

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year
Ending December 31, 2024 (IFRS)**

May 15, 2024

Company name: Monstarlab Holdings Inc.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 5255 URL <https://monstar-lab.com/jp/>
 Representative: Representative Director/Group CEO Hiroki Inagawa
 Inquiries: Director/Executive Vice President and CFO Yoshihiro Nakahara TEL 03(4455)7243
 Scheduled date to file Quarterly Securities Report: May 15, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors [on-demand video])

(Amounts less than one million yen are rounded down)

1. Consolidated Financial Results for the Three Months Ended March 31, 2024 (January 1, 2024, to March 31, 2024)

(1) Consolidated operating results

(Percentages represent year-on-year changes)

	Revenue		Operating profit		Profit before tax		Profit (loss)		Profit attributable to owners of parent		Total comprehensive income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended March 31, 2024	3,179	-12.6	- 891	—	- 268	—	-348	—	-340	—	- 515	—
Three months ended March 31, 2023	3,638	17.1	353	—	251	25.4	184	58.2	197	49.4	157	88.3

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2024	-9.92	-9.92
Three months ended March 31, 2023	6.21	6.14

On January 5, 2023, the Company carried out a one-to-50 stock split based on a resolution of the Board of Directors passed at its meeting held on November 21, 2022. The basic earnings per share and diluted earnings per share shown above are calculated based on the assumption that the stock split was carried out at the beginning of the 18th fiscal period (ended December 2023).

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of parent	Ratio of total equity attributable to owners of parent to total assets
	Million yen	Million yen	Million yen	%
As of March 31, 2024	14,454	3,239	3,253	22.5
As of December 31, 2023	14,461	3,706	3,711	25.7

2. Dividends

	Dividends per share				
	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	—	0.00	—	0.00	0.00
Fiscal year ended December 31, 2024	—				
Fiscal year ended December 31, 2024 (forecast)		0.00	—	0.00	0.00

Revision of most recent dividend forecast: No

Notes

(1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): No

(2) Changes in accounting policies and accounting estimates

(i) Changes in accounting policies requested by IFRS : No

(ii) Changes in accounting polices other than (i) above : No

(iii) Changes in accounting estimates : No

(3) Number of issued shares (common stock)

(i) Number of issued shares at end of period (including treasury stock)

As of March 31, 2024	34,326,950 shares	As of December 31, 2023	34,326,950 shares
----------------------	-------------------	-------------------------	-------------------

(ii) Number of shares of treasury stock at end of period

As of March 31, 2024	0 shares	As of December 31, 2023	0 shares
----------------------	----------	-------------------------	----------

(iii) Average number of shares outstanding during the period

Three months ended March 31, 2024	34,326,950 shares	Three months ended March 31, 2023	31,761,950 shares
-----------------------------------	-------------------	-----------------------------------	-------------------

The quarterly financial statements are not subject to quarterly review by a certified public accountant or auditing firm.

Explanation regarding appropriate use of earnings forecasts and other special notes

(Cautionary Statement Regarding Forward-Looking Statements)

The forward-looking statements in this document, including earnings forecasts, are based on information currently available to the Company and certain assumptions that the Company deems reasonable. Therefore, it is not intended to promise its achievement. Actual results may differ materially due to various factors. For the assumptions underlying earnings forecasts and disclaimers concerning the use of earnings forecasts, refer to Section 1, "Qualitative Information on Quarterly Financial Results," Subsection 3, "Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information" on pg. 2 of the Appendix.

Contents of Appendix

1.	Qualitative Information on Quarterly Financial Results.....	2
(1)	Explanation of Operating Results.....	2
(2)	Explanation of Financial Position.....	3
(3)	Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information.....	4
2.	Quarterly Consolidated Financial Statements and Notes.....	5
(1)	Quarterly Consolidated Statement of Financial Position.....	5
(2)	Quarterly Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income.....	7
(3)	Quarterly Consolidated Statement of Changes in Equity.....	9
(4)	Quarterly Consolidated Statement of Cash Flows.....	10
(5)	Notes about Quarterly Consolidated Financial Statements.....	11
1.	Reporting Company.....	11
2.	Basis for Preparing Consolidated Financial Statements.....	11
3.	Material Accounting Policies.....	11
4.	Significant Accounting Judgments, Estimates, and Assumptions.....	11
5.	Fair Values of Financial Instruments.....	12
6.	Revenue.....	16
7.	Operating Segments	16
8.	Earnings per Share.....	18
9.	Loss of Control.....	20
10.	Subsequent Events.....	22
11.	Notes about Premise of a Going Concern.....	23

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The mission of the Monstarlab Group (the “Group”) is “Empower talent everywhere to engineer awesome products, services and ecosystems; building a brighter world for us all.” We aim to realize a better world by working with our clients as their digital partner to create products, services, and ecosystems that will resolve global issues while providing people with opportunities to work, grow, and participate in projects tackling global issues across national borders.

