



Quarterly Financial Results
for the Nine Months Ended December 31, 2018

Vega corporation Co., Ltd.

Agenda

1. Overview of Quarterly Financial Results
for the Nine Months Ended December 31, 2018
2. Report on LOWYA Business
3. Initiatives Starting from the Second Half of the Fiscal
Year
4. Synergy of Company-wide Businesses
5. New Businesses (R&D)
6. Shareholder Benefits Program
7. Appendix

1. Overview of Quarterly Financial Results for the Nine Months Ended December 31, 2018

1. Summary of Financial Results

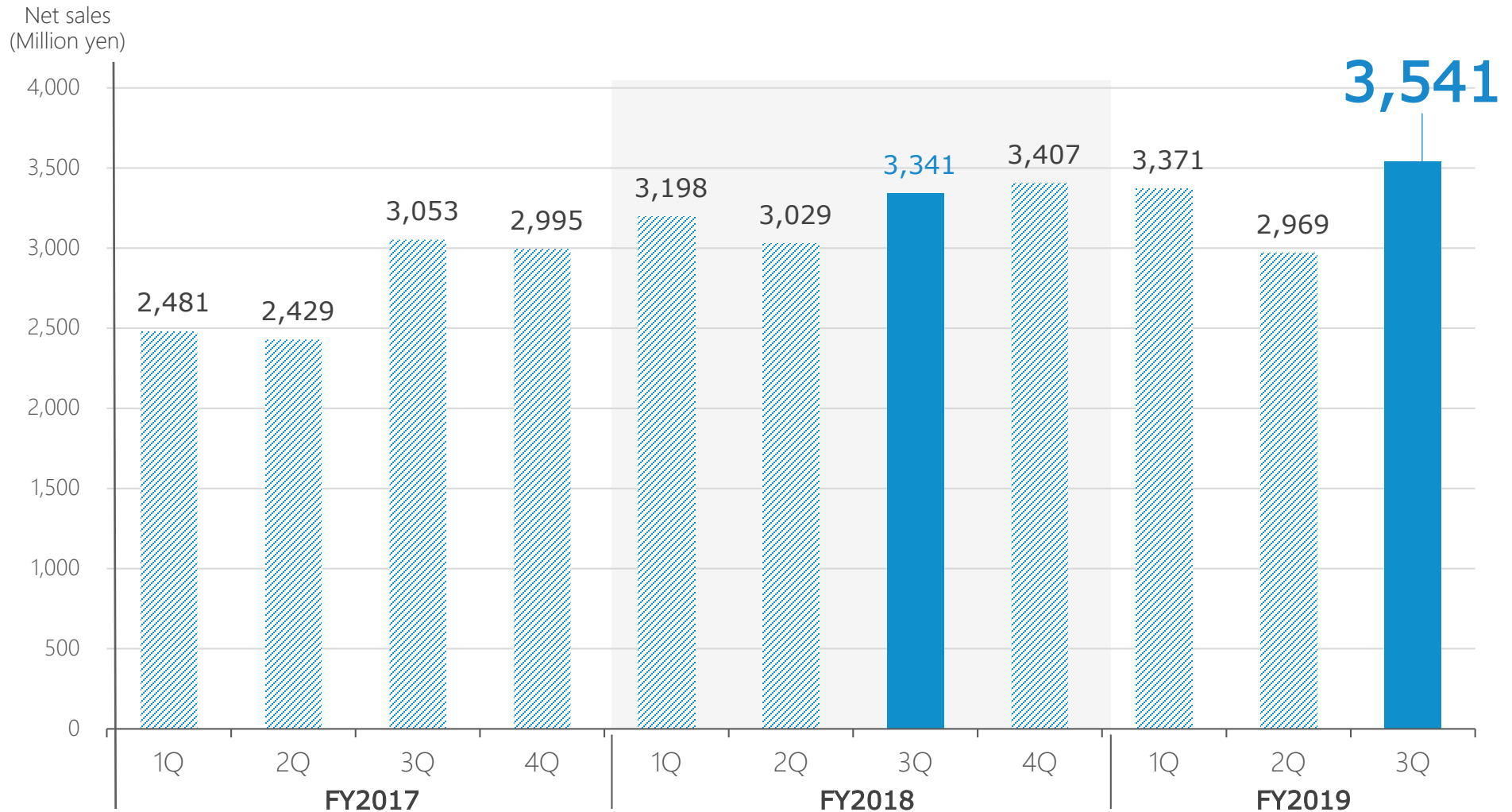
(Million yen)

	Nine months ended December 31, 2017	Sales ratio	Nine months ended December 31, 2018	Sales ratio	Change	YoY
Net sales	9,569	100.0%	9,882	100.0%	+ 313	103.3%
Gross profit	4,966	51.9%	5,323	53.9%	+ 356	107.2%
SG&A expenses	4,612	48.2%	5,490	55.6%	+ 877	119.0%
Operating profit	354	3.7%	(166)	(1.7)%	(520)	—%
Ordinary profit	376	3.9%	(146)	(1.5)%	(523)	—%
Profit	230	2.4%	(149)	(1.5)%	(380)	—%

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

1. Quarterly Sales

Net sales in 3Q increased by **6.0%** YoY, posting a record high

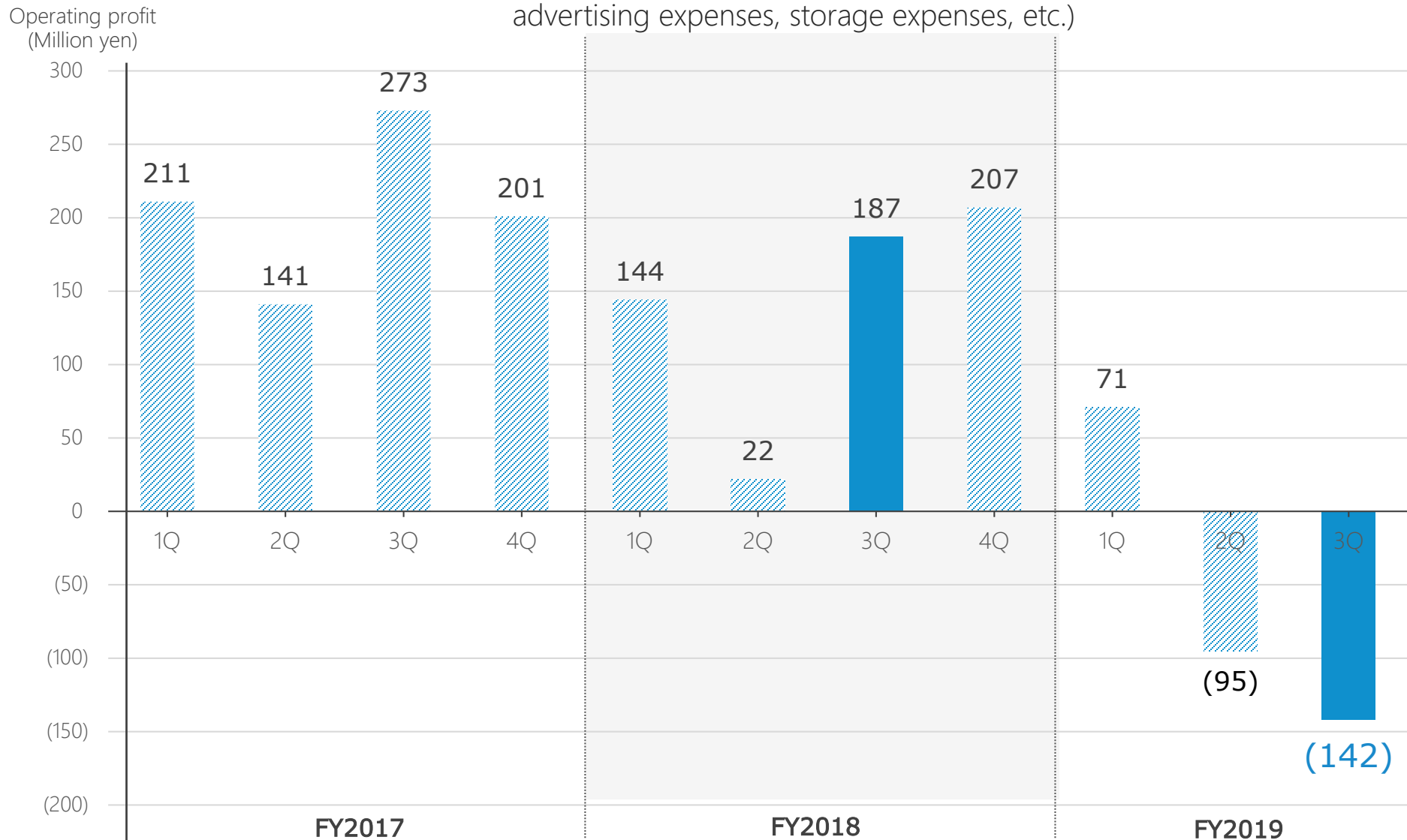


(*) Delivery revenue of DOKODEMO is amended retrospectively to the net amount after deduction of delivery fees.

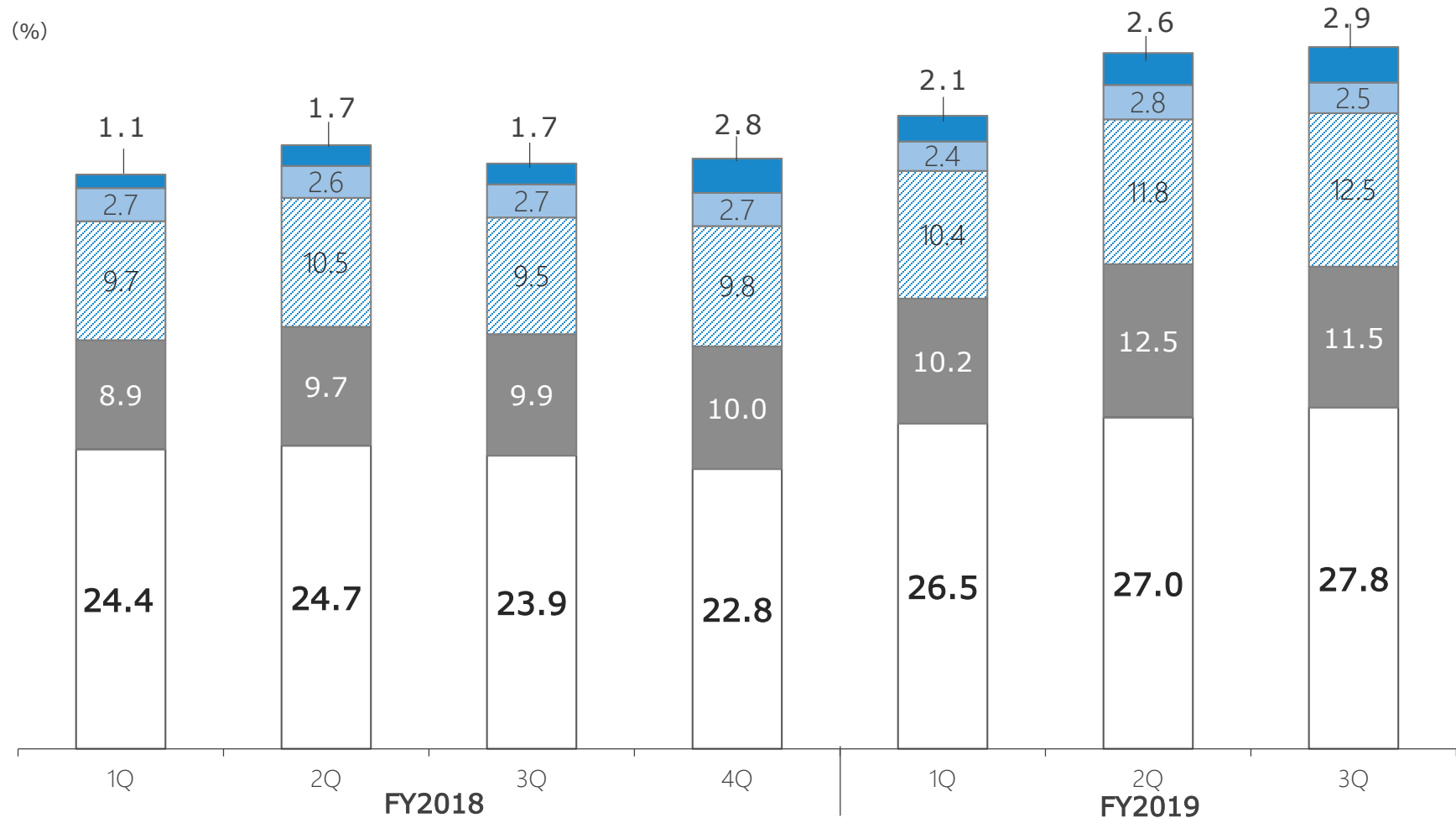
1. Quarterly Operating Profit

Significant rise in delivery expenses, and investments in fixed costs

Active investments in light of the growth rate of the flagship store (personnel expenses 、 offline advertising expenses, storage expenses, etc.)



