

GENDAI AGENCY Inc.

Business Results for the Year Ended March 2008 (FY2008)

We will contribute to the growth of our clients' business.

April 18, 2008

ゲンダイエージェンシー株式会社



証券コード：2411

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FY2008 Full-Year Income Statement (Consolidated)

(millions of yen)

	FY2007	% of total	FY2008	% of total	YoY
Net sales	19,306	100.0%	19,345	100.0%	100.2%
Operating income	2,316	12.0%	2,328	12.0%	100.5%
Ordinary income	2,307	12.0%	2,310	11.9%	100.1%
Net income	1,207	6.3%	1,162	6.0%	96.3%

Business environment during the period under review

In the period under review, the pachinko parlor industry shouldered increased investment costs for large-scale machine replacements for the full-scale shift to no. 5 pachislo machines, while pachislo operating revenues declined sharply. As a result, the industry witnessed bankruptcies and closures caused by worsening cash flows, and the business environment remained extremely harsh throughout the period.

Measures taken by the Group in response to the turbulent business environment

- 1) Established new sales offices in the advertising business
- 2) Built a low-cost operational structure in the advertising business
- 3) Developed and introduced new services in the advertising business and nurtured subsidiary businesses

The Group's performance was largely on par with the previous fiscal year, despite the harsh industry environment

Breakdown by Business Segment

(millions of yen)

FY2008	Advertising business Gendai Agency Inc.	Used Machine Sales Intermediary Value Quest Co., Ltd	Real estate business Land Support Inc.	Eliminations/ corporate	Consolidated
Net sales	17,583	1,659	102		19,345
Operating expenses	15,279	1,284	88	365	17,017
Operating income	2,303	375	14	(365)	2,328

* The content of "Eliminations / corporate" includes head office expenses of the parent company.

Reference : Year-on-year change

FY2007	Advertising business Gendai Agency Inc.	Used Machine Sales Intermediary Value Quest Co., Ltd	Real estate business Land Support Inc.	Eliminations/ corporate	Consolidated
Net sales	(558)	525	72	0	39
Operating expenses	(137)	157	15	(8)	28
Operating income	(422)	368	57	8	12

- Although the Group faced difficulties in the advertising business, the used machine sales intermediary business contributed significantly to consolidated results. The real estate business acquired land for a new pachinko parlor and began leasing it out last December, after which it began posting profits on a monthly basis.

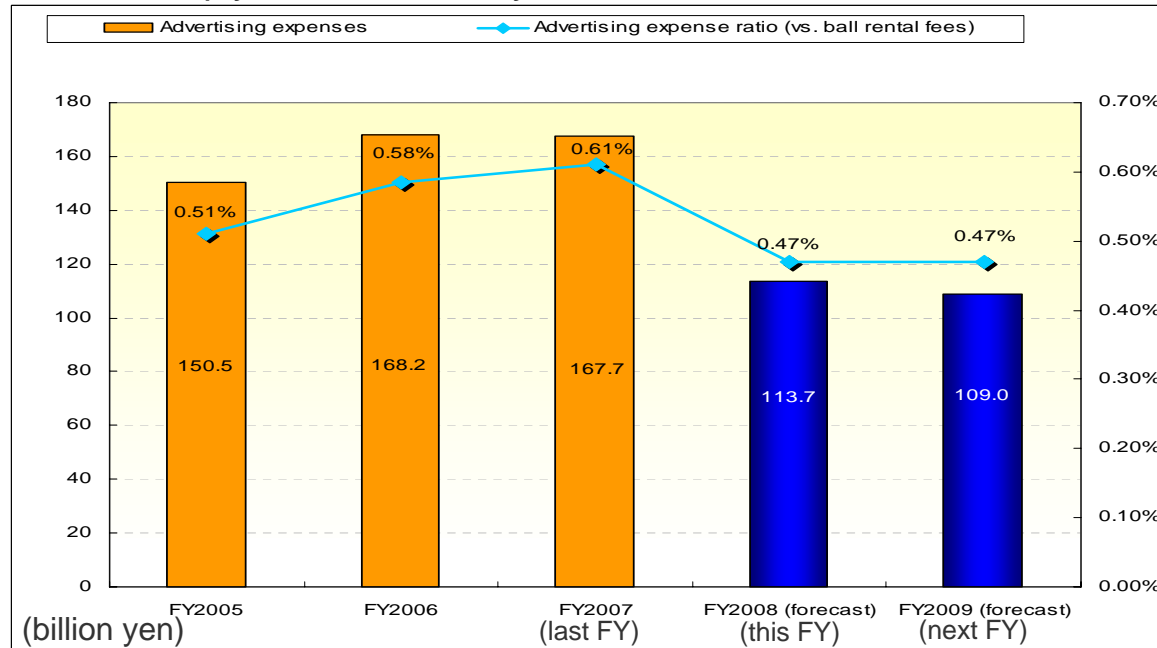
Advertising

Gendai Agency Inc.



Outlook for Pachinko Parlor-Related Advertising Market

- After peaking at 168.2 billion yen in FY2005, the advertising market shrank sharply to 113.7 billion yen in FY2007, and conditions have remained harsh since.



