

COMPANY RESEARCH AND ANALYSIS REPORT

kubell Co., Ltd.

4448

Tokyo Stock Exchange Growth Market

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FISCO Ltd. Analyst

Ryoji Mogi



FISCO Ltd.

<https://www.fisco.co.jp>

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Summary

Revenue grew and the profit margin improved. Operating profit was revised upward for the full year

1. Company profile

kubell Co., Ltd. <4448> (hereafter, also “the Company”) offers Chatwork, Japan’s largest business chat service; promotes the digital transformation (DX) of business operations; and develops a Business Process as a Service (BPaaS) business, including TAXITA, a business process outsourcing service that supports efforts to improve productivity at small and medium-sized enterprises (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 that can be easily introduced and utilized even by companies with low IT literacy, contributing significantly to many SMEs. Chatwork has been adopted by 953,000 companies in Japan (as of the end of September 2025), 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. Overview of 3Q FY12/25 results

In the 3Q FY12/25 consolidated results, the Company reported revenue of ¥6,948mn (up 12.4% year on year [YoY]), operating profit of ¥274mn (up 48.6%), ordinary profit of ¥251mn (up 48.4%), and profit attributable to owners of parent of ¥45mn (down 66.6%). EBITDA increased significantly to ¥931mn (up 52.3%), with profit growth driven by improvement in gross profit across all businesses and increased operational efficiency. The EBITDA margin was 13.4%, reaching the target range of 10% to 15% for 2026 indicated in the medium-term management plan ahead of schedule. The earnings structure is therefore improving at a faster than expected pace.

Various measures to expand the user base and enhance services, mainly focusing on Chatwork, are progressing steadily. The concrete effects of developing a cross-selling platform, collaborating with external services, improving the registration completion rate, etc. will lead to a growth scenario over the medium to long term. Furthermore, in August 2025 it started offering a new service, TAXITA Recruitment, in the BPaaS domain. The expansion of the lineup with a recruitment process outsourcing (RPO) service addressing recruitment issues faced by SMEs is also positive in terms of business portfolio expansion.

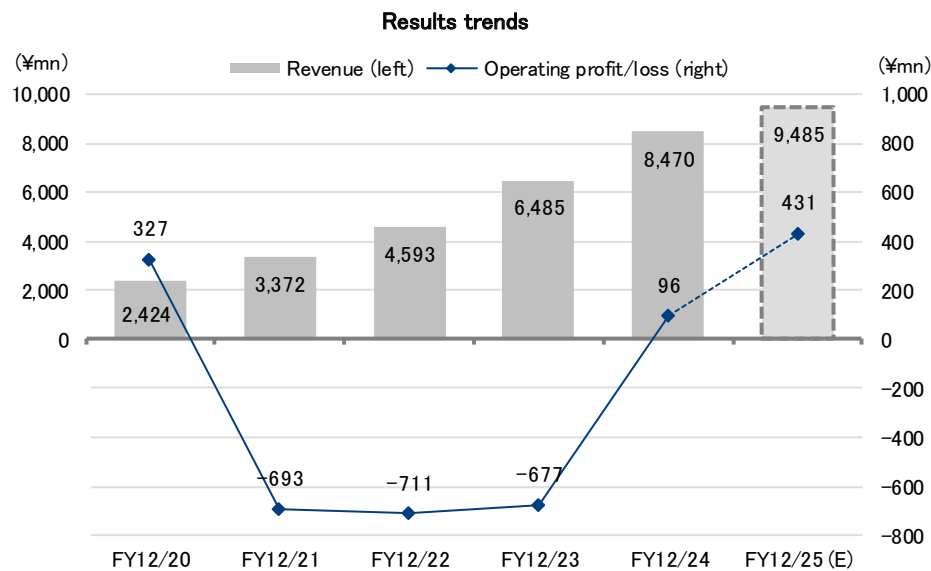
Summary

3. FY12/25 forecasts

As full-year forecast visibility improved, the Company revised its guidance from disclosing growth rate ranges to disclosing specific amounts. The revised FY12/25 results are expected to be as follows: revenue of ¥9,485mn (up 12.0% YoY), EBITDA of ¥1,310mn (up 52.9%), operating profit of ¥431mn (up 345.1%), ordinary profit of ¥404mn (up 435.4%), and profit attributable to owners of parent of ¥75mn (loss of ¥1,172mn in previous fiscal year). Impacted by slower than expected orders in the labor management BPaaS domain, revenue is expected to grow by only 12.0%, but if the impact of discontinuing the security business is excluded, the actual growth rate is equivalent to 14.0%. It may therefore be said that the soundness of the business foundation is increasing. EBITDA and operating profit are both expected to end up exceeding the range in the previous forecasts. Since the main factors in this are likely the optimization of the business portfolio and the earnings contribution from the BPaaS business, earnings may be expected to continue growing in the medium term. At present, revenue continues to grow steadily, and the EBITDA progress rate against the previous forecasts (values announced on August 8, 2025) is 71.6% to 92.6%. As it is progressing at a faster rate than projected, we at FISCO believe it is highly likely that the Company will achieve the full-year forecasts.

