



MEMBERSHIP

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To All Stakeholders:

GEO CORPORATION
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Notice of Extraordinary Losses, Revision to Forecast and Effect on Consolidated Performance in Prior Years

GEO CORPORATION has posted extraordinary losses as follows for the fiscal year that ended on March 31, 2011 and has revised its consolidated forecast for this fiscal year. The effect of this action on consolidated performance in prior fiscal years is also explained below.

1. Description of extraordinary losses

- a) Corrections to an improper accounting procedure at consolidated subsidiary RETAILCOMM INC.
GEO made announcements concerning this subject on March 24, 2011 in a news release titled "Notice of Improper Accounting Procedure at Consolidated Subsidiary" and on April 28, 2011 in a news release titled "Interim Progress Report Concerning Improper Accounting Procedure at Consolidated Subsidiary." GEO has posted an extraordinary loss for accounts receivable totaling about 500 million yen that cannot be collected because of the improper transactions at GEO and RETAILCOMM that have been identified by the investigation into this matter thus far.

An investigation regarding the improper accounting procedure is still under by an investigative committee with individuals from outside the company. GEO plans to make an announcement when this committee submits its final report.

- b) Effect of the Great East Japan Earthquake
The devastating earthquake and tsunami that struck the Tohoku region of Japan on March 11, 2011 caused significant losses of store facilities and merchandise at some stores operated by the GEO Group in the prefectures of Iwate, Miyagi, Fukushima and Ibaraki. Some stores still have not yet resumed operations even now. Although the final amount of losses has not been determined, GEO has posted an extraordinary loss of about 400 million yen for damage to store equipment and merchandise.
- c) Sale of GEO ESTATE stock
As was announced on February 25, 2011 and March 29, 2011, GEO has sold stock of GEO ESTATE Co., Ltd., which was a consolidated subsidiary. This sale resulted in an extraordinary loss of 790 million yen on the sale of related company stock.
- d) Loss on disposal and impairment of fixed assets
The GEO Group has been reviewing its organizational structure for the purpose of improving operating efficiency. As part of this process, some product distribution facilities and offices have been consolidated or shut down. These actions resulted in an extraordinary loss of 816 million yen for the disposal of fixed assets and closing of facilities for which decisions have been made and for the impairment of some store facilities.

2. Revision to consolidated forecast for fiscal year ending on March 31, 2011

The Japanese economy had no clear direction during the entire fiscal year that ended on March 31, 2011. In the retail business, there was a drop in sales of new products in particular at existing stores amid declining demand for CDs, DVDs and books. Furthermore, the GEO Group's operations were significantly impacted near the end of the fiscal year by the devastating earthquake of March 2011 and an incident involving an improper accounting procedure at GEO and a consolidated subsidiary. As is explained above, these events resulted in large losses.

In the retail business, rental operations performed well and supported sales. Sales of merchandise were slow overall for game-related products. However, sales benefited from the release of popular game titles and the launch of the Nintendo 3DS portable game unit. As a result, existing store sales were higher than in the previous fiscal year. There was also a contribution to sales from the many stores opened during the fiscal year.

For these reasons, GEO is increasing the consolidated operating income and ordinary income forecasts that were announced on October 27, 2010. However, the sales forecast has been reduced due to the effect of revisions to improper transactions and the net income forecast is lower because of the extraordinary losses explained above.

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	Million	Million	Million	Million	Yen
Previous forecast (A)	256,000	13,500	13,200	8,000	14,948.12
Revised forecast (B)	253,000	14,000	14,400	7,400	13,828.67
Difference (B – A)	△3,000	500	1,200	△600	—
Pct. change (%)	△1.2	3.7	9.1	△7.5	—
Fiscal year ended March 2010	242,619	13,332	13,891	6,771	12,658.66

*Forecasts and other forward-looking statements in this news release are based on information that is currently available and on assumptions that incorporate reasonable judgments. Actual performance may differ significantly from this forecast for a variety of reasons.

3. Effect on results of operations in prior years

As was announced on April 28, 2011 in a news release titled "Interim Progress Report Concerning Improper Accounting Procedure at Consolidated Subsidiary," GEO has performed a thorough examination to determine the effect at this time on results of operations from revisions concerning the improper accounting procedure at GEO and RETAILCOMM. These revisions have affected financial statements and other information that is included in the publicly announced information listed below for every quarter. Consequently, GEO plans to make corrections to its securities reports, earnings announcements and other documents for prior fiscal years.

The monetary effect of this matter that has been determined by the investigation thus far was reported in the April 28, 2011 news release titled "Interim Progress Report Concerning Improper Accounting Procedure at Consolidated Subsidiary." GEO is currently calculating the specific amounts of changes to sales and other items in the quarterly and fiscal year financial statements. Consequently, an announcement of the exact amounts of the revisions will be made once the figures have been confirmed after the upcoming receipt of the final investigation report.

- ✓ Financial results for the nine months ended December 31, 2008 and business report for the nine months ended December 31, 2008
- ✓ Financial results for the year ended March 31, 2009 and securities report for the year ended March 31, 2009

- ✓ Financial results for the three months ended June 30, 2009 and business report for the three months ended June 30, 2009
- ✓ Financial results for the six months ended September 30, 2009 and business report for the six months ended September 30, 2009
- ✓ Financial results for the nine months ended December 31, 2009 and business report for the nine months ended December 31, 2009
- ✓ Financial results for the year ended March 31, 2010 and securities report for the year ended March 31, 2010
- ✓ Financial results for the three months ended June 30, 2010 and business report for the three months ended June 30, 2010
- ✓ Financial results for the six months ended September 30, 2010 and business report for the six months ended September 30, 2010
- ✓ Financial results for the nine months ended December 31, 2010 and business report for the nine months ended December 31, 2010

4. Upcoming actions

GEO plans to announce on May 20, 2011 its results of operations for the fiscal year that ended on March 31, 2011. Prior to this announcement, GEO plans to announce the final investigation report concerning the improper accounting procedure at RETAILCOMM and revisions to financial and other reports for prior fiscal years.