

## Translation

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### Summary of Financial Results for the Three Months Ended March 31, 2023 (Japanese GAAP) (Consolidated)



May 12, 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: 81-50-1791-0683

Scheduled date to file quarterly securities report : May 12, 2023

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 three months ended March 31, 2023

##### (1) Consolidated business results (from January 1, 2023 to March 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	%
Three months ended March 31, 2023	1,422	35.6	0	—	(148)	—	(150)	—	(148)	—
Three months ended March 31, 2022	1,049	—	(73)	—	(137)	—	(134)	—	(119)	—

(Note) Comprehensive income (millions of yen)

Three months ended March 31, 2023: (159) (—%) Three months ended March 31, 2022: (134) (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended March 31, 2023	(3.71)	—
Three months ended March 31, 2022	(3.02)	—

(Note) 1) Diluted earnings per share is not shown in the above table, because basic earnings per share is negative although there are potential shares.

2) As consolidated financial statements are being prepared from the nine months ended September 30, 2021, percentage change from the previous period for the three months ended March 31, 2022 is not shown.

3) EBITDA is calculated by adding operating profit, depreciation and amortization expenses, and share-based payment expenses.

##### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of March 31, 2023	5,942	2,760	45.8
As of December 31, 2022	5,400	2,869	52.4

(Reference) Equity As of March 31, 2023 2,721 million yen As of December 31, 2022 2,831 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, 2022	—	0.00	—	0.00	0.00
Year ended December 31, 2023	—	0.00	—	0.00	0.00
Fiscal year ending December 31, 2023 (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, 2023 (from January 1, 2023 to December 31, 2023)

Given the need to respond to competition and changes in the market environment and to make investment decisions flexibly during the year, we have adopted a policy of not disclosing specific monetary forecasts for the fiscal year ending December 31, 2023. That being said, we will continue to concentrate on achieving high levels of growth in revenue from the Chatwork segment, which remains our foremost management target. For the fiscal year ending December 31, 2023, we expect revenue from the Chatwork segment to grow at 40% or more year on year. For the Company as a whole, we anticipate year-on-year revenue growth of 35% or more. For details, 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”.

### \*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, 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 “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)

1) Number of shares issued and outstanding at the end of the period (including treasury shares)	As of March 31, 2023	40,017,220 shares	As of December 31, 2022	39,941,702 shares
2) Number of treasury shares at end of the period	As of March 31, 2023	11,157 shares	As of December 31, 2022	2,223 shares

- 3) Average number of shares during the period (for the three months ended March 31, 2023)

Three months ended March 31, 2023	39,963,202 shares	Three months ended March 31, 2022	39,469,043 shares
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- \* 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 three months ended March 31, 2023, 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. In addition, MINAGINE Co.,Ltd. as a consolidated subsidiary for the purpose of service expansion to realize our long-term vision of a business version of Super Apps, enabling us to expand our services in the area of human resources.

As a result, the Company achieved net revenue of 1,422,986 thousand yen (up 35.6% compared with the same period of the previous fiscal year), EBITDA (NOTE1) of 243 thousand yen (EBITDA of a negative 73,627 thousand yen for the same period of the previous year), operating loss of 148,583 thousand yen (operating loss of 137,652 thousand yen for the same period of the previous year), ordinary loss of 150,760 thousand yen (ordinary loss of 134,851 thousand yen for the same period of the previous year), and loss attributable to owners of parent of 148,108 thousand yen (loss attributable to owners of parent of 119,177 thousand yen for the same period of the previous year) for the three months ended March 31, 2023.

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 1,363,204 thousand yen (up 38.4% compared with the same period of the previous fiscal year) and segment loss of 171,703 thousand yen (segment loss of 154,759 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 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 59,781 thousand yen (down 6.3% compared with the same period of the previous fiscal year) and segment profit stood at 23,120 thousand yen (up 35.2% 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 March 31, 2023 increased by 541,700 thousand yen compared with the end of the previous fiscal year to 5,942,088 thousand yen. This was mainly due to an increase in goodwill of 1,114,297 thousand yen, an increase in software of 460,862 thousand yen, and a decrease in cash and deposits of 870,454 thousand yen.

#### (Liabilities)

Total liabilities as of March 31, 2023 increased by 651,240 thousand yen compared with the end of the previous fiscal year to 3,181,695 thousand yen. This was mainly due to an increase in long-term borrowings of 545,603 thousand yen, and an increase in the current portion of long-term borrowings of 116,325 thousand yen.

#### (Net Assets)

Net assets as of March 31, 2023 decreased by 109,539 thousand yen compared with the end of the previous fiscal year to 2,760,392 thousand yen. This was mainly due to a net loss attributable to owners of parent of 148,108 thousand yen for the period. As a result, the equity ratio was 45.8% (52.4% at the end of the previous fiscal year).

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

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.

(NOTE)1. EBITDA is calculated by adding operating profit, depreciation and amortization expenses, and share-based payment expenses.