Key Points

- Supports productivity improvements at SMEs through BPaaS business including Chatwork, Japan's largest business chat service, and TAXITA, a business process outsourcing service
- In 3Q FY12/25, various measures to expand the user base and enhance services progressed, and EBITDA posted significant growth, increasing 52.3% YoY



Note: Consolidated basis from FY12/21

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

Company profile

Provides Chatwork, Japan's largest business chat service

1. Company profile

The Company offers Chatwork, Japan's largest business chat service, promotes DX of business operations, and provides BPaaS such as TAXITA, a business process outsourcing service that 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.

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 conducted by Nielsen Digital Co., Ltd. Further, as of the end of 3Q FY12/25, the service has been adopted by more than 953,000 companies, a broad customer base that underscores the robustness of the Company's platform. The Company goes beyond simply providing software as a service (SaaS) to occupy a unique position by offering BPaaS, which outsources entire business processes through SaaS, supporting its customers' DX initiatives. It offers solutions for SMEs in particular that facilitate DX even for companies 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, 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.

Company profile

In March 2011, the Company released Chatwork, its business chat service, which subsequently attracted considerable attention inside Japan. In April 2012, the company name was changed to ChatWork Co., Ltd., and that year, the Company also established a subsidiary in the US, in California. Chatwork not only attempted to expand domestically but also ventured overseas. However, amid a proliferation of competing global services, it withdrew temporarily from competition in the global market. Nevertheless, in the domestic market, its business model aimed particularly at SMEs proved successful, leading to steady growth. The Company once again changed its name to Chatwork Co., Ltd. in November 2018, and was subsequently listed on the Tokyo Stock Exchange (TSE) Mothers Market (currently the Growth Market) in September 2019. 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 DX of business processes.

■ Business overview

Based on its Chatwork business chat service, transforms the way people work using BPaaS

The Company has a single segment, the Platform Business, broadly divided into two domains: the SaaS domain centered on the Chatwork business chat platform and the BPaaS domain in which the Company engages in BPaaS. 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 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. 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. The 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, and the Company maintains stable revenue driven by increases in the number of companies introducing Chatwork. Going forward, the Company plans to continue addressing customer needs by enhancing functions 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.

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 contribute to improving operational efficiency, especially for SMEs with limited IT literacy. 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 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 the 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.

4. Company strengths

Centered around Chatwork, Japan's largest business chat platform, the Company has established a proprietary business model that mainly targets SMEs in Japan. Its strength lies in providing solutions which are easy to introduce and use that address structural issues specific to Japan, such as labor shortage caused by the declining birthrate and aging population and low labor productivity among SMEs. Due to developing products that are easy to use even for companies with limited IT literacy in particular, it has an excellent reputation as a company that fulfills a social role.

Business overview

Chatwork has secured a large market share, supported by an extensive customer base centered on SMEs. The platform's freemium model lowers barriers to adoption, while its simple UI and seamless connectivity with external applications foster organic adoption through referrals from existing users, forming a powerful network effect. The Company's strategy focusing on SMEs has differentiated it from competitors.

The majority of SMEs in Japan are small companies with 5 to 30 employees. Due to a market structure which makes it difficult to increase the efficiency of one-to-one sales, most SaaS vendors have little choice but to concentrate on the enterprise segment. Many products are therefore ill-suited to SMEs due to their high prices and complexity. Furthermore, the introduction of SaaS and AI is not progressing due to low IT literacy, and even though the market is large, entry is difficult, leading to it being referred to as the "black ocean" market.

The Company has established a competitive advantage in this market based on the network effect of its Chatwork platform, outsourcing of business processes through BPaaS, and its business model specifically tailored to SMEs. The network effect in particular has a domino effect on the introduction of Chatwork, providing a foundation for growth while keeping marketing costs down.

A feature of BPaaS is that it provides a framework for outsourcing business processes on the cloud and streamlining them. This approach supports DX that encompasses business processes for companies that tend to struggle in the early stages of IT adoption, thereby delivering value that cannot be obtained with conventional SaaS vendors. Additionally, since the Company is able to organically cross-sell BPaaS to its Chatwork user base, it has established a structure for leveraging brand recognition to increase lifetime value (LTV).

The Company's business model enables it to achieve both profitability and growth, and in particular, the unique position it has established in the black ocean market is a major strength. Furthermore, the Chatwork platform is characterized by its seamless connectivity with external applications, and there are some large enterprises that use Teams for internal communication and Chatwork for external interactions. This shows its versatility, as it is able to address certain needs of large enterprises while focusing on the SME market.

Furthermore, the Company continues to offer increasingly greater value due to advances in AI technology. It is considering text generation and summarization using large language models (LLMs), task automation, etc. Once these become practical, they will dramatically improve SMEs' operational efficiency. There will also be greater potential for switching business processes to AI solutions in the BPaaS domain. The Company may therefore be expected to further solidify its presence in its target market.

Given the estimated ¥42.4tn size of the BPaaS market, there is scope for the Company's approach specifically tailored to SMEs to contribute significantly to future market growth. The Chatwork platform's many customer touchpoints align well with a product-led-growth (PLG) model, and sustained revenue growth may be expected through enhanced marketing and sales efforts driven by user data.

The competitive landscape includes global players such as Microsoft Teams and Slack, but they both mainly focus on the enterprise domain. There are few players executing a strategy tailored specifically to SMEs. In the BPaaS domain, while there are many BPO services for large enterprises available, the Company is unusual in developing a model that combines business outsourcing for SMEs and provision of appropriate SaaS solutions, giving it a significant competitive advantage in this area. Going forward, the key to the Company achieving further progress is solidifying its position in the SME market while incorporating technological advances and steadily seizing growth opportunities.

