

Non-consolidated Financial Results for the Six Months Ended September 30, 2021 [Japanese GAAP]



October 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: November 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: 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, 2021 (April 1, 2021 to September 30, 2021)

(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, 2021	8,587	—	345	(70.2)	358	(69.5)	223	(68.8)
September 30, 2020	9,883	48.0	1,158	—	1,173	—	714	—

	Basic earnings per share		Diluted earnings per share	
Six months ended	Yen		Yen	
September 30, 2021	21.23		21.09	
September 30, 2020	69.00		68.03	

(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 current fiscal year. The amount of net sales for the six months ended September 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 September 30, 2021	7,349	5,128	69.8
As of March 31, 2021	8,223	5,138	62.5

(Reference) Equity: As of September 30, 2021: ¥5,128 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				
March 31, 2021	—	0.00	—	10.00	10.00
Fiscal year ending March 31, 2022	—	0.00			
Fiscal year ending March 31, 2022 (Forecast)			—	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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	19,000 to 20,500	—	1,000 to 1,300	(45.2) to (28.8)	1,030 to 1,330	(44.4) to (28.2)	618 to 798	(46.7) to (31.2)	58.49 to 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 current fiscal year. 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):

September 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:

September 30, 2021: 137,324 shares

March 31, 2021: 66,824 shares

3) Average number of shares during the period:

Six months ended September 30, 2021: 10,507,701 shares

Six months ended September 30, 2020: 10,348,096 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 (JESOP).

Total number of treasury shares at the end of the period

(September 30, 2021: 137,100 shares; March 31, 2021: 66,600 shares)

Average number of shares during the period

(Six months ended September 30, 2021: 125,674 shares; Six months ended September 30, 2020: 74,578 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 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 six months ended September 30, 2021 (from April 1, 2021 to September 30, 2021), the Japanese economy remained in a severe condition with a continued slump in personal consumption due to factors including the impact of repeated declarations of a state of emergency aimed at preventing the spread of the novel coronavirus infection. The economy in Japan is expected to recover as restrictions on activities are being eased by the lifting of the state of emergency at the end of September and the progress in vaccination efforts. However, it is necessary to continue to monitor the impact of rising commodity prices and disruptions in supply chains 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 ¥2,132.2 billion in 2020, up 22.3% 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 2021). Further market expansion is still 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 GMV (Gross Merchandise Value) to overall GMV accounted for 52.8% in the second quarter under review. 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. In addition, as for the handling of the products of other companies' brands, which the Company started as a trial to develop a platform for the LOWYA flagship store, the number of products has increased steadily, gaining access and orders.

As for profit and loss, both net sales and profit decreased, as marketplace stores, in particular, suffered from a reactionary decline in demand from the same period of the previous fiscal year, in which demand rose. However, the shift in sales channels to the LOWYA flagship store has progressed smoothly. The Company has also been successfully continuing its initiatives to reduce storage costs and delivery expenses through the optimization of inventory and delivery, though the cost of sales ratio increased due to the impact of rising marine containers transportation costs, higher raw material prices, and yen depreciation.

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 carried out marketing measures. 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 second quarter under review has grown significantly, by 65.8% year on year, reaching a new record high on a quarterly basis, after it marked a historical high in the first quarter. 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 six months ended September 30, 2021 were ¥8,587 million in net sales, ¥345 million in operating profit (down 70.2% year on year), ¥358 million in ordinary profit (down 69.5% year on year) and ¥223 million in profit (down 68.8% 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 ended June 30, 2021. Therefore, in the explanation of business results for the six months ended September 30, 2021, year-on-year comparison (%) of net sales against the six months ended September 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 second quarter under review decreased by ¥873 million to ¥7,349 million (¥8,223 million as of the end of the previous fiscal year). Current assets decreased by ¥996 million to ¥5,896 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 ¥1,674 million and an increase in merchandise by ¥953 million. Non-current assets increased by ¥122 million to ¥1,453 million (¥1,331 million as of the end of the previous fiscal year).

