

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.

August 14, 2024

Name of listed company: kubell Co., Ltd. Listing exchange: Tokyo Stock Exchange
Securities code: 4448 URL: <https://www.kubell.com/en/ir/>
Representative: Masaki Yamamoto, Representative Director, President, Senior Executive Officer & CEO
Contact for inquiries: Naoki Inoue, Director, Senior Executive Officer & CFO Tel: +81-50-1791-0683

(Revision, Revision to Numerical Data) Partial Revision to the “Summary of Financial Results for the Fiscal Year Ended December 31, 2023 (Japanese GAAP) (Consolidated)”

The Company has made partial revisions to the “Summary of Financial Results for the Fiscal Year Ended December 31, 2023 (Japanese GAAP) (Consolidated),” disclosed on May 15, 2024, as described below. Also, as numerical data has been revised, we are also sending the revised numerical data.

1. Reasons for and details of the revisions

For reasons for and details of the revisions, please refer to the separate disclosure, dated today (August 14, 2024) and entitled “Notice Concerning Submission of a Correction Report of the Annual Securities Report, etc., for a Prior Fiscal Year; Correction of the Summary of Financial Results, etc., for a Prior Fiscal Year; and the Recording of an Extraordinary Loss in a Prior Fiscal Year.”

2. Revised sections

Underlines indicate the revised sections. Due to the large number of revisions, only the full text of the corrected information is attached.

Translation

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Summary of Financial Results for the Fiscal Year Ended December 31, 2023 (Japanese GAAP) (Consolidated)



February 9, 2024

Name of listed company: Chatwork Co., Ltd. Listing exchange: Tokyo Stock Exchange
 Securities code: 4448 URL: <https://corp.chatwork.com/en/>
 Representative: Masaki Yamamoto, Representative Director, President, Senior Executive Officer & CEO
 Contact for inquiries: Naoki Inoue, Director, Senior Executive Officer & CFO Tel: 81-50-1791-0684
 Scheduled date of ordinary general meeting of shareholders: March 27, 2024
 Scheduled date to file annual securities report: March 28, 2024
 Scheduled date to commence dividend payments: —
 Preparation of supplementary materials on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ended December 31, 2023

(1) Consolidated business results (from January 1, 2023 to December 31, 2023)

(% indicate year-on-year changes)

	Revenue		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2023	6,485	41.2	(83)	—	(677)	—	(686)	—	(620)	—
Year ended December 31, 2022	4,593	36.2	(468)	—	(711)	—	(715)	—	(678)	—

(Note) Comprehensive income (millions of yen)

Year ended December 31, 2023: (686) (—%) Year ended December 31, 2022: (716) (—%)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to Revenue
	Yen	Yen	%	%	%
Year ended December 31, 2023	(15.45)	—	(23.8)	(11.8)	(10.4)
Year ended December 31, 2022	(17.11)	—	(22.4)	(13.6)	(15.5)

(Note) Diluted earnings per share is not shown in the above table, because basic earnings per share is negative although there are potential shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of December 31 2023	6,273	2,422	38.6	59.66
As of December 31 2022	5,386	2,855	51.8	69.86

(Reference) Equity As of December 31, 2023 2,422 million yen As of December 31, 2022 2,790 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31,2023	469	(1,454)	236	2,102
Year ended December 31,2022	(283)	(517)	450	2,850

2. Cash dividends

	Annual cash dividends per share					Total dividends paid(annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Yser-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31,2022	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended December 31,2023	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending December 31,2024(forecast)	—	0.00	—	0.00	0.00		—	

3. Consolidated earnings forecast for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

We will continue to focus on achieving high growth rates and improving profitability. For the fiscal year ending December 31, 2024, we will proceed with the development of our business chat tool, "Chatwork" and the establishment of a system that generates investment and profits for the BPaaS MINAGINE and Chatwork Assistant. The full-year forecasts are as follows.

	Forecast for FY2024
Revenue	+30% YoY
EBITDA	JPY 300mn

*Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation) : No
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- 1) Changes in accounting policies due to amendment of accounting standards, etc. : Yes
- 2) Changes in accounting policies other than 1) : No
- 3) Changes in accounting estimates : No

4) Restatement

: No

For details, please refer to “3.Consolidated Financial Statements and Significant Notes Thereto (5) Notes on Consolidated Financial Statements (Changes in Accounting Policies)” on page 13 of the attached materials.

