Translation

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Summary of Financial Results for the Nine Months Ended September 30, 2024 (Japanese GAAP) (Consolidated)

November 8, 2024

Name of listed company: kubell Co., Ltd. Listing exchange: Tokyo Stock Exchange
Securities code: 4448 URL: https://www.kubell.com/en/
Representative: Masaki Yamamoto, Representative Director ,President, Senior Executive Officer & CEO
Contact for inquiries: Naoki Inoue, Director, Senior Executive Officer & CFO Tel: 81-50-1791-0683

Scheduled date to file quarterly securities report : November 8,2024
Scheduled date to commence dividend payments: ー
Preparation of supplementary materials on quarterly financial results: Yes
Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the nine months ended September 30, 2024

(1) Consolidated business results (from January 1, 2024 to September 30, 2024)

(% indicate year-on-year changes)

	Revenue		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended September 30,2024	6,184	34.0	611	ー	184	ー	169	ー	134	ー
Nine months ended September 30,2023	4,613	39.3	(226)	ー	(670)	ー	(674)	ー	(674)	ー

(Note) Comprehensive income (millions of yen)
Nine months ended September 30, 2024: 88 (ー%) Nine months ended September 30, 2023: (691) (ー%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended September 30,2024	3.30	3.23
Nine months ended September 30,2023	(16.84)	ー

(Note) 1)Diluted earnings per share is not shown in the above table, because basic earnings per share is negative although there are potential shares.
2)EBITDA is calculated by adding operating profit, depreciation and amortization expenses, and share-based payment expenses.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2024	6,921	2,736	39.5
As of December 31, 2023	6,273	2,422	38.6

(Reference) Equity As of September 30,2024 2,736 million yen As of December 31, 2023 2,422 million yen

2. Cash dividends

	Annual cash dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended December 31,2023	—	0.00	—	0.00	0.00
Year ended December 31,2024	—	0.00	—	0.00	0.00
Fiscal year ending December 31,2024(forecast)	—	0.00	—	0.00	0.00

(Note) Changes from forecast dividend most recently announced: No

3. Consolidated earnings forecast for fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(% indicate year-on-year changes)

	Revenue		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,430	30.0	761	—	35	—	32	—	(58)	—	(1.42)

(Note) Changes from earnings forecast most recently announced : Yes

*Notes

(1) Changes in significant subsidiaries during the period : Yes

(2) Application of special accounting methods for preparing quarterly consolidated financial statements : No

(3) Changes in accounting policies, changes in accounting estimates, and restatement

1) Changes in accounting policies due to amendment of accounting standards, etc. : No
2) Changes in accounting policies other than 1) : No
3) Changes in accounting estimates : No
4) Restatement : No

For details, please refer to “Quarterly Consolidated Financial Statements and Significant Notes Thereto (3) Notes on Quarterly Consolidated Financial Statements (Changes in Accounting Policies)” on page 8 of the attached materials.

(4) Number of shares issued and outstanding (common shares)

1) Number of shares issued and outstanding at the end of the period (including treasury shares)
2) Number of treasury shares at end of the period
3) Average number of shares during the period (for the nine months ended September 30, 2024)

As of September 30,2024	41,317,016 shares	As of December 31, 2023	40,627,295 shares
As of September 30,2024	63,435 shares	As of December 31, 2023	25,201 shares
Nine months ended September 30,2024	40,882,815 shares	Nine months ended June 30, 2023	40,082,161 shares

* Review of the attached quarterly consolidated financial statements by a certified public accounting or auditing firm: Yes (mandatory)
* Explanation regarding appropriate use of earnings forecasts, and other notes

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual results and the like may differ materially due to various factors. For the assumptions used for the forecast of financial results and notes on the use of the forecast of financial results, please refer to the attachment on page 3, entitled “1. Qualitative Information on Quarterly Financial Results (3) Explanation on Future Forecast Information Including Consolidated Earnings Forecast”.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Business Results

Business results

The kubell Group has a mission of “making work more fun and creative.” People spend over half their lives working. We believe that time is not just for earning money. We develop and offer services aimed at making work more efficient and creative, helping as many employees as possible to enjoy their work more and express their creativity fully and freely.

