



Supplementary Materials on Financial Results for the
Third Quarter of the Fiscal Year Ending March 31, 2022

GEO HOLDINGS CORPORATION (2681)

February 10, 2022



Contents

- Summary of this third quarter
- 1 Consolidated Results for Nine Months Ended December 31, 2021
- 2 Modifications in the Earnings Forecast
- 3 Our Emphasis towards Growth
- 4 Group Profile
- 5 Appendix

Summary of this third quarter

Topics for this third quarter

- 2nd STREET (Japan): we opened 19 new stores during the three months ended December 31, 2021 where we opened a total of 46 new stores during nine months ended December 31, 2021.
- 2nd STREET (Overseas): we opened one new store in the USA and two new stores respectively in Taiwan and Malaysia during the three months ended December 31, 2021.

Highlights for this third quarter

- Although this Christmas and year-end shopping season was tough compared to previous years due to shortage in supply of game device and lack of major titles in game software, sales increased (100.7% compared to the same period of the previous year) from increase in sales for reuse (comprehensive) merchandise* waiving aside the effect of reduced earnings from the application of the Accounting Standard on Revenue Recognition.
- Operating profit increased to 5.66 billion yen (127.0% compared to the same period of the previous year) from gross profit of 97.1 billion yen (102.3% compared to the same period of the previous year) despite of increase in advertising expenses and rent from opening new stores.
- Sales for reuse (comprehensive) merchandise significantly increased from the same period of the previous year by 143.9% due to sales remaining strong for Okura's wholesale of mainly luxury watches to overseas, recovery of sales for 2nd STREET (Japan) accompanying the air of relaxation in voluntary restraint from going out to prevent infection of COVID-19, and from contribution from opening new stores for 2nd STREET (Japan).

*Note: From the second quarter of this fiscal year, we changed the English term of “reuse (non-media)” merchandise to “reuse (comprehensive)” merchandise to clarify that “reuse (comprehensive)” merchandise comprehensively includes reuse merchandise other than “reuse (media)” merchandise.

Consolidated Results for Nine Months Ended December 31, 2021

1

Income statement for nine months

Sales and operating profit recovered due to recovery in sales for reuse (comprehensive) merchandise.

(Millions of yen)	2021/3 3Q Results	2022/3 3Q Results	Change	Increase/ decrease
Net sales	243,396	244,991	100.7%	1,594
Gross profit	94,945	97,152	102.3%	2,207
(Gross profit ratio)	39.0%	39.7%		
SG&A	90,487	91,490	101.1%	1,003
Operating profit	4,457	5,661	127.0%	1,203
(Operating profit ratio)	1.8%	2.3%		
Ordinary profit	4,774	6,643	139.2%	1,869
Profit	1,018	4,308	422.9%	3,289

※ Accounting Standard for Revenue Recognition was applied from the first quarter of this fiscal year. However, the amount of net sales for the previous third quarter is calculated based on a different calculation method.

※ Profit is profit attributable to owners of parent.

1

Gross profit based on merchandise for nine months

(Millions of yen)	2021/3 3Q Results	2022/3 3Q Results	Change	Increase/ decrease	
Reuse	97,500	122,244	125.4%	24,744	Increased from recovery in sales for clothing in Japan and growth in wholesale of luxury items to overseas
Comprehensive	56,090	80,709	143.9%	24,618	
Media	41,410	41,535	100.3%	125	Declined due to cease of special demand from the public staying home for game-related merchandise
Brand new	79,877	76,023	95.2%	(3,854)	
Rental	40,108	32,716	81.6%	(7,391)	The trends in falling demand for rental continued.
Others	25,910	14,007	54.1%	(11,903)	
Total	243,396	244,991	100.7%	1,594	

※The classification of merchandise handled other than by GEO and 2nd STREET stores in Japan that was classified as “Others” in the previous fiscal years has been changed to “Reuse (comprehensive),” “Reuse (media),” and “Brand new” merchandise from this fiscal year in accordance with the attribute of each merchandise.

1

Gross profit based on merchandise for nine months

(Millions of yen)	2021/3 3Q Results	2022/3 3Q Results	Change	Increase/ decrease
Reuse	46,725	54,040	115.7%	7,315
Comprehensive	29,737	37,602	126.5%	7,865
Media	16,987	16,437	96.8%	(549)
Brand new	12,472	11,966	95.9%	(505)
Rental	26,237	20,657	78.7%	(5,579)
Others	9,509	10,487	110.3%	977
Total	94,945	97,152	102.3%	2,207

Gross profit ratio declined although gross profit increased from increased sale of high-priced items and wholesale of mainly luxury watches to overseas.

