

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

February 10, 2022

GEO HOLDINGS CORPORATION

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Scheduled date to submit quarterly report: February 10, 2022

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, 2021 to December 31, 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)	%
Nine months ended:								
December 31, 2021	244,991	0.7	5,661	27.0	6,643	39.2	4,308	322.9
December 31, 2020	243,396	9.6	4,457	(37.2)	4,774	(37.5)	1,018	(75.8)

(Note) Comprehensive income: 4,112 million yen (increase of 276.4%) for nine months ended December 31, 2021
 1,092 million yen (decrease of 74.2%) for nine months ended December 31, 2020

	Earnings per share (yen)	Fully diluted earnings per share (yen)
Nine months ended:		
December 31, 2021	101.60	101.43
December 31, 2020	24.03	23.98

(Note) Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, March 31, 2020) was applied from the beginning of the first quarter of this fiscal year. Accordingly, the amounts of nine months ended December 31, 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 December 31, 2021	176,371	75,566	42.6
As of March 31, 2021	169,738	72,982	42.8

(Reference) Shareholders' equity: As of December 31, 2021: 75,199 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 the first quarter of this fiscal year. Accordingly, the amounts of nine months ended December 31, 2021 above reflect application of this standard.

2. Dividends

(Record dates)	Dividend per share (yen)				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Annual
Fiscal Year ended March 31, 2021	-	17.00	-	17.00	34.00
Fiscal Year ending March 31, 2022	-	12.00	-		
Fiscal Year ending March 31, 2022 (Forecast)				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	330,000	0.5	7,000	62.3	8,000	66.8	4,000	-	94.33

(Notes)

1. Modifications in the earnings forecast from the latest disclosure: Yes
2. Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, March 31, 2020) was applied from the beginning of the first quarter of this fiscal year. Accordingly, the amounts of forecast above reflect application of this standard.

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.: Yes
 - 2) Changes in accounting principles other than 1): None
 - 3) Changes in estimates used for accounting: None
 - 4) Retrospective restatements: None

(Note) Please see “2. Consolidated Financial Statements for the Quarter, (3) Notes on consolidated financial statements (Changes in accounting principles)” on page 8 of the Attachments for details.
- (4) Number of shares outstanding (common stock)
 - 1) Number of shares outstanding (including treasury shares):

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

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

During nine months ended December 31, 2021	42,405,952 shares
During nine months ended December 31, 2020	42,400,574 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 4 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 December 31, 2021)

For the business environment for nine months ended December 31, 2021, while voluntary restraint on going out continued to prevent the spread of COVID-19 infection, there was an air of relaxation on this restraint from around late September where signs were observed for consumption activities and economic activities returning to normal. However, there remained concerns over the resurgence of the spread of variant of coronavirus and the outlook was still uncertain.

In such environment, the Group has continued various efforts such as requiring employees to wear masks and disinfect with alcohol by following guidelines from the relevant authorities, and providing our products and services by paying sufficient attention to safety of customers and employees in aim to “offer joy to your everyday life.”

In reuse (comprehensive) merchandise¹, 2nd STREET in which reuse clothing is its core merchandise was strongly affected by voluntary restraint on going out, however, its sales turned towards recovery from relaxation on this restraint. In reuse luxury items, wholesale of luxury watches, etc. to overseas was strong due to active overseas market.

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 brand new game device. This stock enabled us to sell, thereby improving our business cycle. However, sales declined for reuse game software being unable to reach the level of sales that resulted from special demand that arose in 2020 from the public staying home. In reuse mobile device such as smartphones, etc., buying and selling showed signs of recovery from the launch of a new model iPhone.

In brand new game-related merchandise, sales for this third quarter were not as strong in the previous years over the Christmas and year-end shopping season due to shortage in supply of home game device “PlayStation 5” and lack of big titles for game software.

In our rental business where we mainly rent videos such as DVDs, the falling trends in sales is continuing due to 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, and also due to the spread of video streaming services.

