

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



October 31, 2023

Company name: Vega corporation Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 3542

URL: <https://www.vega-c.com/en/ir>

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Scheduled date of filing quarterly securities report: November 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: 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, 2023 (April 1, 2023, to September 30, 2023)

(1) Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended								
September 30, 2023	7,905	(4.6)	27	(75.9)	36	(71.7)	24	(59.0)
September 30, 2022	8,286	(3.5)	115	(66.6)	130	(63.7)	59	(73.4)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2023	2.33	2.33
September 30, 2022	5.67	5.67

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	6,659	5,283	79.3
As of March 31, 2023	7,151	5,304	74.2

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

2. Dividends

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

September 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:

September 30, 2023: 232,974 shares

March 31, 2023: 146,674 shares

3) Average number of shares during the period:

Six months ended September 30, 2023: 10,461,890 shares

Six months ended September 30, 2022: 10,475,917 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, 2023: 132,750; March 31, 2023: 146,450)

Average number of shares during the period

(Six months ended September 30, 2023: 143,680 shares; Six months ended September 30, 2022: 133,012 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 "(3) Explanation of Financial Results Forecast and Other Forward-looking Information" in "1. Qualitative Information on Quarterly Financial Results for the Period under Review" 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, 2023.

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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, 2023 (from April 1, 2023, to September 30, 2023), the Japanese economy saw its activities turn toward normalization as the government reclassified the novel coronavirus into a Category 5 Infectious Disease, and personal consumption recovered moderately. 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 ¥2,354.1 billion in 2022, up 3.5% year on year (source: FY2022 Digital Business Environment Improvement Project, E-Commerce Market Survey; Ministry of Economy, Trade and Industry, August 2023). The rate of e-commerce usage in the furniture and interior industry remains low compared with 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 will continue verifying the establishment of an OMO-type direct-to-consumer (D2C) business.

As for profit, net sales declined year on year due to reduced access count as we curbed sales promotion expenses and advertising expenses as profitability improvement efforts. Although this measure led to reduced selling, general and administrative expenses, profit declined year on year, affected by a higher cost of sales ratio resulting from depreciation of the yen that has been ongoing since the last fiscal year.

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 is steadily increasing, and we will continue our efforts to expand the total distribution volume.

As a result of the above initiatives, the Company's business results for the six months ended September 30, 2023, were ¥7,905 million in net sales (down 4.6% year on year), ¥27 million in operating profit (down 75.9% year on year), ¥36 million in ordinary profit (down 71.7% year on year) and ¥24 million in profit (down 59.0% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the second quarter under review decreased ¥491 million to ¥6,659 million (¥7,151 million as of the end of the previous fiscal year). Current assets fell ¥447 million to ¥5,508 million (¥5,956 million as of the end of the previous fiscal year). This was mainly attributable to an increase in merchandise of ¥704 million yen and a decrease in cash and deposits of ¥651 million, and a drop in accounts receivable - trade of ¥605 million. Non-current assets were down ¥44 million to ¥1,150 million (¥1,195 million as of the end of the previous fiscal year).

Liabilities fell ¥471 million to ¥1,375 million (¥1,847 million as of the end of the previous fiscal year). Current liabilities decreased ¥464 million to ¥1,331 million (¥1,796 million as of the end of the previous fiscal year). This was mainly attributable to a decrease in accounts payable - other of ¥244 million. Non-current liabilities fell ¥6 million to ¥44 million (¥51 million as of the end of the previous fiscal year).

Net assets were down ¥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 September 30, 2023
Assets		
Current assets		
Cash and deposits	1,892,217	1,240,547
Accounts receivable - trade	1,814,017	1,208,954
Merchandise	1,819,594	2,523,638
Forward exchange contracts	—	120,063
Other	430,535	415,554
Total current assets	5,956,365	5,508,757
Non-current assets		
Property, plant and equipment	211,359	200,645
Intangible assets	314,781	320,497
Investments and other assets		
Deferred tax assets	204,432	157,702
Leasehold and guarantee deposits	236,840	246,849
Other	230,869	228,433
Allowance for doubtful accounts	(3,200)	(3,200)
Total investments and other assets	668,943	629,785
Total non-current assets	1,195,084	1,150,928
Total assets	7,151,450	6,659,685
Liabilities		
Current liabilities		
Accounts payable - trade	268,467	279,641
Accounts payable - other	990,320	745,586
Income taxes payable	16,157	35,004
Provision for bonuses	81,110	71,112
Provision for product warranties	5,152	6,337
Forward exchange contracts	25,783	—
Other	409,016	193,766
Total current liabilities	1,796,006	1,331,447
Non-current liabilities		
Provision for share awards	51,050	44,349
Total non-current liabilities	51,050	44,349
Total liabilities	1,847,057	1,375,797
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	3,379,011
Treasury shares	(196,233)	(242,962)
Total shareholders' equity	5,308,091	5,181,103
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	14,202	19,322
Deferred gains or losses on hedges	(17,919)	83,443
Total valuation and translation adjustments	(3,716)	102,766
Share acquisition rights	18	18
Total net assets	5,304,393	5,283,888
Total liabilities and net assets	7,151,450	6,659,685

(2) Quarterly Statements of Income
For the six months ended September 30, 2023

(Thousand yen)

	For the six months ended September 30, 2022	For the six months ended September 30, 2023
Net sales	8,286,970	7,905,897
Cost of sales	4,008,264	4,078,640
Gross profit	4,278,706	3,827,257
Selling, general and administrative expenses	4,163,260	3,799,399
Operating profit	115,445	27,858
Non-operating income		
Compensation income	5,279	4,578
Gain on investments in investment partnerships	1,936	—
Foreign exchange gains	409	—
Commission income	—	1,595
Gain on sale of goods	4,781	2,514
Other	3,369	1,298
Total non-operating income	15,776	9,987
Non-operating expenses		
Interest expenses	891	—
Loss on investments in investment partnerships	—	502
Foreign exchange losses	—	429
Other	100	—
Total non-operating expenses	991	931
Ordinary profit	130,230	36,914
Extraordinary losses		
Loss on valuation of investment securities	19,999	—
Total extraordinary losses	19,999	—
Profit before income taxes	110,230	36,914
Income taxes - current	50,783	12,525
Total income taxes	50,783	12,525
Profit	59,446	24,389

(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 second quarter ended September 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.)

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