

## Q3 Financial Results and M&A in December: Organic Growth Exceeded Expectations, Resulting in a Second Upward Revision in December of the FY1/26 Forecast

The results for Q3 FY1/25 were sales of ¥77.627 billion (up 100% YoY), EBITDA of ¥9.416 billion (up 56%), operating profit of ¥5.42 billion (up 30%) and net profit of ¥2.655 billion (down 20%). Even including one-off expenses such as M&A-related expenses of ¥879 million, operating profit increased. The double-digit decrease in net profit due to the increase in non-operating expenses (interest paid, stock issuance expenses) and tax burden was as expected.

Progress rate against the full-year forecast: Sales 71%, EBITDA 72%, operating profit 77%, ordinary profit 76% and net profit 62%. As organic growth of existing businesses has far exceeded expectations, the full-year sales forecast for FY1/26 was revised upward at the time of the announcement of Q3 financial results and was further raised following the execution of M&A in December 2024. The sales forecast has risen from ¥140 billion to ¥150 billion, to ¥156 billion; and the EBITDA forecast has risen from ¥18.5 billion to ¥20 billion, to ¥21.2 billion.

On December 24, 2024, the company announced the acquisition of HALOS, an amusement facility operator and ActPro, which operates a foreign currency exchange machine business. HALOS owns 53 amusement facilities and 63 mini locations and the addition of these businesses is expected to increase GENDA's purchasing power for amusement machines and prizes. ActPro is also a pioneer in foreign currency exchange machines, having installed them in over 650 locations. By promoting the installation of these machines in GENDA's amusement facilities that attract many overseas tourists, it is possible to promote purchasing activity.

The company uses three representative companies (described below) that are growing primarily through M&A as its benchmark or comparison companies. Among them, Japan Elevator Service Holdings (6544 TSE Prime), which has the same market capitalization as the company, has a forecast PER of 49.5, PBR of 16.1 and EV/EBITDA of 26.5, all of which exceed the company's performance.

### Stock Price & Trading Volumes (Past 1-Year)



Source: Strategy Advisors

### Key Indicators

Stock Price (1/31/2025)	2,907
Year-to-Date High (1/29/2025)	2,966
Year-to-Date Low (1/22/2025)	2,440
All-Time High (11/8/2024)	3,115
All-Time Low (7/28/2023)	1,019
Shares on Issue (mn)	77
Market Capitalization (¥ bn)	223
Equity Ratio (1/24, %)	37.2
ROE (1/24 Actual, %)	27.3
PER (1/25 CoE, Times)	51.9
PER (1/25 CoE, Times, Cash EPS)	41.3
PBR (1/24 Actual, Times)	5.9
EV/EBITDA (1/24 Actual, Times)	15.3
Dividend Yield (1/25 CoE, %)	0

Source: Strategy Advisors

### JGAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	EBITDA (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	Net Profit (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY1/24 Q3	38,808	-	6,049	-	4,164	-	3,324	-	51.0	-
<b>FY1/25 Q3</b>	<b>77,627</b>	<b>100.0</b>	<b>9,416</b>	<b>55.7</b>	<b>5,420</b>	<b>30.2</b>	<b>2,655</b>	<b>-20.1</b>	<b>37.1</b>	<b>-</b>
FY1/23	46,091	20.9	6,272	10.3	4,244	5.5	3,494	28.1	55.0	0.0
FY1/24	55,697	20.8	8,102	29.2	5,370	26.5	4,178	19.6	58.5	0.0
FY1/25 CoE	110,000	97.5	13,000	60.5	7,000	30.4	4,300	2.9	59.0	0.0
FY1/26 CoE	156,000	41.8	21,200	63.1	-	-	7,400	72.1	-	-

Source: Company Data.. Compiled by Strategy Advisors.

## 1. Business Performance for Q3 FY1/25 is Growing Steadily

### Absorbing One-Time Costs & Increasing Operating Profit

The results for Q3 FY1/25 were sales of ¥77.627 billion (up 100% YoY), EBITDA of ¥9.416 billion (up 56%), operating profit of ¥5.420 billion (up 30%) and net profit of ¥2.655 billion (down 20%). Even including one-off expenses such as M&A-related expenses of ¥879 million, operating profit increased. The double-digit decrease in net profit due to the increase in non-operating expenses (interest paid, stock issuance expenses) and tax burden was as expected.

### Consolidated Sales Doubled YoY

Sales increased by ¥38.819 billion, doubling from the same period last year. By segment, the Entertainment Platform business increased by ¥30.946 billion, and the Entertainment Contents business increased by ¥9.918 billion.

### Newly Launched Karaoke Service Contributed Most to Increased Revenue

The service that contributed the most to revenue growth in the Entertainment Platform segment was karaoke, with an increase of 15,476 million yen. This was due to the new entry into karaoke services in February 2024, when Shin Corporation, the industry's third largest karaoke box "Karaoke BanBan" operator, became a consolidated subsidiary, and in October 2024, when Ondoku, a major karaoke distributor and the second largest wholesaler in the industry, became a consolidated subsidiary. In addition, the company's ability to attract customers was improved through unique price package measures and mutual customer referral measures with the amusement facility GiGO; and the company's focus on maximizing group synergies, such as the establishment of mini-locations (game corners with no staff on-site) and the introduction of products handled by GENDA group companies to the food and beverage menu, all of which contributed to the expansion of revenue.

### The Performance of Shin Corporation, Which the Company Acquired; Has Recovered Rapidly Since The COVID-19 Pandemic

Shin Corporation's performance has recovered rapidly from losses in FY5/21 and FY5/22 to a profit in FY5/23, with sales increasing 55.2%. According to GENDA, Shin Corporation's customer traffic has returned rapidly since the COVID-19 pandemic and the company expects sales of ¥20 billion and EBITDA of ¥1.9 billion in FY1/25 after the M&A. FY1/25 Q1 financial results showed a rapid recovery, with sales increasing 12.1% and EBITDA increasing 85% compared to the same period last year before the M&A. EBITDA margin also improved by 5.8 percentage points to 13.1%.

