



Supplementary Materials on Financial Results for the
First Quarter of the Fiscal Year Ending March 31, 2022

GEO HOLDINGS CORPORATION (2681)

August 12, 2021

Summary of this first quarter

Topics for this first quarter

- We opened 15 new stores for 2nd STREET (out of 60 new stores scheduled to be opened during this fiscal year).
- We opened one new store for 2nd STREET respectively in Malaysia and Taiwan (out of 3 new stores in Malaysia and 7 new stores in Taiwan scheduled to be opened during this fiscal year).
- We won the best award for the “6th Inclusive Company Award.”

Highlights for the first quarter

- The sales for rental merchandise continued to fall due to cease of demand from the public staying home and lack of new titles.
- The sales mildly recovered for 2nd STREET, which mainly sells clothing and accessories, even if the public continued to voluntarily refrain from going out to prevent the spread of COVID-19. The sales recovered from the strong overseas market for OKURA, which mainly sells luxury items.
- The sales decreased from the previous year due to application of the Accounting Standard for Revenue Recognition.



Contents

- Summary of this first quarter
- 1 Consolidated Results for Three Months Ended June 30, 2021
 - 2 Achievement on Forecast for Fiscal Year Ending March 31, 2022
 - 3 Our Emphasis towards Growth
 - 4 Group Profile
 - 5 Appendix

Consolidated Results for Three Months Ended June 30, 2021

1

Income statement for three months

Operating profit decreased as the special demand that arose in the previous first quarter from the public staying home settled down.

(Millions of yen)	2021/3 1Q Results	2022/3 1Q Results	Increase/ decrease	Change
Net sales	82,860	76,088	(6,772)	91.8%
Gross profit	33,230	31,011	(2,219)	93.3%
(Gross profit ratio)	40.1%	40.8%		
SG&A	29,673	29,855	182	100.6%
Operating profit	3,557	1,155	(2,401)	32.5%
(Operating profit ratio)	4.3%	1.5%		
Ordinary profit	3,641	1,341	(2,299)	36.8%
Profit	2,392	526	(1,866)	22.0%

※ Accounting Standard for Revenue Recognition was applied from this first quarter. However, the amount of net sales for the previous first quarter is calculated based on a different calculation method.

※ Profit is profit attributable to owners of parent.

1 Sales based on merchandise for three months

(Millions of yen)	2021/3 1Q Results	2022/3 1Q Results	Change	Increase/ decrease	
Reuse	31,933	36,627	114.7%	4,693	Sales increased due to opening of new stores for 2nd STREET and Okura enjoying strong overseas market
Non-media	16,078	23,507	146.2%	7,429	
Media	15,855	13,119	82.7%	(2,735)	Sales decreased for both used and unused game-related merchandise due to settling down of the special demand that arose in the previous first quarter from the public staying home.
Brand-new	27,477	23,507	85.6%	(3,970)	
Rental	15,128	11,205	74.1%	(3,923)	As a result of the effect of application of the Accounting Standard on Revenue Recognition, this decreased by 5,195 million yen.
Others	8,320	4,748	57.1%	(3,572)	
Total	82,860	76,088	91.8%	(6,772)	

※ The classification of merchandise handled other than by GEO and 2nd STREET stores in Japan that was grouped as “Others” in the previous years has been changed to “Reuse (non-media),” “Reuse (media),” and “New (media)” merchandise from this fiscal year in accordance with the attribute of each merchandise.

Gross profit based on merchandise for three months

(Millions of yen)	2021/3 1Q Results	2022/3 1Q Results	Change	Increase/ decrease
Reuse	15,915	16,912	106.3%	997
Non-media	9,149	11,649	127.3%	2,500
Media	6,765	5,263	77.8%	(1,502)
Brand-new	4,445	3,659	82.3%	(785)
Rental	10,075	7,286	72.3%	(2,789)
Others	2,793	3,152	112.8%	358
Total	33,230	31,011	93.3%	(2,219)

Gross profit ratio declined due to increase in sale of high-priced items and wholesale.

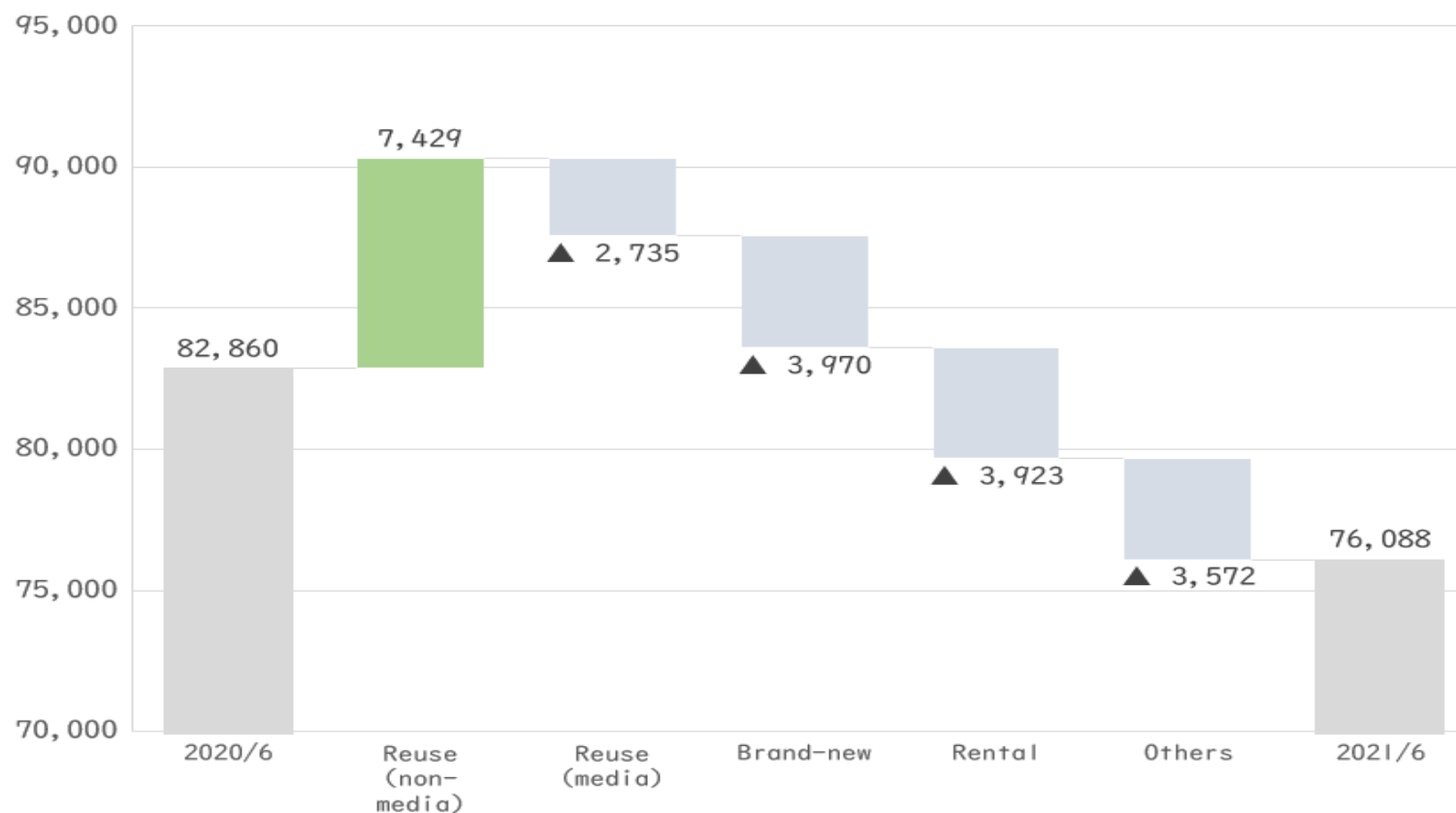
While sale for digital contents merchandise decreased from the effect of application of the Accounting Standard on Revenue Recognition, gross profit ratio increased from increase in the amount of transactions.

