

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2025 (Japanese GAAP)

August 6, 2024

GEO HOLDINGS CORPORATION

Listing: Tokyo Stock Exchange
 Securities Code: 2681
 URL: <https://www.geonet.co.jp/>
 Representative: Yuzo Endo, President
 Inquiries: Yoshiaki Kajita, General Manager, Accounting and Finance Dept.
 Telephone: +81 52 350 5711
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Amounts less than million yen are discarded.)

1. Consolidated Financial Results for the First Three Months (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate 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	%
Three months ended:								
June 30, 2024	100,147	(6.2)	4,366	(24.6)	5,481	(22.5)	3,547	(26.5)
June 30, 2023	106,725	31.1	5,790	43.8	7,068	49.5	4,828	59.1

(Note) Comprehensive income: 3,572 million yen (decrease of 25.5%) for three months ended June 30, 2024
 4,793 million yen (increase of 52.8%) for three months ended June 30, 2023

	Earnings per share	Fully diluted earnings per share
Three months ended:	Yen	Yen
June 30, 2024	89.34	88.90
June 30, 2023	122.21	121.58

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2024	238,089	90,238	37.8
March 31, 2024	231,125	87,349	37.7

(Reference) Shareholders' equity: As of June 30, 2024: 90,010 million yen
 As of March 31, 2024: 87,130 million yen

2. Dividends

	Annual dividends per share				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Fiscal Year ended March 31, 2024	–	12.00	–	17.00	29.00
Fiscal Year ending March 31, 2025	–	–	–	–	–
Fiscal Year ending March 31, 2025 (Forecast)	–	17.00	–	17.00	34.00

(Note) Change in dividends forecast from the most recent announcement: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate 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 2025	436,000	0.5	12,000	(28.6)	12,000	(36.0)	6,000	(45.0)	151.11

(Note) Change in earnings forecast from the most recent announcement: None

Notes

- (1) Significant changes in the scope of consolidation during the period: 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 June 30, 2024	39,710,552 shares
As of March 31, 2024	39,702,552 shares
 - 2) Number of treasury shares at the end of the period

As of June 30, 2024	41 shares
As of March 31, 2024	41 shares
 - 3) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

During three months ended June 30, 2024	39,706,599 shares
During three months ended June 30, 2023	39,510,146 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* 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. Overview of Results of Operations, etc.,” “(3) Explanation of forward-looking information including consolidated earnings forecast” on page 3 of the Attachments for the basis of forecasts and notes on reliance on forecasts.

<Supplementary Information for English Translation>

Our business named “2nd STREET,” which mainly sells and purchases second-hand clothing and household items, is hereinafter referred to as “Reuse Store(s),” and our businesses named “GEO,” “GEO Store” and “GEO mobile,” which mainly handle video games, DVDs, CDs and smartphones, are hereinafter collectively referred to as “Media Store(s)” in this document.

Both our Reuse Store(s) and Media Store(s) use the term “reuse” to refer to second-hand items, and “brand-new” to refer to non-secondhand items that are procured from manufacturers or through conventional commercial distribution channels.

Table of Contents for the Attachments

1. Overview of Results of Operations, etc.....	2
(1) Overview of operating results for the period under review.....	2
(2) Overview of consolidated financial position for the period under review	2
(3) Explanation of forward-looking information including consolidated earnings forecast.....	3
2. Quarterly Consolidated Financial Statements	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated income statement and statement of comprehensive income	5
Quarterly consolidated income statement	5
Quarterly consolidated statement of comprehensive income.....	6
(3) Notes to quarterly consolidated financial statements	7
(Notes on segment information, etc.).....	7
(Notes on significant change in shareholders' equity)	7
(Notes on going concern assumptions)	7
(Notes on quarterly consolidated statement of cash flows).....	7

1. Overview of Results of Operations, etc.

(1) Overview of operating results for the period under review

Consolidated financial results (from April 1, 2024 to June 30, 2024)

In the three months ended June 30, 2024, the gradual economic recovery was expected to continue under an improving employment and earnings environment. However, there are concerns that a downturn in economies overseas, given the impact of continued high interest rates in Europe and the U.S. and continued stagnation in the real estate market in China, could put downward pressure on Japanese economy. We must pay close attention to the impacts of the global demand recovery after the COVID-19 pandemic, price increases due to steep rises in resource prices, the situation in the Middle East, and volatility in financial and capital markets, and the outlook remains uncertain.

