

Business Results for the First Half of the Fiscal Year Ending March 31, 2010

C r e a t i v i t y

I n n o v a t i o n

S o l u t i o n

October 16, 2009

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1H FY2010 Income Statement (Consolidated)



(millions of yen)

	1H FY2010	% of total	1H FY2009	% of total	YoY comparison
Net sales	10,465	100.0%	9,950	100.0%	105.2%
Operating income	1,268	12.1%	1,283	12.9%	98.8%
Ordinary income	1,267	12.1%	1,263	12.7%	100.3%
Net income	638	6.1%	630	6.3%	101.3%

- ◆ The environment facing the pachinko parlor business was relatively stable, with low-stakes gaming—exemplified by 1-yen pachinko—gaining popularity, and companies, particularly major industry players, resuming efforts to open new halls.
- ◆ Against this backdrop, the Group strived to further expand market share by providing value-added services and improving productivity in its mainstay advertising and used machine sales intermediary businesses.
- ◆ As a result net sales for the first half came to 10,465 million yen, up 5.2% compared with 1H FY2009, ordinary income increased 0.3% to 1,267 million yen, and net income rose 1.3% to 638 million yen.

Breakdown by Business Segment



1H FY2010 Results

(millions of yen)

	Advertising Business Gendai Agency Inc.	Used Machine Sales Intermediary Value Quest Co., Ltd	Real Estate Business Land Support Inc.	Other Businesses Mastership Inc.	Eliminations/ corporate	Consolidated
Net sales	9,547	811	78	27	—	10,465
Operating income	1,350	179	36	(43)	(254)	1,268

Change versus 1H FY2009

	Advertising Business Gendai Agency Inc.	Used Machine Sales Intermediary Value Quest Co., Ltd.	Real Estate Business Land Support Inc.	Other Businesses Mastership Inc.	Eliminations/ corporate	Consolidated
Net sales	+470	+11	+6	+27	-	+515
Operating income	+94	(17)	+4	(40)	(56)	(15)

- ◆ Revenues increased in all segments. Consolidated net sales thus increased 515 million yen compared with 1H FY2009. However, consolidated operating income fell 15 million yen because operating income remained sluggish in the used machine sales intermediary and other businesses.



Advertising

Gendai Agency Inc.

1H FY2010 Income Statement (Advertising)



(millions of yen)

Advertising	1H FY2010	1H FY2009	YoY comparison
Net sales	9,547	9,077	105.2%
Operating expense	8,197	7,821	104.8%
Operating income	1,350	1,256	107.5%