※The classification of merchandise handled other than by GEO and 2nd STREET stores in Japan that was classified as “Others” in the previous years has been changed to “Reuse (non-media),” “Reuse (media),” and “New (media)” merchandise from this fiscal year in accordance with the attribute of each merchandise.

1 Change in sales from the previous first quarter

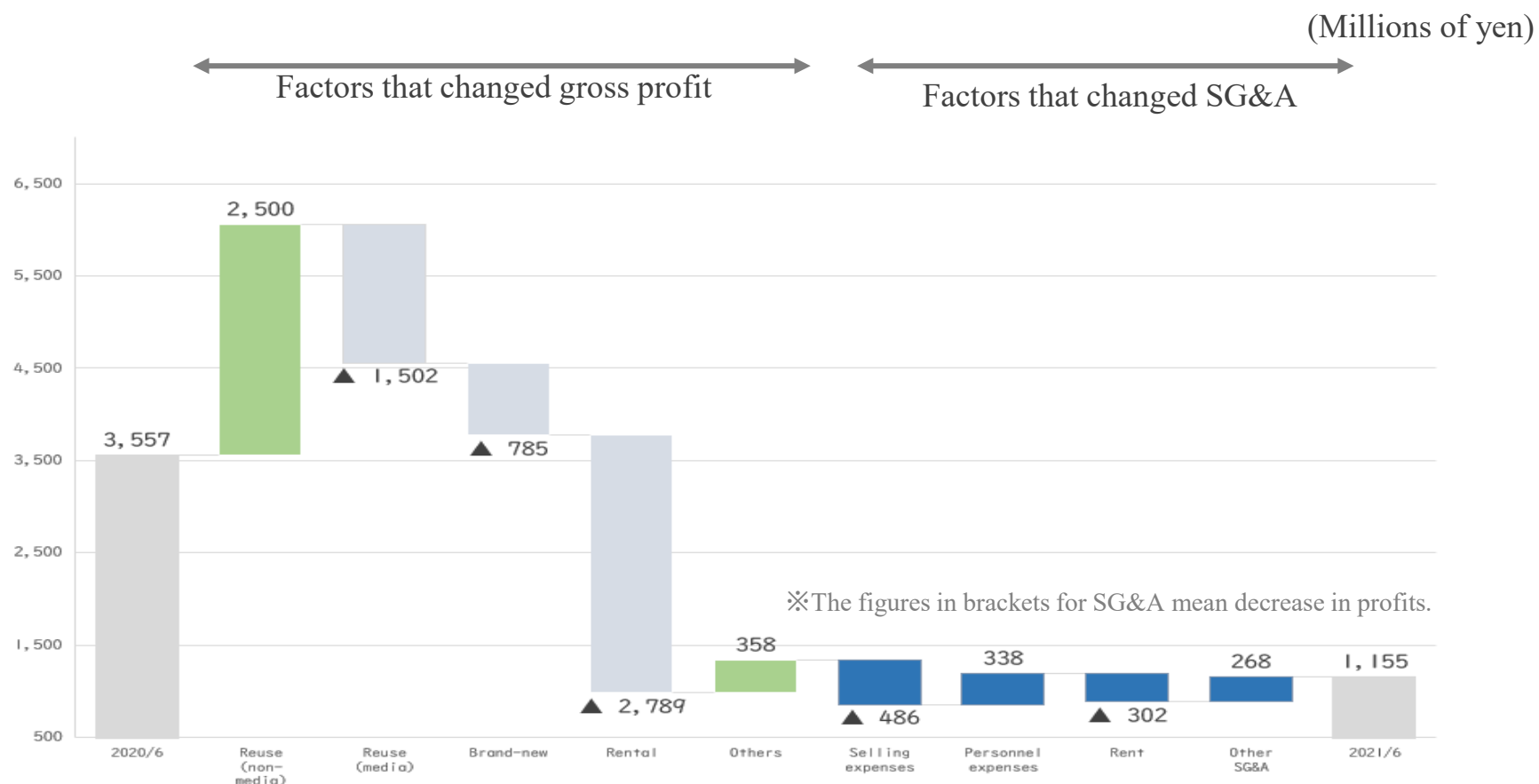
The special demand for rental and game-related merchandise that arose from the public staying home in the previous first quarter ceased, and sales settled and declined.