(3) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding at the end of the period (including treasury shares)	As of December 31,2023	40,627,295 shares	As of December 31, 2022	39,941,702 shares
2) Number of treasury shares at end of the period	As of December 31,2023	25,201 shares	As of December 31, 2022	2,223 shares
3) Average number of shares during the period	Year ended December 31,2023	40,168,801 shares	Year ended December 31, 2022	39,658,513 shares

(Reference)

Non-consolidated financial results for the year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Non-Consolidated business results (from January 1, 2023 to December 31, 2023)

(% indicate year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31,2023	5,615	33.1	(333)	—	(334)	—	(186)	—
Year ended December 31,2022	4,218	32.1	(586)	—	(589)	—	(594)	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended December 31,2023	(4.65)	—
Year ended December 31,2022	(14.98)	—

(Note) Diluted earnings per share is not shown in the above table, because basic earnings per share is negative although there are potential shares.

(2) Non-Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of December. 31 2023	6,236	3,028	48.6	74.60
As of December. 31 2022	5,418	2,963	54.7	74.20

(Reference) Equity As of December 31,2023 3,028 million yen As of December 31, 2022 2,963 million yen

* Summary of financial results is not subject to audit by certified public accountants or audit corporations.

* Explanation regarding appropriate use of earnings forecasts, and other notes

(Notes on forward-looking statements)

(1)The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual results and the like may differ materially due to various factors. For the assumptions used for the forecast of financial results and notes on the use of the forecast of financial results, please refer to the attachment on page 3, entitled "1. Overview of Business Results (4) Future Outlook."

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1. Overview of Business Results

(1) Overview of Business Results for the Current Fiscal Year

The Chatwork Group has a mission of “making work more fun and creative.” People spend over half their lives working. We believe that time is not just for earning money. We develop and offer services aimed at making work more efficient and creative, helping as many employees as possible to enjoy their work more and express their creativity fully and freely.

In line with this mission, our current flagship service, Chatwork (a business chat tool) provides improvements in labor productivity and diversity in work styles to our client companies, mainly Japanese SMEs. As a result, we have the most users in Japan (Note 1). Our medium- to long-term vision is to leverage our overwhelming share of the SME market for business chat, helping SMEs achieve further digital transformation by turning our service into a business super app—a platform that serves as a launching point for all manner of businesses.

In the current consolidated fiscal year, we invested in promoting the adoption of Chatwork and in expanding peripheral services that leverage our business chat platform. Business is progressing steadily, including an increase in ARPU due to price revision and expansion of services into the area of human resources and labor affairs by Minagin, Inc. which became a consolidated subsidiary in February 2023. "Chatwork Assistant" as a new in-house service of “BPaaS” (Note 2) in June 2023, and we will aim to further expand our business.

As a result, the Company recorded revenue of 6,485,207 thousand yen (up 36.2% year on year), EBITDA (Note 3) of negative 83,439 thousand yen (negative 468,543 thousand yen for the same period of the previous year), an operating loss of 677,423 thousand yen (operating loss of 711,368 thousand yen for the same period of the previous year), an ordinary loss of 686,084 thousand yen (ordinary loss of 715,642 thousand yen for the same period of the previous year), and a loss attributable to owners of parent of 620,440 thousand yen (loss attributable to owners of parent of 678,532 thousand yen for the same period of the previous year).

The following describes the business results by each segment.

(Chatwork Segment)

Net revenue was 6,297,246 thousand yen (up 44.1% year on year) and segment loss of 717,388 thousand yen (segment loss of 767,860 thousand yen for the same period of the previous year).

Furthermore, the Chatwork segment is the Company’s mainstay business and all indirect costs, including the headquarters functions, are expensed to maintain and expand this segment. Accordingly, the entire amount of indirect costs is recorded as expenses in this segment.

ARR (Note 4), number of paying IDs, and ARPU in the Chatwork account business

	Q4 '20	Q4 '21	Q4 '22	Q4 '23
ARR (Unit : JPY million)	2,279	3,447	4,425	6,180
Number of Paying IDs (Unit : 10000)	45.7	54.7	66.8	73.1
ARPU (Unit : JPY)	409.9	529.4	547.4	672.4

(Security Segment)

With regard to the security segment, the Company makes it a policy to not expand the business proactively. As a result, net revenue was 187,960 thousand yen (down 16.2% year on year) and segment profit stood at 39,965 thousand yen (down 29.3% year on year). Furthermore, since the entire amount of indirect costs is recorded for the Chatwork segment as stated above, the recorded segment profit of the security segment is the amount obtained by deducting only the direct costs required for conducting

the segment, including advertising expenses, promotion expenses and outsourcing expenses, from the net revenue of the segment.

