



Quarterly Financial Results  
for the Three Months Ended June 30, 2019

Vega corporation Co., Ltd.

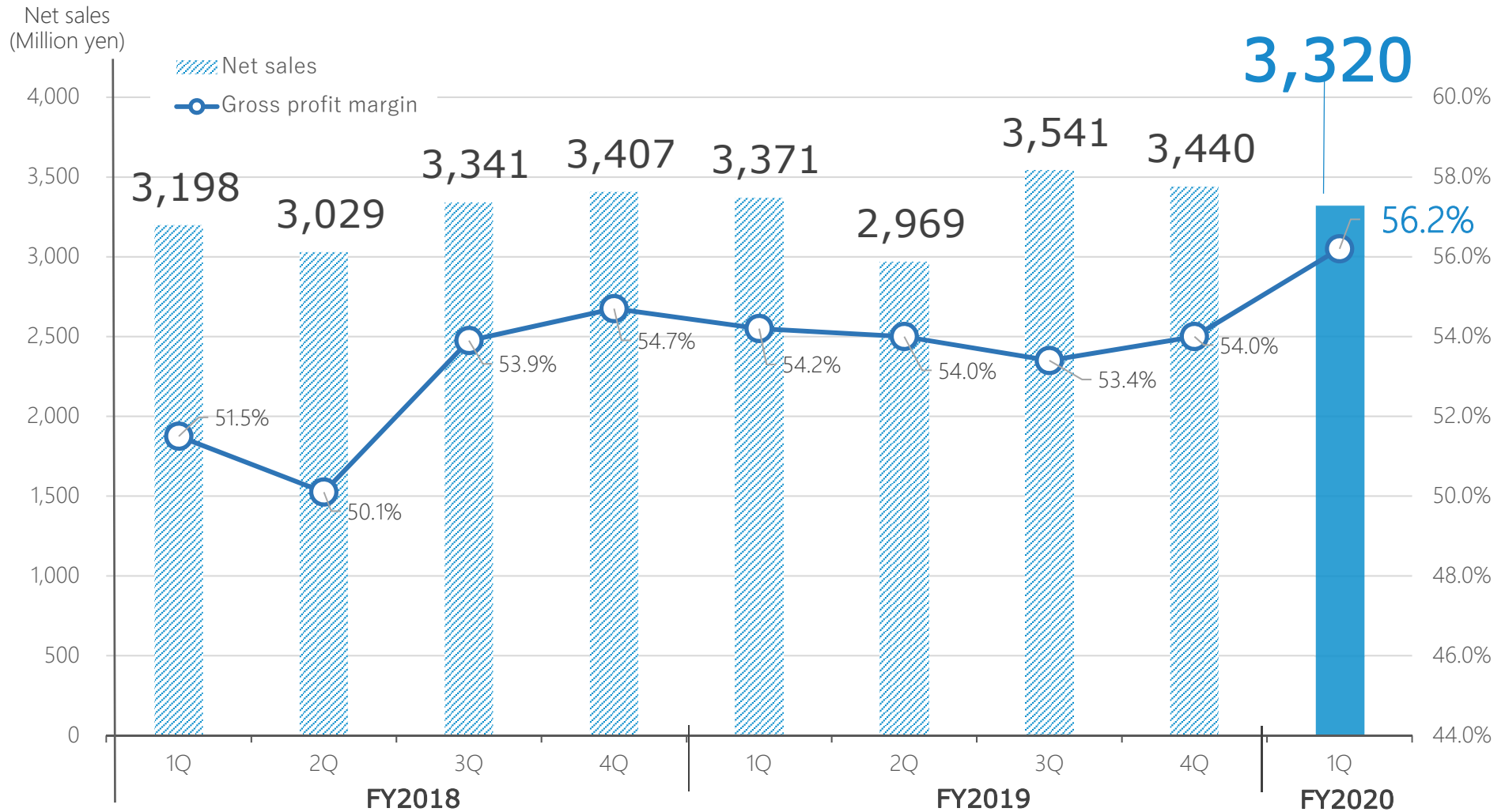
- **Operating profit significantly improved from the previous 4Q**
  - Gross margin improved as a result of sales price and product lineup revisions
  - Storage expenses declined due to adjustment of the amount of inventory
- **Sales and sales ratio of the flagship store are growing smoothly**
  - Efficient online advertising

# Overview of Quarterly Financial Results for the Three Months Ended June 30, 2019

## Quarterly Sales

Net sales decreased by **1.5%** YoY due to reduction of seasonal products

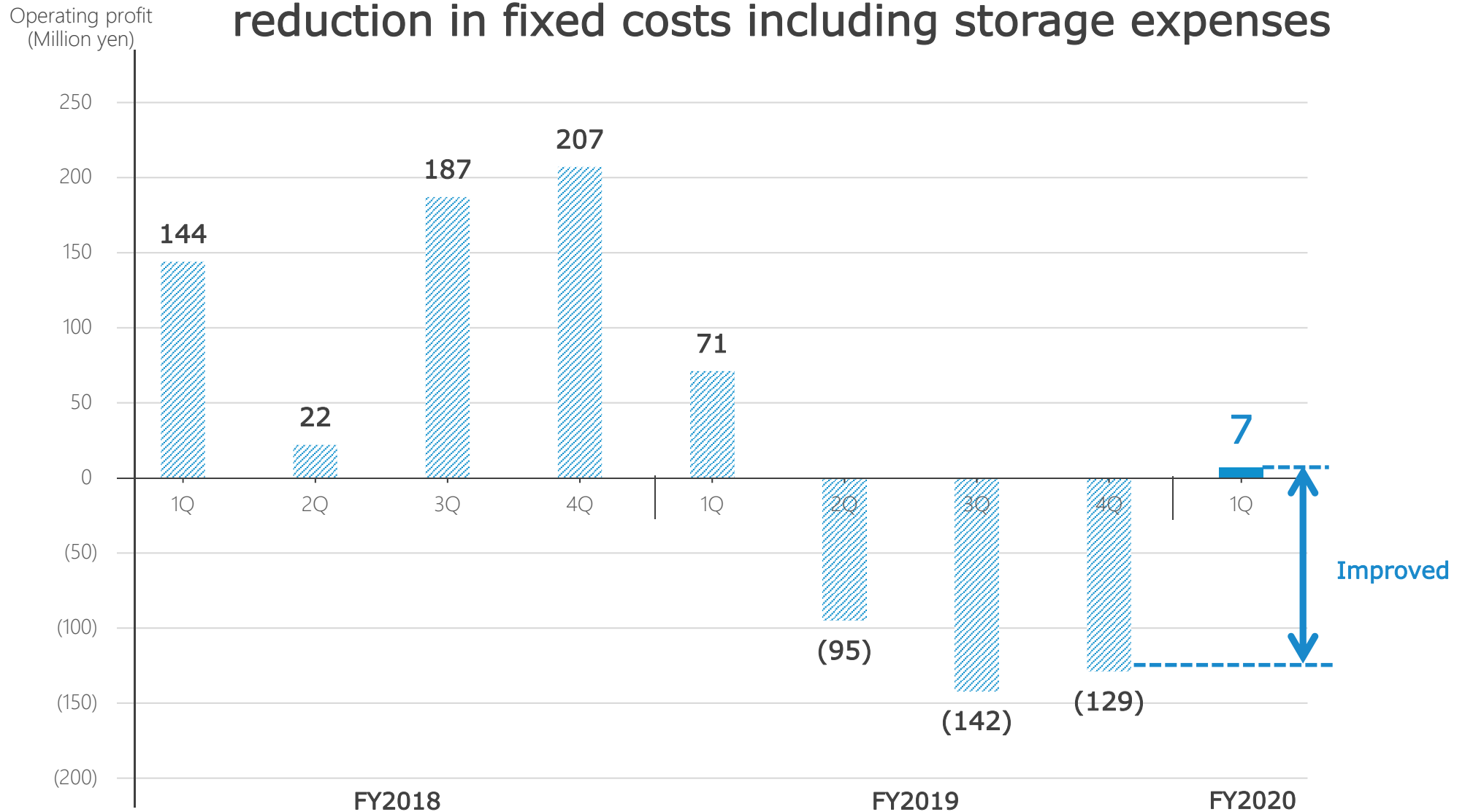
Gross margin improved as a result of sales price and product lineup revisions



