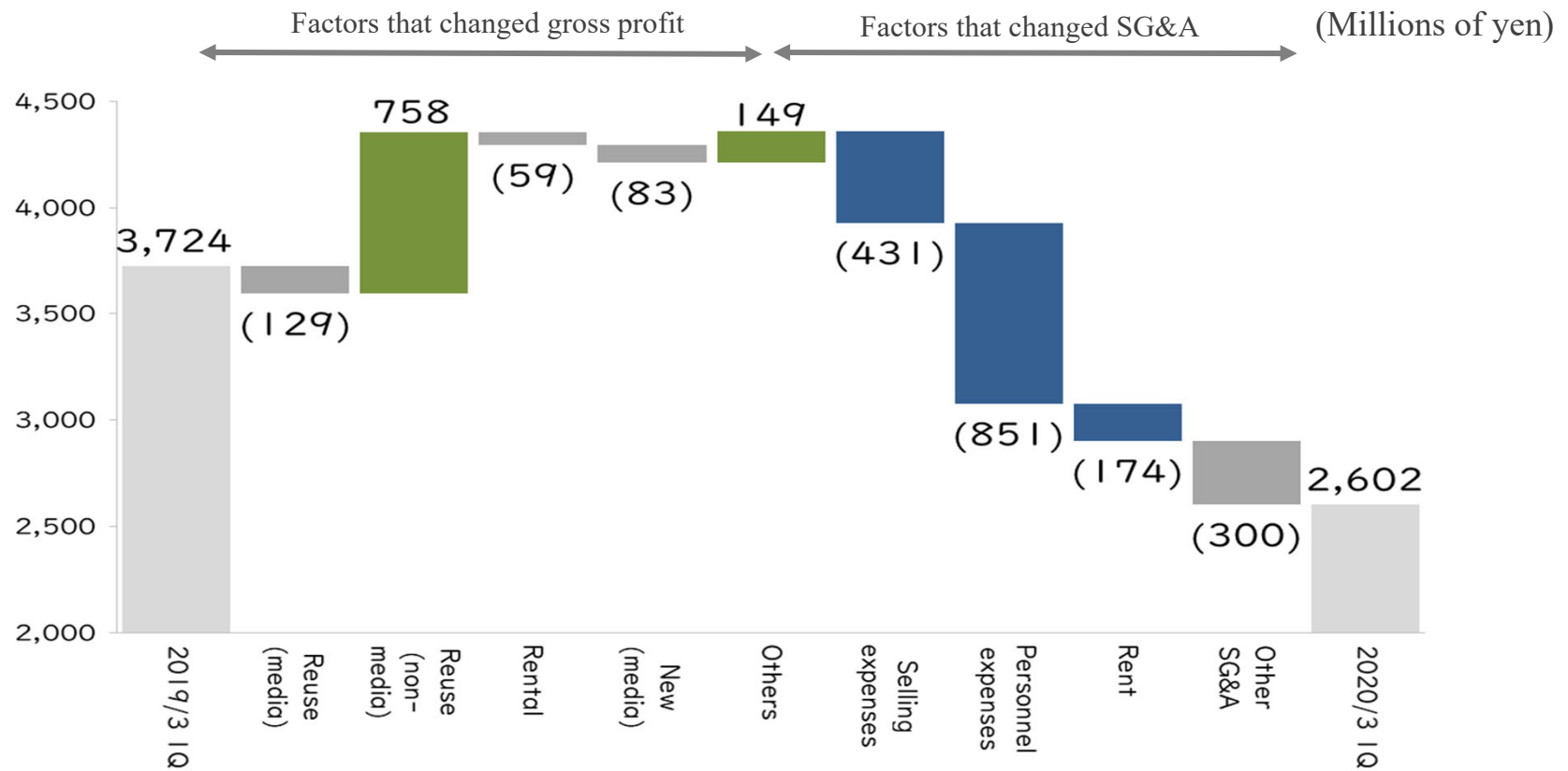


## 1

## Operating profit fell due to increase in SG&A

- Three months ended June 30, 2019: Change in operating profit

Operating profit resulted in 69.9% compared to the same period of the previous year from increased personnel expenses and rents from opening new stores despite of gross profit exceeding the same period of the previous year reflecting sound sales for reuse (non-media) merchandise.



