



May 31, 2024

To all shareholders:

Company name: Monstarlab Holdings Inc.
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Representative Director/Group CEO
(Code: 5255, TSE Growth Market)
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Notice Concerning Policy of Rationalization at Consolidated Subsidiaries, Including Personnel Reductions and Decision on Dissolution Policy

The Company announces that its Board of Directors today approved a policy of rationalization, including personnel reduction, at its overseas consolidated subsidiaries in EMEA and AMER, as well as a policy for dissolution of two overseas consolidated subsidiaries.

1. Reason for the Rationalization

The Group is engaged in digital consulting business in 19 countries and regions around the world, divided into three regions, APAC, EMEA, and AMER, with the mission to “Empower talent everywhere to engineer awesome products, services and ecosystems; building a brighter world for us all.” The Company has decided to undertake a drastic streamlining of the businesses in EMEA and AMER, which have been continuously losing money on a recurring basis, with the goal of enhancing profitability as swiftly as possible.

The DX market in which the Group operates is a high-growth market¹ with an expected annual growth rate of over 20% globally, and the Group has been actively securing personnel, a growth driver, in anticipation of a high growth rate. However, in EMEA and AMER, where the Group had expected particularly high growth, the utilization rate has been declining due to such factors as significant delays in the start of large-scale projects, and the Group has recognized significant losses in recent months. As a result, the Group is facing major challenges to its overall growth, such as insufficient investment in APAC, which is the Group’s main earnings driver, and increasing management complexity. Therefore, management has decided to implement a fundamental review of the cost structure in EMEA and AMER to achieve an early return to profitability by reducing the number of personnel, focusing mainly non-active personnel, as well as downsizing offices and reviewing IT costs.

¹ GRAND VIEW RESEARCH "Digital Transformation Market Size, Share & Trends Analysis Report, 2022-2030"

The rationalization policy by each region is as follows.

EMEA: Focusing on non-active personnel, a 49% headcount reduction against headcount as of March 31, 2024, will be implemented by September 30, 2024. Reduction in fixed costs will be targeted by downsizing office space and reviewing IT costs. Going forward, the Group will enhance acquisition of projects by specializing in the healthcare and life science fields and the financial business domain, which have been identified as its strengths. In the Middle East, the Group will leverage its opportunity to expand business with strategic partners such as Tonomus, with whom it announced a business alliance this fiscal year, to enhance acquisition of projects.

AMER: Focusing on non-active personnel, a 45% headcount reduction against headcount as of March 31, 2024, will be implemented by September 30, 2024. Reduction in fixed costs will be targeted by downsizing office space and reviewing IT costs. Going forward, the Group will enhance acquisition of projects by specializing in the healthcare and life science fields and the financial business domain, which have been identified as its strengths.

2. Details of the Rationalization

With the aim of restructuring to a leaner organization and optimizing the workforce in the digital consulting business, the Group will reduce the overall workforce by approximately 160 people in EMEA and AMER combined during June 2024, as mentioned above. In addition, among the sites in EMEA, the German subsidiary and the Shanghai subsidiary, which is located in APAC but is still managed by EMEA due to the nature of its business activities aimed towards the EMEA market, will be dissolved.

EMEA:

① Dissolution of Subsidiaries

(1) Monstarlab Germany GmbH (hereinafter, referred to as “MLDE”) (Location: Berlin)

(a) Outline of Subsidiary to be Dissolved

(1)	Name	Monstarlab Germany GmbH		
(2)	Location	c/o Mindspace, Friedrichstrasse 68, 10117 Berlin Germany		
(3)	Job title and name of representative	CEO, Director Martin Kahl		
(4)	Nature of business	Digital consultancy business		
(5)	Capital	3 million yen		
(6)	Date of establishment	December 22, 2017		
(7)	Major shareholders and shareholding ratio	Monstarlab Denmark ApS 100%		
(8)	Relationship between Monstarlab Holdings Inc. and subject company	Capital relationship	The Company owns 100% of the equity interest in the above-mentioned Monstarlab Denmark ApS, which owns 100% of the equity interest in the subject company.	
		Personnel relationship	One director of the Company concurrently serves as a director of the subject company.	
		Business relationship	The Company outsources work and provides management guidance to the subject company. The Company plans to terminate the outsourcing and management guidance following transfer of the subsidiary.	
(9)	Operating results and financial position of the subject company for the recent three years			
	Fiscal year-end	December 2021	December 2022	December 2023
	Total assets (million yen)	155	138	147
	Net assets (million yen)	(261)	(274)	(436)
	Net assets per share (yen)	(10,461.70)	(10,965.05)	(17,477.39)
	Revenue (million yen)	131	285	316
	Operating profit (million yen)	(69)	3	(131)

