



September 19, 2024

To all shareholders:

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Notice Regarding the Issuance of the 81st Stock Acquisition Rights with Adjusted Exercise Price via Third-Party Allotment

At the Board of Directors meeting held on September 19, 2024 (hereinafter referred to as the "Resolution Date"), the Company resolved to issue the 81st Stock Acquisition Rights (hereinafter referred to as the "Stock Acquisition Rights") to EVO FUND (hereinafter referred to as the "Scheduled Allottee") and, subject to the effectiveness of the filing under the Financial Instruments and Exchange Act, to enter into a purchase agreement (hereinafter referred to as the "Purchase Agreement") with the Scheduled Allottee. Accordingly, we hereby announce the details of the issuance of the Stock Acquisition Rights and the conclusion of the Purchase Agreement (hereinafter collectively referred to as the "Transaction").

Additionally, at the same Board meeting, the Company also resolved to issue the 5th and 6th series of unsecured bonds (private placement bonds) (hereinafter individually referred to as the "5th Bonds" and the "6th Bonds," and collectively referred to as the "Bonds") to the Scheduled Allottee. The issuance of the Stock Acquisition Rights and the Bonds forms part of the financing arrangement (hereinafter referred to as the "Financing" or the "Scheme").

1. Summary of the Offering

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| (1) Allotment Date | October 7, 2024 |
| (2) Number of Stock Acquisition Rights Issued | 300,000 units |
| (3) Issue Price | Total amount of JPY 14,400,000 (JPY 48 per unit of Stock Acquisition Rights) |
| (4) Number of Potential Shares Resulting from the Issuance | 30,000,000 shares (100 shares per Stock Acquisition Right). There is no upper limit for the exercise price. The minimum exercise price is set at JPY 75, and even at the minimum price, the potential number of shares will remain 30,000,000. (5) Amount to be Raised: JPY 4,220,650,000 (Note) |
| (5) Amount to be Raised | JPY 4,220,650,000 (Note) |
| (6) Exercise Price and Conditions for Adjustment | The initial exercise price is set at JPY 141. The exercise price of the Stock Acquisition Rights will be adjusted for the first time on the trading day following the allotment date (the "Trading Day" refers to any day on which |

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| | <p>trading is conducted on the Tokyo Stock Exchange (hereinafter the "Exchange"); the same applies hereafter) and thereafter every three trading days. If the exercise price is adjusted, it will be revised on the trading day following the third trading day from the day the price was last adjusted (hereinafter referred to as the "Adjustment Date"). The new price will be calculated as 95% of the simple average of the closing prices of the Company's common stock on the Exchange over the three consecutive trading days preceding the Adjustment Date (excluding any day without a closing price), rounded down to the nearest yen (provided that, if the resulting amount falls below the minimum exercise price, it will be adjusted to the minimum price). If there is no closing price for any of the trading days during the relevant price calculation period, the exercise price will not be adjusted. Furthermore, if an event requiring adjustment under Article 11 of the terms of issuance of the Stock Acquisition Rights occurs within any price calculation period, the closing price of the Company's common stock on the Exchange during the relevant trading days will be adjusted to account for such an event. Under these adjustment conditions, while it cannot be ruled out that the adjusted exercise price may fall below 90% of the closing price on the trading day preceding the Adjustment Date, it is believed that the total amount raised through the exercise of the Stock Acquisition Rights will likely exceed the amount raised if the price were adjusted to 90% of the previous trading day's closing price, which is why these adjustment conditions have been adopted.</p> |
| (7) Method of Offering or Allotment (Scheduled Allottee) | All Stock Acquisition Rights will be allotted to EVO FUND via third-party allotment. |
| (8) Exercise Period | From October 8, 2024 (inclusive) to October 7, 2027 (inclusive). |
| (9) Other Provisions | <p>The Company will enter into the Purchase Agreement with the Scheduled Allottee, stipulating that if the Scheduled Allottee intends to transfer the Stock Acquisition Rights, they must obtain approval from the Company's Board of Directors after the effectiveness of the filing under the Financial Instruments and Exchange Act. Furthermore, the Purchase Agreement will include provisions regarding the acquisition of the Stock Acquisition Rights, lock-up provisions, and restrictions on the exercise of the Stock Acquisition Rights.</p> <p>Acquisition Conditions: The Stock Acquisition Rights are subject to acquisition provisions that allow the Company to acquire the rights at its discretion. However, the Purchase Agreement is expected to stipulate that any acquisition under these provisions will require the prior written consent of the Scheduled Allottee. Nevertheless, if there are no outstanding bonds, the Company will be able to acquire up to 200,000 Stock Acquisition Rights without the consent of the Scheduled Allottee, and an additional 100,000 units can be acquired with the written consent of the Scheduled Allottee.</p> <p>Lock-Up: Without prior written approval from the Scheduled Allottee or EVO JAPAN Securities Co., Ltd. (hereinafter referred to as "EJS"), the Company will not</p> |

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| | <p>engage in, directly or indirectly, any solicitation, provision of collateral, issuance, sale, sale agreement, granting of purchase options, granting of purchase rights, granting of underwriting rights, lending, or other transfer or disposition of its common shares or securities convertible or exchangeable into its common shares, or any other arrangement transferring the economic result of ownership of its common shares, for six months from the day following the execution of the Purchase Agreement (inclusive). Furthermore, no person acting under the Company's direction shall engage in such acts. However, these restrictions will not apply in cases where: (i) the shares or securities convertible or exchangeable into common shares are allocated to a strategic partner that has committed to holding the shares for more than one year, (ii) types of preferred shares are issued as a result of contributions of monetary claims to the Company (including shares convertible into common shares) or issued in a manner with equivalent economic effect, (iii) a stock split results in the issuance or distribution of the Company's common shares, (iv) the Company issues common shares as part of a restricted stock compensation system or stock options, (v) the Stock Acquisition Rights are issued or exercised, or (vi) where required by applicable law.</p> <p>Restrictions on the Exercise of Stock Acquisition Rights: Please refer to "7. Reasons for Selecting the Scheduled Allottee (3) Policy of the Scheduled Allottee Regarding Ownership and Restrictions on the Exercise of Rights."</p> |
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(Note) The amount of funds to be raised is the sum of the total amount of the paid-in amount for the Stock Acquisition Rights and the value of the assets to be contributed upon the exercise of the Stock Acquisition Rights, minus the estimated expenses related to the issuance of the Stock Acquisition Rights. If the exercise price is adjusted or modified, the amount of funds to be raised may increase or decrease. Additionally, if the Stock Acquisition Rights are not exercised during the exercise period, or if the Stock Acquisition Rights acquired by the Company are canceled, the amount of funds raised will fluctuate. Furthermore, the value of the assets to be contributed upon the exercise of the Stock Acquisition Rights used in the calculation of the aforementioned amount assumes that all Stock Acquisition Rights are exercised at the initial exercise price. The actual amount of funds raised may vary depending on market conditions at the time of the exercise of the Stock Acquisition Rights.

2. Purpose and Reason for the Offering

The mission of our Group is to "leverage diversity and change the world through technology." We aim to contribute to a better world by creating products, services, and ecosystems that solve global challenges together with our clients as their digital partner. At the same time, we provide cross-border "opportunities" such as "work opportunities," "growth opportunities," and "opportunities to participate in projects that solve global problems." Our main business, the "Digital Consulting Business," supports the digital transformation (DX) of enterprises and local governments to meet their business challenges and new business needs. We operate in 19 countries and regions worldwide, classified into three regions: APAC (Japan and the Asia-Pacific region), EMEA (Europe, the Middle East, and Africa), and AMER (North, Central, and South America).

In terms of revenue, the expansion of business areas has resulted in an average annual growth rate of 40% over the past six years, from 2016 to 2021. In particular, we actively promoted forward-looking recruitment in EMEA and AMER, assuming high growth in these regions. However, in recent years, the growth rate in these regions

has been lower than initially expected, leading to an increase in underutilized personnel and a resulting deficit structure.

Amidst this situation, from the second half of 2023, we began considering closing deficit-generating sites and reducing underutilized personnel. At the same time, discussions began regarding a strategic alliance involving capital contributions from other companies. However, since the negotiations for the alliance assumed the maintenance of the current structure in EMEA and AMER, we postponed structural reforms in these regions during the negotiation process.

However, in late May 2024, the decision was made to discontinue consideration of this strategic alliance, prompting us 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" on May 31, 2024, we decided to implement personnel reductions, focusing on underutilized personnel, and to downsize offices and review IT costs in the EMEA and AMER regions. These measures aim to achieve early profitability by fundamentally reviewing the cost structure in these regions, where project start dates have been significantly delayed, leading to lower operational rates and current deficits.

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" on August 14, 2024, due to lower-than-expected revenue from EMEA and AMER, we recognized impairment losses for goodwill amounting to JPY 1,018 million for Monstarlab LLC and JPY 1,743 million for Genieology Design DMCC. Additionally, we recognized impairment losses of JPY 938 million for goodwill held by Monstarlab Information Technology LLC, and fixed asset impairment losses totaling JPY 441 million across multiple consolidated subsidiaries and sub-subsidiaries. As a result, the Group recorded total impairment losses of JPY 4,140 million, resulting in insolvency of JPY 2,593 million as of the end of the second quarter of the fiscal year ending December 2024.

In this situation, by optimizing personnel at overseas locations and downsizing offices as part of a fundamental group organizational restructuring, we aim to achieve cost reduction effects while continuing to secure steady revenue from innovation creation, business transformation, and customer experience transformation projects, which are our areas of expertise. We are also strengthening efforts to secure projects in new focus areas, such as data enterprise projects and generative AI projects.

As of the end of June 2024, we held JPY 1,187 million in cash and deposits, but our insolvency amounts to JPY 2,593 million. To establish a growth foundation and return to a growth trajectory as soon as possible, we determined that it is necessary to secure flexible financing methods while sufficiently considering the interests of existing shareholders. Thus, we decided to issue the Bonds and the Stock Acquisition Rights. As of the time of this financing, the group restructuring is in progress, and as announced on September 19, 2024, in the "Notice Regarding Change of Subsidiaries (Bankruptcy or Liquidation of Subsidiaries and Sub-subsidiaries)" and the "Notice Regarding Transfer of Subsidiary Shares (Change of Subsidiary)," we decided to file for the commencement of bankruptcy proceedings for Monstarlab Denmark ApS ("MLDK") and its wholly-owned subsidiaries Monstarlab Czech Republic s.r.o. and Monstarlab Middle East DMCC, and to liquidate or bankrupt Monstarlab UK Limited, a wholly-owned subsidiary of MLDK, and to transfer the shares of Genieology Design DMCC. Additionally, the Company is in a situation where there is significant uncertainty regarding the assumption of a going concern. We believe that resolving this uncertainty quickly through this financing will help minimize the impact of insolvency on our business and stabilize our business foundation.

By conducting this financing, we plan to focus on highly profitable and growth-oriented businesses following the group restructuring, reducing management risk, and transitioning to a management style that balances healthy profit generation with growth. We also intend to use part of the funds to repay loans, aiming to reduce interest costs, strengthen our financial structure, and lower our reliance on borrowing.

Furthermore, to achieve revenue growth and profit expansion from 2025 onwards, we will enhance the value of our strong areas in the "SoE" domain (innovation creation and revenue growth), strengthen the data domain, including location data and purchasing behavior data such as price sensitivity, and promote the development of enterprise systems utilizing generative AI. We will also continue to strengthen our technological and sales capabilities through partnerships and investments with advanced technology companies, consulting firms, and business corporations, striving to maximize the interests of our shareholders and stakeholders.