### Amusement Revenue Increased Due to New Store Openings and Roll-Up M&A

The second highest contribution to sales growth in the Entertainment Platform Business was amusement, with sales of ¥51.091 billion, up ¥13.593 billion. In Japan, sales were favorable compared to the same period in the previous year, due to an increase in foot traffic in urban areas, growth in prize game sales, contributions from stores opened in the previous term and stores acquired through M&A, as well as active focus on new store openings and roll-up M&A. In addition to traditional amusement facilities centered on prize games, the company also focused on opening new store formats, such as stores that combine amusement with cafes and restaurants and opened a total of 17 new stores.

## **Expanding Business Overseas to The United States, Taiwan & Vietnam**

Overseas, the US corporation Kiddleton, Inc. focused on actively opening new mini locations and revitalizing existing locations. In addition to opening 359 new mini locations, the expansion of existing mini locations and the increase in prize game machines were successful and sales increased 52.2% YoY. In addition, in Taiwan, GiGO Taiwan Inc., opened a total of five new stores in September 2024: including "fanfancy+ with GiGO Garden City Taipei" (Taipei City), the first overseas store of a specialty shop for Fans. In addition, GENDA's platform is steadily expanding overseas, with the establishment of GiGO VIETNAM Co., Ltd., and the opening of two new stores in Vietnam.

## **Strategy to Incorporate Kiddleton's Know-How into The Rapidly Expanding US Location Shooting Business Following the Acquisition of NEN**

In October 2024, GENDA announced the completion of the acquisition of National Entertainment Network, LLC (NEN), which operates a mini-location business at approximately 8,000 locations across the United States. NEN is the largest mini-location operator in the United States, operating unmanned game corners in Walmart and Denny's stores. In the future, GENDA plans to incorporate the know-how of Kiddleton, whose sales per location are three times that of NEN, integrate maintenance networks, integrate operations such as cash collection and prize replenishment, utilize the prize procurement and game equipment procurement functions of the GENDA Group, including Kiddleton, install credit card readers and also introduce a digital membership system. In particular, it is expected that by replacing existing US-style prizes with Japanese-style prizes that have been proven by Kiddleton, sales per location will increase. With the acquisition of NEN, prizes will be provided by Fukuya and Ares and the cabinets will be provided by Five Color Inc. in China, completing a business model in which the GENDA Group works together to export Japanese "Kawaii" to the entire United States.

## **GENDA Will Pursue Maximization of Group Synergies**

The third largest contributor to revenue growth in the Entertainment Platform Business was Food & Beverage, with sales of ¥2.516 billion, up ¥1.957 billion. LEMONADE Lemonica Inc. opened three new directly managed stores and opened a lemonade stand-type specialty store in GiGO, among other efforts to maximize group synergy. In addition, Japan Popcorn Co. planned and provided popcorn in collaboration with a movie distributed and released by GAGA, a group company of GENDA, and sold it at GiGO. In addition, C'traum inc. (import, wholesale and domestic sales of alcoholic beverages), which became a consolidated subsidiary in May 2024, promoted its alliance with GENDA, including expanding the sales channels for popular liqueurs and wholesale sales to Karaoke BanBan.

## **Character MD Focuses on Expanding Prize Supply to GiGO & Other Companies**

The service that contributed the most to the increase in revenue in the Entertainment and Contents Business was Character MD, with sales of ¥5.132 billion, up ¥5.121 billion. Fukuya and Ares Company focused on expanding the supply of prizes to GENDA's amusement facilities, mainly GiGO. Fukuya also expanded its product supply by cooperating with the expansion of the number of stores of the supporting favorites specialty shop "fanfancy+ with GiGO".

At the same time, the vertical integration of GENDA's main businesses of "amusement" and "character MD" is progressing smoothly, and Ares Company has improved its sales efficiency by taking over the rental and sales business of amusement-related products through reorganization within the group and has also expanded its transactions with outside companies.

## **In The Content and Promotion Business, GENDA Promotes Film Distribution & Theme Park Attraction, Design and Construction**

The second largest contributor to revenue growth in the Entertainment & Contents business was Content & Promotion, with sales of ¥2.808 billion, up ¥2.550 billion. Dynamo Amusement received an order to design and construct a permanent attraction at a theme park and in June 2024, it acquired the VR game business from VAR LIVE JAPAN. In addition, GAGA, which distributes films, distributed and released a total of 22 films with a diverse lineup of Japanese films, foreign films and anime during Q3 of the current consolidated cumulative period; including "Anatomie d'une chute" which won the Palme d'Or, the highest award at the 76th Cannes Film Festival, and the 96th Academy Award for Best Original Screenplay, and the animated film "Dead Dead Demon's DeDeDeDestruction" (a two-part series consisting of the first and second chapters). In addition, "A Samurai In Time" which was released in one theater in August 2024, has received positive reviews through word of mouth, and as of the end of October 2024, its screenings have expanded to a total of 320 theaters nationwide.

