Business Results for the Fiscal Year Ended March 31, 2011

Creativity

Innovation

Solution

April 15, 2011

ゲンダイエージェンシー株式会社

GENDAI AGENCY Inc.

http://www.gendai-a.co.jp/ JASDAQ: 2411

Foreword

We would like to express our deepest sympathies to all those affected by the Great East Japan Earthquake of March 11, 2011, and their families. We pray for the swiftest possible recovery of affected areas.

Gendai Agency Inc. Staff

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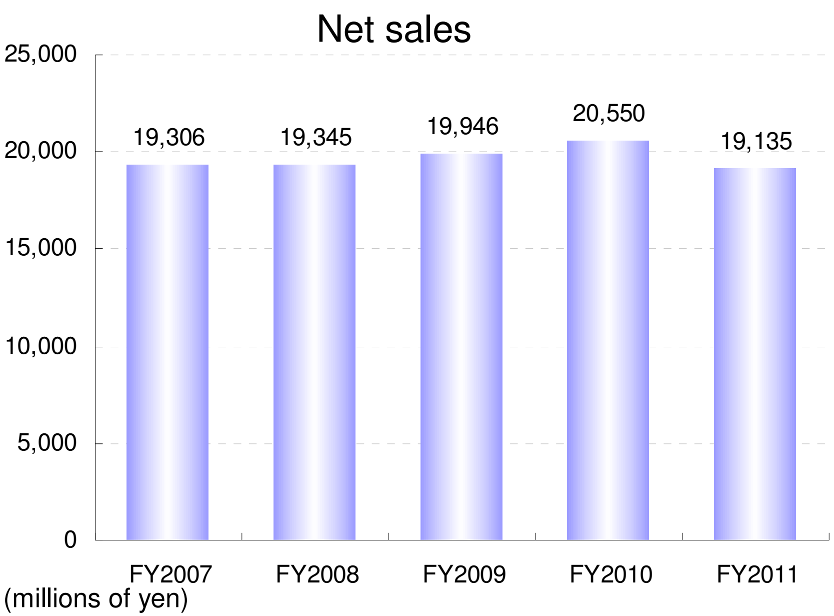
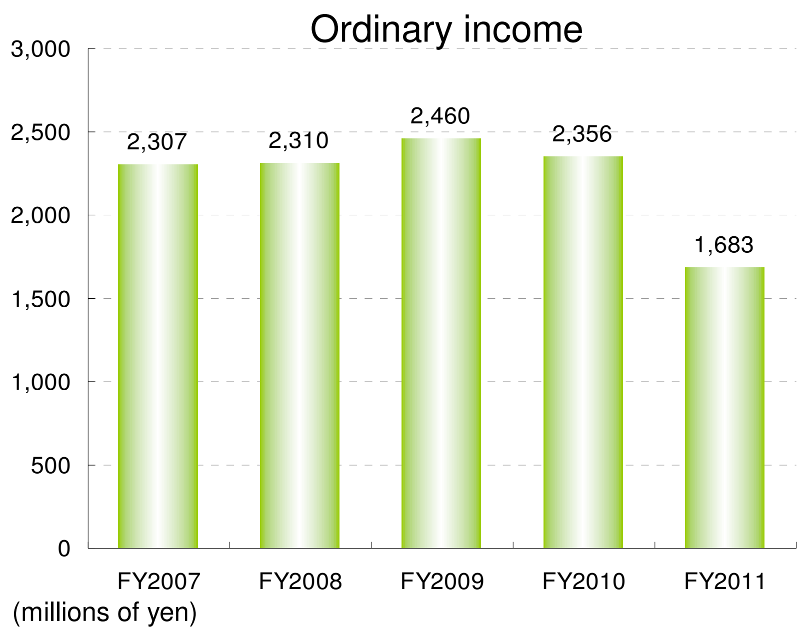
Financial Highlights (Consolidated)

◆ Consolidated net sales, operating income, ordinary income and net income all fell in FY2011.