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



- Advertising expenses
- Personnel expenses (Note 2)
- R&D expenses (Note 1)
- Selling expenses (Note 3)
- Fixed costs

(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)	Nine months ended December 31, 2018		Previous fiscal year (as of March 31, 2018)	Nine months ended December 31, 2018
Current assets	5,309	5,180	Current liabilities	2,107	2,573
Cash and deposits	1,656	1,084	Debt obligations	820	1,320
Accounts receivable –trade	1,801	1,099	Non-current liabilities	27	52
Merchandise	1,750	2,656	Total liabilities	2,135	2,625
Non-current assets	604	1,097	Shareholders' equity	3,788	3,649
Property, plant and equipment, and intangible assets	270	440	Total net assets	3,779	3,652
Total assets	5,914	6,278	Total liabilities and net assets	5,914	6,278

(*) 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

Gross margin ratio has seen improvement as a result of sales price revision

(Million yen)

	Nine months ended December 31, 2017	Sales ratio	Nine months ended December 31, 2018	Sales ratio	Change	YoY
Net sales	9,506	100.0%	9,795	100.0%	+288	103.0%
Gross profit	4,904	51.6%	5,236	53.5%	+331	106.8%
SG&A expenses	4,302	45.3%	5,152	52.6%	+849	119.8%
Operating profit	601	6.3%	83	0.9%	(518)	13.9%

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

2. Quarterly Report_Management Indicators <Overall LOWYA Business>

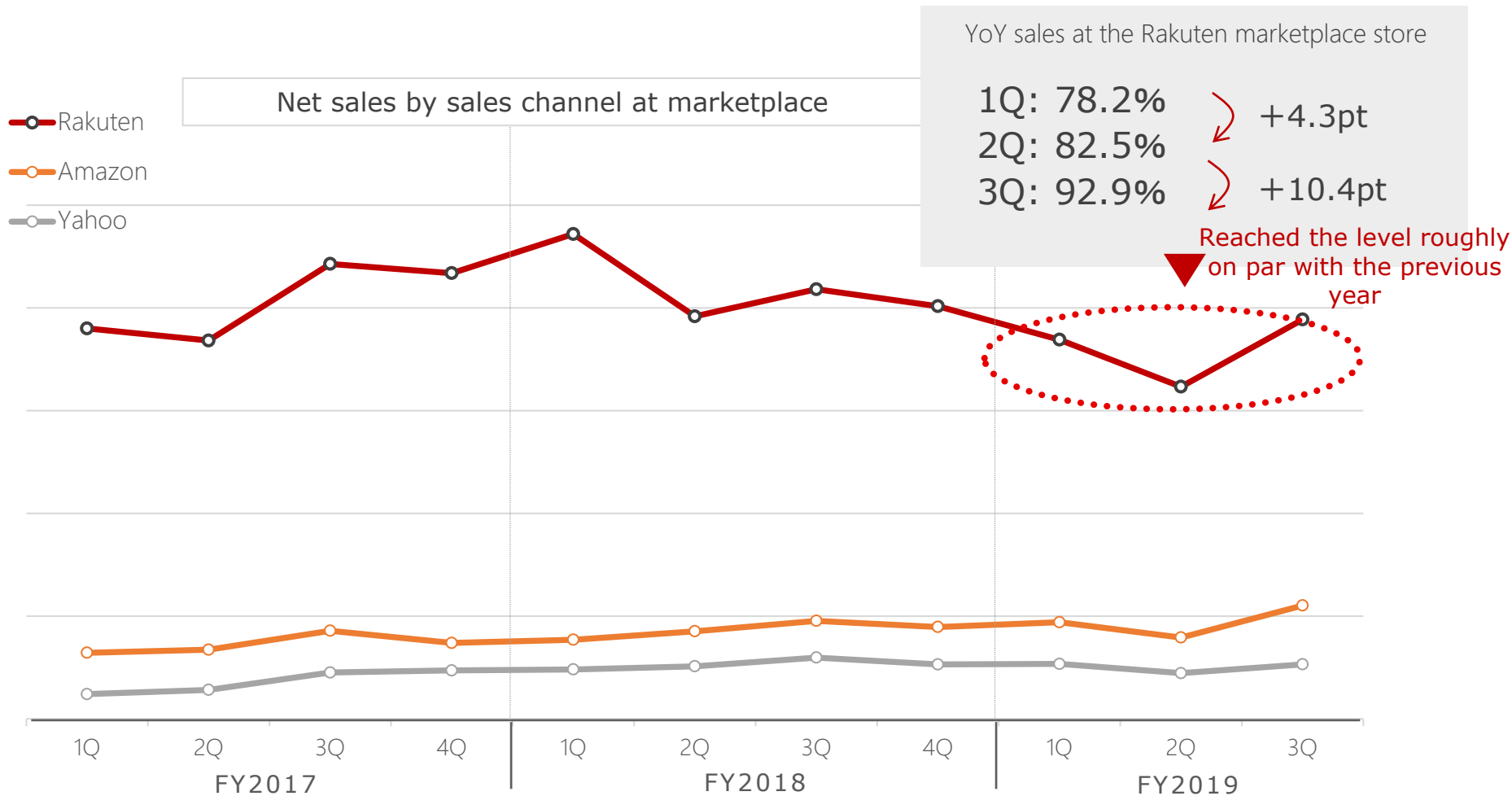
Stock-out effects were resolved but YoY CVR fell short of the forecast

As recognition of the brand has yet to be established, there is a strong tendency for marketplace stores customers to make a search by a specific product. Measures are taken to improve CVR by offering more detailed product explanations, etc. to tailor our merchandising to the characteristics of each channel.

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.)	3Q (Oct. –Dec.)
YoY number of visitors (%)	127.2	128.0	105.3	122.8	125.1	110.1	109.8
YoY average customer spend (%)	95.4	94.3	97.1	102.7	109.9	113.0	112.8
YoY CVR (%)	111.9	106.3	107.7	88.9	75.2	78.5	82.8
Number of products (Note)	1,442	1,594	1,795	1,958	2,070	2,169	2,041
Number of new products introduced	131	152	201	163	112	99	91
Average settlement rate (yen)	110.60	109.87	109.87	110.17	107.58	108.74	111.59

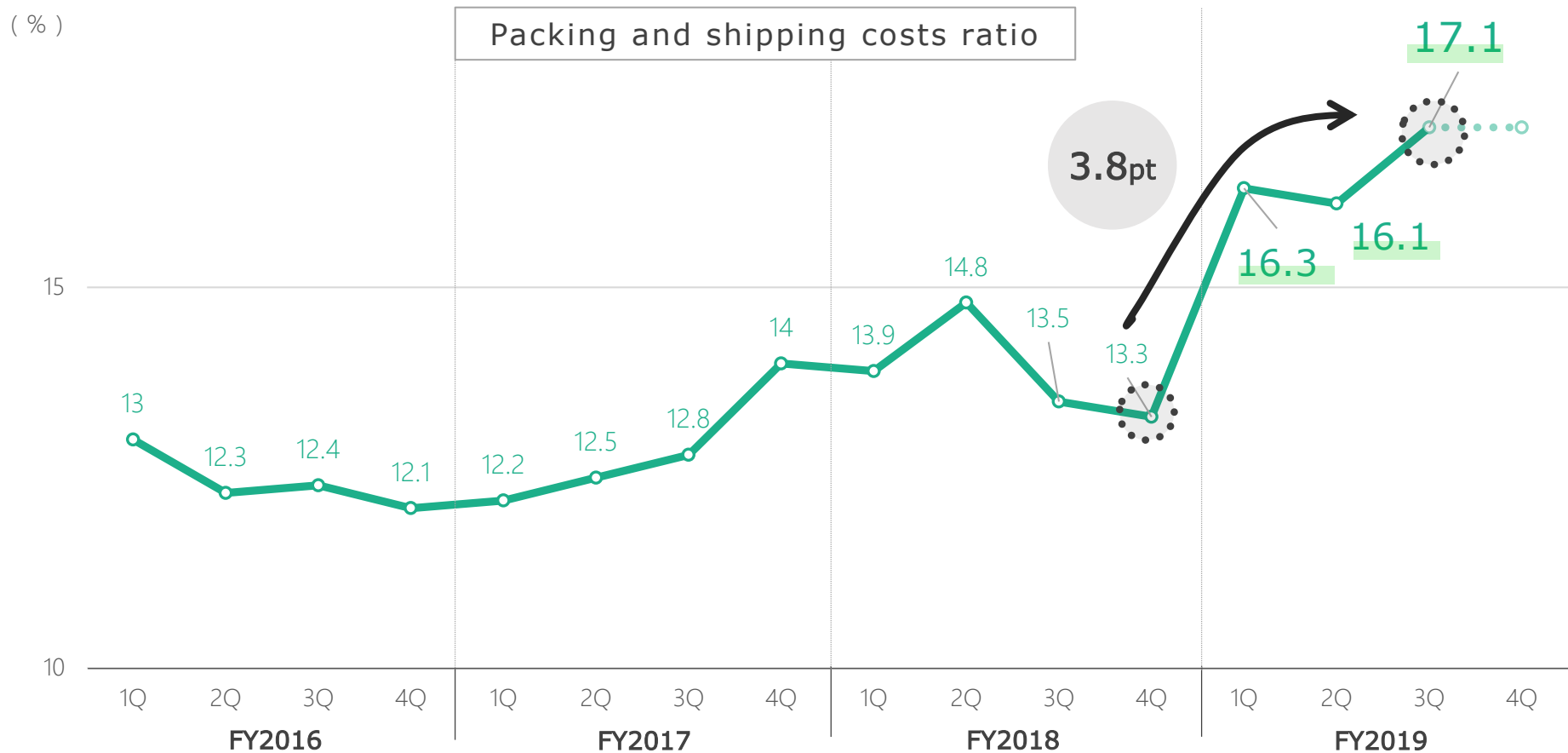
(Note) Obsolete products are excluded. Actual figure may differ from the total of Number of products and Number of new products introduced.

Sales at marketplace stores are recovering
due to the resolution of stock-out issue and improvements in measures



2. Quarterly Report_Delivery Expense Ratio

Delivery expense ratio surged this fiscal year, taking an immediate response. Ongoing efforts including cost pass-through to sales prices and packing improvements, aiming to prevent further rise in delivery expense ratio



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

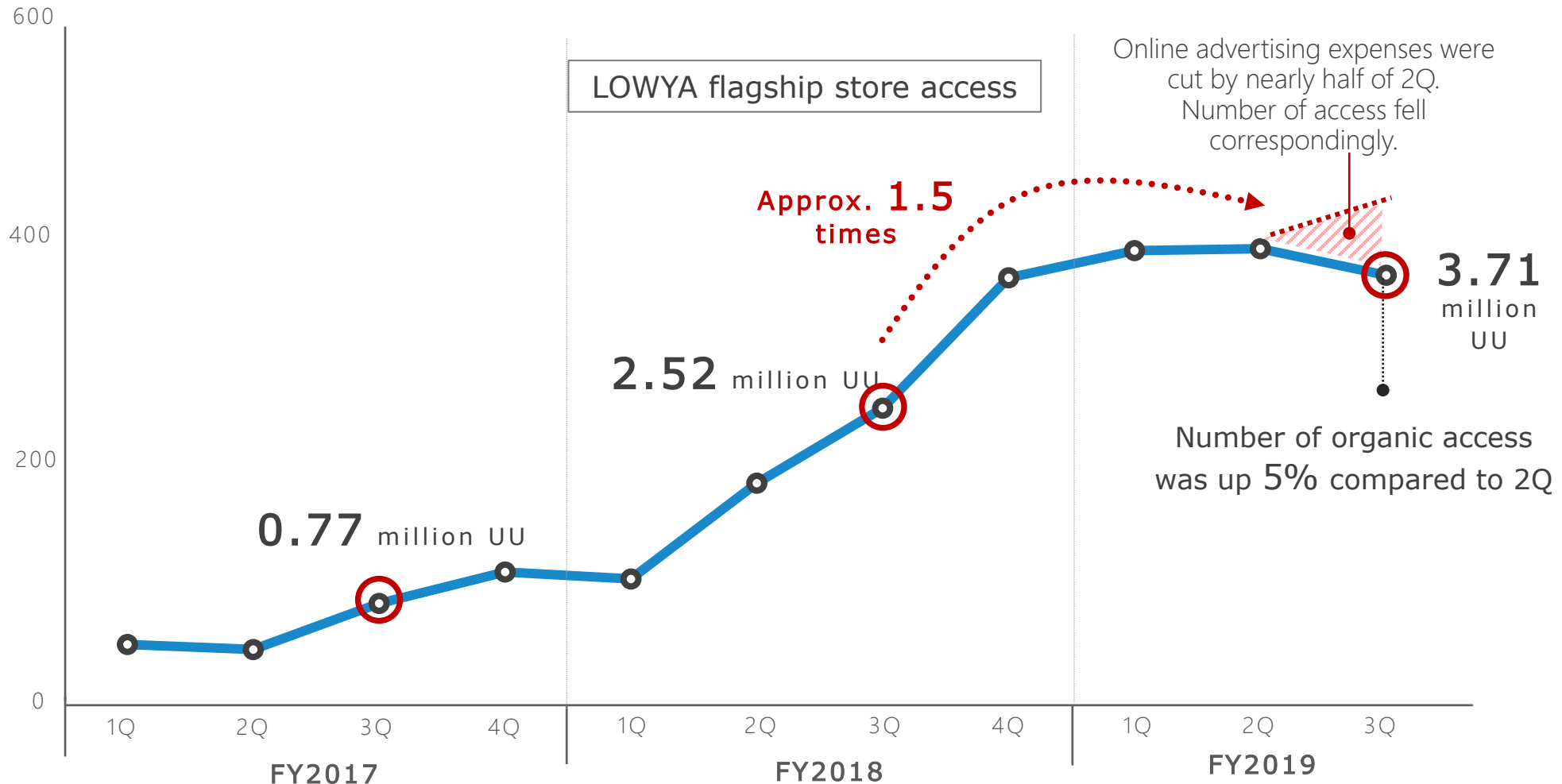
Number of visitors to the flagship store and CVR increased
47.2% and **8.2%** YoY, respectively, growing smoothly

