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Non-consolidated Financial Results for the Six Months Ended September 30, 2024 [Japanese GAAP]



October 31, 2024

Company name: Vega corporation Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3542
 URL: <https://www.vega-c.com/en/ir>
 Representative: Tomokazu Ukishiro, President and Chief Executive Officer
 Contact: Kazuhiro Kawabata, Director and Head of Corporate Management Headquarters
 Phone: +81-92-281-3501
 Scheduled date of filing semi-annual securities report: November 14, 2024
 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on financial results: Available
 Schedule of 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, 2024 (April 1, 2024, to September 30, 2024)

(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	%
Six months ended								
September 30, 2024	7,123	(9.9)	294	958.7	298	709.7	191	683.7
September 30, 2023	7,905	(4.6)	27	(75.9)	36	(71.7)	24	(59.0)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended		
September 30, 2024	18.48	18.46
September 30, 2023	2.33	2.33

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	6,975	5,553	79.6
As of March 31, 2024	7,209	5,566	77.2

(Reference) Equity: As of September 30, 2024: ¥5,553 million
 As of March 31, 2024: ¥5,566 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, 2024	—	0.00	—	10.00	10.00
Fiscal year ending March 31, 2025	—	0.00			
Fiscal year ending March 31, 2025 (forecast)			—	11.00	11.00

(Note) Revision to the dividends forecast announced most recently: None

3. Financial Results Forecast for the Fiscal Year Ending March 31, 2025 (April 1, 2024, to March 31, 2025)

(% indicates changes from the previous corresponding period.)

Full year	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	17,000	5.8	1,200	55.5	1,200	51.8	720	82.6	69.66

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

(1) Adoption of accounting policies for the preparation of semi-annual 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):

As of September 30, 2024: 10,669,000 shares

As of March 31, 2024: 10,669,000 shares

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

As of September 30, 2024: 309,974 shares

As of March 31, 2024: 332,974 shares

3) Average number of shares during the period:

Six months ended September 30, 2024: 10,341,767 shares

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

(As of September 30, 2024: 109,750 shares; as of March 31, 2024: 132,750 shares)

Average number of shares during the period

(Six months ended September 30, 2024: 127,008 shares; six months ended September 30, 2023: 143,680 shares)

* Semi-annual financial results are outside the scope of 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 Semi-Annual Financial Results for the Period under Review" on page 3 of the Appendix.

(Method of obtaining briefing materials)

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

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1. Qualitative Information on Semi-Annual Financial Results for the Period under Review

(1) Explanation of Business Results

During the six months ended September 30, 2024 (from April 1, 2024, to September 30, 2024), the Japanese economy showed a gradual recovery trend, with personal consumption recovering due to the normalization of economic activities and improvements in employment and income conditions. However, there is an ongoing need to keep a close eye on economic trends both in and outside of Japan, with growing concerns regarding sharp fluctuations in exchange rates caused by domestic and U.S. monetary policies, soaring raw material and energy prices, and 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 ¥2,472.1 billion in 2023, up 5.0% year on year (source: FY2023 Digital Business Environment Improvement Project, E-Commerce Market Survey; Ministry of Economy, Trade and Industry, September 2024). 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 aggressively develops actual stores to expand touch points with customers for establishing an OMO-type direct-to-consumer (D2C) business. The Company also works on expanding distribution through 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 worked on expanding distribution and improving brand recognition by strengthening its social media presence, as well as encouraging membership through mobile app downloads. Access count and distribution declined as we continued to curb sales promotion expenses and advertising expenses as profitability improvement efforts since the previous fiscal year. However, we were able to build a profitable and efficient sales structure. In terms of product lineup, the Company continued its effort to expand genres and the number of items, develop hit products and high-profit-margin products, under its own private brands, which is an initiative it has been working on for some time.

Regarding actual store development, the Company has gradually seen a positive impact on its LOWYA flagship store from stores already opened, and will continue verifying the establishment of an OMO-type D2C business. The Company plans to open four to six new stores in the current fiscal year and opened in Yokohama City, Kanagawa Prefecture in August 2024; in Setagaya Ward, Tokyo in September 2024; and in Aki District, Hiroshima Prefecture in October 2024. The following new stores are scheduled to open: Ibaraki City, Osaka Prefecture and Shizuoka City, Shizuoka Prefecture in November 2024; and Anjo City, Aichi Prefecture in April 2025. We will continue to actively engage in the development of actual stores to expand touch points with our customers.

As for profit, the Company implemented stable cost ratio control by implementing forward exchange contracts and other measures, although there was a phase in which the yen appreciated sharply against the U.S. dollar. In addition, profit increased significantly compared with the same period of the previous fiscal year. This resulted from efforts to control personnel expenses and fixed costs, centered on optimizing advertising costs through profit improvement initiatives that have been ongoing since the previous fiscal year.

