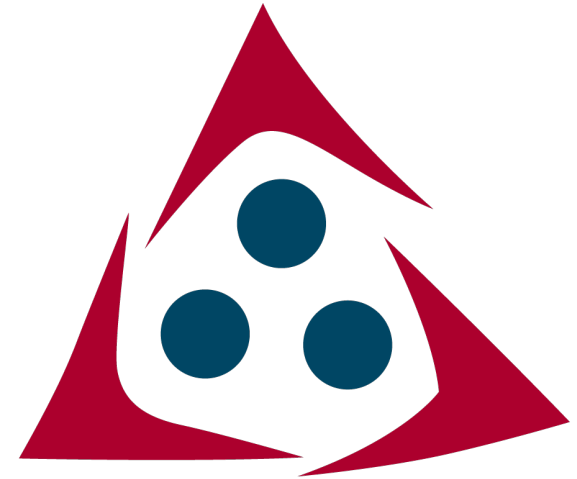


# FY12/2023 Q3 Financial Results

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LaKeel Inc, 14 November, 2023  
(TSE Growth : 4074)



# LaKeel

- 1. Highlights of FY12/2023 Q3 results**
- 2. Earnings trends and overview of consolidated results**
- 3. Guidance revision**
- 4. Our businesses and growth strategies**
- 5. Appendix**

# 1. Highlights of FY12/2023 Q3 results

# Highlights of FY12/2023 Q3 results

## YoY sales growth but profit declines on delays in product licenses

### Consolidated Earnings

YoY (Q1-Q3)

**Sales grow**  
**Profits decline**

### Product Services Sales

YoY (Q1-Q3)

**+7.6%**  
**(+¥225mn)**

### Professional Services Sales

YoY (Q1-Q3)

**+11.7%**  
**(+¥252mn)**

### Operating Profit

YoY (Q1-Q3)

**-12.6%**  
**(-¥65mn)**

### Recurring Profit

YoY (Q1-Q3)

**-8.0%**  
**(-¥38mn)**

### Net Income

YoY (Q1-Q3)

**-6.2%**  
**(-¥19mn)**

※ Net Income: Net income attributable to parent shareholders

# Highlights of FY12/2023 Q3 results (Product Services)

## Solid growth in subscriptions for LaKeel products

### Product Services Sales

Sales weighting, YoY (Q3; Jul-Sep)

**57.4% ⇒ 57.1%**

### Subscription<sup>※1</sup> User #

Qtr end YoY (end Q3)

**+14.0%**  
**(+38 users)**

272 users ⇒ 310 users

### Subscription<sup>※1</sup> Sales

YoY (Q1-Q3)

**+19.8%**  
**(+¥115mn)**

¥597mn ⇒ ¥712mn

### New products/functions



**LaKeel**  
**eDocument**

**eBookkeeping storage service**

(JIIMA certified: 502900-00)



### MRR <sup>※2</sup>

YoY (Q3; Jul-Sep)

**+20.6%**  
**(+¥14.1mn)**

¥68.5mn ⇒ ¥82.7mn

### ARPU<sup>※2</sup>

YoY (Q3; Jul-Sep)

**+5.8%**  
**(+¥15k)**

¥252k ⇒ ¥266k

※1 Subscriptions based on LaKeel products

※2 MRR (Monthly Recurring Revenue) = qtr subscription sales divided by 3, ARPU = MRR divided by qtr end # of users



**LaKeel**

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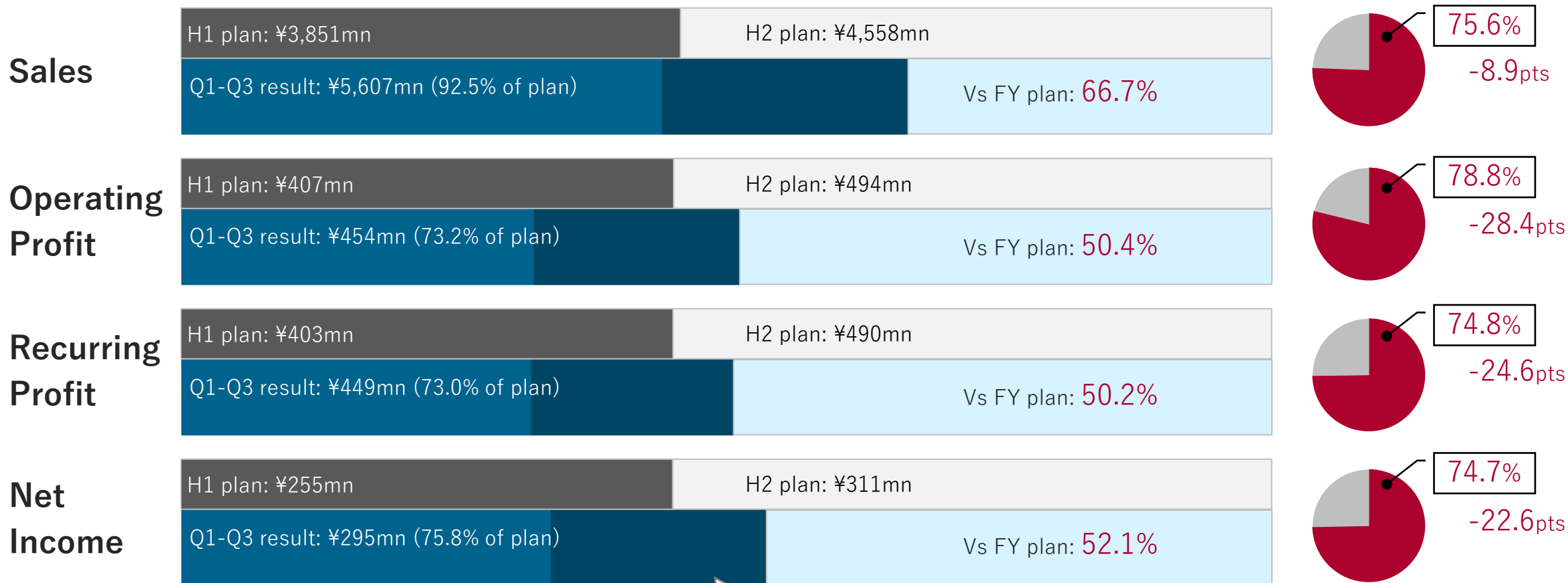
## 2. Earnings trends and overview of consolidated results

# Progress vs guidance

## Sales & profits below plan due to pushing back of Product Services \* orders

\*product sales & consulting services

Yr earlier Q1-Q3 progress



※ Net Income: Net income attributable to parent shareholders

■ 3Q

# Overview of Q3 results(Income statement)

## Sales rose but profits fell in Q3

(Units: ¥mn)	FY12/22 Q3	FY12/23 Q3	YoY growth	FY12/22 Q1-Q3	FY12/23 Q1-Q3	YoY growth
<b>Sales</b>	1,751	<b>1,899</b>	+8.4%	5,130	<b>5,607</b>	+9.3%
<b>Gross Profit</b>	657 (37.6%)	<b>602</b> (31.7%)	-8.5%	1,763 (34.4%)	<b>1,870</b> (33.4%)	+6.1%
<b>SG&amp;A</b>	407 (23.3%)	<b>439</b> (23.1%)	7.9%	1,244 (24.2%)	<b>1,416</b> (25.3%)	+13.9%
<b>Operating Profit</b>	250 (14.3%)	<b>162</b> (8.6%)	-35.1%	519 (10.1%)	<b>454</b> (8.1%)	-12.6%
<b>EBITDA</b>	328 (18.8%)	<b>252</b> (13.3%)	-23.1%	753 (14.7%)	<b>720</b> (12.9%)	-4.3%
<b>Recurring Profit</b>	245 (14.0%)	<b>161</b> (8.5%)	-34.0%	487 (9.5%)	<b>449</b> (8.0%)	-8.0%
<b>Net Income</b>	164 (9.4%)	<b>102</b> (5.4%)	-37.5%	314 (6.1%)	<b>295</b> (5.3%)	-6.2%

※ Net Income: Net income attributable to parent shareholders

Product Services  
orders delayed

- **Some large-sized orders planned for H2 may now be slip into FY12/24 or disappear, these have therefore been excluded from guidance.**

- Delayed license sales orders delaying consulting projects, which combined with poor license sales pressured profits.

SG&A declines

- Due to earlier than planned new grad hiring activities, expenses weighted to H1, to decline in H2.
- Training costs should decline as new grads complete training.



