



**M&A Strategy and
Earnings Forecast**

2023 / 11 / 20

Aspiration

**More fun
for
your
days**

=

Vision

**World's No.1
Entertainment
Company in
2040**

Our Growth Strategy = "M&As in the Entertainment Industry" GENDA^Λ



Note: Diagram of our envisioned growth strategy.

Our Growth Strategy = "M&As in the Entertainment Industry" GENDA^Λ

Entertainment Ecosystem

Broadly rooted in the entertainment field
Building a Global Entertainment Network

Global
Entertainment
Network for
Dreams and
Aspiration



Note: Diagram of our envisioned growth strategy.

Strategic Rationale (Qualitative Aspect)

Macrotrend "Leisure Time"

AI accelerates the downward trend of working hours
Leisure time goes to consumption of entertainment

"Ever-changing" Entertainment

Diversified and accelerated cycles of entertainments
Conquering the volatility by owning a platform
along with a portfolio of entertainment contents

Rationale of M&A Strategy (Quantative Aspect)

Optimal "Capital Efficiency"

By creating an entertainment ecosystem through M&A,
GENDA can provide each group company's
excess cash with growth investment opportunities
Adequate equity returns through appropriate leverage

"Returns of M&A" to Shareholders

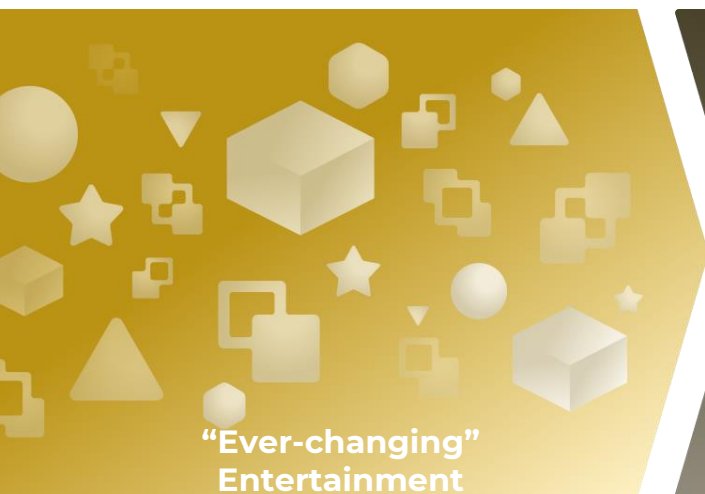
Along with appropriate entry and leverage in M&A,
FCF value of the target company is revealed and reflected in
the equity value of GENDA
Providing M&A returns for GENDA shareholders

Note: "Leverage" represents debt financing. FCF" represents free cash flow.

