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Consolidated Financial Results for the First Six Months of the Fiscal Year Ending March 31, 2024 (Japanese GAAP)

November 10, 2023

GEO HOLDINGS CORPORATION

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 Securities Code: 2681
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 Scheduled date to file quarterly securities report: November 10, 2023
 Scheduled date to commence dividend payments: December 8, 2023
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: yes (to institutional investors and analysts)

(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the First Six Months (from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicates changes from the previous corresponding period.)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended:								
September 30, 2023	215,761	25.0	7,307	16.1	8,675	14.5	5,717	26.3
September 30, 2022	172,562	13.6	6,292	324.5	7,574	279.9	4,525	523.6

(Note) Comprehensive income: 5,683 million yen (increase of 22.8%) for six months ended September 30, 2023
 4,626 million yen (increase of 762.1%) for six months ended September 30, 2022

	Earnings per share	Fully diluted earnings per share
Six months ended:	Yen	Yen
September 30, 2023	144.62	143.67
September 30, 2022	106.72	106.55

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	211,383	82,541	39.0
March 31, 2023	201,804	77,212	38.1

(Reference) Shareholders' equity: As of September 30, 2023: 82,340 million yen
 As of March 31, 2023: 76,895 million yen

2. Dividends

	Annual dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Annual
Fiscal Year ended March 31, 2023	-	12.00	-	12.00	24.00
Fiscal Year ending March 31, 2024	-	12.00	-	-	-
Fiscal Year ending March 31, 2024 (Forecast)	-	-	-	17.00	29.00

(Note) Change in dividends forecast from the most recent announcement: Yes

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicates changes from the previous corresponding period.)

	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
FY 2024	428,000	13.4	17,000	60.1	18,000	50.9	9,000	58.4	227.64

(Note) Change in earnings forecast from the most recent announcement: Yes

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatements
 - 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - 2) Changes in accounting principles other than 1): None
 - 3) Changes in accounting estimates: None
 - 4) Restatement: None
- (4) Number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2023	39,640,052 shares
As of March 31, 2023	39,505,152 shares
 - 1) Number of treasury shares at the end of the period Number of treasury shares:

As of September 30, 2023	41 shares
As of March 31, 2023	– shares
 - 1) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

During the six months ended September 30, 2023	39,536,664 shares
During the six months ended September 30, 2022	42,405,957 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* 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 of 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, 2023 to September 30, 2023)

In the six months ended September 30, 2023, the economy staged a gradual recovery as economic activities normalized, including the downgrading of COVID-19 to a Class 5 infectious disease under the infectious diseases control law. Nonetheless, the outlook remains uncertain given persistently high resource prices, a downturn in overseas economies, and consumers' increasing spending restraint in the face of rising prices.

In the reuse industry, the overall market is growing on the back of heightened reuse awareness in line with efforts to realize the SDGs and demand for reuse as a lifestyle defense measure in response to soaring prices.

In this environment, the Group continues to actively open new comprehensive reuse stores, centering on 2nd STREET, both in Japan and overseas, aiming “to offer joy to your everyday life.”

As for trends in reuse (comprehensive) merchandise, retail sales at OKURA TOKYO, which handles reuse luxury merchandise, were strong, benefiting from inbound demand. Consumer demand for reuse clothing and accessories, the core of the merchandise mix, continued, and 2nd STREET performed well in both purchases and sales, resulting in an increase in overall sales of reuse (comprehensive) merchandise.

In reuse (media) merchandise, sales of reuse game software were on a downward trend, reflecting the popularization of download versions in the purchase of old game software. However, sales of reuse game software increased as popular game software sold well for a long time and new bestselling titles created demand for preceding titles. The market for reuse mobile devices such as smartphones and tablets is growing, and the opening of stand-alone GEO mobile stores and the development of these stores as annexes to GEO stores had a positive impact on sales of mobile devices, stimulated by replacement demand following the launch of the iPhone 15. Meanwhile, overall sales of reuse (media) merchandise increased only slightly, reflecting the strong performance of overseas smartphone wholesaling in the same period of the previous fiscal year.

In new game-related merchandise, sales increased, helped by the improved supply of the home video game console PlayStation 5 from towards the end of last year and strong sales of game-related products partly due to the positive impact of inbound sales.

Foreign exchange gains of 947 million yen were posted due to the sharp depreciation of the yen.

As a result, for the Group's results for six months ended September 30, 2023, the Group's net sales totaled 215,761 million yen (up 25.0% year on year), with operating profit of 7,307 million yen (up 16.1%) and ordinary profit of 8,675 million yen (up 14.5%). Profit attributable to owners of parent came to 5,717 million yen (up 26.3%).

