

Translation

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Summary of Financial Results for the Three Months Ended March 31, 2024 (Japanese GAAP) (Consolidated)



May 15, 2024

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 15, 2024
 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, 2024

(1) Consolidated business results (from January 1, 2024 to March 31, 2024)

(% 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, 2024	1,934	36.0	124	—	(13)	—	(16)	—	(43)	—
Three months ended March 31, 2023	1,422	35.6	0	—	(148)	—	(150)	—	(148)	—

(Note) Comprehensive income (millions of yen)

Three months ended March 31, 2024: (43) (—%) Three months ended March 31, 2023: (151) (—%)

	Basic earnings per share	Diluted earnings per share
Three months ended March 31, 2024	Yen (1.07)	Yen —
Three months ended March 31, 2023	Yen (3.71)	Yen —

(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 March 31, 2024	6,160	2,408	39.1
As of December 31, 2023	6,273	2,422	38.6

(Reference) Equity As of March 31, 2024 2,408 million yen As of December 31, 2023 2,422 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 31,2023	—	0.00	—	0.00	0.00
Year ended December 31,2024	—	0.00	—	0.00	0.00
Fiscal year ending December 31,2024(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, 2024 (from January 1, 2024 to December 31, 2024)

There is no change from the consolidated earnings forecast disclosed in 9,February 2024.We will continue to focus on achieving high growth rates and improving profitability. For the fiscal year ending December 31, 2024, we will proceed with the development of our business chat tool, "Chatwork" and the establishment of a system that generates investment and profits for the BPaaS MINAGINE and Chatwork Assistant. The full-year forecasts are as follows.

	Forecast for FY2024
Revenue	+30% YoY
EBITDA	JPY 300mn or more

*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

(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, 2024	40,708,194 shares	As of December 31, 2023	40,627,295 shares
2) Number of treasury shares at end of the period	As of March 31, 2024	38,288 shares	As of December 31, 2023	25,201 shares
3) Average number of shares during the period (for the three months ended March 31, 2024)	Three months ended March 31, 2024	40,629,100 shares	Three months ended March 31, 2023	39,963,202 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

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 three months ended March 31, 2024, we invested in promoting the adoption of Chatwork and in expanding peripheral services that leverage our business chat platform. Business is progressing steadily, including an increase in ARPU due to price revision in the previous fiscal year and expansion of services into the area of human resources and labor affairs by Minagin, Inc. which became a consolidated subsidiary in February 2023. "Chatwork Assistant" as a new in-house service of “BPaaS” (Note 2) in June 2023.

As a result, in the first three months of the fiscal year the Company recorded revenue of 1,934,557 thousand yen (up 36.0% year on year), EBITDA (Note 3) of 124,756 thousand yen (negative 243 thousand yen for the same period of the previous year), an operating loss of 13,698 thousand yen (operating loss of 148,583 thousand yen for the same period of the previous year), an ordinary loss of 16,922 thousand yen (ordinary loss of 150,760 thousand yen for the same period of the previous year), and a loss attributable to owners of parent of 43,551 thousand yen (loss attributable to owners of parent of 148,108 thousand yen for the same period of the previous year).

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).

ARR (Note 4), number of paying IDs, and ARPU in the Chatwork account business

	Q4 '21	Q4 '22	Q4 '23	Q1 '23	Q1 '24
ARR (Unit : JPY million)	3,447	4,425	6,180	4,639	6,285
Number of Paying IDs (Unit : 10000)	54.7	66.8	73.1	69.9	74.3
ARPU (Unit : JPY)	529.4	547.4	672.4	544.7	687.4

(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).

Notes

1. According to a survey of monthly active users (MAUs) conducted in May 2023 by Nielsen NetView and Nielsen Mobile, from among 44 applicable services selected by Chatwork Co., Ltd. In addition to Chatwork, these included Microsoft Teams, Slack, LINE WORKS,

and Skype.

2. BPaaS is short for Business Process as a Service. Rather than just software, BPaaS is a cloud service that provides business services themselves, allowing facilitating cloud-based business process outsourcing (BPO).
3. EBITDA is calculated by adding operating profit, depreciation and amortization expenses, and share-based payment expenses.
4. 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 March 31, 2024 decreased by 112,894 thousand yen compared with the end of the previous fiscal year to 6,160,596 thousand yen. This was mainly due to a decrease in prepaid expenses of 140,264 thousand yen.

