



Supplementary Materials on Financial Results for the Fiscal Year Ended March 31, 2020

GEO HOLDINGS CORPORATION (2681)

May. 11, 2020



Contents

- 1 Financial Summary
- 2 Results Based on Merchandise
- 3 Our Emphasis
- 4 Forecast for the Fiscal Year Ending March 31, 2021
- 5 Dividends and Returns to Shareholders
- 6 Appendix
- 7 Group Profile

Financial Summary

1

Sales exceeded 300 billion yen

- Consolidated income statement

The downtrends in sales for rental continued but the growth of reuse covered this trend and sales exceeded 300 billion yen for the first time.

However, due to increase in SG&A, operating profit and ordinary profit both fell sharply from the previous fiscal year by 64.0% and 61.1%, respectively.

(Millions of yen)	2019/3 Results	2020/3 Results	Increase/ decrease	Change
Net sales	292,560	305,057	12,497	104.3%
Gross profit	121,772	123,800	2,028	101.7%
(Gross profit ratio)	41.6%	40.6%		
SG&A	106,104	113,778	7,674	107.2%
Operating profit	15,668	10,022	(5,646)	64.0%
(Operating profit ratio)	5.4%	3.3%		
Ordinary profit	17,632	10,765	(6,867)	61.1%
Profit	10,301	3,844	(6,457)	37.3%

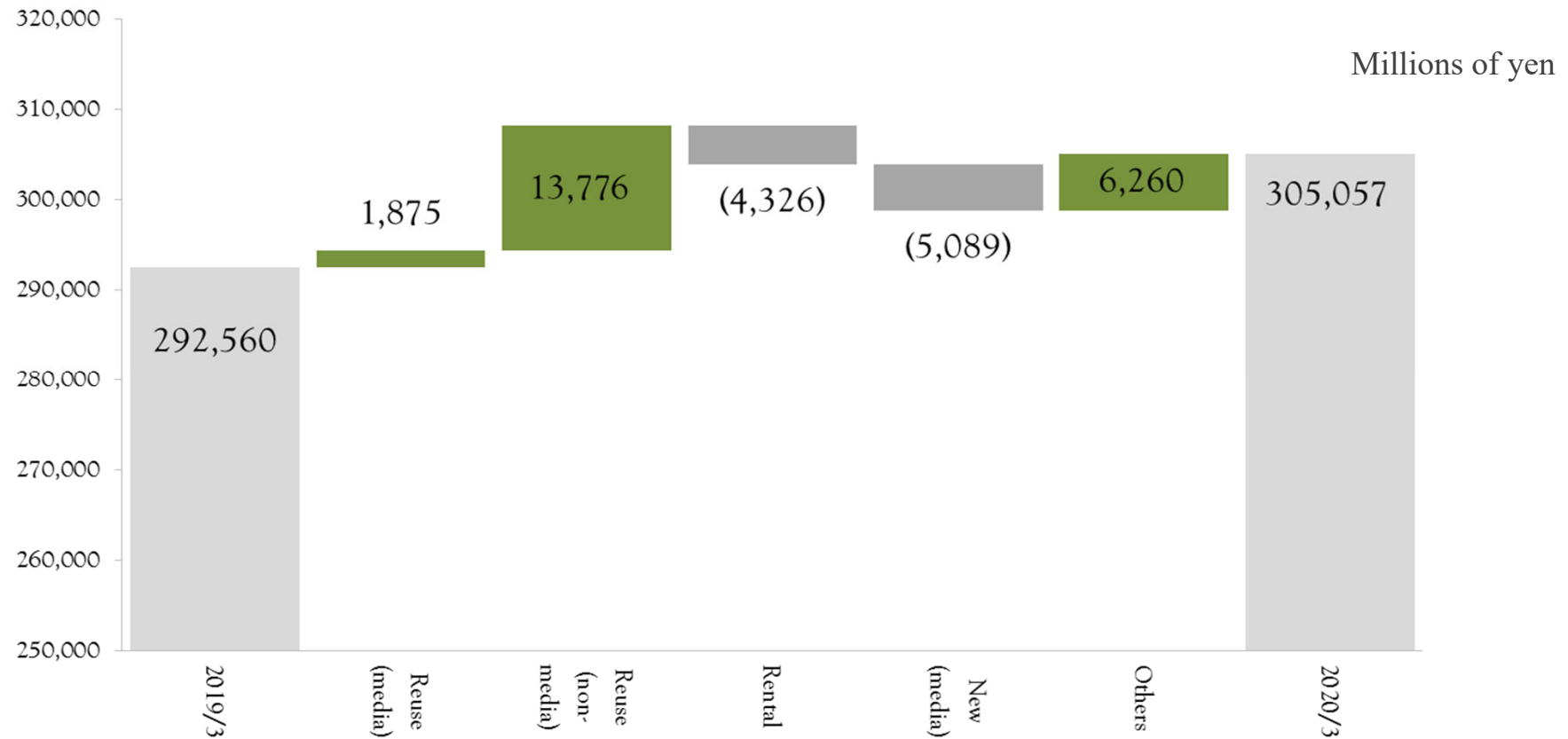
※Profit is profit attributable to owners of parent.

1

Sales grew significantly for reuse (non-media) merchandise

- Increase/decrease in sales from the previous year

While sales for rental showed slight recovery in the fourth quarter due to the demand from the public staying home, the falling trend in sales for rental continued. Despite of this, sales resulted in 104.3% compared to the previous year from increase in sales for reuse (non-media) merchandise due to contribution from “2nd STREET” and “Okura.”