Results trends

Made progress on various measures to enhance services while achieving robust EBIDTA growth

1. Overview of 3Q FY12/25 results

In the 3Q FY12/25 consolidated results, the Company reported revenue of ¥6,948mn (up 12.4% YoY), operating profit of ¥274mn (up 48.6%), ordinary profit of ¥251mn (up 48.4%), and profit attributable to owners of parent of ¥45mn (down 66.6%). EBITDA increased significantly to ¥931mn (up 52.3%), with profit growth driven by improvement in gross profit across all businesses and increased operational efficiency. The EBITDA margin was 13.4%, reaching the target range of 10% to 15% for 2026 indicated in the medium-term management plan ahead of schedule. The earnings structure is therefore improving at a faster than expected pace.

Various measures to expand the user base and enhance services, mainly focusing on Chatwork, are progressing steadily. The concrete effects of developing a cross-selling platform, collaborating with external services, improving the registration completion rate, etc. will lead to a growth scenario over the medium to long term. Furthermore, in August 2025, the Company started offering a new service, TAXITA Recruitment, in the BPaaS domain. The expansion of the lineup with a recruitment process outsourcing (RPO) service addressing recruitment issues faced by SMEs is also positive in terms of business portfolio expansion.

Revenue progressed at 70.7% to 72.6% relative to the range of ¥9,571mn to ¥9,826mn in the previous forecasts (values announced on August 8, 2025). The pace was slower than expected due to the impact of slow orders for labor management BPaaS. Gross profit showed steady growth, rising 11.6% YoY to ¥4,757mn in conjunction with revenue growth. The recorded amount of software assets increased as strategic product development progressed. As a result, the gross profit margin also improved to 68.5%, up 1.7 percentage points (pp) from 1H.

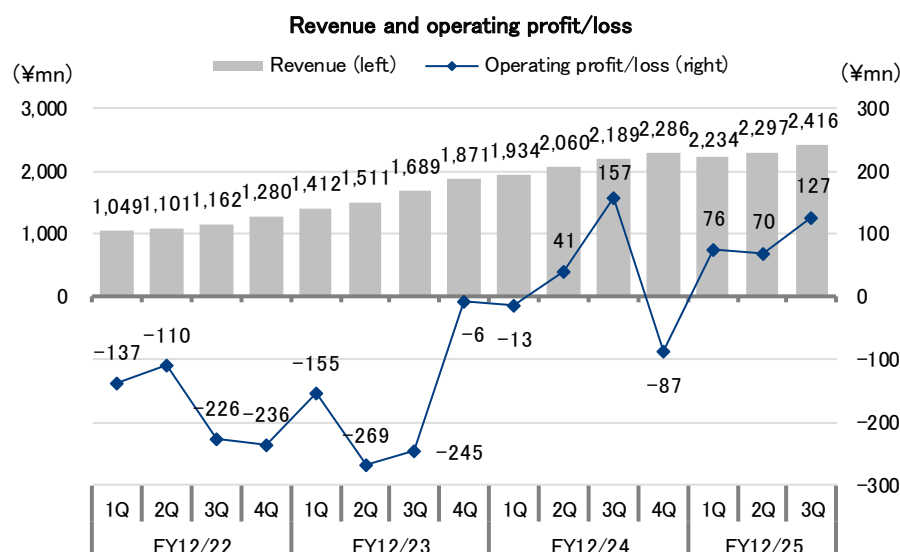
Streamlining of advertising and outsourcing expenses progressed, and they remained at a low level as a percentage of revenue. Since December 2024, the Company has been engaged in enhancing its earnings structure, but investment in growth has not decreased significantly. For marketing expenses in particular, it has been cutting investment that is not supported by unit economics while assessing effective channel development. Furthermore, the headcount for the entire Group increased by 35 from 2Q FY12/25, particularly due to an increase in operators related to the BPaaS business, which is a growth driver. As a result, personnel costs are trending upward, but increasing the number of operators is an investment that is indispensable to expanding the business foundation. Recruitment is therefore expected to proceed at a similar pace going forward. Furthermore, the Company has prioritized streamlining operations thus far and limited hiring of personnel other than BPaaS operators, but with the success of its optimization efforts, it plans to expand hiring in the future, especially of engineers.

3Q FY12/25 consolidated results

	3Q FY12/24		3Q FY12/25		YoY	
	Results	% of revenue	Results	% of revenue	Change	Change %
Revenue	6,184	-	6,948	-	763	12.4%
Operating profit	184	3.0%	274	3.9%	89	48.6%
Ordinary profit	169	2.7%	251	3.6%	82	48.4%
Profit attributable to owners of parent	134	2.2%	45	0.6%	-89	-66.6%
Earnings per share (¥)	3.30	-	1.08	-	-2.22	-

