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August 15, 2022

## Consolidated Financial Results for the Six Months Ended June 30, 2022 (Under Japanese GAAP)

Company name:	LaKeel, Inc.
Listing:	Tokyo Stock Exchange
Securities code:	4074
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Scheduled date to file quarterly securities report:	August 15, 2022
Scheduled date to commence dividend payments:	—
Preparation of supplementary material on quarterly financial results:	Yes
Holding of quarterly financial results briefing:	Yes

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

### 1. Consolidated financial results for the six months ended June 30, 2022 (from January 1, 2022 to June 30, 2022)

#### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2022	3,378	26.4	268	36.4	242	45.0	150	60.3
June 30, 2021	2,673	—	196	—	167	—	93	—

Note: Comprehensive income      For the six months ended June 30, 2022:      ¥177 million      [60.7%]  
                                         For the six months ended June 30, 2021:      ¥110 million      [-%]

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
June 30, 2022	19.74	19.09
June 30, 2021	14.67	—

- Notes:
- 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 first quarter of the current fiscal year, and each figure for the six months ended June 30, 2022, is the figure after applying the accounting standard and relevant ASBJ regulations.
  - The Company did not prepare consolidated financial statements for the six months ended June 30, 2020. Therefore, the year-on-year changes for the six months ended June 30, 2021 cannot be shown.
  - Regarding the results for diluted earnings per share for the six months ended June 30, 2021, while the Company does have dilutive shares, the Company's shares were unlisted as of June 30, 2021. As a result, average share prices for the period cannot be calculated; therefore, diluted earnings per share cannot be shown.

## (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of June 30, 2022	Millions of yen 5,540	Millions of yen 2,970	% 53.3
December 31, 2021	5,442	2,817	51.4

Reference: Equity

As of June 30, 2022: ¥2,951 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 first quarter of the current fiscal year, and each figure for the six months ended June 30, 2022, is the figure after applying the accounting standard and relevant ASBJ regulations.

## 2. Cash dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended December 31, 2021	Yen –	Yen 0.00	Yen –	Yen 0.00	Yen 0.00
Fiscal year ending December 31, 2022	–	0.00	–	–	–
Fiscal year ending December 31, 2022 (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, 2022 (from January 1, 2022 to December 31, 2022)

(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, 2022	6,784	16.4	659	20.0	651	32.1	421	33.0	55.62

Note: Revisions to the earnings forecasts most recently announced: None

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 first quarter of the current fiscal year, and the consolidated earnings forecasts for the fiscal year ending December 31, 2022 reflect figures after applying the accounting standard and relevant ASBJ regulations.

\* **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: 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 “Notes on changes in accounting policies” under the section of “(4) Notes to quarterly consolidated financial statements” of “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto” on page 9 of the attached material.

(4) Number of issued shares (common shares)

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

As of June 30, 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 June 30, 2022	81 shares
As of December 31, 2021	48 shares

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

Six months ended June 30, 2022	7,610,472 shares
Six months ended June 30, 2021	6,388,500 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 “(4) Explanation regarding consolidated earnings forecasts and other forward-looking statements” of “1. Qualitative Information Regarding Results for the Six Months” on page 3 of the attached material.

## **Attached Material**

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

### (1) Explanation regarding operating results

The outlook for the Japanese economy in the first six months of the current fiscal year remained uncertain due to factors including the impact of the COVID-19 pandemic, rising prices of raw materials and crude oil, and the rapid depreciation of the yen.

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 of these efforts, net sales for the period under review were ¥3,378,934 thousand (+26.4% year-on-year), operating profit was ¥268,764 thousand (+36.4% year-on-year), ordinary profit was ¥242,722 thousand (+45.0% year-on-year), and profit attributable to owners of parent was ¥150,237 thousand (+60.3% year-on-year).

In addition, 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 first quarter of the current fiscal year. Details are as explained in “Application of Accounting Standard for Revenue Recognition, etc.” under “Notes on changes in accounting policies” in the section of “(4) Notes to quarterly consolidated financial statements” of “2. Quarterly Consolidated Financial Statements and Significant Notes Thereto.”