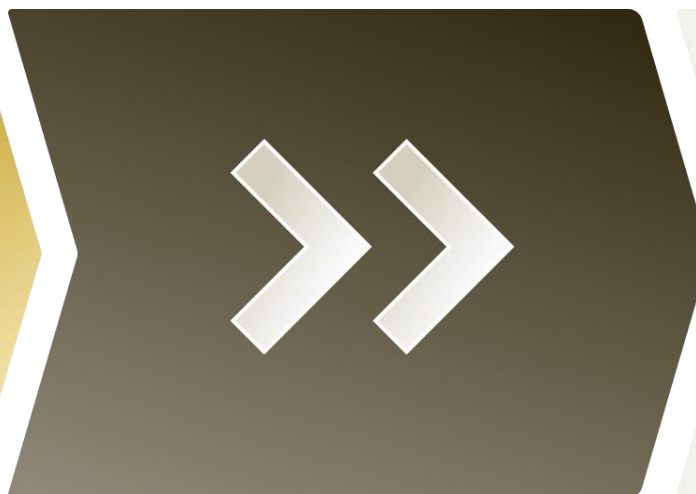
IP Contents & Platforms

A platform that connects IP contents with fans of the IP contents

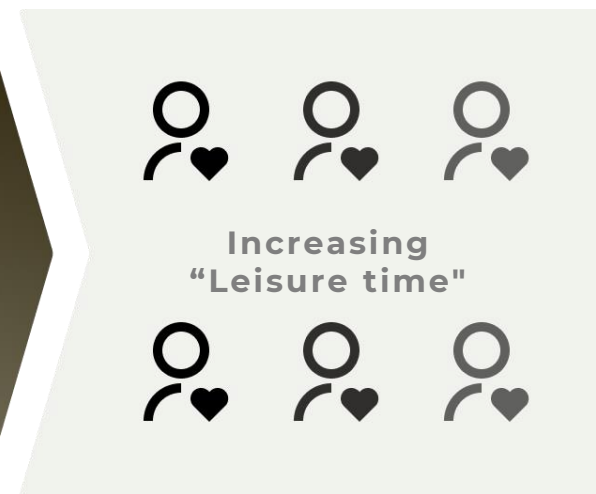
**IP Contents
such as Anime**



**Platform connecting
IP contents and the Fans**



**Fans of the
IP contents**

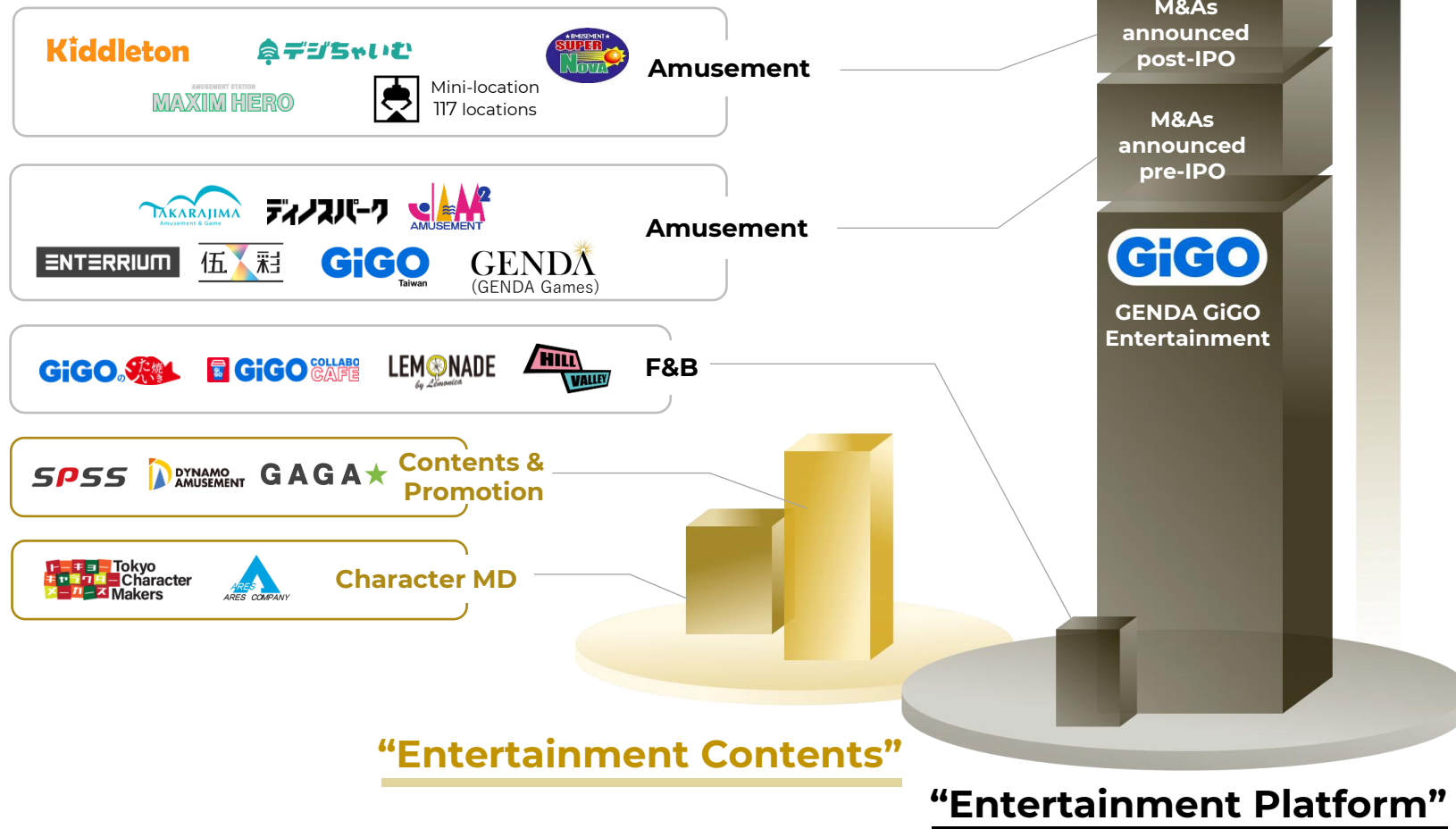


“Entertainment Contents”

“Entertainment Platform”

Amusement Centric + Peripheral Areas
























Accelerate M&A in amusement and steadily advance into peripheral areas



Note: Effective from the third quarter of the fiscal year ending January 31, 2024, the "Entertainment Contents" business and the "Entertainment Platform" business will be the two reporting segments.

M&A deals Organized by Segments

M&A Strategies in the Entertainment Industry

		Pre-IPO (M&A + existing business)	Post-IPO (M&A)
Entertainment Platform	Amusement Operation of Amusement Arcades	       	Kiddleton     
	Food & Beverage (F&B) Providing Food and Beverage As entertainment	  	 
Entertainment Contents	Character MD Provide products and Services based on IP		
	Contents & Promotion Upstream access to IP including Anime Production and Publishing		 

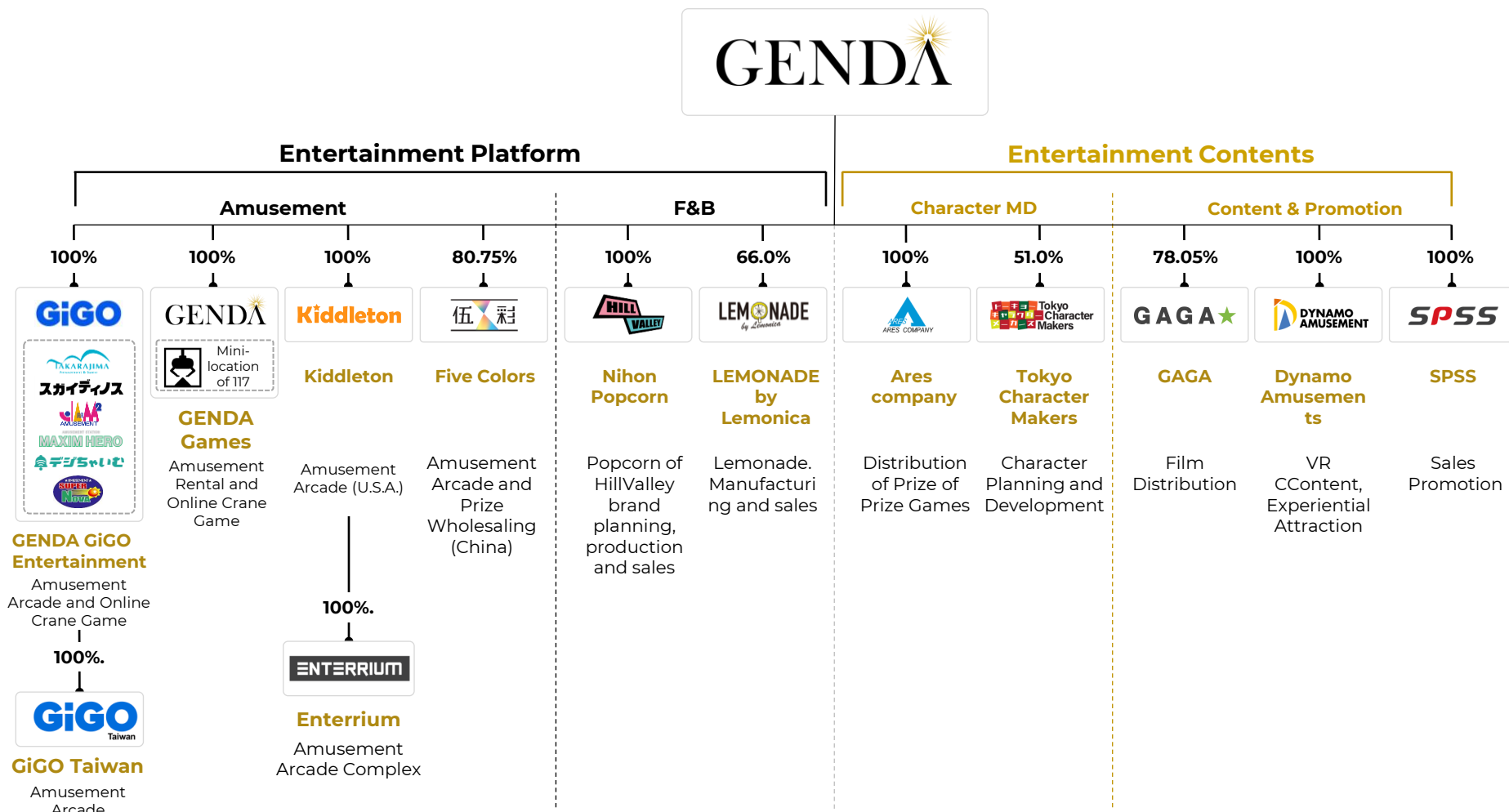
Note: Character MD means Character Merchandising.

