

Business Results for the Fiscal Year Ended March 31, 2010

C r e a t i v i t y
I n n o v a t i o n
S o l u t i o n

April 16, 2010



ゲンダイエージェンシー株式会社
GENDAI AGENCY INC.

<http://www.gendai-a.co.jp/>



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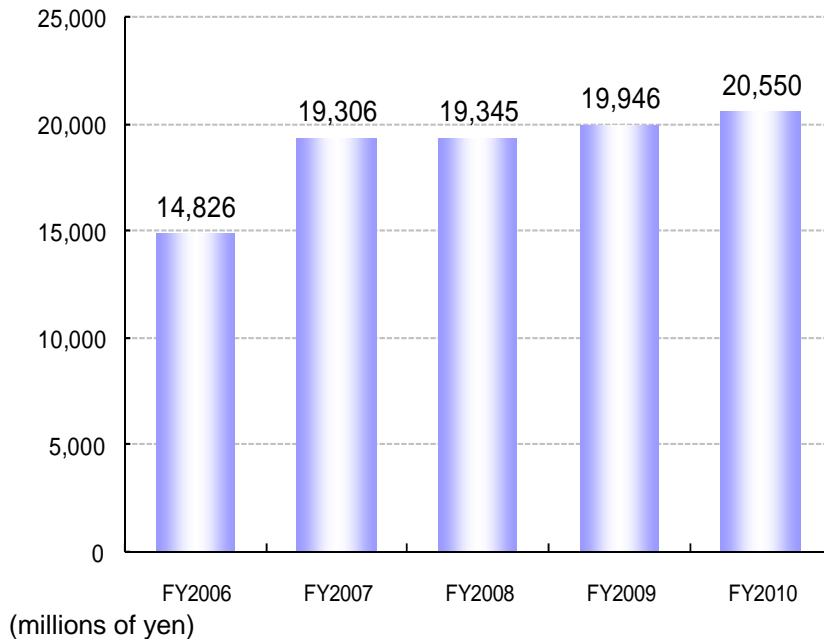
Financial Highlights (Consolidated)

- ◆ The Group posted **higher revenues** for FY2010, but operating income, ordinary income and net income **fell**.

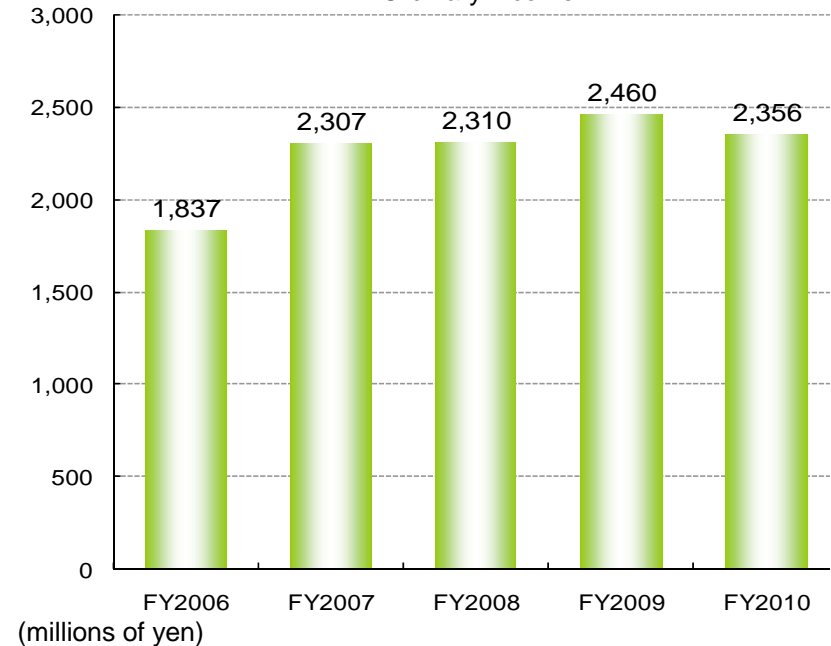
(millions of yen)

	FY2006	FY2007	FY2008	FY2009	FY2010
Net sales	14,826	19,306	19,345	19,946	20,550
Operating income	1,845	2,316	2,328	2,495	2,352
Ordinary income	1,837	2,307	2,310	2,460	2,356
Net income	1,048	1,207	1,162	1,209	1,123

Net sales



Ordinary income



FY2010 Income Statement (Consolidated)

(millions of yen)

