

Summary of Financial Statements for the Second Quarter of the Fiscal Year Ending March 31, 2021 (Japan GAAP)

November 9, 2020

GEO HOLDINGS CORPORATION

Securities Code: 2681

Representative: Yuzo Endo, President
Yoshiaki Kajita,

Contact: General Manager, Accounting and Finance Dept. Telephone: +81 52 350 5711

Listed Exchanges : Tokyo

URL: <https://www.geonet.co.jp>

Scheduled date to submit quarterly report: November 10, 2020

Scheduled date to start dividend payment: December 10, 2020

Supplementary material on quarterly financial results: Yes

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

(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the Second Quarter (from April 1, 2020 to September 30, 2020)

(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	
Six months ended:	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
September 30, 2020	158,578	14.9	3,623	(20.9)	3,897	(20.6)	1,229	(54.4)
September 30, 2019	138,048	4.1	4,581	(37.4)	4,906	(40.1)	2,696	(45.9)

(Note) Comprehensive income: 1,240 million yen (decrease of 54.1%) for six months ended September 30, 2020

2,700 million yen (decrease of 45.6%) for six months ended September 30, 2019

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Six months ended:		
September 30, 2020	28.99	28.92
September 30, 2019	61.73	61.62

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of September 30, 2020	163,152	75,575	46.1
As of March 31, 2020	144,702	75,016	51.6

(Reference) Shareholders' equity: As of September 30, 2020: 75,198 million yen
As of March 31, 2020: 74,678 million yen

2. Dividends

(Record dates)	Dividend per share (yen)				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Annual
Fiscal Year ended March 31, 2020	-	17	-	17	34
Fiscal Year ending March 31, 2021	-	17			
Fiscal Year ending March 31, 2021 (Forecast)			-	17	34

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

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2021 (from April 1, 2020 to March 31, 2021)

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

	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	300,000	(1.7)	6,000	(40.1)	6,400	(40.5)	3,200	(16.8)	75.47

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

Notes

- (1) Changes in important subsidiaries during this consolidated six 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 September 30, 2020	43,929,988 shares
As of March 31, 2020	43,929,488 shares
 - 2) Number of treasury shares:

As of September 30, 2020	1,530,536 shares
As of March 31, 2020	1,530,536 shares
 - 3) Average number of outstanding shares:

During six months ended September 30, 2020	42,398,953 shares
During six months ended September 30, 2019	43,677,488 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, (3) Explanation on forward-looking information including consolidated earnings forecast" on page 4 of the Attachment for the basis of forecasts and a note on reliance on forecasts.

Table of Contents for the Attachments

1. Qualitative Information on Quarterly Results	2
(1) Details of consolidated operating results	2
(2) Details of consolidated financial position	3
(3) Explanation on forward-looking information including consolidated earnings forecast	4
2. Consolidated Financial Statements for the Quarter	5
(1) Consolidated balance sheets.....	5
(2) Consolidated quarterly income statement and statement of comprehensive income	6
Income statement	6
Statement of comprehensive income	7
(3) Consolidated quarterly statement of cash flow	8
(4) Notes on consolidated financial statements	9
(Notes on going concern assumptions).....	9
(Notes on significant change in shareholders' equity)	9
(Segment information).....	9

1. Qualitative Information on Quarterly Results

(1) Details of consolidated operating results

Consolidated Earnings (April 1, 2020 to September 30, 2020)

For the business environment for six months ended September 30, 2020, economic activities continued being voluntarily restrained and stagnant even after the declaration of a state of emergency was lifted to prevent the spread of COVID-19 infection.

In such environment, the Group has continued various efforts such as to shorten business hours at stores and requiring employees to wear masks and disinfect with alcohol by following guidelines from the relevant authorities, and providing our products and services by paying sufficient attention to safety of customers and employees in aim to “offer joy to your everyday life.”

As an overview in business, the demand in the rental market from the public staying home rapidly shrunk after June, which resulted in reduced rental sales for this second quarter compared to the previous second quarter. In the selling of merchandise, only the new (media) merchandise, mainly unused game device, that has low gross income ratio lead the sales. In addition, because reuse (non-media) merchandise mainly lead by 2nd STREET was also affected by voluntary restraint on going out and the numbers of customers visiting our stores and items brought for buying continued decreasing, the slump has continued especially in reuse clothing which is the core merchandise. As a result, although the sales resulted in 158,578 million yen which exceeded the sales of the same period of the previous year, this was unable to cover the increase in SG&A from (i) the increase in selling expenses attributable to increased selling commission due to increase in cashless payment, and advertisement expenses and promotion expenses to attract customers to visit our stores; (ii) the increase in personnel expenses due to opening new stores; and (iii) the increase in expenses for developing new format stores. Accordingly, operating profit, ordinary profit, and profit attributable to owners of parent for six months ended September 30, 2020 all declined from the previous period.

