

# Non-consolidated Financial Results for the Six Months Ended September 30, 2018 [Japanese GAAP]



October 31, 2018

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 filing quarterly securities report: November 14, 2018

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly 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 Six Months Ended September 30, 2018 (April 1, 2018 to September 30, 2018)

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

	Net sales		Operating profit		Ordinary profit		Profit	
Six months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
September 30, 2018	6,341	1.5	(23)	—	(16)	—	(47)	—
September 30, 2017	6,250	27.3	166	(52.9)	173	(47.2)	106	(50.8)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2018	(4.59)	—
September 30, 2017	10.30	10.11

(Note) Despite the existence of dilutive shares, diluted earnings per share for the six months ended September 30, 2018 are not presented as it is diluted loss per share.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018	5,915	3,778	63.9
As of March 31, 2018	5,914	3,779	63.9

(Reference) Equity: As of September 30, 2018: ¥3,778 million      As of March 31, 2018: ¥3,779 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2019	—	0.00			
Fiscal year ending March 31, 2019 (Forecast)			—	0.00	0.00

(Note) Revision to the dividends forecast announced most recently: None

## 3. Financial Results Forecast for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% 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
	14,000	7.9	(152)	—	(139)	—	(123)	—	(11.98)

(Note) Revision to the financial results forecast announced most recently: Yes

### \* Notes:

(1) Adoption of accounting policies for the preparation of quarterly financial statements: No

(2) 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

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

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

September 30, 2018: 10,367,800 shares

March 31, 2018: 10,347,000 shares

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

September 30, 2018: 95,203 shares

March 31, 2018: 95,150 shares

3) Average number of shares during the period:

Six months ended September 30, 2018: 10,267,123 shares

Six months ended September 30, 2017: 10,344,028 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 of six months ended September 30, 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 quarterly financial results are outside the scope of quarterly review 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 and the Company does not in any way guarantee the achievement of the projections. 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. Qualitative Information on Quarterly Financial Results for the Period under Review (3) Explanation of Financial Results Forecast and Other Forward-looking Information” on page 3 of the Appendix.

(Method of obtaining supplementary quarterly briefing materials)

Supplementary briefing materials on quarterly financial results are provided on TDnet on October 31, 2018.

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## 1. Qualitative Information on Quarterly Financial Results for the Period under Review

### (1) Explanation of Business Results

During the six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018), the Japanese economy remained on a gradual recovery track, backed by improvement in corporate earnings and the employment environment, but there are uncertainties about the future due to increasing concerns on overseas 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 (LOWYA) to continuously strengthen the product pages and quality of design, while branding was also enhanced through the building of a fan base. The website infrastructure was enhanced focusing on Search Engine Optimization (SEO) to increase access and expanded traffic to the flagship store. As a result, net sales of the flagship store increased steadily, although net sales of online shopping mall stores decreased year on year owing to multiple factors such as opportunity losses associated with product shortages.

As for profit and loss, the cost of sales ratio improved year on year as a result of ongoing sales price revision of existing products. On the other hand, selling, general and administrative expenses increased owing to factors including rising logistics costs triggered mainly by upward price revisions by delivery companies, upfront investment in human resources in line with business expansion, and advertisement and promotion to improve brand recognition. As a result, sales increased while profit decreased year on year.

The new International EC Platform DOKODEMO business is enjoying steady growth in visitor count and membership due to ceaseless efforts made for improving the convenience of the site and system upgrades. Lately, the user base has grown to include a range of countries and regions such as Taiwan, Australia and the U.S. Moreover, measures were taken to increase the number of registered stores, while advertising expenses are used on a trial basis in order to evaluate investment effect.

As for another new business development, the Furniture/Interior Specialized Platform Laig, the Company has worked to build a platform with high quality pictures and product pages as a venue to propose a wide range of lifestyles, facilitate users' searches, and satisfy users' requests. The official opening of the platform at the end of October 2018 was announced in a press release in September.

As a result of the above initiatives, the Company's business results for the six months ended September 30, 2018 were ¥6,341 million in net sales (up 1.5% year on year), ¥23 million in operating loss (¥166 million in operating profit in the previous corresponding period), ¥16 million in ordinary loss (¥173 million in ordinary profit in the previous corresponding period) and ¥47 million in loss (¥106 million in profit in the previous corresponding period).

In addition, estimated amount of ¥51 million for provision regarding free of charge repair or replacement of lightning equipment the Company sell was recorded under extraordinary losses in the second quarter under review.

\* Flagship store: Renamed from "Main Store." The same applies hereinafter.