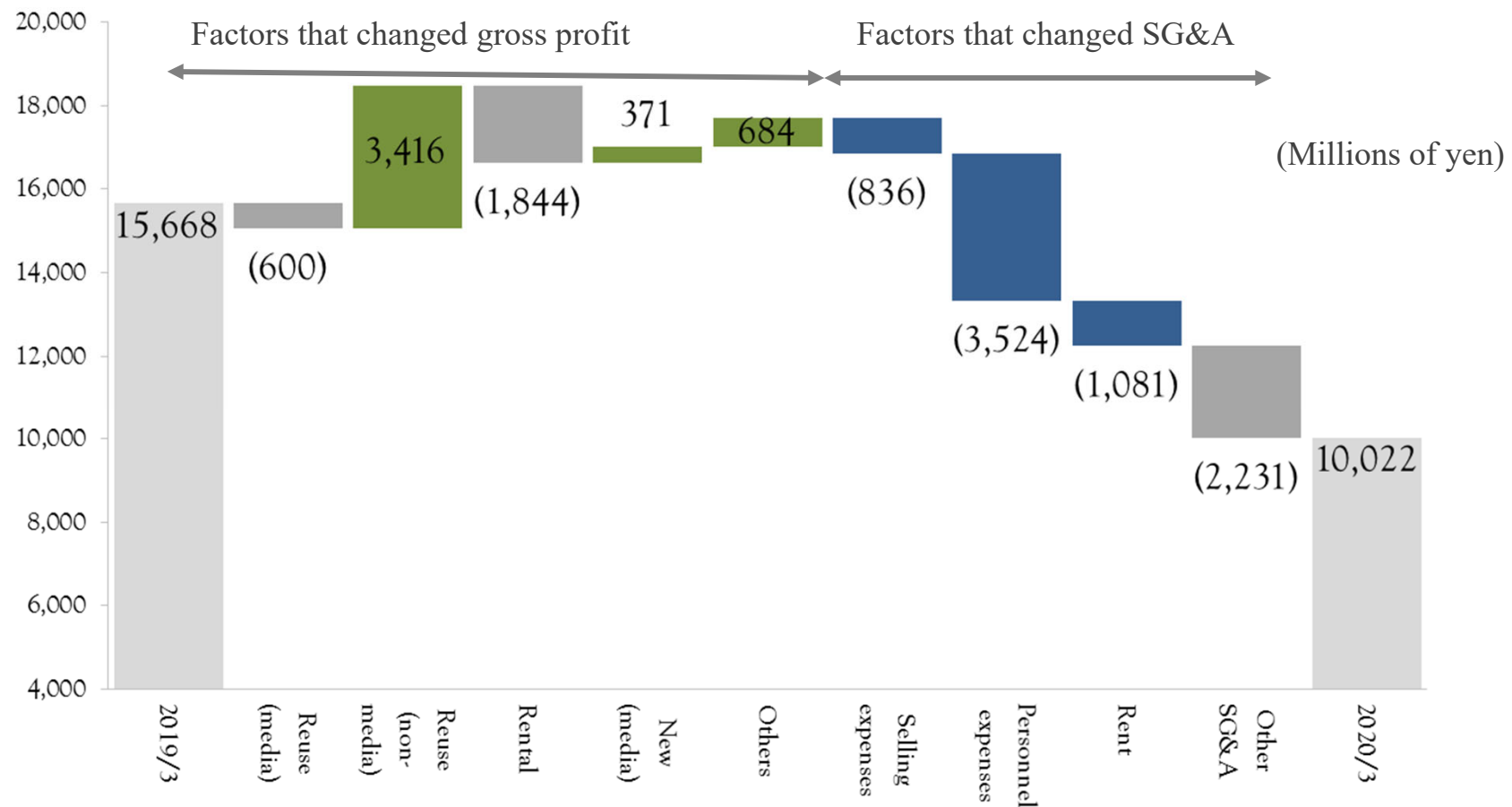


1

Operating profit fell due to increase in SG&A

- Increase/decrease in operating profit from the previous year

Gross profit exceeded the same from the previous year. However, operating profit resulted in 64.1% compared to the previous year due to increase in rent and expenses for consumables, and increase in personnel expenses.



1

Personnel expenses continued to increase

SG&A continued increasing due to the 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 to take paid leaves and expected rise in per head personnel expenses in the future.

(Millions of yen)	2019/3 Full year results	(Ratio to sales)	2020/3 Full year results	(Ratio to sales)	Increase/ decrease	(Change)
Total selling expenses	9,861	3.4%	10,697	3.5%	836	108.5%
Advertising	3,443	1.2%	3,572	1.2%	129	103.8%
Sales promotion	443	0.2%	483	0.2%	40	109.2%
Total personnel expenses	53,298	18.2%	56,822	18.6%	3,524	106.6%
Total other expenses	42,944	14.7%	46,257	15.2%	3,313	107.7%
Utilities	4,186	1.4%	3,862	1.3%	(323)	92.3%
Rent	21,907	7.5%	22,988	7.5%	1,081	104.9%
Depreciation and amortization	3,723	1.3%	4,318	1.4%	595	116.0%
Consumables	1,828	0.6%	2,332	0.8%	504	127.6%
Maintenance	1,157	0.4%	796	0.3%	(360)	68.8%
Total SG&A	106,104	36.3%	113,778	37.3%	7,674	107.2%

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

Results Based on Merchandise

2

Sales continued to grow for reuse (non-media) merchandise

- Sales based on merchandise (full year)

Total sales grew due to increased sales for reuse merchandise.

