

Business Results for the First Half of the Year ending March 31, 2012

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 14, 2011

Used Machine Sales Intermediary Business

P2	..... 1H FY2012 Income Statement (Consolidated)	P11	.....1H FY2012 Income Statement
P3	.....Breakdown by Business Segment	P12	.....Quarterly Trends in Machine Sales and Commission per Unit

Real Estate Business

Advertising		P14	.....1H FY2012 Income Statement
P5	.....1H FY2012 Income Statement	P15	.....1H FY2012 Balance Sheet (Consolidated)
P6	.....Quarterly Sales Trends	P16	.....1H FY2012 Cash Flow Statement (Consolidated)
P7	.....Sales Breakdown	P17	.....FY2012 Consolidated Earnings Forecast and Progress Toward Forecast
P8	.....Clients	P18	.....Overview of Event Advertising Restrictions
P9	.....Employees		

1H FY2012 Income Statement (Consolidated)



	1H FY2012	% of total	1H FY2011	% of total	YoY comparison
Net sales	7,854	100.0%	10,001	100.0%	78.5%
Operating income	663	8.4%	975	9.7%	68.0%
Ordinary income	666	8.5%	983	9.8%	67.7%
Net income	491	6.3%	538	5.4%	91.3%

- ◆ The pachinko parlor industry continued to face tough business conditions due primarily to the impact of falling consumer spending caused by the earthquake disaster. Given parlors' voluntary restrictions on new machine purchasing and advertising activities following the earthquake, industry-wide parlor closures on a rotating schedule to cope with the power shortages in the summer, and enforcement of event advertising restrictions by prefectures since August this year, the business environment surrounding pachinko parlor operators changed drastically as they were required to take measures including overhaul of their advertising strategies.
- ◆ Against this backdrop, the Group focused its human resources on areas west of Chubu, which were less affected by the earthquake, in a bid to strengthen sales activities in its mainstay advertising business. Such efforts, however, failed to offset the lost advertising demand stemming from the impact of voluntary restriction on advertising and of event restrictions primarily at parlor operators in eastern Japan. In the used machine intermediary business, transactions slowed down due to postponed launch of new machines and voluntary restrictions on machine replacements in the wake of the earthquake.
- ◆ As a result, net sales for the first half came to **¥7,854 million (down 21.5% year-on-year)**, and net income came to **¥491 million (down 8.7% year-on-year)**.

Breakdown by Business Segment



1H FY2012

(millions of yen)

	Advertising Gendai Agency, Inc. Julia Japan.co, ltd	Used Machine Sales Intermediary Value Quest Co., Ltd.	Real Estate Land Support Inc.	Adjustment	Consolidated
Net sales	7,548	215	89	-	7,854
Segment income	847	(30)	38	(191)	663

Change versus 1H FY2011

(millions of yen)

	Advertising Gendai Agency, Inc. Julia Japan.co, ltd	Used Machine Sales Intermediary Value Quest Co., Ltd.	Real Estate Land Support Inc.	Adjustment	Consolidated
Net sales	(2,034)	(122)	+7	-	(2,147)
Segment income	(497)	+114	(0)	+72	(312)

- ◆ Consolidated sales were down by **¥2,147 million**. This reflected the tough business environment for the Group's two biggest businesses: a decline in advertising demand due to voluntary restrictions on advertising activities following the earthquake and event restrictions in the mainstay advertising business as well as postponed new machine launches and voluntary restriction on machine replacement in the used machine sales intermediary business. Segment income also declined by **¥312 million year-on-year**.

Advertising Business

Gendai Agency Inc.

Julia Japan.co,ltd.

