

Presentation Material

Fiscal Year
Ended December 2022

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

February 10, 2023



Highlights

Revenue and profit both outpaced forecast

The Chatwork segment met its forecast, and our operating loss was much smaller than forecast. P.48

Number of paying IDs up sharply

Due in part to plan changes last October, the number of paying IDs rose 10.2% QoQ (+62,000 IDs). P.52

Withdrawal from overseas business in some locations

We have decided to withdraw from local business in Vietnam and Taiwan. We are making steady progress on reducing costs. P.39

Announcement of our sustainability strategy

We formulated our materiality (key issues), goals, and KPIs. P.40

KPI Highlights

Number of Registered IDs

as of the end of Q4'2022

5.74MM

Number of Paying IDs^{*1}

as of the end of Q4'2022

668K

Number of Registered companies

as of the end of Q4'2022

386K

ARR^{*2}

as of the end of Q4'2022

4.76BLN

NRR^{*3}

as of the end of 2022

122%

Churn Rate^{*4}

as of the end of Q4'2022

0.4%
(For Paying IDs: 1.0%)

ARPU^{*5}

as of the end of Q4'2022

JPY547.4

DAU^{*6}

Median during Q4'2022

1053K

^{*1} Paid plans that corporate users can try for a certain period

^{*2} Annual Recurring Revenue of Chatwork account business and Cloud storage business, 12 months of MRR as of December 31, 2022

^{*3} NRR rate = (ARR at beginning of period - revenue churn on a monthly basis + revenue expansion on a monthly basis) / ARR at beginning of period

^{*4} Churn rate of the number of registered IDs, averaged over the 12 months from January 2022 to the end of December 2022

^{*5} Average revenue per user for paid Chatwork account services

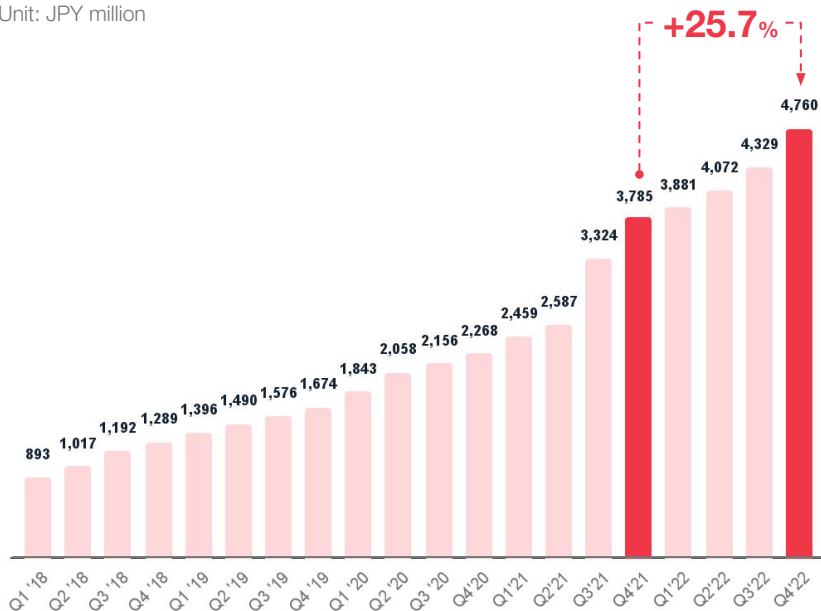
^{*6} Daily Active User. It measures how many users visit or interact with Chatwork service over a given interval per month

ARR

- Companywide, ARR^{*1} rose solidly year on year (+25.7%) and 9.9% quarter on quarter.
- Excluding the impact of M&A, ARR in the Chatwork segment's account business was up 28.1% year on year.

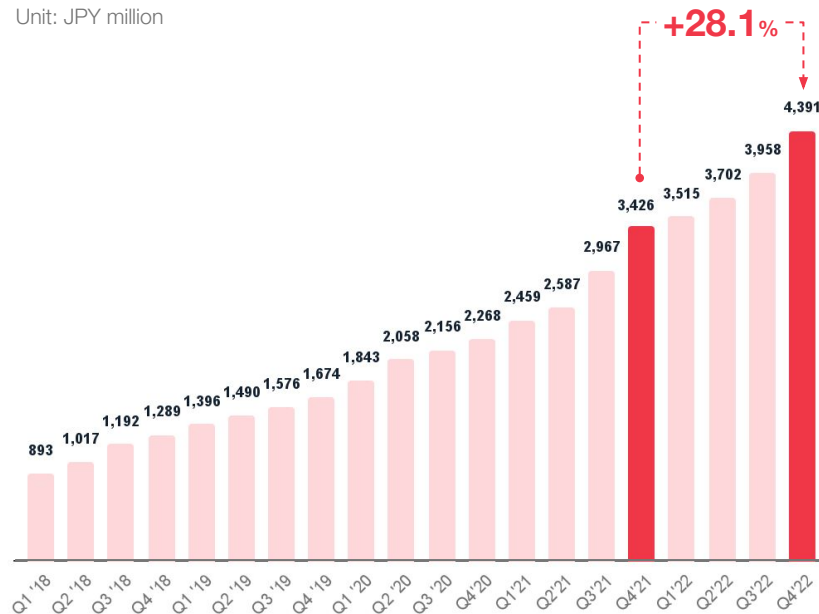
ARR

Unit: JPY million



ARR (Account Business)

Unit: JPY million



*1 Annual Recurring Revenue of Chatwork account business and Cloud storage business, 12 months of MRR as of December 31, 2022

INDEX

- 1 **Company Overview**
- 2 **Medium-Term Business Plan**
- 3 **Major Topics**
- 4 **Sustainability**
- 5 **Results for the Fiscal Year Ended December 2022**
- 6 **Forecast for FY 2023**
- 7 **Business Overview**
- 8 **Appendix**

Full year of
FY2022
Results

1

Company Overview

Company Overview



Company Name
Chatwork Co., Ltd.

CEO
Masaki Yamamoto

No. of employees
312 (December 2022)

Locations
Tokyo, Osaka

Established
November 11, 2004

COMPANY

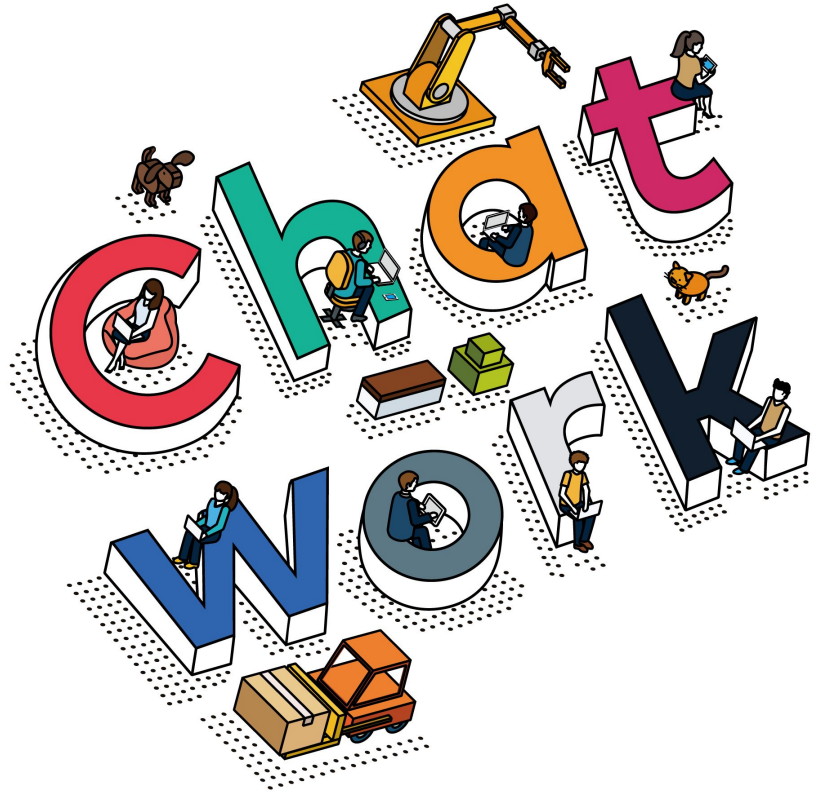


Making work more fun and creative

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 386,000 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.



BOXIL SaaS AWARD 2022

コラボレーション 部門選出



^{*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 May 2022 by Nielsen NetView and Nielsen Mobile NetView; applicable service selected by Chatwork Co., Ltd.

^{*3} As of December 2022

Get enthused about work

We want to make work more exciting and inspiring, revitalizing the workplaces through more invigorating communications.

We cultivate a solid understanding of how people work and facilitate a working style that is unfettered by the constraints of time or location.



“Change starts with Chatwork.”

We released a brand movie expressing our desire to be an activator of business by guiding the success of each person with the power of technology

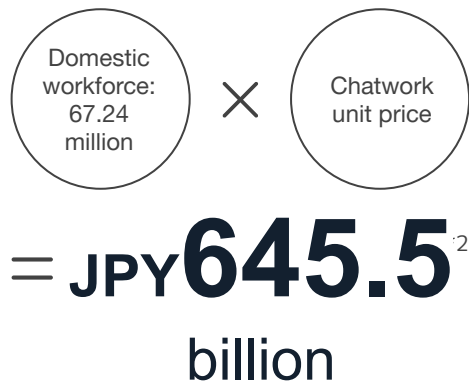


<https://youtu.be/3NHp8caltK0>

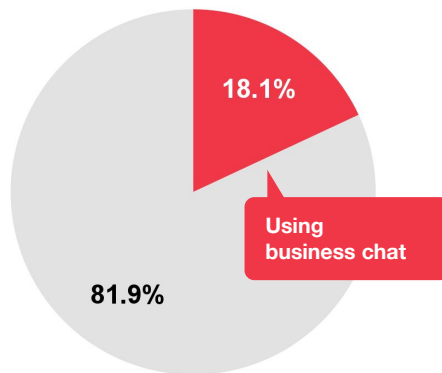
Market Environment for Business Chat

- 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 teleworking. Business chat in the SMB market is just beginning to gain popularity.

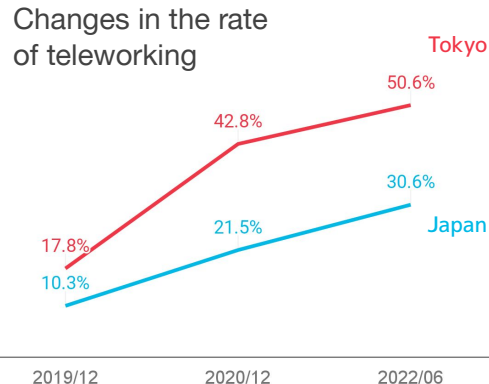
Total Addressable Market (TAM^{*1}) for Potential Rollout across All Industries



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.

^{*2} Based on a study commissioned by Chatwork, n = 30,000, as of September 2022.

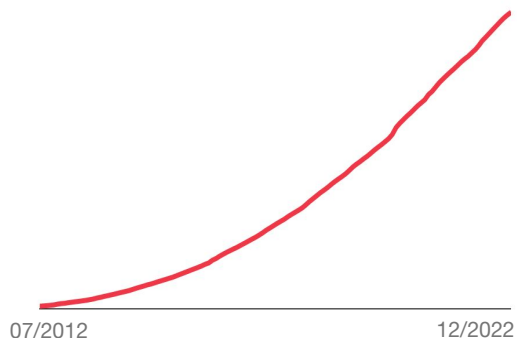
^{*3} Refer to the "Fifth Survey on Changes in Attitudes and Behaviors in Daily Life under the Influence of Novel Coronavirus Infection," Cabinet Office.

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

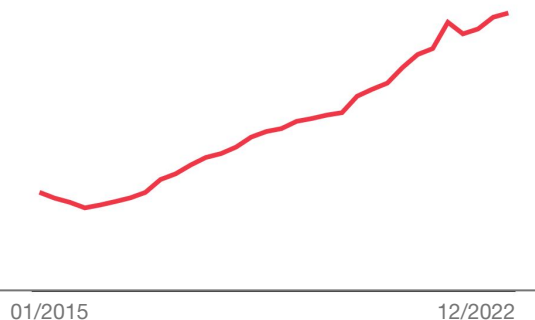
Number of registered IDs^{*3} **5.74MM**



ARPU Rising due to Ongoing Increase in Product Value

ARPU

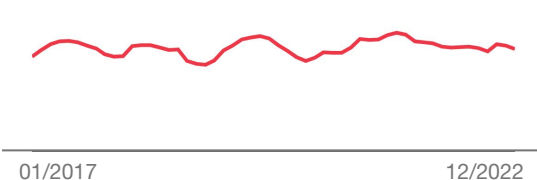
JPY547.4



High Retention Rate

Churn rate

0.4%



^{*1} Average revenue per user for paid Chatwork services.

^{*2} Churn rate of the number of registered IDs

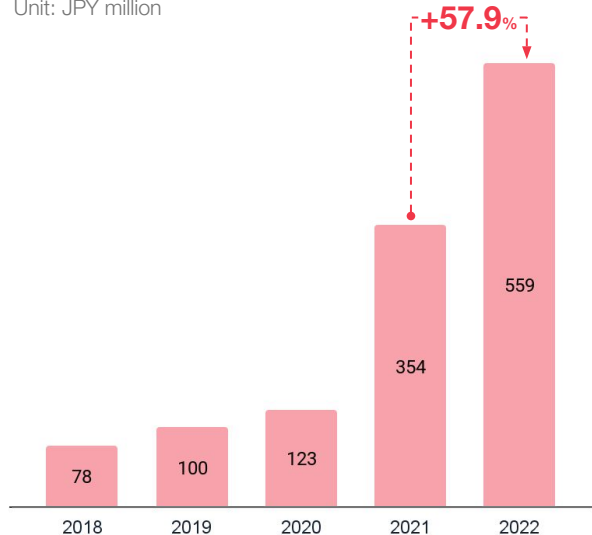
^{*3} Paid plans that corporate users can try for a certain period

Platform Value That Extends Beyond Business Chat

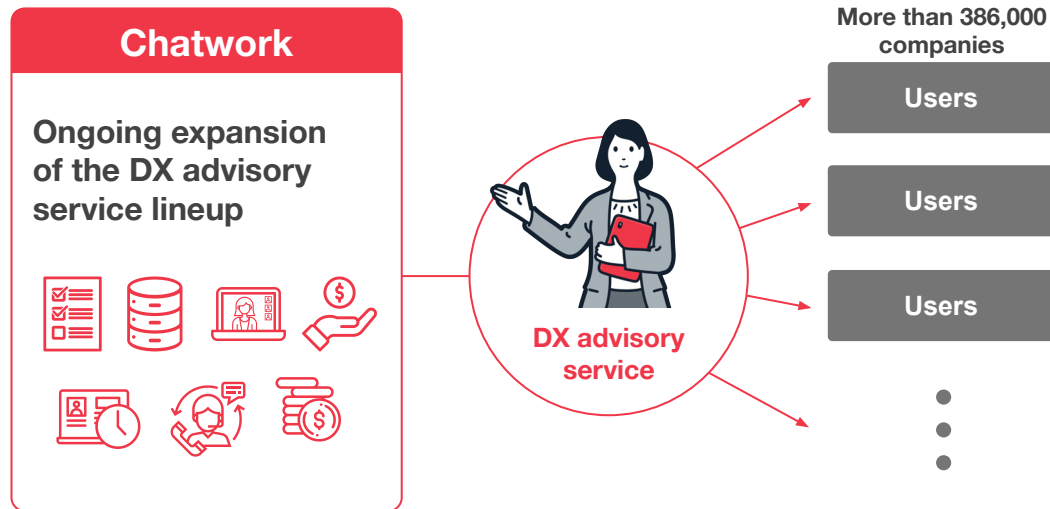
- Employees across all industries and in all occupations use the platform during their working hours. As a result, the platform has **substantially more user contacts** than other SaaS offerings.
- Leveraging these strong platform efficiencies, the company is developing sales of peripheral services^{*1}. In FY 2022, **these sales surged 57.9% YoY**.
- Chat is **a powerful connection** that enables users to effectively address customer issues and provide services.

Sales from Platform business

Unit: JPY million



Connect Directly to Users

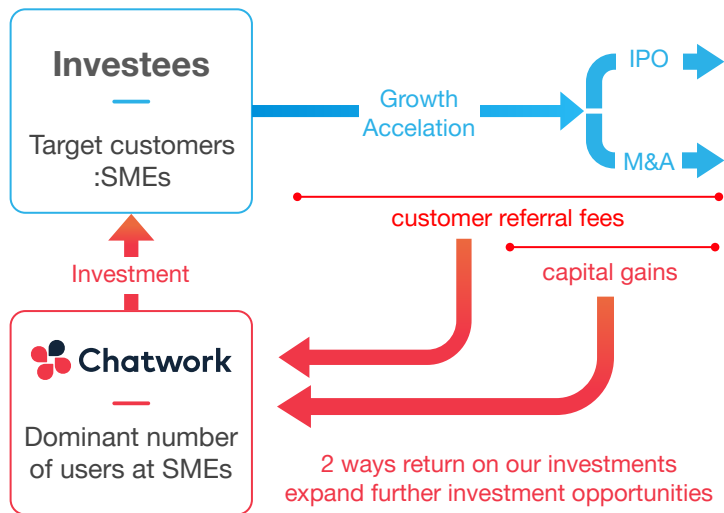


^{*1} See business segment details in Appendix for segment information.

Chatwork Super App Fund Investment Strategies to Maximize Synergies

- To strengthen our platform strategy, in FY 2021 we launched a CVC fund, the **Chatwork Super App Fund**.
- The objective is to invest in and strengthen alliances with companies that share our attributes, and then refer Chatwork customers to them. While **returning our investment through the customer referral fees we receive**, we also **target future capital gains by growing portfolio companies**.
- In January 2023, we acquired 100% of the shares of MINAGINE Co., Ltd. Any synergies that result will go toward **expanding further investment opportunities**.

