

**Non-consolidated Financial Results
for the Fiscal Year Ended March 31, 2019
[Japanese GAAP]**



May 13, 2019

Company name: Vega corporation Co., Ltd.
Stock exchange listing: Tokyo Stock Exchange
Code number: 3542

URL: <https://www.vega-c.com>

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Scheduled date of Annual General Meeting of Shareholders: June 26, 2019

Scheduled date of commencing dividend payments: —

Scheduled date of filing annual securities report: June 27, 2019

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and analysts)

(Amounts of less than one million yen are rounded down.)

1. Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(1) Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Fiscal year ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
March 31, 2019	13,322	2.7	(296)	—	(256)	—	(240)	—
March 31, 2018	12,977	18.4	561	(32.2)	589	(27.1)	338	(56.9)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2019	(23.44)	—	(6.5)	(4.3)	(2.2)
March 31, 2018	32.84	32.24	9.2	10.5	4.3

(Reference) Equity in earnings (losses) of associates: Fiscal year ended March 31, 2019: ¥— million

Fiscal year ended March 31, 2018: ¥— million

(Note) Despite the existence of dilutive shares, diluted earnings per share for the fiscal year ended March 31, 2019 are not presented as it is diluted loss per share.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2019	6,037	3,574	59.2	347.92
As of March 31, 2018	5,914	3,779	63.9	368.63

(Reference) Equity: As of March 31, 2019: ¥3,574 million

As of March 31, 2018: ¥3,779 million

(3) Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2019	(574)	(565)	510	1,033
March 31, 2018	537	(173)	(127)	1,663

2. Dividends

	Annual dividends					Total dividends	Payout ratio	Dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2018	—	0.00	—	0.00	0.00	—	—	—
March 31, 2019	—	0.00	—	0.00	0.00	—	—	—
Fiscal year ending March 31, 2020 (Forecast)	—	0.00	—	0.00	0.00		—	

3. Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	13,700	2.8	(170)	—	(150)	—	(100)	—	(9.73)

* Notes:

(1) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(2) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2019: 10,367,800 shares
 March 31, 2018: 10,347,000 shares

2) Total number of treasury shares at the end of the period:

March 31, 2019: 95,203 shares
 March 31, 2018: 95,150 shares

3) Average number of shares during the period:

Fiscal year ended March 31, 2019: 10,269,852 shares
 Fiscal year ended March 31, 2018: 10,317,517 shares

(Note) The number of treasury shares deducted for the purpose of calculating the total number of treasury shares at the end of the period and average number of shares during the period for the fiscal year ended March 31, 2019 and the fiscal year ended March 31, 2018 include 95,000 shares of the Company's shares held by Trust & Custody Services Bank, Ltd. (trust account E) as a trust asset under the Employee Stock Ownership Plan (J-ESOP).

* These financial results are outside the scope of audit by certified public accountants and audit firms

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information available to the Company and certain assumptions deemed reasonable as at the date of publication of this document. Actual results may differ significantly from these forecasts due to various factors. For preconditions for the financial results forecast and notes on the use thereof, etc., please refer to “1. Overview of Business Results, etc. (4) Future Outlook” on page 4 of the Appendix.

(Method of obtaining supplementary briefing materials)

Supplementary briefing materials on financial results are provided on TDnet on May 13, 2019.

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1. Overview of Business Results, etc.

(1) Overview of Business Results for the Period Under Review

During the fiscal year ended March 31, 2019, the Japanese economy remained on a gradual recovery track, showing signs of a pickup in personal consumption with continued improvement in corporate earnings and the employment and wage environment, supported by economic measures by the government and continued monetary easing policies by the Bank of Japan. Meanwhile, looking at the world economy, there are continued uncertainties about the future, such as the impact of policies implemented by the U.S. administration, political developments in Europe, and rising geopolitical risks.

In the furniture and interior industry, the business environment continues to be challenging due to intensifying competition taking place beyond business categories in addition to increased logistics costs. Meanwhile, the scale of the sundries, furniture and interior B to C-EC market, which the Company belongs to, steadily expanded to ¥1,481.7 billion in 2017, up 9.8% year on year (source: FY2017 E-Commerce Market Survey published by the Ministry of Economy, Trade and Industry; April 2018).

