

kubell Co., Ltd.

4448

Tokyo Stock Exchange Growth Market

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Summary

Reaching a turning point toward a phase of dramatic growth

1. Company overview

kubell Co., Ltd. <4448> (hereafter, also the “Company”) offers Chatwork, Japan’s largest business chat service, promotes the digital transformation (hereafter, “DX”) of business operations, and provides Business Process as a Service (hereafter, “BPaaS”), which supports efforts to improve productivity at small and medium-sized enterprises (hereafter, “SMEs”). The Company’s strength lies in providing precise solutions to the structural issues faced by Japan’s domestic labor market. To address labor shortages caused by a declining birth rate and aging population, as well as the need to improve the productivity of SMEs, the Company has centered its efforts on Chatwork, a tool which can be easily introduced and utilized even by companies with low IT literacy, contributing significantly to many SMEs. Chatwork has been adopted by 605,000 companies in Japan (as of the end of September 2024), and boasts an industry-leading number of monthly active users (hereafter, “MAUs”), successfully differentiating itself from competitors by offering services targeted especially at SMEs. Further, the Company is promoting a new cloud-based service model called BPaaS, which supports DX at SMEs by outsourcing business processes to the cloud. This approach represents a significant strength, as it provides a solution that is easy to introduce even for the majority market, which tends to lag in DX due to low IT proficiency.

2. Business trends

In 3Q FY12/24 cumulative results, the Company reported revenue of ¥6,184mn (up 34.0% year on year (YoY), operating profit of ¥184mn (loss of ¥670mn in the same period of the previous fiscal year), ordinary profit of ¥169mn (loss of ¥674mn), and profit attributable to owners of parent of ¥134mn (loss of ¥674mn). Revenue in the mainstay Chatwork segment saw sharp growth, increasing 36.2% YoY to ¥6,077mn. As a result, consolidated revenue showed a steady increase of 34.0% YoY, confirming that the Company’s main business continues to exhibit robust performance in the market. Further, EBITDA has remained positive for four consecutive quarters, achieving highly profitable growth and ensuring sustainable profit generation. FY12/24 marks the first year of the medium-term management plan mentioned later, with the Company expecting to return to profitability for the first time since 4Q FY12/20. The Company has accelerated investment aimed at achieving medium- to long-term growth, particularly focusing on raising recognition rates and building its operating framework to address the substantial increase in demand attributable to the COVID-19 pandemic. We at FISCO believe the achievement of positive results in operating profit and subsequent profit items as the fruition of these investments and a turning point toward a phase of dramatic growth.

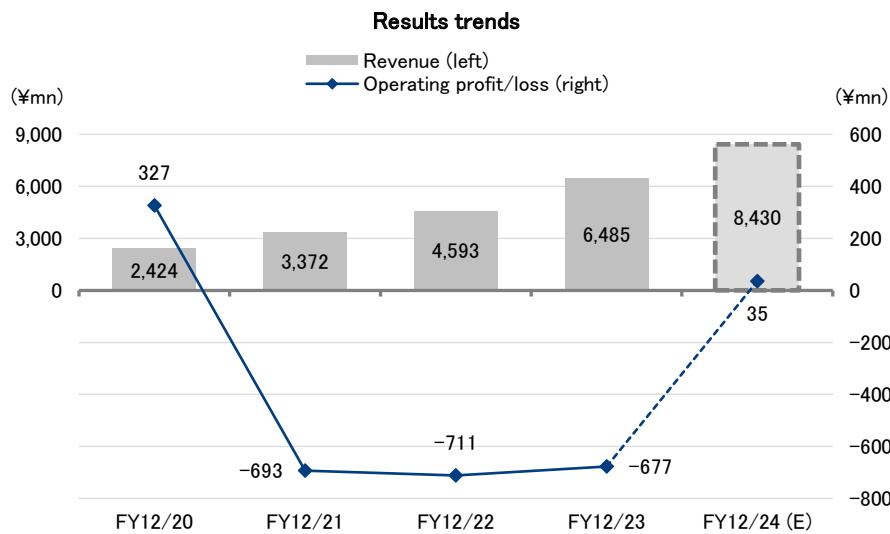
Summary

3. Forecast for FY12/24

For its FY12/24 results, the Company is forecasting revenue of ¥8,430mn (up 30.0% YoY), operating profit of ¥35mn (loss of ¥677mn), ordinary profit of ¥32mn (loss of ¥686mn) and loss attributable to owners of parent of ¥58mn (loss of ¥620mn). The Company will drive robust growth and improved profitability compared to the previous fiscal year through further widespread adoption of Chatwork, its business chat tool, and by actively investing in the BPaaS business. In particular, the Company aims to expand its customer base by focusing on BPaaS-related services, including Payroll Outsourcing, provided by its consolidated subsidiary MINAGINE Co., Ltd., and on its Chatwork Assistant. These are expected to contribute to revenue growth. EBITDA is forecast to reach ¥761mn, with operating profit expected to return to profitability for the first time since FY12/20. The Company is advancing establishment of an operating framework focused on profit generation, aiming to continue balancing high growth with improved profitability.

Key Points

- Supports productivity improvements at SMEs through Chatwork, Japan’s largest business chat service, and BPaaS, a business process support service
- Cumulative results for 3Q FY12/24 saw a 34.0% YoY increase in revenue, driven by a rise in ARPU resulting from price revisions. Profitability was also achieved at the operating profit level and at each level below
- Results forecast for FY12/24 calls for increased revenue and profit due to the establishment of a profit-generating framework. Operating profit expected to return to profitability for the first time since FY12/20



Source: Prepared by FISCO from the Company’s financial results

■ Company overview

Provides Chatwork, Japan's largest business chat service

1. Company overview

kubell Co., Ltd. offers Chatwork, Japan's largest business chat service, promotes DX of business operations, and provides BPaaS, which supports efforts to improve productivity at SMEs. With a mission of "making work more fun and creative," the Company sees time spent working as more than a means to making a living, and aims to realize a society where people can have more fun exploring their creativity. In pursuit of this mission, the Company is driven by the determination to "be a company that continues to add fuel to the fire (aspiration) residing in the hearts of all people who work." The Company's name, "kubell" is derived from the Japanese word "kuberu," which means to add firewood to a bonfire. As of the end of 3Q FY12/24, the Company had its head office in Minato-ku, Tokyo, with ¥6,921mn in total assets, ¥2,860mn in capital, an equity ratio of 39.5%, and 41,317,016 shares outstanding.