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

Results trends



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

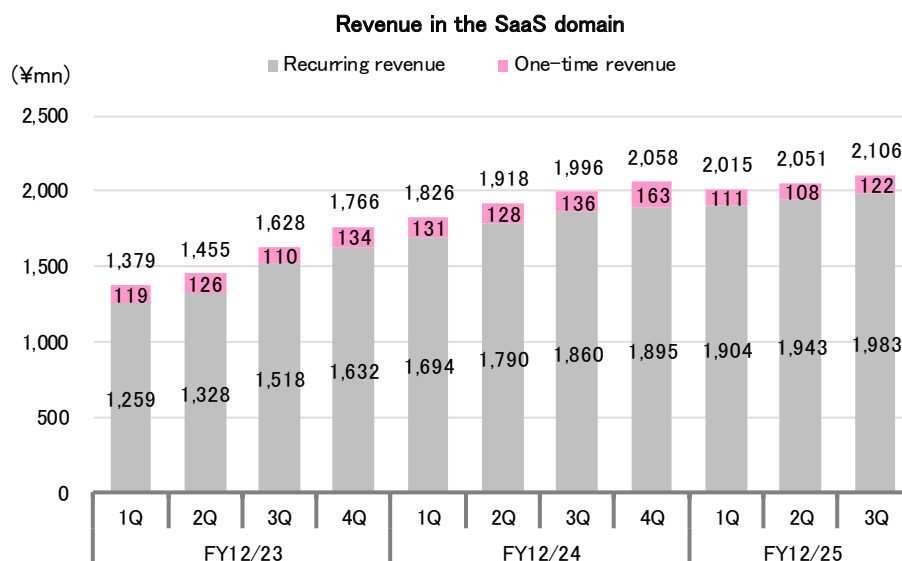
2. Revenue trends by domain

Revenue in the SaaS domain totaled ¥6,174mn (up 7.5% YoY), maintaining stable growth despite the impact of discontinuing the Security business. Recurring revenue within the SaaS domain also remained solid at ¥5,830mn (up 9.1%).

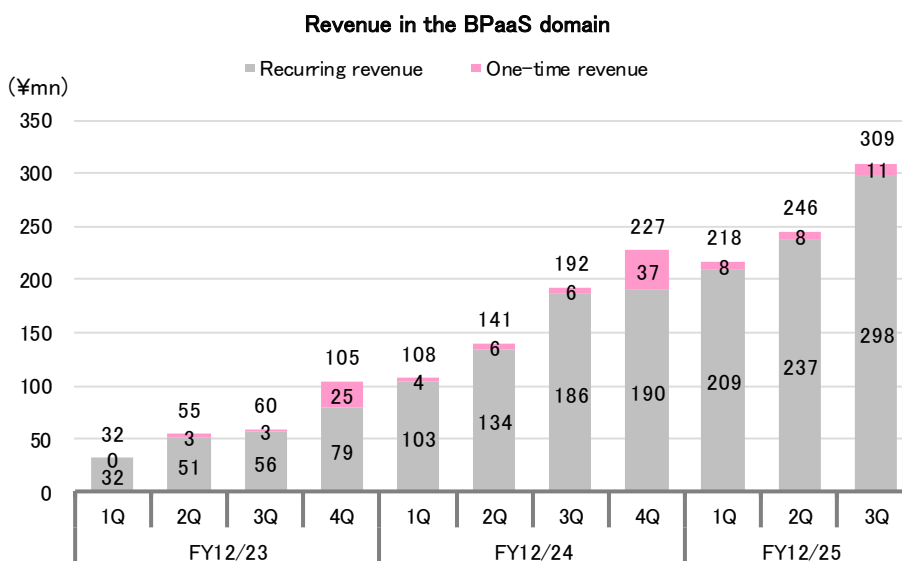
Revenue in the BPaaS domain totaled ¥773mn (up 74.8% YoY), showing a high growth rate and serving as the primary driver of Company-wide revenue growth. At ¥744mn (up 75.9%), recurring revenue accounted for 96% of revenue, maintaining strong growth and enhancing earnings stability, which is positive from a long-term perspective.

Recurring revenue has been growing consistently in both the SaaS and BPaaS domains, indicating that it serves as a key component of the Company's earnings base. The BPaaS domain in particular achieved growth of 75.9% YoY. We at FISCO believe this clearly suggests potential of the BPaaS domain as a high-growth sector.

Results trends



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



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

3. Core KPI highlights

Annual recurring revenue (ARR) on a Company-wide basis was ¥9.12bn (up 11.5% YoY), as the earnings base maintained stable growth. In particular, ARR in the BPaaS domain showed dramatic growth of 60.1% (see below), which was a strong driver of Company-wide ARR growth. The number of companies adopting the Company's services reached 954,000 (up 11.2%), steadily expanding the scale of its platform. The number of adopting companies is the total of companies contracted for the Chatwork business chat service and those utilizing BPaaS or other services.