(millions of yen)

	FY2007	FY2008	FY2009	FY2010	**FY2011**
Net sales	19,306	19,345	19,946	20,550	**19,135**
Operating income	2,316	2,328	2,495	2,352	**1,679**
Ordinary income	2,307	2,310	2,460	2,356	**1,683**
Net income	1,207	1,162	1,209	1,123	**864**





FY2011 Income Statement (Consolidated)

(millions of yen)

	FY2011	% of total	FY2010	% of total	YoY comparison
Net sales	**19,135**	**100.0%**	**20,550**	**100.0%**	**93.1%**
Operating income	**1,679**	**8.8%**	**2,352**	**11.4%**	**71.4%**
Ordinary income	**1,683**	**8.8%**	**2,356**	**11.5%**	**71.4%**
Net income	**864**	**4.5%**	**1,123**	**5.5%**	**76.9%**

- The pachinko parlor industry continued to face tough business conditions due primarily to the impact of falling consumer spending. Some positive signs nevertheless emerged, such as a steady decline in the number of parlor closures and signs of users returning to pachislo machines.
- 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 business. Orders, however, were sluggish in the advertising business due to advertising budget cuts by customers in the 4th quarter and the impact of the Great East Japan Earthquake. Meanwhile, in the used machine sales intermediary business, far fewer used machines were traded than in typical years. Although the Group worked to cut costs and stimulate demand, it was unable to offset the shortfall in transaction volume caused by the slumping market.
- As a result, net sales for FY2011 came to ¥19,135 million, down 6.9% from FY2010, operating income came to ¥1,683 million (down 28.6% year-on-year), and net income came to ¥864 million (down 23.1% year-on-year).

Breakdown by Business Segment

FY2011 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	Eliminations/ corporate	Consolidated
Net sales	18,386	593	155	–	–	19,135
Segment income	2,403	(259)	68	–	(533)	1,679

Change versus FY2010 (millions of yen)

	Advertising Business Gendai Agency Inc.	Used Machine Sales Intermediary Value Quest Co., Ltd	Real Estate Business Land Support Inc.	Other Businesses	Eliminations/ corporate	Consolidated
Net sales	(556)	(803)	+1	(57)	-	(1,415)
Segment income	(266)	(445)	(2)	+87	(45)	(673)

◆ Net sales for FY2011 were down by ¥1,415 million. This reflects a rapid decline in advertising demand in the 4th quarter in the mainstay advertising business and sluggish growth over the entire fiscal year in the used machine sales intermediary business.

Segment income also declined, down ¥673 million versus FY2010.

Advertising Business

Gendai Agency Inc.

FY2011 Income Statement (Advertising)

(millions of yen)

Advertising	FY2011	FY2010	YoY comparison
Net sales	18,386	18,942	97.1%
Operating expense	15,983	16,272	98.2%
Segment income	2,403	2,669	90.0%

- The environment facing pachinko parlor operators changed little from the first through the third fiscal quarter, during which period advertising demand also remained relatively stable. In the fourth quarter, however, demand fell drastically due to cuts in advertising budgets and the impact of voluntary restrictions on advertising activity by the industry in the aftermath of the Great East Japan Earthquake.
- Measures Implemented in the Advertising Business

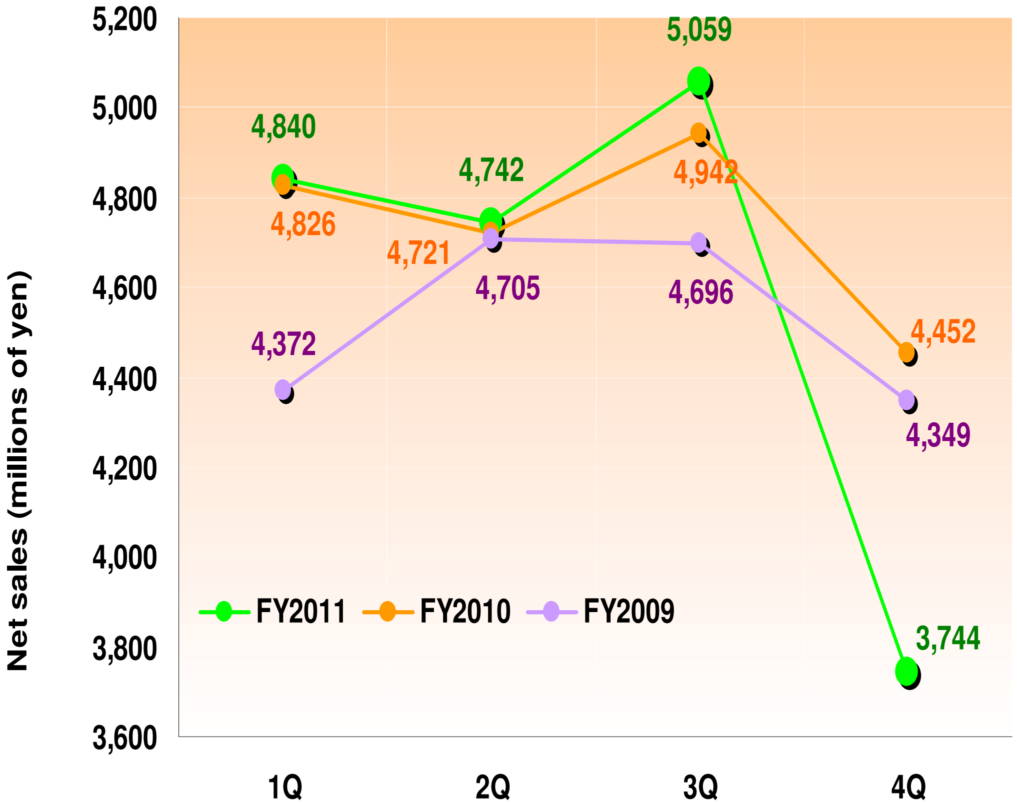
  (1) Strived to boost number of client parlors by strengthening sales efforts with the aim of newly acquiring major clients in untapped areas and thereby increasing market share.

