



Supplementary Materials on Financial Results for the  
Third Quarter of the Fiscal Year Ending March 31, 2020

GEO HOLDINGS CORPORATION (2681)

February 7, 2020



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# Consolidated Results for Nine Months Ended December 31, 2019

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## 1

## Profit reduced although sales increased from the previous year

- Nine months ended December 31, 2019: Consolidated income statement

While sales were 102.2% compared to the same period of the previous year, gross profit remained at the same level at 100.0% compared to the same period of the previous year. However, due to an increase in SG&A, operating profit and ordinary profit both decreased compared to the same period of the previous period to 54.9% and 55.0%, respectively.

(Millions of yen)	2019/3 3Q Results	2020/3 3Q Results	Increase/ decrease	Change
Net sales	217,352	222,041	4,689	102.2%
Gross profit	91,819	91,803	(16)	100.0%
(Gross profit ratio)	42.2%	41.3%		
SG&A	78,885	84,703	5,818	107.4%
Operating profit	12,934	7,099	(5,835)	54.9%
(Operating profit ratio)	6.0%	3.2%		
Ordinary profit	13,876	7,637	(6,239)	55.0%
Profit	8,495	4,218	(4,277)	49.7%

※Profit is the profit attributable to owners of parent.

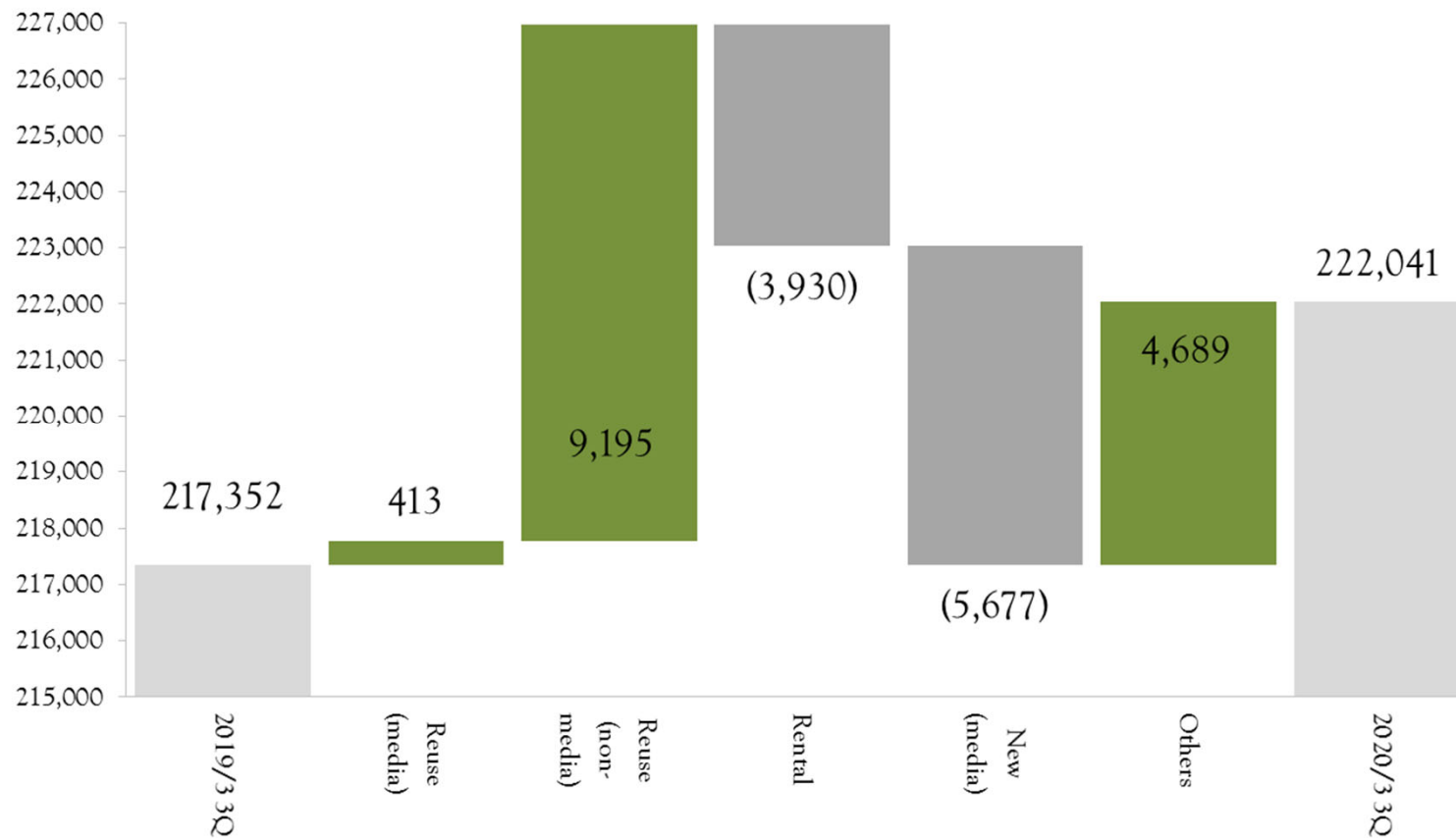
## 1

## Sales grew significantly for reuse (non-media) merchandise

- Nine months ended December 31, 2019 : Change in sales

While sales for rental and new (media) goods, comprised mainly of games, were sluggish, sales grew for reuse (non-media) merchandise due to contribution from “2nd STREET” and “OKURA” and sales resulted in 102.2% compared to the same period of the previous year.

(Millions of yen)

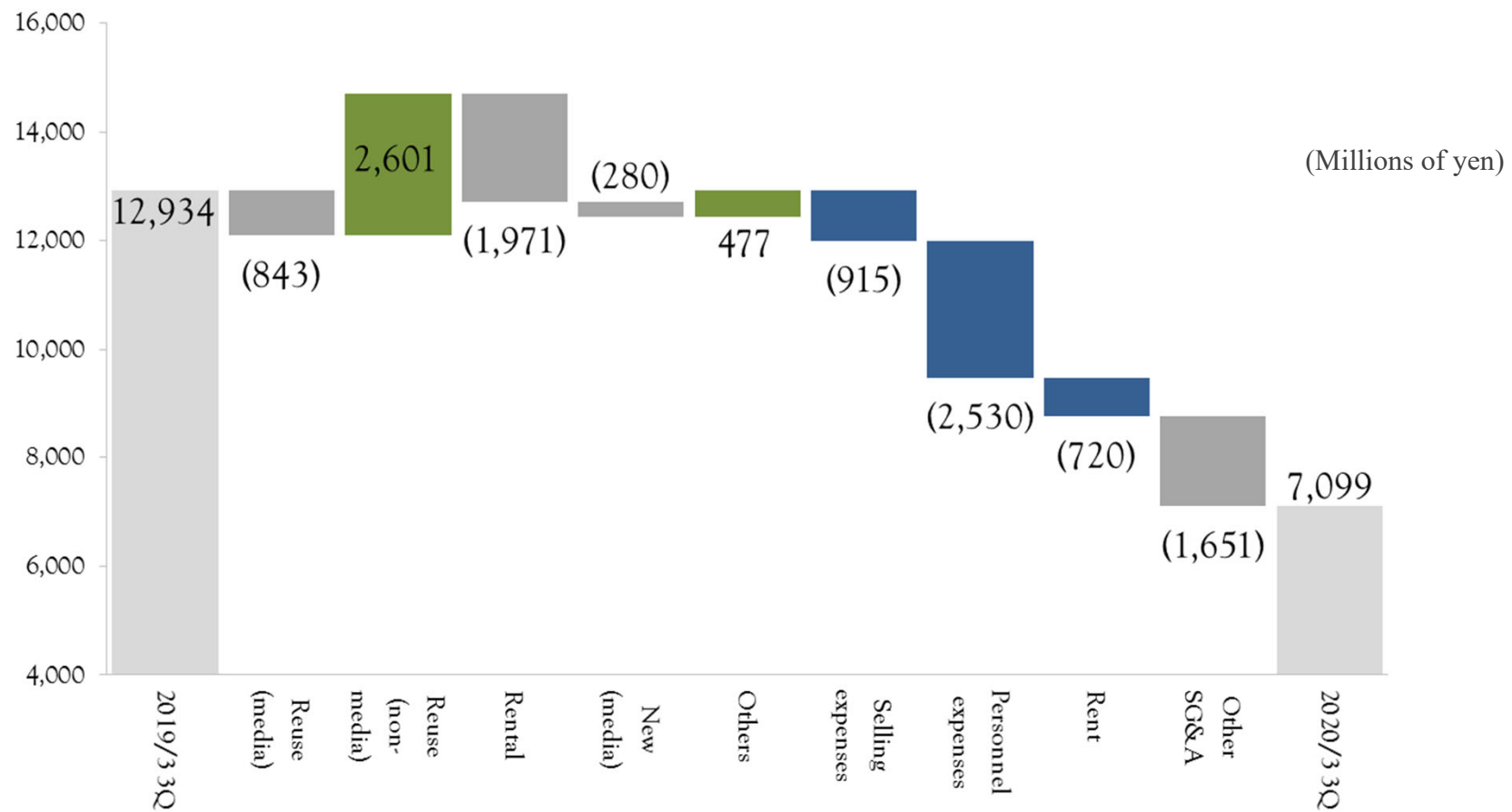


## 1

# Operating profit fell due to increase in SG&A

- Nine months ended December 31, 2019 : Change in operating profit

Gross profit maintained the same level as the same period of the previous year. However, operating profit resulted in 54.9% compared to the same period of the previous year due to increase of rents, expenses for consumables, etc. and personnel expenses from opening new stores.



