



Briefing on the Financial Results for the Second Quarter of the Fiscal Year Ending March 31, 2021

GEO HOLDINGS CORPORATION (2681)

November 11, 2020



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Consolidated Results for Six Months Ended September 30, 2020

Income statement for six months ended September 30, 2020

The consumers continued refraining from going out to avoid the spread of COVID-19 infection and because the sales for new game-related merchandise lead the sales driven by demand from the public staying home, sales resulted in 114.9% compared to the same period of the previous year and profits increased. However, the increase in gross profit was unable to cover the increase in SG&A such as advertising expenses and expenses for opening new stores, and operating profit and ordinary profit fell sharply from the same period of the previous year by 79.1% and 79.4%, respectively.

(Millions of yen)	2020/3 2Q Results	2021/3 2Q Results	Increase/ decrease	Change
Net sales	138,048	158,578	20,530	114.9%
Gross profit	59,965	63,516	3,551	105.9%
(Gross profit ratio)	43.4%	40.1%		
SG&A	55,383	59,893	4,510	108.1%
Operating profit	4,581	3,623	(957)	79.1%
(Operating profit ratio)	3.3%	2.3%		
Ordinary profit	4,906	3,897	(1,008)	79.4%
Profit	2,696	1,229	(1,466)	45.6%

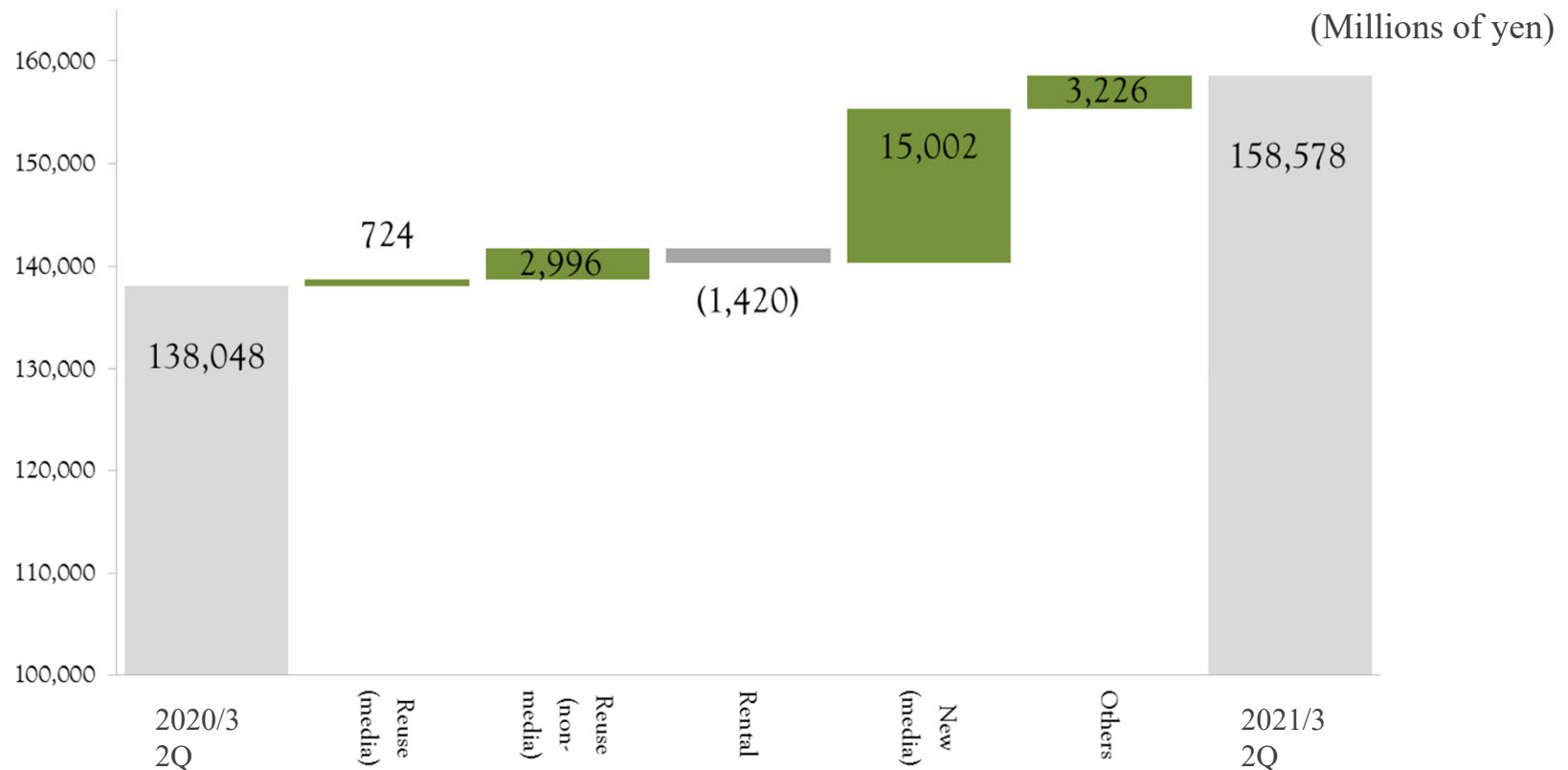
※Profit is profit attributable to owners of parent.

