

## Translation

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### Summary of Financial Results for the Six Months Ended June 30, 2024 (Japanese GAAP) (Consolidated)



August 14, 2024

Name of listed company: kubell Co., Ltd.

Listing exchange: Tokyo Stock Exchange

Securities code: 4448

URL: <https://www.kubell.com/en/ir/>

Representative: Masaki Yamamoto, Representative Director, President, Senior Executive Officer & CEO

Contact for inquiries: Naoki Inoue, Director, Senior Executive Officer & CFO

Tel: 81-50-1791-0683

Scheduled date to file quarterly securities report : August 14, 2024

Scheduled date to commence dividend payments: —

Preparation of supplementary materials on quarterly financial results: Yes

Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen)

#### 1. Consolidated financial results for the six months ended June 30, 2024

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

(% indicate year-on-year changes)

	Revenue		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended June 30, 2024	3,994	36.6	313	—	27	—	16	—	24	—
Six months ended June 30, 2023	2,924	36.0	(134)	—	(424)	—	(427)	—	(418)	—

(Note) Comprehensive income (millions of yen)

Six months ended June 30, 2024: 24 (—%) Six months ended June 30, 2023: (428) (—%)

	Basic earnings per share	Diluted earnings per share
Six months ended June 30, 2024	0.61 Yen	0.60 Yen
Six months ended June 30, 2023	(10.46)	—

(Note) 1) Diluted earnings per share is not shown in Six months ended June 30, 2024, because basic earnings per share is negative although there are potential shares.

2) EBITDA is calculated by adding operating profit, depreciation and amortization expenses, and share-based payment expenses.

##### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
As of June 30, 2024	Millions of yen 6,624	Millions of yen 2,592	% 39.1
As of December 31, 2023	6,273	2,422	38.6

(Reference) Equity As of June 30, 2024 2,592 million yen As of December 31, 2023 2,422 million yen

## 2. Cash dividends

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

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

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

(% indicate year-on-year changes)

	Revenue		EBITDA		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	8,365 ~8,495	29 ~31	574 ~600	—	1 ~27	—	(17) ~8	—	(97) ~(67)	—	(2.39) ~(1.65)

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

### \*Notes

- (1) Changes in significant subsidiaries during the period : Yes
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements : No
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- 1) Changes in accounting policies due to amendment of accounting standards, etc. : No
- 2) Changes in accounting policies other than 1) : No
- 3) Changes in accounting estimates : No
- 4) Restatement : No

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

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

As of June 30,2024	40,997,216 shares	As of December 31, 2023	40,627,295 shares
As of June 30,2024	53,140 shares	As of December 31, 2023	25,201 shares
Six months ended June 30,2024	40,719,237 shares	Six months ended June 30, 2022	40,011,267 shares

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

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee of achieving the results by the Company. Actual results and the like may differ materially due to various factors. For the assumptions used for the forecast of financial results and notes on the use of the forecast of financial results, please refer to the attachment on page 4, entitled "1. Qualitative Information on Quarterly Financial Results (3) Explanation on Future Forecast Information Including Consolidated Earnings Forecast".

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation of Business Results

#### Business results

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

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

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

As a result, in the first six months of the fiscal year the Company recorded revenue of 3,994,967 thousand yen (up 36.6% year on year), EBITDA (Note 3) of 313,132 thousand yen (negative 134,521 thousand yen in the first half of the preceding fiscal year), an operating profit of 27,304 thousand yen (operating loss of 424,811 thousand yen), an ordinary profit of 16,473 thousand yen (ordinary loss of 427,185 thousand yen), and a profit attributable to owners of parent of 24,874 thousand yen (loss of 418,378 thousand yen).

The following describes the business results by each segment.

#### (Chatwork Segment)

In the Chatwork segment, the Company continued to demonstrate the advantages of Chatwork, its mainstay service, and endeavored to add new functions and cultivate customers. These efforts led to revenue of 3,920,425 thousand yen (up 39.5% year on year) and segment profit of 17,929 thousand yen (segment loss of 459,578 thousand yen in the first half of the preceding fiscal year).

