



# 1Q FY2021

**BUSINESS RESULTS**  
**JULY 31 2020**

## Quarterly Financial Results for the Three Months Ended June 30, 2020

Vega corporation Co., Ltd. / Securities code: 3542



VEGA corporation

1. Overview of Quarterly Financial Results  
for the Three Months Ended June 30, 2020
2. Report on LOWYA Business
3. Report on DOKODEMO Business
4. Revision to the Financial Results Forecast
5. Disclosure Enhancements
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## Financial Highlight

### Results Overview

Net sales      ▶▶▶      **5,349** million yen      (161.1% YoY)

Operating profit      ▶▶▶      **748** million yen      (10,226.6% YoY)

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**Net sales and profit increased substantially, exceeding plans.**

**Operating profit increased by 10,126.6% YoY**

#### Net sales

Combined with the impact of the novel coronavirus, the smooth shift of sales channels to the flagship store from marketplace stores resulted in a substantial growth in net sales

#### Profit improvement

Profitability continued to improve due to the review of sales prices and product lineup as well as the shift of sales channels to the flagship store

#### Cost reductions

Continued to control SG&A expenses, even amid a rapid growth in net sales

**Sales channels shifted smoothly to the flagship store, raising the proportion of sales at flagship store to 46.4%**

#### Access increase

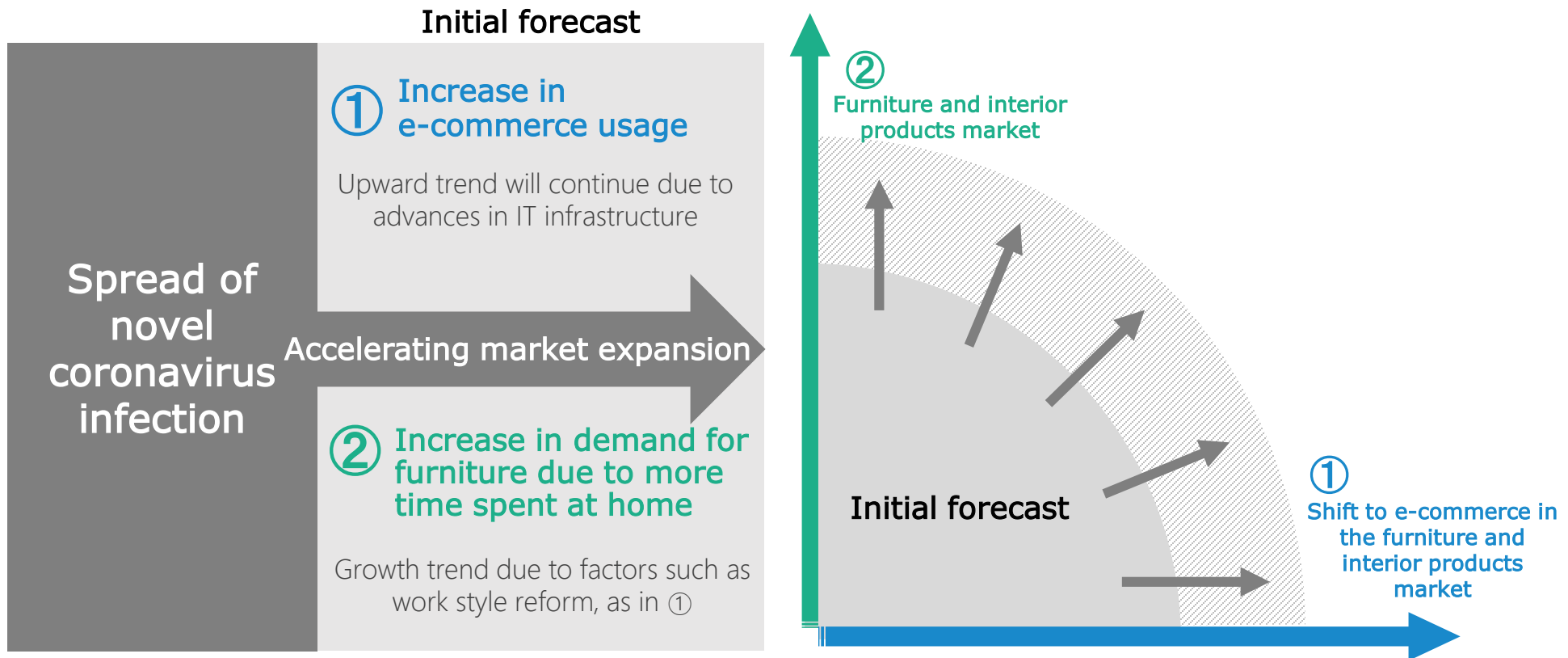
Efficient online advertising increased the number of visitors rapidly, amid increasing e-commerce demand for furniture

#### Sales shift to flagship store

The flagship store became our main sales channel, with a full-scale implementation of the D2C business model

## Impact of Novel Coronavirus on the Market

The furniture and interior market and their e-commerce portion grow rapidly due to an increase in demand for furniture and more frequent use of e-commerce as people spend more time at home



# 1

## Overview of Quarterly Financial Results for the Three Months Ended June 30, 2020

## Statement of Income

Achieved a **61.1% increase** in net sales and a **10,126.6% increase** in operating profit, each setting a record high on a quarter-by-quarter basis

(Million yen)

	Three months ended June 30, 2019	Sales ratio	Three months ended June 30, 2020	Sales ratio	Change	YoY
Net sales	3,320	100.0%	5,349	100.0%	+2,029	161.1%
Gross profit	1,867	56.2%	3,170	59.3%	+1,302	169.7%
SG&A expenses	1,860	56.0%	2,421	45.3%	+561	130.2%
Operating profit	7	0.2%	748	14.0%	+741	10,226.6%
Ordinary profit	13	0.4%	757	14.2%	+743	5,435.6%
Profit	6	0.2%	461	8.6%	+454	7,617.2%

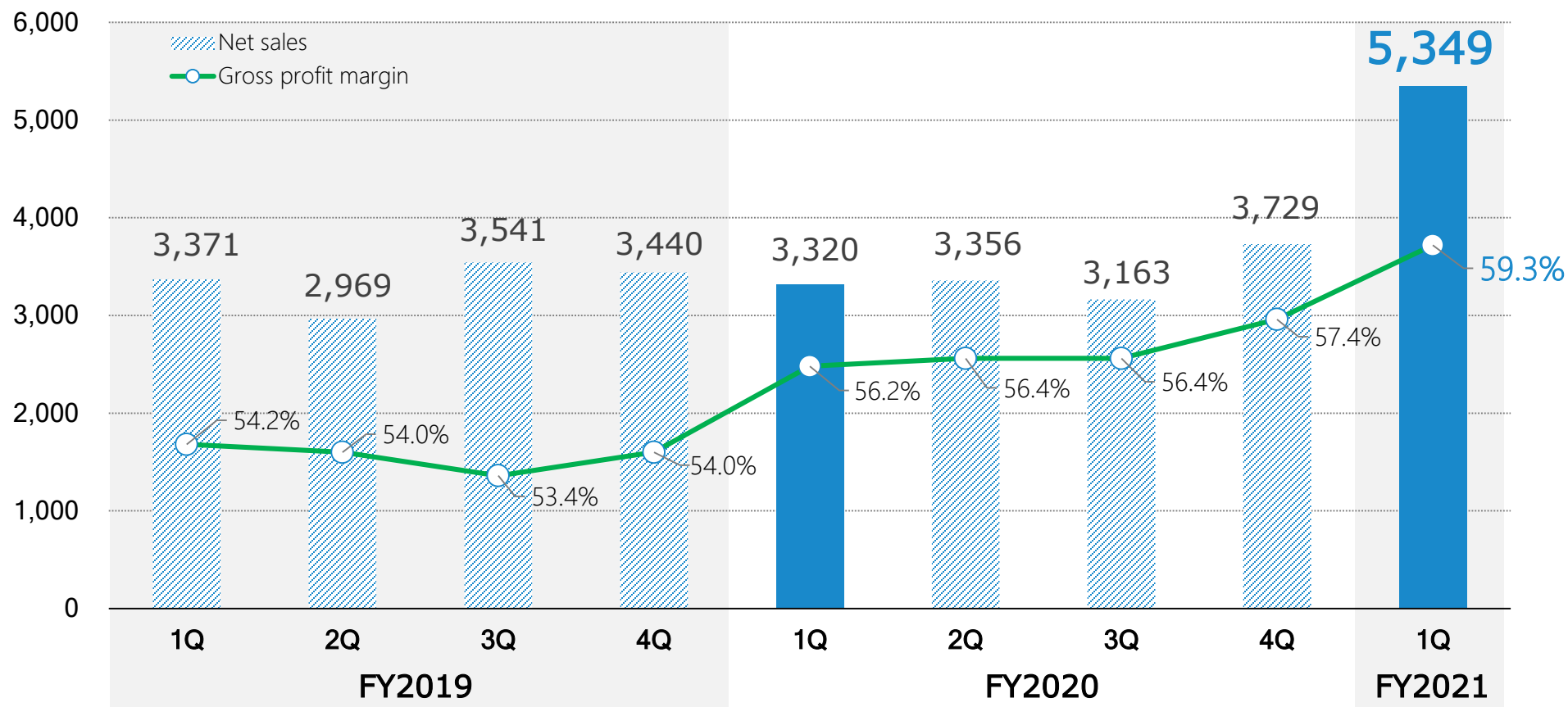
(\*) Audit procedures pursuant to the Financial Instruments and Exchange Act are in progress as of the date of disclosure of this document.

