Chatwork

Chatwork Co., Ltd. (TSE Code：4448)

November 12, 2021

Presentation Material

Result for the 3rd Quarter of Fiscal 2021

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Company Overview / Major Topics
Progress on the Medium-Term Business Plan

Company Overview

Chatwork

Company Name
Chatwork Co., Ltd.

CEO
Masaki Yamamoto

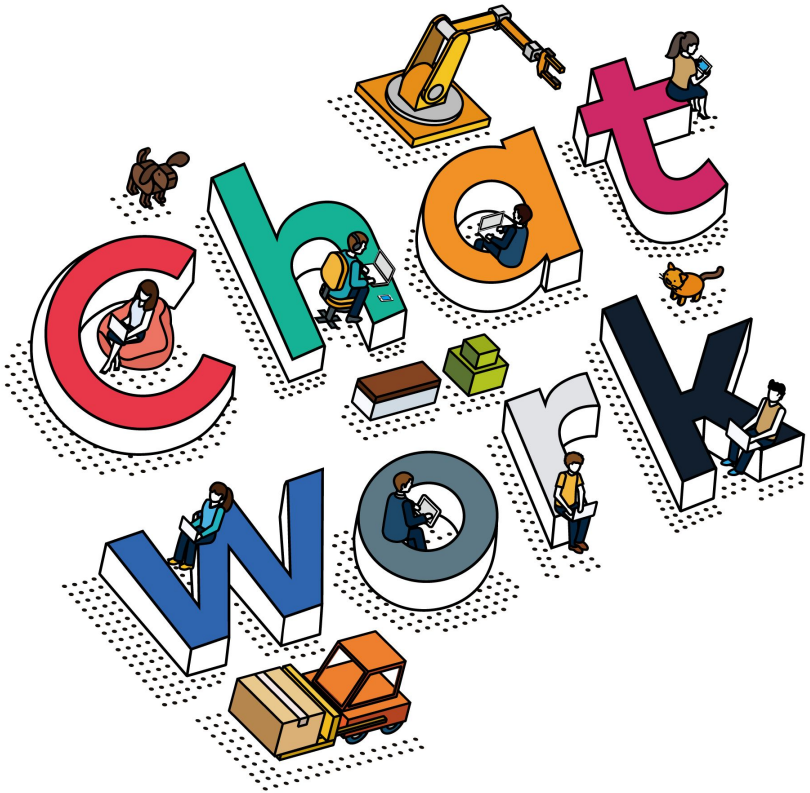
No. of employees
236 (September 2021)

Locations
Tokyo, Osaka, Vietnam, Taiwan

Established
November 11, 2004

Corporate Mission

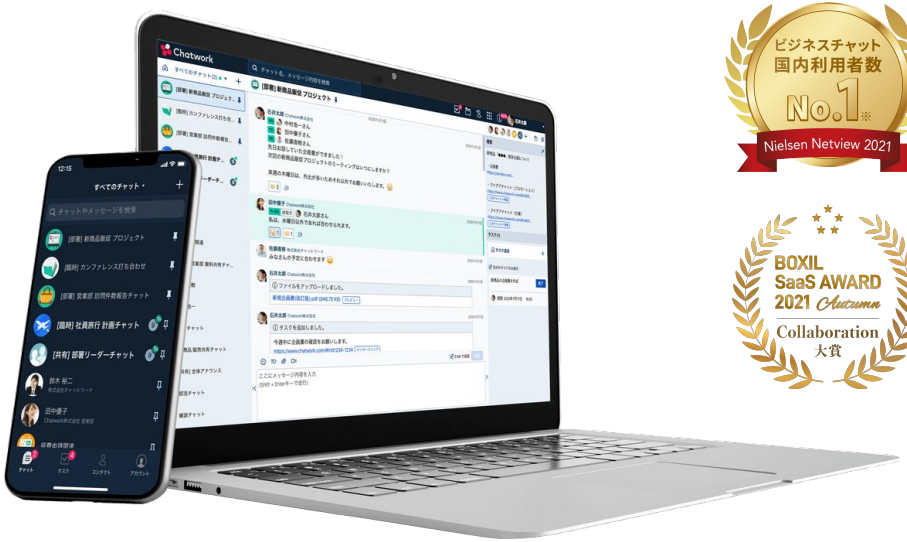
Making work more fun and creative



People spend over half their lives working.
That time is not just for earning money.

We help companies create environments that enable as many employees as possible to enjoy their work more and express their creativity fully and freely.

Our Business



- Our Chatwork segment centers on Chatwork (one of the largest business chat tools in Japan) and includes a number of peripheral services[*1].
- We are a pioneer in business chat, with the largest number of users in Japan[*2] and adoption by more than 332,000 companies[*3].
- By encouraging the shift from telephone and email to efficient chat, we aim to provide a platform that accelerates the transformation in business communication.

*1 Outside the Chatwork segment, we also distribute security solutions software provided by ESET. This business contributes to stable earnings.
*2 According to a survey of monthly active users (MAUs) conducted in April 2021 by Nielsen NetView and Nielsen Mobile NetView; applicable service selected by Chatwork Co., Ltd.
*3 As of September 2021

Market Environment for Business Chat

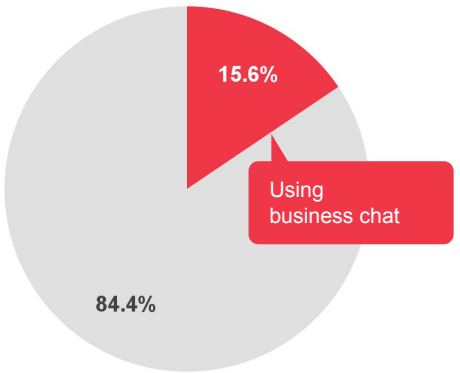
- This is a rapidly expanding market with ample room for growth; the total addressable market is large, and the adoption rate remains low.
- Just as personal email communications have shifted onto mobile phones, business communication is making an irreversible shift from email to chat.
- Recent social changes have prompted a rapid increase in working from home. As a result, we expect business chat to be adopted by the majority within the next three years.

Total Addressable Market (TAM*1) for Potential Rollout across All Industries

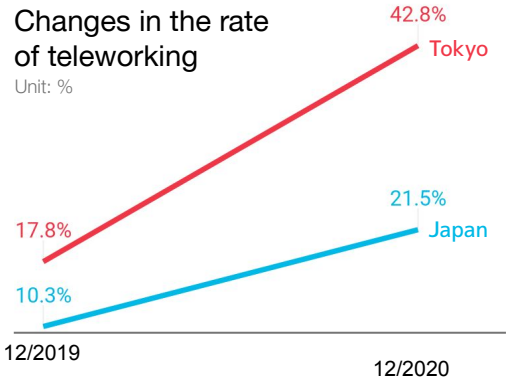
Domestic workforce: **67.24 million** × Chatwork **unit price**

= JPY**645.5**[*2] billion

Business Chat's Rate of Adoption*2 Remains Low



Teleworking Rapidly Becoming More Prevalent due to COVID-19 and the Promotion of DX*3

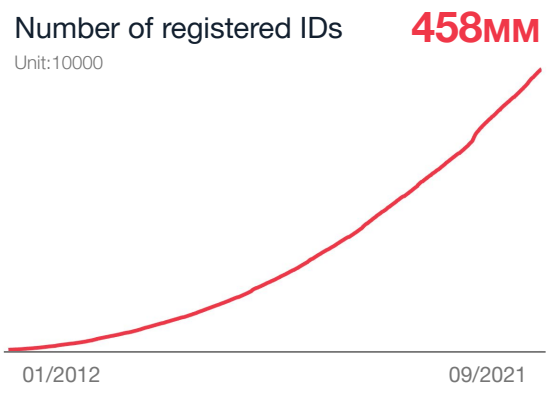


*1 This is the market size estimated by Chatwork. The estimated figure may differ from the actual market size. See page 41 for details on how TAM was calculated.
*2 Based on a study commissioned by Chatwork, as of October 2021, n = 30,000
*3 Refer to the "Second Survey on Changes in Attitudes and Behaviors in Daily Life under the Influence of Novel Coronavirus Infection," Cabinet Office.

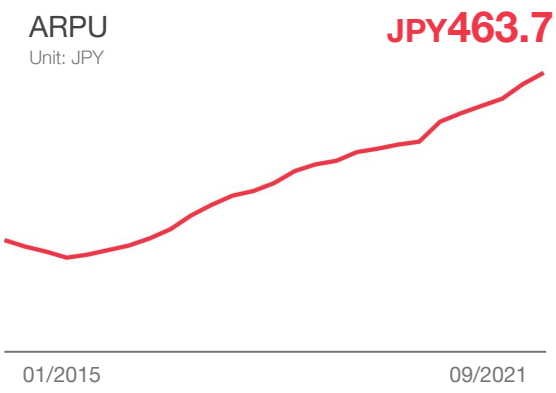
Strengths of Chatwork

- The number of users increases in a compound manner via referrals. This is due to the open-platform feature, which allows for easy connection to the outside world.
- Ongoing increases in functionality have enhanced product value. As a result, ARPU[*1] has continued to rise over the long term.
- The cost of switching to other tools is high, and the churn rate[*2] is extremely low, thanks to past history and the formation of business relationships.

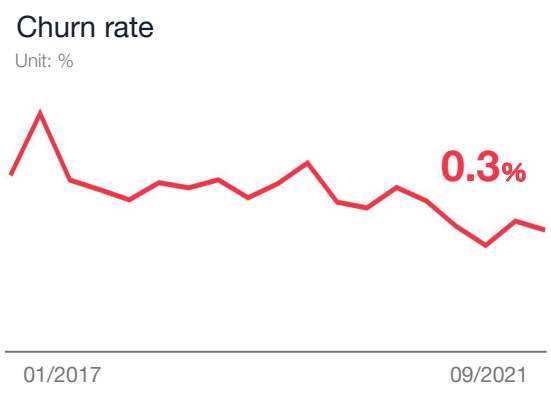
Number of Users Increasing at a Compound Rate



ARPU Rising due to Ongoing Increase in Product Value



High Retention Rate

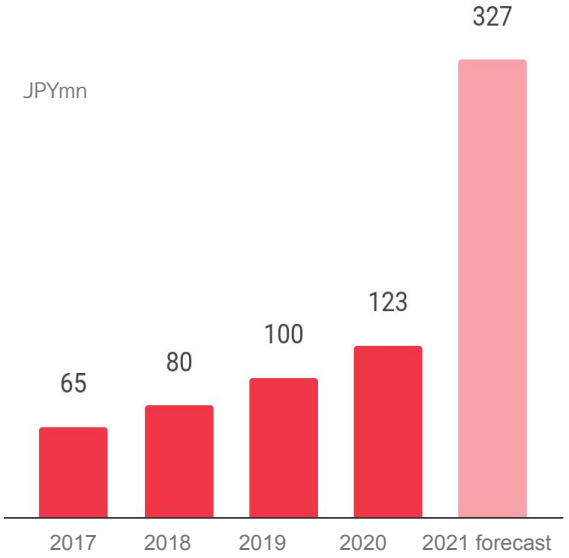


*1 Average revenue per user for paid Chatwork services.
*2 Churn rate of the number of registered IDs, averaged over the 12 months from July 2020 to the end of September 2021

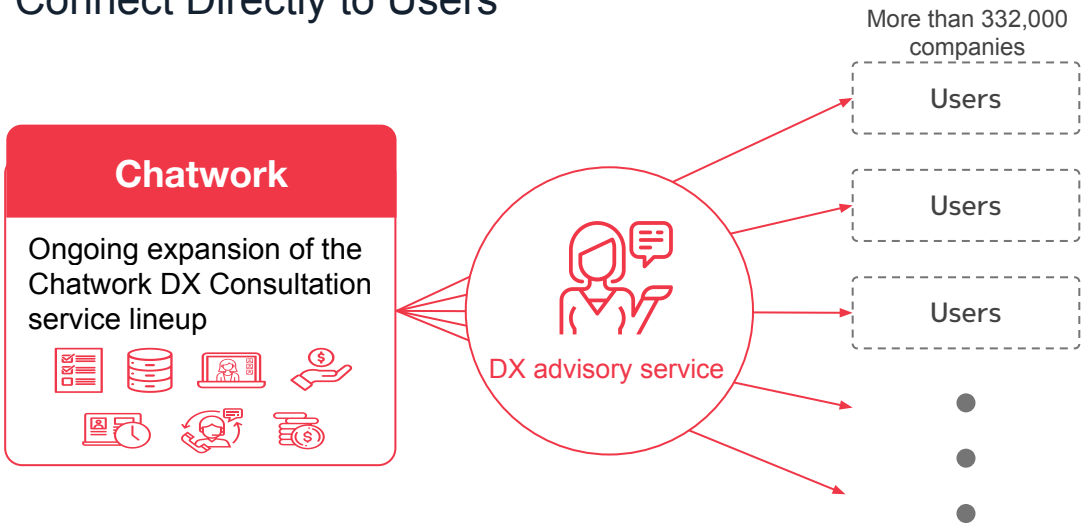
Platform Value That Extends Beyond Business Chat

- Employees across all industries and in all occupations use the platform during their working hours. As a result, the platform has substantially more user contacts than other SaaS offerings.
- Leveraging these strong platform efficiencies, the company is developing sales of peripheral services, which are expected to grow significantly in FY2021 (+166.4% YoY).
- Chat is a powerful connection that enables users to effectively address customer issues and provide services.

Platform Business Revenue*1



Connect Directly to Users



*1 The cloud storage business, which entered the scope of consolidation in Q3, is expected to contribute around JPY190 million to platform business revenue for 2021.

Medium-Term Policy

- We aim to increase our market share from 2021 to 2024 and establish a position as the leader in business chat for SMEs.
- From 2025, we will leverage our overwhelming share of the market among SMEs to roll out a business super app, which will be a platform that users can manage many business tools on it.
- The medium term (from 2021 to 2024) is the most important phase for gaining market share, so we will maximize our speed of investment.

Long-term 2025 and beyond	Business super app Platform interacting with small and medium-sized companies in a host of ways
Medium-term 2024	Leader in business chat for small and medium-sized companies Market share of 40% in 2024 JPY10 billion sales
	CAGR of 40% in the Chatwork segment
2021	Achieve higher revenue growth ratio than in the previous year Put in place systems for ongoing revenue growth

Maximize investment speed

KPI Highlights

Number of Registered IDs	Number of Paying IDs	Number of Registered companies	ARR*1
as of the end of Q3'2021	as of the end of Q3'2021	as of the end of Q3'2021	as of the end of Q3'2021
4.58MM	**523K**	**332K**	**2.97BLN**

NRR*2	Churn Rate*3	ARPU*4	DAU*5
as of the end of 2020	as of the end of Q3'2021	as of the end of Q3'2021	Maximum during Q3'2021
120%	**0.3%** （For Paying IDs：1.9%）	**JPY463.7**	**966K**

*1 Annual Recurring Revenue, 12 months of MRR as of September 30, 2021
*2 NRR rate (Net Revenue Retention rate) = (ARR at beginning of period - revenue churn on a monthly basis + revenue expansion on a monthly basis) / ARR at beginning of period
*3 Churn rate of the number of registered IDs, averaged over the 12 months from July 2020 to the end of September 2021
*4 Average revenue per user for paid Chatwork services.
*5 Daily Active User. It measures how many users visit or interact with Chatwork service over a given interval per month.

Main Topics

Topic 1: Change in Business Segments

- The cloud storage business, which we acquired in July, entered the scope of consolidation in Q3. As a result, we have revised our business segments as shown below.
- The cloud storage business is incorporated (as a peripheral business) into the Chatwork segment's platform business.
- Our foremost management target is revenue growth in the Chatwork segment, which will achieve a CAGR of 40% or more between 2021 and 2024.