# Quarterly earnings trend

## Sales slight increase, but profits uneven due to status of license sales

(Units: ¥mn)	Q1	Q2	Q3	Q1-Q3 (cumulative)	FY guidance	Comment on quarterly trend
<b>Sales</b>	1,838	1,869	<b>1,899</b>	<b>5,607</b>	8,409	<div style="background-color: #333; color: white; padding: 5px; text-align: center;">Earnings largely flat</div> <ul style="list-style-type: none"> <li>Product Services margins declined due to delays in both the booking of some new license sales and the start of some consulting projects.</li> <li>Professional Services segment is solid, but not enough to lift overall profits.</li> </ul>
<b>Gross Profit</b>	646 (35.2%)	621 (33.2%)	<b>602</b> (31.7%)	<b>1,870</b> (33.4%)	—	
<b>SG&amp;A</b>	459 (25.0%)	517 (27.7%)	<b>439</b> (23.1%)	<b>1,416</b> (25.3%)	—	
<b>Operating Profit</b>	187 (10.2%)	103 (5.6%)	<b>162</b> (8.6%)	<b>454</b> (8.1%)	901	
<b>EBITDA</b>	276 (15.0%)	192 (210.3%)	<b>252</b> (13.3%)	<b>721</b> (12.9%)	—	
<b>Recurring Profit</b>	189 (10.3%)	97 (5.2%)	<b>161</b> (8.5%)	<b>449</b> (8.0%)	894	
<b>Net Income</b>	128 (7.0%)	64 (3.4%)	<b>102</b> (5.4%)	<b>295</b> (5.3%)	567	

※ Net Income: Net income attributable to parent shareholders

# Sales breakdown by service

## Product Services soft, Professional Services solid

(Units: ¥mn)		FY12/22 Q3	FY12/23 Q3	YoY growth	FY12/22 Q1-Q3	FY12/23 Q1-Q3	YoY growth
<b>Consolidated total</b>		1,751	<b>1,899</b>	8.4%	5,130	<b>5,607</b>	9.3%
<b>Product Services</b>		1,004	<b>1,074</b>	6.9%	2,977	<b>3,202</b>	7.6%
<b>Products</b>	<b>License</b>	112	<b>103</b>	-8.4%	297	<b>213</b>	-28.2%
	<b>Subscription (Lakeel products)</b>	205	<b>247</b>	20.4%	597	<b>712</b>	19.3%
	<b>Subscription (third party products)</b>	33	<b>32</b>	-3.2%	102	<b>99</b>	-3.1%
	<b>Other</b>	28	<b>26</b>	-6.7%	66	<b>83</b>	24.5%
<b>Consulting Services</b>		624	<b>664</b>	6.4%	1,912	<b>2,093</b>	9.5%
<b>Professional Services</b>		747	<b>825</b>	10.5%	2,153	<b>2,405</b>	11.7%
<b>Discretionary (flow)</b>		53	<b>22</b>	-58.2%	89	<b>77</b>	-12.9%
<b>Recurring revenue</b>		693	<b>802</b>	15.8%	2,064	<b>2,327</b>	12.8%

Product Services soft

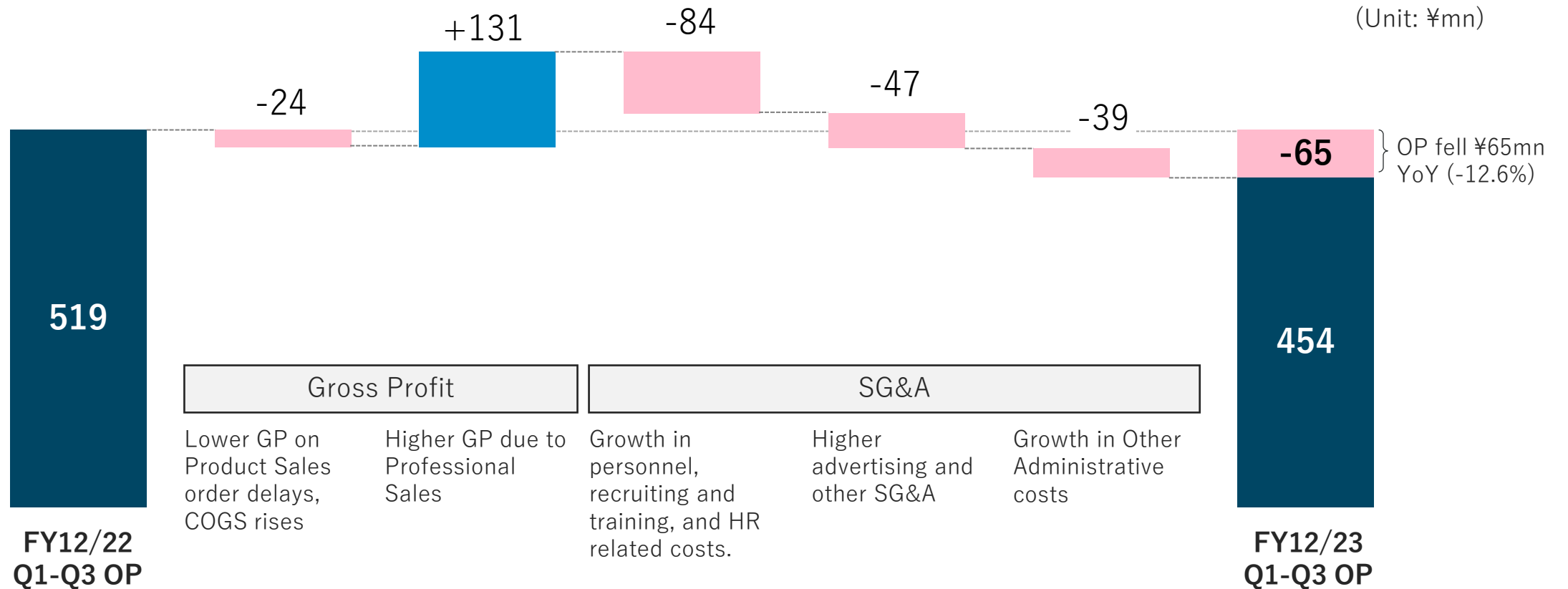
- Due to delays in booking some license sales orders, expected consulting projects also pushed back, dragging down profits.
- However, subscription sales continued to post steady growth.

Professional Services solid

- Professional Services largely in line with the plan.

