

**Non-consolidated Financial Results
for the Fiscal Year Ended March 31, 2022
[Japanese GAAP]**



May 13, 2022

Company name: Vega corporation Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3542
 URL: <https://www.vega-c.com/en/ir>
 Representative: Tomokazu Ukishiro, President and Chief Executive Officer
 Contact: Kazuhiro Kawabata, Director and Head of Corporate Management Headquarters
 Phone: +81-92-281-3501
 Scheduled date of Annual General Meeting of Shareholders: June 28, 2022
 Scheduled date of commencing dividend payments: June 29, 2022
 Scheduled date of filing annual securities report: June 29, 2022
 Availability of supplementary briefing material on annual financial results: Available
 Schedule of annual financial results briefing session: Scheduled

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

1. Financial Results for the Fiscal Year Ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(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, 2022	16,832	—	596	(67.3)	621	(66.5)	382	(67.0)
March 31, 2021	19,313	42.3	1,824	—	1,851	—	1,159	—

	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, 2022	36.43	36.22	7.4	7.6	3.5
March 31, 2021	110.99	109.51	26.2	26.0	9.4

(Reference) Equity in earnings (losses) of associates: Fiscal year ended March 31, 2022: ¥— million
 Fiscal year ended March 31, 2021: ¥— million

(Note) The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year under review. The amount of net sales for the fiscal year ended March 31, 2022 shows the figure after the said accounting standard has been applied, and percent change from the previous corresponding period is not presented.

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	8,020	5,269	65.7	501.98
As of March 31, 2021	8,223	5,138	62.5	486.30

(Reference) Equity: As of March 31, 2022: ¥5,269 million
 As of March 31, 2021: ¥5,138 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, 2022	(1,915)	(229)	258	1,234
March 31, 2021	2,369	(300)	(269)	3,121

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, 2021	—	0.00	—	10.00	10.00	106	9.0	2.4
March 31, 2022	—	0.00	—	10.00	10.00	106	27.4	2.0
Fiscal year ending March 31, 2023 (Forecast)	—	0.00	—	10.00	10.00		76.1 to 583.2	

3. Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	16,300 to 17,300	(3.2) to 2.8	0 to 200	(100.0) to (66.4)	30 to 230	(95.2) to (63.0)	18 to 138	(95.3) to (63.9)	1.72 to 13.15

* 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: Yes
- 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, 2022: 10,634,200 shares

March 31, 2021: 10,633,600 shares

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

March 31, 2022: 136,674 shares

March 31, 2021: 66,824 shares

- 3) Average number of shares during the period:

Fiscal year ended March 31, 2022: 10,502,404 shares

Fiscal year ended March 31, 2021: 10,443,309 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 include the Company's shares held by Custody Bank of Japan, Ltd. (trust account E) as a trust asset under the Employee Stock Ownership Plan (JESOP).

Total number of treasury shares at the end of the period

(March 31, 2022: 136,450 shares; March 31, 2021: 66,600 shares)

Average number of shares during the period

(Fiscal year ended March 31, 2022: 131,090 shares; Fiscal year ended March 31, 2021: 70,600 shares)

* 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, 2022.

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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, 2022, the Japanese economy gradually turned toward normalization of economic and social activities due to progress made with novel coronavirus vaccination efforts, although a state of emergency was again declared to prevent the spread of infections and quasi-state of emergency measures were put in place to deal with the outbreak of the new Omicron variant. However, there is an ongoing need to keep a close eye on the economic impact felt both in and outside of Japan due to turbulent exchange rate fluctuations caused by domestic and U.S. monetary policies, rising resource prices and supply chain disruptions.

In the furniture and interior industry, the business environment continues to be challenging due to intensifying competition taking place across business categories in addition to increased raw material prices and logistics costs. Meanwhile, the scale of the sundries, furniture and interior B to C-EC market, to which the Company belongs, dramatically expanded to ¥2,132.2 billion in 2020, up 22.4% year on year (source: FY2020 Industrial Economic Research Commissioned Project (E-Commerce Market Survey)); Ministry of Economy, Trade and Industry, July 2021). Further market expansion is expected as the rate of e-commerce usage increases due to evolving lifestyles brought about by the novel coronavirus.

