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February 14, 2023

Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (Under Japanese GAAP)

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 Listing: Tokyo Stock Exchange
 Securities code: 4074
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 Scheduled date of ordinary general meeting of shareholders: March 24, 2023
 Scheduled date to file annual securities report: March 27, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	6,880	18.0	772	40.6	731	48.2	467	47.3
December 31, 2021	5,830	9.4	549	116.2	493	102.9	317	127.1

Note: Comprehensive income For the fiscal year ended December 31, 2022: ¥478 million [38.3%]
 For the fiscal year ended December 31, 2021: ¥346 million [142.8%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
December 31, 2022	61.30	59.37	15.4	13.0	11.2
December 31, 2021	45.88	43.45	16.2	10.8	9.4

Notes: 1. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and each figure for the fiscal year ended December 31, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.

2. On July 16, 2021, the Company was listed on the Tokyo Stock Exchange’s Mothers, an acronym for market of the high-growth and emerging stocks. Fully diluted earnings per share for the previous fiscal year have been calculated from the listing date to December 31, 2021 as the average share price during the period.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2022	5,787	3,271	56.2	426.58
December 31, 2021	5,442	2,817	51.4	369.20

Reference: Equity

As of December 31, 2022: ¥3,254 million

As of December 31, 2021: ¥2,798 million

Note: The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and each figure for the fiscal year ended December 31, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2022	1,238	(359)	(205)	3,230
December 31, 2021	409	(301)	1,109	2,570

2. Cash dividends

	Annual dividends per share					Total dividend payments (Full-year)	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2021	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended December 31, 2022	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2023 (Forecast)	–	0.00	–	0.00	0.00		–	

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

* **Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Changes in accounting policies, changes in accounting estimates, and restatement
- (i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

Note: For details, please refer to page 12, section “3. Consolidated Financial Statements and Significant Notes Thereto,” item “(5) Notes on consolidated financial statements (Notes on changes in accounting policies)” of the attached document.

- (3) Number of issued shares (common shares)

- (i) Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2022	7,628,500 shares
As of December 31, 2021	7,580,500 shares

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

As of December 31, 2022	81 shares
As of December 31, 2021	48 shares

- (iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2022	7,619,560 shares
Fiscal year ended December 31, 2021	6,910,264 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2022	6,468	18.7	722	33.5	719	39.5	478	40.3
December 31, 2021	5,449	9.4	541	119.6	515	115.9	340	149.4

Fiscal year ended	Basic earnings per share	Diluted earnings per share
December 31, 2022	62.77	60.79
December 31, 2021	49.33	46.71

Notes: 1. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year, and each figure for the fiscal year ended December 31, 2022 is the figure after applying the accounting standard and relevant ASBJ regulations.

2. On July 16, 2021, the Company was listed on the Tokyo Stock Exchange’s Mothers, an acronym for market of the high-growth and emerging stocks. Fully diluted earnings per share for the previous fiscal year have been calculated from the listing date to December 31, 2021 as the average share price during the period.

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
December 31, 2022	Millions of yen 5,648	Millions of yen 3,207	% 56.8	Yen 420.41
December 31, 2021	Millions of yen 5,321	Millions of yen 2,754	% 51.8	Yen 363.24

Reference: Equity

As of December 31, 2022: ¥3,207 million
As of December 31, 2021: ¥2,753 million

* Financial results reports are exempt from audit 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 page 4, section "1. Overview of Operating Results," item "(4) Business outlook" of the attached document.

