



Chatwork Co., Ltd.

2Q Financial Results Briefing for the Fiscal Year Ending December 2021

August 13, 2021

Event Summary

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[Participants]		
[Number of Speakers]	2	
	Masaki Yamamoto	CEO
	Naoki Inoue	Director, CFO, and VP of Corporate Division

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Presentation

Moderator: Thank you very much for taking time out of your busy schedule to join us today for Chatwork Co., Ltd.'s financial results briefing for the second quarter of the fiscal year ending December 2021.

We have just disclosed our financial results for the second quarter of the fiscal year ending December 2021 at 15:00. Today, Mr. Yamamoto, CEO, and Mr. Inoue, Director, CFO & VP of Corporate Division, would like to explain the details of the financial results disclosed earlier.

Now, I would like to explain the flow of today's briefing. First of all, CEO Yamamoto would like to talk about the contents of this disclosure. We will then answer your questions.

CEO Yamamoto will now explain the financial results for the second quarter of the fiscal year ending December 2021.



- 1 Company Overview
- 2 Second Quarter FY 2021 Result
- 3 Major Topics / Progress on the Medium-Term Business Plan
- 4 Revision of Forecast for FY 2021
- 5 Business Overview
- 6 Medium-Term Business Plan
- 7 Appendix

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Yamamoto: I'm Yamamoto, CEO of Chatwork. Today, thank you for joining Chatwork Co., Ltd.'s financial results briefing for the second quarter of the fiscal year ending December 2021. I would like to give a presentation and answer questions based on the financial results presentation materials that we have just released.

So, we would like to begin.

The agenda is as follows. The presentation will start with company overview, followed the current financial results, the financial results for the second quarter of the fiscal year ending December 2021, and major topics for the second quarter, and the progress on our mid-term business plan announced in February of this year.

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This time, we have revised our earnings forecast for the fiscal year ending December 2021. This will be followed by a business overview, mid-term business plan, and appendix, but due to time constraints, I would like to skip this part of the presentation.

So, we would like to begin.

Company Overview



Company Name
Chatwork Co., Ltd.

CEO
Masaki Yamamoto

No. of employees
203 (June 2021)

Locations
Tokyo, Osaka, Vietnam, Taiwan

Established
November 11, 2004

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First, an overview of the company.

Chatwork Co., Ltd. has 203 employees as of the end of the second quarter of June 2021. We currently have 4 offices in Tokyo, Osaka, Vietnam, and Taiwan, with Tokyo being the main office where the majority of our employees are located.

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fun and creative

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.



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Our corporate mission is to “Making work more fun and creative.” We want to create a society in which as many people as possible can have fun and fully exercise their creativity, not just for the sake of earning a living, but also for the sake of the time they spend working, which is the majority of their lives, from their teens and 20s to their 60s and 70s. To this end, we are currently running a business called Chatwork.

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Our Business



- Our Chatwork business 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 321,000 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 business, 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 June 2020 by Nielsen NetView; applicable service selected by Chatwork Co., Ltd.

^{*3} As of June 2021

This is an overview of our business.

Chatwork Co., Ltd. is mainly engaged in the Chatwork business, which consists of several peripheral services centered on Chatwork, one of the largest business chats in Japan, which is also the company name. Other businesses include the security business, which sells anti-virus software and contributes to the stability of our earnings.

Chatwork is a pioneer of business chat, and it seems to be the first player in the world from about 10 years ago, but we are proud to have opened the market as a pioneer since March 2011. We have the largest number of users in Japan, and the number of companies using our service has recently surpassed 321,000.

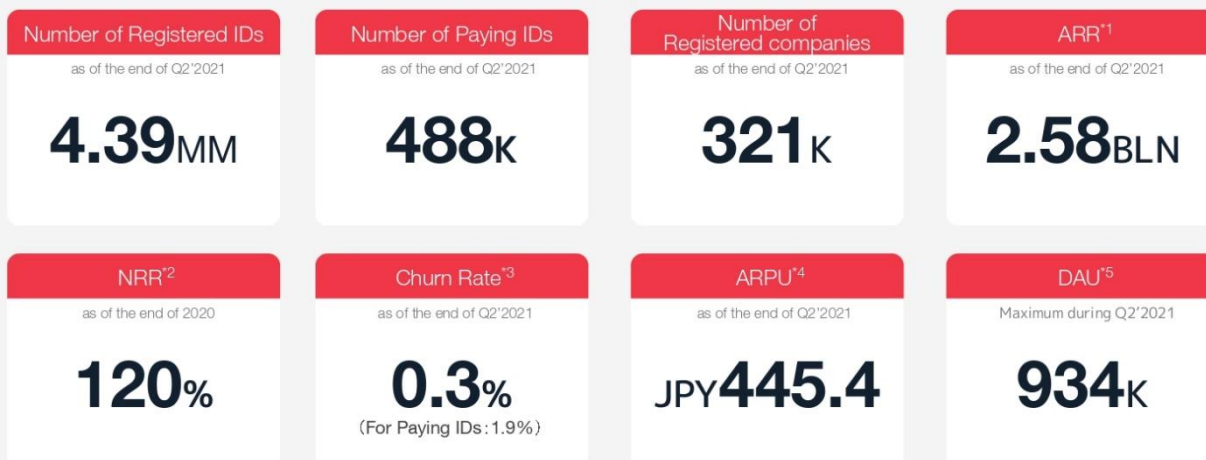
We want to accelerate the change in business communication from phone calls and e-mails to efficient chats, and we are a company that aims to make that into a platform.

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KPI Highlights



*1 Annual Recurring Revenue, 12 months of MRR as of June 30, 2021

*2 NRR 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 June 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.

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From this financial results briefing, we have created a 1-page KPI Highlights page that summarizes the figures that investors are interested in. We have the number of registered IDs, the number of paying IDs, and the number of registered companies, but we are disclosing the ARR for the first time.

In addition, NRR, churn rate, ARPU, and DAU are shown below.

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Results Highlights

- Revenue: JPY734 million: (+19.9% YoY)
 - Sales from the Chatwork business: JPY672 million (+29.2% YoY)
 - Gross profit: JPY526 million (+16.8% YoY)
 - Operating loss: JPY110 million
-
- Year on year, revenue rose companywide and in the Chatwork business, due to ongoing increases in teleworking demand and the accelerated introduction of business chat.
 - Sales growth, both companywide and in the Chatwork business, has accelerated QoQ since Q4 FY 2020.
 - 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.
 - The number of paying IDs grew steadily (+12.4% YoY), reaching 488 thousand. ARPU also increased (+15.9% YoY), due to the impact of price revisions.

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Now, I would like to quickly announce our business results for the second quarter.

Performance highlights include revenue of JPY734 million, up 19.9% YoY; Chatwork business sales of JPY672 million, up 29.2% YoY; gross profit of JPY526 million, up 16.8% YoY; and operating income of minus JPY110 million.

The COVID-19 crisis continues, but with the increase in telework business and the DX trend, business adoption, business chat adoption continues to accelerate. As a result, both company-wide sales and Chatwork business sales increased YoY.

The growth rate of both company-wide sales and Chatwork business sales has been accelerating on a quarter-on-quarter basis since the fourth quarter of last year, and while we are accelerating investment, we are also accelerating the growth rate.

As stated in the medium-term business plan, we are investing heavily in Chatwork, as we have placed the maximum and most important investment phase in Chatwork. For this reason, we have used a large portion of our upfront investment in recruiting and advertising expenses, and as a result, operating profit and below have been negative.

The number of paying IDs remained steady at 488,000, up 12.4% YoY. ARPU increased steadily by 15.9% YoY due to price revisions.

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Results Highlights

- Revenue from the Chatwork business continued to grow (+29.2% YoY).
- Profit, from operating profit downward, was negative in Q2 as a result of ongoing upfront investment (higher personnel and advertising costs).

Unit: million yen	Q2 '20 (Same period last year)	Q1 '21 (Previous period)	Q2 '21 (Actual)	Same period YoY	Previous period QoQ
Revenue	612	688	734	+19.9%	+6.6%
Chatwork Business	520	624	672	+29.2%	+7.8%
Gross profit	450	508	526	+16.8%	+3.6%
Gross margin	73.6%	73.8%	71.7%	-1.9pt	-2.1pt
Operating profit	140	-9	-110	-	-
Operating margin	22.9%	-	-	-	-
Ordinary profit	139	-8	-110	-	-
Net profit	134	-9	-111	-	-

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Summary of the business results.

