

Translation

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**Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year
Ending December 31, 2023 (IFRS)**

May 15, 2023

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: Director/Executive Vice President and CFO Yoshihiro Nakahara TEL 03(4455)7243
 Scheduled date to file Quarterly Securities Report: May 15, 2023
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly 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 Three Months Ended March 31, 2023 (January 1, 2023, to March 31, 2023)

(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	%
Three months ended March 31, 2023	3,638	17.1	353	—	251	25.4	184	58.2	197	49.4	157	88.3
Three months ended March 31, 2022	3,107	54.3	-7	—	200	77.0	116	57.7	131	81.8	83	-37.2

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2023	6.21	6.14
Three months ended March 31, 2022	4.40	4.34

On January 5, 2023, the Company carried out a one-to-50 stock split based on a resolution of the Board of Directors passed at its meeting held on November 21, 2022. The basic earnings per share and diluted earnings per share shown above are calculated based on the assumption that the stock split was carried out at the beginning of the 17th fiscal period (ended December 2022).

(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	%
Three months ended March 31, 2023	14,459	5,657	5,716	39.5
As of December 31, 2022	12,921	4,092	4,584	35.5

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	—	0.00	—	0.00	0.00
Fiscal year ended December 31, 2023	—	—	—	—	—
Fiscal year ended December 31, 2023 (forecast)	—	0.00	—	0.00	0.00

Revision of most recent dividend forecast: No

3. Consolidated Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023, to December 31, 2023)
(Percentages represent year-on-year changes compared to the previous year for full-year forecasts)

	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
Full year	17,441	22.2	1,468	—	1,388	—	883	—	26.69

Revision of most recent earnings forecast: No

Notes

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): No
- (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)	As of December 31, 2023	33,501,950 shares	As of December 31, 2022	634,039 shares
(ii) Number of shares of treasury stock at end of period	As of December 31, 2023	0 shares	As of December 31, 2022	0 shares
(iii) Average number of shares outstanding during the period	Three months ended December 31, 2023	31,761,950 shares	Three months ended December 31, 2022	598,946 shares

On January 5, 2023, the Company carried out a one-to-50 stock split based on a resolution of the Board of Directors passed at its meeting held on November 21, 2022. The share numbers shown above for the fiscal year ended December 31, 2022, indicate the figures before the stock split.

The quarterly financial statements are not subject to quarterly review by a certified public accountant or auditing firm.

Explanation regarding 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, it is not intended to promise its 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 Section 1, "Qualitative Information on Quarterly Financial Results," Subsection 3, "Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information" on pg. 2 of the Appendix.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

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 three months ended March 31, 2023, the global economy and Japanese economy benefited from the economic recovery that accompanied substantial easing of various COVID-19-related restrictions, but the outlook remains uncertain due to the continued impact of surging costs for energy and other items due to the ongoing situation in Ukraine and Russia. In the IT industry, IT-related investment remains strong, and there also continues to be a healthy corporate appetite for investment in digital transformation (DX).

In the current business environment, the Group is focusing on the digital consultancy business as its main business, primarily targeting large 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, in 33 cities across 20 countries and regions. 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).

For the three months ended March 31, 2023, the Group recorded revenue of 3,638,355 thousand yen (+17.1% YoY), operating profit of 353,487 thousand yen (vs. an operating loss of 7,167 thousand yen for the same period last year), profit before tax of 251,817 thousand yen (+25.4% YoY), and profit attributable to owners of parent of 197,169 thousand yen (+49.4% YoY).

Revenue for the three months under review increased by 17.1% YoY, driven by revenue growth in EMEA (particularly the Middle East), although revenue growth in APAC (particularly Japan) slowed temporarily due to project replacement occurring.

Cost of sales increased by 27.5% YoY while selling, general and administrative expenses increased by 31.2% YoY. This was attributable to non-recurring costs, such as costs associated with switching from outsourced suppliers to employees and listing-related expenses, as well as proactive recruitment to support growth.

Although profit of the digital consultancy business fell short of expectations due to the downward pressure on profits caused by the temporary revenue slowdown and cost increases mentioned above, operating profit was in the black, unlike the same period last year, owing to the contribution of other business, which recorded a gain on the sale of the Koala business.

The rate of progress against the full-year forecast is as shown below.

