

GENDA (9166 JP)

What's Happening in the North American Business? Key Takeaways from Our Discussion with CEO of GENDA Americas

Executive Summary

12 May, 2026

GENDA's North American business is a highly important segment for long-term investors from the perspectives of expected growth and CF generation. While this business expanded rapidly through the acquisitions of National Entertainment Network (NEN) in 2024 and Player One in 2025, it faced weak profitability and sluggish same-store sales (SSS) in FY1/2026 due to operational challenges, resulting in a decline in ROIC. Against this backdrop, CGS had the opportunity to engage in discussions with Mr. Atsushi Iyoda, Executive Officer and Head of U.S. Operations at GENDA, covering a broad range of topics including the key causes of the operational issues, the progress of countermeasures, and the medium-term growth strategy. The conclusions of this report are as follows:

- 1) The root cause of the operational challenges is the failure of system integration following the Player One acquisition.** The Player One system specification that generates the next round route triggered by bank deposit completion, combined with the abolition of NEN's cash rooms, led to an approximately 40% decline in rounder round frequency. Additionally, data migration was incomplete, disrupting store-level data and delaying problem discovery. On the other hand, **there was no information gap between US and Japanese management, and problem recognition and countermeasure discussions progressed simultaneously in both Japan and the US.**
- 2) While resolution of the issues is expected to take some time, CGS assesses them to be addressable within FY1/2027.** Specific countermeasures include reinstatement of cash rooms across the US, efficiency improvements through the AI app "Kiddleton Force," and location-level round optimization. While progress varies across these initiatives, CGS thinks that the response efforts will continue throughout FY1/2027 and the long-term growth scenario for the North American business remains intact.
- 3) For expanding SSS, the company will focus on introducing Japanese IP prizes into NEN's existing crane machines.** Sales per machine have recorded increases of +283%, and because this initiative utilizes existing fully depreciated assets and requires no additional CapEx, it is expected to directly enhance FCF generation. In addition, add-on initiatives, which offer higher IRRs than swaps, have already been implemented at 300 of the 1,700 target locations and are now accelerating at a pace of 100 locations per month. CGS views this as a source of medium- to long-term upside for SSS.

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GENDA Inc. (9166 JP)

Share Price (11 May, 2026) JPY 518

Market Cap. US\$ 630 mn

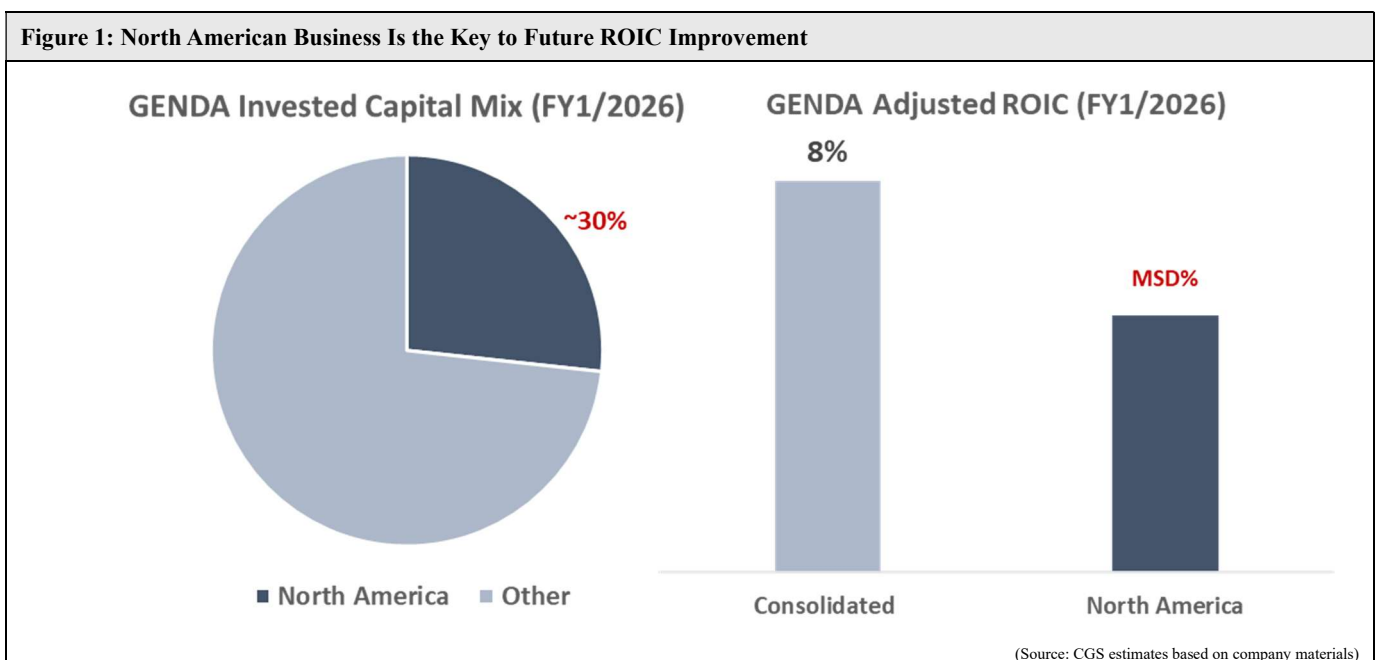
FY (Jan.-end)	F25	F26E	F27E	F28E
Cash EPS	42	54	75	106
Cash P/E	12x	10x	7x	5x
EV/EBITDA	8.0x	5.9x	4.4x	3.3x
P/B	1.5x	1.3x	1.1x	0.9x
Dividend Yield	0%	2%	2%	3%
ROE	8%	14%	17%	21%
Cash ROIC	7%	8%	9%	9%
OCF/EBITDA	63%	75%	64%	68%
FCF Conv.*	-	35%	19%	44%
Incr. FCF ROI**	-25%	19%	-2%	11%