The figures are the same as those in highlights earlier, but I hope you can check the details. Sales in the Chatwork business, which we consider to be the most important, continued to grow significantly with a YoY increase of 29.2%. Due to an increase in personnel expenses and advertising expenses, operating profit was negative in the quarter under review.

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Change in Revenue

- Revenue continued to grow steadily in FY 2021, rising 19.9% YoY in Q2.
- Revenue from the Chatwork business, our most important management target, continued to show strong growth (+29.2% YoY).
- The rate of growth in revenue, both companywide and from the Chatwork business, has picked up QoQ since Q4 FY 2020.

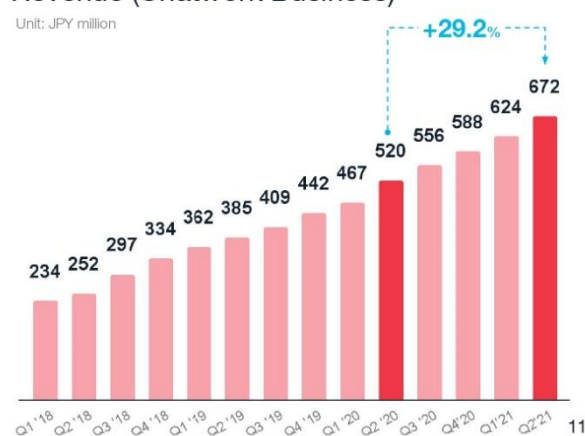
Revenue

Unit: JPY million



Revenue (Chatwork Business)

Unit: JPY million



Change in revenue.

As I mentioned earlier, company-wide sales increased by 19.9% YoY, and Chatwork business sales increased by 29.2% YoY. Although company-wide sales were 19.9% YoY, in the second quarter of the previous year, there was a major trend in the security business due in part to the declaration of a state of emergency. The Chatwork business has also been trending, so if you look at the QoQ, you will see that it has been very solid and the growth has been accelerating.

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Change in Major KPIs

- The number of registered IDs reached 4.39 million, up 23.3% YoY.
- DAUs also grew steadily (+14.9% YoY), to 934 thousand.

Number of Registered IDs

Unit : 10000



DAUs*1

Unit : 10000



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The number of registered IDs and DAUs.

The number of registered IDs was 4.39 million, a steady increase of 23.3% YoY. The number of DAUs is also increasing steadily, up 14.9%.

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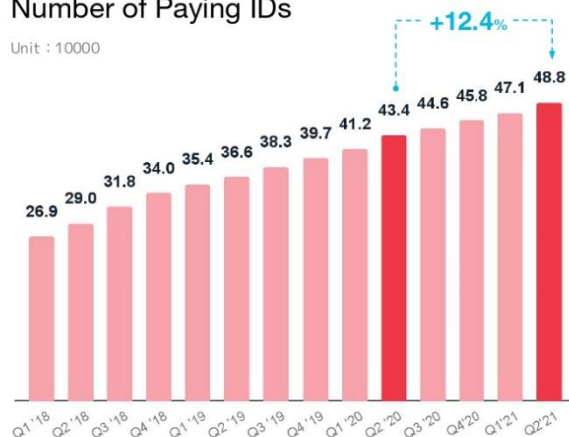
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Change in Major KPIs

- The number of paying IDs surpassed 488 thousand, rising 12.4% YoY. Growth is accelerating, with the number of paying IDs up 3.6% QoQ.
- ARPU was up 15.9% YoY, due to a price revision and a discontinuation of our previous plan¹.

Number of Paying IDs

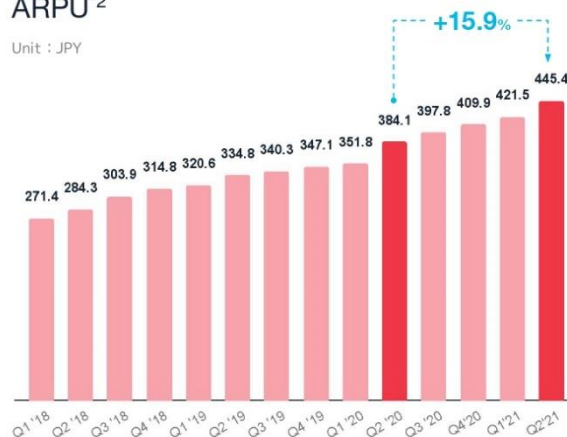
Unit : 10000



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.

ARPU²

Unit : JPY



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Changes in the number of paying IDs and ARPU.

As I mentioned earlier, the number of paying IDs increased by 12.4%, or 3.6% QoQ, and the growth is accelerating QoQ. ARPU has improved significantly in the last part due to price revisions and the elimination of old plans.

Gross Profit/Gross Profit Margin

- Gross profit¹ grew 16.8% YoY. The gross profit margin was 71.7%, down 1.9pt YoY.
- The cost of revenue rose, mainly due to an increase in the number of engineers, driving the gross profit margin down QoQ.

Gross Profit/Gross Profit Margin

Unit: JPY million



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

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Changes in gross profit and gross profit margin.

Gross profit also increased YoY, but the gross profit margin was 71.7%, down 1.9 percentage points YoY.

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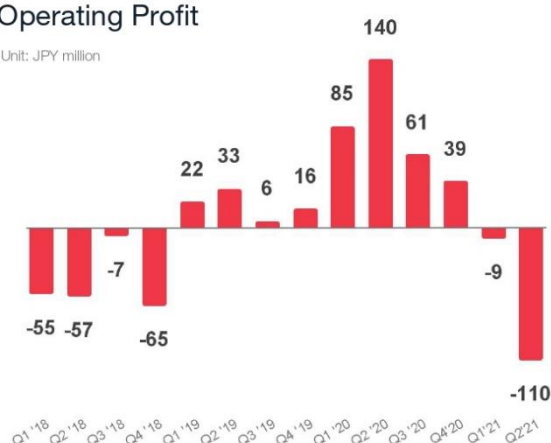
This is due to an upfront investment, especially the large increase in the number of engineers, which has resulted in the recording of software manufacturing costs and a decline in the gross profit margin. However, the structure of the business model allows for economies of scale, so we expect the gross profit margin to improve over the medium to long term.

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 FY 2021, we began running our first television commercials, 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.

Operating Profit

Unit: JPY million



Release of Television Commercial



We began running our first television commercial in June. In order to verify the effects, we targeted regional cities first.

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This is the change in operating profit.

We have also accelerated our marketing activities through upfront investments and hiring, and in the current quarter, we have also started distributing TV commercials for the first time, which has greatly expanded the negative margin.

In the mid-term plan, we wrote that we would accelerate investment and invest to the maximum extent possible, but we have been able to use costs properly, which we view as a positive sign. We will continue to invest in this as an engine to significantly increase sales growth.

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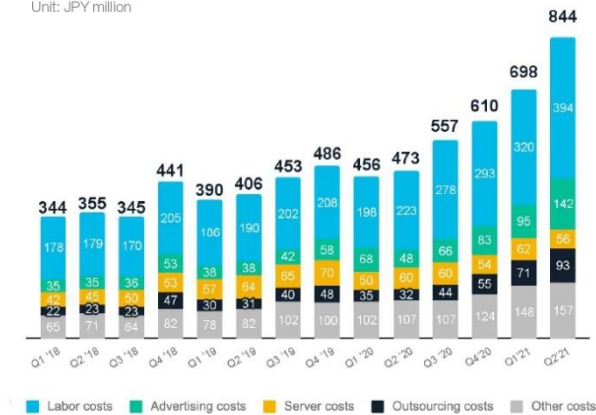
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Costs

- Personnel expenses rose as we made steady progress in hiring engineers, customer success personnel, and inside sales reps.
- In Q2 FY 2021, we began running our first television commercials, causing a major increase in advertising costs.