  (2) Expanded service lineup for TV advertising and online advertising for both PCs and mobile devices and actively proposed solutions in order to provide better value-added support for clients' efforts to attract customers.
- Despite these efforts, net sales declined 2.9% from FY2010 to ¥18,386 million due to the impact of the drastic fall in demand in the fourth quarter, while segment income slipped 10% to ¥2,403 million reflecting lower margins caused by the drop in sales.

Quarterly Sales Trends (Advertising)

(millions of yen)

	1Q	2Q	3Q	4Q	Full year
FY2011	**4,840**	**4,742**	**5,059**	**3,744**	**18,386**
FY2010	4,826	4,721	4,942	4,452	18,942
FY2009	4,372	4,705	4,696	4,349	18,123

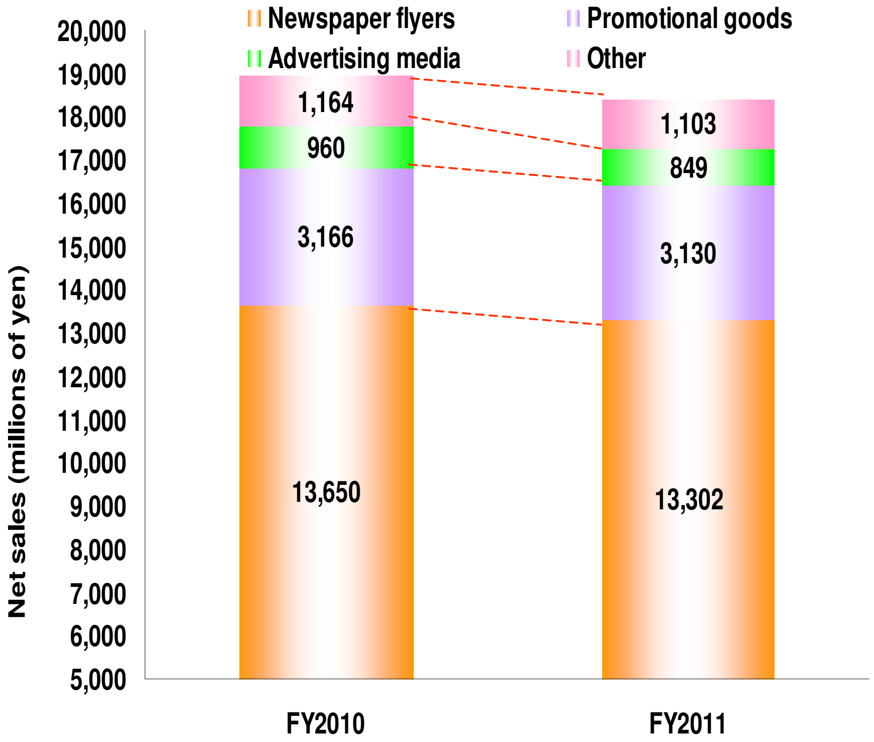


◆ Quarterly net sales were up from the first through the third fiscal quarter. They were down year on year in the fourth quarter, however, due to cuts in advertising budgets and the impact of voluntary restrictions imposed in the aftermath of the earthquake.

Sales Breakdown (Advertising)

(millions of yen)

		FY2011	% of total	FY2010	% of total	YoY comparison
Total sales	Newspaper flyers	**13,302**	**72.3%**	13,650	72.1%	97.5%
	Promotional goods	**3,130**	**17.0%**	3,166	16.7%	98.9%
	Advertising media	**849**	**4.6%**	960	5.1%	88.4%
	Other	**1,103**	**6.0%**	1,164	6.1%	94.7%
		18,386	**100.0%**	18,942	100.0%	97.1%



- Although the composition did not change much, advertising media sales declined 11.6% from FY2010 due to factors such as cuts in advertising budgets.

