

# FY2025/1 2Q Earnings Presentation

September 9, 2024

GENDA:)

# About Us

## Embracing Our New Corporate Logotype

### **“Golden Smile” as a symbol that embodies GENDA's aspiration of “More Fun For Your Days”**

To embody our business identity as an entertainment company and our ambition to achieve “More Fun For Your Days,” we have incorporated “Golden Smile” as a charming symbol into our new corporate logo.

The logotype uses an authentic and sonorous serif typeface, conveying an impression of intelligence and professionalism, while using an Emoticon (a globally used smiley face mark symbol) to generate a distinctive and innovative impression, and likewise to express affinities with contemporary culture.

The logo features the word "GENDA" in a dark blue, classic serif font. To the right of the word is a golden-colored emoticon consisting of two dots for eyes and a large, curved line for a smile.

## The Big Picture of the Current Entertainment Industry

### Aspiration

## More fun for your days

We believe that “fun” is essential for human beings  
“More fun for your days” is our “Aspiration”

### Vision

## To be the World’s No.1 Entertainment Company in 2040

Speed is King, GRIT and GRIT, and Enjoy our Journey  
With these three values, we take on new challenges and  
aim to be the world’s number one entertainment company

# GENDA:) )

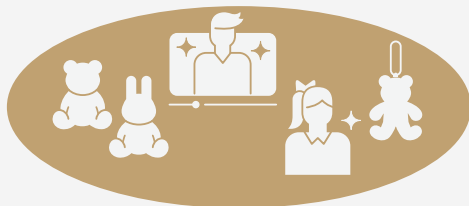
# The Big Picture of the Current Entertainment Industry

## IP Contents × Platform

We believe the current business environment surrounding the entertainment industry is to deliver the “IP Contents” such as animation to the “fans” through entertainment “platforms”.

In this context, we will first position “Platform” as our main growth driver, while entering into the “IP Contents” domain in the mid-to-long term.

### IP CONTENTS



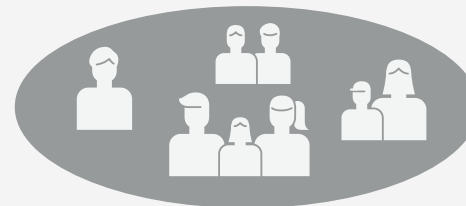
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### PLATFORM



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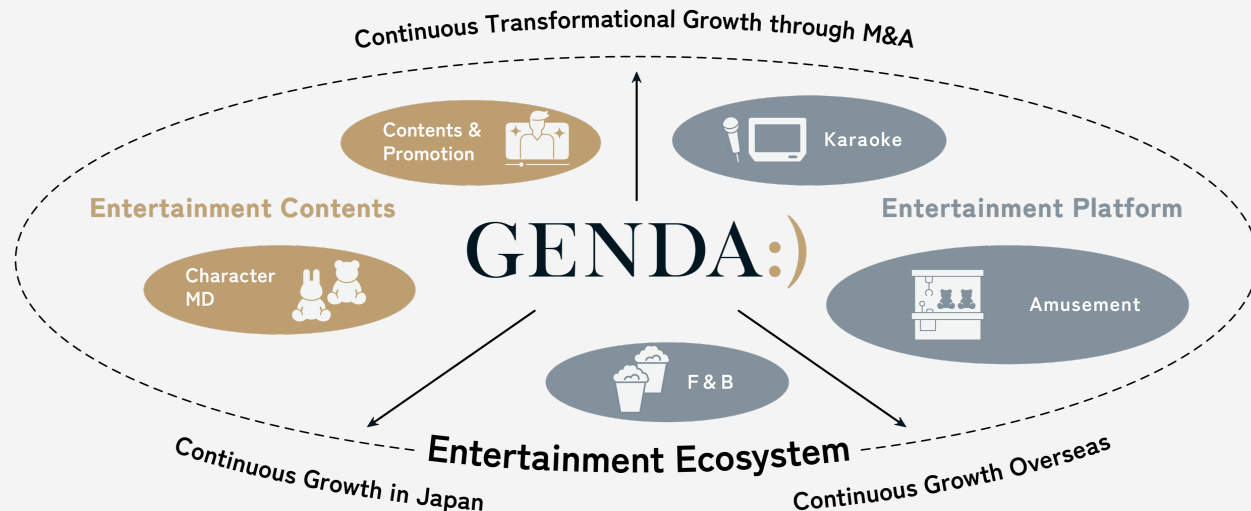
### FAN



## Our growth strategy = "M&A in the Entertainment industry"

### Completion of the Entertainment Ecosystem

Based on a foundation of continuous growth brought about by the steady expansion of our domestic business and aggressive overseas business development, we aim to build a "GENDA Entertainment Ecosystem" that will expand globally by accumulating M&A in both the entertainment platform and entertainment content areas. In this way, we believe that we will be able to overcome the volatility of the ever-changing entertainment business by building a solid business portfolio.



Note: Diagram of our envisioned growth strategy.

# M&A and capital transactions track record "33"

## Pre-IPO #M&A

11

**SPSS**

June 2018  
Acquisition (100%)

**Kiddleton**

July 2019  
Joint Venture (50%)

3

**GiGO**

December 2020  
Acquisition (85.1%)

4

**ENTERRIUM**

April 2021  
Acquisition of  
the business

5

**DYNAMO  
AMUSEMENT**

October 2021  
Capital Alliance

6

**GiGO**  
Taiwan

December 2021  
Acquisition

7

**GiGO**

January 2022  
Acquisition

8

**TAKARAJIMA**  
Amusement & Game

January 2022  
Acquisition (100%)

9

**HASHILUS**

June 2022  
Capital Alliance

10

**スガイディノス**

October 2022  
Acquisition

11

**AMUSEMENT**

October 2022  
Acquisition

## Post-IPO #M&A

22

**デジチャイム**

September 2023  
Transfer of Assets

13

**Kiddleton**

September 2023  
Becoming a wholly  
owned subsidiary

14

**DYNAMO  
AMUSEMENT**

September 2023  
Becoming a wholly  
owned subsidiary

15

**MAXIM HERO**

October 2023  
Transfer of Fixed assets

16

**LEMONADE**  
by Lemonade

October 2023  
Acquisition (66.0%)

17

**ARES COMPANY**

October 2023  
Acquisition (100%)

18

**GAGA**  
GENDA GROUP

November 2023  
Acquisition (78.05%)

19

**#117 mini-  
location**

November 2023  
Assets transferred from  
Global Solutions

20

**HILL  
VALLEY**

November 2023  
Acquisition (100%)

21

**SUPER  
NOVA**

December 2023  
Acquisition  
of Stores

22

**AM Arcade  
1 store (China)**

December 2023  
Acquisition of  
management rights

23

**PINOPINO  
ZAURUS**

December 2023  
Acquisition (100%)

24

**fancy FUKUYAMA**  
株式会社フクヤマ

January 2024  
Acquisition (100%)

25

**PL@B!**

February 2024  
Acquisition (82.45%)

26

**カラオケ  
ball park**

February 2024  
Acquisition (78.59%)

27

**SMILE  
STATION**

May 2024  
Stock acquisition  
(100%)

28

**ゲームファンタジア**

June 2024  
Stock acquisition  
(100%)

29

**VR LIVE JAPAN**  
DREAM WITH YOUR EYES OPEN

June 2024  
Acquisition of the  
business

30

**national  
entertainment  
network**

Within 2024  
(planned)  
Acquisition (100%)

31

**co  
Paging**

July 2024  
Becoming a wholly  
owned subsidiary

32

**株式会社 音通**

August 2024  
Acquisition (72.92%)

33

NEW

**One  
Amusement  
Arcade**

October 2024 (planned)  
Acquisition of Stores

...

Entertainment Contents

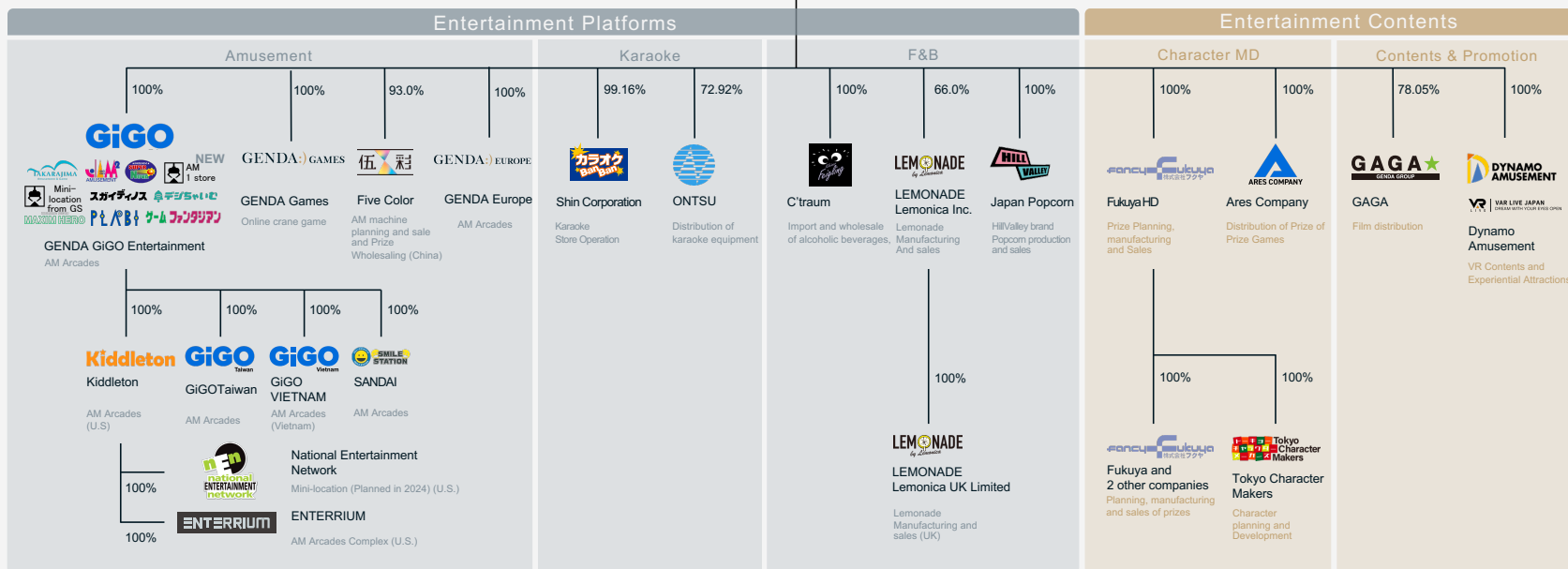
Entertainment Platform

Note: The number of acquired properties is as of the date of the announcement of the project. (planned)\* indicates a project prior to closing.