	FY2010	% of total	FY2009	% of total	YoY comparison
Net sales	20,550	100.0%	19,946	100.0%	103.0%
Operating income	2,352	11.4%	2,495	12.5%	94.3%
Ordinary income	2,356	11.5%	2,460	12.3%	95.8%
Net income	1,123	5.5%	1,209	6.1%	92.9%

- ◆ The environment facing the pachinko parlor business was relatively stable, with low-stakes gaming—exemplified by 1-yen pachinko—gaining popularity, and companies, particularly major industry players, opening new halls.
- ◆ Against this backdrop, the Group strived to further expand market share by providing value-added services and improving productivity in its mainstay advertising business. The Group also implemented measures designed to enable low-cost operations.
- ◆ As a result, net sales for the period under review came to **20,550 million yen, up 3.0% from the previous year**, while ordinary income **fell 4.2% to 2,356 million yen** as distribution of used machines remained sluggish. Net income declined to **1,123 million yen, down 7.1%**, reflecting the 163 million yen in extraordinary losses stemming from the closure of an indoor golfing facility run by Mastership Inc., a consolidated subsidiary.

Breakdown by Business Segment

FY2010 Results

(millions of yen)

	Advertising Business Gendai Agency Inc.	Used Machine Sales Intermediary Value Quest Co., Ltd	Real Estate Business Land Support Inc.	Other Businesses Mastership Inc.	Eliminations/ corporate	Consolidated
Net sales	18,942	1,396	154	57	-	20,550
Operating income	2,669	186	70	(87)	(488)	2,352

Change versus FY2009

(millions of yen)

	Advertising Business Gendai Agency Inc.	Used Machine Sales Intermediary Value Quest Co., Ltd.	Real Estate Business Land Support Inc.	Other Businesses Mastership Inc.	Eliminations/ corporate	Consolidated
Net sales	+819	(275)	+9	+52	-	+604
Operating income	+204	(247)	+7	(42)	(68)	(143)

- ◆ Net sales for the term were up 604 million yen year on year on the back of contributions from the mainstay advertising business. However, consolidated operating income declined by 143 million yen as operating income deteriorated in the used machine sales intermediary and other businesses.

Advertising

Gendai Agency Inc.

FY2010 Income Statement (Advertising)

(millions of yen)

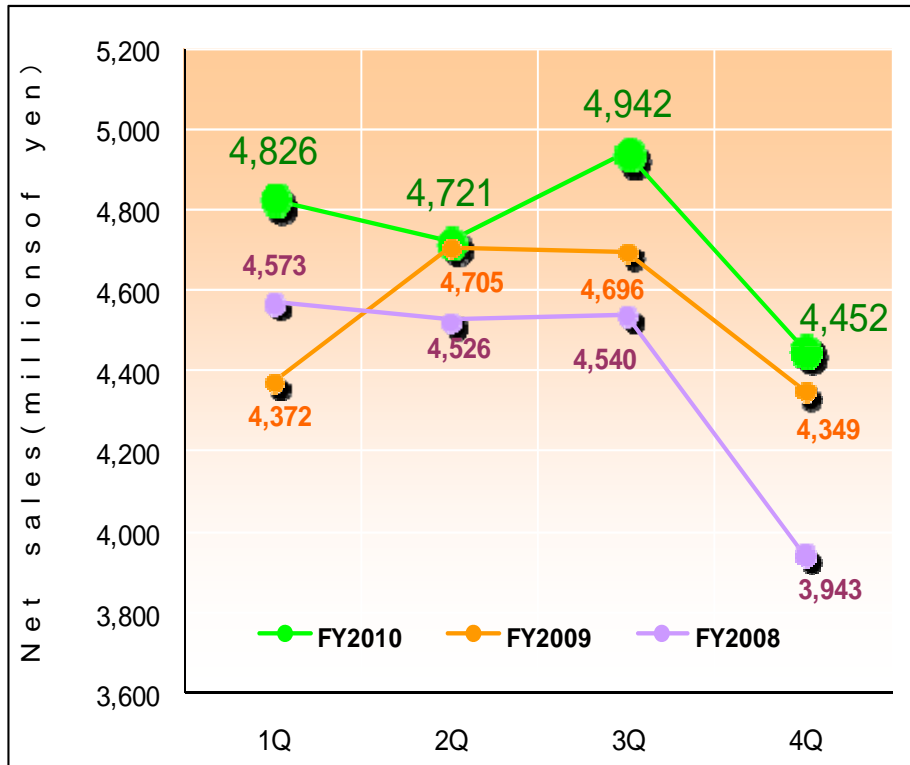
Advertising	FY2010	FY2009	YoY comparison
Net sales	18,942	18,123	104.5%
Operating expense	16,272	15,658	103.9%
Operating income	2,669	2,465	108.3%