In this financing through the Stock Acquisition Rights, since funds will be raised progressively each time the Scheduled Allottee exercises their rights, the timing of fundraising is uncertain. Therefore, to ensure business operations aimed at building a growth foundation and repayment of loans as planned from October 2024 onwards, we have decided to issue the Bonds to the Scheduled Allottee, considering the timing of our funding needs and through negotiations with the Scheduled Allottee.

(Overview of the Bonds)

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| (1) Name of the Bonds: | Monstarlab Holdings Inc. 5th Unsecured Straight Bonds Monstarlab Holdings Inc. 6th Unsecured Straight Bonds |
| (2) Total Face Value of the Bonds | 5th Bonds: JPY 200,000,000 6th Bonds: JPY 300,000,000 |
| (3) Face Value of Each Bond | 5th Bonds: JPY 5,000,000 6th Bonds: JPY 7,500,000 |
| (4) Interest Rate | None |
| (5) Issue Price | JPY 100 per JPY 100 face value |
| (6) Redemption Price | JPY 100 per JPY 100 face value |
| (7) Payment Date | 5th Bonds: September 27, 2024 6th Bonds: October 30, 2024 |
| (8) Maturity Date | 5th Bonds: March 26, 2025 6th Bonds: March 31, 2025 |
| (9) Method of Redemption, etc. | (1) The Company may redeem all or part of the outstanding bonds at the same price as their issue price (JPY 5,000,000 per bond for the 5th Bonds and JPY 7,500,000 per bond for the 6th Bonds) on the designated early redemption date, by notifying the bondholders in writing at least five business days before the desired early redemption date (hereinafter referred to as the "Early Redemption Date"). (2) The bondholders may request early redemption of all or part of the outstanding bonds at the same price as their issue price (JPY 5,000,000 per bond for the 5th Bonds and JPY 7,500,000 per bond for the 6th Bonds) on the Early Redemption Date, by notifying the Company in writing at least two business days prior to the Early Redemption Date. However, such redemption may only be requested up to the cumulative amount of money paid to the Company through the exercise of the Stock Acquisition Rights, |

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| | <p>as specified in the relevant Purchase Agreement.</p> <p>(3) If, after the payment date of the bonds, the closing price of the Company's common stock on the exchange falls below JPY 75 (subject to fair and reasonable adjustments in the event of stock splits, reverse stock splits, or gratuitous allocation of shares), the bondholders may request early redemption of all or part of the outstanding bonds at the same price as their issue price (JPY 5,000,000 per bond for the 5th Bonds and JPY 7,500,000 per bond for the 6th Bonds) by notifying the Company in writing at least three business days before the Early Redemption Date.</p> <p>(4) If the Company conducts equity financing (as defined below) after the payment date of the bonds, the bondholders may request early redemption of all or part of the outstanding bonds at the same price as their issue price (JPY 5,000,000 per bond for the 5th Bonds and JPY 7,500,000 per bond for the 6th Bonds) by notifying the Company in writing at least three business days before the Early Redemption Date.</p> <p>"Equity financing" refers to any direct or indirect solicitation, provision of collateral, issuance, sale, sale agreement, grant of purchase options, grant of purchase rights, grant of underwriting rights, lending, or other transfer or disposal of the Company's common stock or securities convertible into or exchangeable for common stock, as well as any swap or other arrangement that transfers all or part of the economic result of owning the Company's common stock to a third party, or any public announcement of such actions or plans. However, it does not include cases where the shares or securities convertible into common shares are allocated to a strategic partner committed to holding them for more than one year, issuance of preferred shares (including those convertible into common shares) as payment for monetary claims as of October 7, 2024, or stock splits, gratuitous allocation, or the issuance of shares under the Company's stock option plan.</p> |
| (10) Scheduled Allottee | EVO FUND |
| (11) Use of Proceeds | The funds raised through the issuance of the Stock Acquisition Rights will be used as described in "4. Amount, Use, and Timing of Funds to be Raised" (excluding the redemption of these bonds) |

3. Overview of the Financing Method and Reason for Selection

(1) Overview of the Financing Method

This financing involves the allocation of the Stock Acquisition Rights to EVO FUND as the scheduled allottee, and our capital will increase when these rights are exercised. After the effectiveness of the filing under the Financial Instruments and Exchange Act concerning the offering of the Stock Acquisition Rights, the Company plans to enter into a purchase agreement with the scheduled allottee, which will include the following terms. Additionally, the bonds are structured so that the scheduled allottee can request early redemption up to the cumulative amount of money paid in upon the exercise of the Stock Acquisition Rights. It is expected that the Company will redeem the bonds using the amount paid in upon the exercise of the Stock Acquisition Rights. Therefore, it is anticipated that, until the cumulative amount paid in upon the exercise of the Stock Acquisition

Rights reaches JPY 500 million, all amounts paid in upon the exercise of the Stock Acquisition Rights will, in principle, be applied to the redemption of the bonds.

<Adjustment of the Exercise Price>

The exercise price of the Stock Acquisition Rights will be adjusted for the first time on the trading day following the allotment date and every three trading days thereafter. In such cases, the exercise price will be revised on the adjustment date to an amount equivalent to 95% of the simple average of the closing prices of the Company's common stock in regular trading on the exchange during the price calculation period (excluding any day without a closing price), rounded down to the nearest yen (provided that if this amount falls below the minimum exercise price for the Stock Acquisition Rights, the minimum exercise price will become the revised exercise price). If there is no closing price for any of the trading days during the price calculation period, the exercise price will not be adjusted.

The minimum exercise price is initially set at JPY 75 (rounded up to the nearest yen, representing 50% of the closing price of the Company's common stock on the exchange on the trading day before the resolution date), but it will be adjusted in accordance with the provisions of Article 11 of the terms of issuance of the Stock Acquisition Rights concerning the adjustment of the exercise price. The level of the minimum exercise price was determined through discussions between the scheduled allottee and the Company, balancing the allottee's need to secure investment returns with the Company's goal to maximize the amount of funds raised.

(2) Reason for Selecting the Financing Method

When considering a financing method suitable for the purposes outlined in "2. Purpose and Reason for the Offering" above, we received a proposal from Evolution Japan Securities Co., Ltd. (Address: 4-1 Kioicho, Chiyoda-ku, Tokyo; Representative Director: Sean Lawson, hereinafter referred to as "EJS") for the issuance of the Stock Acquisition Rights and the Bonds under this scheme. The scheme proposed by EJS enables fundraising while mitigating the temporary impact on the stock price. Additionally, this scheme is structured to meet the Company's immediate funding needs relatively quickly and with a high probability of success, making it suitable for the Company's situation. We have judged this to be the best option for the Company's future growth. Moreover, the Company has considered the merits and demerits of this scheme, as described in "(3) Features of the Scheme" below, as well as other financing methods, described in "(4) Other Financing Methods" below. Based on these considerations, we have determined that this scheme provides a high probability of securing the necessary funds for each of the uses described in "4. Amount, Use, and Timing of Funds to be Raised (2) Specific Uses of the Funds" over a certain period. As a result, we have decided to adopt this scheme based on a comprehensive assessment.

(3) Features of the Scheme

The financing through this scheme has the following merits and demerits

[Merits]

Securing Funds with a Certain Degree of Certainty

- ① Although there is no clause obligating the scheduled allottee to exercise the Stock Acquisition Rights, the inclusion of an exercise price adjustment clause means that, even in a declining stock price scenario, if the adjusted exercise price remains above the minimum exercise price, the scheduled allottee is expected to exercise the rights. This provides a certain level of assurance that the Company will be able to raise funds compared to situations without such an adjustment clause.

Limitation on the Maximum Number of Shares Issued

- ② The total number of shares of the Company's common stock for the Stock Acquisition Rights is fixed at 30,000,000 shares. Except in cases of adjustment, the maximum number of shares to be issued remains limited, regardless of stock price fluctuations. Therefore, while dilution will occur for the portion exercised,

the dilution rate will not increase beyond the initially anticipated level.

Increase in the Amount Raised with a Rising Stock Price

- ③ Since the exercise price of the Stock Acquisition Rights is adjusted in line with the stock price, if the stock price rises, the amount of funds raised will also increase.

Securing Immediate Funds

- ④ In addition to the Stock Acquisition Rights, by issuing the Bonds, the Company can secure immediate funding up to the issuance amount of the Bonds at the time of issuance.

Mitigation of Impact on Stock Price

- ⑤ The Stock Acquisition Rights have a minimum exercise price, and the adjusted exercise price will not be revised below this minimum. This design helps avoid a scenario where an oversupply of the Company's common stock leads to further stock price decline during periods of stock price weakness.

Company's Discretionary Acquisition of Stock Acquisition Rights

- ⑥ The Stock Acquisition Rights include provisions allowing the Company to acquire them at its discretion. While the purchase agreement is expected to stipulate that prior written consent from the scheduled allottee is required for such acquisitions, if there are no outstanding Bonds, the Company will be able to acquire up to 200,000 out of the total 300,000 Stock Acquisition Rights without the scheduled allottee's consent. The remaining 100,000 Stock Acquisition Rights may also be acquired if the scheduled allottee provides written consent. Therefore, if the Company's circumstances change in the future and a shift in financing methods becomes necessary, the Company believes it will be able to respond flexibly to a certain extent.

[Demerits]

- ① Inability to Raise Full Funds at the Outset

A characteristic of stock acquisition rights is that funds are only raised once the rights are exercised by the holders, with the amount being the exercise price multiplied by the number of shares exercised. Therefore, full funds are not raised at the time of the issuance of the Stock Acquisition Rights.

- ② Possibility of Reduced Fundraising During Stock Price Declines

If the stock price remains below the stock price at the time of the resolution for a prolonged period during the exercise period of the Stock Acquisition Rights, the amount of funds raised may be less than the amount anticipated based on the stock price at the time of the resolution. Additionally, if the stock price does not remain significantly above the minimum exercise price, the exercise of the rights may not proceed as expected.

- ③ Possibility of Stock Price Decline Due to Market Sales by the Scheduled Allottee

Since the scheduled allottee's holding policy for the Company's common stock is for short-term purposes, there is a possibility that the scheduled allottee may sell the shares acquired through the exercise of the Stock Acquisition Rights in the market. Such sales could result in a decline in the Company's stock price.

- ④ Limited Access to a Broad Range of New Investors

As this is a third-party allotment involving only the Company and the scheduled allottee, the Company cannot benefit from the potential advantages of raising funds from a broad range of new investors.

(4) Other Financing Methods

① Capital Increase by Issuing New Shares

(a) Public Offering

While issuing new shares through a public offering would allow for a one-time capital raise, the amount that can be raised is limited by the Company's market capitalization and stock liquidity. Considering the Company's current market capitalization and liquidity, it would be challenging to raise the required amount. Additionally, public offerings require a significant amount of time for preparation and consideration, and whether the offering can be executed depends heavily on the stock price and overall market trends at the time. If the timing is missed, it may take several months to reattempt due to the timing of financial results announcements and the submission deadlines for quarterly and annual securities reports, making this method less flexible. From the perspective of the agility required for fundraising, this scheme offers greater benefits. Furthermore, given the Company's current business performance and financial situation, it would be difficult to find a securities firm willing to underwrite the new shares. Considering these factors, a public offering was deemed unsuitable for this fundraising effort.

(b) Rights Offering

In a rights offering, the participation rate of shareholders (the allocation recipients) is uncertain due to their financial circumstances, and there are few recent examples of rights offerings being conducted. As a result, it would be very difficult to estimate how much capital could be raised through this method. For these reasons, a rights offering was also deemed unsuitable for this fundraising.

(c) Third-Party Allotment of New Shares

While issuing new shares through a third-party allotment would allow for a one-time capital raise, it would also immediately dilute earnings per share, potentially having a direct impact on the stock price.

