

June 3, 2024

Company name	Datasection Inc.
Representative	Shinichi Iwata, President, CEO and CFO (Code No. 3905, TSE Growth)
Contact	Shinichi Iwata, President, CEO and CFO TEL. +81 50-3649-4858

## **Notice Regarding the Full Acquisition of MSS Inc. through Stock Purchase and Stock Exchange**

On June 3, 2024, at a meeting of the Board of Directors, Datasection Inc. (hereinafter referred to as the "Company") resolved to acquire a portion of the issued shares of MSS Inc. (hereinafter referred to as "MSS") (this acquisition hereinafter referred to as the "Stock Purchase") and subsequently execute a stock exchange to make MSS a wholly-owned subsidiary of the Company, with the Company as the sole parent company (this stock exchange hereinafter referred to as the "Stock Exchange"). On this day, the Company entered into a stock transfer agreement and a stock exchange agreement, as outlined below.

The Stock Purchase and Stock Exchange are subject to approval at the respective annual general meetings of shareholders of the Company and MSS, as well as the approval of the transaction related to the Stock Purchase at the annual general meeting of shareholders of MSS's parent company, VLC Holdings Co., Ltd. (hereinafter referred to as "VHD").

### **1. Purpose of Full Acquisition through Stock Purchase and Stock Exchange**

The Company has developed system integration services that promote operational improvements for clients through the analysis of big data and the advancement of multiple technological elements, including image analysis by AI from the basic research stage. Additionally, the Company has expanded its marketing solutions business, supporting clients' digital marketing and DX (Digital Transformation) initiatives. In recent years, the Company has restructured its business portfolio through proactive M&A strategies, such as the deployment of proprietary AI-based image analysis products in more than 20 countries worldwide. In September 2023, the Company also acquired businesses in the fields of data science and AI, aiming for the integration of technology and society and creating new corporate value.

As disclosed in the February 14, 2024 announcement titled "Announcement of Basic Agreement on Comprehensive Business Alliance with VLC Holdings Co., Ltd.", the Company has been exploring specific synergies with VHD, the parent company of MSS, in areas where both companies can leverage their existing strengths and resources within their respective business domains. The Company has now decided to make MSS a wholly-owned subsidiary due to the significant synergies between MSS's core business of marketing research and sales promotion, and the Company's marketing solutions business, which focuses on data analysis, AI, and digital marketing support, including SNS operations. This decision is expected to enhance the corporate value of the Company's group.

Furthermore, the Company will continue to strengthen its strategic partnership with VHD in general business areas, including AI and security-related fields.

### **2. Method of Stock Purchase and Stock Exchange**

The Company intends to acquire 75 shares out of the 200 issued shares of MSS Inc. through the Stock Purchase and will acquire the remaining 125 shares through the Stock Exchange, thereby making MSS a wholly-owned subsidiary.

### 3. Overview of the Stock Purchase

#### 1) Method of Stock Purchase and Stock Exchange

1. Date of Resolution for Stock Purchase by the Board of Directors	June 3, 2024
2. Date of Stock Transfer Agreement	June 3, 2024
3. Annual General Meeting of Shareholders (VHD)	Scheduled for June 28, 2024
4. Date of Completion of Stock Purchase	Scheduled for July 1, 2024

It should be noted that Norihiko Ishihara, who serves as the President and CEO of VLC Holdings Co., Ltd. (VHD), did not participate in the deliberations or resolutions at the Company's Board of Directors meeting.

Additionally, the Stock Purchase is subject to approval at the annual general meetings of shareholders of both the Company and MSS Inc., as well as the approval of the transaction related to the Stock Purchase at the annual general meeting of shareholders of VHD.