(Millions of yen)



Change in operating profit from the previous first quarter

The decline in gross profit for rental and game merchandise could not be covered solely by increased sales for reuse (non-media) merchandise, and regardless of our efforts to control SG&A such as personnel expenses, operating profit fell from the previous first quarter.



There was an increase in rent from opening new stores and increase in advertising expenses in digital contents business. However, from our efforts to control costs mainly in personnel expenses, total selling expenses increased 0.6% compared to the previous first quarter resulting in the same level as the previous first quarter.

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

(Millions of yen)	2021/3 1Q Results	(Ratio to sales)	2022/3 1Q Results	(Ratio to sales)	Increase/ decrease	(Change)
Total selling expenses	3,516	4.2%	4,002	5.3%	486	113.8%
Advertising	1,293	1.6%	1,773	2.3%	480	137.1%
Sales promotion	88	0.1%	74	0.1%	(13)	84.6%
Sales commission	981	1.2%	1,184	1.6%	203	120.7%
Total personnel expenses	14,614	17.6%	14,276	18.8%	(338)	97.7%
Total other expenses	11,542	13.9%	11,576	15.2%	34	100.3%
Utilities	680	0.8%	680	0.9%	0	100.0%
Rent	5,905	7.1%	6,208	8.2%	302	105.1%
Depreciation and amortization	1,100	1.3%	1,019	1.3%	(80)	92.6%
Consumables	595	0.7%	482	0.6%	(112)	81.0%
Maintenance	134	0.2%	222	0.3%	88	166.0%
Total SG&A	29,673	35.8%	29,855	39.2%	182	100.6%

1

Balance sheet

(Millions of yen)	As of 3/31/2021	Composi- tion	As of 6/30/2021	Composi- tion	Amount of increase/ decrease
Current assets	113,687	67.0%	102,694	64.5%	(10,993)
Cash and deposits	51,865		41,486		(10,379)
Merchandise	42,218		44,821		2,603
Non-current assets	56,050	33.0%	56,428	35.5%	378
Property, plant and equipment	28,177		28,606		429
Intangible assets	2,349		2,415		66
Investments and other assets	25,524		25,406		(118)
Total assets	169,738	-	159,122	-	(10,616)
Current liabilities	41,038	24.2%	32,689	20.5%	(8,349)
Accounts payable trade	15,108		10,954		(4,154)
Short-term borrowings	-		4,000		4,000
Current portion of long-term borrowings	5,012		5,325		313
Non-current liabilities	55,717	32.8%	53,937	33.9%	(1,780)
Long-term borrowings	45,943		44,475		(1,468)
Total liabilities	96,755	57.0%	86,627	54.4%	(10,128)
Total net assets	72,982	43.0%	72,495	45.6%	(487)
Total liabilities and net assets	169,738	-	159,122	-	(10,616)

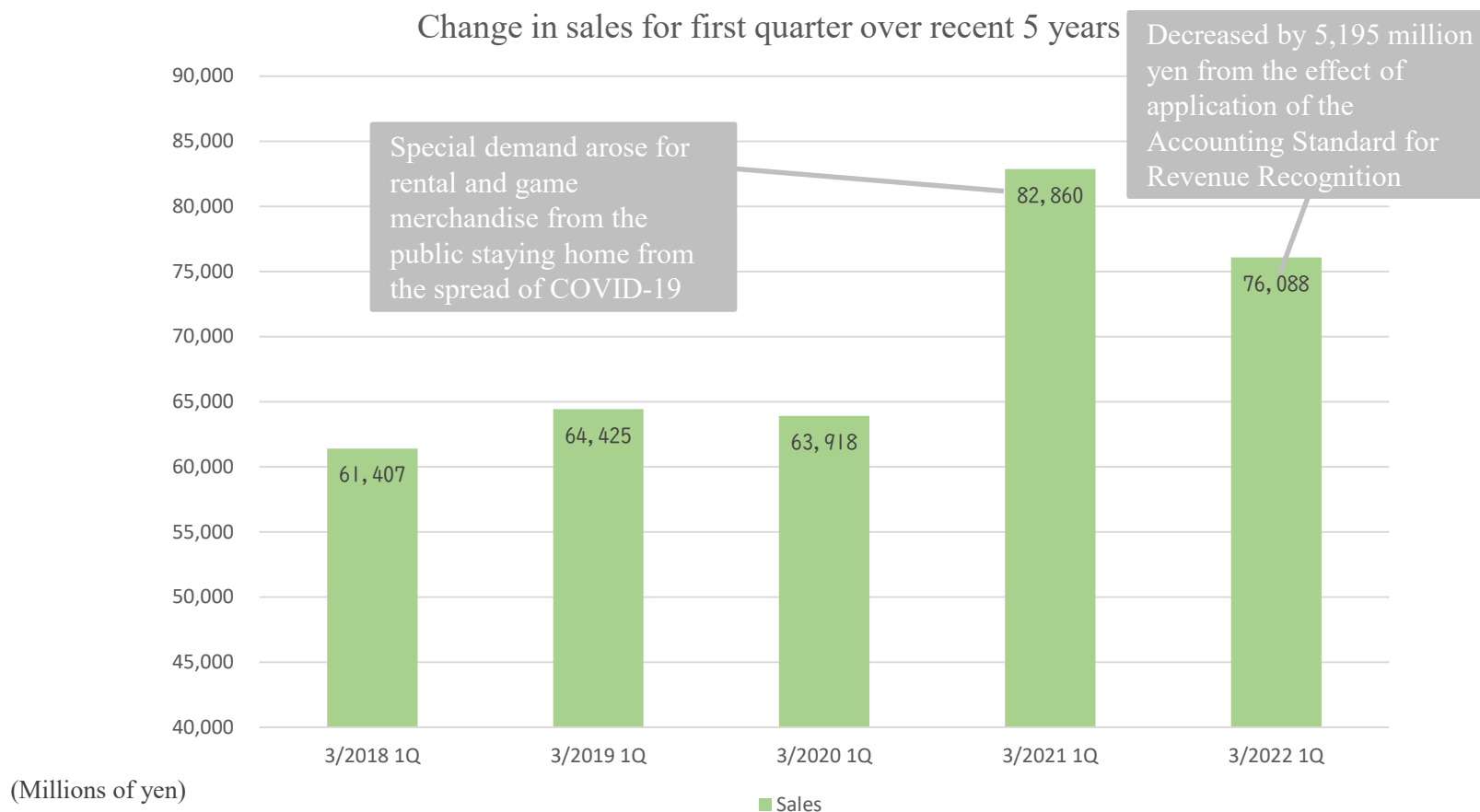
Decreased from payment of accounts payable and income tax

