



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 of Recognition of Temporary Expenses and Impairment Losses Related to Rationalization Measures, and Reduction of Executive Compensation

Monstarlab Holdings Inc. (hereinafter referred to as the "Company") hereby announces that it has recognized impairment losses and temporary expenses related to workforce reduction and other rationalization efforts during the first half of the fiscal year ending December 31, 2024 (January 1, 2024 – June 30, 2024). In addition, the Company has resolved to reduce executive compensation, as outlined below.

### 1. Content of Temporary Expenses Related to Workforce Reduction and Other Rationalization Efforts

As previously 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 has decided to undertake drastic rationalization measures to quickly return to profitability in its EMEA and AMER regions, where continuous losses have been reported. The initial plan was to reduce a total of 160 employees, but this number has been revised to 230. As a result, during the second quarter of the fiscal year ending December 31, 2024, the Company recognized temporary expenses of 779 million yen, primarily due to losses associated with workforce optimization.

### 2. Content of Impairment Losses

In the EMEA and AMER regions, the Company had actively engaged in forward-looking recruitment with an assumption of high growth. However, due to lower-than-expected growth, a significant number of employees became underutilized, leading to sustained losses. Consequently, 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. Additionally, an impairment loss of 938 million yen was recognized for the goodwill held by Monstarlab Information Technology LLC, another consolidated subsidiary, and impairment losses totaling 441 million yen for fixed assets across multiple consolidated subsidiaries and sub-subsidiaries. As a result, the Company has recognized total impairment losses of 4,140 million yen.

#### Details of Impairment Losses

##### a. Impairment of Goodwill Held by the Company

Subsidiary	Impairment Amount
Monstarlab LLC	1,018 million yen
Genieology Design DMCC	1,743 million yen

##### b. Impairment of Goodwill Recognized by Subsidiaries

Subsidiary	Impairment Amount
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Monstarlab Information Technology LLC	938 million yen
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(The goodwill in question arose from the business acquisition from Pioneers Consulting by the subsidiary.)

#### c. Impairment of Fixed Assets Recognized by Subsidiaries (Sub-subsidiaries)

Subsidiary	Impairment Amount
Monstarlab Denmark ApS	6 million yen
Monstarlab UK Limited	254 million yen
Monstarlab Czech Republic. s.r.o	11 million yen
Monstarlab Information Technology LLC	50 million yen
Genieology Design DMCC	6 million yen
Monstarlab Middle East DMCC	66 million yen
Monstarlab LLC	41 million yen
Monstarlab Colombia S.A.S	4 million yen

#### 3. Reduction of Executive Compensation

In light of the significant losses recognized during the first half of the fiscal year ending December 31, 2024, the Company has decided to reduce executive compensation as a measure to clarify management responsibility.

##### Details of Executive Compensation Reduction

Representative Director and CEO: 100% of monthly compensation to be returned

Directors (excluding outside directors): 50% of monthly compensation to be returned

Period: From August 2024 to December 2024 (five months)

#### 4. Outlook for the Future

The expenses and impairment losses mentioned above have been reflected in the " Summary of Consolidated Financial Results for the Second Quarter (Interim period) of the Fiscal Year Ending December 31, 2024 [IFRS]" disclosed today. As a result, the Company's consolidated net assets as of the end of the second quarter of the fiscal year ending December 31, 2024, show a deficit of 2,593 million yen.

Under these circumstances, the Company's digital consulting business in the EMEA region, which recorded net sales of 5,046 million yen and an operating loss of 2,567 million yen in the previous fiscal year, continues to incur significant losses and poses a substantial burden on the Company's profitability and cash flow. Given this backdrop, the Company has decided to execute further fundamental group organizational restructuring in the EMEA region to promptly improve profitability and financial conditions. As announced in the "Notice Regarding Decision on Workforce Reduction and Rationalization, and Dissolution of Subsidiaries" on May 31, 2024, the Company is undertaking measures such as workforce reduction centered on underutilized employees, office downsizing, and IT cost reduction to achieve early profitability in the EMEA and AMER regions. Following the decision on the aforementioned policy, the Company will continue to promote group organizational restructuring in the EMEA region. The dissolution of two subsidiaries, Monstarlab Germany GmbH in Berlin and Monstarlab Information Technology (Shanghai) Co., Ltd. in China, announced in the aforementioned disclosure, is currently underway, and the impact on earnings (loss amount) related to the dissolution is yet to be determined.

