

## Translation

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# Summary of Financial Results for the Fiscal Year Ended December 31, 2021 (Japanese GAAP) (Consolidated)



February 10, 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

Contact for inquiries: Naoki Inoue, Director, CFO

Tel: 81-3-6459-0514

Scheduled date of ordinary general meeting of shareholders: March 25, 2022

Scheduled date to file annual securities report: March 28, 2022

Scheduled date to commence dividend payments: —

Preparation of supplementary materials on financial results: Yes

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

(Amounts are rounded down to the nearest million yen)

## 1. Consolidated financial results for the fiscal year ended December 31, 2021

### (1) Consolidated business results (from January 1, 2021 to December 31, 2021)

(% 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	%
Year ended December 31, 2021	3,372	—	(688)	—	(705)	—	(696)	—
Year ended December 31, 2020	—	—	—	—	—	—	—	—

(Note) Comprehensive income (millions of yen)

Year ended December 31, 2021: (708) (—%) Year ended December 31, 2020: (—) (—%)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to Revenue
	Yen	Yen	%	%	%
Year ended December 31, 2021	(18.72)	—	(20.9)	(13.6)	(20.4)
Year ended December 31, 2020	—	—	—	—	—

(Note) 1. Diluted earnings per share for the year ended December 31, 2021 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 fiscal year ended December 31, 2021, figures for the fiscal year ended December 31, 2020 and percentage change from the previous fiscal year are not shown. Return on equity and return on assets are calculated based on shareholders' equity and total assets at the end of the fiscal year, respectively, as this is the first year of consolidation.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of December 31, 2021	5,168	3,402	64.3	84.35
As of December 31, 2020	—	—	—	—

(Reference) Equity As of December 31, 2021 3,325 million yen As of December 31, 2020 — million yen

(Note) As consolidated financial statements are being prepared from the fiscal year ending December 31, 2021, figures as of December 31, 2020 are not shown.

### (3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31,2021	(475)	(840)	2,668	3,200
Year ended December 31,2020	—	—	—	—

(Note) As consolidated financial statements are being prepared from the fiscal year ended December 31, 2021, figures for the fiscal year ended December 31, 2020 are not shown.

### 2. Cash dividends

	Annual cash dividends per share					Total dividends paid(annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Yser-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31,2020	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended December 31,2021	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending December 31,2022(forecast)	—	0.00	—	0.00	0.00		—	

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

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, 2022. 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, 2022, we expect revenue from the Chatwork business 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 see the attachment on page 3, entitled “1. Overview of Business Results (4) Future Outlook.”

#### \*Notes

(1) Changes in significant subsidiaries during the period (changes in specified : No subsidiaries resulting in the change in scope of consolidation)

(2) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to amendment of accounting standards, : No etc.

2) Changes in accounting policies other than 1) : No

3) Changes in accounting estimates : No

4) Restatement : No

(3) 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 December 31,2021	39,425,840 shares	As of December 31, 2020	36,880,640 shares
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- 2) Number of treasury shares at end of the period
- 3) Average number of shares during the period

As of December 31, 2021	877 shares	As of December 31, 2020	41 shares
Year ended December 31, 2021	37,179,943 shares	Year ended December 31, 2020	36,650,081 shares

(Reference)

Non-consolidated financial results for the year ended December 31, 2021 (from January 1, 2021 to December 31, 2021)

(1) Non-Consolidated business results (from January 1, 2021 to December 31, 2021)

(% indicate year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31, 2021	3,193	31.7	(634)	—	(651)	—	(656)	—
Year ended December 31, 2020	2,424	33.6	327	321.1	324	421.2	208	239.0

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended December 31, 2021	(17.67)	—
Year ended December 31, 2020	5.68	5.23

(Note) Diluted earnings per share for the year ended December 31, 2021 is not shown in the above table, because basic earnings per share is negative although there are potential shares.

(2) Non-Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of December. 31 2021	5,048	3,364	66.7	85.35
As of December. 31 2020	2,535	1,790	70.6	48.54

(Reference) Equity As of December 31, 2021 3,364 million yen As of December 31, 2020 1,790 million yen

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

(Notes on forward-looking statements)

(1) 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. Overview of Business Results (4) Future Outlook."