**Figure 1. GENDA's FY1/25 Q3 Financial Results Summary**

(¥ mn)	FY1/24 Q1-Q3	<b>FY1/25 Q1-Q3 (A)</b>	YoY	Progress Rate (A)/(B)	As of 12/24	FY1/25 CoE (B)	YoY	FY1/26 CoE
Sales	38,808	<b>77,627</b>	100.0%	70.6%	-	110,000	97.5%	156,000
Entertainment Platform	38,527	<b>69,473</b>	80.3%	-	-	-	-	-
- Internal Sales	0	<b>40</b>	-	-	-	-	-	-
- External Sales	38,526	<b>69,432</b>	80.2%	-	-	-	-	-
Amusement	37,498	<b>51,091</b>	36.2%	-	-	-	-	-
Domestic AM (Store)	253	<b>335</b>	32.4%	-	339	-	-	-
Overseas AM (Store)	10	<b>23</b>	130.0%	-	63	-	-	-
Domestic Mini Locations (Locations)	84	<b>828</b>	885.7%	-	821	-	-	-
Overseas Mini Locations (Locations)	215	<b>648</b>	201.4%	-	10,478	-	-	-
Karaoke	-	<b>15,476</b>	-	-	-	-	-	-
Domestic Karaoke (Stores)	-	<b>366</b>	-	-	366	-	-	-
Food & Beverage	559	<b>2,516</b>	350.1%	-	-	-	-	-
Domestic F&B (Stores)	-	<b>61</b>	-	-	60	-	-	-
Lease Revenue	468	<b>348</b>	-25.6%	-	-	-	-	-
Entertainment and Content	724	<b>10,642</b>	1,369.9%	-	-	-	-	-
- Internal Sales	454	<b>2,448</b>	439.2%	-	-	-	-	-
- External Sales	270	<b>8,194</b>	2,934.8%	-	-	-	-	-
Character MD	11	<b>5,132</b>	46,554.5%	-	-	-	-	-
Content & Promotion	258	<b>2,808</b>	988.4%	-	-	-	-	-
Lease Revenue	-	<b>253</b>	-	-	-	-	-	-
Adjustment Amount	-443	<b>-2,487</b>	-	-	-	-	-	-
Cost of Sales	29,648	<b>60,759</b>	104.9%	-	-	-	-	-
Gross Profit	9,160	<b>16,868</b>	84.1%	-	-	-	-	-
Operating Profit	4,164	<b>5,420</b>	30.2%	77.4%	-	7,000	30.4%	-
Entertainment Platform	6,026	<b>8,975</b>	48.9%	-	-	-	-	-
Entertainment & Content	45	<b>377</b>	737.8%	-	-	-	-	-
Adjustment Amount	-1,907	<b>-3,933</b>	-	-	-	-	-	-
Ordinary Profit	4,126	<b>4,988</b>	20.9%	75.6%	-	6,600	26.5%	-
Net Income	3,324	<b>2,655</b>	-20.1%	61.7%	-	4,300	2.9%	-
EBITDA	6,050	<b>9,416</b>	55.6%	72.4%	-	13,000	60.5%	21,200
Quarterly Net Income Before Goodwill Amortization	3,426	<b>3,513</b>	2.5%	65.1%	-	5,400	23.9%	7,400

\*The number of stores and locations is as of the end of October 2024, as well as the end of December.

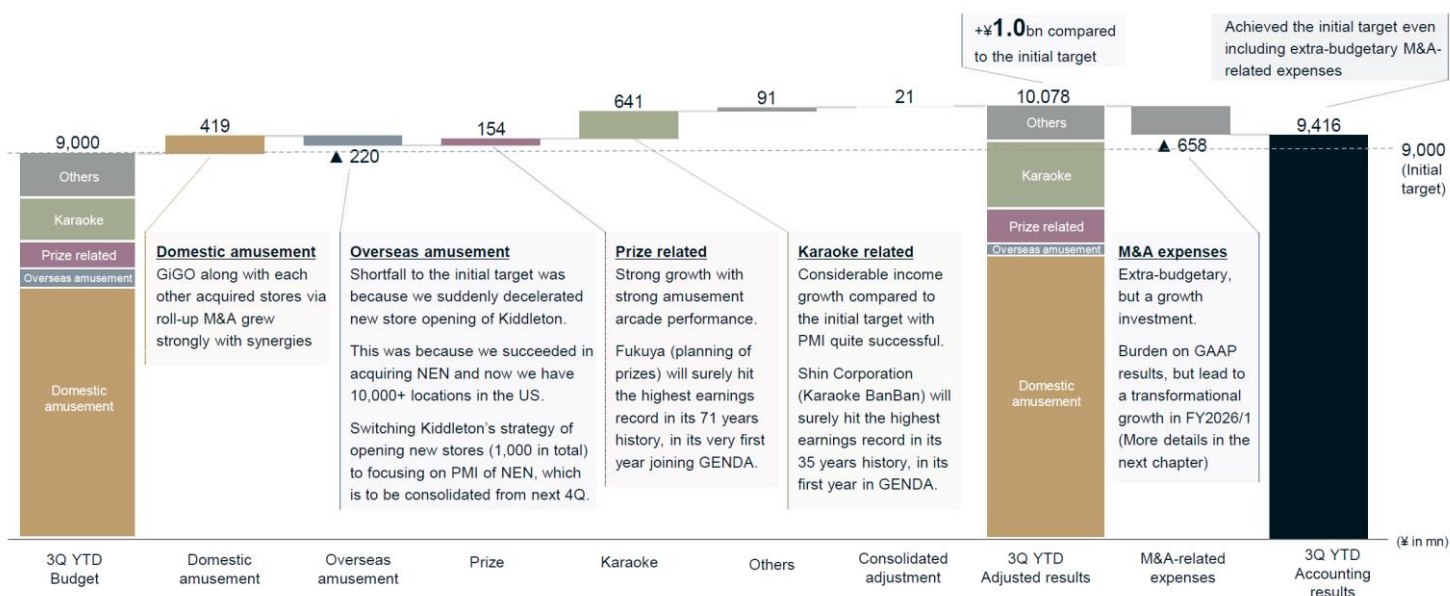
Source: Company Data. Compiled by Strategy Advisors.

## 2. Current Business Outlook

### EBITDA Continues to Exceed Initial Budget

Progress rates against the full-year forecast were 71% for sales, 72% for EBITDA, 77% for operating profit, 76% for ordinary profit and 62% for net profit. The initial EBITDA budget as of Q3 was ¥9 billion, but exceeded the budget figure at ¥9.416 billion. However, this figure was reduced by the recording of ¥658 million in M&A expenses that were not included in the initial budget and the figure that should be compared with the initial budget is ¥10.078 billion, after adding back these expenses. GENDA's revenue is progressing smoothly, significantly exceeding budget, with these M&A expenses recorded outside the budget likely to lead to inorganic growth in the future.

