



Briefing on the Financial Results for the Second Quarter
of the Fiscal Year Ending March 31, 2020

GEO HOLDINGS CORPORATION (2681)

November 11, 2019



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Consolidated Results for Six Months Ended September 30, 2019

1

Both net sales and gross profit increased compared to the previous year

- Six months ended September 30, 2019: Consolidated income statement

Sales were 104.1% and gross profit was 100.9%, respectively, compared to the same period of the previous year. However, operating profit was 62.6% and ordinary profit was 59.9%, respectively, compared to the same period of the previous year due to increase in SG&A.

(Millions of yen)	2019/3 2Q Results	2020/3 2Q Results	Increase/ decrease	Change
Net sales	132,573	138,048	5,475	104.1%
Gross profit	59,454	59,965	511	100.9%
(Gross profit ratio)	44.8%	43.4%		
SG&A	52,132	55,383	3,251	106.2%
Operating profit	7,321	4,581	(2,740)	62.6%
(Operating profit ratio)	5.5%	3.3%		
Ordinary profit	8,186	4,906	(3,280)	59.9%
Profit	4,981	2,696	(2,285)	54.1%

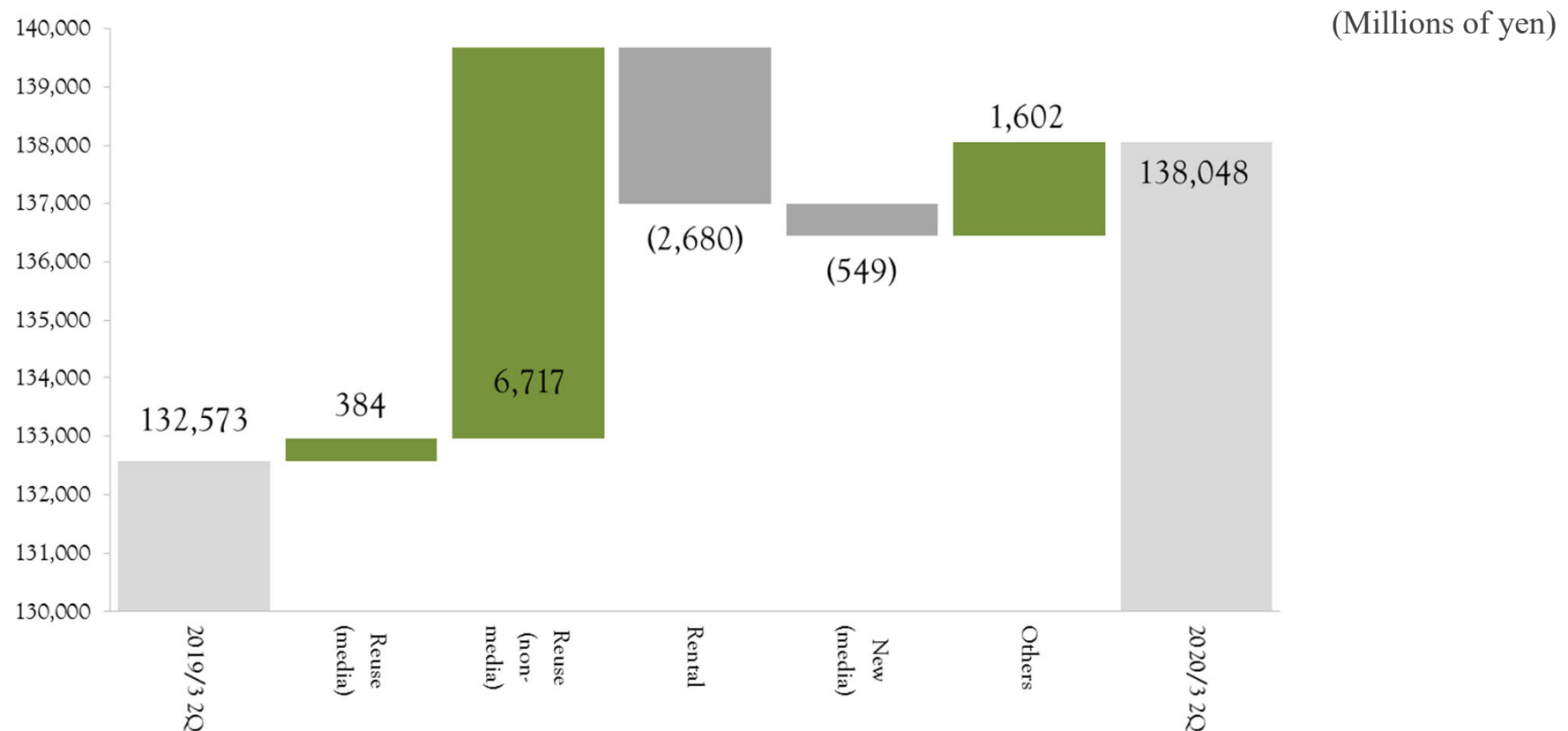
*Profit is the profit attributable to owners of parent.

