

The GEO Group

Supplementary Materials on Financial Results
of the Third Quarter of the Fiscal Year Ending
March 31, 2015

2nd STREET Reuse Shop

JUMBLE STORE by 2nd STREET

GEO

GEO HOLDINGS CORPORATION
February 2015

Revision of forecast for full-year consolidated results for the year ending in March 31, 2015

(Millions of yen)	Full-year: May 9, 2014 Previous forecast	Full-year: January 28, 2015 Revised forecast	Increase	Change	2nd Half: Year ended March 31, 2014 Results	2nd Half: Year ending March 31, 2015 Revised forecast	Change of 2nd Half of the current year from the 2nd Half of the previous year
Net sales	270,000	270,000	-	-	140,067	145,067	103.6%
Operating income	6,500	8,000	1,500	123.1%	3,856	5,457	141.5%
Ordinary income	7,000	8,500	1,500	121.4%	3,805	5,730	150.6%
Net income	4,400	5,700	1,300	129.5%	958	2,816	293.7%

Reasons for the revision:

1. Rental income of visuals for the 3Q exceeded the forecast
2. Solid growth of profit from reuse of new and used goods
3. Rapid growth in the sale of used cell phones (media line goods)

Consolidated Income Statement: Nine months results

(Millions of yen)	Nine months ended December 31, 2013 Results	Sales ratio	Nine months ended December 31, 2014 Results	Sales ratio	Increase/ decrease	Change
Net sales	194,427		201,179		6,752	103.5%
Gross income	83,355	42.9%	83,833	41.7%	477	100.6%
SG&A	74,922	38.5%	77,223	38.4%	2,301	103.1%
Operating income	8,432	4.3%	6,609	3.3%	-1,823	78.4%
Ordinary income	8,652	4.5%	7,210	3.6%	-1,442	83.3%
Income before income taxes and minority interests	7,821	4.0%	5,983	3.0%	-1,838	76.5%
Net income	4,240	2.2%	5,151	2.6%	911	121.5%

Consolidated Income Statement: Three months results

(Millions of yen)	Three months ended December 31, 2013 Results	Sales ratio	Three months ended December 31, 2014 Results	Sales ratio	Increase/ decrease	Change
Net sales	72,170		76,247		4,077	105.6%
Gross income	28,564	39.6%	29,598	38.8%	1,033	103.6%
SG&A	25,474	35.3%	25,531	33.5%	56	100.2%
Operating income	3,090	4.3%	4,067	5.3%	977	131.6%
Ordinary income	3,113	4.3%	4,440	5.8%	1,326	142.6%
Income before income taxes and minority interests	2,717	3.8%	3,841	5.0%	1,124	141.4%
Net income	1,390	1.9%	2,268	3.0%	877	163.1%

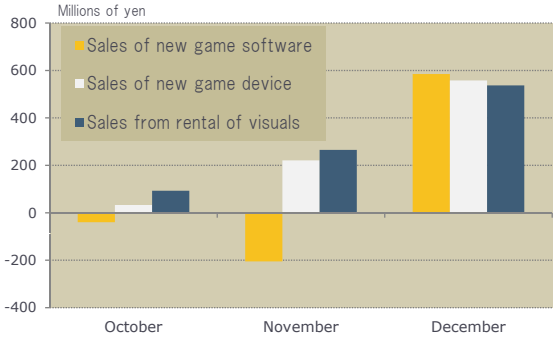
Summary of accomplishments made in challenging issues

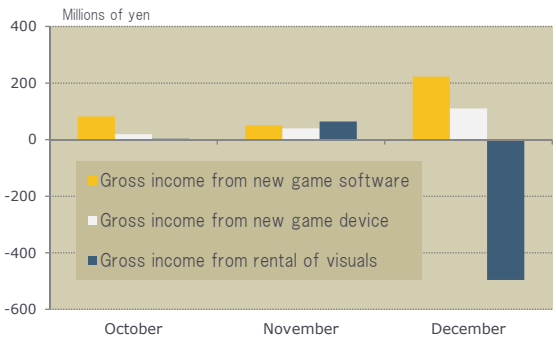
Challenges	Accomplishments during the three months ended December 31, 2014
Deployment of stores under a new concept	"JUMBLE STORE Shibuya Flagship Store", a flagship shop of JUMBLE STORE, was opened in December 2014. "Super 2nd STREET" stores were opened in Hokkaido and Tokai areas in December 2014.
Active advancement into the right location and expedient closing or consolidation of unprofitable stores	Reuse stores were maintained and unprofitable media stores were either closed or consolidated.
Further pursuit of network strategy	Reuse shopping application and a new website were simultaneously released in November 2014.
Gaining a foothold in new business fields	The sales for used mobiles increased due to sound growth in the reuse trading volume.

