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May 15, 2024

Consolidated Financial Results for the Three Months Ended March 31, 2024 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4074
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 Scheduled date to file quarterly securities report: May 15, 2024
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2024	2,087	13.5	282	50.8	276	45.7	188	47.4
March 31, 2023	1,838	12.4	187	55.9	189	72.0	128	88.6

Note: Comprehensive income For the three months ended March 31, 2024: ¥200 million [50.2%]
 For the three months ended March 31, 2023: ¥133 million [61.1%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2024	24.68	24.01
March 31, 2023	16.80	16.29

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2024	6,596	4,025	60.7
December 31, 2023	6,408	3,824	59.4

Reference: Equity
 As of March 31, 2024: ¥4,005 million
 As of December 31, 2023: ¥3,806 million

2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2023	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2024	–				
Fiscal year ending December 31, 2024 (Forecast)		0.00	–	0.00	0.00

Note: Revisions to the forecast of cash dividends most recently announced: None

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2024	9,215	20.4	1,044	34.8	1,034	28.2	668	23.9	87.34

Note: Revisions to the earnings forecasts most recently announced: None

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - (i) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (ii) Changes in accounting policies due to other reasons: None
 - (iii) Changes in accounting estimates: None
 - (iv) Restatement: None

(4) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2024	7,653,500 shares
As of December 31, 2023	7,653,500 shares

- (ii) Number of treasury shares at the end of the period

As of March 31, 2024	123 shares
As of December 31, 2023	123 shares

- (iii) Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended March 31, 2024	7,653,500 shares
Three months ended March 31, 2023	7,628,500 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors. For the suppositions that form the assumptions for earnings forecasts and cautions concerning the use thereof, please refer to the section of “(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements” of “1. Qualitative Information Regarding Results for the Three Months” on page 3 of the attached material.

Attached Material

Index

1. Qualitative Information Regarding Results for the Three Months.....	2
(1) Explanation regarding operating results.....	2
(2) Explanation regarding financial position	2
(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements.....	3
2. Quarterly Consolidated Financial Statements and Significant Notes Thereto	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income..	6
Quarterly consolidated statement of income.....	6
Quarterly consolidated statement of comprehensive income.....	7
(3) Notes to quarterly consolidated financial statements	8
Notes on uncertainties of entity’s ability to continue as going concern.....	8
Notes when there is significant change in amount of equity.....	8
Segment information, etc.	8

1. Qualitative Information Regarding Results for the Three Months

(1) Explanation regarding operating results

During the first three months of the current fiscal year, the Japanese economy showed signs of gentle recovery mainly due to improvements in the employment and income environment and an increase in capital investment against the backdrop of firm corporate earnings. However, the outlook for the Japanese economy remains uncertain due to factors including rising commodity prices, volatility in financial capital markets, and concerns regarding a downturn in the economy caused by global monetary tightening.

In the information services industry in which the Group operates, initiatives for corporate digital transformation (DX) are proceeding, and we are seeing rising needs for a variety of related services.

In this environment, the Group has supported the digital transformation of client companies by providing LaKeel DX, an application development platform, and LaKeel Apps, a suite of products that operate on this platform. LaKeel DX uses our proprietary development method that utilizes microservices technology, which develops each of the software components and puts them together to create a system, to enable our clients to develop systems that suit their operations in a short period of time. Furthermore, one characteristic of LaKeel DX is that it is able to be used continuously without becoming obsolete as the software is able to keep up-to-date through updates to components only.

As a result, net sales for the period under review were ¥2,087,223 thousand (+13.5% year-on-year), operating profit was ¥282,951 thousand (+50.8% year-on-year), ordinary profit was ¥276,302 thousand (+45.7% year-on-year), and profit attributable to owners of parent was ¥188,919 thousand (+47.4% year-on-year).

Additionally, as all of the Group's business falls under the single segment of LaKeel Business, segment information has not been included. However, net sales by service are as follows.

Sales of Product Business amounted to ¥1,202,690 thousand (+11.3% year-on-year). Sales of new licenses for LaKeel products and subscription-based usage fees, as well as associated consulting services, have all seen significant growth.

Sales of Professional Services Business amounted to ¥884,532 thousand (+16.7% year-on-year). Recurring revenue derived from the maintenance and operation of existing systems provided by the Company in the past remained stable.

Type of services	Three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)		Three months ended March 31, 2024 (from January 1, 2024 to March 31, 2024)		Year-on-year	
	Amounts (Thousands of yen)	Composition (%)	Amounts (Thousands of yen)	Composition (%)	Amounts of change (Thousands of yen)	Percent change (%)
Product Business	1,080,521	58.8	1,202,690	57.6	122,169	11.3
Professional Services Business	757,935	41.2	884,532	42.4	126,597	16.7
Total	1,838,456	100.0	2,087,223	100.0	248,766	13.5

(2) Explanation regarding financial position

Assets

Current assets as of March 31, 2024, were ¥4,109,485 thousand, an increase of ¥100,171 thousand compared with the end of the previous fiscal year. This was mainly due to increases of ¥64,188 thousand in cash and deposits and ¥37,142 thousand in prepaid expenses included in other. Non-current assets were ¥2,486,964 thousand, an increase of ¥88,175 thousand compared with the end of the previous fiscal year. This was mainly due to a decrease of ¥5,210 thousand in property, plant and equipment due to depreciation, etc., despite increases of ¥26,440 thousand in intangible assets and ¥66,945 thousand in investments and other assets.

As a result, total assets were ¥6,596,449 thousand, an increase of ¥188,346 thousand compared with the end of the previous fiscal year.