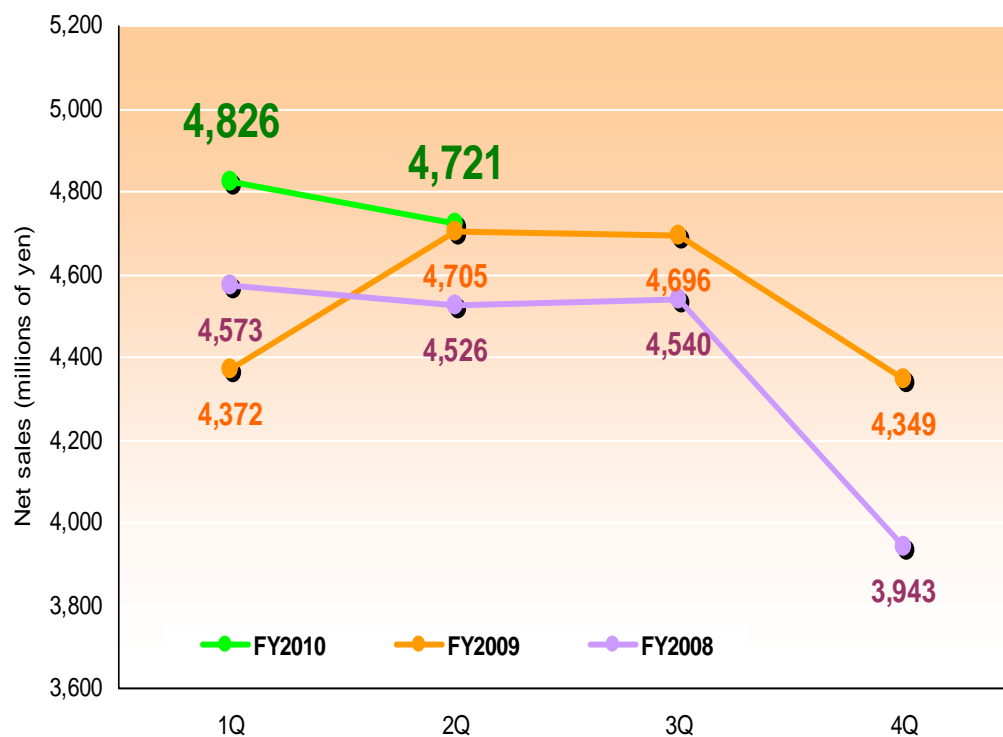
- ◆ In the fiscal first quarter, the pachinko parlor advertising market was buoyant overall. Advertising demand grew on the back of new hall openings led by major industry players and strong advertising demand generated by brisk new machine replacements. However, business was somewhat lackluster in the second quarter, reflecting lower-than-usual advertising demand owing to fewer new store openings ahead of Japan's *O-bon* holiday period and advertising budget cuts by some pachinko hall operators.
- ◆ Measures Implemented in the Advertising Business
 - (1) Sales efforts aimed at maximizing limited orders received for advertising related to new hall openings and new machine replacements
 - (2) Enhanced cross-media marketing functions (implemented measures to expand orders received for TV commercials)
- ◆ As a result, **the business's net sales came to 9,547 million yen, up 5.2% compared with 1H FY2009, and operating income came to 1,350 million yen, up 7.5%.**

Quarterly Sales Trends (Advertising)



(millions of yen)

	1Q	2Q	3Q	4Q	Full year
FY2010	4,826	4,721	—	—	
FY2009	4,372	4,705	4,696	4,349	18,123
FY2008	4,573	4,526	4,540	3,943	17,583



- ◆ While number of orders for new-hall-opening advertising declined in 2Q and some pachinko halls reduced their advertising budgets, the advertising business's net sales were slightly above last year's 2Q net sales by virtue of efforts to win as many orders as possible for new-hall-opening and new-machine-replacement advertising from among a limited order pool.

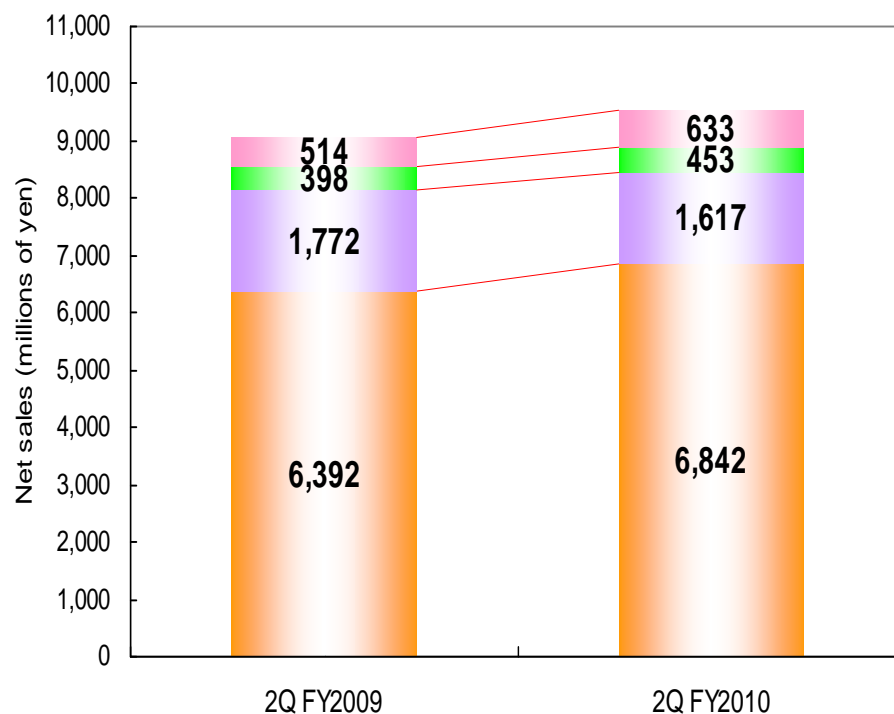
Sales Breakdown (Advertising)



