Summary of Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2025 [Japanese GAAP]

February 14, 2025

Company name:	Datasection Inc.			Listing: Tokyo Stock Exchange
Securities code:	3905	URL: https://www.datasection.co.jp/en		
Representative:	(Title)	Representative Director, President and CEO	(Name) Norihiko Ishihara	
Contact person in charge:	(Title)	Executive Vice President	(Name) Daisuke Katano	TEL: 050-3649-4858

Scheduled date of dividend payment commencement: -

Preparation of supplementary material on financial results: No

Holding of financial results briefing: Yes (For institutional investors and analysts)

(Millions of yen, rounded down to the nearest million)

1. Consolidated Financial Results for the Nine Months of the Fiscal Year Ending March 31, 2025 (From April 1, 2024 to December 31, 2024)

(1) Consolidated Operating Results (Cumulative)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Adjusted EBITDA		Ordinary profit		Profit (loss) attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
Nine months ended December 31, 2024	2,060	33.0	(281)	-	(49)	-	(381)	-	(403)	-
Nine months ended December 31, 2023	1,549	16.3	(182)	-	(23)	-	(217)	-	(852)	-

(Notes) 1. Comprehensive income: Nine months ended December 31, 2024 (372) millions of yen (-%); Nine months ended December 31, 2023 (838) millions of yen (-%)

2. Adjusted EBITDA is disclosed as an indicator of the Company's ability to generate cash flow in its business activities.
Adjusted EBITDA = Operating profit + Depreciation and amortization + Amortization of intangible assets + Stock-based compensation expenses + M&A-related expenses

	Basic earnings per share	Diluted earnings per share
	yen	yen
Nine months ended December 31, 2024	(23.08)	-
Nine months ended December 31, 2023	(57.65)	-

(Note) Diluted earnings per share for the nine months of the fiscal year ended March 31, 2024 and for the nine months of the fiscal year ending March 31, 2025 are not presented, even though there were potential shares, because we posted a loss per share.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio
	millions of yen	millions of yen	%
Nine months ended December 31, 2024	4,375	2,555	56.9
FY2024	3,786	1,982	50.6

(Reference) Equity: Nine months ended December 31, 2024 2,488millions of yen; FY2024 1,914millions of yen

2. Dividend Status

	Annual dividend				
	Q1 End	Q2 End	Q3 End	Year-end	Total annual dividend
	yen	yen	yen	yen	yen

	Annual dividend				
	Q1 End	Q2 End	Q3 End	Year-end	Total annual dividend
FY2024	-	0.00	-	0.00	0.00
FY2025	-	0.00	-		
FY2025 (Forecast)				0.00	0.00

(Note) Revisions to the most recently announced dividend forecast: None

3. Consolidated Earnings Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024 - March 31, 2025)

(Percentage figures represent year-on-year changes)

	Net sales		Operating profit		Adjusted EBITDA		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Full Year	3,312	48.6	342	-	725	1,442.6	317	-	217	-	12.26

(Note) Revisions to the most recently announced earnings forecast: None

(Note) The average number of shares during the period, which is the basis for calculating basic earnings per share, is the number of shares issued as of March 31, 2024 (excluding treasury shares).

*Notes

(1) Significant changes in scope of consolidation during the period: Yes
New: 1 company (MSS Inc.); Excluded: None

(2) Application of special accounting treatments in preparing the quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, and restatements
1) Changes in accounting policies due to revisions to accounting standards: Yes
2) Changes in accounting policies other than those in 1): None
3) Changes in accounting estimates: None
4) Restatements: None

(4) Number of issued shares (common stock):

1) Total number of issued shares at the end of the period (including treasury shares):	As of December 31, 2024	17,703,051shares	As of March 31, 2024	17,188,051shares
2) Number of treasury shares at the end of the period:	As of December 31, 2024	64,204shares	As of March 31, 2024	62,922shares
Average number of shares during the period (cumulative total)	Nine months ended December 31, 2024	17,475,371shares	Nine months ended March 31, 2023	14,779,556shares

*Review of the accompanying quarterly consolidated financial statements by a certified public accountant or an auditing firm: Yes (voluntary)

*Explanation regarding the appropriate use of earnings forecast and other special notes:

・Descriptions regarding future projections, such as earnings forecast, in this document are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may differ significantly due to various factors. For conditions underlying the earnings forecasts and notes on their use, please refer to 1. Qualitative information on quarterly financial results (3) Explanation of forward-looking statements, including consolidated earnings forecasts, on page 5 of the attached documents.

・The Company plans to hold an online financial results briefing for institutional investors, etc. (date to be determined). The materials to be distributed at the financial results briefing will be posted on the Company's website immediately after the meeting.

Table of Contents of Attached Documents

1. Qualitative information on quarterly financial results

(1) Explanation of operating results

Forward-looking statements in the text are based on judgments made as of the end of the third quarter of the fiscal year ending March 31, 2025.

