

Non-consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]



January 31, 2023

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: February 14, 2023
 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, 2022 (April 1, 2022 to December 31, 2022)

(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, 2022	12,467	0.1	215	(52.2)	235	(50.2)	25	(91.8)
December 31, 2021	12,455	—	449	(68.0)	472	(66.9)	308	(64.4)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2022	2.40	2.40
December 31, 2021	29.41	29.22

(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 nine months ended December 31, 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 December 31, 2022	7,527	5,114	67.9
As of March 31, 2022	8,020	5,269	65.7

(Reference) Equity: As of December 31, 2022: ¥5,114 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 March 31, 2022	Yen —	Yen 0.00	Yen —	Yen 10.00	Yen 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	16,800	(0.2)	250	(58.1)	270	(56.5)	42	(89.0)	3.95
	to 17,300	to 2.8	to 350	to (41.3)	to 370	to (40.4)	to 102	to (73.3)	to 9.59

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

* 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):

December 31, 2022: 10,635,400 shares

March 31, 2022: 10,634,200 shares

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

December 31, 2022: 146,674 shares

March 31, 2022: 136,674 shares

3) Average number of shares during the period:

Nine months ended December 31, 2022: 10,480,202 shares

Nine months ended December 31, 2021: 10,504,040 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

(December 31, 2022: 146,450 shares; March 31, 2022: 136,450 shares)

Average number of shares during the period

(Nine months ended December 31, 2022: 142,122 shares; Nine months ended December 31, 2021: 129,336 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 31, 2023.

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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, 2022 (from April 1, 2022 to December 31, 2022), the Japanese economy gradually turned toward normalization as economic activity becomes more able to co-exist with 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 (the Company's website) and major 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.

Amid dramatic changes in the external environment, the Company has continued to implement its existing initiatives to decrease inventory and reduce delivery expenses through the optimization of inventory and delivery, and it has reduced selling, general and administrative expenses by integrating distribution bases and relocating the Tokyo Office. 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 will open a directly managed store in April 2023 (planned).

As for profit, profitability improved due in part to reductions in selling, general and administrative expenses, despite 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.

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 17.4% year on year. Through expansion of total distribution volume and cost control, the deficit is steadily narrowing toward a return to profitability in the future.

As a result of the above initiatives, the Company's business results for the nine months ended December 31, 2022 were ¥12,467 million in net sales (up 0.1% year on year), ¥215 million in operating profit (down 52.2% year on year), ¥235 million in ordinary profit (down 50.2% year on year) and ¥25 million in profit (down 91.8% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the third quarter under review decreased by ¥493 million to ¥7,527 million (¥8,020 million as of the end of the previous fiscal year). Current assets decreased by ¥307 million to ¥6,369 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 ¥1,273 million, a decrease in accounts receivable - trade of ¥433 million, and a decrease in merchandise of ¥906 million. Non-current assets decreased by ¥186 million to ¥1,157 million (¥1,344 million as of the end of the previous fiscal year).

Liabilities decreased by ¥338 million to ¥2,412 million (¥2,751 million as of the end of the previous fiscal year). Current liabilities decreased by ¥333 million to ¥2,367 million (¥2,701 million as of the end of the previous fiscal year). This is mainly attributable to an increase of ¥157 million of forward exchange contracts and a ¥500 million repayment of short-term borrowings. Non-current liabilities decreased by ¥5 million to ¥45 million (¥50 million as of the end of the previous fiscal year).

Net assets decreased by ¥155 million to ¥5,114 million (¥5,269 million as of the end of the previous fiscal year).

(3) Explanation of Financial Results Forecast and Other Forward-looking Information

In light of recent business trends, revisions have been made to the full-year forecast of financial results for the fiscal year ending March 31, 2023, released on May 13, 2022. For details, please refer to the “Notice of Revision of FY2023 Full-Year Financial Results Forecast,” released today, January 31, 2023.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	1,070,295	2,343,898
Accounts receivable - trade	1,870,679	1,437,627
Merchandise	2,990,999	2,084,098
Income taxes refund receivable	80,452	30,250
Other	664,037	473,378
Total current assets	6,676,464	6,369,254
Non-current assets		
Property, plant and equipment	213,932	176,803
Intangible assets	286,465	259,654
Investments and other assets		
Deferred tax assets	198,166	245,937
Leasehold and guarantee deposits	281,821	237,332
Other	367,081	241,412
Allowance for doubtful accounts	(3,000)	(3,150)
Total investments and other assets	844,069	721,532
Total non-current assets	1,344,467	1,157,990
Total assets	8,020,931	7,527,244
Liabilities		
Current liabilities		
Accounts payable - trade	285,964	241,210
Short-term borrowings	1,000,000	500,000
Accounts payable - other	940,610	1,008,946
Provision for bonuses	60,000	30,555
Provision for product warranties	6,758	6,743
Forward exchange contracts	177	158,069
Other	407,576	422,417
Total current liabilities	2,701,087	2,367,942
Non-current liabilities		
Provision for share awards	50,255	45,050
Total non-current liabilities	50,255	45,050
Total liabilities	2,751,342	2,412,992
Net assets		
Shareholders' equity		
Share capital	1,027,894	1,028,219
Capital surplus	987,894	1,011,844
Retained earnings	3,444,129	3,364,344
Treasury shares	(205,263)	(196,233)
Total shareholders' equity	5,254,654	5,208,175
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	15,038	15,916
Deferred gains or losses on hedges	(123)	(109,858)
Total valuation and translation adjustments	14,915	(93,941)
Share acquisition rights	20	18
Total net assets	5,269,589	5,114,252
Total liabilities and net assets	8,020,931	7,527,244

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

(Thousand yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	12,455,838	12,467,951
Cost of sales	5,504,528	6,130,489
Gross profit	6,951,310	6,337,462
Selling, general and administrative expenses	6,501,560	6,122,372
Operating profit	449,749	215,089
Non-operating income		
Compensation income	9,183	7,405
Gain on investments in investment partnerships	10,777	3,177
Foreign exchange gains	735	300
Gain on sale of goods	–	7,053
Other	4,640	3,867
Total non-operating income	25,337	21,803
Non-operating expenses		
Interest expenses	1,206	1,125
Loss on retirement of non-current assets	835	–
Other	150	150
Total non-operating expenses	2,192	1,275
Ordinary profit	472,894	235,616
Extraordinary losses		
Loss on valuation of investment securities	–	120,000
Total extraordinary losses	–	120,000
Profit before income taxes	472,894	115,616
Income taxes - current	163,959	90,426
Total income taxes	163,959	90,426
Profit	308,934	25,190

(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 third quarter ended December 31, 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.