Also, while falling trends in sales for rental continued, the emergence of demand from the public staying home due to request to voluntarily restrain from going out to prevent the spread of COVID-19, the demand for rental and game device and game software recovered towards the end of the current fiscal year.

(Millions of yen)	2019/3 Results	2020/3 Results	Change	Increase/ decrease
Reuse	106,666	122,317	114.7%	15,651
Media	54,173	56,048	103.5%	1,875
Non-media	52,493	66,269	126.2%	13,776
Rental	62,288	57,962	93.1%	(4,326)
New (media)	89,218	84,129	94.3%	(5,089)
Others	34,388	40,648	118.2%	6,260
Total	292,560	305,057	104.3%	12,497

2

Gross profit (gross income) also increased

- Gross profit based on merchandise (full year)

Due to efforts made to minimize the level of reduction in sales in rental by controlling purchases, and increase in reuse (non-media) merchandise mainly traded at 2nd Street, whose gross profit ratio is higher, gross profit (gross income) also exceeded from the previous year.

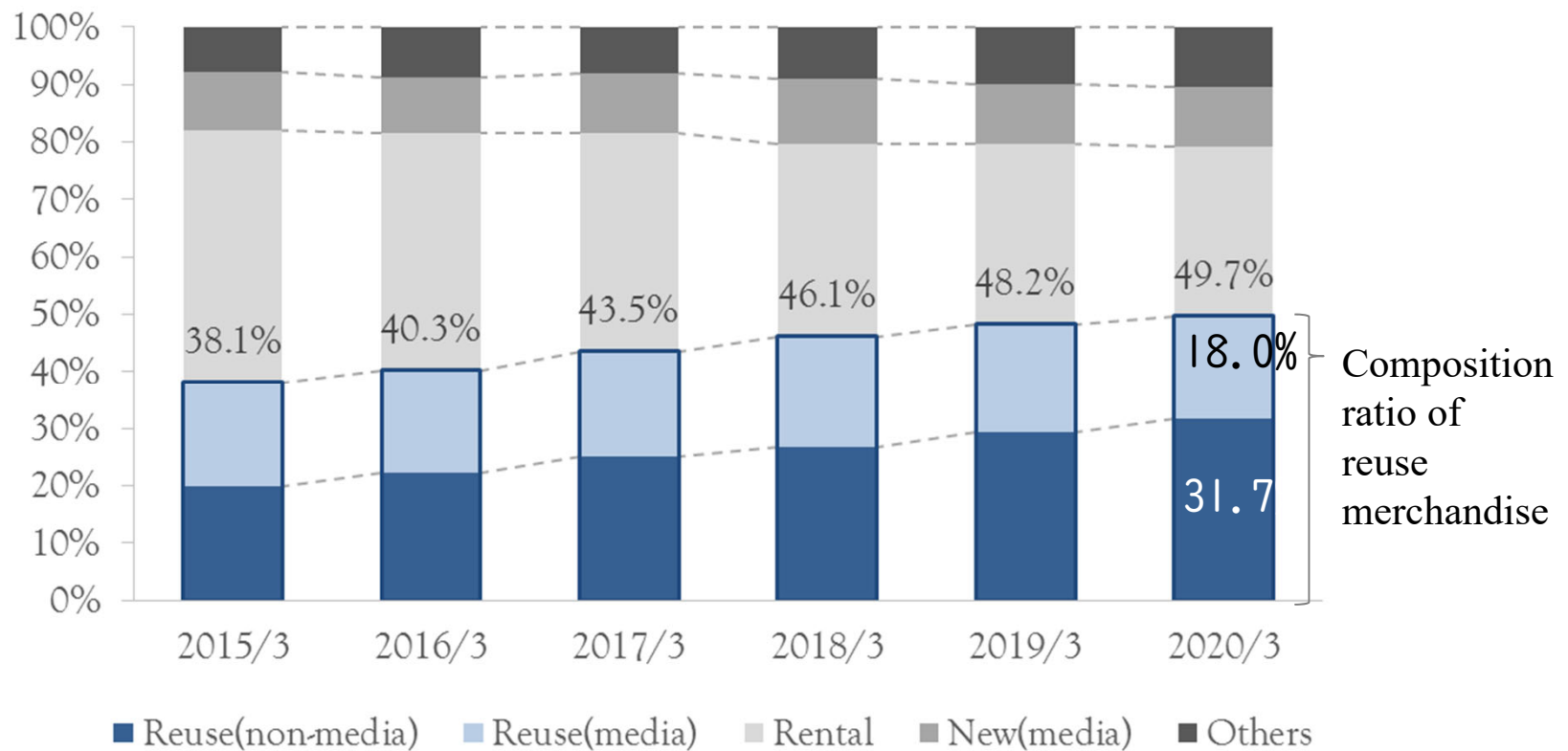
(Millions of yen)	2019/3 Results	2020/3 Results	Change	Increase/ decrease
Reuse	58,751	61,567	104.8%	2,816
Media	22,954	22,354	97.4%	(600)
Non-media	35,797	39,213	109.5%	3,416
Rental	38,287	36,443	95.2%	(1,844)
New (media)	12,446	12,817	103.0%	371
Others	12,288	12,972	105.6%	684
Total	121,772	123,800	101.7%	2,028

2

Change in gross profit (composition ratio) for the Group

- Composition of gross profit based on merchandise (full year)

Efforts are being made to reduce the ratio of rental for which downtrend in the market continues, and to increase the composition ratio of reuse (non-media) merchandise by opening new stores mainly for 2nd Street.