1

Sales for reuse (non-media) merchandise increased significantly

- Six months ended September 30, 2019: Change in sales

Although the downtrend in rentals continued, sales resulted in 104.1% compared to the same period of the previous year due to the boosting sales for reuse (non-media) merchandise attributable to the continuous development of existing 2nd STREET stores and to “Okura,” which shares were acquired by GEO in the first quarter.

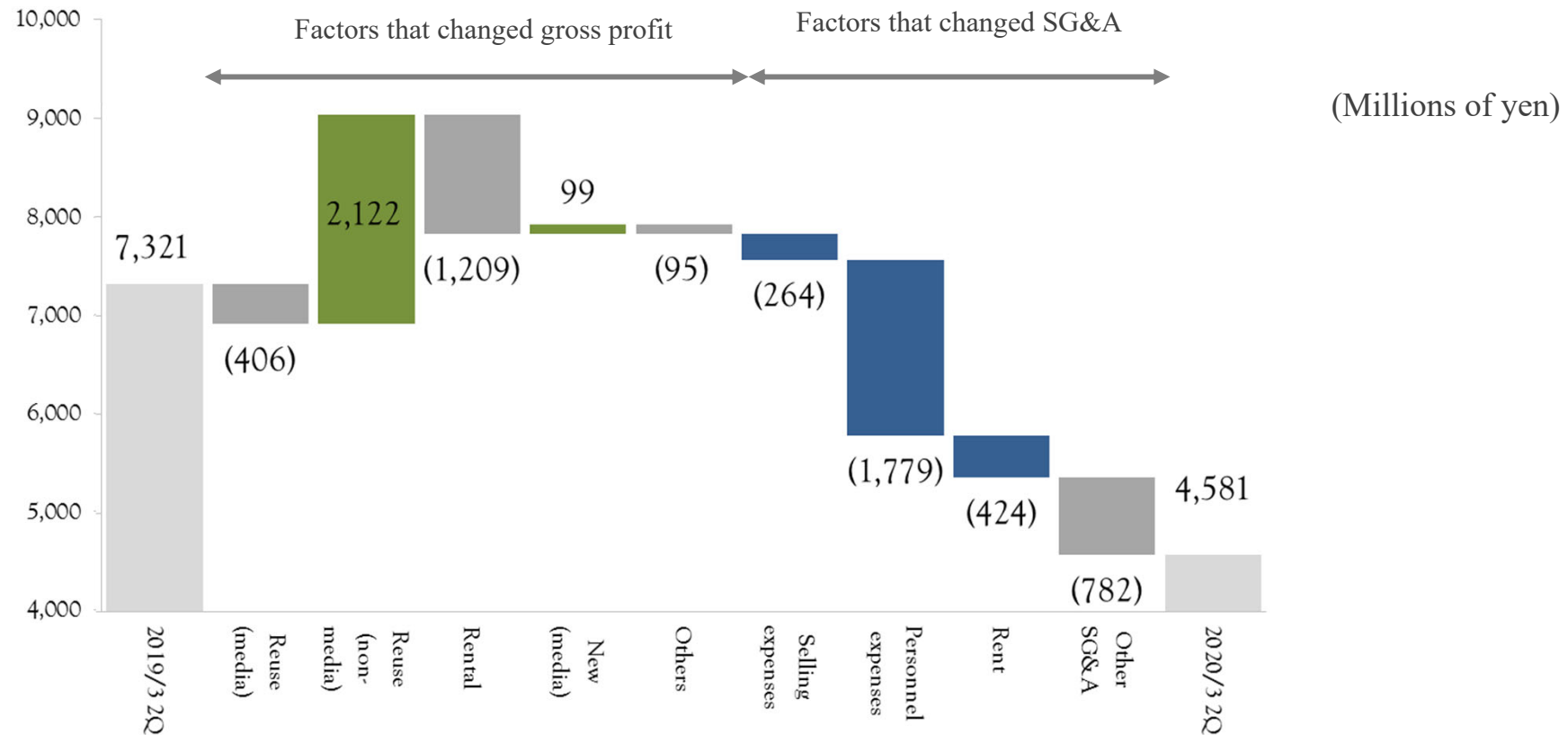


1

Operating profit fell due to increase in SG&A

- Six months ended September 30, 2019: Change in operating profit

Gross profit maintained the same level as the same period of the previous year. However, operating profit resulted in 62.6% compared to the same period of the previous year due to increase of rents, expenses for consumables, etc. and personnel expenses from opening new stores.



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

1

Personnel expenses continued to increase

SG&A increased to 106.2% compared to the same period of the previous year due to the uptrend in per head personnel expenses as well as increased rents and expenses for consumables, etc. from opening new stores.

We are making continuous efforts to pursue efficiency in operations at our stores to deal with part-time workers' new obligation to take paid leaves and expected rise in per head personnel expenses in future.