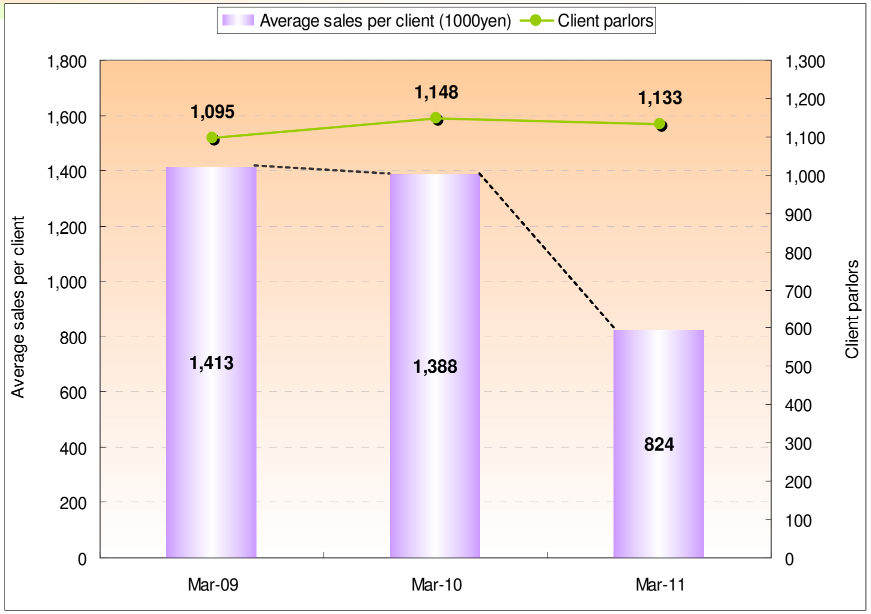
Clients (Advertising)

Average sales per client and number of client parlors

- Voluntary restrictions due to the earthquake led to order cancellations after March 11, and sales for the month fell drastically. Average sales as of March 2011 were therefore down year on year.

Active clients	Mar-09	Mar-10	**Mar-11**
Client parlors	1,095	1,148	**1,133**
Average sales per client (1000 yen)	1,413	1,388	**824**

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

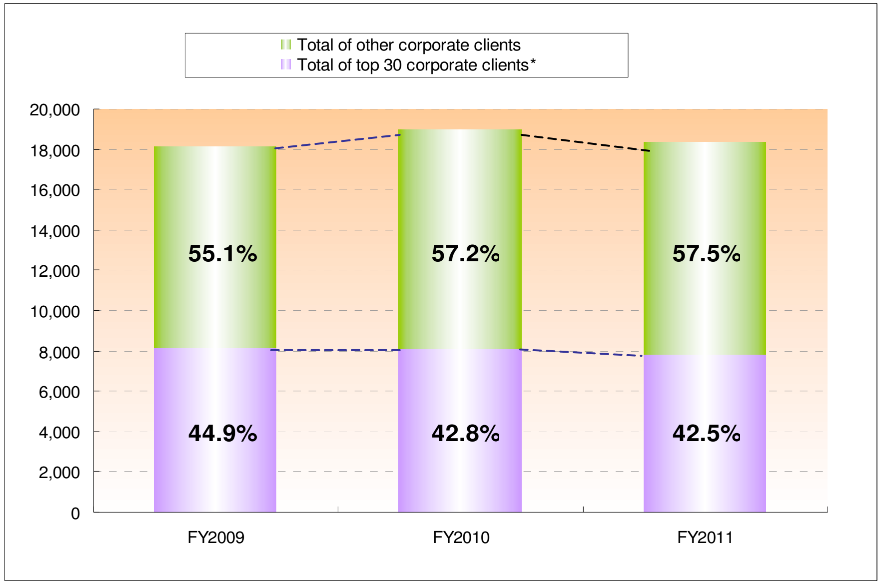


Customer composition

- The relative share of sales from clients other than our top 30 clients rose owing to the acquisition of new clients, but the top 30 still accounted for more than 40% of net sales. Large corporations thus still account for a considerable portion of our sales.

