



Story of GEO Group's Value Creation

Our company has continued to refine its unique business model as we face the challenges of a changing society and shifting consumer behavior. By creating value from the perspective of the consumer, we will achieve further growth in our own corporate value.

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Making Japanese second-hand goods the global standard.

We continue to deliver a diverse set of services that expand the potential of our lives.

Thank you for considering our company from among many options. Retailers like us who work with second-hand goods and rentals are different from the primary distributors who deal with brand-new items, and until recently, there have been few opportunities for such retailers to gain notice within the industry. Lately, however, the question of how we can reuse things has been attracting global attention as part of the “circular economy” concept, and I feel that has generated renewed focus.

From our starting point as the GEO video-rental business, we have steadily expanded the scope and domain of our business in response to the changing times. Now, thirty-nine years after our founding, we have grown to a network of over 2,000 stores spanning seven countries and regions. Our top priority is currently our reuse business, which includes GEO Mobile and 2nd STREET, comprising 64% of our total net sales. We have also diversified our business sectors as we welcome new partners like OKURA and viviON under the concept of “To offer joy to your everyday life.” We are also working to promote the creation of a recycling-oriented society through our development of the off-price retailer Luck Rack and the sharing-style AreKore Rental service. By capitalizing on the respective strengths of these diverse businesses, we are responding to the evolving needs of consumers and society.

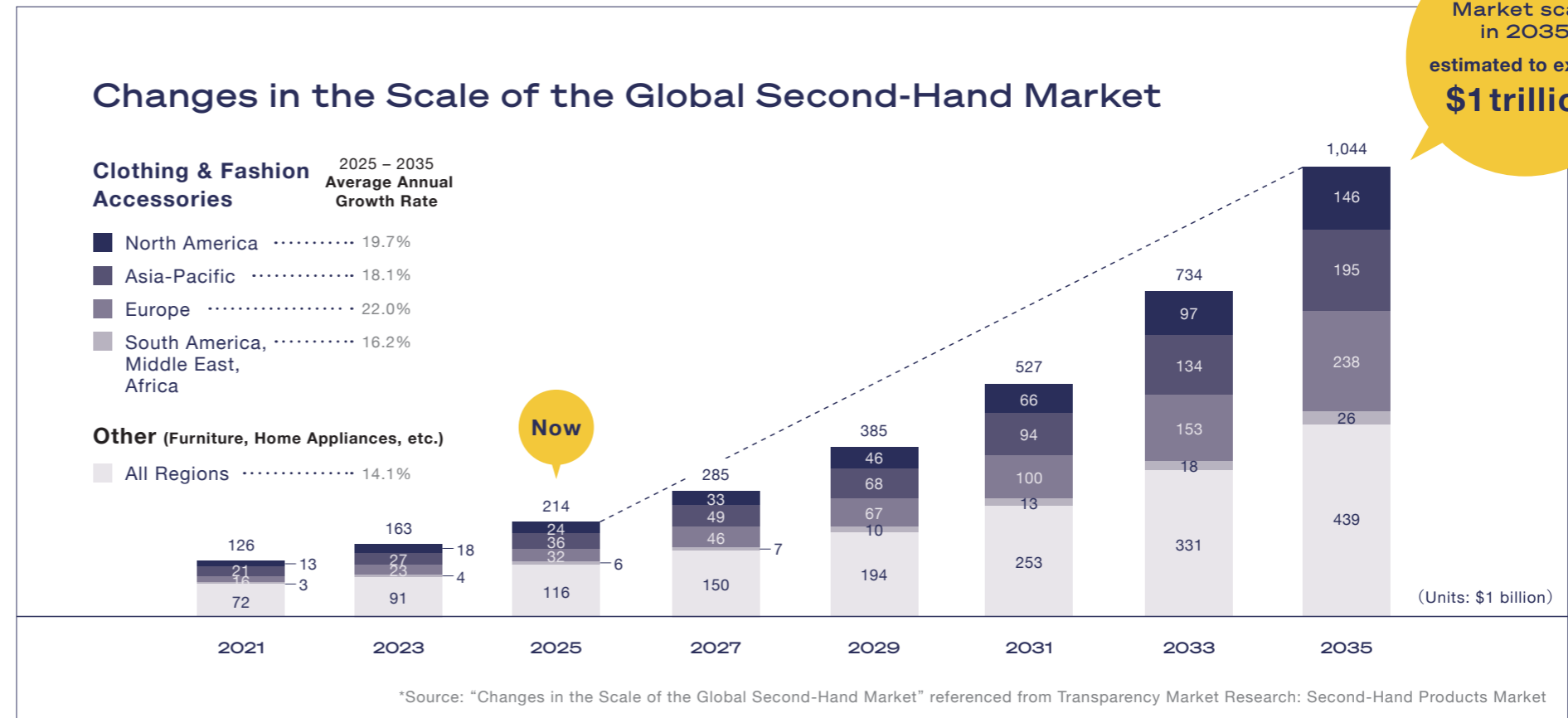


Yuzo Endo
Representative Director
President Operating Officer / CEO
GEO HOLDINGS CORPORATION

