

Non-consolidated Financial Results for the Three Months Ended June 30, 2020 [Japanese GAAP]



July 31, 2020

Company name: Vega corporation Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3542
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 Scheduled date of filing quarterly securities report: August 12, 2020
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on quarterly financial results: Available
 Schedule of quarterly financial results briefing session: Scheduled

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

1. Financial Results for the Three Months Ended June 30, 2020 (April 1, 2020 to June 30, 2020)

(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, 2020	5,349	61.1	748	—	757	—	461	—
June 30, 2019	3,320	(1.5)	7	(89.8)	13	(81.6)	6	(87.1)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2020	44.77	44.34
June 30, 2019	0.59	0.59

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2020	6,931	4,148	59.8
As of March 31, 2020	6,006	3,708	61.7

(Reference) Equity: As of June 30, 2020: ¥4,148 million As of March 31, 2020: ¥3,708 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, 2020	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2021	—				
Fiscal year ending March 31, 2021 (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, 2021 (April 1, 2020 to March 31, 2021)

(% 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	18,000 to 20,000	32.6 to 47.4	1,700 to 2,100	—	1,730 to 2,130	—	1,030 to 1,270	—	98.97 to 122.03

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

* 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, 2020: 10,375,400 shares

March 31, 2020: 10,374,800 shares

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

June 30, 2020: 76,824 shares

March 31, 2020: 76,803 shares

3) Average number of shares during the period:

Three months ended June 30, 2020: 10,298,068 shares

Three months ended June 30, 2019: 10,277,981 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 Trust & Custody Services Bank, Ltd. (trust account E) as a trust asset under the Employee Stock Ownership Plan (J-ESOP).

Total number of treasury shares at the end of the period

(June 30, 2020: 76,600 shares; March 31, 2020: 76,600 shares)

Average number of shares during the period

(Three months ended June 30, 2020: 76,600 shares; Three months ended June 30, 2019: 95,000 shares)

* 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. 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 3 of the Appendix.

(Method of obtaining quarterly briefing materials)

Briefing materials on quarterly financial results are provided on TDnet on July 31, 2020.

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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, 2020 (from April 1, 2020 to June 30, 2020), the Japanese economy underwent drastic change. The rapid economic contraction due to self-imposed restraints on economic activities, aimed at preventing the spread of the novel coronavirus infection, was followed by signs that the slowdown had bottomed out, with the lifting of the declaration of a state of emergency and the national government's fiscal measures such as a special cash payment. The sense of uncertainty regarding the outlook for business conditions is expected to remain, despite the lifting of the declaration of a state of emergency, with the persistence of restrictions on economic activities in some industries due to the requirement to continue to practice social distancing, as well as persisting fears of a second and third wave of the pandemic.

In the furniture and interior industry, demand grew during the three months ended June 30, 2020 as people spent more time at home due to calls to refrain from unnecessary outings and an increase in the number of people teleworking. The business environment continues to be challenging, however, due to increasing logistics costs and intensifying competition taking place beyond business categories. 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). Further market expansion is expected, with increasing use of e-commerce due to calls for people to refrain from unnecessary outings.

Under such a business environment, the Company took active initiatives for its Furniture E-Commerce business (LOWYA) to heighten brand recognition by giving rise to an influx of new visitor access from search engine optimization (SEO) and online advertising. At the LOWYA flagship store, the number of visitors grew substantially by 197.4% year on year and the ratio of LOWYA flagship store sales to overall sales increased to 46.4%, making the flagship store the Company's largest sales channel.

As for profit and loss, both net sales and profit increased year on year. The Company achieved its highest quarterly net sales on record, as the impact of novel coronavirus boosted demand amid smooth progress in the shift in sales channels to the LOWYA flagship store. The gross margin and operating profit margin both improved, as a result of ongoing initiatives to improve profitability by revisions of sales prices and the product lineup and to reduce storage and logistics outsourcing costs through the optimization of inventory and delivery.

The new International EC Platform DOKODEMO business is enjoying steady growth in visitor count and membership, even as the Company continues to curb advertising expenses, and total distribution volume grew at a high rate of 31% year on year. Lately, the proportion of deliveries to Taiwan and the rest of Asia is rising, but the user base has also grown to include a range of countries and regions such as the U.S., Australia and the U.K.