*FCF Conv. = FCF ÷ Net Income

**Incremental FCF ROI = FCF Growth (FY) ÷ Invested Capital Growth (FY-1)

Resolution requires some time, but CGS believes it can be addressed within FY1/2027

We had the opportunity to hold a discussion with Mr. Atsushi Iyoda, who heads GENDA’s North American operations. We engaged in a wide-ranging discussion on the structure of the operational challenges affecting the company’s North American business, the progress of countermeasures, and the medium-term growth strategy. The background to this discussion is that while GENDA’s North American business expanded rapidly following the consolidation of National Entertainment Network (NEN) in November 2024 and Player One in July 2025, operational challenges that arose during the integration process led to a downward revision of the FY1/2027 sales and profit targets for this segment. Consequently, the current challenges in the North American business are one factor behind the stagnation of consolidated ROIC—a key valuation driver per 1% of earnings growth as defined by CGS (Figure 1)—and we considered this to be a highly important research topic for evaluating investment in the company.



Mr. Iyoda co-founded Kiddleton in the US in 2019 and has been involved on the ground since the inception of GENDA’s North American business. He currently serves as President & CEO of GENDA Americas, overseeing the entire North American operations. We judged him to be the most suitable counterpart for conducting a discussion that simultaneously covers on-the-ground realities and management-level perspectives.

With Mr. Iyoda, we discussed (1) the background and root causes of the issues, (2) the progress and timeline of countermeasures, and (3) initiatives for expanding North American SSS. Through this discussion, CGS confirmed that the challenges in the North American business are not irreversible structural problems, but rather issues of system integration and operational system design during the PMI process. We also think that while resolution will require a certain amount of time, they can be addressed within the scope of FY1/2027. Furthermore, we assessed that from FY1/2028 onward, the medium-term growth scenario for the North American business—one of the pillars of the company’s equity story—will be maintained. Additionally, we were able to confirm the existence of multiple medium-to-long-term upside factors for SSS expansion initiatives. Below, we summarize the key points from each topic.