In line with this mission, our current flagship service, Chatwork (a business chat tool) provides improvements in labor productivity and diversity in work styles to our client companies, mainly Japanese SMEs. As a result, we have the most users in Japan (Note 1). Our medium- to long-term vision is to leverage our overwhelming share of the SME market for business chat, helping SMEs achieve further digital transformation by turning our service into a business super app—a platform that serves as a launching point for all manner of businesses.

In the six months of the fiscal year, we invested in promoting the adoption of Chatwork and in expanding peripheral services that leverage our business chat platform. Business is progressing steadily, including an increase in ARPU due to price revision in the previous fiscal year and "Chatwork Assistant" as a new in-house service of “BPaaS” (Note 2).

As a result, in the first nine months of the fiscal year the Company recorded revenue of 6,184,212 thousand yen (up 34.0% year on year), EBITDA (Note 3) of 611,347 thousand yen (negative 226,376 thousand yen for the same period of the previous year), an operating profit of 184,485 thousand yen (operating loss of 670,443 thousand yen for the same period of the previous year), an ordinary profit of 169,639 thousand yen (ordinary loss of 674,989 thousand yen for the same period of the previous year), and a profit attributable to owners of parent of 134,964 thousand yen (loss attributable to owners of parent of 674,881 thousand yen for the same period of the previous year).

The following describes the business results by each segment.

(Chatwork Segment)

Net revenue was 6,077,967 thousand yen (up 35.2% year on year) and segment profit of 174,096 thousand yen (segment loss of 709,655 thousand yen for the same period of the previous year).

ARR (Note 4), number of paying IDs, and ARPU in the Chatwork account business

	Q4 ‘21	Q4 ‘22	Q4 ‘23	Q3 ‘23	Q3 ‘24
ARR （Unit : JPY million）	3,447	4,425	6,180	5,871	6,877
Number of Paying IDs （Unit : 10000）	54.7	66.8	73.1	72.4	76.8
ARPU （Unit : JPY）	529.4	547.4	672.4	627.4	735.9

(Security Segment)

With regard to the security segment, the Company makes it a policy to not expand the business proactively. As a result, net revenue was 106,244 thousand yen (down 29.9% year on year) and segment profit stood at 10,389 thousand yen(down 73.5% year on year).

Notes

1. According to a survey of monthly active users (MAUs) conducted in May 2023 by Nielsen NetView and Nielsen Mobile, from among 44 applicable services selected by Chatwork Co., Ltd. In addition to Chatwork, these included Microsoft Teams, Slack, LINE WORKS, and Skype.
2. 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).
3. EBITDA is calculated by adding operating profit, depreciation and amortization expenses, and share-based payment expenses.
4. ARR is short for annual recurring revenue, which equates to monthly recurring revenue (MRR) times 12.

(2) Explanation on Financial Position

(Assets)

Total assets as of September 30, 2024 increased by 648,218 thousand yen compared with the end of the previous fiscal year to 6,921,708 thousand yen. This was mainly due to a decrease in goodwill of 80,353 thousand yen, an increase in Investments and other assets of 148,134 thousand yen, and an increase in cash and deposits of 320,901 thousand yen.

(Liabilities)

Total liabilities as of September 30, 2024 increased by 333,954 thousand yen compared with the end of the previous fiscal year to 4,185,226 thousand yen. This was mainly due to a decrease in long-term borrowings of 622,946 thousand yen, an increase in contract liabilities of 351,482 thousand yen, and an increase in the current portion of long-term borrowings of 444,780 thousand yen.

(Net Assets)

Net assets as of September 30, 2024 increased by 314,264 thousand yen compared with the end of the previous fiscal year to 2,736,482 thousand yen. This was mainly due to an increase in share capital of 112,713 thousand yen, an increase in capital surplus of 112,713 thousand yen, and an increase in retained earnings of 134,964 thousand yen. As a result, the equity ratio was 39.5% (38.6% at the end of the previous fiscal year).