(Liabilities)

Total liabilities as of March 31, 2024 decreased by 99,484 thousand yen compared with the end of the previous fiscal year to 3,751,787 thousand yen. This was mainly due to a decrease in long-term borrowings of 51,648 thousand yen, a decrease in contract liabilities of 116,325 thousand yen, and a decrease in other current liabilities of 20,827 thousand yen.

(Net Assets)

Net assets as of March 31, 2024 decreased by 13,409 thousand yen compared with the end of the previous fiscal year to 2,408,809 thousand yen. This was mainly due to an increase in capital stock of 15,070 thousand yen, an increase in capital surplus of 15,070 thousand yen, and a decrease in retained earnings of 43,551 thousand yen. As a result, the equity ratio was 39.1% (38.6% at the end of the previous fiscal year).

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

There is no change from the consolidated earnings forecast disclosed in 9,February 2024.Our medium-term management plan states our aim to establish our position as the number one BPaaS company for small and medium-sized enterprises (SMEs) by the fiscal year ending December 31, 2026, and in the long term, to become a "business super app" platform that serves as the starting point for all business activities, backed by a dominant share in the SME market. From the fiscal year ending December 31, 2024 to the fiscal year ending December 31, 2026, we will accelerate the overall growth of the Group toward our goal of becoming the top BPaaS company for SMEs, while also working to build a profitable framework.

Our medium-term targets include a CAGR for revenue of 30% or more from the fiscal year ended December 31, 2024 to the fiscal year ending December 31, 2026, as well as revenue of 15.0 billion yen and an EBITDA margin of 10–15% for the fiscal year ending December 31, 2026. Please note that these medium-term targets will be reviewed and disclosed in the event of any M&A activities.

Based on the above policy, we will continue to focus on achieving high growth rates and improving profitability. For the fiscal year ending December 31, 2024, we will proceed with the development of our business chat tool, "Chatwork" and the establishment of a system that generates investment and profits for the BPaaS MINAGINE and Chatwork Assistant. The full-year forecasts are as follows.

	Forecast for FY2024
Revenue	+30% YoY
EBITDA	JPY 300mn or more

(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, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	2,102,487	2,174,110
Accounts receivable - trade	432,075	426,174
Prepaid expenses	608,346	468,081
Other	74,311	39,634
Allowance for doubtful accounts	(254)	(254)
Total current assets	3,216,966	3,107,747
Non-current assets		
Property, plant and equipment	11,080	9,051
Intangible assets		
Software	465,353	399,962
Goodwill	1,029,292	999,500
Other	704,248	793,086
Total intangible assets	22,198,894	2,192,549
Investments and other assets	846,549	851,247
Total non-current assets	3,056,524	3,052,849
Total assets	6,273,490	6,160,596
Liabilities		
Current liabilities		
Accounts payable - other	273,017	316,077
Accrued expenses	216,809	200,557
Income taxes payable	43,990	30,717
Contract liabilities	1,565,770	1,541,139
Provision for bonuses	26,113	17,061
Short-term borrowings	1,300	400
Current portion of long-term borrowings	262,336	259,327
Other	157,304	136,476
Total current liabilities	2,546,641	2,501,757
Non-current liabilities		
Long-term borrowings	1,114,924	1,063,276
Deferred tax liabilities	117,432	114,199
Retirement benefit liability	2,274	2,554
Other	70,000	70,000
Total non-current liabilities	1,304,630	1,250,030
Total liabilities	3,851,271	3,751,787
Net assets		
Shareholders' equity		
Share capital	2,748,254	2,763,324
Capital surplus	2,734,114	2,749,184
Retained earnings	(3,060,060)	(3,103,612)
Treasury stock	(88)	(88)
Total shareholders' equity	2,422,218	2,408,809
Total net assets	2,422,218	2,408,809
Total liabilities and net assets	6,273,490	6,160,596

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

For the three months ended March 31, 2024

Quarterly Consolidated Statement of Income (cumulative)

(Unit: thousand yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Revenue	1,422,986	1,934,557
Cost of revenue	503,449	666,020
Gross profit	919,536	1,268,537
Selling, general and administrative expenses	1,068,119	1,282,236
Operating profit (loss)	(148,583)	(13,698)
Non-operating income		
Interest income	85	8
Subsidy income	1,213	—
Income from point cord	493	1,745
Miscellaneous income	162	59
Total non-operating income	1,954	1,813
Non-operating expenses		
Interest expenses	3,593	3,918
Foreign exchange losses	51	118
Share issuance costs	70	—
Other	416	1,000
Total non-operating expenses	4,132	5,037
Ordinary profit (loss)	(150,760)	(16,922)
Profit (loss) before income taxes	(150,760)	(16,922)
Income taxes - current	1,697	16,172
Income taxes - deferred	(1,022)	10,455
Total income taxes	675	26,628
Profit (loss)	(151,436)	(43,551)
Profit (loss) attributable to non-controlling interests	(3,328)	—
Profit (loss) attributable to owners of parent	(148,108)	(43,551)

Quarterly Consolidated Statement of Comprehensive Income (cumulative)

(Unit: thousand yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Profit (loss)	(151,436)	(43,551)
Other comprehensive income		
Comprehensive income	(151,436)	(43,551)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(148,108)	(43,551)
Comprehensive income attributable to non-controlling interests	(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)

Not applicable.

