

## Summary of Financial Statements for the Third Quarter of the Fiscal Year Ending March 31, 2020 (Japan GAAP)

February 7, 2020

### GEO HOLDINGS CORPORATION

Securities Code: 2681

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Scheduled date to submit quarterly report: February 10, 2020

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, 2019 to December 31, 2019)

### (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, 2019	222,041	2.2	7,099	(45.1)	7,637	(45.0)	4,218	(50.3)
December 31, 2018	217,352	(1.8)	12,934	(0.4)	13,876	1.9	8,495	7.3

(Note) Comprehensive income: 4,240 million yen (decrease of 49.5%) for nine months ended December 31, 2019  
8,395 million yen (increase of 6.2%) for nine months ended December 31, 2018

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Nine months ended:		
December 31, 2019	97.32	97.16
December 31, 2018	188.01	187.16

### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of December 31, 2019	142,809	75,427	52.6
As of March 31, 2019	136,590	74,609	54.4

(Reference) Shareholders' equity: As of December 31, 2019: 75,112 million yen  
As of March 31, 2019: 74,336 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, 2019	-	17	-	17	34
Fiscal Year ending March 31, 2020	-	17			
Fiscal Year ending March 31, 2020 (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, 2020 (from April 1, 2019 to March 31, 2020)

(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	310,000	6.0	10,000	(36.2)	10,500	(40.5)	5,250	(49.0)	121.13

(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, 2019	43,929,488 shares
As of March 31, 2019	43,882,588 shares
  - 2) Number of treasury shares:
 

As of December 31, 2019	1,530,536 shares
As of March 31, 2019	36 shares
  - 3) Average number of outstanding shares:
 

During nine months ended December 31, 2019	43,341,901 shares
During nine months ended December 31, 2018	45,184,580 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 and 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 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, 2019 to December 31, 2019)

For the business environment for nine months ended December 31, 2019, despite of increase in consumption tax from October, the reuse market continued to becoming more active which is attributable to less reluctance to used goods and the penetration of the flea market applications.

In such environment, the Company continued opening new stores for general reuse mainly for 2nd STREET in aim to “offer joy to your everyday life.”

As an overview in business, there was some effect from adverse weather but the opening of additional 2nd STREET proceeded as scheduled, and due to the addition of Okura to our Group that was acquired in the first quarter and is engaged in reuse wholesale and retail business in luxury watches and luxury brand bags, the sales exceeded from the same period of the previous year. However, due to increased SG&A mainly attributable to increase in personnel expenses and expenses for development of new format stores, operating profit, ordinary profit and profit attributable to owners of parent for nine months ended December 31, 2019 all declined from the same period of the previous year.

For GEO that is categorized as a media store, in rental which its main merchandise is rental videos such as DVD, the downtrend in the market continued. In new (media) merchandise which its main merchandise is game software, the launch of a new major title game software for Nintendo’s Pocket Monster series during this third quarter contributed to sales but the sales for reuse (media) merchandise remained at the same level as the sales for same period of the previous year.

On the other hand, in reuse stores mainly led by 2nd STREET, the continuous opening of new stores resulted in the reuse (non-media) sales to exceed reuse (media) sales.

In addition to in-stores, in our business of selling and offering services online, which is a growing market, we are also proceeding with the creation of an environment enabling users to more easily access our services by increasing various selling and buying opportunities that meet customers’ need such as by providing information and buying method and attracting customers through the online site application.

As a result, for the Group’s results for nine months ended December 31, 2019, sales resulted in 222,041 million yen (2.2% increase from the same period of the previous year), operating profit resulted in 7,099 million yen (45.1% decrease from the same period of the previous year), ordinary profit resulted in 7,637 million yen (45.0% decrease from the same period of the previous year), and profit attributable to owners of parent resulted in 4,218 million yen (50.3% decrease from the same period of the previous year).

The number of our stores as of December 31, 2019 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	1,707	58	95	(10)	116	(8)	1,918	40
Media	1,051	8	95	(10)	63	(9)	1,209	(11)
GEO mobile (mobile dedicated stores)	22	5					22	5
Reuse	610	32			53	1	663	33
WAREHOUSE	12	0					12	0
Others	34	18					34	18

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 2nd STREET, Super 2nd STREET, 2nd OUTDOOR, and Jumble Store, etc.
5. 2nd STREET USA, Inc. is included in Others from this fiscal year.

## (2) Details of consolidated financial position

### [Assets]

The current assets as of December 31, 2019 resulted in 86,306 million yen, which is an increase of 1,900 million yen from the previous fiscal year end. This increase is mainly due to increases of 3,178 million yen in notes and accounts receivable-trade and 6,237 million yen in merchandise while there was a decrease of 8,182 million yen in cash and deposits. The non-current assets resulted in 56,503 million yen, which is an increase of 4,319 million yen from the previous fiscal year end. This increase is mainly due to increases of 2,239 million yen in property, plant and equipment and 1,598 million yen in intangible assets.

