

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2024 [Japanese GAAP]



May 15, 2024

Company name: Vega corporation Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3542
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 Scheduled date of Annual General Meeting of Shareholders: June 26, 2024
 Scheduled date of commencing dividend payments: June 27, 2024
 Scheduled date of filing annual securities report: June 27, 2024
 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, 2024 (April 1, 2023, to March 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2024	16,063	(5.4)	771	128.1	790	116.7	394	227.4
March 31, 2023	16,973	0.8	338	(43.2)	364	(41.3)	120	(68.5)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2024	37.82	37.79	7.3	11.0	4.8
March 31, 2023	11.49	11.48	2.3	4.8	2.0

(Reference) Equity in earnings (losses) of associates: Fiscal year ended March 31, 2024: ¥- million
 Fiscal year ended March 31, 2023: ¥- million

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2024	7,209	5,566	77.2	538.56
As of March 31, 2023	7,151	5,304	74.2	505.30

(Reference) Equity: As of March 31, 2024: ¥5,566 million
 As of March 31, 2023: ¥5,304 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
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 31, 2024	264	(189)	(234)	1,839
March 31, 2023	2,043	(179)	(1,099)	2,000

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, 2023	—	0.00	—	10.00	10.00	106	87.0	2.0
March 31, 2024	—	0.00	—	10.00	10.00	104	26.4	1.9
Fiscal year ending March 31, 2025 (forecast)	—	0.00	—	11.00	11.00		15.8	

3. Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024, to March 31, 2025) (% 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
Six months ending September 30, 2024	7,600	(3.9)	400	—	400	983.6	240	884.0	23.22
Full year	17,000	5.8	1,200	55.5	1,200	51.8	720	82.6	69.66

* 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, 2024: 10,669,000 shares
 - March 31, 2023: 10,644,200 shares
 - 2) Total number of treasury shares at the end of the period:
 - March 31, 2024: 332,974 shares
 - March 31, 2023: 146,674 shares
 - 3) Average number of shares during the period:
 - Fiscal year ended March 31, 2024: 10,426,803 shares
 - Fiscal year ended March 31, 2023: 10,482,662 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, 2024: 132,750 shares; March 31, 2023: 146,450 shares)
- Average number of shares during the period
(Fiscal year ended March 31, 2024: 138,215 shares; fiscal year ended March 31, 2023: 143,189 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 15, 2024.

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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, 2024, the Japanese economy saw its activities turn toward normalization as the government reclassified COVID-19 into a Category 5 Infectious Disease, and personal consumption recovered moderately. However, there is an ongoing need to keep a close eye on economic trends both in and outside of Japan, with growing concerns regarding the dramatic fluctuations in exchange rates caused by domestic and U.S. monetary policies, as well as the weakening of consumer sentiment due to rising prices.

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, expanded strongly to ¥2,354.1 billion in 2022, up 3.5% year on year (source: FY2022 Digital Business Environment Improvement Project, E-Commerce Market Survey; Ministry of Economy, Trade and Industry, August 2023). Since the e-commerce (EC) usage rate in the furniture and interior industry remains lower than that of other industries, there is a possibility for further EC development, and we expect the market to expand.

Under such a business environment, in its Furniture E-Commerce business, the Company engaged in expanding distribution through the dual sales channels of its LOWYA flagship store (the Company's website) and major e-commerce marketplace stores. At the LOWYA flagship store, identified as a core pillar of growth, the Company strived to improve brand recognition by enhancing the influx of new visitor access from search engine optimization (SEO), online advertising and strengthening its social media presence, as well as endeavoring to encourage membership through mobile app downloads. The access count and distribution declined as the Company curbed sales promotion expenses and advertising expenses as profitability improvement efforts since the current fiscal year. However, the Company was able to establish a profit-efficient sales structure. In terms of the product lineup, the Company has continued its efforts to expand the number of items and genres, develop hit products, and develop high-profit-margin products of its own private brands, which are initiatives it has been working on for some time.