M&A and Capital Transactions Track Record of "21"

Pre-IPO #M&As 11	1	Entertainment Content	2	Entertainment platform	3	Entertainment platform	4	Entertainment platform	5	Entertainment Content
										
		June 2018 Acquisition (100%)		July 2019 Joint Venture (50%)		December 2020 Acquisition (85.1%)		April 2021 Acquisition of the Business		October 2021 Capital Alliance
	6	Entertainment platform	7	Entertainment platform	8	Entertainment platform	9	Entertainment Content	10	Entertainment platform
										
		December 2021 Acquisition		January 2022 Acquisition (100%)		January 2022 Acquisition (100%)		June 2022 Capital Alliance		October 2022 Acquisition
Post-IPO #M&As 10	12	Entertainment platform	13	Entertainment platform	14	Entertainment Content	15	Entertainment platform	16	Entertainment platform
										
		September 2023 Transfer of Assets		September 2023 Becoming a Wholly Owned Subsidiary		September 2023 Becoming a Wholly Owned Subsidiary		October 2023 Transfer of Fixed assets		October 2023 Acquisition (66.0%)
	17	Entertainment Content	18	Entertainment Content	19	Entertainment platform	20	Entertainment platform	21	Entertainment platform
										
		October 2023 Acquisition (100%)		November 2023 (scheduled) Acquisition (78.05%)		November 2023 (scheduled) Asset Transfer from Global Solutions		November 2023 (scheduled) Acquisition (100%)		December 2023 (scheduled) Acquisition of Stores

GENDA Group Organization Chart

GENDA is a Pure Holding Company of Entertainment Companies centered in Amusement Industry



Note: The 117 mini-location locations, Japan Popcorn and GAGA to be completed at the end of November, and YK corporation (Super Nova) at the end of December.

Highlights **of M&A Transactions**

About GAGA

- Seven Oscar Best Picture winning films in the last 15 years, and four in the last six years Palme d'Or, the highest award at the Cannes Film Festival. The world's top brand of independent film distributors, unparalleled in the world
- Based on its strong position in the visual content industry, GAGA plans and produces Japanese films, animation, and game content, sells domestic productions (including TV animation) overseas, and provides productions to distribution companies, and is also involved in e-commerce businesses such as "Plus GAGA" and "GAGA ★ ONLINE STORE"
- GAGA is engaged in the distribution business in the film industry, and has distributed many foreign films such as "La La Land" and "Green Book", and Japanese films such as "Shoplifting Family" and "Monster" directed by Kore-eda

GAGA★

Academy Awards® Best Picture: List of Winners

95th - 2023	Everything Everywhere All at Once
94th - 2022	Coda Ai no Uta
91st - 2019	Green Book
86th - 2014	Still the Night Dawns
84th - 2012	The Artist
83rd - 2011	The King's Speech
81st - 2009	Slumdog Millionaire



Cannes International Film Festival: Palme d'Or Winners

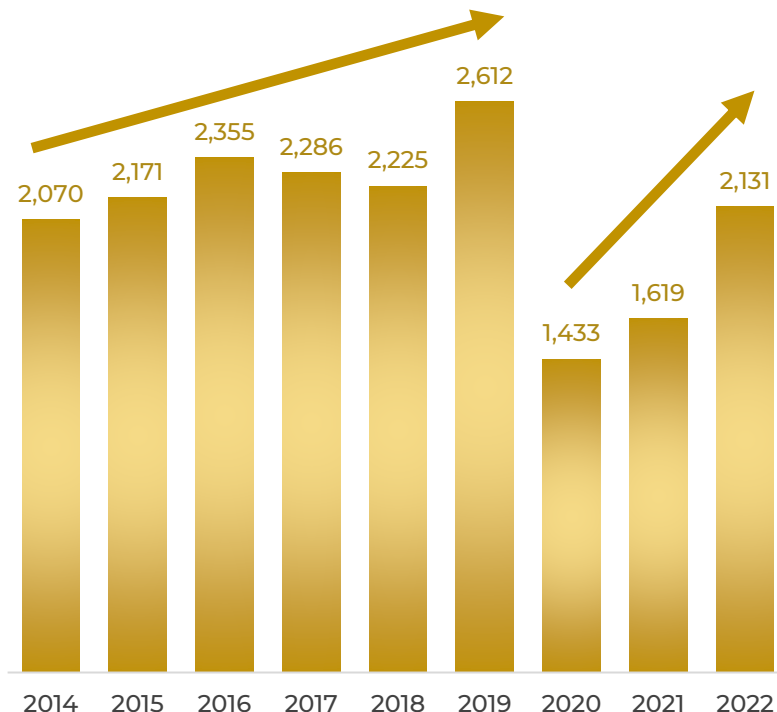
76th - 2023	Anatomy of a Fall / Justine Trier
75th - 2022	Triangle of Reversal / Reuben Ostlund
74th - 2021	TITANE / Julia Ducournaud
71st - 2018	Shoplifting Family / Hirokazu Kore-eda



