

## Translation

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# Summary of Financial Results for the Nine Months Ended September 30, 2022 (Japanese GAAP) (Consolidated)



November 11, 2022

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

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Scheduled date to file quarterly securities report : November 11, 2022

Scheduled date to commence dividend payments: —

Preparation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

## 1. Consolidated financial results for the nine months ended September 30, 2022

### (1) Consolidated business results (from January 1, 2022 to September 30, 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	%
Nine months ended September 30, 2022	3,312	43.1	(474)	—	(471)	—	(445)	—
Nine months ended September 30, 2021	2,315	—	(340)	—	(342)	—	(341)	—

(Note) Comprehensive income (millions of yen)

Nine months ended September 30, 2022: (472) (—%) Nine months ended September 30, 2021: (344) (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30, 2022	(11.26)	—
Nine months ended September 30, 2021	(9.22)	—

(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
	Millions of yen	Millions of yen	%
As of September 30, 2022	5,135	3,073	58.8
As of December 31, 2021	5,168	3,402	64.3

(Reference) Equity As of September 30, 2022 3,022 million yen As of December 31, 2021 3,325 million yen

## 2. Cash dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31,2021	—	0.00	—	0.00	0.00
Year ended December 31,2022	—	0.00	—	0.00	0.00
Fiscal year ending December 31,2022(forecast)	—	0.00	—	0.00	0.00

(Note) Changes from forecast dividend most recently announced: No

## 3. Consolidated earnings forecast for fiscal year ending December 31, 2022 (from January 1, 2022 to December 31, 2022)

(% indicate year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	4,552	35.0	(821)	—	(816)	—	(782)	—	(19.75)

(Note) Changes from earnings forecast most recently announced : Yes

### \*Notes

(1) Changes in significant subsidiaries during the period : No

(2) Application of special accounting methods for preparing quarterly consolidated financial statements : No

(3) 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 “Quarterly Consolidated Financial Statements and Significant Notes Thereto (3) Notes on Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 7 of the attached materials.

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

- Number of shares issued and outstanding at the end of the period (including treasury shares)
- Number of treasury shares at end of the period
- Average number of shares during the period (for the nine months ended September 30, 2022)

As of September 30,2022	39,755,063 shares	As of December 31, 2021	39,425,840 shares
As of September 30,2022	2,153 shares	As of December 31, 2021	877 shares
Nine months ended September 30,2022	39,605,489 shares	Nine months ended September 30, 2021	37,042,534 shares

- \* Summary of quarterly financial results is not subject to quarterly reviews by certified public accountants or audit corporations.
- \* Explanation regarding appropriate use of earnings forecasts, and other notes

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. Qualitative Information on Quarterly Financial Results (3) Explanation on Future Forecast Information Including Consolidated Earnings Forecast".

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Business Results

#### Business results

In the nine months ended September 30, 2022, 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 3,312,984 thousand yen (up 43.1% compared with the same period of the previous fiscal year), operating loss of 474,852 thousand yen (up 39.3% compared with the same period of the previous fiscal year), ordinary loss of 471,311 thousand yen (up 37.8% compared with the same period of the previous fiscal year), and loss attributable to owners of parent of 445,933 thousand yen (up 30.5% compared with the same period of the previous fiscal year) for the nine months ended September 30, 2022. 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 3,135,309 thousand yen (up 46.4% compared with the same period of the previous fiscal year) and segment loss of 527,530 thousand yen (up 34.8% 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 177,675 thousand yen (up 2.2% compared with the same period of the previous fiscal year) and segment profit stood at 52,677 thousand yen (up 4.2% 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) Explanation on Financial Position

#### (Assets)

Total assets as of September 30, 2022 decreased by 32,236 thousand yen compared with the end of the previous fiscal year to 5,135,797 thousand yen. This was mainly due to a decrease in cash and deposits of 444,736 thousand yen, an increase in software in progress of 241,972 thousand yen, and an increase in prepaid expenses of 126,643 thousand yen.

#### (Liabilities)

Total liabilities as of September 30, 2022 increased by 297,488 thousand yen compared with the end of the previous fiscal year to 2,062,560 thousand yen. This was mainly due to an increase in short-term borrowings of 300,000 thousand yen, an increase in contract liabilities of 225,272 thousand yen, and a decrease in accounts payable - other of 175,118 thousand yen.

#### (Net Assets)

Net assets as of September 30, 2022 decreased by 329,725 thousand yen compared with the end of the previous fiscal year to 3,073,237 thousand yen. This was mainly due to an increase in share capital of 71,318 thousand yen, an increase in capital surplus of 71,318 thousand yen, and a decrease in retained earnings of 445,933 thousand yen. As a result, the equity ratio was 58.9% (64.3% at the end of the previous fiscal year).