Source: Research on the Scale of Advertising Spending by Pachinko Parlors, Yano Research Institute (commissioned by Gendai Agency)

	FY2005	FY2006	FY2007	FY2008 (forecast)	FY2009 (forecast)
White Paper on Leisure Activity Fees (Pachinko Ball Rental Fees) (in 100 million yen)	294,860	287,490	274,550	242,000	232,000
Advertising expense ratio (vs. ball rental fees)	0.51%	0.58%	0.61%	0.47%	0.47%
YoY comparison of advertising expense ratio	96.3%	114.6%	104.4%	76.9%	100.0%
Advertising expenses (in million yen, rounded to the nearest 100,000)	150,466.80	168,176.02	167,719.50	113,700	109,000
YoY comparison of advertising expenses	95.8%	111.8%	99.7%	67.8%	95.9%



FY2008 Full-Year Income Statement —Non-Consolidated (Gendai Agency)

(millions of yen)

	FY2007	% of total	FY2008	% of total	YoY
Net sales	18,141	100.0%	17,583	100.0%	96.9%
Gross profit	4,736	26.1%	4,305	24.5%	90.9%
Operating income	2,352	13.0%	1,938	11.0%	82.4%
Ordinary Income	2,350	13.0%	1,936	11.0%	82.4%
Net income	1,367	7.5%	1,130	6.4%	82.7%

■ Gendai faced a harsh business environment in FY2008, as advertising demand slumped and pachinko parlors slashed advertising budgets to cope with the pressure of rising expenses resulting from (a) revisions to pachinko/pachislo regulations and (b) intensifying competition among operators caused by a decline in user numbers.

■ Gendai Agency:

- (1) Allocated resources with focus on improving satisfaction levels at major companies and large-scale clients and expanding the share of business with such companies.
- (2) Implemented measures toward low-cost operations—e.g., thorough implementation of profitability management, business process reviews, shift of design costs to variable costs, and cost reductions through optimal outsourcing.
- (3) Opened 2 sales offices in Kanazawa and Kagoshima during the fiscal year to enhance its service network.

■ However:

the measures implemented by Gendai Agency in response to slumping advertising demand, caused by the contraction of the pachinko industry, were not sufficient to overcome the impact of the unexpectedly rapid decline in demand, and all financial indicators fell short of levels achieved in the previous fiscal year.

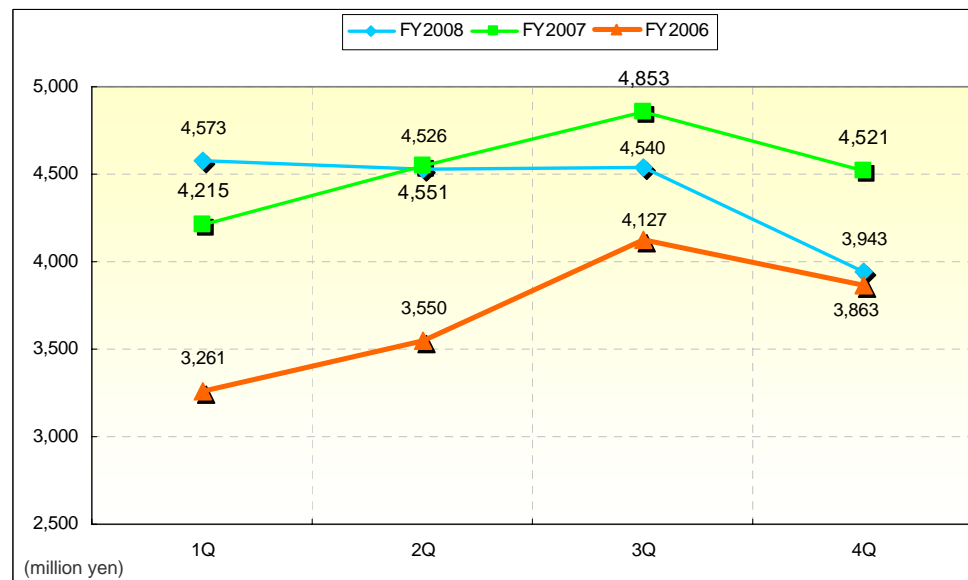


Quarterly Sales Trends (Advertising)

- From the second quarter, a majority of parlor operators slashed their advertising budgets in connection with the shift to no. 5 pachislo machines. As a result, sales declined compared with the previous fiscal year.
- New parlor openings, common during 3Q every year, also declined significantly and 4Q followed that trend.