Notes

1. According to a survey of monthly active users (MAUs) conducted in May 2023 by Nielsen NetView and Nielsen Mobile, from among 44 applicable services selected by Chatwork Co., Ltd. In addition to Chatwork, these included Microsoft Teams, Slack, LINE WORKS, and Skype.
2. BPaaS is short for Business Process as a Service. Rather than just software, BPaaS is a cloud service that provides business services themselves, allowing facilitating cloud-based business process outsourcing (BPO).
3. EBITDA is calculated by adding operating profit, depreciation and amortization expenses, and share-based payment expenses.
4. ARR is short for annual recurring revenue, which equates to monthly recurring revenue (MRR) times 12.

(2) Overview of Financial Position for the Current Fiscal Year

(Assets)

Total assets as of December 31, 2023 increased by 886,658 thousand yen compared with the end of the previous fiscal year to 6,273,490 thousand yen. This was mainly due to an increase in goodwill of 743,966 thousand yen, an increase in software of 231,606 thousand yen, an increase in investments and other assets of 556,297 thousand yen and a decrease in cash and deposits of 747,835 thousand yen.

(Liabilities)

Total liabilities as of December 31, 2023 increased by 1,320,372 thousand yen compared with the end of the previous fiscal year to 3,851,271 thousand yen. This was mainly due to an increase in long-term borrowings of 351,424 thousand yen, an increase in contract liabilities of 569,932 thousand yen and an increase in current portion of long-term borrowings of 160,336 thousand yen.

(Net Assets)

Net assets as of December 31, 2023 decreased by 433,713 thousand yen compared with the end of the previous fiscal year to 2,422,218 thousand yen. This was mainly due to an increase in share capital of 126,229 thousand yen, an increase in capital surplus of 126,229 thousand yen and a decrease in retained earnings of 620,440 thousand yen. As a result, the equity ratio was 38.6% (51.8% at the end of the previous fiscal year).

(3) Overview of Cash Flows for the Current Fiscal Year

As of December 31, 2023, cash and cash equivalents decreased by 747,835 thousand yen compared with the end of the previous fiscal year to 2,102,487 thousand yen. The status of each cash flow and their factors during the current consolidated fiscal year are as follows.

(Cash flows from operating activities)

Net cash used in operating activities amounted to 469,541 thousand yen. This was mainly due to profit before income taxes of 904,362 thousand yen, depreciation of 386,121 thousand yen, Amortization of goodwill of 112,034 thousand yen, Impairment loss of 194,278 thousand yen, and an increase in contract liabilities of 533,455 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,454,024 thousand yen. This was mainly due to the Payments for acquisition of shares of subsidiaries resulting in change in scope of consolidation 580,349 thousand yen, the purchase of intangible assets of 479,757 thousand yen, and the expenditures for long-term deposits 350,000 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 236,936 thousand yen. This was mainly due to proceeds from long-term borrowings of 300,000 thousand yen.

(4) Future Outlook

We will continue to focus on achieving high growth rates and improving profitability. Our medium-term management plan states our aim to establish our position as the number one BPaaS company for small and medium-sized enterprises (SMEs) by the fiscal year ending December 31, 2026, and in the long term, to become a “business super app” platform that serves as the starting point for all business activities, backed by a dominant share in the SME market. From the fiscal year ending December 31, 2024 to the fiscal year ending December 31, 2026, we will accelerate the overall growth of the Group toward our goal of becoming the top BPaaS company for SMEs, while also working to build a profitable framework.

Our medium-term targets include a CAGR for revenue of 30% or more from the fiscal year ended December 31, 2024 to the fiscal year ending December 31, 2026, as well as revenue of 15.0 billion yen and an EBITDA margin of 10–15% for the fiscal year ending December 31, 2026. Please note that these medium-term targets will be reviewed and disclosed in the event of any M&A activities.

Based on the above policy, we will continue to focus on achieving high growth rates and improving profitability. For the fiscal year ending December 31, 2024, we will proceed with the development of our business chat tool, "Chatwork" and the establishment of a system that generates investment and profits for the BPaaS MINAGINE and Chatwork Assistant. The full-year forecasts are as follows.

	Forecast for FY2024
Revenue	+30% YoY
EBITDA	JPY 300mn

(5) Important events related to going concern assumptions, etc
Not applicable.

