

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2022 (Japan GAAP)

August 12, 2021

GEO HOLDINGS CORPORATION

Securities Code: 2681

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Scheduled date to submit quarterly report: August 13, 2021

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 First Quarter (from April 1, 2021 to June 30, 2021)

(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	
	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%	(Millions of yen)	%
Three months ended:								
June 30, 2021	76,088	(8.2)	1,155	(67.5)	1,341	(63.1)	526	(78.0)
June 30, 2020	82,860	29.6	3,557	36.7	3,641	30.0	2,392	59.0

(Note) Comprehensive income: 470 million yen (decrease of 80.4%) for three months ended June 30, 2021
2,404 million yen (increase of 62.2%) for three months ended June 30, 2020

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Three months ended:		
June 30, 2021	12.41	12.39
June 30, 2020	56.44	56.34

(Note) Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, March 31, 2020) was applied from the beginning of this first quarter. Accordingly, the amounts of three months ended June 30, 2021 above reflect application of this standard.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	(Millions of yen)	(Millions of yen)	%
As of June 30, 2021	159,122	72,495	45.3
As of March 31, 2021	169,738	72,982	42.8

(Reference) Shareholders' equity: As of June 30, 2021: 72,065 million yen
As of March 31, 2021: 72,572 million yen

(Note) Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No.29, March 31, 2020) was applied from the beginning of this first quarter. Accordingly, the amounts of three months ended June 30, 2021 above reflect application of this standard.

2. Dividends

	Dividend per share (yen)				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Annual
(Record dates)					
Fiscal Year ended March 31, 2021	-	17.00	-	17.00	34.00
Fiscal Year ending March 31, 2022	-				
Fiscal Year ending March 31, 2022 (Forecast)	-	12.00	-	12.00	24.00

(Note) Modifications in the dividend forecast from the latest disclosure: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2022 (from April 1, 2021 to March 31, 2022)

(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	320,000	(2.5)	4,000	(7.2)	4,500	(6.2)	2,000	-	47.16

(Notes)

1. Modifications in the earnings forecast from the latest disclosure: None
2. Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No.29, March 31, 2020) was applied from the beginning of this first quarter. Accordingly, the amounts of consolidated earnings forecast above reflect application of this standard.

Notes

- (1) Changes in important subsidiaries during this consolidated three 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.: Yes
 - 2) Changes in accounting principles other than 1): None
 - 3) Changes in estimates used for accounting: None
 - 4) Retrospective restatements: None

(Note) See p.7 of the Attachments, “2. Consolidated Financial Statements for the Quarter (3) Notes on Consolidated Financial Statements (Changes in accounting principles)” for details.
- (4) Number of shares outstanding (common stock)
 - 1) Number of shares outstanding (including treasury shares):

As of June 30, 2021	42,405,952 shares
As of March 31, 2021	42,405,952 shares
 - 2) Number of treasury shares:

As of June 30, 2021	- shares
As of March 31, 2021	- shares
 - 3) Average number of outstanding shares:

During three months ended June 30, 2021	42,405,952 shares
During three months ended June 30, 2020	42,398,952 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. There is no guarantee that we will achieve those financial forecasts. 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 basis of 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, 2021 to June 30, 2021)

For three months ended June 30, 2021, economic activities were stagnant from continuous infections with COVID-19 and from the Japanese government requesting businesses to suspend operations and citizens to refrain from going out in order to prevent the spread of the infection.

In response to the declaration of a state of emergency and quasi-emergency measures, our group suspended operations at stores in the applicable regions, and shortened business hours at stores in the other regions. At the stores where we continued operations, we paid sufficient attention to safety by following guidelines from the relevant authorities, including wearing masks and disinfecting with alcohol, to provide our products and services, and has continued to pursue various challenges in an aim to “offer joy to your everyday life.”

As a result, for the Group’s results for three months ended June 30, 2021, sales resulted in 76,088 million yen (8.2% decrease from the same period of the previous year), operating profit resulted in 1,155 million yen (67.5% decrease from the same period of the previous year), ordinary profit resulted in 1,341 million yen (63.1% decrease from the same period of the previous year), and profit attributable to owners of parent resulted in 526 million yen (78.0% decrease from the same period of the previous year).

In changes in accounting principles, we applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No.29, March 31, 2020), etc. from the beginning of this first quarter. Accordingly, comparison of performance with the previous year is made with the amounts that are calculated based on a different calculation method. Please see “2. Consolidated Financial Statements for the Quarter (3) Notes on Consolidated Financial Statements (Changes in Accounting Principles)” for details.

