



Summary of Financial Results (Japanese GAAP) for the Fiscal Year Ended December 31, 2023 (Non-consolidated)

February 14, 2024

Name of the listed company: Cacco Inc. Stock exchange listings: Tokyo Stock Exchange
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Scheduled date of the Ordinary General Meeting of Shareholders: March 29, 2024

Scheduled date of commencing dividend payments: –

Scheduled date of Securities Report filing: March 29, 2024

Preparation of supplementary explanatory materials for financial results: Yes

Holding of financial results briefing: Yes (for institutional investors and analysts)

(Amounts less than one million yen have been omitted)

1. Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Operating Results (% figures represent changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2023	952	-11.5	-108	–	-117	–	-320	–
FY2022	1,076	13.2	176	-1.3	154	-9.8	100	-16.6

	Net income per share	Diluted net income per share	Ratio of net income to shareholders' equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
FY2023	-121.13	–	-26.2	-8.4	-11.3
FY2022	38.16	36.50	7.6	10.4	16.4

(Reference) Share of loss (profit) of equity method entities: FY2023 – million yen FY2022 -0 million yen

(2) Financial Position

	Total assets	Net assets	Capital ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2023	1,286	1,072	83.4	401.80
FY2022	1,534	1,373	89.5	521.61

(Reference) Equity capital: FY2023 1,072 million yen FY2022 1,373 million yen

(3) Status of Cash Flow

	Cash flow from operating activities	Cash flow from investing activities	Cash flow from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2023	-49	-69	98	941
FY2022	250	-86	-2	962

2. Dividends

	Annual dividend					Total amount of dividends (total)	Dividend payout ratio	Ratio of dividends to net assets
	1Q-end	2Q-end	3Q-end	FY-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2022	–	0.00	–	0.00	0.00	–	–	–
FY2023	–	0.00	–	0.00	0.00	–	–	–
FY2024 (Forecast)	–	0.00	–	0.00	0.00	–	–	–

Note: This document is a translation of a part of the original Japanese version and provided for reference purposes only. In the event of any discrepancy between the Japanese original and this English translation, the Japanese original shall prevail.

3. Financial Forecasts for the Fiscal Year Ending December 31, 2024 (January 1, 2024 to December 31, 2024)
 (% figures represent changes from the previous fiscal year)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	713	-25.1	-304	-	-307	-	-307	-	-115.29

(Note) Since the Company manages its operations on an annual basis, the forecast for the first half of the fiscal year has been omitted. For details, please refer to 1. Business Results, (4) Future Outlook on page 3 of the attached document.

* Notes

(1) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

- (i) Changes in accounting policies due to revision of accounting standards, etc. : Yes
- (ii) Changes in accounting policies other than (i) : None
- (iii) Changes in accounting estimates : None
- (iv) Restatements : None

(2) Number of shares issued (common stock)

(i) Number of issued shares at the end of the period (including treasury shares)	FY2023	2,669,584 shares	FY2022	2,632,682 shares
(ii) Number of treasury shares at the end of the period	FY2023	– shares	FY2022	– shares
(iii) Average number of shares during the period	FY2023	2,649,032 shares	FY2022	2,630,096 shares

* Financial statements are not subject to auditing by certified public accountants or auditing firms.

* Explanation regarding the appropriate use of financial forecasts and other special notes

(Cautionary note regarding forward-looking statements, etc.)

The forward-looking statements, including business forecasts, etc., contained in this document are based on the information currently available to us and on certain assumptions deemed reasonable, and are not intended as a guarantee by the Company that they will be achieved. Actual results may differ significantly from these forecasts due to various factors. Please refer to 1. Business Results, (4) Future Outlook on page 3 of the attached document for matters related to the forecast.

(How to obtain supplementary explanatory materials and explanations of financial results)

Supplementary explanatory materials to the Presentation Materials for the Financial Results for the Fiscal Year Ended December 31, 2023, will be disclosed on TDnet on the same day and then posted on the Company's website. In addition, we are scheduled to hold a briefing session for institutional investors and analysts on Wednesday, February 14, 2024. Video of this briefing session and the materials for the financial results briefing to be distributed on that day will be promptly posted on our website after the briefing.

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1. Business Results

(1) Summary of Business Results for FY2023

During the current fiscal year (January 1, 2023 to December 31, 2023), while expectations were running high that the Japanese economy would rebound, albeit at a moderate pace, due to the diminishing impacts of COVID-19, the outlook remains uncertain. This is because it is facing new challenges including the prolonged conflict in Ukraine, the worsening situation in the Middle East, and the rapid weakening of the Japanese yen, which is occurring for the first time in about 30 years.