**Figure 2 Analysis of Differences in EBITDA by Sector Between Q3 YTD & the Initial Budget Set at the Beginning of the Year**

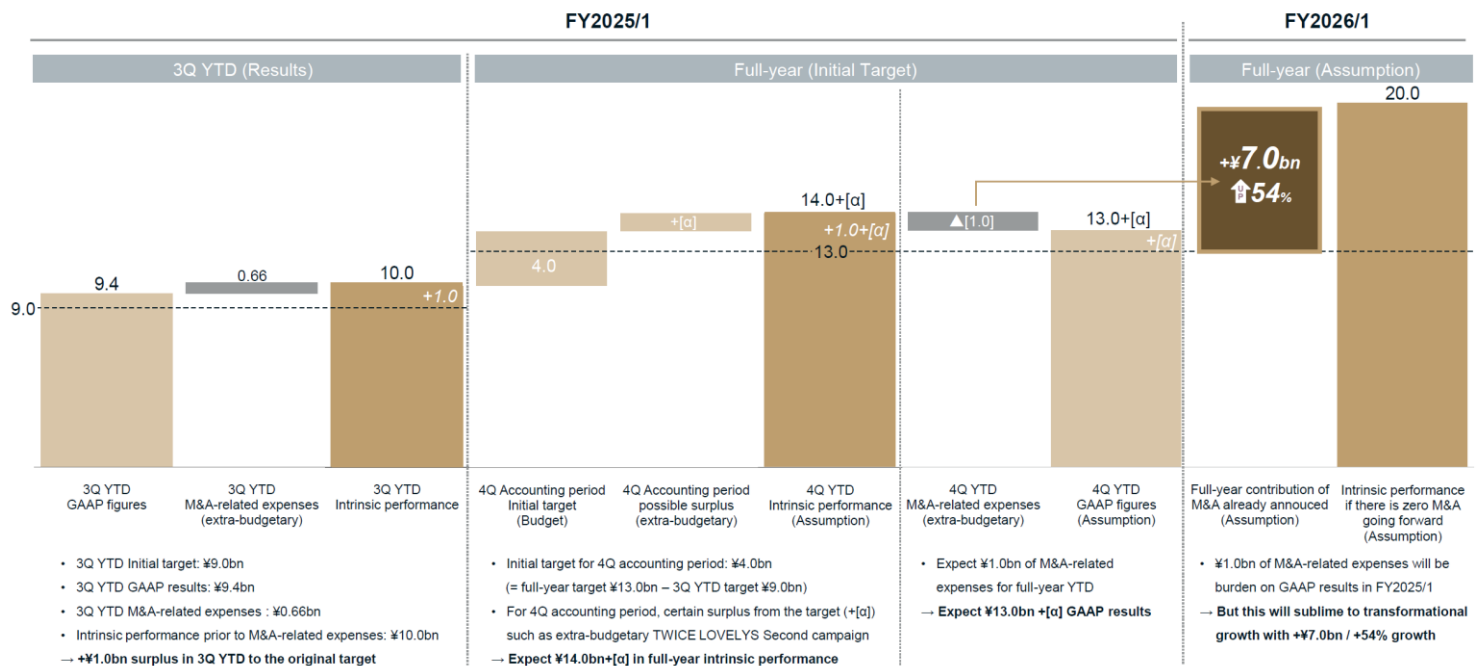


Source: Company Data.

### FY1/26 Forecast Revised Upwards Twice

GENDA left its full-year forecast for FY1/25 unchanged, but for FY1/26, as organic growth in existing businesses has far exceeded expectations, the company revised its sales forecast upward from ¥140 billion to ¥150 billion and its EBITDA forecast upward from ¥18.5 billion to ¥20 billion at the time of the announcement of its Q3 financial results. However, these figures are reference values that do not take into account new M&A, and in light of subsequent M&A the company further revised its sales forecast upward from ¥150 billion to ¥156 billion and its EBITDA forecast upward from ¥20 billion to ¥21.2 billion on December 24, 2024 for FY1/26. Further upward revisions may be made depending on the success of M&A in the future.

Figure 3in EBITDA & the Outlook for Next Fiscal Year's Target (¥ bn)



Source: Company Data.

## 3. Stock Price Trends and Valuations

### Stock Price Trends

We compared the valuation and stock price trends of the company, similar companies (including the parent companies of competitors and SEGA SAMMY HOLDINGS (6460 TSE Prime) and benchmark companies whose main strategy is M&A. The company was listed on July 28, 2023, and its valuation based on the closing price on January 24, 2024 is PER (forecast) 48.1x, PER (forecast) based on Cash EPS 38.3x, EV/EBITDA multiple (actual) 15.3x and PBR (actual) 5.9x.

### Large Affiliated Companies are Struggling, While Independents are Doing Well

In a comparison of similar companies, while the major affiliated companies are stagnating, GENDA and ROUND ONE, which are independent, are doing well. The company outperforms AEON Fantasy, which Chairman Kataoka served as president, in terms of operating profit and market capitalization. ROUND ONE's market capitalization is 1.7x larger than GENDA's, its PER is 19.3x and its EV/EBITDA multiple is 6.8x. ROUND ONE's 37% US sales ratio is high, and it is recognized for being ahead of the curve in globalization. ROUND ONE does not disclose the operating profit margin of its amusement business, but its operating profit margin for the entire company, including the bowling business, is 15.1% (FY3/24), the highest among the five companies.