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

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

	Q4 '21	Q4 '22	Q4 '23	Q2 '23	Q2 '24
ARR (Unit : JPY million)	3,447	4,425	6,180	4,726	6,735
Number of Paying IDs (Unit : 10000)	54.7	66.8	73.1	72.0	75.4
ARPU (Unit : JPY)	529.4	547.4	672.4	548.3	715.5

#### (Security Segment)

With regard to the security segment, the Company makes it a policy to not expand the business proactively. As a result, net revenue was 74,541 thousand yen (down 34.4% compared with the same period of the previous fiscal year) and segment profit stood at 9,374 thousand yen (down 73.0% compared with the same period of the previous fiscal year). Furthermore, since the entire amount of indirect costs is recorded for the Chatwork segment as stated above, the recorded segment profit of the security

segment is the amount obtained by deducting only the direct costs required for conducting the segment, including advertising expenses, promotion expenses and outsourcing expenses, from the net revenue of the segment.

#### Notes

1. According to a survey of monthly active users (MAUs) conducted in May 2023 by Nielsen NetView and Nielsen Mobile, from among 44 applicable services selected by Kubell Co., Ltd. In addition to Chatwork, these included Microsoft Teams, Slack, LINE WORKS, and Skype.
2. BPaaS is short for Business Process as a Service. Rather than just software, BPaaS is a cloud service that provides business services themselves, allowing facilitating cloud-based business process outsourcing (BPO).
3. EBITDA is calculated by adding operating profit, depreciation and amortization expenses, and share-based payment expenses.
4. ARR is short for annual recurring revenue, which equates to monthly recurring revenue (MRR) times 12.

## (2) Explanation on Financial Position

### (Assets)

Total assets as of June 30, 2024 increased by 351,241 thousand yen compared with the end of the previous fiscal year to 6,624,732 thousand yen. This was mainly due to a decrease in goodwill of 59,583 thousand yen, a decrease in software of 67,823 thousand yen, and an increase in cash and deposits of 407,865 thousand yen.

### (Liabilities)

Total liabilities as of June 30, 2024 increased by 180,915 thousand yen compared with the end of the previous fiscal year to 4,032,187 thousand yen. This was mainly due to a decrease in long-term borrowings of 113,507 thousand yen, an increase in contract liabilities of 179,623 thousand yen, an increase in accounts payable of 55,172 thousand yen, and an increase in accrued corporate tax of 47,927 thousand yen.

### (Net Assets)

Net assets as of June 30, 2024 increased by 170,325 thousand yen compared with the end of the previous fiscal year to 2,592,544 thousand yen. This was mainly due to an increase in share capital of 72,738 thousand yen, an increase in capital surplus of 72,738 thousand yen, and an increase in retained earnings of 24,874 thousand yen. As a result, the equity ratio was 39.1% (38.6% at the end of the previous fiscal year).

### (Cash Flows)

Cash and cash equivalents as of June 30, 2024 increased by 407,865 thousand yen compared with the end of the previous fiscal year to 2,510,353 thousand yen. The status of each cash flow and their factors for the six months ended June 30, 2024 are as follows.

#### 1) Cash flows from operating activities

Net cash provided by operating activities amounted to 782,141 thousand yen. This was mainly due to profit before income taxes of 16,473 thousand yen, a decrease in prepaid expenses of 191,908 thousand yen, an increase in contract liabilities of 179,623 thousand yen, and depreciation of 155,640 thousand yen.

#### 2) Cash flows from investing activities

Net cash used in investing activities amounted to 288,828 thousand yen. This was mainly due to the purchase of intangible assets of 263,550 thousand yen.

#### 3) Cash flows from financing activities

Net cash provided by financing activities was 84,156 thousand yen. This was mainly due to repayments of long-term borrowings of 108,314 thousand yen.

