



May 30, 2011

To All Stakeholders:

GEO CORPORATION  
Head office: 1-1-1 Miyamachi, Kasugai City, Aichi  
President: Tetsuya Morihara  
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### **Notice of Divestiture to Establish a Holding Company Structure**

The Board of Directors of GEO CORPORATION approved a resolution today to use a divestiture by GEO to establish a new company ("the Divestiture" hereafter) for the purpose of establishing a holding company structure on November 1, 2011 (tentative).

In association with the Divestiture, GEO plans to change its name to GEO HOLDINGS CORPORATION on November 1, 2011 and plans to retain its stock listings on Tokyo Stock Exchange and Nagoya Stock Exchange.

Conducting the Divestiture to establish a holding company structure is dependent on receiving the approval of shareholders at the annual shareholders meeting to be held on June 29, 2011 of resolutions for the divestiture plan and for amendments to the Articles of Incorporation (Change of company name). Please see today's release titled "Notice of Proposed Amendments to the Articles of Incorporation" for more information about the proposed amendments.

Some items and other information concerning the Divestiture will not be disclosed because this is a divestiture and establishment of a new company that involves only GEO CORPORATION.

#### **1. Purpose of the Divestiture**

GEO operates a chain of 1,301 shops in Japan (as of March 31, 2011) in its retail business. This business involves primarily the sale of media products and is the core business of the GEO Group. In addition, GEO performs management oversight and guidance for consolidated subsidiaries that have business operations, including reuse shops, IT business that provides products and services that use the Internet, amusement facilities like game centers, bowling alleys, movie theaters and others.

The GEO Group has reorganized its operations a number of times to support the growth of these business activities and improve efficiency. However, management believes that the group has reached the point where further gains in the efficiency and quality of business operations require separating the operating companies from the group management operations.

GEO believes that the Divestiture will strengthen the GEO Group's corporate governance by clearly positioning the roles of business operations and group management and by creating a group organizational structure that is properly supervised and managed.

GEO has thus reached the decision that switching to a holding company structure will yield benefits for the GEO Group's operations in many respects. GEO plans to use this structure to build an even more powerful base of operations and aim for more growth in corporate value.

#### **2. Summary of the Divestiture**

##### (1) Timetable

- |                                                          |                              |
|----------------------------------------------------------|------------------------------|
| ➤ Record date for shareholders meeting                   | March 31, 2011               |
| ➤ Board of directors meeting to approve divestiture plan | May 30, 2011                 |
| ➤ Approval of divestiture plan by shareholders           | June 29, 2011 (tentative)    |
| ➤ Date of the Divestiture (date of effectiveness)        | November 1, 2011 (tentative) |

(2) Divestiture method

a) Divestiture method

Divestiture to establish a new company in which GEO CORPORATION is the divesting company and GEO CORPORATION (the "New Company" hereafter) is the newly established company.

The current GEO CORPORATION plans to change its name to GEO HOLDINGS CORPORATION on November 1, 2011.

b) Reason for using this divestiture method

This divestiture method was selected because it facilitates the efficient and smooth transition to a holding company structure.

(3) Allocation of stock

The New Company will issue 100 shares of common stock and all of these shares will be allocated to GEO.

(4) Divestiture payment

There will be no payment associated with the Divestiture.

(5) Change in capital, etc. due to the Divestiture

There will be no change in capital, etc. in association with the Divestiture.

(6) Handling of stock acquisition rights and Bonds with stock acquisition rights of GEO

There will be no change in the handling of stock acquisition rights issued by GEO as a result of the Divestiture.

GEO has not issued bonds with stock acquisition rights.

(7) Rights and obligations assumed by the New Company

The New Company will assume all assets, liabilities, contractual rights and other rights and obligations as of the divestiture date with regard to the businesses that are divested by GEO. Valuations of assets and liabilities that are transferred will be determined by using balance sheet values and other figures as of March 31, 2011 along with any additions or deductions that occur date before the divestiture date.

In addition, the concomitant assumption method will be used for the transfer of liabilities from GEO to the New Company.

