

Business Results for the Fiscal Year Ended March 31, 2013

Creativity

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Solution

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Financial Highlights (Consolidated)

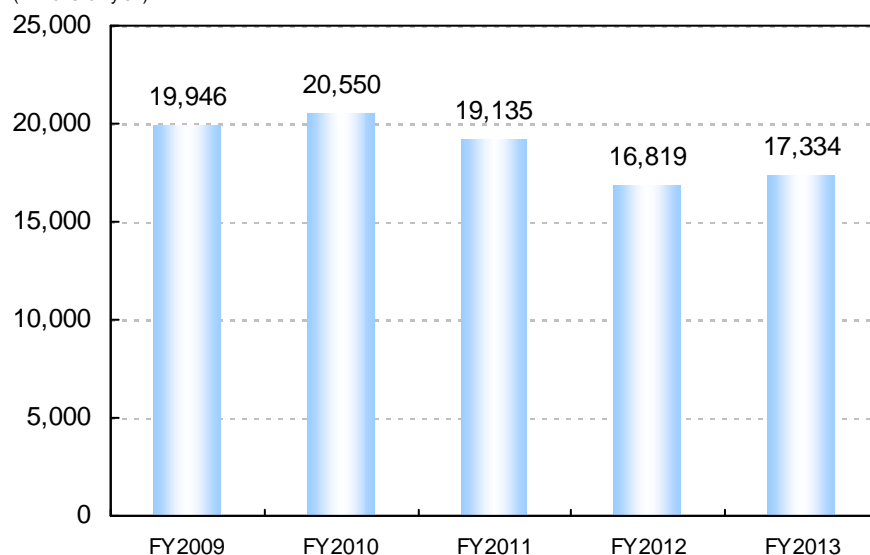
- ◆ Both sales and income were up compared with the previous fiscal year, which was affected by the voluntary restraint on machine replacement following the earthquake and further advertising restrictions.

(millions of yen)

	FY2009	FY2010	FY2011	FY2012	FY2013
Net sales	19,946	20,550	19,135	16,819	17,334
Operating income	2,495	2,352	1,679	1,573	1,647
Ordinary income	2,460	2,356	1,683	1,583	1,659
Net income	1,209	1,123	864	1,175	1,041

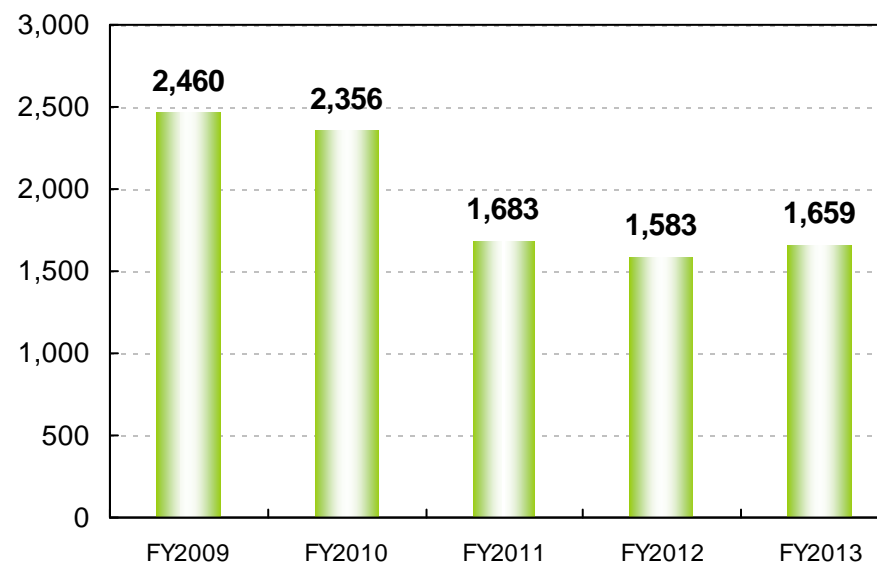
Net Sales

(millions of yen)



Ordinary Income

(millions of yen)



FY2013 Income Statement (Consolidated)

(millions of yen)