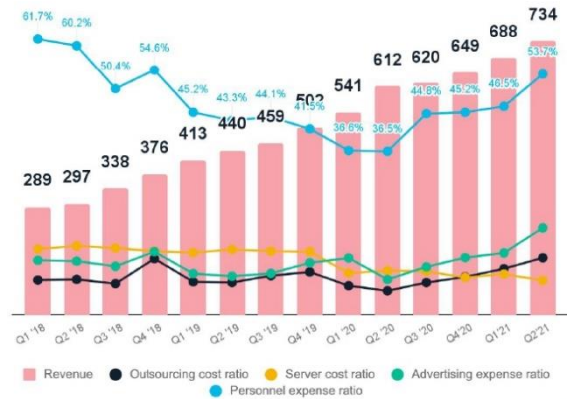
Cost Breakdown

Unit: JPY million



Expense to Sales Ratio

Unit: JPY million



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The following is a breakdown of the cost structure. We have made steady progress in hiring engineers, customer success and inside sales staff, but this has led to an increase in personnel costs. We are also hiring more marketing members this time. If you look at the breakdown of advertising expenses, you will see that there has been a large increase.

We have been able to steadily expand our organization and gain capacity by first hiring the right people, and then using advertising costs and other costs to grow our business.

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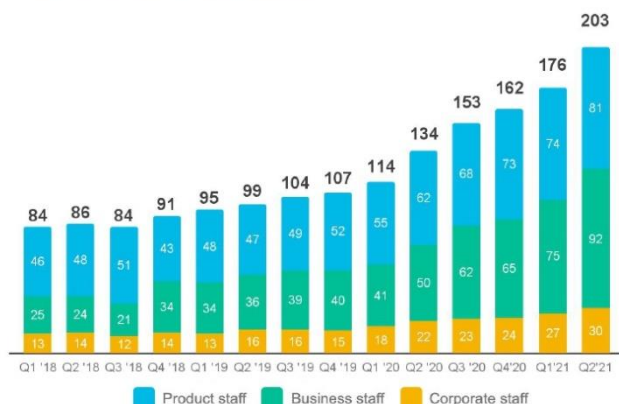
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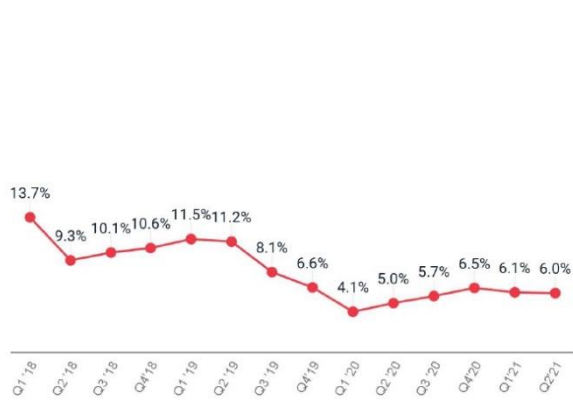
Number of Employees

- We continued to make steady progress on hiring, accelerating its pace even further. In Q2 FY 2021, the number of personnel increased by a net 27.
- 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 Q2 FY 2021 is calculated as the number of people who left the Company between July 2020 and June 2021 divided by the number of employees as of June 2020.

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In terms of hiring, we have provided changes in the number of our employees.

The pace of hiring has been accelerating for the past year or so. It is a difficult time to hire people, but our hiring team is working hard and we have a very talented group of people.

In addition, we have been reporting the net increase in employees for a long time, but the net increase is the number of employees excluding hiring and turnover of employees, and some people were concerned that although the number of employees has increased, there are many people who have quit, and that the condition of the organization is not good. Therefore, we are now disclosing the turnover rate.

I believe that we are maintaining a low level even by industry standards, and although we are expanding recruitment at a very fast pace, we can show that we have been able to manage a stable organization.

This is the end of my explanation.

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Conversion of StartiaRaise's Cloud Storage Business into a Consolidated Subsidiary

- Cloud storage business operated by StartiaRaise, a group company of Startia Holdings (TSE 1st : 3393), will be spun off, and Chatwork will **acquire 51% of the shares of the newly established company, making it a consolidated subsidiary.**
- We expect the impact on consolidated business results for FY2021 to be **an increase in net sales of JPY190 million and a decrease in operating income of JPY41 million** (will be included in consolidated results from the third quarter of FY2021).

Overview	
Date of contract execution	June 22, 2021
Execution date of share acquisition:	July 1, 2021 (scheduled)
Acquisition price	JPY453.9 million
Equity interest in acquisition	51.0%
Funding method for acquisition	To be funded by borrowings from financial institutions



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I will now report on the major topics and progress in the mid-term business plan.

First of all, I would like to announce that we have made the cloud storage business of StartiaRaise a consolidated subsidiary. We have already disclosed this information in a timely manner, but I would like to explain the details again at the financial results briefing.

Startia Holdings is a company listed on the first section of the Tokyo Stock Exchange. The main service is Secure SAMBA, a cloud storage business operated by its subsidiary, StartiaRaise, which we have spun off and made a consolidated subsidiary.

In this scheme, we spin off the business, establish a new company, and acquire 51% of the shares to make it a subsidiary.

The impact on the consolidated financial results for the fiscal year ending December 2021 is expected to increase by JPY190 million in net sales with a decrease of JPY41 million in operating income. Please note that these are not consolidated in the second quarter of this announcement, but will be consolidated in the third quarter.

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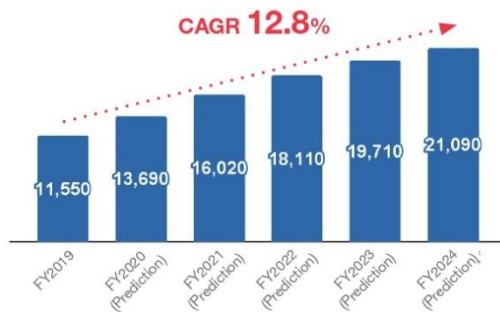


Cloud Storage a Major Growth Market with Many Remaining Opportunities

- **The market has rapid growth potential;** It is forecasted to grow by a 12.8% CAGR to JPY21 billion in 2024^{*1}.
- Approximately 50% of companies have yet to adopt cloud storage solutions. Also, among the companies that have already adopted, 26.1% of about approximately half are considering replacing their current services^{*2}.

Online File-Sharing (SaaS) Market Growth Trends and Forecast^{*3}

Unit: JPY million



^{*1} Based on "TTR Market View: Collaboration Market 2020" by ITR

^{*2} Based on "TTR Cross View: Collaboration Market 2018" by ITR

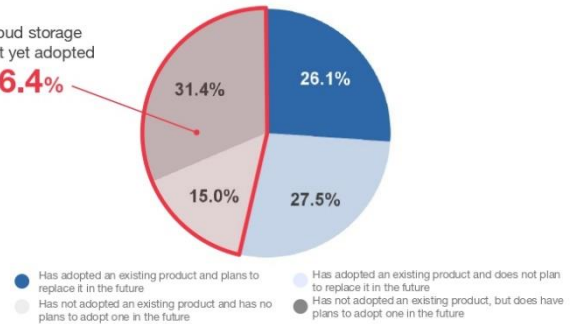
^{*3} Created by us based on "TTR Market View: Collaboration Market 2020" by ITR

^{*4} Created by us based on "TTR Cross View: Collaboration Market 2018" by ITR

Corporate Adoption of Online File-Sharing Services^{*4}

Cloud storage not yet adopted

46.4%



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Now that the cloud storage business has entered our business, I would like to explain the market for the cloud storage business and the cloud storage business.

As for the cloud storage business, it is a market with a rather long history, but there is still a long history of internal file servers for storage sharing, and the cloud storage business is a way to convert that into the cloud. However, there is still a lot of room for growth in this market.

According to the latest data, the market size is expected to be approximately JPY21 billion in FY2024, and it is a growing market with a CAGR of 12.8%. Many companies still have internal shared servers and file servers, but 46.4% of companies have not yet adopted cloud storage, and even among those that have, about half, 26.1%, are considering replacing them. We recognize that there is still room for entry and growth in this market.

