

Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ending December 31, 2024 (IFRS)

February 14, 2025

Company name: Monstarlab Holdings Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 5255 URL <https://monstar-lab.com/jp/>
 Representative: Representative Director/Group CEO Hiroki Inagawa
 Inquiries: CFO Sumito Suzuki TEL 03(4455)7243
 Scheduled date to file Securities Report: March 28, 2025
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors [on-demand video])

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (January 1, 2024, to December 31, 2024)

(1) Consolidated operating results (Percentages represent year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit (loss)		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal Year ended December 31, 2024	10,003	-25.1	-10,269	—	-9,845	—	-9,979	—	-9,947	—	-9,132	—
Fiscal Year ended December 31, 2023	13,346	-6.5	-2,056	—	-2,156	—	-2,319	—	-2,355	—	-2,485	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal Year ended December 31, 2024	-285.10	-285.10
Fiscal Year ended December 31, 2023	-70.07	-70.07

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of total equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
As of December 31, 2024	7,589	-4,776	-4,738	-
As of December 31, 2023	14,461	3,706	3,711	25.7

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal Year ended December 31, 2024	-3,086	-393	3,187	1,550
Fiscal Year ended December 31, 2023	-3,518	-1,238	3,725	1,783

2. Dividends

	Dividends per share				
	Third Quarter	Second quarter	Third quarter	Fourth quarter	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	—	0.00	—	0.00	0.00
Fiscal year ended December 31, 2024	—	0.00	—	0.00	0.00

Fiscal year ended December 31, 2024 (forecast)					
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3. Consolidated Earnings Forecast for the Fiscal Year Ending December 31, 2025 (From January 1, 2025, to December 31, 2025)

	Revenue		Operating profit		Profit before tax		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal Year ended December 31, 2024	8,517	-14.8	360	—	274	—	206	—	5.27

Notes

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

Newly included: -

Excluded: 5 companies (Monstarlab Denmark ApS, Monstarlab UK Limited, Monstarlab Czech Republic s.r.o, Monstarlab Middle East DMCC, and Monstarlab Spain LLC)

(2) Changes in accounting policies and accounting estimates

(i) Changes in accounting policies requested by IFRS : No

(ii) Changes in accounting polices other than (i) above : No

(iii) Changes in accounting estimates : No

(3) Number of issued shares (common stock)

(i) Number of issued shares at end of period (including treasury stock)

(ii) Number of shares of treasury stock at end of period

(iii) Average number of shares outstanding during the period

As of December 31, 2024	39,176,950 shares	As of December 31, 2023	34,326,950 shares
As of December 31, 2024	0 shares	As of December 31, 2023	0 shares
Fiscal Year ended December 31, 2024	34,891,540 shares	Fiscal Year ended December 31, 2023	33,612,780 shares

(Reference) Summary of non-consolidated financial results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2024 (January 1, 2024 to December 31, 2024)

(1) Non-consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2024	883	-40.1	-1,524	—	-9,633	—	-7,122	—
Fiscal year ended December 31, 2023	1,475	14.2	-961	—	-838	—	-2,698	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended December 31, 2024	-204.14	—
Fiscal year ended December 31, 2023	-80.28	—

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended December 31, 2024	7,108	-3,725	-52.6	-95.10
Fiscal year ended December 31, 2023	14,728	2,879	19.6	83.88

(Reference) Shareholders' equity	Fiscal year ended December 31, 2024	-3,737 Million yen	Fiscal year ended December 31, 2023	2,879 Million yen
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Review of the Japanese-language originals of the attached consolidated financial statements by certified public accountants or an audit firm: None

Explanation regarding the appropriate use of earnings forecasts and other special notes (Cautionary Statement Regarding Forward-Looking Statements).

The forward-looking statements in this document, including earnings forecasts, are based on information currently available to the Company and certain assumptions that the Company deems reasonable. Therefore, this is not intended to promise their achievement. Actual results may differ materially due to various factors. For the assumptions underlying earnings forecasts and disclaimers concerning the use of earnings forecasts, refer to the supplementary document (pg. 5, Section 1, “Overview of Operating Results, etc. (4) Future Outlook”).

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1. Overview of Operating Results, etc.

(1) Overview of operating results for the current fiscal year

The mission of the Monstarlab Group (the “Group”) is “Empower talent everywhere to engineer awesome products, services and ecosystems; building a brighter world for us all.” We aim to realize a better world by working with our clients as their digital partner to create products, services, and ecosystems that will resolve global issues while providing people with opportunities to work, grow, and participate in projects tackling global issues across national borders.

During the Fiscal Year ended December 31, 2024, the global economy and the Japanese economy displayed a moderate recovery trajectory, buoyed by a rebound in consumer spending and capital investment. However, uncertainty loomed due to inflationary pressures stemming from global energy price hikes and general price escalation. On the other hand, the IT industry continued to witness robust demand for digital transformation (DX), which is directly tied to management strategies. Consequently, corporate appetite for DX investment remained strong, driven by a persistent momentum for digital shifts initiated during the pandemic.

In the current business environment, the Group is focusing on the digital consultancy business as its main business, primarily targeting corporations and local governments to support DX aligned with their business issues and new business needs. The Group is also pursuing other business, including product business, globally across 12 countries and regions (as of December 31, 2024). The Group has divided the geographic areas in which it operates its digital consultancy business into three regions: APAC (Japan and Asia Pacific), EMEA (Europe, Middle East, and Africa), and AMER (North, Central, and South America).

During the fiscal year ended December 31, 2024, similar to the previous year, we positioned this period as a foundational phase towards future growth. We undertook substantial structural reforms such as restructuring loss-making bases and revising our personnel structure. Specifically, we implemented significant downsizing in the EMEA region, where we had previously anticipated high growth and had made upfront investments, leading to a major office withdrawal and workforce reduction. Consequently, the group recorded significant losses due to asset impairments, provisions for doubtful debts, and one-time expenses such as severance payments. Conversely, in the APAC region, by shifting focus from digital consulting to our core strength in development, development projects increased, returning us to a growth trajectory from the second quarter. In the AMER region, alongside sales expansion through collaboration with a payment solutions company, streamlining of excess personnel has resulted in establishing a profitable structure from the third quarter. As a result of these initiatives, we achieved operational profitability across all regions during the fourth quarter, excluding restructuring expenses.

Consequently, for the consolidated fiscal year, our group reported revenues of 10,003,292 thousand yen, a decrease of 25.1% from the same period last year. The operating loss was 10,269,868 thousand yen, compared to an operating loss of 2,056,729 thousand yen in the previous fiscal year. Pre-tax loss stood at 9,845,766 thousand yen, compared to a pre-tax loss of 2,156,279 thousand yen the prior year. The loss attributable to owners of the parent company amounted to 9,947,586 thousand yen, compared to a loss of 2,355,328 thousand yen attributable to the parent company’s owners in the previous year.

The operating results for the digital consultancy business by region are as shown below.

1. APAC

For the consolidated fiscal year, revenue amounted to 6,404,056 thousand yen, a decrease of 10.8% compared to the same period last year, with an operating loss of 526,070 thousand yen (compared to an operating profit of 305,429 thousand yen in the previous year).

From the first to the second quarter of the consolidated fiscal period, revenue underperformed expectations due to the completion and downsizing of several existing projects and the smaller-than-anticipated scale of new projects requiring DX strategy formulation related to business strategies. However, from the third through the fourth quarter, we focused on leveraging our strengths in acquiring development phase projects, successfully securing development projects such as generative AI, data enterprise initiatives, and dedicated engineer team projects at the APAC development hub. This focus has driven sales back onto a growth trajectory, bottoming out in the second quarter.

Regarding operating profit, despite the revenue decline in the first half and the occurrence of one-time restructuring costs

such as approximately 290 million yen in debt forgiveness related to closing EMEA locations and personnel reduction costs in Bangladesh, the figure showed a loss. However, excluding these one-time restructuring costs, profits remained positive for the full year, and the resurgence in sales is expected to drive the group's profitability moving forward.

2. EMEA

During the consolidated fiscal year, revenue was 2,187,331 thousand yen, representing a 56.7% decrease compared to the same period last year, while operating profit was 3,358,366 thousand yen (compared to an operating loss of 2,567,075 thousand yen in the previous year).

In the EMEA region, despite anticipating high growth, particularly in the Middle East, and proactively pursuing personnel recruitment for strategic investments, revenue fell short of expectations, leading to sustained significant deficits. As a result, substantial structural reforms were implemented during the second and third quarters, including the closure of deficit-generating locations. Consequently, revenue significantly declined from the second to the fourth quarter, with fourth-quarter revenues minimized to 47,947 thousand yen, a level with minimal impact on the consolidated profit and loss statement.

Regarding operating profit, the structural reforms, including location closures and deconsolidation, led to reduced sales and the recording of restructuring expenses. However, significant temporary operating profit was recorded due to gains from debt forgiveness associated with closures and bankruptcies. These comprehensive reforms proved effective, and by the fourth quarter, operating profit, excluding one-time expenses, turned positive.

3. AMER

During the consolidated fiscal year, revenue amounted to 1,010,807 thousand yen, marking a 41.8% increase compared to the same period last year, with an operating loss of 3,501 thousand yen (compared to an operating loss of 412,018 thousand yen in the previous year).

Continuing from the third quarter of the prior fiscal year, development projects for existing clients have been progressing steadily, placing sales on a stable growth trajectory. Although sales slightly decreased in the fourth quarter due to fewer working days during the year-end seasonal period, the collaboration with a major payment solutions company is proceeding smoothly. This has led to successful new client acquisition and sustained sales with existing clients, promising future growth.

Regarding operating profit, despite a small deficit attributed to restructuring costs incurred during the second quarter, improvements in cost structure have been made through these restructuring efforts. Consequently, operating profit, excluding restructuring expenses, turned positive starting from the third quarter.

