Business Results for the Fiscal Year Ended March 31, 2012

Creativity | Innovation | Solution

April 13, 2012

GENDAI AGENCY Inc.

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

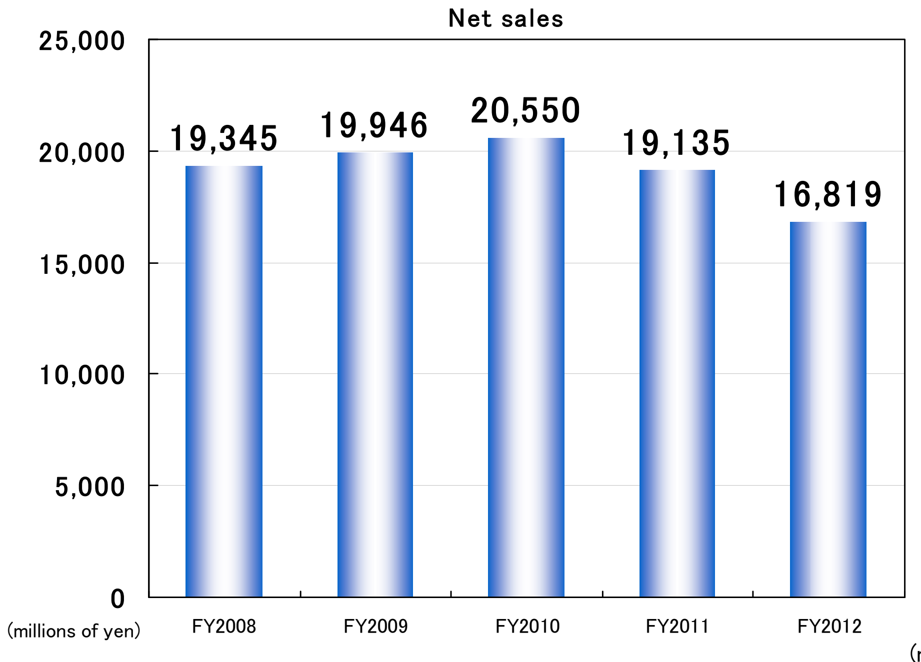
Contents

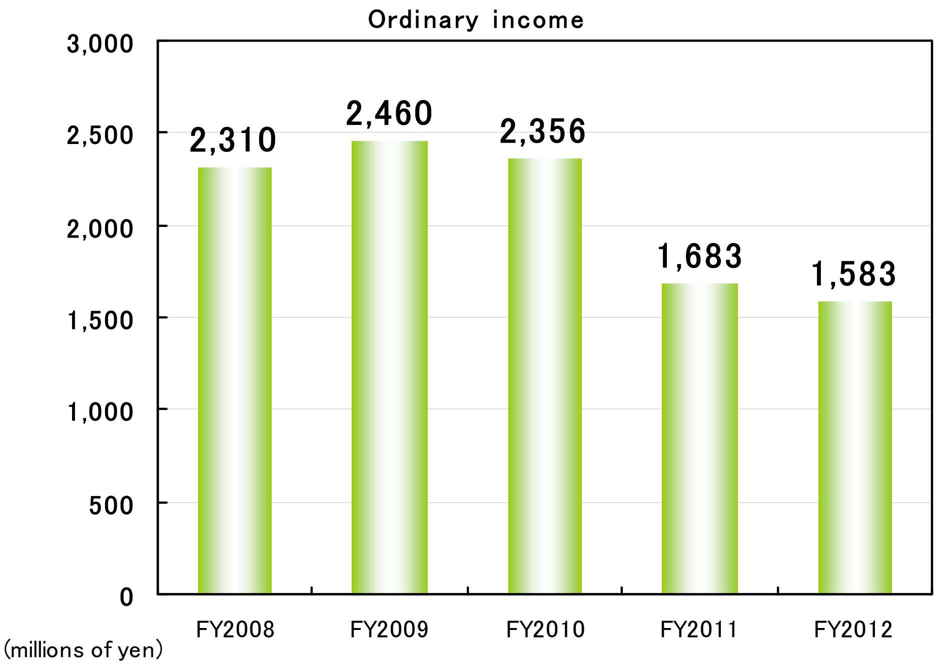
Financial Highlights (Consolidated)