While we anticipate that it should require a considerable period of time for the impact of COVID-19 to diminish, we will continue opening stores with the central focus on 2nd STREET looking ahead to the economic recovery after the diminishment as well as to reorganize (including shop closure) the network of GEO Shop. Moreover, we will continue focusing deeply on the reuse market, and in our business of selling and offering services online which is a growing market in addition to in-stores, we are proceeding with the creation of an environment that enables the users to more easily access our services by increasing various selling and buying opportunities that meet customers' need such as by providing information, buying method and attracting customers through the online site application.

As a result, for the Group's results for six months ended September 30, 2020, sales resulted in 158,578 million yen (14.9% increase from the same period of the previous year), operating profit resulted in 3,623 million yen (20.9% decrease from the same period of the previous year), ordinary profit resulted in 3,897 million yen (20.6% decrease from the same period of the previous year), and profit attributable to owners of parent resulted in 1,229 million yen (54.4% decrease from the same period of the previous year).

The number of our stores as of September 30, 2020 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	1,725 (3)	98 1	104 (9)	1,927 (11)
Media	1,028 (25)	98 1	51 (9)	1,177 (33)
GEO mobile (mobile dedicated stores)	21 (4)			21 (4)
Reuse	636 18		53 0	689 18
OKURA TOKYO	13 6			13 6
Warehouse	12 (1)			12 (1)
Off price store	5 0			5 0
Others	31 (1)			31 (1)

Notes:

1. The number of stores is counted based on each store name.
2. Media stores include stores that sell and buy home game related items and rent DVDs where they operate under the store names of GEO, GEO mobile, and GEO SPEED.
3. GEO mobile means mobile store that does not operate within a media store.
4. Reuse stores include stores that sell and buy clothing, home appliances and other items. Reuse stores operate under the store names of 2nd STREET, Super 2nd STREET, 2nd Outdoor, and Jumble Store, etc.
5. OKURA TOKYO and off price store operating under the store name of Luck Rack CLEARANCE MARKET, which were counted as "Others" in the previous fiscal year, are separately indicated from this fiscal year.

(2) Details of consolidated financial position

[Assets]

The current assets as of September 30, 2020 resulted in 108,346 million yen which is an increase of 18,688 million yen from the previous fiscal year end. This increase is mainly due to an increase of 19,101 million yen in cash and deposits while there was a decrease of 2,922 million yen in notes and accounts receivable-trade. The non-current assets resulted in 54,805 million yen which is a decrease of 238 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 1,054 million yen in other, net of property, plant and equipment while there was an increase of 693 million yen in buildings and structures, net.

As a result, the total assets as of September 30, 2020 resulted in 163,152 million yen which is an increase of 18,449 million yen from the previous fiscal year end.

[Liabilities]

The current liabilities as of September 30, 2020 resulted in 43,561 million yen which is an increase of 9,328 million yen from the previous fiscal year end. This increase is mainly due to increases of 6,000 million yen in short-term borrowings, 779 million yen in income taxes payable, and 612 million yen in current portion of long-term borrowings. The non-current liabilities resulted in 44,015 million yen which is an increase of 8,562 million yen from the previous fiscal year end. This is mainly due to an increase of 8,700 million yen in long-term borrowings.

As a result, the total liabilities resulted in 87,577 million yen which increased by 17,890 million yen from the previous fiscal year end.

[Net assets]

The net assets as of September 30, 2020 resulted in 75,575 million yen which is an increase of 558 million yen from the previous fiscal year end. This increase is mainly due to 1,229 million yen in profit attributable to owners of parent and dividends of 720 million yen paid from retained earnings.

From the above, the equity ratio resulted in 46.1% (51.6% as of the previous fiscal year end).

(Cash flow)

Cash and cash equivalents ("cash") at the end of period ended on September 30, 2020 were 53,739 million yen which is an increase of 18,072 million yen compared to that of the fiscal year ended March 31, 2020.

The results of each item of cash flow and their causal factors for the six months ended September 30, 2020 are as follows.

Cash flows from operating activities

As a result of operating activities, cash increased by 7,291 million yen (where this increased by 3,209 million yen in the same period of the previous fiscal year).

This increase is mainly due to an increase in inventories of 1,452 million yen, purchase of rental asset of 1,745 million yen and income taxes paid of 1,212 million yen while there were profit before income taxes of 3,701 million yen, depreciation of 2,541 million yen, rental asset depreciation and amortization of 2,456 million yen and a decrease in trade receivables of 2,302 million yen.

Cash flows from investing activities

As a result of investing activities, cash decreased by 3,720 million yen (where this decreased by 6,658 million yen in the same period of the previous fiscal year).

This decrease is mainly due to purchase of property, plant and equipment of 2,688 million yen.

Cash flows from financing activities

As a result of financing activities, cash increased by 14,521 million yen (where this decreased by 1,436 million yen in the same period of the previous fiscal year).