(2) Regarding the "Business Plan and Growth Potential" disclosed on October 20, 2021, the next disclosure was scheduled for the full-year financial results disclosure date of February 2022, but we plan to disclose the information in March 2022.

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## 1. Overview of Business Results

### (1) Overview of Business Results for the Current Fiscal Year

In the current consolidated fiscal year, 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, we made Chatwork Storage Technologies Co., Ltd. a consolidated subsidiary for the purpose of expanding our services to realize our long-term vision of a Business Super Apps.

As a result, the Company achieved net revenue of 3,372,285 thousand yen, operating loss of 688,084 thousand yen, ordinary loss of 705,114 thousand yen and loss attributable to owners of parent of 696,188 thousand yen for the current consolidated fiscal year. 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 3,153,280 thousand yen and segment loss of 734,479 thousand yen.

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 219,005 thousand yen and segment profit stood at 46,394 thousand yen. 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) Overview of Financial Position for the Current Fiscal Year

#### (Assets)

Total assets as of December 31, 2021 were 5,168,034 thousand yen. The main items were cash and deposits of 3,200,053 thousand yen, prepaid expenses of 446,392 thousand yen, and goodwill of 318,894 thousand yen.

#### (Liabilities)

Total liabilities as of December 31, 2021 were 1,765,072 thousand yen. The main items were advances received of 649,262 thousand yen, accounts payable - other of 447,048 thousand yen, and long-term borrowings of 365,500 thousand yen.

#### (Net Assets)

Net assets as of December 31, 2021 were 3,402,962 thousand yen. The main items were share capital of 2,525,611 thousand yen and capital surplus of 2,511,471 thousand yen.

### (3) Overview of Cash Flows for the Current Fiscal Year

As of December 31, 2021, cash and cash equivalents stood at 3,200,053 thousand yen. The status of each cash flow and their factors during the current consolidated fiscal year are as follows.

#### (Cash flows from operating activities)

Net cash used in operating activities amounted to 475,251 thousand yen. This was mainly due to profit before income taxes of 704,476 thousand yen, an increase in advances received of 318,186 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 840,207 thousand yen. This was mainly due to the purchase of shares of subsidiaries resulting in change in scope of consolidation of 453,900 thousand yen, and the purchase of intangible assets of 304,681 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities was 2,688,039 thousand yen. This was mainly due to proceeds from issuance of shares of 2,162,087 thousand yen and proceeds from long-term borrowings of 510,000 thousand yen.

#### (4) Future Outlook

For the fiscal year ending December 31, 2022, 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.

#### (5) Important events related to going concern assumptions, etc

Not applicable.

## 2. Basic Policy for Selecting Accounting Standards

In consideration of comparability among companies, the Group applies Japanese GAAP for accounting standards. With regard to the adoption of IFRS (International Financial Reporting Standards), the Group intends to respond appropriately in consideration of various domestic and international circumstances.

### 3. Consolidated Financial Statements and Significant Notes Thereto

#### (1) Consolidated Balance Sheet

(Unit: thousand yen)

As of December 31, 2021

#### Assets

##### Current assets

Cash and deposits	3,200,053
Accounts receivable - trade	312,115
Stored goods	6,316
Prepaid expenses	446,392
Allowance for doubtful accounts	(411)
Other	69,225
Total current assets	4,033,692

##### Non-current assets

##### Property, plant and equipment

Building	54,472
Accumulated depreciation	(21,321)
Building (net)	33,151
Tools, furniture and fixtures	69,307
Accumulated depreciation	(57,044)
Tools, furniture and fixtures (net)	12,262
Total property, plant and equipment	45,414

##### Intangible assets

Software	181,898
Software in progress	290,233
Goodwill	318,894
Customer-related assets	115,673
Telephone subscription right	69
Total intangible assets	906,769

##### Investments and other assets

Investment securities	66,078
Security deposit and guarantee deposit	78,262
Long-term prepaid expenses	37,817
Total investment and other assets	182,158