Photographed at the Super 2nd STREET store in Omiya-Nisshin, which is our top-selling branch. Styled head-to-toe with items in the store.

Long-term vision for reaching 5,000 stores and ¥1 trillion in sales by FY 2035

As of FY 2024, our group generates ¥427.6 billion in net sales; however, we are aiming for ¥1 trillion in consolidated net sales for our corporate group by FY2035, with five thousand stores across the entire group. This goal is not simply about attaining those numbers, but rather it serves as a milestone that will elevate the C-to-B-to-C reuse business that we've placed at the core of our company to a scale that is recognized by the global market, and our growth process is always looking beyond that as well. No company in the reuse business has risen to be a standout global leader, and we are seeking to establish the GEO Group as the preeminent entity that people around the world think of when it comes to the reuse of items. We believe that if we cannot achieve at least that level of scale, then neither our company nor reuse businesses as a whole will gain worldwide acceptance. As exemplified by the storied tradition of its pawn culture (shichi), Japan has long held a "reuse mentality" in which items are carefully assessed one by one then passed on its new owner. This type of business is supported by a value system of conscientiously recycling items that are limited in nature, something that has recently been gaining traction once again as part of a global movement to create societies that aren't based on disposable products. However, looking at the world, there are still no companies that have expanded their reuse business to multiple countries and are recognized as a global reuse shop chain. This means that there is a huge untapped market. I think the key to our global strategy moving forward is to look at the minimum prices for primary distribution in each country and determine the extent to which we can expand into them.



Some believe that the global second-hand market, bolstered by growing support from people in many different generations, will expand from \$214 billion in 2025 to over \$1 trillion by 2035.

We know that our future growth depends on us accurately assessing the changing circumstances and continuing to flexibly adapt and evolve our business model based on our corporate motto of "Change as Chance." To become a ¥1 trillion company over the next ten years will require strengthening our efforts from a variety of angles, including opening new locations, improving our management procedures, and expanding the product categories.

What makes the second-hand industry unique is that the products come from the areas around the stores. In other words, people bring items that they bought somewhere but are not using anymore to their local stores, and the lifestyles and consumption trends specific to each region are reflected directly in the

products available at their second-hand stores. Many consumers both within Japan and abroad benefit from this convenience of being able to readily bring items into their local stores.

We strongly believe that the system of recycling through reuse as well as the sense of "inexpensive but valuable" that our company has cultivated are valid in ways that transcend the boundaries of nations and cultures.

My hope is that we can continue to make the concept of treating things with respect and passing them on to the next person who needs them commonplace in the world. Taking into account such characteristics of this line of business, our company will continue to open new stores in foreign markets while evaluating the adaptability of our business model and our potential

for growth. I want to continually challenge ourselves to generate new value while further expanding the possibilities of reuse, which should allow us to solidly shape the course of the next ten years and the future beyond.

A look back at FY 2024, the “first year of globalization”

FY 2024 was a year where we could really feel the progress of our business expansion centered around reuse. Marking this as our “first year of globalization,” we aggressively focused on opening new store locations, which resulted in the creation of over 100 stores in four different countries and regions outside of Japan. Since the

trial store launch in the United States in 2018, we have completed the validation phase and are now working on full-scale system development and market expansion as part of a company-wide strategy based on profitability. Overseas markets contain retail stores of a size not seen in Japan, and they are the leading choice for consumers since these primary distributors sell inexpensive new products. But even in these markets, we believe that reuse businesses can provide value that differs from that offered by the primary distributors. Rather than a uniform lineup of new products, the value of second-hand stores is that they feature an assortment of diverse items, and I

want to steadily spread that concept to countries around the world.

