Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

Summary of Financial Results for the Fiscal Year Ended December 31, 2024 (Japanese GAAP) (Consolidated)

February 14, 2025

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 of ordinary general meeting of shareholders: March 26,2025
Scheduled date to file annual securities report : March 27,2025
Scheduled date to commence dividend payments: —
Preparation of supplementary materials on financial results: Yes
Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the fiscal year ended December 31, 2024

(1) Consolidated business results (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	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31,2024	8,470	30.6	856	—	96	—	75	—	(1,172)	—
Year ended December 31,2023	6,485	41.2	(83)	—	(677)	—	(686)	—	(620)	—

(Note) Comprehensive income (millions of yen)
Year ended December 31, 2024: (1,171) (—%) Year ended December 31, 2023: (686) (—%)

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets	Operating profit to Revenue
	Yen	Yen	%	%	%
Year ended December 31,2024	(28.59)	—	(58.3)	1.2	1.1
Year ended December 31,2023	(15.45)	—	(23.8)	(11.8)	(10.4)

(Note) Diluted earnings per share is not shown in the above table, because basic earnings per share is negative although there are potential shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of December. 31 2024	6,113	1,598	26.1	38.38
As of December. 31 2023	6,273	2,422	38.6	59.66

(Reference) Equity As of December 31,2024 1,598 million yen As of December 31, 2023 2,422 million yen

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended December 31,2024	1,476	(650)	(14)	2,912
Year ended December 31,2023	469	(1,454)	236	2,102

2. Cash dividends

	Annual cash dividends per share					Total dividends paid(annual)	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	End of 1Q	End of 2Q	End of 3Q	Yser-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended December 31,2023	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ended December 31,2024	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending December 31,2025(forecast)	—	0.00	—	0.00	0.00		—	

3. Consolidated earnings forecast for the fiscal year ending December 31, 2025 (from January 1, 2025 to December 31, 2025)

	Revenue		EBITDA	
Full year	Millions of yen 9,741～	% 15.0～	Millions of yen 1,000～	% 16.7～

*Notes

(1) Changes in significant subsidiaries during the period : Yes
Newly included : 1 (Company name : kubell partner Co., Ltd.)
Excluded : — (Company name : —)

(2) 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

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

1) Number of shares issued and outstanding at the end of the period (including treasury shares)	As of December 31,2024	41,762,101 shares	As of December 31, 2023	40,627,295 shares
2) Number of treasury shares at end of the period	As of December 31,2024	100,051 shares	As of December 31, 2023	25,201 shares
3) Average number of shares during the period	Year ended December 31,2024	41,009,147 shares	Year ended December 31, 2023	40,168,801 shares

(Reference)
Non-consolidated financial results for the year ended December 31, 2024 (from January 1, 2024 to December 31, 2024)

(1) Non-Consolidated business results (from January 1, 2024 to December 31, 2024)

(% indicate year-on-year changes)

	Revenue		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended December 31,2024	7,072	26.0	863	—	854	—	(1,779)	—
Year ended December 31,2023	5,615	33.1	(333)	—	(334)	—	(186)	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Year ended December 31,2024	(43.39)	—
Year ended December 31,2023	(4.65)	—

(Note) Diluted earnings per share is not shown in the above table, because basic earnings per share is negative although there are potential shares.

(2) Non-Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
As of December. 31 2024	5,524	1,598	28.9	38.37
As of December. 31 2023	6,236	3,028	48.6	74.60

(Reference) Equity As of December 31,2024 1,598 million yen As of December 31, 2023 3,028 million yen

* Summary of financial results is not subject to audit by certified public accountants or audit corporations.
* Explanation regarding appropriate use of earnings forecasts, and other notes

(Notes on forward-looking statements)

(1)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 4, entitled "1. Overview of Business Results (4) Future Outlook."

