

Non-consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]



January 31, 2024

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, 2024
 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, 2023 (April 1, 2023, to December 31, 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	%
Nine Months Ended December 31, 2023	11,812	(5.3)	302	40.6	319	35.5	110	340.4
December 31, 2022	12,467	0.1	215	(52.2)	235	(50.2)	25	(91.8)

	Basic earnings per share	Diluted earnings per share
Nine Months Ended	Yen	Yen
December 31, 2023	10.62	10.62
December 31, 2022	2.40	2.40

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	6,697	5,284	78.9
As of March 31, 2023	7,151	5,304	74.2

(Reference) Equity: As of December 31, 2023: ¥5,284 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
	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):

December 31, 2023: 10,644,800 shares

March 31, 2023: 10,644,200 shares

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

December 31, 2023: 232,974 shares

March 31, 2023: 146,674 shares

3) Average number of shares during the period:

Nine months ended December 31, 2023: 10,445,141 shares

Nine months ended December 31, 2022: 10,480,202 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, 2023: 132,750 shares; March 31, 2023: 146,450 shares)

Average number of shares during the period

(Nine months ended December 31, 2023: 140,023 shares; Nine months ended December 31, 2022: 142,122 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 2 of the Appendix.

(Method of obtaining quarterly briefing materials)

Briefing materials on quarterly financial results are provided on TDnet on January 31, 2024.

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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, 2023 (from April 1, 2023, to December 31, 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 the dramatic fluctuations in exchange rates 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 actual store in April 2023 in Fukuoka City, Fukuoka Prefecture, and its second store in December 2023 in Osaka City, Osaka Prefecture. Since the opening of the first store, the Company has gradually seen a positive impact on its LOWYA flagship store through the actual 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. However, due to the effect of this measure, the selling, general and administrative expense ratio improved, resulting in an increase in profit.

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.

During the nine months ended December 31, 2023, the Company recorded an extraordinary loss of ¥100 million for a loss on valuation of investment securities, for investment securities held by the Company whose actual value has declined significantly compared with their book value.

As a result of the above initiatives, the Company's business results for the nine months ended December 31, 2023, were ¥11,812 million in net sales (down 5.3% year on year), ¥302 million in operating profit (up 40.6% year on year), ¥319 million in ordinary profit (up 35.5% year on year) and ¥110 million in profit (up 340.4% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the third quarter under review decreased ¥453 million to ¥6,697 million (¥7,151 million as of the end of the previous fiscal year). Current assets fell ¥351 million to ¥5,604 million (¥5,956 million as of the end of the previous fiscal year). This was mainly attributable to an increase in merchandise of ¥933 million yen and a decrease in cash and deposits of ¥800 million, and a drop in accounts receivable - trade of ¥510 million. Non-current assets were down ¥102 million to ¥1,092 million (¥1,195 million as of the end of the previous fiscal year).

Liabilities fell ¥434 million to ¥1,412 million (¥1,847 million as of the end of the previous fiscal year). Current liabilities decreased ¥433 million to ¥1,362 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 ¥210 million. Non-current liabilities fell ¥0 million to ¥50 million (¥51 million as of the end of the previous fiscal year).

Net assets were down ¥19 million to ¥5,284 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 December 31, 2023
Assets		
Current assets		
Cash and deposits	1,892,217	1,091,489
Accounts receivable - trade	1,814,017	1,303,529
Merchandise	1,819,594	2,752,997
Forward exchange contracts	—	3,163
Other	430,535	453,567
Total current assets	5,956,365	5,604,747
Non-current assets		
Property, plant and equipment	211,359	234,543
Intangible assets	314,781	305,396
Investments and other assets		
Deferred tax assets	204,432	195,311
Leasehold and guarantee deposits	236,840	245,184
Other	230,869	115,662
Allowance for doubtful accounts	(3,200)	(3,200)
Total investments and other assets	668,943	552,958
Total non-current assets	1,195,084	1,092,898
Total assets	7,151,450	6,697,646
Liabilities		
Current liabilities		
Accounts payable - trade	268,467	273,718
Accounts payable - other	990,320	779,571
Income taxes payable	16,157	58,936
Provision for bonuses	81,110	35,556
Provision for product warranties	5,152	6,337
Forward exchange contracts	25,783	—
Other	409,016	208,435
Total current liabilities	1,796,006	1,362,555
Non-current liabilities		
Provision for share awards	51,050	50,349
Total non-current liabilities	51,050	50,349
Total liabilities	1,847,057	1,412,904
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	3,465,563
Treasury shares	(196,233)	(242,962)
Total shareholders' equity	5,308,091	5,267,655
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	14,202	14,868
Deferred gains or losses on hedges	(17,919)	2,198
Total valuation and translation adjustments	(3,716)	17,067
Share acquisition rights	18	18
Total net assets	5,304,393	5,284,741
Total liabilities and net assets	7,151,450	6,697,646

(2) Quarterly Statements of Income

For the nine months ended December 31

(Thousand yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Net sales	12,467,951	11,812,056
Cost of sales	6,130,489	6,024,923
Gross profit	6,337,462	5,787,132
Selling, general and administrative expenses	6,122,372	5,484,760
Operating profit	215,089	302,371
Non-operating income		
Compensation income	7,405	5,624
Gain on investments in investment partnerships	3,177	—
Foreign exchange gains	300	814
Commission income	—	1,595
Gain on sale of goods	7,053	7,422
Other	3,867	2,137
Total non-operating income	21,803	17,595
Non-operating expenses		
Interest expenses	1,125	—
Loss on investments in investment partnerships	—	691
Other	150	0
Total non-operating expenses	1,275	692
Ordinary profit	235,616	319,275
Extraordinary losses		
Loss on valuation of investment securities	120,000	100,003
Total extraordinary losses	120,000	100,003
Profit before income taxes	115,616	219,271
Income taxes - current	90,426	108,330
Total income taxes	90,426	108,330
Profit	25,190	110,941

(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, 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.