(millions of yen)

		1H FY2010	% of total	1HQ FY2009	% of total	YoYcomparison
Total sales	Newspaper flyers	6,842	71.7%	6,392	70.4%	107.0%
	Promotional goods	1,617	16.9%	1,772	19.5%	91.3%
	Advertising media	453	4.7%	398	4.4%	113.8%
	Other	633	6.6%	514	5.7%	123.2%
		9,547	100.0%	9,077	100.0%	105.2%

■ Newspaper flyers ■ Promotional goods ■ Advertising media ■ Other



- ◆ Sales of advertising media rose 13.8% vs. 1H FY2009 on the back of rising orders for TV commercials.
- ◆ Promotional goods sales declined due to a fall in demand for parlor decorations for new store openings ahead of Japan's *O-bon* holidays.

Clients (Advertising)

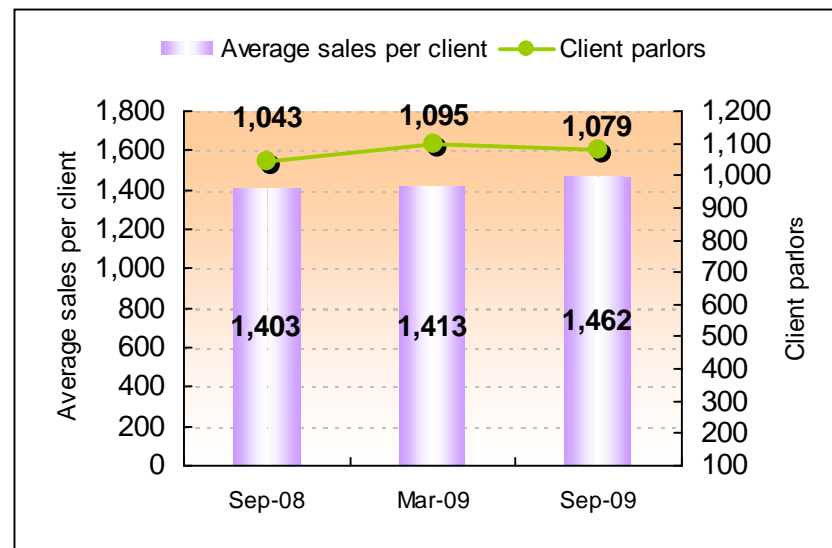


Average sales per client and number of client parlors

◆ The number of client parlors at end-Sept. 2009 was up by 36 compared with end-Sept. 2008 on acquisition of primarily major companies as new clients. Sales per client also grew year over year.

Active clients	Sep-08	Mar-09	Sep-09
Clients parlors	1,043	1,095	1,079
Average sales per client (1,000 yen)	1,403	1,413	1,462

1. "Client parlors" refer to customers with more than 50,000 yen in monthly transactions
2. Sales figures are monthly