- ◆ In the fiscal first quarter, the pachinko parlor advertising market was buoyant overall. Advertising demand grew on the back of new hall openings led by major industry players and strong advertising demand generated by brisk new machine replacements. Despite a marked fall in advertising demand owing to fewer new store openings ahead of Japan's *O-bon* holiday period in the second quarter, business rebounded in the third quarter and was firm overall thereafter.
- ◆ Measures Implemented in the Advertising Business
 - (1) Sales efforts aimed at maximizing order intake from the limited pool of advertising related to new hall openings and new machine replacements
 - (2) Enhanced cross-media marketing functions (implemented measures to expand orders received for TV commercials)
- ◆ As a result, **the business's net sales came to 18,942 million yen, up 4.5% compared with FY2009, and operating income came to 2,669 million yen, up 8.3%.**

Quarterly Sales Trends (Advertising)

(millions of yen)

	1Q	2Q	3Q	4Q	Full year
FY2010	4,826	4,721	4,942	4,452	18,942
FY2009	4,372	4,705	4,696	4,349	18,123
FY2008	4,573	4,526	4,540	3,943	17,583

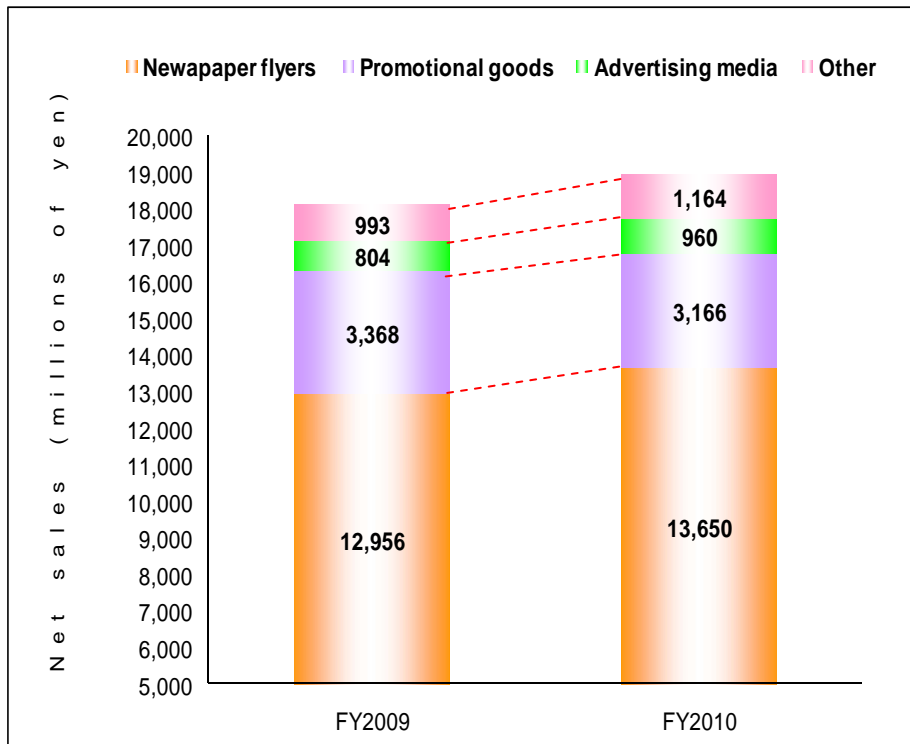


◆ The advertising business's quarterly net sales were **up year on year** in all four fiscal quarters by virtue of efforts maximize order intake from a limited pool of advertising for new hall openings and new machine replacements.

Sales Breakdown (Advertising)

(millions of yen)

		FY2010	% of total	FY2009	% of total	YoY comparison
Total sales	Newspaper flyers	13,650	72.1%	12,956	71.5%	105.4%
	Promotional goods	3,166	16.7%	3,368	18.6%	94.0%
	Advertising media	960	5.1%	804	4.4%	119.4%
	Other	1,164	6.1%	993	5.5%	117.2%
		18,942	100.0%	18,123	100.0%	104.5%



- ◆ Promotional goods sales fell 6% vs. FY2009 due to a fall in demand for parlor decorations for new store openings at the end of the year.
- ◆ Sales of advertising media rose 19.4% vs. FY2009 on the back of rising orders for TV commercials.