1

Change in sales from the previous second quarter

- Profit increased due to continued solid sales for new (media) merchandise

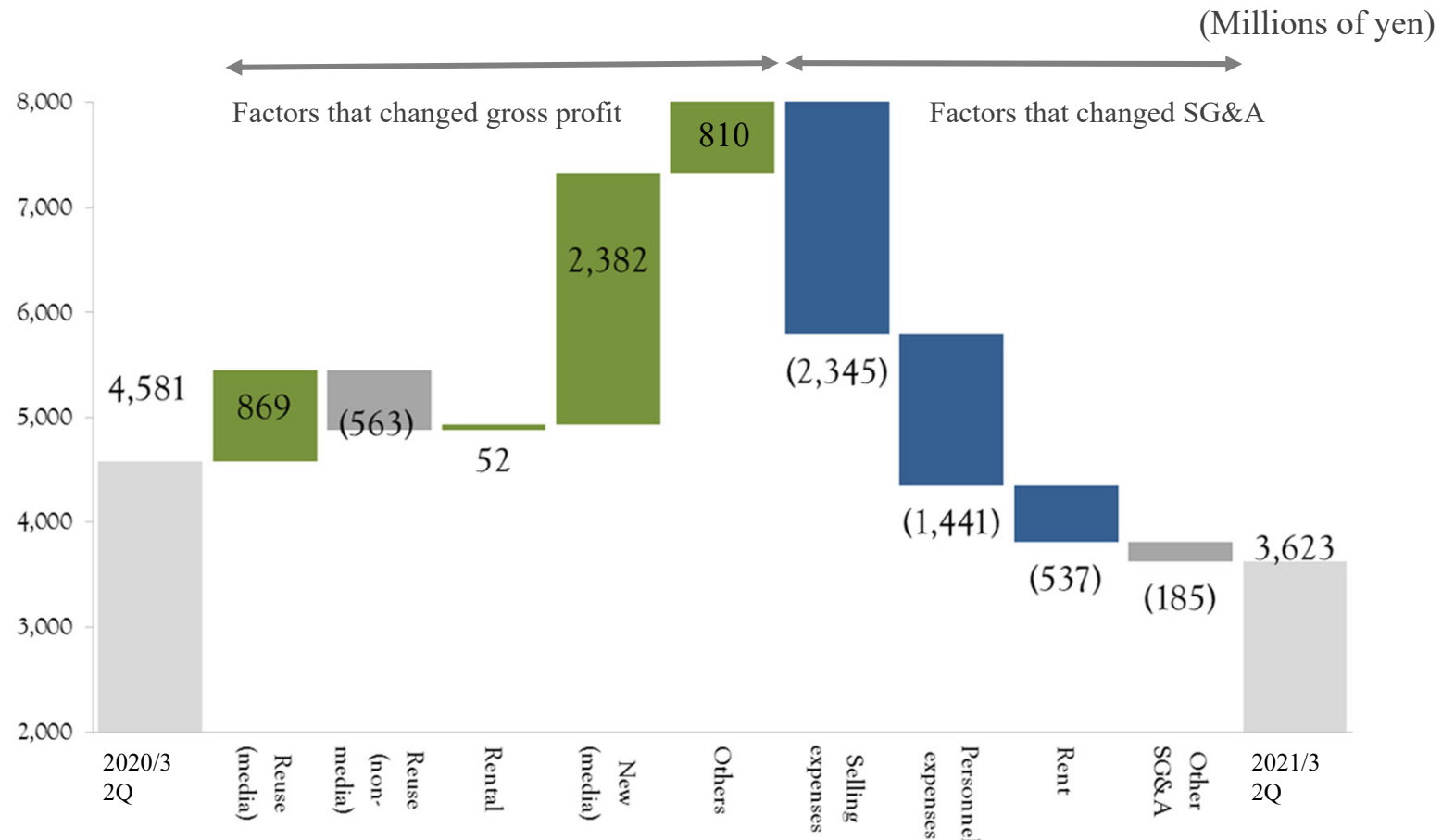
The staying home demand for rental that was conspicuous in the first quarter ceased and sales for reuse (non-media) merchandise for “2nd STREET” was sluggish although there was a temporarily increase from the rebound after the declaration of a state of emergency was lifted. On the other hand, because the sales for new (media) merchandise mainly for game device which tended to post strong sales hit the ceiling but remained solid, sales increased by 14.9% compared to the previous second.



1

Change in operating profit from the previous second quarter

Gross profit increased by 5.9% from the previous second quarter due to strong sales for new (media) merchandise but this increase could not cover the increase in SG&A and operating profit decreased by 20.9% from the previous second quarter.



SG&A increased from increased sales commission accompanying increase in cashless payments and advertising activities conducted through television commercials that are aimed to enhance our recognition and to emphasize that we are actively buying to recover the number of customers who visit our stores. We will continue promoting efficiency in the operation of stores by paying attention to measures to prevent the spread of COVID-19 infection.

(Millions of yen)	2020/3 2Q Results	(Ratio to sales)	2021/3 2Q Results	(Ratio to sales)	Increase/ decrease	(Change)
Total selling expenses	5,027	3.6%	7,372	4.6%	2,345	146.7%
Advertising	1,813	1.3%	3,122	2.0%	1,308	172.1%
Sales promotion	228	0.2%	427	0.3%	199	187.1%
Sales commission	1,294	0.9%	1,940	1.2%	645	149.8%
Total personnel expenses	27,908	20.2%	29,349	18.5%	1,441	105.2%
Total other expenses	22,448	16.3%	23,170	14.6%	722	103.2%
Utilities	1,897	1.4%	1,771	1.1%	(125)	93.4%
Rent	11,304	8.2%	11,842	7.5%	537	104.8%
Depreciation and amortization	1,936	1.4%	2,194	1.4%	258	113.4%
Consumables	1,117	0.8%	1,138	0.7%	20	101.9%
Maintenance	377	0.3%	361	0.2%	(15)	95.9%
Total SG&A	55,383	40.1%	59,893	37.8%	4,509	108.1%

Results Based on Merchandise for Six Months Ended September 30, 2020

2

Sales based on merchandise for six months

- Special demand for rental ceased but sales for new (media) merchandise for games remained solid

The special demand for rental that emerged from the public staying home ceased at the end of the first quarter and the sales for rental resumed its falling trends that was seen in the previous year. While the sales for reuse (non-media) was sluggish because the customers have not returned to our stores under the influence of COVID-19, the sales for Nintendo Switch led the sales for new (media) merchandise continuously from the first quarter and the sales grew for all entities.