Furthermore, although the Company has been operating exclusively in the Internet business since its establishment, it has transformed itself into a business model that integrates online and offline operations while leveraging its strengths in attracting customers, product design, and price superiority, which it has cultivated thus far. To this end, the Company opened its first actual store in April 2023 in Fukuoka City, Fukuoka Prefecture, followed by the opening of stores in Osaka City, Osaka Prefecture in December 2023 and in Nagoya City, Aichi Prefecture in February 2024. The Company opened three stores during the fiscal year under review. Since the opening of the first store, the Company has gradually seen a positive impact on its LOWYA flagship store through the actual store, and will continue verifying the establishment of an OMO-type direct-to-consumer (D2C) business.

As for profit, although the Company was affected by a rise in the cost of sales ratio due to the rapid depreciation of the yen, profit increased. The Company has continued to implement its existing initiatives to decrease inventory and reduce distribution expenses through the optimization of inventory and delivery. It has also worked on reducing personnel expenses and fixed costs, focusing on lowering marketing costs through profit improvement initiatives. As a result, the selling, general and administrative expenses ratio improved. That was the reason for the profit increase.

In the new International EC Platform DOKODEMO business, total distribution volume has been decreasing in line with changes in inbound consumption since the previous fiscal year. However, as a result of initiatives such as helping store owners to enhance their product lineup and carrying out marketing measures, the number of members and app downloads is steadily increasing, and we will continue our efforts to expand the total distribution volume.

During the fiscal year ended March 31, 2024, the Company recorded an extraordinary loss of ¥110 million as a loss on valuation of some investment securities which, among the investment securities held by the Company, saw their actual value decline significantly compared with their book value.

As a result of the above initiatives, the Company's business results for the fiscal year ended March 31, 2024, were ¥16,063 million in net sales (down 5.4% year on year), ¥771 million in operating profit (up 128.1% year on year), ¥790 million in ordinary profit (up 116.7% year on year) and ¥394 million in profit (up 227.4% year on year).

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

Total assets as of the end of the fiscal year under review grew ¥58 million to ¥7,209 million (¥7,151 million as of the end of the previous fiscal year). Current assets were up ¥196 million to ¥6,153 million (¥5,956 million as of the end of the previous fiscal year). This was mainly attributable to an increase in merchandise of ¥290 million yen and a decrease in cash and deposits of ¥142 million. Non-current assets dropped ¥138 million to ¥1,056 million (¥1,195 million as of the end of the previous fiscal year). This was mainly attributable to an increase in software of ¥75 million yen and a decrease in software in progress of ¥100 million, and a drop in investment securities of ¥99 million.

Liabilities fell ¥203 million to ¥1,643 million (¥1,847 million as of the end of the previous fiscal year). Current liabilities decreased ¥209 million to ¥1,586 million (¥1,796 million as of the end of the previous fiscal year). This is mainly attributable to an increase in income taxes payable by ¥248 million and decreases in accounts payable–other of ¥203 million and accrued consumption taxes of ¥233 million. Non-current liabilities grew ¥5 million to ¥56 million (¥51 million as of the end of the previous fiscal year).

Net assets rose ¥262 million to ¥5,566 million (¥5,304 million as of the end of the previous fiscal year). This was mainly attributable to the recording of profit of ¥394 million and a decrease in treasury shares of ¥123 million due to the purchase of treasury shares.

(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 ¥1,839 million, a decrease of ¥160 million compared with the previous fiscal year as a result of an inflow of ¥264 million from operating activities, an outflow of ¥189 million from investing activities, and an outflow of ¥234 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 provided by operating activities during the fiscal year under review was ¥264 million (an inflow of ¥2,043 million during the previous fiscal year).

This was mainly attributable to a decline in cash due to an increase in inventories of ¥290 million and a decrease in accounts payable–other of ¥163 million, and the recording of profit before income taxes of ¥680 million.

(Cash flows from investing activities)

Cash used in investing activities during the fiscal year under review was ¥189 million (an outflow of ¥179 million during the previous fiscal year).

This was mainly attributable to a decline in cash due to outflows of ¥74 million for the purchase of property, plant and equipment and ¥83 million for the purchase of intangible assets.

