



Supplementary Materials on Financial Results for the
First Quarter of the Fiscal Year Ending March 31, 2021

GEO HOLDINGS CORPORATION (2681)

August 11, 2020



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Consolidated Results for Three Months Ended June 30, 2020

Income statement for three months ended June 30, 2020

- Sales and profit increased from the previous first quarter due to demand from the public staying home

Although we temporarily suspended business operations and shortened business hours to prevent the spread of COVID-19 infection, the sales were solid for game-related items due to demand from the public staying home. As a result, sales, operating profit, and ordinary profit increased significantly from the previous first quarter by 129.6%, 136.7%, and 130.0%, respectively.

(Millions of yen)	2020/3 1Q Results	2021/3 1Q Results	Increase/ decrease	Change
Net sales	63,918	82,860	18,942	129.6%
Gross profit	29,728	33,230	3,501	111.8%
(Gross profit ratio)	46.5%	40.1%		
SG&A	27,126	29,673	2,546	109.4%
Operating profit	2,602	3,557	954	136.7%
(Operating profit ratio)	4.1%	4.3%		
Ordinary profit	2,802	3,641	839	130.0%
Profit	1,505	2,392	887	159.0%

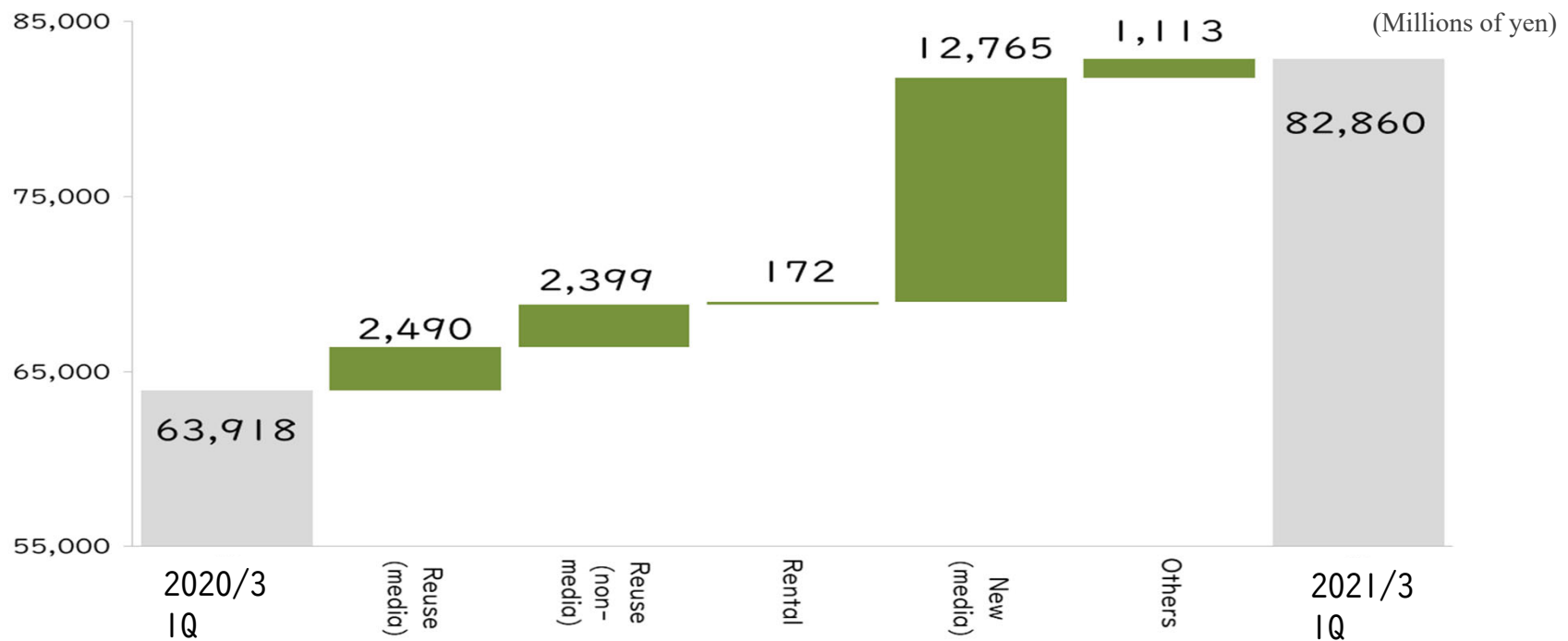
※Profit is profit attributable to owners of parent.