(Millions of yen)	2020/3 2Q Results	2021/3 2Q Results	Change	Increase/ decrease
Reuse	57,593	61,315	106.5%	3,721
Media	26,923	27,647	102.7%	724
Non-media	30,670	33,667	109.8%	2,996
Rental	29,610	28,189	95.2%	(1,420)
New (media)	32,830	47,833	145.7%	15,002
Others	18,013	21,240	117.9%	3,226
Total	138,048	158,578	114.9%	20,530

2

Gross profit based on merchandise for six months

- We achieved gross profit from solid sales in new (media) game merchandise

Because the sales composition ratio of “new media merchandise,” the gross income ratio of which is relatively low compared to reuse merchandise, grew continuously from the first quarter, the rate of increase of gross profit decreased compared to the rate of increase in sales.

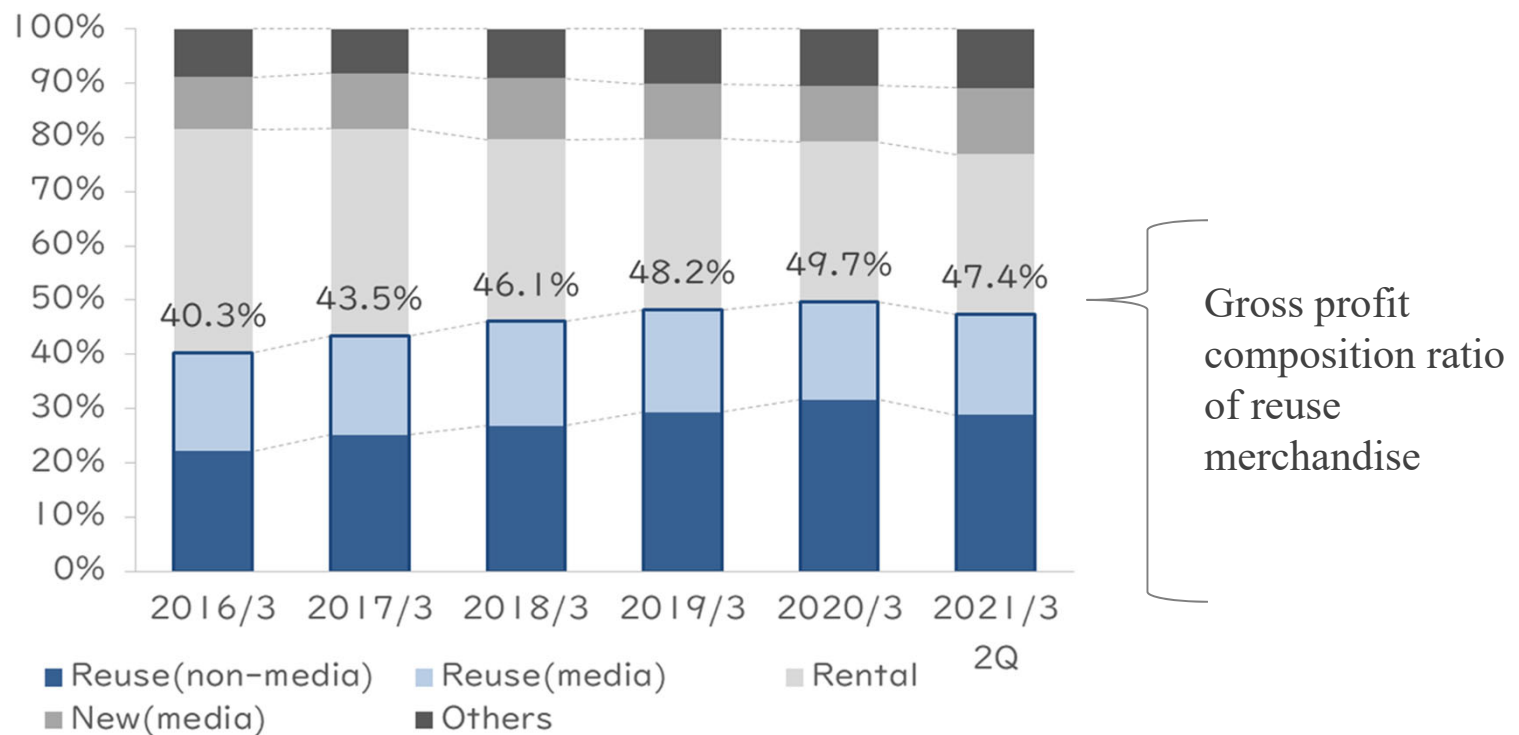
(Millions of yen)	2020/3 2Q Results	2021/3 2Q Results	Change	Increase/ decrease
Reuse	29,786	30,091	101.0%	305
Media	10,931	11,800	108.0%	869
Non-media	18,855	18,291	97.0%	(563)
Rental	18,694	18,746	100.3%	52
New (media)	5,365	7,747	144.4%	2,382
Others	6,119	6,930	113.3%	810
Total	59,965	63,516	105.9%	3,551

2

Change in gross profit (composition ratio) for the Group

- Composition of gross profit based on merchandise (2Q)

We are currently focusing on reducing the ratio of rental for which downtrend in the market is continuing and increasing the ratio of reuse (non-media) merchandise by opening new stores, mainly 2nd STREET. However, for this second quarter, gross profit composition ratio for reuse merchandise fell because sales for new (media) for game-related items grew.