As a result, free cash flow (total amount of cash flows from operating activities and cash flows from investing activities) was positive ¥74 million (positive ¥1,864 million for the previous fiscal year).

(Cash flows from financing activities)

Cash used in financing activities during the fiscal year under review was ¥234 million (an outflow of ¥1,099 million during the previous fiscal year).

This was mainly attributable to a decline in cash due to an outflow of ¥141 million due to the purchase of treasury shares and dividends paid of ¥106 million.

(4) Future Outlook

The outlook in the environment surrounding the Company is expected to remain uncertain due to changes in economic and consumption trends, including a risk of cooling personal consumption in response to significant price rises, rising costs following the depreciation of the yen, and soaring delivery expenses on the back of logistics issues in 2024.

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.” 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, we at the Company will work to thoroughly enhance customer experience (CX) to build opportunities for encounters, and to meet the needs of our customers, then focus on building an OMO-type D2C business. More specifically, the Company will (1) strengthen its points of contact with customers by developing actual stores (channels) to build touch points with customers that could not be reached online alone, (2) expand product genres to increase the share of LOWYA products in the living space, and (3) increase the number of fans and improve customer satisfaction (engagement) through SNS and community-focused measures, and strengthen infrastructure such as logistics, IT systems, and human resources to support the implementation of these measures.

As for sales for the fiscal year ending March 31, 2025, we will expand our channels with a goal of opening four to six new actual stores. We will also continue our efforts to operate our business efficiently by controlling marketing costs, which we have been working on since the fiscal year ended March 31, 2024, and will continue to aim for sales growth, with a focus on the flagship store and stores in major e-commerce marketplaces, including the impact from opening actual stores. Regarding product lineups, in our own private brands, we will continue to expand genres and the number of products, and develop high-profit-margin products. Regarding costs, we face the challenge of dealing with rising costs due to high resource prices and the weak yen, as well as soaring delivery costs. We will continue our efforts to control marketing costs and improve logistics efficiency to optimize cost control and conduct efficient management. In addition, there will be a time when upfront investment is required to promote various measures, such as channel enhancement measures by opening new actual stores, product enhancement, and engagement enhancement. By boosting the sales growth rate with OMO-type D2C business through expanding actual stores, etc., in the medium term, 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 users, mainly in Taiwan, and the GMV is growing by maintaining a certain level of upfront investment. We will continue to acquire new members by having efficient business operations with controlled marketing costs and greater product genres handled, and take measures to further increase GMV. At the same time, we will focus on fortifying our earnings structure.

Under these policies, the forecast for the fiscal year ending March 31, 2025, is as follows.

(Million yen, unless otherwise specified)

	Fiscal year ending March 31, 2025 Forecast	Fiscal year ended March 31, 2024 Result	Change (%)
Net sales	17,000	16,063	5.8
Operating profit	1,200	771	55.5
Ordinary profit	1,200	790	51.8
Profit	720	394	82.6
Basic earnings per share (yen)	69.66	37.82	—

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 Sheet

(Thousand yen)

	As of March 31, 2023	As of March 31, 2024
Assets		
Current assets		
Cash and deposits	1,892,217	1,750,184
Accounts receivable - trade	1,814,017	1,739,849
Merchandise	1,819,594	2,110,508
Advance payments to suppliers	117,341	124,944
Prepaid expenses	164,508	143,768
Consumption taxes refund receivable	—	69,149
Forward exchange contracts	—	94,614
Other	148,685	120,073
Total current assets	5,956,365	6,153,093
Non-current assets		
Property, plant and equipment		
Buildings, net	66,331	113,368
Vehicles, net	7,089	5,466
Tools, furniture and fixtures, net	137,649	115,075
Construction in progress	288	288
Total property, plant and equipment	211,359	234,199
Intangible assets		
Software	186,395	261,438
Software in progress	100,505	—
Trademark right	27,804	22,993
Other	75	75
Total intangible assets	314,781	284,507
Investments and other assets		
Investment securities	190,938	91,703
Long-term loans receivable from employees	47	85
Long-term prepaid expenses	36,648	8,696
Deferred tax assets	204,432	186,921
Leasehold and guarantee deposits	236,840	250,498
Other	3,235	3,226
Allowance for doubtful accounts	(3,200)	(3,200)
Total investments and other assets	668,943	537,930
Total non-current assets	1,195,084	1,056,637
Total assets	7,151,450	7,209,731

