

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2019 (Japan GAAP)

August 8, 2018

GEO HOLDINGS CORPORATION

Securities Code: 2681
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Scheduled date to submit quarterly report: August 10, 2018
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 First Quarter (from April 1, 2018 to June 30, 2018)

(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, 2018	64,425	4.9	3,724	22.7	4,524	36.4	2,781	50.9
June 30, 2017	61,407	1.1	3,036	28.0	3,316	29.4	1,843	3.7

(Note) Comprehensive income: 2,798 million yen (increase of 50.5%) for three months ended June 30, 2018
1,859 million yen (increase of 4.9%) for three months ended June 30, 2017

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Three months ended:		
June 30, 2018	58.15	57.92
June 30, 2017	38.25	38.15

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2018	126,746	67,893	53.4
As of March 31, 2018	137,335	72,191	52.4

(Reference) Shareholders' equity: As of June 30, 2018: 67,675 million yen
As of March 31, 2018: 71,991 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, 2018	-	17	-	17	34
Fiscal Year ending March 31, 2019	-				
Fiscal Year ending March 31, 2019 (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, 2019 (from April 1, 2018 to March 31, 2019)

(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	290,000	(3.1)	8,600	(41.4)	9,100	(40.3)	4,600	(30.5)	104.86

(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, 2018	48,358,700 shares
As of March 31, 2018	48,349,700 shares
 - 2) Number of treasury shares:

As of June 30, 2018	4,489,012 shares
As of March 31, 2018	450,000 shares
 - 3) Average number of outstanding shares:

During three months ended June 30, 2018	47,838,013 shares
During three months ended June 30, 2017	48,206,265 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

(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. 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” on page 2 of the Attachment on the assumptions used for 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, 2018 to June 30, 2018)

For the Group's sales for three months ended June 30, 2018, selling and buying performed well due to the expansion of the reuse market and the new stores for the general reuse shop "Second Street" were opened as scheduled, so the Group achieved record high sales for five consecutive first quarter periods. The Group secured gross income due to the growth of reuse and the Group's gross profit also exceeded that from the same period of the previous year.

Furthermore, due to our continued efforts to pursue efficient operations, etc., the ratio of SG&A to sales decreased from the same period of the previous year and operating profit increased. Also, the Company received compensation for vacation of land and buildings owned by the Company accompanying urban redevelopment project, which gave rise to non-operating income, and thereby resulted in increase in ordinary profit and profit attributable to owners of parent.

In developing stores, we opened 15 new "Second Street" stores (including franchise stores) in aim of expanding our share in the reuse market and improving the brand value of the "Second Street."

In addition to opening new stores, we are also proceeding with the creation of an easy shopping environment by increasing various selling and buying opportunities sought by customers such as by attracting customers to the official website (GEO Mart) operated by our subsidiary and to the "Second Street" online store.

As a result, for the Group's results for three months ended June 30, 2018, sales resulted in 64,425 million yen (4.9% increase from the same period of the previous year), operating profit resulted in 3,724 million yen (22.7% increase from the same period of the previous year), ordinary profit resulted in 4,524 million yen (36.4% increase from the same period of the previous year), and profit attributable to owners of parent resulted in 2,781 million yen (50.9% increase from the same period of the previous year).

The number of our stores as of June 30, 2018 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	1,622	11	106	(2)	125	1	1,853	10
Media	1,052	(2)	106	(2)	75	0	1,233	(4)
GEO mobile (mobile dedicated stores)	17	0					17	0
Reuse	547	12			50	1	597	13
WAREHOUSE	11	1					11	1
Others	12	0					12	0

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 Second Street, Super Second Street, 2nd Outdoor, and Jumble Store, etc.

(2) Details of consolidated financial position

[Assets]

The current assets as of June 30, 2018 resulted in 74,080 million yen which is a decrease of 10,485 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 10,419 million yen in cash

and deposits. The non-current assets resulted in 52,665 million yen which is a decrease of 103 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 153 million yen in property, plant and equipment while there was an increase of 58 million yen in investments and other assets.

As a result, the total assets as of June 30, 2018 resulted in 126,746 million yen which is a decrease of 10,589 million yen from the previous fiscal year end.

[Liabilities]

The current liabilities as of June 30, 2018 resulted in 30,243 million yen which is a decrease of 5,374 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 2,210 million yen in accounts payable-trade, 3,265 million yen in accrued income tax, and 1,772 million yen in others while there was an increase of 2,500 million yen in short-term loans payable. Non-current liabilities resulted in 28,608 million yen which is a decrease of 917 million yen from the previous fiscal year end. This is mainly due to a decrease of 874 million yen in long-term loans payable.