Under such a business environment, the Company took active initiatives for its Furniture E-Commerce business to strengthen product pages and websites as well as the quality of design, while branding was also enhanced through the building of a fan base. At the LOWYA flagship store, as initiatives to increase access, the Company enhanced website infrastructure focusing on Search Engine Optimization (SEO) and improved convenience, leading to growth in the number of unique users while the ratio of sales to overall sales also continued to increase. In addition, the Company invested in large-scale promotion to expand recognition of the LOWYA brand. Furthermore, the Company implemented product development and service enhancement, resulting in an increase of 73.3% year-on-year in the annual visitor count of the LOWYA flagship store.

Specifically, as for expanding recognition of the LOWYA brand, the Company employed global supermodel Taylor Hill as the brand's image character. Furthermore, the Company renovated the LOWYA logo under the supervision of Taylor Hill, aiming to establish a simple and more sophisticated brand image.

As for product sales, high-quality and highly-designed domestic TV boards and wooden toys for children have been well received in the market since the previous fiscal year, with steady growth in sales volume by offering a series of products with multiple designs. Meanwhile, in seasonal products, winter products resulted in lower sales volume than expected due to warm winter weather.

In addition, as initiatives for service enhancement, the Company released its internally developed "LOWYA High Vision AR" in February 2019. Converting LOWYA products into 3D models and visualizing spaces where furniture will actually be placed has allowed users to see the balance, size and details relative to other products.

Meanwhile, in order to respond to what has been viewed as a logistics crisis, as a result of reviewing overall prices, sales resulted in a lower amount than initial expectations. In addition, to cover the sales decrease from the impact of product shortages in the first half, the Company replenished inventory in the second half but was not able to achieve sales targets. As a result, storage costs rose due to the increase of warehousing to store excess inventory incurred. Furthermore, along with the withdrawal of some delivery companies that handled larger products, unit prices rose sharply from conventional pricing structures, leading to a rise in delivery costs.

The new International EC Platform DOKODEMO business is enjoying steady growth in total distribution volume due to ceaseless efforts made to improve the convenience of the site and upgrade relevant systems. The number of shipment destination countries increased to 96 countries for the year, an increase of 18 countries. In addition, effective advertisement investments were made along with our commitment to expand the number of registered stores.

Furthermore, as for another new business initiative, the Furniture/Interior Specialized EC Platform Laig, the Company has worked to build a platform as a venue to propose a wide range of lifestyles, facilitate users' searches, and satisfy users' requests. The platform officially launched in October 2018.

As a result of the above initiatives, the Company's business results for the fiscal year ended March 31, 2019 were ¥13,322 million in net sales (up 2.7% year on year), ¥296 million in operating loss (¥561 million in operating profit in the previous corresponding period), ¥256 million in ordinary loss (¥589 million in ordinary profit in the previous corresponding period) and ¥240 million in loss (¥338 million in profit in the previous corresponding period).

(2) Overview of Financial Position for the Period Under Review

Total assets as of the end of the fiscal year under review increased by ¥123 million to ¥6,037 million (¥5,914 million as of the end of the previous fiscal year). Current assets decreased by ¥374 million to ¥4,935 million (¥5,309 million as of the end of the previous fiscal year). This is mainly attributable to an increase in merchandise by ¥654 million, and decreases in cash and deposits and in accounts receivable - trade by ¥637 million and ¥614 million, respectively. Non-current assets increased by ¥497 million to ¥1,102 million (¥604 million as of the end of the previous fiscal year). This is mainly attributable to increases in tools, furniture and fixtures, and lease and guarantee deposits by ¥144 million and ¥236 million, respectively.

Liabilities increased by ¥328 million to ¥2,463 million (¥2,135 million as of the end of the previous fiscal year). Current liabilities increased by ¥303 million to ¥2,410 million (¥2,107 million as of the end of the previous fiscal year). This is mainly attributable to an increase in short-term loans payable by ¥500 million and decreases in accounts payable - trade and in income taxes payable by ¥62 million and ¥248 million, respectively. Non-current liabilities increased by ¥25 million to ¥52 million (¥27 million as of the end of the previous fiscal year). This is mainly attributable to an increase in provision for stocks payment by ¥25 million.

Net assets decreased by ¥205 million to ¥3,574 million (¥3,779 million as of the end of the previous fiscal year). This is mainly attributable to increases in capital stock and capital surplus by ¥5 million respectively, resulting from the exercise of stock acquisition rights as stock options, and deferred gains or losses on hedges by ¥19 million, and the recording of ¥240 million of loss.

