

Non-consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]



July 31, 2023

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: August 10, 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 Three Months Ended June 30, 2023 (April 1, 2023 to June 30, 2023)

(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 | % |
| Three months ended June 30, 2023 | 4,154 | (1.1) | (34) | — | (29) | — | (19) | — |
| June 30, 2022 | 4,200 | (7.1) | 62 | (74.8) | 67 | (73.4) | 40 | (74.0) |

| | Basic earnings per share | Diluted earnings per share |
|----------------------------------|--------------------------|----------------------------|
| | Yen | Yen |
| Three months ended June 30, 2023 | (1.89) | — |
| June 30, 2022 | 3.91 | 3.90 |

(Note) Though dilutive shares exist, diluted earnings per share for the three months ended June 30, 2023 are not presented, as net loss per share was recorded.

(2) Financial Position

| | Total assets | Net assets | Equity ratio |
|----------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of June 30, 2023 | 6,769 | 5,283 | 78.1 |
| As of March 31, 2023 | 7,151 | 5,304 | 74.2 |

(Reference) Equity: As of June 30, 2023: ¥5,283 million As of March 31, 2023: ¥5,304 million

2. Dividends

| | Annual dividends | | | | |
|--|------------------|-----------------|-----------------|--------------|--------------|
| | 1st quarter-end | 2nd quarter-end | 3rd quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2023 | Yen — | Yen 0.00 | Yen — | Yen 10.00 | Yen 10.00 |
| Fiscal year ending March 31, 2024 | — | | | | |
| Fiscal year ending March 31, 2024 (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, 2024 (April 1, 2023 to March 31, 2024)

(% 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 | 6.0 | 600 | 77.4 | 630 | 72.8 | 378 | 213.8 | 35.50 |

(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):

June 30, 2023: 10,644,800 shares

March 31, 2023: 10,644,200 shares

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

June 30, 2023: 178,474 shares

March 31, 2023: 146,674 shares

3) Average number of shares during the period:

Three months ended June 30, 2023: 10,493,833 shares

Three months ended June 30, 2022: 10,482,143 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, 2023: 146,450 shares; March 31, 2023: 146,450 shares)

Average number of shares during the period

(Three months ended June 30, 2023: 146,450 shares; Three months ended June 30, 2022: 136,450 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 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 three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023), 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 sentiment 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 has continued 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. 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, in addition to beginning the wholesaling of furniture to AEON RETAIL Co., Ltd. in the previous fiscal year, the Company opened its first directly managed store in April 2023 in Fukuoka City, Fukuoka Prefecture. Since the opening, the Company has gradually seen a positive impact on its LOWYA flagship store through the directly managed store, and plans to continue verifying the establishment of an OMO-type D to C business.

As for profit, we worked to improve profitability due to reductions in selling, general and administrative expenses, however profitability decreased year on year affected by an increase in the cost of sales ratio resulting from the depreciation of the yen ongoing since the previous fiscal year despite net sales continuing to be higher year on year due to favorable results of e-commerce marketplace stores, etc.

In the new International EC Platform DOKODEMO business, total distribution volume has been decreasing in line with changes in inbound consumption since the previous fiscal year. However, as a result of initiatives such as helping store owners to enhance their product lineup and carrying out marketing measures, the number of members and app downloads are steadily increasing, and we will continue our efforts toward the expansion of total distribution volume.

As a result of the above initiatives, the Company's business results for the three months ended June 30, 2023 were ¥4,154 million in net sales (down 1.1% year on year), ¥34 million in operating loss (operating profit of ¥62 million in the same period of the previous fiscal year), ¥29 million in ordinary loss (ordinary profit of ¥67 million in the same period of the previous fiscal year) and ¥19 million in loss (profit of ¥40 million in the same period of the previous fiscal year).

(2) Explanation of Financial Position

Total assets as of the end of the first quarter under review decreased by ¥382 million to ¥6,769 million (¥7,151 million as of the end of the previous fiscal year). Current assets decreased by ¥319 million to ¥5,636 million (¥5,956 million as of the end of the previous fiscal year). This is mainly attributable to an increase in forward exchange contracts of ¥147 million and a decrease in accounts receivable - trade of ¥486 million. Non-current assets decreased by ¥62 million to ¥1,132 million (¥1,195 million as of the end of the previous fiscal year).