In reuse (non-media) merchandise, sales for clothing, which is the core merchandise particularly for 2nd STREET, was sharply affected from voluntary restraint on going out, and still have not recovered. However, in view of the consumers’ rising consciousness to protect the environment and to spend less and save more, we opened 15 new 2nd STREET stores during this first quarter pursuant to our plan to open 60 new stores for 2nd STREET stores during this fiscal year in anticipation that the market scale for reuse merchandise will continue to expand.

In reuse (media) merchandise, we were able to secure stock for reuse game device due to gradual improvement in the balance between demand and supply for new game device. This stock enabled us to sell, thereby enhancing our business cycle. On the other hand, sales for reuse game software did not exceed the sale from the special demand that arose last year from the public staying home, and sales for reuse (media) merchandise overall declined.

In new (media) merchandise that comprises game device and game software, sales settled down from the sales attributable to the special demand that arose in the same period of the previous year from the public staying home. However, improvement was made on the situation of demand exceeding supply where demand and supply are better balanced now.

In our rental business where we mainly rent videos such as DVDs, the special demand that arose in the first quarter of the previous year from the public staying home due to voluntary restraint on going out contributed to our results. However, for this first quarter, the reduced supply of new titles that has been continuing from the postponement of release of movies in theatres that has been continuing from the previous year has sharply affected sales. This shortage in supply is anticipated to linger also from the spread of video streaming services.

The number of our stores as of June 30, 2021 is as follows. The figures in () for “Total” show decrease from the end of the previous fiscal year.

	Directly-managed stores			FC Stores and Distributors			Total	
		Newly opened	Closed		Newly opened	Closed		
Total number of GEO group stores and facilities	1,759	24	22	197	0	2	1,956	0
GEO	1,009	2	13	146	0	1	1,155	(12)
2nd STREET	685	15	4	51	0	1	736	10
2nd STREET (overseas)	18	2	0				18	2
OKURA TOKYO	16	2	1				16	1
LuckRack	12	3	1				12	2
WAREHOUSE	10	0	1				10	(1)
Others	9	0	2				9	(2)

Notes:

1. The number of stores is counted based on each store name.
2. GEO includes stores that sell and purchase home game related items, mobile phones, and smart phones, and rent DVDs where they operate under the store names of GEO and GEO mobile.
3. 2nd STREET includes stores that sell and purchase clothing, home appliances and other items where they operate under the names of 2nd STREET, Super 2nd STREET, 2nd OUTDOOR, JUMBLE STORE, etc.
4. 2nd STREET (overseas) which were counted as “Others” in the previous fiscal year, are separately indicated from this fiscal year.

(2) Details of consolidated financial position

[Assets]

The current assets as of June 30, 2021 resulted in 102,694 million yen which is a decrease of 10,993 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 10,378 million yen in cash and deposits, and a decrease of 2,927 million yen in notes and accounts receivable while there was an increase of 2,602 million yen in merchandise. The non-current assets resulted in 56,428 million yen, which is an increase of 377 million yen from the previous fiscal year end. This increase is mainly due to an increase of 561 million yen in buildings and structures (net) while there was a decrease of 277 million yen in investments and other assets.

As a result, the total assets as of June 30, 2021 resulted in 159,122 million yen which is a decrease of 10,615 million yen from the previous fiscal year end.

[Liabilities]

The current liabilities as of June 30, 2021 resulted in 32,689 million yen which is a decrease of 8,349 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 4,153 million yen in accounts payable and a decrease of 8,508 million yen in current liabilities-other while there was an increase of 4,000 million yen in short-term borrowings. Non-current liabilities resulted in 53,937 million yen, which is a decrease of 1,779 million yen from the previous fiscal year end. This decrease is mainly due to a decrease of 1,468 million yen in long-term borrowings.

As a result, total liabilities resulted in 86,627 million yen which decreased by 10,128 million yen from the previous fiscal year end.

[Net assets]

The net assets as of June 30, 2021 resulted in 72,495 million yen, which is a decrease of 487 million yen from the previous fiscal year end. This decrease is mainly due to 526 million yen in profit attributable to owners of parent and dividends of 720 million yen paid from retained earnings.

From the above, the equity ratio resulted in 45.3% (42.8% as of the previous fiscal year end).

(3) Explanation on forward-looking information including consolidated earnings forecast

With respect to consolidated earnings forecast, there were no changes from the full year forecast presented on May 14, 2021.