During the first nine months of the fiscal year ending March 31, 2025, the Japanese economy showed a moderate recovery trend amid an improving employment and income environment. However, the outlook remained uncertain due to the prolonged situation in Ukraine and the Middle East, rising prices, and the impact of continued high interest rate levels in the U.S. and Europe.

In the domestic market for AI business, investment in the use of systems that specialize in the advancement of application functions and specific tasks is expected to increase from FY2023 onward. As applications and systems become more complex to meet user requirements, it is expected that more cases will be insourced rather than outsourced due to factors such as cost and development speed, and with this, especially items such as middleware and server/storage/IaaS related to in-house production will grow significantly. Thus, in FY2027, the artificial intelligence business is expected to grow 1.7 times compared with FY2021 to 1.9787 trillion yen (Fuji Chimera Research Institute, Inc., *2022 jinkochino bijinesu sochosa* [2022 Comprehensive study on the artificial intelligence business]).

The global AI market is also expected to grow at an accelerated pace as applications of generative AI, a specialty of the Group, expand and social implementation progresses. In addition, the market environment for AI data centers, another area expected to progress going forward, is such that there is a need to build AI data centers that can handle the rapidly growing AI processing on a global basis. Given the current status of world economy and the security environment, AI is becoming an even more important factor in solving various issues. Therefore, there is a strong need to expand the capacity of AI data centers and cross-border collaboration. Moreover, with the industry-wide doubling of computing power required to train AI models approximately every 6 months (from the May 2024 EPOCH AI research report, "Training Compute of Frontier AI Models Grows by 4-5x per Year"), we expect that in the future, the creation of new and larger models is expected to further increase demand for AI data centers and AI cloud services.

The South American smart retail device market is expected to grow from US$1.8322 billion in 2019 to US$2.6692 billion by 2027. It is estimated to grow at a CAGR of 5.3% from 2020 to 2027. The South American smart retail device market is segmented into Brazil, Argentina, and the rest of South America. The region includes several countries with complex macroeconomic and political environments and a variety of growth scenarios. Developing countries such as Brazil, Argentina, Chile, and Peru are investing heavily in infrastructure and retail sector development. In addition, many retailers in these regions have initiated digital transformations to increase their competitiveness and adapt to the benefits of change. Colombia and Brazil are rapidly evolving in digital innovation, and Chile is considered an "outstanding" country, ranking among the best in digitization and innovation. This digital transformation offers new opportunities for the smart retail device market throughout the region. Increasing urbanization has led to the growth of various shopping complexes and recreational centers, which is expected to increase the demand for smart retail devices in the region (Business Market Insights, "South America Smart Retail Devices Market research report").

In the domestic retail tech sector (payment terminals, self-operated terminals, next-generation facilities, next-generation operations), in order to maintain business operations amid the pandemic, investment has been made in fully automated checkout and remote customer service systems, etc., to enable non-contact services and operations to be carried out with a small number of staff. As a result, there has been an increase in the number of items related to the visualization of consumer attributes and in-store behavior that had not been digitized, as well as items related to the utilization of data. In the future, next-generation solutions such as cashier-less payment systems and smart entrances, as well as items related to the optimization of the entire supply chain, such as RFID solutions and demand forecasting systems, are also expected to grow. Thus, the market is expected to be 2.2 times larger in 2030 than in 2021, at 555.3 billion yen (Fuji Keizai, *2022 nen ban jisedai sutoa & riteru tekku shijo no genjo to shorai tenbo* [2022 edition: Current status and future outlook for the next-generation store and retail tech market]).

In the distribution/retail industry related to digital transformation, there is a growing trend toward the introduction of full-self checkout systems that make up for staff shortages in physical stores and improve and enhance the shopping experience for customers, as well as the introduction of shopping carts with tablet terminals in supermarkets and general merchandise stores. Growth in unmanned store solutions is also expected in the future. Retailers, SIs, and advertisers are developing the use of AR/VR technology to expand the shopping experience. In digital operations, automatic ordering systems are being widely adopted mainly by food manufacturers and general merchandise stores, and are also expected to be introduced for SCM by wholesalers, while demand forecasting systems are being introduced by major nationwide retailers due to waste loss reduction and SDGs needs. Thus, the forecast for FY2030 is 185.2 billion yen, 3.6 times the FY2021 level (Fuji Chimera Research

Institute, *2023 Dejitaru toransufomeishon shijo no shorai tenbo shijohen, benda senryakuhen* [2023 Future Outlook for the Digital Transformation Market: Market Edition and Vendor Strategy Edition]).

