

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



July 31, 2024

Company name: Vega corporation Co., Ltd.
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 3542
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 Scheduled date of commencing dividend payments: —
 Availability of supplementary briefing material on financial results: Available
 Schedule of 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, 2024 (April 1, 2024, to June 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	%
Three Months Ended June 30, 2024	3,598	(13.4)	202	—	203	—	130	—
June 30, 2023	4,154	(1.1)	(34)	—	(29)	—	(19)	—

	Basic earnings per share	Diluted earnings per share
Three Months Ended	Yen	Yen
June 30, 2024	12.60	12.58
June 30, 2023	(1.89)	—

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

(2) Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	6,998	5,641	80.6
As of March 31, 2024	7,209	5,566	77.2

(Reference) Equity: As of June 30, 2024: 5,641 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 Mar. 31, 2025	—	—	—	—	—
Fiscal year ending March 31, 2025 (forecast)	—	0.00	—	11.00	11.00

(Notes) 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.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ending September 30, 2024	7,600	(3.9)	400	—	400	983.6	240	884.0	23.22
Full year	17,000	5.8	1,200	55.5	1,200	51.8	720	82.6	69.66

(Notes) 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, 2024: 10,669,000 shares
 - March 31, 2024: 10,669,000 shares
 - 2) Total number of treasury shares at the end of the period:
 - June 30, 2024: 332,974 shares
 - March 31, 2024: 332,974 shares
 - 3) Average number of shares during the period:
 - Three months ended June 30, 2024: 10,336,026 shares
 - Three months ended June 30, 2023: 10,493,833 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, 2024: 132,750 shares; March 31, 2024: 132,750 shares)
Average number of shares during the period
(Three months ended June 30, 2024: 132,750 shares; Three months ended June 30, 2023: 146,450 shares)

* Review of the accompanying quarterly financial statements by certified public accountants and audit firms:
None

* 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 July 31, 2024.

○ Table of Contents of Appendix

1. Qualitative Information on Quarterly Financial Results for the Period under Review.....	2
(1) Explanation of Business Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Financial Results Forecast and Other Forward-Looking Information.....	3
2. Quarterly Financial Statements and Primary Notes.....	4
(1) Quarterly Balance Sheets	4
(2) Quarterly Statements of Income.....	5
For the three months ended June 30	5
(3) Notes to the Quarterly Financial Statements.....	6
(Notes on going concern assumption)	6
(Notes on significant changes in shareholders' equity).....	6
(Adoption of accounting policies for the preparation of quarterly financial statements)	6
(Notes on segment information, etc.).....	6
(Notes to quarterly statements of cash flows).....	6

1. Qualitative Information on Quarterly Financial Results for the Period under Review

(1) Explanation of Business Results

During the three months ended June 30, 2024 (from April 1, 2024, to June 30, 2024), the Japanese economy showed a gradual recovery trend, with personal consumption picking up due to the normalization of economic activities and improvement in the employment and income environment. 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, 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 ¥2,354.1 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 aggressively develops actual stores to expand touch points with customers to establish an OMO-type direct-to-consumer (D2C) business, and expands the distribution 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 worked on expanding distribution and improving brand recognition by strengthening its social media presence, as well as encouraging membership through mobile app downloads. The access count and distribution declined as the Company continuously curbed sales promotion expenses and advertising expenses as profitability improvement efforts since the previous fiscal year. However, the Company was able to establish a profit-efficient sales structure. In terms of the product lineup, the Company has continued its efforts to expand the number of items and genres, develop hit products, and develop high-profit-margin products of its own private brands, which are initiatives it has been working on for some time.

In terms of actual store development, the Company has gradually seen a positive impact on its LOWYA flagship store through the three stores opened in the previous fiscal year, 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. The following new stores are scheduled to open: Yokohama City, Kanagawa Prefecture in August 2024; Setagaya Ward, Tokyo in September 2024; Aki District, Hiroshima Prefecture in October 2024; Ibaraki City, Osaka in November 2024; and Shizuoka City, Shizuoka Prefecture in winter 2024. We will continue to actively engage in the development of actual stores to expand touch points with our customers.