Chatwork business	Account business
	Platform business
	Advertising business
Security business	

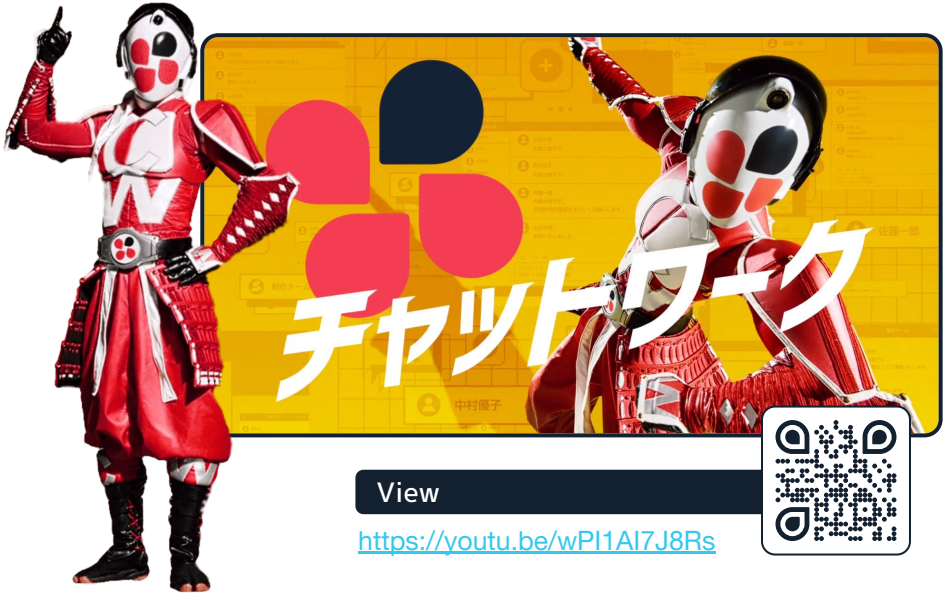
Foremost Management Target

Chatwork segment	Account business	• Chatwork (Direct sales, Agency Sales, and Chatwork provided to KDDI on an OEM basis)
	Platform business	• Advertising, referrals, Peripheral services • Acquired businesses*1
Security segment	Distribution of software provided by ESET	

*1 Currently indicates the cloud storage business

Topic 2: Verification of TV Commercial's Impact, Rollout to Metro Area

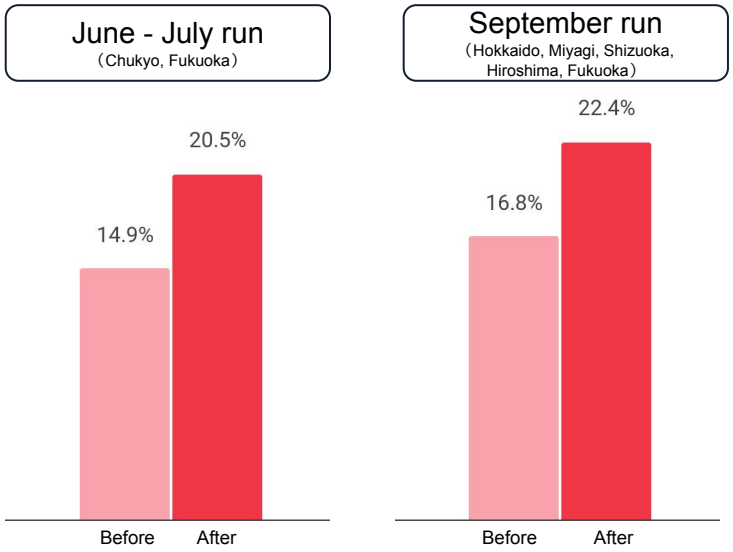
- We aired our first TV commercial in June. Verifying the commercial's effectiveness in provincial cities, we found that the rate of recognition exceeded our expectations. As a result, we plan to substantially expand the broadcasting range into the Kanto and Kansai areas by year-end.
- Looking ahead to the most important phase in expanding our market share, we will continue to invest in marketing while appropriately managing return on investment through various KPIs and LTV/CAC.



View

https://youtu.be/wPI1AI7J8Rs

Change in Rate of Recognition due to Airing of TV Commercial



Topic 3: Service Rebranding

- We have developed a brand strategy to further expand Chatwork's recognition. We announced our new tagline, "Activate Your Work" after developing the brand concept with LANDOR & FITCH, a global leader in this field.
- We released a brand movie expressing the brand's world view, produced in collaboration with Amana Corporation, which produces numerous video works.

Tagline: “Active Your Work”

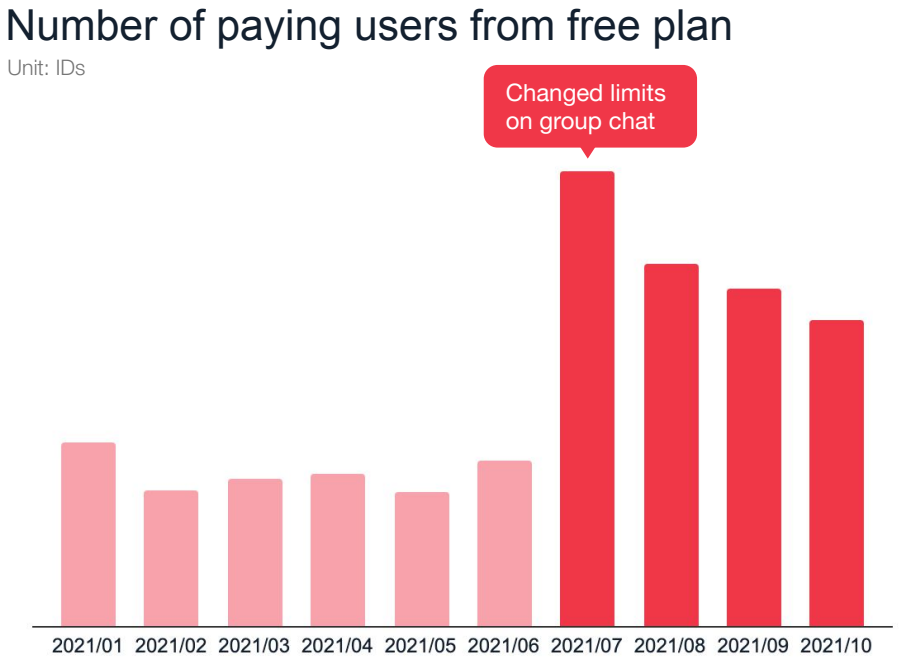
Brand movie: “Change starts with Chatwork.”

View

https://youtu.be/3NHp8caltK0

Topic 4: Substantial Rise in Paying Users from Free Plan

- In July 2021, we reduced the number of group chats under our free plan from 14 to 7, changing the point for switching to the paid plan.
- Users who exceed the limits are encouraged to shift to a paid plan. This has resulted in a significant shift since July from people using the free plan to paying users.



Topic 5: Bottoming up of Revenue due to Price Revision

- The October 2021 price revision on the Chatwork version provided to KDDI on an OEM basis helped to increase revenue from the Chatwork account business.
- The price revision prompted few cancellations, so the churn rate remains largely unchanged.

Version Provided to KDDI on an OEM Basis

Former plan	New plan (New!)
Sales price (June 2012~March 2016)	Sales price (From October 2021)
Basic fee / agreement JPY4743 /month	Basic fee / agreement Free
ID user fee / ID JPY191 /month	ID user fee / ID JPY 800 /month

Monthly Revenue (Account Business)

Unit: 10000

Topic 6: Due to TSE Market Restructuring, Resolved to Move to the Growth Market

- The Tokyo Stock Exchange will restructure its market segments in April 2022. At a Board of Directors meeting in October, we resolved to select the “Growth Market” for our listing.
- The Growth Market is oriented toward companies with high growth potential. In the future, we aim to move to the Prime Market.

Growth

For companies which have a certain level of market value by disclosing business plans for realizing high growth potential and their progress towards these appropriately and in a timely manner

Growth Market Listing Criteria, and Our Figures*1

Criteria	Continued Listing	Our Figures
Market capital	At least JPY4.0bn, 10 years after IPO	**JPY40.9bn**
Shareholders	At least 150	**16,569**
Tradable shares	At least 1,000 units	**134,147 units**
Market cap of tradable shares	At least JPY0.5bn	**JPY15.7bn**
Tradable share ratio	At least 25%	**36.3%**

*1 Market capital is as of the end of September 2021, and the number of shareholders is as of the end of June 2021. Other items are as of the end of June 2021 as stated in the the results of the initial assessment of the compliance to the listing maintenance criteria for the new market segments on July 9, 2021.

Third Quarter of

FY2021 Results

2

Third Quarter FY 2021 Results

Results Highlights

- Consolidated revenue: JPY891 million: (+43.8% YoY)
- Revenue from the Chatwork segment: JPY844 million (+51.9% YoY)
- Gross profit: JPY596 million (+36.1%% YoY)
- Operating loss: JPY221 million

- The cloud storage business, which we acquired in July, was included in the scope of consolidation from Q3, boosting revenue significantly.
- Year on year, revenue rose companywide and in the Chatwork segment, due to ongoing increases in working from home demand and the accelerated introduction of business chat.
- Profit at the operating levels and below was negative. This was a result of upfront investment, as mentioned in the medium-term business plan. Specifically, we made steady progress on hiring and have stepped up advertising and marketing activities.
- Increasing limitations on free plans accelerated the conversion to payment. As a result, the number of paying IDs grew substantially (+17.3% YoY), reaching 523 thousand. ARPU also increased (+16.6% YoY), due to the impact of price revisions.

Results Highlights

- Revenue from the Chatwork segment, our most important management target, grew substantially (+51.9% YoY).
- Profit, from operating profit downward, was negative in Q3 as a result of ongoing upfront investment (higher personnel and advertising costs).

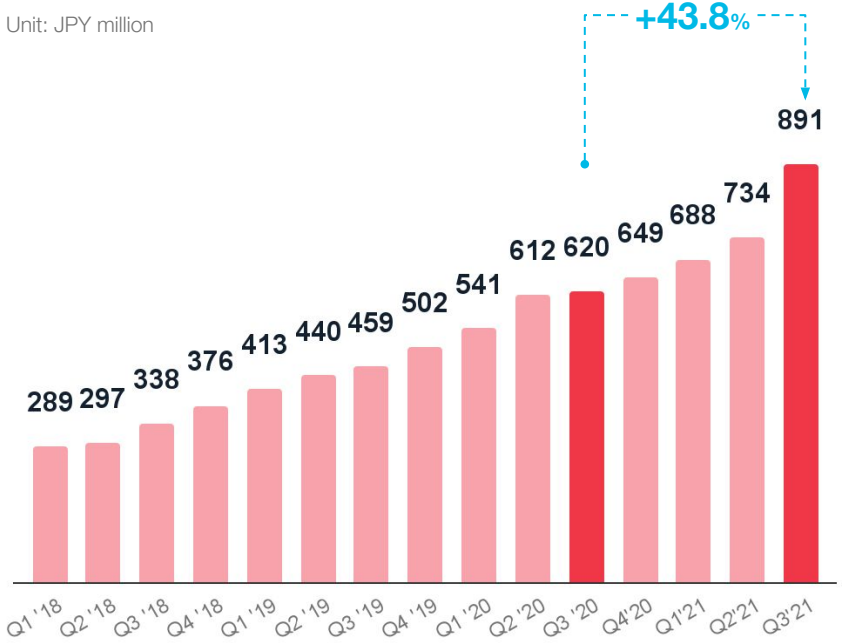
Unit : million yen	Q3 '20 (Same period last year)	Q2 '21 (Previous period)	**Q3 '21 (Actual)**	Same period YoY	Previous period QoQ
Revenue	620	734	**891**	+43.8%	+21.4%
Chatwork segment	556	672	**844**	+51.9%	+25.5%
Gross profit	438	526	**596**	+36.1%	+13.2%
Gross margin	70.6%	71.7%	**66.8%**	-3.8pt	-4.8pt
Operating profit	61	-110	**-221**	-	-
Operating margin	10.0%	-	**-**	-	-
Ordinary profit	61	-110	**-223**	-	-
Net profit	58	-111	**-220**	-	-

Change in Revenue

- Revenue grew significantly, rising 43.8% year on year.
- Growth in revenue from the Chatwork segment, our most important management target, accelerated sharply (+51.9% YoY).
- Even excluding the cloud storage business, revenue in the Chatwork segment was up substantially (+29.5% YoY).

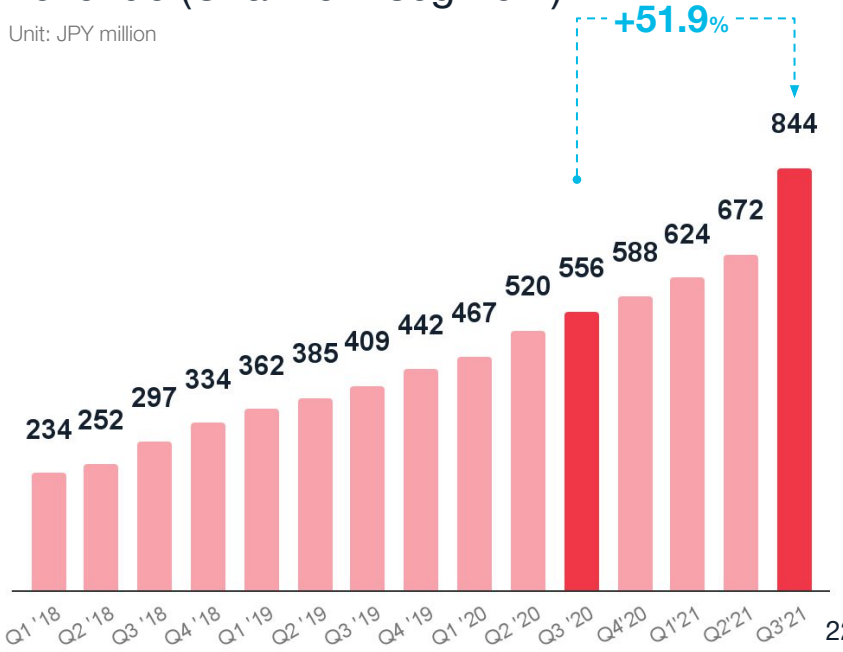
Revenue

Unit: JPY million



Revenue (Chatwork segment)

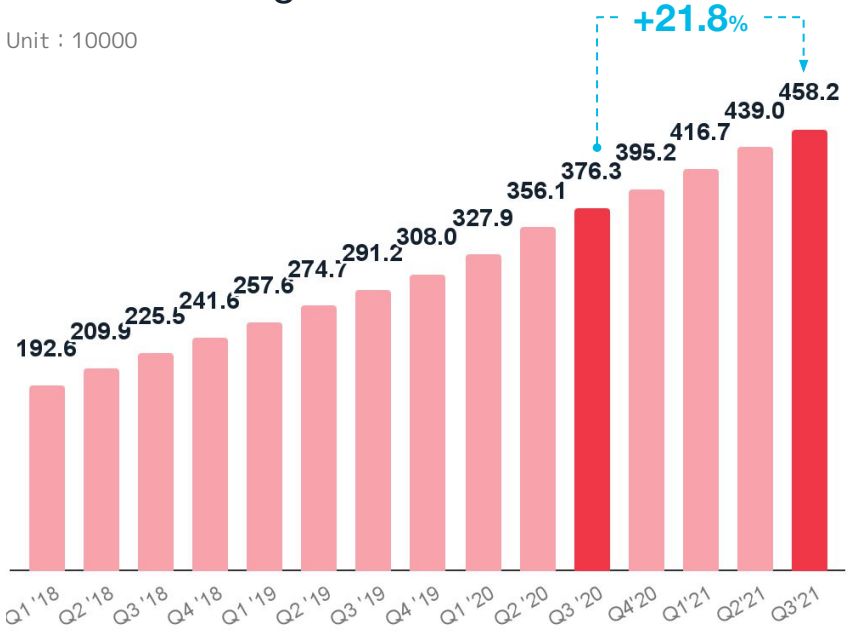
Unit: JPY million



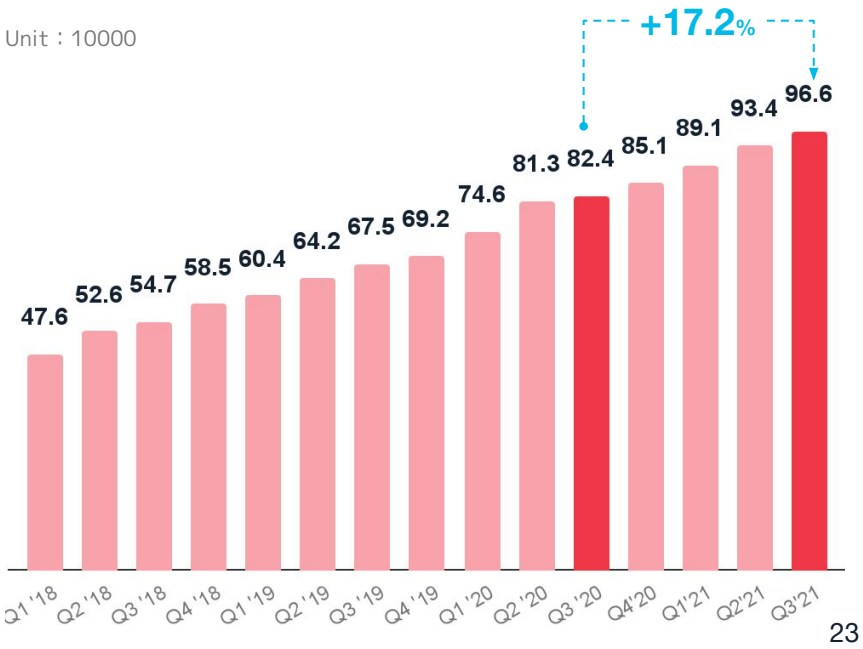
Change in Major KPIs

- The number of registered IDs picked up again, reaching 4.58 million (+21.8% YoY).
- DAUs rose steadily (+17.2% YoY), to 966 thousand.

