



**Briefing on the Financial Results for the First Quarter
of the Fiscal Year Ending March 31, 2023
GEO HOLDINGS CORPORATION**

GEO HOLDINGS CORPORATION

August 10, 2022

Prime Market of the Tokyo Stock Exchange (2681)





Contents

- Summary of Financial Results for First Quarter of Fiscal Year Ending March 31, 2023
- 1 Consolidated Results for Three Months Ended June 30, 2022
- 2 Achievement on Forecast for Fiscal Year Ending March 31, 2023
- 3 Initiatives of Each Business
- 4 Group Profile
- 5 Appendix

Summary of Financial Results for First Quarter of Fiscal Year Ending March 31, 2023

Topics

- 2nd STREET (Japan): Opened 10 new stores during the first quarter under review, aiming to achieve the target number of 800 stores by the end of the current fiscal year
 - 2nd STREET (overseas): Opened three stores in the United States, two in Taiwan, and one in Malaysia
-

Highlights

- Sales of reuse clothing and accessory merchandise, which are 2nd STREET's core merchandise, remained strong because the atmosphere that led to voluntary restraint on going out was alleviated, and net sales increased 7.0% year on year, to 81.3 billion yen.
 - 2nd STREET recovered from the impact of the COVID-19 pandemic and made a good start, with operating profit having increased 248.4% year on year, ordinary profit by 252.5% year on year, and profit by 476.6% year on year, respectively.
 - Gross profit ratio also improved by 1.2 percentage points year on year, to 42.0%.
-

1. Consolidated Results for Three Months Ended June 30, 2022

1

Income statement for three months

Sales increased and profits recovered, with progress in recovery from the impact of the COVID-19 pandemic.

(Million yen)	2022/3 1Q Results	2023/3 1Q Results	Change	Increase/ decrease
Net sales	76,088	81,377	107.0%	5,289
Gross profit	31,011	34,194	110.3%	3,183
(Gross profit ratio)	40.8%	42.0%		
SG&A	29,855	30,167	101.0%	312
Operating profit	1,155	4,027	348.4%	2,871
(Operating profit ratio)	1.5%	4.9%		
Ordinary profit	1,341	4,729	352.5%	3,387
Profit	526	3,034	576.6%	2,508

1

Sales based on merchandise for three months

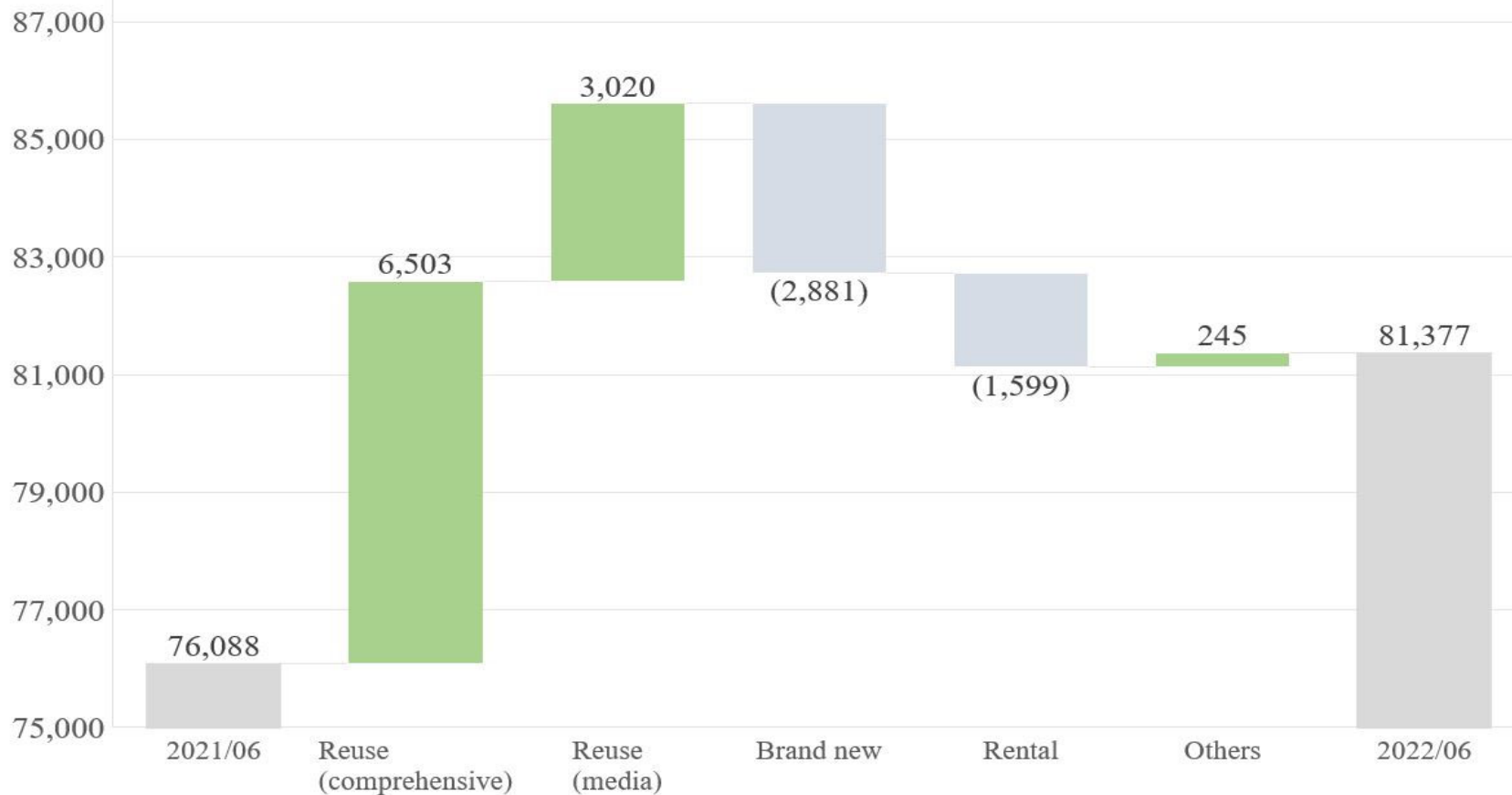
(Million yen)	2022/3 1Q Results	2023/3 1Q Results	Change	Increase/ decrease	
Reuse	36,627	46,152	126.0%	9,524	Sales increased due to the effects of new 2nd STREET stores and recovery in sales of clothing from the impact of the COVID-19 pandemic.
Comprehensive	23,507	30,011	127.7%	6,503	
Media	13,119	16,140	123.0%	3,020	Sales increased thanks to strong sales of communication devices, such as smartphones and tablets.
Brand new	23,507	20,625	87.7%	▲ 2,881	
Rental	11,205	9,606	85.7%	▲ 1,599	
Others	4,748	4,993	105.2%	245	Sales decreased because of the persistent shortage of game software titles and the persistent supply-demand gap of game devices.
Total	76,088	81,377	107.0%	5,289	