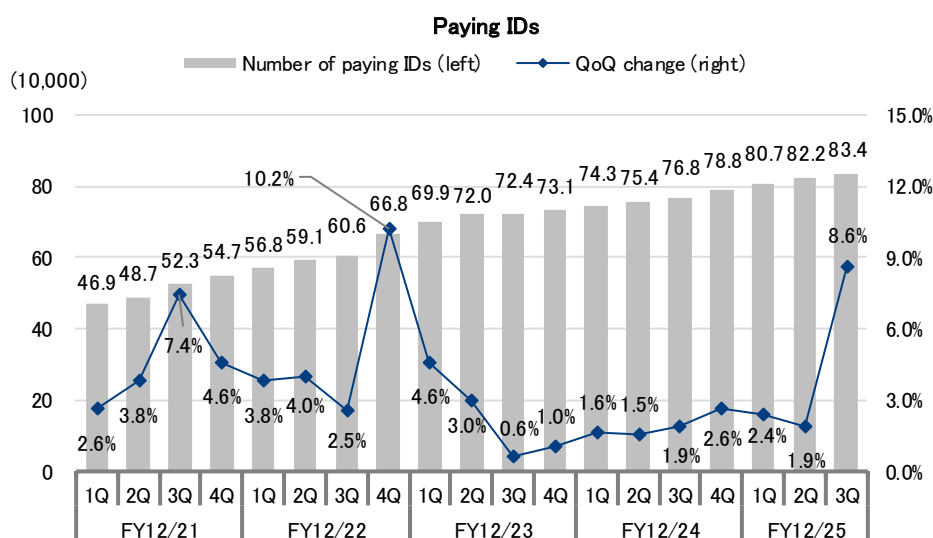
Results trends

In the SaaS domain, ARR increased 6.6% YoY to ¥7.93bn, and the number of registered IDs increased 9.8% to 7,927,000 IDs. The number of daily active users (DAUs) increased 6.2% to 1,235,000 DAUs, indicating that initiatives taken to increase the percentage of active users by improving functionality and enhancing communication have been effective. In 3Q, the Company pursued measures to maximize network effects between users, such as password-less functions and minimizing initial registration information to continue enhancing the user base and engagement.

Meanwhile, the number of paying IDs rose to 834,000 (up 8.6%), with the growth rate accelerating compared to growth through 3Q in the previous two fiscal years. ARPU, the average revenue per paying ID, decreased slightly to ¥725.3 (down 1.4%), but it was up 0.5% from 1H FY3/25, so it seems to be bottoming out and there are signs that prices are recovering. This is mainly due to successfully enhancing management of discounted contracts. On the other hand, strengthening the enterprise plan is an issue to be addressed going forward, and the Company intends to continue pursuing improvements, including revising the plan details. The churn rate for paying IDs remained low at 0.86% (down 0.18pp), dropping to a record low level, and the downward trend is expected to continue.

As a measure to enhance product value, the Company is currently considering strengthening services under the enterprise plan. In the SaaS market, service expansion accompanied by price increases is the norm, but the Company's service remains inexpensive compared with competitors, leaving ample room for price hikes. In addition, we at FISCO believe that greater use of services such as TAXITA will increase product dependence, which may make price hikes more readily acceptable.

Meanwhile, in the BPaaS domain, ARR increased 60.1% YoY to ¥1.19bn, marking rapid growth and strongly suggesting its potential as a new business area. Revenue increased 60.7% to ¥309mn, marking significant growth and demonstrating that the Company is steadily building a foundation for future growth.



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

4. Financial position

Total assets at the end of 3Q FY12/25 amounted to ¥6,169mn, an increase of ¥55mn from the end of the previous fiscal year. This is primarily attributable to an increase of ¥144mn in cash and deposits and a ¥217mn increase in prepaid expenses against a ¥319mn decrease in investments and other assets. Total liabilities amounted to ¥4,400mn, a decrease of ¥114mn. This is primarily attributable to a ¥165mn increase in long-term borrowings and ¥121mn increase in provision for share-based compensation against a ¥336mn decrease in the current portion of long-term borrowings. Total net assets amounted to ¥1,769mn, an increase of ¥170mn. This is primarily attributable to a ¥66mn increase in share capital, ¥66mn increase in capital surplus, and ¥45mn increase in retained earnings. The equity ratio rose 2.6pp to 28.7%. We at FISCO view the shift to positive EBITDA and operating profit as driving an increase in cash and deposits, indicating an improving financial base.

■ Outlook

While revenue will fall below the expected range, there will be an upturn in profit

1. FY12/25 forecasts

As full-year forecast visibility improved, the Company revised its guidance from disclosing growth rate ranges to disclosing specific amounts. The revised FY12/25 consolidated results are expected to be as follows: revenue of ¥9,485mn (up 12.0% YoY), EBITDA of ¥1,310mn (up 52.9%), operating profit of ¥431mn (up 345.1%), ordinary profit of ¥404mn (up 435.4%), and profit attributable to owners of parent of ¥75mn (loss of ¥1,172mn in previous fiscal year). Impacted by slower than expected orders in the labor management BPaaS domain, revenue is expected to grow by only 12.0%, but if the impact of discontinuing the security business is excluded, the actual growth rate is equivalent to 14.0%. It may therefore be said that the soundness of the business foundation is increasing. EBITDA and operating profit are both expected to end up exceeding the range in the previous forecasts, with marked improvement in profitability.

Revenue fell short of the previous forecasts mainly due to the lack of an operator structure in the labor management BPaaS domain and new orders being paused temporarily to prioritize maintaining service quality. This decision caused the Company to miss out on sales opportunities in the short term, but we at FISCO believe the plan to focus on quality is essential to maintaining customer confidence in the long term. Although the Company is pursuing active recruitment and use of external resources in 2H and revenue recovered, it fell short of the initial forecast. However, by using this opportunity to pursue restructuring, it has established a platform that will enable more stable business operations going forward. While there was a temporary delay in terms of business operations, we at FISCO judge that the enhancement of the structure will have an active effect on increasing the certainty of future growth.