During the three months ended March 31, 2024, the global economy and the Japanese economy continued to face an uncertain outlook as they were affected by, among other factors, inflationary pressure arising from global hikes of energy and other prices, although they were on a moderate recovery trend as personal consumption and capital investment picked up. On the other hand, in the IT industry, the momentum of digital shift that accelerated during the COVID-19 pandemic shows no sign of slowing, and there continues to be a healthy corporate appetite for investment in digital transformation (DX) on the back of increasing demand for DX that is directly linked to management strategies.

In the current business environment, the Group is focusing on the digital consultancy business as its main business, primarily targeting corporations and local governments to support DX aligned with their business issues and new business needs. The Group is also pursuing other business, including its own product business, globally across 19 countries and regions (as of March 31, 2024). The Group has divided the geographic areas in which it operates its digital consultancy business into three regions: APAC (Japan and Asia Pacific), EMEA (Europe, Middle East, and Africa), and AMER (North, Central, and South America).

During the three months under review, in APAC, we made a steady progress in expanding into the data and the enterprise system domains through collaboration with PwC Consulting and an approach that leverages generative AI. As a result, we successfully acquired development projects in enterprise systems, a domain in which we aim to strengthen our business strategically. However, as they start with the requirements definition phase or the PoC phase, revenue from them recognized for the three months under review was too small to compensate for the decrease in revenue due to the completion of some of the existing projects at the end of fiscal year. In EMEA, our sales pipeline expanded steadily as we focused on acquiring large long-term projects through, for example, collaboration with Tonomus. However, as it takes time to secure orders due to large project size, revenue decreased 12.6% YoY.

As for operating profit, the Group recorded an operating loss of 891,590 thousand yen due to the decrease in revenue and an increase in cost at overseas locations caused by the weaker yen.

In summary, for the three months ended March 31, 2024, the Group recorded revenue of 3,179,153 thousand yen (–12.6% YoY), operating loss of 891,590 thousand yen (vs. an operating profit of 353,487 thousand yen for the same period last year), loss before tax of 268,911 thousand yen (vs. profit before tax of 251,817 thousand yen for the same period last year), and loss attributable to owners of parent of 340,633 thousand yen (vs. profit attributable to owners of parent of 197,169 thousand yen for the same period last year).

The operating results for the digital consultancy business by region are as shown below.

1. APAC

For the three months under review, revenue was 1,674,290 thousand yen (–12.6% YoY) and operating profit was 118,599 thousand yen (+74.8% YoY).

We made a steady progress in securing orders for projects in the data and the enterprise system domains that utilize advanced technologies, such as generative AI, which are our medium- to long-term growth strategy domains, and we also received orders through business alliances with PwC Consulting and others. However, as these projects start with the requirements definition phase or the PoC phase, revenue from them is still too small to compensate for the effect of the completion of certain projects at the end of fiscal year. As a result, revenue decreased. On the other hand, profit improved significantly YoY as we continued to implement thorough cost control since the third quarter of the previous fiscal year. As compared to the fourth quarter of the previous fiscal year, the decrease in revenue was the only factor that caused the decrease in profit.

We expect both revenue and profit to improve in the medium to long term as the enterprise projects that we have already

secured progress to the development phase. In the short term, we will work to improve revenue and profitability by raising the capacity utilization rate of delivery centers in Asia through, for example, our service to provide clients with a dedicated team, in addition to usual development projects.

2. EMEA

For the three months under review, revenue was 1,214,863 thousand yen (-11.1% YoY) and operating loss increased to 581,322 thousand yen compared to 89,452 thousand yen for the same period last year.

Large existing projects drove revenue, particularly in life sciences in Europe and in the government domain in the Middle East. As for revenue from new clients, although the pipeline of large long-term projects is expanding partly helped by the collaboration with Tonumus, a subsidiary of NEOM, it is taking longer for us to receive orders due to large project size. As a result, revenue from the whole EMEA increased only slightly from the fourth quarter of the previous fiscal year.

As for operating income, the size of operation loss increased due to the less-than-expected revenue growth as well as the effect of the weaker yen.

3. AMER

For the three months under review, revenue was 194,378 thousand yen (+16.7% YoY) and operating loss increased to 135,329 thousand yen compared to 47,845 thousand yen for the same period last year.

We achieved growth in revenue from projects in financial services, one of our target domains, to build a stable revenue source from existing customers. In addition, we have acquired new clients from which we can expect multiple large long-term projects, and they have already contributed to the increase in revenue from the fourth quarter of the previous fiscal year.

As for operating income, the size of operation loss increased as we strategically adjusted profit margin at the initial stage of securing projects from new important clients mentioned above. The weaker yen was also a drag on profit. However, we expect profit to increase going forward as we acquire multiple projects.

(2) Explanation of Financial Position

1) Status of assets, liabilities, and equity

The status of various items at the end of the consolidated first quarter under review are as shown below.