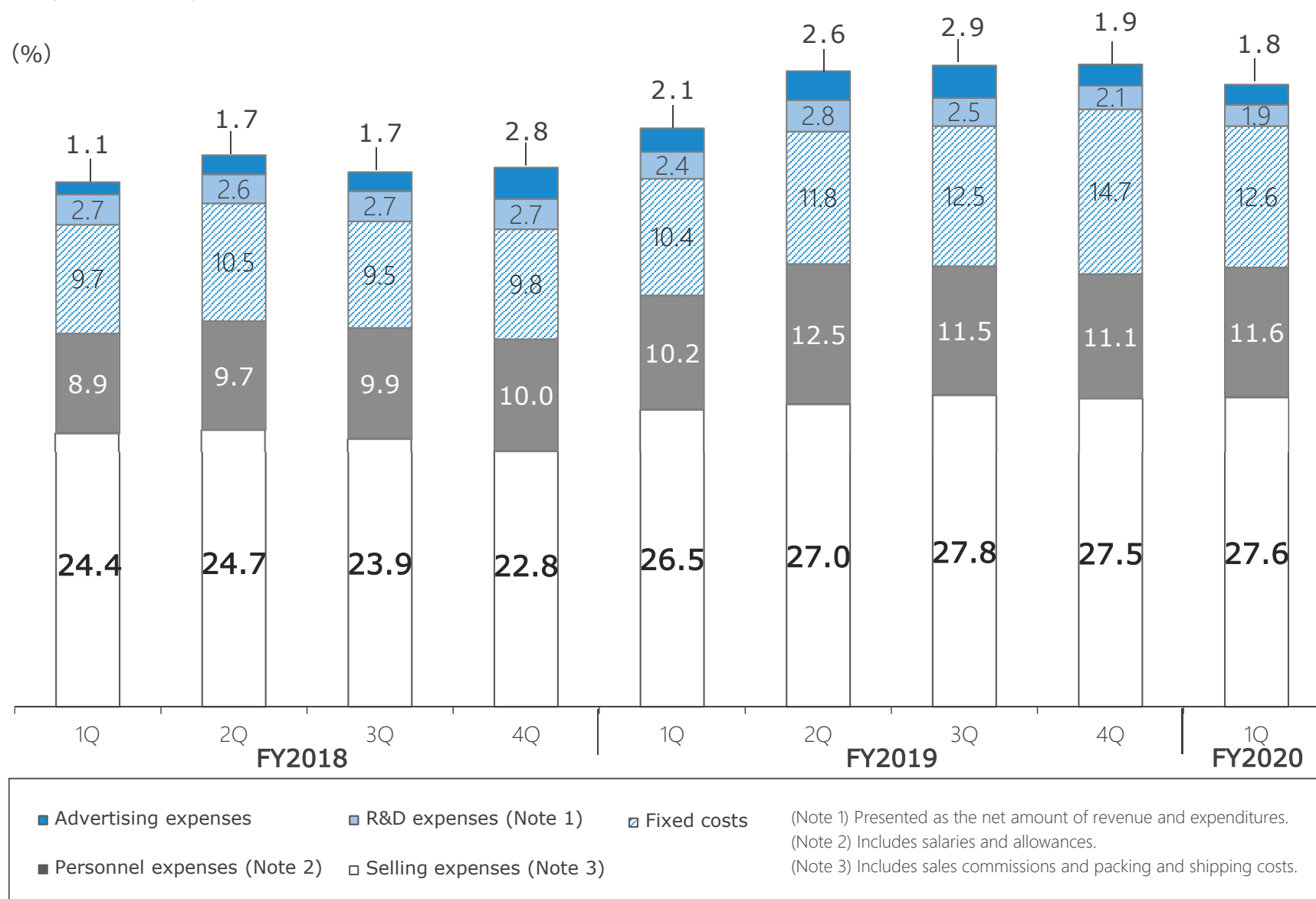
(\*) Delivery revenue of DOKODEMO is amended retrospectively to the net amount after deduction of delivery fees.

## Quarterly Operating Profit

Improving profit through gross margin improvement and reduction in fixed costs including storage expenses



## Quarterly SG&A Expenses <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.

## Gross margin improved as a result of sales price and product lineup revisions

(Million yen)

	Three months ended June 30, 2018	Sales ratio	Three months ended June 30, 2019	Sales ratio	Change	YoY
Net sales	3,371	100.0%	3,320	100.0%	(50)	98.5%
Gross profit	1,828	54.2%	1,867	56.2%	+39	102.1%
SG&A expenses	1,756	52.1%	1,860	56.0%	+103	105.9%
Operating profit	71	2.1%	7	0.2%	(64)	10.2%
Ordinary profit	75	2.2%	13	0.4%	(61)	18.4%
Profit	46	1.4%	6	0.2%	(40)	12.9%

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

Adjustment of inventory amount increased cash and deposits  
Inventory amount adjustments to continue in 2Q onward

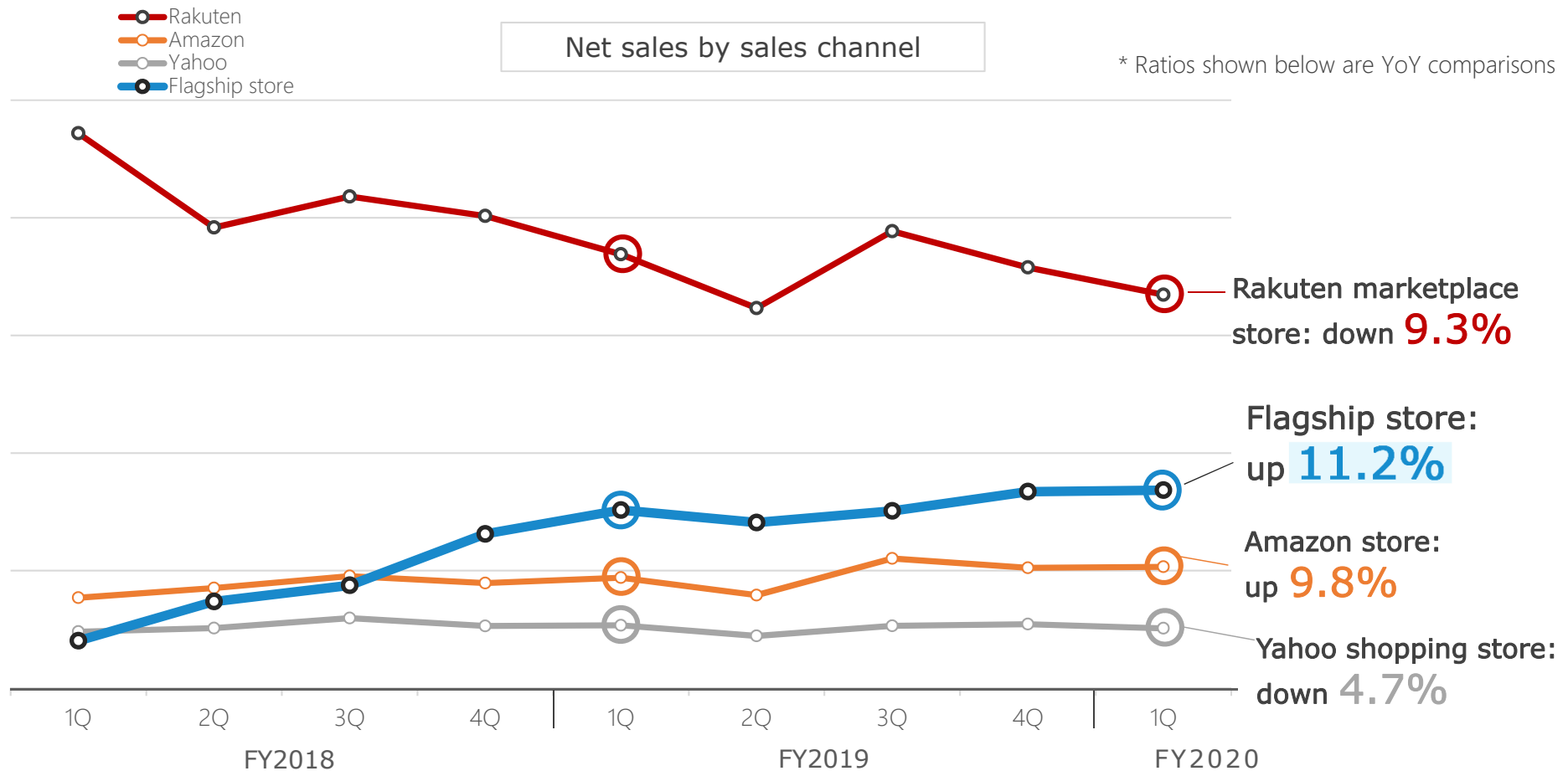
(Million yen)

	Previous fiscal year (as of March 31, 2019)	Three months ended June 30, 2019		Previous fiscal year (as of March 31, 2019)	Three months ended June 30, 2019
<b>Current assets</b>	4,935	4,995	<b>Current liabilities</b>	2,410	2,461
Cash and deposits	1,019	1,768	Debt obligations	1,320	1,320
Accounts receivable –trade	1,186	899	<b>Non-current liabilities</b>	52	52
Merchandise	2,405	2,102	<b>Total liabilities</b>	2,463	2,513
<b>Non-current assets</b>	1,102	1,090	Shareholders' equity	3,558	3,568
Property, plant and equipment, and intangible assets	431	444	<b>Total net assets</b>	3,574	3,573
<b>Total assets</b>	6,037	6,086	<b>Total liabilities and net assets</b>	6,037	6,086

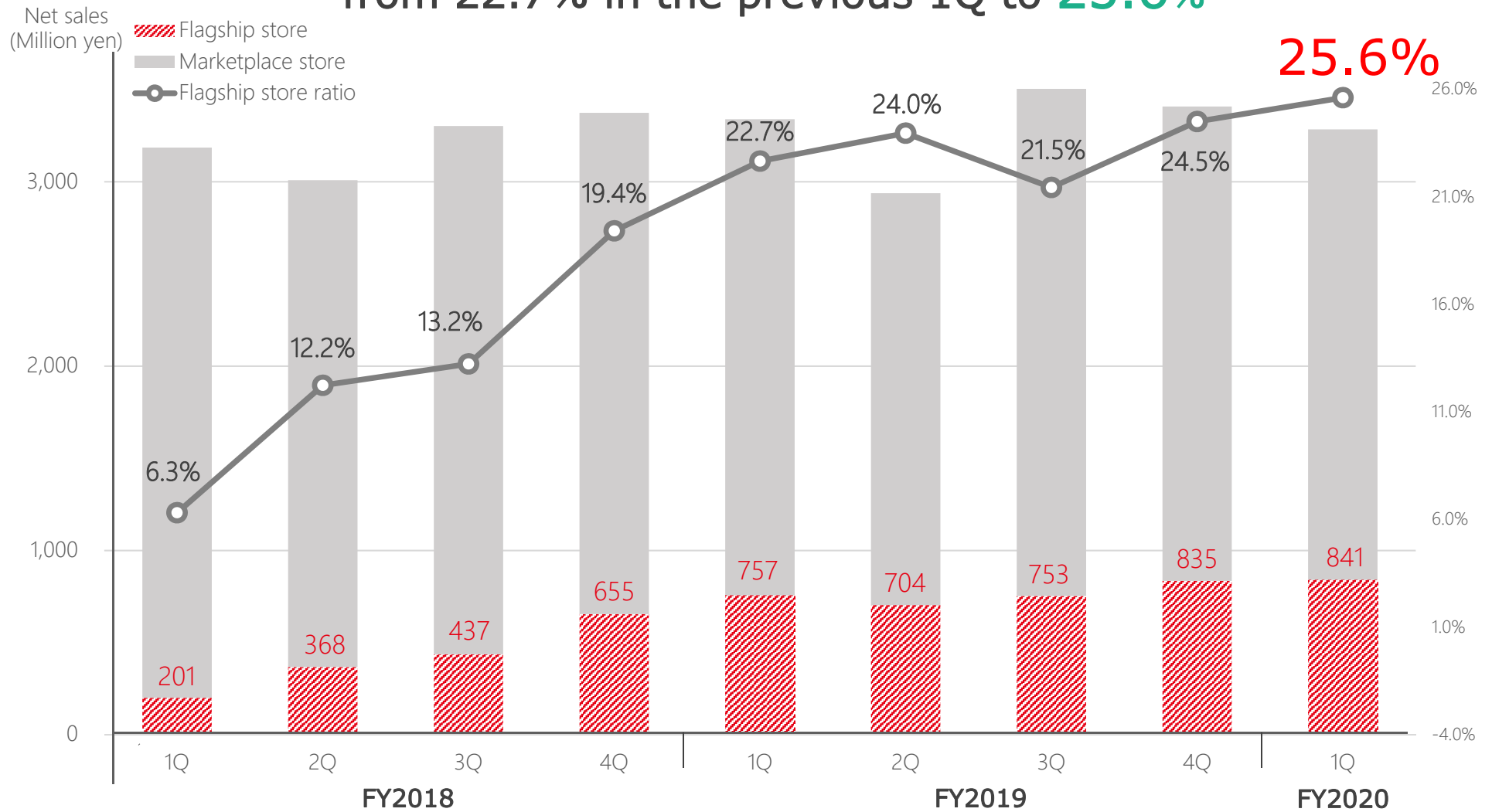
(\*) Audit procedures pursuant to the Financial Instruments and Exchange Act are in progress as of the date of disclosure of this document.

