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MONSTARLAB DENMARK APS
ORIENTKAJ 4, 1. TV., 2150 NORDHAVN
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2022

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 7 July 2023**

Hiroki Inagawa

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 25 08 07 26

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COMPANY DETAILS

Company	Monstarlab Denmark ApS Orientkaj 4, 1. tv., 2150 Nordhavn
	CVR No.: 25 08 07 26
	Established: 27 November 2013
	Municipality: Copenhagen
	Financial Year: 1 January - 31 December
Board of Directors	Hiroki Inagawa, chairman
Executive Board	Tobias Lund-Eskerod
Auditor	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 1561 Copenhagen V

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Monstarlab Denmark ApS for the financial year 1 January - 31 December 2022.

The Annual Report is presented in accordance with the Danish Financial Statements Act.

In my opinion the Financial Statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

The Management Commentary includes in my opinion a fair presentation of the matters dealt with in the Commentary.

I recommend the Annual Report be approved at the Annual General Meeting.

Danmark, 7 July 2023

Executive Board

Tobias Lund-Eskerod

Board of Directors

Hiroki Inagawa
Chairman

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Monstarlab Denmark ApS

Opinion

We have audited the Financial Statements of Monstarlab Denmark ApS for the financial year 1 January - 31 December 2022, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the assets, liabilities and financial position of the Company at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on Management Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management Commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management Commentary is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management Commentary.

Copenhagen, 7 July 2023

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Ole C. K. Nielsen
State Authorised Public Accountant
MNE no. mne23299

FINANCIAL HIGHLIGHTS

	2022 DKK '000	2021 DKK '000	2020 DKK '000
Income statement			
Gross profit/loss.....	32.445	39.991	30.561
Operating profit/loss before depreciation and amortisation (EBITDA).....	-9.047	-7.138	-11.205
Operating profit/loss of main activities.....	-9.361	-9.706	-11.681
Financial income and expenses, net.....	292	-904	-1.624
Profit/loss for the year before tax.....	-9.069	-10.611	-13.305
Profit/loss for the year.....	-9.069	-12.916	-10.599
Balance sheet			
Total assets.....	220.287	98.561	50.720
Equity.....	-6.759	2.335	-9.311
Investment in property, plant and equipment.....	-944	-582	-2.054
Key ratios			
Return on invested capital.....	196.4	150.0	0.0
Equity ratio.....	Neg.	2.4	Neg.
Return on equity.....	Neg.	Neg.	Neg.

The ratios stated in the list of key figures and ratios have been calculated as follows:

Invested capital:	NWC + intangible and tangible assets (ex goodwill) - provisions - other operating liabilities, non-current
Return on invested capital:	$\frac{\text{Operating Profit/loss adjusted for goodwill amortisation} \times 100}{\text{Average invested capital}}$
Equity ratio:	$\frac{\text{Equity, at year-end} \times 100}{\text{Total assets, at year-end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

MANAGEMENT COMMENTARY

Principal activities

The principal activities of the Company are development of apps and web applications for mobile phones, social media etc. However, the company has also ventured into digital and technology consulting in 2022 to add to its strong technology development capabilities.

Development in activities and financial and economic position

The income statement for 2022 shows a loss of DKK 8,233,703 against a loss of DKK 12,916,287 last year, and the balance sheet at 31 December 2022 shows an equity of DKK -5,923,284.

The year 2022 has been spent on transitioning from an agency to now be a part of a global technology consultancy. The transition has focused on shaping the organisation to the landscape of the local market, ensuring client value with competitive products and services. The transition has taken effect faster than expected and parts of the additional growth in 2022 has been converted into further establishment in key strategic capabilities.

The company's cash flow budget indicates that it is necessary for the company to receive financial support from the parent company Monstar Lab Inc. in 2022 and 2023.

The company has received a letter of support from the parent company Monstar Lab Inc. to provide such financial support as it is necessary to enable the company to continue the operations and meet the liabilities as they fall due for a period to at least April 2024.

