

Translation

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Summary of Consolidated Financial Results  
for the Fiscal Year Ended December 31,  
2023 (IFRS)

February 14, 2024

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 Securities Report: March 28, 2024  
Scheduled date to commence dividend payments: —  
Preparation of supplementary material on financial results: Yes  
Holding of financial results meeting: Yes (for analysts and institutional investors [on-demand video])

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023, to December 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	%
Year ended December 31, 2023	13,346	-6.5	-2,056	—	-2,156	—	-2,319	—	-2,355	—	-2,485	—
Year ended December 31, 2022	14,270	52.7	-389	—	-447	—	-723	—	-674	—	-796	—

	Basic earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended December 31, 2023	-70.07	-70.07	-56.8	-15.7	-15.4
Year ended December 31, 2022	-24.51	-24.51	-14.7	-3.9	-2.7

(Reference) Equity in earnings of affiliated companies Year ended December 31, 2023 Million yen Year ended December 31, 2022 Million yen

(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	Net assets per share
	Million yen	Million yen	Million yen	%	
As of December 31, 2023	14,461	3,706	3,711	25.7	108.11
As of December 31, 2022	12,983	4,092	4,584	35.3	144.60

Note: In the second quarter of the fiscal year ended 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.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31, 2023	-3,518	-1,238	3,725	1,783
Year ended December 31, 2022	-1,544	-2,288	2,241	2,724

## 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	—	0.00	0.00
Fiscal year ended December 31, 2024 (forecast)					

Revision of most recent dividend forecast: No

## Notes

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

Newly included: -

Excluded: 1 company (Mengsitekeji(Chengdu) Co., Ltd.)

(2) Changes in accounting policies and accounting estimates

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

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

(iii) Changes in accounting estimates : No

(3) Number of issued shares (common stock)

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

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

(iii) Average number of shares outstanding during the period

As of December 31, 2023	34,326,950 shares	As of December 31, 2022	634,039 shares
As of December 31, 2023	0 shares	As of December 31, 2022	0 shares
Fiscal year ended December 31, 2023	33,612,780 shares	Fiscal year ended December 31, 2022	550,658 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.

## (Reference) Summary of non-consolidated financial results

### 1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

#### (1) Non-consolidated operating results

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended December 31, 2023	1,475	14.2	-961	—	-838	—	-2,698	—
Fiscal year ended December 31, 2022	1,291	-54.7	-444	—	-263	—	-1,218	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended December 31, 2023	-80.28	—
Fiscal year ended December 31, 2022	-44.26	—

#### (2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Fiscal year ended December 31, 2023	14,728	2,879	19.6	83.88
Fiscal year ended December 31, 2022	10,754	3,864	35.9	121.89

(Reference) Shareholders' equity Fiscal year ended December 31, 2023 2,879 Million yen Fiscal year ended December 31, 2022 3,864 Million yen

\* The financial statements are not subject to audit 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 significantly due to various factors. For the assumptions underlying earnings forecasts

and important notes concerning the use of earnings forecasts, please refer to “1. Overview of Operating Results, etc., (5) Future outlook” of the Appendix on p. 4.

\* In “Matters concerning Business Plans and Growth Potential” disclosed on March 28, 2023, we estimated the timing of update of matters concerning business plans and growth potential to be around the time of earnings report for the fiscal year ended December 31, 2023. However, we now plan to disclose the updated information in March 2024.

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## 1. Overview of Operating Results, etc.

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

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

During the fiscal year ended December 31, 2023, the global economy and the Japanese economy continued to face uncertain outlook as they were affected the protracted situation in Ukraine and Russia and the acceleration of monetary tightening in response to global inflation, although normalization of social and economic activities was well underway due in part to the reclassification of COVID-19 in Category 5, the same category as seasonal flu, under the Infectious Diseases Prevention Act. On the other hand, in the IT industry, there continues to be a healthy corporate appetite for investment in digital transformation (DX) on the back of increasing demand for DX that is directly linked to management strategies.

