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May 15, 2023

## Consolidated Financial Results for the Three Months Ended March 31, 2023 (Under Japanese GAAP)

Company name: LaKeel, Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4074  
 URL: <https://www.lakeel.com/en/>  
 Representative: Kubo Tsutomu, Chief Executive Officer  
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 Scheduled date to file quarterly securities report: May 15, 2023  
 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, 2023 (from January 1, 2023 to March 31, 2023)

#### (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, 2023	1,838	12.4	187	55.9	189	72.0	128	88.6
March 31, 2022	1,635	28.3	120	92.3	110	136.5	67	272.6

Note: Comprehensive income For the three months ended March 31, 2023: ¥133 million [61.1%]  
 For the three months ended March 31, 2022: ¥82 million [163.5%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2023	16.80	16.29
March 31, 2022	8.95	8.87

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
March 31, 2023	5,792	3,404	58.5
December 31, 2022	5,787	3,271	56.2

Reference: Equity  
 As of March 31, 2023: ¥3,386 million  
 As of December 31, 2022: ¥3,254 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, 2022	–	0.00	–	0.00	0.00
Fiscal year ending December 31, 2023	–				
Fiscal year ending December 31, 2023 (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, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023	8,409	22.2	901	16.7	894	22.3	567	21.5	74.39

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, 2023	7,628,500 shares
As of December 31, 2022	7,628,500 shares

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

As of March 31, 2023	81 shares
As of December 31, 2022	81 shares

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

Three months ended March 31, 2023	7,628,500 shares
Three months ended March 31, 2022	7,593,644 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.

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## 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 a recovery in business conditions for various reasons, including the loosening of restrictions on economic activity imposed because of the COVID-19 pandemic and increased demand from inbound tourism. On the other hand, the outlook is uncertain due to rising prices of raw materials, supply shortage for semiconductors, the impact of financial instability in Europe and North America, and other factors.

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 ¥1,838,456 thousand (+12.4% year-on-year), operating profit was ¥187,671 thousand (+55.9% year-on-year), ordinary profit was ¥189,610 thousand (+72.0% year-on-year), and profit attributable to owners of parent was ¥128,174 thousand (+88.6% 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 ¥1,080,521 thousand (+12.9% 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 ¥757,935 thousand (+11.8% 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, 2022 (from January 1, 2022 to March 31, 2022)		Three months ended March 31, 2023 (from January 1, 2023 to March 31, 2023)		Year-on-year	
	Amounts (Thousands of yen)	Composition (%)	Amounts (Thousands of yen)	Composition (%)	Amounts of change (Thousands of yen)	Percent change (%)
Product Business	957,340	58.5	1,080,521	58.8	123,181	12.9
Professional Services Business	678,232	41.5	757,935	41.2	79,703	11.8
Total	1,635,572	100.0	1,838,456	100.0	202,884	12.4

### (2) Explanation regarding financial position

#### Assets

Current assets as of March 31, 2023, were ¥4,157,324 thousand, a decrease of ¥26,001 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥167,651 thousand in notes and accounts receivable - trade and contract assets despite a decrease of ¥183,561 thousand in cash and deposits for such reasons as payment of income taxes payable. Non-current assets were ¥1,635,047 thousand, an increase of ¥30,806 thousand compared with the end of the previous fiscal year. This was mainly due to a decrease of ¥9,523 thousand in property, plant and equipment due to depreciation despite an increase of ¥28,880 thousand in intangible assets and an increase of ¥11,450 thousand in investments and other assets.

As a result, total assets were ¥5,792,372 thousand, an increase of ¥4,805 thousand compared with the end of the previous fiscal year.

### Liabilities

Current liabilities as of March 31, 2023, were ¥2,320,088 thousand, a decrease of ¥115,372 thousand compared with the end of the previous fiscal year. This was mainly due to a decrease of ¥77,940 thousand in contract liabilities and a decrease of ¥85,613 thousand in income taxes payable despite an increase of ¥51,354 thousand in accounts payable - trade. Non-current liabilities were ¥67,400 thousand, a decrease of ¥13,146 thousand compared with the end of the previous fiscal year. This was because long-term borrowings decreased ¥8,604 thousand due to repayment of borrowings, and long-term lease liabilities fell ¥4,542 thousand due to repayment of lease liabilities.

As a result, total liabilities were ¥2,387,489 thousand, a decrease of ¥128,519 thousand compared with the end of the previous fiscal year.