(millions of yen)

Non-consolidated	1Q	2Q	3Q	4Q	Full year
FY2008	4,573	4,526	4,540	3,943	17,583
FY2007	4,215	4,551	4,853	4,521	18,141
FY2006	3,261	3,550	4,127	3,863	14,801

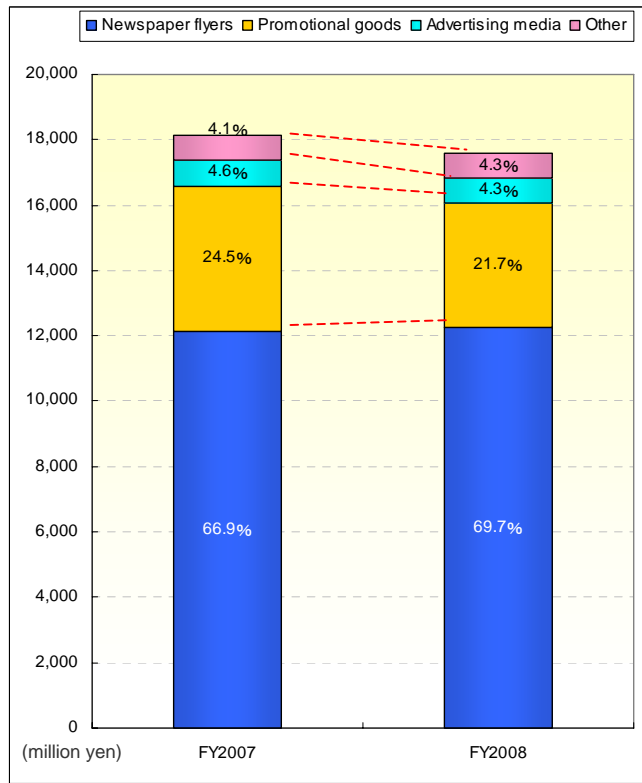




Sales Composition (Advertising)

(millions of yen)

		FY2007	% of total	FY2008	% of total	YoY change (%)
Sales	Newspaper flyers	12,133	66.9%	12,253	69.7%	101.0%
	Promotional goods	4,436	24.5%	3,824	21.7%	86.2%
	Advertising media	828	4.6%	752	4.3%	90.8%
	Others	742	4.1%	751	4.3%	101.2%
		18,141	100.0%	17,583	100.0%	96.9%



- Active promotion of business with large companies led to higher demand for large lot newspaper flyers, resulting in a slight year-on-year increase.
- On the other hand, promotional goods were affected by the drop in demand for parlor decoration, as pachinko parlors cut their advertising budget.



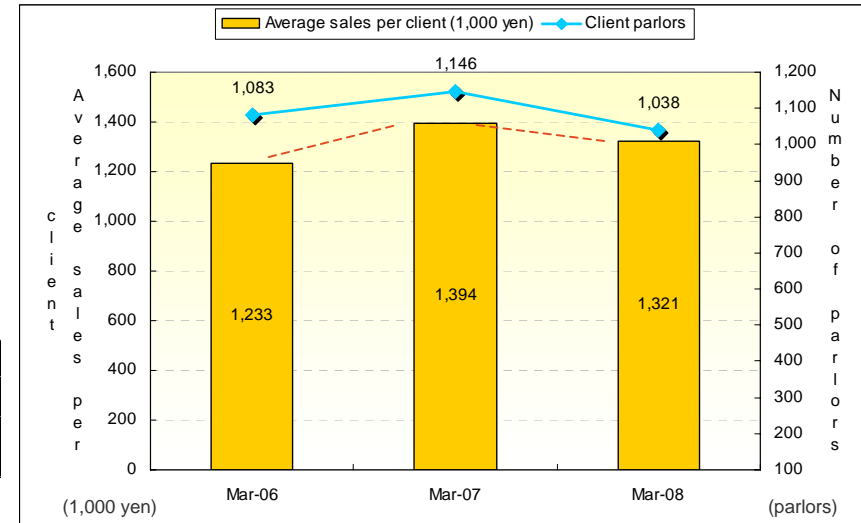
Clients (Advertising)

Average sales per client and the number of client parlors

- We reviewed client relationships with pachinko parlors based on profitability, and reduced the number of client parlors by 108 from last year. With major companies slashing their advertising budgets, sales per client stagnated.

Active clients	Mar-06	Mar-07	Mar-08
Client parlors	1,083	1,146	1,038
Average sales per client (1,000 yen)	1,233	1,394	1,321

- "Clients" refers to customers with more than 150,000 yen in monthly transactions.
- Sales figures are monthly.



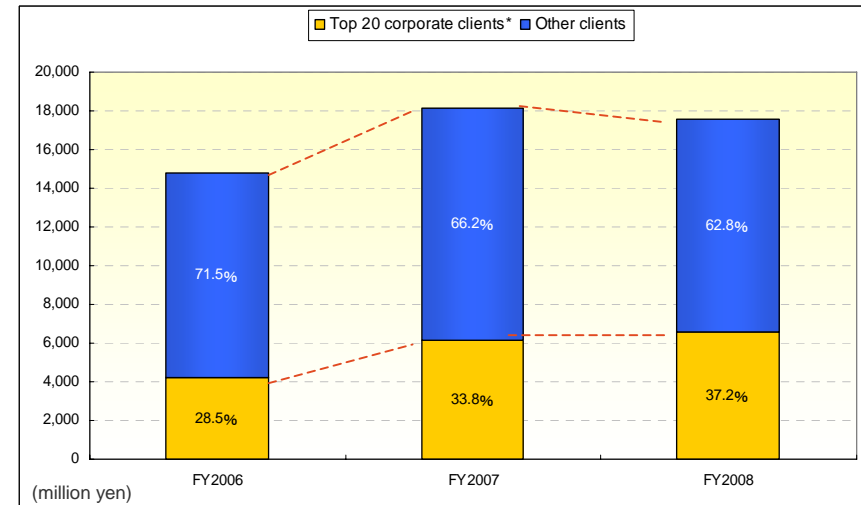
Customer composition

- To respond to the worsening conditions in the pachinko industry, **Gendai Agency allocated resources with a focus on increasing the share of business with major leading companies.**

As a result, the ratio of major to other client companies has increased.