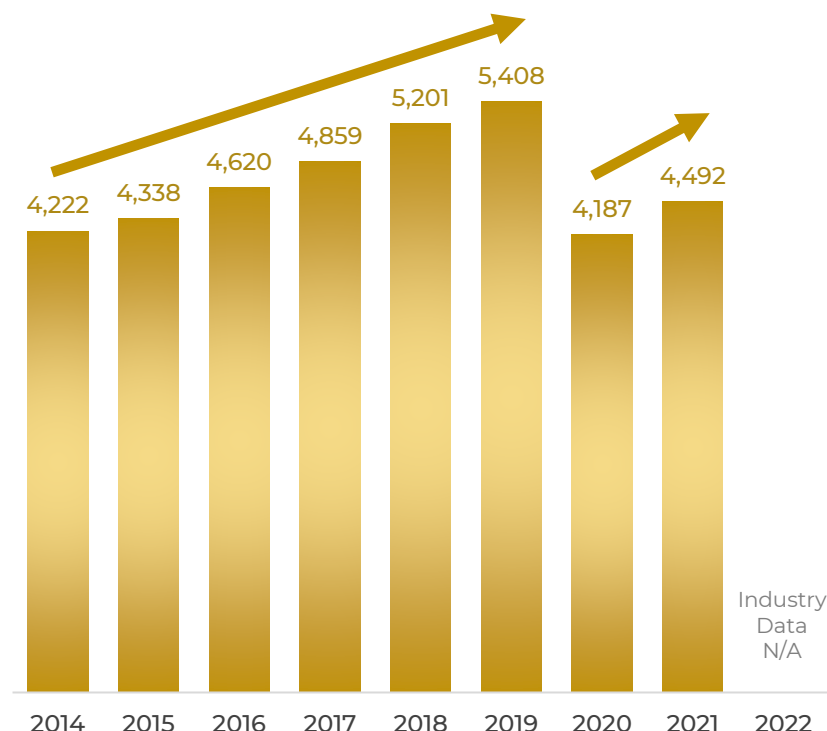
Movie Market Trends are Similar to Amusement Arcades

In recent years, the market peaked in 2019 and temporarily shrank in size after FY2020 due to COVID-19. The market has since reversed course, recovering to almost pre-Corona levels as of FY2022.

Market size of Movie (Oku-yen)



Market size of Amusement Arcade (Oku-yen)



Source: Data from Motion Picture Producers Association of Japan (Eiren); Japan Amusement Industry Association (JAIA), "Survey of the Amusement Industry".

1. Entry Ticket of IP toward the World's No.1 Entertainment Company

- Major entertainment companies hold or leverage IP, they are primarily associated with the film, animation, game, and publishing businesses
- GAGA's entry into the group is not merely limited to the film industry, GENDA's entry into the GAGA group is an opportunity to build strong ties with the television, publishing, and music industries
- In addition to the attractiveness of GAGA on its own, the current manager, Tatsumi Yoda, has a very strong presence within the entertainment industry
- As GENDA is aiming to become the world's No.1 entertainment company, GENDA intends to organize its businesses into two major segments, "Entertainment Platform" and "Entertainment Contents" and to build a portfolio of businesses in each segment. GAGA is positioned in the Entertainment Content segment
- GENDA expects GAGA to play an important role in the "Entertainment Contents" segment



2) Frontrunner of the "Next Hit" in the Prize Games

- While GENDA's main business of prize games account for 70% of amusement arcade sales, determining the "next hit" for prizes is extremely important
- The planning and development of prize games has been extremely intense among the competitors, but the new ties with companies in the publishing, broadcasting, and music industries that have joined the GAGA group could work very well



3. PMI Potential with synergies by "IP x Amusement Arcades"

- Possibility of developing routes for aggressive sales of mini-locations, lemonade, and popcorn to movie theaters
- Various other PMI opportunities exist, such as expanding options for approaching IP copyright holders for the purpose of making animation and games available as prizes, etc

4. Involvement by Experience Management from GENDA

- Current Representative Director Tatsumi Yoda to become Chairman of the Board, and Yuzo Sato (GENDA Director and CCO) is the newly appointed Representative Director and President, and Nao Kataoka (GENDA Representative Director and Chairman of the Board) as Director (non-executive)



New Representative Director:
Yuzo Sato

(Concurrently Director and CCO of GENDA)

Representative Director and President of TBWA\HAKUHODO Inc. and Executive Officer of Hakuhodo Inc. and Director and Managing Executive Officer of Hakuhodo Products Inc. His family business of birth is a movie theater operation



New Director (Non-executive):
Nao Kataoka

(Concurrently Representative Director and Chairman of the Board of GENDA)

Served as president of AEON Entertainment Co. from 2017-18, that operates AEON Cinema, a cinema complex (the largest in Japan, 90 theaters and 765 screens at the time)

5. Attractive Valuations and Back-financing

- Attractive entry and leverage, including effective use of loss carryforwards
- The previous fiscal year was a one-time loss caused by a specific work, and the company expects to land in the surplus for the current and next fiscal years

Steady Progress in "Amusement Arcade Roll-up" The Center of our Strategy

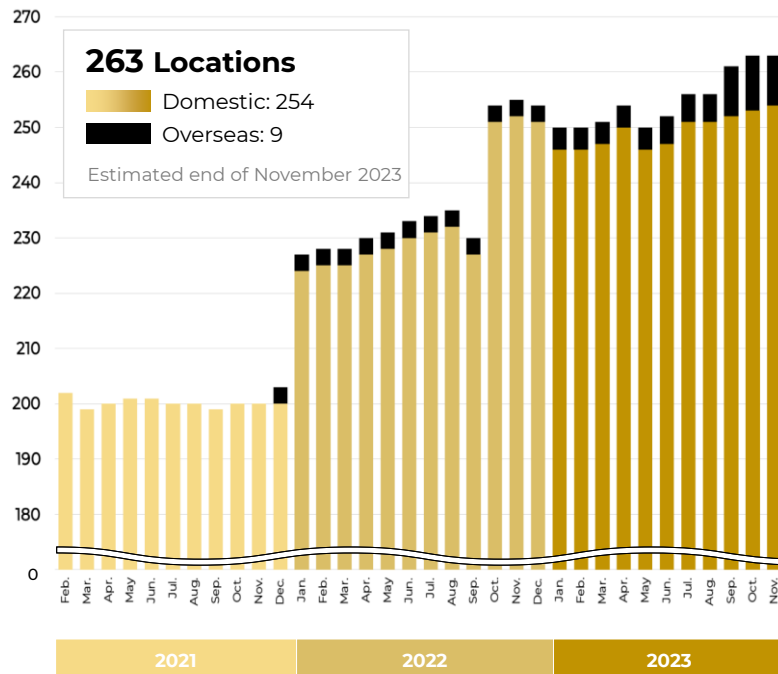
Two new amusement-related projects
announced today as roll-up M&As



