

Company Report

March 25, 2025

Strategy Advisors Inc.
Team Research



Organic Growth Exceeds Expectations. FY1/26 Forecast Revised Upwards Again

GENDA is a pure holding company for a group of entertainment companies with a core focus on amusement and its unique team of M&A specialists acts as the drivers of growth. The group companies operate in the entertainment platform domain, which includes game arcades, karaoke boxes and food & beverage; and the entertainment content domain, which includes character goods, movie distribution and VR games.

In the game arcade management industry, the five major companies dominate with nearly 50% market share, while the remaining 50% is a collection of more than 100 small and medium-sized companies. The company has declared its goal to become the world's number one entertainment company by 2040 and has drawn a roadmap that includes large-scale M&A in the future.

For FY1/25, sales were ¥112 billion (+101% YoY), EBITDA was ¥14 billion (+76%), operating profit was ¥8 billion (+48%) and net profit was ¥3 billion (-21%). Even including one-off expenses such as M&A-related expenses of ¥1 billion, operating profit increased. The achievement rates for the full fiscal year forecast were 102% for sales, 110% for EBITDA, 114% for operating profit, 111% for ordinary profit and 77% for net profit.

The company forecasts for FY1/26 are sales of ¥157 billion (+40% YoY) and EBITDA of ¥22 billion (+55% YoY). EBITDA has been revised upward from the previous ¥21 billion to ¥22 billion. Since FY1/25, when the karaoke business, for which sales peak around the year-end and New Year holidays, is added-in, the company is placing emphasis on the second half of the year.

GENDA was listed on July 28, 2023 and its current valuation is PER 38.1x, EV/EBITDA 17.8x and PBR 6.4x. 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 47.8, PBR of 13.0 and EV/EBITDA of 25.9, all of which exceed the company's performance.

Stock Price & Trading Volumes (Past 1-Year)



Source: Strategy Advisors

Key Indicators

Stock Price (3/24/2025)	2,840
YTD High (2/13/2025)	2,996
YTD Low (3/14/2025)	2,391
All-Time High (11/8/2024)	3,115
All-Time Low (7/28/2023)	1,019
Shares on Issue (mn)	77
Market Capitalization (¥ bn)	231
Equity Ratio (1/25, %)	31.0
ROE (1/25, %)	12.0
PER (1/26 CoE, Times)	46.2
PER (1/26 CoE, Times, Cash EPS)	50.1
PBR (1/25 Actual, Times)	6.4
EV/EBITDA (1/25 Actual, Times)	17.8
Dividend Yield (1/26 CoE, %)	0

Source: Strategy Advisors

GENDA | 9166 (TSE Growth)

JGAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	EBITDA (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	Net Profit (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY1/22	38,111	-	5,679	-	4,024	-	2,727	-	93.6	0.0
FY1/23	46,091	20.9	6,272	10.3	4,244	5.5	3,494	28.1	110.0	0.0
FY1/24	55,697	20.8	8,102	29.2	5,370	26.5	4,178	19.6	126.4	0.0
FY1/25	111,786	100.7	14	75.6	7,965	48.3	3,304	-20.9	45.3	0.0
FY1/26 CoE	157,000	40.4	22,000	54.6	10,500	31.8	5,000	51.3	30.8	-

Source: Company Data. Compiled by Strategy Advisors.

1. Earnings Trends

Absorbing One-Time Costs & Increasing Operating Profit

The results for FY1/25 were sales of ¥112 billion (+101% YoY), EBITDA was ¥14 billion (+76%), operating profit was ¥8 billion (+48%) and net profit was ¥3 billion (-21%). Even including one-off expenses such as M&A-related expenses of ¥1.374 billion, operating profit increased. The double-digit decrease in net profit was due to the increase in non-operating expenses (interest paid, stock issuance expenses) and tax burden, which was expected.

Consolidated Sales Doubled YoY

Sales increased by ¥56 billion, doubling from the same period last year. By segment, the Entertainment Platform business increased by ¥47 billion and the Entertainment Contents business increased by ¥12 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 ¥22 billion. 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, pls also in October 2024, when Ontsu, a major karaoke distributor and the second largest wholesaler in the industry, became a consolidated subsidiary,. Also, the company continued to acquire karaoke facilities subsequently. 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 its food and beverage menus, all of which contributed to the increase in revenue.

Acquired Company, Shin Corporation's Performance, 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 base has rapidly returned since the COVID-19 pandemic and in FY1/25, after M&A activity it saw the company achieve its highest profit since its establishment.

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 amusements, with sales of ¥75 billion, up ¥22 billion. In Japan, sales were favorable compared to the same period of 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 24 new stores.

Expanding Business Overseas to The United States, Taiwan & Vietnam

Overseas, US corporation Kiddleton, Inc. focused on aggressively opening new mini locations and revitalizing existing locations. In addition to opening 457 new mini locations, the expansion of existing mini locations and the increase in prize game machines were successful, and sales increased 39.4% 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 November 2024, GENDA announced that National Entertainment Network, LLC (NEN), which operates a mini-location business at approximately 10,000 locations across the United States, as a consolidated subsidiary. 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; also utilizing 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.

Figure 1. NEN US PMI Progresses Steadily

Replacing NEN locations with Kiddleton-style prize games and Japanese prizes

PMI measures to replace prize games and Japanese prizes with "Kiddleton-style mini crane games x Japanese-style Kawaii prizes" at NEN's locations
Implemented the replacement at 194 locations from the commencement of consolidation in November 2024 till the end of February 2025

First, promote the replacement at bigger locations, and then plan to implement the replacement at smaller ones.



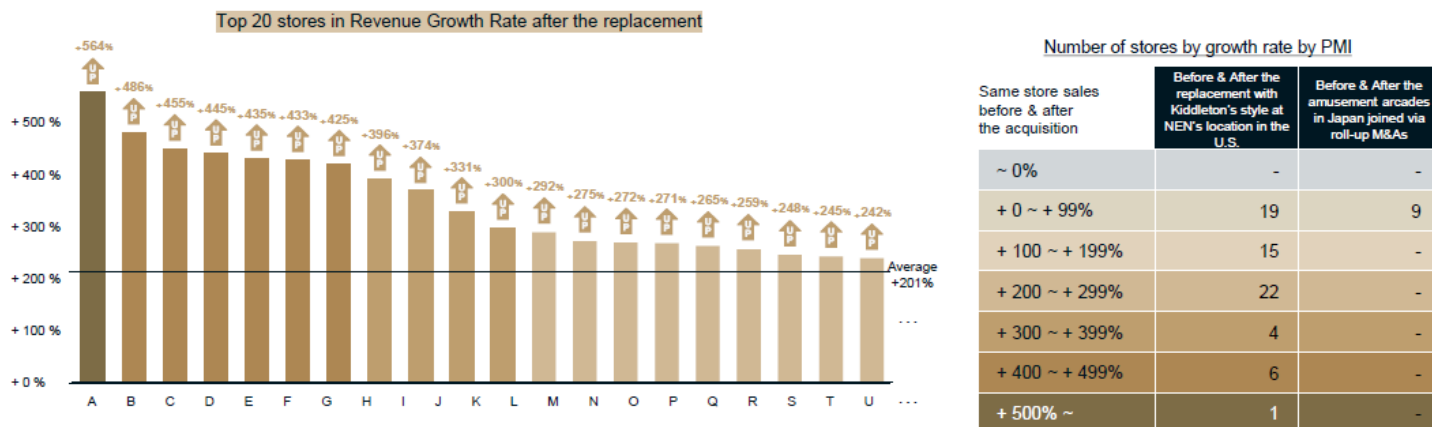
Source: Company Data.

Figure 2. Switching to the Kiddleton System has had a Huge Impact

Phenomenal results with same store sales growth “average +201%” !!

In other words, same store sales tripled on average. For comparison, even with PMI in Japan, same store sales growth is c.+50% “at most”.

Now replacing machines at approx. 10,000 locations of NEN across the U.S. as quickly as possible, with inbound inquiries of new store openings.



our analysis, this implies the nationwide “supply-demand gap” of Japanese IP contents, now available only in a few cities such as NY and LA.

esides, this result is made only by Japanese-style “Kawaii” stuffed animals, such as bears or rabbits, without real popular Japanese anime IP.

further upside exists by real popular anime IP fully implemented in the future. (to next page)

Source: Company Data.

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 ¥4 billion, up ¥3 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 an 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 ¥6.797 billion, up ¥5.989 billion. Fukuya and Ares Company focused on expanding the supply of prizes to GENDA's amusement facilities, mainly GiGO, and to mini-location shoots in the United States. Fukuya also expanded its product supply by cooperating with the expansion of the number of stores of the Fans 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 ¥4 billion, up ¥3 billion. Dynamo Amusement received an order to design and construct a permanent attraction for a theme park and in June 2024, it acquired the VR game business from VAR LIVE JAPAN. In January 2025, it opened "VR BASE TOKYO" for a limited time in collaboration with TOKYO TOWER Co., Ltd. In addition, GAGA, which distributes films, distributed and released a total of 28 films with a diverse lineup of Japanese films, foreign films and anime during current consolidated fiscal year; 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 DeDeDeDeDestruction" (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 its screening expanded to a total of 350 theaters nationwide as of the end of January 2025.

