

June 3, 2024

Company name	Datasection Inc.
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Notice of Basic Agreement Among Four Companies for the Construction of an AI Data Center

Datasection Inc. (hereinafter referred to as the "Company") announced that, as of June 2, 2024, it has entered into a basic agreement (hereinafter referred to as the "Agreement") to commence discussions on the construction of an AI data center with Super Micro Computer Inc. (Headquarters: California, USA, President and CEO: Charles Liang, hereinafter referred to as "Supermicro"), Sharp Corporation (Headquarters: Sakai City, Osaka, Japan, President and CEO: Robert Wu, hereinafter referred to as "Sharp"), and KDDI CORPORATION (Headquarters: Shinjuku-ku, Tokyo, Japan, President: Makoto Takahashi, hereinafter referred to as "KDDI").

Based on the Agreement, the four companies will begin discussions to construct an AI data center equipped with NVIDIA's (Headquarters: California, USA, President and CEO: Jensen Huang, hereinafter referred to as "NVIDIA") cutting-edge AI computational infrastructure, such as the "GB200 NVL72," at the former site of Sharp's Sakai factory, aiming to launch operations as soon as possible.

1. Background of the AI Data Center Construction

The Company has been advancing multiple technological elements, such as image analysis through AI, from the stage of fundamental research, in addition to big data analysis. The Company has promoted system integration businesses aimed at improving customers' business operations, as well as marketing solutions to support clients in their digital marketing and digital transformation (DX) efforts. In recent years, the Company has actively pursued an M&A strategy to rebuild its business portfolio, which includes expanding the deployment of its proprietary AI-based image analysis products in over 20 countries globally. Furthermore, in September 2023, the Company completed a business acquisition in the field of data science and AI, as part of its ongoing efforts to realize "The integration of technology and society" and create new corporate value.

As AI technologies evolve at an accelerating pace, there is a growing demand in Japan for AI data centers capable of handling rapidly increasing AI processing. However, the construction of such AI data centers, which require large-scale AI computational infrastructure, also faces significant challenges, such as securing advanced computational devices, implementing highly efficient cooling systems to manage heat generation, and ensuring the availability of vast power supplies and physical space. To address these challenges quickly, the partners will pool their respective assets and work together to construct the AI data center.

2. Efforts Toward the Construction of the AI Data Center

Based on the Agreement, the Company, Sharp, and KDDI will establish a joint venture company with the goal of constructing one of Asia's largest AI data centers on the site of Sharp's former Sakai factory. The partners aim to begin operations at the AI data center as soon as possible.

For the AI data center, the Company plans to procure AI servers from its partner, Supermicro, equipped with NVIDIA's cutting-edge GPU (Graphics Processing Unit) "GB200 NVL72" and liquid-cooling solutions, which can reduce operational costs. By constructing the data center on the site of Sharp's former Sakai factory, the necessary space and power supply will be secured. Additionally, KDDI CORPORATION will provide support for the construction and operation of the network infrastructure.

Datasection Inc. will participate in the construction of the AI data center and also promote the operation of AI cloud services at the facility.

3. Overview of the Partner Companies

(1) Super Micro Computer, Inc.

Company Name	Super Micro Computer, Inc.			
Headquarters	980 Rock Avenue, San Jose, CA 95131, USA			
Representative	President and Chief Executive Officer, Charles Liang			
Business	Design and manufacture of high-performance and energy-efficient servers and storage systems			
Capital	USD 47 million			
Date of Establishment	1993			
Major Shareholders	Charles Liang: 14.5% Sara Liu: 14.5% BlackRock, Inc.: 10.3%			
Business Results for the Past Three Fiscal Years	Fiscal Year	End of June 2021	End of June 2022	End of June 2023
	Net Assets	USD 1,096 million	USD 1,426 million	USD 1,972 million
	Net Assets per Share	USD 21	USD 27	USD 37
	Total Assets	USD 2,241 million	USD 3,205 million	USD 3,674 million
	Revenue	USD 3,557 million	USD 5,196 million	USD 7,123 million
	Operating Profit	USD 123 million	USD 335 million	USD 761 million
	Ordinary Profit	USD 118 million	USD 336 million	USD 754 million
	Net Income	USD 111 million	USD 285 million	USD 640 million
	Net Income per Share	USD 2.09	USD 5.32	USD 11.43
	Dividend per Share	-	-	-
Relationship with the Listed Company	Capital Relationship	None.		
	Personnel Relationship	None.		
	Business Relationship	None.		
	Related Parties	Not applicable.		

