



Business Results for the Fiscal Year Ended March 31, 2014

April 18, 2014



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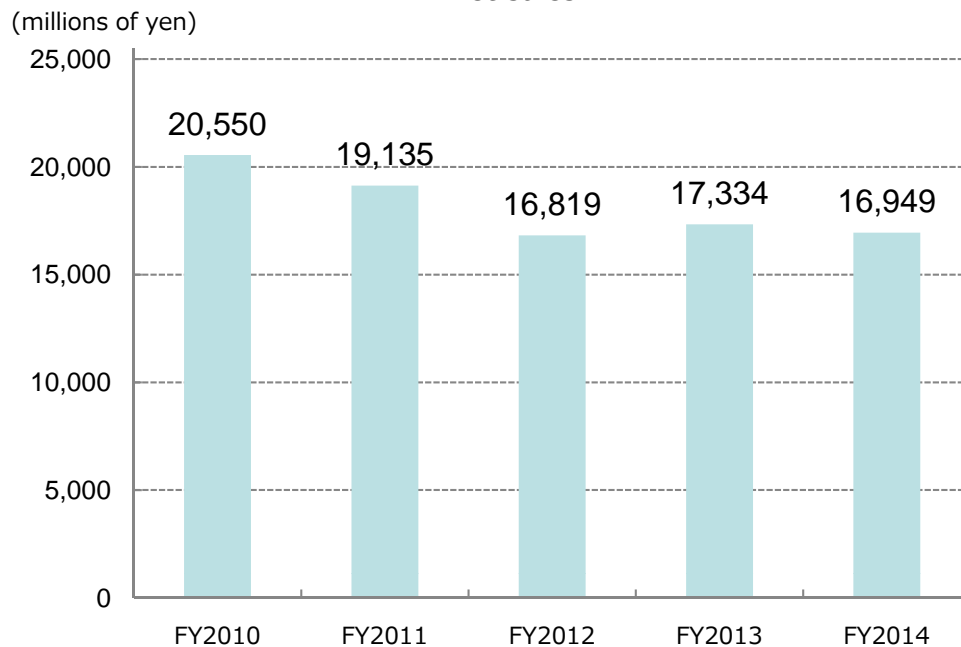
Financial Highlights (Consolidated)

■ Both sales and income declined slightly compared with the previous fiscal year due to the impact of the event advertising restrictions throughout the year

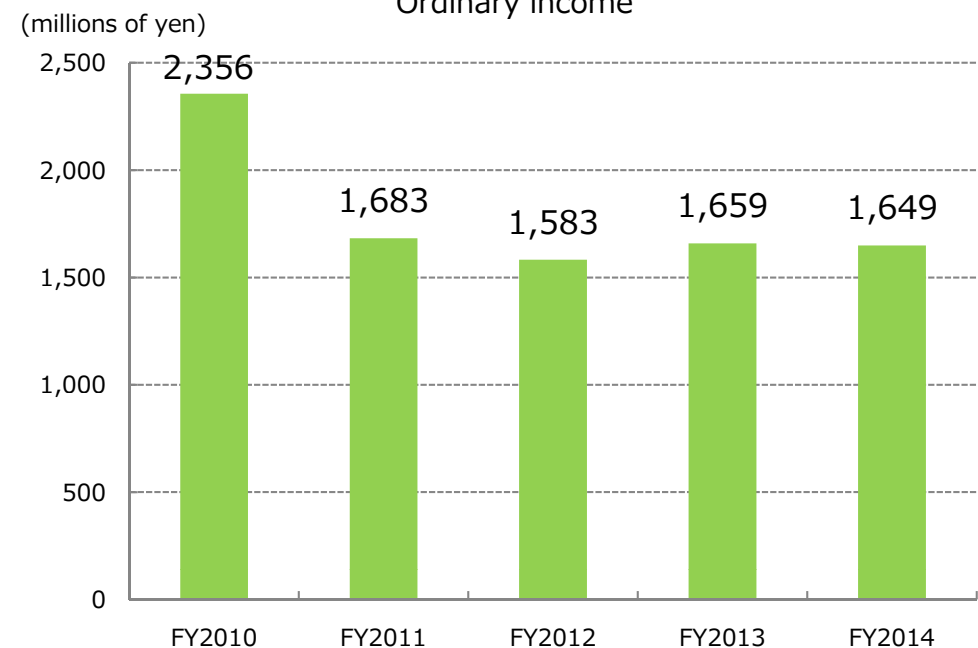
(millions of yen)

