Business Results for the Fiscal Year Ended March 31, 2017

April 14, 2017
Financial Highlights (Consolidated)

FY2017 Income Statement (Consolidated)

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FY2017 Segment Income

Quarterly Sales Trends

Sales Breakdown

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FY2017 Cash Flow Statement

FY2018 Consolidated Earnings Forecast

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Information Regarding Subsidiary in Singapore
In the mainstay pachinko parlor advertising business, sales declined by 1,068 million yen year-on-year due to the prolonged cutbacks in advertising expenses by customers. However, income rose at all levels, as the company improved profitability by upgrading sales activities and controlling fixed costs to transform its earnings structure.

<table>
<thead>
<tr>
<th></th>
<th>FY2013</th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>17,334</td>
<td>16,949</td>
<td>17,284</td>
<td>16,919</td>
<td>15,851</td>
</tr>
<tr>
<td>Operating income</td>
<td>1,647</td>
<td>1,631</td>
<td>1,300</td>
<td>1,142</td>
<td>1,269</td>
</tr>
<tr>
<td>Ordinary income</td>
<td>1,659</td>
<td>1,649</td>
<td>1,345</td>
<td>1,129</td>
<td>1,268</td>
</tr>
<tr>
<td>Net income attributable to parent company shareholders</td>
<td>1,041</td>
<td>1,031</td>
<td>805</td>
<td>490</td>
<td>831</td>
</tr>
</tbody>
</table>
The pachinko parlor industry continues to be in a severe situation in terms of earnings. New parlor openings have been declining reflecting uncertainties of the industry’s environment. New machine replacements remained stagnant after removing machines whose performance may differ from the machines that have been inspected, the deadline for which was the end of December 2016, and demand for advertisement of machine replacement was sluggish.

In the mainstay advertising business, the company, with the aim of transforming its earnings structure, made efforts to raise the level of profits by expanding sales of Internet media led by its own “Pachi 7” media and strengthening sales activities for the printing business targeting companies in other industries.

In terms of cost, the company drove forward rationalization and manpower saving by consolidating sales offices and drastically reviewing order process and focused on controlling fixed costs.

As a result, net sales for FY2017 totaled ¥15,851 million (down 6.3% year on year) while operating income came to ¥1,269 million (up 11.2%), ordinary income amounted to ¥1,268 million (up 12.3%) and net income totaled ¥831 million (up 69.7%).
As the pachinko parlor advertisements and the real estate business fell below the previous year’s level, net sales on a consolidated basis declined ¥1,068 million, segment income increased ¥127 million due to contribution of reduction of company-wide adjustment and lower fixed costs.
External environment>
- Trend of pachinko parlor operators cutting back advertising spending due to worsening profitability
  = the pachinko parlor advertising market is stagnant
- Removal of machines whose performance may differ from the machines that have been inspected
  = Decline in demand for machine replacement advertisements

The Group’s approach>
- Strengthened sales of its own “Pachi 7” media and other Internet advertisements as well as
  printing business for other industries
- Controlled fixed costs through consolidation of sales offices, review of order process and
  streamlining

Result>
- We were able to limit the year-on-year decline in net sales to the minimum. Segment
  income rose 7.2%, as the impact of fixed cost reduction contributed.
Net sales of the Advertising Business declined ¥593 million compared with the same period a year earlier. The decline was due to sluggish new machine replacements following the removal of machines whose performance may differ from the machines that have been inspected, whose deadline was the end of December 2016, and demand for replacement advertisements slumped.
Sales Breakdown (Advertising)