Our Emphasis

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: 1,938

	As of 3/31/2019	As of 3/31/2020	Increase/ decrease
GEO Group's stores and facilities	1,878	1,938	60
Retail service stores	1,866	1,925	59
GEO shops	1,203	1,185	(18)
 Directly managed stores	1,026	1,028	2
Distributors and franchise stores	177	157	(20)
 GEO mobile shop	17	25	8
2nd STREET	630	671	41
 Jumble Store※			
Directly managed stores	578	618	40
Franchise stores	52	53	1
Others	16	44	28
OKURA		7	7
Luck・Rack		5	5
Overseas stores	2	9	7
 Amusement facilities	12	13	1

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



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



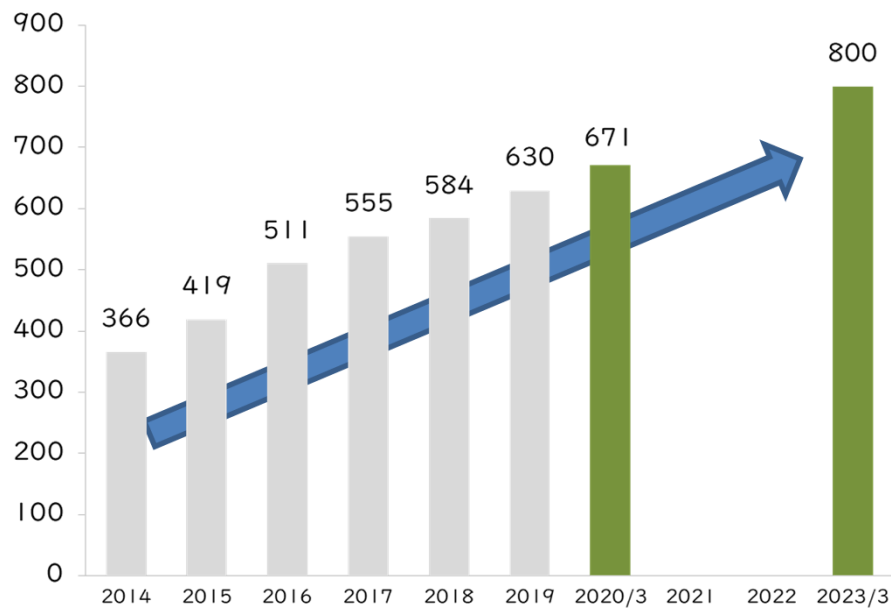
GEO Kawasaki ZERO Gate Store
(Kawasaki-shi, Kanagawa)

3

Deep focus on the reuse market (1)

- Continue to open new stores for the 2nd STREET

The reuse market is continuously growing reflecting the enhanced recognition of reuse. We aim to become a peerless company in the reuse market and to have 800 stores by the end of March 2023. We will continue focusing deeply on the reuse market by adding to our general reuse stores large stores “Super 2nd STREET” as well as specialized reuse stores in clothing, luxury brand, outdoor goods, musical instruments and buying-only stores, in each case suitable to the location.



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

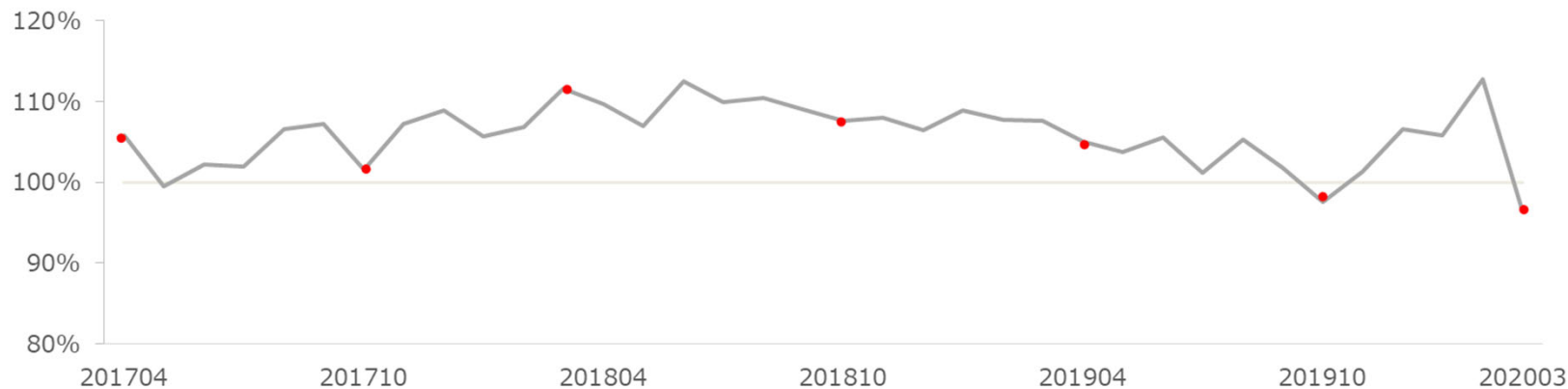
3

Deep focus on the reuse market (2)

- Sales for existing 2nd STREET stores continued growing

The customers' negative image towards reuse goods is clearly fading as it could be seen in the trends to effectively use resources, *danshari* (separation from unnecessary possessions), and spreading of the flea market application. Along this flow, the sales for existing stores for “2nd STREET” are increasing solidly supported by increase in the number of stores through opening new stores, which enhanced the recognition of the 2nd STREET brand.

