



Quarterly Financial Results
for the Six Months Ended September 30, 2018

Vega corporation Co., Ltd.

Agenda

1. Overview of Quarterly Financial Results for the Six Months Ended September 30, 2018
2. Revision of Full-year Financial Results Forecasts
3. Report on LOWYA Business
4. Initiatives Starting from the Second Half of the Fiscal Year
5. Synergy of Company-wide Businesses
6. New Businesses (R&D)
7. Appendix

Summary of the First Half of the Fiscal Year Ending March 31, 2019

- Targets not achieved due to decrease in net sales compared to the previous year, mainly resulting from stock-out at the Rakuten marketplace store
- Delivery expenses began to surge this fiscal year
- Steady growth in both access and net sales of the flagship store



Strengthen fulfillment structure to fully support transformation from marketplace stores to the flagship store and its growth

1. Overview of Quarterly Financial Results for the Six Months Ended September 30, 2018

1. Summary of Financial Results

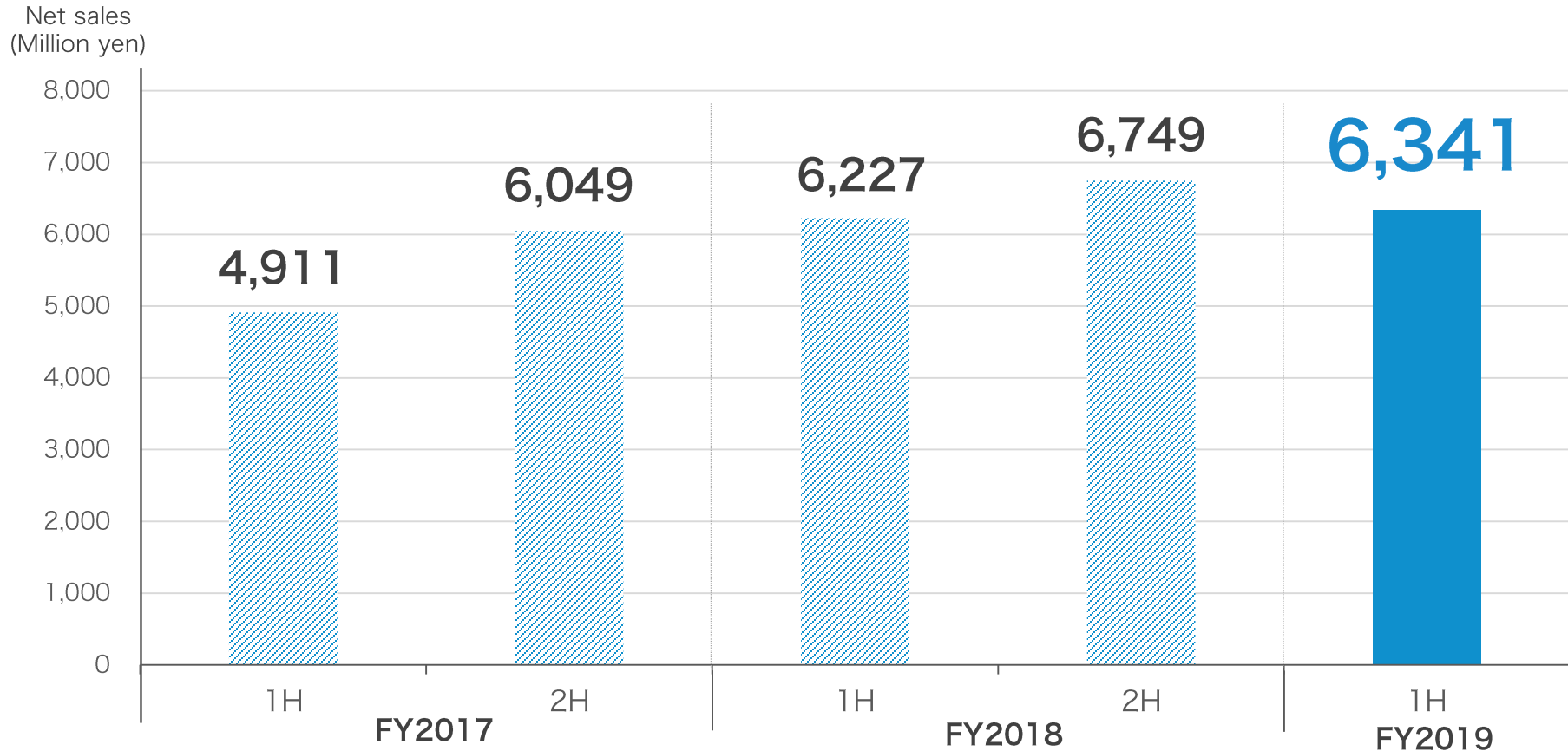
(Million yen)

	Six months ended September 30, 2017	Sales ratio	Six months ended September 30, 2018	Sales ratio	Change	YoY
Net sales	6,250	100.0%	6,341	100.0%	+90	101.5%
Gross profit	3,188	51.0%	3,432	54.1%	+244	107.7%
SG&A expenses	3,021	48.3%	3,455	54.5%	+434	114.4%
Operating profit	166	2.7%	(23)	(0.4)%	(190)	—%
Ordinary profit	173	2.8%	(16)	(0.3)%	(190)	—%
Profit	106	1.7%	(47)	(0.7)%	(153)	—%

(*) Audit procedures pursuant to the Financial Instruments and Exchange Act are in progress as of the date of disclosure of this document.

1. Semiannual Sales

Net sales in 1H FY2019 increased by 1.8% YoY



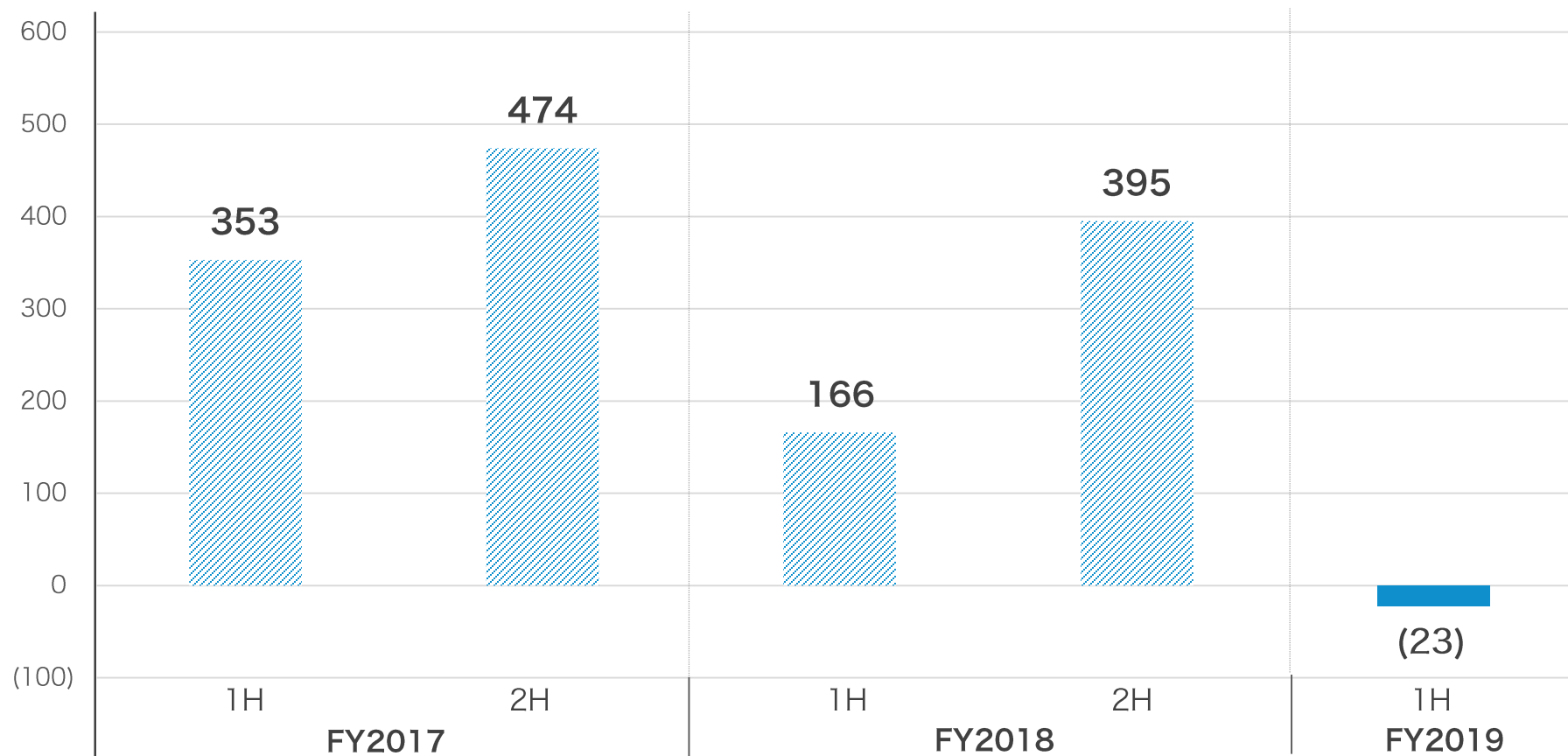
(*) Delivery revenue of DOKODEMO is amended retrospectively to the net amount after deduction of delivery fees.

- Net sales in the second quarter (July to September) were 2,969 million yen, down 2.0% YoY
- Although net sales of the flagship store increased, net sales decreased compared to the previous year, mainly resulting from stock-out at the Rakuten marketplace store

1. Semiannual Operating Profit

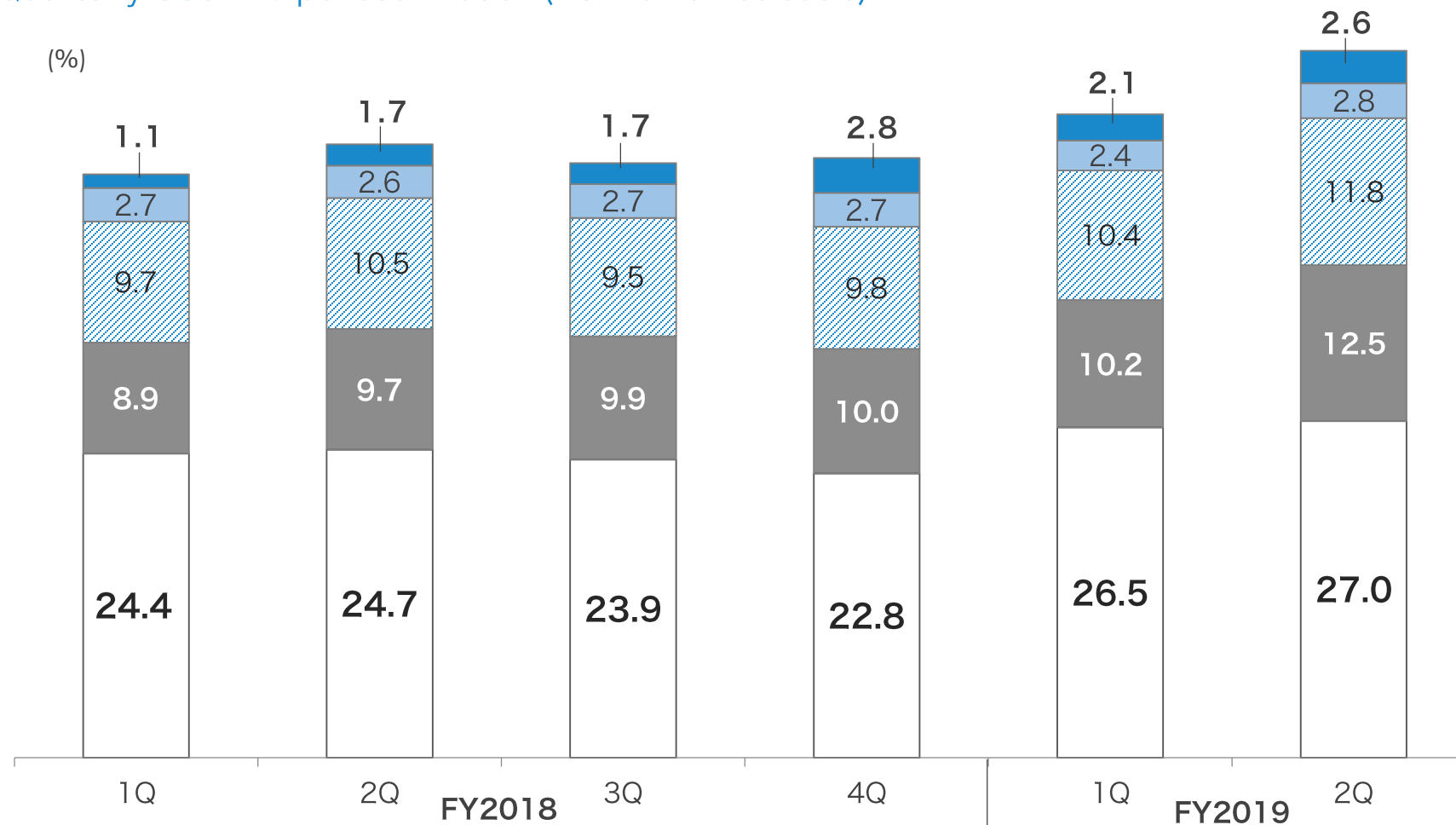
Operating profit was **(23) million yen** due to increase in fixed costs associated with business expansion

Operating profit
(Million yen)



- Operating profit in the second quarter (July to September) was (94) million yen
- Mainly due to increase in fixed costs resulting from prior investments in personnel expenses and infrastructure in line with business expansion, and surge in delivery expenses

1. Quarterly SG&A Expenses <Ratio> (R&D on a net basis)



- Advertising expenses
- R&D expenses (Note1)
- Fixed costs
- Personnel expenses (Note 2)
- Selling expenses (Note3)

(Note 1) Presented as the net amount of revenue and expenditures.
 (Note 2) Includes salaries and allowances.
 (Note 3) Includes sales commissions and packing and shipping costs.

(*) The SG&A expense ratio shows the ratio against net sales.
 Furthermore, revenue related to research and development expenses is excluded from net sales used as the basis for the calculation of the SG&A expense ratio, and therefore this data does not match the SG&A expense ratio on the statement of income.