Active clients	FY2006	FY2007	FY2008
Total of top 20 corporate clients*	28.5%	33.8%	37.2%
Total of other corporate clients	71.5%	66.2%	62.8%
Total	100.0%	100.0%	100.0%

* The company's 20 largest customers by sales.



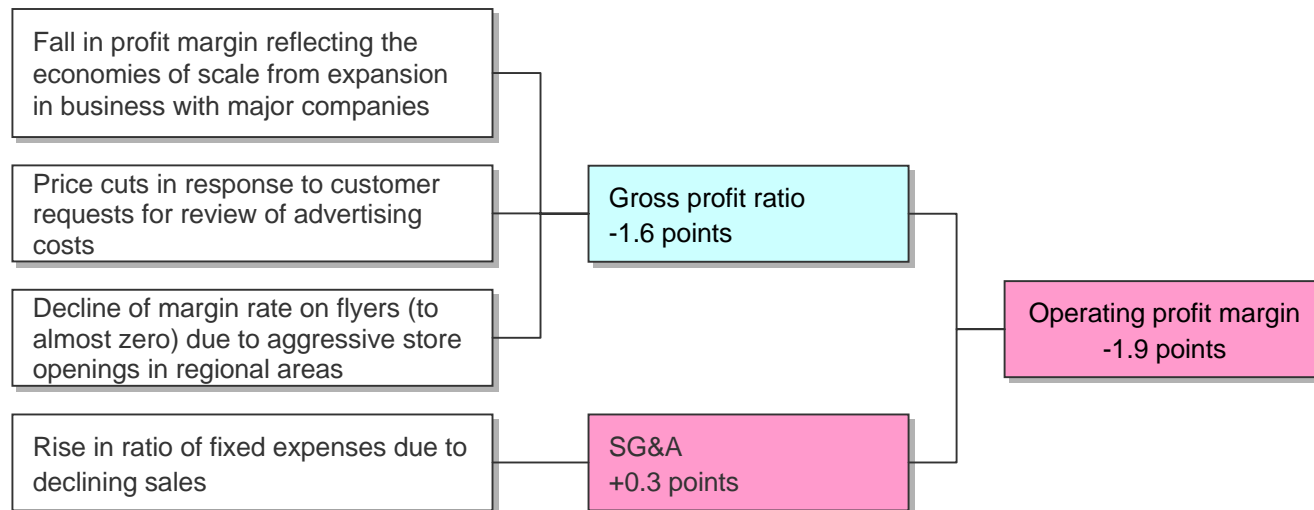


Factors Contributing to Changes in Profits

—Non-Consolidated (Gendai Agency)

(millions of yen)

	FY2007		FY2008		Change
Net sales	18,141	100.0%	17,583	100.0%	—
Direct cost	11,902	65.6%	11,846	67.4%	1.8%
Labor cost	1,033	5.7%	969	5.5%	(0.2)%
Expense	467	2.6%	463	2.6%	0.1%
Cost of sales	13,404	73.9%	13,278	75.5%	1.6%
Gross profit	4,736	26.1%	4,305	24.5%	(1.6)%
SG&A	2,383	13.1%	2,366	13.5%	0.3%
Operating income	2,352	13.0%	1,938	11.0%	(1.9)%

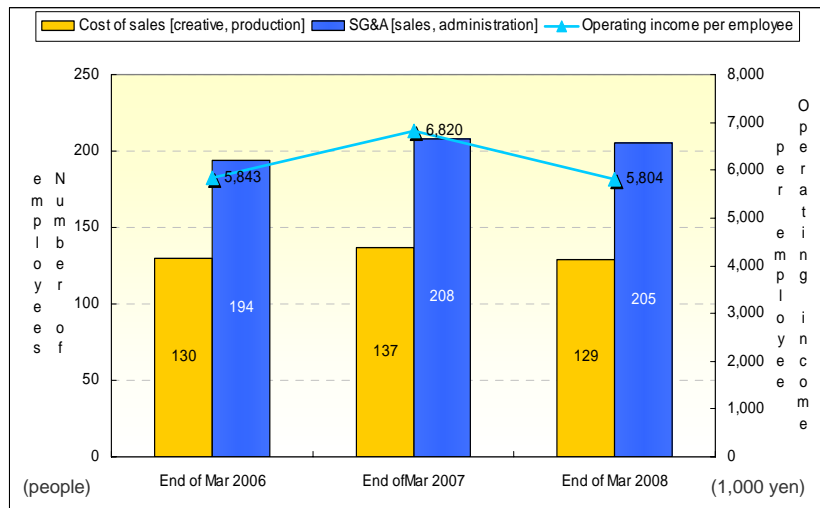




Employees (Advertising)

