

**Translation**

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

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

August 14, 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: August 14, 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 Six Months Ended June 30, 2023 (January 1, 2023, to June 30, 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	%
Six months ended June 30, 2023	6,760	5.2	-468	—	123	—	52	—	7	—	-116	—
Six months ended June 30, 2022	6,424	54.3	-708	—	-285	—	-462	—	-444	—	-539	—

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended June 30, 2023	0.23		0.23	
Six months ended June 30, 2022	-14.80		-14.80	

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	%
As of June 30, 2023	15,563	5,976	5,980	38.4
As of December 31, 2022	12,983	4,092	4,584	35.3

Note: In the second quarter of the fiscal year ending December 31, 2023, we finalized certain temporary accounting treatments concerning business combinations. Figures for the fiscal year ended December 31, 2022 have been prepared by reflecting the results of finalization of the temporary accounting treatments.

**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	—	0.00			
Fiscal year ended December 31, 2023 (forecast)			—	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		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	14,273	0.0	-1,255	—	-783	—	-923	—	-968	—	-28.67

Revision of most recent earnings forecast: Yes

For the revision of our consolidated earnings forecast, please refer to the “Notice of Revision of Full-year Consolidated Earnings Forecast, Recognition of Structural Reform Expenses, and Reduction in Directors’ Remuneration” released today (August 14, 2023).

#### 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 June 30, 2023	34,280,950 shares	As of December 31, 2022	634,039 shares
As of June 30, 2023	0 shares	As of December 31, 2022	0 shares
Six months ended June 30, 2023	33,781,701 shares	Six months ended June 30, 2022	600,986 shares

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

(iii) Average number of shares outstanding during the period

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.

## Contents of Appendix

1.	Qualitative Information on Quarterly Financial Results.....	2
(1)	Explanation of Operating Results.....	2
(2)	Explanation of Financial Position.....	3
(3)	Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information.....	4
2.	Quarterly Consolidated Financial Statements and Notes.....	5
(1)	Quarterly Consolidated Statement of Financial Position.....	5
(2)	Quarterly Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income.....	7
(3)	Quarterly Consolidated Statement of Changes in Equity.....	9
(4)	Quarterly Consolidated Statement of Cash Flows.....	10
(5)	Notes about Quarterly Consolidated Financial Statements.....	11
1.	Reporting Company.....	11
2.	Basis for Preparing Consolidated Financial Statements.....	11
3.	Material Accounting Policies.....	11
4.	Significant Accounting Judgments, Estimates, and Assumptions.....	11
5.	Fair Values of Financial Instruments.....	12
6.	Revenue.....	16
7.	Operating Segments .....	16
8.	Earnings per Share.....	18
9.	Loss of Control.....	20
10.	Business Combinations.....	22
11.	Subsequent Events.....	24
12.	Notes about Premise of a Going Concern.....	25

## 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 six months ended June 30, 2023, the global economy and the Japanese economy benefited from the recovery of economic activities that accompanied the lifting of COVID-19-related restrictions, but the outlook remains uncertain due to the impact of surging costs for energy and other items caused by the ongoing situation in Ukraine and the slowdown in overseas economies triggered by monetary tightening. 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 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, across 20 countries and regions. (As of June 30, 2023) 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).

Revenue for the six months under review increased only slightly YoY. This was mainly because (1) the number of projects in the development phase fell short of expectations in APAC, (2) progress in ongoing projects and sales activities stagnated in the Middle East due to a seasonal factor during the Ramadan period (late March to late April), and (3) new orders were sluggish due to concerns about recession in the U.S. and Europe except for certain strong areas, such as life sciences. As for operating profit, the Group recorded an operating loss as a result of less-than-expected revenue, combined with costs for proactive investment that assumed growth and the depreciation of the yen, which further dragged down profit. On the other hand, the Group recorded a profit attributable to owners of parent of 7,857 thousand yen as it recognized financial income of profit on currency exchange of 633,927 thousand yen arising from changes in fair value, including those arising from changes in exchange rates with regard to loans from the Company to overseas subsidiaries (which are foreign currency-denominated borrowings from parent from the perspective of subsidiaries) (mainly in EMEA) and foreign currency-denominated securities held by the Company, which are shares of a U.S. company, Chowly, Inc.