## GENDA Group Overview

# GENDA is a pure holding company of amusement centric entertainment companies

**GENDA:** Pure Holding Company  
GENDA Inc.

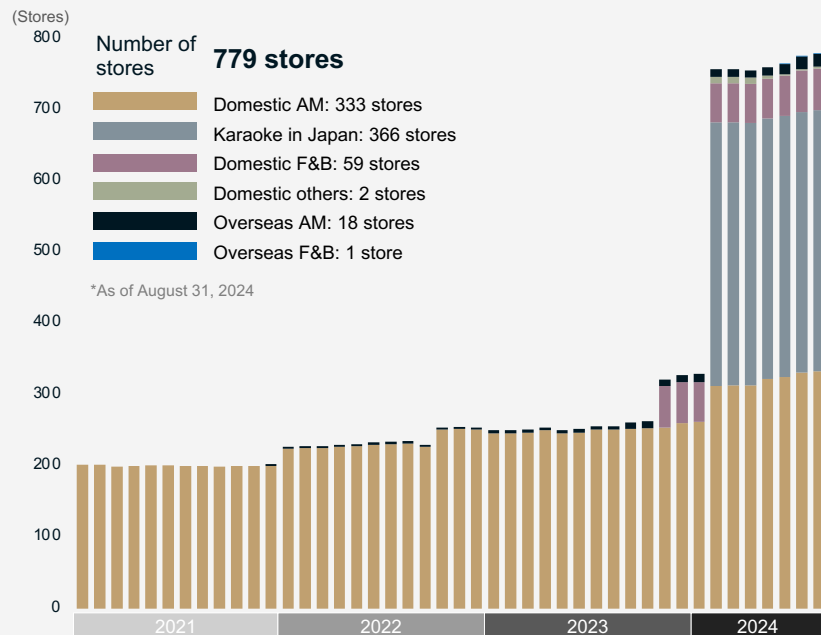


Note: Organizational chart as of September 9, 2024. AM arcades in the chart refer to amusement arcades. The chart is intended to present mainly our consolidated subsidiaries. NEN is scheduled to be completed in 2024, and the deal to acquire stores from MATAHARI-ENTERTAINMENT Co.,Ltd. is scheduled to be completed in October.

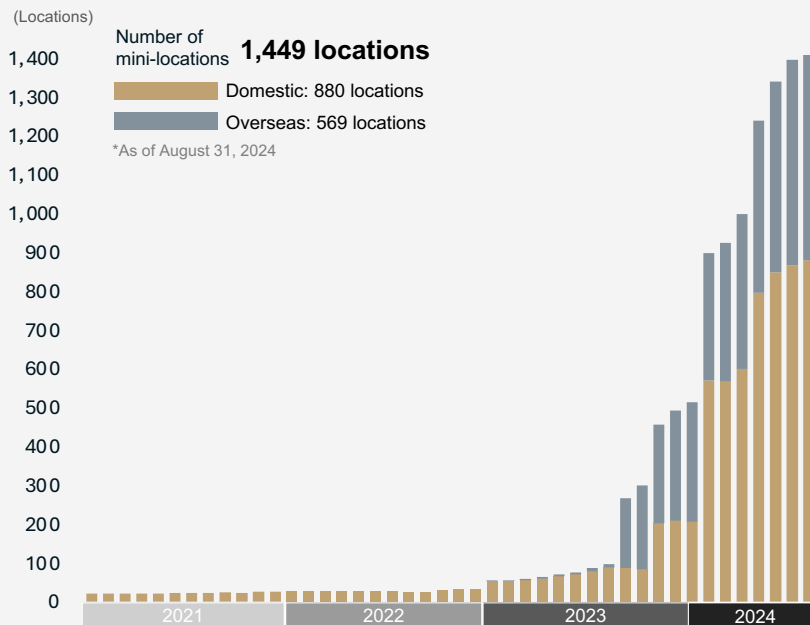


## Number of Entertainment Platforms

# Number of GENDA “Entertainment Platforms” reached 2,228 (as of the end of August)



Note: Mini-locations are game areas that are not staffed.



# Executive Summary

## Executive Summary

### 01 2Q results significantly exceeded our initial business plan, alike strong 1Q results

Excluding one-time M&A expenses, 2Q YTD EBITDA was up +56% YoY, and net income before amortization of goodwill was up +18% YoY. Both exceeded the 1Q YoY%. Although our initial business plan assumed OP to “decrease” YoY, both 2Q and 2QYTD ended up securing YoY “increase” even “including” above M&A expenses. Furthermore, even “including” ¥540mn one-time expenses (M&A ¥410mn + follow-on offering ¥130mn), ALL indicators from revenue to net income beat the 1H budget. TWICE LOVELYS campaign sold out within only a week, and GiGO Osaka Dotonbori flagship store recorded historical high 1day sales, both of which for 3Q earnings.

### 02 PMI started for NEN, replacing existing amusement machines by Kiddleton’s

We began location testing to replace the amusement machines in NEN, which has 8,000 mini-locations in the U.S., by Kiddleton’s Japanese-style machines and “kawaii” prizes. As previously reported, Kiddleton’s sales per store were about 3x that of NEN, so we plan to roll it out immediately without waiting for the deal close. Furthermore, the registration of GENDA Europe Ltd., which will serve as our European base, has been completed. The group-wide mini location business, with “Five Colors for amusement machine exports, Ares and Fukuya for prize exports,” will be implemented in Europe as well.

### 03 PMI of DX for Amusement Arcade – “Project PAO” an AI-powered DX measures

With the rapid growth of prize games, it has been beyond human power to “optimally allocate prizes in accordance with the ordering budget while meeting all the conditions” since that requires simulation of hundreds of prizes x hundreds of stores x numerous parameters, resulting in a large discrepancy between store budget and actual allocation. The AI’s machine power implemented to verify countless patterns to derive optimal solution by brute force, achieved 90% stores successful in falling within the 96-100% range. Although M&A is our core business at GENDA, 71 out of the 105 personnels belonging to the pure holding company GENDA, are Tech personnel engaged in PMI.

### 04 FY2026/1 Earnings forecast: Revenue ¥140.0bn | EBITDA ¥18.5bn | NI before goodwill amortization ¥7.0bn

For FY2025/1, only revenue has been revised upwards, while income forecast remain intact as they fluctuate subject to M&As, with 5 months left until the end of the fiscal year. Adjusted earnings basis, which indicates the actual profitability of the core business, our KPI EBITDA is approx. ¥15.0bn (OP income approx. ¥9.0bn). Similarly, we have also announced earnings forecast for the next fiscal year. Revenue ¥140.0bn, EBITDA ¥18.5bn (OP ¥10.5bn), NI before goodwill amortization ¥7.0bn. Above forecast assumes NO M&As from today and forever. In reality, our M&A pipeline is the largest ever in size owing to the follow-on offerings and expanded debt capacity.

## 01. 2Q Earnings Results for FY2025/1

## Consolidated Statements of Income

### Following the 1Q, 2Q significantly exceeded the initial business plan (excl. M&A expenses)

Achieved all the financial targets from revenue to net income of the initial business plan, even “including” ¥410mn of M&A expenses and Follow-on offering expenses of ¥130mn

	2Q YTD					Full-year		
		a Excluding M&A and follow-on offering expenses		Including M&A and follow-on offering expenses		Including M&A expenses		
(Yen in millions)	FY2024/1	FY2025/1	YoY	FY2025/1	YoY	FY2024/1	FY2025/1 (forecast)	YoY
<b>Revenue</b>	24,515	49,531	+102 %	49,531	+102 %	55,697	110,000	+97 %
<b>EBITDA</b>	3,909	6,115	b +56 %	5,700	+45 %	8,102	13,000	+60 %
(%)	15 %	12 %		11 %		15 %	12 %	
<b>Net income before amortization of goodwill</b>	2,041	2,413	c +18 %	1,918	▲6 %	4,359	5,400	+24 %
(%)	8 %	4 %		3 %		8 %	5 %	
(Reference)	2,787	3,720	+33 %	3,177	+13 %	4,577	7,425	+62 %
Net income before amortization of goodwill (pre-tax basis)								
<b>Operating income</b>	2,767	3,598	d +30 %	3,184	+15 %	5,370	7,000	+30 %
(%)	11 %	7 %		6 %		10 %	6 %	

- a** M&A and follow-on expenses ..... Showing Intrinsic performance excluding one-time expenses. M&A expenses were ¥390mn in the 2Q and ¥410mn in YTD, affecting EBITDA and below. Follow-on offering expenses were ¥130mn in the 2Q, making the total LTM expenses of ¥540mn, affecting ordinary income and below.
- b** EBITDA ..... 2Q YTD was +56% YoY, exceeding the 1Q YoY of +50%. The “absolute amount” was “1Q > 2Q”, which is in line with our initial business plan, and 1Q and 2Q were around the same achievement “rate” to our initial business plan, maintaining a strong performance throughout the first half.
- c** Net income before amortization of goodwill ..... YoY of +18% offset the normalization of the corporate tax from the current fiscal year, significantly higher than YoY of -9% in 1Q. The “rate” of achievement compared to the initial business plan exceeded that of the EBITDA.
- d** (Reference) OP Income ..... 2Q YTD was +30% YoY, exceeding the 1Q YoY of +25%. In the initial business plan, OP income was expected to decrease YoY in both 1Q and 2Q, but the actual results were up YoY in both 1Q and 2Q, even including M&A-related expenses of 410 million yen.