1. Balance Sheet

(Million yen)

	Previous fiscal year (as of March 31, 2018)	Six months ended September 30, 2018		Previous fiscal year (as of March 31, 2018)	Six months ended September 30, 2018
Current assets	5,309	5,066	Current liabilities	2,107	2,098
Cash and deposits	1,656	1,789	Debt obligations	820	820
Accounts receivable – trade	1,801	1,318	Non-current liabilities	27	37
Merchandise	1,750	1,821	Total liabilities	2,135	2,136
Non-current assets	604	848	Shareholders' equity	3,788	3,752
Property, plant and equipment, and intangible assets	270	309	Total net assets	3,779	3,778
Total assets	5,914	5,915	Total liabilities and net assets	5,914	5,915

(*) Audit procedures pursuant to the Financial Instruments and Exchange Act are in progress as of the date of disclosure of this document.

2. Revision of Full-year Financial Results Forecasts

2. Revision of Financial Results Forecasts

Revision of net sales forecast to reflect effects of stock-out and shift
from marketplace stores to the flagship store

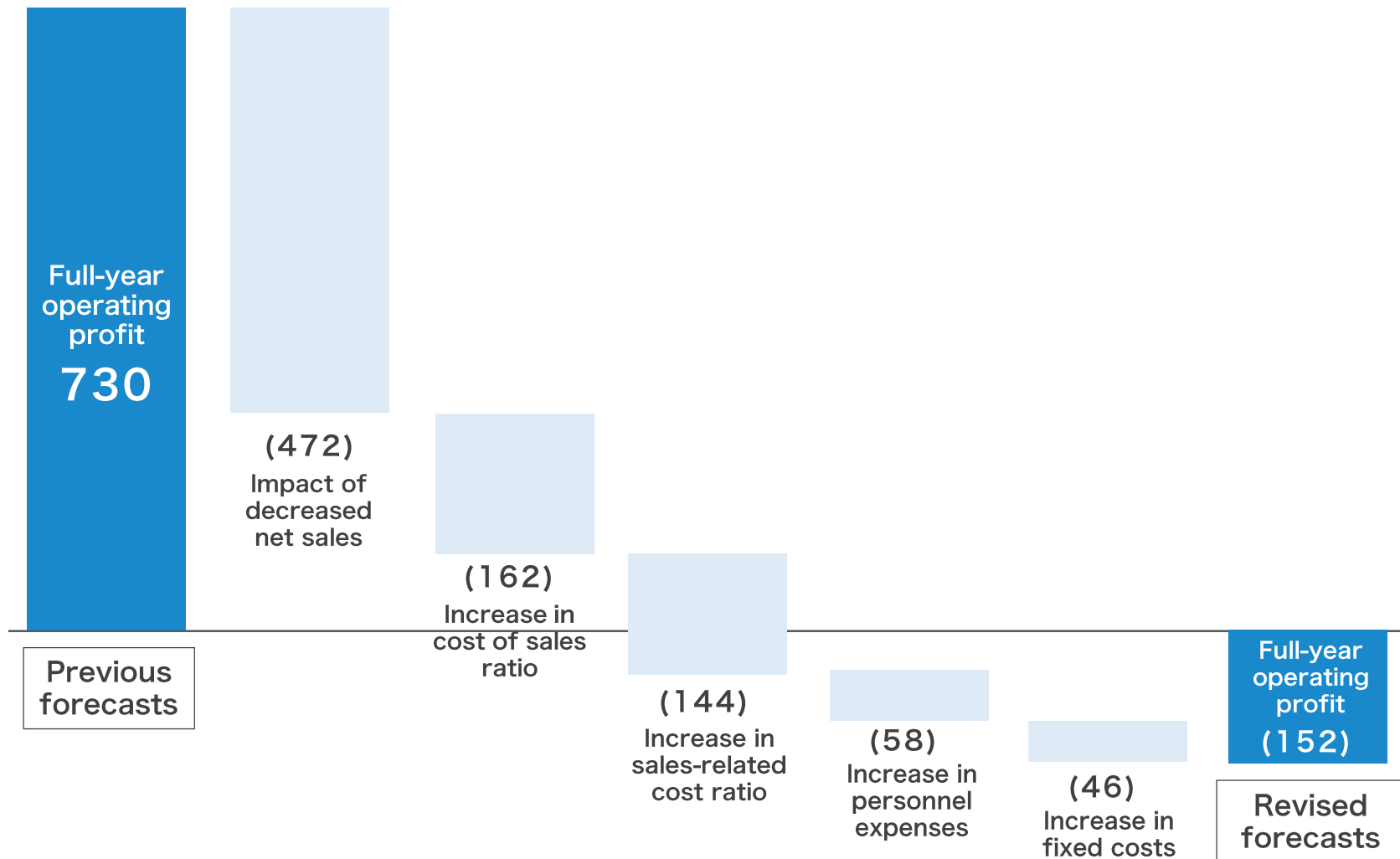
Revision of cost of sales in view of recent conditions, and additional recording
of sales-related costs in response to opportunity loss due to stock-out

(Million yen)

	Previous forecasts	Revised forecasts	Change	Percentage change	(Reference) Performance in the previous fiscal year
Net sales	15,800	14,000	(1,800)	(11.4)%	12,977
Operating profit	730	(152)	(882)	—	561
Ordinary profit	750	(139)	(889)	—	589
Profit	460	(123)	(583)	—	338
Basic earnings per share (yen)	44.87	(11.98)	—	—	32.84

2. Analysis of Difference

(Million yen)



3. Report on LOWYA Business

3. Quarterly Report <Overall LOWYA Business>

Net sales of the flagship store increased, but targets were not achieved due to YoY decrease in net sales of the marketplace stores

(Million yen)

	Six months ended September 30, 2017	Sales ratio	Six months ended September 30, 2018	Sales ratio	Change	YoY
Net sales	6,204	100.0%	6,282	100.0%	+78	101.3%
Gross profit	3,141	50.6%	3,374	53.7%	+232	107.4%
SG&A expenses	2,815	45.4%	3,235	51.5%	+420	114.9%
Operating profit	326	5.3%	138	2.2%	(188)	42.4%

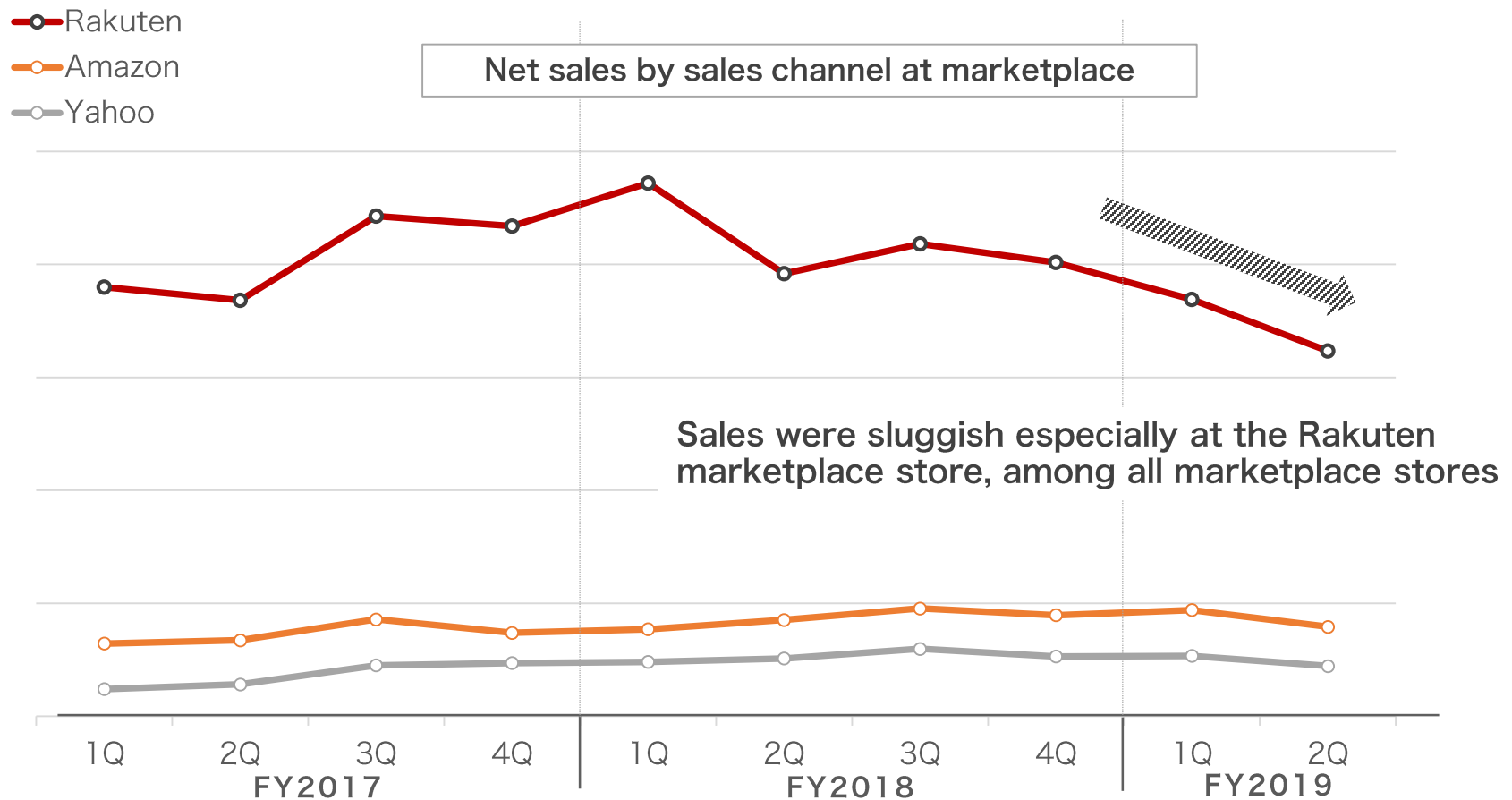
(*) The LOWYA business is the sum of the mainstay “LOWYA” brand and all stores excluding DOKODEMO and Laig.

3. Quarterly Report_Management Indicators <Overall LOWYA Business>

Item	Fiscal year ended March 31, 2018				Fiscal year ending March 31, 2019	
	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)	3Q (Oct. – Dec.)	4Q (Jan. – Mar.)	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)
YoY number of visitors (%)	127.2	128.0	105.3	122.8	125.1	110.1
YoY average customer spend (%)	95.4	94.3	97.1	102.7	109.9	113.0
YoY CVR (%)	111.9	106.3	107.7	88.9	75.2	78.5
Number of products	1,442	1,594	1,795	1,958	2,070	2,169
Number of new products introduced	131	152	201	163	112	99
Average settlement rate (yen)	110.60	109.87	109.87	110.17	107.58	108.74

3. Quarterly Report_Net Sales by Sales Channel at Marketplace

Sluggish sales due to multiple factors including stock-out and increased delivery expenses, in particular, net sales at the Rakuten marketplace store decreased compared to the previous year



3. Quarterly Report_Delivery Expense Ratio

Packing and shipping costs ratio gradually rose then jumped **3.0pt** this fiscal year, putting pressure on profits



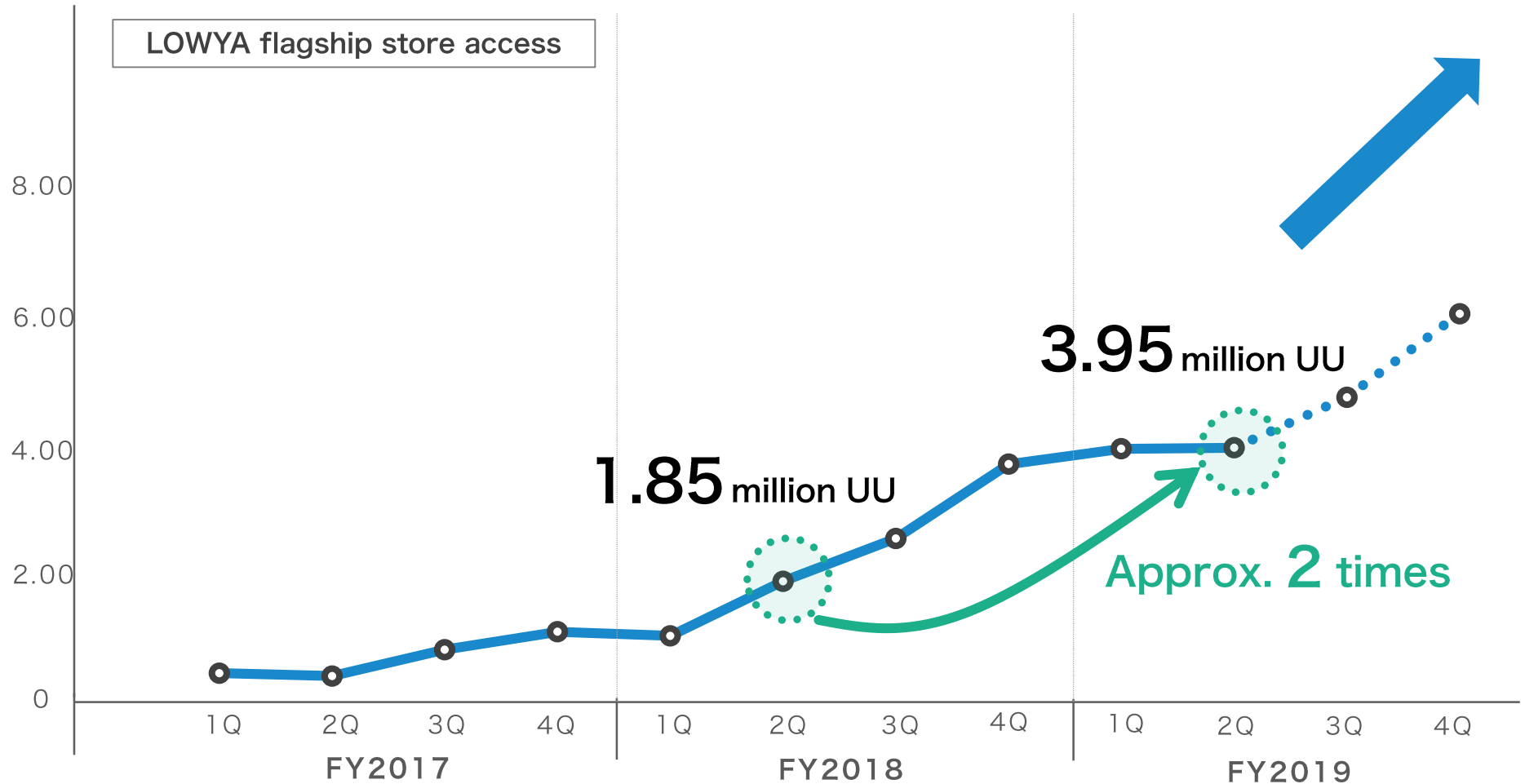
* The packing and shipping costs ratio shows the ratio against net sales.