◆ Voluntary restrictions on machine replacement following the earthquake and event-related advertising restrictions affected the performance

(millions of yen)

	FY2008	FY2009	FY2010	FY2011	**FY2012**
Net sales	19,345	19,946	20,550	19,135	**16,819**
Operating income	2,328	2,495	2,352	1,679	**1,573**
Ordinary income	2,310	2,460	2,356	1,683	**1,583**
Net income	1,162	1,209	1,123	864	**1,175**





FY2012 Income Statement (Consolidated)

(millions of yen)

	FY2012	% of total	FY2011	% of total	YoY comparison
Net sales	16,819	100.0%	19,135	100.0%	87.9%
Operating income	1,573	9.4%	1,679	8.8%	93.7%
Ordinary income	1,583	9.4%	1,683	8.8%	94.1%
Net income	1,175	7.0%	864	4.5%	136.1%

- The pachinko parlor industry continued to face tough business conditions due to the impact of sluggish consumer spending. The business environment surrounding pachinko parlor operators changed drastically because of restrictions on machine replacement and advertising activities following the earthquake, parlor closures on a rotating schedule to cope with the power shortages in the summer, and enforcement of event-related advertising restrictions from August last year, which necessitated them 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 caused by the impact of voluntary restrictions on advertising and restrictions on event-related advertising primarily at parlor operators in eastern Japan. In the used machine intermediary business, transactions slowed down due to the postponed launch of new machines and voluntary restrictions on machine replacements in the wake of the earthquake and the business is yet to recover to pre-earthquake levels.

- As a result, net sales for FY2012 came to ¥16,819 million (down 12.1% year-on-year), operating income came to ¥1,573 million (down 6.3% year-on-year), and ordinary income came to ¥1,583 million (down 5.9% year-on-year). Net income, however, rose to ¥1,175 million (up 36.1% year-on-year) due to, among other factors, the tax effect from the share sales of consolidated subsidiary Value Quest Co., Ltd. during the fiscal year.

Breakdown by Business Segment

FY2012 (millions of yen)

	Advertising	Used Machine Sales Intermediary # excluded from consolidation at end of 3Q	Real Estate	Adjustment	Consolidated
Net sales	16,352	301	165	-	16,819
Segment income	1,935	(53)	69	(377)	1,573

Change versus FY2011 (millions of yen

	Advertising	Used Machine Sales Intermediary # excluded from consolidation at end of 3Q	Real Estate	Adjustment	Consolidated
Net sales	(2034)	(292)	+10	-	(2316)
Segment income	(468)	+206	+1	+156	(106)

- Consolidated sales for FY2012 were down by ¥2,316 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 ¥106 million year-on-year.

Advertising Business

FY2012 Income Statement (Advertising)

(millions of yen)

Advertising	FY2012	FY2011	YoY comparison
Net sales	16,352	18,386	88.9%
Operating expense	14,417	15,982	90.2%
Segment income	1,935	2,403	80.5%

- Advertising demand in the pachinko parlor market declined, as the industry voluntarily restricted advertising activities for a while following the earthquake and event advertising restrictions were strengthened.
- Measures Implemented in the Advertising Business

  - Sendai and the former Koriyama Branches, which were forced to halt operations in the aftermath of the earthquake, resumed operations in May 2011 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 advertising restrictions.

