



Full-year Financial Results
for the Fiscal Year Ended March 31, 2019

Vega corporation Co., Ltd.

Agenda

1. Overview of Financial Results
for the Fiscal Year Ended March 31, 2019
2. Report on LOWYA Business
3. Future Development
4. New Businesses (R&D)
5. Financial Results Forecast
6. Appendix

Summary of the Fiscal Year Ended March 31, 2019

■ Overview of Financial Results

Net sales: 13,322 million yen (up 2.7% YoY)
Operating loss: (296) million yen (561 million yen in operating profit in the previous fiscal year)

■ LOWYA flagship store performance grew by 83.4% YoY

- Released LOWYA AR, a service useful for interior decoration, which provides virtual placement and detail checking
- Implemented measures to improve CVR, such as strengthening contents, developing differentiated products and revising product pages

■ Rise in logistics expenses, etc.

- Rise in delivery expenses due to logistics crisis
- Rise in storage expenses due to changes in storage location resulting from the above
- Opportunity loss due to product shortages in the first half
- Net sales fell short of forecasts partly affected by passing on costs to cope with rising logistics expenses despite sufficient product inventory

1. Overview of Financial Results for the Fiscal Year Ended March 31, 2019

Overview of Financial Results

(Million yen)

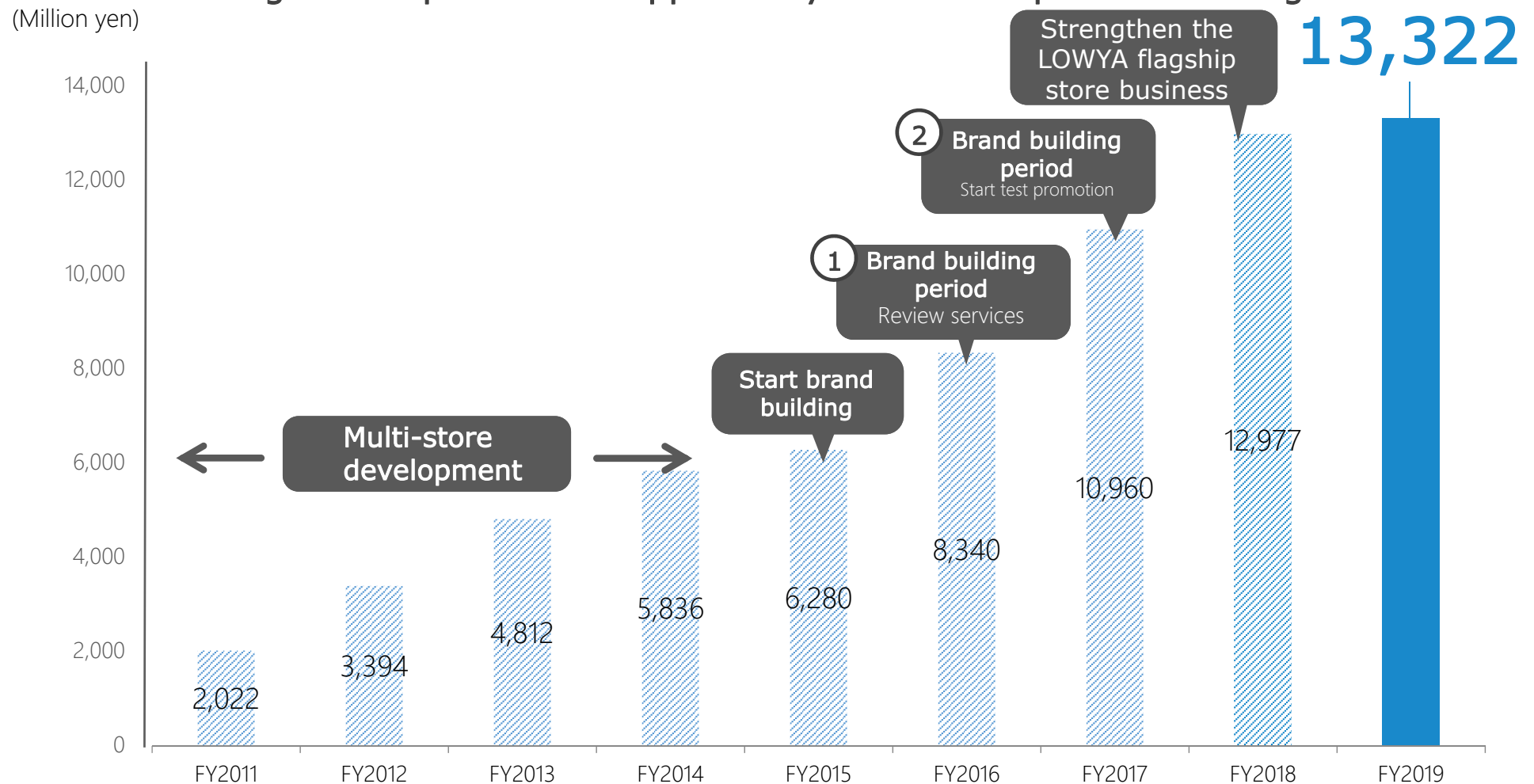
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	YoY
Net sales	12,977	13,322	102.7%
Operating profit	561	(296)	—
Ordinary profit	589	(256)	—
Profit	338	(240)	—

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

1. Sales

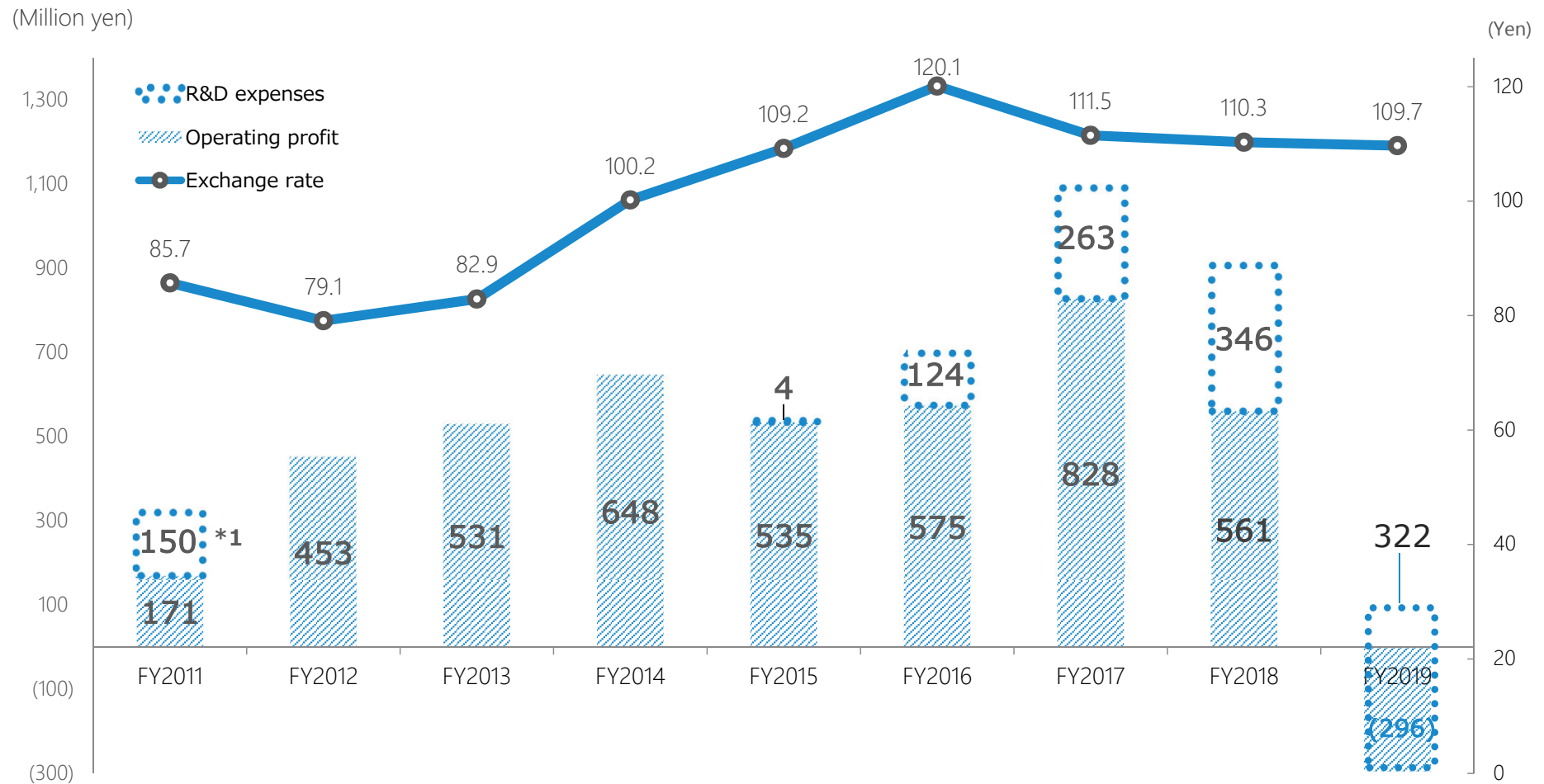
Focused on brand development and website enhancement throughout the year, aiming to strengthen the LOWYA flagship store business

Net sales increased by **2.7%** YoY, despite passing on costs to cope with rising logistics expenses and opportunity loss due to product shortages



1. Operating Profit

Delivery expenses and storage expenses increased, putting pressure on operating profit

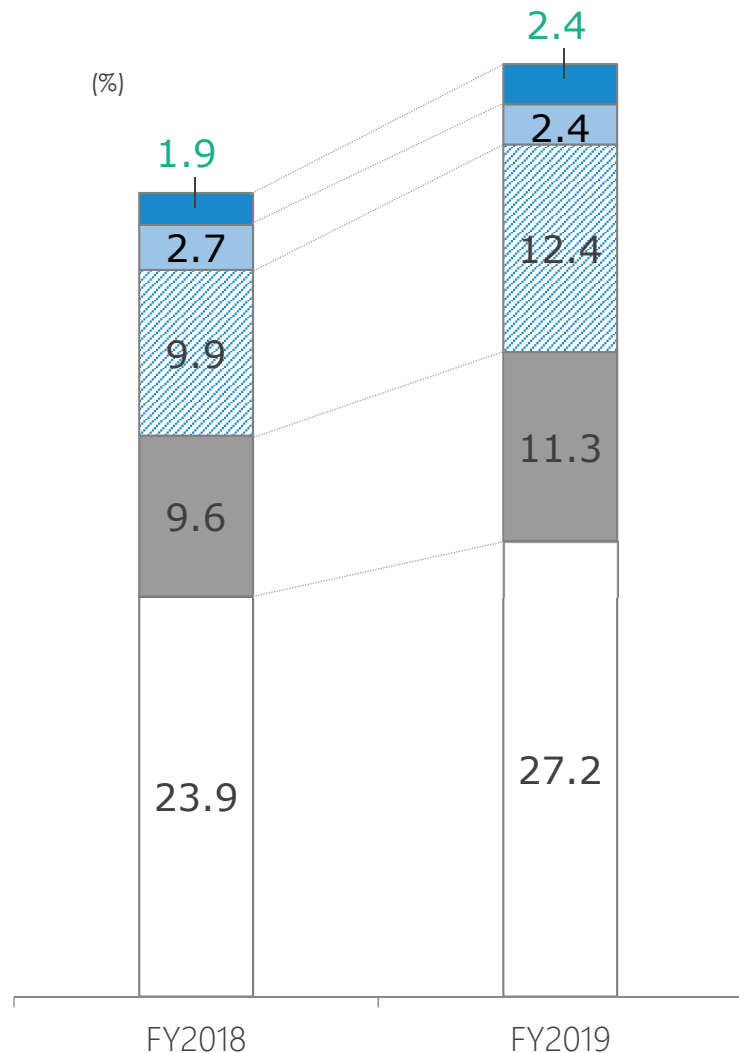


* Revenues and expenditures are presented as the net amount, and therefore R&D expenses data does not match the SG&A expense ratio on the statement of income.