Under such a business environment, in its Furniture E-Commerce business, the Company strengthened efforts to attract more customers, mainly to the LOWYA flagship store, and strived to improve brand recognition by enhancing the influx of new visitor access from search engine optimization (SEO), online advertising and strengthening its SNS presence, as well as to encourage membership through mobile app downloads. As a result of these efforts, the ratio of LOWYA flagship store Gross Merchandise Value (GMV) to overall GMV accounted for 52.5% for the fiscal year under review.

In terms of product lineup, the Company continues its effort to develop hit products and high profit margin products of its own private brands, which is an initiative it has been working on for some time. In addition, as for the handling of the products of other companies' brands, which the Company started as a trial to develop the LOWYA flagship store as a platform, the number of products has increased steadily, gaining access and orders.

As for profit, the cost of sales ratio rose on the impact of increasing marine container transportation costs, higher raw material prices, and yen depreciation. On the other hand, as part of its logistics efforts, the Company has been working to address rising delivery costs through ongoing measures, including to streamline storage, optimize and properly allocate inventories, and review product mix. In the current fiscal year, the Company continued its cost reduction efforts and further improved the delivery cost ratio.

In the new International EC Platform DOKODEMO business, demand for cross-border EC as an alternative to inbound consumption is increasing as a result of travel restrictions due to the spread of the novel coronavirus. As a result of increased advertising expenditure, both the number of accesses and the number of members have been steadily increasing, and the GMV has grown significantly, by 83.3% compared to the previous fiscal year, reaching a new record high. Recently, while the percentage of deliveries to Taiwan and other Asian countries has been increasing, users in North America, Europe, Oceania, and other diverse regions have been using our services.

As a result of the above initiatives, the Company's business results for the fiscal year ended March 31, 2022 were ¥16,832 million in net sales, ¥596 million in operating profit (down 67.3% year on year), ¥621 million in ordinary profit (down 66.5% year on year) and ¥382 million in profit (down 67.0% year on year).

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the current fiscal year. Therefore, the business results for the fiscal year ended March 31, 2022 are explained without presenting a year-on-year comparison (%) of net sales against the same period of the previous fiscal year. For details, please see "3. Financial Statements and Primary Notes (5) Notes to the Financial Statements (Changes in accounting policies)."

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

Total assets as of the end of the fiscal year under review decreased by ¥202 million to ¥8,020 million (¥8,223 million as of the end of the previous fiscal year). Current assets decreased by ¥215 million to ¥6,676 million (¥6,892 million as of the end of the previous fiscal year). This is mainly attributable to an increase of ¥1,469 million in merchandise and a decline of ¥1,958 million in cash and deposits. Non-current assets increased by ¥13 million to ¥1,344 million (¥1,331 million as of the end of the previous fiscal year). This is mainly attributable to an increase of ¥151 million in investment securities and a decrease of ¥97 million in long-term prepaid expenses.

Liabilities decreased by ¥333 million to ¥2,751 million (¥3,084 million as of the end of the previous fiscal year). Current liabilities decreased by ¥321 million to ¥2,701 million (¥3,023 million as of the end of the previous fiscal year). This is mainly attributable to an increase of ¥500 million in short-term borrowings and decreases of ¥713 million and ¥252 million in income taxes payable and accrued consumption taxes, respectively. Non-current liabilities decreased by ¥11 million to ¥50 million (¥61 million as of the end of the previous fiscal year).

Net assets increased by ¥130 million to ¥5,269 million (¥5,138 million as of the end of the previous fiscal year). This is mainly attributable to an increase of ¥276 million in retained earnings due to payment of dividends and a decline of ¥114 million in treasury shares on account of additional contribution to the Stock Ownership Plan.

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

Cash and cash equivalents (hereinafter referred to as “cash”) at the end of the fiscal year under review amounted to ¥1,234 million, a decrease of ¥1,886 million compared to the previous fiscal year as a result of an outflow of ¥1,915 million from operating activities, an outflow of ¥229 million from investing activities, and an inflow of ¥258 million from financing activities. 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 ¥1,915 million (an inflow of ¥2,369 million during the previous fiscal year).

This is mainly attributable to a ¥1,469 million increase in inventories in line with inventory optimization, decreased cash caused by a decline of ¥24 million in provision for share awards, and the posting of ¥621 million in profit before income taxes.

(Cash flows from investing activities)

Cash used in investing activities during the fiscal year under review was ¥229 million (an outflow of ¥300 million during the previous fiscal year).