2. Consolidated Financial Statements for the Quarter
(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of June 30, 2021
Assets		
Current assets		
Cash and deposits	51,865	41,486
Notes and accounts receivable - trade	10,873	7,945
Merchandise	42,218	44,821
Other	8,827	8,508
Allowance for doubtful accounts	(97)	(67)
Total current assets	113,687	102,694
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,940	14,501
Other, net	14,237	14,105
Total property, plant and equipment	28,177	28,606
Intangible assets	2,349	2,415
Investments and other assets		
Leasehold and guarantee deposits	16,987	17,147
Other	9,523	9,246
Allowance for doubtful accounts	(986)	(987)
Total investments and other assets	25,524	25,406
Total non-current assets	56,050	56,428
Total assets	169,738	159,122
Liabilities		
Current liabilities		
Accounts payable - trade	15,108	10,954
Short-term borrowings	-	4,000
Current portion of long-term borrowings	5,012	5,325
Other	20,917	12,409
Total current liabilities	41,038	32,689
Non-current liabilities		
Long-term borrowings	45,943	44,475
Asset retirement obligations	6,669	6,776
Other	3,103	2,686
Total non-current liabilities	55,717	53,937
Total liabilities	96,755	86,627
Net assets		
Shareholders' equity		
Share capital	8,975	8,975
Capital surplus	3,388	3,388
Retained earnings	60,024	59,573
Total shareholders' equity	72,388	71,937
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	199	151
Deferred gains or losses on hedges	(1)	(0)
Foreign currency translation adjustment	(14)	(22)
Total accumulated other comprehensive income	184	128
Share acquisition rights	410	430
Total net assets	72,982	72,495
Total liabilities and net assets	169,738	159,122

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

Consolidated Income Statement

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Net sales	82,860	76,088
Cost of sales	49,630	45,076
Gross profit	33,230	31,011
Selling, general and administrative expenses	29,673	29,855
Operating profit	3,557	1,155
Non-operating income		
Rental income from real estate	203	168
Other	185	223
Total non-operating income	388	391
Non-operating expenses		
Interest expenses	41	52
Rental expenses on real estate	158	83
Other	104	69
Total non-operating expenses	304	205
Ordinary profit	3,641	1,341
Extraordinary losses		
Impairment losses	24	84
Total extraordinary losses	24	84
Profit before income taxes	3,616	1,257
Income taxes - current	1,052	243
Income taxes - deferred	171	488
Total income taxes	1,223	731
Profit	2,392	526
Profit attributable to owners of parent	2,392	526

Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2020	Three months ended June 30, 2021
Profit	2,392	526
Other comprehensive income		
Valuation difference on available-for-sale securities	3	(48)
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	8	(7)
Total other comprehensive income	12	(55)
Comprehensive income	2,404	470
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,404	470

(3) Notes on consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

None

(Changes in accounting principles)

(Application of Accounting Standard on Revenue Recognition)

We applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, March 31, 2020; this "Revenue Recognition Accounting Standard") from the beginning of this first quarter. Accordingly, we began to recognize revenue at the time the customer acquires control over the contracted assets or services in such amount expected to be received in exchange for such assets or services. The major change that occurred from applying this Revenue Recognition Accounting Standard is, among the transactions where the total amount of consideration received from the customer was formerly recognized as revenue, for the transactions in which the role of our group in providing the assets or services to the customers falls under an agent, the amount received from the customers net of the amount payable to the principal is recognized as revenue.

In applying this Revenue Recognition Accounting Standard, we observed the transitional measures stipulated in the proviso of Paragraph 84 of this Revenue Recognition Accounting Standard. Therefore, the amount of cumulative effect, if assuming that a new accounting principle is retrospectively applied from the beginning of this first quarter, is added or deducted from the amount of surplus at the beginning of this first quarter, and the new accounting principle is applied from the balance at the beginning of this first quarter. However, we applied the method stipulated in Paragraph 86 of this Revenue Recognition Accounting Standard where we did not retrospectively apply the new accounting principle to the contracts which recognized nearly all the amounts of revenue pertaining thereto in accordance with the former treatment since before the beginning of this first quarter.

As a result, net sales and cost of sales respectively decreased by 5,195 million yen, however, the effect on operating profit, ordinary profit, and profit before income taxes was minor. The balance of the retained earnings at the beginning of this first quarter also decreased by 256 million yen.

(Application of Accounting Standard for Fair Value Measurement)

We applied the Accounting Standard for Fair Value Measurement (Accounting Standards Board of Japan Statement No. 30, July 4, 2019; this "Fair Value Accounting Standard"), etc. from the beginning of this first quarter. Accordingly, we decided to apply the new accounting principles stipulated by the Fair Value Accounting Standard by observing the transitional measures stipulated in Paragraph 19 of the Fair Value Accounting Standard and in Paragraph 44-2 of the Accounting Standard for Financial Instruments (Accounting Standards Board of Japan Statement No. 10, July 4, 2019) towards the future. Our decision for this application had no effects on the quarterly financial statements.

(Segment information)

【Segment information】

For the three months ended June 30, 2020 (consolidated) and the three months ended June 30, 2021 (consolidated):
Description is omitted because the Group reports only through one segment, i.e., retail services.