Investment Strategy for Maximizing Synergies



Investment Results

Consolidated subsidiary



Chatwork
ストレージテクノロジー

MINAGINE NEW

Investments



GVA TECH

Paytner

NEW

COCOO

NEW

Contact Us

<https://corp.chatwork.com/ja/cvc-contact/>



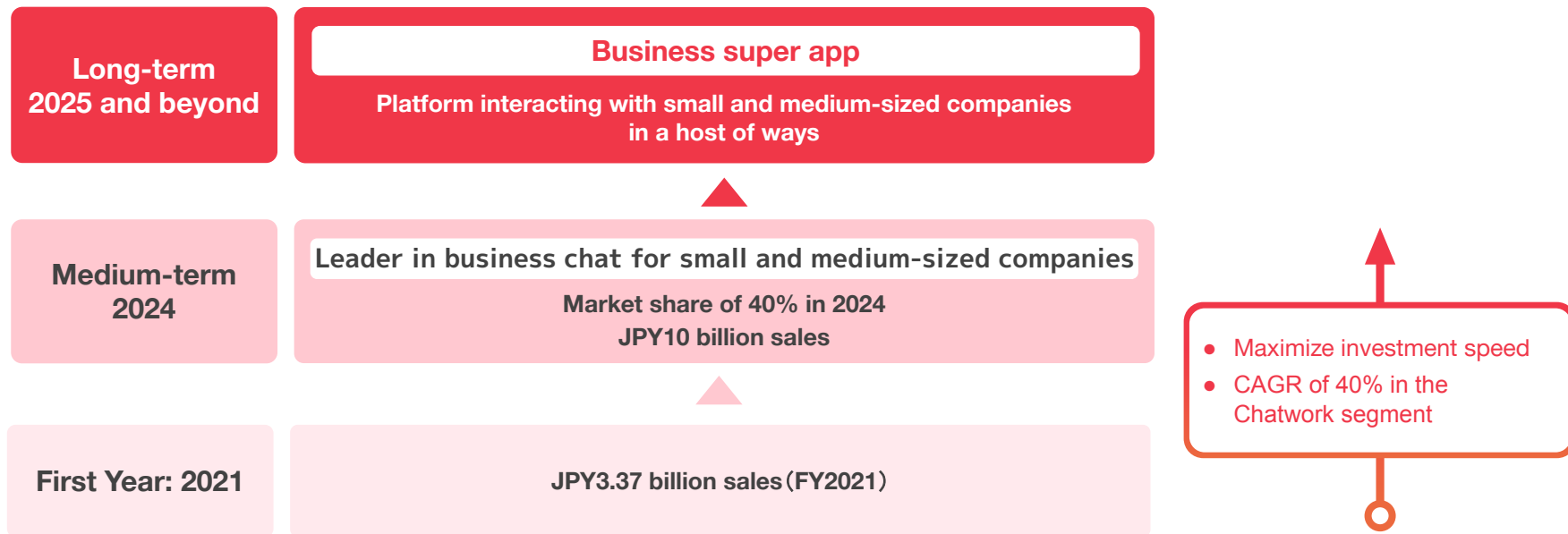
Full year of
FY2022
Results

2

Medium-Term Business Plan

Medium-Term Policy

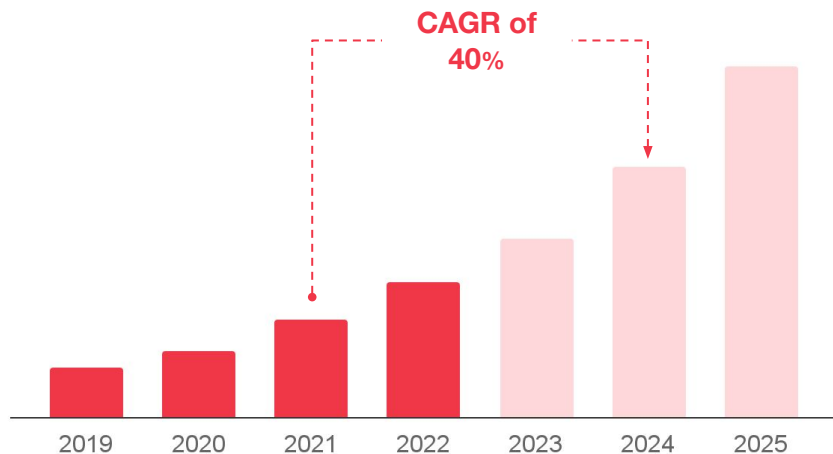
- We aim to increase our market share from 2021 to 2024 and establish a position as the **leader in business chat for SMEs**.
- From 2025, we will leverage our overwhelming share of the market among SMEs to roll out a **business super app**, which will be a platform that users can manage many business 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.



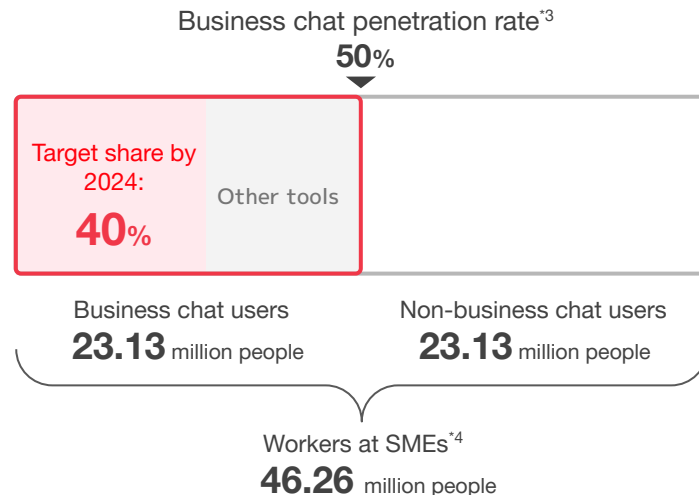
Medium-Term Management Plan

- 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%**.

Sales Targets for the Chatwork Segment



Business Chat Market Targeting SMEs (SAM^{*1}) Target Market Share in 2024



^{*1} Our mainstay Chatwork segment includes account, advertising, and platform businesses, and excludes the Security business.

^{*2} Refers to the "serviceable available market," or that proportion of the total accessible market (TAM) indicating demand in specific customer segments.

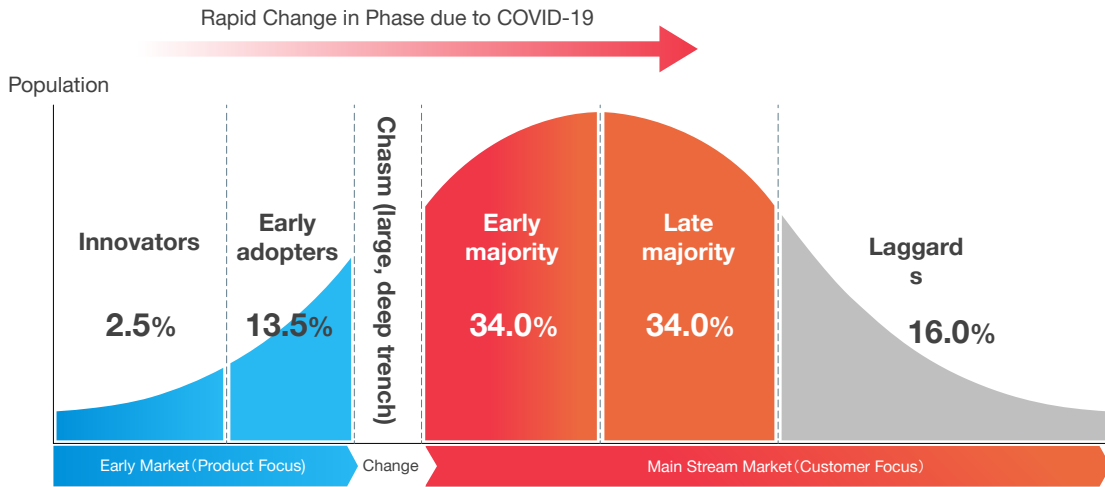
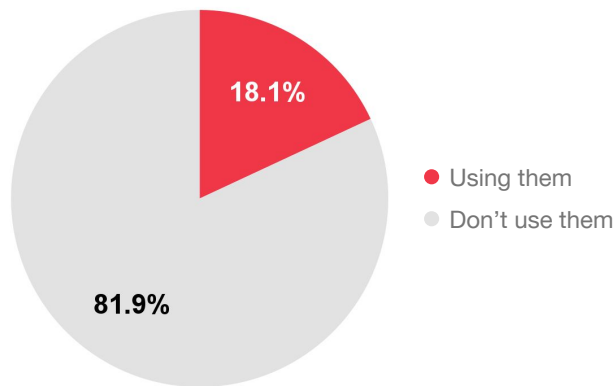
^{*3} The Company has estimated using the business chat penetration rate resulting from its own surveys.

^{*4} 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.

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 18.1%^{*1}, which means that it has **crossed the "chasm"**, and is beginning to spread into the majority market. On the other hand, the penetration rate among SMEs is lower than that of enterprises, and is expected to enter a phase of full-fledged expansion in the future.
- 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

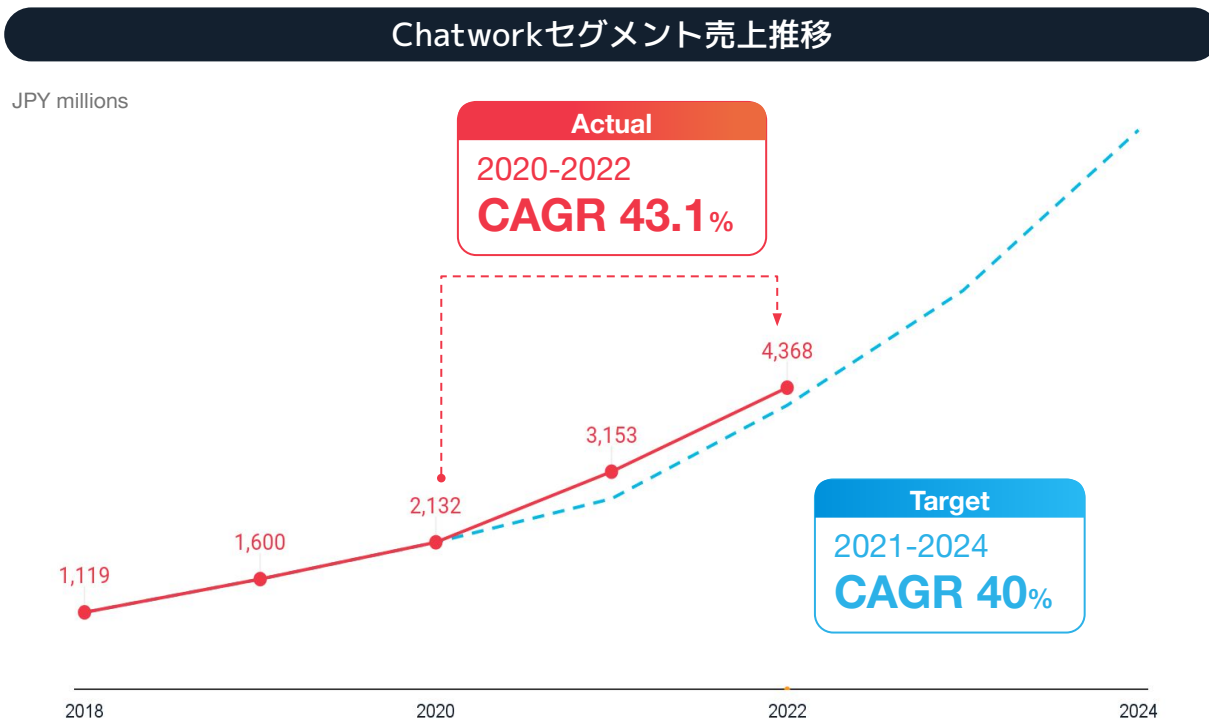


^{*1} Based on a study commissioned by Chatwork, n=30,000

^{*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.

Revenue Growth Substantially Outpacing Our Target

- For the mainstay Chatwork segment^{*1}, we are targeting revenue growth at a **CAGR of 40% or more** from 2021 to 2024.
- CAGR of **43.1%** from 2020 to 2022, growth outpaced this target substantially



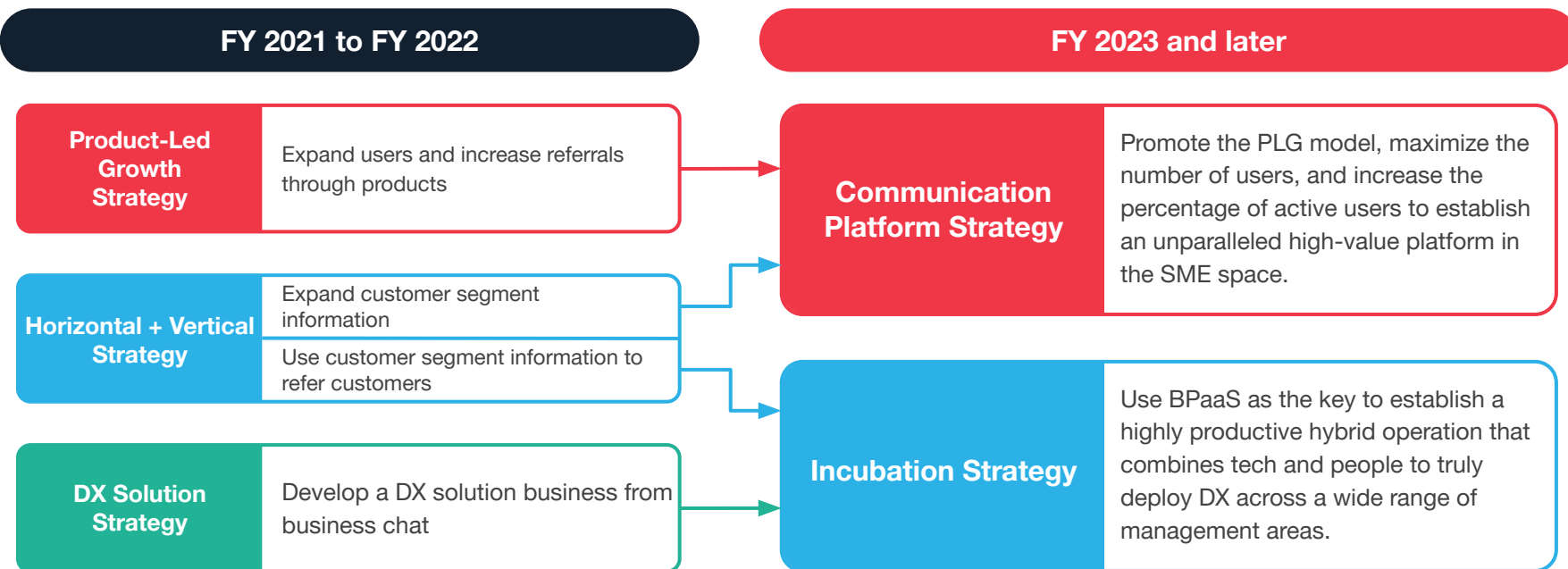
^{*1} Our mainstay Chatwork segment includes account, advertising, and platform businesses, and excludes the Security business.



Strategy Update on the Medium-Term Business Plan

Reorganized Three Strategies into Two

- To achieve the goals of the medium-term management plan, we reorganized our **three strategies into two** based on what we have learned over the past two years.
- We are further developing business chat as a **Communication Platform Strategy** and will promote an **Incubation Strategy** to facilitate various business developments on the platform.



Medium-Term Business Plan #1

Communication Platform Strategy

STRATEGY

Communication Platform Strategy

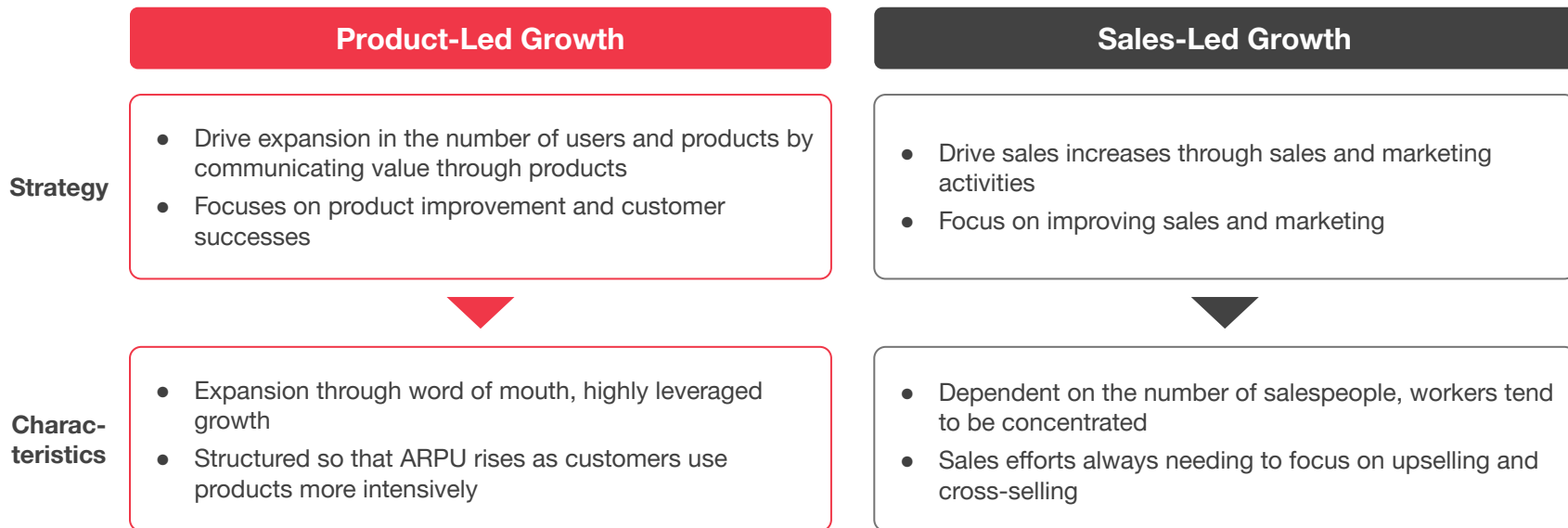
Concept

Promote the **PLG model**, maximize the number of users, and increase the percentage of active users to establish **an unparalleled high-value platform** in the **SME** space.

- We will **continuously improve and evolve our product**, leveraging network effects to be a winner in the specific category of business chat for small and medium-sized businesses. As a result, we will become a platform that combines scale and quality.
- We will establish extremely sophisticated and **highly efficient user communications**. We will also promote **productivity-conscious** business operations while providing **high-quality proposals** based on high customer resolution.

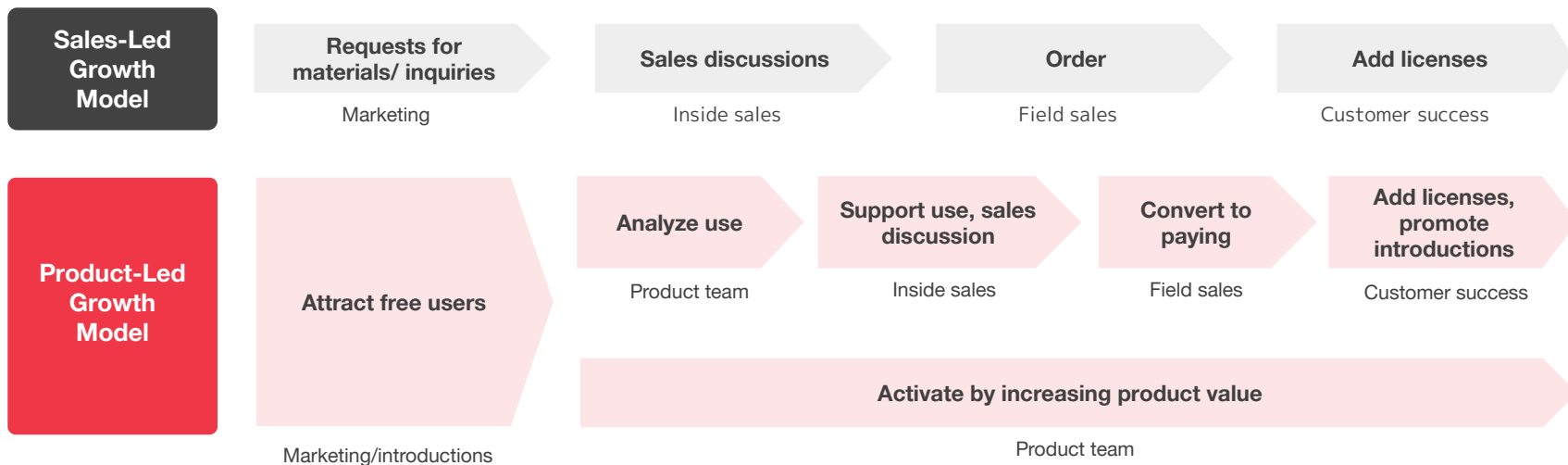
PLG (Product-Led Growth)

- **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.