(2) Sharp Corporation

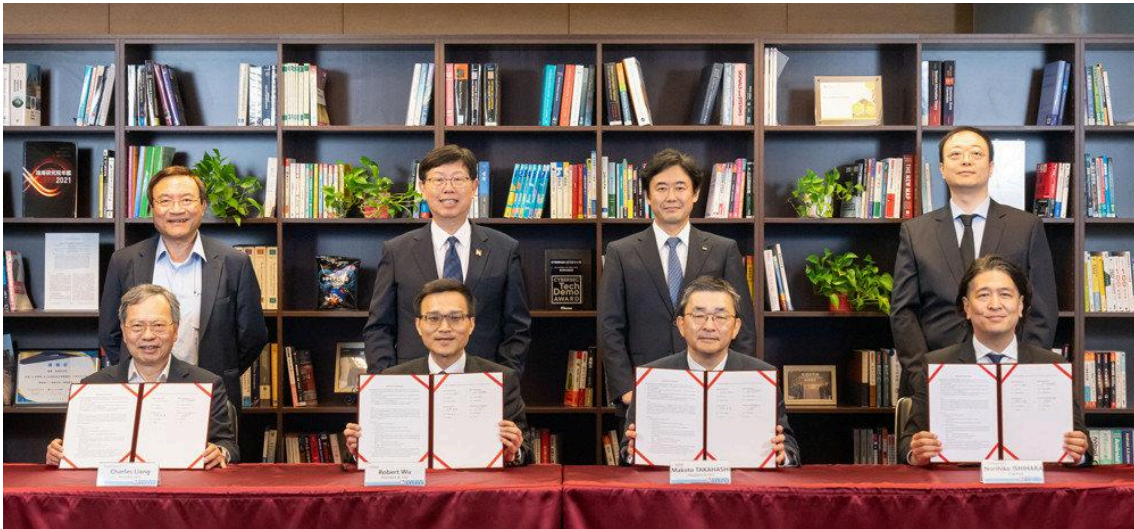
Company Name	Sharp Corporation			
Headquarters	1 Takumi-cho, Sakai-ku, Sakai City, Osaka, Japan			
Representative	Representative Director, President, Executive Officer, and CEO Robert Wu			
Business	Manufacturing and sale of telecommunications equipment, electric appliances, electronic components, and related products			
Capital	JPY 5,000 million			
Date of Establishment	May 1935			
Major Shareholders	HON HAI PRECISION INDUSTRY CO., LTD.: 22.32% SIO INTERNATIONAL HOLDINGS: 13.23% FOXCONN (FAR EAST) LIMITED: 11.81% FOXCONN TECHNOLOGY PTE. LTD.: 9.96% CLEARSTREAM BANKING S.A.: 5.98% The Master Trust Bank of Japan, Ltd. (Trust Account): 4.62% LGT Bank Ltd.: 2.41% Custody Bank of Japan, Ltd. (Trust Account): 1.02% Nippon Life Insurance Company: 0.73% Meiji Yasuda Life Insurance Company: 0.71%			
Business Results for the Past Three Fiscal Years	Fiscal Year	End of March 202	End of March 2023	End of March 2024
	Net Assets	JPY 469,269 million	JPY 222,362 million	JPY 157,424 million
	Net Assets per Share	JPY 743.70	JPY 321.05	JPY 219.35
	Total Assets	JPY 1,956,288 million	JPY 1,772,961 million	JPY 1,590,032 million
	Revenue	JPY 2,495,588 million	JPY 2,548,117 million	JPY 2,321,921 million
	Operating Profit	JPY 84,716 million	JPY (25,719) million	JPY (20,343) million
	Ordinary Profit	JPY 114,964 million	JPY (30,487) million	JPY (7,084) million
	Net Income Attributable to Owners of Parent	JPY 73,991 million	JPY (260,840) million	JPY (149,980) million
	Net Income per Share	JPY 121.14	JPY (407.31)	JPY (230.99)
	Dividend per Share	JPY 40.00	-	-
Relationship with the Listed Company	Capital Relationship	None.		
	Personnel Relationship	None.		
	Business Relationship	None.		
	Related Parties	Not applicable.		

(3) KDDI CORPORATION

Company Name	KDDI CORPORATION			
Headquarters	3-10-10, Iidabashi, Chiyoda-ku, Tokyo, Japan			
Representative	President, Makoto Takahashi			
Business	Telecommunications services			
Capital	JPY 141,852 million			
Date of Establishment	June 1, 1984			
Major Shareholders	<p>The Master Trust Bank of Japan, Ltd. (Trust Account): 16.37%</p> <p>KYOCERA Corporation: 16.00%</p> <p>TOYOTA MOTOR CORPORATION: 12.08%</p> <p>Custody Bank of Japan, Ltd. (Trust Account): 6.96%</p> <p>STATE STREET BANK WEST CLIENT-TREATY 505234: 1.55%</p> <p>JPMorgan Securities Japan Co., Ltd.: 1.19%</p> <p>SSBTC CLIENT OMNIBUS ACCOUNT: 1.05%</p> <p>JPMorgan Chase Bank 385781: 1.05%</p> <p>Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.: 0.93%</p> <p>STATE STREET BANK AND TRUST COMPANY 505103: 0.88%</p>			
Business Results for the Past Three Fiscal Years	Fiscal Year	End of March 2022	End of March 2023	End of March 2024
	Net Assets	JPY 5,510,663 million	JPY 5,670,659 million	JPY 5,797,226 million
	Net Assets per Share	JPY 2,249.27	JPY 2,377.38	JPY 2,522.92
	Total Assets	JPY 11,084,379 million	JPY 11,923,522 million	JPY 14,146,060 million
	Revenue	JPY 5,446,708 million	JPY 5,671,762 million	JPY 5,754,047 million
	Operating Profit	JPY 1,060,592 million	JPY 1,077,393 million	JPY 961,584 million
	Ordinary Profit	JPY 1,064,497 million	JPY 1,079,523 million	JPY 992,725 million
	Net Income Attributable to Owners of Parent	JPY 672,486 million	JPY 679,113 million	JPY 637,874 million
	Net Income per Share	JPY 300.03	JPY 311.01	JPY 301.26
	Dividend per Share	JPY 125.00	JPY 135.00	JPY 140.00
Relationship with the Listed Company	Capital Relationship	KDDI CORPORATION holds 12.3% of the Company's common shares.		
	Personnel Relationship	None.		
	Business Relationship	None.		
	Related Parties	KDDI CORPORATION is a major shareholder of the Company.		

4. Future Outlook

The impact of this project on the Company's consolidated financial results for the fiscal year ending March 2025 is currently under review, as the Company's investment ratio in the joint venture and the costs associated with constructing the AI data center have yet to be determined. The Company will promptly disclose any relevant information as soon as further details become available. The realization of this AI data center project is expected to contribute to the Company's long-term business performance and enhance its corporate value.



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