As for profit, although the Company was affected by a rise in the cost of sales ratio due to the ongoing depreciation of the yen, 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 marketing 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 been decreasing continuously due to changes in inbound consumption trends and the impact of optimizing marketing 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 three months ended June 30, 2024, were ¥3,598 million in net sales (down 13.4% year on year), ¥202 million in operating profit (operating loss of ¥34 million in the same period of the previous fiscal year), ¥203 million in ordinary profit (ordinary loss of ¥29 million in the same period of the previous fiscal year) and ¥130 million in profit (loss of ¥19 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 ¥211 million to ¥6,998 million (¥7,209 million as of the end of the previous fiscal year). Current assets dropped ¥217 million to ¥5,935 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 ¥282 million and a decrease in accounts receivable - trade of ¥619 million. Non-current assets grew ¥6 million to ¥1,062 million (¥1,056 million as of the end of the previous fiscal year).

Liabilities fell ¥286 million to ¥1,356 million (¥1,643 million as of the end of the previous fiscal year). Current liabilities were down ¥292 million to ¥1,294 million (¥1,586 million as of the end of the previous fiscal year). This was mainly attributable to decreases in accounts payable - other of ¥116 million and income taxes payable of ¥176 million. Non-current liabilities grew ¥6 million to ¥62 million (¥56 million as of the end of the previous fiscal year).

Net assets rose ¥75 million to ¥5,641 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 forecast released on May 15, 2024.

2. Quarterly Financial Statements and Primary Notes

(1) Quarterly Balance Sheets

(Thousand yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	1,750,184	2,032,939
Accounts receivable - trade	1,739,849	1,119,894
Merchandise	2,110,508	2,186,916
Forward exchange contracts	94,614	162,461
Other	457,935	433,653
Total current assets	6,153,093	5,935,865
Non-current assets		
Property, plant and equipment	234,199	243,646
Intangible assets	284,507	262,344
Investments and other assets		
Deferred tax assets	186,921	165,049
Leasehold and guarantee deposits	250,498	296,009
Other	103,711	98,848
Allowance for doubtful accounts	(3,200)	(3,200)
Total investments and other assets	537,930	556,707
Total non-current assets	1,056,637	1,062,698
Total assets	7,209,731	6,998,564
Liabilities		
Current liabilities		
Accounts payable - trade	242,433	193,568
Accounts payable - other	787,139	671,127
Income taxes payable	264,602	88,389
Provision for bonuses	101,112	141,667
Provision for product warranties	6,337	6,337
Other	185,126	193,123
Total current liabilities	1,586,752	1,294,214
Non-current liabilities		
Provision for share awards	56,349	62,349
Total non-current liabilities	56,349	62,349
Total liabilities	1,643,101	1,356,564
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	3,773,066
Treasury shares	(319,237)	(319,237)
Total shareholders' equity	5,486,159	5,511,709
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	14,694	17,378
Deferred gains or losses on hedges	65,757	112,910
Total valuation and translation adjustments	80,451	130,289
Share acquisition rights	18	—
Total net assets	5,566,629	5,641,999
Total liabilities and net assets	7,209,731	6,998,564

(2) Quarterly Statements of Income

For the three months ended June 30

(Thousand yen)

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Net sales	4,154,808	3,598,678
Cost of sales	2,165,739	1,718,637
Gross profit	1,989,069	1,880,040
Selling, general and administrative expenses	2,023,766	1,677,478
Operating profit (loss)	(34,697)	202,562
Non-operating income		
Foreign exchange gains	—	359
Commission income	1,595	1,244
Compensation income	2,859	1,625
Other	646	979
Total non-operating income	5,102	4,208
Non-operating expenses		
Loss on investments in investment partnerships	—	257
Foreign exchange losses	353	—
Loss on sale of goods	—	3,026
Other	—	0
Total non-operating expenses	353	3,284
Ordinary profit (loss)	(29,947)	203,487
Profit (loss) before income taxes	(29,947)	203,487
Income taxes - current	(10,161)	73,248
Total income taxes	(10,161)	73,248
Profit (loss)	(19,786)	130,238

(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 or loss before income taxes for the first quarter ended June 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.)

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

(Notes to quarterly statements of cash flows)

Quarterly statements of cash flows pertaining to the three months ended June 30, 2024, have not been prepared. Depreciation (including amortization related to intangible assets) pertaining to the first three months is as follows:

	For the three months ended June 30, 2023	For the three months ended June 30, 2024
Depreciation	¥35,890 thousand	¥37,025 thousand