Liabilities decreased by ¥863 million to ¥2,221 million (¥3,084 million as of the end of the previous fiscal year). Current liabilities decreased by ¥840 million to ¥2,182 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 ¥548 million. Non-current liabilities decreased by ¥22 million to ¥39 million (¥61 million as of the end of the previous fiscal year).

Net assets decreased by ¥10 million to ¥5,128 million (¥5,138 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 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 September 30, 2021
Assets		
Current assets		
Cash and deposits	3,028,959	1,354,024
Accounts receivable – trade	1,897,796	1,502,122
Merchandise	1,521,076	2,474,553
Forward exchange contracts	66,113	24,656
Other	378,390	540,650
Total current assets	6,892,336	5,896,006
Non-current assets		
Property, plant and equipment	210,857	241,025
Intangible assets	309,588	272,706
Investments and other assets		
Deferred tax assets	172,528	178,191
Leasehold and guarantee deposits	328,317	328,127
Other	312,828	436,785
Allowance for doubtful accounts	(2,800)	(2,900)
Total investments and other assets	810,875	940,204
Total non-current assets	1,331,321	1,453,936
Total assets	8,223,657	7,349,942
Liabilities		
Current liabilities		
Accounts payable – trade	285,252	378,970
Short-term borrowings	500,000	500,000
Accounts payable – other	914,755	825,405
Income taxes payable	713,438	164,898
Provision for bonuses	99,130	80,000
Provision for point card certificates	16,073	–
Provision for sales returns	13,582	–
Provision for product warranties	10,277	9,340
Other	470,535	223,978
Total current liabilities	3,023,046	2,182,592
Non-current liabilities		
Provision for share awards	61,950	39,142
Total non-current liabilities	61,950	39,142
Total liabilities	3,084,996	2,221,735
Net assets		
Shareholders' equity		
Share capital	1,027,735	1,027,735
Capital surplus	987,735	987,735
Retained earnings	3,167,173	3,284,621
Treasury shares	(91,260)	(206,150)
Total shareholders' equity	5,091,383	5,093,940
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,275	17,109
Deferred gains or losses on hedges	45,981	17,135
Total valuation and translation adjustments	47,256	34,245
Share acquisition rights	21	21
Total net assets	5,138,661	5,128,207
Total liabilities and net assets	8,223,657	7,349,942

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

(Thousand yen)

	For the six months ended September 30, 2020	For the six months ended September 30, 2021
Net sales	9,883,607	8,587,072
Cost of sales	3,988,853	3,796,610
Gross profit	5,894,753	4,790,461
Selling, general and administrative expenses	4,736,457	4,444,827
Operating profit	1,158,296	345,634
Non-operating income		
Compensation income	13,499	6,399
Gain on investments in investment partnerships	159	4,931
Foreign exchange gains	—	192
Other	3,458	2,921
Total non-operating income	17,117	14,444
Non-operating expenses		
Interest expenses	868	616
Loss on retirement of non-current assets	—	835
Foreign exchange losses	477	—
Other	100	100
Total non-operating expenses	1,445	1,551
Ordinary profit	1,173,968	358,527
Profit before income taxes	1,173,968	358,527
Income taxes – current	459,929	135,412
Total income taxes	459,929	135,412
Profit	714,039	223,115

(3) Notes to the Quarterly Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes on significant changes in shareholders' equity)

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 second quarter under review, treasury shares amounted to ¥206,150 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 second quarter ended September 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 ended June 30, 2021, 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 ended June 30, 2021 is added to or subtracted from retained earnings at the beginning of the first quarter ended June 30, 2021, 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 ended June 30, 2021.

As a result, net sales and selling, general and administrative expenses for the six months ended September 30, 2021 decreased by ¥671,882 thousand and ¥671,882 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.