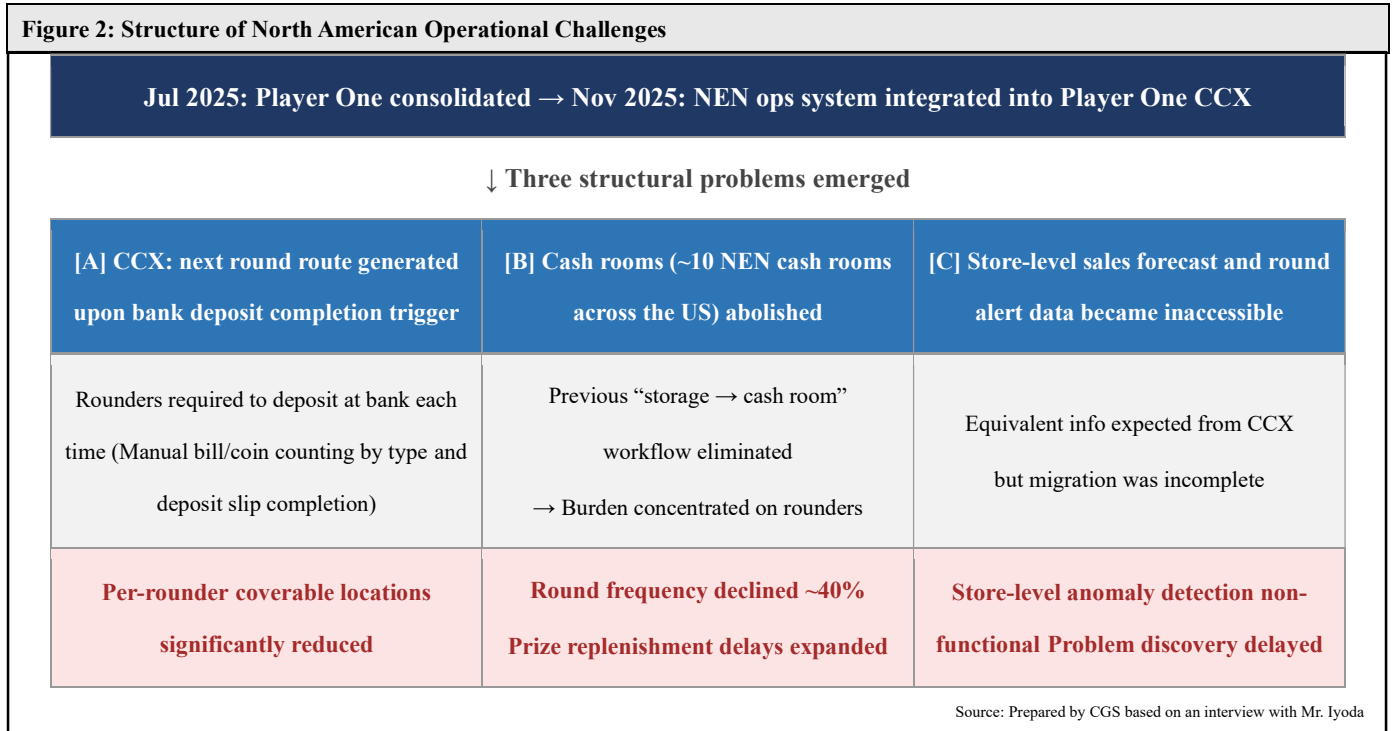
(1) Background and Root Causes of the Issues

■ How the Issues Became Apparent

- ✓ Under the North American business’s swap initiative—replacing NEN’s existing crane machines with Kiddleton-style Japanese crane machines and kawaii prizes—same-store sales initially posted a remarkable increase of 201%. However, from the summer of 2025 onward, sales at the implemented locations began to decline gradually. At that point, Mr. Iyoda personally visited stores and identified, through direct observation, locations where crane machines had been left empty of prizes, bringing the issue to light.
- ✓ At the time, the store-level data infrastructure was not sufficiently developed, making it difficult to quantitatively grasp the scale or cause of the problem. Mr. Iyoda therefore urgently established a dedicated team called “Store Monitor” at headquarters, which began a hands-on monitoring effort requiring all locations to report on prize conditions through photographs. This confirmed that delays in prize replenishment were occurring extensively across SWAP implementation locations.

■ Root Cause: Failure of Integration into the Player One System (CCX)

- ✓ Following the completion of the Player One acquisition in July 2025, NEN’s store operations system was integrated into Player One’s system (CCX) in November. At that time, **Player One’s CCX had a specification whereby the next round route is generated only after bank deposit completion is confirmed as a trigger, but this specification was not sufficiently recognized during the PMI planning phase.** Mr. Iyoda himself also commented “the change to CCX lowering visit frequency is one clear cause,” noting that although a review of the pros and cons had been conducted, numerous issues arose in actual operations.