Change in sales for existing stores compared to the previous year



- Overseas expansion of 2nd STREET

As part of the overseas expansion of 2nd STREET, we presently operate 6 stores in USA, a wholesale business and 3 stores in Malaysia, and we are planning to open 7 more stores in USA and 2 more stores in Malaysia during the fiscal year ending March 31, 2021.

In Taiwan, we established a subsidiary, 2nd STREET TAIWAN CO., LTD. (台灣極沃股份有限公司), in August 2019. Before opening our first store in Taiwan, we opened a POP-UP SHOP for a limited period inside a shopping complex in the city of Taipei. We are planning to open 3 stores in Taiwan during the fiscal year ending March 31, 2021.



2nd STREET BU Store (Malaysia, Petaling Jaya)



2nd STREET POP-UP SHOP (Taipei, Taiwan)



2nd STREET NoHo Store (New York)

- 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.



Number of specialized staff

1,128 ◀ 625

Number of stores stationed with our specialized staff

314 ◀ 153

As of March 2020

As of March 2019

※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 such as for low cost SIM.

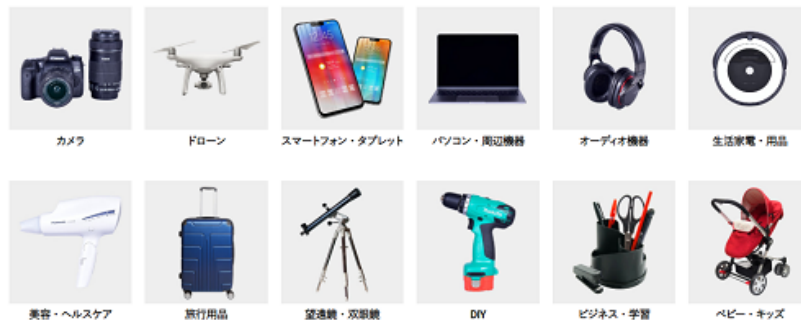
Expansion of sales for limited products and expansion of buying and selling of consumer electronics at GEO shops

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 supporting television. GEO shops also commenced buying and selling of consumer electronics (mainly brown goods and personal computers) as its new reuse merchandise.



We commenced “GEO Rent Anything” service

ゲオ あれこれ レンタル

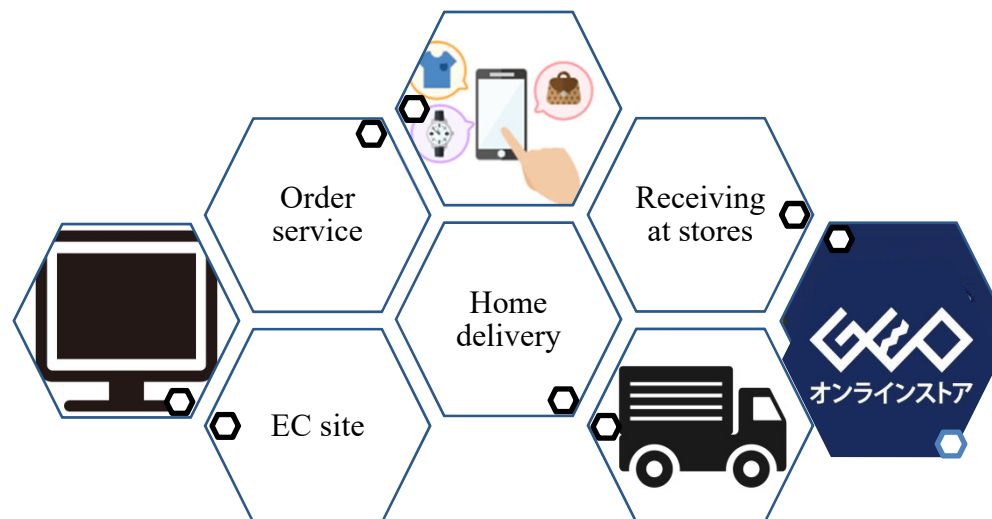


This is a service provided on the web where practically anything from cameras, consumer electronics, and smartphones could be rented for the desired period. We commenced this service from November 2019 in response to the demands in low-cost lifestyle reflecting change in lifestyle in the recent years.

We will continue developing services to enhance convenience for the customers.

3

Proactive use of IT and reinforce on-line



Among our services, the sales involving electronic commerce in retail services grew by 129.7% from the previous year.

	2019/3 Results	2020/3 Results	Change
Sales involving EC (Millions of yen)	10,385	13,470	129.7%
Number of items sold involving EC	2,300,078	3,231,070	140.5%

We aim to enhance recognition of our website and 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.

We opened our fifth OPS store during the current fiscal year. We will continue developing the OPS chain by seeking the best location and standardizing our operations for this format.



Luck Rack Clearance Market Viva Mall Honjo Store (Honjo-shi, Saitama)

Enhancement of the reuse luxury sector

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



OKURA TOKYO Ikebukuro Higashiguchi Store (Toshima-ku, Tokyo)

Welfare services to provide transition support for employment

CoCoColorFull

The Group's special subsidiary, GEO Business Support Co., Ltd., opened CoCoColorFull, an office to provide transition support for employment, by drawing on its experience in promoting employment and supporting employment for disabled persons which activities were pursued inside the Group since GEO Business Support Co., Ltd. was incorporated in 2010.

CocoColorfull is also emphasizing on the creation of a workplace to accommodate individuality of each staff to enable each staff to build his/her enriched career of life.