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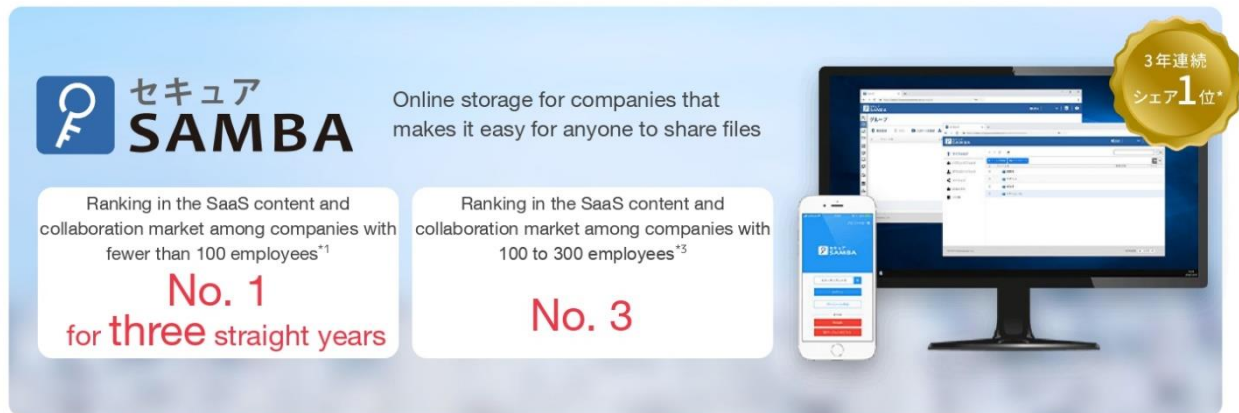
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Providing the No.1¹ cloud storage business for SMEs

- SecureSAMBA is the core service of StartiaRaise's cloud storage business. It generates stable revenue through a **subscription model**.
- Launched in 2007, the service has been introduced at 3,250 companies^{*1}, and has been **No.1 share for three consecutive years for corporate customers with fewer than 100 employees** as cloud-based online storage service.



*1 Source: "ITR Market View: Collaboration Market 2020," vendor-specific sales and share in the market for SaaS content and collaboration among companies with fewer than 100 employees (forecast for FY 2018-2020)

*2 As of April 2021

*3 Source: "ITR Market View: Collaboration Market 2020," vendor-specific sales and share in the market for SaaS content and collaboration among companies with 100 to 300 employees (FY 2019)

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Among them, the cloud storage business called Secure SAMBA, which has been transferred to our business, is the cloud storage service with the number 1 market share for small and medium-sized companies.

The business model of Secure SAMBA, like Chatwork, is a subscription model with monthly charges, and the business is expected to have stable sales with low churn.

We launched our service in 2007, and currently have a track record of 3,250 installations, and as a cloud-based online storage business for corporations, we have the number 1 market share in the area of less than 100 employees for 3 consecutive years.

We have been the number 1 for 3 consecutive years in the less than 100-employee category, but we are also number 3 in the 100-to-300-employee category in Japan, following a major foreign vendor. In the market for small and medium-sized businesses with fewer than 300 employees, we are the number 1 cloud storage vendor in Japan.

We believe that by transferring the business of the number 1 small and medium-sized enterprise, there will be a great synergy for us as we aim to become the number 1 business chat provider for small and medium-sized enterprises.

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Boosting Earnings and Achieving Cost Efficiencies by Acquiring a Well-Matched Business

Objectives	<p>Expansion of services toward the development of a “Super app for business” as targeted in the medium-term policy.</p> <ul style="list-style-type: none">• There is high product affinity between Chatwork, with its open platform, and SecureSAMBA, which enables file sharing with external parties.• Adding SecureSAMBA, which handles recurring information, to business chat, which handles one-time information, will make it possible to use Chatwork to manage all types of information.
Synergies	<p>The common customer base of SMEs will encourage revenue growth and improvements in cost efficiency.</p> <ul style="list-style-type: none">• Increase ARPU by cross-selling and upselling to existing customers in each business.• Improve marketing and sales efficiency in acquiring new customers.• Reduce operating costs by sharing the same system infrastructure and service operation system.• Collaborate with the Startia Group to leverage each other's product, marketing, and sales capabilities.

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We are considering the acquisition of businesses with high affinity, and this is the first round of M&A to realize the business version of the super app concept that we have set forth in our mid-term business plan, in which various application services will be provided using Chatwork as a platform.

Chatwork is an open platform, which is written in the business overview as a feature of the service, and the major difference between Chatwork and our competitors' business chats is that Chatwork is very good for internal and external communication. Now that the cloud storage business, a service that is frequently used for file sharing outside the company, has been incorporated into the cloud storage business, I believe that file sharing will become more collaborative in this field as well.

In addition, business chat is a communication service that deals with chat, flowing information. In addition, Secure SAMBA and the cloud storage business are products that handle stock data, such as files, and stock information, so they are very complementary products that work well together.

In addition, as I mentioned earlier, we have a strong position in SOHO and small and medium-sized companies, which makes it very easy for us to create synergies in business, such as mutual collaboration and joint marketing.

In addition, using the transfer of the Secure SAMBA and cloud sales businesses as a starting point, the Chatwork Group and the Startia Holdings Group will form a comprehensive business alliance with various SaaS services and services owned by Startia Holdings, and promote collaboration to sell the products of both companies.

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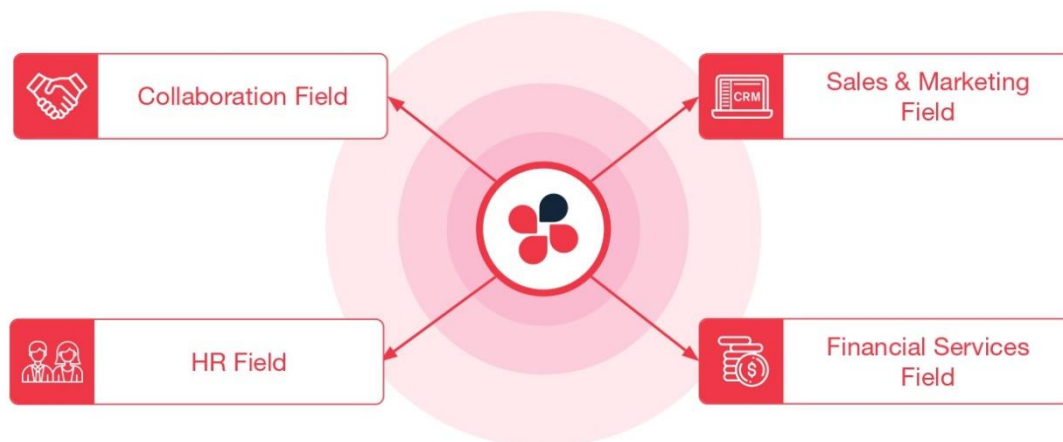
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Our Investment Policy Moving Forward

- 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.



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In terms of our future investment policy, I mentioned the first round of M&A earlier, and we would like to accelerate the process with the second and third rounds. With regard to our super app concept, if we think of business chat as a platform or OS, we believe that we need many applications, not dozens, but hundreds of them. We plan to continue to launch new businesses, some of which we will acquire through M&A, and some of which we will launch on our own.

On top of that, we would like to accelerate M&A as one of the major effective means. At that time, in order to maintain sound financial discipline, we will consolidate the cloud storage business, which has become a very stable business through subscriptions, and I believe that we will be able to put it on a growth trajectory without a large financial burden. We would like to use this as leverage to move forward with the second and third rounds of M&As and alliances.

There are 4 major areas that we would like to acquire through M&A, and on top of that, we believe that it is compatible with the area of collaboration that involves internal and external communication, and services that can be used for commercial transactions.

Also, with the idea that Chatwork users need user referrals, we believe that sales marketing and increasing sales for our customers' small and medium-sized businesses is a good service match. Also, since we operate a service called business chat, which accumulates communication data, we believe there is potential in the area of HR and HR Tech to improve HR and organizational conditions.

In the area of finance, we are already developing several businesses, but we are also thinking of developing a service to provide finance support to small and medium-sized businesses on Chatwork.