○ Table of Contents of the Attachment

○ Table of Contents of the Attachment 1

1. Overview of Business Results 2
(1) Overview of Business Results for the Current Fiscal Year 2
(2) Overview of Financial Position for the Current Fiscal Year 3
(3) Overview of Cash Flows for the Current Fiscal Year 3
(4) Future Outlook 4

2. Basic Policy for Selecting Accounting Standards 4

3. Consolidated Financial Statements and Significant Notes Thereto 5
(1) Consolidated Balance Sheet 5
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income 7
(3) Consolidated Statement of Shareholders' Equity 9
(4) Consolidated Statement of Cash Flows 12
(5) Notes on Consolidated Financial Statements 14
(Notes on Going Concern Assumption) 14
(Changes in Accounting Policies) 14
(Additional Information) 14
(Segment Information, Etc.) 14
(Per Share Information) 16
(Significant Subsequent Events) 16

1. Overview of Business Results

(1) Overview of Business Results for the Current Fiscal Year

The Chatwork 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.

As part of our efforts to realize this vision, we are developing BPaaS (Business Process as a Service), which is a framework that provides business processes themselves as cloud services, enabling companies to utilize business outsourcing (BPO) via the cloud. This reduces companies' operational burden, enabling an environment where they can focus on more creative work. Our BPaaS's strength lies in improving SME productivity at low cost by integrating the business chat platform Chatwork into customers' business processes to streamline complex communication and providing services based on standardized operations. We will continue to help SMEs achieve further digital transformation by optimizing business processes through BPaaS and promoting the expansion of Chatwork as the core platform.

In the current consolidated fiscal year, in addition to business initiatives, we also worked to strengthen the Group management structure. The main measures are as follows.

(1) In July 2024, the Company changed its name from Chatwork Co., Ltd. to kubell Co., Ltd. and announced its policy to expand operations and offer services beyond business chat in order to achieve its corporate mission of "making work more fun and creative." In the same month, the Company relocated its headquarters to WeWork Nogizaka to further enhance workplace flexibility and efficiency. Furthermore, with the aim of concentrating management resources on growth areas, the Company discontinued its security business at the end of December 2024, a business it had operated for over 10 years.

(2) In March 2024, the Company selected a full-time Audit and Supervisory Committee member and, at the same time, established a Compensation Committee. Through this initiative, we have worked to strengthen the supervisory function of the Board of Directors and enhance management transparency and fairness.

(3) In August 2024, we announced revisions in the free plan offerings of Chatwork and the addition of features to paid plans, enhancing our efforts to deliver high-value-added services to a broader user base. By revising the restrictions on free plans, we encouraged the transition to paid plans, while improving user satisfaction by expanding features. As a result, ARPU grew steadily by 8.8% and account business ARR by 14.0% compared to the previous fiscal year.

(4) In April 2024, we established kubell partner Co., Ltd. to spin off the business of BPaaS as a separate company, thereby enhancing management efficiency, streamlining operations, and improving service quality. In addition, as stated in the "Notice of a Management Integration within Our Group (Absorption-type merger by short form merger) ” disclosed today, we will integrate our wholly owned subsidiary, kubell partner Co., Ltd., with its subsidiary, MINAGINE Co., Ltd., a provider of BPaaS in the human resources and labor affairs fields, in July 2025. This integration aims to further accelerate sales and profit growth while enhancing the efficiency of our Group’s management.

As a result, in the first nine months of the fiscal year the Company recorded revenue of 8,470,717 thousand yen (up 30.6% year on year), EBITDA (Note 2) of 856,873 thousand yen (negative 83,439 thousand yen for the same period of the previous year), an operating profit of 96,856 thousand yen (operating loss of 677,423 thousand yen for the same period of the previous year), an ordinary profit of 75,476 thousand yen (ordinary loss of 686,084 thousand yen for the same period of the previous year), and a loss attributable to owners of parent of 1,172,456 thousand yen (loss attributable to owners of parent of 620,440 thousand yen for the same period of the previous year).

The following describes the business results by each segment.

(Chatwork Segment)

Net revenue was 8,323,984 thousand yen (up 32.2% year on year) and segment profit of 75,949 thousand yen (segment loss of 717,388 thousand yen for the same period of the previous year).