Number of Registered IDs



DAUs*1

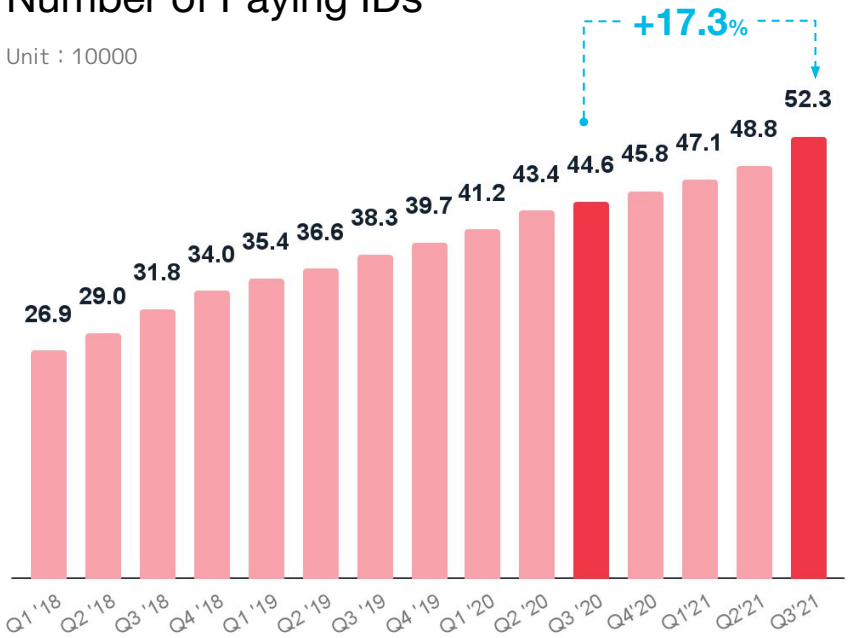


*1 Daily Active User. It measures how many users visit or interact with Chatwork service over a given interval per month.

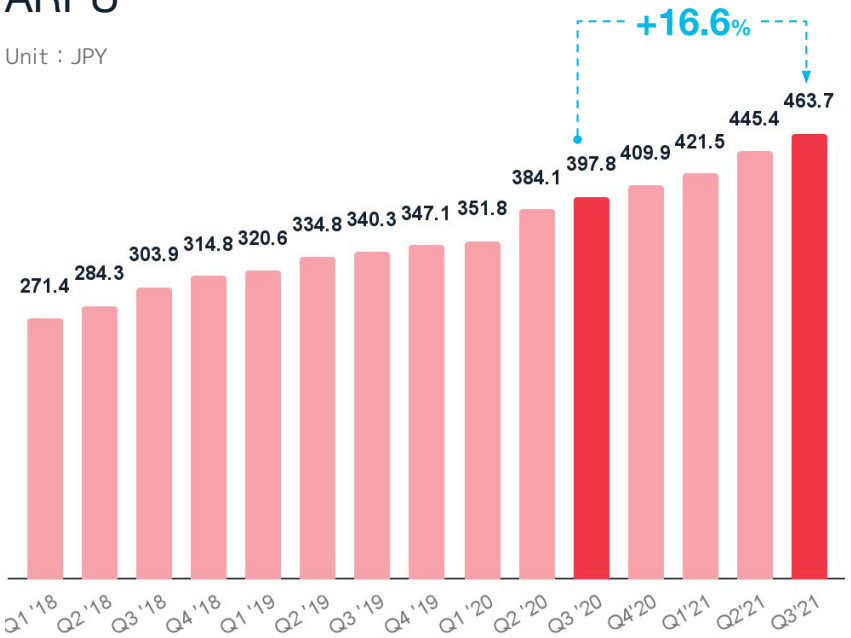
Change in Major KPIs

- Increasing limitations on free plans accelerated the conversion to payment. As a result, the number of paying IDs grew substantially (+17.3% YoY), reaching 523 thousand.
- ARPU grew significantly (+16.6% YoY), due to the impact of price revisions and discontinuation of our previous plan[*1].

Number of Paying IDs



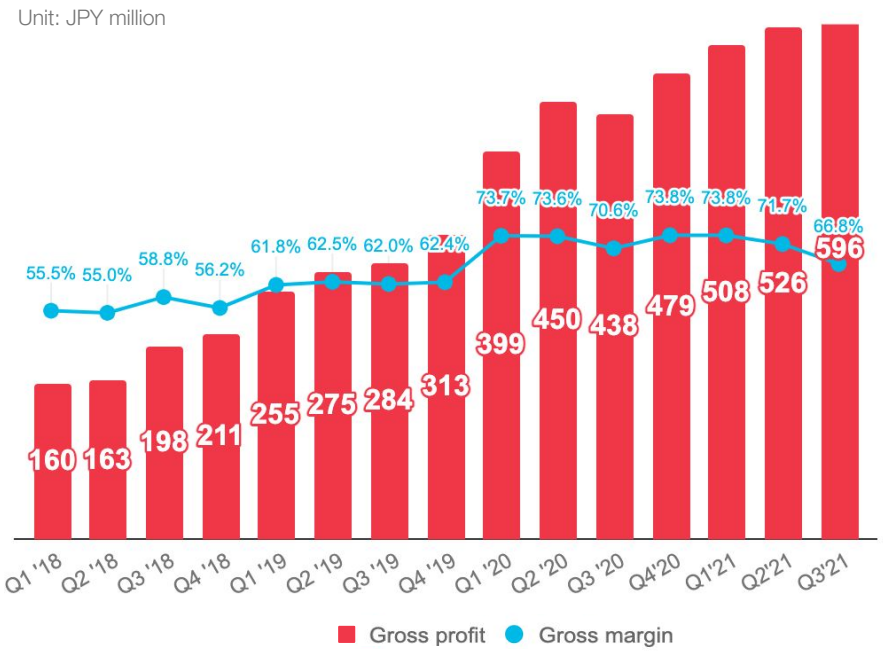
ARPU[*2]



*1 Prices were revised at the end of February 2020. The previous plan was discontinued in April 2020. See the Appendix for details.
*2 Average revenue per user for paid Chatwork services.

Gross Profit/Gross Profit Margin

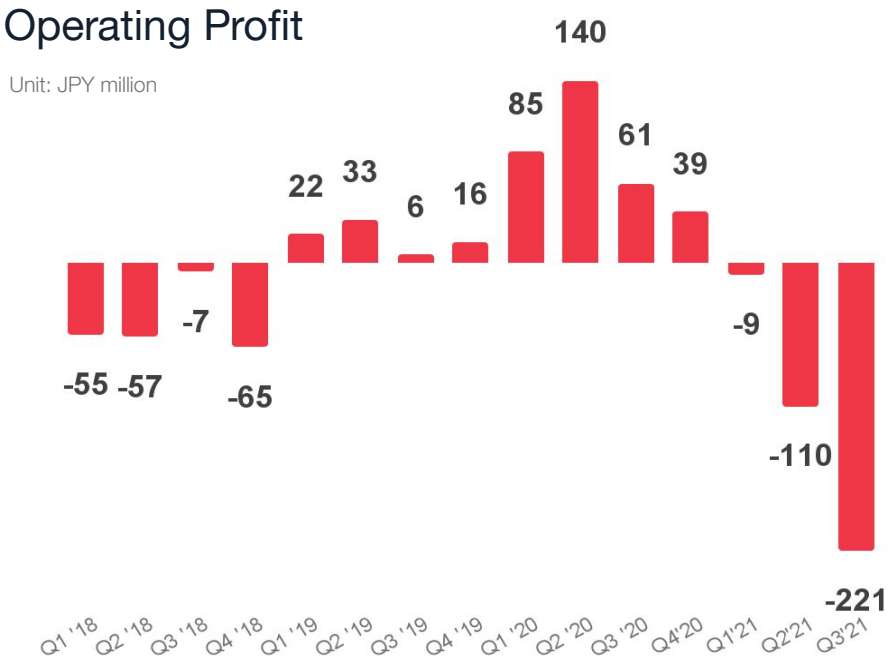
- Gross profit[*1] rose 36.1% year on year, and the gross profit margin was 66.8%, down 3.8pt year on year.
- Cost of revenue rose due to the inclusion of the cloud storage business in the scope of consolidation, causing the gross profit margin to fall compared with Q2.



*1 System costs (some development personnel and server costs) is recorded as assets from Q1 2020.

Change in Operating Profit

- As stated in our medium-term business plan, we are making upfront investments to accelerate our hiring and marketing activities. In Q2 FY2021, we began running our first television commercials, which have succeeded in boosting our recognition. We ramped up these efforts in Q3, lowering profit significantly.
- We plan to continue maximizing our speed of investment, as we are in the most important phase of expanding our market share.

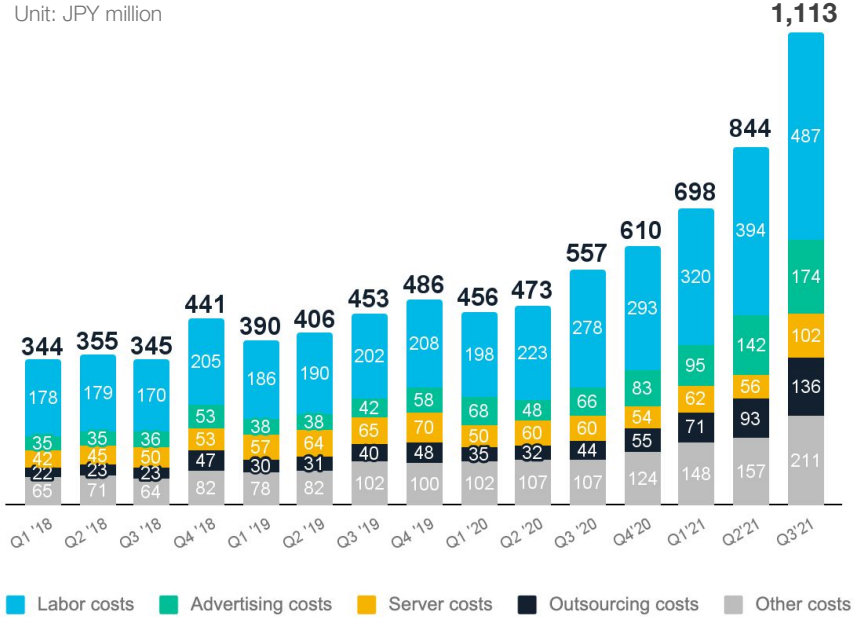


Costs

- Personnel expenses rose as we made steady progress in hiring engineers, customer success personnel, and inside sales reps.
- Having confirmed the effectiveness of the television commercials we began running in Q2 FY2021, we continued and expanded this effort in Q3. Advertising expenses rose as a result.

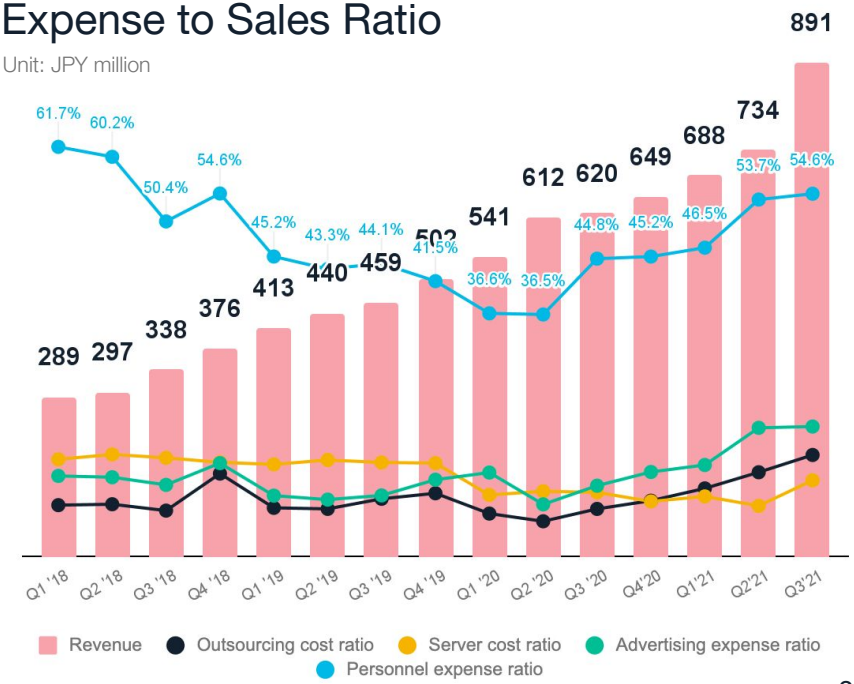
Cost Breakdown

Unit: JPY million



Expense to Sales Ratio

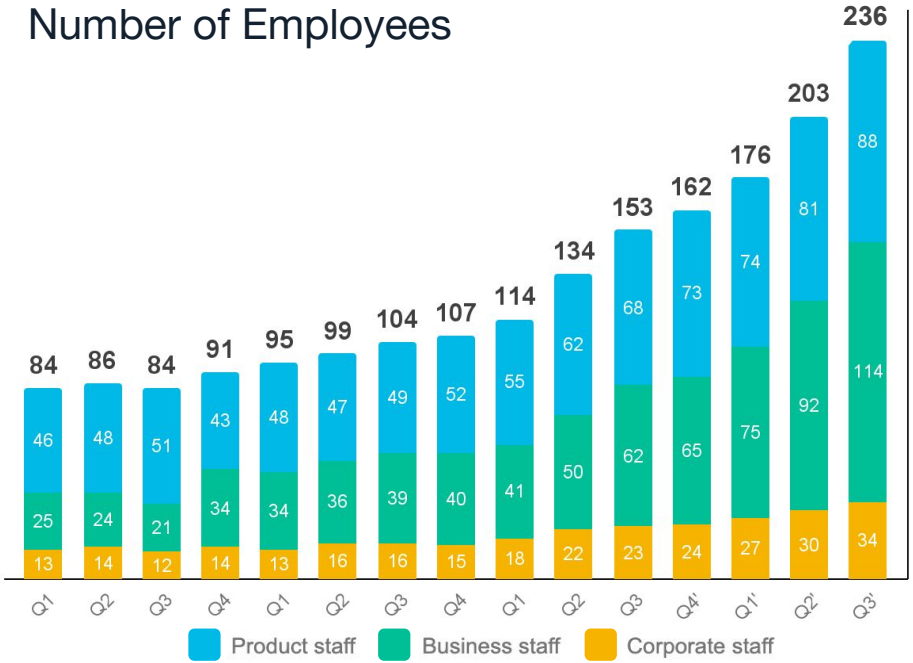
Unit: JPY million



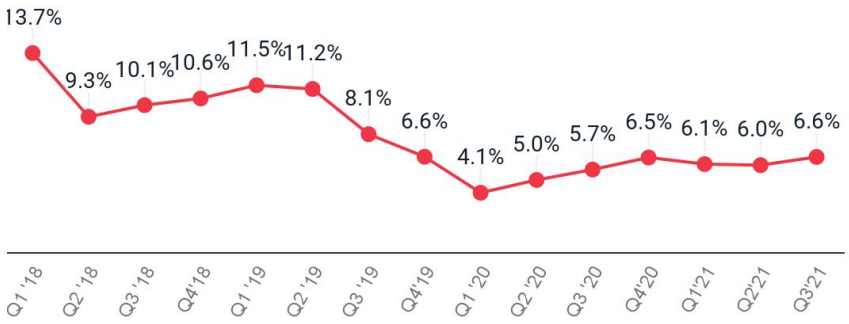
Number of Employees

- We continued to make steady progress on hiring, accelerating its pace even further. In Q3 FY2021, the number of personnel increased by a net 33.
- We are reinforcing our organizational structure to handle this major influx in employees and maintain a low turnover rate*1.

Number of Employees



Turnover Rate



*1 Refers to the average turnover rate during the past 12 months. The turnover rate for Q3 FY 2021 is calculated as the number of people who left the Company between October 2020 and September 2021 divided by the number of employees as of September 2020.

Progress on the Medium-Term Business Plan

Progress on the Medium-Term Business Plan

- We are making steady progress on the three strategies of the medium-term business plan.

1	Product-Led Growth[*1] Strategy	• In June, we released our first TV commercial, which exceeded our expectations at raising our level of recognition. Based on these favorable results, we will expand the rollout to a larger audience. • In October, we conducted a major reorganization. Our main focuses were on promoting free-user acquisition and reinforcing customer success measures.
2	Horizontal + Vertical Strategy	• We continued working to enhance industry understanding and develop projects across organizations. • By systemizing industry inputs, we aim to continue enhancing sales and marketing efficiencies.
3	DX[*2] Solution Strategy	• We added six new services to those proposed through the Chatwork DX Consultation desk. • By forging tie-ups involving various SaaS projects, we established a business flow whereby we generate regular earnings through referrals. We made steady progress on integrating the newly acquired cloud storage business. The number of business inquiries has tripled since the acquisition.