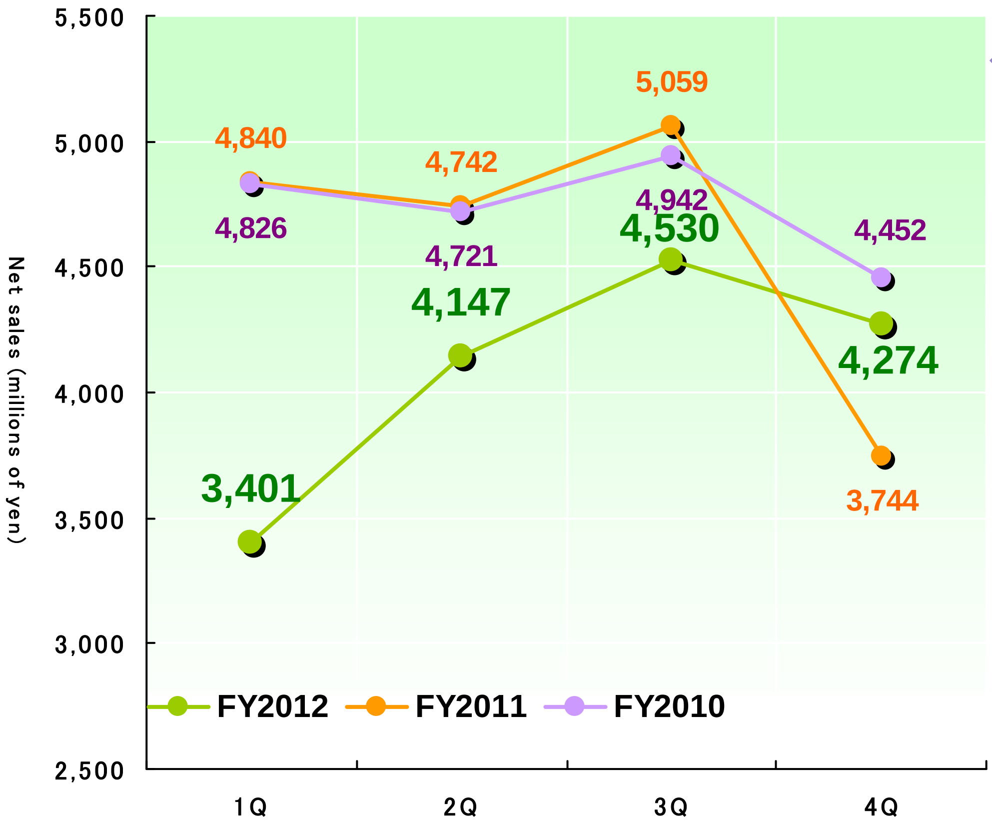
  (Orders received in December 2011 exceeded the levels for the month in usual years, including those for new parlor opening advertisements.)

  - Focused on enhancement and sales expansion mobile phone-based services through Mobavia, a mobile phone-based pachinko parlor information announcement tool, and by starting sales in December 2011 as the exclusive agent for the pachinko parlor services of Yahoo! Loco, the largest regional information site in Japan.
- While the measures helped to expand the customer base and increase machine sales, this was not enough to fully offset the sudden drop in advertisement demand caused by the earthquake and event advertising restrictions. As a result, net sales of the business declined 11.1% to ¥16,352 million year-on-year. Segment income fell 19.5% to ¥1,935 million, reflecting lower margins caused by the decline in sales.

Quarterly Sales Trends (Advertising)

(millions of yen)

	1Q	2Q	3Q	4Q	Full year
FY2012	**3,401**	**4,147**	**4,530**	**4,274**	**16,352**
FY2011	4,840	4,742	5,059	3,744	18,386
FY2010	4,826	4,721	4,942	4,452	18,942