# Report on LOWYA Business

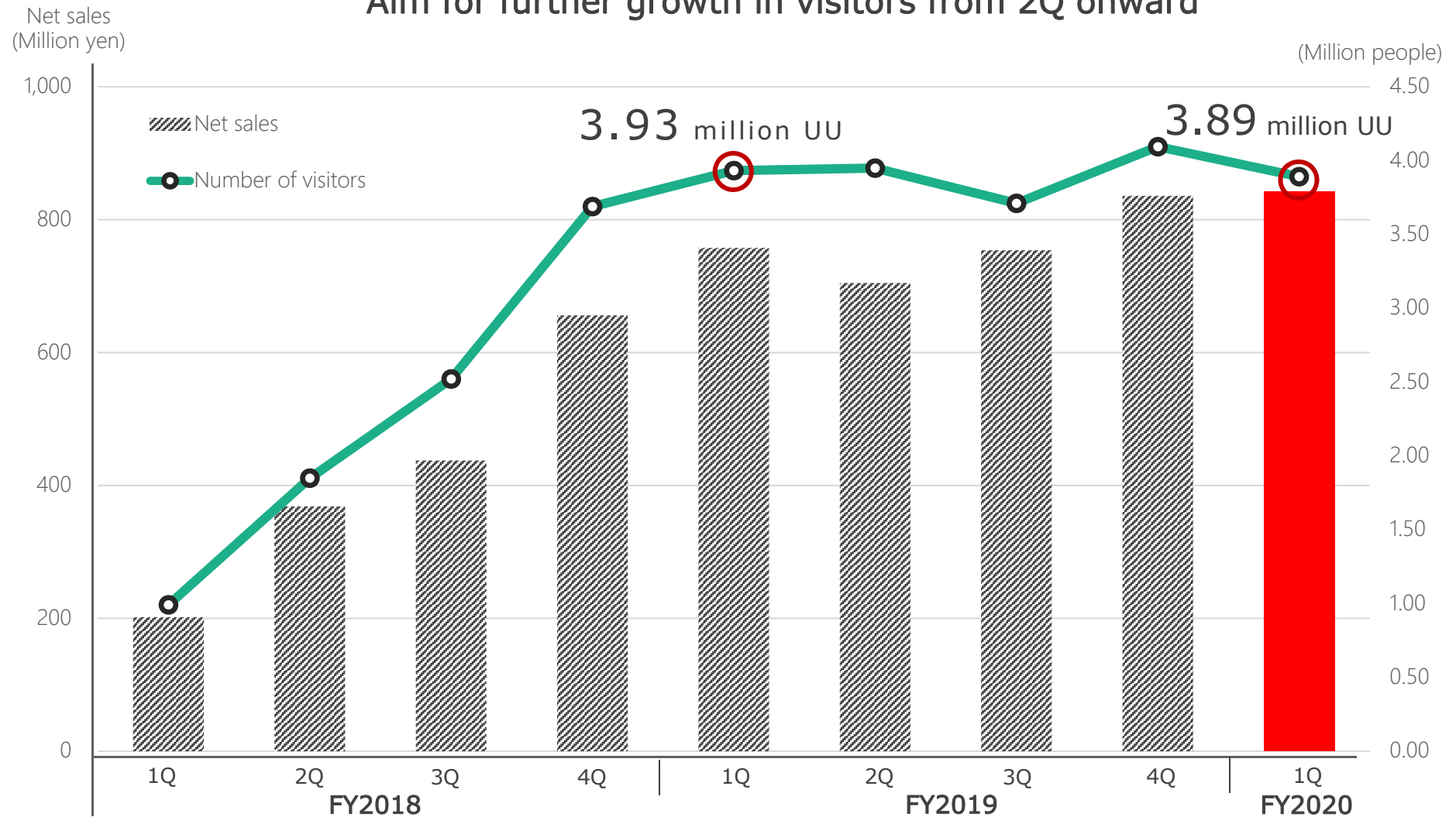
## Sales are smoothly shifting to the flagship store



## Flagship store ratio increased from 22.7% in the previous 1Q to 25.6%



Curbed online advertising expenses, but net sales increased by **11.2% YoY**  
 Resumed active advertising investment from the last week of June  
 as profit improvement was confirmed  
 Aim for further growth in visitors from 2Q onward



## Optimizing product inventory and reviewing packaging size to reduce the delivery expense ratio



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

**The number of organic access to the flagship store remained as forecasted**  
**The overall number of visitors declined due to marketplace store conditions**

Item	Fiscal year ended March 31, 2019				Fiscal year ending March 31, 2020
	1Q (Apr. –Jun.)	2Q (Jul. –Sep.)	3Q (Oct. –Dec.)	4Q (Jan. –Mar.)	1Q (Apr. –Jun.)
YoY number of visitors (%)	125.1	110.1	109.8	98.2	91.3
YoY average customer spend (%)	109.9	113.0	112.8	113.3	114.5
YoY CVR (%)	75.2	78.5	82.8	94.7	96.9
Number of products (Note)	2,070	2,169	2,041	1,967	1,930
Number of new products introduced	112	99	91	103	57
Average settlement rate (yen)	107.58	108.74	111.59	109.05	107.70

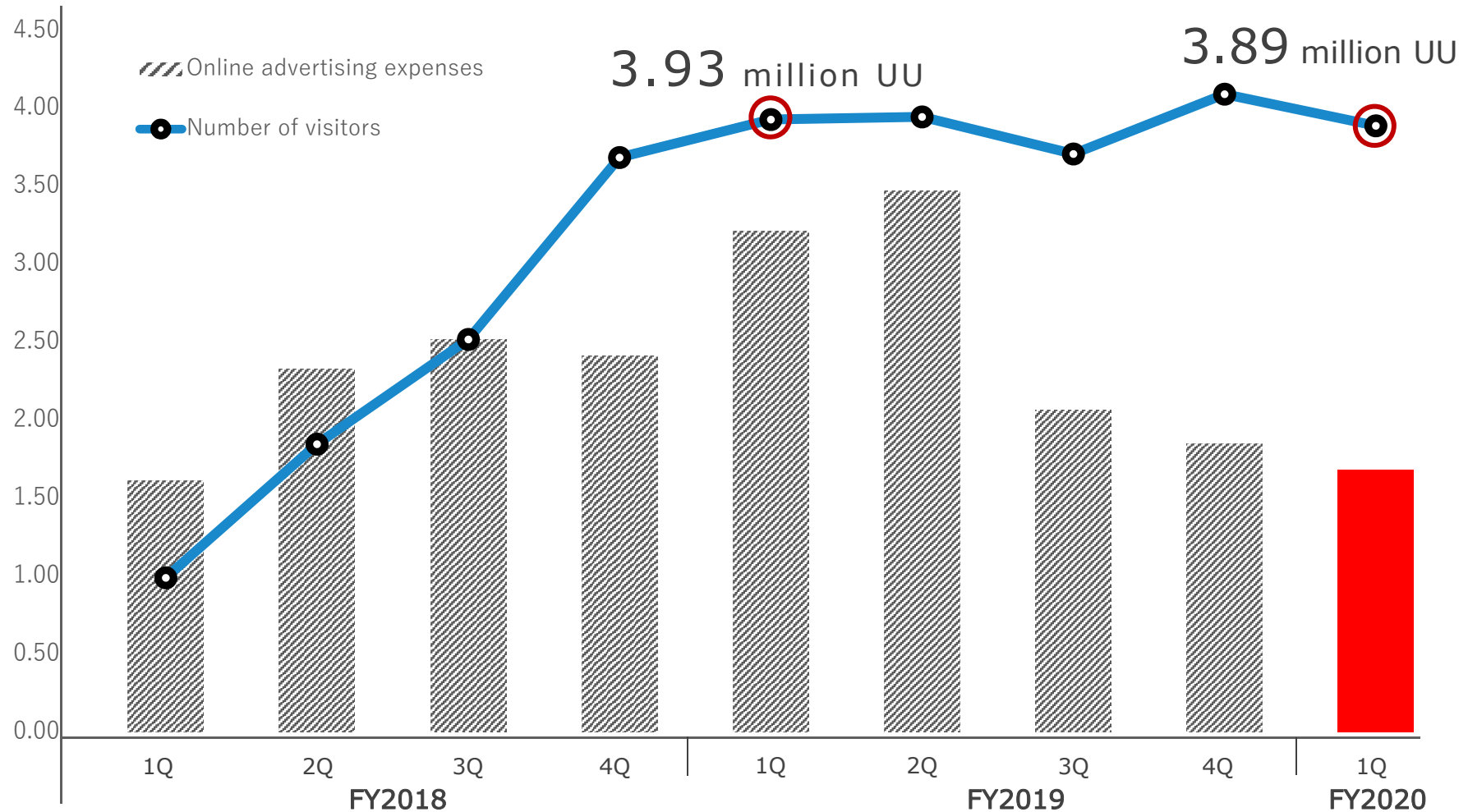
(Note) Obsolete products are excluded. Actual figure may differ from the total of Number of products and Number of new products introduced.