	FY2010	FY2011	FY2012	FY2013	FY2014
Net sales	20,550	19,135	16,819	17,334	16,949
Operating income	2,352	1,679	1,573	1,647	1,631
Ordinary income	2,356	1,683	1,583	1,659	1,649
Net income	1,123	864	1,175	1,041	1,031

Net sales



Ordinary income



FY2014 Income Statement (Consolidated)

(millions of yen)

	FY2014	% of total	FY2013	% of total	YoY comparison
Net sales	16,949	100.0%	17,334	100.0%	97.8%
Operating income	1,631	9.6%	1,647	9.5%	99.0%
Ordinary income	1,649	9.7%	1,659	9.6%	99.4%
Net income	1,031	6.1%	1,041	6.0%	99.0%

- While the pachinko parlor industry continued to be in a severe condition due to the impact of sluggish consumer spending, there were some positive 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.
- However, the Group was unable to offset the fall in advertising demand caused by the tightening of event advertising restrictions, and **net sales** for FY2014 totaled **16,949 million yen (down 2.2% year-on-year)**, **operating income** amounted to **1,631 million yen (down 1.0% year-on-year)**, **ordinary income** amounted to **1,649 million yen (down 0.6% year-on-year)** and **net income** amounted to **1,031 million yen (down 1.0% year-on-year)**.

Breakdown by Business Segment

FY2014

(millions of yen)

	Advertising	Real Estate	Adjustment	Consolidated
Net sales	16,762	187	-	16,949
Segment income	1,975	67	(411)	1,631

Change versus FY2013

(millions of yen)

	Advertising	Real Estate	Adjustment	Consolidated
Net sales	(426)	+ 41	(0)	(385)
Segment income	(26)	+ 10	0	(16)

- Consolidated sales for FY2014 were down 385 million yen compared to the previous fiscal year partly due to event advertising restrictions. Segment income also fell 16 million yen year on year.

Advertising Business

FY2014 Income Statement (Advertising)

(millions of yen)

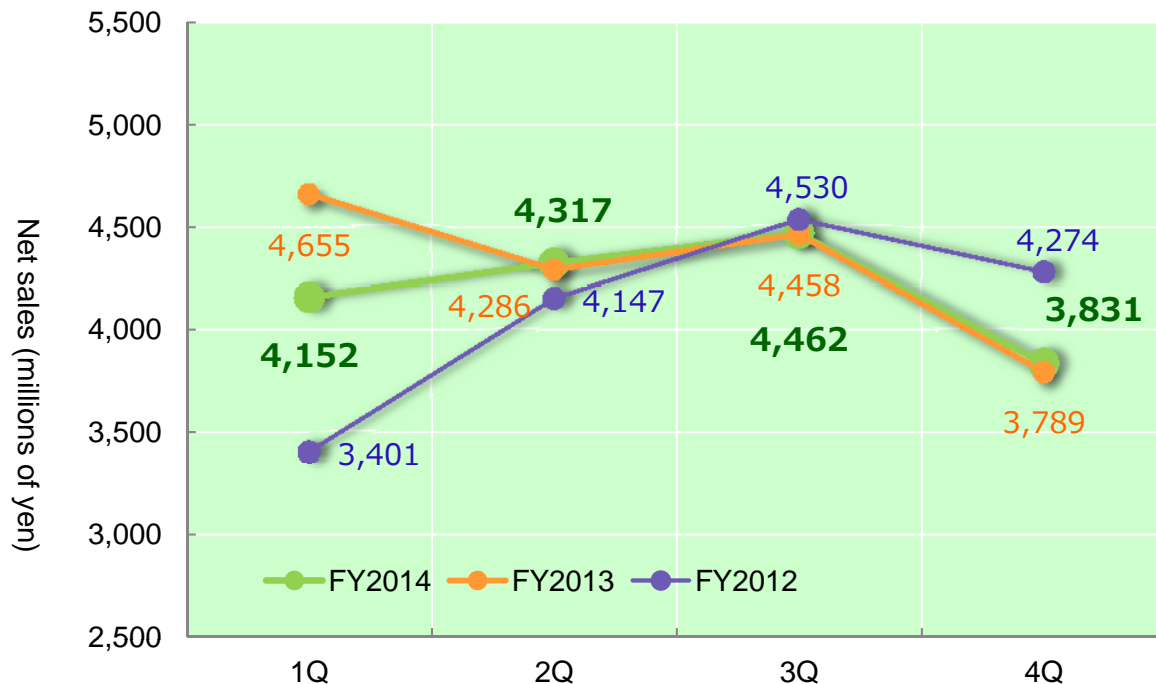
Advertising	FY2014	FY2013	YoY comparison
Net sales	16,762	17,188	97.5%
Operating expense	14,787	15,187	97.4%
Segment income	1,975	2,001	98.7%