· Video rental

The temporary heated demand for video rental which emerged from the public staying home ceased in the first quarter, and the sales for rental posted poor results where it declined further from the previous year that has been experiencing a downtrend in the rental market. Going forward, because it is anticipated that the VOD distribution service will gain higher recognition, and the shortage in supply of new releases in video rental will continue due to postponed release of new movies under the impact of COVID-19, the sales for rental merchandise for the full year is expected to follow the downtrend which has been continuing to the previous year.

· Game-related merchandise

For new game device (hardware), this second quarter ended by maintaining strong sales supported by improvement on the situation of the demand from the public staying home to exceed the supply. Although PS5 is scheduled to be launched in November and the sales for game hardware is expected to remain firm from the steady demand through the third quarter, the gross income ratio is low for new game device among new (media) merchandise, and its contribution to gross profit is limited.

In addition, the sales for reuse game software has also started to subside after the demand temporarily surged from the public staying home. While buying is also in a recovery trend, it is expected that the purchase of game software by downloading from online will become the mainstream over the long term, and, therefore, we will enhance the line-up of peripheral devices such as controllers to earn profit in overall game-related merchandise.

- Reuse (non-media) merchandise

The sales-cost ratio for reuse (non-media) merchandise increased due to an increase in sale of items in high price range and our launching a campaign to buy at high price to recover buying from customers (i.e., purchasing by us) which was declining due to voluntary restraint on going out. In addition, although the demand temporarily recovered from rebound in consumption after the declaration of a state of emergency was lifted, the sales for existing 2nd STREET stores declined from the previous year. However, we believe that there is a solid demand for reuse (non-media) merchandise even under the environment with the prolonged effect of COVID-19 because the trends for consumers to save more and spend less are continuing. We will continue opening new stores with the central focus on 2nd STREET as well as to seek to recover the sales for existing stores by enriching our inventory through active buying which declined during the period of voluntary restraint on going out.

Our business in reuse luxury items such as watches and bags handled by OKURA TOKYO experienced extreme difficulty due to evaporation of inbound demand and the continuance of less opportunities for consumers to go out, however, trends for recovery has appeared after the declaration of a state of emergency was lifted. It is anticipated that it would take longer for the sales of reuse luxury items to recover compared to other reuse merchandise, but we will continue opening luxury specialized stores as we planned to become number one in the reuse luxury market.

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: 1,927

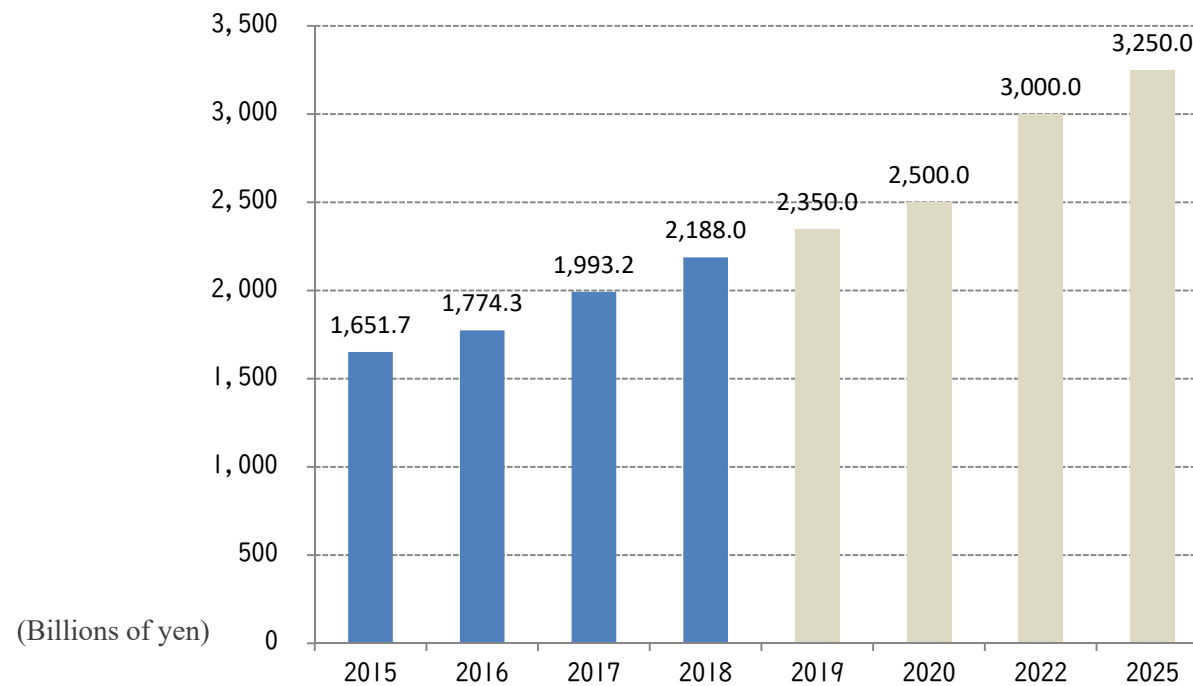
	As of 3/31/2020	As of 9/30/2020	Increase/ decrease
GEO Group's stores and facilities	1,938	1,927	(11)
Retail service stores	1,925	1,915	(10)
 GEO shops	1,185	1,156	(29)
Directly managed stores	1,028	1,007	(21)
Distributors and franchise stores	157	149	(8)
 GEO mobile shop	25	21	(4)
 2nd STREET Jumble Store※	671	689	18
Directly managed stores	618	636	18
Franchise stores	53	53	0
Others	44	49	5
OKURA TOKYO	7	13	6
Luck・Rack	5	5	0
Overseas stores	9	12	3
 Amusement facilities	13	12	(1)

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



Super 2nd STREET Kashiwa Shonan Store (Kashiwa-shi, Chiba)

- The reuse market will continue growing.