*1 Product-led growth (PLG) is a SaaS growth strategy that is the focus of attention in the US, whereby products are used to attract customers. Zoom and Shopify are two examples of PLG, which achieves notably higher levels of growth than non-PLG. PLG requires a large user base and a service that spreads by word of mouth. We have adopted PLG as the growth strategy for our service. See page 46 for details.
*2 DX (Digital Transformation) is the adoption of digital technology to transform services or businesses.

Third Quarter of

FY2021 Results

3 Revision of Forecast for FY 2021

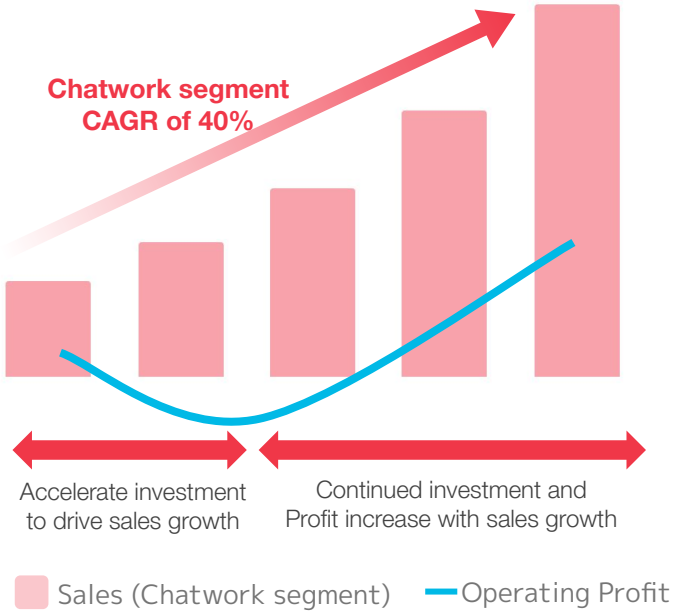
Revision of Forecast for FY 2021

- We expect revenue and all profit categories to be near or above the levels indicated in our previous forecast.
- We expect revenue in the Chatwork segment, our foremost management target, to be up 47.6% year on year, substantially higher than the target in our medium-term business plan.

Unit: JPY million	FY 2020 actual	FY 2021 Previously announced forecast	**FY 2021 forecast**	YoY
Net sales	2,424	3,319 ～ 3,392	**3,368**	+38.9%
Chatwork segment	2,132	3,089 ～ 3,153	**3,147**	+47.6%
Gross profit	1,767	2,248 ～ 2,320	**2,357**	+33.4%
Gross profit margin	72.9%	67.7% ～ 68.4%	**70.0%**	-2.9pt
Operating profit	327	-938 ～ -815	**-761**	-
Ordinary profit	324	-941 ～ -818	**-764**	-
Profit	208	-937 ～ -814	**-762**	-

Our Perspective on Profit and Investment

Conceptual diagram of our growth and profit



- We view the cost of acquiring new SaaS customers (sales and marketing expenses) as the cost of attracting steady, monthly revenue. Hence, they are an investment in the future.
- As our medium-term business plan indicates, this is our most important phase of investment. In the short term, we will raise advertising and promotion expenses substantially to run recognition-enhancing ads that should lead to growth over the medium to long term.
- As to costs including for recognition-enhancing ads, we will keep an eye on appropriate KPIs and LTV/CAC levels as we invest in the short, medium, and long terms.

*The above chart was prepared for the purpose of explaining the Company's approach to profit and investment, and is not intended to disclose sales and profits forecasts for the current quarter and beyond.

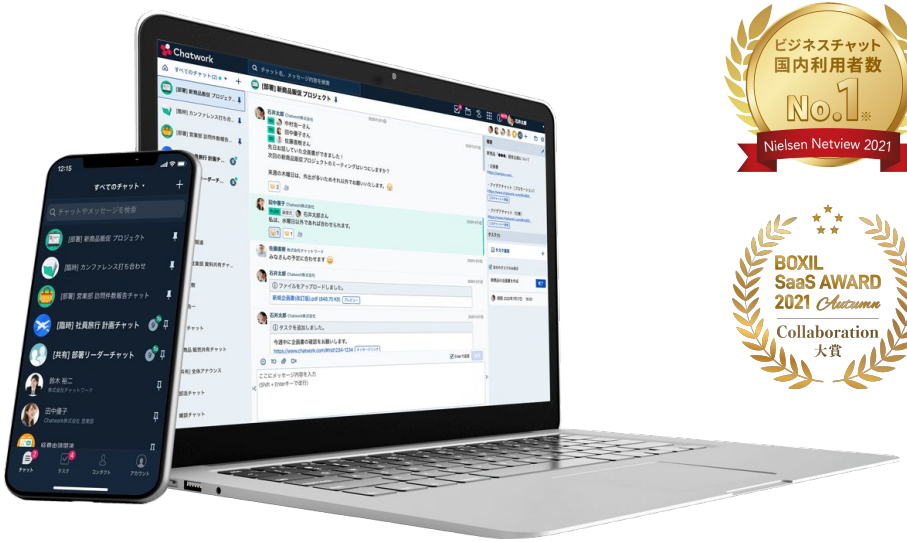
Third Quarter of

FY2021 Results

4

Business Overview

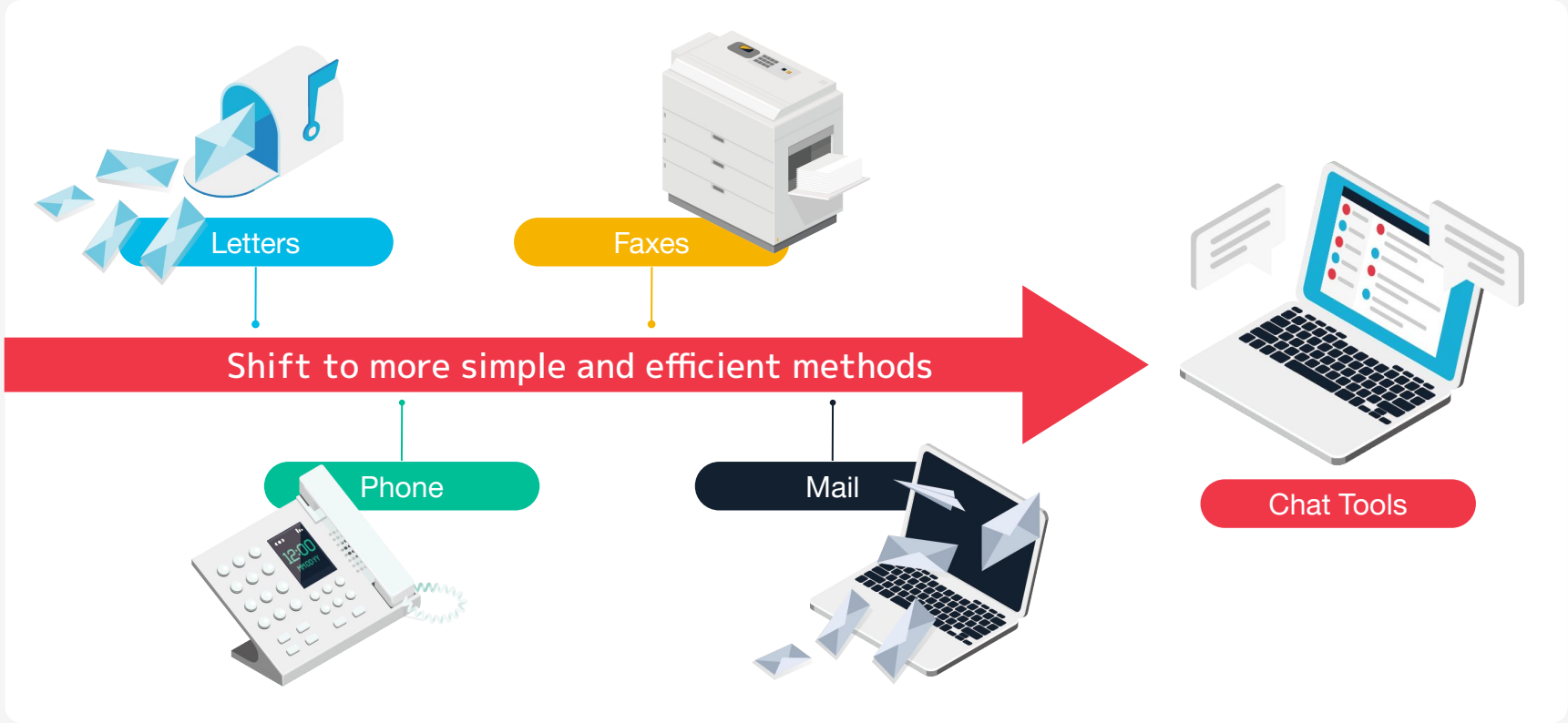
About Chatwork



- Our Chatwork segment centers on Chatwork (one of the largest business chat tools in Japan) and includes a number of peripheral services[*1].
- We are a pioneer in business chat, with the largest number of users in Japan[*2] and adoption by more than 332,000 companies[*3].
- By encouraging the shift from telephone and email to efficient chat, we aim to provide a platform that accelerates the transformation in business communication.

*1 Outside the Chatwork segment, we also distribute security solutions software provided by ESET. This business contributes to stable earnings.
*2 According to a survey of monthly active users (MAUs) conducted in April 2021 by Nielsen NetView and Nielsen Mobile NetView; applicable service selected by Chatwork Co., Ltd.
*3 As of September 2021

Evolution of Business Communications



Decreased Productivity Due to Long-Winded Emails

【ご挨拶】先日はどうも有り難うございました。今後ともどうぞよろしくお願いいたします。

石井 太郎 / Chatwork株式会社 10:57 (0分前)
To 中村 浩一

中村様

いつもお世話になっております。
Chatwork株式会社の石井でございます。

先日のカンファレンスではお声がけいただき、
大変有り難うございました。

弊社の田中からも以前より中村さんのお話を伺っておりましたため、
突然ではありましたが、お会いでき大変ありがたかったです。

今後私からも担当業務に関連してご連絡させていただくことがあるかと思います。
その際はどうぞよろしくおねがいします。

さて、田中にご質問いただいておりました件、担当は私となりますので、
石井より回答させてもらいます。

◆納期について
・弊社内で調整ののち、ご要望通り今週中、ということで対応可能です。
・納品はチャット経由でよろしかったでしょうか？御社ご指定のルールがあればご教示ください。

それでは、どうぞよろしくお願いいたします。

--

Chatwork株式会社 https://corp.chatwork.com/ja/

石井 太郎
Chatwork ID: http://chatwork.com/xxxxxx

- Recipient
- Conventional salutation and introduction
- Expression of thanks and explanation of email's subject
- Key point that sender wishes to convey
- Conventional ending
- Signature

Improved Productivity Due to Business Chat Tools

Information about past interactions and chat participants

Key point that sender wishes to convey

Accelerate Business Collaboration

Create group chat
for different teams, projects, and clients

- Within the group chat, participants can interact with multiple people at the same time to facilitate smooth information-sharing.
- Chat enables closer customer communications than via email, creating a stronger sense of connection.

Plan / Pricing

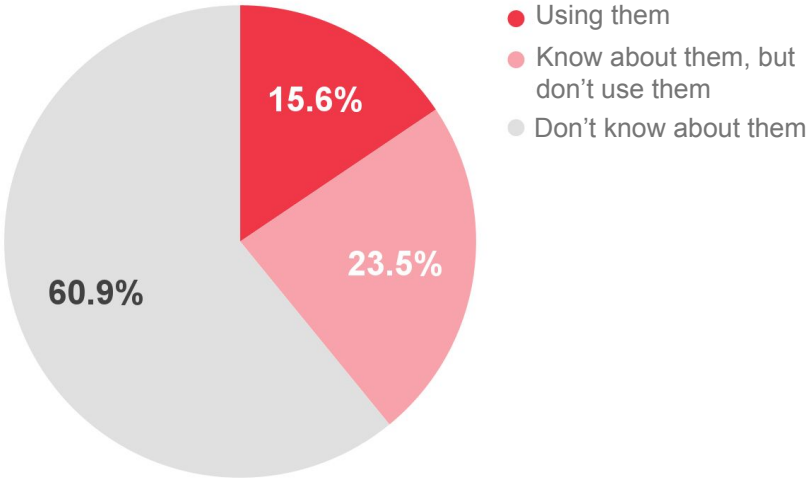
Free For companies and individuals that want to try out the service for free	Business For companies and individuals that want to use the service for business	Enterprise For companies that want enhanced administrative functionality
1 user per month ¥0 ********	1 user / month (annual contract) ¥500 ¥600 / month for monthly contract	1 user / month (annual contract) ¥800 ¥960 / month for monthly contract
Unlimited 1:1 chats	Unlimited 1:1 chats	Unlimited 1:1 chats
A total of 14 group chats	Unlimited group chats	Unlimited group chats
1:1 video calls / voice calls	Group video calls / voice calls	Group video calls / voice calls
Two-factor authentication	Two-factor authentication	Two-factor authentication
5GB storage	10GB storage / user	10GB storage / user
—	User management	User management
—	—	Security management

*1 We stopped accepting new applications for the personal plan at the end of January 2021. We also reduced the minimum number of users under the business plan from five to one. Implementing this change means that even individuals can apply. People currently using the personal plan can continue to do so.

The Environment Surrounding Business Chat Tools

- COVID-19 has led to a sharp increase in demand for teleworking, causing the use of business chat to surge.
- In Japan, the business chat adoption rate is 15.6%[*1], increasing from the last study (as of March 2021). We believe that the scale of the market is expanding continuously.

Use of Business Chat Tools



Latent Market (TAM)[*2] for Business Chat

Japanese workforce of people[*3] **67.2 million**

×

Chatwork **unit price**[*4]

= **JPY 645.5 billion**

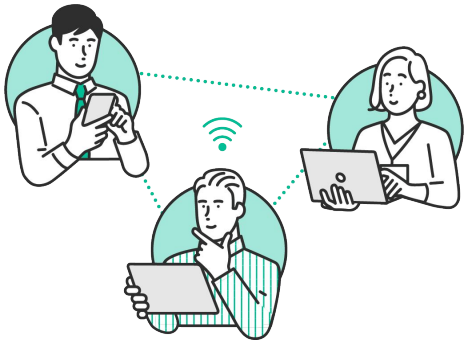
*1 Based on a study commissioned by Chatwork, as of October 2021, n = 30,000
*2 Short for "total addressable market," or the maximum potential market. This is the market size estimated by Chatwork. The estimated figure may differ from the actual market size.
*3 "Labor Force Survey" (2019) by the Ministry of Internal Affairs and Communications.
*4 Unit price for the enterprise plan (JPY 800) times 12 months.

Features of Chatwork’s Services

Easy to use

The interface and functions are designed to mainly target business professionals who are not IT experts. The service is easy for anyone to use and requires no complicated customization.

Open platform

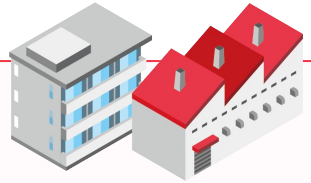


We employ an open platform-based approach that enables seamless internal and external communication using a single account. In many cases, the platform is also used externally with customers and business associates.

Freemium

Services are provided using a “freemium” model that allows unlimited continued use free of charge. Users can casually recommend Chatwork to customers and business associates, then switch to a premium paid plan once usage intensifies.