Clients (Advertising)

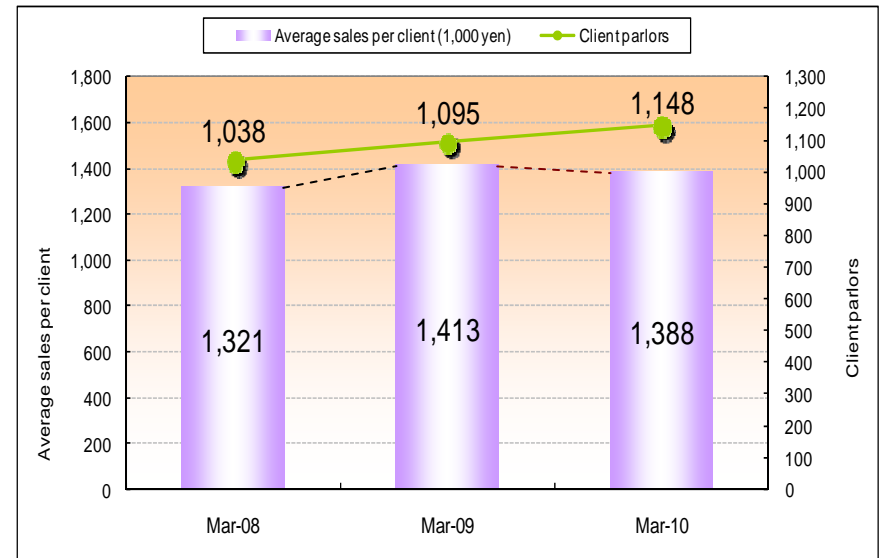
Average sales per client and number of client parlors

- The number of client parlors at end-Mar. 2010 was up by 53 compared with end-Mar. 2009 on acquisition of primarily major companies as new clients.

Sales per client fell sharply year on year as major clients slashed their advertising budgets

	Mar-08	Mar-09	Mar-10
Client parlors	1,038	1,095	1,148
Average sales per client (1,000 yen)	1,321	1,413	1,388

- "Client parlors" refer to customers with more than 50,000 yen in monthly transactions
- Sales figures are monthly

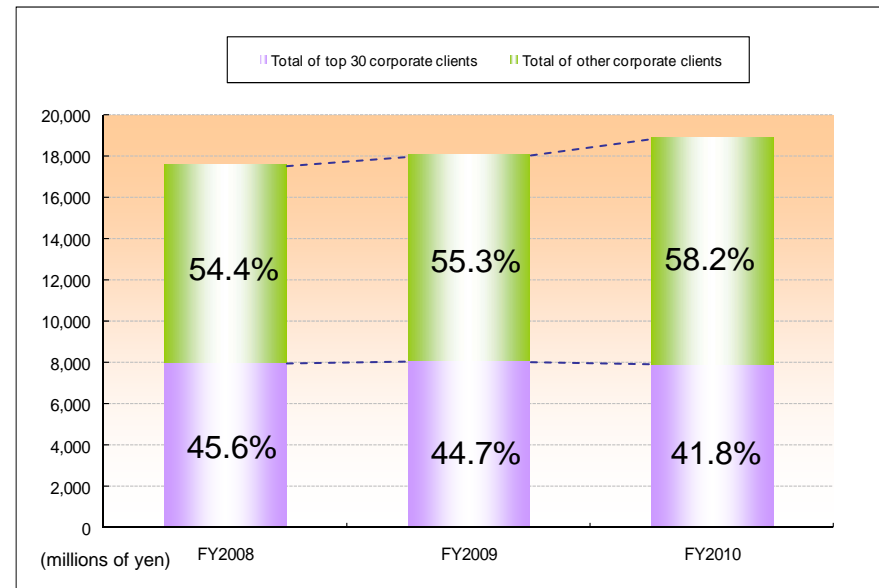


Customer composition

- Although major clients accounted for a lower share of sales this fiscal year owing to an increase in new clients, our top 30 clients still accounted for more than 40% of business, demonstrating our continued reliance on major clients.