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

### (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	2,850,323	1,979,869
Accounts receivable - trade	307,867	354,039
Prepaid expenses	690,402	584,299
Other	71,376	28,354
Allowance for doubtful accounts	(72)	(226)
Total current assets	3,919,898	2,946,337
Non-current assets		
Property, plant and equipment	29,652	23,117
Intangible assets		
Software	248,580	709,442
Goodwill	285,326	1,399,623
Other	626,677	198,252
Total intangible assets	1,160,584	2,307,317
Investments and other assets	290,251	665,315
Total non-current assets	1,480,488	2,995,750
Total assets	5,400,387	5,942,088
<b>Liabilities</b>		
Current liabilities		
Accounts payable - other	327,445	299,607
Accrued expenses	137,443	95,696
Income taxes payable	32,160	13,261
Contract liabilities	995,838	989,249
Provision for bonuses	21,600	19,249
Short-term borrowings	—	3,700
Current portion of long-term borrowings	102,000	218,325
Other	115,712	97,682
Total current liabilities	1,732,200	1,736,772
Non-current liabilities		
Long-term borrowings	763,500	1,309,103
Deferred tax liabilities	34,754	33,732
Retirement benefit liability	—	2,087
Other	—	100,000
Total non-current liabilities	798,254	1,444,923
Total liabilities	2,530,455	3,181,695
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,622,024	2,641,197
Capital surplus	2,607,884	2,627,057
Retained earnings	(2,398,796)	(2,546,904)
Treasury stock	(88)	(88)
Total shareholders' equity	2,831,023	2,721,261
Non-controlling interests	38,908	39,131
Total net assets	2,869,931	2,760,392
Total liabilities and net assets	5,400,387	5,942,088

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

For the three months ended March 31, 2023

Quarterly Consolidated Statement of Income (cumulative)

(Unit: thousand yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Revenue	1,049,066	1,422,986
Cost of revenue	295,641	503,449
Gross profit	753,425	919,536
Selling, general and administrative expenses	891,077	1,068,119
Operating profit (loss)	(137,652)	(148,583)
Non-operating income		
Interest income	9	85
Foreign exchange gains	3,593	—
Subsidy income	—	1,213
Income from point cord	—	493
Miscellaneous income	722	162
Total non-operating income	4,325	1,954
Non-operating expenses		
Interest expenses	1,523	3,593
Foreign exchange losses	—	51
Other	—	487
Total non-operating expenses	1,523	4,132
Ordinary profit (loss)	(134,851)	(150,760)
Extraordinary income		
Gain on sales of non-current assets	461	—
Total extraordinary profit	461	—
Profit (loss) before income taxes	(134,389)	(150,760)
Income taxes - current	1,526	1,697
Income taxes - deferred	(1,022)	(1,022)
Total income taxes	504	675
Profit (loss)	(134,893)	(151,436)
Profit (loss) attributable to non-controlling interests	(15,716)	(3,328)
Profit (loss) attributable to owners of parent	(119,177)	(148,108)



Quarterly Consolidated Statement of Comprehensive Income (cumulative)

(Unit: thousand yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit (loss)	(134,893)	(151,436)
Other comprehensive income		
Comprehensive income	(134,893)	(151,436)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(119,177)	(148,108)
Comprehensive income attributable to non-controlling interests	(15,716)	(3,328)

### (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 Guidance on Accounting Standard for Fair Value Measurement)

The Company adopted the "Guidance on Accounting Standard for Fair Value Measurement"(ASBJ Guidance No. 31 revised June 17, 2021) at the beginning of the first quarter of the fiscal year. In accordance with the transitional treatment provided in Paragraph 27-2 of the Guidance on Accounting Standard for Fair Value Measurement, new accounting policies prescribed by the Guidance on Accounting Standard for Fair Value Measurement are applied prospectively.

This change in accounting policies does not affect the quarterly consolidated financial statements.

(Segment Information, Etc.)

[Segment information]

Three months ended March 31, 2022

#### 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				
Performance obligations satisfied at a point in time	42,173	63,803	105,976	105,976
Performance obligations satisfied over time	943,089	—	943,089	943,089
Revenue from contracts with customers	985,263	63,803	1,049,066	1,049,066
Other revenue	—	—	—	—
Revenue to outside customers	985,263	63,803	1,049,066	1,049,066
Intersegment net revenue or transfers	—	—	—	—
Total	985,263	63,803	1,049,066	1,049,066
Segment profit (loss)	(154,759)	17,106	(137,652)	(137,652)

(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.

Three months ended March 31, 2023

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	49,702	59,781	109,484	109,484
Performance obligations satisfied over time	1,313,502	—	1,313,502	1,313,502
Revenue from contracts with customers	1,363,204	59,781	1,422,986	1,422,986
Other revenue	—	—	—	—
Revenue to outside customers	1,363,204	59,781	1,422,986	1,422,986
Intersegment net revenue or transfers	—	—	—	—
Total	1,363,204	59,781	1,422,986	1,422,986
Segment profit (loss)	(171,703)	23,120	(148,583)	(148,583)

(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 Impairment Loss on Noncurrent Assets and Goodwill by Reportable Segment

(Significant changes in the amount of goodwill)

In the Chatwork segment, goodwill was generated as a result of the acquisition of shares in MINAGINE Co., Ltd., which became a consolidated subsidiary. The amount of increase in goodwill due to this event was 1,141,717 thousand yen in the three months ended March 31, 2023.

(Business Combinations, Etc.)

Business Combination through Acquisition

(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) Quarterly consolidated period for which the company's business is included in the quarterly consolidated income statements  
From February 1, 2023 to March 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
<u>Contingent consideration</u>	<u>100,000 thousand yen</u>
Cost of acquisition	700,000 thousand yen

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

1) Amount of goodwill generated

1,141,717 thousand yen

The amount of goodwill is calculated tentatively, as the allocation of acquisition costs has not been completed as of the end of the first quarter of the current fiscal year.

2) Reason for generation

Goodwill was generated due to the expectation of excess earning power resulting from future business development.

3) Amortization period

Straight-line amortization over 10 years

(Significant Subsequent Events)

Not applicable.