In the current business environment, the Group is focusing on the digital consultancy business as its main business, primarily targeting corporations and local governments to support DX aligned with their business issues and new business needs. The Group is also pursuing other business, including product business, globally across 19 countries and regions (as of December 31, 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).

During the fiscal year ended December 31, 2023, the number of projects in the development phase remained below expectations in APAC during the first half of the year, and progress in projects and sales activities stagnated in EMEA due to seasonal factors. As a result, growth rates declined. Revenue decreased 6.5% YoY although it has recently been on a recovery trend due to the successful implementation of strategies in the second half of the year. Operating profit was significantly affected by the decrease in revenue in the first half of the year and expenses for the structural reform carried out in the second half of the year for the purpose of improving profitability, and the Company recorded an operating loss of 2,056,729 thousand yen (the operating loss would have been 1,179,475 thousand yen but for structural reform expenses). On the other hand, profit has been on a moderate recovery trend after bottoming out in the second quarter of the current fiscal year as the positive effect of the structural reform carried out in the second half of the year has contributed to the recovery to some extent.

In summary, for the fiscal year ended December 31, 2023, the Group recorded revenue of 13,346,962 thousand yen (−6.5% YoY), operating loss of 2,056,729 thousand yen (an operating loss of 389,677 thousand yen for the same period last year), loss before tax of 2,156,279 thousand yen (a loss before tax of 447,069 thousand yen for the same period last year), and loss attributable to owners of parent of 2,355,328 thousand yen (a loss attributable to owners of parent of 674,767 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 fiscal year under review, revenue was 7,176,310 thousand yen (−8.2% YoY), and operating profit was 120,745 thousand yen (−87.4% YoY).

In addition to the completion or downscaling of some of the existing projects in the first half of the year, there were delays in the start of the development phase in some projects and completion of some other projects without moving to the development phase as there were many projects that required the formulation of digital transformation strategies in relation to business strategies. As a result, revenue was more sluggish than expected. However, revenue was on a moderate recovery trend in the second half of the year as existing projects transitioned smoothly from the strategy phase to the development phase while we secured orders for development projects both in Japan and overseas.

Operating profit was dragged by proactive investment cost in the first half of the year due to the weakness in revenue. However, profitability improved steadily in the second half of the year due to increased capacity utilization in overseas

development bases, as well as our cost optimization efforts including reduction in outsourcing cost.

## 2. EMEA

For the fiscal year under review, revenue was 5,046,300 thousand yen (+7.6% YoY), and operating loss increased to 2,567,075 thousand yen compared to 696,745 thousand yen for the same period last year.

Revenue growth slowed down in the first half of the year due to the stagnation in the progress of ongoing projects and sales activities caused by seasonal factors. However, the expansion of large projects for government clients acquired during the current fiscal year in the Middle East, one of our focus markets, drove increase in revenue in the second half of the year. In addition, the expansion of projects in the healthcare domain in Europe also contributed to revenue.

As for operating profit, as the structural reform carried out in the second half of the year mainly focused on reducing headcount in EMEA, the Company recorded an operating loss due to the significant impact of the recognition of structural reform expenses.

## 3. AMER

For the fiscal year under review, revenue was 712,616 thousand yen (-33.3% YoY), and operating loss was 412,018 thousand yen (as opposed to an operating profit of 113,921 thousand yen for the same period last year.)

Due to the downscaling of some of the projects with existing customers, revenue decreased YoY. On the other hand, we steadily acquired new projects in our target domains, such as life sciences, financial services, and private equity.

Operating profit decreased due to the decrease in revenue and the impact of the recognition of structural reform expenses.

## (2) Explanation of Financial Position

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

### (Current assets)

The balance of current assets was 5,836,139 thousand yen (vs. 7,818,219 thousand yen at the end of the previous fiscal year). This includes cash and cash equivalents of 1,783,264 thousand yen (vs. 2,724,484 thousand yen at the end of the previous fiscal year) and trade and other receivables of 2,600,114 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 8,624,916 thousand yen (vs. 5,165,579 thousand yen at the end of the previous fiscal year). This includes goodwill of 3,964,762 thousand yen (vs. 3,298,633 thousand yen at the end of the previous fiscal year).