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.)	3Q (Oct. –Dec.)
[Flagship store] YoY number of visitors (%)	244.9	513.6	326.2	349.9	396.6	213.5	147.2
[Flagship store] YoY average customer spend (%)	105.0	100.9	120.4	97.7	100.3	110.8	103.5
[Flagship store] YoY CVR (%)	75.8	65.5	63.0	83.6	94.6	81.8	108.2

2. Quarterly Report_Access <Flagship store>

With enhanced SEO measures, number of organic access to the flagship store increased, up **47%** YoY

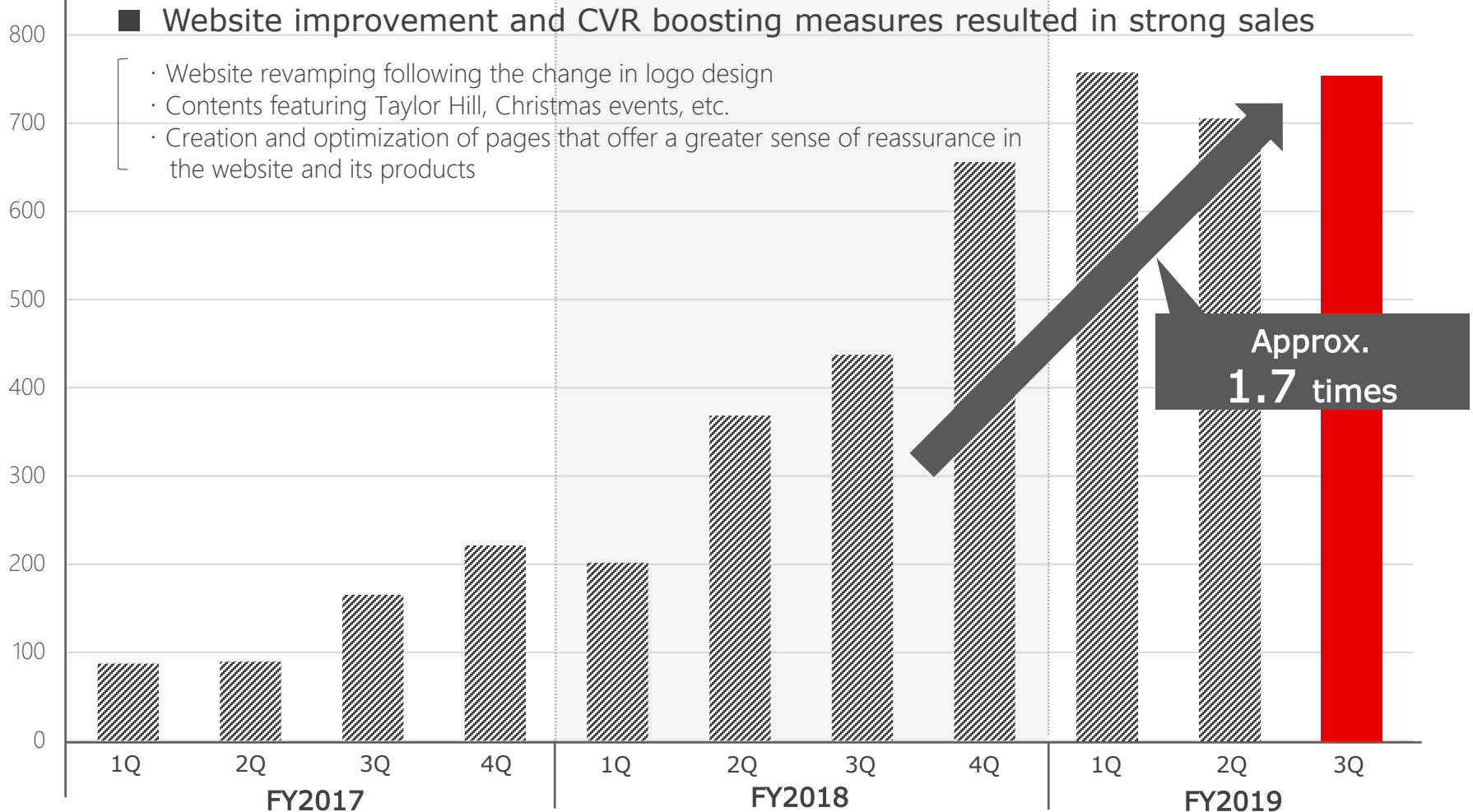
(Million unique users (UU))



(*) Comparison between the advertising expenses spent in 2Q and 3Q of FY2019

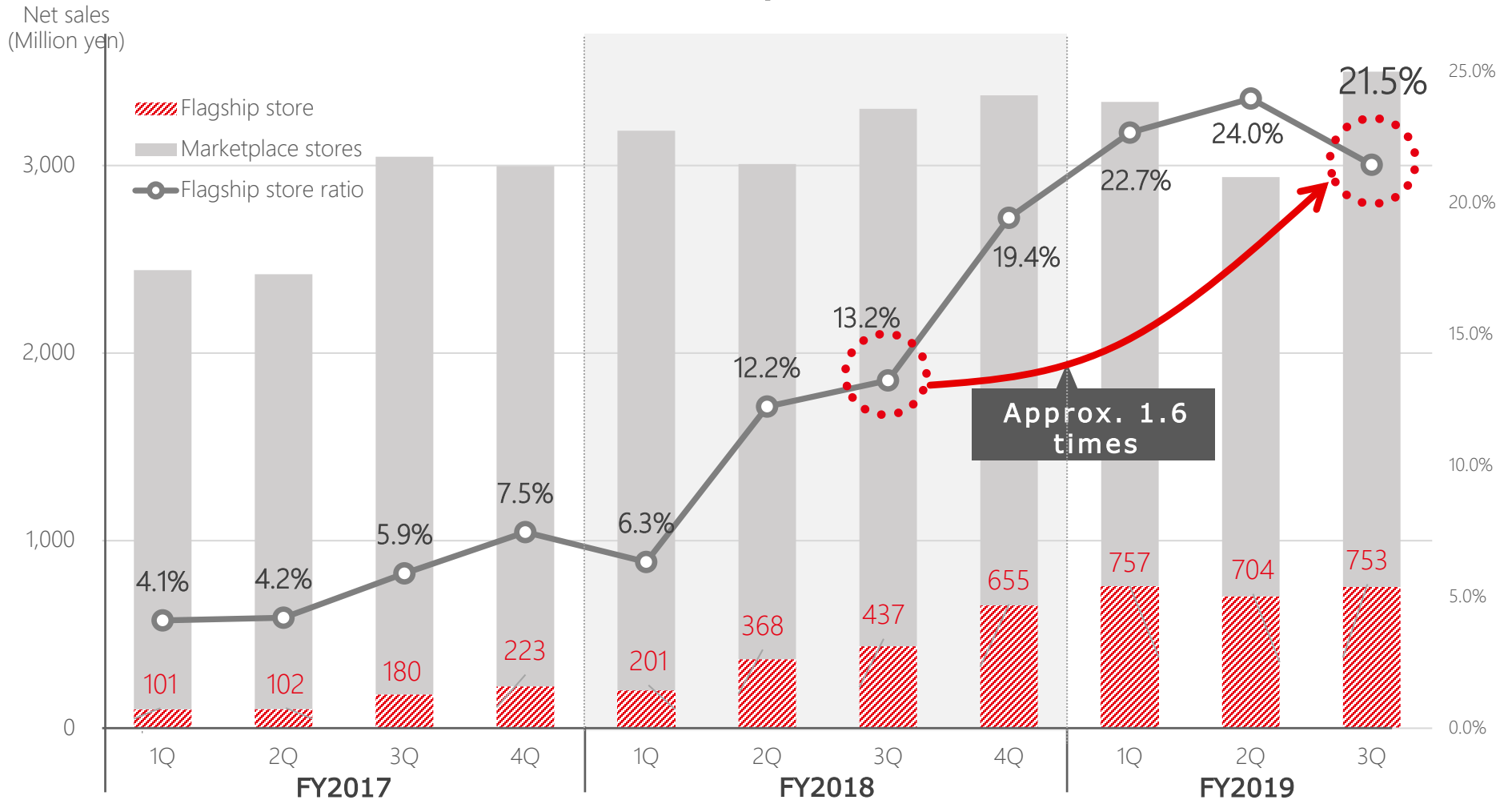
Sales at the flagship store were up **72%** YoY

Net sales
(Million yen)



2. Quarterly Report_Sales Ratio by Sales Channel

Flagship store ratio increased
from 13.2% in the previous 3Q to **21.5%**



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

3-1. Status of Initiatives from 3Q Onward and Forecasts

3-2. Strengthen Fulfillment Service Structure

3-3. Expand Recognition

3-4. Future Development

3-1. Status of Initiatives from 3Q onward and Forecasts

3-1. Status of initiatives from 3Q onward and forecasts

- Place priority on measures that contribute to higher CVR, with continuous evaluation.
- Remain focused on the flagship store in consideration of the steady growth in the number of access. Aim for year-on-year increase in sales at marketplace stores.
- Both the flagship store and marketplace stores have been operating efficiently while slashing sales promotion expenses since December 2018.
- Delivery expense ratio may fall slightly by improving packages and actively introducing products with reduced delivery costs.
- Optimize product inventory to improve efficiency in storage expenses.
- Accelerate in-house system development to curb personnel expenses over a medium term.

3-2. Strengthen Fulfillment Service Structure

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

▶ **Product development review**

- Active development of products with high profitability
- MD development focused on each target

▶ **Systemization of order schedule**

- Forecast demand and analyze customer trends; systemize order schedule

▶ **Strengthen LOWYA branding**



▶ **Reduce storage expense ratio**

- Adjust amount and turnover of inventory
- Introduce mobile racking system
- Maintain Company-owned warehouses; establish automated warehouses

▶ **Reduce delivery expenses**

- Review packing size
- Optimize delivery routes
- Build logistics network

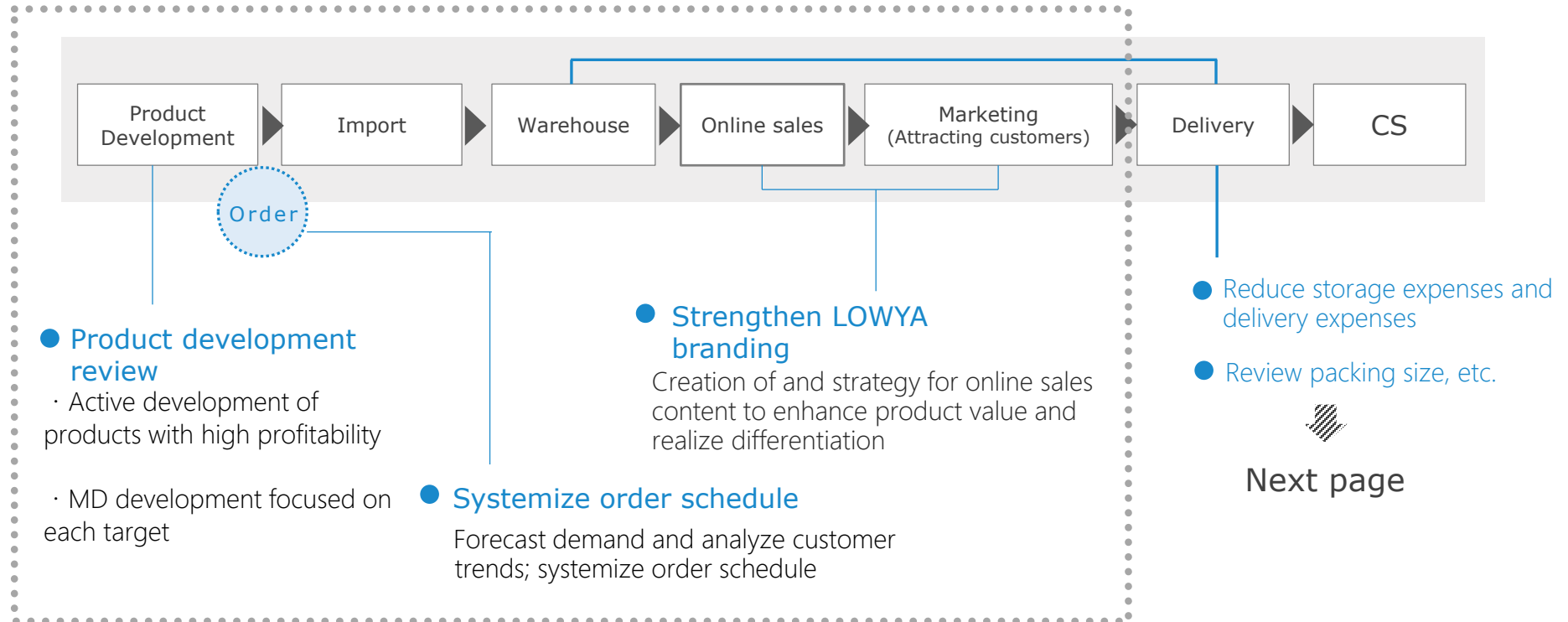
Strengthen service structure

Review earnings structure

3-2. 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.