1H FY2012 Income Statement (Advertising)



(millions of yen)

Advertising	1H FY2012	1H FY2011	YoY comparison
Net sales	7,548	9,582	78.8%
Operating expense	6,701	8,238	81.3%
Segment income	847	1,344	63.0%

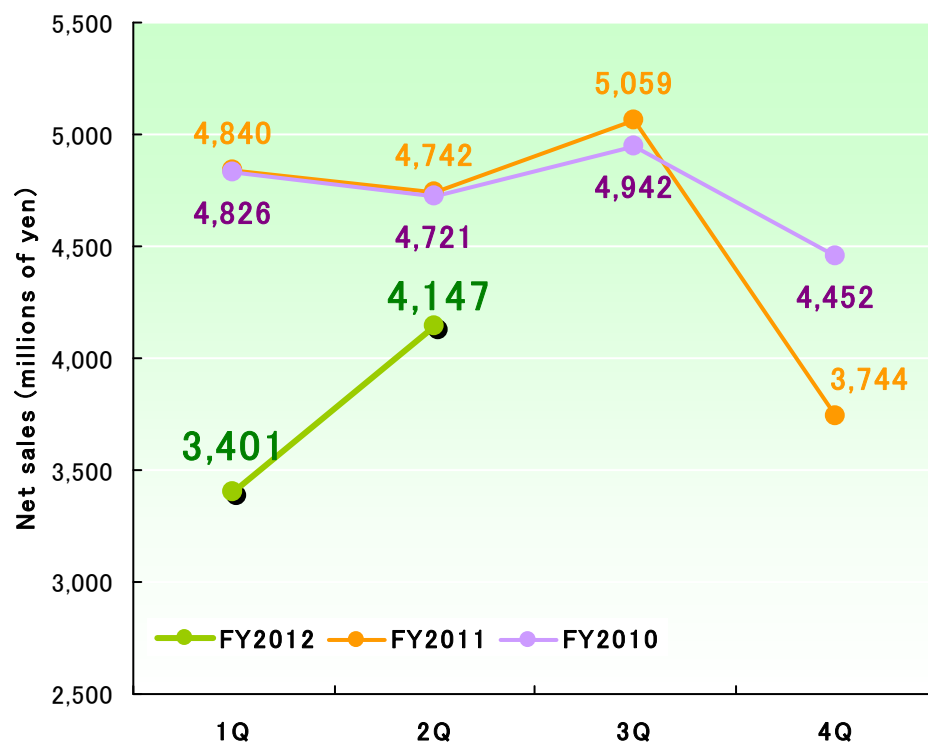
- ◆ Advertising demand in the pachinko parlor market declined, as the industry voluntarily restricted advertising activities for a while following the earthquake and event restrictions were strengthened.
- ◆ Measures Implemented in the Advertising Business
 - Made efforts to ensure early restoration of the Sendai and Koriyama branches, which were forced to halt operations in the aftermath of the earthquake. As a result, the branches resumed operations on May 2 of this year and have been aiding the recovery efforts of clients.
 - Strengthened sales activities to boost the number of client parlors through measures including swiftly proposing revamping of advertising strategies to clients primarily in the areas severely affected by event restrictions.
 - Focused on pull-type advertisement using mobile phones and the Internet and actively promoted enhancement of mobile phone- and Internet-based services including Mobavia, a mobile phone-based pachinko parlor information announcement tool, and sales expansion.
- ◆ These efforts, however, were not enough to offset the sudden drop in advertisement demand caused by the earthquake and event restrictions, and **net sales** of the business **declined 21.1% from 1H of FY2011 to ¥7,548 million. Segment income fell 37.0% to ¥847 million**, reflecting lower margins caused by fall in sales.

Quarterly Sales Trends (Advertising)



(millions of yen)

	1Q	2Q	3Q	4Q	Full year
FY2012	3,401	4,147	-	-	
FY2011	4,840	4,742	5,059	3,744	18,386
FY2010	4,826	4,721	4,942	4,452	18,942



◆ Even though the impact of voluntary advertisement restrictions and other earthquake-related factors lessened during 2Q compared with 1Q, sales remained lower compared with the same period a year earlier due to the effect of event advertising restrictions.