The number of visitors remained almost flat due to efficient online advertising  
Average customer spend and CVR increased as a result of sales price revisions, etc., and recovery from stock-out issue in the previous fiscal year, respectively

Item	Fiscal year ended March 31, 2019				Fiscal year ending March 31, 2020
	1Q (Apr. –Jun.)	2Q (Jul. –Sep.)	3Q (Oct. –Dec.)	4Q (Jan. –Mar.)	1Q (Apr. –Jun.)
[Flagship store] YoY number of visitors (%)	396.6	213.5	147.2	111.0	99.0
[Flagship store] YoY average customer spend (%)	100.3	110.8	103.5	108.1	114.1
[Flagship store] YoY CVR (%)	94.6	81.8	108.2	110.2	103.9

## Maintained the number of visitors while curbing online advertising expenses

(Million people)



## Initiatives in the First Quarter

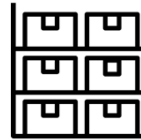
- (1) Initiatives toward improving profit
- (2) Initiatives toward increasing access to the flagship store and sales

## Continue with 4 initiatives toward “improving profit”

### (1) Reduce storage expenses

#### Issues

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



#### Progress

- Saved space at some warehouses by adjusting amount of inventory
- Introduced facilities to improve storage efficiency
- Preparing to introduce warehouse management system

### (2) Reduce delivery expenses

#### Issues

- Allocate product inventory to the right warehouse
- Review packaging size



#### Progress

- Ongoing efforts to review packaging size
- Established a new delivery network
- Conducting reviews to allocate product inventory properly

## Continue with 4 initiatives toward “improving profit”

### (3) Improve cost of sales ratio



#### Issues

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



#### Progress

- Conducting audit of supplier selection process

### (4) Review product lineup



#### Issues

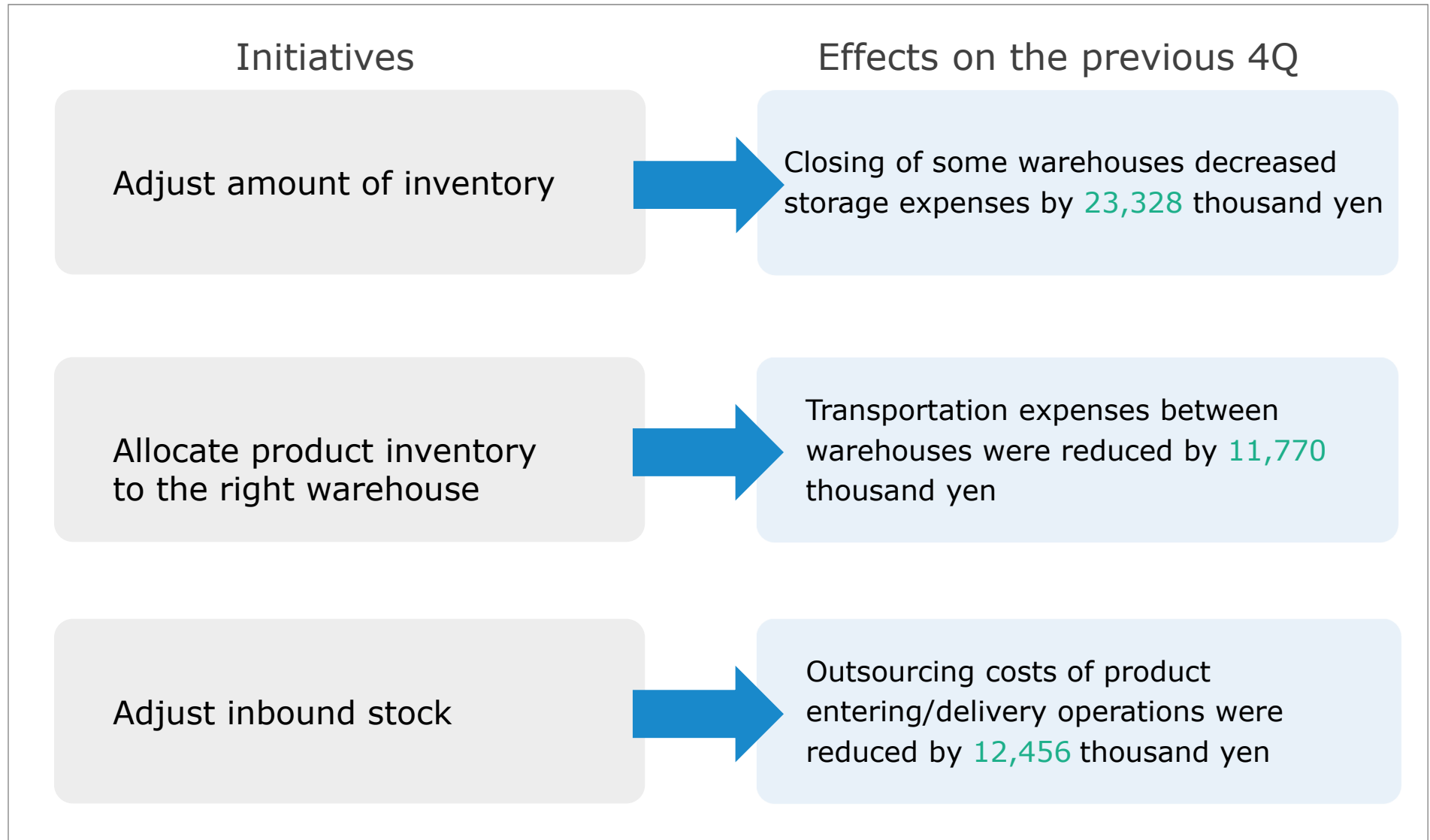
- Introduce new products and categories that suit the cost structure



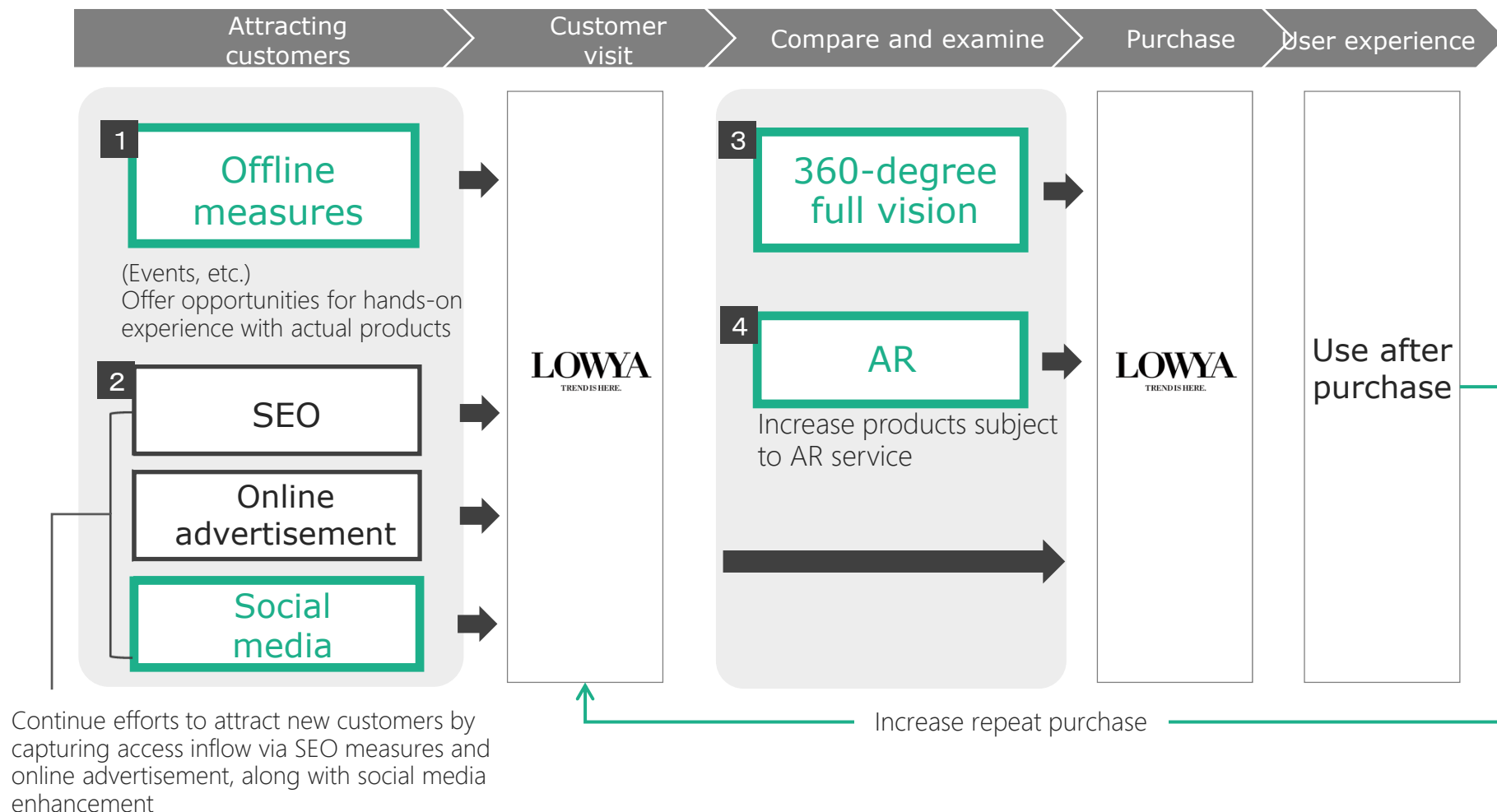
#### Progress

- Introduced new products with high profitability

## Other initiatives that contributed to “improving profit”



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



## Opened a limited-time pop-up store at Isetan Shinjuku Store as an **offline measure** offering opportunities for “seeing, touching, and trying products”

Offered an opportunity for hands-on experience with actual products as an effort to attract customers  
Contributed to approaching a new customer base and gaining LOWYA brand recognition

### ▼ “Touch & Try” space



LOWYA kids items were exhibited and sold as a space coordinated by our interior stylists for visitors to enjoy the LOWYA's concept and try actual products.