In the reuse industry, with increasing awareness of the concept of the SDGs, rising demand, as a lifestyle defense measure in response to inflation, a growing number of transactions between consumers, and increasingly easier access to reuse merchandise due to an increase in number of stores, consumers have once again realized the benefits of the reuse concept, transforming it into a more familiar lifestyle choice. As a result of these and various factors, the reuse market continues to grow.

In this environment, through aiming “to offer joy to your everyday life,” to increase choices, and to improve convenience for customers, the Group is working to expand its e-commerce services, actively opening new reuse stores, centered on 2nd STREET stores, both in Japan and overseas, and striving to achieve sustainable growth and profitability improvements.

Looking at trends in reuse (comprehensive) merchandise, in addition to the continuing growth in demand for reuse market, the weaker yen, the recovery of demand for inbound visitors, and strong performance from the expansion of global operations, resulted in overall sales of reuse (comprehensive) merchandise to increase 17.7% year-over-year (YoY) to 46,439 million yen.

In terms of trends in reuse (media) merchandise, although downloadable software has become more prevalent with game-related products, sales of game-related products were on a par with the prior year’s, supported by increased distribution of PlayStation 5 home video game consoles and a trend in a growing number of game users. In addition, the reuse market for smartphones, tablets, and other mobile devices, on top of market stimulus, retail sales have been strengthened by stand-alone GEO mobile stores, the expansion of GEO attached stores, and sales opportunities created through e-commerce sales. For the reasons described above, overall sales of reuse (media) merchandise increased by 17.8% YoY to 19,226 million yen.

Looking at trends in brand-new merchandise, sales decreased by 42.6% YoY to 21,257 million yen given a significant downturn after the previous year’s strong sales in home video game consoles and the release of latest major series.

Foreign exchange gain amounting to 770 million yen was recorded due to the significant depreciation of the yen.

As a result, for the Group’s results for three months ended June 30, 2024, net sales were 100,147 million yen (down 6.2% YoY), operating profit was 4,366 million yen (down 24.6% YoY), ordinary profit was 5,481 million yen (down 22.5% YoY), and profit attributable to owners of parent was 3,547 million yen (down 26.5% YoY).

The numbers of the Group’s stores and facilities in the three months ended June 30, 2024 are as follows.

The figures in () in the “Total” column indicate changes 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	1,958	28	17	159	1	3	2,117	(+9)
GEO	974	9	12	104	0	3	1,078	(-6)
2nd STREET (Japan)	787	8	5	55	1	0	842	(+4)
2nd STREET (USA)	37	2	0	0	0	0	37	(+2)
2nd STREET (Taiwan)	30	2	0	0	0	0	30	(+2)
2nd STREET (Malaysia)	19	2	0	0	0	0	19	(+2)
2nd STREET (Thailand)	1	0	0	0	0	0	1	(0)
OKURA TOKYO	22	0	0	0	0	0	22	(0)
LuckRack	18	0	0	0	0	0	18	(0)
Others	70	5	0	0	0	0	70	(+5)

Notes:

1. The numbers of stores are counted per each store brand.
2. “GEO” includes stores that sell and purchase home game-related items, mobile phones, and smartphones, 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.

(2) Overview of consolidated financial position for the period under review

[Assets]

Current assets as of June 30, 2024 were 158,991 million yen, which increased 4,683 million yen from the end of the previous fiscal year. This was mainly attributable to increases of 3,019 million yen in cash and deposits and 1,321 million yen in merchandise. Non-current assets as of June 30, 2024 were 79,097 million yen, which increased 2,280 million yen

from the end of the previous fiscal year. This was mainly attributable to an increase of 1,172 million yen in buildings and structures, net.

As a result, total assets as of June 30, 2024 were 238,089 million yen, which increased 6,963 million yen from the end of the previous fiscal year.

[Liabilities]

Current liabilities as of June 30, 2024 were 41,152 million yen, which decreased 6,335 million yen from the end of the previous fiscal year. This was mainly attributable to decreases of 3,403 million yen in accounts payable - trade and 1,827 million yen in income taxes payable under other current liabilities. Non-current liabilities as of June 30, 2024 were 106,699 million yen, which increased 10,411 million yen from the end of the previous fiscal year. This was mainly attributable to an increase of 9,400 million yen in long-term borrowings.