ARR (Note 3), number of paying IDs, and ARPU in the Chatwork account business

	Q4 ‘21	Q4 ‘22	Q4 ‘23	Q4 ‘24
ARR （Unit : JPY million）	3,447	4,425	6,180	7,045
Number of Paying IDs （Unit : 10000）	54.7	66.8	73.1	78.8
ARPU （Unit : JPY）	529.4	547.4	672.4	731.7

(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 146,733 thousand yen (down 21.9% year on year) and segment profit stood at 20.906 thousand yen(down 47.7% year on year).

Notes

1. According to a survey of monthly active users (MAUs) conducted in May 2024 by Nielsen NetView and Nielsen Mobile, from among 41 applicable services selected by kubell Co., Ltd. In addition to Chatwork, these included Microsoft Teams, Slack, LINE WORKS, and Skype.
2. EBITDA is calculated by adding operating profit, depreciation and amortization expenses, and share-based payment expenses.
3. ARR is short for annual recurring revenue, which equates to monthly recurring revenue (MRR) times 12.

(2) Overview of Financial Position for the Current Fiscal Year

(Assets)

Total assets as of December 31, 2024 decreased by 159,507 thousand yen compared with the end of the previous fiscal year to 6,113,983 thousand yen. This was mainly due to a decrease in goodwill of 1,029,292 thousand yen, an increase in software of 573,796 thousand yen, an increase in investments and other assets of 144,905 thousand yen and an increase in cash and deposits of 810,440 thousand yen.

(Liabilities)

Total liabilities as of December 31, 2024 increased by 663,919 thousand yen compared with the end of the previous fiscal year to 4,515,191 thousand yen. This was mainly due to a decrease in long-term borrowings of 657,996 thousand yen, an increase in contract liabilities of 416,775 thousand yen and an increase in current portion of long-term borrowings of 443,980 thousand yen.

(Net Assets)

Net assets as of December 31, 2024 decreased by 823,427 thousand yen compared with the end of the previous fiscal year to 1,598,791 thousand yen. This was mainly due to an increase in share capital of 174,002 thousand yen, an increase in capital surplus of 174,002 thousand yen and a decrease in retained earnings of 1,172,456 thousand yen. As a result, the equity ratio was 26.1% (38.6% at the end of the previous fiscal year).

(3) Overview of Cash Flows for the Current Fiscal Year

As of December 31, 2024, cash and cash equivalents increased by 810,440 thousand yen compared with the end of the previous fiscal year to 2,912,928 thousand yen. The status of each cash flow and their factors during the current consolidated fiscal year are as follows.

(Cash flows from operating activities)

Net cash provided in operating activities amounted to 1,476,540 thousand yen(469,541 thousand yen in the same period of the previous year). This was mainly due to loss before income taxes of 1,218,567 thousand yen, depreciation of 338,964 thousand

yen,Amortization of goodwill of 121,243 thousand yen,Impairment loss of 1,249,744 thousand yen, and an increase in contract liabilities of 416,775 thousand yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 650,117 thousand yen(1,454,024 thousand yen in the same period of the previous year). This was mainly due to the purchase of intangible assets of 579,365 thousand yen.

(Cash flows from financing activities)

Net cash provided by financing activities amounted to 14,594 thousand yen(236,936 thousand yen in the same period of the previous year). This was mainly due to the repayment of long-term loans payable of 264,016 thousand yen, proceeds from issuance of shares of 202,550 thousand yen, and payment for issuance of new shares of 1,802 thousand yen.

(4) Future Outlook

We will continue to focus on achieving high growth rates and improving profitability. 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. Please note that these medium-term targets will be reviewed and disclosed in the event of any M&A activities.

Based on the above policy, in the fiscal year ending December 2025, we will continue to promote the adoption of our business chat tool "Chatwork" while investing in BPaaS and building a profit-generating structure. Through these efforts, we aim to simultaneously maintain high growth rates and improve profitability. Our full-year performance outlook is as follows.