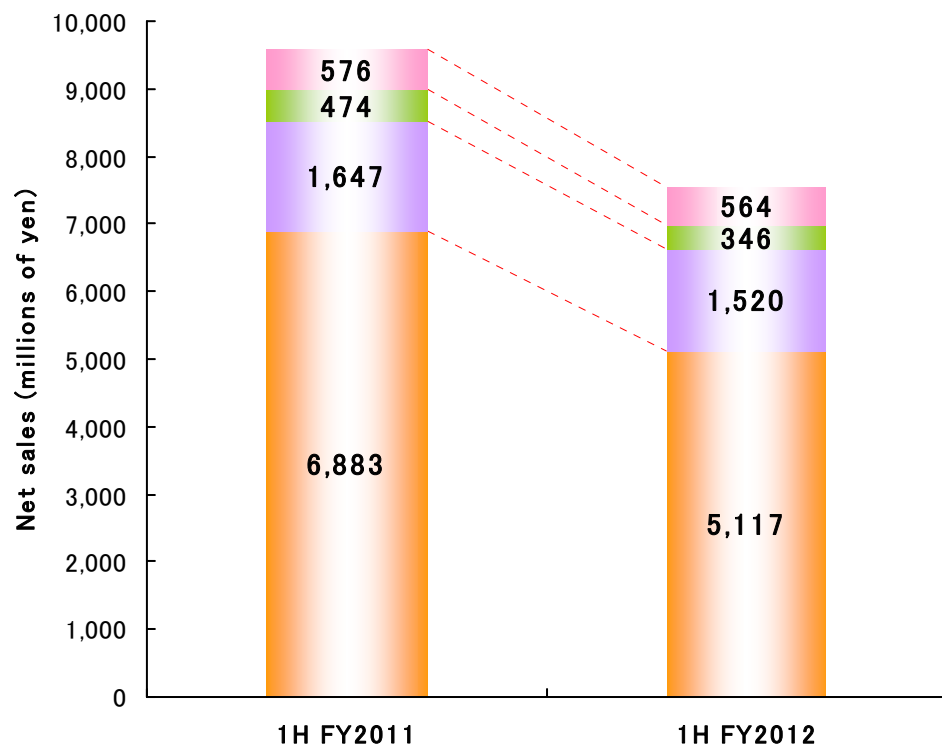
Sales Breakdown (Advertising)



(millions of yen)

		1H FY2012	% of total	1H FY2011	% of total	YoY comparison
Total sales	Newspaper flyers	5,117	67.8%	6,883	71.8%	74.3%
	Promotional goods	1,520	20.1%	1,647	17.2%	92.3%
	Advertising media	346	4.6%	474	4.9%	72.9%
	Other	564	7.5%	576	6.0%	98.0%
		7,548	100.0%	9,582	100.0%	78.8%

■ Newspaper flyers ■ Promotional goods ■ Advertising media ■ Other



◆ Sales from newspaper flyers declined 25.7% compared with 1H FY2011 and those of advertising media fell 27.1% partly due to the impact of voluntary advertising restrictions.

Clients (Advertising)



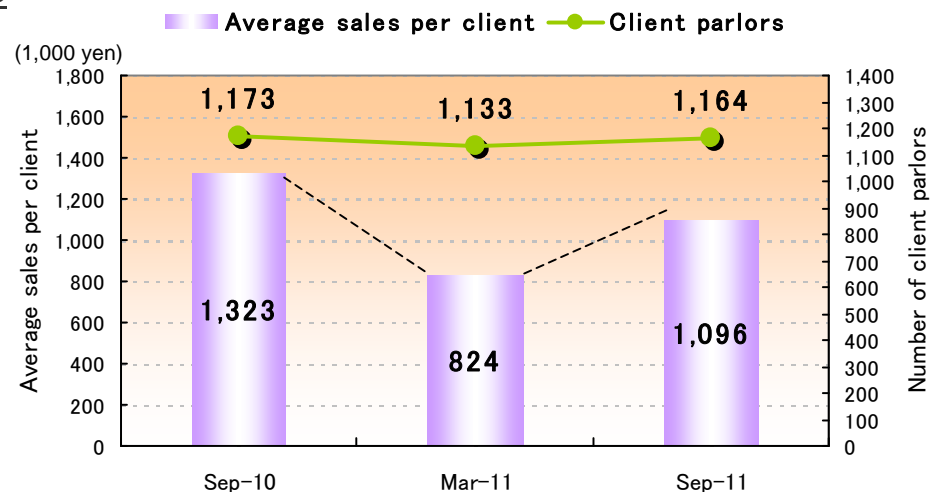
Average sales per client and number of client parlors

◆ While both average sales per client and number of client parlors have recovered in comparison with March 2011 when the earthquake occurred, the figures are still down year-on-year partly, and this is partly due to event restrictions.