### ▼ LOWYA photo booth

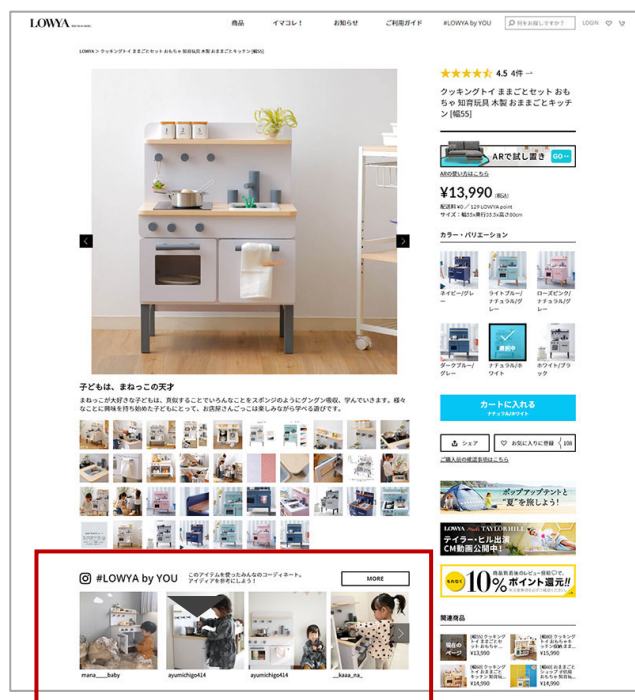


Concurrently held a promotional event to spread information via social media.  
Visitors playing at the booth and the “Touch & Try” space were photographed.

# Utilize contents created by Instagram users as part of social media enhancement intended to increase new access

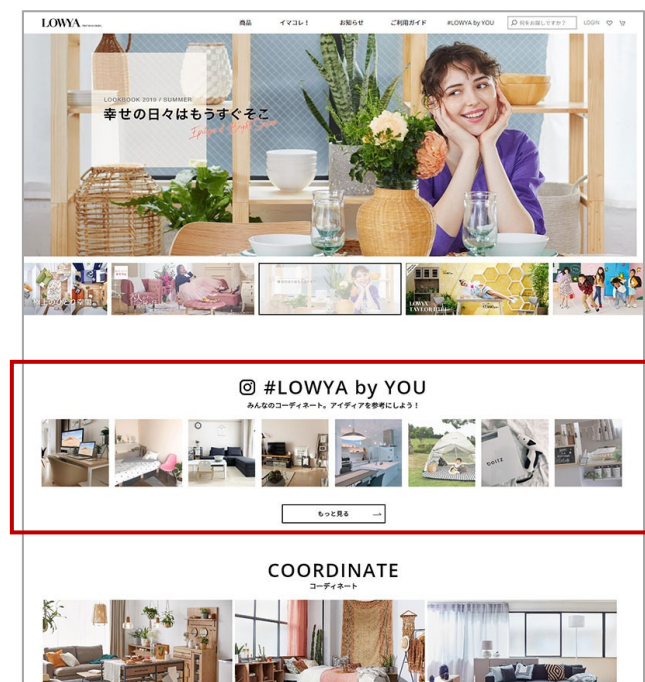
Users who viewed contents can easily imagine post-purchase life, and CVR rose after introduction

Product page corresponding to the contents



Convey the real “other users’ experience” to those who are considering purchase

Front page of the website

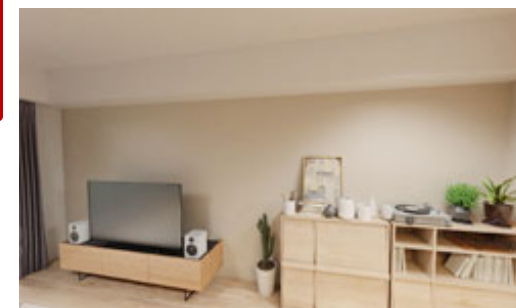


Place links at a prominent position on the front page. Refer to general consumers’ interior ideas and arouse user interest

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



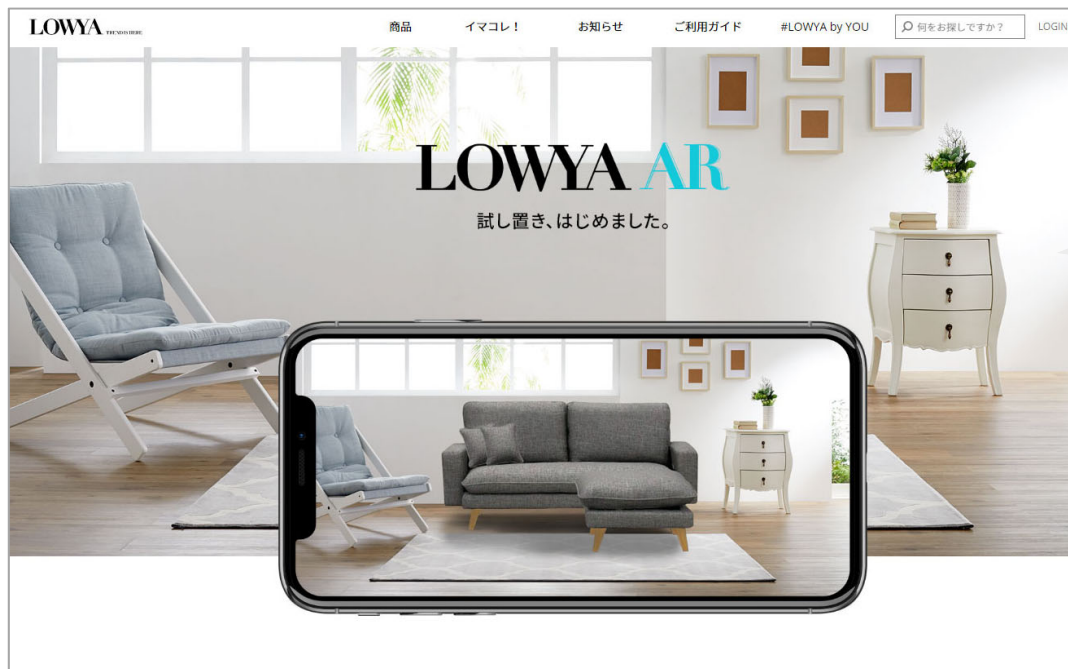
Under  
development




\* Objects in the images are all 3D models.


Change the furniture purchase experience


## “LOWYA AR” helps users compare and examine products in online purchase Continue converting products to 3D to enhance the service



The service has been well received by users on social media. Continue to create 3D models of products, aiming for the release of 360-degree full vision, which is currently under development

I tried out an item on furniture AR and then actually bought it 

This motivates me to buy 

Surprisingly accurate! 

Number of products subject to the service:

708 (\*1)

➡ 1,020 (\*2)

(\*1) Number of product SKU as of March 2019

(\*2) Number of product SKU as of June 2019

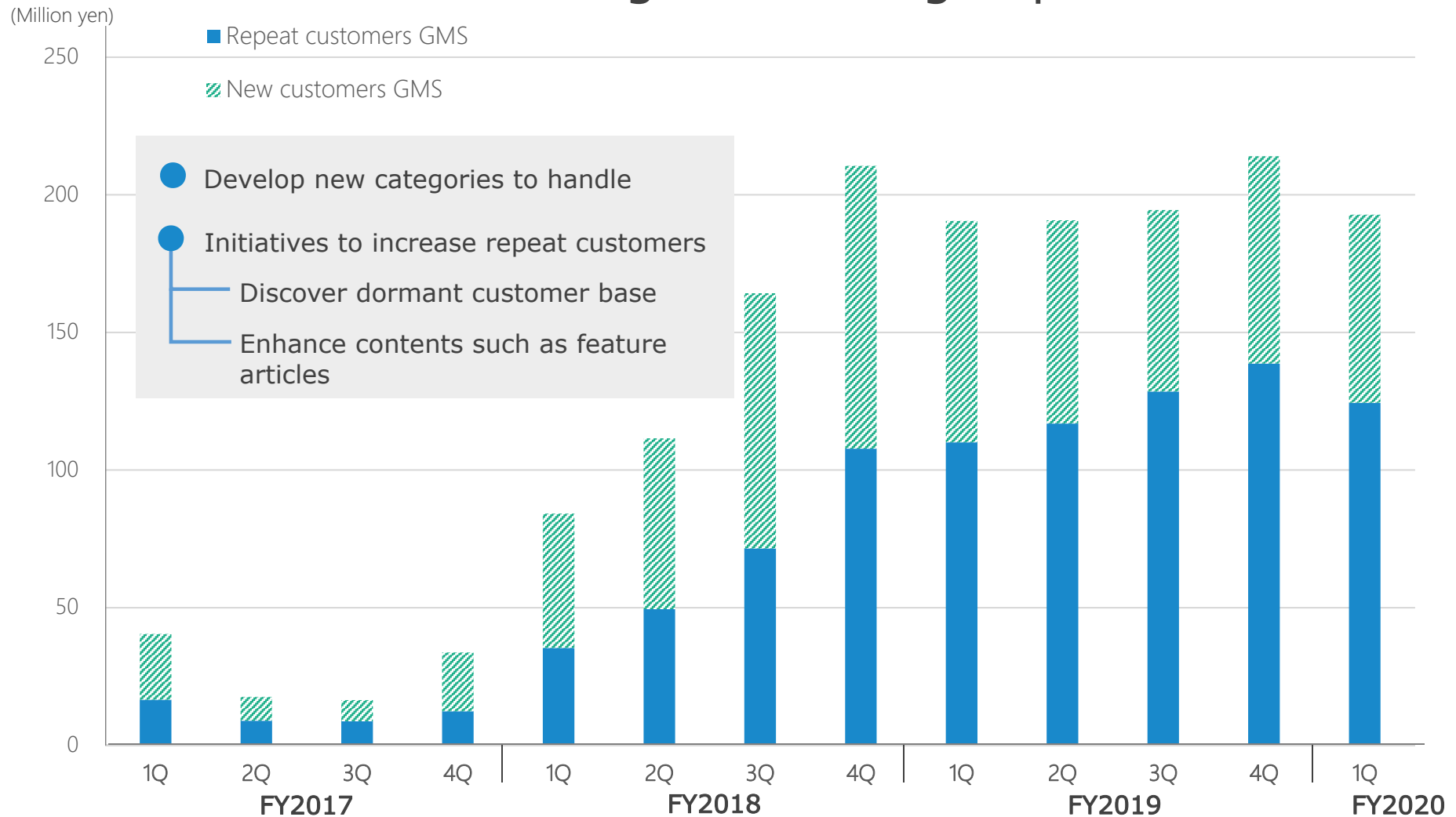
# New Businesses (R&D)

