

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

August 11, 2020

GEO HOLDINGS CORPORATION

Securities Code: 2681

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Scheduled date to submit quarterly report: August 12, 2020

Scheduled date to start dividend payment: —

Supplementary material on quarterly financial results: Yes

Briefing on this quarterly financial results: No

(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the First Quarter (from April 1, 2020 to June 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	
Three months ended:	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
June 30, 2020	82,860	29.6	3,557	36.7	3,641	30.0	2,392	59.0
June 30, 2019	63,918	(0.8)	2,602	(30.1)	2,802	(38.1)	1,505	(45.9)

(Note) Comprehensive income: 2,404 million yen (increase of 62.2%) for three months ended June 30, 2020
1,482 million yen (decrease of 47.0%) for three months ended June 30, 2019

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Three months ended:		
June 30, 2020	56.44	56.34
June 30, 2019	34.29	34.23

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2020	155,001	76,716	49.3
As of March 31, 2020	144,702	75,016	51.6

(Reference) Shareholders' equity: As of June 30, 2020: 76,362 million yen
As of March 31, 2020: 74,678 million yen

2. Dividends

	Dividend per share (yen)				
(Record dates)	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	-				
Fiscal Year ending March 31, 2021 (Forecast)	-	17	-	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 same period of the previous year.)

	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 three 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 June 30, 2020	43,929,488 shares
As of March 31, 2020	43,929,488 shares
 - 2) Number of treasury shares:

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

During three months ended June 30, 2020	42,398,952 shares
During three months ended June 30, 2019	43,888,760 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 3 of the Attachment on the basis of forecasts and a note on reliance on forecasts.

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1. Qualitative Information on Quarterly Results

(1) Details of consolidated operating results

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

For three months ended June 30, 2020, economic activities were stagnant as the Japanese government declared a state of emergency due to the increase of patients infected with COVID-19 and requested businesses to suspend operations and citizens to refrain from going out in order to prevent the spread of the infection.

In response to the declaration of a state of emergency, our group suspended operations at stores in the applicable regions, and temporarily suspended operations and shortened business hours at stores in the other regions. At the stores where we continued operations, we paid sufficient attention to safety by following guidelines from the relevant authorities, including wearing masks and disinfecting with alcohol, to provide our products and services.

In such an environment, sales for our group increased as a result of a temporary rise in demand for rental videos from the public staying home, a growth in new (media) merchandise due to a huge hit of a Nintendo Switch game software “Animal Crossing: New Horizons,” and a solid growth in media reuse merchandise, while sales for reuse merchandise led by 2nd STREET decreased affected by business suspension, shortened business hours, and voluntary restraint on going out. SG&A was reduced due to shortened business hours, and operating profit, ordinary profit, and profit attributable to owners of parent increased from the same period of the previous year.

In our business of selling and offering services online, which is a growing market, in addition to in-stores, we are also proceeding with the creation of an easy shopping environment by increasing various selling and buying opportunities that meet customers’ need such as by providing information, buying, and attracting customers through the online site application.

As a result, for the Group’s results for three months ended June 30, 2020, sales resulted in 82,860 million yen (29.6% increase from the same period of the previous year), operating profit resulted in 3,557 million yen (36.7% increase from the same period of the previous year), ordinary profit resulted in 3,641 million yen (30.0% increase from the same period of the previous year), and profit attributable to owners of parent resulted in 2,392 million yen (59.0% increase from the same period of the previous year).

The number of our stores as of June 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	1,726	(2)	98	1	109	(4)	1,933	(5)
Media	1,045	(8)	98	1	56	(4)	1,199	(11)
GEO mobile (mobile dedicated stores)	23	(2)					23	(2)
Reuse	620	2			53	0	673	2
OKURA TOKYO	9	2					9	2
WAREHOUSE	12	(1)					12	(1)
Off price store	6	1					6	1
Others	34	2					34	2

Notes:

1. The number of stores is counted based on each store name.
2. Media stores include stores that sell and purchase home game related items and rent DVDs where they operate under the store names of GEO and GEO mobile.
3. GEO mobile means mobile store that does not operate within a media store.
4. Reuse stores include stores that sell and purchase 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 June 30, 2020 resulted in 100,383 million yen which is an increase of 10,725 million yen from the previous fiscal year end. This increase is mainly due to an increase of 15,766 million yen in cash and deposits while there was a decrease of 2,709 million yen in notes and accounts receivable and a decrease of 2,385 million yen in merchandise. The non-current assets resulted in 54,617 million yen which is a decrease of 426 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 519 million yen in other (net) in property, plant, and equipment.