Active clients	Sep-10	Mar-11	Sep-11
Client parlors *1	1,173	1,133	1,164
Average sales per client (1,000 yen) *2	1,323	824	1,096

*1 Client parlors refers to customers with more than ¥50,000 in monthly transactions

*2 Sales figures are monthly



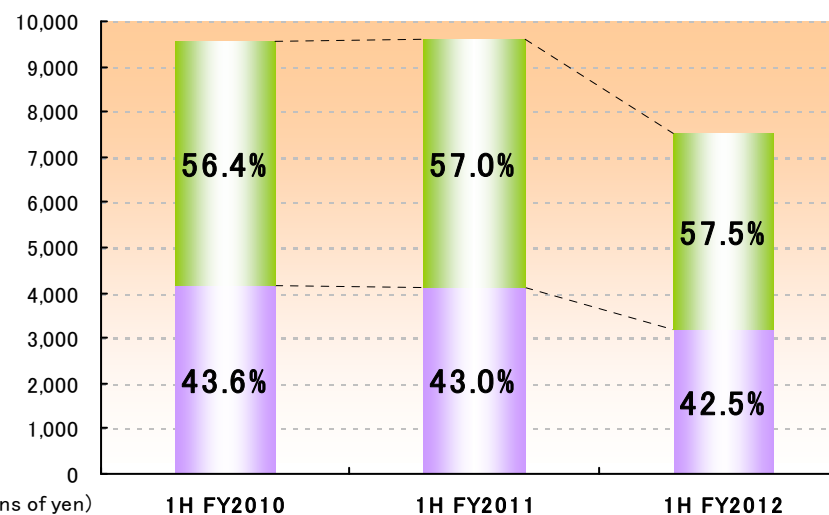
Customer composition

◆ It continues to be centered on large corporations, with the top 30 companies accounting for more than 40% of net sales.

	1H FY2010	1H FY2011	1H FY2012
Total of top 30 corporate clients*	43.6%	43.0%	42.5%
Total of other corporate clients	56.4%	57.0%	57.5%

*Our 30 largest clients by sales (millions of yen)

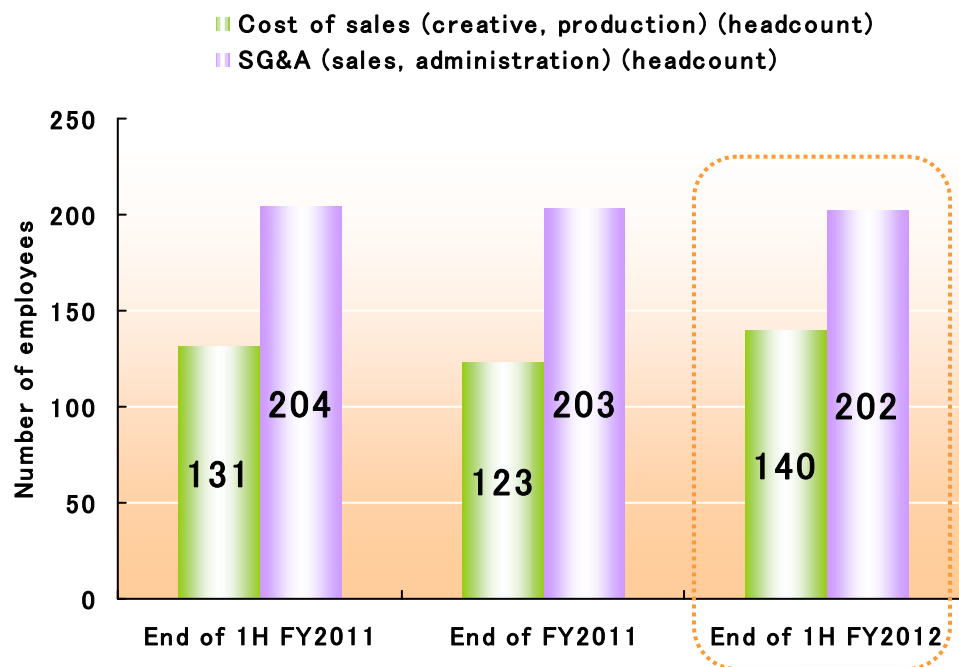
■ Total of top 30 corporate clients* ■ Total of other corporate clients



