December 20, 2023

To all shareholders:

Company name: Monstarlab Holdings Inc.
Representative: Hiroki Inagawa,
Representative Director/Group CEO
(Code: 5255, TSE Growth Market)
Inquiries: Yoshihiro Nakahara,
Director/Executive Vice President and CFO
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Notice of Change in Subsidiary (from a Consolidated Subsidiary (Specified Subsidiary) to an Entity Accounted for Using the Equity Method)

Monstarlab Holdings Inc. (hereinafter, the "Company") announces that the Board of Directors of the Company approved the transfer of part of its equity interest (hereinafter, "Equity Interest") in Monstarlab (Chengdu) Technology Co., Ltd. (hereinafter, "Chengdu"), a specified subsidiary of the Company, at its meeting held today, and the Company has entered into a share transfer agreement as follows:

1. Reason for the Transfer of Equity Interest

The Company established Chengdu in June 2014. Since then, it has promoted overseas IT human resources placement services, consulting services in overseas markets, and IT localization services for Chinese clients, while providing support and localization services to overseas clients in the areas of sales and IT.

The Company has decided to transfer part of its equity interest in Chengdu as a provisional measure as part of closures of unprofitable bases in order to realize profitability improvement, with the purpose of focusing more management resources on the digital consulting services, which is the main business of the Company, going forward from the perspective of selection and concentration.

2. Method of Change

The Company will transfer 60.0% of its equity interest in Chengdu out of its current holding (voting rights ownership ratio: 100%). As a result, Chengdu will become an entity accounted for using the equity method.

The voting rights ownership ratio of the Company in Chengdu will be 40.0% after the transfer of Equity Interest.

3. Details of the Specified Subsidiary to be Changed

(1) Name	Monstarlab (Chengdu) Technology Co., Ltd. (夢思特科技（成都）有限公司)	
(2) Location	T3 2601, Xiangnian Square, 88 Jitai 5th Road, High-Tech Zone, Chengdu, China	
(3) Job title and name of representative	Masahiko Matsunaga, Chairman	
(4) Business	Digital consultancy business	
(5) Share capital	440 million yen	
(6) Date of establishment	June 12, 2014	
(7) Major shareholders and shareholding ratio	Monstarlab Holdings Inc.: 100%	
(8) Relationship between Monstarlab Holdings Inc. and this company	Capital relationship	Monstarlab Holdings Inc.: 100%
	Personal relationship	Four officers and employees of the Company hold concurrent posts as officers of this company. (Officers) Masahiko Matsunaga, Chairman (concurrent post) Yabo Wang, Director and Chief Executive Officer (statutory agent) Du Li, Director Yoshihiro Nakahara, Director (concurrent post) Hiroshi Osada, Director (concurrent post) Sumito Suzuki, Auditor (concurrent post)
	Business relationship	Chengdu is engaged in contract development of software on behalf of group companies based on received orders (actual amount for the fiscal year ended December 31, 2022: 77 million yen).

(9) Operating results and financial position of Chengdu for the last three years

Fiscal year-end	December 2020	December 2021	December 2022
Total assets (million yen)	246	148	187
Net assets (million yen)	169	99	120
Revenue (million yen)	304	161	103
Operating profit (million yen)	(2)	(81)	(61)
Ordinary profit (million yen)	12	(83)	(54)
Net income (million yen)	12	(83)	(54)
Dividend (yen)	—	—	—

4. Outline of the Transferee of Equity Interest

(1) Name	Yabo Wang	
(2) Location	Chengdu, People's Republic of China	
(3) Relationship between Monstarlab Holdings Inc. and this individual	Capital relationship	Number of shares of the Company held: 0 (As of December 20, 2023) Number of stock options of the Company held: 300 for 15,000 shares (as of December 20, 2023)
	Personal relationship	None
	Business relationship	None
	Status as a related party	Not applicable

5. Equity Interest to be Transferred, Transfer Price, and Status of Equity Interest before and after the Transfer

(1)	Equity interest before change	100%
(2)	Equity Interest to be transferred	60.0%
(3)	Transfer price	0 million yen The transfer of Equity Interest is partial transfer for the closure of a base that has consistently been unprofitable for years. Net assets of Chengdu as of the date of the transfer of Equity Interest is close to zero on a book value basis. For these reasons and based on consultation with the transferee, we have agreed that the transfer price will be zero.
(4)	Equity interest after change	40.0%

6. Schedule

(1)	Date of resolution of the Board of Directors	December 20, 2023
(2)	Date of execution of equity interest transfer agreement (Effective date of change in the specified subsidiary)	December 21, 2023 (local time)

7. Impact on Financial Results

As a result of the transfer of Equity Interest, Chengdu will be excluded from the scope of consolidation of the Company and will become an entity accounted for using the equity method in and after the fourth quarter of the fiscal year ending December 31, 2023. As a result, certain amounts of other revenue and share of loss/profit of entities accounted for using the equity method are expected to arise for the current fiscal year. The Company is currently evaluating their impact on its consolidated financial results for the fiscal year ending December 31, 2023.

The Company will disclose any necessary matters promptly as they arise in the future.