Under these circumstances, in addition to the ongoing restructuring of the business portfolio in its existing businesses, the Group has launched a new AI data center business on a global basis as a strategic core business. In order to develop and expand this new business, the Group is promoting the revamping of its management structure, securing high-level human resources, seeking and acquiring optimal business partners, and developing and building the "DS Cloud Stack."* In addition, the Group is collaborating and discussing with its business partners and potential business partners to establish AI data centers in Europe and Japan.
*Our proprietary operational optimization algorithm essential for the operation of large GPU clusters for AI

Specifically, in order to secure GPU servers, which are indispensable for the construction of AI data centers, the Company engaged in dialogue with major Taiwanese server equipment suppliers between November and December 2024 (INVENTEC CORPORATION (Head office: Taipei, Taiwan; Representative: President, Tsai Chih-An), Wistron Corporation (Head office: New Taipei City, Taiwan; Representative: Chairman, Simon Lin), GIGA Computing Technology CO. LTD. (Head Office: New Taipei City, Taiwan; Representative: CEO, Daniel Hou), and Quanta Computer INC. (Head office: Taoyuan, Taiwan; Representative: Chairman, Barry Lam). In November and December 2024, we reached a basic agreement to discuss business alliance with each of these companies. We are currently in discussions with them in order to establish a business alliance with an optimal framework that will contribute to the Group’s AI data center business.

In addition, in order to secure excellent engineering resources, which is an essential and critical element to accelerate the AI data center business, and to develop and build the DS Cloud Stack as quickly as possible, in August 2024, the Company entered into a joint development agreement with Now Now Japan K.K. (located in Chuo-ku, Tokyo; Representative: Reika Omi), which has engineers with experience in developing AI stacks and AI models, to jointly develop the DS Cloud Stack. Based on this joint development agreement, the development and construction of the DS Cloud Stack has progressed.

The Group is also in discussions with business partners and potential partners to jointly establish and operate AI data centers. In parallel with these efforts, the Company has decided to establish the "DS AI Infrastructure Global Investment Fund" (hereinafter referred to as "DSAI Fund"), the purpose of which is to invest in global AI data centers (the DSAI Fund will hold shares of companies operating AI data centers), and has made preparations for this.

Business results for the first nine months of the fiscal year ending March 31, 2025 are as follows.

In the first quarter of the current fiscal year, we acquired MSS Inc. (hereinafter referred to as “MSS”) and made it a newly consolidated subsidiary.

(Net sales)

Net sales for the period under review totaled 2,060 million yen (up 33.0% year on year). This is mainly due to the growth of each business in the Company, especially the data science business, and the fact that MSS, acquired on July 1, 2024, became a consolidated subsidiary from the first quarter of the current fiscal year.

(Cost of sales)

Cost of sales totaled 1,198 million yen (up 13.3% year on year). This includes 642 million yen in personnel expenses, 324 million yen in outsourcing expenses, 120 million yen in depreciation and amortization, and 37 million yen in server usage fees.

(Selling, general and administrative expenses)

Selling, general and administrative expenses were 1,143 million yen (up 69.5% year on year). These consisted mainly of personnel expenses of 643 million yen, outsourcing expenses of 117 million yen, amortization of goodwill and customer-related assets of 69 million yen, compensation fees paid of 68 million yen, land rent of 43 million yen, travel and transportation expenses of 33 million yen, taxes and dues of 29 million yen, and commissions paid of 25 million yen. The increase in selling, general and administrative expenses was mainly due to upfront investments for the new AI data center business.

(Non-operating income)

The Company recorded 1 million yen as interest income, 10 million yen as subsidy income, and 8 million yen as other non-operating income.

(Non-operating expenses)

Foreign exchange losses of 87 million yen, interest expenses of 27 million yen, share of loss of entities accounted for using equity method of 3 million yen, and other non-operating expenses of 3 million yen were recorded.

(Extraordinary gains/losses)

Under extraordinary income, 6 million yen was posted as a gain on adjustment of accounts payable, 5 million yen as a gain on sale of investment securities, and 4 million yen as a gain on reversal of share acquisition rights, and under extraordinary losses, 4 million yen was posted as a loss on retirement of non-current assets.

(Total income taxes)

Total income taxes amounted to 33 million yen, including 29 million yen for Income taxes - current and 3 million yen for Income taxes - deferred as a result of estimating future taxable income at the present time and examining the recoverability of deferred tax assets.

As a result, net sales were 2,060 million yen (up 33.0% year on year). Due to upfront investment for the new AI data center business and other reasons, we posted an operating loss of 281 million yen (operating loss of 182 million yen a year earlier). Adjusted EBITDA was a loss of 49 million yen (loss of 23 million yen a year earlier). In addition, the posting of foreign exchange losses of 87 million yen and interest expenses of 27 million yen as non-operating expenses resulted in an ordinary loss of 381 million yen (ordinary loss of 217 million yen a year earlier), and the recording of 6 million yen as a gain on adjustment of accounts payable, 5 million yen as a gain on sale of investment securities, and total income taxes of 33 million yen as extraordinary income resulted in a loss attributable to owners of parent of 403 million yen (loss of 852 million yen a year earlier).
*Adjusted EBITDA = Operating profit + Depreciation and amortization + Amortization of intangible assets + Stock-based compensation expenses + M&A-related expenses

Operating results by segment for the first nine months of the current fiscal year are as follows.

i. Japan Segment

In the Japan Segment, we are engaged in the Data Science domain, System Integration domain, and Marketing Solutions domain.

