

Translation

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Summary of Financial Results for the Fiscal Year Ended December 31, 2022 (Japanese GAAP) (Consolidated)



February 10, 2023

Name of listed company: Chatwork Co., Ltd. Listing exchange: Tokyo Stock Exchange
 Securities code: 4448 URL: <https://go.chatwork.com/ja/>
 Representative: Masaki Yamamoto, Representative director, CEO
 Contact for inquiries: Naoki Inoue, Director, CFO Tel: 81-3-6459-0514
 Scheduled date of ordinary general meeting of shareholders: March 29, 2023
 Scheduled date to file annual securities report: March 30, 2023
 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, 2022

(1) Consolidated business results (from January 1, 2022 to December 31, 2022)

(% indicate year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2022	4,593	36.2	(719)	—	(724)	—	(687)	—
Year ended December 31, 2021	3,372	—	(688)	—	(705)	—	(696)	—

(Note) Comprehensive income (millions of yen)

Year ended December 31, 2022: (725) (—%) Year ended December 31, 2021: (708) (—%)

	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, 2022	(17.33)	—	(22.3)	(13.7)	(15.7)
Year ended December 31, 2021	(18.72)	—	(20.9)	(13.6)	(20.4)

(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 2022	5,400	2,869	52.4	70.88
As of December 31 2021	5,168	3,402	64.3	84.35

(Reference) Equity As of December 31, 2022 2,831 million yen As of December 31, 2021 3,325 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 31,2022	(283)	(517)	450	2,850
Year ended December 31,2021	(475)	(840)	2,668	3,200

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 31,2021	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended December 31,2022	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending December 31,2023(forecast)	—	0.00	—	0.00	0.00		—	

3. Consolidated earnings forecast for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

Regarding the forecast for the fiscal year ending December 31, 2023, we have decided not to disclose a specific monetary forecast in view of the need to make flexible investment decisions in response to the competitive and market environment. For the current fiscal year, while the revenue growth of the Chatwork segment remains the most important management target, we aim to achieve revenue growth of more than 40% over the previous fiscal year for the Chatwork segment and more than 35% over the previous fiscal year for overall revenue. For details, please see the attachment on page 3, entitled “1. Overview of Business Results (4) Future Outlook.”

*Notes

- (1) Changes in significant subsidiaries during the period (changes in specified : No subsidiaries resulting in the change in scope of consolidation)
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
 - 1) Changes in accounting policies due to amendment of accounting standards, : Yes etc.
 - 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 12 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, 2022	39,941,702 shares	As of December 31, 2021	39,425,840 shares
2) Number of treasury shares at end of the period	As of December 31, 2022	2,223 shares	As of December 31, 2021	877 shares
3) Average number of shares during the period	Year ended December 31, 2022	39,658,513 shares	Year ended December 31, 2021	37,179,943 shares

(Reference)

Non-consolidated financial results for the year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Non-Consolidated business results (from January 1, 2022 to December 31, 2022)

(% 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, 2022	4,218	32.1	(586)	—	(589)	—	(594)	—
Year ended December 31, 2021	3,193	31.7	(634)	—	(651)	—	(656)	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended December 31, 2022	(14.98)	—
Year ended December 31, 2021	(17.67)	—

(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 2022	5,418	2,963	54.7	74.20
As of December. 31 2021	5,048	3,364	66.7	85.35

(Reference) Equity As of December 31, 2022 2,963 million yen As of December 31, 2021 3,364 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."

(2)

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1. Overview of Business Results

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

In the current consolidated fiscal year, the Company continued its proactive endeavors to reinforce sales activities for acquiring new customers, strengthen advertising and marketing activities, and enhance functions of existing services in an effort to achieve continuous business growth.

As a result, the Company achieved net revenue of 4,593,178 thousand yen (up 36.2% compared with the same period of the previous fiscal year), operating loss of 719,273 thousand yen (up 4.5% compared with the same period of the previous fiscal year), ordinary loss of 724,720 thousand yen (up 2.8% compared with the same period of the previous fiscal year), and loss attributable to owners of parent of 687,151 thousand yen (down 1.3% compared with the same period of the previous fiscal year) for the current consolidated fiscal year. In addition, As an upfront investment, the steady progress in recruitment, and further acceleration of advertising and marketing activities have resulted in a negative impact on each level of profit below operating income.

The following describes the business results by each segment.