Figure 3. GENDA's FY1/25 Q3 Financial Results Summary

(¥ mn)	FY1/24	FY1/25	YoY	Achievement Rate (A)/(B)	FY1/26 CoE (B)	YoY
		(A)				
Sales	55,697	111,786	100.7%	101.6%	157,000	40.4%
Entertainment Platform	54,060	100,871	86.6%	-	-	-
- Internal Sales	1	65	-	-	-	-
- External Sales	54,058	100,806	86.5%	-	-	-
Amusement	52,455	74,513	42.1%	-	-	-
Karaoke	-	21,898	-	-	-	-
Food & Beverage	994	3,597	261.9%	-	-	-
Lease Revenue	608	797	31.1%	-	-	-
Entertainment and Content	2,363	14,462	512.0%	-	-	-
- Internal Sales	736	3,483	373.2%	-	-	-
- External Sales	1,627	10,979	574.8%	-	-	-
Character MD	808	6,797	741.2%	-	-	-
Content & Promotion	818	3,766	360.4%	-	-	-
Lease Revenue	-	414	-	-	-	-
Adjustment Amount	-726	-3,547	-	-	-	-
Cost of Sales	42,738	86,328	102.0%	-	-	-
Gross Profit	12,958	25,458	96.5%	-	-	-
Operating Profit	5,370	7,965	48.3%	113.8%	10,500	31.8%
Entertainment Platform	6,026	8,975	48.9%	-	-	-
Entertainment & Content	45	377	737.8%	-	-	-
Adjustment Amount	-1,907	-3,933	-	-	-	-
Ordinary Profit	5,216	7,305	40.0%	110.7%	9,100	24.6%
Net Income	4,178	3,304	-20.9%	76.8%	5,000	51.3%
EBITDA	8,102	14	75.6%	109.5%	22,000	54.6%
Quarterly Net Income Before Goodwill	4,359	4,653	6.7 %	86.2%	8,000	71.9%
Amortization						

*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.

Figure 4. Quarterly Income Statement (Unit: ¥ mn)

FY	1/23				1/24				1/25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	9,730	11,020	12,309	13,032	11,994	12,520	14,293	16,888	24,685	24,846	28,096	34,159
(YoY)	-	-	-	-	23.3%	13.6%	16.1%	29.6%	105.8%	98.5%	96.6%	102.3%
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	25,569
Gross Profit	2,090	2,580	3,309	2,879	3,182	2,609	3,368	3,798	5,286	5,075	6,507	8,590
(Gross Profit	21.5%	23.4%	26.9%	22.1%	26.5%	20.8%	23.6%	22.5%	21.4%	20.4%	23.2%	25.1%
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	6,044
Operating Profit	593	1,099	1,784	766	1,670	1,096	1,397	1,205	2,059	1,125	2,236	2,545
(Operating Profit	6.1%	10.0%	14.5%	5.9%	13.9%	8.8%	9.8%	7.1%	8.3%	4.5%	8.0%	7.5%
Ordinary Profit	-	-	-	-	1,646	1,077	1,403	1,090	2,015	871	2,102	2,317
(Ordinary Profit	-	-	-	-	13.7%	8.6%	9.8%	6.5%	8.2%	3.5%	7.5%	6.8%
Net Profit	616	775	1,686	417	1,585	390	1,348	853	1,223	182	1,250	649
(Net Profit	6.3%	7.0%	13.7%	3.2%	13.2%	3.1%	9.4%	5.1%	5.0%	0.7%	4.4%	1.9%
EBITDA	1,099	1,580	2,255	1,336	2,197	1,712	2,140	2,051	3,277	2,423	3,716	4,818
(EBITDA Margin)	11.3%	14.3%	18.3%	3.2%	13.2%	13.7%	15.0%	12.1%	13.3%	9.8%	13.2%	14.1%

Source: Company Data. Compiled by Strategy Advisors.

Figure 5. GENDA's Formation, M&A and Capital Transaction Track Record

	Year	Month	Event	Capital structure	Business, comments
Before IPO (Own)	2018	May	Midas Entertainment(GENDA) est'd		Midas Capital, Nao Kataoka (Chairman), Mai Shin (President) joint investment
	2019	Jun	Five Colors Inc. established	91.75% shrs held	AM equipment rental and wholesale of AM prizes in China (59% shrs held then)
	2021	May	GENDA Games established	100% subsidiary	AM equipment rental and on-line crane game operation
	2021	Aug	GENDA as a pure holding company		Support for business growth of group companies, business management/M&A
	2021	Aug	Tokyo Character Makers est'd	100% shrs held	Plan, dev., sales of character designs, mgt of rights. Invest in movies & anime
Before IPO (M&A)	2018	Jun	SPSS	100% shrs held	Sales promotion support for entertainment companies
	2019	Jul	Kiddleton	50% Joint inv.	Operation of AM facilities in the U.S. (a JV agreement with ROOUND ONE)
	2020	Dec	GENDA GiGO Entertainment	85.1% shrs held	AM facility operation & online crane game operation (Sega Entertainment)
	2021	Mar	ENTERRIUM	facility acquired	Kiddleton to acquire & operate Bandai Namco's entertainment complex in North America; Kiddleton established ENTERRIUM LLC
		Oct	Dynamo Amusement	capital tie-up	VR contents and experiential attractions
	2022	Dec	GiGO Taiwan	100% shrs held	AM facility operation
		Jan	GENDA GiGO Entertainment	100% shrs held	Operation of AM facilities and online crane games
		Jan	TAKARAJIMA	100% shrs held	AM facility operation, etc.
		Jun	Hashilus	capital tie-up	VR content planning, production and development
		Oct	SUGAI DINOS	business transfer	Acquisition of game arcade and bowling business, investment in movie theater biz
After IPO (M&A)	Oct	Avice	Absorption	Acquisition of game arcade business	
	2023	Sep	Degi Chime	asset transfer	Cloud chime to call staff using a smartphone
		Sep	Kiddleton	100% shrs held	Operation of AM facilities and more than 400 mini-locations in the U.S.
		Sep	Dynamo Amusement	100% shrs held	Plan, production & sales of VR contents, experiential theater attractions, VR, etc.
		Oct	MAXIMO HERO	fixed asset transf.	AM facility management in Sapporo
		Oct	LEMONADE by Lemonica	66% shrs held	Production & sales of lemonade (operating standalone lemonade specialty stores)
	2023	Oct	Ares Company	100% shrs held	Planning, purchasing and wholesale of prizes for amusement arcades with manufacturers of toys, sundries, foods, etc.
		Nov	GAGA Corporation	78.05% shrs held	Distributed 7 films that won the "Best Picture" of the U.S. Academy Awards in the 15 years since 2009, and 4 films that won the "Palme d'Or", the best film award at the Cannes International Film Festival, in the 6 years since 2018.
		Nov	Mini-locations (117 locations)	asset transfer	Assets acquired from Global Solutions
		Nov	Japan Popcorn	100% shrs held	Planning, production and sales of Hill Valley brand popcorn
		Dec	YK corporation	Absorption	Operation of AM facility "Supernova" (6 stores) in Tohoku
	2024	Dec	AM facility (1 store, China)	Acquisition of mgt	Operation of AM facility (1 store) in China
		Dec	Pino Pino Zaurus Limited	100% shrs held	Trade operations between Japan and London, and PR business to promote food, drink, manufacturing, and culture of both countries.
		Jan	Fukuya Holdings	100% shrs held	Design, manufacture and sales of prizes. Four subsidiaries in Japan and overseas, and has strengthened its alliance with GENDA through capital participation in Five Colors Inc. and the joint establishment of Tokyo Character Makers.
		Feb	PLABI CORPORATION	100% shrs held	AM facility (45 stores nationwide) operations. Unmanned stores (363 locations) within food supermarkets and clothing chains.
Feb		Shin Corporation	78.59% shrs held	Operation of "Karaoke Ban Ban" karaoke boxes (372 stores nationwide), etc.	
May		SANDAI	100% shrs held	AM facilities in Kyushu (9 stores), operation of mini-locations (192 locations), etc.	
Jun		AMEX	100% shrs held	Operation of AM facilities (3 stores) in Aichi and Gifu prefectures, etc.	
Jun		VAR LIVE JAPAN	business transfer	VR Game Business	
~Dec		National Entertainment Network	100% shrs held	Mini-location business operation: approx. 8,000 locations in the U.S.	
~Aug		ONTSU	TOB (6/28~8/13)	A major distributor of karaoke equip. and #2 wholesaler in the industry.	
2025	Jul	C'traum	100% shrs held	Import and sales of "KleinerFeigling", a popular shot party drink for young people.	
	Oct	Matahari Entertainment	absorption split	Absorption-type Company Split. Newly open as "GiGO tonarie CREO Tsukuba"	
	Sep	ATOM	asset transfer	Operation of Karaoke (1 store) in Sendai	
	Dec	TETSUJIN Holdings	asset transfer	Operation of Karaoke (2 store) in Tokyo	
	Feb	DORAMA	absorption split	Operation of AM facility (7 store) in Tokyo area	
	Mar	HALOS	100% shrs held	Operation of Amusement facility (48 store)	
	2025	Mar	ActPro Holdings	100% shrs held & share exchange	Business of foreign currency exchange machine "SMART EXCHANGE" in Japan
		Mar	D-EIGHT	100% shrs held	Display planning & design for entertainment exhibitions & events
		Mar	ATOM	asset transfer	Operation of Karaoke (23 store)

Source: Company Data. Compiled by Strategy Advisors.