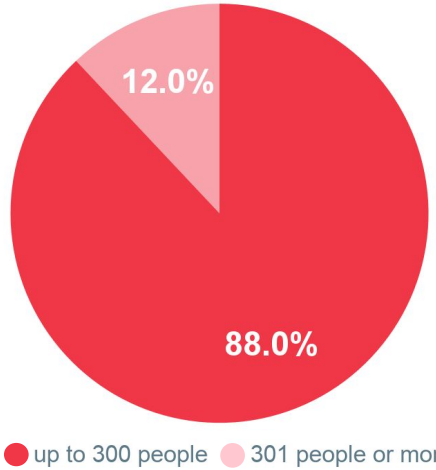
Growing Use in the SME Market



SME market

- Few people with detailed IT knowledge in the company
- No budget for investing in IT
- Want to use the same tools as customers and associates

Proportion of Paying Users by Company Size



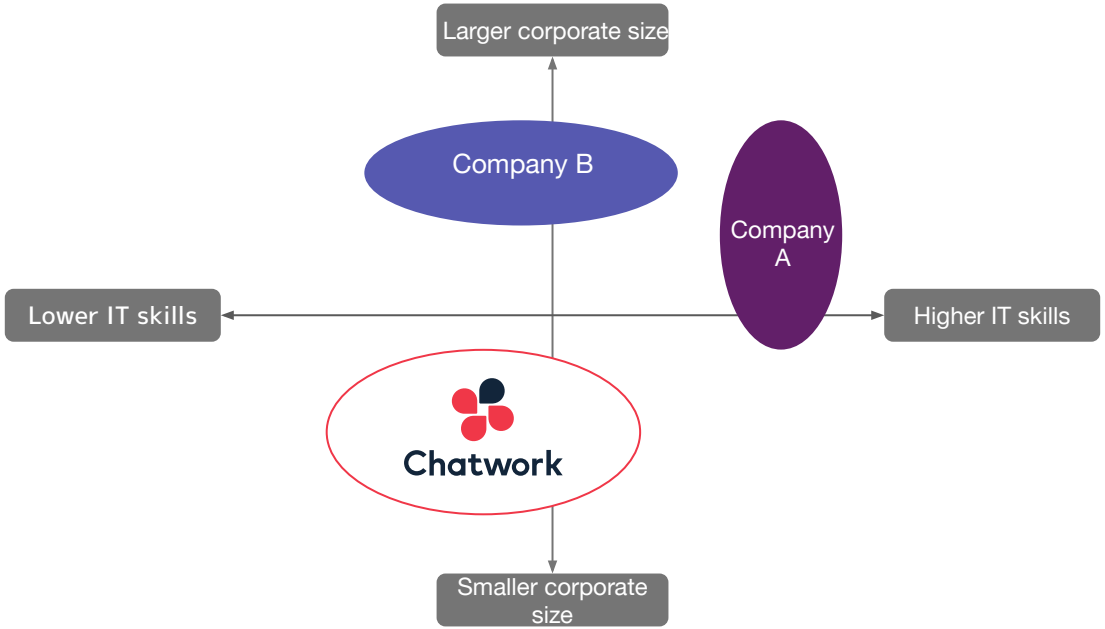
Companies with 300 or fewer people account for 87.6% of paying users.[*1]

Note: The customer base is stable, with most of the paying users being SMEs and without much dependence on specific companies.

*1 As of September 2021

Positioning in the Industry

Target segments

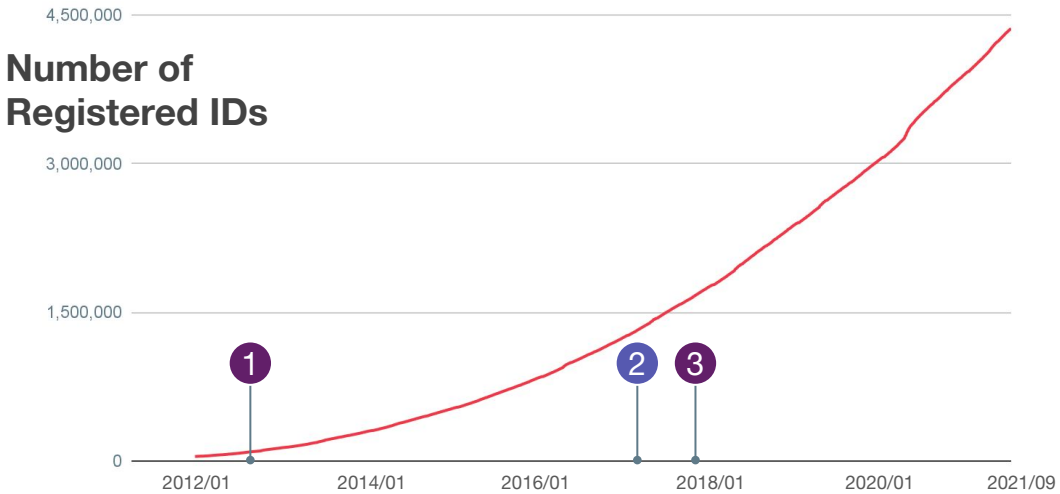


- We have two major competitors, but these companies focus on different target segments.
- As the market penetration rate of business chat tools is still low, the companies are working to develop new markets in their respective domains.

Strengths of Chatwork

A Service Structure Whose User Base Continues to Grow Exponentially

- Chatwork is easy to use for communication with customers and business associates thanks to the open platform-based approach, which enables seamless internal and external communications, and the freemium model that allows users to start using the software free of charge. Because of this, the user base continues to grow exponentially as it is introduced through referrals.
- Entry of competitors has not affected growth in the Chatwork's user base.



Market Entry by Competitors

1. **August 2013**
   Release by Company A
2. **March 2017**
   Release by Company B
3. **November 2017**
   Release of Japanese version by Company A

Driving Product-Led Growth to Expand Services

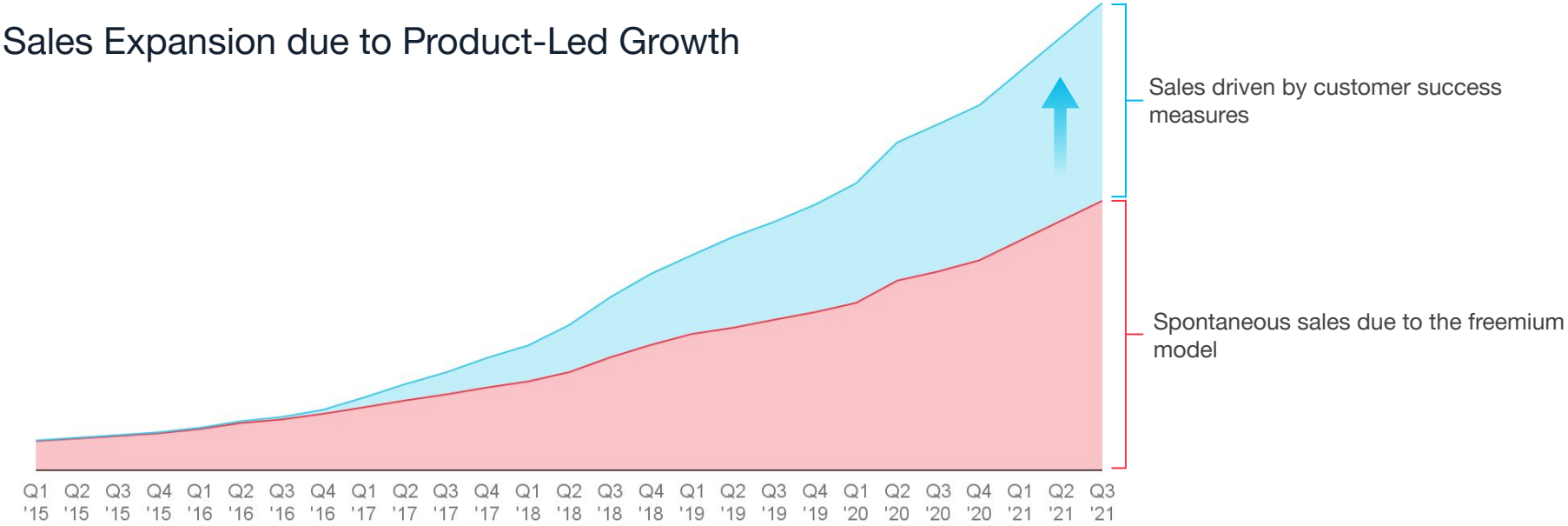
- **Product-led growth (PLG)** is a SaaS growth strategy that is the focus of attention in the US, whereby products are used to attract customers. This style is distinct from the conventional growth strategy, of **sales-led growth**.
- Zoom and Shopify are two examples of PLG, which achieves notably higher levels of growth than non-PLG. PLG requires a large user base and a service that spreads by word of mouth. Our service fits with a PLG growth strategy.

	Product-Led Growth	Sales-Led Growth
Strategy	• Drive expansion in the number of users and products by communicating value through products • Focuses on product improvement and customer successes	• Drive sales increases through sales and marketing activities • Focus on improving sales and marketing
Charac-teristics	• Expansion through word of mouth, highly leveraged growth • Structured so that ARPU rises as customers use products more intensively	• Dependent on the number of salespeople, workers tend to be concentrated • Sales efforts always needing to focus on upselling and cross-selling

Using Customer Success Measures to Accelerate Spontaneous Product Growth

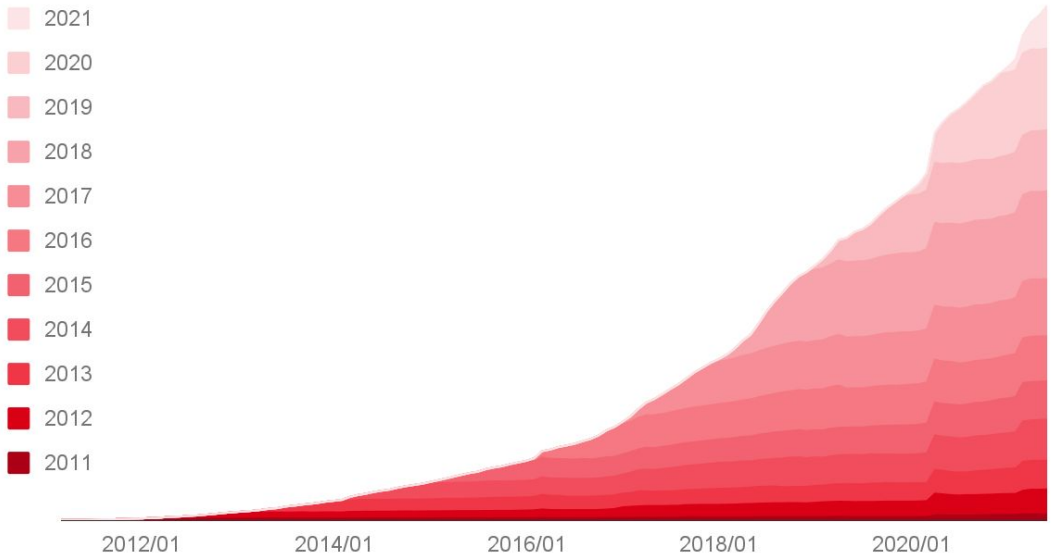
- Since the time our service launch, the free plan has driven an increase in use. We have been using a freemium model, in which the basic model has limited functionality. Users pay to unlock full functionality.
- Since 2015, we have provided support during the initial period (onboarding) and promoted usage (customer success). This has led to success in boosting spontaneous, ongoing growth in freemium sales (a product-led growth strategy).

Sales Expansion due to Product-Led Growth



Chatwork Revenue Growth by Cohort

- Growth in income due to more internal users and customers upgrading to premium plans exceeds the downward impact of canceled contracts.
- The net revenue retention rate[*1] is over 120%[*2].
- The monthly retention rate is extremely high, at 99.7%[*3].



*1 NRR rate = (ARR at beginning of period - revenue churn on a monthly basis + revenue expansion on a monthly basis) / ARR at beginning of period
*2 Monthly average rate of 12 months in 2020.
*3 Monthly continuation rate is indicated as "1 - churn rate." Churn rate refers to the rate of churn to the number of registered IDs. The figure indicates the 12-month average value from October 2020 to the end of September 2021.

Third Quarter of

FY2021 Results

5 Medium-Term Business Plan

Medium-Term Policy

- We aim to increase our market share from 2021 to 2024 and establish a position as the leader in business chat for SMEs.
- From 2025, we will leverage our overwhelming share of the market among SMEs to roll out a business super app, which will be a platform that users can manage many business tools on it.
- The medium term (from 2021 to 2024) is the most important phase for gaining market share, so we will maximize our speed of investment.

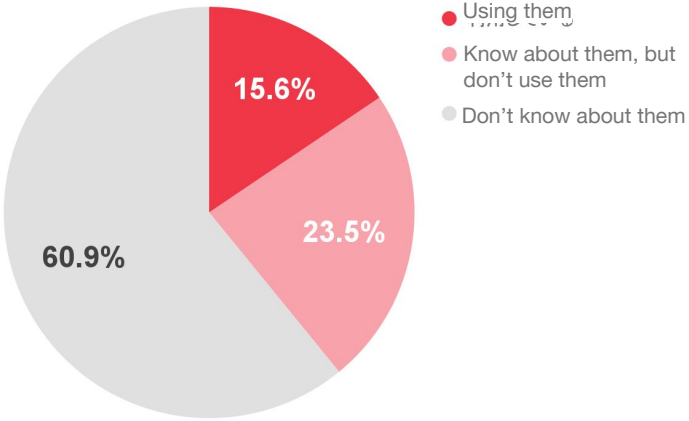
Long-term 2025 and beyond	Business super app Platform interacting with small and medium-sized companies in a host of ways
Medium-term 2024	Leader in business chat for small and medium-sized companies Market share of 40% in 2024 JPY10 billion sales
	CAGR of 40% in the Chatwork segment
2021	Achieve higher revenue growth ratio than in the previous year Put in place systems for ongoing revenue growth

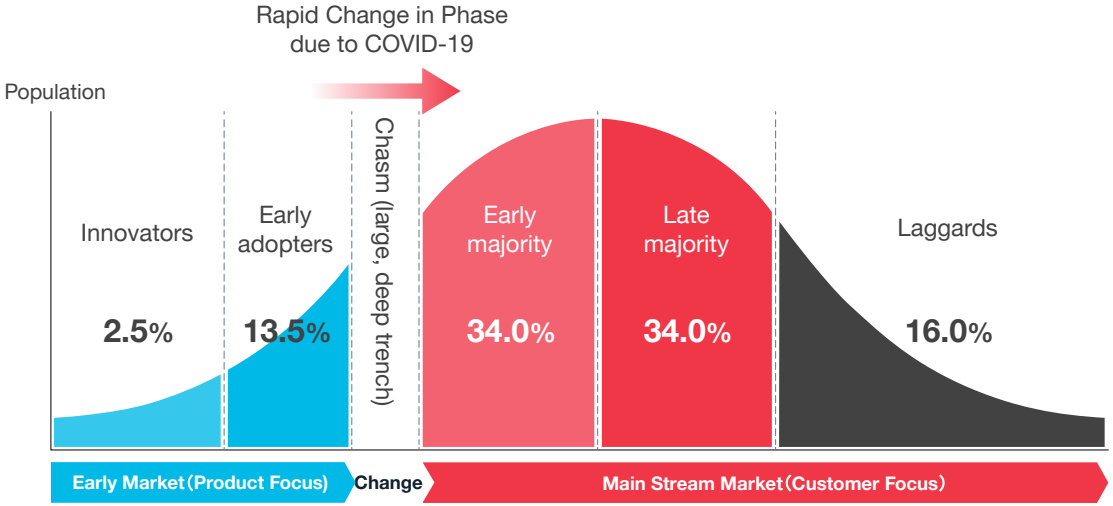
Maximize investment speed

Reasons 2021 to 2024 is the Most Important Phase

- In the strong and major trend of digital transformation, the number of people working from home has increased strongly since 2020 due to COVID-19. As a result, we face a fundamental shift in working styles, “New Normal”.
- The rate of adoption for business chat is currently about 15.6%[*1]. This is the timing which the trend cross the chasm[*2], and chat becomes mainstream.
- As it is hard to switch a business chat once introduced, it is important to become customers’ first choice in business chat, so we can acquire market share going forward.

Use of Business Chat Tools



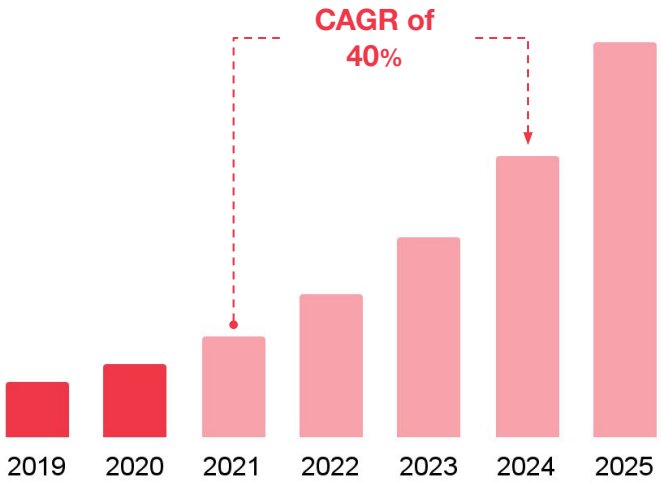


*1 Based on a study commissioned by Chatwork, as of October 2021, n=30,000
*2 Geoffrey Moore’s “chasm theory” hypothesizes a deep barrier that must be crossed in order for new products and technologies in the high-tech sector to move from early-stage to mainstream markets.