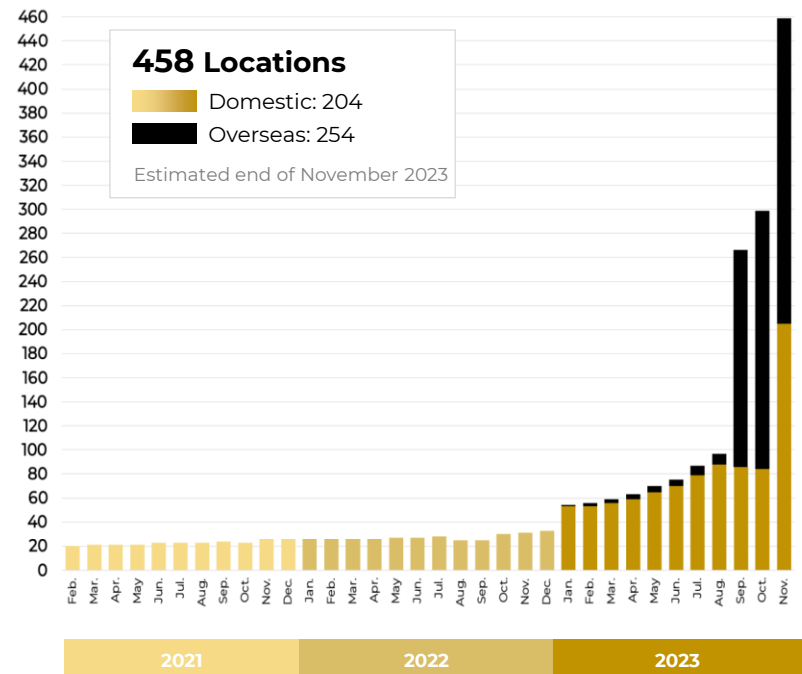
Organic Store openings in GiGO + Roll-up M&A

- The amusement arcade market is not an oligopolistic market, with the top five amusement arcade operators holding merely over 40% of the market share, and there are more than 100 small and medium-sized amusement arcade operators
- In addition to opening approximately 10 new stores per year in GiGO, we actively conduct roll-up M&A while horizontally expanding DX tools for amusement arcades

Number of Stores



Number of Mini-locations



Note: Mini-locations are amusement arcades that are not staffed.

Grand Opening of the Flagship Store (Ikebukuro)



The situation of GiGO Flagship Store Ikebukuro in the weekend

- 500 people lined up on the opening day, with current one-month sales 15% above the original plan

Sales for the first 30 days after opening totaled approximately 200 million yen

- Prize games account for about 80% of sales, with prizes of popular IPs
- Becoming one of the largest amusement arcades in the world

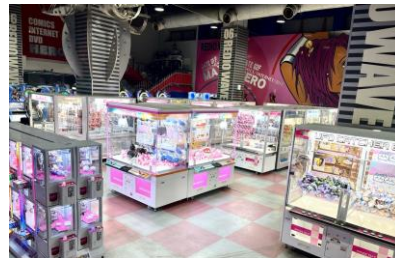


Renewal of MAXIM HERO

- August 21: Acquired MAXIM HERO
- October 5: Renovated as “GiGO Sapporo Station West Exit Store”
- October 25: Implemented a major layout change resulting in 151% sales in October 4 compared to last week