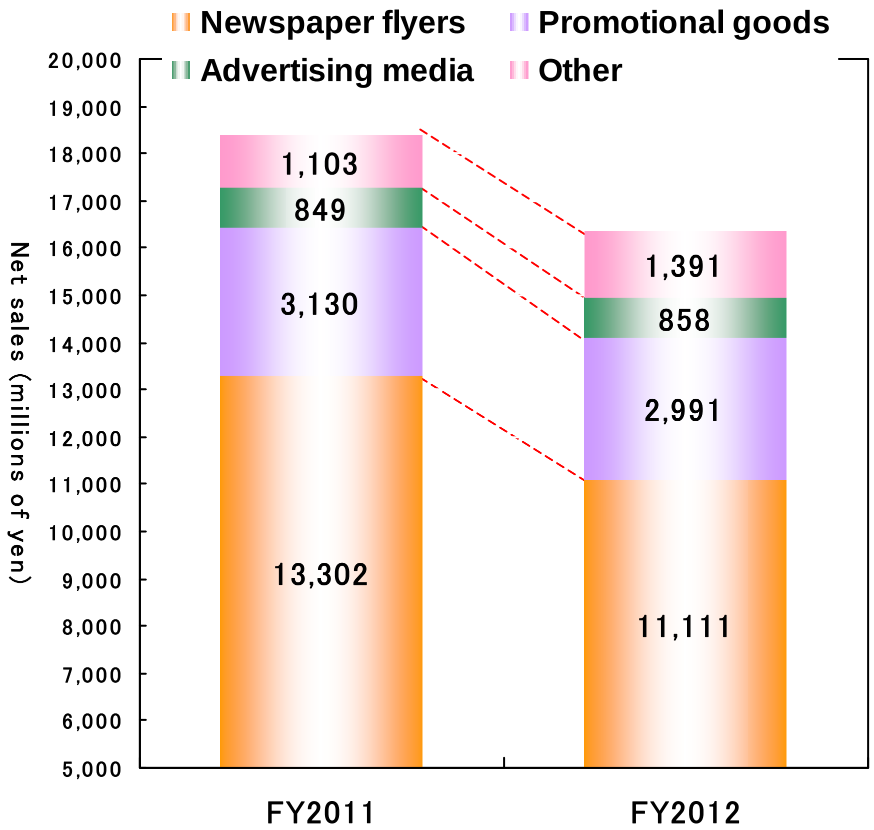


- Despite the effect of event advertising restrictions, in place since August 2011, sales rose in the fourth quarter compared with the same period a year earlier when the earthquake occurred.

Sales Breakdown (Advertising)

(millions of yen)

		FY2012	% of total	FY2011	% of total	YoY comparison
Total sales	Newspaper flyers	11,111	67.9%	13,302	72.3%	83.5%
	Promotional goods	2,991	18.3%	3,130	17.0%	95.5%
	Advertising media	858	5.2%	849	4.6%	101.0%
	Other	1,391	8.5%	1,103	6.0%	126.1%
		16,352	100.0%	18,386	100.0%	88.9%



◆ Sales from newspaper flyers declined 16.5% year-on-year partly due to the impact of voluntary advertising restrictions.
Sales in the Other category however increased 26.1% year-on-year on the back of expanded web and image-related sales among other factors.

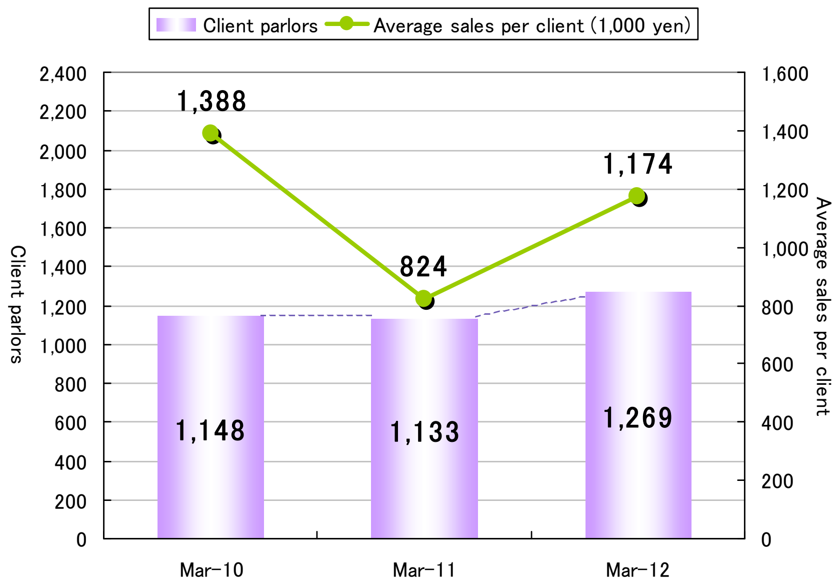
Clients (Advertising)

Average sales per client and number of client parlors

◆While average sales per client have fallen in comparison with the pre-earthquake March 2010 figure partly due to event advertising restrictions, the number of client parlors has increased.