Number of visitors to the flagship store increased **113.5%** YoY,
growing steadily despite stock-out effects

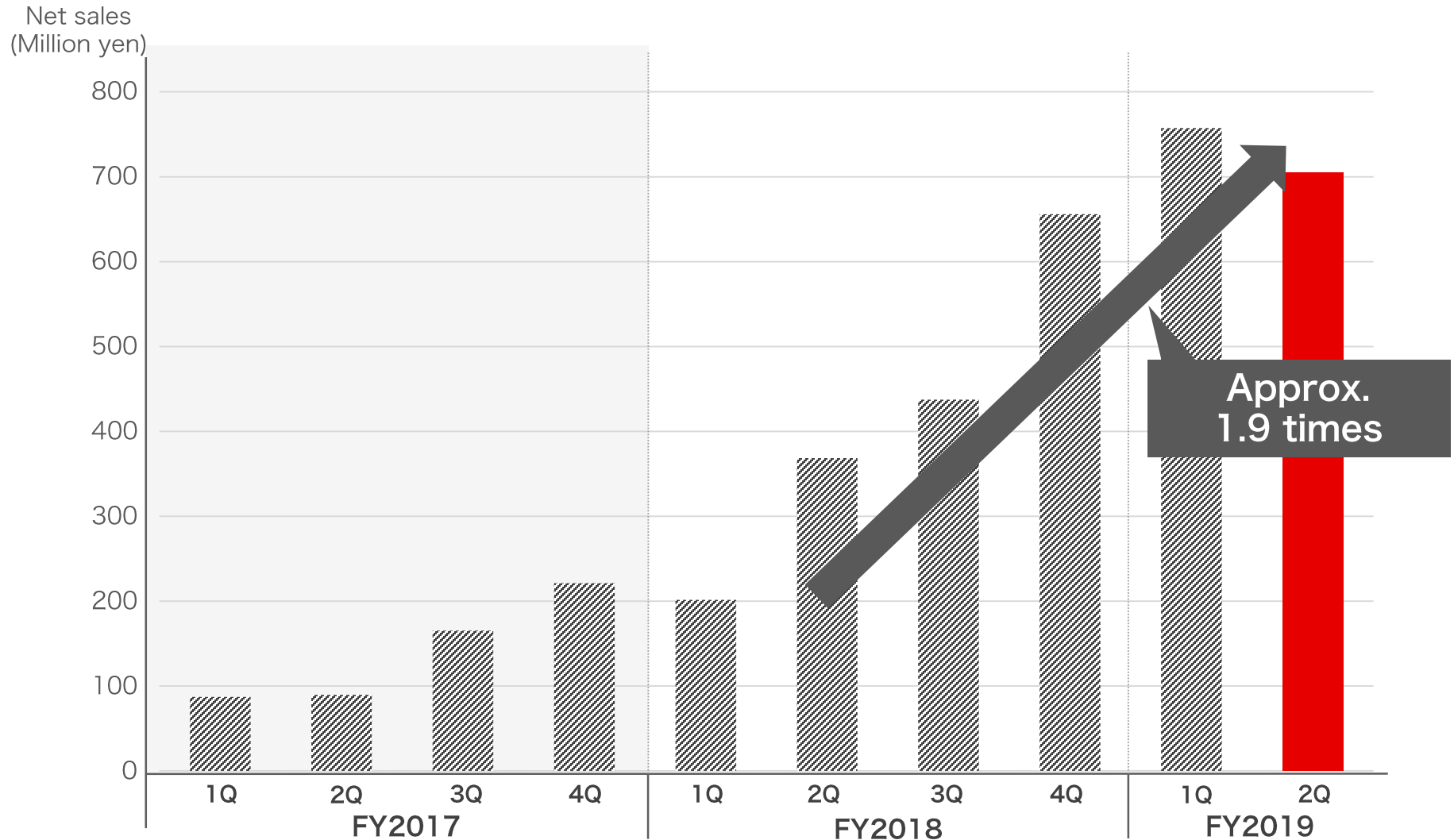
Item	Fiscal year ended March 31, 2018				Fiscal year ending March 31, 2019	
	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)	3Q (Oct. – Dec.)	4Q (Jan. – Mar.)	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)
[Flagship store] YoY number of visitors (%)	244.9	513.6	326.2	349.9	396.6	213.5
[Flagship store] YoY average customer spend (%)	105.0	100.9	120.4	97.7	100.3	110.8
[Flagship store] YoY CVR (%)	75.8	65.5	63.0	83.6	94.6	81.8

Ongoing efforts to build a fan base, aiming to increase access to the store

(Million unique users (UU))

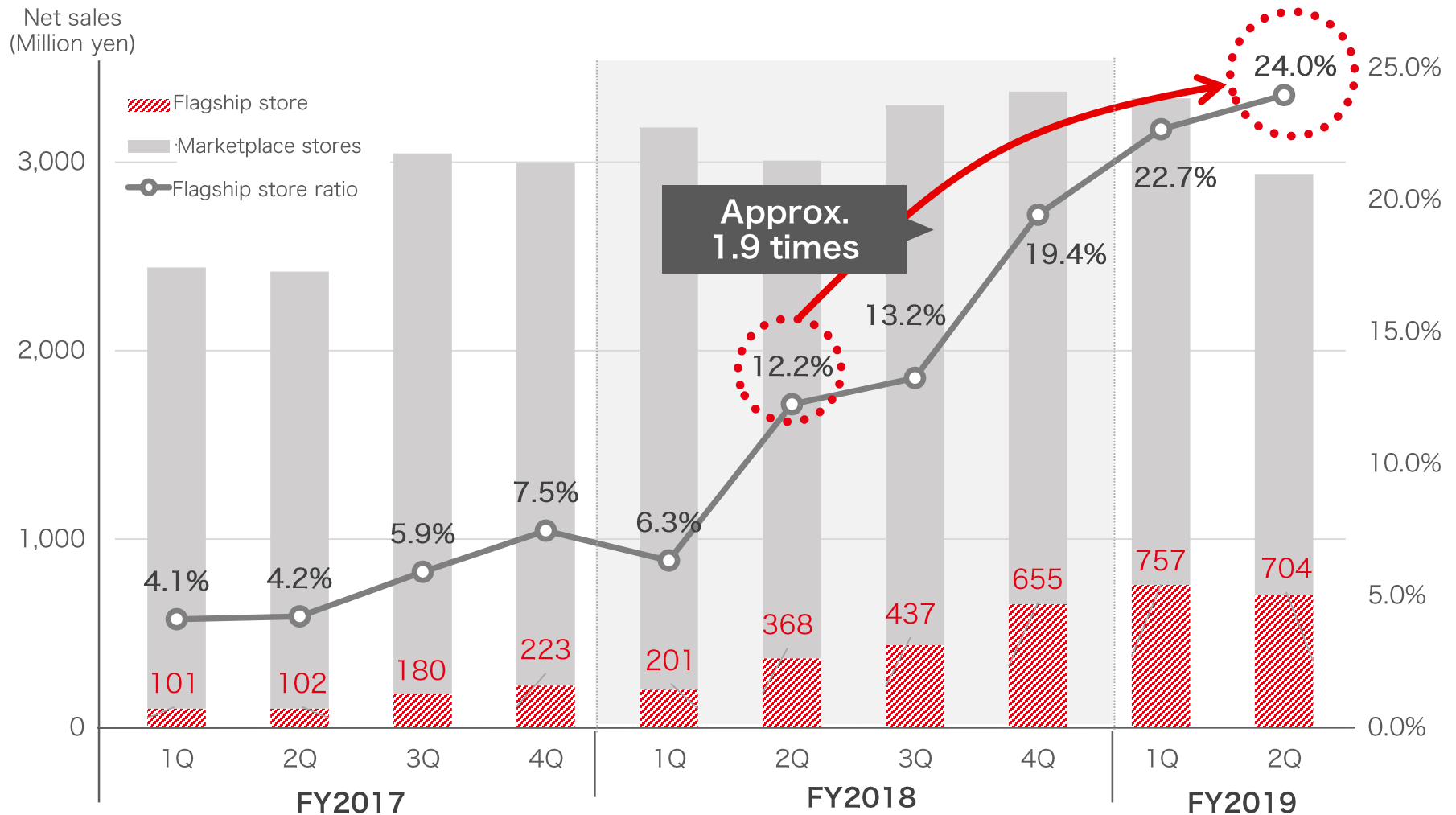


Strong sales at the flagship store, up **91%** YoY



3. Quarterly Report_Sales Ratio by Sales Channel

Flagship store ratio increased
from 12.2% in the previous 2Q to **24.0%**



4. Initiatives Starting from the Second Half of the Fiscal Year

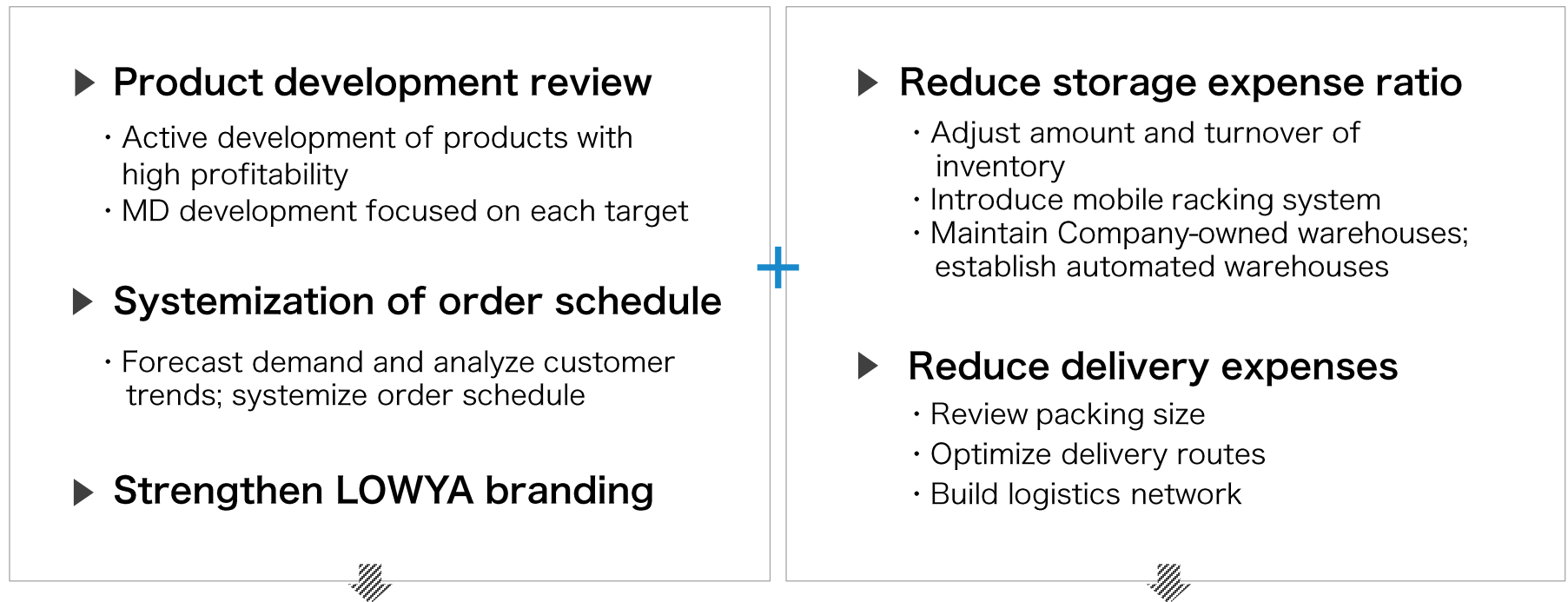
4-1. Strengthen Fulfillment Service Structure

4-2. Expand Recognition

4-3. Future Development

4-1. Strengthen Fulfillment Service Structure

Strengthen service structure and review earnings structure to enhance cooperation and optimization across the entire process



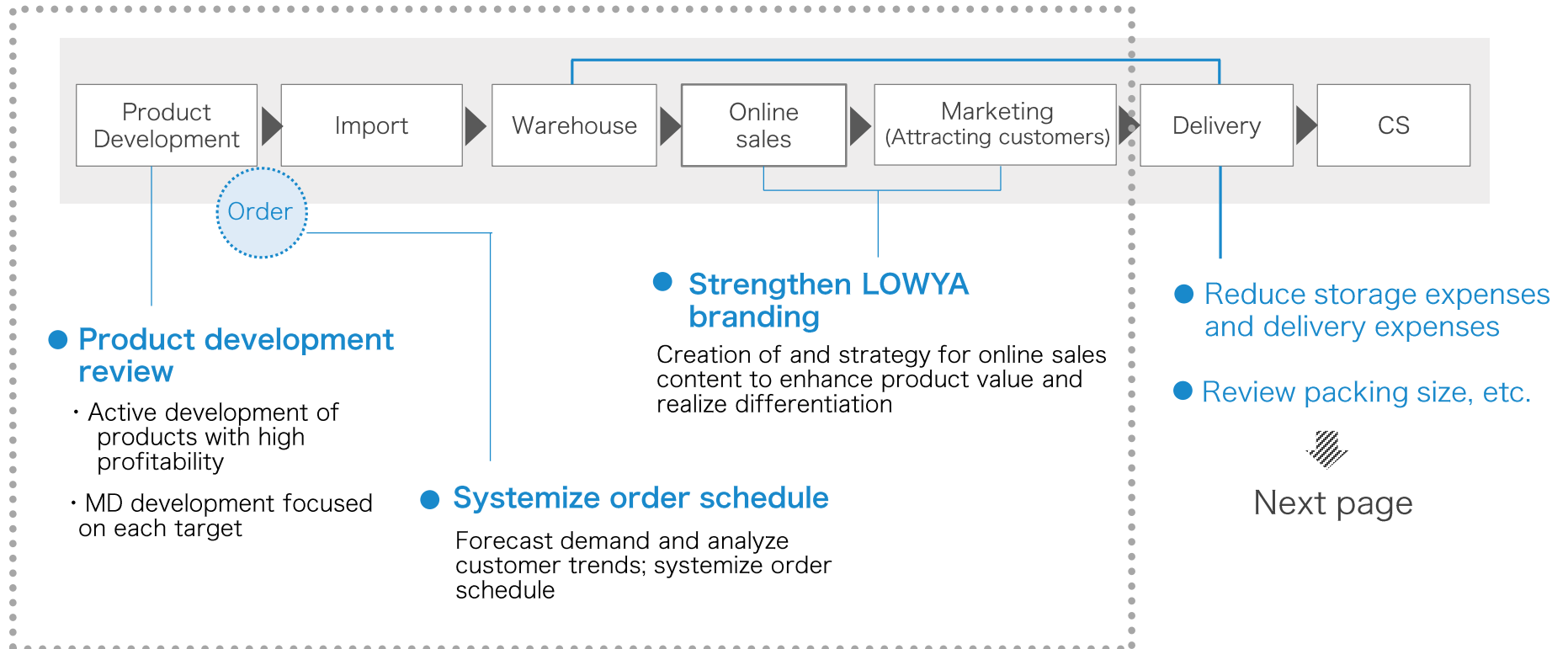
Strengthen service structure

Review earnings structure

4-1. Strengthen Fulfillment Service Structure

In shifting from a structure mainly composed of marketplace stores to the flagship store, it is necessary to be aware of the balance between the growth rate of the flagship store and internal infrastructure development while working for higher operational efficiency and improvement of fulfillment services.