	FY2013	% of total	FY2012	% of total	YoY comparison	FY2011*	Comparison with FY2011
Net sales	17,334	100.0%	16,819	100.0%	103.1%	19,135	90.6%
Operating income	1,647	9.5%	1,573	9.4%	104.7%	1,679	98.1%
Ordinary income	1,659	9.6%	1,583	9.4%	104.8%	1,683	98.6%
Net income	1,041	6.0%	1,175	7.0%	88.5%	864	120.5%

*For reference: Figures from FY2011 (from April 1, 2010 to March 31, 2011), on which the earthquake had only a limited impact

- ◆ While the business environment surrounding the pachinko parlor industry remained severe due to the impact of sluggish consumer spending, there were some encouraging signs such as active efforts from major parlor operators to open new outlets.
- ◆ Against this backdrop, the Group worked to further increase the number of client parlors in order to expand sales share in its mainstay advertising business.
- ◆ As a result, **net sales** for FY2013 totaled **17,334 million yen (up 3.1% year-on-year)**, **operating income** amounted to **1,647 million yen (up 4.7% year-on-year)**, and **ordinary income** amounted to **1,659 million yen (up 4.8% year-on-year)**. **Net income**, however, **declined to 1,041 million yen (down 11.5% year-on-year)** due to, among other factors, the tax effect from the share sales of a consolidated subsidiary in FY2012.

Breakdown by Business Segment

FY2013 (millions of yen)

	Advertising	—	Real Estate	Adjustment	Consolidated
Net sales	17,188	-	146	(0)	17,334
Segment income	2,001	-	57	(411)	1,647

Change versus FY2012 (millions of yen)

	Advertising	Used Machine Sales Intermediary <small>*Excluded from consolidation at end of December 2011</small>	Real Estate	Adjustment	Consolidated
Net sales	+836	(301)	(19)	(0)	+516
Segment income	+66	+53	(12)	(34)	+74

- ◆ Consolidated sales for FY2013 were **up ¥516 million** over the previous fiscal year, which was significantly affected by the earthquake.
Segment income also **rose ¥74 million** over the previous fiscal year.



Advertising Business



FY2013 Income Statement (Advertising)

(millions of yen)

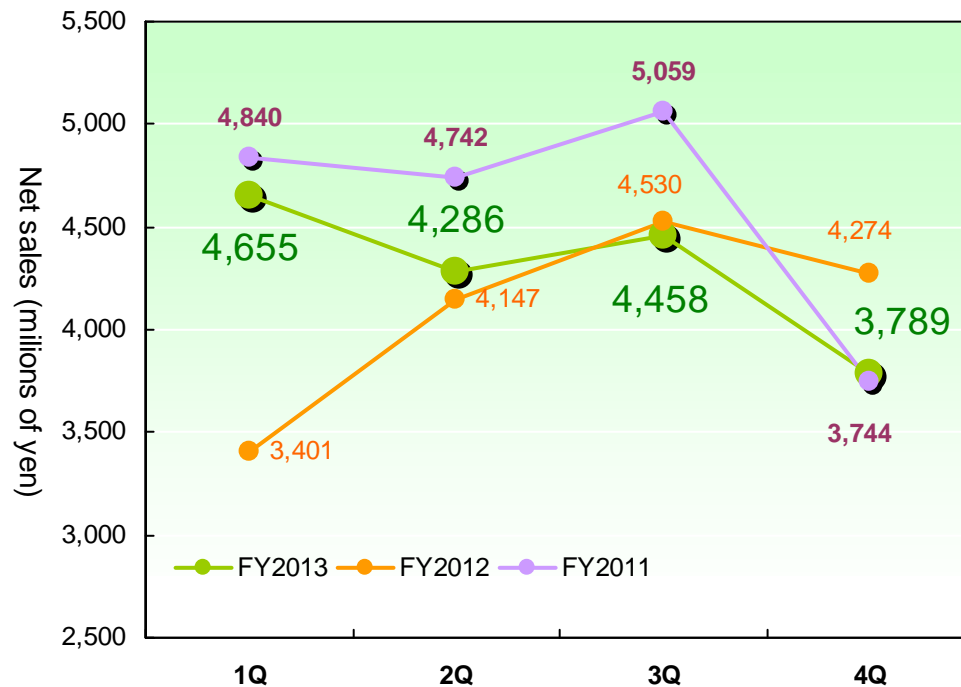
Advertising	FY2013	FY2012	YoY comparison
Net sales	17,188	16,352	105.1%
Operating expense	15,187	14,417	105.3%
Segment income	2,001	1,935	103.4%