(2) Explanation of Financial Position

At the end of the current consolidated fiscal year, total assets were 7,589,119 thousand yen, compared to 14,461,055 thousand yen at the end of the previous fiscal year. The main components included cash and cash equivalents of 1,550,889 thousand yen (previous fiscal year-end: 1,783,264 thousand yen), trade and other receivables of 733,683 thousand yen (previous fiscal year-end: 2,600,114 thousand yen), and goodwill of 699,354 thousand yen (previous fiscal year-end: 3,964,762 thousand yen).

(Current assets)

The balance of current assets stood at 2,723,335 thousand yen, compared to 5,836,139 thousand yen at the end of the previous fiscal year. The main components included cash and cash equivalents of 1,550,889 thousand yen (previous fiscal year-end: 1,783,264 thousand yen) and trade and other receivables of 733,683 thousand yen (previous fiscal year-end: 2,600,114 thousand yen).

(Non-current assets)

The balance of non-current assets was 4,865,784 thousand yen, compared to 8,624,916 thousand yen at the end of the previous fiscal year. The main components included goodwill of 699,354 thousand yen (previous fiscal year-end: 3,964,762 thousand yen), intangible assets of 276,099 thousand yen (previous fiscal year-end: 651,053 thousand yen), and right-of-use assets of 139,336 thousand yen (previous fiscal year-end: 356,249 thousand yen).

(Current liabilities)

The balance of current liabilities was 5,771,949 thousand yen, compared to 7,932,462 thousand yen at the end of the previous fiscal year. The main components included trade and other payables of 694,227 thousand yen (previous fiscal year-end: 1,132,648 thousand yen) and bonds and borrowings of 3,433,906 thousand yen (previous fiscal year-end: 4,739,564 thousand yen).

(Non-current liabilities)

The balance of non-current liabilities stood at 6,593,890 thousand yen, compared to 2,822,565 thousand yen at the end of the previous fiscal year. The main components included bonds and borrowings of 5,746,650 thousand yen (previous fiscal year-end: 1,493,246 thousand yen) and lease liabilities of 265,114 thousand yen (previous fiscal year-end: 549,435 thousand yen).

(Total equity)

The total equity was a deficit of 4,776,719 thousand yen, compared to 3,706,027 thousand yen at the end of the previous fiscal year. The main components included share capital of 2,175,325 thousand yen (previous fiscal year-end: 1,922,586 thousand yen), capital surplus of 10,896,713 thousand yen (previous fiscal year-end: 10,499,729 thousand yen), and retained earnings of negative 18,505,948 thousand yen (previous fiscal year-end: negative 8,558,362 thousand yen).

(3) Status of cash flows

At the end of the current consolidated fiscal year, cash and cash equivalents (hereinafter referred to as "funds") amounted to 1,550,889 thousand yen, compared to 1,783,264 thousand yen at the end of the previous fiscal year. The cash flow situation for the current consolidated fiscal year and the factors contributing to these figures are as follows:

(Cash flows from operating activities)

Net cash used in operating activities totaled 3,086,850 thousand yen (compared to 3,518,947 thousand yen in the same period last year). The main factors included a pre-tax loss of minus 9,845,766 thousand yen (versus minus 2,156,279 thousand yen for the same period last year), impairment losses of 4,320,639 thousand yen (versus 15,790 thousand yen for the same period last year), loss on the sale of subsidiary shares of minus 203,599 thousand yen (versus minus 938,663 thousand yen for the same period last year), income from subsidiary liquidation of 172,381 thousand yen (versus zero for the same period last year), foreign exchange losses of minus 458,221 thousand yen (versus minus 444,972 thousand yen for the same period last year), a change in trade and other receivables of 1,417,580 thousand yen (versus 532,379 thousand yen for the same period last year), a change in contract assets of 791,345 thousand yen (versus minus 252,512 thousand yen for the same period last year), a change in trade and other payables of 103,055 thousand yen (versus minus 397,042 thousand yen for the same period last year), and payments of income taxes amounting to minus 108,655 thousand yen (versus minus 355,940 thousand yen for the same period last year).

(Cash flows from investing activities)

Net cash used in investing activities totaled 393,576 thousand yen (compared to 1,238,854 thousand yen in the same period last year). The main factors included expenditures for the purchase of property, plant, and equipment amounting to 44,223 thousand yen (versus 121,144 thousand yen for the same period last year), the purchase of intangible assets amounting to 134,224 thousand yen (versus 340,452 thousand yen for the same period last year), cash outflow from the sale of subsidiary shares amounting to 42,361 thousand yen (versus 183,772 thousand yen for the same period last year), and costs related to the liquidation of subsidiaries amounting to 99,229 thousand yen (versus zero for the same period last year).

(Cash flows from financing activities)

Net cash provided by financing activities totaled 3,187,749 thousand yen (compared to 3,725,517 thousand yen in the same period last year). The main factors included a net increase in short-term borrowings of 3,710,892 thousand yen (versus 2,574,330 thousand yen for the same period last year), repayments of long-term borrowings amounting to 504,537 thousand yen (versus 758,656 thousand yen for the same period last year), proceeds from the issuance of bonds totaling 500,000 thousand yen (versus zero for the same period last year), redemption of bonds amounting to 750,000 thousand yen (versus 114,500 thousand yen for the same period last year), repayments of lease liabilities amounting to 286,155 thousand yen (versus 365,316 thousand yen for the same period last year), and income from a capital increase of 517,550 thousand yen (versus 1,713,663 thousand yen for the same period last year).

(4) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

Since 2016, our Group has achieved an average annual revenue growth rate of over 40%. However, the fiscal year ending December 31, 2023, represented a period of slowed growth. During this time, we reassessed our strategies by rebalancing project phases and placing greater emphasis on large, long-term projects. We also implemented structural reforms focused more on improving profitability than on revenue growth. Moving forward, we aim to maintain a trajectory of high growth while ensuring profitability. Consequently, for the fiscal year ending December 31, 2024, we are designating this period to establish a foundation for achieving high growth with assured profitability starting from the fiscal year ending December 31, 2025.

This approach involves formulating a medium- to long-term business strategy that includes revising business portfolios across all regions (APAC/EMEA/AMER), investing in capability enhancement, organizational restructuring, and reconstructing our profit structure. Specifically, we plan to invest in our proprietary differentiating technologies, enhance capabilities in the enterprise domain, and strengthen talent acquisition. Furthermore, we have implemented organizational and structural reforms to fundamentally enhance our profit structure. As a result, we have established a profit-oriented organization and completed the 2024 target of "building a foundation for growth." Moving forward, we enter a "regrowth phase," combining sales growth with profitability.

For the fiscal year ending December 31, 2025, we expect revenue of 8.517 billion yen (a 14.85% decrease from the previous fiscal year), operating profit of 0.36 billion yen (compared to an operating loss of 10.269 billion yen in the previous fiscal year), pre-tax profit of 0.274 billion yen (compared to a pre-tax loss of 9.845 billion yen), and profit attributable to owners of the parent company of 0.206 billion yen (compared to a loss of 9.947 billion yen in the previous fiscal year).

Regarding revenue, despite a year-over-year decrease of 13% due to the withdrawal from EMEA bases in the fiscal year ending December 31, 2024, sales from ongoing bases increased by 8%, setting the stage for future regrowth. As for operating profit, while we recorded significant losses in the fiscal year ending December 31, 2024, due to restructuring and impairments, these measures strengthened our profit-oriented management structure. With anticipated sales growth, we expect a slight increase in remaining base sales year-over-year, predicting a 0.206 billion yen profit attributable to the parent company's owners for 2025.

As of the end of December 2024, our Group faces a negative equity situation. To address this challenge, we will work towards business and financial stabilization, focusing on sustainable financial improvement while promoting capital enhancement strategies. For specific measures relating to capital enhancement, please refer to Note "10. Subsequent Events."

(5) Significant Matters Regarding the Assumption of Going Concern

There exist circumstances that cast significant doubt on the assumption that our group can continue as a going concern. Please refer to Note 11, "Notes about Premise of a Going Concern" for further details.

2. Consolidated Financial Statements and Notes

(1) Consolidated Statement of Financial Position

(Unit: Thousand yen)

	Note	As of December 31, 2023	As of December 31, 2024
Assets			\
Current assets			
Cash and cash equivalents		1,783,264	1,550,889
Trade and other receivables		2,600,114	733,683
Contract assets		922,131	150,840
Inventories		60,345	4,494
Other current assets		470,282	279,863
Subtotal		5,836,139	2,723,335
Assets held for sale		—	1,550,889
Total current assets		5,836,139	733,683
Non-current assets			
Property, plant, and equipment		258,783	87,800
Right-of-use assets		356,249	139,336
Goodwill		3,964,762	699,354
Intangible assets		651,053	276,099
Other financial assets	5	3,083,563	3,281,212
Deferred tax assets		49,099	80,708
Other non-current assets		261,403	301,272
Total non-current assets		8,624,916	4,865,784
Total assets		14,461,055	7,589,119

(Unit: Thousand yen)

	Note	As of December 31, 2023	As of December 31, 2024
Liabilities and equity			
Current liabilities			
Trade and other payables		1,132,648	694,227
Contract liabilities		211,462	270,260
Bonds and borrowings	5	4,739,564	3,433,906
Lease liabilities		294,579	122,027
Income taxes payable		181,006	69,659
Allowance		51,885	86,403
Other current liabilities		1,321,315	1,095,464
Total current liabilities		7,932,462	270,260
Non-current liabilities			
Bonds and borrowings		1,493,246	5,746,650
Lease liabilities		549,435	265,114
Allowance		130,966	118,244
Deferred tax liabilities		108,878	289,740
Other non-current liabilities		540,039	174,139
Total non-current liabilities		2,822,565	6,593,890
Total liabilities		10,755,027	12,365,839
Equity			
Share capital		1,922,586	2,175,325
Capital surplus		10,499,729	10,896,713
Retained earnings		-8,558,362	-18,505,948
Other components of equity		-152,870	695,364
Total equity attributable to owners of parent		3,711,083	-4,738,544
Non-controlling interests		-5,055	-38,175
Total equity		3,706,027	-4,776,719
Total liabilities and equity		14,461,055	7,589,119