2. Basic Policy for Selecting Accounting Standards

In consideration of comparability among companies, the Group applies Japanese GAAP for accounting standards. With regard to the adoption of IFRS (International Financial Reporting Standards), the Group intends to respond appropriately in consideration of various domestic and international circumstances.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	2,850,323	2,102,487
Accounts receivable - trade	307,867	432,075
Merchandise	—	210
Stored goods	6,124	6,396
Prepaid expenses	690,402	608,346
Allowance for doubtful accounts	(72)	(254)
Other	65,251	67,703
Total current assets	<u>3,919,898</u>	<u>3,216,966</u>
Non-current assets		
Property, plant and equipment		
Building	28,041	8,206
Accumulated depreciation	(8,061)	(3,086)
Building (net)	19,979	5,119
Tools, furniture and fixtures	<u>45,710</u>	51,228
Accumulated depreciation	(36,082)	(45,267)
Tools, furniture and fixtures (net)	<u>9,628</u>	5,960
Total property, plant and equipment	<u>29,608</u>	<u>11,080</u>
Intangible assets		
Software	<u>233,747</u>	465,353
Software in progress	523,179	353,270
Goodwill	285,326	1,029,292
Customer-related assets	<u>104,819</u>	349,708
Telephone subscription right	—	1,270
Total intangible assets	<u>1,147,072</u>	<u>2,198,894</u>
Investments and other assets		
Investment securities	183,246	190,384
Security deposit and guarantee deposit	38,606	45,386
Deferred tax assets	—	176,689
Long-term prepaid expenses	68,398	82,187
Long-term time deposits	—	350,000
Others	—	1,900
Total investment and other assets	<u>290,251</u>	<u>846,549</u>
Total non-current assets	<u>1,466,933</u>	<u>3,056,524</u>
Total assets	<u>5,386,831</u>	<u>6,273,490</u>

(Unit: thousand yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - other	327,445	273,017
Accrued expenses	137,443	216,809
Income taxes payable	32,160	43,990
Contract liabilities	995,838	1,565,770
Provision for bonuses	21,600	26,113
short-term borrowings	—	1,300
Current portion of long-term borrowings	102,000	262,336
Other	115,712	157,304
Total current liabilities	<u>1,732,200</u>	<u>2,546,641</u>
Non-current liabilities		
Long-term borrowings	763,500	1,114,924
Retirement benefit liability	—	2,274
Long-term accounts payable	—	70,000
Deferred tax liabilities	<u>35,198</u>	<u>117,432</u>
Total non-current liabilities	<u>798,698</u>	<u>1,304,630</u>
Total liabilities	<u>2,530,899</u>	<u>3,851,271</u>
Net assets		
Shareholders' equity		
Share capital	2,622,024	2,748,254
Capital surplus	2,607,884	2,734,114
Retained earnings	<u>(2,439,620)</u>	<u>(3,060,060)</u>
Treasury stock	(88)	(88)
Total shareholders' equity	<u>2,790,199</u>	<u>2,422,218</u>
Non-controlling interests	<u>65,733</u>	—
Total net assets	<u>2,855,932</u>	<u>2,422,218</u>
Total liabilities and net assets	<u>5,386,831</u>	<u>6,273,490</u>

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
Consolidated Statement of Income

(Unit: thousand yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Revenue	4,593,178	6,485,207
Cost of revenue	1,397,368	<u>2,334,378</u>
Gross profit	3,195,810	<u>4,150,829</u>
Selling, general and administrative expenses	<u>3,907,178</u>	<u>4,828,252</u>
Operating profit (loss)	<u>(711,368)</u>	<u>(677,423)</u>
Non-operating income		
Interest income	116	93
Foreign exchange gains	10,440	—
Subsidy income	—	2,497
Point income	—	7,933
Gain on investments in investment partnerships	—	1,442
Miscellaneous income	3,758	595
Total non-operating income	14,315	12,562
Non-operating expenses		
Interest expenses	6,548	<u>15,934</u>
Foreign exchange losses	—	2,335
Share issuance costs	9,885	641
Commitment fees	127	749
Guarantee commission	—	1,106
Loss on investments in investment partnerships	707	—
Loss on retirement of non-current assets	1,252	<u>178</u>
Miscellaneous loss	69	277
Total non-operating expenses	<u>18,590</u>	<u>21,224</u>
Ordinary profit (loss)	<u>(715,642)</u>	<u>(686,084)</u>
Extraordinary profit		
Gain on sales of noncurrent assets	924	—
Total extraordinary profit	924	—
Extraordinary loss		
Impairment losses	—	<u>194,278</u>
Loss on valuation of investment securities	—	24,000
Total extraordinary profit	—	<u>218,278</u>
Profit (loss) before income taxes	<u>(714,717)</u>	<u>(904,362)</u>
Income taxes - current	6,103	5,550
Income taxes - deferred	<u>(4,140)</u>	<u>(223,739)</u>
Total income taxes	<u>1,962</u>	<u>(218,189)</u>
Profit (loss)	<u>(716,680)</u>	<u>(686,173)</u>
Profit (loss) attributable to non-controlling interests	<u>(38,148)</u>	<u>(65,733)</u>
Profit (loss) attributable to owners of parent	<u>(678,532)</u>	<u>(620,440)</u>