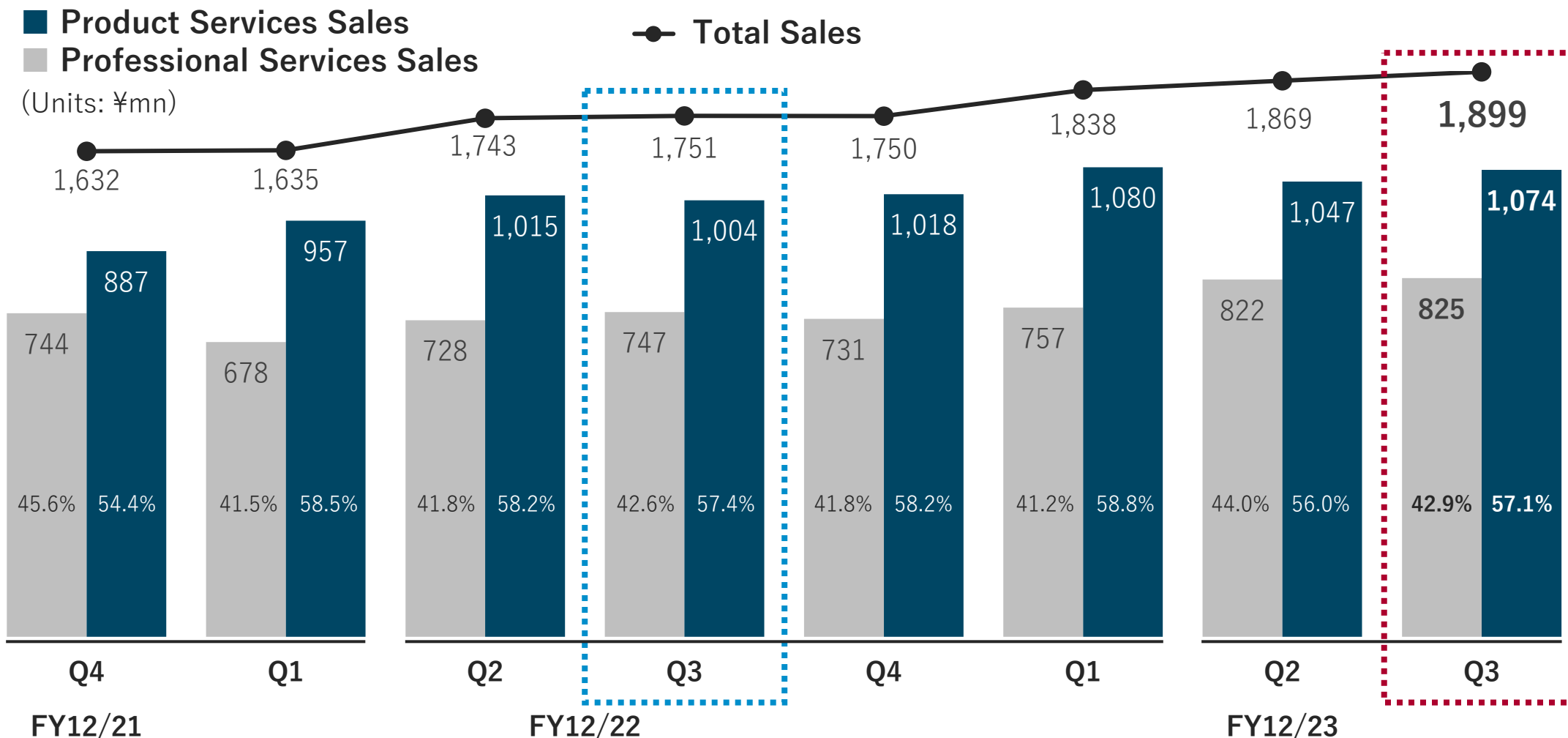
# Operating profit variance analysis

## Profits decline due to softening in Product Services



# Trend in sales contribution by service

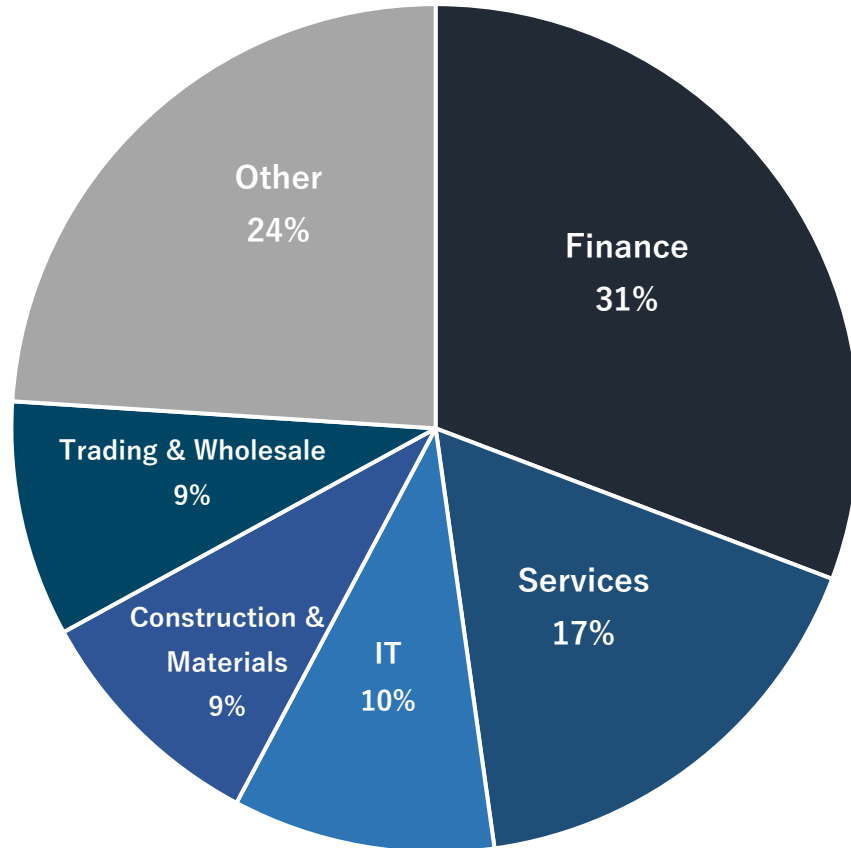
## Slight increase in Professional Services sales weighting



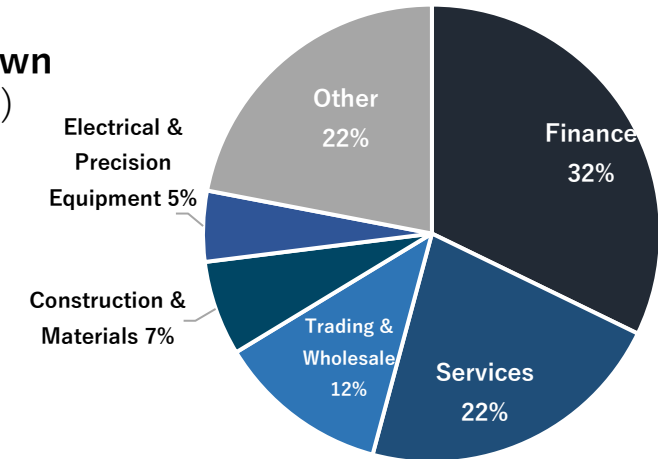
# Sales by client industry

## Finance, Services continue to grow

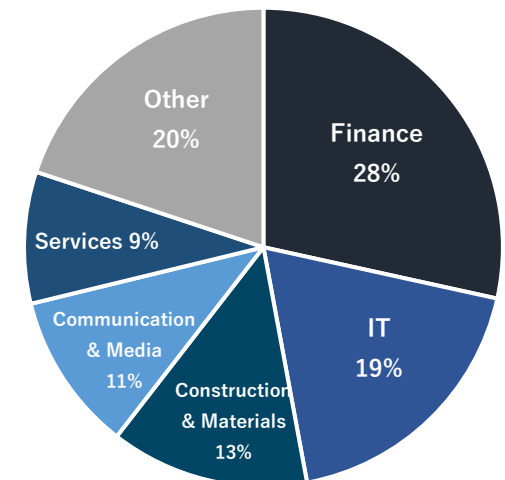
■ Industry breakdown (total)



■ Industry breakdown (Product Services)



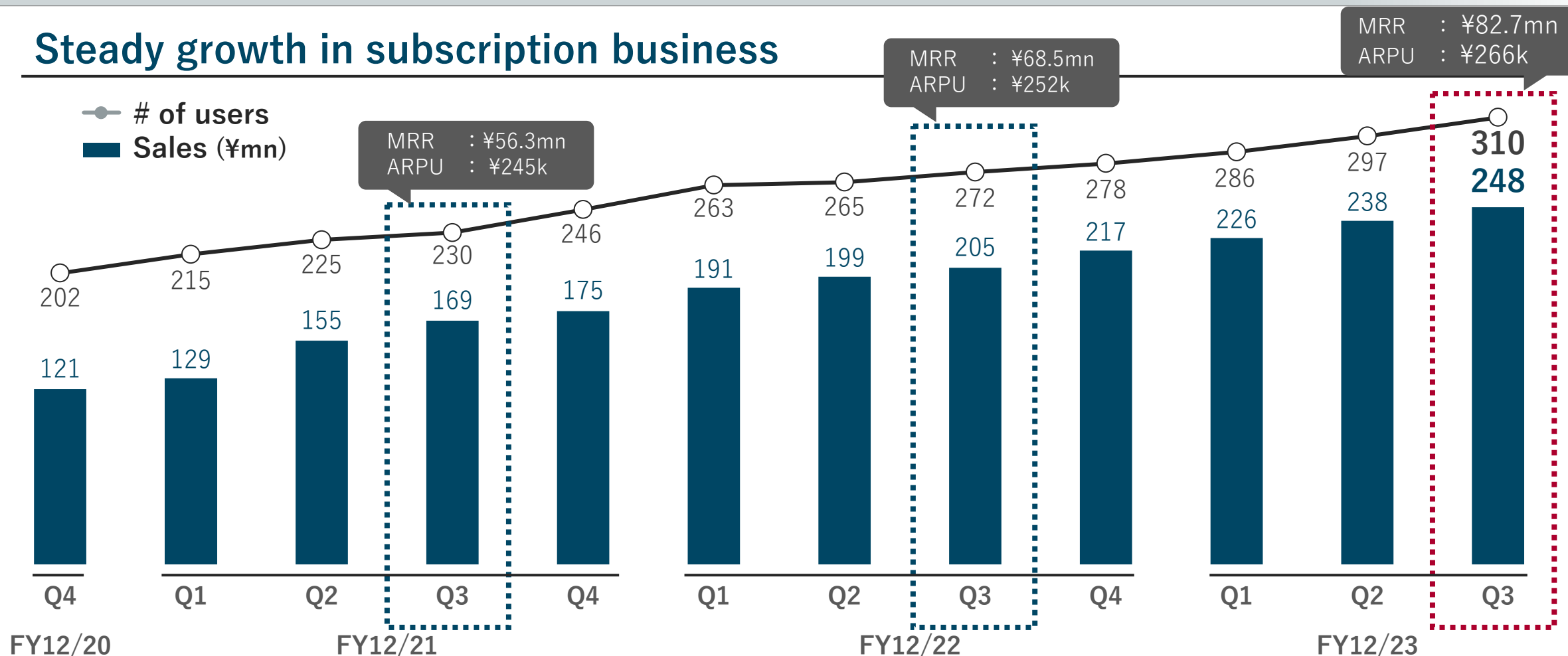
■ Industry breakdown (Professional Services)



※ FY12/22 Q4- FY12/23 Q3 (12mth), LaKeel parent sales basis

# LaKeel Products※1Subscription based sales※2 & Trend in # of users

## Steady growth in subscription business



※1 LaKeel Products include DX, BI, HR, Workflow, Commerce, Online Media Service, Data Insight, Messenger, My Number, Stress Check, Process Manager.

