

January 28, 2024

To Our Valued Stakeholders

Company Name	GENDA Inc.	
Name of Representative	Representative Director	Mai Shin
	and President	
(Code No.: 9166 Tokyo Stock Exchange Growth Market)		
Contact information	Director CFO	Taiju Watanabe
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**Notice Concerning the Succession of Part of the Business of ATOM CORPORATION
through a Company split (Absorption-type split)**

GENDA Inc. (Headquarters: Minato-ku, Tokyo; Representative Director and Chairman of the Board: Nao Kataoka; Representative Director and President: Mai Shin) and its group companies (hereinafter "GENDA") hereby announce that its Board of Directors has resolved at a meeting held today that we will succeed an operation business of karaoke premises run by ATOM CORPORATION (Headquarters: Yokohama city, Kanagawa; President and Representative Director: Kimihiro Tanaka; hereinafter, "ATOM") through a company split (absorption-type split) with ATOM as the split company and Shin Corporation Co., Ltd. (Headquarters: Minato-ku, Tokyo; Representative Director and President: Tadashi Kawaguchi; hereinafter "Shin Corporation") as the succeeding company (hereinafter the "Absorption-type Split") as follows.

The Absorption-type Split will be executed subject to the approval and adoption of the relevant proposals at the extraordinary shareholders' meetings of the succeeding company, scheduled to be held in late February 2025. In the split company, it will be executed without gaining approval by the shareholders' meeting because this falls under a simplified absorption-type split stipulated in paragraph 2 of Article 784 of the Companies Act.

This matter falls within the scope of the Minor Standards for Timely Disclosure of "Organization Restructuring Actions such as Mergers of Subsidiaries, etc." stipulated by the Tokyo Stock Exchange, Inc. and is disclosed on a voluntary basis; therefore, we have omitted a description of certain items.

1. Purpose of the Absorption-type Split

GENDA has set the aspiration of "More fun for your days" and aims to build a global entertainment network and increase the "total amount of fun" distributed throughout the world to achieve this aspiration. In the process of building our unique Entertainment Ecosystem by M&A, while giving top priority of our strategy to roll-up M&A of amusement arcades, we have been proactively conducting M&A of entertainment companies

and businesses that can be expected to have synergy effects with the operation of amusement arcades and building a structure in which the companies mutually contribute to business expansion and profits within GENDA.

In the operation business of karaoke premises, GENDA aims to operate karaoke premises that will be loved by customers for a long time and is committed to operating premises with high quality and meticulous service. In addition, GENDA is advancing the expansion of our store network by opening new premises and conducting M&A with the aim of delivering entertainment experiences to many more customers (the number of karaoke premises operated by GENDA was 366 as of December 31, 2024).

ATOM operates "Karaoke JIYU-KAN" in the Tohoku, North Kanto, Tokai and Hokuriku regions. We will acquire ATOM's operation business of karaoke (23 karaoke premises) through the Absorption-type Split.

With the participation of the premises to be acquired in GENDA, it is expected to share human resources and knowledge of DX with the existing premises run by GENDA and improve the efficiency of store operation through joint purchasing of consumables and other items. Furthermore, we can expect an increase in profit of the premises to be acquired through both cost reduction and improvement in sales, for example, by carrying out IP collaboration which utilizes our business network of the amusement business, which is the core of GENDA's "Entertainment Platform Business," and providing food and beverages developed by GENDA in Food & Beverage business.

We will keep striving to create attractive facilities so that we can offer a more enjoyable entertainment experience to all customers that visit the premises to be acquired.

2. Summary of the Absorption-type Split

(1) Schedule of the Absorption-type Split

Date of Board of Directors' resolution on Approval of Absorption-type split agreement (Split company and Succeeding company)	January 28, 2025
Date of signing of Absorption-type split agreement	January 28, 2025
Date of resolution of the General Meeting of Shareholders for approval of the absorption-type split (Succeeding company)	Late February 2025 (scheduled)
Scheduled execution date of the absorption-type split (effective date)	March 1, 2025 (scheduled)

* The Absorption-type Split will be executed without gaining approval by the shareholders' meeting in the split company because it falls under a simplified absorption-type split stipulated in paragraph 2 of Article 784 of the Companies Act.