1

Change in sales from the previous first quarter

Sales of reuse (comprehensive) merchandise as the core merchandise of 2nd STREET increased because the atmosphere that led to voluntary restraint on going out was alleviated. As a result, net sales increased 7.0% year on year.

(Million yen)



1

Gross profit based on merchandise for three months

(Million yen)	2022/3 1Q Results	2023/3 1Q Results	Change	Increase/ decrease
Reuse	16,912	20,721	122.5%	3,808
Comprehensive	11,649	15,101	129.6%	3,452
Media	5,263	5,619	106.8%	356
Brand new	3,659	3,798	103.8%	139
Rental	7,286	5,957	81.8%	▲ 1,329
Others	3,152	3,717	117.9%	564
Total	31,011	34,194	110.3%	3,183

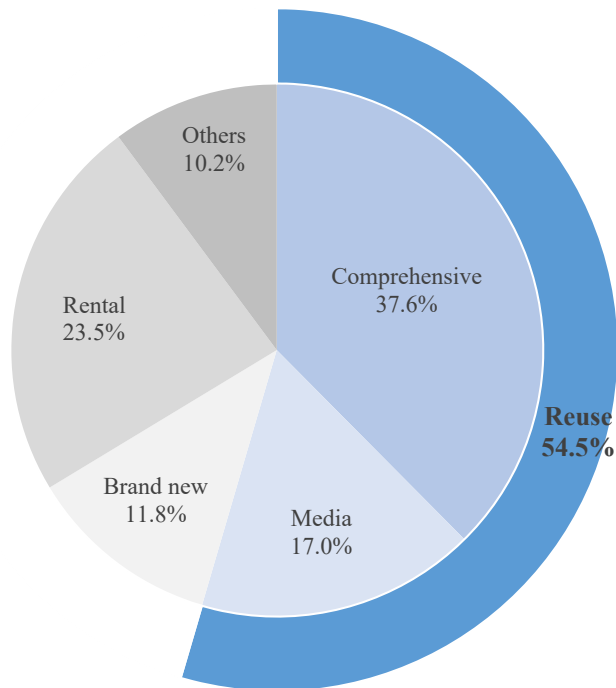
Gross profit ratio increased due in part to the recovery in sales of low-priced clothing items with relatively high gross profit ratio.

1

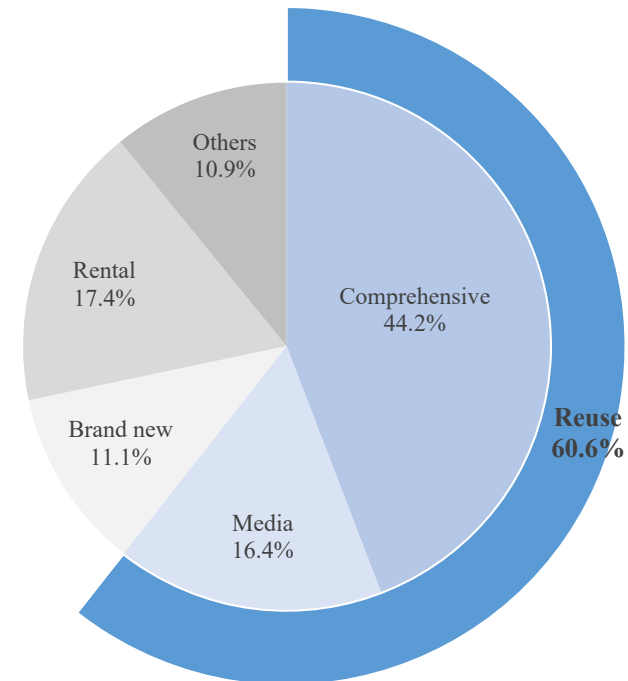
Gross profit composition at the GEO Group

We strategically implemented measures to increase the ratio of reuse (comprehensive) merchandise, such as opening new 2nd STREET stores and other reuse stores. As a result, gross profit composition of reuse merchandise increased 6.1 percentage points year on year, to 60.6%.