- ◆ Advertising demand in the pachinko parlor market failed to recover significantly from the decline resulting from the event advertising restrictions put into place in August 2011.
Moreover, demand slumped further following the National Police Agency Notice No. 114 “Ensuring Reasonableness in Pachinko Sales Advertising (Notice)” dated July 20, 2012.
- ◆ Measures Implemented in the Advertising Business
 - Enhanced the volume and quality of advertisement proposals to pachinko parlor operators planning to open new outlets and boosted the acquisition rate for advertisements promoting new parlors.
 - Actively pursued new approaches to win orders from potential customers by strengthening proposals based on media other than print advertisement, which used to be the mainstay, as well as service proposals.
- ◆ As a result, **net sales** for FY2013 amounted to **17,188 million yen (up 5.1% year on year)**. **Segment income rose 3.4% to 2,001 million yen.**

Quarterly Sales Trends (Advertising)

(millions of yen)

	1Q	2Q	3Q	4Q	Full year
FY2013	4,655	4,286	4,458	3,789	17,188
FY2012	3,401	4,147	4,530	4,274	16,352
FY2011	4,840	4,742	5,059	3,744	18,386

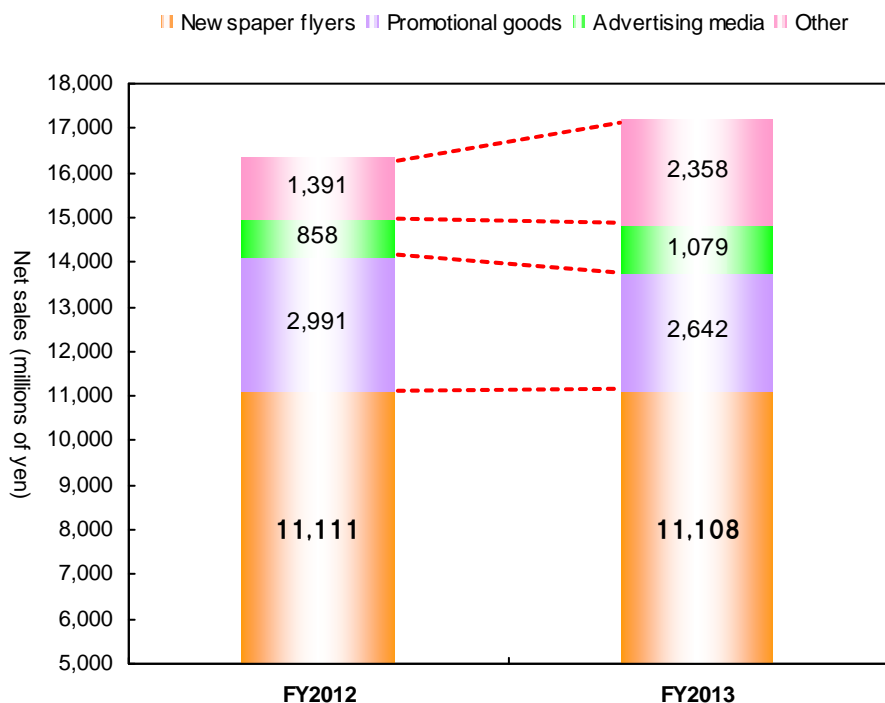


- ◆ The impact of event advertising restrictions coupled with the little scope for special demand for the introduction of popular game machines led to a decrease in year-on-year sales in the fourth quarter.

Sales Breakdown (Advertising)

(millions of yen)

		FY2013	% of total	FY2012	% of total	YoY comparison
Total sales	Newspaper flyers	11,108	64.6%	11,111	67.9%	100.0%
	Promotional goods	2,642	15.4%	2,991	18.3%	88.3%
	Advertising media	1,079	6.3%	858	5.2%	125.8%
	Other	2,358	13.7%	1,391	8.5%	169.5%
		17,188	100.0%	16,352	100.0%	105.1%



◆ Sales from promotional goods declined 11.7% year on year partly due to the impact of event advertising restrictions. Sales in the Other category, however, increased 69.5% year on year thanks to increased web and image-related sales.