Active clients	Mar-10	Mar-11	**Mar-12**
Average sales per client (1,000 yen)	1,388	824	**1,174**
Client parlors	1,148	1,133	**1,269**

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

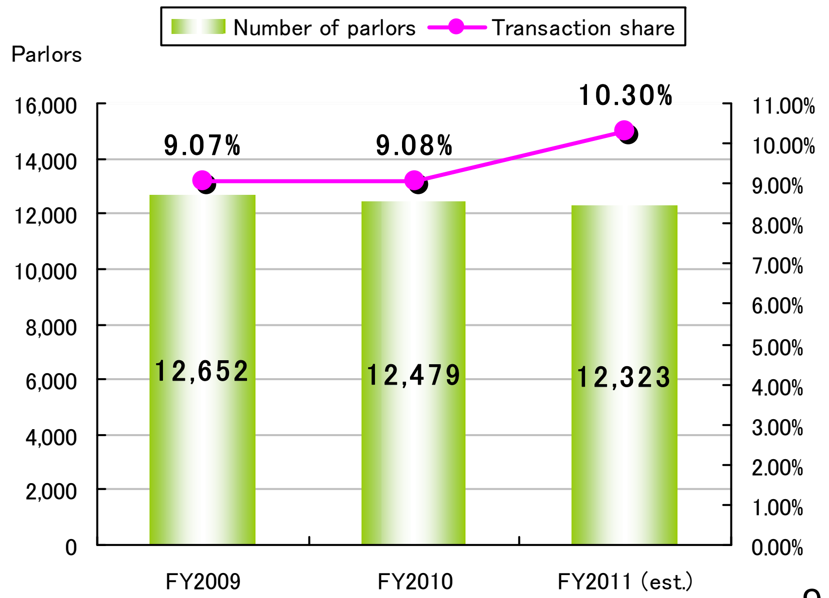


Share in the pachinko parlor advertising market

◆Though the number of pachinko parlors has been declining, our market share has improved thanks to a rise in the number of client parlors.

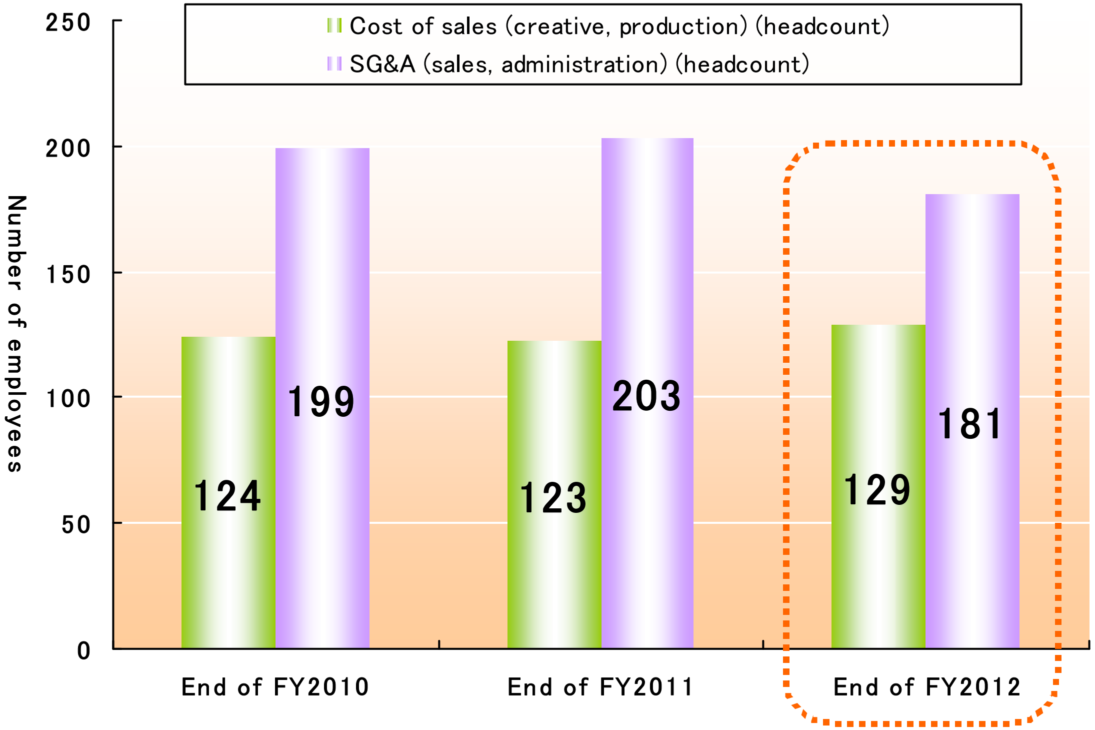
	FY2009	FY2010	FY2011 (est.)
Number of pachinko parlors (National Police Agency study)	12,652	12,479	12,323
Gendai Agency transaction share (by parlor count)	9.07%	9.08%	10.30%
Advertising cost (*)	¥141.5 billion	¥136.8 billion	¥120.6 billion
Monthly advertising cost per parlor (1,000 yen)	932	914	816