## Net Sales / Quarterly

Net sales were the highest on record, at **5,349 million yen**

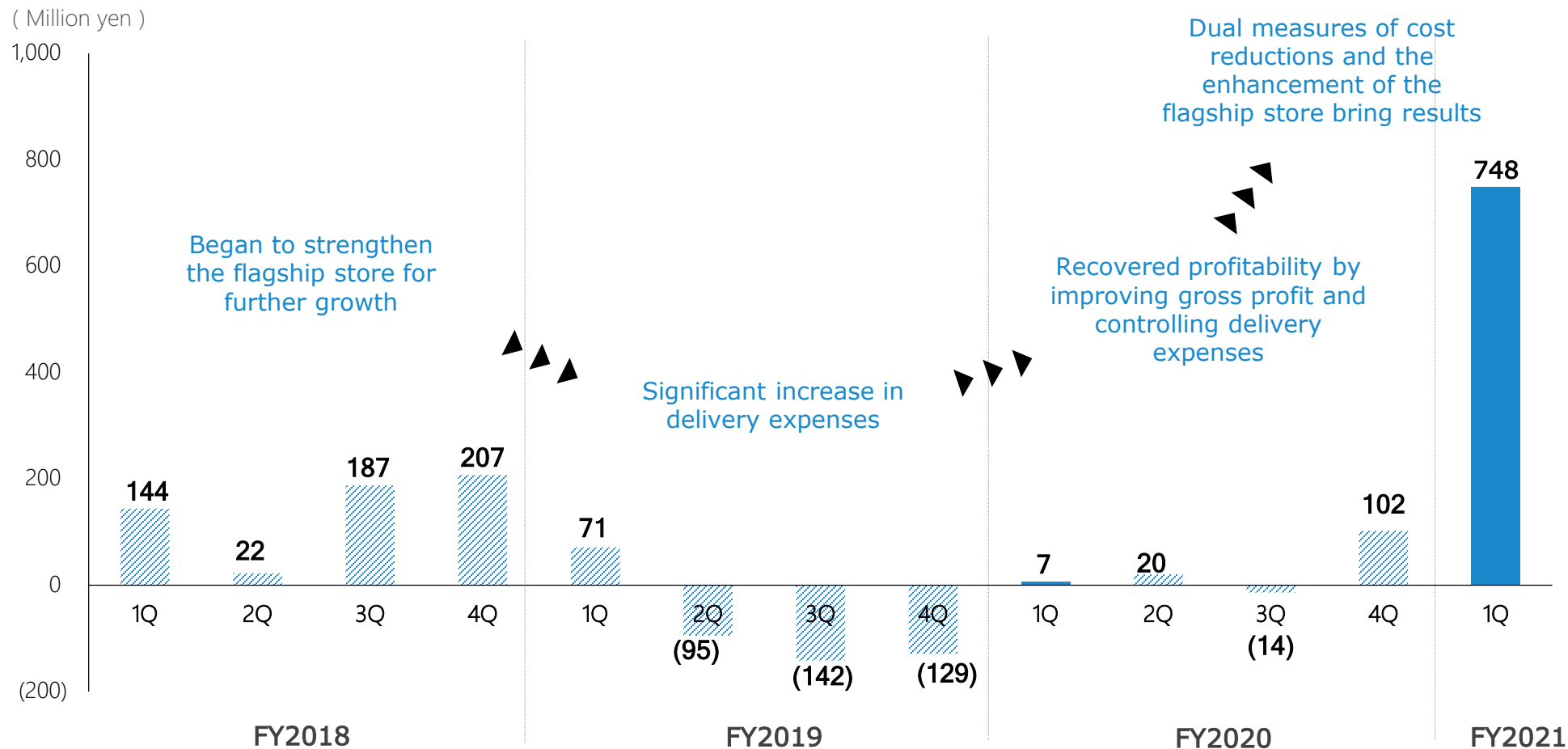
Gross margin continued to improve to **59.3%** even as the business environment improved

Net sales ( Million yen)



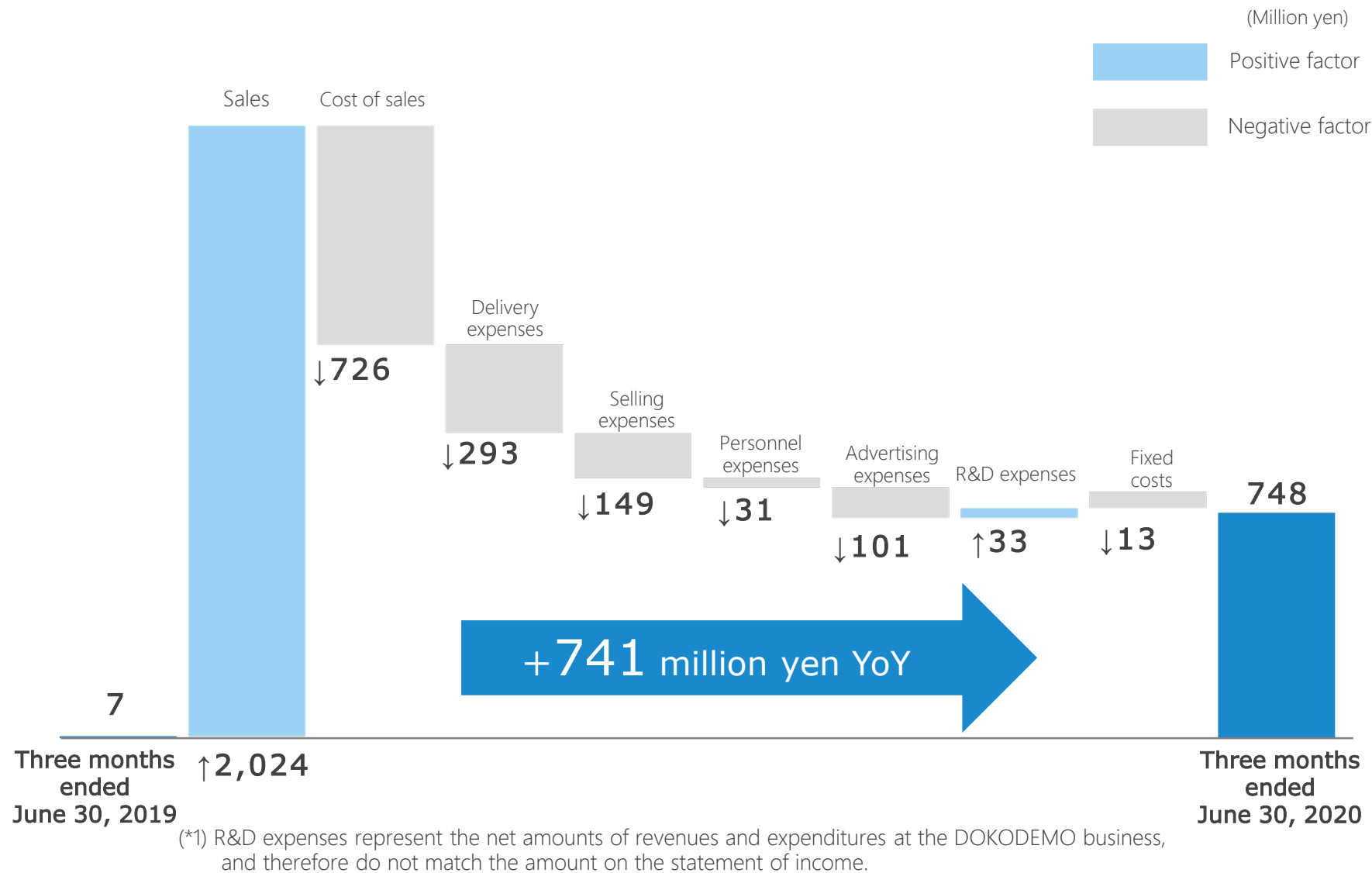
## Operating Profit / Quarterly

Achieved highest ever operating profit of **748** million yen

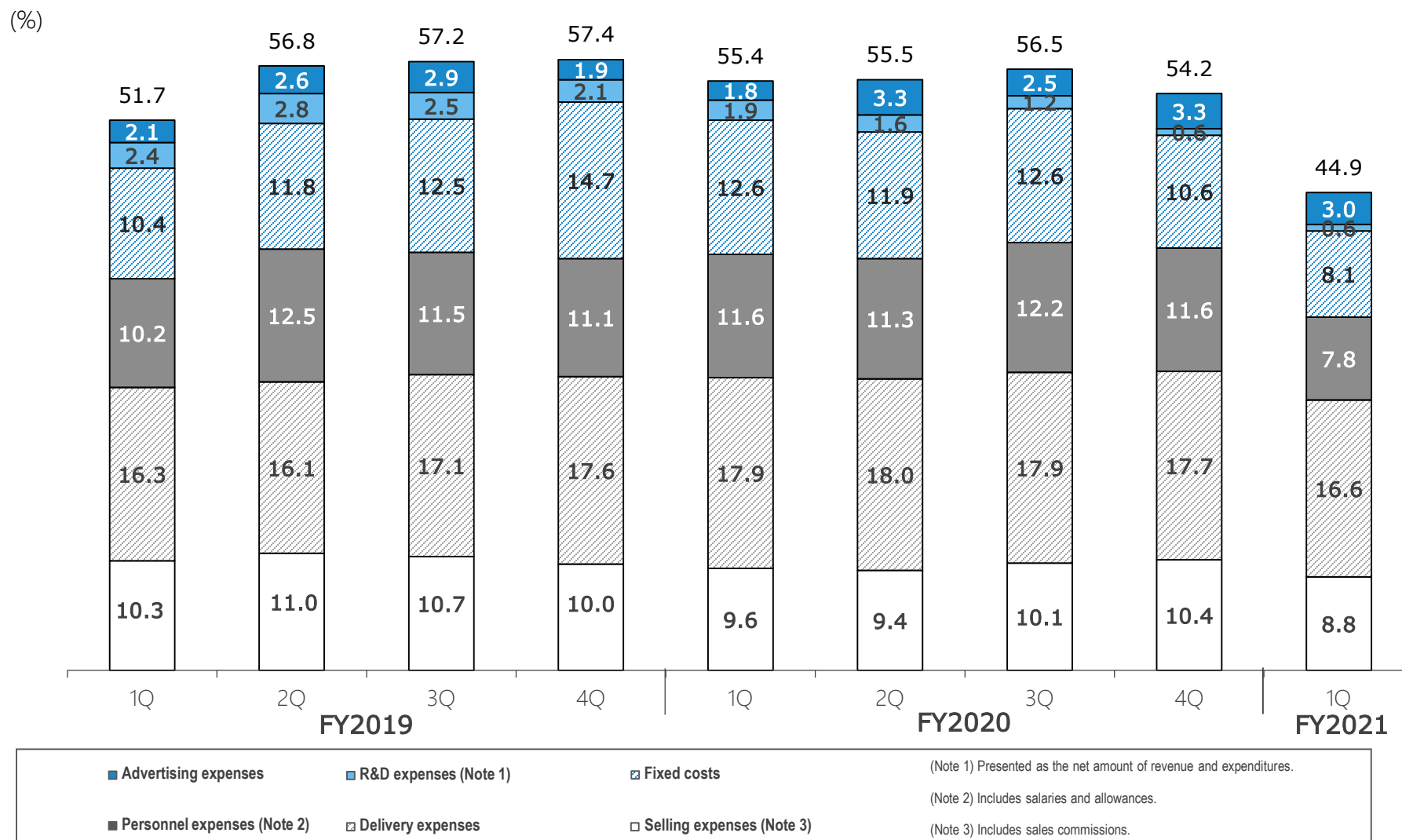




## Increases and Decreases in Operating Profit



## SG&A Expenses Ratio / Quarterly



(\*) 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.