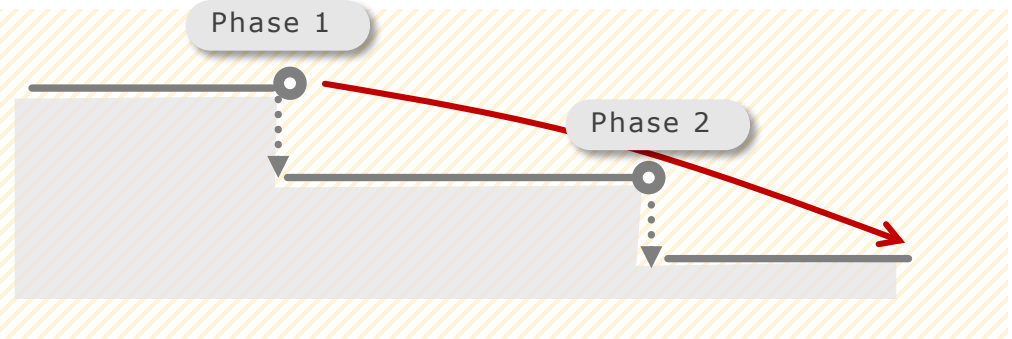
Strengthen service structure



3-2. 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

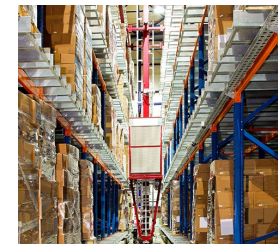
A mobile racking system is scheduled to be introduced in order to expand inventory storage space of the warehouse area. Construction will start in the next fiscal year for higher loading efficiency.

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.

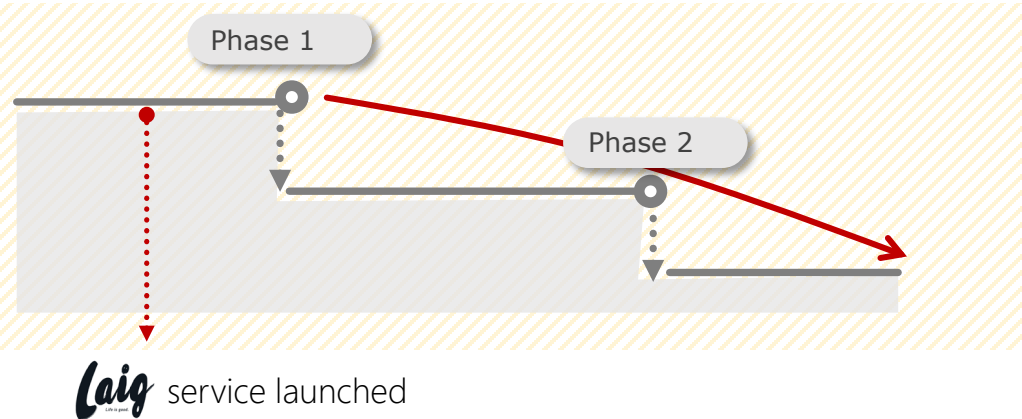


3-2. Strengthen Fulfillment Service Structure

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



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

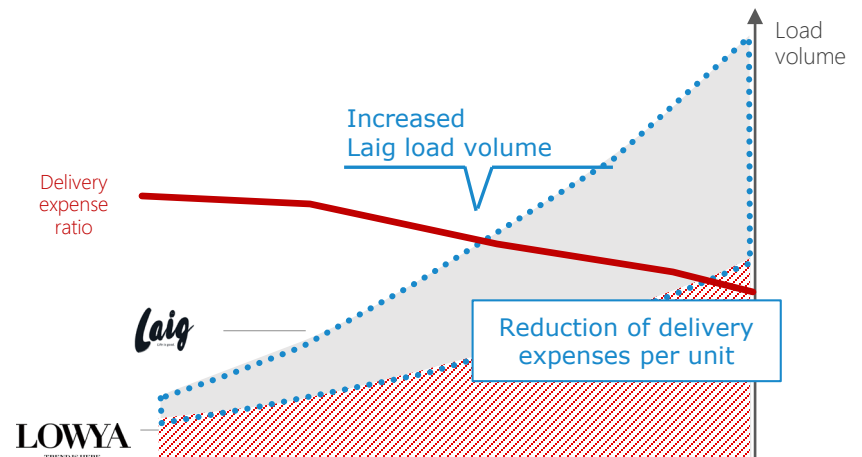
To reduce delivery expenses, shorten delivery routes from warehouses to users by conducting proper inventory management according to the delivery volume of each region.

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

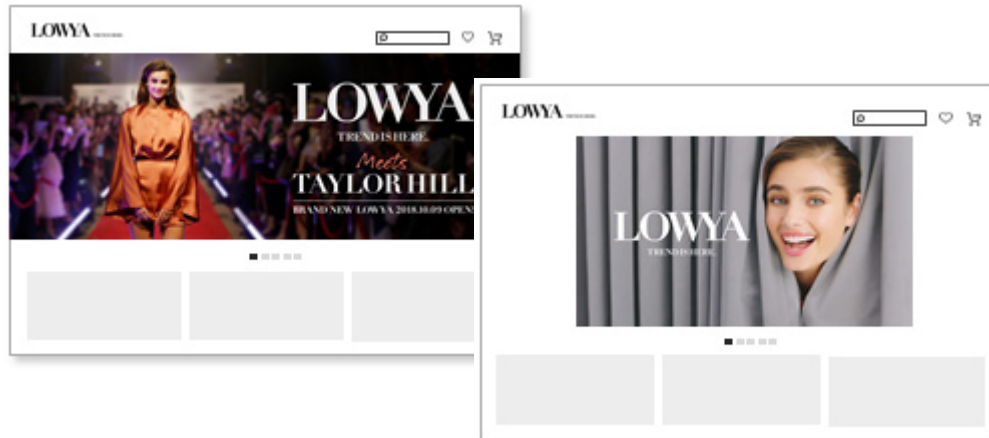


3-3. Expand Recognition

Media exposure caused the number of access to increase, following the promotion event on October 9



Number of access increased after the event, owing to social media posting by a personal account of Taylor Hill, and spread through TV, magazines, newspapers and influencers

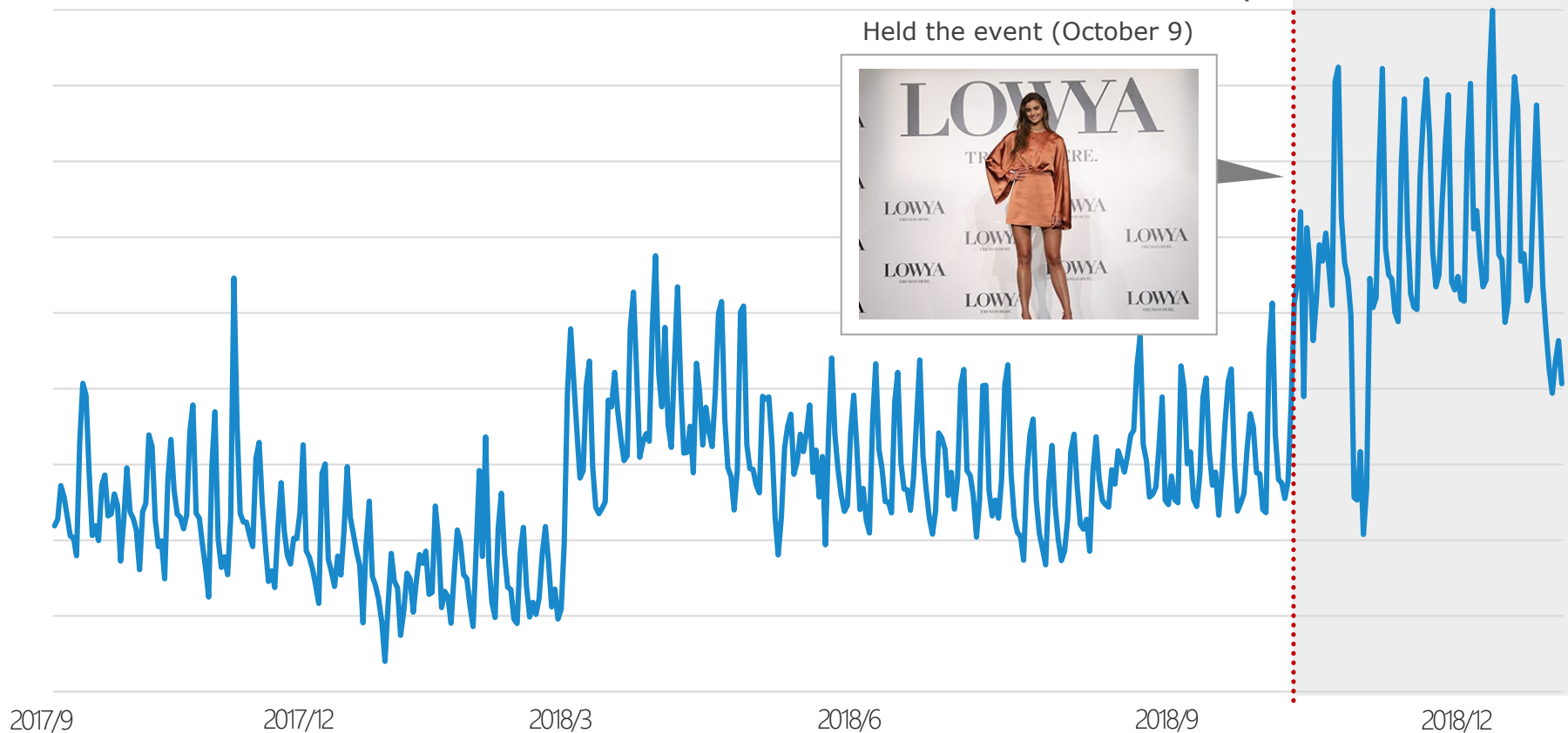


Conversion rate of the contents featuring Taylor Hill within the flagship store website tends to be high

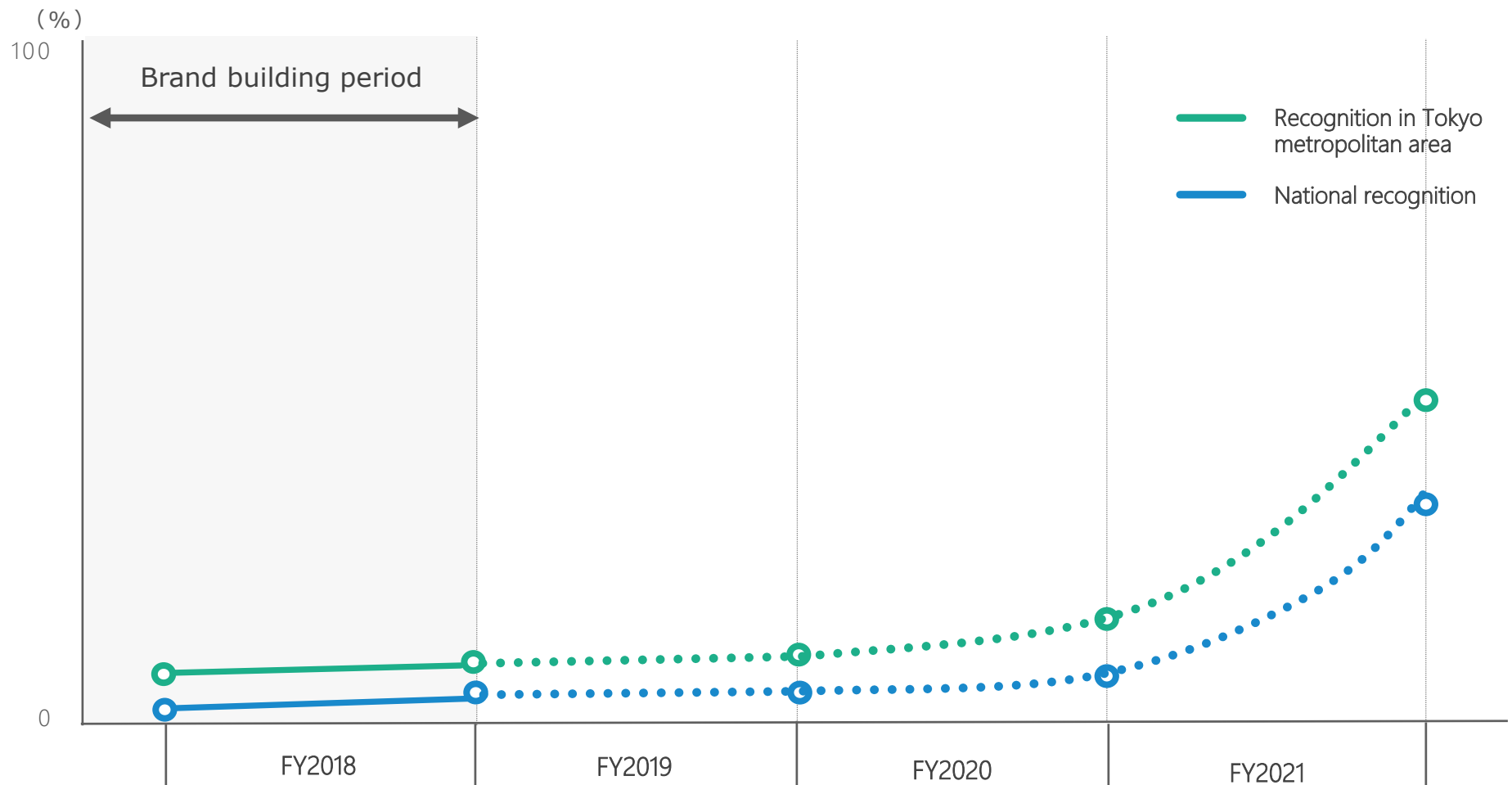
Monthly average number of searches for LOWYA showed a growth of 1.65 times after the event