(3) Overview of Cash Flows for the Period Under Review

Operating activities for the fiscal year under review resulted in an outflow of ¥574 million, investing activities resulted in an outflow of ¥565 million, and financing activities resulted in an inflow of ¥510 million, resulting in cash and cash equivalents (hereinafter referred to as "cash") of ¥1,033 million, a decrease of ¥630 million compared to the previous fiscal year. A summary of each category of cash flows and main causes of changes are presented as follows.

(Cash flows from operating activities)

Cash used in operating activities during the fiscal year under review was ¥574 million (an inflow of ¥537 million during the previous fiscal year).

This decrease is mainly attributable to a ¥654 million increase in inventories due to an increase in orders received causing cash to decrease, despite a ¥614 million decrease in notes and accounts receivable – trade causing cash to increase, as well as posting a loss before income taxes of ¥317 million.

(Cash flows from investing activities)

Cash used in investing activities during the fiscal year under review was ¥565 million (an outflow of ¥173 million during the previous fiscal year).

This decrease is mainly attributable to payments for leasehold and guarantee deposits of ¥262 million, purchase of property, plant and equipment of ¥251 million, and purchase of intangible assets of ¥79 million.

As a result, free cash flow (total amount of cash flows from operating activities and cash flows from investing activities) was negative ¥1,140 million (positive ¥363 million for the previous fiscal year).

(Cash flows from financing activities)

Cash provided by financing activities during the fiscal year under review was ¥510 million (an outflow of ¥127 million during the previous fiscal year).

This increase is mainly attributable to an increase in short-term loans payable of ¥500 million and proceeds from issuance of shares resulting from exercise of share acquisition rights of ¥11 million.

(4) Future Outlook

The Company, with its vision of “The Only E-Commerce Company That Fulfills Your Satisfaction and Inspiration,” will strive to deliver its unique and new standards, and pursue service innovation.

Under this policy, the Company will continue to provide customers with new value and service excellence in its key business, the Furniture E-Commerce business, as well as in two other new businesses, the International EC Platform business and the Furniture Platform business.

In the Furniture E-Commerce business, the Company will focus on the enhancement of the LOWYA flagship store and its branding. Specifically, in addition to continuously bolstering the number of visitors by pursuing SEO initiatives, the Company will aim to offer new furniture purchase experiences to customers through providing contents incorporating advanced technologies such as AR and AI. Meanwhile, it is still expected that there will be upward pressure on delivery fees by delivery companies from April 2019 onward, and therefore the control of logistics expenses including delivery will continue to be an important issue.

As for sales, although revenue is expected to increase owing to measures at the flagship store, changes in the revenue composition ratio owing to product replacement stemming from packaging size revisions corresponding to what is being viewed as a logistics crisis, as well as uncertainty over personal consumption due to a revision in the consumption tax in October 2019 are anticipated. Regarding costs, although the Company will work to reduce cost of sales via product replacement and supplier reviews, the rise in logistics costs described above is anticipated to continue being a factor for increased costs as it was during the fiscal year ended March 31, 2019.

In the International EC Platform business, taking into account the repeated distribution having been steadily accumulated since full-scale operation began in December 2015, the Company will continue to strive to increase the number of registered stores and products available by promoting sales activities, while taking initiatives to further increase the number of memberships and total distribution volume. Furthermore, efforts will be made to strengthen earnings structures and work toward early monetization.

In the Furniture Platform business, the Company launched a furniture/interior specialized platform in October 2018 utilizing expertise developed in the Furniture E-Commerce business. The Company will work to enhance services for registered stores and work toward early monetization.

Under these policies, the outlook for the fiscal year ending March 31, 2020 is ¥13,700 million in net sales (up 2.8% year on year), ¥170 million in operating loss (¥296 million in operating loss in the previous corresponding period), ¥150 million in ordinary loss (¥256 million in ordinary loss in the previous corresponding period), and ¥100 million in loss (¥240 million in loss in the previous corresponding period).

(Million yen, unless otherwise specified)

	Fiscal year ending March 31, 2020 Outlook	Fiscal year ended March 31, 2019 Result	Change (%)
Net sales	13,700	13,322	2.8
Operating profit	(170)	(296)	—
Ordinary profit	(150)	(256)	—
Profit	(100)	(240)	—
Basic earnings per share (yen)	(9.73)	(23.44)	—

2. Basic Stance Concerning Choice of Accounting Standards

Taking into consideration the fact that the Company is developing businesses with its operational base in Japan, the Company’s policy is to prepare financial statements in accordance with Japanese GAAP for the time being.

