



Supplementary Materials on Financial Results of the
First Quarter of the Fiscal Year Ending March 31, 2019

GEO HOLDINGS CORPORATION (2681)

August 8, 2018



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Summary

Consolidated results for three months ended June 30, 2018

- Reuse performed solidly and sales reached record high for five consecutive first quarters.
- We continued further review of efficiency in operations and we moderated SG&A.
- New stores were opened as scheduled.

Results based on merchandise

- Gross income increased as a result of deep focus on reuse merchandise.

Forecast

- We will continue with our efforts to establish our system for sustainable growth while being benefited from the reuse market that is becoming increasingly active.

Consolidated Results for Three Months Ended June 30, 2018

Sales reached record high for five consecutive first quarters

• Three months ended June 30, 2018: Consolidated income statement

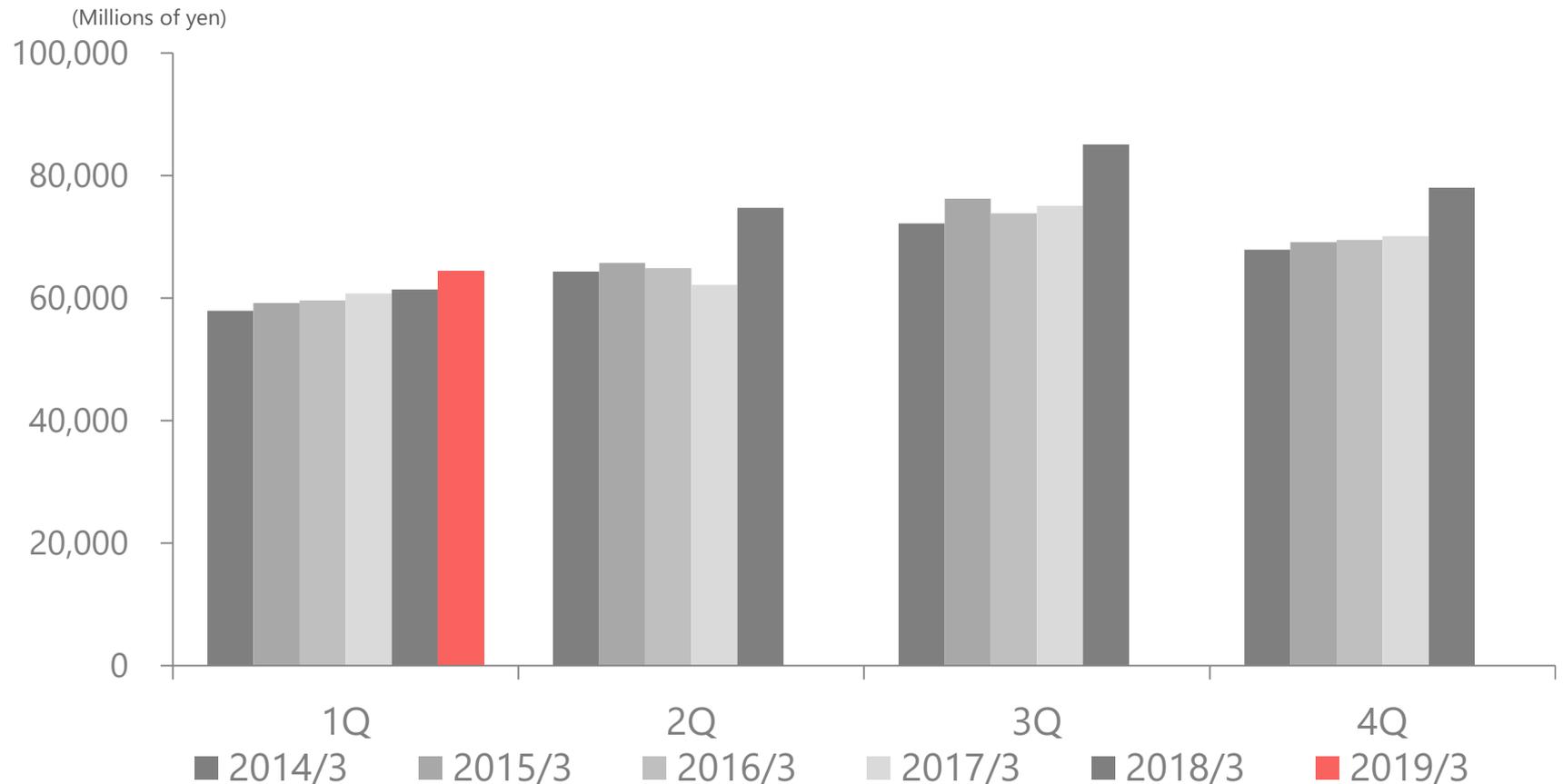
Sales exceeded both the target and previous first quarter results due to strong performance of reuse merchandise. Operating profit also increased due to moderated SG&A. Ordinary profit and profit also increased by posting non-operating income from receiving compensation for vacation accompanying urban redevelopment project.

(Millions of yen)	Three months ended June 30, 2018 Results	Three months ended June 30, 2017 Results	Change
Net sales	64,425	61,407	104.9%
Gross profit	29,093	27,848	104.5%
(Gross profit ratio)	45.2%	45.4%	
SG&A	25,368	24,811	102.2%
Operating profit	3,724	3,036	122.7%
(Operating profit ratio)	5.8%	4.9%	
Ordinary profit	4,524	3,316	136.4%
Profit	2,781	1,843	150.9%

When compared with the previous year, challenge lies ahead from this second quarter

• Changes in consolidated sales

The sales for the second quarter of the previous year were strong from the concentrated sale of Nintendo Switch and major titles for PlayStation 4 in the second quarter and thereafter. There would thus be a challenge for this year's second quarter to achieve sales higher than the previous second quarter but the first quarter preformed solidly.