(Current assets)

The balance of current assets was 5,414,853 thousand yen (vs. 5,836,139 thousand yen at the end of the previous fiscal year). This includes cash and cash equivalents of 1,227,814 thousand yen (vs. 1,783,264 thousand yen at the end of the previous fiscal year) and trade and other receivables of 2,441,350 thousand yen (vs. 2,600,114 thousand yen at the end of the previous fiscal year).

(Non-current assets)

The balance of non-current assets was 9,040,008 thousand yen (vs. 8,624,916 thousand yen at the end of the previous fiscal year). This includes goodwill of 4,193,369 thousand yen (vs. 3,964,762 thousand yen at the end of the previous fiscal year) and other financial assets of 3,276,307 thousand yen (vs. 3,083,563 thousand yen at the end of the previous fiscal year).

(Current liabilities)

The balance of current liabilities was 8,769,262 thousand yen (vs. 7,932,462 thousand yen at the end of the previous fiscal year). This includes trade and other payables of 1,342,093 thousand yen (vs. 1,132,648 thousand yen at the end of the previous fiscal year) and bonds and borrowings of 5,305,600 thousand yen (vs. 4,739,564 thousand yen at the end of the previous fiscal year).

(Non-current liabilities)

The balance of non-current liabilities was 2,445,646 thousand yen (vs. 2,822,565 thousand yen at the end of the previous fiscal year). This includes bonds and borrowings of 1,239,143 thousand yen (vs. 1,493,246 thousand yen at the end of the previous fiscal year) and lease liabilities of 312,601 thousand yen (vs. 549,435 thousand yen at the end of the previous fiscal year).

(Total equity)

Total equity was 3,239,953 thousand yen (vs. 3,706,027 thousand yen at the end of the previous fiscal year). This includes share capital of 1,922,586 thousand yen (vs. 1,922,586 thousand yen at the end of the previous fiscal year), capital surplus of

10,549,413 thousand yen (vs. 10,499,729 thousand yen at the end of the previous fiscal year), and retained earnings of minus 8,898,995 thousand yen (vs. minus 8,558,362 thousand yen at the end of the previous fiscal year).

2) Status of cash flows

Cash and cash equivalents (hereinafter referred to as "net cash") at the end of the consolidated First quarter of the fiscal year under review was 1,227,814 thousand yen (vs. 1,783,264 thousand yen at the end of the previous consolidated fiscal year).

Cash flow activities and contributing factors during the consolidated First quarter of the fiscal year under review were as shown below.

(Cash flows from operating activities)

Net cash used in operating activities totaled 693,584 thousand yen (vs. 871,871 thousand yen in the same period last year). The main factors were a profit before tax of minus 268,911 thousand yen (vs. 251,817 thousand yen for the same period last year), a decrease in trade and other receivables of 257,259 thousand yen (vs. a decrease of 659,182 thousand yen for the same period last year), an increase in contract assets of 22,637 thousand yen (vs. an increase of 520,159 thousand yen for the same period last year), a net inflow from other changes of 142,765 thousand yen (a net inflow of 213,722 thousand yen for the same period last year), and income taxes paid of 17,156 thousand yen (296,389 thousand yen for the same period last year).

(Cash flows from investing activities)

Net cash used in investing activities totaled 79,328 thousand yen (vs. 294,264 thousand yen in the same period last year). The main factors include purchase of property, plant and equipment of 16,483 thousand yen (vs. 32,285 thousand yen for the same period last year) and purchase of intangible assets of 56,132 thousand yen (vs. 16,996 thousand yen for the same period last year).

(Cash flows from financing activities)

Net cash provided by financing activities totaled 177,670 thousand yen (vs. 1,680,215 thousand yen in the same period last year). The main factors include proceeds from short-term borrowings of 745,000 thousand yen (vs. 229,917 thousand yen for the same period last year), repayments of long-term borrowings of 183,681 thousand yen (vs. 177,382 thousand yen for the same period last year), repayments of lease liabilities of 133,648 thousand yen (vs. 104,638 thousand yen for the same period last year), and redemption of bonds of 250,000 thousand yen (vs. 60,000 thousand yen for the same period last year).