<table>
<thead>
<tr>
<th>Category</th>
<th>FY2017</th>
<th>% of total</th>
<th>FY2016</th>
<th>% of total</th>
<th>YoY comparison</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newspaper flyers</td>
<td>8,354</td>
<td>53.4%</td>
<td>9,376</td>
<td>56.2%</td>
<td>89.1%</td>
</tr>
<tr>
<td>Promotional goods</td>
<td>2,211</td>
<td>14.1%</td>
<td>2,375</td>
<td>14.2%</td>
<td>93.1%</td>
</tr>
<tr>
<td>Advertising media</td>
<td>2,042</td>
<td>13.1%</td>
<td>2,154</td>
<td>12.9%</td>
<td>94.8%</td>
</tr>
<tr>
<td>Other</td>
<td>3,035</td>
<td>19.4%</td>
<td>2,778</td>
<td>16.7%</td>
<td>109.3%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>15,643</td>
<td>100.0%</td>
<td>16,684</td>
<td>100.0%</td>
<td>93.8%</td>
</tr>
</tbody>
</table>

Sales of the Newspaper flyers category, which is the mainstay media of the Pachinko advertising business, declined ¥1,022 million compared with a year earlier and its share in the business also fell 2.8 p.p.

Both sales and share of the Other category increased as sales of Internet advertisements expanded.
As a result of profit-conscious sales activities, both the number of clients and the transaction share decline slightly. While there is a declining trend in average sales per client, the rate of decline has been marginal.

### Average sales per client and number of client parlors

<table>
<thead>
<tr>
<th>Active clients</th>
<th>As of Mar 2015</th>
<th>As of Mar 2016</th>
<th>As of Mar 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Client parlors *1</td>
<td>1,387</td>
<td>1,523</td>
<td>1,342</td>
</tr>
<tr>
<td>Average sales per client (1,000 yen) *2</td>
<td>868</td>
<td>749</td>
<td>741</td>
</tr>
</tbody>
</table>

*1 Client parlors refer to customers with more than ¥50,000 in monthly transactions
*2 Figures are on a single-month basis

### Share in the pachinko parlor advertising market

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
<th>FY2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of pachinko parlors (National Police Agency study)</td>
<td>11,627</td>
<td>11,310</td>
<td>10,986</td>
</tr>
<tr>
<td>Number of client parlors (as of March 2017)</td>
<td>1,387</td>
<td>1,523</td>
<td>1,342</td>
</tr>
<tr>
<td>Transaction share</td>
<td>11.93%</td>
<td>13.47%</td>
<td>12.22%</td>
</tr>
</tbody>
</table>
While we implemented various measures including consolidation of sales offices and improvement of operational efficiency, the number of employees declined by 8 as of the end of FY2017 compared with the level as of the end of the previous fiscal year.
Of the two existing contracts, one came to expiration in the third quarter of FY2017 and we sold the other, which is a land for leasing in Hyogo Prefecture, at the end of January 2017. On the other hand, we acquired a new piece of land for lease use in Chiba Prefecture at the end of January 2017 and have signed a leasing contract with a company operating pachinko parlors.

As a result, net sales of the real estate business came to ¥120 million, down 19.7% compared with FY2016, while segment income declined 7.2% to ¥59 million as reduction in fixed costs contributed.
## FY2017 Balance Sheet (Consolidated)

<table>
<thead>
<tr>
<th></th>
<th>End of FY2016 (A)</th>
<th>End of FY2017 (B)</th>
<th>Change (B) - (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>3,507</td>
<td>4,374</td>
<td>866</td>
</tr>
<tr>
<td>Notes and accounts receivables</td>
<td>2,289</td>
<td>1,870</td>
<td>(418)</td>
</tr>
<tr>
<td>Other current assets</td>
<td>306</td>
<td>515</td>
<td>209</td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>946</td>
<td>681</td>
<td>(265)</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>123</td>
<td>107</td>
<td>(16)</td>
</tr>
<tr>
<td>Investment and other assets</td>
<td>827</td>
<td>781</td>
<td>(46)</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>8,026</strong></td>
<td><strong>8,330</strong></td>
<td><strong>304</strong></td>
</tr>
<tr>
<td>Notes and accounts payables</td>
<td>1,408</td>
<td>1,132</td>
<td>(276)</td>
</tr>
<tr>
<td>Short-term borrowings (incl. long-term borrowings due within a year)</td>
<td>290</td>
<td>540</td>
<td>250</td>
</tr>
<tr>
<td>Accrued income taxes</td>
<td>213</td>
<td>239</td>
<td>26</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>248</td>
<td>188</td>
<td>(60)</td>
</tr>
<tr>
<td>Long-term borrowings</td>
<td>500</td>
<td>760</td>
<td>260</td>
</tr>
<tr>
<td>Other fixed liabilities</td>
<td>18</td>
<td>33</td>
<td>15</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>2,678</strong></td>
<td><strong>2,893</strong></td>
<td><strong>215</strong></td>
</tr>
<tr>
<td>Shareholders' equity</td>
<td>5,317</td>
<td>5,387</td>
<td>70</td>
</tr>
<tr>
<td>Other</td>
<td>30</td>
<td>49</td>
<td>19</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>5,348</strong></td>
<td><strong>5,436</strong></td>
<td><strong>88</strong></td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td><strong>8,026</strong></td>
<td><strong>8,330</strong></td>
<td><strong>303</strong></td>
</tr>
</tbody>
</table>