(Thousand yen)

	As of March 31, 2023	As of March 31, 2024
Liabilities		
Current liabilities		
Accounts payable - trade	268,467	242,433
Accounts payable - other	990,320	787,139
Accrued expenses	78,595	58,763
Income taxes payable	16,157	264,602
Accrued consumption taxes	233,232	—
Contract liabilities	73,859	80,240
Refund liabilities	10,832	9,527
Forward exchange contracts	25,783	—
Deposits received	8,937	33,956
Provision for product warranties	5,152	6,337
Provision for bonuses	81,110	101,112
Other	3,557	2,638
Total current liabilities	1,796,006	1,586,752
Non-current liabilities		
Provision for share awards	51,050	56,349
Total non-current liabilities	51,050	56,349
Total liabilities	1,847,057	1,643,101
Net assets		
Shareholders' equity		
Share capital	1,030,551	1,037,128
Capital surplus		
Legal capital surplus	990,551	997,128
Other capital surplus	23,625	23,625
Total capital surplus	1,014,176	1,020,753
Retained earnings		
Other retained earnings		
Retained earnings brought forward	3,459,597	3,747,515
Total retained earnings	3,459,597	3,747,515
Treasury shares	(196,233)	(319,237)
Total shareholders' equity	5,308,091	5,486,159
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	14,202	14,694
Deferred gains or losses on hedges	(17,919)	65,757
Total valuation and translation adjustments	(3,716)	80,451
Share acquisition rights	18	18
Total net assets	5,304,393	5,566,629
Total liabilities and net assets	7,151,450	7,209,731

(2) Statements of Income

(Thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Net sales	16,973,424	16,063,441
Cost of sales		
Beginning merchandise inventory	2,990,999	1,819,594
Cost of purchased goods	7,330,477	8,358,749
Total	10,321,476	10,178,344
Ending merchandise inventory	1,819,594	2,110,508
Cost of goods sold	8,501,881	8,067,835
Gross profit	8,471,542	7,995,605
Selling, general and administrative expenses	8,133,239	7,223,815
Operating profit	338,303	771,789
Non-operating income		
Gain on investments in investment partnerships	4,539	—
Gain on sale of goods	8,060	7,757
Commission income	—	1,595
Compensation income	10,280	7,074
Foreign exchange gains	—	128
Other	4,998	3,072
Total non-operating income	27,879	19,628
Non-operating expenses		
Interest expenses	1,282	—
Loss on investments in investment partnerships	—	989
Foreign exchange losses	65	—
Provision of allowance for doubtful accounts	200	—
Other	—	175
Total non-operating expenses	1,548	1,165
Ordinary profit	364,634	790,253
Extraordinary income		
Gain on sale of non-current assets	—	76
Total extraordinary income	—	76
Extraordinary losses		
Loss on valuation of investment securities	120,000	110,003
Total extraordinary losses	120,000	110,003
Profit before income taxes	244,634	680,326
Income taxes - current	122,281	305,393
Income taxes - deferred	1,910	(19,425)
Total income taxes	124,191	285,968
Profit	120,443	394,358

(3) Statements of Changes in Net Assets
For the fiscal year ended March 31, 2023

(Thousand yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of period	1,027,894	987,894	—	987,894
Changes during period				
Issuance of new shares - exercise of share acquisition rights	2,657	2,657		2,657
Dividends of surplus				
Profit				
Purchase of treasury shares				
Gain on disposal of treasury shares			23,625	23,625
Disposal of treasury shares by stock ownership plan trust				
Net changes in items other than shareholders' equity				
Total changes during period	2,657	2,657	23,625	26,282
Balance at end of period	1,030,551	990,551	23,625	1,014,176