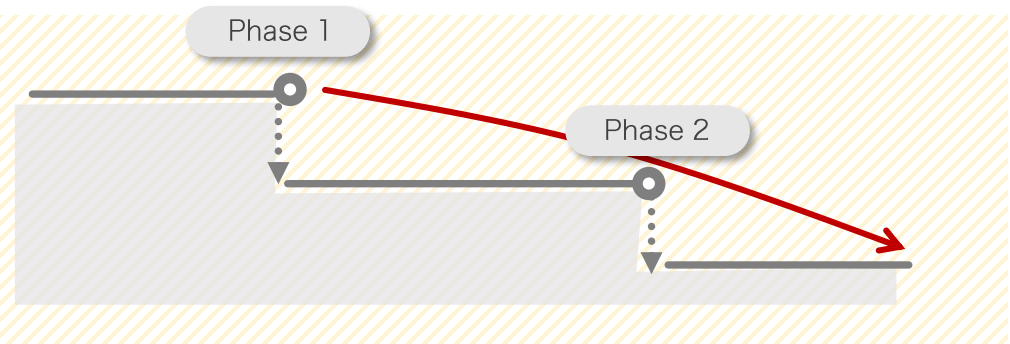
Strengthen service structure



4-1. Strengthen Fulfillment Service Structure

Storage expense ratio

Focus on efficient management of logistics, reduction of delivery lead times and other efforts to reduce storage expenses over the long term in order to accommodate the growth of the flagship store.



► Reduction of warehouse storage expense ratio

Phase 1 Mobile racking system

A mobile racking system is scheduled to be introduced in order to expand inventory storage space of the warehouse area. Construction will start in the next fiscal year for higher loading efficiency.

Adjustment of amount and turnover of inventory

Reduce long-term inventory by more accurate inventory control and marketing plans for each target

Phase 2 Company-owned warehouses and warehouse automation

Considering to purchase company-owned large warehouses and introduce automated warehouses in order to reduce storage expenses over the long term. Reduction of picking time and fixed costs is expected through these measures.

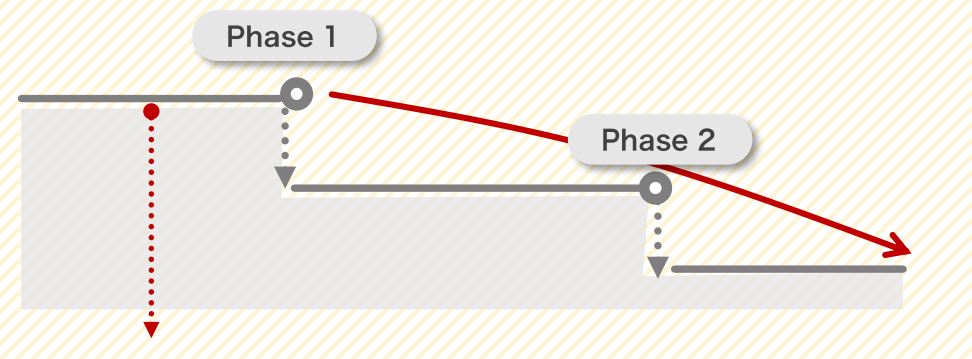


4-1. Strengthen Fulfillment Service Structure

Delivery expenses

Tackle the industry-wide issue over the long-term by reducing the delivery expense ratio through optimizing inventory placement (establishing the shortest and cheapest delivery routes), developing systems for optimization and improving loading efficiency (*).

* Improving loading efficiency through the increase in Laig load volume



Laig service launched

Reduction of delivery expenses

Phase 1

Review of packing size

Review total dimensions of packages by changing packing methods.
Review packing sizes for existing products and reduce product sizes at the development phase for new products.

Optimizing delivery routes and inventory placement

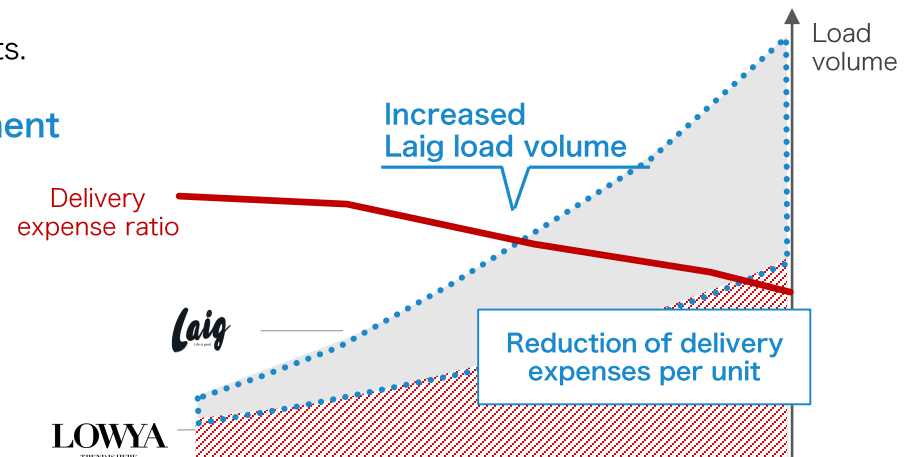
To reduce delivery expenses, shorten delivery routes from warehouses to users by conducting proper inventory management according to the delivery volume of each region.

Building a logistics network

Focus on reducing delivery expenses over the long term by increasing the number of partner carriers.

Phase 2

Improving loading efficiency through the increase in Laig load volume



4-2. Expand Recognition

Supermodel Taylor Hill was appointed as the LOWYA brand ambassador (*)
Going forward, conduct test marketing by area to attract customers

(*) For one year from October 2018

▼ Appointment of brand ambassador announced in October 2018



(*) More than 400 guests attended the press conference afterparty

▼ Brand logo refined in October 2018

LOWYA
TREND IS HERE.

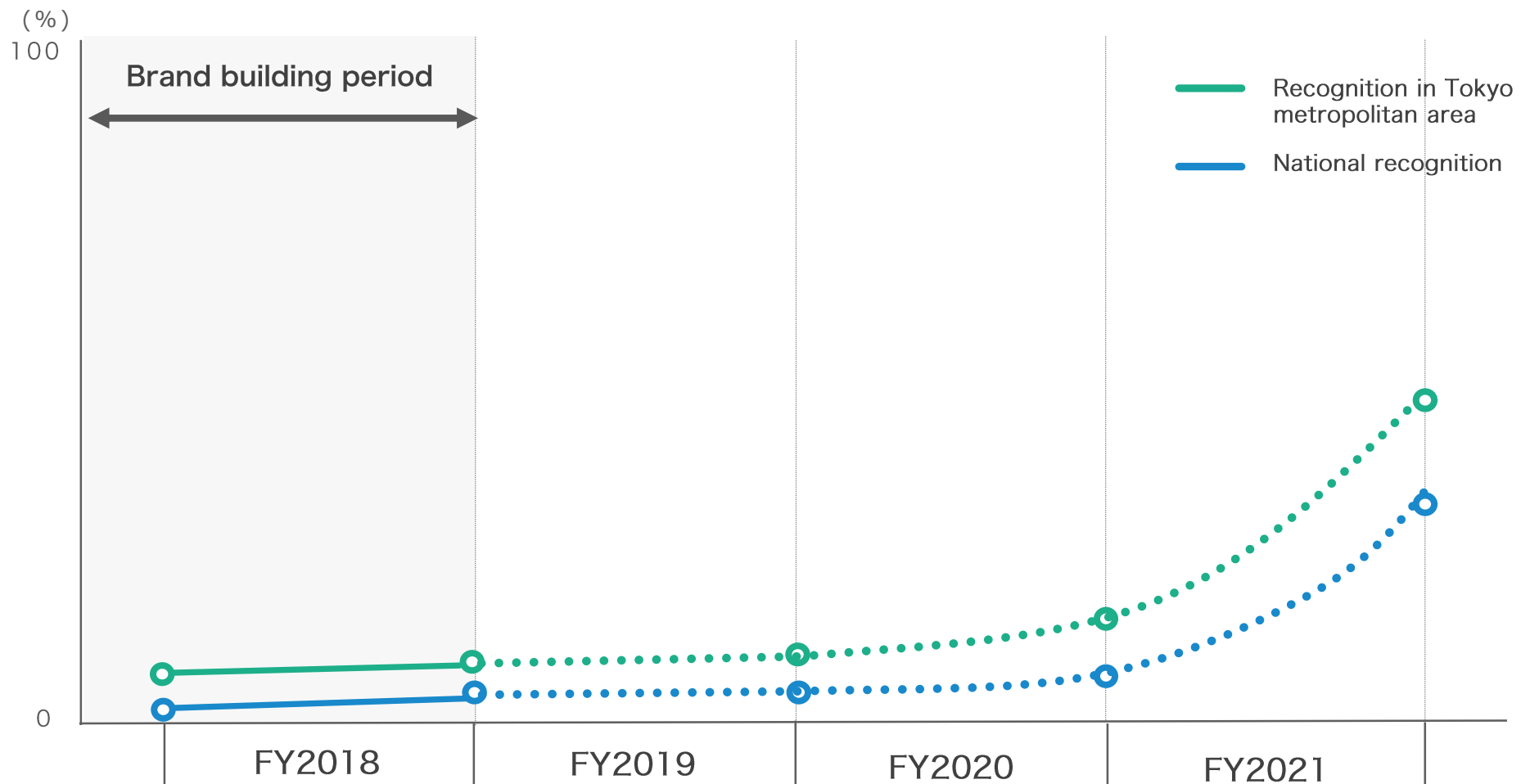
Designed to match a variety of tastes and cultures LOWYA provide, while representing a “**fast interior**” brand that proposes interior designs reflecting the latest trends, just like fashion.

Also, the tagline “**TREND IS HERE.**” represents LOWYA’s commitment to edit and disseminate the various trends and cultures collected.

The new brand logo, supervised by supermodel and fashion icon Taylor Hill, delivers a simple and sophisticated impression to appeal to customers of all times, regardless of trends.

4-2. Expand Recognition

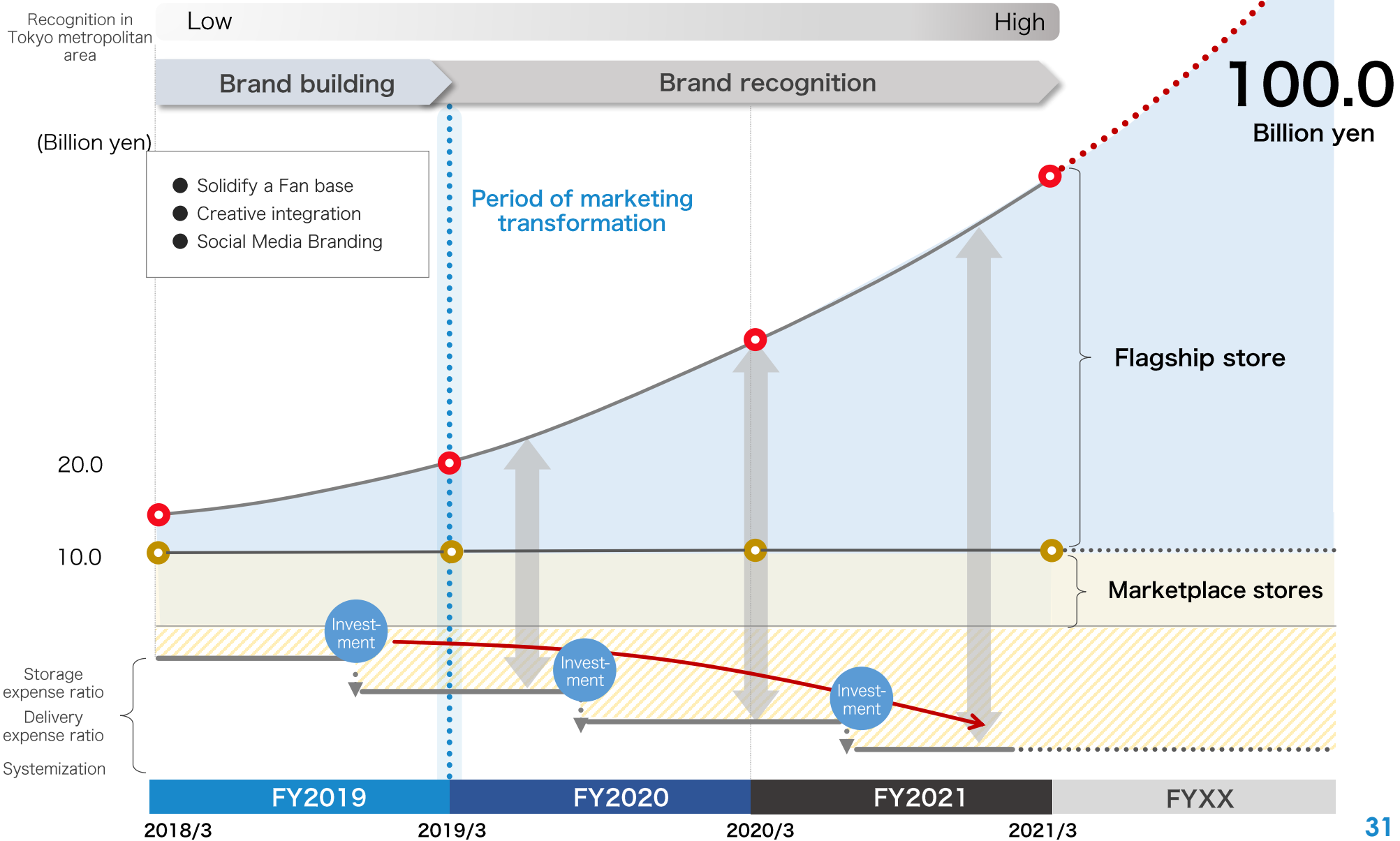
Prove correlation between recognition and sales through test marketing
Aim to enhance recognition in the Tokyo metropolitan area in three years