### (Current liabilities)

The balance of current liabilities was 7,932,462 thousand yen (vs. 5,560,860 thousand yen at the end of the previous fiscal year). This includes trade and other payables of 1,132,648 thousand yen (vs. 1,327,415 thousand yen at the end of the previous fiscal year) and bonds and borrowings of 4,739,564 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 2,822,565 thousand yen (vs. 3,330,513 thousand yen at the end of the previous fiscal year). This includes bonds and borrowings of 1,493,246 thousand yen (vs. 1,924,425 thousand yen at the end of the previous fiscal year) and lease liabilities of 549,435 thousand yen (vs. 712,155 thousand yen at the end of the previous fiscal year).

### (Total equity)

Total equity was 3,706,027 thousand yen (vs. 4,092,424 thousand yen at the end of the previous fiscal year). This includes share capital of 1,922,586 thousand yen (vs. 1,065,754 thousand yen at the end of the previous fiscal year), capital surplus of 10,499,729 thousand yen (vs. 9,708,785 thousand yen at the end of the previous fiscal year), and retained earnings of minus 8,558,362 thousand yen (vs. minus 6,203,033 thousand yen at the end of the previous fiscal year).

### (3) Status of cash flows

Cash and cash equivalents (hereinafter referred to as "net cash") at the end of the consolidated of the fiscal year under review was 1,783,264 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 of the fiscal year under review were as shown below.

#### (Cash flows from operating activities)

Net cash used in operating activities totaled 3,518,947 thousand yen (vs. 1,544,453 thousand yen in the same period last year). The main factors were a profit before tax of minus 2,156,279 thousand yen (vs. minus 447,069 thousand yen for the same period last year), a decrease in trade and other receivables of 532,379 thousand yen (vs. an increase of 1,469,468 thousand yen for the same period last year), an increase in contract assets of 252,512 thousand yen (vs. an increase of 159,423 thousand yen for the same period last year), a net outflow from gain on sale of shares of subsidiaries of 938,663 thousand yen (0 yen for the same period last year), a net inflow from other changes of 397,042 thousand yen (a net inflow of 505,770 thousand yen for the same period last year), and income taxes paid of 345,158 thousand yen (79,168 thousand yen for the same period last year).

#### (Cash flows from investing activities)

Net cash used in investing activities totaled 1,238,854 thousand yen (vs. 2,288,757 thousand yen in the same period last year). The main factors include purchase of property, plant and equipment of 121,144 thousand yen (vs. 291,226 thousand yen for the same period last year), purchase of intangible assets of 340,452 thousand yen (vs. 557,355 thousand yen for the same period last year).

#### (Cash flows from financing activities)

Net cash provided by financing activities totaled 3,725,517 thousand yen (vs. 2,241,103 thousand yen in the same period last year). The main factors include proceeds from capital increase of 1,713,663 thousand yen (vs. 1,351,335 thousand yen for the same period last year), proceeds from long-term borrowings of 680,000 thousand yen (vs. 1,310,709 thousand yen for the same period last year), repayments of long-term borrowings of 758,656 thousand yen (vs. 824,251 thousand yen for the same period last year), repayments of lease liabilities of 365,316 thousand yen (vs. 398,918 thousand yen for the same period last year), and redemption of bonds of 114,500 thousand yen (vs. 137,000 thousand yen for the same period last year).

### (4) Operating and financial issues to be prioritized

The Group as a whole is working not only to improve short-term profitability, but also to establish a foundation for medium- to long-term growth. We have shared the fiscal year 2022 management policy, "Update Monstarlab Group," which aims to maximize synergy effects within and outside our bases, to provide superior customer experience, and to drive sustainable growth.

From the perspective of risk prevention and management efficiency improvement, we recognize that the improvement and the operation of subsidiary management and group internal control are important issues, so we have also started a global organizational improvement initiative to create a group internal control system.