※2 Sales is quarterly total, # of user as of the end of each quarter

※3 MRR(Monthly Recurring Revenue) = average monthly sales for quarter. ARPU = MRR divided by # of quarter-end users

# Overview of FY12/23 Q3 results (Balance sheet)

(Unit : ¥mn)	FY12/22 Q3 end	FY12/22 end	FY12/23 Q3 end	+/- vs FY12/22 end
<b>Current assets</b>	3,998	4,183	<b>4,404</b>	5.3%
<b>Cash &amp; deposits</b>	3,052	3,230	<b>3,279</b>	1.5%
<b>Fixed assets</b>	1,627	1,604	<b>1,705</b>	6.3%
<b>Goodwill</b>	444	436	<b>410</b>	-5.9%
<b>Total assets</b>	5,625	5,787	<b>6,109</b>	5.6%
<b>Current liabilities</b>	1,900	2,435	<b>2,454</b>	0.8%
<b>Non-current liabilities</b>	589	80	<b>68</b>	-15.1%
<b>Net assets</b>	3,135	3,271	<b>3,586</b>	9.6%
<b>Own equity</b>	3,116	3,254	<b>3,568</b>	9.7%
<b>(Equity ratio)</b>	55.4%	56.2%	<b>58.4%</b>	2.2P
<b>Non-controlling interests</b>	18	16	<b>18</b>	7.0%

## Financial strength

- Cash and deposits ¥3.28bn, largely unchanged vs end FY12/22.
- Interest-bearing debt ¥1.11bn (all short-term).
- Equity ratio rises to 58.4%

## Goodwill booking and amortisation

- Goodwill of ¥0.6bn booked due to Nov 2017 MBO and subsidiary acquisition in Dec 2018, ¥0.41bn remaining as of Q3 end
- Amortizing over 12~20 years to match estimated period of benefit, appropriately reflected in earnings

## Stock options

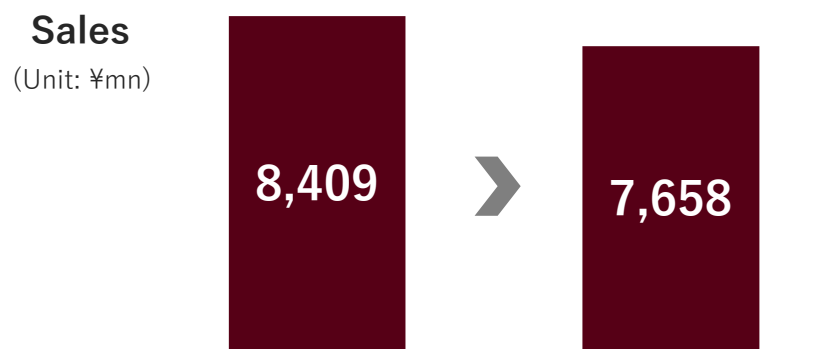
- Issued trust-type stock options in July 2019.
- These stock options have not yet been exercised and will not impact earnings in the future or in the past.

## 3. Guidance revision



# FY12/23 Consolidated earnings guidance revision (Sales)

## Lowering sales guidance



**Initial guidance**

**Revised guidance**

FY12/22 Actual	FY12/23 Initial guidance		FY12/23 Revised guidance	
Amount	Amount	YoY	Amount	YoY
6,880	8,409	+22%	7,658	+11%

**Quarterly sales trends** (¥mn)

	Q1	Q2	Q3	Q4	FY
Sales (Initial guidance)	3,851		4,558		8,409
Sales (Revised guidance)	1,838	1,869	1,899	2,050	7,658
			(E)	(E)	(E)

### Product Services

- Timing for booking of large-size license orders expected in Q2 now uncertain, so these were removed from FY12/23 guidance.
- Q4 license orders expected to be around ¥170-200mn.
- Full-FY12/23 license sales now projected at ¥380-400mn, below the initial target of ¥480mn.
- Given softer license sales, subscription sales and consulting projects also likely to fall short of initial forecasts.
- Subscription sales initially projected at ¥1.04bn, but now expected to be ¥950-980mn. Also consulting sales are expected to be ¥2.8-2.9bn, compared to the initial forecast of ¥3.36bn.

### Professional Services

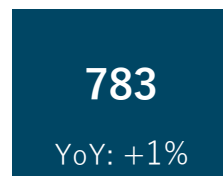
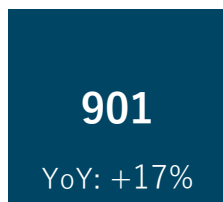
- Q4 sales expected at around ¥800mn, which would take full-FY12/23 sales in the segment to around ¥3.2bn, slightly below initial guidance of ¥3.3bn.
- Among current projects, client demand is higher for maintenance/enhancement of existing systems over new development, which is expected to lift the proportion of recurring revenues higher.



# FY12/23 Consolidated earnings guidance revision (Profits)

## Also lowering profit guidance

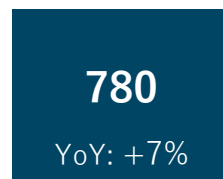
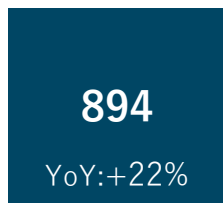
### Operating Profit (¥mn)



#### Quarterly Operating Profit

Q1	Q2	Q3	Q4	FY
407		494		901
187	103	162	329	783
			(E)	(E)

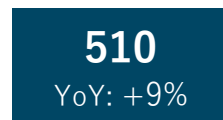
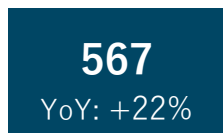
### Recurring Profit (¥mn)



#### Quarterly Recurring Profit

Q1	Q2	Q3	Q4	FY
403		490		894
189	97	161	331	780
			(E)	(E)

### Net Income (¥mn)



#### Quarterly Net Income

Q1	Q2	Q3	Q4	FY
255		311		567
128	64	102	214	510
			(E)	(E)

Initial guidance

Revised guidance

### Operating Profit

- Gross profit is also likely to be lower than initially expected due to the lowered sales guidance. Gross margin projected at about 34% for the full-year.
- However, SG&A is likely to increase, with the full-year SG&A to sales projected at 24-25%.
- Therefore, OP for full-FY12/23 expected to be around ¥770-790mn, with an OPM of about 10%.

### Recurring Profit & Net Income

- Do not expect any major non-operating or extraordinary items.
- Following the downward revision to OP, RP also cut from ¥894mn to ¥780mn and NI from ¥567mn to ¥510mn.

※ Net Income: Net income attributable to parent shareholders

## 4. Our businesses and growth strategies

# Vision and business details

**Digital Native Company**  
~Creating the future today~



“A better digital relationship for business”

2 services supporting corporate Digital Transformation (DX)

## Product Services

## DX related services

### ■ LaKeel DX/Apps

- **LaKeel DX:** aPaaS platform for sustainable software development and operation
- **LaKeel Apps:** Products for use on LaKeel DX

### ■ Consulting services

- Implementation and optimisation of LaKeel DX/Apps
- Analysis of big data collected by LaKeel DX

## Professional Services

## System related services

### ■ System development services

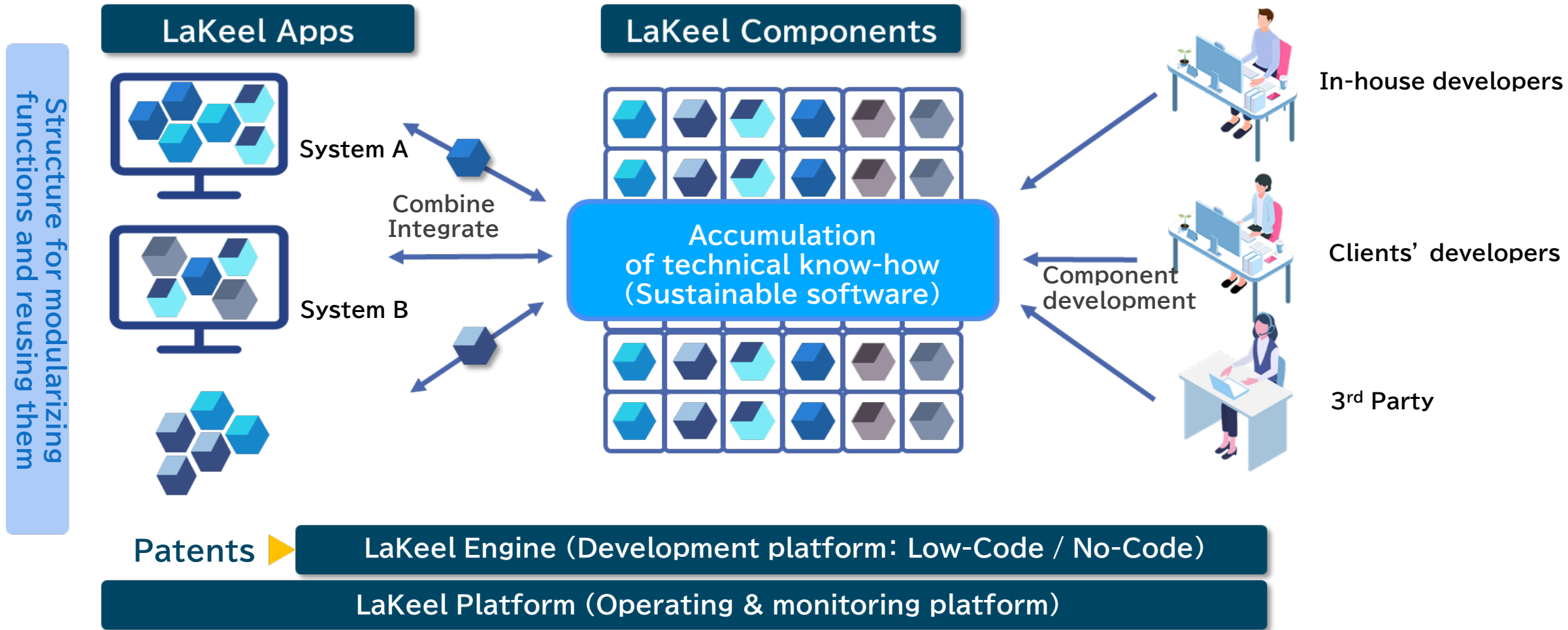
- Legacy systems migration, cloud migration from on-premise systems
- System development from scratch

### ■ System maintenance services

# Sustainable software architecture

Technology that continues to grow and change, avoiding obsolescence

✧ LaKeel DX feature layer



# LaKeel Apps (Product suite)

## 14 LaKeel Apps that support companies

### BI (Business Intelligence) tool



Data analysis for large-scale data such as management, accounting or HR. Presents data in an easy-to-understand format to enhance business strategy formulation process.



