

GENDA (9166) – Initiating Coverage

28th February 2024

Share price: ¥3,695

Market cap: ¥126.7bn

The art of arcade acquisition

GENDA is honing the art of domestic & overseas arcade acquisition with a view to building a global entertainment business.

Company sector

Hotels, Restaurants, Leisure (GICS Industry)

Stock data

Price (¥)	3,695
Mkt cap (¥bn)/(\$m)	126.7 / 840.9
52-week range (¥)	1,606 - 3,790
Shares O/S (m)	34.3
Average daily value (\$m)	16.8
Free float (%)	25.4
Foreign shareholding (%)	1.7
Ticker	9166
Exchange	Tokyo Growth
Net Debt/Equity (%)	6.9



Source: Bloomberg

- **Recently listed entertainment company GENDA aims to leverage its uniquely aggressive M&A strategy to become the top entertainment company by 2040. It targets companies with low EV/EBITDA ratios versus FCF yield, the high cash ratio enabling it to leverage each deal & deploy funds for further M&A. It renovates the arcades, replacing video games mainly with higher margin crane games.**
- **The crane game market has been growing since 2014 in tandem with the popularity of anime & game IP prizes. Crane games represent approx. 70% of GENDA's sales & GENDA expects market expansion to continue driving sales & OP growth alongside domestic & overseas M&A.**
- **The company revised up its FY 1/24 forecasts ahead of 1-3Q results due to ongoing above plan strength in the crane game business, with existing store sales surpassing pre-COVID levels from Aug 2023. For FY 1/25, it targets >Y90bn sales, >Y12bn EBITDA & >Y6.5bn OP. With 329 arcades & 514 mini locations as of Jan 2024, rapid growth is also generating greater buying power with prize suppliers.**
- **GENDA announced 15 acquisitions in 2H FY 1/24 which it expects to contribute significantly to FY 1/25 earnings. We also note acquisitions to complement the core arcade operation, as well as efforts to raise crane machine operational speeds & a focus on higher revenue cashless transactions.**
- **The Aug 2023 acquisition of US arcade operator Kiddleton has facilitated rapid overseas expansion. In context of rising popularity of crane games & strong demand for anime-related prizes, plans for mass opening in GMS locations appear logical.**
- **GENDA aims to continue financing M&A through debt to avoid stock dilution but is not planning to pay a dividend given its growth strategy. On 31x FY 1/24 earnings, ahead of rapid expansion & ongoing business model optimisation, we recommend investors book time with management to digest the company's significant growth potential: [here](#).**

BUSINESS OVERVIEW

GENDA operates amusement arcades, mainly under the "GiGO" brand, amusement machine leasing, online crane games, & character licensing.

Next event:

FY results in March 2024.

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GENDA is a research client of Storm Research

Year end	1/2022	1/2023	1-3Q 1/2024	1/2024E
Sales (¥bn)	38.1	46.1	38.8	53.0
OP (¥bn)	4.0	4.2	4.2	5.0
NP (¥bn)	2.7	3.5	3.3	4.0
EPS (¥)	93.6	110.0	101.9	121.0
Sales growth YoY (%)	n/a	21.0	+17.4	+15.0
OP growth YoY (%)	n/a	5.0	+19.8	+17.8
NP growth YoY (%)	n/a	29.6	+8.0	+14.5
EPS growth YoY (%)	n/a	17.5	n/a	n/a
PER (x)	n/a	n/a	n/a	30.5
EV/EBITDA (x)	n/a	n/a	n/a	16.8
EV/Sales (x)	n/a	n/a	n/a	2.4
PBR (x)	n/a	n/a	n/a	7.0
ROE (%)	n/a	36.9	n/a	n/a
ROIC (%)	n/a	21.7	20.8	n/a
FCF yield (%)	n/a	n/a	n/a	n/a
Dividend yield (%)	n/a	n/a	n/a	n/a

Source: Bloomberg.