CoCoColorFull (愛知県名古屋市中)

We won the “Fifth Award as Superior Company” for “Work-Life Balance”

Following our winning of the “Fourth Award as Superior Company” for “Diversity and Inclusion” in 2019 which award is hosted by Japan White Spread, we won the “Fifth Award as Superior Company” in “Work-Life Balance” this year. Our Group pursues activities to promote diversity with an aim to become a company to enable diverse human resources to realize their potential.



Forecast for the Fiscal Year Ending March 31, 2021

4

Forecast for the fiscal year ending March 31, 2021

From the effects of COVID-19, GEO Group is also taking measures at its stores such as to close them down or shorten their open hours and it is expected that the effects of COVID-19 will continue until the end of the fiscal year ending March 30, 2021.




Even under such circumstances, we still project sales of 300 billion yen which is the same level as the previous year due to continuous opening of new reuse stores and the emergence of stay home demand.

We anticipate reduced profits due to continuous investment in reuse and opening new stores to explore new retail format such as off price stores, enhance recognition of 2nd STREET, and proactively engage in advertising and promotional activities for electronic commerce business.

(Millions of yen)	2021/3 Forecast	Change	2020/3 Results
Net sales	300,000	(1.7%)	305,057
Operating profit	6,000	(40.1%)	10,022
Ordinary profit	6,400	(40.5%)	10,765
Profit	3,200	(16.8%)	3,844

4

Plans to open new stores

Plans for new stores		
	Number of stores	Description
GEO shop 	12	Open stores by relocating and integrating existing stores, Renew existing stores to operate together with mobile stores, and introduce reuse consumer electronics
2nd STREET shop 	70	Plan to achieve 800 stores by March 31, 2023, Open 55 new stores and change business format for 15 stores
2nd STREET shop  Overseas	12	Expand overseas store network, Commence opening new stores in Taiwan, 7 stores in USA, 2 stores in Malaysia, and 3 stores in Taiwan
New retail format	20	Continue trial with a view towards developing new business, Luxury-specialized stores, buying-only stores, off-price stores, stationery stores, and others

Note) We may review the plans for new stores if the effect of prevention of the spread of COVID-19 prolongs.

