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February 14, 2024

Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (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 27, 2024
 Scheduled date to file annual securities report: March 28, 2024
 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, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023	7,653	11.2	774	0.3	806	10.3	539	15.5
December 31, 2022	6,880	18.0	772	40.6	731	48.2	467	47.3

Note: Comprehensive income For the fiscal year ended December 31, 2023: ¥550 million [15.0%]
 For the fiscal year ended December 31, 2022: ¥478 million [38.3%]

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, 2023	70.58	68.56	15.3	13.2	10.1
December 31, 2022	61.30	59.37	15.4	13.0	11.2

(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, 2023	6,408	3,824	59.4	499.74
December 31, 2022	5,787	3,271	56.2	426.58

Reference: Equity

As of December 31, 2023: ¥3,806 million

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

(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, 2023	668	(1,102)	(94)	2,704
December 31, 2022	1,238	(359)	(205)	3,230

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, 2022	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ended December 31, 2023	–	0.00	–	0.00	0.00	–	–	–
Fiscal year ending December 31, 2024 (Forecast)	–	0.00	–	0.00	0.00		–	

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2024 (from January 1, 2024 to December 31, 2024)

(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, 2024	9,215	20.4	1,044	34.8	1,034	28.2	668	23.9	87.34

* **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: None
- (ii) Changes in accounting policies due to other reasons: None
- (iii) Changes in accounting estimates: None
- (iv) Restatement: None

(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, 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 December 31, 2023	123 shares
As of December 31, 2022	81 shares

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

Fiscal year ended December 31, 2023	7,644,733 shares
Fiscal year ended December 31, 2022	7,619,560 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated financial results for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(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, 2023	7,073	9.4	705	(2.3)	738	2.7	493	3.2
December 31, 2022	6,468	18.7	722	33.5	719	39.5	478	40.3

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	64.59	62.74
December 31, 2022	62.77	60.79

(2) Non-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, 2023	6,186	3,703	59.9	483.94
December 31, 2022	5,648	3,207	56.8	420.41

Reference: Equity

As of December 31, 2023: ¥3,703 million

As of December 31, 2022: ¥3,207 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 3, section “1. Overview of Operating Results,” item “(4) Business outlook” of the attached document.

Attached Material

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1. Overview of Operating Results

(1) Overview of operating results for the fiscal year ended December 31, 2023

During the current fiscal year (January 1, 2023 to December 31, 2023), although we are seeing a trend toward economic recovery, including 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 is 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.

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 fiscal year under review were ¥7,653,414 thousand (+11.2% year-on-year), operating profit was ¥774,580 thousand (+0.3% year-on-year), ordinary profit was ¥806,955 thousand (+10.3% year-on-year), and profit attributable to owners of parent was ¥539,576 thousand (+15.5% 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.

Net sales of Product Business amounted to ¥4,444,076 thousand (+11.2% 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.

Net sales of Professional Services Business amounted to ¥3,209,337 thousand (+11.2% 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, 2022 - December 31, 2022		January 1, 2023 - December 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	3,995,422	58.1	4,444,076	58.1	+448,654	+11.2
Professional Services Business	2,885,422	41.9	3,209,337	41.9	+323,915	+11.2
Total	6,880,844	100.0	7,653,414	100.0	+772,569	+11.2

(2) Overview of financial position for the fiscal year ended December 31, 2023

Assets

Current assets as of December 31, 2023 were ¥4,009,313 thousand, a decrease of ¥174,011 thousand compared with the end of the previous fiscal year. This was mainly due to a decrease of ¥526,154 thousand in cash and deposits due to purchase of investment securities, etc., despite an increase of ¥308,287 thousand in notes and accounts receivable - trade, and contract assets. Non-current assets were ¥2,398,788 thousand, an increase of ¥794,547 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥163,028 thousand in intangible assets due to development of software, etc. and an increase of ¥647,692 thousand in investments and other assets due to purchase of investment securities, etc.

As a result, total assets were ¥6,408,102 thousand, an increase of ¥620,535 thousand compared with the end of the previous fiscal year.

Liabilities

Current liabilities as of December 31, 2023 were ¥2,112,611 thousand, a decrease of ¥322,850 thousand compared with the end of the previous fiscal year. This was mainly due to a decrease of ¥467,100 thousand in current portion of long-term borrowings, despite an increase of ¥106,625 thousand in accounts payable - trade. Non-current liabilities were ¥470,764 thousand, an increase of ¥390,216 thousand compared with the end of the previous fiscal year. This was mainly due to an increase in long-term borrowings of ¥391,396 thousand.

As a result, total liabilities were ¥2,583,375 thousand, an increase of ¥67,366 thousand compared with the end of the previous fiscal year.

Net assets

Total net assets as of December 31, 2023 were ¥3,824,727 thousand, an increase of ¥553,169 thousand compared with the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥539,576 thousand.