	Forecast for FY2025
Revenue	+15% YoY 〜
EBITDA	JPY 1,000mn 〜

2. Basic Policy for Selecting Accounting Standards

In consideration of comparability among companies, the Group applies Japanese GAAP for accounting standards. With regard to the adoption of IFRS (International Financial Reporting Standards), the Group intends to respond appropriately in consideration of various domestic and international circumstances.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2023	As of December 31, 2024
Assets		
Current assets		
Cash and deposits	2,102,487	2,912,928
Accounts receivable - trade	432,075	354,506
Merchandise	210	1,764
Stored goods	6,396	1,619
Prepaid expenses	608,346	723,553
Allowance for doubtful accounts	(254)	(194)
Other	67,703	31,540
Total current assets	3,216,966	4,025,718
Non-current assets		
Property, plant and equipment		
Building	8,206	—
Accumulated depreciation	(3,086)	—
Building (net)	5,119	—
Tools, furniture and fixtures	51,335	20,507
Accumulated depreciation	(45,374)	(17,810)
Tools, furniture and fixtures (net)	5,960	2,697
Total property, plant and equipment	11,080	2,697
Intangible assets		
Software	465,353	1,039,150
Software in progress	353,270	54,962
Goodwill	1,029,292	—
Customer-related assets	349,708	—
Telephone subscription right	1,270	—
Total intangible assets	2,198,894	1,094,112
Investments and other assets		
Investment securities	190,384	184,457
Security deposit and guarantee deposit	45,386	63,586
Deferred tax assets	176,689	282,396
Long-term prepaid expenses	82,187	109,114
Long-term time deposits	350,000	350,000
Others	1,900	1,900
Total investment and other assets	846,549	991,455
Total non-current assets	3,056,524	2,088,265
Total assets	6,273,490	6,113,983

(Unit: thousand yen)

	As of December 31, 2023	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable - other	273,017	353,355
Accrued expenses	216,809	256,513
Income taxes payable	43,990	230,584
Contract liabilities	1,565,770	1,982,545
Provision for bonuses	26,113	47,126
short-term borrowings	1,300	—
Current portion of long-term borrowings	262,336	706,316
Other	157,304	249,314
Total current liabilities	2,546,641	3,825,756
Non-current liabilities		
Long-term borrowings	1,114,924	456,928
Provision for share-based payments	—	156,249
Retirement benefit liability	2,274	3,459
Long-term accounts payable	70,000	70,000
Deferred tax liabilities	117,432	—
Other	—	2,798
Total non-current liabilities	1,304,630	689,435
Total liabilities	3,851,271	4,515,191
Net assets		
Shareholders' equity		
Share capital	2,748,254	2,922,256
Capital surplus	2,734,114	2,908,116
Retained earnings	(3,060,060)	(4,232,517)
Treasury stock	(88)	(115)
Total shareholders' equity	2,422,218	1,597,741
Accumulated other comprehensive income		
Retained earnings		
Valuation difference on available-for-sale securities	—	(1,768)
Deferred gains or losses on hedges	—	2,818
Total accumulated other comprehensive income	—	1,050
Total net assets	2,422,218	1,598,791
Total liabilities and net assets	6,273,490	6,113,983