In the digital consultancy business, we are working to continue to secure quality control systems at our development bases as they continue to expand, and to strengthen our sales teams to secure the sales volume necessary for the effective operation of those development bases. At the same time, we are working to increase our degree of involvement in a wide variety of demand by expanding our business line-up, including upstream consulting services. Recruiting human resources to support such growth is also our ongoing management theme in this business. In addition, as we have expanded business in recent years through overseas M&A in particular, we also need to address the issue of accumulating as knowhow the processes to produce synergy from the participation of the acquired companies in the Group so that the Group can achieve sustainable growth.

### (5) Future outlook

The Group has achieved revenue growth at the average rate of 40% per year for the last six years since 2016. However, in the fiscal year ended December 31, 2023, we focused more on profitability improvement than revenue growth following the slowdown in growth by revising strategies, including adjusting the balance of project phases and focusing on large long-term projects while implementing a structural reform to improve profitability. Going forward, we aim to realize a growth story of continued fast growth while ensuring profitability. To this end, we regard the fiscal year ending December 31, 2024 to be a period in which we will put in place a growth foundation to realize fast growth while ensuring profitability starting in the fiscal year ending December 31, 2025, and we are considering investments and reorganizations to improve our capabilities and reconstruction of our profit structure, in addition to the formulation of a medium- to long-term business strategy, including the



rebalancing of business portfolios for all regions (APAC/EMEA/AMER). More specifically, we will work to invest in proprietary technologies that will enable us to achieve differentiation, strengthen our solution capability in the enterprise domain, and bolster our recruitment strengths. In addition, we are considering the implementation of an organizational/structural reform designed to drastically reinforce our profit structure. For this reason, we have determined that it is difficult for us to reasonably revise forecasts by reflecting the impact of uncertainties associated with the implementation of these strategies at this point and have decided to postpone the announcement of earnings forecast for the fiscal year ending December 31, 2024 until a later date. Once we are prepared to disclose a reasonable forecast, we will promptly announce it.

## 2. Consolidated Financial Statements and Notes

### (1) Consolidated Statement of Financial Position

(Unit: Thousand yen)

	Note	As of December 31, 2022	As of December 31, 2023
<b>Assets</b>			
Current assets			
Cash and cash equivalents		2,724,484	1,783,264
Trade and other receivables		3,073,532	2,600,114
Contract assets		730,631	922,131
Inventories		41	60,345
Other current assets		434,048	470,282
Subtotal		6,962,739	5,836,139
Assets held for sale		855,479	—
Total current assets		7,818,219	5,836,139
Non-current assets			
Property, plant, and equipment		303,604	258,783
Right-of-use assets		350,821	356,249
Goodwill		3,298,633	3,964,762
Intangible assets		579,171	651,053
Other financial assets		449,727	3,083,563
Deferred tax assets		109,653	49,099
Other non-current assets		73,967	261,403
Total non-current assets		5,165,579	8,624,916
Total assets		12,983,798	14,461,055

(Unit: Thousand yen)

	Note	As of December 31, 2022	As of December 31, 2023
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables		1,327,415	1,132,648
Contract liabilities		151,104	211,462
Bonds and borrowings		1,924,423	4,739,564
Lease liabilities		312,384	294,579
Income taxes payable		346,373	181,006
Allowance		26,984	51,885
Other current liabilities		1,454,695	1,321,315
Subtotal		5,543,382	7,932,462
Liabilities directly related to assets held for sale		17,478	—
Total current liabilities		5,560,860	7,932,462
<b>Non-current liabilities</b>			
Bonds and borrowings		1,924,425	1,493,246
Lease liabilities		712,155	549,435
Allowance		126,832	130,966
Deferred tax liabilities		205,190	108,878
Other non-current liabilities		361,910	540,039
Total non-current liabilities		3,330,513	2,822,565
Total liabilities		8,891,374	10,755,027
<b>Equity</b>			
Share capital		1,065,754	1,922,586
Capital surplus		9,708,785	10,499,729
Retained earnings		-6,203,033	-8,558,362
Other components of equity		12,651	-152,870
Total equity attributable to owners of parent		4,584,158	3,711,083
Non-controlling interests		-491,733	-5,055
Total equity		4,092,424	3,706,027
Total liabilities and equity		12,983,798	14,461,055