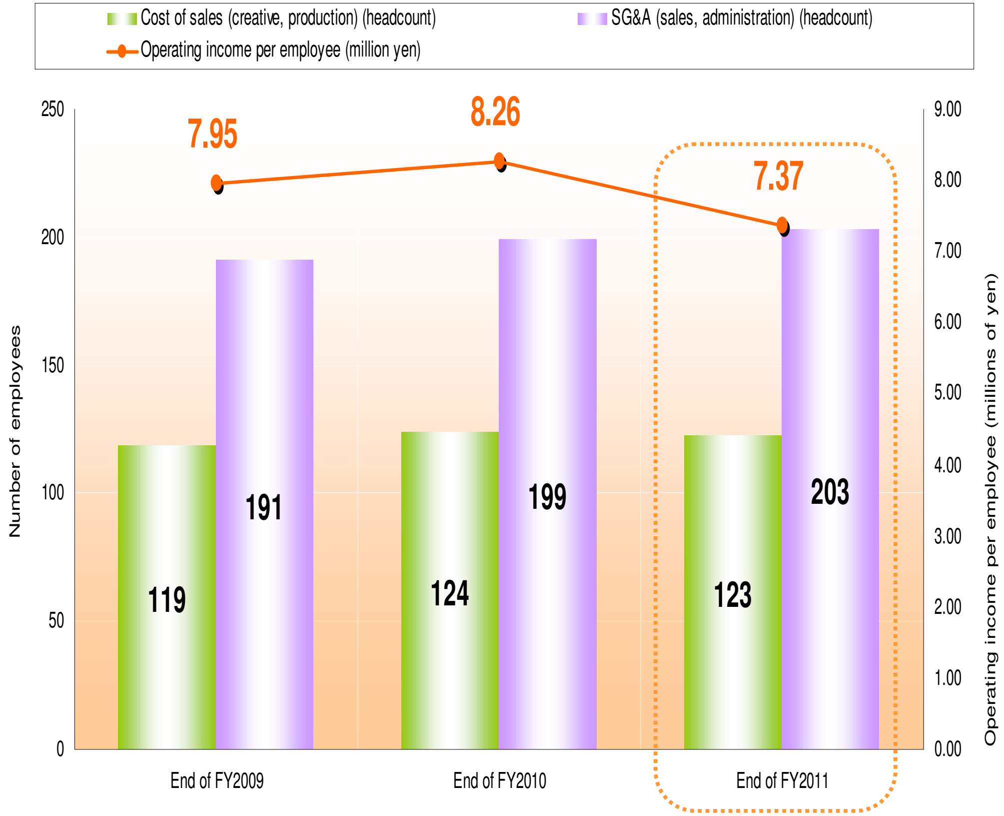
	FY2009	FY2010	**FY2011**
Total of top 30 corporate clients*	44.9%	42.8%	**42.5%**
Total of other corporate clients	55.1%	57.2%	**57.5%**
Total	100.0%	100.0%	**100.0%**

*The company's 30 largest customers by sales



Employees (Advertising)

	End of FY2009	End of FY2010	End of FY2011
Cost of sales (creative, production) (headcount)	119	124	123
SG&A (sales, administration) (headcount)	191	199	203
Subtotal for advertising (headcount)	**310**	**323**	**326**
Operating income per employee (million yen)	**7.95**	**8.26**	**7.37**



- There has been no significant change from the end of FY2010.
- Segment income per employee fell ¥890,000 vs. FY2010 due to the fall in net sales.
- We hired 15 new employees in April 2011.

Used Machine Sales Intermediary Business

Value Quest Co., Ltd.

FY2011 Income Statement (Used Machine Sales Intermediary)

(millions of yen)

Used Machine Sales Intermediary	FY2011	FY2010	YoY comparison
Net sales	593	1,396	42.5%
Operating expense	852	1,209	70.5%
Segment income or loss	(259)	186	−

◆ Changes to regulations on used pachinko machine trading, which came into effect in June 2010, increased clerical and administrative burdens by, for example, lengthening the time that used machines being relocated spend in storage and increasing application paperwork. This resulted in temporary backpedalling in used machine trading. Sluggish sales of new machines, coupled with voluntary restrictions due to the Great East Japan Earthquake and the holding of an APEC meeting also had a significant impact on used machine trading.

◆ Measures implemented in Used Machine Sales Intermediary Business:

(1) Measures aimed at increasing the value offered by VQnet, a membership-based used machine information service.
- Redesigned the inventory management system, VQ inventory.
- Improved transaction processes to speed intermediary services
- Launched a low-cost service for transporting used amusement machines.

(2) Completed significant cost reductions, with focus on fixed costs, by the end of the second quarter. These measures were aimed at establishing an earnings structure that will yield profits even in adverse market conditions. They began producing results from the third quarter on.

