



Financial Results for the Fiscal Year Ended March 31, 2024

Datasection Inc.

May 20, 2024

Ticker Symbol: 3905



1. Results for the Fiscal Year Ended March 31, 2024
2. Plan for the Fiscal Year Ending March 31, 2025
3. Appendix
4. Reference Materials [Company Profile]

1. Results for the Fiscal Year Ended March 31, 2024

Consolidated Financial Highlights

1. Results for the Fiscal Year
Ended March 31, 2024

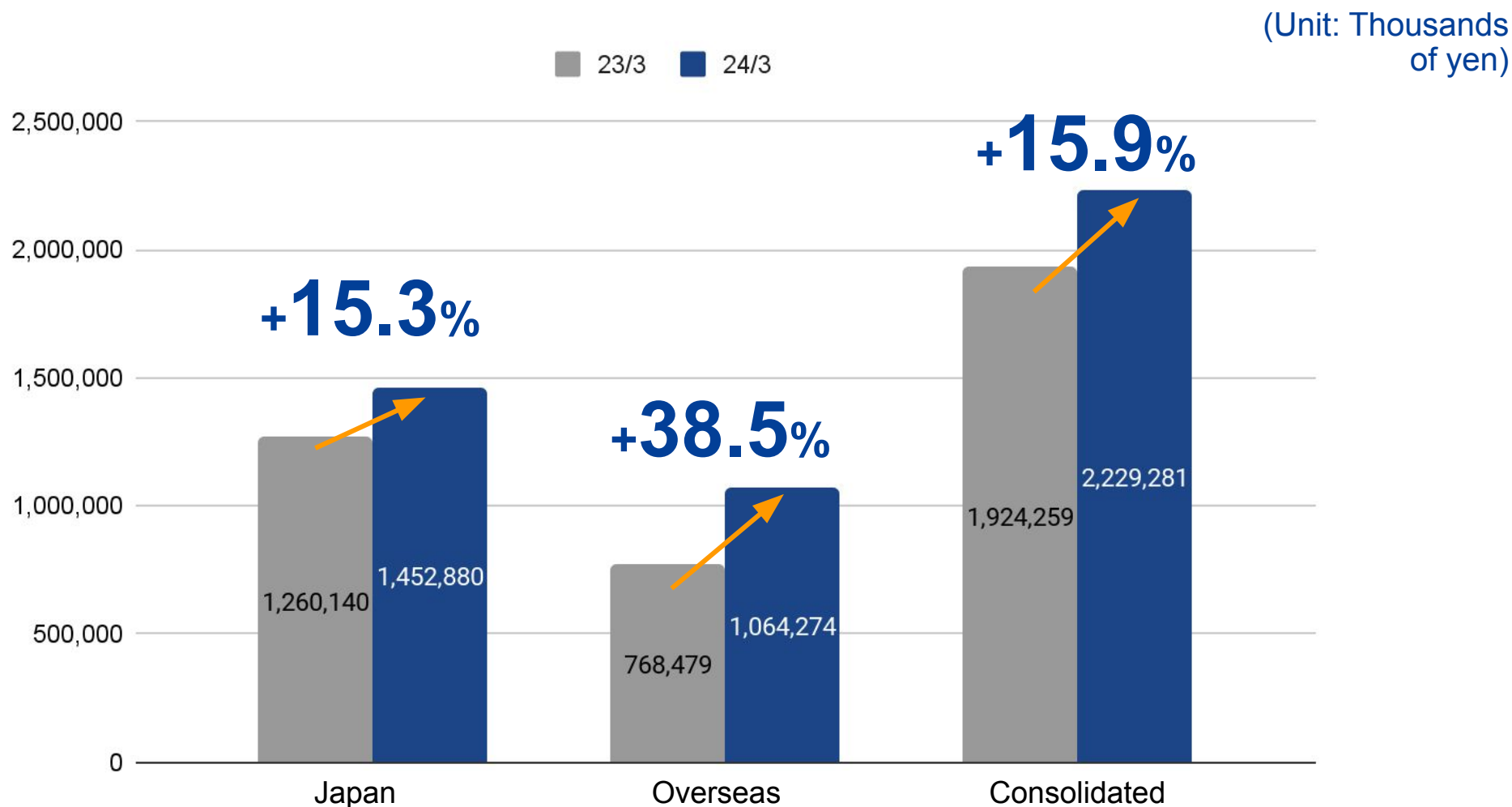
- **Consecutive record net sales (+15.9% YoY)**
- Significant losses were recorded mainly due to the parent company's operating loss resulting from **delays in business restructuring** and **one-time and valuation-related extraordinary losses resulting from past events**

Item	FY2024 Results	Vs. Revised Plan		Y/Y Comparison	
		Plan	Difference	Results	Difference
Net sales	2,229	2,100	+100	1,924	+305
Operating profit	(216)	(250)	+34	(55)	(161)
Adjusted EBITDA	47	(50)	+97	689	(642)
Ordinary profit	(235)	(290)	+55	46	(281)
Profit of parent company	(1,261)	(960)	(301)	(530)	(731)

Comparison of Year-on-Year Sales (Simple aggregated basis of each company)

1. Results for the Fiscal Year
Ended March 31, 2024

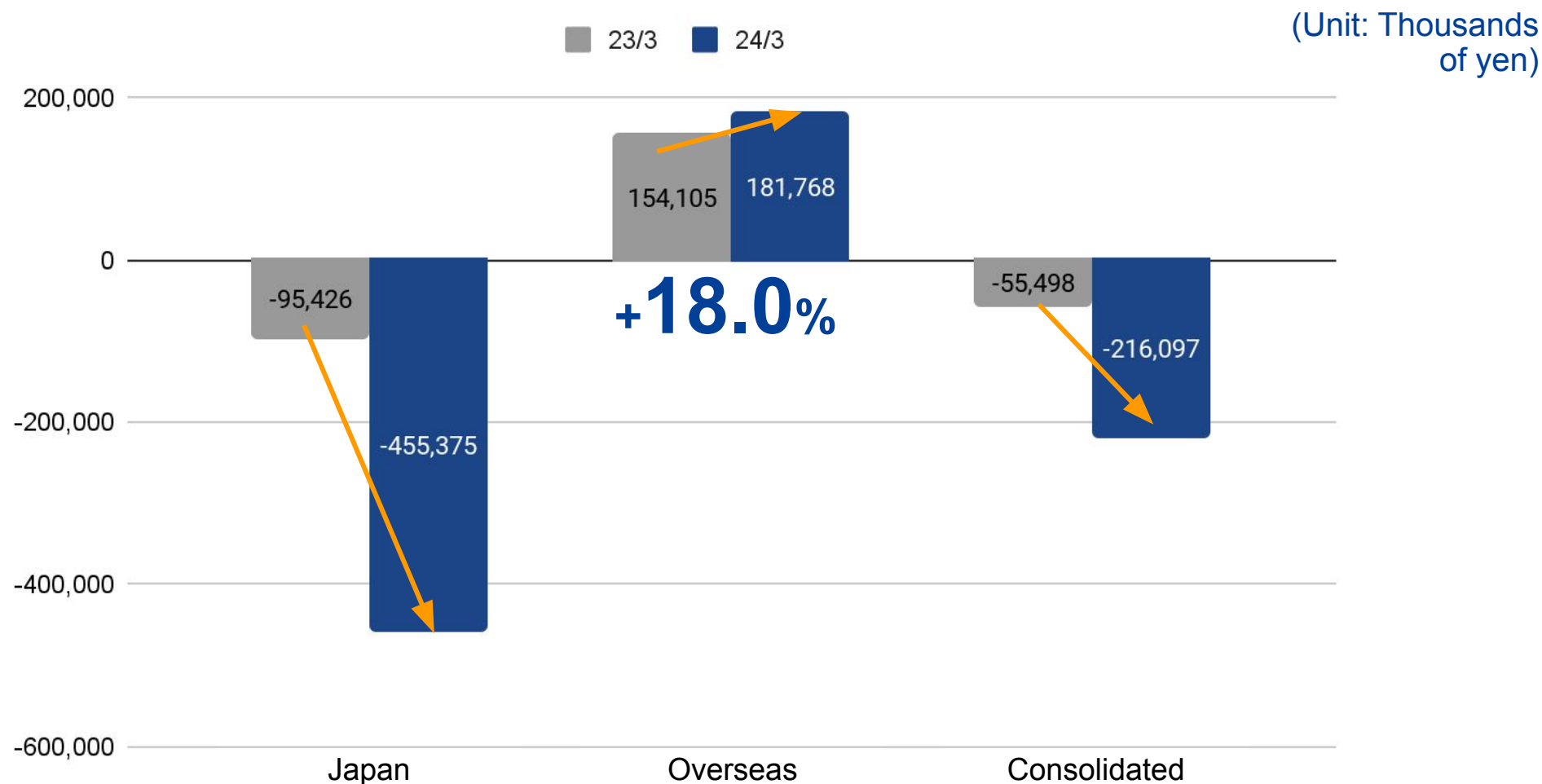
- Continued growth both in Japan and overseas based on a simple aggregated basis of each company
- Overseas sales generally maintained high growth, up 40%