② MSCB (Moving Strike Convertible Bonds)

If the conversion does not proceed after issuance, the Company's overall debt would increase. Although MSCBs tend to convert relatively quickly, due to the nature of the structure, where the number of shares issued through conversion is determined by the conversion price, the total number of shares issued is not fixed until the conversion is completed. As a result, MSCBs could have a significant direct impact on the stock price, which would be a major disadvantage to shareholders. Considering these disadvantages, MSCBs were also deemed unsuitable for this fundraising.

③ Stock Acquisition Rights with Fixed Exercise Price

Stock acquisition rights with a fixed exercise price would not allow the Company to benefit from rising stock prices, and if the stock price falls, the rights may not be exercised, making fundraising difficult. Therefore, the certainty of raising funds is lower compared to this scheme. Moreover, given the volatility of the Company's stock price, it would be difficult to set an appropriate exercise price at this time. For these reasons, this method was also deemed unsuitable for this fundraising effort.

④ Capital Increase by Free Allocation of Stock Acquisition Rights (Rights Issue)

There are two types of capital increases through a free allocation of stock acquisition rights to all shareholders, commonly referred to as a rights issue: a commitment-type rights issue, in which the Company enters into an underwriting agreement with a securities firm, and a non-commitment-type rights issue, where the exercise of stock acquisition rights is left to the shareholders' discretion without any underwriting agreement. Regarding the commitment-type rights issue, it has rarely been implemented domestically and is still in a developmental stage as a fundraising method. Additionally, it is expected that underwriting fees and other costs would increase, and there are limitations on the amount of funds that can be raised based on market capitalization and stock liquidity. For these reasons, this method was deemed unsuitable for fundraising.

Furthermore, as for the non-commitment-type rights issue, since the Company recorded operating losses

in the past two years and is in a state of insolvency as of the end of the interim accounting period for the fiscal year ending December 2024, it does not meet the listing criteria stipulated in Article 304, Paragraph 1, Item 3(a) and (b) of the Securities Listing Regulations set by the exchange, and therefore, it cannot be implemented.

⑤ Fundraising Solely Through Borrowing, Bonds, or Subordinated Bonds

Fundraising solely through borrowing, bonds, or subordinated bonds would increase the Company's liabilities and decrease its financial soundness, potentially limiting the Company's borrowing capacity in the future. Therefore, instead of raising the entire amount needed through borrowing, bonds, or subordinated bonds, it was deemed more appropriate to combine the issuance of bonds with the issuance of stock acquisition rights, considering the balance between financial soundness and future borrowing capacity. As mentioned in "(1) Overview of the Financing Method," the Company plans to prioritize using the funds raised through the exercise of stock acquisition rights to redeem the bonds, meaning the proceeds from the bond issuance serve as bridge financing until the funds are raised through the exercise of the stock acquisition rights. Furthermore, the JPY 1.2 billion loan from The San-in Godo Bank, Ltd., disclosed on April 24, 2024, was fully used for business operating expenses such as personnel costs. Of the JPY 2.5 billion credit facility disclosed on June 13, 2024, also with The San-in Godo Bank, JPY 1.9 billion was drawn and used for business operating expenses and restructuring costs, including retirement benefits.

4. Amount of Funds to be Raised, Use of Funds, and Expected Timing of Expenditure

(1) Amount of Funds to be Raised

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| ① | Total Paid-in Amount | JPY 4,244,400,000 |
| | Total Paid-in Amount for Stock Acquisition Rights | JPY 14,400,000 |
| | Amount of Assets Contributed Upon Exercise of Stock Acquisition Rights | JPY 4,230,000,000 |
| ② | Estimated Issuance Expenses | JPY 23,750,000 |
| ③ | Estimated Net Proceeds | JPY 4,220,650,000 |

(Note) 1. The total paid-in amount above is the sum of the total paid-in amount for the Stock Acquisition Rights and the amount of assets contributed upon the exercise of the Stock Acquisition Rights.

2. The total amount of assets to be contributed upon the exercise of the Stock Acquisition Rights assumes that all Stock Acquisition Rights are exercised at the initial exercise price. If the exercise price is adjusted or modified, the total paid-in amount, the amount of assets contributed upon exercise, and the estimated net proceeds may increase or decrease. Additionally, if the Stock Acquisition Rights are not exercised during the exercise period, or if the Company acquires and cancels the Stock Acquisition Rights, the amount of assets contributed upon exercise and the estimated net proceeds may decrease.

3. The breakdown of the estimated issuance expenses includes registration fees, legal fees related to the issuance of the Stock Acquisition Rights, and valuation costs. The registration fees may vary depending on the total paid-in amount for the Stock Acquisition Rights.

4. The estimated issuance expenses do not include consumption tax or local consumption tax.

(2) Specific Use of the Funds to be Raised

As mentioned above, the total amount of funds to be raised through the issuance of the Stock Acquisition Rights and their exercise by the scheduled allottee is expected to be JPY 4,220,650,000. The specific use of the funds is planned as follows

| Specific Use | Amount (in million JPY) | Planned Expenditure Period |
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| 1. Working capital for the digital consulting business | 2,220 | October 2024 – October 2027 |

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| 2. Repayment of borrowings | 2,000 | January 2025 – October 2027 |
| Total | 4,220 | — |

(Note)1. Out of the funds raised through the exercise of the Stock Acquisition Rights, JPY 500 million is planned to be allocated for the redemption of the bonds (JPY 250 million in the fiscal year ending December 2024 and JPY 250 million in the fiscal year ending December 2025). However, since the funds raised through the issuance of the bonds are expected to be used for the matters listed in items ① and ② above that have earlier execution dates, the table above reflects the actual use of the funds raised through the exercise of the Stock Acquisition Rights. For more details on the bonds, please refer to "2. Purpose and Reason for the Offering" above.

2. The priority for allocating the funds will be to address item ① first, followed by items that require earlier allocation.

3. The exercise price of the Stock Acquisition Rights may be adjusted, and whether the rights are exercised or not depends on the discretion of the scheduled allottee. In addition, depending on stock price levels, the rights may not be exercised, resulting in a potential discrepancy between the actual amount of funds raised and their expenditure timing versus the expected amounts and timing. If there is a significant shortfall in the raised funds, we will consider additional fundraising and make appropriate decisions regarding its implementation. Until the funds are used for the purposes outlined above, they will be kept in bank deposits.

Details of the Use of Funds Raised

1. Working Capital for the Digital Consulting Business

As mentioned in "2. Purpose and Reason for the Offering," to increase the Company's revenue, it is essential to focus growth investments on the APAC region, rapidly establishing a growth foundation, transitioning to a management style that balances healthy profit generation and growth, enhancing the value of the SoE domain (where the Company excels), strengthening data domains such as location data and purchasing behavior data (e.g., price sensitivity), and promoting the development of enterprise systems utilizing generative AI. Additionally, continuous enhancement of the Company's technological and sales capabilities through investments and partnerships with advanced technology companies, consulting firms, and business corporations is necessary. Of the funds raised through the issuance and exercise of the Stock Acquisition Rights, JPY 2,220 million will be allocated to working capital for business operations, including personnel costs for the restructured workforce and rent for existing offices, to enhance the Company's competitiveness through strategic selection and focus of the business.

Considering that the funds raised and the timing of the fundraising depend on the Company's stock price movements and the exercise of the Stock Acquisition Rights, the expenditure period for the funds is estimated to align with the three-year exercise period of the Stock Acquisition Rights.

(JPY 500 million in the fiscal year ending December 2024, JPY 520 million in the fiscal year ending December 2025, JPY 600 million in the fiscal year ending December 2026, and JPY 600 million in the fiscal year ending December 2027)

2. Repayment of Borrowings

As mentioned in "2. Purpose and Reason for the Offering," stabilizing the financial base is necessary to build a foundation for regrowth starting in 2025. To reduce interest-bearing debt and lighten the burden of interest payments, JPY 2,000 million of the funds raised through the issuance and exercise of the Stock Acquisition Rights will be allocated to the repayment of borrowings. Given that the funds raised and the timing of the fundraising are influenced by the Company's stock price and the exercise status of the Stock Acquisition Rights, the expenditure period is estimated to approximately align with the three-year exercise period of the

Stock Acquisition Rights. These borrowings have been allocated to cover working capital such as personnel expenses.

(JPY 700 million in the fiscal year ending December 2025, JPY 700 million in the fiscal year ending December 2026, and JPY 600 million in the fiscal year ending December 2027)

At present, there is no plan to change the use of funds; however, if any changes occur, they will be disclosed promptly.

5. Reasonableness of the Use of Funds

As mentioned in "2. Purpose and Reason for the Offering," the funds raised through this capital increase will be allocated to the uses outlined in "4. Amount of Funds to be Raised, Use, and Expected Timing of Expenditure (2) Specific Use of the Funds," allowing the Company to invest in future growth areas. Therefore, the use of these funds is intended to enhance the Company's corporate value and contribute to the expansion of its mid- to long-term business performance. We believe that the use of the funds raised through the Stock Acquisition Rights is reasonable and beneficial to the interests of our existing shareholders.

6. Reasonableness of the Issuance Terms

(1) Basis for Judging the Issuance Terms as Reasonable and Their Specific Details

The Company requested an independent valuation from a third-party valuation firm, Nasu Valuation Co., Ltd. (Address: 1-2-7 Raffine Azabu Juban 701, Minato-ku, Tokyo; Representative: Shinichi Nasukawa, hereinafter referred to as "Nasu Valuation"), to assess the value of the Stock Acquisition Rights, taking into consideration the terms stipulated in the issuance terms of the Stock Acquisition Rights and the terms of the purchase agreement to be concluded with the scheduled allottee. There is no significant conflict of interest between Nasu Valuation, the Company, or the scheduled allottee.

Nasu Valuation used the Monte Carlo simulation method, a commonly used valuation model, to reflect market conditions as of the valuation reference date (September 18, 2024), as well as assumptions about the scheduled allottee's exercise behavior. The assumptions used in the valuation included the initial stock price (JPY 149), daily stock price volatility (5.64%), the risk-free interest rate (0.39%), the expected dividend rate (0.00%), and selling costs (3.00% discount on the sale price and a 1.50% decline in stock price due to sales). The valuation also assumed that the scheduled allottee would exercise a portion of the Stock Acquisition Rights on trading days when the post-cost stock price exceeds the exercise price, at a rate of "remaining Stock Acquisition Rights ÷ remaining exercise period days."

Based on the valuation conducted by Nasu Valuation, the Company set the issue price of one Stock Acquisition Right at JPY 48, the same as the valuation amount, after discussions with the scheduled allottee. The initial exercise price of the Stock Acquisition Rights was set at 95% of the closing price of the Company's common stock on the exchange on September 18, 2024, in accordance with the calculation method for adjusting the exercise price.

In determining the issue price and exercise price of the Stock Acquisition Rights, the valuation was conducted using the Monte Carlo simulation method, which is commonly used to calculate fair value. Since Nasu Valuation has appropriately considered factors that could affect the fair value and used a widely accepted valuation method, the valuation result is considered reasonable and reflects a fair price. Additionally, since the issue price was determined in discussions with the scheduled allottee and matches the valuation result, it was judged that the issue price of the Stock Acquisition Rights does not constitute a favorable issuance and is an appropriate and reasonable price.

Furthermore, the three audit & supervisory board members (including three external members) confirmed that the issuance terms of the Stock Acquisition Rights are appropriate because the third-party valuation firm does not have a continuous business relationship with the Company, is independent of the scheduled allottee, the issue price matches the valuation amount calculated by the third-party firm, and there are no unreasonable points in the calculation methods or assumptions. Therefore, they concluded that the issuance is not being conducted at a particularly favorable price for the scheduled allottee and is legally compliant.