This was mainly attributable to a decline in cash due to an outflow of ¥78 million for the purchase of property, plant and equipment and an outflow of ¥133 million for the purchase of investment securities.

As a result, free cash flow (total amount of cash flows from operating activities and cash flows from investing activities) was negative ¥2,145 million (positive ¥2,068 million for the previous fiscal year).

(Cash flows from financing activities)

Cash provided by financing activities during the fiscal year under review was ¥258 million (an outflow of ¥269 million during the previous fiscal year).

This is mainly attributable to an increase in cash on account of a ¥500 million increase in short-term borrowings.

(4) Future Outlook

The outlook for economic trends in Japan and in overseas economies as well as trends in consumption is expected to remain uncertain due to sharp exchange rate fluctuations and rising resource prices. In addition, in the environment surrounding our company, changes in economic and consumption trends, such as the risk of cooling personal consumption and rising import costs due to exchange rate fluctuations, are expected to have a major impact on the business environment.

Amid this business environment, the Company will strive to deliver its unique and new standards, and pursue service innovation, underpinned by its vision of “Infinite possibilities for EC.”

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, involving furniture and interiors, as well as in one other new business, the International EC Platform business.

In the Furniture E-Commerce business, under the business vision of “Complete freedom in interior design,” the Company will work to thoroughly enhance customer experience (CX) to meet the needs of our customers. More specifically, the Company will enrich its product lineup, including not only its own private brands but also those of other companies, attract more customers through marketing measures such as SNS and SEO strategies, bolster services such as UI/UX, delivery, and AR, and strengthen infrastructure such as logistics and systems to support the implementation of these measures.

As for sales, although we continue to aim for Gross Merchandise Value (GMV) growth, with a focus on the flagship store, we will need to closely monitor escalating sales competition, as well as the impact high resource prices and sudden exchange rate fluctuations exert on the Japanese economy. Regarding costs, we will continue to develop our own private brand products with high profit margins and improve the efficiency of logistics, but at the same time, there will be a time when upfront investment is required in order to promote various measures to attract customers and enhance the product lineup, services, and infrastructure. By thoroughly enhancing CX and boosting the GMV growth rate, we aim to maximize free cash flow over the long term.

In the International EC Platform business, there is a steady accumulation of transaction value from repeat customers, mainly in Taiwan, and the GMV is growing by maintaining a certain level of upfront investment. We will continue to take measures to further heighten GMV, such as acquiring new members through advertising investments, while at the same time focusing on fortifying our earnings structure.

Under these policies, the outlook for the fiscal year ending March 31, 2023 is as follows.

(Million yen, unless otherwise specified)

	Fiscal year ending March 31, 2023 Outlook	Fiscal year ended March 31, 2022 Result	Change (%)
Net sales	16,300–17,300	16,832	(3.2)–2.8
Operating profit	0–200	596	(100.0)–(66.4)
Ordinary profit	30–230	621	(95.2)–(63.0)
Profit	18–138	382	(95.3)–(63.9)
Basic earnings per share (yen)	1.72–13.15	36.43	—

2. Basic Stance Concerning Choice of Accounting Standards

Taking into consideration the fact that the Company is currently 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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	3,028,959	1,070,295
Accounts receivable - trade	1,897,796	1,870,679
Merchandise	1,521,076	2,990,999
Advance payments to suppliers	116,700	158,720
Prepaid expenses	162,090	168,109
Income taxes refund receivable	—	80,452
Consumption taxes refund receivable	—	168,506
Forward exchange contracts	66,113	—
Other	99,600	168,701
Total current assets	6,892,336	6,676,464
Non-current assets		
Property, plant and equipment		
Buildings, net	42,163	35,048
Vehicles, net	2,493	5,780
Tools, furniture and fixtures, net	165,911	172,815
Construction in progress	288	288
Total property, plant and equipment	210,857	213,932
Intangible assets		
Software	272,084	244,512
Software in progress	—	9,260
Trademark right	37,428	32,616
Other	75	75
Total intangible assets	309,588	286,465
Investments and other assets		
Investment securities	153,214	304,678
Long-term loans receivable from employees	464	294
Long-term prepaid expenses	155,941	58,884
Deferred tax assets	172,528	198,166
Leasehold and guarantee deposits	328,317	281,821
Other	3,209	3,224
Allowance for doubtful accounts	(2,800)	(3,000)
Total investments and other assets	810,875	844,069
Total non-current assets	1,331,321	1,344,467
Total assets	8,223,657	8,020,931