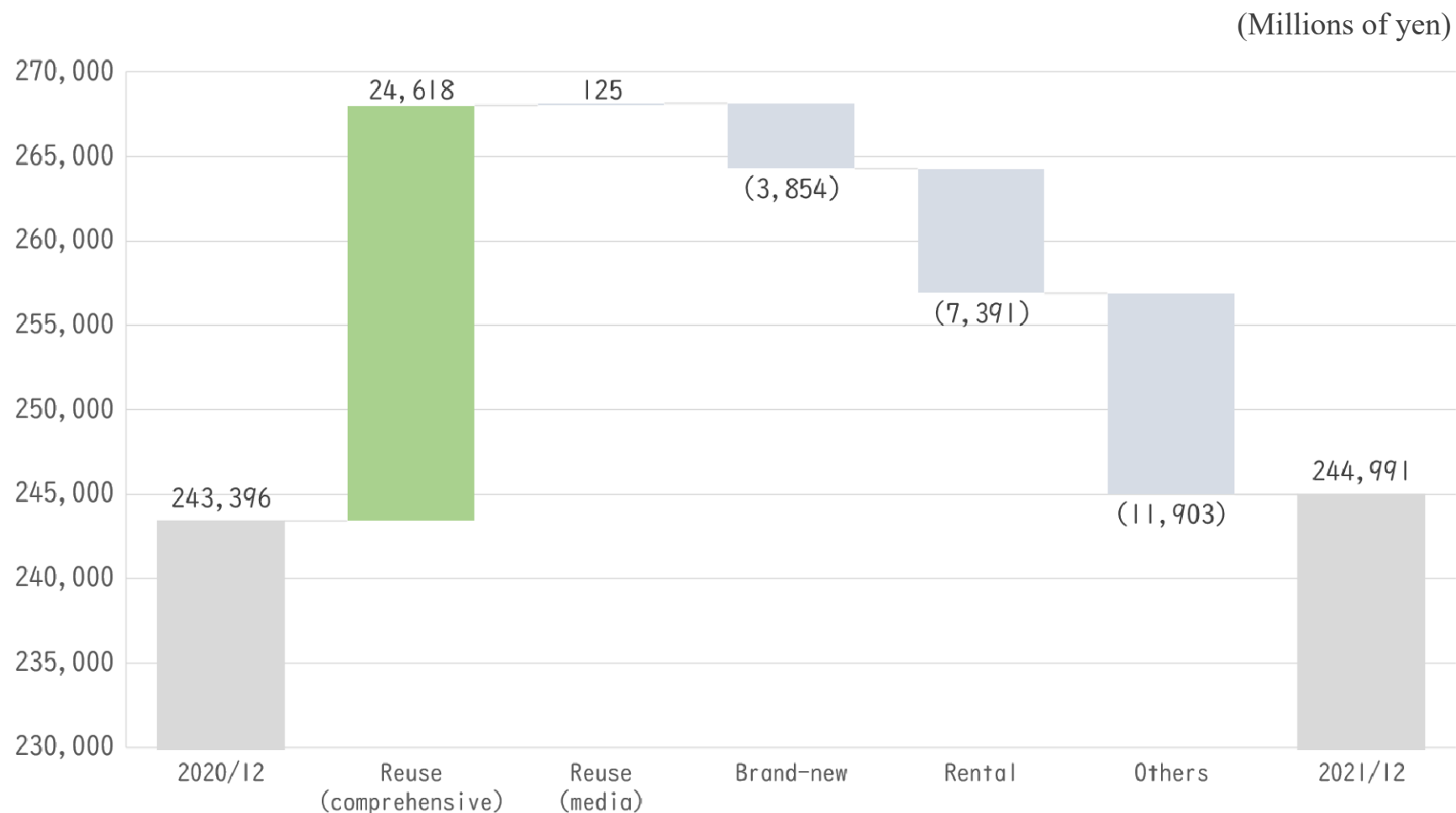
While sales for digital contents merchandise decreased from the effect of application of the Accounting Standard on Revenue Recognition, gross profit increased from increase in the amount of transactions.

※The classification of merchandise handled other than by GEO and 2nd STREET stores in Japan that was classified as “Others” in the previous fiscal years has been changed to “Reuse (comprehensive),” “Reuse (media),” and “Brand new” merchandise from this fiscal year in accordance with the attribute of each merchandise.

1

Change in sales for nine months

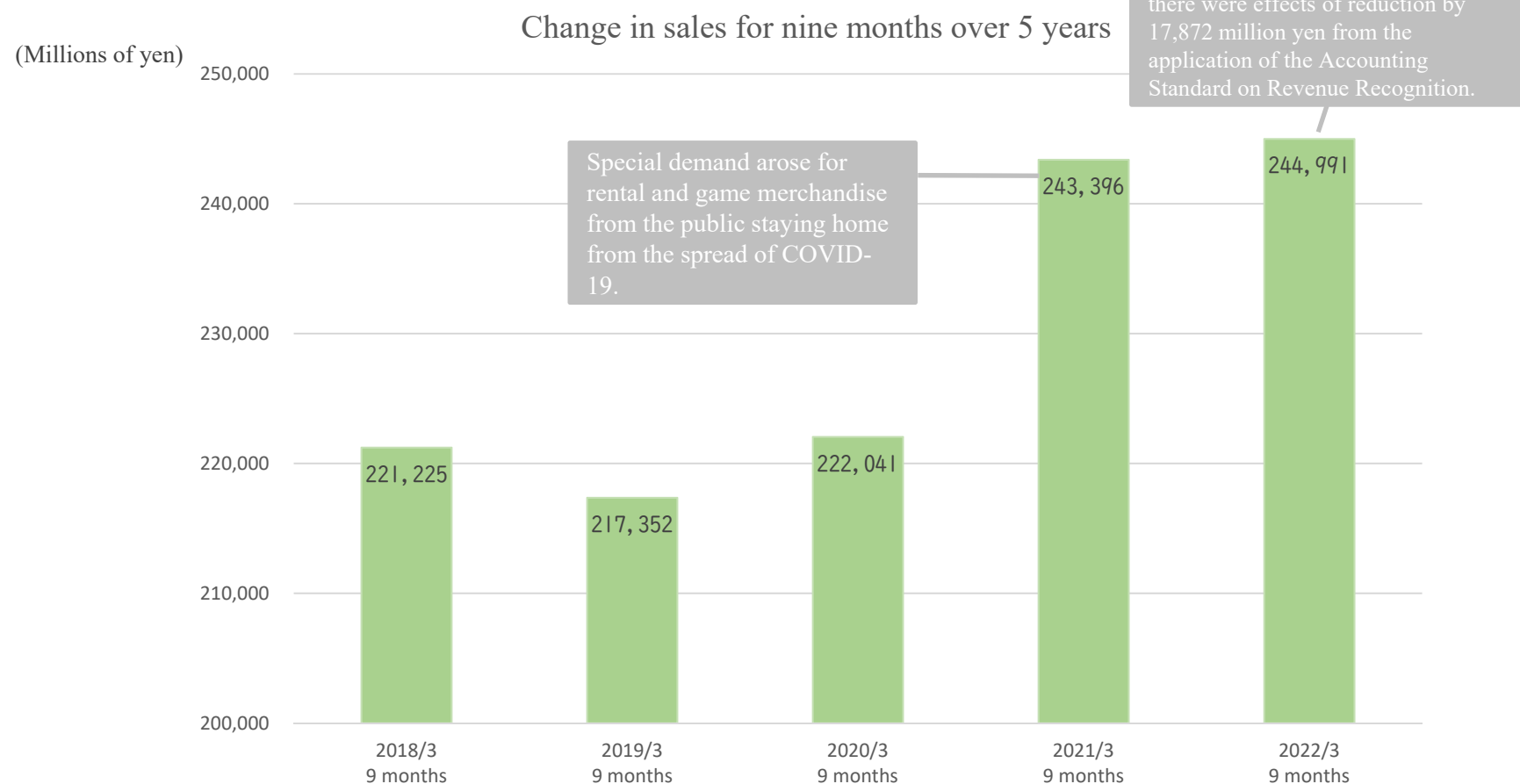
Sales increased from recovery and growth in sales for reuse (comprehensive) merchandise which increase covered the reduced sales for rental and game-related merchandise.



