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Notice of Revision of Stock-Based Compensation Plan for Directors



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Securities code: 4448 URL: <https://corp.chatwork.com/en/>
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At a meeting held today, the Board of Directors reviewed the executive compensation plan and resolved to revise the details of the restricted stock compensation plan for directors other than those serving concurrently as Audit and Supervisory Committee members ("Eligible Directors") and to introduce a new performance-linked restricted stock compensation plan specifically for directors who are not outside directors ("Eligible Internal Directors"). It was also decided to revise the restricted stock compensation plan for directors serving concurrently as Audit and Supervisory Committee members ("Audit and Supervisory Committee Members"). We hereby announce that the proposals related to these revisions will be submitted to the 20th Ordinary General Meeting of Shareholders scheduled to be held on March 27, 2024 ("the Shareholders' Meeting").

1. Purpose, etc. of revision of stock compensation plan

(1) Purpose of revision of stock compensation plan

The revision of the stock compensation plan is designed to further enhance the motivation to contribute to the sustainable improvement of the Group's corporate value by allowing directors (including both Eligible Directors and Audit and Supervisory Committee Members, hereinafter the same) to hold restricted shares until they resign from their positions as directors or similar roles within the company. This aims to realize a more long-term shared value with our shareholders and to increase the linkage between the compensation of Eligible Internal Directors and the company's performance.

In consideration of their positions and roles, Audit and Supervisory Committee Members and outside directors are not included as eligible participants for the performance-linked restricted stock compensation plan.

(2) Conditions for revision of stock compensation plan

Since the revised stock compensation plan grants restricted shares to directors as part of their compensation or monetary compensation claims for the granting of restricted shares as compensation, this revision is subject to shareholder approval for the payment of such compensation at the Shareholders' Meeting.

The compensation amounts for directors were approved at the 19th Ordinary General Meeting of Shareholders held on March 29, 2023, with the compensation for Eligible Directors set at a maximum of 200,000 thousand yen per year (including 50,000 thousand yen per year for outside directors, but not including employee salaries for directors who serve concurrently as employees) and the compensation for Audit and Supervisory Committee Members set at a maximum 500,000 thousand yen per year (including outside directors). At the Shareholders' Meeting, the Company plans to seek shareholder approval to set a separate compensation limit for directors under the revised stock compensation plan, distinct from the existing compensation framework.

Also at the 19th Ordinary General Meeting of Shareholders, the Company received approval to grant monetary compensation claims for restricted stock compensation to Eligible Directors, up to a maximum of 120,000 thousand yen per year (including up to 20,000 thousand yen for outside directors, but excluding the employee portion of the salaries for directors who serve concurrently as employees). This corresponds to a total annual issuance or disposal of up to 116,000 common shares (up to 23,200 shares for outside directors). Approval was also granted for providing monetary

compensation claims for restricted stock compensation to Audit and Supervisory Committee Members, up to a maximum of 20,000 thousand yen per year, which corresponds to an annual issuance or disposal of up to 23,200 common shares. If the proposals related to stock compensation are approved at the Shareholders' Meeting, excluding compensation already granted and those resolutions already made by the Board of Directors concerning the grant of such compensation and the issuance or disposal of shares to be offered in connection therewith prior to the approval of these proposals, the Company intends to abolish the existing compensation limits related to such restricted stock compensation. It will not issue or dispose of new shares based on restricted stock compensation to directors in the future.

2. Outline of revised stock compensation plan

(1) Outline of revised stock compensation plan

The compensation plan for Eligible Directors and Audit and Supervisory Committee Members grants the Company's common shares with transfer restrictions that last until the recipients vacate their positions. This approach is categorized as a "pre-grant restricted stock compensation plan," where the shares are granted with conditions that prevent their transfer until a specified date.

The performance-linked restricted stock compensation plan targeting Eligible Internal Directors is a stock compensation plan that utilizes Performance Share Units (PSUs) to grant shares of the Company's common stock after the end of a certain period, based on the degree of achievement of performance targets during that period. The granted common shares come with transfer restrictions that remain in place until the date of retirement from the position of director, etc.

(2) Method of issuance or disposal of shares with transfer restrictions

Under the revised stock compensation plan, the Company will issue or dispose of its common shares through one of two methods: 1) providing common shares directly as compensation to directors without requiring payment of money or delivery of assets, or 2) granting monetary compensation claims to the directors, which are then contributed in kind by the directors, to facilitate the issuance or disposal of common shares. For shares issued or disposed of using method (2), the per-share payment amount will be determined by the Board of Directors based on the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of resolution by the Board of Directors regarding the issuance or disposal (or, if no transactions occurred on that day, the closing price on the immediately preceding trading day), in a way that avoids giving undue advantage to the directors.

(3) Maximum number and amount of shares to be granted

Under the pre-grant restricted stock compensation plan, the total number of the Company's common shares to be issued or disposed of as restricted shares will be limited to 116,000 shares per year for each Eligible Director (including up to 23,200 shares per year for outside directors), and to 23,200 shares per year for each Audit and Supervisory Committee Member. The total amount of compensation for granting these restricted shares may not exceed 120,000 thousand yen per year for an Eligible Director (including up to 20,000 thousand yen per year for outside directors), and up to 20,000 thousand yen per year for an Audit and Supervisory Committee Member.

