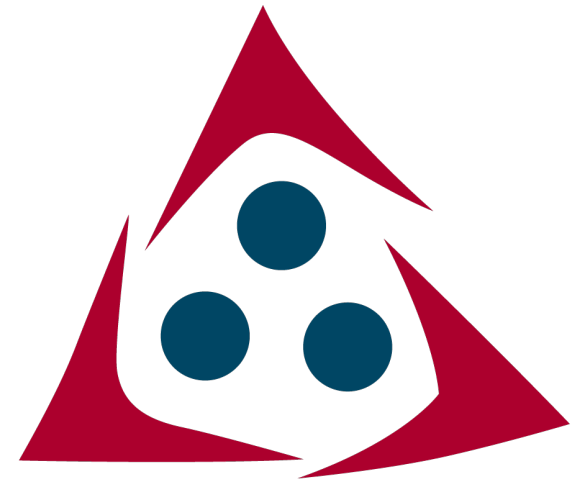


FY12/2023 Q2 & H1 Financial Results

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



LaKeel

- 1. Highlights of FY 12/2023 H1 results**
- 2. Earnings trends and overview of consolidated results**
- 3. Our businesses and growth strategies**
- 4. Appendix**

1. Highlights of FY12/2023 H1 results



Highlights of FY12/2023 H1 results

Continued YoY sales and profit growth in H1

Consolidated Results

YoY

**Sales & Profit
Growth**

Product Services Sales

YoY

+7.9%
(+¥155mn)

Professional Services Sales

YoY

+12.4%
(+¥174mn)

Operating Profit

YoY

+8.5%
(+¥22mn)

Recurring Profit

YoY

+18.3%
(+¥44mn)

Net Income

YoY

+28.1%
(+¥42mn)

※ Net Income: Net income attributable to parent shareholders

Highlights of FY12/23 H1 (Product)

Solid growth in subscriptions for LaKeel products

Product Services Sales

Sales weighting, YoY (H1)

58.4% ⇒ 57.4%

Subscription^{※1} User

Q2 end YoY

+12.1%
(+32 users)

265 users ⇒ 297 users

Subscription^{※1} Sales

YoY (H1)

+18.7%
(+¥73mn)

¥391mn ⇒ ¥464mn



MRR^{※2}

YoY (Q2; Apr-Jun)

+19.4%
(+¥129mn)

¥66.5mn ⇒ ¥79.4mn

ARPU^{※2}

YoY (Q2; Apr-Jun)

+6.5%
(+¥16k)

¥251k ⇒ ¥267k

※1 Subscriptions based on LaKeel products

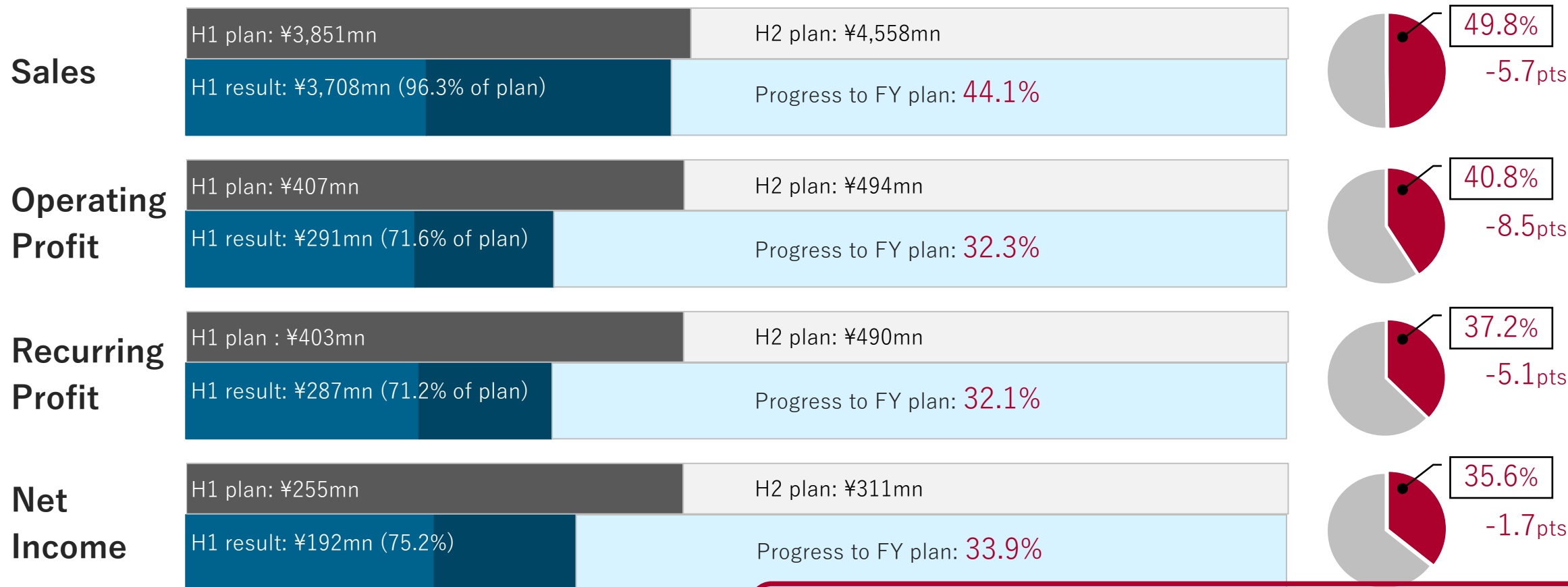
※2 MRR (Monthly Recurring Revenue) = quarterly subscription sales divided by 3, ARPU = MRR divided by quarter end # of users

2. Earnings trends and overview of consolidated results

Progress vs guidance

Sales below H1 plan as some license sales delayed; FY guidance unchanged

Yr earlier H1 progress



※ Net Income: Net income attributable to parent shareholders

H1 run rate low as booking of some expected large license contracts slipped back to H2.
FY guidance unchanged as these contracts expected in H2.

Overview of FY12/2023 Q2 and H1 results (Income statement)

Q2 YoY sales growth and profit decline, H1 YoY sales and profit growth

(Units: ¥mn)	FY12/22 Q2	FY12/23 Q2	YoY growth	FY12/22 H1	FY12/23 H1	YoY growth
Sales	1,743	1,869	7.3%	3,378	3,708	9.8%
Gross Profit	597 (34.2%)	621 (33.2%)	4.1%	1,105 (32.7%)	1,268 (34.2%)	14.7%
SG&A	448 (25.7%)	517 (27.7%)	15.4%	836 (24.8%)	976 (26.3%)	16.8%
Operating Profit	148 (8.5%)	103 (5.6%)	-30.0%	268 (8.0%)	291 (7.9%)	8.5%
EBITDA	225 (12.9%)	192 (10.3%)	-14.7%	424 (12.6%)	468 (12.6%)	10.4%
Recurring Profit	132 (7.6%)	97 (5.2%)	-26.3%	242 (7.2%)	287 (7.7%)	18.3%
Net Income	82 (4.7%)	64 (3.4%)	-21.9%	150 (4.4%)	192 (5.2%)	28.1%

Profits decline as booking of some license delayed

- Profits declined in Q2 as expected booking of some large license sales in Q2 was delayed.
- These contracts are now expected in H2 so FY guidance left unchanged

SG&A rises YoY, mainly investment in talent

- Labour costs rose due to new graduate hiring and wage hikes.
- Due to acceleration of recruiting activities and expenses, almost achieved new graduate hiring target for next FY.