(Millions of yen)	2019/3 2Q Results	(Ratio to sales)	2020/3 2Q Results	(Ratio to sales)	Increase/ decrease	(Change)
Total selling expenses	4,762	3.6%	5,027	3.6%	264	105.5%
Advertising	1,570	1.2%	1,813	1.3%	243	115.5%
Sales promotion	294	0.2%	228	0.2%	(66)	77.6%
Total personnel expenses	26,128	19.7%	27,908	20.2%	1,779	106.8%
Total other expenses	21,240	16.0%	22,448	16.3%	1,207	105.7%
Utilities	2,130	1.6%	1,897	1.4%	(232)	89.1%
Rent	10,880	8.2%	11,304	8.2%	424	103.9%
Depreciation and amortization	1,768	1.3%	1,936	1.4%	168	109.5%
Consumables	829	0.6%	1,117	0.8%	288	134.7%
Maintenance	755	0.6%	377	0.3%	(378)	49.9%
Total SG&A	52,132	39.3%	55,383	40.1%	3,251	106.2%

Results Based on Merchandise for Six Months Ended September 30, 2019

2

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

- Sales based on merchandise (six months)

Although the downtrend in sales for rentals accelerated, sales for reuse (non-media) merchandise continuously grew solidly for the existing stores and compensated the reduced sales for rentals.

(Millions of yen)	2019/3 2Q Results	2020/3 2Q Results	Change	Increase/ decrease
Reuse	50,492	57,593	114.1%	7,101
Media	26,539	26,923	101.4%	384
Non-media	23,953	30,670	128.0%	6,717
Rental	32,291	29,610	91.7%	(2,681)
New (media)	33,380	32,830	98.4%	(549)
Others	16,410	18,013	109.8%	1,603
Total	132,573	138,048	104.1%	5,475

2

Gross profit increased due to change in composition ratio of merchandise

- Gross profit based on merchandise (six months)

Decrease in gross profit for rentals and reuse (media) merchandise was compensated by increase in reuse (non-media) merchandise. The composition ratio of merchandise changed due to increase of reuse (non-media) merchandise that has high gross profit ratio, and we achieved the same level in gross profit (gross income) as the same period of the previous year.

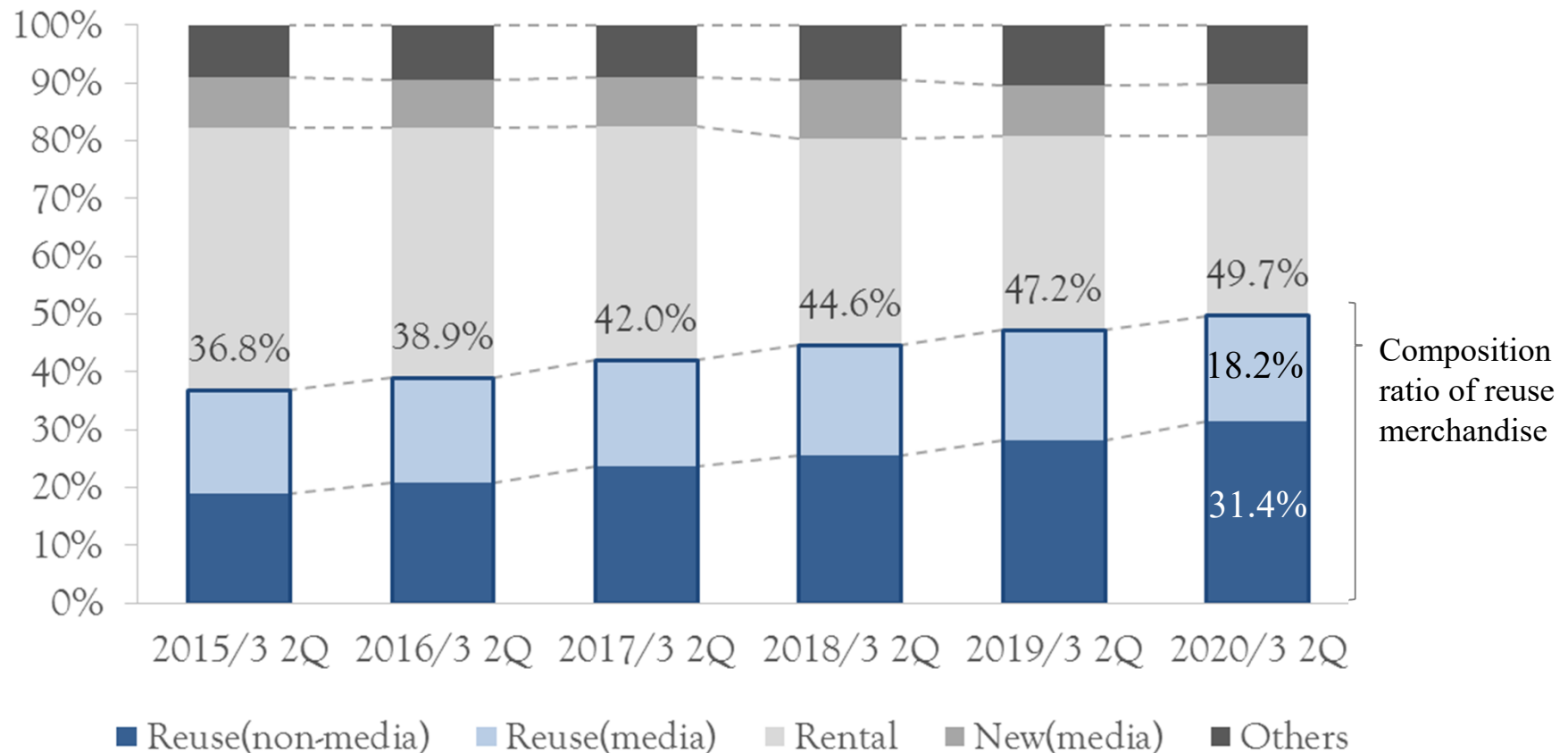
(Millions of yen)	2019/3 2Q Results	2020/3 2Q Results	Change	Increase/ decrease
Reuse	28,070	29,786	106.1%	1,716
Media	11,337	10,931	96.4%	(406)
Non-media	16,732	18,855	112.7%	2,123
Rental	19,903	18,694	93.9%	(1,209)
New (media)	5,266	5,365	101.9%	99
Others	6,216	6,119	98.5%	(96)
Total	59,454	59,965	100.9%	511