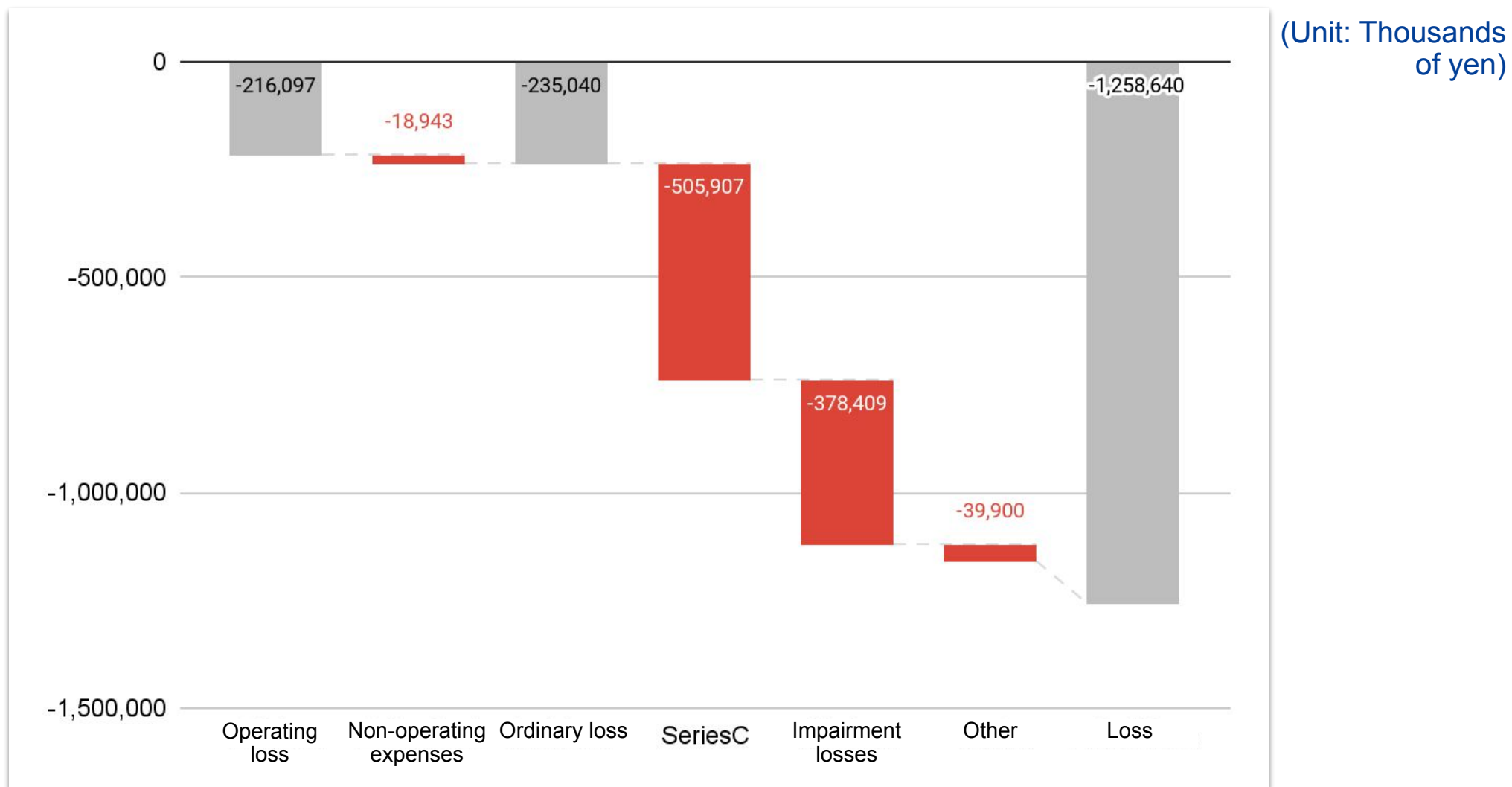
Comparison of Operating Profit Year-on-Year (Simple aggregated basis of each company)

1. Results for the Fiscal Year
Ended March 31, 2024

- In particular, the earnings structure of the parent company has been a challenge. Unable to absorb the cost of structural reform factors, etc., **significant deficit in Japan**



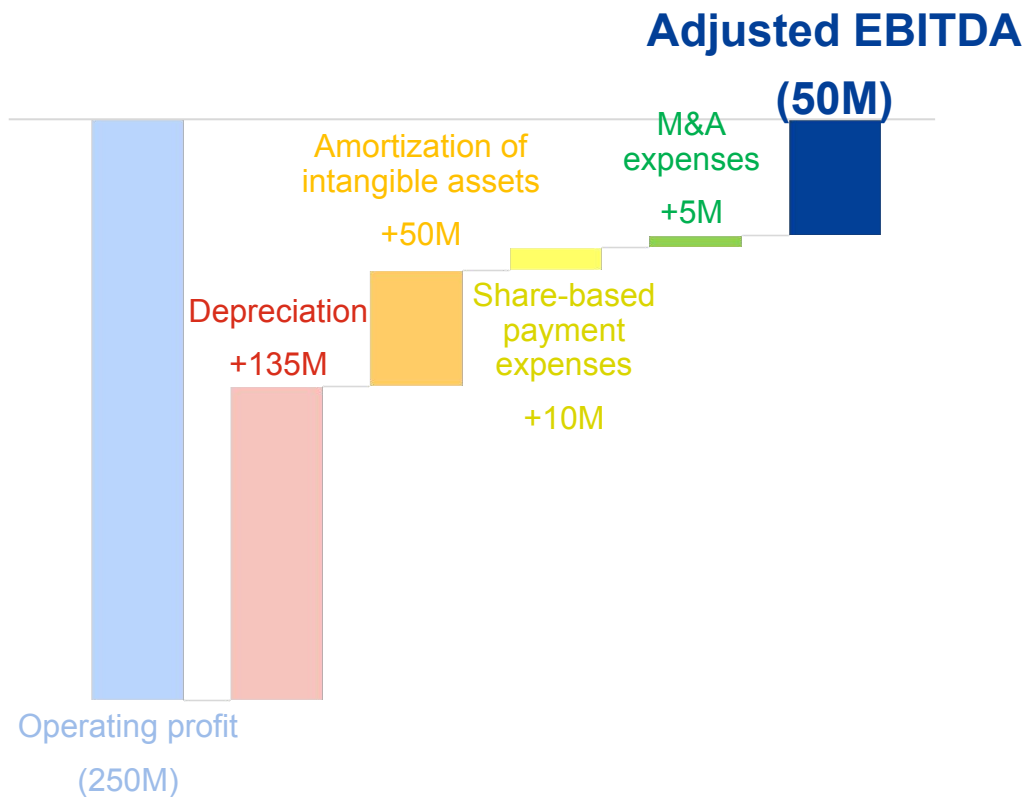
- Business was affected by the deficit in Japan
- In addition, **one-time extraordinary losses to address financial issues** resulted in a large final deficit



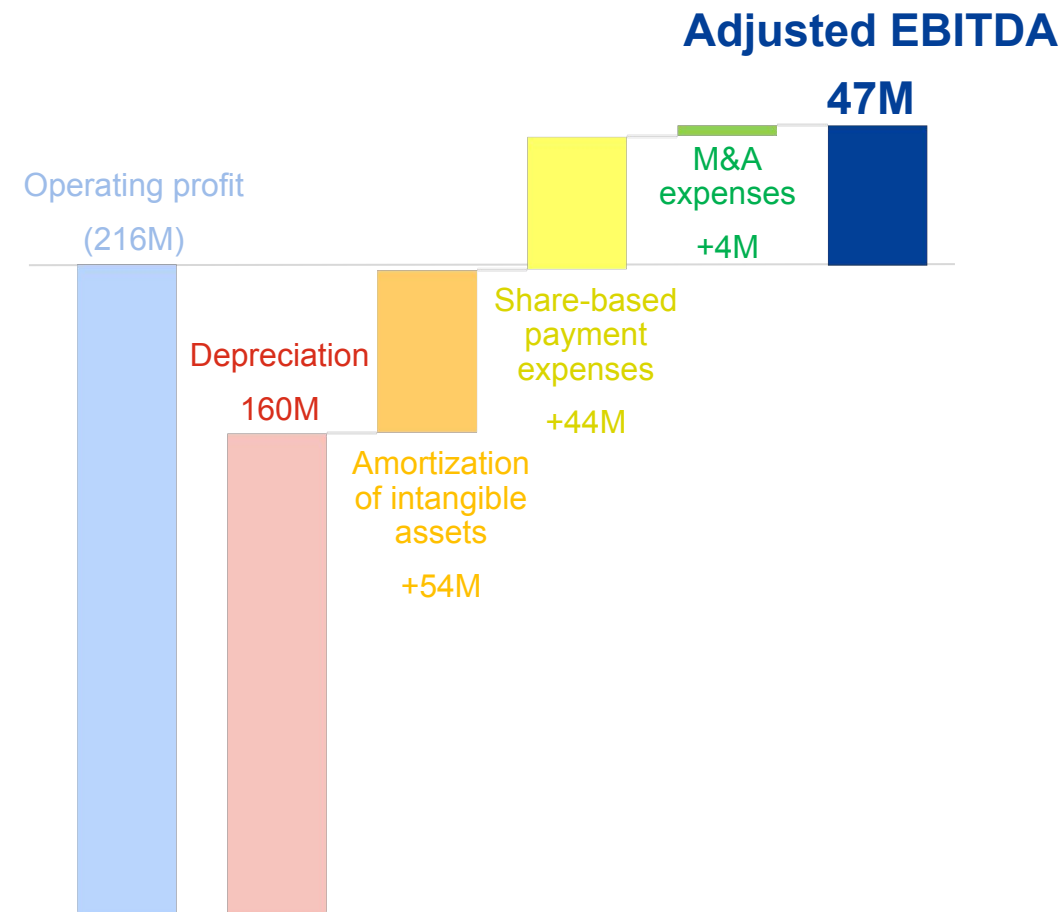
- Adjusted EBITDA, a measure of real CF generation, exceeded the revised plan**

* Adjusted EBITDA = Operating profit + Depreciation + Amortization of intangible assets + Share-based payment expenses + M&A expenses