(Thousand yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Accounts payable - trade	285,252	285,964
Short-term borrowings	500,000	1,000,000
Accounts payable - other	914,755	940,610
Accrued expenses	46,465	110,914
Income taxes payable	713,438	—
Accrued consumption taxes	252,671	—
Contract liabilities	—	28,079
Refund liabilities	—	12,359
Forward exchange contracts	—	177
Advances received	3,455	4,807
Deposits received	167,900	250,915
Provision for product warranties	10,277	6,758
Provision for bonuses	99,130	60,000
Provision for point card certificates	16,073	—
Provision for sales returns	13,582	—
Other	42	500
Total current liabilities	3,023,046	2,701,087
Non-current liabilities		
Provision for share awards	61,950	50,255
Total non-current liabilities	61,950	50,255
Total liabilities	3,084,996	2,751,342
Net assets		
Shareholders' equity		
Share capital	1,027,735	1,027,894
Capital surplus		
Legal capital surplus	987,735	987,894
Total capital surplus	987,735	987,894
Retained earnings		
Other retained earnings		
Retained earnings brought forward	3,167,173	3,444,129
Total retained earnings	3,167,173	3,444,129
Treasury shares	(91,260)	(205,263)
Total shareholders' equity	5,091,383	5,254,654
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,275	15,038
Deferred gains or losses on hedges	45,981	(123)
Total valuation and translation adjustments	47,256	14,915
Share acquisition rights	21	20
Total net assets	5,138,661	5,269,589
Total liabilities and net assets	8,223,657	8,020,931

(2) Statements of Income

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Net sales	19,313,277	16,832,715
Cost of sales		
Beginning merchandise inventory	1,777,476	1,521,076
Cost of purchased goods	7,459,764	8,931,076
Total	9,237,241	10,452,152
Ending merchandise inventory	1,521,076	2,990,999
Cost of goods sold	7,716,164	7,461,153
Gross profit	11,597,112	9,371,561
Selling, general and administrative expenses	9,772,365	8,775,500
Operating profit	1,824,747	596,061
Non-operating income		
Gain on investments in investment partnerships	990	10,022
Compensation income	22,256	11,810
Foreign exchange gains	—	1,040
Reversal of provision for point card certificates	276	—
Other	6,096	5,187
Total non-operating income	29,620	28,060
Non-operating expenses		
Interest expenses	1,397	1,844
Foreign exchange losses	999	—
Loss on retirement of non-current assets	—	835
Other	269	200
Total non-operating expenses	2,667	2,879
Ordinary profit	1,851,700	621,242
Extraordinary losses		
Loss on retirement of non-current assets	913	—
Total extraordinary losses	913	—
Profit before income taxes	1,850,787	621,242
Income taxes - current	696,660	250,110
Income taxes - deferred	(4,925)	(11,491)
Total income taxes	691,735	238,618
Profit	1,159,052	382,623

(3) Statements of Changes in Net Assets
For the fiscal year ended March 31, 2021

(Thousand yen)

	Shareholders' equity		
	Share capital	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance at beginning of period	882,404	842,404	842,404
Changes during period			
Issuance of new shares	119,955	119,955	119,955
Issuance of new shares - exercise of share acquisition rights	25,376	25,376	25,376
Dividends of surplus			
Profit			
Purchase of treasury shares			
Transfer of treasury stock to stock ownership plan trust			
Net changes in items other than shareholders' equity			
Total changes during period	145,331	145,331	145,331
Balance at end of period	1,027,735	987,735	987,735

	Shareholders' equity			
	Retained earnings		Treasury shares	Total shareholders' equity
	Other retained earnings	Total retained earnings		
	Retained earnings brought forward			
Balance at beginning of period	2,008,121	2,008,121	(104,883)	3,628,046
Changes during period				
Issuance of new shares				239,910
Issuance of new shares - exercise of share acquisition rights				50,752
Dividends of surplus				—
Profit	1,159,052	1,159,052		1,159,052
Purchase of treasury shares			(27)	(27)
Transfer of treasury stock to stock ownership plan trust			13,650	13,650
Net changes in items other than shareholders' equity				
Total changes during period	1,159,052	1,159,052	13,622	1,463,336
Balance at end of period	3,167,173	3,167,173	(91,260)	5,091,383