- Advertising demand in the pachinko parlor market continued to slump following the National Police Agency Notice No. 114 “Ensuring Reasonableness in Pachinko Sales Advertising (Notice)” issued on July 20, 2012.
- Against this backdrop, the Group
 - strengthened advertisement proposals aimed at capturing large projects and boosted efforts to win orders of advertisements promoting new parlors and parlors that have undergone large-scale refurbishment, and
 - won new orders from some pachinko machine manufacturers.
- As a result, although the Group was able to expand the customer base, it did not offset the impact of declining demand caused by the recent tightening of advertising restrictions. Consequently **net sales** of the Advertising Business **declined 2.5% year on year to ¥16,762 million**, and **segment income declined 1.3% to ¥1,975 million**, as margin declined reflecting the decline in net sales.

Quarterly Sales Trends (Advertising)

(millions of yen)

	1Q	2Q	3Q	4Q	Full year
FY2014	4,152	4,317	4,462	3,831	16,762
FY2013	4,655	4,286	4,458	3,789	17,188
FY2012	3,401	4,147	4,530	4,274	16,352

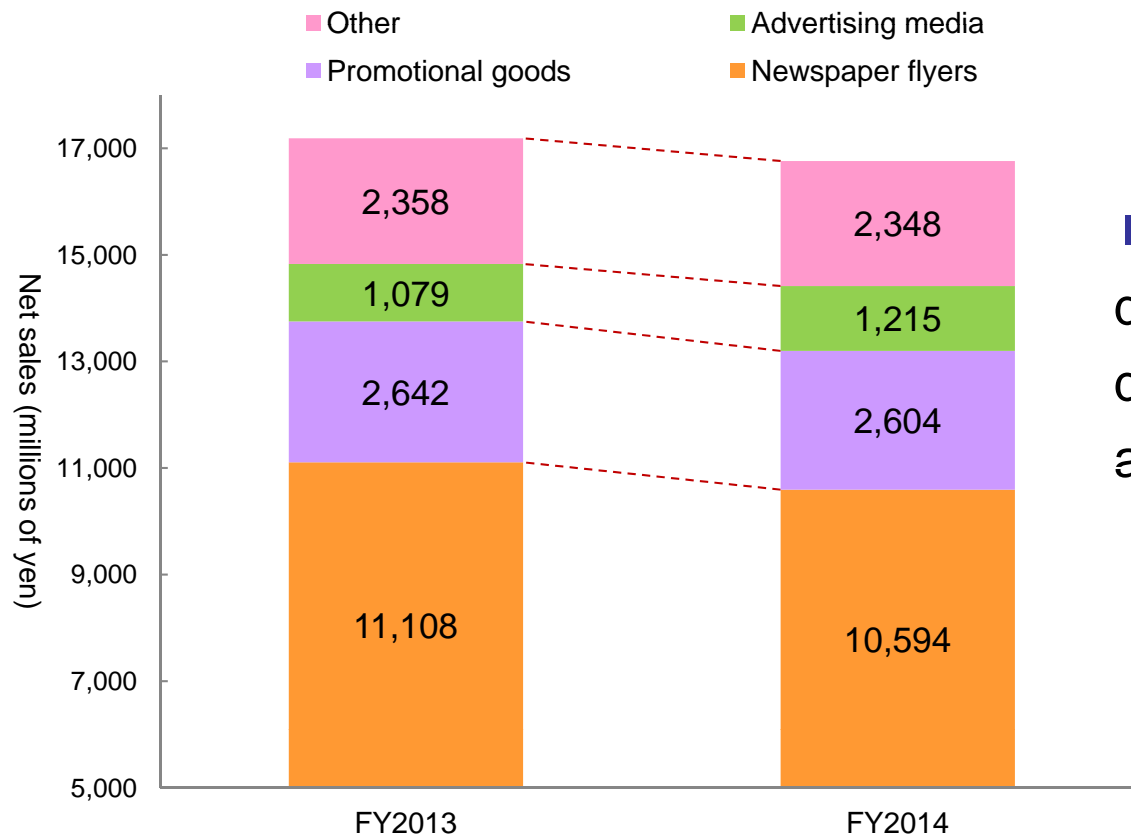


- Sales from FY2014 2Q onwards have improved slightly compared to the sales performance in FY2013 2Q onwards, which was affected by the re-enforcement of event advertising restrictions.