##### Total non-current assets

1,134,342

##### Total assets

5,168,034

(Unit: thousand yen)

As of December 31, 2021

Liabilities	
Current liabilities	
Accounts payable - other	447,048
Accrued expenses	93,002
Income taxes payable	23,276
Advances received	649,262
Current portion of long-term borrowings	102,000
Other	46,138
Total current liabilities	1,360,728
Non-current liabilities	
Long-term borrowings	365,500
Deferred tax liabilities	38,843
Total non-current liabilities	404,343
Total liabilities	1,765,072
Net assets	
Shareholders' equity	
Share capital	2,525,611
Capital surplus	2,511,471
Retained earnings	(1,711,645)
Treasury stock	(42)
Total shareholders' equity	3,325,394
Non-controlling interests	77,567
Total net assets	3,402,962
Total liabilities and net assets	5,168,034



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

(Unit: thousand yen)

	Fiscal year ended December 31, 2021
Revenue	3,372,285
Cost of revenue	993,543
Gross profit	2,378,741
Selling, general and administrative expenses	3,066,826
Operating profit (loss)	(688,084)
Non-operating income	
Interest income	16
Foreign exchange gains	1,419
Miscellaneous income	277
Total non-operating income	1,713
Non-operating expenses	
Share issuance costs	15,447
Interest expenses	2,097
Loss on investments in investment partnerships	543
Miscellaneous loss	655
Total non-operating expenses	18,743
Ordinary profit (loss)	(705,114)
Extraordinary profit	
Gain on sales of noncurrent assets	638
Total extraordinary profit	638
Profit (loss) before income taxes	(704,476)
Income taxes - current	5,971
Income taxes - deferred	(2,044)
Total income taxes	3,927
Profit (loss)	(708,403)
Profit (loss) attributable to non-controlling interests	(12,215)
Profit (loss) attributable to owners of parent	(696,188)

# Consolidated Statement of Comprehensive Income

(Unit: thousand yen)

	Fiscal year ended December 31, 2021
Profit (loss)	(708,403)
Other comprehensive income	
Comprehensive income	(708,403)
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	(696,188)
Comprehensive income attributable to non-controlling interests	(12,215)

### (3) Consolidated Statement of Shareholders' Equity

Fiscal year ended December 31, 2021

(Unit:Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,409,930	1,395,790	(1,015,456)	(42)	1,790,222
Changes of items during period					
Issuance of new shares	1,115,680	1,115,680			2,231,360
Profit (loss) attributable to owners of parent			(696,188)		(696,188)
Net changes of items other than shareholders' equity					
Total changes of items during period	1,115,680	1,115,680	(696,188)	—	1,537,172
Balance at end of period	2,525,611	2,511,471	(1,711,645)	(42)	3,325,394

	Non-controlling interests	Total net assets
Balance at beginning of period	—	1,790,222
Changes of items during period		
Issuance of new shares		2,231,360
Profit (loss) attributable to owners of parent		(696,188)
Net changes of items other than shareholders' equity	77,567	77,567
Total changes of items during period	77,567	1,612,740
Balance at end of period	77,567	3,402,962

