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November 11, 2021

Consolidated Financial Results for the Nine Months Ended September 30, 2021 (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: November 11, 2021
 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 nine months ended September 30, 2021 (from January 1, 2021 to September 30, 2021)

(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	%
Nine months ended								
September 30, 2021	4,197	–	347	–	304	–	194	–
September 30, 2020	–	–	–	–	–	–	–	–

Note: Comprehensive income For the nine months ended September 30, 2021: ¥213 million [–%]
 For the nine months ended September 30, 2020: ¥– million [–%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2021	29.01	27.31
September 30, 2020	–	–

Note: The Company did not prepare consolidated financial statements for the nine months ended September 30, 2020. Therefore, figures for the nine months ended September 30, 2020, and year-on-year changes for the nine months ended September 30, 2021, cannot be shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2021	5,266	2,680	50.5
December 31, 2020	3,736	1,129	29.7

Reference: Equity
 As of September 30, 2021: ¥2,662 million
 As of December 31, 2020: ¥1,110 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, 2020	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2021	–	0.00	–		
Fiscal year ending December 31, 2021 (Forecast)				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, 2021 (from January 1, 2021 to December 31, 2021)

(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, 2021	5,809	9.0	402	58.6	346	42.7	223	60.0	32.94

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: Yes
 - (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 September 30, 2021	7,542,500 shares
As of December 31, 2020	6,388,500 shares

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

As of September 30, 2021	25 shares
As of December 31, 2020	– shares

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

Nine months ended September 30, 2021	6,689,100 shares
Nine months ended September 30, 2020	– shares

Note: The Company did not prepare quarterly consolidated financial statements for the nine months ended September 30, 2020. Therefore, the average number of shares outstanding for the nine months ended September 30, 2020, cannot be shown.

* 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 Nine Months” on page 3 of the attached material.

Attached Material

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1. Qualitative Information Regarding Results for the Nine Months

(1) Explanation regarding operating results

Forward-looking statements within this document are based on the judgments as of the end of the third quarter of the fiscal year ending December 31, 2021. LaKeel, Inc. (hereinafter “the Company”) did not prepare consolidated financial statements for the first nine months of the fiscal year ended December 31, 2020. Therefore, we are unable to carry out comparative analysis with results for the same period of the previous fiscal year.

Under the philosophy of “aiming to be a company that realizes continuous growth together with people as The Human Based Company,” the Company and its subsidiaries (hereinafter “the Group”) consider ourselves to be companies of digital natives, and we work to contribute to maximizing the value of customers’ businesses by providing not just technology alone, but a comprehensive combination of products, services, and methods.

In the period under review, the Japanese economy showed signs of recovery, such as a revival in corporate earnings. However, due to factors such as another declaration of a state of emergency, the outlook remains unclear. In the information services industry in which the Group is active, the importance of products and services adapted to this period of living with the novel coronavirus disease (COVID-19), including products and services that expand remote working and facilitate digitalization, was clear and there was even greater interest in corporate digital transformation (DX) and shifting to cloud-based services. As a result, expectations regarding services in the Group’s business area grew on a daily basis.

Within this environment and amid the growing need for DX, the Group has worked to further expand our user base by concentrating management resources in related services, particularly LaKeel DX, a next-generation cloud-based digital business platform, and by starting selling the integrated human resources SaaS system, LaKeel HR, which is a new product, in September 2021.

Sales of Professional Services Business amounted to ¥2,131,563 thousand. Recurring revenue derived from the maintenance and operation of existing systems contributed as a stable revenue base.

Sales of Product Business amounted to ¥2,066,115 thousand. Significant growth in LaKeel product installations and consulting services resulted in steady performance.

Sales by type of services are shown below.

Type of services	Nine months ended September 30, 2021 (from January 1, 2021 to September 30, 2021)	
	Amounts (Thousands of yen)	Composition (%)
Professional Services Business	2,131,563	50.8
Product Business	2,066,115	49.2
Total	4,197,679	100.0

As a result of the above, net sales for the period under review were ¥4,197,679 thousand, operating profit was ¥347,716 thousand, ordinary profit was ¥304,185 thousand, and profit attributable to owners of parent was ¥194,033 thousand.