(Chatwork Segment)

In the Chatwork segment, the Company continued to demonstrate the advantages of Chatwork, its mainstay service, and endeavored to add new functions and cultivate customers. These efforts led to net revenue of 4,368,844 thousand yen (up 38.5% compared with the same period of the previous fiscal year) and segment loss of 775,766 thousand yen (up 5.6% compared with the same period of the previous fiscal 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 the indirect costs is recorded as expenses in this segment.

(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 224,334 thousand yen (up 2.4% compared with the same period of the previous fiscal year) and segment profit stood at 56,492 thousand yen (up 21.8% compared with the same period of the previous fiscal 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.

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

(Assets)

Total assets as of December 31, 2022 increased by 232,352 thousand yen compared with the end of the previous fiscal year to 5,400,387 thousand yen. This was mainly due to a decrease in cash and deposits of 349,729 thousand yen, an increase in prepaid expenses of 244,010 thousand yen, an increase in software in progress of 232,946 thousand yen, and an increase in investment securities of 117,167 thousand yen.

(Liabilities)

Total liabilities as of December 31, 2022 increased by 765,383 thousand yen compared with the end of the previous fiscal year to 2,530,455 thousand yen. This was mainly due to an increase in long-term borrowings of 398,000 thousand yen, and an increase in contract liabilities of 346,575 thousand yen.

(Net Assets)

Net assets as of December 31, 2022 decreased by 533,030 thousand yen compared with the end of the previous fiscal year to 2,869,931 thousand yen. This was mainly due to an increase in share capital of 96,413 thousand yen, an increase in capital surplus of 96,413 thousand yen, and a decrease in retained earnings of 687,151 thousand yen. As a result, the equity ratio was 52.4% (64.3% at the end of the previous fiscal year).

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

As of December 31, 2022, cash and cash equivalents decreased by 349,729 thousand yen compared with the end of the previous fiscal year to 2,850,323 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 283,675 thousand yen. This was mainly due to profit before income taxes of 723,795 thousand yen, depreciation of 141,579 thousand yen, and an increase in contract liabilities of 346,575 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 517,076 thousand yen. This was mainly due to the purchase of intangible assets of 395,938 thousand yen, and the purchase of investment securities of 109,874 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 450,968 thousand yen. This was mainly due to proceeds from long-term borrowings of 500,000 thousand yen.

(4) Future Outlook

For the fiscal year ending December 31, 2023, we will continue to make high levels of revenue growth in the Chatwork segment our topmost priority, as we believe this is the best way to enhance corporate value. As outlined above, we anticipate year-on-year revenue growth from the Chatwork segment of 40% or more. Assuming the operating environment will lead to a slight revenue decline in the Security segment, we are targeting an overall revenue growth of 35% or more year on year.

We aim to accelerate companywide growth by reinforcing the sales structure for our Chatwork service, stepping up platform development, and adding value to Chatwork through ongoing functionality enhancement. Given the need to respond to competition and changes in the market environment and to make investment decisions flexibly during the year, we have opted not to disclose specific monetary forecasts for profit categories at the operating profit and below.

(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, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	3,200,053	2,850,323
Accounts receivable - trade	312,115	307,867
Stored goods	6,316	6,124
Prepaid expenses	446,392	690,402
Allowance for doubtful accounts	(411)	(72)
Other	69,225	65,251
Total current assets	4,033,692	3,919,898
Non-current assets		
Property, plant and equipment		
Building	54,472	28,041
Accumulated depreciation	(21,321)	(8,061)
Building (net)	33,151	19,979
Tools, furniture and fixtures	69,307	45,817
Accumulated depreciation	(57,044)	(36,145)
Tools, furniture and fixtures (net)	12,262	9,672
Total property, plant and equipment	45,414	29,652
Intangible assets		
Software	181,898	248,580
Software in progress	290,233	523,179
Goodwill	318,894	285,326
Customer-related assets	115,673	103,497
Telephone subscription right	69	—
Total intangible assets	906,769	1,160,584
Investments and other assets		
Investment securities	66,078	183,246
Security deposit and guarantee deposit	78,262	38,606
Long-term prepaid expenses	37,817	68,398
Total investment and other assets	182,158	290,251
Total non-current assets	1,134,342	1,480,488
Total assets	5,168,034	5,400,387