Increased from active buying of reuse (non-media) merchandise in mainly clothing and luxury items

Decreased from payment of debts relating to unused game software which we launched at the end of the previous fiscal year.

Change in sales from the previous first quarter

The sales for this quarter decreased from the previous first quarter due to cease of the special demand mainly for game software and game device that arose in the previous first quarter from the spread of COVID-19, and due to the effect of applying the Accounting Standard on Revenue Recognition. However, sales for this first quarter exceeded the level of sales for the first quarter in the years before the spread of COVID-19.



Overseas expansion of 2nd STREET

During this first quarter, we opened one new store for 2nd STREET respectively in Malaysia and Taiwan. In Malaysia, the store operations were restricted from the lock down that was enforced from June. In Taiwan, we commenced on-line store and buying by pack-and-send, and we also plan to open more stores including buying-only stores. In the USA, the effect of COVID-19 settled down although we operated on shortened business hours, but our business is recovering where we plan to open more stores.



2nd STREET TTDI Store (6th store in Malaysia)



2nd STREET Chelsea Store (New York, USA)

1 More emphasis on reuse luxury merchandise



We operate 16 “OKURA TOKYO” (Okura) stores mainly in the Kanto and Kansai areas. Okura sells luxury watches and luxury brand bags, etc., and some of its stores only buys these. Other than operating stores, Okura wholesales luxury items to overseas and operates auction markets in Fukuoka. Okura will continue to emphasize on luxury merchandise, and from this fiscal year, it will make visits to buy these.

During this first quarter, Okura commenced “ROLEX 95% Repurchase Service” where Okura will repurchase ROLEX watches purchased at Okura stores at 95% of the price sold (excluding tax) at Okura stores.

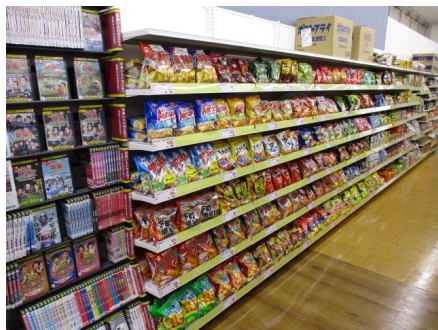
The Group aims to become number one also in luxury merchandise in the domestic reuse market.



OKURA TOKYO Osaka Main Store & 2nd STREET
Shinsaibashi Minami Store (Chuo-ku, Osaka)



Introduction of additional merchandise and renewing sales floor at GEO stores



To respond to the shrinking rental market, we are considering to introduce new merchandise and to renew the sales floor for rental such as by testing whether the provision of rental package at a smaller store space would work, and by expanding the floor space for selling retail home appliances, mobile and smartphones, and snacks and foods.



Development of off price store



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 price. While the problem of excess apparel inventory is drawing attention, this business format that effectively utilizes resources is drawing attention. As a top runner in OPS business, the Group will continue to establish a store model and standardize our operations for this format, and develop this store into a chain.

In addition to permanent OPS stores, we will open limited-period pop-up stores. During this first quarter, we opened pop-up stores in Urawa PARCO, Mito excel, and Matsuzakaya Toyota Store.



POP-UP STORE in Urawa PARCO (Urawa-ku, Saitama)



Luck·Rack in Nagoya Station Meitetsu Department Store (Nagoya-shi, Aichi)

Proactive use of IT and reinforce on-line







In addition to our sale of items directly on the internet, our sale of items by involving the internet such as “order service” grew by 132.7% compared to the previous fiscal year. Particularly in the environment affected by COVID-19, we promoted sales through dual sales channels of in-store and on-line store of 2nd STREET. As a result, we were able to capture the consumption from the public staying home by selling more items on our own 2nd STREET site (including through applications). The sales and the number of items sold on our own 2nd STREET site achieved strong growth of 155.7% and 127.2%, respectively, compared to the previous fiscal year.

We will aim to organize a system to provide seamless services sought by our customers by enhancing our recognition and by organizing logistics.

	2021/3 1Q Results	2022/3 1Q Results	Change
Sales involving EC (Millions of yen)	3,601	4,780	132.7%
Number of items sold involving EC (Millions of items)	940	974	103.5%

GEO Group's stores

- Total number of stores for the Group as of June 30, 2021: 1,956

	GEO ※1 	2nd STREET ※2 	2nd STREET (Overseas) 	OKURA TOKYO (Okura) 	Luck Rack 	Warehouse 	Others	Total
Directly-managed stores	1,009	685	18	16	12	10	9	1,759
(Opened during this first quarter)	2	15	2	2	3	0	0	24
(Closed during this first quarter)	(13)	(4)	0	(1)	(1)	(1)	(2)	(22)
Franchise stores and distributors	146	51	—	—	—	—	—	197
Total	1,155	736	18	16	12	10	9	1,956

※1: Includes GEO mobile (mobile dedicated stores).

※2: Includes Super 2nd STREET, JUMBLE STORE, 2nd OUTDOOR, and buying-only stores.



Achievement on Forecast for Fiscal Year Ending March 31, 2022





Achievement on forecast for fiscal year ending March 31, 2022

We presented our forecast as follows in May 2021 on assumption that COVID-19 will continue affecting our performance until the end of this fiscal year although its impact would turn milder as vaccination will progress and the consumers' voluntary restraint on going out will gradually be relaxed.