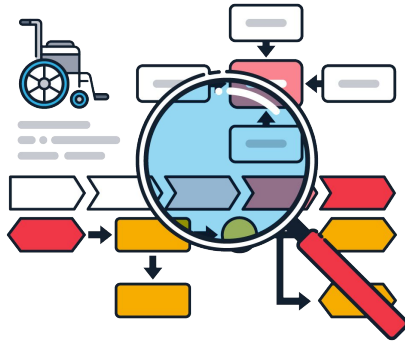
Process of Promoting the PLG Model

- Under the conventional SLG model, marketing gathers a list of potential customers and sales proceeds with the process of negotiating and receiving orders.
- Under the PLG model, **marketing attracts free users**. Our **system** then analyzes their usage data and **automatically creates a list** of users who are likely to become paying customers. Sales staff then makes proposals based on the list, promoting sales discussions and encouraging users to become paying customers.
- Under the PLG model, marketing can invest in advertising to **achieve a large-scale increase in users**. This model also uses AI and sophisticated data analysis to achieve **highly efficient sales and customer success**.



Making the Process Extremely Efficient through: High Customer Resolution x PLG Model x Chat

- We will address overseas competitors by leveraging our strength as a **vendor with a strong presence in Japan**, and use dedicated teams to **gain a better industry understanding**. We will improve the quality of marketing and sales by studying each industry's business processes and challenges and molding business chat to those needs.
- In addition to industry understanding, the PLG model combines customer usage data with advanced data analysis to create a **highly efficient communication process**. In addition, we also take full advantage of the communication service and **use chat to practice the approach**.



Deep understanding of
Industry structure and Business
process



Advanced analysis with users' data



Efficient Approach via Chat tool

Medium-Term Business Plan #2

Incubation Strategy

STRATEGY

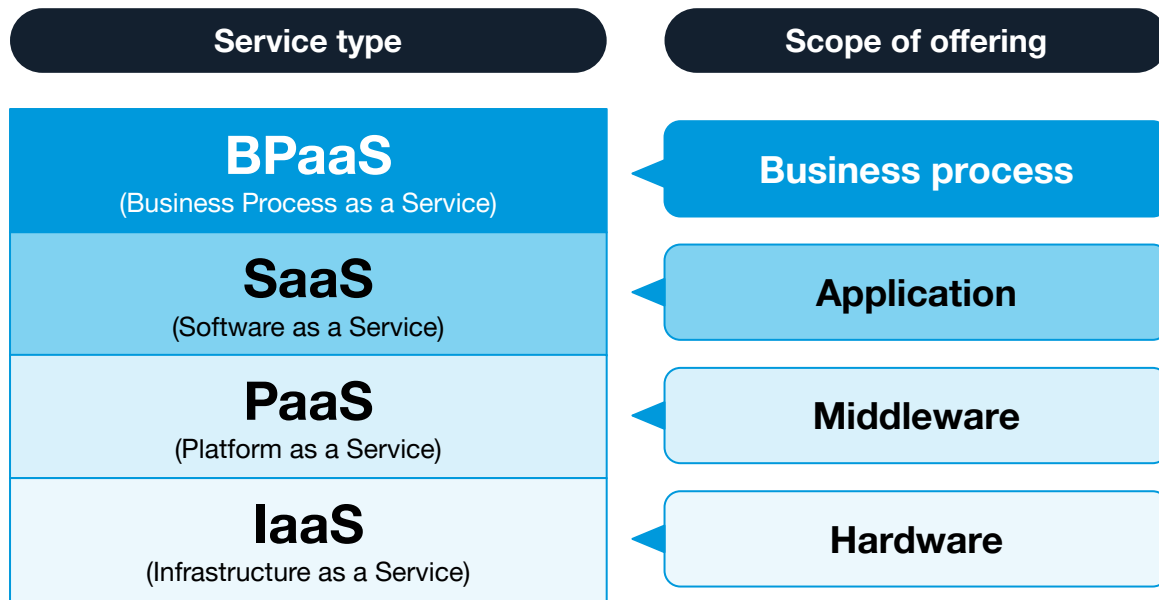
Concept

Use BPaaS as the key to establish a highly productive hybrid operation that combines tech and people to **truly deploy DX** across a wide range of management areas.

- Using business chat as the interface, we are developing a business that **promotes DX in many customers' fields** through highly productive **hybrid operations that combine technology and people**.
- We offer a full range of solutions that support management through **alliances and M&A**, as well as proprietary development. We have established a **highly efficient, data-based matching** mechanism to understand customer needs.

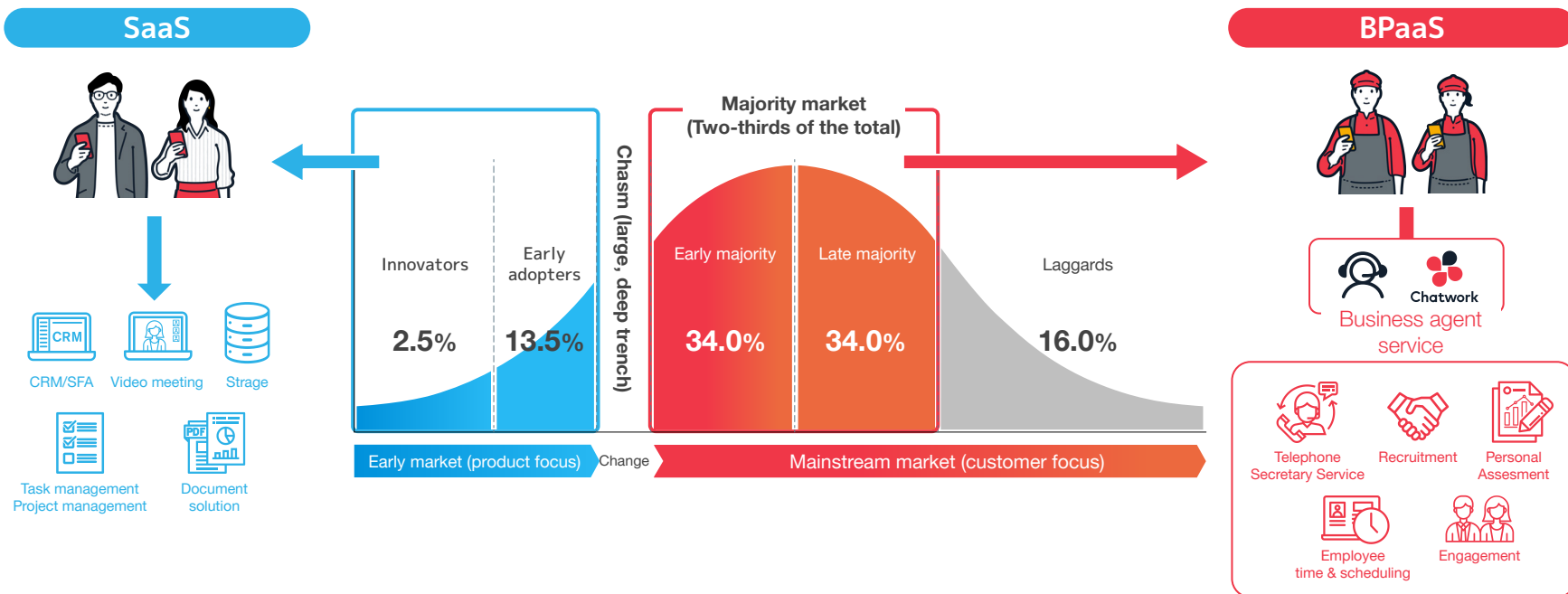
About BPaaS

- BPaaS is short for Business Process as a Service. Rather than just software, BPaaS is a cloud service that provides business services themselves, allowing facilitating **cloud-based business process outsourcing (BPO)**.
- BPaaS, the next upstream layer from SaaS in cloud-based services, will be the **next trend**.



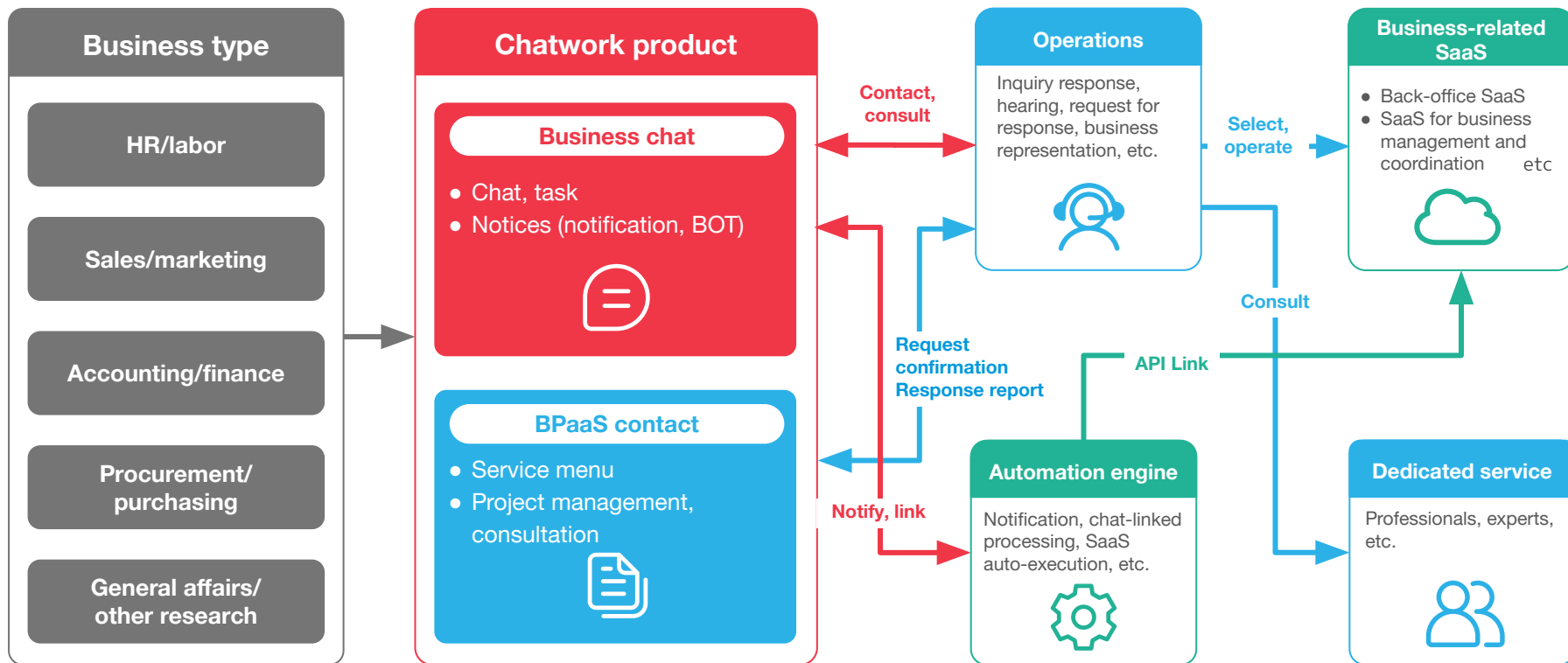
BPaaS, the Mainstay of DX for the Majority Market

- With a penetration rate of 18%, business chat has crossed the chasm, taking on the **majority market** as its principal battleground.
- After several years of promoting DX solution business, users in the majority market are busy with field work and few IT-savvy employees. As a result, we understand that users find it **difficult to differentiate among the many SaaS products on offer**.
- Rather than proposing SaaS, we are promoting a form of DX that involves using SaaS on the customer's behalf **across the entire business process**.



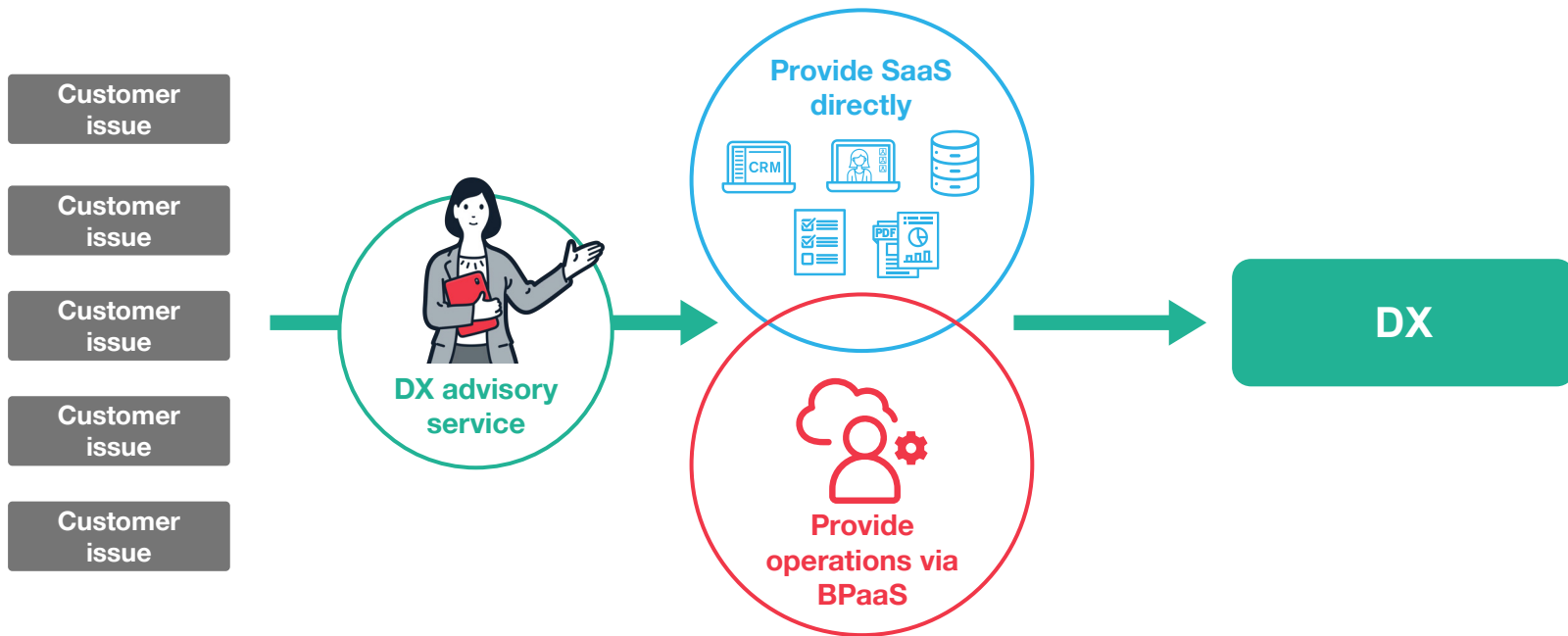
Our BPaaS Rollout

- We will maximize the use of business chat to develop the BPaaS business. Being a platform operator gives us a **substantial advantage during rollout**.

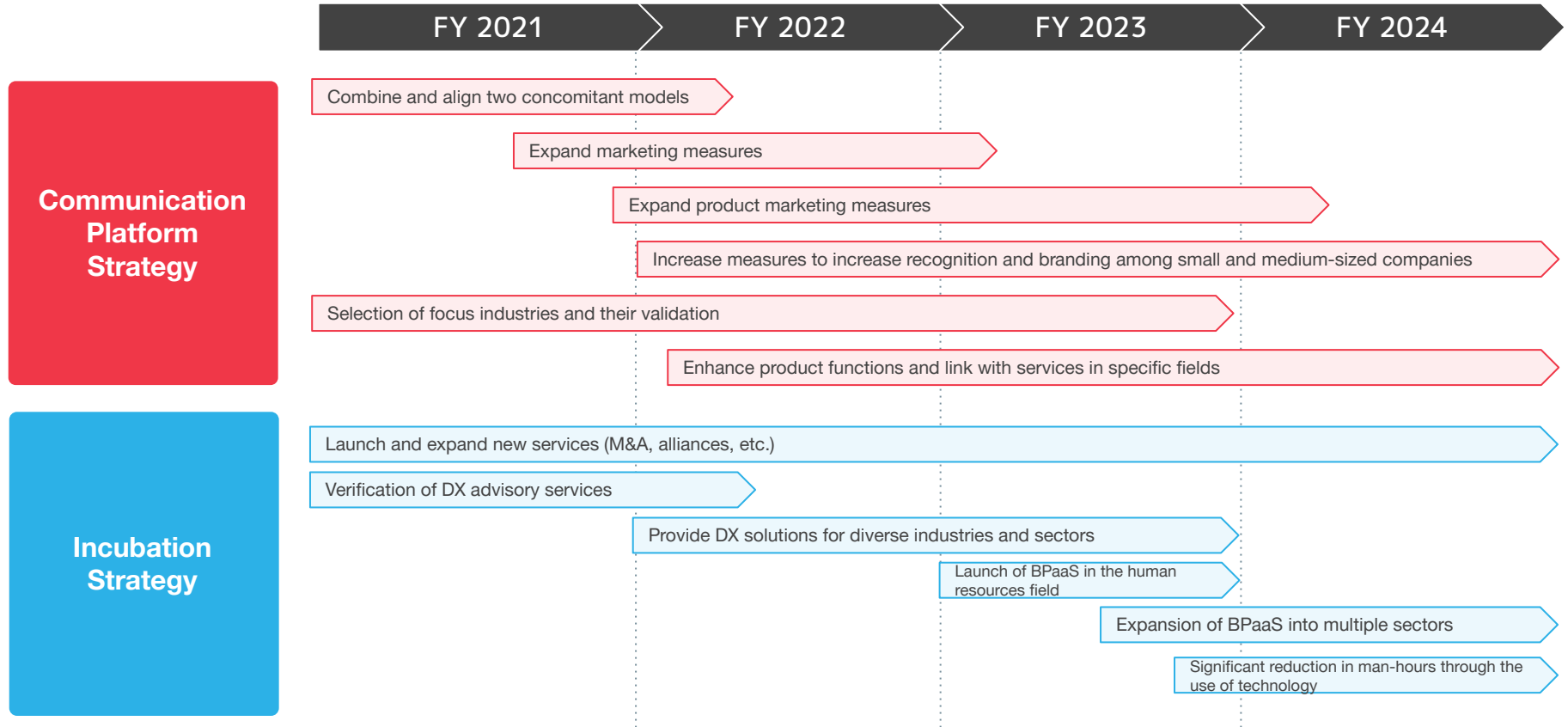


Highly Efficient Matching of Optimal solutions to Customer Issues

- To respond to a wide range of customer issues, we are expanding our product lineup through alliances and M&A, as well as through in-house development. We will propose a flexible combination of SaaS and BPaaS to meet customer needs and achieve **essential DX** that significantly improves productivity.
- We will combine the data accumulated by the PLG model with DX advisory services and other services to build an operation that uses a **combination of technology and people** to enable high-quality matching.