Chatwork leads the domestic market and has been ranked No. 1 in the number of business chat users in Japan for six consecutive years, according to the Nielsen NetView / Mobile NetView Customized Report. Further, as of the end of September 2024, the service has been adopted by more than 605,000 companies, a broad customer base that underscores the robustness of the Company's platform. Its business model goes beyond simply providing software as a service (SaaS), occupying a unique position by offering BPaaS, which outsources entire business processes through SaaS, supporting its customers' DX initiatives. This enables the Company to provide solutions that facilitate DX, even for SMEs with low IT literacy. As part of its growth strategy going forward, the Company also aims to become the No. 1 BPaaS provider for SMEs by 2026, with a long-term goal of evolving into a platform as a super app for business. To realize this vision, the Company will continue to expand its share of the domestic market, with plans to develop new services that streamline labor productivity.

The Company already has a solid foundation in the domestic SaaS market, with a particularly strong competitive advantage in the SME segment. The development of new services utilizing BPaaS and AI is highly effective as a strategy for sustainably expanding that advantage, and we at FISCO anticipate significant growth going forward.

2. History

The Company was originally known as Chatwork Co., Ltd., and today enjoys the largest share of Japan's market for business chat services, primarily for SMEs. The Company's origins go back to July 2000. At the time, the Yamamoto brothers founded EC studio in Suita, Osaka Prefecture, with the goal of providing website customer acquisition support services for businesses. (The Company's current Representative Director, President and CEO is the younger of the brothers, Masaki Yamamoto.) In November 2004, the firm was incorporated as a limited liability company (Y.K.) before reorganizing as a stock company (K.K.) in December 2005. As its business expanded, in 2006 it established its Tokyo office in Setagaya-ku, Tokyo.

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Company overview

In March 2011, the Company released Chatwork, its business chat service, which subsequently attracted considerable attention both in and outside Japan. In April 2012, the company name was changed to ChatWork Co., Ltd., and that year, the Company also established a subsidiary in the U.S., in California. Chatwork not only attempted to expand domestically but also ventured overseas, with its experience in Silicon Valley serving as an important turning point. Amid a proliferation of competing global services, the Company temporarily withdrew from competition in the global market. Nevertheless, in the domestic market, its business model aimed particularly at SMEs proved successful, leading to steady growth. In September 2019 it was listed on the Tokyo Stock Exchange Mother's Market (currently the Growth Market), and that year once again changed its name to Chatwork Co., Ltd.

In July 2024, the Company changed its name from Chatwork Co., Ltd. to kubell Co., Ltd., indicating its intention to further diversify its business and strengthen its efforts to support SMEs. Since its founding, the Company has continued to grow and transform, evolving beyond business chat to become a platform that supports the digital transformation of business processes.

History

Date	Main events
July 2000	EC studio founded in Suita, Osaka Prefecture, to provide website customer acquisition support services to businesses
November 2004	EC Studio Y.K. established, Osaka office opened in Suita, Osaka Prefecture
December 2005	Reorganized as a stock company (K.K.), establishing EC Studio Co., Ltd.
June 2006	Tokyo office opened in Sangenjaya, Setagaya-ku, Tokyo
April 2008	Launched security business after entering into a reseller agreement with Canon IT Solutions, Inc. for its ESET products
January 2011	Tokyo office relocated to Ikejiri, Setagaya-ku, Tokyo
March 2011	Launched the Chatwork business with the release of the Chatwork business chat service
April 2012	Company name changed to ChatWork Co., Ltd.
May 2012	Entered into a business alliance agreement with KDDI CORPORATION<9433> and began providing Chatwork on an OEM basis
August 2012	ChatWork, inc., a subsidiary, established in California, U.S.A.
March 2014	Tokyo office relocated to Matsugaya, Taito-ku, Tokyo
October 2017	Tokyo office relocated to Shiba-koen, Minato-ku, Tokyo
December 2017	Location of head office changed to Kita-ku, Kobe
July 2018	ChatWork, inc. dissolved
November 2018	Company name changed to Chatwork Co., Ltd.
September 2019	Stock listed on the Tokyo Stock Exchange Mothers Market
March 2020	Location of head office changed to Kita-ku, Osaka City, Osaka Prefecture
July 2021	Chatwork Storage Technologies Co., Ltd., provider of Secure SAMBA cloud storage, was made a subsidiary
March 2022	Tokyo office relocated to Nishi-Shinbashi, Minato-ku, Tokyo
April 2022	Transitioned to the Growth Market following the reorganization of market segments by the Tokyo Stock Exchange
February 2023	MINAGINE Co., Ltd., provider of attendance management systems and related services, was made a subsidiary
July 2023	Head office changed to Nishi-Shinbashi, Minato-ku, Tokyo
July 2024	Trade name changed to kubell Co., Ltd. and head office changed to Minami-Aoyama, Minato-ku, Tokyo

Source: Prepared by FISCO from the Company's securities report

■ Business description

Based on its Chatwork business chat service, the Company provides a platform to transform the way people work using BPaaS

The Company's main businesses are the Chatwork business chat tool and the BPaaS services based on it. Chatwork holds a dominant market share in Japan's SME market, leading the industry in both number of users and number of companies adopting the service. Since users rely on it continuously while working, it provides significantly more customer touchpoints compared to other Software as a Service (SaaS) solutions, making its platform capabilities a key strength of the Company.

