



Chatwork Co., Ltd. (TSE Code:4448)

December 16, 2022

Explanatory Material
Regarding
the Consolidation of
MINAGINE Co., Ltd.

Summary of the Transaction

- Acquired 100% of the shares of MINAGINE Co., Ltd., a provider of cloud-based work management and personnel evaluation systems, labor-related outsourcing services, etc.
- Consolidation is scheduled for February 2023; there will be no impact on consolidated results for the fiscal year ending December 31, 2022

Overview

Contract conclusion date	December 16, 2022
Execution date of share acquisition	January 31, 2023 (scheduled)
Acquisition price	Minimum 600 million yen Maximum*1*2 1,000 million yen
Equity interest to be acquired	100.0%
Date of consolidation	February 1, 2023 (scheduled)



*1 The acquisition price is decently calculated based on a valuation using the DCF method, etc. by an independent third party.

*2 We have agreed to an earnout linked to performance, with the possibility of up to a total of 1,000 million yen depending on the achievement of MINAGINE Co., Ltd. over the next three years.

About MINAGINE Co., Ltd.

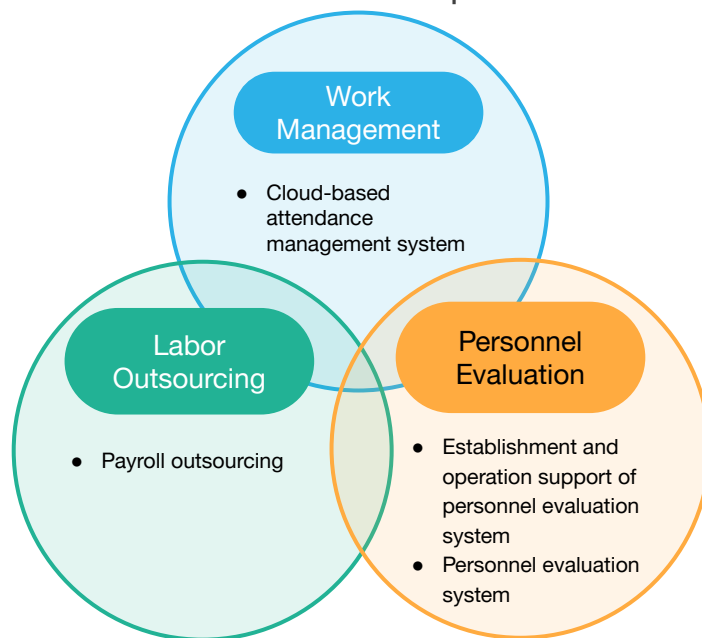
- Engaged in the planning and sales of cloud-based work management and personnel evaluation systems, as well as payroll and other labor outsourcing and other HR businesses
- Provides HR services for the back office needs of small and medium-sized businesses

Company Outline^{*1}

Name	MINAGINE Co., Ltd.
Establishment	October 9, 1976
Representative	Hideaki Sato
Share capital	90,000 thousand yen
Business description	Payroll Outsourcing Work Management System, Others

^{*1} As of December 16, 2022

Business Description



Background of the Transaction

- The agreement was reached due to a convergence of interests between Chatwork Co., Ltd., which wants to expand its service offerings in order to make Chatwork a super app, and MINAGINE, which is looking for a partner to promote digital transformation (DX) in the HR domain, such as **payroll and attendance management**
- **Both companies primarily target SMBs.** This transaction will allow us to offer MINAGINE's services on our business chat platform, allowing for service connections and customer referrals

MINAGINE

- Needs a partner to further promote DX in the HR domain
- Needs to expand its sales channels to SMBs and acquire new customers



Chatwork

- Needs to extend services to make Chatwork a super app
- Needs to solve customer issues in the HR domain to improve labor productivity of SMBs
- Aims to actively pursue M&A and investments to accelerate the pace of growth

Purpose of the Transaction and Expected Synergies

Purpose

Expand services to realize a **super app for business** as set forth in our medium-term management plan