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

Our medium-term management plan states our aim to establish our position as the number one BPaaS company for small and medium-sized enterprises (SMEs) by the fiscal year ending December 31, 2026, and in the long term, to become a “business super app” platform that serves as the starting point for all business activities, backed by a dominant share in the SME market. From the fiscal year ending December 31, 2024 to the fiscal year ending December 31, 2026, we will accelerate the overall growth of the Group toward our goal of becoming the top BPaaS company for SMEs, while also working to build a profitable framework. Our medium-term targets include a CAGR for revenue of 30% or more from the fiscal year ended December 31, 2024 to the fiscal year ending December 31, 2026, as well as revenue of 15.0 billion yen and an EBITDA margin of 10–15% for the fiscal year ending December 31, 2026. Based on the above policy, we will continue to focus on achieving high growth rates and improving profitability. For the fiscal year ending December 31, 2024, we will proceed with the development of our business chat tool, "Chatwork" and the establishment of a system that generates investment and profits for the BPaaS MINAGINE and Chatwork Assistant. The details of our performance forecast outlook are as follows.

For the fiscal year ending December 31, 2024, overall sales are expected to grow as high as 30% of the previous fiscal year due to an increase in ARPU resulting from the Chatwork price revision and sales expansion of peripheral services including subsidiaries,

and are expected to land within the previously disclosed range. Operating income has been profitable since the second quarter, and is expected to exceed the upper end of the previously disclosed range.

Unit : million yen	FY 2023 actual	FY2024 forecast	YoY
Revenue	6,485	8,430	+30.0%
Gross profit	4,150	5,821	+40.2%
Gross margin	64.0%	69.0%	+5.0pt
EBITDA	(83)	761	–
Operating profit	(677)	35	–
Ordinary profit	(686)	32	–
Profit attributable to owners of parent	(620)	(58)	–

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	2,102,487	2,423,389
Accounts receivable - trade	432,075	325,532
Prepaid expenses	608,346	784,686
Other	74,311	52,325
Allowance for doubtful accounts	(254)	(254)
Total current assets	3,216,966	3,585,679
Non-current assets		
Property, plant and equipment	11,080	13,585
Intangible assets		
Software	465,353	400,526
Goodwill	1,029,292	948,939
Other	704,248	978,294
Total intangible assets	2,198,894	2,327,760
Investments and other assets	846,549	994,683
Total non-current assets	3,056,524	3,336,029
Total assets	6,273,490	6,921,708
Liabilities		
Current liabilities		
Accounts payable - other	273,017	284,429
Accrued expenses	216,809	173,525
Income taxes payable	43,990	159,092
Contract liabilities	1,565,770	1,917,252
Provision for bonuses	26,113	21,088
Short-term borrowings	1,300	—
Current portion of long-term borrowings	262,336	707,116
Other	157,304	207,999
Total current liabilities	2,546,641	3,470,504
Non-current liabilities		
Long-term borrowings	1,114,924	491,978
Deferred tax liabilities	117,432	107,735
Retirement benefit liability	2,274	3,138
Other	70,000	111,869
Total non-current liabilities	1,304,630	714,721
Total liabilities	3,851,271	4,185,226
Net assets		
Shareholders' equity		
Share capital	2,748,254	2,860,968
Capital surplus	2,734,114	28,46,828
Retained earnings	(3,060,060)	(2,925,096)
Treasury stock	(88)	(115)
Total shareholders' equity	2,422,218	2,782,584
Accumulated other comprehensive income		
Deferred gains or losses on hedges	—	(46,101)
Total accumulated other comprehensive income	—	(46,101)
Total net assets	2,422,218	2,736,482
Total liabilities and net assets	6,273,490	6,921,708

(2) Quarterly Consolidated Statement of Income (cumulative) and Quarterly Consolidated Statement of Comprehensive Income (cumulative)

For the nine months ended September 30, 2024

Quarterly Consolidated Statement of Income (cumulative)

(Unit: thousand yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Revenue	4,613,647	6,184,212
Cost of revenue	1,703,497	1,921,026
Gross profit	2,910,149	4,263,185
Selling, general and administrative expenses	3,580,592	4,078,699
Operating profit (loss)	(670,443)	184,485
Non-operating income		
Interest income	93	269
Subsidy income	2,497	—
Income from point cord	6,526	4,122
Miscellaneous income	302	113
Total non-operating income	9,419	4,506
Non-operating expenses		
Interest expenses	11,739	13,026
Foreign exchange losses	145	654
Share issuance costs	506	1,365
Other	1,574	4,306
Total non-operating expenses	13,965	19,352
Ordinary profit (loss)	(674,989)	169,639
Extraordinary loss		
Loss on valuation of investment securities	24,000	—
Total extraordinary profit	24,000	—
Profit (loss) before income taxes	(698,989)	169,639
Income taxes - current	4,407	128,890
Income taxes - deferred	(11,724)	(94,214)
Total income taxes	(7,317)	34,675
Profit (loss)	(691,672)	134,964
Profit (loss) attributable to non-controlling interests	(16,790)	—
Profit (loss) attributable to owners of parent	(674,881)	134,964