In the midst of the above, we have increased our number of locations and continued to improve the group’s gross profits, with our reuse business in particular attaining a year-on-year growth rate of 11.1% or ¥115.3 billion. On the other hand, the operating profit for the group as a whole fell by 33% to ¥11.2 billion, and net profit remained at ¥4.5 billion. This was primarily due to the initial cost of aggressively opening new stores domestically and internationally as well as the increased labor costs brought about by the strategic implementation of base pay raises and other initiatives. Labor costs saw the largest increase in FY 2024 because we invested as necessary to continue attracting talented individuals and to provide our existing full-time and part-time employees with safe working environments. While opening new stores requires a certain amount of initial investment, we see this as the greatest force driving the expansion of our reuse business, and now is not the time to ease our efforts. We are working to ensure that this strategy of opening new stores will lead to the strengthening of our business structure itself.

The driver of growth to achieve our long-term vision

We view our growth as the result of a development process in which multiple management foundations have complemented each other. Among these, the central assets supporting our growth have been our nationwide network of stores, the core business systems that we insourced to maintain the flexibility of our business models, our talented employees who proactively react to change, and the operational know-how of chain store management that we have accumulated over





many years. By linking these four elements together and repeatedly evolving them to fit the changing times, our company has developed a unique competitive advantage. More than anything, our core business systems have formed the bedrock of our entire company and contributed to our growth thus far. This business infrastructure, which we have developed concurrently with the opening of new stores, was insourced to ensure its flexibility and scalability—characteristics that will become even more important as we continue to roll out our large-scale expansion both domestically and abroad. Our core business systems are structured to allow the

three transaction types of selling, buying, and renting to be centrally managed, a design that enables us to engage in diverse modes of business. For example, GEO does buying, selling, and renting, while 2nd STREET only does buying and selling. But both of these businesses are managed within a single shared system. Ever since our company was founded, this flexible, general-purpose infrastructure has been repeatedly enhanced and improved each time we switched to a new industry or type of product, launched a new business, expanded an existing business, or integrated a different business that we acquired through a merger or acquisition. Another

critical element that has supported our growth is our human capital. As a retailer, we are committed to training capable individuals with the management skills needed to run our stores. For instance, our “Rotation Education” provides employees with the opportunity to learn the principles of a chain-store business firsthand by experiencing various positions within the stores and elsewhere as they get a feel for the customer’s perspective and what the locations are like. This system was fully implemented five years ago, supplanting the former system of assigning employees within a department or division with one that transcends organizational boundaries.

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By enhancing the mobility of employees through such methods, we aim to establish a more efficient and execution-driven organizational structure. A core source of our company's growth are our employees with a wealth of diverse experiences who engage in dialogue with customers at stores, quickly perceive changes in lifestyles and society, and provide that feedback to the organization. Nurturing talent who have experience in multiple businesses and can work within them accelerates expansion into new markets and domains, and it becomes the key to strengthening the growth potential of our business.