< Revised plan for the FY24/3 >

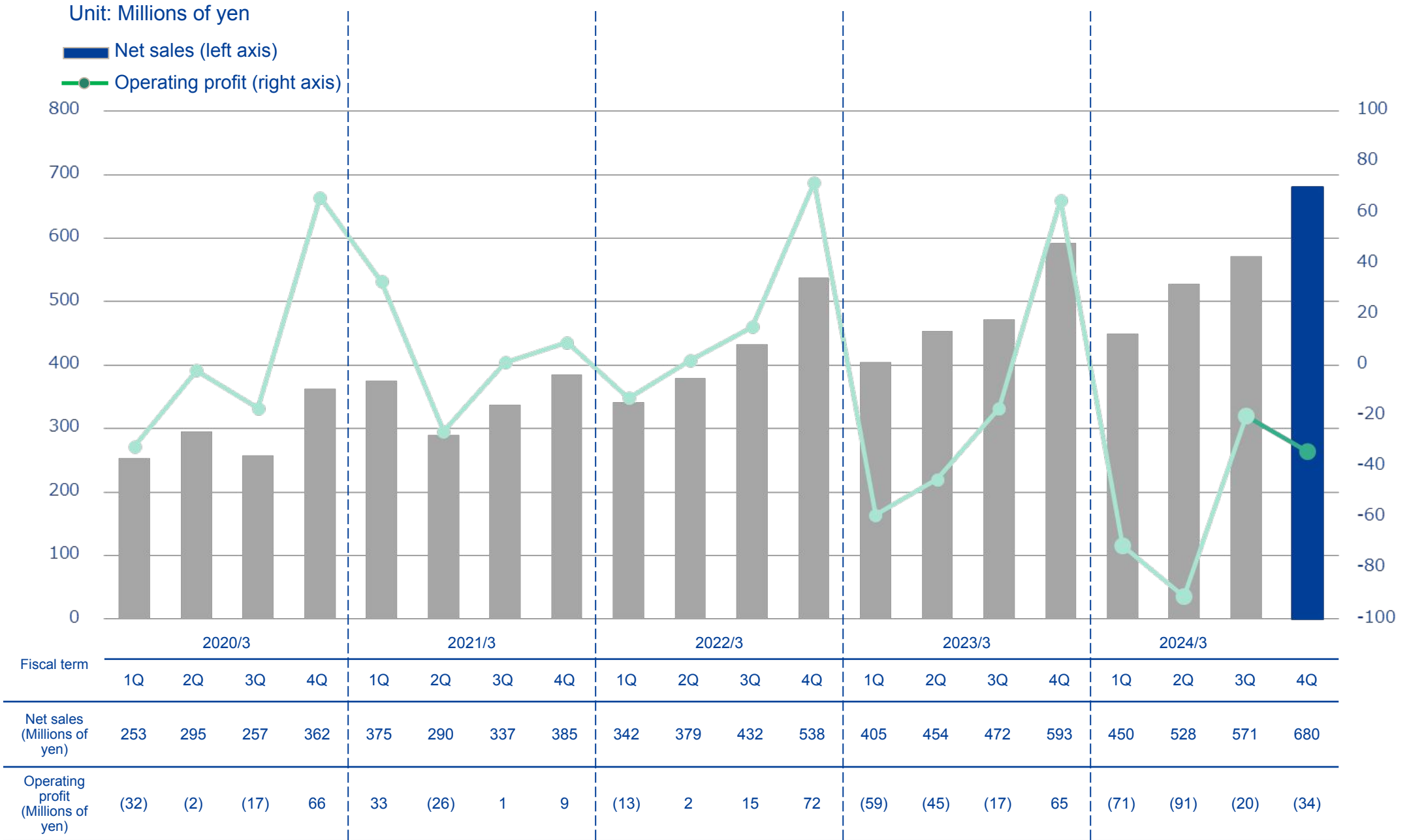


< Results for the FY24/3 >



Consolidated Net Sales and Operating Profit Trends (Quarterly)

1. Results for the Fiscal Year Ended March 31, 2024



Consolidated Financial Position (Balance Sheet)

1. Results for the Fiscal Year Ended March 31, 2024

- The loss for the period almost directly contributed to the decrease in assets and capital items
- Maintain capital adequacy ratio of over 50% through third-party allotment of new shares**

(Unit: Millions of yen)

- Key drivers of change -

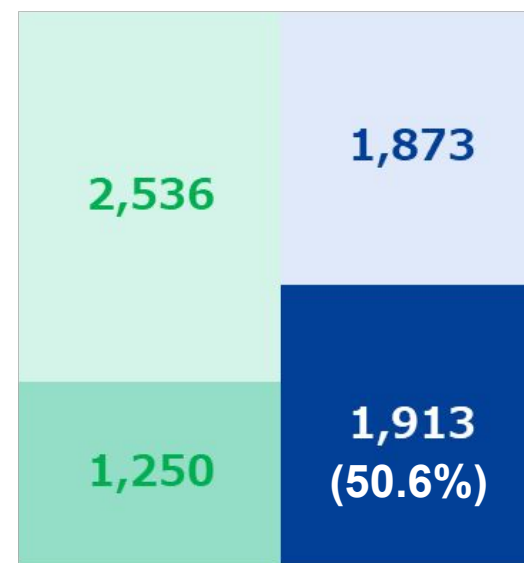
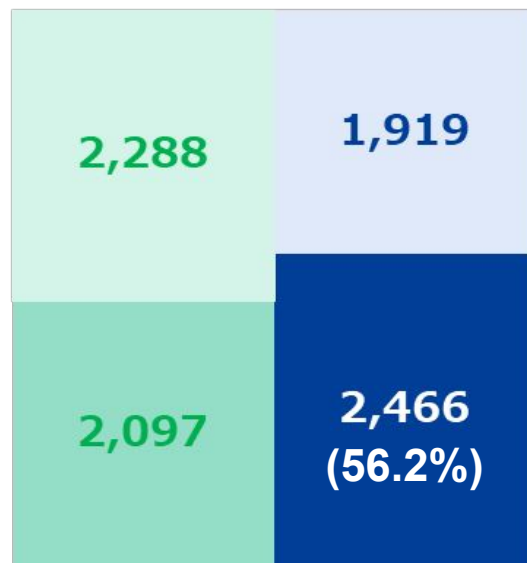
- Current assets: (413)
 - Cash and deposits: (83)
- Non-current assets: (399)
 - Property, plant and equipment: +172
 - Intangible assets: +142
 - Investments and other assets: (712)
- Liabilities and other: (77)
 - Short-term borrowings: +115
 - Long-term borrowings: (209)
- Equity capital: (824)
 - Retained earnings: (859)
 - Share acquisition rights: +20
 - Foreign currency translation adjustment: +11

FY2023 End
(March 31, 2023)

FY2024 End
(March 31, 2024)

Total assets 4,386

Total assets 3,786



■ Current assets
 ■ Non-current assets
 ■ Equity capital
 ■ Liabilities and other

- **Putting the past behind us and making progress with business restructuring**
- **Achieve high profit growth under new structure from this fiscal year onward**

1. Address financial issues

- Preferred shares of Chilean subsidiary closed (bad debts expenses recorded)
- Impairment loss on business restructuring

2. Capital increase and change in management structure

- Third-party allotment of new shares (First Plus Financial Holdings PTE. Ltd.)
- New management structure
Change in Representative Director
Two (2) new Directors (April)

3. Progress and topics on key issues

- Details on next page and beyond
- Comprehensive business alliance with VLC Holdings Co., Ltd (basic agreement)
- Business Acquired from The ROOM4D Group, etc.

1. Business Portfolio

- Continue overseas growth while balancing the investment of resources in terms of new consolidations, M&A, etc.
- Restructure the business in Japan by leveraging our strengths in elemental technologies
- Take strategic steps toward ChatGPT and other future businesses

2. Strengthen Global Structure

- Review business segments on a global basis
- Shaping the organization from a management perspective and strengthening the executive level
- Strengthen Group collaboration based on the value chain and establish cross-divisional functions

3. Improve Customer Value

- Launch new products that have been internally developed
- Cross-selling or account management
- Promote high-value-added SaaS-type linear business by demonstrating consulting functionality

[1] Invest in human resources and strengthen HR functions

Retain talented managers and engineers, strengthen global retention, and promote MVV

[2] Corporate branding

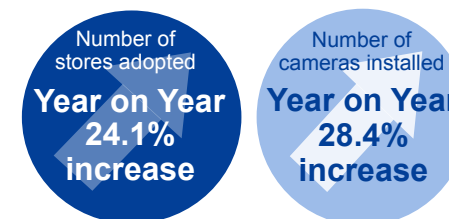
Improve recognition by strengthening and expanding IR/PR, and enhance non-financial value such as ESG and SDGs

[3] Corporate governance

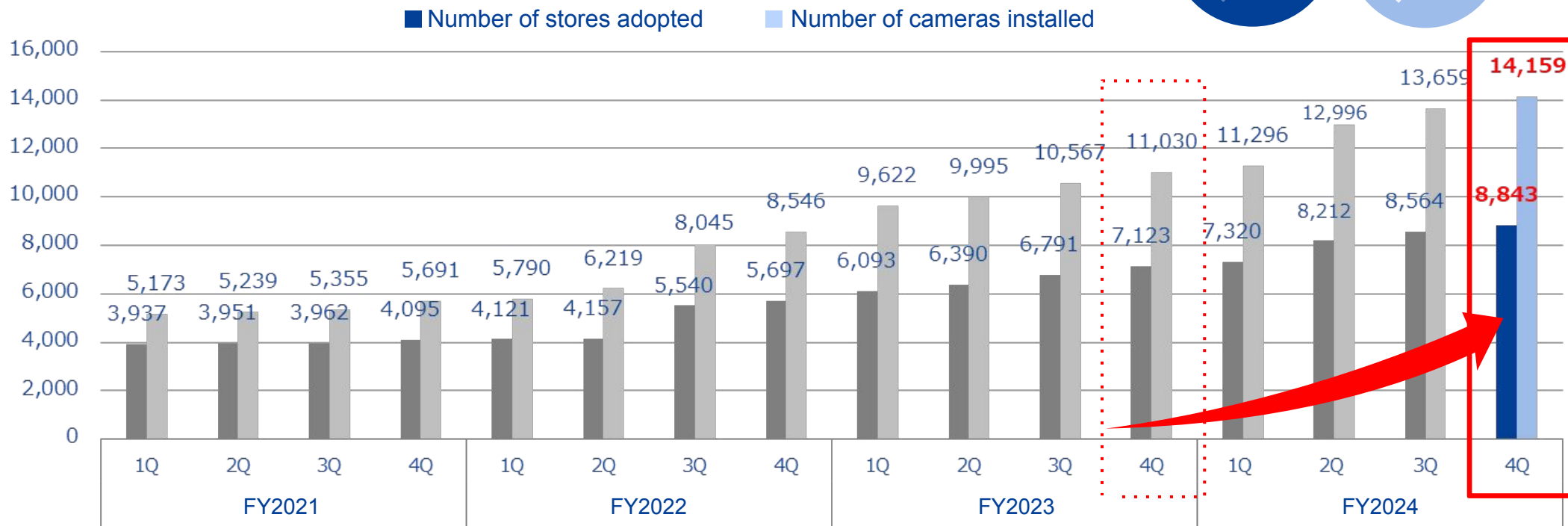
Build a solid foundation as a global listed company and further enhance compliance awareness