(3) Overview of cash flows for the fiscal year ended December 31, 2023

Cash and cash equivalents (hereinafter “cash”) as of December 31, 2023 were ¥2,704,061 thousand, a decrease of ¥526,154 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 ¥668,483 thousand (compared with ¥1,238,067 thousand provided in the previous fiscal year). This was primarily due to the positive factors of profit before income taxes of ¥805,853 thousand, depreciation of ¥324,769 thousand, and an increase in trade payables of ¥116,991 thousand. On the other hand, an increase in trade receivables of ¥327,191 thousand and income taxes paid of ¥265,524 thousand had a negative impact.

Cash flows from investing activities

Net cash used in investing activities amounted to ¥1,102,382 thousand (compared with ¥359,364 thousand used in the previous fiscal year). This was primarily due to the negative factors of purchase of intangible assets of ¥490,768 thousand including software development for LaKeel products and purchase of investment securities of ¥600,000 thousand.

Cash flows from financing activities

Net cash used in financing activities amounted to ¥94,863 thousand (compared with ¥205,406 thousand used in the previous fiscal year). This was primarily due to the negative factors of repayments of long-term borrowings of ¥575,704 thousand and repayments of lease liabilities of ¥21,563 thousand, despite proceeds from long-term borrowings of ¥500,000 thousand.

(4) Business outlook

Although there are matters of concern for the economy, such as rising commodity prices and the impact of monetary policies, the DX market growth is remarkable, 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, 2024, the Company expects net sales of ¥9,215 million (+20.4% year-on-year), operating profit of ¥1,044 million (+34.8% year-on-year), ordinary profit of ¥1,034 million (+28.2% year-on-year), and profit attributable to owners of parent of ¥668 million (+23.9% 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, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	3,230,215	2,704,061
Notes and accounts receivable - trade, and contract assets	828,785	1,137,073
Work in process	782	11,093
Supplies	262	198
Income taxes refund receivable	-	525
Other	123,278	156,362
Total current assets	4,183,325	4,009,313
Non-current assets		
Property, plant and equipment		
Buildings	182,907	184,081
Accumulated depreciation	(39,566)	(51,694)
Buildings, net	143,341	132,387
Vehicles	-	8,209
Accumulated depreciation	-	(2,737)
Vehicles, net	-	5,471
Tools, furniture and fixtures	77,581	63,535
Accumulated depreciation	(59,762)	(50,302)
Tools, furniture and fixtures, net	17,819	13,232
Leased assets	108,026	101,042
Accumulated depreciation	(70,052)	(69,171)
Leased assets, net	37,974	31,871
Total property, plant and equipment	199,135	182,962
Intangible assets		
Goodwill	436,074	401,607
Software	404,357	402,176
Software in progress	-	193,656
Content assets	109,893	122,514
Other	52,683	46,083
Total intangible assets	1,003,009	1,166,037
Investments and other assets		
Investment securities	62,931	663,828
Leasehold and guarantee deposits	306,487	306,639
Deferred tax assets	11,897	16,240
Long-term accounts receivable - other	-	43,070
Other	20,781	20,010
Total investments and other assets	402,096	1,049,789
Total non-current assets	1,604,241	2,398,788
Total assets	5,787,567	6,408,102

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	292,583	399,209
Short-term borrowings	600,000	600,000
Current portion of long-term borrowings	575,704	108,604
Lease liabilities	20,329	14,767
Accounts payable - other	71,040	92,695
Accrued expenses	87,860	100,981
Income taxes payable	171,036	176,238
Accrued consumption taxes	100,788	71,784
Contract liabilities	399,985	429,672
Provision for bonuses	33,776	39,024
Other	82,356	79,634
Total current liabilities	2,435,461	2,112,611
Non-current liabilities		
Long-term borrowings	8,604	400,000
Lease liabilities	20,130	18,951
Asset retirement obligations	51,813	51,813
Total non-current liabilities	80,547	470,764
Total liabilities	2,516,009	2,583,375
Net assets		
Shareholders' equity		
Share capital	1,014,288	1,015,538
Capital surplus	1,122,236	1,123,486
Retained earnings	1,085,157	1,624,734
Treasury shares	(187)	(283)
Total shareholders' equity	3,221,495	3,763,476
Accumulated other comprehensive income		
Foreign currency translation adjustment	32,602	42,800
Total accumulated other comprehensive income	32,602	42,800
Share acquisition rights	600	600
Non-controlling interests	16,860	17,849
Total net assets	3,271,557	3,824,727
Total liabilities and net assets	5,787,567	6,408,102

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

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	6,880,844	7,653,414
Cost of sales	4,475,944	5,013,102
Gross profit	2,404,900	2,640,311
Selling, general and administrative expenses	1,632,705	1,865,731
Operating profit	772,194	774,580
Non-operating income		
Interest income	181	2,606
Gain on investments in investment partnerships	–	897
Subsidy income	6,254	6,350
Settlement income	–	35,500
Other	1,527	745
Total non-operating income	7,963	46,099
Non-operating expenses		
Interest expenses	7,591	6,384
Foreign exchange losses	29,705	7,329
Loss on investments in investment partnerships	2,196	–
Other	9,380	9
Total non-operating expenses	48,872	13,724
Ordinary profit	731,285	806,955
Extraordinary losses		
Loss on retirement of non-current assets	–	1,102
Total extraordinary losses	–	1,102
Profit before income taxes	731,285	805,853
Income taxes - current	241,248	270,183
Income taxes - deferred	24,992	(4,343)
Total income taxes	266,240	265,840
Profit	465,044	540,012
Profit (loss) attributable to non-controlling interests	(2,006)	435
Profit attributable to owners of parent	467,051	539,576