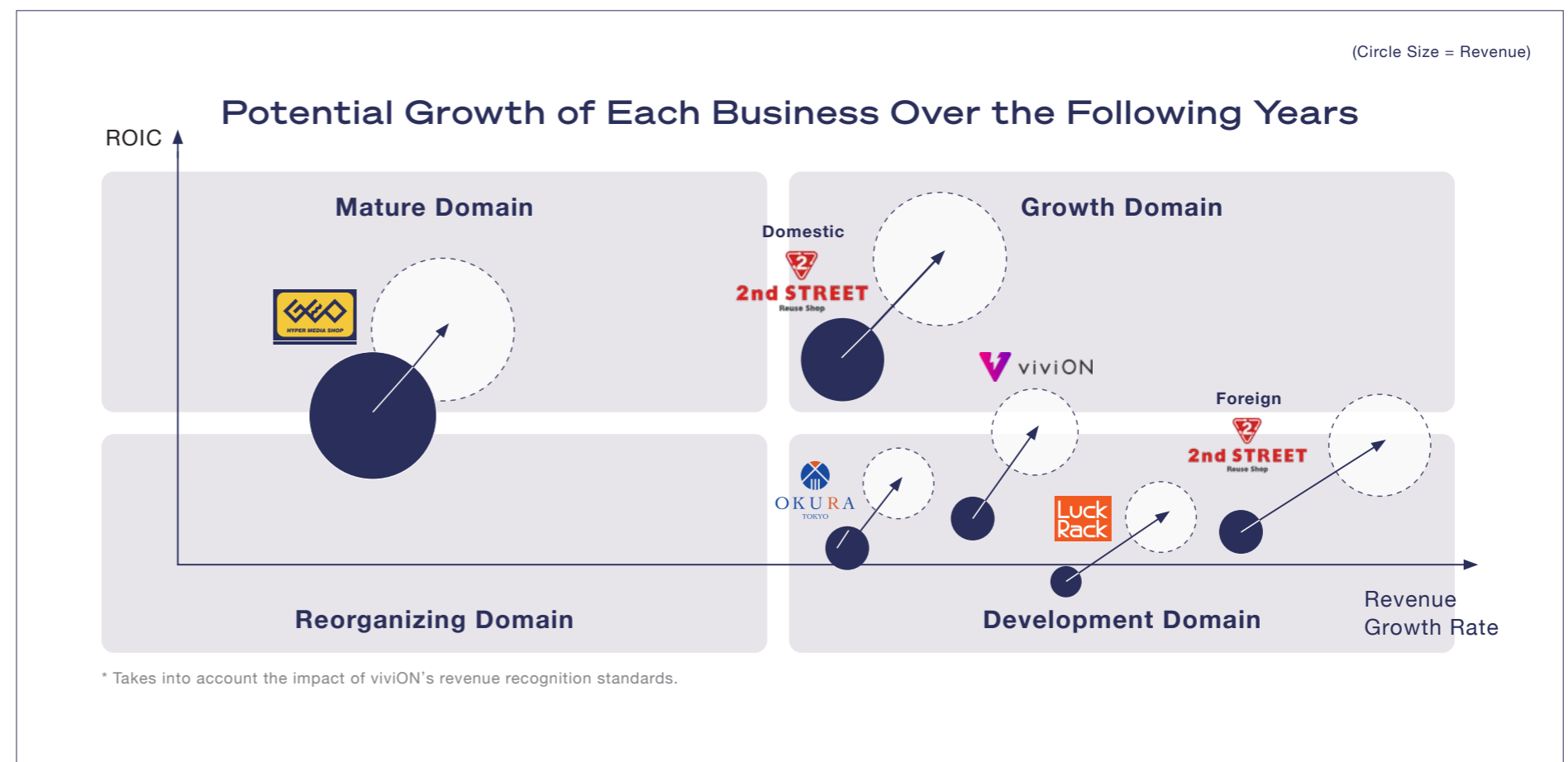
Also, as market competition continues to intensify in the future, there is an unavoidable risk of a decline in gross profit margin. The more competition increases, the more competitive prices will become, inevitably placing pressure on profitability. At the same time, entering the market becomes increasingly difficult under such conditions, so we believe that the number of companies that can continue to engage in the reuse business will remain limited. We therefore have an opportunity to expand our market share over the medium-to-long term by leveraging the things that give us our competitive edge, which are our operational systems and our resilience as a business.

Approach to growth investment and capital allocation

Our basic policy for cash allocation is to balance both shareholder returns and growth investment. Shareholder returns are centered around the two pillars of dividends and stock buybacks, with a particular focus on stable and continuous dividends. The dividend payout ratio for FY2024 was 29.8%, and we expect it to be 24.5% for FY2025. We plan to maintain this stable dividend policy for the time being. Meanwhile, our cur-

rent allocation to growth investment consists primarily of our prior investment in systems development and foreign expansion. The reuse business is structured in a way that applies temporary pressure to cash flow, since it involves the purchase of items with cash for sale at a later date. Thus, capital requirements continue to be high. However, this will contribute to future growth as well as increased revenue and profits. Our goal is to operate in a way that enhances the potential for growth, profitability, and the efficient use of funds while establishing the social and economic value of the reuse business model. To that end, in addition to the aforementioned growth investments, we have set the ratio of operating profit to gross profit (the profit distribution ratio) as one of our KPI, with the aim of improving prof-

itability and capital efficiency. It is currently at about 6%, so we have first set a target of 10%, but 20% is our long-term goal. This is based on our recognition that strengthening our profit structure will, in conjunction with our growth investments, directly elevate our enterprise value. The key to attaining these targets is building mechanisms that allow us to operate our business at a low cost. We believe it is especially important to control the expenses required to run our stores and to make our overall operations more streamlined and efficient, which will allow us to reduce the burden placed on the stores. I want to grow our business by continuing to develop and improve such mechanisms as we work to increase our profit distribution ratio, which will enhance our enterprise value and boost met-





rics such as our price-to-book ratio. Our management places great importance on using this continual growth to reliably meet the expectations of the shareholders who understand how these investments contribute to the future improvement of our enterprise value and who support our company over the long term.