Outlook

Given the medium-term management plan's target to achieve no less than a 30% compound annual growth rate (CAGR) in revenue, it appears that FY12/25 is a period of preparation for future growth. In terms of priority measures in each business, the Chatwork business is steadily increasing the number of paying IDs and ARPU. The sales and marketing department has become a strong organization, and further acceleration of its growth is expected. The BPaaS business is in a phase of approaching further growth, and the number of employees is expected to increase. At present, revenue continues to grow steadily and the EBITDA progress rate against the previous forecasts is 71.6% to 92.6%. As it is progressing at a faster rate than projected, we at FISCO believe it is highly likely that the Company will achieve the full-year results forecasts.

FY12/25 consolidated results forecast

	FY12/24		FY12/25		
	Results	% of revenue	Forecast	% of revenue	Change %
Revenue	8,470	-	9,485	-	12.0%
EBITDA	856	10.1%	1,310	13.8%	52.9%
Operating profit	96	1.1%	431	4.5%	345.1%
Ordinary profit	75	0.9%	404	4.3%	435.4%
Profit attributable to owners of parent	-1,172	-13.8%	75	0.8%	-
Earnings per share (¥)	-28.59	-	1.79	-	-

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

2. Topics

Current topics of discussion are as follows.

(1) Progress in development of cross-service marketing base

The Company is developing a structure for using the extensive customer base for the Chatwork platform, which has expanded to 7,927,000 IDs, as a marketing engine for the entire Group. Based on this, it expects to efficiently acquire customers across multiple services and maximize cross-selling. Based on AI-driven data analysis, it will improve marketing accuracy by combining the optimal channels, enabling measures to be deployed more efficiently. Around 60% of new customers for the TAXITA BPaaS service were acquired via Chatwork, with the Company making effective use of its large user base. We at FISCO believe this shows the strong value of the Company's platform and that it will contribute greatly to establishing a competitive advantage and expanding the business in the future.

(2) Start of collaboration with Shalom, an SaaS for social insurance labor consultants with a leading market share

The Company has started an API integration between Shalom, a business support system for social insurance labor consulting firms with a large market share, and Chatwork. This will enable sending various notifications from Shalom to Chatwork, sending files, and registering tasks. This is expected to greatly reduce the communication burden between social insurance labor consultants and clients, which was previously dependent on email and phone calls. To date, sending notifications about the results of electronic applications, sharing official documents, etc. has increased workloads due to missing information and the effort spent on checking. However, consolidating business communication on Chatwork will increase the accuracy of information management and streamline the overall process. Furthermore, the Company plans to introduce a mechanism that will prompt non-Chatwork users to create a Chatwork account, which will lead to growth of the Chatwork user base. We at FISCO therefore believe that this API integration occupies an important position in the Company's growth strategy, as it is an initiative that will enhance the value of both services as well as expanding the customer base.

Outlook

(3) Establishing product development structure and pursuing strategic measures

In July 2025, the Company appointed a chief product officer (CPO) and chief technology officer (CTO) in its mainstay Chatwork business. These new positions strengthened the management structure in order to drive product-led growth (PLG). Based on this, it will establish a structure to promote strategically vital development topics, such as PLG and adoption of AI, and develop a foundation for achieving sustainable business growth. By strengthening its development structure, the Company has greatly increased the speed of improving Chatwork, and recently it has implemented measures such as password-less functions and minimizing of initial registration information. These measures have led to a significant increase in the account registration completion rate and are expected to improve user acquisition efficiency. Going forward, the Company also plans to strengthen task functions, implement AI functions, etc., which is expected to enhance service value and improve the retention rate. The Company is clearly making progress with product-driven strategic measures, and we at FISCO believe this may be expected to improve earnings over the medium to long term by enhancing the user experience.

(4) Launching TAXITA Recruitment, a new service in the BPaaS domain

In August 2025, the Company launched a new service in the BPaaS domain, TAXITA Recruitment. It is an RPO service that provides SMEs with one-stop, low-cost support for overall recruitment processes, including everything from formulating recruitment strategy to creating job postings, coordinating interviews, and on-boarding support. With 65.6% of SMEs feeling the labor shortage*, TAXITA Recruitment is a service that precisely addresses market needs by offering a direct solution to issues such as the lack of recruitment expertise and resources. It is also expected to expand sales to existing user companies in the accounting and labor management fields, so it is highly likely that it will help expand the reach of the BPaaS business. As a strategy intended to strengthen the business portfolio that will be rolled out laterally, it may be expected to contribute to medium-term earnings growth. Since RPO is a service that covers not just recruitment tasks but also the formulation of recruitment strategy, it has high added value, for which higher fees can be charged. There is a strong need for it among SMEs, and the Company plans to balance developing the service with maintaining prices while pursuing standardization and automation as much as possible.

* Japan Chamber of Commerce and Industry and Tokyo Chamber of Commerce and Industry, "Survey of SMEs on Labor Shortage, Wages, and Minimum Wage." Cited in the Company's results briefing materials.

(5) Taking over Paytner business based on absorption-type split

On January 1, 2026, the Company is scheduled to take over the Paytner Billing business operated by Paytner Inc. via a simplified absorption-type split. This service offers end-to-end automation of everything from collection and management of bills to scheduling and executing transfers. The product is particularly suitable for SMEs and startups without a specialized accountant. Through acquiring capability in the fintech domain, the Company will strengthen its ability to support DX of accounting operations. It will be highly complementary to the existing TAXITA and Chatwork labor management BPaaS services and may be expected to contribute to enhanced operational efficiency and higher profit margins. Furthermore, as it is expected to improve marketing efficiency through cross-selling to existing Chatwork customers, it is a measure that will help accelerate the Company's BPaaS strategy. It is also worth noting that the Company has invested corporate venture capital (CVC) in Paytner, from whom it is taking over the business. When making CVC investments, it selects companies that have a strong affinity with Chatwork's customer base and also enhances their value by referring users to companies in which it invests. Therefore, pursuing business acquisition via CVC investment helps improve the fit of M&A. Going forward, it will continue to view business transfers from CVC investment recipients as a strong option.