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

Consolidated Statement of Income

(Unit: thousand yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Revenue	6,485,207	8,470,717
Cost of revenue	2,334,378	2,627,370
Gross profit	4,150,829	5,843,347
Selling, general and administrative expenses	4,828,252	5,746,491
Operating profit (loss)	(677,423)	96,856
Non-operating income		
Interest income	93	270
Subsidy income	2,497	—
Point income	7,933	5,280
Gain on investments in investment partnerships	1,442	—
Gain on sale of non-current assets	—	2,122
Miscellaneous income	595	383
Total non-operating income	12,562	8,055
Non-operating expenses		
Interest expenses	15,934	17,232
Foreign exchange losses	2,335	1,227
Share issuance costs	641	1,802
Commitment fees	749	752
Guarantee commission	1,106	1,206
Loss on investments in investment partnerships	—	290
Loss on sale of investment securities	—	1,834
Loss on retirement of non-current assets	178	2,185
Miscellaneous loss	277	2,904
Total non-operating expenses	21,224	29,434
Ordinary profit (loss)	(686,084)	75,476
Extraordinary loss		
Impairment losses	194,278	1,249,744
Loss on valuation of investment securities	24,000	44,300
Total extraordinary profit	218,278	1,294,044
Profit (loss) before income taxes	(904,362)	(1,218,567)
Income taxes - current	5,550	182,488
Income taxes - deferred	(223,739)	(228,600)
Total income taxes	(218,189)	(46,111)
Profit (loss)	(686,173)	(1,172,456)
Profit (loss) attributable to non-controlling interests	(65,733)	—
Profit (loss) attributable to owners of parent	(620,440)	(1,172,456)

Consolidated Statement of Comprehensive Income

(Unit: thousand yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Profit (loss)	(686,173)	(1,172,456)
Other comprehensive income		
Valuation difference on available-for-sale securities	—	(1,768)
Deferred gains or losses on hedges	—	2,818
Total other comprehensive income	—	1,050
Comprehensive income	(686,173)	(1,171,406)
(Breakdown)		
Comprehensive income attributable to owners of parent	(620,440)	(1,171,406)
Comprehensive income attributable to non-controlling interests	(65,733)	—

(3) Consolidated Statement of Shareholders' Equity

Fiscal year ended December 31, 2023

(Unit:Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,622,024	2,607,884	(2,439,620))	(88)	2,790,199
Changes of items during period					
Issuance of new shares	126,229	126,229			252,459
Profit (loss) attributable to owners of parent			(620,440)		(620,440)
Purchase of treasury shares					—
Net changes of items other than shareholders' equity					
Total changes of items during period	126,229	126,229	(620,440)	—	(367,980)
Balance at end of period	2,748,254	2,734,114	(3,060,060)	(88)	2,422,218

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of period	—	—	—	65,733	2,855,932
Changes of items during period					
Issuance of new shares					252,459
Profit (loss) attributable to owners of parent					(620,440)
Purchase of treasury shares					—
Net changes of items other than shareholders' equity	—	—	—	(65,733)	(65,733)

Total changes of items during period	—	—	—	(65,733)	(433,713)
Balance at end of period	—	—	—	—	2,422,218

Fiscal year ended December 31, 2024

(Unit:Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,748,254	2,734,114	(3,060,060)	(88)	2,422,218
Changes of items during period					
Issuance of new shares	174,002	174,002			348,005
Profit (loss) attributable to owners of parent			(1,172,456)		(1,172,456)
Purchase of treasury shares				(28)	(28)
Net changes of items other than shareholders' equity					
Total changes of items during period	174,002	174,002	(1,172,456)	(28)	(824,477)
Balance at end of period	2,922,256	2,908,116	(4,232,517)	(115)	1,597,741

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of period	—	—	—	—	2,422,218
Changes of items during period					
Issuance of new shares					348,005
Profit (loss) attributable to owners of parent					(1,172,456)

Purchase of treasury shares					(28)
Net changes of items other than shareholders' equity	(1,768)	2,818	1,050	—	1,050
Total changes of items during period	(1,768)	2,818	1,050	—	(823,427)
Balance at end of period	(1,768)	2,818	1,050	—	1,598,791