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

Our medium-term management plan states our aim to establish our position as the number one BPaaS company for small and medium-sized enterprises (SMEs) by the fiscal year ending December 31, 2026, and in the long term, to become a “business super app” platform that serves as the starting point for all business activities, backed by a dominant share in the SME market. From the fiscal year ending December 31, 2024 to the fiscal year ending December 31, 2026, we will accelerate the overall growth of the Group toward our goal of becoming the top BPaaS company for SMEs, while also working to build a profitable framework.

Our medium-term targets include a CAGR for revenue of 30% or more from the fiscal year ended December 31, 2024 to the fiscal year ending December 31, 2026, as well as revenue of 15.0 billion yen and an EBITDA margin of 10–15% for the fiscal year ending December 31, 2026.

Based on the above policy, we will continue to focus on achieving high growth rates and improving profitability. For the fiscal year ending December 31, 2024, we will proceed with the development of our business chat tool, "Chatwork" and the establishment of a system that generates investment and profits for the BPaaS MINAGINE and Chatwork Assistant. The details of our performance forecast outlook are as follows.

Regarding the range, we anticipate fluctuations in the number of Paying IDs due to revisions in the free plan offerings of our business chat service and the addition of features to paid plans, as well as variations in sales resulting from the expansion of BPaaS customers.

Unit: million yen	FY 2023 actual	FY2024 forecast	YoY
Revenue	6,485	8,365 ~ 8,495	+29.0% ~ +31.0%
Gross profit	4,150	5,665 ~ 5,794	+36.5% ~ +39.6%
Gross margin	64.0%	67.7% ~ 68.2%	+3.7pt ~ +4.2pt
EBITDA	(83)	574 ~ 600	-
Operating profit	(677)	1 ~ 27	-
Ordinary profit	(686)	(17) ~ 8	-
Profit attributable to owners of parent	(620)	(97) ~ (67)	-

## 2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

### (1) Quarterly Consolidated Balance Sheet

(Unit: thousand yen)

	As of December 31, 2023	As of June 30, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	2,102,487	2,510,353
Accounts receivable - trade	432,075	427,408
Prepaid expenses	608,346	421,750
Other	74,311	31,150
Allowance for doubtful accounts	(254)	(254)
Total current assets	3,216,966	3,390,408
Non-current assets		
Property, plant and equipment	11,080	6,963
Intangible assets		
Software	465,353	397,530
Goodwill	1,029,292	969,708
Other	704,248	878,300
Total intangible assets	2,198,894	2,245,539
Investments and other assets	846,549	981,821
Total non-current assets	3,056,524	3,234,323
Total assets	6,273,490	6,624,732
<b>Liabilities</b>		
Current liabilities		
Accounts payable - other	273,017	328,189
Accrued expenses	216,809	241,403
Income taxes payable	43,990	91,918
Contract liabilities	1,565,770	1,745,394
Provision for bonuses	26,113	30,963
Short-term borrowings	1,300	—
Current portion of long-term borrowings	262,336	267,529
Other	157,304	141,544
Total current liabilities	2,546,641	2,846,942
Non-current liabilities		
Long-term borrowings	1,114,924	1,001,417
Deferred tax liabilities	117,432	110,967
Retirement benefit liability	2,274	2,860
Other	70,000	70,000
Total non-current liabilities	1,304,630	1,185,245
Total liabilities	3,851,271	4,032,187
<b>Net assets</b>		
Shareholders' equity		
Share capital	2,748,254	2,820,993
Capital surplus	2,734,114	2,806,853
Retained earnings	(3,060,060)	(3,035,186)
Treasury stock	(88)	(115)
Total shareholders' equity	2,422,218	2,592,544
Total net assets	2,422,218	2,592,544
Total liabilities and net assets	6,273,490	6,624,732



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

For the six months ended June 30, 2024

Quarterly Consolidated Statement of Income (cumulative)