According to the "FY2022 Report on Improvement of Digital Transaction Environment (Market Research on Electronic Commerce)" published by the Ministry of Economy, Trade and Industry, the size of the business-to consumer EC (BtoC-EC) market as a whole in 2022 was 22.7 trillion yen (up 9.91% year on year), continuing to grow at a high growth rate. The BtoC-EC market continues to grow steadily, as shown by the increase of 0.35 percentage points to 9.13% of the EC ratio (the ratio of the size of the EC market to the size of the entire commerce market).

On the other hand, there has been a sharp increase in damage caused in recent years by the theft and unauthorized use of credit card numbers and other information. In response to this trend, the Revised Installment Sales Act mandates that necessary measures be taken to prevent the fraudulent use of credit card numbers and the like. In addition, the "Credit Card Security Guidelines Version 4.0 (Credit Card Transaction Security Council)," which serve as practical guidelines for such responses, require EC member businesses to introduce the EMV3-D Secure. As such, social demands for anti-fraud measures have been increasing more than ever.

In this current business environment, we have been offering a business that engages in the provision of SaaS-type algorithms to support companies in solving problems and coping with challenges by developing and providing algorithms and software based on our security payment data science technology and know-how in a way that aligns with our management vision of "Shaping the 'Let's Do It' mentality into the next game changer."

As for our fraud detection services, we expanded the functions of O-PLUX, our fraudulent-order detection service, including the provision of the Shop Hopper Detection Function. This is a measure against resale that uses data collected from various merchants. In addition, to improve the added value of our products, we began collaborating with a major provider of fraud detection systems for credit cards to strengthen measures against credit card frauds. As a result, the amount of recurring revenue from O-PLUX (the total revenue from the monthly fee, which is a fixed fee, and from the screening fee, which is a pay-per-use fee based on the number of screenings; including Fraud Checker) for the current fiscal year was 652,022 thousand yen (down 15.4% year on year). Furthermore, with regard to our Unauthorized Access Detection Services, we strived to secure orders for the Impenetrable Defense Pack for Phishing. This product is a one-stop anti-phishing package that detects phishing e-mails and websites used to fraudulently obtain information, and prevents spoofing logins attempted with such fraudulently obtained personal information.

In our Payment Consulting Services, we worked to secure orders for system development and maintenance projects, and in the Data Science Services, we endeavored to secure orders for data analysis projects.

As a result of the above, net sales for the current fiscal year were 952,627 thousand yen (down 11.5% year on year), operating loss was 108,011 thousand yen (compared with operating income of 176,665 thousand yen for the previous fiscal year), ordinary loss was 117,884 thousand yen (compared with ordinary income of 154,039 thousand yen for the previous fiscal year), and net loss was 320,875 thousand yen (compared with net income of 100,351 thousand yen for the previous fiscal year).

Segment information is omitted because the Company has a single segment involved with the provision of SaaS-type algorithms.

(2) Financial Position Summary for FY2023

(Assets)

Current assets at the end of the current fiscal year were 1,077,858 thousand yen, a decrease of 16,617 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 21,968 thousand yen in accounts receivable – trade. Non-current assets were 208,693 thousand yen, a decrease of 231,191 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 246,374 thousand yen in software.

As a result, total assets amounted to 1,286,551 thousand yen, a decrease of 247,809 thousand yen from the end of the previous fiscal year.

(Liabilities)

Current liabilities at the end of the current fiscal year were 131,281 thousand yen, a decrease of 29,851 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 27,133 thousand yen in accrued consumption taxes. Non-current liabilities were 82,637 thousand yen, an increase of 82,637 thousand yen from the end of the previous fiscal year. This was mainly due to an increase of 82,135 thousand yen in long-term borrowings.

As a result, total liabilities amounted to 213,919 thousand yen, an increase of 52,786 thousand yen from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of the current fiscal year were 1,072,631 thousand yen, a decrease of 300,595 thousand yen from the end of the previous fiscal year. This was mainly due to a decrease of 320,875 thousand yen in retained earnings resulting from the recording of a net loss.

As a result, the capital ratio was 83.4% (89.5% at the end of the previous fiscal year).

(3) Cash Flow Summary for FY2023

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year decreased by 20,978 thousand yen to 941,093 thousand yen. The status of each cash flow and its factors during the current fiscal year are as follows:

(Cash flows from operating activities)

Cash flows from operating activities resulted in a net outflow of 49,308 thousand yen (compared with a net inflow of 250,376 thousand yen in the previous fiscal year). This was mainly due to a net loss before taxes of 314,451 thousand yen.

