



September 19, 2024

To all shareholders:

Company name: Monstarlab Holdings Inc.
Representative: Hiroki Inagawa,
Representative Director/Group CEO
(Code: 5255, TSE Growth Market)
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**Notice Regarding Changes in Subsidiaries (Bankruptcy or Liquidation of Subsidiaries
and Sub-subsidiaries)**

At a meeting of the Board of Directors held today, the company resolved to file for the commencement of bankruptcy proceedings for three of its consolidated subsidiaries: Monstarlab Denmark ApS (hereinafter referred to as "MLDK"), Monstarlab Czech Republic s.r.o. (hereinafter referred to as "MLCZ"), a wholly-owned subsidiary of MLDK (our sub-subsidiary), and Monstarlab Middle East DMCC (hereinafter referred to as "MLUAE"). In addition, the company also resolved to liquidate or bankrupt Monstarlab UK Limited (hereinafter referred to as "MLUK"), another wholly-owned subsidiary of MLDK (our sub-subsidiary). As a result of these bankruptcy proceedings and liquidation, changes in subsidiaries are expected to occur, and we hereby provide the following notice.

1. Reason for Changes in Subsidiaries

Our group, with the mission to "Leverage Diversity and Change the World with Technology," operates a digital consulting business across 19 countries and regions divided into the APAC, EMEA, and AMER regions. However, as reported in the "Notice Concerning Company's Policy of Rationalization at Its Consolidated Subsidiaries, Including Personnel Reductions, and Decision on Policy for Dissolution of Consolidated Subsidiaries" released on May 31, 2024, the EMEA and AMER regions, where high growth was anticipated, have faced significant delays in the commencement of large-scale projects, leading to a decline in utilization rates and resulting in current deficits. To achieve early profitability, we have decided to fundamentally review the cost structure in these regions, focusing on personnel reductions among non-operational staff, office downsizing, and the reduction of IT costs.

As further disclosed in the "Notice of Recognition of Temporary Expenses, Impairment Losses Related to Workforce Reduction, and Reduction of Executive Compensation" on August 14, 2024, the anticipated profits in the EMEA and AMER regions have not materialized. As a result, the company recognized impairment losses of ¥1,018 million and ¥1,743 million for the goodwill of Monstarlab LLC and Genieology Design DMCC, respectively. Additionally, we recognized an impairment loss of ¥938 million for the goodwill held by Monstarlab Information Technology LLC, and impairment losses totaling ¥441 million for fixed assets across multiple consolidated subsidiaries and sub-subsidiaries. This led to a total impairment loss of ¥4,140 million for our group, and as of the end of the second quarter of FY2024, consolidated net assets amounted to a deficit of ¥2,593 million.

Under these circumstances, in order to reduce management risks and shift to a management structure that balances healthy profit generation with growth by focusing on high-profit, high-growth businesses, we have decided to proceed with bankruptcy filings for Monstarlab Denmark ApS (MLDK), Monstarlab Czech Republic s.r.o. (MLCZ), and Monstarlab Middle East DMCC (MLUAE), which belong to the EMEA region, and the liquidation of Monstarlab UK Limited (MLUK). While the decision to pursue bankruptcy for MLDK, MLCZ, and MLUAE was made due to the large amount of external debt and lack of foreseeable cash flow, we are aiming for a standard liquidation process for MLUK. However, depending on the resolution of outstanding liabilities and consultations with local legal counsel, MLUK may also undergo bankruptcy proceedings similar to the other three companies. We will promptly announce any further developments that require disclosure.

As a result of these bankruptcy and liquidation proceedings, the above four companies are expected to no longer be subsidiaries of the company.

2. Overview of the Subsidiary and Total Liabilities

(1) MLDK

a. Overview

(1)	Name	Monstarlab Denmark ApS
(2)	Location	2150 Nordhavn Orientkaj 4, 1.
(3)	Title and Name of Representative	CEO, Director Anders Elnegaard Birch
(4)	Business Description	Digital Consulting Business
(5)	Capital	81,000 DKK (approx. 1.8 million JPY)
(6)	Date of Establishment	November 27, 2013
(7)	Major Shareholder and	Monstarlab Holdings Inc. 100%