※The figures in brackets for SG&A mean decrease in profits.

## 1

## Personnel expenses continued to increase

SG&A continued to increase from continuing uptrend in per head personnel expenses as well as increased rents and expenses for consumables, etc. from opening new stores.

We are making continuous efforts to pursue efficiency in operations at our stores to deal with new obligation to have part-time workers take paid leaves and expected rise in per head personnel expenses in the future.

	2019/3		2020/3			
(Millions of yen)	3Q Results	(Ratio to sales)	3Q Results	(Ratio to sales)	Increase/decrease	(Change)
Total selling expenses	7,220	3.3%	8,136	3.7%	915	112.7%
Advertising	2,385	1.1%	2,925	1.3%	539	122.6%
Sales promotion	337	0.2%	390	0.2%	52	115.5%
Total personnel expenses	39,813	18.3%	42,344	19.1%	2,530	106.4%
Total other expenses	31,850	14.7%	34,223	15.4%	2,372	107.4%
Utilities	2,960	1.4%	2,764	1.2%	(196)	93.4%
Rent	16,372	7.5%	17,092	7.7%	720	104.4%
Depreciation and amortization	2,715	1.2%	3,099	1.4%	384	114.2%
Consumables	1,339	0.6%	1,772	0.8%	433	132.3%
Maintenance	1,002	0.5%	675	0.3%	(326)	67.4%
Total SG&A	78,885	36.3%	84,703	38.1%	5,817	107.4%

The figures in brackets for SG&A mean increase in profits.

## Results Based on Merchandise for Nine Months Ended December 31, 2019

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## 2

## Sales for reuse (merchandise) continued to grow

- Sales based on merchandise (nine months)

Although the downtrend in sales for rentals accelerated, contribution from the new reuse stores that we are continuously opening and an increase in sales for reuse (non-media) merchandise compensated the reduced sales for rentals and new (media) merchandise.

(Millions of yen)	2019/3 3Q Results	2020/3 3Q Results	Change	Increase/ decrease
Reuse	79,429	89,036	112.1%	9,607
Media	40,190	40,603	101.0%	413
Non-media	39,238	48,433	123.4%	9,195
Rental	47,421	43,490	91.7%	(3,930)
New (media)	64,781	59,103	91.2%	(5,677)
Others	25,722	30,411	118.2%	4,689
Total	217,352	222,041	102.2%	4,689

## 2

## Gross profit increased due to change in composition ratio of merchandise

- Gross profit based on merchandise (nine months)

A decrease in gross profit for rentals and reuse (media) merchandise was compensated by an increase in reuse (non-media) merchandise. The composition ratio of merchandise changed due to an increase of reuse (non-media) merchandise that has high gross profit ratio, and we achieved the same level in gross profit (gross income) as the same period of the previous year.