The BPaaS offered by the Company is a more advanced form of cloud service than SaaS, characterized by providing not only software, but also delivering entire business processes through the cloud. The BPaaS enables SMEs with low IT literacy to promote DX. In addition, by leveraging the Chatwork platform, it provides new added value by not only offering SaaS but also streamlining operations on behalf of the customer. Further, the Company is also focusing on developing new services utilizing AI technology, and is investing in areas of promising future growth, especially AI-driven conversation features and automated task execution within Chatwork. This use of AI is expected to both further enhance user productivity, and help the Company acquire new customer segments.

The business chat market still has significant room for growth and current adoption rates are low, so market expansion is anticipated going forward. Meanwhile, profitability in the BPaaS business is expected to improve as high value-added services are provided. The Company is driving its growth strategy on the pillars of these businesses, and in the medium term, stable revenue growth is expected. In addition, through the development of its incubation business, the Company is expected to secure new growth opportunities and further enhance its corporate value. The Company's business model is extremely attractive, with significant room for growth, particularly in the market for DX support for SMEs. We at FISCO expect that the continued expansion of services utilizing BPaaS and AI technology will lead to improved profitability.

1. Business chat business

In the business chat business, the Company offers its flagship product, the business chat tool Chatwork. Targeting primarily SMEs in Japan, it features an easy-to-use UI and seamless connectivity with external applications, contributing to DX at SMEs. Unlike other SaaS products, the user base has expanded rapidly through referrals between users, with 605,000 companies adopting the service as of the end of September 2024. By contributing to the operational efficiency of SMEs, the Company maintains stable revenue driven by increases in the number of companies introducing the tool. The Company plans to continue addressing customer needs by enhancing the functionality of its business chat tool, adding features that streamline work such as task management and scheduling. In addition, based on the business chat service, it anticipates further business growth by realizing seamless collaboration with BPaaS, described later.

Business description

Chatwork business chat tool



Source: The Company's website

2. BPaaS business

In the BPaaS business, the Company offers services that provide entire business processes on the cloud, specifically tailored for SMEs. More than simply providing software, BPaaS is positioned as a next-generation cloud service that promotes business operation streamlining and DX. BPaaS aims to optimize entire business processes, which are particularly difficult to address with SaaS, by having in place an environment in which companies can outsource their operations. In its BPaaS business, the Company offers services such as business process outsourcing and workforce management through deep integration with Chatwork. These services provide significant value, especially for SMEs with limited IT literacy, and contribute to improving operational efficiency. Regarding outsourcing of internal operations, some may view it as a risk since it may prevent the accumulation of business expertise within the company. However, in SMEs, it is not uncommon for tasks to become dependent on the knowledge of a single veteran employee. In such cases, the impact of a veteran employee's resignation can pose an even greater risk to the company. We at FISCO believe that the benefits of properly outsourcing tasks through the Company's services and achieving efficiency through DX outweigh those risks. In addition, in April 2024 the Company launched kubell partner, Co., Ltd., a new wholly owned subsidiary, to accelerate the development and operation of its services. The BPaaS business is expected to expand further as a Group effort aimed at achieving the Company's goal of becoming the leading BPaaS company for SMEs.

3. Incubation business

In the Incubation business, the Company's goal is to leverage the knowledge and data accumulated through its existing business operations to create new businesses that go beyond its traditional areas of focus. At the center of this business is a large-scale operating engine that integrates technology and people, cultivated through its business chat and BPaaS businesses. The Company plans to leverage this platform to develop new businesses utilizing AI and other advanced technologies. Examples include automating tasks with AI and offering new services utilizing data. The Company also aims to strengthen alliances with other companies and secure new revenue sources through its incubation business. These initiatives have the potential to become a new pillar of growth following business chat and BPaaS, enabling discontinuous business growth.

Business description

4. Company strengths

The Company's business is centered around Chatwork, Japan's largest business chat platform, and its strength lies in providing solutions that effectively address structural issues in Japan's labor market. In a country facing labor shortages due to a declining birthrate and aging population, as well as the need to improve labor productivity in SMEs, offering tools that are easy to implement and use even for businesses with low IT literacy fulfills a highly significant social mission.

Chatwork has secured a solid market share, supported by a customer base centered on SMEs in Japan. Its adoption of a "freemium" model lowers the barrier to entry for customers, and its simple UI and ease of external connectivity facilitate adoption through referrals from existing users. These features generate significant network effects, with the platform currently in use at 605,000 companies, a top-tier figure in the industry. This broad user base is itself a source of the Company's competitive strength, but its focus on SMEs has been particularly successful in differentiating it from competitors, and is also a major strength.

In addition, the Company is not limited to providing a simple chat tool, but is also advancing a new cloud service model called BPaaS. Positioned further upstream from SaaS, BPaaS involves outsourcing entire business processes themselves via the cloud. This not only supports users with low IT literacy, who may find it difficult to handle complex tools, but also supports them in the appropriate use of SaaS, and by managing processes on behalf of the user, strongly drives DX for SMEs. This strategy can be evaluated as an essential solution for enhancing competitiveness by aiding the majority market—consisting of the IT-immature majority of the population—in advancing their DX initiatives.

Further, advances in AI technology are expected to drive the evolution of the Company's services. For Chatwork, implementation of advanced AI features utilizing large language models (LLMs) is being considered, enabling functions such as generating or summarizing text based on past messages and automating task execution. These developments are anticipated to significantly enhance user productivity. In particular, the integration of AI-driven automation in the BPaaS domain is expected to streamline even more business processes and improve overall productivity.

Based on these factors, we at FISCO believe the Company has significant growth potential. In particular, the expansion of BPaaS in Japan's SME market, with its ease of implementation even for companies with low IT literacy, has the potential to contribute significantly to the growth of the SaaS market going forward. Further, the estimated market size of BPaaS, at ¥42.4tn, also underscores the substantial opportunities available in this market. Further, Chatwork's high customer engagement aligns well with a growth strategy based on the product-led growth (PLG) model. By leveraging customer usage data to enhance and streamline advanced marketing and sales processes, further revenue growth can be expected.