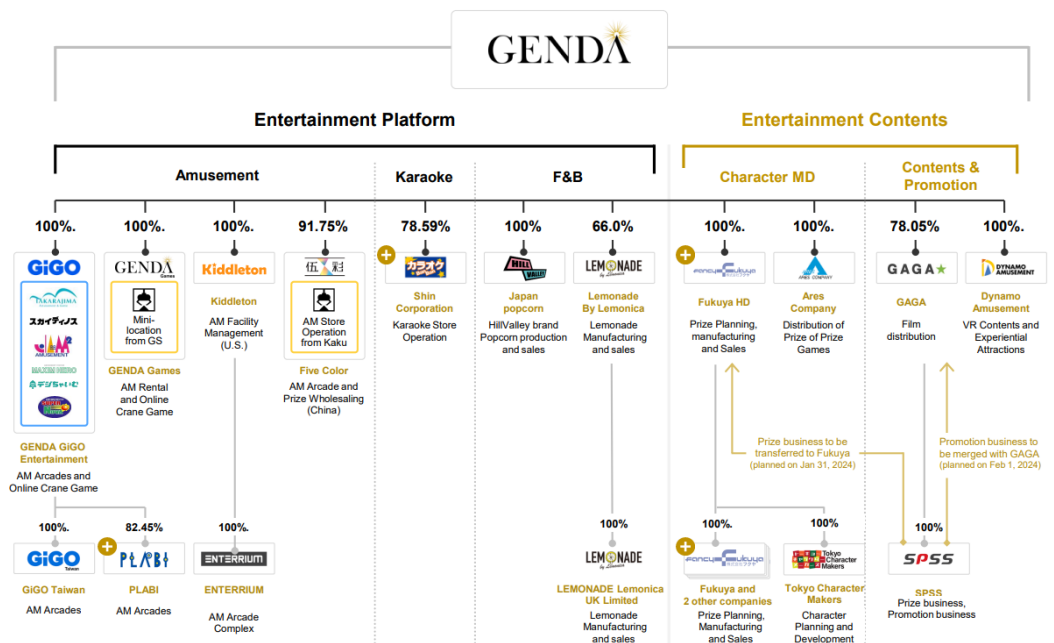
COMPANY OVERVIEW

GENDA (Global Entertainment Network for Dreams & Aspiration) is an entertainment M&A company specialising in amusement arcades. It has completed 26 acquisitions & capital transactions since its establishment in 2018. Its largest subsidiary is flagship arcade brand GiGO, previously SEGA Group’s arcade subsidiary. The company listed on the TSE Growth Market in July 2023.

Including amusement arcades, mini locations, karaoke & F&B, **GENDA is currently operating in 1,625 locations globally.**

In its core Entertainment Platform division (99% of 1-3Q sales), it manages arcades & peripheral businesses. Its Entertainment Contents division includes IP management & promotion businesses, such as film distribution company GAGA, to complement the Entertainment Platform.

- GENDA Group organisation:

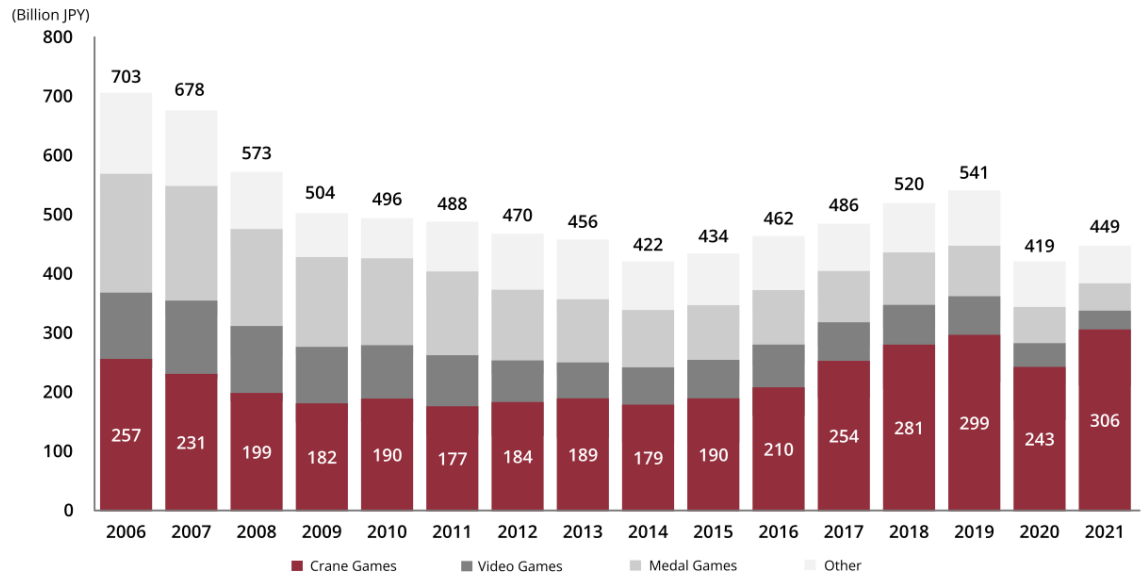


Source: Company.