Videos were made available centering on web media (November and December)



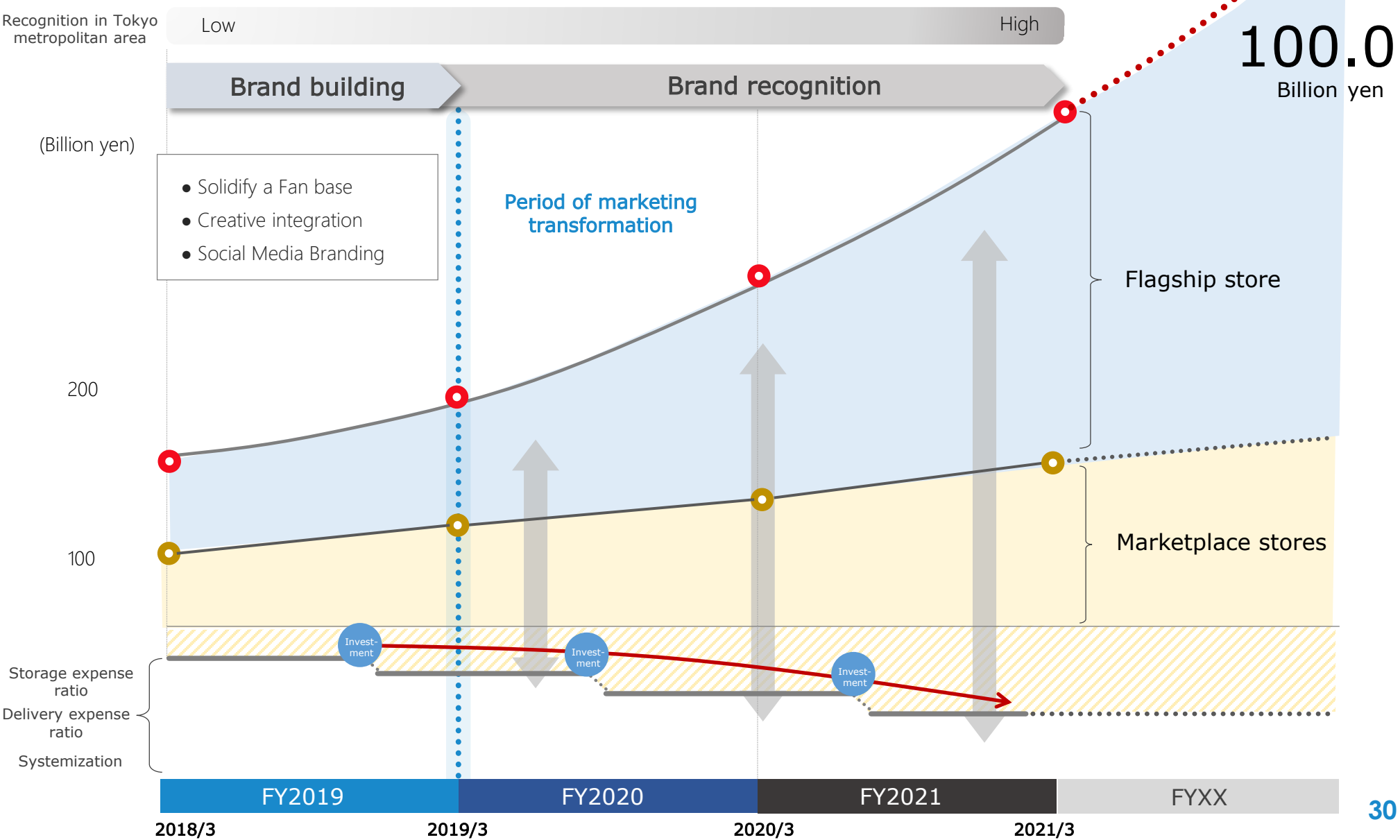
Prove correlation between recognition and sales through test marketing Aim to enhance recognition in the Tokyo metropolitan area



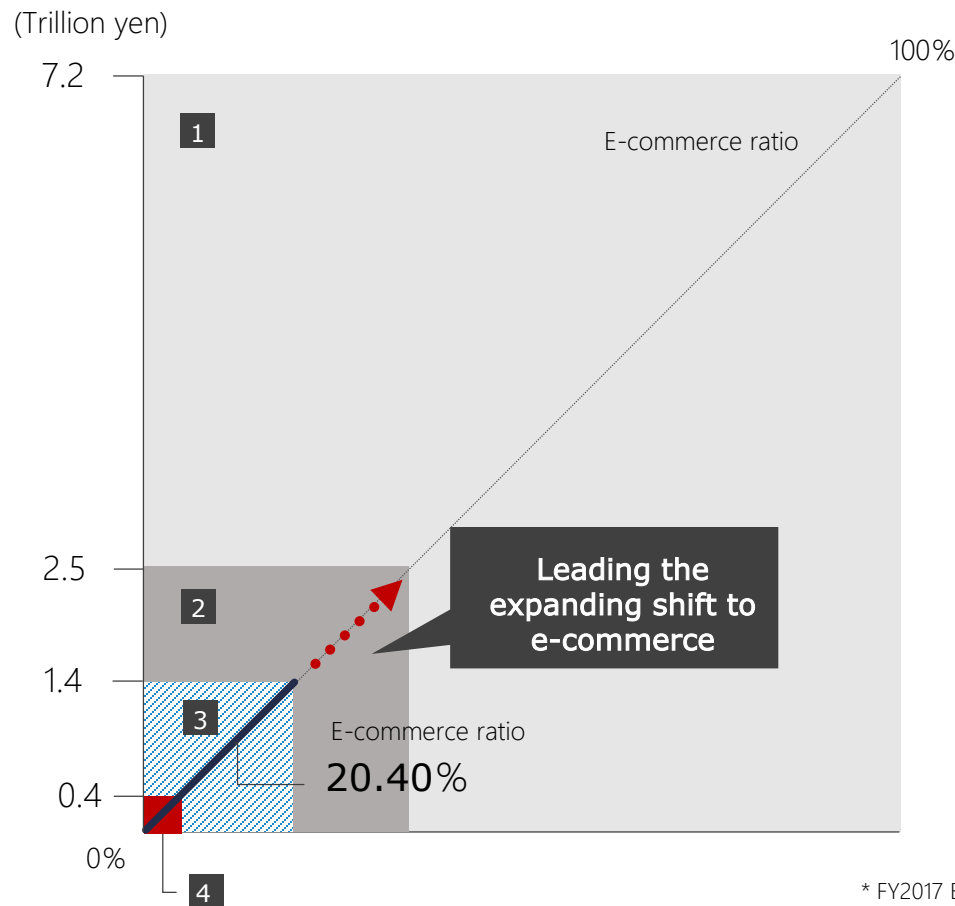
* According to an online survey of furniture, interior product, and sundries brands.

3-4. Future Development

Target of 100.0 billion yen is left unchanged, and continue efforts for higher brand recognition



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))

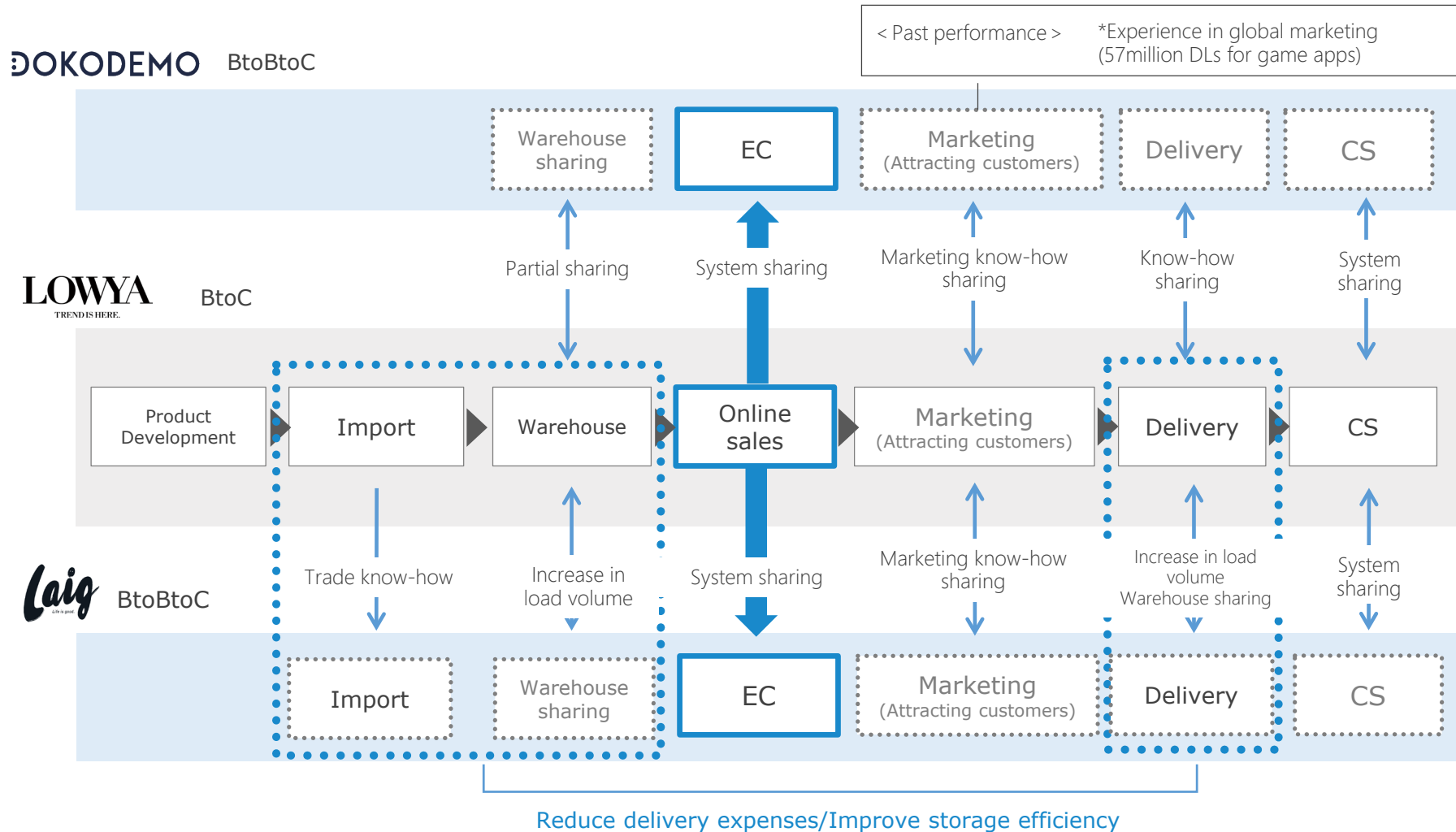
* FY2017 E-Commerce Market Survey published by Ministry of Economy, Trade and Industry

* BtoC-EC ratio of 20.40% converted based on the market scale

4. Synergy of Company-wide Businesses

4. Synergy of Company-wide Businesses

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

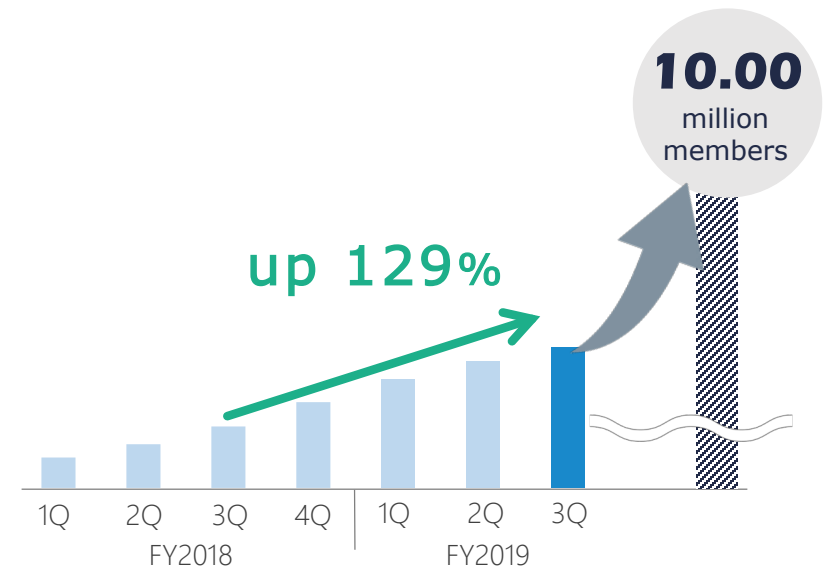


5-1. DOKODEMO Business

■ Membership

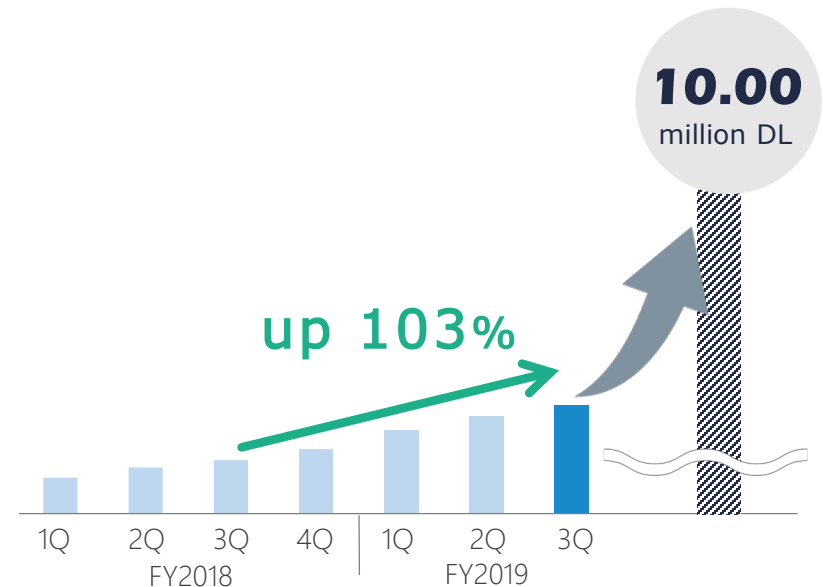
343,808 (up 129% YoY)