In the Data Science domain, we support companies' data-driven management and DX promotion through consulting, IT education, and other solutions for data utilization, etc., mainly for major blue-chip companies, based on our strength in data utilization and AI development.

In the System Integration domain, we develop user-specific solutions utilizing our technological capabilities and know-how cultivated through big data analysis and AI technology (text/images/voice), while consolidated subsidiary d-ss.inc. provides payment services (Biz Prepaid Card prepaid card service for corporate customers [https://bizpreca.jp/]), SES services (for credit card companies, payment companies, securities companies, etc.), financial system development mainly for credit card companies, MSP services (cloud system construction, operation and maintenance services centered on AWS), and security services (PCIDSS consulting services, security diagnosis services, etc.).

In the Marketing Solutions domain, we offer FollowUP, a recurring-revenue service in Japan that helps improve store performance by analyzing image and video data acquired by AI cameras installed in retail stores and combining it with POS data, as well as social media analysis tools Insight Intelligence and Insight Intelligence Q, and other recurring-revenue services. In addition, consolidated subsidiary solid intelligence Inc. provides consulting services for multilingual social media analysis. MSS, which became a consolidated subsidiary during the first quarter of the fiscal year under review, provides support solving issues related to clients' marketing and business strategies through research consulting in the field of marketing research (tailor-made research planning, design, analysis, and survey). MSS also offers services that propose effective advertising and sales promotion plans that meet the needs of both client companies and consumers, making use of our latest sales promotion tools and our long track record of planning, production and editing.

During the first nine months of the current fiscal year, the Data Science domain consists of the business acquired in September 2023, which will make a full contribution from the current fiscal year. Net sales increased significantly as a result.

The System Integration domain saw a year-on-year sales increase due to orders for large-scale development projects at the Company and steady orders at consolidated subsidiary DSS.

The Marketing Solutions domain saw a year-on-year sales increase due to the consolidation of MSS, which was acquired on July 1, 2024, from the first quarter of the current fiscal year.

As a result, net sales to external customers in the Japan Segment for the nine months of the fiscal year ending March 31, 2025 amounted to 1,305 million yen (up 39.7% year on year), mainly due to the growth of each business centering on the Data

Science domain in the Company and the consolidation of MSS, which was acquired on July 1, 2024, from the first quarter of the current fiscal year. Segment loss amounted to 87 million yen (segment loss of 41 million yen in the same period a year earlier) due to an increase in personnel expenses and subcontracting expenses (outsourcing expenses) to strengthen the organization.

ii. Overseas Segment

In the Overseas Segment, we operate FollowUP overseas.

During the first nine months of the current fiscal year, sales increased year on year in the Overseas Segment due to steady orders in Chile and Colombia, our main bases, as well as the effects of an increase in consolidated subsidiaries (Panama and Spain) during the previous consolidated cumulative period.

As a result, net sales to external customers in the Overseas Segment for the nine months of the fiscal year ending March 31, 2025 were 755 million yen (up 19.8% from the same period a year earlier), and segment profit was 117 million yen (down 13.3% from the same period a year earlier).

(2) Explanation of financial position

(Assets)

Total assets increased by 588 million yen (up 15.6% from the end of the previous fiscal year) to 4,375 million yen at the end of the third quarter of the current fiscal year.

This was mainly due to increases of 1,174 million yen in goodwill and 475 million yen in software (including software in progress), despite a decrease of 1,146 million yen in cash and deposits.

(Liabilities)

Total liabilities increased by 16 million yen (up 0.9% from the end of the previous fiscal year) to 1,819 million yen.

This was mainly because long-term borrowings decreased by 163 million yen (including the current portion of long-term borrowings), while short-term borrowings increased by 104 million yen and accounts payable - other increased by 84 million yen.

(Net assets)

Net assets at the end of the third quarter of the current fiscal year increased by 572 million yen (up 28.9% from the end of the previous fiscal year) to 2,555 million yen.

This is mainly because share capital increased by 479 million yen and capital surplus increased by 478 million yen as a result of the issuance of common shares associated with the acquisition of MMS (through a share swap) in the first quarter of the current fiscal year and because foreign currency translation adjustment increased by 33 million yen after converting overseas subsidiaries' financial statements into yen, despite a decrease in retained earnings of 414 million yen resulting from the posting of loss attributable to owners of parent.