Employees (Advertising)



	End of 1H FY2011	End of FY2011	End of 1H FY2012
Cost of sales (creative, production) (headcount)	131	123	140
SG&A (sales, administration) (headcount)	204	203	202
Subtotal for advertising (headcount)	335	326	342



◆ The number of employees increased by 16 compared with the end of FY2011, as Julia Japan. co, ltd (14 employees) has been included in the scope of consolidation from FY2012.

Used Machine Sales
Intermediary Business
Value Quest Co., Ltd.

1H FY2012 Income Statement (Used Machine Sales Intermediary)



(millions of yen)

Used Machine Sales Intermediary	1H FY2012	1H FY2011	YoY comparison
Net sales	215	337	63.8%
Operating expense	245	481	50.9%
(goodwill amortization)	-	(70)	—
Segment income or loss	(30)	(144)	—

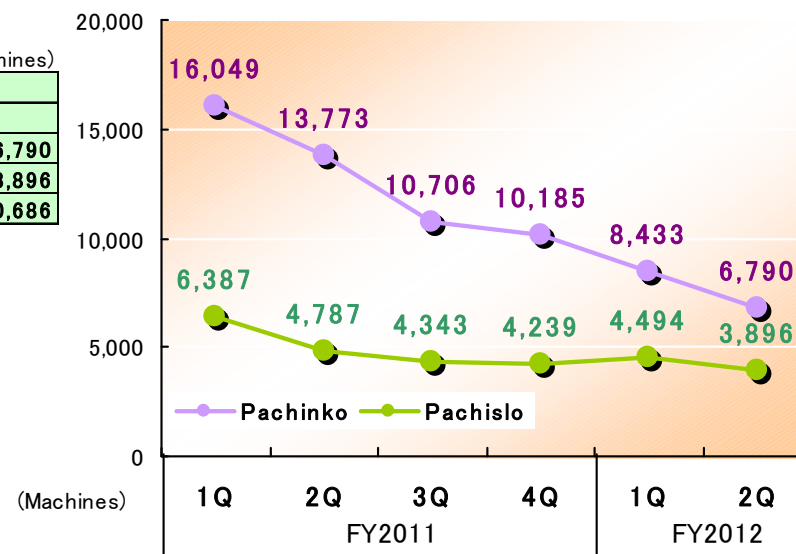
- ◆ The used machine market was extremely sluggish due to postponement of new machine launches and voluntary restrictions on machine replacements in the wake of the earthquake.
- ◆ Measures implemented in Used Machine Sales Intermediary Business
 - (1) Improved the functions for enhanced usability of the inventory management system, VQ inventory, linked to VQnet, which is a membership-based used machine information service, as part of measures aimed at increasing the value offered by the service.
 - (2) Continuously implemented cost-cutting measures for establishing an earnings structure that will yield profits even in adverse market conditions.
- ◆ 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 declined to 23,000 (down 42.4% year-on-year), and net sales were down 36.1% to ¥215 million. The segment loss, however, came down to ¥30 million (compared with a segment loss of ¥144 million in 1H FY2011) as the business slashed fixed costs.