In summary, for the six months ended June 30, 2023, the Group recorded revenue of 6,760,263 thousand yen (+5.2% YoY), operating loss of 468,654 thousand yen (vs. an operating loss of 708,474 thousand yen for the same period last year), profit before tax of 123,369 thousand yen (vs. a loss before tax of 285,121 thousand yen for the same period last year), and profit attributable to owners of parent of 7,857 thousand yen (vs. a loss attributable to owners of parent of 444,715 thousand yen for the same period last year).

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

#### 1. APAC

For the six months under review, revenue was 3,614,088 thousand yen (−3.1% YoY) and operating profit was 88,093 thousand yen (−84.1% YoY).

During the six months under review, the number of new projects acquired remained strong, and the newly acquired projects included projects with expected annual revenue of over 50 million yen and over 100 million yen. On the other hand, some of the existing projects ended or were scaled down. In addition, transition to the development phase was delayed in some projects as they required the formulation of DX strategy in relation to business strategy, and some projects ended without moving to the development phase because it was determined that product development was not the optimal solution. As a result, the number of development phase projects, whose revenue tends to be large, remained low, and revenue for the six months under review decreased slightly YoY.

Operating profit decreased by 84.1% YoY due to the costs for proactive investment and increase in personnel expenses caused

by the depreciation of the yen.

## 2. EMEA

For the six months under review, revenue was 2,504,684 thousand yen (+39.0% YoY) and operating loss increased to 718,923 thousand yen compared to 696,684 thousand yen for the same period last year.

New orders were strong in the Middle East, our focus market in EMEA, as exemplified by the acquisition of large projects. However, while the seasonal impact (of Ramadan) on revenue was limited in the same period last year as revenue in the Middle East was mainly generated from international companies contracted in the UAE, revenue for the six months under review was impacted significantly by the seasonal factor as it depended mainly on large local companies and local governments in Saudi Arabia and the UAE. As a result, revenue growth slowed due to delays in the progress of existing projects and sluggish sales activities. In Europe, new orders remained weak due to concerns about recession and the protracted Russia-Ukraine situation and the continuation of inflation, except for certain strong areas, such as life sciences, financial services.

As for operating profit, the Group recorded an operating loss as it invested proactively assuming growth while revenue growth actually slowed down, and the cost for the investment dragged down profit.

## 3. AMER

For the six months under review, revenue was 424,329 thousand yen (-24.9% YoY) and operating loss increased to 95,985 thousand yen compared to 22,747 thousand yen for the same period last year.

Existing clients are cutting back on DX investments due to concerns about recession in the U.S. market, resulting in unexpected downsizing for several projects. Although orders for new projects are being received, revenue decreased YoY. As revenue decreased, operating margin loss also decreased YoY.

### (2) Explanation of Financial Position

#### 1) Status of assets, liabilities, and equity

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

##### (Current assets)

The balance of current assets was 7,769,207 thousand yen (vs. 7,818,219 thousand yen at the end of the previous fiscal year). This includes cash and cash equivalents of 3,470,699 thousand yen (vs. 2,724,484 thousand yen at the end of the previous fiscal year) and trade and other receivables of 2,447,622 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 7,794,017 thousand yen (vs. 5,165,579 thousand yen at the end of the previous fiscal year). This includes goodwill of 3,648,326 thousand yen (vs. 3,298,633 thousand yen at the end of the previous fiscal year) and other financial assets of 2,910,007 thousand yen (vs. 449,727 thousand yen at the end of the previous fiscal year).