Business description

In terms of competitors in the business chat business, services such as Microsoft Teams and Slack, offered by global companies, provide similar solutions. While these services primarily target the enterprise domain, the main target for the Company's Chatwork tool is SMEs, indicating that it has already achieved a certain level of differentiation. Going forward, the key will be how well the Company adapts to technological competition and changes in the market to maintain and expand its market share. In addition, as competition intensifies with advancements in AI technology, maintaining the Company's unique added value will also be an important point of focus. In the BPaaS business, while there are many BPO services for large enterprises, there are very few companies offering similar services specifically tailored to SMEs. Additionally, BPaaS is broadly defined, and examples can be found where companies refer to their own SaaS-based customer success services as BPaaS. The services provided by the Company involve taking on operations from the client and offering a process to select the appropriate SaaS and drive DX. This offers a unique advantage unmatched by others. The Company is expected to continue strengthening its position in Japan's SME market. That said, we at FISCO believe the key to success lies in maintaining a flexible management approach and driving technological innovation, while accurately capturing growth opportunities.

Results trends

Revenue growth of 34.0% YoY driven by a rise in ARPU due to price revisions

1. Overview of 3Q FY12/24 cumulative results

In 3Q FY12/24 cumulative results, the Company reported revenue of ¥6,184mn (up 34.0% YoY), operating profit of ¥184mn (loss of ¥670mn in the same period of the previous fiscal year), ordinary profit of ¥169mn (loss of ¥674mn), and profit attributable to owners of parent of ¥134mn (loss of ¥674mn). Revenue in the mainstay Chatwork segment saw sharp growth, increasing 36.2% YoY to ¥6,077mn. As a result, consolidated revenue showed a steady increase of 34.0% YoY, confirming that the Company's main business continues to exhibit robust performance in the market. The Company also recorded notable growth in gross profit, which increased substantially by 46.5% YoY. The gross margin rose by 5.8 percentage points (pp) YoY to 68.9%. This gain is attributable to revenue growth and an increase in system costs recorded as assets, particularly development personnel costs. Further, EBITDA has remained in positive territory for four consecutive quarters and the Company shifted to positive results with respect to operating profit. The Company has accelerated investment aimed at achieving medium- to long-term growth, particularly focusing on raising recognition rates and building its operating framework to address the substantial increase in demand attributable to the COVID-19 pandemic. We at FISCO consider the achievement of positive results in operating profit and subsequent profit items as the fruition of these investments and a turning point toward a phase of dramatic growth.

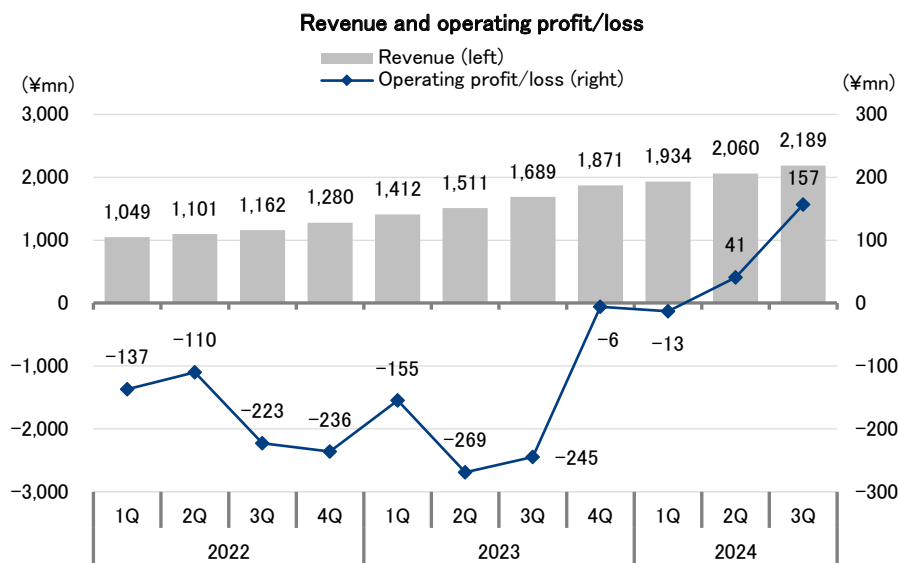
The Company has been appropriately advancing growth investments and securing the employees necessary to strengthen its operating framework, while maintaining cost controls as it aims for long-term growth. In 3Q FY12/24, the Company reported a net increase of 34 employees throughout the Group, ten of whom are contract employees involved in the BPaaS business. The Company actively recruits employees to contend with robust customer demand in the BPaaS sector, which serves as a pillar of its growth. Meanwhile, the Company deserves high marks for having generated profits through appropriate cost controls, despite encountering cost increases due to yen depreciation and rising server and information system expenses. In FY12/24, the initial year of the medium-term management plan discussed later in this report, the Company returned to positive earnings for the first time since 4Q FY12/20. Accordingly, we at FISCO believe the Company is off to a promising start toward achieving rapid growth.

Results trends

3Q FY12/24 cumulative results

	3Q FY12/23		3Q FY12/24		Change	YoY
	Results	% of sales	Results	% of sales		
Revenue	4,613	-	6,184	-	1,571	34.0%
Operating profit	-670	-14.5%	184	3.0%	854	-
Ordinary profit	-674	-14.6%	169	2.7%	843	-
Profit attributable to owners of parent	-674	-14.6%	134	2.2%	808	-
Basic earnings per share	-16.84	-	3.30	-	20.14	-