(Unit: Million yen)

	Results for the three months ended March 31, 2023	Full-year forecast	Progress rate
Revenue	3,638	17,441	20.9%
Operating profit	353	1,468	24.1%
Profit before tax	251	1,388	18.1%
Profit attributable to owners of parent	197	883	22.3%

The progress rate for revenue at the end of the first quarter is about 20% in a typical year. Therefore, the progress for revenue is equivalent to a typical year.

Operating profit and profit attributable to owners of parent have been as expected partly due to the gain on sale of the Koala business.

While operating profit of the digital consultancy business for the three months under review was low due to the temporary revenue slowdown and cost increases in APAC and EMEA, our main geographic areas, we plan to steadily transition to a profit creation phase in the second half of this year by working to increase revenue per client for newly acquired projects in APAC and switching from outsourced suppliers to employees in EMEA to improve profitability.

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

1. APAC

For the three months under review, revenue was 1,915,010 thousand yen (+1.2% YoY) and operating profit was 67,850 thousand yen (-78.4% YoY).

Revenue growth slowed due to the combined effects of stagnant new project acquisition caused by consultants focusing on project deliveries in the second and the third quarters of the previous fiscal year and project replacement caused by clients preparing their year-end budgets.

We are already recruiting consultants at twice the pace in the same period last year and plan to complete workforce building that will enable consultants to work on acquiring new projects and prevent the same problem from occurring again in the future. In fact, we secured 16 new projects during the three months under review, representing a 60% increase from 10 new projects in the second quarter and 10 new projects in the third quarter of the previous fiscal year.

With regard to project replacement, the contribution of new projects acquired during the fourth quarter of the previous fiscal year and the first quarter of the current fiscal year to revenue for the three months under review has been limited, as they remain in the consulting phase and have not reached the development phase, so the revenue per project has been small. However, as these projects transition to the development phase, both revenue and operating profit are expected to improve and expand in the second half of this year and beyond.

In terms of costs, since we are continuing to pursue recruitment to support revenue growth in the second half of this year and beyond, talent and recruitment costs created downward pressure on operating profit for the three months under review. However, this increase in talent is expected to contribute to the expansion of revenue and operating profit in the second half of this year.

For these reasons, in the current fiscal year, both revenue and operating profit in APAC are expected to be skewed toward the second half of the year.

2. EMEA

For the three months under review, revenue was 1,367,338 thousand yen (+77.7% YoY) and operating loss decreased to 89,452 thousand yen compared to 167,733 thousand yen for the same period last year.

We achieved significant revenue growth of 77.7% YoY as we expanded projects with existing customers while newly securing projects in the strategy area and large projects with government customers. This is owing to the contribution of the enhancement of a service in which we offer our four service lines of strategy, design, development, and data analytics in turn in an agile (Note 1) manner, resulting from M&A transactions completed in the previous fiscal year.

In terms of costs, in addition to the continuation of advance sales and investments for future venue growth, we switched certain operations from outsourced suppliers to employees, incurring temporary switching costs.

While costs also increased due to annual salary raises at the beginning of the current fiscal year, an increase in the sales price per person rate exceeding the salary increase rate would occur when signing new or renewed contracts. Profitability is therefore expected to improve in the second half of the year.

For these reasons, both revenue and operating profit in EMEA for the current fiscal year is expected to be skewed toward the second half of the year.

3 AMER

For the three months under review, revenue was 233,468 thousand yen (-11.4% YoY) and operating loss was 47,845 thousand yen (as opposed to an operating profit of 30,025 thousand yen for the same period last year).

Partly due to the impact of the recession in the U.S. market, both revenue and operating profit fell. However, as we continue to acquire new projects and ongoing projects transition to the development phase, revenue is expected to increase going forward and be skewed toward the second half of this year.

Similar to EMEA, while costs increased due to an annual salary raise at the beginning of the current fiscal year, an increase in the sales price per person rate exceeding the salary increase rate would occur when signing new or renewed outsourcing contracts. This system will improve profitability in the second half of the year.

For these reasons, as in other regions, both revenue and operating profit in AMER for the current fiscal year are expected to be skewed toward the second half of the year.

