

**Non-consolidated Financial Results
for the Nine Months Ended December 31, 2020
[Japanese GAAP]**



January 29, 2021

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

(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, 2020	14,247	44.8	1,407	—	1,428	—	867	—
December 31, 2019	9,840	(0.4)	13	—	37	—	13	—

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2020	83.38	82.27
December 31, 2019	1.31	1.31

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2020	7,334	4,785	65.2
As of March 31, 2020	6,006	3,708	61.7

(Reference) Equity: As of December 31, 2020: ¥4,785 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	—	0.00	—		
Fiscal year ending March 31, 2021 (Forecast)				10.00	10.00

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

(Note) Breakdown of the 3rd quarter-end dividend for the fiscal year ending March 31, 2021

Commemorative dividend: Special dividend:

For the revision to the dividends forecast, please refer to the “Notice Regarding Revision to the Dividends Forecast for the Fiscal Year Ending March 31, 2021 (First Dividend Payment)” released today (January 29, 2021).

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):

December 31, 2020: 10,601,200 shares

March 31, 2020: 10,374,800 shares

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

December 31, 2020: 66,824 shares

March 31, 2020: 76,803 shares

3) Average number of shares during the period:

Nine months ended December 31, 2020: 10,408,208 shares

Nine months ended December 31, 2019: 10,287,827 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, 2020: 66,600 shares; March 31, 2020: 76,600 shares)

Average number of shares during the period

(Nine months ended December 31, 2020: 71,909 shares; Nine months ended December 31, 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 January 29, 2021.

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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, 2020 (from April 1, 2020 to December 31, 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 once headed toward 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. However, the sense of uncertainty regarding the outlook for business conditions is expected to remain with factors such as the accelerating resurgence of the pandemic after November.

In the furniture and interior industry, the demand growth continued during the third 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 ecommerce 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 third quarter of the fiscal year under review grew steadily by 73.2% year on year, and the ratio of LOWYA flagship store sales to overall sales increased to 48.7%. The flagship store remained the Company's largest sales channel in the third quarter of the fiscal year under review as it was in the second quarter.

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 since the second quarter of the fiscal year under review, amid travel restrictions that caused a rise in demand for international ecommerce as a substitute for inbound consumption. Total distribution volume grew significantly by 257.1% year on year during the third quarter of the fiscal year under review, renewing its highest quarterly total distribution volume on record. 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 nine months ended December 31, 2020 were ¥14,247 million in net sales (up 44.8% year on year), ¥1,407 million in operating profit (up 10,027.5% year on year), ¥1,428 million in ordinary profit (up 3,734.5% year on year) and ¥867 million in profit (up 6,346.2% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the third quarter under review increased by ¥1,328 million to ¥7,334 million (¥6,006 million as of the end of the previous fiscal year). Current assets increased by ¥967 million to ¥5,932 million (¥4,964 million as of the end of the previous fiscal year). This is mainly attributable an increase in cash and deposits by ¥714 million and an increase in merchandise by ¥305 million. Non-current assets increased by ¥360 million to ¥1,401 million (¥1,041 million as of the end of the previous fiscal year). This is mainly attributable to an increase in intangible assets by ¥54 million and an increase in investments and other assets by ¥322 million.

Liabilities increased by ¥251 million to ¥2,549 million (¥2,297 million as of the end of the previous fiscal year). Current liabilities increased by ¥248 million to ¥2,491 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 ¥14 million and ¥497 million, respectively, and the repayment of ¥320 million in short-term borrowings. Non-current liabilities increased by ¥2 million to ¥57 million (¥54 million as of the end of the previous fiscal year).

Net assets increased by ¥1,076 million to ¥4,785 million (¥3,708 million as of the end of the previous fiscal year). This is mainly attributable to an increase of ¥136 million each 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 ¥867 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 December 31, 2020
Assets		
Current assets		
Cash and deposits	1,308,686	2,023,226
Accounts receivable – trade	1,631,483	1,509,648
Merchandise	1,777,476	2,083,457
Forward exchange contracts	114,373	950
Other	132,650	315,294
Total current assets	4,964,671	5,932,577
Non-current assets		
Property, plant and equipment	242,459	225,365
Intangible assets	270,932	325,518
Investments and other assets		
Deferred tax assets	152,907	187,079
Leasehold and guarantee deposits	339,843	339,146
Other	38,186	327,586
Allowance for doubtful accounts	(2,600)	(2,750)
Total investments and other assets	528,336	851,063
Total non-current assets	1,041,728	1,401,947
Total assets	6,006,399	7,334,525
Liabilities		
Current liabilities		
Accounts payable – trade	181,903	196,195
Short-term borrowings	820,000	500,000
Accounts payable – other	778,082	863,954
Income taxes payable	65,629	563,235
Provision for bonuses	54,488	29,565
Provision for point card certificates	16,350	17,353
Provision for sales returns	14,374	11,772
Provision for product warranties	12,647	9,813
Other	299,426	299,773
Total current liabilities	2,242,903	2,491,663
Non-current liabilities		
Provision for share-based remuneration	54,600	57,450
Total non-current liabilities	54,600	57,450
Total liabilities	2,297,503	2,549,113
Net assets		
Shareholders' equity		
Share capital	882,404	1,018,978
Capital surplus	842,404	978,978
Retained earnings	2,008,121	2,875,924
Treasury shares	(104,883)	(91,260)
Total shareholders' equity	3,628,046	4,782,620
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,280	2,109
Deferred gains or losses on hedges	79,546	661
Total valuation and translation adjustments	80,827	2,770
Share acquisition rights	22	21
Total net assets	3,708,895	4,785,412
Total liabilities and net assets	6,006,399	7,334,525

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

(Thousand yen)

	For the nine months ended December 31, 2019	For the nine months ended December 31, 2020
Net sales	9,840,525	14,247,071
Cost of sales	4,293,673	5,713,418
Gross profit	5,546,851	8,533,652
Selling, general and administrative expenses	5,532,952	7,126,004
Operating profit	13,899	1,407,647
Non-operating income		
Compensation income	17,838	17,195
Gain on investments in investment partnerships	—	764
Foreign exchange gains	1,982	—
Other	6,340	4,717
Total non-operating income	26,161	22,677
Non-operating expenses		
Interest expenses	1,708	1,124
Loss on investments in investment partnerships	946	—
Foreign exchange losses	—	541
Other	150	150
Total non-operating expenses	2,805	1,816
Ordinary profit	37,254	1,428,509
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	28,650	1,428,509
Income taxes – current	15,188	560,706
Total income taxes	15,188	560,706
Profit	13,462	867,803

(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 61,400 shares through the exercise of share acquisition rights issued as stock options, resulting in increases of ¥16,619 thousand in each of share capital and capital surplus.

As a result, share capital and capital surplus each increased by ¥136,574 thousand, and stood at ¥1,018,978 thousand and ¥978,978 thousand, respectively, as of December 31, 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 third quarter ended December 31, 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.