

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

February 8, 2021

GEO HOLDINGS CORPORATION

Securities Code: 2681

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Scheduled date to submit quarterly report: February 9, 2021

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 Third Quarter (from April 1, 2020 to December 31, 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	
Nine months ended:	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
December 31, 2020	243,396	9.6	4,457	(37.2)	4,774	(37.5)	1,018	(75.8)
December 31, 2019	222,041	2.2	7,099	(45.1)	7,637	(45.0)	4,218	(50.3)

(Note) Comprehensive income: 1,092 million yen (decrease of 74.2%) for nine months ended December 31, 2020
4,240 million yen (decrease of 49.5%) for nine months ended December 31, 2019

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Nine months ended:		
December 31, 2020	24.03	23.98
December 31, 2019	97.32	97.16

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of December 31, 2020	178,952	74,736	41.5
As of March 31, 2020	144,702	75,016	51.6

(Reference) Shareholders' equity: As of December 31, 2020: 74,341 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	-	17.00	-	17.00	34.00
Fiscal Year ending March 31, 2021	-	17.00	-		
Fiscal Year ending March 31, 2021 (Forecast)			-	17.00	34.00

(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 nine 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 December 31, 2020	42,405,952 shares
As of March 31, 2020	43,929,488 shares
 - 2) Number of treasury shares:

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

During nine months ended December 31, 2020	42,400,574 shares
During nine months ended December 31, 2019	43,341,901 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 for 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 December 31, 2020)

For the business environment for nine months ended December 31, 2020, consumption activities and economic activities remained stagnant due to voluntary restraint on going out 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, and added with the shortage in supply of new releases in video rental, the downtrend of the rental video market has been gaining more speed. However, in the selling of merchandise, the demand for game software and game device from the public staying home is continuing, and sales for new (media) merchandise continued to grow relatively solidly. The sales for reuse (non-media) merchandise mainly lead by 2nd STREET was affected by voluntary restraint on going out and the slump has continued especially in reuse clothing and accessories which are the core merchandise.

As a result, although the sales resulted in 243,396 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 strengthen buying and to attract customers to visit our stores; (ii) the increase in personnel expenses due to opening new stores mainly for 2nd STREET; and (iii) the increase in expenses for developing new format stores. Accordingly, operating profit, ordinary profit, and profit attributable to owners of parent for nine months ended December 31, 2020 all declined from the previous period.

While the impact of COVID-19 on economy is prolonging, we will continue opening stores with the central focus on 2nd STREET looking ahead to the economic recovery after the diminishment of the impact of COVID-19 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 nine months ended December 31, 2020, sales resulted in 243,396 million yen (9.6% increase from the same period of the previous year), operating profit resulted in 4,457 million yen (37.2% decrease from the same period of the previous year), ordinary profit resulted in 4,774 million yen (37.5% decrease from the same period of the previous year), and profit attributable to owners of parent resulted in 1,018 million yen (75.8% decrease from the same period of the previous year).

The number of our stores as of December 31, 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	1,758	30	101	4	100	(13)	1,959	21
Media	1,028	(25)	101	4	46	(14)	1,175	(35)
GEO mobile (mobile dedicated stores)	19	(6)					19	(6)
Reuse	665	47			54	1	719	48

		Directly-managed stores		Distributors	FC stores	Total	
	OKURA TOKYO	14	7			14	7
	Warehouse	11	(2)			11	(2)
	Off price store	8	3			8	3
	Others	32	0			32	0

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 December 31, 2020 resulted in 122,770 million yen which is an increase of 33,111 million yen from the previous fiscal year end. This increase is mainly due to an increase of 25,204 million yen in cash and deposits and 6,482 million yen in merchandise. The non-current assets resulted in 56,181 million yen which is an increase of 1,137 million yen from the previous fiscal year end. This increase is mainly due to increases of 1,562 million yen in buildings and structures, net, and 389 million yen in intangible assets despite a decrease of 920 million yen in other, net of property, plant and equipment.

As a result, the total assets as of December 31, 2020 resulted in 178,952 million yen which is an increase of 34,249 million yen from the previous fiscal year end.

[Liabilities]

The current liabilities as of December 31, 2020 resulted in 50,179 million yen which is an increase of 15,945 million yen from the previous fiscal year end. This increase is mainly due to increases of 7,000 million yen in short-term borrowings, 3,479 million yen in accounts payable-trade, 1,155 million yen in income taxes payable, and 950 million yen in current portion of long-term borrowings. The non-current liabilities resulted in 54,036 million yen which is an increase of 18,583 million yen from the previous fiscal year end. This is mainly due to an increase of 18,337 million yen in long-term borrowings.