A philosophy of “To offer joy to your everyday life”

In this time of social upheaval, we have been reflecting upon our corporate motto of “Change as Chance” once again. This phrase precisely embodies the approach that our founder cherished, and it signifies the value system that has naturally permeated through our company since we were established. I feel that this mindset of embracing change as an opportunity for growth rather than being afraid of it will become even more important in business management moving forward.

Our company’s past growth was achieved by flexibly responding to such change. This idea that the needs of customers and society are constantly in flux and that these changes are opportunities for us also forms the foundation of our current management as well. I believe that the potential of a company increases when it affirms change instead of fears it, being flexible and not being attached to a certain way.

Rather than clinging stubbornly to past business names or formats, we have always asked ourselves, “What do our customers need most right now?” This brings us the closest to what the customer is looking for. We have never doubted this approach or compromised in its implementation.

It is a management policy that can be found throughout our stated growth strategy. While our company is focused on the reuse concept, we are simultaneously expanding our other business models

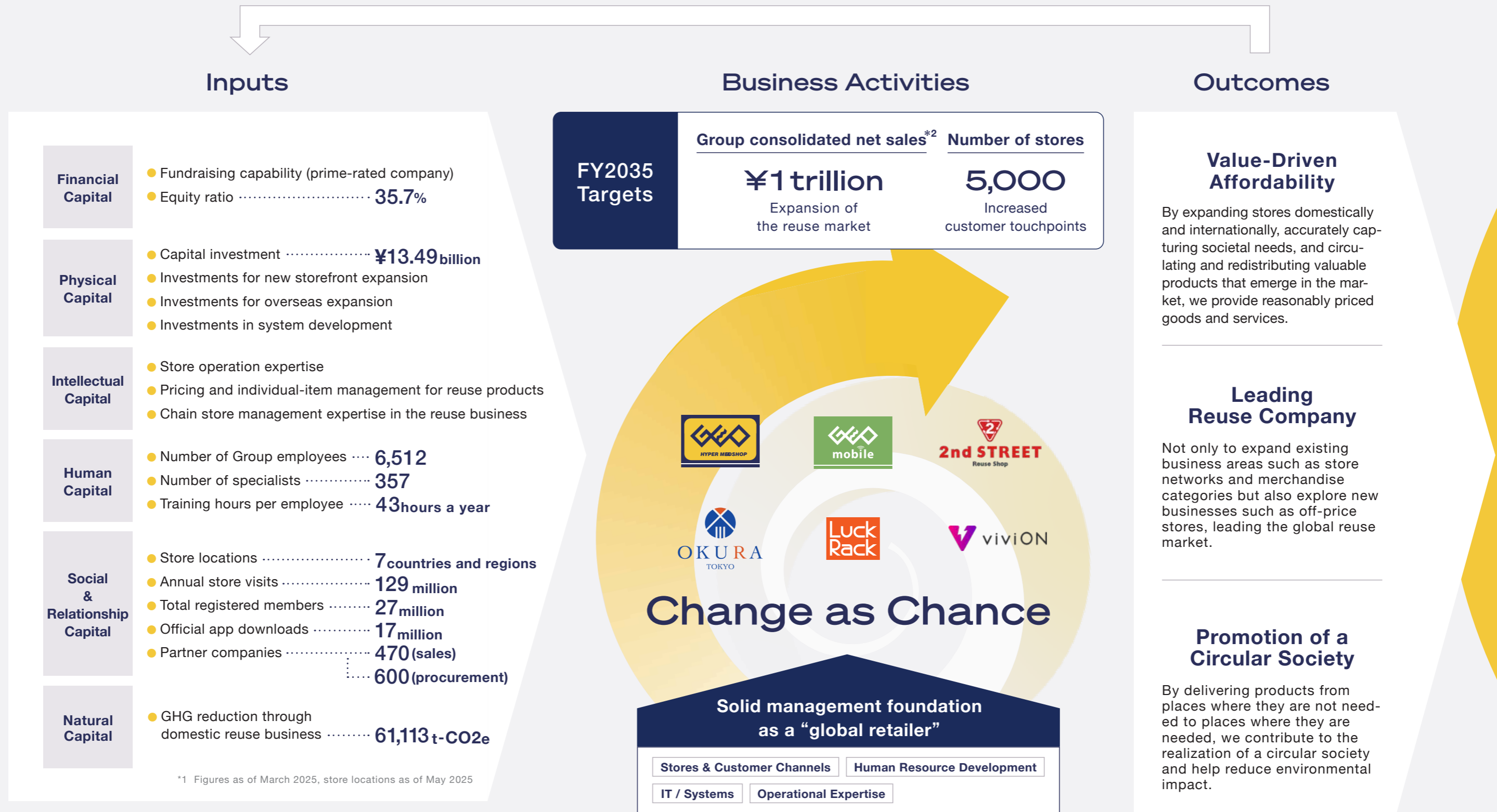
such as the retailing of new products, off-price retailing that capitalizes on surplus inventory, and the renting of items. To meet the diverse needs of our customers and their lifestyles, we must stay flexible and not get stuck in a single way of doing things. And when there is something that matches our corporate philosophy of “To offer joy to your everyday life,” we also contemplate reorganizational moves such as mergers and acquisitions. As companies continue to enter the domestic second-hand market, the most important thing is not simply integrating them and increasing the size of businesses, it’s whether or not they can actually provide meaningful value to customers. Ultimately, the value that our company aims to provide is enabling our customers to feel greater satisfaction in their everyday lives within the scope of their limited spending. We want to be a collection of services and businesses that aren’t just for special occasions but are things that allow us to truly feel that “what you can do with ¥1,000 has doubled or tripled” within our daily lives, things that make people say, “I’m glad this exists.” In the end, if the customer is not satisfied, then there is no meaning of having ¥10 billion or ¥1 trillion in revenue. We will continue to create new lifestyles and cultures, boldly challenging the existing paradigm to enrich the daily lives of our customers. And those efforts are precisely what will drive our further development and achieve our dream of improving the daily lives of customers around the world.