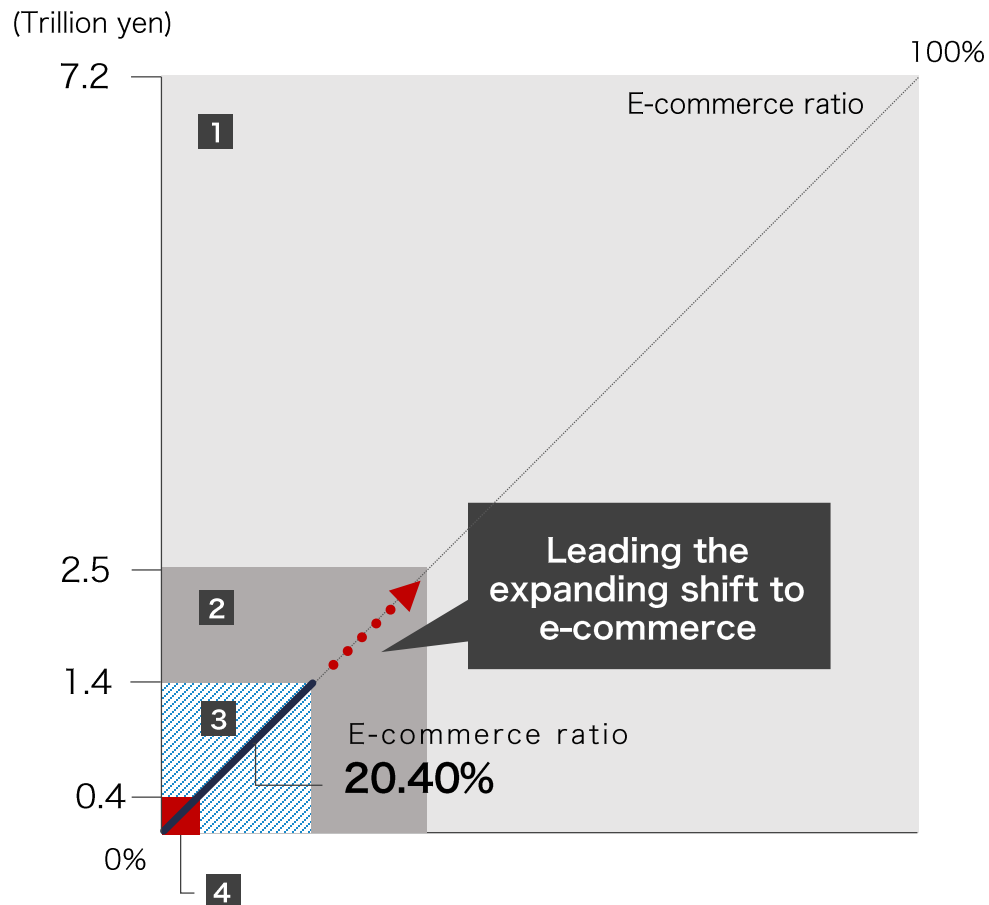
* According to an online survey of furniture, interior product, and sundries brands.

4-3. Future Development

4-3. Future Development_LOWYA Business



Aiming 100 billion yen sales in LOWYA business by leading the 2.5 trillion yen industry



1 Sundries, furniture, and interior product market scale

7.2 trillion yen

(*70% is sundries for housework and housework supplies)

2 Furniture and interior product market scale

2.5 trillion yen (*Expected market scale excluding sundries for housework, etc. in (1))

3 Sundries, furniture, and interior products BtoC-EC market scale

1.4 trillion yen (*70% is sundries for housework and housework supplies)

4 Furniture and interior products BtoC-EC market scale

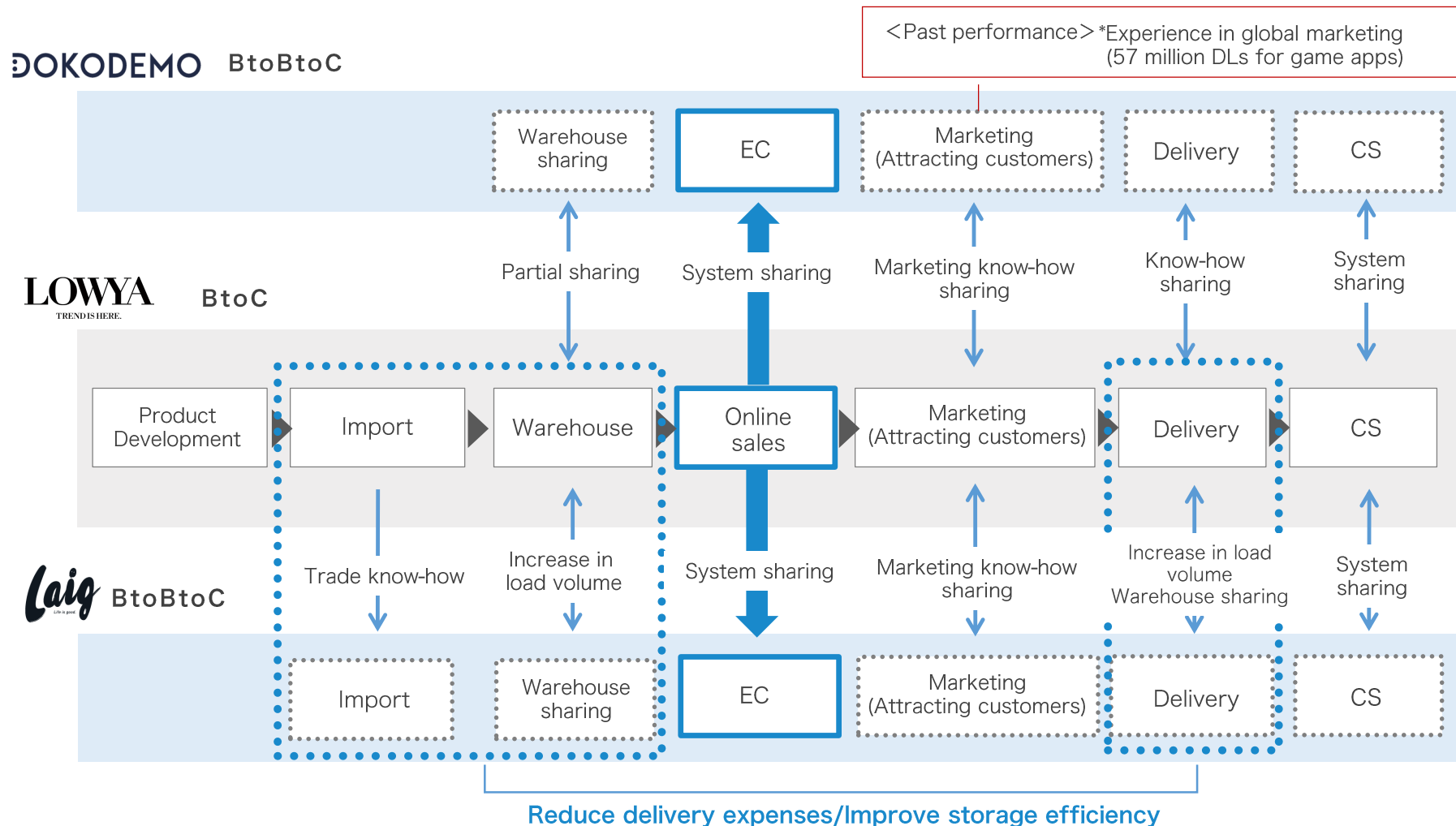
0.4 trillion yen (*Expected market scale excluding sundries for housework, etc. in (1))

* FY2017 E-Commerce Market Survey published by Ministry of Economy, Trade and Industry
* BtoC-EC ratio of 20.40% converted based on the market scale

5. Synergy of Company-wide Businesses

3. Synergy of Company-wide Businesses

Develop each system in LOWYA fulfillment service to new business and aim for its maximization

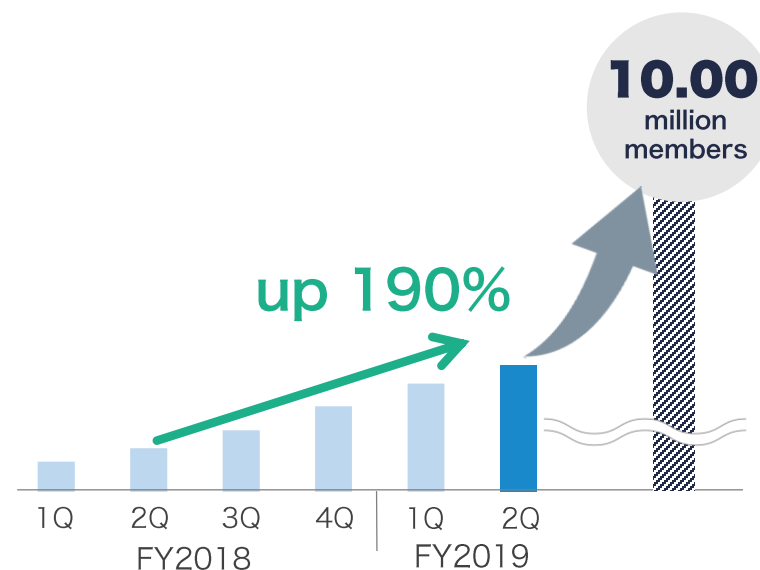


6-1. DOKODEMO Business

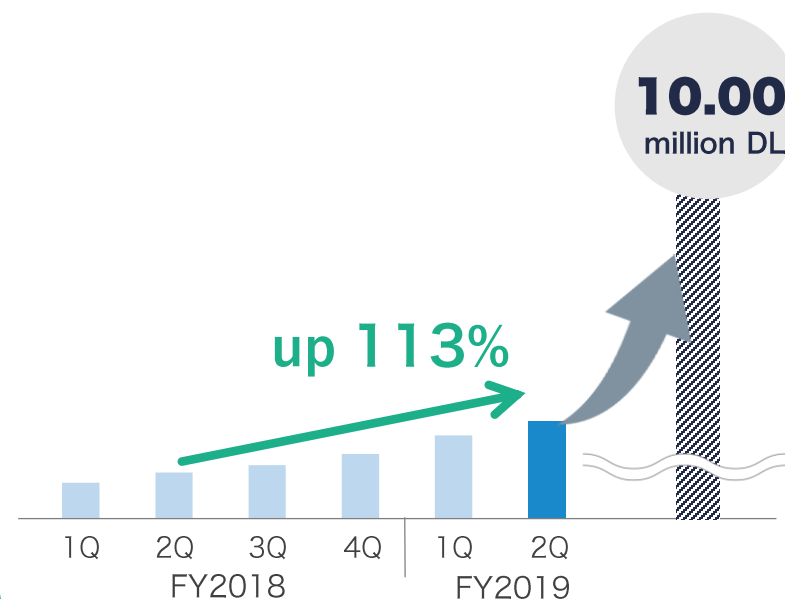
■ Membership

308,787 (up 190% YoY)

*As of September 30, 2018 (the same applies hereinafter)



■ Number of APP DLs

700,734 (up 113% YoY)

■ Purchase price per person

8,451 yen (down 12% YoY)

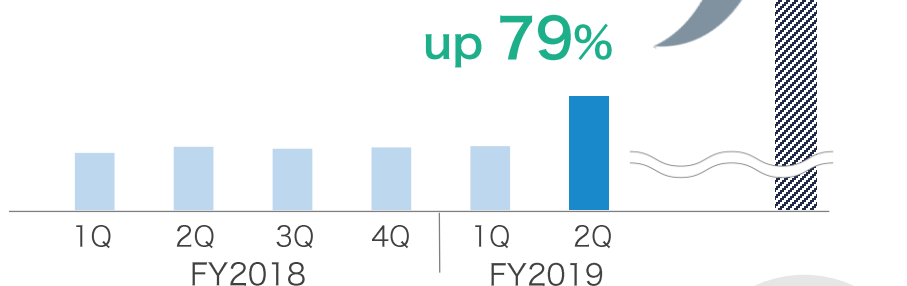
*Average from July 2018 to September 2018 (the same applies hereinafter)

The number of products increased by approx. 1.8 times

■ Number of products

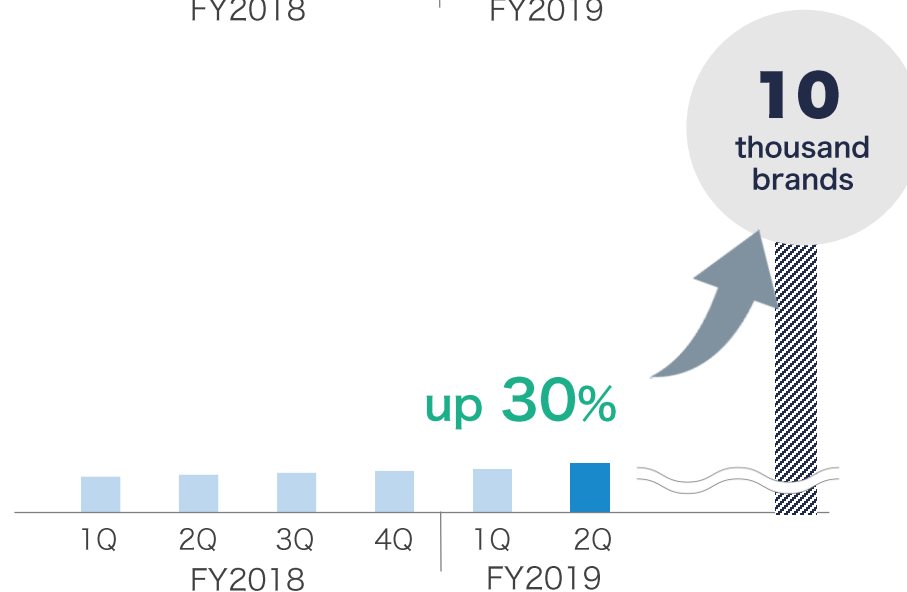
120,159 (up 79% YoY)

*As of September 30, 2018 (the same applies hereinafter)