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

(Unit: Thousand yen)

	Note	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Revenue	7	14,270,932	13,346,962
Cost of sales		-9,326,230	-9,986,267
Gross profit		4,944,702	3,360,694
Selling, general, and administrative expenses		-5,627,853	-6,216,561
Other income		306,240	1,007,049
Other expenses		-12,766	-207,912
Operating profit (loss)	7	-389,677	-2,056,729
Finance income		72,878	3,320
Finance costs		-130,270	-101,933
Share of loss (profit) of entities accounted for using equity method		—	-936
Profit (loss) before tax		-447,069	-2,156,279
Income tax expenses		-276,594	-163,640
Profit (loss)		-723,664	-2,319,919
Profit (loss) attributable to			
Owners of parent		-674,767	-2,355,328
Non-controlling interests		-48,896	35,408
Profit (loss)		-723,664	-2,319,919
Earnings (loss) per share			
Basic earnings (loss) per share (yen)	8	-24.51	-70.07
Diluted earnings (loss) per share (yen)	8	-24.51	-70.07

## (Consolidated Statement of Comprehensive Income)

(Unit: Thousand yen)

	Note	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit (loss)		-723,664	-2,319,919
Other comprehensive income			
Items that may not be reclassified to profit or loss:			
Remeasurement of defined benefit plans		59	90
Total of items		59	90
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-72,405	-165,548
Total of items		-72,405	-165,548
Other comprehensive income, net of tax		-72,345	-165,548
Total comprehensive income		-796,010	-2,485,377
Total comprehensive income attributable to			
Owners of parent		-745,619	-2,520,850
Non-controlling interests		-50,390	35,472
Total comprehensive income		-796,010	-2,485,377

(3) Consolidated Statement of Changes in Equity

For the Fiscal year ended December 31, 2022 (From January 1, 2022 to December 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)		—	—	-674,767	—	—	—	-674,767	-48,896	-723,664
Other comprehensive income		—	—	—	-70,911	59	-70,851	-70,851	-1,493	-72,345
Total comprehensive income		—	—	-674,767	-70,911	59	-70,851	-745,619	-50,390	-796,010
Issuance of new shares		673,120	678,215	—	—	—	—	1,351,335	—	1,351,335
Share-based payment Transactions		—	226,058	—	—	—	—	226,058	—	226,058
Loss of control of subsidiaries		—	—	—	—	—	—	—	—	—
Other		—	—	—	—	—	—	—	-138	-138
Total transactions with owners and other transactions		673,120	904,274	—	—	—	—	1,577,394	-138	1,577,255
Balance as of December 31, 2022		1,065,754	9,708,785	-6,203,033	12,137	513	12,651	4,584,158	-491,733	4,092,424

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

(Unit: Thousand yen)

	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity	
		Share capital	Capital surplus	Retained earnings	Other components of equity					Total equity attributable to owners of parent
					Exchange differences on translation of foreign operations	Remeasurement of defined benefit plans	Total other components of equity			
Balance as of January 1, 2023		1,065,754	9,708,785	-6,203,033	12,137	513	12,651	4,584,158	-491,733	4,092,424
Profit (loss)		—	—	-2,355,328	—	—	—	-2,355,328	35,408	-2,319,919
Other comprehensive income		—	—	—	-165,612	90	-165,521	-165,521	63	-165,458
Total comprehensive income		—	—	-2,355,328	-165,612	90	-165,521	-2,520,850	35,472	-2,485,377
Issuance of new shares		856,831	847,231	—	—	—	—	1,704,063	—	1,704,063
Share-based payment Transactions		—	259,120	—	—	—	—	259,120	—	259,120
Loss of control of subsidiaries		—	131,326	—	—	—	—	131,326	4,025	135,352
Other		—	-446,735	—	—	—	—	-446,735	447,179	444
Total transactions with owners and other transactions		856,831	790,944	—	—	—	—	1,647,775	451,205	2,098,981
Balance as of December 31, 2023		1,922,586	10,499,729	-8,558,362	-153,474	604	-152,870	3,711,083	-5,055	3,706,027