Source: Prepared by FISCO from the Company's financial results



Source: Prepared by FISCO from the Company's financial results

2. Core KPI highlights

The Company's core KPIs continue to show favorable progress. First, the number of registered IDs for Chatwork continues to grow, up 12.1% YoY to 7.221mn IDs. This reflects the Company's services being persistently well-received by the market and the steady expansion of the platform's user base. Meanwhile, daily active users (DAU) increased by 6.1% YoY to 1.163mn. While DAU growth has slowed somewhat, we at FISCO view this as within expectations, as the user base has been transitioning from early adopters to the majority demographic with the broader adoption of the service. The Company plans to keep focusing on increasing the percentage of active users by improving functionality and enhancing communication with users. The number of paying IDs increased 6.1% YoY to 768,000 IDs, reflecting steady net growth. The number of paying IDs generated in September and October increased significantly. This was driven by a substantial decrease in service cancellations from August 2024 onward, as cancellations associated with the price revision implemented in July 2023 subsided. Additionally, the acceleration was supported by the Company's stricter use restrictions on the Free Plan in late August 2024. Furthermore, average revenue per user (ARPU), calculated as a daily average, grew substantially, increasing 17.3% YoY to ¥735.9. This growth reflects the effects of price revision implemented in July 2023, and ARPU is expected to increase further with the addition of features to its paid plans. The Company's growth strategy warrants further attention from 4Q onward given persistently robust growth in these KPIs and the likelihood of more users shifting to paid subscriptions.

3. Financial condition

Important disclosures and disclaimers appear at the back of this document.

Results trends

Total assets at the end of 3Q FY12/24 amounted to ¥6,921mn, an increase of ¥648mn from the end of FY12/23. Current assets amounted to ¥3,585mn, an increase of ¥368mn. This is primarily attributable to an increase of ¥320mn in cash and deposits, against a decrease of ¥106mn in accounts receivable - trade. Non-current assets amounted to ¥3,336mn, an increase of ¥279mn. This is primarily attributable to an increase of ¥148mn in investments and other assets, against a decrease of ¥80mn in goodwill. Total liabilities amounted to ¥4,185mn for an increase of ¥333mn. Current liabilities amounted to ¥3,470mn, an increase of ¥923mn. This is primarily attributable to increases of ¥351mn in contract liabilities and ¥444mn in the current portion of long-term borrowings. Non-current liabilities amounted to ¥714mn, a decrease of ¥589mn. This is primarily attributable to a decrease of ¥622mn in long-term borrowings. Total net assets amounted to ¥2,736mn for an increase of ¥314mn. This is primarily attributable to increases of ¥112mn in share capital, ¥112mn in capital surplus, and ¥134mn in retained earnings. With the equity ratio improved by 0.9pp to 39.5%, we at FISCO believe that the Company's financial soundness poses no short-term concerns.

3Q FY12/24 balance sheet

	(¥mn)		
	End of FY12/23	End of 3Q FY12/24	Change
Total current assets	3,216	3,585	368
Cash and deposits	2,102	2,423	320
Accounts receivable - trade	432	325	-106
Total non-current assets	3,056	3,336	279
Goodwill	1,029	948	-80
Total assets	6,273	6,921	648
Total current liabilities	2,546	3,470	923
Contract liabilities	1,565	1,917	351
Total non-current liabilities	1,304	714	-589
Long-term borrowings	1,114	491	-622
Total liabilities	3,851	4,185	333
Total net assets	2,422	2,736	314
Total liabilities and net assets	6,273	6,921	648

Source: Prepared by FISCO from the Company's financial results

■ Outlook

Operating profit poised to turn positive on a full-year basis for the first time since FY12/20

1. FY12/24 results outlook

For the FY12/24 results forecast, the Company projects revenue of ¥8,430mn (up 30.0% YoY), operating profit of ¥35mn (loss of ¥677mn in FY12/23), ordinary profit of ¥32mn (loss of ¥686mn), and loss attributable to owners of parent of ¥58mn (loss of ¥620mn). The Company aims to achieve robust growth and greater profitability relative to FY12/23, leveraging the broader adoption of its Chatwork business chat tool and aggressive investment in the BPaaS business as growth drivers. The Company particularly aims to expand its customer base by focusing on BPaaS-related services such as its Chatwork Assistant and Payroll Outsourcing, which it hopes will facilitate sales growth. The Company forecasts EBITDA of ¥761mn, with operating profit projected to return to positive territory for the first time since FY12/20. It also seeks to strike a balance between sustaining high rates of growth and achieving greater profitability by building an operating framework geared toward generating profits. As part of this strategy, the Company is revising content provided under its Free Plan and offering additional features in its paid plans in hopes of increasing its number of paying IDs. Moreover, customer expansion in the BPaaS business is apt to serve as yet another variable affecting sales. Meanwhile, negative profit attributable to owners of parent stem from accounting treatment under the group tax consolidation scheme.

FY12/24 results forecast

	FY12/23		FY12/24		
	Results	% of sales	Forecast	% of sales	Change %
Revenue	6,485	-	8,430	-	30.0%
Operating profit	-677	-10.4%	35	0.4%	-
Ordinary profit	-686	-10.6%	32	0.4%	-
Profit attributable to owners of parent	-620	-9.6%	-58	-0.7%	-
Basic earnings per share	-15.45	-	-1.42	-	-

Source: Prepared by FISCO from the Company's results briefing materials

2. Topics

Topics of discussion for FY12/24 are as follows.

(1) Revision of results forecast

The Company has revised its results forecast to a single value to reflect progress made in FY12/24. It accordingly projects revenue of ¥8,430mn, which is within the previously announced range, representing a 30.0% growth YoY. Based on progress in improving the efficiency of advertising and personnel expenses, the Company expects EBITDA and operating profit to significantly exceed the previous results forecast. The Company's effective cost management has resulted in upside profit expectations, reflecting steady improvement in its operational efficiency.

