

Summary of Financial Statements for the First Quarter of the Fiscal Year Ending March 31, 2023 (Japan GAAP)

August 10, 2022

GEO HOLDINGS CORPORATION

Securities Code: 2681

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Scheduled date to submit quarterly report: August 10, 2022

Scheduled date to start dividend payment: –

Supplementary material on quarterly financial results: Yes

Briefing on this quarterly financial results: No

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(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the First Quarter (from April 1, 2022 to June 30, 2022)

(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, 2022	81,377	7.0	4,027	248.4	4,729	252.5	3,034	476.6
June 30, 2021	76,088	(8.2)	1,155	(67.5)	1,341	(63.1)	526	(78.0)

(Note) Comprehensive income: 3,136 million yen (increase of 567.0%) for three months ended June 30, 2022
470 million yen (decrease of 80.4%) for three months ended June 30, 2021

	Earnings per share		Fully diluted earnings per share	
	Yen		Yen	
Three months ended:				
June 30, 2022	71.56		71.44	
June 30, 2021	12.41		12.39	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Millions of yen		Millions of yen		%	
As of						
June 30, 2022	177,145		79,821		44.9	
March 31, 2022	174,375		77,193		44.1	

(Reference) Shareholders' equity: As of June 30, 2022: 79,460 million yen
As of March 31, 2022: 76,832 million yen

2. Dividends

	Dividend per share (yen)				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Annual
Fiscal Year ended March 31, 2022	–	12.00	–	12.00	24.00
Fiscal Year ending March 31, 2023	–				
Fiscal Year ending March 31, 2023 (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, 2023 (from April 1, 2022 to March 31, 2023)

(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	350,000	4.5	7,000	(14.4)	7,600	(21.3)	3,800	(36.5)	89.61

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

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.: None
 - 2) Changes in accounting principles other than 1): None
 - 3) Changes in estimates used for accounting: None
 - 4) Retrospective restatements: None
- (4) Number of shares outstanding (common stock)
 - 1) Number of shares outstanding (including treasury shares):

As of June 30, 2022	42,405,952 shares
As of March 31, 2022	42,405,952 shares
 - 2) Number of treasury shares:

As of June 30, 2022	– shares
As of March 31, 2022	– shares
 - 3) Average number of outstanding shares:

During three months ended June 30, 2022	42,405,952 shares
During three months ended June 30, 2021	42,405,952 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, 2022 to June 30, 2022)

For the three months ended June 30, 2022, the impact of the COVID-19 pandemic was gradually alleviated and normalization of economic activities made progress. However, the future remained uncertain due in part to the rising prices of raw materials, their supply constraints, and fluctuations in financial and capital markets, in addition to growing tensions in the international situation, including the Russian invasion of Ukraine.

In this environment, the Group provided products and services in full consideration of the safety of customers and employees, continuing to have employees wear masks and disinfect with alcohol and ventilating stores frequently to help prevent a resurgence in infections. Thus, the Group has continued to pursue various challenges, aiming to “offer joy to your everyday life.”

In reuse (comprehensive) merchandise as the core merchandise of 2nd STREET, sales of reuse clothing and other items increased, mainly due to the contribution of the Golden Week Sale, which was implemented when both the number of customers and average customer spend began to increase due to the full lifting of quasi-emergency measures against the COVID-19 pandemic in late March. Sales of the overall reuse (comprehensive) merchandise increased, having remained strong even after the end of the Golden Week Sale.

In reuse (media) merchandise, which is the core merchandise of GEO, sales of both reuse game devices and reuse game software declined. In reuse mobile devices such as smartphones, the market continued to gather momentum given that SIM locks are prohibited for terminals sold on or after October 1, 2021, in principle. This is reflected in smartphone sales as a positive impact, and sales of the overall reuse (media) merchandise increased.

In new game-related merchandise, supply of the home video game console PlayStation 5 remained tight and the number of new titles was limited, which resulted in a decrease in sales.

In rental merchandise, sales declined with the spread of video streaming services and the contraction of the rental market.

Foreign exchange gains of 482 million yen were posted due to the sharp depreciation of the yen.

As a result, during the first quarter under review, the Group’s net sales totaled 81,377 million yen (up 7.0% year on year), with operating profit of 4,027 million yen (up 248.4%) and ordinary profit of 4,729 million yen (up 252.5%). Profit attributable to owners of parent came to 3,034 million yen (up 476.6%).

The number of our stores as of June 30, 2022 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	1,773	19	11	190	0	3	1,963	(+5)
GEO	971	0	1	136	0	3	1,107	(-4)
2nd STREET	713	10	7	54	0	0	767	(+3)
2nd STREET (USA)	13	3	0	0	0	0	13	(+3)
2nd STREET (Malaysia)	9	1	0	0	0	0	9	(+1)
2nd STREET (Taiwan)	10	2	0	0	0	0	10	(+2)
OKURA TOKYO	20	1	0	0	0	0	20	(+1)
LuckRack	20	2	1	0	0	0	20	(+1)
Others	17	0	2	0	0	0	17	(-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. Values for 2nd STREET (overseas), which had been indicated until the previous fiscal year, are now indicated on a country-by-country basis.
5. Values for WAREHOUSE, which had been indicated until the previous fiscal year, are now included in “Others.”