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income
(Consolidated Statement of Profit or Loss)

(Unit: Thousand yen)

	Note	Nine months ended December 31, 2023	Nine months ended December 31, 2024
Revenue	7	13,346,962	10,003,292
Cost of sales		-10,006,764	-8,578,188
Gross profit		3,340,197	1,425,104
Selling, general, and administrative expenses		-6,196,064	-7,220,034
Other income		1,007,049	1,153,439
Other expenses		-207,912	-5,628,377
Operating profit (loss)		-2,056,729	-10,269,868
Finance income		3,320	623,814
Finance costs		-101,933	-162,388
Share of loss (profit) of entities accounted for using equity method		-936	-37,324
Profit (loss) before tax		-2,156,279	-9,845,766
Income tax expenses		-163,640	-133,705
Profit (loss)		-2,319,919	-9,979,472
Profit (loss) attributable to			
Owners of parent		-2,355,328	-9,947,586
Non-controlling interests		35,408	-31,885
Profit (loss)		-2,319,919	-9,979,472
Earnings (loss) per share			
Basic earnings (loss) per share (yen)	8	-70.07	-285.10
Diluted earnings (loss) per share (yen)	8	-70.07	-285.10

(Consolidated Statement of Comprehensive Income)

(Unit: Thousand yen)

	Note	Fiscal Year ended December 31, 2023	Nine months ended December 31, 2024
Profit (loss)		-2,319,919	-9,979,472
Other comprehensive income			
Items that may not be reclassified to profit or loss:			
Remeasurement of defined benefit plans		90	14
Total of items		90	14
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-165,548	847,020
Total of items		-165,548	847,020
Other comprehensive income, net of tax		-165,458	847,035
Total comprehensive income		-2,485,377	-9,132,436
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Total comprehensive income attributable to			
Owners of parent		-2,520,850	-9,099,351
Non-controlling interests		35,472	-33,085
Total comprehensive income		-2,485,377	-9,132,436

(3) Consolidated Statement of Changes in Equity

For the Fiscal Year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

(Unit: Thousand yen)

	Note	Equity attributable to owners of parent							Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Other components of equity			Total equity attributable to owners of parent		
					Exchange differences on translation of foreign operations	Remeasurement of defined benefit plans	Total other components of equity			
Balance as of January 1, 2023		1,065,754	9,708,785	-6,203,033	12,137	513	12,651	4,584,158	-491,733	4,092,424
Profit (loss)		—	—	-1,090,748	—	—	—	-1,090,748	37,604	-1,053,144
Other comprehensive income		—	—	—	-145,043	92	-144,950	-144,950	130	-144,820
Total comprehensive income		—	—	-1,090,748	-145,043	92	-144,950	-1,235,699	37,734	-1,197,964
Issuance of new shares		854,164	844,564	—	—	—	—	1,698,729	—	1,698,729
Share-based payment Transactions		—	202,858	—	—	—	—	202,858	—	202,858
Loss of control of subsidiaries		—	131,326	—	—	—	—	131,326	4,025	135,352
Other		—	-446,735	—	—	—	—	-446,735	439,523	-7,212
Total transactions with owners and other transactions		854,164	732,014	—	—	—	—	1,586,179	443,548	2,029,728
Balance as of December 31, 2023		1,919,919	10,440,799	-7,293,781	-132,906	606	-132,299	4,934,638	-10,450	4,924,187

For the Fiscal Year ended December 31, 2024 (From January 1, 2024 to December 31, 2024)

(Unit: Thousand yen)

	Note	Equity attributable to owners of parent							Non-controlling interests	Total equity
		Share capital	Capital surplus	Retained earnings	Other components of equity			Total equity attributable to owners of parent		
					Exchange differences on translation of foreign operations	Remeasurement of defined benefit plans	Total other components of equity			
Balance as of January 1, 2024		1,922,586	10,499,729	-8,558,362	-153,474	604	-152,870	3,711,083	-5,055	3,706,027
Profit (loss)		—	—	-9,947,586	—	—	—	-9,947,586	-31,885	-9,979,472
Other comprehensive income		—	—	—	848,220	14	848,234	848,234	-1,199	847,035
Total comprehensive income		—	—	-9,947,586	848,220	14	848,234	-9,099,351	-33,085	-9,132,436
Issuance of new shares		252,739	250,352	—	—	—	—	503,091	—	503,091
issuance of stock acquisition rights		—	12,072	—	—	—	—	12,072	—	12,072
Loss of control of subsidiaries		—	—	—	—	—	—	—	—	—
Share-based payment Transactions		—	134,560	—	—	—	—	134,560	—	134,560
Other		—	—	—	—	—	—	—	-34	-34
Total transactions with owners and other transactions		252,739	396,984	—	—	—	—	649,723	-34	649,689
Balance as of December 31, 2024		2,175,325	10,896,713	-18,505,948	694,745	618	695,364	-4,738,544	-38,175	-4,776,719

(4) Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Note	Fiscal Year ended December 31, 2023	Fiscal Year ended December 31, 2024
Cash flows from operating activities			
Profit (loss) before tax		-2,156,279	-9,845,766
Depreciation and amortization		436,487	336,115
Impairment losses		15,790	4,320,639
Financial income and financial costs		90,220	158,598
Financial instrument valuation losses (gains)		-180,680	-191,022
Foreign exchange losses (gains)		-444,972	-458,221
Gain on sale of shares of subsidiaries		-938,663	-203,599
Loss on liquidation of subsidiary		—	172,381
Decrease (increase) in trade and other receivables		532,379	1,417,580
Increase (decrease) in trade and other payables		-397,042	103,055
Decrease (increase) in inventories		-45,881	55,864
Decrease (increase) in contract assets		-252,512	791,345
Increase (decrease) in contract liabilities		-6,643	143,528
Other changes		243,029	375,995
Subtotal		-3,104,766	-2,823,506
Interest received		1,288	2,714
Interest paid		-59,529	-157,403
Corporate income taxes paid		-355,940	-108,655
Cash flows from operating activities		-3,518,947	-3,086,850
Cash flows from investing activities			
Purchase of property, plant, and equipment		-121,144	-44,223
Purchase of intangible assets		-340,452	-134,224
Purchase of investment securities		-428,119	—
Purchase of subsidiaries stocks		-134,528	—
Sales of shares of subsidiaries resulting in change in scope of consolidation		-183,772	-42,361
Expenditure from the liquidation of a subsidiary		—	-99,229
Other		-30,837	-73,536
Cash flows from investing activities		-1,238,854	-393,576
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		2,574,330	3,710,892
Proceeds from long-term borrowings		680,000	—
Repayments of long-term borrowings		-758,656	-504,537
Proceeds from issuance of bonds		—	500,000
Redemption of bonds		-114,500	-750,000
Repayment of lease liabilities		-365,316	-286,155
Issuance of new shares		-4,003	517,550
Payments for acquisition of interests in subsidiaries from non-controlling interests		1,713,663	—
Cash flows from financing activities		-4,003	3,187,749
Effect of exchange rate changes on cash and cash equivalents		3,725,517	60,302
Net increase (decrease) in cash and cash equivalents		91,064	-232,375
Cash and cash equivalents at beginning of period		-941,219	1,783,264
Cash and cash equivalents at end of period		2,724,484	1,550,889

(5) Notes about Consolidated Financial Statements

1. Reporting entity

Monstarlab Holdings Inc. (the "Company") is a corporation (*kabushikikaisha*) located in Japan. The Company's registered head office is located in Shibuya-ku, Tokyo. The consolidated financial statements for the Fiscal Year ended December 31, 2024, cover the Company and its subsidiaries (collectively referred to as the "Group"). The principal business activities of the Group are described in "7. Operating Segments."

2. Basis of preparation of consolidated financial statements

(1) Compliance with IFRS

The Group's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as the requirements of a "Specified Company Applying Designated International Accounting Standards" set forth in Article 1-2 of the Rules for Consolidated Financial Statements are met.

(2) Basis of Measurement

The Group's consolidated financial statements are prepared on a historical cost basis, except for financial instruments that are measured at fair value.

(3) Functional Currency and Presentation Currency

The Group's consolidated financial statements are presented in Japanese yen, the Group's functional currency. All financial information presented in Japanese yen is rounded down to the nearest thousand yen.

3. Material accounting policies

The material accounting policies applied in the Group's consolidated financial statements are consistent with those applied in the consolidated financial statements for the previous fiscal year.

4. Significant accounting judgements, estimates, and assumptions

In preparing the Group's consolidated financial statements, management uses judgments, accounting estimates, and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income, and expenses. These estimates and assumptions are based on management's best judgment, considering past experience and various factors deemed reasonable as of the reporting date, based on available information. However, actual outcomes could differ from these estimates and assumptions due to the inherent nature of such estimations.

Any judgments, estimates, and assumptions that have a significant impact on the amounts in the consolidated financial statements are, in principle, the same as those applied in the consolidated financial statements for the previous fiscal year.

5. Fair values of financial instruments

1) Fair value measurement method

The fair values of financial instruments are measured as follows:

- a. Cash and cash equivalents, trade and other receivables, short-term loans receivable, trade and other payables, and borrowings (current liabilities)

These are valued at their book values, which approximate the fair values due to their short maturities.

- b. Equity shares

The fair values of equity shares for which an active market exists are calculated based on market price. The fair values of equity shares for which no active market exists are evaluated mainly based on the price in recent transactions between independent third parties.

- c. Leasehold and guarantee deposits

The fair values of leasehold and guarantee deposits are determined by discounting future cash flows using interest rates based on appropriate indicators, such as deposit period and government bond yields.

- d. Bonds

The fair values of bonds are determined by discounting the total amount of principal and interest using a rate that reflects the time to maturity and credit risk of the bond.