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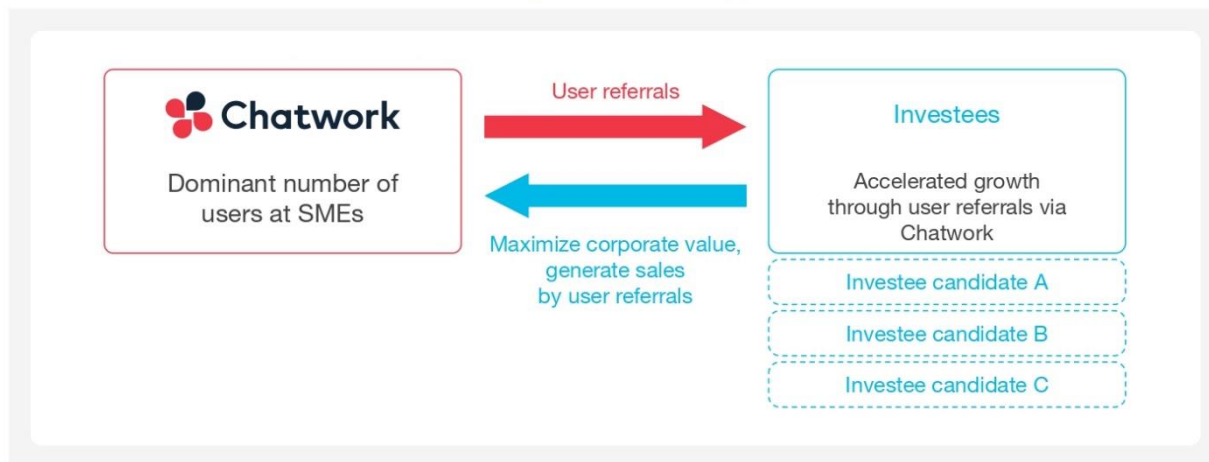
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Investment Strategy for Maximizing Synergies

- Chatwork has a dominant number of users at SMEs. Through **user referrals** to investee companies, we can accelerate their growth. We can also increase the likelihood of accelerating our return on investment by helping to **maximize corporate value at investees and generating sales by user referrals**.
- We aim to translate the resulting synergies into **greater investment opportunities**.



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We believe that our strategy of M&A and financing alliances will allow us to create an investment strategy that maximizes synergies.

In addition to simply investing in M&A, purchasing, and CVC, we have Chatwork, which has an overwhelming number of users of over 4 million in small and medium-sized enterprises, and a communication service called business chat with a very powerful touch points. Therefore, we can send our users to the investees, and we believe that this is possible based on actual proof and verification, and we believe that we can accelerate the growth of the investees.

As a result, we are able to maximize the corporate value of the investees, and at the same time, we can also have a win-win relationship to expand sales by receiving the fee of sending customers. Accordingly, we believe that the greatest strength of our investment strategy is that we can quickly generate more value than net investment.

Now that we have acquired the cloud storage business, we hope to use the power of our synergy to grow it significantly, and we hope to form the second and third rounds of capital alliances with companies that want to expand their market to small and medium-sized businesses.

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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, business plan
JPY500/month (monthly agreement)	JPY600/month (monthly agreement)
JPY5,000/year (yearly agreement)	JPY6,000/year (yearly agreement)
Appex: JPY417/month	JPY500/month
Price per user, enterprise plan	Price per user, enterprise plan
JPY800/month (monthly agreement)	JPY960/month (monthly agreement)
	JPY9,600/year (yearly agreement)
	JPY800/month

* All prices are without tax.

Version Provided to KDDI on an OEM Basis

Former plan	New! New plan
Sales price (June 2012~March 2016)	Sales price (From April 2016)
Basic fee / agreement JPN4743 /month	Basic fee / agreement Free
ID user fee / ID JPN191 /month	ID user fee / ID JPN800 /month

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This is the second topic.

We have made some major changes to the old plans and free plans, which will affect the KPIs for the second half of the year, so I would like to explain in detail.

This time, we have revised our plans in 2 areas: our direct sales plans and the OEM plans that we provide to KDDI. There are 2 plans in the business plan that we offer directly: a business plan for small and medium-sized businesses, and an enterprise plan with enhanced security, with the former price plans.

The former plan, which was 20% cheaper than the current plan, was left for existing users, but we have informed them that they will have to migrate to the new plan, which is 20% more expensive, from the renewal date of July 2021 onward, and the migration is progressing gradually.

We also have a service called KDDI Chatwork, which we provide as an OEM version with KDDI. We have been offering this plan for quite some time, and with the background that it was offered at a very low price of JPY4,743 for the basic fee and JPY191 per ID, we have decided to discontinue the old plan and integrate it into the new plan of JPY800 per month starting in October 2021, matching the price with the direct sales plan. We have been offering this product at the old low price for a long time, and we are asking our customers to understand that we are trying to optimize the price.

I think this one will have a direct effect on ARPU improvement.

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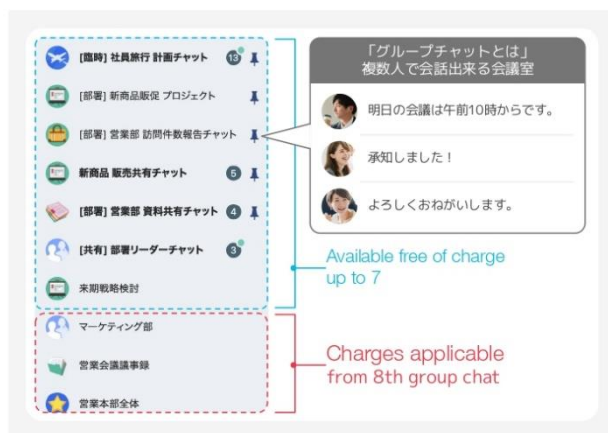
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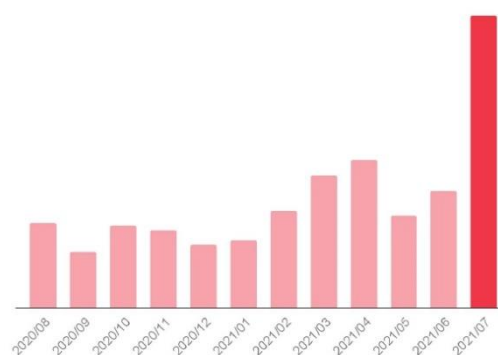
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Changes to the Limits on Group Chat under the Free Plan

- In July 2021, we reduced the number of group chats available under the free plan from **14 to 7**.
- With this move, we aim to shorten the time it takes for free users to become paying users and promote payment among existing users.
- We saw **a sharp rise in the number of paying IDs in July**, when we began implementing the new measure, helping to encourage a shift toward paying users.



Net Increase in Paying IDs



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1 more thing, we have changed the group chat usage limit for the free plan, and I would like to explain this as well.

This is also a measure that will have an impact from the third quarter, July 2021. The free plan group chat that we offer for free, for this group chat, I would like you to imagine something like a so-called conference room, but there are 5 or 10 members in the room and exchange chats in it. This conference room unit is what we call a group chat.

There was a usage limit on how many group chats could be used. In the case of our free plan, we have been able to use up to 14 meeting rooms or group chats within the free plan. We had to ask them to pay from 15th group chats, but we reduced the number of group chats available under the free plan from 14 to 7. We have already informed customers of this measure and have implemented it.

With this measure, the lead time from free plan to paying user, paying ID will be greatly shortened. The lead time is that they can use it for free at the beginning, group chats are increasing little by little, and there are limits and they will be charged. Therefore, the existing users who have more than 7 but less than 14 group chats will also be subject to the limit, so we hope to encourage existing users to become paying users.

As for this one, it has already been implemented in July, so we would like to disclose the initial speed and the graph is shown here despite this is outside of the second quarter. The graph on the lower right shows the monthly net increase in the number of paying IDs in July after the change was applied. This shows a large increase and expansion.

Free users who have been using 8 to 14 group chats are now paying for them, which means that the number of paying IDs increased significantly in July. From August onward, we expect the net increase in the number of users to decrease compared to July, but on the other hand, we expect the number of paying IDs to continue to grow at a certain high level from August onward, as new free users start paying earlier than before.