The number of our stores as of September 30, 2023 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	1,895	84	32	170	1	11	2,065	(+42)
GEO	971	24	17	115	0	10	1,086	(-3)
2nd STREET (Japan)	768	25	5	55	1	1	823	(+20)
2nd STREET (USA)	30	7	0	0	0	0	30	(+7)
2nd STREET (Taiwan)	26	8	0	0	0	0	26	(+8)
2nd STREET (Malaysia)	15	4	0	0	0	0	15	(+4)
OKURA TOKYO	22	2	3	0	0	0	22	(-1)
LuckRack	18	3	6	0	0	0	18	(-3)
Others	45	11	1	0	0	0	45	(+10)

Notes:

- The number of stores is counted based on each store name.
- 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.
- 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.

(2) Details of consolidated financial position

[Assets]

The current assets as of September 30, 2023 resulted in 136,364 million yen, which is an increase of 5,052 million yen from the previous fiscal year end. This was mainly attributable to increases of 2,438 million yen in merchandise and 1,362 million yen in accounts receivable - trade. Non-current assets amounted to 75,019 million yen, an increase of 4,526 million yen from the end of the previous fiscal year. This mainly reflects increases of 2,332 million yen in buildings and structures, net, of 2,303 million yen in right-of-use assets included in other non-current assets, and of 802 million yen in intangible assets, offsetting a decrease in construction in progress under other non-current assets of 1,146 million yen.

As a result, total assets increased by 9,578 million yen from the end of the previous fiscal year to 211,383 million yen.

[Liabilities]

The current liabilities as of September 30, 2023 resulted in 42,341 million yen which is a decrease of 6,884 million yen from the previous fiscal year end. This was mainly attributable to decreases of 6,000 million yen in short-term borrowings and 1,512 million yen in accounts payable - trade. Non-current liabilities amounted to 86,500 million yen, an increase of 11,134 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 9,075 million yen in long-term borrowings and 1,933 million yen in long-term lease liabilities under other non-current liabilities.

As a result, total liabilities increased by 4,249 million yen from the end of the previous fiscal year, to 128,842 million yen.

[Net assets]

The net assets as of September 30, 2023 resulted in 82,541 million yen, which is an increase of 5,329 million yen from the previous fiscal year end. This was attributable principally to profit attributable to owners of parent amounting to 5,717 million yen and dividends of surplus of 474 million yen.

As a result, the equity ratio stood at 39.0% (compared to 38.1% at the end of the previous fiscal year).

(Cash flow)

Cash and cash equivalents (“cash”) at the end of the period ended on September 30, 2023 were 46,919 million yen, which is an increase of 354 million yen compared to the previous fiscal year end.

The results of each item of cash flow and key factors for the six months ended September 30, 2023 are as follows.

Cash flows from operating activities

As a result of operating activities, cash increased by 2,453 million yen (where this increased by 2,822 million yen in the same period of the previous fiscal year).

This increase is mainly attributable to profit before income taxes of 8,546 million yen, depreciation of 2,587 million yen, and rental asset depreciation and amortization of 1,527 million yen, which offset an increase in trade receivables of 1,045 million yen, an increase in inventories of 2,285 million yen, purchase of rental assets of 1,210 million yen, a decrease in trade payables of 1,847 million yen and income taxes paid of 2,488 million yen.

Cash flows from investing activities

As a result of investing activities, cash decreased by 5,524 million yen (where this decreased by 3,369 million yen in the same period of the previous fiscal year).

This decrease is mainly due to purchase of property, plant and equipment of 3,177 million yen.

Cash flows from financing activities

As a result of financing activities, cash increased by 3,160 million yen (where this increased by 6,362 million yen in the same period of the previous fiscal year).

This increase is mainly attributable to proceeds from long-term borrowings of 13,200 million yen, repayments of short-term borrowings of 6,000 million yen, and repayments of long-term borrowings of 3,477 million yen.

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

The consolidated earnings forecast announced on May 12, 2023 has been revised in light of recent trends in financial results. For details, please refer to the “Notice of Revisions of Consolidated Earnings Forecasts, Dividends from retained earnings (Interim Dividend) and Revisions of Dividend Forecasts for the Fiscal Year Ending March 31, 2024 (Dividend Increase)” announced on November 10, 2023. The earnings forecast represents the Company’s judgement based on information available as of the date of this announcement. Actual results may materially differ from the forecast due to a variety of factors in the future.

