

Non-consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



July 29, 2022

Company name: Vega corporation Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3542
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 Scheduled date of filing quarterly securities report: August 12, 2022
 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, 2022 (April 1, 2022 to June 30, 2022)

(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, 2022	4,200	(7.1)	62	(74.8)	67	(73.4)	40	(74.0)
June 30, 2021	4,519	—	245	(67.2)	252	(66.7)	157	(65.8)

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	3.91	3.90
June 30, 2021	14.96	14.84

(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 previous fiscal year. The amount of net sales for the three months ended June 30, 2021 shows the figure 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, 2022	7,983	5,248	65.7
As of March 31, 2022	8,020	5,269	65.7

(Reference) Equity: As of June 30, 2022: ¥5,248 million As of March 31, 2022: ¥5,269 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, 2022	—	0.00	—	10.00	10.00
Fiscal year ending March 31, 2023	—	—	—	—	—
Fiscal year ending March 31, 2023 (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, 2023 (April 1, 2022 to March 31, 2023)

(% 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	16,300	(3.2)	0	(100.0)	30	(95.2)	18	(95.3)	1.72
	to 17,300	to 2.8	to 200	to (66.4)	to 230	to (63.0)	to 138	to (63.9)	to 13.15

(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: 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, 2022: 10,635,400 shares

March 31, 2022: 10,634,200 shares

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

June 30, 2022: 181,674 shares

March 31, 2022: 136,674 shares

3) Average number of shares during the period:

Three months ended June 30, 2022: 10,482,143 shares

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

(June 30, 2022: 136,450 shares; March 31, 2022: 136,450 shares)

Average number of shares during the period

(Three months ended June 30, 2022: 136,450 shares; Three months ended June 30, 2021: 97,689 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 29, 2022.

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1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Business Results

During the three months ended June 30, 2022 (from April 1, 2022 to June 30, 2022), the Japanese economy gradually turned toward the normalization of economic activity with signs of a slowdown in the spread of novel coronavirus, raising expectations of a recovery in personal consumption. However, there is an ongoing need to keep a close eye on economic trends both in and outside of Japan, with growing concerns regarding inflation in the context of the dramatic depreciation of the Japanese yen caused by domestic and U.S. monetary policies, as well as rising resource prices driven by the situation in Russia and the Ukraine.

In the furniture and interior industry, the business environment continues to be challenging due to intensifying competition taking place across business categories in addition to increased raw material prices and logistics costs. Meanwhile, the scale of the sundries, furniture and interior B to C-EC market, to which the Company belongs, expanded strongly to ¥2,132.2 billion in 2020, up 22.4% year on year (source: FY2020 Industrial Economic Research Commissioned Project (E-Commerce Market Survey); Ministry of Economy, Trade and Industry, July 2021). The rate of e-commerce usage in the furniture and interior industry remains low compared to other industries, and further market expansion is expected, with ample room for a further shift to e-commerce.

Under such a business environment, in its Furniture E-Commerce business, the Company engaged in expanding distribution through the dual sales channels of its LOWYA flagship store and various e-commerce marketplace stores. At the LOWYA flagship store, identified as a core pillar of growth, the Company strived to improve brand recognition by enhancing the influx of new visitor access from search engine optimization (SEO), online advertising and strengthening its SNS presence, as well as endeavoring to encourage membership through mobile app downloads. 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 project to expand the number of categories and products handled by the LOWYA flagship store, the number of products has increased steadily, gaining access and orders.

As for profit, both revenue and profit fell due to a reactionary decline in stay-at-home demand on account of the declaration of a state of emergency in the previous fiscal year, as well as the impact of an increase in the cost of sales ratio resulting from increasing marine container transportation costs, higher raw material prices, and yen depreciation. On the other hand, the Company has been successfully continuing its initiatives to reduce storage costs and delivery expenses through the optimization of inventory and delivery, even amid dramatic changes in the external environment.

In the new International EC Platform DOKODEMO business, demand for cross-border EC as an alternative to inbound consumption has been increasing from the previous fiscal year. This, in addition to yen depreciation, has enhanced the perception that Japanese products are a bargain, and driven demand. In this context, 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 gross merchandise volume for the first quarter under review has grown significantly, by 210.4% year on year, reaching a new record high. Profit came in above the breakeven point for the first time since the business was launched, due to the growth in gross merchandise volume.