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Change in sales for nine months over five years

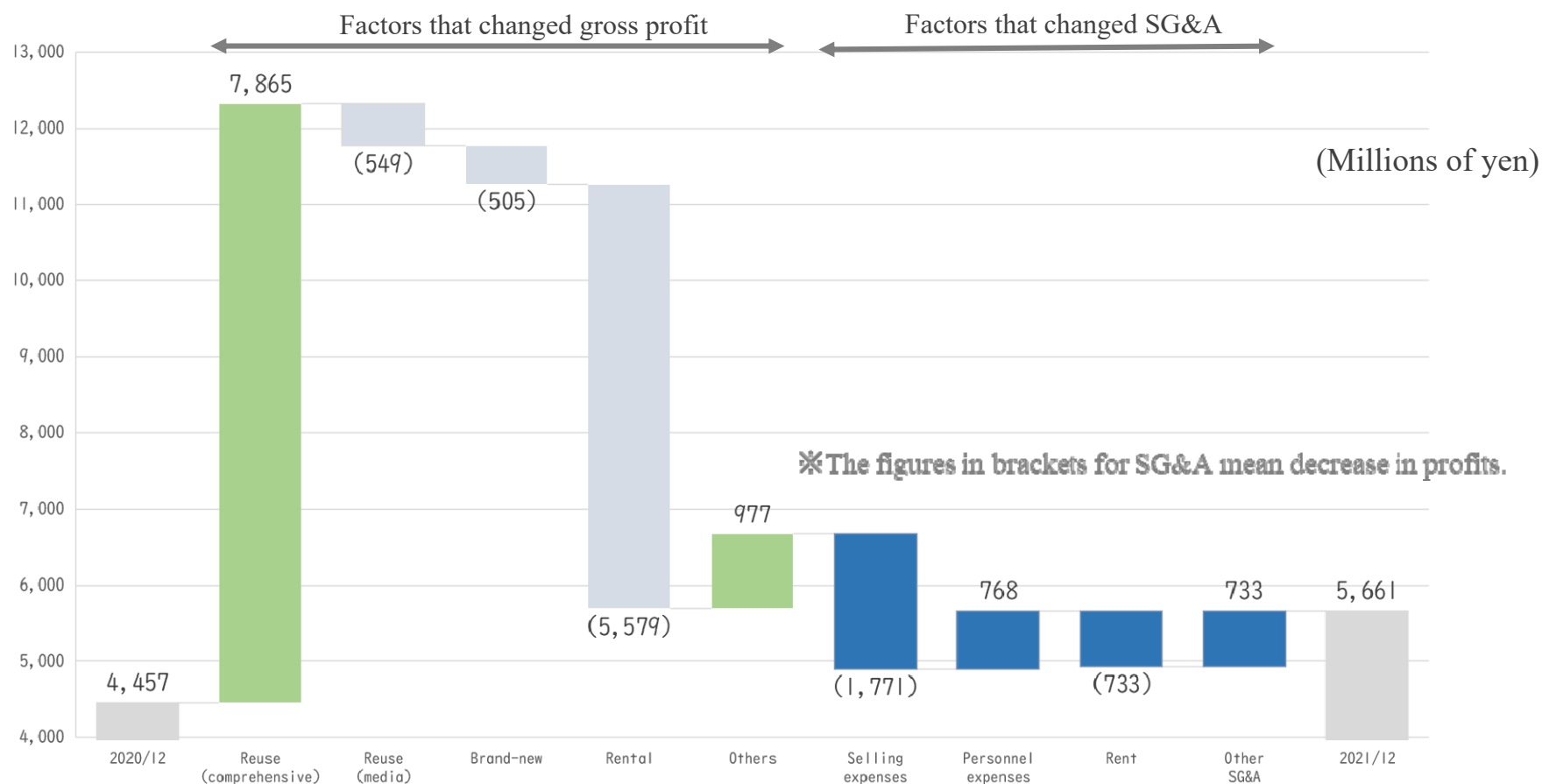
The sales for this nine months period recovered towards increase due to continuous opening of new stores for 2nd STREET even during the times the COVID-19 was spreading and growth in sales for reuse (comprehensive) merchandise although sales were affected from the application of the Accounting Standard on Revenue Recognition.



1

Change in operating profit for nine months

Operating profit increased from increase in gross profit for reuse (comprehensive) merchandise which increase covered reduced gross profit for rental, and SG&A, which increased, but remaining mostly at the same level as previous year.



1

SG&A

Rent increased from opening new stores and advertising expenses increased for digital contents business. However, total SG&A increased 1.1% compared to the previous third quarter from our efforts to control costs mainly in personnel expenses.

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

(Millions of yen)	2021/3 3Q Results	(Ratio to sales)	2022/3 3Q Results	(Ratio to sales)	Increase/ decrease	(Change)
Total selling expenses	10,952	4.5%	12,724	5.2%	1,771	116.2%
Advertising	4,529	1.9%	5,892	2.4%	1,363	130.1%
Sales promotion	548	0.2%	280	0.1%	(268)	51.1%
Sales commission	2,992	1.2%	3,654	1.5%	662	122.1%
Total personnel expenses	43,998	18.1%	43,230	17.6%	(768)	98.3%
Total other expenses	35,535	14.6%	35,536	14.5%	0	100.0%
Utilities	2,534	1.0%	2,630	1.1%	95	103.8%
Rent	18,028	7.4%	18,761	7.7%	733	104.1%
Depreciation and amortization	3,388	1.4%	3,144	1.3%	(244)	92.8%
Consumables	2,075	0.9%	1,460	0.6%	(615)	70.3%
Maintenance	557	0.2%	504	0.2%	(52)	90.6%
Total SG&A	90,487	37.2%	91,490	37.3%	1,003	101.1%

1

Balance sheet

(Millions of yen)	As of 3/31/2021	Composi- tion	As of 12/31/2021	Composi- tion	Amount of increase/ decrease
Current assets	113,687	67.0%	119,844	67.9%	6,157
Cash and deposits	51,865		44,368		(7,497)
Merchandise	42,218		51,507		9,289
Non-current assets	56,050	33.0%	56,526	32.0%	476
Property, plant and equipment	28,177		28,877		700
Intangible assets	2,349		2,742		393
Investments and other assets	25,524		24,906		(618)
Total assets	169,738	-	176,371	-	6,333
Current liabilities	41,038	24.2%	43,830	24.9%	2,792
Accounts payable trade	15,108		15,624		516
Current portion of long-term borrowings	5,012		6,537		1,525
Non-current liabilities	55,717	32.8%	56,974	32.3%	1,257
Long-term borrowings	45,943		47,556		1,613
Total liabilities	96,755	57.0%	100,804	57.2%	4,049
Total net assets	72,982	43.0%	75,566	42.8%	2,584
Total liabilities and net assets	169,738	-	176,371	-	6,633

Notes and accounts receivable-trade increased due to increase in cashless payments.