Consolidated Statement of Comprehensive Income

(Unit: thousand yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit (loss)	<u>(716,680)</u>	<u>(686,173)</u>
Other comprehensive income		
Comprehensive income	<u>(716,680)</u>	<u>(686,173)</u>
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	<u>(678,532)</u>	<u>(620,440)</u>
Comprehensive income attributable to non-controlling interests	<u>(38,148)</u>	<u>(65,733)</u>

(3) Consolidated Statement of Shareholders' Equity
Fiscal year ended December 31, 2022

(Unit:Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,525,611	2,511,471	<u>(1,761,088)</u>	(42)	<u>3,275,951</u>
Changes of items during period					
Issuance of new shares	96,413	96,413			192,826
Profit (loss) attributable to owners of parent			<u>(678,532)</u>		<u>(678,532)</u>
Purchase of treasury shares				(46)	(46)
Net changes of items other than shareholders' equity					
Total changes of items during period	96,413	96,413	<u>(678,532)</u>	(46)	<u>(485,752)</u>
Balance at end of period	2,622,024	2,607,884	<u>(2,439,620)</u>	(88)	<u>2,790,199</u>

	Non-controlling interests	Total net assets
Balance at beginning of period	<u>103,881</u>	<u>3,379,832</u>
Changes of items during period		
Issuance of new shares		192,826
Profit (loss) attributable to owners of parent		<u>(678,532)</u>
Purchase of treasury shares		(46)
Net changes of items other than shareholders' equity	<u>(38,148)</u>	<u>(38,148)</u>
Total changes of items during period	<u>(38,148)</u>	<u>(523,900)</u>
Balance at end of period	<u>65,733</u>	<u>2,855,932</u>

Fiscal year ended December 31, 2023

(Unit:Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,622,024	2,607,884	<u>(2,439,620)</u>	(88)	<u>2,790,199</u>
Changes of items during period					
Issuance of new shares	126,229	126,229			252,429
Profit (loss) attributable to owners of parent			<u>(620,440)</u>		<u>(620,440)</u>
Purchase of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	126,229	126,229	<u>(620,440)</u>	—	<u>(367,980)</u>
Balance at end of period	2,748,254	2,734,114	(3,060,060)	(88)	2,422,218

	Non-controlling interests	Total net assets
Balance at beginning of period	<u>65,733</u>	<u>2,855,932</u>
Changes of items during period		
Issuance of new shares		252,459
Profit (loss) attributable to owners of parent		<u>(620,440)</u>
Purchase of treasury shares		—
Net changes of items other than shareholders' equity	<u>(65,733)</u>	<u>(65,733)</u>
Total changes of items during period	<u>(65,733)</u>	<u>(433,713)</u>
Balance at end of period	—	2,422,218