Three Months Ended June 30, 2021



Three Months Ended June 30, 2022



1

SG&A

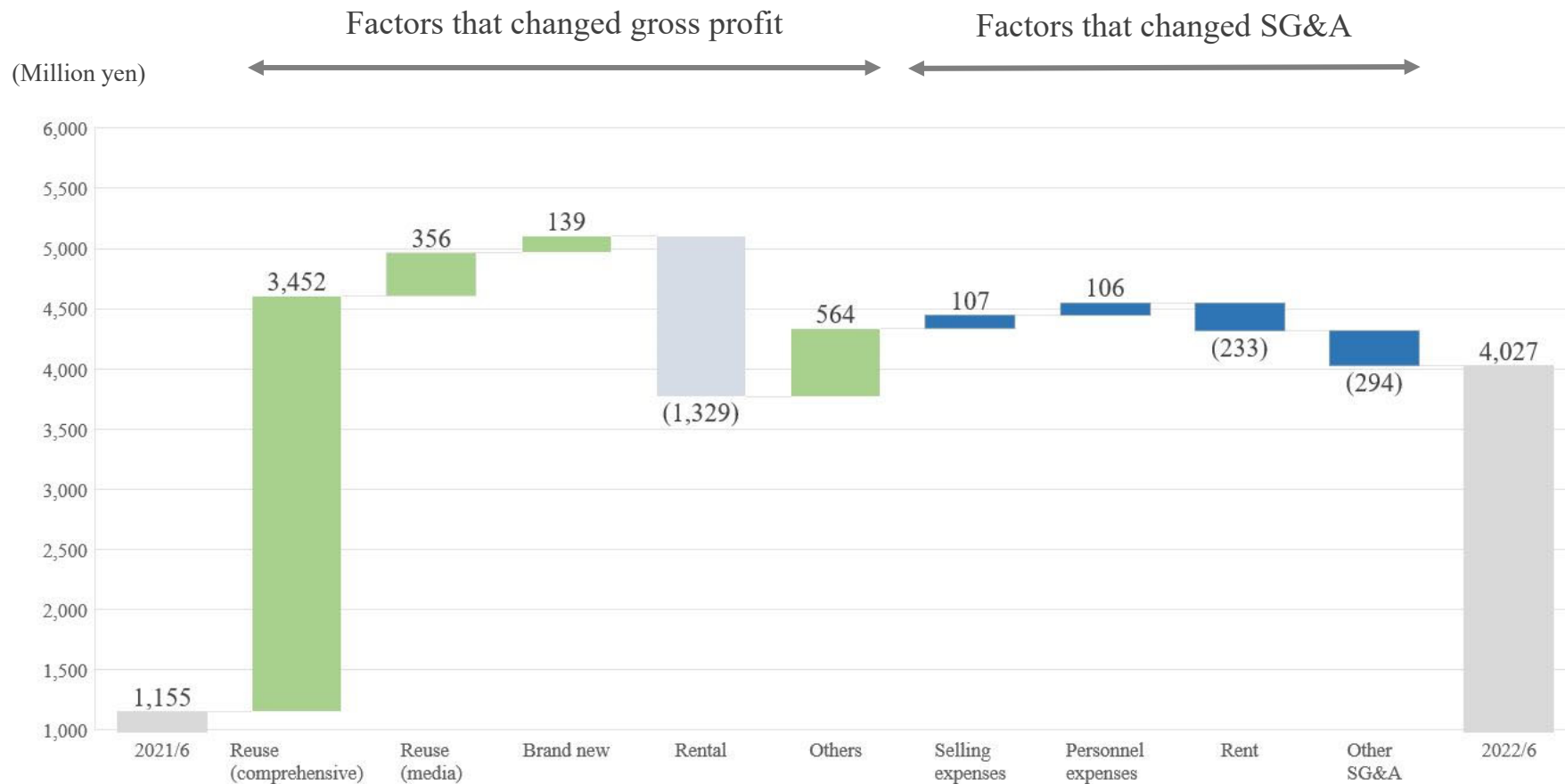
SG&A increased slightly, up 1.0% year on year, but an increase in utilities is expected in the future due to a significant rise in the electricity rate.

(Million yen)	2022/3 1Q Results	(Ratio to sales)	2023/3 1Q Results	(Ratio to sales)	Increase/ decrease	(Change)
Total selling expenses	4,002	5.3%	3,894	4.8%	▲ 107	97.3%
Advertising	1,773	2.3%	1,700	2.1%	▲ 72	95.9%
Sales promotion	74	0.1%	75	0.1%	0	101.1%
Sales commission	1,184	1.6%	1,277	1.6%	92	107.8%
Total personnel expenses	14,276	18.8%	14,169	17.4%	▲ 106	99.3%
Total other expenses	11,576	15.2%	12,104	14.9%	527	104.6%
Utilities	680	0.9%	868	1.1%	188	127.7%
Rent	6,208	8.2%	6,441	7.9%	233	103.8%
Depreciation and amortization	1,019	1.3%	931	1.1%	▲ 88	91.4%
Consumables	482	0.6%	367	0.5%	▲ 114	76.1%
Maintenance	222	0.3%	150	0.2%	▲ 72	67.4%
Total SG&A	29,855	39.2%	30,167	37.1%	312	101.0%

1

Change in operating profit from the previous first quarter

The increase in gross profit from reuse (comprehensive) merchandise absorbed the decrease in gross profit from rental services. As a result, operating profit improved significantly, up 248.4% year on year.