### Net assets

Total net assets as of March 31, 2023, were ¥3,404,883 thousand, an increase of ¥133,325 thousand compared with the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥128,174 thousand.

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

The consolidated earnings forecasts for the fiscal year ending December 31, 2023, remain unchanged from the forecasts in the “Consolidated Financial Results for the Fiscal Year Ended December 31, 2022” that was released on February 14, 2023.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	3,230,215	3,046,654
Notes and accounts receivable - trade, and contract assets	828,785	996,437
Work in process	782	4,289
Supplies	262	240
Other	123,278	109,701
Total current assets	4,183,325	4,157,324
Non-current assets		
Property, plant and equipment		
Buildings	182,907	182,907
Accumulated depreciation	(39,566)	(42,586)
Buildings, net	143,341	140,321
Tools, furniture and fixtures	77,581	78,756
Accumulated depreciation	(59,762)	(62,004)
Tools, furniture and fixtures, net	17,819	16,751
Leased assets	108,026	108,026
Accumulated depreciation	(70,052)	(75,489)
Leased assets, net	37,974	32,537
Total property, plant and equipment	199,135	189,611
Intangible assets		
Goodwill	436,074	427,457
Software	404,357	376,671
Software in progress	–	62,654
Content assets	109,893	114,072
Other	52,683	51,033
Total intangible assets	1,003,009	1,031,889
Investments and other assets		
Investment securities	62,931	62,291
Leasehold and guarantee deposits	306,487	306,555
Deferred tax assets	11,897	24,010
Other	20,781	20,690
Total investments and other assets	402,096	413,547
Total non-current assets	1,604,241	1,635,047
Total assets	5,787,567	5,792,372

(Thousands of yen)

	As of December 31, 2022	As of March 31, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	292,583	343,938
Short-term borrowings	600,000	600,000
Current portion of long-term borrowings	575,704	575,740
Lease liabilities	20,329	19,319
Accounts payable - other	71,040	80,960
Accrued expenses	87,860	65,022
Income taxes payable	171,036	85,422
Accrued consumption taxes	100,788	101,371
Contract liabilities	399,985	322,045
Provision for bonuses	33,776	78,135
Other	82,356	48,132
Total current liabilities	2,435,461	2,320,088
Non-current liabilities		
Long-term borrowings	8,604	–
Lease liabilities	20,130	15,587
Asset retirement obligations	51,813	51,813
Total non-current liabilities	80,547	67,400
Total liabilities	2,516,009	2,387,489
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,014,288	1,014,288
Capital surplus	1,122,236	1,122,236
Retained earnings	1,085,157	1,213,332
Treasury shares	(187)	(187)
Total shareholders' equity	3,221,495	3,349,670
Accumulated other comprehensive income		
Foreign currency translation adjustment	32,602	37,102
Total accumulated other comprehensive income	32,602	37,102
Share acquisition rights	600	600
Non-controlling interests	16,860	17,509
Total net assets	3,271,557	3,404,883
Total liabilities and net assets	5,787,567	5,792,372



(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, 2022	Three months ended March 31, 2023
Net sales	1,635,572	1,838,456
Cost of sales	1,127,119	1,191,784
Gross profit	508,453	646,672
Selling, general and administrative expenses	388,039	459,001
Operating profit	120,414	187,671
Non-operating income		
Interest income	25	129
Subsidy income	6,254	6,350
Other	98	73
Total non-operating income	6,378	6,553
Non-operating expenses		
Interest expenses	2,003	1,645
Foreign exchange losses	14,561	2,329
Loss on investments in investment partnerships	–	639
Other	0	0
Total non-operating expenses	16,565	4,614
Ordinary profit	110,227	189,610
Profit before income taxes	110,227	189,610
Income taxes - current	47,301	73,143
Income taxes - deferred	(4,369)	(12,113)
Total income taxes	42,932	61,030
Profit	67,295	128,580
Profit (loss) attributable to non-controlling interests	(657)	405
Profit attributable to owners of parent	67,952	128,174

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit	67,295	128,580
Other comprehensive income		
Foreign currency translation adjustment	15,440	4,744
Total other comprehensive income	15,440	4,744
Comprehensive income	82,735	133,325
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	82,598	132,675
Comprehensive income attributable to non-controlling interests	137	649

(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.

Additional information

*Accounting estimates associated with the spread of COVID-19*

There have been no material changes to the assumptions concerning the impact of COVID-19 set out in the "Additional information" section of the Annual Securities Report for the previous fiscal year.

Segment information, etc.

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