Stock purchased to prepare for New Year shopping season and stock of luxury merchandise increased.

Short-term borrowings were made during the third quarter to fund the purchase of stock.

1

2nd STREET (Japan)

During this third quarter, we opened 19 new stores in Japan for 2nd STREET resulting in the opening of 46 new stores in total during nine months ended December 31, 2021. There are still uncertainties in the business environment from the effect of COVID-19 but we will continue to open new stores to achieve our target of opening 60 new stores during this fiscal year.

We will continue to organize our stores which serve as the buying and selling fronts and points of contact with customers in the continuously growing reuse market, and also efficiently advertise our 2nd STREET stores through television commercials, WEB advertisements, and various campaigns to increase the recognition of reuse. In this way, our 2nd STREET stores are continuing to grow.



1

2nd STREET (Overseas)

At overseas, we opened a total of five new stores during this third quarter: one store in the USA, two stores in Malaysia, and two stores in Taiwan. On a cumulative basis over nine months ended December 31, 2021, we opened one store in the USA, three stores in Malaysia, and six stores in Taiwan.

At overseas, each region has its own regulations, etc. to prevent the spread of COVID-19. However, opening stores at overseas is our important growth strategy and we will continue to open new stores and organize our store network.



2nd STREET Haight St. Store
(California, USA)



2nd STREET Taipei Zhongshan Buying-Only Store
(Taipei City, Taiwan)



2nd STREET USJ TAIPAN Store
(Selangor, Malaysia)

1

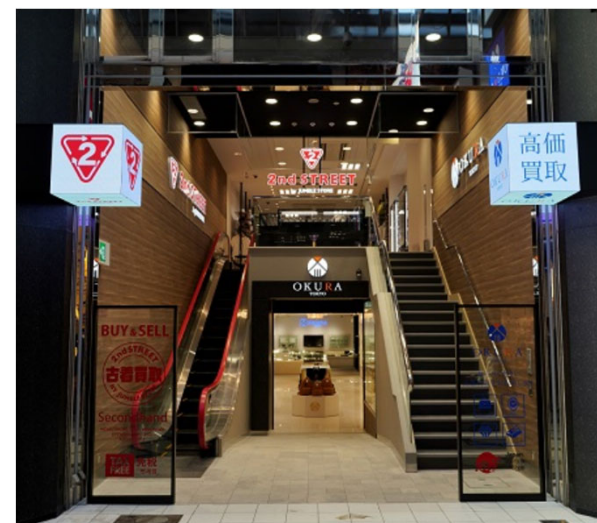
More emphasis on reuse luxury merchandise



We operate 19 “OKURA TOKYO” (Okura) stores. Okura sells reuse luxury watches and luxury brand bags, etc., and some of its stores only buys these. Other than operating stores, Okura wholesales luxury items to overseas and operates auction markets. Okura will continue to emphasize on luxury merchandise, and from this fiscal year, it will make visits to buy these.

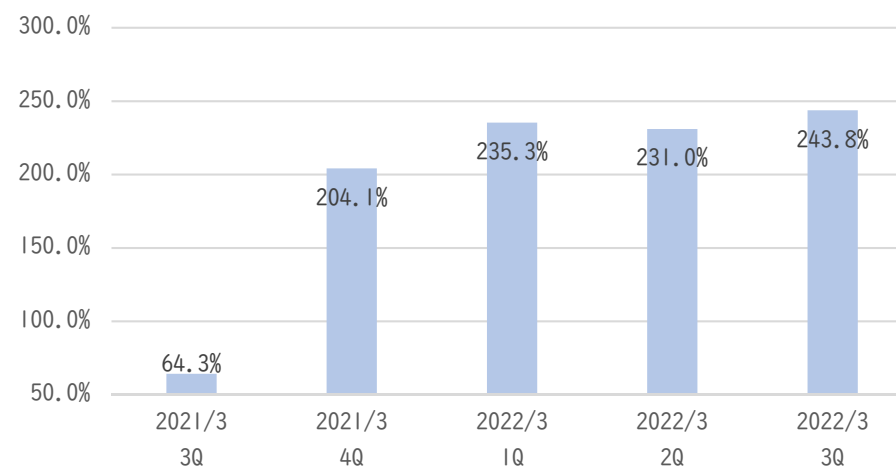
During this third quarter, there was a strong demand for luxury reuse items, mainly for luxury watches, at overseas and wholesales to overseas significantly increased.

The Group aims to become number one also in luxury merchandise in the domestic reuse market.



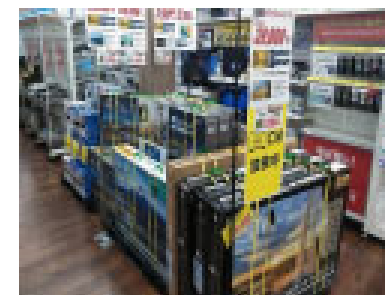
OKURA TOKYO Osaka Main Store & 2nd STREET
Shinsaibashi Minami Store (Chuo-ku, Osaka)

Comparison of quarterly wholesales to overseas

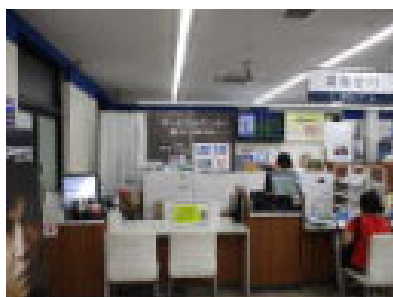


1

Introduction of additional merchandise and renewing sales floor at GEO stores



To respond to the shrinking rental market, we are introducing new merchandise and to renew the sales floor for rental such as by testing whether the provision of rental package at a smaller store space would work, and by expanding the floor space for selling retail home appliances such as large TVs, smartphones and their accessories, and snacks and foods.



Sold over 100,000 units cumulatively

1

Off price store



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 price. While the problem of excess apparel inventory is drawing attention, this business format that effectively utilizes resources is drawing attention. As a top runner in OPS business, the Group will continue to establish a store model and standardize our operations for this format, and develop this store into a chain.