Note:

1. “Agile” refers to a development method that has become commonplace in system and software development. “Agile” literally means “quick,” and agile development offers the ability to reduce the time until launch and flexibly respond to any changes in specifications and requirements during the development phase. The agile development approach promotes comprehensive integration of the series of processes required for strategy, design, development, and data analysis through the PDCA cycle, rather than pursuing them separately and sequentially, which is effective for new business development, business transformation, and customer experience transformation.

(2) Explanation of Financial Position

1) Status of assets, liabilities, and equity

The status of various items at the end of the consolidated first quarter under review are as shown below.

(Current assets)

The balance of current assets was 7,437,538 thousand yen (vs. 7,818,219 thousand yen at the end of the previous fiscal year). This includes cash and cash equivalents of 3,259,297 thousand yen (vs. 2,724,484 thousand yen at the end of the previous fiscal year) and trade and other receivables of 2,438,642 thousand yen (vs. 3,073,532 thousand yen at the end of the previous fiscal year).

(Non-current assets)

The balance of non-current assets was 7,022,122 thousand yen (vs. 5,103,278 thousand yen at the end of the previous fiscal year). This includes goodwill of 3,300,592 thousand yen (vs. 3,236,333 thousand yen at the end of the previous fiscal year) and other financial assets of 2,555,609 thousand yen (vs. 449,727 thousand yen at the end of the previous fiscal year).

(Current liabilities)

The balance of current liabilities was 5,580,783 thousand yen (vs. 5,498,560 thousand yen at the end of the previous fiscal year). This includes trade and other payables of 1,381,770 thousand yen (vs. 1,327,415 thousand yen at the end of the previous fiscal year) and bonds and borrowings of 2,461,625 thousand yen (vs. 1,924,423 thousand yen at the end of the previous fiscal year).

(Non-current liabilities)

The balance of non-current liabilities was 3,221,439 thousand yen (vs. 3,330,513 thousand yen at the end of the previous fiscal year). This includes bonds and borrowings of 1,980,678 thousand yen (vs. 1,924,425 thousand yen at the end of the previous fiscal year) and lease liabilities of 649,327 thousand yen (vs. 712,155 thousand yen at the end of the previous fiscal year).

(Total equity)

Total equity was 5,657,438 thousand yen (vs. 4,092,424 thousand yen at the end of the previous fiscal year). This includes share capital of 1,661,914 thousand yen (vs. 1,065,754 thousand yen at the end of the previous fiscal year), capital surplus of 10,072,718 thousand yen (vs. 9,708,785 thousand yen at the end of the previous fiscal year), and retained earnings of minus 6,005,863 thousand yen (vs. minus 6,203,033 thousand yen at the end of the previous fiscal year).

2) Status of cash flows

Cash and cash equivalents (hereinafter referred to as "net cash") at the end of the consolidated first quarter of the fiscal year under review was 3,259,297 thousand yen (vs. 2,724,484 thousand yen at the end of the previous consolidated fiscal year).

Cash flow activities and contributing factors during the consolidated first quarter of the fiscal year under review were as shown below.

(Cash flows from operating activities)

Net cash used in operating activities totaled 871,871 thousand yen (vs. 390,762 thousand yen in the same period last year). The main factors were a profit before tax of 251,817 thousand yen (vs. 200,754 thousand yen for the same period last year), a decrease in trade and other receivables of 659,182 thousand yen (vs. an increase of 358,241 thousand yen for the same period last year), an increase in contract assets of 520,159 thousand yen (vs. a decrease of 12,165 thousand yen for the same period last year), a net outflow from gain on sale of shares of subsidiaries of 768,061 thousand yen (0 yen for the same period last year), a net outflow from other changes of 328,454 thousand yen (a net outflow of 113,923 thousand yen for the same period last year), and income taxes paid of 296,389 thousand yen (44,126 thousand yen for the same period last year).

(Cash flows from investing activities)

Net cash used in investing activities totaled 294,264 thousand yen (vs. 273,875 thousand yen in the same period last year). The main factors include purchase of investment securities of 257,199 thousand yen (vs. 0 yen for the same period last year) and purchase of property, plant and equipment of 32,285 thousand yen (vs. 107,800 thousand yen for the same period last year).