- e. Long-term borrowings

The fair values of long-term borrowings are determined by discounting the total amount of principal and interest using the assumed rate that would be applied to a similar new loan.

2) Fair value hierarchy

Fair values of financial instruments are categorized as Level 1 to Level 3 based on a fair value hierarchy as follows:

Level 1: Fair values measured by quoted prices on active markets.

Level 2: Fair values calculated using observable prices other than those included in Level 1, either directly or indirectly.

Level 3: Fair values calculated using a valuation technique that includes inputs which are not based on observable market data.

3) Financial Instruments measured at fair value on a recurring basis

(1) Fair value hierarchy

The following tables provide a breakdown of financial instruments by fair value hierarchy level.

For the fiscal year ended December 31, 2023

(Unit: Thousand yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Equity shares	—	—	2,619,451	2,619,451
Total	—	—	2,619,451	2,619,451
Liabilities:				
Financial liabilities measured with fair value through profit or loss				
Contingent consideration*	—	—	419,055	419,055
Total	—	—	419,055	419,055

For the Fiscal Year ended December 31, 2024

(Unit: Thousand yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Equity shares	—	—	2,936,284	2,936,284
Total	—	—	2,936,284	2,936,284
Liabilities:				
Financial liabilities measured with fair value through profit or loss				
Contingent consideration*	—	—	252,498	252,498
Total	—	—	252,498	252,498

* The Group may enter into an agreement to pay additional consideration for acquisition to other shareholders on the condition that the acquired subsidiary has achieved a certain level of financial results (e.g., revenue, EBITDA, retained earnings) for each fiscal year. The fair values of such contingent consideration are determined by using a discounted cash flow model or the like, based on the amounts of future payments under the agreement, and are classified as Level 3. Contingent consideration is included in “trade and other receivables” or “other non-current liabilities” in the consolidated statement of financial position.

(2) Reconciliation of Level 3 fair values

(Unit: Thousand yen)

	Equity shares	Contingent consideration
Balance as of January 1, 2023	245,120	698,536
Purchase	2,226,683	—
Sale	-33,033	—
Comprehensive income		
Profit (loss)	180,680	78,474
Other comprehensive income	—	—
Other	—	-357,955
Balance as of December 31, 2023	2,619,451	419,055
Gains or losses recognized in profit or loss in relation to financial instruments held on December 31, 2023	180,680	78,474

(Unit: Thousand yen)

	Equity shares	Contingent consideration
Balance as of January 1, 2024	2,619,451	419,055
Purchase	—	—
Sale	—	—
Comprehensive income		
Profit (loss)	316,832	74,090
Other comprehensive income	—	—
Other	—	-240,646
Balance as of December 31, 2024	2,936,284	252,498
Gains or losses recognized in profit or loss in relation to financial instruments held on December 31, 2024	316,832	74,090

(3) Sensitivity analysis of changes in significant unobservable inputs

Among fair values of assets classified as Level 3 that are measured with fair value, the fair values of securities investments evaluated based on their discounted future cash flows decrease (increase) as the discount rate rises (falls).

We do not expect any significant change in the fair values of financial instruments classified as Level 3 if their unobservable inputs are replaced with alternative assumptions that may be considered reasonable.

4) Financial Instruments Measured with Amortized Cost

The book values and fair values of financial instruments measured with amortized cost are as shown below. Note that the tables below do not include financial instruments for which the book value approximates the fair value.

(Unit: Thousand yen)

	As of December 31, 2023	
	Book value	Fair value
Assets:		
Financial assets measured with amortized cost		
Other financial assets	253,929	253,397
Liabilities:		
Bonds and borrowings	6,232,810	6,221,294

(Unit: Thousand yen)

	As of December 31, 2024	
	Book value	Fair value
Assets:		
Financial assets measured with amortized cost		
Other financial assets	176,284	174,587
Liabilities:		
Bonds and borrowings	9,180,556	9,147,599

6. Revenue

Disaggregation of revenue

This information is omitted since similar information is disclosed in “7. Operating Segments.”

7. Operating segments

(1) Outline of reportable segments

The reportable segments are components of the Group for which separate financial information is available and regularly reviewed by the Board of Directors to make decisions about the allocation of management resources and evaluate business results. The Group has two reportable segments: digital consultancy business and other business. The digital consultancy business provides a full range of services, from consulting to system development and operation, to promote digital transformation (DX), which aims to transform business models using IT.

Other business includes product businesses such as RPA (robot-based business automation) tools, self-ordering systems, and music distribution business.

(2) Information on Profit by Reportable Segment

For the Fiscal Year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

(Unit: Thousand yen)

	Digital consultancy business	Other business	Total	Adjustments	Amount on consolidated financial statement
Revenue					
Revenue from external customers	12,914,858	411,734	13,326,593	20,368	13,346,962
Inter-segment revenue	44,472	-	44,472	-44,472	-
Total	12,959,331	411,734	13,371,065	-24,103	13,346,962
Segment profit (loss)	-2,673,684	725,728	-1,947,955	-108,774	-2,056,729
Finance income					3,320
Finance costs					-101,933
Share of loss (profit) of entities accounted for using equity method					-936
Profit (loss) before tax					-2,156,279

For the Fiscal Year ended December 31, 2024 (From January 1, 2024 to December 31, 2024)

(Unit: Thousand yen)

	Digital consultancy business	Other business	Total	Adjustments	Amount on consolidated financial statement
Revenue					
Revenue from external customers	9,582,436	401,096	9,983,532	19,759	10,003,292
Inter-segment revenue	11,248	-	11,248	-11,248	-
Total	9,593,685	401,096	9,994,781	8,510	10,003,292
Segment profit (loss)	-4,765,838	50,440	-4,715,397	-5,554,470	-10,269,868
Finance income					623,814
Finance costs					-162,388
Share of loss (profit) of entities accounted for using equity method					-37,324
Profit (loss) before tax					-9,845,766

(3) Information by Region

The breakdown of revenue from external customers by region is as follows:

(Unit: Thousand yen)

		Fiscal Year ended December 31, 2023	Fiscal Year ended December 31 2024
Digital consultancy business	APAC	7,176,310	6,404,056
	EMEA	5,046,300	2,187,331
	AMER	712,616	1,010,807
Other business	APAC	390,462	401,096
	AMER	21,272	-
Total		13,346,962	10,003,292

Figures for APAC, EMEA, and AMER are external revenues of the offices in each region.

8. Earnings per Share

(1) Basis for Calculating Basic Earnings per Share

Basic earnings per share and the basis for calculation are as follows:

(Unit: Thousand yen)

	Fiscal Year ended December 31, 2023
Profit (loss) attributable to ordinary shareholders of parent	
Profit attributable to owners of parent	-2,355,328
Profit not attributable to ordinary shareholders of parent	—
Profit used for calculating earnings per share	-2,355,328
Average number of shares outstanding during the period	33,612,780 shares
Basic earnings (loss) per share	
Basic earnings (loss) per share	-70.07 yen

(Unit: Thousand yen)

	Fiscal Year ended December 31, 2024
Profit (loss) attributable to ordinary shareholders of parent	
Profit attributable to owners of parent	-9,947,586
Profit not attributable to ordinary shareholders of parent	—
Profit used for calculating earnings per share	-9,947,586
Average number of shares outstanding during the period	34,891,540 shares
Basic earnings (loss) per share	
Basic earnings (loss) per share	-285.10 yen

No transaction affecting the earnings per share took place between the end of the consolidated fiscal year under review and the date on which the consolidated financial statements were approved.

(2) Basis for Calculating Diluted Earnings per Share

Diluted earnings per share and the basis for calculation are as follows:

(Unit: Thousand yen)

	Fiscal Year ended December 31, 2023
Profit (loss) attributable to ordinary shareholders (diluted)	
Profit used for calculation of basic earnings per share	-2,355,328
Adjustments to profit	—
Profit used for calculating diluted earnings per share	-2,355,328
Average number of shares outstanding during the period	33,612,780 shares
Dilutive effect	— shares
After adjustment for dilutive effect	33,612,780 shares
Diluted earnings per share	
Diluted earnings per share	-70.07 yen

(Unit: Thousand yen)

	Fiscal Year ended December 31, 2024
Profit (loss) attributable to ordinary shareholders (diluted)	
Profit used for calculation of basic earnings per share	-9,947,586
Adjustments to profit	—
Profit used for calculating diluted earnings per share	-9,947,586
Average number of shares outstanding during the period	34,891,540 shares
Dilutive effect	— shares
After adjustment for dilutive effect	34,891,540 shares
Diluted earnings per share	
Diluted earnings per share	-285.10 yen

No transaction affecting the earnings per share took place between the end of the consolidated fiscal year under review and the date on which the consolidated financial statements were approved.

9. Loss of Control

a. Fiscal Year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

Consolidation-Type Merger

(1) Outline of the consolidation-type merger

The Board of Directors of the Company resolved at its meeting held on January 20, 2023, to carry out a consolidation-type merger (“the Transaction”) in which Koala Labs, Inc, a consolidated subsidiary of the Company, was the absorbed company and Chowly Merger Sub, Inc., a wholly owned subsidiary of Chowly, Inc., was the surviving company, and the Transaction was completed on January 31, 2023. As a result, the Company forfeited control of Koala Labs, Inc. and received an allotment of shares of Chowly, Inc. as consideration.

1) Name of the acquiring company and its business

Name of the acquiring company: Chowly, Inc.

Business: Provision of POS integration software for restaurant chains

2) Name of the acquired company and its business

Name of the acquired company: Koala Labs, Inc

Business: Provision of order platform products for the food and beverage industry

3) Main reason for the consolidation-type merger

The Company decided to carry out the consolidation-type merger because it anticipated synergy between Koala, an order platform product for the food and beverage industry developed by its consolidated subsidiary Koala Labs, Inc., and Chowly, Inc., which provides POS integration software targeted at restaurant chains that is a different solution from Koala, which would drive further product growth.

