

Consolidated Financial Results For The Three Months Ended June 30, 2011

Aug 5, 2011

GEO CORPORATION

TSE Code: 2681
Representative: Tetsuya Morihara, President
Contact: Takayuki Kubota, Executive Vice President
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Preparing supplementary material an quarterly financial results: Yes
Holding quarterly financial results presentation meeting: None

Listed Exchanges : Tokyo, Nagoya
URL: <http://www.geonet.co.jp>

Telephone: +81 568 33 4388

This consolidated financial report has been prepared in accordance with Japanese accounting standards and Japanese law.

Figures are in Japanese yen rounded to the nearest millions.

1. Consolidated Financial Results (April 1 to June 30, 2011) for the Fiscal Year Ending March 31, 2012

(1) Consolidated Operating Results

	Net Sales		Operating Income		Ordinary Income		Net Income	
	(¥Million)	change(%)	(¥Million)	change(%)	(¥Million)	change(%)	(¥Million)	change(%)
Three Months ended June 30, 2011	57,153	7.2	3,987	108.8	4,030	86.1	1,839	-
Three Months ended June 30, 2010	53,336	(0.6)	1,909	(37.0)	2,166	(28.4)	(1,018)	-

	Earning per Share(¥)	Fully diluted earnings per share(¥)
Three Months ended June 30, 2011	3,382.20	3,375.12
Three Months ended June 30, 2010	(1,903.64)	-

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio
	(¥million)	(¥million)	%
As of June 30, 2011	123,075	49,186	37.5
As of March 31, 2011	125,442	48,037	35.9

(Reference) Shareholders' equity As of June 30, 2011 ¥ 46,154 million
As of March 31, 2011 ¥ 45,059 million

2. Dividends

(Record date)	Dividend per share (¥)				
	1st quarter end	2nd quarter end	3rd quarter end	Year-end	Annual
Fiscal 2011	-	1,400	-	1,400	2,800
Fiscal 2012	-				
Fiscal 2012 (Projection)		1,500	-	1,500	3,000

(Note) Revisions to the dividend forecast since the latest announcement: None

3. Projected Results for Fiscal 2010 (April 1, 2011 to March 31, 2012)

(Percentage shows the rate of increase or decrease from the previous corresponding period.)

	Net Sales		Operating Income		Ordinary Income		Net Income		Earnings per Share
	(¥Million)	change(%)	(¥Million)	change(%)	(¥Million)	change(%)	(¥Million)	change(%)	(¥)
First half year	123,500	8.2	5,500	37.5	5,400	22.6	2,500	70.9	4,597.04
Fiscal Year 2012	270,000	6.7	15,500	10.0	15,300	5.9	8,000	6.5	14,710.53

(Note) Revisions to the forecast of consolidated results since the latest announcement: None

4. Others

- (1) Significant change in subsidiaries during the period (changes in specified subsidiaries resulting in the change in consolidation scope): No
- (2) Adoption of special accounting treatments for quarterly consolidated financial statements: No
- (3) Changes in accounting policies, changes in accounting estimates and restatements:
- 1) Changes due to revisions of accounting standards etc: No
 - 2) Changes other than 1): No
 - 3) Changes in accounting estimates: No
 - 4) Restatements: No
- (4) Number of shares outstanding (common stock)
- 1) Number of shares outstanding at term end (including treasury stock):

June 30, 2011	585,192 shares
March 31, 2011	585,192 shares
 - 2) Number of shares of treasury stock at term end:

June 30, 2011	41,364 shares
March 31, 2011	41,364 shares
 - 3) Average number of outstanding shares (during the three months ended June 30):

June 30, 2011	543,828 shares
June 30, 2010	534,936 shares

***Indication regarding execution of quarterly review**

This quarterly financial report is not subject to the quarterly review procedures in accordance with the Financial Instruments and Exchange Act. At the time of disclosure of this quarterly financial result, the quarterly review procedures in accordance with the Financial Instruments and Exchange Act are in progress.

***Note to ensure appropriate use of forecasts**

The outlook presented in this presentation is the results of management's assessment based upon currently available information, and the actual performance could be influenced by various risks and uncertainties.