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Expansion of Proposed Services through “Chatwork DX Consultation Desk”

- Since April, we have greatly increased the number of services proposed through the Chatwork DX Consultation Desk. The initial velocity of all the services has been favorable.
- We are extending the services promoting DX transformations to SMEs in all directions. We plan to begin offering numerous services in 2H.
- As the number of business chat users grows, we plan to expand our lineup of proposed services, thereby boosting our value as a platform.



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This is the third topic.

In connection with expansion of proposed services through the Chatwork DX Consultation Desk, we announced the Chatwork DX Consultation Desk, where we set up a contact point to propose DX solutions to our customers via Chatwork, at the last financial results announcement. This topic is that we are greatly expanding the proposal service.

Since April, we have been offering more than 10 services in succession, whereas we used to offer about 5 services.

In addition to our existing telephone secretary, early payment, factoring, reception system, and Zoom, we also have sales management, email management, welfare, workforce, expenses, attendance, and our cloud storage business, which we will propose through this DX Consultation Desk.

We are expanding our lineup of such proposal services. In each case, initial speed is fine. We have been receiving inquiries from customers who are interested in our services when we introduce them via e-mail, chat, or phone to areas that we have never proposed before.

We believe that we can offer a full range of services to promote DX in small and medium-sized companies, and we will continue to expand this service lineup. In the medium to long term, we believe this will be the starting point for the business version of the super app concept.

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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	<ul style="list-style-type: none"> • In June, we released our first TV commercial to increase the number of new users. In order to verify the effects, we targeted regional cities first. • We will roll out the commercials in other areas, after judging their effectiveness.
2	Horizontal + Vertical Strategy	<ul style="list-style-type: none"> • We gained understanding of various industries through customer negotiation, and this allowed us to make steady progress on developing projects across organizations and greatly increase the percentage of our business discussions with potential customers. • Systemizing industry inputs helped speed up launches for new members. We expand to substantially increase sales efficiency going forward.
3	DX ^{*2} Solution Strategy	<ul style="list-style-type: none"> • We expanded our service offerings by acquiring a cloud storage business, propelling ourselves toward the super-app concept. • We accelerated business alliances, adding ten new services to those proposed through the Chatwork DX Consultation Desk. We are strongly promoting DX to SMEs.

*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.

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Last topic.

Topic 4, the progress in the medium-term business plan. We announced our medium-term business plan, and we report on the progress of the plan every quarter. I would like to report on our progress this quarter.

In the mid-term business plan, there are 3 major strategies: the Product-Led Growth strategy, in which products drive growth and the number of users increases rapidly, and the Horizontal x Vertical strategy, in which we can provide services regardless of industry, which is our Horizontal SaaS, where we can provide industry-specific communication processes, sales marketing, and customer success.

The third strategy is the DX Solution strategy via chat, as represented by the DX Consultation Desk I mentioned earlier. We have developed these 3 strategies.

In terms of the first, Product-Led Growth strategy, we have been able to gradually increase the number of users by spending money on advertising and promotion although it used to grow organically.

Our first TV commercial is also designed with this strategy in mind, and it is broadcasted in regional cities first. We haven't spent a lot of money yet, and we are verifying creatives, but we are proceeding with verification in the flow of making several patterns, verifying them in local cities, and gradually deploying highly effective ones in big cities. We are thinking that the investment speed will gradually increase.

In the second strategy, Horizontal x Vertical, our industry research is progressing well, and we are making progress in understanding the industry, and we are creating more and more materials on the nursing care industry, the professional industry, and the construction industry so that Chatwork can offer solutions. The marketing and sales team members are now working on their own sales talks and marketing proposals.

We are already seeing results in the form of a large increase in the percentage of prospective customers who are willing to discuss business with us and the percentage of customers who are willing to listen to us.

In addition, we have been able to create a pattern of industry inputs, so when new sales members join our company, this is the first material they can study, which contributes to the early development of sales

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members. We believe it is effective for sales marketing and customer success in various areas, and we would like to continue to focus on it.

In the third area, the DX Solution strategy, as I mentioned earlier, we acquired the cloud storage business and expanded our services, and we will continue to move forward with this. We would like to continue to work on products other than business chat.

In addition, the acceleration of business alliances to increase the service lineup I mentioned earlier is tied to this strategy.

Revision of Forecast for FY 2021

- We have changed our initial forecast for FY 2021 as outlined below.
- Growth in the number of paying IDs for Chatwork, price revisions, and acquisition of the storage business are **pushing revenue above our earlier expectations**.
- We are targeting substantial YoY revenue growth of **45% or more** from the Chatwork business, our most important indicator.
- We expect to post losses, stemming from proactive expenditures on personnel and advertising/promotion

Unit: million yen	FY 2020 actual	FY 2021 Previously announced forecast	FY 2021 forecast	YoY
Revenue	2,424	YoY +30%	3,319 ~ 3,392	+37.0%~+40.0%
Chatwork Business	2,132	YoY +35%	3,089 ~ 3,153	+45.0%~+48.0%
Gross profit	1,767	-	2,248 ~ 2,320	+29.0%~+33.2%
Gross margin	72.9%	-	67.7% ~ 68.4%	-5.2pt~-4.5pt
Operating profit	327	-	-938 ~ -815	-
Ordinary profit	324	-	-941 ~ -818	-
Net profit	208	-	-937 ~ -814	-

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Next, I would like to explain the revised forecast for the current fiscal year ending December 2021. This is the revised forecast for the fiscal year ending December 2021.

We would like to change the forecast disclosed at the beginning of the fiscal year. In the previous disclosure, the previous forecast for the fiscal year ending December 2021, we forecast that Chatwork sales would grow by 30% YoY.

We have raised our forecast significantly, and the actual number is expected to be between JPY3.319 billion and JPY3.392 billion, which is within the range of a 37% to 40% increase YoY.

In our previous forecast for the Chatwork business, which is our main and most important business, we had projected a 35% YoY growth. However, this time, we have raised this significantly, and the actual number is expected to be in the range of JPY3.089 billion to JPY3.153 billion, a 45% to 48% increase YoY. Please note that the cloud storage business that we acquired is also included in the Chatwork business segment on a consolidated basis.

Gross profit is expected to increase by the range of 29% to 33.2% YoY, ranging from JPY2.248 billion to JPY2.320 billion.

Operating profit is expected to decrease by the range of minus JPY938 million to minus JPY815 million, and ordinary profit and net profit are expected to be the same level.

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Reasons for Revising Our Revenue Forecast Upward

- We expect our purchase of a cloud storage business to boost consolidated revenue by JPY190 million and reduce operating profit by JPY41 million in FY 2021 (included in consolidated accounts from 2H FY 2021 and for all of FY 2022).
- The move from our former plan to a new fee structure and changes to the restrictions on group chat have been implemented since July. KPIs and the impact of these moves on 2H performance are as follows.

Initiatives	Date	KPI/impact on operating performance
Purchase of a cloud storage business	July 1	Boost revenue in the Chatwork business
Transition from the former business plan to a new plan	From July	Increase ARPU
Pricing change on Chatwork for KDDI	October 1	Increase ARPU
Change in the number of group chats available under the free plan	July 1	Increase the number of paying IDs

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I would like to explain the background behind the large upward revision to the previous sales forecast.

First, as I mentioned earlier, we have acquired the cloud storage business, which will become a consolidated business from this time. The impact of this is included in consolidated results for the current fiscal year, with an increase of JPY190 million in revenue, and a decrease of JPY41 million in operating profit.

They will be included in the second half of the fiscal year, from the third quarter and the fourth quarter, so only the half-year figures will be included for the current fiscal year, and from the next fiscal year onward, the full-year figures will be consolidated.

In addition, as I mentioned in the topic, the transition to the new fee structure and limited use of group chats was implemented from July, so the impact on the third quarter and the fourth quarter will be a factor that exceeds our forecast.