1

Balance sheet

(Million yen)	As of March 31, 2022	Composition	As of June 30, 2022	Composition	Increase/ decrease
Current assets	117,970	67.7%	120,630	68.1%	2,660
Cash and deposits	45,604		45,100		▲ 503
Merchandise	51,438		55,073		3,635
Non-current assets	56,405	32.3%	56,514	31.9%	109
Property, plant and equipment	27,121		27,473		352
Intangible assets	2,821		3,071		250
Investments and other assets	26,461		25,969		▲ 491
Total assets	174,375	-	177,145	-	2,770
Current liabilities	36,057	20.7%	37,620	21.2%	1,563
Accounts payable trade	14,123		12,449		▲ 1,673
Short-term borrowings	-		6,000		6,000
Current portion of long-term borrowings	5,893		5,903		10
Non-current liabilities	61,124	35.1%	59,703	33.7%	▲ 1,420
Long-term borrowings	52,050		50,571		▲ 1,478
Total liabilities	97,181	55.7%	97,324	54.9%	143
Total net assets	77,193	44.3%	79,821	45.1%	2,628
Total liabilities and net assets	174,375	-	177,145	-	2,770

An increase that mainly reflects strong buying of reuse (comprehensive) merchandise

Increased because it was procured as working capital in the form of overdraft

2. Achievement on Forecast for Fiscal Year Ending March 31, 2023

2

Achievement on forecast for fiscal year ending March 31, 2023

We announced the following forecast values in May 2022. We assumed that the business environment would remain at a certain level in the first half, expecting the impact of the COVID-19 pandemic to be gradually alleviated.

During the first quarter under review, human traffic improved more than expected. Above all, sales at 2nd STREET were stronger than expected.

The rates of achievement of operating profit, ordinary profit, and profit were high, but there is a concern over factors that increase cost, including rising prices of goods resulting from soaring resource prices, as well as increases in personnel costs, utilities, and other costs. We have therefore continued to scrutinize performance forecasts.

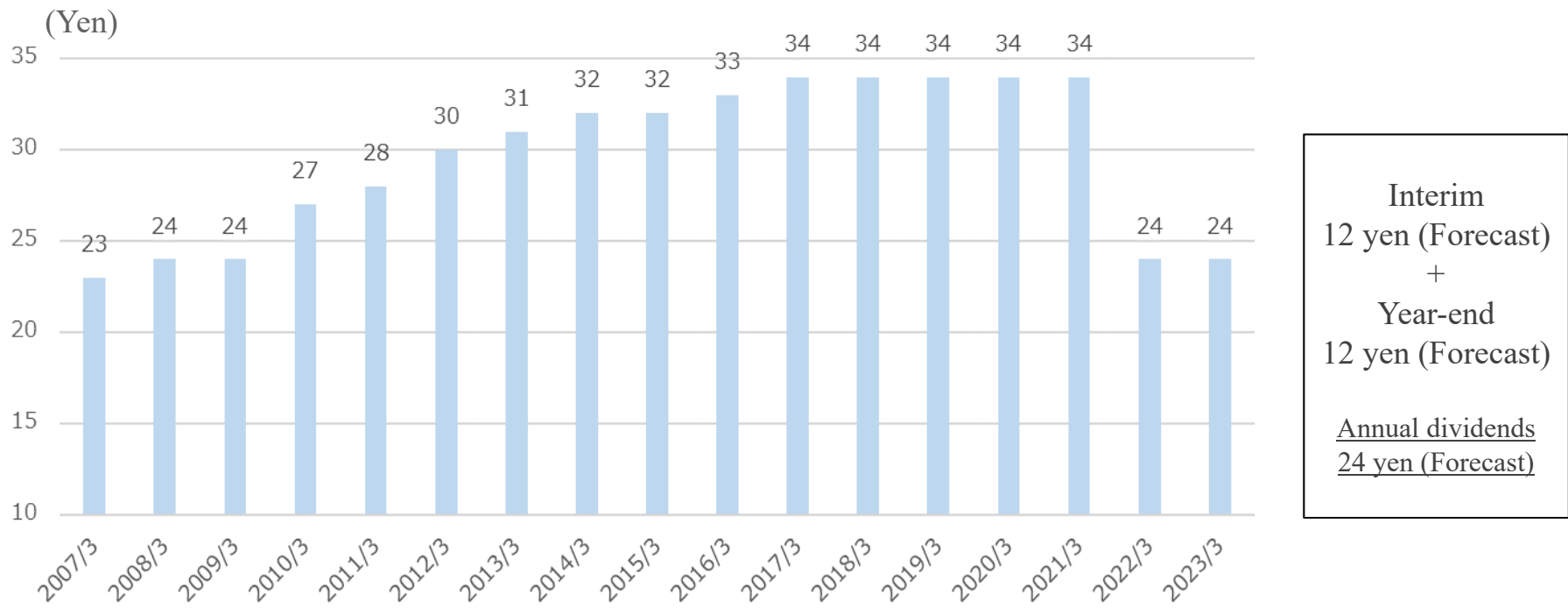
(Million yen)	2023/3 Forecast	2023/3 1Q Results	2023/3 1Q Achievement
Net sales	350,000	81,377	23.3%
Operating profit	7,000	4,027	57.5%
Ordinary profit	7,600	4,729	62.2%
Profit	3,800	3,034	79.9%

2

Dividends

We recognize that return of profits to shareholders is one of management priorities. We have a basic policy to secure a stable management foundation, improve profitability, and pay stable dividends. For the fiscal year ended March 31, 2022, we reduced annual dividends to 24 yen in view of the low level of our profits. For fiscal year ending March 31, 2023, we plan to maintain the amount of annual dividends at 24 yen, reflecting our understanding that we are still on the path to restoring our profit level.

