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November 14, 2023

## Consolidated Financial Results for the Nine Months Ended September 30, 2023 (Under Japanese GAAP)

Company name: LaKeel, Inc.  
 Listing: Tokyo Stock Exchange  
 Securities code: 4074  
 URL: <https://www.lakeel.com/en/>  
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 Scheduled date to file quarterly securities report: November 14, 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 nine months ended September 30, 2023 (from January 1, 2023 to September 30, 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	%
Nine months ended								
September 30, 2023	5,607	9.3	454	(12.6)	449	(8.0)	295	(6.2)
September 30, 2022	5,130	22.2	519	49.3	487	60.4	314	62.3

Note: Comprehensive income For the nine months ended September 30, 2023: ¥312 million [(8.7)%  
 For the nine months ended September 30, 2022: ¥342 million [60.7%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2023	38.66	37.53
September 30, 2022	41.35	40.03

#### (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
September 30, 2023	6,109	3,586	58.4
December 31, 2022	5,787	3,271	56.2

Reference: Equity  
 As of September 30, 2023: ¥3,568 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	–	0.00	–		
Fiscal year ending December 31, 2023 (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, 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	7,658	11.3	783	1.5	780	6.8	510	9.2	66.74

Note: Revisions to the earnings forecasts most recently announced: Yes

\* **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 September 30, 2023	7,653,500 shares
As of December 31, 2022	7,628,500 shares

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

As of September 30, 2023	123 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)

Nine months ended September 30, 2023	7,641,778 shares
Nine months ended September 30, 2022	7,616,548 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 Nine Months” on page 3 of the attached material.

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## 1. Qualitative Information Regarding Results for the Nine Months

### (1) Explanation regarding operating results

During the first nine months of the current fiscal year, although we are seeing an increase in workers brought about by socioeconomic activity returning to normal levels as a result of the easing of the restrictions that have been in place in response to the COVID-19 pandemic, and the increasing demand from inbound tourism, the outlook for the Japanese economy remained uncertain due to the impact of factors including high commodity prices associated with the rising prices of raw materials and concerns regarding a downturn in the economy caused by global monetary tightening.

The Group is part of the information services industry, and with companies needing to promote digital transformation (DX) and shift to cloud-based services, the Company anticipates ongoing growth for a variety of related services.

In this environment, the Group continues to support the digital transformation of client companies, providing LaKeel DX, a digital business platform, and LaKeel Apps, a suite of products that operate on this platform. LaKeel DX uses our proprietary technology to develop software as part of a system, creating a product that enables clients to develop their own systems to suit their business needs in a short period of time.

We will continue to expand the LaKeel product lineup and its functionality, while focusing on our Product Business.

As a result, net sales for the period under review were ¥5,607,935 thousand (+9.3% year-on-year), operating profit was ¥454,024 thousand (-12.6% year-on-year), ordinary profit was ¥449,023 thousand (-8.0% year-on-year), and profit attributable to owners of parent was ¥295,401 thousand (-6.2% 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 ¥3,202,352 thousand (+7.6% year-on-year). Sales of new licenses for LaKeel products and subscription-based usage fees, as well as associated consulting services, have all seen growth.

Sales of Professional Services Business amounted to ¥2,405,583 thousand (+11.7% 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	Nine months ended September 30, 2022 (from January 1, 2022 to September 30, 2022)		Nine months ended September 30, 2023 (from January 1, 2023 to September 30, 2023)		Year-on-year	
	Amounts (Thousands of yen)	Composition (%)	Amounts (Thousands of yen)	Composition (%)	Amounts of change (Thousands of yen)	Percent change (%)
Product Business	2,977,294	58.0	3,202,352	57.1	225,058	7.6
Professional Services Business	2,153,459	42.0	2,405,583	42.9	252,123	11.7
Total	5,130,754	100.0	5,607,935	100.0	477,181	9.3

### (2) Explanation regarding financial position

#### Assets

Current assets as of September 30, 2023, were ¥4,404,551 thousand, an increase of ¥221,225 thousand compared with the end of the previous fiscal year. This was mainly due to increases of ¥49,330 thousand in cash and deposits and ¥149,663 thousand in notes and accounts receivable - trade, and contract assets. Non-current assets were ¥1,705,252 thousand, an increase of ¥101,011 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥92,251 thousand in intangible assets due to development of our own software products.

As a result, total assets were ¥6,109,804 thousand, an increase of ¥322,237 thousand compared with the end of the previous fiscal year.

### Liabilities

Current liabilities as of September 30, 2023, were ¥2,454,507 thousand, an increase of ¥19,045 thousand compared with the end of the previous fiscal year. This was mainly due to increases of ¥119,540 thousand in accounts payable - trade and ¥78,666 thousand in provision for bonuses, despite decreases of ¥60,674 thousand in current portion of long-term borrowings and ¥114,703 thousand in income taxes payable. Non-current liabilities were ¥68,352 thousand, a decrease of ¥12,194 thousand compared with the end of the previous fiscal year. This was mainly due to decreases of ¥8,604 thousand in long-term borrowings and ¥3,590 thousand in long-term lease liabilities.