#### 2) Overview of the Counterparty to the Stock Purchase (as of June 3, 2024)

(1) Company Name	VLC Holdings Co., Ltd. (Listed on Nagoya Stock Exchange Next Market, Stock Code 2467)	
(2) Head Office	Edomisaka Mori Building, 4-1-40 Toranomom, Minato-ku, Tokyo	
(3) Representative	Norihiko Ishihara, President and CEO	
(4) Business Description	Management and operation of corporate groups through the holding of shares, etc.	
(5) Capital	15.53 million yen	
(6) Establishment Date	September 27, 1994	
(7) Major Shareholders and Shareholding Ratios	Sumio Muramatsu 7.18% Sun Investment LLC 5.48% Norihiko Ishihara 4.37% Nishizawa Kanzai Co., Ltd. 2.35% Matsui Securities Co., Ltd. 1.97% Koji Matsuda 1.82% Suneight V Investment Limited Partnership 1.76% Takenori Takigawa 1.53% SBI SECURITIES Co., Ltd. 1.42% Art Ryokka Co., Ltd. 1.42% (As of September 30, 2023)	
(8) Relationship between the Listed Company and the Counterparty	Capital Relationship	None.
	Personnel Relationship	Norihiko Ishihara, President and CEO of VLC Holdings Co., Ltd., concurrently serves as a director of the Company.
	Business Relationship	None.
	Status as a Related Party	None.
(9) Consolidated Financial Performance and Financial Position for the Last Three Fiscal Periods of the Company		

Fiscal Period	FY March 2022	FY March 2023	FY March 2024
Net Assets (Unit: million yen)	364	546	350
Total Assets (Unit: million yen)	1,020	1,093	1,131
Net Assets per Share (Unit: yen)	30.34	43.62	26.80
Sales (Unit: million yen)	1,931	2,468	2,212
Operating Income (Unit: million yen)	70	82	(257)
Ordinary Income (Unit: million yen)	50	79	(259)
Net Income Attributable to Owners of the Parent (Unit: million yen)	38	67	(309)
Comprehensive Income (Unit: million yen)	49	51	(308)
Net Income per Share (Unit: yen)	3.33	5.57	(24.53)

3) Number of Shares Acquired, Acquisition Price, and Status of Ownership Before and After Acquisition

1. Number of shares owned before the change	0 shares (Voting rights ownership ratio: 0.0%)
2. Number of shares acquired	75 shares
3. Acquisition price	Ordinary shares of MSS Inc.: 300 million yen Advisory fees, etc. (estimated): 9 million yen Total (estimated): 309 million yen
4. Number of shares owned after the change	75 shares (Voting rights ownership ratio: 37.5%)

4) Basis for Calculating the Acquisition Price

In determining the above acquisition price, we commissioned the calculation from Sanyu Audit Corporation, an independent third-party valuation firm. Based on the results of their calculation and after discussions between both parties, we reached an agreement on the acquisition price as stated above.

The basis for the calculation by Sanyu Audit Corporation is outlined in "5. Basis for the Allocation in the Stock Exchange," under "(2) Matters Related to the Valuation," specifically in "ii. Summary of the Valuation."

**4. Overview of the Stock Exchange**

1) Schedule of the Stock Exchange

1. Date of Annual General Meeting of Shareholders Record Date (Company)	March 31, 2024
2. Date of Resolution for Stock Exchange by the Board of Directors (Company)	June 3, 2024
3. Date of Resolution for Stock Exchange by the Board of Directors	June 3, 2024

(MSS)	
4. Date of Stock Exchange Agreement	June 3, 2024
5. Annual General Meeting of Shareholders (Company)	Scheduled for June 27, 2024
6. Annual General Meeting of Shareholders (MSS)	Scheduled for June 27, 2024
7. Effective Date of the Stock Exchange	Scheduled for July 1, 2024

It should be noted that Norihiko Ishihara, who serves as the President and CEO of VLC Holdings Co., Ltd. (VHD), did not participate in the deliberations or resolutions at the Company's Board of Directors meeting.

The Stock Exchange is contingent upon approval at the annual general meetings of shareholders of both the Company and MSS, as well as the approval of the transaction related to the Stock Purchase and Stock Exchange at the annual general meeting of shareholders of VHD.

2) Method of the Stock Exchange

This stock exchange will be conducted with our company as the wholly owning parent company and MSS Inc. as the wholly owned subsidiary. The stock exchange is scheduled to take effect on July 1, 2024, after obtaining approval for the stock exchange agreement through resolutions of the respective shareholders' meetings of our company and MSS Inc.