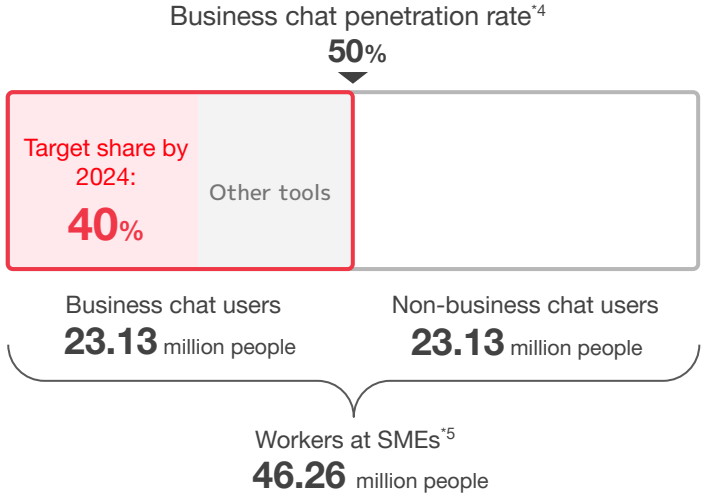
Medium-Term Management Plan

- In our main business, Chatwork segment[*1], we aim to achieve a CAGR for sales of 40% between 2021 and 2024.
- By FY2024, we intend to generate revenue of JPY10.0 billion and be the leader in business chat among SMEs, with a market share of 40%[*2].

Sales Targets for the Chatwork segment



Business Chat Market Targeting SMEs (SAM[*3]) Target Market Share in 2024



*1 Our mainstay Chatwork segment includes account, advertising, and platform businesses, and excludes the Security business.
*2 See Appendix for current market share and calculation method.
*3 Refers to the "serviceable available market," or that proportion of the total accessible market (TAM) indicating demand in specific customer segments.
*4 The Company has estimated using the business chat penetration rate resulting from its own surveys.
*5 The number of workers at small and medium-sized companies is estimated by the Company, based on the Ministry of Internal Affairs and Communications' "Labor Force Survey" and the "White Paper on Small and Medium Enterprises" by the Small and Medium Enterprise Agency.

Strategy #1

Product-Led Growth Strategy

Driving Product-Led Growth to Expand Services

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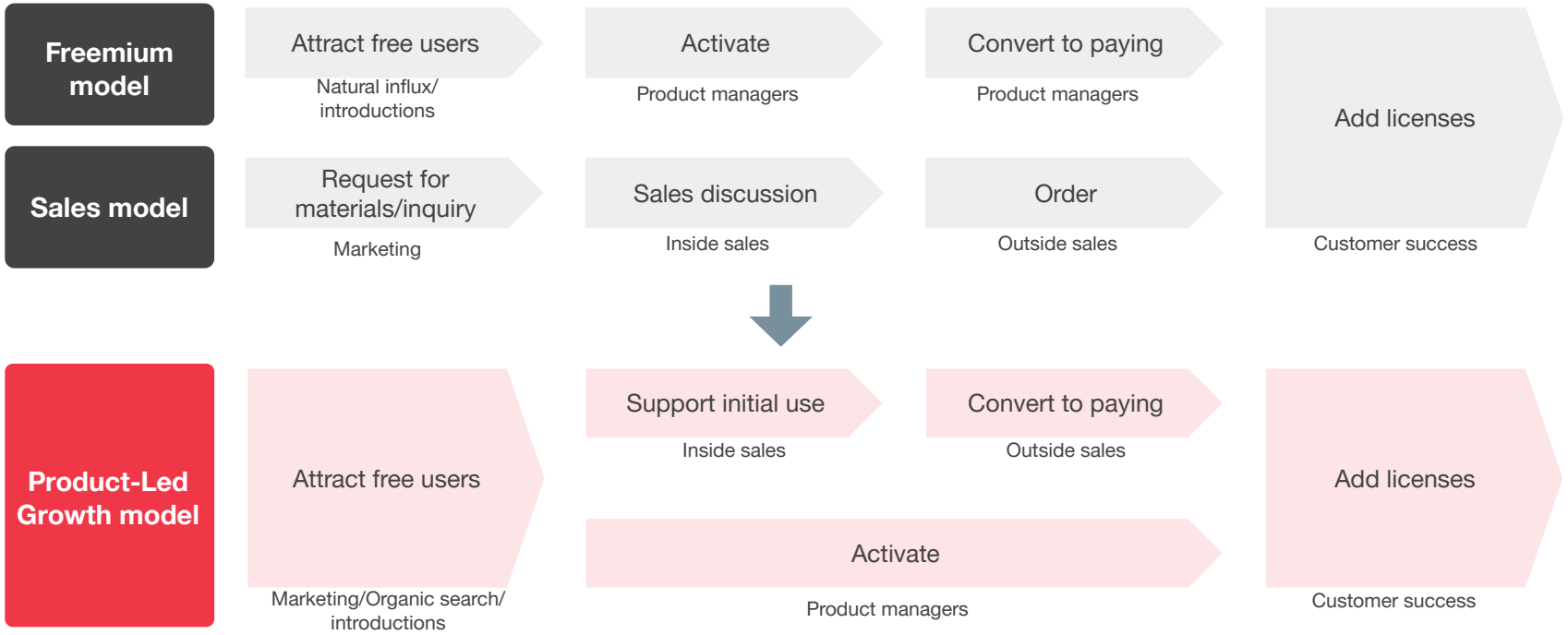
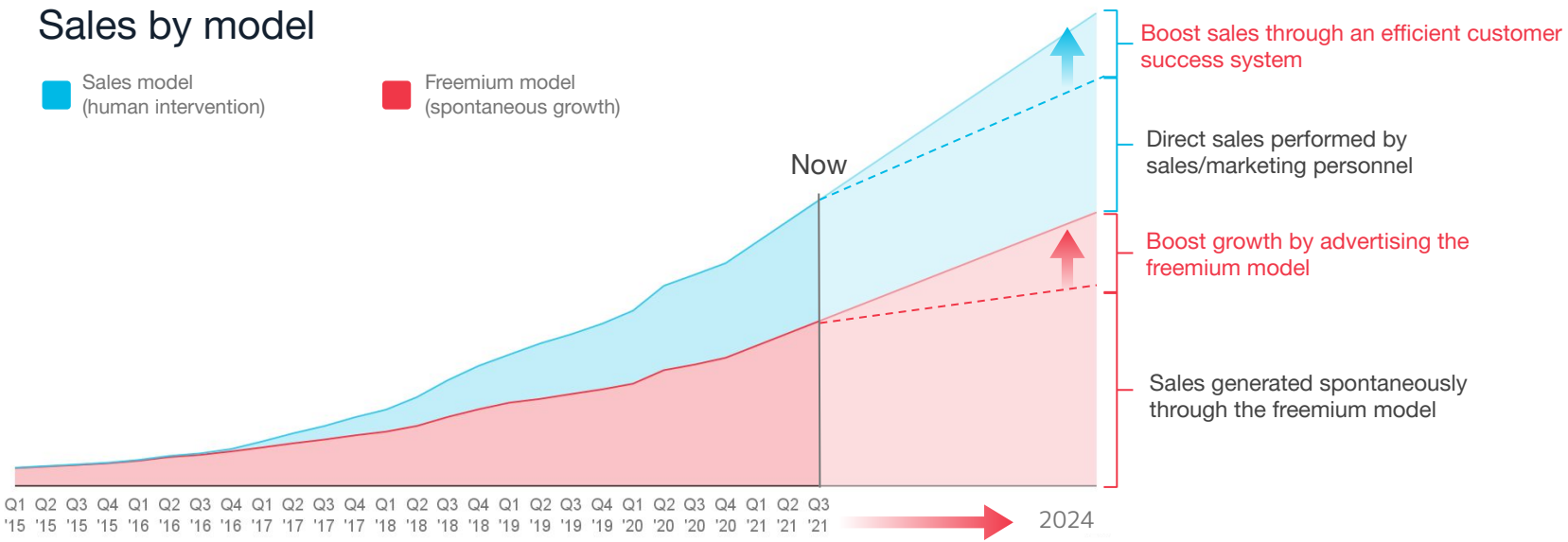
PLG Strategy: Combining Two Growth Engines into One

- This strategy merges the freemium model (organic online growth) with the sales model (direct sales).
- User initially have free access. Our sales team then encourages users who are already using our services to convert to paying users.



Anticipated Growth under the PLG Strategy

- Approach free users (who have mainly joined through organic search or due to introductions). Invest in advertising in the aim of substantially increasing the number of users.
- Use the sales process to convert users into customer successes. Through sophisticated data analysis on usage status, enable the system to efficiently (sometimes automatically) generate customer successes.
- Work to increase user numbers (including free users) to enhance platform value through the super app concept.



Strategy #2

Horizontal + Vertical Strategy

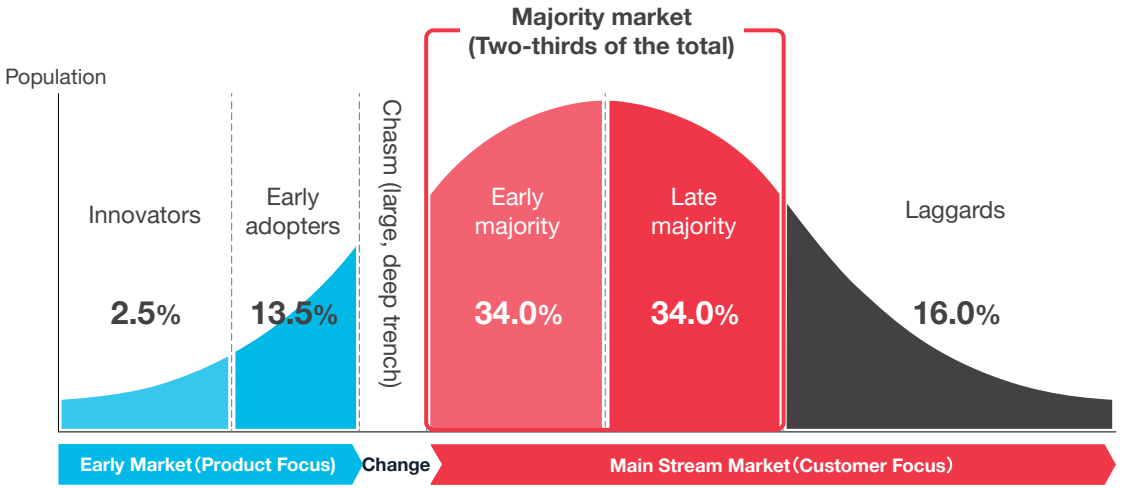
Horizontal SaaS and Vertical SaaS

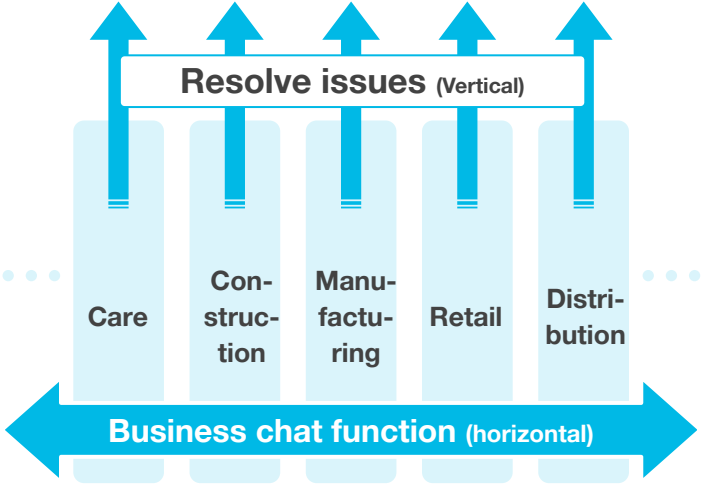
- Two types of SaaS exist: horizontal SaaS (which is for all industries) and vertical SaaS (which is for specific industries).
- Horizontal SaaS is used widely, but a high IT literacy is required to adjust or customize this software to resolve industry-specific issues. Vertical SaaS is emerging as a result.
- Chatwork is a representative type of horizontal SaaS.

	Horizontal SaaS	Vertical SaaS
Charac-teristics	• Saas to handle certain processes for any company, regardless of industry • Highly generic; requires adjustment or customization to address specific issues	• Saas designed for particular industries to resolve industry-specific issues • Not generic, but can resolve issues in specific industries without adjustment or customization
Examples	• Business chat • Accounting • CRM	• Services to check lines of flow in physical retail stores and analyze data • Services to move business documents generated by food product manufacturers into the cloud

Horizontal + Vertical Strategy

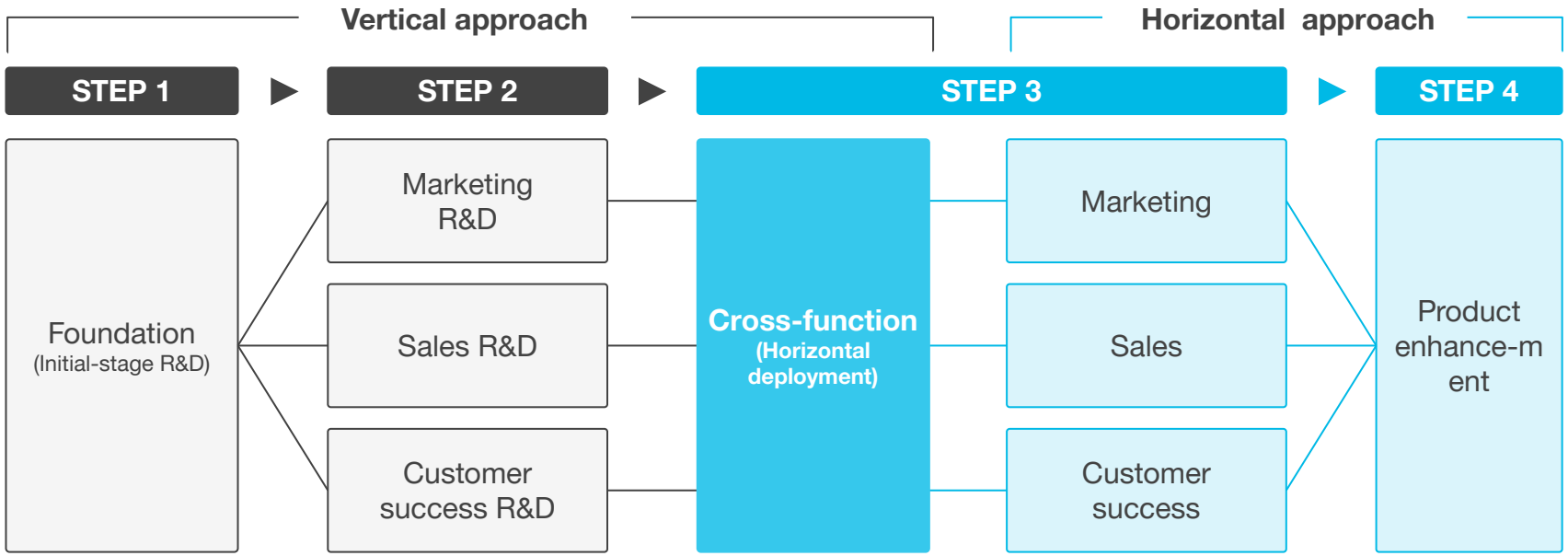
- To go beyond the market chasm, the phase of business chat market is moving into the “majority market,” focusing on practicality.
- On the base of Chatwork (horizontal), specialized teams promote a deeper understanding of the sector and create communication process to help resolve customer issues (vertical).
- Service development combines the breadth of horizontal SaaS and the depth of vertical SaaS.





Overview of Operations

- Leveraging our strength as a Japanese vendor, we will strengthen industry understanding by our specialized teams. We will understand industry-specific business processes and issues, and make several practical patterns of using our service.
- We will share our experiences and patterns within our marketing team, sales team and customer success team, which make our proposal more valuable and practical. We will also enhance our product functions based on our knowledge.

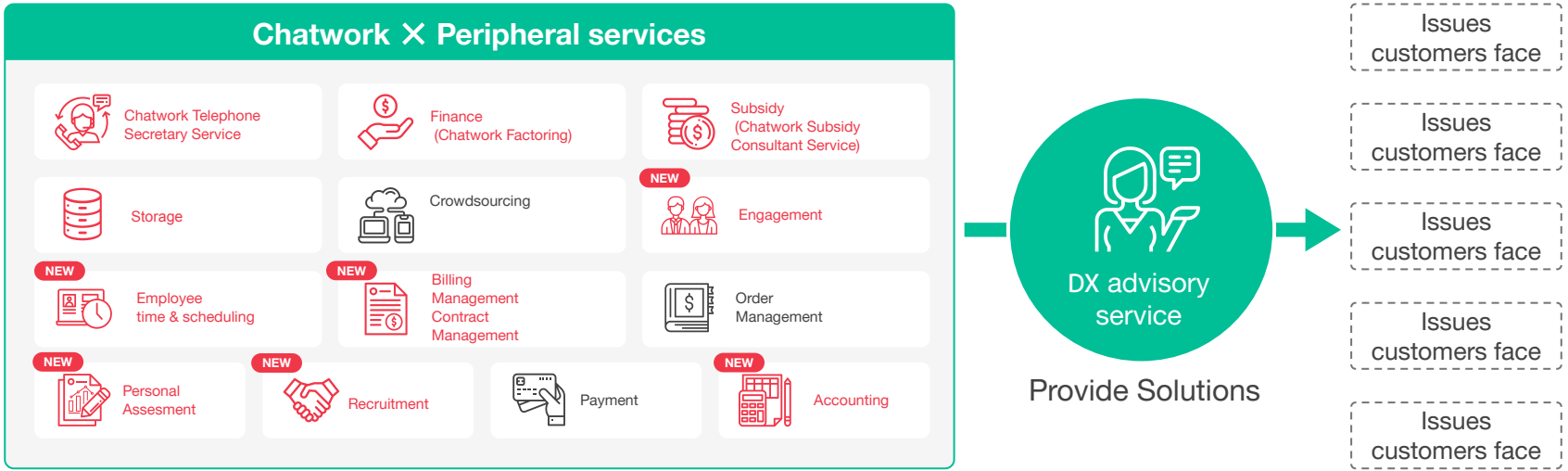


Strategy #3

DX Solution Strategy

DX Solution Strategy

- In addition to the efforts for increasing our market share in business chat, we will promote the DX solutions business.
- We will provide diverse services, connecting them with business chat to expand the number of unique new services (peripheral services).
- We will introduce DX advisory services via the customer success department and combine them with PF services as solutions to the issues customers face.