During this first quarter, the government continued to request the public to refrain from going out which affected the recovery of sales for clothing, the core merchandise for 2nd STREET. However, new stores for 2nd STREET are being opened almost close as planned.

(Millions of yen)	2022/3 Forecast	2022/3 1Q Results	2022/3 1Q Achievement
Net sales	320,000	76,088	23.8%
Operating profit	4,000	1,155	28.9%
Ordinary profit	4,500	1,341	29.8%
Profit	2,000	526	26.3%

Plans to open new stores during this fiscal year

		Plans for new stores	
		Number of stores	Description
GEO		20	We will open stores by relocating and integrating existing stores, and renew existing stores to reduce floor space for rental, operate together with mobile stores, and introduce new merchandise such as reuse consumer electronics.
2nd STREET (Japan)		60	We will continue to pursue our plan to achieve 800 stores by March 31, 2023.
2nd STREET (Overseas)		24	We will expand overseas network. (14 stores in the USA, 3 stores in Malaysia, and 7 stores in Taiwan)
Luck·Rack		10	We will open new stores in commercial buildings near train stations in addition to suburban roadsides.

Our Emphasis towards Growth

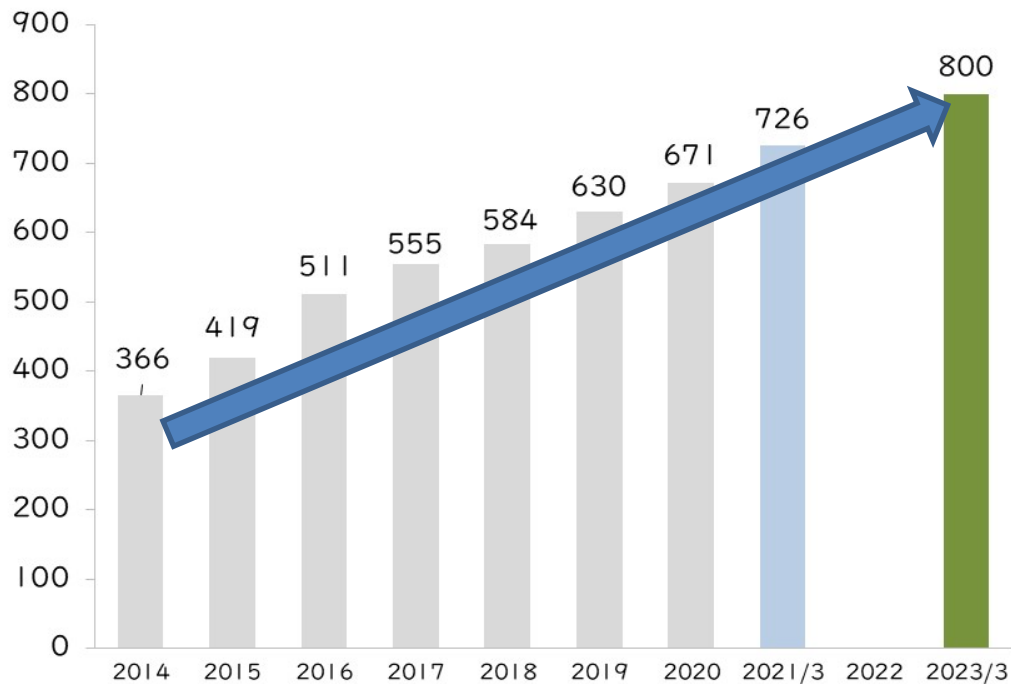
Challenge to become a network retailer

The Group will work together to understand in depth the consumers' behavior and to establish a system to enable the consumers to freely select goods and services on both on-line and off-line (at in-stores).



We will continue to open new stores for 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. Although the effect of COVID-19 virus is continuing, we will continue focusing deeply on the reuse market by proactively opening more stores to increase the point of contact with the customers.



Super 2nd STREET Ohmiya Nisshin Store (Saitama-shi, Saitama)

Digital contents business

While the Group's main business area is to sell and provide services at in-stores, we are also responding to the business environment of progressing digitalization by focusing on digital contents business through our subsidiaries, EISYS, inc. and forcs, Inc. (which changed its trade name from GEO INTERACTIVE CORPORATION on April 1, 2021).

EISYS, inc. operates “DL site,” which is a two dimensional contents download site, and also produces and sells game, voice and ASMR contents. forcs, Inc. creates digital comics and provides digital comics to various comic sites.



DLsite

forcs
『楽しさをシェアする』

「フォークス」は新しいアイデアや物語を生み出し、それを分かち合うために生まれたデジタル生まれの出版社です。



Group Profile






Corporate philosophy: To offer joy to your everyday life

• 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 Minamiotsuka, Toshima-ku, Tokyo 170-0005
• Representative director	Yuzo Endo
• Common Stock	8,975 million yen*
• Listed exchange	Tokyo Stock Exchange 1st Section

*As of June 30, 2021

4

GEO Group's major shops and their major merchandise

		Reuse					Rental		Brand-new			Number of stores (As of 6/30/2021)
		Clothing and accessories	Luxury brand items	Furniture and home appliances	Game device and game software	Mobile and smart-phones	AV home appliances and PC	DVD and Blu-ray	BOOK CD	Clothing and accessories	AV home appliances	
GEO GEO mobile	 	●	●	●	●	●	●	●	●	●	●	1,155
2nd STREET		●	●	●	●	●	●	●	●	●	●	736
OKURA TOKYO (Okura)		●	● (watches and bags)	●	●	●	●	●	●	●	●	16
Luck·Rack		●	●	●	●	●	●	●	●	●	●	12

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

4

Features and merits of reuse (2nd STREET) business



We provide 3 options for our buying method at more than 700 stores nationwide

Consumers may choose to bring their goods directly to the stores (“buying at stores”), request us to visit their homes to valuate large furniture and home appliances (“buying by visit”), or pack their goods and send it to us (“buying by pack-and-send”). We wish to respond to the consumers’ needs by focusing on buying which is the foundation of reuse business.