(3) Explanation of forward-looking statements, including consolidated earnings forecasts

As announced in the "Notice Regarding Revision (Upward) of Full-Year Consolidated Earnings Forecast" on August 14, 2024, we forecast consolidated net sales of 3,312 million yen, operating profit of 342 million yen, adjusted EBITDA of 725 million yen, ordinary profit of 317 million yen, and profit attributable to owners of parent of 217 million yen for the fiscal year ending March 31, 2025. In contrast, for the first nine months of the current fiscal year, the Company posted consolidated net sales of 2,060 million yen (62.2% of the forecast), operating loss of 281 million yen (down 623 million yen from the forecast), adjusted EBITDA of -49 million yen (down 774 million yen from the forecast), ordinary loss of 381 million yen (down 698 million yen from the forecast), and loss attributable to owners of parent of 403 million yen (down 620 million yen from the forecast), resulting in a deviation from the full-year consolidated earnings forecast. The main reason for this deviation is due to upfront investments for the AI data center business, which has been launched as a strategic core business. Expenditures for such upfront investments are adjusted according to the progress of the business and the expected revenues from the projected projects. In addition, the development and construction of the DS Cloud Stack, which will serve as the foundation for this business, and the business partner strategy, as well as preparations for the establishment of the DSAI Fund are in progress, and during the fourth quarter of the fiscal year, the Company expects to record revenues from large prospective projects related to AI data center service provision and fund management fees. Therefore, there is no change to the consolidated earnings forecast for the full fiscal year.

(4) Significant events regarding the premise of a going concern

The Group recorded a loss attributable to owners of parent of 403 million yen for the nine months of the fiscal year ending March 31, 2025, continuing to post a large amount of loss attributable to owners of parent since the previous fiscal year. In addition, a significant operating loss of 281 million yen was recorded, resulting in a recurring decrease in funds. Due to these circumstances, the Company recognizes that events or circumstances exist that may cast significant doubt on the Company's ability to continue as a going concern during the period under review.

Thus, the Group, in addition to its ongoing corporate efforts, resolved at its Board of Directors meetings held on January 26, 2024 and February 13, 2024, to issue new shares by way of third-party allotment (the "Shares") and the 19th series of stock acquisition rights with a fixed exercise price (the "Stock Acquisition Rights") by way of a third-party allotment. (The reason for the multiple resolution dates is that, after the resolution by our Board of Directors on January 26, 2024, the allottee took a longer number of days than originally expected to open a securities account to be used for the acquisition of the Shares and the Stock Acquisition Rights and to complete the prior notification procedures for foreign investors making inward direct investments under the Foreign Exchange and Foreign Trade Act. Accordingly, the Company's Board of Directors resolved at its February 13, 2024 meeting to change the payment date for the Shares and the Stock Acquisition Rights.)

The maximum amount to be procured through the third-party allotment was 1,497 million yen at the time of the resolution, of which 688 million yen was procured in February 2024. First Plus Financial Holdings PTE. Ltd., the allottee of the 19th series of stock acquisition rights (fixed exercise price type), has given a final written statement of intent regarding the exercisability of all the stock acquisition rights (exercise price: 809 million yen). In addition to this, preparations are underway to secure additional equity capital.

We also share information on business conditions with the Group's main financial institutions. We have established a system that allows us to discuss responses on a case-by-case basis as needed, and we maintain good relationships with our financial institutions to maintain and sustain our borrowings.

After evaluating the cash management plan and the underlying business plan, the Company believes that it will have sufficient funds until December 31, 2025, one year from the day after the balance sheet date, and that there is no material uncertainty regarding the premise of a going concern.

2. Quarterly consolidated financial statements and primary notes

(1) Quarterly consolidated balance sheets

(Unit: thousands of yen)

	Previous fiscal year (March 31, 2024)	Third quarter of FY2025 (December 31, 2024)
Assets		
Current assets		
Cash and deposits	1,690,432	544,190
Notes and accounts receivable - trade, and contract assets	646,601	727,550
Merchandise and finished goods	62,462	58,464
Work in process	-	18,139
Income taxes refund receivable	70,958	53,922
Other	65,912	49,625
Total current assets	2,536,366	1,451,893
Non-current assets		
Property, plant and equipment	383,698	398,993
Intangible assets		
Goodwill	174,048	1,348,670
Software	450,731	473,567
Software in progress	-	452,749
Other	20,095	17,898
Total intangible assets	644,875	2,292,885
Investments and other assets	221,307	231,305
Total non-current assets	1,249,882	2,923,184
Total assets	3,786,248	4,375,077
Liabilities		
Current liabilities		
Short-term borrowings	600,000	704,981
Current portion of long-term borrowings	258,276	208,998
Accounts payable - other	205,421	289,935
Accrued expenses	87,621	90,307
Income taxes payable	94,270	63,444
Accrued consumption taxes	22,688	30,387
Provision for bonuses	19,159	9,056
Other	31,683	27,834
Total current liabilities	1,319,121	1,424,945
Non-current liabilities		
Long-term borrowings	379,830	265,579
Asset retirement obligations	11,807	9,000
Retirement benefit liability	-	23,424
Deferred tax liabilities	2,551	1,682
Other	90,313	95,237
Total non-current liabilities	484,502	394,923
Total liabilities	1,803,624	1,819,868
Net assets		
Shareholders' equity		
Share capital	1,868,479	2,347,686
Capital surplus	1,577,970	2,055,998
Retained earnings	(1,541,545)	(1,956,031)
Treasury shares	(3)	(3)
Total shareholders' equity	1,904,900	2,447,649
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,876	3,907
Foreign currency translation adjustment	3,404	36,576
Total accumulated other comprehensive income	9,281	40,483
Share acquisition rights	39,237	50,215
Non-controlling interests	29,206	16,860