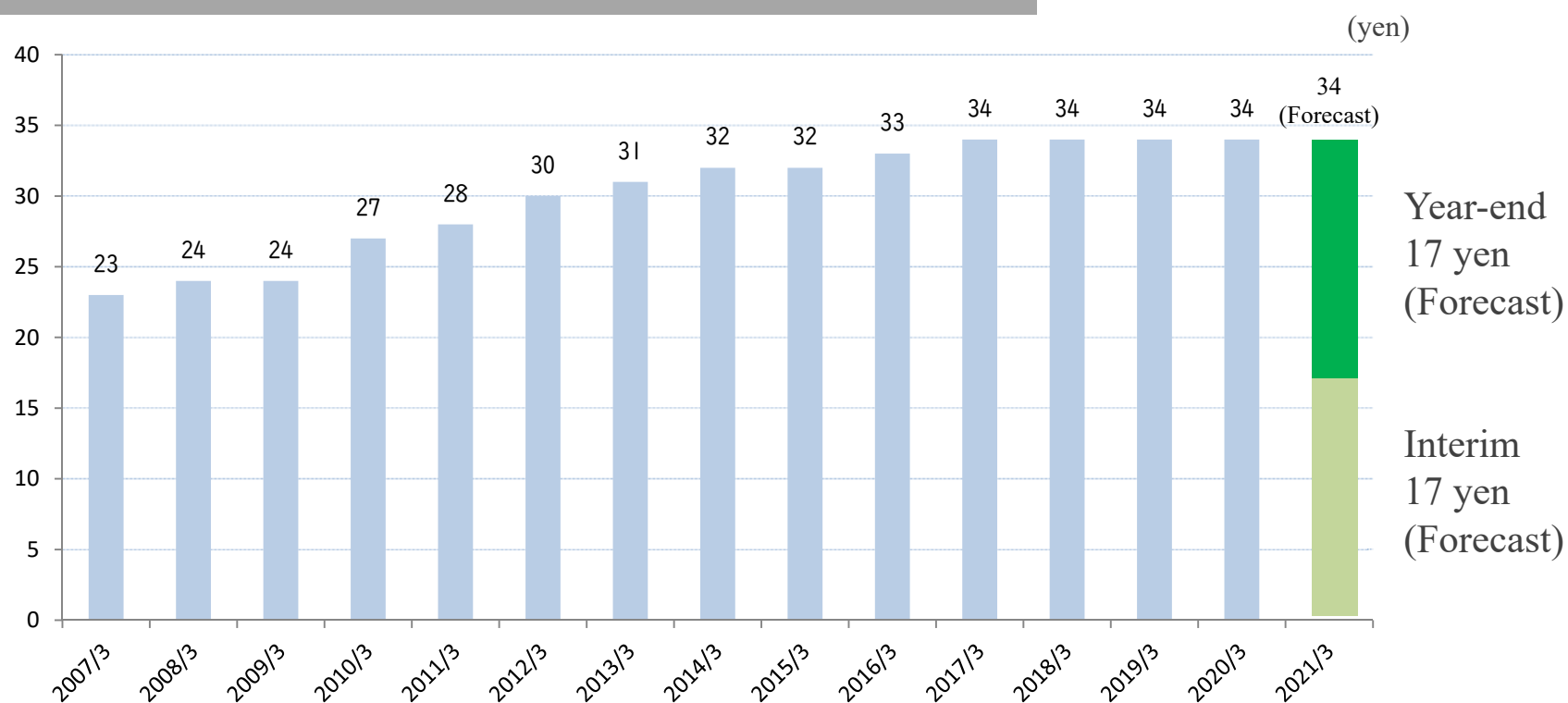
Dividends and Returns to Shareholders

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

6

Balance sheet

	As of 3/31/2019	Composi- tion	As of 3/31/2020	Composi- tion	Amount of increase/ decrease
(Millions of yen)					
Current assets	84,406	61.8%	89,658	62.0%	5,251
Cash and deposits	35,789		32,598		(3,191)
Merchandise	35,071		38,186		3,114
Non-current assets	52,183	38.2%	55,044	38.0%	2,860
Property, plant and equipment	27,978		29,532		1,553
Intangible assets	1,517		1,885		367
Investments and other assets	22,688		23,626		937
Total assets	136,590	-	144,702	-	8,111
Current liabilities	31,380	23.0%	34,233	23.7%	2,852
Accounts payable-trade	11,484		11,039		(445)
Short-term borrowings	-		5,000		5,000
Current portion of long-term borrowings	4,203		3,737		(466)
Non-current liabilities	30,599	22.4%	35,453	24.5%	4,853
Long-term borrowings	21,193		25,956		4,762
Total liabilities	61,980	45.4%	69,686	48.2%	7,705
Treasury shares	0		(1,999)		(1,999)
Total net assets	74,609	54.6%	75,016	51.8%	406
Total liabilities and net assets	136,590	-	144,702	-	8,111

6

Income statement

(Millions of yen)	2019/3				2020/3			
	1 Q	2 Q	3 Q	4 Q	1 Q	2 Q	3 Q	4 Q
	Results	Results	Results	Results	Results	Results	Results	Results
Net sales	64,425	68,148	84,778	75,208	63,918	74,130	83,992	83,016
(Change from the same period of the previous year)	104.9%	91.2%	99.6%	96.4%	99.2%	108.8%	99.1%	110.4%
Gross profit	29,093	30,360	32,365	29,953	29,728	30,236	31,838	31,997
(Change from the same period of the previous year)	104.5%	99.6%	101.5%	102.0%	102.2%	99.6%	98.4%	106.8%
(Gross profit ratio)	45.2%	44.6%	38.2%	39.8%	46.5%	40.8%	37.9%	38.5%
SG&A	25,368	26,763	26,753	27,218	27,126	28,256	29,320	29,075
(Change from the same period of the previous year)	102.2%	102.7%	101.4%	98.4%	106.9%	105.6%	109.6%	106.8%
Operating profit	3,724	3,596	5,612	2,734	2,602	1,979	2,517	2,923
(Change from the same period of the previous year)	122.7%	81.3%	101.6%	162.4%	69.9%	55.0%	44.9%	106.9%

6

Cash flow

(Millions of yen)		March 31, 2019	March 31, 2020	Amount of increase/decrease
	Depreciation	4,334	4,992	658
	Rental asset depreciation and amortization	6,152	5,544	(608)
	Purchase of rental assets	(5,881)	(5,099)	782
	Cash flow from operating activities subtotal	14,941	11,271	(3,670)
	Income tax (paid) or refund	(7,555)	(6,026)	1,529
Net cash provided by (used in) operating activities		7,903	5,108	(2,795)
	Purchase of property, plant and equipment	(4,184)	(7,014)	(2,830)
Net cash provided by (used in) investing activities		(6,318)	(11,342)	(5,024)
	Proceeds from long-term loans payable	5,500	8,500	3,000
	Repayments of long-term loans payable	(5,539)	(4,610)	929
	Cash dividends paid	(1,565)	(1,470)	95
	Purchase of treasury shares	(6,308)	(1,999)	4,309
Net cash provided by (used in) financing activities		(8,052)	3,037	11,089
Net increase (decrease) in cash and cash equivalents		(6,468)	(3,189)	3,279
Cash and cash equivalents at end of period		38,774	35,666	(3,108)
Free cash flow (simple)		1,585	(6,234)	(7,819)

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	33,281
Media	13,278	13,260	13,651	13,982	12,914	14,008	13,679	15,444
Non-media	12,142	11,810	15,284	13,254	13,615	17,055	17,762	17,837
Rental	15,508	16,782	15,130	14,866	14,784	14,826	13,880	14,472
New (media)	15,575	17,804	31,401	24,437	13,736	19,094	26,273	25,025
Others	7,922	8,491	9,310	8,666	8,867	9,147	12,399	10,237
Total	64,425	68,148	84,778	75,208	63,918	74,130	83,993	83,015