	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 period	1,280	79,546	80,827	22	3,708,895
Changes during period					
Issuance of new shares					239,910
Issuance of new shares - exercise of share acquisition rights					50,752
Dividends of surplus					—
Profit					1,159,052
Purchase of treasury shares					(27)
Transfer of treasury stock to stock ownership plan trust					13,650
Net changes in items other than shareholders' equity	(5)	(33,564)	(33,570)	(1)	(33,571)
Total changes during period	(5)	(33,564)	(33,570)	(1)	1,429,765
Balance at end of period	1,275	45,981	47,256	21	5,138,661

For the fiscal year ended March 31, 2022

(Thousand yen)

	Shareholders' equity		
	Share capital	Capital surplus	
		Legal capital surplus	Total capital surplus
Balance at beginning of period	1,027,735	987,735	987,735
Changes during period			
Issuance of new shares			
Issuance of new shares - exercise of share acquisition rights	159	159	159
Dividends of surplus			
Profit			
Purchase of treasury shares			
Transfer of treasury stock to stock ownership plan trust			
Net changes in items other than shareholders' equity			
Total changes during period	159	159	159
Balance at end of period	1,027,894	987,894	987,894

	Shareholders' equity			
	Retained earnings		Treasury shares	Total shareholders' equity
	Other retained earnings	Total retained earnings		
	Retained earnings brought forward			
Balance at beginning of period	3,167,173	3,167,173	(91,260)	5,091,383
Changes during period				
Issuance of new shares				—
Issuance of new shares - exercise of share acquisition rights				318
Dividends of surplus	(105,667)	(105,667)		(105,667)
Profit	382,623	382,623		382,623
Purchase of treasury shares			(149,697)	(149,697)
Transfer of treasury stock to stock ownership plan trust			35,694	35,694
Net changes in items other than shareholders' equity				
Total changes during period	276,955	276,955	(114,003)	163,270
Balance at end of period	3,444,129	3,444,129	(205,263)	5,254,654

	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 period	1,275	45,981	47,256	21	5,138,661
Changes during period					
Issuance of new shares					—
Issuance of new shares - exercise of share acquisition rights					318
Dividends of surplus					(105,667)
Profit					382,623
Purchase of treasury shares					(149,697)
Transfer of treasury stock to stock ownership plan trust					35,694
Net changes in items other than shareholders' equity	13,763	(46,105)	(32,341)	(0)	(32,342)
Total changes during period	13,763	(46,105)	(32,341)	(0)	130,928
Balance at end of period	15,038	(123)	14,915	20	5,269,589

(4) Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Cash flows from operating activities		
Profit before income taxes	1,850,787	621,242
Depreciation	137,766	158,930
Increase (decrease) in allowance for doubtful accounts	200	200
Increase (decrease) in provision for bonuses	44,641	(39,130)
Increase (decrease) in provision for point card certificates	(276)	—
Increase (decrease) in provision for sales returns	(791)	—
Increase (decrease) in provision for product warranties	(2,370)	(3,519)
Increase (decrease) in provision for share awards	20,972	24,000
Interest and dividend income	(54)	(56)
Loss (gain) on investments in investment partnerships	(990)	(10,022)
Compensation income	(22,256)	(11,810)
Interest expenses	1,397	1,844
Foreign exchange losses (gains)	983	(1,018)
Loss on retirement of non-current assets	913	835
Decrease (increase) in trade receivables	(266,312)	27,116
Decrease (increase) in inventories	256,400	(1,469,923)
Increase (decrease) in trade payables	103,348	711
Increase (decrease) in accounts payable - other	215,274	(36,572)
Other, net	89,479	(219,128)
Subtotal	2,429,113	(956,300)
Interest and dividends received	3,963	12,061
Proceeds from compensation	21,720	16,414
Interest paid	(1,344)	(1,844)
Income taxes paid	(83,703)	(986,294)
Net cash provided by (used in) operating activities	2,369,748	(1,915,963)
Cash flows from investing activities		
Purchase of property, plant and equipment	(38,250)	(78,962)
Purchase of intangible assets	(137,425)	(47,235)
Purchase of investment securities	(121,500)	(133,643)
Payments of leasehold and guarantee deposits	(10,424)	(7,273)
Proceeds for lease and guarantee deposits	7,008	37,794
Loan advances to employees	(670)	(2,500)
Proceeds from collection of loans receivable from employees	369	2,492
Net cash provided by (used in) investing activities	(300,893)	(229,327)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(320,000)	500,000
Purchase of treasury shares	—	(149,697)
Dividends paid	—	(92,582)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	50,750	317
Net cash provided by (used in) financing activities	(269,249)	258,036
Effect of exchange rate change on cash and cash equivalents	(983)	1,018
Net increase (decrease) in cash and cash equivalents	1,798,622	(1,886,236)
Cash and cash equivalents at beginning of period	1,322,534	3,121,157
Cash and cash equivalents at end of period	3,121,157	1,234,920