※ Net Income: Net income attributable to parent shareholders

Sales breakdown by service

Product Services and Professional Services both growing

(Units: ¥mn)		FY12/22 Q2	FY12/23 Q2	YoY growth	FY12/22 H1	FY12/23 H1	YoY growth
Consolidated total		1,743	1,869	7.3%	3,378	3,708	9.8%
Product Services		1,015	1,047	3.2%	1,972	2,128	7.9%
Products	License	122	31	-74.4%	185	110	-40.3%
	Subscription (Lakeel products)	199	238	19.4%	391	464	18.7%
	Subscription (third party products)	34	33	-3.1%	68	66	-3.0%
	Other	22	26	17.2%	38	56	47.7%
Consulting Services		636	718	12.8%	1,288	1,429	10.9%
Professional Services		728	822	13.0%	1,406	1,580	12.4%
Discretionary (flow)		13	29	118.1%	35	55	55.4%
Recurring revenue		714	792	11.0%	1,370	1,525	11.3%

Slow start for Product Services

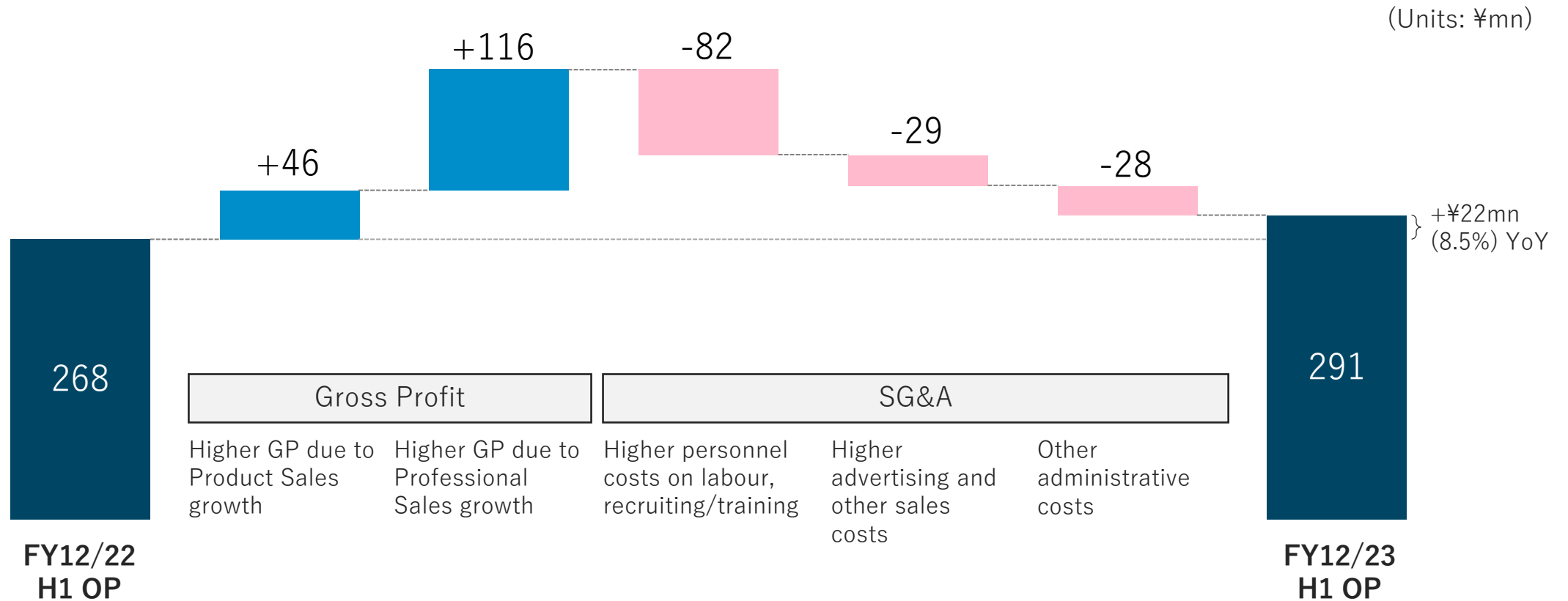
- Consulting Services off to a slow start due to delays in booking of license sales.
- Subscription products solid.

Professional Services upbeat

- Professional Services largely in line with the initial plan.