Trends in main merchandise for three months ended December 31, 2014

Media

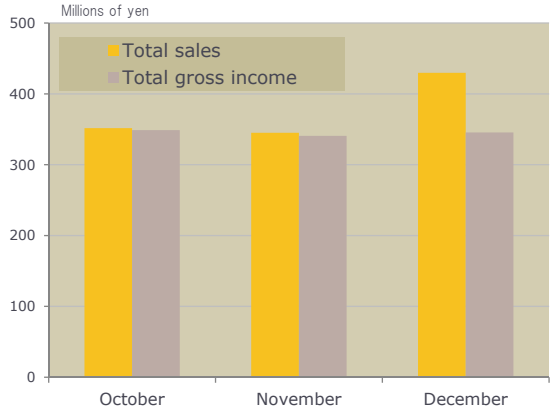
Increase/decrease in sales and gross income from the same month of the previous year





Reuse

Increase in sales and gross income from the same month of the previous year



New game software:
"Youkai Watch 2 Shinuchi"
New game device:
"New Nintendo 3DS/3DS LL"
Rentals:
"24-TWENTY FOUR- " latest season,
"Rurouni Kenshin" and other latest movies

Progress in opening and closing stores and opening new concept stores

Changes in number of stores

	As of March 31, 2014	As of December 31, 2014	Increase/ decrease from March 31, 2014	
Media	1,001	1,011	+10	1
Integrated	91	97	+6	
Reuse	238	271	+33	2
Family Book	43	9	▲34	3
Warehouse	11	11		
Others	2	5	+3	
Total directly managed stores	1,386	1,404	+18	
Distributors	99	98	▲1	
Franchise stores	123	131	+8	
Total	1,608	1,633	+25	

1. 46 stores were opened including renewal of 26 Family Book stores into GEO shops. 36 stores were closed as a result of active closing and consolidation.
2. 48 stores were opened (including Super 2nd Street stores) and 9 stores were closed.
3. The Family Book stores are scheduled to be renewed, closed or consolidated during the current fiscal year

JUMBLE STORE Shibuya Flagship Store was opened in December 2014



Additional Super 2nd Street stores were opened.

Ohyachi Store
(Sapporo City, Hokkaido)

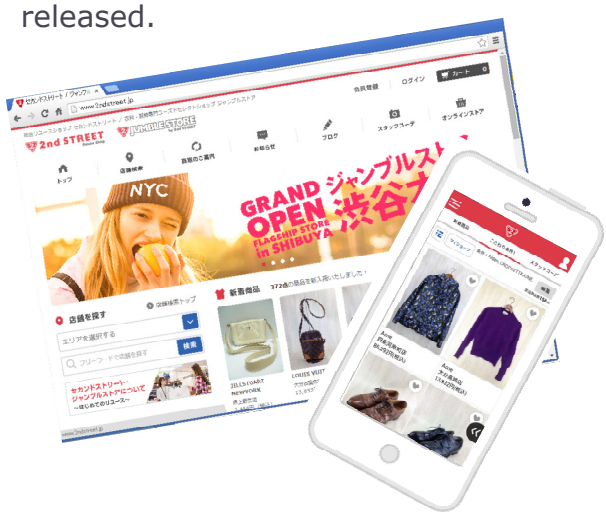


Nagoya Minato Store
(Nagoya City, Aichi Prefecture)



Network Strategy and New Field of Business

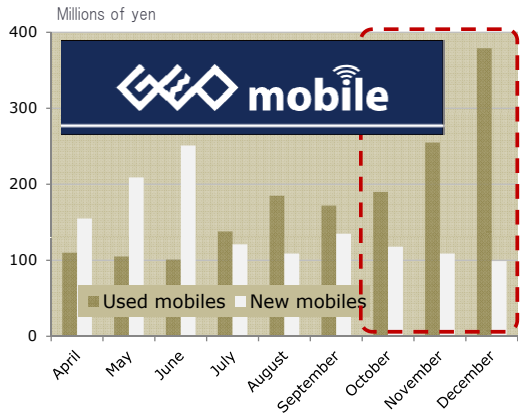
Reuse shopping application and renewed website were simultaneously released.



