

# Non-consolidated Financial Results for the Three Months Ended June 30, 2021 [Japanese GAAP]



July 30, 2021

Company name: Vega corporation Co., Ltd.  
 Stock exchange listing: Tokyo Stock Exchange  
 Code number: 3542  
 URL: <https://www.vega-c.com/en/ir>  
 Representative: Tomokazu Ukishiro, President and Chief Executive Officer  
 Contact: Kazuhiro Kawabata, Director and Head of Corporate Management Headquarters  
 Phone: +81-92-281-3501  
 Scheduled date of filing quarterly securities report: August 12, 2021  
 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, 2021 (April 1, 2021 to June 30, 2021)

(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, 2021	4,519	—	245	(67.2)	252	(66.7)	157	(65.8)
June 30, 2020	5,349	61.1	748	—	757	—	461	—

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2021	14.96	14.84
June 30, 2020	44.77	44.34

(Note) The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year under review. The amount of net sales for the three months ended June 30, 2021 shows figures after the said accounting standard has been applied, and percent change from the previous corresponding period is not presented.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	7,402	5,018	67.8
As of March 31, 2021	8,223	5,138	62.5

(Reference) Equity: As of June 30, 2021: ¥5,018 million As of March 31, 2021: ¥5,138 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2021	—	0.00	—	10.00	10.00
Fiscal year ending March 31, 2022	—				
Fiscal year ending March 31, 2022 (Forecast)		0.00	—	10.00	10.00

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

### 3. Financial Results Forecast for the Fiscal Year Ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(% 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
	19,000		1,000	(45.2)	1,030	(44.4)	618	(46.7)	58.49
	to	—	to	to	to	to	to	to	to
	20,500		1,300	(28.8)	1,330	(28.2)	798	(31.2)	75.52

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

The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the first quarter of the fiscal year under review. Due to this change, the financial results forecast shows the amounts after the said accounting standard has been applied, and percent change in net sales from the previous corresponding period is not presented.

#### \* 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: Yes

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, 2021: 10,633,600 shares

March 31, 2021: 10,633,600 shares

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

June 30, 2021: 162,824 shares

March 31, 2021: 66,824 shares

3) Average number of shares during the period:

Three months ended June 30, 2021: 10,535,686 shares

Three months ended June 30, 2020: 10,298,068 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 (J-ESOP).

Total number of treasury shares at the end of the period

(June 30, 2021: 162,600 shares; March 31, 2021: 66,600 shares)

Average number of shares during the period

(Three months ended June 30, 2021: 97,689 shares; Three months ended June 30, 2020: 76,600 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, and the Company does not in any way guarantee the achievement of the projections. In addition, 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 quarterly briefing materials)

Briefing materials on quarterly financial results are provided on TDnet on July 30, 2021.

○ 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 .....	3
(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
(Changes in accounting policies) .....	6
(Segment information, etc.) .....	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, 2021 (from April 1, 2021 to June 30, 2021), the Japanese economy remained in a severe condition with a continued slump in personal consumption due to factors including the impact of the declaration of a third state of emergency aimed at preventing the spread of the novel coronavirus infection. As overseas economies are heading toward a recovery track, the Japanese economy is also expected to recover along with the progress in vaccination efforts. However, it is necessary to continue to monitor the impact of the trends of infections on the economies both at home and abroad.

In the furniture and interior industry, the business environment continues to be challenging due to increases in raw material prices and logistics costs as well as 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 ¥1,742.8 billion in 2019, up 8.4% year on year (source: FY2019 Global Economy Survey for Formulating an Integrated Domestic and External Economic Growth Strategy (E- Commerce Market Survey); Ministry of Economy, Trade and Industry, July 2020). Further market expansion is expected, with increasing use of ecommerce due to changes in living styles brought about by the novel coronavirus infection.