During this fiscal year, we opened “Luck Rack Tokyu Plaza Omotesando Harajuku Store” which is our first off price store in the 23 wards of Tokyo to enhance brand recognition. During this third quarter, we opened two more stores: one in “AEON MALL Tsukuba Store” and one in “AEON MALL Kawaguchi Maekawa Store.”



Luck Rack Tokyu Plaza Omotesando Harajuku Store
(Shibuya-ku, Tokyo)



Luck Rack AEON MALL Kawaguchi Maekawa Store
(Kawaguchi-shi, Saitama)

1

Proactive use of IT and reinforce on-line

Our sale of items by involving the internet, not only through the EC site and official applications, but also such as through “order service” to the 2nd STREET stores, grew by 124.6% compared to the previous third quarter.

Particularly in the environment affected by COVID-19, we promoted sales through dual sales channels of in-store and on-line store of 2nd STREET. As a result, we were able to capture the consumption from the public staying home by selling more items on our own 2nd STREET site (including through applications). The sales and the number of items sold on our own 2nd STREET site achieved strong growth of 161.1% and 146.8%, respectively, compared to the previous third quarter.

We will aim to organize a system to provide seamless services sought by our customers by continuously improving our official applications and website, by enhancing our recognition, and by organizing logistics.

	2021/3 3Q Results	2022/3 3Q Results	Change
Sales involving EC (Millions of yen)	12,480	15,548	124.6%
Number of items sold involving EC (Thousands of items)	2,879	2,991	103.9%

1

GEO Group's stores

- Total number of stores for the Group as of December 31, 2021: 1,962

	GEO※1 	2nd STREET ※2 	2nd STREET (Overseas) 	OKURA TOKYO (Okura) 	Luck Rack 	Warehouse 	Others	Total
Directly-managed stores	988	699	26	19	16	10	9	1,767
(Opened during this nine months period)	4	46	10	5	9	0	0	74
(Closed during this nine months period)	(36)	(21)	0	(1)	(3)	(1)	(2)	(64)
Franchise stores and distributors	141	54	—	—	—	—	—	195
Total	1,129	753	26	19	16	10	9	1,962

※1: Includes GEO mobile (mobile dedicated stores).

※2: Includes Super 2nd STREET, JUMBLE STORE, 2nd OUTDOOR, and buying-only stores.



Modifications in the Earnings Forecast

2

Modifications in the earnings forecast

On February 10, 2022, we modified our earnings forecast presented in May 2021. The concerns for resurgence of coronavirus variant have not completely been eliminated. However, due to temporary relaxation of voluntary restraint on going out to prevent the spread of COVID-19, the sales for the third quarter for 2nd STREET improved beyond our expectation, and wholesale of luxury merchandise, mainly luxury watches, to overseas remained solid and we therefore modified our full year forecast upwards.

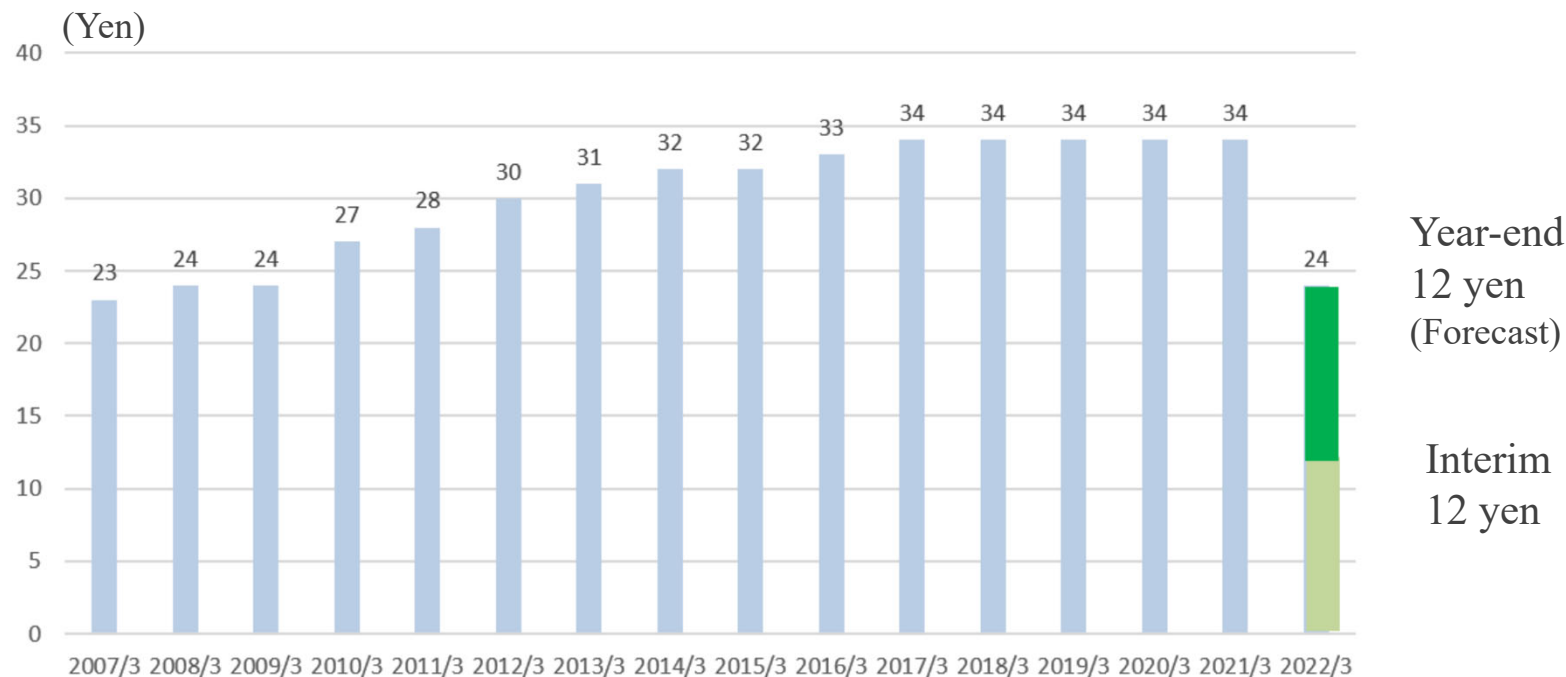
(Millions of yen)	Previous forecast (5/14/2021) 2022/3 Full year forecast	Latest forecast (2/10/2022) 2022/3 Full year forecast	Full year forecast Modification Change	(Reference) 2021/3 Full year results	(Reference) Latest Change from the previous fiscal year
Net sales	320,000	330,000	3.1%	328,358	0.5%
Operating profit	4,000	7,000	75.0%	4,311	62.4%
Ordinary profit	4,500	8,000	77.8%	4,795	66.8%
Profit	2,000	4,000	100.0%	(752)	—

2

Dividends

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. For fiscal year ending March 31, 2022, as we are still on the road from recovery from fallen profit, we regretfully plan to reduce annual dividends to 24 yen from annual dividends of 34 yen paid in the previous fiscal year.