Liabilities decreased by ¥361 million to ¥1,485 million (¥1,847 million as of the end of the previous fiscal year). Current liabilities decreased by ¥367 million to ¥1,428 million (¥1,796 million as of the end of the previous fiscal year). This is mainly attributable to a decrease in accounts payable - other of ¥155 million. Non-current liabilities increased by ¥6 million to ¥57 million (¥51 million as of the end of the previous fiscal year).

Net assets decreased by ¥20 million to ¥5,283 million (¥5,304 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, 2024, no revisions have been made to the full-year forecast released on May 15, 2023.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheets

(Thousand yen)

| | As of March 31, 2023 | As of June 30, 2023 |
|---|----------------------|---------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,892,217 | 1,793,285 |
| Accounts receivable - trade | 1,814,017 | 1,327,638 |
| Merchandise | 1,819,594 | 1,854,234 |
| Income taxes refund receivable | - | 6,856 |
| Forward exchange contracts | - | 147,862 |
| Other | 430,535 | 506,507 |
| Total current assets | 5,956,365 | 5,636,383 |
| Non-current assets | | |
| Property, plant and equipment | 211,359 | 203,829 |
| Intangible assets | 314,781 | 311,163 |
| Investments and other assets | | |
| Deferred tax assets | 204,432 | 149,540 |
| Leasehold and guarantee deposits | 236,840 | 235,984 |
| Other | 230,869 | 235,421 |
| Allowance for doubtful accounts | (3,200) | (3,200) |
| Total investments and other assets | 668,943 | 617,746 |
| Total non-current assets | 1,195,084 | 1,132,740 |
| Total assets | 7,151,450 | 6,769,124 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 268,467 | 238,088 |
| Accounts payable - other | 990,320 | 834,417 |
| Income taxes payable | 16,157 | - |
| Provision for bonuses | 81,110 | 116,666 |
| Provision for product warranties | 5,152 | 6,479 |
| Forward exchange contracts | 25,783 | - |
| Other | 409,016 | 232,643 |
| Total current liabilities | 1,796,006 | 1,428,295 |
| Non-current liabilities | | |
| Provision for share awards | 51,050 | 57,050 |
| Total non-current liabilities | 51,050 | 57,050 |
| Total liabilities | 1,847,057 | 1,485,345 |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,030,551 | 1,030,715 |
| Capital surplus | 1,014,176 | 1,014,340 |
| Retained earnings | 3,459,597 | 3,334,835 |
| Treasury shares | (196,233) | (217,494) |
| Total shareholders' equity | 5,308,091 | 5,162,395 |
| Valuation and translation adjustments | | |
| Valuation difference on available-for-sale securities | 14,202 | 18,600 |
| Deferred gains or losses on hedges | (17,919) | 102,764 |
| Total valuation and translation adjustments | (3,716) | 121,364 |
| Share acquisition rights | 18 | 18 |
| Total net assets | 5,304,393 | 5,283,778 |
| Total liabilities and net assets | 7,151,450 | 6,769,124 |

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

(Thousand yen)

| | For the three months ended June 30, 2022 | For the three months ended June 30, 2023 |
|--|---|---|
| Net sales | 4,200,329 | 4,154,808 |
| Cost of sales | 1,995,177 | 2,165,739 |
| Gross profit | 2,205,151 | 1,989,069 |
| Selling, general and administrative expenses | 2,143,145 | 2,023,766 |
| Operating profit (loss) | 62,006 | (34,697) |
| Non-operating income | | |
| Compensation income | 2,502 | 2,859 |
| Commission income | – | 1,595 |
| Gain on sale of goods | 2,531 | 122 |
| Other | 872 | 524 |
| Total non-operating income | 5,906 | 5,102 |
| Non-operating expenses | | |
| Interest expenses | 492 | – |
| Loss on investments in investment partnerships | 228 | – |
| Foreign exchange losses | 117 | 353 |
| Other | 50 | – |
| Total non-operating expenses | 888 | 353 |
| Ordinary profit (loss) | 67,024 | (29,947) |
| Profit (loss) before income taxes | 67,024 | (29,947) |
| Income taxes - current | 26,078 | (10,161) |
| Total income taxes | 26,078 | (10,161) |
| Profit (loss) | 40,946 | (19,786) |

(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, 2023 multiplied by the effective tax rate after the adoption of tax-effect accounting estimated for the entire fiscal year ending March 31, 2024. 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.