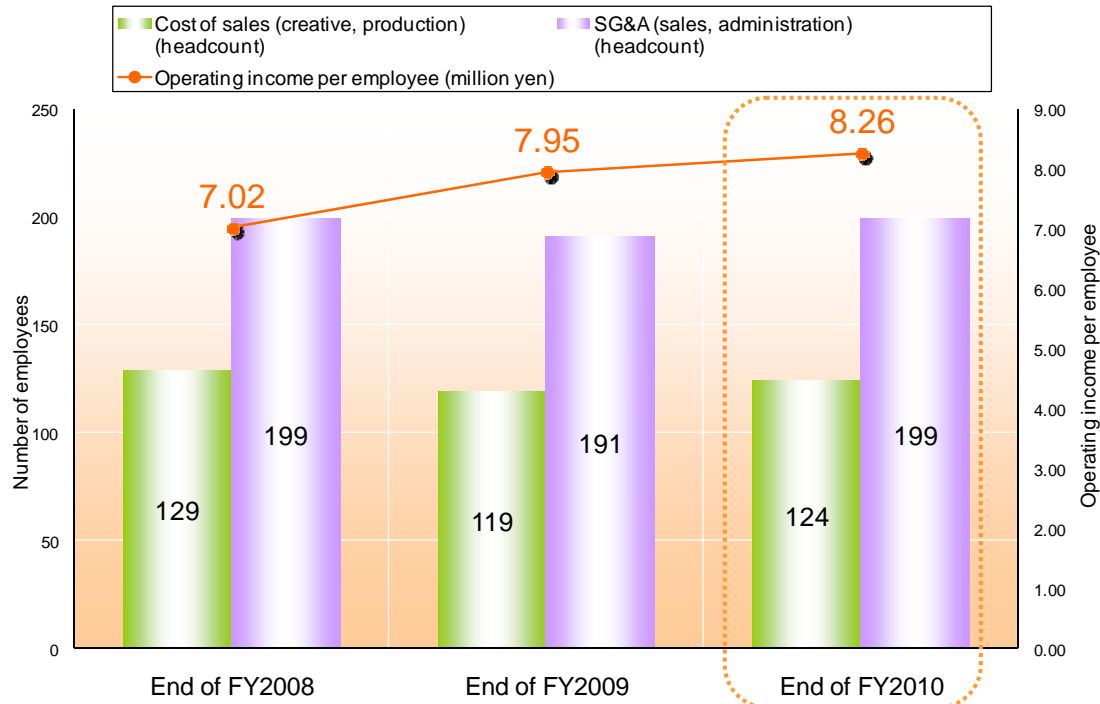
	FY2008	FY2009	FY2010
Total of top 30 corporate clients*	45.6%	44.7%	41.8%
Total of other corporate clients	54.4%	55.3%	58.2%
Total	100.0%	100.0%	100.0%

*The company's 30 largest customers by sales



Employees (Advertising)

	End of FY2008	End of FY2009	End of FY2010
Cost of sales (creative, production) (headcount)	129	119	124
SG&A (sales, administration) (headcount)	199	191	199
Subtotal for advertising (headcount)	328	310	323
Operating income per employee (million yen)	7.02	7.95	8.26



◆ We hired 9 new graduates. Total employee headcount was **up by 13** compared with the end of FY2009.

◆ Productivity increased. Operating income per employee was **up by 310,000 yen** vs. FY2009.

Used Machine Sales Intermediary Business

Value Quest Co., Ltd.

FY2010 Income Statement (Used Machine Sales Intermediary)

(millions of yen)

Used Machine Sales Intermediary	FY2010	FY2009	YoY comparison
Net sales	1,396	1,671	83.5%
Operating expense	1,209	1,237	97.7%
Operating income	186	433	42.9%

- ◆ The used machine sales intermediary market remained strong in the first quarter thanks to declining replacement costs, solidification of low-stakes gaming's market presence, increased prevalence of *amadeji* (low-risk, low-return) machines, and other factors. From the fiscal second quarter, however, used machine trading slowed as machine replacement budgets were curtailed, shifting priority to the purchase of certain new, high-profile machines expected to become popular.
- ◆ Measures Implemented in the Used Machine Sales Intermediary Business:
 - (1) Streamlined VQnet transactions (VQnet is a membership-based used-machine information service)
 - (2) Made sales visits to pachinko parlors
 - (3) Executed various sales promotions
 - (4) Added system functions to ensure safe, accurate and swift transactions.
- ◆ However, these measures did not adequately counter the impact of the demand drop-off, and as a result **number of machines contracted fell to 185,000, down 15.2% from FY2009, net sales were down 16.5% to 1,396 million yen, and operating income fell 57.0% to 186 million yen** after accounting for goodwill amortization of 141 million yen.