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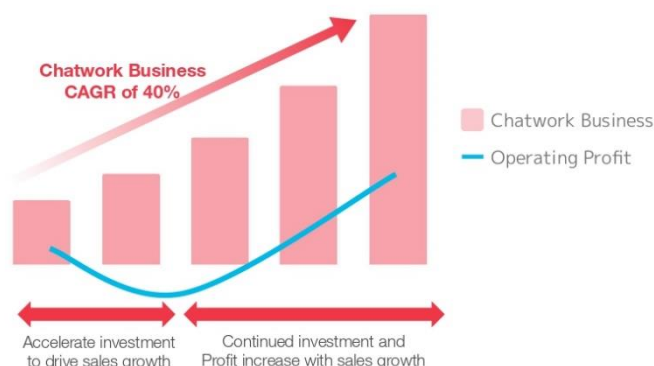
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Our Perspective on Profit and Investment

- 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, **maintaining a sound financial base**.

Conceptual diagram of our growth and profit



*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.

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I would like to explain our approach to profit and investment.

This time, we have announced a large increase in our sales forecast, but we have also announced a large deficit, so I would like to explain our approach to investment and our approach to investment with respect to sales.

We are in the SaaS subscription business, so the cost of acquiring new customers and marketing sales is a single year cost, but of course, the customers that we acquire will continue to generate sales for years to come, and even beyond the next year. We consider it as an investment in the future. We invest based on the concept that even if the cost is large in the short term, it will pay for itself in the medium to long term in consideration of the lifetime value until the customer cancels.

In addition, as indicated in our mid-term business plan, there is a COVID-19 and a wave of DX. In our opinion, this is the best time for business chat to become popular, and the next 4 years will be the most important phase as business chat crosses the chasm and enters the majority market, becoming mainstream.

By gaining a solid market share in this area, we will be able to completely change our strategy for making super apps in the mid-to-long term and after the mid-term business plan, so we would like to make a large investment here.

This time, we are increasing advertising expenses such as cognitive advertisements, and we are also increasing the number of personnel significantly. We are confident that the market will grow, so although the short-term deficit will be large, we are making this investment based on the expectation that the scope of growth will become larger and larger.

In terms of investment, we have been profitable for a long time, but basically, as I mentioned earlier, we have to make sure that the cost of customer acquisition does not exceed the lifetime value of the customer, or the profit that the acquired customer will make until the end of the contract. We are a company that does this.

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The cost is currently increasing due to the increasing number of people and raising awareness of TV commercials. However, we would like to maintain our financial discipline and step on the gas pedal firmly while maintaining a strong awareness of our sound financial position.

In terms of business growth and profits, we have committed to a CAGR of 40% or more for the Chatwork business in this mid-term business plan, and on the premise of that growth, we would like to make a large investment first, and then invest in a structure that will generate profits as sales grow. I hope you will understand this.

This is my brief explanation of the financial results, and now it is time for the question and answer session. Thank you.

Moderator: That was the results for the second quarter of the fiscal year ending December 2021.

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Question & Answer

Moderator: I will now read out the questions from the participants, and questions will be answered one by one. If you have any further questions, please enter them in the Q&A section of the Zoom webinar. We will check your questions in real time and respond to them as they come in.

Please note that similar questions may be grouped together, and that due to time constraints, we are unable to answer all questions.

Now, let's get right to the first question:

"I believe that measures to improve ARPU can produce results in the short term, but while I think that the most common approach is to raise prices by adding value, this measure seems to be a simple price increase, and I wonder if it is affecting customer satisfaction and churn." We have been asked if we accept a certain amount of churn.

Yamamoto: Yes, thank you very much.

We have made a number of price changes and group chat limitations. I think your concern is justified.

We have made several changes in the past, but our basic idea is to match the current price system with the new one, and we are asking those who have been using the old price to gradually optimize the price.

This is not only a measure that we have announced this time, but it is a measure that we have taken in the past as well. Basically, the background is that we want to eliminate the unfair situation. If we offer a product at a new price for new users and a lower price for old customers, the price will go up as we continue to develop the SaaS business, so the idea is to optimize the price.

With regard to this, we have been making changes to some of the old plans sequentially, and it is not that we have been revising the prices for the same customers over and over again, but we have been raising the prices for the plans that we offered from a certain year to a certain month, and then from a certain year to a certain month. We are asking them to adjust the price after a certain period of time, so basically they can understand our thinking.

As for churn, based on the past implementation of our measures, there has been no major churn and almost no complaints, so I believe we have gained the understanding of our customers. We believe that the price is still low enough.

As for your question about raising the product value, basically, even if we raise the value of the product, the price will not go up by itself in the subscription business.

As we continue to develop, if we feel that the value we are offering is higher than the price we are currently offering, we will offer a new plan and new users will be able to purchase it at that price.

As for our existing customers, they have been using our services for a certain period of time, and after a certain period of time, we will be able to offer them new prices. We would like you to understand that we are trying to optimize the price on the premise that the product value will increase.

Moderator: Next, we have also received a question related to the old plan.

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The question is “How many people are using the old plan and how many people are using it through KDDI?”

Inoue: We don’t disclose the number of KDDI IDs or IDs by plan, so I’d like to skip this section. However, it is certain that a considerable number of people are still using this old plan. We believe that there will be a certain impact on ARPU.

Moderator: This is a follow-up question:

“The price increase for OEMs for KDDI seems significant. Churn is expected. Please tell us the current sales mix and your prospects for the future.”

Yamamoto: Sure.

We have already informed our users about this, and we are explaining the situation to them through our sales staff. As for the current situation, we are aware that there has been no large churn, and we believe that the churn rate will be basically the same as that of our direct sales through price optimization.

Moderator: The next question: “The QoQ growth rate for paying IDs has accelerated compared to the first quarter. What is the factor? In addition, given the situation of the number of paying IDs in July, I feel that there are high expectations for July to September. I wonder if July is special and it will slow down after August.”

Yamamoto: Do you mean the one in July? In terms of the number of paying IDs, July is very special, as you said. We changed the limitations on the use of group chats, so the accumulated number of group chats used to be 8 to 14. The number of users who will be subject to the new limit will increase rapidly after the change, so the UI on the product will show that the limit has been reached, and the number of users who will be asked to upgrade will increase dramatically in July.

The price will go up from there, but they will pay since they can’t create group chats, so there will be a slight time lag, and users who are caught by the accumulated limitations will be upgraded gradually.

So, I think that the part that went up will go down, but as I mentioned earlier, free users are coming in every month, so those users will come to pay. Until now, the total number of group chats has reached 14 and the 15th one is charged, but if the lead time is shortened when the total number of chats reaches 7 and the 8th one is charged, the charge will become faster and faster. I think that it will reach a certain high level while being offset by that.

Moderator: The next question is as follows: “I understand that you are forecasting a full-year loss and that it is time for investment. I would like you to tell us if there is a rough estimate of when the company will be profitable.”

Yamamoto: Here, we are not so much concerned about whether we are in the black or in the red. We think that the growth of Chatwork is important, and we want to focus on a CAGR of 40% in the Chatwork business.

By doing this, we will be able to generate economies of scale, and since this is a business with a very high gross profit margin, we believe that a return to profitability will naturally follow.

We would like to flexibly consider this investment amount depending on the status of our measures. As with TV commercials, if there is an opportunity, we should invest aggressively, and we will do so while keeping a close eye on the situation. It is difficult for us to disclose how soon we will be able to do this, but we will let you know when we have a better idea of the probability of this happening.

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Inoue: As Mr. Yamamoto explained earlier, we will manage the LTV/CAC carefully and make investments while monitoring the return on investment. I hope you understand that this is not an unnecessary deficit but an investment to ensure future growth.

We would like to manage this area in a proper manner.

Yamamoto: Right. Since the churn rate is very low in this business chat, we believe that it is reasonable to invest in the short term to acquire users by considering the lifetime value of the business. We are thinking of an investment that can be recovered in the medium to long term.

Moderator: Next, we have a question about advertising:

The question is as follows: “Please tell me about the outlook for advertising expenses after the third quarter and the policy for advertising expenses for the next fiscal year.”

Yamamoto: In terms of advertising expenses, for the marketing, as the number of members or sales is gradually increasing, advertising expenses increase sequentially. However, I think the big ones are TV commercials and cognitive advertisements.

This will be a very large investment, so we are currently conducting creative verification in regional cities, and as soon as that progresses to a certain level, we expect to incur large costs when we launch in large areas such as Kanto, Kansai, and Chukyo.

