

**Non-consolidated Financial Results
for the Three Months Ended June 30, 2018
[Japanese GAAP]**



July 31, 2018

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

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

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Scheduled date of filing quarterly securities report: August 10, 2018

Scheduled date of commencing dividend payments: —

Availability of supplementary briefing material on quarterly financial results: Available

Schedule of quarterly financial results briefing session: Not scheduled

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

1. Financial Results for the Three Months Ended June 30, 2018 (April 1, 2018 to June 30, 2018)

(1) Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
Three months ended	Million yen	%	Million yen	%	Million yen	%	Million yen	%
June 30, 2018	3,371	5.2	71	(50.2)	75	(48.2)	46	(47.9)
June 30, 2017	3,203	29.1	144	(32.0)	146	(19.9)	89	(28.0)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2018	4.56	4.47
June 30, 2017	8.68	8.51

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2018	5,725	3,874	67.7
As of March 31, 2018	5,914	3,779	63.9

(Reference) Equity: As of June 30, 2018: ¥3,873 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	—				
Fiscal year ending March 31, 2019 (Forecast)		0.00	—	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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	15,800	21.8	730	29.9	750	27.2	460	35.8	44.87

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

* Notes:

- (1) Adoption of accounting policies for the preparation of quarterly financial statements: Yes
For details, please refer to “2. Quarterly Financial Statements (3) Notes to the Quarterly Financial Statements (Adoption of accounting policies for the preparation of quarterly financial statements)” on page 6 of the Appendix.
- (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):
June 30, 2018: 10,366,600 shares
March 31, 2018: 10,347,000 shares
 - 2) Total number of treasury shares at the end of the period:
June 30, 2018: 95,203 shares
March 31, 2018: 95,150 shares
 - 3) Average number of shares during the period:
Three months ended June 30, 2018: 10,262,024 shares
Three months ended June 30, 2017: 10,343,650 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 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 July 31, 2018.

○ Table of Contents of Appendix

1. Qualitative Information on Quarterly Financial Results for the Period under Review	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	2
(3) Explanation of Financial Results Forecast and Other Forward-looking Information	3
2. Quarterly Financial Statements and Primary Notes	4
(1) Quarterly Balance Sheets	4
(2) Quarterly Statements of Income	5
(3) Notes to the Quarterly Financial Statements	6
(Notes on going concern assumption)	6
(Notes on significant changes in shareholders' equity)	6
(Adoption of accounting policies for the preparation of quarterly financial statements)	6
(Segment information, etc.)	6
(Additional information)	6

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

(1) Explanation of Business Results

During the three months ended June 30, 2018 (from April 1, 2018 to June 30, 2018), the Japanese economy remained on a gradual recovery track, with improvement in corporate earnings and the employment and wage environment, but there are uncertainties about the future mainly due to unreliable overseas economic conditions.

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 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, resulting in robust net sales.

Although initiatives were taken to combat intensifying price competition among major online shopping stores such as reductions in sales price of commodity products in the first half of the previous fiscal year, the cost of sales ratio improved year on year as a result of sales price revision of existing products by the end of the previous fiscal year.

On the other hand, net sales and profit at each level dwindled as inventories fell short of demand from the sharp growth of the flagship store. Furthermore, selling, general and administrative expenses increased owing to factors including rising logistics costs triggered mainly by upward price revisions by certain delivery companies, advertisement and promotion to improve brand recognition, and ongoing investment in new business development aiming for the launch of the Furniture Platform business. 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 since its test operation started in December 2015. Ever since, ceaseless efforts were 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 Mainland China, Australia and the U.S. Moreover, measures were taken to increase the number of registered stores, while striving to establish an operating structure for early monetization.

New business development includes 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, aiming for store opening during the fiscal year under review.

As a result of the above initiatives, the Company's business results for the three months ended June 30, 2018 were ¥3,371 million in net sales (up 5.2% year on year), ¥71 million in operating profit (down 50.2% year on year), ¥75 million in ordinary profit (down 48.2 % year on year) and ¥46 million in profit (down 47.9% year on year).

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

(2) Explanation of Financial Position

Total assets as of the end of the first quarter under review decreased by ¥188 million to ¥5,725 million (¥5,914 million as of the end of the previous fiscal year). Current assets decreased by ¥168 million to ¥5,141 million (¥5,309 million as of the end of the previous fiscal year). This is mainly attributable to an increase in cash and deposits by ¥529 million, and decreases in accounts receivable - trade and merchandise by ¥322 million and ¥415 million, respectively. Non-current assets decreased by ¥20 million to ¥583 million (¥604

million as of the end of the previous fiscal year).

Liabilities decreased by ¥283 million to ¥1,851 million (¥2,135 million as of the end of the previous fiscal year). Current liabilities decreased by ¥289 million to ¥1,817 million (¥2,107 million as of the end of the previous fiscal year). This is mainly attributable to decreases in accounts payable - other and income taxes payable by ¥72 million and ¥209 million, respectively. Non-current liabilities increased by ¥6 million to ¥33 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 ¥6 million.