(3) Explanation of Consolidated Earnings Forecasts and Other Forward-Looking Information

The Group has achieved revenue growth at the average rate of 40% per year for the last six years since 2016 to 2022. However, in the fiscal year ended December 31, 2023, we focused more on profitability improvement than revenue growth following the slowdown in growth by revising strategies, including adjusting the balance of project phases and focusing on large long-term projects while implementing a structural reform to improve profitability. Going forward, we aim to realize a growth story of continued fast growth while ensuring profitability. To this end, we regard the fiscal year ending December 31, 2024 to be a period in which we will put in place a growth foundation to realize fast growth while ensuring profitability starting in the fiscal year ending December 31, 2025, and we are considering investments and reorganizations to improve our capabilities and reconstruction of our profit structure, in addition to the formulation of a medium- to long-term business strategy, including the rebalancing of business portfolios for all regions (APAC/EMEA/AMER). More specifically, we will work to invest in proprietary technologies that will enable us to achieve differentiation, strengthen our solution capability in the enterprise domain, and bolster our recruitment strengths. In addition, we are considering the implementation of an organizational/structural reform designed to drastically reinforce our profit structure. For this reason, we have determined that it is difficult for us to reasonably revise forecasts by reflecting the impact of uncertainties associated with the implementation of these strategies at this point and have decided to postpone the announcement of earnings forecast for the fiscal year ending December 31, 2024 until a later date. Once we are prepared to disclose a reasonable forecast, we will promptly announce it.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Statement of Financial Position

(Unit: Thousand yen)

	Note	As of December 31, 2023	As of March 31, 2024
Assets			
Current assets			
Cash and cash equivalents		1,783,264	1,227,814
Trade and other receivables		2,600,114	2,441,350
Contract assets		922,131	1,133,855
Inventories		60,345	62,423
Other current assets		470,282	549,410
Total current assets		5,836,139	5,414,853
Non-current assets			
Property, plant, and equipment		258,783	248,555
Right-of-use assets		356,249	327,306
Goodwill		3,964,762	4,193,369
Intangible assets		651,053	713,601
Other financial assets	5	3,083,563	3,276,307
Deferred tax assets		49,099	26,094
Other non-current assets		261,403	254,774
Total non-current assets		8,624,916	9,040,008
Total assets		14,461,055	14,454,862

(Unit: Thousand yen)

	Note	As of December 31, 2023	As of March 31, 2024
Liabilities and equity			
Current liabilities			
Trade and other payables		1,132,648	1,342,093
Contract liabilities		211,462	88,988
Bonds and borrowings	5	4,739,564	5,305,600
Lease liabilities		294,579	432,945
Income taxes payable		181,006	148,844
Allowance		51,885	52,941
Other current liabilities		1,321,315	1,397,848
Total current liabilities		7,932,462	8,769,262
Non-current liabilities			
Bonds and borrowings		1,493,246	1,239,143
Lease liabilities		549,435	312,601
Allowance		130,966	135,679
Deferred tax liabilities		108,878	188,960
Other non-current liabilities		540,039	569,263
Total non-current liabilities		2,822,565	2,445,646
Total liabilities		10,755,027	11,214,909
Equity			
Share capital		1,922,586	1,922,586
Capital surplus		10,499,729	10,549,413
Retained earnings		-8,558,362	-8,898,995
Other components of equity		-152,870	-319,880
Total equity attributable to owners of parent		3,711,083	3,253,123
Non-controlling interests		-5,055	-13,170
Total equity		3,706,027	3,239,953
Total liabilities and equity		14,461,055	14,454,862

(2) Quarterly Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income
(Quarterly Consolidated Statement of Profit or Loss)

(Unit: Thousand yen)

	Note	Three months ended March 31, 2023	Three months ended March 31, 2024
Revenue	7	3,638,355	3,179,153
Cost of sales		-2,553,655	-2,507,651
Gross profit		1,084,700	671,501
Selling, general, and administrative expenses		-1,470,505	-1,577,279
Other income		785,684	18,349
Other expenses		-46,391	-4,162
Operating profit (loss)		353,487	-891,590
Finance income		27,326	658,214
Finance costs		-128,997	-33,293
Share of loss (profit) of entities accounted for using equity method		—	-2,242
Profit (loss) before tax		251,817	-268,911
Income tax expenses		-67,745	-79,635
Profit (loss)		184,071	-348,547
Profit (loss) attributable to			
Owners of parent		197,169	-340,633
Non-controlling interests		-13,097	-7,913
Profit (loss)		184,071	-348,547
Earnings (loss) per share			
Basic earnings (loss) per share (yen)	8	6.21	-9.92
Diluted earnings (loss) per share (yen)	8	6.14	-9.92

(Quarterly Consolidated Statement of Comprehensive Income)

(Unit: Thousand yen)

	Note	Three months ended March 31, 2023	Three months ended March 31, 2024
Profit (loss)		184,071	-348,547
Other comprehensive income			
Items that may not be reclassified to profit or loss:			
Remeasurement of defined benefit plans		11	40
Total of items		11	40
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-26,320	-167,157
Total of items		-26,320	-167,157
Other comprehensive income, net of tax		-26,308	-167,116
Total comprehensive income		157,762	-515,664
Total comprehensive income attributable to			
Owners of parent		172,748	-507,644
Non-controlling interests		-14,985	-8,019
Total comprehensive income		157,762	-515,664

(3) Quarterly Consolidated Statement of Changes in Equity

For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

(Unit: Thousand yen)