1. Impact of decline in volume of business
2. Land declined ¥245 million as Land Support sold land and newly acquired land.
3. Total of long- and short-term borrowings increased ¥510 million partly due to the new long-term borrowing of ¥500 million
4. ¥831 million in net income
   - ¥416 million in dividend payments
   - ¥345 million for purchase of treasury stock
FY2017 Cash Flow Statement (Consolidated)

<table>
<thead>
<tr>
<th>(millions of yen)</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income before income taxes</td>
<td>861</td>
<td>1,230</td>
</tr>
<tr>
<td>Cash flow from operations</td>
<td>848</td>
<td>1,031</td>
</tr>
<tr>
<td>Cash flow from investing activities</td>
<td>(260)</td>
<td>79</td>
</tr>
<tr>
<td>Cash flow from financing activities</td>
<td>(631)</td>
<td>(251)</td>
</tr>
<tr>
<td>Cash and cash equivalents at end of the period</td>
<td>3,513</td>
<td>4,368</td>
</tr>
</tbody>
</table>

+ Net income before income taxes 1,230
+ Depreciation and amortization 97
+ Impairment loss 20
+ Decline in accounts receivable 406

− Decline in accounts payable 276
− Income taxes paid 380
− Other (net) 66

Cash flow from operations 1,031

− Payment for purchase of tangible fixed assets 596
− Payment for purchase of investment securities 163
− Other payments 126

+ Proceeds from sale of tangible fixed assets 750
+ Proceeds from sales and redemption of investment securities 161
+ Other earnings 54

Cash flow from investing activities 79

− Repayment of long-term loans payable 190
− Dividends paid 416
− Payment for purchase of treasury stock 345

+ Net increase in short-term loans 200
+ Proceeds from long-term loans payable 500

Cash flow from financing activities −251

✓ Cash and cash equivalents at the end of the period increased ¥855 million to ¥4,368 million.
Given the passage of the bill on the Act on Promoting Development of Areas for Specified Integrated Resort Facilities in December 2016, the measures to further curb the gambling characteristics of pachinko and pachislo are expected to gain momentum from a perspective of preventing dependence. For this reason, pachinko parlor operators, which are our main clients, are likely to continue controlling advertisement demand due to worsening profitability, and the demand for mainstay pachinko parlor advertisements is forecast to gradually decline again in FY2018.
Challenges Ahead

(1) Continue to improve the earnings structure of the pachinko parlor advertising business

In order to increase the ratio of sales of Internet media and tools, whose demand has been stable compared to the conventional print advertisement, the Group would allocate sufficient resources to raise the media value by further enhancing the contents of “Pachi 7” media it developed and to expand the sales of “PachiAd,” a dedicated DSP tool for pachinko users, and aim to improve profitability.

Further, by taking into account the current trend in the labor market, the Group started full-fledged sales activities from the previous fiscal year for job advertising by pachinko parlors, demand for which appears to be promising, and this year it will strengthen the sales staff to improve profitability.