## Comparison with Similar Companies

The PBR ratios are GENDA 5.9x, AEON Fantasy 5.7x and ROUND ONE 3.6x. In terms of ROE, it is GENDA 27.3%, ROUND ONE 23.9% and AEON FANTASY 16.2%. Dividend yields are generally low, ranging from 1.7% to less than 1.0% (GENDA pays no dividend). Please note  $PBR = ROE \times PER$ .

## Benchmark Company Comparison

The three benchmark companies, SHIFT (3697 TSE Prime), Japan Elevator Service Holdings (6544 TSE Prime), and Yoshimura Food Holdings (2884 TSE Prime) have PER 15-50x, EV/EBITDA multiple 14-27x and PBR 4-16x. This is a result of the three companies' track record of achieving high growth mainly through M&A. SHIFT's PER once peaked at over 60x.

## Dividend Policy

Although GENDA has the shorter history of the three companies, however it has outperformed the three in the number of M&A deals in the most recent year and has a high current growth rate. With the exception of Japan Elevator Service Holdings, the three companies, including GENDA, have prioritized strengthening their financial position and enhancing internal reserves for business expansion and have not paid dividends since their founding.

## Ensuring Liquidity

GENDA increased the number of issued shares through a stock split and new share issuance. As a result, SA believes that the improved liquidity has paved the way for large institutional investors to purchase shares in the secondary market in the medium to long term. With the full picture of its M&A growth strategy and fundraising now clear, the stock price is on an upward trend in anticipation of profit growth that will outweigh the risk of dilution.

## Establishment of Shareholder Special Benefit Program

The company has established a new shareholder benefit program. Shareholders as of the end of January and July of each year who have continuously held their shares for at least six months are eligible for the shareholder benefit program. The shareholder benefit consists of coupons that can be used at GiGO Group stores and Karaoke BanBan, depending on the number of shares held. The coupons are valid for six months and can be used for a maximum of ¥500 per day at GiGO stores. The purpose of this benefit program is to increase the number of stable shareholders who can become customers of the company.

Although there will be a sense of unfairness between shareholders who play the company's games and those who do not or cannot play due to geographical conditions, the company believes that it is likely to gain the support of existing shareholders because it does not involve a cash outlay and is expected to increase the number of new shareholders. Oriental Land (4661 TSE Prime) and other electric railway companies have introduced similar shareholder benefit plans and there are certain synergistic effects (stable shareholders, expansion of shareholder base, increased sales due to increased users, etc.).



**Figure 4 Comparison of Valuations with Peers, Competitors & Benchmark Companies**

Company Name	Country	Ticker Code	FY	Stock Price	Mkt Cap	PER	PBR	EV/EBITDA	Dividend Yield	ROE
				(1/27) (¥)	(1/27) (¥ mn)	CoE (Times)	Actual (Times)	Actual (Times)	CoE (%)	Actual (%)
<b>Competitive &amp; Related Companies</b>										
Bandai Namco HD	Japan	7832	3/24	3,490	2,281,620	20.8	3.0	11.9	0.6	15.0
CAPCOM	Japan	9697	3/24	3,290	1,753,607	29.9	6.8	19.8	1.1	24.4
SQUARE ENIX HD	Japan	9684	3/24	6,141	737,271	26.3	2.0	9.1	1.2	4.7
SEGA SAMMY HD	Japan	6460	3/24	2,807	598,500	15.3	1.6	9.2	1.8	9.6
ROUND ONE	Japan	4680	3/24	1,217	328,846	19.3	3.6	6.8	1.3	23.9
Lucky Strike	US	LUCK	6/24	1,533	225,215	20.3	-	21.3	-	-
<b>GENDA</b>	Japan	<b>9166</b>	<b>1/24</b>	<b>2,695</b>	<b>206,752</b>	<b>48.1</b>	<b>5.9</b>	<b>15.3</b>	<b>0.0</b>	<b>27.3</b>
DAIICHIKOSHO	Japan	7458	3/24	1,758	184,494	11.4	1.7	7.1	2.3	11.7
Dave & Buster's Entertainment	US	PLAY	1/24	4,108	158,100	12.7	4.5	10.3	0.0	38.4
KOSHIDAKA HD	Japan	2157	8/24	1,042	85,885	11.5	2.6	1.3	2.3	24.2
AEON Fantasy	Japan	4343	2/24	2,698	53,360	33.4	5.7	4.5	0.4	16.2
<b>Benchmark Companies (Primarily Engaged in M&amp;A)</b>										
SHIFT	Japan	3697	8/24	1,284	342,959	43.4	7.1	17.1	0.0	16.2
Japan Elevator Service HD	Japan	6544	3/24	2,832	252,211	49.5	16.1	26.5	1.1	30.1
Yoshimura Food HD	Japan	2884	2/24	1,024	24,408	15.1	4.3	14.0	0.0	12.7

\*Converted at ¥155/\$

Source: Compiled by Strategy Advisors. Based on Company Data.

## 4. Major Timely Disclosures

### (1) Amusement Facility Operator HALOS is a Consolidated Subsidiary

#### Announcement of HALOS M&A on Dec 24, 2024

On December 24, 2024, GENDA announced that it had decided to acquire 100% of the issued shares of HALOS Corporation (Headquarters: Chuo-Ku, Tokyo), which operates amusement facilities, etc., and make it a subsidiary.

#### HALOS Operates 53 Amusement Facilities Nationwide

HALOS operates 53 amusement facilities, including HALOS Garden and has 63 mini locations nationwide (as of December 2024). With this acquisition, HALOS and the GENDA Group can expect to increase profits for both HALOS and the GENDA Group by sharing human resources and digital transformation knowledge between the stores operated by HALOS and the stores operated by the GENDA Group; thereby improving efficiency of store operations, as well as by introducing limited prizes from the prize brand GiGO PRIZE, which is operated by the GENDA Group and by increasing the purchasing power of amusement machines and prizes due to the increase in the number of stores.