With regard to the application of International Financial Reporting Standards (IFRS), the Company will consider whether to apply them by taking into account its future business development and the situation in Japan and overseas.

3. Financial Statements and Primary Notes

(1) Balance Sheets

(Thousand yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	1,656,656	1,019,304
Accounts receivable - trade	1,801,039	1,186,911
Merchandise	1,750,520	2,405,260
Advance payments - trade	24,984	15,897
Prepaid expenses	62,241	98,630
Income taxes receivable	—	90,655
Consumption taxes receivable	—	72,601
Forward exchange contracts	—	15,922
Other	14,442	30,015
Total current assets	5,309,884	4,935,199
Non-current assets		
Property, plant and equipment		
Buildings, net	27,269	42,926
Vehicles, net	2,191	1,095
Tools, furniture and fixtures, net	93,854	238,766
Construction in progress	—	3,782
Total property, plant and equipment	123,316	286,571
Intangible assets		
Software	146,692	83,460
Software in progress	—	15,901
Trademark right	—	45,498
Other	75	75
Total intangible assets	146,768	144,935
Investments and other assets		
Investment securities	57,225	66,739
Long-term loans receivable from employees	1,258	1,093
Deferred tax assets	118,745	214,073
Leasehold and guarantee deposits	151,475	388,174
Other	7,816	3,209
Allowance for doubtful accounts	(2,200)	(2,400)
Total investments and other assets	334,322	670,890
Total non-current assets	604,406	1,102,398
Total assets	5,914,291	6,037,597

(Thousand yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Accounts payable – trade	231,744	169,296
Short-term loans payable	820,000	1,320,000
Accounts payable – other	627,447	689,519
Accrued expenses	33,950	99,129
Income taxes payable	248,622	—
Accrued consumption taxes	19,239	—
Forward exchange contracts	12,371	—
Advances received	1,392	759
Deposits received	40,896	41,613
Provision for product warranties	—	11,479
Provision for bonuses	58,283	61,302
Provision for point card certificates	2,209	4,500
Provision for sales returns	11,512	13,269
Other	200	—
Total current liabilities	2,107,867	2,410,870
Non-current liabilities		
Provision for stocks payment	27,300	52,687
Total non-current liabilities	27,300	52,687
Total liabilities	2,135,167	2,463,558
Net assets		
Shareholders' equity		
Capital stock	875,016	880,549
Capital surplus		
Legal capital surplus	835,016	840,549
Total capital surpluses	835,016	840,549
Retained earnings		
Other retained earnings		
Retained earnings brought forward	2,208,283	1,967,605
Total retained earnings	2,208,283	1,967,605
Treasury shares	(129,915)	(129,999)
Total shareholders' equity	3,788,400	3,558,704
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(731)	4,231
Deferred gains or losses on hedges	(8,574)	11,073
Total valuation and translation adjustments	(9,306)	15,305
Share acquisition rights	29	29
Total net assets	3,779,123	3,574,038
Total liabilities and net assets	5,914,291	6,037,597

(2) Statements of Income

(Thousand yen)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Net sales	12,977,260	13,322,787
Cost of sales		
Beginning goods	1,532,451	1,750,520
Cost of purchased goods	6,363,351	6,795,717
Total	7,895,803	8,546,237
Ending goods	1,750,520	2,405,260
Cost of goods sold	6,145,283	6,140,977
Gross profit	6,831,976	7,181,810
Selling, general and administrative expenses	6,270,145	7,478,106
Operating profit	561,830	(296,296)
Non-operating income		
Gain on investments in partnership	—	9,352
Compensation income	13,338	16,124
Insurance premiums refunded cancellation	9,813	3,624
Foreign exchange gains	2,888	5,899
Reversal of provision for point card certificates	1,767	—
Other	3,712	6,998
Total non-operating income	31,519	41,999
Non-operating expenses		
Interest expenses	1,647	2,033
Loss on investments in partnership	598	—
Advances depreciation	888	—
Loss on retirement of non-current assets	375	—
Other	234	235
Total non-operating expenses	3,744	2,268
Ordinary profit	589,606	(256,565)
Extraordinary losses		
Loss on retirement of non-current assets	—	9,811
Provision for product warranties	—	51,096
Loss on valuation of investment securities	20,095	—
Total extraordinary losses	20,095	60,907
Profit before income taxes	569,510	(317,473)
Income taxes - current	260,697	7,381
Income taxes for prior periods	—	21,972
Income taxes - deferred	(30,033)	(106,149)
Total income taxes	230,664	(76,795)
Profit	338,845	(240,677)