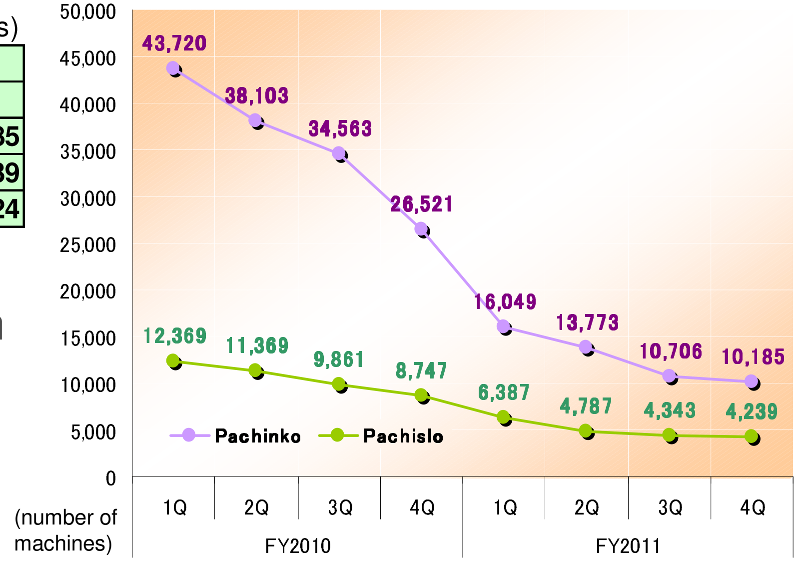
◆ These measures, however, were not sufficient to offset the impact of the substantial fall in used pachinko machine trading. As a result, the number of machines traded fell to 70,000 (down 62.2% vs. FY2010), and net sales were down 57.5% to ¥593 million. The business posted a segment loss of ¥259 million (versus segment income of ¥186 million in FY2010) after accounting for goodwill amortization of ¥141 million.

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

(number of machines)

Number of machines	FY2010				FY2011			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Pachinko	43,720	38,103	34,563	26,521	**16,049**	**13,773**	**10,706**	**10,185**
Pachislo	12,369	11,369	9,861	8,747	**6,387**	**4,787**	**4,343**	**4,239**
Total	56,089	49,472	44,424	35,268	**22,436**	**18,560**	**15,049**	**14,424**

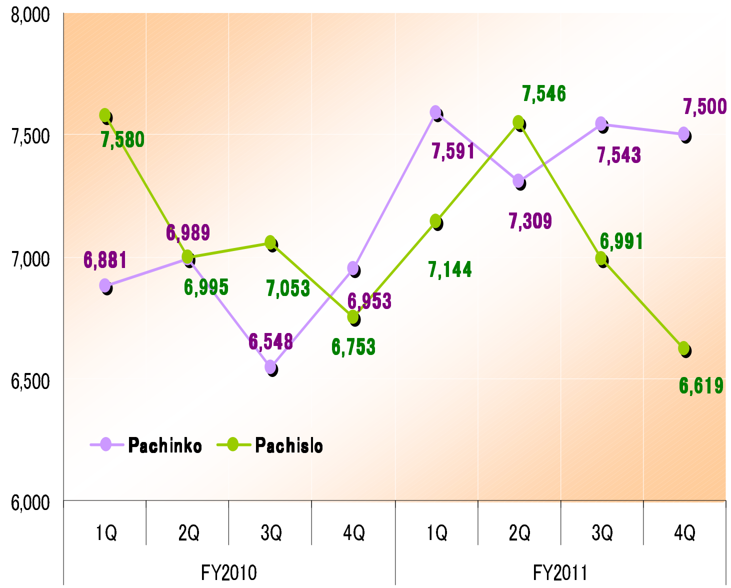
◆Machine sales: In FY2011, machine sales were extremely slow owing to changes to regulations on used machine trading, the impact of voluntary restrictions in the wake of the earthquake, and the APEC meeting.



(yen)

Commission per unit	FY2010				FY2011			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Pachinko	6,881	6,989	6,548	6,953	**7,591**	**7,309**	**7,543**	**7,500**
Pachislo	7,580	6,995	7,053	6,753	**7,144**	**7,546**	**6,991**	**6,619**

◆ Per-unit commission: Despite a declining trend in number of machines being traded, per-unit commissions on pachinko machines were up year on year as some hit machines were traded in a high pric range.
Per-unit commissions on pachislo machines climbed from Q4 FY2010 thanks to hit machines but since Q3 FY2011 has settled at a levels comparable to year-earlier figures.



Real Estate Business

Land Support Inc.

FY2011 Income Statement (Real Estate Business)

(millions of yen)

Real Estate Business	FY2011	FY2010	YoY comparison
Net sales	155	154	100.6%
Operating expense	87	83	104.8%
Segment income	68	70	97.1%

- Adding to two existing lease contracts, Land Support signed 6 new leasing agency agreements (worth ¥9 million) in FY2011.