(2) Basis for Judging the Issuance Quantity and Scale of Stock Dilution as Reasonable

If all of the Stock Acquisition Rights are exercised, 30,000,000 shares (300,000 voting rights) will be issued, resulting in a dilution rate of 87.39% (based on voting rights, 87.41%) using the total number of issued shares as of June 30, 2024 (34,326,950 shares and 343,191 voting rights). As a result, the issuance of these Stock Acquisition Rights will cause a significant dilution of the Company's common stock.

However, the Company plans to use the funds raised through the Stock Acquisition Rights for the purposes described in "4. Amount of Funds to be Raised, Use, and Expected Timing of Expenditure (2) Specific Use of the Funds," which is intended to enhance the Company's corporate value and contribute to the expansion of mid- to long-term business performance. From a mid- to long-term perspective, this will benefit the interests of the Company's existing shareholders. Furthermore, considering the average daily trading volume of the Company's common stock over the past six months (1,145,874 shares), the impact on the stock price is expected to be limited. Therefore, the scale of dilution resulting from the fundraising through the Stock Acquisition Rights is not expected to have an excessive impact on the market and is considered reasonable from the perspective of enhancing shareholder value.

Since the dilution rate exceeds 25% due to this third-party allotment of Stock Acquisition Rights (hereinafter referred to as the "Third-Party Allotment"), the Company established a third-party committee in accordance with Article 432 of the Securities Listing Regulations stipulated by the exchange. The committee consists of three external experts with no conflicts of interest with the Company: attorney Kentaro Shibata (Shibata, Suzuki, Nakata Law Office), Kenichiro Hara, President of T-Aid Co., Ltd. and Director of SRE Co., Ltd., who has experience in management at financial institutions and expertise in both business and finance, and Nobuhiro Asada, an external director of Monstarlab Omnibus Co., Ltd., who has experience in managing multiple companies and possesses knowledge of corporate management.

There are no direct business relationships between the members of the committee or their companies and the Company. The committee carefully deliberated the reasonableness of the dilution scale, the appropriateness of the fundraising method, and the appropriateness of the scheduled allottee. As stated in "10. Matters Related to Procedures Under the Code of Corporate Conduct," the committee expressed the opinion that the necessity and appropriateness of the Third-Party Allotment were recognized. Therefore, the scale of dilution related to the fundraising through the Stock Acquisition Rights is considered reasonable and not excessive, from the perspective of enhancing shareholder value.

7. Reasons for Selecting the Scheduled Allottee

(1) Overview of the Scheduled Allottee

| | |
|-------------------------------|---|
| (a) N a m e | EVO FUND |
| (b) A d d r e s s | c/o Intertrust Corporate Services (Cayman) Limited One Nexus Way, Camana Bay, Grand Cayman KY1-9005, Cayman Islands |
| (c) L e g a l B a s i s f o r | Exempted limited liability company under Cayman Islands law |

| | | | |
|---------------------------|---|--|--------------------------------------|
| E s t a b l i s h m e n t | | | |
| (d) | P u r p o s e o f F o r m a t i o n | Investment purposes | |
| (e) | F o r m a t i o n D a t e | December 2006 | |
| (f) | T o t a l C a p i t a l C o n t r i b u t i o n | Paid-in Capital: 1 USD Net Assets: Approximately 77.3 million USD | |
| (g) | I n v e s t o r s a n d I n v e s t m e n t R a t i o | Investor Overview: 100% of voting rights held by Evolution Japan Group Holding Inc. (100% of the voting rights of Evolution Japan Group Holding Inc. are indirectly held by Michael Larch) | |
| (h) | R e p r e s e n t a t i v e ' s P o s i t i o n a n d N a m e | Representative Director: Michael Larch Representative Director: Richard Chisholm | |
| (i) | O v e r v i e w o f D o m e s t i c A g e n t | Name | EVOLUTION JAPAN Securities Co., Ltd. |
| | | Address | 4-1 Kioicho, Chiyoda-ku, Tokyo |
| | | Representative's Position and Name | President: Sean Lawson |
| | | Business | Financial instruments business |
| | | Capital | JPY 994,058,875 |
| (j) | R e l a t i o n s h i p B e t w e e n t h e L i s t e d C o m p a n y a n d t h e F u n d | Relationship Between the Company and the F u n d | No relevant matters. |
| | | Relationship Between the Company and the F u n d ' s R e p r e s e n t a t i v e s | No relevant matters. |
| | | Relationship Between the Company and the D o m e s t i c A g e n t | No relevant matters. |

(Note)The information in the overview of the scheduled allottee, unless otherwise specified, is as of June 30, 2024.

※ The Company has confirmed that Michael Larch, who is indirectly a 100% investor and officer of the scheduled allottee introduced by EJS, as well as Richard Chisholm, who is an officer of the scheduled allottee, have no connections with antisocial forces, by searching past newspaper articles, media coverage on the web, and other sources. Additionally, the Company has received a written pledge from the scheduled allottee confirming that it has no relationship with antisocial forces.

Furthermore, to ensure thoroughness, the Company used the risk database provided by KYC Consulting Co., Ltd. (Address: 3-32 Kioicho, Chiyoda-ku, Tokyo; Representative Director: Hisamasa Tobinai) to conduct checks and verifications on the scheduled allottee, Michael Larch, and Richard Chisholm. As a result, on August 26, 2024, the Company confirmed that there were no facts indicating any involvement with antisocial forces regarding the scheduled allottee, its investors, or its officers.

Based on this comprehensive assessment, the Company has determined that neither the scheduled allottee, its investors, nor its officers have any connections to antisocial forces, and has submitted a confirmation of this to the stock exchange.

(2) Reasons for Selecting the Scheduled Allottee

As stated in "2. Purpose and Reason for the Offering," the Company has considered several methods of raising funds in a timely and reliable manner to allocate to the specific uses described in "4. Amount of Funds to be Raised, Use, and Expected Timing of Expenditure (2) Specific Use of the Funds."

In July 2024, the Company received a proposal from EJS regarding fundraising through the issuance of Stock

Acquisition Rights and Bonds. After comparing and discussing this proposal with other fundraising methods suggested by financial institutions, the Company determined that this scheme was an effective means of raising the necessary funds with a high likelihood of success while mitigating the temporary impact on the stock price and avoiding excessive influence on existing shareholders. Additionally, after weighing the advantages and disadvantages of the scheme and discussing with the scheduled allottee, the Company concluded that this fundraising method was the best option, as it takes into account the dilution of existing shareholders' equity. Given EVO FUND's track record of similar investments, the Company decided that EVO FUND was the appropriate allottee for the Stock Acquisition Rights.

EVO FUND is a fund established in December 2006 (an exempted limited liability company under Cayman Islands law) with the purpose of investing in listed stocks. Its past investments include several fundraising cases through third-party allotments of Stock Acquisition Rights, similar to this scheme, where all the allocated Stock Acquisition Rights were exercised, contributing to the fundraising efforts of listed companies. Michael Larch is the sole investor in EVO FUND, and all of its operating capital is self-funded, aside from short-term loans from its prime broker.

EJS, a related company of the scheduled allottee, served as the arranger for this fundraising as part of its intermediary business in the acquisition of affiliated companies. EJS is a 100% subsidiary of Tiger Inn Enterprise Limited, located in the British Virgin Islands (Address: Craigmuir Chambers, PO Box 71, Road Town, Tortola VG1110, British Virgin Islands; Representative Directors: Michael Larch, Richard Chisholm).

(Note) The allocation of Stock Acquisition Rights is carried out with the assistance of EJS, a member of the Japan Securities Dealers Association (JSDA), and the offering is subject to the rules set by the JSDA regarding the handling of third-party allotment capital increases (self-regulatory rules).

(3) Holding Policy of the Scheduled Allottee and Exercise Restriction Measures

The scheduled allottee, which aims for pure investment, does not intend to hold the Company's common stock obtained through the exercise of the Stock Acquisition Rights for an extended period. As part of its responsibility to its investors, the allottee will decide based on the stock price movement and, in principle, sell the Company's common stock obtained through the exercise of the Stock Acquisition Rights in the market while considering the market impact. If a block trade counterparty is found, the stock may be sold directly outside the market. The scheduled allottee has verbally confirmed that it will not engage in transactions that obscure the true number of shares it holds (e.g., engaging in swap transactions with financial institutions or institutional investors during the exercise period of the Stock Acquisition Rights) and has no plans to transfer the Stock Acquisition Rights to prime brokers or other financial institutions.

Additionally, the Company and the scheduled allottee are expected to enter into a purchase agreement that includes the following terms:

- (a) The Company will not allow the scheduled allottee to exercise the Stock Acquisition Rights in excess of 10% of the total number of listed shares at the time of payment for the Stock Acquisition Rights in a single calendar month, in accordance with Article 434, Paragraph 1 of the Securities Listing Regulations and Article 436, Paragraphs 1 to 5 of the Enforcement Regulations of the Exchange. Any exercise beyond this 10% threshold (hereinafter referred to as "excess exercise") will not be permitted.
- (b) The scheduled allottee agrees not to engage in any excess exercise of the Stock Acquisition Rights, except during the following periods or under the following conditions, and will confirm with the Company in advance whether the exercise falls under an excess exercise:
 1. When a merger, share exchange, or share transfer (hereinafter "merger, etc.") resulting in the

- delisting of the Company's shares is publicly announced, from the time of the announcement until the merger, etc., is completed or canceled.
2. When a public tender offer for the Company's shares is announced, from the time of the announcement until the tender offer is completed or canceled.
 3. When the Company's shares are designated as securities under supervision or securities to be delisted on the stock exchange, from the time of designation until the designation is lifted.
 4. When the exercise price of the Stock Acquisition Rights is equal to or higher than the closing price of the Company's shares on the stock exchange on the resolution date (subject to fair and reasonable adjustments in case of stock splits, consolidations, or gratuitous allotments).
- (c) If the scheduled allottee transfers the Stock Acquisition Rights, it must require the transferee to agree to the obligation to comply with the excess exercise restrictions and require any further transferee to inherit the same obligations with respect to the Company.

Furthermore, the purchase agreement is expected to stipulate that any transfer of the Stock Acquisition Rights requires the approval of the Company's Board of Directors. In the event of a transfer, the Company will confirm the identity of the transferee, verify that they are not connected to antisocial forces, assess the status of the funds used for the payment, and confirm the transferee's holding policy. The Company will also disclose the transfer once it is made.

(4) Confirmation of the Existence of Assets Required for Payment by the Scheduled Allottee

The Company has reviewed balance reports dated July 31, 2024, from multiple prime brokers showing the net assets of the scheduled allottee, consisting of cash and securities, after deducting liabilities such as borrowings. Based on this review, the Company has determined that the scheduled allottee has sufficient funds to make the total payment required for the issuance price of the Stock Acquisition Rights on the payment date.

Furthermore, with respect to the exercise of the Stock Acquisition Rights, the scheduled allottee is expected to repeatedly exercise the rights and recover funds by selling the shares acquired through such exercises, or by selling the Company's shares borrowed under the stock loan agreement between the scheduled allottee and Hiroki Amikawa, as described in "(5) Stock Loan Agreement." As such, a large amount of funds will not be required at any single point in time, and the scheduled allottee is deemed to have sufficient funds to exercise the Stock Acquisition Rights.

Additionally, although the scheduled allottee has subscribed to several other Stock Acquisition Rights for other companies, given that the scheduled allottee is expected to repeat the process of exercising and selling the shares, the total amount of funds required at any given time is not substantial. After deducting the necessary funds for all these subscriptions from the scheduled allottee's net asset balance, it is still determined that the scheduled allottee has sufficient funds to make the payment required for the total issuance price of the Stock Acquisition Rights and to exercise them.