*1. R&D expenses related to Digital Entertainment Business.

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

Of SG&A expenses, logistics expenses increased by 4.5pts YoY



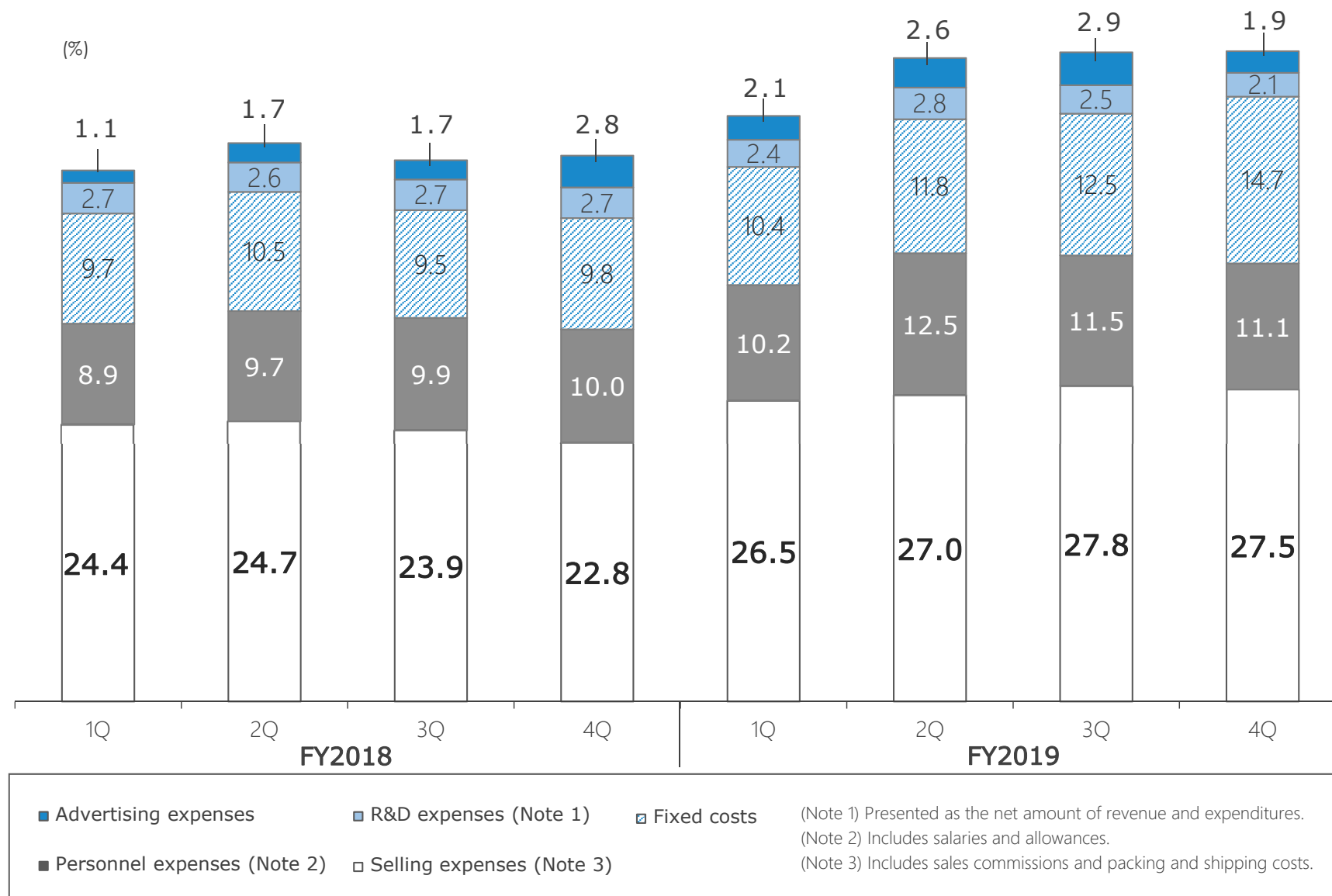
■ Advertising expenses	+0.5pt
■ R&D expenses	-0.3pt
▨ Fixed costs (*1)	+2.5pt
■ Personnel expenses	+1.7pt
□ Selling expenses (*1)	+3.3pt

(*1) Of these costs, logistics expenses increased by 4.5pts.

(*2) 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.

(*3) Revenues and expenditures are presented as the net amount, and therefore R&D expenses data does not match the SG&A expense ratio on the statement of income.

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



(*) 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)	Fiscal year ended March 31, 2019 (as of March 31, 2019)		Previous fiscal year (as of March 31, 2018)	Fiscal year ended March 31, 2019 (as of March 31, 2019)
Current assets	5,309	4,935	Current liabilities	2,107	2,410
Cash and deposits	1,656	1,019	Debt obligations	820	1,320
Accounts receivable –trade	1,801	1,186	Non-current liabilities	27	52
Merchandise	1,750	2,405	Total liabilities	2,135	2,463
Non-current assets	604	1,102	Shareholders' equity	3,788	3,558
Property, plant and equipment, and intangible assets	270	431	Total net assets	3,779	3,574
Total assets	5,914	6,037	Total liabilities and net assets	5,914	6,037

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

Status of Cash Flows

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Change	Main factors for the fiscal year ended March 31, 2019	
Cash flows from operating activities	537	(574)	(1,112)	Profit before income taxes	(317)
Cash flows from investing activities	(173)	(565)	(392)	Purchase of property, plant and equipment and intangible assets	(330)
				Payments for leasehold and guarantee deposits	(262)
Cash flows from financing activities	(127)	510	+638	Increase in short-term loans payable	+500
Cash and cash equivalents at end of period	1,663	1,033	(630)		

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

2. Report on LOWYA Business

2-1. Report on LOWYA Business <Overall>

Adjusted product prices to cope with rising logistics costs and managed to reduce cost of sales ratio, but both sales and profits fell short of forecast

(Million yen)

	Fiscal year ended March 31, 2018	Sales ratio	Fiscal year ended March 31, 2019	Sales ratio	Change	YoY
Net sales	12,884	100.0%	13,203	100.0%	+319	102.5%
Gross profit	6,738	52.3%	7,062	53.5%	+323	104.8%
SG&A expenses	5,845	45.4%	7,036	53.3%	+1,190	120.4%
Operating profit	893	6.9%	26	0.2%	(867)	2.9%

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

2-1. Delivery Expense Ratio < LOWYA Businesses Overall >

It became necessary to rebuild Logistics networks due to the withdrawal of some delivery companies from handling larger products
Ongoing efforts include packing improvements to reduce the delivery expense ratio under continued growth in e-commerce demand



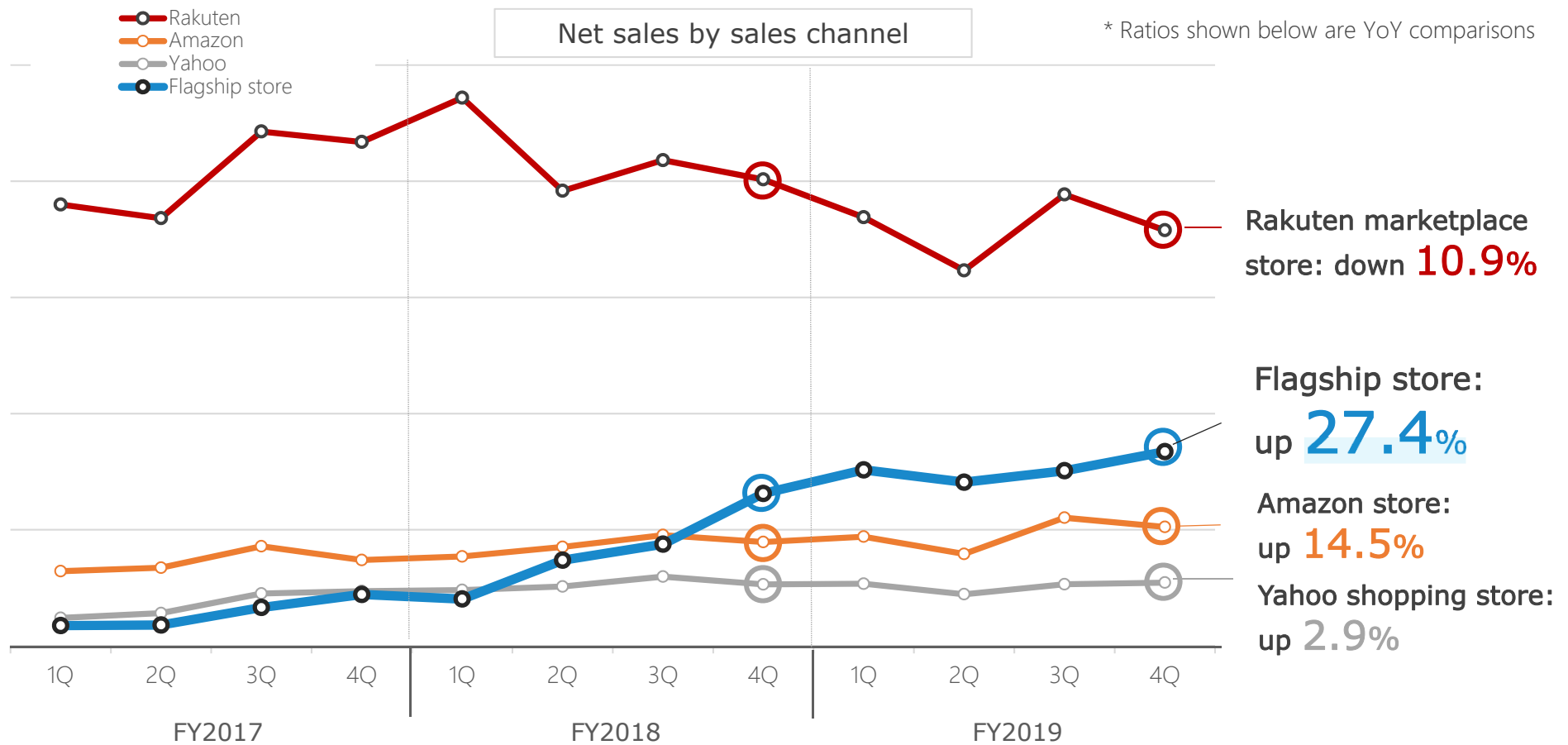
* The packing and shipping costs ratio shows the ratio against net sales.

