

Translation

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Summary of Financial Results for the Six Months Ended June 30, 2023 (Japanese GAAP) (Consolidated)



August 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

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Tel: 81-50-1791-0683

Scheduled date to file quarterly securities report : August 14, 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 six months ended June 30, 2023

(1) Consolidated business results (from January 1, 2023 to June 30, 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	%
Six months ended June 30, 2023	2,924	36.0	(134)	—	(428)	—	(431)	—	(422)	—
Six months ended June 30, 2022	2,150	—	(127)	—	(247)	—	(248)	—	(229)	—

(Note) Comprehensive income (millions of yen)

Six months ended June 30, 2023: (432) (—%) Six months ended June 30, 2022: (248) (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2023	(10.56)	—
Six months ended June 30, 2022	(5.79)	—

(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) 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 June 30, 2023	5,886	2,558	43.0
As of December 31, 2022	5,400	2,869	52.4

(Reference) Equity As of June 30, 2023 2,530 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
Year ended December 31, 2022	Yen —	Yen 0.00	Yen —	Yen 0.00	Yen 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)

(% indicate year-on-year changes)

	Revenue		EBITDA		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	%	Millions of yen	%	Yen
Full year	6,646 ~6,744	44.6 ~46.8	0 ~77	—	(606) ~(528)	—	(612) ~(535)	—	(575) ~(498)	—	(14.37) ~(12.45)

(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 (4) Notes on Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 11 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 six months ended June 30, 2023)

As of June 30, 2023	40,192,318 shares	As of December 31, 2022	39,941,702 shares
As of June 30, 2023	11,157 shares	As of December 31, 2022	2,223 shares
Six months ended June 30, 2023	40,011,267 shares	Six months ended June 30, 2022	39,537,258 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 4, 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

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

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

In the first six months of the fiscal year, we invested in promoting the adoption of Chatwork and in expanding peripheral services that leverage our business chat platform. We also made steady progress on the post-merger integration of MINAGINE Co., Ltd., which became a consolidated subsidiary in February 2023, enabling us to expand our services in the area of human resources.

As a result, in the first six months of the fiscal year the Company recorded revenue of 2,924,535 thousand yen (up 36.0% year on year), EBITDA (Note 2) of negative 134,521 thousand yen (negative 127,745 thousand yen in the first half of the preceding fiscal year), an operating loss of 428,552 thousand yen (operating loss of 247,922 thousand yen), an ordinary loss of 431,093 thousand yen (ordinary loss of 248,036 thousand yen), and a loss attributable to owners of parent of 422,366 thousand yen (loss of 229,057 thousand yen).

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 revenue of 2,810,859 thousand yen (up 39.2% year on year) and segment loss of 463,319 thousand yen (segment loss of 290,803 thousand yen in the first half of the preceding 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 indirect costs is recorded as expenses in this segment.

ARR (Note 3), number of paying IDs, and ARPU in the Chatwork account business

	Q4 '20	Q4 '21	Q4 '22	Q2 '22	Q2 '23
ARR (Unit : JPY million)	2,279	3,447	4,425	3,728	4,726
Number of Paying IDs (Unit : 10000)	45.7	54.7	66.8	59.1	72.0
ARPU (Unit : JPY)	409.9	529.4	547.4	516.2	548.3

(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 113,676 thousand yen (down 13.0% compared with the same period of the previous fiscal year) and segment profit stood at 34,766 thousand yen (down 18.9% 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.

Notes

1. According to a survey of monthly active users (MAUs) conducted in May 2022 by Nielsen NetView and Nielsen Mobile, from among 47 applicable services selected by Chatwork Co., Ltd. In addition to Chatwork, these included Microsoft Teams, Slack, LINE WORKS, and Skype.
2. EBITDA is calculated by adding operating profit, depreciation and amortization expenses, and share-based payment expenses.
3. ARR is short for annual recurring revenue, which equates to monthly recurring revenue (MRR) times 12.

(2) Explanation on Financial Position

(Assets)

Total assets as of June 30, 2023 increased by 485,659 thousand yen compared with the end of the previous fiscal year to 5,886,046 thousand yen. This was mainly due to an increase in goodwill of 1,048,612 thousand yen, an increase in software of 440,304 thousand yen, and a decrease in cash and deposits of 1,253,578 thousand yen.

(Liabilities)

Total liabilities as of June 30, 2023 increased by 796,619 thousand yen compared with the end of the previous fiscal year to 3,327,074 thousand yen. This was mainly due to an increase in long-term borrowings of 491,946 thousand yen, an increase in contract liabilities of 124,794 thousand yen, and an increase in the current portion of long-term borrowings of 112,826 thousand yen.

(Net Assets)

Net assets as of June 30, 2023 decreased by 310,960 thousand yen compared with the end of the previous fiscal year to 2,558,971 thousand yen. This was mainly due to an increase in share capital of 60,688 thousand yen, an increase in capital surplus of 60,688 thousand yen, and a decrease in retained earnings of 422,366 thousand yen. As a result, the equity ratio was 43.0% (52.4% at the end of the previous fiscal year).