### Data analysis/management platform



Big data analytics platform that leverages cloud technology. Additional functionality from microservices such as visualization tools and analytics.



### LaKeel Messenger



Corporate SNS tool

### LaKeel Stress Check



Occupational health tool

### LaKeel Passport



User access control platform

### HR strategy platform



The concept of this HR core business system is to support the execution of HR strategies. It provides a wide range of data management functions, such as talent data and people data, business process standardization, and automation of next actions in addition to analysis.



### Microlearning platform



Specializes in labor, safety, food and occupational harassment. Support provided in several languages including English, Chinese, Vietnamese, Nepalese, Burmese, Brazilian Portuguese



### LaKeel Process Manager



Workflow management platform

### LaKeel Workflow



High-performance workflow system

### LaKeel My Number



Platform to manage 'My Number' IDs

### LaKeel Survey



Survey data management platform

### LaKeel eDocument



eBook-keeping storage service

### LaKeel Commerce



Ecommerce tool

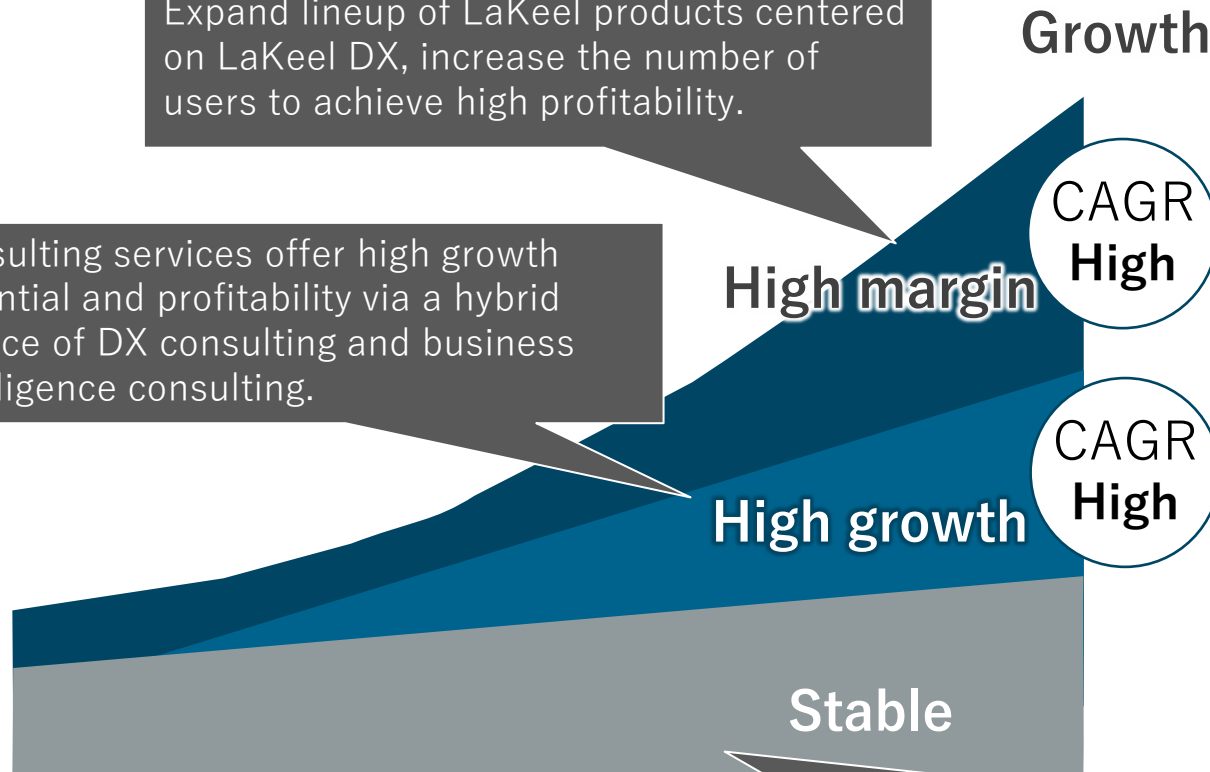
# Growth strategy: Service portfolio

## Focus on Product Services segment that is expected to be highly profitable

Long term, aim for continuous up-sell and cross-sell to drive higher Life Time Value (LTV)

Expand lineup of LaKeel products centered on LaKeel DX, increase the number of users to achieve high profitability.

Consulting services offer high growth potential and profitability via a hybrid service of DX consulting and business intelligence consulting.



Professional Services already has stable recurring revenues, but more cross-selling will guide existing customers to Product Services and DX business

### ■ Product services (LaKeel DX/Apps)

- Earnings focused on ongoing high margins

**License + subscription fees**

### ■ Consulting services

- Earnings focused on high growth with advanced technology

**Discretionary (flow) business**

### ■ Professional services

- Earnings focused on stability and continuity

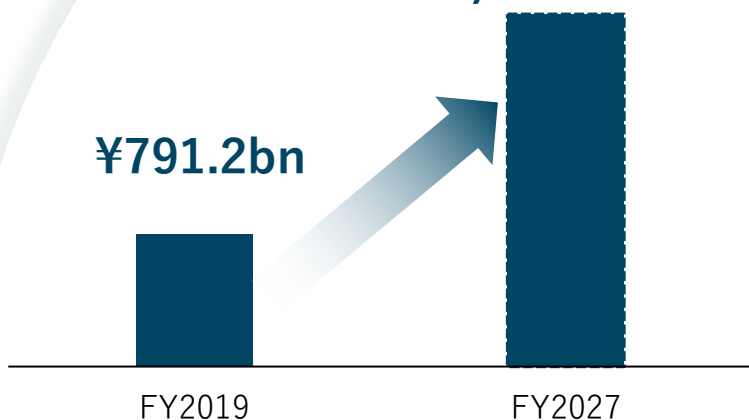
**Discretionary and recurring revenues**

# Growth strategy: DX market size

## DX market in Japan (2027 E)

¥2,107.4bn

¥791.2bn

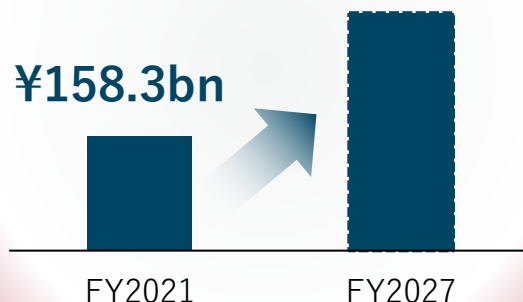


Source: Fuji Chimera Research Institute, Inc  
Expect CAGR of 13.0% based on "2020 Future Prospects of Digital Transformation Market." (chart by LaKeel)

## Our DX target market (for 2027)

¥329.5bn

¥158.3bn



Source: Expect CAGR of 13% in the domestic DX market, chart by LaKeel

## DX global market (2027E)

¥143.32tn\*

\*\$1.30tn, ¥110/\$

Source: Global Information, Inc  
Global Digital Transformation Market By Component, By Deployment Type, By Enterprise Size, By End User, By Regional Outlook, Industry Analysis Report and Forecast, 2021 - 2027

## Existing client information

No. of clients :	<b>340</b>	2021 results
Sales:	<b>¥85.82tn</b>	Listed cos: Disclosed materials Unlisted: Teikoku Data Bank, Tokyo Shoko Research
IT budgets:	<b>¥1.06tn</b> (1.23% of sales)	Source: Corporate IT Trends Survey Report 2021 by JUAS
DX budgets:	<b>¥158.3bn</b> (15% of IT budgets)	LaKeel forecasts



