

## Translation

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



August 12, 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: 81-50-1791-0683

Scheduled date to file quarterly securities report : August 12, 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 six months ended June 30, 2022

### (1) Consolidated business results (from January 1, 2022 to June 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	%
Six months ended June 30, 2022	2,150	—	(247)	—	(248)	—	(229)	—
Six months ended June 30, 2021	—	—	—	—	—	—	—	—

(Note) Comprehensive income (millions of yen)

Six months ended June 30, 2022: (248) (—%) Six months ended June 30, 2021: (—) (—%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended June 30, 2022	(5.79)	—
Six months ended June 30, 2021	—	—

(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, figures for the six months ended June 30, 2021 and percentage change from the previous fiscal year are not shown.

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	5,301	3,290	61.0
As of December 31, 2021	5,168	3,402	64.3

(Reference) Equity As of June 30, 2022 3,232 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	4,451 ~4,552	32.0 ~35.0	(1,086) ~(944)	—	(1,082) ~(940)	—	(1,047) ~(905)	—	(26.49) ~(22.89)

(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, 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 (4) Notes on Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 8 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 June 30, 2022	39,735,115 shares	As of December 31, 2021	39,425,840 shares
2) Number of treasury shares at end of the period	As of June 30, 2022	2,153 shares	As of December 31, 2021	877 shares
3) Average number of shares during the period (for the three months ended March 31, 2022)	Six months ended June 30, 2022	39,537,258 shares	Six months ended June 30, 2021	37,015,316 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 six months ended June 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 2,150,486 thousand yen, operating loss of 247,922 thousand yen, ordinary loss of 248,036 thousand yen and loss attributable to owners of parent of 229,057 thousand yen for the six months ended June 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 2,019,804 thousand yen and segment loss of 290,803 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 130,681 thousand yen and segment profit stood at 42,881 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) Explanation on Financial Position

#### (Assets)

Total assets as of June 30, 2022 increased by 133,928 thousand yen compared with the end of the previous fiscal year to 5,301,963 thousand yen. This was mainly due to an increase in intangible assets of 142,927 thousand yen.

#### (Liabilities)

Total liabilities as of June 30, 2022 increased by 246,073 thousand yen compared with the end of the previous fiscal year to 2,011,145 thousand yen. This was mainly due to an increase in short-term borrowings of 300,000 thousand yen, an increase in contract liabilities of 122,938 thousand yen, and a decrease in accounts payable - other of 150,967 thousand yen.

#### (Net Assets)

Net assets as of June 30, 2022 decreased by 112,144 thousand yen compared with the end of the previous fiscal year to 3,290,817 thousand yen. This was mainly due to an increase in share capital of 68,218 thousand yen, an increase in capital surplus of 68,218 thousand yen, and a decrease in retained earnings of 229,057 thousand yen. As a result, the equity ratio was 61.0% (64.3% at the end of the previous fiscal year).

#### (Cash Flows)

Cash and cash equivalents as of June 30, 2022 increased by 25,652 thousand yen compared with the end of the previous fiscal year to 3,225,706 thousand yen. The status of each cash flow and their factors for the six months ended June 30, 2022 are as follows.

1) Cash flows from operating activities

Net cash provided in operating activities amounted to 34,981 thousand yen. This was mainly due to loss before income taxes of 247,754 thousand yen, a decrease in prepaid expenses of 171,276 thousand yen, and an increase in contract liabilities of 122,938 thousand yen.

2) Cash flows from investing activities

Net cash used in investing activities amounted to 262,182 thousand yen. This was mainly due to the purchase of intangible assets of 205,530 thousand yen.

3) Cash flows from financing activities

Net cash provided by financing activities was 252,644 thousand yen. This was mainly due to proceeds from short-term borrowings of 500,000 thousand yen, repayments of short-term borrowings of 200,000 thousand yen, and repayments of long-term borrowings of 59,500 thousand yen.

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

The forecast for the current fiscal year has been prepared based on the fact that we are targeting overall sales growth of more than 35% over the previous fiscal year and growth of more than 40% over the previous fiscal year in the Chatwork segment, and considering that we are investing to gain market share in the expanding business chat market as the most important factor.

In the first half of the fiscal year ending December 31, 2022, the mainstay account business made very strong progress, achieving a high growth of +43% in ARR compared to the previous fiscal year, while the platform business is focusing on M&A and building a framework for post-merger integration.

For the range, we assume fluctuations in sales due to investments in personnel and advertising, and cross-selling in the platform business. Details of the earnings forecast are as follows.