· 40,000 items (mainly clothing and accessories) may be purchased from 350 stores nationwide.

⇒We will aim to increase the items for sale to 250,000 items within 2 years.

Increase in the sales for mobile from the same month of the previous year



· The sale of used mobiles increased sharply due to expanded trading volume at media stores and reuse stores.

· Mobiles achieved strong sales due to reinforcement of mobile business at GEO Akiba Store (during the second quarter of the current fiscal year) and renewal of GEO Osaka Nihonbashi Store (in November 2014).

Appendices

Consolidated Income Statement: Selling, general and administrative expenses for nine months

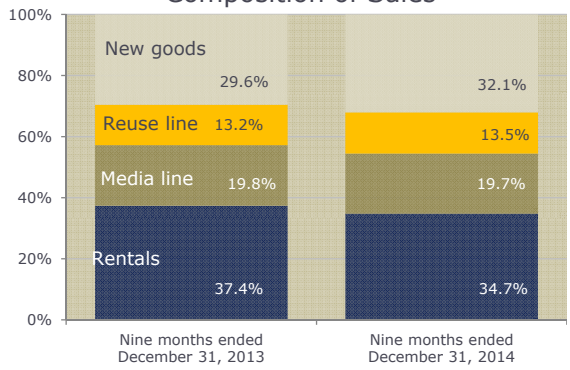
(Millions of yen)	Nine months ended December 31, 2013 Results	Sales ratio	Nine months ended December 31, 2014 Results	Sales ratio	Increase/ decrease	Change
Advertising	2,544	1.3%	2,026	1.0%	-517	79.7%
Sales promotion	871	0.4%	936	0.5%	64	107.4%
Total selling expenses	7,132	3.7%	6,969	3.5%	-162	97.7%
Total personnel expenses	33,264	17.1%	36,294	18.0%	3,029	109.1%
Utilities	4,873	2.5%	4,802	2.4%	-71	98.5%
Rent	14,690	7.6%	15,051	7.5%	361	102.5%
Depreciation and amortization	3,013	1.5%	3,151	1.6%	137	104.6%
Consumables	2,419	1.2%	2,282	1.1%	-137	94.3%
Maintenance	1,089	0.6%	828	0.4%	-261	76.0%
Total other expenses	33,661	17.3%	33,291	16.5%	-370	98.9%
Amortization of goodwill	864	0.4%	668	0.3%	-195	77.4%
Total SG&A	74,922	38.5%	77,223	38.4%	2,301	103.1%

Consolidated Income Statement: Selling, general and administrative expenses for three months

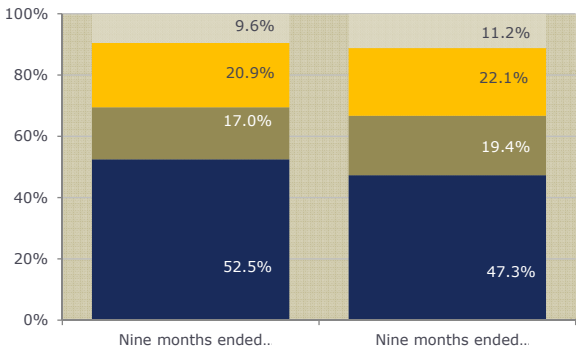
(Millions of yen)	Three months ended December 31, 2013 Results	Sales ratio	Three months ended December 31, 2014 Results	Sales ratio	Increase/ decrease	Change
Advertising	901	1.2%	748	1.0%	-153	83.0%
Sales promotion	321	0.4%	325	0.4%	4	101.3%
Total selling expenses	2,540	3.5%	2,449	3.2%	-91	96.4%
Total personnel expenses	11,436	15.8%	12,073	15.8%	637	105.6%
Utilities	1,526	2.1%	1,386	1.8%	-139	90.8%
Rent	4,952	6.9%	5,050	6.6%	97	102.0%
Depreciation and amortization	1,028	1.4%	1,069	1.4%	41	104.1%
Consumables	888	1.2%	605	0.8%	-282	68.2%
Maintenance	303	0.4%	373	0.5%	69	122.9%
Total other expenses	11,235	15.6%	10,789	14.2%	-446	96.0%
Amortization of goodwill	261	0.4%	218	0.3%	-42	83.7%
Total SG&A	25,474	35.3%	25,531	33.5%	56	100.2%