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



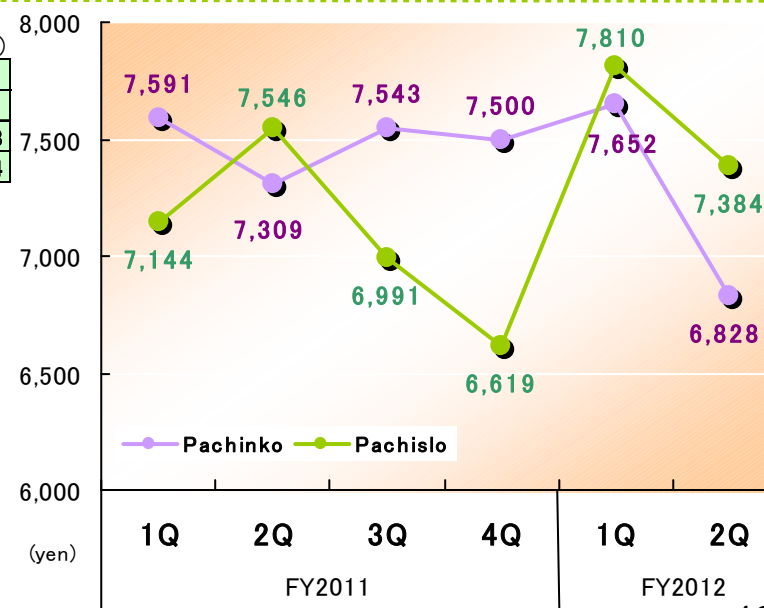
Number of Machines	FY2011				FY2012	
	1Q	2Q	3Q	4Q	1Q	2Q
Pachinko	16,049	13,773	10,706	10,185	8,433	6,790
Pachislo	6,387	4,787	4,343	4,239	4,494	3,896
Total	22,436	18,560	15,049	14,424	12,927	10,686

◆ **Machine sales:** In 1H FY2012, the used machine market was extremely sluggish due to factors such as postponement of new machine launches due to the earthquake.



Commission per unit	FY2011				FY2012	
	1Q	2Q	3Q	4Q	1Q	2Q
Pachinko	7,591	7,309	7,543	7,500	7,652	6,828
Pachislo	7,144	7,546	6,991	6,619	7,810	7,384

◆ **Per-unit commission:** Per unit commission on pachinko as well as pachislo machines fell compared with 1H FY2011 due to lack of talked-about and hit machines.



Real Estate Business

Land Support Inc.

1H FY2012 Income Statement (Real Estate Business)



(millions of yen)

Real Estate Business	FY2012	FY2011	YoY comparison
Net sales	89	82	109.5%
Operating expense	51	44	115.9%
Segment income	38	38	99.9%

◆ Adding to two existing, ongoing lease contracts, Land Support signed 2 new leasing agency agreements (worth ¥16 million) in 1H FY2012.

As a result, net sales came to **¥89 million, up 9.5% compared with the same period a year earlier**, and the segment income came to **¥38 million, down 0.1%**.

1H FY2012 Balance Sheet (Consolidated)



		End of FY2011 (A)	End of 1H FY 2012 (B)	Change (B) -(A)
Total assets	Cash and cash equivalents	3,489	2,888	(600)
	Notes and accounts receivables	1,702	1,966	264
	Other current assets	504	733	229
	Tangible fixed assets	935	915	(20)
	Intangible fixed assets	237	214	(23)
	Investment and other assets	1,048	980	(68)
		7,917	7,699	(218)
Total liabilities and net assets	Notes and accounts payables	900	1,142	242
	Short-term borrowings	928	728	(200)
	Accrued income taxes	202	121	(81)
	Deposits from used machine business customers	221	215	(6)
	Other current liabilities	211	190	(21)
	Long-term borrowings	513	399	(114)
	Other fixed liabilities	42	42	0
	Shareholders' equity	4,545	4,767	222
	Others	4	4	0
	Minority interests	346	85	(260)
	7,917	7,699	(218)	

- (1) Cash and cash equivalents decreased ¥600 million due to repayment of borrowings, tax payments, dividends, etc.
- (2) Short-term borrowings declined by ¥200 million
- (3) Fall in accrued income taxes (down ¥81 million)
- (4) Net assets totaled ¥4,857 million, down ¥38 million compared with the end of FY2011

Main factors:

- 1) Posted ¥491 million in net income
- 2) ¥260 million in year-end dividend payments
- 3) ¥251 million decrease in minority interests primarily following disposal of retained earnings at Value Quest

1H FY2012 Cash Flow Statement (Consolidated)