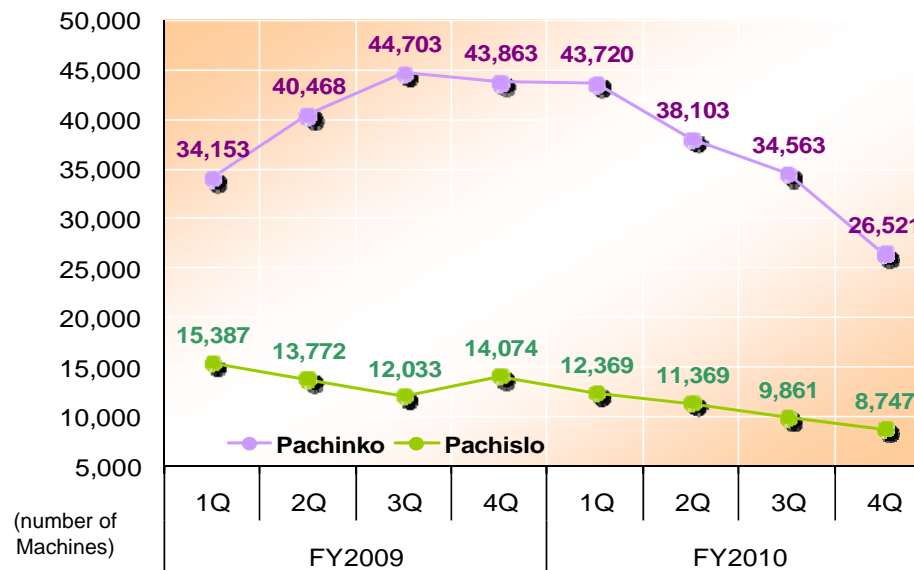
Quarterly Trends in Machine Sales (Used Machine Sales Intermediary)

(number of machines)

Number of machines	FY2009				
	1Q	2Q	3Q	4Q	Total
Pachinko	34,153	40,468	44,703	43,863	163,187
Pachislo	15,387	13,772	12,033	14,074	55,266
Total	49,540	54,240	56,736	57,937	218,453

(number of machines)

Number of machines	FY2010					
	1Q	2Q	3Q	4Q	Total	YoY
Pachinko	43,720	38,103	34,563	26,521	142,907	87.6%
Pachislo	12,369	11,369	9,861	8,747	42,346	76.6%
Total	56,089	49,472	44,424	35,268	185,253	84.8%



- ◆ **Machine sales:** From the second quarter, priority shifted to the purchase of certain new high-profile machines expected to become popular, resulting in slower used machine market activity.

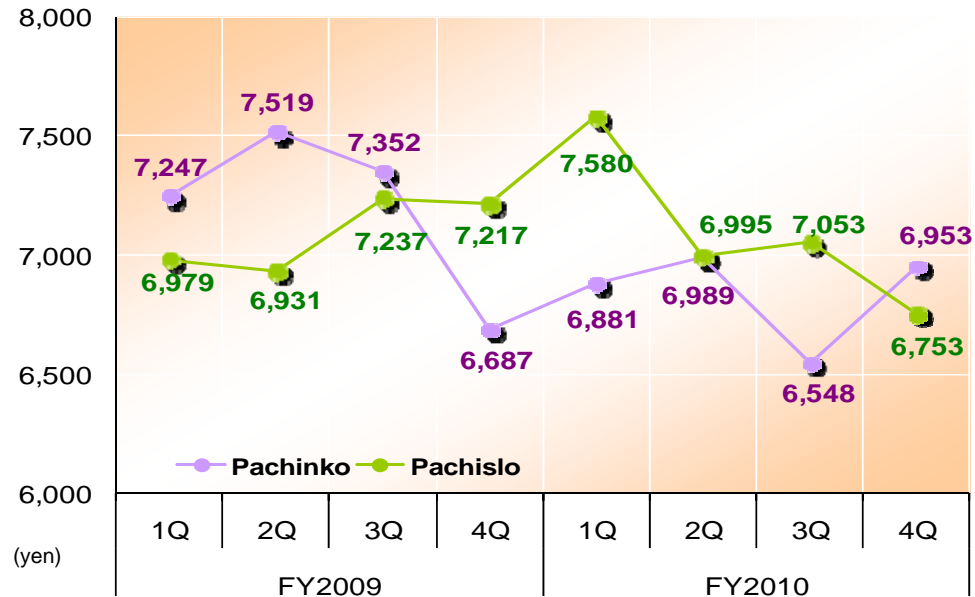
Quarterly Trends in Commission per Unit (Used Machine Sales Intermediary)