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

## 1

## Advertising expenses increased from greater promotional efforts

Advertising expenses rose significantly compared to the same period of the previous year from greater promotional efforts such as television commercials to spur demand.

We are making continuous efforts to pursue efficiency in operations at our stores to deal with expected rise in per head personnel expenses and in controlling the ratio of SG&A to sales.

| (Millions of yen)                | 2019/3<br>1Q Results | (Ratio to<br>sales) | 2020/3<br>1Q Results | (Ratio to<br>sales) | Increase/<br>decrease | (Change) |
|----------------------------------|----------------------|---------------------|----------------------|---------------------|-----------------------|----------|
| Total selling expenses           | 2,008                | 3.1%                | 2,439                | 3.8%                | 431                   | 121.5%   |
| Advertising                      | 516                  | 0.8%                | 897                  | 1.4%                | 380                   | 173.7%   |
| Sales promotion                  | 134                  | 0.2%                | 113                  | 0.2%                | (21)                  | 84.4%    |
| Total personnel expenses         | 13,024               | 20.2%               | 13,876               | 21.7%               | 851                   | 106.5%   |
| Total other expenses             | 10,335               | 16.0%               | 10,810               | 16.9%               | 475                   | 104.6%   |
| Utilities                        | 800                  | 1.2%                | 785                  | 1.2%                | (14)                  | 98.2%    |
| Rent                             | 5,430                | 8.4%                | 5,604                | 8.8%                | 174                   | 103.2%   |
| Depreciation and<br>amortization | 863                  | 1.3%                | 917                  | 1.4%                | 53                    | 106.2%   |
| Consumables                      | 455                  | 0.7%                | 491                  | 0.8%                | 35                    | 107.8%   |
| Maintenance                      | 162                  | 0.3%                | 165                  | 0.3%                | 2                     | 101.6%   |
| Total SG&A                       | 25,368               | 39.4%               | 27,126               | 42.4%               | 1,758                 | 106.9%   |

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

## Results Based on Merchandise for Three Months Ended June 30, 2019

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## 2

## Sales for reuse (non-media) merchandise continued to grow for the existing stores

- Sales based on merchandise (Three months)

Sales were sluggish for new (media) merchandise comprised mainly of game device and game software and reuse (media) merchandise due to absence of strong new titles.

On the other hand, sales for reuse (non-media) merchandise are continuously growing solidly as in the same period of the previous year.

| (Millions of yen) | 2019/3<br>1Q Results | 2020/3<br>1Q Results | Change | Increase/<br>decrease |
|-------------------|----------------------|----------------------|--------|-----------------------|
| Reuse             | 25,421               | 26,530               | 104.4% | 1,108                 |
| Media             | 13,278               | 12,914               | 97.3%  | (364)                 |
| Non-media         | 12,142               | 13,615               | 112.1% | 1,472                 |
| Rental            | 15,508               | 14,784               | 95.3%  | (724)                 |
| New (media)       | 15,575               | 13,736               | 88.2%  | (1,839)               |
| Others            | 7,919                | 8,867                | 112.0% | 948                   |
| Total             | 64,425               | 63,918               | 99.2%  | (506)                 |

## 2

## Gross profit increased due to change in composition ratio of merchandise

- Gross profit based on merchandise (Three months)

Gross profit ratio for new (media) merchandise is lower than that for reuse merchandise and the effect of reduced sales of new (media) merchandise on profit had minor impact overall.

The sales for reuse (non-media) merchandise that has high gross profit ratio is continuously growing and we achieved gross profit (gross income) exceeding that of the same period of the previous year.