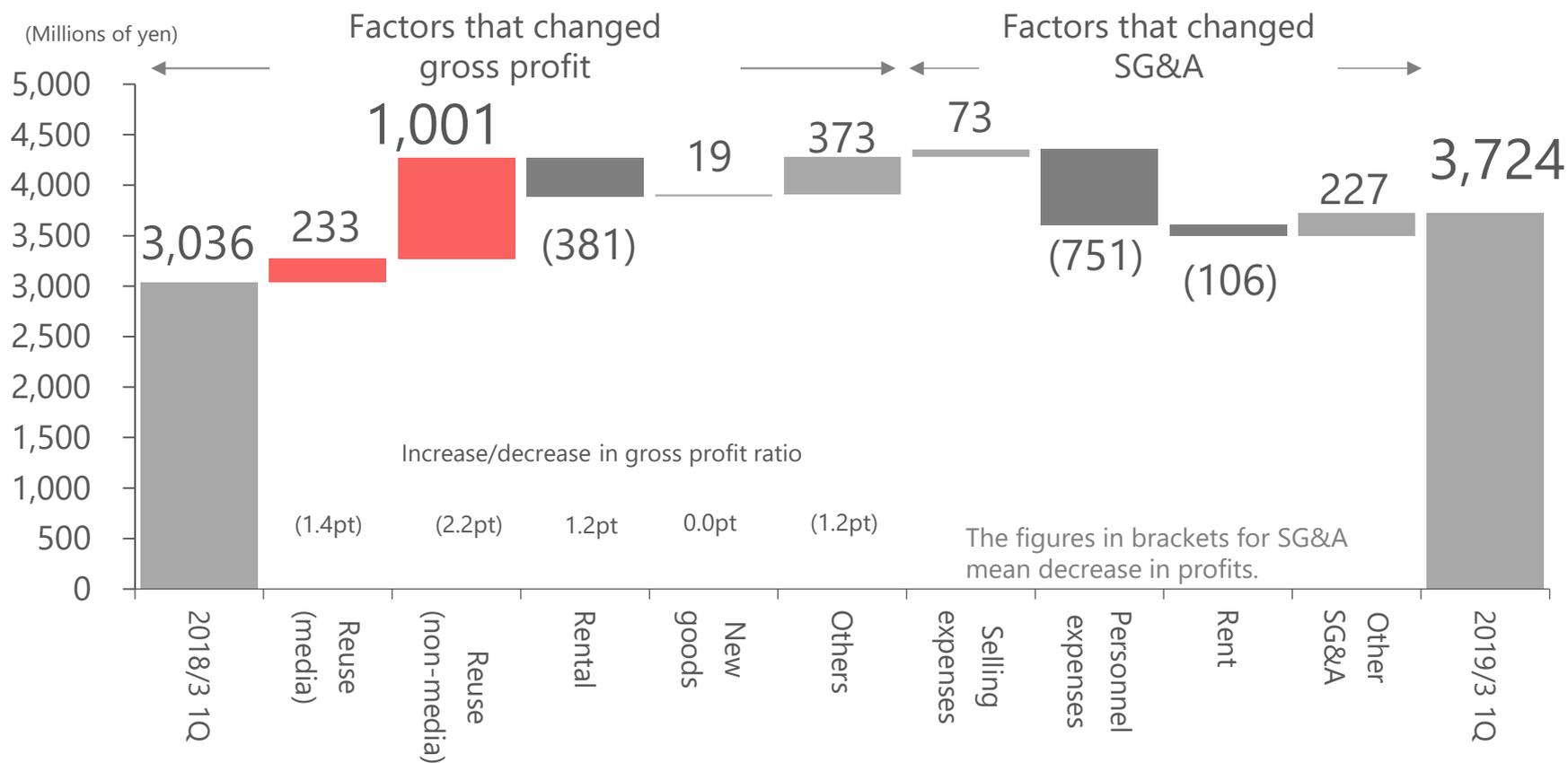


Gross profit and operating profit increased due to strong performance in reuse merchandise

• Factors that increased operating profit ①

Gross profit increased due to growth in reuse.

The decrease in sales for rental merchandise was covered by the increase in sales for reuse merchandise.



Moderation of SG&A

- Factors that increased operating profit②

Personnel expenses and rent increased due to opening new stores but operating profit increased by 600 million yen due to moderation of other SG&A.

	Amount of increase/ decrease	Change	
Gross profit	1,245	104.5%	Attributable to increased sales for reuse merchandise
Total SG&A	556	102.2%	
Selling expenses	(73)	96.5%	Advertising expenses increased but continuous efforts are being made to control them from the previous year.
Personnel expenses	751	106.1%	Personnel expenses increased accompanying opening of new stores.
Rent	106	102.0%	The number of stores increased by 10 stores.
Other expenses	(227)	95.6%	The cost for opening new stores increased but efforts are being made to spend overall costs efficiently.
Operating profit	688	122.7%	Increased from the first quarter of the previous year but there is no change in the trends for operating income to increase in the 2nd half of the year.

(Millions of yen)

For the amount of increase/decrease for selling expenses, the amounts in brackets means increase in profit.