2-1. Management Indicators < LOWYA Businesses Overall >

Item	Fiscal year ended March 31, 2018				Fiscal year ended March 31, 2019			
	1Q (Apr. –Jun.)	2Q (Jul. –Sep.)	3Q (Oct. –Dec.)	4Q (Jan. –Mar.)	1Q (Apr. –Jun.)	2Q (Jul. –Sep.)	3Q (Oct. –Dec.)	4Q (Jan. –Mar.)
YoY increase in the number of visitors(%)	127.2	128.0	105.3	122.8	125.1	110.1	109.8	98.2
YoY increase in the average customer spend (%)	95.4	94.3	97.1	102.7	109.9	113.0	112.8	113.3
YoY increase in CVR (%)	111.9	106.3	107.7	88.9	75.2	78.5	82.8	94.7
Number of products (Note)	1,442	1,594	1,795	1,958	2,070	2,169	2,041	1,967
Number of new products introduced	131	152	201	163	112	99	91	103
Average settlement rate (yen)	110.60	109.87	109.87	110.17	107.58	108.74	111.59	109.05

(Note) Obsolete products are excluded. Actual figure may differ from the total of Number of products and Number of new products introduced.

With ongoing sales price revisions,
sales at marketplace stores are recovering to a normal level

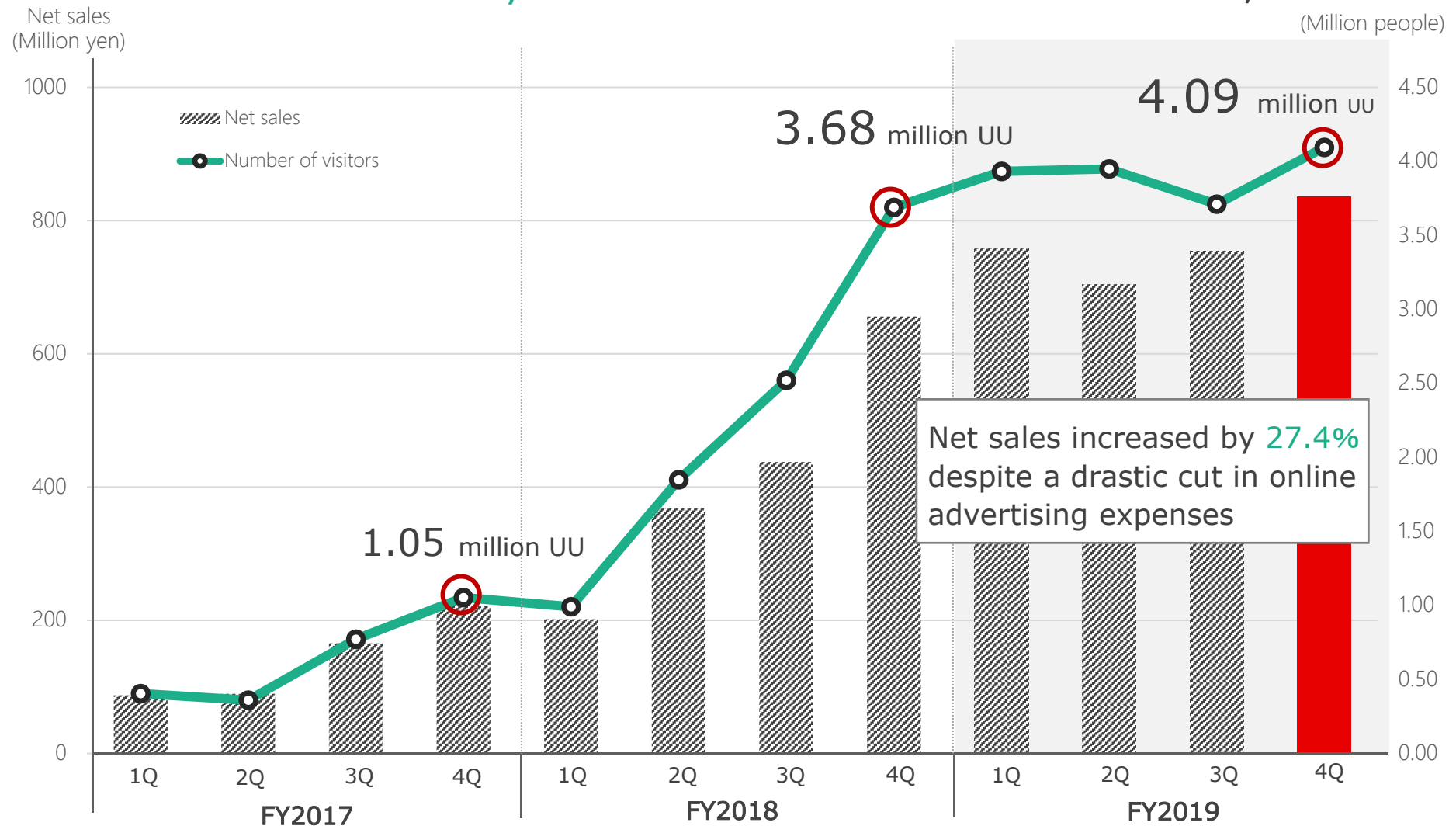


2-2. Report on LOWYA Businesses <Flagship Store>

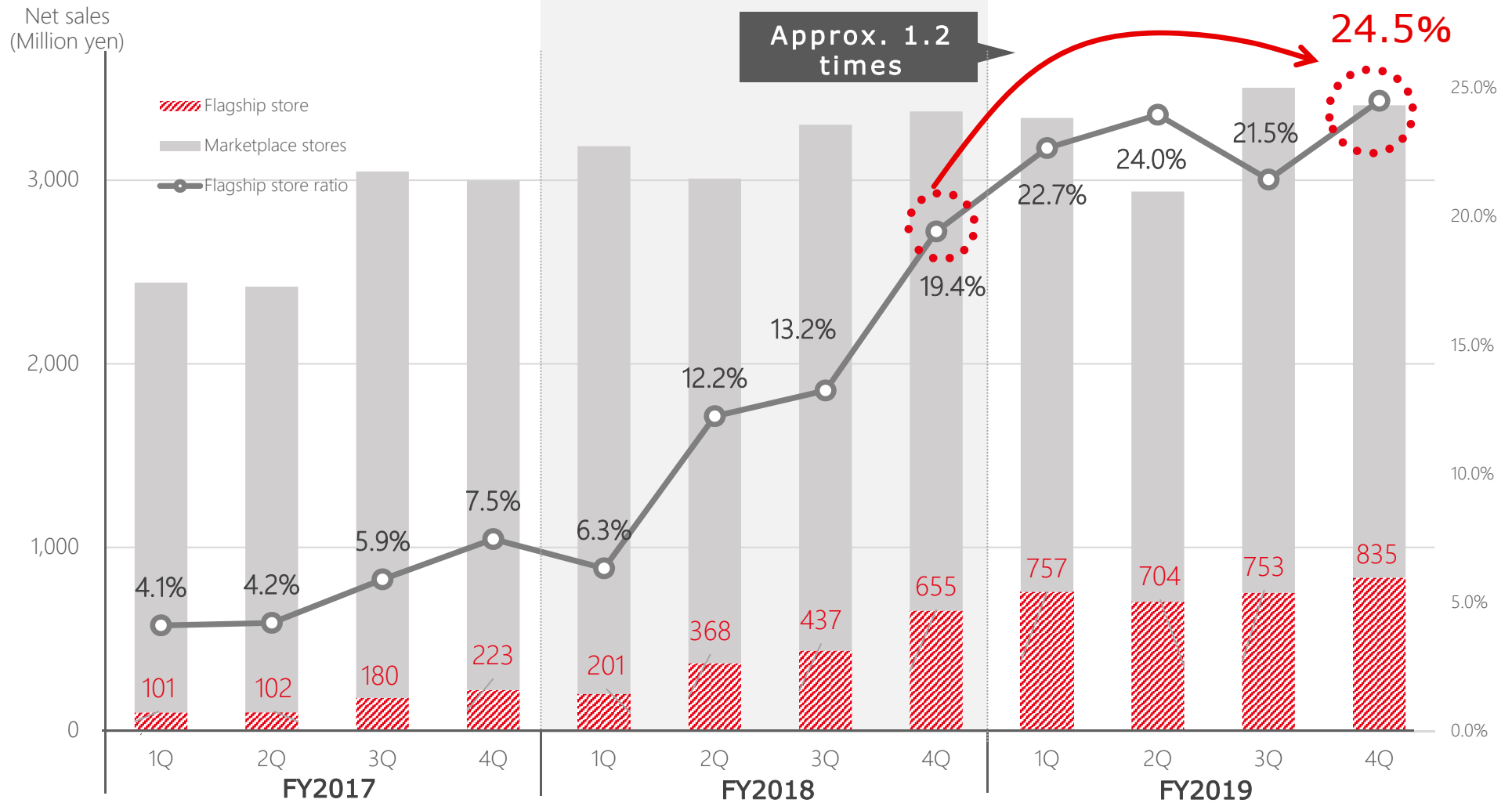
The flagship store significantly reduced its online advertising expenses, and effectively increased the number of visitors with a growth rate of 11.0% YoY

Item	Fiscal year ended March 31, 2018				Fiscal year ended March 31, 2019			
	1Q (Apr. –Jun.)	2Q (Jul. –Sep.)	3Q (Oct. –Dec.)	4Q (Jan. –Mar.)	1Q (Apr. –Jun.)	2Q (Jul. –Sep.)	3Q (Oct. –Dec.)	4Q (Jan. –Mar.)
[Flagship store] YoY increase in the number of visitors (%)	244.9	513.6	326.2	349.9	396.6	213.5	147.2	111.0
[Flagship store] YoY increase in the average customer spend (%)	105.0	100.9	120.4	97.7	100.3	110.8	103.5	108.1
[Flagship store] YoY increase in CVR (%)	75.8	65.5	63.0	83.6	94.6	81.8	108.2	110.2

Cut online advertising expenses in view of rising logistics costs
 Visitor growth rate was lower than FY2018, but sales at the flagship
 store **increased by 27.4%** YoY due to various measures, etc.