## Consolidated Balance Sheet

### Balance Sheet Indicators Improved owing to the Follow-on Equity Offering

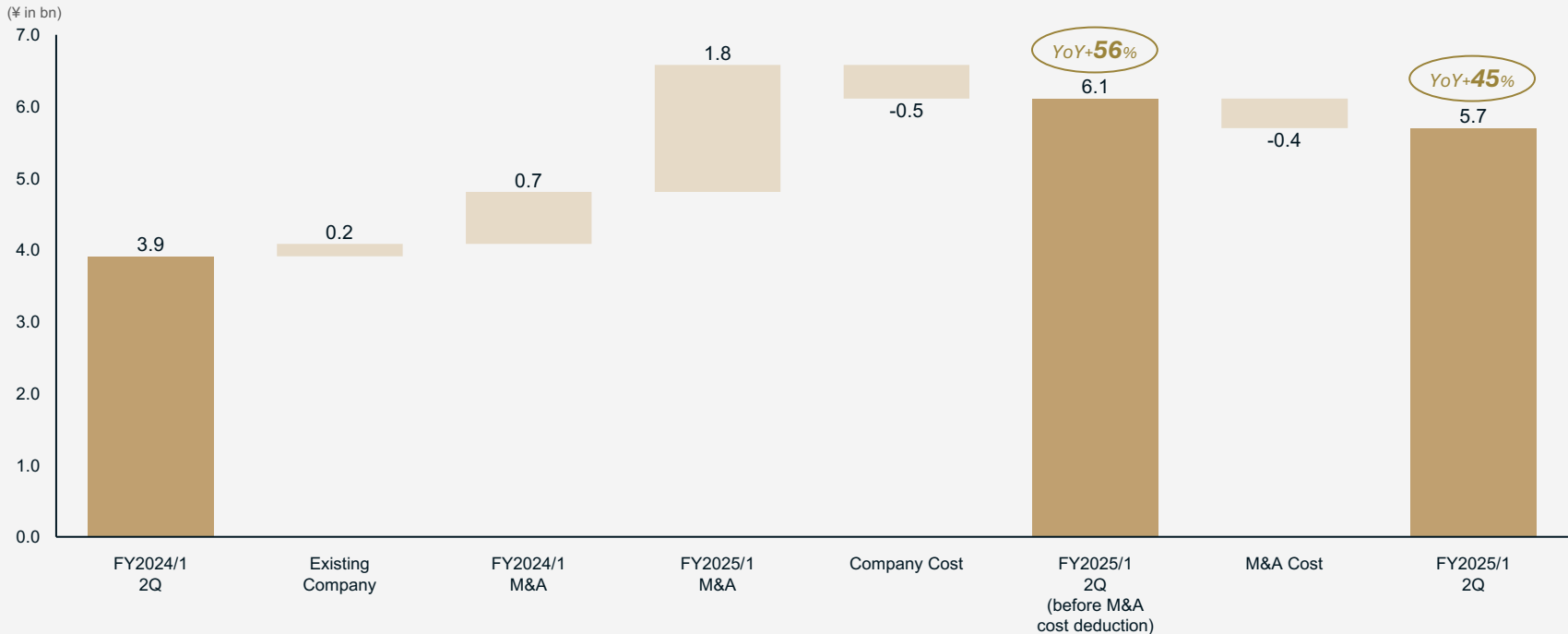
(¥ in millions)	FY2024/1 End of Full-year	FY2025/1 End of 2Q	Difference	Remarks
<b>Current assets</b>	<b>23,567</b>	<b>40,837</b>	<b>+17,269</b>	Due mainly to increase in cash and deposits
Of which, cash and deposits	12,379	25,252	+12,873	Increase due to equity financing (¥10.0bn) and cash from M&A targets For the first time, there is an abundance of M&A reserve funds (in the past, debt financing was required for each M&A)
<b>Fixed assets</b>	<b>28,573</b>	<b>52,240</b>	<b>+23,666</b>	Due mainly to increase in tangible assets by new store openings and M&A
Of which, goodwill	4,992	13,616	+8,623	Significant buffer of approx. ¥20bn in net assets from equity financing (Goodwill amount after close of NEN expected to be around ¥15.5bn in 2H)
<b>Total assets</b>	<b>52,141</b>	<b>93,077</b>	<b>+40,936</b>	Increase due to above factors
<b>Total liabilities</b>	<b>32,476</b>	<b>59,432</b>	<b>+26,956</b>	Due to increase in interest-bearing debt mainly led by M&A financing
Of which, interest-bearing debt	18,993	40,056	+21,063	Even after closings of ONTSU and NEN deals, our borrowing capacity has improved significantly, including available alternatives such as corporate bond issuance, due to the recent ¥10.0bn equity offering
<b>Net assets</b>	<b>19,664</b>	<b>33,644</b>	<b>+13,979</b>	Due mainly to increase in equity capital
Of which, shareholders' equity	19,427	33,190	+13,763	Increase due to new share issuance, stock-based M&A, and profit accumulation
<b>Net Debt / EBITDA</b>	<b>0.8 x</b>	<b>1.1 x</b>	<b>+0.3 x</b>	Additional borrowing capacity further increased due to equity financing
Capital adequacy ratio	<b>37.2 %</b>	<b>35.6 %</b>	<b>▲1.6 %</b>	Earnings are assumed to be concentrated in 2H of the current fiscal year, and profit accumulation is expected to accelerate for the full year

Note: EBITDA in the calculation of Net Debt / EBITDA is presented using the current year's estimate of 13 billion yen, to be consistent with discussions with financial institutions.

## Breakdown of 2Q Consolidated EBITDA's YoY Change by Factors

### EBITDA excl. M&A expenses was +56% YoY, embodying "Continuous Transformational Growth"

Excluding M&A expenses recorded by 2Q, EBITDA grew by 56% YoY, and even including these expenses, by 45% YoY. EBITDA, which is a KPI indicating the profitability of GENDA Inc., whose core business is M&A, has increased by 1.5 times from previous fiscal year, embodying "Continuous Transformational Growth" through M&A.



Note: Shin Corporation and PLABI Co., EBITDA are shown as M&A deals in FY2025/1, as their closing were February 1, 2024.

# Campaign featuring TWICE LOVELYS

Successful campaign with characters “TWICE LOVELYS,” by Asia's No.1 girls' group “TWICE.”  
Launched rollout of the campaign's GiGO-exclusive prizes available only at GiGO stores.  
(Phase 1 from Aug 6 to Sep 5, and phase 2 from Sep 6 to Oct 6, earnings contribution to be 2H)

Many customers including those who do not usually visit amusement arcades came to the store.  
Although phase 1 assumed for one month period, popular prizes were sold out within a few days, and all prizes were sold out in only one week later. Ongoing phase 2 is also gaining huge popularity.

We have confirmed the great potential of collaborative campaigns involving not only anime characters, the main drivers of popularity of prize games, but also the potential with popular artists, etc.



©JYP Entertainment. ©2024 Warner Music Japan Inc.



GiGO Fukuoka Tenjin



GiGO Smark Isesaki



GiGO Shinjuku Kabukicho



GiGO Shinjuku Kabukicho



# GiGO Osaka Dotonbori Flagship Store | Resulting in Historical High Daily Sales

On August 30, 2024, GiGO Osaka Dotonbori Store opened, the second flagship store following GiGO Sohonten Store (Ikebukuro) condensing the GENDA Group's entertainment on its three floors.

300 crane games, “fanfancy+ with GiGO,” the first store in the Kansai region, “KOTOBUKIYA with GiGO,” the Group's first store specializing in figurines and anime goods, “Bushiroad Creative Store in GiGO LEMONADE by Lemonica,” ‘Hill Valley,’ a gourmet popcorn brand originating in Japan, and ‘GiGO's Taiyaki’.

On the first day of the opening, despite the stormy weather with an approaching typhoon, approximately 200 customers lined up before the store opened, resulting in the highest daily sales in GiGO's history\*, surpassing the first-day sales of GiGO's flagship store (Ikebukuro).

Located in the Dotonbori area, which is lined with popular restaurants that attract a large flow of people, and inbound demand is also expected.



## 02. PMI: Location testing of NEN

## M&A of NEN Corporation

# "Dream Deal" we have envisioned since the launch of Kiddleton's U.S. operations



### NEN Company Profile

Entertainment company founded in 1995 and Headquarters in Colorado, USA

### Financial Results (FY2023/12)

Sales \$ **100.3**m, EBITDA \$ **8.0**m

### Facilities

Approx **8,000** mini-location



### Investment Highlights

NEN, with approximately **8,000** locations including Walmart, was the biggest breakthrough to accelerate Kiddleton's largest focus of business in the U.S. tenant development

Deploy Kiddleton's ability to generate about **3x** greater sales per location, by replacing U.S.-style prizes with Japanese-style prizes

GENDA Group will **export Japanese "Kawaii" to all over the U.S.**, with FUKUYA and Ares providing the prizes and Five Colors in China providing the machines

### Valuation

GENDA actively proposed the acquisition of NEN, which had been a "dream" of Kiddleton since its inception in the U.S.