(4) Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	(904,362)	(1,218,567)
Depreciation	386,121	338,964
Amortization of goodwill	112,034	121,243
Share-based payment expenses	97,555	294,506
Amortization of security deposit	(1,727)	(299)
Share issuance costs	641	1,802
Loss (gain) on investments in investment partnerships	(1,442)	290
Loss (gain) on valuation of investment securities	24,000	44,300
Loss on retirement of non-current assets	178	2,185
Impairment losses	194,278	1,249,744
Foreign exchange losses (gains)	289	1,388
Interest income	(111)	(288)
Subsidy income	(2,497)	—
Interest expenses	15,934	17,232
Commitment fees	749	752
Decrease (increase) in trade receivables	(70,638)	77,569
Increase (decrease) in allowance for doubtful accounts	182	(59)
Decrease (increase) in prepaid expenses	111,371	(292,161)
Decrease (increase) in inventories	2,031	3,223
Increase (decrease) in retirement benefit liability	233	1,184
Decrease (increase) in deposits paid	(30,658)	19,848
Increase (decrease) in accounts payable-other	(94,597)	85,323
Increase (decrease) in accrued expenses	74,580	39,704
Increase (decrease) in income taxes payable	12,767	14,612
Increase (decrease) in accrued consumption taxes	40,067	86,146
Increase (decrease) in contract liabilities	533,455	416,775
Increase (decrease) in provision for bonuses	(2,860)	21,013
Increase (decrease) in provision for share-based payments	—	156,249
Other	(7,713)	16,945
Subtotal	489,863	1,499,630
Interest received	111	288
Subsidies received	2,497	—
Interest paid	(15,693)	(17,463)
Payments for commitment fees	(749	(752)
Income taxes paid	(6,487)	(5,162)
Net Cash provided by (used in) operating activities	469,541	1,476,540
Cash flows from investing activities		
Payments into Long-term time deposits	(350,000)	—
Purchase of property, plant and equipment	(763)	(10,411)
Proceeds from sales of property, plant and equipment	7	2,172
Purchase of intangible assets	(479,757)	(579,365)
Purchase of investment securities	(29,987)	(54,404)
Proceeds from sale of investment securities	—	8,188
Proceeds from distributions from investment partnerships	290	5,007
Payments of leasehold and guarantee deposits	(12,162)	(21,304)
Proceeds from refund of leasehold and guarantee deposits	28,696	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(580,349)	—
Loan advances	(30,000)	—
Net cash provided by (used in) investing activities	(1,454,024)	(650,117)

(Unit: Thousand yen)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Cash flows from financing activities		
Repayments of short-term borrowings	(3,000)	(1,300)
Proceeds from long-term borrowings	300,000	50,000
Repayments of long-term borrowings	(195,272)	(264,016)
Proceeds from issuance of shares	135,850	202,550
Payment for issuance of new shares	(641)	(1,802)
Purchase of treasury shares	—	(26)
Net cash provided by (used in) financing activities	236,936	(14,594)
Effect of exchange rate change on cash and cash equivalents	(289)	(1,388)
Net increase (decrease) in cash and cash equivalents	(747,835)	810,440
Cash and cash equivalents at beginning of term	2,850,323	2,102,487
Cash and cash equivalents at end of term	2,102,487	2,912,928

(5) Notes on Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Not applicable.

(Additional Information)

(Significant changes in the scope of consolidation)

In the current consolidated fiscal year, 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 2024

	the security business (Unit: thousand yen)
Revenue	146,733
Operating profit	20,906

3 Timing of business closure

December 31, 2024

(Segment Information, Etc.)

[Segment information]

1 Outline of reportable segments

Our reporting segments have separate financial information available from our constituent units and are subject to regular review by the Board of Directors to determine the allocation of resources and assess performance. It is the one that is.

Our company has two reporting segments, "Chatwork segment" and "Security segment".

2 The calculating method regarding sales, operating profit or loss, assets, liabilities and other items by the reportable segments

The method of accounting for the reported business segments is in accordance with the accounting standards adopted to prepare the consolidated financial statements. Reportable segment income (loss) is the operating income (loss) figure in the consolidated financial statements. There are no intersegment transactions.

