

# Non-consolidated Financial Results for the Six Months Ended September 30, 2020 [Japanese GAAP]



October 30, 2020

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: November 13, 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 (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, 2020 (April 1, 2020 to September 30, 2020)

(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, 2020	9,883	48.0	1,158	—	1,173	—	714	—
September 30, 2019	6,676	5.3	28	—	43	—	19	—

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2020	69.00	68.03
September 30, 2019	1.91	1.91

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	7,107	4,643	65.3
As of March 31, 2020	6,006	3,708	61.7

(Reference) Equity: As of September 30, 2020: ¥4,643 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
Fiscal year ended	Yen	Yen	Yen	Yen	Yen
March 31, 2020	—	0.00	—	0.00	0.00
Fiscal year ending March 31, 2021	—	0.00			
Fiscal year ending March 31, 2021 (Forecast)			—	0.00	0.00

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

Commemorative dividend:

Special dividend:

### 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: 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):

September 30, 2020: 10,570,200 shares

March 31, 2020: 10,374,800 shares

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

September 30, 2020: 66,824 shares

March 31, 2020: 76,803 shares

3) Average number of shares during the period:

Six months ended September 30, 2020: 10,348,096 shares

Six months ended September 30, 2019: 10,282,715 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

(September 30, 2020: 66,600 shares; March 31, 2020: 76,600 shares)

Average number of shares during the period

(Six months ended September 30, 2020: 74,578 shares; Six months ended September 30, 2019: 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 October 30, 2020.

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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, 2020 (from April 1, 2020 to September 30, 2020), after undergoing a rapid economic contraction due to self-imposed restraints on economic activities, aimed at preventing the spread of the novel coronavirus infection, the Japanese economy remained on a gradual recovery track, as economic activity resumed progressively, and the national government's policies took effect, including various cash payments and cash flow support measures. The sense of uncertainty regarding the outlook for business conditions is expected to remain, however, with the requirement to continue to practice social distancing, as well as factors such as the global resurgence of the pandemic.

In the furniture and interior industry, the demand growth observed during the first quarter of the fiscal year under review continued during the second quarter, as people spent more time at home due to factors such as the continuation of working from home. 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 ¥1,742.8 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 e-commerce due to changes in living styles brought about by the novel coronavirus infection.

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 during the second quarter of the fiscal year under review grew substantially by 99.8% year on year, and the ratio of LOWYA flagship store sales to overall sales increased to 49.5%. The flagship store was the Company's largest sales channel in both the first and second quarters of the fiscal year under review.

As for profit and loss, both net sales and profit increased year on year. Net sales increased significantly year on year, with smooth progress in the shift in sales channels to the LOWYA flagship store, even as the sudden growth in demand from the impact of the novel coronavirus infection subsided. 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 mix 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, as a result of an increase in expenditure on advertising during the second quarter of the fiscal year under review, amid travel restrictions that caused a rise in demand for international e-commerce as a substitute for inbound consumption. Total distribution volume grew significantly by 173.8% year on year during the second quarter of the fiscal year under review. Lately, the proportion of deliveries to Taiwan and the rest of Asia is continuing to rise, 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 six months ended September 30, 2020 were ¥9,883 million in net sales (up 48.0% year on year), ¥1,158 million in operating profit (up 4,029.9% year on year), ¥1,173 million in ordinary profit (up 2,598.7% year on year) and ¥714 million in profit (up 3,533.4% year on year).

### (2) Explanation of Financial Position

Total assets as of the end of the second quarter under review increased by ¥1,101 million to ¥7,107 million (¥6,006 million as of the end of the previous fiscal year). Current assets increased by ¥829 million to ¥5,793 million (¥4,964 million as of the end of the previous fiscal year). This is mainly attributable an increase in cash and deposits by ¥516 million and an increase in merchandise by ¥241 million. Non-current assets increased by ¥271 million to ¥1,313 million (¥1,041 million as of the end of the previous fiscal year). This is mainly

attributable to an increase in intangible assets by ¥55 million.

Liabilities increased by ¥165 million to ¥2,463 million (¥2,297 million as of the end of the previous fiscal year). Current liabilities increased by ¥167 million to ¥2,410 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 ¥133 million and ¥426 million, respectively, and the repayment of ¥320 million in short-term borrowings. Non-current liabilities decreased by ¥1 million to ¥52 million (¥54 million as of the end of the previous fiscal year).