Consolidated balance sheet as of June 30, 2018

	As of June 30, 2018	Composi tion	As of March 31, 2018	Composi tion	Amount of Increase/ decrease
Current assets	74,080	58.4%	84,566	61.6%	(10,485)
Cash and deposits	32,248		42,667		(10,419)
Merchandise	31,217		30,007		1,210
Non-current assets	52,665	41.6%	52,769	38.4%	(103)
Total property, plant and equipment	28,242		28,396		(153)
Intangible assets	1,435		1,443		(8)
Investments and other assets	22,988		22,929		58
Total assets	126,746	-	137,335	-	(10,589)
Current liabilities	30,243	23.9%	35,618	25.9%	(5,374)
Accounts payable-trade	10,106		12,316		(2,210)
Current portion of long-term loans payable	4,914		5,539		(625)
Non-current liabilities	28,608	22.6%	29,526	21.5%	(917)
Long-term loans payable	19,022		19,897		(874)
Total liabilities	58,852	46.4%	65,144	47.4%	(6,291)
Treasury shares	(6,834)		(525)		(6,308)
Total net assets	67,893	53.6%	72,191	52.6%	(4,298)
Total liabilities and net assets	126,746	-	137,335	-	(10,589)

※1 Cancellation scheduled on August 31, 2018

(Millions of yen)

Results Based on Merchandise

Sales were 104.9% compared to the previous first quarter due to deep focus on reuse merchandise

- Sales based on merchandise

Sales were strong for "clothing and accessories" reflecting the active reuse market.

At GEO shops, sales exceeded the anticipated level for reuse communication device and games, which was mostly attributable to bargain sales.

	Three months ended June 30, 2018 Results	Three months ended June 30, 2017 Results	Change	Amount of increase/ decrease
Reuse	25,421	22,731	111.8%	2,690
Media	13,278	12,317	107.8%	961
Non-media	12,142	10,414	116.6%	1,728
Rental	15,508	16,459	94.2%	(950)
New goods	15,575	15,493	100.5%	82
Others	7,922	6,725	117.8%	1,197
Total	64,425	61,407	104.9%	3,017

(Millions of yen)

Gross income also increased accompanying increase in sales

- Gross profit based on merchandise

Gross income exceeded that of the first quarter of the previous year reflecting the sales of reuse merchandise which grew more than the sales for new goods.

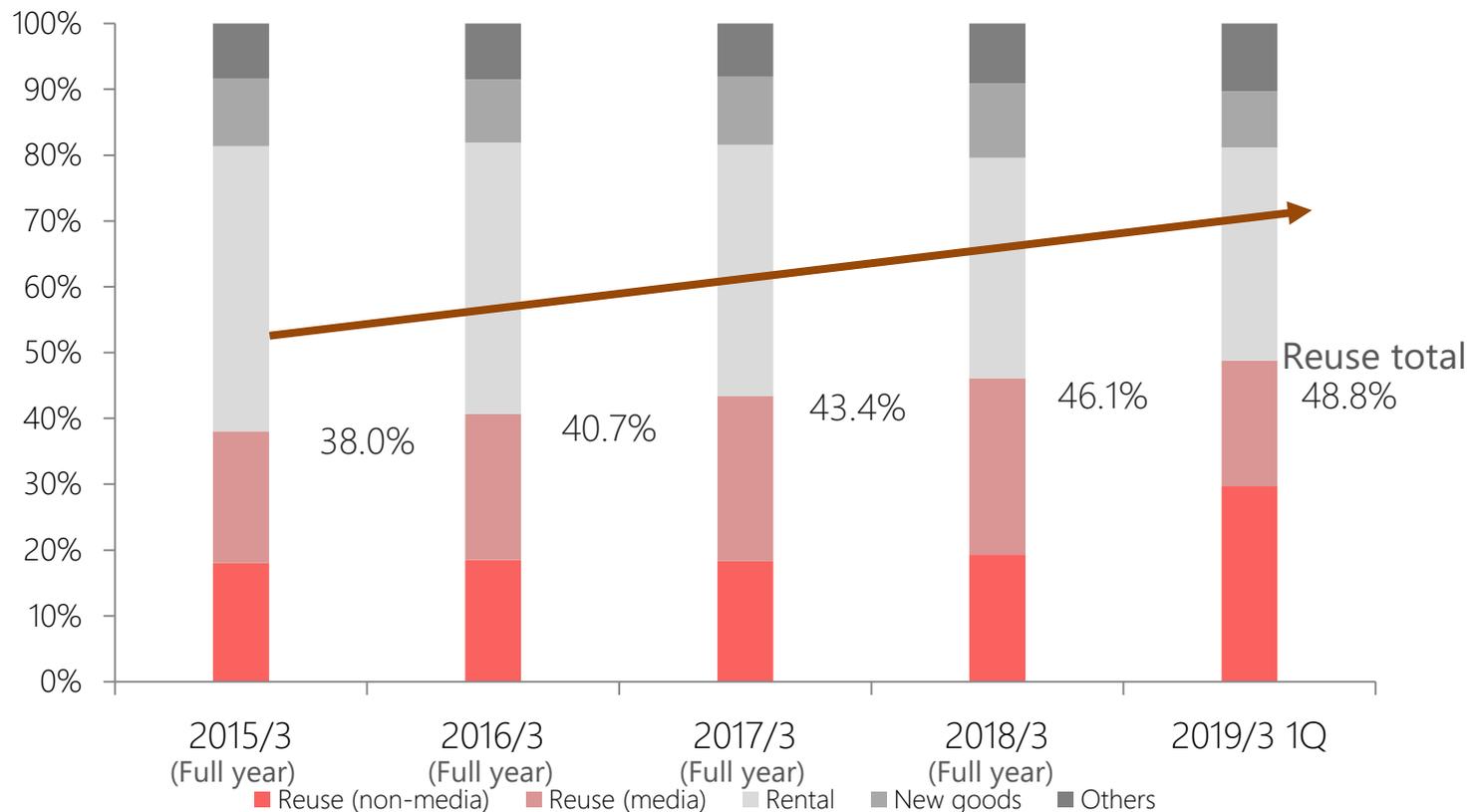
	Three months ended June 30, 2018 Results	Three months ended June 30, 2017 Results	Change	Amount of increase/ decrease
Reuse	14,198	12,964	109.5%	1,234
Media	5,556	5,323	104.4%	233
Non-media	8,641	7,640	113.1%	1,001
Rental	9,420	9,802	96.1%	(381)
New goods	2,462	2,443	100.8%	19
Others	3,014	2,640	114.2%	373
Total	29,093	27,848	104.5%	1,245