(yen)

Commission per unit	FY2009				
	1Q	2Q	3Q	4Q	Average commission per unit
Pachinko	7,247	7,519	7,352	6,687	7,196
Pachislo	6,979	6,931	7,237	7,217	7,084

(yen)

Commission per unit	FY2010				
	1Q	2Q	3Q	4Q	Average commission per unit
Pachinko	6,881	6,989	6,548	6,953	6,843
Pachislo	7,580	6,995	7,053	6,753	7,129



- ◆ **Per-unit commission:** Per-unit commissions on pachinko machines declined compared with FY2009, due to replacement demand for low-stakes machines (low price range). Per-unit commissions on pachislo machine sales remained low due to a lack of hit machines.

Real Estate Business

Land Support Inc.

(millions of yen)

Real Estate Business	FY2010	FY2009	YoY comparison
Net sales	154	145	106.2%
Operating expense	83	82	101.2%
Operating income	70	63	111.1%

- ◆ Adding to two existing lease contracts, the company signed seven new leasing agency agreements (worth 8 million yen) in FY2010.

As a result, net sales came to 154 million yen, up 6.2% compared with FY2009, and operating income came to 70 million yen, up 11.1%.

Extraordinary Gains and Losses (Consolidated)

	(millions of yen)
	End of FY2010
Extraordinary gains	1
Extraordinary losses	303
Loss on disposal of tangible fixed assets	25
Loss on sale of tangible fixed assets	0
Reorganization loss	163
Consolidated subsidiary's head office relocation expenses	92
Other	22

◆ Breakdown of extraordinary losses:

- (1) Loss of 163 million yen stemming from the closure of indoor golf practice facility Favor Gate by Mastership Inc.
- (2) Expenses of 92 million yen incurred by Value Quest Co., Ltd. for head office relocation, implemented as part of cost-cutting measures to improve profitability.

FY2010 Balance Sheet (Consolidated)

(millions of yen)

		FY2009 (A)	FY2010 (B)	Change (B) -(A)		
Total assets	Cash and cash equivalents	4,635	3,360	(1,275)	--- (1)	
	Notes and accounts receivables	2,346	2,359	13		
	Other current assets	152	217	65		
	Tangible fixed assets	1,087	968	(119)		
	Intangible fixed assets	709	489	(220)		
	Investment and other assets	1,263	1,835	572		
		10,193	9,230	(963)		
Total liabilities and net assets	Notes and accounts payables	1,366	1,380	14	--- (2)	
	Short-term borrowings	508	108	(400)		
	Accrued incometaxes	600	550	(50)		
	Deposits from used machine business customers	1,722	561	(1,161)		
	Other current liabilities	279	378	99		
	Long-term borrowings	971	862	(109)		
	Other fixed liabilities	15	15	0		
	Shareholders' equity	4,375	4,975	600		} --- (3)
	Other		(2)	(2)		
	Minority interests	355	400	45		
	10,193	9,230	(963)			

- (1) Decrease in cash and cash equivalents (down 1,275 million yen)
- (2) Decrease in deposits from used machine business customers (down 1,161million yen)
- (3) Shareholders' equity totaled 5,372 million yen, up 641 million yen versus the end of FY2009

Main factors:

- 1) Posted 1,123 million yen in net income
- 2) 523 million yen in year-end dividend payments

FY2010 Cash Flow Statement (Consolidated)

	FY2009	FY2010	
Net income before income taxes	2,371	2,054	
Goodwill amortization	134	141	
Depreciation and amortization	190	230	
Change in accounts receivable	(286)	0	
Change in inventories	3	(1)	
Change in accounts payable	159	14	
Change in deposits used machine business customers	422	(1,160)	--- (1)
Reorganization loss	-	155	
Others	143	63	
Subtotal	3,138	1,498	
Income taxes paid	(1,024)	(1,089)	--- (2)
Others	(16)	0	
Cash flow from operations	2,098	408	
Payment for purchase of tangible/intangible fixed assets	(372)	(130)	
Payment for purchase of investment securities	(1)	(592)	--- (3)
Payment for aquisition of subsidiaries stock	(120)	-	
Others	(36)	71	
Cash flow from investing activities	(528)	(652)	
Change in borrowings	342	(508)	} --- (4)
Payment for purchase of treasury stock	(694)	-	
Dividends paid	(593)	(523)	
Cash flow from financing activities	(947)	(1,032)	
Change in cash and cash equivalents	623	(1,276)	
Cash and cash equivalents beginning of period	4,006	4,629	
Cash and cash equivalents end of period	4,629	3,353	