2

Change in gross profit (composition ratio) for the Group

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

The composition ratio of reuse (non-media) merchandise is increasing each year, and in this second quarter, reuse merchandise comprised 49.7% of gross profit, which became close to 50%.



Our Emphasis

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

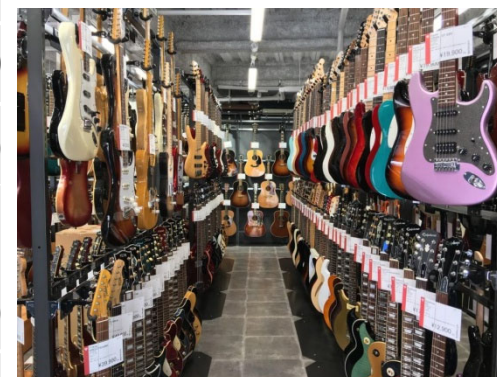
Invest in staff
training and
education

3

GEO Group's stores

- Total number of stores for the Group: 1,899

	As of March 31, 2019	As of September 30, 2019	Increase/ decrease
GEO Group's stores and facilities	1,878	1,899	21
Retail service stores	1,866	1,886	20
 GEO shops	1,203	1,191	(12)
Directly managed stores	1,026	1,027	1
Distributors and franchise stores	177	164	(13)
 GEO mobile shop	17	21	4
 2nd STREET*	630	648	18
Directly managed stores	578	595	17
Franchise stores	52	53	1
Others	16	26	10
 Amusement facilities	12	13	1



2nd STREET Shimokitazawa Store
Musical Instruments Center (Setagaya-ku, Tokyo)

* Includes Super 2nd STREET, Jumble Store, 2nd OUTDOOR, and buying-only stores.

3

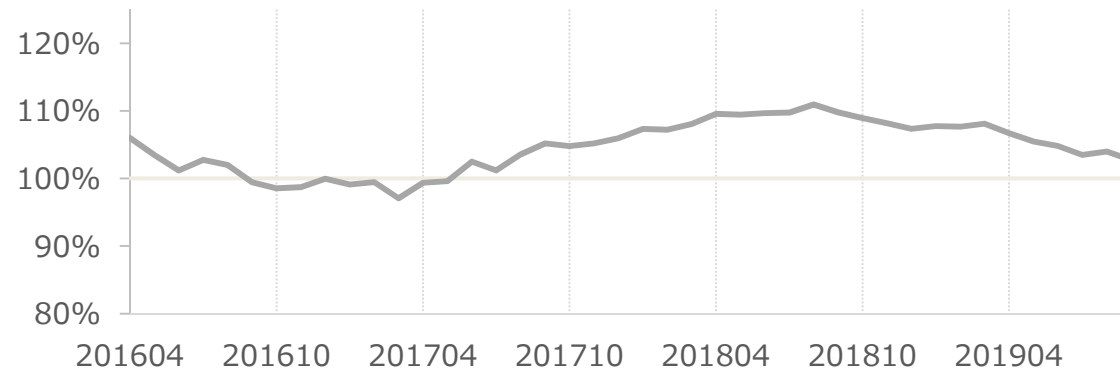
Deep focus on the reuse market (1)

- Sales for reuse (non-media) merchandise at existing stores continuously grew

The existing “2nd STREET” stores continuously delivered solid sales reflecting enhanced recognition of the “2nd 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 large stores “Super 2nd STREET” as well as specialized reuse stores such as in luxury brand, outdoor goods, musical instruments and buying-only stores to our general reuse stores.