Trend in number of employees

	End of Mar 2006	End of Mar 2007	End of Mar 2008
Cost of sales (creative, production) (no. people)	130	137	129
SG&A (sales, administration) (no. people)	194	199	199
Subtotal for advertising (no. people)		336	328
Other sections of company (no. people)		9	6
Total employees (no. people)	324	345	334
Operating income per employee (1,000 yen)	5,843	6,820	5,804



- Shifting of designer cost to variable cost through outsourcing, combined with measures such as flexible and strategic organizational changes, helped in reducing the number of employees **by 11 people** compared to the end of previous fiscal year.
- Operating income per employee fell year on year, as operating income declined.
- Gendai Agency hired **11** new graduates in April 2008.



Sales Offices (Advertising)

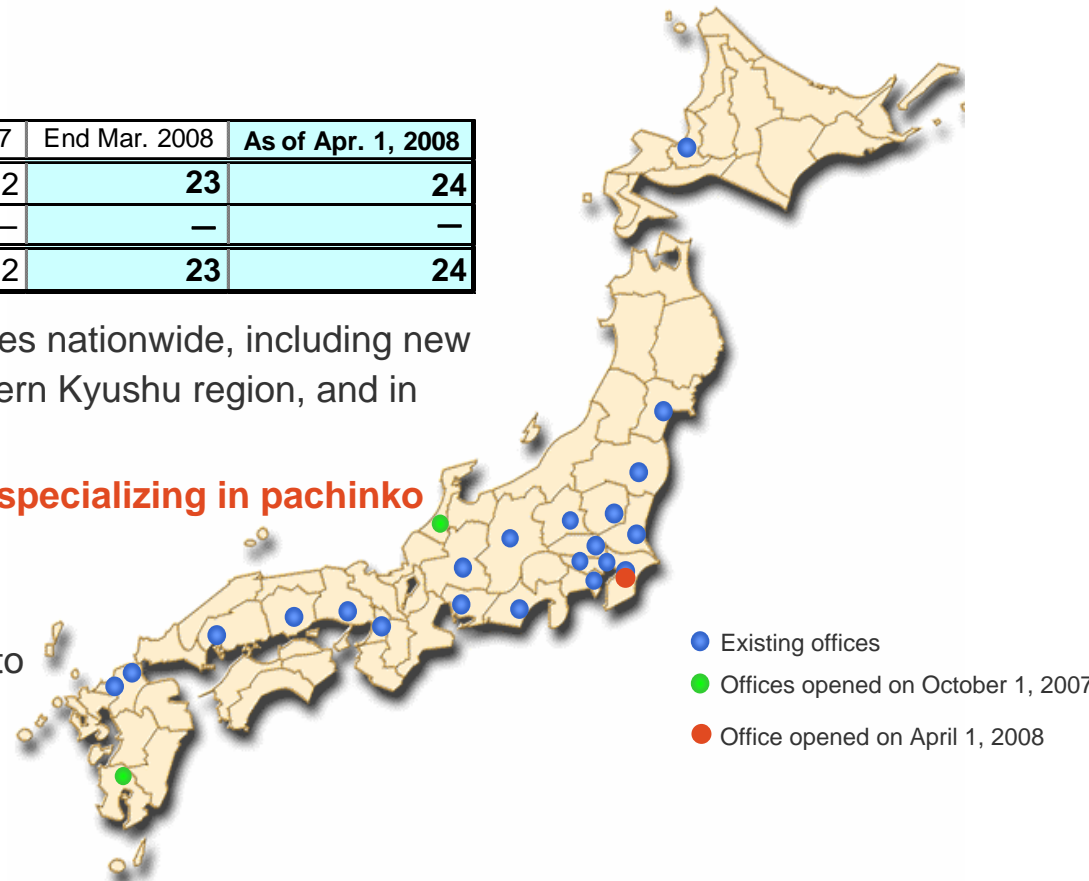
Trends in number of sales offices and satellites

	End Mar. 2006	End Mar. 2007	End Mar. 2008	As of Apr. 1, 2008
Sales offices	18	22	23	24
Satellites	1	—	—	—
Total	19	22	23	24

- Gendai offers services from 23 sales offices nationwide, including new offices in Kagoshima, covering the Southern Kyushu region, and in Kanazawa, covering the Hokuriku region.

⇒ **Best network of any advertising firm specializing in pachinko**

- Opened **Shinjuku Office** on April 1 with the aim of strengthening sales in the Kanto (Tokyo) area.



Sales ratio breakdown by region

	End Mar. 2006	End Mar. 2007	End Mar. 2008
Kanto area	54.6%	49.4%	48.3%
Other areas	45.4%	50.6%	51.7%
Total	100.0%	100.0%	100.0%

*Kanto area: 8 offices (Hachioji, Ueno, Machida, Yokohama, Saitama, Chiba, Mito, Utsunomiya and Takasaki)

Used Machine Sales Intermediary Business

Value Quest Co., Ltd.