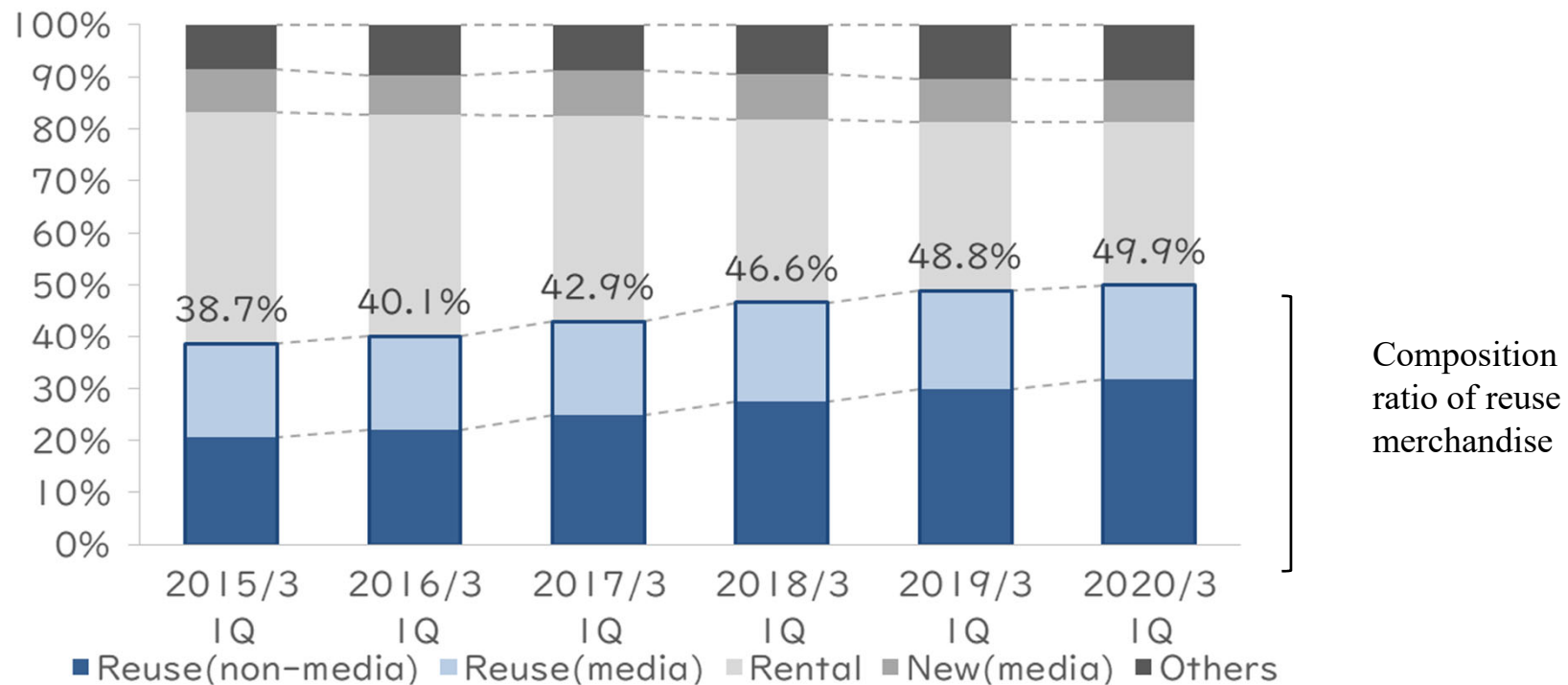
| (Millions of yen) | 2019/3<br>1Q Results | 2020/3<br>1Q Results | Change | Increase/<br>decrease |
|-------------------|----------------------|----------------------|--------|-----------------------|
| Reuse             | 14,198               | 14,827               | 104.4% | 629                   |
| Media             | 5,556                | 5,427                | 97.7%  | (129)                 |
| Non-media         | 8,641                | 9,400                | 108.8% | 758                   |
| Rental            | 9,420                | 9,361                | 99.4%  | (59)                  |
| New (media)       | 2,462                | 2,379                | 96.6%  | (83)                  |
| Others            | 3,011                | 3,160                | 105.0% | 149                   |
| Total             | 29,093               | 29,728               | 102.2% | 635                   |

## 2

## Change in gross profit (composition ratio) for the Group

- Composition ratio of gross profit based on merchandise (Three months)

The composition ratio of the “reuse (non-media)” merchandise is increasing each year and this increased by 1.1 points compared to the same period of the previous year and comprised 49.9% of gross profit.