ARCADE BUSINESS

- **Market:** Japanese arcade market revenue declined between 2006 (Y703bn) to 2014 (Y422bn) but subsequently grew to Y541bn by 2019 on the strength of crane game popularity. After a COVID-induced market slump in 2020, crane games led the 2021 recovery. **Although the arcade market had declined to Y449bn by 2021, the crane game market was worth a 16-year high of Y306bn.**

- Crane/prize game market growth 2006-2021:



Source: Company.

Other games, such as video games, have a dedicated but largely stable clientele.

- Crane games: As of 1-3Q 1/24, **approx. 70% of GENDA's total sales came from crane games**. Crane games are highly profitable due to the relatively low purchase price & low technical demands versus traditional video game machines, & a low but tangible success rate that keeps customers spending.



GiGO crane games. Source: [Kokosil](#).

GENDA attributes soaring crane game popularity to the anime boom, as many of its prizes are anime related. Anime consumption increased in 2015, when both Netflix & Amazon Prime launched their Japanese businesses, growing international interest in anime.

This wave was augmented by COVID as people stayed at home, which has subsequently generated strong anime-related crane demand post-COVID. Opportunities to share catches on social media, or resell unwanted items on platforms such as Mercari (4385), also positively impact crane game popularity.

GENDA notes that **offering crane game-exclusive character merchandise attracts fans of the IP who otherwise would not enter arcades**. It buys items directly from manufacturers & researches trends on social media to ensure it stocks popular prizes. It believes anime-related sales & popularity are likely to continue to grow with the anime industry.

GENDA notes that the top 5 Japanese arcade companies recorded historical high domestic arcade OP in FY 2022 due to ongoing anime-related growth, with FY 2023 likely to beat FY 2022 records. The Association of Japanese Animation's 2023 report on the anime industry highlighted this with news that **the industry grew to a new high of ¥2.9trn +11%YoY**.

- *Stores*: GENDA has an organic store opening strategy of approx. +10 openings annually, faster than competitors. It has 3 main locations: urban, shopping malls, & roadside, with each location contributing approx. 33% of sales. **Urban stores tend to be the most profitable**, & these openings have been strong post-COVID as GiGO can replace retail stores that closed during the pandemic.

- *DX*: By Nov 2023, **GENDA's GiGO app had >640,000 members versus 220,000 in Nov 2022**. Functions include a paid subscription service that earns members free plays (Nov paid members were 6,606 versus Nov 2022's 1,830). The app's primary role is to build customer loyalty.

GENDA's internal GiGO NAVI app improves efficiency at stores by digitising processes through proprietary DX such as inventory management that was previously performed manually, reducing time required for inventory management by -62.5% at test stores from 56 to 21 hours. GENDA does not believe competitors will be able to imitate its DX as no competitors are hiring engineers as it does.

GENDA expects the app to cut personnel costs but has no concrete reduction goals. It also allows GiGO staff to see which machines give prizes at too fast a pace such that the relevant machines can be repositioned.

- *Cashless*: **GENDA expects cashless transactions to drive further sales growth** long-term as customers using cashless payments typically spend 2x the level of cash customers as it is harder to visualise the money.

When acquiring Sega Entertainment in 2020, the deal included cashless machines Sega (6460) had upgraded at great cost, essentially allowing it to acquire for free the highest number of cashless machines in the industry versus competitors that did not consider cashless capex a worthwhile investment, as GENDA had written off those assets upon acquisition.

- *Competition*: 45-50% of the Japanese arcade market is held by the top 5 companies, each with an approx. 10% sales share: #1 Bandai Namco Amusement (under Bandai Namco (7832)), #2 Aeon Fantasy (4343), #3 GENDA, #4 Round One (4680), & #5 TAITO (under Square Enix (9684)). The remaining market is split between >100 small operators.

(JPY millions)	Bandai Namco Amusement	Aeon Fantasy	GENDA	Round One	Square Enix
Sales	59,253	59,486	24,515	46,300	28,400
OP	6,977	1,656	2,767	n/a	3,200
OPM	11.8%	2.8%	11.3%	n/a	11.3%
Domestic stores	247	699	468	100	n/a
International stores	22	451	319	52	n/a

* Sales/OP data from the most recent 1H earnings for comparability. Store data is most recent available.

** Amusement arcade businesses only, where data is available. Bandai Namco Amusement & Square Enix's Amusement businesses contain both arcades & other businesses, & Round One stores are not split by type.

GENDA sets itself apart via its aggressive M&A strategy (see M&A Strategy section below). It differentiates its crane games with IP collaborations it holds approx. 2x per month where it offers GiGO-exclusive prizes. Typically, IP holders (even ones that own arcade businesses) supply all arcades to maximise profits, but successful collaborations could lead to further exclusive supply.