4) Date of consolidation-type merger

January 31, 2023

5) Legal form of business combination

Consolidation-type merger between Chowly Merger Sub, Inc. and Koala Labs, Inc. with the former as the surviving company and the latter as the absorbed company

6) Other matters concerning the transaction overview

Number of shares owned and ratio of voting rights held by the Company before and after the consolidation-type merger

	Number of shares owned	Voting rights ownership ratio
Before the consolidation-type merger	—	—
After the consolidation-type merger	2,813,756 shares	9.8%

(2) Outline of applied accounting process

1) Amount of gain (loss) on sale

768,061 thousand yen

2) Fair book values of assets and liabilities pertaining to the sold subsidiary and breakdown of major categories

Assets held for sale: 834,430 thousand yen

Total assets: 834,430 thousand yen

Liabilities directly associated with assets held for sale: 15,347 thousand yen

Total liabilities: 15,347 thousand yen

3) Accounting process

The difference between the consolidated book value of the shares of Koala Labs, Inc. and fair value of the shares of Chowly, Inc. was recognized in "Other income" in the consolidated statement of profit or loss.

b. Fiscal Year ended December 31, 2024 (From January 1, 2024 to December 31, 2024)

Bankruptcy of a Consolidated Subsidiary

(1) Overview of the Bankruptcy of a Consolidated Subsidiary

On September 19, 2024, our Board of Directors resolved to file for the initiation of bankruptcy proceedings for our consolidated subsidiary, Monstarlab Denmark ApS ("MLDK"). On September 27, 2024, the commencement of bankruptcy was approved for MLDK. Consequently, we have lost control over MLDK and its wholly-owned subsidiaries (our indirect subsidiaries), namely Monstarlab UK Limited ("MLUK"), Monstarlab Czech Republic s.r.o ("MLCZ"), Monstarlab Germany GmbH ("MLDE"), Monstarlab Netherlands B.V. ("MLNL"), and Monstarlab Middle East DMCC ("MLUAE").

(2) Reason for the Petition

Our group, which operates under the mission to "change the world with diversity and technology," and is divided into the three regions of APAC, EMEA, and AMER, has been engaged in the digital consulting business across 12 countries globally. However, as reported in the "Notice on Rationalization and Dissolution of Consolidated Subsidiaries" published on May 31, 2024, due to significant delays in the start of major projects in the high-growth-anticipated regions of EMEA and AMER, operational rates have dropped, leading to losses. To achieve rapid profitability improvement, we decided to undertake significant cost structure revisions in EMEA and AMER, including workforce reductions focusing on non-operational staff, downsizing offices, and revising IT costs.

Within this context, as disclosed in the "Notice on One-time Costs and Impairment Losses Due to Rationalization Including Personnel Reduction, and Reduction in Directors' Remuneration" published on August 14, 2024, anticipated revenues in EMEA and AMER could no longer be realized. This resulted in the recording of impairment losses on goodwill held by our consolidated subsidiaries Monstarlab LLC and Genieology Design DMCC totaling JPY 1,018 million and JPY 1,743 million respectively, and an impairment loss of JPY 938 million on goodwill held by Monstarlab Information Technology LLC. Additionally, fixed asset impairment losses totaling JPY 441 million were recorded across several consolidated and indirect subsidiaries.

As a result, our group recognized a total impairment loss of JPY 4,140 million and as of the end of the second quarter of the fiscal year 2024, our consolidated net assets had a deficit of JPY 2,593 million. Under these circumstances, to focus on highly profitable and growth-oriented businesses and reduce management risks, leading to a balanced management approach between healthy profit generation and growth, we obtained a decision to initiate bankruptcy proceedings for MLDK, which is part of EMEA, during the third quarter.

The bankruptcy proceedings will be conducted by the court and the appointed bankruptcy trustee going forward.

(3) Overview and Total Liabilities of the Subsidiaries Losing Control

① MLDK

a. Overview:

1. Name	Monstarlab Denmark ApS		
2. Location	2150 Nordhavn Orientkaj 4, 1.		
3. Representative's Position and Name	CEO, Director Anders Elnegaard Birch		
4. Business	Digital Consulting		
5. Capital	81,000 DKK (Approx. 1.8 million yen)		
6. Date of Establishment	November 27, 2013		
7. Financial Performance and Condition for the Last Three Years			
Fiscal Year	FY 2021 December	FY 2022 December	FY 2023 December
Total Assets (million yen)	1,905	4,648	6,919
Net Assets (million yen)	-560	-42	-48
Per Share Net Asset Value (yen)	—	—	—
Revenue (million yen)	945	846	981
Operating Profit (million yen)	-67	-141	-197
Net Profit (million yen)	-399	-75	74
Per Share Net Profit (yen)	—	—	—

b. Total Liabilities (at the time of loss of control)

8,352 million yen

② MLUK

a. Overview:

1. Name	Monstarlab UK Limited		
2. Location	1st Floor 33 Grey Street, Newcastle Upon Tyne, Tyne and Wear, NE1 6EE		
3. Representative's Position and Name	CEO, Director Hiroki Inagawa		
4. Business	Digital Consulting Business		
5. Capital	1 GBP (Approx. 203 JPY)		
6. Date of Establishment	May 9, 2012		
7. Financial Performance and Financial Position in the Last Three Years			
Fiscal Year	FY 2021 December	FY 2022 December	FY 2023 December
Total Assets (million yen)	744	994	1,092
Net Assets (million yen)	-468	-761	-1,465
Per Share Net Asset Value (yen)	-	-	-
Revenue (million yen)	735	764	637
Operating Profit (million yen)	-285	-224	-543
Net Profit (million yen)	-283	-299	-561
Per Share Net Profit (yen)	-292	-299	-560

b. Total Liabilities (at the time of loss of control)

3,252 million yen

③ MLCZ

a. Overview:

1. Name	Monstarlab Czech Republic. s.r.o		
2. Location	Boudníkova 2514/7, Libeň, 180 00 Prague 8		
3. Representative's Position and Name	CEO, Director MARKÉTA OHNIŠTOVÁ		
4. Business	Digital Consulting Services		
5. Capital	200,000 CZK (approximately 1.3 million yen)		
6. Date of Establishment	April 17, 2018		
7. Financial Performance and Financial Position in the Last Three Years			
Fiscal Year	FY 2021 December	FY 2022 December	FY 2023 December
Total Assets (million yen)	272	596	746
Net Assets (million yen)	318	503	791
Per Share Net Assets (yen)	-	-	-
Sales (million yen)	153	233	377
Operating Income (million yen)	124	155	202
Ordinary Income (million yen)	229	142	250
Net Income Per Share (yen)	-	-	-

b. Total Liabilities (at the time of loss of control)

2,247 million yen

④ MLDE

a. Overview:

1. Name	Monstarlab Germany GmbH		
2. Location	c/o Mindspace, Friedrichstrasse 68, 10117 Berlin Germany		
3. Representative's Position and Name	CEO, Director Martin Kahl		
4. Business	Digital Consulting Business		
5. Capital	3 million EUR		
6. Date of Establishment	December 22, 2017		
7. Financial Performance and Financial Position in the Last Three Years			
Fiscal Year	FY 2021 December	FY 2022 December	FY 2023 December

Total Assets (million yen)	155	138	147
Net Assets (million yen)	261	274	436
Per Share Net Assets (yen)	-10,461	-10,965	-17,477
Sales (million yen)	131	285	316
Operating Income (million yen)	-69	3	-131
Ordinary Income (million yen)	-84	6	-128
Net Income Per Share (yen)	-3,366	265	-5,141

b. Total Liabilities (at the time of loss of control)

2,247 million yen

⑤ MLNL

a. Overview:

1. Name	Monstarlab Netherlands B.V.		
2. Location	Prinsengracht 769 A, 1017JZ Amsterdam		
3. Representative's Position and Name	CEO, Yildiz Cem		
4. Business	Digital Consulting Business		
5. Capital	1 EUR (approx. 172 JPY)		
6. Date of Establishment	September 8, 2018		
7. Financial Performance and Financial Position in the Last Three Years			
Fiscal Year	FY 2021 December	FY 2022 December	FY 2023 December
Total Assets (million yen)	157	334	325
Net Assets (million yen)	-211	-361	-516
Per Share Net Assets (yen)	—	—	—
Sales (million yen)	123	137	18
Operating Income (million yen)	-99	-130	-113
Ordinary Income (million yen)	-102	-130	-111
Net Income Per Share (yen)	—	—	—

b. Total Liabilities (at the time of loss of control)

844 million yen

⑥ MLUAE

a. Overview:

1. Name	Monstarlab Middle East DMCC		
2. Location	Jumeirah Lakes Towers, Dubai		
3. Representative's Position and Name	CEO, Director Mark Jones		
4. Business	Digital Consulting Business		
5. Capital	50,000 AED (approx. 2.2 million JPY)		
6. Date of Establishment	October 15, 2019		
7. Financial Performance and Financial Position in the Last Three Years			
Fiscal Year	FY 2021 December	FY 2022 December	FY 2023 December
Total Assets (million yen)	826	1,559	1,957
Net Assets (million yen)	-110	-730	-1,836
Per Share Net Assets (yen)	-2,206,519	-14,590,864	-36,720,996
Sales (million yen)	299	959	1,665
Operating Income (million yen)	-213	-590	-978
Ordinary Income (million yen)	-262	-609	-1,031
Net Income Per Share (yen)	-5,230,289	-12,176,866	-20,617,766

b. Total Liabilities (at the time of loss of control)

5,219 million yen

(4) Our Company's Losses

Our company has already fully written down the shares of MLDK, and their book value is now zero yen. Furthermore, we anticipate booking bad debt losses due to the write-off of receivables from subsidiaries and sub-subsidiaries over which we have lost control. While some provisions for bad debts have already been recorded, we continue to make efforts towards recovery. Note that these bad debt losses will be eliminated in the consolidated financial statements, hence they will not impact the consolidated profit and loss.