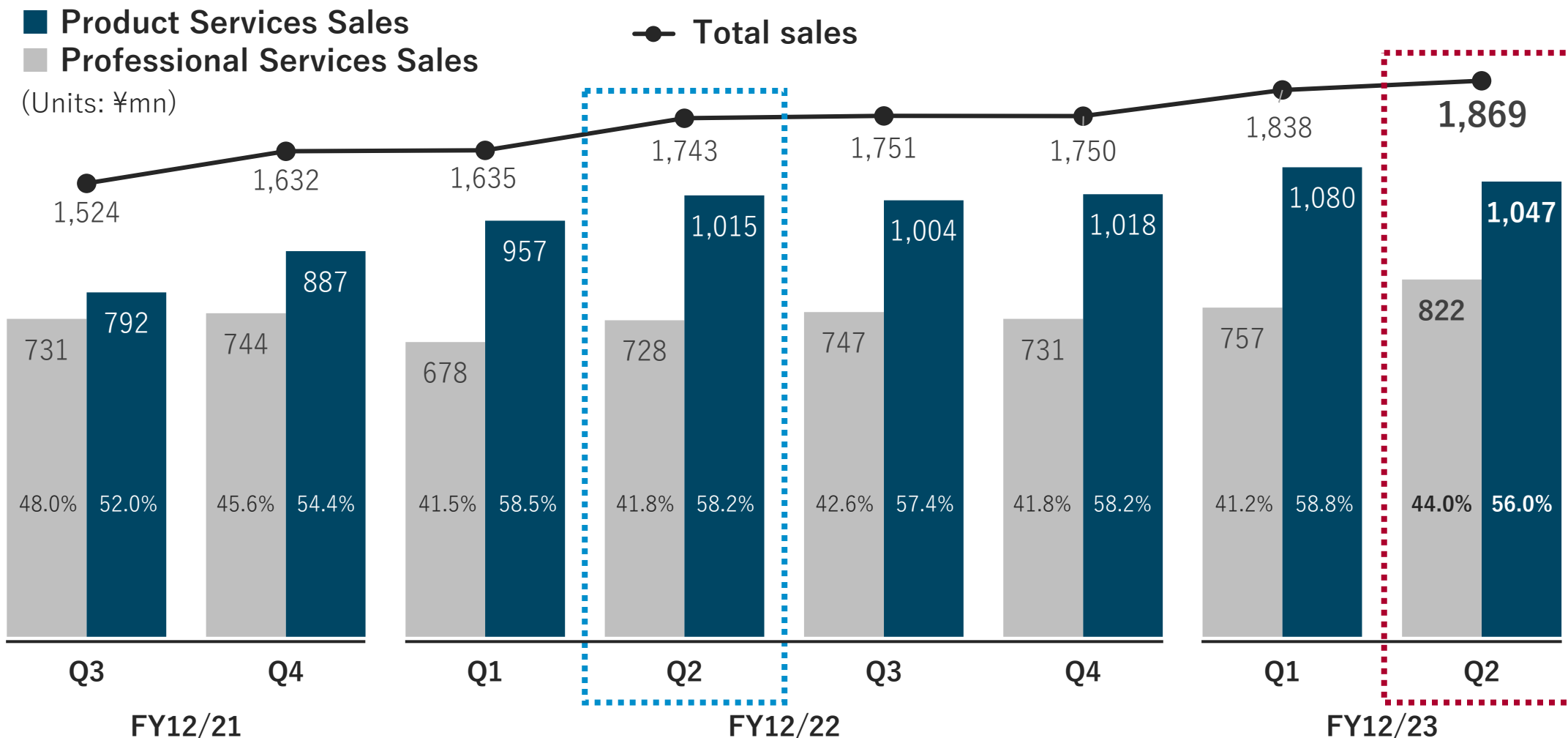
Operating profit variance analysis

Profit growth driven by Professional Services sales growth



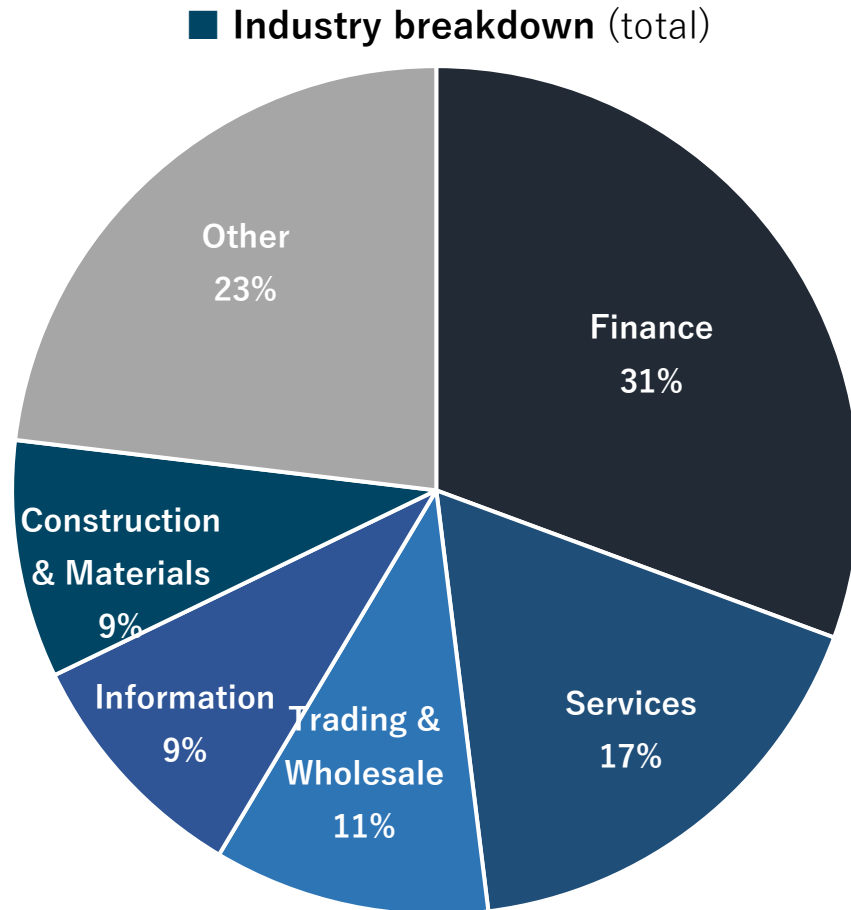
Trends in sales contribution by service

Product Services weak due to delayed booking of license sales in Q2

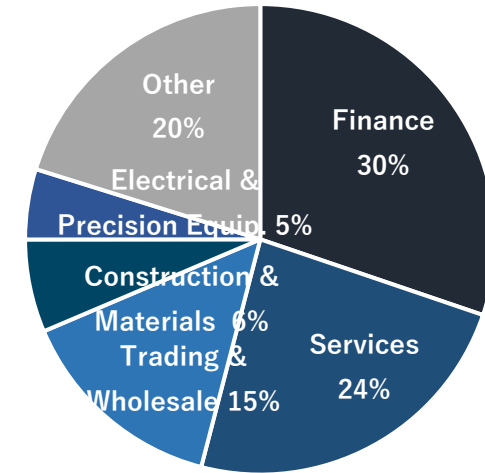


Sales breakdown by client industry

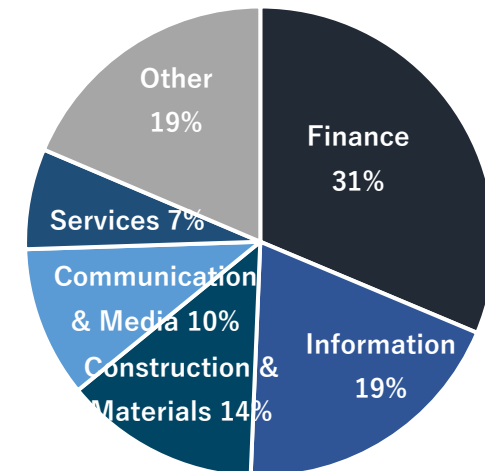
Finance and Services industry solid



■ Industry breakdown (Product Services)



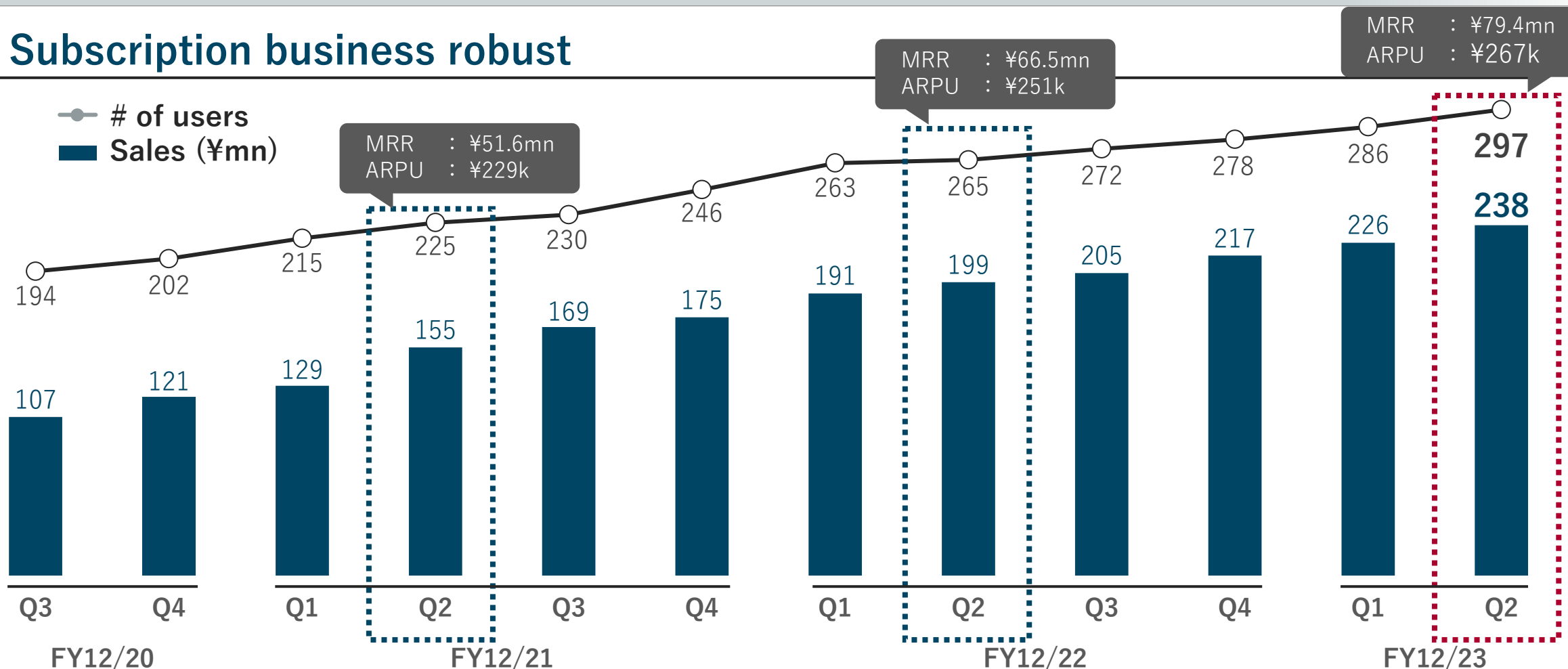
■ Industry breakdown (Professional Services)