In Jan 2024, **GENDA had 329 arcades versus 250 in Jan 2023 & 514 mini locations versus 54 in Jan 2023**, giving it rapidly growing buying power with prize suppliers.

- *Peripheral businesses: GENDA acquires businesses to complement its arcade business. For example, its food & beverage business keeps customers in arcades longer.* It also runs one-off food & beverage IP collaborations to attract fans of the IP to GiGO stores, such as a July-Sep 2023 snack collaboration with the popular game Genshin Impact, which resulted in a queue of approx. 700 people.

GENDA had 56 food & beverage stores in Jan 2024 versus 0 in Jan 2023.

In Feb 2024, it acquired karaoke operator Shin Corporation & its 372 stores. Karaoke & arcades have similar staff needs & seasonality, & **GENDA plans to fill the upper floors of its rented buildings with karaoke to make them more profitable.** Landlords typically only rent full buildings, but arcade customers rarely rise beyond the fourth floor, leaving higher floors less profitable.

GENDA expects regular sales contributions from its peripheral businesses but does not anticipate them growing to rival the main crane game-focused arcade business.

- *Overseas: GENDA's overseas business consists mainly of unstaffed mini locations in the US, which it is growing rapidly.* It had 308 overseas mini locations in Jan 2024 versus 1 in Jan 2023, with an additional 11 arcades versus 4 in Jan 2023. Swift FY 1/24 expansion was possible through the Aug 2023 acquisition of US arcade operator Kiddleton, which included 205 mini locations & 5 arcades.

Mini locations are highly profitable as staff needs are lower, establishment is 20x cheaper than a full arcade, & investment recoupment is achievable within 6-12 months. **GENDA targets mass openings in GMS locations.** Crane games & 'gacha' capsule machines are rising in popularity in the USA, particularly with anime-related prizes that are rarer than in Japan.

Although Bandai Namco has begun to expand in the USA, its scope is smaller than GENDA's at 22 stores. Round One is also growing in the USA, but with large arcades. GENDA also has arcades in China & Taiwan, albeit with negligible sales contributions.

M&A STRATEGY

- *Strategy*: GENDA's original M&A financing strategy was to start with small loans, developing its links with banks & paving the way for larger loans such as for the 2020 Sega Entertainment acquisition for an undisclosed price, which kickstarted GENDA's arcade business with 190 arcades. GENDA acquired 85.1% in Nov 2020, & the remaining 14.9% in Jan 2022, subsequently rebranding all Sega Entertainment arcades to GiGO.

Acquiring more companies increases leverage for further acquisitions. Japanese banks typically lend up to 5x the EBITDA of a company of which GENDA owns >51%. With a 1-3Q 1/24 net debt to EBITDA ratio of 0.2x & a capital adequacy ratio of 45.6%, GENDA maintains a high capacity for debt issuance, & has loans with >40 financial institutions.

The company estimates it would see little impact on returns if interest rates rose as high as 2%, although it believes >2% would result in a sharp decline in returns, but does not anticipate rates rising to that level.

- *Acquisition profile*: GENDA prioritises EPS maximisation by acquiring businesses cheaply & frequently. **It targets entertainment companies with low EV/EBITDA versus FCF yield.** These can appear unappealing to investors due to fair P/E ratios (e.g. between 10-20x) but will often be cash rich with little debt. It rarely seeks to acquire companies with an EV/EBITDA ratio >5x.

By buying cheap assets with low debt & adapting arcades to improve profitability, GENDA **aims to recoup M&A costs from FCF as soon as possible post-acquisition.** It retains positive FCF by using bullet loans which it typically refinances once the loan reaches maturity (e.g. after 5 years). GENDA aims to acquire both small & large competitors long-term.

- *PMI (Post Merger Integration)*: GENDA **rebrands all its acquired arcades as GiGO & improves profitability by implementing DX & renovating to feature mainly profitable crane games.** Crane games incur 30% variable costs (mainly the cost of the prizes). With an approx. 10% OPM, GENDA estimates the marginal income ratio is 70%.

Recent PMI successes include +20% sales growth at 20 previously branded Takarajima stores in the first year since GENDA acquired the assets versus the previous full year pre-acquisition.

- Examples of arcade renovations & subsequent sales growth:



Note: From the viewpoint of fair comparison, the effectiveness of PMI results was measured after GENDA grouping in, using the latest and longest period of time for which comparisons could be made over the same period. For Takarajima, the figures compare sales from February 2021 to January 2022 (12 months) before GENDA grouping in and November 2022 to October 2023 (latest 12 months). Figures for Sugai Dinos and Avice compare sales from October 2021 to September 2022 (12 months) before joining the GENDA Group and from November 2022 to October 2023 (latest 12 months). The figures for MAXIM HERO are the sales figures for the 4th week of October compared to the previous week.