As a result, for the Group’s results for nine months ended December 31, 2021, sales resulted in 244,991 million yen (0.7% increase from the same period of the previous year), operating profit resulted in 5,661 million yen (27.0% increase from the same period of the previous year), ordinary profit resulted in 6,643 million yen (39.2% increase from the same period of the previous year), and profit attributable to owners of parent resulted in 4,308 million yen (322.9% increase from the same period of the previous year). As change in accounting principles, we applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan Statement No. 29, March 31, 2020) from the beginning of the first quarter of this fiscal year. Therefore, comparison with the results of the same period of the previous year is made with values based on different accounting standards. Please see “2. Consolidated Financial Statements for the Quarter, (3) Notes on consolidated financial statements (Changes in accounting principles)” for details.

¹ From the second quarter of this fiscal year, we changed the English term of “reuse (non-media)” merchandise to “reuse (comprehensive)” merchandise to clarify that “reuse (comprehensive)” merchandise comprehensively includes reuse merchandise other than “reuse (media)” merchandise.

The number of our stores as of December 31, 2021 is as follows. The figures in () for “Total” show increase or 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	1,767	74	64	195	3	7	1,962	(6)
GEO	988	4	36	141	0	6	1,129	(-38)
2nd STREET	699	46	21	54	3	1	753	(27)
2nd STREET (overseas)	26	10	0				26	(10)
OKURA TOKYO	19	5	1				19	(4)
LuckRack	16	9	3				16	(6)
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 buy and sell 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 buy and sell clothing, home appliances and other items where they operate under the names of 2nd STREET, Super 2nd STREET, 2nd OUTDOOR, and 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 December 31, 2021 resulted in 119,844 million yen, which is an increase of 6,157 million yen from the previous fiscal year end. This increase is mainly due to increases of 1,127 million yen in notes and accounts receivable-trade, 9,289 million yen in merchandise, and 3,237 million yen in other current assets while there was a decrease of 7,497 million yen in cash and deposits. Non-current assets resulted in 56,526 million yen which is an increase of 475 million yen from the previous fiscal year end. This increase is mainly due to increases of 1,075 million yen in buildings and structures, net, and 393 million yen in intangible assets while there was a decrease of 890 million yen in other of investments and other assets.

As a result, the total assets as of December 31, 2021 resulted in 176,371 million yen, which is an increase of 6,633 million yen from the previous fiscal year end.

[Liabilities]

The current liabilities as of December 31, 2021 resulted in 43,830 million yen, which is an increase of 2,792 million yen from the previous fiscal year end. This increase is mainly due to increases of 7,000 million yen in short-term borrowings and 1,525 million yen in current portion of long-term borrowings while there was a decrease of 6,249 million yen in other of non-current liabilities. The non-current liabilities resulted in 56,974 million yen, which is an increase of 1,256 million yen from the previous fiscal year end. This increase is mainly due to an increase of 1,612 million yen in long-term borrowings.

As a result, the total liabilities resulted in 100,804 million yen, which is an increase of 4,049 million yen from the previous fiscal year end.

[Net assets]

The net assets as of December 31, 2021 resulted in 75,566 million yen, which is an increase of 2,583 million yen from the previous fiscal year end. This increase is mainly due to 4,308 million yen in profit attributable to owners of parent and dividends of 1,229 million yen paid from retained earnings.

From the above, the equity ratio resulted in 42.6% (42.8% as of the previous fiscal year end).

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

We revised the consolidated earnings forecast for full year presented on May 14, 2021 in view of our recent trends in earnings. Please see our “Notice concerning revision of consolidated earnings forecast for full year” announced today (February 10, 2022) for details. The earnings forecast is based on our decision based on information available as of the date of this document and actual results may be different based on various future factors.