Attached Material

Index

1. Overview of Operating Results	2
(1) Overview of operating results for the fiscal year ended December 31, 2022	2
(2) Overview of financial position for the fiscal year ended December 31, 2022.....	2
(3) Overview of cash flows for the fiscal year ended December 31, 2022	3
(4) Business outlook.....	4
2. Basic Approach to the Selection of Accounting Standards	4
3. Consolidated Financial Statements and Significant Notes Thereto.....	5
(1) Consolidated balance sheet.....	5
(2) Consolidated statement of income and consolidated statement of comprehensive income.....	7
Consolidated statement of income.....	7
Consolidated statement of comprehensive income.....	8
(3) Consolidated statement of changes in equity.....	9
(4) Consolidated statement of cash flows.....	11
(5) Notes on consolidated financial statements.....	12
Notes on uncertainties of entity’s ability to continue as going concern	12
Notes on changes in accounting policies	12
Additional information	13
Segment information, etc.....	13
Per share data.....	14
Significant events after reporting period	14

1. Overview of Operating Results

(1) Overview of operating results for the fiscal year ended December 31, 2022

Despite a recovery trend after the downturn in the economy due to the resurgence of COVID-19 at the beginning of the year, the outlook for the Japanese economy in the current fiscal year (January 1, 2022 to December 31, 2022) remained uncertain due to the impact of factors including rising commodity prices and rapid exchange fluctuation toward the end of the year.

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 supported the digital transformation of client companies, 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, utilizing micro-service 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 fiscal year under review were ¥6,880,844 thousand (+18.0% year-on-year), operating profit was ¥772,194 thousand (+40.6% year-on-year), ordinary profit was ¥731,285 thousand (+48.2% year-on-year), and profit attributable to owners of parent was ¥467,051 thousand (+47.3% year-on-year).

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the current fiscal year. Details are as stated in “3. Consolidated Financial Statements and Significant Notes Thereto,” item “(5) Notes on consolidated financial statements (Notes on changes in accounting policies) (Application of Accounting Standard for Revenue Recognition, etc.)”

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 ¥3,995,422 thousand (+35.3% 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 ¥2,885,422 thousand (+0.3% year-on-year). Recurring revenue from the revenue base of maintenance and operation of existing systems provided by the Company in the past remained stable.

Type of services	January 1, 2021 - December 31, 2021		January 1, 2022 - December 31, 2022		Year-on-year	
	Amounts (Thousands of yen)	Composition (%)	Amounts (Thousands of yen)	Composition (%)	Amounts of change (Thousands of yen)	Percentage of change (%)
Product Business	2,953,757	50.7	3,995,422	58.1	+1,041,664	+35.3
Professional Services Business	2,876,301	49.3	2,885,422	41.9	+9,121	+0.3
Total	5,830,059	100.0	6,880,844	100.0	+1,050,785	+18.0

(2) Overview of financial position for the fiscal year ended December 31, 2022

Assets

Current assets as of December 31, 2022 were ¥4,183,325 thousand, an increase of ¥306,581 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥659,349 thousand in cash and deposits, despite a decrease of ¥358,205 thousand in notes and accounts receivable - trade, and contract assets (notes and accounts receivable - trade in the previous fiscal year). Non-current assets were ¥1,604,241 thousand, an increase of ¥38,435 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥75,079 thousand in investments and other assets due to purchase

of investment securities, etc., despite a decrease of ¥39,959 thousand in property, plant and equipment due to depreciation, etc.

As a result, total assets were ¥5,787,567 thousand, an increase of ¥345,017 thousand compared with the end of the previous fiscal year.

Liabilities

Current liabilities as of December 31, 2022 were ¥2,435,461 thousand, an increase of ¥486,980 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥388,875 thousand in current portion of long-term borrowings and an increase of ¥93,658 thousand in contract liabilities (advances received in the previous fiscal year). Non-current liabilities were ¥80,547 thousand, a decrease of ¥596,033 thousand compared with the end of the previous fiscal year. This was mainly due to a decrease of ¥575,704 thousand in long-term borrowings due to transfer to current portion of long-term borrowings.

As a result, total liabilities were ¥2,516,009 thousand, a decrease of ¥109,052 thousand compared with the end of the previous fiscal year.

Net assets

Total net assets as of December 31, 2022 were ¥3,271,557 thousand, an increase of ¥454,069 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥437,663 thousand in retained earnings and an increase of ¥12,984 thousand in foreign currency translation adjustment. The increase in retained earnings resulted from an increase of ¥467,051 thousand in profit attributable to owners of parent and a decrease of ¥29,388 thousand due to the cumulative effect of retroactive application of Accounting Standards for Revenue Recognition prior to the beginning of the current fiscal year.