# DOKODEMO Business

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

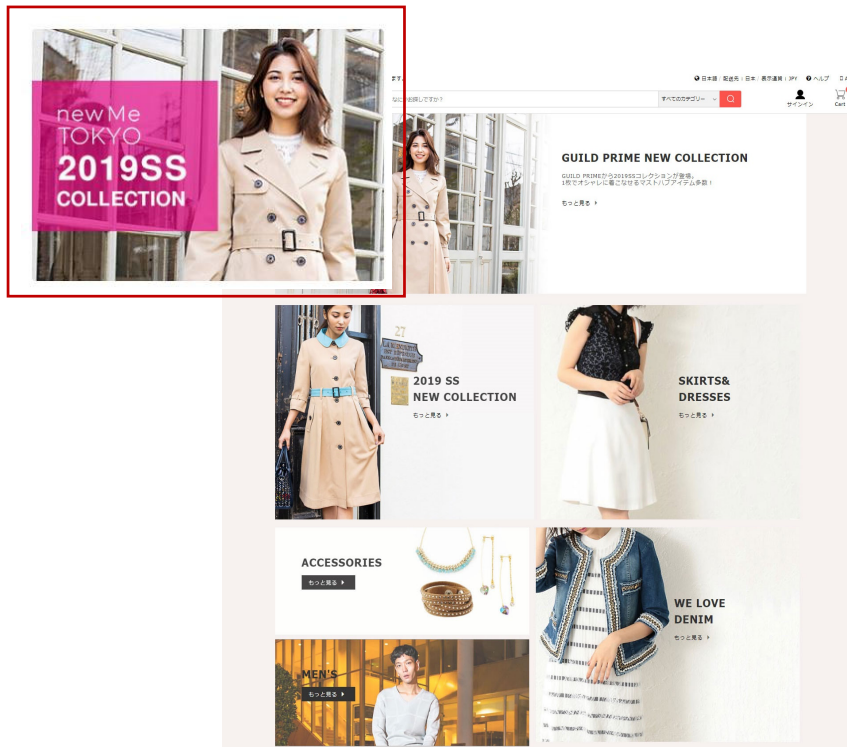
Item	1Q ended June 30, 2018	1Q ended June 30, 2019	YoY
Membership (thousand people)	264	<b>408</b>	154.1%
Number of APP DLs (thousand)	598	<b>837</b>	140.1%
Purchase price per person (yen)	8,905	<b>7,770</b>	87.2%
Number of products (thousand)	67	<b>264</b>	390.9%
Number of brands	738	<b>1,502</b>	203.5%
Deliveries * Number of countries and regions to which deliveries were made	84	<b>97</b>	115.5%

## Gross Merchandise Sales (GMS) increased by 2.5% YoY, while curbing advertising expenses



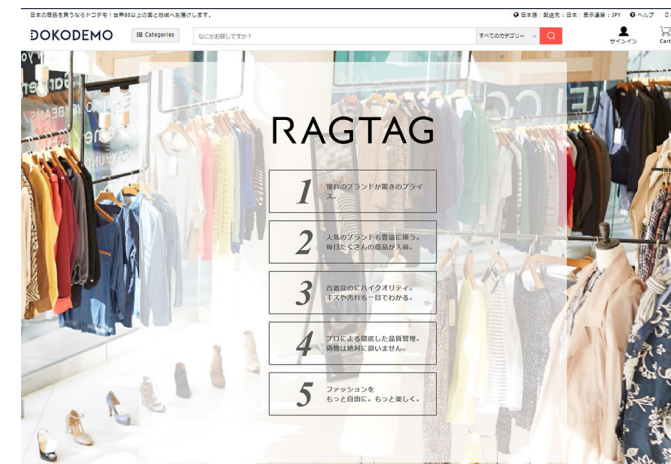
## Continued to strengthen the fashion category and started handling used products as the first for DOKODEMO

### Fashion category



Expand the selection of brands and enhance page contents

### Reuse (second-hand brand items)



#### • Started handling from June 2019

Used products in Japan are good in condition and are much in demand from overseas. Plan to increase the number of products gradually to strengthen the reuse category.

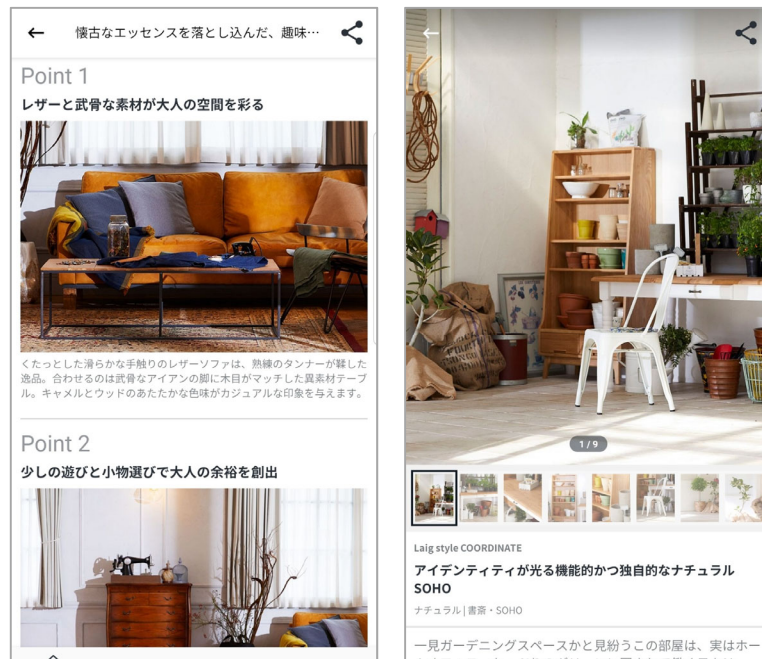
( \*Number of products is about 170 thousand as of June 30, 2019 )



Business

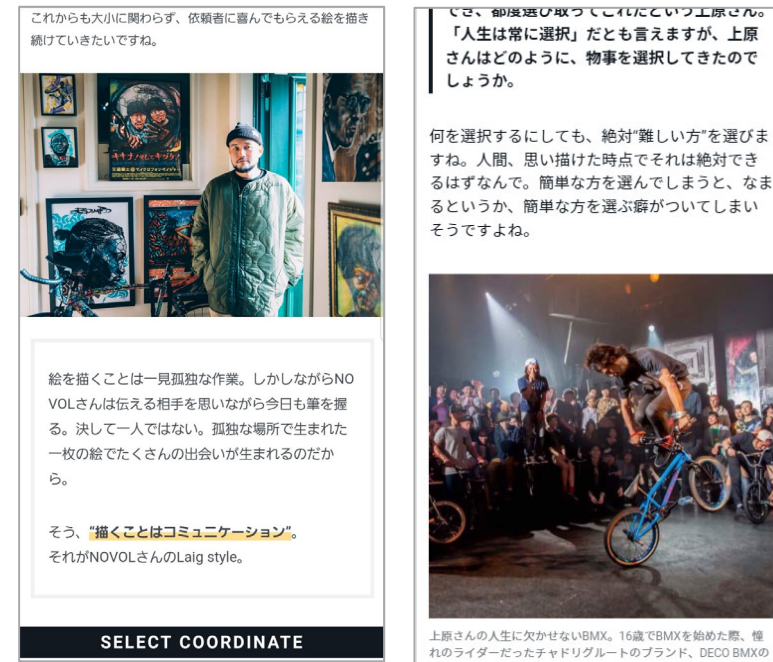
# Continue expanding the number of products and contents to enhance service

## Laig style COORDINATE



Post a total of 95 ideas of interior coordination created by mixing multiple brands.