1

Sales increased from the previous first quarter

- Sales increased due to emergence of demand from the public staying home

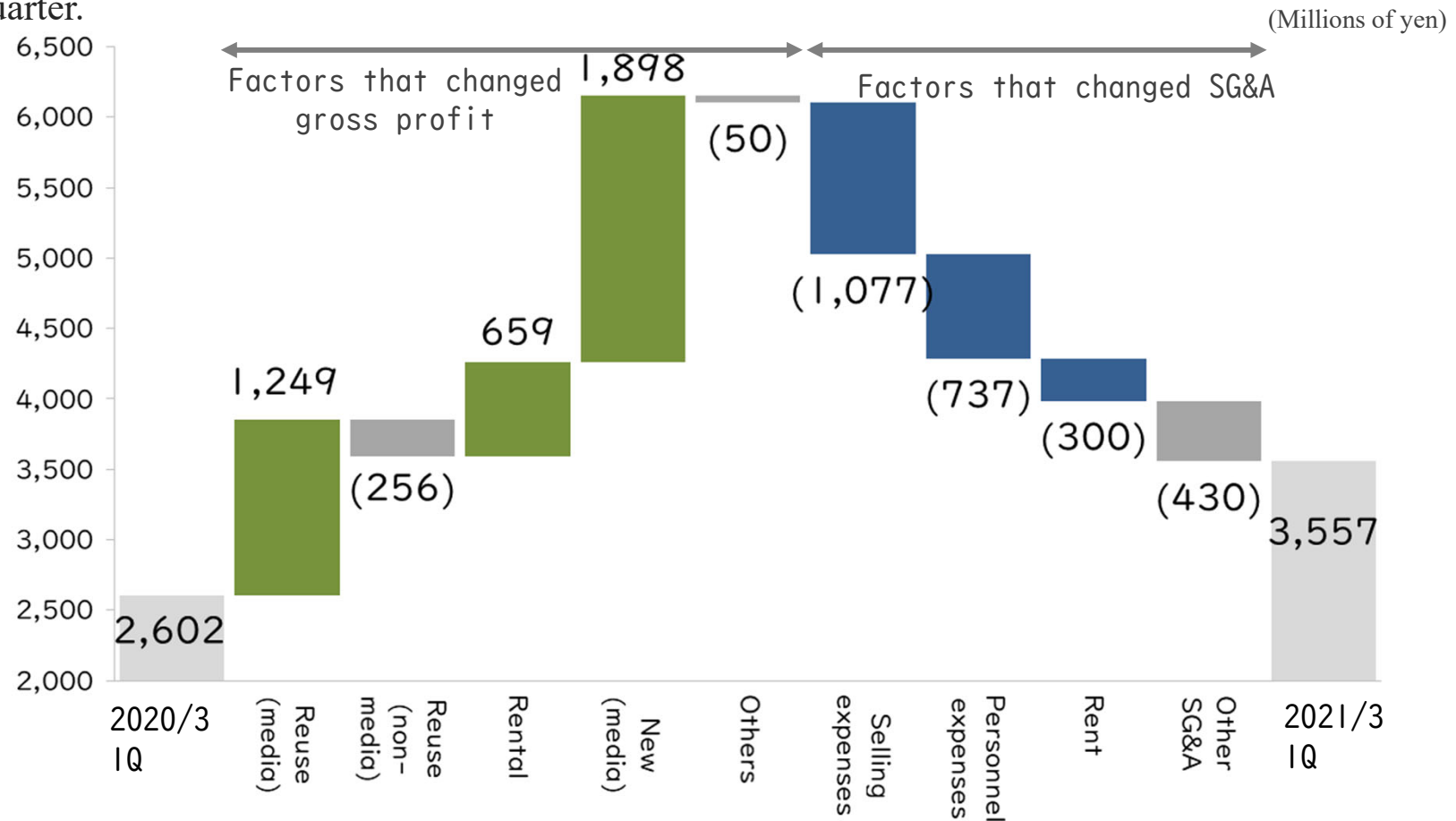
The consumers refraining from going out, which has been continuing from the end of the previous fiscal year, has created a demand from the public staying home to the advantage of “GEO” and sales increased significantly for new (media) merchandise especially for games. On the other hand, sales for reuse (non-media) merchandise at “2nd STREET,” etc. was stagnant due to temporary suspension of operation and shortened business hours. Nevertheless, this merchandise also posted sales higher than the previous first quarter.



1

Change in operating profit from the previous first quarter

As a result of temporary slow-down in the fall of sales for rental due to emergence of demand from the public staying home and significant increase in sales for new (media) merchandise, gross profit increased from the previous first quarter and operating profit increased by 36.7% from the previous first quarter.



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

For this first quarter, utilities and personnel expenses for part-timers, etc. were controlled as a result of temporary suspension of operations and shortened business hours. We will continue operating our stores efficiently by assuming measures to prevent the spread of COVID-19 infection to assure safety of our customers when visiting our stores.

(Millions of yen)	2020/3 1Q Results	(Ratio to sales)	2021/3 1Q Results	(Ratio to sales)	Increase/ decrease	(Change)
Total selling expenses	2,439	3.8%	3,516	4.2%	1,077	144.2%
Advertising	897	1.4%	1,293	1.6%	395	144.1%
Sales promotion	113	0.2%	88	0.1%	(25)	77.9%
Total personnel expenses	13,876	21.7%	14,614	17.6%	737	105.3%
Total other expenses	10,810	16.9%	11,542	13.9%	731	106.8%
Utilities	785	1.2%	680	0.8%	(105)	86.6%
Rent	5,604	8.8%	5,905	7.1%	300	105.4%
Depreciation and amortization	917	1.4%	1,100	1.3%	182	119.9%
Consumables	491	0.8%	595	0.7%	103	121.0%
Maintenance	165	0.3%	134	0.2%	(30)	81.3%
Total SG&A	27,126	42.4%	29,673	35.8%	2,546	109.4%

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

Results Based on Merchandise for Three Months Ended June 30, 2020

2

Sales based on merchandise for three months

- Sales increased significantly for games in new (media) merchandise

Sales for rental temporarily recovered from the demand that emerged from request made to the public to refrain from going out to prevent the spread of COVID-19 infection, but after this June, sales for rental resumed falling again to the level of the previous year. Sales for new (media) merchandise grew significantly due to demand from the public staying home and from the huge hit of Nintendo game software “Animal Crossing: New Horizons.”