(5) Stock Loan Agreement

In connection with the issuance of the Stock Acquisition Rights, Hiroki Amikawa, the Company's representative director and a major shareholder, plans to loan 3,000,000 shares of the Company's common stock to the scheduled allottee (stock loan period: September 19, 2024, to October 29, 2027, loan interest rate: 0.0%). The scheduled allottee has agreed, as part of the stock loan agreement with the lender, not to sell or dispose of the borrowed shares for any purpose other than hedging related to the Stock Acquisition Rights.

8. Major Shareholders and Shareholding Ratios After the Offering

| Before the Offering (as of June 30, 2024) | |
|--|--------|
| JIC Venture Growth Fund No. 1 Investment Limited Partnership | 19.92% |
| Hiroki Inagawa | 15.17% |
| GLOBAL SHARES EXECUTION SERVICES LIMITED CLIENT ASSET ACCOUNT MONSTARLAB (Standing proxy: Daiwa Securities Co., Ltd.) | 5.85% |
| Japan Post Capital Co.,Ltd. | 4.55% |
| The San-in Godo Bank, Ltd. (Standing proxy: Custody Bank of Japan, Ltd.) | 1.97% |
| Sumito Suzuki | 1.58% |
| GOLDMAN,SACHS & CO.REG (Standing proxy: Goldman Sachs Japan Co., Ltd.) | 1.56% |
| Keiko Inagawa | 1.46% |
| Masayuki Tonezawa | 1.29% |
| Mori Trust Co., Ltd. | 1.25% |

(Notes)1. The "Shareholding Ratios" are based on the shareholder registry as of June 30, 2024.

2. The scheduled allottee's purpose for holding the Stock Acquisition Rights is for investment purposes, and the scheduled allottee may sell the Company's common stock obtained through the exercise of the Stock Acquisition Rights. Therefore, since the long-term holding of the Company's common stock by the scheduled allottee after exercising the Stock Acquisition Rights is not guaranteed, we have not listed the "Major Shareholders and Shareholding Ratios" after the offering.
3. The "Hiroki Inagawa" in the above table refers to Hiroki Amikawa, the Company's representative director and president.
4. For shares held in trust as part of trust banking operations, the Company cannot identify the beneficial owners, so the number of shares listed is based on the names recorded in the shareholder registry.
5. Among the shareholders listed in the table, the following shareholder manages and holds shares on behalf of foreign institutional investors, and acts as the registered shareholder for these institutional investors: GLOBAL SHARES EXECUTION SERVICES LIMITED CLIENT ASSET ACCOUNT MONSTARLAB
6. The "Shareholding Ratios" are calculated as a percentage of the total number of issued shares (excluding treasury shares) and rounded to the nearest third decimal place.

9. Future Outlook

The impact of the issuance of the Stock Acquisition Rights on the Company's current fiscal year performance is expected to be minimal. If there are any changes in future performance, appropriate disclosures will be made as necessary. The funds raised through the issuance and exercise of the Stock Acquisition Rights, allocated as described in "4. Amount of Funds to be Raised, Use, and Expected Timing of Expenditure (2) Specific Use of the Funds," are expected to contribute to mid- to long-term business expansion, improved profitability, and strengthened financial stability. As noted in the same section, the amount of funds raised and the timing will depend on the status of the Stock Acquisition Rights' exercise. The Company plans to determine the amount and timing of expenditures for each purpose based on the actual exercise situation and will disclose the impact on the current fiscal year's performance when the extent becomes clear.

10. Matters Related to Procedures Under the Code of Corporate Conduct

Since the dilution rate due to this third-party allotment will exceed 25%, either ① obtaining an opinion on the necessity and appropriateness of the allotment from a party independent of management, or ② confirming the

shareholders' intent through a shareholders' meeting resolution is required under Article 432 of the Securities Listing Regulations of the exchange.

The Company has considered the fact that this third-party allotment, unlike a direct share issuance, will not immediately cause dilution of shares, and that as of June 30, 2024, the Company is in a state of insolvency with a deficit of JPY 2,593 million, while holding cash and deposits of JPY 1,187 million. Given the importance of addressing the insolvency as soon as possible to minimize business risks and the need to rapidly implement restructuring measures, it is essential to raise funds promptly through this third-party allotment to improve the Company's financial situation. Taking into account that the shareholders' confirmation procedure via a shareholders' meeting would require approximately two months for a resolution at an extraordinary general meeting, along with the associated costs, the Company has decided to obtain an opinion from an independent third-party committee regarding the necessity and appropriateness of the third-party allotment.

As a result, the Company established the independent third-party committee described in "6. Reasonableness of the Issuance Terms (2) Basis for Judging the Issuance Quantity and Scale of Stock Dilution as Reasonable" and obtained an objective opinion on the necessity and appropriateness of the third-party allotment. The Company received the following opinion statement from the third-party committee on September 18, 2024. The summary of the opinion is as follows:

(Summary of the Opinion of the Third-Party Committee)

1. Conclusion

The necessity and appropriateness of this fundraising are recognized.

2. Necessity of the Fundraising

(1) Matters Considered in This Fundraising

This fundraising aims to raise a total of JPY 4,220 million, with JPY 500 million from the issuance of bonds and JPY 4,220 million from the issuance and exercise of the Stock Acquisition Rights (JPY 500 million of the funds raised through the exercise of the Stock Acquisition Rights is expected to be used for the redemption of the bonds). As the bonds do not increase the number of the Company's shares or potential shares such as Stock Acquisition Rights, they do not inherently affect existing shareholders and do not need to be considered separately. However, as detailed in "3. Appropriateness of the Fundraising (1) Reasons for Choosing the Fundraising Method: Overview of the Scheme," the bonds and Stock Acquisition Rights are issued simultaneously, with the funds raised from the exercise of the Stock Acquisition Rights expected to be used for bond redemption. Therefore, the necessity and appropriateness of the entire fundraising, including the issuance of bonds, will be considered as a unified method of raising funds.

(2) Purpose and Reason for Implementing This Fundraising

Based on the disclosure documents (including the final draft of the securities registration statement related to this fundraising to be submitted on September 19, 2024, and the final draft of the press release to be submitted on the same day titled "Notice of Issuance of the 81st Stock Acquisition Rights (with Exercise Price Adjustment Clause) through Third-Party Allotment") and the responses provided by your company's representatives to the committee's inquiries, the purpose and reasons for your company to implement this fundraising are outlined as follows:

1. Your group primarily operates the "Digital Consulting Business," which supports companies and municipalities with digital transformation (DX) according to their business challenges and new business needs, both in Japan and across 19 countries and regions worldwide.
2. Regarding revenue growth, your company achieved a compound annual growth rate (CAGR) of 40% over the six years from 2016 to 2021, as the business expanded geographically. Particularly in the Europe, Middle East, and Africa (EMEA) and the Americas (AMER) regions, your company aggressively hired staff with a focus on high growth. However, in these regions, the growth rate has continued to fall below initial expectations, resulting in a large number of inactive personnel and leading to the formation of a deficit structure.
3. In this situation, starting in the second half of 2023, your company began considering structural reforms (hereinafter referred to as "the Structural Reforms"), such as closing unprofitable locations and reducing inactive personnel in the EMEA and AMER regions. Simultaneously, discussions began regarding a strategic alliance (hereinafter referred to as "the Strategic Alliance"), which included external capital. Since the negotiations and discussions surrounding the Strategic Alliance were premised on maintaining the current structures in the EMEA and AMER regions, your company temporarily postponed the implementation of the Structural Reforms during these negotiations.
4. However, in late May 2024, after the decision to discontinue discussions on the Strategic Alliance, your company resumed deliberations on addressing the deficit structure through the Structural Reforms. As a result of significantly delayed start times for major projects in the EMEA and AMER regions, operating rates declined, leading to current deficits. Therefore, your company decided to overhaul the cost structures in these regions by reducing personnel, particularly inactive staff, as well as downsizing offices and revising IT costs, with the goal of achieving profitability as soon as possible.
5. Due to the inability to realize the originally anticipated revenue from the EMEA and AMER regions, your company recorded impairment losses on goodwill of JPY 1,018 million for Monstarlab LLC and JPY 1,743 million for Genieology Design DMCC, both consolidated subsidiaries. Additionally, your company recorded an impairment loss on goodwill of JPY 938 million for Monstarlab Information Technology LLC, another consolidated subsidiary, and impairment losses on fixed assets totaling JPY 441 million across multiple consolidated subsidiaries and sub-subsidiaries. As a result, your company recorded a total impairment loss of JPY 4,140 million, resulting in a state of insolvency, with consolidated net assets standing at a negative JPY 2,593 million as of the end of the second quarter of the fiscal year ending December 2024.
6. In this situation, your company is progressing with a fundamental group restructuring, including personnel optimization at overseas offices and office downsizing, to reduce costs. At the same time, your company continues to pursue sustained revenue generation through the acquisition of projects related to innovation creation and sales-driven DX, such as new services and business transformation, customer experience transformation, and areas of new focus, including data enterprise projects and generative AI projects.
7. As of the end of June 2024, your company holds JPY 1,187 million in cash and deposits, but its insolvency, amounting to JPY 2,593 million, continues. Given this situation, and the substantial uncertainty regarding your company's ability to continue as a going concern, improving this situation with only the existing cash, deposits, and revenue is difficult. Therefore, it is necessary to raise new equity capital.
8. Your company believes that this fundraising, while taking full consideration of existing shareholders' interests, will help establish a growth foundation and lead to a return to the growth path. By concentrating on the highly profitable and growth-oriented businesses after the group restructuring, your company aims to reduce management risks and shift towards a balanced management approach that focuses on healthy profit generation and growth. Furthermore, your company intends to use the

funds raised through this fundraising to repay part of its borrowings, aiming to reduce interest costs, strengthen the financial structure, and reduce reliance on borrowing.

9. Additionally, your company plans to enhance its strengths in the areas related to "innovation creation" and "sales growth" (hereinafter referred to as the "SoE domains") to achieve increased sales and profits from 2025 onwards. Strengthening the data domains, such as location data and purchase behavior data, including price sensitivity, as well as enhancing enterprise system development using generative AI, will be essential. Your company must also continuously strengthen its technological capabilities and sales capabilities through capital investments and partnerships with advanced technology companies, consulting firms, and operating companies.

(3) Specific Use of Funds Raised through This Fundraising

Based on the disclosure documents and the responses from your company's representatives to the committee's inquiries, the specific use of the total amount of JPY 4,220 million raised through this fundraising can be summarized as follows. The amount assumes that all Stock Acquisition Rights are exercised at the initial exercise price, prior to any adjustments in accordance with "3. Appropriateness of the Fundraising (1) Reasons for Selecting the Fundraising Method: Overview of the Scheme." If the exercise price of the Stock Acquisition Rights is adjusted or revised, the amount of funds raised may increase or decrease. Additionally, the funds raised through the issuance of bonds will be applied to the items with an earlier implementation schedule from the specific uses listed below.

| Specific Use | Amount (in million JPY) | Planned Expenditure Period |
|--|----------------------------|-----------------------------|
| ① 1. Working capital for the digital consulting business | 2,220 | October 2024 – October 2027 |
| ② 2. Repayment of borrowings | 2,000 | January 2025 – October 2027 |

The details of each specific use of funds are as follows:

<1> Working Capital for the Digital Consulting Business

As described in "2. Necessity of the Fundraising (2) Purpose and Reason for Implementing This Fundraising," to increase your company's revenue, it is necessary to focus growth investment on Japan and the Asia-Pacific region to quickly establish a growth foundation, shift to a management approach that balances healthy profit creation with growth, strengthen the data domain to enhance the value of the SoE (Sales-oriented Enterprise) areas where your company excels, and enhance enterprise system development using generative AI. It is also essential to continue strengthening technical and sales capabilities through investments and partnerships with advanced technology companies, consulting firms, and operating companies. Of the funds raised through the issuance and exercise of the Stock Acquisition Rights, JPY 2,220 million will be allocated to working capital, such as personnel expenses and office rent, for business selection, concentration, and strengthening competitiveness. Considering the impact of your company's stock price movements and the exercise status of the Stock Acquisition Rights, the spending period for the funds raised is expected to align with the three-year exercise period of the Stock Acquisition Rights.