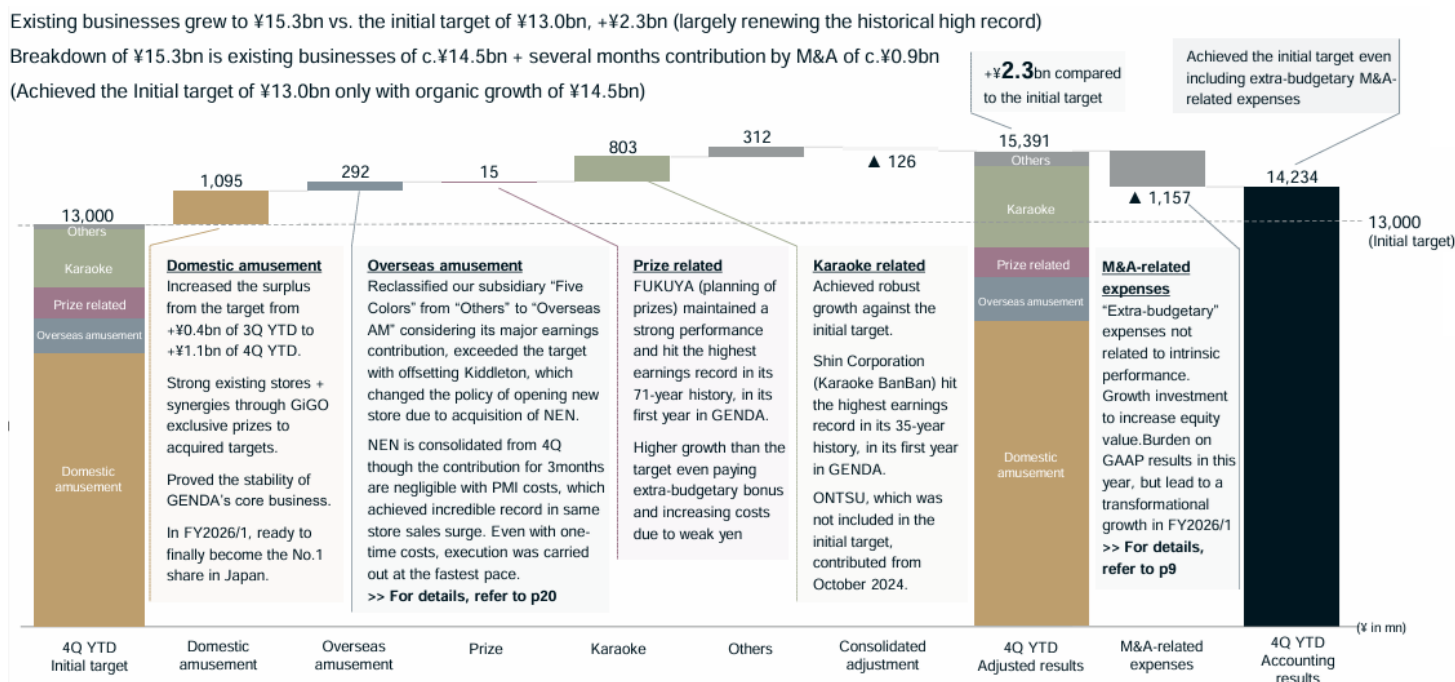
2. Current Business Outlook

EBITDA Continues to Exceed Initial Budget

The achievement rates for the full-year forecast were 102% for sales, 110% for EBITDA, 114% for operating profit, 111% for ordinary profit and 77% for net profit. The initial EBITDA budget was ¥13 billion, but the actual result was ¥14 billion, exceeding the initial budget by ¥1 billion.

However, this figure was reduced by the recording of ¥1 billion in M&A expenses that were not included in the initial budget and the figure that should be compared with the initial budget is ¥15 billion, after adding back these expenses. GENDA's revenues are progressing smoothly, far exceeding the budget, with these M&A expenses recorded outside the budget likely to lead to inorganic growth in the future.

Figure 6. Analysis of EBITDA Differences by Business Segment Against Initial Budget



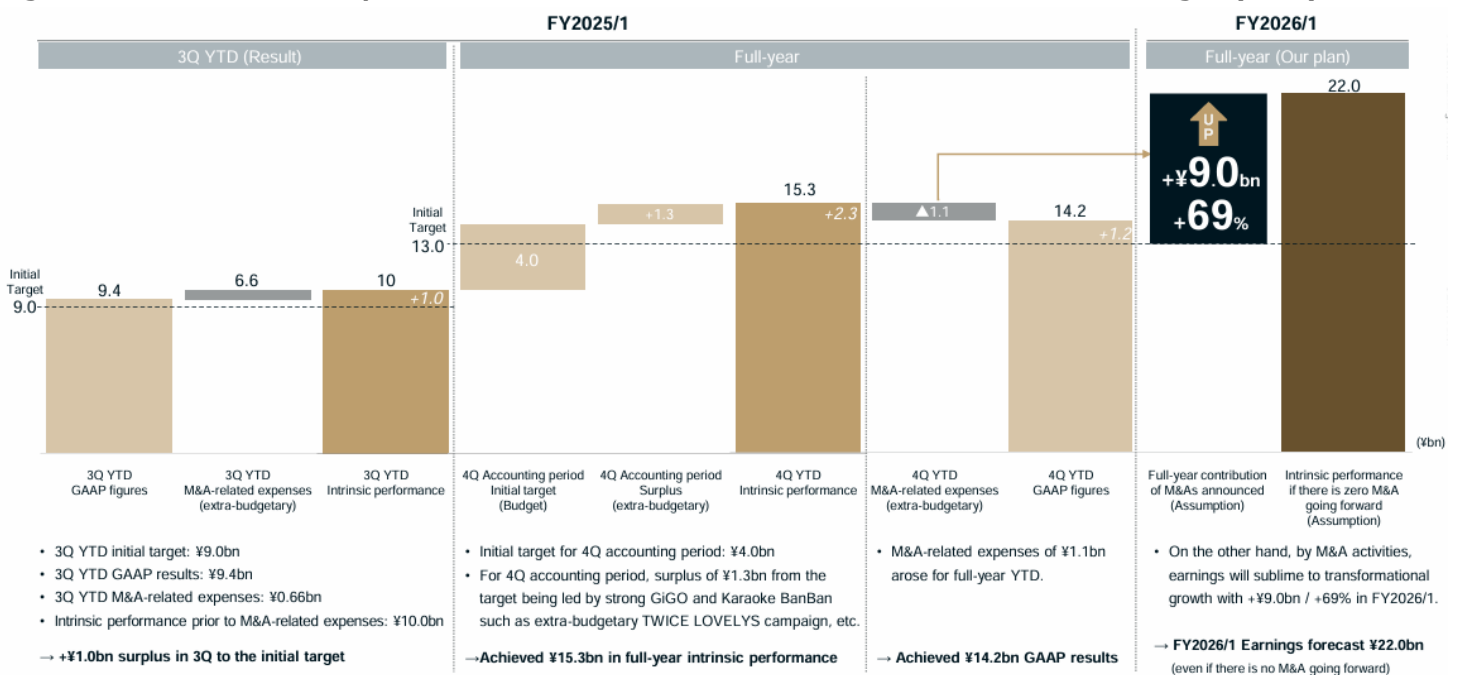
Source: Company Data.

FY1/26 Forecast Revised Upwards for the 3rd Time

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 ¥19 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. Furthermore, for the same reason, at the time of the announcement of the full-year financial results, the company revised its sales forecast for FY1/26 upward from ¥156 billion to ¥157 billion and its EBITDA forecast from ¥21.2 billion to ¥22 billion. There is a possibility that further upward revisions will be made depending on the progress of M&A in the future.

Figure 7. M&A-Related Expenses in EBITDA & the Outlook for Next Fiscal Year's Target (¥ bn)



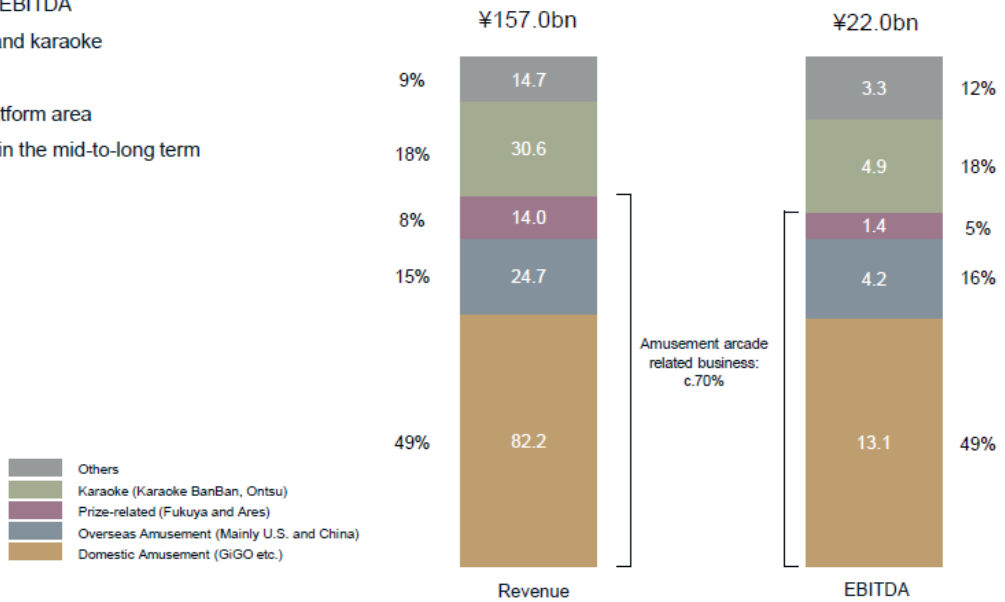
Source: Company Data.

Figure 8. Business Portfolio (Planned Figures for FY1/26)

Amusement Centric + Peripheral Areas

Over 95% of GENDA's Revenue and EBITDA as of today are amusement arcades and karaoke

We continue to focus on M&As on platform area While entering into the contents area in the mid-to-long term



Note: The graphs for Revenue and EBITDA do not include "Consolidation Adjustments," which is why their total values (¥157.0bn and ¥22.0bn, respectively) do not match the company's forecast (¥157.0bn and ¥22.0bn), with the Revenue Consolidation Adjustment at -¥9.4bn, primarily due to internal transactions, and the EBITDA Consolidation Adjustment at -¥4.9bn, mainly consisting of GENDA's standalone corporate expenses (-¥4.5bn) and M&A-related expenses (-¥0.4bn) that have already been announced and are confirmed to be recorded in the FY2026/1 period; for reference, the actual consolidation adjustments for FY2025/1 were -¥7.8bn for revenue and -¥3.6bn for EBITDA.

Source: Company Data.