Ordinary profit (million yen)	(71)	0	(131)
Net income (million yen)	(84)	6	(128)
Earnings per share (yen)	(3,366.68)	265.05	(5,141.43)
Dividend per share (yen)	0.00	0.00	0.00

(b) Schedule of Dissolution

Resolution of MLDE's Shareholders' Meeting: August 31 (scheduled)

(It is expected to take less than one year from the resolution of dissolution to completion of liquidation.)

(c) Amount of Loss upon Dissolution

As of the previous consolidated fiscal year, the subject consolidated subsidiary had excess liability of 436 million yen, and will be dissolved after the excess liability is resolved.

The impact of the dissolution of the subject consolidated subsidiary on the consolidated financial results is currently under investigation, but there is a possibility that a loss will be recognized. The Company will disclose any matters promptly that should be disclosed in the future.

(2) 夢思特信息科技（上海）有限公司 (hereinafter, referred to as "MLSH") (Location: Shanghai, China)

(a) Outline of Subsidiary to be Dissolved

(1)	Name	夢思特信息科技（上海）有限公司		
(2)	Location	Room 12092, Area 1, Building 1, No. 888 Huanhu West 2nd Road, Lingang New Area, China (Shanghai) Pilot Free Trade Zone		
(3)	Job title and name of representative	法人代表兼、執行董事 陳 蘊哲		
(4)	Nature of business	Digital consulting (mainly for the EMEA market)		
(5)	Capital	76 million yen		
(6)	Date of establishment	July 14, 2015		
(7)	Major shareholders and shareholding ratio	Monstarlab Holdings Inc. 100%		
(8)	Relationship between Monstarlab Holdings Inc. and subject company	Capital relationship	The Company owns 100% equity of the subject company.	
		Personnel relationship	One employee of the Company concurrently serves as a director of the subject company.	
		Business relationship	The Company outsources work and provides management guidance to the subject company. The Company plans to terminate the outsourcing and management guidance following transfer of the subsidiary.	
(9)	Operating results and financial position of the subject company for the recent three years			
	Fiscal year-end	December 2021	December 2022	December 2023
	Total assets (million yen)	8	2	6
	Net assets (million yen)	(2)	(11)	(6)
	Revenue (million yen)	14	1	1

Operating profit (million yen)	(20)	(20)	(21)
Ordinary profit (million yen)	(21)	(20)	(20)
Net income (million yen)	(21)	(20)	(8)

(b) Schedule of Dissolution

Resolution of MLSH's Shareholders' Meeting: August 31 (scheduled)

(It is expected to take less than one year from the resolution of dissolution to completion of liquidation.)

(c) Amount of Loss upon Dissolution

As of the previous consolidated fiscal year, the subject consolidated subsidiary had excess liability of 6 million yen, and will be dissolved after the excess liability is resolved.

The impact of the dissolution of the subject consolidated subsidiary on the consolidated financial results is currently under investigation, but there is a possibility that a loss will be recognized. The Company will disclose any matters promptly that should be disclosed in the future.

② Personnel Reduction

Including the above subsidiaries to be dissolved, the overall headcount in EMEA will be reduced by approximately 140 employees.

AMER:

① Personnel Reduction

The overall headcount in AMER will be reduced by approximately 20 employees.

3. Impact on Financial Results

The impact of the rationalization of the subject consolidated subsidiary, including personnel reduction, on the consolidated financial results is currently under investigation. The Company will disclose any matters promptly that should be disclosed in the future.