(Millions of yen)	2020/3 1Q Results	2021/3 1Q Results	Change	Increase/ decrease
Reuse	26,530	31,420	118.4%	4,890
Media	12,914	15,405	119.3%	2,490
Non-media	13,615	16,014	117.6%	2,399
Rental	14,784	14,957	101.2%	172
New (media)	13,736	26,502	192.9%	12,765
Others	8,867	9,981	112.6%	1,113
Total	63,918	82,860	129.6%	18,942

2

Gross profit based on merchandise for three months

Due to increase in sale composition of “new (media) merchandise” which its gross income ratio is relatively lower than reuse merchandise, the rate of increase of gross profit was lower than the rate of increase in sales. With respect to gross profit for reuse (non-media) merchandise, while there was contribution from Okura which was consolidated from the second quarter of the previous fiscal year, the sales for reuse clothing were stagnant, and gross profit for this merchandise did not increase from the previous first quarter.

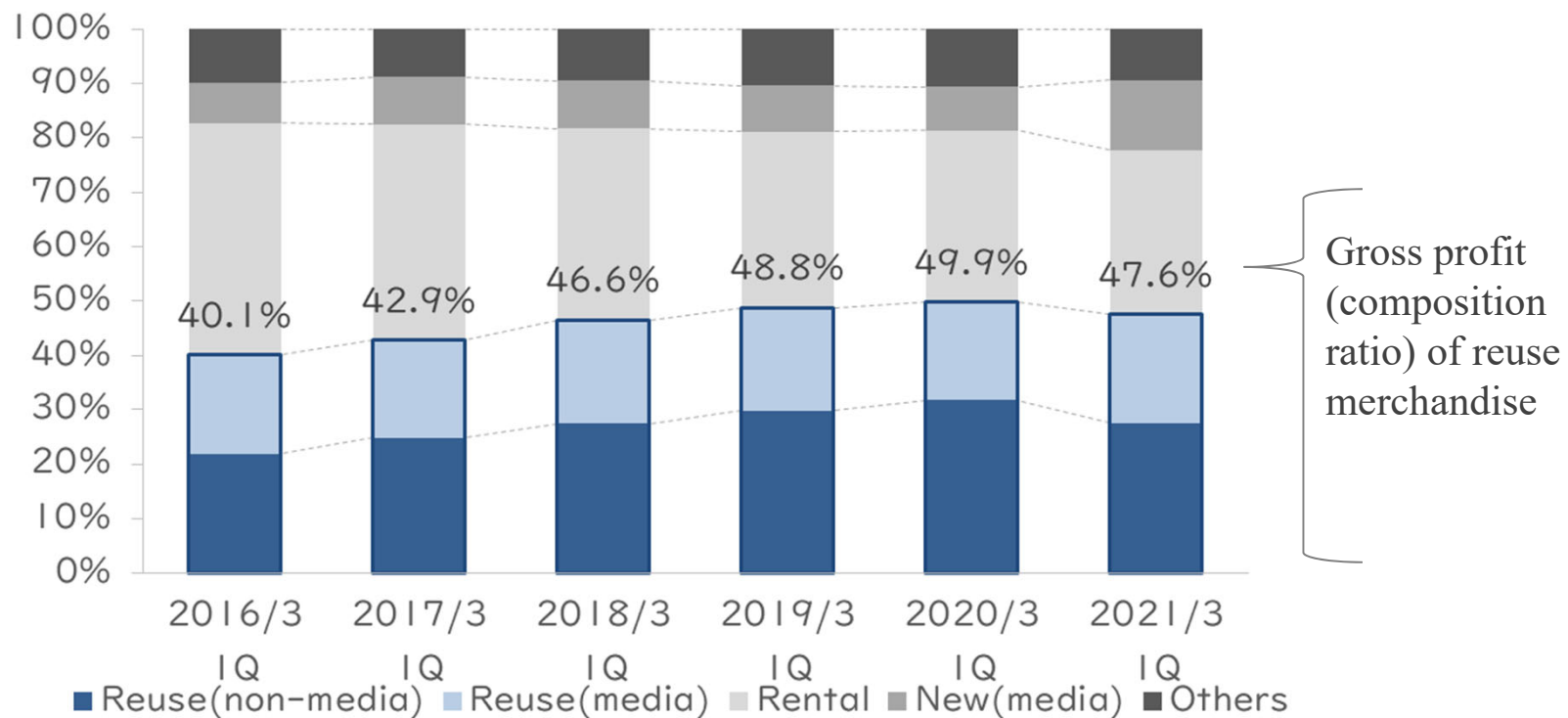
(Millions of yen)	2020/3 1Q Results	2021/3 1Q Results	Change	Increase/ decrease
Reuse	14,827	15,820	106.7%	993
Media	5,427	6,677	123.0%	1,249
Non-media	9,400	9,143	97.3%	(256)
Rental	9,361	10,021	107.0%	659
New (media)	2,379	4,278	179.8%	1,898
Others	3,160	3,110	98.4%	(50)
Total	29,728	33,230	111.8%	3,501

