

# Non-consolidated Financial Results for the Three Months Ended June 30, 2019 [Japanese GAAP]



July 31, 2019

Company name: Vega corporation Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 3542  
 URL: <https://www.vega-c.com/en/ir/>  
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 Scheduled date of filing quarterly securities report: August 9, 2019  
 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, 2019 (April 1, 2019 to June 30, 2019)

(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, 2019	3,320	(1.5)	7	(89.8)	13	(81.6)	6	(87.1)
June 30, 2018	3,371	5.2	71	(50.2)	75	(48.2)	46	(47.9)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2019	0.59	0.59
June 30, 2018	4.56	4.47

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2019	6,086	3,573	58.7
As of March 31, 2019	6,037	3,574	59.2

(Reference) Equity: As of June 30, 2019: ¥3,573 million As of March 31, 2019: ¥3,574 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, 2019	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2020	—				
Fiscal year ending March 31, 2020 (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, 2020 (April 1, 2019 to March 31, 2020)

(% indicates changes from the previous corresponding period.)

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

(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
- (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, 2019: 10,374,800 shares
    - March 31, 2019: 10,367,800 shares
  - 2) Total number of treasury shares at the end of the period:
    - June 30, 2019: 95,203 shares
    - March 31, 2019: 95,203 shares
  - 3) Average number of shares during the period:
    - Three months ended June 30, 2019: 10,277,981 shares
    - Three months ended June 30, 2018: 10,262,024 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, 2019.

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

### (1) Explanation of Business Results

During the three months ended June 30, 2019 (from April 1, 2019 to June 30, 2019), the Japanese economy remained on a gradual recovery track, backed by improvement in corporate earnings and the employment and wage environment, but there are continued uncertainties about the future mainly due to instability in the global economy.

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 ¥1,608.3 billion in 2018, up 8.6% year on year (source: FY2018 E-Commerce Market Survey published by the Ministry of Economy, Trade and Industry; May 2019).

Under such a business environment, the Company took active initiatives for its Furniture E-Commerce business (LOWYA) to review the supply chain management (SCM) structure through profit improvement efforts, and expand traffic to the flagship store by strengthening offline measures and SNS presence, increasing the number of products that feature AR, and expanding the number of new accesses while enhancing services.

As for profit and loss, the gross margin ratio improved year on year as a result of ongoing sales price revision of existing products and revision of the product lineup. As initiatives to improve SCM, the Company optimized inventory levels to save space at some warehouses and curb inbound stock, and succeeded in cutting down on storage and logistics outsourcing costs. In addition, the Company has kicked off preparations to launch a warehouse management system to facilitate the optimal allocation of inventory. Meanwhile, due to factors including the rise in delivery fees from price increases by some delivery companies and continued investment in new business development, sales and profit decreased year on year. As profits have improved in comparison to the fourth quarter of the previous fiscal year, the Company will resume advertisement investments and aim to increase access and net sales through efficient management.

The new International EC Platform DOKODEMO business is enjoying steady growth in visitor count and membership due to ceaseless efforts made to improve the convenience of the site and upgrade relevant systems. Lately, the user base has grown to include a range of countries and regions such as mainland China, Australia and the U.S. In addition, effective advertisement investments were made along with our commitment to expand the number of registered stores.

As for our other new business initiative, the Furniture/Interior Specialized EC Platform Laig, the Company has worked to build a platform that features eclectic photos and product pages as a venue to propose a wide range of lifestyles, facilitate users' searches, and satisfy users' requests, in an effort to enhance the range of products offered and various other contents.

As a result of the above initiatives, the Company's business results for the three months ended June 30, 2019 were ¥3,320 million in net sales (down 1.5% year on year), ¥7 million in operating profit (down 89.8% year on year), ¥13 million in ordinary profit (down 81.6% year on year) and ¥6 million in profit (down 87.1% year on year).

\* Flagship store: Renamed from "Main Store."

## (2) Explanation of Financial Position

Total assets as of the end of the first quarter under review increased by ¥49 million to ¥6,086 million (¥6,037 million as of the end of the previous fiscal year). Current assets increased by ¥60 million to ¥4,995 million (¥4,935 million as of the end of the previous fiscal year). This is mainly attributable to an increase in cash and deposits by ¥749 million, and decreases in accounts receivable - trade and in merchandise by ¥287 million and ¥302 million, respectively. Non-current assets decreased by ¥11 million to ¥1,090 million (¥1,102 million as of the end of the previous fiscal year).