Under such a business environment, in its Furniture E-Commerce business, the Company strengthened efforts to attract more customers mainly to the LOWYA flagship store, and engaged in efforts to improve brand recognition by enhancing the influx of new visitor access from search engine optimization (SEO) and online advertising and strengthening SNS presence, as well as to encourage membership through the download of the mobile app. As a result of these efforts, the ratio of LOWYA flagship store sales to overall sales accounted for 52.8%, reaching a new record high on a quarterly basis. In terms of product lineup, the Company continues its effort to develop hit products and high profit margin products of its own private brands, which is an initiative it has been working on for some time. Also, in collaboration with a dried flower specialty shop and a coffee shop as a new initiative, the Company is designing a series of products with a new taste that it never handled in the past, in an effort to expand its product lineup. In addition, since November 2020 the Company began handling the products of other companies' brands as a trial to develop a platform for the LOWYA flagship store. And in the first quarter under review as well, the number of products of other companies' brands handled by the Company increased, steadily gaining access and orders.

As for profit and loss, both net sales and profit decreased due to a reactionary drop from a sharp increase in demand in the same period of the previous fiscal year. However, the shift in sales channels to the LOWYA flagship store has progressed smoothly, and the Company has been continuing its initiatives to improve profitability through efforts such as revisions of sales prices and product mix and reduction of storage costs and logistics outsourcing costs through the optimization of inventory and delivery.

In the new International EC Platform DOKODEMO business, as demand for cross-border EC as an alternative to inbound consumption has been increasing from the previous year, the Company enhanced product lineup by anticipating demand and held sales promotion events. As a result of these initiatives, both the number of accesses and the number of members have been steadily increasing, and the total distribution volume for the first quarter under review has grown significantly, by 192.2% year on year, reaching a new record high on a quarterly basis. Recently, while the percentage of deliveries to Taiwan and other Asian countries has been increasing, users in a wide range of countries and regions including the U.S. and Australia have been using our services.

As a result of the above initiatives, the Company's business results for the three months ended June 30, 2021 were ¥4,519 million in net sales, ¥245 million in operating profit (down 67.2% year on year), ¥252 million in ordinary profit (down 66.7% year on year) and ¥157 million in profit (down 65.8% year on year).

In addition, the Company applies the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the first quarter under review. Therefore, in the explanation of business results for the three months ended June 30, 2021, year-on-year comparison (%) of net sales against the three months ended June 30, 2020 is not provided. For details, please see "2. Quarterly Financial Statements and Primary Notes (3) Notes to the Quarterly Financial Statements (Changes in accounting policies)."

## (2) Explanation of Financial Position

Total assets as of the end of the first quarter under review decreased by ¥820 million to ¥7,402 million (¥8,223 million as of the end of the previous fiscal year). Current assets decreased by ¥830 million to ¥6,062 million (¥6,892 million as of the end of the previous fiscal year). This is mainly attributable to a decrease in cash and deposits by ¥982 million. Non-current assets increased by ¥9 million to ¥1,340 million (¥1,331 million as of the end of the previous fiscal year).

Liabilities decreased by ¥700 million to ¥2,384 million (¥3,084 million as of the end of the previous fiscal year). Current liabilities decreased by ¥706 million to ¥2,316 million (¥3,023 million as of the end of the previous fiscal year). This is mainly attributable to a decrease in income taxes payable by ¥604 million. Non-current liabilities increased by ¥6 million to ¥67 million (¥61 million as of the end of the previous fiscal year).

Net assets decreased by ¥120 million to ¥5,018 million (¥5,138 million as of the end of the previous fiscal year). This is mainly attributable to a decrease in treasury shares by ¥149 million due to additional contribution to the Employee Stock Ownership Plan.

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

For the financial results forecast for the fiscal year ending March 31, 2022, no revisions have been made to the full-year forecast released on May 14, 2021.

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

(Thousand yen)