# Growth strategy: LaKeel's vision

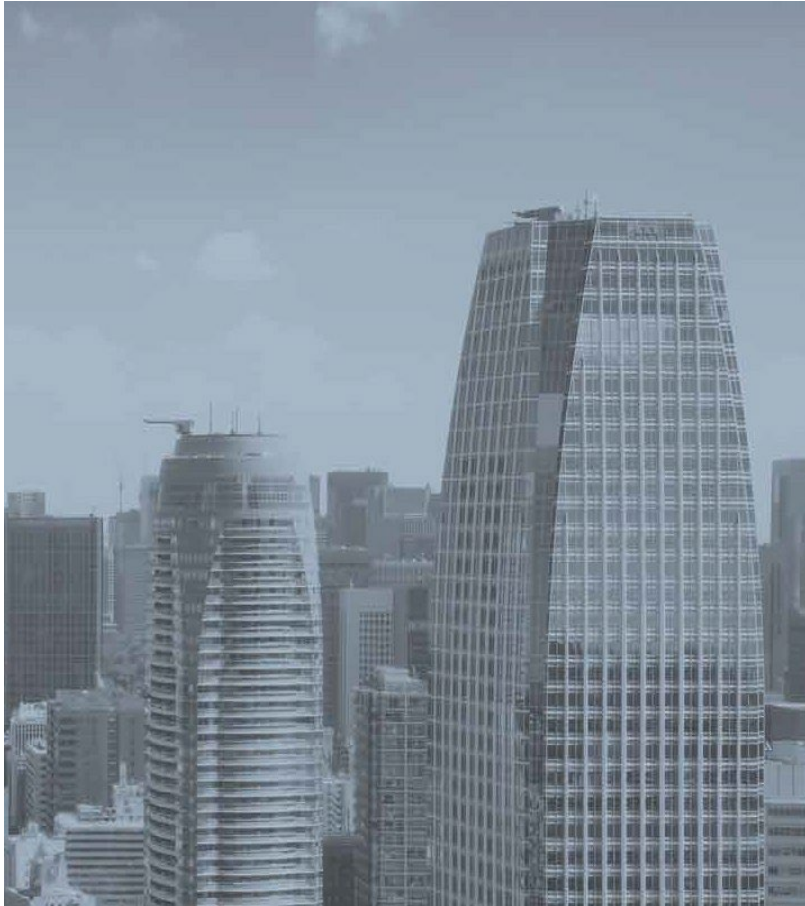


LaKeel proactively develops DX solutions using its high technical capabilities and business insights. Through the widespread adoption of LaKeel DX (Application PaaS) as a digital business platform for client companies, we will build a “LaKeel DX economy” where software components are distributed among companies to generate profits and create a new market called the software component industry.

We are aiming to be an Application Platformer (Application PaaS=Platform-as-a-Service). Our goal is to create a new paradigm for IT services and realize our purpose of “Creating the future today.”

# 5. Appendix

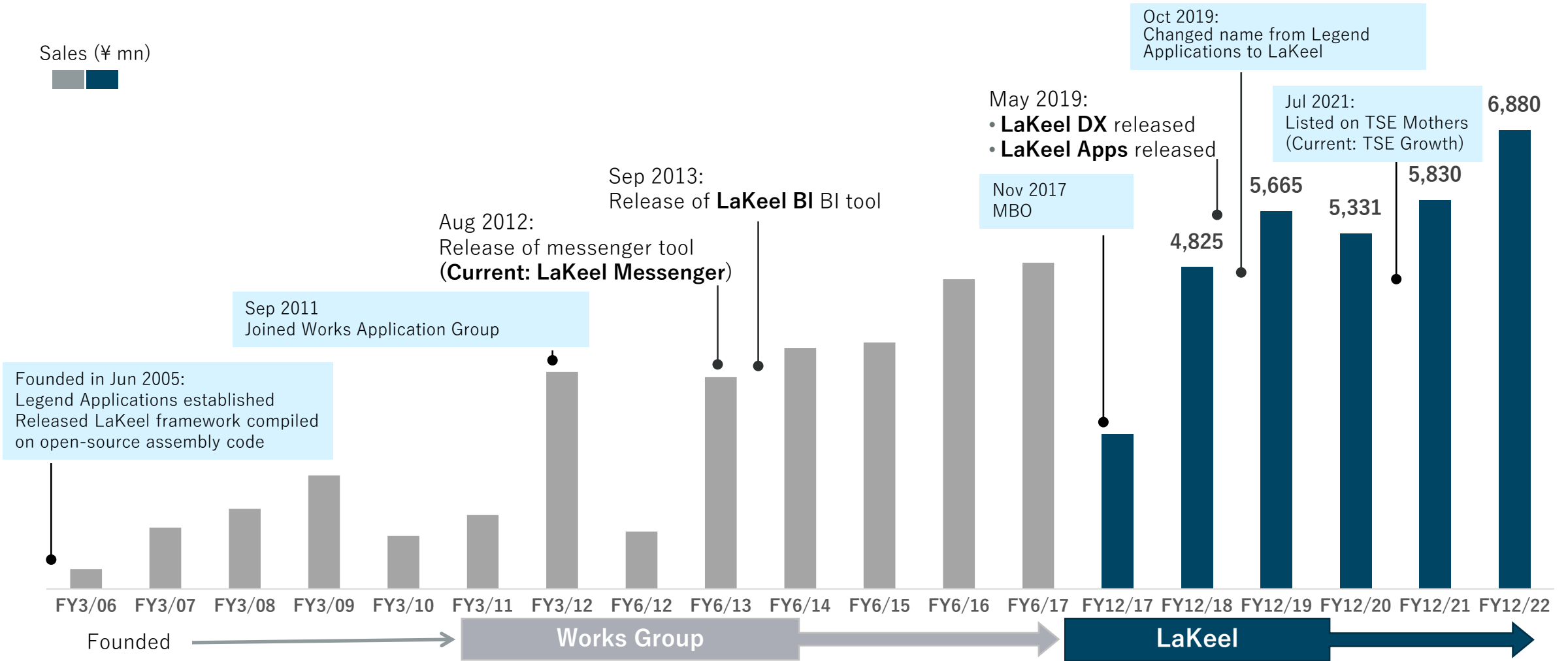
# Company overview



Company	LaKeel, Inc.
Founded	10 June 2005
Capital	¥1,014bn (as of 31 Dec 2022)
Head Office	Atago Green Hills MORI Tower.33F 2-5-1 Atago, Minato-ku, Tokyo, Japan
CEO	Tsutomu Kubo
Business portfolio	Supports digital transformation (DX) at corporates via its 2 business segments (Product Services and Professional Services)
No. of employees	413 (consolidated, as of 31 Dec 2022)
Group companies	Legend Applications China Holding, Inc. Legend Applications China Co., Ltd. ZEST, Inc.
Market	TSE Growth
Sector	Information & Communication
Code	4074 (ISIN JP3967020003)

# Timeline

Sales (¥ mn)

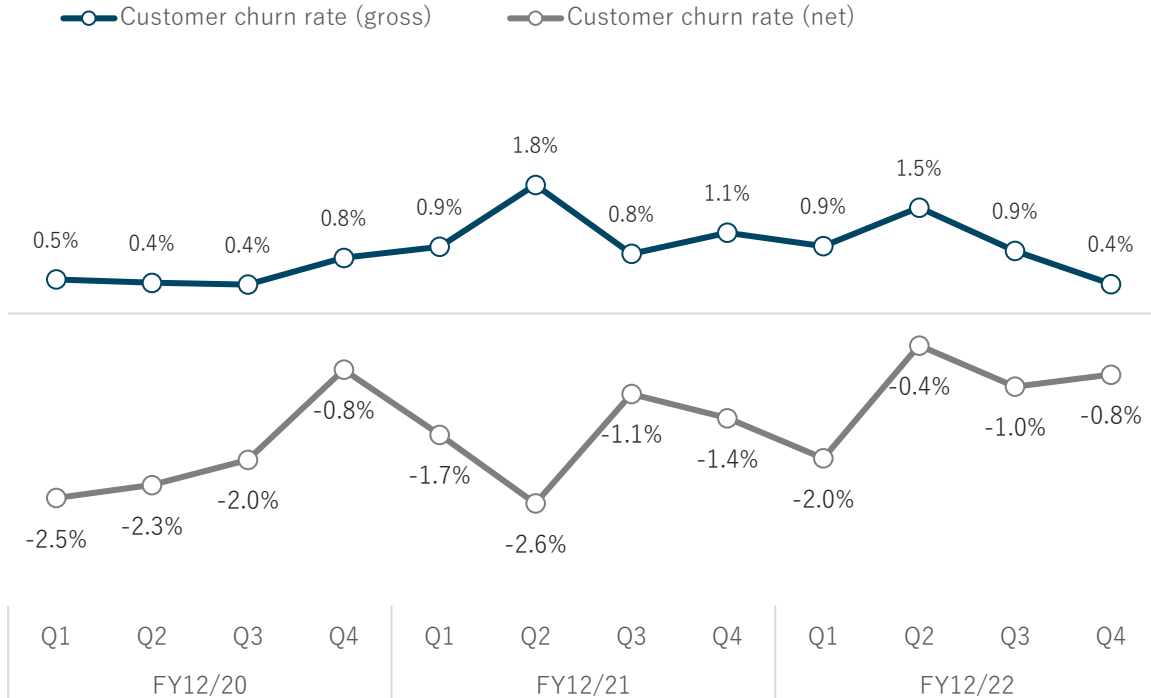


\*1 Consolidated accounts from FY12/18. Parent prior to that. \*2 FY6/12 was a 3m period due to change in accounting period \*3 For FY12/17, Sales shown for Legend Applications between 1 Jul-31 Dec 2017

# Product Services

## Continued net growth. ARPU also rising on LaKeel DX growth

### LaKeel product churn rate



In this presentation we define churn rate as follows:

- Customer churn rate (gross)  
(Avg for period of # of users cancelling in a month / # of users at month end)
- Customer churn rate (net)  
(Avg for period of (# of users cancelling in a month - # of new users signing up) / # of users at month end)

### LaKeel DX/Apps sales (FY12/21→FY12/22)

LaKeel products	FY12/21	FY12/22	YoY
<b>Subscription sales (yr)</b>	¥628.7mn	¥814.7mn	30%
<b># of users (FY end)</b>	246	278	13%
<b>MRR (As of Q4)</b>	¥58.5mn	¥72.5mn	24%
<b>ARPU (As of Q4)</b>	¥237k	¥260k	10%

(Breakdown)

#### LaKeel DX

<b>Subscription sales (yr)</b>	¥88.3mn	¥172.4mn	95%
<b># of users (FY end)</b>	6	8	33%
<b>MRR (As of Q4)</b>	¥11.1mn	¥15.1mn	37%
<b>ARPU (As of Q4)</b>	¥1,852k	¥1,897k	2%

#### LaKeel Apps

<b>Subscription sales (yr)</b>	¥540.4mn	¥642.2mn	19%
<b># of users (FY end)</b>	240	270	13%
<b>MRR (As of Q4)</b>	¥47.4mn	¥57.3mn	21%
<b>ARPU (As of Q4)</b>	¥197k	¥212k	8%

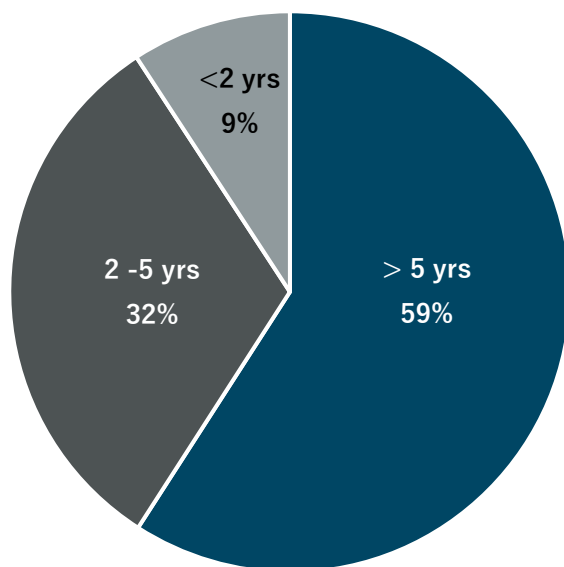
- MRR (Monthly recurring revenues: (Quarterly subscription sales / 3)
- ARPU: MRR / (No. of users at end-quarter)

# Professional Services

## Client base offering stable profits

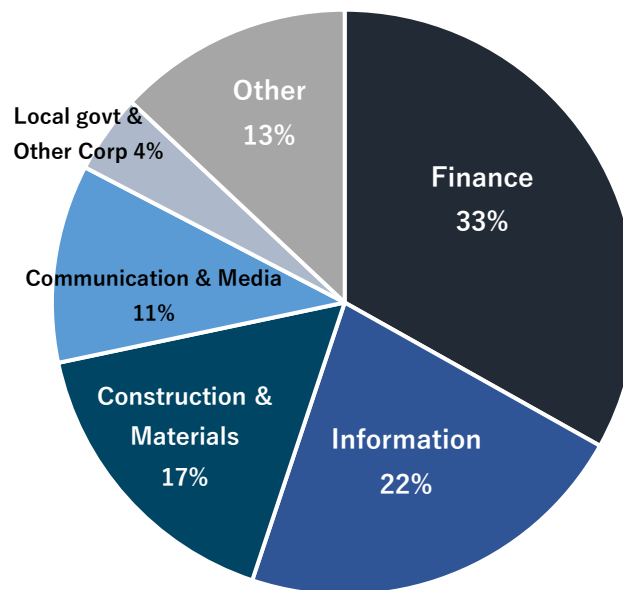
- Business centered on clients such as major construction companies with whom we have had business since the company's founding
- **Business with more than 200 companies in a wide range of industries**, recently notable increase in finance
- 2/3 of sales generated by customers with annual spend over ¥100mn

— Length of business relationship —



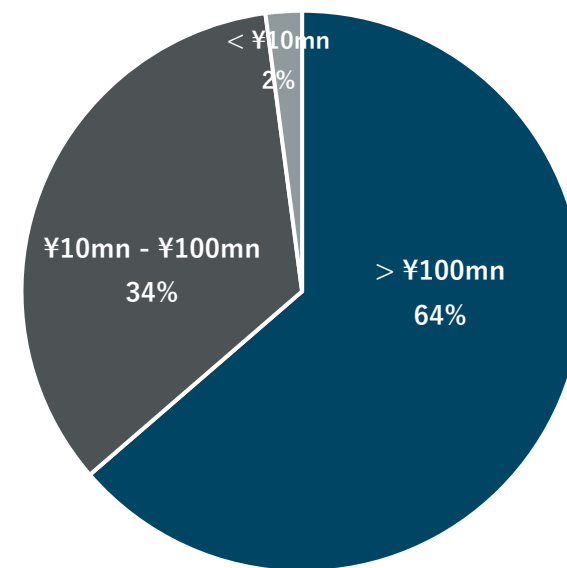
Length of client business relationship (% of total sales)  
(FY12/22 results)

— Clients by industry —



Sales by industry (% of total sales)  
(FY12/22 results)

— By annual spend —

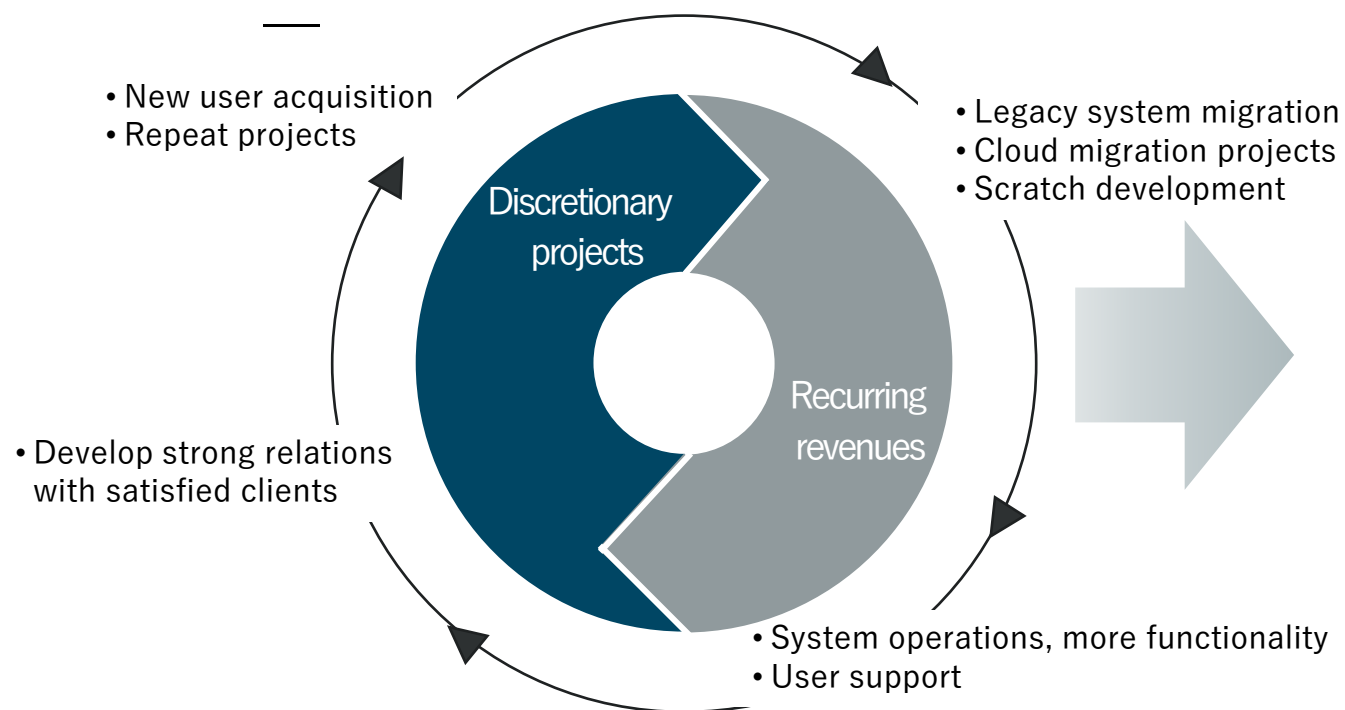


Annual spend per client (% of total sales)  
(FY12/22 results)