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

Existing 2nd STREET stores



Super 2nd STREET AEON Sendai Nakayama Store (Izumi-ku, Sendai-shi)



Concept shop specialized in luxury brand
2nd STREET Kobe Sannomiya Center Street Store (Chuo-ku, Kobe-shi)

- Overseas expansion of 2nd STREET

As a part of the overseas expansion of Second Street, we operate 3 stores on the West Coast of the U. S., and wholesale business and 3 stores in Malaysia at present.

In addition, we plan to open a new store on the East Coast of the U. S., and also aim to open a store in Taipei in Taiwan during this fiscal year having already established a subsidiary, 2ND STREET TAIWAN CO.,LTD.(台灣極沃股份有限公司), in Taiwan in August 2019.



2nd STREET Costa Mesa Store (California)



2nd STREET BU Store (Malaysia, Petaling Jaya)

3

Deep focus on the reuse market (3)

- Organize the access base for reuse smartphones

Since the separation of handset charges and communication fees makes consumers feel increasingly burdensome to purchase a new handset, the reuse market for smartphones is expected to become more active. We will lead the reuse market for mobile phones and smartphones 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

- Expansion of buying and selling of home appliances

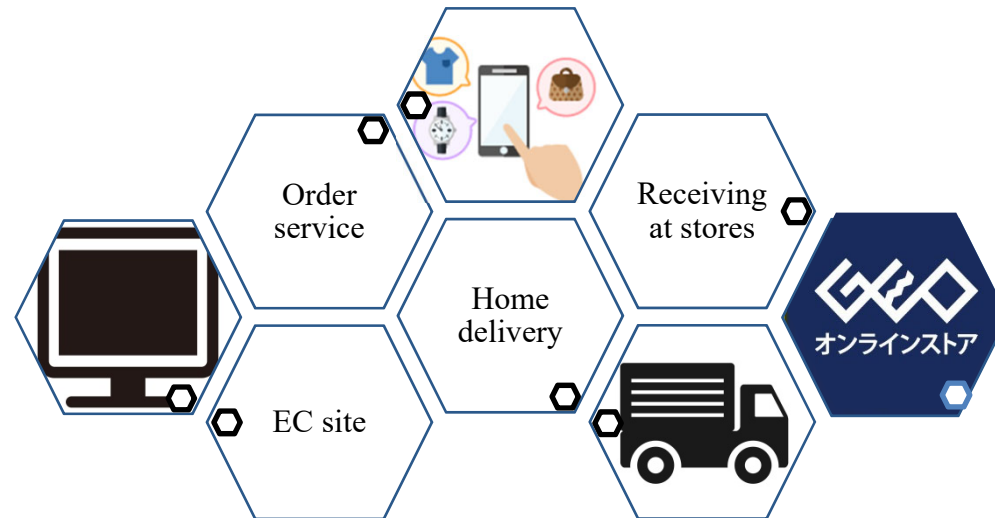
More than 800 GEO shops began to purchase home appliances, mainly consumer electronics such as televisions and audio devices, and personal computers, that have high affinity with media merchandise. These appliances are gathered at GEO shops that sell home appliances, and are sold after operation test and cleaning.



We developed the industry's first non-face-to-face locker type rental shop "GEO SPEED," which enables customers to select, order and pay for rental DVDs and CDs on their smartphones, and receive them from lockers inside the store. We will continue innovating our stores to enhance our customers' convenience.

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 2Q Results	2020/3 2Q Results	Change
Sales involving EC	4,363	5,911	135.5%
Number of items sold involving EC	969,130	1,418,519	146.4%

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.

We opened our second store in Yao-shi, Osaka this July and we plan to build this chain including opening stores containing both GEO and this OPS by considering the characteristics of each region.



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

Enhancement of the reuse luxury sector

By utilizing the ability of “Okura,” which was acquired in the first quarter of this fiscal year, to procure luxury brand reuse merchandise such as luxury watches and luxury brand bags, etc., GEO will open specialized stores and develop stores focusing on luxuries in the Second Street stores that suit the local characteristics of each store. GEO aims to become a leader also in luxury merchandise in the domestic reuse market.



Inside of 2nd STREET Shinsaibashi Chuo Store (Osaka-shi, Chuo-ku)

Achievement on Forecast for Fiscal Year Ending March 31, 2020

4

Achievement on forecast for fiscal year ending March 31, 2020

- We anticipate sales of 310 billion yen, an increase of 6%, even if the rental market is anticipated to continue shrinking.
- We anticipate reduced profits due to continuous investment in reuse including opening new stores and exploring new retail format and new merchandise.
- In addition to continuously opening new stores for reuse mainly for clothing and accessories, we will proactively engage in luxury brand merchandise business and buying-only store business, and organize a seamless selling and buying, and rental environment by investing in economic commerce including logistics.