Sales Breakdown (Advertising)

(millions of yen)

		FY2014	% of total	FY2013	% of total	YoY comparison
Total sales	Newspaper flyers	10,594	63.2%	11,108	64.6%	95.4%
	Promotional goods	2,604	15.5%	2,642	15.4%	98.6%
	Advertising media	1,215	7.3%	1,079	6.3%	112.6%
	Other	2,348	14.0%	2,358	13.7%	99.6%
		16,762	100.0%	17,188	100.0%	97.5%



■ Sales in newspaper flyers declined 4.6% year on year partly due to the restrictions on event advertisements.

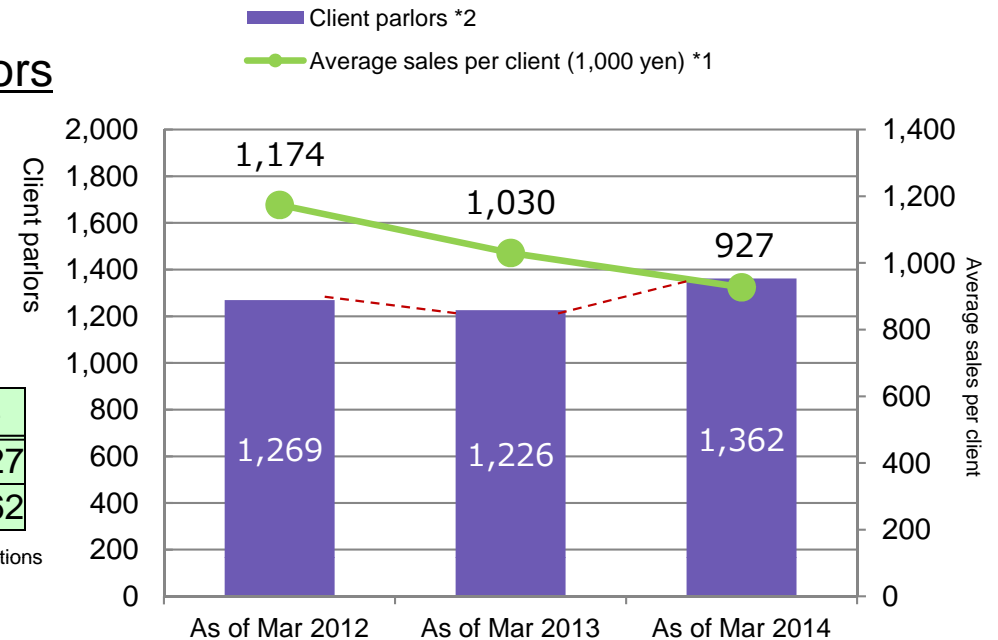
Clients (Advertising)

Average sales per client and number of client parlors

- While strategic sales activities led to an increase in the number of client parlors by 136 year on year, average sales per client declined.

Active clients	As of Mar 2012	As of Mar 2013	As of Mar 2014
Average sales per client (1,000 yen) *1	1,174	1,030	927
Client parlors *2	1,269	1,226	1,362

