

Summary of Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2017 (Japan GAAP)

February 10, 2017

GEO HOLDINGS CORPORATION

Securities Code: 2681

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Scheduled date to submit quarterly report: February 13, 2017

Scheduled date to start dividend payment: -

Supplementary material on quarterly financial results: Yes

Briefing on this quarterly financial results : No

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(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the Third Quarter (from April 1, 2016 to December 31, 2016)

(1) Consolidated operating results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Nine months ended:	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
December 31, 2016	197,964	(0.2)	7,017	(49.1)	7,499	(49.5)	4,125	(55.1)
December 31, 2015	198,381	(1.4)	13,787	108.6	14,844	105.9	9,181	78.2

(Note) Comprehensive income: 4,229 million yen (decrease of 53.5%) for nine months ended December 31, 2016
9,095 million yen (increase of 78.9%) for nine months ended December 31, 2015

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Nine months ended:		
December 31, 2016	85.46	85.16
December 31, 2015	175.32	174.30

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of December 31, 2016	132,693	67,616	50.9
As of March 31, 2016	130,207	64,961	49.8

(Reference) Shareholders' equity: As of December 31, 2016: 67,477 million yen
As of March 31, 2016: 64,848 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, 2016	-	16	-	17	33
Fiscal Year ending March 31, 2017	-	17			
Fiscal Year ending March 31, 2017 (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, 2017 (from April 1, 2016 to March 31, 2017)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	yen
Full-year	277,000	3.4	11,000	(33.5)	12,000	(32.7)	6,000	(43.2)	124.27

(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.: Yes
 - 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, 2016	48,280,700 shares
As of March 31, 2016	48,244,200 shares
 - 2) Number of treasury shares:

As of December 31, 2016	—
As of March 31, 2016	—
 - 3) Average number of outstanding shares:

During nine months ended December 31, 2016	48,273,162 shares
During nine months ended December 31, 2015	52,364,484 shares

*Statement regarding the status of quarterly review procedures

This summary is not subject to the quarterly review procedures pursuant to the Financial Instruments and Exchange Act. At the time of disclosure of this summary, the review procedures for the quarterly financial statements pursuant to the Financial Instruments and Exchange Act were not completed.

*Explanation regarding appropriate use of financial forecasts and other special remarks

(Note concerning forward-looking statements)

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. Actual results may differ significantly from these forecasts due to various factors. Please see “1. Qualitative Information on Quarterly Results” on page 2 of the Attachment on the assumptions used for 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. Matters Relating to Summary Information (Notes).....	4
Changes in accounting principles, changes in accounting estimates, retrospective restatement	4
3. 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) Notes on consolidated financial statements	8
(Notes on going concern assumptions)	8
(Notes on significant change in shareholders' equity)	8
(Segment information).....	8

1. Qualitative Information on Quarterly Results

(1) Details of consolidated operating results

Consolidated Earnings (April 1, 2016 to December 31, 2016)

(Millions of yen)

	Results for nine months ended December 31, 2015	Results for nine months ended December 31, 2016	Change (%)	Year ending March 31, 2017	
				Earnings forecast	Achievement (%)
Net Sales	198,381	197,964	99.8%	277,000	71.5%
Operating Income	13,787	7,017	50.9%	11,000	63.8%
Ordinary Income	14,844	7,499	50.5%	12,000	62.5%
Profit attributable to owners of parent	9,181	4,125	44.9%	6,000	68.8%

For the Group's results for nine months ended December 31, 2016, sales were solid for new merchandise due to the launch of new model of new game device and extensive new lines of game software titles towards the year end. However, sales slightly declined due to a large slump in rental merchandise during the second quarter.

In profits, the profits grew solidly for used mobile and reuse (non-media) merchandise and new goods such as game device and game software but other merchandise could not cover the slump in rental, and also due to increased personnel cost and rent accompanying the increase in the number of stores, operating income, ordinary income and profit attributable to owners of parent decreased from those of the same period of the previous year.

In store strategies, we aggressively opened 46 new stores for reuse (non-media) (including franchise stores) such as our stores operating under the store names "Second Street" and "Jumble Store" to enhance our value as a leading company in reuse of clothes and accessories while the scale of reuse market is expanding.

In addition to the above 46 new stores, we opened two reuse purchase-only stores to proactively purchase items for expanded sales in reuse (non-media) merchandise.

In media (where we operate under the store name "GEO"), we opened 15 stores including a joint store with a convenience store and reopening after relocation to acquire new customers and expand shares.

In mobile-related business which we began focusing on since the previous year, we opened 4 "GEO mobile" dedicated stores which is a new form of business. We also commenced mobile repairing services from last October and we continued to reinforce the mobile services inside the GEO stores and "GEO mobile."

Our current number of stores and facilities are as follows which reflects the implementing of our above store strategies.

() 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	1,460	43	105	11	121	(5)	1,686	49
Media	951	8	105	11	75	(7)	1,131	12
GEO mobile	11	4					11	4
Integrated	123	2					123	2
Reuse	375	32			46	2	421	34
WAREHOUSE	11	1					11	1

Notes:

1. Media stores include stores that rent DVDs and purchase and sell home game related items.
2. GEO mobile means mobile store that does not operate within a GEO store.
3. A store that operates under multiple store names at one facility is counted as a single store and such store is included among integrated stores.
4. Reuse stores include stores that purchase and sell clothing, home electronics and other items.