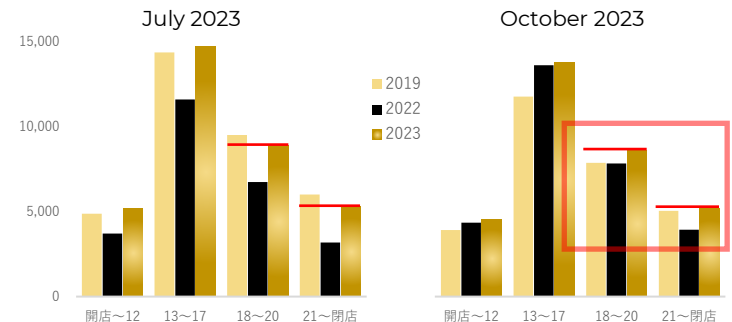
PMI



“Urban Stores” exceeded 2019

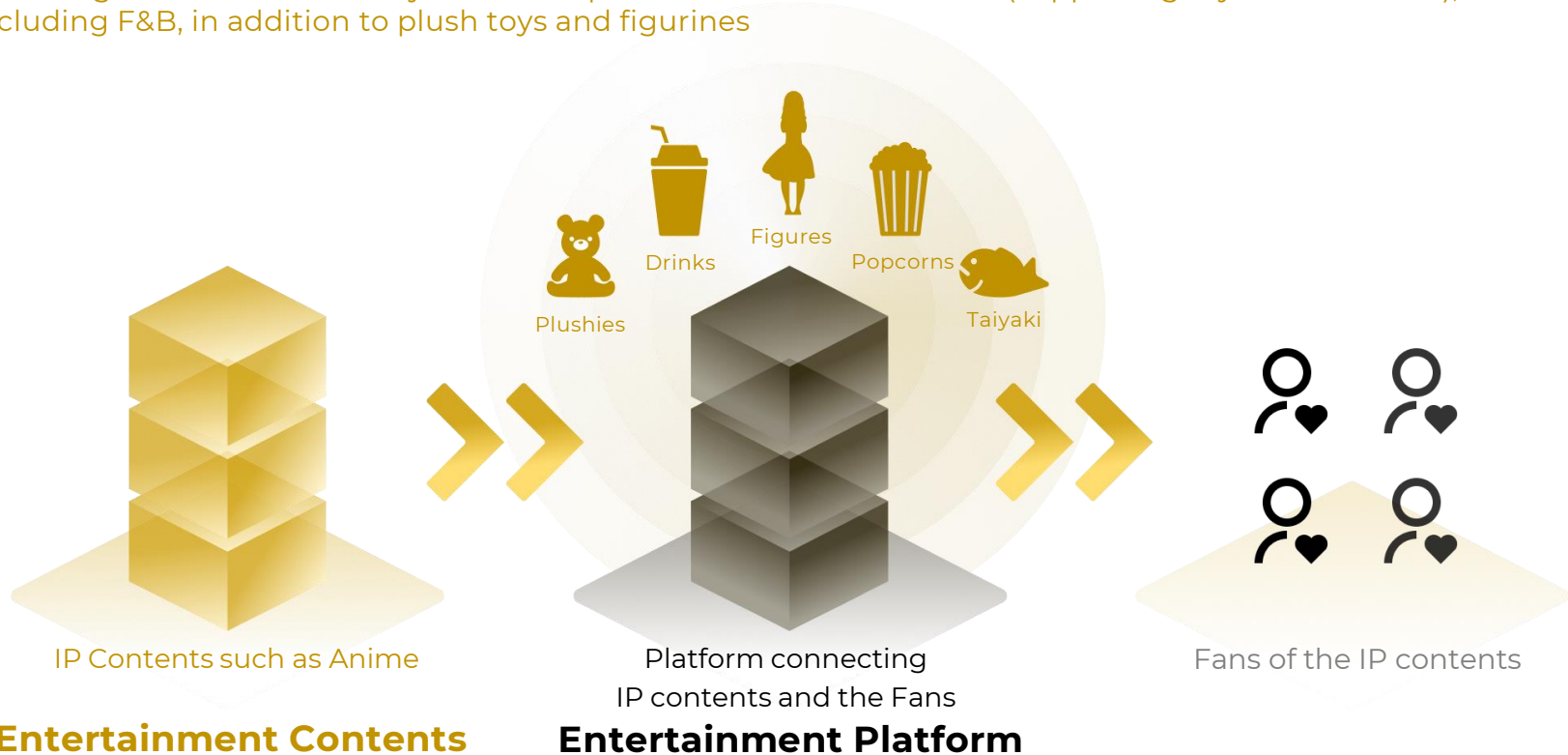
- GiGO Urban Existing Store Sales for September and October 2023 exceeded 2019 for the first time since the COVID-19 (SC and suburban stores exceeding 2019 since last fiscal year)
- Sales, especially during the nighttime hours (6pm to close), recovered and exceeded the 2019 point in October for all time periods

Existing urban stores Sales by time zone (million yen)



More Options for “Oshi-katsu” Activities

Providing IP fans with a variety of media options for their “Oshi-katsu” (supporting my fave activities), including F&B, in addition to plush toys and figurines



- Japanese anime boom drives **Historical Record Sales of Prize Games** in amusement arcades
- Prize Game is an entertainment platform through the **medium** of plushies and figurines.
- There are very strong track records in **food acting as such medium** (→ some examples on the next page)
- Realizing the potential of "food as entertainment" where "IP attractiveness" is the name of the game

An example of Food & Beverage (F&B)

IP x Drink & Merchandize



Cueue of
c.1,400
people
@Ikebukuro



Cueue of
c.500
people
@Akihabara



Japan Popcorn

Already in collaboration with IP at GiGO

- The company is a Hill Valley brand of popcorn company
- Accelerate the already existing IP collaboration at GiGO



Collaboration with Dozle at GiGO Ikebukuro Flagship Store

Queue waiting for the opening of

c.100 people

Genshin x Taiyaki



→ c.700 people lined up at Akihabara Store No.5

DOZLE x Collabo CAFE



→ Collabo CAFE in full swing



LEMONADE by Lemonica

Realizing Synergies in Entertainment F&B

- Leveraging the potential of collaboration with IPs in addition to GiGO's in-store sales force
- Embodying the potential of "food as entertainment"



At Acquisition

- Full-time sales staff: None
- Collaboration with IP: None
- Promotion: None

From now on

- Utilize GiGO's sales force to open stores throughout Japan, including opening stores in shopping malls for GiGO tenants
- Active collaboration with animation / IP

Note: Due to the relationship with the IP publisher, some of the information disclosed is limited.

Synergies in many areas with GENDA Group

Vertical integration of the value chain in the most important prize game in the amusement industry today

Business Model

Wholesale "trading company" of prizes for prize games



Categorized as the Character MD division within Entertainment Contents segment

Synergies

GiGO Kiddleton

- Realization of synergies in the procurement of prizes, expansion of sales and profit scale of Ares

GENDA (GENDA Games)

- Shared sales channel with GENDA Games, which does business with small and medium-sized amusement arcade operators

SPSS Tokyo Character Makers

- Implement common projects for new prizes and strengthen sales network

GENDA

- Introduce amusement arcade operators and prize companies that have business relationships with the GENDA Group

What is Character Merchandising (Character Merchandising)?

Provide products and other services based on the IP, utilizing the character's worldview

- IPs will be recouped through character MDs -> IPs will be developed in a variety of ways other than visual works
- Entering into that business stream is a stepping forward to becoming the "world's number one entertainment company"

Full-year Forecast of the Current and Next Fiscal Year

Upward Revision of Full-year Forecasts for the Current Fiscal Year GENDA

(¥ in millions of yen, excl. per share figures)	Net sales	EBITDA	Operating income	Ordinary income	Net income + amortization of goodwill	Net income to the shareholders of the parent	Earnings per share (before amortization of goodwill)	Earnings per share
Previous forecast (A)	47,500		4,300	4,250		3,500		105.89 yen
Revised forecast (B)	53,000	7,800	5,000	5,000	4,180	4,000	126.47 yen	121.02 yen
Increase (Decrease) (B-A)	5,500		700	750		500		
Increase (Decrease) (%)	11.5		16.2	17.6		14.2		
(Ref) Fiscal year ending January 31, 2023 full-year consolidated results	46,091	6,272	4,244	4,011	3,576	3,494	112.57 yen	109.99 yen

Background of the Upward Revision; Amusement Arcade operations are currently Performing Very Well