*Source: Pachinko Parlor Advertising Market Survey Report by Yano Research Institute (study commissioned by Gendai Agency)



Employees (Advertising)

	End of FY2010	End of FY2011	End of FY2012
Cost of sales (creative, production) (headcount)	124	123	129
SG&A (sales, administration) (headcount)	199	203	181
Subtotal for advertising (headcount)	**323**	**326**	**310**



- The number of employees decreased by 16 from the end of FY2011.

Used Machine Sales Intermediary Business

FY2012 Income Statement (Used Machine Sales Intermediary)

(millions of yen)

Used Machine Sales Intermediary	FY2012	FY2011	YoY comparison
Net sales	301	-	-
Operating expense	354	-	-
Segment income or loss	(53)	-	-

- 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 in the first half and the slow recovery in the used machine market despite signs of recovery in new machine sales in the second half.
- Measures implemented in the 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 decline in used pachinko machine trading. As a result, net sales amounted to ¥301 million while segment losses came to ¥53 million. Also, given the continued operating loss in the segment, the Group posted an impairment loss of ¥133 million as extraordinary loss with respect to fixed assets of the business.

Changes to Value Quest Co., Ltd. (Share Transfer)

◆With its consolidated subsidiary Value Quest Co., Ltd. on course to post operating loss for the second consecutive term, the Group was forced to record an impairment loss on the book price of Value Quest's fixed assets including the used machine trade system at the end of the third quarter of FY2012. The Group, therefore, started considering selling its stake in Value Quest as a drastic step. Against this backdrop, Shigenori Yamada, the Representative Director of Value Quest, offered to purchase the Group's stake in Value Quest, and the Group, after assessing the various conditions, came to the conclusion that selling the stake to Mr. Yamada was the most rational solution and accepted his proposal. Subsequently, on March 9, 2012, the Group sold its entire stake in Value Quest and has since excluded the company from the scope of consolidation with the deemed sale date being set as December 31, 2011.

◆ Profile of Value Quest Co., Ltd. (As of March 9, 2012)

(1) Trade name	Value Quest Co., Ltd.
(2) Head office location	6F, Keihan Okachimachi Building, Taito 3-15-1, Taito-ku, Tokyo
(3) Title and name of representative	Representative Director and President Shigenori Yamada
(4) Main business	Internet-based used machine sales intermediary business
(5) Capitalization	¥50 million
(6) Established	July 28, 1997
(7) Major shareholders and ratio of shareholding	Gendai Agency Co., Ltd. - 65.9% Shigenori Yamada - 28.1%
(8) Relationship with Gendai Agency	Capital ties: Gendai Agency owns 2,215 shares (65.9%) of Value Quest Personnel: Two directors from Gendai Agency on dispatch Whether it falls under the category of related parties: The said company is Gendai Agency's consolidated subsidiary and falls under the category of its related parties.

Real Estate Business

FY2012 Income Statement (Real Estate Business)

(millions of yen)

Real Estate Business	FY2012	FY2011	YoY comparison
Net sales	165	155	106.2%
Operating expense	96	87	110.3%
Segment income	69	68	100.7%

◆Adding to two existing, ongoing lease contracts, Land Support signed 4 new leasing agency agreements (worth ¥19 million) in FY2012.