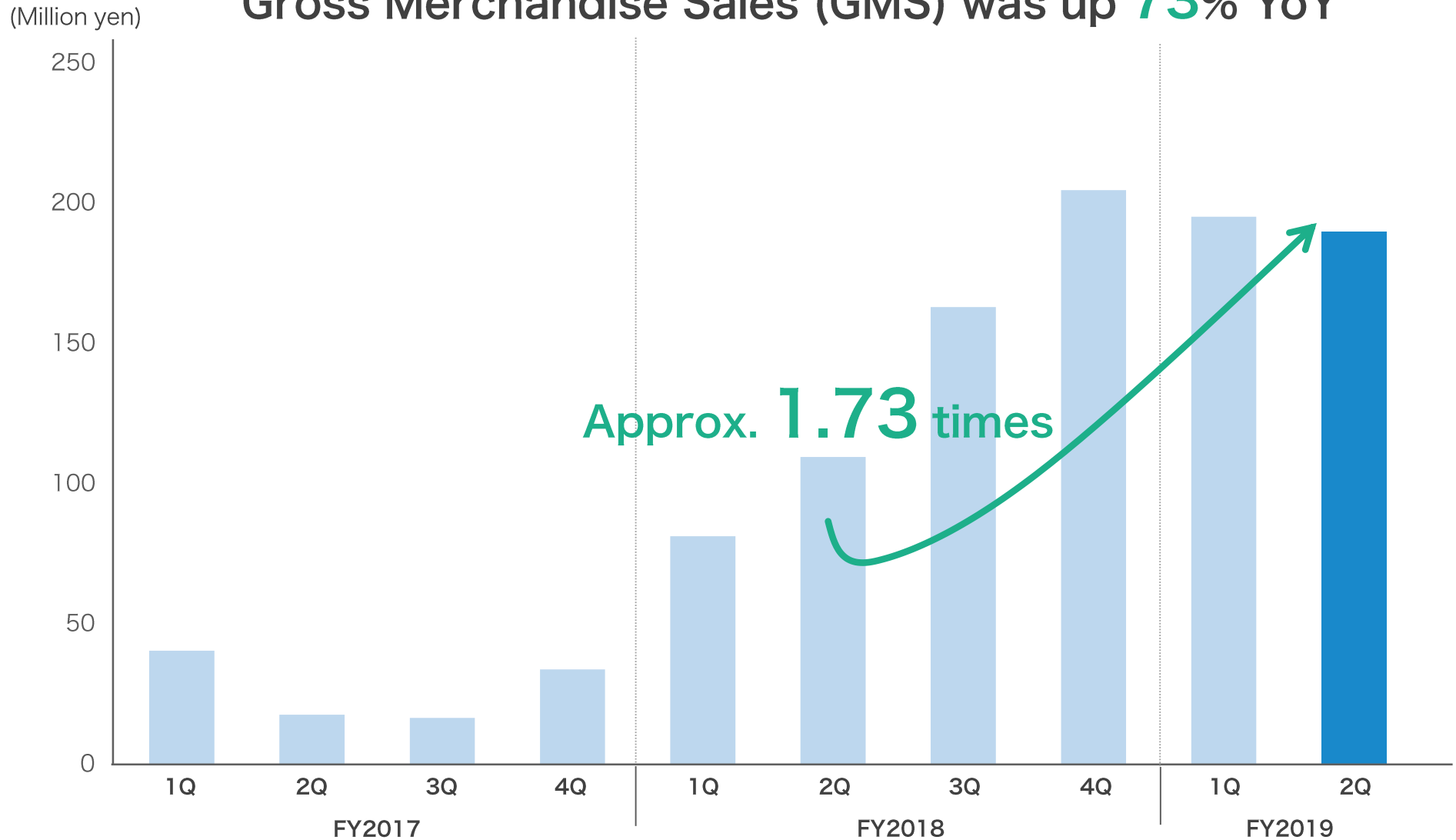
■ Number of brands

832 (up 30% YoY)

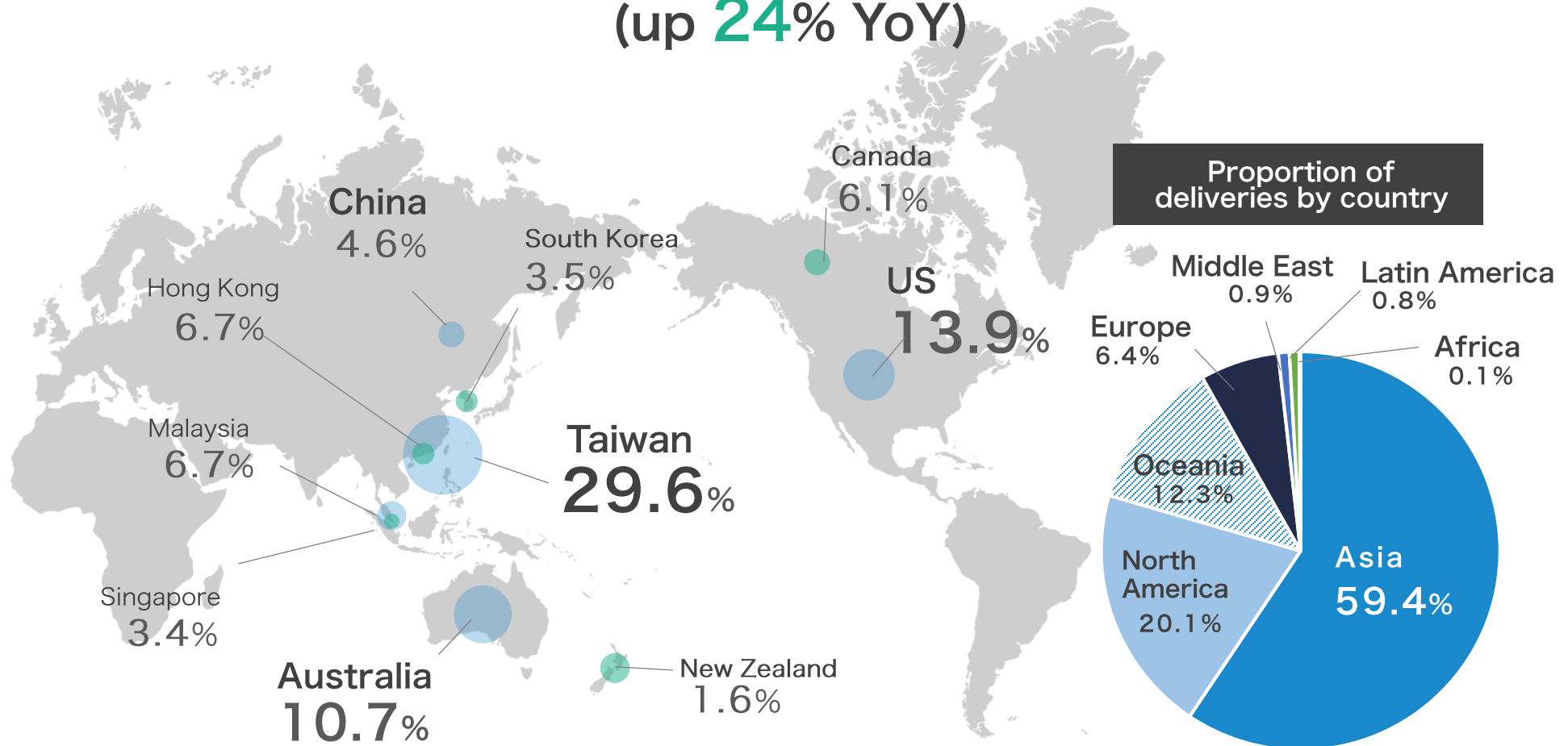


Reduced advertising expenses to evaluate investment effect

Gross Merchandise Sales (GMS) was up **73% YoY**



Deliveries increased to **87** countries and regions
(up **24%** YoY)



* Proportion of deliveries by country is calculated based on the ratio of gross merchandise sales (GMS) from July 2018 to September 2018.

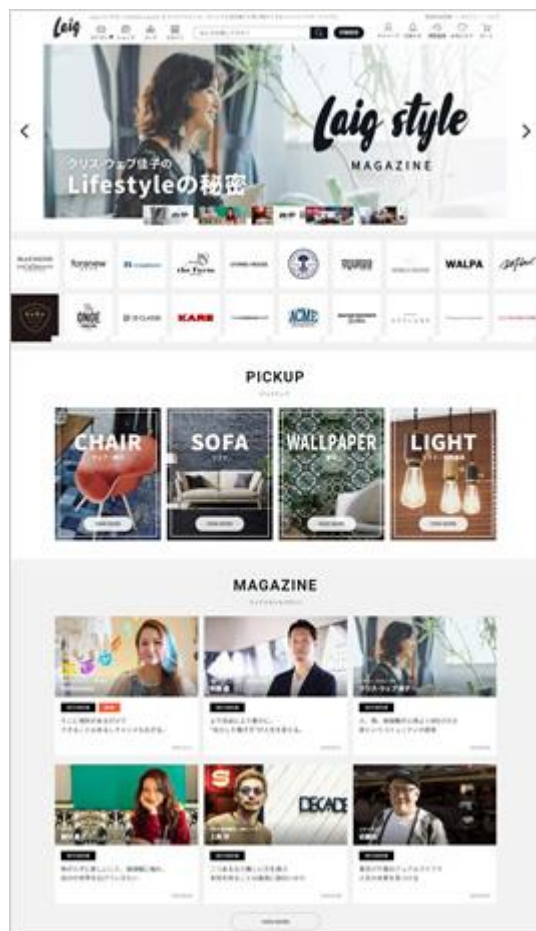
Enhancing strategies to make people aware of DOKODEMO when visiting Japan, and promoting contact and repeat purchase after their return



6-2. Business

Officially opened on October 31, 2018

Brands that share a similar ethos with Laig participated. By expanding the range of options and value in furniture, interior, and sundries products, the brand will energize the industry and create a world where all people can enjoy their lifestyles.



Number of brands

32

Number of products

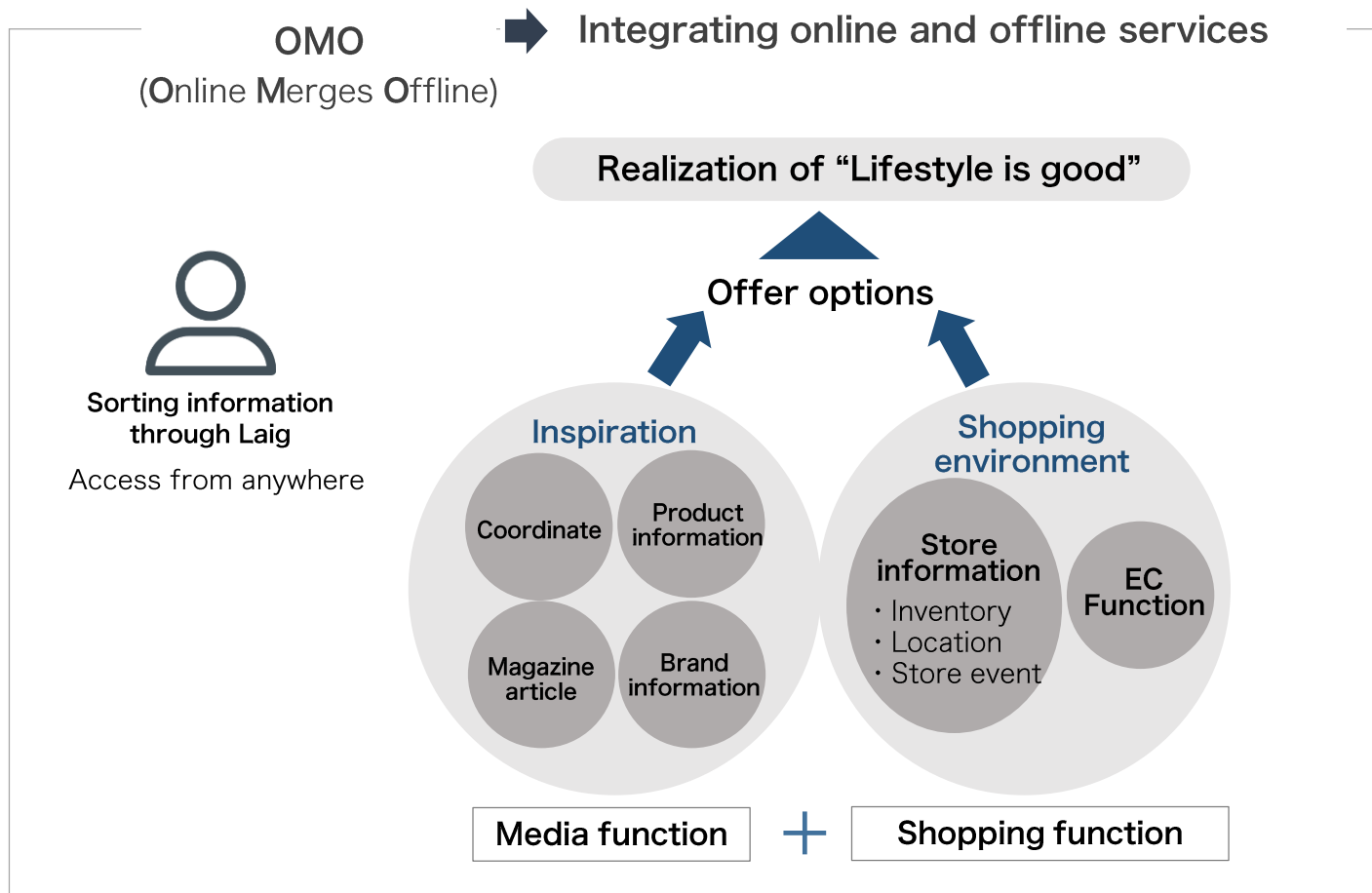
Approx. 2,500



*As of October 30, 2018

EC media that realizes OMO^(*) that enables seamless access between online (Laig) and offline (brick and mortar stores)

(*) OMO (Online Merges Offline) : Environment or method that integrates online and offline in order to create better customer experiences and customer contacts.



Create better customer experiences and customer contacts, and offer multiple options in order to realize “Lifestyle is good” for users

■ Options for inspiration

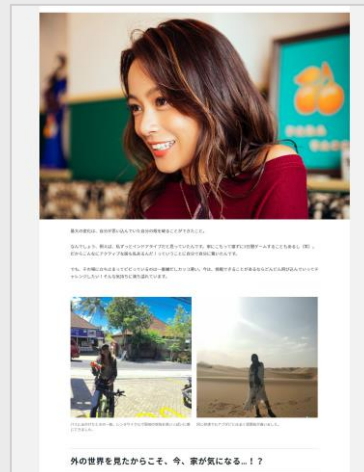
<Laigstyle coordination>

Provide lifestyle space inspiration through posted content.