Profit/loss for the year compared to the expected development

The company reported negative equity of DKK 6,758,634 due to the loss incurred in the financial year 2022 of DKK 9,069,055. However, the loss has decreased by 3,871,572 compared to the previous year. The management of the company has taken the initiative to improve its financial performance gradually by strengthening its presence in the market and cost reduction through efficiency and cost control. Until this target is achieved, the parent company has issued a letter of support to ensure liquidity to continue operations. We expect to be able to continue our growth and increase profitability in the coming years, and thereby restoring the lost share capital through operations.

Significant events after the end of the financial year

The Management of Monstarlab Denmark ApS have followed recommendations from the authorities during 2022 and 2023, and have managed the company aligned with the shareholders, and based on the change of circumstances. No significant event has occurred up to 22th June 2023 that can affect the result of 2022.

During 2022 Monstarlab Denmark ApS have focused on the expense reduction. This is driven by some strategic decisions taken by the board. As a result of this the Management expects a significant improvement in 2023 results compared to 2022.

The shareholders and related companies are continuously reviewing the status of the group, and will support financially, to ensure that the Monstarlab Denmark ApS as a group subsidiary at any time is in a position to fulfil any and all obligations.

Future expectations

It is expected that the company will remain to be the driving force behind the expansion of Monstarlab in Europe segment where the company is expected to grow further is consulting. Consulting has also proven to be one of the company's more profitable and in-demand service lines.

The management's target and expectation is to achieve a breakeven position (nil-result) in 2023 and in line with developing client relationships for a sustainable growth in revenue to facilitate the goal. There are also opportunities for this service line to generate sales from the core technology development business as well. As a result of these synergies, the company should see significant growth and diversification in its revenue sources in future.

With an expected economic downturn, it is also imminent that business would have to leverage the benefits of going digital in order to remain healthy. If this is indeed the case, Monstarlab in Denmark would be in an ideal position to help these businesses adapt and all the while create business for

MANAGEMENT COMMENTARY

Future expectations (continued)
itself.

	Note	2022 DKK	2021 DKK
GROSS PROFIT		32.444.913	39.990.918
Staff costs.....	1	-41.491.606	-47.129.217
Depreciation, amortisation and impairment.....		-64.150	-2.568.032
Other operating expenses.....		-250.000	0
OPERATING LOSS		-9.360.843	-9.706.331
Other financial income.....	2	3.482.790	1.250.376
Other financial expenses.....	3	-3.191.003	-2.154.672
LOSS BEFORE TAX		-9.069.056	-10.610.627
Tax on profit/loss for the year.....	4	0	-2.305.660
LOSS FOR THE YEAR	5	-9.069.056	-12.916.287

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2022 DKK	2021 DKK
Other plants, machinery, tools and equipment.....		81.879	0
Leasehold improvements.....		51.007	0
Tangible fixed assets in progress and prepayment.....		746.873	0
Property, plant and equipment.....	6	879.759	0
Rent deposit and other receivables.....		2.996.366	2.996.366
Financial non-current assets.....	7	2.996.366	2.996.366
NON-CURRENT ASSETS.....		3.876.125	2.996.366
Trade receivables.....		6.861.988	14.158.777
Contract work in progress.....	8	6.964.499	4.419.514
Receivables from group enterprises.....		200.806.742	74.475.632
Prepayments and accrued income.....	9	40.188	1.164.883
Receivables.....		214.673.417	94.218.806
Cash and cash equivalents.....		1.737.909	1.345.956
CURRENT ASSETS.....		216.411.326	95.564.762
ASSETS.....		220.287.451	98.561.128