The Company will promptly disclose any significant facts that may arise or be decided in the future.

(Reference)

Details of Subsidiaries with Goodwill Impaired in this Announcement

a. Monstarlab LLC

(1)	Name	Monstarlab LLC		
(2)	Location	158 Roebling Street Brooklyn, NY 11211		
(3)	Representative Title and Name	CEO, Director MAXWELL PARRY OGLESBEE		
(4)	Business Description	Digital Consulting Business		
(5)	Capital	-\$5,140,717 USD (approximately -827.2 million yen)		
(6)	Date of Establishment	May 23, 2008		
(7)	Major Shareholders and Ownership Ratio	Monstarlab, Corp 100%		
(8)	Relationship with the Company	Capital Relationship	The Company holds 100% of the shares of Monstarlab Corp, which holds 100% of the shares of the subsidiary.	
		Personnel Relationship	One of the Company's directors concurrently serves as a director of the subsidiary.	
		Transaction Relationship	The Company engages in business outsourcing and management guidance with the subsidiary.	
(9)	Recent Financial Performance and Financial Condition of the Subsidiary for the Last Three Fiscal Years			
	Fiscal Year	FY2021	FY2022	FY2023
	Total Assets (million yen)	697	512	329
	Net Assets (million yen)	-424	-433	-835
	Net Sales (million yen)	792	1,081	747
	Operating Income (million yen)	-13	-50	-347
	Ordinary Income (million yen)	-39	-100	-369
	Net Income (million yen)	187	53	-373

Reference Exchange Rate:

(End of December 2021) 1 USD = 115.02 yen (2021 Average) 1 USD = 109.80 yen

(End of December 2022) 1 USD = 130.41 yen (2022 Average) 1 USD = 131.27 yen

(End of December 2023) 1 USD = 141.02 yen (2023 Average) 1 USD = 140.48 yen (2024 年 6

(End of June 2024) 1 USD = 160.91 yen

b. Genieology Design DMCC

(1)	Name	Genieology Design DMCC		
(2)	Location	Jumeirah Lakes Towers, Dubai		
(3)	Representative Title and Name	CEO, Director Calvin Rodney Sylvinus Hart		
(4)	Business Description	Digital Consulting Business		
(5)	Capital	80,000 AED (approximately 3.5 million yen)		
(6)	Date of Establishment	October 16, 2018		
(7)	Major Shareholders and Ownership Ratio	Monstarlab Holdings Inc. 100%		
(8)	Relationship with the Company	Capital Relationship	The Company holds 100% of the shares of the subsidiary.	
		Personnel Relationship	One of the Company's directors concurrently serves as a director of the subsidiary.	
		Transaction Relationship	The Company engages in business outsourcing and management guidance with the subsidiary.	
(9)	Recent Financial Performance and Financial Condition of the Subsidiary for the Last Three Fiscal Years			
	Fiscal Year	FY2021	FY2022	FY2023
	Total Assets (million yen)	-	495	459
	Net Assets (million yen)	-	353	275
	Net Sales (million yen)	-	539	557
	Operating Income (million yen)	-	336	-101
	Ordinary Income (million yen)	-	335	-102
	Net Income (million yen)	-	335	-102

Since MLGO became a subsidiary of the Company on June 1, 2022, the financial performance and financial condition of the subsidiary for the fiscal year ending December 2021 have been omitted.

Reference Exchange Rate:

(End of December 2022) 1 AED = 35.68 yen (2022 Average) 1 AED = 35.50 yen

(End of December 2023) 1 AED = 38.60 yen (2023 Average) 1 AED = 38.25 yen

(End of June 2024) 1 AED = 43.80 yen