Transfer of Subsidiary Shares

(1) Overview of the Subsidiary Share Transfer

On September 19, 2024, at a board of directors meeting, our company resolved to transfer the shares of our consolidated subsidiary, Genieology Design DMCC (hereinafter referred to as "GO"). A share transfer agreement was signed on September 20, 2024, and the share transfer was executed on September 23, 2024.

1) Number of shares and percentage of voting rights owned by the company before and after the transfer

	Number of shares owned	Percentage of voting rights
Before the Transfer	80 shares	100%
After the Transfer	-%	-%

2) Transfer Price

The transfer price for the shares and interests in Genieology Design DMCC ("GO") and its subsidiary Genieology Design Yazılım Limited Şirketi ("TR") combined amounted to 223 million yen. To ensure fairness, the valuation was based on a third-party valuation by Univis Consulting, which amounted to 161 million yen. The valuation was determined through fair negotiation processes and is recognized as a fair value. The valuation was conducted using the income approach (DCF method).

(2) Main Reasons for the Subsidiary Share Transfer

The group is committed to transforming the world through technology leveraging diversity, operating digital consulting businesses in 12 countries across APAC, EMEA, and AMER. As previously announced on May 31, 2024, in "Notice on Rationalization of Personnel Reduction and Policy Decision on Dissolution of Consolidated Subsidiaries," we have been working to drastically review the cost structure in EMEA and AMER to achieve early profitability. In the current climate, where prioritizing profitability is paramount, it is essential to reduce management risks. After negotiations with Mr. Calvin, the founder of GO who was centrally involved in design consulting in the Middle East, we decided to transfer all shares of GO held by our company to Mr. Calvin, in light of cost reduction and early realization of organizational restructuring within the group. As a result of this share transfer, GO and its subsidiary TR have been excluded from our consolidation scope.

(3) Overview of Subsidiaries Losing Control

1) GO

Overview

1. Name	Genieology Design DMCC		
2. Location	Jumeirah Lakes Towers, Dubai		
3. Representative's Position and Name	CEO, Director Calvin Rodney Sylvinus Hart		
4. Business	Design Consulting Business		
5. Capital	80,000 AED (approximately 3.5 million yen)		
6. Date of Establishment	October 16, 2018		
7. Financial Performance and Financial Position in the Last Three Years			
Fiscal Year	FY 2021 December	FY 2022 December	FY 2023 December
Total Assets (million yen)	-	495	459
Net Assets (million yen)	-	353	275
Per Share Net Assets (yen)	-	4,415,605	3,438,246
Sales (million yen)	-	539	557

Operating Income (million yen)	-	336	Δ101
Ordinary Income (million yen)	-	335	Δ102
Net Income Per Share (yen)	-	7,180,101	Δ1,278,538

2) TR

Overview

1. Name	Genieology Design Yazılım Limited Şirketi		
2. Location	TURKEY ISTANBUL SISLI ESENTEPE MAH. TALAT PASA CAD.		
3. Representative's Position and Name	CEO, Director Calvin Rodney Sylvanus Hart		
4. Business	Digital Consulting Services		
5. Capital	50,000 TL (Approx. 240,000 JPY)		
6. Date of Establishment	January 31, 2024		
7. Financial Performance and Financial Position in the Last Three Years			
Fiscal Year	FY 2021 December	FY 2022 December	FY 2023 December
Total Assets (million yen)	-	-	-
Net Assets (million yen)	-	-	-
Per Share Net Assets (yen)	-	-	-
Sales (million yen)	-	-	-
Operating Income (million yen)	-	-	-
Ordinary Income (million yen)	-	-	-
Net Income Per Share (yen)	-	-	-

(4) Overview of the Counterparty in the Subsidiary Share Transfer

1. Name	Calvin Rodney Sylvanus Hart
2. Address	Dubai, United Arab Emirates
3. Current Position and Role	Chief Executive Officer (CEO)

(5) Overview of the Accounting Treatment Implemented

1) Gain on Sale

JPY 254,500 thousand yen

2) Accounting Treatment

The difference between the consolidated book value of the GO shares and the transfer consideration has been recorded under "Other Income" in the summary consolidated statement of profit and loss.

10. Subsequent Events

- 1) Issuance of preferred shares through a third-party allotment, partial amendment of the articles of incorporation, reduction of capital and capital reserve, and appropriation of surplus

At the Board of Directors meeting held on January 15, 2025, the company resolved to issue preferred shares through a third-party allotment, make partial amendments to the articles of incorporation, reduce the amounts of capital and capital reserve, and appropriate surplus.

The outline is as follows:

To issue Class A preferred shares by way of a third-party allotment to The San-in Godo Bank, Ltd., with a total issuance amount of 3,300,000 thousand yen (hereinafter referred to as "this third-party allotment").

Conditional upon the approval of the proposal related to this third-party allotment at the annual general meeting of shareholders scheduled for March 27, 2025 (hereinafter referred to as "this shareholders' meeting"), to partially amend the articles of incorporation concerning the establishment of new provisions related to these preferred shares (hereinafter referred to as "this preferred shares") and make other changes (hereinafter referred to as "this amendment to the articles").

To simultaneously reduce the amounts of capital and capital reserve together with this third-party allotment.

To submit proposals concerning this third-party allotment and this amendment to the articles to this shareholders' meeting.

(1) Overview of This Preferred Share Offering

1. Date of Allotment	March 28, 2025
2. Number of New Shares Issued	9,300,000 shares
3. Issue Price	100 yen per share
4. Total Amount of Issue	3,300,000,000 yen
5. Method of Offering or Allotment (Provisional Allottee)	All shares will be allotted to the allottee as follows: The San-in Godo Bank, Ltd.: 33,000,000 shares
6. Conversion Price	The simple average of the closing prices of our common stock on the Tokyo Stock Exchange (hereinafter referred to as "Tokyo Stock Exchange") from November 27, 2024, to January 14, 2025, excluding days with no closing prices. The calculation is rounded to the nearest second decimal place, resulting in 95.9 yen.
7. Other	For details, please refer to "Notice Regarding Issuance of Preferred Shares through a Third-Party Allotment, Partial Amendment of Articles of Incorporation, Reduction of Capital and Capital Reserve, and Appropriation of Surplus" dated January 15, 2025, and Attachment 1 "Terms of Issuance for Class A Preferred Shares of Monstarlab Holdings Inc." The issuance of these preferred shares is contingent upon the approval of the proposals related to the third-party allotment and the amendment of the articles at the shareholders' meeting, as well as the effectiveness of these amendments. The payment for these preferred shares by the planned allottee is subject to the following main conditions: (a) the representations and warranties made by the company in the underwriting agreement being true and accurate in all material respects, (b) there being no material breach or violation by the company of its obligations pursuant to the underwriting agreement prior to the payment date, (c) the successful execution and continued validity of the entire underwriting agreement, (d) no judicial or administrative decision or procedure exists that restricts or prohibits the execution of this third-party allotment, and (e) the company having completed all necessary legal and internal procedures (including the articles of incorporation) lawfully and effectively concerning this third-party allotment that are required before the payment date.

2) Background and Purpose of This Third-Party Allotment

The mission of our Group is to "leverage diversity to change the world through technology." We aim to create products,

services, and ecosystems with our clients that address global challenges as their digital partner. We also strive to provide opportunities to work, grow, and engage in projects that resolve global issues across borders, contributing to a better world. Our primary business, the "Digital Consulting Business," supports digital transformation (DX) aligned with business challenges and new business needs for corporations and municipalities. This is organized into three regions: APAC (Japan and Asia-Pacific), EMEA (Europe, Middle East, and Africa), and AMER (North, Central, and South America), operating in 12 countries and regions globally.

We have achieved an average annual growth rate of 40% in revenue from 2016 to 2022, driven by geographic expansion. In the EMEA and AMER regions, we made proactive investments in personnel based on expected high growth. However, in these regions, unforeseen delays in acquiring large-scale projects and market customs have resulted in slower growth and a substantial number of non-active employees, thus forming a loss-generating structure.

Given this situation, starting in the second half of 2023, we considered closing unprofitable bases and reorganizing non-active personnel. Concurrently, discussions began on strategic alliances, including capital involvement from other companies (hereafter referred to as "this Strategic Alliance"). Negotiations around this alliance assumed the maintenance of the current structures in EMEA and AMER, causing a delay in structural reforms in these regions during negotiations.

However, in late May 2024, the decision to discontinue the consideration of this Strategic Alliance led us to focus on improving our deficit structure through personnel reductions of non-active employees. Consequently, as announced in the "Notice on the Decision on the Rationalization of Personnel Reductions and the Dissolution of Subsidiaries" on May 31, 2024, given the circumstances that resulted in decreased activity rates and financial losses due to delayed project initiations in EMEA and AMER, we decided to fundamentally reassess cost structures by reducing non-active staff and optimizing office and IT costs, aiming for early profitability.

As noted in the "Notice on Recording of Temporary Expenses and Impairment Losses Associated with Rationalization and Reduction of Executive Compensation" announced on August 14, 2024, we recorded impairment losses for Monstarlab LLC and Genieology Design DMCC, amounting to 1,018,333 thousand yen and 1,742,995 thousand yen, respectively, and a goodwill impairment loss of 937,980 thousand yen for Monstarlab Information Technology LLC, as the expected revenues were not achieved. Additional impairment losses of 441,079 thousand yen were recorded for fixed assets in several subsidiaries during the second quarter of the 2024 fiscal year. As a result, impairment losses totaled 4,140,388 thousand yen, leaving a consolidated net asset deficiency of 2,593,909 thousand yen as of the end of the second quarter of 2024.

Additionally, as disclosed in the "Notice on Issuance of the 81st Series of Stock Acquisition Rights (with Exercise Price Adjustment Clauses) Through Third-Party Allotment" on September 19, 2024, considering our financial shortfall, we recognized the need for rapid capital acquisition to ensure a swift return to a growth pathway, supporting both operational mobility and existing shareholder interests. This led to issuing the 81st series of stock acquisition rights, the 5th and 6th series of bonds.