Additionally, as all of the Group’s business falls under the single segment of LaKeel Business, segment information has not been included.

(2) Explanation regarding financial position

Assets

Current assets as of September 30, 2021, were ¥3,672,794 thousand, an increase of ¥1,407,016 thousand compared with the end of the previous fiscal year. This was primarily because cash and deposits increased by ¥1,113,175 thousand as a result of capital increases through a public offering conducted when the Company’s shares were listed in July 2021 and a third-party allotment in connection with an offering by way of overallotment, along with increases of ¥221,208 thousand in notes and accounts receivable - trade, and ¥71,160 thousand in other current assets, which included an increase in prepaid expenses. Non-current assets were ¥1,593,950 thousand, an increase of ¥123,113 thousand compared with the end of the previous fiscal year. This was primarily because of an increase of ¥50,603 thousand in property, plant and equipment due to interior work carried out following the expansion of our offices among other factors, and an increase

of ¥41,709 thousand in intangible assets, due to the development of LaKeel product software and other factors.

As a result, total assets were ¥5,266,744 thousand, an increase of ¥1,530,130 thousand compared with the end of the previous fiscal year.

Liabilities

Current liabilities as of September 30, 2021, were ¥1,843,815 thousand, an increase of ¥120,751 thousand compared with the end of the previous fiscal year. This was primarily because accounts payable - trade increased by ¥69,487 thousand and provision for bonuses increased by ¥68,926 thousand. Non-current liabilities were ¥741,960 thousand, a decrease of ¥141,700 thousand compared with the end of the previous fiscal year. This was primarily because long-term borrowings decreased by ¥126,970 thousand due to the repayment of borrowings.

As a result, total liabilities were ¥2,585,775 thousand, a decrease of ¥20,949 thousand compared with the end of the previous fiscal year.

Net assets

Total net assets as of September 30, 2021, were ¥2,680,969 thousand, an increase of ¥1,551,079 thousand compared with the end of the previous fiscal year. This was primarily due to increases of ¥668,926 thousand each in share capital and capital surplus as a result of the implementation of capital increases through public offering and third-party allotment as well as the exercise of share acquisition rights, an increase of ¥194,033 thousand in retained earnings from profit attributable to owners of parent, and an increase of ¥19,594 thousand in foreign currency translation adjustment.

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

Regarding earnings forecasts for the fiscal year ending December 31, 2021, there has been no change from the earnings forecasts included in the Notification on Financial Information, etc., Accompanying the Company's Listing on the TSE Mothers released on July 16, 2021.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of December 31, 2020	As of September 30, 2021
Assets		
Current assets		
Cash and deposits	1,323,648	2,436,824
Notes and accounts receivable - trade	848,329	1,069,537
Work in process	4,640	5,848
Income taxes receivable	19	283
Other	89,139	160,300
Total current assets	2,265,777	3,672,794
Non-current assets		
Property, plant and equipment		
Buildings	119,927	182,682
Accumulated depreciation	(14,794)	(24,498)
Buildings, net	105,132	158,183
Tools, furniture and fixtures	104,135	116,988
Accumulated depreciation	(84,964)	(91,626)
Tools, furniture and fixtures, net	19,170	25,362
Leased assets	99,053	108,026
Accumulated depreciation	(23,327)	(40,939)
Leased assets, net	75,726	67,087
Total property, plant and equipment	200,030	250,633
Intangible assets		
Goodwill	505,009	479,159
Software	258,862	167,608
Software in progress	114,286	278,049
Other	65,883	60,933
Total intangible assets	944,041	985,750
Investments and other assets		
Leasehold and guarantee deposits	317,373	317,637
Deferred tax assets	9,341	39,928
Other	49	-
Total investments and other assets	326,764	357,565
Total non-current assets	1,470,837	1,593,950
Total assets	3,736,614	5,266,744

(Thousands of yen)

