Supplementary Explanation Document on Fundraising

January 15, 2025

Monstarlab

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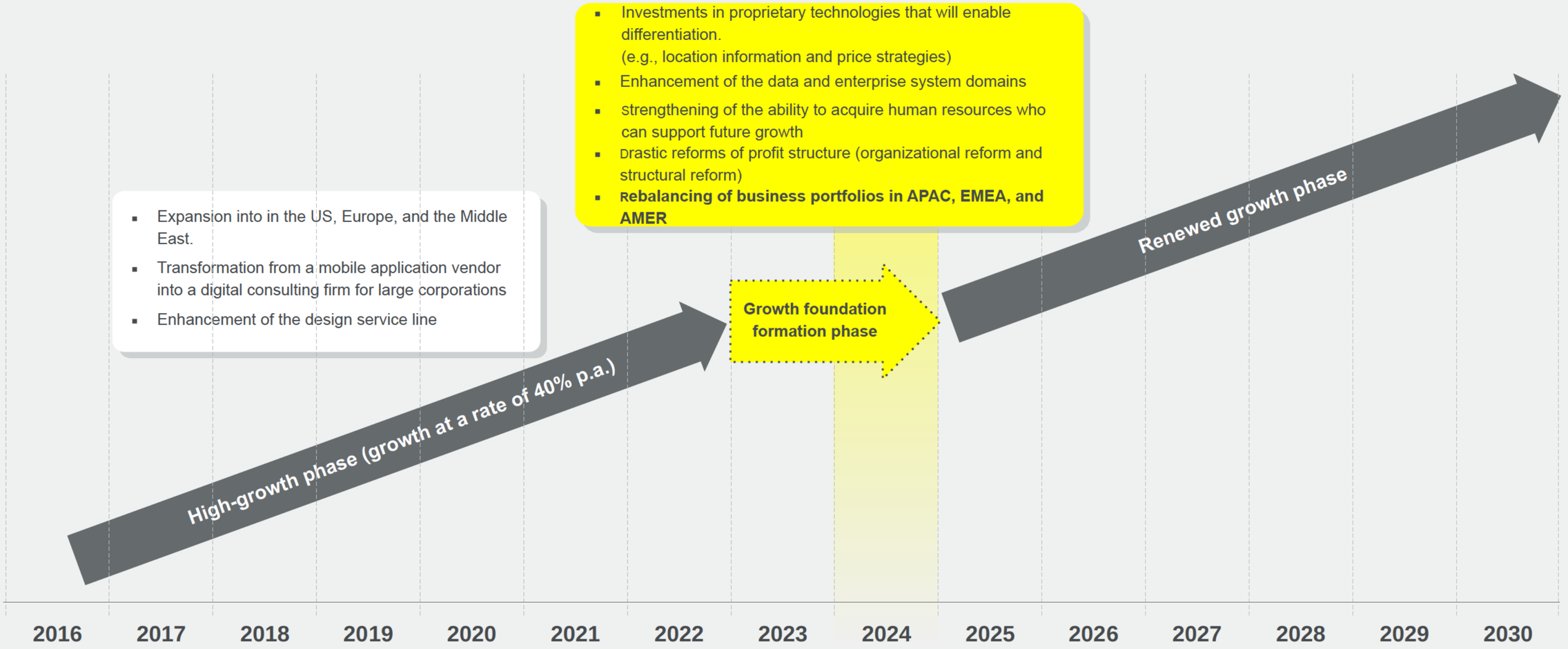
2024 Q1 Investor Presentation Material: By completing the structural reforms of loss-making locations by Q3 of this fiscal year, we aim to achieve profitability* across all regions in Q4.



* Excluding the effect of expenses related to structural reform

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1.Purpose and Background of This Preferred Share Issuance

To stabilize the financial foundation, enhance the likelihood of resolving insolvency, and achieve business regrowth

1	**Fundamental Structural Reforms**	▪ Execute the closure and deconsolidation of loss-making locations, primarily in Europe and the Middle East.	▪ Prioritize and concentrate efforts on APAC as the backbone of the group and AMER, which is expected to contribute to profits through revenue growth.
2	**Strengthening Focus Areas**	▪ Transition to a simplified management structure centered on APAC and AMER, streamlining organizational frameworks and reporting lines to enable efficient and precise management.	▪ Refocus on the development sector, leveraging expertise gained through digital consulting and the strength of a large global engineering workforce to enhance competitiveness.
3	**Capital Fundraising Initiatives**	▪ Strengthen capital and cash flow through the issuance of MS warrants and corporate bonds.	▪ **Raise capital through the issuance of preferred shares and reinforce the financial base by repaying interest-bearing debt.**

By implementing these measures, we aim to establish a foundation for growth and achieve business re-growth.