29 years of incorporation with 67 minority shareholders seeking to exit, GENDA provided the liquidity to secure an attractive valuation

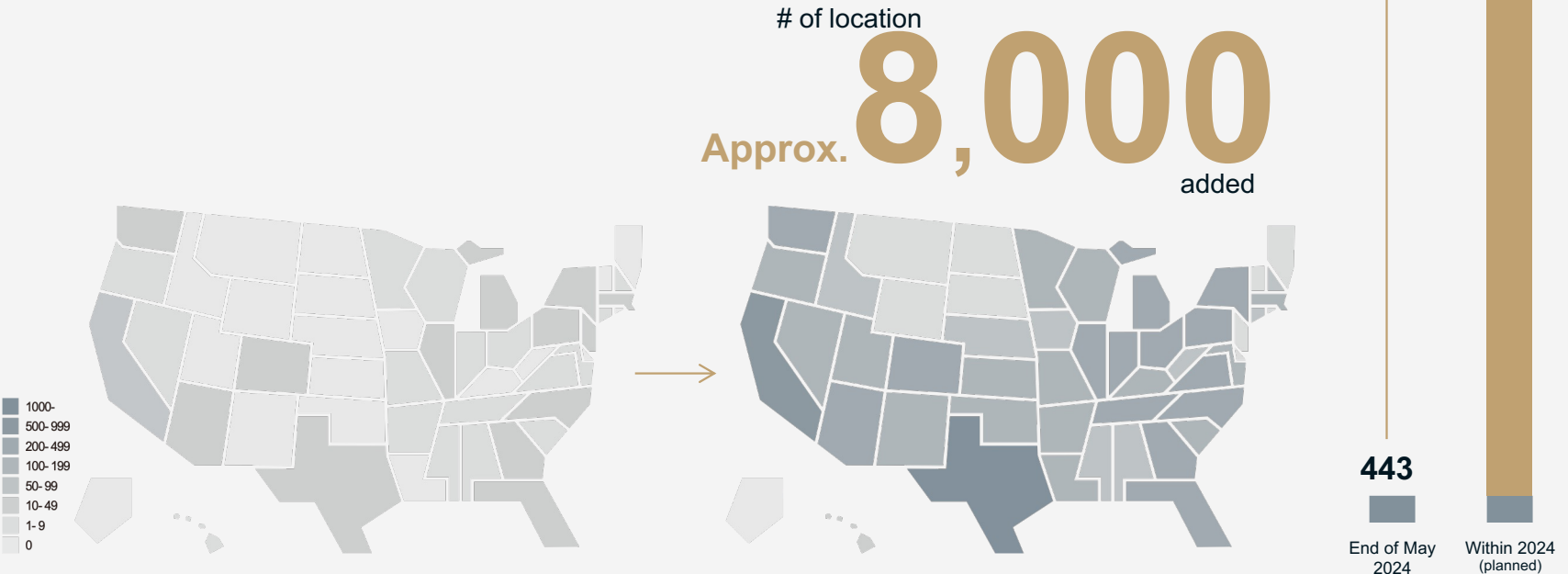
Enterprise value **\$29m**, EV / EBITDA **3.6x** (based on FY2023/12 actual). With our debt capacity, **M&A to be fully financed by debt**, same as in the previous year. **Cash EPS** increases unilaterally by increasing profit with unchanged number of shares

Investment Highlights continued

Establish the network throughout the U.S.

Explosive increase in sales coverage area

In addition to the sales office, Kiddleton's current three-person repairment team can be done through NEN's nationwide maintenance network



### Location tests in progress in various shops

As explained in the NEN M&A announcement, we have begun location tests to replace the game machines and prizes in NEN's existing stores with Japanese-style game machines and “Kawaii” prizes developed by Kiddleton. Since Kiddleton's sales per store were about three times that of NEN, we are earnestly making all arrangements to expand even before the deal closes.



One of NEN's actual locations



(Image) Kiddleton's Little Tokyo store in Los Angeles

## Investment Highlights continued

### Japanese "Kawaii" is now available in the U.S!

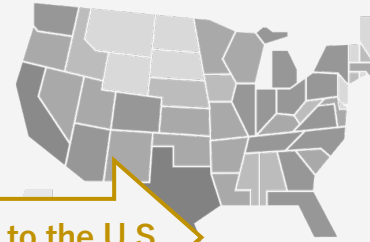
Pursuing uniqueness by offering products and experiences that are only available here. Expand globally by leveraging synergies within the group.

The chassis will be provided by Five Colors, prizes will be exported from Ares and Fukuya, and Japanese "Kawaii" will be provided by Kiddleton and NEN to 8,800 locations in the U.S.

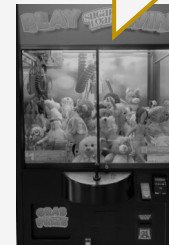
# GENDA



Kiddleton



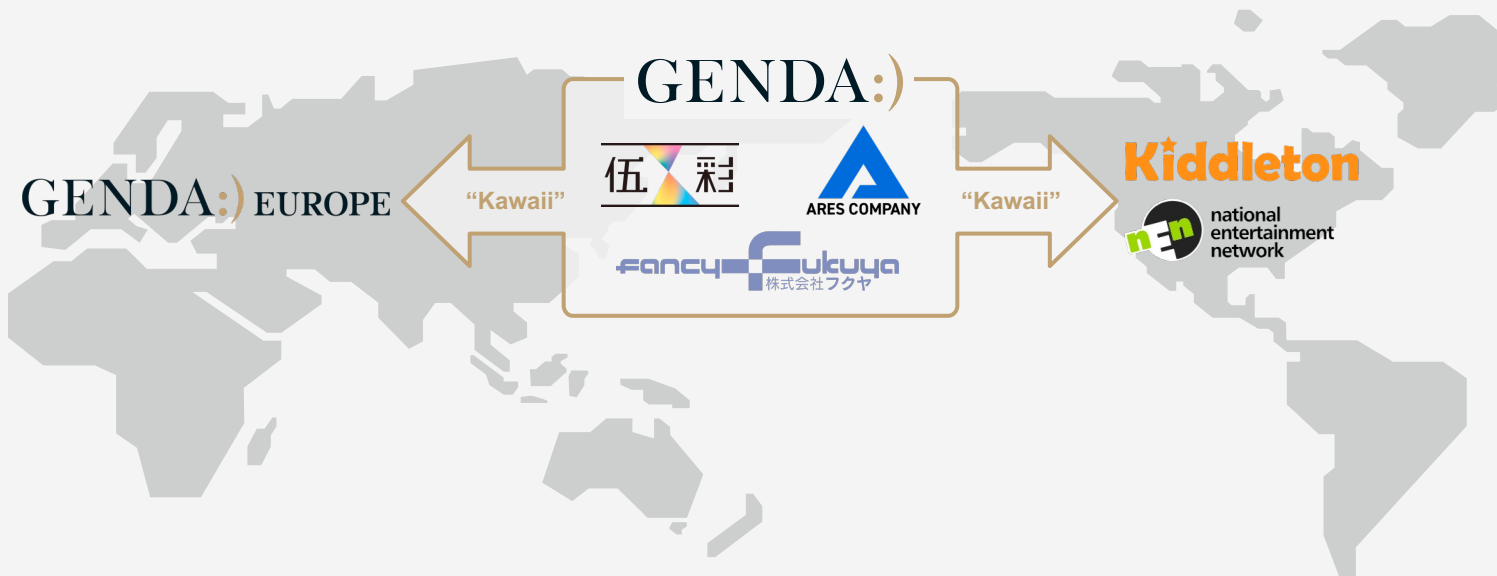
"Kawaii" to the U.S



## Expanding the Rapidly Growing Mini-Location Business into Europe

### GENDA Europe Ltd. established, ready to make a full-scale entry into Europe area

Established GENDA Europe Ltd. as our European base on August 30, 2024. Following “LEMONADE by Lemonica,” the registration of our European base for amusement has been completed. The same across-the-Group scheme for the U.S. expansion of “Kawaii” will be applied in Europe likewise, with “Five Colors” for game machine exports, and “Ares and Fukuya” for prize exports.





## Leaderships of Mini-Location business in Europe and the U.S.

### Contributing to GENDA Group's worldwide network development

Expanding into the European region following the U.S. and Asia in order to build a global entertainment network, which represents the origin of GENDA's corporate name. Mr. Ohtomi, former CEO of Ares Company, a prize wholesaling company, has been appointed as the head of our European business. Mr. Iyoda, who already has extensive experience in the U.S. market, will bring his know-how and expertise to Europe, GENDA Inc.'s first foray into the European market.



GENDA Executive Officer, Head of U.S. Operations, Kiddleton, Inc. CEO / President

#### Atsushi Iyoda

In 2004, Mr. Iyoda joined Aeon Fantasy Co. Store manager, district maintainer after working as a sales manager, he was responsible for the purchase and development of game machines, as well as product sales in various countries overseas. Engage in port operations.

In 2015, he became the company's ASEAN Development Manager. Vietnam, Cambodia Responsible for operational support of Zia franchise stores.

In 2017, became Representative Director of AEON FANTASY VIETNAM CO.,LTD. Inauguration 2018, Representative Director, AEON FANTASY GROUP PHILIPPINES, INC. Also serves as a director.

In 2019, he joined GENDA Inc., and in July of the same year, Kiddleton, Inc. He founded and became CEO & President. Current position since September 2023.



GENDA Head of Europe Business

#### Ryo Ohtomi

Mr. Ohtomi graduated from Hitotsubashi University and completed the university's MBA course.