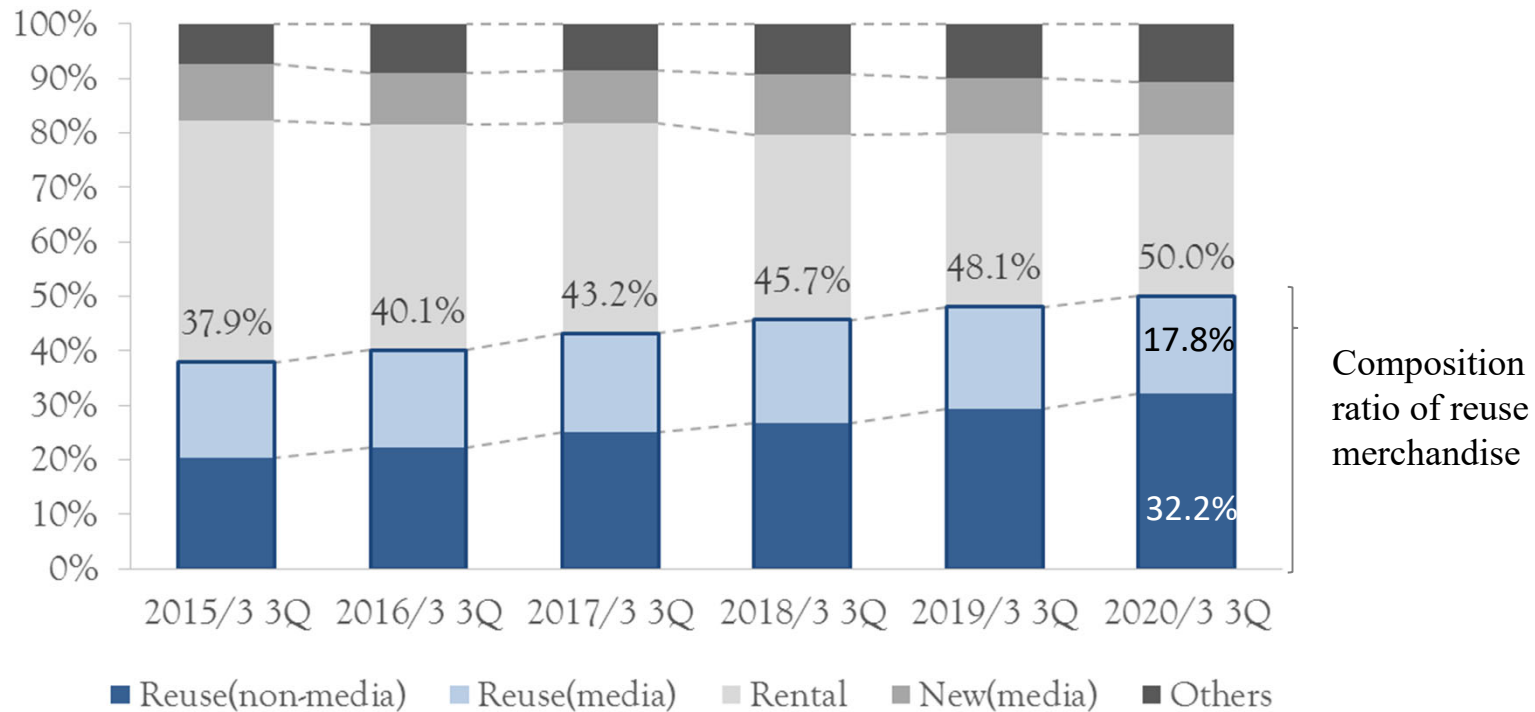
(Millions of yen)	2019/3 3Q Results	2020/3 3Q Results	Change	Increase/ decrease
Reuse	44,135	45,893	104.0%	1,758
Media	17,152	16,309	95.1%	(843)
Non-media	26,983	29,584	109.6%	2,601
Rental	29,164	27,193	93.2%	(1,971)
New (media)	9,281	9,000	97.0%	(280)
Others	9,239	9,716	105.2%	477
Total	91,819	91,803	100.0%	(16)

## 2

## Change in gross profit (composition ratio) for the Group

- Composition of gross profit based on merchandise (nine months)

The composition ratio of reuse (non-media) is increasing each year, and for the nine months, reuse merchandise comprised 50% of gross profit.



# Our Emphasis

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1

Deep focus on  
reuse market

2

Maximize profit for  
media merchandise in the  
oligopolistic market

3

Develop and achieve  
new retail format and/or  
merchandise

4

Proactively utilize  
IT and reinforce  
on-line business





5

Invest in staff  
training and  
education

# 3

## GEO Group's stores

- Total number of stores for the Group: 1,918

	As of 3/31/2019	As of 12/31/2019	Increase/ decrease
GEO Group's stores and facilities	1,878	1,918	40
Retail service stores	1,866	1,906	40
 GEO shops	1,203	1,187	(16)
Directly managed stores	1,026	1,029	3
Distributors and franchise stores	177	158	(19)
 GEO mobile shop	17	22	5
 2nd STREET	630	663	33
Jumble Store※			
Directly managed stores	578	610	32
Franchise stores	52	53	1
Others	16	34	18
OKURA		4	4
Luck・Rack		4	4
Others	16	34	18
 Amusement facilities	12	12	0

※ Includes Super 2nd STREET, Jumble Store, 2nd OUTDOOR, and buying-only stores.