  As a result, net sales came to ¥155 million, up 0.6% compared with FY2010, and the segment income came to ¥68 million, down 2.9%.

FY2011 Balance Sheet (Consolidated)

(millions of yen)

		FY2010 (A)	FY2011 (B)	Change (B)-(A)	
Total assets	Cash and cash equivalents	3,360	3,489	129	
	Notes and accounts receivables	2,359	1,702	(657)	･･･(1)
	Inventory	-	-	-	
	Other current assets	217	504	287	
	Tangible fixed assets	968	935	(33)	
	Intangible fixed assets	489	237	(252)	
	Investment and other assets	1,835	1,047	(788)	･･･(2)
		9,230	**7,917**	**(1,313)**	
Total liabilities and net assets	Notes and accounts payables	1,380	900	(480)	･･･(1)
	Short-term borrowings	108	928	820	
	Accrued income taxes	550	202	(348)	
	Deposits from used machine business custon	561	221	(340)	･･･(3)
	Other current liabilities	378	211	(167)	
	Long-term borrowings	862	513	(349)	
	Other fixed liabilities	15	42	27	
	Shareholders' equity	4,975	4,545	(430)	･･･(4)
	Other	(2)	4	6	･･･(4)
	Minority interests	400	346	(54)	･･･(4)
		9,230	**7,917**	**(1,313)**	

(1) Impact of reduced trading in March

(2) Decrease in long-term deposits (down ¥300 million) and transfer of investment securities due within a year (down ¥301 million)

(3) Decrease in the number of machines traded

(4) Net assets totaled ¥4,896 million, down ¥476 million versus the end of FY2010

Main factors:

1) Posted ¥864 million in net income

2) ¥760 million for purchase of treasury stock (retired 17,730 shares of treasury stock on June 30, 2010)

3) ¥533 million in year-end dividend payments

FY2011 Cash Flow Statement (Consolidated)

(millions of yen)

	FY2010	FY2011	
Net income before income taxes	**2054**	**1613**	
Goodwill amortization	141	176	
Depreciation and amortization	230	199	
Change in accounts receivable	0	657	
Change in inventories	(1)	6	
Change in accounts payable	14	(480)	
Change in deposits by used machine business customers	(1160)	(340)	
Reorganization loss	155	–	
Others	63	(53)	
Subtotal	**1498**	**1778**	
Income taxes paid	(1089)	(992)	･･･(1)
Other	0	(8)	
Cash flow from operations	**408**	**777**	
Payment for purchase of tangible/intangible fixed assets	(130)	(133)	
Payment for purchase of investment securities	(592)	(50)	
Payment for acquisition of subsidaries' stock	–	–	
Other	71	357	･･･(2)
Cash flow from investing activities	**(652)**	**173**	
Change in borrowings	(508)	472	･･･(3)
Payment for purchase of treasury stock	–	(760)	･･･(4)
Dividends paid	(523)	(533)	･･･(5)
Cash flow from financing activities	**(1032)**	**(822)**	
Change in cash and cash equivalents	**(1276)**	**129**	
Cash and cash equivalents beginning of period	4629	3353	
Cash and cash equivalents end of period	**3353**	**3482**	

(1) ¥992 million in finalized income-tax payment on FY2010's earnings and interim payment for FY2011

(2) ¥300 million in proceeds from withdrawal of time deposits

(3) Proceeds of ¥500 million from long-term loans

(4) ¥760 million in payment for stock repurchases

(5) ¥533 million in year-end dividend payments

FY2012 Forecast

Factors that May Affect FY2012 Earnings

◆ Main assumptions regarding contingent factors related to the Advertising Business's operating environment

Earnings of Sendai and Koriyama branches that were directly affected by the earthquake

Demand is unlikely to recover for a while, and the Group assumes that some ¥1,200 million in advertising business will be lost at the two branches together.

Impact of voluntary restrictions on advertising in the aftermath of the earthquake on the Group's earnings

Immediately after the earthquake, the advertising industry association undertook voluntary restrictions on advertising, which are still in effect primarily in the Tohoku and Kanto regions. The Group assumes that this will result in lost advertising demand of ¥1,600 million over the months of April and May.

Changes to parlor operations stemming from power shortages expected in summer and impact on future advertising demand

Our client parlors operating in areas supplied by the Tokyo Electric Power Company may be asked to close on a rotating schedule or reduce operating hours from June onwards. The Group assumes that this will erase some ¥2,000 million in advertising demand.

Printing costs after the earthquake

Before the earthquake, the Group was expecting to reduce costs by lowering operating costs across the board. The Group now expects the savings from these measures to be offset by shortages in the supply of materials and fuel, including paper and ink, and the resultant rise in printing costs.