##### (Current liabilities)

The balance of current liabilities was 6,476,331 thousand yen (vs. 5,560,860 thousand yen at the end of the previous fiscal year). This includes trade and other payables of 863,150 thousand yen (vs. 1,327,415 thousand yen at the end of the previous fiscal year) and bonds and borrowings of 3,681,320 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 3,110,540 thousand yen (vs. 3,330,513 thousand yen at the end of the previous fiscal year). This includes bonds and borrowings of 1,768,049 thousand yen (vs. 1,924,425 thousand yen at the end of the previous fiscal year) and lease liabilities of 612,866 thousand yen (vs. 712,155 thousand yen at the end of the previous fiscal year).

##### (Total equity)

Total equity was 5,976,353 thousand yen (vs. 4,092,424 thousand yen at the end of the previous fiscal year). This includes share capital of 1,919,919 thousand yen (vs. 1,065,754 thousand yen at the end of the previous fiscal year), capital surplus of 10,408,393 thousand yen (vs. 9,708,785 thousand yen at the end of the previous fiscal year), and retained earnings of minus

6,195,176 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 Second quarter of the fiscal year under review was 3,470,699 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 Second quarter of the fiscal year under review were as shown below.

### (Cash flows from operating activities)

Net cash used in operating activities totaled 1,951,381 thousand yen (vs. 537,698 thousand yen in the same period last year). The main factors were a profit before tax of 123,369 thousand yen (vs. minus 285,121 thousand yen for the same period last year), foreign exchange losses (gains) of minus 790,341 thousand yen (vs. minus 188,826 thousand yen for the same period last year), a decrease in trade and other receivables of 794,895 thousand yen (vs. an increase of 587,710 thousand yen for the same period last year), an increase in contract assets of 400,422 thousand yen (vs. an increase of 120,716 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 64,136 thousand yen (a net inflow of 280,641 thousand yen for the same period last year), and income taxes paid of 319,780 thousand yen (52,576 thousand yen for the same period last year).

### (Cash flows from investing activities)

Net cash used in investing activities totaled 539,559 thousand yen (vs. 1,055,500 thousand yen in the same period last year). The main factors include purchase of investment securities of 392,919 thousand yen (vs. 0 yen for the same period last year) and purchase of property, plant and equipment of 55,219 thousand yen (vs. 144,573 thousand yen for the same period last year).

### (Cash flows from financing activities)

Net cash provided by financing activities totaled 3,113,844 thousand yen (vs. 15,777 thousand yen in the same period last year). The main factors include proceeds from capital increase of 1,708,329 thousand yen (vs. 21,239 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 367,061 thousand yen (vs. 228,488 thousand yen for the same period last year), repayments of lease liabilities of 193,221 thousand yen (vs. 193,473 thousand yen for the same period last year), and redemption of bonds of 64,500 thousand yen (vs. 73,500 thousand yen for the same period last year).

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

For our consolidated earnings forecast for the fiscal year ending December 31, 2023, please refer to the "Notice of Revision of Full-year Consolidated Earnings Forecast, Recognition of Structural Reform Expenses, and Reduction in Directors' Remuneration" disclosed separately today.

Note: Our earnings forecasts are prepared based on currently available information and contain uncertain factors. It should be noted that actual results may differ from these forecasts due to various factors as they unfold in the future.

## 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 June 30, 2023
<b>Assets</b>			
Current assets			
Cash and cash equivalents		2,724,484	3,470,699
Trade and other receivables		3,073,532	2,447,622
Contract assets		730,631	1,233,685
Inventories		41	64
Other current assets		434,048	617,133
Subtotal		6,962,739	7,769,207
Assets held for sale	9	855,479	—
Total current assets		7,818,219	7,769,207
Non-current assets			
Property, plant, and equipment		303,604	316,047
Right-of-use assets		350,821	314,666
Goodwill		3,298,633	3,648,326
Intangible assets		579,171	482,074
Other financial assets	5	449,727	2,910,007
Deferred tax assets		109,653	57,938
Other non-current assets		73,967	64,957
Total non-current assets		5,165,579	7,794,017
Total assets		12,983,798	15,563,225

(Unit: Thousand yen)