- ✓ The issue with CCX’s system design arose against the backdrop of NEN’s elimination of its cash rooms (dedicated

cash-counting facilities located at approximately 10 sites across the United States). Previously, NEN was operated by having a certain number of rounders temporarily store the cash collected from locations in their own storage, and once a certain amount had accumulated, they send it to a cash room for consolidated bank deposit. However, when the company migrated the system to CCX, these cash rooms were eliminated, requiring rounders to make deposits directly at bank branches each time. In the US, making bank deposits is a labor-intensive process that involves counting bills and coins by denomination, filling out a deposit slip, and submitting it at the counter. As a result, the number of locations each rounder could service declined significantly. **Because Player One's business is centered on arcade games and includes relatively few crane machines, it does not inherently require a high visit frequency, so CCX's system design did not create problems for Player One itself. For NEN, however, whose business is centered on crane machines and requires frequent route visits, the impact was severe.**

- ✓ Additionally, the store-level sales forecasts and route alerts that NEN had previously managed under its legacy system became inaccessible after the migration to CCX. Although equivalent information was expected to be generated on the CCX side, the migration was incomplete, and there were even cases in which basic data—such as which stores had been visited—could not be viewed. We think that this data discontinuity was also one factor that delayed the discovery of the problem following the systems integration.
- ✓ Meanwhile, it was confirmed that there was no information gap between Japan and the US management teams regarding the timing of problem recognition in this matter. Mr. Iyoda holds weekly regular meetings with GENDA's four directors—CEO Kataoka, CFO Watanabe, CSO Habara, and Director Ninomiya (Head of Amusement Arcade Business)—and **recognition of the issue and consideration of countermeasures were proceeding simultaneously in both Japan and the US. CGS highly values this information-sharing framework between management and the front lines.**

(2) Progress and Timeline of Countermeasures

Figure 3: Progress of North American Operational Countermeasures			
Initiative	Progress	Expected Completion	Expected Effect
Cash Room Reinstatement	8 of 10	Remaining 2 shortly	Direct recovery factor for round frequency. Eliminates bank deposit burden
Kiddleton Force	Officially released Mar	Continuing rollout	Improved rounder efficiency + independent route generation without CCX
Location-level round optimization	Data collection initiated	Medium-term	Location-level P&L construction → further cost optimization
Org. integration	Completed	GENDA Americas launched (Feb 2026)	Unified chain of command. Warehouse/logistics consolidation + cost rationalization in progress

Source: Prepared by CGS based on an interview with Mr. Iyoda

■ Cash Room Reinstatement and Recovery of Round Frequency

- ✓ Of the approximately 10 cash rooms across the US, 8 have already been reinstated, with the remaining 2 expected to be completed shortly. **With the reinstatement of cash rooms, the problematic requirement for rounders to make bank deposits each time has been eliminated, and round frequency has recovered to approximately 80% of its original level.** The remaining 20% is attributable to rounders not yet being fully proficient with the new Kiddleton Force app and the workload of parallel operation with CCX, both of which are expected to be resolved after June when full CCX discontinuation is scheduled.

■ Introduction of Kiddleton Force (AI Operations App)

- ✓ GENDA launched “Kiddleton Force,” an AI-powered operational app dedicated to North America, in March (following testing in January and February). Its main functions are (1) AI-based automatic reading and input simply by taking photos of crane machine coin-in and prize meters, (2) route optimization based on sales forecasts, and (3) store- and prize-level sales dashboards. Because it can generate its own service routes without relying on CCX’s deposit trigger, one of the underlying causes of the issue is structurally eliminated.
- ✓ Meanwhile, although it will likely take some time for rounders to become fully proficient with the app, the company holds meetings every Tuesday with all employees in attendance, and CGS views the distance between management and the front lines as close.