Net sales leading indicators increased steadily year-on-year










- The number of stores adopting and cameras installed, a medium-term KPI for net sales, **increased by about 30% year-on-year, driven by organic growth**, mainly in Chile, where all stores in large shopping malls adopted them
- Almost fully consolidated with new consolidations in Panama and Spain
 - Number of stores adopting (total of unconsolidated subsidiaries): 8,986;
Number of cameras installed (total of unconsolidated subsidiaries): 14,360
 - * As of March 31, 2024, for Japan (as of December 31, 2023, for overseas)



< Total number of stores that adopted cameras and cameras installed (consolidated basis) >

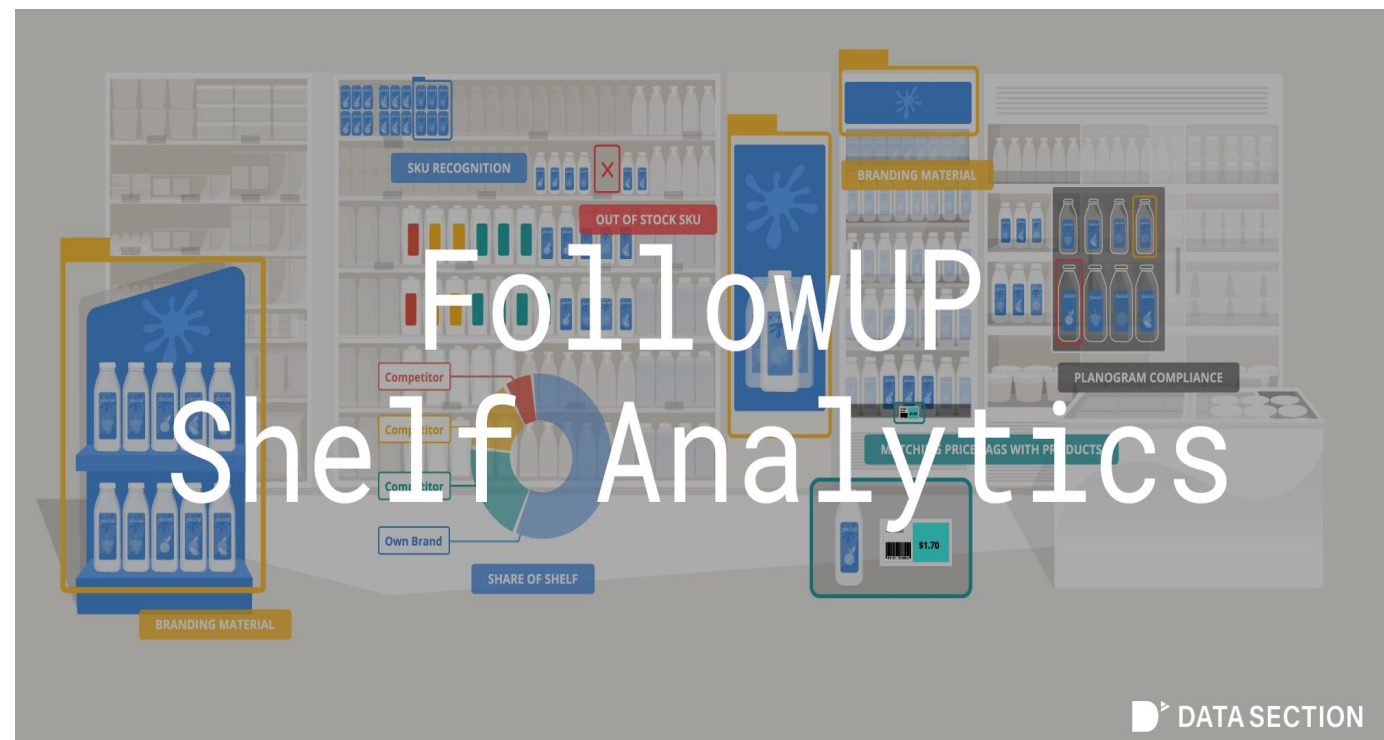


New consolidation of two (2) companies, Alianza FollowUP Panamá S.A. (Panama) and FollowUP Customer Experience S.I (Spain).

	Consolidated FY	% of votes held	Primary Business Activity
Datasection Inc. 	2000	-	Driving real-world change (improving business operations and consumers' lives) through the technological power of data analytics
solid intelligence Inc. 	2013	86.9%	Multilingual social media analytics and consulting business
DSS Inc. 	2018	100.0%	Financial systems operation and maintenance and application development
Jach Technology SpA 	2019	100.0%	Retail marketing business in Chile
Alianza FollowUP S.A.S. 	2019	100.0%	Retail marketing business in Columbia
INTELIGENXIA S.A. 	2021	100.0%	Retail marketing business in Chile
Follow UP Peru S.A.C. 	2022	55.0%	Retail marketing business in Peru
FollowUP Customer Experience S.L. 	2023	95.0%	Retail marketing business in Spain
Alianza FollowUP Panamá S.A. 	2023	100.0%	Retail marketing business in Panama

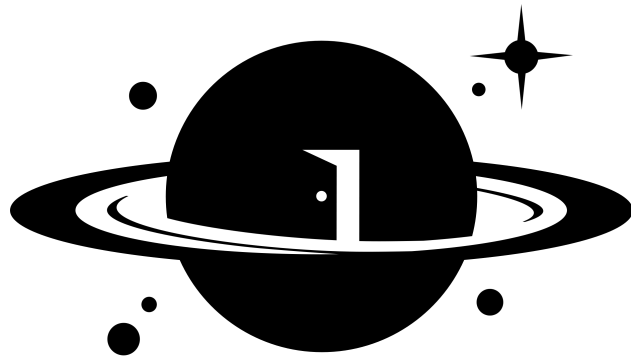
(3) Introduction of New Services

- Launch of **FollowUP Shelf Analytics**, a product shelf analysis solution for supermarkets (Wednesday, June 28, 2023)
- **AI-based real-time detection of missing items, misplaced items, wrong number of faces, and wrong prices on product shelves to reduce lost opportunities on the customer side**
- ◆ For more information, please visit our company website at:
<https://www.datasection.co.jp/news/pressrelease-20230628>



(4) Business Acquired from The ROOM4D Group

- Acquisitions in growth domains such as data science and generative AI, etc.
- In the area of data analysis and AI solutions, a core business in which our Group has strengths, we intend to further enhance our competitiveness by strengthening our engineering staff, including SES



The ROOM 4D



2023年7月28日

各 位

会 社 名 データセクション株式会社
代 表 者 名 代表取締役社長 CEO 林 健 人
(コード番号：3905 東証グロース)
問 い 合 せ 先 代表取締役副社長 CFO 岩 田 真 一
TEL. 050-3649-4858

事業譲受に関するお知らせ

当社及び当社の連結子会社である株式会社ディーエスエス（以下「DSS」といいます。）は、本日開催の取締役会において、The ROOM4D株式会社（以下「4D」といいます。）の事業を当社が、4Dの子会社であるThe ROOM Door株式会社（以下「Door」）の事業をDSSが譲り受けることを決議いたしましたので、お知らせいたします。

- ◆ For more information, please visit our company website at:
<https://ssl4.eir-parts.net/doc/3905/tdnet/2316827/00.pdf>

(5) Change in Reporting Segment

Reporting segments are reorganized into two, “Japan” and “Overseas”

- Review and upgrade business and performance management systems from a management approach perspective
- Facilitate understanding by investors and other stakeholders
- Align with the future business strategy, which aims for balanced investment and growth in both domestic and overseas markets

< Comparison of Segment Composition >

Entity	DS	DSS	SI	Jach	INX	Alianza	Peru	Spain	Panama
Before change	Retail	Data analysis solution			Retail marketing				
After change	Japan			Overseas					

(6) Strengthen Investor Relations (Start distribution of corporate research reports)

1. Results for the Fiscal Year
Ended March 31, 2024

Start of analyst coverage (first session on Monday, October 30, 2023)

We will strive to further improve information disclosure, including this business.

(From our company website)

We are pleased to inform you that a corporate research report by FISCO Ltd. was distributed on October 30.

The report provides a detailed explanation of the company profile, business overview, performance trends, and future outlook.

For more information, please visit the following page at:

<https://www.fisco.co.jp/wordpress/wp-content/uploads/FISCO/datasection20231030.pdf>



FISCO
企業調査レポート

Sustainability Policy

Contributing to the world and people's lives 100 years from now.

Message from the CEO

We are striving for sustainable growth and business breakthroughs with a strong will to continue improving people's lives around the world.

Since its establishment in 2000, Datasection Inc. has been committed to the value of "merging technology and the real world". We believe that it is possible to create a better future by leveraging new technologies, such as big data analytics, AI and deep learning, and applying them to society.

We recognize our responsibility as a company to address global challenges - declining birthrates, aging populations, shrinking workforces, food issues, security - as well as the social fabric itself. To realize this vision, all employees of Group companies will work together and continue their efforts to increase corporate value.