## Laig style MAGAZINE

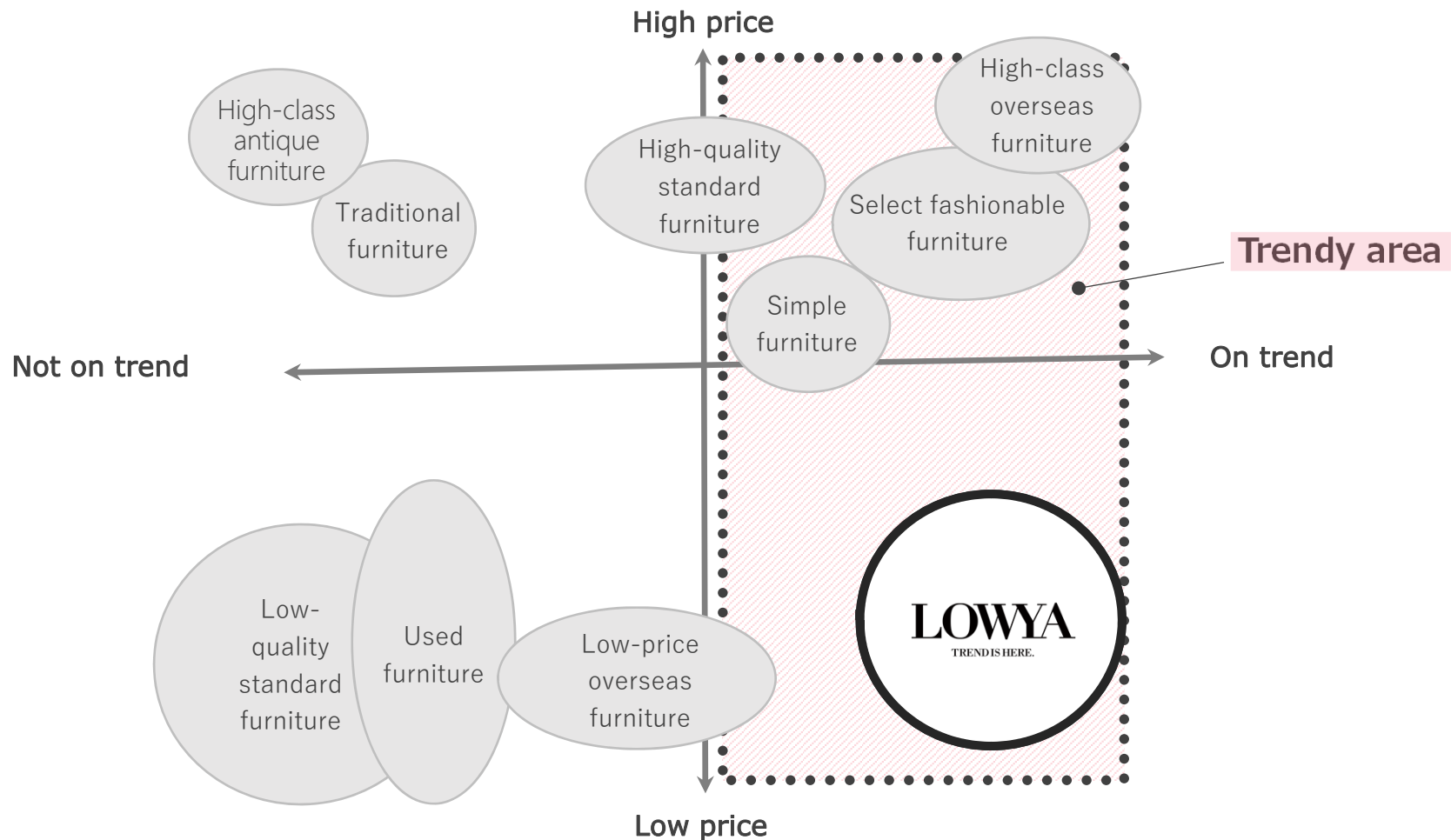


Introduce particular tastes, favorite spaces, etc. of prominent persons active in various fields.

Offer inspiring ideas as information

# 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,”

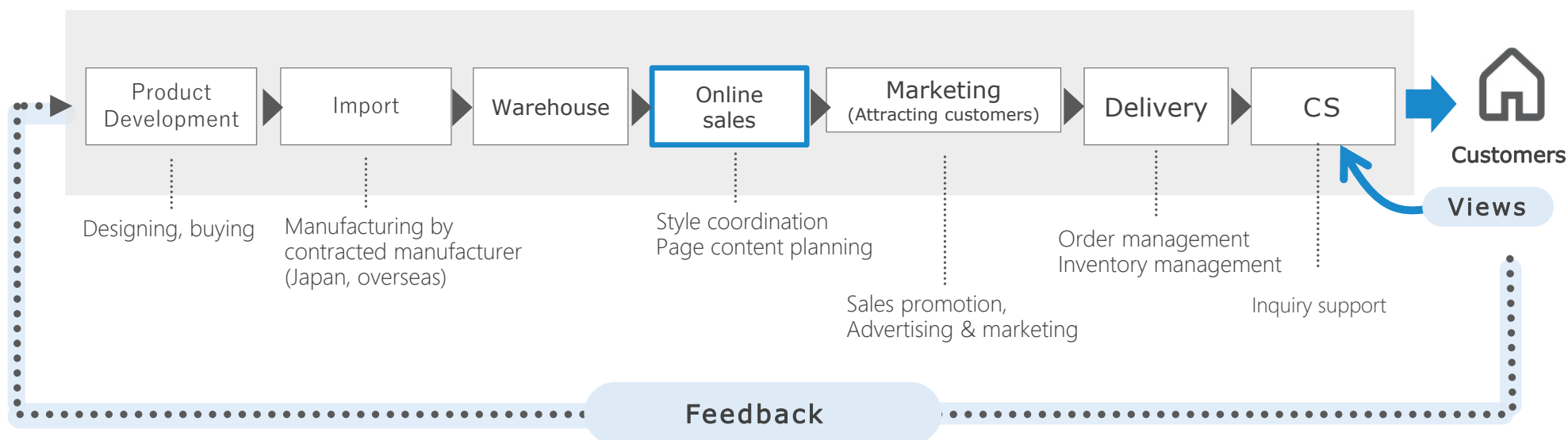
Offer “memorable experiences”  
that go beyond value expected by customers



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

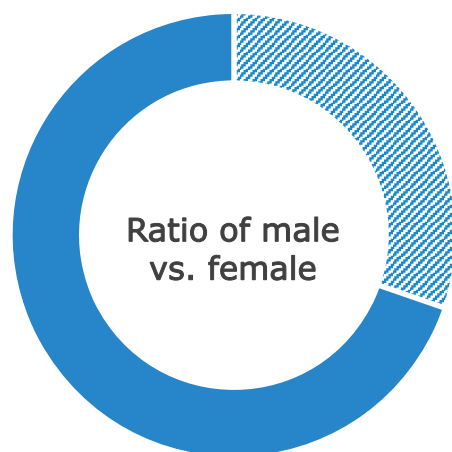
## D2C business model conducting the entire procedure inhouse

( Direct to Consumer )



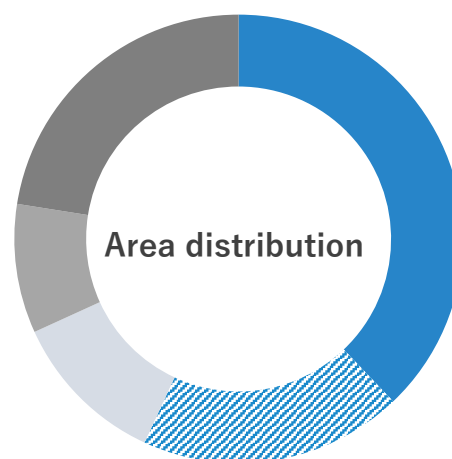
## Showing higher ratio of female in their 30's, mainly in the Tokyo metropolitan area

( April 2019 to June 2019)