*As of December 31, 2018 (the same applies hereinafter)



■ Number of APP DLs

776,425 (up 103% YoY)



■ Purchase price per person

8,850 yen (up 8%YoY)

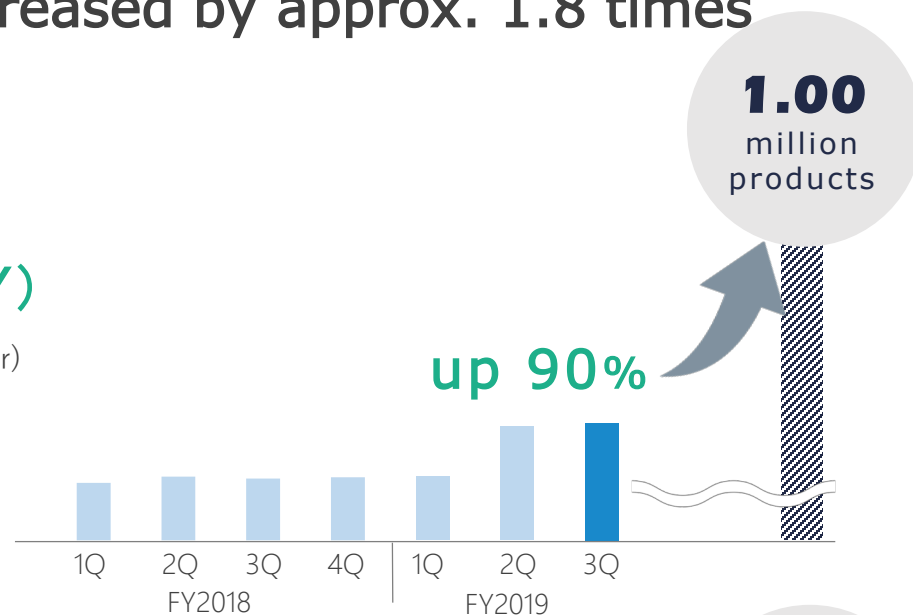
*Average from October 2018 to December 2018 (the same applies hereinafter)

The number of products increased by approx. 1.8 times

■ Number of products

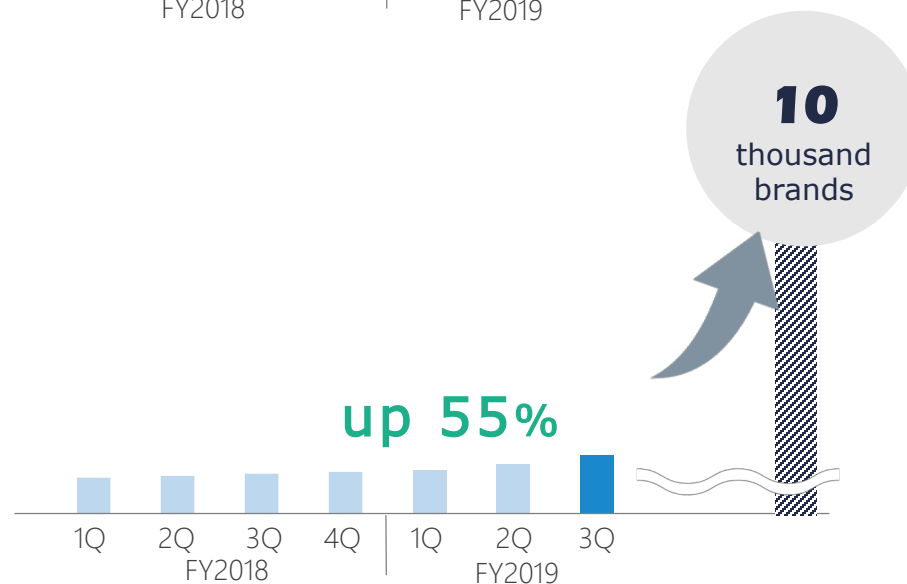
123,652 (up 90% YoY)

*As of December 31, 2018 (the same applies hereinafter)



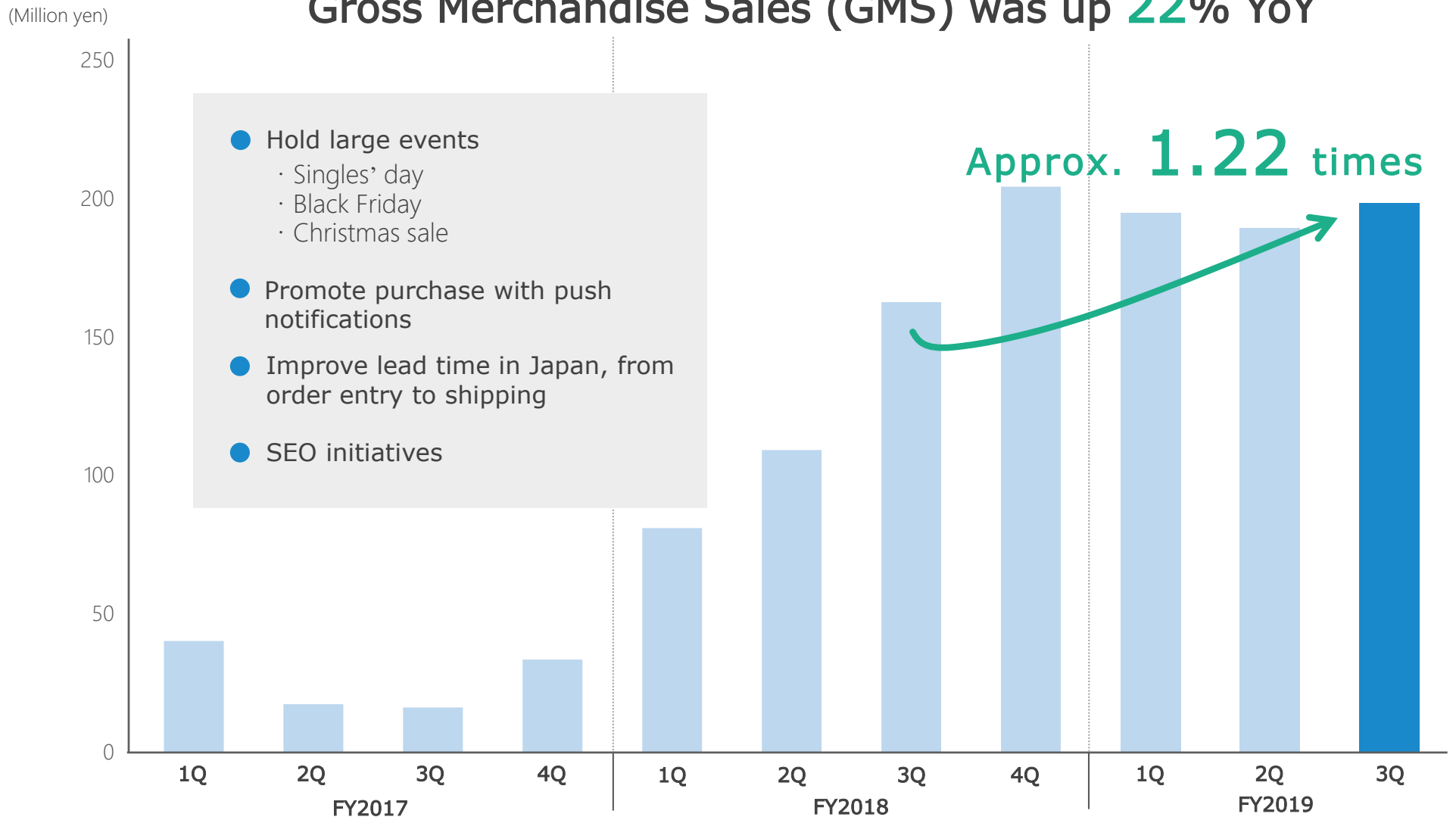
■ Number of brands

1,053 (up 55% YoY)



Reduced advertising expenses to evaluate investment effect

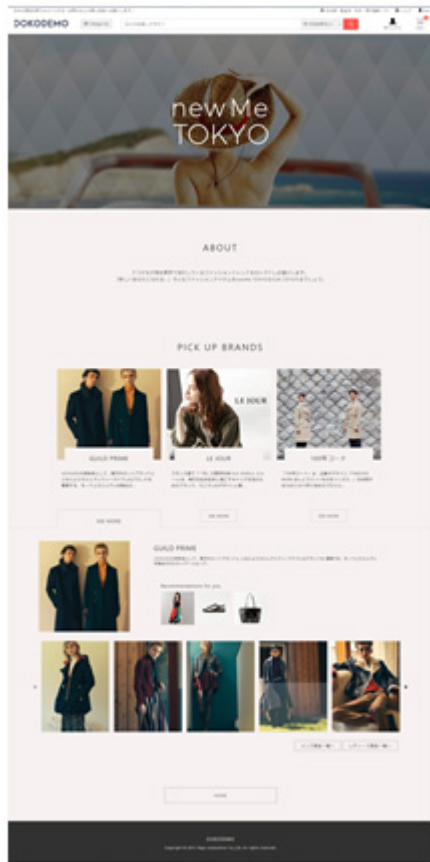
Gross Merchandise Sales (GMS) was up **22% YoY**



Special section was launched as part of enhancement in fashion category

Aim to expand customer base as we started handling fashion items of SANYO SHOKAI, a general fashion apparel company

* Formed a business alliance with SANYO SHOKAI, a general fashion apparel company, in the area of lifestyle in February 2018.



Targeting women in their 20's-30's, fashion items are selected focusing on Japanese designs with the concept of "newMe TOKYO."

* The pre-opening of the store was in December 2018 within the DOKODEMO website. Grand opening was in January 2019.

- Enriched contents within the section
- Enhanced number of products and brands
- Live streaming using influencers, etc.

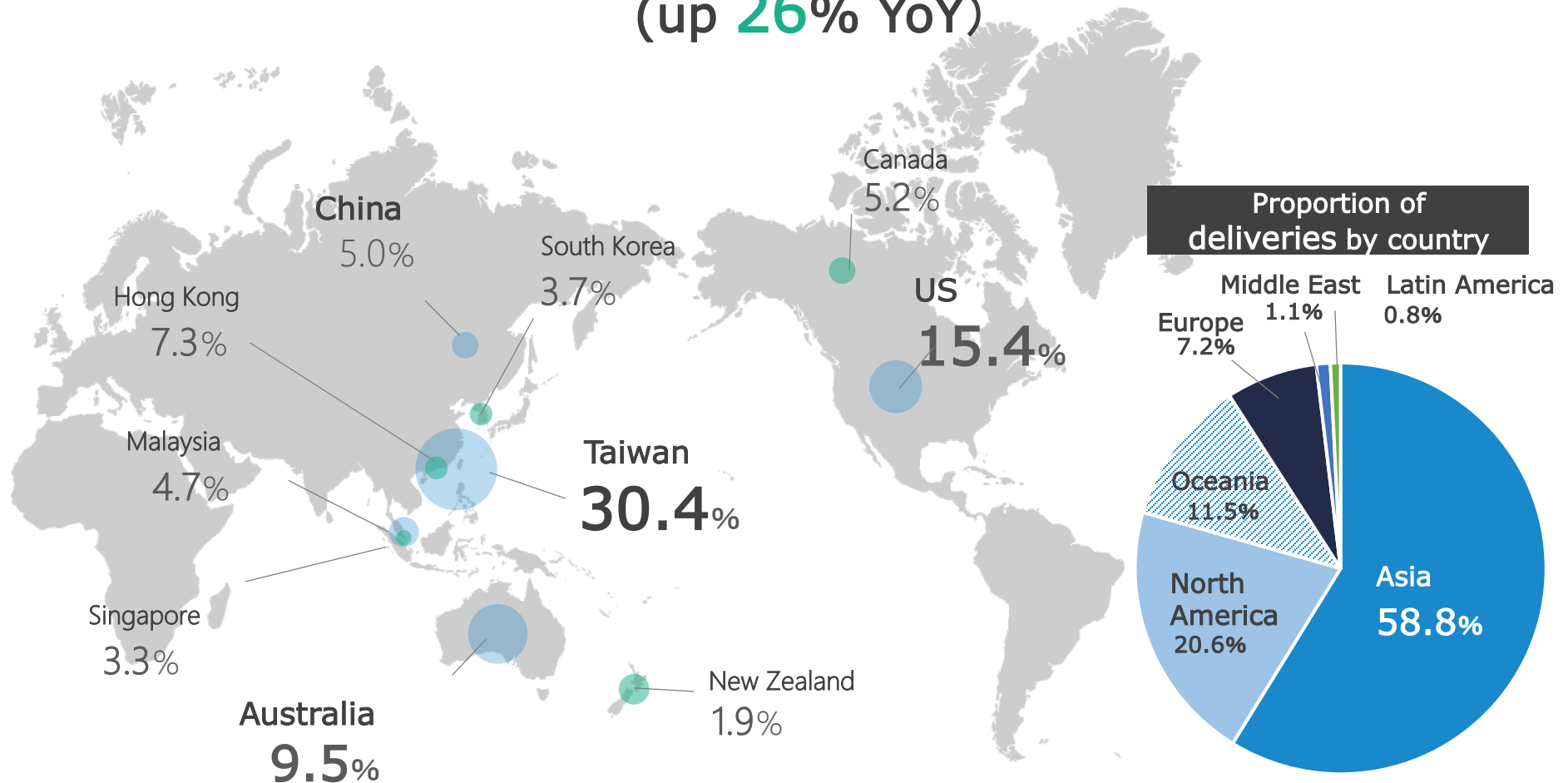
Fashion category will be further enhanced through various measures such as the improvement of the page and contents