Furthermore, the Datasection Group Sustainability Policy has been formulated as a policy to promote these initiatives in a concrete and sustainable manner.

Sustainability Vision

Contributing to the world and people's lives 100 years from now.

The mission "Change the Frame" strongly reflects our core vision - our will to "continue to improve the lives of people around the world". As the Datasection Group, we operate in a global business, and our goal is to shape a future in which people and the planet coexist and thrive 100 years from now. To achieve this goal, we are committed to fulfilling our role as a technology pioneer and contributing to the creation of a sustainable society.

Creating innovation through global partnerships

By supporting stable management, especially in our South American subsidiaries, we help developing countries create development technologies and expand new businesses. In addition, through ongoing, regular global partnerships, we are working with the Ministry of Interior and Communications to implement its services to improve the operations of public institutions in Chile, creating innovation across borders.



Promoting diversity and inclusion on a global basis

We partnered with companies in Southeast Asia to promote diversity while protecting the work environment based on national systems. From 2022, we have introduced a childcare leave system for men, the number of women employees is increasing, and we have changed to a flexible organizational structure that shows understanding of gender and family environment. We are already actively recruiting multinational engineers and have an environment where people can work regardless of social status, race, or culture.



Developing and producing a diverse workforce that will lead the world in the future

In the near future, when data science will be at the heart of business, we will provide training programs to develop people who can communicate the use of data and the results of analysis to people in different positions in an easy-to-understand way. We will contribute to the understanding of data science and the production of data scientists who can work in all industries.



Committed to ensuring compliance and strengthening corporate governance

We aim to be a transparent and open company through measures such as regular one-on-one meetings between senior management and all employees and a system that allows those who wish to observe management meetings to do so. We interact with external personnel for various purposes, such as business, seeking to scale with expert business advice, and supporting the mental and physical health of employees by working with industrial doctors.



The two companies have decided to form a comprehensive business alliance with the aim of strengthening the business bases of both groups and further increasing their corporate value

< Reasons for the Alliance >

- In the existing businesses of both companies, there are several areas where business synergies can be achieved by leveraging the strengths and resources of both companies
- In terms of the business direction that both companies are pursuing in the future, business expansion for both companies can be expected through cooperation

Specifics of the Alliance

In addition to mutual customer traffic and personnel exchanges in existing businesses such as marketing, AI-related, system integration, security, and other businesses, we will strengthen the strategic alliance through technology cooperation and joint investment in new businesses.

Future Outlook

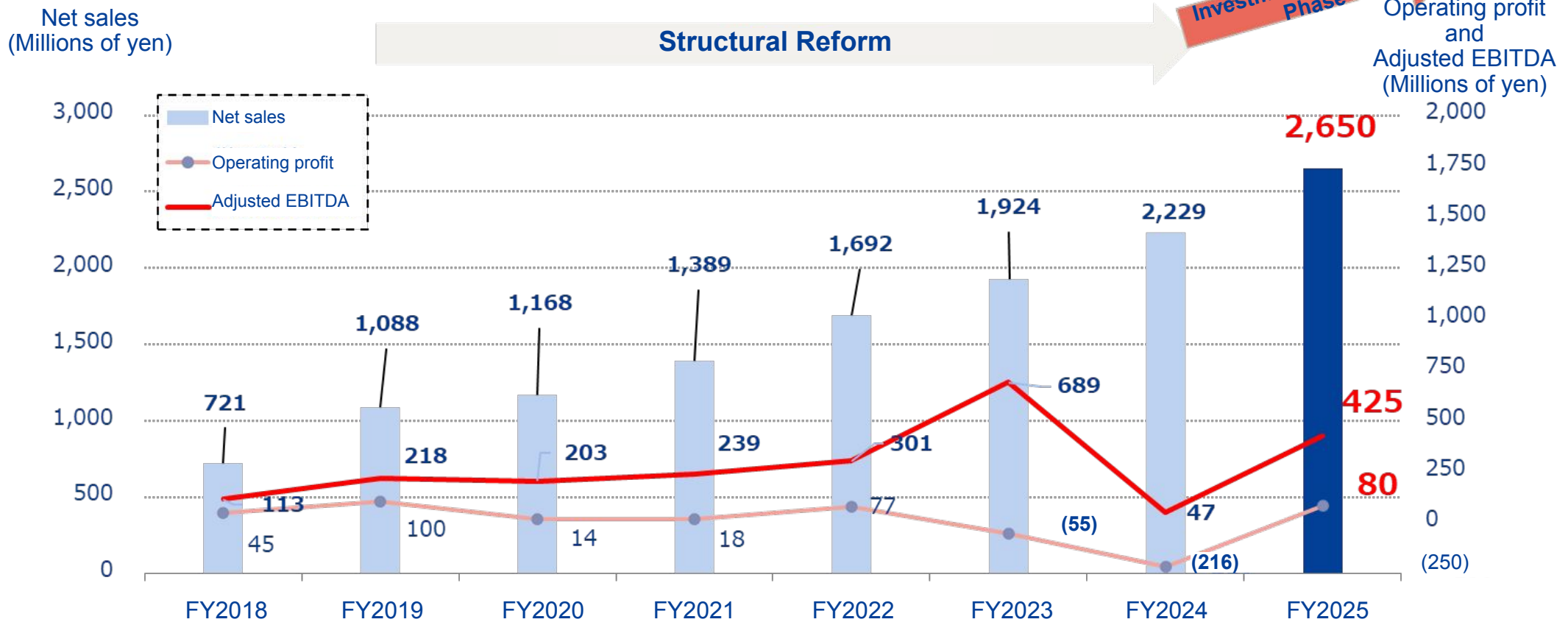
- The impact on consolidated results for the fiscal year ending March 2024 will be reviewed as appropriate, depending on the progress of the alliance.
- In the future, the two companies will also consider a capital alliance in order to further establish a cooperative structure and demonstrate synergies. (If any matters requiring disclosure arise in the future, they will be disclosed promptly.)

2. Plan for the Fiscal Year Ending March 31, 2025

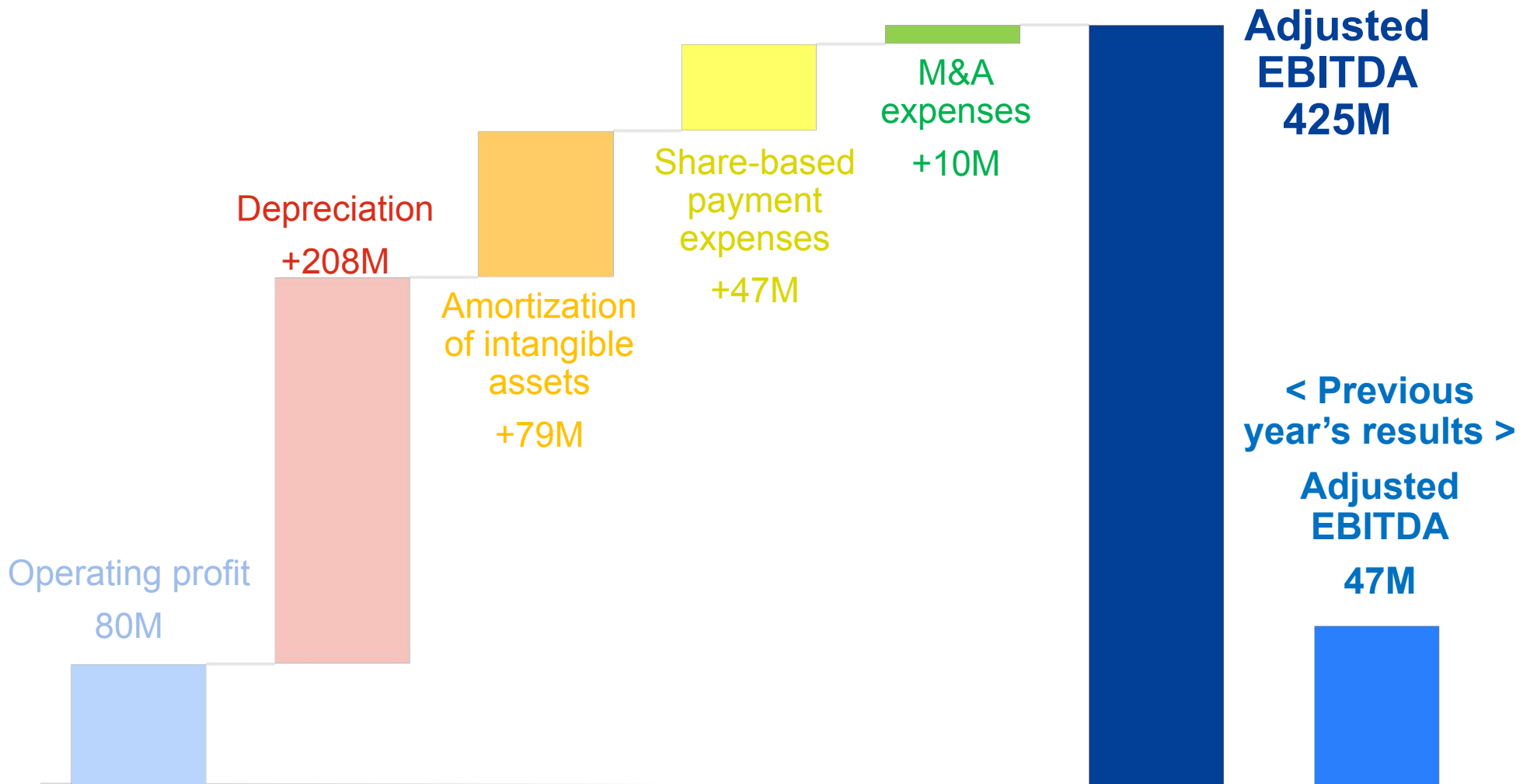
- **Plan to achieve top-line growth over the previous year and return to consolidated profitability**
- Focus on organic profit growth in profitable businesses and **improving profitability of domestic businesses through restructuring, including review of business structures**

Item	FY2024 Results	FY2025 Earnings Forecast		
		Plan	Difference (Amount)	Difference (Change rate)
Net sales	2,229	2,650	+420	18.9%
Operating profit	(216)	80	+296	-
Adjusted EBITDA	47	425	+377	797.0%
Ordinary profit	(235)	55	+291	-
Profit of parent company	(1,261)	17	+1,280	-

- For the top line, plan to achieve the highest net sales **through growth in both Japan and overseas**
- **To return the domestic business to profitability**, redefine business domains, clarify the good and the bad, and implement business structure reform and profitability improvement



- Adjusted EBITDA is also expected to increase significantly (up 377 million year-on-year), mainly driven by a return to operating profitability (significant year-on-year profit improvement)



< Business Strategy >

- In existing businesses, clarify “good” and “bad,” promote organic profit growth and restructuring, and aim to return to profitability
- For new businesses, allocate resources for timely investment and commercialization

1. Business Portfolio

- Strengthen the management of business profitability by redefining business domains
- Expand data science business through PMI
- Establish Advanced AI Data Innovation Institute(AIDI)
- Concretize alliance with VLC Holdings Co., Ltd.