## Balance Sheet

Cash and deposits **increased by 1,196 million yen** due to a substantial increase in revenue and profit

(Million yen)

	Previous fiscal year (as of March 31, 2020)	Three months ended June 30, 2020		Previous fiscal year (as of March 31, 2020)	Three months ended June 30, 2020
<b>Current assets</b>	4,964	<b>5,841</b>	<b>Current liabilities</b>	2,242	<b>2,721</b>
Cash and deposits	1,308	<b>2,504</b>	Debt obligations	820	<b>820</b>
Accounts receivable—trade	1,631	<b>1,836</b>	<b>Non-current liabilities</b>	54	<b>62</b>
Merchandise	1,777	<b>1,243</b>	<b>Total liabilities</b>	2,297	<b>2,783</b>
<b>Non-current assets</b>	1,041	<b>1,090</b>	Shareholders' equity	3,628	<b>4,089</b>
Property, plant and equipment, and intangible assets	513	<b>551</b>	<b>Total net assets</b>	3,708	<b>4,148</b>
<b>Total assets</b>	6,006	<b>6,931</b>	<b>Total liabilities and net assets</b>	6,006	<b>6,931</b>

(\*) 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**

## LOWYA Business: Report for the Three Months Ended June 30, 2020

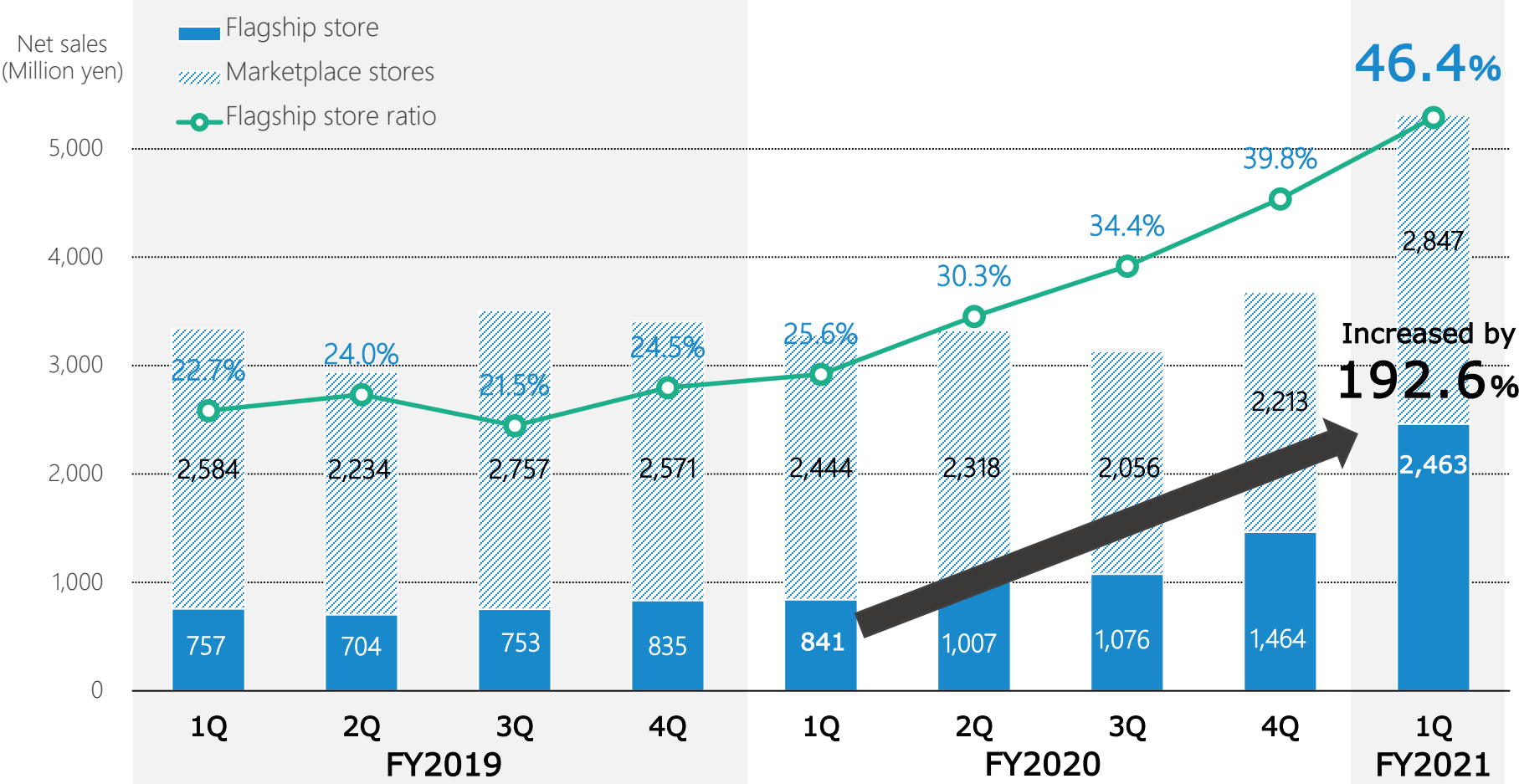
Achieved outstanding results, as a rapid rise in e-commerce demand for furniture added to continued smooth progress in the enhancement of the flagship store and an improvement in profitability

(Million yen)

	Three months ended June 30, 2019	Sales ratio	Three months ended June 30, 2020	Sales ratio	YoY
<b>Net sales</b>	<b>3,287</b>	100.0%	<b>5,312</b>	100.0%	161.6%
<b>Gross profit</b>	<b>1,834</b>	55.8%	<b>3,132</b>	59.0%	170.7%
<b>SG&amp;A expenses</b>	<b>1,763</b>	53.6%	<b>2,353</b>	44.3%	133.5%
<b>Operating profit</b>	<b>71</b>	2.2%	<b>778</b>	14.7%	1,094.5%

# LOWYA Business: Sales Ratio by Sales Channel

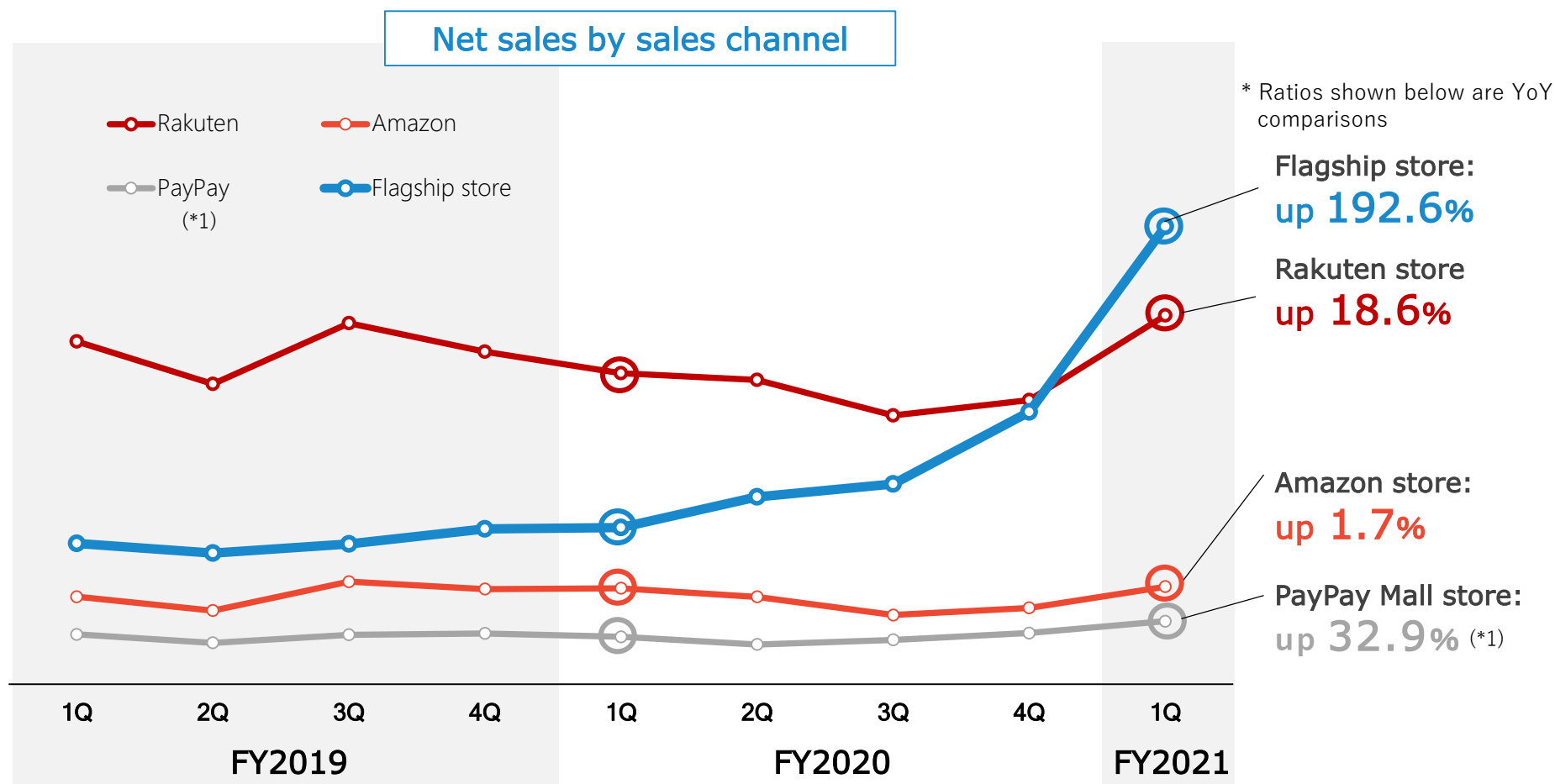
Flagship store sales increased by 192.6% YoY from 841 million yen to 2,463 million yen  
The proportion of sales at flagship store rose from 25.6% in the previous 1Q to 46.4%



## LOWYA Business: Net Sales by Sales Channel

As the flagship store became our main sales channel, initiatives for implementing a full-scale D2C business model progressed smoothly

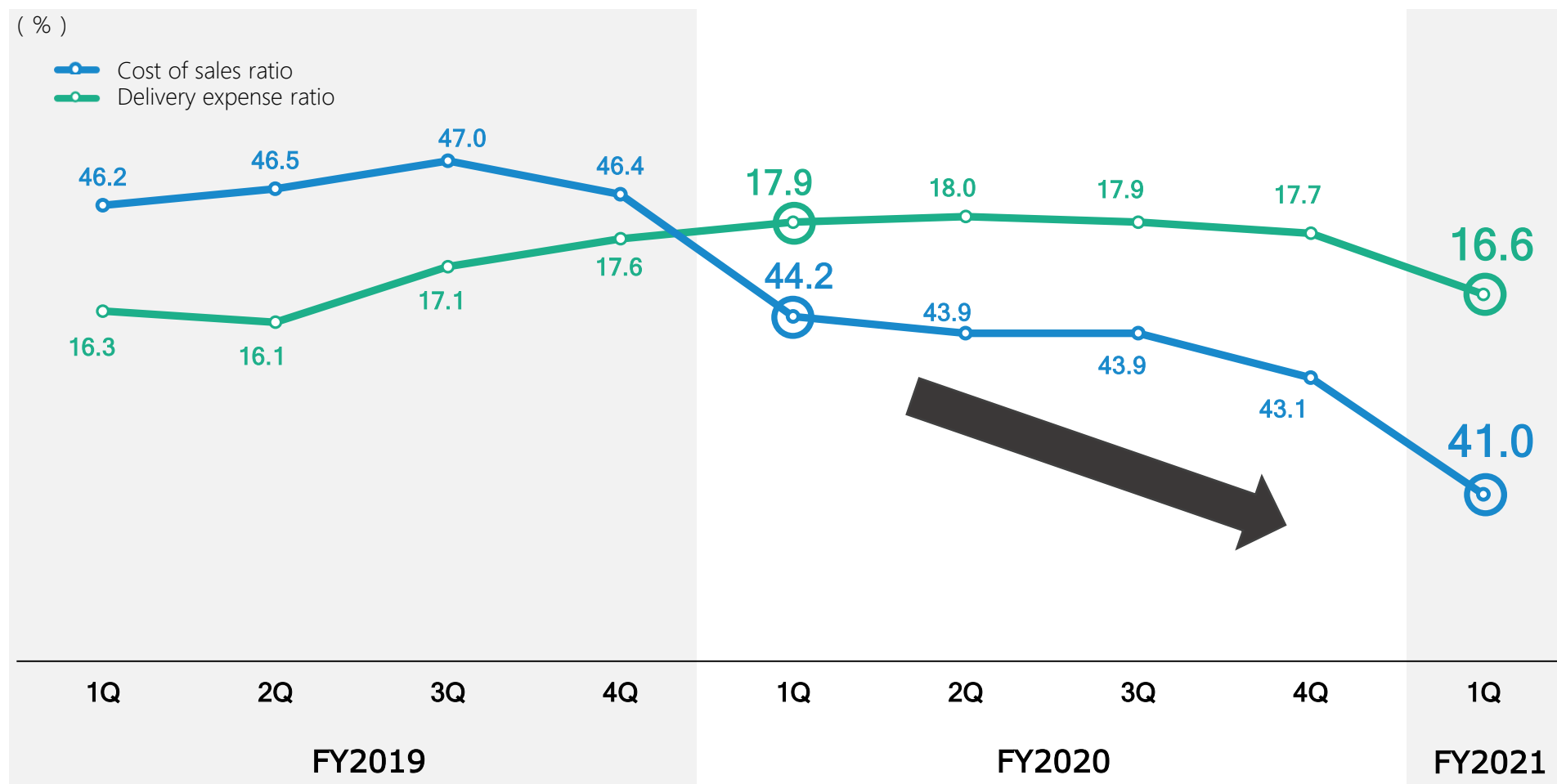
\* D2C (Direct to Consumer) is a format of business that involves direct sales exclusively online.