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2.Overview of This Preferred Share Issuance

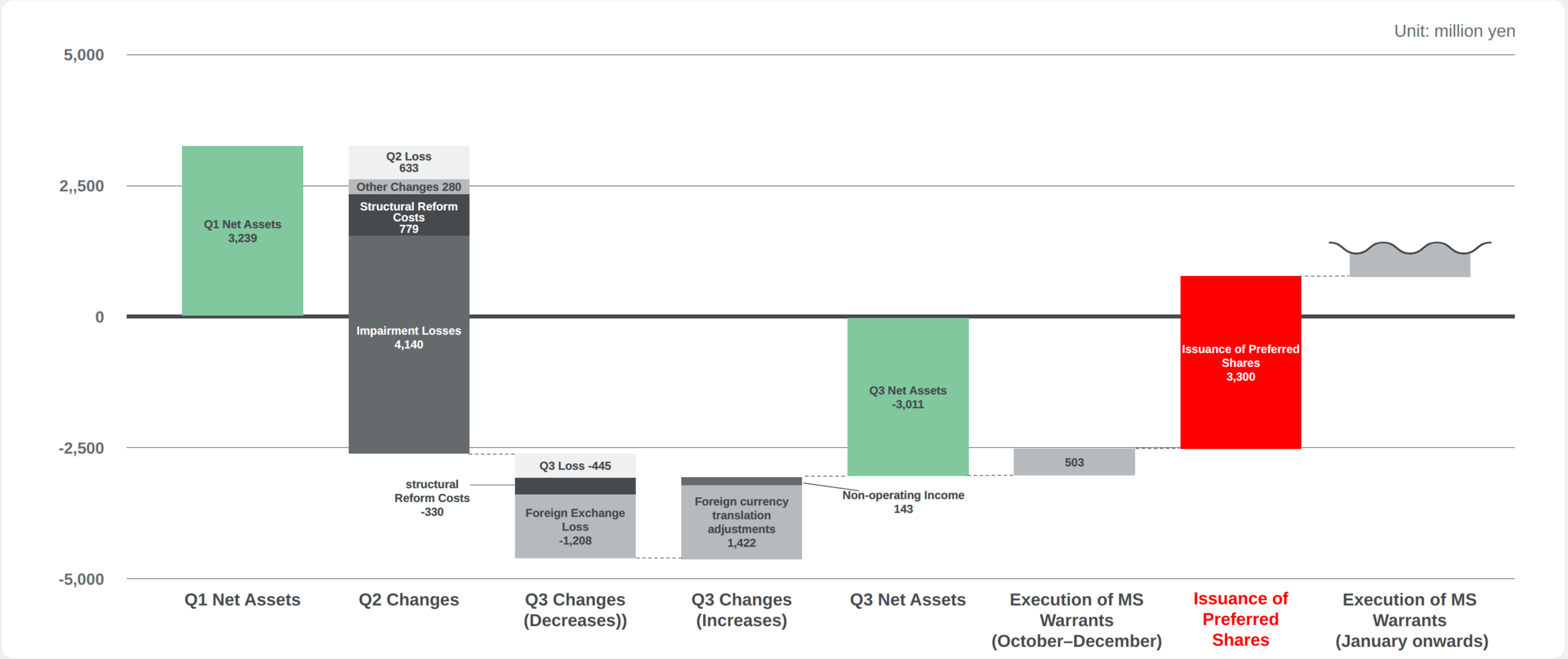
Overview of This Preferred Share Issuance

Allotment Recipient	**THE SAN-IN GODO BANK,LTD**
Number of Shares Issued	33,000,000 shares
Voting Rights	None
Expected Proceeds	JPY 3,300,000,000
Dividend on Surplus	Japanese Yen TIBOR (6-month) + 2.0% (Currently approximately 2.6% as of January 15, 2024)
Issuance Resolution	19th Annual General Shareholders' Meeting
Issuance and Allotment Date	Scheduled for March 28, 2025

Acquisition Rights in Exchange for Common Shares (Holder's Option)	**The holder may request the acquisition of all or part of the preferred shares in exchange for common shares after three years from the payment date.** **(Number of Preferred Shares to be Acquired) × (Issue Price per Preferred Share [JPY 100]) / (Acquisition Price [JPY 95.9])** **Acquisition Price: JPY 95.9**
Acquisition Clause in Exchange for Cash (Issuer's Option)	The company may acquire all or part of the preferred shares in exchange for cash at any time after the day following the payment date, provided that written notice is given at least 14 days in advance.

2.Overview of This Preferred Share Issuance

We aim to improve profitability by implementing structural reforms in Q3. Furthermore, the issuance of MS warrants and preferred shares is expected to significantly increase the likelihood of resolving insolvency.

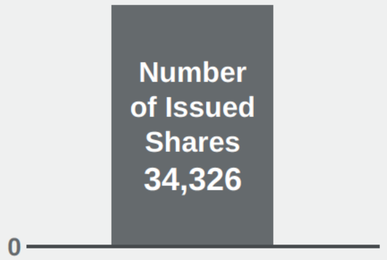


*Q3 Loss: excluding structural reform costs.