# Our Emphasis

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1

Deep focus on  
reuse market

2

Maximize profit for  
media merchandise in  
the oligopolistic  
market

3

Develop and achieve  
new retail format  
and/or merchandise

4

Proactively utilize IT  
and reinforce on-line  
business

5

Invest in staff  
training and  
education

## 3

## GEO Group's stores

- Total number of stores for the Group: 1,884

|                                                                                                          | As of March<br>31, 2019 | As of June 30,<br>2019 | Increase/<br>decrease |
|----------------------------------------------------------------------------------------------------------|-------------------------|------------------------|-----------------------|
| GEO Group's stores and facilities                                                                        | 1,878                   | 1,884                  | 6                     |
| Retail service stores                                                                                    | 1,866                   | 1,873                  | 7                     |
|  GEO shops              | 1,203                   | 1,194                  | (9)                   |
| Directly managed stores                                                                                  | 1,026                   | 1,024                  | (2)                   |
| Distributors and franchise stores                                                                        | 177                     | 170                    | (7)                   |
|  GEO mobile shop        | 17                      | 21                     | 4                     |
|  Second Street※        | 630                     | 636                    | 6                     |
| Directly managed stores                                                                                  | 578                     | 584                    | 6                     |
| Franchise stores                                                                                         | 52                      | 52                     | 0                     |
| Others                                                                                                   | 16                      | 20                     | 4                     |
|  Amusement facilities | 12                      | 13                     | 1                     |



Second Street Shimokitazawa Store  
Musical Instruments Center (Setagaya-ku, Tokyo)

※ Includes Super Second Street, Jumble Store, Second Outdoor, and buying-only stores.

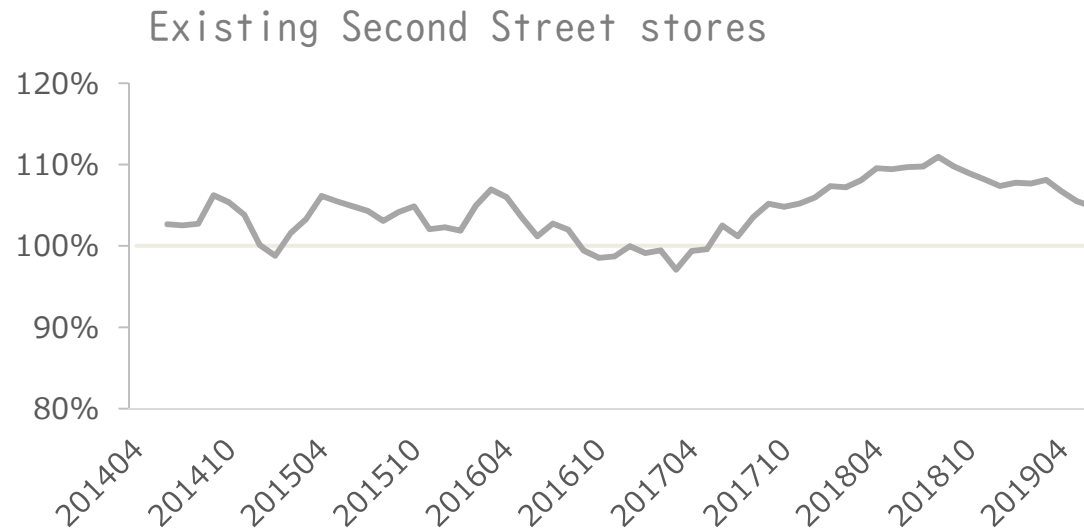
### 3

## Deep focus on the reuse market (1)

- Sales for reuse merchandise at existing stores are continuously growing

The existing stores are continuously delivering solid sales reflecting enhanced recognition of the “Second Street” brand due to the expanding reuse market and growing number of stores. We will continue to focus deeply on the reuse market by adding specialized reuse stores such as in outdoor goods and musical instruments to our general reuse stores.