(Millions of yen)

Deep focus on reuse merchandise

•Composition of gross income based on merchandise

The composition of gross income is growing each year due to growing sales for reuse merchandise, for both media and non-media. We will organize our system for selling and buying to achieve further growth.



Forecast

Forecast for full year

Although the first quarter of fiscal year ending March 31, 2019 performed strongly, the same level of contribution from the new goods segment as the previous year cannot be anticipated and we will continue with our efforts to focus deeply on reuse. Therefore, there is no change to the full year forecast presented on May 10, 2018.

	Forecast for fiscal year ending March 31, 2019	Increase/ decrease
Sales	290,000	(3.1%)
Operating profit	8,600	(41.4%)
Ordinary profit	9,100	(40.3%)
Profit	4,600	(30.5%)

(Millions of yen)

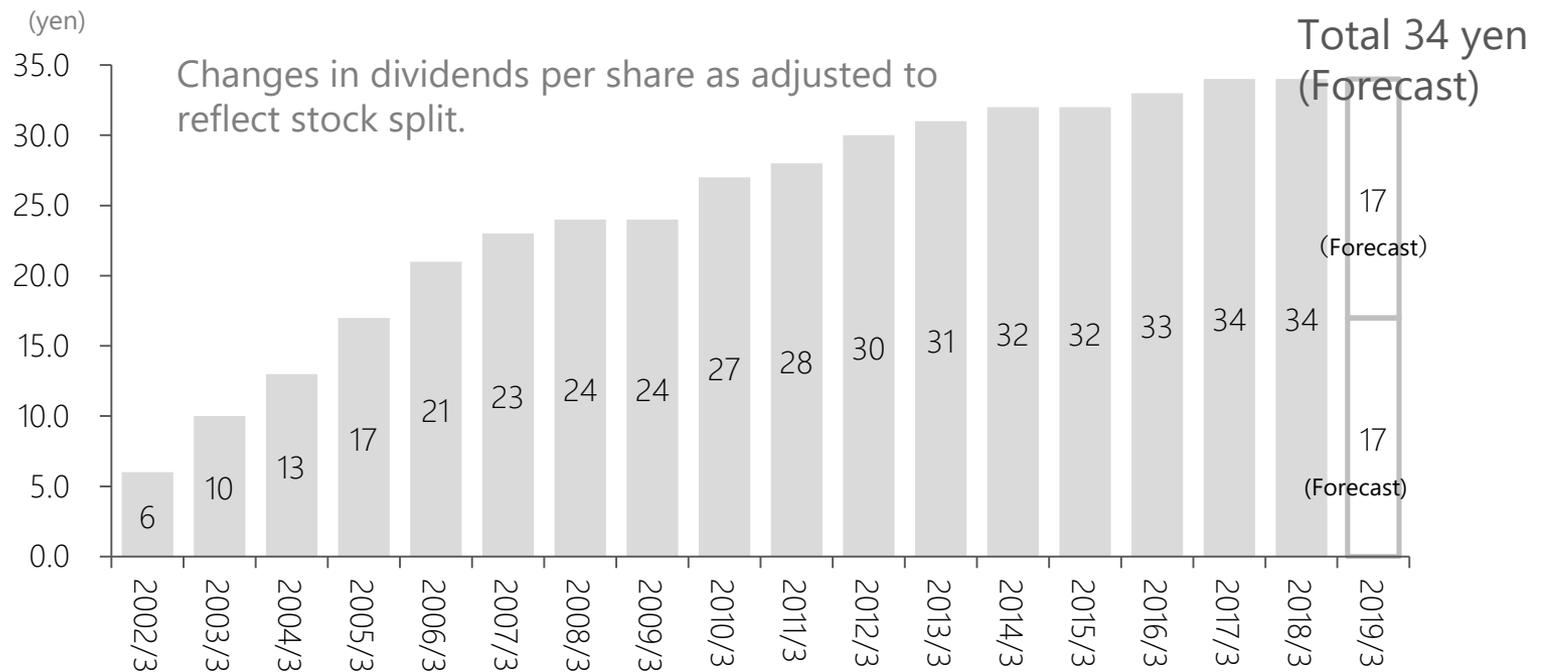
Returns to Shareholders

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Dividend policy

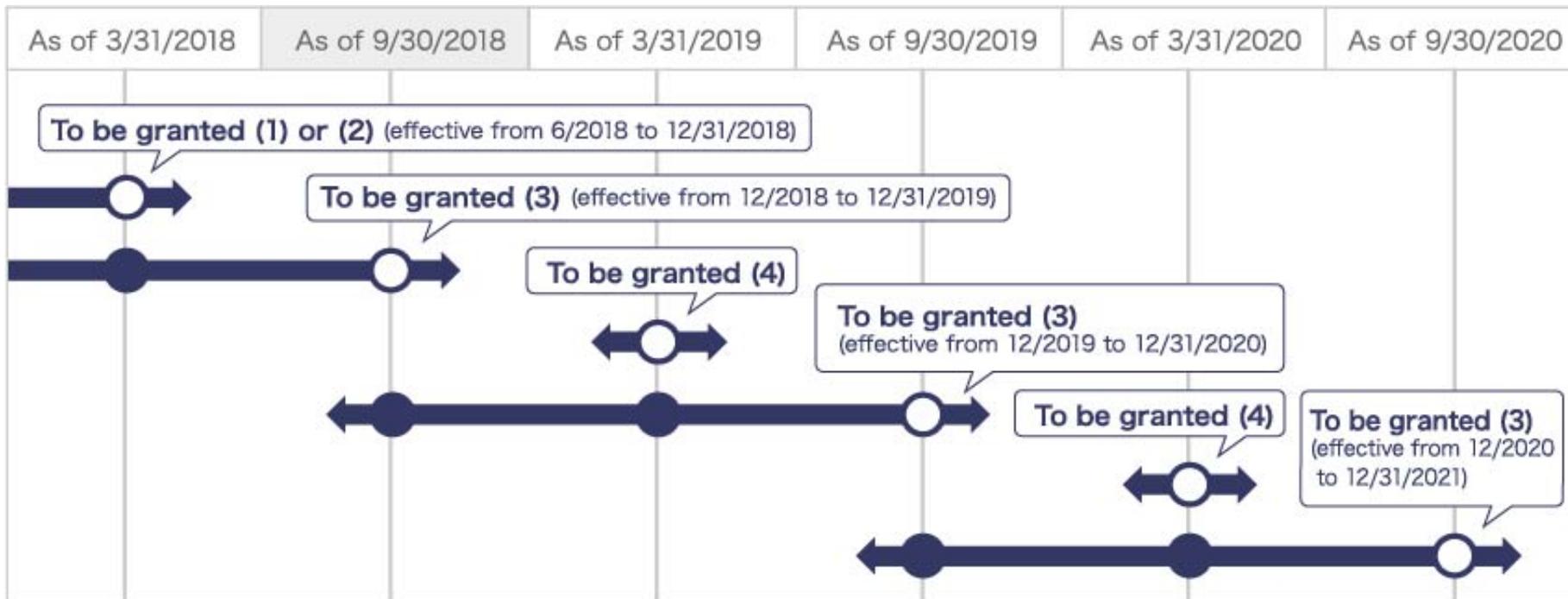
Our basic policy is to create a sound managerial base, improve profitability, and pay dividends that reflect our performance.