Representative Director
President Operating Officer / CEO

遠藤 浩哉

The Value Creation Process

The GEO Group embodies the corporate philosophy of “Change as Chance,” continuously embracing change without fear and creating new social value. As an industry-leading company, we not only offer value-driven affordability but also contribute to the promotion of a circular society.

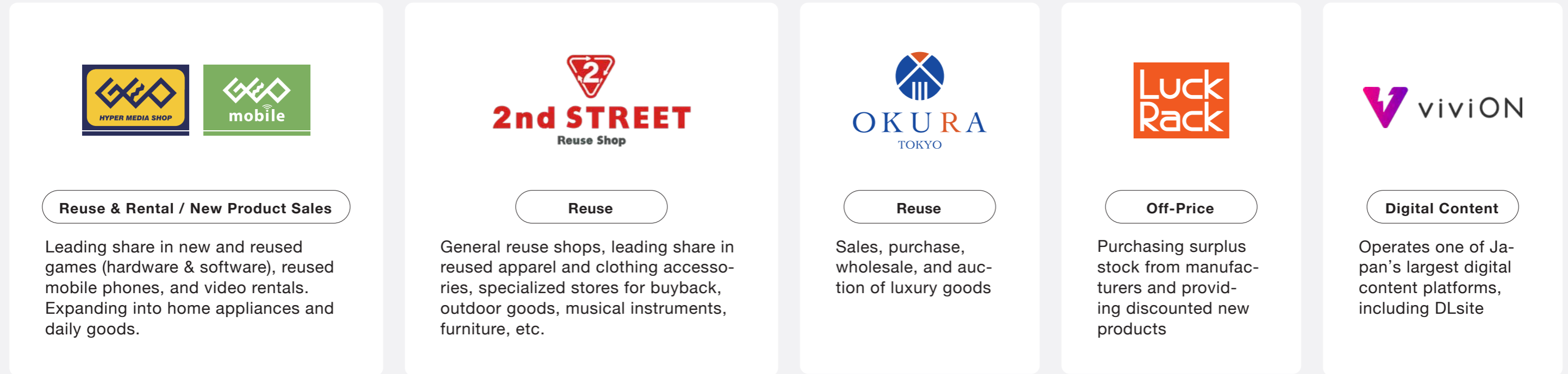


Responding to needs and various social issues Changing values Shifts in lifestyle Demographic trends Technological innovation Global warming and environmental degradation Resource depletion

*2 Only viviON Group regards GMV (Gross Merchandise Value of distribution transactions) as net sales

The GEO Group interacts with customers through numerous ways while offering a diverse range of merchandise and services. To provide consistently high-quality service, we maintain a solid management foundation as a global retailer.

Diverse Merchandise and Services Centered on Multi-Store Operations



Solid management foundation as a “global retailer”