	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity	
		Share capital	Capital surplus	Retained earnings	Other components of equity					Total equity attributable to owners of parent
					Exchange differences on translation of foreign operations	Remeasurement of defined benefit plans	Total other components of equity			
Balance as of January 1, 2023		1,065,754	9,708,785	-6,203,033	12,137	513	12,651	4,584,158	-491,733	4,092,424
Profit (loss)		—	—	197,169	—	—	—	197,169	-13,097	184,071
Other comprehensive income		—	—	—	-24,432	11	-24,421	-24,421	-1,887	-26,308
Total comprehensive income		—	—	197,169	-24,432	11	-24,421	172,748	-14,985	157,762
Issuance of new shares		596,160	586,559	—	—	—	—	1,182,719	—	1,182,719
Share-based payment Transactions		—	89,205	—	—	—	—	89,205	—	89,205
Loss of control of subsidiaries		—	131,326	—	—	—	—	131,326	4,025	135,352
Other		—	-443,158	—	—	—	—	-443,158	443,132	-26
Total transactions with owners and other transactions		596,160	363,932	—	—	—	—	960,092	447,157	1,407,250
Balance as of March 31, 2023		1,661,914	10,072,718	-6,005,863	-12,295	525	-11,769	5,716,999	-59,560	5,657,438

For the three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

(Unit: Thousand yen)

	Note	Equity attributable to owners of parent						Non-controlling interests	Total equity	
		Share capital	Capital surplus	Retained earnings	Other components of equity					Total equity attributable to owners of parent
					Exchange differences on translation of foreign operations	Remeasurement of defined benefit plans	Total other components of equity			
Balance as of January 1, 2024		1,922,586	10,499,729	-8,558,362	-153,474	604	-152,870	3,711,083	-5,055	3,706,027
Profit (loss)		—	—	-340,633	—	—	—	-340,633	-7,913	-348,547
Other comprehensive income		—	—	—	-167,051	40	-167,010	-167,010	-106	-167,116
Total comprehensive income		—	—	-340,633	-167,051	40	-167,010	-507,644	-8,019	-515,664
Issuance of new shares		—	—	—	—	—	—	—	—	—
Share-based payment Transactions		—	49,684	—	—	—	—	49,684	—	49,684
Loss of control of subsidiaries		—	—	—	—	—	—	—	—	—
Other		—	—	—	—	—	—	—	-95	-95
Total transactions with owners and other transactions		—	49,684	—	—	—	—	49,684	-95	49,589
Balance as of March 31, 2024		1,922,586	10,549,413	-8,898,995	-320,525	644	-319,880	3,253,123	-13,170	3,239,953

(4) Quarterly Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Note	Three months ended March 31, 2023	Three months ended March 31, 2024
Cash flows from operating activities			
Profit (loss) before tax		251,817	-268,911
Depreciation and amortization		107,107	108,980
Financial income and financial costs		24,430	33,220
Financial instrument valuation losses (gains)		-26,411	-175,581
Foreign exchange losses (gains)		-114,732	-618,371
Gain on sale of shares of subsidiaries		-768,061	—
Decrease (increase) in trade and other receivables		659,182	257,259
Increase (decrease) in trade and other payables		38,240	180,255
Decrease (increase) in inventories		925	-2,065
Decrease (increase) in contract assets		-520,159	-22,637
Other changes		-213,722	-142,765
Subtotal		-561,383	-650,616
Interest received		915	72
Interest paid		-15,014	-25,884
Corporate income taxes paid		-296,389	-17,156
Cash flows from operating activities		-871,871	-693,584
Cash flows from investing activities			
Purchase of property, plant, and equipment		-32,285	-16,483
Purchase of intangible assets		-16,996	-56,132
Purchase of investment securities		-257,199	—
Other		12,216	-6,712
Cash flows from investing activities		-294,264	-79,328
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings		229,917	745,000
Proceeds from long-term borrowings		600,000	—
Repayments of long-term borrowings		-177,382	-183,681
Redemption of bonds		-60,000	-250,000
Repayment of lease liabilities		-104,638	-133,648
Issuance of new shares		1,192,320	—
Cash flows from financing activities		1,680,215	177,670
Effect of exchange rate changes on cash and cash equivalents		20,732	39,793
Net increase (decrease) in cash and cash equivalents		534,812	-555,450
Cash and cash equivalents at beginning of period		2,724,484	1,783,264
Cash and cash equivalents at end of period		3,259,297	1,227,814

(5) Notes about Quarterly Consolidated Financial Statements

1. Reporting entity

Monstarlab Holdings Inc. (the "Company") is a corporation (*kabushikikaisha*) located in Japan. The Company's registered head office is located in Shibuya-ku, Tokyo. The consolidated financial statements for the three months ended March 31, 2024, cover the Company and its subsidiaries (collectively referred to as the "Group"). The principal business activities of the Group are described in "7. Operating Segments."