Changes in dividends per share as adjusted to reflect stock split



Our Emphasis towards Growth

3

The Group's strategy

Challenge to become a network retailer

(To become the infrastructure to circulate all kinds of goods.)

The Group will work together to understand in depth the consumers' behavior and to establish a system to enable the consumers to freely select goods and services on both on-line and off-line (at in-stores).

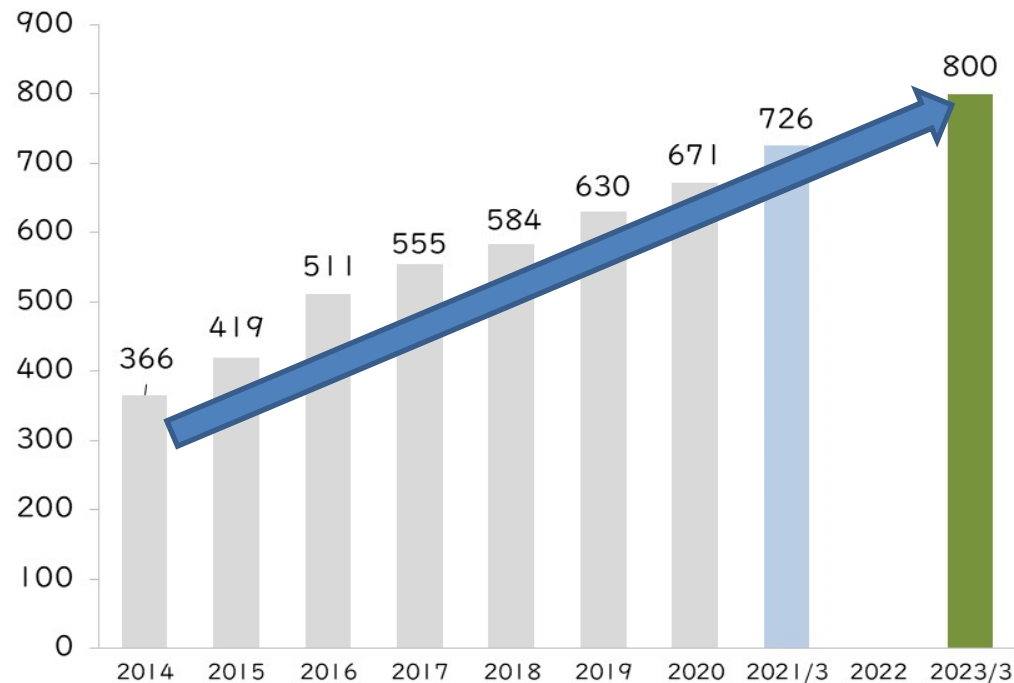


3

Deep focus on the reuse market

We will continue to open 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 proactively opening more stores to increase the point of contact with the customers.



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

3

Features and merits of reuse (2nd STREET) business



We handle a broad range of merchandise with a proven track record for buying

We handle a broad range of merchandise from clothing, furniture, home appliances, hobbies, and outdoor goods, and we have been directly buying more than 70 million items every year. We will enhance our buying precision by utilizing our rich data.



We provide 3 options for our buying method at more than 700 stores nationwide

Consumers may choose to bring their goods directly to the stores (“buying at stores”), request us to visit their homes to value large furniture and home appliances (“buying by visit”), or pack their goods and send it to us (“buying by pack-and-send”). We wish to respond to the consumers’ needs by focusing on buying which is the foundation of reuse business.



We train our buyers

We have an internal “buyer certification system” for the purposes of training our buyers who buy the merchandise and to further improve on their buying skills. There are four levels to this certification depending on the performance of tests in two divisions, the clothing and accessories division and general division. We also continuously host internal contests to promote the establishment of a system to support our opening of many stores and value merchandise for buying, the number of which is increasing each day.

3

Features and merits of our media (GEO) business

GEO has more than 1,100 stores nationwide mainly through its directly managed stores. By taking advantage of the fact that our stores are mainly stores directly managed by us, the inventory is centrally managed by the headquarters which ensures balanced buying and selling for entire GEO. In addition to GEO's high share in rental, GEO maintains its high earning power through its unique style of store operation of handling brand new and used game merchandise, and its thorough low cost operation.

■Nation-wide stores:

GEO	1,129 stores
(Directly-managed stores)	988 stores
(Distributors)	96 stores
(Franchise stores)	45 stores
(As of December 31, 2021)	



Self-checkout terminals

Digital contents business

While the Group's main business area is to sell and provide services at in-stores, we are also responding to the business environment of progressing digitalization by focusing on digital contents business through our subsidiaries.