(2) Details of consolidated financial position

[Assets]

The current assets as of June 30, 2022 resulted in 120,630 million yen which is an increase of 2,660 million yen from the previous fiscal year end. This was mainly attributable to decreases of 503 million yen in cash and deposits, and 631 million yen in accounts receivable, despite an increase of 3,634 million yen in merchandise. Non-current assets amounted to 56,514 million yen, an increase of 109 million yen from the end of the previous fiscal year. This mainly reflects increases of 443 million yen in buildings and structures, net and of 249 million yen in intangible assets, offsetting a decrease in “Other” under investments and other assets of 630 million yen.

As a result, total assets increased by 2,770 million yen from the end of the previous fiscal year to 177,145 million yen.

[Liabilities]

The current liabilities as of June 30, 2022 resulted in 37,620 million yen which is an increase of 1,563 million yen from the previous fiscal year end. This was largely due to an increase of 6,000 million yen in short-term borrowings, offsetting a decrease of 1,673 million yen in accounts payable - trade and 2,772 million yen in “Other” under current liabilities. Non-current liabilities amounted to 59,703 million yen, a decrease of 1,421 million yen from the end of the previous fiscal year. This was mainly attributable to a decrease of 1,478 million yen in long-term borrowings.

As a result, total liabilities increased by 142 million yen from the end of the previous fiscal year, to 97,324 million yen.

[Net assets]

The net assets as of June 30, 2022 resulted in 79,821 million yen, which is an increase of 2,627 million yen from the previous fiscal year end. This was attributable principally to profit attributable to owners of parent amounting to 3,034 million yen and dividends of surplus of 508 million yen.

As a result, the equity ratio stood at 44.9% (compared to 44.1% at the end of the previous fiscal year).

(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 13, 2022.

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

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	45,604	45,100
Accounts receivable - trade	9,962	9,330
Merchandise	51,438	55,073
Other	11,014	11,214
Allowance for doubtful accounts	(50)	(88)
Total current assets	117,970	120,630
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	13,646	14,090
Other, net	13,475	13,382
Total property, plant and equipment	27,121	27,473
Intangible assets	2,821	3,071
Investments and other assets		
Leasehold and guarantee deposits	17,366	17,512
Other	10,009	9,378
Allowance for doubtful accounts	(914)	(921)
Total investments and other assets	26,461	25,969
Total non-current assets	56,405	56,514
Total assets	174,375	177,145
Liabilities		
Current liabilities		
Accounts payable - trade	14,123	12,449
Short-term borrowings	-	6,000
Current portion of long-term borrowings	5,893	5,903
Other	16,040	13,268
Total current liabilities	36,057	37,620
Non-current liabilities		
Long-term borrowings	52,050	50,571
Asset retirement obligations	6,871	6,907
Other	2,203	2,223
Total non-current liabilities	61,124	59,703
Total liabilities	97,181	97,324
Net assets		
Shareholders' equity		
Share capital	8,975	8,975
Capital surplus	3,388	3,388
Retained earnings	64,523	67,049
Total shareholders' equity	76,887	79,413
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(10)	0
Deferred gains or losses on hedges	(0)	(0)
Foreign currency translation adjustment	(44)	46
Total accumulated other comprehensive income	(55)	47
Share acquisition rights	361	361
Total net assets	77,193	79,821
Total liabilities and net assets	174,375	177,145

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

Consolidated Income Statement

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	76,088	81,377
Cost of sales	45,076	47,182
Gross profit	31,011	34,194
Selling, general and administrative expenses	29,855	30,167
Operating profit	1,155	4,027
Non-operating income		
Foreign exchange gains	–	482
Rental income from real estate	168	175
Other	223	256
Total non-operating income	391	915
Non-operating expenses		
Interest expenses	52	57
Rental expenses on real estate	83	67
Other	69	87
Total non-operating expenses	205	212
Ordinary profit	1,341	4,729
Extraordinary losses		
Impairment losses	84	11
Total extraordinary losses	84	11
Profit before income taxes	1,257	4,718
Income taxes - current	243	1,092
Income taxes - deferred	488	591
Total income taxes	731	1,683
Profit	526	3,034
Profit attributable to owners of parent	526	3,034

Statement of Comprehensive Income

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	526	3,034
Other comprehensive income		
Valuation difference on available-for-sale securities	(48)	11
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	(7)	90
Total other comprehensive income	(55)	102
Comprehensive income	470	3,136
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	470	3,136

(3) Notes on consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

None

(Segment information)

Segment information

For the three months ended June 30, 2021 (consolidated) and the three months ended June 30, 2022 (consolidated):
Description is omitted because the Group reports only through one segment, i.e., retail services.