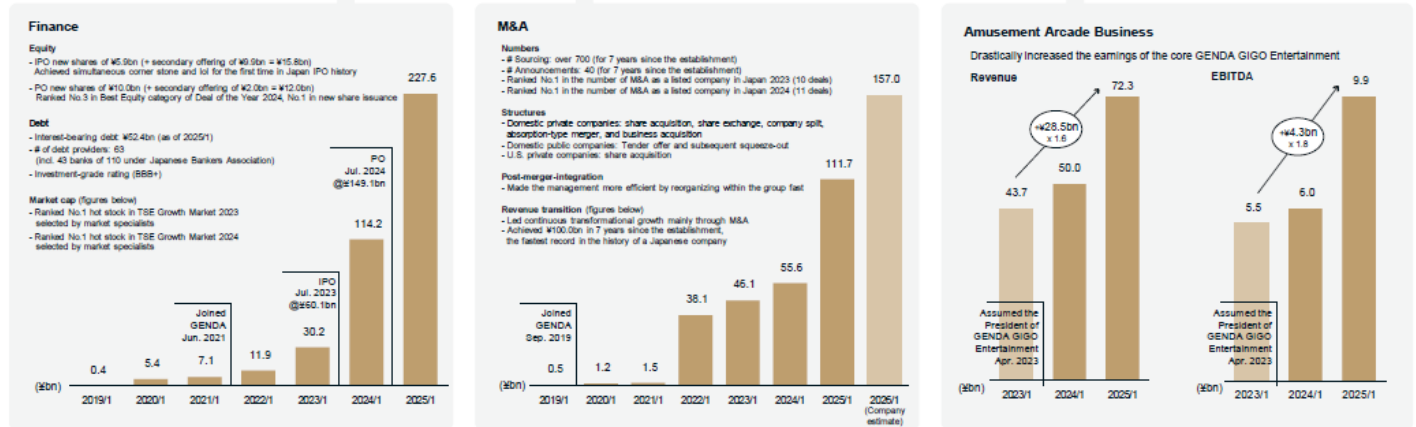
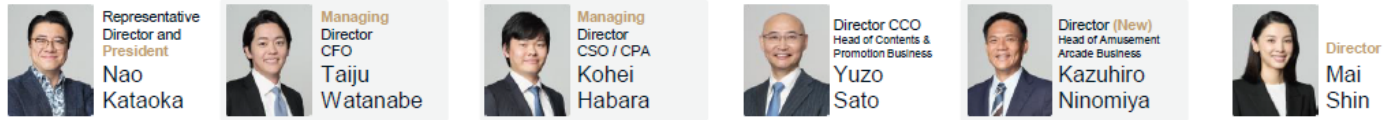
3. New Management Structure

Co-Founder Chairman Kataoka Becomes President

Since its founding in 2018, GENDA has achieved rapid growth under the leadership of its two co-founders, Chairman Nao Kataoka and President Mai Shin, but the company has recognized that CFO Taiju Watanabe and CSO Kohei Habara have become capable of leading the entire company in a manner similar to that of the co-founders. The company has appointed both of them as executive directors and has decided that President Shin will step down from his position to become a director, with Chairman Kataoka taking on the role of president.

Figure 9. New Management Structure

Having fully established its core M&A strategy, GENDA will move forward to a “New Growth Phase”, to execute this cycle at its full speed. With organic performance in top form, Mai Shin will pass the torch to CFO & CSO leading the growth, and continue to support as a director



Note: They will officially assume offices when the proposal of appointment of directors is approved at the 7th Ordinary General Meeting of Shareholders to be held in April 2025.
 Source: "Deal of the Year 2024" of NIKKEI Veritas, "Market Questionnaire 2025: Hot stocks In Growth Market selected by market specialists" and "Market Questionnaire 2024: Hot stocks In Growth Market selected by market specialists" by Wealth Advisor Co., Ltd., "Number of M&A by a listed company in 2024" and "Number of M&A by a listed company in 2023" by M&A Online

Source: Company Data.

4. Medium to Long-Term Outlook

Medium-Term Management Plan Not Published

GENDA has not published a medium-term management plan. The company places M&A at the core of its growth strategy and if it announces a mid-term management plan that includes M&A, it may carry out unreasonable or unnecessary M&A to achieve its numerical targets; and as a result, there is a risk that the company will 'grab' a high price tag. On the other hand, if the company announces a medium-term management plan that incorporates only organic growth, it would indicate a growth trajectory that differs significantly from that of the company group, which places M&A at the core of its growth strategy.

Aiming to be the World's Number 1 Entertainment Company by 2040

GENDA has declared that it will become the world's number one entertainment company by 2040. The company has identified six growth drivers: (1) existing store growth, (2) full-year contribution from new store openings during T-1, (3) full-year contribution from stores acquired through M&A during T-1, (4) X-month contribution from new store openings during T-1, (5) X-month contribution from stores acquired through M&A during T-1 and lastly (6) large M&A in the entertainment industry. New stores opened during T-1 period and stores acquired through M&A during T-1 period will become existing stores from T+1 period. Once the contribution to earnings from existing stores expands and the company's financial base is in place, it will take the next step toward a leap forward by embarking on a large-scale M&A.

Growth Image

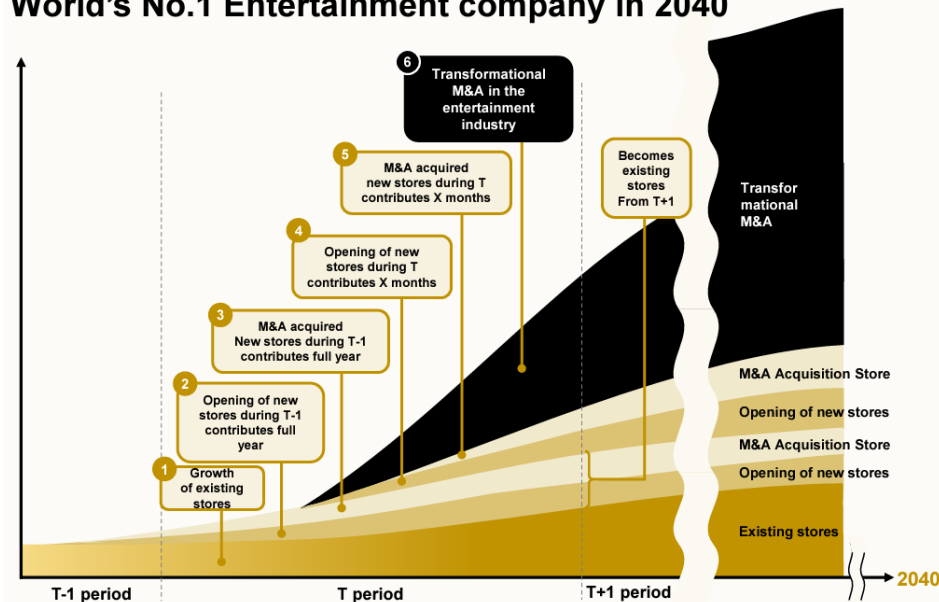
In FY1/24 as the base T period, when the company went public, new store openings and M&A during FY1/23 (T-1) and FY1/24 (T1) contributed to the growth of existing stores based on GENDA GiGO Entertainment. In FY1/25 (T+1), the company acquires the largest mini-location platform in the US, a major entertainment market, through the large-scale acquisition of NEN and gains a foothold to expand its high-margin content business, such as prizes.

Trillion Yen Revenue Pillars are Needed

GENDA's medium to long-term growth style is to rinse & repeat this basic cycle. Large-scale M&A initially focuses on the existing amusement platform area (game arcades ¥540 billion + karaoke ¥380 billion + other several hundred billion yen = approximately ¥1 trillion, as of 2019 before COVID-19). In order to become the world's number one entertainment company, it is necessary to build several trillion-yen-scale businesses as profit pillars.

Figure 10. Illustrative Diagram of GENDA's Growth

World's No.1 Entertainment company in 2040



Source: Company data

Global EM Market Size

The global entertainment and media (E&M) industry is expected to reach US\$2.32 trillion in 2022 and US\$2.78 trillion by the end of 2027 (source: Statista Japan). The E&M industry includes newspapers and magazines, books, television, music and radio, movies, etc. The highest growth rate(-2022~2026 CAGR) is projected for the "data consumption" segment at 26%, followed by "VR (virtual reality)" at 24%. On the other hand, "Newspapers and magazines" are expected to grow at a negative rate of 2% over the same period. Walt Disney, the world's largest entertainment company, has sales of US\$91.4 billion and operating profit of US\$11.9 billion (FY9/24).

The Road to Global No. 1

SA believes that in order for GENDA to become the world's number one entertainment company, it must achieve sales of at least US\$100 billion (approximately ¥15 trillion) in 2040. The top five Japanese companies in terms of sales are (1) Toyota Motor Corporation ¥45 trillion, (2) Honda ¥20.4 trillion, (3) Mitsubishi Corporation ¥19.6 trillion, (4) Itochu Corporation ¥14 trillion and (5) ENEOS Holdings ¥13.9 trillion (all for FY3/24). Incidentally, the company will need a CAGR of 36.8% to reach ¥15 trillion in FY1/41 from ¥111.8 billion in FY1/25. It should be noted that this calculation is merely a simulation and does not imply that the company will pursue aggressive M&A in order to achieve its goal, which may induce the company to grab the high end of the market.

Figure 11. Global Entertainment & Media Industry Market Size

Market size	2018	2019	2020	2021	2022	2023E	2024E	2025E	2026E	2027E	CAGR
(\$ trillion)	1.94	2.03	1.99	2.20	2.32	2.43	2.53	2.62	2.70	2.78	4.1%
(¥ trillion)	291	305	299	330	348	365	380	393	405	417	

Source: Strategy Advisors, Based on Statista Japan Data

Note: Yen amounts are converted at the rate of US\$1 = ¥150.

5. Market Trends & Value Chain

1) Trends in the Entertainment Industry are Centered on Amusement Facilities

TAM

GENDA expects TAM in the domestic entertainment industry to exceed ¥1 trillion in the existing domain alone (game arcades ¥540 billion + karaoke ¥380 billion + movies ¥260 billion = ¥1.18 trillion, as of 2019 before the COVID-19 Pandemic) (Source: Japan Amusement Industry Association, etc.). The company's FY1/25 sales forecast of ¥111.8 billion represents approximately 10% of the market share in this area.