In 2017, he joined Mitsubishi Corporation. Participated in projects such as turnaround projects for subsidiaries in Thailand.

In 2020, he joined Bain & Company, where he provided a wide range of management support and recommendations to several major Japanese companies as a consultant.

In 2022, he joined Ares Company, Ltd. After serving as Vice President and Representative Director, and in February 2023, he was appointed President and Representative Director. He assumed his current position in September 2024.

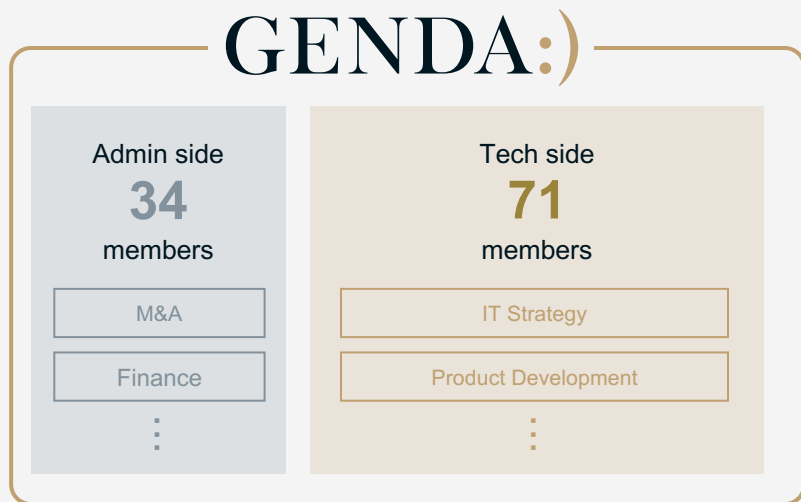


### 03. PMI: DX of Amusement Arcades

## 70% of the members at the pure holding company GENDA Inc., are Tech members engaged in PMI

GENDA, Inc. is a pure holding company engaged in M&A. What makes us different is, 71 out of the 105 employees are tech members engaged in PMI, which account for more compared to the number of members pursuing M&A execution. After M&A deals close, tech professionals who have gained specialized experience in their previous jobs support PMI from the perspective of DX. The pure holding company hires tech talents, and after M&A is completed, they are seconded to each subsidiary to implement DX measures as part of the PMI, and after the project is complete, they move on to the next M&A target, which is a scheme performed in a repetitive manner.

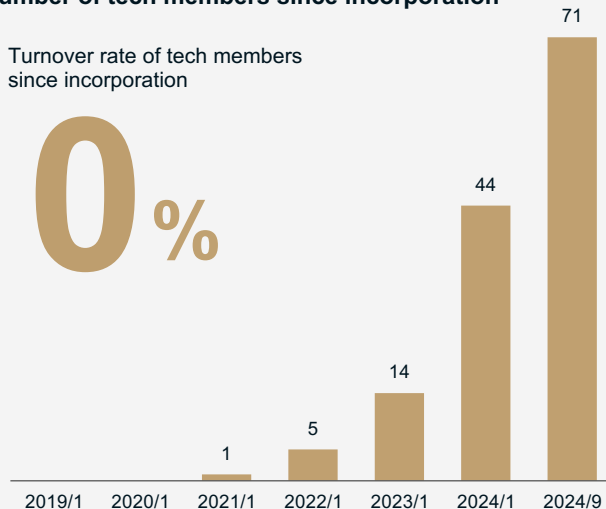
### Members at GENDA Inc. as the pure holding company



### Number of tech members since incorporation

Turnover rate of tech members since incorporation

0%



# Experienced Technology Team Leading the DX of Amusement Arcades

GENDA Inc. has a large team of talented engineers, led by our CTO, Daisuke Kajiwara, who has recently been appointed as Director of Japan CTO Association. This time, we will introduce measures led by GENDA's engineering team to take a Deep Dive into the DX of game arcades. These are most represented by the launch of GENDA GiGO Entertainment's new division, the "R&D Marketing Headquarters," including key personnels assigned from GENDA Inc.



**Executive Officer, CTO and Head of IT Strategy Department  
Executive Officer, CTO and General Manager of IT Strategy Division**

### Daisuke Kajiwara

In 2006, he joined Yahoo Japan Corporation.  
In 2007, he joined GREE, Inc. and was appointed as its Executive Officer.  
In 2014, He served as General Manager of the Development Division and General Manager of the Business Division.  
In October 2021, he joined GENDA Inc., where he was appointed CTO GENDA SEGA Entertainment (currently, GENDA GiGO Entertainment Inc.) Executive Officer, CTO and General Manager of IT Strategy Division. Current position since December 2023.  
Appointed as Director of Japan CTO Association in 2024.



**Manager, GENDA BizDev & Analysis  
General Manager, Marketing, GENDA GiGO Entertainment**

### Yusuke Matsunuma

Joined CyberAgent Inc. in 2012. After working in sales and advertising product development, he was temporarily transferred to the affiliated company Abema TV Inc. in 2016 and experienced launching of advertising businesses. In 2017 he joined The Walt Disney Company (Japan) Ltd. as "Manager - Analysis DTC", for strategy and analysis of Disney+ in the APAC region. In 2023, he joined GENDA Inc., where he was involved in setting up the business development and data analysis organization of the group companies, and since 2024 at GENDA GiGO Entertainment concurrently serves as Director of Marketing, R&D and Marketing Division.



**Data Scientist, IT Strategy Department, GENDA Inc.**

### Shintaro Tomatsu

After graduating from graduate school (master's degree) in March 2019, he worked as a research assistant at the Department of Data Science at Yokohama City University. Since June 2020, he has worked in analysis and research and development at a venture company that handles data from X (formerly Twitter). He is an expert in areas such as machine learning, natural language processing, network analysis, and statistical modeling. He joined GENDA Inc. in August 2023.



**Manager, IT Strategy Department, GENDA Inc.**

### Kohei Komiyama

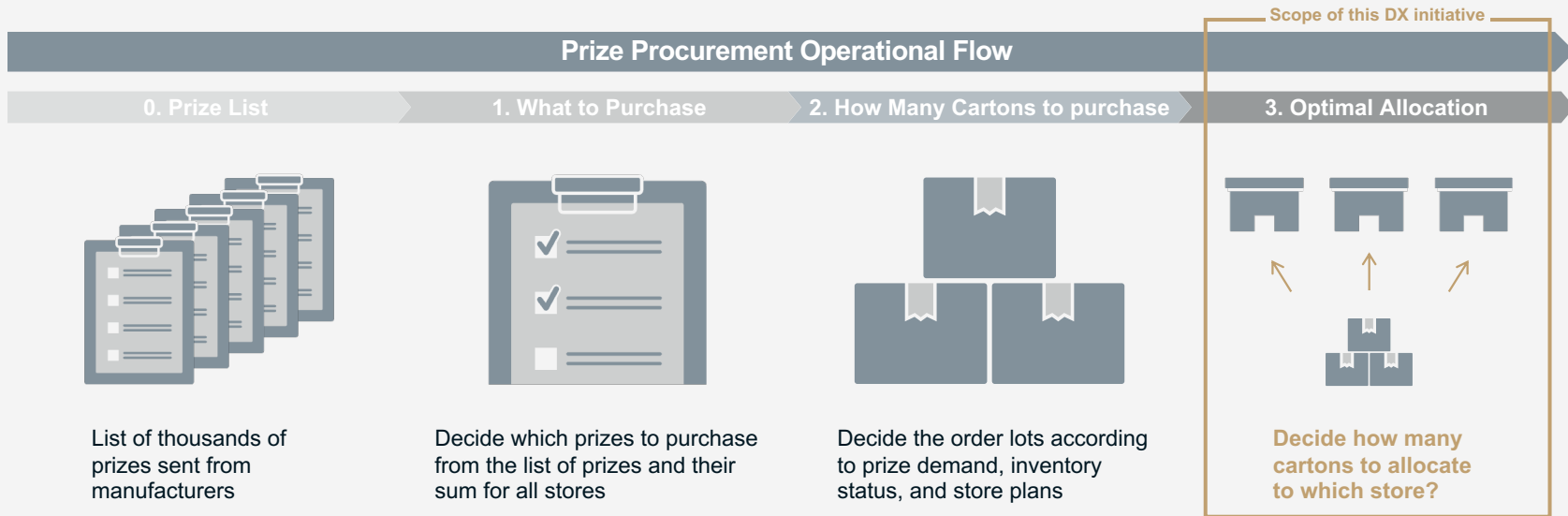
Joined DeNA Co., Ltd. in 2011. Experienced as an infrastructure engineer and server engineer. While working for the second company, FiNC Technologies, he was in charge of data-related work as a data engineer and analyst. In 2021, he joined GENDA Co., Ltd., where he is responsible for building the data infrastructure and promoting data utilization for the amusement business. In recognition of his contributions to the Snowflake community, he was selected as one of the 2023 Snowflake Data Superheroes.

### Project PAO: DX for procurement of “Prizes” for prize games

A DX initiative for prize game's prize procurement, which is important for prize games, that account for about 70% of game arcade sales.

Since prize games have been growing rapidly since 2015, on-site operations have not kept pace, and manual operations have reached their limits.

Under these circumstances, as the first step in DX, we rolled out our “Project PAO (Prize Allocation Optimizer),” a measure that applies AI to solve the final procedure in the prize procurement flow, which is the allocation of procured prizes to stores nationwide.