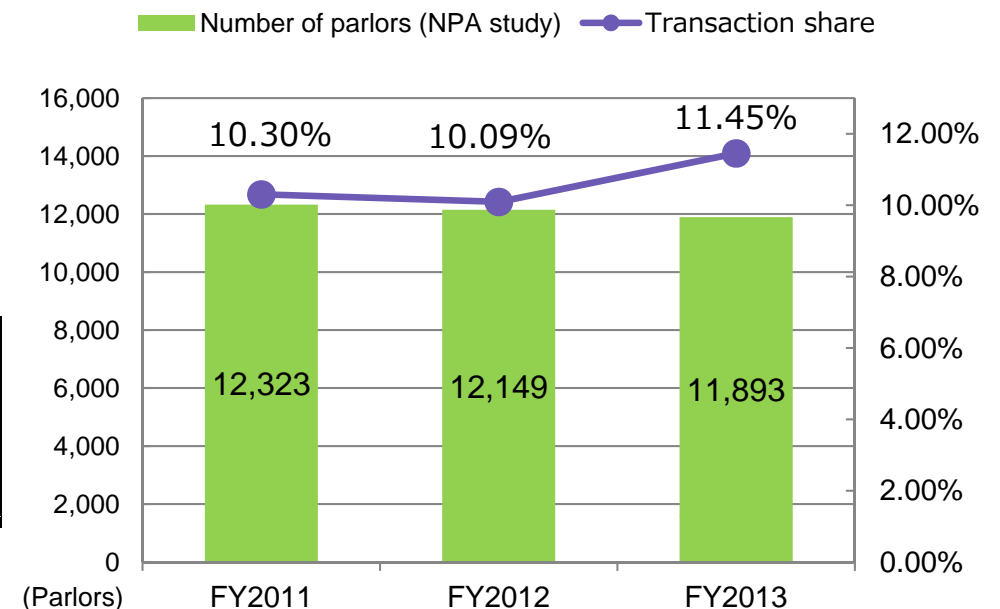
*1 Client parlors refer to customers with more than ¥50,000 in monthly transactions
 *2 Sales figures are monthly



Share in the pachinko parlor advertising market

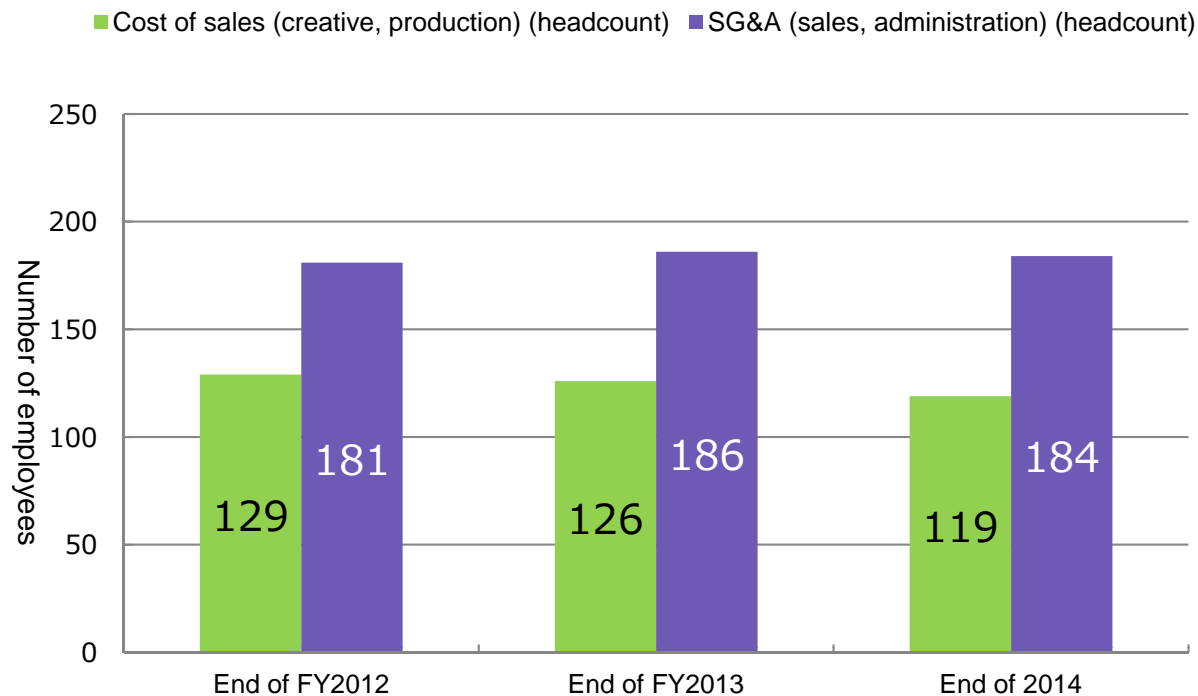
- The Group's transaction share has increased even as the number of pachinko parlors shows a downward trend.