As a result, the total assets as of December 31, 2019 resulted in 142,809 million yen, which is an increase of 6,219 million yen from the previous fiscal year end.

### [Liabilities]

The current liabilities as of December 31, 2019 resulted in 35,683 million yen, which is an increase of 4,302 million yen from the previous fiscal year end. This increase is mainly due to increases of 2,199 million yen in accounts payable-trade and 5,000 million yen in short-term borrowings while there was a decrease of 2,813 million yen in income taxes payable. Non-current liabilities resulted in 31,699 million yen, which is an increase of 1,099 million yen from the previous fiscal year end. This is mainly due to an increase of 1,000 million yen in long-term loans payable.

As a result, total liabilities resulted in 67,382 million yen, which is an increase of 5,401 million yen from the previous fiscal year end.

### [Net assets]

The net assets as of December 31, 2019 resulted in 75,427 million yen, which is an increase of 818 million yen from the previous fiscal year end. This increase is mainly due to 4,218 million yen in profit attributable to owners of parent, dividends of 1,474 million yen paid from retained earnings, and purchase of treasury shares for 1,999 million yen.

From the above, the equity ratio resulted in 52.6% (54.4% 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 10, 2019.

## 2. Consolidated Financial Statements for the Quarter

### (1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2019	As of December 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	35,789	27,607
Notes and accounts receivable - trade	6,251	9,430
Merchandise	35,071	41,309
Other	7,362	8,064
Allowance for doubtful accounts	(68)	(104)
Total current assets	84,406	86,306
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	12,872	14,419
Other, net	15,106	15,798
Total property, plant and equipment	27,978	30,217
Intangible assets		
Goodwill	-	1,493
Other	1,517	1,622
Total intangible assets	1,517	3,115
Investments and other assets		
Leasehold and guarantee deposits	15,576	16,419
Other	7,991	7,679
Allowance for doubtful accounts	(879)	(929)
Total investments and other assets	22,688	23,170
Total non-current assets	52,183	56,503
Total assets	136,590	142,809
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	11,484	13,684
Short-term borrowings	-	5,000
Current portion of long-term borrowings	4,203	3,450
Income taxes payable	3,001	187
Provision for bonuses	2,126	1,101
Other	10,564	12,259
Total current liabilities	31,380	35,683
Non-current liabilities		
Long-term borrowings	21,193	22,193
Asset retirement obligations	6,216	6,486
Other	3,188	3,018
Total non-current liabilities	30,599	31,699
Total liabilities	61,980	67,382
<b>Net assets</b>		
Shareholders' equity		
Share capital	8,944	8,969
Capital surplus	3,357	3,382
Retained earnings	61,891	64,595
Treasury shares	(0)	(1,999)
Total shareholders' equity	74,193	74,947
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	147	174
Deferred gains or losses on hedges	(7)	(4)
Foreign currency translation adjustment	2	(4)
Total accumulated other comprehensive income	142	164
Share acquisition rights	272	315
Total net assets	74,609	75,427
Total liabilities and net assets	136,590	142,809

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

Income statement

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Net sales	217,352	222,041
Cost of sales	125,532	130,238
Gross profit	91,819	91,803
Selling, general and administrative expenses	78,885	84,703
Operating profit	12,934	7,099
Non-operating income		
Rental income from real estate	544	509
Compensation income	654	-
Other	441	613
Total non-operating income	1,639	1,123
Non-operating expenses		
Rental expenses on real estate	322	283
Other	374	301
Total non-operating expenses	697	584
Ordinary profit	13,876	7,637
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	92	-
Impairment loss	64	116
Total extraordinary losses	156	116
Profit before income taxes	13,719	7,521
Income taxes - current	4,584	2,698
Income taxes - deferred	639	604
Total income taxes	5,224	3,302
Profit	8,495	4,218
Profit attributable to owners of parent	8,495	4,218

Statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2018	Nine months ended December 31, 2019
Profit	8,495	4,218
Other comprehensive income		
Valuation difference on available-for-sale securities	(107)	26
Deferred gains or losses on hedges	1	2
Foreign currency translation adjustment	6	(7)
Total other comprehensive income	(99)	21
Comprehensive income	8,395	4,240
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,395	4,240

(3) Notes on consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

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.

(Segment information)

【Segment information】

For the nine months ended December 31, 2018 (consolidated) and the nine months ended December 31, 2019 (consolidated):

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