Changes in dividends per share as adjusted to reflect stock split



3. Initiatives of Each Business

3

The Group's strategy

Challenge to become a network retailer

(To become the infrastructure to circulate all kinds of goods)





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).



3

GEO Group's stores

- Total number of stores for the Group as of June 30, 2022: 1,963

	GEO *1 	2nd STREET *2 				OKURA TOKYO 	Luck Rack 	Others	Total
		(Japan)	(USA)	(Malaysia)	(Taiwan)				
Directly-managed stores	971	713	13	9	10	20	20	17	1,773
(Opened during this first quarter)	0	10	3	1	2	1	2	0	19
(Closed during this first quarter)	(1)	(7)	0	0	0	0	(1)	(2)	(11)
Franchise stores and distributors	136	54	0	0	0	0	0	0	190
Total	1,107	767	13	9	10	20	20	17	1,963

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

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

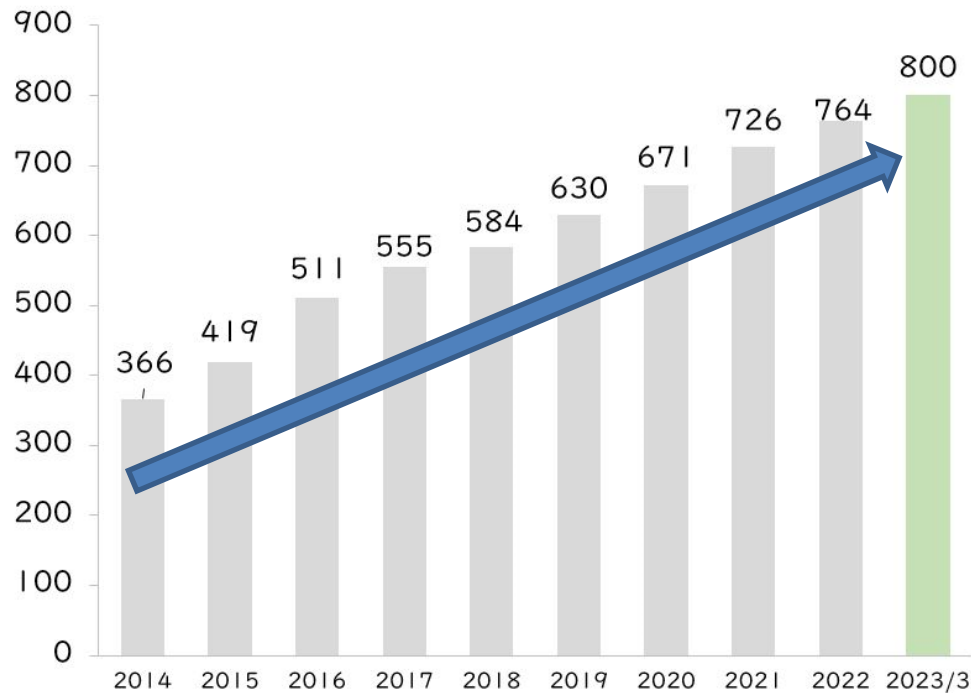


3

Deep focus on the reuse market

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)



We provide 3 options for our buying method at more than 750 stores nationwide

Consumers may choose to bring their goods directly to the stores (“buying at stores”), request us to visit their homes to value 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 value merchandise for buying, the number of which is increasing each day.



During the first quarter under review, we opened 10 new stores of 2nd STREET in Japan, increasing the total number of stores to 767. From the second quarter onward, we will continue to open new stores to achieve our plan to have 800 stores of 2nd STREET in Japan by March 31, 2023 although there remain some uncertainties about the impact of COVID-19 and prices of materials.

We will continue to open our stores, which serve as the buying and selling fronts, in the reuse market that keeps growing amid efforts to build a recycling-oriented society. Thus, we will increase points of contact with customers. We also advertise 2nd STREET effectively with TV commercials, web ads, and various campaigns to increase the visibility of reuse merchandise, among other measures. This has enabled 2nd STREET to continue growing.



3

2nd STREET (Overseas)



We have been expanding overseas since we opened our first overseas store in the USA in January 2018. During this first quarter, we opened a total of six new stores at overseas: three in the USA, two in Taiwan, and one in Malaysia.

It is anticipated that the reuse market will also expand at overseas, and we will continue to open 2nd STREET business format stores that mainly handle clothing and accessories as merchandise. In Malaysia, we have our overseas wholesale front for used clothing in addition to our retail stores.



2nd Street Santa Monica Store
(California, the United States)



2nd Street Wei Feng Nan Shan Store
(Taipei City, Taiwan)



2nd Street KEPONG Store
(Kuala Lumpur, Malaysia)



We operate 20 OKURA TOKYO (Okura) stores. Okura sells reuse luxury watches and luxury brand bags, etc., and some of its stores only buy these. Other than operating stores, Okura wholesales luxury items to overseas and operates auction markets.

In the first quarter, we opened LaLaport Fukuoka Store as a buying-only store.