3) Details of the Allocation Related to the Stock Exchange

Company Name	The Company	MSS Inc.
Stock Exchange Allocation Ratio (hereinafter referred to as the "Stock Exchange Ratio")	1	4,120
Number of shares to be issued through the stock exchange	515,000 shares of the Company's common stock	

(Note) 1. Stock Exchange Ratio

For each share of MSS Inc., 4,120 shares of the Company's common stock will be allocated and issued.

(Note) 2. Number of new shares to be issued through the stock exchange

Through this stock exchange, the Company will allocate and issue 515,000 shares of its common stock. These shares will be newly issued as part of the stock exchange.

4) Treatment of Stock Acquisition Rights and Bonds with Stock Acquisition Rights of the Wholly Owned Subsidiary in Connection with the Stock Exchange

MSS Inc. has not issued any stock acquisition rights or bonds with stock acquisition rights, and therefore, there are no applicable matters.

**5. Basis for the Allocation in the Stock Exchange**

1) Basis and Reason for the Allocation

To ensure the fairness and appropriateness of the stock exchange ratio, the Company selected BDO Sanyu & Co. as an independent third-party valuation firm to assess the value of MSS Inc.'s shares. After considering the valuation results provided by BDO Sanyu & Co. and conducting due diligence on MSS, the Company evaluated MSS's financial status, future outlook, and other factors. Following negotiations and discussions between the parties, the Company determined that the stock exchange ratio was fair and reasonable.

2) Matters Related to the Valuation

i. Name of the Valuation Firm and its Relationship with the Companies

BDO Sanyu & Co. is an independent valuation firm with no material interests in either the

Company or MSS Inc., and is therefore not considered a related party.

ii. Summary of the Valuation

The Company's shares are listed on the Tokyo Stock Exchange Growth Market, and since there is a market price for the shares, the valuation was conducted with reference to the market price. Specifically, the calculation date was set as the business day immediately preceding the date of the stock exchange agreement. Considering that short-term price fluctuations could be influenced by temporary factors, the share price observation period was agreed with MSS as of May 30, 2024. Based on this agreement, the valuation used the average closing price of the Company's shares on the Tokyo Stock Exchange Growth Market over the six months leading up to the calculation date. The average share price used for valuation was 970 yen per share (rounded up to the nearest decimal). The closing price of the Company's shares on May 31, 2024, was 1,578 yen. This was unanimously approved by the directors present at the board meeting.

As MSS is a privately held company with no market price for its shares, the Discounted Cash Flow (DCF) method was used to value MSS's shares, reflecting future business performance. BDO Sanyu & Co. utilized provided information, interviews, publicly available data, and other sources to assess the future revenue potential of MSS and determined the value of MSS's shares without independent verification of the provided data.

Furthermore, it was assumed that all materials and information used for the valuation were accurate and complete, that there was no undisclosed information that could significantly affect the valuation of MSS Inc.'s shares, and that MSS Inc.'s future profit plans and financial forecasts were reasonably prepared based on the best current estimates and judgments. However, the accuracy and completeness of these materials and information were not independently verified. Additionally, the future profit plans and financial forecasts of MSS Inc. do not anticipate any significant increases or decreases in profits.

Based on the above, the valuation range of the per-share value of MSS Inc.'s stock, calculated by BDO Sanyu & Co. using the DCF method, is as follows:

Valuation Method	Valuation Result (Per Share)
DCF Method	4,653 - 4,908 thousand yen

When the value per share of the Company's common stock, calculated using the above valuation methods, is set as 1, the valuation range of the stock exchange ratio is as follows:

Valuation Method		Stock Exchange Ratio Valuation Range
The Company	MSS Inc.	
Market Price Method	DCF Method	4,796.90 - 5,059.79

3) Prospects for Delisting and Reasons Thereof

As a result of this stock exchange, the Company will become the wholly owning parent company, and since MSS Inc., the wholly owned subsidiary, is not a listed company, there are no applicable matters.

**6. Overview of the Parties Involved in the Stock Exchange (as of June 3, 2024)**

Item	Wholly Owning Parent Company	Wholly Owned Subsidiary
1. Name	Datasection Inc.	MSS Inc.