As a result, total liabilities were ¥2,522,860 thousand, an increase of ¥6,851 thousand compared with the end of the previous fiscal year.

### Net assets

Total net assets as of September 30, 2023, were ¥3,586,944 thousand, an increase of ¥315,386 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥295,401 thousand in retained earnings and an increase of ¥16,405 thousand in foreign currency translation adjustment.

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

The consolidated earnings forecasts for the fiscal year ending December 31, 2023, have been changed 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 September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	3,230,215	3,279,546
Notes and accounts receivable - trade, and contract assets	828,785	978,449
Work in process	782	7,607
Supplies	262	264
Income taxes refund receivable	-	539
Other	123,278	138,144
<b>Total current assets</b>	<b>4,183,325</b>	<b>4,404,551</b>
Non-current assets		
Property, plant and equipment		
Buildings	182,907	184,081
Accumulated depreciation	(39,566)	(48,650)
Buildings, net	143,341	135,431
Vehicles	-	8,209
Accumulated depreciation	-	(1,368)
Vehicles, net	-	6,840
Tools, furniture and fixtures	77,581	81,515
Accumulated depreciation	(59,762)	(65,845)
Tools, furniture and fixtures, net	17,819	15,669
Leased assets	108,026	116,316
Accumulated depreciation	(70,052)	(85,417)
Leased assets, net	37,974	30,899
<b>Total property, plant and equipment</b>	<b>199,135</b>	<b>188,841</b>
Intangible assets		
Goodwill	436,074	410,224
Software	404,357	335,304
Software in progress	-	183,347
Content assets	109,893	118,651
Other	52,683	47,733
<b>Total intangible assets</b>	<b>1,003,009</b>	<b>1,095,260</b>
Investments and other assets		
Investment securities	62,931	63,828
Leasehold and guarantee deposits	306,487	306,727
Deferred tax assets	11,897	30,089
Other	20,781	20,504
<b>Total investments and other assets</b>	<b>402,096</b>	<b>421,150</b>
<b>Total non-current assets</b>	<b>1,604,241</b>	<b>1,705,252</b>
<b>Total assets</b>	<b>5,787,567</b>	<b>6,109,804</b>

(Thousands of yen)

	As of December 31, 2022	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	292,583	412,124
Short-term borrowings	600,000	600,000
Current portion of long-term borrowings	575,704	515,030
Lease liabilities	20,329	16,358
Accounts payable - other	71,040	83,478
Accrued expenses	87,860	96,059
Income taxes payable	171,036	56,332
Accrued consumption taxes	100,788	70,089
Contract liabilities	399,985	418,305
Provision for bonuses	33,776	112,442
Other	82,356	74,285
Total current liabilities	2,435,461	2,454,507
Non-current liabilities		
Long-term borrowings	8,604	–
Lease liabilities	20,130	16,539
Asset retirement obligations	51,813	51,813
Total non-current liabilities	80,547	68,352
Total liabilities	2,516,009	2,522,860
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,014,288	1,015,538
Capital surplus	1,122,236	1,123,486
Retained earnings	1,085,157	1,380,558
Treasury shares	(187)	(283)
Total shareholders' equity	3,221,495	3,519,301
Accumulated other comprehensive income		
Foreign currency translation adjustment	32,602	49,007
Total accumulated other comprehensive income	32,602	49,007
Share acquisition rights	600	600
Non-controlling interests	16,860	18,035
Total net assets	3,271,557	3,586,944
Total liabilities and net assets	5,787,567	6,109,804



(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, 2022	Nine months ended September 30, 2023
Net sales	5,130,754	5,607,935
Cost of sales	3,367,269	3,737,359
Gross profit	1,763,484	1,870,576
Selling, general and administrative expenses	1,244,196	1,416,551
Operating profit	519,287	454,024
Non-operating income		
Interest income	79	264
Gain on investments in investment partnerships	–	897
Subsidy income	6,254	6,350
Other	1,465	674
Total non-operating income	7,799	8,186
Non-operating expenses		
Interest expenses	5,832	4,843
Foreign exchange losses	30,737	8,344
Loss on investments in investment partnerships	2,196	–
Other	487	0
Total non-operating expenses	39,253	13,187
Ordinary profit	487,833	449,023
Extraordinary losses		
Loss on retirement of non-current assets	–	93
Total extraordinary losses	–	93
Profit before income taxes	487,833	448,929
Income taxes - current	172,324	171,436
Income taxes - deferred	2,153	(18,192)
Total income taxes	174,478	153,243
Profit	313,355	295,685
Profit (loss) attributable to non-controlling interests	(1,607)	284
Profit attributable to owners of parent	314,962	295,401

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Profit	313,355	295,685
Other comprehensive income		
Foreign currency translation adjustment	29,479	17,296
Total other comprehensive income	29,479	17,296
Comprehensive income	342,834	312,982
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	342,923	311,807
Comprehensive income attributable to non-controlling interests	(88)	1,175

(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.