※ FY12/22 Q3 – FY12/23 Q2 (1year), LaKeel parent basis

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

Subscription business robust



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

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

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

Overview of FY12/23 H1 results (Balance sheet)

(Unit : ¥mn)	FY12/22 Q2 end	FY12/22 end	FY12/23 Q2 end	+/- vs FY12/22 end
Current assets	3,974	4,183	4,367	4.4%
Cash & deposits	2,963	3,230	3,233	0.1%
Fixed assets	1,566	1,604	1,642	2.4%
Goodwill	453	436	418	-4.0%
Total assets	5,540	5,787	6,010	3.8%
Current liabilities	1,969	2,435	2,467	1.3%
Non-current liabilities	601	80	64	-20.0%
Net assets	2,970	3,271	3,477	6.3%
Own equity	2,951	3,254	3,459	6.3%
(Equity ratio)	53.3%	56.2%	57.6%	1.3P
Non-controlling interests	18	16	17	6.7%

Financial strength

- Cash and deposits ¥3.23bn, largely unchanged from FY12/22 end.
- Interest-bearing debt ¥1.12bn, all short-term debt.
- Equity ratio rose to 57.6%

Goodwill booking and amortization

- Goodwill of ¥0.6bn booked due to Nov 2017 MBO and subsidiary acquisition in Dec 2018, ¥0.42bn remaining as of Q2 end.
- Amortizing over 12~20 years to match estimated period of benefit, appropriately reflected in earnings

Stock options

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

3. 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:** Cloud application development and operation infrastructure
- **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

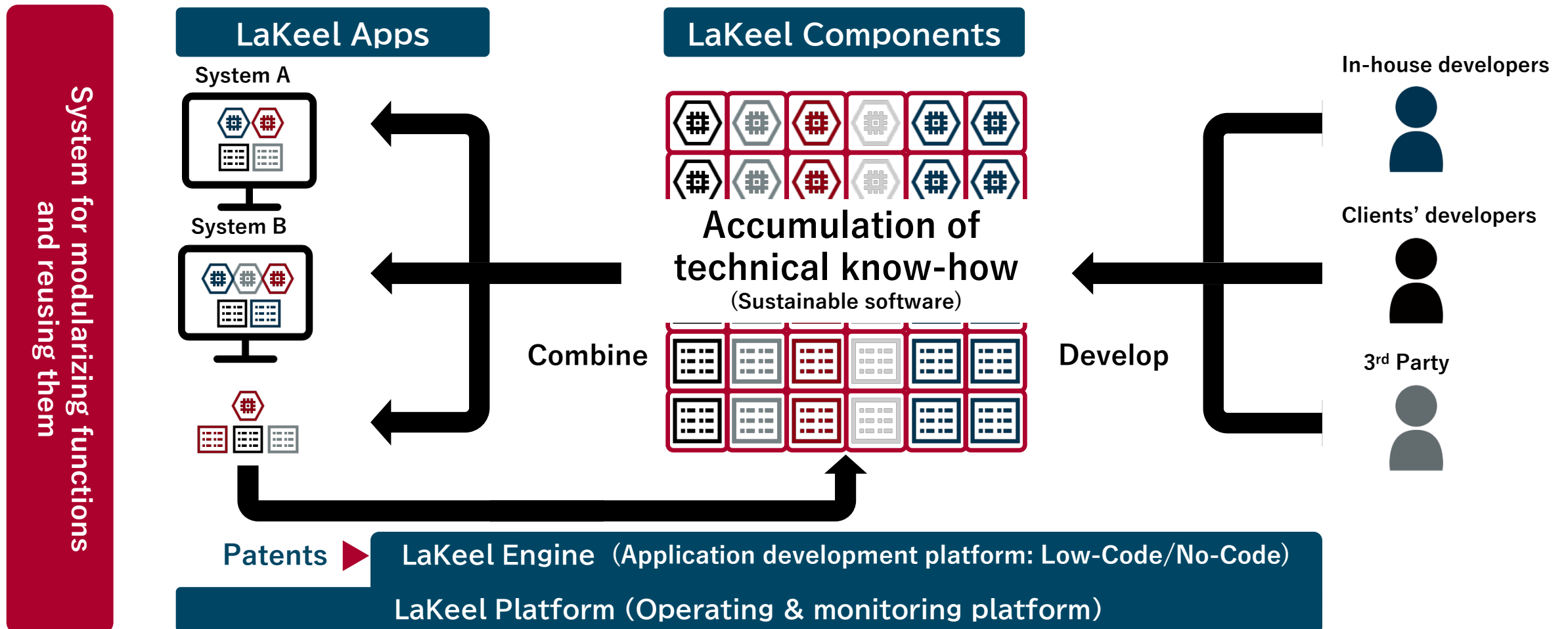
- Legacy systems migration, cloud migration from on-premise systems
- System development from scratch

■ System maintenance services

Sustainable software architecture

Technology that continues to grow and change, avoiding obsolescence

❖ LaKeel DX feature layer



LaKeel Apps (Product suite)

LaKeel 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.



LaKeel Commerce

Ecommerce tool

Develop components to quickly add new payment methods as they appear, able to combine with existing systems.



LaKeel Online Media Service

Microlearning platform

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



LaKeel Passport

User-access control platform

Links with external systems, provides single sign-in, multi-factor, multi-step authentication to centrally manage user IDs and, unify and strengthen security levels.



LaKeel Data Insight

Data analysis/management platform

Big data analytics platform that can have additional functionality from microservices



LaKeel My Number

Platform to manage 'My Number' IDs

Platform to manage and operate 'My Number' ID of employees and their families.



LaKeel Stress Check

Enterprise occupational health tool

Online compliance system to report occupational health performance indicators to the Ministry of Health, Labor and Welfare.



LaKeel Survey

Survey data management platform

In addition to creating and collecting general questionnaires, the system visualizes the collected results in graphs and provides a function to notify managers of abnormal values based on threshold values set for each questionnaire and trends in repeated questionnaire results.



LaKeel Messenger

Corporate SNS tool

Customizable real-time and secure communications tool for large scale corporate environments



LaKeel HR

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.



LaKeel WorkFlow

Enterprise approval system platform

For the "applications and approvals" that are necessary for every business in every company, we provide a function that makes it extremely easy to create an electronic application and approval system, and to start operating it immediately.



LaKeel Process Manager

Workflow management platform

End-user computing functionality that allows users to create and use functions not only within a single system but from multiple systems, as a single workflow in accordance with their business flow.