2

Change in gross profit (composition ratio) for the Group

• Composition of gross profit based on merchandise (1Q)

We are currently focusing to reduce the ratio of rental for which downtrend in the market is continuing and to increase the ratio of reuse (non-media) merchandise by opening new stores mainly for 2nd STREET. However, for this first quarter, gross profit composition ratio for reuse merchandise fell as a result of increase in gross profit for new (media) merchandise mainly for game-related items due to the special demand from the public staying home.



- Video rentals

While demand for video rental temporarily heated due to emergence of demand from the public staying home, this demand has calmed at the end of this first quarter. Going forward, it is anticipated that there will be a shortage in supply of new releases in video rentals due to postponed release of new movies and suspension of movie productions, and for these reasons, the downtrend in sales for rental merchandise is expected to continue throughout this fiscal year.

- Game-related merchandise

With respect to production of game software, decisions were made to postpone the market launches for some titles. Also, while a new game hardware (game device) is scheduled to be sold from around the end of 2020, because the gross income ratio is low for the new game hardware, it is anticipated that its contribution to gross profit would be limited.

- Reuse (non-media) merchandise

Considering recovery in sales for existing stores as observed in the latter half of this first quarter, we believe that there is a solid demand for reuse (non-media) even under the effect of COVID-19 because the trends for consumers to save more and spend less are continuing. We will thus continue opening new stores mainly for 2nd STREET. On the other hand, it is anticipated that it would take longer for the demand for luxury watches and bags to recover because these items are highly dependent on consumer preference but we will nevertheless continue opening new stores for luxury items as well.

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: 1,933

	As of 3/31/2020	As of 6/30/2020	Increase/ decrease
GEO Group's stores and facilities	1,938	1,933	(5)
Retail service stores	1,925	1,921	(4)
 GEO shops	1,185	1,176	(9)
Directly managed stores	1,028	1,022	(6)
Distributors and franchise stores	157	154	(3)
 GEO mobile shop	25	23	(2)
 2nd STREET	671	673	2
Jumble Store※			
Directly managed stores	618	620	2
Franchise stores	53	53	0
Others	44	49	5
OKURA TOKYO	7	9	2
Luck* Rack	5	6	1
Overseas stores	9	11	2
 Amusement facilities	13	12	(1)



Super 2nd STREET Atsugi Hayashi Store
(Atsugi-shi, Kanagawa)

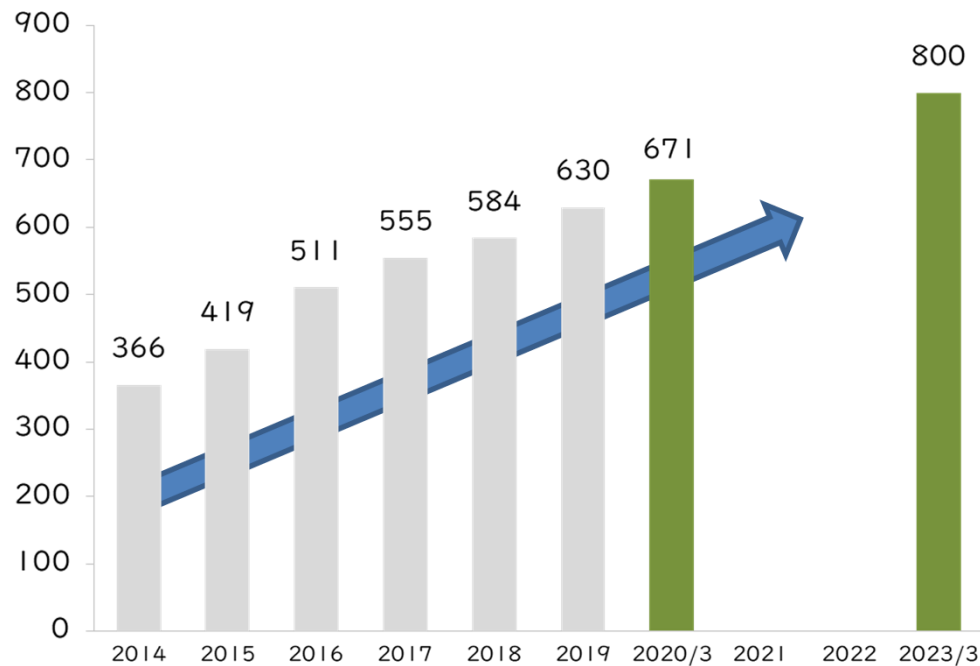


GEO Kawasaki ZERO Gate Store
(Kawasaki-shi, Kanagawa)

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

- We will continue opening new stores for 2nd STREET

The reuse market is continuously growing reflecting the enhanced recognition of reuse. We aim to become a peerless company in the reuse market and to have 800 stores by the end of March 2023. Although the effect of COVID-19 virus is continuing, we will continue focusing deeply on the reuse market by opening more stores.