Target Area

GENDA's current target area is mainly entertainment platforms, which are store-dependent and have a relatively small industry scale. But in a few years, the company hopes to expand its focus to include entertainment content, which is a large industry scale. According to the Ministry of Economy, Trade and Industry (METI), the scale of the content market (music, publishing, video, games, and characters) is estimated to be approximately ¥10.6 trillion in Japan and ¥128.8 trillion worldwide (converted to US\$1 = ¥109) in 2018. Notably, with the expansion of the global market and the recent depreciation of the yen, the share of the Japanese market has been declining.

Amusement Facilities

Other typical amusement facilities include amusement centers (pachinko halls, mahjong clubs, etc.), sports facilities (golf driving ranges, bowling alleys, bouldering, batting centers, etc.) and others (indoor kids' play parks, capsule toy specialty stores, etc.). Although the size of the pachinko hall industry shrank from just under ¥17 trillion in 2018 to just under ¥13 trillion in 2021 (total rental ball fees do not take into account refunds on prizes), it is still over 28 times the size of the game arcade industry (¥490 billion in 2018 and ¥451 billion 2021) (Source: Economic Structure Survey).

Amusement Facilities in the Broadest Sense of the Word

Amusement facilities in the broadest sense include public racetracks (horse racing, bicycle racing, boating etc.), theme parks, etc. Furthermore, as indicated in the company's TAM, the entertainment industry also includes broadcasting, publishing, animation planning and production, entertainment production, mobile games, toys, golf courses, fitness gyms, hotels, etc.

Fixed Cost Business

Amusement facilities are a fixed-cost business and since they are charged on a pay-as-you-go basis based on the time and equipment used, the key is occupancy rates. Amusement centers are often located in busy downtown areas and other areas with high customer attraction, which tend to have high fixed costs and require continuous capital investment as equipment needs to be replaced periodically. In pachinko halls, players pay ball rental fees to rent balls or medals, play pachinko and then exchange the balls or medals for prizes. The difference between the rental ball fee and the purchase price of prizes is the pachinko hall's gross profit margin, which according to the Japan Amusement Business Association is in the 16% range. The low-priced rental ball business, which rents balls at prices such as ¥1 per ball as opposed to the usual ¥4 per ball, is said to have contributed to the pachinko industry's shift toward amusement rather than gambling.

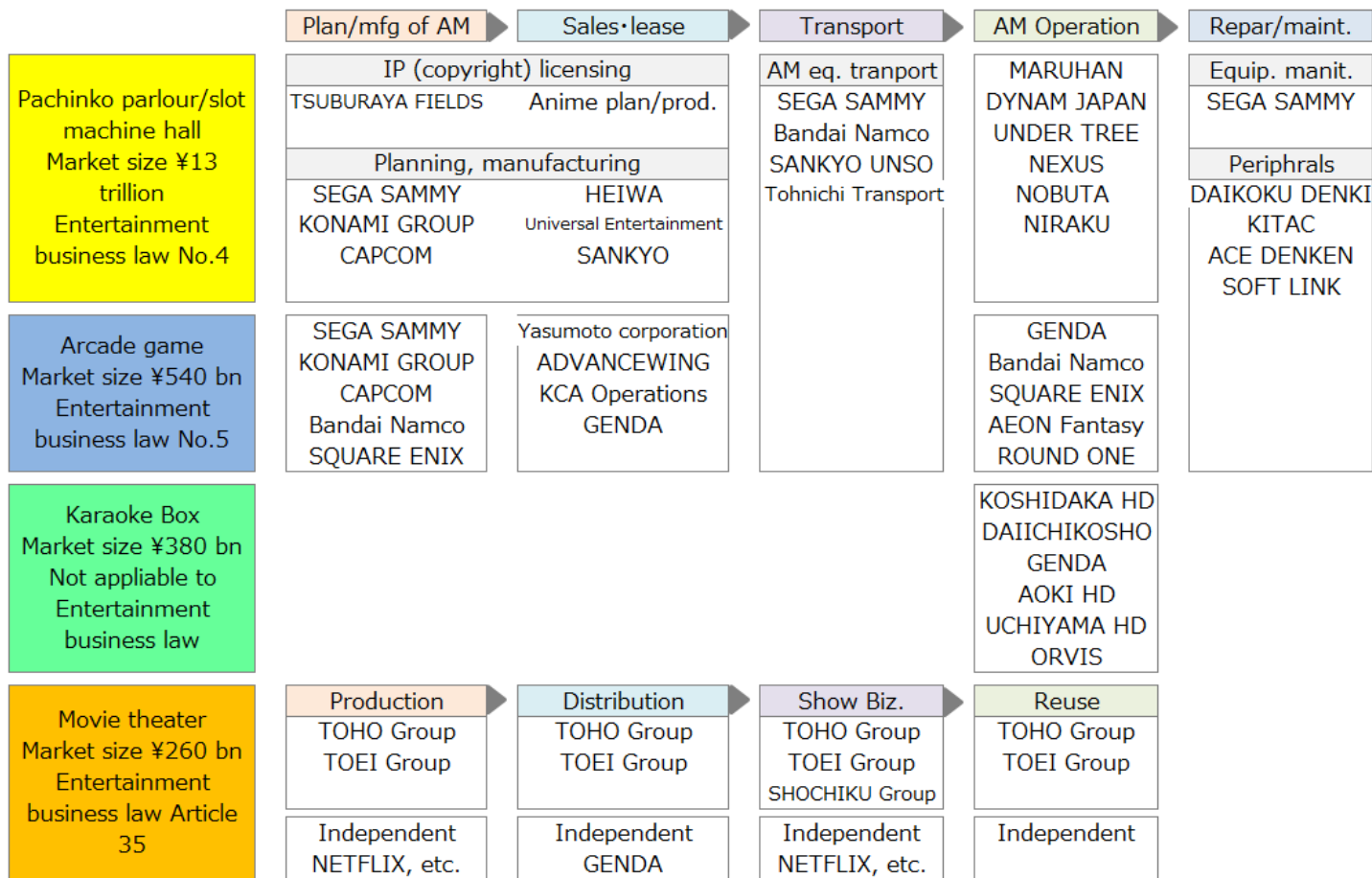
Investment Efficiency is Improving Due to the Shift to Prize Games

Although there are few laws and regulations governing the use of equipment in game arcades, a large amount of capital investment is being made, with AM equipment product sales (including cases, prizes, content billing and sharing models, etc.) totaling approximately ¥165 billion, while operations related to the use of equipment (AM facility operations) sales of approximately ¥540 billion in FY2019. However, in the current game arcade market, major equipment manufacturers are also developing facilities. In addition, since prize games are less expensive than video games, so the shift to prize games has improved investment efficiency.

Regulation

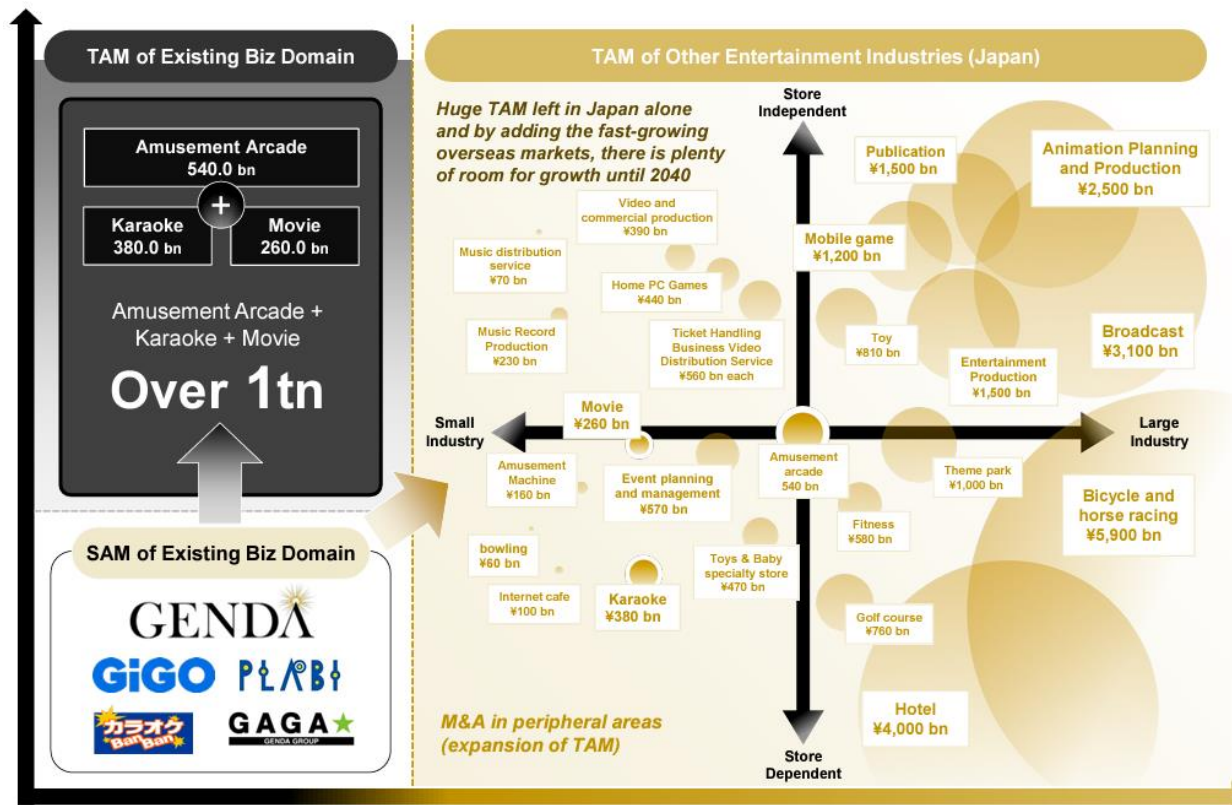
Game arcades require a permit under the entertainment business control law if the area of the facility is occupied by amusement equipment (slot machines, etc.) that may encourage gambling (more than 10% of the facility area). The law also regulates the entry of minors. However, with the implementation of the revised law in 2016, ordinances were revised and in some prefectures, those under the age of 16 are allowed to enter until a maximum of 10pm only if they are accompanied by a parent or guardian. The law for preventing unjustifiable premiums and misleading representations regulates the maximum number of prizes and the Japan Amusement Industry Association has guidelines regarding prices and types of prizes. In 2022, the law was revised to raise the maximum price of crane game prizes from ¥800 to ¥1,000. Under the entertainment business control law, mahjong and pachinko/slot machine halls are classified as "adult entertainment No. 4 businesses," while game arcades and casino bars are classified as "adult entertainment No. 5 businesses".