FY2008 Full-Year Income Statement

(Used Machine Sales Intermediary)

(millions of yen)

	FY2007	FY2008	YoY change (%)
Net sales	1,134	1,659	146.3%
Operating expense	1,127	1,284	113.9%
Operating income	7	375	5357.1%

- In the fiscal year through March 2008, there was strong demand for used machines due to the **full-scale transition to no.5 machines** and for to reduce machine costs at parlors.

 - Sales **rose 46.3% year on year to 1,659 million yen** thanks to active sales efforts such as visits to parlor operators by sales personnel, seminars on utilization of used machines, and various sales promotion campaigns.
- Operating income came to **375 million yen**, after accounting for goodwill amortization worth 127 million yen.

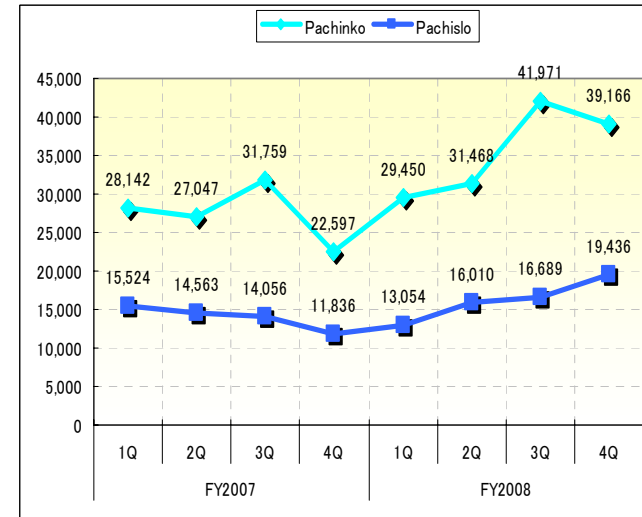


Quarterly Trends in Number of Machines, Commission Per Unit (Used Machine Sales Intermediary)

Trend in number of machines

Number of machines	FY2007				FY2008			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Pachinko	28,142	27,047	31,759	22,597	29,450	31,468	41,971	39,166
Pachislo	15,524	14,563	14,056	11,836	13,054	16,010	16,689	19,436
Total	43,666	41,610	45,815	34,433	42,504	47,478	58,660	58,602

- Sales of used pachinko machines rose 29.6 % year on year led by Sanyo (Bussan) Group's Umi Monogatari series and popular machines by Kyoraku Sangyo.
- Despite the lack of hit products, sales of pachislo machines rose thanks to demand for no. 5 machines from the second quarter. Total sales of pachinko and pachislo machines rose 25.2% year on year.

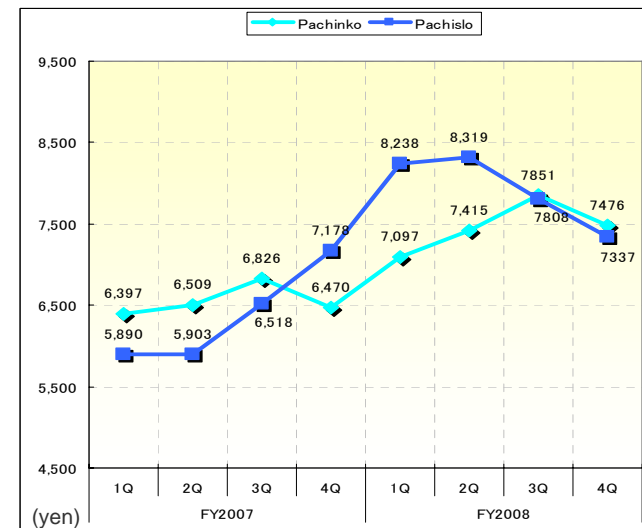


Trend in per unit commission

(yen)

Per unit commission	FY2007				FY2008			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Pachinko	6,397	6,509	6,826	6,470	7,097	7,415	7,851	7,476
Pachislo	5,890	5,903	6,518	7,178	8,238	8,319	7,808	7,337

- Pachinko: Though per-unit commissions rose compared to the previous fiscal year on strong sales of popular machines, the trend has since started easing out from 3Q.
- Pachislo: Commissions rose till 2Q on rarity of some popular machines but the strong trend has started leveling off since 3Q.



Real Estate Business

(Land Support Inc.)



FY2008 Full-Year Income Statement (Real Estate Business)

(millions of yen)

	FY2007	FY2008	YoY change (%)
Net sales	30	102	340.0%
Operating expense	73	88	120.5%
Operating income	(43)	14	-

- During the fiscal year, Land Support acquired land for a new pachinko parlor (767 million yen) and began leasing out the property in December. The company began posting profits on a monthly basis as a result.