Total net assets	1,982,624	2,555,209
Total liabilities and net assets	3,786,248	4,375,077

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

(Quarterly consolidated statements of income)

(For the nine months of the fiscal year ending March 31, 2025)

(Unit: thousands of yen)

	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (From April 1, 2024 to December 31, 2024)
Net sales	1,549,433	2,060,725
Cost of sales	1,057,575	1,198,288
Gross profit	491,857	862,436
Selling, general and administrative expenses	674,643	1,143,777
Operating loss	(182,785)	(281,340)
Non-operating income		
Interest and dividend income	2,887	1,327
Subsidy income	-	10,500
Other	4,340	8,584
Total non-operating income	7,227	20,411
Non-operating expenses		
Interest expenses	20,905	27,207
Share of loss of entities accounted for using equity method	5,795	3,231
Foreign exchange losses	6,167	87,201
Other	9,189	3,037
Total non-operating expenses	42,058	120,677
Ordinary loss	(217,615)	(381,606)
Extraordinary income		
Gain on sale of non-current assets	3,323	-
Gain on bargain purchase	6,629	-
Gain on sale of investment securities	-	5,658
Gain on reversal of share acquisition rights	-	4,506
Gain on adjustment of accounts payable	-	6,024
Total extraordinary income	9,953	16,188
Extraordinary losses		
Loss on retirement of non-current assets	-	4,654
Bad debts expenses	505,907	-
Total extraordinary losses	505,907	4,654
Loss before income taxes	(713,569)	(370,072)
Income taxes - current	49,853	29,592
Income taxes - deferred	89,497	3,992
Total income taxes	139,351	33,585
Loss	(852,921)	(403,657)
Loss attributable to non-controlling interests	(887)	(392)
Loss attributable to owners of parent	(852,034)	(403,265)

(Quarterly consolidated statements of comprehensive income)

(For the nine months of the fiscal year ending March 31, 2025)

(Unit: thousands of yen)

	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (From April 1, 2024 to December 31, 2024)
Loss	(852,921)	(403,657)
Other comprehensive income		
Valuation difference on available-for-sale securities	2,004	(1,969)
Foreign currency translation adjustment	12,169	33,045
Total other comprehensive income	14,173	31,076
Comprehensive income	(838,747)	(372,581)
(Breakdown)		
Comprehensive income attributable to owners of parent	(838,936)	(372,062)
Comprehensive income attributable to non-controlling interests	188	(518)

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Notes in the event of significant changes in shareholders' equity)

At a Board of Directors meeting held on June 3, 2024, the Company resolved to conduct a share exchange to make the Company the wholly owning parent of MSS Inc. and MSS a wholly owned subsidiary, effective July 1, 2024. As a result, share capital increased by 479,207 thousand yen and capital surplus by 479,207 thousand yen.

Mainly due to these increases, capital stock and capital surplus amounted to 2,347,686 thousand yen and 2,055,998 thousand yen, respectively, at the end of the third quarter of the current fiscal year.

(Notes on changes in accounting policies)

ASBJ Statement No. 27 (revised 2022) Accounting Standard for Current Income Taxes (October 28, 2022), (the "2022 Revised Accounting Standard") is applied from the beginning of the first quarter of the fiscal year ending March 31, 2025.

The revisions to the classification of income taxes (taxation on other comprehensive income) are in accordance with the transitional treatments prescribed in the proviso of Paragraph 20-3 of the 2022 Revised Accounting Standard and the proviso of Paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022) (the "2022 Revised Guidance"). There is no effect of this change in accounting policy on the quarterly consolidated financial statements.

In addition, the Company has applied the 2022 Revised Guidance from the beginning of the first quarter of the current fiscal year for revisions related to the treatment of consolidated financial statements when gains or losses on the sale of subsidiary shares among consolidated companies are deferred for tax purposes. The change in accounting policy has been applied retrospectively. For the previous quarterly period and the previous fiscal year, the quarterly consolidated financial statements and the consolidated financial statements have been adjusted retrospectively. There is no effect of this change in accounting policy on the quarterly consolidated financial statements for the previous quarterly period and the consolidated financial statements for the previous fiscal year.

(Notes on quarterly consolidated statements of cash flows)

Quarterly consolidated statements of cash flows have not been prepared for the nine months of the fiscal year ending March 31, 2025. Depreciation and amortization (including amortization related to intangible assets) and amortization of goodwill for the nine months ended December 31, 2024 are as follows.

	Nine months ended December 31, 2023 (From April 1, 2023 to December 31, 2023)	Nine months ended December 31, 2024 (From April 1, 2024 to December 31, 2024)
Depreciation and amortization	108,831 thousand yen	129,473 thousand yen
Amortization of goodwill	37,772 thousand yen	67,416 thousand yen

(Notes to segment information, etc.)