(Cash flows from financing activities)

Net cash provided by financing activities totaled 1,680,215 thousand yen (vs. 243,453 thousand yen in the same period last year). The main factors include proceeds from capital increase of 1,192,320 thousand yen (vs. 16,782 thousand yen for the same period last year), proceeds from long-term borrowings of 600,000 thousand yen (vs. 200,000 thousand yen for the same period last year), repayments of long-term borrowings of 177,382 thousand yen (vs. 130,021 thousand yen for the same period last year), repayments of lease liabilities of 104,638 thousand yen (vs. 93,306 thousand yen for the same period last year), and redemption of bonds of 60,000 thousand yen (vs. 70,000 thousand yen for the same period last year).

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

There has been no change in our earnings forecast announced in the "Notice of the Company's Earnings Information in Connection with the Listing of Its Shares on the TSE Growth Market" released on March 28, 2023.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Statement of Financial Position

(Unit: Thousand yen)

	Note	As of December 31, 2022	As of March 31, 2023
Assets			
Current assets			
Cash and cash equivalents		2,724,484	3,259,297
Trade and other receivables		3,073,532	2,438,642
Contract assets		730,631	1,265,705
Inventories		41	444
Other current assets		434,048	473,448
Subtotal		6,962,739	7,437,538
Assets held for sale	9	855,479	—
Total current assets		7,818,219	7,437,538
Non-current assets			
Property, plant, and equipment		303,604	302,395
Right-of-use assets		350,821	324,867
Goodwill		3,236,333	3,300,592
Intangible assets		579,171	428,736
Other financial assets	5	449,727	2,555,609
Deferred tax assets		109,653	35,898
Other non-current assets		73,967	74,022
Total non-current assets		5,103,278	7,022,122
Total assets		12,921,498	14,459,660

(Unit: Thousand yen)

	Note	As of December 31, 2022	As of March 31, 2023
Liabilities and equity			
Current liabilities			
Trade and other payables		1,327,415	1,381,770
Contract liabilities		151,104	148,841
Bonds and borrowings	5	1,924,423	2,461,625
Lease liabilities		312,384	291,450
Income taxes payable		346,373	122,027
Allowance		26,984	24,661
Other current liabilities		1,392,395	1,150,405
Subtotal		5,481,081	5,580,783
Liabilities directly related to assets held for sale	9	17,478	—
Total current liabilities		5,498,560	5,580,783
Non-current liabilities			
Bonds and borrowings		1,924,425	1,980,678
Lease liabilities		712,155	649,327
Allowance		126,832	136,158
Deferred tax liabilities		205,190	86,996
Other non-current liabilities		361,910	368,278
Total non-current liabilities		3,330,513	3,221,439
Total liabilities		8,829,073	8,802,222
Equity			
Share capital		1,065,754	1,661,914
Capital surplus		9,708,785	10,072,718
Retained earnings		-6,203,033	-6,005,863
Other components of equity		12,651	-11,769
Total equity attributable to owners of parent		4,584,158	5,716,999
Non-controlling interests		-491,733	-59,560
Total equity		4,092,424	5,657,438
Total liabilities and equity		12,921,498	14,459,660

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

(Unit: Thousand yen)

	Note	Three months ended March 31, 2022	Three months ended March 31, 2023
Revenue	7	3,107,748	3,638,355
Cost of sales		-2,003,173	-2,553,655
Gross profit		1,104,575	1,084,700
Selling, general, and administrative expenses		-1,121,205	-1,470,505
Other income		13,672	785,684
Other expenses		-4,210	-46,391
Operating profit (loss)		-7,167	353,487
Finance income		234,703	27,326
Finance costs		-26,782	-128,997
Profit (loss) before tax		200,754	251,817
Income tax expenses		-84,425	-67,745
Profit (loss)		116,328	184,071
Profit (loss) attributable to			
Owners of parent		131,938	197,169
Non-controlling interests		-15,609	-13,097
Profit (loss)		116,328	184,071
Earnings (loss) per share			
Basic earnings (loss) per share (yen)	8	4.40	6.21
Diluted earnings (loss) per share (yen)	8	4.34	6.14

(Quarterly Consolidated Statement of Comprehensive Income)

(Unit: Thousand yen)

	Note	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit (loss)		116,328	184,071
Other comprehensive income			
Items that may not be reclassified to profit or loss:			
Remeasurement of defined benefit plans		4	11
Total of items		4	11
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-32,562	-26,320
Total of items		-32,562	-26,320
Other comprehensive income, net of tax		-32,557	-26,308
Total comprehensive income		83,770	157,762
Total comprehensive income attributable to			
Owners of parent		100,319	172,748
Non-controlling interests		-16,548	-14,985
Total comprehensive income		83,770	157,762