As a result, net sales came to ¥165 million, up 6.2% compared with the same period a year earlier, and the segment income came to ¥69 million, up 0.7%.

FY2012 Balance Sheet (Consolidated)

(millions of yen)

	FY2011 (A)	FY2012 (B)	Change (B) - (A)
Cash and cash equivalents	3,489	3,696	207
Notes and accounts receivables	1,702	2,410	708
Inventory	-	-	-
Other current assets	504	224	(280)
Tangible fixed assets	935	859	(76)
Intangible fixed assets	237	82	(155)
Investment and other assets	1,048	641	(407)
Total assets	**7,917**	**7,916**	**(1)**
Notes and accounts payables	900	1,305	405
Short-term borrowings	928	528	(400)
Accrued income taxes	202	23	(179)
Deposits from used machine business customers	221	-	(221)
Other current liabilities	211	292	81
Long-term borrowings	513	284	(229)
Other fixed liabilities	42	28	(14)
Shareholders' equity	4,545	5,452	907
Other	4	-	(4)
Minority interests	346	-	(346)
Total liabilities and net assets	**7,917**	**7,916**	**(1)**

･･･(1) Impact of increased trading in March reflecting recovery in advertising transactions

･･･(1)

･･･(2) Impact of repayment of borrowings

･･･(3) Impact of exclusion of VQ from consolidation

･･･(2)

･･(4) Increase of ¥556 million year on year
Main factors
- ¥1,175 million in net income
- ¥260 million in dividend payments
- Dividend payment at VQ and the ¥346 million decline in minority interests due to exclusion from consolidation

FY2012 Cash Flow Statement (Consolidated)

(millions of yen)

	FY2011	FY2012
Net income before income taxes	**1,613**	**1,394**
Goodwill amortization	176	-
Depreciation and amortization	199	148
Change in accounts receivable	657	(693)
Change in inventories	6	(2)
Change in accounts payable	(480)	408
Change in deposits by used machine business customers	(340)	(59)
Impairment loss	-	133
Other	(53)	163
Subtotal	**1,778**	**1,493**
Income taxes paid	(992)	(528)
Other	(8)	(5)
Cash flow from operations	**777**	**960**
Payment for purchase of tangible/intangible fixed assets	(133)	(70)
Payment for purchase of investment securities	(50)	-
Revenue from sale and redemption of investment securities	10	600
Payment for acquisition of subsidiaries' stock	-	(184)
Other	347	19
Cash flow from investing activities	**173**	**362**
Change in borrowings	472	(628)
Payment for purchase of treasury stock	(760)	-
Dividends paid	(533)	(260)
Payment for dividend disbursement to minority shareholders	-	(251)
Cash flow from financing activities	**(822)**	**(1,141)**
Change in cash and cash equivalents	**129**	**182**
Cash and cash equivalents beginning of period	3,353	3,506
Cash and cash equivalents end of period	**3,482**	**3,690**

・・・(1)¥528 million in finalized income tax payment on FY2011's earnings and interim payment for FY2012

・・・(2)¥600 million in proceeds from redemption of investment securities

・・・(3)¥184 million in payment related to the sale of the VQ shares

・・・(4)¥728 million in repayment of long-term borrowings

・・・(5)¥260 million in dividend payments as a measure to return profits to the shareholders

FY2013 Forecast

FY2013 Consolidated Earnings Forecast

◆In terms of business environment, the impact of tightened event advertising restrictions from August 2011 is expected to continue in FY2013 and beyond, primarily in the Advertising Business.

There are also concerns of increased printing costs stemming from the latest rise in the price of crude oil.

◆Despite these factors, the Group aims to achieve net sales and operating income increases by promoting sales activities to increase the number of client parlors and developing new projects and services that would help the parlors attract customers while further pursuing low-cost operations.

◆The Group presently envisages a 105 million yen year-on-year decline in net income during FY2013 due to the fact that it recorded a one-time profit of approximately 280 million yen in the tax effect resulting from the sale of a consolidated subsidiary in FY2012.