■ Location-Level Round Optimization

- ✓ It is also becoming apparent that a certain number of locations exist where sales do not decline even when round frequency is reduced. Until now, NEN did not allocate labor costs on a per-location basis, making it impossible to create location-level P&Ls and conduct analytics-based evaluations, but this will become possible going forward with data from Kiddleton Force. **Mr. Iyoda indicated that “for the time being, the policy is to restore round frequency to its original level in order to rebuild trust in the sales floor,” but acknowledged that there is room for cost reduction through route optimization over the medium term. CGS recognizes this point as medium-to-long-term margin improvement potential.**

■ Organizational Integration (14 Entities → 3 Entities; Launch of GENDA Americas)

- ✓ While the number of North American subsidiaries temporarily grew to 14 through the successive acquisitions of NEN, Player One, VENU+, and others, they were consolidated into 3 entities in February 2026, with Kiddleton renamed to GENDA Americas. Mr. Iyoda oversees the entire North American operations as President & CEO. Player One’s existing CEO has remained in place, ensuring a strong understanding of front-line operations. **There has also been no departure of key personnel, and retention of local management has reportedly been solid.**
- ✓ CGS expects that, although NEN had a more family-business-like organization and a relatively thinner management layer than Player One, the post-integration organization will be able to leverage Player One’s organizational capabilities, leading to an improvement in management quality.
- ✓ In addition, as a result of the organizational integration, rationalization across a range of costs is progressing on a scale exceeding their initial expectations. At present, **annual cost improvements of \$6.4 million are projected from FY1/2027 onward, significantly surpassing the originally anticipated cost-saving potential of \$2.0 million.**

(3) Initiatives for North American SSS Expansion and Medium-to-Long-Term Upside

■ Suspension of SWAP Initiative and Enhancement of SSS and FCF Generation through IP Prize Deployment

- ✓ Mr. Iyoda has explicitly stated that, in the North American business, the swap initiative will be suspended for the time being even if operations recover. The reason is that it has become clear that simply introducing Japanese IP prizes into NEN's existing crane machines can generate sufficient sales growth, and because the existing assets are already fully depreciated, there is no compelling rationale for replacing them. Sales per machine from introducing Japanese IP prizes into existing crane machines have reached increases of as much as 283%, and rollout to 3,500 locations is planned by the end of April.
- ✓ Furthermore, **CGS believes that this strategic shift will structurally reduce growth CapEx in North America and improve FCF generation capacity over the medium to long term, which we consider important in its investment evaluation.** The conventional swap initiative involved removing all of NEN's existing crane machines and replacing them with Kiddleton-style machines, which required a corresponding level of CapEx for equipment purchase, installation, and removal. By contrast, the introduction of IP prizes requires no capital investment and represents a pure improvement measure that boosts FCF.

■ Acceleration of the Add-on Initiative

- ✓ **The Add-on is an initiative with superior investment efficiency, offering an IRR approximately 7 percentage points higher than that of the swap initiative,** and it has already been implemented at 300 of the 1,700 target locations. In March, the company achieved a record pace of 100 locations in a single month. The difference in same-store sales between locations where add-on has been implemented and those where it has not is approximately 10 percentage points.
- ✓ Initially, the add-on was limited to installing additional crane machines in unused space at Player One's large-format venues, such as movie theaters. More recently, however, the company has begun negotiating with owners of NEN's high-performing locations to pursue expansion in machine count by combining additional floor space and intra-facility relocation. **Depending on the progress of these efforts, the number of locations eligible for add-on could increase, which CGS views as a medium- to long-term upside driver for SSS.**

■ Play Price Increase and Japanese IP Figures & Consumer App

- ✓ There is also an upside on the play price. A price increase from the current \$1 per play is under consideration, and credit card payments would enable granular price-point settings. In particular, in the current inflationary environment, prices in the surrounding market have risen, and competitors have already implemented price increases. If realized, this would become a new SSS upside factor.
- ✓ Also, the company is working on a strategy to turn customers into "destination users" through Bandai figures that Kiddleton exclusively distributes in North America, together with a consumer app. Until now, customers in North America have largely been incidental users, but these figures are highly popular. Using these as a trigger, the company aims to convert them into destination users through regionally targeted social media marketing, influencer engagement, a ZIP code-based landing page site, and a GiGO-linked consumer app currently under development. The

app is designed to encourage downloads by using a free-play feature as a hook, and to promote repeat visits through push notifications about new IP-related arrivals. CGS views these initiatives as measures that could become additional medium- to long-term drivers of SSS expansion.