(5) Notes to the Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition and other standards)

The Company has decided to apply the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter, “Revenue Recognition Accounting Standard”) and other standards from the beginning of the fiscal year under review, whereby revenue shall be recognized at an amount that the Company expects to receive in exchange for promised goods or services when control of the goods or services transfers to the customer. As a result of the application, the grant of points and use of coupons in the course of sales to customers, which were previously recorded as selling, general and administrative expenses, are recognized as sales discount in the recognition of revenue.

In addition, the Company applies the alternative accounting treatment set forth in Paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition” to domestic sales of products, whereby revenue is recognized at the time of shipment if the period from shipment until transfer of control of the products to customers is within a normal period of time.

In the application of the Revenue Recognition Accounting Standard and other standards, the Company complies with the transitional measures set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, whereby the cumulative effect of retrospectively applying the new accounting standard to the periods prior to the beginning of the fiscal year under review is added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the new accounting standard is applied from the beginning balance of the period. Provided, however, that the Company applies the methods stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, and the new accounting standard has not been retrospectively applied to contracts for which almost all the amounts of revenue were recognized pursuant to the previous accounting treatment prior to the beginning of the fiscal year under review.

As a result, net sales and selling, general and administrative expenses for the fiscal year ended March 31, 2022 decreased by ¥1,216,584 thousand and ¥1,216,584 thousand, respectively, and there is no impact on operating profit, ordinary profit and profit before income taxes. In addition, there is no impact on the beginning balance of retained earnings.

(Notes to revenue recognition)

The Company has a single e-commerce business segment, and the following information breaks down the revenue generated from contracts with major customers into service categories.

Fiscal year ended March 31, 2022 (April 1, 2021 to March 31, 2022)

(Thousand yen)

Service category	Reportable segment
	E-commerce business
D2C* business	16,390,635
Platform business	442,079
Revenue generated from customer contracts	16,832,715
Other revenue	—
Net sales to external customers	16,832,715

*D2C (Direct to Consumer) is a format of business that involves direct sales exclusively online.

(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, 2021	For the fiscal year ended March 31, 2022
Net assets per share	¥486.30	¥501.98
Basic earnings per share	¥110.99	¥36.43
Diluted earnings per share	¥109.51	¥36.22

(Notes) 1. For the purpose of calculating net assets per share, basic earnings per share, and diluted earnings per share for the fiscal year ended March 31, 2021 and the fiscal year ended March 31, 2022, the Company's shares held by Custody Bank of Japan, 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. The basis for the calculation of net assets per share

(Thousand yen, unless otherwise specified)

	For the fiscal year ended March 31, 2021	For the fiscal year ended March 31, 2022
Total assets	5,138,661	5,269,589
Amount excluded from total assets	21	20
Year-end net assets attributable to common shares	5,138,640	5,269,569
Number of common shares at the year-end used to calculate net assets per share (shares)	10,566,776	10,497,526

3. 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, 2021	For the fiscal year ended March 31, 2022
Basic earnings (loss) per share		
Profit (loss)	1,159,052	382,623
Amount not attributable to common shareholders	—	—
Profit (loss) relating to common shares	1,159,052	382,623
Average number of common shares outstanding during the period (shares)	10,443,309	10,502,404
Diluted earnings per share		
Adjustment for profit	109.51	36.22
Increase in the number of common shares (shares)	130,872	60,889
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: 223)	One type of share acquisition rights (number of share acquisition rights: 217)

(Significant subsequent events)

There is no relevant information.