Super 2nd STREET Atsugi Hayashi Store  
(Atsugi-shi, Kanagawa)



GEO Kawasaki ZERO GATE Store  
(Kawasaki-shi, Kanagawa)

## 3

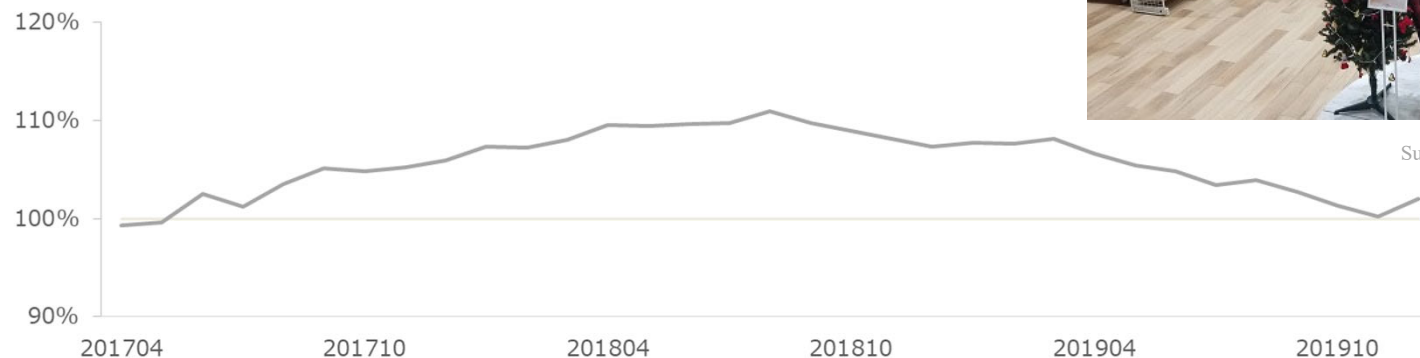
## Deep focus on the reuse market (1)

- Sales for reuse (non-media) merchandise at existing stores continuously grew

The existing “2nd STREET” stores continuously delivered solid sales reflecting enhanced recognition of the “2nd STREET” brand due to the expanding reuse market and growing number of stores. We will continue to focus deeply on the reuse market by adding large stores “Super 2nd STREET” as well as specialized reuse stores in clothing, luxury brand, outdoor goods, musical instruments and buying-only stores to our general reuse stores.

Change in sales for existing stores compared to the previous period (3 months moving average)

Existing 2nd STREET stores



Super 2nd STREET Atsugi Hayashi Store  
(Atsugi-shi, Kanagawa)



- Overseas expansion of 2nd STREET

As a part of the overseas expansion of 2nd STREET, we operate 3 stores on the West Coast of the U.S., and wholesale business and 3 stores in Malaysia at present.

In January 2020, we opened the Torrance Store, which is our 4th store on the West Coast of the U.S., and we are also scheduled to open a store on the East Coast of the U.S. In Taiwan, we established a subsidiary, 2ND STREET TAIWAN CO., LTD. (台灣極沃股份有限公司), in August 2019, and we are aiming to open a store in Taipei, Taiwan during this fiscal year.



2nd STREET Torrance Store (California)



2nd STREET BU Store (Malaysia, Petaling Jaya)



## 3

## Deep focus on the reuse market (3)

- Organize the access base for reuse smartphones

Since the separation of handset charges and communication fees makes consumers feel increasingly burdensome to purchase a new handset, the reuse market for smartphones is expected to become more active. We will lead the reuse market for mobile phones and smartphones by continuously educating our personnel, adding further stores stationed with specialized staff, and by also expanding the sales floor inside the GEO shops and through online buying and selling.



※Specialized staff means our employees who satisfy our requirements such as having knowledge concerning mobile, being able to suggest mobile products that best suit the needs of each customer, and being able to explain the fee structure for low cost SIM, etc.

## Expansion of sales for GEO limited products and expansion of buying and selling of home appliances at GEO shops

We will expand merchandise line-up that has high affinity with existing media merchandise such as GEO –limited products (store brand products) such as DVD players, game peripheral device, earphones, and 4K television. GEO shops also commenced buying and selling of consumer electronics (mainly personal computers) as reuse merchandise.



## GEO SPEED (non-face-to-face locker type rental shop)



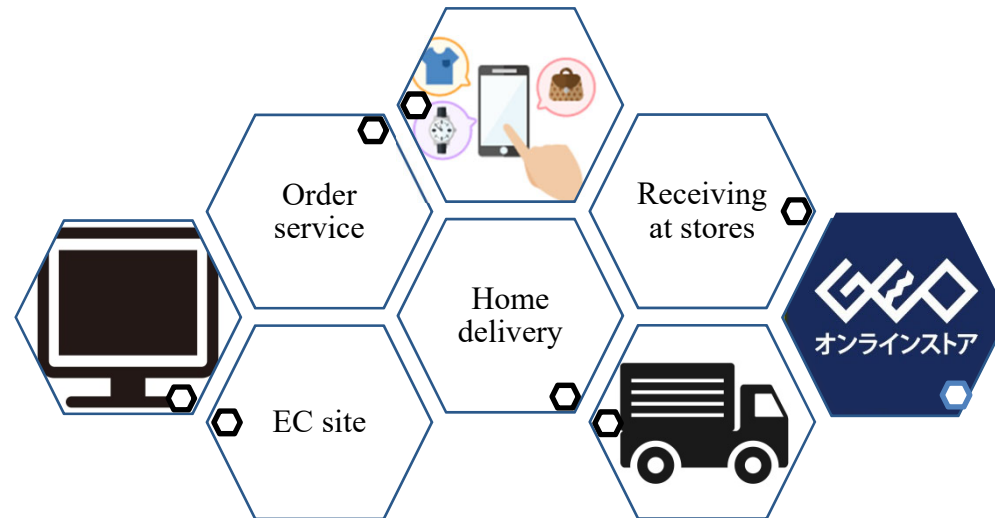
We developed the industry's first non-face-to-face locker type rental shop “GEO SPEED,” which enables consumers to select, order and pay for rental DVDs and CDs on their smartphones, and receive them from lockers inside the store. We will continue innovating our stores to enhance customers' convenience.