- Need services in the HR domain, such as payroll and attendance management, to realize a super app for business
- Expand the range of customer issues we can solve by being **able to approach issues that cannot be solved by IT tools alone** for back-office operations and productivity gains in SMBs, where there is significant room for improvement

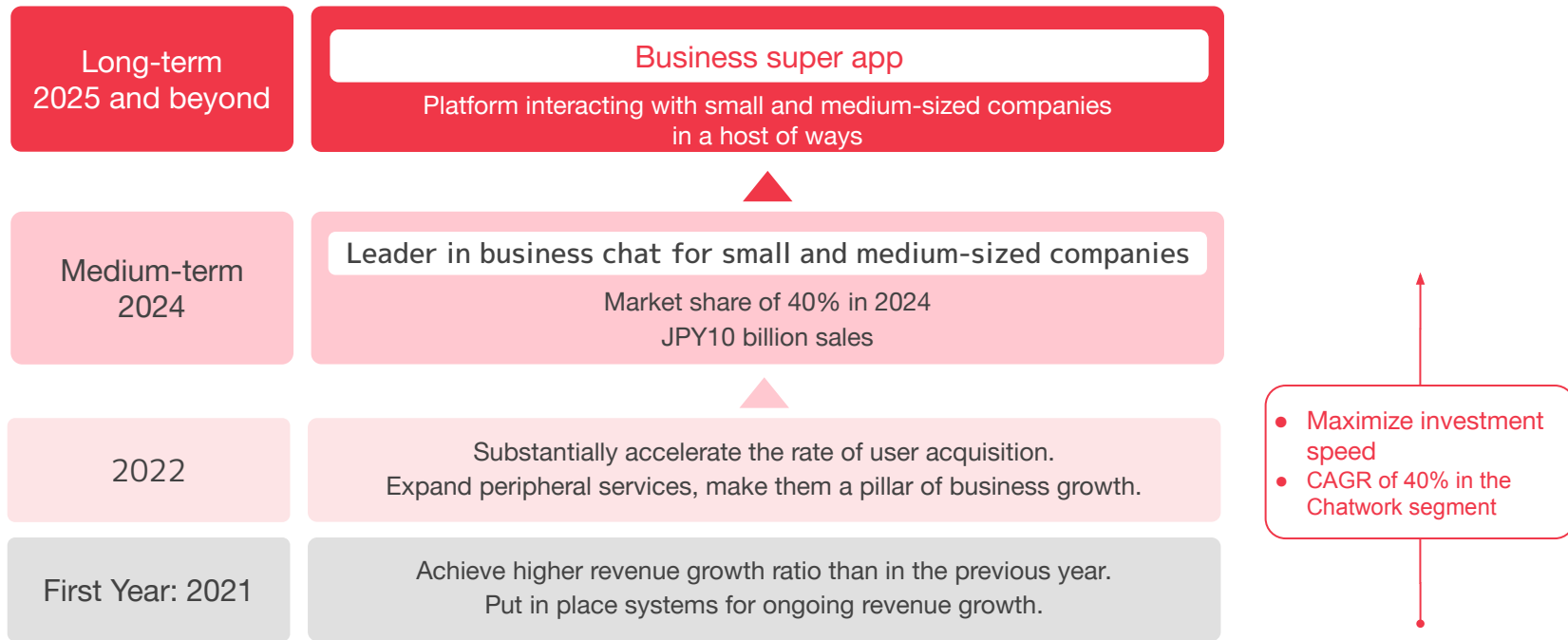
Synergies

Revenue growth and cost efficiency by leveraging our common SMB customer base

- Cross-sell and up-sell to Chatwork's existing customers to increase ARPU
- Improve the efficiency of marketing and sales activities in acquiring new customers
- Create high value-added services by linking communication tools with HR domain services
- Utilize MINAGINE's expertise in other areas that cannot be solved by using IT tools alone

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.



Strategies for Achieving Our Medium-Term Targets

- We will concentrate on promoting three core strategies to become the leader in business chat among SMEs by 2024.