	As of March 31, 2021	As of June 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	3,028,959	2,046,760
Accounts receivable – trade	1,897,796	1,631,092
Merchandise	1,521,076	1,834,538
Forward exchange contracts	66,113	17,529
Other	378,390	532,140
Total current assets	6,892,336	6,062,060
Non-current assets		
Property, plant and equipment	210,857	219,768
Intangible assets	309,588	289,464
Investments and other assets		
Deferred tax assets	172,528	182,273
Leasehold and guarantee deposits	328,317	329,709
Other	312,828	322,458
Allowance for doubtful accounts	(2,800)	(2,850)
Total investments and other assets	810,875	831,591
Total non-current assets	1,331,321	1,340,825
Total assets	8,223,657	7,402,886
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	285,252	294,132
Short-term borrowings	500,000	500,000
Accounts payable – other	914,755	868,336
Income taxes payable	713,438	108,919
Provision for bonuses	99,130	130,129
Provision for point card certificates	16,073	–
Provision for sales returns	13,582	–
Provision for product warranties	10,277	9,949
Other	470,535	404,865
Total current liabilities	3,023,046	2,316,332
Non-current liabilities		
Provision for share awards	61,950	67,950
Total non-current liabilities	61,950	67,950
Total liabilities	3,084,996	2,384,282
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,027,735	1,027,735
Capital surplus	987,735	987,735
Retained earnings	3,167,173	3,219,127
Treasury shares	(91,260)	(240,958)
Total shareholders' equity	5,091,383	4,993,639
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,275	12,759
Deferred gains or losses on hedges	45,981	12,182
Total valuation and translation adjustments	47,256	24,942
Share acquisition rights	21	21
Total net assets	5,138,661	5,018,603
Total liabilities and net assets	8,223,657	7,402,886

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

(Thousand yen)

	For the three months ended June 30, 2020	For the three months ended June 30, 2021
Net sales	5,349,383	4,519,207
Cost of sales	2,179,362	1,984,069
Gross profit	3,170,020	2,535,138
Selling, general and administrative expenses	2,421,327	2,289,202
Operating profit	748,692	245,935
Non-operating income		
Compensation income	7,751	3,664
Gain on investments in investment partnerships	168	1,363
Foreign exchange gains	—	573
Other	1,734	1,695
Total non-operating income	9,654	7,297
Non-operating expenses		
Interest expenses	423	278
Loss on retirement of non-current assets	—	835
Foreign exchange losses	807	—
Other	50	50
Total non-operating expenses	1,281	1,163
Ordinary profit	757,065	252,069
Profit before income taxes	757,065	252,069
Income taxes – current	296,058	94,447
Total income taxes	296,058	94,447
Profit	461,007	157,621



### (3) Notes to the Quarterly Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes on significant changes in shareholders' equity)

During the three months ended June 30, 2021, treasury shares increased by ¥149,697 thousand as the Company additionally acquired its own shares due to additional contribution to the Employee Stock Ownership Plan (J-ESOP) during the three months ended June 30, 2021. As a result, at the end of the first quarter under review, treasury shares amounted to ¥240,958 thousand.

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

Tax expenses are determined based on the amount of profit before income taxes for the first quarter ended June 30, 2021 multiplied by the effective tax rate after the adoption of tax-effect accounting estimated for the entire fiscal year ending March 31, 2022. 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.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition and other standards)

The Company has decided to apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter, "Revenue Recognition Accounting Standard") and other standards from the beginning of the first quarter under review, whereby revenue shall be recognized at an amount that the Company expects to receive in exchange for promised goods or services when control of the goods or services transfers to the customer. As a result of the application, the grant of points and use of coupons in the course of sales to customers, which were previously recorded as selling, general and administrative expenses, are recognized as sales discount in the recognition of revenue.

In addition, the Company applies the alternative accounting treatment set forth in Paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition" to domestic sales of products, whereby revenue is recognized at the time of shipment if the period from shipment until transfer of control of the products to customers is within a normal period of time.

In the application of the Revenue Recognition Accounting Standard and other standards, the Company complies with the transitional measures set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, whereby the cumulative effect of retrospectively applying the new accounting standard to the periods prior to the beginning of the first quarter under review is added to or subtracted from retained earnings at the beginning of the first quarter under review, and the new accounting standard is applied from the beginning balance of the period. Provided, however, that the Company applies the methods stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, and the new accounting standard has not been retrospectively applied to contracts for which almost all the amounts of revenue were recognized pursuant to the previous accounting treatment prior to the beginning of the first quarter under review.

As a result, net sales and selling, general and administrative expenses for the three months ended June 30, 2021 decreased by ¥383,506 thousand and ¥383,506 thousand, respectively, and there is no impact on operating profit, ordinary profit and profit before income taxes. In addition, there is no impact on the beginning balance of retained earnings, either.

(Segment information, etc.)

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