	Shareholders' equity			
	Retained earnings		Treasury shares	Total shareholders' equity
	Other retained earnings	Total retained earnings		
	Retained earnings brought forward			
Balance at beginning of period	3,444,129	3,444,129	(205,263)	5,254,654
Changes during period				
Issuance of new shares - exercise of share acquisition rights				5,315
Dividends of surplus	(104,975)	(104,975)		(104,975)
Profit	120,443	120,443		120,443
Purchase of treasury shares			(14,175)	(14,175)
Gain on disposal of treasury shares				23,625
Disposal of treasury shares by stock ownership plan trust			23,205	23,205
Net changes in items other than shareholders' equity				
Total changes during period	15,467	15,467	9,030	53,437
Balance at end of period	3,459,597	3,459,597	(196,233)	5,308,091

	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	15,038	(123)	14,915	20	5,269,589
Changes during period					
Issuance of new shares - exercise of share acquisition rights					5,315
Dividends of surplus					(104,975)
Profit					120,443
Purchase of treasury shares					(14,175)
Gain on disposal of treasury shares					23,625
Disposal of treasury shares by stock ownership plan trust					23,205
Net changes in items other than shareholders' equity	(836)	(17,795)	(18,631)	(1)	(18,633)
Total changes during period	(836)	(17,795)	(18,631)	(1)	34,803
Balance at end of period	14,202	(17,919)	(3,716)	18	5,304,393

For the fiscal year ended March 31, 2024

(Thousand yen)

	Shareholders' equity			
	Share capital	Capital surplus		
		Legal capital surplus	Other capital surplus	Total capital surplus
Balance at beginning of period	1,030,551	990,551	23,625	1,014,176
Changes during period				
Issuance of new shares - exercise of share acquisition rights	6,576	6,576		6,576
Dividends of surplus				
Profit				
Purchase of treasury shares				
Gain on disposal of treasury shares				
Disposal of treasury shares by stock ownership plan trust				
Net changes in items other than shareholders' equity				
Total changes during period	6,576	6,576	—	6,576
Balance at end of period	1,037,128	997,128	23,625	1,020,753

	Shareholders' equity			
	Retained earnings		Treasury shares	Total shareholders' equity
	Other retained earnings	Total retained earnings		
	Retained earnings brought forward			
Balance at beginning of period	3,459,597	3,459,597	(196,233)	5,308,091
Changes during period				
Issuance of new shares - exercise of share acquisition rights				13,153
Dividends of surplus	(106,439)	(106,439)		(106,439)
Profit	394,358	394,358		394,358
Purchase of treasury shares			(141,704)	(141,704)
Gain on disposal of treasury shares				—
Disposal of treasury shares by stock ownership plan trust			18,700	18,700
Net changes in items other than shareholders' equity				
Total changes during period	287,918	287,918	(123,004)	178,067
Balance at end of period	3,747,515	3,747,515	(319,237)	5,486,159

	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	14,202	(17,919)	(3,716)	18	5,304,393
Changes during period					
Issuance of new shares - exercise of share acquisition rights					13,153
Dividends of surplus					(106,439)
Profit					394,358
Purchase of treasury shares					(141,704)
Gain on disposal of treasury shares					—
Disposal of treasury shares by stock ownership plan trust					18,700
Net changes in items other than shareholders' equity	492	83,676	84,168	(0)	84,168
Total changes during period	492	83,676	84,168	(0)	262,235
Balance at end of period	14,694	65,757	80,451	18	5,566,629