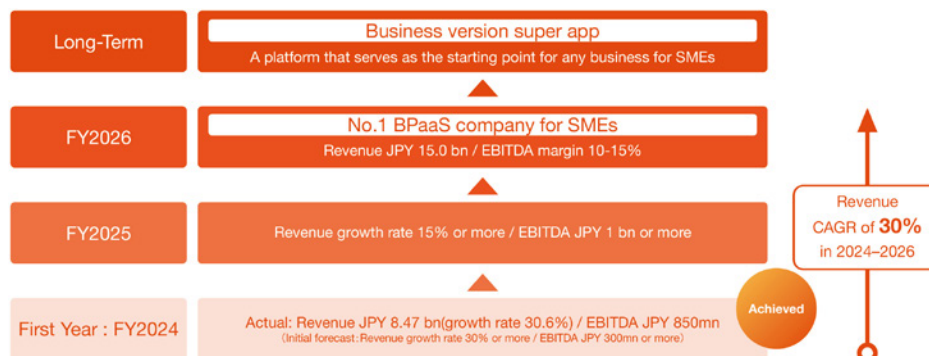
Growth strategy

Aiming to establish a 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. 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, with financial targets for the plan's final year consisting of consolidated revenue of ¥15.0bn, EBITDA of between ¥1.5bn and ¥2.25bn, and an EBITDA margin of between 10.0% and 15.0%. These targets have remained unchanged since release of the plan. The ¥15.0bn revenue target comprises between ¥10.0bn and ¥11.0bn in the SaaS domain centered on Chatwork, between ¥2.0bn and ¥2.5bn in the BPaaS domain, and between ¥1.5bn and ¥3.0bn attributable to new business and M&A. While the plan was initially predicated on organic growth, the Company has since shifted to a policy directed toward strategically incorporating M&A as a means of achieving growth. The policy change reflects heightening feasibility of executing a roll-up strategy particularly in its BPaaS domain, through successive acquisitions of relatively small companies that provide BPO services to SMEs, such as kubell partner. At present, the Company is focusing its attention on the BPaaS domain. While details of individual deals have not been disclosed, it has received a large volume of information, including sourcing opportunities. We at FISCO believe that joining the Group would offer significant advantages to counterpart companies as well, as it would enable cross-selling by leveraging the customer base of Chatwork.

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. Strategically, the Company will promote 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 aims to create future core businesses and achieve discontinuous growth through AI-driven research and development that leverages Group assets, combined with its incubation strategy for new businesses.

Overview of the medium-term management plan



Source: The Company's results briefing materials

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Growth strategy

Numerical management targets

	FY12/23	FY12/24	FY12/25 (forecast)	FY12/26 (target)
Revenue	6,485	8,470	9,485	15,000
EBITDA	-83	856	1,310	1,500~2,250
EBITDA margin	-	10.1%	13.8%	10.0%~15.0%

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

The Company released its new medium- to long-term financial targets in 1Q FY12/25, in which it specifies key metrics comprising direct cost ratio, marginal profit ratio, sales and marketing (S&M) ratio, research and development (R&D) ratio, general and administrative (G&A) ratio, and EBITDA margin. This is because the very labor-intensive nature of the Company's BPaaS business draws attention to the impact on its profit margins. The Company's goal is to reduce S&M from the current 32% to somewhere in the range of 15~20%, in seeking to narrow the gap between its FY12/24 actual results and its medium- to long-term targets, which it aims to achieve by standardizing marketing and sales functions, promoting product-led growth, and using cross-selling to guide customers toward its BPaaS offerings. In R&D, the Company has outlined its policy of continued investment in products and AI. Given its currently high ratio of G&A expenses, the Company will implement stringent cost controls going forward. 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 Company has furthermore set a medium- to long-term target of achieving a final EBITDA margin in the 25~40% range. The potential size of the BPaaS market for non-core SME business operations is ¥42.4tn (potential market), with the core target segment alone valued at ¥298.3bn (actual market). Accordingly, we at FISCO expect the Company to achieve both medium- to long-term growth and stable profitability.

Medium- to long-term financial targets

	FY12/24	FY12/25 (plan)	FY12/26 (plan)	Medium- to long-term targets
Direct cost*1	18%	20%	20%	20~25%
Marginal profit ratio	82%	80%	80%	75~80%
SRM*2	32%	26~28%	24~28%	15~20%
R&D*3	17%	16~18%	16~18%	15~20%
G&A*4	23%	22~24%	20~24%	10~15%
EBITDA margin	10%	10~12%	10~15%	25~40%
Depreciation and amortization	9%	9~10%	9~10%	Around 10%
Operating profit margin	1%	1~3%	1~5%	15~30%

*1 Direct cost refers to the total cost of sales in managerial accounting, excluding depreciation and amortization. It includes server costs, payment fees, and personnel costs related to BPaaS operators and customer support.