1

Product-Led Growth^{*1} Strategy

- Promote an efficient PLG (Product-Led Growth) strategy, in which the product itself accelerates business growth.
- Further accelerate user growth through introductions (our forte), and build a robust customer success system.

2

Horizontal + Vertical Strategy

- Create a communication process that will enhance understanding of the industry and resolve the issues customers face.
- Combine industry-agnostic communication functions with industry-specific issue resolution.

3

DX^{*2} Solution Strategy

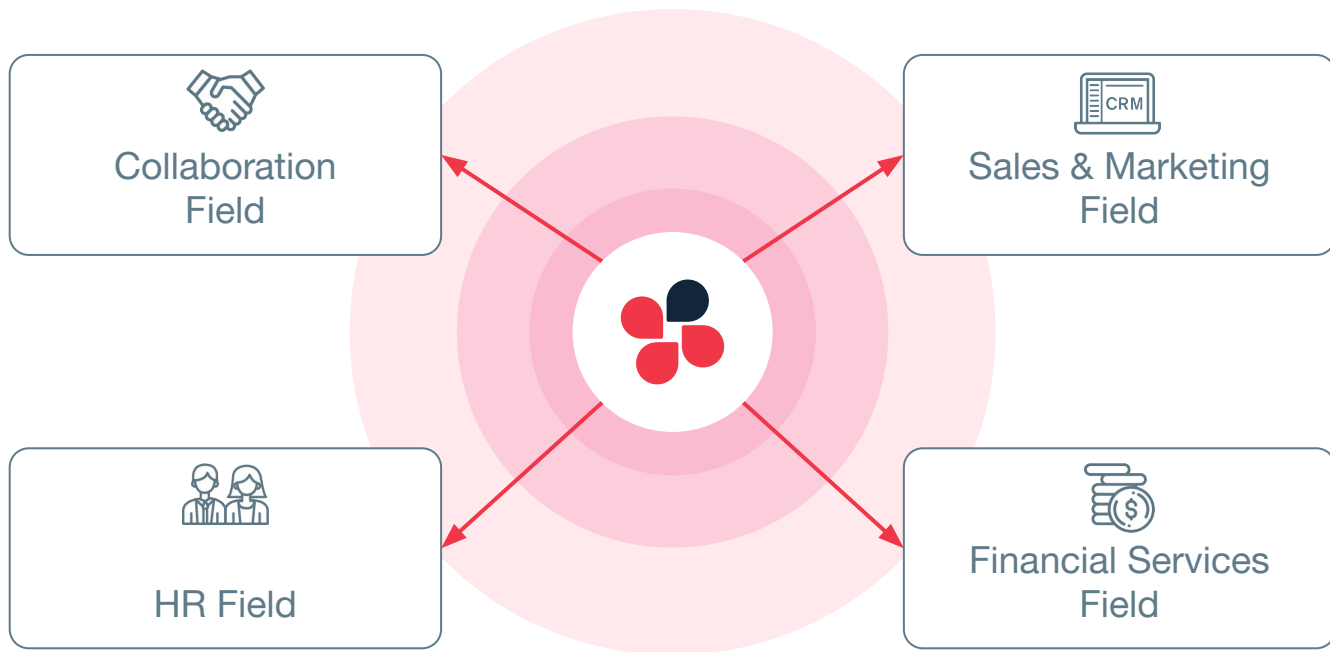
- Use chat as a platform for developing the DX solution business.
- Work to maximize the value provided by expanding peripheral businesses to realize the super app concept.

^{*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 49 for details.

^{*2} DX (Digital Transformation) is the adoption of digital technology to transform services or businesses.

Our Investment Policy Moving Forward

- Continue to **invest aggressively** in leading businesses that have a high affinity with Chatwork, including through M&A activity, to realize super app concept.
- Aim to **accelerate sales growth in the Chatwork business** while maintaining sound financial discipline in our investments.



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.

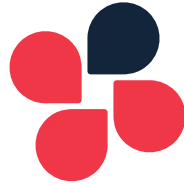


Note: Text in red indicates services available as of December 16 2022.

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Making work more fun and creative



Chatwork