As a result of the above initiatives, the Company's business results for the three months ended June 30, 2022 were ¥4,200 million in net sales (down 7.1% year on year), ¥62 million in operating profit (down 74.8% year on year), ¥67 million in ordinary profit (down 73.4% year on year) and ¥40 million in profit (down 74.0% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the first quarter under review decreased by ¥37 million to ¥7,983 million (¥8,020 million as of the end of the previous fiscal year). Current assets increased by ¥1 million to ¥6,677 million (¥6,676 million as of the end of the previous fiscal year). This is mainly attributable to an increase in cash and deposits

by ¥745 million, a decrease in accounts receivable - trade of ¥525 million, and a decrease in merchandise of ¥258 million. Non-current assets decreased by ¥38 million to ¥1,305 million (¥1,344 million as of the end of the previous fiscal year).

Liabilities decreased by ¥16 million to ¥2,734 million (¥2,751 million as of the end of the previous fiscal year). Current liabilities decreased by ¥22 million to ¥2,678 million (¥2,701 million as of the end of the previous fiscal year). Non-current liabilities increased by ¥6 million to ¥56 million (¥50 million as of the end of the previous fiscal year).

Net assets decreased by ¥20 million to ¥5,248 million (¥5,269 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, 2023, no revisions have been made to the full-year forecast released on May 13, 2022.

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

(Thousand yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	1,070,295	1,815,661
Accounts receivable – trade	1,870,679	1,344,795
Merchandise	2,990,999	2,732,938
Income taxes refund receivable	80,452	65,332
Forward exchange contracts	–	64,886
Other	664,037	653,964
Total current assets	6,676,464	6,677,579
Non-current assets		
Property, plant and equipment	213,932	200,983
Intangible assets	286,465	293,638
Investments and other assets		
Deferred tax assets	198,166	179,485
Leasehold and guarantee deposits	281,821	278,321
Other	367,081	356,526
Allowance for doubtful accounts	(3,000)	(3,050)
Total investments and other assets	844,069	811,283
Total non-current assets	1,344,467	1,305,905
Total assets	8,020,931	7,983,485
Liabilities		
Current liabilities		
Accounts payable – trade	285,964	199,593
Short-term borrowings	1,000,000	1,000,000
Accounts payable – other	940,610	1,197,344
Provision for bonuses	60,000	90,555
Provision for product warranties	6,758	6,743
Forward exchange contracts	177	–
Other	407,576	184,215
Total current liabilities	2,701,087	2,678,451
Non-current liabilities		
Provision for share awards	50,255	56,255
Total non-current liabilities	50,255	56,255
Total liabilities	2,751,342	2,734,706
Net assets		
Shareholders' equity		
Share capital	1,027,894	1,028,219
Capital surplus	987,894	988,219
Retained earnings	3,444,129	3,380,100
Treasury shares	(205,263)	(205,263)
Total shareholders' equity	5,254,654	5,191,276
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	15,038	12,385
Deferred gains or losses on hedges	(123)	45,096
Total valuation and translation adjustments	14,915	57,482
Share acquisition rights	20	20
Total net assets	5,269,589	5,248,778
Total liabilities and net assets	8,020,931	7,983,485

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

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Net sales	4,519,207	4,200,329
Cost of sales	1,984,069	1,995,177
Gross profit	2,535,138	2,205,151
Selling, general and administrative expenses	2,289,202	2,143,145
Operating profit	245,935	62,006
Non-operating income		
Compensation income	3,664	2,502
Gain on investments in investment partnerships	1,363	—
Foreign exchange gains	573	—
Gain on sale of goods	—	2,531
Other	1,695	872
Total non-operating income	7,297	5,906
Non-operating expenses		
Interest expenses	278	492
Loss on retirement of non-current assets	835	—
Loss on investments in investment partnerships	—	228
Foreign exchange losses	—	117
Other	50	50
Total non-operating expenses	1,163	888
Ordinary profit	252,069	67,024
Profit before income taxes	252,069	67,024
Income taxes – current	94,447	26,078
Total income taxes	94,447	26,078
Profit	157,621	40,946

(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)

Tax expenses are determined based on the amount of profit before income taxes for the first quarter ended June 30, 2022 multiplied by the effective tax rate after the adoption of tax-effect accounting estimated for the entire fiscal year ending March 31, 2023. 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)

The Company has applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Implementation Guidance on Fair Value Measurement Accounting Standard") from the beginning of the first quarter ended June 30, 2022. The Company has decided to apply the new accounting policy prescribed under Implementation Guidance on Fair Value Measurement Accounting Standard prospectively, in accordance with the transitional treatment prescribed under Paragraph 27-2 of Implementation Guidance on Fair Value Measurement Accounting Standard. This change in accounting policy has had no effect on the quarterly financial statements.

(Segment information, etc.)

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