2. Consolidated Financial Statements for the Quarter

(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2021	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	51,865	44,368
Notes and accounts receivable - trade	10,873	12,000
Merchandise	42,218	51,507
Other	8,827	12,064
Allowance for doubtful accounts	(97)	(96)
Total current assets	113,687	119,844
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,940	15,015
Other, net	14,237	13,861
Total property, plant and equipment	28,177	28,877
Intangible assets	2,349	2,742
Investments and other assets		
Leasehold and guarantee deposits	16,987	17,245
Other	9,523	8,633
Allowance for doubtful accounts	(986)	(972)
Total investments and other assets	25,524	24,906
Total non-current assets	56,050	56,526
Total assets	169,738	176,371
Liabilities		
Current liabilities		
Accounts payable - trade	15,108	15,624
Short-term borrowings	—	7,000
Current portion of long-term borrowings	5,012	6,537
Other	20,917	14,668
Total current liabilities	41,038	43,830
Non-current liabilities		
Long-term borrowings	45,943	47,556
Asset retirement obligations	6,669	6,859
Other	3,103	2,558
Total non-current liabilities	55,717	56,974
Total liabilities	96,755	100,804
Net assets		
Shareholders' equity		
Share capital	8,975	8,975
Capital surplus	3,388	3,388
Retained earnings	60,024	62,846
Total shareholders' equity	72,388	75,210
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	199	(10)
Deferred gains or losses on hedges	(1)	(0)
Foreign currency translation adjustment	(14)	(0)
Total accumulated other comprehensive income	184	(11)
Share acquisition rights	410	367
Total net assets	72,982	75,566
Total liabilities and net assets	169,738	176,371

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

Income statement

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	243,396	244,991
Cost of sales	148,451	147,838
Gross profit	94,945	97,152
Selling, general and administrative expenses	90,487	91,490
Operating profit	4,457	5,661
Non-operating income		
Rental income from real estate	564	508
Other	810	1,102
Total non-operating income	1,374	1,610
Non-operating expenses		
Interest expenses	169	157
Rental expenses on real estate	405	258
Other	482	212
Total non-operating expenses	1,058	628
Ordinary profit	4,774	6,643
Extraordinary income		
Gain on sale of investment securities	—	250
Total extraordinary income	—	250
Extraordinary losses		
Loss on withdrawal from business	548	—
Impairment losses	294	120
Loss on valuation of shares of subsidiaries and associates	158	—
Total extraordinary losses	1,001	120
Profit before income taxes	3,772	6,774
Income taxes - current	2,646	1,756
Income taxes - deferred	107	708
Total income taxes	2,753	2,465
Profit	1,018	4,308
Profit attributable to owners of parent	1,018	4,308

Statement of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Profit	1,018	4,308
Other comprehensive income		
Valuation difference on available-for-sale securities	64	(210)
Deferred gains or losses on hedges	1	0
Foreign currency translation adjustment	8	13
Total other comprehensive income	74	(195)
Comprehensive income	1,092	4,112
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,092	4,112

(3) Notes on consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

For the nine months ended December 31, 2020 (consolidated):

The Company cancelled 1,530,536 treasury shares effective December 30, 2020 pursuant to the resolution made by its board of directors at its meeting held on November 27, 2020. As a result, retained earnings and treasury shares respectively decreased by 1,999 million yen for the nine months ended December 31, 2020. Retained earnings as of December 31, 2020 was 61,795 million yen. There is no balance for the treasury shares.

For the nine months ended December 31, 2021 (consolidated):

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 the first quarter of this fiscal year. 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 the first quarter of this fiscal year, is added or deducted from the amount of surplus at the beginning of the first quarter of this fiscal year, 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 the first quarter of this fiscal year.

As a result, net sales and cost of sales respectively decreased by 17,872 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 third 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 the first quarter of this fiscal year. 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 nine months ended December 31, 2020 (consolidated) and the nine months ended December 31, 2021 (consolidated):

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