2. Basis of preparation of consolidated financial statements

(1) Compliance with IFRS

The quarterly consolidated financial statements of the Group have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting, as prescribed in Article 93 of the Regulation on the Terminology, Forms, and Preparation Methods of Quarterly Consolidated Financial Statements (Cabinet Office Order No. 64 of 2007), since the Group qualifies as a "specified company complying with designated international accounting standards" per Article 1-2 of the Regulation.

As the quarterly financial statements do not include all information required for annual consolidated financial statements, they should be used in combination with the consolidated financial statements for the fiscal year ended December 31, 2023.

The quarterly consolidated financial statements were approved by Representative Director/Group CEO Hiroki Inagawa and Director/Executive Vice President and CFO Yoshihiro Nakahara on May 15, 2024.

(2) Functional currency and presentation currency

The Group's quarterly consolidated financial statements are presented in Japanese yen, which is the Group's functional currency. All financial information presented in Japanese yen is rounded to the nearest thousand yen.

3. Material accounting policies

The material accounting policies applied to the Group's quarterly consolidated financial statements are the same as those applied to the consolidated financial statements for the previous consolidated fiscal year.

4. Significant accounting judgements, estimates, and assumptions

In preparing the Group's quarterly consolidated financial statements, management is required to make judgments, estimates, and assumptions that affect the application of the Group's accounting policies and reported amounts of income, expenses, assets, and liabilities, as well as the disclosure of contingent liabilities. However, uncertainties about these estimates and assumptions could result in outcomes that require a material adjustment to the book values of assets or liabilities in future periods.

Any judgements, estimates, and assumptions that have a significant impact on the amounts of the quarterly consolidated financial statements are, in principle, the same as those pertaining to the consolidated financial statements for the previous fiscal year.

5. Fair values of financial instruments

1) Fair value measurement method

The fair values of financial instruments are measured as follows:

- a. Cash and cash equivalents, trade and other receivables, short-term loans receivable, trade and other payables, and borrowings (current liabilities)

These are valued at their book values, which approximate the fair values due to their short maturities.

- b. Equity shares

The fair values of equity shares for which an active market exists are calculated based on market price. The fair values of equity shares for which no active market exists are evaluated mainly based on the price in recent transactions between independent third parties.

- c. Leasehold and guarantee deposits

The fair values of leasehold and guarantee deposits are determined by discounting future cash flows using interest rates based on appropriate indicators, such as deposit period and government bond yields.

- d. Bonds

The fair values of bonds are determined by discounting the total amount of principal and interest using a rate that reflects the time to maturity and credit risk of the bond.

- e. Long-term borrowings

The fair values of long-term borrowings are determined by discounting the total amount of principal and interest using the assumed rate that would be applied to a similar new loan.

2) Fair value hierarchy

Fair values of financial instruments are categorized as Level 1 to Level 3 based on a fair value hierarchy as follows:

Level 1: Fair values measured by quoted prices on active markets.

Level 2: Fair values calculated using observable prices other than those included in Level 1, either directly or indirectly.

Level 3: Fair values calculated using a valuation technique that includes inputs which are not based on observable market data.

3) Financial Instruments measured at fair value on a recurring basis

(1) Fair value hierarchy

The following tables provide a breakdown of financial instruments by fair value hierarchy level.

For the fiscal year ended December 31, 2023

(Unit: Thousand yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Equity shares	—	—	2,619,451	2,619,451
Total	—	—	2,619,451	2,619,451
Liabilities:				
Financial liabilities measured with fair value through profit or loss				
Contingent consideration*	—	—	419,055	419,055
Total	—	—	419,055	419,055

For the three months ended March 31, 2024

(Unit: Thousand yen)

	Fair value			
	Level 1	Level 2	Level 3	Total
Assets:				
Financial assets measured at fair value through profit or loss				
Equity shares	—	—	2,795,032	2,795,032
Total	—	—	2,795,032	2,795,032
Liabilities:				
Financial liabilities measured with fair value through profit or loss				
Contingent consideration*	—	—	456,100	456,100
Total	—	—	456,100	456,100

* The Group may enter into an agreement to pay additional consideration for acquisition to other shareholders on the condition that the acquired subsidiary has achieved a certain level of financial results (e.g., revenue, EBITDA, retained earnings) for each fiscal year. The fair values of such contingent consideration are determined by using a discounted cash flow model or the like, based on the amounts of future payments under the agreement, and are classified as Level 3. Contingent consideration is included in “trade and other receivables” or “other non-current liabilities” in the quarterly consolidated statement of financial position.