Figure 12. Value Chain of Amusement Facilities



Source: Strategy Advisors. Based on Various Sources.

Figure 13. TAM in the Entertainment Industry (Japan)



Source: Company Data.

2) Crane Games Drive the Amusement Facility Industry

70% of AM Facility Operation Market is Prize Games, Up 1.7x in 5 years

The market for game arcade facilities has long been on a downward trend, but in recent years there has been a new trend toward growth. Among these, prize games, represented by crane games, account for about 70% of the amusement facility operation market. While traditional video games, etc., have been eroded by home video game consoles; the prize game market, centered on crane game machines, grew 1.7 times in the five years from FY2014 to FY2019, partly due to tailwinds from the anime boom. Although affected by the COVID-19 Pandemic in FY2020, the market is back on a growth trajectory in FY2021, outperforming FY2019.

Driven by the Animation Boom

Crane games are attractive for the mechanical, analog crane operation itself, which cannot be experienced with home video game consoles; although affected by the COVID-19 Pandemic in FY2020, the prize game market is on a growth trajectory again, surpassing FY2019 in FY2021. In terms of prizes, character development has progressed due to the anime boom and non-saleable goods available only in game arcades have become an attraction for anime fans.

Expansion of Customer Base The customer base also includes elderly people playing with their grandchildren and a wide range of age groups regardless of gender. The primary purpose of the crane game is to enjoy the game and the acquisition of prizes is positioned as a byproduct of this experience. The prizes are not subject to the same strict regulations as those in pachinko halls, as the prizes are worth less than ¥1,000 and are not considered to stimulate the gambling spirit. The prizes used are not necessarily available for general sale, but many of them are nice to receive as a by-product of the game.

History of Crane Games
(Source:
Japan Crane Game Association)

The origin of the crane game is reported to be a manual candy dispenser created in Europe in 1896 and the first crane game named "ERIC DIGGEAR" was produced in the mid-1920's. In the 1930's, elaborate and beautifully decorated "hotel model" machines appeared, which are scarce today. On the other hand, the gambling nature of the machines became more pronounced, and a 1951 amendment to the law provided for their registration as gambling machines. In 1953, they were permitted to be operated as amusement machines under the control of the law. The use of coins and paper money as prizes, as in the past, and the use of prizes with a value of U\$1 or more was prohibited. There were also many restrictions, such as a limit of 10 cents or less per play. Around 1974, regulations were relaxed and electric-powered machines were put back into operation and the maximum fee per play was raised to 25 cents.

Development of the Japanese Market
(Source:
Japan Crane Game Association)

In Japan, crane game machines were released by several manufacturers, including Taito in 1965, the former iteration to SAMMY and SEGA, etc. Since the late 1980's, when arcade games began to decline as stuffed toys and other items became prizes, the industry was looking for arcade games to replace video games and the industry turned its attention to these machines. The crane game machines were also known as UFO catchers because of their unique two-armed design. In the 2010's, the popularity of figurines as prizes for crane games began to take off due to the big hit of the character "Ace" from One Piece. The popularity of figurines as crane game prizes became full-fledged. Rare and valuable products that are not generally available (not for sale) are being produced one after another and the popularity of anime/manga/movie prizes expands the scope of popularization to people who do not usually play games.

Physical Basis

In April 2024, a book titled "Physics through Crane Games" (written by Keiichi Koyama and published by Shueisha International) was published. The author, Mr. Koyama, is a professor in the Faculty of Science at Kagoshima University, has gained popularity among his students by using crane games as a subject in his physics classes. Koyama has been playing crane games for more than 30 years and is active in spreading knowledge of physics through crane games, including mock classes for high school students. According to the experimental results in the book, the probability of dropping a needle into a narrow area is 32% (16 wins out of 50 drops).

Incidentally, this 32% value is almost the same as the variable cost ratio of the product in the crane game. In order to actually win a prize, various physical factors such as the coefficient of friction and the moment of force are involved in a complex manner.

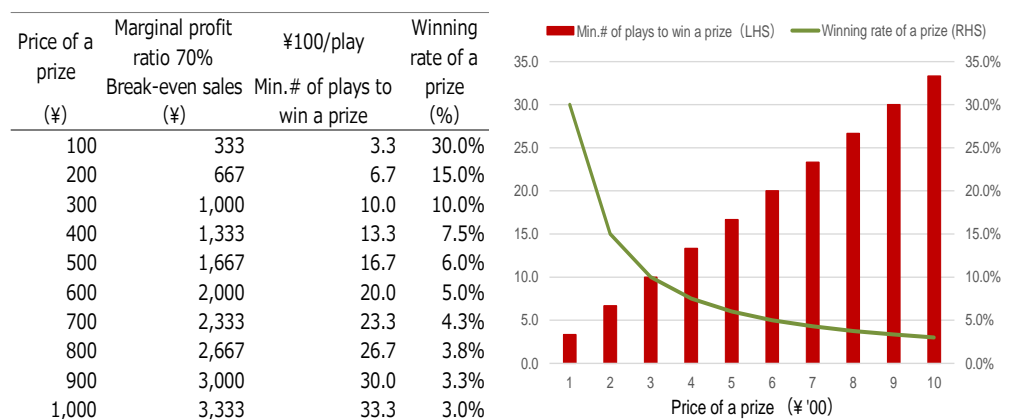
Relationship between Prize Price & Prize Acquisition Rate

Prize games (mainly crane games), which account for about 70% of game machines, have a marginal profit margin of 70% (according to the company). This means that the variable cost ratio at the break-even sales point is 30%. Variable cost = prize price x prize acquisition rate. Therefore, if the price of a prize is ¥100 per play, the prize acquisition rate decreases with each increase in the price of the prize up to ¥1,000 (the number of plays required to acquire a prize increases). The relationship between prize price and prize acquisition rate was simulated (Figure 23). When the prize price increases from ¥100 to ¥1,000 in increments of ¥100, the prize acquisition rate decreases from 30.0% to 3.0% in proportion to the rate of increase in the prize price (the minimum number of plays to win a prize increase associated with the increase of the prize prices).

The Process (Story) to Win Prizes is Appealing

Stores make various efforts to increase the utilization rate of game machines and secure stable profits. For example, if prizes are highly attractive and rare (not for sale), customers do not give up and continue to play. Also, the game can be played for ¥200 per game to raise the prize-winning rate. Conversely, there are also game machines that charge ¥10 per game, targeting children and light users who play for the sake of playing, even with inexpensive prizes. The game machines have different prize-winning rates and regularity, so the stores adjust the prize-winning rate and the players are the first to spot the difference and win the prizes. This is one of the factors increasing the appeal and popularity of crane games.

Figure 14. Relationship Between Prize Price & Prize Acquisition Rate



Source: Strategy Advisors

Ever Larger Stores & Replacement with Prize Games

AM facility operational sales have remained almost flat over the past 12 years (2010~2021), with the number of stores decreasing by almost half (from 19,000 to 10,000) and the number of units installed decreasing by 28% (from 587,000 down to 425,000). On the other hand, the average number of machines installed per store increased from 31.5 to 42.3 and average annual sales per store rose from ¥26.6 million to ¥44.7 million. Average annual sales per machine rose from ¥845,000 to ¥1.057 million. Annual sales by machine type in FY2021 showed that prize games accounted for about ¥1.5 billion, two to three times that of other machines. These data suggest progress in the shift to larger stores and the replacement of prize games continues.

Rapid Growth of the Prize Game Market

The prize game console market grew to ¥306.2 billion in 2021, more than in 2019 before the COVID-19 Pandemic. On the other hand, the existing game console market, including video game consoles, has shrunk by one-third from ¥446.2 billion in 2006 to ¥143 billion in 2021.

Figure 15. Rapid Growth of the Prize Game Market (¥ bn)

FY	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Prize game	256.7	231.4	199.0	182.2	190.4	177.1	183.9	188.6	179.4	189.6	209.6	254.0	281.3	298.8	242.5	306.2
Others(TV game, Medal game, etc.)	446.2	446.7	374.1	322.1	305.4	310.4	286.1	267.8	242.8	244.2	252.4	231.9	238.8	242.0	176.2	143.0
Total	702.9	678.1	573.1	504.3	495.8	487.5	470.0	456.4	422.2	433.8	462.0	485.9	520.1	540.8	418.7	449.2

Source: Strategy Advisors based on data from the Japan Amusement Industry Association and company data

Figure 16. Changes in the Arcade Game Machine Market (¥ bn, ¥ mn, '000 stores/units/¥)

FY	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
AM facility operation sales (¥ bn)	495.8	487.5	470.0	456.4	422.2	433.8	462.0	485.9	520.1	540.8	418.7	449.2
AM equipment sales (¥ bn)	173.2	184.8	179.1	175.0	161.1	156.9	157.4	152.9	161.7	164.7	107.3	152.0
Total (¥ bn)	669.0	672.3	649.1	631.4	583.3	590.8	619.4	638.8	681.7	705.5	526.0	601.2
No. of stores ('000 stores)	19	18	17	16	16	15	14	13	12	12	10	10
Installed units ('000 units)	587	574	547	525	486	464	445	435	432	431	414	425
Units per a store (Units)	31.5	31.7	32.2	32.7	31.1	33.6	31.4	33.2	35.5	35.3	41.4	42.3
Sales per a store (¥ mn)	26.6	26.9	27.7	28.4	27.0	29.2	32.6	37.1	42.7	44.3	41.9	44.7
Sales per a unit (¥ '000)	845	849	860	869	869	934	1,038	1,116	1,204	1,254	1,010	1,057

Source: Created by Strategy Advisors. Based on Data from the Japan Amusement Industry Association

6. Comparison with Peers, Competitors & Benchmark Companies

1) Competitors in the Same Industry

Market Share of Slightly Less than 50% for the 5 Major Companies

The five major game arcade operators, including GENDA, hold just under 50% of market share, while the remaining 50% is held by more than 100 small and medium-sized companies. The five companies are closely matched in market share terms, with Bandai Namco Amusement, AEON Fantasy and ROUND ONE Corporation (4680 TSE Prime) each holding just over 10% of the market and GENDA and Taito each holding just under 10%. As the company continues its M&A activities, it is likely to take the lead. In terms of operating profit margin, ROUND ONE, which also operates bowling alleys, karaoke rooms, food & beverage and a sports complex, has 15.2% of the market, followed by GENDA at 9.6% and Taito at 7.8%.