Medium-Term Strategy Roadmap



Full year of
FY2022
Results

3

Major Topics

Topic (1) Boosting the Percentage of Paying Users with Changes in Plan

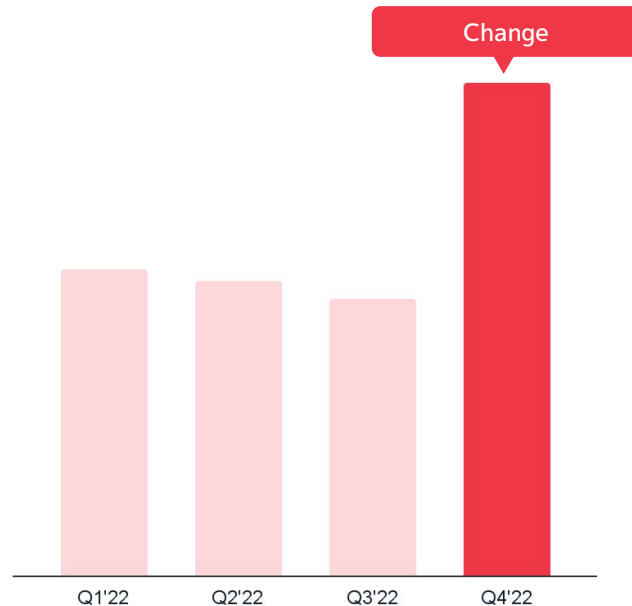
- In October 2022, we scrapped the limit on the number of group chats. Instead, we established alternative usage limits to restrict message viewing and searching.
- These changes in the plan have prompted users who had not previously exceeded the limit on number of group chats to begin paying. Accordingly, since October we have seen a sharp shift from the free plan to paying users. Going forward, we expect new user to begin paying at an early stage.

Change Details

	Before	After
Addition of group chats	Up to a cumulative total of 7/user	Unlimited
Message viewing	Unlimited	Can view the most recent 5,000 messages within 40 days
Message search	Up to 100 messages, search options available	Up to 200 messages, no search options available
User management	Not available	Available

Number of paying users from free plan

Unit: IDs



Topic (2) Consolidation of MINAGINE Co., Ltd.

- In December 2022, 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



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

^{*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 JPY 1,000 million depending on the achievement of MINAGINE Co., Ltd. over the next three years.

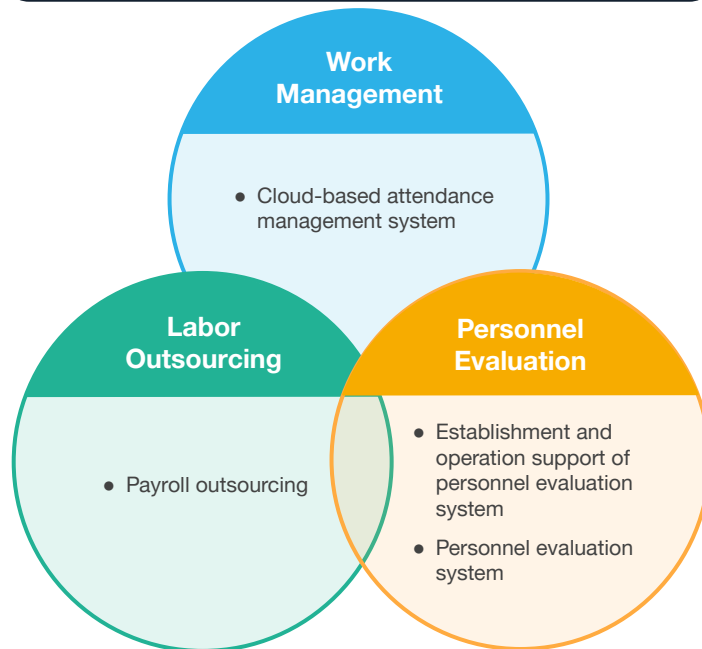
Topic (2) About MINAGINE Co., Ltd.

- 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	JPY 65,000 thousand
Business description	Payroll Outsourcing Work Management System, Others

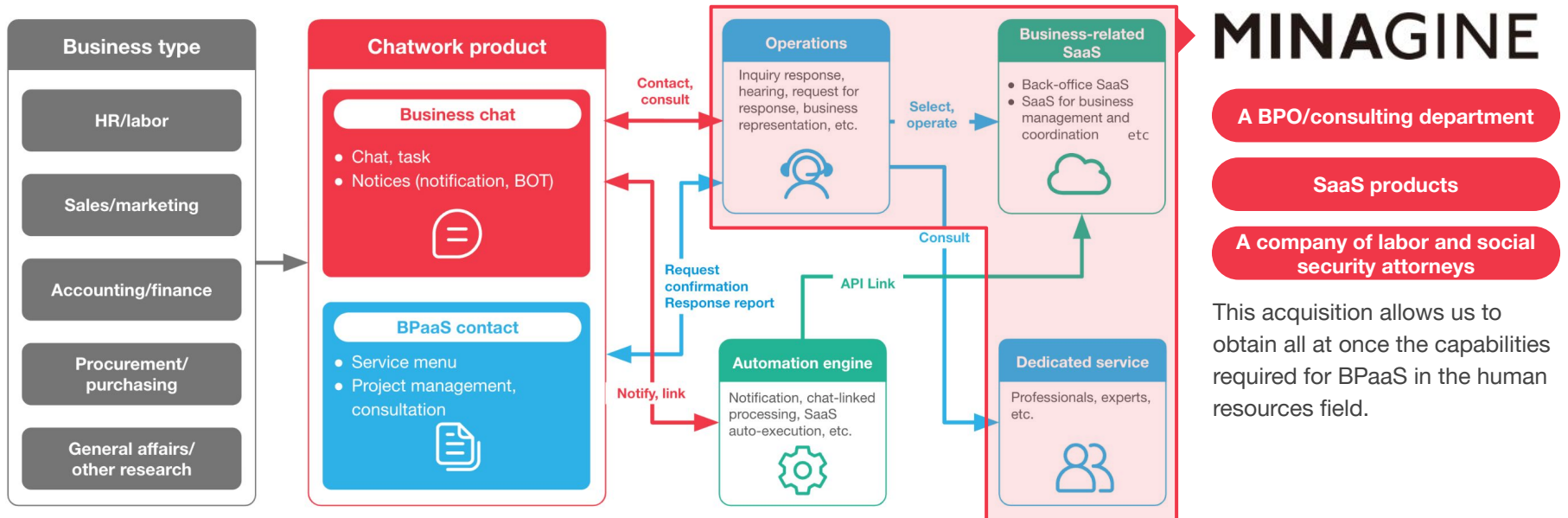
Business Description



*1 As of December 16, 2022

Topic (2) Reason for Converting MINAGINE Co., Ltd. to a Group Company, and Potential Synergies

- Through this deal, we are acquiring BPaaS business capabilities in the area of human resources.
- This acquisition is strategically important for the early development of the BPaaS business. We will continue working to acquire capabilities through the launch of our own services and business acquisitions.



Topic(3) Withdrew from On-Site Operations in Vietnam and Taiwan

- We have decided to withdraw from on-site operations in Vietnam and Taiwan. After conducting local marketing activities and verifying our strategy, we concluded that full-scale development was premature. Accordingly, we have changed our business policy to concentrate on online sales and marketing activities.
- As the online business will continue, the impact on sales will be minimal. We will reduce costs, as we will no longer maintain a local office. We decided to consolidate our resources on Japan and give priority to winning over the Japanese SME market as soon as possible.

History

-
- A vertical timeline with a central line and red circular markers at each year. The years are listed on the left, and the corresponding events are listed on the right.
- | Year | Event |
|-------|--------------------------------------------------------------------------------------------------------|
| 2016年 | Establishment of the Global Marketing Department
Establishment of a representative office in Taiwan |
| 2018年 | Commenced local hiring in Vietnam and started marketing to local companies. |
| 2021年 | Verification of strategies to develop local companies, mainly in tax accountants and lawyers. |
| 2022年 | Withdrew from on-site operations in Vietnam and Taiwan, but continued operations online. |

Full year of
FY2022
Results

4

Sustainability

Sustainability Vision

A society where everyone enjoys working and where creativity abounds



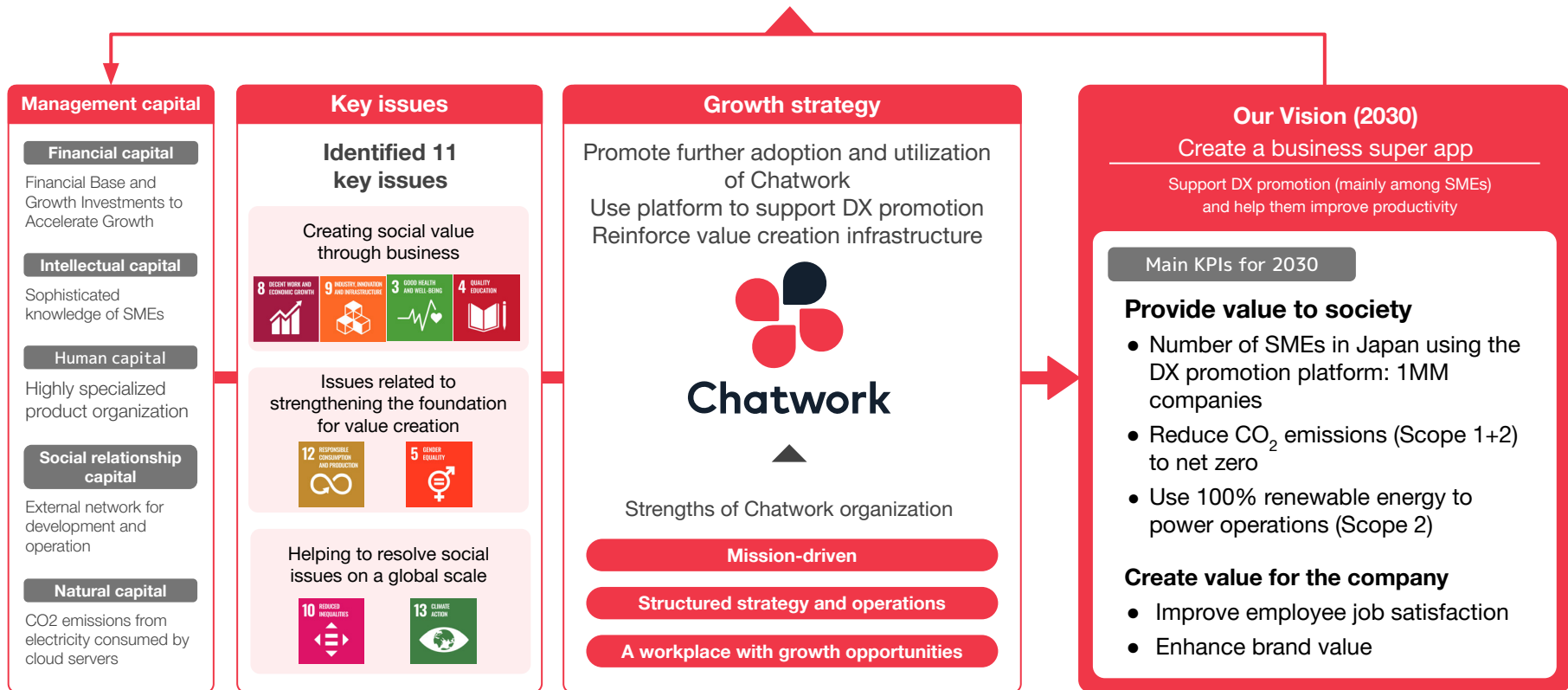
In line with our mission of “making work more fun and creative,” we will work toward a society in which as many people as possible can spend as much as possible of their working time (which occupies a large part of our lives) not only for the basic purpose of earning a living but also to have fun while exercising the creativity to realize their dreams and ambitions.

We believe that by doing so, the number of people working actively to realize their dreams and aspirations will increase, their lives will be enriched, and the value created will make our society more prosperous and sustainable.

We recognize that we cannot realize this Sustainability Vision all by ourselves. Rather, we will work with our stakeholders to create a sustainable society together.

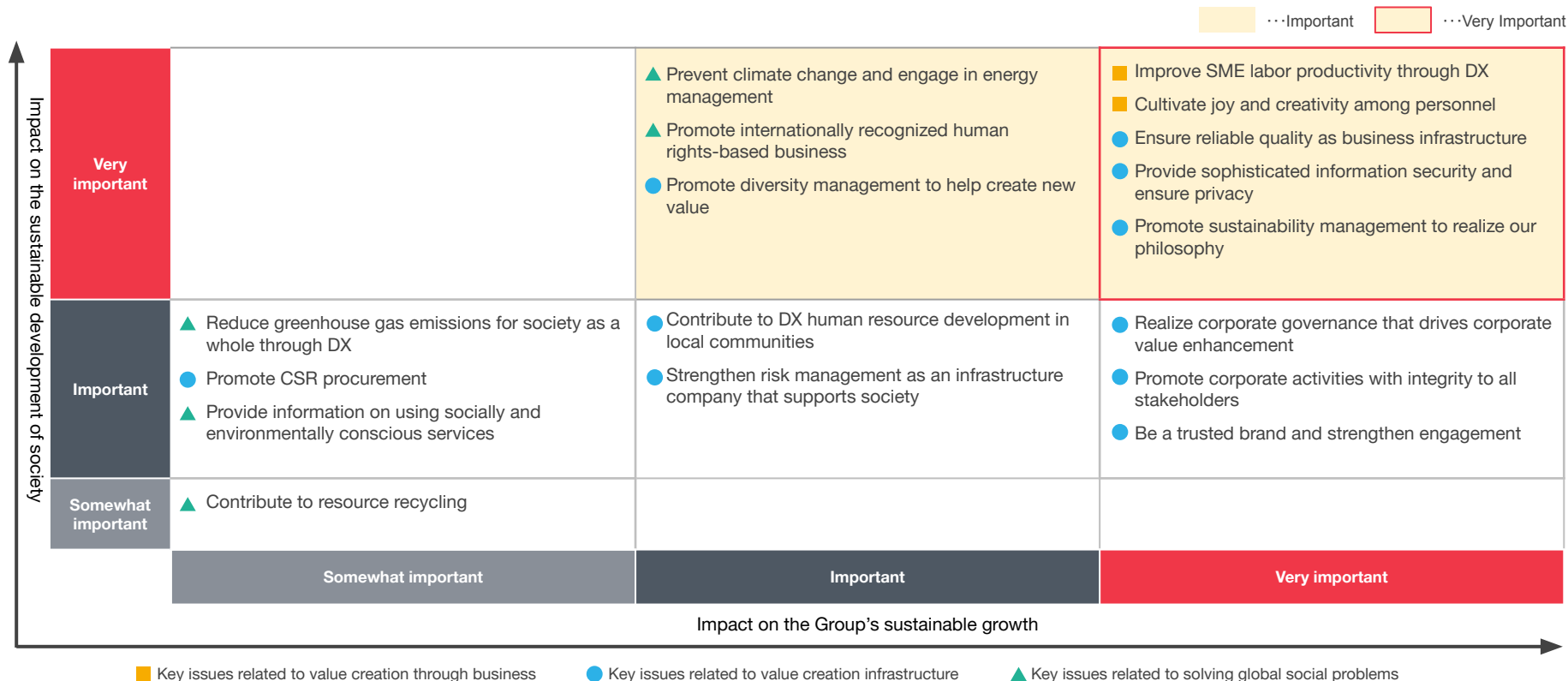
The Value Creation Process

A society where everyone enjoys working and where creativity abounds



Materiality (Key Issues) for Realizing the Mission

- To realize our mission, we have identified key issues that the Group needs to address over the medium to long term on both the financial and non-financial fronts. We have defined “11 key issues for realizing our mission and vision.”



Actions and KPIs Leading to 2023 Goals

- Listed below are the actions and KPIs leading to 2023 goals corresponding to key issues that were identified as being “very important” for both society and the Company.

Category	Key issues	Actions and KPIs leading to 2023 goals
Creating social value through our business	Improve SME labor productivity through DX	Number of Japanese SMEs using our business platform: more than 1 million
	Cultivate joy and creativity among personnel	Credo ambassadors educate employees about our values Conduct engagement surveys
Issues related to strengthening the value creation infrastructure	Ensure reliable quality as business infrastructure	System uptime for IT services provided: 99.5% or higher on an ongoing basis
	Provide sophisticated information security and ensure privacy	Enhanced security management across the entire company Critical security incidents: 0
	Promote sustainability management to realize our philosophy	Training for basic sustainability and ESG Training for new employees on Chatwork Sustainability Initiatives

Launch of the Sustainability Website



Chatwork Sustainability Website

We are pleased to announce that we have launched a sustainability website to inform our stakeholders about our environmental, social, and governance (ESG) initiatives to realize a sustainable society.

As stated in our Sustainability Vision, of being "A society where everyone enjoys working and where creativity abounds," we are determined to contribute to the realization of a sustainable society together with our stakeholders by taking social issues seriously and sincerely addressing the key issues we have identified. Please have a look.

URL

<https://corp.chatwork.com/ja/sustainability/>



Full year of
FY2022
Results

5

Results for the Fiscal Year Ended December 2022

Results Highlights

- We experienced robust growth in revenue in the Chatwork business, our most important management indicator (+38.5% YoY).
- As a result of ongoing investments to expand marketing and the organization, profit remained negative from the operating level downward.
- Paying IDs numbered 668,000, up a substantial 22.1% year on year. ARPU rose 3.4% year on year.

Consolidated revenue

JPY**4,593** million
(YoY +36.2%)

Revenue from the Chatwork segment

JPY**4,368** million
(YoY +38.5%)

Gross profit

JPY**3,187** million
(YoY +34.0%)

Operating loss

719 million

Results Highlights (Full-year)

- We experienced robust growth in revenue in the Chatwork business, our most important management indicator (+38.5% YoY), reaching our forecast level.
- Owing to the selective implementation of measures, we reduced personnel and outsourcing costs, and the operating loss was lower than we had forecast.
- As a result of ongoing investments to expand marketing and the organization, profit remained negative from the operating level downward.