### (3) Explanation on Future Forecast Information Including Consolidated Earnings Forecast

In the fiscal year ending December 31, 2022, we expect to land near the upper end of our previously disclosed forecast in terms of revenue due to growth in the number of Chatwork billing IDs, migration of personal plans to business plans, and other measures.

As for profits, as a result of the selection of measures, personnel and outsourcing costs have been curbed, and the operating deficit is expected to be smaller than the previously disclosed range.

Based on the results of the first three quarters of the current fiscal year, overall revenues are expected to be up 35.0% compared to the previous fiscal year, and revenues in the Chatwork segment are expected to be up 37.4% compared to the previous fiscal year.

Details of the earnings forecast are as follows.

Revenue	4,552 million yen	(YoY)	+35.0%
Chatwork Business revenue	4,333 million yen	(YoY)	+37.4%
Gross profit	3,117 million yen	(YoY)	+31.1%
Operating profit (loss)	(821) million yen	(YoY)	—
Ordinary profit (loss)	(816) million yen	(YoY)	—
Profit (loss) attributable to owners of parent	(782) million yen	(YoY)	—

#### (Note)

The above business forecasts are based on information available to the Company at this time, and actual results may differ from these forecasts due to various factors in the future.

## 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

### (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2021	As of September 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	3,200,053	2,755,316
Accounts receivable - trade	312,115	295,520
Prepaid expenses	446,392	573,035
Other	75,541	122,477
Allowance for doubtful accounts	(411)	(411)
Total current assets	4,033,692	3,745,939
Non-current assets		
Property, plant and equipment	45,514	34,496
Intangible assets		
Goodwill	318,894	293,718
Software in progress	290,233	532,206
Other	297,641	282,393
Total intangible assets	906,769	1,108,318
Investments and other assets	182,158	247,042
Total non-current assets	1,134,342	1,389,857
Total assets	5,168,034	5,135,797
<b>Liabilities</b>		
Current liabilities		
Accounts payable - other	447,048	271,930
Accrued expenses	93,002	65,293
Income taxes payable	23,276	21,116
Contract liabilities	—	874,534
Advances received	649,262	—
Provision for bonuses	—	10,800
Short-term borrowings	—	300,000
Current portion of long-term borrowings	102,000	102,000
Other	46,138	100,609
Total current liabilities	1,360,728	1,746,283
Non-current liabilities		
Long-term borrowings	365,500	280,500
Deferred tax liabilities	38,843	35,776
Total non-current liabilities	404,343	316,276
Total liabilities	1,765,072	2,062,560
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,525,611	2,596,929
Capital surplus	2,511,471	2,582,789
Retained earnings	(1,711,645)	(2,157,579)
Treasury stock	(42)	(42)
Total shareholders' equity	3,325,394	3,022,097
Non-controlling interests	77,567	51,140
Total net assets	3,402,962	3,073,237
Total liabilities and net assets	5,168,034	5,135,797

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

For the nine months ended September 30, 2022

Quarterly Consolidated Statement of Income (cumulative)

(Unit: thousand yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Revenue	2,315,518	3,312,984
Cost of revenue	684,686	985,318
Gross profit	1,630,831	2,327,666
Selling, general and administrative expenses	1,971,704	2,802,519
Operating profit (loss)	(340,872)	(474,852)
Non-operating income		
Interest income	16	24
Foreign exchange gains	1,240	17,299
Miscellaneous income	102	2,181
Total non-operating income	1,358	19,505
Non-operating expenses		
Interest expenses	1,406	4,669
Share issuance costs	833	9,855
Miscellaneous losses	302	69
Loss on retirement of non-current assets	—	1,369
Total non-operating expenses	2,542	15,963
Ordinary profit (loss)	(342,056)	(471,311)
Extraordinary income		
Gain on sales of non-current assets	638	461
Total extraordinary profit	638	461
Profit (loss) before income taxes	(341,418)	(470,849)
Income taxes - current	2,924	4,578
Income taxes - deferred	—	(3,066)
Total income taxes	2,924	1,512
Profit (loss)	(344,342)	(472,361)
Profit (loss) attributable to non-controlling interests	(2,743)	(26,427)
Profit (loss) attributable to owners of parent	(341,599)	(445,933)



Quarterly Consolidated Statement of Comprehensive Income (cumulative)

(Unit: thousand yen)

	Nine months ended September 30,2021	Nine months ended September 30, 2022
Profit (loss)	(344,342)	(472,361)
Other comprehensive income		
Comprehensive income	(344,342)	(472,361)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(341,599)	(445,933)
Comprehensive income attributable to non-controlling interests	(2,743)	(26,427)

### (3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

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 second quarter of the fiscal year ending December 31, 2022, revenue increased by 1,632 thousand yen, and operating loss, ordinary loss, and loss before income taxes each decreased by 1,632 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 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), the Company has not provided information that breaks down revenue from contracts with customers for the nine months ended September 30, 2022.