(For FY ending December 2024: JPY 500 million; FY ending December 2025: JPY 520 million; FY ending December 2026: JPY 600 million; FY ending December 2027: JPY 600 million)

<2> Funds for Loan Repayment

As stated in "2. Necessity of the Fundraising (2) Purpose and Reason for Implementing This Fundraising," stabilizing the financial base is necessary to build a foundation for renewed growth from 2025 onwards. To reduce interest-bearing debt and lessen the burden of interest payments, JPY 2,000 million of the funds raised through the issuance and exercise of the Stock Acquisition Rights will be allocated to loan repayment. Considering the impact of your company's stock price movements and the exercise status of the Stock Acquisition Rights, the spending period for these funds is expected to roughly align with the three-year exercise period of the Stock Acquisition Rights. The loans in question are currently being used as working capital, including for personnel expenses.

(4) Review

As stated in "2. Necessity of the Fundraising (2) Purpose and Reason for Implementing This Fundraising," the funds raised through this fundraising will be allocated as described in "2. Necessity of the Fundraising (3) Specific Use of Funds Raised through This Fundraising." By investing in your company's future growth areas, this will contribute to enhancing your company's corporate value and expanding its mid- to long-term performance, which will benefit the interests of your existing shareholders. Therefore, this fundraising is considered to have a reasonable necessity.

3. Appropriateness of the Fundraising

(1) Reasons for Selecting the Fundraising Method

The reasons and significance for selecting this fundraising method are summarized as follows:

① Overview of the Scheme

This fundraising involves issuing corporate bonds, allowing your company to immediately secure a certain amount of funds without waiting for the exercise of the Stock Acquisition Rights by the scheduled allottee. Afterward, additional equity capital will be raised through the payment of funds upon the exercise of the Stock Acquisition Rights (hereinafter referred to as "the Scheme").

Your company plans to enter into a Stock Acquisition Rights purchase agreement with the scheduled allottee after the securities registration statement for the Stock Acquisition Rights becomes effective. As part of the design of the corporate bonds, the scheduled allottee will have the right to request early redemption up to the cumulative amount paid for the exercise of the Stock Acquisition Rights, and your company expects to use the funds raised from the exercise of the Stock Acquisition Rights for the early redemption of the corporate bonds. Therefore, until the cumulative amount raised from the exercise of the Stock Acquisition Rights reaches JPY 500 million, the payment for the exercise of the Stock Acquisition Rights will, in principle, be fully allocated to the redemption of the corporate bonds.

<Exercise Price Adjustment>

The exercise price of the Stock Acquisition Rights will initially be adjusted on the trading day following the allotment date and will be adjusted every three trading days thereafter. In this case, the exercise price will be adjusted to the amount corresponding to 95% of the simple average closing price of your company's common stock during the price calculation period on each trading day (excluding days without closing prices) announced by the exchange. Fractions of less than one yen will be rounded down. (However, if this amount falls below the lower limit exercise price for the Stock Acquisition

Rights, the lower limit exercise price will be set as the adjusted exercise price.)

The lower limit exercise price is initially set at JPY 75 (an amount equivalent to 50% of the closing price of your company's common stock on the exchange on the trading day prior to the issuance resolution, rounded up to the nearest yen). (Note)

(Note) The lower limit exercise price will be adjusted in accordance with the provisions in Article 11 of the terms of issuance for the Stock Acquisition Rights. The level of the lower limit exercise price has been determined through discussions between the scheduled allottee and your company, balancing the need to secure returns for the investor and the goal of maximizing the amount of funds raised for your company.

③ Characteristics of the Scheme

Based on the disclosure documents and the responses from your company's representatives to the committee's inquiries, the characteristics of this scheme and a comparison between this fundraising method and other financing options are summarized as follows:

<Merits of the Scheme>

(a) Since the Stock Acquisition Rights have an exercise price adjustment clause, even in a declining stock price environment, as long as the adjusted exercise price is higher than the lower limit exercise price, the Stock Acquisition Rights are expected to be exercised by the scheduled allottee. This means that fundraising can be expected to proceed with a certain level of certainty, compared to when no such clause is in place.

(b) The number of your company's common shares subject to the Stock Acquisition Rights is fixed, and barring any adjustments, the maximum number of shares to be issued will not increase regardless of stock price movements. Therefore, even if the Stock Acquisition Rights are exercised, the resulting dilution will not exceed the originally planned rate.

(c) Since the exercise price of the Stock Acquisition Rights is linked to the stock price, the amount of funds raised may increase if the stock price rises.

(d) By issuing corporate bonds in addition to the Stock Acquisition Rights, your company can secure immediate funding at the time of issuance, within the limit of the bond issuance amount.

(e) A lower limit exercise price is set for the Stock Acquisition Rights, and the adjusted exercise price will not be revised below this lower limit. This design helps prevent an excessive supply of your company's common stock and a subsequent further decline in stock price during periods of stock price weakness.

(f) The Stock Acquisition Rights include a provision allowing your company to acquire the Stock Acquisition Rights at its discretion. If no bonds remain outstanding, it is expected that your company will be able to acquire up to 200,000 of the total 300,000 Stock Acquisition Rights without the consent of the scheduled allottee. Furthermore, the remaining 100,000 Stock Acquisition Rights can be acquired if the scheduled allottee provides written consent. Therefore, if your company's situation changes and a different fundraising method becomes necessary, there is flexibility to adjust accordingly.

<Demerits of the Scheme>

- (a) Fundraising through the Stock Acquisition Rights only occurs when the rights are exercised by the holder, meaning that full fundraising will not take place at the initial issuance of the Stock Acquisition Rights.
- (b) If the stock price continues to remain below the stock price at the time of the issuance resolution for an extended period, the amount of funds raised may be lower than the initially anticipated amount based on the stock price at the time of the resolution.
- (c) If the Stock Acquisition Rights are not exercised, the debt incurred from the issuance of corporate bonds will not decrease, leading to a decline in financial soundness. Additionally, there is a possibility that the funds required to redeem the bonds at maturity may not be available.
- (d) Since the scheduled allottee intends to hold your company's common stock for a short period, there is a risk that the allottee's sale of the common stock obtained through the exercise of the Stock Acquisition Rights on the market may lead to a decline in your company's stock price.
- (e) As this is a third-party allotment, the benefits of raising funds from a broad, unspecified number of new investors cannot be realized.

<Comparison with Other Fundraising Methods>

(a) Public Offering

Issuing new shares through a public offering allows for a one-time fundraising event. However, the amount that can be raised is limited by your company's market capitalization and stock liquidity. Given your company's market capitalization and stock liquidity, raising the necessary amount would be difficult. Moreover, the time required for preparation and deliberation is significant, and the ability to execute a public offering is heavily influenced by stock price trends and overall market conditions at the time. Missing the timing for the offering could delay the process by at least several months due to deadlines related to earnings announcements, semi-annual reports, and securities reports, reducing flexibility and hindering the agility of the fundraising. Furthermore, considering your company's current business and financial situation, finding a securities company willing to underwrite your company's common stock is difficult.

(b) Stock Acquisition Rights with Fixed Exercise Prices

Stock Acquisition Rights with a fixed exercise price do not allow your company to benefit from rising stock prices. Additionally, if the stock price falls, the rights may not be exercised, making it difficult to raise funds, which decreases the certainty of the fundraising. Given the volatility of your company's stock price, it is difficult to set an appropriate exercise price at this time.

(c) Capital Increase via Free Allocation of Stock Acquisition Rights (Rights Issue)

There are two types of rights issues: a "committed rights issue," in which your company enters into an underwriting agreement with a securities firm, and a "non-committed rights issue," in which no such agreement is made and the exercise of the Stock Acquisition Rights is at the discretion of shareholders. Committed rights issues are not widely used in Japan, and the

fundraising method is not yet mature. Additionally, underwriting fees and other costs are expected to be high, and there are limitations on the amount that can be raised due to market capitalization and stock liquidity. As for non-committed rights issues, your company has recorded operating losses over the past two years and is in a state of insolvency as of the end of the interim period for the fiscal year ending December 2024. Therefore, your company does not meet the listing standards under Article 304, Paragraph 1, Items 3(a) and 3(b) of the Securities Listing Regulations, and a rights issue cannot be conducted.

(d) Fundraising Solely through Borrowing, Bonds, or Subordinated Bonds

Fundraising solely through borrowing, bonds, or subordinated bonds would increase the company's total debt, potentially impairing financial soundness and limiting future borrowing capacity. This is not a suitable option. Additionally, your company has already borrowed funds from San-in Godo Bank, which have been used for operating expenses such as personnel costs and restructuring costs related to group reorganization. At this point, the possibility of securing additional borrowing is limited.

Based on the above, the scheme is structured to (i) mitigate the temporary impact on the stock price while raising capital without causing excessive harm to existing shareholders, and (ii) secure funds relatively quickly and with a high degree of certainty to meet your company's immediate funding needs. Given these characteristics, the scheme is deemed preferable to the other fundraising methods outlined above, as it is more likely to achieve the desired capital raise for your company while also aligning with the interests of existing shareholders.

Regarding your company's explanation, no unreasonable points have been identified.

(1) Appropriateness of Issuance Conditions

- ① The rationale for calculating the payment amount and exercise price of the stock acquisition rights, as well as the reasonableness of the issuance conditions.

The issuance of the stock acquisition rights (SAR) by your company was evaluated by an independent third-party valuation firm, Nasu Evaluation Corporation (referred to as "Nasu Evaluation"). The evaluation took into account the terms and conditions set forth in the issuance guidelines and SAR subscription agreement, utilizing the Monte Carlo simulation model, a widely accepted method for such valuations. Key assumptions included the initial stock price of 149 yen, daily volatility of 5.64%, a risk-free interest rate of 0.39%, and other market-related factors. Based on this, the subscription price per SAR was determined to be 48 yen.

The exercise price was set at 95% of the stock's closing price on September 18, 2024, and will be subject to revisions every three trading days. While there may be situations where the revised exercise price falls below 90% of the previous day's closing price, the overall conditions are considered favorable due to a 5% discount compared to the typical 10% in similar schemes. This setup aims to maximize the final amount raised per share, which is critical given the company's current financial position.

Moreover, the company's three auditors, including external ones, confirmed that the SAR issuance conditions were fair and reasonable, with no conflicts of interest involving the valuation firm or the allocation recipient. Consequently, the SAR issuance is deemed lawful and not overly favorable to the

recipient.

No unreasonable aspects were found in the company's explanation or the evaluation report provided by Nasu Evaluation.

(2) Evaluation of Dilution

The issuance of 30,000,000 shares through the stock acquisition rights (SAR) would result in a significant dilution of 87.39% based on the total outstanding shares and voting rights as of June 30, 2024. Despite this large dilution, the company's current financial situation—namely, a negative equity of approximately 2.6 billion yen and significant uncertainty surrounding its ability to continue as a going concern—creates a pressing need for this capital raise.