(3) Overview of cash flows for the fiscal year ended December 31, 2022

Cash and cash equivalents (hereinafter “cash”) as of December 31, 2022 were ¥3,230,215 thousand, an increase of ¥659,349 thousand compared with the end of the previous fiscal year.

The status of each cash flow and the factors influencing them during the fiscal year under review are as follows.

Cash flows from operating activities

Net cash provided by operating activities amounted to ¥1,238,067 thousand (compared with ¥409,821 thousand provided in the previous fiscal year). This was primarily due to the positive factors of profit before income taxes of ¥731,285 thousand, depreciation of ¥281,967 thousand, a decrease in trade receivables of ¥331,644 thousand, and an increase in trade payables of ¥42,816 thousand. On the other hand, income taxes paid of ¥244,525 thousand had a negative impact.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥359,364 thousand (compared with ¥301,146 thousand used in the previous fiscal year). This was primarily due to the negative factors of purchase of intangible assets of ¥275,428 thousand related to software development for LaKeel products and purchase of investment securities of ¥65,127 thousand.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥205,406 thousand (compared with ¥1,109,057 thousand provided in the previous fiscal year). This was primarily due to the negative factors of repayments of long-term borrowings of ¥186,829 thousand and repayments of lease liabilities of ¥23,300 thousand.

(4) Business outlook

Although there are matters of concern for the economy, such as rising commodity prices, the impact of monetary policies and the resurgence of COVID-19, the trend of DX applicable to the “after COVID-19” era is poised to accelerate, and corporate IT investment is poised to accelerate further.

Against this backdrop, the Group will focus on business development, primarily product services, such as by enhancing products and services, including LaKeel DX, and provide services that maximize the value of clients’ businesses.

As for the consolidated earnings forecast for the fiscal year ending December 31, 2023, the Company expects net sales of ¥8,409 million (+22.2% year-on-year), operating profit of ¥901 million (+16.7% year-on-year), ordinary profit of ¥894 million (+22.3% year-on-year), and profit attributable to owners of parent of ¥567 million (+21.5% year-on-year).

The above forecasts are based on information currently available to the Company and certain assumptions that we consider reasonable, and are not intended to be a guarantee that the forecasts will be achieved. Actual results may differ significantly due to a variety of factors, including changes in economic conditions and client needs, as well as competition with other companies.

2. Basic Approach to the Selection of Accounting Standards

The Group applies Japanese GAAP standards in consideration of the comparability of the consolidated financial statements between periods and among domestic companies.

3. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated balance sheet

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	2,570,866	3,230,215
Notes and accounts receivable - trade	1,186,991	-
Notes and accounts receivable - trade, and contract assets	-	828,785
Work in process	2,618	782
Supplies	-	262
Other	116,267	123,278
Total current assets	3,876,744	4,183,325
Non-current assets		
Property, plant and equipment		
Buildings	182,682	182,907
Accumulated depreciation	(27,499)	(39,566)
Buildings, net	155,182	143,341
Tools, furniture and fixtures	72,865	77,581
Accumulated depreciation	(50,079)	(59,762)
Tools, furniture and fixtures, net	22,785	17,819
Leased assets	108,026	108,026
Accumulated depreciation	(46,900)	(70,052)
Leased assets, net	61,126	37,974
Total property, plant and equipment	239,094	199,135
Intangible assets		
Goodwill	470,542	436,074
Software	469,867	404,357
Content assets	-	109,893
Other	59,283	52,683
Total intangible assets	999,692	1,003,009
Investments and other assets		
Investment securities	-	62,931
Leasehold and guarantee deposits	303,098	306,487
Deferred tax assets	23,919	11,897
Other	-	20,781
Total investments and other assets	327,017	402,096
Total non-current assets	1,565,805	1,604,241
Total assets	5,442,549	5,787,567