GEO SPEED Sengawa Store (Chofu-shi, Tokyo)

## 3

## Proactive use of IT and reinforce on-line



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

	2019/3 3Q Results	2020/3 3Q Results	Change
Sales involving EC (Millions of yen)	7,515	9,852	131.1%
Number of items sold involving EC	1,679,448	2,345,414	139.7%

We will aim to organize a system to sell items both in-store and on-line seamlessly as sought by our customers.



**Luck·Rack**  
CLEARANCE MARKET

## Luck Rack CLEARANCE MARKET

OPS (off price store) is a business to purchase apparel manufacturers' surplus production and off-season goods, etc. and sell all merchandise in the stores always at discount prices.

Okyozuka Store, our third OPS store, operates together with GEO Kanazawa Okyozuka Store. We will continue developing the OPS chain at locations convenient for this business.



Luck Rack Clearance Market Okyozuka Store  
(Nonoichi-shi, Ishikawa)

## Enhancement of the reuse luxury sector

By utilizing the ability of “OKURA,” which was acquired in the first quarter of this fiscal year, to procure luxury brand reuse merchandise such as luxury watches and luxury brand bags, etc., certain 2nd Street stores will also reinforce luxury merchandise and “OKURA” will also open new stores, and GEO will aim to become a leader also in luxury merchandise in the domestic reuse market.



OKURA Ikebukuro Higashiguchi Store  
(Toshima-ku, Tokyo)

## Achievement on Forecast for Fiscal Year Ending March 31, 2020

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## 4

## Achievement on forecast for fiscal year ending March 31, 2020

- We anticipate sales of 310 billion yen, an increase of 6%, even if the rental market is anticipated to continue shrinking.
- We anticipate reduced profits due to continuous investment in reuse including opening new stores and exploring new retail format and new merchandise.
- In addition to continuously opening new stores for reuse mainly for clothing and accessories, we will proactively engage in luxury brand merchandise business and buying-only store business, and organize a seamless selling and buying, and rental environment by investing in economic commerce including logistics.

(Millions of yen)	2020/3 Forecast	Change	2020/3 3Q Results	Achievement in 3Q of 2020/3
Net sales	310,000	6.0%	222,041	71.6%
Operating profit	10,000	(36.2%)	7,099	71.0%
Ordinary profit	10,500	(40.5%)	7,637	72.7%
Profit	5,250	(49.0%)	4,218	80.3%