Change in sales for existing stores compared to the previous period (3 months moving average)



Second Outdoor Kawazoe Store (Minami-ku, Sapporo)

## 3

## Deep focus on the reuse market (2)

- Organize the access base for used mobile (smartphones and tablets)

Our store network (mainly GEO shops and GEO mobile shops) and our EC site provide used mobile. We will lead the used mobile market whose scale is expected to grow by continuously educating our personnel and by adding further stores stationed with specialized staff.



※Specialized staff means our employees who satisfy our requirements such as having knowledge concerning mobile, being able to suggest mobile products that best suit the needs of each customer, and being able to explain the fee structure such as for low cost SIM.

### 3

## Maximize profits in media merchandise

- Promotional activities

We actively engaged in advertising activities in each media such as television commercials, web advertisements, and flyers to take advantage of our media shop network spread nationwide in the aim of expanding our share in the market that is turning more oligopolistic.



• Nationwide rental sale (during May 31 to June 2)

- Immediate cashing application (GEO Sugu)

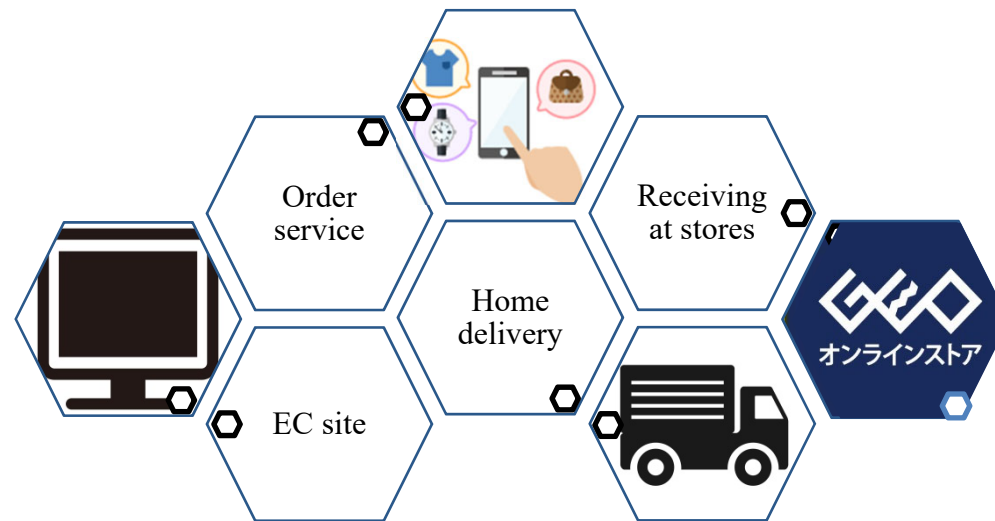
This is a service in response to the needs of users who want quicker appraisals without tedious procedures or taking time, who want quicker payment, and do not have time to go to stores. This application achieved a total of 150,000 downloads cumulatively and we will expand items that we buy to those other than games to improve convenience of our customers.



## 3

## Proactive use of IT and reinforce on-line

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



| (Millions of yen)                 | 2019/3<br>1Q Results | 2020/3<br>1Q Results | Change |
|-----------------------------------|----------------------|----------------------|--------|
| Sales involving EC                | 2,104                | 2,746                | 130.5% |
| Number of items sold involving EC | 434,015              | 674,661              | 155.4% |

We will aim to organize a system to sell items both in-store and on-line seamlessly as sought by our customers.



**Luck·Rack**  
CLEARANCE MARKET

## Luck Rack CLEARANCE MARKET

OPS (off price store) is a business to purchase apparel manufacturers' surplus production and off-season goods, etc. and sell all merchandise in the stores always at discount prices.

Following the first store opened in Tsuzuki-ku, Yokohama-shi this April, we opened our second store in Yao-shi, Osaka this July and we will keep building this chain.



Luck Rack CLEARANCE MARKET Yao Store (Yao-shi, Osaka)

## GEO acquired the shares of Kabushiki Kaisha Ookura

Ookura is engaged in wholesale business in luxury watches and luxury brand bags, etc., operates auction market, as well as two buying and selling stores. GEO aims to become a leader also in luxury merchandise in the reuse market by integrating Ookura's ability to procure luxury brand reuse merchandise into our Group.