Outlook

(2) Revision of the Free Plan and additional features in paid plans

Effective from August 29, 2024, the Company has substantially revised content it offers under the Free Plan of its Chatwork business chat tool. This move is based on the Company's analysis of user activity data, aiming to make the service more user-friendly and encouraging high-engagement users to switch to a paid plan. The revision constitutes a strategic effort to increase revenue by enhancing user conversions from no-cost plans to paid plans. Regarding the number of paying IDs, the Company experienced a brief spike in cancellations due to price revisions implemented in July 2023. However, the net number of paying IDs has been increasing substantially now that momentum of such cancellations has subsided. Such developments suggest prospects for expansion of a platform that consistently generates revenue, thereby giving rise to expectations that the Company's profitability may further improve. Additionally, the Company plans to successively equip its paid plans with additional features highly requested by customers. In November 2024, the Company implemented features allowing users to view a list of all messages sent to them and to send messages at a preset date and time. These additional features are bound to heighten user satisfaction while also increasing service value, thereby enticing more users to upgrade to a paid plan. We at FISCO consider that this sort of value-up strategy is likely to serve as a key growth driver for the Company as it aims to increase the number of paying IDs while also achieving higher ARPU.

Changes in plan content

Plan subject to changes	Changes in plan content
Free Plan	<ul style="list-style-type: none"> • Removal of restriction limiting access to no more than the latest 5,000 messages It is now possible to view all messages received within the last 40 days • Storage increased to 10GB from 5GB previously (per organization) • Addition of limitations on number of contacts Changed from unlimited number of contacts previously to no more than 20 contacts outside of the organization per user
Paid plans (Business Plan / Enterprise Plan)	<ul style="list-style-type: none"> • Addition of emoji pictograms to the reaction function The number of emoji pictograms that may be readily used to react to another person's message has been increased from 6 types previously to 49 types • Implemented function allowing users to list messages received Users are able to view a list of messages sent to them across group chats • Implemented function to preset sending of messages Users can set a date and time for sending messages

Source: Prepared by FISCO from the Company's results briefing materials

(3) Accelerating alliances with outside partners

On September 25, 2024, Group company kubell partner entered into a customer referral agreement with Fukuoka Financial Group <8354>. Under the agreement, the Company's Chatwork Assistant BPaaS service is being provided to customers of Fukuoka Financial Group's subsidiaries: The Bank of Fukuoka, Ltd., The Kumamoto Bank, Ltd., The Juhachi-Shinwa Bank, Ltd., and FFG Business Consulting Co., Ltd. The Company plans to strengthen its alliances with outside partners to expand its customer base, aiming to gain new customers and achieving broader adoption of its services. In October, the Company announced that it had entered into a business partnership agreement with atena Inc., provider of atena cloud postal services. This partnership enables users to receive, convert into PDF, manage, and share postal matter via the atena cloud postal service, thereby reducing user workloads and shortening the time required to complete tasks. Furthermore, the Company will coordinate with Atena Jimu Daiko offline administrative services provided by atena, aiming to extend Chatwork Assistant services by expanding their scope to include tasks such as sending postal mail and affixing seals to contracts, which were previously difficult to handle with Chatwork Assistant.

Outlook

(4) Release of kubell COMPASS culture deck

The Company is focusing on instilling its mission, vision, and values within the organization in response to its rapid growth and the expansion of its BPaaS business. The Company has released its kubell COMPASS culture deck articulating action guidelines that make it possible for employees to embody the mission of “making work more fun and creative.” This demonstrates the Company’s clear commitment to attracting top talent by embracing the values of its employees and enhancing organizational unity.

■ Growth strategy

Seeking to achieve revenue of ¥15,000mn in FY12/26 while establishing the Company’s position as the leading BPaaS company for SMEs

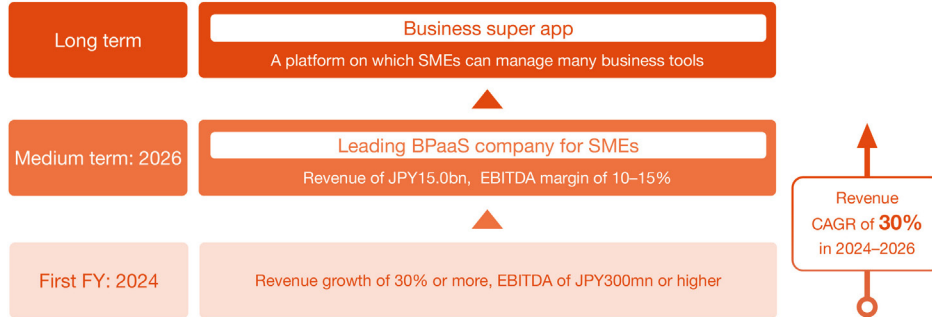
The Company has drawn up a medium-term management plan embracing the objective of establishing the Company’s position as the leading BPaaS company for SMEs. With respect to financial targets cited under the plan, the Company aims to achieve no less than a 30% compound annual growth rate (CAGR) in consolidated revenue from FY12/24 through FY12/26, while also seeking to achieve consolidated revenue of ¥15,000mn, EBITDA of between ¥1,500mn and ¥2,250mn, and an EBITDA margin of between 10.0% and 15.0% by FY12/26. In the long term, the Company aims to promote development of business super app platforms that serve as a starting point for all business activities underpinned by the Company’s overwhelming market share in the SME market. The medium-term management plan furthermore presents a policy of ramping up growth throughout the Group and building an operating framework for generating profits.

The central pillar of the medium-term management plan lies in expanding the BPaaS business in serving as an engine of further growth, while maintaining business chat sales growth. The Company also plans to work toward ensuring that its new businesses contribute to earnings. Whereas the current plan hinges on organic growth, the Company will overhaul its plans should growth opportunities arise through future M&A opportunities. Given the likelihood of the Company adopting an approach whereby M&A serves as its key strategy toward achieving expansion of the BPaaS business going forward, we at FISCO think it likely that the Company will accordingly turn to a roll-up strategy marked by the persistent acquisition of relatively small companies that provide BPO services to SMEs such as MINAGINE Co., Ltd. Strategically, the Company is promoting its BPaaS strategy for facilitating the development of various businesses, based on further enhancement of the value of its communication platforms centered on business chat. Additionally, the Company plans to explore creating new core businesses and achieving discontinuous growth by leveraging Group assets, conducting AI-driven research and development, and implementing its Incubation strategy for new businesses.