(2) Reconciliation of Level 3 fair values

(Unit: Thousand yen)

	Equity shares	Contingent consideration
Balance as of January 1, 2023	245,120	698,536
Purchase	2,085,454	—
Sale	33,033	—
Comprehensive income		
Profit (loss)	26,411	43,339
Other comprehensive income	—	—
Other	—	—
Balance as of March 31, 2022	2,323,953	741,876
Gains or losses recognized in profit or loss in relation to financial instruments held on March 31, 2023	26,411	43,339

(Unit: Thousand yen)

	Equity shares	Contingent consideration
Balance as of January 1, 2024	2,619,451	419,055
Purchase	—	—
Sale	—	—
Comprehensive income		
Profit (loss)	175,581	37,045
Other comprehensive income	—	—
Other	—	—
Balance as of March 31, 2024	2,795,032	456,100
Gains or losses recognized in profit or loss in relation to financial instruments held on March 31, 2024	175,581	37,045

(3) Sensitivity analysis of changes in significant unobservable inputs

Among fair values of assets classified as Level 3 that are measured with fair value, the fair values of securities investments evaluated based on their discounted future cash flows decrease (increase) as the discount rate rises (falls).

We do not expect any significant change in the fair values of financial instruments classified as Level 3 if their unobservable inputs are replaced with alternative assumptions that may be considered reasonable.

4) Financial Instruments Measured with Amortized Cost

The book values and fair values of financial instruments measured with amortized cost are as shown below. Note that the tables below do not include financial instruments for which the book value approximates the fair value.

(Unit: Thousand yen)

	As of December 31, 2023	
	Book value	Fair value
Assets:		
Financial assets measured with amortized cost		
Other financial assets	277,200	276,669
Liabilities:		
Bonds and borrowings	6,232,810	6,221,294

(Unit: Thousand yen)

	As of March 31, 2024	
	Book value	Fair value
Assets:		
Financial assets measured with amortized cost		
Other financial assets	272,325	271,245
Liabilities:		
Bonds and borrowings	6,544,743	6,530,656

6. Revenue

Disaggregation of revenue

This information is omitted since similar information is disclosed in “7. Operating Segments.”

7. Operating segments

(1) Outline of reportable segments

The reportable segments are components of the Group for which separate financial information is available and regularly reviewed by the Board of Directors to make decisions about the allocation of management resources and evaluate business results. The Group has two reportable segments: digital consultancy business and other business. The digital consultancy business provides a full range of services, from consulting to system development and operation, to promote digital transformation (DX), which aims to transform business models using IT.

Other business includes product businesses such as RPA (robot-based business automation) tools, self-ordering systems, and music distribution business.

(2) Information on Profit by Reportable Segment

For the three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

	(Unit: Thousand yen)				
	Digital consultancy business	Other business	Total	Adjustments	Amount on quarterly consolidated financial statement
Revenue					
Revenue from external customers	3,513,911	122,538	3,636,450	1,905	3,638,355
Inter-segment revenue	16,610	—	16,610	-16,610	—
Total	3,530,521	122,538	3,653,060	-14,704	3,638,355
Segment profit (loss)	-71,353	732,599	661,245	-307,758	353,487
Finance income					27,326
Finance costs					-128,997
Share of loss (profit) of entities accounted for using equity method					—
Profit (loss) before tax					251,817

For the three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

	(Unit: Thousand yen)				
	Digital consultancy business	Other business	Total	Adjustments	Amount on quarterly consolidated financial statement
Revenue					
Revenue from external customers	3,075,419	95,620	3,171,040	8,112	3,179,153
Inter-segment revenue	5,205	—	5,205	-5,205	—
Total	3,080,625	95,620	3,176,246	2,906	3,179,153
Segment profit (loss)	-818,994	7,382	-811,612	-79,978	-891,590
Finance income					658,214
Finance costs					-33,293
Share of loss (profit) of entities accounted for using equity method					-2,242
Profit (loss) before tax					-268,911

(3) Information by Region

The breakdown of revenue from external customers by region is as follows:

(Unit: Thousand yen)

		Three months ended March 31, 2023	Three months ended March 31 2024
Digital consultancy business	APAC	1,915,010	1,674,290
	EMEA	1,367,338	1,214,863
	AMER	233,468	194,378
Other business	APAC	101,266	95,620
	AMER	21,272	-
Total		3,638,355	3,179,153

Figures for APAC, EMEA, and AMER are external revenues of the offices in each region.

8. Earnings per Share

(1) Basis for Calculating Basic Earnings per Share

Basic earnings per share and the basis for calculation are as follows:

(Unit: Thousand yen)

	Three months ended March 31, 2023
Profit (loss) attributable to ordinary shareholders of parent	
Profit attributable to owners of parent	197,169
Profit not attributable to ordinary shareholders of parent	—
Profit used for calculating earnings per share	197,169
Average number of shares outstanding during the period	31,761,950 shares
Basic earnings (loss) per share	
Basic earnings (loss) per share	6.21 yen

On January 5, 2023, the Company carried out a one-to-50 stock split based on a resolution of the Board of Directors passed at its meeting held on November 21, 2022. Basic earnings (loss) per share, and diluted earnings (loss) per share shown above are calculated based on the assumption that the stock split was carried out at the beginning of the 18th term (fiscal year ended December 2023).