2. Head Office Location	1-3-8 Nishi-Gotanda, Shinagawa-ku, Tokyo	4-1-10 Toranomon, Minato-ku, Tokyo
3. Title and Name of Representative	President and CEO & CFO, Shinichi Iwata	President, Takahiro Matsuda
4. Business Activities	<ul style="list-style-type: none"> <li>• Consulting on data utilization, data infrastructure and BI tool construction, data analysis and algorithm development, and DX/AI talent development</li> <li>• Development of solutions using AI technology and big data analysis</li> <li>• Provision of store analysis services using IoT devices</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing planning and menu proposal/development</li> <li>• Promotion planning, sales promotion, design and tool production, campaign and event planning/management</li> <li>• Digital promotion support and SNS marketing support</li> <li>• Product development, wholesale, and sales</li> <li>• SDGs consulting and diversity-related support services</li> <li>• Various marketing research (surveys, group interviews, mail surveys, etc.)</li> </ul>
5. Capital	1,864.7 million yen	10 million yen
6. Date of Establishment	July 11, 2000	August 1, 2005
7. Number of Shares Issued	17,188,051 shares	200 shares
8. Fiscal Year-End	March 31	March 31
9. Number of Employees	210 consolidated employees (as of March 31, 2024)	30 employees (as of February 1, 2024)
10. Major Clients	istyle retail Inc. SHIPS LTD. Amer Sports Japan, Inc.	The Maruetsu, Inc. United Super Markets Holdings Inc. Japan Broadcasting Corporation SoftBank Corp.
11. Main Banks	Sumitomo Mitsui Banking Corporation	MUFG Bank, Ltd.
12. Major Shareholders and Ownership Ratios	FIRST PLUS FINANCIAL HOLDINGS PTE. LTD.: 13.0% KDDI Corporation: 12.3% CITIC SECURITIES BROKERAGE (HK) LIMITED AC CLIENT: 6.2% Kento Hayashi: 6.0%	VLC Holdings Co., Ltd.: 100.0%

	BNP PARIBAS PARIS/2S/JASDEC/STONE X FINANCIAL INC CLIENTS/BACK TO BACK: 4.5% Nippon Life Insurance Company: 3.9% PHILLIP SECURITIES (HONG KONG) LIMITED: 3.5% STATE STREET CLIENT OMNIBUS ACCOUNT OD11: 3.5% INTERACTIVE BROKERS LLC: 3.3% Daiya Hashimoto: 3.1% (as of March 31, 2024)					
13. Relationship between the Listed Company and the Counterparty	Capital Relationship			None.		
	Personnel Relationship			Norihiro Ishihara, a director of MSS Inc., concurrently serves as a director of the Company.		
	Business Relationship			None.		
	Status as a Related Party			None.		
14. Business Performance and Financial Condition Over the Last Three Periods (Unit: million yen, unless otherwise specified)						
Fiscal Year-End	Datasection Inc. (Consolidated)			MSS Inc.		
	FY2022	FY2023	FY2024	FY2022	FY2023	FY2024
Net Assets	2,818	2,508	1,982	146	148	156
Total Assets	4,400	4,386	3,786	281	338	322
Net Assets per Share (JPY)	195.22	167.39	111.78	731,641	743,946	780,872
Net Sales	1,692	1,924	2,229	602	962	801
Operating Income	77	(55)	(216)	17	8	4
Ordinary Income	165	46	(235)	20	11	5
Net Income (attributable to owners of the parent)	2	(530)	(1,261)	18	2	7

Net Income per Share (JPY)	0.17	(36.45)	(84.07)	93,426	12,293	36,925
Dividend per Share (JPY)	-	-	-	-	-	-

### **7. Status After the Implementation of the Stock Exchange**

There will be no changes to the name, head office location, title and name of the representative, business activities, capital, or fiscal year of the Company, the wholly owning parent company in this stock exchange. The amounts of net assets and total assets are yet to be determined at this time.

### **8. Overview of Accounting Treatment**

The accounting treatment for this stock exchange will be classified as an "acquisition" under the "Accounting Standard for Business Combinations." Although goodwill is expected to arise from this stock exchange, the amount has not been determined at this time.

### **9. Future Outlook**

As a result of this transaction, the Company plans to make MSS Inc. a consolidated subsidiary during the second quarter of the fiscal year ending March 2025. The impact of this transaction on the Company's consolidated financial results for the fiscal year ending March 2025 is currently under review. Any matters requiring disclosure will be promptly announced as they arise.

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