The Group aims to become number one also in luxury merchandise in the domestic reuse market through Okura that we acquired in March 2020.



OKURA TOKYO Ginza Main Store (Chuo-ku, Tokyo)



OKURA LaLaport Fukuoka Store (Hakata Ward, Fukuoka City)

3

Features and merits of our media (GEO) business



GEO has more than 1,000 stores nationwide mainly through its directly managed stores. By taking advantage of the fact that our stores are mainly stores directly managed by us, 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 brand new and used game merchandise, and its thorough low cost operation.

■ Nation-wide stores:

GEO	1,107 stores
(Directly-managed stores)	971 stores
(Franchise stores and distributors)	136 stores

(As of June 30, 2022)



Self-checkout terminals

3

Introduction of additional merchandise and renewing sales floor at GEO stores



In response to the shrinking of the rental market, we are adding merchandise and renewing floor spaces, such as reducing the floor space for rental services, expanding the floor space for selling home appliances, smartphones, and their accessories, and beginning to sell snacks and food.



Total number of sales more than 150,000



3

Proactive use of IT and reinforce on-line



Our sale of items by involving the internet, not only through the EC site (2nd STREET online and GEO online) and official applications, but also such as through order service to the 2nd STREET stores, grew by 6.1% compared to the previous first quarter.

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, the sales and the number of items sold on our own 2nd STREET site (including through applications) achieved strong growth of 45.1% and 35.5%, respectively, compared to the previous first quarter.

We will aim to organize a system to provide seamless services sought by our customers by continuously improving our official applications and own EC website, by enhancing our recognition, and by organizing logistics.

	2022/3 1Q Results	2023/3 1Q Results	Change
Sales involving EC (Million yen)	4,780	5,070	106.1%
Number of items sold involving EC (Thousand items)	974	861	88.5%

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.

Our subsidiaries operate DL site, which is a two dimensional contents download site which enables creators who create contents such as fanzines, voice outputs, comics and games to sell their contents to the fans on digital base, and also produce and sell game, voice and ASMR contents, create digital comics, and provide digital comics to various comic sites.



Names of services we provide



3

Contribution to Achieving the SDGs



Contributing to achieving SDGs with 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.





Contributing to achieving SDGs by energy efficiency



We have installed LED lights at approximately 1,600 stores. This means that we are reducing CO2 with LED lights at more than 90% of our stores. We have introduced tablet terminals at the cash register counter of each store and we stopped using paper for purchase slips and other documents. We will thus improve energy efficiency and business efficiency.

Building an environment to promote diverse workstyles



■ Active participation of female employees

We have established a system that permits female employees to balance life events, such as childbirth and childcare, with career development and that enables each one of them to choose flexible workstyles. The rate of acquisition of maternal leave and childcare leave was 100% in 2021.

■ Excellence award in the human resource management category in the 11th Japan HR Challenge Awards

We won an excellence award in the human resource management category in the 11th Japan HR Challenge Awards, which are sponsored by the Ministry of Health, Labour and Welfare, Organization for Small & Medium Enterprises and Regional Innovation, JAPAN, and others.

We were granted the award in recognition of the Meeting of Employee Representatives, which is aimed at collecting realistic information from employees to build an environment and systems that give job satisfaction to employees.








4. 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 (As of June 30, 2022)
- Listed exchange	Tokyo Stock Exchange Prime Market

4

GEO Group's major shops and their major merchandise

	 1,107	 19 stand-alone stores 423 stores attached to GEO	 767 stores in Japan 32 overseas stores	 20	 20
Number of stores (As of June 30, 2022)					
Clothing and accessories			Reuse		Brand new
Household goods, furniture, and home appliances			Reuse		
Luxury brand items			Reuse	Reuse	
Game device and game software	Reuse merchandise and brand-new products				
Audio-visual equipment and smartphone accessories	Reuse merchandise and brand-new products	Brand new			
Smartphones, tablet terminals, and PCs	Reuse	Reuse			
DVD, Blu-ray, CD and comic book	Rental services and brand-new products				
Features	GEO has top market shares for reuse game devices and software, reuse smartphones, and video and music rental services. It offers brand-new audio-visual equipment and smartphone accessories in addition to brand-new game devices and software.	We have opened stand-alone stores in addition to stores attached to GEO. GEO mobile has the leading market share for reuse mobile devices. Staff specialized in smartphones provide services.	2nd STREET has top market shares for reuse clothing and accessories. We also operate buying-only stores and specialty stores offering outdoor goods, musical instruments, or other.	OKURA mainly offers watches and bags as luxury brand items. Auctions by OKURA ensure stable merchandise supply.	Luck Rack is a chain of off-price stores (OPS), which procure surplus stock from manufacturers and offer them at low prices.