Based on the performance-linked restricted stock compensation plan, the total number of common shares of the Company to be issued or disposed of as restricted shares for Eligible Internal Directors for each performance evaluation period (set as three fiscal years, with no overlapping of performance evaluation periods, so that the maximum number of shares for each performance evaluation period is, in effect, the maximum number of shares for three fiscal years) will be no more than 812,000 shares, and the total amount of compensation for granting restricted shares will be no more than 2,000,000 thousand yen.

However, if the total number of issued shares of the Company increases or decreases due to a reverse stock split or a stock split (including gratis allotment of common shares), the maximum limits will be adjusted according to the ratio.

Under the revised stock compensation plan, the maximum number of the Company's common shares to be issued or disposed of as restricted shares to directors has been determined as a reasonable number based on the purpose of

increasing the corporate value of the Group and (for Audit and Supervisory Committee Members) preventing damage thereto. The maximum compensation for granting restricted shares to directors is set based on the aforementioned purpose. However, under the performance-linked restricted stock compensation plan, since the number of shares granted varies depending on the degree of achievement of performance indicators related to the Company's market capitalization (as described below), the compensation is determined as a necessary and reasonable amount, also taking into account any increase in the Company's stock price. This ensures that adequate stock compensation can be granted to Eligible Internal Directors to appropriately reward them for their contributions even in the event of a significant rise in the Company's market capitalization due to a substantial increase in its stock price.

(4) Outline of each plan, etc.

[Pre-grant restricted stock compensation plan]

When granting restricted shares under the pre-grant restricted stock compensation plan to Eligible Directors and Audit and Supervisory Committee Members, the Company and the directors will enter into an agreement on restricted share allocation ("Allocation Agreement I"), which includes the following details in outline.

(1) Directors may not transfer, create security interests on, or otherwise dispose of the restricted shares from the date of grant until the day they resign or retire from their position as a director or any other position designated by the Company's Board of Directors (for Audit and Supervisory Committee Members, the day they resign as a director of the Company).

(2) The transfer restrictions on all such shares will be lifted upon the expiration of the period of restriction on transfer, provided that the director has continuously held the position specified in (1) above during the period determined by the Company's Board of Directors (the period of provision of service).

(3) If a director violates any laws or regulations, internal rules or the terms of Allocation Agreement I, or if there is any other reason deemed appropriate by the Company's Board of Directors for the Company to acquire the shares at no cost, the Company will by right acquire such shares without consideration.

[Performance-linked restricted stock compensation plan]

The performance-linked restricted stock compensation plan is one in which the Company's Board of Directors determines the base number of shares, the performance evaluation period ("Evaluation Period"), and performance indicators during the evaluation period. It utilizes Performance Share Units (PSUs) to grant a number of shares of the Company's common stock calculated according to the degree of achievement of the performance indicators after the end of the Evaluation Period, with certain transfer restrictions imposed on the shares of the Company's common stock to be granted.

The Evaluation Period will be for three fiscal years. The initial Evaluation Period is from the fiscal year ending December 31, 2024 to the fiscal year ending December 31, 2026 (January 1, 2024 to December 31, 2026), and subsequent performance Evaluation Periods may be established after the end of the immediately preceding Evaluation Period. Performance indicators will be set by the Company's Board of Directors based on metrics indicating profit and other indicators in line with the Company's management plan. Considering that an increase in market capitalization is a key indicator of improvement of the Company's corporate value and is strongly tied to value sharing with shareholders, the Company plans to incorporate a coefficient relating to market capitalization in the calculation of compensation amounts and the number of shares granted under the performance-linked restricted stock compensation plan. For the initial performance indicators, in addition to market capitalization, the Company plans to use metrics related to revenue and EBITDA.

Since the performance-linked restricted stock compensation plan grants restricted shares based on the degree of achievement of the performance targets during the Evaluation Period, at the time of its implementation, neither the decision to grant these shares to each Eligible Internal Director nor the number of shares to be granted is determined.

When granting restricted shares under the performance-linked restricted stock compensation plan, the Company will

enter into an agreement on restricted share allocation ("Allocation Agreement II") with each Eligible Internal Director, which includes the following details in outline. However, the conclusion of Allotment Agreement II may be omitted if an agreement that already includes the specified provisions has been concluded in advance with the Eligible Internal Director at the commencement of the performance-linked restricted stock compensation plan.

(1) Eligible Internal Directors may not transfer, create security interests on, or otherwise dispose of the restricted shares from the date of grant until the day they resign or retire from their position as an Eligible Internal Director or any other position designated by the Company's Board of Directors.

(2) If an Eligible Internal Director violates any laws or regulations, internal rules or the terms of Allocation Agreement II, or if there is any other reason deemed appropriate by the Company's Board of Directors for the Company to acquire the shares at no cost, the Company will by right acquire such shares without consideration.

Under the performance-linked restricted stock compensation plan, the Company may, as necessary, pay money in lieu of granting common shares if 1) the Eligible Internal Director resigns or retires from the position of director, etc. of the Company after the start of the Evaluation Period but before the grant of the shares, 2) there is an organizational restructuring, etc., or 3) the Board of Directors of the Company finds that there is another justifiable reason.

(Reference)

The Company plans to grant restricted shares to its executive officers based on a plan similar to the aforementioned pre-grant restricted stock compensation plan and the performance-linked restricted stock compensation plan.