	FY2011	FY2012	FY2013
Number of pachinko parlors (National Police Agency study)	12,323	12,149	11,893
Number of client parlors (as of March 2014)	1,269	1,226	1,362
Transaction share	10.30%	10.09%	11.45%



Employees (Advertising)

	End of FY2012	End of FY2013	End of FY2014
Cost of sales (creative, production) (headcount)	129	126	119
SG&A (sales, administration) (headcount)	181	186	184
Subtotal for advertising (headcount)	310	312	303



- The number of employees declined by 9 year on year, as 18 new employees of a new subsidiary were added against a decline of 27 people at the existing businesses.
- Eighteen new graduates joined Gendai Agency in April 2014

Real Estate Business

FY2014 Income Statement (Real Estate)

(millions of yen)

Real Estate Business	FY2014	FY2013	YoY comparison
Net sales	187	146	128.2%
Operating expense	120	89	134.8%
Segment income	67	57	117.1%

- In FY2014, a new office leasing brokerage agreement (¥41 million) was added to the two existing, ongoing lease contracts.

As a result, net sales amounted to ¥187 million, up 28.2% year on year, and the segment's income rose to ¥67 million, up 17.1% year on year.

FY2014 Balance Sheet (Consolidated)

	(millions of yen)			
	FY2013 (A)	FY2014 (B)	Change (B) - (A)	
Cash and cash equivalents	4,012	3,804	(208)	
Notes and accounts receivables	2,094	2,226	132	
Income taxes receivable	96	0	(96)	
Other current assets	128	180	52	
Tangible fixed assets	861	893	32	
Intangible fixed assets	69	259	190	(1) Goodwill of ¥209 million following acquisition of a subsidiary
Investment and other assets	720	1,124	404	(2) Investments in securities ¥443 million
Total assets	7,891	8,487	596	
Notes and accounts payables	1,146	1,289	143	
Short-term borrowings	468	600	132	
Accrue income taxes	558	318	(240)	(3) Decline in accrued income taxes
Other current liabilities	239	394	155	
Long-term borrowings	426	270	(156)	(4) Decline due to repayment of long-term borrowings
Other fixed liabilities	28	26	(2)	
Total liabilities	2,868	2,898	30	
Shareholders' equity	5,001	5,567	566	
Other	-	20	1	
Total net assets	5,023	5,589	566	(5) Factors behind increase of ¥566 million year on year +¥1,031 million in net income -¥464 million in dividend payments
Total liabilities and net assets	7,891	8,487	596	

FY2014 Cash Flow Statement (Consolidated)

(millions of yen)

	FY2013	FY2014
Net income before income taxes	1,651	1,659
Depreciation and amortization	73	68
Change in accounts receivable	316	69
Change in accounts payable	(159)	15
Other	(10)	(16)
Subtotal	1,912	1,797
Income taxes paid	(135)	(850)
Income taxes refund	134	-
Other	(7)	(3)
Cash flow from operations	1,903	942
Payment for purchase of investment securities	(576)	(459)
Revenue from sale and redemption of investment securities	412	37
Payment for acquisition of subsidiary stock involving change in scope of consolidation	-	(285)
Other	(58)	(55)
Cash flow from investing activities	(232)	(762)
Change in short-term borrowings	(200)	500
Revenue from long-term borrowings	600	-
Repayment of long-term borrowings	(318)	(368)
Dividends paid	(596)	(464)
Payment for purchase of treasury stock	(896)	-
Cash flow from financing activities	(1,410)	(333)
Translation adjustments related to cash and cash equivalents	10	11
Change in cash and cash equivalents	271	(142)
Change in cash and cash equivalents due to merger of consolidated subsidiary	20	-
Cash and cash equivalents beginning of period	3,690	3,981
Cash and cash equivalents end of period	3,981	3,839

(1) ¥850 million in payment of income taxes, etc.
(The impact of income taxes receivable at the end of FY2012 + significant decline in interim payment in FY2013)

(2) ¥459 million in payment for purchase of investment securities

(3) ¥285 million for acquisition of stock in a subsidiary (U and U)

(4) ¥464 million in dividend payments

FY2015 Forecast, Other

FY2015 Consolidated Earnings Forecast

	FY2015 1H forecast		FY2015 forecast	
	Millions of yen	YoY comparison (%)	Millions of yen	YoY comparison (%)
Net sales	9,100	+ 6.2%	18,500	+ 9.2%
Operating income	800	- 9.8%	1,700	+ 4.2%
Ordinary income	800	- 10.0%	1,700	+ 3.1%
Net income	520	- 5.6%	1,100	+ 6.7%

- With regard to the business environment, there are concerns over the impact of the increase in consumption tax rate, which is expected to lower sales per client primarily in the Advertising Business as the clients reduce advertising budget. The Group also expects the opening of some new outlet projects, originally planned for the first half of the fiscal year, to be delayed to the second half due to postponement of work caused by shortage of construction workers.
- Under such circumstances, the Group aims to maximize its corporate value by nurturing the businesses of newly established or acquired subsidiaries while continuing 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. In light of the these considerations, the Group currently expects the earnings for FY2015 as shown above.