(2) Method of the Absorption-type Split

The Absorption-type Split will be an absorption-type split with Shin Corporation as the succeeding company and ATOM as the split company.

(3) Details of allocation of the Absorption-type Split

Shin Corporation plans to grant two billion yen to ATOM as compensation for the absorption-type split.

(4) Treatment of Stock Acquisition Rights and Bonds with Stock Acquisition Rights in connection with the Absorption-type Split

Not applicable.

(5) Changes in capital due to the Absorption-type Split

Not applicable.

(6) Rights and obligations to be succeeded

The succeeding company will succeed some of the assets, liabilities, contracts and other rights and obligations related to the business to be succeeded with the scope specified in the absorption-type split agreement.

(7) Prospect for fulfillment of obligations

We have determined that there is no problem with the prospects for fulfillment of the obligations to be borne by the split company and the succeeding company in the Absorption-type Split.

3. Basis, etc. for the allocation of the Absorption-type Split

The calculation of the amount of money to be granted by the succeeding company in the Absorption-type Split has been agreed as a fair and reasonable price upon consultation between the parties.

4. Outline of the Companies Involved in the Absorption-type Split

	Split company	Succeeding company
(1) Name	ATOM CORPORATION	Shin Corporation Co., Ltd.
(2) Location	2-2-1 Minato Mirai, Nishi-ku, Yokohama city, Kanagawa	1-9-1, Higashi-Shinbashi, Minato-ku, Tokyo
(3) Title and name of Representative	President and Representative Director Kimihiro Tanaka	Representative Director and President Tadashi Kawaguchi
(4) Business	Management of restaurant chains and franchise businesses	Amusement business including karaoke premises etc.

(5)	Capital stock	100 million yen	10 million yen
(6)	Date of Establishment	January 14, 1972	June 14, 1989
(7)	Accounting period	March	January (from FY2025/1 onward)
(8)	Major Shareholders and Percentage of shareholding	(As of September 30, 2024) COLOWIDE Co., Ltd. 41.19% SMBC Nikko Securities Inc. 0.37% STATE STREET BANK AND TRUST COMPANY 505001 (Standing Proxy: Settlement & Clearing Services Dept., Mizuho Bank, Ltd.) 0.29% The Ashikaga Bank, Ltd. 0.26% THE BANK OF NEW YORK MELLON 140042 (Standing Proxy: Settlement & Clearing Services Dept., Mizuho Bank, Ltd.) 0.21% SIX SIS FOR SWISS NATIONAL BANK (Standing Proxy: Transaction Services Div., The Bank of Mitsubishi UFJ, Ltd.) 0.12% Hiroko Inoue 0.11% STATE STREET BANK AND TRUST COMPANY 505103 (Standing Proxy: Settlement & Clearing Services Dept., Mizuho Bank, Ltd.) 0.11% JP MORGAN CHASE BANK 385794 (Standing Proxy: Settlement & Clearing Services Dept., Mizuho Bank, Ltd.) 0.11% Daiko Corporation 0.09%	GENDA Inc.: 100%
(9)	Number of shares outstanding	193,559,297 shares	7,329,000 shares (of which, 828,000 shares are treasury stock)
(10)	Relationship between the parties		
	Capital ties	Not applicable	
	Personal relations	Not applicable	
	Business relations	Shin Corporation acquired fixed assets etc. including one karaoke premise from ATOM in September 2024.	
	Related Party Status	Not applicable	

5. Details of business to be succeeded

(1) Description of business to be succeeded

Operation business of karaoke premises (23 karaoke premises)

(2) Operating results of the department to be succeeded

Item	Operation business of karaoke premises (FY2024/3)
Net sales	1,535 million yen
Operating income	187 million yen

(3) Items and book value of assets and liabilities to be succeeded (planned)

The assets of the succeeding business will be fixed and current assets which belong to the target business and are mutually agreed by both parties.