## (2) Explanation of Financial Position

Total assets as of the end of the second quarter under review increased by ¥1 million to ¥5,915 million (¥5,914 million as of the end of the previous fiscal year). Current assets decreased by ¥242 million to ¥5,066 million (¥5,309 million as of the end of the previous fiscal year). This is mainly attributable to increases in cash and deposits and merchandise by ¥132 million and ¥71 million, respectively, and a decrease in accounts receivable - trade by ¥482 million. Non-current assets increased by ¥244 million to ¥848 million (¥604 million as of the end of the previous fiscal year). This is mainly attributable to increases in property, plant and equipment and lease and guarantee deposits by ¥70 million and ¥194 million, respectively.

Liabilities increased by ¥1 million to ¥2,136 million (¥2,135 million as of the end of the previous fiscal year). Current liabilities decreased by ¥8 million to ¥2,098 million (¥2,107 million as of the end of the previous fiscal year). This is mainly attributable to an increase in accounts payable - trade by ¥223 million and a decrease in income taxes payable by ¥227 million. Non-current liabilities increased by ¥10 million to ¥37 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 ¥10 million.

Net assets decreased by ¥0 million to ¥3,778 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 ¥34 million, and the recording of ¥47 million of loss.

## (3) Explanation of Financial Results Forecast and Other Forward-looking Information

In view of recent trends in performance, the Company has revised the full-year financial results forecast for the fiscal year ending March 31, 2019 released on April 27, 2018.

2. Quarterly Financial Statements and Primary Notes  
(1) Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	1,656,656	1,789,209
Accounts receivable - trade	1,801,039	1,318,534
Merchandise	1,750,520	1,821,910
Forward exchange contracts	—	36,652
Other	101,668	100,591
Total current assets	5,309,884	5,066,899
Non-current assets		
Property, plant and equipment	123,316	193,601
Intangible assets	146,768	115,898
Investments and other assets		
Deferred tax assets	118,745	123,748
Lease and guarantee deposits	151,475	345,980
Other	66,301	71,519
Allowance for doubtful accounts	(2,200)	(2,300)
Total investments and other assets	334,322	538,949
Total non-current assets	604,406	848,449
Total assets	5,914,291	5,915,348
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	231,744	455,087
Short-term loans payable	820,000	820,000
Accounts payable - other	627,447	612,202
Income taxes payable	248,622	21,158
Provision for bonuses	58,283	39,995
Provision for point card certificates	2,209	1,962
Provision for sales returns	11,512	8,899
Provision for product warranties	—	51,096
Forward exchange contracts	12,371	—
Other	95,678	88,569
Total current liabilities	2,107,867	2,098,971
Non-current liabilities		
Provision for stocks payment	27,300	37,805
Total non-current liabilities	27,300	37,805
Total liabilities	2,135,167	2,136,777
<b>Net assets</b>		
Shareholders' equity		
Capital stock	875,016	880,549
Capital surplus	835,016	840,549
Retained earnings	2,208,283	2,161,156
Treasury shares	(129,915)	(129,999)
Total shareholders' equity	3,788,400	3,752,254
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(731)	794
Deferred gains or losses on hedges	(8,574)	25,491
Total valuation and translation adjustments	(9,306)	26,286
Share acquisition rights	29	29
Total net assets	3,779,123	3,778,570
Total liabilities and net assets	5,914,291	5,915,348

(2) Quarterly Statements of Income  
For the six months ended September 30

(Thousand yen)

	For the six months ended September 30, 2017	For the six months ended September 30, 2018
Net sales	6,250,298	6,341,001
Cost of sales	3,062,244	2,908,809
Gross profit	3,188,054	3,432,192
Selling, general and administrative expenses	3,021,267	3,455,595
Operating profit (loss)	166,786	(23,403)
Non-operating income		
Foreign exchange gains	568	—
Compensation income	6,016	5,450
Other	2,381	2,748
Total non-operating income	8,966	8,198
Non-operating expenses		
Interest expenses	832	787
Foreign exchange losses	—	491
Advances depreciation	888	—
Other	464	180
Total non-operating expenses	2,185	1,459
Ordinary profit (loss)	173,567	(16,664)
Extraordinary losses		
Provision for product warranties	—	51,096
Total extraordinary losses	—	51,096
Profit (loss) before income taxes	173,567	(67,760)
Income taxes - current	66,995	(20,633)
Total income taxes	66,995	(20,633)
Profit (loss)	106,571	(47,127)



(3) Notes to the Quarterly Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes on significant changes in shareholders' equity)

There is no relevant information.

(Segment information, etc.)

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

(Additional Information)

Adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and other standards

As the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan (ASBJ) Statement No. 28; February 16, 2018) and other standards have been adopted from the beginning of the first quarter ended June 30, 2018, deferred tax assets are presented under the category of investments and other assets.