LaKeel DX

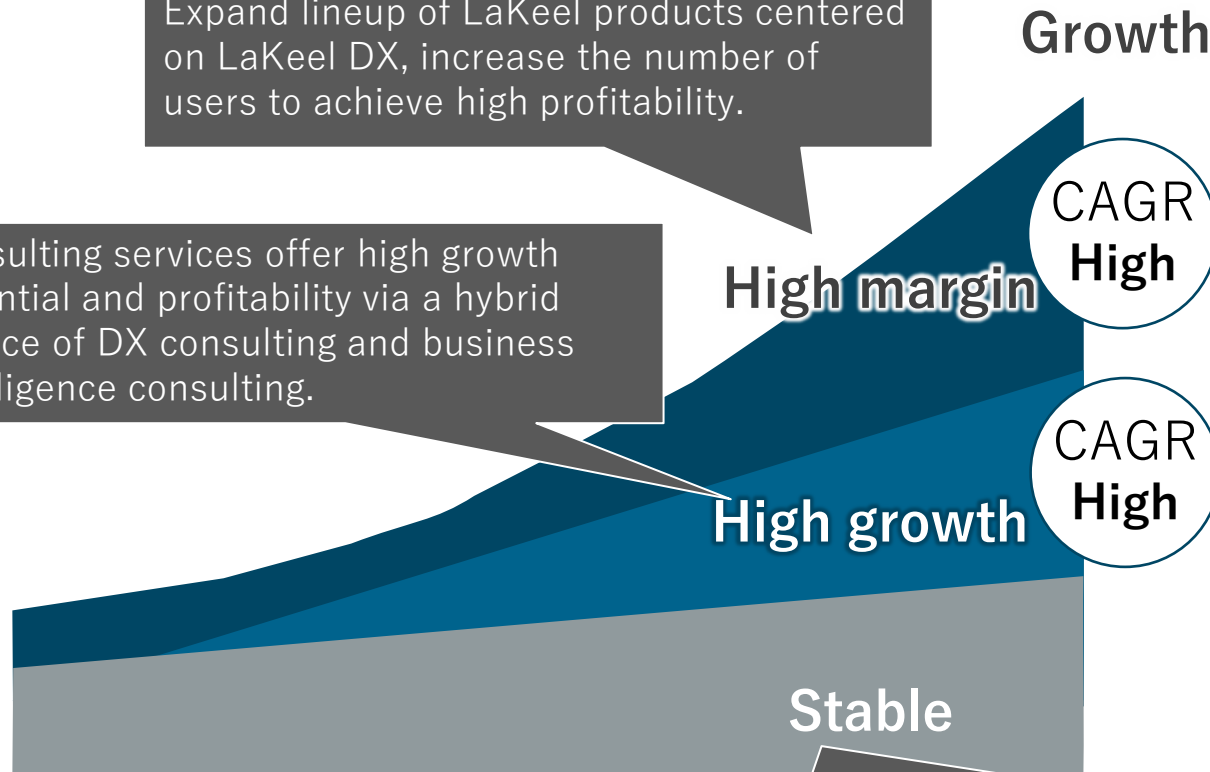
Growth Strategy: Service portfolio

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.



■ 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

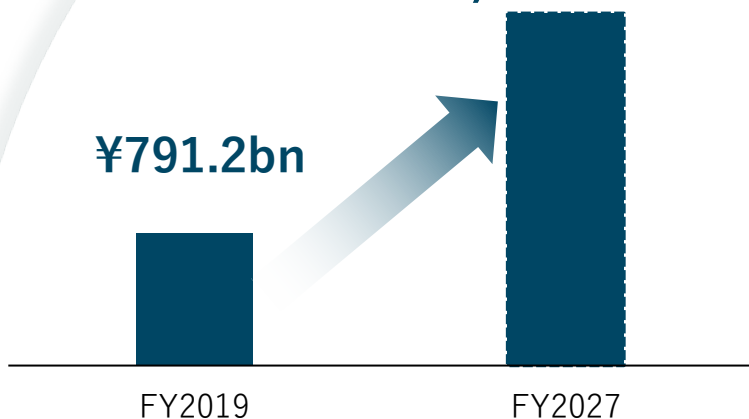
Professional Services already has stable recurring revenues, but more cross-selling will guide existing customers to Product Services and DX business

Growth Strategy: DX market size

DX market in Japan (2027 E)

¥2,107.4bn

¥791.2bn

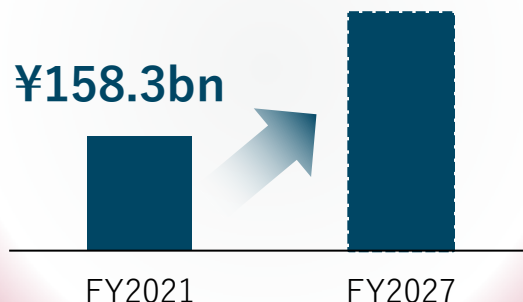


Source: Fuji Chimera Research Institute, Inc
Expect CAGR of 13.0% based on "2020 Future Prospects of Digital Transformation Market." (chart by LaKeel)

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 :	340	2021 results
Sales:	¥85.82tn	Listed cos: Disclosed materials Unlisted: Teikoku Data Bank, Tokyo Shoko Research
IT budgets:	¥1.06tn (1.23% of sales)	Source: Corporate IT Trends Survey Report 2021 by JUAS
DX budgets:	¥158.3bn (15% of IT budgets)	LaKeel forecasts

Growth Strategy: LaKeel DX Economy (Ecosystem)

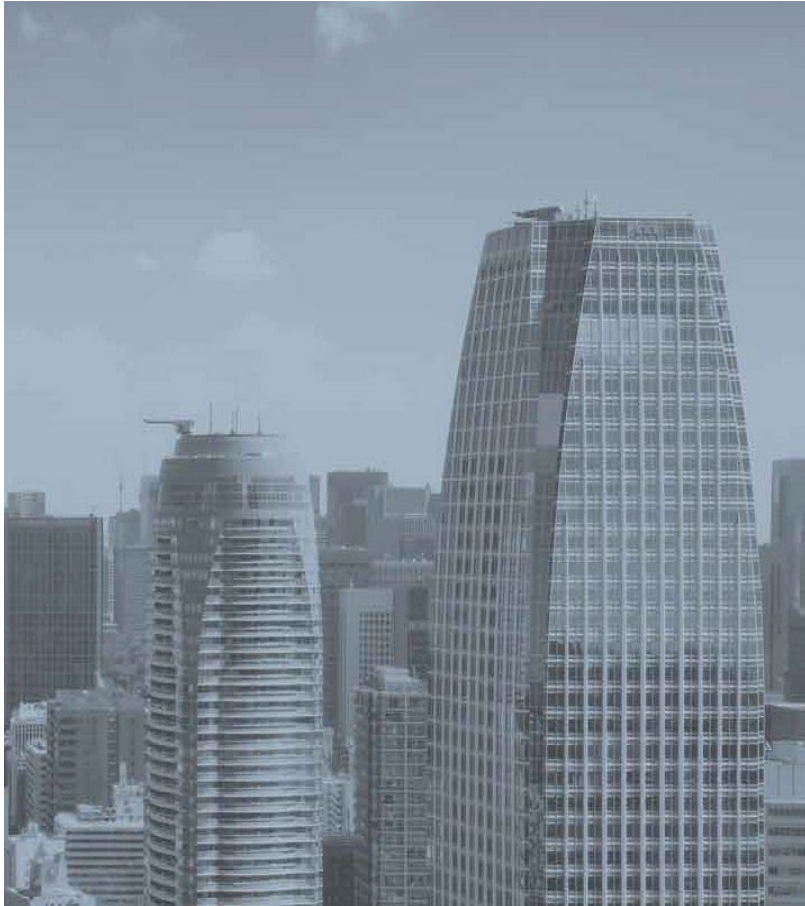


We are aiming to be an Application Platformer (Application PaaS=Platform-as-a-Service).

Also, we want to create and grow a “LaKeel DX Economy” through progressive and widespread adoption of LaKeel DX as a digital platform for enterprises.