Assets		Liabilities	
Item	Book value	Item	Book value
Current assets	67 million yen	Current liabilities	5 million yen
Fixed assets	543 million yen	Fixed liabilities	199 million yen
Total amount	611 million yen	Total amount	204 million yen

(Note) We calculated the above amounts based on the balance sheet as of September 30, 2024.

Therefore, the amounts to be actually succeeded will be the ones calculated by adding increase or decrease which has arisen till the effective date to the above amounts.

6. Outline of accounting treatment

The Absorption-type Split is expected to be classified as an "acquisition" under the Accounting Standards for Business Combination. We are scrutinizing the allocation of acquisition costs and the amount of goodwill associated with this treatment currently.

7. Situation after the Absorption-type Split

The corporate name, the location of head office, the name of representative, the scope of business and the accounting period of the succeeding company will be as stated above in "4. Outline of the Companies involved in the Absorption-type Split" and we do not plan to change them after the absorption-type split at this moment. The amount of net assets and that of total assets have not been determined yet.

8. Future outlook

We expect that the impact of this matter on our consolidated business performance and financial position for the fiscal year ending January 31, 2025 will be minor. However, if a significant change in business conditions results in a financial impact, we will promptly disclose such information as soon as it becomes clear.

Shin Corporation acquired karaoke business from ATOM through an absorption-type company split

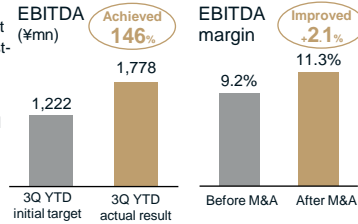
Acquired 23 stores of “Karaoke JIYU-KAN” to accelerate the strong karaoke business

In terms of sales, develop a combined store with amusement arcades, IP collaboration, mutual customer transfer with nearby stores, enclose customers by GENDA ID, sell food and beverages of F&B business. For costs, make the cost more efficient by bulk purchase of consumables etc., which is the core of roll-up M&A, to enjoy the benefit from GENDA’s group finance.



Karaoke joined this fiscal year and grew much more than expected

Keep achieving robust growth against initial target because of successful post-merger-integration.



Shin Corporation, which runs Karaoke BanBan, will surely hit the highest earnings record in its 35 years history, in its first year in GENDA.

Karaoke has contributed to many of group synergies in GENDA



Develop stores, IP collaboration, mutual customer transfer with nearby stores as a group



Volume of business increased rapidly by ONTSU’s joining, a major distributor of karaoke equipment



Added to grand menu in 366 stores of BanBan



Deploy movie characters’ rooms and food and beverages in karaoke

Valuation

While EBITDA to FCF is c.50% in amusement arcades, Karaoke is c.70% since maintenance CAPEX such as machine installment is less than that of amusement arcades. Comparing M&A in amusement arcades with M&A in karaoke, **if EV / EBITDA multiple is the same, cash recoupment period in karaoke is shorter than that of amusement arcades.** Acquired with EV / EBITDA 7x+ (FY24/3 actual) this time, considering the above EBITDA to FCF, **recoupment period is the same as M&A in amusement arcades with EV / EBITDA 5x+.** Besides, the above is the “**actual result in previous fiscal year**” with “**23 stores in the single business.**” Expect a shorter recoupment period with “**consolidated 390 stores**” + “**group synergies**” + “**future results**” with “**recovery of number of customers.**”

Note: The above “EBITDA to FCF” denotes FCF divided by EBITDA, as the actual source of investment recoup is not precisely EBITDA but FCF, from which taxes and maintenance capex are deducted. We consider the investment recoup on cash flow basis as most important in an M&A transaction, while actual FCF fluctuates greatly depending on the capex in a single year, thus EV/EBITDA is generally used as a simple reference.