## LOWYA Business: Cost of Sales Ratio and Delivery Expense Ratio

Cost of sales ratio and delivery expense ratio continued to improved, as we continued reviewing sales prices and product lineup amid an upturn in the business environment



(\*) The ratios are those of cost of sales relative to net sales as well as packing and shipping costs relative to net sales.

## LOWYA Business: Management Indicators

E-commerce demand for furniture increased and the number of visitors grew rapidly (**up 197.4%** at the flagship store), as the spread of the novel coronavirus changed consumption behavior and work styles

Item	Fiscal year ended March 31, 2020				Fiscal year ending March 31, 2021
	1Q (Apr.-Jun.)	2Q (Jul.-Sep.)	3Q (Oct.-Dec.)	4Q (Jan.-Mar.)	1Q (Apr.-Jun.)
<b>Overall</b>					
YoY number of visitors (%)	91.3	101.2	91.9	112.6	<b>182.5</b>
YoY average customer spend (%)	114.5	120.8	113.4	106.8	<b>105.3</b>
YoY CVR (%)	96.9	96.9	86.3	91.6	<b>88.0</b>
Number of products (Note)	1,930	1,951	1,763	1,709	<b>1,603</b>
Number of new products introduced	57	55	78	57	<b>61</b>
Average settlement rate (yen)	107.70	107.37	107.57	108.69	<b>107.40</b>
<b>Flagship store</b>					
YoY number of visitors (%)	99.0	127.4	140.1	178.6	<b>297.4</b>
YoY average customer spend (%)	114.1	107.5	108.5	97.0	<b>89.1</b>
YoY CVR (%)	103.9	111.7	94.2	101.1	<b>114.9</b>

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

## **2-2. Report on LOWYA Flagship Store**

## LOWYA Business: New Products

Continue to add new products carefully selected for outstanding designs and trendiness



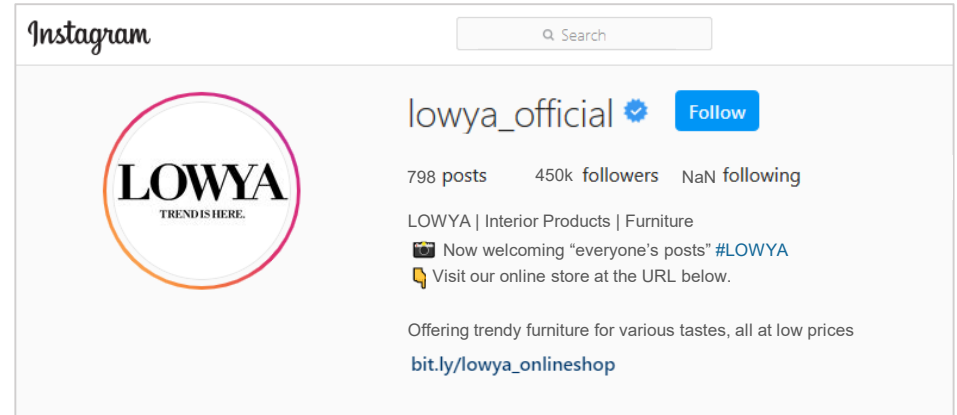
## LOWYA Business: SNS

### Proactive utilization of SNS A collaboration project with a YouTuber



#### Momochi's Room Produced by LOWYA

In this collaboration project, LOWYA produces all aspects of the new residence of Momochi, a popular fashion influencer. Free gifts are provided for a limited time only.



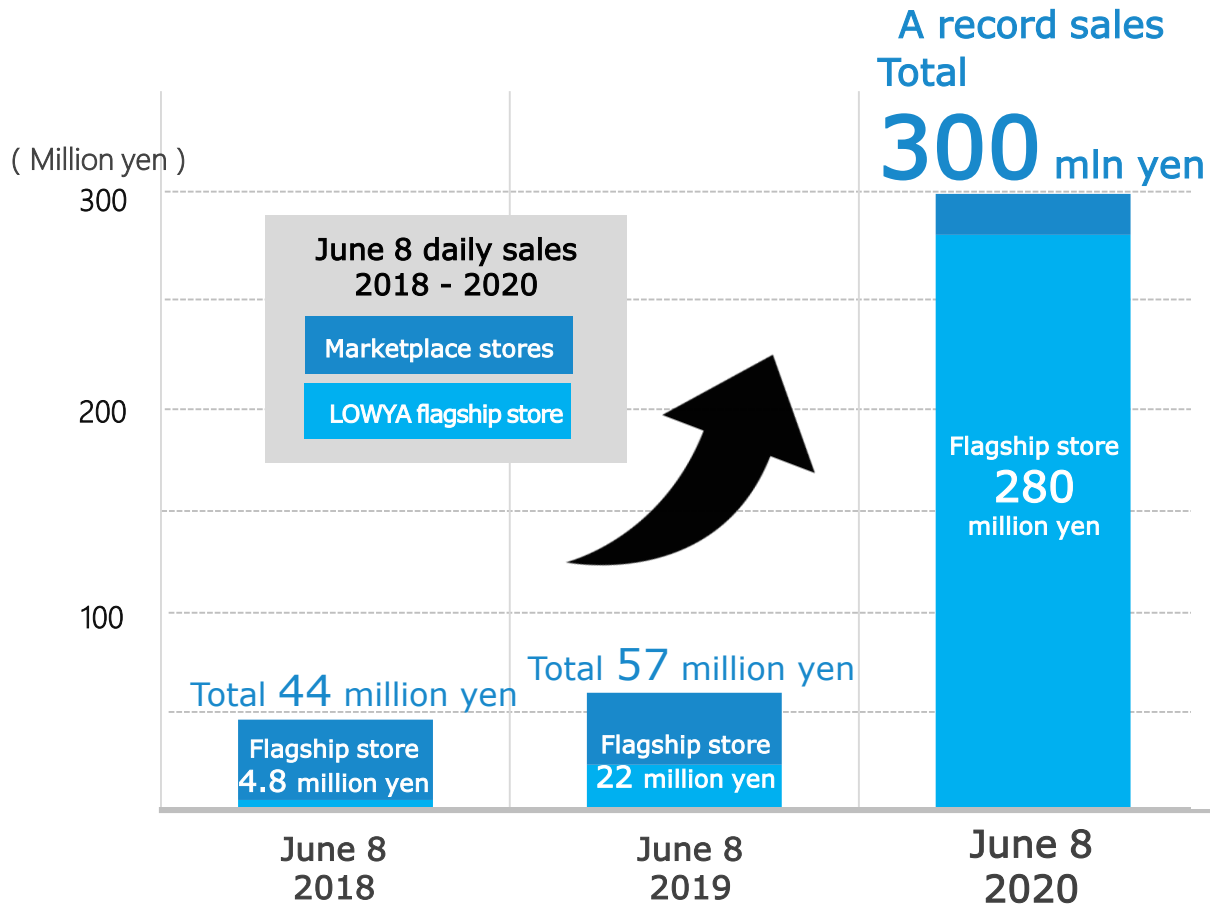
#### LOWYA Official Instagram Number of followers exceeds 450,000

(As of July 15, 2020)

## LOWYA Business: LOWYA Day

Held a LOWYA Day customer reward event on June 8

Daily sales exceeded **300 million yen**, an increase of **426.3%** YoY



- Increased by **426.3%** YoY
- Highest daily sales ever in the Company's history
- Achieved the level of 2019 June monthly sales for the flagship store in just one day
- Highest ever daily sales for the LOWYA flagship store  
**Up 1,172.7%** YoY



## LOWYA Business: Projects


### Implemented the “STAY HOME” project

**LOWYA SUPPORT YOUR WONDERFUL**

# “STAY HOME”

Providing a range of ways to overcome the “awkwardness” of time at home.





Spend comfortable  
and stylish time  
at home

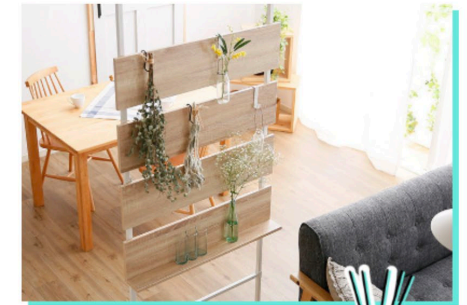
Propose lifestyles to  
“enjoy home living”



#### CASE/01

Dare to set up a tent at home  
and secure your personal space

An innovative proposal: take the plunge and create another room!  
Set up a tent, and discover a new side to everyday life. A new way of  
enjoying home life for all of the family.