We handle a broad range of merchandise with a proven track record for buying

We handle a broad range of merchandise from clothing, furniture, home appliances, hobbies, and outdoor goods, and we have been directly buying more than 70 million items every year. We will enhance our buying precision by utilizing our rich data.



We train our buyers

We have an internal “buyer certification system” for the purposes of training our buyers who buy the merchandise and to further improve on their buying skills. There are four levels to this certification depending on the performance of tests in two divisions, the clothing and accessories division and general division. We also continuously host internal contests to promote the establishment of a system to support our opening of many stores and valuate merchandise for buying, the number of which is increasing each day.

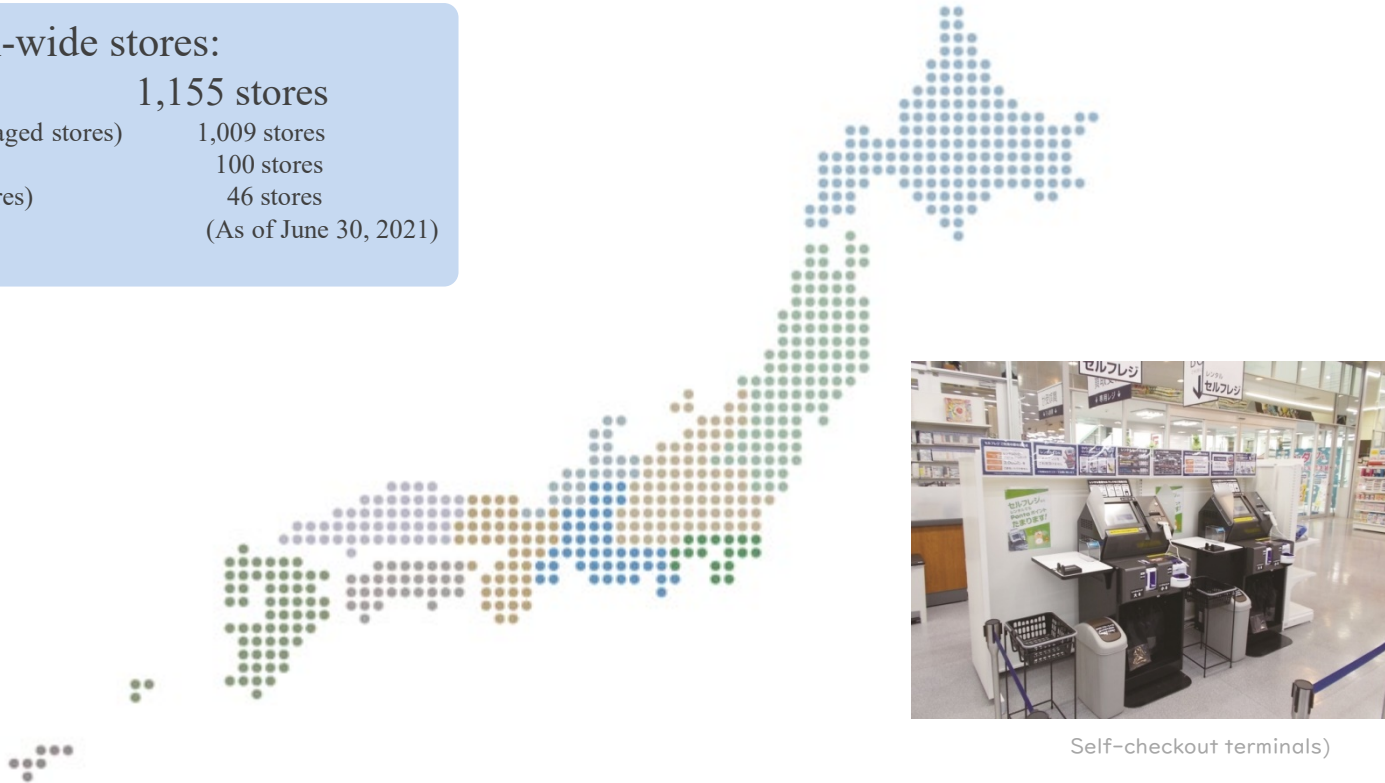
4

Features and merits of our media (GEO) business

GEO has more than 1,100 stores nationwide mainly through its directly managed stores. The inventory is centrally managed by the headquarters which ensures balanced buying and selling for entire GEO. In addition to GEO's high share in rental, GEO maintains its high earning power through its unique style of store operation of handling unused and used game merchandise, and its thorough low cost operation.

■ Nation-wide stores:

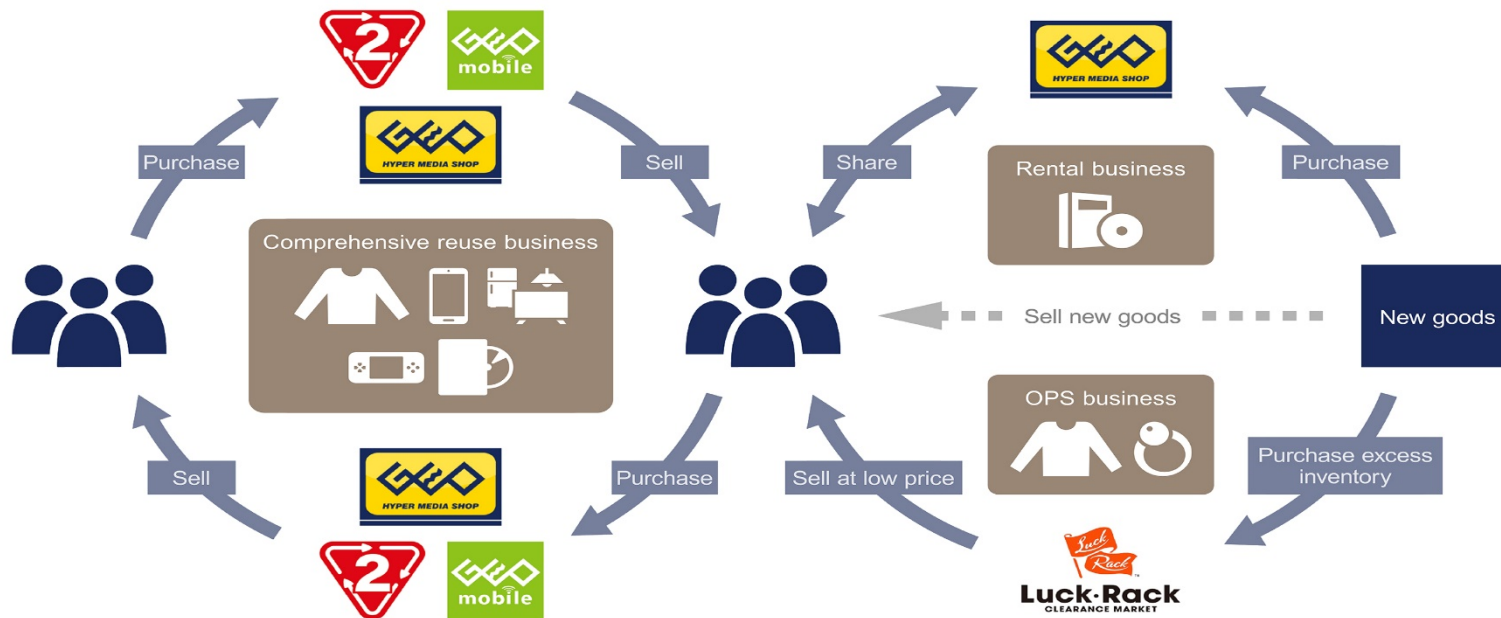
GEO	1,155 stores
(Directly-managed stores)	1,009 stores
(Distributors)	100 stores
(Franchise stores)	46 stores
	(As of June 30, 2021)



Self-checkout terminals)

Contribution to SDGs through business growth

We shall transfer “things” from where it became unnecessary to where it is necessary. Through various recycling-oriented business, we will reduce generation of wastes and contribute to “Responsible Consumption and Production,” i.e., SDG 12.



Contribution to SDGs by energy efficiency

We completed installing LED lighting in nearly 1,600 stores. This means that over 90% of our stores are reducing CO2 emission by installing LED lighting.

We introduced tablets at cash registers of each store to go paperless by reducing purchase slips. This promotes energy efficiency and operational efficiency.



We won the best award for the“6th Inclusive Company Award”

We won the “Best Award” in the large company division for the “6th Inclusive Company Award” hosted by the Japan White Spread Association. On a division base, we won in the “Flexible Working Style Division” in 2021. We were awarded for three consecutive years, “Diversity & Inclusion Division” in 2019, and “Work and Life Balance Division” in 2020. We hope that our awards will win the confidence of stakeholders, improve our corporate value, and support continuous development of the company.