■ During the current fiscal year, GiGO's existing amusement arcade operations continued to perform very well, particularly in the area of prize games

- Due to the IPO completed in July of this year, M&A activities were restricted for a total of 10 months from the end of last fiscal year to the first half of this fiscal year – this fiscal year is the only year since GENDA's founding in which organic growth has been the main driver of growth

■ On the other hand, next fiscal year is expected to be generally flat in terms of profit growth for existing GiGO stores (profit growth will resume from the fiscal year after next)

- The main factor is that the preferential treatment of "All.Net (Note)" usage fees, which had been under review in stages since the acquisition of the former Sega Entertainment Co, is likely to be revised in the next fiscal year ahead of schedule due to the current strong performance of the company
- However, since the review of preferential measures such as All.Net usage fees will be completed, GiGO sales growth and profit growth are expected to resume in FY2026/1 and beyond

Note: All.Net refers to the Internet service for amusement machines provided by SEGA Corporation, which has lower transaction terms than arm's length transactions until December 31, 2025. For details, please refer to "Significant Management Agreements, etc." on p.35 of the "Annual Securities Report for Application for Initial Public Offering"

M&A resumed in the 2nd half of the current Fiscal Year, Leading to the Transformational Growth in the Next Fiscal Year

■ Financial Contribution of M&As announced this fiscal year

— Current fiscal year: Sales +¥2.7bn, EBITDA +¥0.2bn, Op income +¥0.07bn (short PL consolidation / one-time M&A costs)

— **Next fiscal year: Sales+¥13.0bn, EBITDA +¥1.8bn, Op income +¥0.8bn (estimated as of today) (*)**

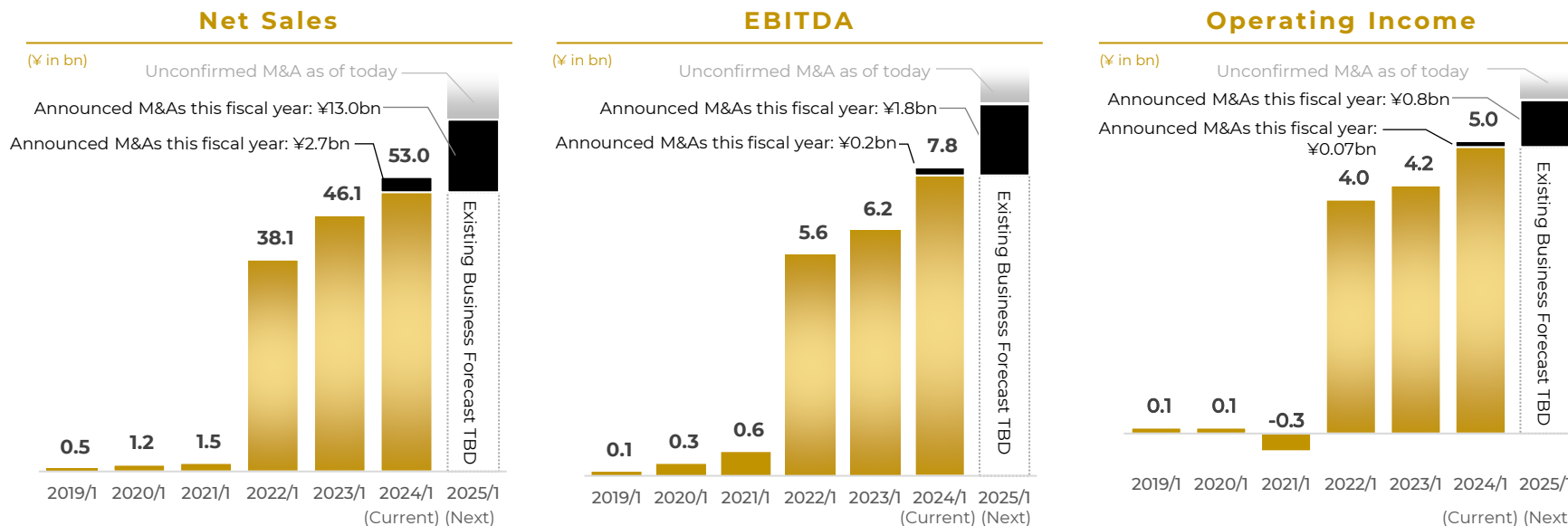
(*) Further M&A activities are expected within this fiscal year, but those not announced today not taken into account

GENDA adopts JGAAP to maintain smooth M&As, thus “amortization of goodwill” is gradually incurred with M&A growth. Going forward, **Cash Flow Indices such as “EBITDA” and “Net Income before Goodwill Amortization” (quasi IFRS Net Income)** are expected to grow more significantly.

■ Attractive returns to Shareholders with appropriate Entry and Leverage, the GENDA's disciplined M&A

— GENDA to earn **EBITDA +¥1.8bn with actual total cash out of ¥1.4bn (total enterprise value 6.2 billion yen)**

— Leverage achieved through remaining interest-bearing debt of the target company and group-wide financing



Note: Figures for FY2019/1-FY2021/1 are for reference because consolidated financial statements have not been prepared for FY2019/1-FY2021/1.

Appendix

(Reference) Disclosure on ALL.Net

Contracts regarding usage of ALL.Net network services

Contracting Party	Counterparty	Domicile	Contract	Signing Date	Period
GENDA SEGA Entertainment (Current GENDA GiGO Entertainment)	SEGA Corporation	Japan	<p>This agreement stipulates the use of the “ALL.Net” network service for amusement machines operated by GENDA GiGO Entertainment and the license to use the software.</p> <p>The agreement will remain in effect until December 31, 2025. The terms and conditions of the agreement are lower than those of a third-party transaction. However, if the sales of the existing store in a sales computation period (the period from April 1 of each year to the end of March of the following year) exceed the sales of the same store from April 1, 2018 to March 31, 2019, the same terms and conditions as for third-party transactions will apply for the sales computation period following such first excess sales computation period and thereafter.</p> <p>“ALL.Net” is a network service provided by SEGA Corporation that allows arcade games to be connected to the Internet, enabling communication games to be played and play data to be saved.</p>	December 29, 2020	Effective after December 29, 2020, unless both parties agree to terminate or the termination event does not occur.