As a result, the total liabilities resulted in 104,216 million yen which increased by 34,529 million yen from the previous fiscal year end.

[Net assets]

The net assets as of December 31, 2020 resulted in 74,736 million yen which is a decrease of 280 million yen from the previous fiscal year end. This decrease is mainly due to 1,018 million yen in profit attributable to owners of parent and dividends of 1,441 million yen paid from retained earnings.

From the above, the equity ratio resulted in 41.5% (51.6% as of the previous fiscal year end).

(3) Explanation on forward-looking information including consolidated earnings forecast

There is no change to the consolidated earnings forecast for full year 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 December 31, 2020
Assets		
Current assets		
Cash and deposits	32,598	57,803
Notes and accounts receivable - trade	10,080	10,060
Merchandise	38,186	44,669
Other	8,901	10,346
Allowance for doubtful accounts	(108)	(109)
Total current assets	89,658	122,770
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,647	15,210
Other, net	15,884	14,964
Total property, plant and equipment	29,532	30,174
Intangible assets	1,885	2,274
Investments and other assets		
Leasehold and guarantee deposits	16,490	16,818
Other	8,090	7,899
Allowance for doubtful accounts	(955)	(986)
Total investments and other assets	23,626	23,732
Total non-current assets	55,044	56,181
Total assets	144,702	178,952
Liabilities		
Current liabilities		
Accounts payable - trade	11,039	14,519
Short-term borrowings	5,000	12,000
Current portion of long-term borrowings	3,737	4,687
Income taxes payable	1,268	2,424
Other	13,188	16,548
Total current liabilities	34,233	50,179
Non-current liabilities		
Long-term borrowings	25,956	44,293
Asset retirement obligations	6,505	6,695
Other	2,991	3,047
Total non-current liabilities	35,453	54,036
Total liabilities	69,686	104,216
Net assets		
Shareholders' equity		
Share capital	8,969	8,975
Capital surplus	3,382	3,388
Retained earnings	64,218	61,795
Treasury shares	(1,999)	-
Total shareholders' equity	74,569	74,159
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	113	177
Deferred gains or losses on hedges	(3)	(2)
Foreign currency translation adjustment	(0)	7
Total accumulated other comprehensive income	108	182
Share acquisition rights	338	394
Total net assets	75,016	74,736
Total liabilities and net assets	144,702	178,952

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

Income statement

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	222,041	243,396
Cost of sales	130,238	148,451
Gross profit	91,803	94,945
Selling, general and administrative expenses	84,703	90,487
Operating profit	7,099	4,457
Non-operating income		
Rental income from real estate	509	564
Other	613	810
Total non-operating income	1,123	1,374
Non-operating expenses		
Rental expenses on real estate	283	405
Other	301	652
Total non-operating expenses	584	1,058
Ordinary profit	7,637	4,774
Extraordinary losses		
Loss on business withdrawal cost	-	548
Impairment loss	116	294
Loss on valuation of shares of subsidiaries and associates	-	158
Total extraordinary losses	116	1,001
Profit before income taxes	7,521	3,772
Income taxes - current	2,698	2,646
Income taxes - deferred	604	107
Total income taxes	3,302	2,753
Profit	4,218	1,018
Profit attributable to owners of parent	4,218	1,018

Statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit	4,218	1,018
Other comprehensive income		
Valuation difference on available-for-sale securities	26	64
Deferred gains or losses on hedges	2	1
Foreign currency translation adjustment	(7)	8
Total other comprehensive income	21	74
Comprehensive income	4,240	1,092
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,240	1,092

(3) Notes on consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

For the nine months ended December 31, 2019 (consolidated)

The Company purchased 1,530,500 treasury shares pursuant to the resolution of its board of directors meeting held on June 28, 2019. As a result, the treasury shares increased by 1,999 million yen for the nine months ended December 31, 2019, and the treasury shares as of December 31, 2019 were 1,999 million yen.

For the nine months ended December 31, 2020 (consolidated)

The Company cancelled 1,530,536 treasury shares effective December 30, 2020 pursuant to the resolution of its board of directors meeting held on November 27, 2020. As a result, retained earnings and treasury shares respectively decreased by 1,999 million yen for the nine months ended December 31, 2020, and retained earnings was 61,795 million yen as of December 31, 2020. There was no balance for treasury shares.

(Segment information)

【Segment information】

For the nine months ended December 31, 2019 (consolidated) and the nine months ended December 31, 2020 (consolidated):

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