Flagship store ratio increased
from 19.4% in the previous 4Q to **24.5%**



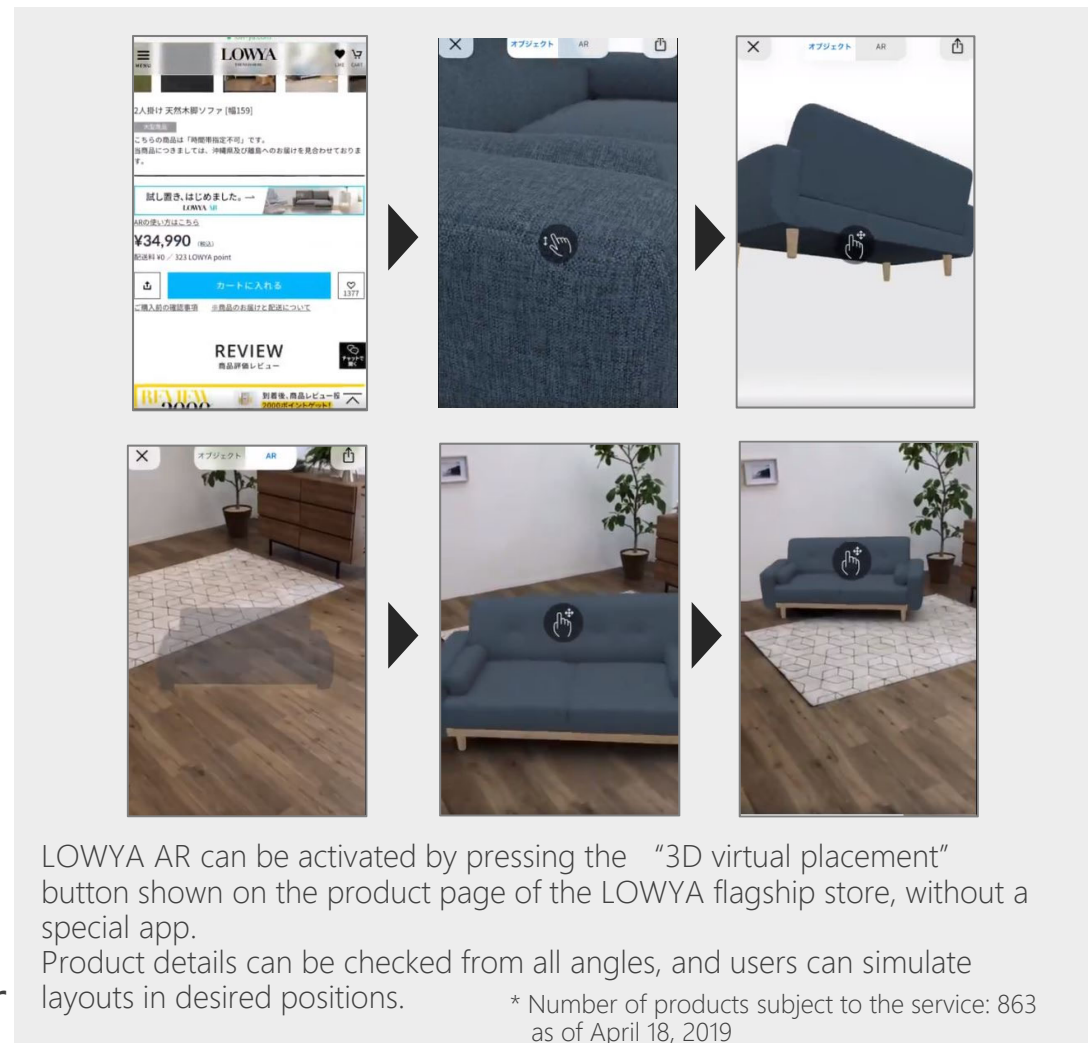
2-2. Measures_Released LOWYA AR

Offer a new shopping experience that eliminates customer pre-purchase anxiety
Released an AR-based 3D simulation service

CVR of products subject to AR service increased after introduction



User videos featuring LOWYA AR received
more than 500 thousand views on Twitter



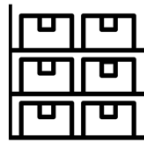
3. Future Development

- (1) Initiatives toward improving profit
- (2) Initiatives toward increasing access to the flagship store and sales

Review supply chain management (SCM) system via 4 initiatives toward “improving profit”

Solidify our footing to expand scale for the next year

(1) Reduce storage expenses



- Introduce warehouse management system
- Adjust amount of inventory
- Consider introduction of facilities to improve storage efficiency

(2) Reduce delivery expenses



- Optimize product inventory
- Review packaging size

(3) Improve cost of sales ratio



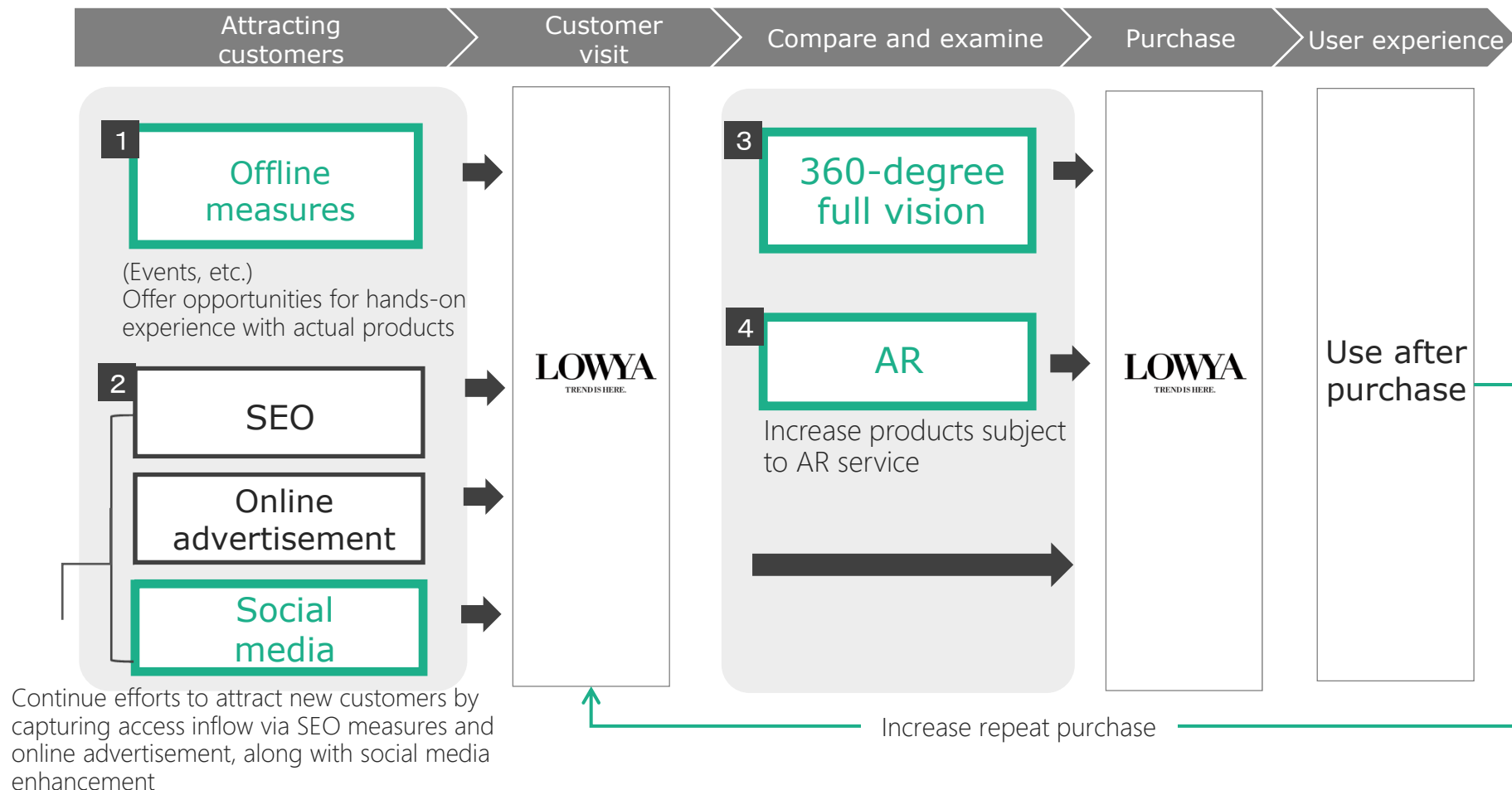
- Reduce cost of sales via product replacement
- Select and concentrate suppliers

(4) Review product lineup



- Introduce new products and categories that suit the cost structure

Bring users into frequent contact with LOWYA in an effort to expand new access and enrich the user experience of comparing and examining products via AR services



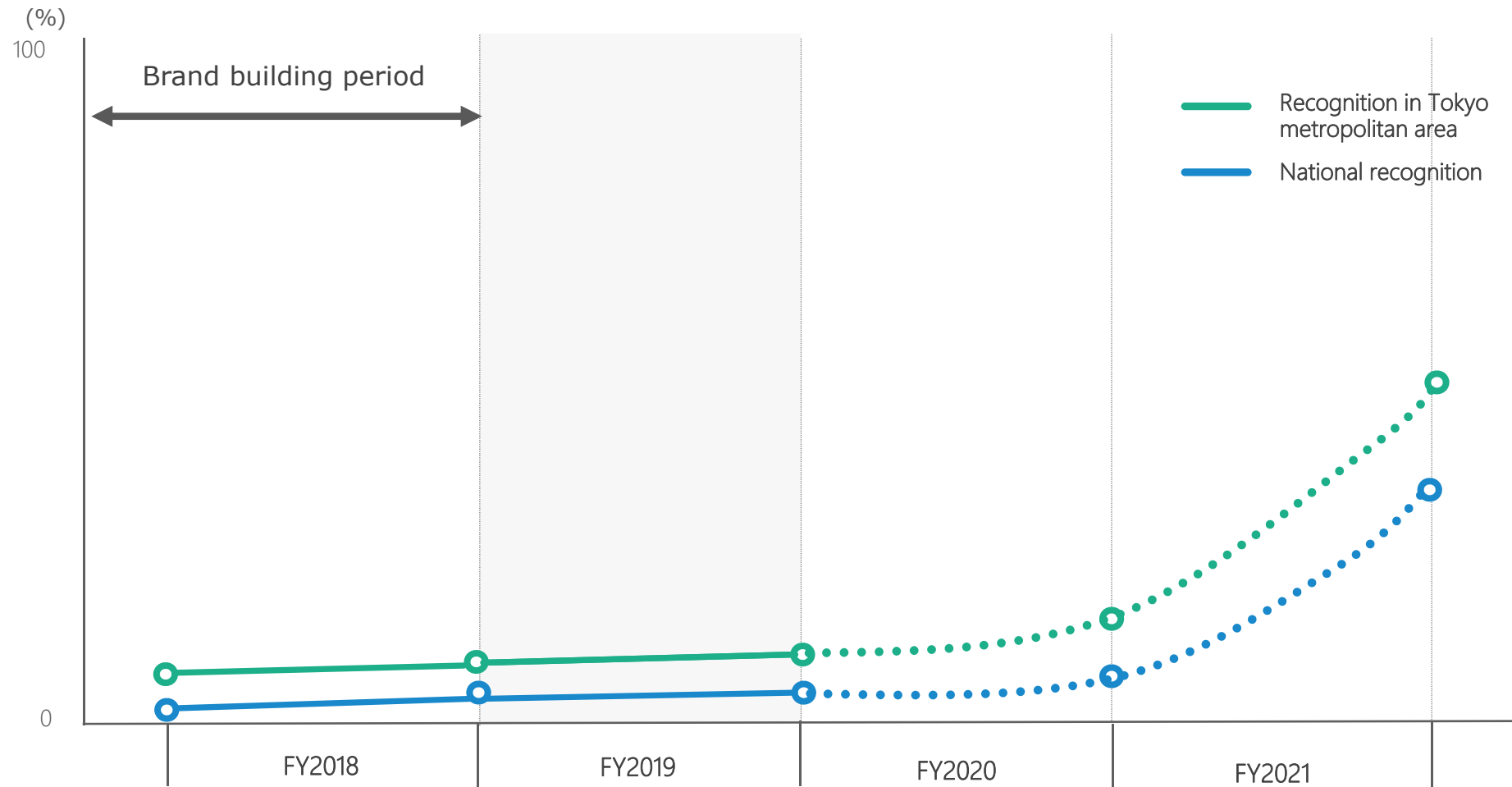
Plan to release a service that enables users to check the entire room with a 360-degree view using highly accurate 3D models of furniture