(Cash flows from investing activities)

Cash flows from investing activities resulted in a net outflow of 69,679 thousand yen (compared with a net outflow of 86,608 thousand yen in the previous fiscal year). This was mainly due to expenditures of 49,785 thousand yen to purchase intangible assets.

(Cash flows from financing activities)

Cash flows from financing activities resulted in a net inflow of 98,010 thousand yen (compared with a net outflow of 2,343 thousand yen in the previous fiscal year). This was mainly due to proceeds of 100,000 thousand yen from long-term borrowings.

(4) Future Outlook

We expect our financial results for the fiscal year ending December 31, 2024 to be significantly impacted by the termination of transactions with two of our major business partners that occurred in the fiscal year ended December 31, 2023.

On the other hand, we believe that the needs for our fraud detection services will continue to increase in the business environment where the EC market is experiencing sustained growth, the number of victims of fraud in online payments is rapidly increasing, and there is a growing social demand for legal and other fraud prevention measures. With regard to O-PLUX, our fraudulent order detection service, we will strive to eliminate the barriers to introducing the service by linking the system with our EC packages and shopping carts and launching a low-priced lineup, etc. We will also strive to achieve further growth by enhancing the added value of the product through the expansion of functions and service areas and by increasing sales channels through the promotion of alliances, etc. In addition, concerning the unauthorized access detection service O-MOTION, the Company will strive to further expand its sales by further strengthening its products and promoting alliances.

In the payment consulting service, we will work to expand sales of the SaaS-type BNPL system by offering the service to businesses not involved in payment processing and have been unable to leverage BNPL. In data science services, we will work to acquire new profit-earning opportunities by developing and providing data analysis and algorithms using AI, statistical, and mathematical optimization technologies.

Based on the above, for the fiscal year ending December 31, 2024 (January 1, 2024 to December 31, 2024), we forecast net sales of 713 million yen (down 25.1% year on year), operating income of -304 million yen (compared with -108 million yen for the previous fiscal year), ordinary income of -307 million yen (compared with -117 million yen for the previous fiscal year), and net income of -307 million yen (compared with -320 million yen for the previous fiscal year).

For details of the financial forecast, please refer to the Briefing Materials on Financial Results for the Year Ended December 31, 2023 posted on TDnet and our website.

The above forecasts are based on the information available as of the date of publication of this document, and actual results may differ from the forecasts due to various factors.

2. Basic Approach to the Selection of Accounting Standards

In order to ensure the comparability of financial statements between periods and between companies, the Company has adopted Japanese GAAP for accounting standards.

3. Financial Statements and Significant Notes Thereto

(1) Balance Sheet

(Unit: thousand yen)

	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)
Assets		
Current assets		
Cash and deposits	962,072	941,093
Accounts receivable – trade	117,182	95,214
Work in process	–	495
Income taxes refund receivable	–	15,125
Prepaid expenses	13,537	19,472
Other	1,683	6,457
Total current assets	1,094,476	1,077,858
Non-current assets		
Property, plant and equipment		
Buildings	9,470	9,470
Accumulated depreciation	-3,947	-9,470
Buildings, net	5,522	0
Tools, furniture and fixtures	29,697	36,687
Accumulated depreciation	-23,913	-32,875
Tools, furniture and fixtures, net	5,783	3,811
Total property, plant and equipment	11,306	3,811
Intangible assets		
Software	349,519	103,144
Software in progress	5,625	–
Other	924	–
Total intangible assets	356,068	103,144
Investments and other assets		
Investment securities	59,210	75,895
Leasehold and guarantee deposits	7,017	7,017
Long-term prepaid expenses	1,243	18,823
Deferred tax assets	5,039	–
Other	20,000	19,503
Allowance for doubtful accounts	-20,000	-19,503
Total investments and other assets	72,510	101,736
Total non-current assets	439,884	208,693
Total assets	1,534,360	1,286,551

(Unit: thousand yen)

	FY2022 (As of December 31, 2022)	FY2023 (As of December 31, 2023)
Liabilities		
Current liabilities		
Accounts payable – trade	24,764	31,787
Current portion of long-term borrowings	1,797	14,292
Accounts payable – other	53,571	44,505
Income taxes payable	23,314	2,758
Contract liabilities	8,918	8,626
Accrued consumption taxes	27,133	–
Provision for bonuses	9,468	13,565
Other	12,165	15,745
Total current liabilities	161,133	131,281
Non-current liabilities		
Long-term borrowings	–	82,135
Deferred tax liabilities	–	502
Total non-current liabilities	–	82,637
Total liabilities	161,133	213,919
Net assets		
Shareholders' equity		
Share capital	365,518	376,188
Capital surplus		
Legal capital surplus	541,729	552,399
Total capital surplus	541,729	552,399
Retained earnings		
Other retained earnings		
Retained earnings brought forward	465,188	144,312
Total retained earnings	465,188	144,312
Total shareholders' equity	1,372,436	1,072,901
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	791	-269
Total valuation and translation adjustments	791	-269
Total net assets	1,373,227	1,072,631
Total liabilities and net assets	1,534,360	1,286,551