Unit: JPY million	FY 2021 (Actual)	FY 2022 (Forecast)	FY 2022 (Actual)	YoY	Actual VS Forecast
Revenue	3,372	4,552	4,593	+36.2%	+0.8%
Chatwork segment	3,153	4,333	4,368	+38.5%	+0.8%
Gross profit	2,378	3,117	3,187	+34.0%	+2.2%
Gross margin	70.5%	68.5%	69.4%	-1.1pt	+0.9pt
Operating profit	-688	-821	-719	-	-
Operating margin	-	-	-	-	-
Ordinary profit	-705	-816	-724	-	-
Net profit	-696	-782	-687	-	-

Results Highlights (Q4)

- Revenue in the Chatwork segment was favorable, rising 22.0% year on year and 10.5% quarter on quarter.
- Profit at the operating level on down was negative, owing to higher development personnel, server, and system costs, as well as to JPY depreciation.

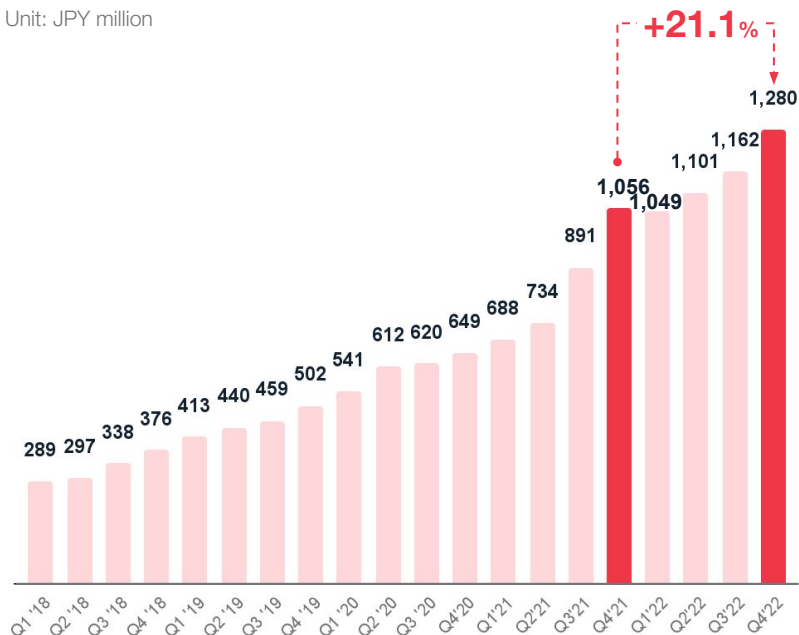
Unit: JPY million	Q4 '21 (Same period last year)	Q3 '22 (Previous period)	Q4 '22 (Actual)	Same period YoY	Previous period QoQ
Revenue	1,056	1,162	1,280	+21.1%	+10.1%
Chatwork segment	1,010	1,115	1,233	+22.0%	+10.5%
Gross profit	747	784	860	+14.9%	+9.6%
Gross margin	70.8%	67.5%	67.2%	-3.6pt	-0.3pt
Operating profit	-347	-226	-244	-	-
Operating margin	-	-	-	-	-
Ordinary profit	-363	-223	-253	-	-
Net profit	-354	-216	-241	-	-

Change in Revenue

- Companywide, revenue was up 21.1% year on year. Revenue in the Chatwork segment, our most important management indicator, was also robust, rising 22.0% year on year.
- Revenue in the Chatwork segment was also up 10.5% quarter on quarter. This solid growth was a result of an increase in the number of paying IDs, affected by plan changes.

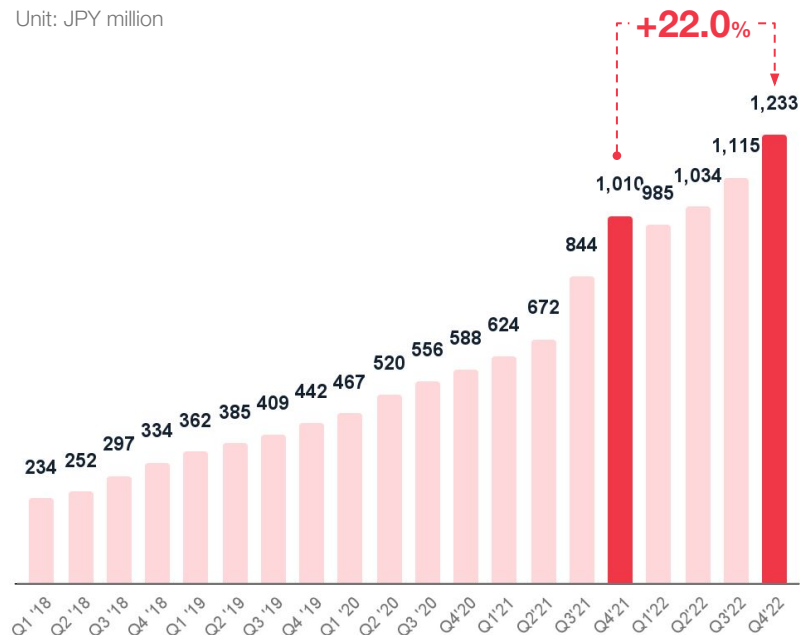
Revenue

Unit: JPY million



Revenue (Chatwork segment)

Unit: JPY million

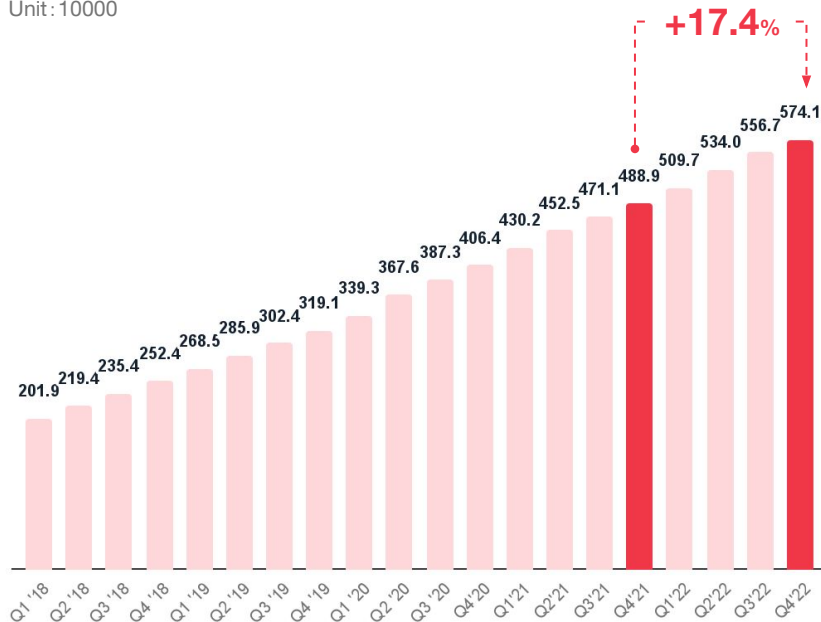


Change in Major KPIs

- From the quarter under review, we have retroactively adjusted the number of registered IDs to exclude trial IDs^{*1}. After that change, the number of registered IDs was 5.74 million, continuing to grow 17.4% year on year. The number of IDs acquired continued to grow during the quarter.
- DAUs grew steadily, to over 1.05 million, mainly due to a rise in the number of users after the plan was revised.

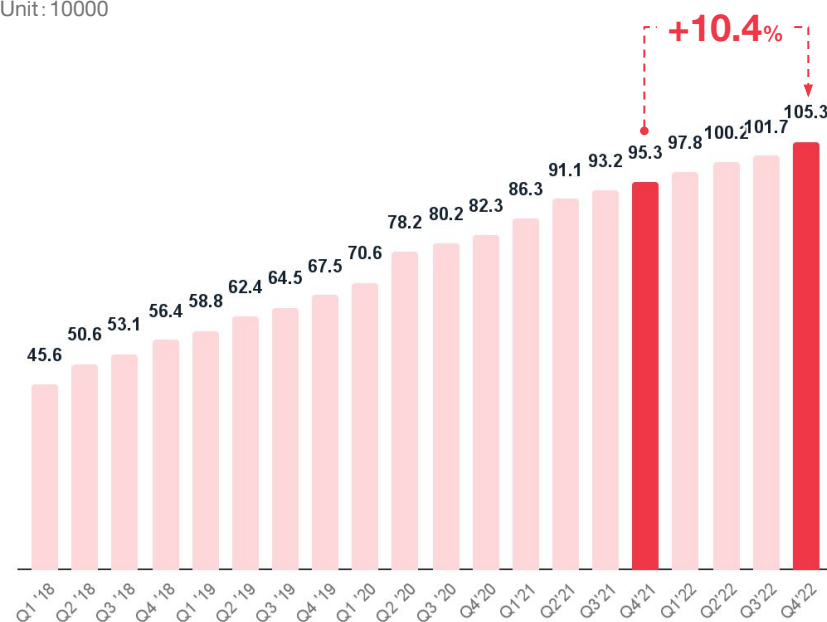
Number of Registered IDs

Unit: 10000



DAUs^{*2}

Unit: 10000



^{*1} Paid plans that corporate users can try for a certain period

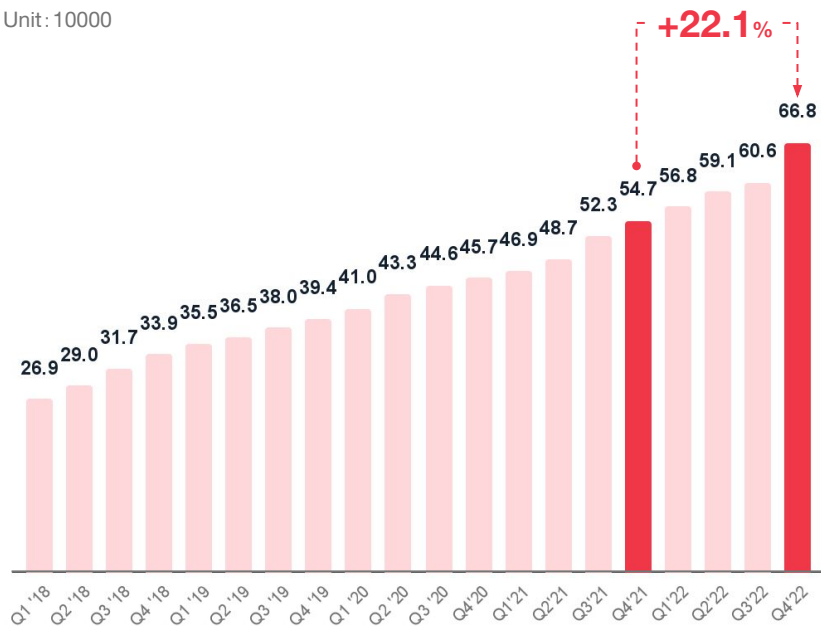
^{*2} Median number of service users per day (Daily Active User) weekdays excluding weekends and holidays

Change in Major KPIs

- The number of paying IDs was 668,000, continuing to grow 22.1% year on year. Plan revisions introduced in October 2022 substantially accelerated the shift toward paying users.
- ARPU was JPY547.4, up a steady 3.4% year on year.

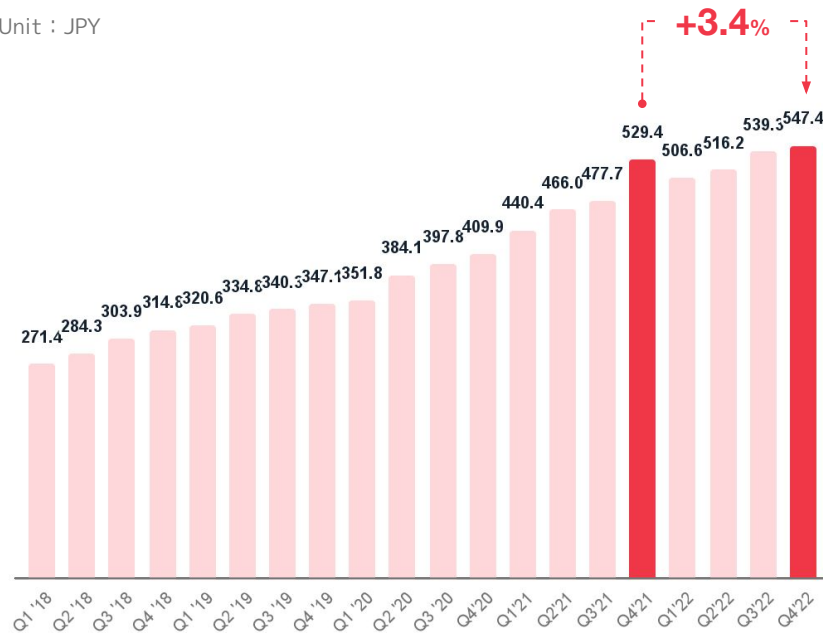
Number of Paying IDs

Unit: 10000



ARPU*1

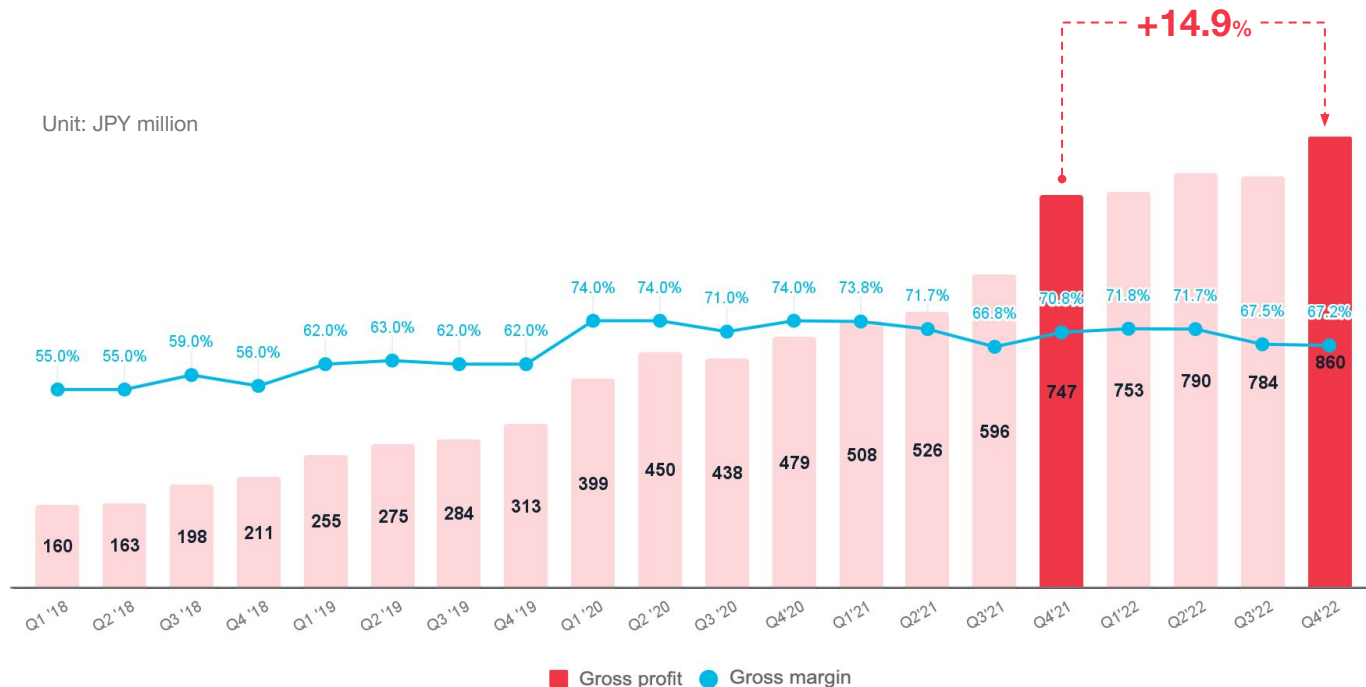
Unit : JPY



*1 Average revenue per user for paid Chatwork services.

Gross Profit/Gross Profit Margin

- Gross profit^{*1} rose 14.9% year on year, and the gross profit margin was 67.2%, down 3.6pt year on year.
- The gross profit margin was down quarter on quarter, owing to increases in development personnel, server, and system costs, as well as to the impact of JPY depreciation.

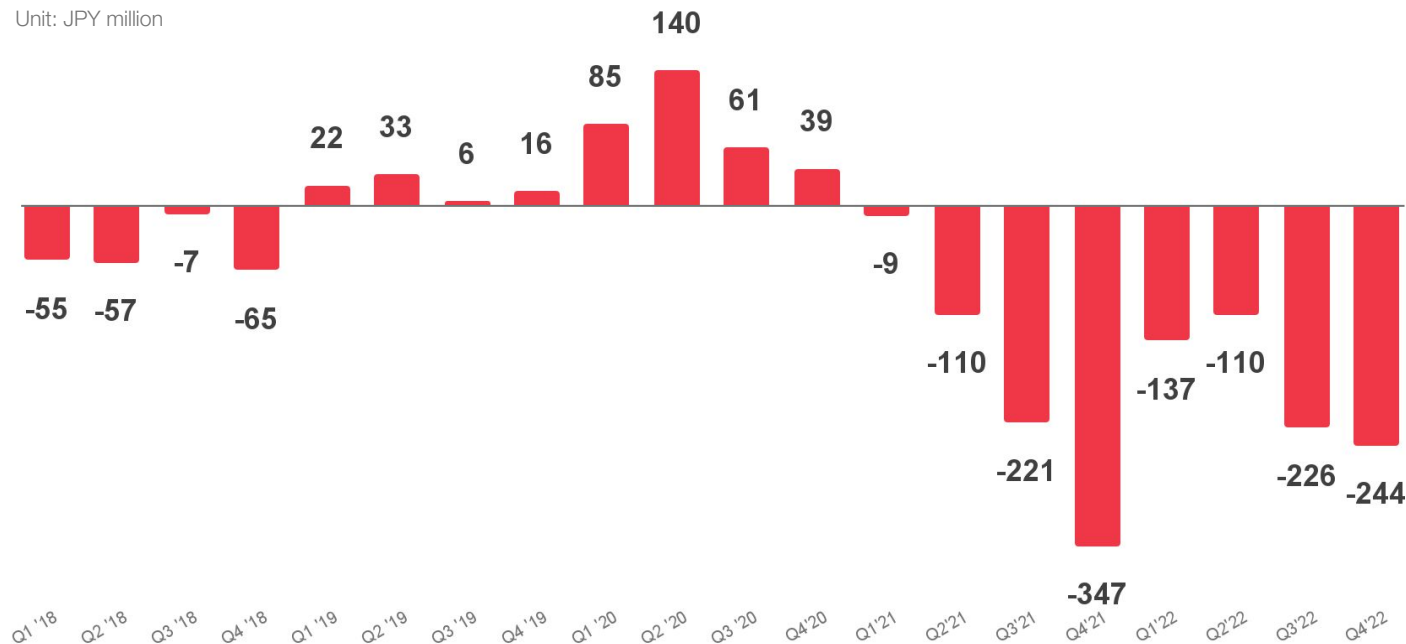


^{*1} System costs (some development personnel and server costs) is recorded as assets from Q1 2020.