In the new International EC Platform DOKODEMO business, total distribution volume has decreased due to continued changes in inbound consumption and the impact of optimization of advertising costs. 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, 2024, were ¥7,123 million in net sales (down 9.9% year on year), ¥294 million in operating profit (up 958.7% year on year), ¥298 million in ordinary profit (up 709.7% year on year) and ¥191 million in profit (up 683.7% year on year).

(2) Explanation of Financial Position

Total assets as of the end of the interim fiscal year under review decreased ¥234 million to ¥6,975 million (¥7,209 million as of the end of the previous fiscal year). Current assets fell ¥394 million to ¥5,758 million (¥6,153 million as of the end of the previous fiscal year). This was mainly attributable to an increase in cash and deposits of ¥255 million yen and a decrease in accounts receivable - trade of ¥564 million. Non-current assets were up ¥160 million to ¥1,216 million (¥1,056 million as of the end of the previous fiscal year).

Liabilities fell ¥221 million to ¥1,421 million (¥1,643 million as of the end of the previous fiscal year). Current liabilities decreased ¥199 million to ¥1,386 million (¥1,586 million as of the end of the previous fiscal year). This was mainly attributable to an increase in forward exchange contracts of ¥101 million yen and a decrease in income taxes payable of ¥127 million, and a drop in accounts payable - other of ¥114 million. Non-current liabilities fell ¥21 million to ¥35 million (¥56 million as of the end of the previous fiscal year).

Net assets were down ¥13 million to ¥5,553 million (¥5,566 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, 2025, no revisions have been made to the full-year forecast released on May 15, 2024.

2. Semi-Annual Financial Statements and Primary Notes

(1) Semi-Annual Balance Sheet

(Thousand yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	1,750,184	2,006,030
Accounts receivable - trade	1,739,849	1,175,251
Merchandise	2,110,508	2,226,855
Forward exchange contracts	94,614	—
Other	457,935	350,445
Total current assets	6,153,093	5,758,584
Non-current assets		
Property, plant and equipment	234,199	319,272
Intangible assets	284,507	241,648
Investments and other assets		
Deferred tax assets	186,921	245,193
Leasehold and guarantee deposits	250,498	314,473
Other	103,711	99,592
Allowance for doubtful accounts	(3,200)	(3,200)
Total investments and other assets	537,930	656,059
Total non-current assets	1,056,637	1,216,980
Total assets	7,209,731	6,975,565
Liabilities		
Current liabilities		
Accounts payable - trade	242,433	205,764
Accounts payable - other	787,139	673,081
Income taxes payable	264,602	137,293
Forward exchange contracts	—	101,041
Provision for bonuses	101,112	81,112
Provision for product warranties	6,337	6,337
Other	185,126	182,299
Total current liabilities	1,586,752	1,386,928
Non-current liabilities		
Provision for share awards	56,349	35,025
Total non-current liabilities	56,349	35,025
Total liabilities	1,643,101	1,421,954
Net assets		
Shareholders' equity		
Share capital	1,037,128	1,037,128
Capital surplus	1,020,753	1,020,753
Retained earnings	3,747,515	3,833,976
Treasury shares	(319,237)	(285,913)
Total shareholders' equity	5,486,159	5,605,943
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	14,694	17,890
Deferred gains or losses on hedges	65,757	(70,223)
Total valuation and translation adjustments	80,451	(52,332)
Share acquisition rights	18	—
Total net assets	5,566,629	5,553,611
Total liabilities and net assets	7,209,731	6,975,565

(2) Semi-Annual Statements of Income

(Thousand yen)

	For the six months ended September 30, 2023	For the six months ended September 30, 2024
Net sales	7,905,897	7,123,943
Cost of sales	4,078,640	3,449,566
Gross profit	3,827,257	3,674,377
Selling, general and administrative expenses	3,799,399	3,379,440
Operating profit	27,858	294,937
Non-operating income		
Foreign exchange gains	—	1,588
Compensation income	4,578	3,210
Other	5,409	3,286
Total non-operating income	9,987	8,086
Non-operating expenses		
Loss on investments in investment partnerships	502	1,084
Foreign exchange losses	429	—
Loss on sale of goods	—	3,026
Other	—	0
Total non-operating expenses	931	4,111
Ordinary profit	36,914	298,912
Profit before income taxes	36,914	298,912
Income taxes - current	12,525	107,763
Total income taxes	12,525	107,763
Profit	24,389	191,148

(3) Notes to the Semi-Annual 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 semi-annual financial statements)

Tax expenses are determined based on the amount of profit before income taxes for the six months ended September 30, 2024, multiplied by the effective tax rate after the adoption of tax-effect accounting estimated for the entire fiscal year ending March 31, 2025. 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.

(Notes on segment information, etc.)

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