(2) Statement of Income

(Unit: thousand yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Net sales	1,076,805	952,627
Cost of sales	346,854	366,121
Gross profit	729,951	586,505
Selling, general and administrative expenses	553,286	694,517
Operating income or loss (-)	176,665	-108,011
Non-operating income		
Interest and dividend income	304	363
Commission income	9	341
Consulting fee income	2,400	-
Reversal of allowance for doubtful accounts	-	496
Total non-operating income	2,713	1,201
Non-operating expenses		
Interest expenses	53	258
Foreign exchange losses	172	582
Provision of allowance for doubtful accounts	20,000	-
Cost for system failure response	3,348	10,073
Other	1,765	159
Total non-operating expenses	25,339	11,074
Ordinary income or loss (-)	154,039	-117,884
Extraordinary income		
Gain on cancellation of treasury share acquisition rights	3,300	-
Gain on sale of shares of subsidiaries and associates	1,000	-
Gain on sale of investment securities	-	5,006
Total extraordinary income	4,300	5,006
Extraordinary losses		
Impairment losses	-	201,573
Total extraordinary losses	-	201,573
Income or loss (-) before income taxes	158,339	-314,451
Income taxes – current	28,898	495
Income taxes – deferred	29,089	5,928
Total income taxes	57,987	6,423
Net income or loss (-)	100,351	-320,875

Statement of Cost of Sales

Classification	Note No.	FY2022 (From January 1, 2022 to December 31, 2022)		FY2023 (From January 1, 2023 to December 31, 2023)	
		Amount (thousand yen)	Composi- tion ratio (%)	Amount (thousand yen)	Composi- tion ratio (%)
I Labor cost		62,269	18.0	67,713	18.5
II Expenses	*	284,585	82.0	298,903	81.5
Gross manufacturing costs		346,854	100.0	366,616	100.0
Inventories of work in process at beginning of period		—		—	
Total		346,854		366,616	
Inventories of work in process at end of period		—		495	
Cost of sales		346,854		366,121	

Cost accounting methods

The cost accounting method is based on individual cost accounting, and in principle, the actual amount incurred during the corresponding cost accounting period is used for the calculation.

* The breakdown of the main items is as follows.

Item	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Outsourcing processing expenses (thousand yen)	106,321	99,262
Depreciation (thousand yen)	82,820	92,109
Server expenses (thousand yen)	51,526	61,804
Data expenses (thousand yen)	35,468	38,972

(3) Statement of Changes in Equity

FY2022 (From January 1, 2022 to December 31, 2022)

(Unit: thousand yen)

	Shareholders' equity					Valuation and translation adjustments		Share acquisition rights	Total net assets	
	Share capital	Capital surplus		Retained earnings		Total shareholders' equity	Valuation difference on available-for-sale securities			Total valuation and translation adjustments
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings					
Balance at beginning of period	364,548	540,759	540,759	364,836	364,836	1,270,144	36	36	3,300	1,273,480
Changes during period										
Issuance of new shares	970	970	970			1,940				1,940
Net income				100,351	100,351	100,351				100,351
Net changes in items other than shareholders' equity							754	754	-3,300	-2,545
Total changes during period	970	970	970	100,351	100,351	102,292	754	754	-3,300	99,746
Balance at end of period	365,518	541,729	541,729	465,188	465,188	1,372,436	791	791	—	1,373,227

FY2023 (From January 1, 2023 to December 31, 2023)

(Unit: thousand yen)

	Shareholders' equity					Valuation and translation adjustments		Share acquisition rights	Total net assets	
	Share capital	Capital surplus		Retained earnings		Total shareholders' equity	Valuation difference on available-for-sale securities			Total valuation and translation adjustments
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings					
Balance at beginning of period	365,518	541,729	541,729	465,188	465,188	1,372,436	791	791	—	1,373,227
Changes during period										
Issuance of new shares	10,670	10,670	10,670			21,340				21,340
Net loss (-)				-320,875	-320,875	-320,875				-320,875
Net changes in items other than shareholders' equity							-1,060	-1,060	—	-1,060
Total changes during period	10,670	10,670	10,670	-320,875	-320,875	-299,534	-1,060	-1,060	—	-300,595
Balance at end of period	376,188	552,399	552,399	144,312	144,312	1,072,901	-269	-269	—	1,072,631