Whereas the potential size of the overall BPaaS market is a massive ¥42.4tn with respect to non-core business operations for SMEs, the core target segment already having been reached amounts to ¥298.3bn. It can be concluded that the BPaaS market offers significant growth potential. The Company’s medium-term management plan clearly defines a path achieving medium- to long-term growth upholding three key strategies. We at FISCO believe that the plan positions the Company to secure stable earnings while tapping into future growth prospects.

Growth strategy

Overview of the medium-term management plan



Source: Prepared from the Company's results briefing materials

Numerical management targets

	(¥mn)		
	FY12/23	FY12/24 (forecast)	FY12/26 (target)
Revenue	6,485	8,430	15,000
EBITDA	-83	761	1,500 - 2,250
EBITDA margin	-	9.0%	10.0 - 15.0%

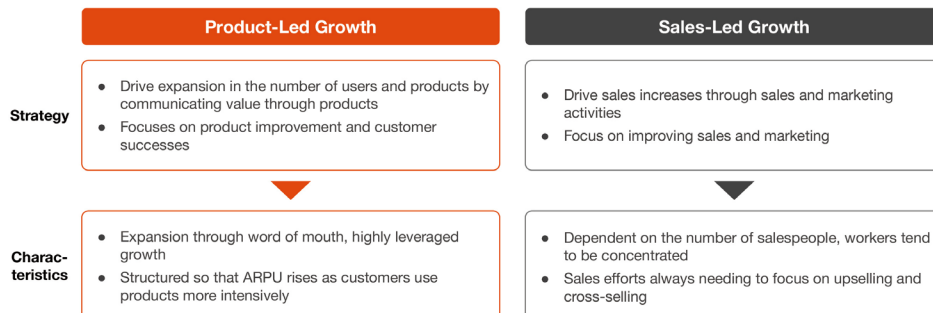
Source: Prepared by FISCO from the Company's results briefing materials

1. Key strategies

(1) Communication platform strategy

The communication platform strategy centers on the Product-Led Growth (PLG) approach. Under this strategy, the Company focuses on gaining customers and driving growth specifically through products, which differs from the conventional Sales-Led Growth (SLG) model. Specifically, in the PLG model, the Company offers easy-to-use services free of charge then draws on data derived from use of such services to identify potential paying customers. With an emphasis on efficient customer support using chat, the Company is taking steps to standardize business chat to address the needs of various industries. The intended effect of this approach is to leverage the Company's competitive advantages in the Japanese market and to improve the quality of its marketing and sales processes. Additionally, the Company seeks to capture an overwhelming share of the Japanese market by leveraging its extensive knowledge of business processes across various industries. The Company harnesses the PLG model in AI-driven data analysis, enabling it to significantly expand its user base while curbing advertising expenses. This strategy is driving the evolution of Chatwork into the most suitable product for next-generation BPaaS in the business chat market.

Differences between the PLG model and the SLG model

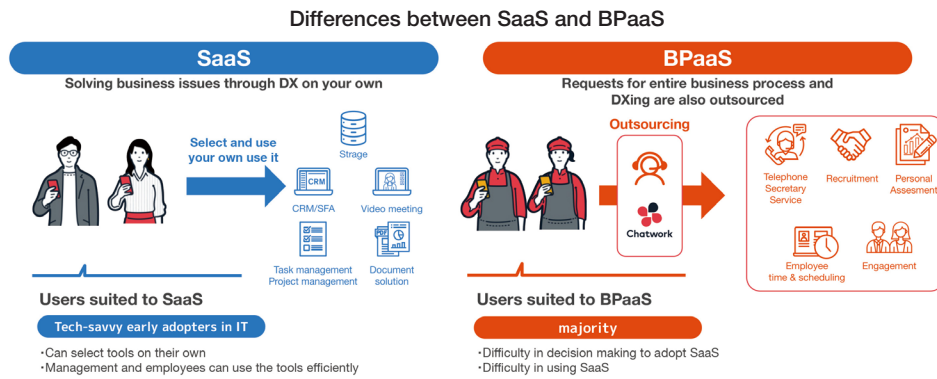


Source: Prepared from the Company's results briefing materials

Growth strategy

(2) BPaaS strategy

The goal of the BPaaS strategy is to dramatically improve the operational efficiency of client companies by delivering business processes as cloud services. Business Process as a Service (BPaaS) differs from conventional Business Process Outsourcing (BPO) by offering advanced workflow automation through the use of SaaS. Whereas SaaS is mainly targeted to advanced IT users, BPaaS offers highly convenient solutions for many SMEs, enabling them to significantly reduce management costs by digitally transforming (DX) their business processes. The Company has developed an API-integrated workflow automation engine for its business chat-centered platform, enabling it to provide customers with more efficient services while minimizing operational man-hours. Moreover, the Company has been expanding its BPaaS offerings by leveraging its extremely large customer base of over 600,000 business users of Chatwork. The Company's BPaaS offerings provide effective solutions to companies lacking sufficient in-house DX professionals and support businesses struggling to advance digital transformation (DX) by offering cloud-based business process services. Furthermore, the Company aims to offer a wide range of one-stop solutions, from general business operations to advanced specialized tasks. By doing so, the Company seeks to achieve higher earnings while securing competitive advantages in the BPaaS market.