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

5. Appendix

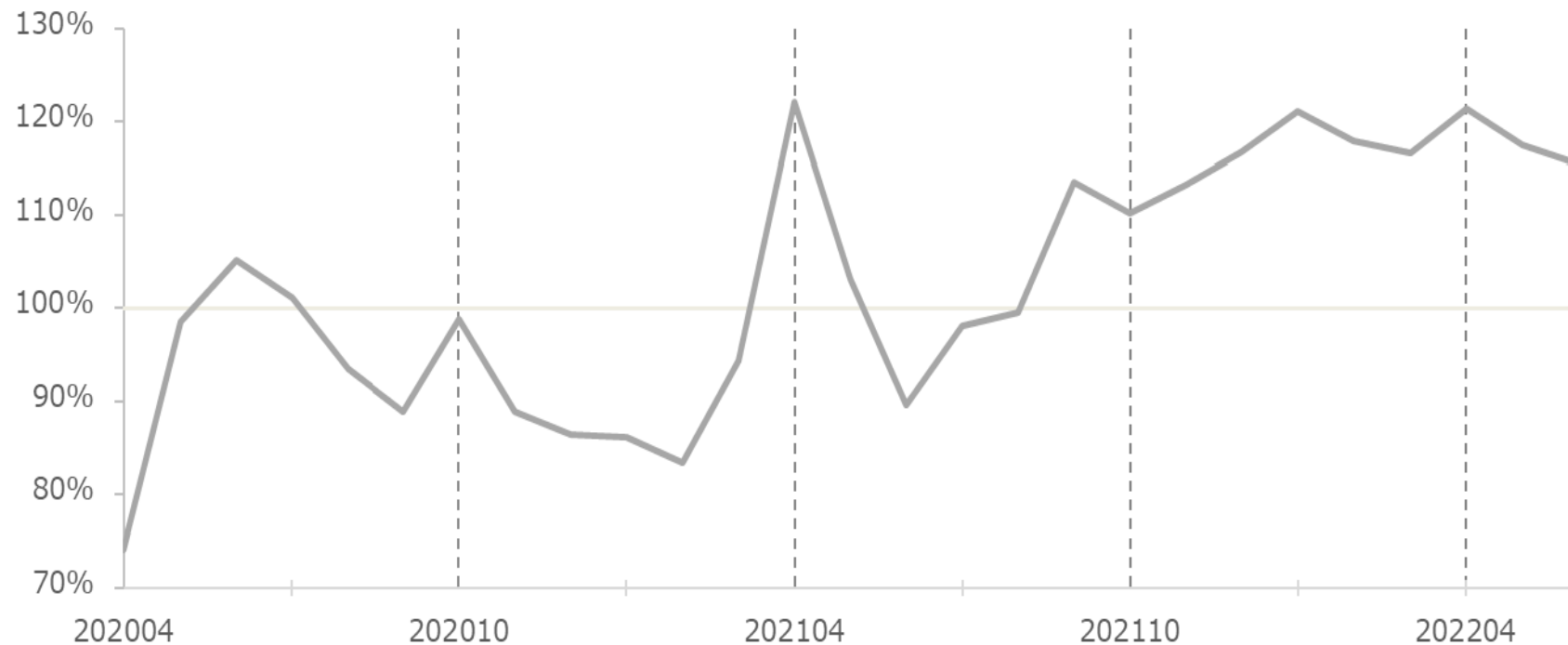
5

Income statement

	2022/3				2023/3			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
(Million yen)	Results	Results	Results	Results	Results	Results	Results	Results
Net sales	76,088	75,860	93,042	89,797	81,377			
(Change)	91.8%	100.2%	109.7%	105.7%	107.0%			
Gross profit	31,011	31,167	34,974	33,645	34,194			
(Change)	93.3%	102.9%	111.3%	111.1%	110.3%			
(Gross profit ratio)	40.8%	41.1%	37.6%	37.5%	42.0%			
SG&A	29,855	30,840	30,795	31,132	30,167			
(Change)	100.6%	102.1%	100.7%	102.3%	101.0%			
Operating profit	1,155	326	4,178	2,513	4,027			
(Change)	32.5%	490.6%	500.9%	—	348.4%			