(3) Statements of Changes in Net Assets
For the fiscal year ended March 31, 2018

(Thousand yen)

	Shareholders' equity		
	Capital stock	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance at beginning of current period	874,151	834,151	834,151
Changes of items during period			
Issuance of new shares - exercise of share acquisition rights	864	864	864
Profit (loss)			
Purchase of treasury shares			
Net changes of items other than shareholders' equity			
Total changes of items during period	864	864	864
Balance at end of current period	875,016	835,016	835,016

	Shareholders' equity			
	Retained earnings		Treasury shares	Total shareholders' equity
	Other retained earnings	Total retained earnings		
	Retained earnings brought forward			
Balance at beginning of current period	1,869,437	1,869,437	(240)	3,577,500
Changes of items during period				
Issuance of new shares - exercise of share acquisition rights				1,729
Profit (loss)	338,845	338,845		338,845
Purchase of treasury shares			(129,675)	(129,675)
Net changes of items other than shareholders' equity				
Total changes of items during period	338,845	338,845	(129,675)	210,899
Balance at end of current period	2,208,283	2,208,283	(129,915)	3,788,400

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	—	3,001	3,001	30	3,580,532
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights					1,729
Profit (loss)					338,845
Purchase of treasury shares					(129,675)
Net changes of items other than shareholders' equity	(731)	(11,576)	(12,308)	(0)	(12,309)
Total changes of items during period	(731)	(11,576)	(12,308)	(0)	198,590
Balance at end of current period	(731)	(8,574)	(9,306)	29	3,779,123

For the fiscal year ended March 31, 2019

(Thousand yen)

	Shareholders' equity		
	Capital stock	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance at beginning of current period	875,016	835,016	835,016
Changes of items during period			
Issuance of new shares - exercise of share acquisition rights	5,533	5,533	5,533
Profit (loss)			
Purchase of treasury shares			
Net changes of items other than shareholders' equity			
Total changes of items during period	5,533	5,533	5,533
Balance at end of current period	880,549	840,549	840,549

	Shareholders' equity			
	Retained earnings		Treasury shares	Total shareholders' equity
	Other retained earnings	Total retained earnings		
	Retained earnings brought forward			
Balance at beginning of current period	2,208,283	2,208,283	(129,915)	3,788,400
Changes of items during period				
Issuance of new shares - exercise of share acquisition rights				11,066
Profit (loss)	(240,677)	(240,677)		(240,677)
Purchase of treasury shares			(84)	(84)
Net changes of items other than shareholders' equity				
Total changes of items during period	(240,677)	(240,677)	(84)	(229,696)
Balance at end of current period	1,967,605	1,967,605	(129,999)	3,558,704

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at beginning of current period	(731)	(8,574)	(9,306)	29	3,779,123
Changes of items during period					
Issuance of new shares - exercise of share acquisition rights					11,066
Profit (loss)					(240,677)
Purchase of treasury shares					(84)
Net changes of items other than shareholders' equity	4,963	19,648	24,611	—	24,611
Total changes of items during period	4,963	19,648	24,611	—	(205,084)
Balance at end of current period	4,231	11,073	15,305	29	3,574,038