(Segment Information, Etc.)

[Segment information]

Three months ended March 31, 2023

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	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.

Three months ended March 31,2024

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	71,506	37,660	109,167	109,167
Performance obligations satisfied over time	1,825,389	—	1,825,389	1,825,389
Revenue from contracts with customers	1,896,896	37,660	1,934,557	1,934,557
Other revenue	—	—	—	—
Revenue to outside customers	1,896,896	37,660	1,934,557	1,934,557
Intersegment net revenue or transfers	—	—	—	—
Total	1,896,896	37,660	1,934,557	1,934,557
Segment profit (loss)	(18,725)	5,026	(13,698)	(13,698)

(Note) 1. Segment profit has been adjusted with the operating loss in the quarterly financial statements.

(Additional Information)

(establishment of a Subsidiary through a Company Split)

At a Board of Directors meeting on February 9, 2024, Chatwork Co., Ltd. (hereinafter, the "Company") resolved to approve the establishment of a new company through an incorporation-type company split (hereinafter, the "New Company"). April 1, 2024 shall be the effective date of the incorporation-type company split (hereinafter, the "Company Split"). The New Company shall take over from Chatwork its Business Process as a Service (BPaaS) business (hereinafter, the "BPaaS Business"), as described below. As a result of the Company Split, MINAGINE Co., Ltd., a wholly owned subsidiary of Chatwork, will become a wholly-owned subsidiary of the New Company, making it a sub-subsidiary of Chatwork.

1. Objective of the Company Split

Under the mission of "Making work more fun and creative," Chatwork Group aims to create a society where people can enjoy their work and unleash their creativity to the fullest, recognizing that work constitutes a significant portion of people's lives. We are committed to developing and providing services that promote work efficiency and creative ways of working. To realize this mission, our flagship service, the business chat tool "Chatwork," helps to increase work productivity and promote diverse ways of working, primarily targeting small and medium-sized enterprises in Japan. To help customers enhance their operational efficiency and productivity, the Company has been expanding its BPaaS Business, which goes beyond providing software and also offers the entire business process as a service for non-core functions such as accounting and labor affairs. In February 2023, the Company acquired MINAGINE Co., Ltd., which provides cloud-based payroll and performance evaluation systems and labor outsourcing, as a consolidated subsidiary. In June 2023, the Company also released Chatwork Assistant, which provides support for non-specialized areas of back-office operations.

To further enhance the corporate value of the Chatwork Group, we aim to achieve efficient management and flexible business operations that can adapt to changes in the market environment by restructuring the Group through the Company Split. This will involve expanding the BPaaS Business as a separate entity within the Company, allowing us to respond effectively to evolving market conditions.

2. Overview of Business to Be Split Off

(1)Name of the company to be newly established as a result of this company split

kubell partner Co., Ltd.

(2) Details of Business to Be Split Off

The Business Process as a Service (BPaaS) Business is to be split off.

(3) Operating Performance of Business to Be Split off (Fiscal year ended December 31, 2023)

Revenue: ¥46,837,762

(4) Line Items and Amounts of Assets and Liabilities to Be Split (As of March 31, 2024)

(Unit: thousand yen)

Assets		Liabilities	
Current assets	¥506,638	Current liabilities	¥45,410
Non-current assets	¥683,233	Non-current liabilities	¥70,000
Total	¥1,189,871	Total	¥115,410

(5) Method of the Company Split

The Company Split is a simple incorporation-type company split, in which the Company is the splitting company and the New Company is the succeeding company. The New Company is a wholly-owned subsidiary of the Company.

3. Overview of the Company Split

(1) Schedule of the Company Split

Board of Directors meeting for approval of the incorporation-type company split

February 9, 2024

Effective date

April 1, 2024

Note: The Company Split is a simplified company split under the provisions of Article 805 of the Companies Act, and it therefore be implemented without a resolution of approval at a general meeting of shareholders.