(Unit: thousand yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Revenue	2,924,535	3,994,967
Cost of revenue	1,085,896	1,290,139
Gross profit	1,838,638	2,704,827
Selling, general and administrative expenses	2,263,449	2,677,523
Operating profit (loss)	(424,811)	27,304
Non-operating income		
Interest income	85	8
Foreign exchange gains	1,014	—
Subsidy income	2,497	—
Income from point cord	3,330	2,798
Other	259	96
Total non-operating income	7,186	2,902
Non-operating expenses		
Interest expenses	7,970	8,125
Foreign exchange loss	—	1,311
Share issuance costs	506	481
Other	1,084	3,814
Total non-operating expenses	9,560	13,733
Ordinary profit (loss)	(427,185)	16,473
Extraordinary income		
Gain on sales of non-current assets	—	—
Total extraordinary profit	—	—
Profit (loss) before income taxes	(427,185)	16,473
Income taxes - current	3,287	60,548
Income taxes - deferred	(2,070)	(68,948)
Total income taxes	1,217	(8,400)
Profit (loss)	(428,402)	24,874
Profit (loss) attributable to non-controlling interests	(10,024)	—
Profit (loss) attributable to owners of parent	(418,378)	24,874

Quarterly Consolidated Statement of Comprehensive Income (cumulative)

(Unit: thousand yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Profit (loss)	(428,402)	24,874
Other comprehensive income		
Comprehensive income	(428,402)	24,874
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(418,378)	24,874
Comprehensive income attributable to non-controlling interests	(10,024)	—

### (3) Quarterly Consolidated Statement of Cash Flows

(Unit: Thousand yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	(427,185)	16,473
Depreciation	182,541	155,640
Amortization of goodwill	63,105	59,583
Share-based payment expenses	46,764	65,553
Share issuance costs	506	481
Interest and dividend income	(103)	(26)
Subsidy income	(2,497)	—
Interest expenses and guarantee commission	7,970	8,125
Commitment fee	371	374
Foreign exchange losses (gains)	(19)	1,290
Decrease (increase) in trade receivables	5,043	4,666
Increase (decrease) in allowance for doubtful accounts	188	—
Decrease (increase) in prepaid expenses	(146,921)	191,908
Increase (decrease) in provision for bonuses	(6,139)	4,849
Increase (decrease) in retirement benefit liability	196	586
Increase (decrease) in accounts payable-other	(26,012)	59,810
Increase (decrease) in accrued expenses	(22,099)	24,594
Increase (decrease) in income taxes payable	(3,413)	(7,456)
Increase (decrease) in contract liabilities	88,317	179,623
Other	(3,167)	29,693
Subtotal	(242,552)	795,773
Interest and dividends received	103	26
Subsidies received	2,497	—
Interest expenses and guarantee commission paid	(7,990)	(8,120)
Payments for commitment fee	(371)	(374)
Income taxes paid	(6,081)	(5,163)
Net Cash provided by (used in) operating activities	(254,395)	782,141
Cash flows from investing activities		
Purchase of property, plant and equipment	(393)	(1,024)
Purchase of intangible assets	(231,924)	(263,550)
Purchase of investment securities	(29,987)	(20,000)
Payments of guarantee deposits	(12,162)	(4,254)
Proceeds from refund of leasehold and guarantee deposits	480	—
Loan advances	(30,000)	—
Payments into long-term time deposits	(350,000)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(580,349)	—
Net cash provided by (used in) investing activities	(1,234,336)	(288,828)

(Unit: Thousand yen)

	Six months ended June 30, 2023	Six months ended June 30, 2024
Cash flows from financing activities		
Repayments of short-term borrowings	(1,500)	(1,300)
Proceeds from long-term borrowings	300,000	—
Repayments of long-term borrowings	(102,260)	(108,314)
Proceeds from issuance of shares	39,400	25,965
Payment for issuance of new shares	(506)	(481)
Payment for purchasing treasury stock	—	(26)
Net cash provided by (used in) financing activities	235,133	(84,156)
Effect of exchange rate change on cash and cash equivalents	19	(1,290)
Net increase (decrease) in cash and cash equivalents	(1,253,578)	407,865
Cash and cash equivalents at beginning of term	2,850,323	2,102,487
Cash and cash equivalents at end of term	1,596,745	2,510,353

### (3) Notes on Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

Not applicable.