(4) Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	<u>(714,717)</u>	<u>(904,362)</u>
Depreciation	<u>133,674</u>	<u>386,121</u>
Amortization of goodwill	33,567	112,034
Share-based payment expenses	65,452	97,555
Amortization of security deposit	10,129	(1,727)
Share issuance costs	9,885	641
Loss (gain) on investments in investment partnerships	707	(1,442)
Loss (gain) on valuation of investment securities	—	24,000
Loss on retirement of non-current assets	<u>1,322</u>	<u>178</u>
Impairment losses	—	<u>194,278</u>
Foreign exchange losses (gains)	(54)	289
Interest income	(116)	(111)
Subsidy income	—	(2,497)
Interest expenses	6,548	15,934
Commitment fees	127	749
Decrease (increase) in trade receivables	4,248	(70,638)
Increase (decrease) in allowance for doubtful accounts	(339)	182
Decrease (increase) in prepaid expenses	(210,117)	111,371
Decrease (increase) in inventories	191	2,031
Increase (decrease) in retirement benefit liability	—	233
Decrease (increase) in deposits paid	56,399	(30,658)
Increase (decrease) in accounts payable-other	(127,645)	(94,597)
Increase (decrease) in accrued expenses	44,440	74,580
Increase (decrease) in income taxes payable	6,849	12,767
Increase (decrease) in accrued consumption taxes	74,840	40,067
Increase (decrease) in contract liabilities	346,575	533,455
Increase (decrease) in provision for bonuses	21,600	(2,860)
Other	<u>(36,616)</u>	<u>(7,713)</u>
Subtotal	<u>(273,047)</u>	<u>489,863</u>
Interest received	116	111
Subsidies received	—	2,497
Interest paid	(6,548)	(15,693)
Payments for commitment fees	(127)	(749)
Income taxes paid	(4,068)	(6,487)
Net Cash provided by (used in) operating activities	<u>(283,675)</u>	<u>469,541</u>
Cash flows from investing activities		
Payments into Long-term time deposits	—	(350,000)
Purchase of property, plant and equipment	(11,997)	(763)
Proceeds from sales of property, plant and equipment	1,208	7
Purchase of intangible assets	(395,938)	(479,757)
Purchase of investment securities	(109,874)	(29,987)
Payments for asset retirement obligations	(18,181)	—
Proceeds from distributions from investment partnerships	—	290
Payments of leasehold and guarantee deposits	(444)	(12,162)
Proceeds from refund of leasehold and guarantee deposits	48,152	28,696
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(580,349)
Other	<u>(30,000)</u>	<u>(30,000)</u>
Net cash provided by (used in) investing activities	<u>(517,076)</u>	<u>(1,454,024)</u>

(Unit: Thousand yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from financing activities		
Repayments of short-term borrowings	<u>(700,000)</u>	(3,000)
Proceeds from long-term borrowings	500,000	300,000
Repayments of long-term borrowings	(102,000)	(195,272)
Proceeds from issuance of shares	62,900	135,850
Payment for issuance of new shares	(9,885)	(641)
Purchase of treasury shares	(46)	—
<u>Other</u>	<u>700,000</u>	<u>—</u>
Net cash provided by (used in) financing activities	450,968	236,936
Effect of exchange rate change on cash and cash equivalents	54	(289)
Net increase (decrease) in cash and cash equivalents	(349,729)	(747,835)
Cash and cash equivalents at beginning of term	3,200,053	2,850,323
Cash and cash equivalents at end of term	2,850,323	2,102,487

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Fair Value Measurement)

The Company adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) at the beginning of the first quarter of the fiscal year under review. In accordance with the transitional treatment provided in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), new accounting policies prescribed by the Accounting Standard for Fair Value Measurement and other standards are applied prospectively.

This change in accounting policies does not affect the consolidated financial statements for the fiscal year under review.

(Business Combination through Acquisition)

At a meeting on December 16, 2023, the Board of Directors resolved to acquire the shares of MINAGINE Co., Ltd. and make MINAGINE a consolidated subsidiary. Based on this resolution, the share acquisition was completed on January 31, 2023.

(1) Overview of the business combination

1) Name and business of acquired company

Name of acquired company MINAGINE Co., Ltd.

Business details Payroll outsourcing

Planning and sales of work management systems

2) Main reason for the business combination

This transaction will enable the Company to expand its services in the area of human resources to help realize the business super app described in the medium-term business plan. We aim to provide high-value-added services to customers by linking business chat, a communication tool, with human resources, thereby providing even more value. Small and medium-sized companies tend to be the main customers for both services, and we believe that mutually expanding this customer base can help us achieve synergies by contributing to revenue and achieving cost efficiencies. Looking forward, we believe we can utilize MINAGINE’s expertise in other areas to address issues that cannot be solved with IT tools alone.