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	465,044	540,012
Other comprehensive income		
Foreign currency translation adjustment	13,689	10,752
Total other comprehensive income	13,689	10,752
Comprehensive income	478,734	550,765
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	480,036	549,775
Comprehensive income attributable to non-controlling interests	(1,301)	989

(3) Consolidated statement of changes in equity

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					
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					
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

Fiscal year ended December 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,014,288	1,122,236	1,085,157	(187)	3,221,495
Changes during period					
Exercise of share acquisition rights	1,250	1,250			2,500
Profit attributable to owners of parent			539,576		539,576
Purchase of treasury shares				(95)	(95)
Net changes in items other than shareholders' equity					
Total changes during period	1,250	1,250	539,576	(95)	541,980
Balance at end of period	1,015,538	1,123,486	1,624,734	(283)	3,763,476

	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	32,602	32,602	600	16,860	3,271,557
Changes during period					
Exercise of share acquisition rights					2,500
Profit attributable to owners of parent					539,576
Purchase of treasury shares					(95)
Net changes in items other than shareholders' equity	10,198	10,198		989	11,188
Total changes during period	10,198	10,198	–	989	553,169
Balance at end of period	42,800	42,800	600	17,849	3,824,727

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	731,285	805,853
Depreciation	281,967	324,769
Amortization of goodwill	34,467	34,467
Loss (gain) on investments in investment partnerships	2,196	(897)
Foreign exchange losses (gains)	26,310	8,051
Increase (decrease) in provision for bonuses	(5,679)	4,409
Interest income	(181)	(2,606)
Subsidy income	(6,254)	(6,350)
Settlement income	–	(35,500)
Interest expenses	7,591	6,384
Loss on retirement of non-current assets	–	1,102
Decrease (increase) in trade receivables	331,644	(327,191)
Decrease (increase) in inventories	1,578	(10,231)
Decrease (increase) in other current assets	(16,168)	(26,883)
Increase (decrease) in trade payables	42,816	116,991
Increase (decrease) in accounts payable - other	(8,569)	20,040
Increase (decrease) in accrued expenses	(17,052)	12,891
Increase (decrease) in accrued consumption taxes	4,909	(29,023)
Increase (decrease) in other current liabilities	72,852	32,464
Other, net	49	–
Subtotal	1,483,763	928,742
Interest received	178	2,603
Interest paid	(7,603)	(5,190)
Subsidies received	6,254	6,350
Settlement received	–	1,500
Income taxes paid	(244,525)	(265,524)
Income taxes refund	–	2
Net cash provided by (used in) operating activities	1,238,067	668,483
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,350)	(11,614)
Purchase of intangible assets	(275,428)	(490,768)
Purchase of investment securities	(65,127)	(600,000)
Purchase of long-term prepaid expenses	(1,018)	–
Payments of leasehold deposits	(3,684)	–
Proceeds from refund of leasehold deposits	9,244	–
Other payments	(20,000)	–
Net cash provided by (used in) investing activities	(359,364)	(1,102,382)
Cash flows from financing activities		
Proceeds from long-term borrowings	–	500,000
Repayments of long-term borrowings	(186,829)	(575,704)
Repayments of lease liabilities	(23,300)	(21,563)
Purchase of treasury shares	(76)	(95)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	4,800	2,500
Net cash provided by (used in) financing activities	(205,406)	(94,863)
Effect of exchange rate change on cash and cash equivalents	(13,947)	2,608
Net increase (decrease) in cash and cash equivalents	659,349	(526,154)
Cash and cash equivalents at beginning of period	2,570,866	3,230,215
Cash and cash equivalents at end of period	3,230,215	2,704,061

(5) Notes on consolidated financial statements

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

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.

Per share data

	January 1, 2022 - December 31, 2022 (Yen)	January 1, 2023 - December 31, 2023 (Yen)
Net assets per share	426.58	499.74
Basic earnings per share	61.30	70.58
Diluted earnings per share	59.37	68.56

Note: The basis for calculation of basic earnings per share and diluted earnings per share is as follows.

	January 1, 2022 - December 31, 2022	January 1, 2023 - December 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (thousands of yen)	467,051	539,576
Amount not attributable to common shareholders (thousands of yen)	—	—
Profit attributable to owners of parent from common stock (thousands of yen)	467,051	539,576
Average number of shares of common stock outstanding during the period (shares)	7,619,560	7,644,733
Diluted earnings per share		
Adjusted profit attributable to owners of parent (thousands of yen)	—	—
Increase in the number of common stock (shares)	247,477	225,234
[Of those, the number available for share acquisition rights (shares)]	[247,477]	[225,234]
Overview of dilutive shares that were not included in the calculation of 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.