(Unit: thousand yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - other	447,048	327,445
Accrued expenses	93,002	137,443
Income taxes payable	23,276	32,160
Contract liabilities	—	995,838
Advances received	649,262	—
Provision for bonuses	—	21,600
Current portion of long-term borrowings	102,000	102,000
Other	46,138	115,712
Total current liabilities	1,360,728	1,732,200
Non-current liabilities		
Long-term borrowings	365,500	763,500
Deferred tax liabilities	38,843	34,754
Total non-current liabilities	404,343	798,254
Total liabilities	1,765,072	2,530,455
Net assets		
Shareholders' equity		
Share capital	2,525,611	2,622,024
Capital surplus	2,511,471	2,607,884
Retained earnings	(1,711,645)	(2,398,796)
Treasury stock	(42)	(88)
Total shareholders' equity	3,325,394	2,831,023
Non-controlling interests	77,567	38,908
Total net assets	3,402,962	2,869,931
Total liabilities and net assets	5,168,034	5,400,387

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

(Unit: thousand yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Revenue	3,372,285	4,593,178
Cost of revenue	993,543	1,405,429
Gross profit	2,378,741	3,187,749
Selling, general and administrative expenses	3,066,826	3,907,022
Operating profit (loss)	(688,084)	(719,273)
Non-operating income		
Interest income	16	116
Foreign exchange gains	1,419	10,440
Miscellaneous income	277	3,758
Total non-operating income	1,713	14,315
Non-operating expenses		
Share issuance costs	15,447	9,885
Interest expenses	2,097	6,548
Loss on investments in investment partnerships	543	707
Commitment fees	—	127
Loss on retirement of non-current assets	—	2,425
Miscellaneous loss	655	69
Total non-operating expenses	18,743	19,763
Ordinary profit (loss)	(705,114)	(724,720)
Extraordinary profit		
Gain on sales of noncurrent assets	638	924
Total extraordinary profit	638	924
Profit (loss) before income taxes	(704,476)	(723,795)
Income taxes - current	5,971	6,103
Income taxes - deferred	(2,044)	(4,088)
Total income taxes	3,927	2,014
Profit (loss)	(708,403)	(725,810)
Profit (loss) attributable to non-controlling interests	(12,215)	(38,659)
Profit (loss) attributable to owners of parent	(696,188)	(687,151)

Consolidated Statement of Comprehensive Income

(Unit: thousand yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit (loss)	(708,403)	(725,810)
Other comprehensive income		
Comprehensive income	(708,403)	(725,810)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(696,188)	(687,151)
Comprehensive income attributable to non-controlling interests	(12,215)	(38,659)

(3) Consolidated Statement of Shareholders' Equity

Fiscal year ended December 31, 2021

(Unit:Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,409,930	1,395,790	(1,015,456)	(42)	1,790,222
Changes of items during period					
Issuance of new shares	1,115,680	1,115,680			2,231,360
Profit (loss) attributable to owners of parent			(696,188)		(696,188)
Net changes of items other than shareholders' equity					
Total changes of items during period	1,115,680	1,115,680	(696,188)	—	1,537,172
Balance at end of period	2,525,611	2,511,471	(1,711,645)	(42)	3,325,394

	Non-controlling interests	Total net assets
Balance at beginning of period	—	1,790,222
Changes of items during period		
Issuance of new shares		2,231,360
Profit (loss) attributable to owners of parent		(696,188)
Net changes of items other than shareholders' equity	77,567	77,567
Total changes of items during period	77,567	1,612,740
Balance at end of period	77,567	3,402,962

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,525,611	2,511,471	(1,711,645)	(42)	3,325,394
Changes of items during period					
Issuance of new shares	96,413	96,413			192,826
Profit (loss) attributable to owners of parent			(687,151)		(687,151)
Purchase of treasury shares				(46)	(46)
Net changes of items other than shareholders' equity					
Total changes of items during period	96,413	96,413	(687,151)	(46)	(494,371)
Balance at end of period	2,622,024	2,607,884	(2,398,796)	(88)	2,831,023

	Non-controlling interests	Total net assets
Balance at beginning of period	77,567	3,402,962
Changes of items during period		
Issuance of new shares		192,826
Profit (loss) attributable to owners of parent		(687,151)
Purchase of treasury shares		(46)
Net changes of items other than shareholders' equity	(38,659)	(38,659)
Total changes of items during period	(38,659)	(533,030)
Balance at end of period	38,908	2,869,931