4. Appendix

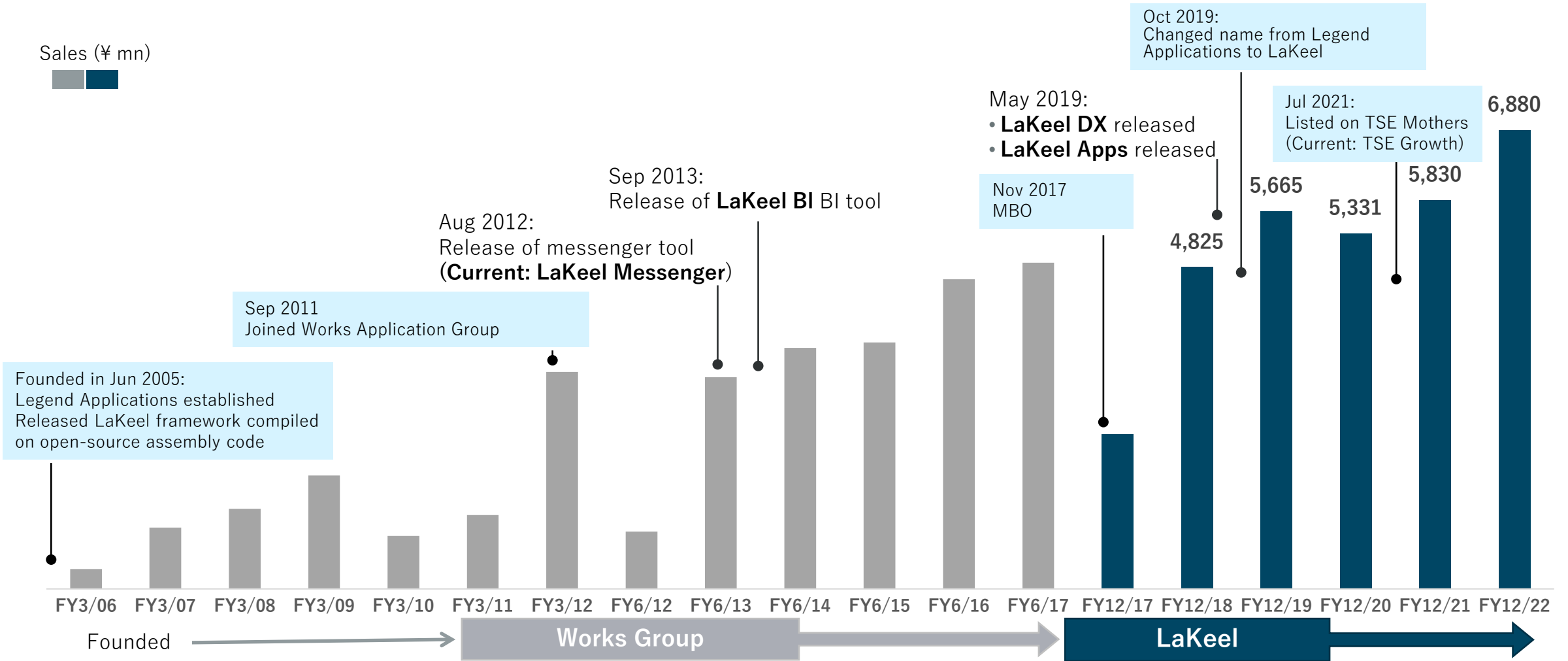
Company overview



Company	LaKeel, Inc.
Founded	10 June 2005
Capital	¥1,014mn (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)

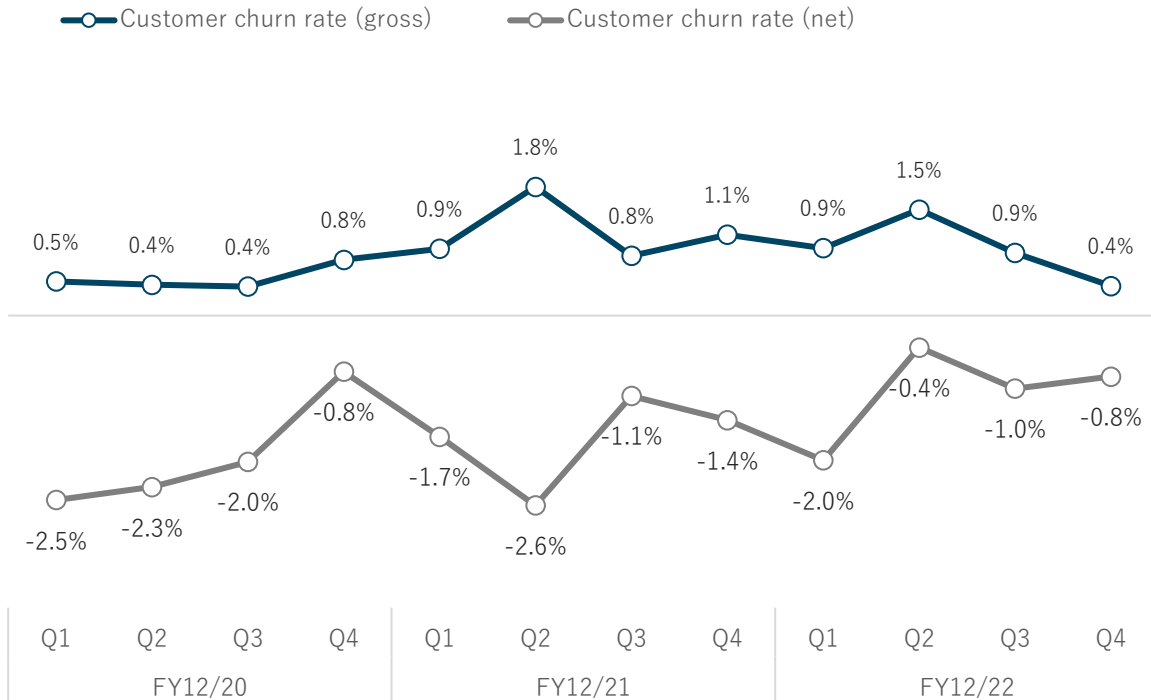


*1 Consolidated accounts from FY12/18. Parent prior to that. *2 FY6/12 was a 3m period due to change in accounting period *3 For FY12/17, Sales shown for Legend Applications between 1 Jul-31 Dec 2017

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)

	FY12/21	FY12/22	YoY
LaKeel products			
Subscription sales (yr)	¥628.7mn	¥814.7mn	30%
# of users (FY end)	246	278	13%
MRR (As of Q4)	¥58.5mn	¥72.5mn	24%
ARPU (As of Q4)	¥237k	¥260k	10%
(Breakdown)			
LaKeel DX			
Subscription sales (yr)	¥88.3mn	¥172.4mn	95%
# of users (FY end)	6	8	33%
MRR (As of Q4)	¥11.1mn	¥15.1mn	37%
ARPU (As of Q4)	¥1,852k	¥1,897k	2%
LaKeel Apps			
Subscription sales (yr)	¥540.4mn	¥642.2mn	19%
# of users (FY end)	240	270	13%
MRR (As of Q4)	¥47.4mn	¥57.3mn	21%
ARPU (As of Q4)	¥197k	¥212k	8%

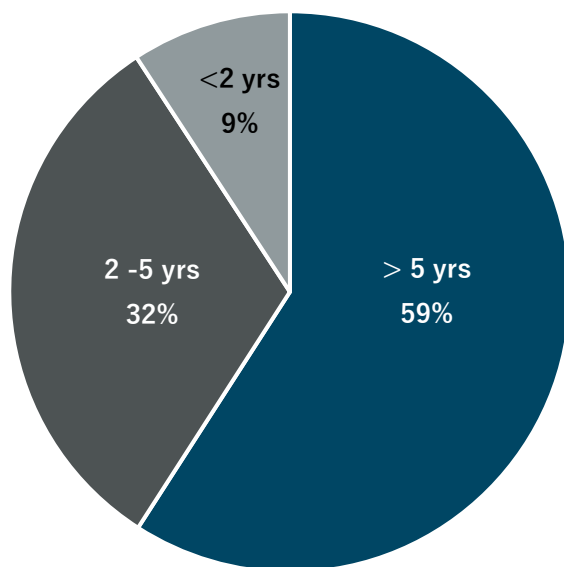
- MRR (Monthly recurring revenues: (Quarterly subscription sales / 3)
- ARPU: MRR / (No. of users at end-quarter)