3) Date of the business combination

February 1, 2023

4) Legal form of the business combination

Acquisition of shares for cash consideration

5) Company name after the combination

Unchanged

6) Percentage of voting rights acquired

Percentage of voting rights acquired on the date of business combination 100%

7) Primary basis for decision to acquire the company

The Company acquired shares for cash

(2) Period of the acquired company's results included in the consolidated financial statements

From February 1, 2023 to December 31, 2023

(3) Acquisition cost and breakdown by type of consideration of the acquired company or business acquired

Cash and deposits paid for acquisition 600,000 thousand yen

Long-term accounts payable 70,000 thousand yen

Cost of acquisition 670,000 thousand yen

(4) Amount of goodwill incurred, reason for incurrence, amortization method and amortization period

1. Amount of goodwill incurred

856,000 thousand yen

2. reason for incurrence

The accrual arises from the future excess earning power expected from future business development

3 amortization period

Equal amortization over 10 years

(5) Amount allocated to intangible assets other than goodwill and its breakdown by type and amortization period

Customer-related assets 385,000 thousand yen Amortization period 10 years

(Segment Information, Etc.)

[Segment information]

1 Outline of reportable segments

Our reporting segments have separate financial information available from our constituent units and are subject to regular review by the Board of Directors to determine the allocation of resources and assess performance. It is the one that is. Our company has two reporting segments, "Chatwork segment" and "Security segment".

2 The calculating method regarding sales, operating profit or loss, assets, liabilities and other items by the reportable segments

The method of accounting for the reported business segments is in accordance with the accounting standards adopted to prepare the consolidated financial statements. Profit or loss in the reporting segment is adjusted with operating loss in the financial statements. There are no internal transactions between segments.

3. Information regarding sales, operating profit or loss, assets, liabilities and other items by the reportable segments and disaggregation of revenue

Fiscal year ended December 31,2022

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Performance obligations satisfied at a point in time	185,859	224,334	410,193	410,193
Performance obligations satisfied over time	4,182,984	—	4,182,984	4,182,984
Revenue from contracts with customers	4,368,844	224,334	4,593,178	4,593,178
Other revenue	—	—	—	—
Revenue to outside customers	4,368,844	224,334	4,593,178	4,593,178
Intersegment net revenue or transfers	—	—	—	—
Total	4,368,844	224,334	4,593,178	4,593,178
Segment profit (loss)	<u>(767,860)</u>	56,492	<u>(711,368)</u>	<u>(711,368)</u>
Others				
Depreciation	<u>133,674</u>	—	<u>133,674</u>	<u>133,674</u>
Amortization of goodwill	33,567	—	33,567	33,567
Impairment losses	—	—	—	—

(Note) 1. Segment profit has been adjusted with the operating loss in the quarterly financial statements.

2. The Chatwork segment is the Company's mainstay business and all indirect costs, including the headquarters functions, are expensed to maintain and expand this segment. Accordingly, the entire amount of indirect costs is recorded as expenses in the Chatwork segment.

Fiscal year ended December 31,2023

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Performance obligations satisfied at a point in time	249,191	187,960	437,152	437,152
Performance obligations satisfied over time	6,048,055	—	6,048,055	6,048,055
Revenue from contracts with customers	6,297,246	187,960	6,485,207	6,485,207
Other revenue	—	—	—	—
Revenue to outside customers	6,297,246	187,960	6,485,207	6,485,207
Intersegment net revenue or transfers	—	—	—	—
Total	6,297,246	187,960	6,485,207	6,485,207
Segment profit (loss)	<u>(717,388)</u>	39,965	<u>(677,423)</u>	<u>(677,423)</u>
Others				
Depreciation	<u>386,121</u>	—	<u>386,121</u>	<u>386,121</u>
Amortization of goodwill	112,034	—	112,034	112,034
Impairment losses	<u>194,278</u>	—	<u>194,278</u>	<u>194,278</u>

(Note) 1. Segment profit has been adjusted with the operating loss in the quarterly financial statements.

2. The Chatwork segment is the Company's mainstay business and all indirect costs, including the headquarters functions, are expensed to maintain and expand this segment. Accordingly, the entire amount of indirect costs is recorded as expenses in the Chatwork segment.

(Per Share Information)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net assets per share	<u>69.86yen</u>	59.66yen
Basic earnings per share	<u>(17.11yen)</u>	<u>(15.45yen)</u>
Diluted earnings per share	—	—

(Note) Diluted earnings per share is not shown in the above table, because basic earnings per share is negative although there are potential shares.