As a result, the total assets as of June 30, 2020 resulted in 155,001 million yen which is an increase of 10,298 million yen from the previous fiscal year end.

[Liabilities]

The current liabilities as of June 30, 2020 resulted in 39,943 million yen which is an increase of 5,710 million yen from the previous fiscal year end. This increase is mainly due to an increase of 6,000 million yen in short-term borrowings. Non-current liabilities resulted in 38,341 million yen which is an increase of 2,888 million yen from the previous fiscal year end. This increase is mainly due to an increase of 2,843 million yen in long-term borrowings.

As a result, total liabilities resulted in 78,284 million yen which increased by 8,598 million yen from the previous fiscal year end.

[Net assets]

The net assets as of June 30, 2020 resulted in 76,716 million yen which is an increase of 1,700 million yen from the previous fiscal year end. This increase is mainly due to 2,392 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 49.3% (51.6% as of the previous fiscal year end).

(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 June 30, 2020
Assets		
Current assets		
Cash and deposits	32,598	48,365
Notes and accounts receivable - trade	10,080	7,371
Merchandise	38,186	35,801
Other	8,901	8,953
Allowance for doubtful accounts	(108)	(106)
Total current assets	89,658	100,383
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,647	13,916
Other, net	15,884	15,365
Total property, plant and equipment	29,532	29,282
Intangible assets	1,885	1,887
Investments and other assets		
Leasehold and guarantee deposits	16,490	16,599
Other	8,090	7,814
Allowance for doubtful accounts	(955)	(965)
Total investments and other assets	23,626	23,448
Total non-current assets	55,044	54,617
Total assets	144,702	155,001
Liabilities		
Current liabilities		
Accounts payable - trade	11,039	11,314
Short-term borrowings	5,000	11,000
Current portion of long-term borrowings	3,737	4,050
Other	14,456	13,578
Total current liabilities	34,233	39,943
Non-current liabilities		
Long-term borrowings	25,956	28,800
Asset retirement obligations	6,505	6,553
Other	2,991	2,987
Total non-current liabilities	35,453	38,341
Total liabilities	69,686	78,284
Net assets		
Shareholders' equity		
Share capital	8,969	8,969
Capital surplus	3,382	3,382
Retained earnings	64,218	65,890
Treasury shares	(1,999)	(1,999)
Total shareholders' equity	74,569	76,241
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	113	116
Deferred gains or losses on hedges	(3)	(3)
Foreign currency translation adjustment	(0)	7
Total accumulated other comprehensive income	108	120
Share acquisition rights	338	354
Total net assets	75,016	76,716
Total liabilities and net assets	144,702	155,001

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

Consolidated Income Statement

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	63,918	82,860
Cost of sales	34,189	49,630
Gross profit	29,728	33,230
Selling, general and administrative expenses	27,126	29,673
Operating profit	2,602	3,557
Non-operating income		
Rental income from real estate	173	203
Other	197	185
Total non-operating income	370	388
Non-operating expenses		
Interest expenses	36	41
Rental expenses on real estate	78	158
Other	55	104
Total non-operating expenses	170	304
Ordinary profit	2,802	3,641
Extraordinary losses		
Impairment loss	39	24
Total extraordinary losses	39	24
Profit before income taxes	2,762	3,616
Income taxes - current	836	1,052
Income taxes - deferred	421	171
Total income taxes	1,257	1,223
Profit	1,505	2,392
Profit attributable to owners of parent	1,505	2,392

Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Profit	1,505	2,392
Other comprehensive income		
Valuation difference on available-for-sale securities	(13)	3
Deferred gains or losses on hedges	(0)	0
Foreign currency translation adjustment	(9)	8
Total other comprehensive income	(23)	12
Comprehensive income	1,482	2,404
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,482	2,404

(3) 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 three months ended June 30, 2019 (consolidated) and the three months ended June 30, 2020 (consolidated):

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