Furthermore, as part of group restructuring, as disclosed in the "Notice on Changes in Subsidiaries (Bankruptcy or Liquidation of Subsidiaries and Sub-subsidiaries)" and "Notice on Transfer of Shares of Subsidiaries (Change in Subsidiaries)" from September 19, 2024, it was resolved to initiate bankruptcy proceedings and liquidate Monstarlab Denmark ApS (MLDK), its subsidiaries Monstarlab Czech Republic s.r.o. and Monstarlab Middle East DMCC, whilst selling shares of Genieology Design DMCC.

In this environment, by advancing strategic restructuring that includes downsizing personnel and offices abroad, the company aims to reduce expenses and focus on core projects like business transformation and customer experience innovation, continuously securing sales in these areas. Additionally, emphasis will be placed on acquiring new contracts in data enterprise and generative AI projects. Despite these efforts, as of December 2024 year-end, the total bonds and borrowings reached 9,180,556 thousand yen, with cash and deposits at 1,550,889 thousand yen, yet a debt of 4,776,719 thousand yen remains. Thus, improving our financial health requires not only business restructuring to enhance profitability but also capital augmentation to quickly boost equity, balancing debt and equity. Therefore, we decided to proceed with this third-party allotment. By reprioritizing and streamlining operations in unprofitable European and Middle Eastern subsidiaries and focusing on profitable and high-growth potential regions like APAC and AMER, we aim to reduce

management risks and transition to sound profitability and balanced growth. The funds from this third-party allotment will be allocated to reducing interest costs, strengthening finances, and partially repaying borrowings to reduce reliance on debt.

3) Reason for Conducting Fundraising Through This Third-Party Allotment

As mentioned in "(2) Background and Purpose of This Third-Party Allotment," as of the end of December 2024, our company had total bonds and borrowings amounting to 9,180,556 thousand yen, with cash and deposits totaling 1,550,889 thousand yen. However, the debt exceeded assets by 4,776,719 thousand yen. To stabilize our financial condition, it is necessary to procure funds through capital strengthening rather than borrowing from financial institutions or issuing bonds, which are debt-based funding methods.

Considering the impact on existing shareholders, various options were considered. However, issuing new shares through a third-party allotment would result in an immediate dilution of earnings per share in the future, significantly impacting stock prices, making this method challenging for fundraising. Therefore, our company decided that issuing non-voting preferred shares is the optimal method to ensure the necessary funds are secured, resolve the negative equity, and prevent rapid dilution of common shares by setting the conversion period to common shares after March 28, 2028. This approach aligns with capital strengthening while considering the interests of existing shareholders. Consequently, we decided to issue these preferred shares to our primary financial institution, which is the intended allottee.

4) Amount of Funds to be Raised

Total Amount of Subscription Payment	3,300,000,000 yen
Estimated Issuance Expenses	45,000,000 yen
Estimated Net Proceeds	3,255,000,000 yen

※ The estimated breakdown of issuance expenses includes registration and license tax, valuation expenses for the preferred shares, legal fees, and other advisory costs.

5) Specific Uses of Funds to be Raised and Scheduled Disbursement Dates

Specific Use	Amount	Scheduled Disbursement Date
Repayment of borrowings from intended allottee, The San-in Godo Bank, Ltd.	3,255,000,000 yen	March 28, 2025

※ Immediately upon receiving the subscription payment from this third-party allotment, the entire amount will be used to repay the principal of 3,300,000,000 yen from the borrowings listed below to the intended allottee. Issuance expenses will be paid from available funds. The purpose of these borrowings was to secure working capital for effective business utilization.

6) Amendment of Articles of Incorporation

a) Purpose of This Amendment

To allow the issuance of preferred shares, we will add Class A shares as a new type of stock, establish new provisions related to Class A shares, and change the total number of authorized shares and the number of authorized classes of shares.

This amendment is conditional upon the approval of the proposals related to this third-party allotment and the amendment at the shareholders' meeting.

b) Content of This Amendment

For the content of the amendment, please refer to Annex 2 "Details of the Amendment to the Articles of Incorporation" in the timely disclosure dated January 15, 2025, titled "Notice Regarding Issuance of Preferred Shares through Third-Party Allotment, Partial Amendment of Articles of Incorporation, Reduction of Capital and Capital Reserve, and Appropriation of Surplus."

c) Schedule for This Amendment

(a) Date of Board Resolution for Submitting Amendment to Articles at Shareholders' Meeting	January 15, 2025
(b) Date of Shareholders' Meeting Resolution (Planned) / Effective Date of Amendment (Planned)	March 27, 2025
(c) Payment Date for This Third-Party Allotment (Planned)	March 28, 2025

7) Reduction of Capital and Capital Reserve, and Appropriation of Surplus

a) Amount of Capital to be Reduced

Reduce by 3,822,046,424 yen (with adjustments for any increase due to the exercise of new stock acquisition rights between January 15, 2025, and March 26, 2025, and any decrease in capital resulting from the issuance of Class A preferred shares from 1,650,000,000 yen) to make it 100,000,000 yen.

b) Amount of Capital Reserve to be Reduced

Reduce by 11,895,036,880 yen (with adjustments for any increase due to the exercise of new stock acquisition rights between January 15, 2025, and March 26, 2025, and any decrease in capital reserve resulting from the issuance of Class A preferred shares from 1,650,000,000 yen) to make it 25,000,000 yen.

c) Method of Reduction of Capital, etc.

Based on the provisions of Article 447, Paragraph 1, and Article 448, Paragraph 1 of the Companies Act, all reductions in the amount of capital, etc., as described above, will be transferred to other capital surplus.

d) Details of Appropriation of Surplus

a) Item and Amount of Surplus to be Reduced

Deficit amount of retained earnings carried forward on the balance sheet for the fiscal year ending December 2024, finalized in February 2025 (or the amount of increase in other capital surplus from the reduction of capital if it is less than this amount).

b) Item and Amount of Surplus to be Increased

Deficit amount of retained earnings carried forward on the balance sheet for the fiscal year ending December 2024, finalized in February 2025 (or the amount of increase in other capital surplus from the reduction of capital if it is less than this amount).

e) Schedule for Reduction of Capital, etc., and Appropriation of Surplus

(a) Board Resolution on Reduction of Capital, etc. / Shareholders' Meeting Proposal on Reduction of Capital	January 15, 2025
(b) Publication Date for Creditor Objection Notice	February 19, 2025
(c) Final Date for Creditor Objections	March 19, 2025
(d) Date of Shareholders' Meeting Resolution	March 27, 2025
(e) Effective Date of Reduction of Capital, etc., and Appropriation of Surplus	March 28, 2025

f) Future Outlook

The reduction of capital, etc., involves transferring capital and capital reserve into other capital surplus in the equity section of the balance sheet. Additionally, the appropriation of surplus involves transferring other capital surplus to retained earnings carried forward. Neither of these actions affects the total net assets of the company, and therefore they have no impact on the company's performance.

2) Absorption-Type Merger of Wholly-Owned Subsidiaries

At the Board of Directors meeting held on February 7, 2025, the company resolved to execute an absorption-type merger (hereinafter referred to as "this Absorption Merger") of its wholly-owned subsidiaries, Monstarlab Inc. (hereinafter referred to as "Monstarlab") and Monstarlab Music Inc. (hereinafter referred to as "Monstarlab Music"), with the effective merger date set for April 1, 2025.

a) Purpose of the Merger

Our company adopted a holding company structure to efficiently manage subsidiaries spread globally. However, as announced in "Q3 2024 Financial Results [IFRS] (Consolidated)" on November 14, 2024, the fundamental group restructuring resulted in streamlined overseas operations, including personnel optimization and office reduction, simplifying the group structure. Therefore, the necessity to maintain the current structure has diminished.

Meanwhile, the holding company structure has led to organizational overlap and complex management work between the holding company and the Japanese operating companies. To address these issues, we aim to improve management efficiency by merging Monstarlab, which operates the digital consulting business in Japan, and Monstarlab Music, which operates the in-store BGM service "Monster Channel" in Japan.

b) Outline of the Merger

① Merger Schedule

Board Resolution Date: February 7, 2025

Merger Agreement Signing Date: February 7, 2025

Shareholders' Meeting Resolution Date: March 27, 2025

Merger Date (Effective Date): April 1, 2025

② Merger Method

Absorption-type merger with our company as the surviving company and Monstarlab and Monstarlab Music as the dissolving companies.

③ Allocation Details Related to the Merger

Not applicable.

④ Treatment of Stock Acquisition Rights and Bonds with Stock Acquisition Rights of the Dissolving Companies

Not applicable.