Ookura Shinjuku Kabuki-cho Store  
(Kabuki-cho, Shinjuku-ku, Tokyo)

# Dividends and Returns to Shareholders

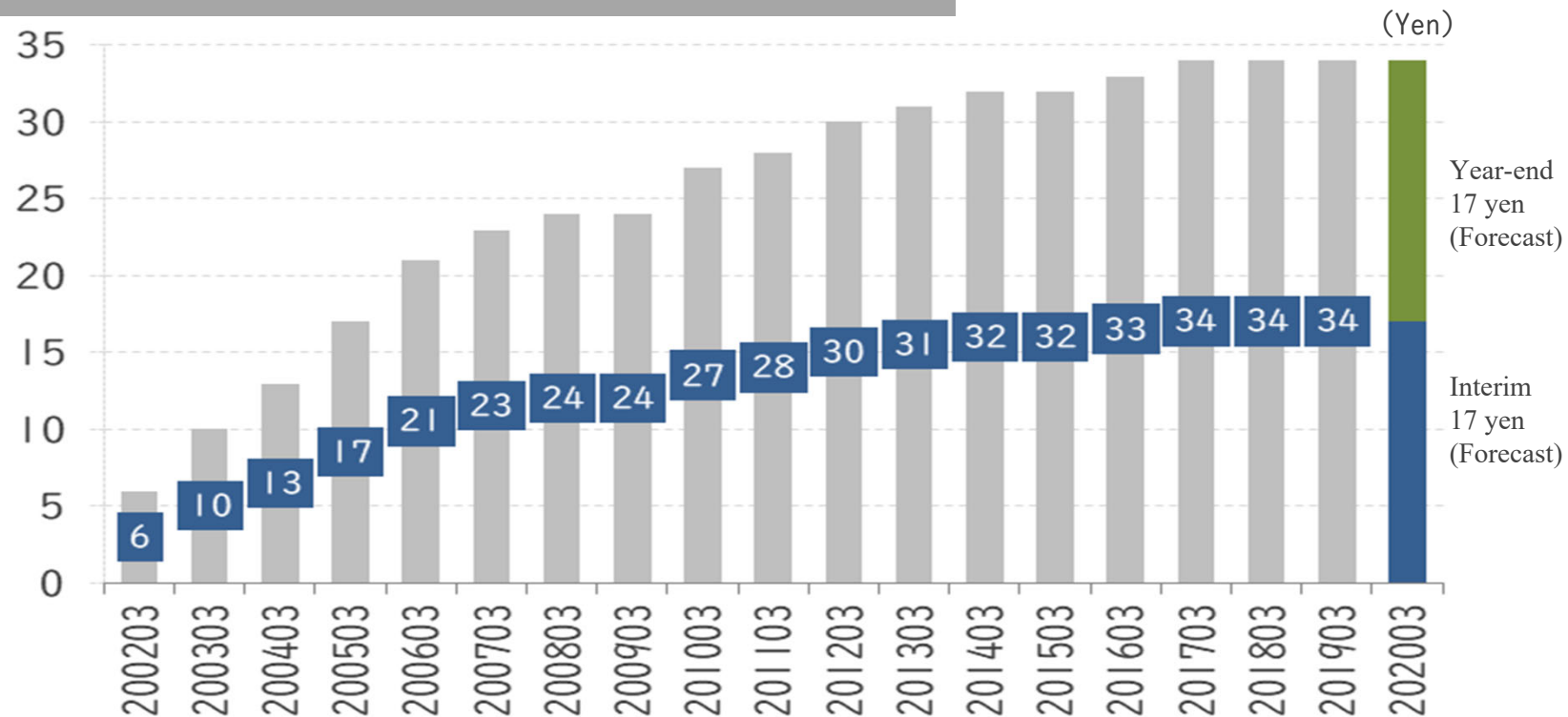
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## 4

## Dividend policy

We recognize that returning profit to shareholders is one of management priorities, and our basic policy is to create a sound managerial base, improve profitability, and pay sound dividends.