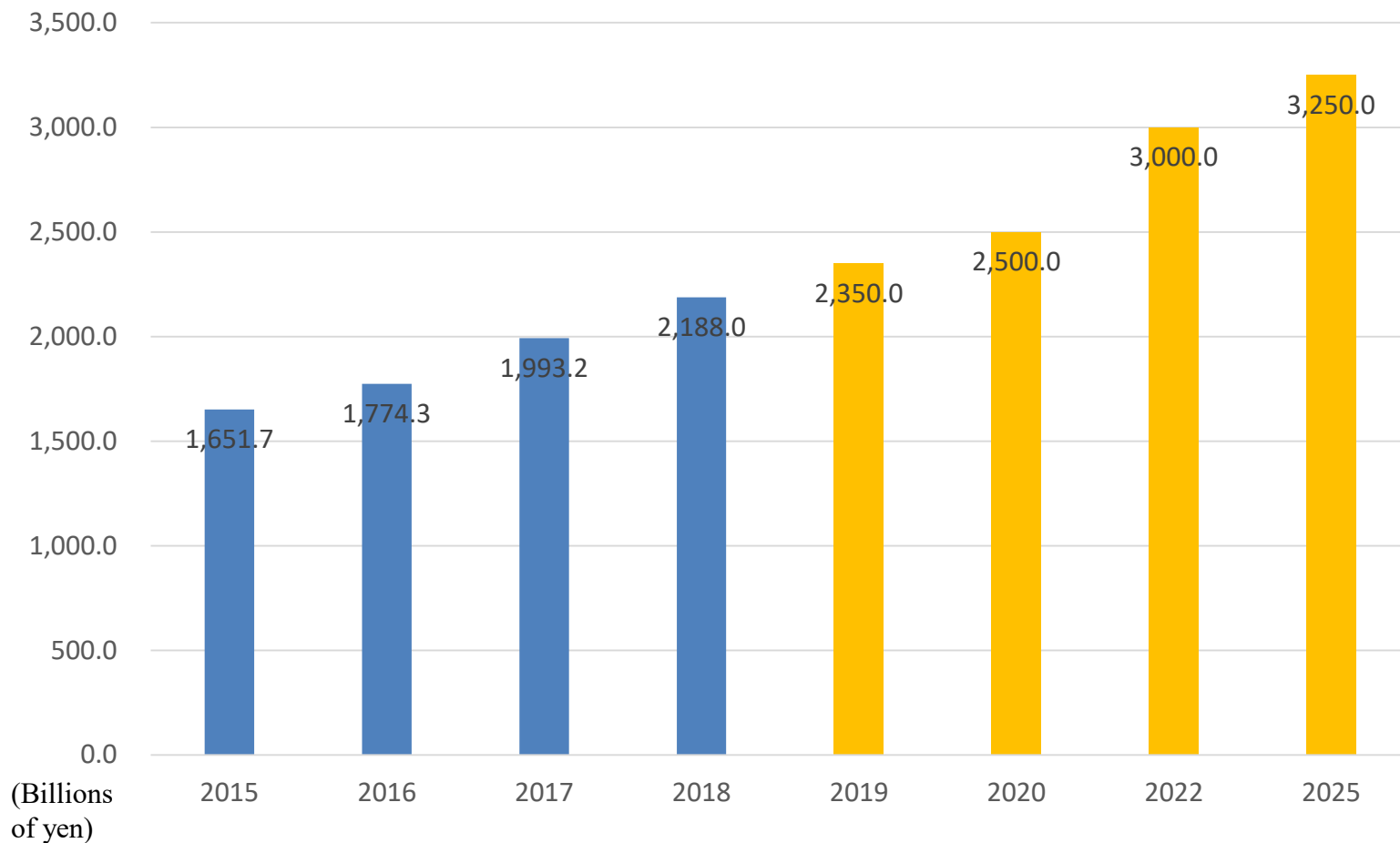
Appendix

5

Income statement

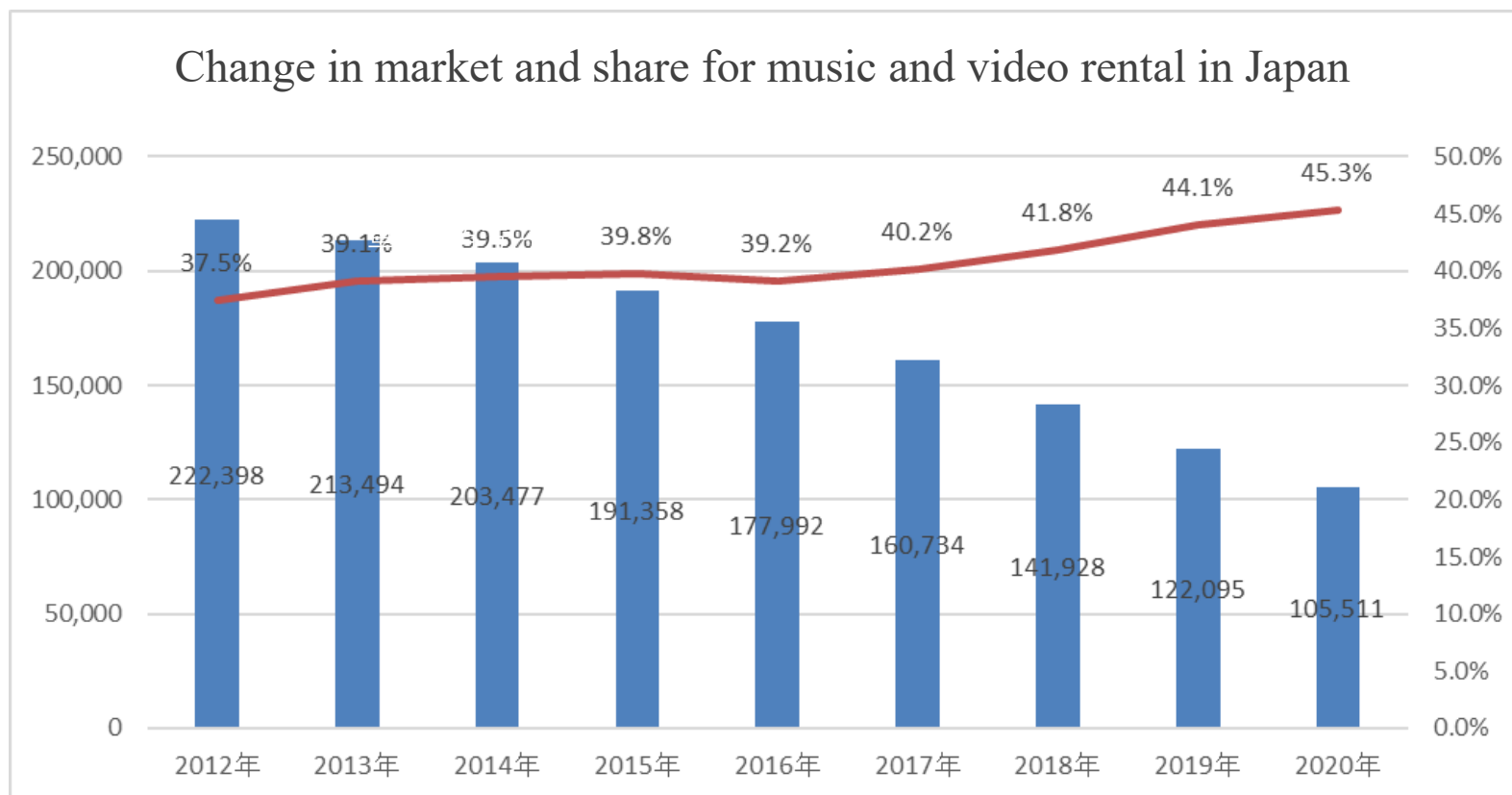
(Millions of yen)	2021/3				2022/3			
	1Q Results	2Q Results	3Q Results	4Q Results	1Q Results	2Q Results	3Q Results	4Q Results
Net sales	82,860	75,718	84,817	84,961	76,088			
(Change from the same period of the previous year)	129.6%	102.1%	101.0%	102.3%	91.8%			
Gross profit	33,230	30,286	31,428	30,278	31,011			
(Change from the same period of the previous year)	111.8%	100.2%	98.7%	94.6%	93.3%			
(Gross profit ratio)	40.1%	40.0%	37.1%	35.6%	40.8%			
SG&A	29,673	30,219	30,594	30,424	29,855			
(Change from the same period of the previous year)	109.4%	106.9%	104.3%	104.6%	100.6%			
Operating profit	3,557	66	834	(145)	1,155			
(Change from the same period of the previous year)	136.7%	3.4%	33.1%	—	32.5%			

Market trends (reuse)



(Reference: Reuse Business Journal “Secondhand Market Databook 2020”)

Market trends (rental)



(Millions of yen)

(Reference: Ministry of Economy, Trade and Industry's Specific Service Industry Statistics)

*Our assumption based on Specific Service Industry Statistics

*Excludes rental by delivery and comic rental.

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

Contact information GEO Holdings Corporation
Accounting and Finance Department
TEL : 052-350-5711
Email : info@geonet.co.jp