Source: Company.

- *Differentiation*: GENDA notes that competitors are unable to acquire as aggressively as it does due to being under larger parent companies such as Aeon Fantasy under Aeon (8267). Round One is an exception, but it has other major businesses, such as bowling or karaoke, with the arcade business typically contributing 50-60% of sales.

Consequently, **GENDA is the only major arcade player with an M&A strategy, & its aggressive growth trajectory attracts personnel from other arcade companies** (see Management section below).

The entertainment industry is largely stable, with low interest in M&A. Although entry valuations are low, there is no buyer for private equity funds, thus GENDA does not consider them competition.

- *Sourcing*: GENDA sourced 102 M&A deals in the 1-3Q versus a FY 1/24 plan of 50, keeping a strong pipeline for future acquisitions.

- *Examples*: After pausing M&A during its IPO, GENDA made 13 acquisitions in FY 1/24, including US arcade company Kiddleton in Aug 2023 that came with 140 mini locations & 2 arcades, the lemonade business Lemonica in Oct 2023 to bolster its food & beverage business, & a large deal with prize manufacturer Fukuya Holdings.

It has 2 large deals closing in Feb 2024. Arcade operator PLABI comes with 45 arcades & 363 mini locations & is **GENDA's largest acquisition since Sega Entertainment**.

Karaoke operator Shin Corporation comes with 372 stores & is benefiting from a post-COVID rebound, having turned a small profit in FY 5/23 versus an approx. -Y1bn operating loss in FY 5/22 & approx. -Y2.7bn in FY 5/21. GENDA expects it to record >Y1bn OP, above pre-COVID levels, in FY 5/24.

EARNINGS

- *Revision:* In Nov 2023, ahead of 1-3Q earnings, GENDA revised up its FY 1/24 sales & OP forecasts to reflect above plan crane game strength, particularly due to campaigns with popular series. As of Aug 2023, comp sales had surpassed pre-COVID levels.

New stores also outperformed expectations & store openings were ahead of plan. By Jan, GENDA had opened +23 domestic stores versus its +10 FY 1/24 plan. Additionally, GENDA had not included M&A in its original forecast, but in its revised forecast included the 10 acquisitions it had made by Nov.

GENDA was unable to acquire during its IPO preparations in the 1H; all acquisitions are thus focused post IPO in the 2H. It has forecast an impact of +Y2.7bn sales, +Y200m EBITDA, & +Y70m OP from M&A in FY 1/24.

It made 2 further acquisitions in Dec with 1 more planned for Jan 2024, hence it acknowledges the possibility of minor M&A-related upside to its already upwardly revised forecast, with potential for above plan organic growth given strong ongoing demand.

- *Comp store sales:* **1-3Q existing store sales growth was +9%, approx. 70% of which was from growth in urban store sales**, with shopping mall & roadside stores each contributing approx. 15%. The major driver was a resumption of activity post-COVID. GENDA is the largest urban arcade player, a strength that also attracts inbound demand.

- *Store numbers:* By Jan 2024, GENDA had 329 arcades +31.6% YoY versus the 258 FY 1/24 forecast total. Of the 329, 56 (17%) were domestic food & beverage stores, & 11 (3%) were overseas. It also had 514 mini locations versus 54 in Jan 2023, 206 (40%) of which were domestic & 308 (60%) of which were overseas. The majority of growth has been via M&A, such as Kiddleton adding 205 overseas mini locations.

With the addition of Shin Corporation's karaoke business, total stores were 757 +202.8%YoY, including 312 arcades +26.8%YoY, 370 karaoke stores, 55 food & beverage stores, and 11 overseas stores. It also had 900 mini locations, of which 569 were domestic versus 53 in Feb 2023, & 331 were overseas versus 3 in Feb 2023.

- *SG&A:sales:* 1-3Q SG&A:sales declined -0.7ppt YoY to 12.9% as strong sales outstripped GENDA's largely fixed cost base. The largest impact on costs was an additional -Y800m YoY in personnel costs, with a further impact of -Y600m YoY in rent, -Y400m YoY in utilities, & -Y400m YoY in depreciation & amortisation. GENDA aims to lower its personnel costs with DX such as the GiGO NAVI app that has been rolled out across all stores.