2. Good and Bad

- Turnaround of domestic (parent company) business and improvement of CF are the most important issues
- Organic profit growth in DSS and overseas
- Restructure unprofitable businesses in Japan

3. New Businesses

- Business alliance with Super Micro Computer, Inc. (basic agreement)
 - Discussions underway focusing on R&D of AI servers and operation of AI data centers, etc.
- Other new investments, etc.

< Corporate Strategy >

- Strengthen the holding company function and governance of the parent company, taking into account the characteristics of the Group with a relatively large number of consolidated subsidiaries on a global basis compared to the scale of consolidation

[1] Strengthen HR functions

Strengthen retention on a global basis, strengthen infrastructure, such as the revision of the HR program

[2] Corporate branding

Continue to increase recognition by strengthening and expanding IR/PR efforts
Increase corporate value by improving sustainability and other non-financial domains

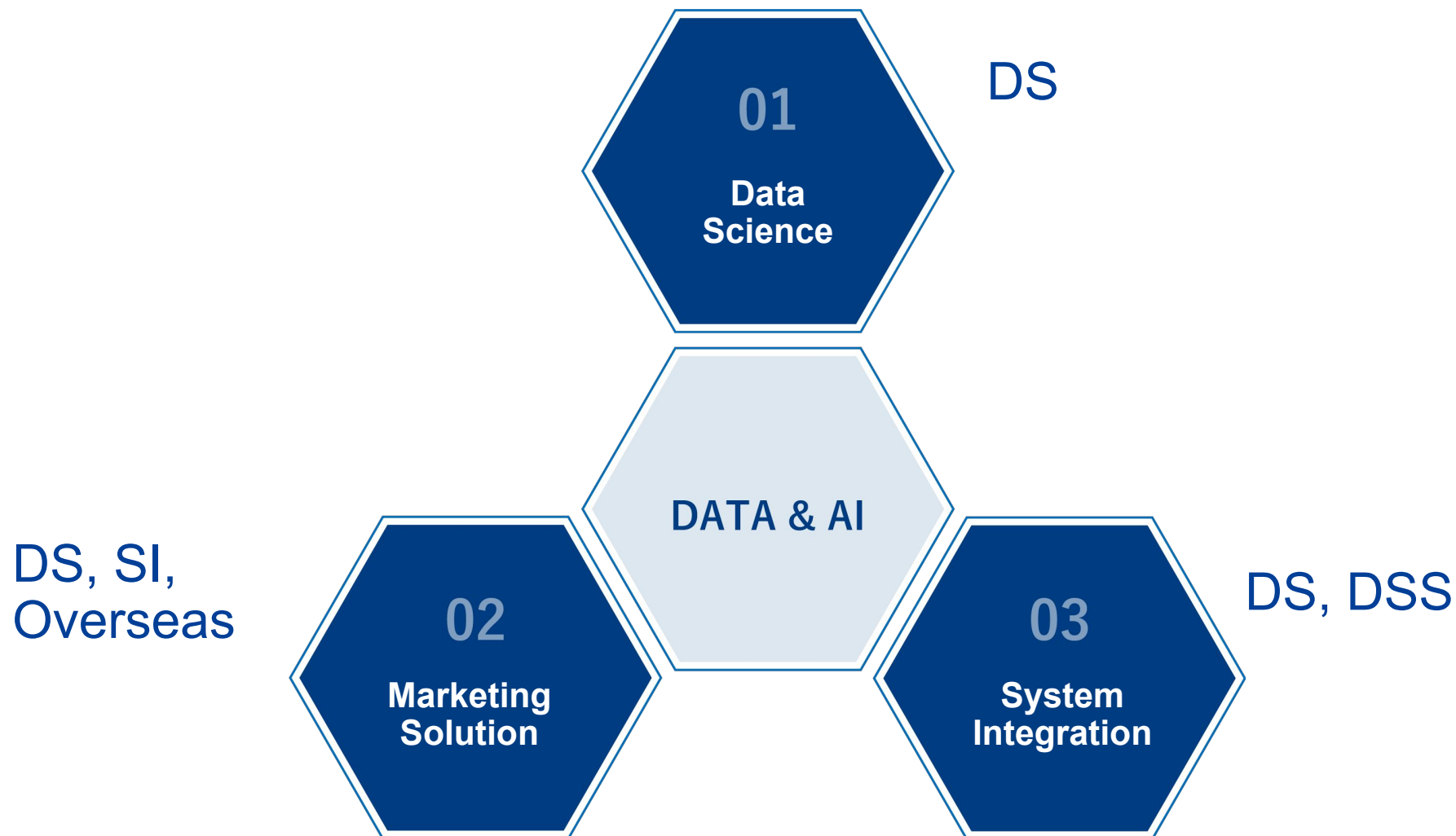
[3] Corporate governance

Strengthen governance and advance PMI as a global listed company

[4] Operational excellence

Advances in operational excellence leading to increased efficiency and business profitability

By returning to its strengths in “data and AI,” the company has redefined its three (3) business domains:



*DS: Datasection Inc., DSS: DSS Inc., SI: solid intelligence Inc.

Established the Advanced AI Data Innovation Institute (also known as AIDI) on April 9 to further develop the AI and data fields, which are our strengths. AIDI aims to quickly return profits to our Group from research on advanced technologies such as LLM and generative AI

- ◆ For more information, please visit our company website at:
<https://ssl4.eir-parts.net/doc/3905/tdnet/2419292/00.pdf>



< Reasons for the Alliance >

- The two companies have agreed in principle to form a business alliance, leveraging their respective technologies, products, resources and networks to collaborate on R&D and AI data center operations in the AI server field, where demand is expected to continue to grow in the future.

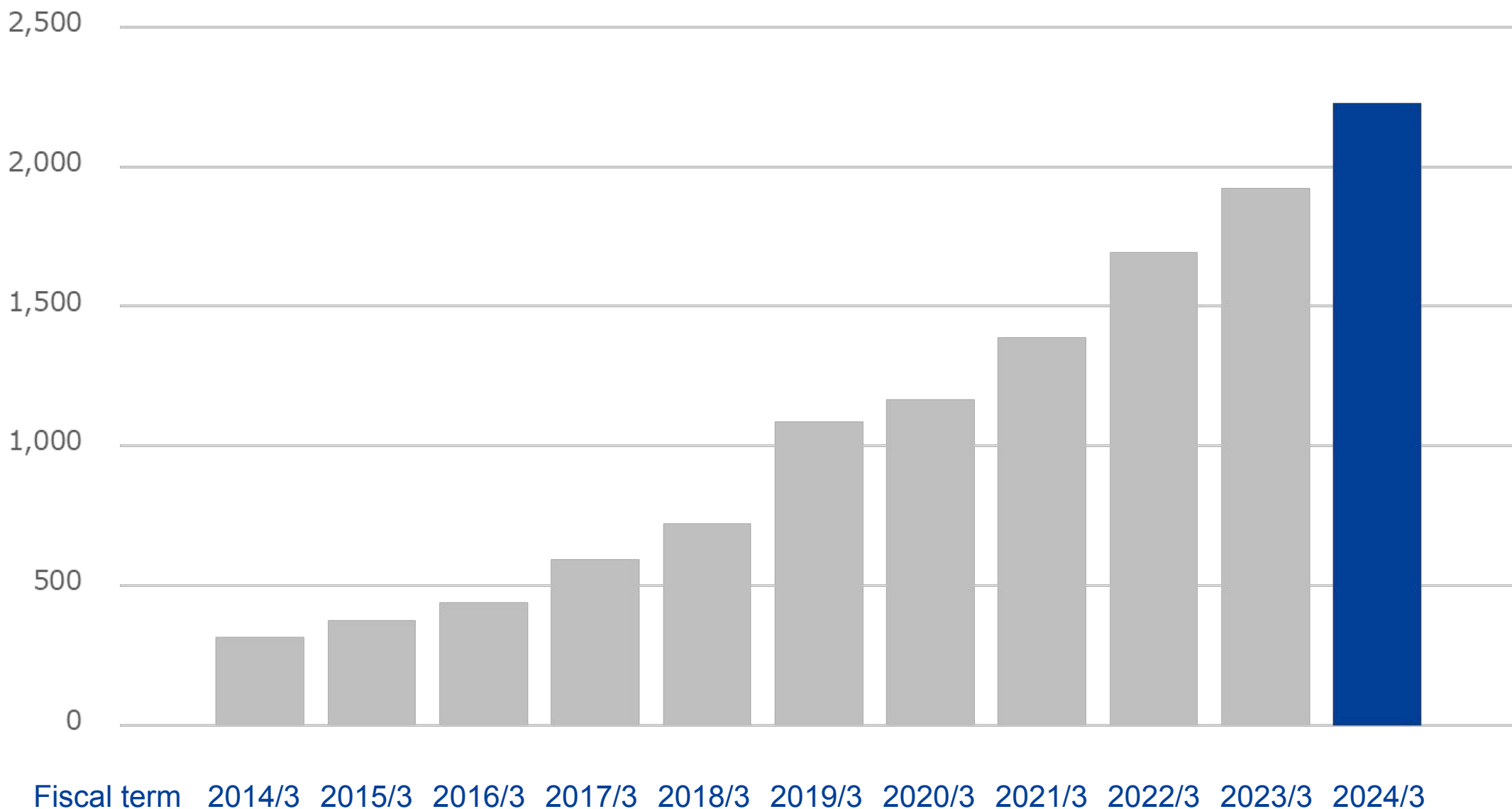
Details of the Alliance

Discussions are underway to prepare for the launch of the Business Alliance, which will focus on R&D in the field of AI servers, operation of AI data centers, etc. Details of the specific policies and content of the Business Alliance will be announced as appropriate once they are determined based on further discussions.