The current earnings forecast for FY2013 is as follows:

	FY2013 1H forecast		FY2013 forecast	
	millions of yen	YoY comparison (%)	millions of yen	YoY comparison (%)
Net sales	8,500	+8.2%	17,500	+4.0%
Operating income	850	+28.2%	1,800	+14.4%
Ordinary income	850	+27.6%	1,800	+13.7%
Net income	500	+1.8%	1,070	-9.0%

◆As the leader in the pachinko parlor advertising market, the Group will strive to add more value to its services and improve productivity, which are its strengths. 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 including large cities and rural areas to achieve sustained growth.
- Continuously carry out 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 actively boosting TV commercials through regional broadcasters and improving our service lineup, including Internet- and mobile phone-based advertising, to generate synergies by combining them with print advertisement so as to assist client parlors in attracting customers.

(3) Expand business domain

- Strengthen research in fields related to advertising business (next-generation media, advertising in other industries, amusement-related marketing, etc.) to expand the Group's business domain.
- Actively enhance the service lineup in collaboration with prominent businesses in other industries.

Challenges Ahead

◆ The Group will implement the following measures for realizing its management strategies:

1) Enhance ability to plan and develop contents and methods to attract customers

Given the tightened restrictions on event-related advertising, pachinko parlors need alternative strategies for attracting customers and advertising that does not place emphasis on gambling. This has resulted in increased requirements for innovative contents and methods for attracting customers. Against this backdrop, the Group will further promote sharing, accumulation and analysis of knowledge regarding ideas to attract customers at all our bases and plan and develop new contents and methods to attract customers in cooperation with the marketing and product development sections of the Sales Planning Department, the Cross Media Department, which is engaged in Internet-related services, and Julia Japan.co, ltd, a consolidated subsidiary dedicated to production of videos and web contents so as to offer optimum services suited to each client.

2) Boost the number of client parlors

Average sales per client is expected to remain stagnant due to the strengthened restriction on event-related advertising. Even under such circumstances, the Group will work to further increase the number of client parlors to expand sales share. The Group will enhance the quality and volume of advertisement proposals to pachinko parlor operators planning to open new outlets to boost the share of advertisements promoting new parlors. At the same time, the Group will actively pursue new approaches for winning orders by strengthening proposals based on media other than print advertisement , which used to be the mainstay, as well as service proposals.

3) Strict profitability management and optimization of resource allocation

The Group will further encourage area- and service-based profitability management to establish a stable earnings structure under the rapidly changing business environment. It will also maximize performance of its limited human resources by building a structure that allows agile and efficient allocation of human resources based on profitability and ensure organizational flexibility.

4) Nurture human resources for expanding business domain

The Group will boost investments in education and training to nurture human resources who can take on challenges in new fields. In addition to universal management competency development and language skill enhancement, it will promote mastering of advertising techniques and skills especially related to Internet media at the operating divisions and generally improve expertise related to operation of each division at administrative divisions, to build human resources for supporting the sustained growth of the Group.

Profit Distribution Basic Policy and Dividends for FY2012 and FY2013

	FY2011	FY2012	FY2013 forecast
Operating margin	8.8%	9.4%	10.2%
EPS	9,247.41 yen	12,645.00 yen	11,505.38 yen
ROE	18.1%	23.5%	-
Total annual dividend	5,500 yen	4,000 yen	5,500 yen
Of which, interim dividend	*2,700 yen*	*0 yen*	*2,700 yen*

- The Group's basic policy is to maximize shareholder value by continuing with dividend payments that reflect its business performance to distribute profits resulting from the business activities to shareholders in a visible manner while enhancing retained earnings to be used in investments necessary for pursuing further business expansion.
- The Group intends to maintain a dividend payout ratio of 50% for the time being taking into account the cash flow position. Furthermore, it plans to purchase treasury stock at appropriate junctures with an emphasis on improving capital efficiency.
- For FY2012, the Group determined the dividend amount based on EPS adjusted for the temporary impact of the tax effect (approx. 280 million yen) from the sale of VQ. The Group intends to pay a dividend of 4,000 yen per share (year-end dividend of 4,000 yen per share; dividend payout ratio of 31.6%).
- The Group presently expects to pay an annual dividend of 5,500 yen per share for FY2013 (dividend payout ratio of 47.8%).

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.

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