## Prize Allocation DX – Issue

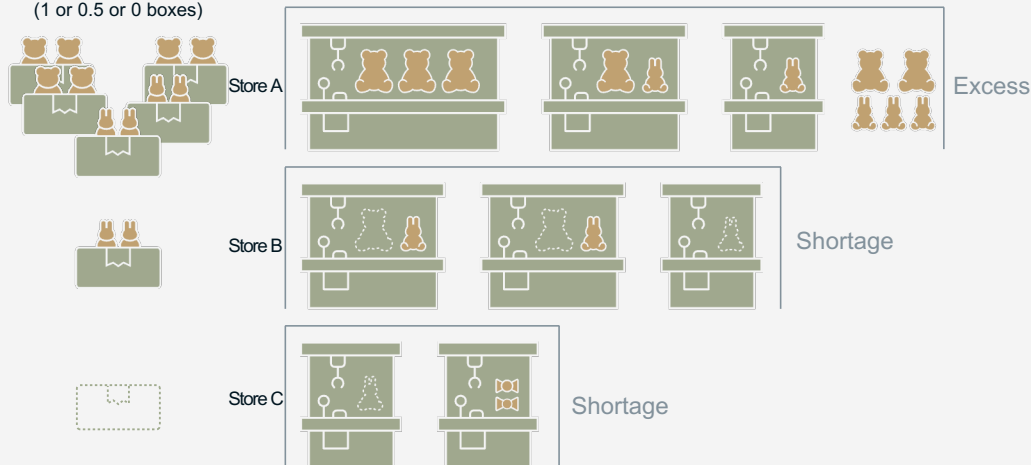
# Limitations of Prize allocation depending on manual procedures

Thousands of items are needed to be purchased in bulk at the head office from among thousands of items. Traditionally, an Excel sheet is created for each of these prizes, and the allocation to several hundred stores throughout Japan is calculated by multiplication by the number of items. Therefore, “several hundred rows / sheet” x “several hundred sheets” of data are required to be organized and managed in “tens of thousands of rows.” This means there are limitations depending on human-hand operation of the most important “parameters of prize allocation to each store.” In particular, with machines in stores across the country being replaced flexibly, there is limitation to manually update the parameters of “how many machines of what size are currently in which store,” which can lead to situations where stores are faced with “we’ve received a large number of large prizes, but we don’t have big-enough machines to fit them all in...” There may be cases where prizes that have been purchased with great care have possibilities ending up being “discarded as is” after being delivered to the store.

Prize Allocation  
Parameters

1. Stores' sales capacity
  2. Prizes' popularity
  3. Location characteristics
- × About 320 stores = Determining store allocation

Allocation unit size  
(1 or 0.5 or 0 boxes)



Although these issues have been recognized, manual operation could not increase the number of parameters any further and was at its limit.

Discards	<ul style="list-style-type: none"> <li>- Parameters cannot reflect the game machine situation of each store, so there were situations where "A large number of large prizes arrived, but there are no game machines to place them in."</li> <li>- Occurs especially in large, powerful stores with high sales and many prizes are allocated</li> </ul>
Discards / Opportunity loss	<ul style="list-style-type: none"> <li>- Unable to deliver in small quantities in just the right amount, with discards due to excess inventory / opportunity loss due to shortage of inventory frequently occur</li> <li>- Events that tend to occur at mid-sized stores</li> </ul>
Opportunity loss	<ul style="list-style-type: none"> <li>- Popular prizes are often not allocated to stores with weak sales power, so the stores fill up their game machines with standard prizes, resulting in opportunity loss</li> <li>- Event that tends to occur at small stores</li> </ul>

# AI's machine power verified countless patterns that were beyond human power

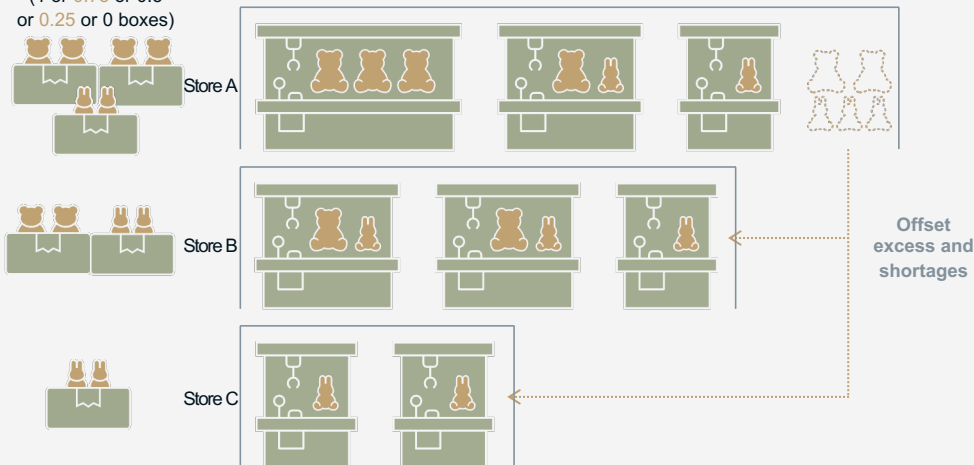
The number of parameters that determine the allocation logic has been increased from three to six, and the machine power of AI verifies countless allocation patterns to derive the optimal solution by brute force. In addition, a separate distribution center was also devised, making it possible to deliver in small packages (0.75 / 0.25 boxes), which was not possible before, and increasing flexibility in terms of operations. It is now possible to “satisfy a large number of conditions simultaneously while allocating orders according to the order budgets of stores nationwide,” which was previously impossible to do manually.

This enables the automatic calculation of optimal solutions for prize game allocation and minimizes prize disposal and opportunity losses.

Prize Allocation Parameters

1. Stores' sales capacity 2. Prizes' popularity 3. Location characteristics	+	4. Order budget 5. Number and type of game machines in stores 6. Size of prizes	×	About 320 stores	=	Determining store allocation
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Allocation unit size  
(1 or 0.75 or 0.5  
or 0.25 or 0 boxes)



## Automation through AI-based Systems

Automatic calculation until the budget for each store can be digested, while satisfying numerous conditions all at the same time.

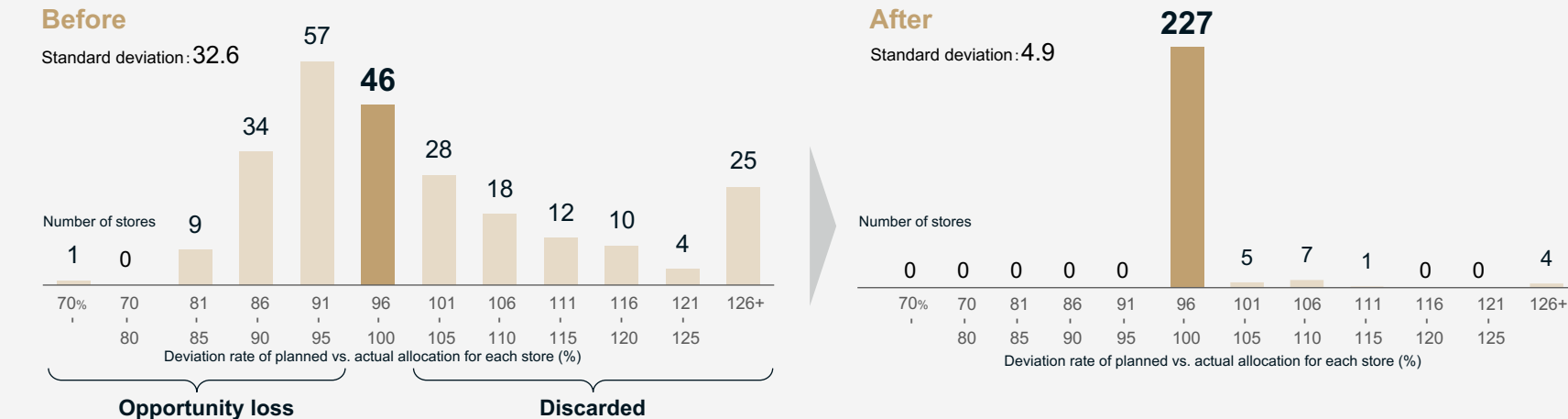
Increased parameters enable calculation of allocation ratios that take into account the type and number of game machines in stores and the size of prizes (A brute force calculation that cannot be verified by human labor)

### AI-based prize allocation enables execution according to the prize order plan

Previously, manual operations were made in Excel to match the “actual allocation of prizes” to the “prize order plan\* for each store,” but as a result, as shown in the “Before” figure, the discrepancy rate for the same index varied widely, resulting in “lost opportunities (shortage of popular items)” and “waste (excess delivery of prizes).”

In contrast, in May 2024, when the current initiative was implemented, the “prize ordering plan per store” and “actual prize allocation” were within the range of 96-100% at 227 stores (more than 90% of 244 stores). The company expects the AI will enable it to improve sales by reducing opportunity losses and decrease prize disposal and nationwide operation has begun in the middle of 2Q.