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2022 DKK	2021 DKK
Share capital.....		81.000	80.000
Retained profit.....		-6.839.637	2.254.761
EQUITY.....		-6.758.637	2.334.761
Payables to group enterprises.....		153.774.252	40.043.154
Other liabilities.....		3.683.273	3.683.272
Non-current liabilities.....	10	157.457.525	43.726.426
Prepayments received.....	8	5.255.396	3.417.016
Trade payables.....		2.935.507	5.308.522
Payables to group enterprises.....		54.351.661	21.467.685
Other liabilities.....		7.045.999	22.306.718
Current liabilities.....		69.588.563	52.499.941
LIABILITIES.....		227.046.088	96.226.367
EQUITY AND LIABILITIES.....		220.287.451	98.561.128
Contingencies etc.	11		
Charges and securities	12		
Related parties	13		
Information on significant uncertainties and unusual circumstances	14		
Consolidated Financial Statements	15		

EQUITY

	Share capital	Retained profit/Loss	Total
Equity at 1 January 2022.....	81.000	2.229.419	2.310.419
Proposed profit/loss allocation, note 5.....		-9.069.056	-9.069.056
Equity at 31 December 2022.....	81.000	-6.839.637	-6.758.637

NOTES

	2022 DKK	2021 DKK	Note
Staff costs			1
Average number of employees	72	64	
Wages and salaries.....	38.721.397	44.448.540	
Pensions.....	28.075	189.198	
Social security costs.....	166.825	451.094	
Other staff costs.....	2.575.309	2.040.385	
	41.491.606	47.129.217	
Information on management remuneration has been omitted in accordance with the exception provision in the Financial Statements Act section 98b, subsection 3 No. 2			
Other financial income			2
Group enterprises.....	1.979.226	1.231.143	
Other interest income.....	1.503.564	19.233	
	3.482.790	1.250.376	
Other financial expenses			3
Group enterprises.....	2.178.906	1.003.803	
Other interest expenses.....	1.012.097	1.150.869	
	3.191.003	2.154.672	
Tax on profit/loss for the year			4
Adjustment of deferred tax.....	0	2.305.660	
	0	2.305.660	
Proposed distribution of profit			5
Retained earnings.....	-9.069.056	-12.916.287	
	-9.069.056	-12.916.287	

NOTES

Note

Property, plant and equipment

6

	Other plants, machinery, tools and equipment	Leasehold improvements	Tangible fixed assets in progress and prepayment
Cost at 1 January 2022.....	1.749.782	3.361.107	0
Additions.....	129.026	68.010	746.873
Cost at 31 December 2022.....	1.878.808	3.429.117	746.873
Depreciation and impairment losses at 1 January 2022.....	1.749.782	3.361.107	
Depreciation for the year.....	47.147	17.003	
Depreciation and impairment losses at 31 December 2022.....	1.796.929	3.378.110	
Carrying amount at 31 December 2022.....	81.879	51.007	746.873

NOTES

			Note
Financial non-current assets			7
		Rent deposit and other receivables	
Cost at 1 January 2022.....		2.996.366	
Cost at 31 December 2022.....		2.996.366	
Carrying amount at 31 December 2022.....		2.996.366	
	2022	2021	
	DKK	DKK	
Contract work in progress			8
Sales value of completed work.....	40.174.162	46.810.973	
Progress invoicing/advances received.....	-38.465.059	-45.808.475	
Contract work in progress, net.....	1.709.103	1.002.498	
Recognised as follows:			
Contract work in progress (asset).....	6.964.499	4.419.514	
Contract work in progress (liability).....	-5.255.396	-3.417.016	
	1.709.103	1.002.498	
Prepayments and accrued income			9
Costs.....	40.188	1.164.883	
	40.188	1.164.883	
Prepayments include costs incurred relating to the subsequent financial year.			
Long-term liabilities			10
	31/12 2022	Repayment	Debt
	total liabilities	next year	outstanding
			after 5 years
			total liabilities
Payables to group enterprises.....	153.774.252	0	0 40.043.154
Other liabilities.....	3.683.273	0	0 3.683.272
	57.457.525	0	0 43.726.426