Dividends are paid from retained earnings twice a year as interim dividends and year-end dividends. We expect to pay a dividend of 34 yen per share for the fiscal year ending March 31, 2019.



The shareholder benefits will be changed for the purpose of encouraging long-term holding

From September 30, 2018, shareholders who hold shares continuously for a period of one year or longer will be granted a benefit of 50% off on rentals, and shareholders of record as of every March 31 will be granted a discount coupon on reuse goods.



- To "hold shares continuously for a period of one year or longer" means to be indicated or recorded under the same shareholder number consecutively for three or more times on the shareholders register as of March 31 and September 30.
- However, for the period ending on September 30, 2018, a shareholder will be granted shareholder benefits if he/she is indicated or recorded under the same shareholder number consecutively for two times as of March 31, 2018 and September 30, 2018.

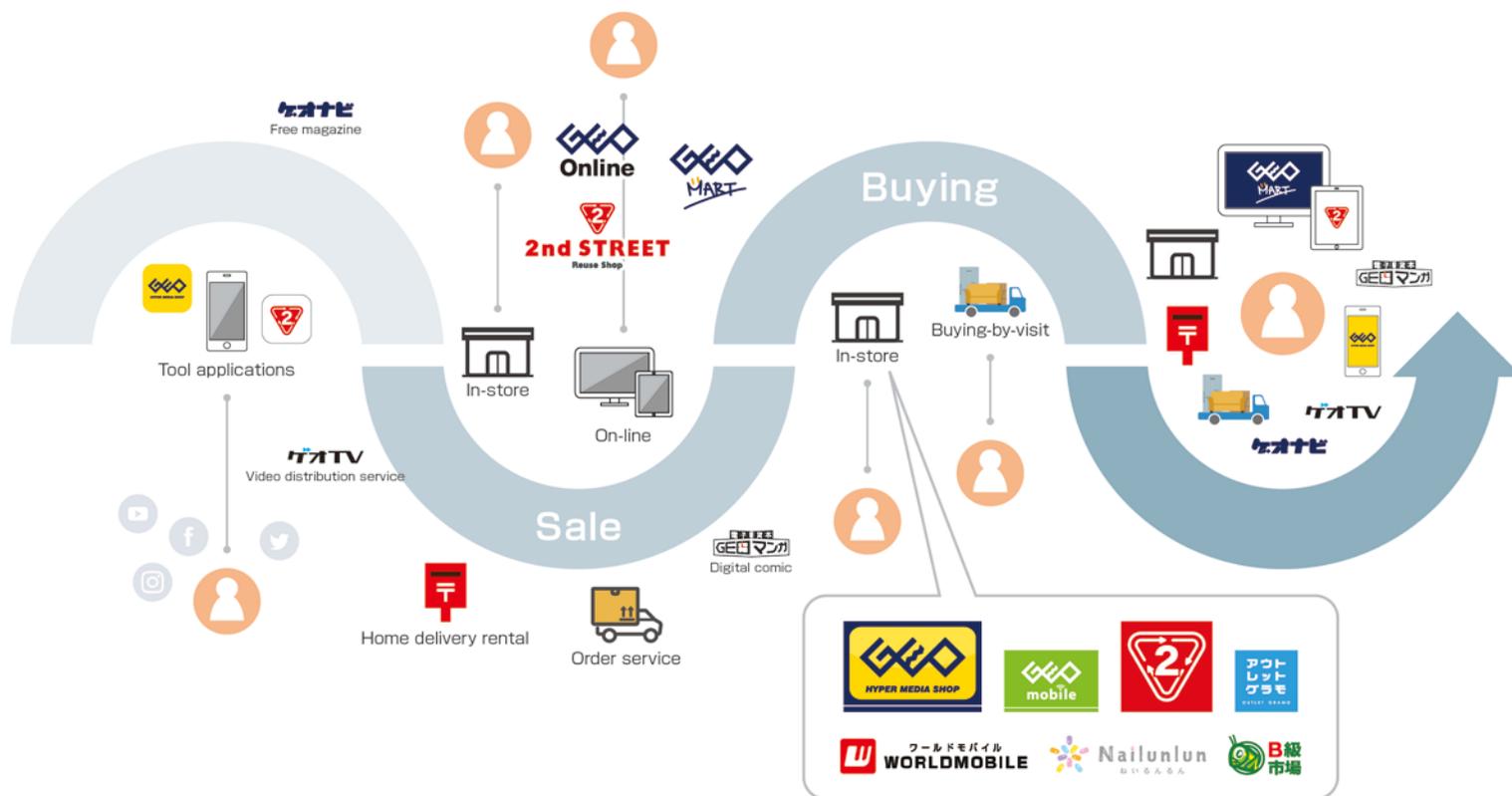
※(1) and (3): 50% off on rentals; (2) and (4): 2,000 yen discount coupon on reuse goods