Super 2nd STREET Ohmiya Nisshin Store (Saitama-shi, Saitama)

3

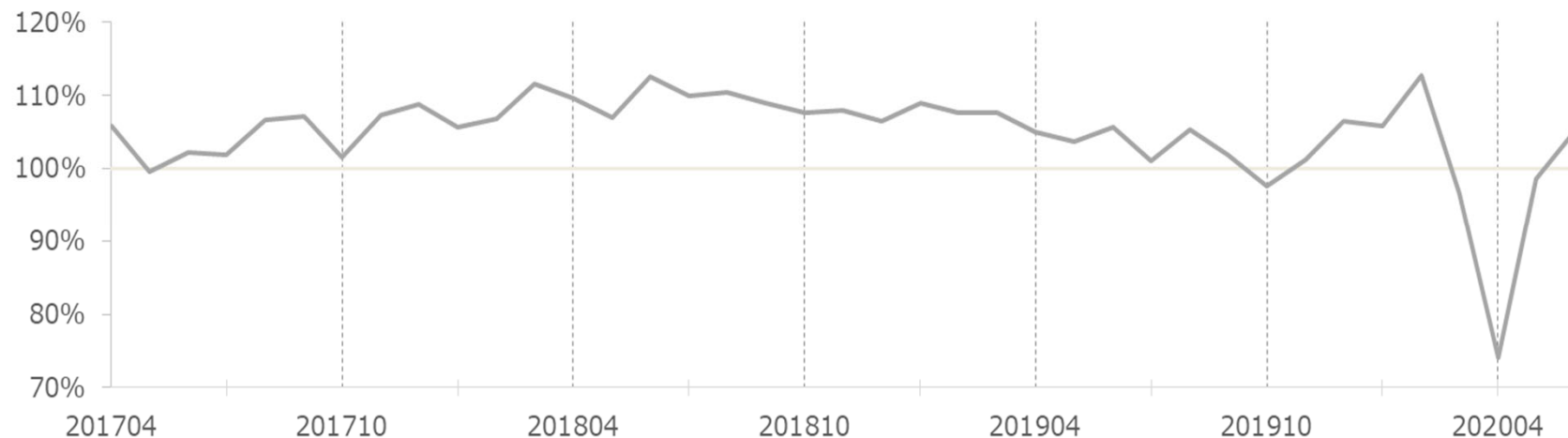
Deep focus on the reuse market (2)

- Change in sales for existing 2nd STREET stores

The sales from March to May for our existing stores dropped due to suspension of operations and shortening business hours to prevent the spread of COVID-19 infection. However, after the declaration of a state of emergency was lifted, the sales for 2nd STREET's existing stores have been showing sound recovery.

Change in sales for existing stores compared to previous years

Existing 2nd STREET stores



- Overseas expansion of 2nd STREET

Regarding overseas stores of 2nd STREET, we operate 6 stores in USA and 3 stores in Malaysia. In Taiwan, prior to deployment of stores, we opened one POP-UP SHOP for a limited period in April, and we plan to open 3 stores during this fiscal year.



2nd STREET NoHo Store (New York)

- COVID-19 impact on overseas expansion

The stores in USA were severely affected by business suspension in April and May to prevent the spread of COVID-19, but they resumed operations from June by shortening business hours. The stores in Malaysia and Taiwan experienced small impact, so we are planning to open new stores as scheduled at the beginning of this fiscal year.



2nd STREET POP-UP SHOP (Taipei, Taiwan)

Expansion of buying and selling of consumer electronics at GEO shops and expansion of GEO mobile shop-in-shops

Since the previous fiscal year, we have been continuously working to expand our shops that handle reuse brown goods and personal computers. In addition, we are strengthening business in reuse merchandise at GEO shops, by setting up “GEO mobile” to handle mobile phones and smartphones for reuse inside GEO shops (as a shop-in-shop).



Renewal of GEO app

In June 2020, we renewed our official app “GEO app”, which we achieved 9 million downloads in May 2020. GEO app has various functions, including coupons, store search, pre-order for new game software, GEO store’s stock search, rental history, notification for return, and customer reviews. We will continue developing services to enhance convenience for the customers.