* Objects in the images are all 3D models.

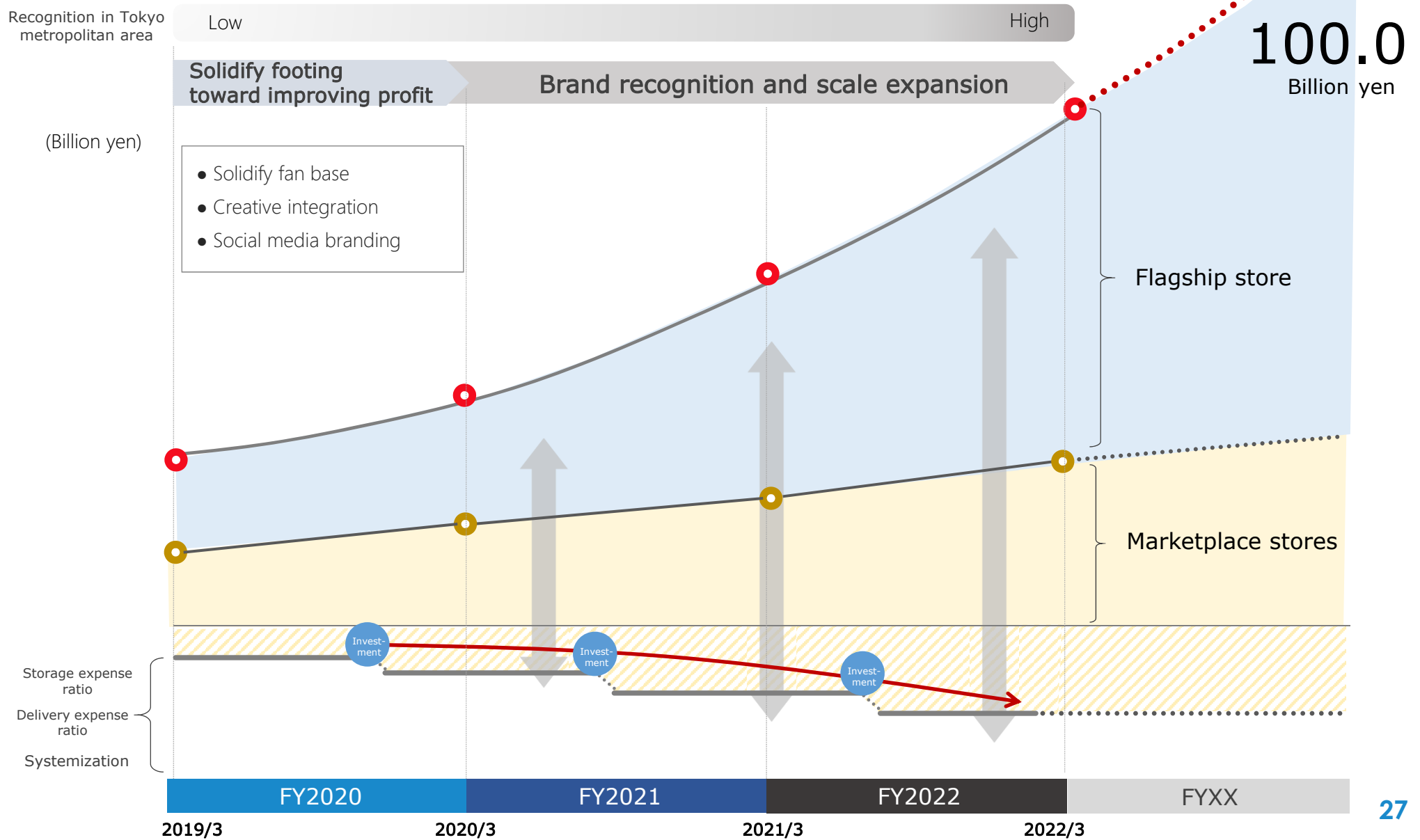
Change the furniture purchase experience