⑤ Overview of the Companies Involved in the Merger

		Surviving Company: Absorption-Type Merger	Dissolving Company: Absorption-Type Merger	Dissolving Company: Absorption-Type Merger
(a)	Name	Monstarlab Holdings Inc.	Monstarlab Inc.	Monstarlab Music Inc.
(b)	Location	1-1-39 Hiroo, Shibuya-ku, Tokyo, Prime Square Tower 4F	1-1-39 Hiroo, Shibuya-ku, Tokyo, Prime Square Tower 4F	1-1-39 Hiroo, Shibuya-ku, Tokyo, Prime Square Tower 4F
(c)	Representative's Position/Name	President Hiroki Inagawa	Representative Director Hiroki Inagawa	President Shunya Matsuzono
(d)	Business Description	Digital consulting, software development and sales, etc.	Digital consulting, software development and sales, etc.	Operation of in-store BGM service "Monster Channel", etc.
(e)	Capital	1,940.57 million yen (as of end of Sep. 2024)	100 million yen (as of end of Sep. 2024)	30 million yen (as of end of Sep. 2024)
(f)	Establishment Date	February 3, 2006	July 1, 2021	December 2, 2019
(g)	Number of Issued Shares	39,176,950 shares (as of end of Dec. 2024)	10,000 shares (as of end of Dec. 2024)	600 shares (as of end of Dec. 2024)
(h)	Fiscal Year-End	December 31	December 31	December 31
(i)	Major Shareholders and Shareholding Ratio	JIC Venture Growth Fund 1 Investment Limited Partnership: 19.92% Hiroki Inagawa: 15.16% GLOBAL SHARES EXECUTION SERVICES LIMITED CLIENT ASSET ACCOUNT MONSTARLAB (Nominee: Daiwa Securities Co. Ltd.): 5.84% Japan Post Investment Corporation: 4.55% The San-in Godo Bank, Ltd. (Nominee: Japan Custody Bank, Ltd.): 1.96% (as of the end of June 2024)	Monstarlab Holdings Inc.: 100%	Monstarlab Holdings Inc.: 100%

Financial Position and Business Performance of the Most Recent Fiscal Year

Fiscal Year Ending	December 2023	December 2023	December 2023
Net Assets	2,879,282 thousand yen	1,212,131 thousand yen	42,473 thousand yen
Total Assets	14,728,783 thousand yen	2,509,186 thousand yen	197,528 thousand yen
Net Assets per Share	83.88 yen	121,213.10 yen	70,788.73 yen
Revenue	1,475,564 thousand yen	6,340,199 thousand yen	304,576 thousand yen
Operating Profit (Loss)	-961,573 thousand yen	197,212 thousand yen	12,970 thousand yen
Ordinary Profit (Loss)	-838,931 thousand yen	255,498 thousand yen	13,244 thousand yen

Net Income (Loss) Attributable to Owners of Parent	-2,698,467 thousand yen	169,689 thousand yen	13,782 thousand yen
Net Income (Loss) per Share	-80.28 yen	16,968.90 yen	22,970.36 yen

3) Exercise Status of Stock Acquisition Rights

Part of the 81st stock acquisition rights, issued by our company on October 7, 2024, and allocated to EVO FUND (hereinafter referred to as "these stock acquisition rights"), has been exercised. The exercise status as of the end of January 2025 is as follows:

1. Type and Number of Shares Issued	Common Stock, 3,230,000 shares
2. Total Amount of Exercise Price	237,832,000 yen
3. Increase in Capital	131,630,200 yen
4. Increase in Capital Surplus	130,079,800 yen

As a result, as of January 31, 2025, the total number of issued common shares is 42,406,950 shares, the capital stock is 2,306,955 thousand yen, and the capital surplus is 11,026,793 thousand yen.

4) Amendment to Share Transfer Agreement

As announced in the "Notice Regarding Change of Consolidated Subsidiary to Equity-Method Affiliate" on December 20, 2023 (hereinafter referred to as "this press release"), the company resolved to transfer part of its shares in ECAP DMCC (hereinafter referred to as "ECAP") on December 21, 2023 (local time), and entered into a share transfer agreement (hereinafter referred to as "this share transfer agreement"). However, the Board of Directors resolved on February 7, 2025, to partially amend this share transfer agreement.

As a result, the acquisition of treasury shares without compensation will occur in accordance with the provisions of Article 155, Item 13 of the Companies Act and Article 27, Item 1 of the Enforcement Regulations of the said Act.

a) Reason for the Amendment

The two founders of ECAP (hereinafter referred to as "the transferees") were expected to make the payment for the share transfer under this share transfer agreement as stated in the press release. However, due to the deterioration of the transferees' financial condition, the payment was delayed. Despite ongoing negotiations, there was no prospect of improvement in the financial situation of the transferees, and, as of this year, the sustainability of ECAP was also in question. If ECAP ceases to exist, it would be challenging to receive payment as initially agreed. Therefore, the company decided to amend the transfer price in this share transfer agreement and add transaction terms to recognize receivables appropriately and achieve the maximum feasible benefit given the transferees' financial condition.

b) Details of the Amendment

Before the Amendment:

(a)	Number of Shares Owned Before Change	10,000 shares (Number of Voting Rights: 10,000) (Voting Rights Ownership Ratio: 100%)
(b)	Number of Shares Transferred	6,500 shares (Number of Voting Rights: 6,500) (Voting Rights Ownership Ratio: 65.0%)
(c)	Transfer Price	1,799,850 USD
(d)	Number of Shares Owned After Change	3,500 shares (Number of Voting Rights: 3,500) (Voting Rights Ownership Ratio: 35.0%)

After the Amendment:

(a)	Number of Shares Owned Before Change	10,000 shares (Number of Voting Rights: 10,000) (Voting Rights Ownership Ratio: 100%)
(b)	Number of Shares Transferred	6,500 shares (Number of Voting Rights: 6,500) (Voting Rights Ownership Ratio: 65.0%)
(c)	Transfer Price	640,000 USD
(d)	Number of Shares Owned After Change	3,500 shares (Number of Voting Rights: 3,500) (Voting Rights Ownership Ratio: 35.0%)

Additional Provisions

(a)	Additional Transfer of Shares	3,500 shares (Number of Voting Rights: 3,500) (Voting Rights Ownership Ratio: 35.0%) Transfer Price 0 USD (No charge)
(b)	Acquisition (Purchase) of Our Common Shares	243,300 shares (Number of Voting Rights: 2,433) (Voting Rights Ownership Ratio: 0.74%) Acquisition Price 0 USD (No charge)

(c)	Dividend Distribution	From the date of revised contract, if ECAP pays common stock dividends to the transferees, the transferees are obliged to pay 35% of that amount to the company until reaching 1,000,000 USD
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c) Schedule

(a)	Initial Contract Signing	December 21, 2023 (local time)
(b)	Revised Contract Signing	February 7, 2025
(c)	Payment Date for Revised Share Transfer Consideration	March 15, 2025
(d)	Scheduled Date for Additional Share Transfer	March 15, 2025
(e)	Scheduled Date for Acquisition of Our Common Shares	March 15, 2025

※ Regarding (c), (d), and (e), they will all be conducted on the same day and are scheduled to be executed once all preparations are complete.

d) Impact on Performance

The reduction in the share transfer amount, totaling 122,576 thousand yen (*), has been recorded as an allowance for doubtful accounts under other expenses in the fourth quarter of the fiscal year ending December 2024.

This was calculated by subtracting the post-reduction consolidated claim amount of 100,368 thousand yen from the pre-reduction consolidated claim amount of 222,944 thousand yen.

11. Notes about Premise of a Going Concern

Our group has been carrying out organizational transformations and structural reforms as part of efforts to swiftly resolve significant operating losses and negative operating cash flows for two consecutive periods. This involves a thorough evaluation of the current and future profitability of subsidiaries within the region, and we are continuously executing comprehensive group organizational restructuring.

As a result, in this consolidated cumulative period, we have recorded an impairment loss of JPY 4,320,639 thousand, primarily on goodwill and fixed assets. Also, due to significant operating losses and a net loss for the period, we have a negative equity position of JPY 4,776,719 thousand at the end of the financial period. Consequently, there is significant doubt about our ability to continue as a going concern.

To address this situation, our group is implementing the following measures:

1. Measures for Revenue Improvement

As announced on May 31, 2024, in the "Announcement Regarding the Rationalization and Dissolution of Consolidated Subsidiaries," our group is strengthening project acquisition in the healthcare, life sciences, and financial sectors, where we are establishing strengths. Additionally, we aim to build a stable growth foundation by investing in proprietary technologies that facilitate differentiation in areas such as geolocation and pricing strategies, while advancing globalization of solutions developed from past DX project achievements. From fiscal 2025 onwards, we strive to increase sales and profits by enhancing the value in our SoE areas of expertise, strengthening data domains such as geolocation data and price sensitivity, and advancing enterprise system development using generative AI. We are also leveraging partnerships and investments with leading technology companies, consulting firms, and business corporations to continuously enhance our technical and sales capabilities.

2. Company-wide Cost Reduction Measures

As announced on May 31, 2024, we are reducing non-operational personnel by more than 50% in the EMEA region by December 31, 2024, based on the conditions as of March 31, 2024, and reducing fixed costs by downsizing offices and revising IT costs. This has resulted in a reduction of selling, general, and administrative expenses by JPY 667,431 thousand compared to the previous year's same period for continuing consolidated subsidiaries, excluding temporary costs. We will continue to cut costs further through ongoing office downsizing and IT cost revision.

3. Financial Measures

To swiftly improve the profitability and financial position of our group, we have completed an equity financing by exercising a portion of the 81st stock acquisition rights allocated to EVO FUND on October 7, 2024, as stated in "Notes to Financial Statements Item 10: Subsequent Events (Exercise Status of Stock Acquisition Rights)." As of January 31, 2025, 80,800 stock

acquisition rights have been exercised, raising JPY 764,860 thousand. We aim to continue active capital raising strategies, including addressing our negative equity with various types of equity financing, considering future growth investments. Additionally, as noted in "Notes to Financial Statements Item 10: Subsequent Events (Issuance of Preferred Stock through Third-Party Allotment)," our board of directors resolved to issue A-class preferred stock for JPY 3,300,000 thousand, with the Shimane Bank as the planned allottee, conditional upon approval at the regular shareholders' meeting scheduled for March 27, 2025.

We are negotiating with financial institutions for grace periods on repayment of principal and maintaining close relationships to ensure ongoing support.

4. Business Consolidation

As noted in "Notes to Financial Statements Item 9: Loss of Control," we are implementing business consolidations, including the initiation of bankruptcy proceedings and the transfer of shares for EMEA subsidiaries, focusing on high-profit and high-growth businesses to reduce management risks and transition to a balanced management that generates healthy profits and growth.

However, these measures are still in progress, and final agreements with involved parties have not been reached, hence significant uncertainties remain regarding the assumption of our company as a going concern. The consolidated financial statements are prepared on a going concern basis and do not reflect the impact of significant uncertainties related to this assumption.