(8) Outlook for fulfillment of debt obligations

GEO has performed a scrutiny of the projected assets, liabilities and earnings of GEO and the New Company following the Divestiture based on the balance sheet as of March 31, 2011. Based on this scrutiny, GEO expects that the assets of each company will be more than its liabilities. At this time, GEO therefore foresees no events that would prevent the companies from fulfilling their debt obligations or the possibility of such events occurring. Consequently, GEO has concluded that there are no remarkable problems with regard to the ability of GEO and the New Company to fulfill their debt obligations following the Divestiture.

(9) Directors and auditors of the New Company

(Directors upon establishment)

President	Kiyonori Sawada	
Director	Tetsuya Morihara	
Director	Noriyuki Imai	
Director	Kouji Gotoh	(後藤 耕二)
Director	Tatsuya Mizoguchi	
Director	Yasuhiro Oka	

(Auditors upon establishment)

Auditor	Yoko Haruma
Auditor	Junichi Mizutani

### 3. Profile of GEO CORPORATION

(1) Company to divest operations (as of March 31, 2011)

①Company name	GEO CORPORATION (Plans to change its name to GEO HOLDINGS CORPORATION on November 1, 2011.)															
②Head Office Registered address	5-11-3 Nyoisaru-cho, Kasugai city, Aichi															
③Representative	President: Tetsuya Morihara															
④Main Line Business	Planning and management for the GEO Group Retail business (media shop operations, rental and sale of DVDs, CDs, games and other merchandise), media products distribution business															
⑤Capital	8,603 million yen															
⑥Established	January 10, 1989															
⑦Shares issued	585,192 shares															
⑧Fiscal Year	March															
⑨Number of Employees	1,896															
⑩Major shareholders and pct. owned	<table border="0"> <tr> <td>Yuzo Endo</td> <td>15.94%</td> </tr> <tr> <td>Shirokura-ya Corporation</td> <td>8.87%</td> </tr> <tr> <td>The Master Trust Bank of Japan, Ltd. (Trust Account)</td> <td>6.01%</td> </tr> <tr> <td>Japan Trustee Services Bank, Ltd. (Trust Account)</td> <td>4.69%</td> </tr> <tr> <td>International Leisure Corporation</td> <td>3.38%</td> </tr> <tr> <td>Fujita Shoten Corporation</td> <td>3.38%</td> </tr> <tr> <td>Joko Pharmaceutical Co., Ltd.</td> <td>3.04%</td> </tr> </table>		Yuzo Endo	15.94%	Shirokura-ya Corporation	8.87%	The Master Trust Bank of Japan, Ltd. (Trust Account)	6.01%	Japan Trustee Services Bank, Ltd. (Trust Account)	4.69%	International Leisure Corporation	3.38%	Fujita Shoten Corporation	3.38%	Joko Pharmaceutical Co., Ltd.	3.04%
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Fujita Shoten Corporation	3.38%															
Joko Pharmaceutical Co., Ltd.	3.04%															
⑪Relationships	Capital relationship	The New Company will be a wholly owned subsidiary of GEO.														
	Personal relationship	The New Company will receive directors, corporate auditors and employees from GEO.														
	Business relationship	GEO plans to perform management guidance and management operations on an outsourcing basis for the New Company.														
	Related party information	The New Company will be a consolidated subsidiary of GEO.														

Note: Major shareholders and percentages of shares held do not include 41,364 shares of treasury stock (7.06% of all shares issued) held by GEO.

⑫Consolidated Financial Results for the past three years (Million yen)

	FY 2009	FY 2010	FY 2011
Net assets	34,855	39,349	48,037
Total assets	121,182	118,177	125,442
Shareholders' equity per share (¥)	61,418	71,212	82,856
Net Sales	252,198	241,491	253,082
Operating Income	10,224	13,287	14,096
Ordinary Income	9,744	13,845	14,447
Net Income	1,654	6,665	7,512
Earnings per share (¥)	2,973	12,460	14,039
Dividend per share (¥)	2,400	2,700	2,800

Note: The dividend per share for the fiscal year ended in March 2011 is a projected amount that includes a forecast.