Appendix

As of June 30, 2018

Company name	GEO HOLDINGS CORPORATION
Date of incorporation	January 1989
Head office	8-8 Fujimi-cho, Naka-ku, Nagoya-shi, Aichi Prefecture 460-0014
Representative director	Yuzo Endo, President and CEO
Common Stock	8,937 million yen
Listed exchange	Tokyo Stock Exchange 1st Section
Number of employees	4,336 (consolidated)
Business	General reuse business mainly for games, communication device, clothing and accessories; rental business for DVD, CD and comics; and sale of new goods such as games
Corporate policy	“To offer joy to your everyday life”

We provide various services to enhance convenience of customers.
We will continue providing an environment for selling, buying and renting without the need to be conscious of sales channels to enable customers to shop in their convenient situation.

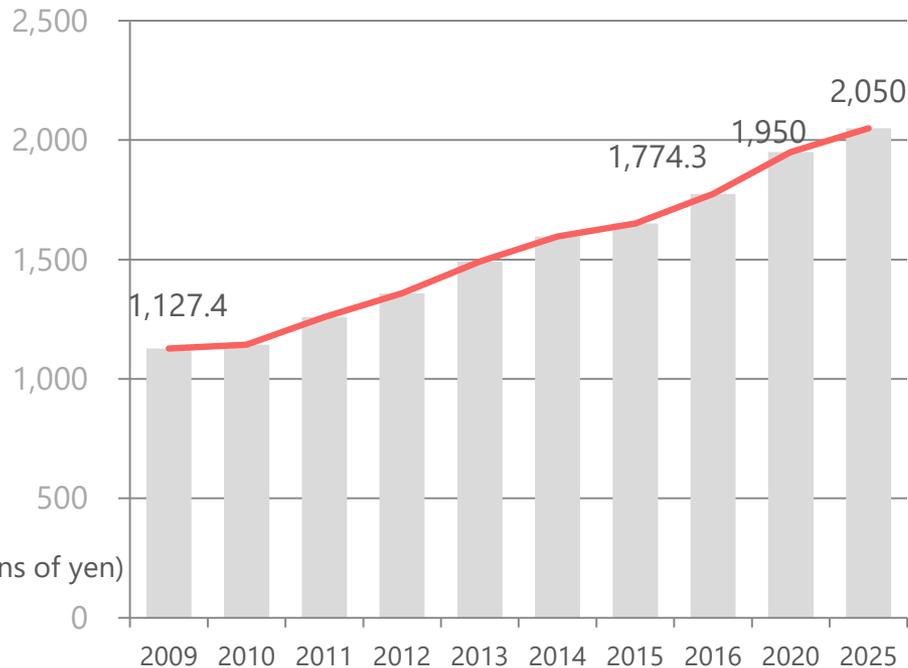


Market scale of reuse

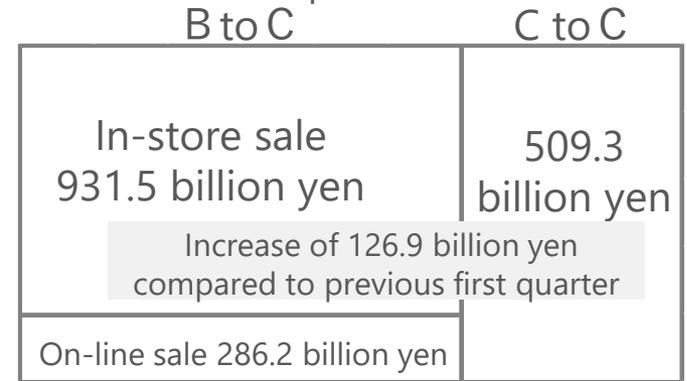
The reuse market expanded for seven consecutive years since 2009 and it is anticipated to develop into a 2 trillion yen market in 2025.