[Segment information]

I Nine months ended December 31, 2023 (April 1, 2023 - December 31, 2023)

1. Information on sales and profit or loss by reportable segment and disaggregation of revenue

(Unit: thousands of yen)

	Reportable Segment			Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Japan Segment	Overseas Segment	Total		
Net sales					
Goods or services transferred at a point in time	437,197	35,640	472,837	-	472,837
Goods or services transferred over a period of time	497,317	594,448	1,091,765	-	1,091,765
Revenue from contracts with customers	934,514	630,089	1,564,603	-	1,564,603
Other revenue	-	-	-	-	-
Sales to external customers	934,514	630,089	1,564,603	-	1,564,603
Intersegment sales and transfers	(15,169)	-	(15,169)	-	(15,169)
Total	919,344	630,089	1,549,433	-	1,549,433
Segment profit (loss)	(41,201)	135,367	94,166	(276,951)	(182,785)

(Notes) 1. Adjustment of segment profit (loss) of (276,951) thousand yen is a corporate expense not allocated to each reportable segment.

2. Segment profit (loss) is adjusted with operating loss in the quarterly consolidated statements of income.

2. Information on impairment loss on non-current assets and goodwill by reportable segment

(Significant gain on bargain purchase)

In the Overseas Segment, a gain on bargain purchase was recognized due to the consolidation of Alianza FollowUP Panamá S.A., which was newly included in the scope of consolidation from the second quarter of the fiscal year ended March 31, 2024. The amount of gain on bargain purchase resulting from this event was 6,629 thousand yen in the nine months ended December 31, 2023.

II Nine months ended December 31, 2024 (April 1, 2024 - December 31, 2024)

1. Information on sales and profit or loss by reportable segment and disaggregation of revenue

(Unit: thousands of yen)

	Reportable Segment			Adjustment (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Japan Segment	Overseas Segment	Total		
Net sales					
Goods or services transferred at a point in time	785,720	36,270	821,991	-	821,991
Goods or services transferred over a period of time	519,946	718,787	1,238,733	-	1,238,733
Revenue from contracts with customers	1,305,667	755,057	2,060,725	-	2,060,725
Other revenue	-	-	-	-	-
Sales to external customers	1,305,667	755,057	2,060,725	-	2,060,725
Intersegment sales and transfers	9,078	-	9,078	(9,078)	-
Total	1,314,745	755,057	2,069,803	(9,078)	2,060,725
Segment profit (loss)	(87,049)	117,378	30,329	(311,669)	(281,340)

(Notes) 1. Adjustment of segment profit (loss) of (311,669) thousand yen is a corporate expense not allocated to each reportable segment.

2. Segment profit (loss) is adjusted with operating loss in the quarterly consolidated statements of income.

2. Information on assets by reportable segment

The amount of assets at the end of the third quarter of the fiscal year ending March 31, 2025 increased by 588,828 thousand yen from the end of the previous fiscal year. This was mainly due to the acquisition of shares in MSS Inc., which was newly included in the scope of consolidation during the first quarter of the current fiscal year. MSS Inc. belongs to the Japan Segment.

3. Information on impairment loss on non-current assets and goodwill by reportable segment

(Significant changes in the amount of goodwill)

In the Japan Segment, goodwill was generated due to the new consolidation of MSS Inc. from the first quarter of the fiscal year ending March 31, 2025. The amount of goodwill recorded due to this event was 1,200,768 thousand yen at the end of the third quarter of the current fiscal year.

Independent Auditor's Interim Review Report on the Quarterly Consolidated Financial Statements

(February 13, 2025)

Datasection Inc.

To the Board of Directors

Amaterasu Limited Liability Audit Company

Shibuya-ku, Tokyo

Designated Limited Liability Partner Managing Partner	Certified Public Accountant	Keishi Mishima
Designated Limited Liability Partner Managing Partner	Certified Public Accountant	Satoshi Fukudome

Auditor's conclusion

This Auditor has concluded an interim review of the quarterly consolidated financial statements, comprising the quarterly consolidated balance sheets, quarterly consolidated statements of income, quarterly consolidated statements of comprehensive income, and notes thereto for the third quarter (October 1, 2024 through December 31, 2024) and the nine months period (April 1, 2024 through December 31, 2024) of the fiscal year ending March 31, 2025 of Datasection Inc., which are included in the "Attached Documents" of the Summary of Consolidated Financial Results.

In our interim review, nothing in all material aspects has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above are not prepared in accordance with Article 4, Paragraph 1 of the Standards for Preparation of Quarterly Financial Statements, etc. of Tokyo Stock Exchange, Inc. and the accounting standards generally accepted in Japan for quarterly financial statements (provided, however, that the omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements, etc. are applied.)

Basis for Auditor's conclusion

The Auditor conducted an interim review in accordance with auditing standards generally accepted in Japan. The Auditor's responsibility under the criteria for an interim review is described in "Auditor's responsibility for interim review of quarterly consolidated financial statements." The Auditor is independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan. We also fulfill other ethical responsibilities as an auditor. In our opinion, the evidence supporting our conclusion has been obtained.