Future Outlook

The impact of the Business Alliance on the Company's consolidated results of operations for the fiscal year ending March 31, 2025 is expected to be minor, but the Company believes that the realization of the Business Alliance will contribute to the improvement of the Company's business performance and corporate value in the medium to long term. In the future, any matters requiring disclosure will be disclosed promptly.

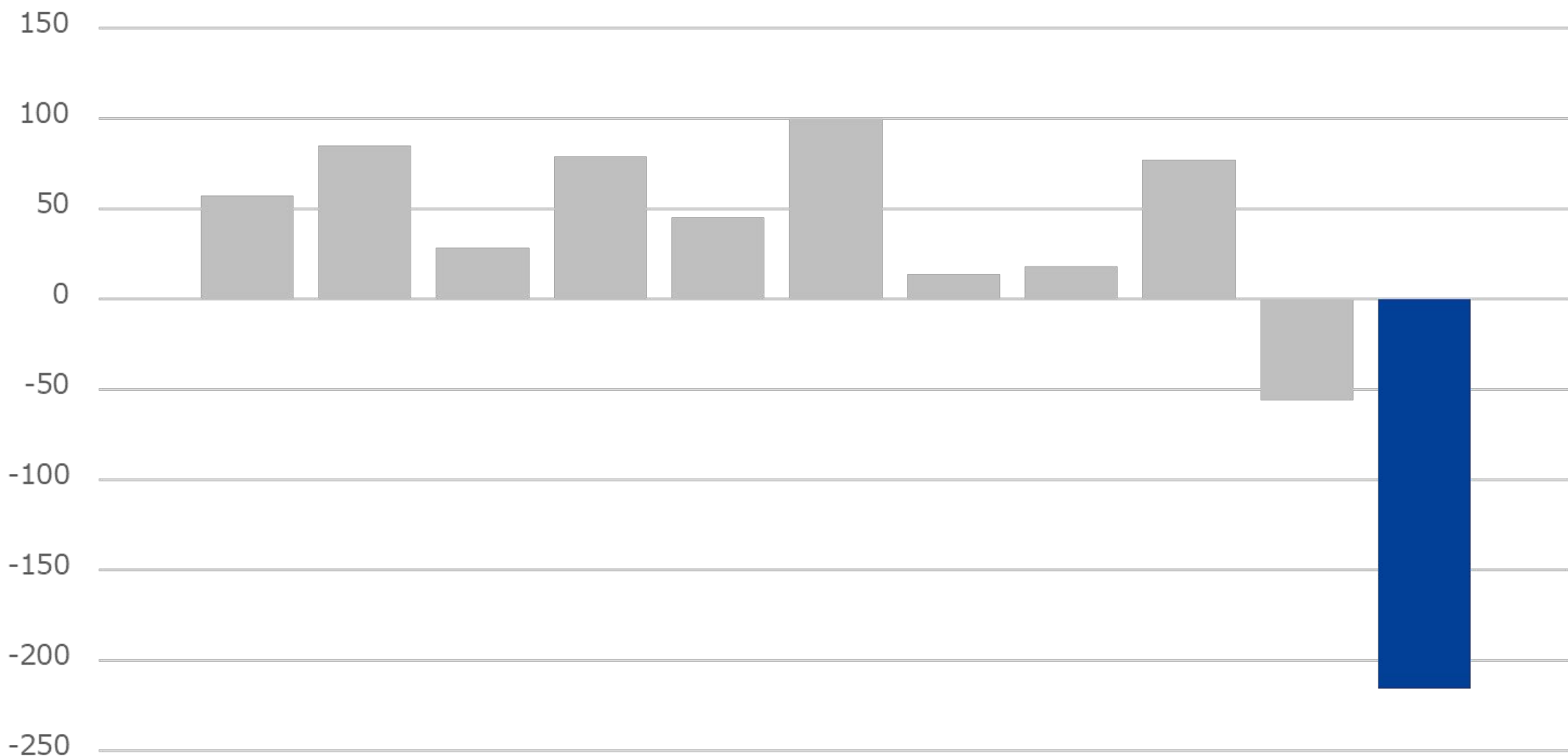
3. Appendix



Net sales
(Millions of yen)

317 376 439 593 721 1,088 1,168 1,389 1,692 1,924 2,229

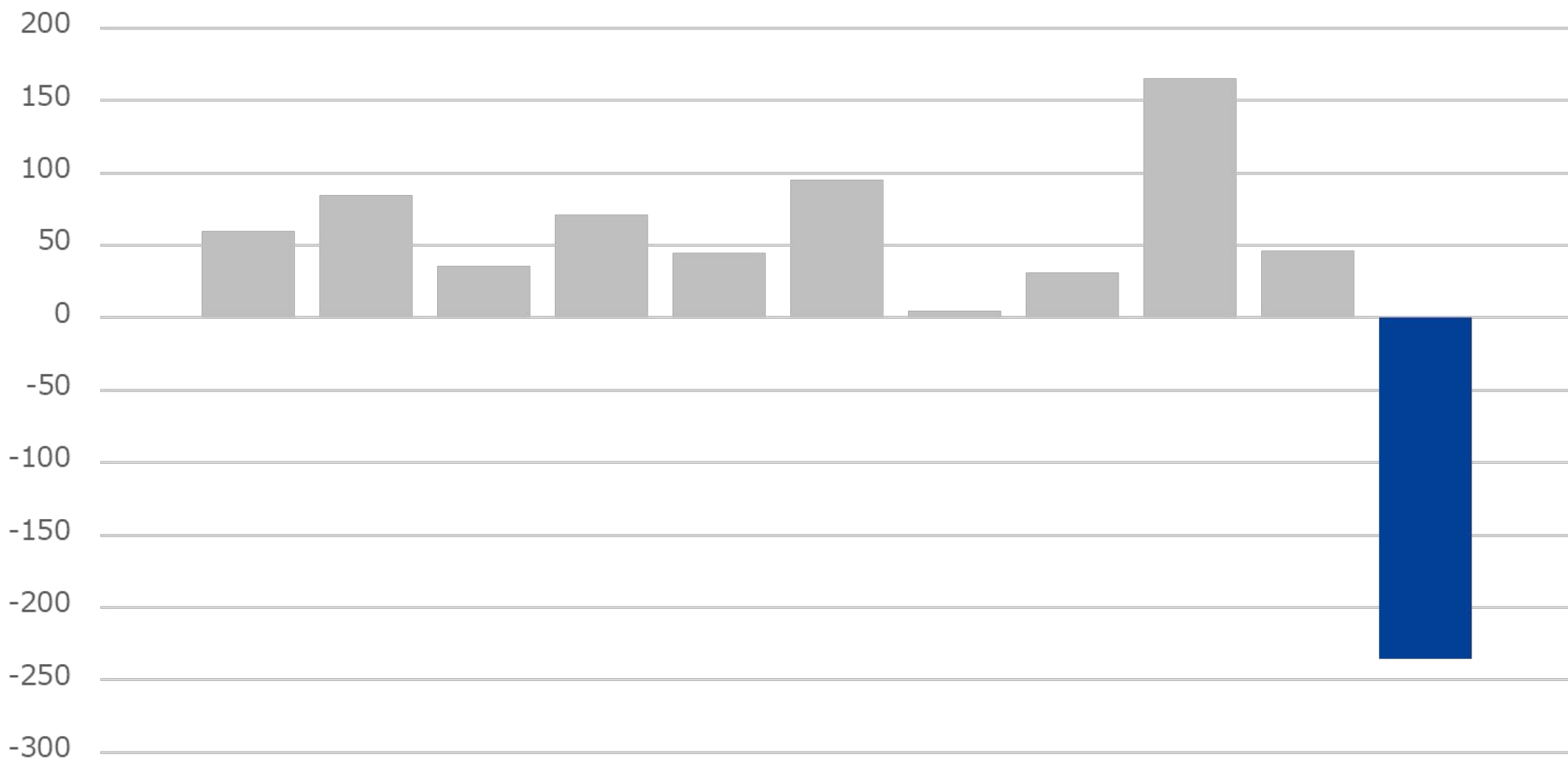
Consolidated Operating Profit Trends



Fiscal term 2014/3 2015/3 2016/3 2017/3 2018/3 2019/3 2020/3 2021/3 2022/3 2023/3 2024/3

Operating profit (Millions of yen)	57	85	28	79	45	100	14	18	77	(55)	(216)
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Consolidated Ordinary Profit Trends



Fiscal term 2014/3 2015/3 2016/3 2017/3 2018/3 2019/3 2020/3 2021/3 2022/3 2023/3 2024/3

Ordinary profit (Millions of yen)	60	85	36	71	45	95	5	31	165	46	(235)
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Trends in Consolidated Profit Attributable to Owners of Parent



Fiscal term 2014/3 2015/3 2016/3 2017/3 2018/3 2019/3 2020/3 2021/3 2022/3 2023/3 2024/3

Fiscal term	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3	2022/3	2023/3	2024/3
Profit attributable to owners of parent (Millions of yen)	45	63	26	36	16	37	(17)	(41)	2	(530)	(1,261)

4. Reference Materials

Company Profile

We ARE ...