(4) Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit (loss) before income taxes	(704,476)	(723,795)
Depreciation	92,867	141,579
Amortization of goodwill	16,783	33,567
Share-based payment expenses	27,719	65,452
Amortization of security deposit	7,432	10,129
Share issuance costs	15,447	9,885
Loss (gain) on investments in investment partnerships	543	707
Loss (gain) on sale of non-current assets	(638)	(924)
Loss on retirement of non-current assets	—	2,495
Foreign exchange losses (gains)	(185)	(54)
Interest income	(16)	(116)
Interest expenses	2,097	6,548
Commitment fees	—	127
Decrease (increase) in trade receivables	(114,351)	4,248
Increase (decrease) in allowance for doubtful accounts	411	(339)
Decrease (increase) in prepaid expenses	(307,613)	(210,117)
Decrease (increase) in inventories	549	191
Decrease (increase) in deposits paid	(15,852)	56,399
Increase (decrease) in accounts payable-other	285,600	(127,645)
Increase (decrease) in accrued expenses	(18,105)	44,440
Increase (decrease) in income taxes payable	(15)	6,849
Increase (decrease) in accrued consumption taxes	(51,987)	74,840
Increase (decrease) in contract liabilities	—	346,575
Increase (decrease) in advances received	318,186	—
Increase (decrease) in provision for bonuses	—	21,600
Other	6,882	(35,691)
Subtotal	(438,718)	(273,047)
Interest received	16	116
Interest paid	(2,097)	(6,548)
Payments for commitment fees	—	(127)
Income taxes paid	(34,451)	(4,068)
Net Cash provided by (used in) operating activities	(475,251)	(283,675)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,626)	(11,997)
Proceeds from sales of property, plant and equipment	977	1,208
Purchase of intangible assets	(304,681)	(395,938)
Purchase of investment securities	(54,800)	(109,874)
Payments for asset retirement obligations	—	(18,181)
Payments of leasehold and guarantee deposits	(23,306)	(444)
Proceeds from refund of leasehold and guarantee deposits	129	48,152
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(453,900)	—
Other	—	(30,000)
Net cash provided by (used in) investing activities	(840,207)	(517,076)

(Unit: Thousand yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from financing activities		
Proceeds from long-term borrowings	510,000	500,000
Repayments of long-term borrowings	(42,500)	(102,000)
Proceeds from issuance of shares	2,162,087	62,900
Payment for issuance of new shares	(15,447)	(9,885)
Purchase of treasury shares	—	(46)
Proceeds from share issuance to non-controlling shareholders	53,900	—
Net cash provided by (used in) financing activities	2,688,039	450,968
Effect of exchange rate change on cash and cash equivalents	185	54
Net increase (decrease) in cash and cash equivalents	1,352,765	(349,729)
Cash and cash equivalents at beginning of term	1,847,288	3,200,053
Cash and cash equivalents at end of term	3,200,053	2,850,323

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition)

The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Standard"), etc. from the beginning of the first quarter of the current fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when the control of the said goods or services were transferred to the customer.

The adoption of this standard has mainly resulted in the following change: The initial fees received from customers at the time of signing a new contract were previously recorded as sales at a certain point in time; however, due to the adoption of the new standard, the initial fees will be recognized as part of the monthly usage fees and will be recorded over a fixed period of time.

The Company has followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Revenue Recognition Standard. As such, the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy is applied from the said beginning balance. However, due to applying the method prescribed in paragraph 86 of the Revenue Recognition Standard, the new accounting policy was not applied retrospectively to contracts for which almost all revenues were recognized according to the previous treatment prior to the beginning of the first quarter of the current fiscal year.

As a result, during the current consolidated fiscal year ending December 31, 2022, revenue decreased by 1,746 thousand yen, and operating loss, ordinary loss, and loss before income taxes each increased by 1,746 thousand yen. The new accounting policy did not have an impact on the balance of retained earnings at the beginning of the period.

Due to the application of the Revenue Recognition Standard, "advances received" which was presented in "current liabilities" in the consolidated balance sheet for the previous fiscal year is included in "contract liabilities" from the first quarter of the current fiscal year. In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Revenue Recognition Standard, the Company has made no reclassification for the previous fiscal year based on the new presentation method. Furthermore, in accordance with the transitional treatment prescribed in Paragraph 89-3 of the Revenue Recognition Standard, the Company has not provided information that breaks down revenue from contracts with customers for the previous consolidated fiscal year ended December 31, 2021.