(Millions of yen)	2020/3 Forecast	Change	Achievement in 2Q of 2020/3
Net sales	310,000	6.0%	44.5%
Operating profit	10,000	(36.2%)	45.8%
Ordinary profit	10,500	(40.5%)	46.7%
Profit	5,250	(49.0%)	51.6%

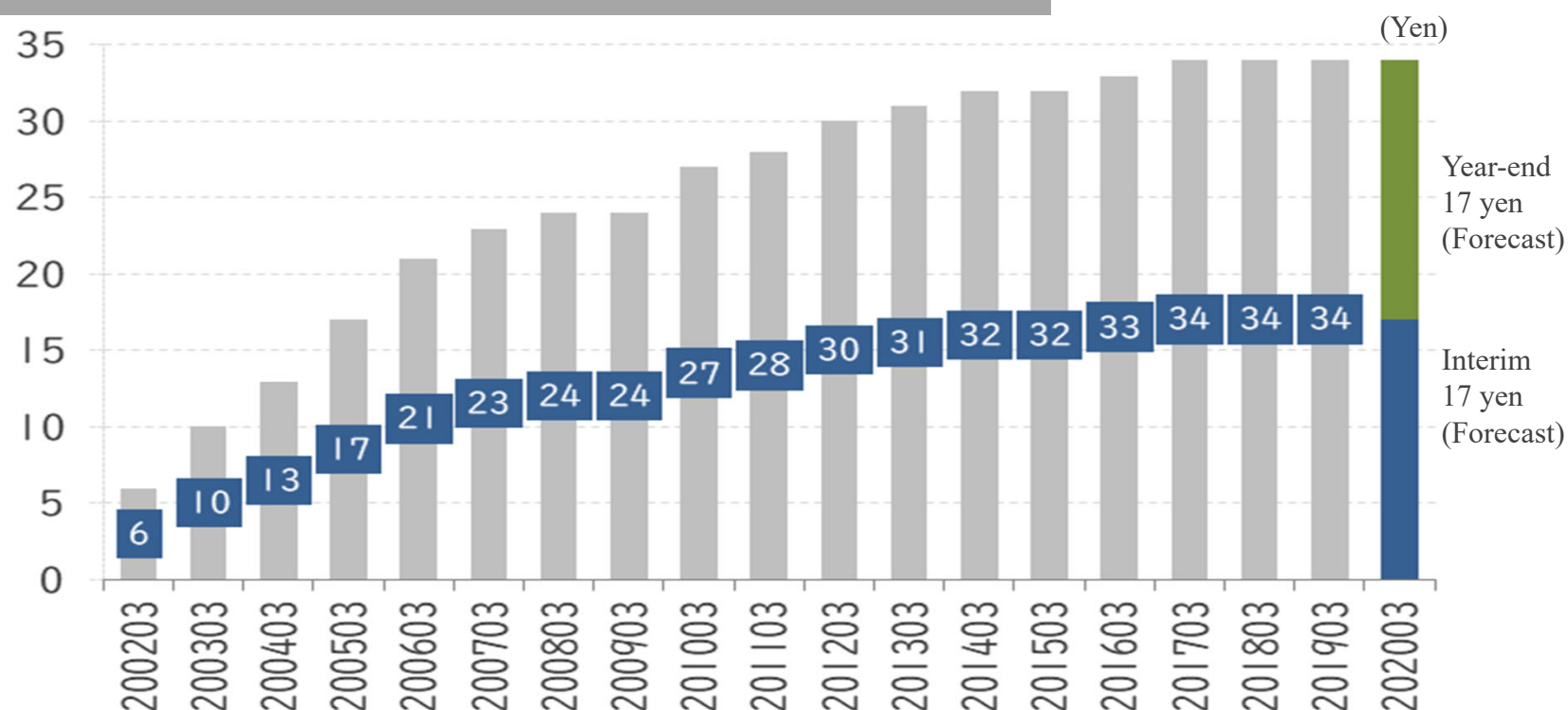
Returns to Shareholders

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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



5

Status of share repurchases

■ Details of resolution of the Board of Directors Meeting (June 28, 2019)

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

■ Status of repurchases (As of September 30, 2019)

- | | |
|---|---------------------------|
| (1) Cumulative number of shares repurchased (Achievement) | 1,090,600 shares (70.8%) |
| (2) Cumulative repurchased amount (Achievement) | 1,414,698,300 yen (70.0%) |

Results of share repurchases

Period for repurchase	Method of purchase	Number of shares for repurchase (Thousand shares)	Repurchased amount (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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Consolidated balance sheet as of September 30, 2019

(Millions of yen)	As of 3/31/2019	Composition	As of 9/30/2019	Composition	Amount of increase/ decrease
Current assets	84,406	61.8%	86,102	61.0%	1,695
Cash and deposits	35,789		32,257		(3,532)
Merchandise	35,071		38,538		3,466
Non-current assets	52,183	38.2%	55,081	39.0%	2,897
Property, plant and equipment	27,978		29,112		1,133
Intangible assets	1,517		3,157		1,639
Investments and other assets	22,688		22,811		122
Total assets	136,590	-	141,183	-	4,592
Current liabilities	31,380	23.0%	32,785	23.2%	1,404
Accounts payable-trade	11,484		14,209		2,724
Short-term borrowings	-		1,750		1,750
Current portion of long-term borrowings	4,203		3,292		(911)
Non-current liabilities	30,599	22.4%	33,218	23.5%	2,618
Long-term borrowings	21,193		23,662		2,468
Total liabilities	61,980	45.4%	66,004	46.8%	4,023
Treasury shares	(0)		(1,414)		(1,414)
Total net assets	74,609	54.6%	75,179	53.2%	569
Total liabilities and net assets	136,590	-	141,183	-	4,592