	Note	As of December 31, 2022	As of June 30, 2023
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables		1,327,415	863,150
Contract liabilities		151,104	260,594
Bonds and borrowings	5	1,924,423	3,681,320
Lease liabilities		312,384	284,518
Income taxes payable		346,373	92,966
Allowance		26,984	28,149
Other current liabilities		1,454,695	1,265,630
Subtotal		5,543,382	6,476,331
Liabilities directly related to assets held for sale	9	17,478	—
Total current liabilities		5,560,860	6,476,331
<b>Non-current liabilities</b>			
Bonds and borrowings		1,924,425	1,768,049
Lease liabilities		712,155	612,866
Allowance		126,832	201,669
Deferred tax liabilities		205,190	129,739
Other non-current liabilities		361,910	398,215
Total non-current liabilities		3,330,513	3,110,540
Total liabilities		8,891,374	9,586,871
<b>Equity</b>			
Share capital		1,065,754	1,919,919
Capital surplus		9,708,785	10,408,393
Retained earnings		-6,203,033	-6,195,176
Other components of equity		12,651	-152,362
Total equity attributable to owners of parent		4,584,158	5,980,774
Non-controlling interests		-491,733	-4,420
Total equity		4,092,424	5,976,353
Total liabilities and equity		12,983,798	15,563,225



(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	Six months ended June 30, 2022	Six months ended June 30, 2023
Revenue	7	6,424,900	6,760,263
Cost of sales		-4,357,484	-4,847,371
Gross profit		2,067,415	1,912,891
Selling, general, and administrative expenses		-2,829,109	-3,156,682
Other income		59,105	838,000
Other expenses		-5,886	-62,863
Operating profit (loss)		-708,474	-468,654
Finance income		458,821	635,038
Finance costs		-35,468	-42,785
Share of loss (profit) of entities accounted for using equity method		—	-229
Profit (loss) before tax		-285,121	123,369
Income tax expenses		-177,182	-70,901
Profit (loss)		-462,303	52,467
Profit (loss) attributable to			
Owners of parent		-444,715	7,857
Non-controlling interests		-17,588	44,610
Profit (loss)		-462,303	52,467
Earnings (loss) per share			
Basic earnings (loss) per share (yen)	8	-14.80	0.23
Diluted earnings (loss) per share (yen)	8	-14.80	0.23

## (Quarterly Consolidated Statement of Comprehensive Income)

(Unit: Thousand yen)

	Note	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit (loss)		-462,303	52,467
Other comprehensive income			
Items that may not be reclassified to profit or loss:			
Remeasurement of defined benefit plans		51	27
Total of items		51	27
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-77,252	-169,458
Total of items		-77,252	-169,458
Other comprehensive income, net of tax		-77,201	-169,431
Total comprehensive income		-539,504	-116,963
Total comprehensive income attributable to			
Owners of parent		-518,289	32,155
Non-controlling interests		-21,215	-149,119
Total comprehensive income		-539,504	-116,963

## (3) Quarterly Consolidated Statement of Changes in Equity

For the Six months ended June 30, 2022 (From January 1, 2022 to June 30, 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)		-	-	-444,715	-	-	-	-444,715	-17,588	-462,303
Other comprehensive income		-	-	-	-73,625	51	-73,573	-73,573	-3,627	-77,201
Total comprehensive income		-	-	-444,715	-73,625	51	-73,573	-518,289	-21,215	-539,504
Issuance of new shares		10,705	10,533	-	-	-	-	21,239	-	21,239
Share-based payment transactions		-	117,152	-	-	-	-	117,152	-	117,152
Loss of control of subsidiaries		-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-121	-121
Total transactions with owners and other transactions		10,705	127,686	-	-	-	-	138,391	-121	138,270
Balance as of June 30, 2022		403,340	8,932,196	-5,972,981	9,423	506	9,929	3,372,485	-462,540	2,909,944