Net assets increased by ¥94 million to ¥3,874 million (¥3,779 million as of the end of the previous fiscal year). This is mainly attributable to the recording of ¥46 million of profit.

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

For the financial results forecasts for the fiscal year ending March 31, 2019, no revisions have been made to the full-year forecast 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 June 30, 2018
Assets		
Current assets		
Cash and deposits	1,656,656	2,185,708
Accounts receivable - trade	1,801,039	1,478,425
Merchandise	1,750,520	1,334,563
Forward exchange contracts	—	40,697
Other	101,668	102,487
Total current assets	5,309,884	5,141,882
Non-current assets		
Property, plant and equipment	123,316	129,098
Intangible assets	146,768	132,845
Investments and other assets		
Deferred tax assets	118,745	102,160
Lease and guarantee deposits	151,475	150,978
Other	66,301	70,821
Allowance for doubtful accounts	(2,200)	(2,250)
Total investments and other assets	334,322	321,710
Total non-current assets	604,406	583,655
Total assets	5,914,291	5,725,537
Liabilities		
Current liabilities		
Accounts payable - trade	231,744	172,354
Short-term loans payable	820,000	820,000
Accounts payable - other	627,447	554,654
Income taxes payable	248,622	39,182
Provision for bonuses	58,283	70,301
Provision for point card certificates	2,209	2,595
Provision for sales returns	11,512	9,142
Forward exchange contracts	12,371	—
Other	95,678	149,752
Total current liabilities	2,107,867	1,817,982
Non-current liabilities		
Provision for stocks payment	27,300	33,545
Total non-current liabilities	27,300	33,545
Total liabilities	2,135,167	1,851,528
Net assets		
Shareholders' equity		
Capital stock	875,016	880,222
Capital surplus	835,016	840,222
Retained earnings	2,208,283	2,255,067
Treasury shares	(129,915)	(129,999)
Total shareholders' equity	3,788,400	3,845,512
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(731)	162
Deferred gains or losses on hedges	(8,574)	28,305
Total valuation and translation adjustments	(9,306)	28,467
Share acquisition rights	29	29
Total net assets	3,779,123	3,874,009
Total liabilities and net assets	5,914,291	5,725,537

(2) Quarterly Statements of Income
For the three months ended June 30

(Thousand yen)

	For the three months ended June 30, 2017	For the three months ended June 30, 2018
Net sales	3,203,605	3,371,303
Cost of sales	1,551,801	1,542,772
Gross profit	1,651,803	1,828,531
Selling, general and administrative expenses	1,507,604	1,756,756
Operating profit	144,198	71,774
Non-operating income		
Foreign exchange gains	96	1,557
Compensation income	2,596	1,965
Other	703	955
Total non-operating income	3,397	4,479
Non-operating expenses		
Interest expenses	431	410
Advances depreciation	888	—
Other	50	50
Total non-operating expenses	1,370	460
Ordinary profit	146,225	75,793
Profit before income taxes	146,225	75,793
Income taxes - current	56,441	29,009
Total income taxes	56,441	29,009
Profit	89,783	46,783

(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.

(Adoption of accounting policies for the preparation of quarterly financial statements)

Calculation of tax expenses

Tax expenses are determined based on the amount of profit before income taxes for the first quarter ended June 30, 2018 multiplied by the effective tax rate after the adoption of tax-effect accounting estimated for the entire fiscal year ending March 31, 2019.

(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.

Employee Stock Ownership Plan (J-ESOP)

Pursuant to a resolution adopted by the Board of Directors on November 30, 2017, the Company introduced an Employee Stock Ownership Plan (J-ESOP), an incentive plan to deliver shares in the Company to employees with the aim of further linking employee salaries with the Company's stock price and performance and increasing motivation and morale of employees to improve stock price and performance by sharing economic benefits with shareholders.

(1) Outline of the scheme

The scheme is designed to provide the Company's shares to employees who satisfy certain requirements, pursuant to the Stock Benefit Regulations predetermined by the Company.

The Company grants points to employees according to the degree of their individual contribution and provides the Company's shares equivalent to the points granted when they obtain beneficiary rights under certain conditions. Shares to be provided to employees, including those for future delivery, are acquired by funds contributed to a trust in advance, and shall be managed separately as trust property.

(2) Residual treasury shares in the trust

The Company's shares remaining in the trust are recorded at the carrying amount in the trust and presented as treasury shares under net assets on the balance sheets. For the first quarter ended June 30, 2018, the carrying amount and the number of such treasury shares are 129,675 thousand yen and 95,000 shares, respectively.

(3) Carrying amount of loans receivable recorded under the gross amount method

There is no relevant information.