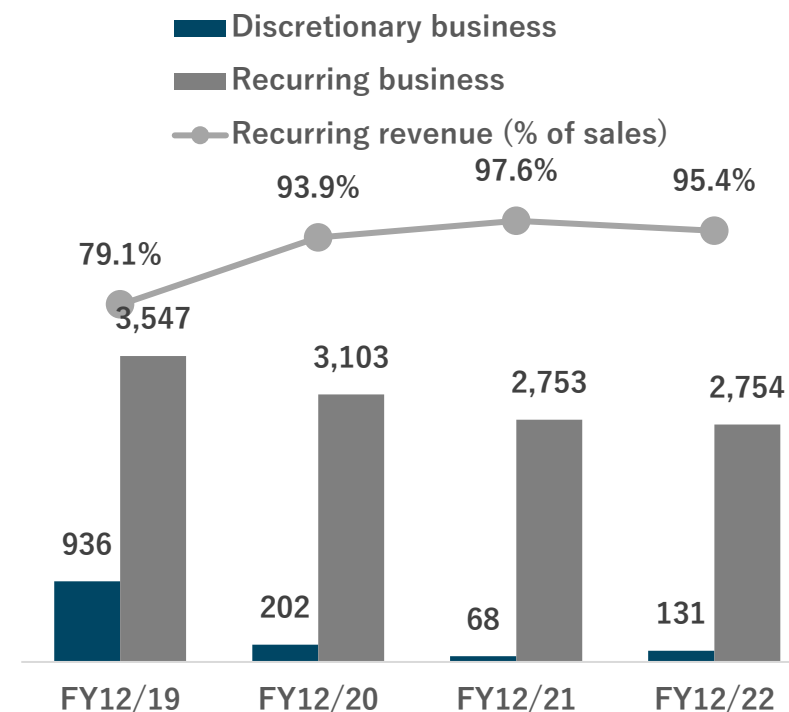
# Professional Services

Over 90% of sales are stable recurring revenues

## High value-added business model

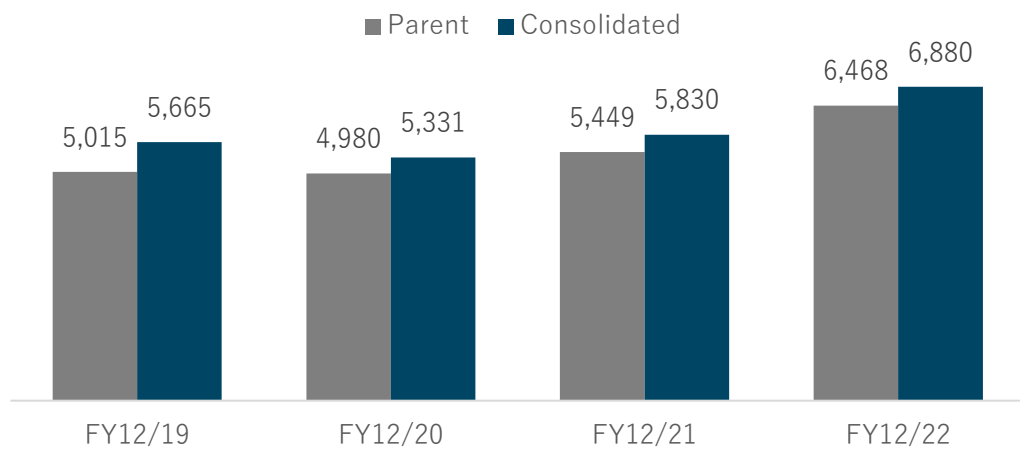


Types of business (¥mn)

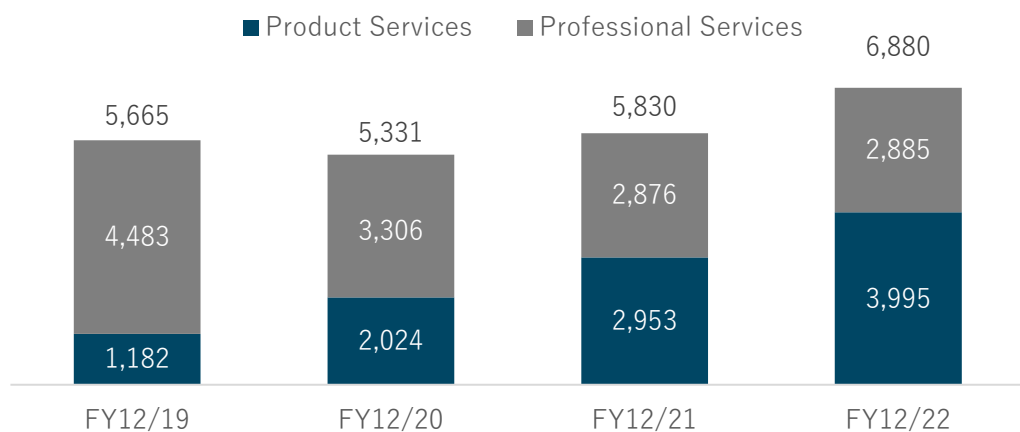


# Financial Highlights

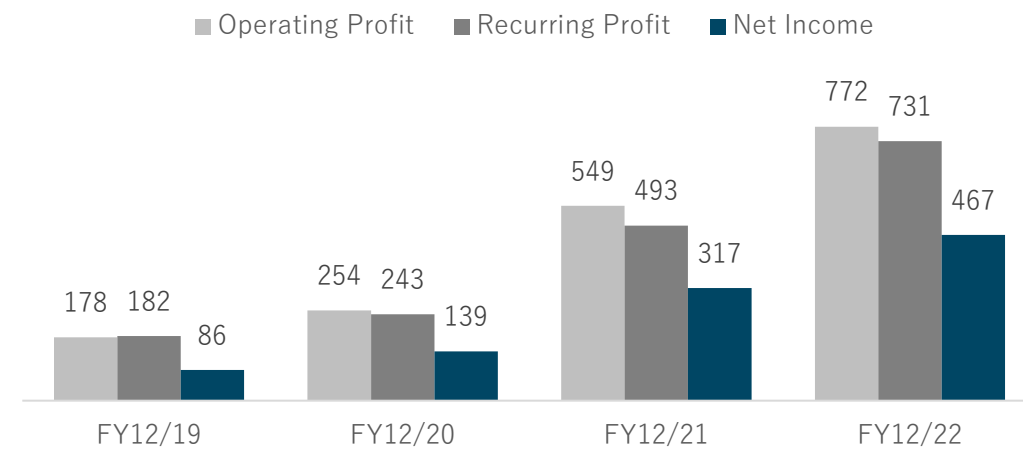
## Sales (¥mn)



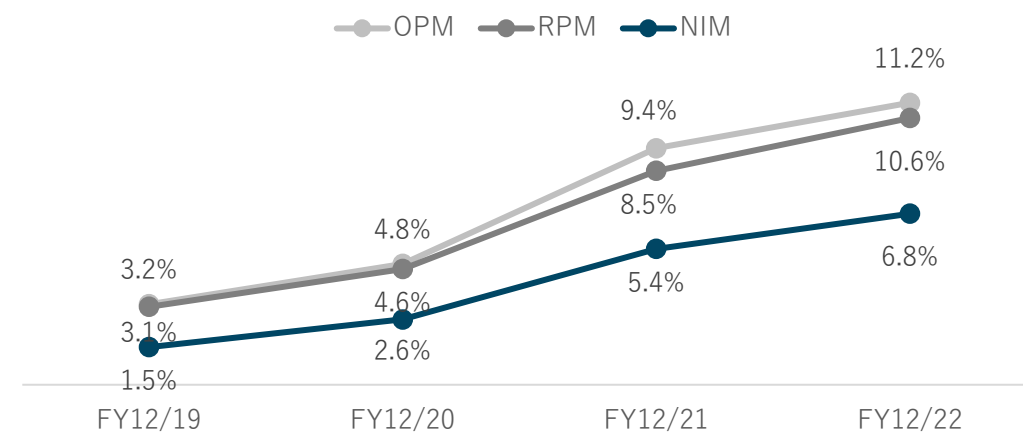
## Sales by segment (¥mn, consolidated)



## Profit (¥mn, consolidated)

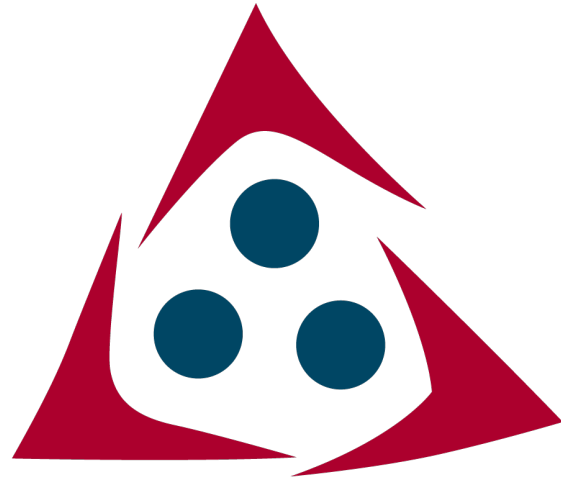


## Profit margins (% , consolidated)



※ Net Income: Net income attributable to parent shareholders





# LaKeel

## Forward-looking statements

- Materials and information in this presentation may include so-called "forward-looking statements." These statements are based on current expectations, forecasts and assumptions that are subject to risks and uncertainties that could cause outcomes and results to differ materially from these statements.
- Risks and uncertainties include general industry and market conditions, and general domestic and international economic conditions such as interest rate and currency exchange fluctuations.
- The company are not obliged to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

## LaKeel

**Corporate site**

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