#### CASE/02

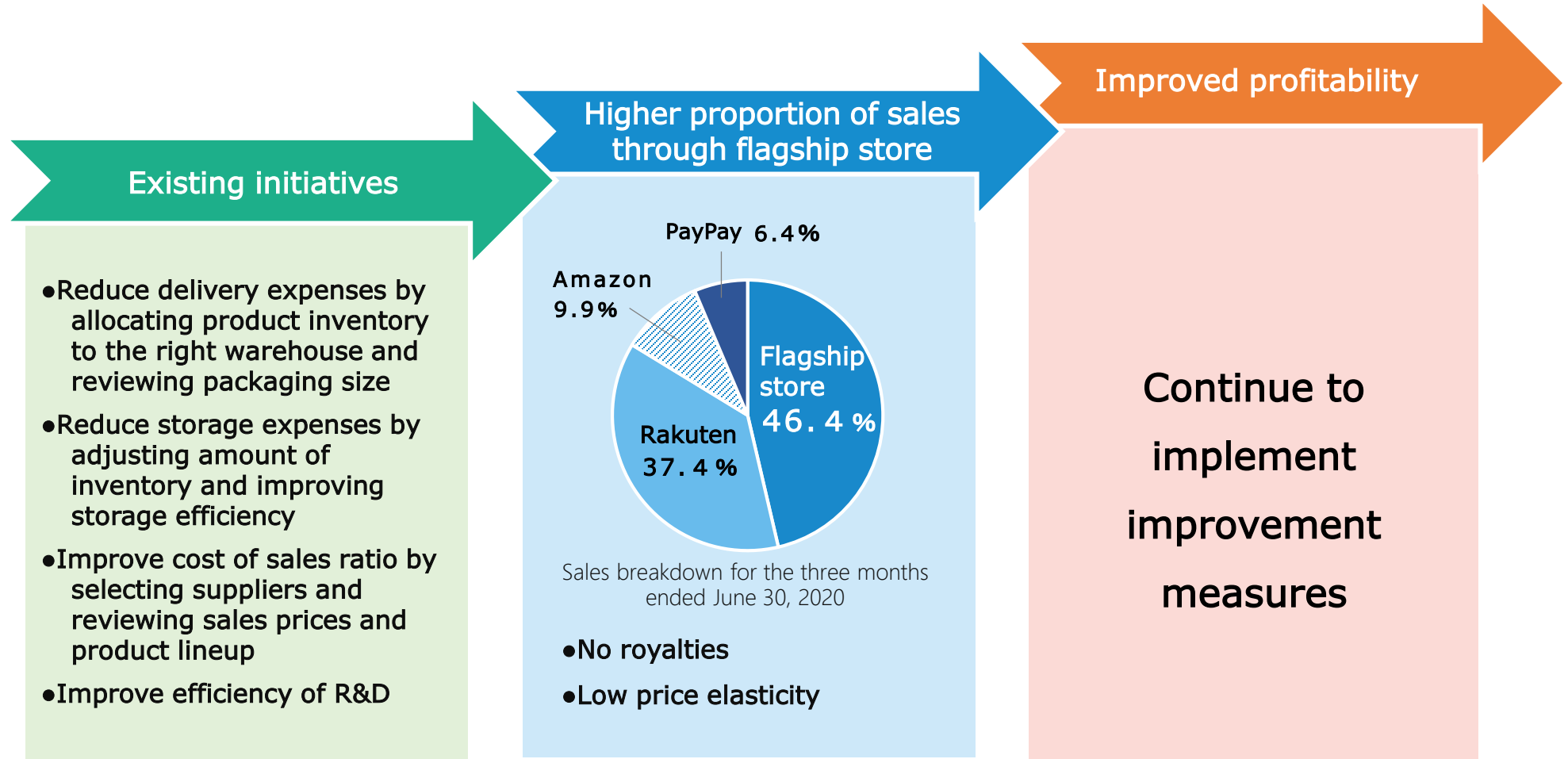
Make the most of partitions  
to increase your concentration  
by reducing distractions

Maintaining a suitable distance from the rest of the family is  
important for effective teleworking. Discover the tremendous  
benefits of using storage separators and chests to partition areas.



## LOWYA Business: Initiatives to Improve Profitability

Improve profitability by lifting the proportion of sales made through the flagship store, in addition to existing initiatives

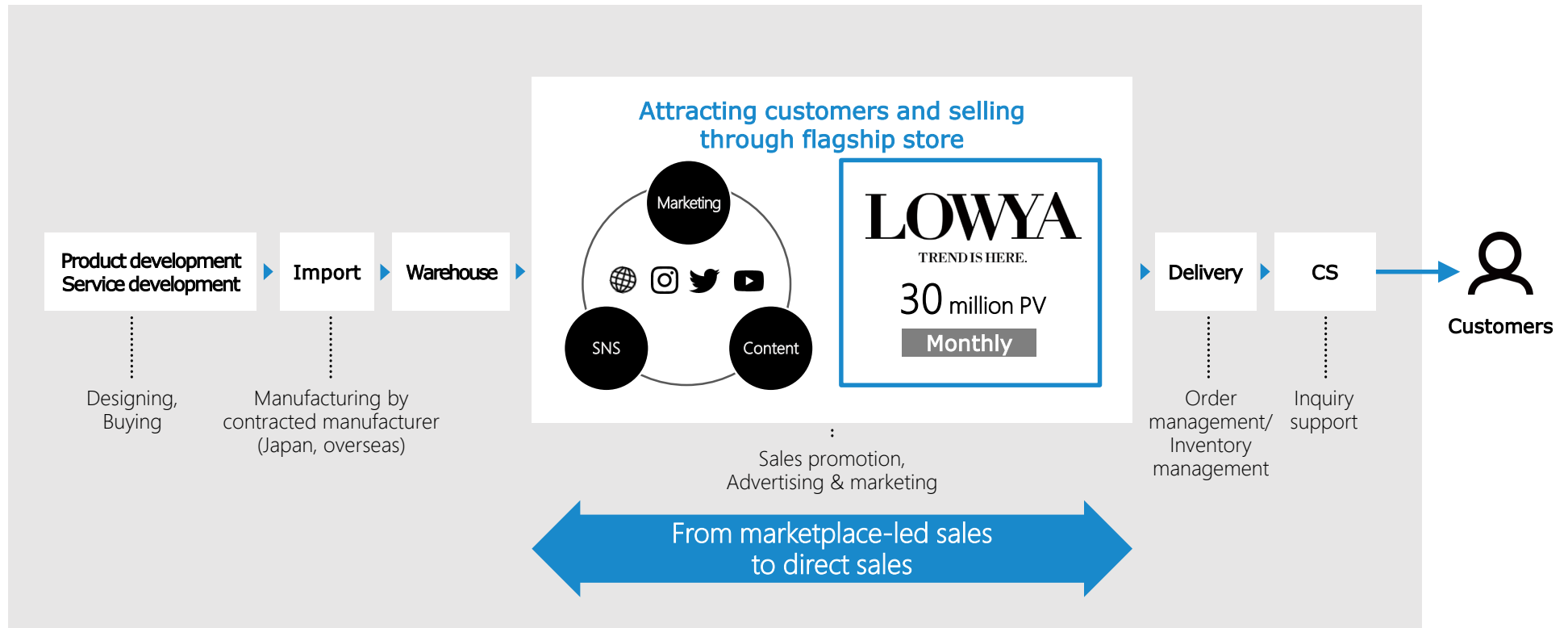




## **2-3. LOWYA Business – Future Development**

## Future Development: Full-scale D2C

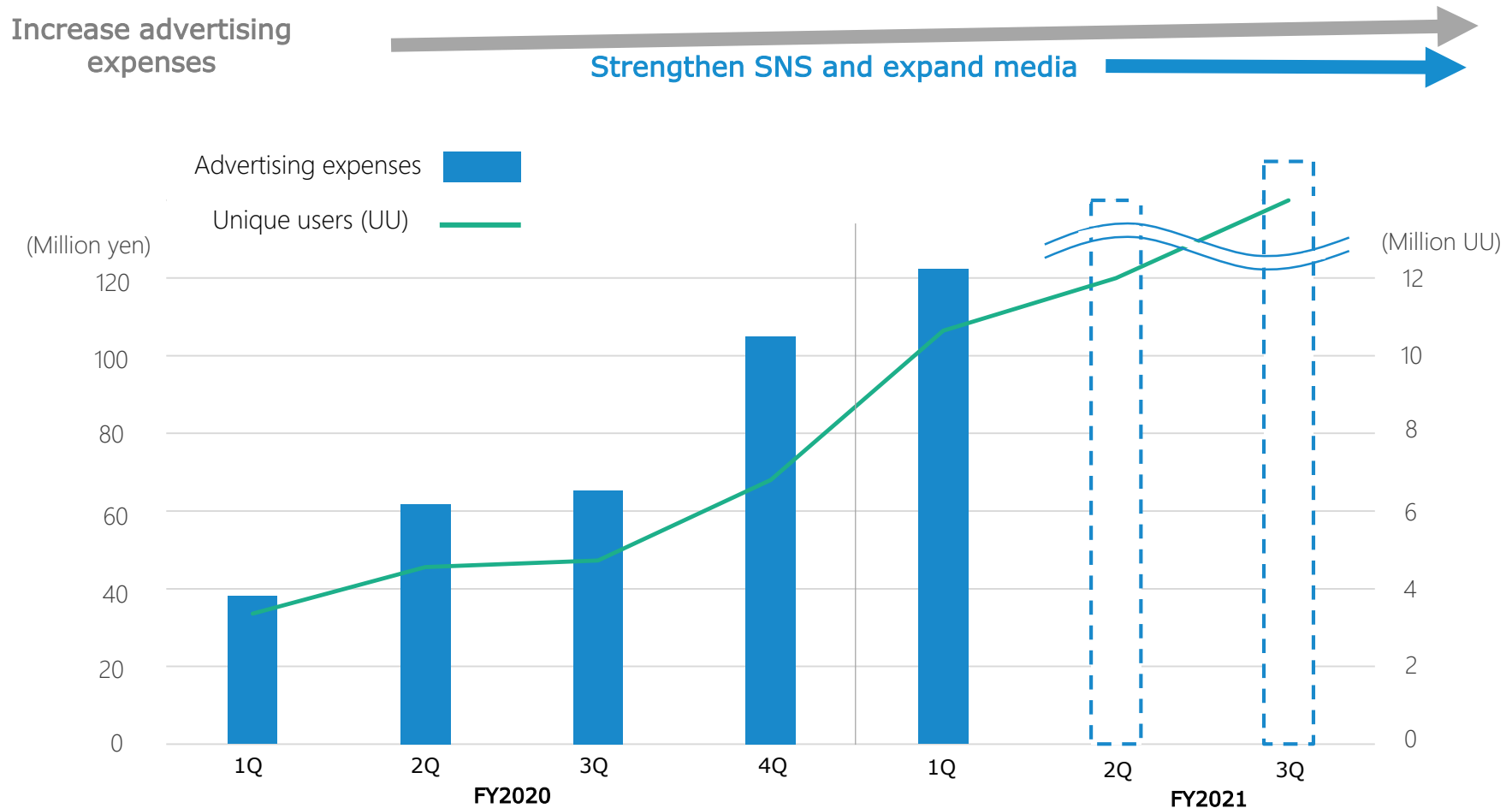
Shift to flagship store as the main way of attracting customers and the main sales channel  
Establish the D2C business model by attracting customers through flagship store



\* D2C (Direct to Consumer) is a format of business that involves direct sales exclusively online.