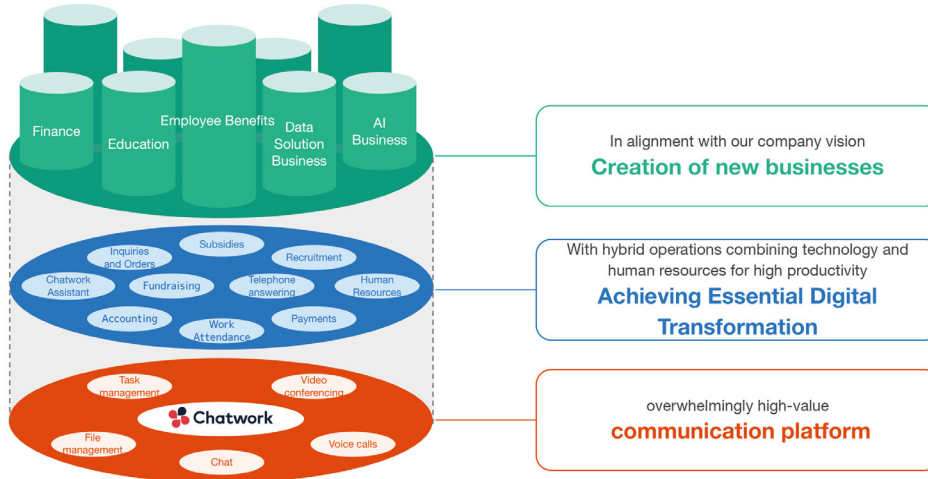
Source: Prepared from the Company's results briefing materials

(3) Incubation strategy

Under its Incubation strategy, the Company aims to establish a third pillar of growth following its business chat services and BPaaS offerings. This strategy involves integrating AI technology in making the most of the Company's extensive customer assets and platform capabilities with the aim of creating additional value. The Company seeks to qualitatively and quantitatively expand its scope of customer data, based on which it aims to enhance marketing efficiency while creating new AI-powered businesses. For instance, the Company provides new services tailored to customer needs by analyzing textual data amassed through business chat and developing AI-powered personalized services. Also, the Company launched the kubell BPaaS Fund in FY2021, which serves as its corporate venture capital (CVC). Through the fund, the Company facilitates growth of its investee companies and strengthens partnerships undertaken to generate synergies. Notably, the Company made MINAGINE a wholly owned subsidiary in January 2023, enabling it to provide BPaaS solutions in the human resources and labor management field and paving the way for more expanded investment opportunities. As such, the Incubation strategy constitutes key initiatives aimed at strengthening the Company's existing businesses, creating new pillars of discontinuous growth, and solidifying its long-term earnings base. Recently, the Company announced that it had entered into a capital and business alliance with employee benefits platform provider miive, Inc. in November 2024, raising expectations that the Company will step up its efforts in the employee benefits field, a key pillar of its Incubation strategy.

Growth strategy

Creation of third core business pillar

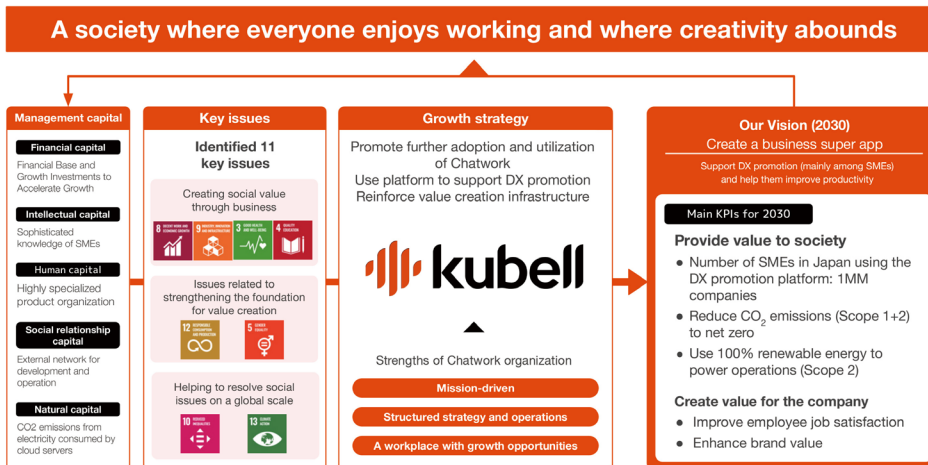


Source: Prepared from the Company's results briefing materials

2. Sustainability vision

The Company has established its sustainability vision, underpinned by its mission of “making work more fun and creative.” The Company accordingly aims to create a society that enables people to enjoy their work and express their creativity toward achieving their dreams and aspirations, thereby ensuring that the time people spend working is not merely a means of earning a living. The Company believes that this will enrich the lives of working people, thereby giving rise to value creation that will transform society into one that is more prosperous and sustainable. To achieve this vision, the Company embraces cooperation with its stakeholders, aiming to help achieve a sustainable society through co-creation. We at FISCO believe that the Company’s sustainability initiatives go beyond merely pursuing economic growth, aiming to achieve long-term value creation for society as a whole.

Value creation process based on the sustainability vision



Source: Prepared from the Company's results briefing materials

■ Shareholder return policy

Ongoing business expansion to involve allocating profits to essential investment for the time being

The Company positions returning profits to its shareholders as a key management priority and adopts a basic policy of providing appropriate dividends while maintaining a balance between shareholder returns and internal reserves. However, the Company recognizes that it is currently in a growth phase and has accordingly prioritized fortifying its internal reserves and focusing on investments aimed at enhancing profitability and developing its business foundations. The Company believes that such investment will enable stable and sustained shareholder returns in the future, and the decision on payment of dividends remains pending.

Meanwhile, the Company's shareholder benefits plan provides for one ID free of charge under the Personal Plan, which is one of the Company's paid services, thereby waiving the monthly fee for the ID over the duration of stock ownership. The Company offers this benefit in seeking to encourage a greater number of shareholders to use its services so that they gain a more extensive understanding of the Company. The benefit applies to shareholders listed as holding at least one share unit (100 shares) in the shareholder register for six or more consecutive months as of June 30th and December 31st of each year. The Company continues to offer the Personal Plan as a shareholder benefit, although it was previously integrated into the Business Plan.

Under its shareholder return policy, the Company has opted to assign priority to investment in growth rather than paying direct dividends at this stage, but it will also encourage long-term support of its shareholders through shareholder benefits and implementing measures to enhance their understanding and support of the Company. This strategy is based on the belief that it will lead to consistent shareholder returns in the future. We at FISCO believe that focus should be placed on the future returns from the Company's invested capital for the time being, given the prevailing need to allocate capital to upfront investments.



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