(4) Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit (loss) before income taxes	569,510	(317,473)
Depreciation	124,683	152,351
Increase (decrease) in allowance for doubtful accounts	200	200
Increase (decrease) in provision for bonuses	15,849	3,019
Increase (decrease) in provision for point card certificates	(1,767)	2,291
Increase (decrease) in provision for sales returns	(2,221)	1,757
Increase (decrease) in provision for product warranties	—	11,479
Increase (decrease) in Provision for stocks payment	27,300	25,387
Interest and dividend income	(30)	(93)
Loss (gain) on investments in partnership	598	(9,352)
Compensation income	(13,338)	(16,124)
Surrender value of insurance	(9,813)	(3,624)
Interest expenses	1,647	2,033
Foreign exchange losses (gains)	2,759	382
Loss on retirement of non-current assets	—	9,811
Loss (gain) on valuation of investment securities	20,095	—
Decrease (increase) in notes and accounts receivable - trade	(106,691)	614,128
Decrease (increase) in inventories	(218,068)	(654,739)
Increase (decrease) in notes and accounts payable - trade	(27,628)	(62,447)
Increase (decrease) in accounts payable - other	118,905	48,789
Other, net	13,233	(41,916)
Subtotal	515,225	(234,140)
Interest and dividend income received	30	93
Proceeds from compensation	11,921	16,536
Interest expenses paid	(1,602)	(2,102)
Income taxes paid	(41,832)	(355,235)
Income taxes refund	53,457	—
Net cash provided by (used in) operating activities	537,200	(574,848)
Cash flows from investing activities		
Purchase of property, plant and equipment	(66,714)	(251,347)
Purchase of intangible assets	(51,379)	(79,039)
Purchase of investment securities	(58,928)	(3,000)
Payments for leasehold and guarantee deposits	(16,721)	(262,191)
Proceeds for lease and guarantee deposits	—	21,169
Payments of loans receivable from employees	(2,494)	(393)
Collection of loans receivable from employees	246	246
Proceeds from cancellation of insurance funds	22,467	8,555
Net cash provided by (used in) investing activities	(173,523)	(565,999)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	—	500,000
Purchase of treasury shares	(129,675)	(84)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	1,728	11,066
Net cash provided by (used in) financing activities	(127,946)	510,981
Effect of exchange rate change on cash and cash equivalents	(2,759)	(382)
Net increase (decrease) in cash and cash equivalents	232,970	(630,248)
Cash and cash equivalents at beginning of period	1,430,650	1,663,620
Cash and cash equivalents at end of period	1,663,620	1,033,371

(5) Notes to the Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in presentation)

(Changes in line with application of “Partial Amendments to Accounting Standard for Tax Effect Accounting”)

The Company applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of fiscal year ended March 31, 2019. Accordingly, deferred tax assets are presented under investments and other assets.

As a result, on the balance sheet for the fiscal year ended March 31, 2018, ¥51,970 thousand of “Deferred tax assets” under “Current assets” is included in ¥118,745 thousand of “Deferred tax assets” under “Investments and other assets.”

(Segment information, etc.)

(Segment information)

Description is omitted as the Company engages in the single segment of the e-commerce business.

(Equity in earnings (losses) of associates, etc.)

There is no relevant information.

(Per share information)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Net assets per share	¥368.63	¥347.92
Basic earnings (loss) per share	¥32.84	¥(23.44)
Diluted earnings per share	¥32.24	¥—

- (Notes) 1. For the purpose of calculating net assets per share, basic earnings (loss) per share, and diluted earnings per share for the fiscal year ended March 31, 2018 and the fiscal year ended March 31, 2019, the Company’s shares held by Trust & Custody Services Bank, Ltd. (trust account E) as a trust asset under the Employee Stock Ownership Plan (J-ESOP) are included in the number of treasury shares deducted in the calculation of the number of common shares at the end of the period and the average number of shares during the period.
2. Despite the existence of dilutive shares, diluted earnings per share for the fiscal year ended March 31, 2019 are not presented as it is diluted loss per share.
3. The basis for the calculation of net assets per share (Thousand yen, unless otherwise specified)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Total assets	3,779,123	3,574,038
Amount excluded from total assets	29	29
Year-end net assets attributable to common shares	3,779,094	3,574,009
Number of common shares at the year-end used to calculate net assets per share (shares)	10,251,850	10,272,597

4. The basis for the calculation of basic earnings (loss) per share and diluted earnings per share
(Thousand yen, unless otherwise specified)

	For the fiscal year ended March 31, 2018	For the fiscal year ended March 31, 2019
Basic earnings (loss) per share		
Profit (loss)	338,845	(240,677)
Amount not attributable to common shareholders	—	—
Profit (loss) relating to common shares	338,845	(240,677)
Average number of common shares outstanding during the period (shares)	10,317,519	10,269,852
Diluted earnings per share		
Adjustment for profit	—	—
Increase in the number of common shares (shares)	192,589	—
Overview of residual shares not included in the calculation of diluted earnings per share due to not having a dilutive effect	One type of share acquisition rights (number of share acquisition rights: 300)	—

(Significant subsequent events)

There is no relevant information.