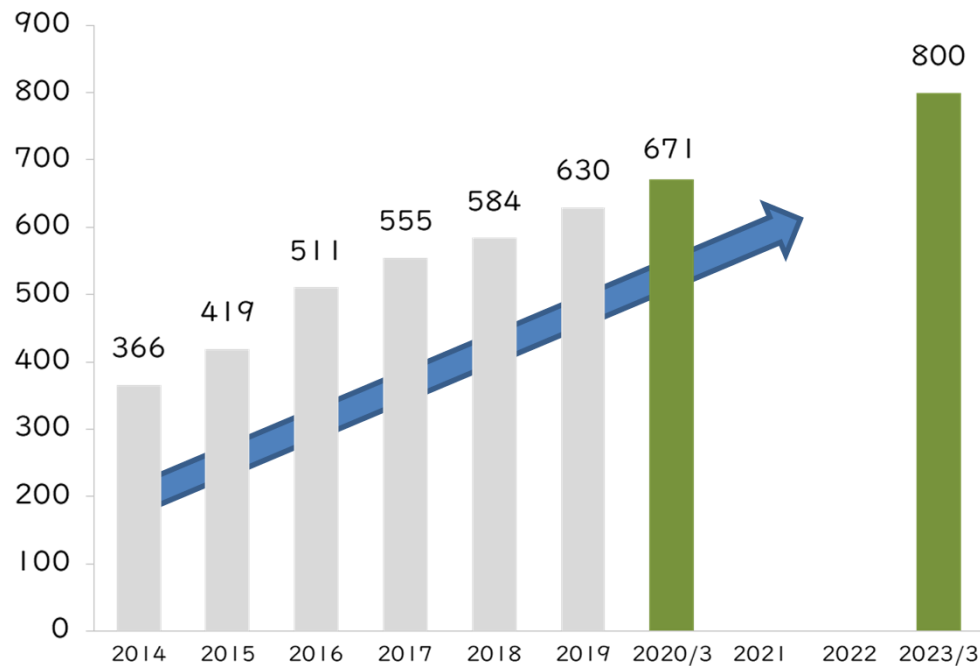
(The Reuse Business Journal “Secondhand Market Databook 2020”)

3

Deep focus on the reuse market (1)

- 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 is continuing, the number of our stores increased by 16 (17 new stores and 1 closed) during this second quarter and we will continue focusing deeply on the reuse market by opening more stores.



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

3

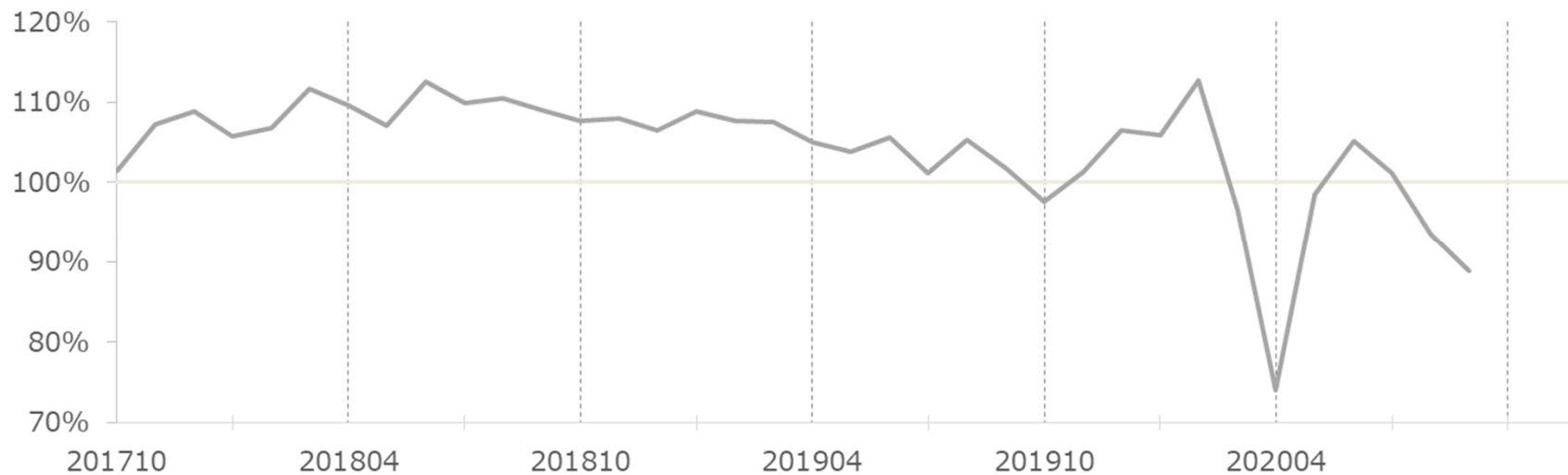
Deep focus on the reuse market (2)

- Change in sales for existing 2nd STREET stores

After the declaration of a state of emergency due to COVID-19 was lifted, the sales for existing 2nd STREET stores recovered in June from the government's subsidies and rebound on consumption from refraining from going out. However, the sales for existing stores for this second quarter were stagnant compared to the same period of the previous year which is attributable to late recovery in buying at stores in the continued atmosphere of voluntary restraint from going out and shortage in seasonal stock.