Professional Services

Client base offering stable profits

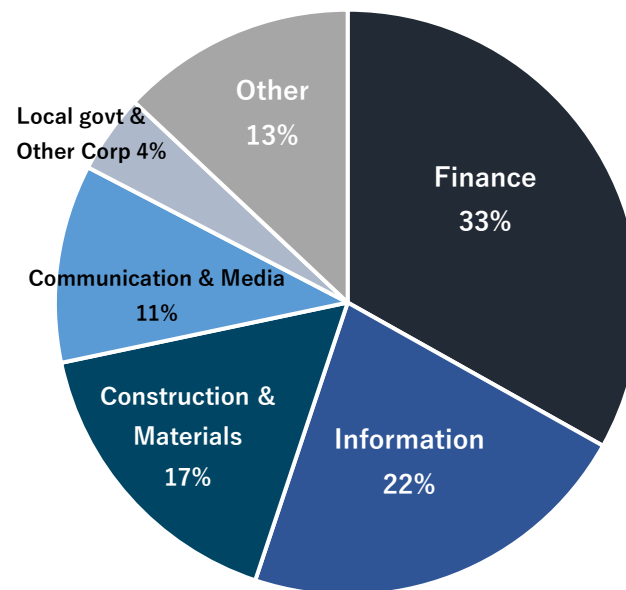
- Business centered on clients such as major construction companies with whom we have had business since the company's founding
- **Business with more than 200 companies in a wide range of industries**, recently notable increase in finance
- 2/3 of sales generated by customers with annual spend over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

— Length of business relationship —



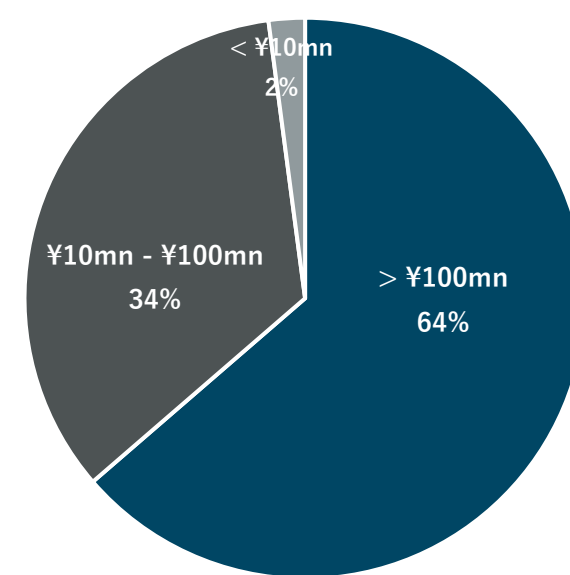
Length of client business relationship (% of total sales)
(FY12/22 results)

— Clients by industry —



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

— By annual spend —

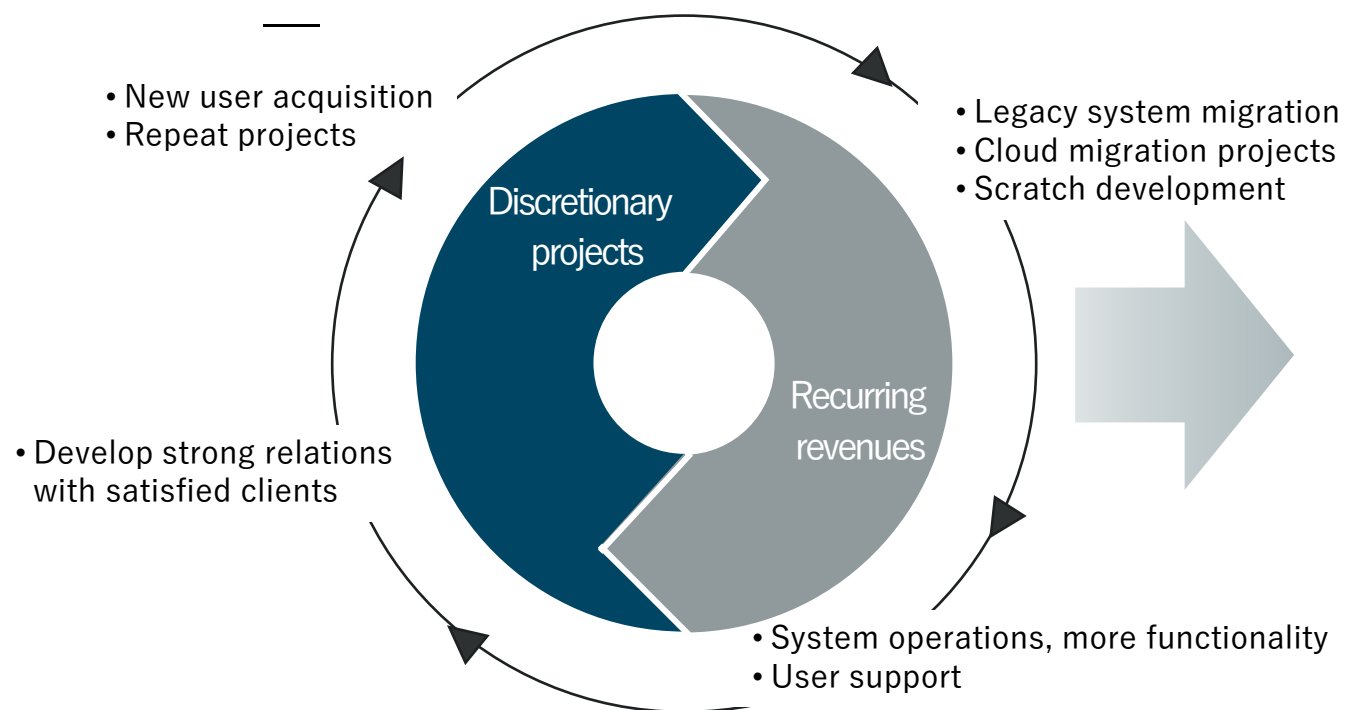


Annual spend per client (% of total sales)
(FY12/22 results)