Note: Excerpts from “Important Management Contracts, etc.” on p. 35 of the “Annual Securities Report for Initial Listing Application. This is merely an English translation for reference purpose of the original document in Japanese therefore original Japanese version always prevails in case of discrepancy.

In Addition to Maximizing Shareholder Value, we also seek to Maximize Per Share Value

→ **Specifically, we pursue “Maximization of Earnings per Share (EPS)”**

(Cash EPS will become more important after the acceleration of M&As, which will reflect cash flow and quasi IFRS Net Income)

We believe “Growth via M&A” does NOT always lead to the increase in Per Share Value

→ **We access M&A deals whether that will “Increase the EPS”**

(resulting in 42x EPS since inception despite M&A-centric growth)

4 Key Factors in the Pursuit of Maximizing Per Share Value / EPS

1 Entry Valuation

We believe the entry valuation is a very important factor in M&A, and we try hard not to enter with wrong price

2 Financing

Leverage ample FCF to minimize the amount of equity, limit dilution, and pursue the maximization of equity returns

3 PMI

We conduct M&As mainly in areas where we have confidence in PMI, but we would not hold on to a high price by counting too much on our PMI prospects

4 Investment Committee

The five committee members hold more than 1/4 of the total shares – thus we will examine whether the M&A deal contributes to the maximization of “per share value”, as the representative of all the shareholders



Representative
Director & Chairman
Nao Kataoka:
16.85%



Representative
Director & President
Mai Shin:
8.62%



Director
CFO
Taiju Watanabe:
1.36%



Executive Officer
CSO
Kohei Habara:
0.15%

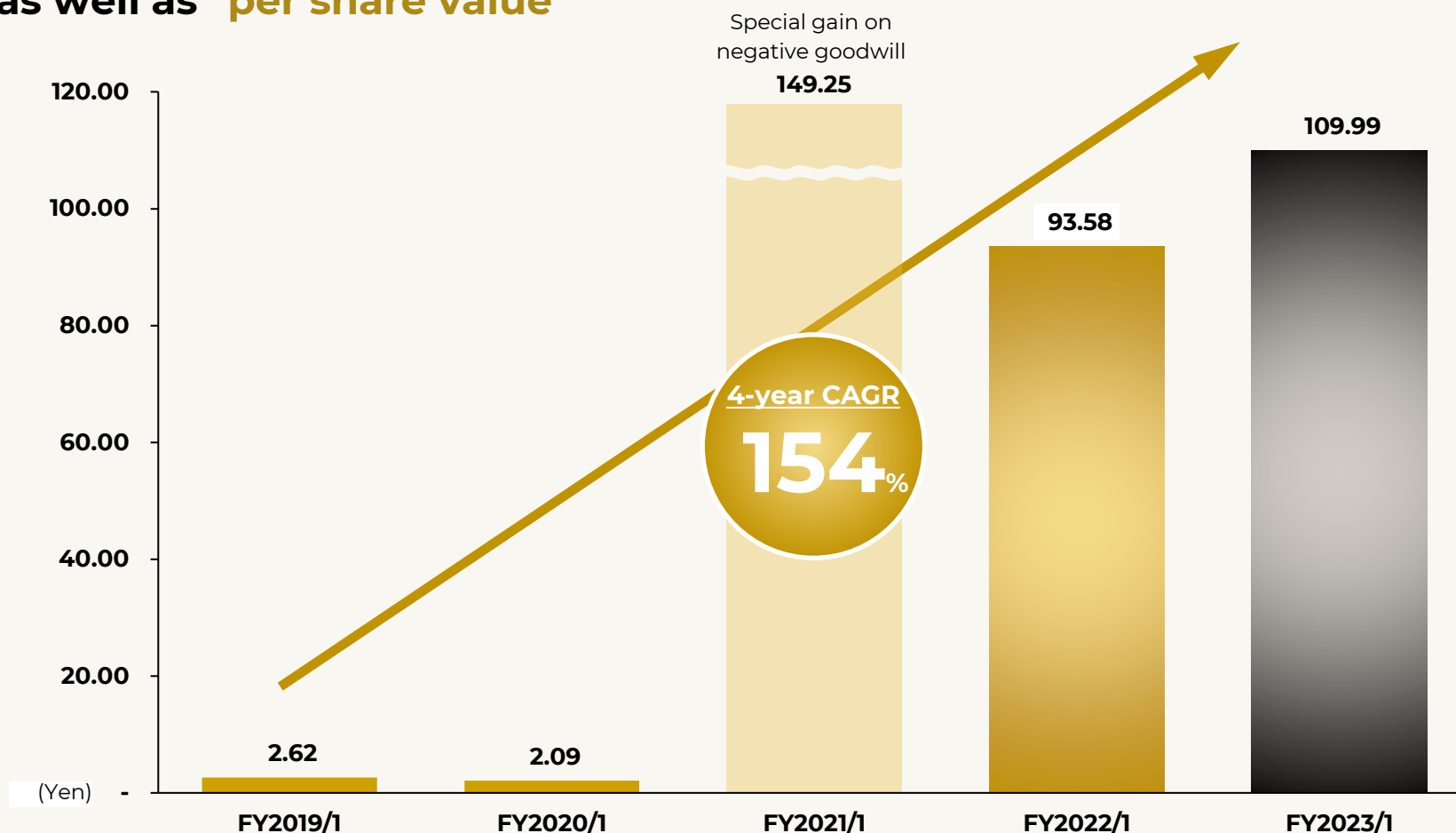


Executive Officer, Head
of Head AM Business
Kazuhiro Ninomiya:
0.09%

Note: Percentage of shares held is the ratio including the number of latent shares due to stock acquisition rights, as stated in "Securities Report (Part I), Section 3 [Status of Shareholders]" in the "Annual Securities Report for Initial Listing Application. EPS" refers to "earnings per share. FCF" refers to "free cash flow," which is operating CF minus investment CF. PMI" refers to the integration process and management to ensure the benefits of M&A integration.

EPS Transition since Incorporation

EPS grew 42x despite 115x sales growth was driven mainly through M&A
**We will continue to pursue the maximization of “share value”
as well as “per share value”**



Note: Figures for FY2019/1-FY2021/1 are for reference because consolidated financial statements have not been prepared for FY2019/1-FY2021/1.