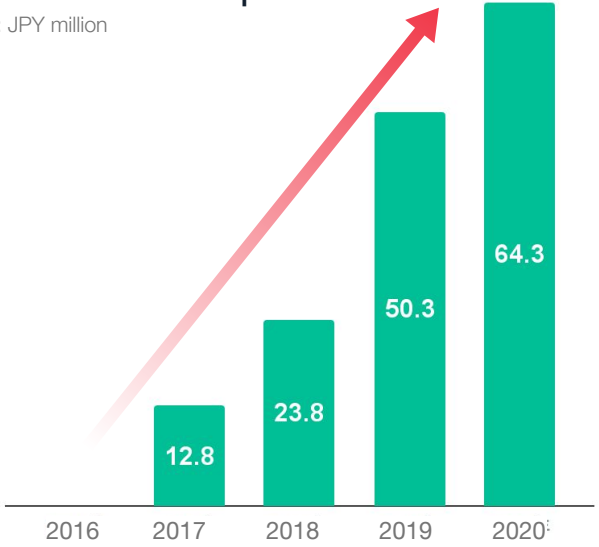
Note: Text in red indicates services available as of November 12 2021.

Expand our Peripheral services

- We began offering Peripheral services in 2016, and growth has remained steady.
- Around half of Peripheral services users are free users of business chat, which means Peripheral services revenue is growing with the increasing of Registered IDs. It makes our revenue structure stronger.
- The value of the platform increases as the number of users rises with Chatwork's growth. Going forward, we will substantially expand the lineup through alliances and capital and operational tie-ups.

Sales from Peripheral services

Unit: JPY million

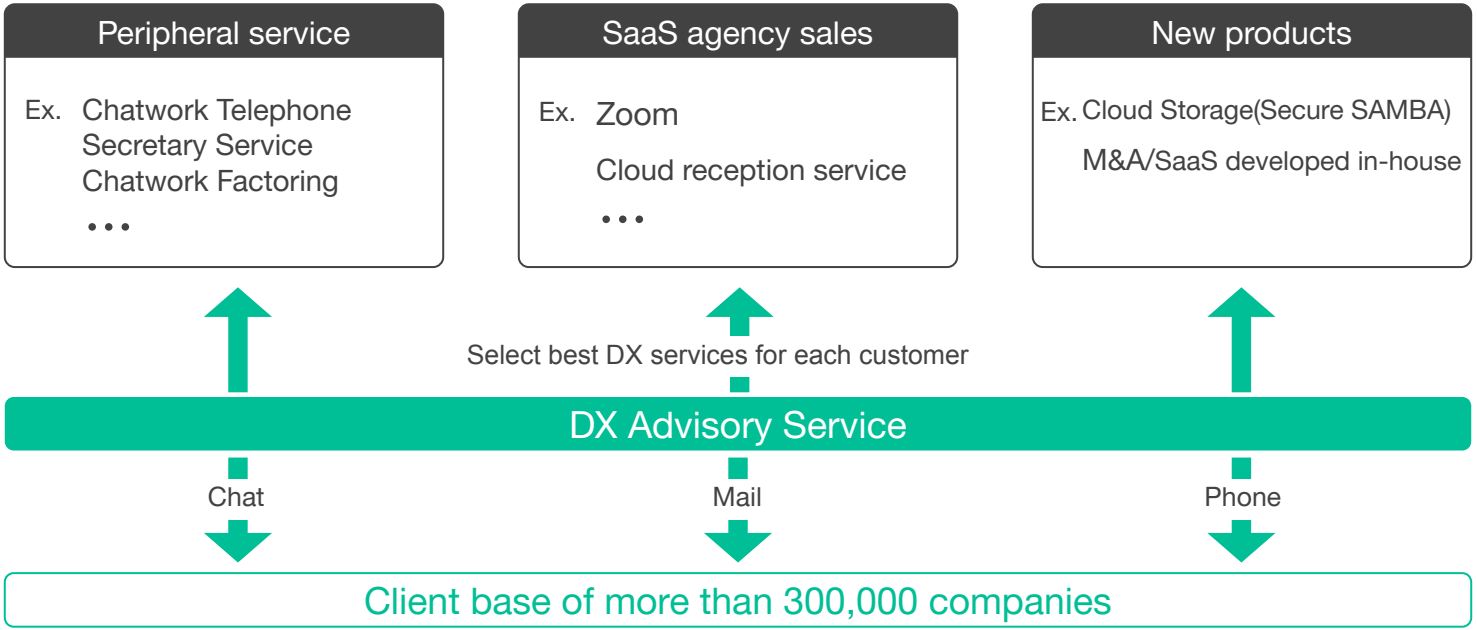


Peripheral services currently in place

Chatwork 電話代行 Powered by fondesk
Chatwork 早期入金 powered by Money Forward Early Payment
Chatwork 先払い Powered by yup
RECEPTIONIST
zoom
MiiTel
メールディーラー Mail Dealer
betterplace はぐくみ基金
Signing
RoboTANGO
セキュア SAMBA
jinjer 人事
jinjer 経費
jinjer 給与
jinjer 勤怠

Rollout of the DX Advisory Service

- We launched the DX Advisory Service within our customer success department. We will use Chatwork as our strong communication channel to approach efficiently and provide better services.
- In addition to Peripheral services, we will offer Zoom and other easy-to-connect products as an agency. We will also offer a broad range of new products, acquired through M&A or developed in-house.



Long-Term Vision, Roadmap

Long-Term Vision

“Chatwork” upgrade to “Super app” for business

- Super apps: apps that become platforms that function as a starting point for various businesses.
- Business chat tools have the advantage of being business platforms, because users spent more time with these products compared with other SaaS tools.
- Chatwork smoothly connects users and various software services as an open platform.

Note: Text in red indicates services available as of November 12 2021.

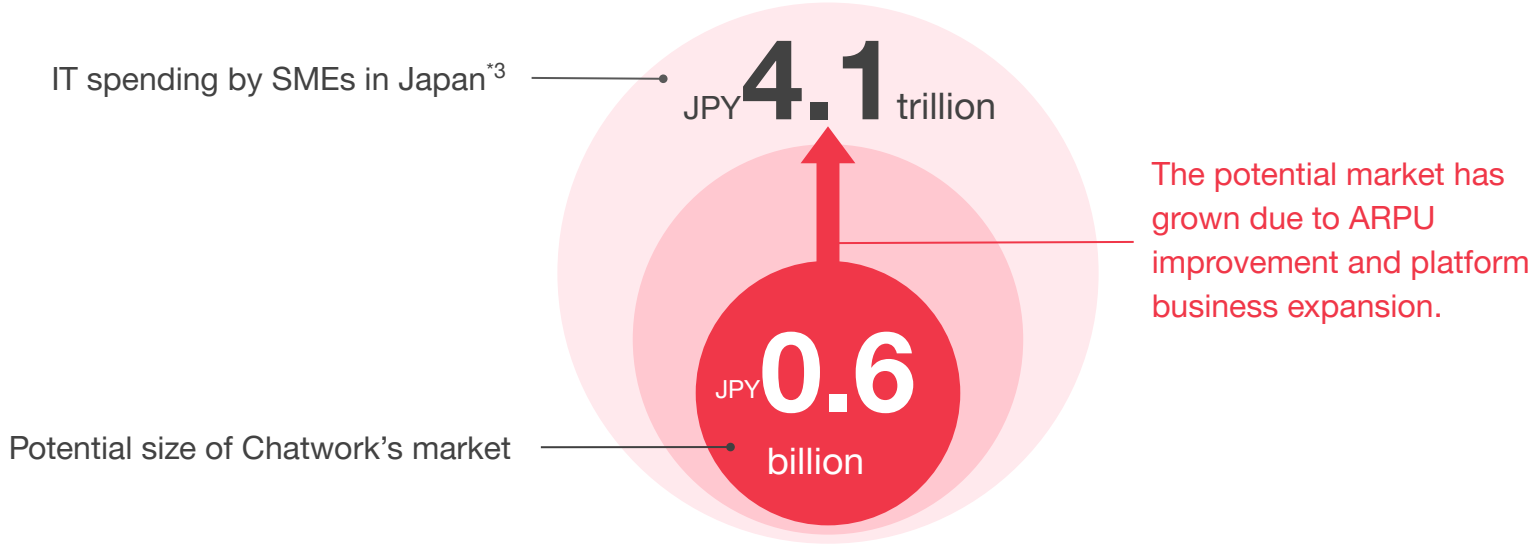
Targeting a Business Super App via Three Strategies

- We will change our main KPI from number of paying users x ARPU to number of users x activity index x ARPU.
- As the number of users expands and the level of user activity increases, the value of the platform will rise. We aim to increase ARPU by promoting the provision of value, including the addition of new services to the platform.

	Strategies	Major KPIs
1	Product-Led Growth strategy	Number of users (including free users)
2	Horizontal + Vertical strategy	Activity index (DAU/MAU, availability)
3	DX Solution strategy	ARPU (Account billings, PF services)

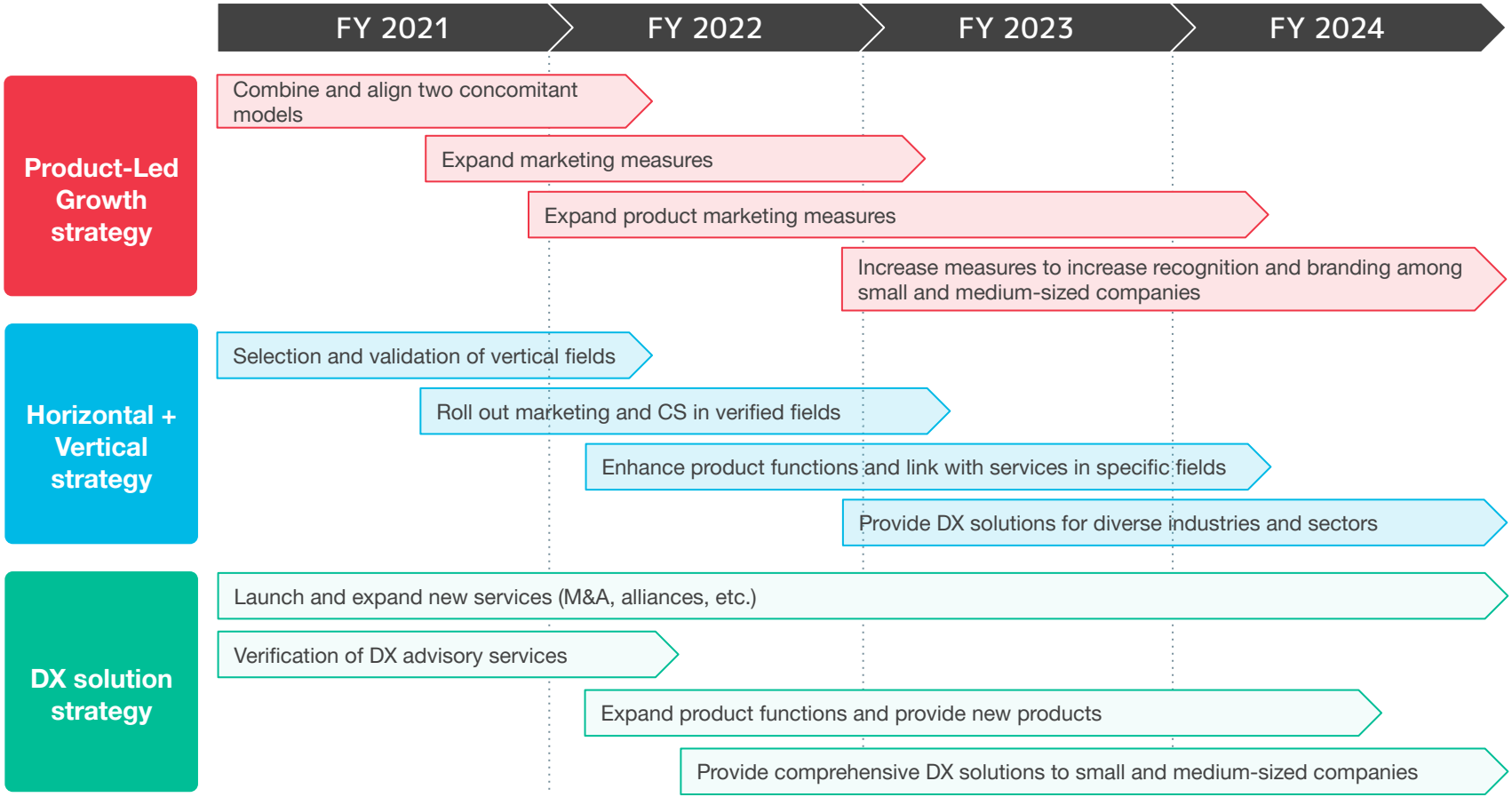
Size of the Potential Market for Business Super Apps

- As business super apps grow, our target market will expand from business chat alone to include overall IT support for SMEs in Japan, driving up the scale of the market to **JPY4.1 trillion**.



*1 This is the market size estimated by Chatwork. The estimated figure may differ from the actual market size.
*2 Source: IDC Japan's "SMB IT Domestic Market Forecast"
*3 Figures for the Japanese workforce are from the "Labor Force Survey" by the Ministry of International Affairs and Communications' Statistics Bureau. Calculated as the average number of workers in 2019 times the unit price of the enterprise plan times 12 months.

Medium-Term Strategy Roadmap



Our Mission and Initiates for sustainability

Corporate Mission

Making work more fun and creative

People spend over half their lives working. That time is not just for earning money. We help companies create environments that enable as many employees as possible to enjoy their work more and express their creativity fully and freely.

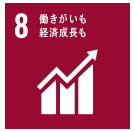
Societal issues

- Reduced productivity due to inefficient communications, such as excessive meetings and telephone interruptions
- Lost time and environmental impact from business travel and the distribution of printed materials

Our initiatives

- Make business communication more efficient, and create an environment where people can concentrate on their work, leading to the creation of added value
- Reduce constraints on time and location, decrease the amount of time spent in transit, and contribute to the diversification of working styles

Our objectives and targets for contributing to the SDGs*1



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

*1 The Sustainable Development Goals (SDGs). For details, see https://www.unic.or.jp/activities/economic_social_development/sustainable_development/sustainable_development_goals/.

Third Quarter of

FY2021 Results

6

Appendix

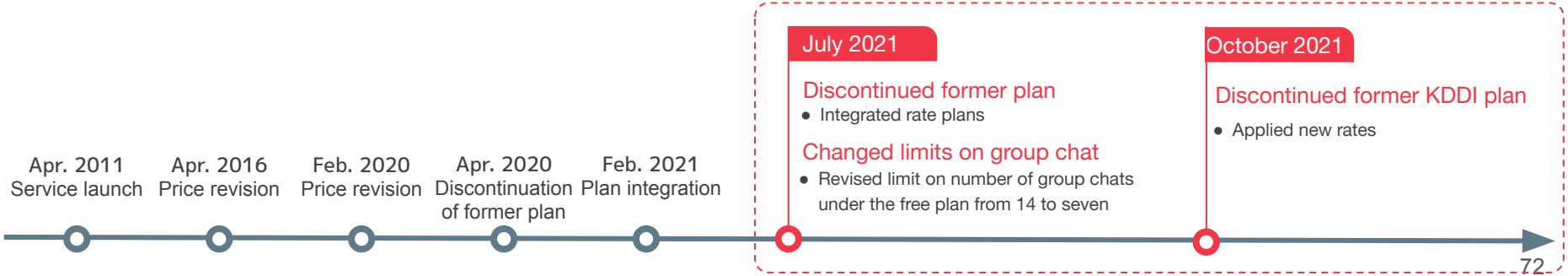
Changing the Former Plan and Changing Limits on the Free Plan

We discontinued the former plan and moved to a new rate structure.