For the six months ended June 30, 2023 (From January 1, 2023 to June 30, 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)		-	-	7,857	-	-	-	7,857	44,610	52,467
Other comprehensive income		-	-	-	-165,041	27	-165,014	-165,014	-4,417	-169,431
Total comprehensive income		-	-	7,857	-165,041	27	-165,014	-157,156	40,193	-116,963
Issuance of new shares		854,164	844,564	-	-	-	-	1,698,729	-	1,698,729
Share-based payment Transactions		-	166,875	-	-	-	-	166,875	-	166,875
Loss of control of subsidiaries		-	131,326	-	-	-	-	131,326	4,025	135,352
Other		-	-443,158	-	-	-	-	-443,158	443,093	-64
Total transactions with owners and other transactions		854,164	699,608	-	-	-	-	1,553,772	447,119	2,000,892
Balance as of June 30, 2023		1,919,919	10,408,393	-6,195,176	-152,904	541	-152,362	5,980,774	-4,420	5,976,353

## (4) Quarterly Consolidated Statement of Cash Flows

(Unit: Thousand yen)

Note	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit (loss) before tax	-285,121	123,369
Depreciation and amortization	248,251	199,812
Financial income and financial costs	35,407	41,674
Financial instrument valuation losses (gains)	-	-202,635
Foreign exchange losses (gains)	-188,826	-790,341
Gain on sale of shares of subsidiaries	-	-768,061
Decrease (increase) in trade and other receivables	-587,710	794,895
Increase (decrease) in trade and other payables	167,304	-540,091
Decrease (increase) in inventories	-9,851	5,630
Decrease (increase) in contract assets	-120,716	-400,422
Other changes	280,641	-64,136
Subtotal	-460,620	-1,600,305
Interest received	60	1,111
Interest paid	-24,562	-32,407
Corporate income taxes paid	-52,576	-319,780
Cash flows from operating activities	-537,698	-1,951,381
Cash flows from investing activities		
Purchase of property, plant, and equipment	-144,573	-55,219
Purchase of intangible assets	-225,227	-73,787
Purchase of subsidiaries stocks	-619,575	-
Purchase of investment securities	-	-392,919
Other	-66,124	-17,632
Cash flows from investing activities	-1,055,500	-539,559
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	290,000	1,430,298
Proceeds from long-term borrowings	200,000	600,000
Repayments of long-term borrowings	-228,488	-367,061
Redemption of bonds	-73,500	-64,500
Repayment of lease liabilities	-193,473	-193,221
Issuance of new shares	21,239	1,708,329
Cash flows from financing activities	15,777	3,113,844
Effect of exchange rate changes on cash and cash equivalents	185,819	123,311
Net increase (decrease) in cash and cash equivalents	-1,391,602	746,215
Cash and cash equivalents at beginning of period	4,241,998	2,724,484
Cash and cash equivalents at end of period	2,850,395	3,470,699

(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 six months ended June 30, 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 August 14, 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 six months ended June 30, 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	—	—	2,635,906	2,635,906
Total	—	—	2,635,906	2,635,906
Liabilities:				
Financial liabilities measured with fair value through profit or loss				
Contingent consideration*	—	—	423,681	423,681
Total	—	—	423,681	423,681

\* 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	639,447
Sale	—	—
Comprehensive income		
Profit (loss)	—	53,421
Other comprehensive income	—	—
Other	—	—
Balance as of June 30, 2022	173,080	747,608
Gains or losses recognized in profit or loss in relation to financial instruments held on June 30, 2022	—	53,421

(Unit: Thousand yen)

	Equity shares	Contingent consideration
Balance as of January 1, 2023	245,120	698,536
Purchase	2,221,183	—
Sale	-33,033	—
Comprehensive income		
Profit (loss)	202,635	83,099
Other comprehensive income	—	—
Other	—	-357,955
Balance as of June 30, 2023	2,635,906	423,681
Gains or losses recognized in profit or loss in relation to financial instruments held on June 30, 2023	202,635	83,099

## (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 June 30, 2023	
	Book value	Fair value
Assets:		
Financial assets measured with amortized cost		
Other financial assets	271,172	271,108
Liabilities:		
Bonds and borrowings	5,449,370	5,443,110