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 ¥1,972,625 thousand (+54.9% 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.

Net sales of Professional Services Business amounted to ¥1,406,309 thousand (+0.5% year-on-year). With fewer orders for new system development and a shift to the Product Business, recurring revenue derived from the maintenance and operation of existing systems remained stable.

Type of services	Six months ended June 30, 2021 (from January 1, 2021 to June 30, 2021)		Six months ended June 30, 2022 (from January 1, 2022 to June 30, 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	1,273,860	47.6	1,972,625	58.4	698,764	54.9
Professional Services Business	1,399,684	52.4	1,406,309	41.6	6,624	0.5
Total	2,673,544	100.0	3,378,934	100.0	705,389	26.4

### (2) Explanation regarding financial position

#### Assets

Current assets as of June 30, 2022, were ¥3,974,414 thousand, an increase of ¥97,670 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥392,945 thousand in cash and deposits, despite a decrease of ¥319,203 thousand in notes and accounts receivable - trade, and contract assets (notes and accounts receivable - trade in the previous fiscal year). Non-current assets were

¥1,566,452 thousand, an increase of ¥647 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥59,649 thousand in investments and other assets due to purchase of investment securities, despite a decrease of ¥39,458 thousand in intangible assets due to amortization of software and goodwill of LaKeel products.

As a result, total assets were ¥5,540,867 thousand, an increase of ¥98,317 thousand compared with the end of the previous fiscal year.

#### Liabilities

Current liabilities as of June 30, 2022, were ¥1,969,195 thousand, an increase of ¥20,714 thousand compared with the end of the previous fiscal year. This was mainly due to an increase of ¥142,258 thousand in contract liabilities (advances received in the previous fiscal year) due to an increase in new advances, despite a decrease of ¥76,634 thousand in income taxes payable due to payment on finalized income tax returns, and a decrease of ¥38,885 thousand in the current portion of long-term borrowings. Non-current liabilities were ¥601,093 thousand, a decrease of ¥75,486 thousand compared with the end of the previous fiscal year. This was primarily because long-term borrowings decreased by ¥64,994 thousand thanks to their repayment.

As a result, total liabilities were ¥2,570,289 thousand, a decrease of ¥54,772 thousand compared with the end of the previous fiscal year.

#### Net assets

Total net assets as of June 30, 2022 were ¥2,970,577 thousand, an increase of ¥153,089 thousand compared with the end of the previous fiscal year. This was mainly due to an increase in retained earnings of ¥120,849 thousand and an increase in foreign currency translation adjustment of ¥27,490 thousand. The increase in retained earnings resulted from an increase of ¥150,237 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, etc. prior to the beginning of the first quarter of the fiscal year ending December 31, 2022.

### (3) Explanation regarding cash flows

Cash and cash equivalents (hereinafter “cash”) as of June 30, 2022 were ¥2,963,811 thousand, an increase of ¥392,945 thousand compared with the end of the previous fiscal year. The status of each cash flow and the factors influencing them during the period under review are as follows.

#### Cash flows from operating activities

Net cash provided by operating activities amounted to ¥632,122 thousand (compared with ¥78,048 thousand provided in the same period of the previous fiscal year). Primary positive factors were profit before income taxes of ¥242,722 thousand, depreciation of ¥138,607 thousand, a decrease in trade receivables of ¥294,803 thousand, and an increase in other current liabilities of ¥113,883 thousand. On the other hand, an increase in other current assets of ¥20,988 thousand, a decrease in accrued consumption taxes of ¥26,544 thousand, and income taxes paid amounting to ¥149,389 thousand had a negative impact.

#### Cash flows from investing activities

Net cash used in investing activities amounted to ¥155,446 thousand (compared with ¥131,013 thousand used in the same period of the previous fiscal year). This was primarily due to purchase of intangible assets of ¥93,414 thousand for software development of LaKeel products and purchase of investment securities of ¥56,398 thousand.

#### Cash flows from financing activities

Net cash used in financing activities amounted to ¥111,259 thousand (compared with ¥120,929 thousand used in the same period of the previous fiscal year). This was primarily due to repayments of long-term borrowings of ¥103,879 thousand and repayments of lease obligations of ¥12,103 thousand.