Bandai Namco Amusement

Bandai Namco Amusement has its roots in Nakamura Seisakusho (later Namco), which was founded in 1955 with two electric wooden horses on the roof of a department store. Bandai Namco Amusement is a wholly owned subsidiary of Bandai Namco Holdings (7832 TSE Prime) and is the core company of the amusement business. The amusement business sells arcade games and operates facilities that leverage Bandai Namco's strengths, such as "Bandai Namco Cross Store". In arcade games, the company introduced new products such as "Coastal Midnight Maximum Tune 6RR PLUS". Overseas, Bandai Namco Amusement is strengthening its arcade game sales and store openings, including the development of "Taiko Drum Master" in inland China, capsule toys in various regions and directly operated trading card game stores. Although the amusement business faces challenges, such as higher depreciation and labor costs associated with sales and store openings, it is positioned as an important outlet for the Bandai Namco group's IP, products and services, as well as a real place to play and interact with fans.

AEON Fantasy

AEON Fantasy was established in February 1997 for the purpose of operating an indoor amusement park in shopping centers. It took over 58 stores from JUSCO (now AEON (8267 TSE Prime)) and began operations in March 1997. AEON Fantasy is classified as a service business within the AEON group and primarily operates amusement facilities in shopping centers. Overseas sales, mainly in China and ASEAN countries, accounted for 21.4% of total sales in FY2/24. Amusement facilities are divided into standard stores and strategic small stores and the company also operates themed playgrounds such as "Earth Garden".

ROUND ONE

Sugino Kosan (now ROUND ONE) was established in Osaka Prefecture in December 1980. Sales composition by business segment is as follows: Amusement 59.5%, Bowling 17.1%, Spo-cha 11.2%, Karaoke, Food & Beverage 10.0% and Others 2.1%. Spo-cha is a leisure facility where both adults and children can enjoy more than 50 types of sports and all amusement items as much as they want within a certain time limit. Overseas sales are 37.4% in the US and 1.0% in Asia and other areas.

Taito

Taito Trading (now Taito) was established on August 24, 1953, and began jukebox rental operations in 1954. Taito is a wholly owned subsidiary of SQUARE ENIX HOLDINGS (9684 TSE Prime) and is the core company of the amusement business. The amusement business operates amusement arcades and plans, develops and sells arcade game machines and related products for amusement arcades.

2) Benchmark or Comparable Companies

Companies that Grow Through Repeated M&A in Specific Industries are Comparables

The company assumes that it will continue to accumulate continuous transformational growth through M&A in the entertainment industry. Therefore, the company is compared to "a company that repeatedly grows through M&A in a specific industry". In Europe and the US, such companies are called Serial Acquirors. SA has chosen representative companies that have grown mainly through M&A such as SHIFT (3697 TSE Prime), Japan Elevator Service Holdings (6544 TSE Prime) and Yoshimura Food Holdings(-2884 TSE Prime) as its benchmark or comparable companies.

SHIFT

In September 2005, current President and CEO Masaru Tange founded SHIFT to provide consulting services to the manufacturing industry. In November 2009, SHIFT launched its software testing business. On par with the company (M&A activity in 2023 was only 5 months from August to December due to its IPO), SHIFT is competing for the top position among Japanese companies in terms of number of M&A deals (10 deals) in 2023. As of the end of January 2024, SHIFT has conducted a total of 31 M&A deals (excluding capital and business alliances) over the previous 9-years and achieved 16 consecutive years of increased revenue in FY8/24. Furthermore, the company is strengthening its structure by establishing a specialized overseas M&A/PMI team and EVAC Consulting, a management consulting unit in the style of SHIFT.

Japan Elevator Service Holdings

In October 1994, Katsufumi Ishida, current Chairman and President, established Japan Elevator Service as a company specializing in the maintenance of elevators, etc. After listing on TSE Mothers in March 2017 and changing its market to the TSE 1st Section in September 2018, the company became active in M&A: 1 in 2019, 6 in 2020, 7 in 2021, 5 in 2022 and 2 in 2023. The number of maintenance contracts in Japan exceeded 100,000 units at the end of FY3/24. FY3/24 saw a significant increase in revenues and record profits, and FY3/25 is also expected to see an increase in both revenues and profits. Of the approximately 1.1 million units in the domestic market for elevator maintenance, approximately 80% are owned by manufacturers, 9% by Japan Elevator Service and 11% by independent companies and others. Operating profit margins have been improving along with sales growth.

Yoshimura Food Holdings

In March 2008, current CEO Motohisa Yoshimura established L Partners (now Yoshimura Food Holdings) to support and revitalize small and medium-sized companies. He started M&A activity in December of the same year and has conducted M&A across a wide range of small and medium-sized food companies, including in commercial food ingredients and frozen foods (2 cases in 2023, 6 cases in 2022, 2 cases in 2021, etc.). In March 2016, the company was listed on TSE Mothers and in March 2017, it was listed on the TSE 1st Section.

Small and medium-sized food companies are often too small to be taken over by large companies and since the main objective of investment funds is to achieve high growth on a stand-alone basis and sell the companies within a few years, small and medium-sized food companies in mature markets are not likely to be investment targets.

Yoshimura Food Holdings, recognizing its role as a receiver of business succession for small and medium-sized food companies, formulates, executes, manages company-wide strategies as a holding company, and provides management support to subsidiaries and supports by function through its "Small and Medium Business Support Platform".

Yoshimura Food Holdings' business performance in FY2/24 saw a significant increase in both sales and profit, reaching a record high and it is expected to increase both sales and profit in FY2/25 as well.

Figure 17. Profitability Comparison with Peers, Competitors & Benchmark Companies

Company names	Major shareholder Parent, Fund, Founder	Ticker code	FY	Sales (¥ mn)	EBITDA (¥ mn)	EBITDA Margin(%)	OP (¥ mn)	OPM (%)	ROE (%)	Equity Ratio(%)	Comments
Peers, competitors			5Co Total Sales				374,216				
Bandai Namco Amusement	Bandai Namco Holdings	-	FY3/23	79,579	-	-	2,934	3.7%	7.9%	49.5%	Bandai Namco HD owns 100%
AEON Fantasy	AEON	4343	FY2/24	81,758	13,629	16.7%	3,585	4.4%	16.2%	15.9%	AEON owns 60.51%. Overseas sales ratio 21.4%
GENDA	MIDAS Capital, Kataoka	9166	FY1/24	55,697	8,102	14.5%	5,370	9.6%	27.2%	37.2%	Acquired AM business from SEGA SAMMY HD
ROUND ONE Corporation	Kimihiko Sugino	4680	FY3/24	94,750	-	-	-	-	23.9%	37.9%	Japan(61.8%), US(37.4%), Others(1.0%)
Taito	SQUARE ENIX HOLDINGS	-	FY3/24	62,432	-	-	4,895	7.8%	25.4%	19.3%	SQUARE ENIX HD owns 100%
Benchmark companies (primarily engaged in M&A)											
SHIFT	Masaru Tange	3697	FY8/23	88,043	13,285	15.1%	11,569	13.1%	22.9%	58.5%	Japan's top provider of software testing services
Japan Elevator Service Holdings	KI	6544	FY3/24	42,216	8,494	20.1%	6,821	16.2%	30.1%	50.8%	Specializing in maintenance of elevators, etc.
Yoshimura Food Holdings	Motohisa Yoshimura	2884	FY2/24	49,781	4,120	8.3%	2,429	4.9%	12.7%	16.7%	Manufacture and sale of food products

Note: ROUND ONE's sales are shown only for the amusement business (operating profit of the same business is not disclosed); ROE, equity ratio and sales ratio by region are on a company-wide basis. Taito's sales and operating profit are figures for SQUARE ENIX HD's amusement business segment. ROE and equity ratio are figures for SQUARE ENIX HD.

Source: Strategy Advisors. Based on Company Data.

7. Stock Price Trends & Valuations

Stock Price Trends

We compared the valuation and stock price trends of GENDA and the aforementioned comparable companies (including parent companies of peer/competitor companies and SEGA SAMMY HOLDINGS (6460 TSE Prime)) and benchmark companies (companies whose main strategy is M&A). GENDA will be listed on July 28, 2023 and its valuation based on the closing price on March 24, 2025 is PER (forecast) 42.4x, PER (forecast) based on Cash EPS 26.5x, EV/EBITDA multiple (actual) 16.7x and PBR (actual) 6.0x .

Large Affiliated Companies are Sluggish, While Independent Companies 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, of which Chairman Kataoka served as president, in terms of operating profit and market capitalization. ROUND ONE's market capitalization is 1.4 times larger than GENDA's, its PER is 16.1x and its EV/EBITDA is 4.9x. 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 the company's operating profit margin for the entire company, including the bowling business, was 15.1% (FY3/24), the highest among the five companies.

Comparison to Similar Companies

The PBR ratios are GENDA 6.4x, AEON Fantasy 5.5x and ROUND ONE 3.0x, respectively. In terms of ROE, ROUND ONE 23.8%, AEON Fantasy 16.1% and Bandai Namco HD (2884 TSE Prime) 15.0%. 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, Japan Elevator Service Holdings, Yoshimura Food Holdings) have PER of 14-50x, EV/EBITDA multiples of 13-26x and PBR of 3-13x. 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 a shorter history than these three companies, it has more recent annual M&A activity than these three companies and its current growth rate is also higher. With the exception of Japan Elevator Service Holdings, the three companies including GENDA have not paid dividends since their inception, placing priority on strengthening their financial position and increasing internal reserves for business expansion.