3. Information regarding sales, operating profit or loss, assets, liabilities and other items by the reportable segments and disaggregation of revenue

Fiscal year ended December 31,2023

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Performance obligations satisfied at a point in time	249,191	187,960	437,152	437,152
Performance obligations satisfied over time	6,048,055	—	6,048,055	6,048,055
Revenue from contracts with customers	6,297,246	187,960	6,485,207	6,485,207
Other revenue	—	—	—	—
Revenue to outside customers	6,297,246	187,960	6,485,207	6,485,207
Intersegment net revenue or transfers	—	—	—	—
Total	6,297,246	187,960	6,485,207	6,485,207
Segment profit (loss)	(717,388)	39,965	(677,423)	(677,423)
Others				
Depreciation	386,121	—	386,121	386,121
Amortization of goodwill	112,034	—	112,034	112,034
Impairment losses	194,278	—	194,278	194,278

(Note) 1. Segment assets are not shown because assets are not allocated to reportable segments.

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.

Fiscal year ended December 31,2024

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Performance obligations satisfied at a point in time	322,242	146,733	468,976	468,976
Performance obligations satisfied over time	8,001,741	—	8,001,741	8,001,741
Revenue from contracts with customers	8,323,984	146,733	8,470,717	8,470,717
Other revenue	—	—	—	—
Revenue to outside customers	8,323,98	146,733	8,470,717	8,470,717
Intersegment net revenue or transfers	—	—	—	—
Total	8,323,98	146,733	8,470,717	8,470,717
Segment profit (loss)	75,949	20,906	96,856	96,856
Others				
Depreciation	338,964	—	338,964	338,964
Amortization of goodwill	121,243	—	121,243	121,243
Impairment losses	1,249,744	—	1,249,744	1,249,744

(Note)1.Segment assets are not shown because assets are not allocated to reportable segments.

2.Segment income is consistent with operating income in the consolidated statements of income.

(Per Share Information)

	Fiscal year ended December 31, 2023	Fiscal year ended December 31, 2024
Net assets per share	59.66yen	38.38yen
Basic earnings per share	(15.45yen)	(28.59yen)

(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. The basis for calculation of earnings per share is as follows:

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Basic earnings per share		
Profit (loss) (thousand yen)	(620,440)	(1,172,456)
Profit (loss) not attributable to common shareholders (thousand yen)	—	—
Profit (loss) related to common stock (thousand yen)	(620,440)	(1,172,456)
Average number of shares of common stock outstanding during the fiscal year (shares)	40,168,801	41,009,147

3. The basis for calculation of net assets per share is as follows:

	As of December 31, 2023	As of December 31, 2024
Total net assets (thousand yen)	2,422,218	1,598,791
Amount deducted from the total net assets (thousand yen)	—	—
Amount of net assets related to common stock as of the end of the fiscal year (thousand yen)	2,422,218	1,598,791
Number of shares of common stock used in the calculation of net assets per share as of the end of the fiscal year (shares)	40,602,094	41,662,050

(Significant Subsequent Events)

(Absorption-Type Merger Between Consolidated Subsidiaries)

At a Board of Directors meeting on February 14, 2025, the Company resolved to conduct an absorption-type merger in which its consolidated subsidiary, kubell partner Co., Ltd., will be the surviving company, while kubell partner's subsidiary, MINAGINE Co., Ltd.—a sub-subsidiary of the Company—will be the dissolved company.

1. Outline of transaction

(1) Names and businesses of the companies at the time of the merger

Surviving company in the absorption-type merger

Company name: kubell partner Co., Ltd.

Business details: Provision of support and assistance for various business operations

Dissolved company in the absorption-type merger

Company name: MINAGINE Co., Ltd.

Business details: Payroll outsourcing, planning and sales of work management systems, etc.

(2) Date of the business combination

July 1, 2025 (planned)

(3) Legal form of the business combination

Absorption-type merger with kubell partner Co., Ltd. as the surviving company and MINAGINE Co., Ltd. as the dissolving company

(4) Name of the combined company

kubell partner Co., Ltd.

(5) Other matters regarding the outline of transaction

The purpose of this merger is to further improve the speed of sales and profit growth and to improve the efficiency of management of the Group by integrating kubell partner Co., Ltd. and MINAGINE Co., Ltd. as a single corporation.

2. Outline of accounting procedures to be implemented

In accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019), the Company plans to account for this transaction as one under common control.