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, 5 stores in Malaysia, 1 store in Taiwan as of September 30, 2020, which include 1 new store in Malaysia opened in August and the first store in Taiwan opened in September.

- Overseas expansion under the COVID-19 impact

The stores in USA that were temporarily suspending operations have resumed operations from June although some stores are maintaining shortened business hours. We also resumed opening new stores from October.

The stores in Malaysia and Taiwan experienced small impact and we are scheduled to open 2 more new stores in Taiwan during this fiscal year.



2nd STREET Ximen Taipei, Taipei City, Taiwan

Further expand GEO mobile shop-in-shops

We are reinforcing business in reuse merchandise other than game-related merchandise at GEO shops by setting up “GEO mobile” inside GEO shops (as a shop-in-shop) to deal in mobile phones and smartphones for reuse which the market is anticipated to grow.



Expand store brand products

We commenced sale of drive recorders as a GEO-limited product in addition to audiovisual equipment such as DVD players and earphones. We will continue searching for more products that have high affinity with GEO's customer stratum and sell them as GEO-limited products.



Neck earphones



Drive recorder



Promotional activities for rental

Where the release of new motion pictures is stagnant, we are conducting promotional activities to compile selections of movies to attract customers to rental.



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Proactive use of IT and reinforce on-line

Among our service, the sales involving EC in our retail services grew by 123.3% compared to the same period of the previous year. Particularly in managing our stores in the environment affected by COVID-19, we were able to capture the consumption from the public staying home by selling more items concurrently at the 2nd STREET in-stores and on our EC sites. The sales and the number of items sold on our own 2nd STREET site achieved strong growth of 194.9% and 209.5%, respectively, compared to the same period of the previous year.

	2020/3 2Q Results	2021/3 2Q Results	Change
Sales involving EC (Millions of yen)	5,911	7,286	123.3%
Number of items sold involving EC (thousand items)	1,418	1,791	126.3%

We will aim to organize a system to provide seamless services sought by our customers by enhancing our recognition and by organizing logistics.

Development of a new retail format



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 price. This is a major business format in USA.

We will continue developing the OPS chain by seeking the best location such as in commercial buildings near train stations and by 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 the second quarter of this fiscal year, we opened 4 stores of “OKURA TOKYO”(Okura) which sell reuse luxury watches and luxury brand bags, etc. COVID-19 seems to be having a lingering effect on sales of used luxury products than on sales of clothing and accessories but GEO aims to become a leader also in luxury merchandise in the domestic reuse market.



OKURA TOKYO Ginza Main Store (Chuo-ku, Tokyo)

Promotion campaign “Let’s 2nd STREET”

We held a promotion campaign, “Let’s 2nd STREET,” by linking TV commercials, radio time signal, web pages and other media. We will focus on advertising campaigns in order to improve recognition of the 2nd STREET brand in addition to achieving an effect to increase buying (purchasing by us) in a short term period.



Whistleblowing Compliance Management System

We have registered with the Whistleblowing Compliance Management System administered by Japan’s Consumer Affairs Agency. We believe that it is important for a company to provide safe and trustworthy products and services through risk management by proactively adopting the whistleblowing system in order to fulfill its social responsibility and protect the interests of the entire socio-economy. We will proactively implement this system to gain trust from our stakeholders, enhance our corporate value, and to achieve continued development of our company.



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 may turn milder.

While the current first quarter experienced emergence of demand from the public staying home and which lead to strong achievement on the full year forecast, the special demand for rental from the public staying home ceased in the second quarter and the sales for reuse (non-media) did not recover, and we did not achieve high on profits. It is still difficult to project changes in 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	2021/3 2Q Results	2021/3 2Q Achievement
Net sales	300,000	158,578	52.9%
Operating profit	6,000	3,623	60.4%
Ordinary profit	6,400	3,897	60.9%
Profit	3,200	1,229	38.4%