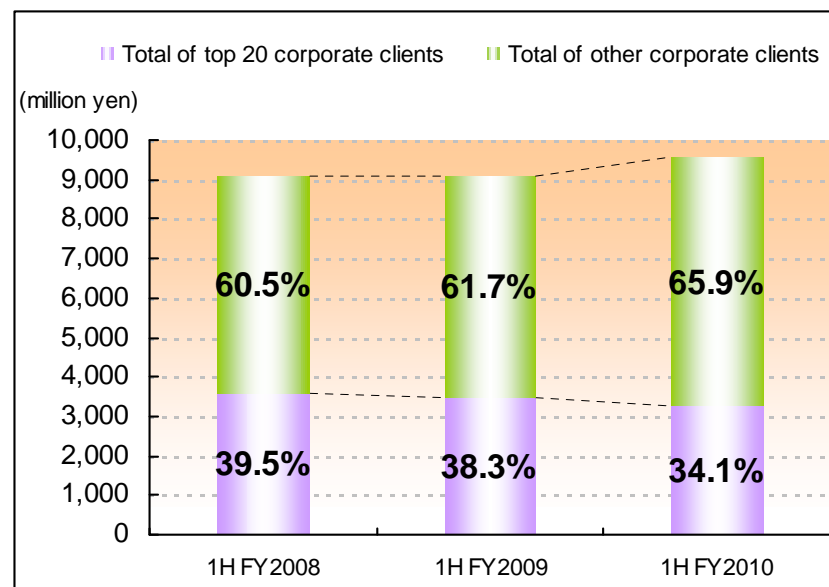


Customer composition

◆ The total value of orders from clients ranking below the top 20 increased. On the whole, we are fairly reliant on major industry players.

Active clients	1H FY2008	1H FY2009	1H FY2010
Total of top 20 corporate clients*	39.5%	38.3%	34.1%
Total of other corporate clients	60.5%	61.7%	65.9%
Total	100.0%	100.0%	100.0%

*The company's 20 largest customers by sales

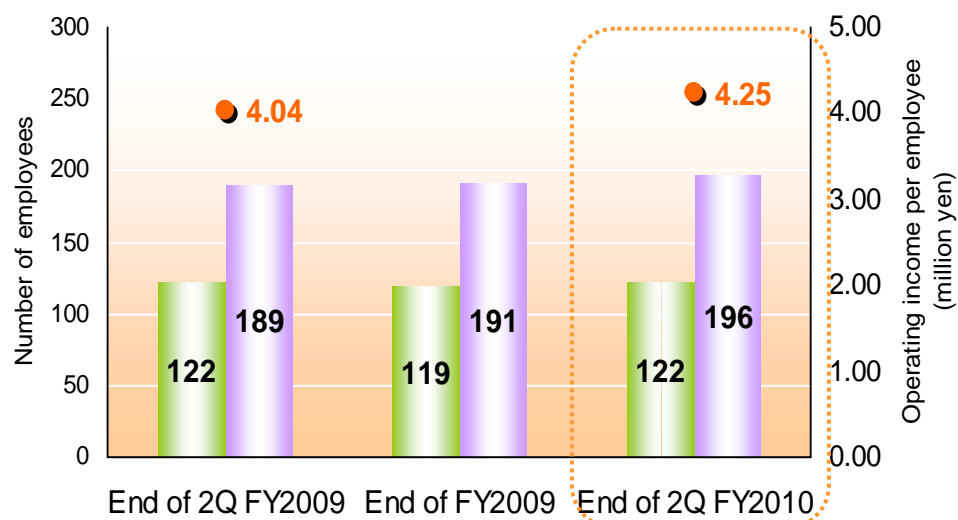


Employees (Advertising)



	End of 1H FY2009	End of FY2009	End of 1H FY2010
Cost of sales (creative, production) (headcount)	122	119	122
SG&A (sales, administration) (headcount)	189	191	196
Subtotal for advertising (headcount)	311	310	318
Operating income per employee (million yen) *1H operating income (cumulative) / number of employees	4.04		4.25

- Cost of sales (creative, promotion) (headcount)
- SG&A (sales, administration) (headcount)
- Operating income per employee (million yen)



- ◆ We hired 9 new graduates. Total employee headcount was up by **8** compared with the end of FY2009.
- ◆ Productivity increased. Operating income per employee was **up by 210,000 yen** vs. 1H FY2009.



Used Machine Sales Intermediary Business

Value Quest Co., Ltd.

1H FY2010 Income Statement (Used Machine Sales Intermediary)



(millions of yen)

Used Machine Sales Intermediary	1H FY2010	1H FY2009	YoY comparison
Net sales	811	800	101.4%
Operating expense	632	604	104.6%
Operating income	179	196	91.3%

- ◆ The market remained strong by virtue of declining replacement costs, solidification of low-stakes gaming's market presence, increased prevalence of *amadeji* (low-risk, low-return) machines, and other factors. With no hit products, the number of new machine replacements declined in the fiscal second quarter, which in turn lowered activity in the used machine market.
- ◆ Measures Implemented in the Used Machine Sales Intermediary Business:
 - (1) Streamlined VQnet transactions (VQnet is a membership-based used-machine information service)
 - (2) Made sales visits to pachinko parlors
 - (3) Executed various sales promotions
 - (4) Added system functions to ensure safe, accurate and swift transactions.
- ◆ As a result, number of machines contracted rose 1.7% compared with 1H FY2009 to 105,000, net sales rose 1.4% to 811 million yen, and operating income decreased 8.7% to 179 million yen after accounting for goodwill amortization of 70 million yen.