Other matters

The quarterly consolidated financial statements of the Company for the third quarter of the fiscal year ended March 31, 2024 and the consolidated financial statements for the fiscal year ended March 31, 2024, respectively, have been reviewed and audited by the predecessor auditor. The predecessor auditor expressed an unqualified conclusion on those quarterly consolidated financial statements as of February 14, 2024, and an unqualified opinion on those consolidated financial statements as of June 26, 2024.

Responsibility of management and the audit and supervisory committee for the quarterly consolidated financial statements

Management is responsible for preparing the quarterly consolidated financial statements in accordance with Article 4, Paragraph 1 of the Standards for Preparation of Quarterly Financial Statements, etc. of Tokyo Stock Exchange, Inc. and the accounting standards generally accepted in Japan for quarterly financial statements (provided, however, that the omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements, etc. are applied.) This includes the development and operation of such internal control as management determines is necessary to enable the preparation of quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the quarterly consolidated financial statements, management evaluates whether it is appropriate to prepare the quarterly consolidated financial statements on a going concern basis. Management is responsible for disclosing matters related to going concern when such matters are required to be disclosed in accordance with Article 4, Paragraph 1 of the Standards for Preparation of Quarterly Financial Statements, etc. of Tokyo Stock Exchange, Inc. and the accounting standards generally accepted in Japan for quarterly financial statements (provided, however, that the omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of

Quarterly Financial Statements, etc. are applied.)

The responsibility of the audit and supervisory committee is to monitor directors' execution of their duties in the development and operation of the financial reporting process.

Auditor's responsibility for interim review of quarterly consolidated financial statements

The Auditor's responsibility is to express a conclusion on the quarterly consolidated financial statements from an independent standpoint in an interim review report based on the Auditor's interim review of the period.

The Auditor, in accordance with the standards for interim reviews generally accepted in Japan, shall make professional judgments and maintain professional skepticism through the interim review process to carry out the following.

・The Auditor shall mainly conduct interviews with management and those responsible for financial and accounting matters, as well as analytical procedures and other interim review procedures. The interim review procedures are more limited procedures than an audit of the annual financial statements performed in accordance with auditing standards generally accepted in Japan.

・In the event that it is determined that there are material uncertainties regarding events or circumstances that may cast significant doubt on the Company’s ability to continue as a going concern, the Auditor needs to conclude, based on evidence obtained, whether there are any matters that lead it to believe that the quarterly consolidated financial statements are not prepared in accordance with Article 4, Paragraph 1 of the Standards for Preparation of Quarterly Financial Statements, etc. of Tokyo Stock Exchange, Inc. and the accounting standards generally accepted in Japan for quarterly financial statements (provided, however, that the omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements, etc. are applied.) If any material uncertainty regarding the Company’s ability to continue as a going concern is identified, the Auditor is required to draw attention, in the interim review report, to the notes in the quarterly consolidated financial statements. If the notes to the quarterly consolidated financial statements regarding the material uncertainty are not appropriate, the Auditor is required to express a qualified conclusion or a negative conclusion regarding the quarterly consolidated financial statements. Although the Auditor's conclusion is based on evidence obtained up to the date of the interim review report, future events or circumstances could cause the Company to cease to exist as a going concern.

・The Auditor evaluates whether there are any matters that lead it to believe that the presentation of quarterly consolidated financial statements and notes thereto are not prepared in accordance with Article 4, Paragraph 1 of the Standards for Preparation of Quarterly Financial Statements, etc. of Tokyo Stock Exchange, Inc. and the accounting standards generally accepted in Japan for quarterly financial statements (provided, however, that the omissions set forth in Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements, etc. are applied.)

・The Auditor shall obtain evidence about the financial information of the Company and its consolidated subsidiaries that serves as the basis to express a conclusion on the quarterly consolidated financial statements. The Auditor is responsible for directing, supervising, and performing an interim quarterly consolidated financial statement review. The Auditor is solely responsible for the Auditor's conclusion.

The Auditor shall report to the audit and supervisory committee on the scope and timing of the planned interim review and significant findings in the interim review.

The Auditor shall report to the audit and supervisory committee that the Auditor has complied with the provision related to Japanese professional ethics regarding independence. In case the Auditor implemented any measures to remove matters that are reasonably considered to affect the independence of the Auditor or any impediments, or implemented safeguards to reduce impediments to an acceptable level, the Auditor shall report on the details of such measures.

Conflict of interest

The Auditor or the Managing Partner have no conflict of interest with the Company or its consolidated subsidiaries that must be disclosed pursuant to the provisions of the Certified Public Accountants Act.

END

(Notes) 1. The original copy of the interim review report above is kept separately by the Company (the company disclosing the quarterly financial statements).

2. XBRL data and HTML data are not included in the scope of the interim review.