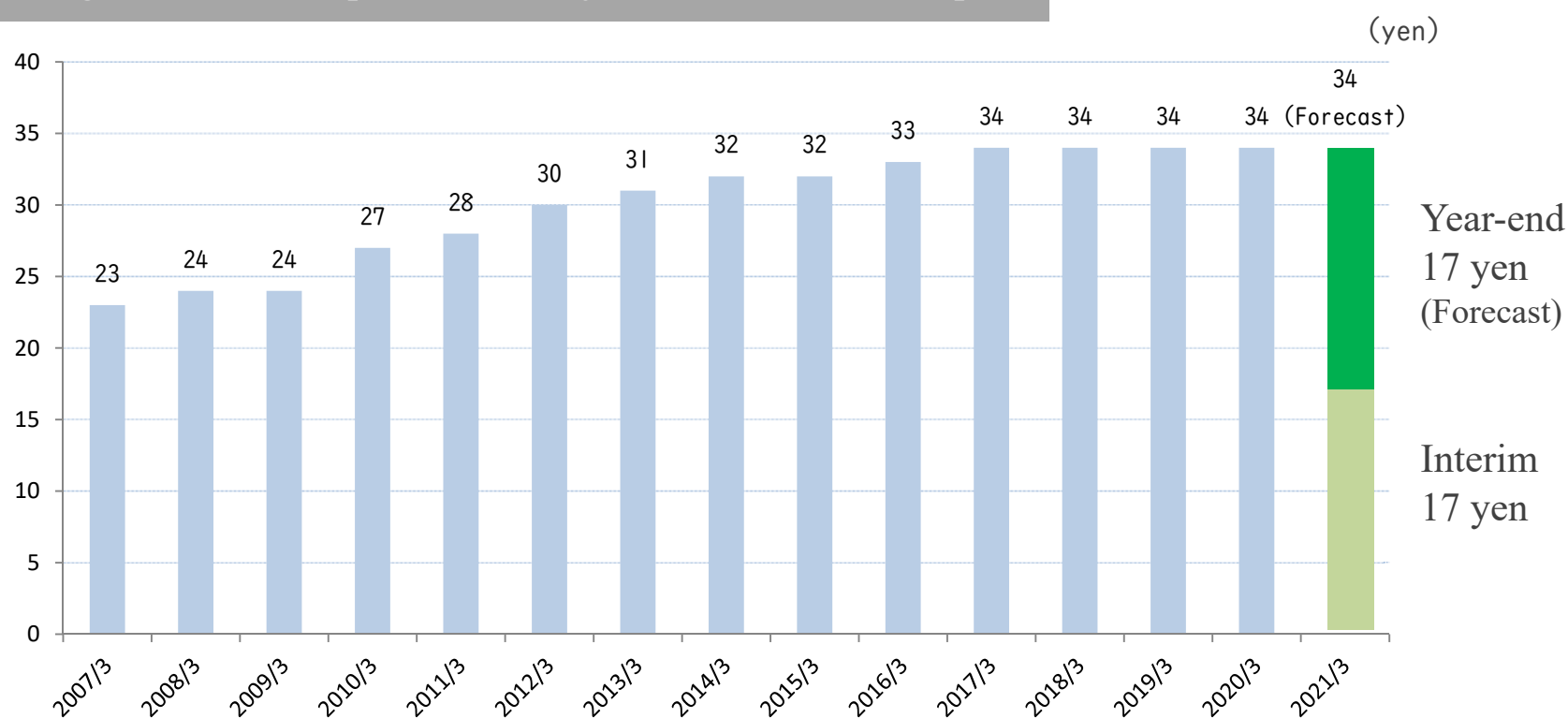
Dividends and Returns to Shareholders

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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, improve profitability, and pay sound dividends.

Changes in dividends per share as adjusted to reflect stock split



Appendix

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Balance sheet

	As of 3/31/2020	Composi- tion	As of 9/30/2020	Composi- tion	Amount of increase/ decrease
(Millions of yen)					
Current assets	89,658	62.0%	108,346	66.4%	18,688
Cash and deposits	32,598		51,699		19,101
Merchandise	38,186		39,580		1,394
Non-current assets	55,044	38.0%	54,805	33.6%	(239)
Property, plant and equipment	29,532		29,171		(361)
Intangible assets	1,885		2,097		212
Investments and other assets	23,626		23,536		(90)
Total assets	144,702	-	163,152	-	18,450
Current liabilities	34,233	23.7%	43,561	26.7%	9,328
Accounts payable-trade	11,039		10,733		(306)
Short-term borrowings	5,000		11,000		6,000
Current portion of long-term borrowings	3,737		4,350		613
Non-current liabilities	35,453	24.5%	44,015	27.0%	8,562
Long-term borrowings	25,956		34,656		8,700
Total liabilities	69,686	48.2%	87,577	53.7%	17,891
Treasury shares	(1,999)		(1,999)		0
Total net assets	75,016	51.8%	75,575	46.3%	559
Total liabilities and net assets	144,702	-	163,152	-	18,450

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Income statement

(Millions of yen)	2020/3				2021/3			
	1Q Results	2Q Results	3Q Results	4Q Results	1Q Results	2Q Results	3Q Results	4Q Results
Net sales	63,918	74,130	83,992	83,016	82,860	75,718		
(Change from the same period of the previous year)	99.2%	108.8%	99.1%	110.4%	129.6%	102.1%		
Gross profit	29,728	30,236	31,838	31,997	33,230	30,286		
(Change from the same period of the previous year)	102.2%	99.6%	98.4%	106.8%	111.8%	100.2%		
(Gross profit ratio)	46.5%	40.8%	37.9%	38.5%	40.1%	40.0%		
SG&A	27,126	28,256	29,320	29,075	29,673	30,219		
(Change from the same period of the previous year)	106.9%	105.6%	109.6%	106.8%	109.4%	106.9%		
Operating profit	2,602	1,979	2,517	2,923	3,557	66		
(Change from the same period of the previous year)	69.9%	55.0%	44.9%	106.9%	136.7%	3.4%		

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Cash flow

(Millions of yen)		September 30, 2019	September 30, 2020	Amount of increase/decrease
	Depreciation	2,267	2,541	274
	Rental asset depreciation and amortization	2,846	2,456	(390)
	Purchase of rental assets	(2,311)	(1,745)	566
	Cash flow from operating activities subtotal	6,413	8,587	2,174
	Income tax (paid) or refund	(3,137)	(1,212)	1,925
Net cash provided by (used in) operating activities		3,209	7,291	4,082
	Purchase of property, plant and equipment	(2,984)	(2,688)	296
Net cash provided by (used in) investing activities		(6,658)	(3,720)	2,938
	Proceeds from long-term loans payable	3,500	11,000	7,500
	Repayments of long-term loans payable	(2,348)	(1,687)	661
	Cash dividends paid	(748)	(720)	28
	Purchase of treasury shares	(1,414)	—	1,414
Net cash provided by (used in) financing activities		(1,436)	14,521	15,957
Net increase (decrease) in cash and cash equivalents		(4,889)	18,072	22,961
Cash and cash equivalents at end of period		33,966	53,739	19,773
Free cash flow (simple)		(3,449)	3,571	7,020