Male 30.3%

Female 69.7%



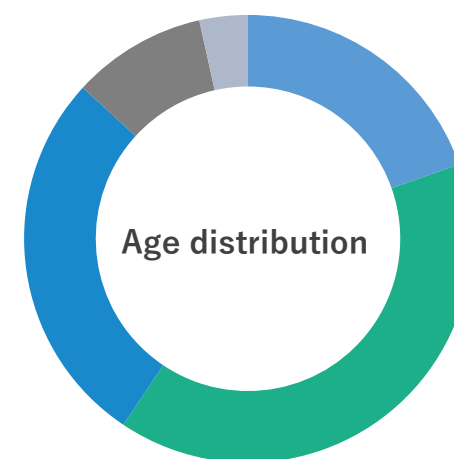
Kanto 37.9%

Kinki 19.0%

Tokai 11.3%

Kyusyu 9.3%

Other 22.5%



29 and younger 19.6%

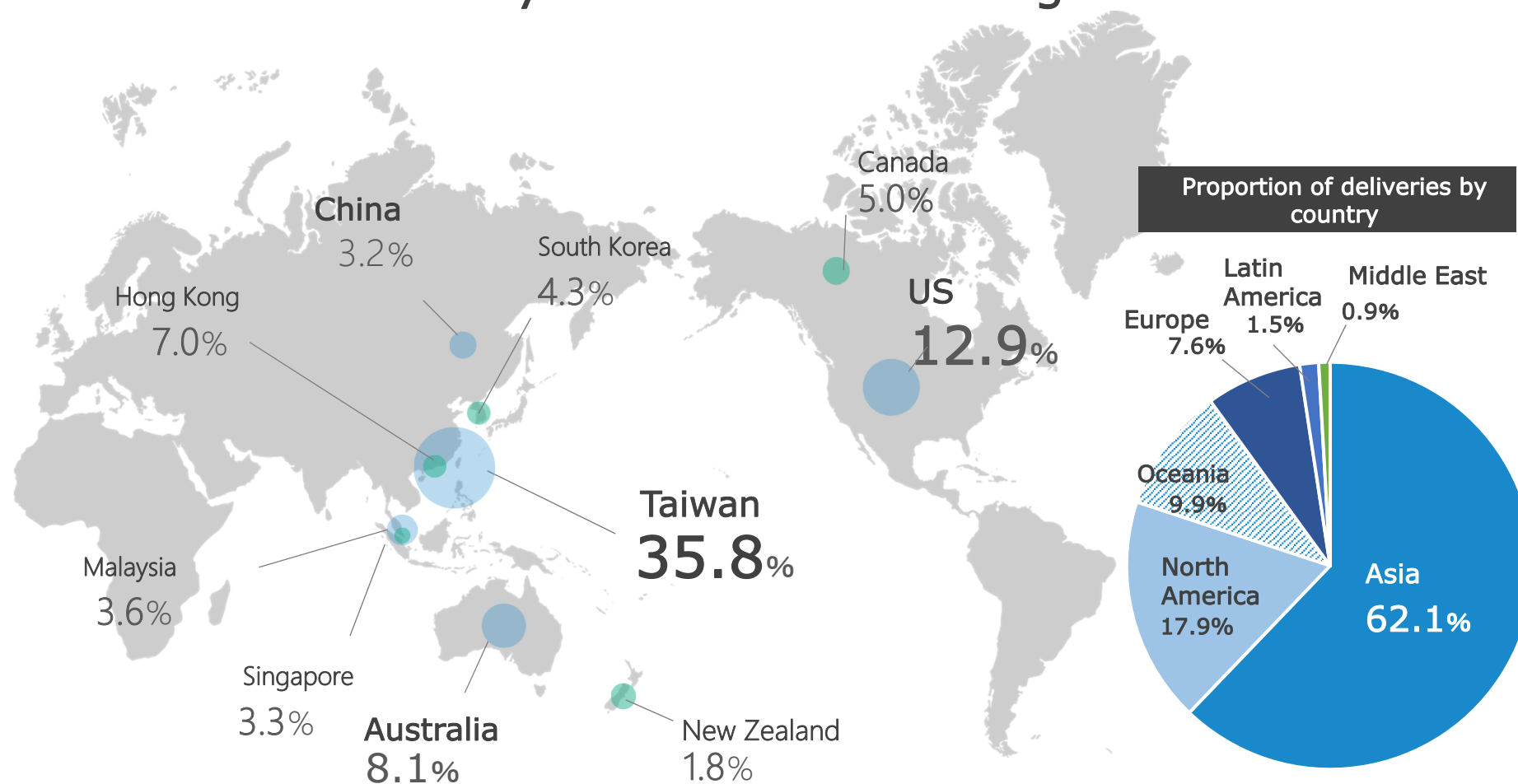
30 to 39 39.8%

40 to 49 27.4%

50 to 59 9.7%

60 to 69 3.5%

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

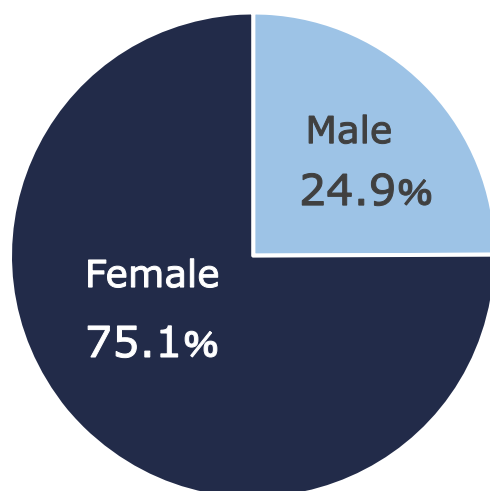


\*Proportion of deliveries by country is calculated based on the ratio of gross merchandise sales (GMS) from April to June 2019.

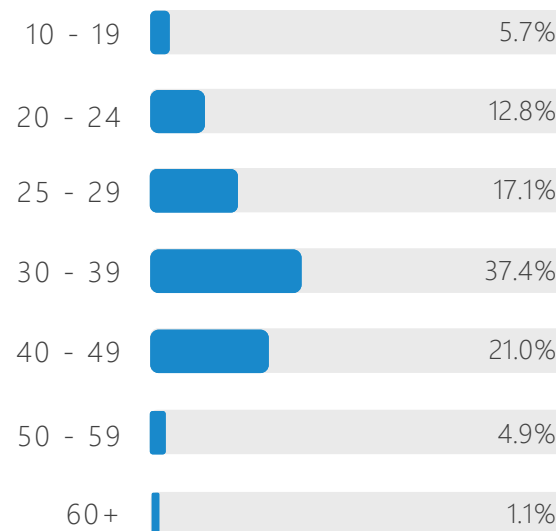
**Female users in their 30's are increasing.  
DOKODEMO will strengthen the "hobby" and "fashion" categories  
going forward**

Calculation period: April to June 2019

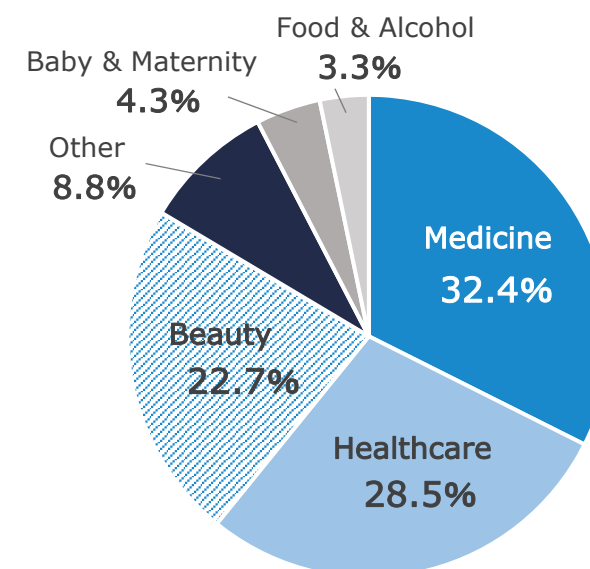
**<User data>  
Gender**



**<User data>  
Age**



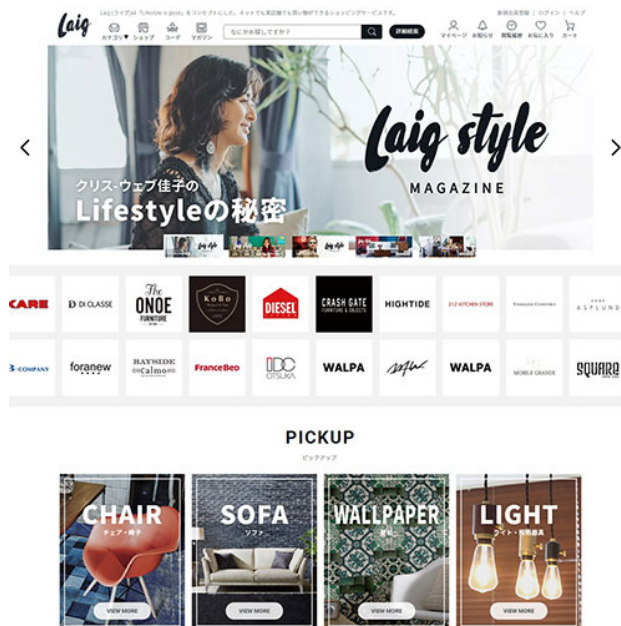
**Sales ratio by  
category**



\* 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)

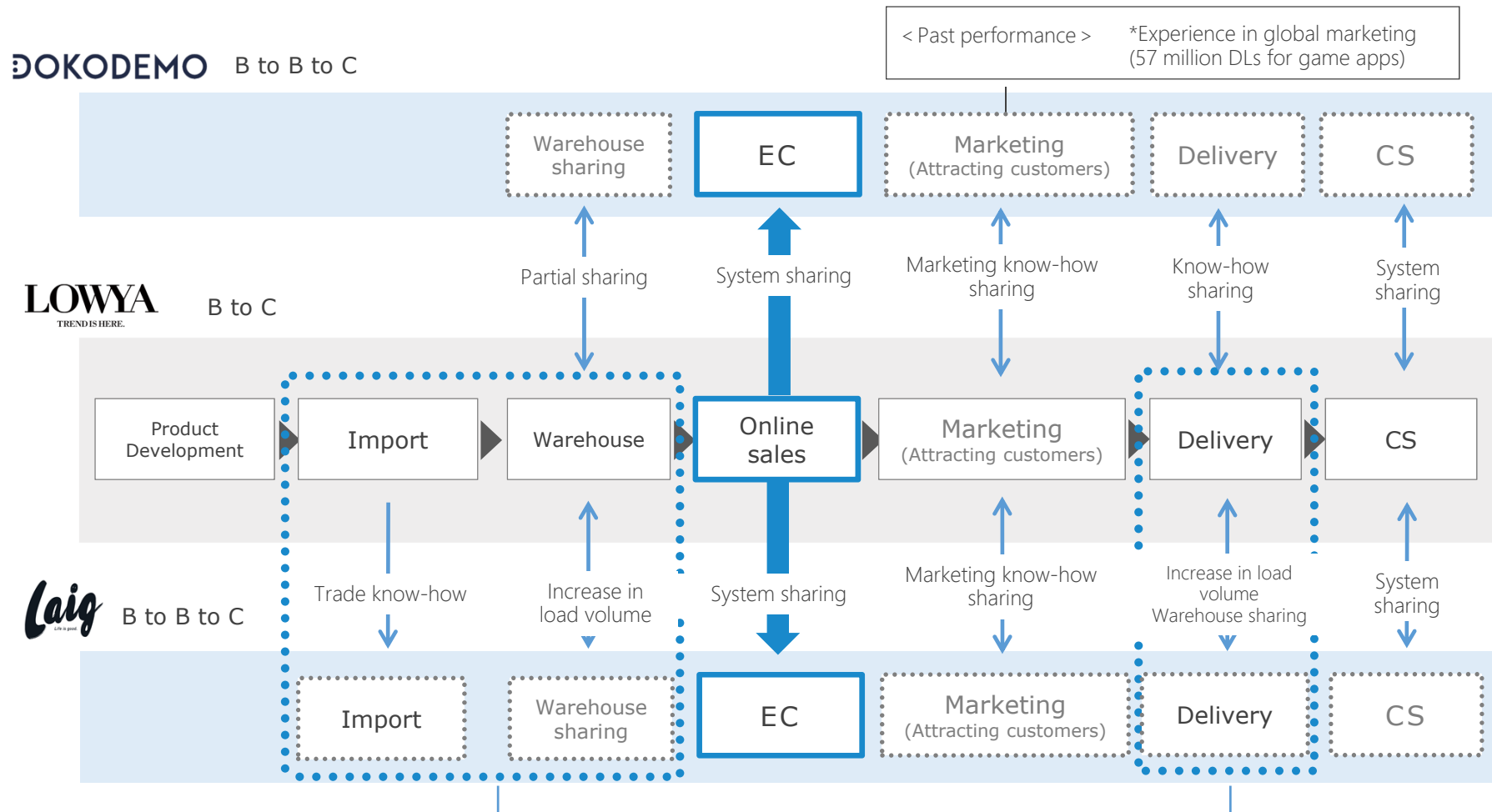


The concept of Laig is

“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





**VEGA** corporation

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