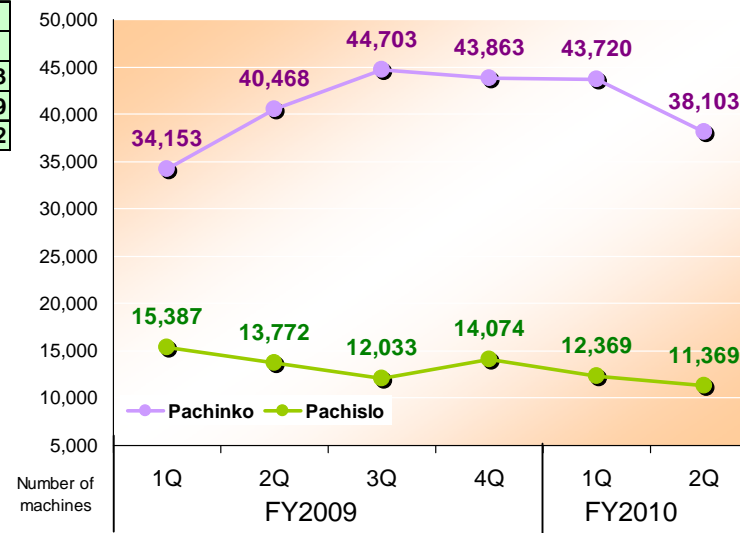
Quarterly Trends in Machine Sales and Commission per Unit (Used Machine Sales Intermediary)



(number of machines)

Number of Machines	FY2009				FY2010	
	1Q	2Q	3Q	4Q	1Q	2Q
Pachinko	34,153	40,468	44,703	43,863	43,720	38,103
Pachislo	15,387	13,772	12,033	14,074	12,369	11,369
Total	49,540	54,240	56,736	57,937	56,089	49,472

◆ **Machine sales:** Sales of pachinko and pachislo machines fell 5.8% and 17.4% respectively compared with 2Q FY2009 due to a lack of hit machines.

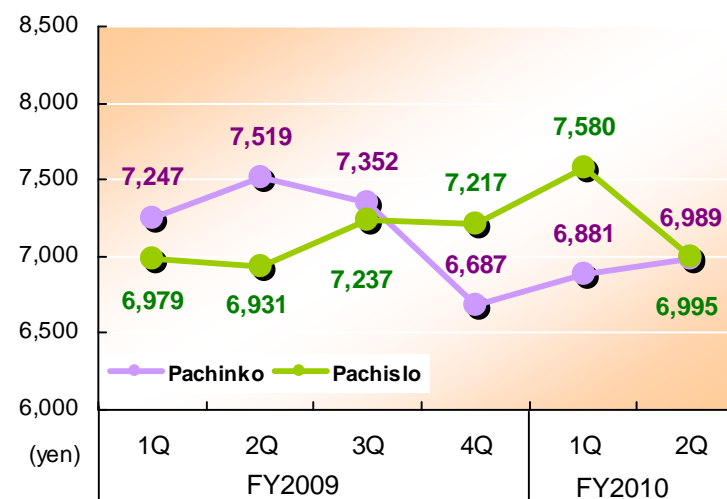


(yen)

Commission per unit	FY2009				FY2010	
	1Q	2Q	3Q	4Q	1Q	2Q
Pachinko	7,247	7,519	7,352	6,687	6,881	6,989
Pachislo	6,979	6,931	7,237	7,217	7,580	6,995

◆ **Per-unit commission:** Per-unit commissions on pachinko machines declined compared with 2Q FY2009, due to replacement demand for low-stakes machines (low price range).