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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	29,894		
Media	12,914	14,008	13,679	15,444	15,405	12,242		
Reuse	13,615	17,055	17,762	17,837	16,014	17,652		
Rental	14,784	14,826	13,880	14,472	14,957	13,232		
New (media)	13,736	19,094	26,273	25,025	26,502	21,331		
Others	8,867	9,147	12,399	10,237	9,981	11,258		
Total	63,918	74,130	83,993	83,015	82,860	75,717		

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Gross profit based on merchandise

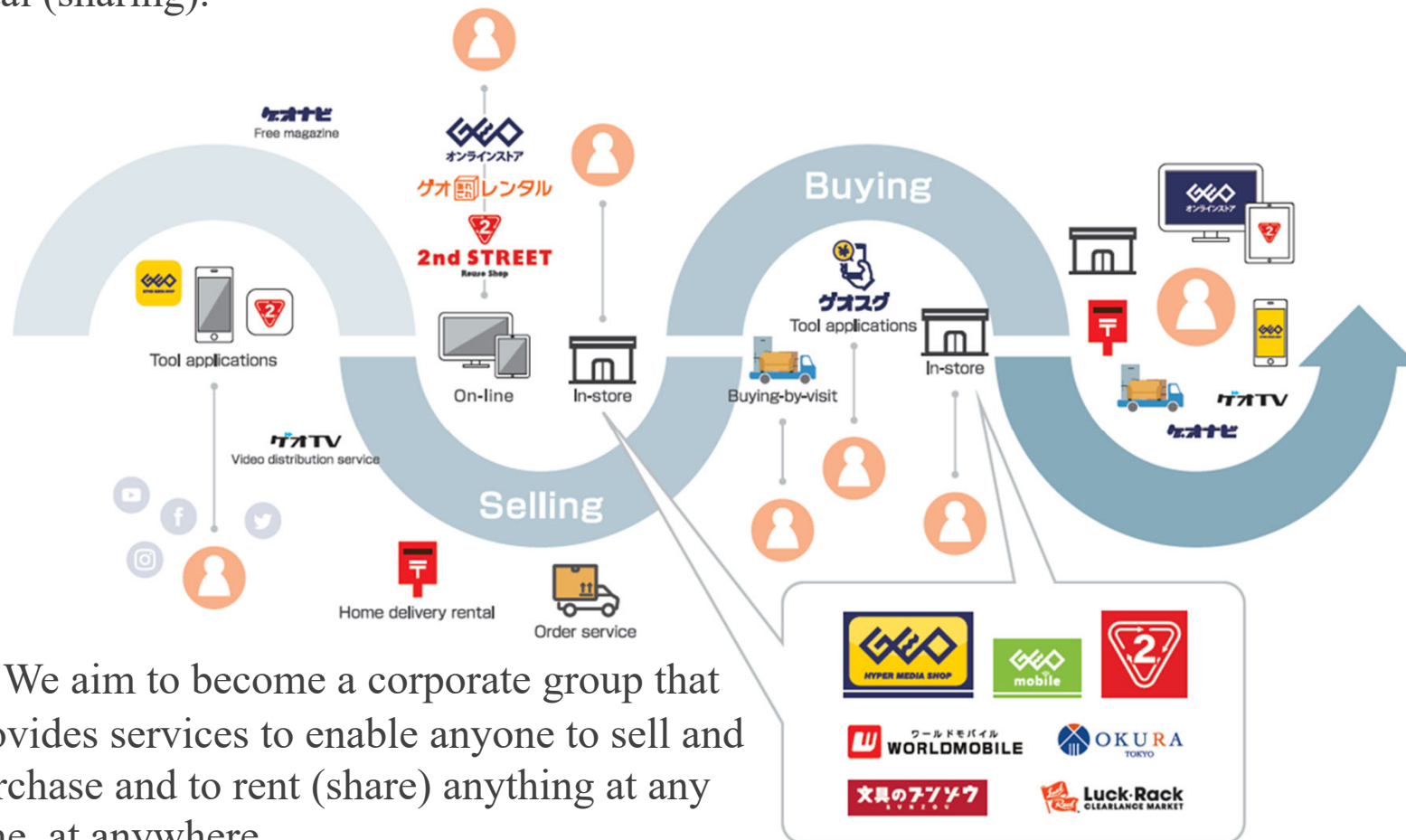
	2020/3 1Q Results (Millions of yen)	2020/3 2Q Results	2020/3 3Q Results	2020/3 4Q Results	2021/3 1Q Results	2021/3 2Q Results	2021/3 3Q Results	2021/3 4Q Results
Reuse	14,827	14,958	16,106	15,674	15,820	14,270		
Media	5,427	5,503	5,377	6,044	6,677	5,123		
Reuse	9,400	9,454	10,729	9,630	9,143	9,147		
Rental	9,361	9,333	8,498	9,250	10,021	8,725		
New (media)	2,379	2,986	3,634	3,816	4,278	3,469		
Others	3,160	2,959	1,731	5,125	3,110	3,820		
Total	29,728	30,236	29,969	33,865	33,230	30,286		
Gross income ratio	46.5%	40.8%	35.7%	40.8%	40.1%	40.0%		

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	8,970 million yen*
• Listed exchange	Tokyo Stock Exchange 1st Section

*As of September 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.

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GEO Group's major shops and their major merchandise

		Reuse (non-media)			Reuse (media)			Rental		New goods		Number of stores (As of 9/30/2020)
		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	 	●	●	●	●	●	●	●	●	●	●	1,177
2nd STREET shops		●	●	●	●	●	●	●	●	●	●	689
OKURA TOKYO		●	●	●	●	●	●	●	●	●	●	13
Luck · Rack CLEARANCE MARKET		●	●	●	●	●	●	●	●	●	●	5

※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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