Changes in dividends per share as adjusted to reflect stock split



## 4

## Share repurchase

On June 28, 2019, we decided to repurchase our shares and announced it on the same day.

- |                                                                        |                                     |
|------------------------------------------------------------------------|-------------------------------------|
| (1) Class of shares to be repurchased                                  | Common Stock                        |
| (2) Total number of shares that may be repurchased                     | 1,540,000 shares (maximum)          |
| (Ratio to total number of shares outstanding excluding treasury shares | 3.51%)                              |
| (3) Total amount to be repurchased                                     | 2,020,000,000 yen (maximum)         |
| (4) Period for repurchase                                              | From July 1, 2019 to March 24, 2020 |

### History of share repurchase

| Period for repurchase               | Method of purchase                        | Number of shares for repurchase<br>(Thousand shares) | Repurchased amount<br>(Millions of yen) |
|-------------------------------------|-------------------------------------------|------------------------------------------------------|-----------------------------------------|
| May 11, 2018 ~ June 7, 2018         | Tender offer                              | 4,039                                                | 6,308                                   |
| June 8, 2017 ~ June 22, 2017        | Open market purchase through a trust bank | 450                                                  | 525                                     |
| November 4, 2015 ~ December 2, 2015 | Tender offer                              | 4,500                                                | 7,425                                   |
| September 3, 2014 ~ June 23, 2015   | Open market purchase through a trust bank | 1,720                                                | 1,645                                   |

# Appendix

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## 5

## Consolidated balance sheet as of June 30, 2019

| (Millions of yen)                       | As of<br>6/ 30/ 2018 | Composi-<br>tion | As of<br>6/ 30/ 2019 | Composi-<br>tion | Amount of<br>increase/<br>decrease |
|-----------------------------------------|----------------------|------------------|----------------------|------------------|------------------------------------|
| Current assets                          | 74,080               | 58.4%            | 80,068               | 60.0%            | 5,988                              |
| Cash and deposits                       | 32,248               |                  | 28,935               |                  | (3,312)                            |
| Merchandise                             | 31,217               |                  | 37,179               |                  | 5,961                              |
| Non-current assets                      | 52,665               | 41.6%            | 53,468               | 40.0%            | 802                                |
| Property, plant and equipment           | 28,242               |                  | 28,266               |                  | 24                                 |
| Intangible assets                       | 1,435                |                  | 3,179                |                  | 1,743                              |
| Investments and other assets            | 22,988               |                  | 22,022               |                  | (965)                              |
| Total assets                            | 126,746              | -                | 133,536              | -                | 6,790                              |
| Current liabilities                     | 30,243               | 23.9%            | 27,967               | 20.9%            | (2,276)                            |
| Accounts payable-trade                  | 10,106               |                  | 8,591                |                  | (1,514)                            |
| Current portion of long-term borrowings | 4,914                |                  | 3,996                |                  | (918)                              |
| Non-current liabilities                 | 28,608               | 22.6%            | 30,214               | 22.6%            | 1,605                              |
| Long-term borrowings                    | 19,022               |                  | 20,676               |                  | 1,654                              |
| Total liabilities                       | 58,852               | 46.4%            | 58,181               | 43.6%            | (670)                              |
| Treasury shares                         | (6,834)              |                  | (0)                  |                  | 6,834                              |
| Total net assets                        | 67,893               | 53.6%            | 75,355               | 56.4%            | 7,461                              |
| Total liabilities and net assets        | 126,746              | -                | 133,536              | -                | 6,790                              |