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



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

3. Future Development_LOWYA Business

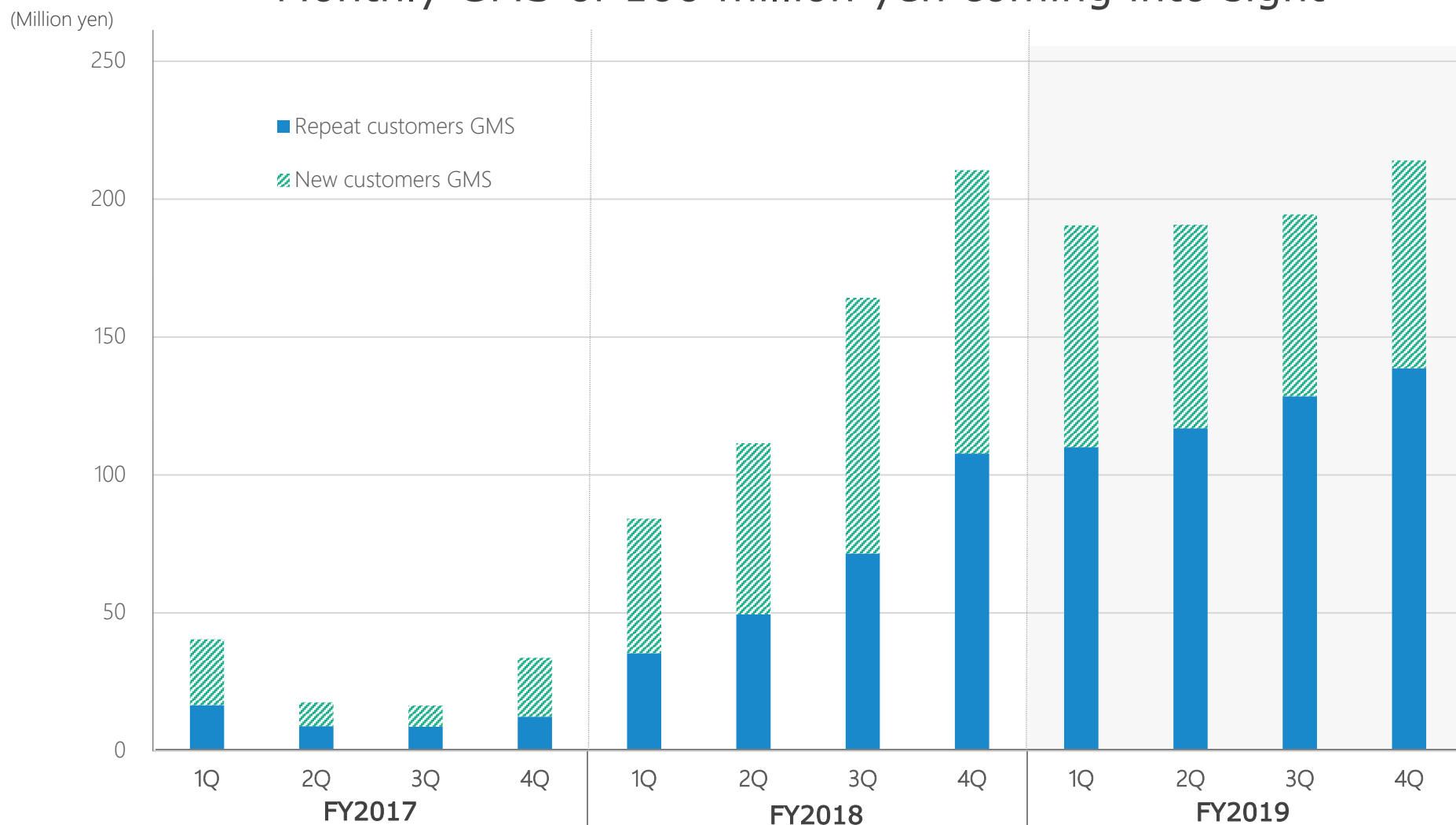


4-1. DOKODEMO Business

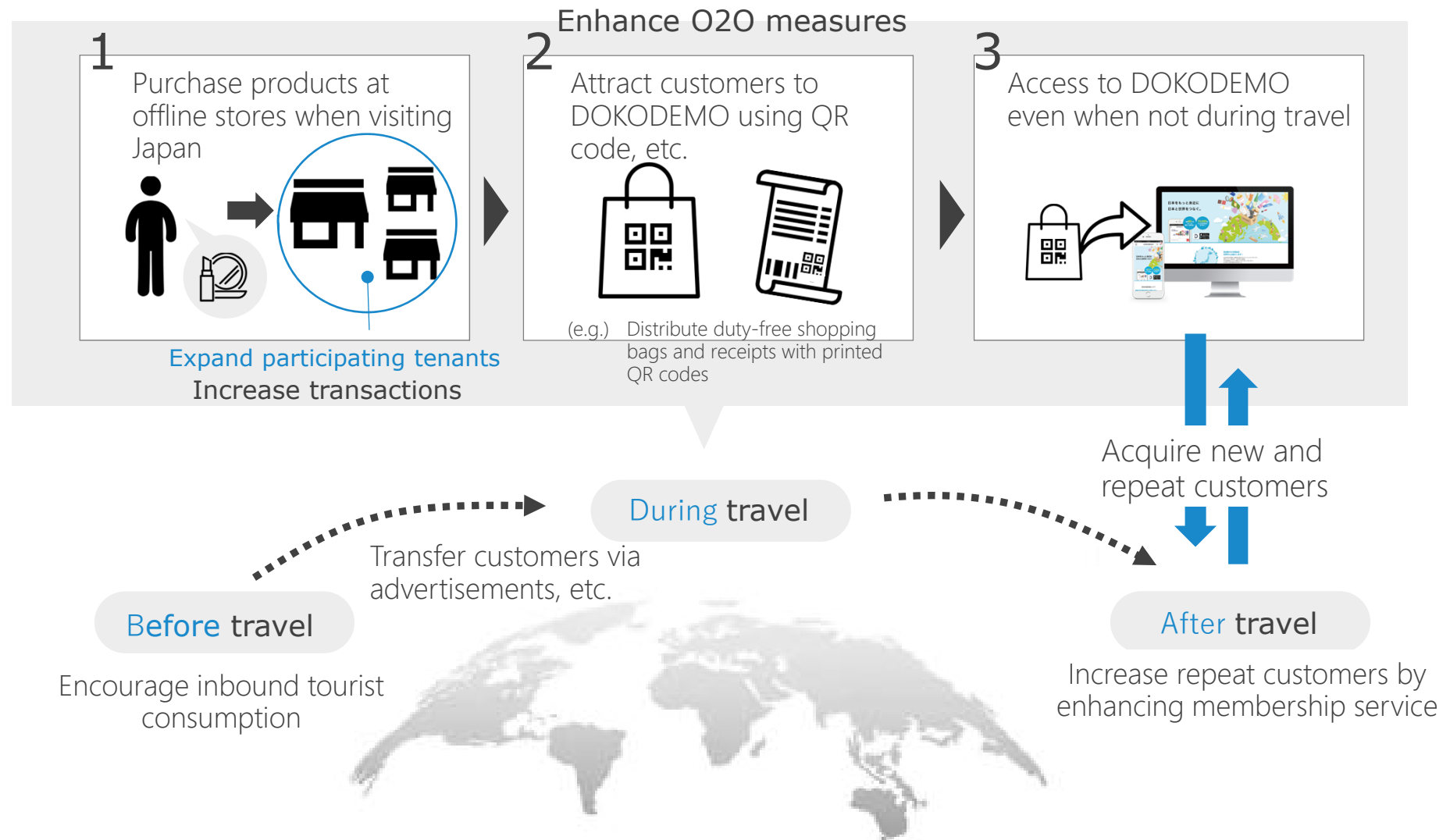
Membership and the number of APP DLs are growing smoothly
Strengthen Customer Relationship Management (CRM) to
further increase repeat customers

Item	Fiscal year ended March 31, 2018 results	Fiscal year ended March 31, 2019 results	YoY
Membership (thousand people)	209	374	179.2%
Number of APP DLs (thousand)	462	804	174.1%
Purchase price per person (yen)	10,626	10,686	100.6%
Number of products (thousand)	66	74	112.6%
Number of brands	708	1,065	150.4%
Deliveries * Number of countries and regions to which deliveries were made	78	96	123.1%

Annual Gross Merchandise Sales (GMS) increased by **43.0%** YoY
with steady increase in repeat customers
Monthly GMS of 100 million yen coming into sight

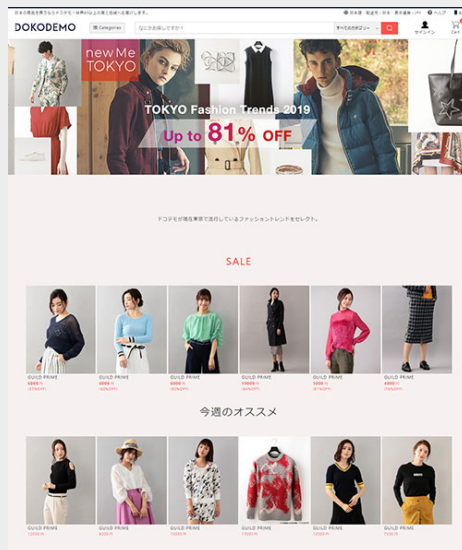


Strengthen Online to Offline (O2O) measures and expand transactions, anticipating a peak in inbound tourist demand ahead of the Tokyo Olympics



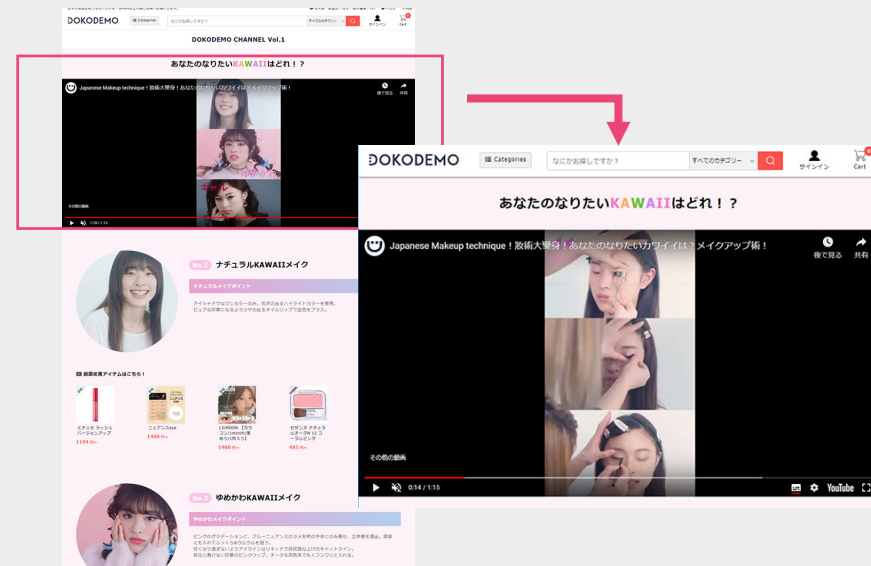
Enhance “fashion” and “make-up” categories to improve profit efficiency

Strengthen the fashion category



Expand the lineup of Japanese fashion brands, from high-end to low-end

Strengthen the make-up category



Introduce Japanese make-up know-how using videos to motivate users to purchase

Bolster initiatives toward expanding transactions

4-2. Business

Make system renovation to support tenants' services,
aiming to further increase transactions