## Future Development: Further Investment in Advertising

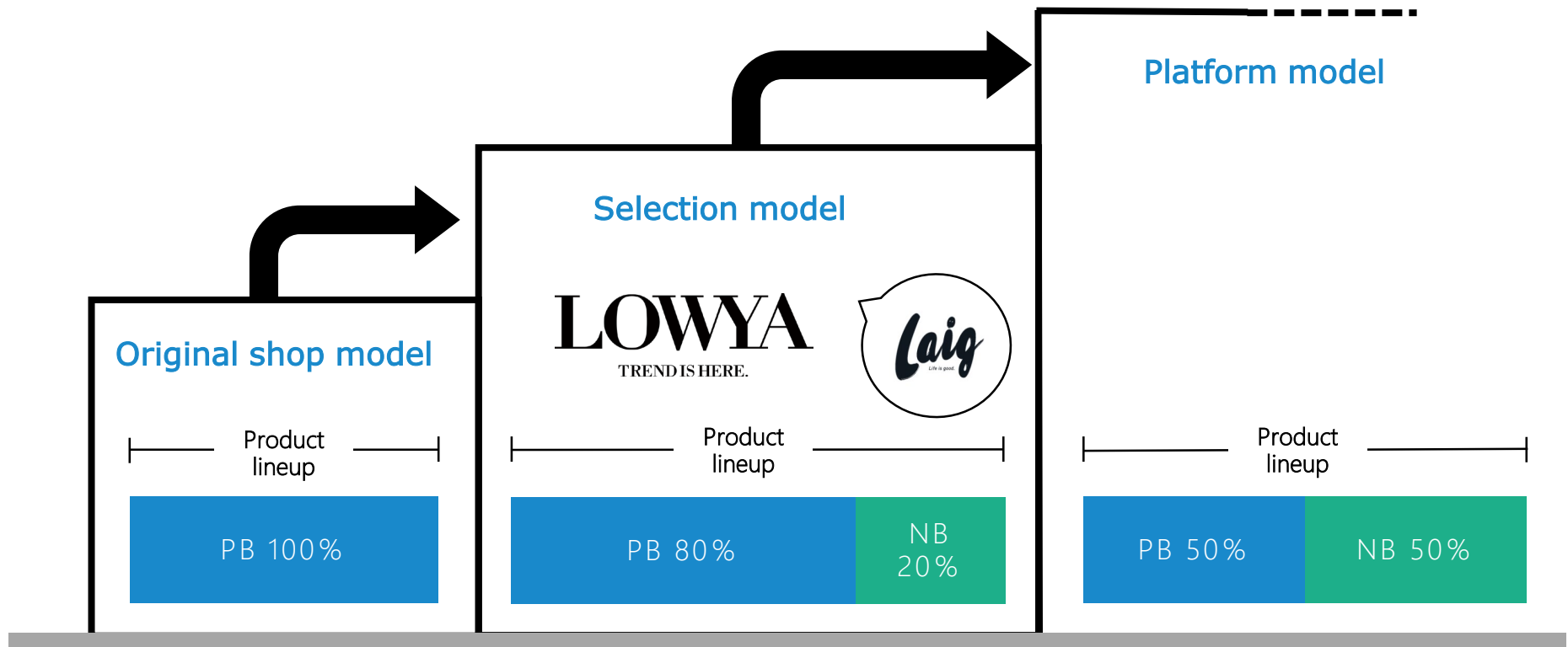
Increase advertising expenses and expand advertising media  
Aim for further growth in the number of visitors



## Future Development: Business Model Transformation

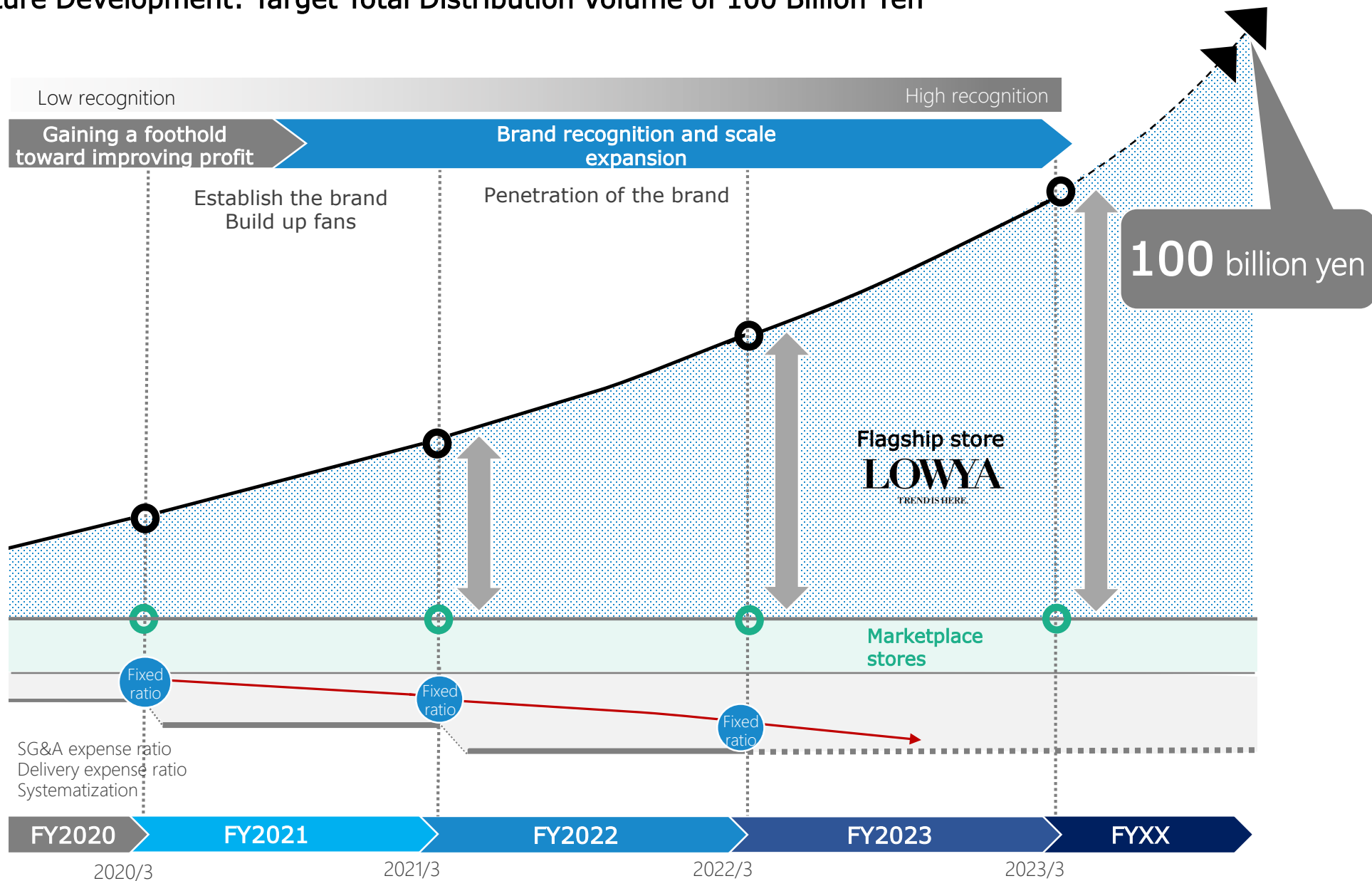
### Expand product categories in line with the increase in visitors

Commence offering products developed by other companies in addition to existing products we developed



(Note) The private brand (PB) and the national brand (NB) percentages are for illustrative purposes only, and may differ from the actual proportions.

## Future Development: Target Total Distribution Volume of 100 Billion Yen



# 3 | Report on DOKODEMO Business

## DOKODEMO Business: Management Indicators

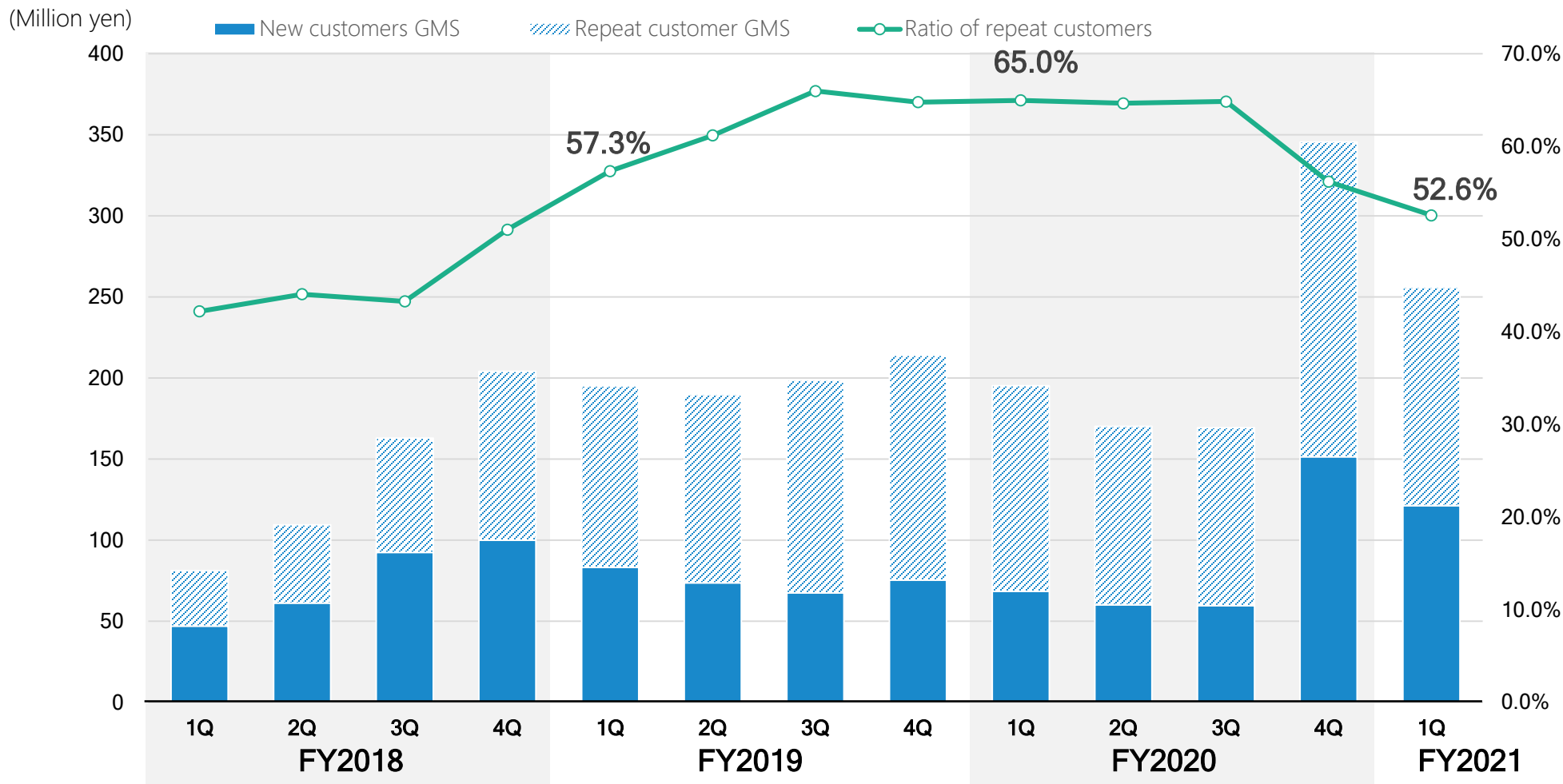
Membership and the number of APP DLs are growing smoothly  
Strengthen Customer Relationship Management (CRM)  
to further increase repeat customers