Liabilities

Current liabilities as of March 31, 2024, were ¥2,103,597 thousand, a decrease of ¥9,013 thousand compared with the end of the previous fiscal year. This was mainly due to increases of ¥52,598 thousand in accounts payable - trade and ¥53,715 thousand in provision for bonuses, despite decreases of ¥74,051 thousand in contract liabilities and ¥58,686 thousand in income taxes payable. Non-current liabilities were ¥467,809 thousand, a decrease of ¥2,955 thousand compared with the end of the previous fiscal year. This was due to a decrease of ¥2,955 thousand in long-term lease liabilities.

As a result, total liabilities were ¥2,571,407 thousand, a decrease of ¥11,968 thousand compared with the end of the previous fiscal year.

Net assets

Total net assets as of March 31, 2024, were ¥4,025,042 thousand, an increase of ¥200,315 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥188,919 thousand in retained earnings.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

The consolidated earnings forecasts for the fiscal year ending December 31, 2024, remain unchanged from the forecasts in the “Consolidated Financial Results for the Fiscal Year Ended December 31, 2023” that was released on February 14, 2024.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of December 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	2,704,061	2,768,249
Notes and accounts receivable - trade, and contract assets	1,137,073	1,137,551
Work in process	11,093	9,090
Supplies	198	198
Income taxes refund receivable	525	340
Other	156,362	194,054
Total current assets	4,009,313	4,109,485
Non-current assets		
Property, plant and equipment		
Buildings	184,081	186,446
Accumulated depreciation	(51,694)	(54,753)
Buildings, net	132,387	131,693
Vehicles	8,209	4,290
Accumulated depreciation	(2,737)	(1,474)
Vehicles, net	5,471	2,816
Tools, furniture and fixtures	63,535	66,954
Accumulated depreciation	(50,302)	(50,520)
Tools, furniture and fixtures, net	13,232	16,434
Leased assets	101,042	57,841
Accumulated depreciation	(69,171)	(31,033)
Leased assets, net	31,871	26,807
Total property, plant and equipment	182,962	177,751
Intangible assets		
Goodwill	401,607	392,990
Software	402,176	541,841
Software in progress	193,656	89,148
Content assets	122,514	124,064
Other	46,083	44,433
Total intangible assets	1,166,037	1,192,478
Investments and other assets		
Investment securities	663,828	713,191
Leasehold and guarantee deposits	306,639	306,789
Deferred tax assets	16,240	31,493
Long-term accounts receivable - other	43,070	41,570
Other	20,010	23,691
Total investments and other assets	1,049,789	1,116,735
Total non-current assets	2,398,788	2,486,964
Total assets	6,408,102	6,596,449

(Thousands of yen)

	As of December 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	399,209	451,808
Short-term borrowings	600,000	600,000
Current portion of long-term borrowings	108,604	102,178
Lease liabilities	14,767	12,470
Accounts payable - other	92,695	97,351
Accrued expenses	100,981	93,128
Income taxes payable	176,238	117,552
Accrued consumption taxes	71,784	114,971
Contract liabilities	429,672	355,620
Provision for bonuses	39,024	92,739
Other	79,634	65,777
Total current liabilities	2,112,611	2,103,597
Non-current liabilities		
Long-term borrowings	400,000	400,000
Lease liabilities	18,951	15,996
Asset retirement obligations	51,813	51,813
Total non-current liabilities	470,764	467,809
Total liabilities	2,583,375	2,571,407
Net assets		
Shareholders' equity		
Share capital	1,015,538	1,015,538
Capital surplus	1,123,486	1,123,486
Retained earnings	1,624,734	1,813,654
Treasury shares	(283)	(283)
Total shareholders' equity	3,763,476	3,952,396
Accumulated other comprehensive income		
Foreign currency translation adjustment	42,800	53,355
Total accumulated other comprehensive income	42,800	53,355
Share acquisition rights	600	600
Non-controlling interests	17,849	18,691
Total net assets	3,824,727	4,025,042
Total liabilities and net assets	6,408,102	6,596,449

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
Quarterly consolidated statement of income

(Thousands of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Net sales	1,838,456	2,087,223
Cost of sales	1,191,784	1,373,680
Gross profit	646,672	713,542
Selling, general and administrative expenses	459,001	430,590
Operating profit	187,671	282,951
Non-operating income		
Interest income	129	116
Subsidy income	6,350	–
Other	73	40
Total non-operating income	6,553	156
Non-operating expenses		
Interest expenses	1,645	1,377
Foreign exchange losses	2,329	4,790
Loss on investments in investment partnerships	639	637
Other	0	0
Total non-operating expenses	4,614	6,806
Ordinary profit	189,610	276,302
Extraordinary income		
Gain on sale of non-current assets	–	1,576
Total extraordinary income	–	1,576
Profit before income taxes	189,610	277,878
Income taxes - current	73,143	103,944
Income taxes - deferred	(12,113)	(15,253)
Total income taxes	61,030	88,691
Profit	128,580	189,187
Profit attributable to non-controlling interests	405	268
Profit attributable to owners of parent	128,174	188,919

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Three months ended March 31, 2023	Three months ended March 31, 2024
Profit	128,580	189,187
Other comprehensive income		
Foreign currency translation adjustment	4,744	11,127
Total other comprehensive income	4,744	11,127
Comprehensive income	133,325	200,315
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	132,675	199,474
Comprehensive income attributable to non-controlling interests	649	841

(3) Notes to quarterly consolidated financial statements

Notes on uncertainties of entity's ability to continue as going concern

Not applicable.

Notes when there is significant change in amount of equity

Not applicable.

Segment information, etc.

As all of the Group's business falls under the single segment of LaKeel Business, segment information has been omitted.