FY 1/25 OUTLOOK

- *M&A:* GENDA has forecast a **+Y43bn sales, +Y4.5bn EBITDA, & +Y1.8bn OP M&A impact in FY 1/25**, the majority of which is from GENDA's 3 large acquisitions between Jan-Feb 2024: Fukuya, PLABI, & Shin Corporation.

Although the company may update its forecast at FY 1/24 results, it does not intend to include assumptions for potential M&A deals, although it plans to continue aggressive acquisitions through FY 1/25. It acknowledges the possibility of upside to its assumptions.

- *Organic growth:* With COVID reopening demand tapering off, comp store sales are likely to slow to a more normalised +1-3% growth driven by a strong lineup of games & the shift to cashless payments.

- *Fees:* Usage of Sega's machines typically incurs a fee. The fee was discounted for its subsidiary Sega Entertainment where a typical Y10 fee on Y100 of sales would be discounted to approx. Y8.

Having acquired Sega Entertainment & its 190 stores in 2020, GENDA successfully negotiated a continuation of the discount over COVID due to fewer customers, with a staggered increase to full price over 6 years. The deal stipulated that GENDA would pay full price before that point if its existing store sales surpassed pre-COVID levels.

Due to above plan sales growth, GENDA estimates that it will pay the full fee from FY 1/25, with a -Y500m negative impact on its pre-fee OP forecast of Y5.5bn, for a final forecast of Y5bn flat YoY. We note the initial Y5.5bn forecast is a minimum level without any impact from unannounced M&A.

The fee is only incurred on video game machines, which GENDA does not seek to expand rapidly, hence **the annual fee is unlikely to grow significantly long-term.**

- *Prices:* GENDA has implemented an effective price hike by raising the percentage of Y200 prize games versus Y100 prize games. It is also **working on making machines 2x faster to improve customer turnaround & facilitate spending** (as customers are more likely to play again if there is less waiting time). It expects a positive, undisclosed impact on FY 1/25 earnings.

Competitor Round One has begun to test a price hike, such as Y110 per play rather than Y100, facilitated by prepaid cards. GENDA is sceptical that customers will adapt to the higher effort payment versus the simple use of Y100 coins but, if Round One's experiment is successful, it will consider trialling a similar price hike, facilitated by its higher number of cashless machines than competitors.

- *Longer-term outlook:* GENDA aims to continue aggressive M&A towards an undisclosed 2040 goal, which it reports it is on track to reach. It does not disclose intermediary goals as it prefers to avoid pressure to close deals within certain fiscal years to meet goals, which could lead to suboptimal acquisitions.

Long-term, it intends to continue proactive domestic M&A, mostly with smaller companies but potentially a large competitor, seeking cheap deals it can finance with debt. By 2040, it has its sights on larger-cap acquisition to cement its place as a top player in the global entertainment industry.

MANAGEMENT

GENDA's management includes several members who left management at competitors, attracted by GENDA's flexibility & growth potential.

Founder Nao Kataoka (51) was previously President & Representative Director of Aeon Entertainment & Aeon Fantasy, the global #1 amusement arcade company by sales, & now acts as Chairperson, overseeing M&A sourcing.

The President, Mai Shin (39), was Goldman Sachs Japan's then-youngest Managing Director in the Financial Products Development Department & now oversees GENDA, including its subsidiaries.

Independent Outside Director Yoichi Wada (64) was President & Representative Director of GiGO's competitors TAITO & Square Enix, whilst Head of Amusement Arcade Business Kazuhiro Ninomiya was Director at Namco USA & in the running for top management.

Further expertise comes from CCO Yuzo Sato (61), who worked in management at Hakuodo (2433), & CFO Taiju Watanabe (35), who was Vice President in the Advisory Group of the Investment Banking Division at Goldman Sachs. In sum, GENDA's management includes 4 ex-executives from Japan's top 5 amusement arcade companies.

GENDA also boasts 40 engineers out of a total 80 employees from companies such as ZOZO (3092), Gree (3632), & Yahoo (4689).

SHAREHOLDER RETURNS

GENDA does not yet pay a dividend as it focuses on aggressively opening stores & acquiring new businesses. It has no set RoE targets but believes its current 30-40% range is suitable.

Major shareholder Midas Capital holds an approx. 43% stake: 38% belonging to fund founder Hideki Yoshimura, & 5% belonging to individual investors.

The fully diluted basis total employee stake is 26%, including 16% held by Nao Kataoka & 8% by Mai Shin.