Item	Three months ended June 30, 2019	Three months ended June 30, 2020	YoY
<b>Gross Merchandise Sales</b> (million yen)	195	255	131.0%
<b>Membership</b> (thousand people)	408	567	139.1%
<b>Number of APP DLs</b> (thousand)	837	1,020	121.7%
<b>Purchase price per person</b> (yen)	7,770	8,756	112.7%
<b>Number of products</b> (thousand)	264	37	14.0%
<b>Number of brands</b>	1,502	933	62.1%
<b>Deliveries</b> * Number of countries and regions to which deliveries were made	97	99	102.1%

## DOKODEMO Business: Gross Merchandise Sales (GMS)

GMS grew by **31.0%** YoY while curbing advertising expenses

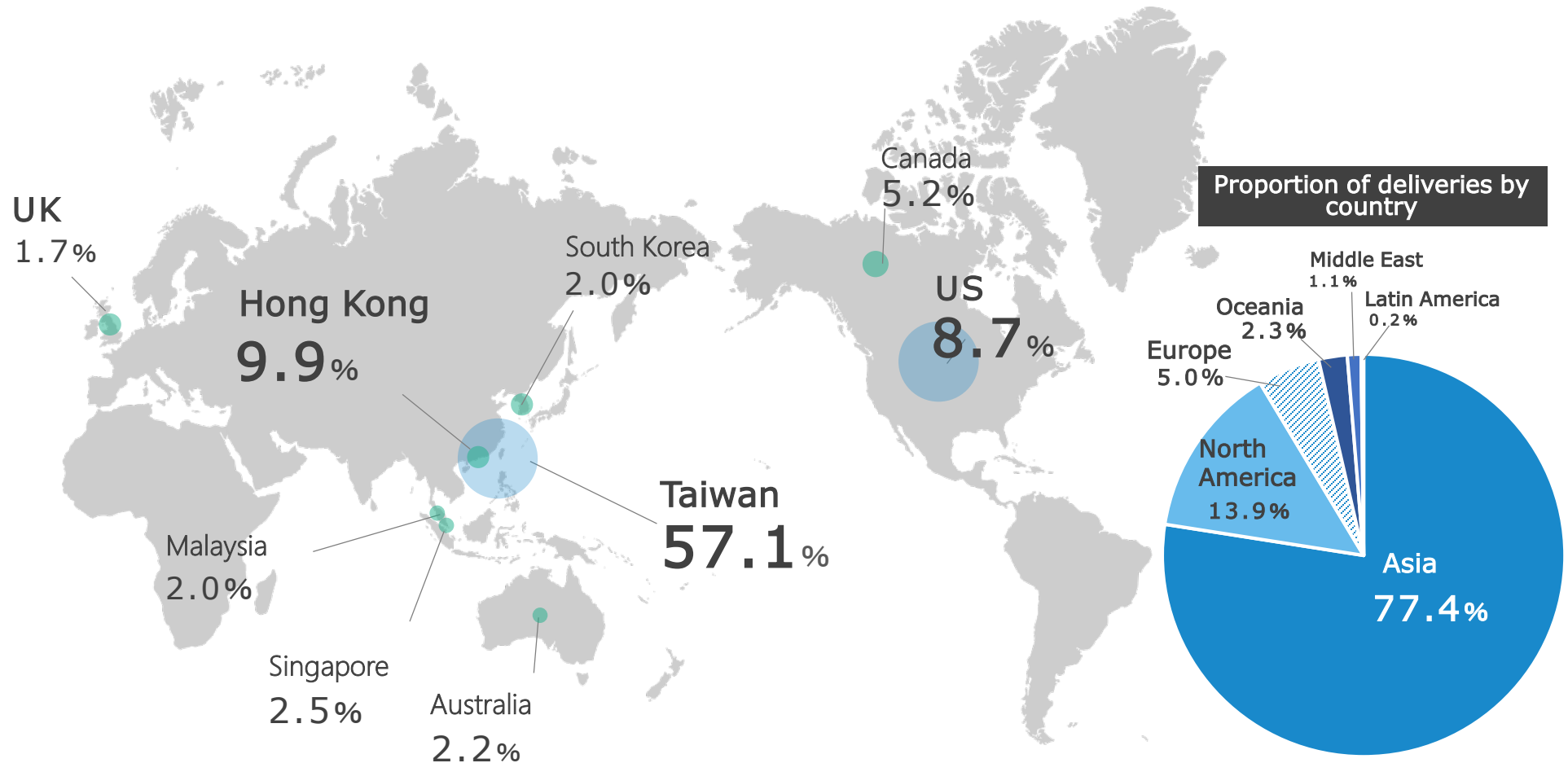
Considering resuming investment, based on progress towards achieving financial results forecast for the fiscal year ending March 31, 2021





## DOKODEMO Business: Proportion of Deliveries by Country Based on GMS

Deliveries to Asia, primarily Taiwan, account for 77.4% of GMS



\* Proportion of deliveries by country is calculated based on the ratio of GMS from April 2020 to June 2020.

# 4

## Revision to the Financial Results Forecast

## Revision to the Financial Results Forecast

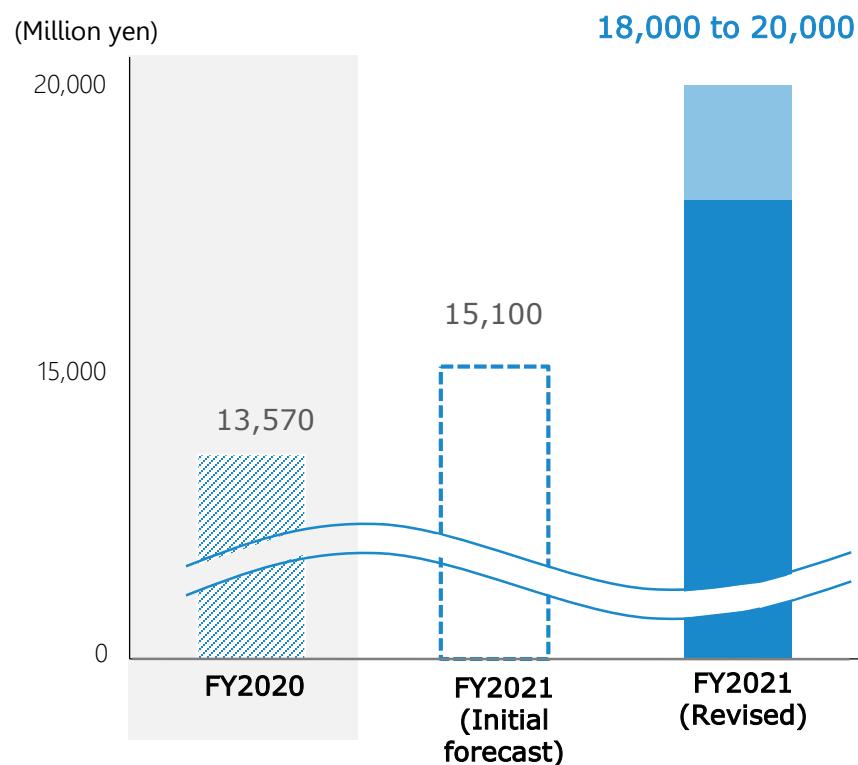
The Company has revised its full-year forecast upward, in view of the increases in revenue and profit in the three months ended June 30, 2020

Net sales and profit forecasts have been presented in the form of ranges, as it is difficult to accurately predict sales in this highly uncertain business environment caused by the novel coronavirus infection

	Fiscal year ending March 31, 2021 <b>Initial forecast</b>	Fiscal year ending March 31, 2021 <b>Revised forecast</b>	<b>Change</b>
<b>Net sales</b> (million yen)	15,100	18,000 to 20,000	+19.2% to +32.5%
<b>Operating profit</b> (million yen)	470	1,700 to 2,100	+261.7% to +346.8%
<b>Ordinary profit</b> (million yen)	500	1,730 to 2,130	+246.0% to +326.0%
<b>Profit</b> (million yen)	300	1,030 to 1,270	+243.3% to +323.3%
<b>Basic earnings per share</b> (yen)	29.13	98.97 to 122.03	+239.8% to +318.9%

## Net Sales

**+32.6% to 47.4% YoY (+19.2%~32.5% compared to the initial forecast)**



### Main Assumptions

The number of visitors increased rapidly during the three months ended June 30, 2020, as a result of changes in consumption behavior and work styles due to the novel coronavirus infection, and sales increased at a substantially faster pace than initially expected.

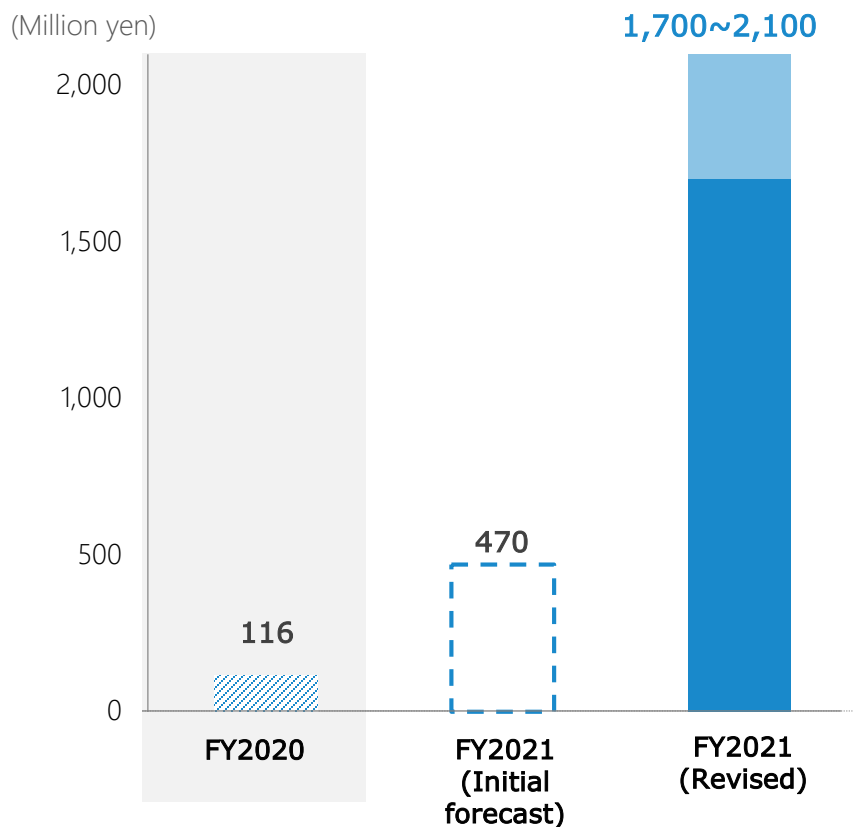
Sales are expected to continue to grow from July onward, primarily at the flagship store, due to the acceleration of furniture market expansion and shift to e-commerce brought about by the novel coronavirus infection.

These assumptions do not allow for the effect on sales of a possible reinstatement of a state of emergency at some stage during the rest of the fiscal year.

The lower limits of the ranges are based on the assumption that sales do not grow as the Company expects, due to factors such as a substantial decline in business sentiment.

## Operating Profit

**+1,359.9% to 1,703.4% YoY** (+261.7% to 346.8% compared to the initial forecast)



### Main Assumptions

Operating profit increased at a substantially faster pace than initially expected during the three months ended June 30, 2020.