In such growth of reuse, in-store sale comprise 76.5% of transactions between business and consumers.

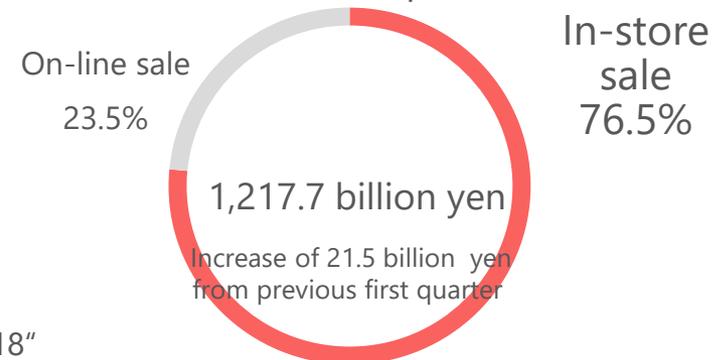
Market scale of reuse



Reuse market composition ratio



B to C reuse market composition ratio



Reference: The Reuse Business Journal "Secondhand Market Databook 2018"

The estimated figures are for 2016.

Total number of stores for the Group: 1,853 stores

	As of June 30, 2018	As of March 31, 2018	Increase/ decrease
GEO group's stores and facilities	1,853	1,843	10
Retail service stores	1,842	1,833	9
 GEO shops	1,216	1,220	(4)
Directly managed stores	1,035	1,037	(2)
Distributors and franchise stores	181	183	(2)
 GEO mobile shop	17	17	0
 Second Street	597	584	13
Jumble Store※			
Directly managed stores	547	535	12
Franchise stores	50	49	1
Others	12	12	0
 Amusement facilities	11	10	1

※ Including Super Second Street and buying-only stores



Second Street Shinjuku Store (Shinjuku-ku, Tokyo)



Second Street Sanjo Kawaramachi Store (Kyoto-shi, Kyoto)



Second Outdoor Sendai Furujiro Store (Sendai-shi, Miyagi Prefecture)

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Advancing to overseas

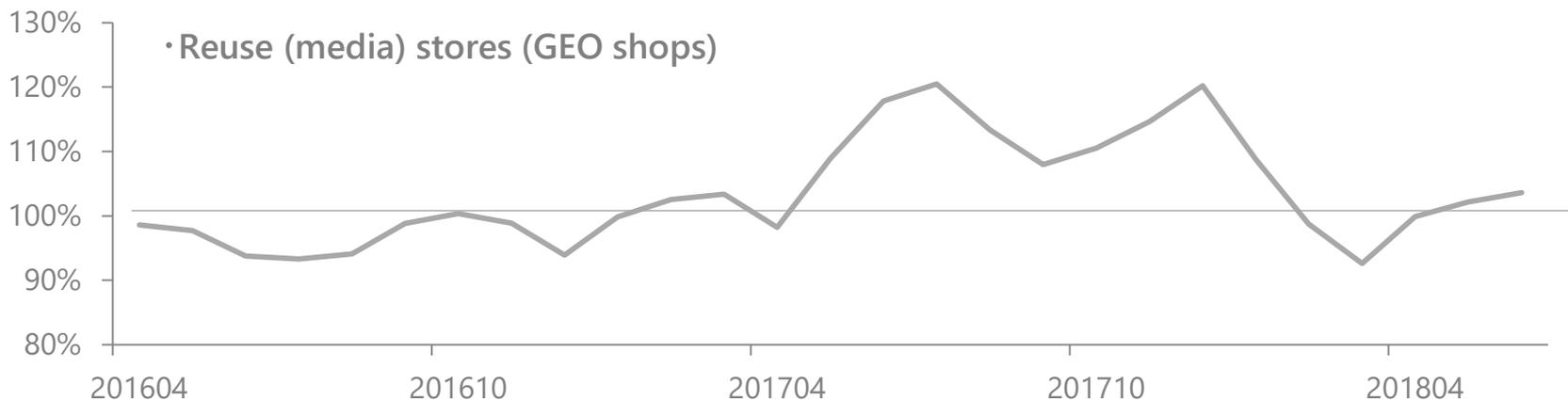
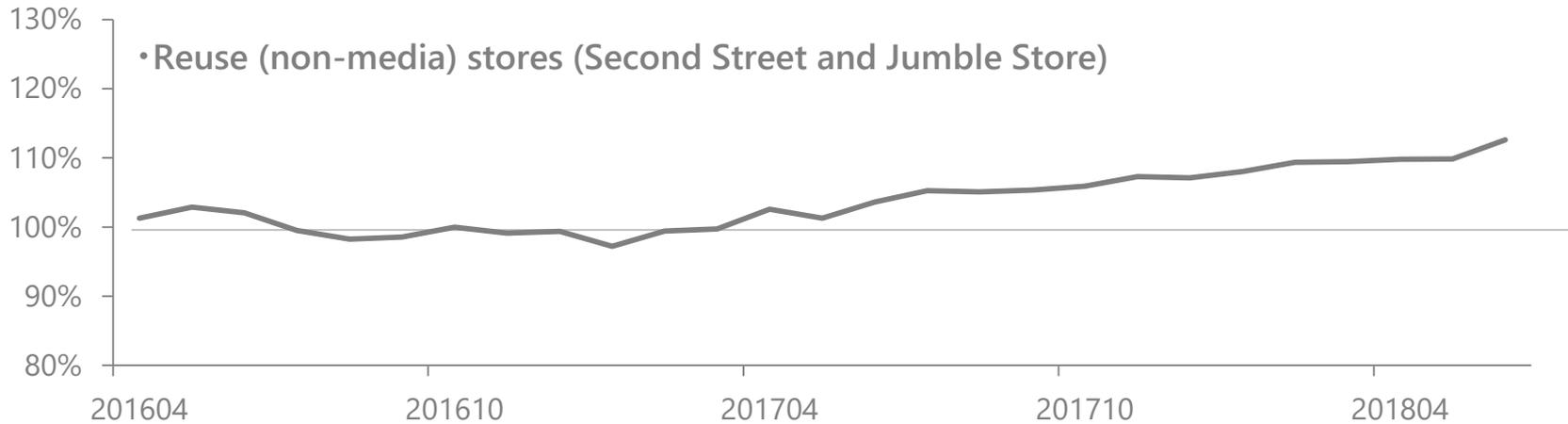
We are advancing overseas in our business to further expand our Group. Our strategy is to dominantly advance into the North American region where recognition of reuse is relatively high based on which we will review our future overseas expansion. We also opened a store in Southeast Asia for market research purpose.