1. Results of Operations and Financial Condition

(1) Results of operations and Financial Condition

In the first quarter of the fiscal year, the outlook was uncertain for foreign exchange rates, jobs, personal income and many other components of the economic environment in Japan. Uncertainty is caused by worries about the electricity shortage due to the 2011 off the Pacific coast of Tohoku Earthquake, financial instability in Europe and other events. The result is a challenging operating environment in the retailing and service sectors because of uncertainty about logistics and other aspects of merchandise procurement activities.

The GEO Group continued to open many stores in the difficult business climate. During the first quarter, the number of stores increased by 22 to 1,377. The group is working on enlarging the store network and strengthening management systems in order to become more profitable and reinforce its base of operations. Actions include a reexamination of all management systems to make improvements and measures to strengthen governance.

< Net Sales >

Due to the opening of many stores in the Retail Business, net sales increased 3,817 million yen, or 7.2%, from one year earlier to 57,153 million yen.

< Operating Income and Ordinary Income >

First quarter earnings benefited from higher sales in the Retail Business, an increase in the share of sales from the high-margin rental operations of media shops, and a review of all cost categories. As a result, compared with the first quarter of the previous fiscal year, there were increases of 2,077 million yen, or 108.8%, in operating income to 3,987 million yen and 1,864 million yen, or 86.1%, in ordinary income to 4,030 million yen.

< Net Income >

Net income increased mainly because of the growth in operating income. Another reason was the extraordinary loss in the previous fiscal year's first quarter associated with the application of an accounting standard concerning asset retirement obligations. The result was net income of 1,839 million yen, an improvement of 2,857 million yen over the 1,018 million yen net loss one year earlier.

The number of GEO Group stores and other facilities was as follows at the end of the first quarter of the fiscal year.
(Change from previous fiscal year end)

	DMS	Distributor	FC shops	Total
GEO Group shops	1,143 (+24)	105 (△2)	137	1,377 (+22)
Retail shops	1,089 (+24)	105 (△2)	137	1,323 (+22)
Media shops	917 (+20)	105 (△2)	97	1,119 (+18)
Used products shops	459 (+6)		45 (+3)	504 (+9)
Recycling shops	116 (△1)		36	152 (△1)
Cell phone shops etc.	37 (+1)			37 (+1)
Amusement centers	54			54
GEO Dinos	21			21
Warehouse	11			11
GEO Fitness	14			14
GEO Café, etc.	8			8

(2) Analysis of financial condition

(Assets)

Current assets were 53,132 million yen at the end of the first quarter of the fiscal year, 2,264 million yen less than at the end of the previous fiscal year. Decreases of 840 million yen in cash and deposits and 1,101 million yen in notes and accounts receivable-trade were mainly responsible for this decrease. Compared with the end of the previous fiscal year, noncurrent assets decreased 102 million yen to 69,942 million yen mainly because of a 141 million yen decrease in lease and guarantee deposits.

As a result, compared with the end of the previous fiscal year, total assets decreased 2,367 million yen to 123,075 million yen.

(Liabilities)

Current liabilities as of the end of the first quarter of the fiscal year decreased 508 million yen from the end of the previous fiscal year to 35,950 million yen. There were increases of 900 million yen in short-term loans payable and 931 million yen in income taxes payable and a decrease of 1,254 million yen in notes and accounts payable-trade. Noncurrent liabilities decreased 3,007 million yen from the end of the previous fiscal year to 37,938 million yen mainly because of a 2,585 million yen decrease in long-term loans payable.

As a result, total liabilities decreased 3,516 million yen from the end of the previous fiscal year to 73,888 million yen.

(Net assets)

Net assets, as of the end of the first quarter of the fiscal year, increased 1,148 million yen from the end of the previous fiscal year to 49,186 million yen. This was primarily the net result of first quarter net income of 1,839 million yen and dividends from surplus of 761 million yen.

The equity ratio was 37.5% at the end of the first quarter compared with 35.9% at the end of the previous fiscal year.

(3) Outlook for the fiscal year ending March 31, 2012

Performance in the first quarter of the fiscal year surpassed the plan despite the difficult operating environment because of initiatives throughout the GEO Group to improve earnings. However, due to risk factors involving sales during the year-end peak selling season, there are no revisions to the first half and fiscal year forecasts that were announced on May 20, 2011.