2. The basis for calculation of net assets per share is as follows:

	As of December 31, 2022	As of December 31, 2023
Total net assets (thousand yen)	<u>2,855,932</u>	2,422,218
Amount deducted from the total net assets (thousand yen)	<u>65,733</u>	—
(Of which, noncontrolling interests(thousand yen))	<u>(65,733)</u>	—
Amount of net assets related to common stock as of the end of the fiscal year (thousand yen)	<u>2,790,199</u>	2,422,218
Number of shares of common stock used in the calculation of net assets per share as of the end of the fiscal year (shares)	39,939,479	40,602,094

3. The basis for calculation of earnings per share is as follows:

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Basic earnings per share		
Profit (loss) (thousand yen)	<u>(678,532)</u>	<u>(620,440)</u>
Profit (loss) not attributable to common shareholders (thousand yen)	—	—
Profit (loss) related to common stock (thousand yen)	<u>(678,532)</u>	<u>(620,440)</u>
Average number of shares of common stock outstanding during the fiscal year (shares)	39,658,513	40,168,801
Overview of dilutive shares that were not included in the calculation of diluted earnings per share because they have no dilutive effect	—	—

(Significant Subsequent Events)

(establishment of a Subsidiary through a Company Split)

At a Board of Directors meeting on February 9, 2024, Chatwork Co., Ltd. (hereinafter, the "Company") resolved to approve the establishment of a new company through an incorporation-type company split (hereinafter, the "New Company"). April 1, 2024 shall be the effective date of the incorporation-type company split (hereinafter, the "Company Split"). The New Company shall take over from Chatwork its Business Process as a Service (BPaaS) business (hereinafter, the "BPaaS Business"), as described below. As a result of the Company Split, MINAGINE Co., Ltd., a wholly owned subsidiary of Chatwork, will become a wholly-owned subsidiary of the New Company, making it a sub-subsubsidiary of Chatwork.

As the Company Split is a simple incorporation-type company split conducted solely by the Company, some disclosure items and details are omitted.

For details, please refer to the "Notice of the Date of establishment of a Subsidiary through a Company Split (Simplified Incorporation-type Company Split)" disclosed today.

1. Objective of the Company Split

Under the mission of "Making work more fun and creative," Chatwork Group aims to create a society where people can enjoy their work and unleash their creativity to the fullest, recognizing that work constitutes a significant portion of people's lives. We are committed to developing and providing services that promote work efficiency and creative ways of working. To realize this mission, our flagship service, the business chat tool "Chatwork," helps to increase work productivity and promote diverse ways of working, primarily targeting small and medium-sized enterprises in Japan. To help customers enhance their operational efficiency and productivity, the Company has been expanding its BPaaS Business, which goes beyond providing software and also offers the entire business process as a service for non-core functions such as accounting and labor affairs. In February 2023, the Company acquired MINAGINE Co., Ltd., which provides cloud-based payroll and performance evaluation systems and labor outsourcing, as a consolidated subsidiary. In June 2023, the Company also released Chatwork Assistant, which provides support for non-specialized areas of back-office operations.

To further enhance the corporate value of the Chatwork Group, we aim to achieve efficient management and flexible business operations that can adapt to changes in the market environment by restructuring the Group through the Company Split. This will involve expanding the BPaaS Business as a separate entity within the Company, allowing us to respond effectively to evolving market conditions.

2. Overview of Business to Be Split Off

(1) Details of Business to Be Split Off

The Business Process as a Service (BPaaS) Business is to be split off.

(2) Operating Performance of Business to Be Split off (Fiscal year ended December 31, 2023)

Revenue: ¥46,837,762

(3) Line Items and Amounts of Assets and Liabilities to Be Split (As of December 31, 2023)

Assets		Liabilities	
Current assets	¥506,693,387	Current liabilities	¥36,225,979
Non-current assets	¥683,233,164	Non-current liabilities	¥70,000,000
Total	¥1,189,926,551	Total	¥106,225,979

Note: Actual amounts of assets and liabilities to be split will correspond to the above amounts plus or minus any changes up to the effective date of the Company split.

(4) Method of the Company Split

The Company Split shall be a simple incorporation-type company split, in which the Company is the splitting company and the New Company is the succeeding company. The New Company is slated to be a wholly-owned subsidiary of the Company.

3. Overview of the Company Split

(1) Schedule of the Company Split

Board of Directors meeting for approval of the incorporation-type company split

February 9, 2024

Effective date

April 1, 2024 (expected)

Note: The Company Split is a simplified company split under the provisions of Article 805 of the Companies Act, and will therefore be implemented without a resolution of approval at a general meeting of shareholders.

(Change in Trade Name)

Our company plans to change its trade name effective July 1, 2024. For details, please refer to the "Notice of a Change in Trade Name, Partial Changes to the Articles of Incorporation, and a Change in Trade Name of a Consolidated Subsidiary" disclosed today.