Change in Operating Profit

- The operating loss expanded quarter on quarter, as steady hiring pushed up personnel costs; costs related to development personnel, servers, and systems increased; and the JPY depreciated.
- Going forward, we expect the company to move into a phase where revenue increases and profits improve simultaneously, causing the deficit to improve compared to FY 2022.

Unit: JPY million

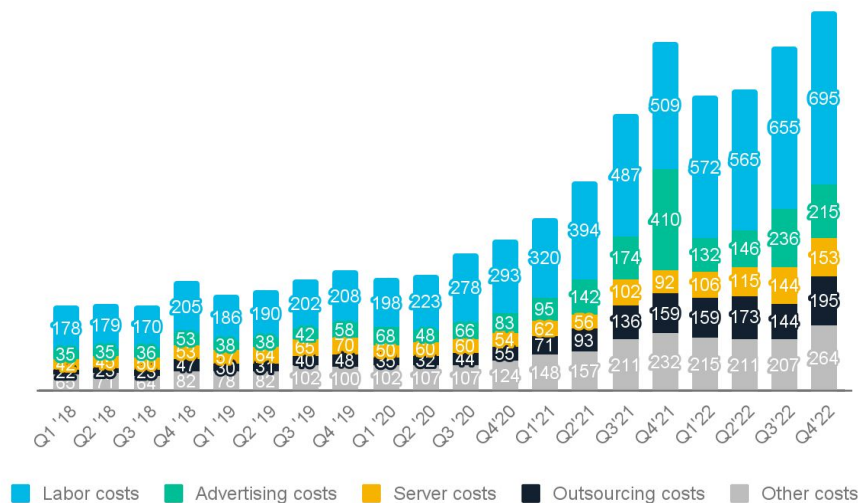


Costs

- Expenses increased quarter on quarter, as organizational expansion drove up personnel costs; development personnel and server/systems costs grew; and the JPY depreciated.

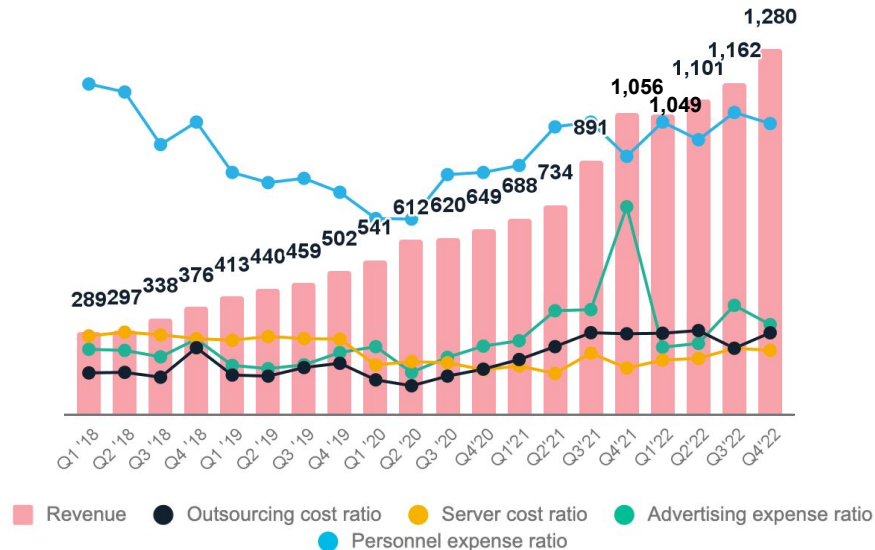
Cost Breakdown

Unit: JPY million



Expense to Sales Ratio

Unit: JPY million

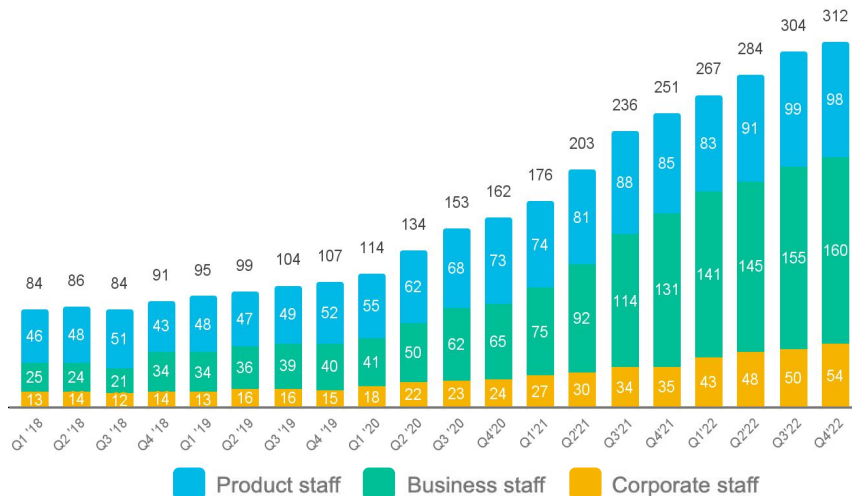


Number of Employees

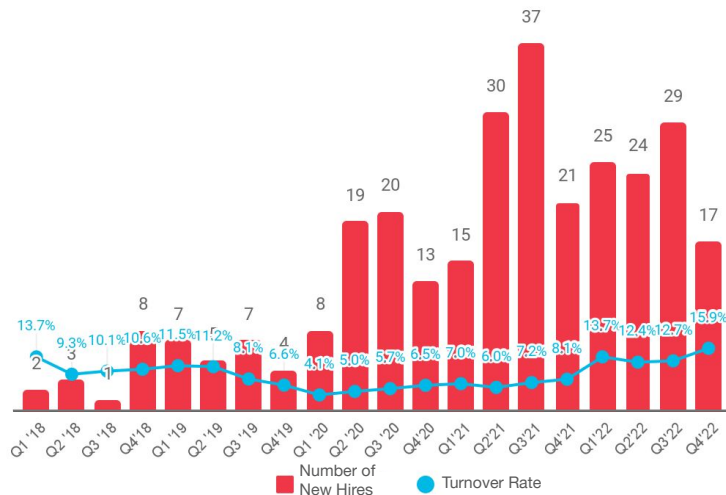
- Due to steady recruiting efforts, the number of employees grew by a net 8 people during the quarter.
- Although a certain amount of turnover is occurring as the phases of the organization change, the number of employees hired is sufficient to expand and strengthen the business

Number of Employees

単位：名



Number of New Hires・Turnover Rate^{*1}



^{*1} Refers to the average turnover rate during the past 12 months. The turnover rate for Q4 FY 2022 is calculated as the number of people who left the Company between January 2022 and December 2022 divided by the number of employees as of December 2022.

Full year of
FY2022
Results

6

Forecast for FY 2023

Forecast for the FY 2023

- The growth of the Chatwork segment is the most important management target.
- During the period of our medium-term management plan (2021 to 2024), we aim for CAGR for sales of 40%.
- For FY2023, we are aiming for growth of 40% in sales from the Chatwork segment and an increase of 35% in revenue.

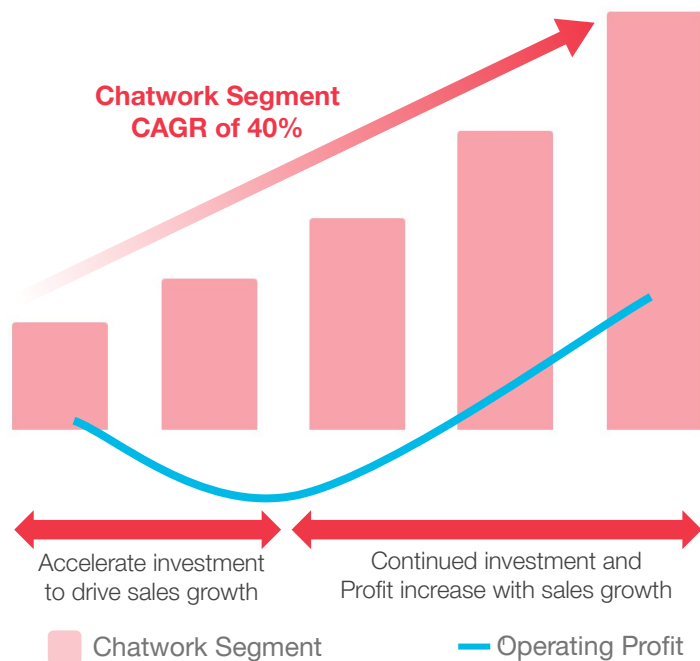
Forecast for FY2023

Sales from the Chatwork segment + **40**%YoY

Revenue + **35**%YoY

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**.
- we will keep an eye on appropriate KPIs and LTV/CAC levels as we invest in the short, medium, and long terms, maintaining a sound financial base.
- After the most important phase of investment, we have achieved a certain degree of success in strengthening and expanding the organization. Going forward, we expect the company to move into a phase where revenue increases and profits improve simultaneously.

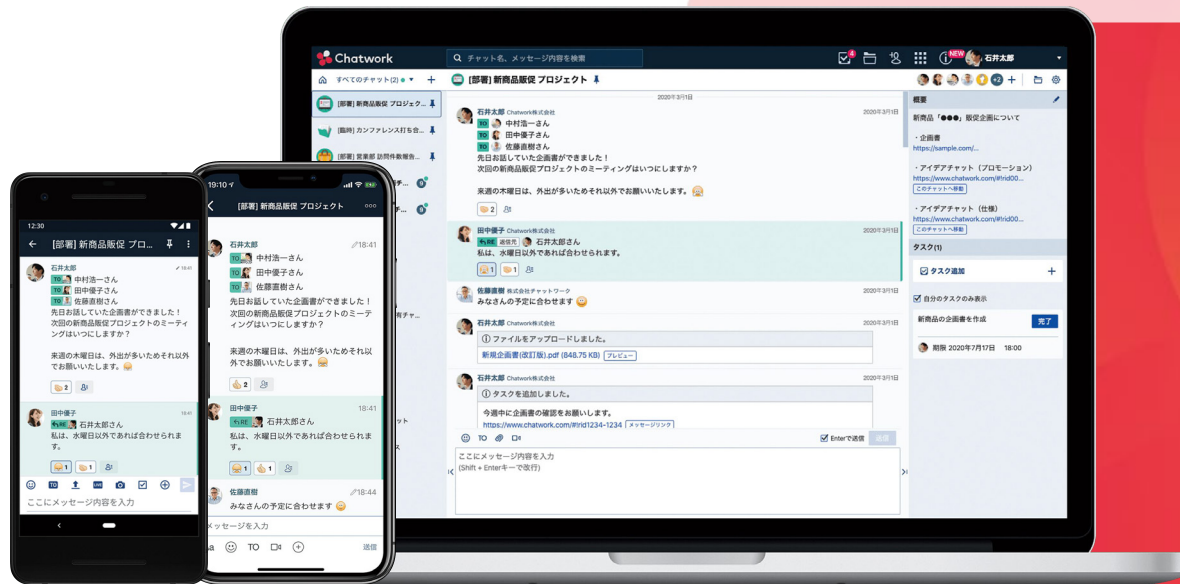
Full year of
FY2022
Results

7

Business Overview

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 386,000 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.

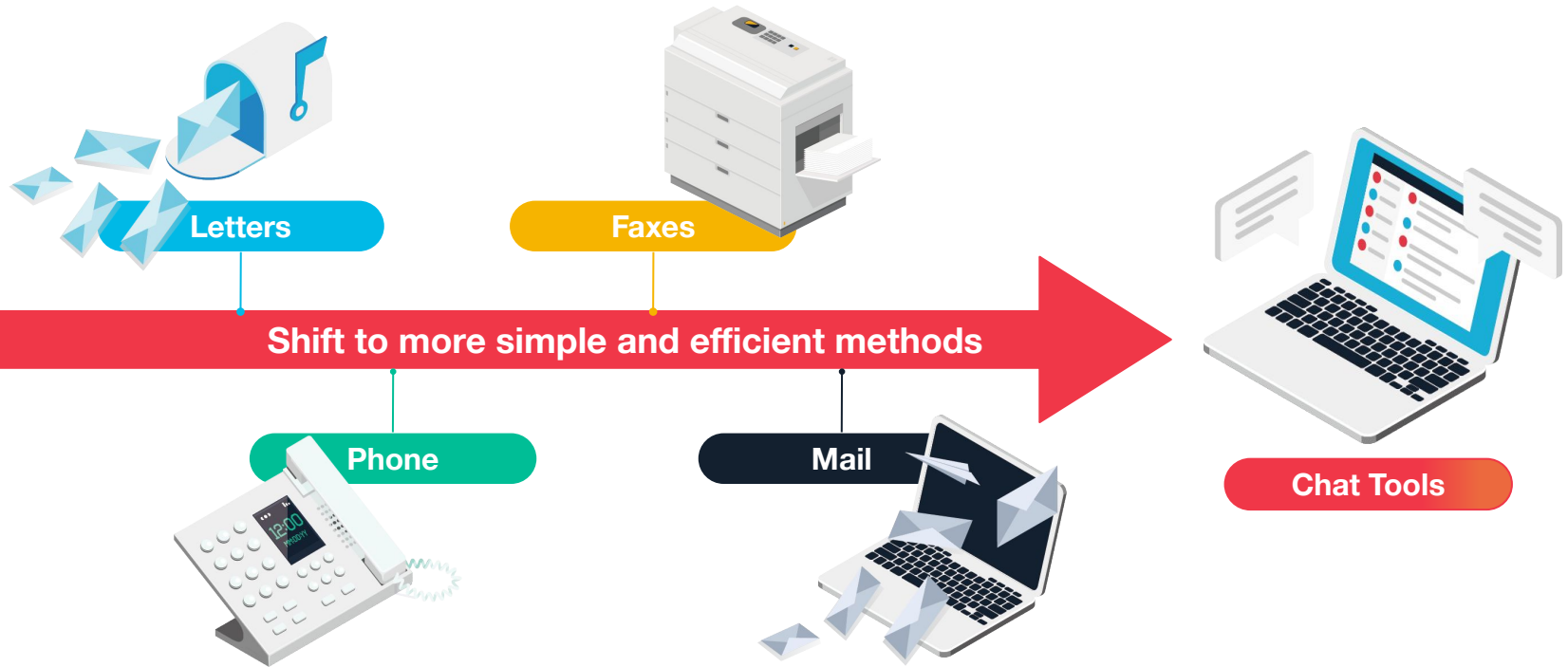


*1 Outside the Chatwork segment, we also distribute security solutions software provided by ESET. This business contributes to stable earnings.

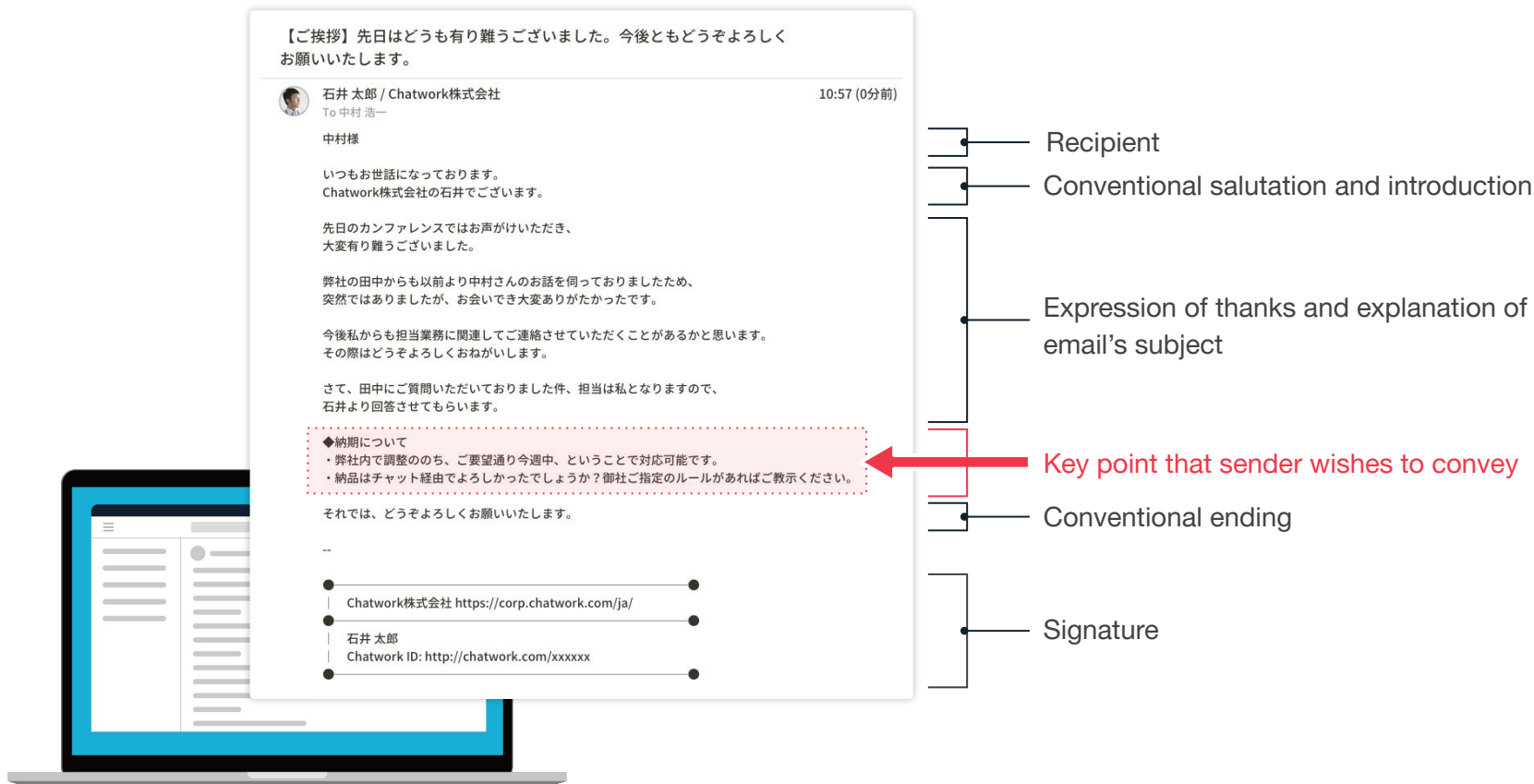
*2 According to a survey of monthly active users (MAUs) conducted in May 2022 by Nielsen NetView and Nielsen Mobile NetView; applicable service selected by Chatwork Co., Ltd.

*3 As of December 2022

Evolution of Business Communications



Decreased Productivity Due to Long-Winded Emails



Improved Productivity Due to Business Chat Tools



The screenshot shows a business chat application interface. At the top, there is a search bar and a header with the user's name '石井太郎'. The main chat area displays a conversation with 'Chatwork株式会社'. A task card is visible at the top of the chat, indicating a completed task. A red dashed box highlights a specific message from '中村浩一さん' (Mr. Nakamura Hiroki) regarding a deadline and a request for clarification. A red arrow points from the text 'Key point that sender wishes to convey' to this highlighted message. On the right side, a sidebar shows a summary of the chat, including a list of participants and a task list. A bracket on the right side of the interface groups the task card and the participant list, with a label 'Information about past interactions and chat participants'. The bottom of the interface shows a text input field for sending messages.