- (1) Decline of 1,160 million yen in deposits from used machine business customers at Value Quest
- (2) 1,089 million yen in finalized income-tax payment on last fiscal year's earnings and interim payment for the current fiscal year
- (3) Expenditure of 592 million yen for purchase of investment securities
- (4) 508 million yen in repayment of borrowings and 523 million yen in year-end dividend payments

FY2011 Consolidated Earnings Forecast

(millions of yen)

	*FY2010 forecast	FY2010 results	Percent achieved	FY2011 forecast	% comparison
Net sales	20,508	20,550	100.2%	20,700	100.7%
Operating income	2,348	2,352	100.2%	2,460	104.6%
Ordinary income	2,340	2,356	100.7%	2,450	104.0%
Net income	1,092	1,123	102.8%	1,300	115.8%

*Announced on February 19, 2010

- ◆ Despite positive signs in the pachinko parlor market such as the spread of low-stakes gaming and new hall openings by major players, ongoing concern over a decline in the frequency of users' parlor visits and a drop in spending per user, reflecting the prolonged economic slowdown, may have a negative impact on pachinko parlor operators' earnings.
- ◆ Amid these circumstances, we expect **both sales and income to grow** in FY2011 as we expand our Advertising Business's market share and improve profitability in our Used Machine Sales Intermediary Business. We expect net sales to grow by 0.7% versus FY2010 to 20,700 million yen, and ordinary income to increase by 4% to 2,450 million yen. We expect net income of 1,300 million yen, an increase of 15.8%, partly because we expect lower extraordinary losses in FY2011 relative to the current fiscal year.

Consolidated Earnings Forecast by Major Business Segment

	Advertising		Used Machine Sales Intermediary	
	millions of yen	% comparison	millions of yen	% comparison
Net sales	19,300	+1.9	1,240	(11.2)
Operating income	2,720	+1.9	190	+1.6

◆ Measures to be Implemented in the Advertising Business

- Bolster business with existing customers and boost number of client parlors by acquiring new clients in untapped areas
- Actively offer cross-media-related proposals
- Optimize outsourcing and streamline the design process

→ We expect both sales and operating income to expand by 1.9% versus FY2010

◆ Measures to be Implemented in the Used Machine Sales Intermediary Business

- Thoroughly cut costs to offset the fall in commissions (e.g., reduce rent by relocating the head office)

→ Sales down 11.2% but operating income up 1.6% versus FY2010

- ◆ The Gendai Agency Group will strive to improve service and productivity in the Advertising Business and Used Machine Sales Intermediary Business, catering exclusively to the pachinko industry, where it has the largest market share. We will work to further expand our market share, 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 to achieve sustained growth
- Pursue 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 boosting TV commercials through regional broadcasters and improving our service lineup, including Internet- and mobile phone-based advertising.

(3) Expand market share in the Used Machine Sales Intermediary Business and improve earnings

- Rollout solution services that aimed at boosting use of our used machine trading website, VQnet.com.
- Thoroughly cut costs to improve profitability (e.g., relocated the head office to reduce rent).

	FY2009	FY2010	FY2011 forecast
Operating margin	12.5%	11.4%	11.9%
EPS	11,509.27 yen	11,157.67 yen	12,905.79 yen
ROE	27.4%	24.0%	-
Total annual dividend	5,000yen	5,500 yen	5,500 yen
<i>Of which, interim dividend</i>	<i>2,500 yen</i>	<i>2,700 yen</i>	<i>2,700 yen</i>

- ◆ The Group will continue to manage its operations with a focus on productivity and capital efficiency to ensure an operating margin of more than 10%, a key operating target.
- ◆ Profit distribution for FY2010: The Group intends to pay an annual dividend of 5,500 yen per share of common stock (including an interim dividend of 2,700 yen) based on its dividend policy and target dividend payout ratio of 50%.
- ◆ The Group presently expects to pay **an annual dividend of 5,500 yen for FY2011.**

◆ Gendai Agency plans to repurchase shares to enable the flexible execution of capital policies in response to changes in the business environment.

1. Class of shares: Common stock
2. Number of shares to be acquired: Up to 8,000 shares
3. Total cost of acquisition: Up to 800,000,000 yen
4. Acquisition period: April 19 – May 21, 2010

For reference: Treasury stock as of April 16, 2010

Outstanding shares (excl. treasury stock): 100,730 shares

Treasury stock: 10,000 shares

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 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.

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