The funds raised from this SAR issuance will be directed towards improving profitability and financial stability as outlined in the "Use of Funds" section. The company aims to strengthen its financial structure and improve its business performance, especially within its digital consulting segment, with a clear focus on enhancing corporate value and long-term growth. While the dilution might appear substantial, it is justified by the urgent need to address financial deficits and operational improvements, which are in the long-term interest of current shareholders.

Additionally, given the average daily trading volume of 1,145,874 shares over the past six months, the impact on share price is expected to be minimal. This makes the scale of the dilution manageable and reasonable from a shareholder value enhancement perspective. No unreasonable aspects were identified in this explanation.

Unreasonable Points Have Been Noted.

While it is undeniable that the dilution resulting from this financing will be significant, the immediate need for your company to improve profitability and management conditions is urgent, and there is a high necessity for significant financing. Moreover, through this financing, your company's profitability and management conditions are expected to improve, and by strengthening the digital consulting business, the company will be able to reinforce and expand its business foundation, thereby enhancing corporate value. From a medium- to long-term perspective, this will contribute to the interests of your company's existing shareholders.

Additionally, as stated in "3. Appropriateness of the Financing (1) Reasons for Choosing the Financing Method (2) Features of This Scheme," your company is currently in a difficult position to raise funds solely through bank loans, bonds, or subordinated bonds. Therefore, this financing represents the only effective measure currently available to prevent further deterioration of your company's profitability and management conditions, while also improving corporate value, making its implementation justifiable.

In consideration of these circumstances, it can be concluded that the terms of issuance for this financing are appropriate.

(3) Appropriateness of the Planned Allottee

① Your company, in considering a prompt and reliable method of financing for the purposes specified in "2.

Necessity of This Financing (3) Specific Uses of Funds Related to This Financing," received a proposal from EVOLUTION JAPAN Securities Co., Ltd. regarding financing through this scheme in July 2024. After taking into account other financing proposals from financial institutions during the same period and conducting discussions and comparative examinations within the company, it was determined that this scheme was an effective means of raising the necessary funds with a high degree of certainty, while minimizing the temporary impact on stock prices and avoiding excessive influence on existing shareholders.

② After considering the advantages and disadvantages of this scheme, your company, through discussions with EVO FUND, concluded that the financing method under this scheme was the best option, taking into account the potential dilution of the value of existing shareholders' equity. Furthermore, the planned allottee was selected as EVO FUND due to its investment track record using similar schemes, and its history of contributing to fundraising for publicly listed companies by exercising all allotted stock acquisition rights through similar methods in multiple third-party allotment capital increases.

③ Your company has confirmed the balance reports from multiple prime brokers as of July 31, 2024, which reflect the net assets (cash, securities, etc. minus liabilities such as borrowings) held by the planned allottee. Based on these reports, it has been judged that the planned allottee possesses sufficient funds to cover the total payment amount required for the new stock acquisition rights (issue price) by the payment due date. Additionally, when exercising the new stock acquisition rights, it is expected that the planned allottee will execute the exercise of the rights and then sell the shares obtained through the exercise, or the shares borrowed under a stock loan agreement (Loan Amount: 3,000,000 shares; Loan Period: September 19, 2024 – October 29, 2027; Loan Interest Rate: 0.0%) concluded between the allottee and Hiroki Inagawa, your company's representative director and major shareholder, to recover the funds. Therefore, it has been determined that no large amount of funds will be required at any one time, and the planned allottee is judged to have sufficient funds for the exercise of the new stock acquisition rights. Although the allottee has also subscribed to stock acquisition rights for multiple other companies, the exercise and sale of shares are expected to be conducted repeatedly, as stated above, and therefore, the amount of funds required at any given time will not be large. After deducting this total from the allottee's net assets, it has been determined that sufficient funds are available to cover both the total payment amount required for the new stock acquisition rights and the funds necessary for their exercise.

There are no particularly unnatural points observed in the above explanation regarding your company's selection of the planned allottee.

(4) Consideration

After comprehensively considering the reasons for choosing this financing method, comparing it with other financing methods, the appropriateness of the issuance terms, and the appropriateness of the planned allottee, the appropriateness of this financing is recognized.

11. Performance and Equity Financing Status Over the Past Three Years

(1) Consolidated Performance Over the Past Three Years (Unit: Thousands of yen, unless otherwise specified)

| Fiscal Year End | December 2021 | December 2022 | December 2023 |
|--|---------------|---------------|---------------|
| Revenue | 9,346,424 | 14,270,932 | 13,346,962 |
| Operating Profit (Δ indicates loss) | -3,222,905 | -389,677 | -2,056,729 |
| Profit Before Tax (Δ indicates loss) | -3,089,871 | -447,069 | -2,156,279 |
| Profit Attributable to Owners of the Parent (Δ indicates loss) | -3,053,307 | -674,767 | -2,355,328 |
| Basic Earnings Per Share (Δ indicates loss) (Yen) | -113.18 | -24.51 | -70.07 |
| Dividend Per Share (Yen) | - | - | - |
| Equity Attributable to Owners of the Parent Per Share (Yen) | 125.71 | 144.60 | 108.11 |

(Note)1. The above figures have been prepared in accordance with International Financial Reporting Standards (IFRS).

2. Based on the resolution of the Board of Directors meeting held on November 21, 2022, the company conducted a 50-for-1 stock split effective January 5, 2023. The figures for equity attributable to owners of the parent per share and basic earnings per share (Δ indicates loss) for the fiscal year ended December 2021 are calculated as if the stock split had been implemented at the beginning of the fiscal year.

(2) Current Status of Issued Shares and Potential Shares (As of August 31, 2024)

| Category | Number of Shares | Ratio to Issued Shares (%) |
|---|-------------------|----------------------------|
| Issued Shares | 34,326,950 shares | 100% |
| Potential Shares at Current Conversion (Exercise) Price | 3,074,500 shares | 8.95% |
| Potential Shares at Lower Limit Conversion (Exercise) Price | - | - |
| Potential Shares at Upper Limit Conversion (Exercise) Price | - | - |

(Note) The potential shares listed above are related to the company's stock option plan.

(3) Recent Stock Price Performance

① Performance Over the Past Three Years

| Fiscal Year End | December 2021 | December 2022 | December 2023 |
|-----------------|---------------|---------------|---------------|
| Opening Price | - | - | 1,050 yen |
| High Price | - | - | 1,145 yen |
| Low Price | - | - | 233 yen |
| Closing Price | - | - | 282 yen |

(Note) The company was listed on the Tokyo Stock Exchange Growth Market on March 28, 2023. Therefore,

there is no stock price information for periods prior to this.

② Performance Over the Past Six Months

| Month | April 2024 | May 2024 | June 2024 | July 2024 | August 2024 | September 2024 |
|---------------|------------|----------|-----------|-----------|-------------|----------------|
| Opening Price | 284 yen | 333 yen | 362 yen | 296 yen | 253 yen | 163 yen |
| High Price | 416 yen | 453 yen | 364 yen | 299 yen | 253 yen | 172 yen |
| Low Price | 257 yen | 320 yen | 278 yen | 250 yen | 148 yen | 144 yen |
| Closing Price | 335 yen | 355 yen | 298 yen | 257 yen | 162 yen | 149 yen |

(Note) The stock prices for September 2024 are as of September 18, 2024.

③ Stock Price on the Business Day Before the Resolution for Issuance

| | Date: September 18, 2024 |
|---------------|--------------------------|
| Opening Price | 153 yen |
| High Price | 157 yen |
| Low Price | 149 yen |
| Closing Price | 149 yen |

(4) Equity Financing Status Over the Past Three Years

① Public Offering (At Initial Public Listing)

| | |
|---|--|
| P a y m e n t D a t e | March 27, 2023 |
| Amount of Funds Raised | 1,164,320,000 yen (Net proceeds estimate) |
| Issue Price Per Share | 662.40 yen per share |
| Total Number of Issued Shares at the Time of Offering | 31,701,950 shares |
| Number of Shares Issued through the Offering | 1,800,000 common shares |
| Total Number of Issued Shares After the Offering | 33,501,950 shares |
| Initial Use of Funds | ① Working capital, ② Recruitment and training expenses, ③ Outsourcing expenses |
| Expected Period of Expenditure | ① Working capital: January 2023 – December 2023 (823 million yen) ② Recruitment and training expenses: January 2023 – December 2023 (154 million yen) ③ Outsourcing expenses: January 2023 – December 2023 (701 million yen) The above allocation amounts take into consideration the funds raised through the third-party allotment in section ② below. |
| Current Status of Fund Allocation | ① Fully allocated as planned ② Fully allocated as planned ③ Fully allocated as planned |

② Third-Party Allotment (Related to Over-Allotment Sales)

| | |
|----------------------------------|--|
| P a y m e n t D a t e | April 26, 2023 |
| Amount of Funds Raised | 513,010 thousand yen (Net proceeds estimate) |
| Issue Price Per Share | 662.40 yen per share |
| Total Number of Issued Shares at | 33,501,950 shares |

| | |
|--|---|
| the Time of Offering | |
| Number of Shares Issued through the Offering | 779,000 common shares |
| Total Number of Issued Shares After the Offering | 34,280,950 shares |
| Allottee | Daiwa Securities Co., Ltd. |
| Initial Use of Funds at the Time of Issuance | As stated in “① Public Offering (At Initial Public Listing)” above. |
| Expected Period of Expenditure at the Time of Issuance | As stated in “① Public Offering (At Initial Public Listing)” above. |
| Current Status of Fund Allocation | As stated in “① Public Offering (At Initial Public Listing)” above. |

Monstarlab Holdings Inc. 81st Stock Acquisition Rights Issuance Terms

1. Name of the Stock Acquisition Rights Monstarlab Holdings Inc. 81st Stock Acquisition Rights (hereinafter referred to as the "Stock Acquisition Rights").
2. Total Payment Amount for the Stock Acquisition Rights 14,400,000 yen
3. Application Date October 7, 2024
4. Allotment Date and Payment Date October 7, 2024
5. Method of Offering All of the Stock Acquisition Rights will be allotted to EVO FUND through a third-party allotment.
6. Type and Number of Shares for Stock Acquisition Rights
 - (1) The type of shares for the Stock Acquisition Rights will be the company's common stock.
 - (2) The total number of shares for the Stock Acquisition Rights will be 30,000,000 shares (100 shares per Stock Acquisition Right, hereinafter referred to as the "Allotted Number of Shares").

If the company conducts a stock split or consolidation, the Allotted Number of Shares will be adjusted using the following formula. However, this adjustment will only apply to the Stock Acquisition Rights that have not been exercised at the time, and any fractional shares resulting from the adjustment will be rounded down.

Adjusted Allotted Number of Shares = Pre-adjustment Allotted Number of Shares × Split or Consolidation Ratio

If any other event arises that necessitates the adjustment of the Allotted Number of Shares, the company will appropriately adjust the Allotted Number of Shares within a reasonable scope based on a resolution of the Board of Directors.
7. Total Number of Stock Acquisition Rights 300,000
8. Payment Amount for Each Stock Acquisition Right 48 yen
9. Value of Assets Contributed Upon Exercise of Stock Acquisition Rights or Its Calculation Method
 - (1) The value of assets contributed upon the exercise of each Stock Acquisition Right will be the exercise price (as defined below) multiplied by the Allotted Number of Shares. However, any fraction of less than one yen will be rounded down.
 - (2) The value of assets contributed per share upon the exercise of the Stock Acquisition Rights (i.e., the exercise price) when the company issues or disposes of common stock upon exercise of the Stock Acquisition Rights will initially be set at 141 yen per share.
10. Adjustment of the Exercise Price
 - (1) The exercise price will be first adjusted on the trading day following the allotment date (the "Trading Day" refers to a day when trading is conducted on the Tokyo Stock Exchange, hereinafter referred to as the "Exchange"). After that, it will be adjusted every three trading days. When the exercise price is adjusted based on this section, it will be set at 95% of the simple average of the closing prices for the company's common stock announced by the Exchange over the three consecutive Trading Days prior to the adjustment date (excluding days when no closing price is available). Fractions of less than one yen will be rounded down. If the calculated price is below the minimum exercise price (as defined below), it will be set at the minimum exercise price. If no closing prices exist during the calculation period, no adjustment will be made to the exercise price. Furthermore, if an event necessitating adjustments occurs under Article 11 during the calculation period, the closing prices announced by the Exchange will be adjusted accordingly.