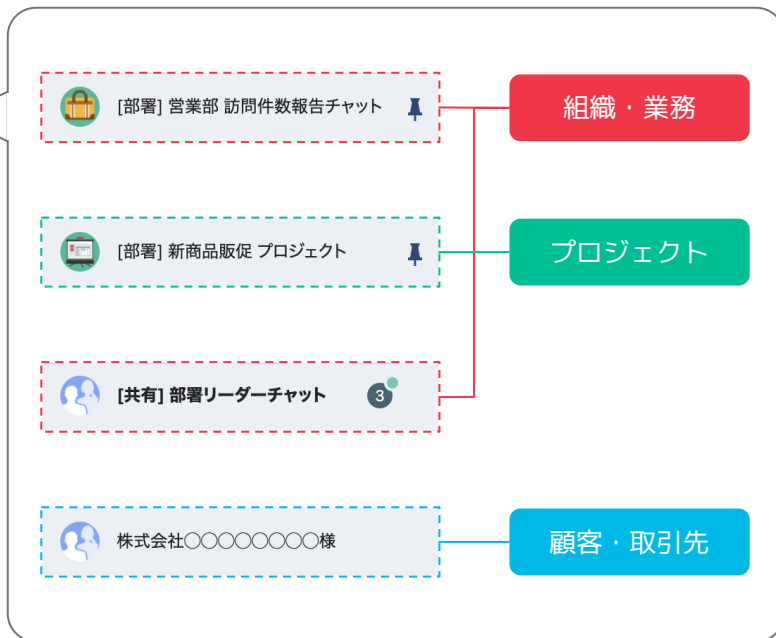
Information about past interactions and chat participants

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

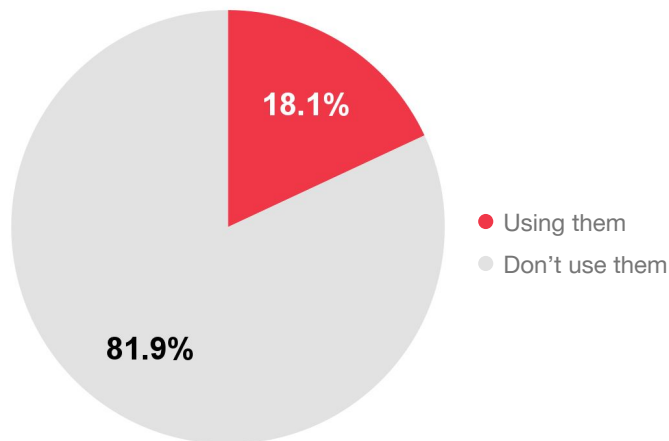
Free	Business	Enterprise
For companies and individuals that want to try out the service for free	For companies and individuals that want to use the service for business	For companies that want enhanced administrative functionality
1 user per month	1 user / month (annual contract)	1 user / month (annual contract)
¥0	¥500	¥800
	¥600 / month for monthly contract	¥960 / month for monthly contract
Unlimited 1:1 chats	Unlimited 1:1 chats	Unlimited 1:1 chats
Unlimited group chats	Unlimited group chats	Unlimited group chats
1:1 video calls / voice calls	Group video calls / voice calls	Group video calls / voice calls
Up to 5,000 viewable messages (within the last 40 days)	Unlimited number of viewable messages	Unlimited number of viewable messages
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 18.1%^{*1}, increasing from the last study (as of March 2022).
- The penetration rate among SMEs is lower than that of enterprises, and SME market is expected to enter a phase of full-fledged penetration expansion in near future.

Use of Business Chat Tools



Latent Market (TAM)^{*2} for Business Chat

$$\begin{array}{ccc} \text{Japanese workforce} & & \text{Chatwork} \\ \text{of people}^{*3} & \times & \text{unit price}^{*4} \\ 67.2 \text{ million} & & \end{array}$$
$$= \text{JPY } 645.5 \text{ billion}$$

^{*1} Based on a study commissioned by Chatwork, n = 30,000, as of September 2022

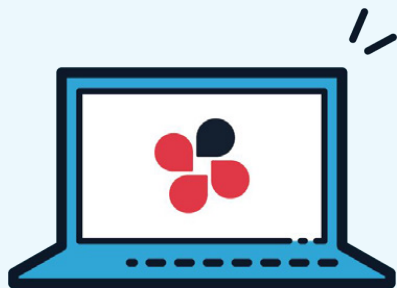
^{*2} Short for "total addressable market," or the maximum potential market. This is the market size estimated by Chatwork. The estimated figure may differ from the actual market size.

^{*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



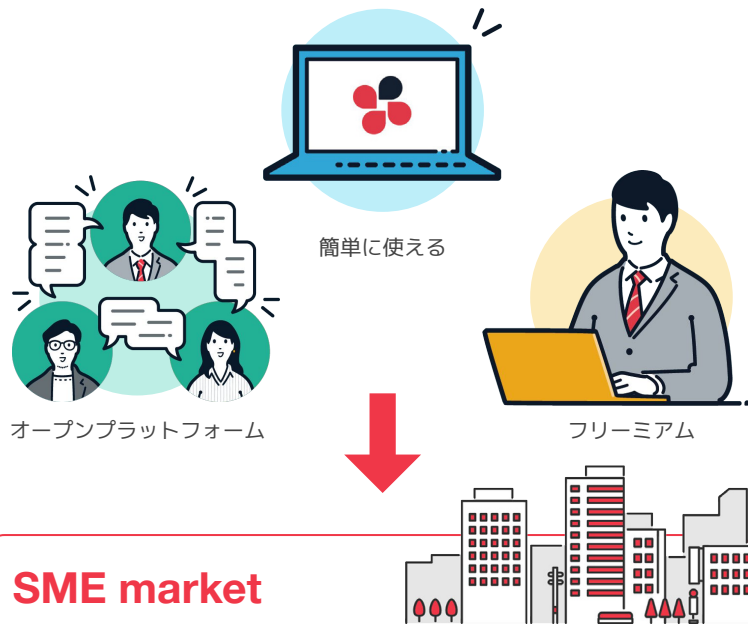
We employ an open platform-based approach that enables seamless internal and external communication using a single account. In many cases, the platform is also used externally with customers and business associates.

Freemium



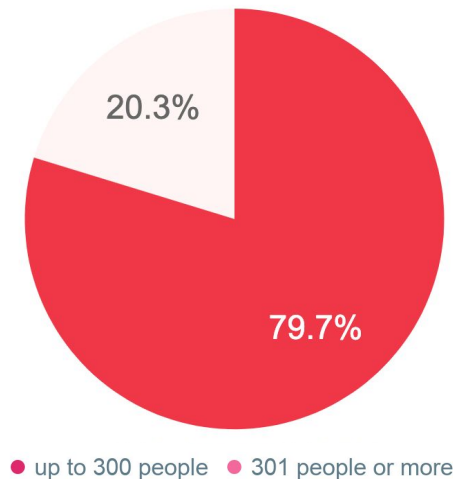
Services are provided using a “freemium” model that allows unlimited continued use free of charge. Users can casually recommend Chatwork to customers and business associates, then switch to a premium paid plan once usage intensifies.

Growing Use in the SME Market



- 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



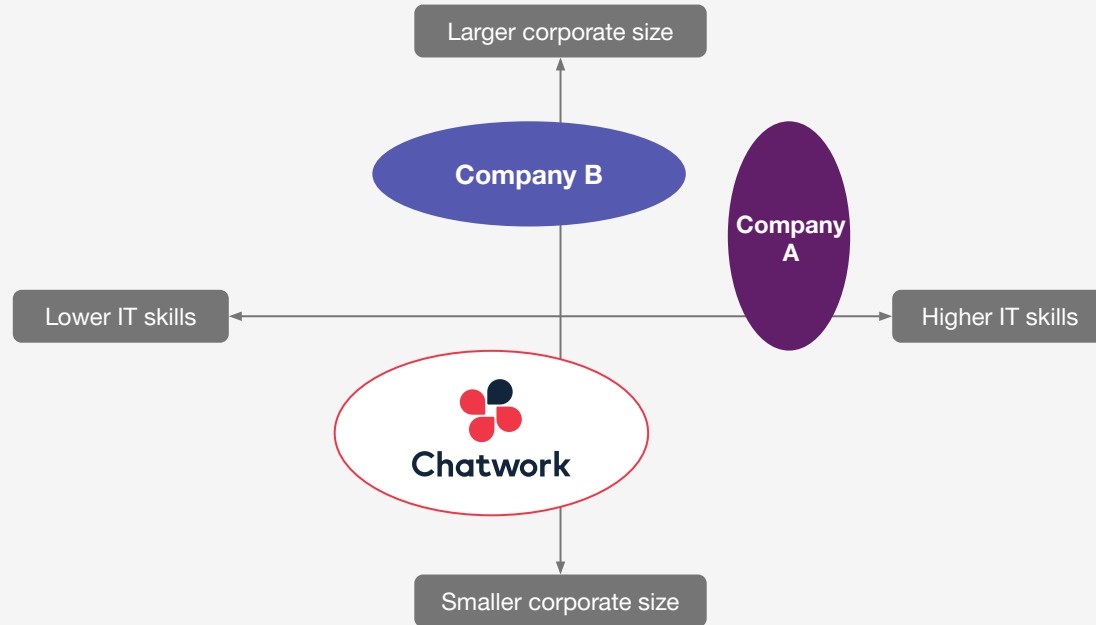
Companies with 300 or fewer people account for 79.7% of paying users.^{*1}

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

^{*1} As of December 2022, change to calculations using more precise data from February 2023 disclosure.

Positioning in the Industry

Target segments

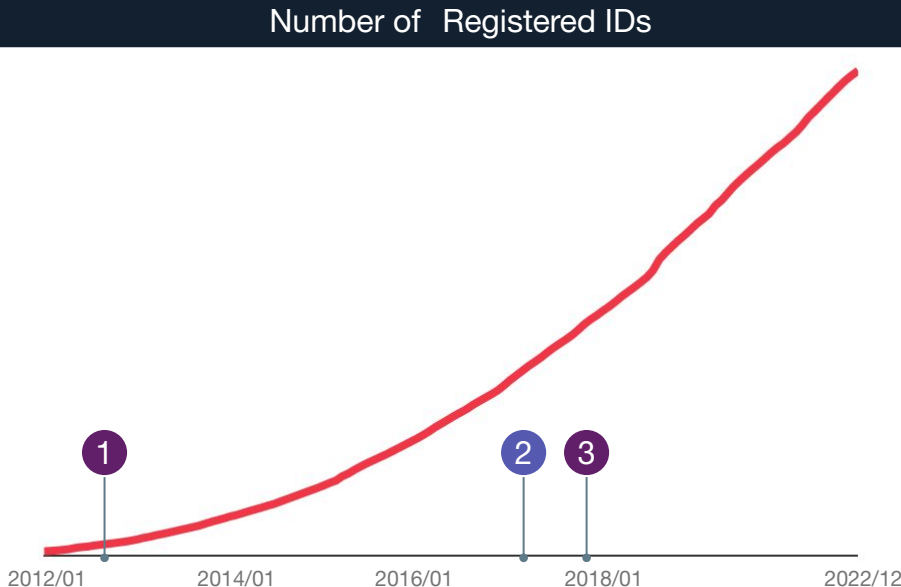


- We have two major competitors, but these companies focus on different target segments.
- As the market penetration rate of business chat tools is still low, the companies are working to develop new markets in their respective domains.

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.

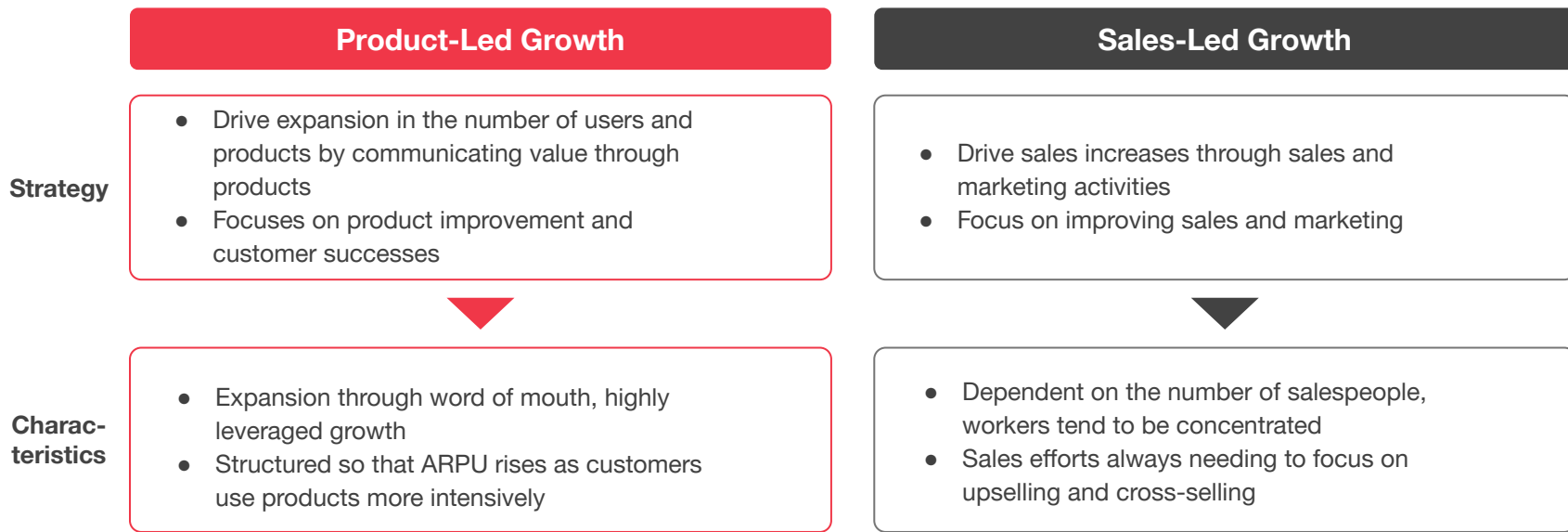


Market Entry by Competitors

- 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

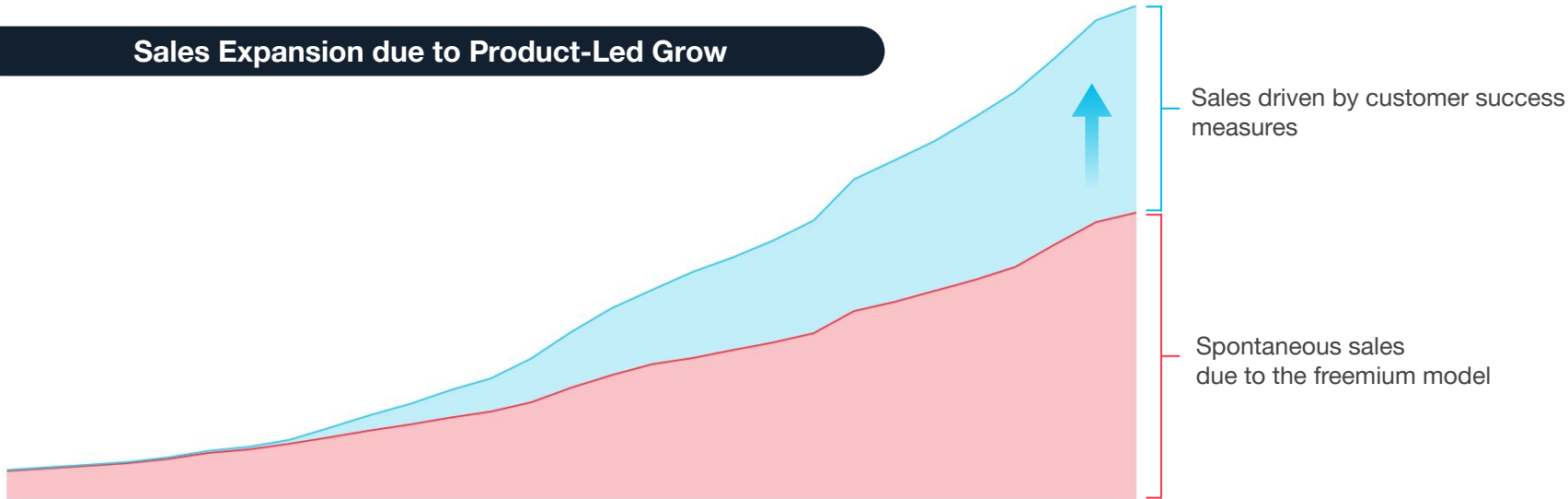
- **Product-Led Growth (PLG)** is a SaaS growth strategy that is the focus of attention in the US, whereby products are used to attract customers. This style is distinct from the conventional growth strategy, of **Sales-Led Growth**.
- Zoom and Shopify are two examples of PLG, which achieves notably **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.



Using Customer Success Measures to Accelerate Spontaneous Product Growth

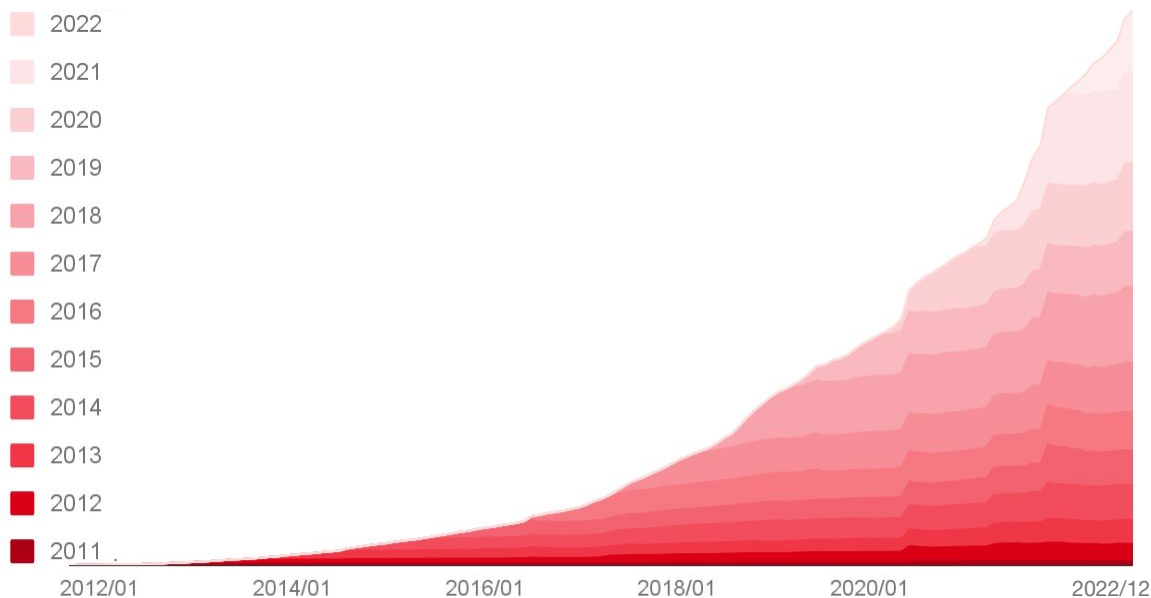
- Since the time our service launch, the free plan has driven an increase in use. We have been using a **freemium model**, in which the basic model has limited functionality. Users pay to unlock full functionality.
- Since 2015, we have provided support during the initial period (onboarding) and promoted 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 Grow



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 122%^{*2}.
- The monthly retention rate is extremely high, at 99.6%^{*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} Stock revenue as of Dec. 31, 2022 from billing customers as of Dec. 31, 2021 ÷ Stock revenue from Dec. 31, 2020 to Dec. 31, 2021

^{*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 January 2022 to the end of December 2022.

