

**Non-consolidated Financial Results
for the Nine Months Ended December 31, 2019
[Japanese GAAP]**



January 31, 2020

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: February 14, 2020
 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 Nine Months Ended December 31, 2019 (April 1, 2019 to December 31, 2019)

(1) Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended December 31, 2019	9,840	(0.4)	13	—	37	—	13	—
December 31, 2018	9,882	3.3	(166)	—	(146)	—	(149)	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2019	1.31	1.31
December 31, 2018	(14.57)	—

(Note) Despite the existence of dilutive shares, diluted earnings per share for the nine months ended December 31, 2018 are not presented as it is diluted loss per share.

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2019	5,800	3,611	62.3
As of March 31, 2019	6,037	3,574	59.2

(Reference) Equity: As of December 31, 2019: ¥3,611 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	—	0.00	—		
Fiscal year ending March 31, 2020 (Forecast)				0.00	0.00

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

(Note) Breakdown of the 3rd quarter-end dividend for the fiscal year ending March 31, 2020

Commemorative dividend Special dividend

3. Financial Results Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

Preface to Financial Results Forecast

(% 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):
 - December 31, 2019: 10,374,800 shares
 - March 31, 2019: 10,367,800 shares
 - 2) Total number of treasury shares at the end of the period:
 - December 31, 2019: 76,803 shares
 - March 31, 2019: 95,203 shares
 - 3) Average number of shares during the period:
 - Nine months ended December 31, 2019: 10,287,827 shares
 - Nine months ended December 31, 2018: 10,268,954 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
(December 31, 2019: 76,600 shares; March 31, 2019: 95,000 shares)

Average number of shares during the period

(Nine months ended December 31, 2019: 86,234 shares; Nine months ended December 31, 2018: 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 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 January 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 nine months ended December 31, 2019 (from April 1, 2019 to December 31, 2019), while the Japanese economy remained on a gradual recovery track, backed by improvement in the employment and wage environment, there are continued uncertainties about the future, such as trends in consumer sentiment due to the consumption tax hike, and the impact of trade issues on 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 expanding the number of new accesses while enhancing services mainly through strengthened online advertising and launch of new services developed in-house using new technology. As a result, the share of sales from the flagship store was 34.4% of total sales during the third quarter under review.

As for profit and loss, net sales were lower than the same period of the previous fiscal year, due to the negative reaction to a rush in demand before the consumption tax hike and sluggish sales of seasonal products mainly affected by warm winter weather, despite the resumption of advertisement investments during the second quarter and the steady increase in the number of accesses, as well as profit improvements observed during the first quarter. The gross margin ratio also improved year on year as a result of ongoing sales price revision of existing products and revision of the product lineup. As for initiatives to improve SCM, the Company reassessed storage efficiency, 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 been making preparations to launch a warehouse management system to facilitate the optimal allocation of inventory for the future. As a result of these effects of profit improvements, sales decreased and profit increased year on year.

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 a result of the above initiatives, the Company's business results for the nine months ended December 31, 2019 were ¥9,840 million in net sales (down 0.4% year on year), ¥13 million in operating profit (¥166 million in operating loss in the previous corresponding period), ¥37 million in ordinary profit (¥146 million in ordinary loss in the previous corresponding period) and ¥13 million in profit (¥149 million in loss in the previous corresponding period).

* Flagship store: Renamed from "Main Store."

(2) Explanation of Financial Position

Total assets as of the end of the third quarter under review decreased by ¥237 million to ¥5,800 million (¥6,037 million as of the end of the previous fiscal year). Current assets decreased by ¥247 million to ¥4,688 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 ¥147 million, and decreases in merchandise and income taxes receivable by ¥192 million and ¥90 million, respectively. Non-current assets increased by ¥9 million to ¥1,112 million (¥1,102 million as of the end of the previous fiscal year).

Liabilities decreased by ¥274 million to ¥2,188 million (¥2,463 million as of the end of the previous fiscal year). Current liabilities decreased by ¥249 million to ¥2,161 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 ¥139 million, and a decrease in short-term borrowings by ¥500 million. Non-current liabilities decreased by ¥25 million to ¥27 million (¥52 million as of the end of the previous fiscal year).

Net assets increased by ¥37 million to ¥3,611 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 December 31, 2019
Assets		
Current assets		
Cash and deposits	1,019,304	1,166,732
Accounts receivable - trade	1,186,911	1,167,058
Merchandise	2,405,260	2,213,170
Income taxes receivable	90,655	—
Forward exchange contracts	15,922	10,142
Other	217,145	130,938
Total current assets	4,935,199	4,688,042
Non-current assets		
Property, plant and equipment	286,571	259,417
Intangible assets	144,935	220,720
Investments and other assets		
Deferred tax assets	214,073	216,102
Leasehold and guarantee deposits	388,174	343,549
Other	71,042	75,118
Allowance for doubtful accounts	(2,400)	(2,550)
Total investments and other assets	670,890	632,220
Total non-current assets	1,102,398	1,112,358
Total assets	6,037,597	5,800,400
Liabilities		
Current liabilities		
Accounts payable - trade	169,296	308,633
Short-term borrowings	1,320,000	820,000
Accounts payable - other	689,519	660,023
Income taxes payable	—	39,708
Provision for bonuses	61,302	26,748
Provision for point card certificates	4,500	12,606
Provision for sales returns	13,269	12,470
Provision for product warranties	11,479	17,783
Other	141,501	263,169
Total current liabilities	2,410,870	2,161,142
Non-current liabilities		
Provision for share-based remuneration	52,687	27,571
Total non-current liabilities	52,687	27,571
Total liabilities	2,463,558	2,188,714
Net assets		
Shareholders' equity		
Share capital	880,549	882,404
Capital surplus	840,549	842,404
Retained earnings	1,967,605	1,981,067
Treasury shares	(129,999)	(104,883)
Total shareholders' equity	3,558,704	3,600,992
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	4,231	3,616
Deferred gains or losses on hedges	11,073	7,053
Total valuation and translation adjustments	15,305	10,670
Share acquisition rights	29	22
Total net assets	3,574,038	3,611,686
Total liabilities and net assets	6,037,597	5,800,400

(2) Quarterly Statements of Income
For the nine months ended December 31

(Thousand yen)

	For the nine months ended December 31, 2018	For the nine months ended December 31, 2019
Net sales	9,882,698	9,840,525
Cost of sales	4,559,086	4,293,673
Gross profit	5,323,611	5,546,851
Selling, general and administrative expenses	5,490,012	5,532,952
Operating profit (loss)	(166,400)	13,899
Non-operating income		
Foreign exchange gains	5,930	1,982
Compensation income	9,536	17,838
Other	5,602	6,340
Total non-operating income	21,069	26,161
Non-operating expenses		
Interest expenses	1,344	1,708
Loss on investments in investment partnerships	—	946
Other	150	150
Total non-operating expenses	1,494	2,805
Ordinary profit (loss)	(146,825)	37,254
Extraordinary income		
Compensation income	—	14,517
Total extraordinary income	—	14,517
Extraordinary losses		
Loss on retirement of non-current assets	9,811	1,238
Provision for product warranties	51,096	21,882
Total extraordinary losses	60,907	23,121
Profit (loss) before income taxes	(207,733)	28,650
Income taxes - current	(58,090)	15,188
Total income taxes	(58,090)	15,188
Profit (loss)	(149,643)	13,462

(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 third quarter ended December 31, 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.