## (4) Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Note	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
<b>Cash flows from operating activities</b>			
Profit (loss) before tax		-447,069	-2,156,279
Depreciation and amortization		538,258	436,487
Impairment loss		952	15,790
Financial income and financial costs		39,747	90,220
Financial instrument valuation losses (gains)		-	-180,680
Foreign exchange losses (gains)		78,630	-444,972
Gain on sale of shares of subsidiaries		-	-938,663
Decrease (increase) in trade and other receivables		-1,469,468	532,379
Increase (decrease) in trade and other payables		-505,770	-397,042
Decrease (increase) in inventories		4,628	-45,881
Decrease (increase) in contract assets		-159,423	-252,512
Other changes		533,739	236,386
Subtotal		-1,385,775	-3,104,766
Interest received		878	1,288
Interest paid		-73,284	-59,529
Corporate income taxes paid		-86,270	-355,940
Cash flows from operating activities		-1,544,453	-3,518,947
<b>Cash flows from investing activities</b>			
Purchase of property, plant, and equipment		-291,226	-121,144
Purchase of intangible assets		-557,355	-340,452
Purchase of investment securities		-	-428,119
Purchase of subsidiaries stocks		-619,575	-134,528
Proceeds from sales of shares of subsidiaries		-	-183,772
Payments for transfer of business		-776,165	-
Other		-44,434	-30,837
Cash flows from investing activities		-2,288,757	-1,238,854
<b>Cash flows from financing activities</b>			
Net increase (decrease) in short-term borrowings		939,228	2,574,330
Proceeds from long-term borrowings		1,310,709	680,000
Repayments of long-term borrowings		-824,251	-758,656
Redemption of bonds		-137,000	-114,500
Repayment of lease liabilities		-398,918	-365,316
Payments for acquisition of interests in subsidiaries from non-controlling interests		-	-4,003
Issuance of new shares		1,351,335	1,713,663
Cash flows from financing activities		2,241,103	3,725,517
Effect of exchange rate changes on cash and cash equivalents		123,214	91,064
Net increase (decrease) in cash and cash equivalents		-1,468,891	-941,219
Cash and cash equivalents at beginning of period		4,241,998	2,724,484
Net increase (decrease) in cash and cash equivalents due to reclassification to Assets held for sale		-48,622	-
Cash and cash equivalents at end of period		2,724,484	1,783,264

(5) Notes about Consolidated Financial Statements

1. Reporting entity

Monstarlab Holdings Inc. (the "Company") is a corporation (*kabushikikaisha*) located in Japan. The Company's registered head office is located in Shibuya-ku, Tokyo. The consolidated financial statements for the Fiscal year ended December 31, 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 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 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.

The consolidated financial statements were approved by Representative Director/Group CEO Hiroki Inagawa and Director/Executive Vice President and CFO Yoshihiro Nakahara on February 14, 2024.

(2) Functional currency and presentation currency

The Group's 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 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 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 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 Fiscal year ended December 31, 2023

(Unit: Thousand yen)

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

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

## (2) Reconciliation of Level 3 fair values

(Unit: Thousand yen)

	Equity shares	Contingent consideration
Balance as of January 1, 2022	140,047	54,739
Purchase	33,073	612,370
Sale	—	—
Comprehensive income		
Profit (loss)	72,000	31,426
Other comprehensive income	—	—
Other	—	—
Balance as of December 31, 2022	245,120	698,536
Gains or losses recognized in profit or loss in relation to financial instruments held on December 31, 2022	72,000	31,426

(Unit: Thousand yen)

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

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

## 6. Revenue

### Disaggregation of revenue

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

## 7. Operating segments

### (1) Outline of reportable segments

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

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

### (2) Information on Profit by Reportable Segment

For the Fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

(Unit: Thousand yen)