Systems that
can accept
orders



Centralized
inventory
management

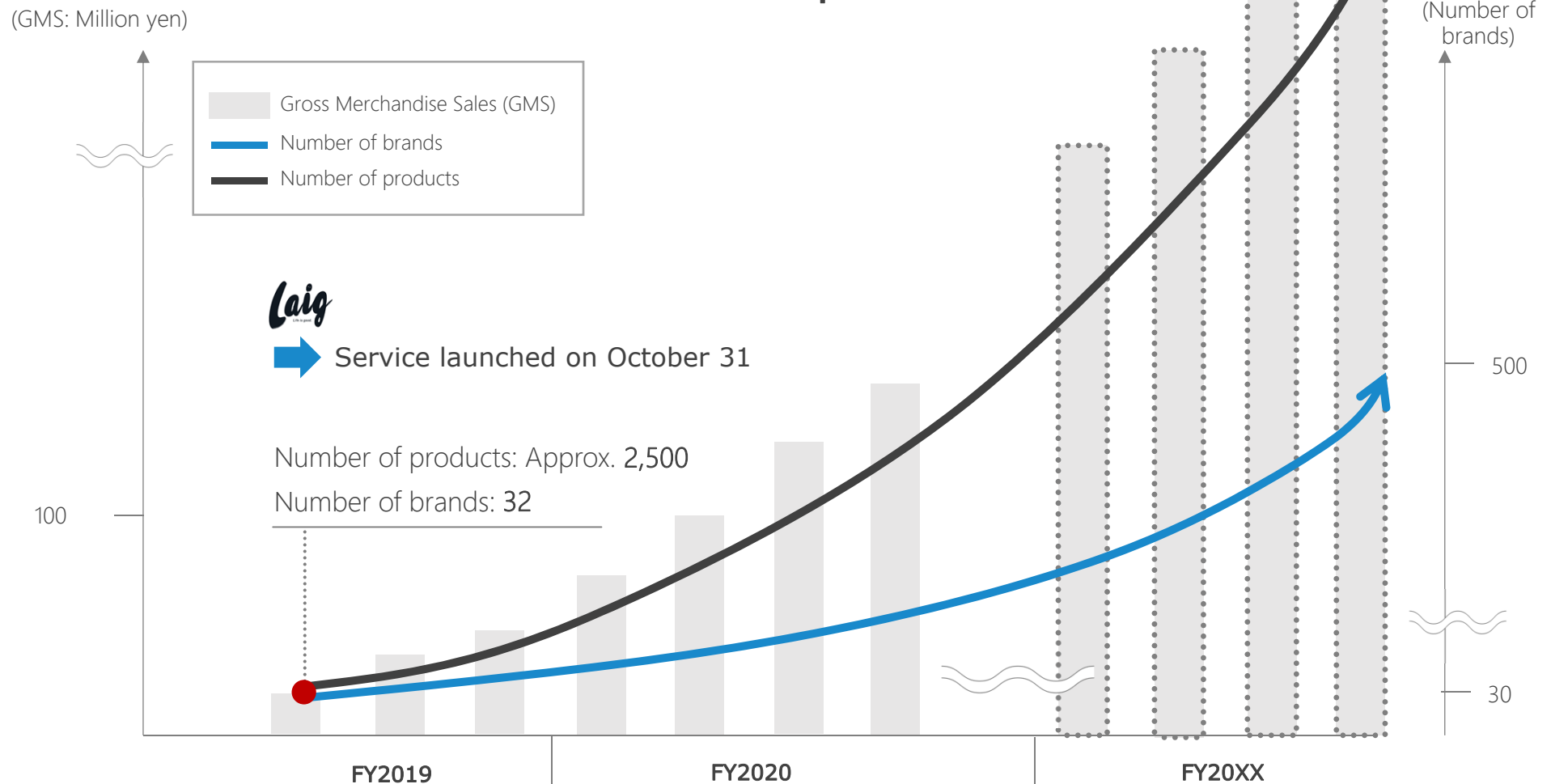


Attracting customers

Product lineup

Ease of shopping

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



5. Financial Results Forecast

5. Financial Results Forecast for the Fiscal Year Ending March 31, 2020

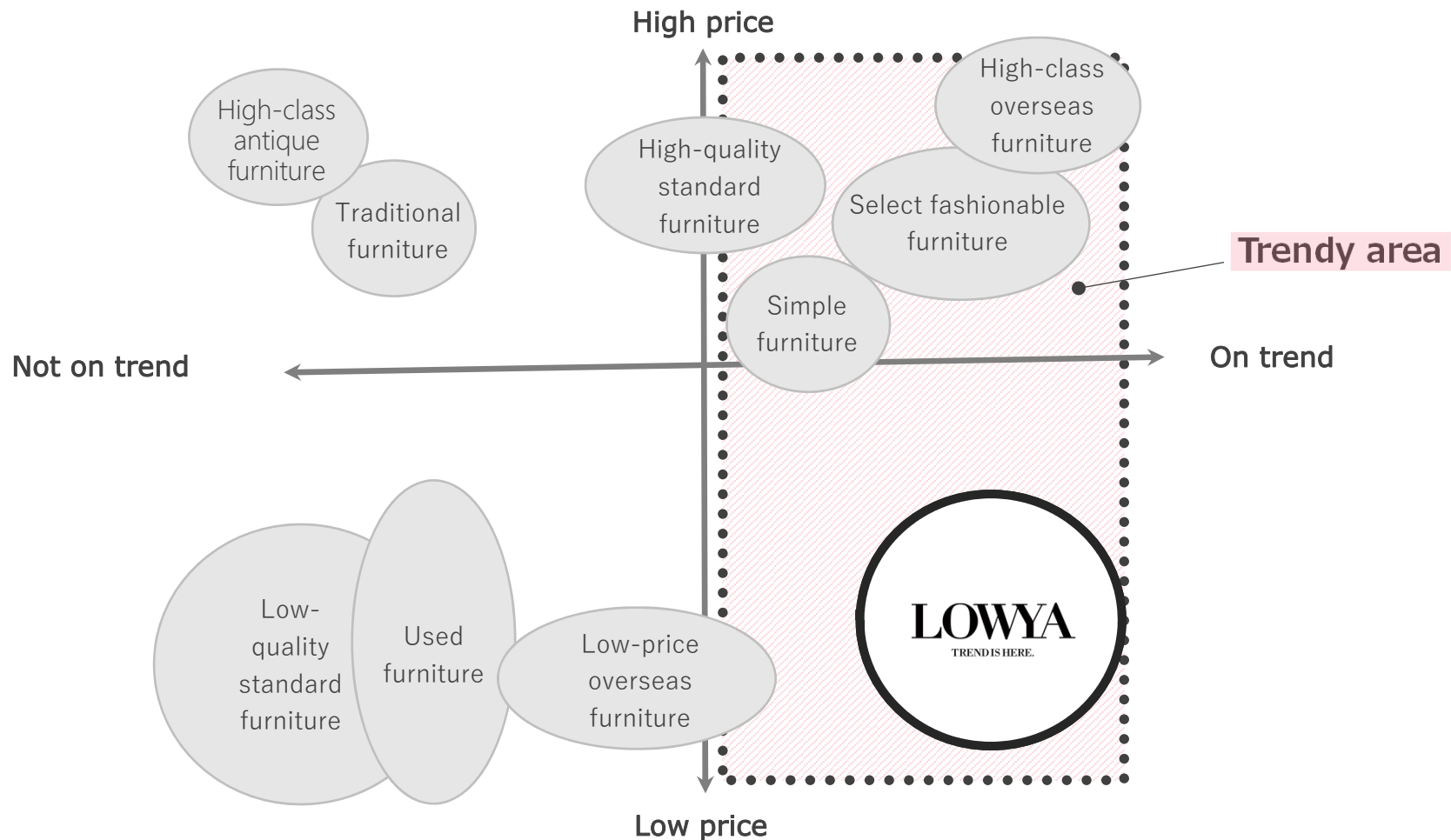
Toward maximizing the “LOWYA” brand, redesign our infrastructure, including logistics reform and service improvement, to strengthen the fulfillment service structure

(Million yen)

	Fiscal year ended March 31, 2019 (Results)	Fiscal Year Ending March 31, 2020 (Plan)	Change
Net sales	13,322	13,700	+2.8%
Operating profit	(296)	(170)	—
Ordinary profit	(256)	(150)	—
Profit	(240)	(100)	—
Basic earnings per share (yen)	(23.44)	(9.73)	—

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,”

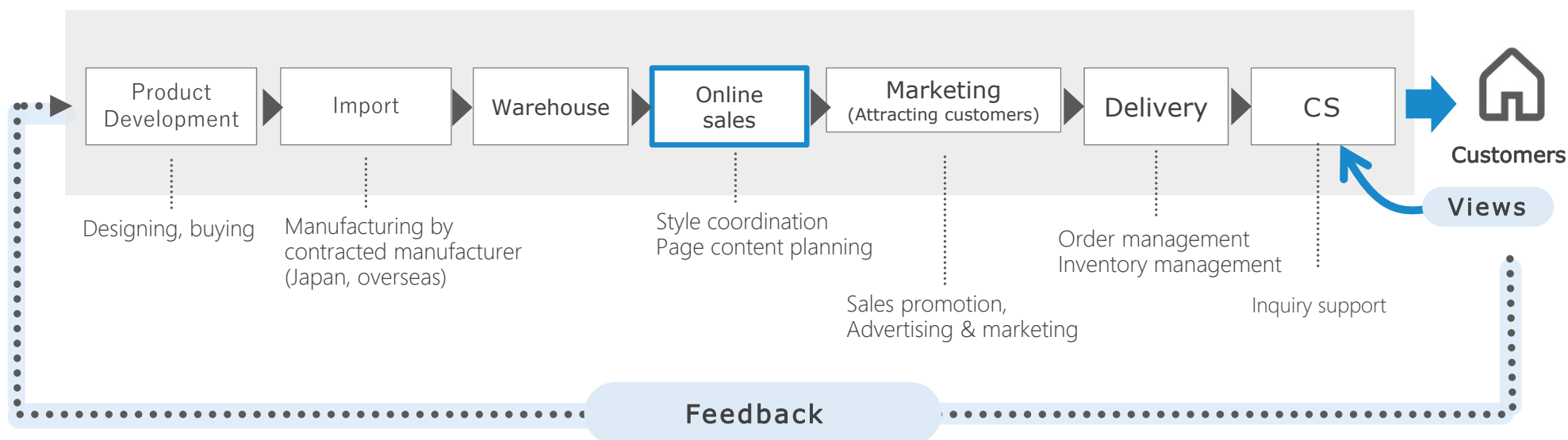
Offer “memorable experiences”
that go beyond value expected by customers



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

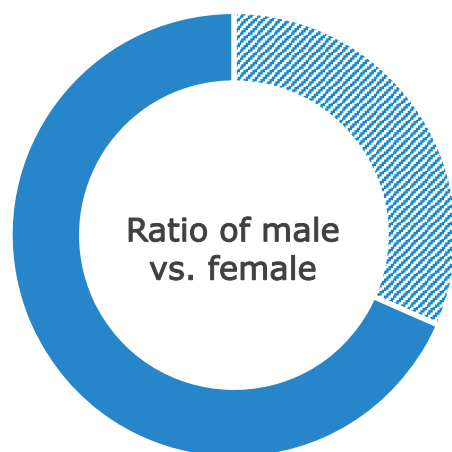
D2C business model conducting the entire procedure inhouse

(Direct to Consumer)



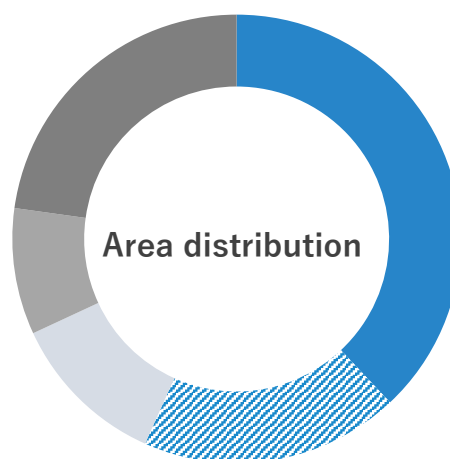
Showing higher ratio of female in their 30's, mainly in the Tokyo metropolitan area

(April 2018 to March 2019)