FY2012 Consolidated Earnings Forecast (Provisional)

(millions of yen)

	FY2011 results	FY2012 forecast	YoY comparison
Net sales	19,135	**14,600**	-23.7%
Operating income	1,679	**707**	-57.9%
Ordinary income	1,683	**700**	-58.4%
Net income	864	**400**	-53.7%

Consolidated earnings forecast by major business segment

	Advertising		Used Machine Sales Intermediary	
	millions of yen	% composition	millions of yen	% composition
Net sales	13,800	(24.9)	500	(15.7)
Operating income	1,000	(58.4)	20	—

■ Earnings forecasts are based on certain assumptions regarding the impact of contingent factors on business performance. Actual results may vary materially from those expressed or implied by forecasts if assumptions are not realized.

This forecast is provisional. The Group plans to compile a more accurate forecast when a clearer picture of contingent factors becomes available. The Group will revise its earnings forecast if it determines that actual results may differ materially from the previously released forecast.

The Group is currently facing a difficult and unprecedented business environment and understands that reviewing its cost structure is an urgent task if it is to achieve a swift turnaround. As a first step, the Group has decided to cut directors' remuneration by 25% across the board for one year from April 2011 through March 2012. The entire management team is determined to overcome the tough situation in the coming fiscal year with utmost urgency.

- The Gendai Agency Group will strive to add more value to its services and improve productivity in the Advertising Business and Used Machine Sales Intermediary Business, catering exclusively to the pachinko industry, where it has the largest market share. We will work to further expand our market share, consistently seek new business opportunities, and actively develop our business to ensure sustained group growth.

(1) Expand market share and pursue low-cost operations in the Advertising Business

- Aim to expand the number of parlor clients by acquiring major corporate clients in untapped areas to achieve sustained growth
- Pursue low-cost operations to ensure adequate profit
  (collaborate with partner companies, improve design processes, etc.)

(2) Bolster support for clients' cross-media strategies in the Advertising Business

- Enhance area marketing that caters exclusively to pachinko parlor users, while boosting TV commercials through regional broadcasters and improving our service lineup, including Internet-and mobile phone-based advertising.

(3) Expand market share in the Used Machine Sales Intermediary Business and improve earnings

- Provide solution services aimed at boosting use of our used machine trading website, VQnet.com. Achieve this through sales operations tailored to client requirements and by providing machine replacement management systems.
- Thoroughly cut costs to improve profitability

1) Resume business in Tohoku area at an early date

We were forced to suspend operations at our Sendai and Koriyama branches in the wake of the Great East Japan Earthquake. Some clients have resumed operations and others are expected to follow. The Group aims to resume operations in the area at an early date and structure services to facilitate flexible responses to client requirements. By doing so, the Group hopes to make the maximum possible contribution to recovery efforts and the resumption of operations.

2) Develop new customers in areas from Chubu west

The Group will step up efforts to win new major corporate customers and increase the number of client parlors as it works to further expand market share in Chubu and areas west of there, which were relatively unaffected by the disaster.

3) Enhance and expand sales of Internet-and mobile phone-based advertising

With the industry association imposing voluntary restrictions on advertisement using push-type media in the aftermath of the earthquake, attention is being focused on pull-type advertisement using mobile phones and the Internet. To meet demand for these services, the Group will actively expand its Internet-and mobile phone-based advertising services, including the MobaVia announcement tool, in the aim of increasing sales.

4) Optimally allocate human resources

The Group will carry out detailed analysis to enable optimal allocation of human resources for each of its regions and services. By doing so, it will establish a stable earnings structure even amid rapid change in profitability and growth rate by region and by service.

Financial Data and Dividends

	FY2010	FY2011	FY2012 forecast
Operating margin	11.4%	8.8%	4.8%
EPS	11,157.67 yen	9,247.41 yen	4,301.08 yen
ROE	24.0%	18.1%	—
Total annual dividend	5,500 yen	5,500 yen	2,000 yen
Of which, interim dividend	*2,700 yen*	*2,700 yen*	*0 yen*

- The Group will continue to manage its operations with a focus on productivity and capital efficiency to ensure an operating margin of more than 10%, a key operating target.
- Profit distribution for FY 2011: The Group intends to pay an annual dividend of ¥5,500 per share of common stock (dividend payout ratio of 59.5%) including an interim dividend of ¥2,700 based on its dividend policy and target dividend payout ratio of 50%.
- The Group presently expects to pay an annual dividend of ¥2,000 for FY2012 (dividend payout ratio of 46.5%).

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 that 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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