CGS Financial Model

	JPY mn	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY28E		
								Base Case	Bull Case	Bear Case
Income Statement										
Sales		55,697	111,777	170,787	232,194	284,280	339,800	339,800	434,394	284,637
COGS		42,738	86,377	131,517	178,799	218,902	261,646	261,646	321,451	224,863
Gross Profit		12,959	25,400	39,270	53,395	65,378	78,154	78,154	112,942	59,774
SG&A		7,589	17,487	31,575	36,891	42,612	47,121	47,121	63,686	40,077
Operating Profit		5,370	7,913	7,695	16,504	22,766	31,033	31,033	49,256	19,697
Pretax Profit		4,414	6,638	5,725	14,648	20,401	28,210	28,210	46,125	17,316
Income Tax		217	3,166	1,839	5,164	7,161	9,507	9,507	15,419	5,912
Minority Interest		18	219	59	59	59	59	59	59	59
Net Income		4,178	3,252	3,826	9,425	13,180	18,644	18,644	30,647	11,345
EBIT										
EBIT		5,370	7,913	7,695	16,504	22,766	31,033	31,033	49,256	19,697
D&A		2,730	6,293	13,672	12,634	16,495	20,689	20,689	26,379	17,371
EBITDA		8,100	14,206	21,367	29,137	39,261	51,722	51,722	75,635	37,068
Depreciation		2,549	4,934	10,040	12,634	16,495	20,689	20,689	26,379	17,371
Amortization		181	1,359	3,632	0	0	0	0	0	0
EBITA		5,551	9,272	11,327	16,504	22,766	31,033	31,033	49,256	19,697
EBITA ex. M&A fee		5,650	10,430	12,327	17,504	23,766	32,033	32,033	50,556	20,297
EBITDA ex. M&A fee		8,199	15,364	22,839	30,137	40,261	52,722	52,722	76,935	37,668
Net Income ex. Goodwill Amort.		4,359	4,611	7,458	9,425	13,180	18,644	18,644	30,647	11,345
Net Income ex. Goodwill Amort&M&A fee.		4,511	5,931	9,276	10,425	14,480	19,244	19,244	31,247	11,945
Diluted Shares Outstanding										
Diluted Shares Outstanding		138.1	156.1	177.5	175.4	175.4	175.4	175.4	175.4	175.4
GAAP EPS (Diluted)		30	21	22	54	75	106	106	175	65
Cash EPS (Diluted)		32	29.5	42.0	53.7	75.2	106.3	106	175	65
Cash EPS (Diluted) ex. M&A fee		33	38	52	59	83	110	110	178	68
DPS		0	0	0	8	11	16	16	26	10
Payout Ratio		0%	0%	0%	15%	15%	15%	15%	15%	15%
COGS/Sales										
COGS/Sales		76.7%	77.3%	77.0%	77.0%	77.0%	77.0%	77.0%	74.0%	79.0%
Gross Margin		23.3%	22.7%	23.0%	23.0%	23.0%	23.0%	23.0%	26.0%	21.0%
Other SG&A/Sales		13.6%	15.6%	18.5%	15.9%	15.0%	13.9%	13.9%	14.7%	14.1%
OPM		9.6%	7.1%	4.5%	7.1%	8.0%	9.1%	9.1%	11.3%	6.9%
EBITDA Margin		14.5%	12.7%	12.5%	12.5%	13.8%	15.2%	15.2%	17.4%	13.0%
Cash Flow Statement										
Net Income		4,178	3,252	3,826	9,425	13,180	18,644	18,644	30,647	11,345
D&A		2,549	6,293	13,672	12,634	16,495	20,689	20,689	26,379	17,371
Changes in Working Capital		184	-2,130	-2,640	-181	-4,369	-3,979	-3,979	-6,256	-2,571
OCF		7,602	8,890	13,473	21,878	25,305	35,353	35,353	50,769	26,145
CAPEX		-5,132	-11,693	-25,917	-18,576	-22,742	-27,184	-27,184	-34,752	-22,771
FCF		2,470	-2,803	-12,444	3,302	2,563	8,169	8,169	16,018	3,374
Acquisitions		-3,861	-7,019	-44,836	-35,000	-35,000	-35,000	-35,000	-50,000	-25,000
Cash Dividends Paid		0	0	0	-1,403	-1,977	-2,797	-2,797	-4,597	-1,702
FCF III (OCF - ICF - Div)		-2,732	-11,241	-58,168	-33,101	-34,414	-29,627	-29,627	-38,579	-23,327
Share Issuance (Repurchase)		4,084	10,053	16,419	-2,500	0	0	0	0	0
Issuance (Reduction) of Debt - Net		3,912	15,415	45,200	35,000	33,000	28,000	28,000	35,000	15,000
Net Change in Cash		5,242	13,456	8,422	-601	-1,414	-1,627	-1,627	-3,579	-8,327
Conversion										
OCF/EBITDA		94%	63%	63%	75%	64%	68%	68%	67%	71%
FCF/NI		59%	-86%	-325%	35%	19%	44%	44%	52%	30%