Quarterly Consolidated Statement of Comprehensive Income (cumulative)

(Unit: thousand yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Profit (loss)	(691,672)	134,964
Other comprehensive income		
Deferred gains or losses on hedges	—	(46,101)
Total other comprehensive income	—	(46,101)
Comprehensive income	(691,672)	88,862
(Breakdown)		
Comprehensive income attributable to owners of parent	(674,881)	88,862
Comprehensive income attributable to non-controlling interests	(16,790)	—

(3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Substantial Changes in the Amount of Shareholders' Equity)

Not applicable.

(Changes in Accounting Policies)

Not applicable.

(Additional Information)

(Significant changes in the scope of consolidation)

During the current interim consolidated accounting period, kubell partner Co., Ltd., which was established through a company split (simple incorporation-type company split) on April 1, 2024, is included in the scope of consolidation.

(Abolition of security business)

At a Board of Directors meeting on August 14, 2024, the Company resolved to discontinue business in the security business, as described below.

1 Reason for business closure

Since 2010, the Company has been distributing "ESET" security software provided by ESET, s.r.o. However, in order to realize the medium-term vision of becoming the "No.1 BPaaS Company for Small and Medium Enterprises" as stated in Medium-Term Management Plan 2024–2026 announced in February 2024, we have decided to discontinue the security business, allowing ourselves to promote business selection and concentration and to optimize resource allocation.

2 Overview of discontinued business

(1) Contents of discontinued business

Purchase and sale of security software "ESET"

(2) Operating results of discontinued businesses for the fiscal year ending December 2023

	the security business (Unit: thousand yen)
Revenue	187,960
Operating profit	39,965

3 Timing of business closure

December 31, 2024 (planned)

(Segment Information, Etc.)

[Segment information]

Nine months ended September 30,2023

Information on Revenue and Profit or Loss Amounts by Reportable Segment

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Performance obligations satisfied at a point in time	168,270	151,594	319,864	319,864
Performance obligations satisfied over time	4,293,782	—	4,293,782	4,293,782
Revenue from contracts with customers	4,462,052	151,594	4,613,647	4,613,647
Other revenue	—	—	—	—
Revenue to outside customers	4,462,052	151,594	4,613,647	4,613,647
Intersegment net revenue or transfers	—	—	—	—
Total	4,462,052	151,594	4,613,647	4,613,647
Segment profit (loss)	(709,655)	39,212	(670,443)	(670,443)

(Note) 1. Segment profit has been adjusted with the operating loss in the quarterly financial statements.

2. The Chatwork segment is the Company's mainstay business and all indirect costs, including the headquarters functions, are expensed to maintain and expand this segment. Accordingly, the entire amount of indirect costs is recorded as expenses in the Chatwork segment.

Nine months ended September 30,2024

Information on Revenue and Profit or Loss Amounts by Reportable Segment, and disaggregation of revenue

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Performance obligations satisfied at a point in time	223,182	106,244	329,426	329,426
Performance obligations satisfied over time	5,854,785	—	5,854,785	5,854,785
Revenue from contracts with customers	6,077,967	106,244	6,184,212	6,184,212
Other revenue	—	—	—	—
Revenue to outside customers	6,077,967	106,244	6,184,212	6,184,212
Intersegment net revenue or transfers	—	—	—	—
Total	6,077,967	106,244	6,184,212	6,184,212
Segment profit (loss)	174,096	10,389	184,485	184,485

(Note) Segment profit has been adjusted with the operating loss in the quarterly financial statements.

(Notes on consolidated statement of cash flows)

The Company did not prepare quarterly consolidated statements of cash flows for the nine month period under review. Depreciation (including amortization of intangible assets, excluding amortization of goodwill) and amortization of goodwill for the first quarter under review are as follows.

(Unit: thousand yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Depreciation	291,955	233,826
Amortization of goodwill	82,242	91,180