- We discontinued a former plan that was priced at 20% less than our current plan, moving to the new plan to be applied to contract renewals from July 2021.
- We discontinued a plan previously provided to KDDI on an OEM basis for JPY191 per month. From October 2021, we will integrate this into a new plan priced at JPY800 per month.
- We sought understanding of customers who have been using our inexpensively priced former plan for a long period of time.

We changed the limits on the number of group chats available under the free plan.

- In July 2021, we changed cumulative number under the free plan from 14 to 7, as well as changing billing points.
- By continuing to revise the rate structure, we are working to increase average spending per customer.



Discontinued Former Plan and Moved to a New Fee Structure

- We discontinued a former plan that was priced at 20% less than our current plan, moving to the new plan to be applied to contract renewals from July 2021.
- We discontinued a plan previously provided to KDDI on an OEM basis for JPY191 per month. From October 2021, we will integrate this into a new plan priced at JPY800 per month.
- We sought understanding of customers who have been using our inexpensively priced former plan for a long period of time.

Business Plan, Enterprise Plan

Current fee		New! Revised fee	
Price per user, **business plan**	Price per user, **enterprise plan**	Price per user, **business plan**	Price per user, **enterprise plan**
JPY**500**/month (monthly agreement)	JPY**800**/month (monthly agreement)	JPY**600**/month (monthly agreement)	JPY**960**/month (monthly agreement)
JPY**5,000**/year (yearly agreement)		JPY**6,000**/year (yearly agreement)	JPY**9,600**/year (yearly agreement)
Approx. JPY417/month		JPY500/month	JPY800/month

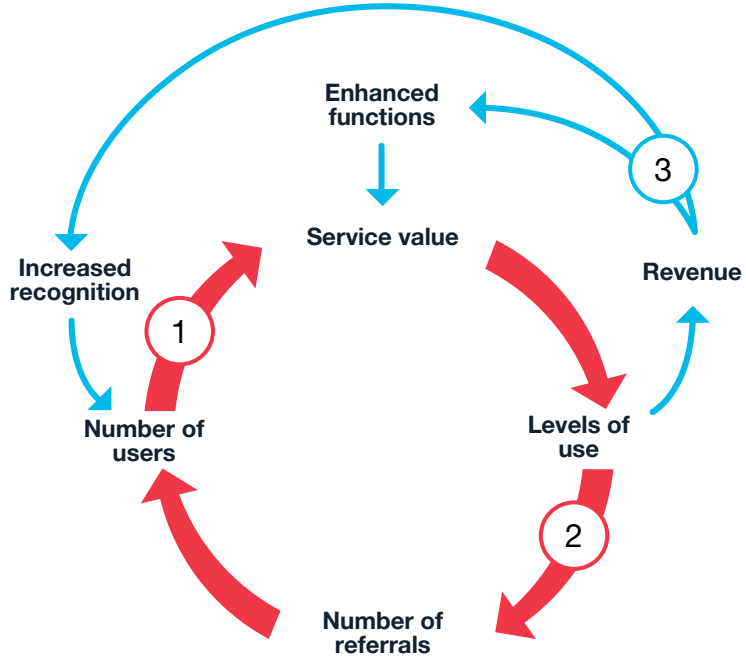
Version Provided to KDDI on an OEM Basis

Former plan	New! New plan
Sales price (June 2012~March 2016)	Sales price (From October 2021)
Basic fee / agreement JPY**4743** /month	Basic fee / agreement Free
ID user fee / ID JPY**191** /month	ID user fee / ID JPY **800** /month

* All prices are without tax.

Service Structure Accelerating the Virtuous Cycle

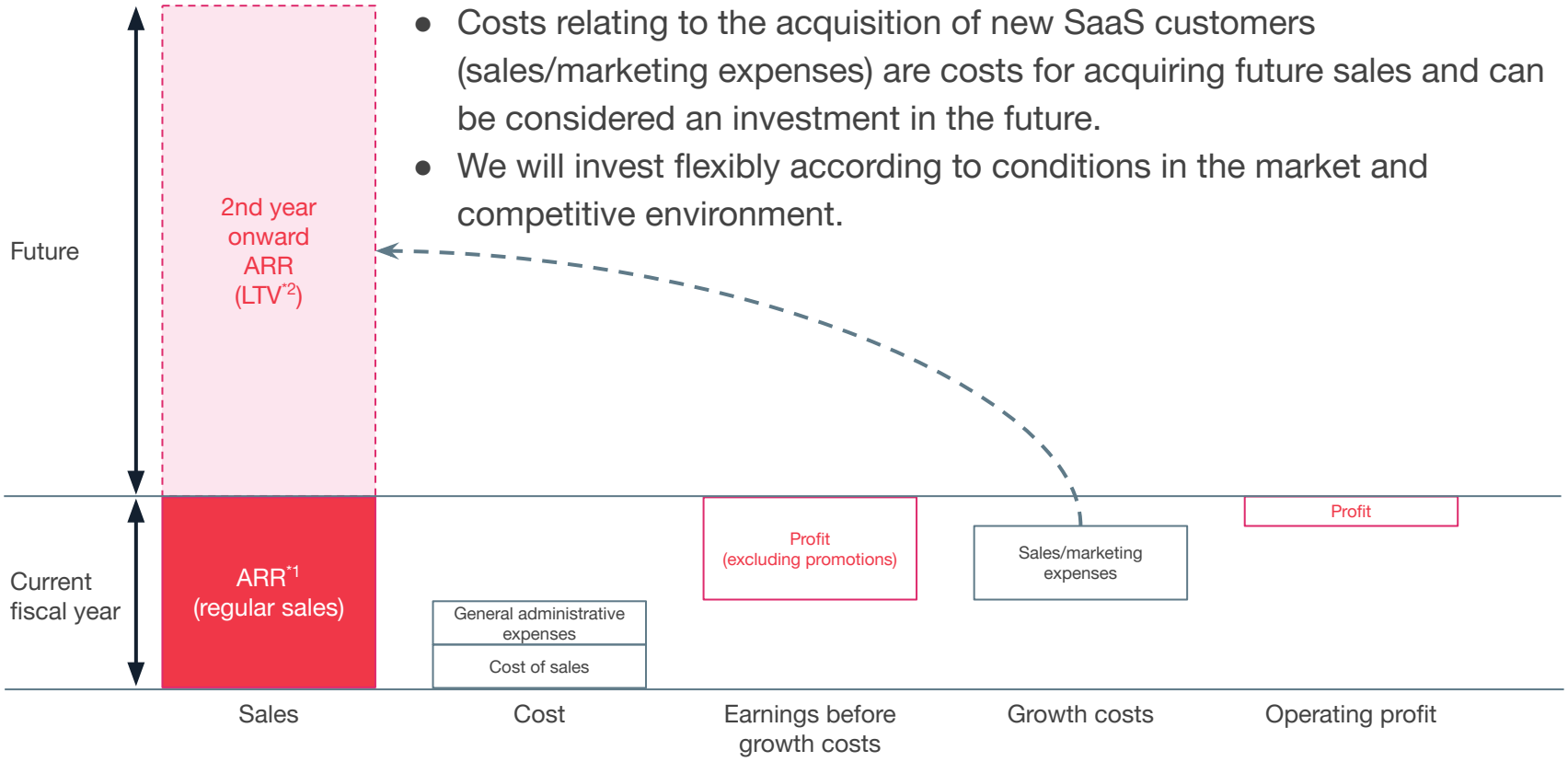
The virtuous cycle of service growth can be further accelerated by reinvesting revenue.



1. Service value rises as the number of users grows (network effect).
2. As service value rieses, the levels of use increases, and the tool is introduced to more external users through referrals. At the same time, the number of internal users also increases, leading to still more users.
3. The business model calls for increased revenue as the levels of use rise, with the cycle further accelerated by reinvesting revenue to bolster recognition and enhance the tool's functions.

Cost Structure: Investment Principle

- Costs relating to the acquisition of new SaaS customers (sales/marketing expenses) are costs for acquiring future sales and can be considered an investment in the future.
- We will invest flexibly according to conditions in the market and competitive environment.



*1 Annual recurring revenue (ARR) is the value of the contracted recurring revenue components of term subscriptions normalized to a one-year period.
*2 Life time value (LTV) is an estimate of the average revenue that a customer will generate throughout their lifespan as a customer.

Shareholder Benefit Plan

We aim to increase understanding of our company as more people use our services and encourage their long-term support for the company's growth.

Shareholder eligibility

- People who have held shares continuously for two record dates (six months) in the company's shareholder register, each year as of June 30 and December 31.
- Shareholders registered as holding at least one share unit (100 shares).

Benefit details

- Shareholders can receive one ID per shareholder number for our paid personal plan[*1].
- The monthly fee is waived as long as the party continues to hold the company's shares.

*1 This is a plan for individuals provided through January 2021. Please inquire about functions and details.

High Level of Growth

50 | Technology Fast 50
2020 Japan WINNER
Deloitte.

Winner of the **Technology Fast 50 2020 Japan** award, sponsored by Deloitte Touche Tohmatsu Limited

For the second straight year, we were selected for inclusion in Deloitte Touche Tohmatsu Limited's Technology Fast 50 2020 Japan ranking, which targets Japanese companies in the TMT industry, based on our 87.5% earnings growth over the past three years.

GREAT COMPANY AWARD 2020
業績アップ賞

Winner of the **Great Company Awards in 2020 Better Performance Award**, sponsored by the Funai Foundation

We were selected as one of the particularly distinguished six companies out of more than 9,000 applicants for the Great Company Award. We received the "performance increase" prize due to our success in driving industry growth and unmatched growth in performance.

Notes

P52 Estimating SAM

1. The number of workers is based on the Ministry of Internal Affairs and Communications' "Labor Force Survey." Although these figures may change somewhat between now and 2024, we will use these as the most recent figures until 2024, as we believe they are unlikely to change significantly.
2. To calculate the number of workers at small and medium-sized companies, the Company multiplied the result from 1. by 68.8%, using this as the "ratio of workers in small and medium-sized companies" announced by the Small and Medium Enterprise Agency.
3. The Company estimates that the number of companies using business chat will be approximately 50% of 2. by 2024 (the market penetration rate). Therefore, we have used the figure multiplied by 50% as our SAM (number of business chat users at small and medium-sized companies).

P52 Method of calculating the target share of 40% among small and medium-sized companies by 2024

1. We multiplied our calculated "percentage of small and medium-sized corporate workers using Chatwork (87.0%)" by the target number of licenses (including free licenses) in the overall Chatwork business. We used this approach to calculate the number of Chatwork users (number of licenses) at small and medium-sized companies by 2024.
2. We set the target market share by using the SAM value for 2024 and the number of licenses calculated in 1.
3. To calculate the share for 2020, we used assumptions a. and b. below, using the formula a/b.
    a. We multiplied the current number of Chatwork licenses (including free licenses) by our calculation of the "percentage of small and medium-sized corporate workers using Chatwork (87.0%)" to calculate the number of Chatwork users (number of licenses) at small and medium-sized companies in 2020.
    b. To estimate SAM for 2020, we used the same calculation method as for 2024, but just changed the market penetration rate (including inactive users) to 28.8%. (we calculated the penetration rate by adding inactive users to 14.2% (active users only), which is the result of the 2020 business chat penetration rate survey.)
    c. The market penetration rate for 2020 is calculated on the basis of survey results shown in page 40 on the "Usage Status of Business Chat Tools."
    d. In this manner, we calculated our market share to be 25.7% in 2020.

CEO

Masaki Yamamoto, CEO

Masaki Yamamoto founded EC studio (currently Chatwork Co., Ltd.) in 2000 while still enrolled in university. Since then, he has been involved in developing a wide range of services as CTO in charge of technology, planning and release of Chatwork, a cloud-based business chat tool, in March 2011. Along with leading development of the tool as an engineer, he has grown it into the company's core business in his role as executive officer. In June 2018, he was appointed CEO of Chatwork Co., Ltd.
He was awarded the Venture Manager Prize at the 45th Keizaikai Grand Prix.

Strengths as CEO

- Involved with the company's core product, Chatwork, from the outset as a planner, developer and executive officer
- As a board member since founding, has overseen various aspects of the company, including technological development, business operations, and corporate affairs
- As a CEO with technological expertise, capable of making decisions based on an in-depth understanding of technological trends.

Directors

Masayuki Yamaguchi, EVP & COO

Following employment at system integration and production companies, Masayuki Yamaguchi handled service and organizational management for an IT service provider. After joining Chatwork in 2008, he was appointed managing director. Following appointment to the position of chief marketing officer (CMO) in 2016 and supervising business departments, he was appointed executive vice president and COO in March 2019. As COO, he heads the business division and is in charge of the marketing, sales, and business departments.

Naoki Inoue, CFO

Naoki Inoue is a graduate of Waseda University. After holding positions at strategic consulting firm Roland Berger, Dell, and other companies, he joined Recruit in 2008 and was involved in new business development and M&A. Having supervised the acquisition of Indeed in 2012, he was assigned to the U.S. to handle post-merger integration (PMI). In 2015, he was assigned to the U.K. to supervise PMI following the acquisition of Treadwell. In November 2017, after returning to Japan, he joined Chatwork as CFO. He was appointed as director and CFO in March 2019.

Vice Presidents

Shigetoshi Kasuga, CTO & VP of Product

After graduating from Meiji University's School of Business Administration, Shigetoshi Kasuga joined Information Services International-Dentsu, where he gained experience in introducing core accounting systems at major companies. He subsequently joined Recruit, where he was engaged in developing new business and involved in organizational management, service planning, business process re-engineering (BPR), etc. In January 2016, he joined Chatwork as vice president of engineering and was appointed CTO & VP of product in July 2020.

Tomokazu Nishio, CHRO & VP of People & Branding

Tomokazu Nishio graduated from Kyoto University's Faculty of Letters. In 2001, he joined NHK, where he covered court cases, local affairs, sports, and more as a TV reporter. In 2007, he joined Synergy Marketing, where he was involved in the IPO process and later supervised overall corporate affairs as director of the administration department, playing a role in various areas ranging from back office to M&A. He joined Chatwork in 2017 and was appointed CHRO & vice president of HR and PR in July 2020.

Shoji Fukuda, CSO & VP of Sales & Marketing

Shoji Fukuda joined ITOCHU Corporation in 2004, where he was engaged in new business development and investment operations related to the Internet. In 2013, he joined SMS where he supervised the entire nursing care area centering on Kaipoke, a management support service for nursing care operators, and Kaigo Job, a recruitment and career change information service for nursing care workers. In 2018, he was appointed as executive officer of the company. In January 2019, he became an external director of Chatwork. He joined Chatwork in April 2020 and assumed the post of CSO and vice president of sales & marketing in July 2020.

Outside Directors and Auditors

Tomohiro Miyasaka, Outside Director

Through SBI Holdings, the financial holding company of a comprehensive internet-based financial group, in 2006 Mr. Miyasaka was involved in the launch of the current SBI Sumishin Net Bank (investors: Sumitomo Trust and Banking and the SBI Group). He joined GMO VenturePartners in 2008, becoming a director and partner in 2012. In March 2021, he was appointed as an outside director of Chatwork.

Takeshi Sugai, Outside Full-time Auditor

After working in the finance industry at such organizations as the Long-Term Credit Bank of Japan and the World Bank, Mr. Sugai was CFO at J-Stream when that company listed on the Mothers market of the Tokyo Stock Exchange. He also guided Secured Capital Japan as that organization upgraded its listing to the TSE First Section. After that point, he continued to leverage his extensive knowledge and experience, guiding the management of startup companies in numerous industries in such areas as accounting/finance, legal affairs, human resources, and investor relations. In November 2017, he was appointed as a full-time outside Audit & Supervisory Board member of Chatwork.

Hiroyuki Yamada, Part-time Auditor

Mr. Yamada became a founding partner and CFO of the AZX Professionals Group in 2001. Since his appointment as director of Cookpad (TSE First Section) in 2007, he has served as director or Audit & Supervisory Board member of a number of companies. For example, he was appointed Audit & Supervisory Board member of Fringe81 (Unipos Inc. ,TSE Mothers) in 2013, Audit & Supervisory Board member of RakSul (TSE First Section) in 2014, and Audit & Supervisory Board member (current position) of Kaonavi (TSE Mothers) in 2015. In January 2016, he was appointed as a part-time Audit & Supervisory Board member of Chatwork.

Masayuki Murata, Part-time Auditor

Mr. Murata joined the Osaka Securities Exchange in 1991. He was appointed executive officer in 2003 and was responsible for the launch of the OSE Hercules market. After the Osaka Securities Exchange and the Tokyo Stock Exchange merged, in June 2013 he was appointed as an executive officer of the Tokyo Stock Exchange, where he was in charge of the listing promotion division. In April 2018, he established Public Gate LLC to provide mentoring to management teams aiming to take their companies public. In March 2019, he was appointed as a part-time Audit & Supervisory Board member of Chatwork.

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Making work more fun and creative

Chatwork