# Returns to Shareholders

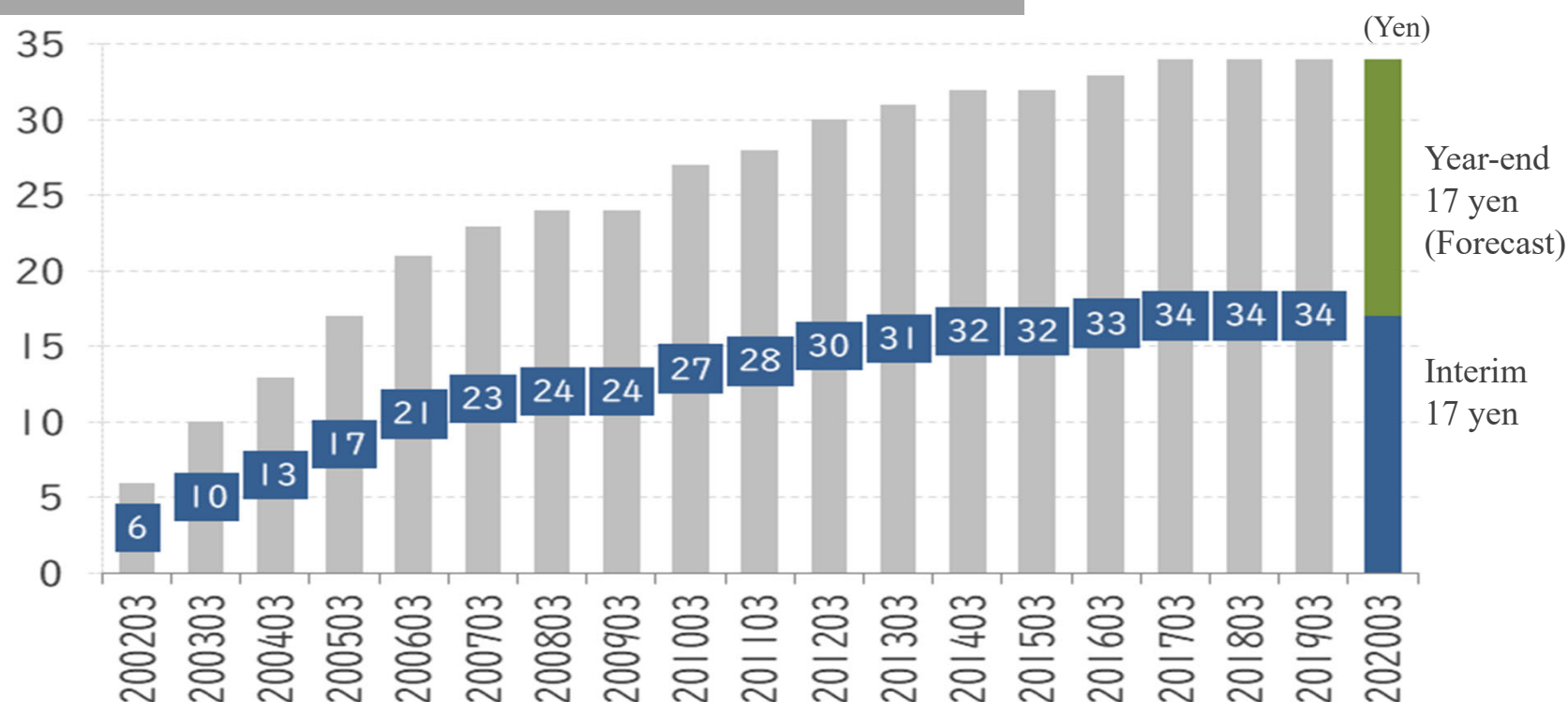
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## 5

# Dividend policy

We recognize that returning profit to shareholders is one of management priorities, and our basic policy is to create a sound managerial base, improve profitability, and pay sound dividends.

Changes in dividends per share as adjusted to reflect stock split





## 5

## Status of share repurchases

### ■ Details of resolution of the Board of Directors Meeting (June 28, 2019)

(1) Class of shares to be repurchased	Common Stock
(2) Total number of shares that may be repurchased	1,540,000 shares (maximum)
(3) Total amount to be repurchased	2,020,000,000 yen (maximum)
(4) Period for repurchase	From July 1, 2019 to March 24, 2020

### ■ Status of repurchases (Completed on December 20, 2019)

(1) Number of shares repurchased	1,530,500 shares
(2) Total amount repurchased	2,001,337,343 yen

### History of share repurchases

Period for repurchase	Method of purchase	Number of shares for repurchase (Thousand shares)	Repurchased amount (Millions of yen)
May 11, 2018 ~ June 7, 2018	Tender offer	4,039	6,308
June 8, 2017 ~ June 22, 2017	Open market purchase through a trust bank	450	525
November 4, 2015 ~ December 2, 2015	Tender offer	4,500	7,425
September 3, 2014 ~ June 23, 2015	Open market purchase through a trust bank	1,720	1,645

## 5

## Change in shareholder benefit system

■ The benefit of 50% off on rentals at our media stores was ceased and our shareholder benefit system was changed to only a benefit of discount at our reuse stores.

### ■ Contents of change

■ Record date for allotment: March 31, 2020

Period continuously held	Number of shares held	Record date	Contents of benefit
—	100 shares or more	March 31, 2020	Reuse store benefit: 2,000 yen discount coupon
6 months or longer	100 shares or more	March 31, 2020	Media store benefit: 50% off on rentals

※ The benefit of 50% off on rentals is exercisable until December 31, 2021.

※ A period continuously held for 6 months or longer means to be indicated or recorded in the shareholders register as of September 30, 2019 and March 31, 2020 in the same shareholder number. Such shareholder will receive both reuse store benefit and media store benefit.