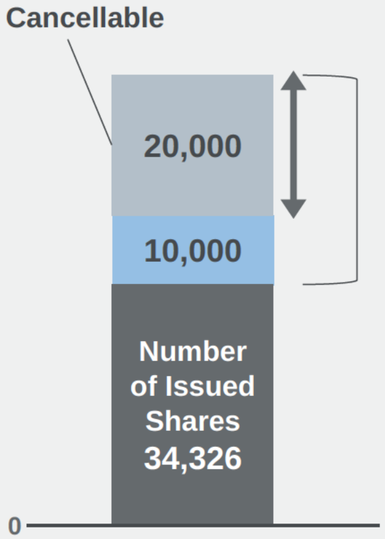
2.Overview of This Preferred Share Issuance

Minimizing Dilution, Enhancing the Likelihood of Resolving Insolvency, and Strengthening the Financial Base

September 30, 2024



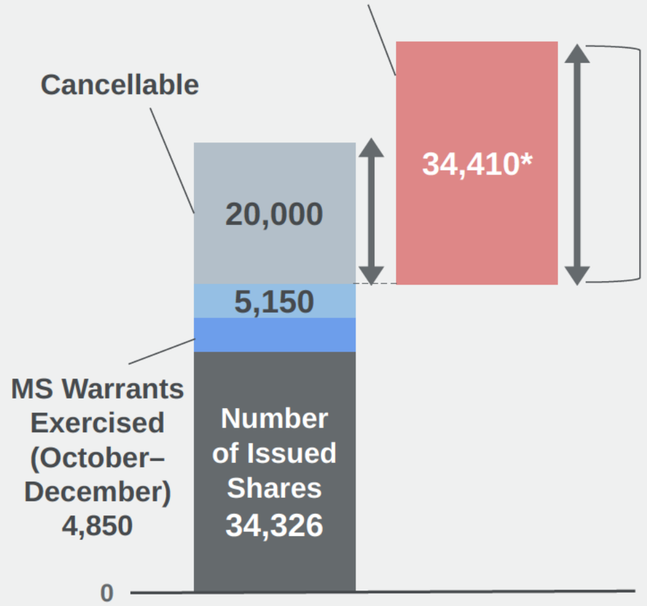
October 7, 2024



- Issued MS warrants to EVO FUND as the allotment recipient.
- Out of the total MS warrant issuance of 30,000 thousand shares, 20,000 thousand shares (two-thirds of the total) were issued with the possibility of cancellation depending on the capital-raising progress.

March 28, 2025

Fluctuation in the Number of Common Shares Converted Through Monetary Consideration Acquisition by the Company



- Issued preferred shares to San-in Godo Bank as the allotment recipient(No Voting Rights)
- Convertible to common shares after three years from the payment date.
- Cash redemption of the preferred shares by the company is possible immediately after issuance. In such cases, no dilution occurs. The company aims to actively utilize cash redemption based on financial conditions to minimize dilution.

Unit: Thousand Shares

*In the case of full conversion into common shares at a price of JPY 95.9 per share.

3.Q&A Regarding This Preferred Share Issuance

#	Questions	Answers
1	What are the benefits of this scheme	**① Short-term and reliable capital strengthening** ・By raising JPY 3.3 billion in the short term, the likelihood of resolving insolvency is significantly enhanced. **② Mitigation of stock dilution** ・Conversion into common shares will only commence three years after the payment date. ・While the allottee can convert preferred shares into common shares after three years, the company can repurchase the preferred shares for cash immediately after issuance, allowing time to mitigate dilution. ・Preferred shares do not carry voting rights. **③ Reduction of interest-bearing debt** ・The capital raised through this preferred share issuance can be used to repay borrowings, significantly reducing interest-bearing debt.
2	What are the disadvantages of this scheme	**① Potential decline in stock price due to market sales by the allottee** ・After three years from the payment date, the allottee may convert the preferred shares into common shares and sell the acquired common shares in the market. Such sales of common shares in the market may lead to a decline in the company's stock price. **② Limited access to new and unspecified investors** ・Since this is a third-party allotment agreement solely between the company and the allottee, the scheme does not leverage the advantages of fundraising from a broad base of new investors.
3	What is the extent of dilution	・If the entire issuance is converted into common shares at JPY 95.9 per share, the maximum dilution will amount to 34,410,844 shares. However, as explained in "Benefits of this scheme," if the company repurchases the preferred shares for cash, the extent of dilution will be reduced.
4	Why is the reduction of capital and the disposition of surplus being carried out	・This measure is implemented as a financial and tax strategy to ensure flexibility and agility in future capital policies. ・Since this is an intra-account transfer within the net assets section, the total number of issued shares and the amount of net assets remain unchanged, having no impact on shareholders' holdings or net assets per share.

Empower talent everywhere to engineer awesome products, services and ecosystems; building a brighter world for us all

Monstarlab ⁚⁚

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