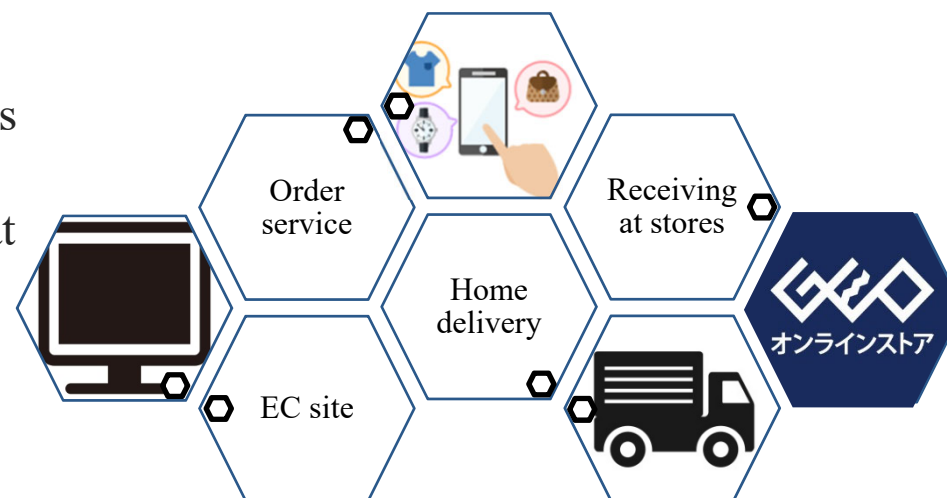


Proactive use of IT and reinforce on-line

Among our services, the sales involving electronic commerce in retail services grew to 131.1% from the previous first quarter.

Online shopping is available on EC sites (of GEO and malls) and our app.

The uniqueness of our EC service is that customers can order products from 2nd STREET stores to their near stores and check the real products there before purchasing.



	2020/3 1Q Results	2021/3 1Q Results	Change
Sales involving EC (Millions of yen)	2,746	3,601	131.1%
Number of items sold involving EC	674,661	940,927	139.5%

We aim to organize the foundation for seamless service provision as sought by customers, by enhancing recognition of our website and organizing the logistics.



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 5 OPS stores during the previous fiscal year. We will continue developing the OPS chain by seeking the best location and standardizing our operations for this format.



Luck Rack Clearance Market
Kishiwada CanCan Bayside Mall Store (Kishiwada-shi, Osaka)



Enhancement of the reuse luxury sector

During this first quarter, we opened 2 stores of “OKURA TOKYO”(Okura) which sell reuse luxury watches and luxury brand bags, etc. COVID-19 seems to be having lingering effects on sales of used luxury products compared to those on sales of clothing and accessories, but GEO aims to become a leader also in luxury merchandise in the domestic reuse market.



OKURA TOKYO Shibuya Center-Gai Store (Shibuya-ku, Tokyo)

Forecast for the Fiscal Year Ending March 31, 2021

We presented our forecast as follows on May 11 on assumption that COVID-19 will continue affecting our performance until the end of this fiscal year although its impact would turn milder.

While this first quarter experienced emergence of demand from the public staying home that exceeded our forecast for game-related items and customers are gradually returning to our reuse stores mainly for 2nd STREET after the declaration of a state of emergency was lifted in May, it is difficult to project changes of the impact of COVID-19 at present, and we therefore maintain our forecast as presented. We will promptly make an announcement if there arises a need to revise our forecast.

(Millions of yen)	2021/3 Forecast	Change	2021/3 1Q Achievement
Net sales	300,000	29.6%	27.6%
Operating profit	6,000	36.7%	59.3%
Ordinary profit	6,400	30.0%	56.9%
Profit	3,200	59.0%	74.8%