What we will be ...

What we should do ...

Change the Frame

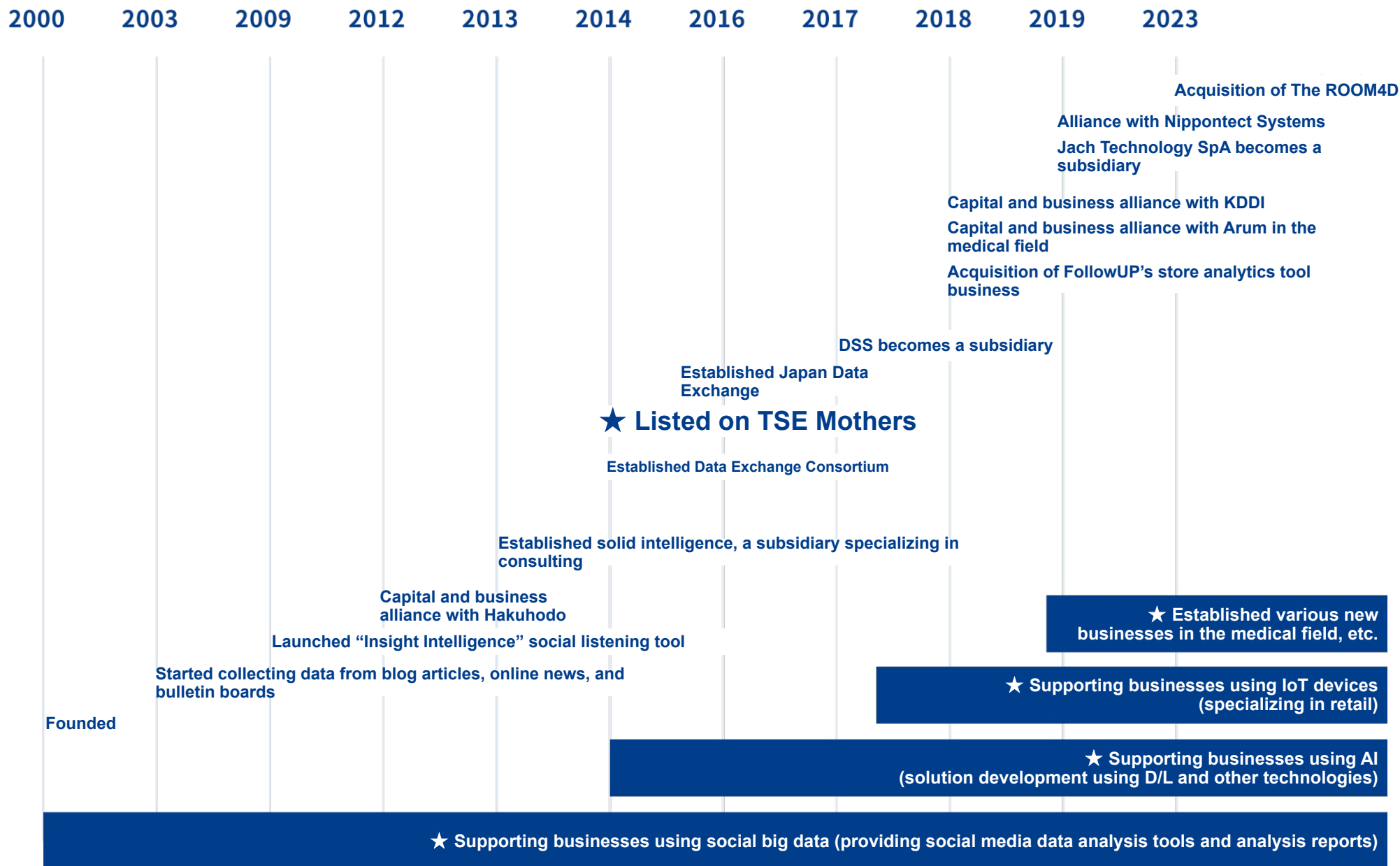
As a “section” of the World Data Division, we continue to improve the lives of people around the world, revolutionizing the real world with technology and creating new ways of living

Company Profile

Datasection Inc.

Head Office	8F Gotanda PLACE Bldg., 1-3-8, Nishigotanda, Shinagawa-ku, Tokyo, 141-0031, Japan	Business Domain	Data Science Marketing Solution System Integration
Foundation Date	July 11, 2000		
Capital	1,868,479,000 yen (as of March 31, 2024)	Ticker Symbol	3905
Board Members	<p>President and Representative Director, CEO and CFO</p> <p>Shinichi Iwata</p> <p>Directors</p> <p>Christian Cafatti Norihiko Ishihara Daisuke Katano</p> <p>Directors (External)</p> <p>Jun Nakajima Kohki Sakata Yuki Uchiyama</p> <p>Audit & Supervisory Board Member (External)</p> <p>Akira Tashiro</p> <p>Audit & Supervisory Board Member (External)</p> <p>Shun Ishizaki</p> <p>Audit & Supervisory Board Member (External) / CPA</p> <p>Daisuke Yokoyama</p>	Shareholders	<p>First Plus Financial Holdings PTE. Ltd.</p> <p>KDDI CORPORATION</p> <p>Nippon Life Insurance Company</p> <p>Hakuhodo Incorporated and others</p>
Founder	Daiya Hashimoto		

Company History



Our Leadership



Shinichi Iwata

President and
Representative Director
CEO and CFO



Christian Cafatti

Director



Norihiko Ishihara

Director



Daisuke Katano

Director

Our Leadership



Yuki Uchiyama

Director (External)



Jun Nakajima

Director (External)



Kohki Sakata

Director (External)

Our Leadership



Akira Tashiro

Full-time Audit &
Supervisory Board
Member (External)



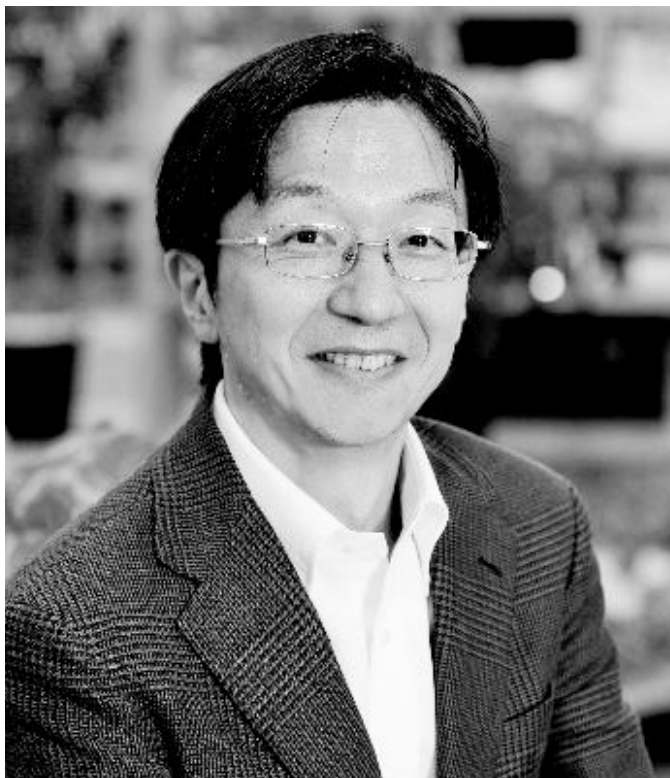
Shun Ishizaki

Audit & Supervisory
Board Member
(External)



Daisuke Yokoyama

Audit & Supervisory
Board Member
(External) / CPA



Founder

Daiya Hashimoto

Leading expert on data science workforce development

**Founder of Datasection Inc. (currently an advisor to our company) /
Professor at Digital Hollywood University
Director of Media Library, Visiting Professor,
Tama University Graduate School
Director, Wit Institute, Inc. / Book reviewer and translator**

Since the early 2000s, he has been one of Japan's leading influencers as an alpha blogger, writing the Information Kogaku Passion for the Future blog, which has been popular for many years. It has become a popular book review blog with about 300,000 UUs per month. He currently writes a book review blog in both English and Japanese, and has published the "213 Books: Compass for the Web Age of Information Kogaku" (Shufu to Seikatusha Co., Ltd.) and a translation of "Analogia: The Next Step After AI". While researching startups in Silicon Valley around 2000 and developing consulting services for large companies, he founded Datasection, a big data and artificial intelligence company, in 2000. In 2014, the company was listed on the TSE Mothers (now TSE Growth) market, and he is currently an advisor to the company. Since then, he has been active as an educator and entrepreneur at universities and other educational institutions. As a professor at Digital Hollywood University, he is in charge of Advanced Technology Theory (formerly Data Science Fundamentals). As a visiting professor at Tama University Graduate School, he is in charge of "Advanced IT Marketing Innovation". He is currently conducting research and giving lectures in the area of generative AI technology, including ChatGPT, and is preparing to develop a start-up business together with renowned researchers.




DATASECTION GROUP

Introducing the Datasection Group

Datasection is growing together with our colleagues around the world. The adventure of building the future with data and AI begins now.

The Datasection Group supports DX and business rationalization for a wide range of companies in retail and other industries on a global basis with its strengths in large-scale data analysis, high-performance image analysis using AI, and other areas. In addition, the Group is developing a wide range of other businesses, including contract development business, fintech, and social media analysis businesses in response to customer needs.

DATA SECTION

 <p>Researching, leveraging, and consulting on social big data around the world</p>	 <p>Building secure system environments in on-premise/cloud infrastructures with a focus on financial systems Deliver secure applications</p>
 <p>Provide optimal data trading markets with fairness, security, and reliability</p>	<p>Jach Technology SpA Alianza FollowUP S.A.S.</p> <p>Develop and deploy retail analytics tools globally</p>

Datasection Inc.

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<https://www.datasection.co.jp>

Forward-Looking Statements Disclaimer

- This document has been prepared by the Company for the purpose of providing investors with an understanding of the current status of the Company for their reference.
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