(Thousands of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	248,758	292,583
Short-term borrowings	600,000	600,000
Current portion of long-term borrowings	186,829	575,704
Lease liabilities	23,304	20,329
Accounts payable - other	79,463	71,040
Accrued expenses	104,641	87,860
Income taxes payable	180,240	171,036
Accrued consumption taxes	96,378	100,788
Advances received	306,326	–
Contract liabilities	–	399,985
Provision for bonuses	38,458	33,776
Other	84,080	82,356
Total current liabilities	1,948,480	2,435,461
Non-current liabilities		
Long-term borrowings	584,308	8,604
Lease liabilities	40,459	20,130
Asset retirement obligations	51,813	51,813
Total non-current liabilities	676,580	80,547
Total liabilities	2,625,061	2,516,009
Net assets		
Shareholders' equity		
Share capital	1,011,888	1,014,288
Capital surplus	1,119,836	1,122,236
Retained earnings	647,494	1,085,157
Treasury shares	(110)	(187)
Total shareholders' equity	2,779,109	3,221,495
Accumulated other comprehensive income		
Foreign currency translation adjustment	19,617	32,602
Total accumulated other comprehensive income	19,617	32,602
Share acquisition rights	600	600
Non-controlling interests	18,161	16,860
Total net assets	2,817,488	3,271,557
Total liabilities and net assets	5,442,549	5,787,567

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	5,830,059	6,880,844
Cost of sales	3,781,515	4,475,944
Gross profit	2,048,543	2,404,900
Selling, general and administrative expenses	1,499,275	1,632,705
Operating profit	549,267	772,194
Non-operating income		
Interest income	83	181
Subsidy income	414	6,254
Other	359	1,527
Total non-operating income	857	7,963
Non-operating expenses		
Interest expenses	9,235	7,591
Foreign exchange losses	30,478	29,705
Share issuance costs	12,633	–
Listing expenses	4,435	–
Loss on investments in investment partnerships	–	2,196
Other	19	9,380
Total non-operating expenses	56,802	48,872
Ordinary profit	493,323	731,285
Extraordinary losses		
Loss on retirement of non-current assets	1,165	–
Total extraordinary losses	1,165	–
Profit before income taxes	492,158	731,285
Income taxes - current	191,672	241,248
Income taxes - deferred	(14,577)	24,992
Total income taxes	177,095	266,240
Profit	315,062	465,044
Loss attributable to non-controlling interests	(1,980)	(2,006)
Profit attributable to owners of parent	317,043	467,051

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	315,062	465,044
Other comprehensive income		
Foreign currency translation adjustment	30,994	13,689
Total other comprehensive income	30,994	13,689
Comprehensive income	346,057	478,734
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	346,441	480,036
Comprehensive income attributable to non-controlling interests	(384)	(1,301)

(3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2021

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	341,062	449,010	330,450	–	1,120,524
Cumulative effects of changes in accounting policies					
Restated balance	341,062	449,010	330,450	–	1,120,524
Changes during period					
Issuance of new shares	662,676	662,676			1,325,352
Exercise of share acquisition rights	8,150	8,150			16,300
Profit attributable to owners of parent			317,043		317,043
Purchase of treasury shares				(110)	(110)
Net changes in items other than shareholders' equity					
Total changes during period	670,826	670,826	317,043	(110)	1,658,584
Balance at end of period	1,011,888	1,119,836	647,494	(110)	2,779,109

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	(9,780)	(9,780)	600	18,546	1,129,889
Cumulative effects of changes in accounting policies					
Restated balance	(9,780)	(9,780)	600	18,546	1,129,889
Changes during period					
Issuance of new shares					1,325,352
Exercise of share acquisition rights					16,300
Profit attributable to owners of parent					317,043
Purchase of treasury shares					(110)
Net changes in items other than shareholders' equity	29,398	29,398	–	(384)	29,013
Total changes during period	29,398	29,398	–	(384)	1,687,598
Balance at end of period	19,617	19,617	600	18,161	2,817,488