2. Others

Change in significant subsidiaries during period: None

CONSOLIDATED QUARTERLY BALANCE SHEETS

(Million of yen)

	March 31, 2011	June 30, 2011
Assets		
Current assets		
Cash and deposits	23,299	22,458
Notes and accounts receivable-trade	6,845	5,743
Merchandise	14,207	14,787
Other	11,458	10,544
Allowance for doubtful accounts	△413	△401
Total current assets	<u>55,397</u>	<u>53,132</u>
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	16,346	16,367
Other, net	25,349	25,590
Total property, plant and equipment	<u>41,696</u>	<u>41,957</u>
Intangible assets		
Goodwill	4,383	4,308
Other	1,319	1,315
Total intangible assets	<u>5,702</u>	<u>5,623</u>
Investments and other assets		
Lease and guarantee deposits	14,928	14,786
Other	9,348	9,438
Allowance for doubtful accounts	△1,629	△1,863
Total investments and other assets	<u>22,646</u>	<u>22,361</u>
Total noncurrent assets	<u>70,045</u>	<u>69,942</u>
Total assets	<u>125,442</u>	<u>123,075</u>
Liabilities		
Current liabilities		
Notes and accounts payable-trade	10,953	9,699
Short-term loans payable	500	1,400
Income taxes payable	808	1,739
Provision	1,128	608
Other	23,068	22,502
Total current liabilities	<u>36,458</u>	<u>35,950</u>
Noncurrent liabilities		
Bonds payable	2,993	2,941
Long-term loans payable	27,103	24,517
Provision	517	504
Asset retirement obligations	2,919	2,957
Other	7,413	7,017
Total noncurrent liabilities	<u>40,945</u>	<u>37,938</u>
Total liabilities	<u>77,404</u>	<u>73,888</u>

(Millions of yen)

	March 31, 2011	June 30, 2010
Net assets		
Shareholders' equity		
Capital stock	8,603	8,603
Capital surplus	9,457	9,457
Retained earnings	30,281	31,359
Treasury stock	△3,378	△3,378
Total shareholders' equity	44,964	46,042
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	95	112
Total accumulated other comprehensive income	95	112
Subscription rights to shares	214	234
Minority interests	2,763	2,797
Total net assets	48,037	49,186
Total liabilities and net assets	125,442	123,075

CONSOLIDATED QUARTERLY STATEMENTS OF (COMPREHENSIVE) INCOME

(Million of yen)

	Three months ended June 30, 2010	Three months ended June 30, 2011
Net sales	53,336	57,153
Cost of sales	31,095	30,909
Gross profit	22,240	26,244
Selling, general and administrative expenses	20,330	22,257
Operating income	1,909	3,987
Non-operating income		
Insurance income	147	145
Commission fee	185	—
Real estate rent	—	208
Other	205	152
Total non-operating income	538	506
Non-operating expenses		
Interest expenses	181	173
Rent expenses on real estates	—	116
Other	99	172
Total non-operating expenses	281	462
Ordinary income	2,166	4,030
Extraordinary income		
Gain on sales of investment securities	99	—
Reversal of allowance for doubtful accounts	37	—
Other	10	—
Total extraordinary income	148	—
Extraordinary loss		
Impairment loss	275	314
Loss on adjustment for changes of accounting standard for asset retirement obligations	1,312	—
Other	17	—
Total extraordinary losses	1,605	314
Income before income taxes and minority interests	709	3,716
Income taxes-current	1,040	1,688
Income taxes-deferred	740	155
Total income taxes	1,781	1,844
Income (loss) before minority interests	△1,071	1,871
Minority interests in income (loss)	△53	32
Net income (loss)	△1,018	1,839

CONSOLIDATED QUARTERLY STATEMENTS OF COMPREHENSIVE INCOME

(Million of yen)

	Three months ended June 30, 2010	Three months ended June 30, 2011
Income (loss) before minority interests	△1,071	1,871
Other comprehensive income		
Valuation difference on available-for-sale securities	17	18
Total other comprehensive income	17	18
Comprehensive income	△1,053	1,890
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	△1,000	1,856
Comprehensive income attributable to minority interests	△53	33