#### HALOS has Seen Revenue Growth Over the Past 2- Years with Profits Remaining Stable

HALOS' financial results for FY3/24 are sales of ¥5.728 billion, operating profit of ¥137 million, ordinary profit of ¥153 million, net profit for the current term of ¥87 million, total assets of ¥2.493 billion and net assets of ¥1.304 billion. While sales have been increasing for the past two years, net profit for the current term has fluctuated around the ¥100 million level.

Figure 5GiGO: 339 Stores Plus 53 HALOS Stores for a Total of 392 Stores



Source: Company Data.

## (2) ActPro, Which Operates Foreign Currency Exchange Machines, Became A Wholly Owned Subsidiary

### Announcement of ActPro M&A on December 24, 2024

On December 24, 2024, GENDA announced that it will acquire all of the assets of ActPro Co., Ltd. (headquarters: Minato-Ku, Tokyo), which operates foreign currency exchange machines in Japan and will split off ActPro's other businesses into a new company to be established at a later date.

### ActPro is a Pioneer in Foreign Currency Exchange Machines

As a pioneer of foreign currency exchange machines, ActPro has installed "SMART EXCHANGE" foreign currency exchange machines, a platform that supports inbound domestic tourism, in over 650 locations. "SMART EXCHANGE" supports 10 languages (4 languages on some machines) and 12 regional currencies around the world and realizes automated currency exchange, space saving, convenience, and meets the immediate cash needs of inbound tourists at stations, airports, hotels, stores, etc. Foreign currency exchange machines attract customers to the facilities where they are installed, while also promoting purchasing activity in the surrounding areas.

### The Mini Location Business & the Foreign Currency Exchange Machine Business Have Similar Business Models

As of the end of November 2024, GENDA has installed these machines in 14 amusement facilities nationwide, including GiGO Osaka Dotonbori Main Store, GiGO Akihabara 3rd Building, GiGO Shibuya Miyamasuzaka, and GiGO Fukuoka Tenjin, which attract many inbound tourists. The foreign currency exchange machine business has a similar business model to the mini location business currently being developed by GENDA and it is expected that the sharing of know-how will lead to increased profits for both ActPro and GENDA.

### Profits from the Foreign Currency Exchange Machine Business Offset Losses in Other Businesses

ActPro's financial results for FY6/24 are sales of ¥3.19 billion, operating profit of ¥393 million, ordinary profit of ¥362 million, net profit for the period of ¥231 million, total assets of ¥6.172 billion, and net assets of ¥725 million. Of these, the foreign currency exchange machine business's results are sales of ¥1.66 billion, operating profit of ¥988 million and ordinary profit of ¥938 million; such that the profits from the foreign currency exchange machine business absorb the losses of other businesses.

## Figure 6 Affinity With GENDA = Inbound Tourists × Japanese Anime × Amusement Arcades × Mini-Locations × Foreign Currency Exchange Machines

### Amusement arcade x Inbound

GiGO Osaka Dotonbori Main Store, with 90% inbound tourists, recorded historical high monthly sales, even including the period before GiGO joined GENDA.

GiGO has installed this foreign currency exchange machine in 14 locations which have a lot of foreign visitors (as of November 30, 2024)



GiGO Osaka Dotonbori Main Store



### Mini locations x Foreign exchange machines

Foreign currency exchange machine business is similar to GENDA's mini-location in business model

Expect an increase in earnings for both by sharing GENDA's sales network and know-how etc.



Foreign exchange machines 650+



Domestic mini-locations 821



Overseas mini-locations 10,478

Source: Company Data.

**Figure 7. Quarterly Income Statement (Unit: ¥ mn)**

FY	1/23	1/24	1/25	1/25	1/25
	Q3	Q3	Q3	Full Year CoE	Progress Rate
<b>Sales</b>	<b>33,059</b>	<b>38,808</b>	<b>77,627</b>	<b>110,000</b>	<b>70.6%</b>
(YoY)	-	17.4%	100.0%	97.5%	-
Cost of Sales	25,079	29,648	60,759	-	-
<b>Gross Profit</b>	<b>7,980</b>	<b>9,160</b>	<b>16,868</b>	-	-
(Gross Profit Margin)	24.1%	23.6%	21.7%	-	-
SG&A Expenses	4,503	4,995	11,448	-	-
<b>Operating Profit</b>	<b>3,477</b>	<b>4,164</b>	<b>5,420</b>	<b>7,000</b>	<b>77.4%</b>
(Operating Profit Margin)	10.5%	10.7%	7.0%	6.4%	-
<b>Ordinary Profit</b>	-	<b>4,126</b>	<b>4,988</b>	<b>6,600</b>	<b>75.6%</b>
(Ordinary Profit Margin)	-	10.6%	6.4%	6.0%	-
<b>Net Profit</b>	<b>3,077</b>	<b>3,324</b>	<b>2,655</b>	<b>4,300</b>	<b>61.7%</b>
(Net Profit Margin)	9.3%	8.6%	3.4%	3.9%	-
<b>EBITDA</b>	<b>4,935</b>	<b>6,050</b>	<b>9,416</b>	<b>13,000</b>	<b>72.4%</b>
(EBITDA Margin)	14.9%	15.6%	12.1%	11.8%	-

Source: Company Data. Compiled by Strategy Advisors.