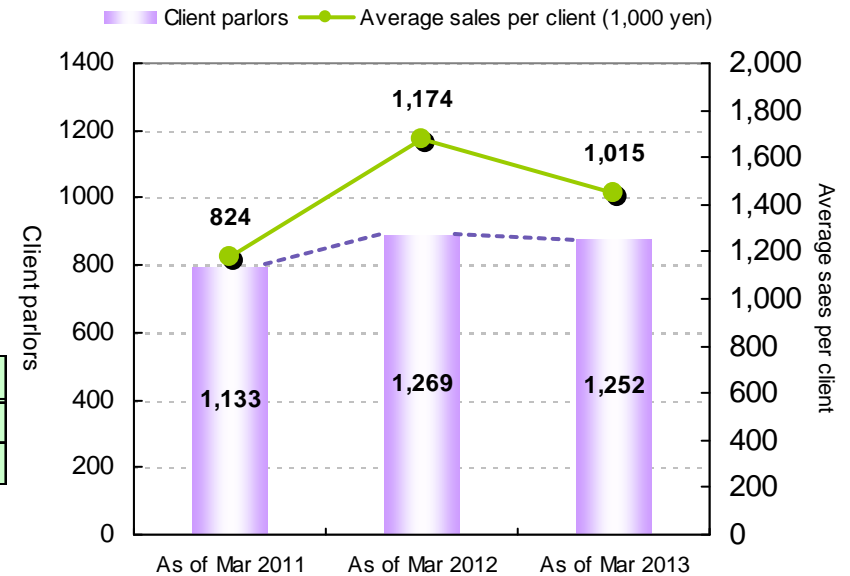
Clients (Advertising)

Average sales per client and number of client parlors

- ◆ Average sales per client (down 13.5%) and number of client parlors (down 17) declined compared with their March 2012 levels partly due to event advertising restrictions.

	As of Mar 2011 (*3)	As of Mar 2012	As of Mar 2013
Active clients			
Average sales per client (1,000 yen) *1	824	1,174	1,015
Client parlors *2	1,133	1,269	1,252

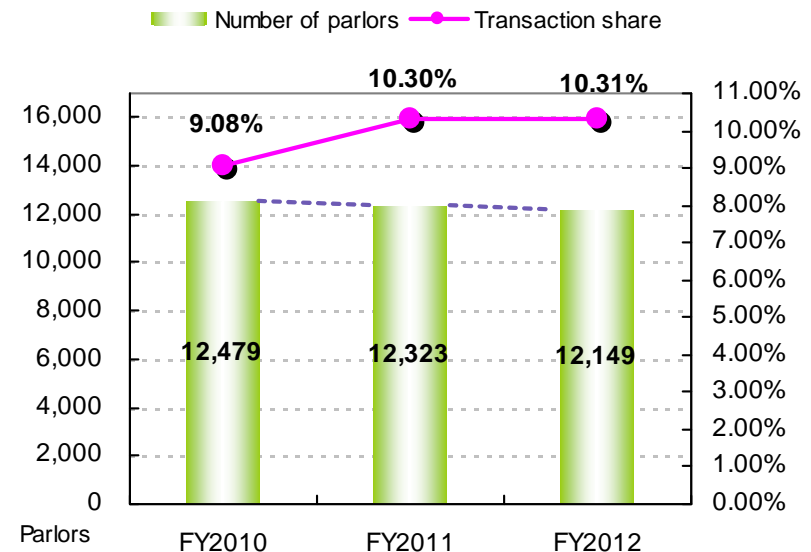
*1 Client parlors refer to customers with more than ¥50,000 in monthly transactions
 *2 Sales figures are monthly
 *3 Sales in March 2011 declined drastically due to the impact of the earthquake