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

The consolidated earnings forecast for the fiscal year ending December 31, 2022 remains unchanged from the forecast in the “Consolidated Financial Results for the Fiscal Year Ended December 31, 2021” that was released on February 14, 2022.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly consolidated balance sheet

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	2,570,866	2,963,811
Notes and accounts receivable - trade	1,186,991	—
Notes and accounts receivable - trade, and contract assets	—	867,788
Work in process	2,618	5,397
Other	116,267	137,416
<b>Total current assets</b>	<u>3,876,744</u>	<u>3,974,414</u>
<b>Non-current assets</b>		
Property, plant and equipment		
Buildings	182,682	182,907
Accumulated depreciation	(27,499)	(33,526)
Buildings, net	155,182	149,380
Tools, furniture and fixtures	72,865	78,598
Accumulated depreciation	(50,079)	(57,632)
Tools, furniture and fixtures, net	22,785	20,965
Leased assets	108,026	108,026
Accumulated depreciation	(46,900)	(58,822)
Leased assets, net	61,126	49,204
<b>Total property, plant and equipment</b>	<u>239,094</u>	<u>219,551</u>
Intangible assets		
Goodwill	470,542	453,308
Software	469,867	389,290
Software in progress	—	61,651
Other	59,283	55,983
<b>Total intangible assets</b>	<u>999,692</u>	<u>960,234</u>
Investments and other assets		
Investment securities	—	56,398
Leasehold and guarantee deposits	303,098	306,714
Deferred tax assets	23,919	23,356
Other	—	197
<b>Total investments and other assets</b>	<u>327,017</u>	<u>386,667</u>
<b>Total non-current assets</b>	<u>1,565,805</u>	<u>1,566,452</u>
<b>Total assets</b>	<u>5,442,549</u>	<u>5,540,867</u>

(Thousands of yen)

	As of December 31, 2021	As of June 30, 2022
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable - trade	248,758	308,334
Short-term borrowings	600,000	600,000
Current portion of long-term borrowings	186,829	147,944
Lease obligations	23,304	21,857
Accounts payable - other	79,463	65,782
Accrued expenses	104,641	86,773
Income taxes payable	180,240	103,605
Accrued consumption taxes	96,378	68,906
Advances received	306,326	–
Contract liabilities	–	448,585
Provision for bonuses	38,458	37,434
Provisions	–	3,101
Other	84,080	76,868
<b>Total current liabilities</b>	<b>1,948,480</b>	<b>1,969,195</b>
<b>Non-current liabilities</b>		
Long-term borrowings	584,308	519,314
Lease obligations	40,459	29,966
Asset retirement obligations	51,813	51,813
<b>Total non-current liabilities</b>	<b>676,580</b>	<b>601,093</b>
<b>Total liabilities</b>	<b>2,625,061</b>	<b>2,570,289</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	1,011,888	1,014,288
Capital surplus	1,119,836	1,122,236
Retained earnings	647,494	768,343
Treasury shares	(110)	(187)
<b>Total shareholders' equity</b>	<b>2,779,109</b>	<b>2,904,682</b>
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	19,617	47,108
<b>Total accumulated other comprehensive income</b>	<b>19,617</b>	<b>47,108</b>
<b>Share acquisition rights</b>	<b>600</b>	<b>600</b>
<b>Non-controlling interests</b>	<b>18,161</b>	<b>18,187</b>
<b>Total net assets</b>	<b>2,817,488</b>	<b>2,970,577</b>
<b>Total liabilities and net assets</b>	<b>5,442,549</b>	<b>5,540,867</b>