COMPANY
INFORMATION

Company Timeline

May 2018	Founded as Midas Entertainment; Started the amusement machine leasing business
Jun 2018	Acquired 100% stake in SPSS
Nov 2018	Transferred headquarters to Hirakawacho, Chiyoda-ku, Tokyo
Jun 2019	Established a subsidiary in China
Jul 2019	Established a JV in the U.S. with Round1
Aug 2019	Started the online crane game service
Sep 2020	Changed company name to GENDA from Midas Entertainment
Dec 2020	Acquired an 85.1% stake in SEGA Entertainment and changed the company name to GENDA SEGA Entertainment
March 2021	Transferred headquarters to Omori-honcho, Ota-ku, Tokyo
April 2021	Acquired PAC-MAN ENTERTAINMENT, an entertainment complex in Illinois, United States, and began operating as ENTERRIUM
Aug 2021	Established GENDA as a holding company; Established Tokyo Character Makers
Oct 2021	Started a capital alliance with Dynamo Amusement
Dec 2021	Acquired SEGA TAIWAN AMUSEMENT
Jan 2022	Acquired remaining 14.9% of GENDA SEGA Entertainment and made it a wholly-owned subsidiary. Changed the company's name to GENDA GiGO Entertainment; GENDA GiGO Entertainment acquired Takarajima
Jun 2022	Started a capital alliance with Hashilus and Dynamo Amusement
Sep 2022	Transferred headquarters to Higashi Shinbashi, Minato-ku, Tokyo
Oct 2022	GENDA GiGO Entertainment acquired amusement arcade business and bowling alley business Sugai Dinos, and amusement arcade business of Avice
Jun 2023	Opened the amusement arcade "QIGONG" in China
Jul 2023	Listed on the Growth market of the Tokyo Stock Exchange
Sep 2023	Acquired "Digi-Chime" assets from WASD; U.S. based Kiddleton became a wholly-owned subsidiary; Dynamo Amusement became a wholly-owned subsidiary
Oct 2023	GENDA GiGO Entertainment acquired the assets from Amuzu; Acquired 66% stake of LEMONADE by Lemonica Co.;
	Ares Company Limited became a wholly-owned subsidiary
Nov 2023	Acquired 78.05% stake of GAGA Corporation; Acquired mini-locations from Global Solutions, Inc. Acquired 100% stake of INP LLC, the wholly-owning parent company of Japan Popcorn Co.

Company Contact Details

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Major Shareholders

	Stake (%)
Midas Capital KK	39.07
Nao Kataoka	14.86
Midas Cap G LPS	4.67
State Street Corp	4.48
Capital Group	4.47
Mai Shin	3.46
SHMMAI GK	3.01
Growing KK	1.75
Soltec Investments	1.17
Schroders	1.05

Source: Bloomberg.

MANAGEMENT

Representative Director and Chairman of the Board		Nao Kataoka
Age		51
Shareholding		16%
Career History		
1995		Graduated from Keio University, Faculty of Economics Joined Jusco K.K. (currently Aeon Co., Ltd.)
2004		Joined Aeon Fantasy Co.
2013		Appointed President and Representative Director of Aeon Fantasy
2017		Appointed President and Representative Director of Aeon Entertainment
2018		Founded GENDA, appointed Chairman of the Board
2019		Appointed Representative Director and Chairman of the Board (current position)
2023		Appointed Representative Director and Chairman of GAGA Corporation
Representative Director and President		Mai Shin
Age		39
Shareholding		8%
Career History		
2007		Graduated from the University of Tokyo, Faculty of Economics Joined Goldman Sachs & Co., Financial Institutions Sales Division
2010		Joined the Financial Products Development Department
2016		Appointed Director, Financial Products Development Department
2018		Appointed Managing Director; Joined GENDA as Director
2019		Appointed Representative Director and President (current position)
Director, CCO and Head of Content & Promotion Business		Yuzo Sato
Age		61
Shareholding		0.2%
Career History		
1986		Graduated from Waseda University, Faculty of Education Joined Hakuhold Inc.
2015		Appointed President & CEO of TBWA\HAKUHODO Inc, and Corporate Officer of Hakuhold Inc.
2018		Appointed Director and Executive Corporate Officer of Hakuhold Product's Inc.
2022		Joined GENDA as Director of the Board
2023		Appointed CCO; Appointed Director, CCO and Head of Content & Promotion Business (current position)
Director, CFO		Taiju Watanabe
Age		35
Career History		
2011		Graduated from Hitotsubashi University, Faculty of Commerce and Management Joined Mizuho Corporate Bank, Ltd. (currently Mizuho Bank, Ltd.), Corporate Banking Division
2015		Joined Goldman Sachs & Co., Investment Banking Division
2021		Joined GENDA; Appointed Executive Officer, CFO
2023		Appointed Director, CFO (current position)