Male 31.6%

Female 68.4%



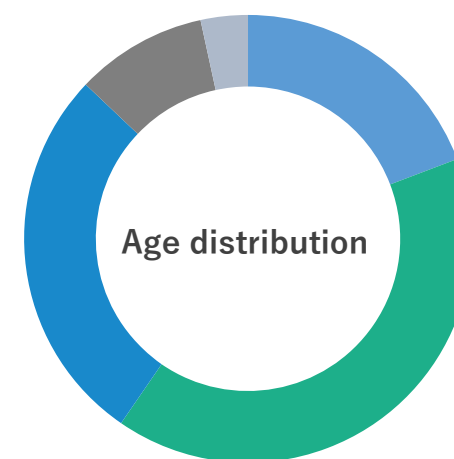
Kanto 38.0%

Kinki 18.7%

Tokai 11.4%

Kyusyu 9.1%

Other 22.8%



29 and younger 19.2%

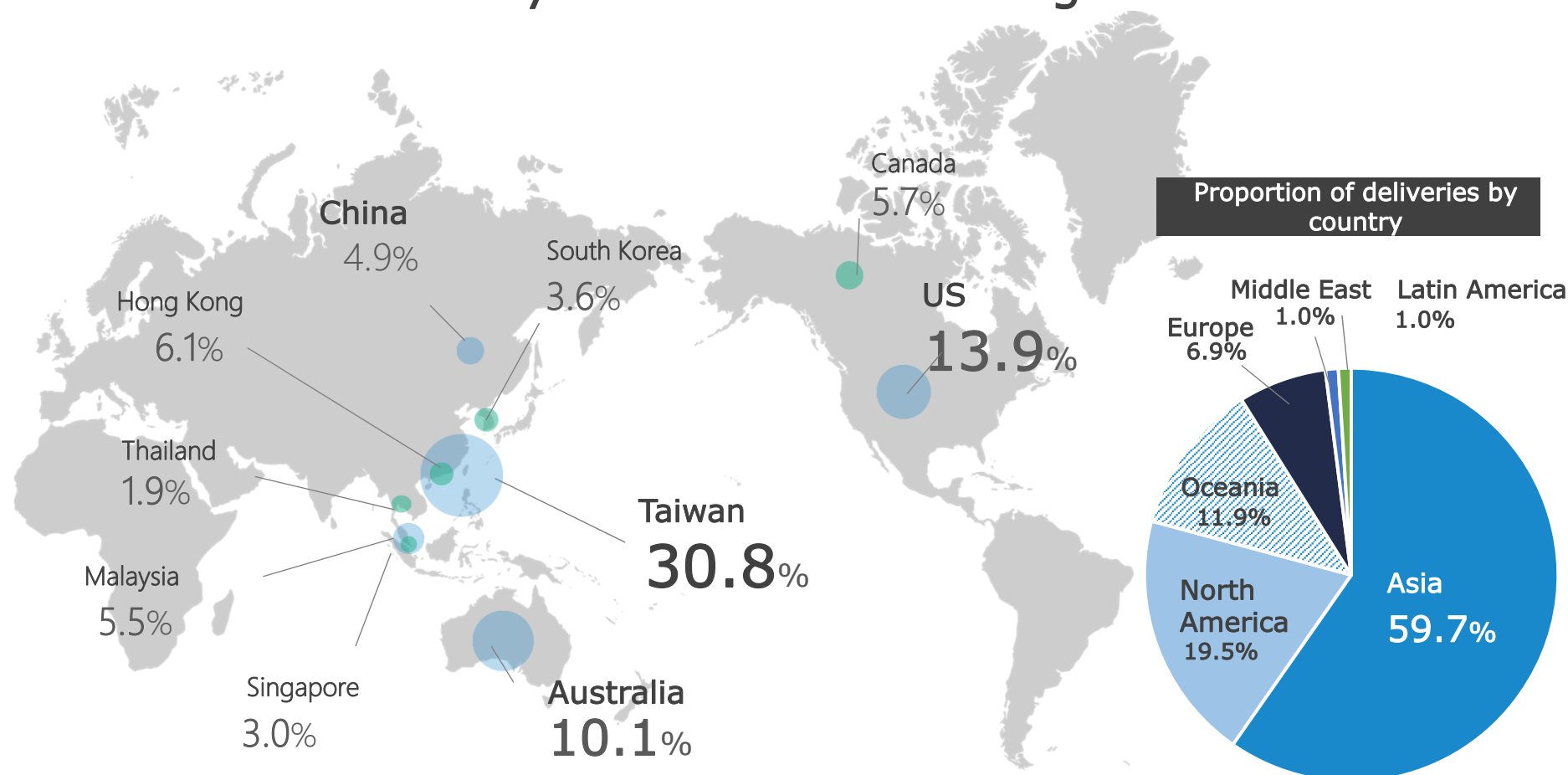
30 to 39 40.4%

40 to 49 27.5%

50 to 59 9.5%

60 to 69 3.4%

Proportion of deliveries by country based on the GMS ratio is widely distributed centering on Asia

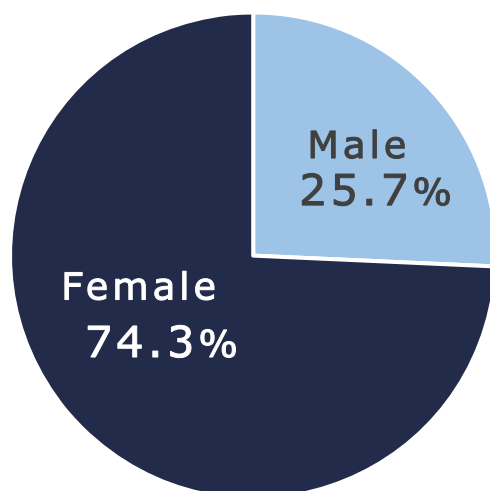


*Proportion of deliveries by country is calculated based on the ratio of gross merchandise sales (GMS) from April 2018 to March 2019.

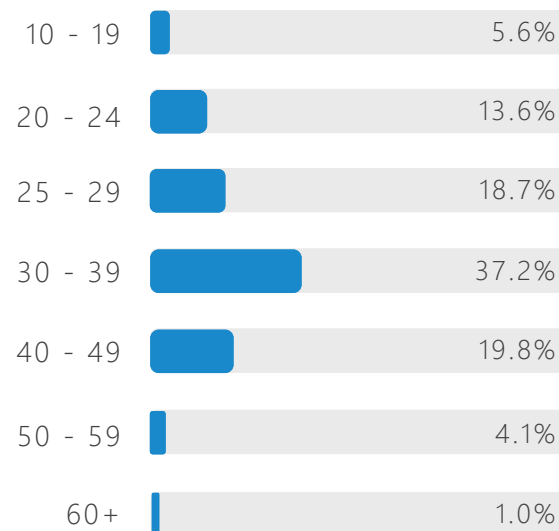
**Female users in their 30's are increasing.
DOKODEMO will strengthen the "hobby" and "fashion" categories
going forward**

Calculation period: April 2018 to March 2019

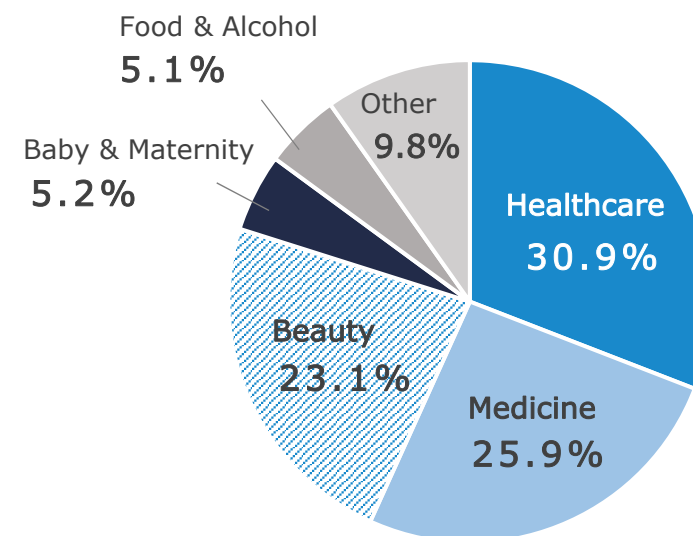
<User data>
Gender



<User data>
Age



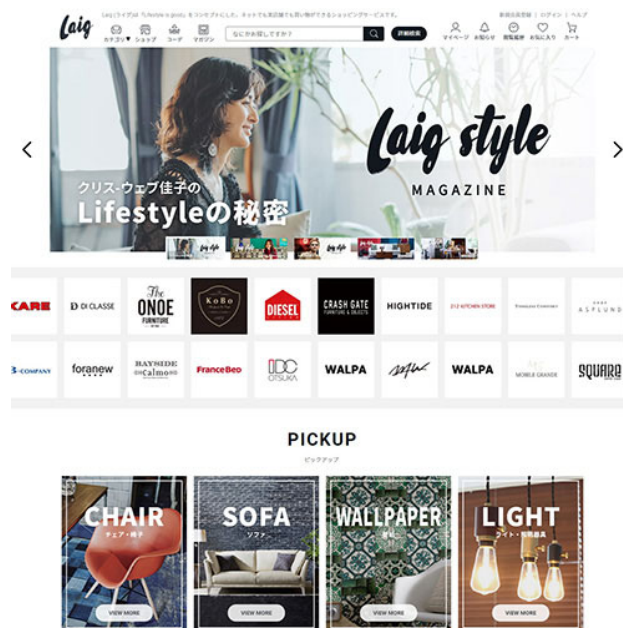
Sales ratio by
category



* 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)

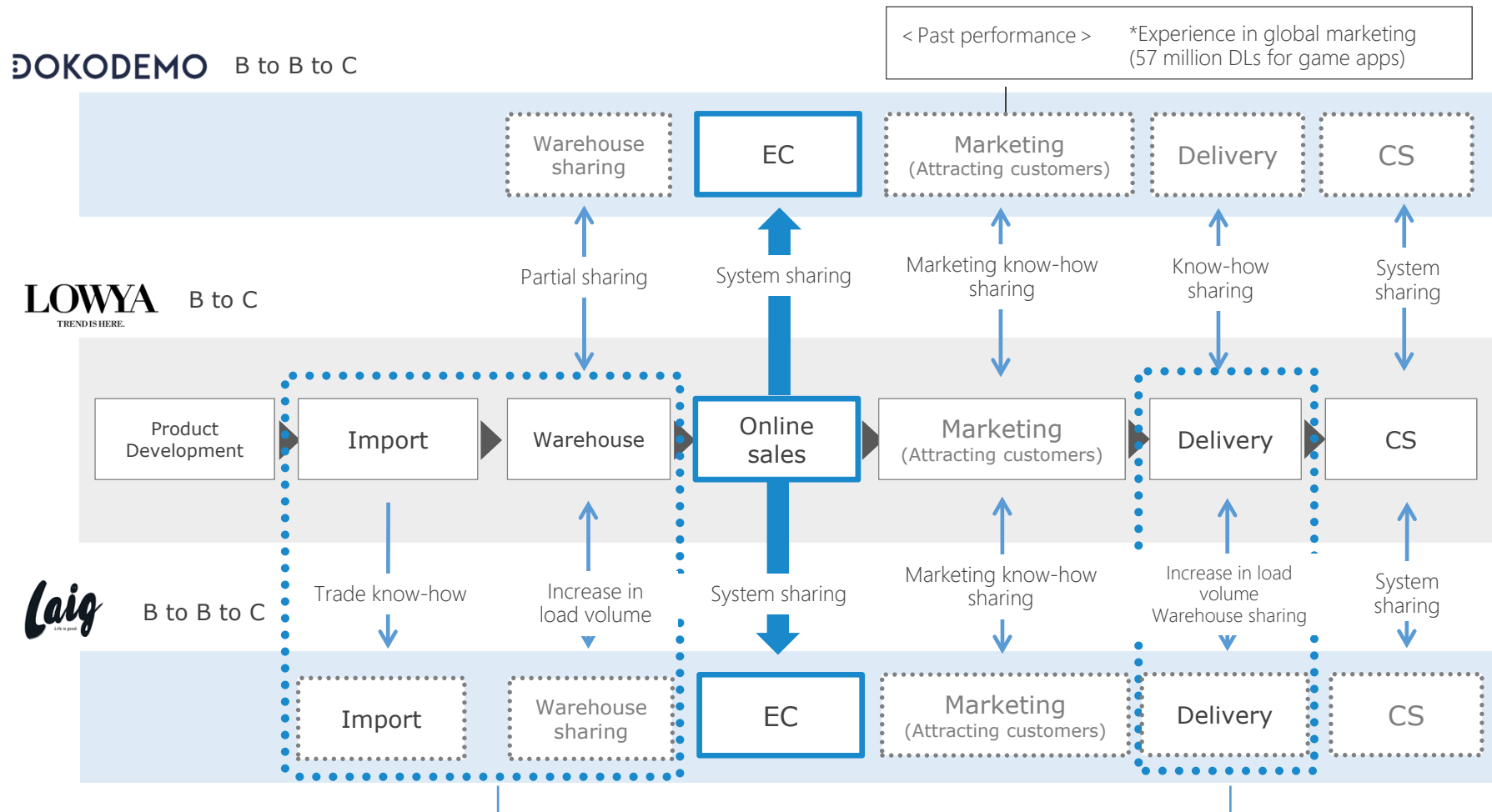


The concept of Laig is

“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.

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



Reduce delivery expenses/Improve storage efficiency



VEGA corporation

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These statements are based on current expectations, forecasts, and assumptions that are subject to risks, and contain uncertainties that could cause actual outcomes to differ materially from these statements.
These risks and uncertainties include general economic conditions in Japan and overseas, namely general industry and market conditions.
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