**Figure 8 Performance Trends (Unit: ¥ mn)**

FY	1/23				1/24				1/25		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>Sales</b>	<b>9,730</b>	<b>11,020</b>	<b>12,309</b>	<b>13,032</b>	<b>11,994</b>	<b>12,520</b>	<b>14,293</b>	<b>16,888</b>	<b>24,685</b>	<b>24,846</b>	<b>28,096</b>
(YoY)	-	-	-	-	23.3%	13.6%	16.1%	29.6%	105.8%	98.5%	96.6%
Cost of Sales	7,640	8,440	8,999	10,151	8,812	9,911	10,925	13,090	19,399	19,770	21,590
<b>Gross Profit</b>	<b>2,090</b>	<b>2,580</b>	<b>3,309</b>	<b>2,879</b>	<b>3,182</b>	<b>2,609</b>	<b>3,368</b>	<b>3,798</b>	<b>5,286</b>	<b>5,075</b>	<b>6,507</b>
(Gross Profit Margin)	21.5%	23.4%	26.9%	22.1%	26.5%	20.8%	23.6%	22.5%	21.4%	20.4%	23.2%
SG&A Expenses	1,497	1,481	1,525	2,112	1,511	1,513	1,971	2,593	3,226	3,951	4,271
<b>Operating Profit</b>	<b>593</b>	<b>1,099</b>	<b>1,784</b>	<b>766</b>	<b>1,670</b>	<b>1,096</b>	<b>1,397</b>	<b>1,205</b>	<b>2,059</b>	<b>1,125</b>	<b>2,236</b>
(Operating Profit Margin)	6.1%	10.0%	14.5%	5.9%	13.9%	8.8%	9.8%	7.1%	8.3%	4.5%	8.0%
<b>Ordinary Profit</b>	-	-	-	-	<b>1,646</b>	<b>1,077</b>	<b>1,403</b>	<b>1,090</b>	<b>2,015</b>	<b>871</b>	<b>2,102</b>
(Ordinary Profit Margin)	-	-	-	-	13.7%	8.6%	9.8%	6.5%	8.2%	3.5%	7.5%
<b>Net Profit</b>	<b>616</b>	<b>775</b>	<b>1,686</b>	<b>417</b>	<b>1,585</b>	<b>390</b>	<b>1,348</b>	<b>853</b>	<b>1,223</b>	<b>182</b>	<b>1,250</b>
(Net Profit Margin)	6.3%	7.0%	13.7%	3.2%	13.2%	3.1%	9.4%	5.1%	5.0%	0.7%	4.4%
<b>EBITDA</b>	<b>1,099</b>	<b>1,580</b>	<b>2,255</b>	<b>1,336</b>	<b>2,197</b>	<b>1,712</b>	<b>2,140</b>	<b>2,051</b>	<b>3,277</b>	<b>2,423</b>	<b>3,716</b>
(EBITDA Margin)	11.3%	14.3%	18.3%	3.2%	13.2%	13.7%	15.0%	12.1%	13.3%	9.8%	13.2%

Source: Company Data. Compiled by Strategy Advisors.

**Figure 9 Consolidated Income Statement (Unit: ¥ mn)**

FY	1/19	1/20	1/21	1/22	1/23	1/24	1/25 CoE
<b>Sales</b>	<b>177</b>	<b>667</b>	<b>1,019</b>	<b>38,111</b>	<b>46,091</b>	<b>55,697</b>	<b>11,000</b>
(YoY)	-	276.8%	52.8%	3640.0%	20.9%	20.8%	97.5%
Cost of Sales	-	-	-	28,811	35,230	42,738	-
<b>Gross Profit</b>	-	-	-	<b>9,299</b>	<b>10,860</b>	<b>12,958</b>	-
Gross Profit Margin	-	-	-	24.4%	23.6%	23.3%	-
SG&A Expenses	-	-	-	<b>5,275</b>	<b>6,615</b>	<b>7,588</b>	-
<b>Operating Profit</b>	-	-	-	<b>4,024</b>	<b>4,244</b>	<b>5,370</b>	<b>7,000</b>
Operating Profit Margin	-	-	-	10.6%	9.2%	9.6%	6.4%
Non-Operating Income	-	-	-	319	163	265	-
Non-Operating Expenses	-	-	-	404	396	419	-
<b>Ordinary Profit</b>	<b>72</b>	<b>71</b>	<b>-272</b>	<b>3,939</b>	<b>4,011</b>	<b>5,216</b>	<b>6,600</b>
Ordinary Profit Margin	40.7%	10.6%	-	10.3%	8.7%	9.4%	6.0%
Extraordinary Profit	-	-	-	0	0	191	-
Extraordinary Loss	-	-	-	656	705	993	-
<b>Pretax Profit</b>	-	-	-	<b>3,283</b>	<b>3,306</b>	<b>4,414</b>	-
Pre-Tax Profit Margin	-	-	-	8.6%	7.2%	7.9%	-
Corporate Tax etc.	-	-	-	84	-146	217	-
<b>Net Profit Attributable to Owners of Parent</b>	<b>41</b>	<b>47</b>	<b>-526</b>	<b>2,727</b>	<b>3,494</b>	<b>4,179</b>	<b>4,300</b>
Net Profit Margin	23.2%	7.0%	-	7.2%	7.6%	7.5%	3.9%
<b>EBITDA</b>	-	-	-	<b>5,600</b>	<b>6,272</b>	<b>8,102</b>	<b>13,000</b>
EBITDA Margin	-	-	-	14.7%	13.6%	14.5%	11.8%

Source: Company Data. Compiled by Strategy Advisors.