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 Benefits 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 18. 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
				(3/14)	(3/14)	CoE	Actual	Actual	CoE	Actual
				(¥)	(¥ mn)	(Times)	(Times)	(Times)	(%)	(%)
Competitive & Related Companies										
Bandai Namco HD	Japan	7832	3/24	4,980	3,258,237	25.5	2.6	11.7	1.4	15.0
AEON Fantasy	Japan	4343	2/24	2,683	53,065	-	5.5	5.2	0.2	16.1
GENDA	Japan	9166	1/25	2,391	190,557	38.1	6.4	17.8	0.0	12.0
ROUND ONE	Japan	4680	3/24	1,021	274,045	16.1	3.0	4.9	1.6	23.8
SQUARE ENIX HD	Japan	9684	3/24	6,875	825,395	29.5	2.2	12.0	1.0	4.7
SEGA SAMMY HD	Japan	6460	3/24	2,945	628,976	16.8	1.2	5.2	1.7	9.6
Benchmark Companies (Companies Whose Main Business is M&A)										
SHIFT	Japan	3697	8/24	1,215	324,655	41.1	7.1	17.1	0.0	16.2
Japan Elevator	Japan	6544	3/24	2,739	243,928	47.8	13.0	25.9	1.1	30.1
Yoshimura Food	Japan	2884	2/24	972	23,169	14.3	3.4	13.3	0.0	12.7

*Converted at ¥150/USD\$1

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

Figure 19. Consolidated Income Statement (Unit: ¥ mn)

FY	1/19	1/20	1/21	1/22	1/23	1/24	1/25	1/26 CoE
Sales	177	667	1,019	38,111	46,091	55,697	111,786	157,000
(YoY)	-	276.8%	52.8%	3640.0%	20.9%	20.8%	100.7%	40.4%
Cost of Sales	-	-	-	28,811	35,230	42,738	86,328	-
Gross Profit	-	-	-	9,299	10,860	12,958	25,458	-
Gross Profit Margin	-	-	-	24.4%	23.6%	23.3%	22.8%	-
SG&A Expenses	-	-	-	5,275	6,615	7,588	17,492	-
Operating Profit	-	-	-	4,024	4,244	5,370	7,965	10,500
Operating Profit Margin	-	-	-	10.6%	9.2%	9.6%	7.1%	6.7%
Non-Operating Income	-	-	-	319	163	265	490	-
Non-Operating Expenses	-	-	-	404	396	419	1,150	-
Ordinary Profit	72	71	-272	3,939	4,011	5,216	7,305	9,100
Ordinary Profit Margin	40.7%	10.6%	-	10.3%	8.7%	9.4%	6.5%	5.8%
Extraordinary Profit	-	-	-	0	0	191	-	-
Extraordinary Loss	-	-	-	656	705	993	615	-
Pretax Profit	-	-	-	3,283	3,306	4,414	6,690	-
Pre-Tax Profit Margin	-	-	-	8.6%	7.2%	7.9%	6.0%	-
Corporate Tax etc.	-	-	-	84	-146	217	3,166	-
Net Profit Attributable to Owners of Parent	41	47	-526	2,727	3,494	4,179	3,304	5,000
Net Profit Margin	23.2%	7.0%	-	7.2%	7.6%	7.5%	3.0%	3.2%
EBITDA	-	-	-	5,600	6,272	8,102	14	22,000
EBITDA Margin	-	-	-	14.7%	13.6%	14.5%	12.7%	14.0%

Source: Company Data. Compiled by Strategy Advisors.

Figure 20. Consolidated Balance Sheet (Unit: ¥ mn)

FY	1/19	1/20	1/21	1/22	1/23	1/24	1/25
Cash and Deposits	-	-	-	7,315	7,086	12,379	25,649
Trade Receivables	-	-	-	1,599	1,973	3,689	7,021
Inventory	-	-	-	2,542	2,261	4,373	8,235
Other Current Assets	-	-	-	1,154	1,405	3,126	4,741
Current Assets	-	-	-	12,610	12,723	23,567	45,646
Tangible Fixed Assets	-	-	-	5,532	7,750	12,581	31,466
Goodwill	-	-	-	566	1,225	4,992	18,136
Other Intangible Fixed Assets	-	-	-	640	675	706	3,154
Intangible Fixed Assets	-	-	-	1,207	1,900	5,698	21,290
Investments and Other Assets	-	-	-	7,357	8,658	10,293	15,964
Total Fixed Assets	-	-	-	14,097	18,310	28,573	68,722
Total Assets	1,214	2,730	4,114	26,708	31,033	52,141	114,368
Trade Payables	-	-	-	1,106	1,356	3,213	5,253
Accounts Payable and Unpaid Expenses	-	-	-	1,223	1,931	3,031	6,950
Interest-Bearing Debt	-	-	-	2,890	2,509	7,616	20,424
Other Current Liabilities	-	-	-	191	1,811	2,970	7,143
Current Liabilities	-	-	-	7,380	7,609	16,892	39,770
Interest-Bearing Debt	-	-	-	8,637	8,570	11,370	30,861
Asset Retirement Obligations	-	-	-	2,859	3,511	3,972	7,415
Other Fixed Liabilities	-	-	-	86	99	240	631
Fixed Liabilities	-	-	-	11,582	12,182	15,584	38,907
Total Liabilities	-	-	-	18,963	19,792	32,476	78,678
Capital and Surplus	-	-	-	1,341	1,340	5,394	17,974
Retained Earnings	-	-	-	6,351	9,845	14,024	17,328
Treasury Stock	-	-	-	-	-	-	-
Shareholders' Equity	-	-	-	7,693	11,186	19,419	35,302
Comprehensive Income Type Amount	-	-	-	10	38	7	176
Stock Acquisition Rights	-	-	-	6	5	5	4
Non-Controlling Interests	-	-	-	34	9	231	207
Total Net Assets	-	-	-	7,744	11,240	19,664	35,690
Liabilities And Net Assets	-	-	-	26,708	31,033	52,141	114,368

Source: Company Data. Compiled by Strategy Advisors.

Figure 21. Cash Flow Statement (Unit: ¥ mn)

FY	1/19	1/20	1/21	1/22	1/23	1/24	1/25
Profit Before Tax	-	-	-	3,283	3,306	4,414	6,690
Depreciation	-	-	-	1,655	1,945	2,549	4,920
Impairment Loss	-	-	-	453	705	993	615
Loss on Disposal of Fixed Assets	-	-	-	21	105	42	51
Exchange Gains/Losses ('-' Indicates a Gain)	-	-	-	121	174	193	679
Equity in Earnings of Affiliates ('-' Indicates a Gain)	-	-	-	12	15	38	-
Changes in Working Capital	-	-	-	-1,014	198	-65	-2,130
Cash Flow from Operating Activities	-	-	-	4,691	6,446	7,602	8,890
Expenditures For Acquisition of Tangible Fixed Assets	-	-	-	-2,645	-3,701	-4,722	-11,300
Expenditures For Acquisition of Intangible Fixed Assets	-	-	-	-288	-281	-410	-601
Expenditures For Business Acquisition	-	-	-	-	-228	-1,069	-73
Expenditures For Deposits	-	-	-	-282	-828	-684	-1,442
Expenditures For Acquisition of Subsidiary Shares Resulting in Change in Scope of Consolidation	-	-	-	-478	-	-2,792	-6,946
Cash Flows from Investing Activities	-	-	-	-3,440	-5,530	-10,334	-20,131
Net Increase/Decrease in Short-Term Borrowings	-	-	-	1,005	-1,045	3,412	5,725
Net Increase/Decrease in Long-Term Borrowings	-	-	-	2,320	-76	500	10,666
Cash Flow from Financing Activities	-	-	-	1,020	-1,145	7,960	24,648
Free Cash Flow	-	-	-	1,251	916	-2,732	-11,241

Source: Company Data. Compiled by Strategy Advisors.

Figure 22. Stock Price & Capital Efficiency Indicators

FY	1/19	1/20	1/21	1/22	1/23	1/24	1/25	1/26 CoE
EPS (¥)	-	-	-	93.6	110.0	126.4	45.3	30.8
BPS (¥)	-	-	-	242.5	353.3	566.4	453.1	-
Dividend Per Share (¥)	-	-	-	-	-	-	-	-
Dividend Payout Ratio	-	-	-	-	-	-	-	-
Closing Price (¥)	-	-	-	-	-	3,330	2,907	-
PER (Times)	-	-	-	-	-	27.3	68.9	38.1
PBR (Times)	-	-	-	-	-	5.9	6.4	-
Number of Shares Issued at End of Period ('000)	-	-	-	79	79	34,297	78,305	-
Treasury Stock (Shares)	-	-	-	-	-	0	0	-
Number of Treasury Stocks Excluded ('000 Shares)	-	-	-	79	79	34,297	78,305	-
Market Capitalization (¥ mn)	-	-	-	-	-	114,208	227,632	-
Shareholders' Equity Ratio	-	-	-	28.9%	36.2%	37.3%	31.0%	-
Interest-Bearing Debt Balance	-	-	-	11,542	11,088	18,990	51,285	-
D/E Ratio	-	-	-	1.5	1.0	1.0	1.5	-
EV (Enterprise Value)	-	-	-	-	-	121,050	253,475	-
EBITDA (¥ mn)	-	-	-	5,679	6,189	7,919	14	16,769
EV/EBITDA (Multiple)	-	-	-	-	-	15.3	17.8	12.9
ROE	-	-	-	-	36.9%	27.3%	12.0%	-
ROIC (Invested Capital)	-	-	-	-	21.1%	16.9%	7.6%	-
ROIC (Business Assets)	-	-	-	-	39.4%	28.9%	11.2%	-
Number of Employees	-	-	-	357	367	599	-	-

Source: Company Data. Compiled by Strategy Advisors.

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