Shareholding Ratio				
(8)	Relationship with the Company	Capital Relationship	The company holds 100% of MLDK's shares.	
		Personnel Relationship	One of the directors also serves as an employee of the company.	
		Business Relationship	The company outsources business and provides management guidance to MLDK, which is expected to end with the bankruptcy. The company recognizes loans of ¥6,474 million and accounts receivable of ¥288 million from MLDK as of the end of the second quarter of FY2024.	
(9) Recent Performance and Financial Condition Over the Last Three Years				
Fiscal Year End		Dec 2021	Dec 2022	Dec 2023
Total Assets (\million)		1,905	4,648	6,919
Net Assets (\million)		-560	-42	-48
Net Assets Per Share (\)		-	-	-
Revenue (\ million)		945	846	981
Operating Profit(\ million)		-67	-141	-197
Ordinary Profit (\ million)		-92	-76	90
Net Profit (\ million)		-399	-75	74
Net Profit Per Share (\)		-	-	-
Dividend Per Share (\)		-	-	-

Reference Exchange Rates

(End of Dec 2021) 1 DKK = ¥17.56 (2021 Average) 1 DKK = ¥17.47

(End of Dec 2022) 1 DKK = ¥18.90 (2022 Average) 1 DKK = ¥18.45

(End of Dec 2023) 1 DKK = ¥20.87 (2023 Average) 1 DKK = ¥20.42

(End of June 2024) 1 DKK = ¥23.10

b. Total Liabilities

7,995 million JPY (calculated at 1 DKK = 23.10 JPY)

(2) MLUK

a. Overview

(1)	Name	Monstarlab UK Limited
(2)	Location	1st Floor 33 Grey Street, Newcastle Upon Tyne, Newcastle Upon Tyne, Tyne And Wear, NE1 6EE
(3)	Title and Name of Representative	CEO, Director Hiroki Inagawa
(4)	Business Description	Digital Consulting Business
(5)	Capital	1 GBP (approx. 203 JPY)
(6)	Date of Establishment	May 9, 2012

(7)	Major Shareholder and Shareholding Ratio	Monstarlab Denmark ApS 100%		
(8)	Relationship with the Company	Capital Relationship	The company holds 100% of Monstarlab Denmark ApS, which in turn holds 100% of MLUK.	
		Personnel Relationship	One of the directors also serves as an employee of the company.	
		Business Relationship	The company outsources business and provides management guidance to MLUK, which is expected to end with the liquidation or bankruptcy. The company recognizes loans of ¥355 million and accounts receivable of ¥179 million from MLUK as of the end of the second quarter of FY2024.	
(9)	Recent Performance and Financial Condition Over the Last Three Years			
	Fiscal Year End	Dec 2021	Dec 2022	Dec 2023
	Total Assets (\ million)	744	994	1,092
	Net Assets (\ million)	-468	-761	-1,465
	Net Assets Per Share (\)	-	-	-
	Revenue (\ million)	735	764	637
	Operating Profit(\ million)	-285	-224	-543
	Ordinary Profit (\ million)	-283	-299	-561
	Net Profit (\ million)	-292	-299	-560
	Net Profit Per Share (\)	-	-	-

Reference Exchange Rates

(End of Dec 2021) 1 GBP = ¥155.24 (2021 Average) 1 GBP = ¥151.07

(End of Dec 2022) 1 GBP = ¥158.70 (2022 Average) 1 GBP = ¥161.30

(End of Dec 2023) 1 GBP = ¥179.56 (2023 Average) 1 GBP = ¥174.94

(End of June 2024) 1 GBP = ¥203.44

b. Total Liabilities

3,338million JPY (calculated at 1 GBP = 203.44 JPY)

(3) MLCZ

a. Overview

(1)	Name	Monstarlab Czech Republic. s.r.o
(2)	Location	Boudníkova 2514/7, Libeň, 180 00 Prague 8
(3)	Title and Name of Representative	CEO, Director MARKÉTA OHNIŠTOVÁ
(4)	Business Description	Digital Consulting Business
(5)	Capital	200,000 CZK (approx. 1.3 million JPY)
(6)	Date of Establishment	April 17, 2018

(7)	Major Shareholder and Shareholding Ratio	Monstarlab Denmark ApS 100%		
(8)	Relationship with the Company	Capital Relationship	The company holds 100% of Monstarlab Denmark ApS, which in turn holds 100% of MLCZ.	
		Personnel Relationship	No relevant matters.	
		Business Relationship	The company outsources business and provides management guidance to MLCZ, which is expected to end with the bankruptcy. The company recognizes loans of ¥304 million and accounts receivable of ¥44 million from MLCZ as of the end of the second quarter of FY2024.	
(9) Recent Performance and Financial Condition Over the Last Three Years				
Fiscal Year End		Dec 2021	Dec 2022	Dec 2023
Total Assets (\ million)		272	596	746
Net Assets (\ million)		△318	△503	△791
Net Assets Per Share (\)		-	-	-
Revenue (\ million)		153	233	377
Operating Profit(\ million)		△124	△155	△202
Ordinary Profit (\ million)		△137	△142	△250
Net Profit (\ million)		△229	△142	△250
Net Profit Per Share (\)		-	-	-