**Figure 10 Consolidated Balance Sheet (Unit: ¥ mn)**

FY	1/19	1/20	1/21	1/22	1/23	1/24
Cash and Deposits	-	-	-	7,315	7,086	12,379
Trade Receivables	-	-	-	1,599	1,973	3,689
Inventory	-	-	-	2,542	2,261	4,373
Lease Investment Assets	-	-	-	259	201	437
Other Current Assets	-	-	-	893	1,200	2,686
<b>Current Assets</b>	-	-	-	<b>12,610</b>	<b>12,723</b>	<b>23,567</b>
<b>Tangible Fixed Assets</b>	-	-	-	<b>5,532</b>	<b>7,750</b>	<b>12,581</b>
Goodwill	-	-	-	566	1,225	4,992
Other Intangible Fixed Assets	-	-	-	640	675	706
<b>Intangible Fixed Assets</b>	-	-	-	<b>1,207</b>	<b>1,900</b>	<b>5,698</b>
<b>Investments and Other Assets</b>	-	-	-	<b>7,357</b>	<b>8,658</b>	<b>10,293</b>
<b>Total Fixed Assets</b>	-	-	-	<b>14,097</b>	<b>18,310</b>	<b>28,573</b>
<b>Total Assets</b>	<b>1,214</b>	<b>2,730</b>	<b>4,114</b>	<b>26,708</b>	<b>31,033</b>	<b>52,141</b>
Trade Payables	-	-	-	1,106	1,356	3,213
Accounts Payable and Unpaid Expenses	-	-	-	1,223	1,931	3,031
Interest-Bearing Debt	-	-	-	2,890	2,509	7,616
Other Current Liabilities	-	-	-	1,851	1,811	2,970
<b>Current Liabilities</b>	-	-	-	<b>7,380</b>	<b>7,609</b>	<b>16,892</b>
Interest-Bearing Debt	-	-	-	8,637	8,570	11,370
Asset Retirement Obligations	-	-	-	2,859	3,511	3,972
Other Fixed Liabilities	-	-	-	86	99	240
<b>Fixed Liabilities</b>	-	-	-	<b>11,582</b>	<b>12,182</b>	<b>15,584</b>
<b>Total Liabilities</b>	-	-	-	<b>18,963</b>	<b>19,792</b>	<b>32,476</b>
Capital and Surplus	-	-	-	1,341	1,340	5,394
Retained Earnings	-	-	-	6,351	9,845	14,024
Treasury Stock	-	-	-	-	-	-
<b>Shareholders' Equity</b>	-	-	-	<b>7,693</b>	<b>11,186</b>	<b>19,419</b>
Comprehensive Income Type Amount	-	-	-	10	38	7
Stock Acquisition Rights	-	-	-	6	5	5
Non-Controlling Interests	-	-	-	34	9	231
<b>Total Net Assets</b>	-	-	-	<b>7,744</b>	<b>11,240</b>	<b>19,664</b>
<b>Liabilities And Net Assets</b>	-	-	-	<b>26,708</b>	<b>31,033</b>	<b>52,141</b>

Source: Company Data. Compiled by Strategy Advisors.

**Figure 11 Cash Flow Statement (Unit: ¥ mn)**

FY	1/19	1/20	1/21	1/22	1/23	1/24
Profit Before Tax	-	-	-	3,283	3,306	4,414
Depreciation	-	-	-	1,655	1,945	2,549
Impairment Loss	-	-	-	453	705	993
Loss on Disposal of Fixed Assets	-	-	-	21	105	42
Exchange Gains/Losses ('-' Indicates a Gain)	-	-	-	121	174	193
Equity in Earnings of Affiliates ('-' Indicates a Gain)	-	-	-	12	15	38
Changes in Working Capital	-	-	-	-1,014	198	-65
<b>Cash Flow from Operating Activities</b>	-	-	-	<b>4,691</b>	<b>6,446</b>	<b>7,602</b>
Expenditures For Acquisition of Tangible Fixed Assets	-	-	-	-2,645	-3,701	-4,722
Expenditures For Acquisition of Intangible Fixed Assets	-	-	-	-288	-281	-410
Expenditures For Business Acquisition	-	-	-	-	-228	-1,069
Expenditures For Deposits	-	-	-	-282	-828	-684
Expenditures For Acquisition of Subsidiary Shares Resulting in Change in Scope of Consolidation	-	-	-	-478	-	-2,792
<b>Cash Flows from Investing Activities</b>	-	-	-	<b>-3,440</b>	<b>-5,530</b>	<b>-10,334</b>
Net Increase/Decrease in Short-Term Borrowings	-	-	-	1,005	-1,045	3,412
Net Increase/Decrease in Long-Term Borrowings	-	-	-	2,320	-76	500
<b>Cash Flow from Financing Activities</b>	-	-	-	<b>1,020</b>	<b>-1,145</b>	<b>7,960</b>
<b>Free Cash Flow</b>	-	-	-	<b>1,251</b>	<b>916</b>	<b>-2,732</b>

Source: Company Data. Compiled by Strategy Advisors.



**Figure 12. Stock Price & Capital Efficiency Indicators**

FY	1/19	1/20	1/21	1/22	1/23	1/24	1/25 CoE
EPS (¥)	-	-	-	93.6	110.0	126.4	59.0
BPS (¥)	-	-	-	242.5	353.3	566.4	-
Dividend Per Share (¥)	-	-	-	-	-	-	-
Dividend Payout Ratio	-	-	-	-	-	-	-
Closing Price (¥)	-	-	-	-	-	3,330	-
PER (Times)	-	-	-	-	-	27.3	44.2
PBR (Times)	-	-	-	-	-	5.9	-
Number of Shares Issued at End of Period ('000)	-	-	-	79	79	34,297	-
Treasury Stock (Shares)	-	-	-	-	-	0	-
Number of Treasury Stocks Excluded ('000 Shares)	-	-	-	79	79	34,297	-
Market Capitalization (¥ mn)	-	-	-	-	-	114,208	-
Shareholders' Equity Ratio	-	-	-	28.9%	36.2%	37.3%	-
Interest-Bearing Debt Balance	-	-	-	11,542	11,088	18,990	-
D/E Ratio	-	-	-	1.5	1.0	1.0	-
EV (Enterprise Value)	-	-	-	-	-	121,050	-
EBITDA (¥ mn)	-	-	-	5,679	6,189	7,919	10,476
EV/EBITDA (Multiple)	-	-	-	-	-	15.3	20.1
ROE	-	-	-	-	36.9%	27.3%	-
ROIC (Invested Capital)	-	-	-	-	21.1%	16.9%	-
ROIC (Business Assets)	-	-	-	-	39.4%	28.9%	-
Number of Employees	-	-	-	357	367	599	-

Source: Company Data. Compiled by Strategy Advisors.

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