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

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

(3) Expand business domain

- 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.

- The Group will implement the following measures in order to realize its management strategies:

(1) Boost the number of client parlors and launch new services

(2) Expand the advertising business by targeting clients in industries other than pachinko parlor operators.

(3) Reduce cost through optimization of creative resources

Profit Distribution Basic Policy and Dividends for FY2014 and FY2015

	FY2013	FY2014*	FY2015 forecast
Operating margin	9.5%	9.6%	9.2%
EPS	62.35 yen	62.12 yen	66.26 yen
ROE	19.9%	19.5%	-
Total annual dividend	5,500 yen	28.00 yen	30.00 yen
<i>Of which, interim dividend</i>	<i>(2,700 yen)</i>	<i>(14.00 yen)</i>	<i>(15.00 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 FY2013.

- 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 FY2014 the Group intends to pay a year-end dividend of 14.00 yen per share. Together with the interim dividend of 14.00 yen per share, total annual dividend amounts to 28.00 yen per share (a dividend payout ratio of 45.1%).
- The Group plans to determine the dividend forecast for FY2015 also based on the above basic policy and it currently expects to pay an annual dividend of 30.00 yen per share (expected consolidated dividend payout ratio of 45.3%).

Acquisition of Stock in Subsidiary

■ UandU. Co;Ltd.

At its board of directors meeting held on March 14, 2014, Gendai Agency adopted a resolution to acquire shares in UandU, which has strengths in advertising of mail order service of health food, etc. and subsequently made it a wholly owned subsidiary. The Group will target customers in industries which are expected to grow in the Japanese market, characterized by falling birth rate and ageing population, to ensure sustained Group growth.



<Reference> UandU's business performance and financial condition for the past three years

Accounting period	Fiscal year ended September 2011	Fiscal year ended September 2012	Fiscal year ended September 2013
Net assets (million yen)	46	63	79
Total assets (million yen)	352	417	341
Net assets per share (yen)	232,913.65	317,174.71	395,118.88
Net sales (million yen)	1335	1594	1584
Operating income (million yen)	36	36	24
Ordinary income (million yen)	34	35	26
Net income per share (yen)	101,750.90	99,261.06	92,944.17
Dividend per share (yen)	15,000	15,000	15,000

(Note) The accounting period of UandU has been changed at the end of the fiscal year under review to close at the end of March.

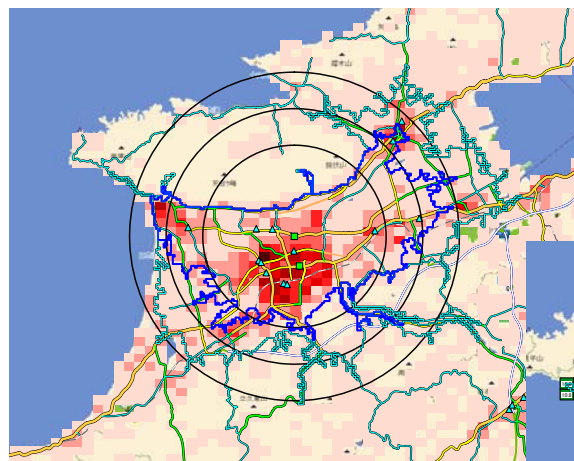
Establishment of Joint Venture Subsidiary

■ Ensign Ad Inc.

At its board of directors meeting held on March 14, 2014, Gendai Agency adopted a resolution to set up a new joint venture with Shin-ei Inc. a main subcontractor for outdoor advertising primarily in Chukyo area. The establishment of the joint venture was completed on April 14.