This increase is mainly due to net increase in short-term borrowings of 6,000 million yen and proceeds from long-term borrowings of 11,000 million yen while there were repayments of long-term borrowings of 1,687 million yen and payment of cash dividends of 720 million yen.

(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 11, 2020.

2. Consolidated Financial Statements for the Quarter
(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	32,598	51,699
Notes and accounts receivable - trade	10,080	7,157
Merchandise	38,186	39,580
Other	8,901	10,013
Allowance for doubtful accounts	(108)	(105)
Total current assets	89,658	108,346
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,647	14,341
Other, net	15,884	14,830
Total property, plant and equipment	29,532	29,171
Intangible assets	1,885	2,097
Investments and other assets		
Leasehold and guarantee deposits	16,490	16,808
Other	8,090	7,705
Allowance for doubtful accounts	(955)	(977)
Total investments and other assets	23,626	23,536
Total non-current assets	55,044	54,805
Total assets	144,702	163,152
Liabilities		
Current liabilities		
Accounts payable - trade	11,039	10,733
Short-term borrowings	5,000	11,000
Current portion of long-term borrowings	3,737	4,350
Income taxes payable	1,268	2,047
Provision for bonuses	2,155	2,307
Other	11,032	13,122
Total current liabilities	34,233	43,561
Non-current liabilities		
Long-term borrowings	25,956	34,656
Asset retirement obligations	6,505	6,587
Other	2,991	2,771
Total non-current liabilities	35,453	44,015
Total liabilities	69,686	87,577
Net assets		
Shareholders' equity		
Share capital	8,969	8,970
Capital surplus	3,382	3,382
Retained earnings	64,218	64,726
Treasury shares	(1,999)	(1,999)
Total shareholders' equity	74,569	75,079
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	113	123
Deferred gains or losses on hedges	(3)	(2)
Foreign currency translation adjustment	(0)	(1)
Total accumulated other comprehensive income	108	119
Share acquisition rights	338	376
Total net assets	75,016	75,575
Total liabilities and net assets	144,702	163,152

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

Income statement

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	138,048	158,578
Cost of sales	78,083	95,061
Gross profit	59,965	63,516
Selling, general and administrative expenses	55,383	59,893
Operating profit	4,581	3,623
Non-operating income		
Rental income from real estate	342	395
Insurance claim income	54	196
Other	338	348
Total non-operating income	736	939
Non-operating expenses		
Rental expenses on real estate	188	315
Other	222	350
Total non-operating expenses	411	666
Ordinary profit	4,906	3,897
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	-	158
Impairment loss	107	36
Total extraordinary losses	107	195
Profit before income taxes	4,799	3,701
Income taxes - current	1,896	2,315
Income taxes - deferred	206	156
Total income taxes	2,102	2,472
Profit	2,696	1,229
Profit attributable to owners of parent	2,696	1,229

Statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit	2,696	1,229
Other comprehensive income		
Valuation difference on available-for-sale securities	15	10
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(12)	(0)
Total other comprehensive income	4	11
Comprehensive income	2,700	1,240
Comprehensive income attributable to owners of parent	2,700	1,240

(3) Consolidated quarterly statement of cash flow

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit before income taxes	4,799	3,701
Depreciation	2,267	2,541
Rental asset depreciation and amortization	2,846	2,456
Interest and dividend income	(18)	(41)
Interest expenses	76	117
Decrease (increase) in trade receivables	(158)	2,302
Decrease (increase) in inventories	(806)	(1,452)
Purchase of Rental asset	(2,311)	(1,745)
Increase (decrease) in trade payables	2,076	320
Increase (decrease) in accounts payable - other, and accrued expenses	(913)	356
Decrease (increase) in other assets	(840)	(895)
Other, net	(603)	926
Subtotal	6,413	8,587
Interest and dividends received	9	33
Interest paid	(76)	(117)
Income taxes (paid) refund	(3,137)	(1,212)
Net cash provided by (used in) operating activities	3,209	7,291
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,984)	(2,688)
Loan advances	(646)	(74)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(2,040)	-
Other, net	(987)	(957)
Net cash provided by (used in) investing activities	(6,658)	(3,720)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(400)	6,000
Proceeds from long-term borrowings	3,500	11,000
Repayments of long-term borrowings	(2,348)	(1,687)
Dividends paid	(748)	(720)
Purchase of treasury shares	(1,414)	-
Other, net	(24)	(70)
Net cash provided by (used in) financing activities	(1,436)	14,521
Effect of exchange rate change on cash and cash equivalents	(3)	(19)
Net increase (decrease) in cash and cash equivalents	(4,889)	18,072
Cash and cash equivalents at beginning of period	38,774	35,666
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	81	-
Cash and cash equivalents at end of period	33,966	53,739

(4) 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 six months ended September 30, 2019 (consolidated) and the six months ended September 30, 2020 (consolidated):

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