Tying in with brick and mortar stores, attract users
“after travel” and “before travel” to DOKODEMO
as an Online to Offline (O2O) measure



Approach inbound tourist users by strengthening measures
including the distribution of flyers at offline stores

Deliveries increased to **93** countries and regions (up **26%** YoY)



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

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



5-2. Business

Opening event held on October 31 centering on contents with the concept of “Lifestyle is good”

Offer a place to exhibit the concept of Laig by delivering unique lifestyle-related contents presented by artists embodying “Lifestyle is good”



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



Systems that can
accept orders



Centralized
inventory
management

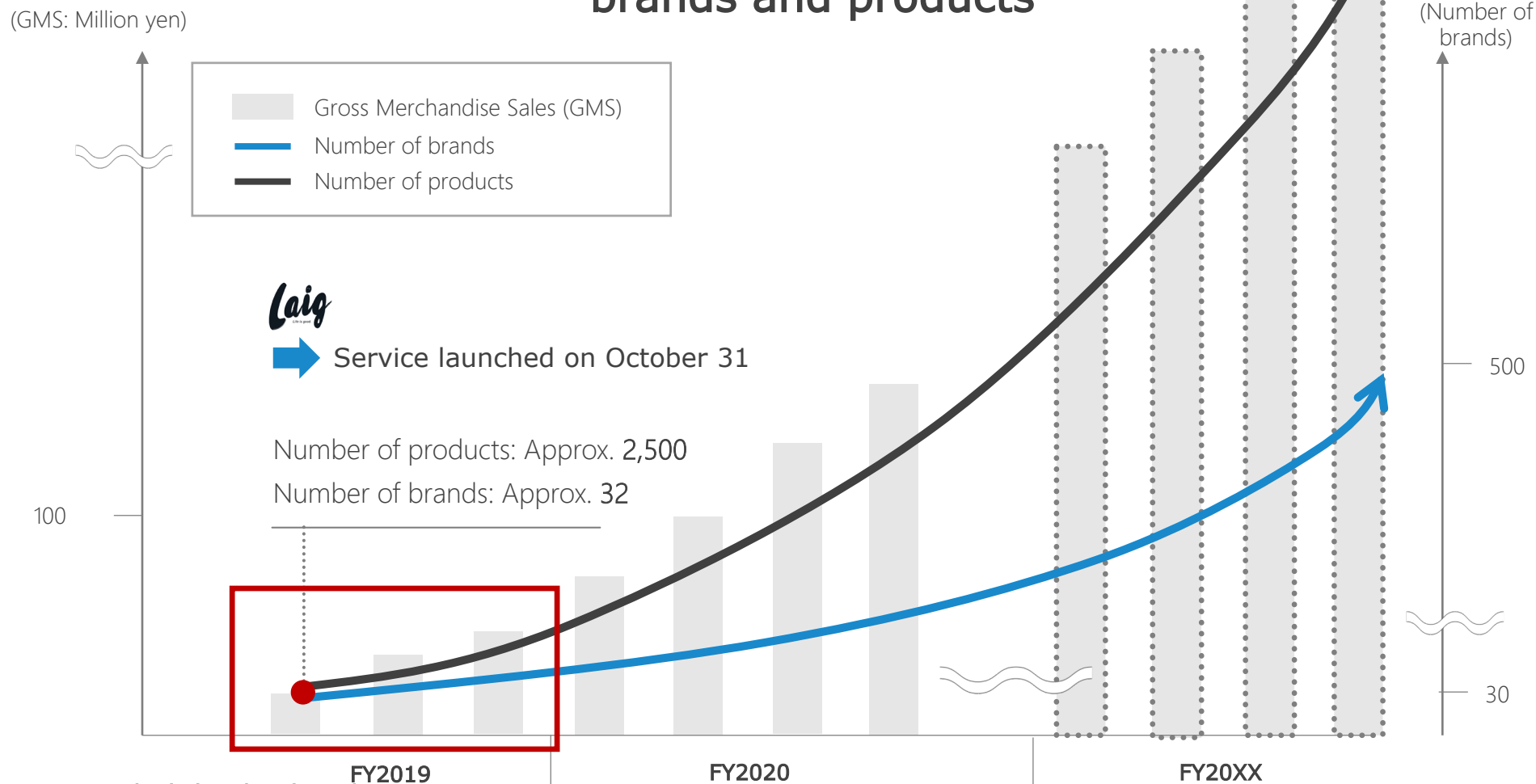


Attracting customers

Product lineup

Ease of shopping

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



Transactions had already taken place
following the official launch in end-October

6. Shareholder Benefits Program

Decided benefits to shareholders

<Eligible shareholders>

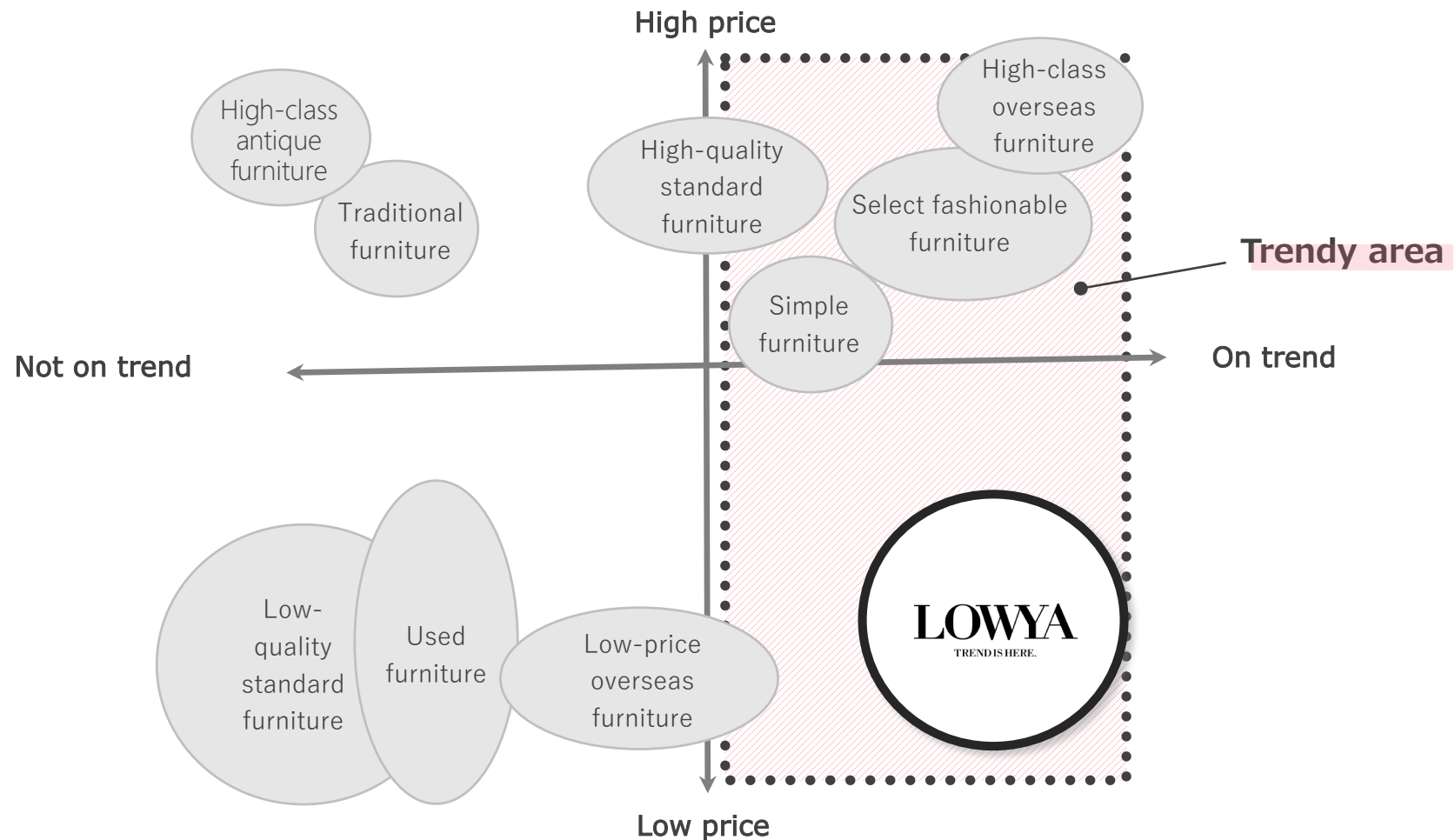
Shareholders recorded or registered on the shareholders list as of March 31, 2019, who hold one unit of shares (100 shares) or more

<Details of benefits>

Number of shares held	Details	Timing of grant
100 shares or more	(1) QUO CARD worth 1,000 yen	To be sent around September 2019
	(2) GROONY wearable blanket (our product) * Regular size only. Colors cannot be specified.	To be sent in end-October 2019 onward
	(3) Donation worth 1,000 yen (to public interest incorporated foundation, Chinjuno Morino Project)	—

Appendix

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



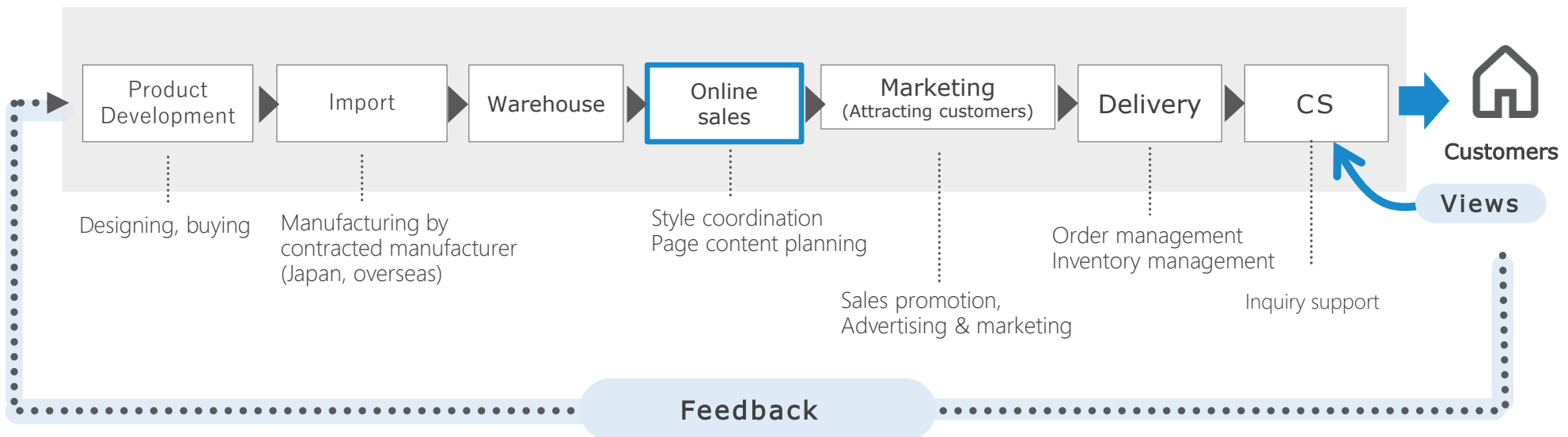
As a provider of “fast
interior,”
Propose attractive lifestyles and products with
attractive prices and quality



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

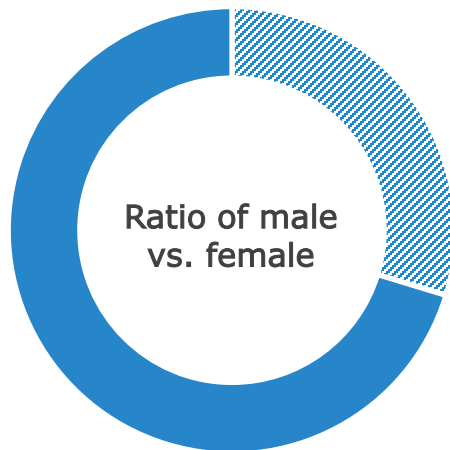
D2C business model conducting the entire procedure inhouse