FY2008 Full-Year Balance Sheet (Consolidated)

(millions of yen)

		FY2007 (A)	FY2008 (B)	(B) - (A)	
Total assets	Cash and cash equivalents	3,245	4,011	766	
	Notes and accounts receivable	2,373	2,059	(314)	
	Inventories	2	4	2	
	Other current assets	179	146	(33)	
	Tangible fixed assets	224	978	754	--- (1)
	Intangible fixed assets	796	740	(56)	
	Investment and other assets	1,314	1,319	5	
			8,137	9,260	1123
Total liabilities and net assets	Notes and accounts payable	1,359	1,207	(152)	
	Short-term borrowings	506	558	52	
	Accrued income tax, etc.	610	539	(71)	
	Deposits from used machine business customers	721	1,300	579	--- (2)
	Other current liabilities	307	323	16	
	Long-term borrowings	319	580	261	
	Other fixed liabilities	5	15	10	
	Shareholders' equity	4,129	4,453	324	} --- (3)
	Valuation and translation adjustments	3	—	(3)	
	Minority interest	174	282	108	
		8,137	9,260	1123	

(1) Land Support's acquisition of land for a new pachinko parlor (767 million yen)

(2) Sharp increase in volume of used machines handled by Value Quest

(3) Net assets totaled 4,735 million yen, up 429 million yen from the end of the previous fiscal year

-Main factors-

1) Posted 1,162 million yen in net income

2) Annual dividend payment of 549 million yen as part of active measures to ensure return to shareholders

3) 288 million yen in acquisition of own stock

FY2008 Full-Year Cash Flow Statement (Consolidated)

(millions of yen)

	FY2007 (A)	FY2008 (B)	(B)-(A)
Net income before income taxes	2,208	2,271	63
Depreciation and amortization	152	176	24
Change in accounts receivable	(356)	293	649
Change in inventories	7	(1)	(8)
Change in accounts payable	(112)	(151)	(39)
Change in deposits from used machine business customers	(123)	578	-- (1) 701
Others	179	231	52
Subtotal	1,956	3,398	1,442
Income taxes paid	(945)	(1,071)	(126)
Others	(1)	(17)	(16)
Cash flow from operations	1,010	2,310	1,300
Payment for purchase of tangible/intangible fixed assets	(365)	(975)	-- (2) (610)
Payment for purchase of investments in securities	(18)	(42)	(24)
Payment of long-term prepaid expense	(469)	—	469
Income from acquisition of shares in subsidiary following change in consolidation scope	839	—	(839)
Others	(26)	3	29
Cash flow from investing activities	(38)	(1,014)	(976)
Change in borrowings	664	313	-- (3) (351)
Purchase of treasury stock	—	(288)	-- (4) (288)
Dividend payment	(553)	(549)	4
Cash flow from financing activities	110	(525)	(635)
Change in cash and cash equivalents	1,081	769	(312)
Cash and cash equivalents at the end of term	2,155	3,237	1,082
Cash and cash equivalents at the end of the fiscal year	3,237	4,006	769

- (1) Sharp increase in volume of used machines handled by Value Quest.
- (2) 767 million yen in expenditure by Land Support for acquisition of land for a new pachinko parlor.
- (3) 400 million yen in long-term borrowing to finance Land Support's land acquisition.
- (4) 288 million yen in expenditure for acquisition of own stock as part of measures to ensure return to shareholders.

Comparison of FY2008 Consolidated and Non-Consolidated Financial Statements

Balance Sheet

(millions of yen)

		FY2008	FY2008	(B)-(A)
		Non-consolidated (A)	Consolidated (B)	
Total assets	Cash and cash equivalents	1,860	4,011	2,151
	Notes and accounts receivable	2,043	2,059	16
	Inventories	3	4	1
	Other current assets	63	146	83
	Tangible fixed assets	168	978	810
	Intangible fixed assets	130	740	610
	Investment and other assets	2,488	1,319	(1,169)
			6,759	9,260
Total liabilities and net assets	Notes and accounts payable	1,198	1,207	9
	Short-term borrowings	450	558	108
	Accrued income taxes	339	539	200
	Deposits from used machine business customers	—	1,300	1,300
	Other current liabilities	169	323	154
	Long-term borrowings	—	580	580
	Other fixed liabilities	—	15	15
	Shareholders' equity	4,601	4,453	(148)
	Minority interests	—	282	282
		6,759	9,260	2,501

- (1) 767 million yen in land held by Land Support
- (2) Primarily 383 million yen in balance of goodwill associated with acquisition of Value Quest
- (3) Borrowings to finance Land Support's acquisition of property
- (4) Minority interest (40%) in Value Quest

Income Statement

(millions of yen)

	FY2008	% of total	FY2008	% of total	(B)-(A)
	Non-consolidated(A)		Consolidated (B)		
Net sales	17,583	100.0%	19,345	100.0%	1,762
Cost of sales	13,278	75.5%	13,372	69.1%	94
Gross profit	4,305	24.5%	5,973	30.9%	1,668
SG&A	2,366	13.5%	3,644	18.8%	1,278
Operating income	1,938	11.0%	2,328	12.0%	390
Non-operating revenue	11	0.1%	10	0.1%	(1)
Non-operating expenses	13	0.1%	27	0.1%	14
Ordinary income	1,936	11.0%	2,310	11.9%	374
Extraordinary profits	10	0.1%	11	0.1%	1
Extraordinary losses	3	0.0%	50	0.3%	47
Income before tax	1,944	11.1%	2,271	11.7%	327
Tax expenses	813	4.6%	1,000	5.2%	187
Minority interest	—	—	108	0.6%	108
Net income	1,130	6.4%	1,162	6.0%	32

