

February 14, 2024

Company name	Datasection Inc.	
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	Director and CEO	
		(Code No. 3905, TSE Growth)
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### Disclosure Update: Losses of Consolidated Subsidiary

The Company hereby announces that, based on discussions between the parties, the Company has determined the final amount of the loss incurred by Jach Technology SpA, a major consolidated subsidiary of the Company, in connection with the Company's handling of preferred dividend rights, as disclosed in the "Notice on Losses of consolidated subsidiary" dated December 14, 2023.

The loss amount has already been reflected in the consolidated financial results and the consolidated earnings forecast for the FY2024/3 in "Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2024 [Japanese GAAP]" and "Notice on Reversal of Deferred Tax Assets and Revision of Full-Year Consolidated Earnings Forecast" announced today, following the resolution of the Board of Directors meeting of the Company held today.

#### 1. Background

As announced on December 14, 2023, Jach Technology SpA, a consolidated subsidiary of the Company (a Chilean corporation; hereinafter referred to as the "Jach"), has issued non-voting preferred stocks with preferred dividend rights that are linked to the amount of preferred dividends if certain performance criteria are met. According to the contract with the preferred shareholders (hereinafter referred to as the "Said Shareholder"), the preferred dividend rights will accrue after the specified period of time for which the Said Shareholder has calculated the performance requirements, etc. As the achievement of the performance requirements has been confirmed by the end of the current performance calculation period, a timely disclosure was made in December 2023 when discussions started with the Said Shareholder regarding the handling of the preferred dividend rights, with the possibility of Jach, a major consolidated subsidiary in the future, recording a loss.

Since then, we have been in discussions with the Said Shareholder on the closing of the transaction and have not yet reached a final agreement on the details of the closing and the preferred dividend rights. However, discussions with the Said Shareholder have recently progressed with respect to the offsetting of our Group's existing receivables from the Said Shareholder (long-term loans receivables through Jach) and the preferred dividend rights held by the Said Shareholder after the rights accrue. In this case, our Group will not pay the preferred dividend to the Said Shareholder based on the preferred dividend right, and the long-term loans receivables held by our Group will not be repaid as agreed. Therefore, the Company has reviewed the collectability of such long-term loans receivables and decided to record the entire amount of principal and interest of the long-term loans receivables as bad debts expenses.

Although the amount of loss has changed slightly as a result of discussing the structure against the estimated amount of loss of USD 3,299,158 (maximum) announced on December 14, 2023, we have decided to proceed with this transaction based on our judgment that it is reasonable from an economic rationality and other perspectives for the following reasons: Compared with the case where the preferred dividend will be paid only in the future, the future cash outflow of our Group will be reduced by implementing this structure, in which the receivables are offset against each other; and in addition, the collection of long-term loans receivables from the Said Shareholder can be accelerated and secured.

#### 2. Recognition of loss

In the consolidated financial results for the third quarter of the fiscal year ending March 2024 announced today, bad debt expenses of 505 million yen were recorded as extraordinary losses related to the recognition of loss.

### 3. Summary of long-term loans receivables

(1) Creditor	Jach
(2) Debtors	Not disclosed (as they are shareholders of preferred stock issued by Jach and discussions are ongoing)
(3) Amount of claims	Total amount: USD 3,334,804 (equivalent to 505 million yen)
(4) Other matters	With regard to the source of the long-term loans receivable, the Company provided a group loan to Jach.

### 4. Summary of Class Shares (Preferred Stock) (Timely Disclosure Matters on December 14, 2023)

(1) Class of stock	Preferred stock
(2) Number of shares outstanding	30,545,002 shares
(3) Shareholders' rights	No voting rights With preferred dividend rights that are linked to the amount of preferred dividends if certain performance criteria are met
(4) Amount of preferred dividends	USD 3,299,158 (maximum)
(5) Preferred shareholders	Not disclosed as consultations with preferred shareholders have been initiated and are ongoing.

### 5. Impact on Business Results

The total bad debts expenses of 505 million yen due to this matter has already been fully recorded as extraordinary losses in the consolidated business results for the third quarter of the period under review in the "Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending March 31, 2024 [Japanese GAAP]," which was released today. In addition, the forecast consolidated financial results for the FY2024/3 have already been reflected in the "Notice on Reversal of Deferred Tax Assets and Revision of Full-Year Consolidated Earnings Forecast," also released today.

### 6. Future Outlook

As disclosed on December 14, 2023, and as mentioned above, the preferred dividend rights held by Jach will be confirmed upon the determination of the performance condition calculation period, etc., by Said Shareholder after consultation with the Said Shareholder, therefore, the preferred dividend rights have not accrued at this time.

On the other hand, in consultation with the Said Shareholder, a consensus has been reached to settle the claims of both parties. We will now finalize the Structure with the advice of outside experts, obtain the approval of the Said Shareholder, and proceed with the closing.

Under the Structure, we do not expect any cash outflow from our Group, except for the occurrence of differential adjustments between the amounts of receivables. In addition to the cash benefits to our Group, the transaction is considered to have economic rationality in terms of the dissolution of the receivables and payables relationship with the Said Shareholder and the early recovery of long-term loans receivables held by our Group. At the Closing of the transaction, the Company will also purchase the preferred stocks issued by Jach and use other reasonable methods to ensure that no other preferred dividend rights will remain.

Further, we will announce the details of the closing as soon as they are confirmed.