(Direct to Consumer)



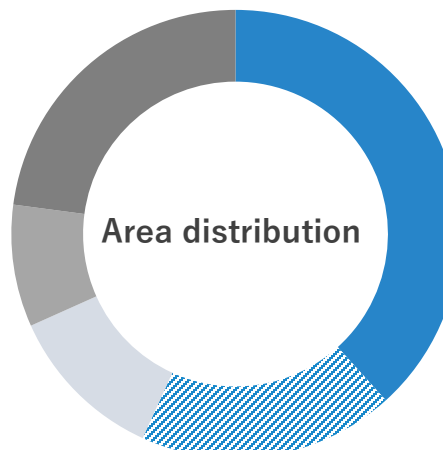
Showing higher ratio of female in their 30's, mainly in the Tokyo metropolitan area

(October 1, 2018 to December 31, 2018)



Male 29.7%

Female 70.3%



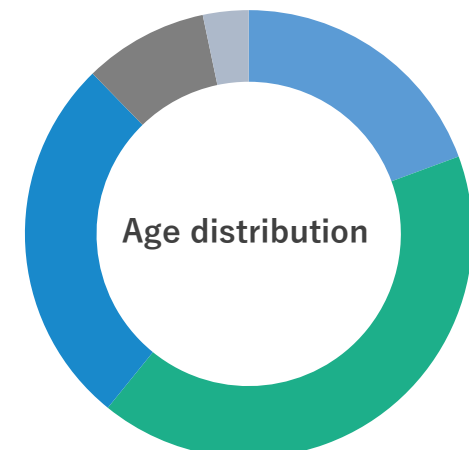
Kanto 38.3%

Kinki 18.5%

Tokai 11.5%

Kyusyu 8.8%

Other 22.9%



29 and younger 19.4%

30 to 39 41.5%

40 to 49 26.9%

50 to 59 9.0%

60 to 69 3.2%



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

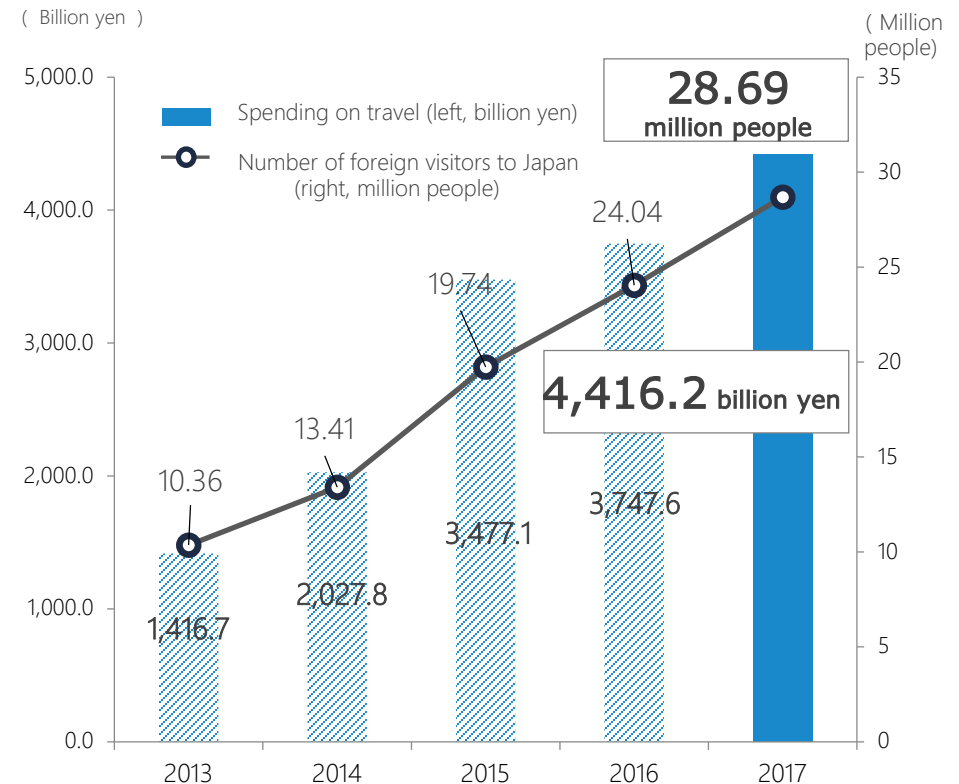
■ International EC market scale (2017)

(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%

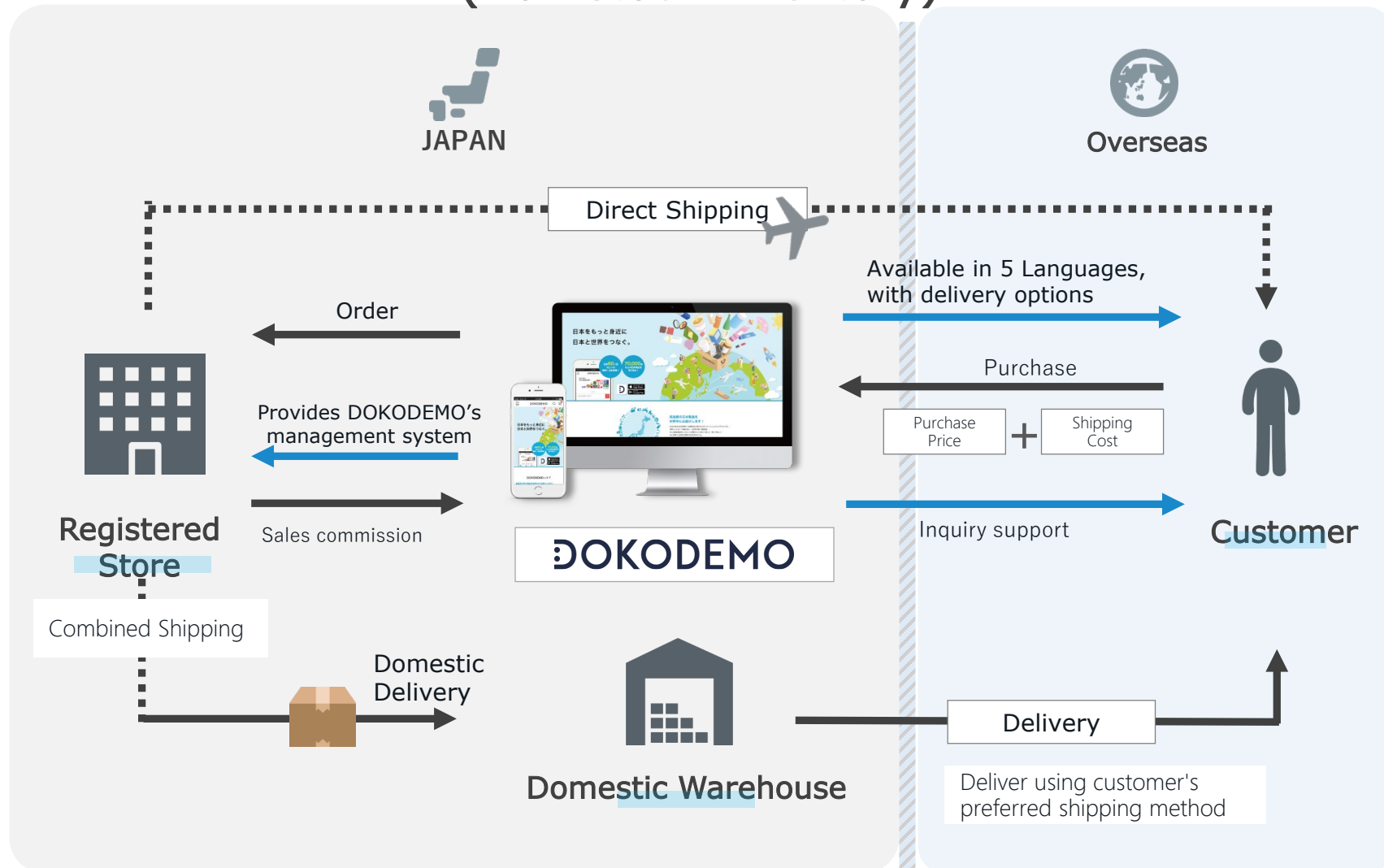
Source: Ministry of Economy, Trade and Industry "FY2017 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey)"

■ Survey of spending by foreign visitors to Japan



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

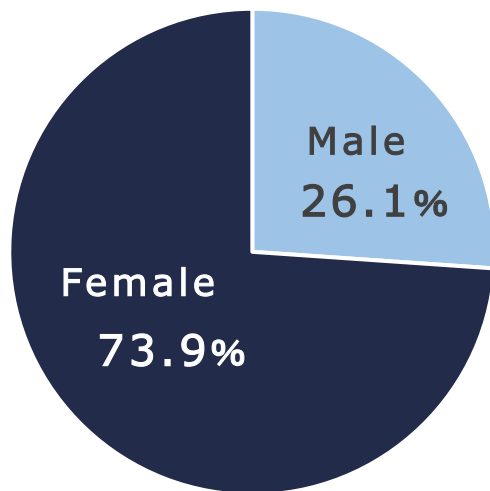
Delivering products directly from registered stores to customer (Non-stock inventory)



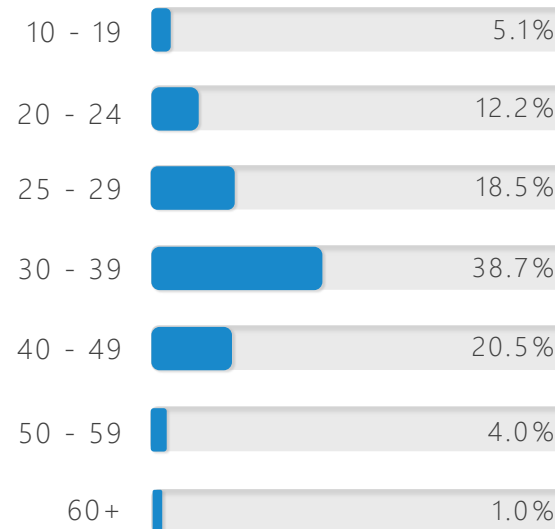
**Female users in their 30's are increasing.
DOKODEMO will strengthen the "hobby" and "fashion" categories
going forward**

Calculation period: October 1, 2018 to December 31, 2018

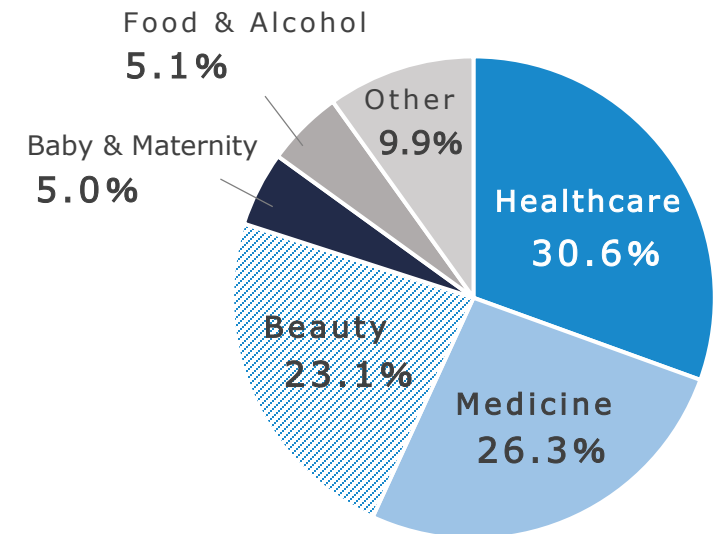
<User data>
Gender



<User data>
Age



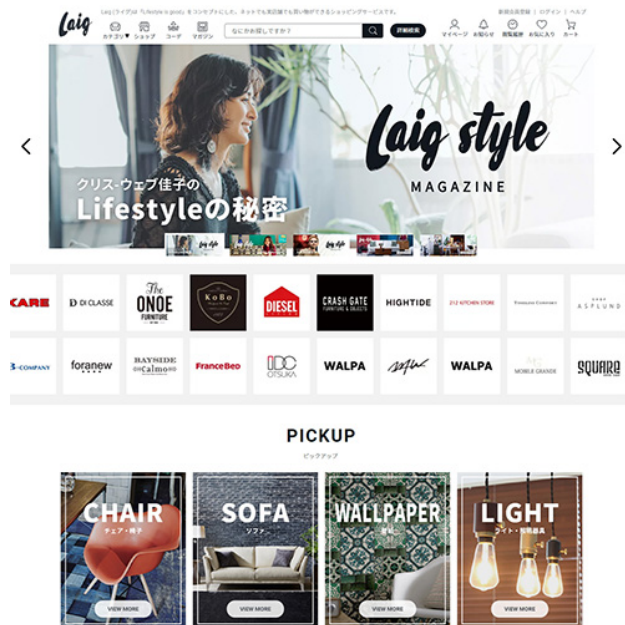
Sales ratio by
category



* 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 dress with orange floral patterns and a skirt with orange and white stripes. The cabinet has several open shelves. The top left shelf contains a bouquet of yellow and white flowers. The top right shelf has a white owl-shaped vase with yellow and white 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 bottom right shelf is empty. The text "MAKE NEW STANDARDS" is overlaid in blue capital letters across the middle of the image.

MAKE NEW STANDARDS



VEGA corporation

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