As a result, total liabilities resulted in 58,852 million yen which decreased by 6,291 million yen from the previous fiscal year end.

[Net assets]

The net assets as of June 30, 2018 resulted in 67,893 million yen which is a decrease of 4,298 million yen from the previous fiscal year end. This decrease is mainly due to 2,781 million yen in profit attributable to owners of parent, dividends of 814 million yen paid from retained earnings, and purchase of treasury shares for 6,308 million yen.

From the above, the equity ratio resulted in 53.4% (52.4% 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 10, 2018.

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

	(Millions of yen)	
	As of March 31, 2018	As of June 30, 2018
Assets		
Current assets		
Cash and deposits	42,667	32,248
Notes and accounts receivable - trade	5,562	5,052
Merchandise	30,007	31,217
Other	6,384	5,617
Allowance for doubtful accounts	(55)	(55)
Total current assets	84,566	74,080
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,407	12,779
Other, net	15,988	15,463
Total property, plant and equipment	28,396	28,242
Intangible assets	1,443	1,435
Investments and other assets		
Lease and guarantee deposits	15,393	15,387
Other	8,419	8,430
Allowance for doubtful accounts	(883)	(830)
Total investments and other assets	22,929	22,988
Total non-current assets	52,769	52,665
Total assets	137,335	126,746
Liabilities		
Current liabilities		
Accounts payable - trade	12,316	10,106
Short-term loans payable	-	2,500
Current portion of long-term loans payable	5,539	4,914
Income taxes payable	4,634	1,369
Other	13,126	11,353
Total current liabilities	35,618	30,243
Non-current liabilities		
Long-term loans payable	19,897	19,022
Asset retirement obligations	6,201	6,250
Other	3,427	3,335
Total non-current liabilities	29,526	28,608
Total liabilities	65,144	58,852
Net assets		
Shareholders' equity		
Capital stock	8,933	8,937
Capital surplus	3,345	3,350
Retained earnings	59,984	61,952
Treasury shares	(525)	(6,834)
Total shareholders' equity	71,738	67,406
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	262	275
Deferred gains or losses on hedges	(8)	(7)
Foreign currency translation adjustment	-	1
Total accumulated other comprehensive income	253	269
Share acquisition rights	200	217
Total net assets	72,191	67,893
Total liabilities and net assets	137,335	126,746

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

Income statement

	(Millions of yen)	
	Three months ended June 30, 2017	Three months ended June 30, 2018
Net sales	61,407	64,425
Cost of sales	33,559	35,331
Gross profit	27,848	29,093
Selling, general and administrative expenses	24,811	25,368
Operating profit	3,036	3,724
Non-operating income		
Compensation income	-	654
Other	637	366
Total non-operating income	637	1,021
Non-operating expenses		
Rent expenses on real estates	240	106
Other	116	114
Total non-operating expenses	357	221
Ordinary profit	3,316	4,524
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	-	50
Impairment loss	366	40
Total extraordinary losses	366	90
Profit before income taxes	2,949	4,434
Income taxes - current	789	1,484
Income taxes - deferred	316	167
Total income taxes	1,105	1,652
Profit	1,843	2,781
Profit attributable to owners of parent	1,843	2,781

Statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2017	Three months ended June 30, 2018
Profit	1,843	2,781
Other comprehensive income		
Valuation difference on available-for-sale securities	14	13
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	-	1
Total other comprehensive income	15	16
Comprehensive income	1,859	2,798
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,859	2,798

(3) Notes on consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

The Company purchased 4,039,012 treasury shares pursuant to the resolution of its board of directors meeting held on May 10, 2018. As a result, the treasury shares increased by 6,308 million yen for the three months ended June 30, 2018, and the treasury shares as of June 30, 2018 were 6,834 million yen.

(Segment information)

【Segment information】

For the three months ended June 30, 2017 (consolidated) and the three months ended June 30, 2018 (consolidated):
Description is omitted because the Group reports only through one segment, i.e., retail services.

(Subsequent events after the current period)

Cancellation of treasury shares

The Company, at its board of directors meeting held on July 27, 2018, resolved to cancel treasury shares pursuant to the provisions of Article 178 of the Companies Act.

- | | |
|--------------------------------------------|----------------------------------------------------------------------------------------|
| 1. Type of shares to cancelled: | Common shares |
| 2. Total number of shares to be cancelled: | 4,489,012 shares (9.28% of the total number of shares outstanding before cancellation) |
| 3. Scheduled date of cancellation: | August 31, 2018 |

(Reference)

The total number of shares outstanding after cancellation will be 43,869,688 shares.