Changes in sales for the existing stores (3 months moving average)

Both media and non-media reuse stores performed strongly thanks to sale of reuse merchandise.

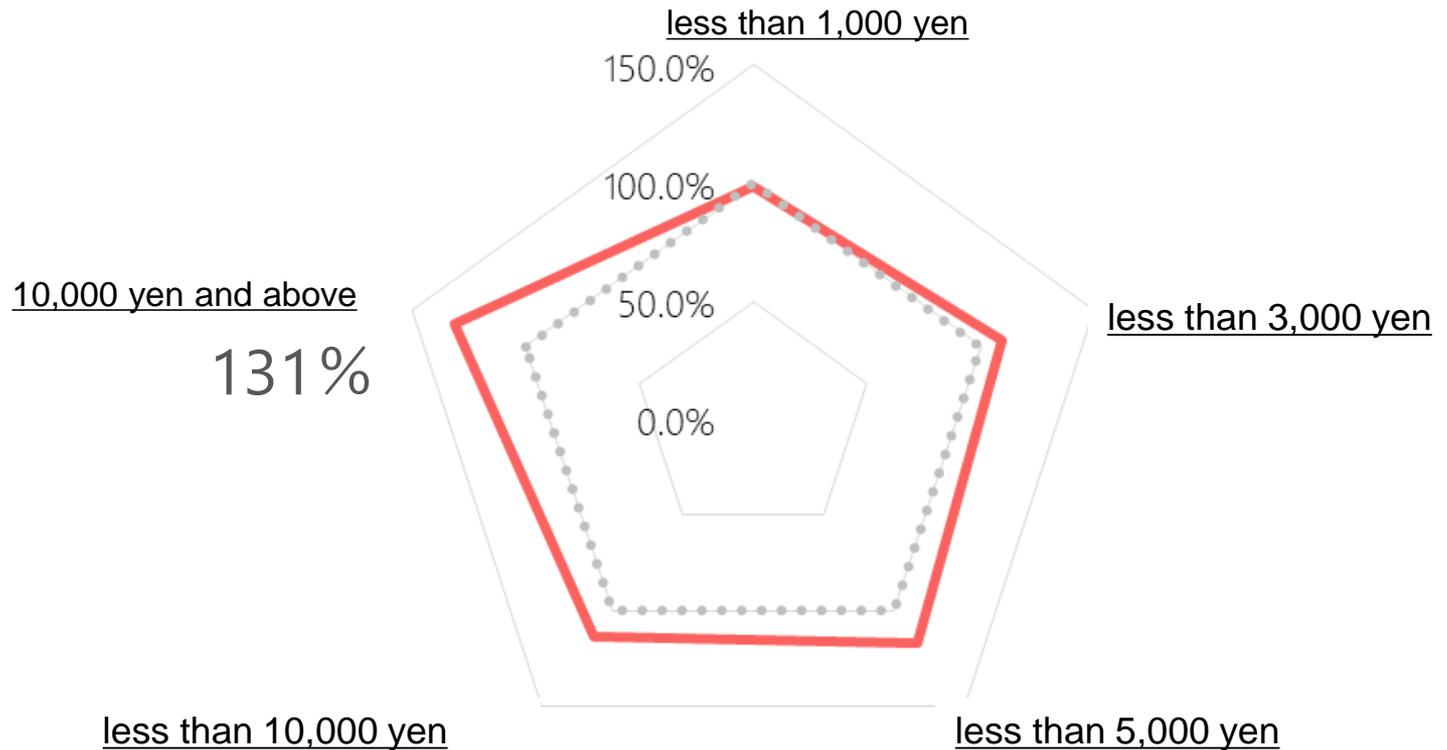
The existing reuse stores continued producing sales above the previous year.



Growth rate based on price range of reuse clothing and accessories

• The trends in transactions (selling only) based on price range for reuse clothing and accessories:

As the reuse market is becoming increasingly more active, the growth rate in the price range of 10,000 yen and above reached 131% ※1.



※1 Comparison between actual sales during the period from July 2017 to June 2018 and actual sales during the period from July 2016 to June 2017

Sales involving electronic commerce also grew

The below is a comparison of sales involving electronic commerce in retail services among our services.



	Three months ended June 30, 2018 Results	Three months ended June 30, 2017 Results	Change
Sales involving EC	2,104	1,212	173.6%
Number of items sold involving EC	434,015	300,154	144.6%

(Millions of yen)



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.

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