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

Quarterly consolidated statement of income

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	2,673,544	3,378,934
Cost of sales	1,776,902	2,273,443
Gross profit	896,642	1,105,490
Selling, general and administrative expenses	699,665	836,726
Operating profit	196,977	268,764
Non-operating income		
Interest income	33	50
Subsidy income	—	6,254
Other	438	1,257
Total non-operating income	471	7,562
Non-operating expenses		
Interest expenses	4,821	3,957
Foreign exchange losses	18,418	29,166
Share issuance costs	2,492	—
Listing expenses	4,331	—
Other	0	479
Total non-operating expenses	30,064	33,603
Ordinary profit	167,384	242,722
Profit before income taxes	167,384	242,722
Income taxes - current	79,416	80,418
Income taxes - deferred	(4,655)	13,532
Total income taxes	74,761	93,951
Profit	92,623	148,771
Loss attributable to non-controlling interests	(1,101)	(1,466)
Profit attributable to owners of parent	93,724	150,237

Quarterly consolidated statement of comprehensive income

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	92,623	148,771
Other comprehensive income		
Foreign currency translation adjustment	17,966	28,983
Total other comprehensive income	17,966	28,983
Comprehensive income	110,590	177,754
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	110,766	177,728
Comprehensive income attributable to non-controlling interests	(176)	25

(3) Quarterly consolidated statement of cash flows

(Thousands of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	167,384	242,722
Depreciation	86,877	138,607
Amortization of goodwill	17,233	17,233
Increase (decrease) in provision for bonuses	5,395	(2,918)
Increase (decrease) in provisions	–	3,101
Interest income	(33)	(50)
Subsidy income	–	(6,254)
Interest expenses	4,821	3,957
Share issuance costs	2,492	–
Listing expenses	4,331	–
Decrease (increase) in trade receivables	(94,361)	294,803
Decrease (increase) in inventories	2,153	(2,756)
Decrease (increase) in other current assets	(58,010)	(20,988)
Increase (decrease) in trade payables	13,638	57,639
Increase (decrease) in accounts payable - other	(2,648)	(14,459)
Increase (decrease) in accrued expenses	(22,323)	(19,045)
Increase (decrease) in accrued consumption taxes	(38,543)	(26,544)
Increase (decrease) in other current liabilities	51,662	113,883
Other, net	242	393
<b>Subtotal</b>	<b>140,311</b>	<b>779,325</b>
Interest received	32	49
Interest paid	(4,913)	(4,116)
Subsidies received	–	6,254
Income taxes paid	(57,382)	(149,389)
<b>Net cash provided by (used in) operating activities</b>	<b>78,048</b>	<b>632,122</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(40,202)	(1,949)
Purchase of intangible assets	(90,810)	(93,414)
Purchase of investment securities	–	(56,398)
Payments of leasehold deposits	–	(3,684)
<b>Net cash provided by (used in) investing activities</b>	<b>(131,013)</b>	<b>(155,446)</b>
<b>Cash flows from financing activities</b>		
Repayments of long-term borrowings	(103,879)	(103,879)
Repayments of lease obligations	(11,437)	(12,103)
Payments for issuance of shares	(2,282)	–
Payments of listing expenses	(3,331)	–
Purchase of treasury shares	–	(76)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	–	4,800
<b>Net cash provided by (used in) financing activities</b>	<b>(120,929)</b>	<b>(111,259)</b>
<b>Effect of exchange rate change on cash and cash equivalents</b>	<b>17,103</b>	<b>27,528</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(156,791)</b>	<b>392,945</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,323,648</b>	<b>2,570,866</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,166,857</b>	<b>2,963,811</b>

(4) 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.

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 first quarter 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 first quarter of the fiscal year ending December 31, 2022, the Company has changed the way it recognizes earnings over a particular time period based on the rate of progress toward satisfaction of performance obligations, making reasonable estimates concerning progress. As for the method of estimating progress towards satisfaction of performance obligations, the degree of 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 first quarter of the fiscal year ending December 31, 2022, was added to or subtracted from the retained earnings at the beginning of the first quarter of the fiscal year ending December 31, 2022, 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 ¥21,564 thousand during the period under review. 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., “Notes and accounts receivable - trade” under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in “Notes and accounts receivable - trade, and contract assets” under current assets from the quarterly consolidated balance sheet as of the end of the first quarter of the current fiscal year. “Advances received” that were displayed under “Current liabilities” have been included with “Contract liabilities” from the first quarter of the current fiscal year.

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 first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures 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 first six months of the fiscal year ending December 31, 2022.

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.