6

Gross profit based on merchandise

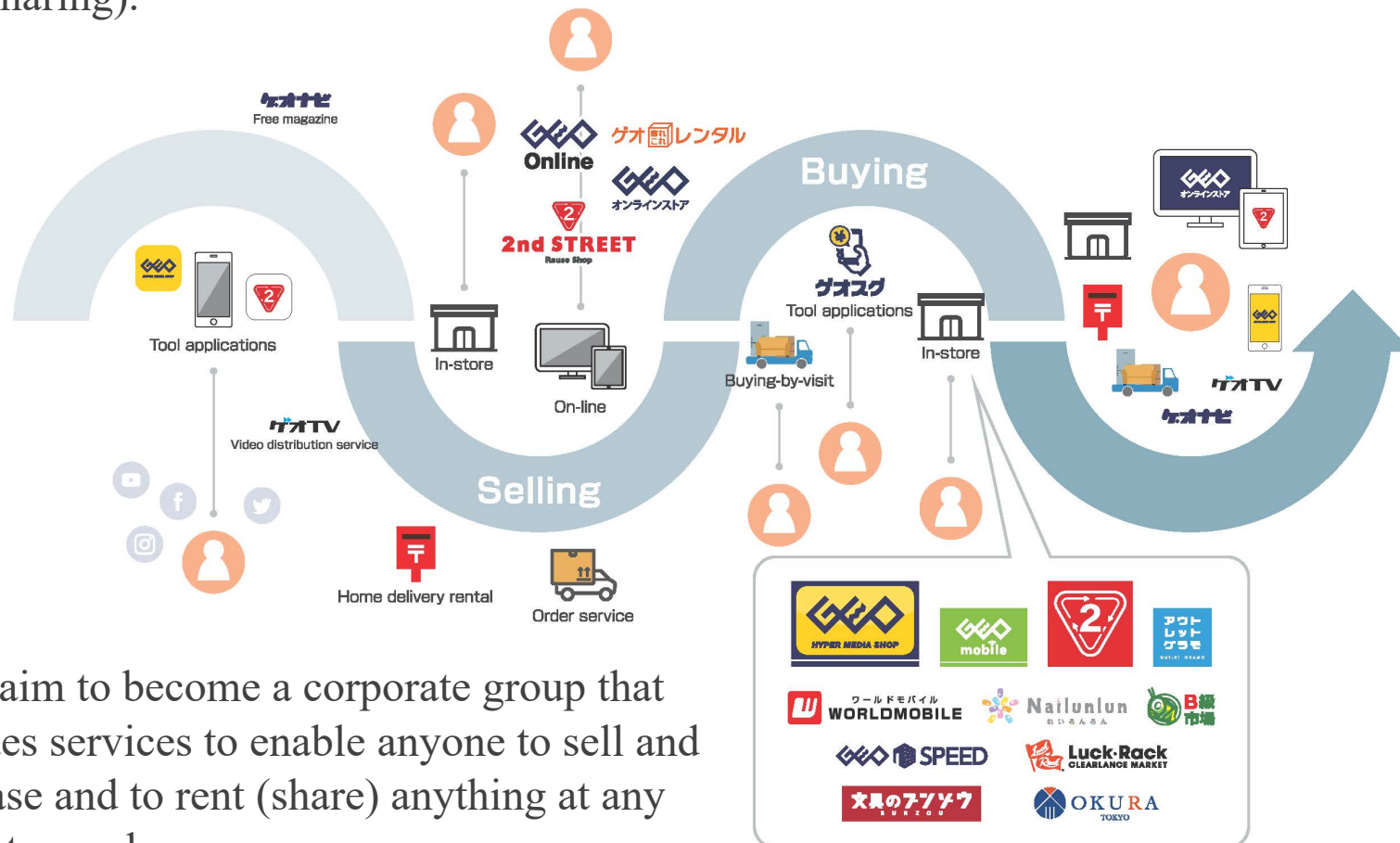
	2019/3 1Q Results	2019/3 2Q Results	2019/3 3Q Results	2019/3 4Q Results	2020/3 1Q Results	2020/3 2Q Results	2020/3 3Q Results	2020/3 4Q Results
(Millions of yen)								
Reuse	14,198	13,872	16,064	14,615	14,827	14,958	16,106	15,674
Media	5,556	5,781	5,814	5,801	5,427	5,503	5,377	6,044
Non-media	8,641	8,091	10,250	8,813	9,400	9,454	10,729	9,630
Rental	9,420	10,483	9,260	9,122	9,361	9,333	8,498	9,250
New (media)	2,462	2,803	4,014	3,165	2,379	2,986	3,634	3,816
Others	3,014	3,202	3,025	3,049	3,160	2,959	1,731	5,125
Total	29,093	30,360	32,365	29,953	29,728	30,236	29,969	33,865
Gross income ratio	45.2%	44.6%	38.2%	39.8%	46.5%	40.8%	35.7%	40.8%

Group Profile

• Company name	GEO HOLDINGS CORPORATION
• Date of incorporation	January 1989
• Head office	8-8 Fujimi-cho, Naka-ku, Nagoya-shi, Aichi Prefecture 460-0014
Tokyo office	Imai Mitsubishi Bldg. 3-53-11 Minamitsuka, Toshima-ku, Tokyo 170-0005
• Representative director	Yuzo Endo, President and CEO
• Common Stock	8,969 million yen
• Listed exchange	Tokyo Stock Exchange 1st Section

As of March 31, 2020





We aim to make our services and products known to as many customers as possible, and to eliminate the border between in-store and on-line environment for selling and buying, and rental (sharing).



We aim to become a corporate group that provides services to enable anyone to sell and purchase and to rent (share) anything at any time, at anywhere.

7

GEO Group's major shops and their major merchandise

		Reuse (non-media)			Reuse (media)			Rental		New goods		Amusement facilities	Number of stores (As of March 31, 2020)
		Clothing	Clothing and accessories	Furniture and home appliances	Game device and game software	Mobile and smartphones	Home appliance and PC	DVD	Books, CD	Clothing	Game device and game software		
GEO shops	 												1,210
GEO mobile shops													
2nd STREET shops													671
Amusement facilities	 あまのウエアハウス												13

※The above is a list of major merchandise handled by the above stores. Some stores may not be handling the above merchandise.

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.



GEO HOLDINGS CORPORATION

Corporate philosophy: To offer joy to your everyday life

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