	(millions of yen)	
	1H	
Net income before income taxes	663	
Goodwill amortization	-	
Depreciation and amortization	82	
Change in accounts receivable	(237)	
Change in inventories	(0)	
Change in accounts payable	242	
Change in deposits from used machine business customers	(5)	
Other	7	
Subtotal	751	
Income taxes paid	(202)	• • • (1)
Other	(2)	
Cash flow from operations	547	
Payment for purchase of tangible/intangible fixed assets	(53)	
Other	8	
Cash flow from investing activities	(46)	
Change in borrowings	(314)	} • • • (2)
Dividends paid	(260)	
Cash dividends paid to minority stakeholders	(251)	
Cash flow from financing activities	(826)	
Change in cash and cash equivalents	(325)	
Cash and cash equivalents at the beginning of the period	3506	
Cash and cash equivalents at the end of the period	3182	

- (1) ¥202 million in finalized income tax payment on FY2011's earnings
 (2) ¥200 million in repayment of short-term borrowings, ¥260 million in year-end dividend payments, and ¥251 million in dividend payments to minority stakeholders

FY2012 Consolidated Earnings Forecast and Progress Toward Forecast



	(millions of yen)				
	1H FY2012 results	1H FY2012 forecast	Percent achieved	FY2012 forecast*	Progress rate
Net sales	7,854	7,530	104.3%	16,230	48.4%
Operating income	663	538	123.2%	1,307	50.7%
Ordinary income	666	530	125.7%	1,300	51.2%
Net income	491	390	125.9%	840	58.5%

*Revised forecast announced on July 15, 2011

- ◆ The Group's consolidated results for the period under review outperformed the forecast. The full-year earnings forecasts are made based on the assumption that advertising demand from the Group's clients would decline by about ¥3,000 million due to the voluntary advertisement restrictions and power shortages in the aftermath of the earthquake as well as other indirect factors.

The impact of voluntary restrictions on advertisements and power shortages on advertising demand in the second half is expected to be minor compared to the existing forecast with the discrepancy expected to be about +¥1,200 million. On the other hand, the existing forecast does not take into consideration the impact of the tightened event advertising restrictions from August, and the Group currently estimates that the negative impact on advertising demand from the tightened restrictions will be around ¥1,500 million.

As a result, the Group expects the surplus compared to the forecast in 1H and the difference with forecast for advertising demand caused by the impact of voluntary advertisement restrictions and power shortages combined (about 1,500 million yen) will more or less offset the approximately 1,500 million yen shortfall in advertising demand expected due to the strengthening of event-related advertising restrictions. Therefore, the Group has decided to make no changes to the forecast at this point in time.

[Reference] Changes to assumptions made for full-year forecast (net sales) (millions of yen)

Previous forecast (Revised forecast announced on July 15, 2011)	16,230
(1) Surplus achieved in 1H results versus forecast	About +300
(2) Difference of forecast with the impact of voluntary advertisement restriction and power shortage on advertising demand in 2H	About +1,200
(3) Expected shortfall in advertising demand in 2H following strengthening of event-related advertising restrictions	About -1,500
(1) - (3)	-
Forecast as of today (no revision to previous forecast)	16,230

Overview of Event Advertising Restrictions



◆ The **Review of Operation Policy of Advertising Restrictions** issued by the National Police Agency on June 22, 2011 prompted various prefectures to tighten advertising restrictions since August. As a result, parlors in many areas were unable to carry out or advertise the regularly-held so-called **dedama (jackpot) events**.

Type of advertisement	Before	After
Announcement of new machine introduction	○	○
Grand opening, opening after renovation	○	○
<i>Dedama</i> events	△	×
Other (branding proposals, etc.)	△	△

Advertising demand is expected to decline, as parlors are no longer allowed to advertise *dedama* events. On the other hand, the Group shall propose advertising strategies, which could potentially form a new post-restriction mainstream, including pachinko parlor branding advertisements and the advertisement of events that do not encourage people to gamble.

(○: possible, △: possible depending on content and region, ×: not possible)

Note: The above table is a simplified version of the overall picture of the restrictions and is included here for convenience of explanation. The restrictions differ from prefecture to prefecture as well as among lower administrative units and may differ somewhat from this table.

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 date of 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.

Investment relations contact:
Corporate Planning Department
Ph: +81 3-5358-3334