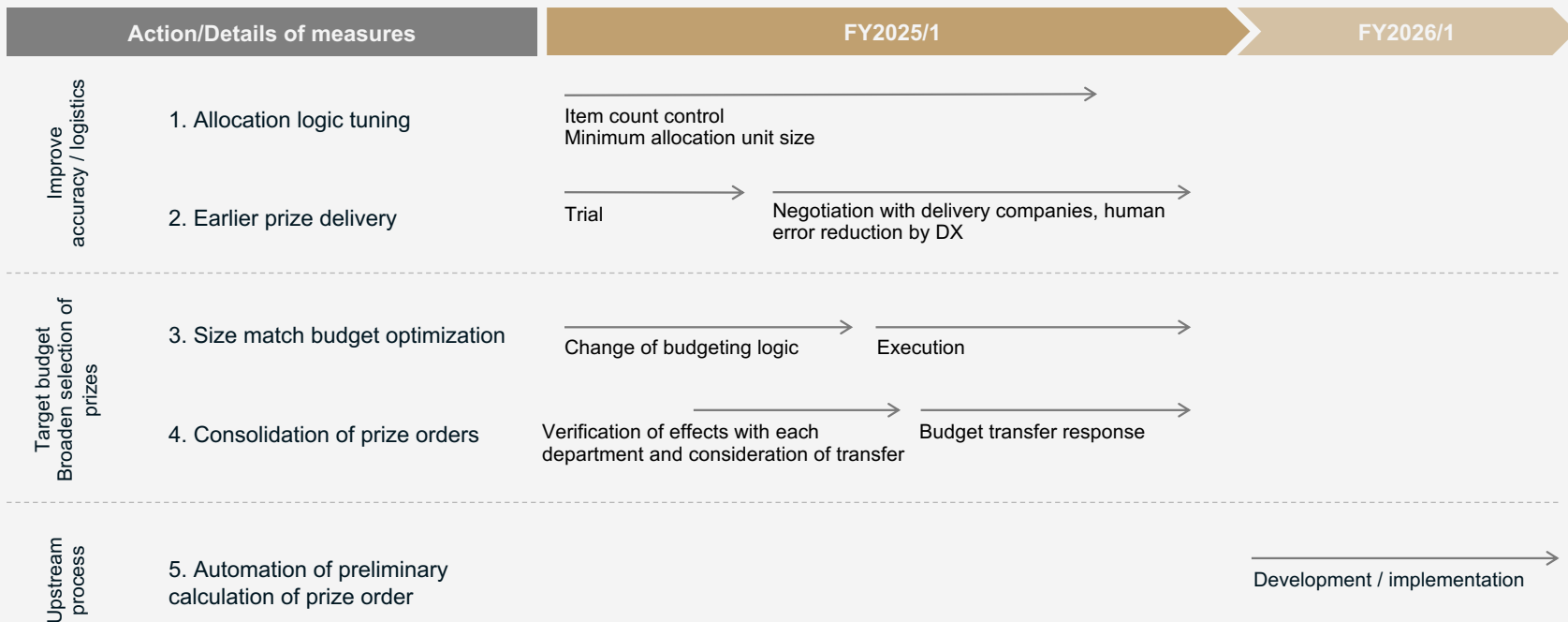
#### Distribution of deviation rate of “actual allocation” from “prize ordering plan” for each store



## (Reference) DX of Prize Procurement Operational Flow

### We aim to further improve other tasks in the prize procurement operational flow

There are many issues to be addressed in the future, such as more appropriate calculation of allocation unit quantities, improvement of delivery to each store to enable swift delivery of prizes, etc., as well as starting DX in the upstream process of prize procurement.





## 04. Earnings Forecast: FY2025/1 and FY2026/1

## Current fiscal year forecast (FY2025/1)

### Only revenue revised upwards for the current fiscal year

Ref: “adjusted” EBITDA is approx. ¥15.0bn (“adjusted” OP approx. ¥9.0bn)

Reason of revision: Amusement and karaoke exceeded our initial plan, and M&A deals that were not included in the initial budget closed

Income remains as is: Because earnings forecasts vary depending on the timing of announcement / closing of M&A deals in progress, and arbitrariness cannot be eliminated. In addition, even if we were to make forecasts using multiple assumptions, earnings will have to be revised every time the assumptions for the timing of M&A deals in progress change, which would cause unnecessary confusion

“Adjusted” earnings: When adding existing businesses (earnings contribution full 12 months) + announced M&A deals (earnings contribution less than 12 months), and deducting one-time M&A expenses, our “adjusted” EBITDA is approx. ¥15.0bn (ref: “adjusted” OP approx. ¥9.0bn)

(¥ in millions, excluding per share figures)	Revenue	EBITDA	Operating Income	Ordinary income	Net income before amortization of goodwill	Net income attributable to owners of the parent	Net income before amortization of goodwill per share	Earnings per share
FY2025/1 Previous Forecast (A)	100,000	13,000	7,000	6,600	5,400	4,300	74.10 yen	59.01 yen
FY2025/1 Revised Forecast (B)	110,000	13,000	7,000	6,600	5,400	4,300	74.10 yen	59.01 yen
Difference (B-A)	10,000	-	-	-	-	-	-	-
Difference (%)	+10%	-	-	-	-	-	-	-
(Ref.) FY2024/1 Actual Result	55,697	8,102	5,370	5,216	4,359	4,178	65.95 yen	63.20 yen

## (Reference) Excerpts from “Notice of Upward Revision of Full-Year Earnings Forecasts”

### Reasons for NOT revising our income forecast

First, referring to our core business, which is M&A deals in the entertainment industry, we are further accelerating our M&A activities in terms of both speed and scale during the second half of the current fiscal year. One of our driving forces to accelerate these activities are due to the capital increase through our public offering of approximately 10.0 billion yen in July 2024.

Under these circumstances, we have possibilities to incur one-time M&A-related expenses if the M&A deals currently in process are announced or completed from today to the end of the current fiscal year, January 31, 2025. Moreover, while earnings contribution of the M&A target companies will be realized only after the consolidation, particularly the M&A deals closed in the second half of the fiscal year will be preceded by one-time M&A-related expenses in relation to the current fiscal year's performance. This indicates that full-scale contributions to business performance will be made only after the following fiscal year.

Therefore, if we want to accurately forecast our income indices, we need to estimate which of the M&A deals in process will be announced or closed, and at which timing, but this involves various uncertainties, and therefore we cannot eliminate the arbitrariness.

On the other hand, even if we were to revise our income forecasts as of today by factoring in multiple assumptions, we would have to revise our forecasts again every time the assumptions change depending on the timing of the announcement or closing of pending M&A deals. These are issues we would like to avoid causing unnecessary confusion among investors.

For these reasons, we have decided not to revise our full-year income forecast as of today, when there are still five months left in the current fiscal year and M&A activities are still active.

But at the same time, based on the common perception of “adjusted income,” it is possible to estimate with a certain degree of reasonableness of our financial reports that represent the actual status of the business, excluding one-time M&A-related expenses. Although we do not provide a full-year forecast of such “adjusted income” in order to avoid including undisclosed M&A deals in our earnings forecast, we present the following information for your reference so that investors are able to fairly assess our actual business status.

For example, if we add the earnings contribution of M&A targets that have already been announced as of today (contribution to full-year results less than 12 months) to our existing businesses that existed at the beginning of the current fiscal year (contribution to full-year results for full 12 months), and deduct the one-time M&A-related expenses for the M&A deals that have already been announced as of today, our KPI, to measure profitability of our core businesses, EBITDA will be approximately 15.0 billion yen (for reference: operating income is approximately 9.0 billion yen).

Furthermore, in cases that the M&A deals already announced as of today contribute to our financial reports for the full 12 months, in other words, our earnings forecast for the next fiscal year, which we believe is also essential for investment decisions and is likely to be of great interest to our investors, we have provided details on page 36 of our financial results presentation materials released today, indicating that our EBITDA will be 18.5 billion yen (for reference: operating income will be 10.5 billion yen).

The above figures do not include undisclosed M&A deals, so these are earnings forecasts assuming that there is zero M&A deal in the future from today and onwards.

## Next fiscal year forecast (FY2026/1)

**Revenue ¥140.0bn** | **EBITDA ¥18.5bn** (OP ¥10.5bn) | **Net income before goodwill amortization ¥7.0bn**

We have so far achieved the "Continuous Transformational Growth" through M&A that we pledged to investors at our IPO.

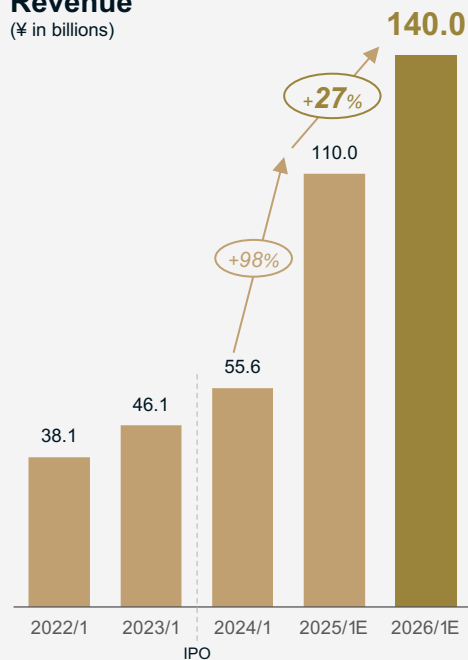
In addition, the above earnings forecast assumes that there will be no closing M&A deals in our current fiscal year from today onwards.

In reality, our M&A pipeline is the largest ever in terms of size, owing to the follow-on offering of new shares of ¥10.0bn and our increased debt capacity.

GENDA Inc. is accelerating M&A activities to further boost our medium-to-long term earnings.