Share in the pachinko parlor advertising market

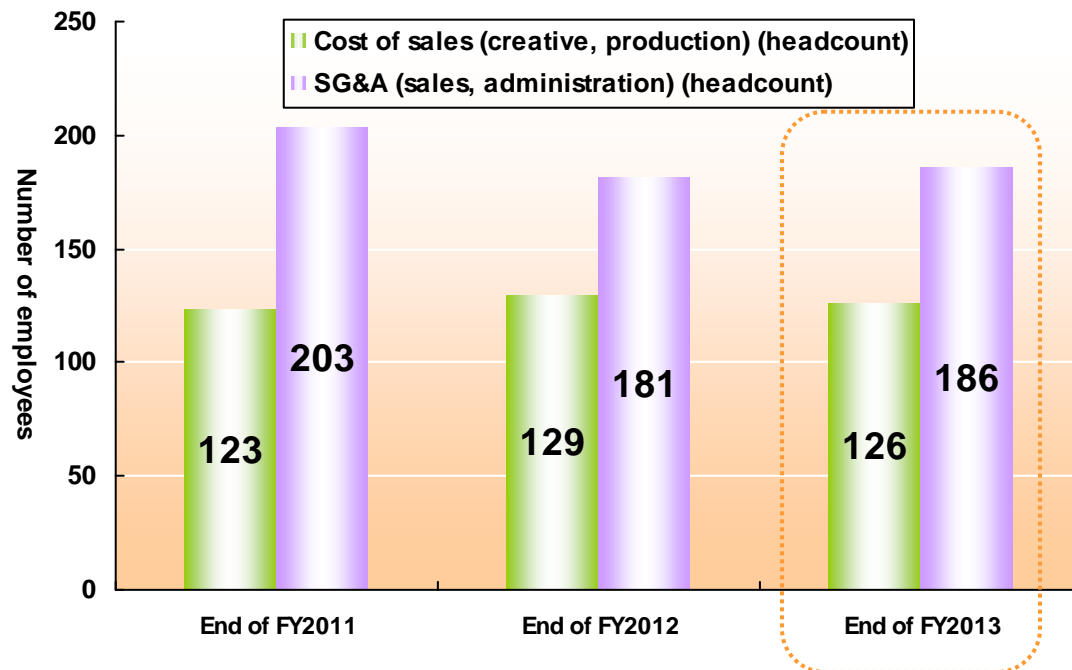
- ◆ Number of pachinko parlors shows a downward trend. Transaction share remained more or less at the same level.

	FY2010	FY2011	FY2012
Number of pachinko parlors (National Police Agency study)	12,479	12,323	12,149
Number of client parlors (as of March 2013)	1,133	1,269	1,252
Transaction share	9.08%	10.30%	10.31%



Employees (Advertising)

	End of FY2011	End of FY2012	End of FY2013
Cost of sales (creative, production) (headcount)	123	129	126
SG&A (sales, administration) (headcount)	203	181	186
Subtotal for advertising (headcount)	326	310	312



- ◆ The number of employees increased by two year on year.
- ◆ Six new graduates joined Gendai Agency in April 2013.



Real Estate Business



FY2013 Income Statement (Real Estate)

(millions of yen)

Real Estate Business	FY2013	FY2012	YoY comparison
Net sales	146	165	88.4%
Operating expense	89	96	92.7%
Segment income	57	69	83.3%

- ◆ Land Support Inc. added to its two existing, ongoing lease contracts, by securing two new office leasing brokerage agreements in FY2013.
As a result, net sales amounted to ¥146 million, down 11.6% year on year, while the segment's income totaled ¥57 million, down 16.7% versus the previous fiscal year.

FY2013 Balance Sheet (Consolidated)

(millions of yen)

	FY2012 (A)	FY2013 (B)	Change (B) - (A)
Cash and cash equivalents	3,696	4,012	316
Notes and accounts receivables	2,410	2,094	(316)
Income taxes receivable	96	-	(96)
Other current assets	128	133	5
Tangible fixed assets	859	861	2
Intangible fixed assets	82	69	(13)
Investment and other assets	641	720	79
Total assets	7,916	7,891	(25)
Notes and accounts payables	1,305	1,146	(159)
Short-term borrowings	528	468	(60)
Accrue income taxes	23	558	534
Other current liabilities	292	239	(53)
Long-term borrowings	284	426	142
Other fixed liabilities	28	28	0
Total liabilities	2,463	2,868	405
Shareholders' equity	5,452	5,001	(451)
Other	-	22	1
Total net assets	5,452	5,023	(429)
Total liabilities and net assets	7,916	7,891	(25)