STRATEGY

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.

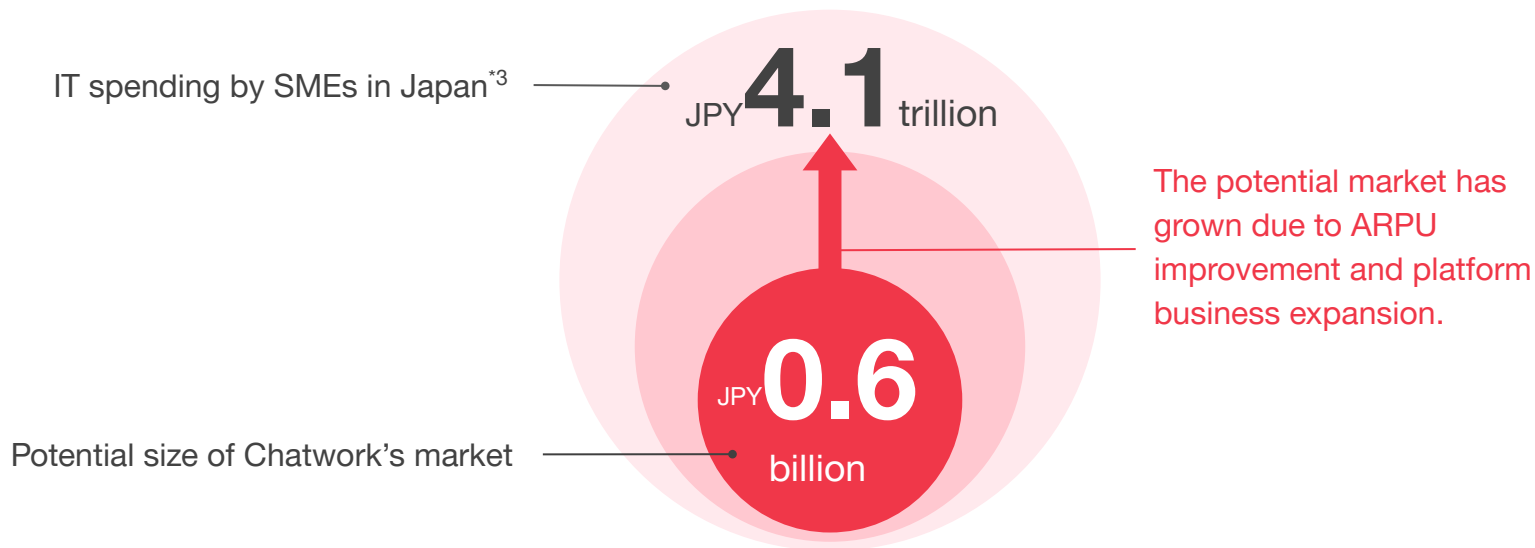


Empower clients to focus on
their core business



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.

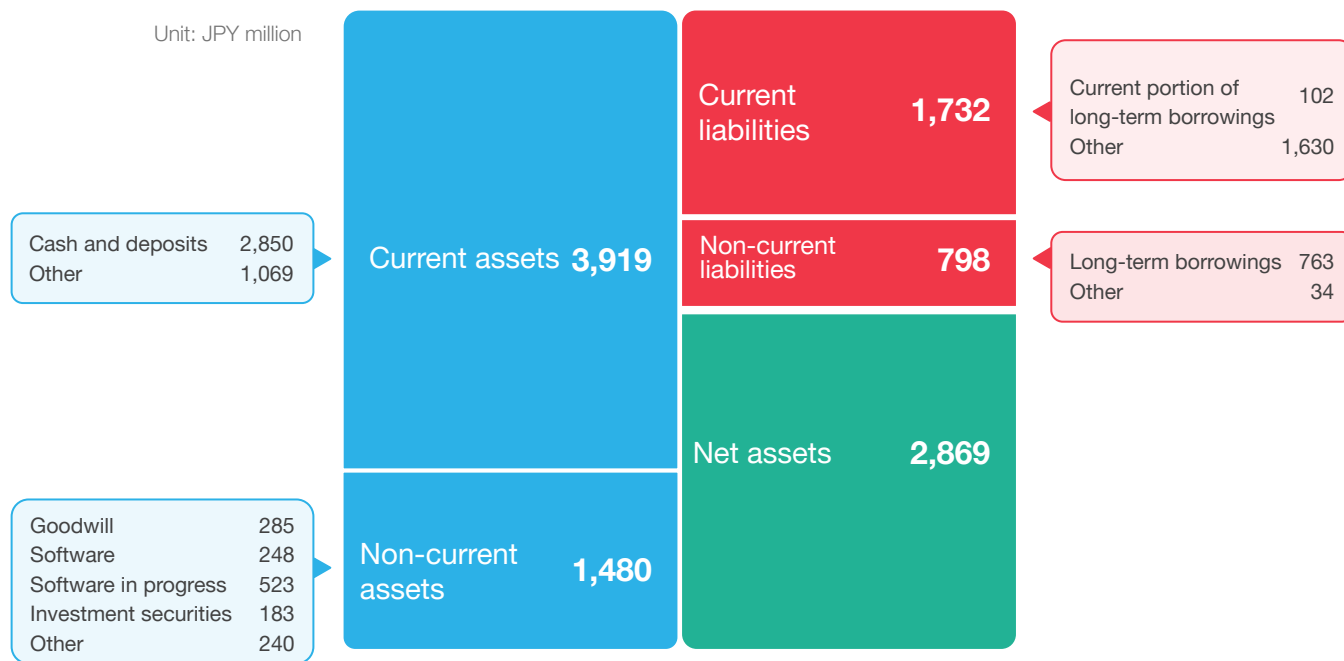
Full year of
FY2022
Results

7

Appendix

Balance Sheet

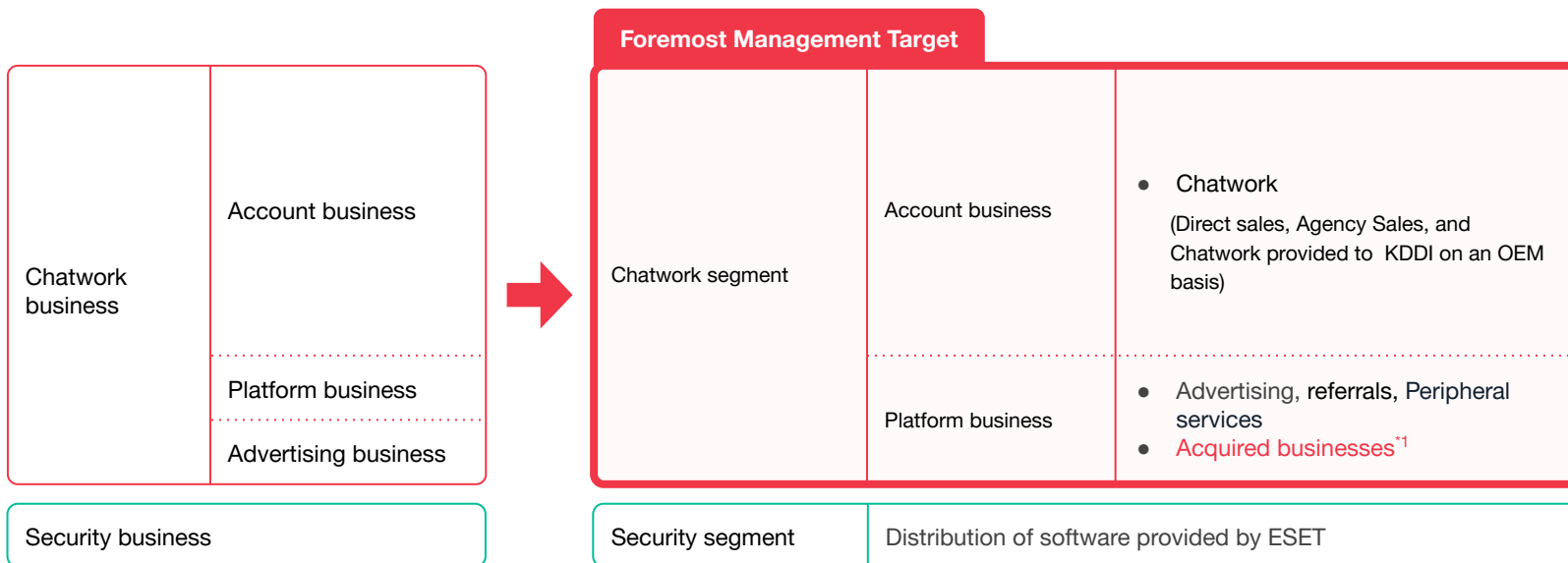
- In December 2021, we increased our capital by JPY2.0 billion. We raised funds so that we could invest aggressively to meet the goals of our medium-term management plan.
- As we are now in the most important phase of increasing market share under our medium-term management plan, we are investing flexibly. We are generating operating losses as a result, but our financial base remains sound.



* as of the end of December 2022

Our Business Segments

- The cloud storage business, which we acquired in July, entered the scope of consolidation in Q3 2021. 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.



*1 Currently indicates the cloud storage business

Terminology

ARPU Average Revenue Per User

Average amount of revenue per paying ID

ARR Annual Recurring Revenue

Monthly recurring revenue multiplied by 12

DAU Daily Active User

People using the service each day

Subscription

A fixed fee paid for content and services

NRR Net Revenue Retention Rate

A sales retention ratio, indicating whether customer sales are maintained year to year

TAM Total Addressable Market

Maximum potential market size

Super app

An integrated app that can be used in a number of situations by integrating various functions into a single app that serves as a platform

LTV/CAC

Indicators of the profitability of acquiring one user:

Lifetime value (LTV) is the revenue generated during a customer lifespan, and customer acquisition cost (CAC) is the cost of acquiring one new customer.

SaaS Software as a Service

Software services provided via the cloud

Horizontal SaaS

SaaS that can be used regardless of industry

Vertical SaaS

SaaS for a specific industry

PLG Product-Led Growth

A highly efficient SaaS growth strategy for using products to acquire customers

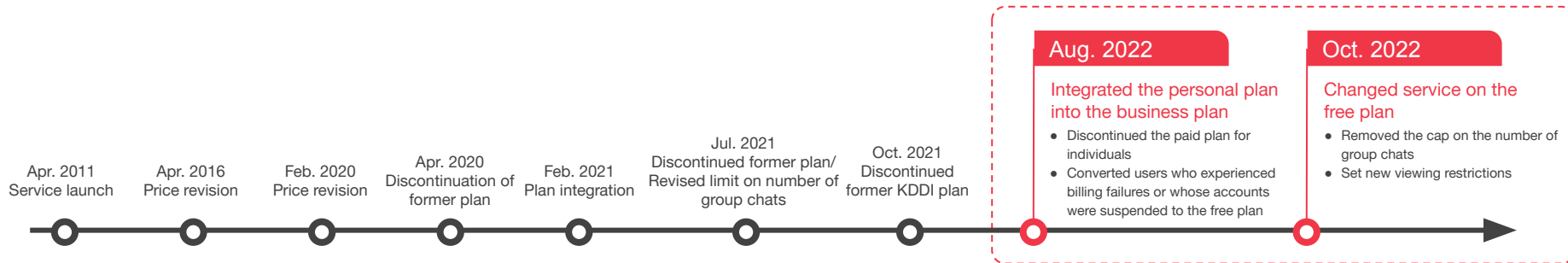
Integrating the Personal Plan into the Business Plan / Changing Service on the Free Plan

Integrating the personal plan into the business plan

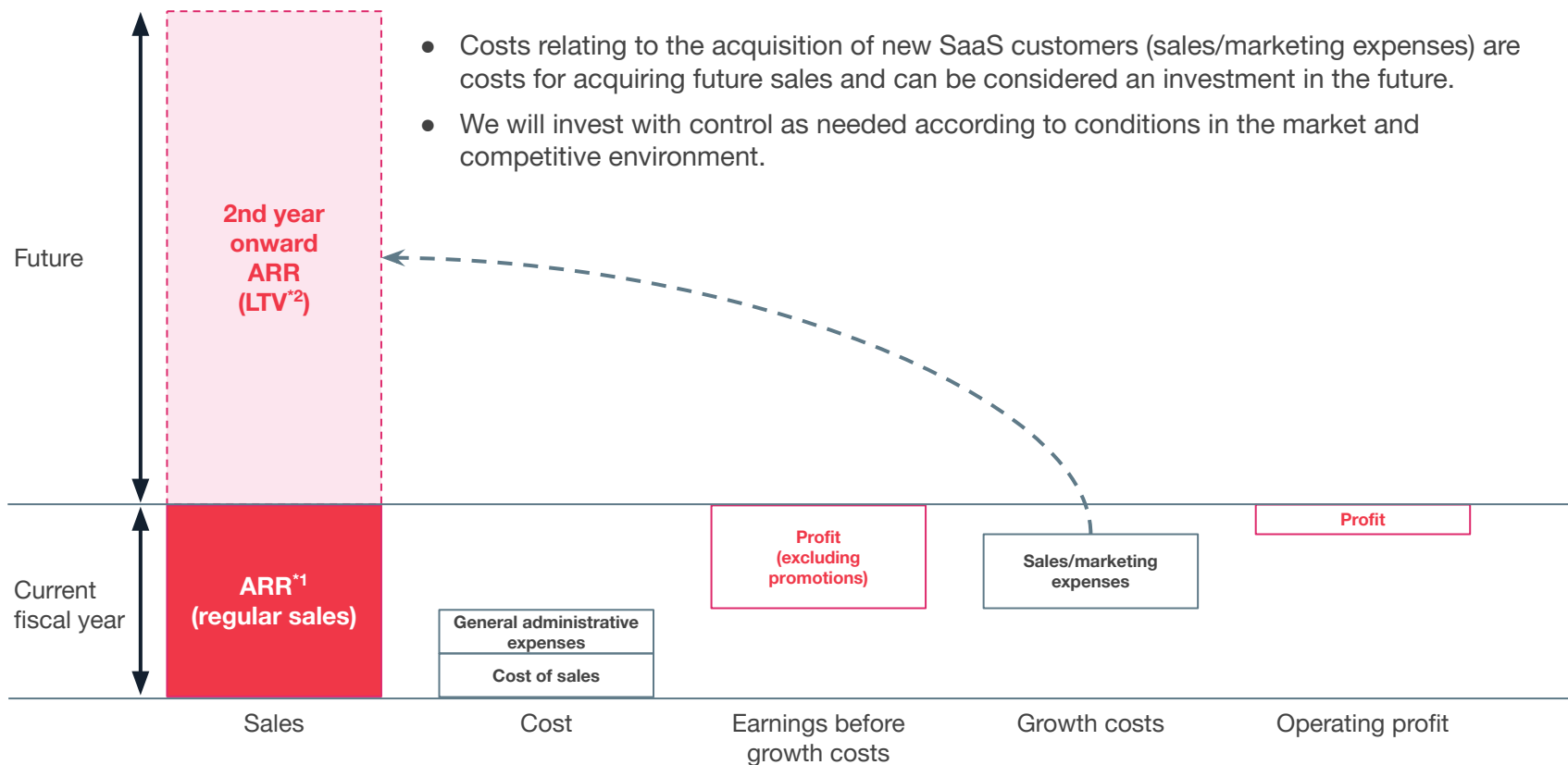
- In August 2022, we discontinued the personal plan (paid plan for individuals), which had been widely used by organizations, and migrated users from the personal plan to the business plan.
- In line with the migration from the personal plan to the business plan, we converted approximately 6,000 users who experienced billing failures or whose accounts were suspended to the free plan.

Changing service on the free plan

- In October 2022, we removed the cap on the number of group chats and added a user management function.
- As an alternative billing point, we set new message viewing and search restrictions.



Cost Structure: Investment Principle



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} Although we no longer offer the paid personal plan, due to our integration of the personal plan into the business plan, we will continue to offer this plan to shareholders.



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.



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.



COO & 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. Following appointment as executive officer, CSO, and the general manager of Business Headquarters in July 2020, he was appointed director and COO in April 2022.

Vice Presidents



Masayuki Yamaguchi, EVP & CNO

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. In April 2022, he was appointed executive vice president, executive officer, and chief networking officer (CNO). As assistant to the president, he provides support for management decisions and business promotion. He is also in charge of developing internal and external networks.



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.

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 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.



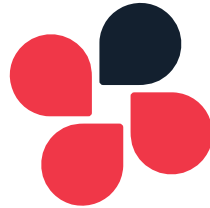
Masayuki Murata, Part-time Auditor

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.

Disclaimer

- This document has been prepared by Chatwork Co., Ltd. (the “Company”) solely for information purposes. This document does not constitute or form part of and should not be construed as, an offer to sell or issue or the solicitation of an offer to buy or acquire securities of the Company in Japan, the United States or any other jurisdictions. The information contained herein is based on current economic, regulatory, and market trends and other conditions. The Company makes no representation or guarantee with respect to the credibility, accuracy or completeness of the information herein. The information contained herein may change without prior notice. You may not publish or use this document and the contents thereof for any other purpose without prior written consent of the Company. Furthermore, information on future business results are forward-looking statements. Forward-looking statements include but are not limited to expressions such as “believe,” “expect,” “plan,” “strategic,” “expect,” “anticipate,” “predict,” and “possibility,” as well as other similar expressions to explain future business activities, achievements, events and future conditions. Forward-looking statements are predictions about the future that reflect management's judgment based on currently available information. As such, these forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from those expressed in or suggested by the forward-looking statements. Therefore, you may not rely entirely on forward-looking statements. The Company assumes no obligation to change or correct any forward-looking statements in light of new information, future events or other findings.
- This document and its contents are confidential and are being provided to you solely for your information and may not be retransmitted. This presentation is being furnished to you solely for your information and may not be reproduced or redistributed to any other person. In giving this presentation, the Company does not undertake any obligation to provide the recipient with access to any additional information or to update this presentation or any additional information or to correct any inaccuracies in any such information that may become apparent.
- Information on companies other than the Company and information provided by third parties are based on public information or sources. The Company has not independently verified the accuracy and appropriateness of such data and indicators used herein, nor does it assume any responsibility for the accuracy and appropriateness of such data and indicators presented in this document.

Making work more fun and creative



Chatwork