NOTES

	Note
Contingencies etc.	11
Contingent assets	
None.	
Contingent liabilities	
Rent and lease liabilities include a rent obligation totalling DKK ('000) 13,075 in interminable rent agreements with remaining contract terms between less than a year and under five years.	
Charges and securities	12
For bank debts, the Company has provided security in company assets representing a nominal value of DKK 3.000.000. This security comprises the following:	
Plant and equipment, stock, goodwill, select bank accounts, simple claims concerning sales and not registered vehicles.	
Related parties	13
The Company's related parties include:	
Controlling interest	
Parent company; Monstarlab Inc., Japan	
Transactions with related parties	
The company did not carry out any material transactions that were not concluded on market conditions. According to section 98c, subsection 7 of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.	
Information on significant uncertainties and unusual circumstances	14
Capital Resources	
The company has received a letter of support from the parent company Monstarlab Inc. to provides such financial support as it is necessary to enable the company and subsidiaries to continue their operations and meet their liabilities as they fall due for a period to at least April 2024.	
Consolidated Financial Statements	15
The Company is included in the consolidated financial statements of Monstar Lab, Inc., Japan. The consolidated financial statements can be obtained from the parent company's website.	

ACCOUNTING POLICIES

The Annual Report of Monstarlab Denmark ApS for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C, medium-size enterprises.

The Annual Report is prepared consistently with the accounting principles applied last year.

INCOME STATEMENT

Net revenue

Where products with a high degree of individual adjustment are delivered, recognition in net revenue is made as and when the production progresses, the net revenue being equal to the sales value of the work performed for the year (the production method). This method is applied when the total income and expenses regarding the contract and the degree of completion at the Balance Sheet date can be reliably assessed, and it is likely that the financial benefits will flow to the Company.

When the result of contract work cannot be assessed reliably, revenue is only recognised corresponding to the related costs and only to the extent that it is likely that they will be recovered.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Other operating income

Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the Group's and the Company's activities. Losses from sale of intangible and tangible fixed assets are also included.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include other production, sales, delivery and administrative costs, including costs of energy, marketing, premises, loss on bad debts, lease expenses, etc

Staff costs

Staff costs comprise wages and salaries, including holiday pay and pensions, and other costs of social security etc., for the Company's employees. Repayments from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from securities, debt and transactions in foreign currencies, as well as charges and allowances under the tax-on-account scheme, etc. Financial income and expenses are recognised by the amounts that relate to the financial year. Interest income and expenses are calculated on amortised cost prices.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit for the year, and is recognised directly in equity by the share that may be attributed to entries directly to equity.

ACCOUNTING POLICIES

BALANCE SHEET

Tangible fixed assets

Land and buildings, production plant and machinery, other plant, fixtures and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other plant, fixtures and equipment.....	5-10 years	0 %
Leasehold improvements.....	3-5 years	0 %

Profit or loss on sale of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the date of sale. Profit or loss is recognised in the Income Statement as other operating income or other operating expenses.

Financial non-current assets

Other receivables are measured at amortised cost which usually corresponds to the nominal amount. The amount is written down to meet expected losses.

Impairment of fixed assets

The carrying amount of tangible assets together with fixed assets, which are not measured at fair value,, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

Receivables

Receivables are measured at amortised cost which usually corresponds to nominal value. The value is written down to meet expected losses.

Contract work in progress

Work in progress on contract is measured at the sales value of the work performed. The sales value is measured on the basis of the degree of completion on the Balance Sheet date and the total anticipated revenue related to the specific piece of work in progress.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

ACCOUNTING POLICIES

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

The Company is subject to joint taxation with Danish Group companies. The current corporation tax is distributed among the joint taxable companies in proportion to their taxable income and with full allocation and refund related to tax losses. The joint taxable companies are included in the tax-on-account scheme. Joint taxation contributions receivable and payable are recognised in the Balance Sheet under current assets and liabilities, respectively.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less transaction costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the Income Statement over the loan period.

The amortised cost of current liabilities corresponds usually to the nominal value.

CASH FLOW STATEMENT

With reference to Section 86(4) of the Danish Financial Statements Act, the company has not prepared a cash flow statement. A cash flow statement has been prepared for the Group.