As a result of the above initiatives, the Company's business results for the three months ended June 30, 2020 were ¥5,349 million in net sales (up 61.1% year on year), ¥748 million in operating profit (up 10,126.6% year on year), ¥757 million in ordinary profit (up 5,335.6% year on year) and ¥461 million in profit (up 7,517.2% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the first quarter under review increased by ¥925 million to ¥6,931 million (¥6,006 million as of the end of the previous fiscal year). Current assets increased by ¥876 million to ¥5,841 million (¥4,964 million as of the end of the previous fiscal year). This is mainly attributable to an increase in cash and deposits by ¥1,196 million, and a decrease in merchandise by ¥533 million. Non-current assets increased by ¥48 million to ¥1,090 million (¥1,041 million as of the end of the previous fiscal year).

Liabilities increased by ¥485 million to ¥2,783 million (¥2,297 million as of the end of the previous fiscal year). Current liabilities increased by ¥478 million to ¥2,721 million (¥2,242 million as of the end of the previous fiscal year). This is mainly attributable to increases in accounts payable - trade and income taxes payable by ¥160 million and ¥245 million, respectively. Non-current liabilities increased by ¥7 million to ¥62 million (¥54 million as of the end of the previous fiscal year).

Net assets increased by ¥439 million to ¥4,148 million (¥3,708 million as of the end of the previous fiscal year). This is mainly attributable to the recording of ¥461 million in profit.

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

The financial results forecast for the fiscal year ending March 31, 2021 released on May 15, 2020 has been revised, based on the results for the three months to June 30, 2020 and the results for the month of July. Please refer to “Notice Regarding Revisions to the Financial Results Forecast for the Fiscal Year Ending March 31, 2021” for details.

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

(Thousand yen)

	As of March 31, 2020	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	1,308,686	2,504,916
Accounts receivable – trade	1,631,483	1,836,458
Merchandise	1,777,476	1,243,861
Forward exchange contracts	114,373	81,812
Other	132,650	174,313
Total current assets	4,964,671	5,841,362
Non-current assets		
Property, plant and equipment	242,459	237,878
Intangible assets	270,932	313,747
Investments and other assets		
Deferred tax assets	152,907	162,365
Leasehold and guarantee deposits	339,843	339,664
Other	38,186	39,337
Allowance for doubtful accounts	(2,600)	(2,650)
Total investments and other assets	528,336	538,717
Total non-current assets	1,041,728	1,090,344
Total assets	6,006,399	6,931,706
Liabilities		
Current liabilities		
Accounts payable – trade	181,903	342,676
Short-term borrowings	820,000	820,000
Accounts payable – other	778,082	809,110
Income taxes payable	65,629	311,254
Provision for bonuses	54,488	87,465
Provision for point card certificates	16,350	20,143
Provision for sales returns	14,374	13,800
Provision for product warranties	12,647	10,922
Other	299,426	305,639
Total current liabilities	2,242,903	2,721,011
Non-current liabilities		
Provision for share-based remuneration	54,600	62,100
Total non-current liabilities	54,600	62,100
Total liabilities	2,297,503	2,783,111
Net assets		
Shareholders' equity		
Share capital	882,404	882,567
Capital surplus	842,404	842,567
Retained earnings	2,008,121	2,469,128
Treasury shares	(104,883)	(104,910)
Total shareholders' equity	3,628,046	4,089,353
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,280	2,318
Deferred gains or losses on hedges	79,546	56,900
Total valuation and translation adjustments	80,827	59,219
Share acquisition rights	22	22
Total net assets	3,708,895	4,148,594
Total liabilities and net assets	6,006,399	6,931,706

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

(Thousand yen)

	For the three months ended June 30, 2019	For the three months ended June 30, 2020
Net sales	3,320,380	5,349,383
Cost of sales	1,452,760	2,179,362
Gross profit	1,867,620	3,170,020
Selling, general and administrative expenses	1,860,299	2,421,327
Operating profit	7,321	748,692
Non-operating income		
Gain on investments in investment partnerships	—	168
Foreign exchange gains	539	—
Compensation income	4,997	7,751
Other	2,367	1,734
Total non-operating income	7,905	9,654
Non-operating expenses		
Interest expenses	663	423
Loss on investments in investment partnerships	584	—
Foreign exchange losses	—	807
Other	50	50
Total non-operating expenses	1,298	1,281
Ordinary profit	13,927	757,065
Extraordinary losses		
Loss on retirement of non-current assets	1,238	—
Total extraordinary losses	1,238	—
Profit before income taxes	12,689	757,065
Income taxes – current	6,637	296,058
Total income taxes	6,637	296,058
Profit	6,052	461,007

(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, 2020 multiplied by the effective tax rate after the adoption of tax-effect accounting estimated for the entire fiscal year ending March 31, 2021. 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.