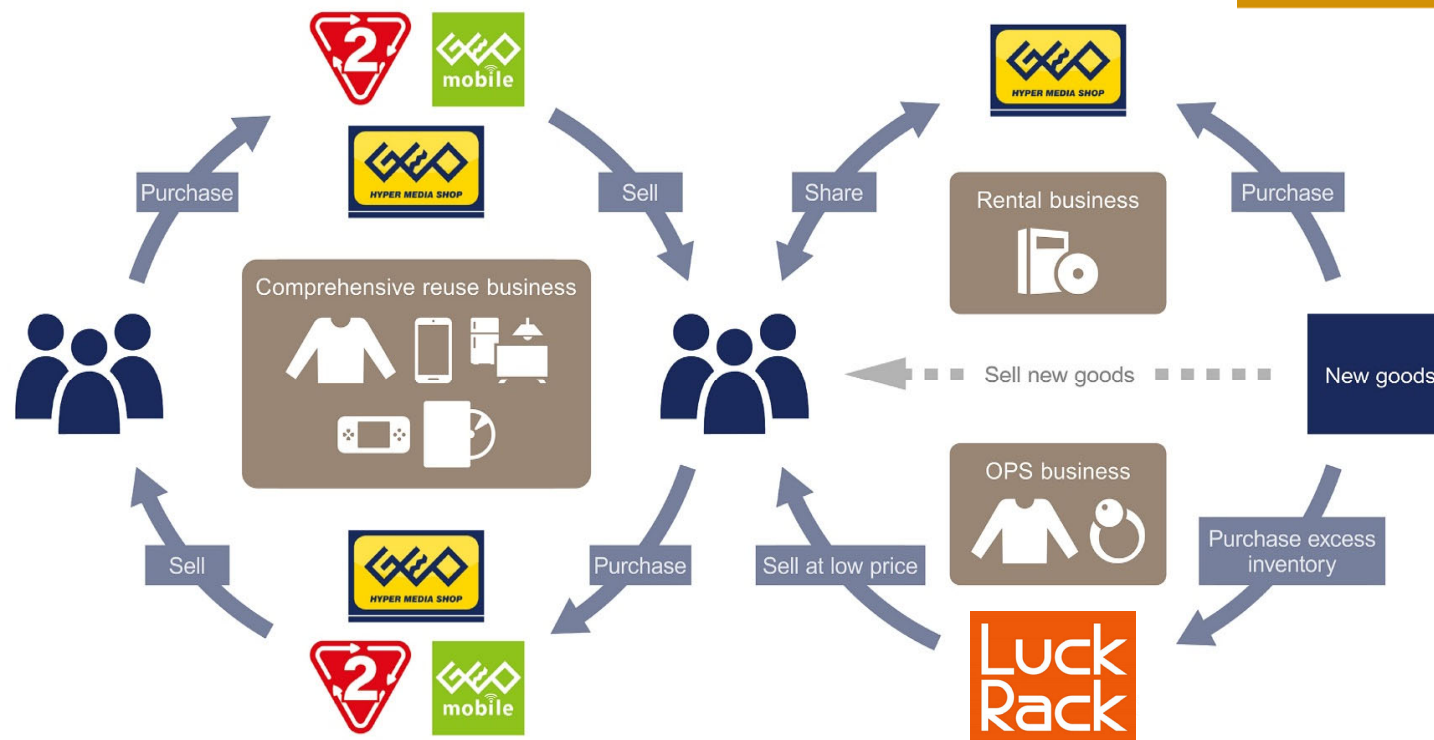
Our subsidiaries operate “DL site,” which is a two dimensional contents download site which enables creators who create contents such as fanzines, voice outputs, comics and games to sell their contents to the fans on digital base, and also produce and sell game, voice and ASMR contents, create digital comics, and provide digital comics to various comic sites.



Contributing to achieving SDGs with business growth

We shall transfer “things” from where it became unnecessary to where it is necessary.

Through various recycling-oriented business, we will reduce generation of wastes and contribute to “Responsible Consumption and Production,” i.e., SDG 12.





Contributing to achieving SDGs by energy efficiency

We have installed LED lights at approximately 1,600 stores. This means that we are reducing CO2 with LED lights at more than 90% of our stores. We have established tablet terminals at the cash register counter of each store and we are promoting paperless for purchase slips and other documents. We will thus improve energy efficiency and business efficiency.

Building an environment to promote diverse workstyles

■ Active participation of female employees

We have established a system that permits female employees to balance life events, such as childbirth and childcare, with career development which enables each one of them choose flexible workstyles. The rate of acquisition of maternal leave and childcare leave was 100% in 2021.

■ LGBTQ

GEO proactively addresses LGBTQ as part of its diversity promotion program.

GEO was awarded PRIDE Index Gold for four consecutive years from “work with Pride,” an organization that evaluates how businesses address LGBTQ.

■ Employment of persons with disabilities

At the GEO Group, the rate of employment of persons with disabilities is 3.39% (as of June 2021), exceeding the statutory rate in Japan (2.3%). In 2010, we established GEO BUSINESS SUPPORT Co., Ltd., a subsidiary for promoting the employment of people with disabilities. GEO BUSINESS SUPPORT undertakes outsourced operations, such as the processing of products to be offered at the stores of the GEO Group, cleaning of the GEO Group’s stores and offices, and operates office to support disabled person’s employment.



work with Pride



Group Profile

Corporate philosophy: To offer joy to your everyday life

• 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	8,975 million yen (As of December 31, 2021)
• Listed exchange	Tokyo Stock Exchange 1st Section (As the market segments of the Tokyo Stock Exchange will be restructured to take effect from April 2022, we selected to be listed on the “Prime Market.”)

4

GEO Group's major shops and their major merchandise

		Reuse						Rental		Brand new			Number of stores (As of 12/31/2021)
		Clothing and accessories	Luxury items	Furniture and home appliances	Game device and game software	Mobile and smart-phones	AV home appliances and PC	DVD and Blu-ray	BOOK CD	Clothing and accessories	AV home appliances	Game device and game software	
GEO GEO mobile	 	●	●	●	●	●	●	●	●	●	●	●	1,129
2nd STREET		●	●	●	●	●	●	●	●	●	●	●	753 (Japan only)
OKURA TOKYO (Okura)		●	● (watches and bags)	●	●	●	●	●	●	●	●	●	19
Luck Rack		●	●	●	●	●	●	●	●	●	●	●	16

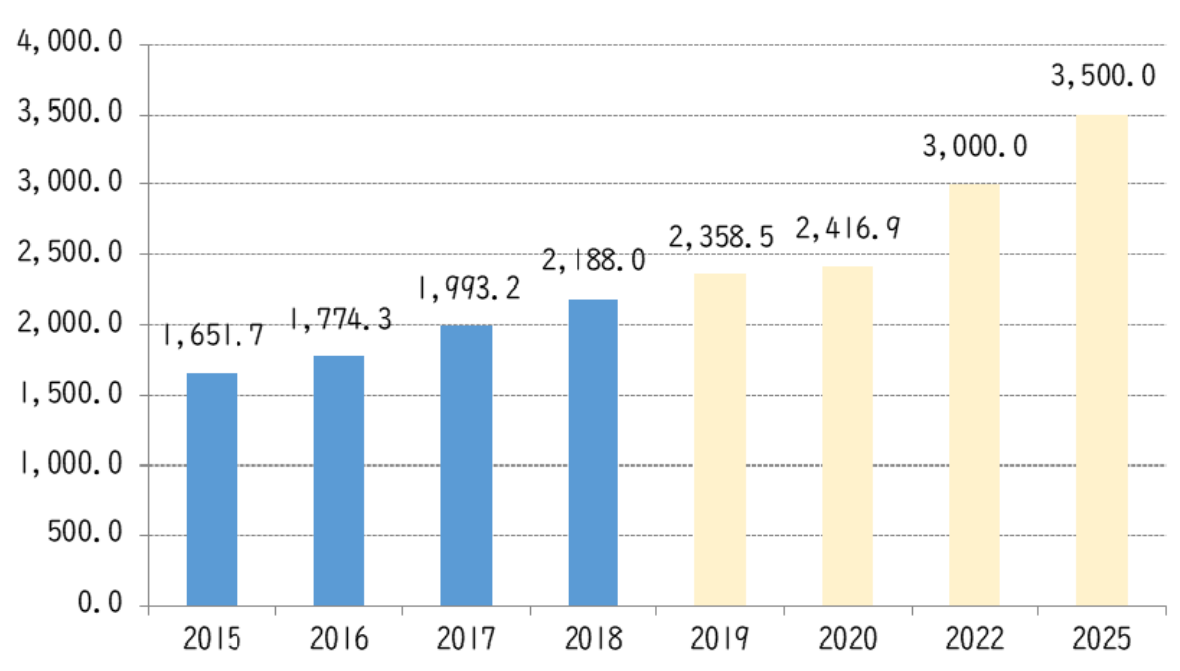
※The above is a list of major merchandise handled by the above stores. Some stores may not be handling the above merchandise.