Net assets increased by ¥935 million to ¥4,643 million (¥3,708 million as of the end of the previous fiscal year). This is mainly attributable to increases of ¥119 million in share capital and capital surplus, due to the new issuance of 165,000 shares as restricted stock compensation, as well as the recording of ¥714 million in profit.

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

For the financial results forecasts for the fiscal year ending March 31, 2021, no revisions have been made to the full-year forecast released on July 31, 2020.

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

(Thousand yen)

	As of March 31, 2020	As of September 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	1,308,686	1,825,340
Accounts receivable – trade	1,631,483	1,625,518
Merchandise	1,777,476	2,019,266
Forward exchange contracts	114,373	40,816
Other	132,650	282,981
Total current assets	4,964,671	5,793,922
Non-current assets		
Property, plant and equipment	242,459	238,162
Intangible assets	270,932	326,125
Investments and other assets		
Deferred tax assets	152,907	174,439
Leasehold and guarantee deposits	339,843	335,958
Other	38,186	241,549
Allowance for doubtful accounts	(2,600)	(2,700)
Total investments and other assets	528,336	749,246
Total non-current assets	1,041,728	1,313,533
Total assets	6,006,399	7,107,456
<b>Liabilities</b>		
Current liabilities		
Accounts payable – trade	181,903	314,915
Short-term borrowings	820,000	500,000
Accounts payable – other	778,082	739,831
Income taxes payable	65,629	491,706
Provision for bonuses	54,488	68,268
Provision for point card certificates	16,350	20,599
Provision for sales returns	14,374	10,685
Provision for product warranties	12,647	10,528
Other	299,426	253,989
Total current liabilities	2,242,903	2,410,525
Non-current liabilities		
Provision for share-based remuneration	54,600	52,950
Total non-current liabilities	54,600	52,950
Total liabilities	2,297,503	2,463,475
<b>Net assets</b>		
Shareholders' equity		
Share capital	882,404	1,010,709
Capital surplus	842,404	970,709
Retained earnings	2,008,121	2,722,160
Treasury shares	(104,883)	(91,260)
Total shareholders' equity	3,628,046	4,612,318
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,280	3,252
Deferred gains or losses on hedges	79,546	28,387
Total valuation and translation adjustments	80,827	31,639
Share acquisition rights	22	22
Total net assets	3,708,895	4,643,980
Total liabilities and net assets	6,006,399	7,107,456

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

(Thousand yen)

	For the six months ended September 30, 2019	For the six months ended September 30, 2020
Net sales	6,676,848	9,883,607
Cost of sales	2,915,592	3,988,853
Gross profit	3,761,256	5,894,753
Selling, general and administrative expenses	3,733,209	4,736,457
Operating profit	28,046	1,158,296
Non-operating income		
Compensation income	11,764	13,499
Gain on investments in investment partnerships	—	159
Foreign exchange gains	697	—
Other	4,941	3,458
Total non-operating income	17,403	17,117
Non-operating expenses		
Interest expenses	1,265	868
Loss on investments in investment partnerships	584	—
Foreign exchange losses	—	477
Other	100	100
Total non-operating expenses	1,949	1,445
Ordinary profit	43,501	1,173,968
Extraordinary income		
Compensation income	14,517	—
Total extraordinary income	14,517	—
Extraordinary losses		
Loss on retirement of non-current assets	1,238	—
Provision for product warranties	21,882	—
Total extraordinary losses	23,121	—
Profit before income taxes	34,897	1,173,968
Income taxes – current	15,245	459,929
Total income taxes	15,245	459,929
Profit	19,652	714,039

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

#### (Notes on going concern assumption)

There is no relevant information.

#### (Notes on significant changes in shareholders' equity)

The Company newly issued 165,000 shares as restricted stock compensation with a payment date of August 13, 2020, resulting in increases of ¥119,955 thousand in each of share capital and capital surplus.

In addition, the Company issued 30,400 shares through the exercise of share acquisition rights issued as stock options, resulting in increases of ¥8,350 thousand in each of share capital and capital surplus.

As a result, share capital and capital surplus each increased by ¥128,305 thousand, and stood at ¥1,010,709 thousand and ¥970,709 thousand, respectively, as of September 30, 2020.

#### (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 second quarter ended September 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.