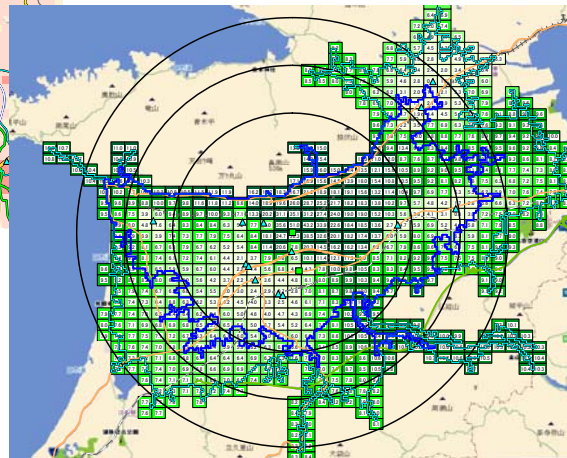
While demand for newspaper flyers has been declining, the advertising media has witnessed increased diversification such as the utilization of Internet- and mobile phone-based advertising as well as outdoor advertisement. Outdoor advertisements play an important role for Gendai Agency's customers with high appetite for opening new parlors. The joint venture company provides outdoor advertisements and also offers total solutions, from securing properties for outdoor advertisings, that are planned or recommended based on statistical data, to filing various applications, production, construction and management.

<Examples of Ensign Ad's activities>

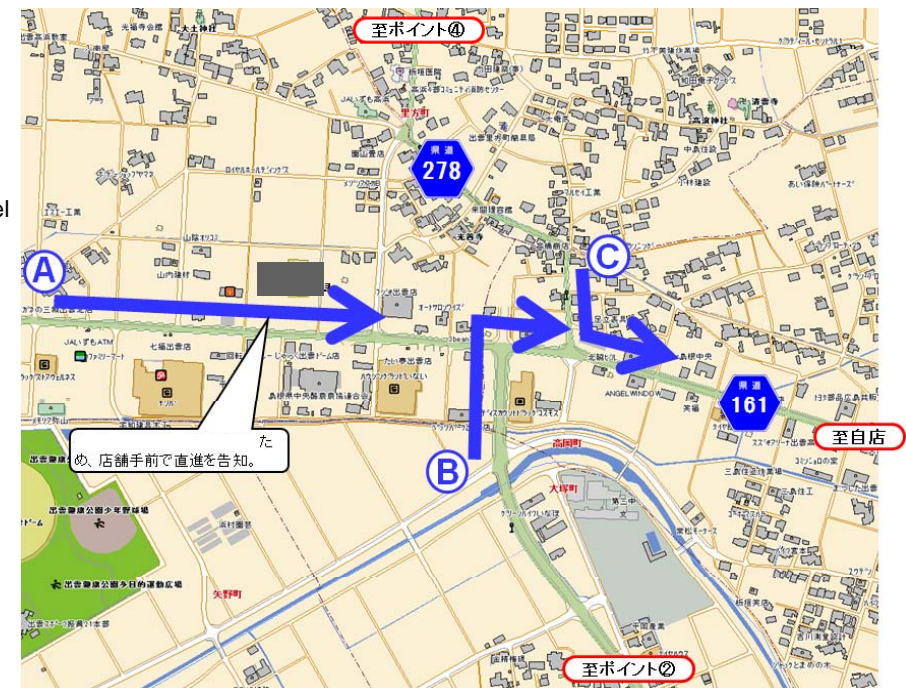


Store visit probability calculated based on huff model

12-hour traffic volume of highways



Example of proposal for installing outdoor advertisements



Purchase of Treasury Stock

- At its board of directors meeting held on April 18, 2014, Gendai Agency adopted a resolution regarding purchase of treasury stock.
- The purchase of treasury stock is part of the distribution of profits to shareholders to commemorate Gendai Agency's 20th anniversary and is also aimed at expanding shareholder value by further improving net income per share.

- (1) Type of shares to be purchased: Common stock of Gendai Agency
- (2) Total number of shares to be purchased: up to 900,000 shares
- (3) Total cost of purchase: up to 600,000,000 yen
- (4) Purchase period: From April 18, 2014 to June 30, 2014
- (5) Purchase method: from the market on the Tokyo Stock Exchange and after-hours trading of treasury stock (ToSTNeT-3) on the Tokyo Stock Exchange

(Reference) Treasury stock owned by Gendai Agency as of April 18, 2014

Total shares outstanding (excl. treasury stock): 16,600,000 shares

Number of shares in treasury stock: - shares

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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