<Laigstyle Magazine>

Interviews with well-known people who have realized “Lifestyle is good.”

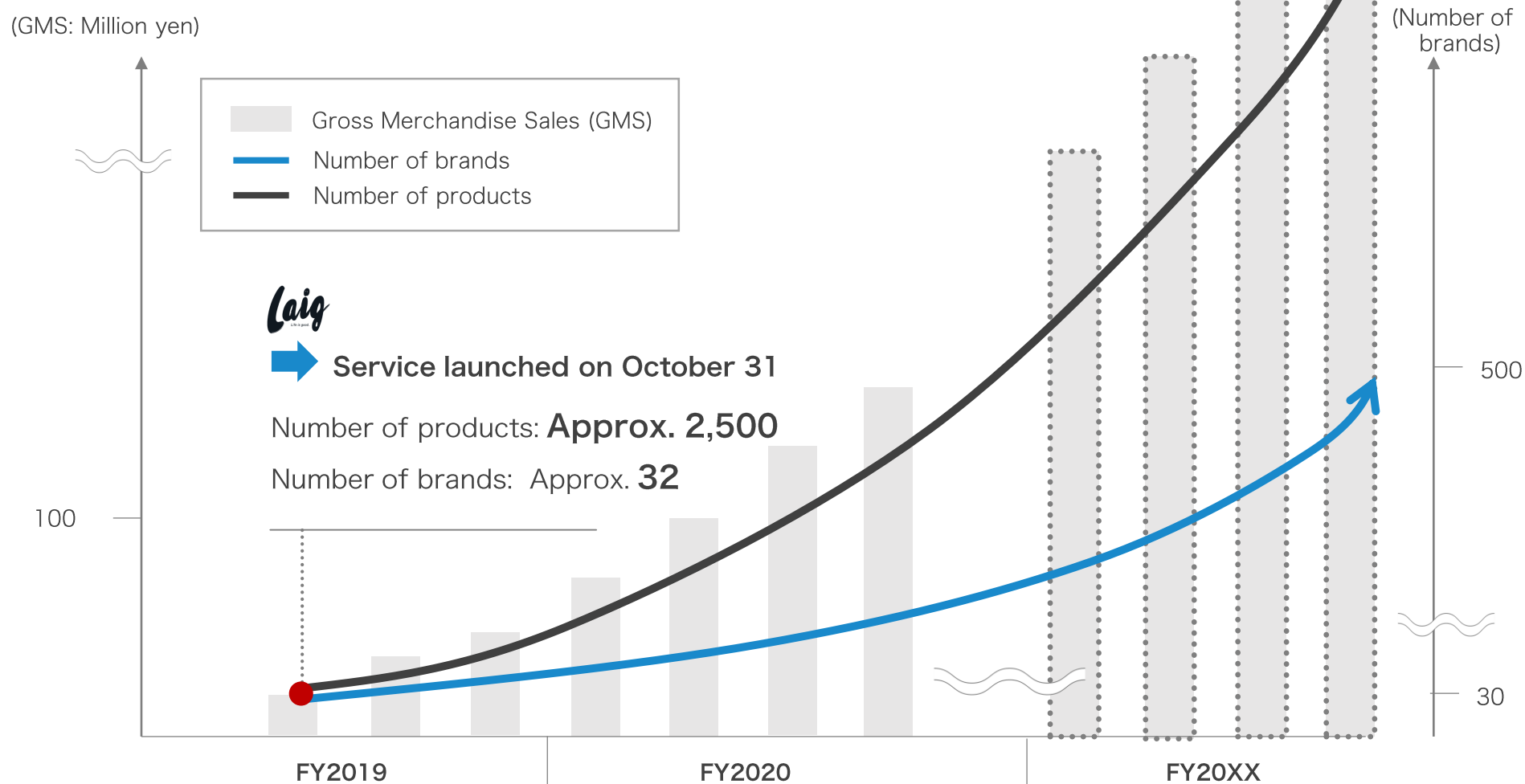


■ Options for shopping

Offer shopping options based on the following 4 points

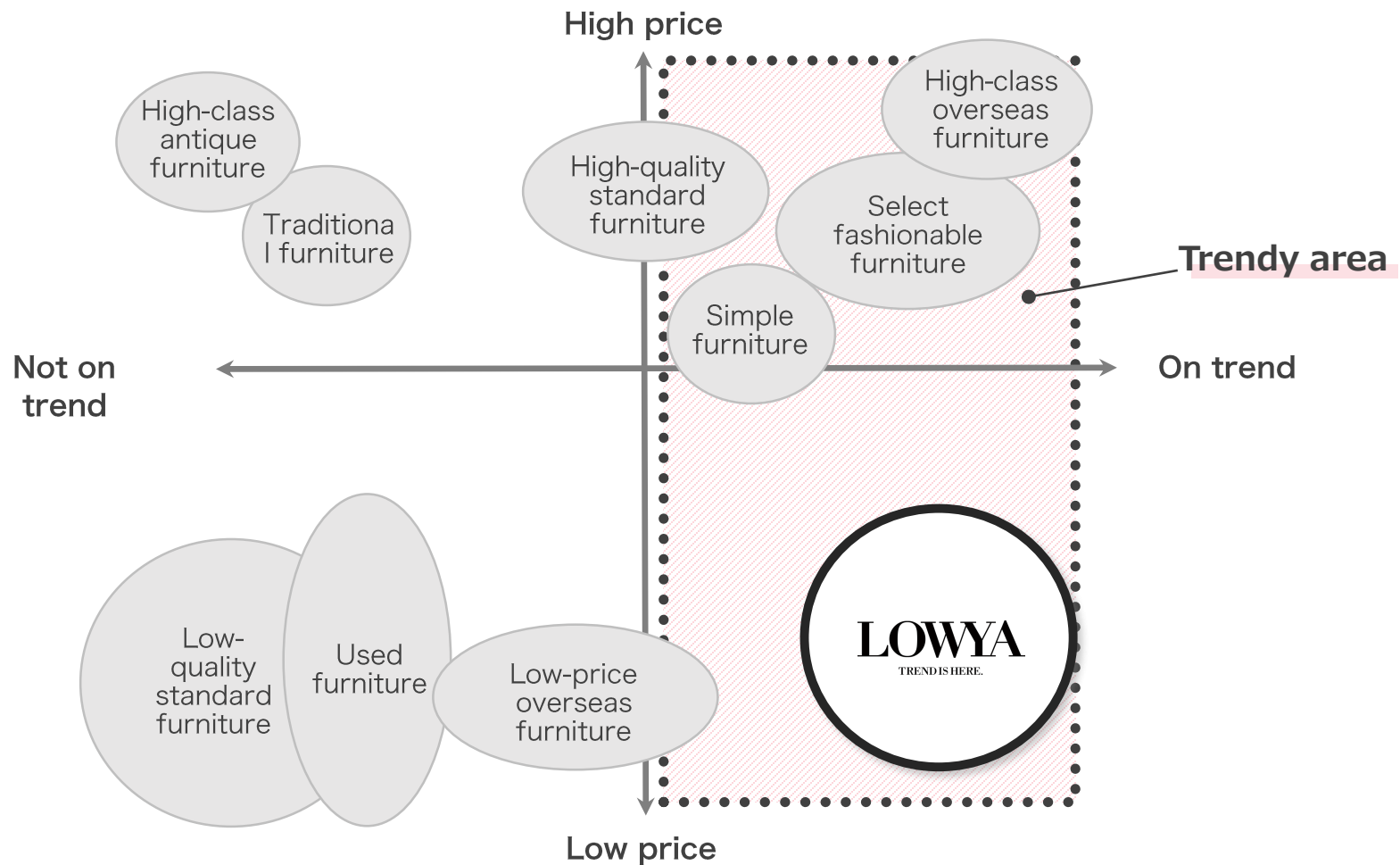
- 1) Find
- 2) View in store
- 3) Research
- 4) Buy

Maximize Gross Merchandise Sales (GMS) by increasing the number of brands and products



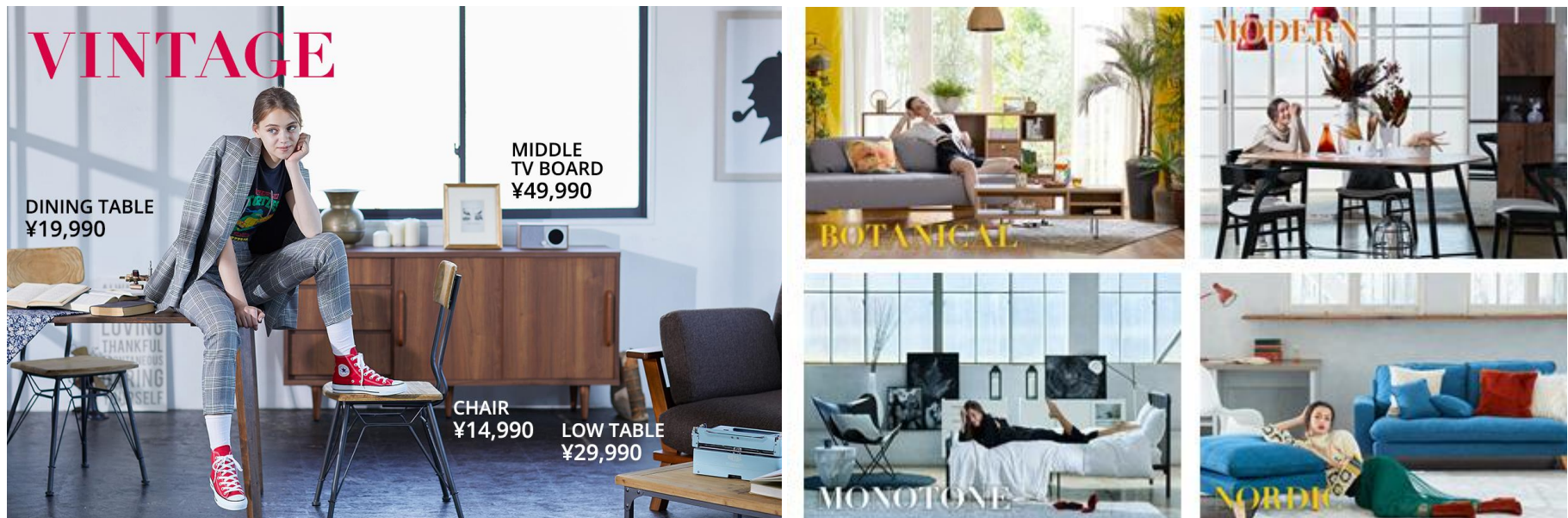
Appendix

Establishing the **fast interior** category in the “trendy & low price” space of the furniture and interior products market



As a provider of “fast interior,”

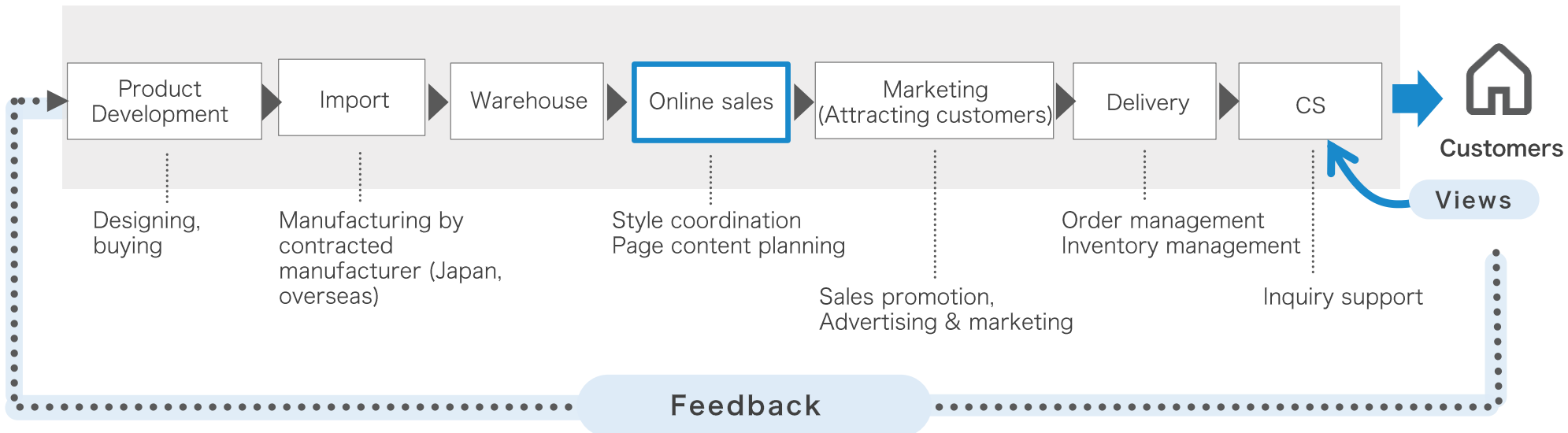
Propose attractive lifestyles and products
with attractive prices and quality



Fulfill satisfaction and inspiration by creating design
that reflects a variety of tastes and trends.