Note: GENDA conducted 1:2 stock split on March 31, 2025. The number of shares for past fiscal years has also been adjusted to reflect the split.

CGS Financial Model

	JPY mn	FY23	FY24	FY25	FY26E	FY27E	FY28E	FY28E		
								Base Case	Bull Case	Bear Case
Balance Sheet										
Cash & Cash Equivalents, ST Inv		12,379	25,649	32,468	31,867	30,453	28,826	28,826	15,900	16,852
Accounts Receivable		3,689	7,021	11,350	11,216	14,511	17,345	17,345	22,173	14,529
Inventories		4,374	8,235	11,855	12,407	15,790	18,873	18,873	23,187	16,220
Total Current Assets		23,567	45,646	63,845	63,662	68,925	73,215	73,215	69,432	55,772
Net PP&E		12,581	31,466	68,225	84,667	101,415	118,410	118,410	136,018	107,088
LT Investments		135	769	1,061	1,061	1,061	1,061	1,061	1,061	1,061
Intangible/Goodwill		5,698	21,290	67,374	91,874	116,374	140,874	140,874	172,374	119,874
Total LT Assets		28,574	68,722	158,367	199,309	240,557	282,052	282,052	331,160	249,730
Total Assets		52,141	114,368	222,212	262,971	309,482	355,267	355,267	400,592	305,502
ST Debt & Curr. Portion LT Debt		7,620	20,424	53,896	53,896	53,896	53,896	53,896	53,896	53,896
Accounts Payable		3,213	5,266	7,379	7,616	9,924	11,861	11,861	14,573	10,194
Total Current Liabilities		16,892	39,825	90,835	91,072	93,380	95,317	95,317	98,029	93,650
LT Debt		11,370	30,861	52,324	87,324	120,324	148,324	148,324	172,324	112,324
Total LT Liabilities		15,585	38,907	66,197	101,197	134,197	162,197	162,197	186,197	126,197
Total Liabilities		32,477	78,732	157,032	192,269	227,577	257,514	257,514	284,226	219,847
Total Equity		19,664	35,690	65,181	70,702	81,905	97,753	97,753	116,366	85,655
Total Liabilities & Shareholder's Equity		52,141	114,422	222,213	262,971	309,482	355,267	355,267	400,592	305,502
CCC										
Days of Sales Outstanding (DSO)		19	17	20	18	19	19	19	19	19
Days of Inventory Outstanding (DIO)		28	27	28	25	26	26	26	26	26
Days of Payables Outstanding (DPO)		20	18	18	16	17	17	17	17	17
Cash Conversion Cycle (Days)		28	26	30	27	28	28	28	28	28
ROE		27%	12%	8%	14%	17%	21%	21%	30%	14%
Cash ROIC		25%	14%	7%	8%	9%	9%	9%	12%	6%
Net Debt / EBITDA		0.7	1.1	2.3	3.1	3.2	3.1	3.1	2.5	3.7

Note: GENDA conducted 1:2 stock split on March 31, 2025. The number of shares for past fiscal years has also been adjusted to reflect the split.

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