Independent Outside Director		Yoichi Wada
Age		64
Career History		
1984		Graduated from the University of Tokyo, Faculty of Law
2000		Joined Nomura Securities
2001		Joined Square Inc.
2003		Appointed President and CEO of Square Inc.
2006		Appointed President and Representative Director of Square Enix.
2008		Appointed President and Representative Director of Taito Corporation.
2015		Appointed President and Representative Director of Square Enix Holdings.
2021		Appointed Director of Metaps Inc.
		Appointed Independent Outside Director at GENDA (current position)

Independent Outside Director / Attorney		Aya Nomura
Age		46
Career History		
		Graduated from the Graduate School Rikkyo University, Faculty of Law, and from Keio University, Faculty of Law
2007		Joined Torikai Law Office and Wadakura Gate Law Office
2022		Appointed Independent Outside Director / Attorney at GENDA (current position)

J GAAP Financial statements

Income statement (¥bn)	FY 1/21	FY 1/22	FY 1/23
Sales	1.02	38.11	46.09
COGS	None	28.8	35.2
Gross profit	None	9.3	10.9
Gross profit margin (%)	N/A	24.4	23.6
Operating expense	None	5.3	6.6
Total OP	None	4.02	4.24
OP margin (%)	N/A	10.6	9.2
Non-Op Income (Loss)	None	0.7	0.9
Pretax Income	None	3.3	3.3
Tax	None	0.1	-0.1
Effective tax rate (%)	N/A	2.6	N/A
Net income	-0.53	2.73	3.49

Balance sheet (¥bn)	FY 1/21	FY 1/22	FY 1/23
Cash & equivalents	None	7.3	7.1
Accounts & notes receivable	None	1.9	2.2
Inventories	None	2.5	2.3
Other short-term assets	None	0.9	1.2
Current assets	None	12.6	12.7
Property, plant & equipment (net of depreciation)	None	5.5	7.8
Long term investments & receivables	None	0.1	0.4
Other long-term assets	None	8.5	10.2
Total non-current assets	None	14.1	18.3
Total assets	None	26.7	31.0
Payables & accruals	None	2.3	3.2
Short-term debt	None	2.9	2.5
Other short-term liabilities	None	2.2	1.9
Total current liabilities	None	7.4	7.6
Long term debt	None	8.6	8.6
Other long-term liabilities	None	2.9	3.6
Total non-current liabilities	None	11.6	12.2
Total liabilities	None	19.0	19.8
Share capital & APIC	None	1.3	1.3
Treasury stock	None	0.0	0.0
Retained earnings	None	6.4	9.8
Other equity	None	0.0	0.0
Equity before minority interest	None	7.7	11.2
Total equity	None	7.7	11.2
Total liabilities & equity	None	26.7	31.0

Cash flow statement (¥bn)	FY 1/21	FY 1/22	FY 1/23
Net income/pre-tax profit	-0.5	2.7	3.5
Depreciation/amortization	None	1.7	1.9
Other non-cash items	None	1.3	0.8
Changes in working capital	None	-1.0	0.2
Net cash from discontinued operations	None	0.0	0.0
Cash from Operating Activities	None	4.7	6.4
Change in fixed & intangible assets	None	-2.9	-4.0
Net change in long-term investments	None	-0.1	-0.3
Net cash from acquisitions & divestitures	None	-0.5	-0.2
Other investing activities	None	0.1	-1.0
Net cash from discontinued operations	None	0.0	0.0
Cash from Investing Activities	None	-3.4	-5.5
Dividends paid	None	0.0	0.0
Cash from (repayment) debt	None	3.3	-1.1
Cash from (repurchase) of equity	None	-2.2	0.0
Other financing activities	None	-2.2	0.0
Net cash from discontinued operations	None	0.0	0.0
Cash from Financing Activities	None	1.0	-1.1
FX impact	None	0.0	0.0
Net cash flow	None	2.3	-0.2
Free cash flow	None	2.0	2.7
EBITDA	None	5.7	6.2

Key metrics	FY 1/21	FY 1/22	FY 1/23
Profitability			
Gross margin (%)	N/A	24.4	23.6
Operating margin (%)	N/A	10.6	9.2
Net margin (%)	-51.6	7.2	7.6
ROIC (%)	N/A	N/A	21.7
Liquidity			
Current ratio (x)	N/A	1.7	1.7
Quick ratio (x)	N/A	1.2	1.2
Leverage			
Debt/Equity ratio	N/A	149.7	98.7
Net Debt/Equity ratio	N/A	54.6	35.6

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