Per-unit commissions on pachislo machine sales remained low due to a lack of hit machines.



Real Estate Business

Land Support Inc.

1H FY2010 Income Statement (Real Estate Business)



(millions of yen)

Real Estate Business	1H FY2010	1H FY2009	YoY comparison
Net sales	78	72	108.3%
Operating expense	42	40	105.0%
Operating income	36	32	112.5%

- ◆ Adding to two existing lease contracts, the company signed two new leasing agency agreements (worth 5 million yen) in 2Q.

As a result, net sales came to 78 million yen, up 8.3% compared with 1H FY2009, and operating income came to 36 million yen, up 12.5%.

1H FY2010 Balance Sheet (Consolidated)



(millions of yen)

		End of FY2009 (A)	End 1H FY2010 (B)	Change (B)-(A)		
Total assets	Cash and cash equivalents	4,365	3,452	(1,182)	--- (1)	
	Notes and accounts receivables	2,346	2,458	112		
	Other current assets	152	147	(5)		
	Tangible fixed assets	1,087	1,091	4		
	Intangible fixed assets	709	602	(107)		
	Investment and other assets	1,263	1,681	418		
		10,193	9,434	(759)		
Total liabilities and net assets	Notes and accounts payables	1,366	1,411	45	--- (1)	
	Short-term borrowings	508	308	(200)		
	Accrued incometaxes	600	584	(16)		
	Deposits from used machine business customers	1,722	719	(1,002)		
	Other current liabilities	279	310	31		
	Long-term borrowings	971	916	(55)		
	Other fixed liabilities	15	15	0		
	Shareholders' equity	4,375	4,762	387		--- (2)
	Minority interests	355	406	51		
	10,193	9,434	(759)			

- (1) Cash and cash equivalents decreased 1,182 million yen due mainly to a decline of 1,002 million yen in deposits from used machine business customers at Value Quest.
- (2) Shareholders' equity totaled 4,762 million yen, up 387 million yen versus the end of FY2009
Main factors:
- 1) Posted 638 million yen in net income
 - 2) 251 million yen in year-end dividends payments

1H FY2010 Cash Flow Statement (Consolidated)



(millions of yen)

	1H	
Net income before income taxes	1,242	
Goodwill amortization	70	
Depreciation and amortization	109	
Change in accounts receivable	(98)	
Change in inventories	0	
Change in accounts payable	44	
Change in deposits used machine business customers	(1,002)	--- (1)
Others	40	
Subtotal	406	
Income taxes paid	(545)	--- (2)
Others	(5)	
Cash flow from operations	(144)	
Payment for purchase of tangible/intangible fixed assets	(84)	
Payment for purchase of investment securities	(300)	
Others	(147)	
Cash flow from investing activities	(531)	
Change in borrowings	(254)	
Dividends paid	(251)	--- (3)
Cash flow from financing activities	(506)	
Change in cash and cash equivalents	(1,182)	
Cash and cash equivalents beginning of period	4,629	
Cash and cash equivalents end of period	3,447	

- (1) Decline of 1,002 million yen in deposits from used machine business customers at Value Quest
- (2) 545-million-yen finalized income-tax payment on last fiscal year's earnings
- (3) 251 million yen in year-end dividends payments

FY2010 Consolidated Earnings Forecast and Progress Toward Forecast



(millions of yen)

	1H FY2010 results	*1H FY2010 forecast	Percent achieved	*FY2010 forecast	Percent achieved
Net sales	10,465	10,204	102.6%	20,708	50.5%
Operating income	1,268	1,294	98.0%	2,548	49.8%
Ordinary income	1,267	1,280	99.0%	2,520	50.3%
Net income	638	636	100.3%	1,272	50.2%

*Announced on Apr. 17, 2009

- ◆ The Group's results remain steadily in line with the forecast announced on April 17, 2009.

These materials contain earnings forecasts and other forward-looking statements. All such forward-looking statements are based on information available to Gendai Agency Inc. as of the preparation of these materials and on certain other information Gendai Agency Inc. believes to be reasonable. Actual business results and other outcomes may differ materially from those expressed or implied by forward-looking statements.

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