## 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 six months ended June 30, 2022 (From January 1, 2022 to June 30, 2022)

(Unit: Thousand yen)

	Digital consultancy business	Other business	Total	Adjustments	Amount on quarterly consolidated financial statement
Revenue					
Revenue from external customers	6,083,701	342,042	6,425,743	-843	6,424,900
Inter-segment revenue	65,711	—	65,711	-65,711	—
Total	6,149,413	342,042	6,491,455	-66,555	6,424,900
Segment profit (loss)	-182,791	-49,390	-232,182	-476,292	-708,474
Finance income					458,821
Finance costs					-35,468
Share of loss (profit) of entities accounted for using equity method					—
Profit (loss) before tax					-285,121

For the six months ended June 30, 2023 (From January 1, 2023 to June 30, 2023)

(Unit: Thousand yen)

	Digital consultancy business	Other business	Total	Adjustments	Amount on quarterly consolidated financial statement
Revenue					
Revenue from external customers	6,536,427	217,160	6,753,587	6,675	6,760,263
Inter-segment revenue	26,894	—	26,894	-26,894	—
Total	6,563,321	217,160	6,780,482	-20,219	6,760,263
Segment profit (loss)	-726,815	737,994	11,178	-479,833	-468,654
Finance income					635,038
Finance costs					-42,785
Share of loss (profit) of entities accounted for using equity method					-229
Profit (loss) before tax					123,369

(3) Information by Region

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

(Unit: Thousand yen)

		Six months ended June 30, 2022	Six months ended June 30, 2023
Digital consultancy business	APAC	3,727,814	3,614,088
	EMEA	1,802,474	2,504,684
	AMER	564,673	424,329
Other business	APAC	213,921	195,888
	AMER	116,016	21,272
Total		6,424,900	6,760,263

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)

	Six months ended June 30, 2022
Profit (loss) attributable to ordinary shareholders of parent	
Profit attributable to owners of parent	-444,715
Profit not attributable to ordinary shareholders of parent	—
Profit used for calculating earnings per share	-444,715
Average number of shares outstanding during the period	30,049,300 shares
Basic earnings (loss) per share	
Basic earnings (loss) per share	-14.80 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)

	Six months ended June 30, 2023
Profit (loss) attributable to ordinary shareholders of parent	
Profit attributable to owners of parent	7,857
Profit not attributable to ordinary shareholders of parent	—
Profit used for calculating earnings per share	7,857
Average number of shares outstanding during the period	33,781,701 shares
Basic earnings (loss) per share	
Basic earnings (loss) per share	0.23 yen

No transaction affecting the earnings per share took place between the end of the second 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)

	Six months ended June 30, 2022
Profit (loss) attributable to ordinary shareholders (diluted)	
Profit used for calculation of basic earnings per share	-444,715
Adjustments to profit	—
Profit used for calculating diluted earnings per share	-444,715
Average number of shares outstanding during the period	30,049,300 shares
Dilutive effect	— shares
After adjustment for dilutive effect	30,049,300 shares
Diluted earnings per share	
Diluted earnings per share	-14.80 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)

	Six months ended June 30, 2023
Profit (loss) attributable to ordinary shareholders (diluted)	
Profit used for calculation of basic earnings per share	7,857
Adjustments to profit	—
Profit used for calculating diluted earnings per share	7,857
Average number of shares outstanding during the period	33,781,701 shares
Dilutive effect	407,027 shares
After adjustment for dilutive effect	34,188,728 shares
Diluted earnings per share	
Diluted earnings per share	0.23 yen

No transaction affecting the earnings per share took place between the end of the second 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. Six months ended June 30, 2022 (From January 1, 2022 to June 30, 2022)

Not applicable.