Appendix

5

Income statement

(Millions of yen)	2021/3				2022/3			
	1Q Results	2Q Results	3Q Results	4Q Results	1Q Results	2Q Results	3Q Results	4Q Results
Net sales	82,860	75,718	84,817	84,961	76,088	75,860	93,042	
(Change from the same period of the previous year)	129.6%	102.1%	101.0%	102.3%	91.8%	100.2%	109.7%	
Gross profit	33,230	30,286	31,428	30,278	31,011	31,167	34,974	
(Change from the same period of the previous year)	111.8%	100.2%	98.7%	94.6%	93.3%	102.9%	111.3%	
(Gross profit ratio)	40.1%	40.0%	37.1%	35.6%	40.8%	41.1%	37.6%	
SG&A	29,673	30,219	30,594	30,424	29,855	30,840	30,795	
(Change from the same period of the previous year)	109.4%	106.9%	104.3%	104.6%	100.6%	102.1%	100.7%	
Operating profit	3,557	66	834	(145)	1,155	326	4,178	
(Change from the same period of the previous year)	136.7%	3.4%	33.1%	—	32.5%	490.6%	500.9%	

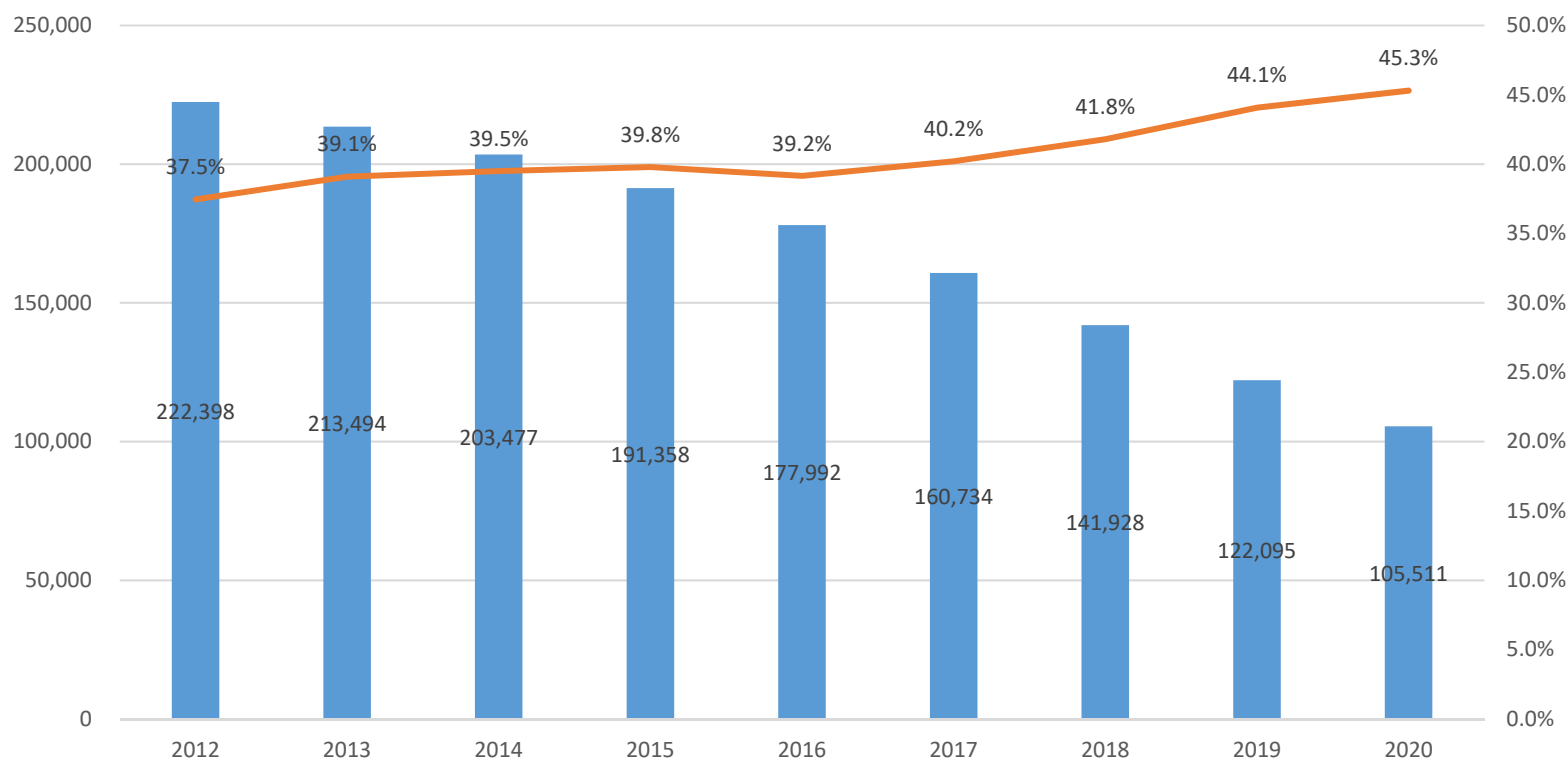


(Billions of yen)

(Reference: The Japan Journal of Remodeling “Reuse Market Databook 2021”)

Market trends (rental)

Change in market and share for music and video rental in Japan



(Millions of yen)

(Reference: Ministry of Economy, Trade and Industry's Specific Service Industry Statistics)

*Our assumption are based on Specific Service Industry Statistics.

*Excludes rental by delivery and comic rental.

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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