(4) Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31, 2023	For the fiscal year ended March 31, 2024
Cash flows from operating activities		
Profit before income taxes	244,634	680,326
Depreciation	174,124	153,357
Increase (decrease) in allowance for doubtful accounts	200	—
Increase (decrease) in provision for bonuses	21,110	20,002
Increase (decrease) in provision for product warranties	(1,606)	(406)
Increase (decrease) in provision for share awards	24,000	24,000
Interest and dividend income	(49)	(28)
Loss (gain) on investments in investment partnerships	(4,539)	989
Compensation income	(10,280)	(7,074)
Interest expenses	1,282	—
Foreign exchange losses (gains)	(365)	(1)
Loss on valuation of investment securities	120,000	110,003
Decrease (increase) in trade receivables	56,662	75,759
Decrease (increase) in inventories	1,171,404	(290,914)
Increase (decrease) in trade payables	(17,496)	(26,033)
Loss (gain) on sale of non-current assets	—	(76)
Increase (decrease) in accounts payable - other	50,269	(163,957)
Other	222,490	(239,371)
Subtotal	2,051,840	336,574
Interest and dividends received	4,998	4,534
Proceeds from compensation	9,542	7,878
Interest paid	(1,282)	—
Income taxes paid	(123,371)	(92,991)
Income taxes refund	101,507	8,008
Net cash provided by (used in) operating activities	2,043,234	264,004
Cash flows from investing activities		
Purchase of property, plant and equipment	(75,710)	(74,620)
Purchase of intangible assets	(129,751)	(83,297)
Purchase of investment securities	(11,500)	(13,500)
Payments of leasehold and guarantee deposits	(18,234)	(18,536)
Proceeds for lease and guarantee deposits	55,342	540
Loan advances to employees	(2,500)	(668)
Proceeds from collection of loans receivable from employees	3,349	467
Net cash provided by (used in) investing activities	(179,004)	(189,615)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(1,000,000)	—
Purchase of treasury shares	—	(141,704)
Dividends paid	(104,779)	(106,308)
Proceeds from issuance of shares resulting from exercise of share acquisition rights	5,315	13,152
Net cash provided by (used in) financing activities	(1,099,464)	(234,860)
Effect of exchange rate change on cash and cash equivalents	365	1
Net increase (decrease) in cash and cash equivalents	765,131	(160,470)
Cash and cash equivalents at beginning of period	1,234,920	2,000,052
Cash and cash equivalents at end of period	2,000,052	1,839,582

(5) Notes to the Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(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, 2023 (April 1, 2022, to March 31, 2023)

(Thousand yen)

Service category	Reportable segment
	E-commerce business
OMO-type D2C* business	16,320,045
Platform business	653,378
Revenue generated from customer contracts	16,973,424
Other revenue	—
Net sales to external customers	16,973,424

* OMO: Online Merges with Offline.

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

Fiscal year ended March 31, 2024 (April 1, 2023, to March 31, 2024)

(Thousand yen)

Service category	Reportable segment
	E-commerce business
OMO-type D2C* business	15,647,128
Platform business	416,313
Revenue generated from customer contracts	16,063,441
Other revenue	—
Net sales to external customers	16,063,441

* OMO: Online Merges with Offline.

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, 2023	For the fiscal year ended March 31, 2024
Net assets per share	¥505.30	¥538.56
Basic earnings per share	¥11.49	¥37.82
Diluted earnings per share	¥11.48	¥37.79

(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, 2023, and the fiscal year ended March 31, 2024, 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, 2023	For the fiscal year ended March 31, 2024
Total assets	5,304,393	5,566,629
Amount excluded from total assets	18	18
Year-end net assets attributable to common shares	5,304,374	5,566,610
Number of common shares at the year-end used to calculate net assets per share (shares)	10,497,526	10,336,026

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, 2023	For the fiscal year ended March 31, 2024
Basic earnings (loss) per share		
Profit (loss)	120,443	394,358
Amount not attributable to common shareholders	—	—
Profit (loss) relating to common shares	120,443	394,358
Average number of common shares outstanding during the period (shares)	10,482,662	10,426,803
Diluted earnings per share		
Adjustment for profit	11.48	37.79
Increase in the number of common shares (shares)	4,477	8,244
Overview of residual shares not included in the calculation of diluted earnings per share due to not having a dilutive effect	Two types of share acquisition rights (number of share acquisition rights: 398)	Two types of share acquisition rights (number of share acquisition rights: 394)

(Significant subsequent events)

There is no relevant information.