⑬ Nonconsolidated Financial Results for the past three years

(Million yen)

	FY 2009	FY 2010	FY 2011
Net assets	18,041	23,321	43,878
Total assets	66,407	69,332	104,868
Shareholders' equity per share (¥)	33,726	43,353	81,991
Net Sales	9,117	10,679	111,171
Operating Income	5,857	6,959	7,613
Ordinary Income	5,754	7,268	8,164
Net Income	1,844	6,525	21,026
Earnings per share (¥)	3,316	12,199	39,290
Dividend per share (¥)	2,400	2,700	2,800

Note: GEO merged with 11 consolidated subsidiaries on October 1, 2010.

The dividend per share for the fiscal year ended in March 2011 is a projected amount that includes a forecast.

(2) Profile of the New Company (to be established November 1, 2011 (tentative))

① Company name	GEO CORPORATION	
② Head Office	1-1-1 Miyamachi, Kasugai city, Aichi	
③ Representative	President: Kiyonori Sawada	
④ Main Line Business	Retail business (media shop operations, rental and sale of DVDs, CDs, games and other merchandise), media products distribution business	
⑤ Capital	30 million yen	
⑥ Established	November 1, 2011	
⑦ Shares issued	100 shares	
⑧ Fiscal Year	March	
⑨ Number of Employees (note)	1,713	
⑩ Major shareholders and pct. owned	GEO CORPORATION	100.00%
⑪ Relationships	Capital relationship	The New Company will be a wholly owned subsidiary of GEO.
	Personal relationship	The New Company will receive directors, corporate auditors and employees from GEO.
	Business relationship	GEO plans to perform management guidance and management operations on an outsourcing basis for the New Company.
	Related party information	The New Company will be a consolidated subsidiary of GEO.

Note: Number of employees as of March 31, 2011 in business operations to be transferred to the New Company.

#### 4. Summary of Businesses to Be Divested

##### (1) Business activities to be divested

The following retail business activities operated by GEO

- 1) Directly operated shops and shops of agents that rent, buy and sell DVDs, CDs, games and other merchandise
- 2) The franchising business for the activities in 1)
- 3) Sales of DVDs, CDs, games and other merchandise using the Internet, etc.
- 4) Merchandise procurement and distribution associated with the activities in 1), 2) and 3)

##### (2) Sales and earnings of businesses to be divested (April 1, 2010 to March 31, 2011)

	Businesses to be divested (A)	GEO CORPORATION (B)	Ratio (A/B)
Net Sales	109,370 million yen	111,171 million yen	98.4%
Operating Income	9,123 million yen	7,613 million yen	119.8%

##### (3) Assets and liabilities of businesses to be divested (as of March 31, 2011)

Assets		Liabilities	
Items	Book value amount	Items	Book value amount
Current assets	17,481 million yen	Current liabilities	17,255 million yen
Noncurrent assets	22,715 million yen	Noncurrent liabilities	22,904 million yen
Total	40,196 million yen	Total	40,159 million yen

#### 5. Profile of GEO HOLDINGS CORPORATION (Forecast)

①Company name	GEO HOLDINGS CORPORATION
②Head Office	5-11-3 Nyoisaru-cho, Kasugai city, Aichi
③Representative	President: Tetsuya Morihara
④Main Line Business	Planning and management for the GEO Group and administrative tasks for subsidiaries
⑤Capital	8,603 million yen
⑥Net assets (note)	43,878 million yen
⑦Total assets (note)	64,709 million yen
⑧Fiscal Year	March

Note: Net assets and total assets are based on balance sheet figures as of March 31, 2011. Actual net assets and total assets after the divestiture may not be the same as these figures.

#### 6. Outlook

The Divestiture will have only a negligible effect on the consolidated forecast because the New Company will be a wholly owned subsidiary of GEO HOLDINGS CORPORATION.

Following the Divestiture, management guidance fees, outsourcing fees for administrative tasks and dividends will be the primary sources of nonconsolidated revenue of GEO HOLDINGS CORPORATION.