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,011,888	1,119,836	647,494	(110)	2,779,109
Cumulative effects of changes in accounting policies			(29,388)		(29,388)
Restated balance	1,011,888	1,119,836	618,106	(110)	2,749,721
Changes during period					
Issuance of new shares					
Exercise of share acquisition rights	2,400	2,400			4,800
Profit attributable to owners of parent			467,051		467,051
Purchase of treasury shares				(76)	(76)
Net changes in items other than shareholders' equity					
Total changes during period	2,400	2,400	467,051	(76)	471,774
Balance at end of period	1,014,288	1,122,236	1,085,157	(187)	3,221,495

	Accumulated other comprehensive income		Share acquisition rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of period	19,617	19,617	600	18,161	2,817,488
Cumulative effects of changes in accounting policies					(29,388)
Restated balance	19,617	19,617	600	18,161	2,788,100
Changes during period					
Issuance of new shares					
Exercise of share acquisition rights					4,800
Profit attributable to owners of parent					467,051
Purchase of treasury shares					(76)
Net changes in items other than shareholders' equity	12,984	12,984	–	(1,301)	11,683
Total changes during period	12,984	12,984	–	(1,301)	483,457
Balance at end of period	32,602	32,602	600	16,860	3,271,557

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	492,158	731,285
Depreciation	183,152	281,967
Amortization of goodwill	34,467	34,467
Loss (gain) on investments in investment partnerships	–	2,196
Foreign exchange losses (gains)	–	26,310
Increase (decrease) in provision for bonuses	17,988	(5,679)
Increase (decrease) in allowance for doubtful accounts	(229)	–
Interest income	(83)	(181)
Subsidy income	(414)	(6,254)
Interest expenses	9,235	7,591
Share issuance costs	12,633	–
Listing expenses	4,435	–
Loss on retirement of non-current assets	1,165	–
Decrease (increase) in trade receivables	(334,448)	331,644
Decrease (increase) in inventories	2,161	1,578
Decrease (increase) in other current assets	(20,564)	(16,168)
Increase (decrease) in trade payables	105,308	42,816
Increase (decrease) in accounts payable - other	14,352	(8,569)
Increase (decrease) in accrued expenses	(3,544)	(17,052)
Increase (decrease) in accrued consumption taxes	(9,284)	4,909
Increase (decrease) in other current liabilities	9,017	72,852
Other, net	(391)	49
Subtotal	517,113	1,483,763
Interest received	82	178
Interest paid	(9,246)	(7,603)
Subsidies received	414	6,254
Income taxes paid	(98,563)	(244,525)
Income taxes refund	20	–
Net cash provided by (used in) operating activities	409,821	1,238,067
Cash flows from investing activities		
Purchase of property, plant and equipment	(75,936)	(3,350)
Purchase of intangible assets	(226,188)	(275,428)
Purchase of investment securities	–	(65,127)
Purchase of long-term prepaid expenses	–	(1,018)
Payments of leasehold deposits	(264)	(3,684)
Proceeds from refund of leasehold deposits	8,741	9,244
Payments for asset retirement obligations	(7,499)	–
Other payments	–	(20,000)
Net cash provided by (used in) investing activities	(301,146)	(359,364)
Cash flows from financing activities		
Repayments of long-term borrowings	(192,364)	(186,829)
Repayments of lease liabilities	(23,051)	(23,300)
Proceeds from issuance of shares	1,325,352	–
Payments for issuance of shares	(12,633)	–
Payments of listing expenses	(4,435)	–
Purchase of treasury shares	(110)	(76)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	16,300	4,800
Net cash provided by (used in) financing activities	1,109,057	(205,406)
Effect of exchange rate change on cash and cash equivalents	29,485	(13,947)
Net increase (decrease) in cash and cash equivalents	1,247,218	659,349
Cash and cash equivalents at beginning of period	1,323,648	2,570,866
Cash and cash equivalents at end of period	2,570,866	3,230,215

(5) Notes on consolidated financial statements

Notes on uncertainties of entity's ability to continue as going concern

Not applicable.