(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.

(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 31,2021

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Revenue to outside customers	3,153,280	219,005	3,372,285	3,372,285
Intersegment net revenue or transfers	—	—	—	—
Total	3,153,280	219,005	3,372,285	3,372,285
Segment profit or loss	(734,479)	46,394	(688,084)	(688,084)
Others				
Depreciation	92,867	—	92,867	92,867
Amortization of goodwill	16,783	—	16,783	16,783

- (Note) 1. Segment assets are not listed because assets are not allocated to business segments.
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 31,2022

(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)	(775,766)	56,492	(719,273)	(719,273)
Others				
Depreciation	141,579	—	141,579	141,579
Amortization of goodwill	33,567	—	33,567	33,567

- (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.

2) Matters related to changes in reportable segments, etc.

As described in "Changes in Accounting Policies," the Company has applied the Accounting Standard for Revenue Recognition etc. from the beginning of the first quarter of the current fiscal year, and has changed its accounting method for revenue recognition. Therefore, the calculation method of profit or loss by business segment has been changed in the same manner.

As a result of this change, revenue of the Chatwork segment decreased 1,746 thousand yen and segment loss increased 1,746 thousand yen in the third quarter of the current fiscal year compared to the previous method.

(Per Share Information)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net assets per share	84.35yen	70.88yen
Basic earnings per share	(18.72yen)	(17.33yen)
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, 2021	As of December 31, 2022
Total net assets (thousand yen)	3,402,962	2,869,931
Amount deducted from the total net assets (thousand yen)	77,567	38,908
(Of which, noncontrolling interests(thousand yen))	77,567	38,908
Amount of net assets related to common stock as of the end of the fiscal year (thousand yen)	3,325,394	2,831,023
Number of shares of common stock used in the calculation of net assets per share as of the end of the fiscal year (shares)	39,424,963	39,939,479

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

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Basic earnings per share		
Profit (loss) (thousand yen)	(696,188)	(687,151)
Profit (loss) not attributable to common shareholders (thousand yen)	—	—
Profit (loss) related to common stock (thousand yen)	(696,188)	(687,151)
Average number of shares of common stock outstanding during the fiscal year (shares)	37,179,943	39,658,513
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)

(Business Combination through Acquisition)

At a meeting on December 16, 2022, 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) 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

Contingent consideration 100,000 thousand yen

Cost of acquisition 700,000 thousand yen

(3) Details and amounts of major acquisition-related expenses

To be determined

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

To be determined

(5) Amount of assets received and liabilities assumed on the date of business combination and their general breakdown

To be determined

(6) Details of contingent consideration stipulated in the business combination agreement and future accounting policy

1) Details of contingent consideration

The Earn-out method is performance-linked, and a maximum of 400,000 thousand yen may be paid in addition to the 600,000 thousand yen paid at the time of acquisition, depending on the degree of achievement of the acquired company's performance

over the next three years.

2) Accounting policy

If the change in acquisition consideration arises, the acquisition cost will be adjusted as if this change occurred at the time of acquisition, and the amount of goodwill and amortization of goodwill will be adjusted accordingly.

(Loan of funds to MINAGINE Co., Ltd. and guarantee for borrowings of MINAGINE Co., Ltd.)

At a meeting on February 10, 2023, the Board of Directors resolved to provide a loan to MINAGINE Co., Ltd. and to guarantee the borrowings of MINAGINE Co., Ltd. from financial institutions. The balance of short-term loans receivable as of February 10, 2023 was 110,000 thousand yen (including this resolution). In addition, prior to the date of this resolution, on January 11, 2023, the following loans were executed.

(1) Details of loans

1) Purpose of loans	Working capital
2) Loan details	
Loan amount	50,000 thousand yen
Interest rates	1.7 per annum
Scheduled execution date	February 10, 2023
Repayment deadline	April 11, 2023

For execution on January 11, 2023

Loan amount	30,000 thousand yen
Interest rates	1.7 per annum
Execution date	January 11, 2023
Repayment deadline	April 11, 2023

(2) Details of debt guarantees

Debt guarantees amount	215,740 thousand yen
Scheduled execution date	March 2023
Repayment deadline	From May 31, 2023 to March 31, 2026