Moreover, in preparing for the continued decline in pachinko parlor advertising demand, the Group aims to realize further streamlining of internal operation and cost reduction by sorting out items on sale taking into account the individual profitability, and at the same time build an ideal profit structure by carrying out downsizing of the entire business as needed.

(2) Expand the advertising business by targeting clients in industries besides pachinko parlors

In order to strengthen the customer base in response to the decline in pachinko parlor advertising demand, the Group will pursue further business expansion in the printing business and contract-based design business targeting clients in other industries and aim to increase the advertising transactions for the Group as a whole. Especially, in the contract-based design business, the Group aims to further improve the profitability of its design e-commerce site “Adluck!” by strengthening its functions and making investments to raise the brand recognition.

Also, with consolidated subsidiary U&U Co., Ltd., whose major customers are mail order companies, as the base, the Group will aim to achieve sustained growth of the business by pursuing acquisition of new clients led by mail order businesses.

The Group will also continue to pursue studies and research regarding the advertising activities of clients in other industries in order to expand the field of activity in the advertising business, while actively considering tie-ups and acquisitions of other advertising companies.

(3) Entry into the electronic casino operation business in Southeast Asia to expand the business domain

With GDLH Pte. Ltd., a consolidated subsidiary newly established in February 2017 in Singapore, the Group will start off with electronic casino operations in Cambodia. In the first year, the Group, along with building the operation structure and gaining expertise, will simultaneously carry out studies regarding opportunities for entering other Southeast Asian nations as well as project development and negotiations to further expand the business.
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 FY2017, the Group intends to pay a year-end dividend of 13.00 yen per share. Together with the interim dividend of 12.00 yen per share, total annual dividend amounts to 25.00 yen per share (consolidated dividend payout ratio of 45.9%).

As the Group acquired treasury stock worth 345 million yen in this term, and the total shareholder return for the term was 91.5%.

For FY2018, based on the above basic policy, the Group currently expects to pay an annual dividend of 25.00 yen per share (expected consolidated dividend payout ratio of 52.3%).
Gendai Agency, based on a resolution of a Board of Directors Meeting held on March 10, 2017, completed the cancellation of treasury stock on March 31, 2017 as follows.

Resolution details (reference)
(1) Type of shares cancelled
   Common stock of Gendai Agency
(2) Number of shares cancelled
   650,000 shares
   (4.14% of the outstanding shares prior to cancellation)
(3) Cancellation completed on
   March 31, 2017

(Reference)
Number of shares issued and outstanding after cancellation
15,050,000 shares
Treasury stock after cancellation
None
The Group, at a Board of Directors Meeting held on January 20, 2017, resolved to establish a subsidiary in the Republic of Singapore and completed registration of establishment of GDLH Pte. Ltd. (hereinafter “GDLH”) on February 1, 2017.

1. Purpose of establishment of subsidiary>
The Group has entered the gaming business industry in booming Southeast Asia and expects it to grow into a new core business. By bringing together the Group’s experience and expertise in assisting in attracting customers in the pachinko field over the years, its credibility as a listed company in Japan, and its tangible and intangible assets such as ability to raise funds with the expertise and human network of Mr. Arizuan Arshad (appointed as MD of GDLH), who has been engaged in casino operation, various consulting and casino machine procurement business in Singapore for some 10 years, we expect to achieve sustained growth for the Group.

2. Profile of GDLH>
(1) Company name: GDLH Pte. Ltd.
(2) Location: Republic of Singapore
(3) Title and name of representative: Managing Director Arizuan Arshad
(4) Business: Primarily operations within casino and electronic casino facilities in Southeast Asian countries, sales of slot machines, etc., and consulting business
(5) Capitalization: 4 million USD (*about 460 million yen at time of establishment)
(6) Establishment: February 1, 2017
(7) Settlement: December 31
(8) Investment ratio: Gendai Agency Inc.: 100% (*at time of establishment)
The Group expects costs to occur for strengthening internal structure and unearthing projects, and with first year sales target of about 70 million yen and initial depreciation of machines, it expects an operating loss of about 60 million yen in the next fiscal year.
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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