### b. Six months ended June 30, 2023 (From January 1, 2023 to June 30, 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. Business Combinations

a. For the six months ended June 30, 2022 (From January 1, 2022 to June 30, 2022)

Business combinations by acquisition

GENIEOLOGY DESIGN DMCC

(1) Outline of business combination

① Name of the acquired company and its business

Name	GENIEOLOGY DESIGN DMCC
Location	Dubai, United Arab Emirates
Title and Name of Representative	Founder: Calvin Hart Seniorteam: Cath Hoff
Business	1. Design consulting 2. Web/mobile site development 3. UI/UX improvement consulting 4. Design workshops 5. Web content management
Number of Employees	9 full time employees, 23 outsourcing partners
Date of Establishment	2018

② Reason for the business acquisition

By acquiring GENIEOLOGY DESIGN DMCC, a design consulting firm, we will expand our capability in the area of design experience in the Middle East and expand globally. Through the collaboration of projects with our subsidiary Mostarlab DMCC, we aim to increase the earnings of both companies through synergy effects.

③ Acquisition date

June 1, 2022

④ Legal form of business combination

Acquisition of shares

⑤ Acquired voting rights ratio

Voting rights ratio: 100.0%

⑥ Grounds for deciding on the acquiring company

This is due to the acquisition of shares by the Company for cash and contingent consideration.

(2) Acquisition cost of the acquired company and its breakdown

(Unit: Thousand yen)

	Amount
Cash	749,644
Fair value of contingent consideration	639,447
Total acquisition price	1,389,092

The direct acquisition cost was 7,427 thousand yen, which is included in “selling, general and administrative expenses” in the consolidated statement of profit or loss.



(3) Fair value of assets and liabilities acquired on the date of business combination and goodwill  
(Unit: Thousand yen)

	Amount
Assets	
Current assets	140,892
Non-current assets	6,590
Total assets	147,483
Liabilities	
Current liabilities	179,303
Non-current liabilities	3,584
Total liabilities	182,887
Goodwill	1,424,496

Cash and cash equivalents included in assets received are 130,069 thousand yen. In addition, goodwill reflects the excess earning power resulting from the effects of business integration, including the expansion of business foundations in each market.

The Company accounted for the amount of goodwill that arose in the previous fiscal year, the amounts of assets and liabilities accepted at the date of business combination, etc., on a provisional basis. The allocation of the acquisition cost was completed during the six months ended June 30, 2023. As a result, the Company recognized current liabilities of 62,300 thousand yen, which had not been recognized by the acquired company, and the same amount of goodwill as a contra account.

(4) Revenue and profit of the acquired company

Since the date of acquisition, the acquired company's revenue recognized in the quarterly consolidated statement of profit or loss is 54,067 thousand yen, and its profit is 35,909 thousand yen.

If the business combination had been carried out at the beginning of the first six months of the previous fiscal year, the acquired company's revenue recognized in the quarterly consolidated statement of profit or loss would have been 219,393 thousand yen, and its loss would have been 12,028 thousand yen. The pro forma information has not been audited.

- b. For the six months ended June 30, 2023 (From January 1, 2023 to June 30, 2023)  
Not applicable.

## 11.Subsequent Events

### (Structural reform)

At the meeting of its Board of Directors held on August 14, 2023, the Company resolved to revise its earnings forecast for the fiscal year ending December 31, 2023, which was previously announced on March 28, 2023, and to implement a structural reform toward improving financial performance.

#### (1) Reason for the structural reform

As announced in the “Notice of Revision of Full-year Consolidated Earnings Forecast, Recognition of Structural Reform Expenses, and Reduction in Directors’ Remuneration” dated August 14, 2023, the Group will implement a structural reform in order to get digital consultancy business back to a growth path and to realize sustainable growth on a group-wide basis on the back of the favorable market environment while promoting a reform of group structure toward profit generation.

#### (2) Outline of the structural reform

- (i) Reduction target: For the third and fourth quarters of the fiscal year ending December 31, 2023, we aim to reduce approximately 100 million yen per month starting from September 2023.
- (ii) Measures: Reorganization of overseas bases (closure or downsizing), concentration of activities at overseas bases on focus areas, and optimization of selling, general and administrative expenses throughout the Group
- (iii) Estimated expenses for the structural reform: Approximately 625 million yen

12. Notes about Premise of a Going Concern

Not applicable.