(Changes in Accounting Policies)

Not applicable.

(Additional Information)

(Significant changes in the scope of consolidation)

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

(Segment Information, Etc.)

[Segment information]

Six months ended June 30, 2023

Information on Revenue and Profit or Loss Amounts by Reportable Segment

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Performance obligations satisfied at a point in time	109,133	113,676	222,809	222,809
Performance obligations satisfied over time	2,701,726	—	2,701,726	2,701,726
Revenue from contracts with customers	2,810,859	113,676	2,924,535	2,924,535
Other revenue	—	—	—	—
Revenue to outside customers	2,810,859	113,676	2,924,535	2,924,535
Intersegment net revenue or transfers	—	—	—	—
Total	2,810,859	113,676	2,924,535	2,924,535
Segment profit (loss)	(459,578)	34,766	(424,811)	(424,811)

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

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

Six months ended June 30,2024

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

(Unit: thousand yen)

	Reportable segment			Total (Note)
	Chatwork segment	Security segment	Total	
Revenue				
Performance obligations satisfied at a point in time	139,359	74,541	213,900	213,900
Performance obligations satisfied over time	3,781,066	—	3,781,066	3,781,066
Revenue from contracts with customers	3,920,425	74,541	3,994,967	3,994,967
Other revenue	—	—	—	—
Revenue to outside customers	3,920,425	74,541	3,994,967	3,994,967
Intersegment net revenue or transfers	—	—	—	—
Total	3,920,425	74,541	3,994,967	3,994,967
Segment profit (loss)	17,929	9,374	27,304	27,304

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

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

(Business combination)

(transactions under common control)

At a Board of Directors meeting on February 9, 2024, kubell Co., Ltd. (hereinafter, the "Company") resolved to approve the establishment of a new company through an incorporation-type company split (hereinafter, the "New Company"). The New company was established with the effective date of the incorporation-type company split (hereinafter, the "Company Split") as April 1, 2024. The New Company shall take over from Company its Business Process as a Service (BPaaS) business (hereinafter, the "BPaaS Business"), as described below. As a result of the Company Split, MINAGINE Co., Ltd., a wholly owned subsidiary of Chatwork, will become a wholly-owned subsidiary of the New Company, making it a sub-subsiidiary of Chatwork.

(1) Details of Business to Be Split Off

The Business Process as a Service (BPaaS) Business

(2) Date of the business combination

April 1, 2024

(3) Legal form of the business combination

The Company is the splitting company and the New Company is the succeeding company. (Simple incorporation-type company split)

(4) Name of the combined company

kubell partner Co., Ltd.

(5) Other matters regarding the outline of transactions

To help customers enhance their operational efficiency and productivity, the Company has been expanding its BPaaS Business,

which goes beyond providing software and also offers the entire business process as a service for non-core functions such as accounting and labor affairs. In February 2023, the Company acquired MINAGINE Co., Ltd., which provides cloud-based payroll and performance evaluation systems and labor outsourcing, as a consolidated subsidiary. In June 2023, the Company also released Chatwork Assistant, which provides support for non-specialized areas of back-office operations.

To further enhance the corporate value of the Kubell Group, we aim to achieve efficient management and flexible business operations that can adapt to changes in the market environment by restructuring the Group through the Company Split. This will involve expanding the BPaaS Business as a separate entity within the Company, allowing us to respond effectively to evolving market conditions.

(Significant Subsequent Events)

(Abolition of security business)

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

1 Reason for business closure

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

2 Overview of discontinued business

(1) Contents of discontinued business

Purchase and sale of security software “ESET”

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

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

3 Timing of business closure

December 31, 2024 (planned)