Sales and Gross Income based on merchandise for nine months

Composition of Sales



Composition of Gross Income

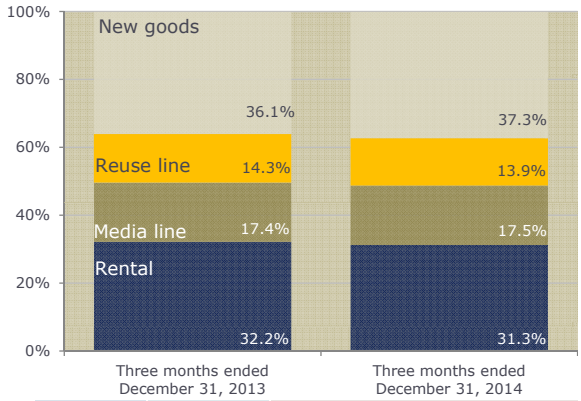


Millions of yen	Nine months ended December 31, 2013 Results	Nine months ended December 31, 2014 Results	Increase/ decrease	Change
Rental	62,511	63,072	560	100.9%
Media line	33,100	35,654	2,554	107.7%
Reuse line	22,111	24,405	2,294	110.4%
Total reuse line	55,211	60,060	4,849	108.8%
New goods	49,400	58,155	8,754	117.7%

Nine months ended December 31, 2013 Results	Gross income ratio	Nine months ended December 31, 2014 Results	Gross income ratio	Increase/ decrease	Change
37,451	59.9%	36,443	57.8%	-1,008	97.3%
12,110	36.6%	14,942	41.9%	2,831	123.4%
14,939	67.6%	17,011	69.7%	2,072	113.9%
27,050	49.0%	31,953	53.2%	4,903	118.1%
6,824	13.8%	8,635	14.8%	1,811	126.5%

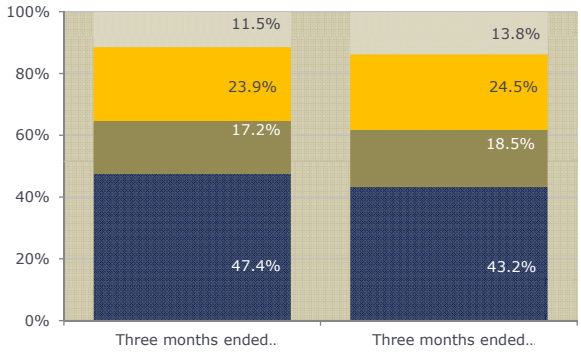
Sales and Gross Income based on merchandise for three months

Composition of Sales



	Three months ended December 31, 2013	Three months ended December 31, 2014		
	Results	Results	Increase/ decrease	Change
Rental	20,253	21,530	1,276	106.3%
Media line	10,974	12,025	1,051	109.6%
Reuse line	8,987	9,598	611	106.8%
Total reuse line	19,961	21,624	1,662	108.3%
New goods	22,718	25,692	2,974	113.1%

Composition of Gross Income



Three months ended December 31, 2013		Three months ended December 31, 2014			
Results	Gross income ratio	Results	Gross income ratio	Increase/ decrease	Change
11,760	58.1%	11,866	55.1%	105	100.9 %
4,253	38.8%	5,068	42.2%	815	119.2 %
5,924	65.9%	6,708	69.9%	784	113.2 %
10,177	51.0%	11,777	54.5%	1,600	115.7 %
2,838	12.5%	3,778	14.7%	940	133.2 %

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 other 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.

Contact information

5F, OMC Bld. 8-8 Fujimi-cho, Nagoya-shi, Aichi Prefecture

GEO Holdings Corporation, Investor Relations Department

Tel.052-350-5711 Fax.052-350-5701

e-mail info@geonet.co.jp