... (1) Decline of ¥96 million in income taxes receivable, as there was an income tax refund during the fiscal year

... (2) Increase of ¥534 million compared with FY2012, which was affected by the sale of a consolidated subsidiary

... (3) Decline of ¥429million
Main factors
+¥1,041 million in net income
-¥596 million in dividend payments
-¥896 million for purchase of treasury stock

FY2013 Cash Flow Statement (Consolidated)

(millions of yen)

	FY2012	FY2013
Net income before income taxes	1,394	1,651
Depreciation and amortization	148	73
Impairment loss	133	-
Change in accounts receivable	(693)	316
Change in inventories	(2)	3
Change in accounts payable	408	(159)
Change in business deposits by used machine business customers	(59)	-
Other	163	26
Subtotal	1,493	1,912
Income taxes paid	(528)	(135)
Income taxes refund	-	134
Other	(5)	(7)
Cashflow from operations	960	1,903
Payment for purchase of tangible/intangible fixed assets	(70)	(76)
Payment for purchase of investment securities	(0)	(576)
Revenue from sale and redemption of investment securities	600	412
Payment for acquisition of subsidiaries' stock	(184)	-
Other	19	8
Cash flow from investing activities	362	(232)
Change in borrowings	(628)	82
Payment for purchase of treasury stock	-	(896)
Dividends paid	(260)	(596)
Cash dividends paid to minority shareholders	(251)	-
Cash flow from financing activities	(1141)	(1410)
Translation adjustments related to cash and cash equivalents	-	10
Change in cash and cash equivalents	182	271
Change in cash and cash equivalents due to consolidation	24	20
Cash and cash equivalents beginning of period	3,482	3,690
Cash and cash equivalents end of period	3,690	3,981

• • (1) Primarily, the impact of decline in monthly advertising transactions in March

• • (2) Impact of sale of a consolidated subsidiary

• • (3) Apr, 2012: repurchased 10,000 shares
 ⇒ Jan, 2013: cancelled all shares

• • (4) ¥596 million in dividend payments



FY2014 Forecast



FY2014 Consolidated Earnings Forecast

- ◆ With regard to the business environment surrounding primarily the Advertising Business, it seems unlikely that the pachinko parlors' advertising demand, which was negatively impacted by the series of tighter advertising restrictions in 2011 and 2012, will experience any significant recovery in FY2014.
- ◆ Under such circumstances, the Group plans to continue with efforts to increase the number of customer parlors, develop and introduce new contents and services and reduce costs through further improvement of efficiency in design production operations. Nevertheless, the Group believes that it will take time to make up for the significant decline in average sales per client.

In light of the above considerations, the current earnings forecast for FY2014 is as follows:

	FY2014 1H forecast		FY2014 forecast	
	Millions of yen	YoY comparison (%)	Millions of yen	YoY comparison (%)
Net sales	8,050	-10.7%	16,350	-5.7%
Operating income	710	-23.2%	1,530	-7.1%
Ordinary income	710	-23.4%	1,530	-7.8%
Net income	430	-26.6%	910	-12.6%

Medium- to Long-Term Management Strategies

- ◆ 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. The Group will work to further expand its market share, consistently seek new business opportunities, and actively develop its 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 the Group's 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 in order to realize its management strategies:

1) Development and launch of new contents and services

Given the tightened restrictions on event-related advertising last year and the year before last, pachinko parlors have been working on drafting alternative strategies which do not place emphasis on gambling to differentiate themselves from their competitors and attract customers. Under such circumstances, the Group will **enhance its offering of advertisements through Internet-related media and swiftly develop and introduce new contents**, with the Sales Planning Development Department established in April this year, playing a central role. The Group aims to support the client parlors in these efforts.

2) Boost the number of client parlors

Average sales per client, which decreased due to the tighter restrictions on event-related advertising, are expected to remain sluggish without showing a significant recovery. In spite of these 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 acquisition rate for advertisements promoting new parlors. At the same time, the Group will actively pursue new approaches for **winning new orders from top-ranking customers in the industry with whom the Group has had no business thus far**, by strengthening proposals based on media other than print advertisement, which used to be the mainstay, as well as service proposals.