Liabilities increased by ¥50 million to ¥2,513 million (¥2,463 million as of the end of the previous fiscal year). Current liabilities increased by ¥50 million to ¥2,461 million (¥2,410 million as of the end of the previous fiscal year). This is mainly attributable to an increase in accounts payable - trade by ¥62 million. Non-current liabilities were ¥52 million (¥52 million as of the end of the previous fiscal year).

Net assets were ¥3,573 million (¥3,574 million as of the end of the previous fiscal year).

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

For the financial results forecasts for the fiscal year ending March 31, 2020, no revisions have been made to the full-year forecast released on May 13, 2019.

## 2. Quarterly Financial Statements and Primary Notes

### (1) Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2019	As of June 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	1,019,304	1,768,889
Accounts receivable - trade	1,186,911	899,387
Merchandise	2,405,260	2,102,305
Income taxes receivable	90,655	93,437
Forward exchange contracts	15,922	1,541
Other	217,145	130,404
<b>Total current assets</b>	<b>4,935,199</b>	<b>4,995,964</b>
Non-current assets		
Property, plant and equipment	286,571	270,954
Intangible assets	144,935	173,209
Investments and other assets		
Deferred tax assets	214,073	218,719
Leasehold and guarantee deposits	388,174	360,533
Other	71,042	70,005
Allowance for doubtful accounts	(2,400)	(2,450)
<b>Total investments and other assets</b>	<b>670,890</b>	<b>646,809</b>
<b>Total non-current assets</b>	<b>1,102,398</b>	<b>1,090,973</b>
<b>Total assets</b>	<b>6,037,597</b>	<b>6,086,937</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	169,296	231,373
Short-term borrowings	1,320,000	1,320,000
Accounts payable – other	689,519	570,562
Provision for bonuses	61,302	81,237
Provision for point card certificates	4,500	6,638
Provision for sales returns	13,269	12,183
Provision for product warranties	11,479	10,860
Other	141,501	228,204
<b>Total current liabilities</b>	<b>2,410,870</b>	<b>2,461,061</b>
Non-current liabilities		
Provision for share-based remuneration	52,687	52,687
<b>Total non-current liabilities</b>	<b>52,687</b>	<b>52,687</b>
<b>Total liabilities</b>	<b>2,463,558</b>	<b>2,513,748</b>
<b>Net assets</b>		
Shareholders' equity		
Share capital	880,549	882,404
Capital surplus	840,549	842,404
Retained earnings	1,967,605	1,973,657
Treasury shares	(129,999)	(129,999)
<b>Total shareholders' equity</b>	<b>3,558,704</b>	<b>3,568,466</b>
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,231	3,620
Deferred gains or losses on hedges	11,073	1,072
<b>Total valuation and translation adjustments</b>	<b>15,305</b>	<b>4,692</b>
Share acquisition rights	29	29
<b>Total net assets</b>	<b>3,574,038</b>	<b>3,573,188</b>
<b>Total liabilities and net assets</b>	<b>6,037,597</b>	<b>6,086,937</b>

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

(Thousand yen)

	For the three months ended June 30, 2018	For the three months ended June 30, 2019
Net sales	3,371,303	3,320,380
Cost of sales	1,542,772	1,452,760
Gross profit	1,828,531	1,867,620
Selling, general and administrative expenses	1,756,756	1,860,299
Operating profit	71,774	7,321
Non-operating income		
Foreign exchange gains	1,557	539
Compensation income	1,965	4,997
Other	955	2,367
Total non-operating income	4,479	7,905
Non-operating expenses		
Interest expenses	410	663
Loss on investments in investment partnerships	—	584
Other	50	50
Total non-operating expenses	460	1,298
Ordinary profit	75,793	13,927
Extraordinary losses		
Loss on retirement of non-current assets	—	1,238
Total extraordinary losses	—	1,238
Profit before income taxes	75,793	12,689
Income taxes – current	29,009	6,637
Total income taxes	29,009	6,637
Profit	46,783	6,052

(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, 2019 multiplied by the effective tax rate after the adoption of tax-effect accounting estimated for the entire fiscal year ending March 31, 2020. However, in cases where the result of calculation using this estimated effective tax rate significantly lacks rationality, calculations are made based on the statutory tax rate.

(Segment information, etc.)

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