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Consolidated income statement

(Millions of yen)	2019/3				2020/3			
	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q
	Results	Results	Results	Results	Results	Results	Results	Results
Net sales	64,425	68,148	84,778	75,208	63,918	74,130		
(Change from the same period of the previous year)	104.9%	91.2%	99.6%	96.4%	99.2%	108.8%		
Gross profit	29,093	30,360	32,365	29,953	29,728	30,236		
(Change from the same period of the previous year)	104.5%	99.6%	101.5%	102.0%	102.2%	99.6%		
(Gross profit ratio)	45.2%	44.6%	38.2%	39.8%	46.5%	40.8%		
SG&A	25,368	26,763	26,753	27,218	27,126	28,256		
(Change from the same period of the previous year)	102.2%	102.7%	101.4%	98.4%	106.9%	105.6%		
Operating profit	3,724	3,596	5,612	2,734	2,602	1,979		
(Change from the same period of the previous year)	122.7%	81.3%	101.6%	162.4%	69.9%	55.0%		

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Sales based on merchandise (three months)

(Millions of yen)	2019/3 1Q Results	2019/3 2Q Results	2019/3 3Q Results	2019/3 4Q Results	2020/3 1Q Results	2020/3 2Q Results	2020/3 3Q Results	2020/3 4Q Results
Reuse	25,421	25,071	28,936	27,237	26,530	31,063		
Media	13,278	13,260	13,651	13,982	12,914	14,008		
Non-media	12,142	11,810	15,284	13,254	13,615	17,055		
Rental	15,508	16,782	15,130	14,866	14,784	14,826		
New (media)	15,575	17,804	31,401	24,437	13,736	19,094		
Others	7,922	8,491	9,310	8,666	8,867	9,146		
Total	64,425	68,148	84,778	75,208	63,918	74,130		

6

Gross profit based on merchandise (three months)

(Millions of yen)	2019/3 1Q Results	2019/3 2Q Results	2019/3 3Q Results	2019/3 4Q Results	2020/3 1Q Results	2020/3 2Q Results	2020/3 3Q Results	2020/3 4Q Results
Reuse	14,198	13,872	16,064	14,615	14,827	14,958		
Media	5,556	5,781	5,814	5,801	5,427	5,503		
Non-media	8,641	8,091	10,250	8,813	9,400	9,454		
Rental	9,420	10,483	9,260	9,122	9,361	9,333		
New (media)	2,462	2,803	4,014	3,165	2,379	2,986		
Others	3,014	3,202	3,025	3,049	3,160	2,957		
Total	29,093	30,360	32,365	29,953	29,728	30,236		
Gross profit ratio	45.2%	44.6%	38.2%	39.8%	46.5%	40.8%		