(3) Quarterly Consolidated Statement of Changes in Equity

For the three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

(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, 2022		392,634	8,804,510	-5,528,265	83,048	454	83,503	3,752,382	-441,204	3,311,178
Profit (loss)		—	—	131,938	—	—	—	131,938	-15,609	116,328
Other comprehensive income		—	—	—	-31,623	4	-31,618	-31,618	-938	-32,557
Total comprehensive income		—	—	131,938	-31,623	4	-31,618	100,319	-16,548	83,770
Issuance of new shares		8,476	8,305	—	—	—	—	16,782	—	16,782
Share-based payment transactions		—	61,551	—	—	—	—	61,551	—	61,551
Loss of control of subsidiaries		—	—	—	—	—	—	—	—	—
Other		—	—	—	—	—	—	—	-10	-10
Total transactions with owners and other transactions		8,476	69,856	—	—	—	—	78,333	-10	78,322
Balance as of March 31, 2022		401,111	8,874,367	-5,396,327	51,425	459	51,884	3,931,035	-457,763	3,473,272

For the three months ended March 31, 2023 (From January 1, 2023 to March 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)		—	—	197,169	—	—	—	197,169	-13,097	184,071
Other comprehensive income		—	—	—	-24,432	11	-24,421	-24,421	-1,887	-26,308
Total comprehensive income		—	—	197,169	-24,432	11	-24,421	172,748	-14,985	157,762
Issuance of new shares		596,160	586,559	—	—	—	—	1,182,719	—	1,182,719
Share-based payment transactions		—	89,205	—	—	—	—	89,205	—	89,205
Loss of control of subsidiaries		—	131,326	—	—	—	—	131,326	4,025	135,352
Other		—	-443,158	—	—	—	—	-443,158	443,132	-26
Total transactions with owners and other transactions		596,160	363,932	—	—	—	—	960,092	447,157	1,407,250
Balance as of March 31, 2023		1,661,914	10,072,718	-6,005,863	-12,295	525	-11,769	5,716,999	-59,560	5,657,438

(4) Quarterly Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Note	Three months ended March 31, 2023	Three months ended March 31, 2023
Cash flows from operating activities			
Profit (loss) before tax		200,754	251,817
Depreciation and amortization		169,683	107,107
Financial income and financial costs		26,732	-1,980
Gain on sale of shares of subsidiaries		—	-768,061
Decrease (increase) in trade and other receivables		-358,241	659,182
Increase (decrease) in trade and other payables		-260,502	38,240
Decrease (increase) in inventories		-2,451	925
Decrease (increase) in contract assets		12,165	-520,159
Other changes		-113,923	-328,454
Subtotal		-325,785	-561,383
Interest received		50	915
Interest paid		-20,900	-15,014
Corporate income taxes paid		-44,126	-296,389
Cash flows from operating activities		-390,762	-871,871
Cash flows from investing activities			
Purchase of property, plant, and equipment		-107,800	-32,285
Purchase of intangible assets		-103,063	-16,996
Purchase of investment securities		—	-257,199
Other		-63,011	12,216
Cash flows from investing activities		-273,875	-294,264
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		320,000	229,917
Proceeds from long-term borrowings		200,000	600,000
Repayments of long-term borrowings		-130,021	-177,382
Redemption of bonds		-70,000	-60,000
Repayment of lease liabilities		-93,306	-104,638
Issuance of new shares		16,782	1,192,320
Cash flows from financing activities		243,453	1,680,215
Effect of exchange rate changes on cash and cash equivalents		67,400	20,732
Net increase (decrease) in cash and cash equivalents		-353,784	534,812
Cash and cash equivalents at beginning of period		4,241,998	2,724,484
Cash and cash equivalents at end of period		3,888,214	3,259,297

(5) Notes about Quarterly 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 three months ended March 31, 2023, 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 quarterly consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as prescribed in Article 93 of the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No. 64 of 2007), since the Group qualifies as a "specified company complying with designated international accounting standards" per Article 1-2 of the Regulation.