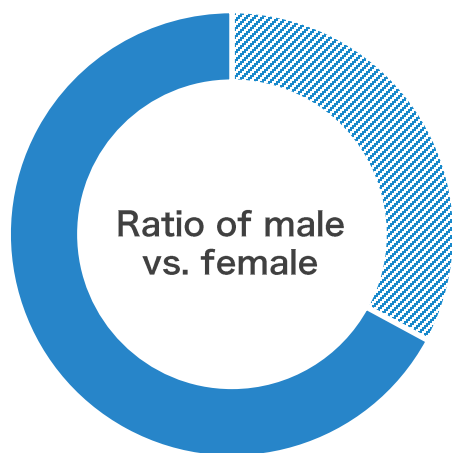
D2C business model conducting the entire procedure inhouse

(Direct to Consumer)

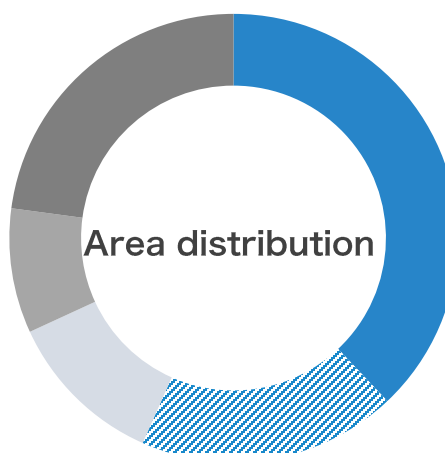


Showing higher ratio of female in their 30's, mainly in the Tokyo metropolitan area

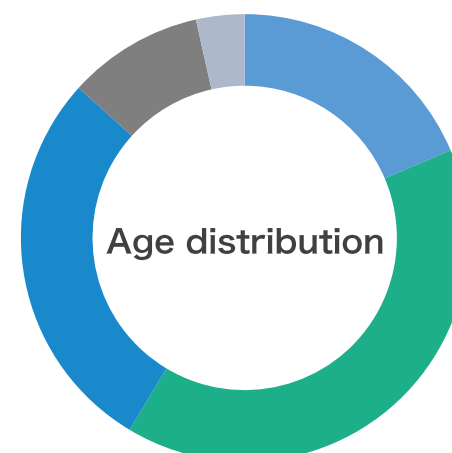
(July 1, 2018 to September 30, 2018)



Male	32.9%
Female	67.1%



Kanto	38.0%
Kinki	18.7%
Tokai	11.5%
Kyusyu	9.0%
Other	22.8%



29 and younger	18.7%
30 to 39	39.5%
40 to 49	27.9%
50 to 59	10.2%
60 to 69	3.7%



Approx. **28.70** million
people visiting Japan^(*)

Increasing foreign tourists visiting Japan

* Japan National Tourism Organization
Number of foreign tourists visiting
Japan from January to December
2017



40.00 million people
expected in 2020^(*)

Tokyo Olympics

* Expected number of tourists visiting
Japan in 2020, based on target
established by the Japan Tourism
Agency of the Ministry of Land,
Infrastructure, Transport and
Tourism



Expansion of international e-commerce market

Global international e-commerce is
expanding yearly, amid the rapid
spread of PCs and smartphones

Leading users that have actually tried and experienced Japanese products
and have a strong desire to purchase to DOKODEMO

The size of the international e-commerce market is growing yearly,
and foreign tourists visiting Japan and their spending are also increasing

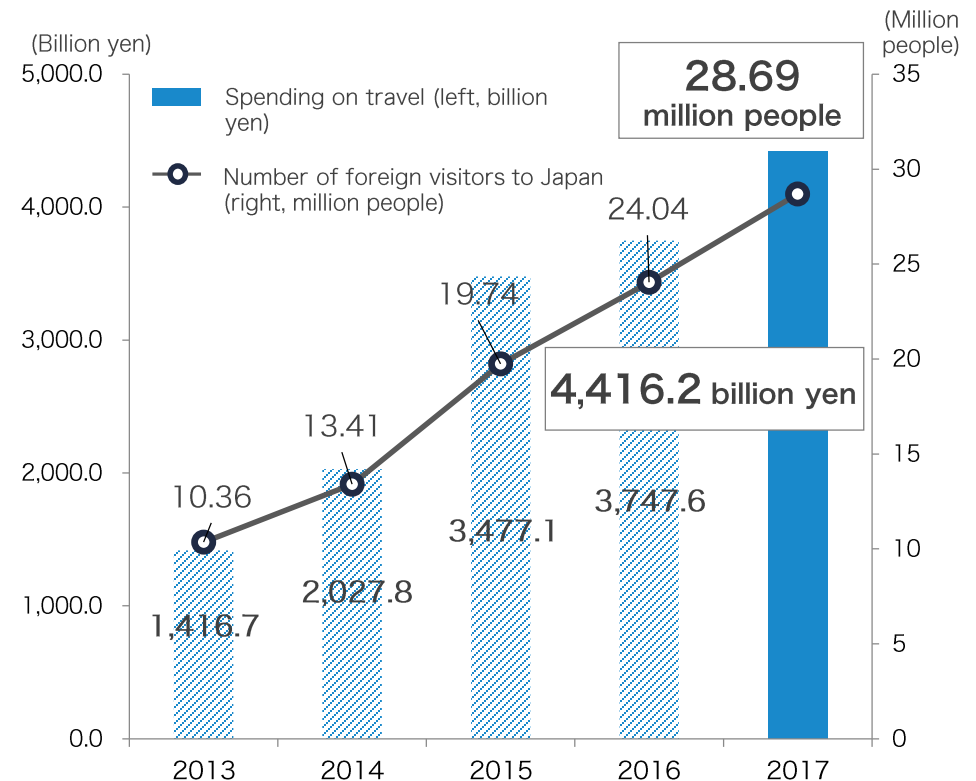
■ International EC market scale (2017)

(Units: Billion yen)

Country (Country of consumption)	Purchase amount from Japan	Purchase amount from the U.S.	Purchase amount from China	Total
Japan (YoY)		232.7	24.3	257.0
		7.2%	7.3%	7.3%
US (YoY)	712.8		494.2	1,207.0
	15.8%		16.0%	15.9%
China (YoY)	1,297.8	1,457.8		2,755.6
	25.2%	28.2%		26.8%
Total (YoY)	2,010.6	1,690.5	518.6	4,219.6
	21.7%	24.8%	15.6%	22.1%

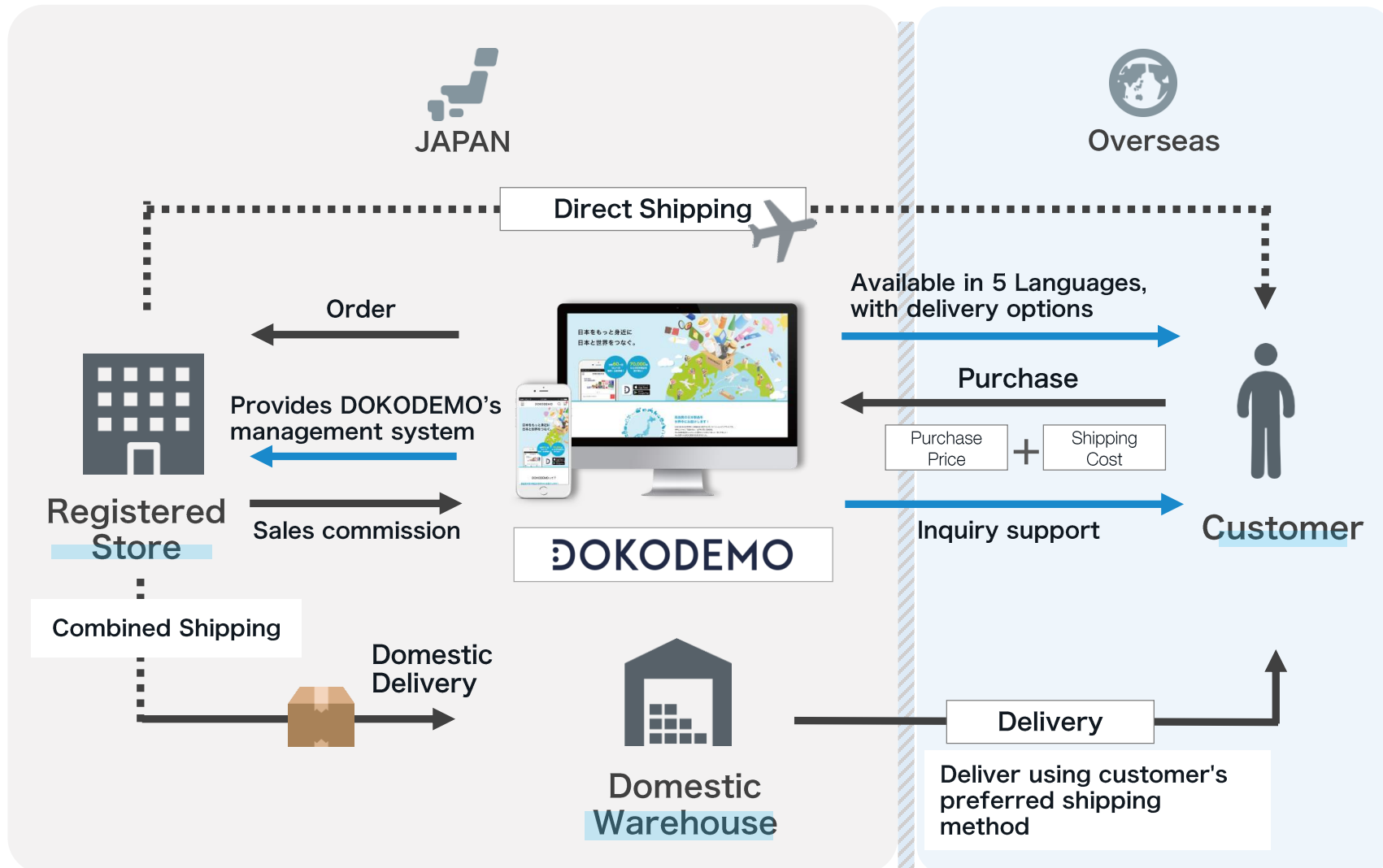
Source: Ministry of Economy, Trade and Industry “FY2017 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey)”

■ Survey of spending by foreign visitors to Japan



Source: Japan Tourism Agency “Consumption Trend Survey for Foreigners Visiting Japan” 2017 annual data (confirmed data)

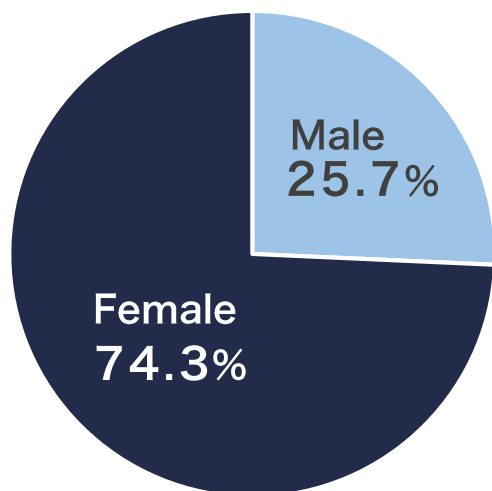
Delivering products directly from registered stores to customer (Non-stock inventory)



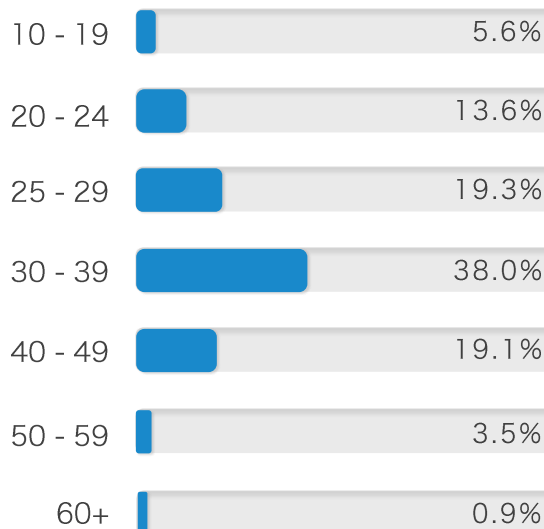
**Female users in their 30's are increasing.
DOKODEMO will strengthen the “hobby” and “fashion” categories
going forward**

Calculation period: July 1, 2018 to September 30, 2018

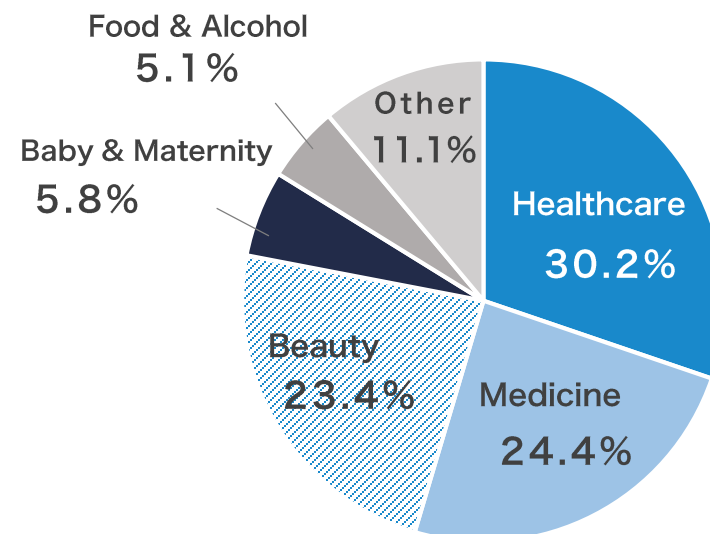
<User data>
Gender



<User data>
Age



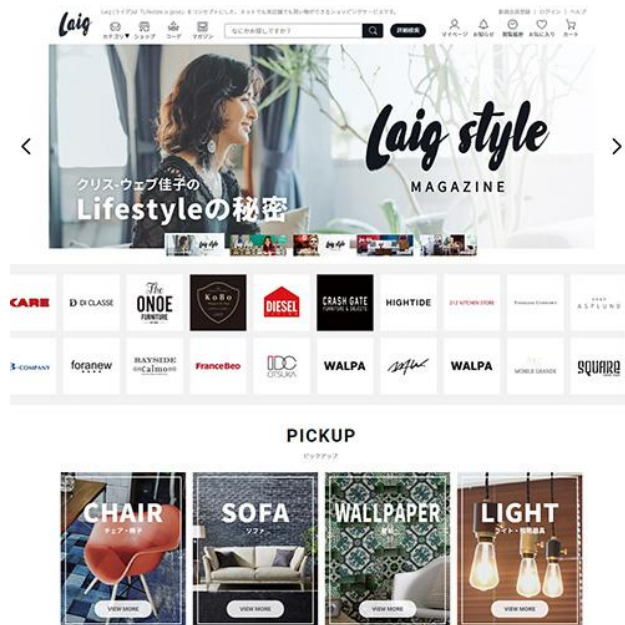
Sales ratio by
category



* Calculated based on user data of registered members.
Members are not required to enter their gender when registering, and therefore the above data does not represent the ratio for all members.

SERVICE VISION

A world that offers various ways in which
“Lifestyle is Good”
 (Lifestyle space)



The concept of Laig is
“Lifestyle is good”

Create more “Lifestyle is good” by
 offering inspiration on lifestyle spaces to
 each user through the various products
 and content Laig introduces.

A woman with dark hair and bangs is sitting on the floor, leaning against a light-colored wooden cabinet. She is wearing a white long-sleeved shirt with orange floral patterns and a skirt with orange and white vertical stripes. The cabinet has several open shelves. The top left shelf contains a bouquet of white and yellow flowers. The top right shelf has a white ceramic owl-shaped vase with white and yellow flowers, a small framed picture, a piece of driftwood, and a green succulent. The middle right shelf has a potted plant with green leaves. The text "MAKE NEW STANDARDS" is overlaid in large blue capital letters across the center of the image.

MAKE NEW STANDARDS



VEGA corporation

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