3) Reduce cost through optimization of creative resources

In response to declining profitability caused by current sluggish advertising demand, the Group will optimize use of creative resources as a whole group and reduce costs by increasing the ratio of internal production of highly creative core operations and highly profitable operations, while **gradually outsourcing** general and **regular production operations to consolidated subsidiary Julia Japan co., Ltd.**

Profit Distribution Basic Policy and Dividends for FY2013 and FY2014

	FY2012	FY2013	FY2014 forecast
Operating margin	9.4%	9.5%	9.4%
EPS*	63.23 yen	62.35 yen	54.82 yen
ROE	23.5%	19.9%	-
Total annual dividend	4,000 yen	5,500 yen	28 yen
<i>Of which, interim dividend</i>	<i>0 yen</i>	<i>2,700 yen</i>	<i>14 yen</i>

*Gendai Agency on April 1, 2013 carried out stock split of common shares at a ratio of 200 to one. EPS figures were calculated on the premise that the stock split was conducted at the beginning of the previous fiscal year.

- ◆ 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.
- ◆ Based on the above policy, for FY2013 the Group intends to pay a year-end dividend of 2,800 yen per share. Together with the interim dividend of 2,700 yen per share, total annual dividend amounts to 5,500 yen per share (a dividend payout ratio of 44.1%).
- ◆ The Group plans to determine the dividend forecast for FY2014 also based on the above basic policy.

As Gendai Agency carried out a stock split at a ratio of 200 to one on April 1, 2013, the Group currently expects to pay an annual dividend of 28 yen per share for FY2014 (expected consolidated dividend payout ratio of 51.1%).

Stock Split and Adoption of Unit Share System

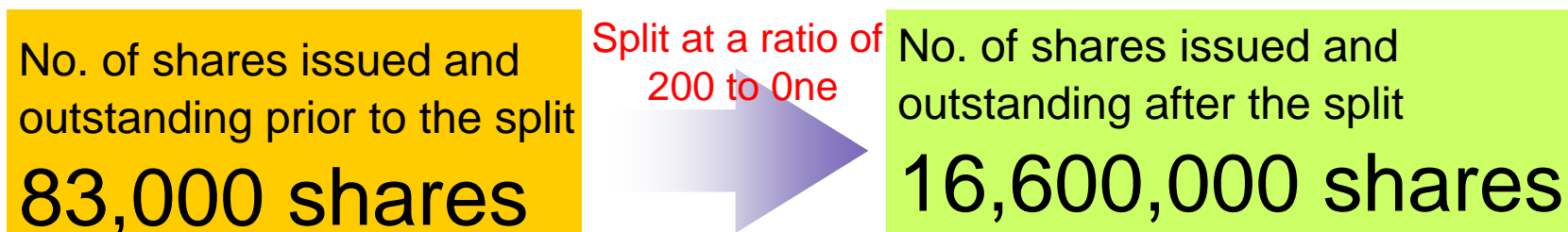
◆ At its board of directors meeting held on February 8, 2013, Gendai Agency adopted a resolution to carry out a stock split and adopt the unit share system.

1. Purpose of the stock split and adoption of the unit share system

To improve the liquidity of stock by lowering the unit investment amount through a stock split. The adoption of the unit share system, which defines 100 shares as one unit, is in accordance with the "Action Plan for Consolidating Trading Units" announced by Japan's stock exchanges on November 27, 2007

2. Outline of the stock split


On April 1, 2013, Gendai Agency conducted a stock split at a ratio of 200 to one.



3. Adoption of unit share system

On April 1, 2013, Gendai Agency adopted the unit share system and set forth 100 shares as one unit.

* The trading unit was changed from 1 to 100 shares on the Osaka Securities Exchange on Wednesday, March 27, 2013.



These materials, which contain earnings forecasts and other forward-looking statements, are based on information available to the Company at the time of preparation and on certain other information the Company believes to be reasonable. Actual business results may differ materially from those expressed or implied herein due to a range of factors.

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