Notes on changes in accounting policies

Application of Accounting Standard for Revenue Recognition, etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the current fiscal year, and it has recognized revenue at the time that the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

The main changes from the application of the Accounting Standard for Revenue Recognition, etc. are as follows.

1. Identification of performance obligations and allocation of transaction prices

For software license products, including maintenance services for the first year, the Company previously recognized revenue at a particular point in time. Now, however, we identify software licenses and maintenance services as separate performance obligations and allocate transaction prices on a relative stand-alone selling price basis, and recognize revenue from maintenance services over time as performance obligations are satisfied.

2. Revenue recognition related to construction contracts

As regards software development and similar activities contracted by the Group, it previously applied the percentage of completion method for some software development projects in which the outcome of construction work in progress was deemed certain, and the completed work method for other projects. However, from the beginning of the current fiscal year, the Company has changed the way of revenue recognition. For performance obligation satisfied over time, it recognizes revenue over time based on the progress toward satisfaction of performance obligations, making reasonable estimates concerning progress. As for the method of estimating progress towards satisfaction of performance obligations, the progress is calculated by the proportion of actual cost to estimated total cost (input method). For less significant construction contracts, revenue is recognized when the performance obligation is fully satisfied.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retroactive application, assuming the new accounting policy had been applied to periods prior to the beginning of the current fiscal year, was added to or subtracted from the retained earnings at the beginning of the current fiscal year, and thus the new accounting policy has been applied from the beginning balance.

As a result, net sales, operating profit, ordinary profit, and profit before income taxes each increased by ¥32,238 thousand during the current fiscal year. In addition, the balance of retained earnings at the beginning of the period decreased by ¥29,388 thousand.

Due to the application of the Accounting Standard for Revenue Recognition, etc., the following accounting items in the consolidated balance sheet of the previous fiscal year have been reclassified, effective from the current fiscal year. Within current assets, "Notes and accounts receivable - trade" have now been included in "Notes and accounts receivable - trade, and contract assets," and within current liabilities, "Advances received" have now been included in "Contract liabilities."

In accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

Application of Accounting Standard for Fair Value Measurement, etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional treatment provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There was no impact on profit and loss for the current fiscal year.

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

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

Per share data

	January 1, 2021 - December 31, 2021 (Yen)	January 1, 2022 - December 31, 2022 (Yen)
Net assets per share	369.20	426.58
Basic earnings per share	45.88	61.30
Fully diluted earnings per share	43.45	59.37

- Notes: 1. On July 16, 2021, the Company was listed on the Tokyo Stock Exchange's Mothers, an acronym for market of the high-growth and emerging stocks. Fully diluted earnings per share for the previous fiscal year have been calculated from the listing date to December 31, 2021 as the average share price during the period.
2. The basis for calculation of basic earnings per share and fully diluted earnings per share is as follows.

	January 1, 2021 - December 31, 2021	January 1, 2022 - December 31, 2022
Basic earnings per share		
Profit attributable to owners of parent (thousands of yen)	317,043	467,051
Amount not attributable to common shareholders (thousands of yen)	–	–
Profit attributable to owners of parent from common stock (thousands of yen)	317,043	467,051
Average number of shares of common stock outstanding during the period (shares)	6,910,264	7,619,560
Fully diluted earnings per share		
Adjusted profit attributable to owners of parent (thousands of yen)	–	–
Increase in the number of common stock (shares)	387,168	247,477
[Of those, the number available for share acquisition rights (shares)]	[387,168]	[247,477]
Overview of dilutive shares that were not included in the calculation of fully diluted earnings per share because they do not have a dilutive effect	Third share acquisition rights Number of share acquisition rights 5,000 Common stock 500,000 shares	Third share acquisition rights Number of share acquisition rights 5,000 Common stock 500,000 shares

Significant events after reporting period

Not applicable.