November 15, 2024

CELSYS, Inc.
Kei Narushima, Representative & President
(Securities code: 3663, Tokyo Stock Exchange, Prime Market)
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Notice Regarding Acquisition of Shares of a Consolidated Subsidiary to Make It a Wholly-Owned Subsidiary, Absorption-Type Merger (Simplified Merger and Short-Form Merger), Waiver of Claims, and Recording of Extraordinary Losses in the Non-Consolidated Financial Statements

CELSYS, Inc. (the “Company”) hereby announces that it has resolved, at the Board of Directors meeting held today, to acquire shares of &DC3, Inc. (“&DC3”), a consolidated subsidiary of the Company, as of November 15, 2024 to make it a wholly-owned subsidiary, and to conduct an absorption-type merger of &DC3 (the “Merger”) effective January 1, 2025 as described below. The Company has also resolved to waive its claims against &DC3 in conjunction with the Merger.

Certain disclosure information and details have been omitted because the Merger is a simplified absorption-type merger of a wholly-owned subsidiary. Since losses related to the waiver of claims will be recorded only on a non-consolidated basis and eliminated in the consolidated financial statements, there will be no impact on consolidated financial results.

1. Purpose of the share acquisition and the Merger

The Group develops and provides services and solutions that offer total support for digital content, from production to distribution. The Company has achieved its initial targets in the development of new services for the Content Distribution Solutions business, in which its subsidiary &DC3, established in 2022, is engaged, and has determined that it is best to streamline management. In addition to these factors, from the perspective of allocating resources within the Group and further strengthening the collaboration between CLIP STUDIO PAINT provided by the Company and DC3 provided by &DC3, the Company has decided to make &DC3 a wholly-owned subsidiary and conduct an absorption-type merger effective January 1, 2025.

Based on the technology accumulated in e-book solutions, &DC3 has promoted the development of DC3, a new digital content distribution platform for the Web3 era, as an agile and independent start-up company, completed its research and development project, and achieved results as planned. Under the management of the Company, DC3 will move into an improvement phase to increase stability and usability. We will continue to promote in-house use through collaboration between DC3 and CLIP STUDIO PAINT, a product of the Content Production Solutions business of the Company, and through use of these products, and provide solutions to service providers, while controlling development investment.

There will be no significant changes to the policy for providing e-books and DC3 solutions by &DC3 after the Merger, and we will also continue our technical and marketing partnership efforts. Through the Merger, we will maximize synergies between the Content Production Solutions business and the Content Distribution Solutions business, and further strengthen our total support system from production to distribution, thereby striving to sustainably increase our corporate value to meet the expectations of our investors in the future.

2. Outline of the share acquisition

(1) Number of shares to be acquired and number of shares held before and after acquisition

1) Number of shares held before change	2,993 shares	(Percentage of shares held: 85.27%)
2) Number of shares to be acquired	517 shares	(Percentage of shares held: 14.73%)
3) Number of shares held after change	3,510 shares	(Percentage of shares held: 100.00%)

(2) Date of share acquisition: November 15, 2024

3. Outline of the Merger

(1) Schedule of the Merger

Resolution at the Board of Directors meeting	November 15, 2024
Conclusion of the merger agreement	November 15, 2024
Effective date of the merger	January 1, 2025 (planned)

Note: Since the Merger is a simplified merger pursuant to Article 796, Paragraph 2 of the Companies Act for the Company and a short-form merger pursuant to Article 784, Paragraph 1 of the Companies Act for &DC3, a general meeting of shareholders will not be held for approval of the merger agreement in either case.

(2) Method of the Merger

The method of the Merger is an absorption-type merger with the Company as the surviving company and &DC3 being dissolved.

&DC3 is currently insolvent, but the Company plans to waive its claims against &DC3 prior to the Merger and proceed with the Merger after the insolvency is resolved.

・ Description of claims to be waived	Long-term loans receivable
・ Amount of claims to be waived	¥400 million (planned)
・ Date of waiver of claims	December 31, 2024 (planned)

(3) Description of allotment concerning the Merger

There will be no allotment of shares, other money, etc. due to the Merger because the Merger is a merger with a wholly-owned subsidiary of the Company.

(4) Handling of the absorbed company’s share acquisition rights and bonds with share acquisition rights

Not applicable.

4. Overview of the parties to the Merger

	Surviving company	Absorbed company
(1) Name	CELSYS, Inc.	&DC3, Inc.
(2) Location	4-15-7 Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan	4-15-7 Nishi-Shinjuku, Shinjuku-ku, Tokyo, Japan
(3) Name and title of representative	Kei Narushima, President	Masamichi Takahashi, President
(4) Description of business	Content Production Solutions business	Content Distribution Solutions business
(5) Capital stock	¥10 million	¥10 million
(6) Date established	April 2, 2012	June 6, 2022
(7) Number of issued shares	36,271,180 shares	3,510 shares
(8) End of fiscal year	December 31	December 31
(9) Major shareholders and percentage of shares held (As of June 30, 2024)	Wacom Co., Ltd. 5.80% LINE Digital Frontier Corp. (Note) 5.51% eBOOK Initiative Japan Co., Ltd. 4.61% Masahiro Sumiyama 4.32% Axell Corporation 3.45%	CELSYS, Inc. 85.27% Axell Corporation 14.73%
(10) Financial position and operating results in most recent fiscal year		
Fiscal year	Fiscal year ended December 31, 2023 (consolidated)	Fiscal year ended December 31, 2023 (non-consolidated)
Net assets	¥6,660 million	¥495 million
Total assets	¥8,551 million	¥672 million
Net assets per share	¥200.60	¥141,216.78
Net sales	¥8,091 million	¥1,038 million
Operating profit	¥1,352 million	¥(744) million
Ordinary profit	¥1,404 million	¥(754) million
Profit attributable to owners of parent/Profit	¥626 million	¥(368) million
Basic earnings per share	¥18.46	¥(104,862.13)

(Note) LINE Digital Frontier Corp. merged with eBOOK Initiative Japan Co., Ltd. in an absorption-type merger as of September 1, 2024, and all shares of the Company held by eBOOK Initiative Japan Co., Ltd. were transferred to LINE Digital Frontier Corp.

5. Status after the Merger

No changes will be made to the name and location of the Company, name and title of representative, description of business, capital stock or end of fiscal year due to the Merger.

6. Future outlook

Since losses related to the waiver of claims to be conducted prior to the Merger will be recorded as extraordinary losses of ¥400 million in the fiscal year ending December 31, 2024, only on a non-consolidated basis, and will be eliminated in the consolidated financial statements, there will be no impact on consolidated financial results.

The impact of the Merger on consolidated financial results of the Company will be negligible because it is a merger of a wholly-owned subsidiary of the Company.

In addition, since the Company will no longer have any consolidated subsidiaries as a result of the Merger, the Group's reporting for financial results will be shifted to a non-consolidated basis of reporting beginning in the first quarter of the fiscal year ending December 31, 2025.

(Reference) Consolidated financial results forecasts for the current fiscal year and results for the previous fiscal year

(Unit: millions of yen)

	Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
Consolidated financial results forecasts for the current fiscal year (Fiscal year ending December 31, 2024)	8,009	1,988	2,117	1,340
Previous fiscal year financial results (Fiscal year ended December 31, 2023)	8,091	1,352	1,404	626