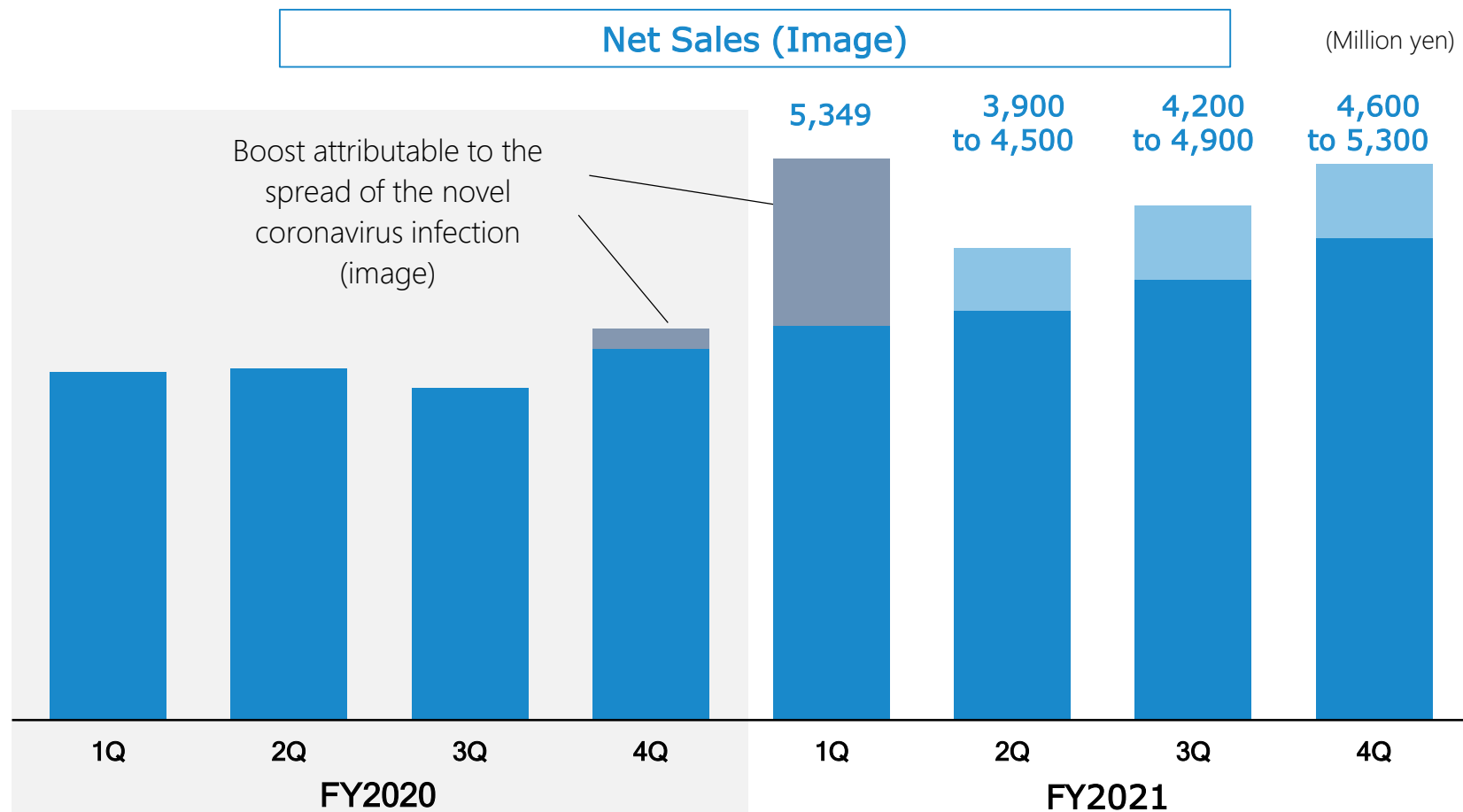
The Company will continue to implement initiatives throughout the fiscal year, reassessing the product lineup and developing products that generate high profit margins to improve gross margin, and further improving logistics efficiency to reduce fixed costs.

The Company will consider adjusting advertising expenses and resuming investment in R&D (DOKODEMO business and development of technologies such as VR and AR).

## Image of Financial Results for the Fiscal Year Ending March 31, 2021

During the three months ended June 30, 2020, the Company achieved net sales and operating profit that exceeded the initial forecast

As shown under "Main Assumptions," no assumption is made regarding the possible reinstatement of a state of emergency at some stage during the rest of the fiscal year, and the Company forecasts net sales and operating profit to decline temporarily compared to the three months ended June 30, 2020.



# 5 | Disclosure Enhancements

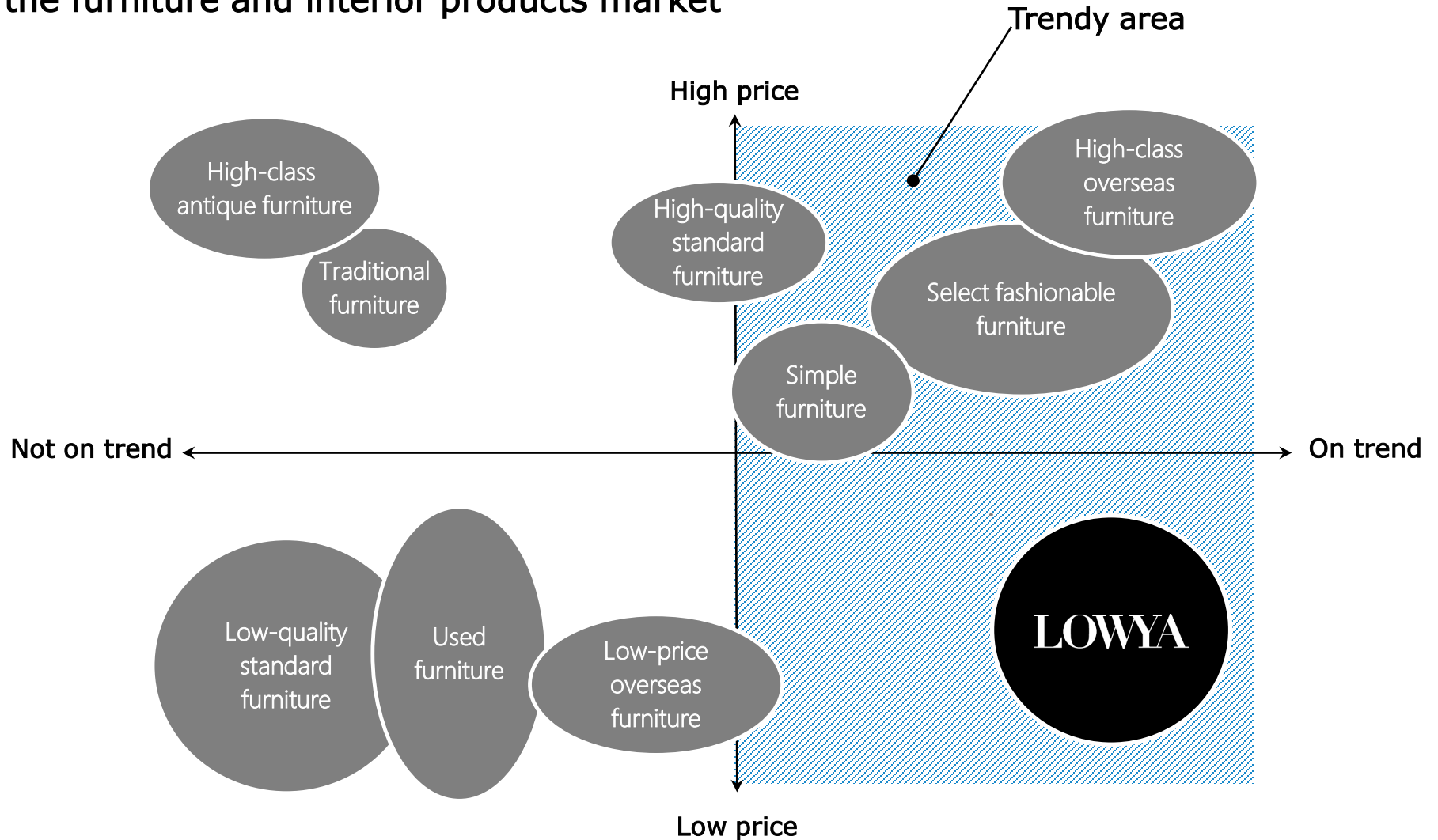
## Disclosure of Monthly Net Sales

**The Company now discloses monthly net sales in the LOWYA business (in the form of a flash report: actual figures and comparison with the same month in the previous year; for each calendar month, released during the following month), commencing from the results for July 2020.**



# 6 | 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”

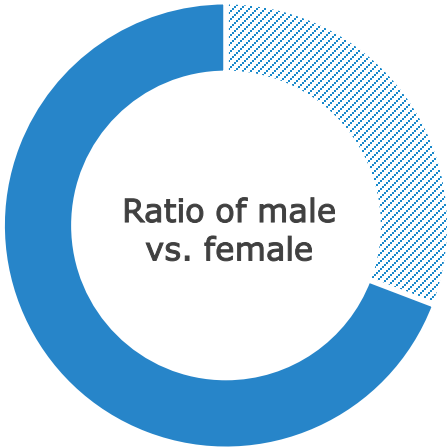
Offer “memorable experiences” that go beyond value expected by customers



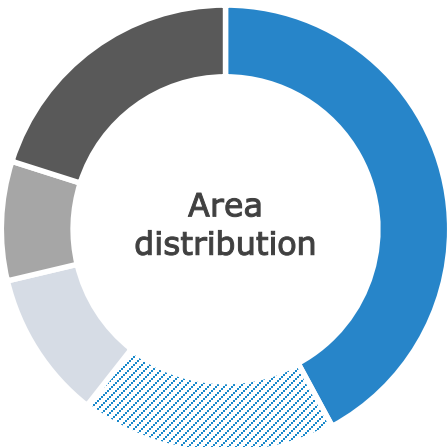
Fulfill satisfaction and inspiration by creating design that reflects a variety of tastes and trends.

Appendix : LOWYA Business / Customer Data (Male vs. Female, Area Distribution, and Generation Distribution)

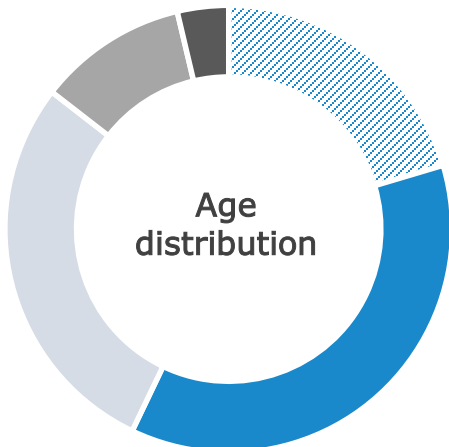
Showing higher ratio of female in their 30's,  
mainly in the Tokyo metropolitan area (April 2020 to June 2020)



Male	30.8%
Female	69.2%



Kanto	42.1%
Kinki	18.5%
Tokai	10.7%
Kyusyu	8.6%
Other	20.1%



29 and younger	20.4%
30 to 39	36.7%
40 to 49	28.4%
50 to 59	10.8%
60 to 69	3.7%

## IR Inquiries

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**VEGA** corporation

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