Revenue	4,451 million yen to 4,552 million yen	(YoY)	+32.0% to +35.0%
Chatwork Business revenue	4,256 million yen to 4,414 million yen	(YoY)	+35.0% to +40.0%
Gross profit	2,949 million yen to 3,065 million yen	(YoY)	+23.9% to +28.8%
Operating profit (loss)	(1,086) million yen to (944) million yen	(YoY)	—
Ordinary profit (loss)	(1,082) million yen to (940) million yen	(YoY)	—
Profit (loss) attributable to owners of parent	(1,047) million yen to (905) million yen	(YoY)	—

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

### (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2021	As of June 30, 2022
<b>Assets</b>		
Current assets		
Cash and deposits	3,200,053	3,225,706
Accounts receivable - trade	312,115	298,950
Prepaid expenses	446,392	310,981
Other	75,541	104,247
Allowance for doubtful accounts	(411)	(411)
Total current assets	4,033,692	3,939,474
Non-current assets		
Property, plant and equipment	45,514	34,278
Intangible assets		
Goodwill	318,894	302,110
Other	587,875	747,586
Total intangible assets	906,769	1,049,697
Investments and other assets	182,158	278,512
Total non-current assets	1,134,342	1,362,488
Total assets	5,168,034	5,301,963
<b>Liabilities</b>		
Current liabilities		
Accounts payable - other	447,048	296,080
Accrued expenses	93,002	76,451
Income taxes payable	23,276	24,168
Contract liabilities	—	772,200
Advances received	649,262	—
Provision for bonuses	—	21,600
Short-term borrowings	—	300,000
Current portion of long-term borrowings	102,000	102,000
Other	46,138	75,845
Total current liabilities	1,360,728	1,668,346
Non-current liabilities		
Long-term borrowings	365,500	306,000
Deferred tax liabilities	38,843	36,798
Total non-current liabilities	404,343	342,798
Total liabilities	1,765,072	2,011,145
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,525,611	2,593,829
Capital surplus	2,511,471	2,579,689
Retained earnings	(1,711,645)	(1,940,703)
Treasury stock	(42)	(42)
Total shareholders' equity	3,325,394	3,232,773
Non-controlling interests	77,567	58,044
Total net assets	3,402,962	3,290,817
Total liabilities and net assets	5,168,034	5,301,963

(2) Quarterly Consolidated Statement of Income (cumulative) and Quarterly Consolidated Statement of Comprehensive Income (cumulative)  
For the six months ended June 30, 2022

Quarterly Consolidated Statement of Income (cumulative)

	(Unit: thousand yen)
	Six months ended June 30, 2022
Revenue	2,150,486
Cost of revenue	607,019
Gross profit	1,543,467
Selling, general and administrative expenses	1,791,389
Operating profit (loss)	(247,922)
Non-operating income	
Interest income	9
Foreign exchange gains	11,883
Miscellaneous income	738
Total non-operating income	12,631
Non-operating expenses	
Interest expenses	3,120
Share issuance costs	9,555
Miscellaneous losses	69
Total non-operating expenses	12,745
Ordinary profit (loss)	(248,036)
Extraordinary income	
Gain on sales of non-current assets	461
Total extraordinary profit	461
Profit (loss) before income taxes	(247,574)
Income taxes - current	3,051
Income taxes - deferred	(2,044)
Total income taxes	1,007
Profit (loss)	(248,581)
Profit (loss) attributable to non-controlling interests	(19,523)
Profit (loss) attributable to owners of parent	(229,057)



Quarterly Consolidated Statement of Comprehensive Income (cumulative)

(Unit: thousand yen)

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

### (3) Quarterly Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Six months ended June 30, 2022
Cash flows from operating activities	
Profit (loss) before income taxes	(247,574)
Depreciation	69,093
Amortization of goodwill	16,783
Share-based payment expenses	25,531
Share issuance costs	9,555
Interest income	(9)
Interest expenses	3,120
Foreign exchange losses (gains)	(209)
Loss (gain) on sale of non-current assets	(461)
Decrease (increase) in trade receivables	13,165
Decrease (increase) in prepaid expenses	171,276
Decrease (increase) in provision for bonuses	21,600
Increase (decrease) in accounts payable-other	(153,843)
Increase (decrease) in accrued expenses	(16,551)
Increase (decrease) in income taxes payable	1,907
Increase (decrease) in contract liabilities	122,938
Other	5,838
Subtotal	42,159
Interest received	9
Interest paid	(3,120)
Income taxes paid	(4,066)
Net Cash provided by (used in) operating activities	34,981
Cash flows from investing activities	
Purchase of property, plant and equipment	(9,420)
Proceeds from sales of property, plant and equipment	551
Purchase of intangible assets	(205,530)
Purchase of investment securities	(29,880)
Payments for asset retirement obligations	(18,181)
Proceeds from refund of leasehold and guarantee deposits	280
Net cash provided by (used in) investing activities	(262,182)
Cash flows from financing activities	
Proceeds from short-term borrowings	500,000
Repayments of short-term borrowings	(200,000)
Repayments of long-term borrowings	(59,500)
Payment for issuance of new shares	(9,555)
Proceeds from issuance of shares	21,700
Net cash provided by (used in) financing activities	252,644
Effect of exchange rate change on cash and cash equivalents	209
Net increase (decrease) in cash and cash equivalents	25,652
Cash and cash equivalents at beginning of term	3,200,053
Cash and cash equivalents at end of term	3,225,706

### (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 decreased by 1,008 thousand yen, and operating loss, ordinary loss, and loss before income taxes each increased by 1,008 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 six months ended June 30, 2021.

(Segment Information, Etc.)

[Segment information]

Three months ended June 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	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.

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, net sales of the Chatwork segment decreased 1,008 thousand yen and segment loss increased 1,008 thousand yen in the second quarter of the current fiscal year compared to the previous method.

(Significant Subsequent Events)

Not applicable.