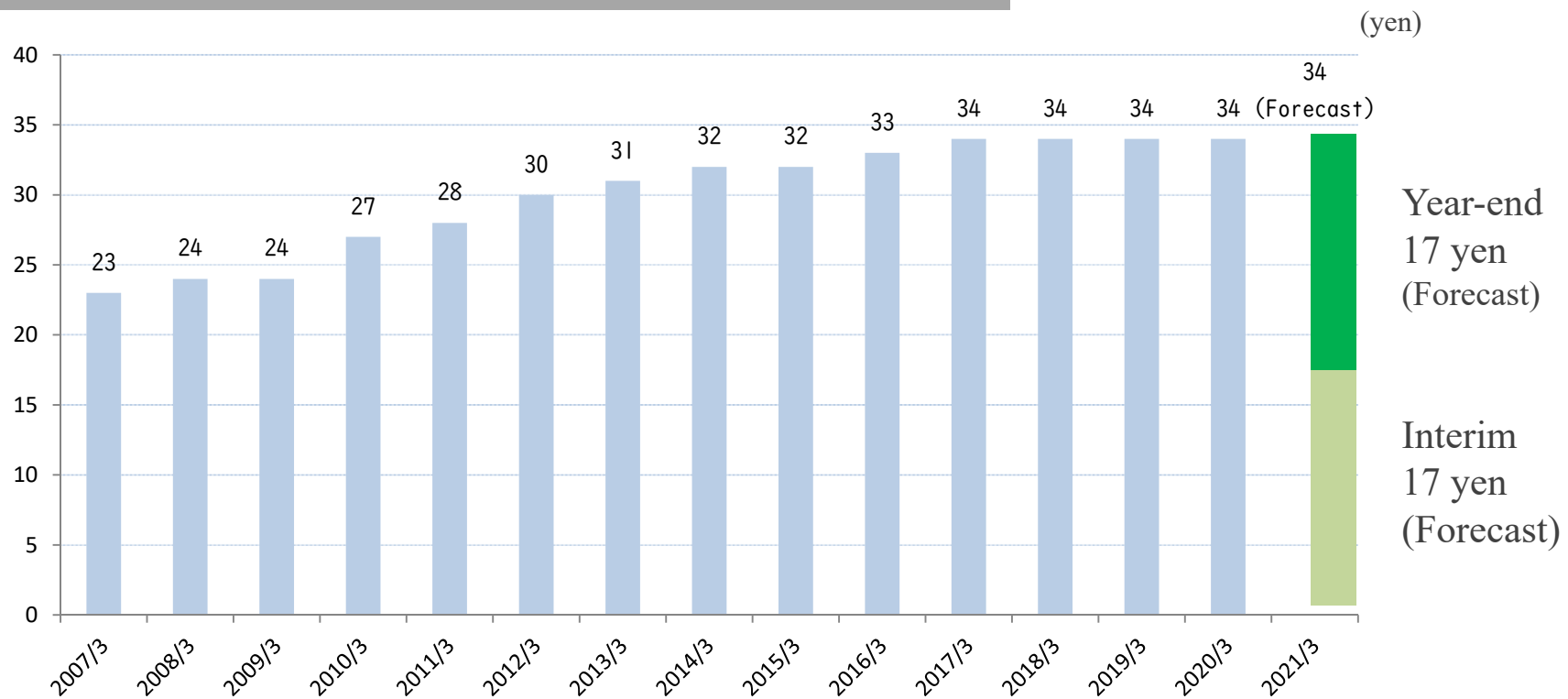
Dividends and Returns to Shareholders

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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, to improve profitability, and to pay sound dividends.

Changes in dividends per share as adjusted to reflect stock split



Appendix

6

Balance sheet

	As of 6/30/2019	Composi- tion	As of 6/30/2020	Composi- tion	Amount of increase/ decrease
(Millions of yen)					
Current assets	80,068	60.0%	100,383	64.8%	20,314
Cash and deposits	28,935		48,365		19,429
Merchandise	37,179		35,801		(1,377)
Non-current assets	53,468	40.0%	54,617	35.2%	1,148
Property, plant and equipment	28,266		29,282		1,015
Intangible assets	3,179		1,887		(1,292)
Investments and other assets	22,022		23,448		1,425
Total assets	133,536	-	155,001	-	21,464
Current liabilities	27,967	20.9%	39,943	25.8%	11,975
Accounts payable-trade	8,591		11,314		2,722
Short-term borrowings	2,150		11,000		8,850
Current portion of long-term borrowings	3,996		4,050		53
Non-current liabilities	30,214	22.6%	38,341	24.7%	8,126
Long-term borrowings	20,676		28,800		8,123
Total liabilities	58,181	43.6%	78,284	50.5%	20,102
Treasury shares	0		(1,999)		(1,999)
Total net assets	75,355	56.4%	76,716	49.5%	1,360
Total liabilities and net assets	133,536	-	155,001	-	21,464

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Income statement

(Millions of yen)	2020/3				2021/3			
	1 Q Results	2 Q Results	3 Q Results	4 Q Results	1 Q Results	2 Q Results	3 Q Results	4 Q Results
Net sales	63,918	74,130	83,992	83,016	82,860			
(Change from the same period of the previous year)	99.2%	108.8%	99.1%	110.4%	129.6%			
Gross profit	29,728	30,236	31,838	31,997	33,230			
(Change from the same period of the previous year)	102.2%	99.6%	98.4%	106.8%	111.8%			
(Gross profit ratio)	46.5%	40.8%	37.9%	38.5%	40.1%			
SG&A	27,126	28,256	29,320	29,075	29,673			
(Change from the same period of the previous year)	106.9%	105.6%	109.6%	106.8%	109.4%			
Operating profit	2,602	1,979	2,517	2,923	3,557			
(Change from the same period of the previous year)	69.9%	55.0%	44.9%	106.9%	136.7%			

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Sales based on merchandise

(Millions of yen)	2020/3 1Q Results	2020/3 2Q Results	2020/3 3Q Results	2020/3 4Q Results	2021/3 1Q Results	2021/3 2Q Results	2021/3 3Q Results	2021/3 4Q Results
Reuse	26,530	31,063	31,441	33,281	31,420			
Media	12,914	14,008	13,679	15,444	15,405			
Non-media	13,615	17,055	17,762	17,837	16,014			
Rental	14,784	14,826	13,880	14,472	14,957			
New (media)	13,736	19,094	26,273	25,025	26,502			
Others	8,867	9,147	12,399	10,237	9,981			
Total	63,918	74,130	83,993	83,015	82,860			

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Gross profit based on merchandise