	Digital consultancy business	Other business	Total	Adjustments	Amount on consolidated financial statement
Revenue					
Revenue from external customers	13,559,922	691,188	14,251,110	19,822	14,270,932
Inter-segment revenue	107,217	4,704	111,922	-111,922	—
Total	13,667,139	695,893	14,363,033	-92,100	14,270,932
Segment profit (loss)	313,278	-141,113	172,165	-561,842	-389,677
Finance income					72,878
Finance costs					-130,270
Share of loss (profit) of entities accounted for using equity method					—
Profit (loss) before tax					-447,069

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

(Unit: Thousand yen)

	Digital consultancy business	Other business	Total	Adjustments	Amount on consolidated financial statement
Revenue					
Revenue from external customers	12,914,858	411,734	13,326,593	20,368	13,346,962
Inter-segment revenue	44,472	-	44,472	-44,472	-
Total	12,959,331	411,734	13,371,065	-24,103	13,346,962
Segment profit (loss)	-2,858,348	725,728	-2,132,620	75,890	-2,056,729
Finance income					3,320
Finance costs					-101,933
Share of loss (profit) of entities accounted for using equity method					-936
Profit (loss) before tax					-2,156,279

(3) Information by Region

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

(Unit: Thousand yen)

		Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Digital consultancy business	APAC	7,819,396	7,176,310
	EMEA	4,692,011	5,046,300
	AMER	1,068,336	712,616
Other business	APAC	423,625	390,462
	AMER	267,563	21,272
Total		14,270,932	13,346,962

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

## 8. Earnings per Share

### (1) Basis for Calculating Basic Earnings per Share

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

(Unit: Thousand yen)

	Fiscal year ended December 31, 2022
Profit (loss) attributable to ordinary shareholders of parent	
Profit attributable to owners of parent	-674,767
Profit not attributable to ordinary shareholders of parent	—
Profit used for calculating earnings per share	-674,767
Average number of shares outstanding during the period	27,532,900 shares
Basic earnings (loss) per share	
Basic earnings (loss) per share	-24.51 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. 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)

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

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

(2) Basis for Calculating Diluted Earnings per Share

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

(Unit: Thousand yen)

	Fiscal year ended December 31, 2022
Profit (loss) attributable to ordinary shareholders (diluted)	
Profit used for calculation of basic earnings per share	-674,767
Adjustments to profit	—
Profit used for calculating diluted earnings per share	-674,767
Average number of shares outstanding during the period	27,532,900 shares
Dilutive effect	— shares
After adjustment for dilutive effect	27,532,900 shares
Diluted earnings per share	
Diluted earnings per share	-24.51 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. 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)

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

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



## 9. Loss of Control

- a. Fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 2022)

Not applicable.

- b. Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)

### Consolidation-Type Merger

#### (1) Outline of the consolidation-type merger

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

#### 1) Name of the acquiring company and its business

Name of the acquiring company: Chowly, Inc.

Business: Provision of POS integration software for restaurant chains

#### 2) Name of the acquired company and its business

Name of the acquired company: Koala Labs, Inc

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

#### 3) Main reason for the consolidation-type merger

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

#### 4) Date of consolidation-type merger

January 31, 2023

#### 5) Legal form of business combination

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

#### 6) Other matters concerning the transaction overview

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

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

#### (2) Outline of applied accounting process

##### 1) Amount of gain (loss) on sale

768,061 thousand yen

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

Assets held for sale: 834,430 thousand yen

Total assets: 834,430 thousand yen

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

Total liabilities: 15,347 thousand yen

3) Accounting process

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

10. Business Combinations

a. For the Fiscal year ended December 31, 2022 (From January 1, 2022 to December 31, 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 Consolidated statement of profit or loss is 519,161 thousand yen, and its profit is 335,071 thousand yen.

If the business combination had been carried out at the beginning of the first nine months of the previous fiscal year, the acquired company's revenue recognized in the consolidated statement of profit or loss would have been 684,487 thousand yen, and its loss would have been 287,132 thousand yen. The pro forma information has not been audited.

- b. For the Fiscal year ended December 31, 2023 (From January 1, 2023 to December 31, 2023)  
Not applicable.

11. Subsequent Events

Not applicable.

12. Notes about Premise of a Going Concern

Not applicable.