*2 S&M refers to the sales and marketing ratio. It represents the total sales and marketing costs in managerial accounting, excluding depreciation and amortization. These include advertising expenses related to sales promotion, personnel costs for the sales staff, and other related expenses.

*3 R&D refers to the research and development ratio. It represents the total research and development costs in managerial accounting, excluding depreciation and amortization. These include personnel costs for engineers involved in service development, and other related expenses.

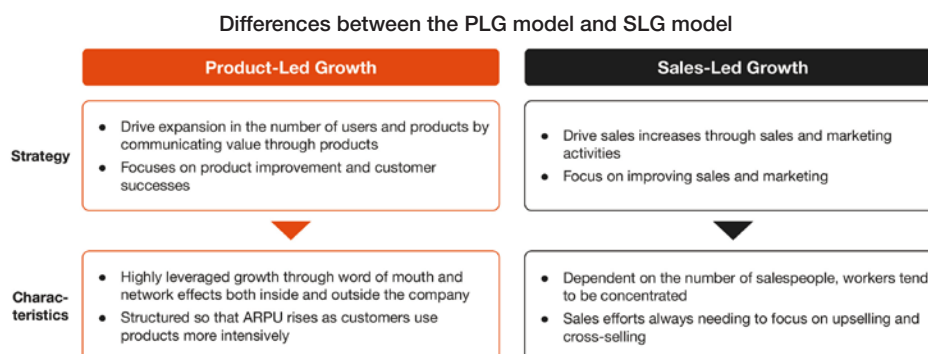
*4 G&A refers to the general and administrative ratio. It represents the total general and administrative costs in managerial accounting, excluding depreciation and amortization. These include personnel expenses for the corporate division, and other related expenses.

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. 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 develop business chat service models 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.



Source: The Company's results briefing materials

(2) BPaaS strategy

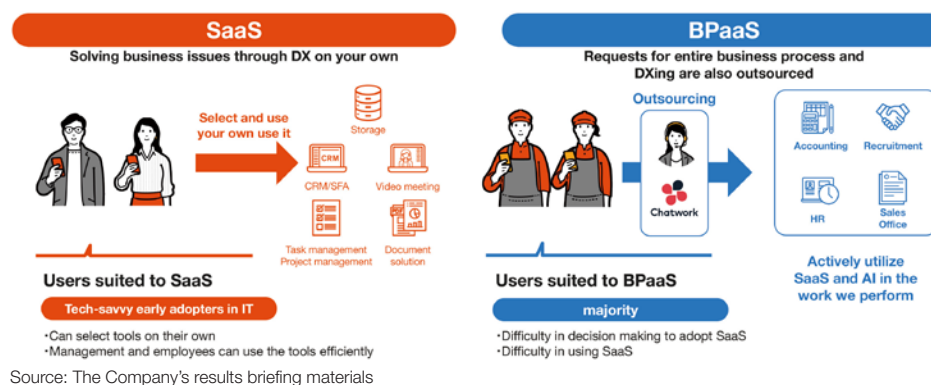
The goal of the BPaaS strategy is to dramatically improve the operational efficiency of client companies by delivering business processes as cloud services. BPaaS differs from conventional BPO by offering advanced workflow automation through the use of SaaS. This enables them to significantly reduce management costs by advancing DX in their business processes. The Company has developed an API-integrated workflow automation engine for its business chat-centered platform, making it possible to provide customers with more efficient services while minimizing operational man-hours. Moreover, in light of the over 930,000 businesses using Chatwork, the Company is expanding its BPaaS offerings. BPaaS provides effective solutions to companies lacking sufficient in-house DX professionals and offers cloud-based business process services to businesses struggling to advance DX. 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.

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Growth strategy

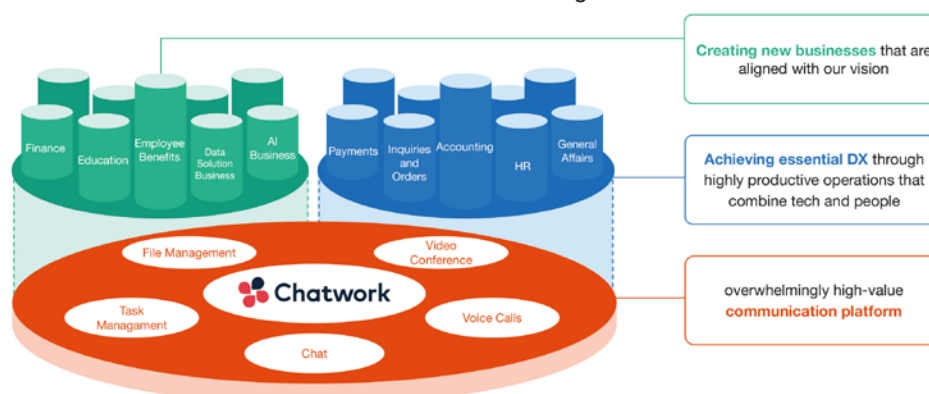
Differences between SaaS and BPaaS



(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 customer data and improve 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. 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, (which was integrated with kubell partner in July 2025) 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. 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.

Three interrelated strategies



Source: 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 make society 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.

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 30 and December 31 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 by 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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■ For inquiries, please contact: ■

FISCO Ltd.

5-13-3 Minami Aoyama, Minato-ku, Tokyo, Japan 107-0062

Phone: 03-5774-2443 (IR Consulting Business Division)

Email: support@fisco.co.jp