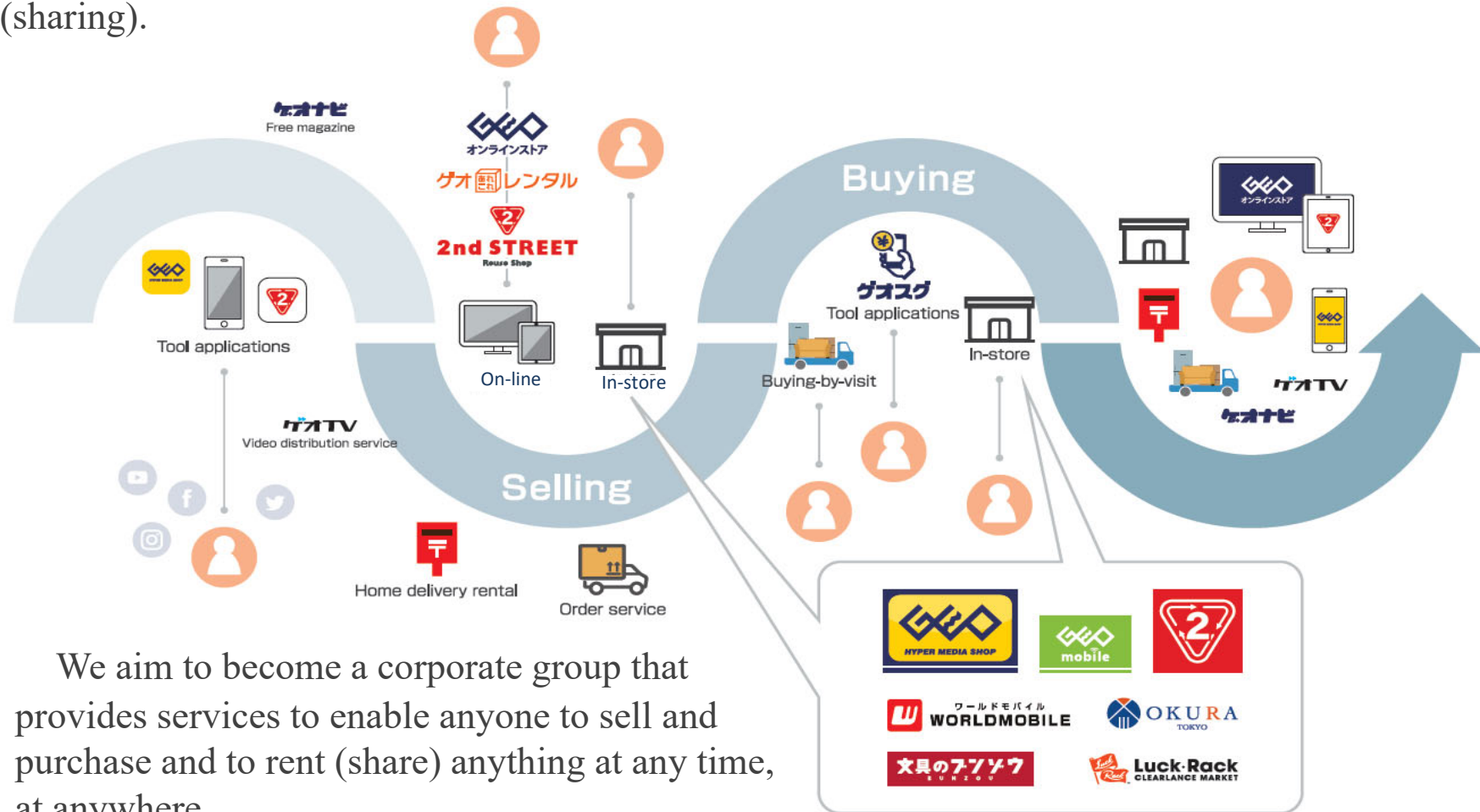
	2020/3 1Q Results	2020/3 2Q Results	2020/3 3Q Results	2020/3 4Q Results	2021/3 1Q Results	2021/3 2Q Results	2021/3 3Q Results	2021/3 4Q Results
(Millions of yen)								
Reuse	14,827	14,958	16,106	15,674	15,820			
Media	5,427	5,503	5,377	6,044	6,677			
Non-media	9,400	9,454	10,729	9,630	9,143			
Rental	9,361	9,333	8,498	9,250	10,021			
New (media)	2,379	2,986	3,634	3,816	4,278			
Others	3,160	2,959	1,731	5,125	3,110			
Total	29,728	30,236	29,969	33,865	33,230			
Gross income ratio	46.5%	40.8%	35.7%	40.8%	40.1%			

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
• Common Stock	8,969 million yen*
• Listed exchange	Tokyo Stock Exchange 1st Section

*As of June 30, 2020

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 to enable anyone to sell and purchase and to rent (share) anything at any time, at anywhere.

GEO Group's major shops and their major merchandise

		<u>Reuse (non-media)</u>			<u>Reuse (media)</u>			<u>Rental</u>		<u>New goods</u>		Number of stores (As of 6/30/2020)
		Clothing	Clothing and accessories	Furniture and home appliances	Game device and game software	Mobile and smart-phones	Home appliances and PC	DVD	BOOK・CD	Clothing	Game device and game software	
GEO shops GEO mobile shops												1,199
2nd STREET shops												673
OKURA TOKYO												9
Luck・Rack CLEARANCE MARKET												6

※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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