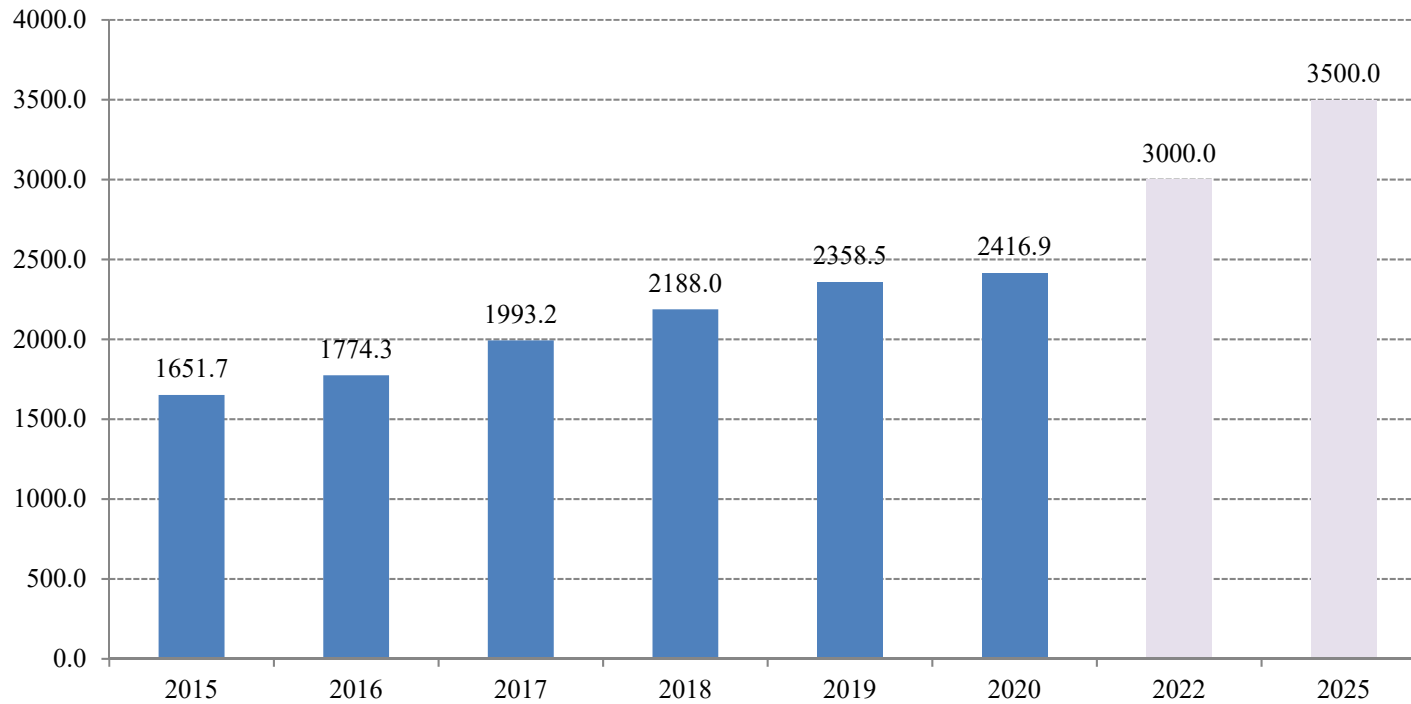


Year-on-year changes in monthly sales at existing 2nd STREET stores in Japan



5

Market trends (reuse)



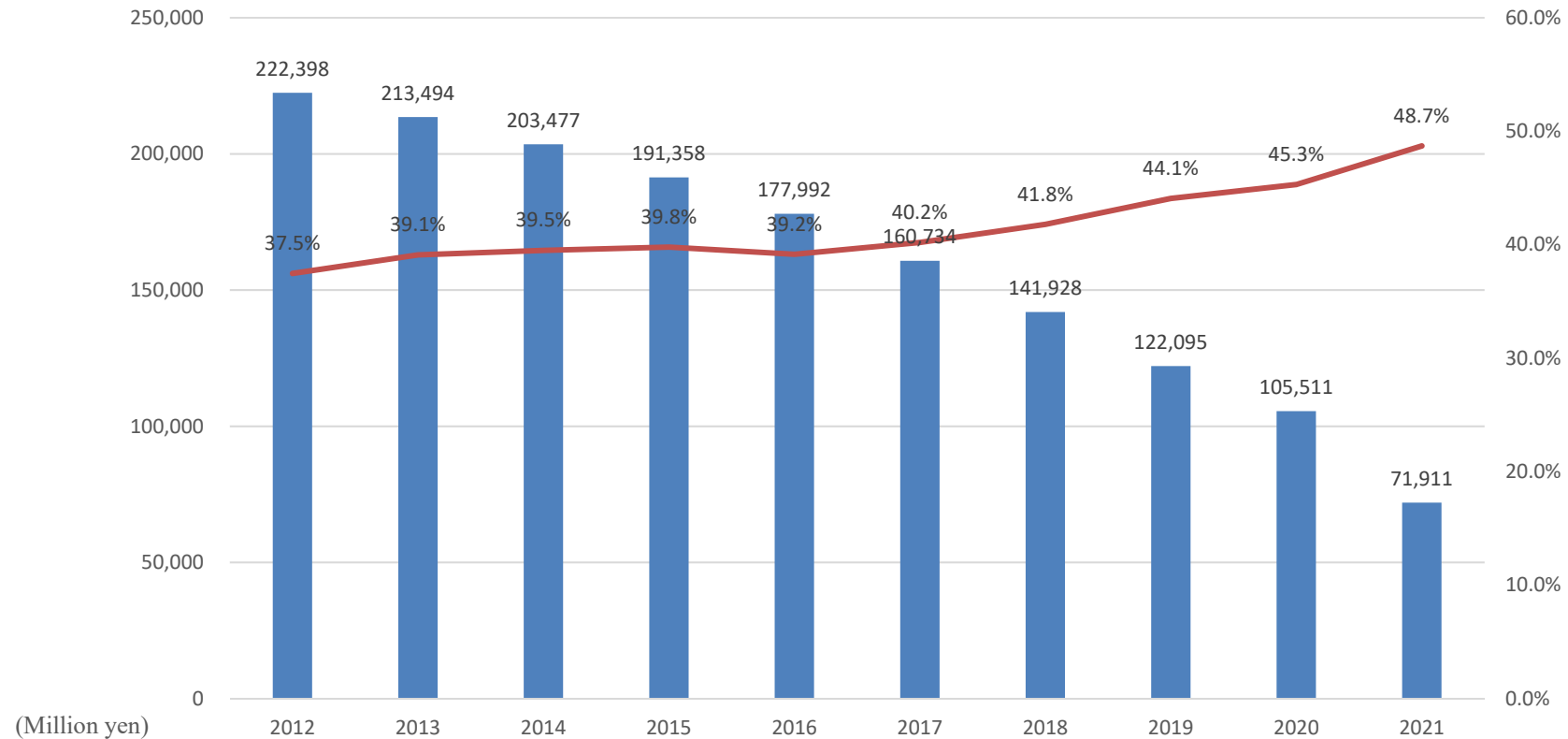
(Billion yen)

(Reference: Reuse Business Journal “Secondhand Market Databook 2021”)

5

Market trends (rental)

Change in market and share for music and video rental in Japan



(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

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