(Segment Information, Etc.)

[Segment information]

Nine months ended September 30, 2021

1) Information on Revenue and Profit or Loss Amounts by Reportable Segment

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Revenue to outside customers	2,141,687	173,830	2,315,518	2,315,518
Intersegment net revenue or transfers	—	—	—	—
Total	2,141,687	173,830	2,315,518	2,315,518
Segment profit ( loss)	(391,443)	50,570	(340,872)	(340,872)

(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) Information on Revenue and Profit or Loss Amounts by Reportable Segment

Significant changes in the amount of goodwill

In the chatwork business segment, goodwill was generated as a result of the acquisition of shares in Chatwork Storage Technologies Co., Ltd., which became a consolidated subsidiary. The amount of increase in goodwill due to this event was 416,552 thousand yen in the nine months ended September 30, 2021.

Nine months ended September 30, 2022

1) Information on Revenue and Profit or Loss Amounts by Reportable Segment, and disaggregation of revenue

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Performance obligations satisfied at a point in time	128,407	177,675	306,083	306,083
Performance obligations satisfied over time	3,006,901	—	3,006,901	3,006,901
Revenue from contracts with customers	3,135,309	177,675	3,312,984	3,312,984
Other revenue	—	—	—	—
Revenue to outside customers	3,135,309	177,675	3,312,984	3,312,984
Intersegment net revenue or transfers	—	—	—	—
Total	3,135,309	177,675	3,312,984	3,312,984
Segment profit ( loss)	(527,530)	52,677	(474,852)	(474,852)

(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 increased 1,632 thousand yen and segment loss decreased 1,632 thousand yen in the third quarter of the current fiscal year compared to the previous method.

#### (Significant Subsequent Events)

##### (Significant borrowing of funds and execution of overdraft and commitment line agreements)

At a meeting of the Board of Directors held on October 19, 2022, the company resolved to borrow funds and enter into an overdraft and commitment line agreement for the purpose of allocating funds to working capital and other needs for future business expansion and to improve the stability of its financial base. Based on this resolution, the Company entered into a loan agreement with The Shoko Chukin Bank, Ltd. on October 31, 2022, and executed the loan. Borrowings and overdraft and commitment line agreements are summarized as follows

##### (1) New borrowing

- |                  |                             |
|------------------|-----------------------------|
| 1) Lender        | The Shoko Chukin Bank, Ltd. |
| 2) Loan amount   | 500,000 thousand yen        |
| 3) Interest rate | Base interest rate + spread |
| 4) Loan date     | October 31, 2022            |
| 5) Loan period   | Three years                 |
| 6) Collateral    | Unsecured and unguaranteed  |

##### (2) Overdraft agreement

- |                  |                                     |
|------------------|-------------------------------------|
| 1) Lender        | Sumitomo Mitsui Banking Corporation |
| 2) Loan amount   | 200,000 thousand yen                |
| 3) Interest rate | Base interest rate + spread         |
| 4) Loan date     | October 27, 2022                    |
| 5) Loan period   | November 1, 2022 to August 31, 2023 |
| 6) Collateral    | Unsecured and unguaranteed          |

##### (3) Commitment line agreement

- |                  |  |
|------------------|--|
| 1) Lender        | Resona Bank, Limited.                  |
| 2) Loan amount   | 300,000 thousand yen                   |
| 3) Interest rate | Base interest rate + spread            |
| 4) Loan date     | October 27, 2022                       |
| 5) Loan period   | One year from the date of the contract |
| 6) Collateral    | Unsecured and unguaranteed             |

##### 7) Financial covenants

- The amount of cash and deposits as shown in the consolidated balance sheet for the fiscal year and quarter must be at least 1 billion yen.
- The amount calculated by the following formula must be at least 0 yen.

Cash and cash equivalents - [Short-term borrowings + Commercial paper + Current portion of long-term debt + Current portion of bonds + Bonds with stock acquisition rights (including convertible bonds) + Long-term debt + Bonds + Bonds with stock acquisition rights (including convertible bonds) + Notes receivable discounted (including electronically recorded receivables discounted)]