## 5

## Consolidated income statement

| (Millions of yen)                                  | 2019/3        |               |               |               | 2020/3        |               |               |               |
|----------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                                                    | 1Q<br>Results | 2Q<br>Results | 3Q<br>Results | 4Q<br>Results | 1Q<br>Results | 2Q<br>Results | 3Q<br>Results | 4Q<br>Results |
| Net sales                                          | 64,425        | 68,148        | 84,778        | 75,208        | 63,918        |               |               |               |
| (Change from the same period of the previous year) | 104.9%        | 91.2%         | 99.6%         | 96.4%         | 99.2%         |               |               |               |
| Gross profit                                       | 29,093        | 30,360        | 32,365        | 29,953        | 29,728        |               |               |               |
| (Change from the same period of the previous year) | 104.5%        | 99.6%         | 101.5%        | 102.0%        | 102.2%        |               |               |               |
| (Gross profit ratio)                               | 45.2%         | 44.6%         | 38.2%         | 39.8%         | 46.5%         |               |               |               |
| SG&A                                               | 25,368        | 26,763        | 26,753        | 27,218        | 27,126        |               |               |               |
| (Change from the same period of the previous year) | 102.2%        | 102.7%        | 101.4%        | 98.4%         | 106.9%        |               |               |               |
| Operating profit                                   | 3,724         | 3,596         | 5,612         | 2,734         | 2,602         |               |               |               |
| (Change from the same period of the previous year) | 122.7%        | 81.3%         | 101.6%        | 162.4%        | 69.9%         |               |               |               |

## 5

## Sales based on merchandise

| (Millions of yen) | 2019/3<br>1Q Results | 2019/3<br>2Q Results | 2019/3<br>3Q Results | 2019/4<br>4Q Results | 2020/3<br>1Q Results | 2020/3<br>2Q Results | 2020/3<br>3Q Results | 2020/3<br>4Q Results |
|-------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Reuse             | 25,421               | 25,071               | 28,936               | 27,237               | 26,530               |                      |                      |                      |
| Media             | 13,278               | 13,260               | 13,651               | 13,982               | 12,914               |                      |                      |                      |
| Non-media         | 12,142               | 11,810               | 15,284               | 13,254               | 13,615               |                      |                      |                      |
| Rental            | 15,508               | 16,782               | 15,130               | 14,866               | 14,784               |                      |                      |                      |
| New (media)       | 15,575               | 17,804               | 31,401               | 24,437               | 13,736               |                      |                      |                      |
| Others            | 7,922                | 8,491                | 9,310                | 8,666                | 8,867                |                      |                      |                      |
| Total             | 64,425               | 68,148               | 84,778               | 75,208               | 63,918               |                      |                      |                      |

## 5

## Gross profit based on merchandise

| (Millions of yen)  | 2019/3<br>1Q Results | 2019/3<br>2Q Results | 2019/3<br>3Q Results | 2019/4<br>4Q Results | 2020/3<br>1Q Results | 2020/3<br>2Q Results | 2020/3<br>3Q Results | 2020/3<br>4Q Results |
|--------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Reuse              | 14,198               | 13,872               | 16,064               | 14,615               | 14,827               |                      |                      |                      |
| Media              | 5,556                | 5,781                | 5,814                | 5,801                | 5,427                |                      |                      |                      |
| Non-media          | 8,641                | 8,091                | 10,250               | 8,813                | 9,400                |                      |                      |                      |
| Rental             | 9,420                | 10,483               | 9,260                | 9,122                | 9,361                |                      |                      |                      |
| New (media)        | 2,462                | 2,803                | 4,014                | 3,165                | 2,379                |                      |                      |                      |
| Others             | 3,014                | 3,202                | 3,025                | 3,049                | 3,160                |                      |                      |                      |
| Total              | 29,093               | 30,360               | 32,365               | 29,953               | 29,728               |                      |                      |                      |
| Gross profit ratio | 45.2%                | 44.6%                | 38.2%                | 39.8%                | 46.5%                |                      |                      |                      |

## Notice concerning forward-looking statements

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All indications made in this document concerning forecasts of performance, policies, management strategies, targets, plans, understanding and assessment of facts, as well as outlook on performance and dividends with respect to the Group, excluding historical facts, only reflect our current expectations, predictions, plans, understanding, assessments and others based on information available to the Group. These indications, facts or preconditions (assumptions) by their nature may be inaccurate from an objective perspective and they are exposed to potential risks of being affected by changes in general business environment, weather, economic trends, consumer trends, and consumer preferences. Therefore, no guarantee is made that the indications in this document will be realized in the future as projected.

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GEO HOLDINGS CORPORATION

Corporate philosophy: To offer joy to your everyday life

|                     |                                                                  |
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