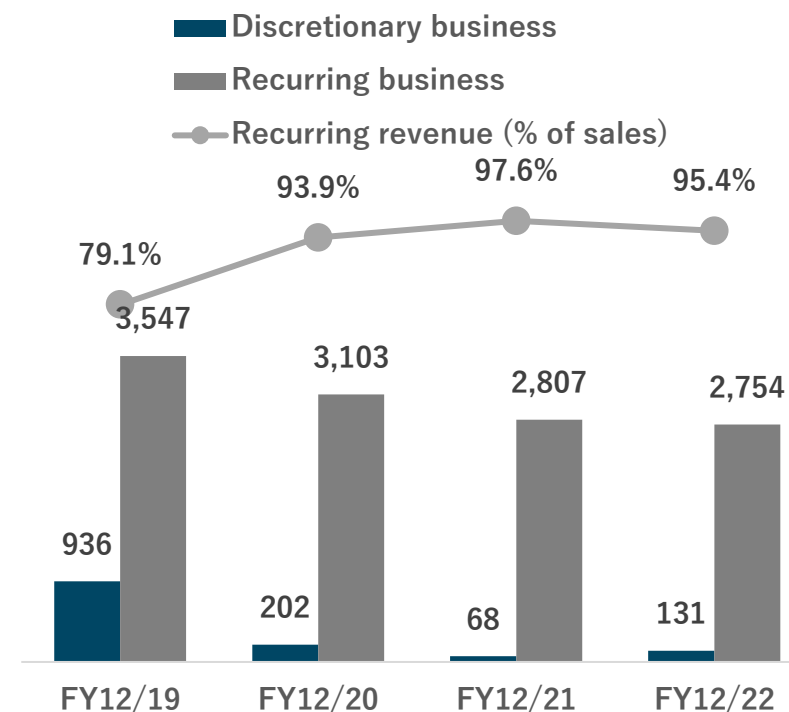
Professional Services

Over 90% of sales are stable recurring revenues

High value-added business model

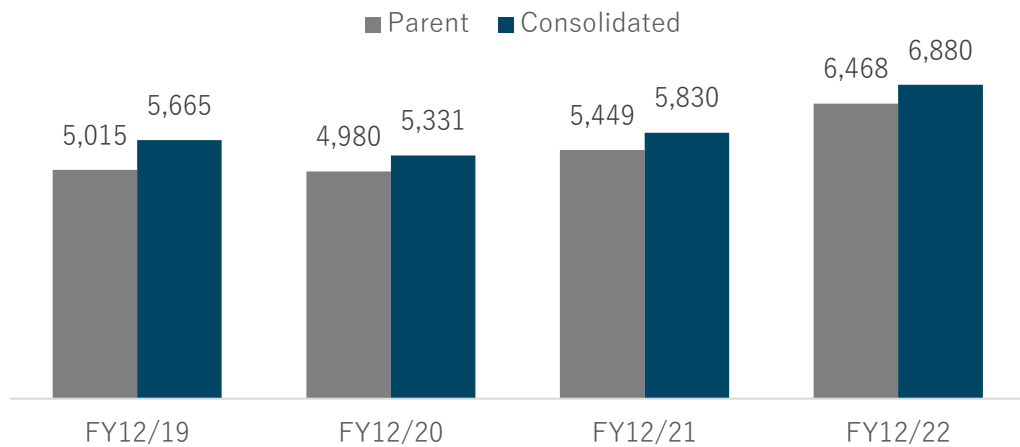


Types of business (¥mn)

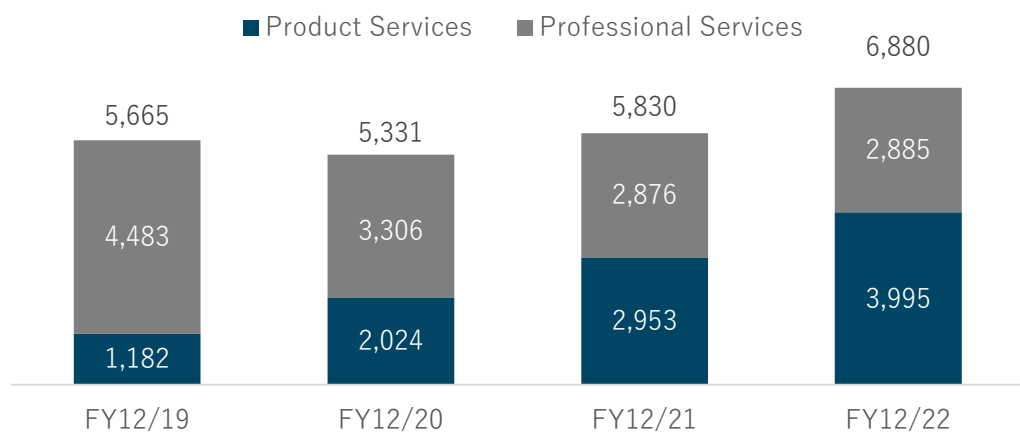


Financial Highlights

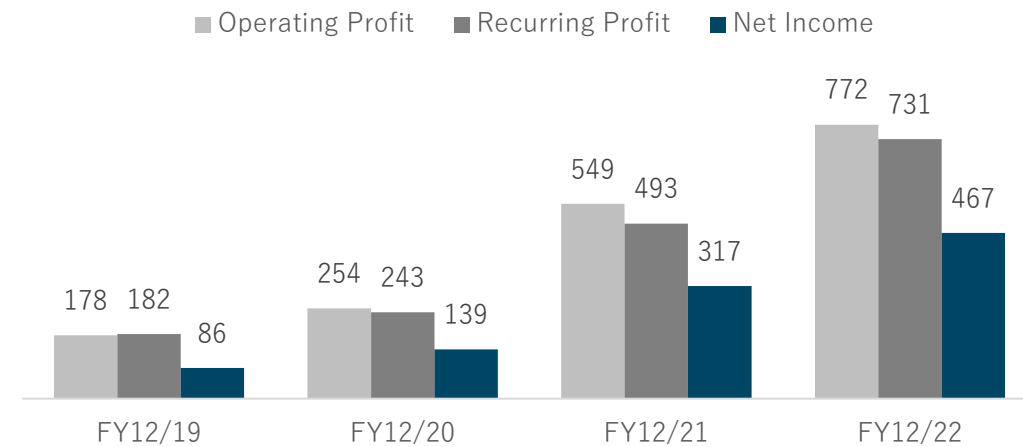
Sales (¥mn)



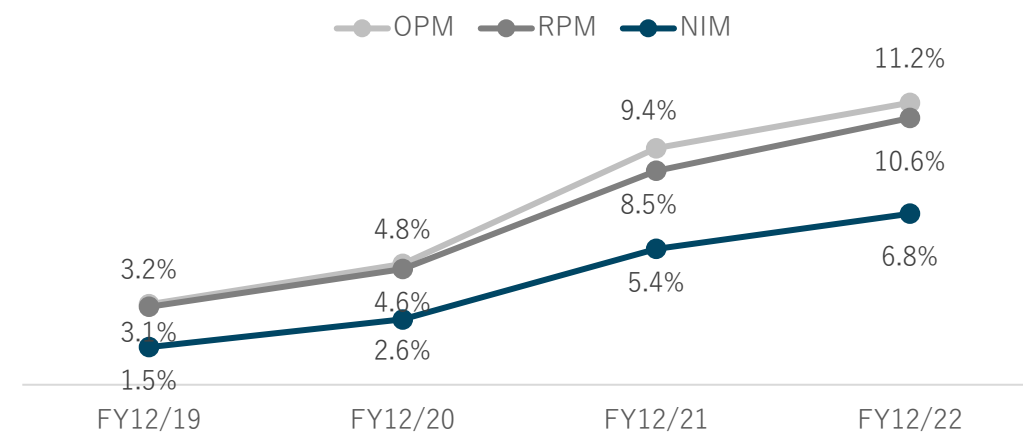
Sales by segment (¥mn, consolidated)



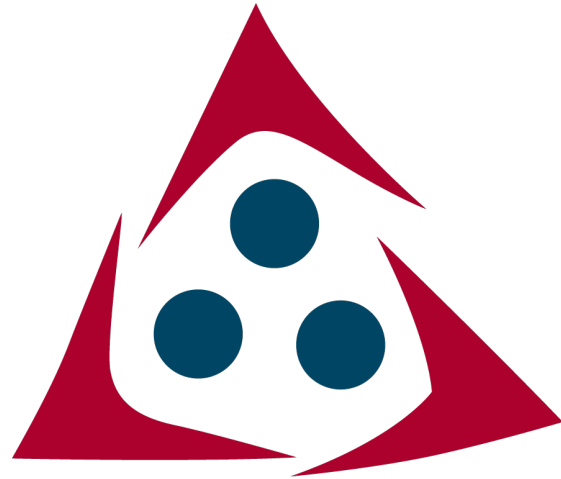
Profit (¥mn, consolidated)



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

<https://www.lakeel.com/en/>

IR information

<https://www.lakeel.com/en/ir.html>

Enquiries

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LaKeel

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