(2) Details of consolidated financial position

(Assets)

The current assets as of December 31, 2016 were 76,051 million yen which is an increase of 2,035 million yen from the fiscal year ended March 31, 2016. This increase is mainly attributable to a decrease of 5,571 million yen in cash and deposits and an increase of 1,180 million yen in accounts receivable-trade, 1,503 million yen in securities, 2,567 million yen in merchandise, and 2,392 million yen in other. Non-current assets were 56,641 million yen which is an increase of 449 million yen from the fiscal year ended March 31, 2016. This increase is attributable to a decrease of 620 million yen in property, plant and equipment while intangible assets increased by 238 million yen and total investments and other assets increased by 832 million yen.

As a result, the total assets as of December 31, 2016 were 132,693 million yen which is an increase of 2,485 million yen from the fiscal year ended March 31, 2016.

(Liabilities)

The current liabilities as of December 31, 2016 were 36,863 million yen which is a decrease of 867 million yen from the fiscal year ended March 31, 2016. This decrease is attributable to an increase of 5,820 million yen in accounts payable-trade and decrease of 1,540 million yen in current portion of long-term loans payable and 5,148 million yen in other. Non-current liabilities were 28,212 million yen which is an increase by 698 million yen from the fiscal year ended March 31, 2016. This increase is mainly attributable to an increase of 640 million yen in asset retirement obligations.

As a result, total liabilities were 65,076 million yen which is a decrease of 169 million yen from the fiscal year ended March 31, 2016.

(Net assets)

The total net assets as of December 31, 2016 were 67,616 million yen which is an increase of 2,655 million yen from the fiscal year ended March 31, 2016. This increase is mainly attributable

to quarterly profit attributable to owners of parent of 4,125 million yen and dividends of surplus of 1,640 million yen.

As a result, equity ratio was 50.9% (49.8% as of the fiscal year ended March 31, 2016).

(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, 2016.

2. Matters Relating to Summary Information (Notes)

Changes in accounting principles, changes in accounting estimates, retrospective restatement

Changes in accounting principles:

(Application of practical solution on a change in depreciation method due to Tax Reform 2016)

Accompanying the above tax reform, we applied to our current first quarter the “Practical solution on a change in depreciation method due to Tax Reform 2016” (PITF No. 32 of June 17, 2016) where we changed the depreciation method of building and accompanying facilities and structures acquired on and after April 1, 2016 from declining-balance method to straight-line method.

As a result, operating income, ordinary income and profit before income taxes for the current third quarter increased respectively by 72 million yen.

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

(Millions of yen)

	As of March 31, 2016	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	37,683	32,111
Accounts receivable - trade	4,100	5,280
Securities	-	1,503
Merchandise	24,894	27,462
Other	7,618	10,010
Allowance for doubtful accounts	(281)	(316)
Total current assets	74,015	76,051
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,402	13,631
Other, net	19,608	18,758
Total property, plant and equipment	33,010	32,390
Intangible assets	1,865	2,103
Investments and other assets		
Lease and guarantee deposits	14,905	15,311
Other	7,741	7,687
Allowance for doubtful accounts	(1,332)	(851)
Total investments and other assets	21,315	22,147
Total non-current assets	56,192	56,641
Total assets	130,207	132,693
Liabilities		
Current liabilities		
Accounts payable - trade	12,631	18,452
Current portion of long-term loans payable	8,333	6,793
Other	16,766	11,618
Total current liabilities	37,731	36,863
Non-current liabilities		
Long-term loans payable	19,509	19,705
Asset retirement obligations	4,406	5,047
Other	3,598	3,459
Total non-current liabilities	27,514	28,212
Total liabilities	65,246	65,076
Net assets		
Shareholders' equity		
Capital stock	8,871	8,891
Capital surplus	3,283	3,303
Retained earnings	52,542	55,027
Total shareholders' equity	64,697	67,222
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	166	268
Deferred gains or losses on hedges	(15)	(13)
Total accumulated other comprehensive income	150	254
Subscription rights to shares	113	139
Total net assets	64,961	67,616
Total liabilities and net assets	130,207	132,693

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

Income statement

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Net sales	198,381	197,964
Cost of sales	111,041	113,485
Gross profit	87,339	84,479
Selling, general and administrative expenses	73,552	77,461
Operating income	13,787	7,017
Non-operating income		
Real estate rent	952	965
Other	903	416
Total non-operating income	1,856	1,382
Non-operating expenses		
Rent expenses on real estates	569	587
Other	228	313
Total non-operating expenses	798	900
Ordinary income	14,844	7,499
Extraordinary income		
Gain on sales of investment securities	-	47
Total extraordinary income	-	47
Extraordinary losses		
Impairment loss	318	912
Other	13	9
Total extraordinary losses	332	922
Profit before income taxes	14,512	6,624
Income taxes - current	4,893	2,345
Income taxes - deferred	437	153
Total income taxes	5,331	2,499
Profit	9,181	4,125
Profit attributable to owners of parent	9,181	4,125

Statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2015	Nine months ended December 31, 2016
Profit	9,181	4,125
Other comprehensive income		
Valuation difference on available-for-sale securities	(66)	101
Deferred gains or losses on hedges	(19)	2
Total other comprehensive income	(85)	103
Comprehensive income	9,095	4,229
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,095	4,229

(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 nine months ended December 31, 2015 (consolidated) and the nine months ended December 31, 2016 (consolidated):

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