■ Record dates of allotment on and after September 30, 2020

Period continuously held	Number of shares held	Record date	Contents of benefit
—	100 shares or more	March 31 and September 30	Reuse store benefit: 2,000 yen discount coupon

※ March 31, 2020 will be the last record date for allotment of 50% off on rental benefit and this benefit will not be allotted from on and after the record date of September 30, 2020.

# Appendix

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## 6

## Consolidated balance sheet as of December 31, 2019

	As of 3/31/2019	Composi-tion	As of 12/31/2019	Composi-tion	Amount of increase/decrease
(Millions of yen)					
Current assets	84,406	61.8%	86,306	60.4%	1,899
Cash and deposits	35,789		27,607		(8,182)
Merchandise	35,071		41,309		6,237
Non-current assets	52,183	38.2%	56,503	39.6%	4,319
Property, plant and equipment	27,978		30,217		2,238
Intangible assets	1,517		3,115		1,597
Investments and other assets	22,688		23,170		481
Total assets	136,590	-	142,809	-	6,218
Current liabilities	31,380	23.0%	35,683	25.0%	4,302
Accounts payable-trade	11,484		13,684		2,199
Short-term borrowings	-		5,000		5,000
Current portion of long-term borrowings	4,203		3,450		(753)
Non-current liabilities	30,599	22.4%	31,699	22.2%	1,099
Long-term borrowings	21,193		22,193		999
Total liabilities	61,980	45.4%	67,382	47.2%	5,401
Treasury shares	0		(1,999)		(1,998)
Total net assets	74,609	54.6%	75,427	52.8%	817
Total liabilities and net assets	136,590	-	142,809	-	6,218

## 6

## Consolidated income statement

(Millions of yen)	2019/3				2020/3			
	1 Q Results	2 Q Results	3 Q Results	4 Q Results	1 Q Results	2 Q Results	3 Q Results	4 Q Results
Net sales	64,425	68,148	84,778	75,208	63,918	74,130	83,992	
(Change from the same period of the previous year)	104.9%	91.2%	99.6%	96.4%	99.2%	108.8%	99.1%	
Gross profit	29,093	30,360	32,365	29,953	29,728	30,236	31,838	
(Change from the same period of the previous year)	104.5%	99.6%	101.5%	102.0%	102.2%	99.6%	98.4%	
(Gross profit ratio)	45.2%	44.6%	38.2%	39.8%	46.5%	40.8%	37.9%	
SG&A	25,368	26,763	26,753	27,218	27,126	28,256	29,320	
(Change from the same period of the previous year)	102.2%	102.7%	101.4%	98.4%	106.9%	105.6%	109.6%	
Operating profit	3,724	3,596	5,612	2,734	2,602	1,979	2,517	
(Change from the same period of the previous year)	122.7%	81.3%	101.6%	162.4%	69.9%	55.0%	44.9%	

## 6

## Sales based on merchandise

(Millions of yen)	2019/3 1Q Results	2019/3 2Q Results	2019/3 3Q Results	2019/3 4Q Results	2020/3 1Q Results	2020/3 2Q Results	2020/3 3Q Results	2020/3 4Q Results
Reuse	25,421	25,071	28,936	27,237	26,530	31,063	31,441	
Media	13,278	13,260	13,651	13,982	12,914	14,008	13,679	
Non-media	12,142	11,810	15,284	13,254	13,615	17,055	17,762	
Rental	15,508	16,782	15,130	14,866	14,784	14,826	13,880	
New (media)	15,575	17,804	31,401	24,437	13,736	19,094	26,273	
Others	7,922	8,491	9,310	8,666	8,867	9,146	12,399	
Total	64,425	68,148	84,778	75,208	63,918	74,130	83,993	

## 6

## Gross profit based on merchandise

(Millions of yen)	2019/3 1Q Results	2019/3 2Q Results	2019/3 3Q Results	2019/3 4Q Results	2020/3 1Q Results	2020/3 2Q Results	2020/3 3Q Results	2020/3 4Q Results
Reuse	14,198	13,872	16,064	14,615	14,827	14,958	16,106	
Media	5,556	5,781	5,814	5,801	5,427	5,503	5,377	
Non-media	8,641	8,091	10,250	8,813	9,400	9,454	10,729	
Rental	9,420	10,483	9,260	9,122	9,361	9,333	8,498	
New (media)	2,462	2,803	4,014	3,165	2,379	2,986	3,634	
Others	3,014	3,202	3,025	3,049	3,160	2,957	1,731	
Total	29,093	30,360	32,365	29,953	29,728	30,236	29,969	
Gross profit ratio	45.2%	44.6%	38.2%	39.8%	46.5%	40.8%	35.7%	

## Notice concerning forward-looking statements

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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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GEO HOLDINGS CORPORATION

### Corporate philosophy: To offer joy to your everyday life

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