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Consolidated cash flow

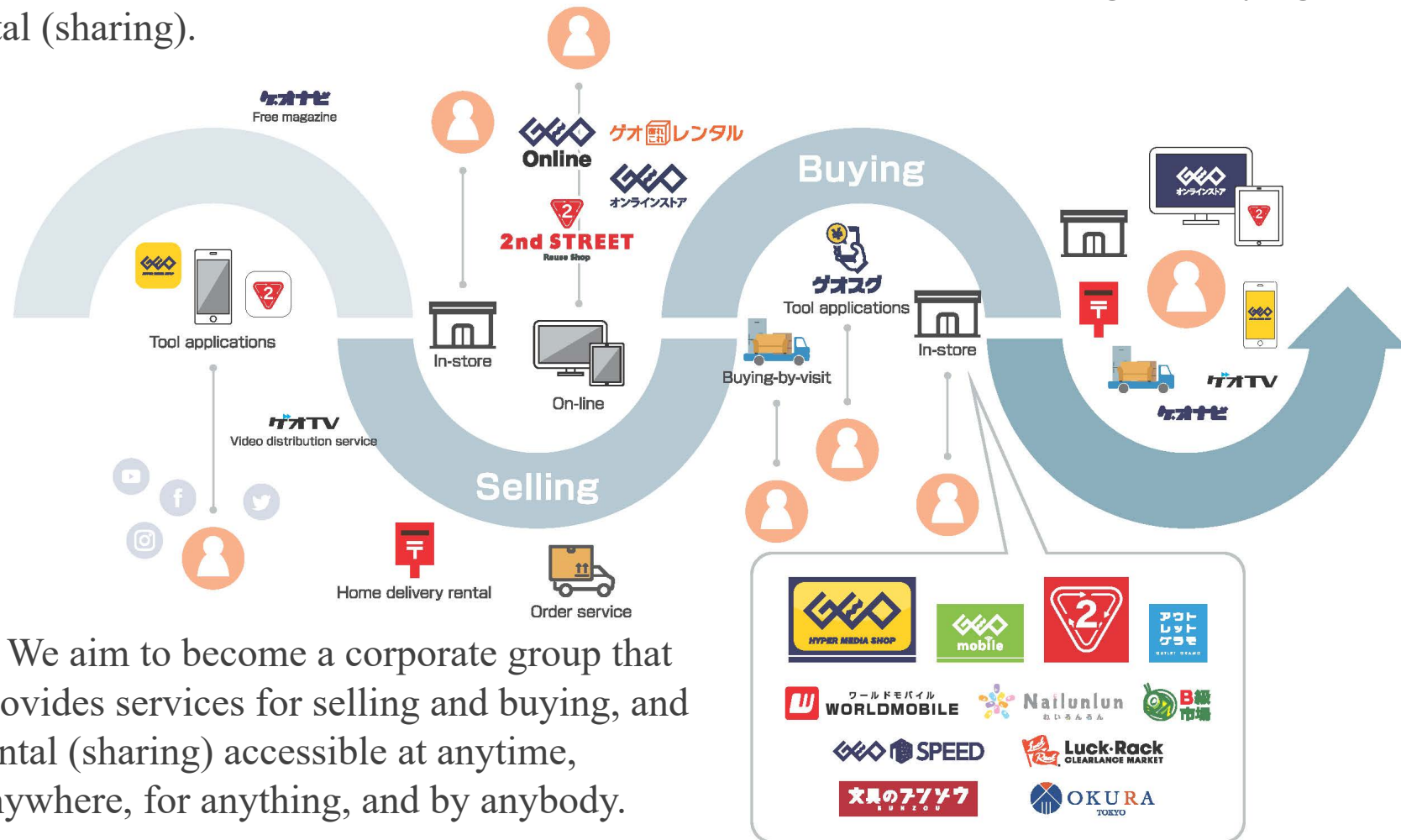
		2019/3	2020/3	Amount of
		2Q	2Q	increase/decrease
(Millions of yen)				
	Depreciation	2,042	2,267	225
	Rental asset depreciation and amortization	3,183	2,846	(337)
	Purchase of rental assets	(2,649)	(2,311)	338
	Cash flow from operating activities subtotal	5,923	6,413	490
	Income taxes (paid) refund	(4,696)	(3,137)	1,559
Net cash provided by (used in) operating activities		1,811	3,209	1,398
	Purchase of property, plant and equipment	(2,105)	(2,984)	(879)
Net cash provided by (used in) investing activities		(3,007)	(6,658)	(3,651)
	Proceeds from long-term borrowings	3,100	3,500	400
	Repayments of long-term borrowings	(3,000)	(2,348)	652
	Dividends paid	(812)	(748)	64
	Purchase of treasury shares	(6,308)	(1,414)	4,894
Net cash provided by (used in) financing activities		(7,086)	(1,436)	5,650
Net increase (decrease) in cash and cash equivalents		(8,282)	(4,889)	3,393
Cash and cash equivalents at end of period		36,960	33,966	(2,994)
Free cash flow (simple)		(1,196)	(3,449)	(2,253)

Group Profile

• Company name	GEO HOLDINGS CORPORATION
• Date of incorporation	January 1989
• Head office	8-8 Fujimi-cho, Naka-ku, Nagoya-shi, Aichi Prefecture 460-0014
Tokyo office	Imai Mitsubishi Bldg. 3-53-11 Minamitsuka, Toshima-ku Tokyo 170-0005
• Representative director	Yuzo Endo, President and CEO
• Common stock	8,969 million yen
• Listed exchange	Tokyo Stock Exchange 1st Section

As of September 30, 2019

We aim to make our services and products known to as many customers as possible, and to eliminate the border between in-store and on-line environment for selling and buying, and rental (sharing).



We aim to become a corporate group that provides services for selling and buying, and rental (sharing) accessible at anytime, anywhere, for anything, and by anybody.

7

GEO Group's shops and their major merchandise

		Reuse (non-media)			Reuse (media)		Rental		New goods		Amusement facilities	Number of stores (As of September 30, 2019)
		Clothing	Clothing and accessories	Furniture and home appliances	Game device and game software	Mobile and smart- phones	DVD	Books, CD	Clothing	Game device and game software		
GEO shops GEO mobile shops	 	●	●	●	●	●	●	●	●	●	●	1,212
2nd STREET shops		●	●	●	●	●	●	●	●	●	●	648
Amusement facilities		●	●	●	●	●	●	●	●	●	●	13

※ The above is a list of major merchandise handled by the above stores.
Some stores may not be handling the above merchandise.

Notice concerning forward-looking statements

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.



GEO HOLDINGS CORPORATION

Corporate philosophy: To offer joy to your everyday life

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