

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



October 31, 2022

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 14, 2022

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, 2022 (April 1, 2022 to September 30, 2022)

(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, 2022	8,286	(3.5)	115	(66.6)	130	(63.7)	59	(73.4)
September 30, 2021	8,587	—	345	(70.2)	358	(69.5)	223	(68.8)

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
September 30, 2022	5.67	5.67
September 30, 2021	21.23	21.09

(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 six months ended September 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 September 30, 2022	7,558	5,348	70.8
As of March 31, 2022	8,020	5,269	65.7

(Reference) Equity: As of September 30, 2022: ¥5,348 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	—	0.00			
Fiscal year ending March 31, 2023 (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, 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):
 - September 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:
 - September 30, 2022: 146,674 shares
 - March 31, 2022: 136,674 shares
 - 3) Average number of shares during the period:
 - Six months ended September 30, 2022: 10,475,917 shares
 - Six months ended September 30, 2021: 10,507,701 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, 2022: 119,450 shares; March 31, 2022: 136,450 shares)

Average number of shares during the period

(Six months ended September 30, 2022: 133,012 shares; Six months ended September 30, 2021: 125,674 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 31, 2022.

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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, 2022 (from April 1, 2022 to September 30, 2022), the Japanese economy gradually turned toward the normalization of economic activity as the government did not implement restrictions on activity despite the renewed spread of the 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 the weakening of consumer confidence due to rising prices.

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 ¥2,275.2 billion in 2021, up 6.7% year on year (source: FY2021 Digital Business Environment Improvement Project, E-Commerce Market Survey; Ministry of Economy, Trade and Industry, August 2022). 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 social media 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, 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, is also contributing to increases in site traffic and orders. Furthermore, although the Company has been operating exclusively in the Internet business since its establishment, it has announced a new policy to build a business structure that integrates online and offline operations while leveraging its strengths in attracting customers, product design, and price superiority, which it has cultivated thus far. To this end, the Company began wholesale sales of furniture to Aeon Retail Co., Ltd. in September 2022 and announced plans to open a directly managed store (scheduled to open in early spring 2023).

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 the depreciation of the yen. On the other hand, even amid dramatic changes in the external environment, the Company has continued to implement its existing initiatives to reduce storage costs and delivery expenses through the optimization of inventory and delivery, as well as reduced fixed costs by integrating distribution bases and relocating Tokyo Office.

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 period under review has grown significantly, by 61.2% year on year.

As a result of the above initiatives, the Company's business results for the six months ended September 30, 2022 were ¥8,286 million in net sales (down 3.5% year on year), ¥115 million in operating profit (down 66.6% year on year), ¥130 million in ordinary profit (down 63.7% year on year) and ¥59 million in profit (down 73.4% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the second quarter under review decreased by ¥462 million to ¥7,558 million (¥8,020 million as of the end of the previous fiscal year). Current assets decreased by ¥312 million to ¥6,363 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 ¥1,050 million, a decrease in accounts receivable - trade of ¥486 million, and a decrease in merchandise of ¥723 million. Non-current assets decreased by ¥149 million to ¥1,194 million (¥1,344 million as of the end of the previous fiscal year). This is mainly attributable to a decrease in leasehold and guarantee deposits by ¥42 million.

Liabilities decreased by ¥541 million to ¥2,210 million (¥2,751 million as of the end of the previous fiscal year). Current liabilities decreased by ¥529 million to ¥2,171 million (¥2,701 million as of the end of the previous fiscal year). This is mainly attributable to a ¥500 million repayment of short-term borrowings. Non-current liabilities decreased by ¥11 million to ¥39 million (¥50 million as of the end of the previous fiscal year).

Net assets increased by ¥78 million to ¥5,348 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 September 30, 2022
Assets		
Current assets		
Cash and deposits	1,070,295	2,120,541
Accounts receivable - trade	1,870,679	1,384,618
Merchandise	2,990,999	2,267,155
Income taxes refund receivable	80,452	–
Forward exchange contracts	–	130,557
Other	664,037	460,894
Total current assets	6,676,464	6,363,767
Non-current assets		
Property, plant and equipment	213,932	189,768
Intangible assets	286,465	261,056
Investments and other assets		
Deferred tax assets	198,166	158,248
Leasehold and guarantee deposits	281,821	239,168
Other	367,081	349,680
Allowance for doubtful accounts	(3,000)	(3,100)
Total investments and other assets	844,069	743,997
Total non-current assets	1,344,467	1,194,821
Total assets	8,020,931	7,558,589
Liabilities		
Current liabilities		
Accounts payable - trade	285,964	200,505
Short-term borrowings	1,000,000	500,000
Accounts payable - other	940,610	1,035,313
Income taxes payable	–	70,533
Provision for bonuses	60,000	61,110
Provision for product warranties	6,758	6,743
Forward exchange contracts	177	–
Other	407,576	297,005
Total current liabilities	2,701,087	2,171,211
Non-current liabilities		
Provision for share awards	50,255	39,050
Total non-current liabilities	50,255	39,050
Total liabilities	2,751,342	2,210,261
Net assets		
Shareholders' equity		
Share capital	1,027,894	1,028,219
Capital surplus	987,894	1,011,844
Retained earnings	3,444,129	3,398,600
Treasury shares	(205,263)	(196,233)
Total shareholders' equity	5,254,654	5,242,431
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	15,038	15,138
Deferred gains or losses on hedges	(123)	90,737
Total valuation and translation adjustments	14,915	105,876
Share acquisition rights	20	20
Total net assets	5,269,589	5,348,327
Total liabilities and net assets	8,020,931	7,558,589

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

(Thousand yen)

	For the six months ended September 30, 2021	For the six months ended September 30, 2022
Net sales	8,587,072	8,286,970
Cost of sales	3,796,610	4,008,264
Gross profit	4,790,461	4,278,706
Selling, general and administrative expenses	4,444,827	4,163,260
Operating profit	345,634	115,445
Non-operating income		
Compensation income	6,399	5,279
Gain on investments in investment partnerships	4,931	1,936
Foreign exchange gains	192	409
Gain on sale of goods	–	4,781
Other	2,921	3,369
Total non-operating income	14,444	15,776
Non-operating expenses		
Interest expenses	616	891
Loss on retirement of non-current assets	835	–
Other	100	100
Total non-operating expenses	1,551	991
Ordinary profit	358,527	130,230
Extraordinary losses		
Loss on valuation of investment securities	–	19,999
Total extraordinary losses	–	19,999
Profit before income taxes	358,527	110,230
Income taxes - current	135,412	50,783
Total income taxes	135,412	50,783
Profit	223,115	59,446

(3) Notes to the Quarterly Financial Statements

(Notes on going concern assumption)

There is no relevant information.

(Notes on significant changes in shareholders' equity)

By a resolution of the Board of Directors meeting held on July 29, 2022, the Company made an additional contribution to the Employee Stock Ownership Plan (J-ESOP) and disposed of treasury shares as restricted stock compensation.

Regarding the disposal of treasury shares as an additional contribution to the Employee Stock Ownership Plan (J-ESOP), the recording of a ¥14,175 thousand gain on disposal of treasury shares resulted in an increase in capital surplus and an increase in treasury shares of ¥14,175 thousand. Regarding the disposal of treasury shares as restricted stock compensation, capital surplus increased due to the recording of a gain on disposal of treasury shares of ¥9,450 thousand.

As a result, as of the end of the second quarter under review, capital surplus amounted to ¥1,011,844 thousand and treasury shares amounted to ¥196,233 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, 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.