(Cash Flows)

Cash and cash equivalents as of June 30, 2023 decreased by 1,253,578 thousand yen compared with the end of the previous fiscal year to 1,596,745 thousand yen. The status of each cash flow and their factors for the six months ended June 30, 2023 are as follows.

1) Cash flows from operating activities

Net cash used in operating activities amounted to 254,395 thousand yen. This was mainly due to loss before income taxes of 431,093 thousand yen, an increase in prepaid expenses of 146,921 thousand yen, and depreciation of 186,282 thousand yen.

2) Cash flows from investing activities

Net cash used in investing activities amounted to 1,234,336 thousand yen. This was mainly due to the purchase of shares of subsidiaries resulting in change in scope of consolidation of 580,349, the payments into long-term time deposits of 350,000 thousand yen, and the purchase of intangible assets of 231,924 thousand yen.

3) Cash flows from financing activities

Net cash provided by financing activities was 235,133 thousand yen. This was mainly due to proceeds from long-term borrowings of 300,000 thousand yen, and repayments of long-term borrowings of 102,260 thousand yen.

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

As in the previous fiscal year, in our business forecast for the current fiscal year we consider the rate of revenue growth in the Chatwork segment to be our most important metric for enhancing corporate value. On this basis, we are targeting overall consolidated revenue growth of 35% or more, with year-on-year growth of 40% or higher in the Chatwork segment. We have also continued to invest in expanding the business chat market, placing topmost priority on gaining market share.

In the first six months of the fiscal year ending December 31, 2023, we continued to enjoy steady growth thanks to an increase in the number of Chatwork paying IDs and the impact of bringing MINAGINE Co., Ltd. into the group as a consolidated subsidiary. From the third quarter, we intend to boost ARPU by revising our pricing, and expand subsidiaries' and other peripheral services. As a result, for the full fiscal year we anticipate year-on-year revenue growth of between 44.6% and 46.8% for the entire Company, and we are targeting revenue growth in the Chatwork segment of between 47.8% and 50.1%, higher than our initial targets.

With regard to ranges, we expect fluctuations based on changes in the number of paying IDs stemming from price revisions, as well as changes in revenue from peripheral services. Details of our financial forecast are as follows.

Unit : million yen	FY 2022 actual	FY2023 forecast	YoY
Revenue	4,593	6,646 ~ 6,744	+44.6% ~ +46.8%
Chatwork segment	4,368	6,460 ~ 6,558	+47.8% ~ +50.1%
Gross profit	3,187	4,186 ~ 4,291	+31.3% ~ +34.6%
Gross margin	69.3%	62.9% ~ 63.6%	-6.4pt ~ -5.7pt
EBITDA	(468)	0 ~ 77	-
Operating profit	(719)	(606) ~ (528)	-
Ordinary profit	(724)	(612) ~ (535)	-
Profit attributable to owners of parent	(687)	(575) ~ (498)	-

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	2,850,323	1,596,745
Accounts receivable - trade	307,867	356,393
Prepaid expenses	690,402	875,502
Other	71,376	39,839
Allowance for doubtful accounts	(72)	(260)
Total current assets	3,919,898	2,868,220
Non-current assets		
Property, plant and equipment	29,652	12,570
Intangible assets		
Software	248,580	688,884
Goodwill	285,326	1,333,938
Other	626,677	252,955
Total intangible assets	1,160,584	2,275,778
Investments and other assets	290,251	729,477
Total non-current assets	1,480,488	3,017,826
Total assets	5,400,387	5,886,046
Liabilities		
Current liabilities		
Accounts payable - other	327,445	341,026
Accrued expenses	137,443	120,129
Income taxes payable	32,160	25,953
Contract liabilities	995,838	1,120,632
Provision for bonuses	21,600	22,835
Short-term borrowings	—	2,800
Current portion of long-term borrowings	102,000	214,826
Other	115,712	118,477
Total current liabilities	1,732,200	1,966,681
Non-current liabilities		
Long-term borrowings	763,500	1,255,446
Deferred tax liabilities	34,754	32,710
Retirement benefit liability	—	2,237
Other	—	70,000
Total non-current liabilities	798,254	1,360,393
Total liabilities	2,530,455	3,327,074
Net assets		
Shareholders' equity		
Share capital	2,622,024	2,682,712
Capital surplus	2,607,884	2,668,572
Retained earnings	(2,398,796)	(2,821,162)
Treasury stock	(88)	(88)
Total shareholders' equity	2,831,023	2,530,033
Non-controlling interests	38,908	28,937
Total net assets	2,869,931	2,558,971
Total liabilities and net assets	5,400,387	5,886,046

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

For the six months ended June 30, 2023

Quarterly Consolidated Statement of Income (cumulative)

