August 14, 2024

To all shareholders:

Company name:	Monstarlab Holdings Inc.
Representative:	Hiroki Inagawa, Representative Director/Group CEO (Code: 5255, TSE Growth Market)
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Notice Regarding the Plan to Resolve Insolvency

Monstarlab Holdings Inc. (hereinafter referred to as the "Company") hereby announces that, as stated in the "Summary of Consolidated Financial Results for the Second Quarter (Interim period) of the Fiscal Year Ending December 31, 2024 [IFRS]" published today, the Company's consolidated net assets as of the end of the second quarter of the fiscal year ending December 31, 2024, show insolvency amounting to 2,593 million yen. Accordingly, we outline below the Company's efforts to resolve this insolvency.

1. Causes of Insolvency

The Company Group, with the mission of "Empower talent everywhere to engineer awesome products, servicesand ecosystems; building a brighter world for us all." aims to contribute to the realization of a better world by creating products, services, and ecosystems that solve global challenges as a digital partner with clients, while also providing opportunities for "work," "growth," and "participation in projects that solve global problems" across borders. The Group operates the main business of "Digital Consulting" in 19 countries and regions worldwide, classified into three regions: APAC (covering Japan and the Asia-Pacific region), EMEA (covering Europe, the Middle East, and Africa), and AMER (covering North, Central, and South America).

In terms of revenue, the Group has achieved a 40% average annual growth rate over the past six years since 2016, driven by the expansion of its business areas. In particular, the Group actively pursued forward-looking recruitment based on the assumption of high growth in the EMEA and AMER regions. However, in these regions, growth has recently been slower than initially expected, leading to an increase in underutilized personnel and resulting in a structure prone to deficits.

Amidst these circumstances, the Company began considering the closure of deficit-generating sites and the reduction of underutilized personnel from the second half of 2023. However, simultaneously, discussions began on a large-scale strategic alliance involving capital contributions from other companies. Since negotiations for the alliance assumed the maintenance of the current structure in the EMEA and AMER regions, the implementation of structural reforms in these regions was postponed during the negotiation process.

However, in late May 2024, the decision was made to discontinue the consideration of this strategic alliance, prompting the Company to start reviewing structural reforms centered on reducing underutilized personnel to improve the deficit structure. As a result, as announced in the "Notice Concerning Policy of Rationalization at Consolidated Subsidiaries, Including Personnel Reductions and Decision on Dissolution Policy" released on May 31, 2024, the Company decided to undertake measures to reduce workforce centered on underutilized personnel and to downsize offices and review IT costs in the EMEA and AMER regions, where project start dates have been significantly delayed, resulting in decreased operational rates and the current deficit situation. These measures are aimed at achieving early profitability through a fundamental review of the cost structure in these regions.

As announced in the "Notice of Recognition of Temporary Expenses and Impairment Losses Related to Workforce Reduction and Other Rationalization Measures, and Reduction of Executive Compensation" published today, the Company recognized impairment losses for goodwill amounting to 1,018 million yen and 1,743 million yen, respectively, for its consolidated subsidiaries Monstarlab LLC and Genieology Design DMCC, as well as impairment losses for goodwill amounting to 938 million yen recognized by its consolidated subsidiary Monstarlab Information Technology LLC, and impairment losses for fixed assets totaling 441 million yen across multiple consolidated subsidiaries and sub-subsidiaries. As a result, the Company Group recognized total impairment losses of 4,140 million yen, leading to insolvency amounting to 2,593 million yen as of the end of the second quarter of the fiscal year ending December 31, 2024.

2. Basic Policy to Resolve Insolvency

As outlined in "3. Details and Schedule of Initiatives," the Company will strive to stabilize its business and financial conditions, improve its sustainable income and expenditure, and promote measures to strengthen capital, thereby working to resolve and improve the current situation.

3. Details and Schedule of Initiatives

(1) Measures to Improve Business Profitability

The Company will continue to strive for continuous revenue acquisition through projects related to innovation creation and sales-enhancing DX, such as new services, business transformation, and customer experience transformation, in which the Company excels. Additionally, efforts will be made to strengthen the acquisition of projects in new focus areas such as data enterprise projects and generative AI projects.

Furthermore, to establish a growth foundation by 2024, the Company will concentrate its growth investment on APAC, which is the main source of revenue and profit, aiming to shift to management that balances healthy profit generation with growth.

To achieve revenue growth and profit expansion from 2025 onwards, the Company will enhance the value of its strong areas in the SoE domain, strengthen data areas such as location data and purchase behavior data (including price sensitivity), and promote the development of enterprise systems utilizing generative AI. At the same time, the Company will continue to strengthen its technological and sales capabilities through equity financing, partnerships, and collaborations with advanced technology companies, consulting firms, and business corporations.

(2) Company-Wide Cost Reduction Measures, Including Business Expenses

As stated in the " Notice Concerning Policy of Rationalization at Consolidated Subsidiaries, Including Personnel Reductions and Decision on Dissolution Policy" disclosed on May 31, 2024, the Company will reduce its workforce by approximately 50% by September 30, 2024, compared to March 31, 2024, primarily focusing on underutilized personnel. Additionally, office downsizing and IT cost reviews are being implemented to reduce fixed costs. The Company anticipates monthly cost savings of approximately 270 million yen as a result of personnel cost reductions, and further cost reductions will be pursued through continued office downsizing and IT cost reviews.

Furthermore, as announced in the "Notice of Recognition of Temporary Expenses and Impairment Losses Due to Workforce Reduction and Rationalization" published today, the Company has decided to conduct further fundamental group organizational restructuring in the EMEA region, with a focus on improving the profitability of its subsidiaries in that region. This ongoing group organizational restructuring is expected to lead to even greater cost reduction effects. Any new significant facts that may arise or be decided in the future will be promptly disclosed.

(3) Funding

As stated in the "Notice Regarding Establishment of Credit Lines for Borrowing" disclosed on June 13, 2024, the Company has secured funding as needed to meet the financial demands of its ongoing organizational and structural reforms during the growth foundation-building phase of the current fiscal year and the growth investment phase from the next fiscal year onwards.

In addition, the Company is considering multiple methods to resolve insolvency early through equity financing and plans to actively raise funds with a view to future growth investments. Although specific timing and scale of capital policies have not been decided at this time, the Company will promptly announce any decisions made in this regard.

By implementing the above measures, the Company will work to improve its performance and

financial position and strive to resolve its insolvency as soon as possible.