As the quarterly financial statements do not include all information required for annual consolidated financial statements, they should be used in combination with the consolidated financial statements for the fiscal year ended December 31, 2022.

The quarterly consolidated financial statements were approved by Representative Director/Group CEO Hiroki Inagawa and Director/Executive Vice President and CFO Yoshihiro Nakahara on May 15, 2023.

(2) Functional currency and presentation currency

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

3. Material accounting policies

The material accounting policies applied to the Group's quarterly consolidated financial statements are the same as those applied to the consolidated financial statements for the previous consolidated fiscal year.

4. Significant accounting judgements, estimates, and assumptions

In preparing the Group's quarterly consolidated financial statements, management is required to make judgments, estimates, and assumptions that affect the application of the Group's accounting policies and reported amounts of income, expenses, assets, and liabilities, as well as the disclosure of contingent liabilities. However, uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the book values of assets or liabilities in future periods.

Any judgements, estimates, and assumptions that have a significant impact on the amounts of the quarterly consolidated financial statements are, in principle, the same as those pertaining to 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, 2022

(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	—	—	245,120	245,120
Total	—	—	245,120	245,120
Liabilities:				
Financial liabilities measured with fair value through profit or loss				
Contingent consideration*	—	—	698,536	698,536
Total	—	—	698,536	698,536

For the three months ended March 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	—	—	2,323,953	2,323,953
Total	—	—	2,323,953	2,323,953
Liabilities:				
Financial liabilities measured with fair value through profit or loss				
Contingent consideration*	—	—	741,876	741,876
Total	—	—	741,876	741,876

* 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 quarterly consolidated statement of financial position.

(2) Reconciliation of Level 3 fair values

(Unit: Thousand yen)

	Equity shares	Contingent consideration
Balance as of January 1, 2022	140,047	54,739
Purchase	33,033	—
Sale	—	—
Comprehensive income		
Profit (loss)	—	3,507
Other comprehensive income	—	—
Other	—	—
Balance as of March 31, 2022	173,080	58,247
Gains or losses recognized in profit or loss in relation to financial instruments held on March 31, 2022	—	3,507

(Unit: Thousand yen)

	Equity shares	Contingent consideration
Balance as of January 1, 2023	245,120	698,536
Purchase	2,085,454	—
Sale	33,033	—
Comprehensive income		
Profit (loss)	26,411	43,339
Other comprehensive income	—	—
Other	—	—
Balance as of March 31, 2023	2,323,953	741,876
Gains or losses recognized in profit or loss in relation to financial instruments held on March 31, 2023	26,411	43,339

(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, 2022	
	Book value	Fair value
Assets:		
Financial assets measured with amortized cost		
Other financial assets	233,231	232,606
Liabilities:		
Bonds and borrowings	3,848,849	3,831,986

(Unit: Thousand yen)

	As of March 31, 2023	
	Book value	Fair value
Assets:		
Financial assets measured with amortized cost		
Other financial assets	260,304	260,173
Liabilities:		
Bonds and borrowings	4,442,304	4,434,060

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 three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

(Unit: Thousand yen)

	Digital consultancy business	Other business	Total	Adjustments	Amount on quarterly consolidated financial statement
Revenue					
Revenue from external customers	2,921,409	176,899	3,098,309	9,439	3,107,748
Inter-segment revenue	41,453	—	41,453	-41,453	—
Total	2,962,863	176,899	3,139,762	-32,013	3,107,748
Segment profit (loss)	170,287	-36,959	133,327	-140,494	-7,167
Finance income					234,703
Finance costs					-26,782
Profit (loss) before tax					200,754

For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Unit: Thousand yen)

	Digital consultancy business	Other business	Total	Adjustments	Amount on quarterly consolidated financial statement
Revenue					
Revenue from external customers	3,513,911	122,538	3,636,450	1,905	3,638,355
Inter-segment revenue	16,610	—	16,610	-16,610	—
Total	3,530,521	122,538	3,653,060	-14,704	3,638,355
Segment profit (loss)	-71,353	732,599	661,245	-307,758	353,487
Finance income					27,326
Finance costs					-128,997
Profit (loss) before tax					251,817

(3) Information by Region

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

(Unit: Thousand yen)