- (2) The initial minimum exercise price will be set at 75 yen.
 (3) The minimum exercise price will be adjusted pursuant to Article 11.

11. Adjustment of Exercise Price

(1) After the allotment date of the Stock Acquisition Rights, if the company's common stock is issued due to any of the events listed in paragraph (2) below, and the number of issued common shares changes or is expected to change, the exercise price will be adjusted using the following formula (hereinafter referred to as the "Exercise Price Adjustment Formula"):

$$\text{Adjusted Exercise Price} = \text{Pre-adjustment Exercise Price} \times \frac{\text{Number of Issued Common Shares} + \frac{\text{Number of Shares Issued} \times \text{Issue Price}}{\text{時価}}}{\text{Number of Issued Common Shares} + \text{Number of Shares Issued}}$$

(2) The timing of the application of the adjusted exercise price, as well as the cases where the exercise price is adjusted according to the Exercise Price Adjustment Formula, will be determined as follows:

① If the company issues new common shares at a payment price below the market price specified in paragraph (4)(ii) (excluding cases where shares are issued in exchange for redeemable shares, redeemable stock options, or stock acquisition rights with attached terms, including those attached to convertible bonds, or in cases where stock acquisition rights or convertible bonds claimable for common shares are exercised or when common shares are issued under the company's stock compensation plan), the adjusted exercise price will apply from the day following the payment date (or the last day of the payment period, if one is set) or, if applicable, from the day following the record date for the allotment.

② If the company issues new common shares through a stock split or free allotment, the adjusted exercise price will apply from the day following the record date for the stock split. If there is a record date for the free allotment of common shares to common shareholders, the adjusted exercise price will apply from the day following that date. If there is no record date for the allotment of shares to common shareholders, or if shares are allotted to shareholders other than common shareholders, the adjusted exercise price will apply from the day following the effective date of the allotment.

③ If the company issues redeemable shares with provisions allowing the issuance of common shares at a price below the market price specified in paragraph (4)(ii) (including free allotments) or issues stock acquisition rights, convertible bonds, or other rights claimable for common shares at a price below the market price (excluding stock options issued under the company's stock option plan), the adjusted exercise price will be calculated by applying the Exercise Price Adjustment Formula, assuming that all such rights were exercised or claimed at their initial exercise price. The adjusted exercise price will apply from the day following the payment date (or the allotment date for stock acquisition rights or convertible bonds, or the effective date for free allotments). If there is a record date for the allotment of such rights, the adjusted exercise price will apply from the day following that date. However, if the consideration for the company's common stock to be delivered upon exercise of such rights is not determined at the time of issuance, the adjusted exercise price will be calculated by applying the Exercise Price Adjustment Formula once the consideration is determined, and the adjusted price will apply from the day following the date the consideration is finalized.

④ If the company issues common shares at a price below the market price specified in paragraph (4)(ii) in exchange for redeemable shares or stock acquisition rights issued by the company

(including those attached to convertible bonds), the adjusted exercise price will apply from the day following the redemption date.

⑤ In the transactions under items ① to ③ above, if there is a record date for the allotment of such rights and the effectiveness of the transaction is subject to approval by the shareholders' meeting, the Board of Directors, or another company body, the adjusted exercise price will apply from the day following the date of such approval. In such cases, for holders of stock acquisition rights (hereinafter referred to as "Stock Acquisition Right Holders") who exercised the rights between the day after the record date and the date of approval of the transaction, the number of common shares to be issued will be determined according to the following formula:

$$\text{Number of Shares} = \frac{(\text{Pre-adjustment Exercise Price} - \text{Number of Shares Issued During the Period at the Pre-adjustment Exercise Price}) \times \text{Adjusted Exercise Price}}{\text{Adjusted Exercise Price}}$$

In this case, any fractional shares less than one share will be rounded down, and no cash adjustments will be made.

(1) If the difference between the adjusted exercise price calculated using the Exercise Price Adjustment Formula and the pre-adjustment exercise price is less than one yen, no adjustment will be made to the exercise price. However, if another event arises that requires an adjustment of the exercise price, the amount used in place of the pre-adjustment exercise price for the purpose of the Exercise Price Adjustment Formula will be the pre-adjustment exercise price minus the initial difference.

(2) The calculation of the Exercise Price Adjustment Formula will follow the guidelines below:

- ① Fractions less than one yen will be rounded to the nearest yen.
- ② The market price used in the Exercise Price Adjustment Formula will be the simple average of the closing prices of the company's common stock on the Exchange over the 30 trading days preceding the 45th trading day prior to the application of the adjusted exercise price (or the record date in the case of paragraph (2)(v)), excluding days without closing prices. The average will be calculated to two decimal places, with the second decimal rounded.
- ③ The number of issued common shares used in the Exercise Price Adjustment Formula will be the number of issued shares on the record date, or if no record date exists, the number of issued shares one month prior to the application of the adjusted exercise price, excluding any treasury shares held by the company. In the case of a stock split as per paragraph (2)(ii), the number of newly issued shares will exclude those allotted to treasury shares.

(3) In addition to cases requiring exercise price adjustments under paragraph (2), the company will adjust the exercise price in the following cases:

- ① When an adjustment of the exercise price is required due to a stock consolidation, merger (with the company as the surviving entity), absorption-type company split (with the company as the successor), stock exchange, or share delivery where the company becomes the wholly owning parent company.
- ② When changes in the number of issued common shares or events that may result in such changes occur.
- ③ When two or more events requiring an exercise price adjustment occur consecutively, and the market price used to calculate the adjusted exercise price needs to reflect the impact of both events.

(4) Notwithstanding paragraph (2), if the first day the adjusted exercise price is applied under paragraph (2) coincides with the exercise price modification date under Article 10, the company will make the necessary adjustments.

(5) When the exercise price is modified or adjusted under Article 10 or this Article, the company will notify the Stock Acquisition Right Holders in writing of the modification or adjustment, its reason, the pre-adjustment and post-adjustment exercise prices, the date of application, and any other necessary information no later than the day before the date of application. However, if the notification cannot be made by the day before the application date (as in paragraph (2)(v)), the company will promptly provide notification after the application date.

12. Exercise Period of the Stock Acquisition Rights

The exercise period for the Stock Acquisition Rights will be from October 8, 2024 (inclusive), to October 7, 2027 (inclusive).

13. Other Conditions for Exercising the Stock Acquisition Rights

Partial exercise of the Stock Acquisition Rights is not permitted.

14. Acquisition of Stock Acquisition Rights

(1) If the Board of Directors resolves that it is necessary for the company to acquire the Stock Acquisition Rights, the company may acquire all or part of the remaining Stock Acquisition Rights at the same payment amount per Stock Acquisition Right (rounded to the nearest yen if fractional amounts less than one yen arise when multiplied by the number of relevant Stock Acquisition Rights) by notifying the Stock Acquisition Right Holders at least two weeks prior to the acquisition date (hereinafter referred to as the "Acquisition Date") determined by the Board of Directors, following the day after the payment date of the Stock Acquisition Rights, in accordance with the provisions of Articles 273 and 274 of the Companies Act. If the company acquires only part of the Stock Acquisition Rights, the acquisition will be conducted by lottery or other reasonable methods.

(2) If any Stock Acquisition Rights remain unexercised on the last day of the exercise period defined in Article 12, the company may acquire all remaining Stock Acquisition Rights at the same payment amount per Stock Acquisition Right (rounded to the nearest yen if fractional amounts less than one yen arise when multiplied by the number of relevant Stock Acquisition Rights).

15. Issuance of Stock Acquisition Right Certificates

The company will not issue Stock Acquisition Right certificates related to these Stock Acquisition Rights.

16. Increase in Capital and Capital Reserve When Shares Are Issued Due to the Exercise of Stock Acquisition Rights

When common shares are issued due to the exercise of the Stock Acquisition Rights, the amount of capital to be increased will be half of the maximum amount of increase in capital and reserves calculated in accordance with Article 17, Paragraph 1 of the Ordinance on Accounting of Companies (any fraction less than one yen will be rounded up). The amount remaining after deducting the increase in capital from the maximum amount will be added to the capital reserve.

17. Method of Requesting the Exercise of Stock Acquisition Rights

(1) To request the exercise of the Stock Acquisition Rights, the Stock Acquisition Right Holder must notify the exercise request location specified in Article 19 of the necessary details during the exercise period defined in Article 12.

(2) When requesting the exercise of the Stock Acquisition Rights, the Stock Acquisition Right Holder

must notify the required details as stated in the previous paragraph and transfer the full amount of the funds required for the exercise, in cash, to the account designated by the company at the payment handling location specified in Article 20.

(3) The exercise request for the Stock Acquisition Rights becomes effective on the day when all necessary details are notified to the exercise request location specified in Article 19, and the full amount of the funds required for the exercise (calculated based on the adjusted exercise price if an adjustment is made on the same day as the notification of the required details according to Article 10) is deposited into the account specified in the previous paragraph.

(4) Once the exercise request for the Stock Acquisition Rights is made in accordance with the provisions of this Article, the company cannot refuse the exercise of the Stock Acquisition Rights as long as the Stock Acquisition Right Holder is eligible to exercise the rights based on the purchase contract and the issuance terms.

18. Method of Share Delivery

After the exercise request becomes effective, the company will deliver the shares by recording the increase of transfer shares in the transfer account book at the designated transfer institution or account management institution specified by the Stock Acquisition Right Holder.

19. Exercise Request Location Mitsubishi UFJ Trust and Banking Corporation, Securities Agency Division

20. Payment Handling Location San-in Godo Bank, Ltd., Main Branch

21. Reason for Calculation of the Payment Amount of the Stock Acquisition Rights and the Value of Assets Contributed Upon Exercise

Considering the terms of the Stock Acquisition Rights and the purchase contract related to them, the payment amount for each Stock Acquisition Right was determined as described in Article 8, with reference to the calculation results from the Monte Carlo Simulation, a common pricing model. Furthermore, the amount to be paid upon the exercise of the Stock Acquisition Rights will be as stated in Article 9.

22. Application of the Act on Book-Entry of Corporate Bonds, Shares, etc.

The Stock Acquisition Rights will be treated as book-entry stock acquisition rights under the Act on Book-Entry of Corporate Bonds, Shares, etc., and will be subject to the provisions of the same law. Additionally, the handling of the Stock Acquisition Rights will be in accordance with the regulations, operational rules, and enforcement regulations related to the book-entry of corporate bonds and shares as determined by Japan Securities Depository Center, Inc.

23. Name and Address of the Book-Entry Institution

Japan Securities Depository Center, Inc.
7-1, Nihonbashi Kabutocho, Chuo-ku, Tokyo

24. Others

(1) In the event of amendments to the Companies Act or other relevant laws, which necessitate revisions or other measures within the provisions of these terms, the company will take the necessary steps.

(2) The above provisions are subject to the effectuation of registration under the Financial Instruments and Exchange Act.

(3) Any other matters necessary for the issuance of the Stock Acquisition Rights are entrusted to the company's President and Representative Director.