(Unit: thousand yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Revenue	2,150,486	2,924,535
Cost of revenue	607,019	1,089,715
Gross profit	1,543,467	1,834,819
Selling, general and administrative expenses	1,791,389	2,263,372
Operating profit (loss)	(247,922)	(428,552)
Non-operating income		
Interest income	9	85
Foreign exchange gains	11,883	1,014
Subsidy income	—	2,497
Income from point cord	—	3,330
Miscellaneous income	738	241
Other	—	18
Total non-operating income	12,631	7,186
Non-operating expenses		
Interest expenses	3,120	7,970
Share issuance costs	9,555	506
Other	69	1,251
Total non-operating expenses	12,745	9,727
Ordinary profit (loss)	(248,036)	(431,093)
Extraordinary income		
Gain on sales of non-current assets	461	—
Total extraordinary profit	461	—
Profit (loss) before income taxes	(247,574)	(431,093)
Income taxes - current	3,051	3,287
Income taxes - deferred	(2,044)	(2,044)
Total income taxes	1,007	1,243
Profit (loss)	(248,581)	(432,336)
Profit (loss) attributable to non-controlling interests	(19,523)	(9,970)
Profit (loss) attributable to owners of parent	(229,057)	(422,366)

Quarterly Consolidated Statement of Comprehensive Income (cumulative)

(Unit: thousand yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit (loss)	(248,581)	(432,336)
Other comprehensive income		
Comprehensive income	(248,581)	(432,336)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(229,057)	(422,366)
Comprehensive income attributable to non-controlling interests	(19,523)	(9,970)

(3) Quarterly Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit (loss) before income taxes	(247,574)	(431,093)
Depreciation	69,093	186,282
Amortization of goodwill	16,783	63,105
Share-based payment expenses	25,531	46,764
Share issuance costs	9,555	506
Interest and dividend income	(9)	(103)
Subsidy income	—	(2,497)
Interest expenses and guarantee commission	3,120	7,970
Commitment fee	—	371
Foreign exchange losses (gains)	(209)	(19)
Loss (gain) on sale of non-current assets	(461)	—
Decrease (increase) in trade receivables	13,165	5,043
Increase (decrease) in allowance for doubtful accounts	—	188
Decrease (increase) in prepaid expenses	171,276	(146,921)
Increase (decrease) in provision for bonuses	21,600	(6,139)
Increase (decrease) in retirement benefit liability	—	196
Increase (decrease) in accounts payable-other	(153,843)	(26,012)
Increase (decrease) in accrued expenses	(16,551)	(22,099)
Increase (decrease) in income taxes payable	1,907	(3,413)
Increase (decrease) in contract liabilities	122,938	88,317
Other	5,838	(3,000)
Subtotal	42,159	(242,552)
Interest and dividends received	9	103
Subsidies received	—	2,497
Interest expenses and guarantee commission paid	(3,120)	(7,990)
Payments for commitment fee	—	(371)
Income taxes paid	(4,066)	(6,081)
Net Cash provided by (used in) operating activities	34,981	(254,395)
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,420)	(393)
Proceeds from sales of property, plant and equipment	551	—
Purchase of intangible assets	(205,530)	(231,924)
Purchase of investment securities	(29,880)	(29,987)
Payments for asset retirement obligations	(18,181)	—
Payments of guarantee deposits	—	(12,162)
Proceeds from refund of leasehold and guarantee deposits	280	480
Loan advances	—	(30,000)
Payments into long-term time deposits	—	(350,000)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(580,349)
Net cash provided by (used in) investing activities	(262,182)	(1,234,336)

(Unit: Thousand yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from financing activities		
Proceeds from short-term borrowings	500,000	—
Repayments of short-term borrowings	(200,000)	(1,500)
Proceeds from long-term borrowings	—	300,000
Repayments of long-term borrowings	(59,500)	(102,260)
Proceeds from issuance of shares	21,700	39,400
Payment for issuance of new shares	(9,555)	(506)
Net cash provided by (used in) financing activities	252,644	235,133
Effect of exchange rate change on cash and cash equivalents	209	19
Net increase (decrease) in cash and cash equivalents	25,652	(1,253,578)
Cash and cash equivalents at beginning of term	3,200,053	2,850,323
Cash and cash equivalents at end of term	3,225,706	1,596,745

(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]

Six months ended June 30, 2022

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	78,481	130,681	209,162	209,162
Performance obligations satisfied over time	1,941,323	—	1,941,323	1,941,323
Revenue from contracts with customers	2,019,804	130,681	2,150,486	2,150,486
Other revenue	—	—	—	—
Revenue to outside customers	2,019,804	130,681	2,150,486	2,150,486
Intersegment net revenue or transfers	—	—	—	—
Total	2,019,804	130,681	2,150,486	2,150,486
Segment profit (loss)	(290,803)	42,881	(247,922)	(247,922)

(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.

Six months ended June 30, 2023

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	109,133	113,676	222,809	222,809
Performance obligations satisfied over time	2,701,726	—	2,701,726	2,701,726
Revenue from contracts with customers	2,810,859	113,676	2,924,535	2,924,535
Other revenue	—	—	—	—
Revenue to outside customers	2,810,859	113,676	2,924,535	2,924,535
Intersegment net revenue or transfers	—	—	—	—
Total	2,810,859	113,676	2,924,535	2,924,535
Segment profit (loss)	(463,319)	34,766	(428,552)	(428,552)

(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.

(Significant Subsequent Events)

Not applicable.