Reference Exchange Rates

(End of Dec 2021) 1 CZK = ¥5.24 (2021 Average) 1 CZK = ¥5.07

(End of Dec 2022) 1 CZK = ¥5.82 (2022 Average) 1 CZK = ¥5.60

(End of Dec 2023) 1 CZK = ¥6.29 (2023 Average) 1 CZK = ¥6.35

(End of June 2024) 1 CZK = ¥6.88

b. Total Liabilities

2,146 million JPY (calculated at 1 CZK = 6.88 JPY)

(4) MLUAE

a. Overview

(1)	Name	Monstarlab Middle East DMCC
(2)	Location	Jumeirah Lakes Towers, Dubai
(3)	Title and Name of Representative	CEO, Director Mark Jones
(4)	Business Description	Digital Consulting Business
(5)	Capital	50,000 AED (approx. 2.2 million JPY)
(6)	Date of Establishment	October 15, 2019
(7)	Major Shareholder and Shareholding Ratio	Monstarlab Denmark ApS 100%

(8) Relationship with the Company	Capital Relationship	The company holds 100% of Monstarlab Denmark ApS, which in turn holds 100% of MLUAE.
	Personnel Relationship	No relevant matters.
	Business Relationship	The company outsources business and provides management guidance to MLUAE, which is expected to end with the bankruptcy. The company recognizes loans of ¥584 million and accounts receivable of ¥186 million from MLUAE as of the end of the second quarter of FY2024.

(9) Recent Performance and Financial Condition Over the Last Three Years			
Fiscal Year End	Dec 2021	Dec 2022	Dec 2023
Total Assets (\ million)	826	1,559	1,957
Net Assets (\ million)	-110	-730	-1,836
Net Assets Per Share (\)	-2,206,519	-14,590,864	-36,720,996
Revenue (\ million)	299	959	1,665
Operating Profit(\ million)	-213	-590	-978
Ordinary Profit (\ million)	-213	-590	-978
Net Profit (\ million)	-262	-609	-1,031
Net Profit Per Share (\)	-5,230,289	-12,176,866	-20,617,766
Fiscal Year End	-	-	-

Reference Exchange Rates

(End of Dec 2021) 1 AED = ¥31.37 (2021 Average) 1 AED = ¥29.93

(End of Dec 2022) 1 AED = ¥35.68 (2022 Average) 1 AED = ¥35.50

(End of Dec 2023) 1 AED = ¥38.60 (2023 Average) 1 AED = ¥38.25

(End of June 2024) 1 AED = ¥43.80

b. Total Liabilities

5,442 million JPY (calculated at 1 AED = 43.80 JPY)

3. Schedule for Bankruptcy or Liquidation

For all four companies, bankruptcy filings or liquidation will be carried out once the necessary procedures are completed in accordance with local laws. While specific dates have not yet been determined, the bankruptcy filing for MLDK is expected to occur in October, and once it is placed under the control of the bankruptcy trustee, it will be excluded from consolidation. The three sub-subsidiaries (MLUK, MLCZ, and MLUAE) will likewise be excluded from consolidation once MLDK is excluded.

4. Valuation of the Subsidiary's Shares

The company has already fully written down the value of its shares in MLDK, and the valuation of these shares is now 0 JPY. Additionally, MLDK, as the shareholder of MLUK, MLCZ, and MLUAE, has also fully written down the value of these shares, and their valuation is likewise 0 JPY.

5. Future Outlook

Regarding the impact on the company's individual performance, we anticipate recognizing losses on bad debts due to the write-offs of loans; however, some allowance for doubtful accounts has already been recorded, and efforts to recover these loans will continue. On the other hand, the impact of these bad debt losses is expected to be eliminated in the consolidated financial results. The company is currently examining the effects on both individual and consolidated performance, and any matters requiring disclosure will be promptly announced once determined.

Status of Allowance for Doubtful Accounts

	MLDK	MLUK	MLCZ	MLUAE
Amount	2,028 million JPY	1,465 million JPY	791 million JPY	1,836 million JPY