There are some areas that will require large investments, but other areas will gradually increase.

Inoue: On the other hand, we intend to increase sales at the exact rate of growth that we have shown to everyone, so it is difficult to show the extent of the deficit at this point, but in terms of costs, I think it is as Mr. Yamamoto said.

Moderator: Next, we have received a question about the use of servers.

This question is as follows: “What could be the reason for the slight decrease in server costs despite the increase in sales?”

Yamamoto: Thank you very much.

This is because the engineering and infrastructure teams are working on cost optimization sequentially. As the scale of our business expands to a certain level, we will probably be able to expand the area that can be compressed by changing the server system, so we have been able to compress costs by implementing continuous cost reduction measures.

Moderator: Next, we have received a question on M&A.

The question is as follows: “In June, your company announced its first M&A. Will this trend continue in the future? Can we expect non-linked growth beyond the growth of your existing businesses?”

Yamamoto: Thank you very much. As I explained earlier, we would like to start with this first project and then move on to the second and third projects.

Also, M&A is a matter of fate, and we will continue sourcing and searching for opportunities, but we would like to proactively seek out opportunities of what scale and when.

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In addition, I believe that it is very important to succeed the first phase of the project in order to move on to the second and third phases, and although we acquired the company through M&A, we need to make sure that the Company is well integrated into the organization through PMI, accelerate business growth, and prove the synergy of Chatwork. By doing this, I believe that we will be asked to do the second and third projects in the same way as the first project.

Basically, I think the most important thing is to succeed the first project, but at the same time, as we do the second and third projects and have more success stories, we will be able to form models. I believe that we can achieve non-linked sales growth and profit growth by buying more and more and building up many businesses on the Chatwork platform.

Moderator: Next, we have received a question as follows: “Do you think that Secure SAMBA will be included as a default function of Chatwork? In terms of providing both flow and stock, it would be possible to provide a single set of services that would lead to further price increases, but what do you think about this?”

Yamamoto: Thank you.

As you said, we would like to consider that possibility in the medium to long term. Since the business that we once acquired is a completely independent service, I think the first step is to work on the development of the service on our side and deepen the linkage with Chatwork.

We will start with an API-based service linkage relationship and then cross-sell it, but once we are able to invest our development resources, we will be able to create a highly compatible service with Chatwork, such as Secure SAMBA functions in Chatwork or Chatwork functions in Secure SAMBA. With this, I think that we can do integration that can only be done by our own direct sales, so if that progresses, we will naturally be able to bundle it as a set from the beginning.

Moderator: Next, we have received a question as follows: “Please tell us why you own your own cloud storage. Please tell us the criteria for owning, collaborating, and partnering in the super app concept.”

Yamamoto: Thank you.

We have listed the areas of collaborations in the super app section, and we think that these areas are very compatible, and the easiest way to do this is to form an alliance and link our services. This was announced at the DX Consultation Desk earlier.

Although it is very easy to increase the number, our profit margin is not that high, and we receive sales from the customers through referrals, so we can’t actively push it that high, so we propose it as a solution, as one of the lineups.

Regarding things that are definitely convenient for us to use with Chatwork, we also acquire them through M&A or develop them ourselves. By making such things, we can upgrade and upsell them while they can use Chatwork bundle, or a set, or some limited functions in the set, and they are included for free to some extent. Basically, if they are very compatible with Chatwork products, and we can achieve the way of working that we aim at, as well as DX, we want to do them in-house as much as possible.

Moderator: The next question.

This question is as follows: “I have a vague understanding of the combination of flow and stock in terms of synergy with the cloud storage business, but in what use in particular do you think you can promote the increased value of the Chatwork business?”

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Yamamoto: Thank you.

Chatwork also has a file upload function that allows you to exchange files, but I'm not sure if this function is capable of the functions required for file storage, such as setting passwords for external users or sending very large files. It's just a simple way to send and receive files over chat.

On the other hand, cloud storage can be shared on Explorer in Windows, or Finder in Mac, or in the form of hard disks, and I think it will be common to use them together as an area of use.

The image of the Chatwork collaboration is that the file function of Chatwork is used for temporary file exchange. For files that are permanently stocked, file storage will be used.

Among them, many users open business chat for communication, so if a file is uploaded on the file storage, they can be notified through Chatwork, or if it is seamless to upload a file from a cloud storage like Secure SAMBA on Chatwork or send to Chatwork, it will be very convenient.

Moderator: Thank you very much. Now for the next question.

The question is as follows: "In the Chatwork business, which is indicated in the mid-term business plan, can we expect a significant acceleration in the second half of the year toward the CAGR of 40%? Please tell us the measures that you are confident about and the responses and signs that you have already felt."

Yamamoto: Thank you.

In our medium-term business plan, we set a CAGR of 40% or more for the Chatwork business, but our forecast is 30%. While we are starting at a low level, we are naturally thinking about our business plan based on the assumption that we will continue to increase the growth rate each year. This time, we have made a fairly upward revision to our forecast, and we would like to achieve a CAGR of over 40% in the current fiscal year.

As for the next step, the first major change is that the organizational structure has completely changed, and I think the moves we can take have changed dramatically. The number of staff has more than doubled in the past year, from about 100 a year ago to more than 200 now.

In particular, we have a large number of business side members, including business development members and very talented CMOs and other marketers, and we have members with unprecedented capacity.

I originally started out as the CTO and wrote the code for the Chatwork product, and I thought that if there was a good product, it would spread, so it was a company that expanded organically, with users calling on users. However, by using the power of the business side, I believe that we have gained the organizational capacity to increase sales and growth by using money.

Now that the sales and marketing process has reached a certain level of maturity, we are putting a lot of emphasis on customer success. Until now, users have been coming in naturally without any sales efforts. On the other hand, the reality is that we have done very little to increase the number of paying users or to think about lifetime value.

I am very pleased to see that we now have an organization that can do this. Although it may seem that we are a little ahead of cost, we have been able to manage a very stable organization with a low turnover rate, and we are now very confident that we can achieve significant growth by adding the power of our products and the power of our business.

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Inoue: If I may add, I explained the background to the upward revision of the previous forecast earlier, but all of these measures will have an impact from the second half. In other words, only about half of the initiatives have been implemented in this fiscal year's forecast, but next year, we will be able to incorporate a full year's worth of these initiatives, so in terms of the probability of accelerating growth, as you asked earlier, we can expect to accelerate growth even further next year when we are able to incorporate these initiatives for the full year.

Yamamoto: In addition, the cloud storage business is still under acquisition, but we will work on it and Chatwork will start sending customers to it. Of course, there will be initiatives from the half-year to the full-year, but we also believe that we will be able to accelerate growth in the next fiscal year.

Moderator: This may be a little bit related to what you just said, but I have received a question about the forecast for the second half.

The question is as follows: "Does the forecast for the second half of the fiscal year incorporate the increase in the number of paying IDs in July? Given the price hike and the effect of acquisitions, the impression is still somewhat conservative. Given that the number of paying IDs increased by about JPY0.6 million per month from April to June, and doubled in July compared to June, we expect both paying IDs and unit prices to grow significantly."

Yamamoto: The number of paying IDs rose sharply in July, and we have made a forecast based on this simulation. In the past, we have changed the limitations of the free plan, so we have been conservative to a certain extent by taking into account past results, such as which of the plans will become fee-based, whether there will be churn, and whether there will be increases. The figures are based on a certain amount of conservative discounting. This is a range forecast that incorporates measures in this area.

Moderator: It is almost time to end the Q&A session.

If you have any questions that we were not able to answer at the briefing, we would be happy to answer them individually, so please contact us through the IR contact point on our website or contact us directly.

This concludes Chatwork Co., Ltd.'s financial results briefing for the second quarter of the fiscal year ending December 2021. We would like to conclude with a few words from Mr. Yamamoto.

Yamamoto: I would like to thank you again for taking time out of your busy schedule to participate in today's financial results briefing. I am also very happy to have received your questions.

As I mentioned earlier, we are making solid investments to meet the expectations of our investors, and we feel that we can use the money to grow.

In the medium and long term, we will continue to make endeavor efforts to achieve the goals of our medium-term business plan. Thank you very much for your time today.

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