	As of December 31, 2020	As of September 30, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	140,600	210,088
Short-term borrowings	600,000	600,000
Current portion of long-term borrowings	192,364	192,364
Lease obligations	21,297	23,700
Accounts payable - other	67,570	76,495
Accrued expenses	108,186	59,886
Income taxes payable	77,945	117,156
Accrued consumption taxes	106,231	82,728
Advances received	281,227	308,704
Provision for bonuses	20,469	89,396
Provisions	-	8,343
Other	107,170	74,950
Total current liabilities	1,723,063	1,843,815
Non-current liabilities		
Long-term borrowings	771,137	644,167
Lease obligations	56,548	45,980
Asset retirement obligations	55,975	51,813
Total non-current liabilities	883,660	741,960
Total liabilities	2,606,724	2,585,775
Net assets		
Shareholders' equity		
Share capital	341,062	1,009,988
Capital surplus	449,010	1,117,936
Retained earnings	330,450	524,484
Treasury shares	-	(53)
Total shareholders' equity	1,120,524	2,652,356
Accumulated other comprehensive income		
Foreign currency translation adjustment	(9,780)	9,813
Total accumulated other comprehensive income	(9,780)	9,813
Share acquisition rights	600	600
Non-controlling interests	18,546	18,199
Total net assets	1,129,889	2,680,969
Total liabilities and net assets	3,736,614	5,266,744

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

Quarterly consolidated statement of income

(Thousands of yen)

	Nine months ended September 30, 2021
Net sales	4,197,679
Cost of sales	2,737,106
Gross profit	1,460,572
Selling, general and administrative expenses	1,112,855
Operating profit	347,716
Non-operating income	
Interest income	66
Subsidy income	414
Other	305
Total non-operating income	786
Non-operating expenses	
Interest expenses	7,067
Foreign exchange losses	20,176
Share issuance costs	12,633
Listing expenses	4,435
Other	5
Total non-operating expenses	44,317
Ordinary profit	304,185
Extraordinary losses	
Loss on retirement of non-current assets	1,164
Total extraordinary losses	1,164
Profit before income taxes	303,020
Income taxes - current	140,984
Income taxes - deferred	(30,587)
Total income taxes	110,397
Profit	192,622
Loss attributable to non-controlling interests	(1,410)
Profit attributable to owners of parent	194,033

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended September 30, 2021
Profit	192,622
Other comprehensive income	
Foreign currency translation adjustment	20,658
Total other comprehensive income	20,658
Comprehensive income	213,281
Comprehensive income attributable to	
Comprehensive income attributable to owners of parent	213,627
Comprehensive income attributable to non-controlling interests	(346)

(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

Due to the issuance of new shares in connection with the listing of the Company's common shares on the Tokyo Stock Exchange's Mothers, an acronym for market of the high-growth and emerging stocks, share capital and legal capital surplus each increased by ¥540,960 thousand.

In addition, with respect to the issuance of new shares through a third-party allotment in connection with an offering of the Company's shares through an overallotment, which was resolved at the meetings of the Board of Directors held on June 11, 2021 and June 28, 2021, the Company received payment on August 16, 2021, and share capital and legal capital surplus each increased by ¥121,716 thousand.

Furthermore, due to the exercise of share acquisition rights in the period under review, share capital and legal capital surplus each increased by ¥6,250 thousand.

As a result, as of September 30, 2021, share capital and capital surplus totaled ¥1,009,988 thousand and ¥1,117,936 thousand, respectively.

Notes on changes in accounting estimates

In the second quarter of the fiscal year ending December 31, 2021, regarding asset retirement obligations recorded to restore our Head Office site to its original condition based on a real estate lease contract, the accounting estimate was changed due to an alteration to the period of expected use accompanying an extension of the contract period.

The impact of this change on operating profit, ordinary profit, and profit before income taxes for the period under review, is insignificant.

Additional information

Accounting estimates associated with the spread of COVID-19

Although the spread of COVID-19 is having a certain amount of impact on the Group's business activities, changes have been made to accounting estimates, such as impairment of non-current assets and the possibility of the realization of deferred tax assets, based on the assumption that this impact will be limited.

However, the significant uncertainty over the impact of the spread of COVID-19 and future changes in the business environment could have a serious effect on the Group's financial position and operating results.

Segment information, etc.

Segment information

Nine months ended September 30, 2021 (from January 1, 2021 to September 30, 2021)

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

Significant events after reporting period

Not applicable.