(4) Statement of Cash Flows

(Unit: thousand yen)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Cash flow from operating activities		
Income (loss) before income taxes	158,339	-314,451
Depreciation and amortization	87,951	98,520
Increase (decrease) in provision for bonuses	-2,042	4,096
Interest and dividend income	-304	-496
Interest expenses	53	-363
Increase (decrease) in allowance for doubtful accounts	20,000	258
Loss (gain) on sale of investment securities	-	-5,006
Loss (gain) on sale of shares of subsidiaries and associates	-1,000	-
Gain on cancellation of treasury share acquisition rights	-3,300	-
Impairment losses	-	201,573
Decrease (increase) in trade receivables	283	21,676
Decrease (increase) in inventories	-	-495
Decrease (increase) in other current assets	14,659	-11,295
Increase (decrease) in trade payables	-3,189	7,023
Increase (decrease) in accounts payable - other	-3,104	6,424
Increase (decrease) in accrued consumption taxes	1,541	-27,133
Increase (decrease) in other current liabilities	3,465	2,320
Other	1,722	315
Subtotal	275,075	-17,034
Interest and dividends received	303	363
Interest paid	-53	-258
Income taxes paid	-24,949	-32,379
Cash flow from operating activities	250,376	-49,308
Cash flow from investing activities		
Purchase of property, plant and equipment	-5,477	-6,990
Purchase of intangible assets	-32,400	-49,785
Purchase of investment securities	-50,730	-23,303
Proceeds from sale of investment securities	-	9,902
Proceeds from sale of shares of subsidiaries and associates	2,000	-
Other	-	496
Cash flow from investing activities	-86,608	-69,679
Cash flow from financing activities		
Proceeds from long-term borrowings	-	100,000
Repayments of long-term borrowings	-4,284	-5,370
Proceeds from issuance of shares	1,940	3,380
Cash flow from financing activities	-2,343	98,010
Net increase (decrease) in cash and cash equivalents	161,424	-20,978
Cash and cash equivalents at beginning of period	800,647	962,072
Cash and cash equivalents at end of period	962,072	941,093

(5) Notes to the Financial Statements

(Notes on going concern assumption)

Not applicable

(Notes in the event of significant changes in the amount of shareholders' equity)

Not applicable

(Change in accounting policy)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The "Implementation Guidance on the Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 31, June 17, 2021; hereinafter referred to as "Implementation Guidance on the Fair Value Calculation Accounting Standard") is applied from the beginning of the current fiscal year, and the new accounting policy prescribed by the Implementation Guidance on the Fair Value Calculation Accounting Standard is applied prospectively in accordance with the transitional treatment prescribed in Paragraph 27-2 of the Implementation Guidance on the Fair Value Calculation Accounting Standard. This has no impact on the financial statements.

(Share of loss (profit) of entities accounted for using equity method, etc.)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Amount (loss) on investment after application of equity method	-183 thousand yen	— thousand yen

(Note) Recovery Co., Ltd., which was an affiliate, is no longer an affiliate because the Company sold all of its shares in Recovery Co., Ltd. on November 15, 2022. "Amount (loss) on investment after application of equity method" for the previous fiscal year includes the amount of investment loss accounted for by the equity method for the period when the company was an affiliate.

(Segment information, etc.)

Segment information is omitted because the Company has a single segment involved with the provision of SaaS-type algorithms.

(Information on per share data)

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Net assets per share	521.61 yen	401.80 yen
Net income (loss) per share	38.16 yen	-121.13 yen
Diluted net income per share	36.50 yen	—

(Note) 1. Diluted net income per share for the current fiscal year is not stated because net loss per share was recorded for the period, although there are diluted shares.

2. The basis for calculating net income (loss) per share and diluted net income per share is as follows:

	FY2022 (From January 1, 2022 to December 31, 2022)	FY2023 (From January 1, 2023 to December 31, 2023)
Net income per share		
Net income (loss) (thousand yen)	100,351	-320,875
Amount not attributable to common shareholders (thousand yen)	—	—
Net income (loss) related to common stock (thousand yen)	100,351	-320,875
Average number of shares of common stock during the period (shares)	2,630,096	2,649,032
Diluted net income per share		
Adjustment on net income (thousand yen)	—	—
Increase in number of common shares (shares)	119,431	—
(of which share acquisition rights (shares))	(119,431)	—
Outline of potential stock not included in the calculation of diluted net income per share due to lack of dilutive effect	—	—

(Significant subsequent events)

Not applicable