#### (4) Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Fiscal year ended December 31, 2021
Cash flows from operating activities	
Profit (loss) before income taxes	(704,476)
Depreciation	92,867
Amortization of goodwill	16,783
Share-based payment expenses	27,719
Amortization of security deposit	7,432
Share issuance costs	15,447
Loss (gain) on investments in investment partnerships	543
Loss (gain) on sale of non-current assets	(638)
Foreign exchange losses (gains)	(185)
Interest income	(16)
Interest expenses	2,097
Decrease (increase) in trade receivables	(114,351)
Increase (decrease) in allowance for doubtful accounts	411
Decrease (increase) in prepaid expenses	(307,613)
Decrease (increase) in inventories	549
Decrease (increase) in deposits paid	(15,852)
Increase (decrease) in accounts payable-other	285,600
Increase (decrease) in accrued expenses	(18,105)
Increase (decrease) in income taxes payable	(15)
Increase (decrease) in accrued consumption taxes	(51,987)
Increase (decrease) in advances received	318,186
Other	6,882
Subtotal	(438,718)
Interest received	16
Interest paid	(2,097)
Income taxes paid	(34,451)
Net Cash provided by (used in) operating activities	(475,251)
Cash flows from investing activities	
Purchase of property, plant and equipment	(4,626)
Proceeds from sales of property, plant and equipment	977
Purchase of intangible assets	(304,681)
Purchase of investment securities	(54,800)
Payments of leasehold and guarantee deposits	(23,306)
Proceeds from refund of leasehold and guarantee deposits	129
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(453,900)
Net cash provided by (used in) investing activities	(840,207)
Cash flows from financing activities	
Proceeds from long-term borrowings	510,000
Repayments of long-term borrowings	(42,500)
Proceeds from issuance of shares	2,162,087
Payment for issuance of new shares	(15,447)
Proceeds from share issuance to non-controlling shareholders	53,900
Net cash provided by (used in) financing activities	2,688,039
Effect of exchange rate change on cash and cash equivalents	185
Net increase (decrease) in cash and cash equivalents	1,352,765
Cash and cash equivalents at beginning of term	1,847,288
Cash and cash equivalents at end of term	3,200,053

## (5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Segment Information, Etc.)

[Segment information]

### 1 Outline of reportable segments

Our reporting segments have separate financial information available from our constituent units and are subject to regular review by the Board of Directors to determine the allocation of resources and assess performance. It is the one that is.

Our company has two reporting segments, "Chatwork segment" and "Security segment".

The Company reorganized its business segments by acquiring the shares of Chatwork Storage Technologies Co., Ltd. and making it a consolidated subsidiary. Effective from the nine months ended September 30, 2021, the Company has changed the names of its reportable segments from "Chatwork Business" and "Security Business" to "Chatwork Segment" and "Security Segment". This change only involves a change in the name of the reporting segment and has no impact on the segment information.

### 2 The calculating method regarding sales, operating profit or loss, assets, liabilities and other items by the reportable segments

The method of accounting for the reported business segments is in accordance with the accounting standards adopted to prepare the consolidated financial statements. Profit or loss in the reporting segment is adjusted with operating income in the financial statements. There are no internal transactions between segments.

### 3. Information regarding sales, operating profit or loss, assets, liabilities and other items by the reportable segments

Fiscal year ended December 31, 2021

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Revenue to outside customers	3,153,280	219,005	3,372,285	3,372,285
Intersegment net revenue or transfers	—	—	—	—
Total	3,153,280	219,005	3,372,285	3,372,285
Segment profit or loss	(734,479)	46,394	(688,084)	(688,084)
Others				
Depreciation	92,867	—	92,867	92,867

(Note) 1. Segment assets are not listed because assets are not allocated to business segments.

(Per Share Information)

	Fiscal year ended December 31, 2021
Net assets per share	84.35yen
Basic earnings per share	(18.72yen)
Diluted earnings per share	—

(Note)1. Diluted earnings per share for the year ended December 31, 2021 is not shown in the above table, because basic earnings per share is negative although there are potential shares.

2. The basis for calculation of net assets per share is as follows:

	As of December 31, 2021
Total net assets (thousand yen)	3,402,962
Amount deducted from the total net assets (thousand yen)	77,567
(Of which, noncontrolling interests(thousand yen))	77,567
Amount of net assets related to common stock as of the end of the fiscal year (thousand yen)	3,325,394
Number of shares of common stock used in the calculation of net assets per share as of the end of the fiscal year (shares)	39,424,963

3. The basis for calculation of earnings per share is as follows:

	Fiscal year ended December 31, 2021
Basic earnings per share	
Profit (loss) (thousand yen)	(696,188)
Profit (loss) not attributable to common shareholders (thousand yen)	—
Profit (loss) related to common stock (thousand yen)	(696,188)
Average number of shares of common stock outstanding during the fiscal year (shares)	37,179,943
Diluted earnings per share	
profit adjustment (thousand yen)	—
Increase in common stock (shares)	—
Overview of dilutive shares that were not included in the calculation of diluted earnings per share because they have no dilutive effect	—

(Significant Subsequent Events)

Not applicable.