2. Consolidated Financial Statements for the Quarter

(1) Consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	44,286	44,436
Accounts receivable - trade	11,712	13,074
Merchandise	64,241	66,680
Other	11,294	12,382
Allowance for doubtful accounts	(223)	(209)
Total current assets	131,311	136,364
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	14,955	17,287
Other, net	25,892	27,513
Total property, plant and equipment	40,847	44,801
Intangible assets	3,264	4,066
Investments and other assets		
Leasehold and guarantee deposits	18,033	18,498
Other	9,098	8,402
Allowance for doubtful accounts	(751)	(750)
Total investments and other assets	26,380	26,150
Total non-current assets	70,492	75,019
Total assets	201,804	211,383
Liabilities		
Current liabilities		
Accounts payable - trade	16,034	14,521
Short-term borrowings	6,000	-
Current portion of long-term borrowings	7,487	8,175
Income taxes payable	2,780	2,207
Other	16,923	17,437
Total current liabilities	49,225	42,341
Non-current liabilities		
Long-term borrowings	54,462	63,537
Asset retirement obligations	7,054	7,160
Other	13,849	15,802
Total non-current liabilities	75,366	86,500
Total liabilities	124,592	128,842
Net assets		
Shareholders' equity		
Share capital	9,081	9,198
Capital surplus	3,493	3,611
Retained earnings	64,386	69,630
Treasury shares	-	(0)
Total shareholders' equity	76,962	82,440
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	5
Foreign currency translation adjustment	(69)	(106)
Total accumulated other comprehensive income	(66)	(100)
Share acquisition rights	316	197
Non-controlling interests	-	4
Total net assets	77,212	82,541
Total liabilities and net assets	201,804	211,383

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

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	172,562	215,761
Cost of sales	103,902	139,874
Gross profit	68,659	75,886
Selling, general and administrative expenses	62,367	68,579
Operating profit	6,292	7,307
Non-operating income		
Foreign exchange gains	922	947
Rental income from real estate	352	442
Other	422	573
Total non-operating income	1,697	1,963
Non-operating expenses		
Interest expenses	115	124
Rental expenses on real estate	182	293
Other	117	177
Total non-operating expenses	415	595
Ordinary profit	7,574	8,675
Extraordinary losses		
Impairment losses	19	128
Total extraordinary losses	19	128
Profit before income taxes	7,554	8,546
Income taxes - current	2,338	2,072
Income taxes - deferred	690	756
Total income taxes	3,028	2,829
Profit	4,525	5,717
Loss attributable to non-controlling interests	-	(0)
Profit attributable to owners of parent	4,525	5,717

Statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit	4,525	5,717
Other comprehensive income		
Valuation difference on available-for-sale securities	12	3
Deferred gains or losses on hedges	0	–
Foreign currency translation adjustment	88	(36)
Total other comprehensive income	101	(33)
Comprehensive income	4,626	5,683
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,626	5,684
Comprehensive income attributable to non-controlling interests	–	(0)

(3) Consolidated quarterly statement of cash flow

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before income taxes	7,554	8,546
Depreciation	2,156	2,587
Rental asset depreciation and amortization	1,690	1,527
Interest and dividend income	(34)	(46)
Interest expenses	115	124
Decrease (increase) in trade receivables	(1,806)	(1,045)
Decrease (increase) in inventories	(6,535)	(2,285)
Purchase of Rental asset	(1,343)	(1,210)
Increase (decrease) in trade payables	3,178	(1,847)
Other, net	(1,709)	(1,321)
Subtotal	3,266	5,030
Interest and dividends received	28	33
Interest paid	(115)	(122)
Income taxes refund (paid)	(358)	(2,488)
Net cash provided by (used in) operating activities	2,822	2,453
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,414)	(3,177)
Purchase of intangible assets	(447)	(944)
Other, net	(507)	(1,403)
Net cash provided by (used in) investing activities	(3,369)	(5,524)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	-	(6,000)
Proceeds from long-term borrowings	9,900	13,200
Repayments of long-term borrowings	(2,937)	(3,477)
Dividends paid	(510)	(473)
Other, net	(89)	(88)
Net cash provided by (used in) financing activities	6,362	3,160
Effect of exchange rate change on cash and cash equivalents	307	265
Net increase (decrease) in cash and cash equivalents	6,123	354
Cash and cash equivalents at beginning of period	47,851	46,564
Cash and cash equivalents at end of period	53,974	46,919

(4) 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 six months ended September 30, 2022 (consolidated) and the six months ended September 30, 2023 (consolidated):

Segment information is omitted because the Group has only one segment, retail services.