		Three months ended March 31, 2022	Three months ended March 31, 2023
Digital consultancy business	APAC	1,880,118	1,915,010
	EMEA	786,866	1,367,338
	AMER	263,864	233,468
Other business	APAC	121,062	101,266
	AMER	55,836	21,272
Total		3,107,748	3,638,355

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)

	Three months ended March 31, 2022
Profit (loss) attributable to ordinary shareholders of parent	
Profit attributable to owners of parent	131,938
Profit not attributable to ordinary shareholders of parent	—
Profit used for calculating earnings per share	131,938
Average number of shares outstanding during the period	29,947,300 shares
Basic earnings (loss) per share	
Basic earnings (loss) per share	4.40 yen

On January 5, 2023, the Company carried out a one-to-50 stock split based on a resolution of the Board of Directors passed at its meeting held on November 21, 2022. The total equity attributable to owners of parent per share, basic earnings (loss) per share, and diluted earnings (loss) per share shown above are calculated based on the assumption that the stock split was carried out at the beginning of the 17th term (fiscal year ended December 2022).

(Unit: Thousand yen)

	Three months ended March 31, 2023
Profit (loss) attributable to ordinary shareholders of parent	
Profit attributable to owners of parent	197,169
Profit not attributable to ordinary shareholders of parent	—
Profit used for calculating earnings per share	197,169
Average number of shares outstanding during the period	31,761,950 shares
Basic earnings (loss) per share	
Basic earnings (loss) per share	6.21 yen

No transaction affecting the earnings per share took place between the end of the first quarter of the consolidated fiscal year under review and the date on which the quarterly 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)

	Three months ended March 31, 2022
Profit (loss) attributable to ordinary shareholders (diluted)	
Profit used for calculation of basic earnings per share	131,938
Adjustments to profit	—
Profit used for calculating diluted earnings per share	131,938
Average number of shares outstanding during the period	29,947,300 shares
Dilutive effect	446,300 shares
After adjustment for dilutive effect	30,393,600 shares
Diluted earnings per share	
Diluted earnings per share	4.34 yen

On January 5, 2023, the Company carried out a one-to-50 stock split based on a resolution of the Board of Directors passed at its meeting held on November 21, 2022. The total equity attributable to owners of parent per share, basic earnings (loss) per share, and diluted earnings (loss) per share shown above are calculated based on the assumption that the stock split was carried out at the beginning of the 17th term (fiscal year ended December 2022).

(Unit: Thousand yen)

	Three months ended March 31, 2023
Profit (loss) attributable to ordinary shareholders (diluted)	
Profit used for calculation of basic earnings per share	197,169
Adjustments to profit	—
Profit used for calculating diluted earnings per share	197,169
Average number of shares outstanding during the period	31,761,950 shares
Dilutive effect	355,080 shares
After adjustment for dilutive effect	32,117,030 shares
Diluted earnings per share	
Diluted earnings per share	6.14 yen

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

9. Loss of Control

a. Three months ended March 31, 2022 (From January 1, 2022 to March 31, 2022)

Not applicable.

b. Three months ended March 31, 2023 (From January 1, 2023 to March 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 quarterly consolidated statement of profit or loss.

10. Subsequent Events

(1) Issuance of new shares through third-party allotment

In relation to a secondary offering based on over-allotment, at its meetings held on February 24, 2023, and March 9, 2023, the Board of Directors of the Company resolved to carry out an issuance of new shares through third-party allotment in which the new shares will be allotted to Daiwa Securities Co., Ltd. so that it will acquire the shares necessary to return common shares of the Company borrowed from Hiroki Inagawa, a shareholder of the Company. The payment was completed on April 26, 2023.

The following is an overview:

1) Class and number of shares for subscription

Common stock: 779,000 shares

2) Allotment price

662.40 yen per share

3) Paid-in amount

561 yen per share

4) Matters concerning the increases in share capital and legal capital surplus

Increase in share capital: 331.20 yen per share, increase in legal capital surplus: 331.20 yen per share

5) Total allotment price

516,009,600 yen

6) Amount of increase in share capital

258,004,800 yen

7) Amount of increase in legal capital surplus

258,004,800 yen

8) Payment Date

April 26, 2023

9) Use of funds

We plan to allocate the funds to working capital, recruitment and training expenses, and outsourcing expenses.

11. Notes about Premise of a Going Concern

Not applicable.