- (5) Jump in gross profit on robust performance by Value Quest



FY2009 Consolidated Earnings Forecasts

(millions of yen)

Consolidated	FY2008 Full-Year Forecast*	FY2008 Full-Year Results	Progress ratio	FY2009 Full-Year Forecast	YoY change
Net sales	20,000	19,345	96.7%	18,000	93.0%
Operating income	2,157	2,328	107.9%	1,950	83.8%
Ordinary income	2,151	2,310	107.4%	1,940	84.0%
Net income	1,147	1,162	101.3%	960	82.6%

*Announced on April 17, 2007

- Tough business conditions are expected to continue over the next fiscal year due to factors including declining profitability of pachinko parlors and increasing investment burdens.
- Cost-cutting measures by pachinko parlors will boost the used machine market, and this is expected to benefit the used machine sales intermediary business. However, advertising budget cuts should negatively affect the Group's mainstay advertising business. The Group therefore expects both consolidated sales and profit to decline in the coming fiscal year.
- Pachinko parlors throughout the nation are planning to voluntarily refrain from purchasing machines (for up to a maximum of 52 days between May 31 and July 21) in connection with the Hokkaido Toyako Environmental Summit to be held July 7–9. This is expected to dampen demand in both the advertising and used machine sales intermediary businesses.



Financial Data & Dividends

Consolidated

	FY2007	FY2008
Operating margin (%)	12.0	12.0
EPS (yen)	10,901.02	10,644.16
Dividends (yen)	6,000*	5,000*

Non-consolidated

	FY2007	FY2008
Operating margin (%)	13.0	11.0
EPS (yen)	12,349.85	10,348.51

*Annual dividends of 6,000 yen per share for FY2007 is the total of interim dividends of 3,000.00 yen and term-end dividends of 3,000.00 yen per share.

The Group intends to pay annual dividends of 5,000 yen per share for FY2008, which is the total of interim dividends of 2,000 yen and term-end dividends of 3,000 yen per share.

- The Group will continue working to ensure an operating profit margin of more than 10%, one of its key operating targets.
- Profit distribution for FY2008: the Group intends to pay annual dividends of 5,000 yen per share of common stock (including interim dividends of 2,000 yen) based on its policy of targeting a dividend payout ratio of 50% (consolidated basis).



Major Topics (1)

■ Acquisition of own stock

Gendai Agency will repurchase a portion of its own stock to enable the flexible use of capital in response to changes in the business environment.

- 1) Type of stock to be purchased: Common stock
- 2) Number of shares to be purchased: 8,000 shares (upper limit)
- 3) Total cost of stock acquisition: 800,000,000 yen (upper limit)
- 4) Schedule for stock acquisition: April 21, 2008 – February 28, 2009
- 5) Method of stock acquisition: Market purchase

Note: Depending on market trends and other factors, the company may cancel the entire acquisition or a portion of it.

For reference: Treasury stock held by the Company as of April 18, 2008

Number of shares outstanding: 110,730 shares

Number of shares in treasury: 2,000 shares

■ Change of Representative Directors at Gendai Agency

(1) Details of the change

New title	Name	Previous title
Representative Director and CEO	Masataka Yamamoto	Representative Director, President and CEO
Representative Director and COO	Yuzuru Kamikawana	Director, COO and CCO

(2) Reason for the change

To strengthen the management structure by having two representative directors assume the positions of CEO and COO, respectively.

(3) Change effective on: June 25, 2008



Major Topics (2)

Strategic service in the advertising business
Expanding the target market segment in the advertising business

★Strategic Service: G-SELF



G-SELF, an ASP system for designing flyers for pachinko parlors, available since FY2008, has been popular, particularly among customers looking to cut advertising costs. The Company plans to expand target areas and further grow the business. The Company will continue with market research and analysis to determine what field will be crucial to the advertising business in the future.



Flyers prepared using G-SELF



Nurturing businesses at subsidiaries
Maximizing the Group's corporate value by developing new businesses

★Establish **Mastership Co. Ltd.**
First step: Develop and operate large-scale indoor golf facilities

A 300-tsubo (around 990m²) warehouse in the city center is to be converted into a golfing facility with a focus on key concepts of "Not just a playground; Not just a practice range. It's both and more!" and "Join us. You'll love golfing even more." The facility will support activities tailored to the needs of individual golfers, with features including simulator-based virtual golfing. In addition to high-quality lessons, the innovative simulations will recreate large practice greens with complex undulations as well as conventional practice ranges, commonly termed 'bird cages', and provide swing analysis and precise calculations of ball trajectories. This will **offer golfers high-quality, value-added services and experiences that are not possible at conventional driving ranges.** **Mastership** plans to continuously develop new content, and the Group expects the company to emerge as a major breakthrough in the golfing industry.