As a result, total liabilities as of June 30, 2024 were 147,851 million yen, which increased 4,075 million yen from the end of the previous fiscal year.

[Net assets]

Net assets as of June 30, 2024 were 90,238 million yen, which increased 2,888 million yen from the end of the previous fiscal year. This was mainly attributable to profit attributable to owners of parent of 3,547 million yen and dividends from surplus of 674 million yen.

As a result, the shareholders' equity ratio stood at 37.8% (compared to 37.7% at the end of the previous fiscal year).

(3) Explanation of 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 10, 2024.

2. Quarterly Consolidated Financial Statements
(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	54,977	57,997
Accounts receivable - trade	15,226	14,462
Merchandise	70,970	72,291
Other	13,357	14,465
Allowance for doubtful accounts	(223)	(224)
Total current assets	154,308	158,991
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	17,856	19,029
Other, net	28,984	30,484
Total property, plant and equipment	46,840	49,513
Intangible assets	4,341	4,604
Investments and other assets		
Leasehold and guarantee deposits	18,714	19,067
Other	7,817	6,807
Allowance for doubtful accounts	(895)	(895)
Total investments and other assets	25,635	24,979
Total non-current assets	76,817	79,097
Total assets	231,125	238,089
Liabilities		
Current liabilities		
Accounts payable - trade	14,692	11,289
Current portion of long-term borrowings	8,737	9,174
Other	24,058	20,688
Total current liabilities	47,487	41,152
Non-current liabilities		
Bonds payable	6,600	6,600
Long-term borrowings	64,325	73,725
Asset retirement obligations	7,274	7,305
Other	18,088	19,068
Total non-current liabilities	96,287	106,699
Total liabilities	143,775	147,851
Net assets		
Shareholders' equity		
Share capital	9,251	9,257
Capital surplus	3,663	3,670
Retained earnings	74,339	77,212
Treasury shares	(0)	(0)
Total shareholders' equity	87,254	90,140
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	10	8
Foreign currency translation adjustment	(134)	(137)
Total accumulated other comprehensive income	(123)	(129)
Share acquisition rights	180	178
Non-controlling interests	38	48
Total net assets	87,349	90,238
Total liabilities and net assets	231,125	238,089

(2) Quarterly consolidated income statement and statement of comprehensive income
Quarterly consolidated income statement

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Net sales	106,725	100,147
Cost of sales	67,436	58,453
Gross profit	39,289	41,694
Selling, general and administrative expenses	33,498	37,328
Operating profit	5,790	4,366
Non-operating income		
Foreign exchange gains	966	770
Rental income from real estate	223	301
Other	330	246
Total non-operating income	1,520	1,318
Non-operating expenses		
Interest expenses	61	94
Rental expenses on real estate	128	107
Other	53	0
Total non-operating expenses	242	202
Ordinary profit	7,068	5,481
Extraordinary losses		
Impairment losses	46	16
Total extraordinary losses	46	16
Profit before income taxes	7,022	5,465
Income taxes - current	1,329	1,311
Income taxes - deferred	864	576
Total income taxes	2,193	1,888
Profit	4,828	3,576
Profit attributable to non-controlling interests	-	29
Profit attributable to owners of parent	4,828	3,547

Quarterly consolidated statement of comprehensive income

(Millions of yen)

	Three months ended June 30, 2023	Three months ended June 30, 2024
Profit	4,828	3,576
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(2)
Foreign currency translation adjustment	(35)	(2)
Total other comprehensive income	(34)	(4)
Comprehensive income	4,793	3,572
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,793	3,541
Comprehensive income attributable to non-controlling interests	-	30

(3) Notes to quarterly consolidated financial statements

(Notes on segment information, etc.)

For the three months ended June 30, 2023 and the three months ended June 30, 2024:

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

(Notes on significant change in shareholders' equity)

None

(Notes on going concern assumptions)

None

(Notes on quarterly consolidated statement of cash flows)

Quarterly consolidated statement of cash flows for the three months ended June 30, 2024 is not prepared. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months ended June 30, 2024 are as follows.

	(Millions of yen)	
	Three months ended June 30, 2023	Three months ended June 30, 2024
Depreciation	1,206	1,416
Rental assets depreciation	793	682
Amortization of goodwill	27	43