(Unit: Thousand yen)

	Three months ended March 31, 2024
Profit (loss) attributable to ordinary shareholders of parent	
Profit attributable to owners of parent	-340,633
Profit not attributable to ordinary shareholders of parent	—
Profit used for calculating earnings per share	-340,633
Average number of shares outstanding during the period	34,326,950 shares
Basic earnings (loss) per share	
Basic earnings (loss) per share	-9.92 yen

No transaction affecting the earnings per share took place between the end of the first quarter of the consolidated fiscal year under review and the date on which the quarterly consolidated financial statements were approved.

(2) Basis for Calculating Diluted Earnings per Share

Diluted earnings per share and the basis for calculation are as follows:

(Unit: Thousand yen)

	Three months ended March 31, 2023
Profit (loss) attributable to ordinary shareholders (diluted)	
Profit used for calculation of basic earnings per share	197,169
Adjustments to profit	—
Profit used for calculating diluted earnings per share	197,169
Average number of shares outstanding during the period	31,761,950 shares
Dilutive effect	355,080 shares
After adjustment for dilutive effect	32,117,030 shares
Diluted earnings per share	
Diluted earnings per share	6.14 yen

On January 5, 2023, the Company carried out a one-to-50 stock split based on a resolution of the Board of Directors passed at its meeting held on November 21, 2022. Basic earnings (loss) per share, and diluted earnings (loss) per share shown above are calculated based on the assumption that the stock split was carried out at the beginning of the 18th term (fiscal year ended December 2023).

(Unit: Thousand yen)

	Three months ended March 31, 2024
Profit (loss) attributable to ordinary shareholders (diluted)	
Profit used for calculation of basic earnings per share	-340,633
Adjustments to profit	—
Profit used for calculating diluted earnings per share	-340,633
Average number of shares outstanding during the period	34,326,950 shares
Dilutive effect	— shares
After adjustment for dilutive effect	34,326,950 shares
Diluted earnings per share	
Diluted earnings per share	-9.92 yen

No transaction affecting the earnings per share took place between the end of the first quarter of the consolidated fiscal year under review and the date on which the quarterly consolidated financial statements were approved.

9. Loss of Control

a. Three months ended March 31, 2023 (From January 1, 2023 to March 31, 2023)

Consolidation-Type Merger

(1) Outline of the consolidation-type merger

The Board of Directors of the Company resolved at its meeting held on January 20, 2023, to carry out a consolidation-type merger (“the Transaction”) in which Koala Labs, Inc, a consolidated subsidiary of the Company, was the absorbed company and Chowly Merger Sub, Inc., a wholly owned subsidiary of Chowly, Inc., was the surviving company, and the Transaction was completed on January 31, 2023. As a result, the Company forfeited control of Koala Labs, Inc. and received an allotment of shares of Chowly, Inc. as consideration.

1) Name of the acquiring company and its business

Name of the acquiring company: Chowly, Inc.

Business: Provision of POS integration software for restaurant chains

2) Name of the acquired company and its business

Name of the acquired company: Koala Labs, Inc

Business: Provision of order platform products for the food and beverage industry

3) Main reason for the consolidation-type merger

The Company decided to carry out the consolidation-type merger because it anticipated synergy between Koala, an order platform product for the food and beverage industry developed by its consolidated subsidiary Koala Labs, Inc., and Chowly, Inc., which provides POS integration software targeted at restaurant chains that is a different solution from Koala, which would drive further product growth.

4) Date of consolidation-type merger

January 31, 2023

5) Legal form of business combination

Consolidation-type merger between Chowly Merger Sub, Inc. and Koala Labs, Inc. with the former as the surviving company and the latter as the absorbed company

6) Other matters concerning the transaction overview

Number of shares owned and ratio of voting rights held by the Company before and after the consolidation-type merger

	Number of shares owned	Voting rights ownership ratio
Before the consolidation-type merger	—	—
After the consolidation-type merger	2,813,756 shares	9.8%

(2) Outline of applied accounting process

1) Amount of gain (loss) on sale

768,061 thousand yen

2) Fair book values of assets and liabilities pertaining to the sold subsidiary and breakdown of major categories

Assets held for sale: 834,430 thousand yen

Total assets: 834,430 thousand yen

Liabilities directly associated with assets held for sale: 15,347 thousand yen

Total liabilities: 15,347 thousand yen

3) Accounting process

The difference between the consolidated book value of the shares of Koala Labs, Inc. and fair value of the shares of Chowly, Inc. was recognized in “Other income” in the quarterly consolidated statement of profit or loss.

b. Three months ended March 31, 2024 (From January 1, 2024 to March 31, 2024)

Not applicable.

10. Subsequent Events

Not applicable.

11. Notes about Premise of a Going Concern

Not applicable.