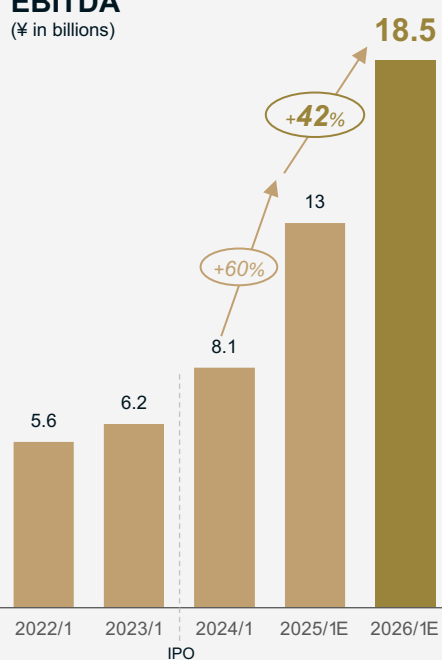
### Revenue

(¥ in billions)



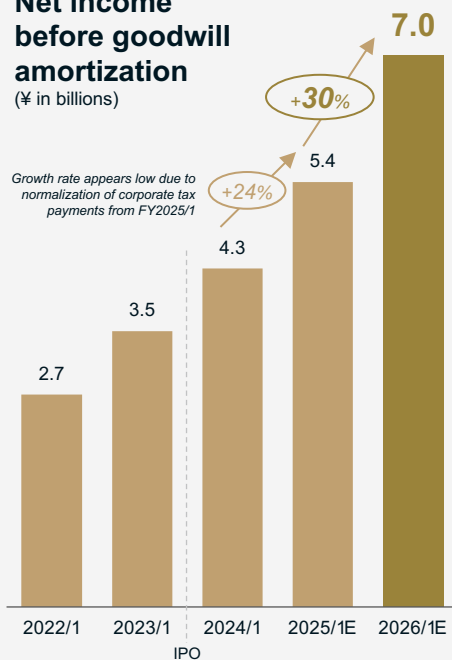
### EBITDA

(¥ in billions)



### Net income before goodwill amortization

(¥ in billions)



## (Reference) Excerpts from “Notice of Upward Revision of Full-Year Earnings Forecasts”

### Our management policy on M&A Strategy

We believe that earnings results for each fiscal year end is an essential as a screenshot observation as a listed company. However, in order to best reward the investors who have chosen to invest in GENDA Inc., which advocates "Continuous Transformational Growth," from among the numerous listed companies and entrusted their valuable assets to us, we believe that it is essential to make our corporate decisions that maximize medium-to-long term performance, rather than instantaneously maximizing our single-year performance.

Therefore, we must avoid placing too much emphasis on maximizing single-year performances, resulting in the opportunity loss of medium-to-long term transformational growth by not investing in M&A deals right in front of us. If there is an opportunity to maximize medium-to-long term performance, we believe it is important to venture ahead with timely and appropriate action, to avoid resulting in failure to seize opportunities.

Although we are already generating abundant cash flow, we are only in our seventh year since foundation, having the above-mentioned aspirations. This makes us similar to a typical "start-up company." In other words, we are not in a mature, steady state, but rather in a state where we can envision a clear growth path by reinvesting our cashflow to a level that greatly exceeds such invested capital.

Therefore, rather than saving cash in pursuit of short-term profit maximization, we are now in the process of growing to become the world's number one entertainment company by 2040 and envision to reward shareholders with cashflow when we achieve a stable state in the future. And to all the investors who support us on that journey, we envision to return ample capital gains through growth returns generated by our reinvestment of our annual cash flow in M&A deals.

Also, as our primary investment vehicle is M&A, this fact explains why we place importance on making appropriate investment decisions based on the "M&A discipline." When it comes to M&A, cash flow, not nominal profit, is the most important indicator. We only execute M&A deals where the expected cash flow we receive from the target company exceeds the cash flow we pay for the company (taking into account the present value based on the cost of capital). Therefore, as a company that applies J-GAAP and places importance on cash flow indicators, we use EBITDA, net income before amortization of goodwill, and Cash EPS as KPIs.

Based on the above way of thinking, we will continue to announce M&A deals during the remaining 5 months of the current fiscal year. Worth noting is that, in case, the target company's performance, after deducting one-time costs, does not contribute positively to our consolidated performance in the "current fiscal year" because the timing of the M&A is close to the end of the fiscal year, but can significantly grow our consolidated performance in the "next fiscal year and beyond," we will choose to execute such M&As.

As previously reported, the Post Merger Integration has been more successful than expected, and while each business itself is solid, we are actively engaged in our mainstream business of M&A activities. In particular, our debt capacity has expanded significantly following the recent public offering of approximately 10.0 billion yen, and our M&A pipeline is the largest in our history. We will strive to pursue these deals at the soonest possible timing and deliver the achievements of our "Continuous Transformational Growth" to our investors.

# Appendix

## Consolidated Statements of Income (Quarterly Results)

	FY2024/1						FY2025/1						
	1Q	2Q	2Q YTD	3Q	4Q	4Q YTD	1Q	2Q	2Q YTD	3Q	4Q	4Q YTD	YoY
(¥ in millions)													
Revenue	11,994	12,520	24,515	14,293	16,888	55,697	24,685	24,846	49,531	-	-	110,000	197.5%
Gross profit	3,182	2,609	5,791	3,368	3,798	12,958	5,286	5,075	10,361	-	-	-	-%
Margin (%)	26.5%	20.8%	23.6%	23.5%	22.4%	23.2%	21.4%	20.4%	20.9%	-	-	-	-
EBITDA	2,197	1,712	3,909	2,140	2,051	8,102	3,277	2,423	5,700	-	-	13,000	160.4%
Margin (%)	18.3%	13.6%	15.9%	14.9%	12.1%	14.5%	13.2%	9.7%	11.5%	-	-	11.8%	-
Operating income	1,670	1,096	2,767	1,397	1,205	5,370	2,059	1,124	3,184	-	-	7,000	130.3%
Margin (%)	13.9%	8.7%	11.2%	9.7%	7.1%	9.6%	8.3%	4.5%	6.4%	-	-	6.3%	-
Net income before amortization of goodwill	1,618	422	2,041	1,384	933	4,359	1,456	461	1,918	-	-	5,400	123.8%
Margin (%)	13.5%	3.3%	8.3%	9.6%	5.5%	7.8%	5.9%	1.8%	3.8%	-	-	4.9%	-
Net income attributable to owners of the parent	1,585	390	1,975	1,348	853	4,178	1,223	182	1,405	-	-	4,300	102.9%
Margin (%)	13.2%	3.1%	8.0%	9.4%	5.0%	7.5%	4.9%	0.7%	2.8%	-	-	3.9%	-

## Disclaimer

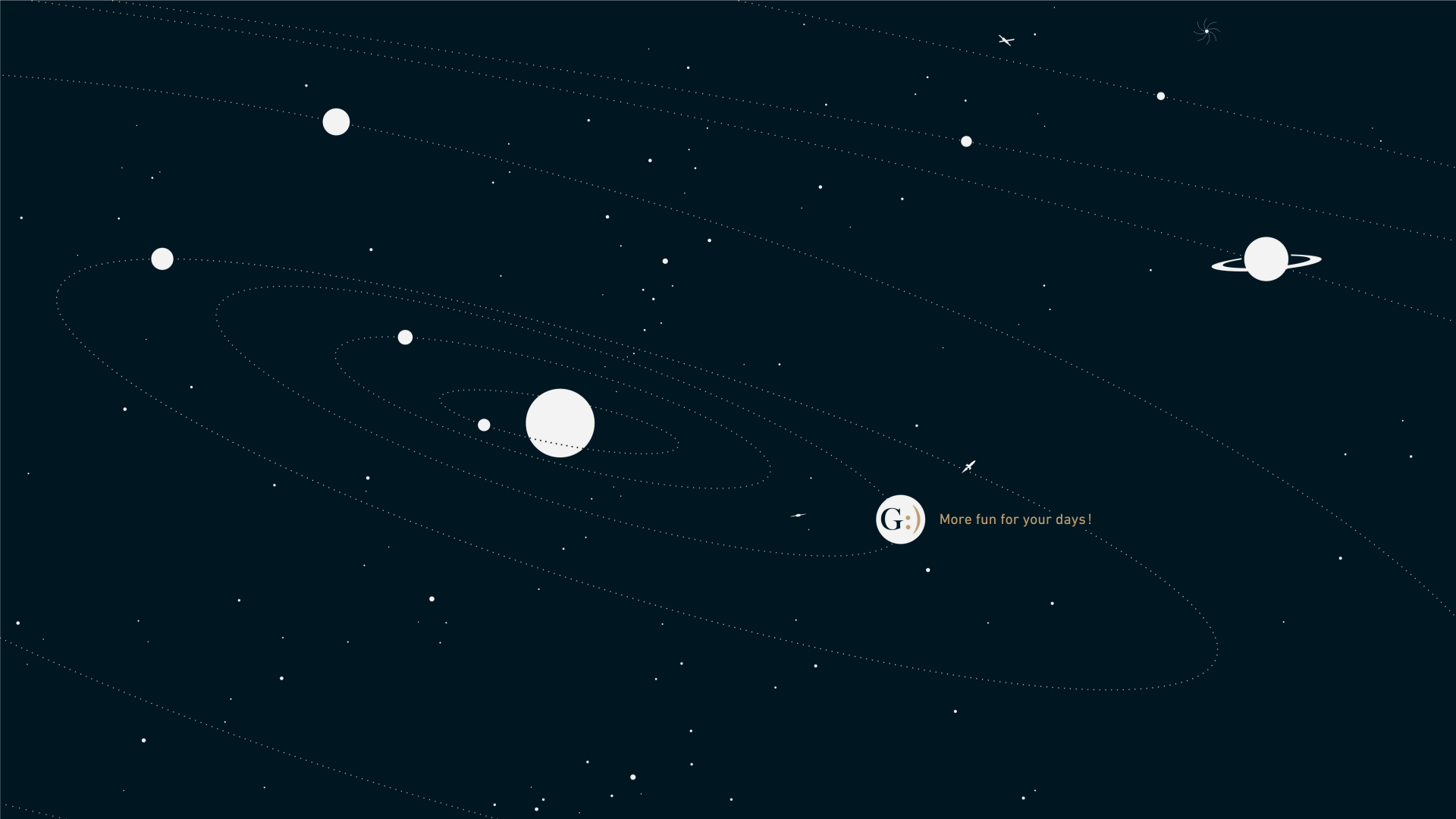
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