



Quarterly Financial Results
for the Nine Months Ended December 31, 2019

Vega corporation Co., Ltd.

■ Financial Highlight

Results Overview

Net sales: 9,840 million yen (99.6% YoY)

Operating profit: 13 million yen ((166) million yen in previous corresponding period)

- **Net sales at the flagship store increased by 42.9% YoY, and its sales ratio increased to 34.4%**

Quarterly net sales reached a record high despite the impact of the consumption tax hike

Efficient online advertising increased the number of visitors by 40.1% YoY

- **Full-year net sales are forecast to be almost flat due to the impact of the consumption tax hike**

Since October, increasingly bearish consumer sentiment and the effect of non-applicability of the cashless payment rebate program had a significant impact on marketplace stores

- **The Company released a new service it had developed leveraging new technology**

“LOWYA Search by Appearance,” an image search function, was launched in October 2019

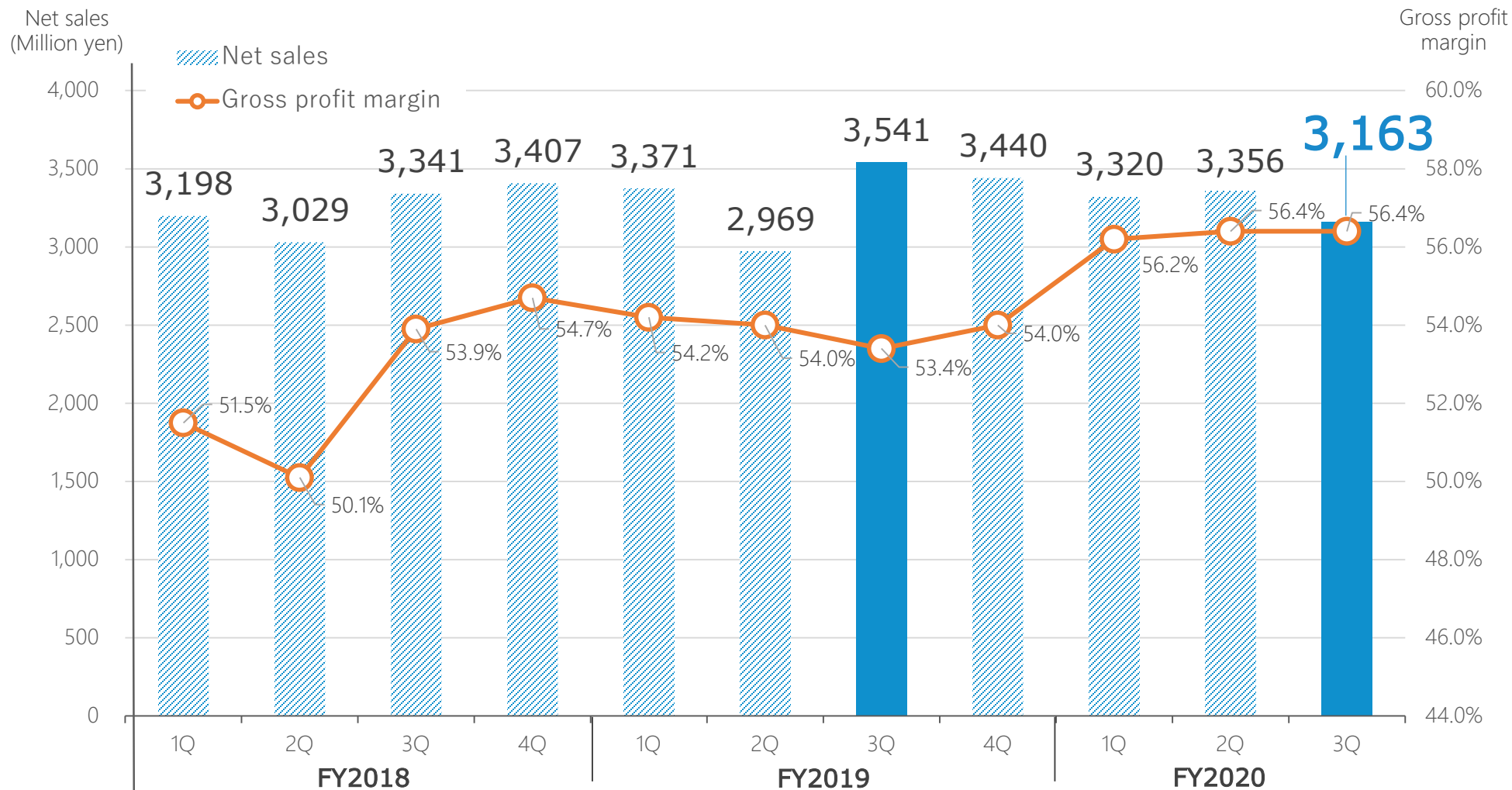
Considering that the economic outlook is uncertain due to increasingly bearish consumer sentiment after the consumption tax hike and the effect of non-applicability of the cashless payment rebate program, the Company kept its full-year financial results forecasts unchanged.

Overview of Quarterly Financial Results for the Nine Months Ended December 31, 2019

■ Quarterly Sales

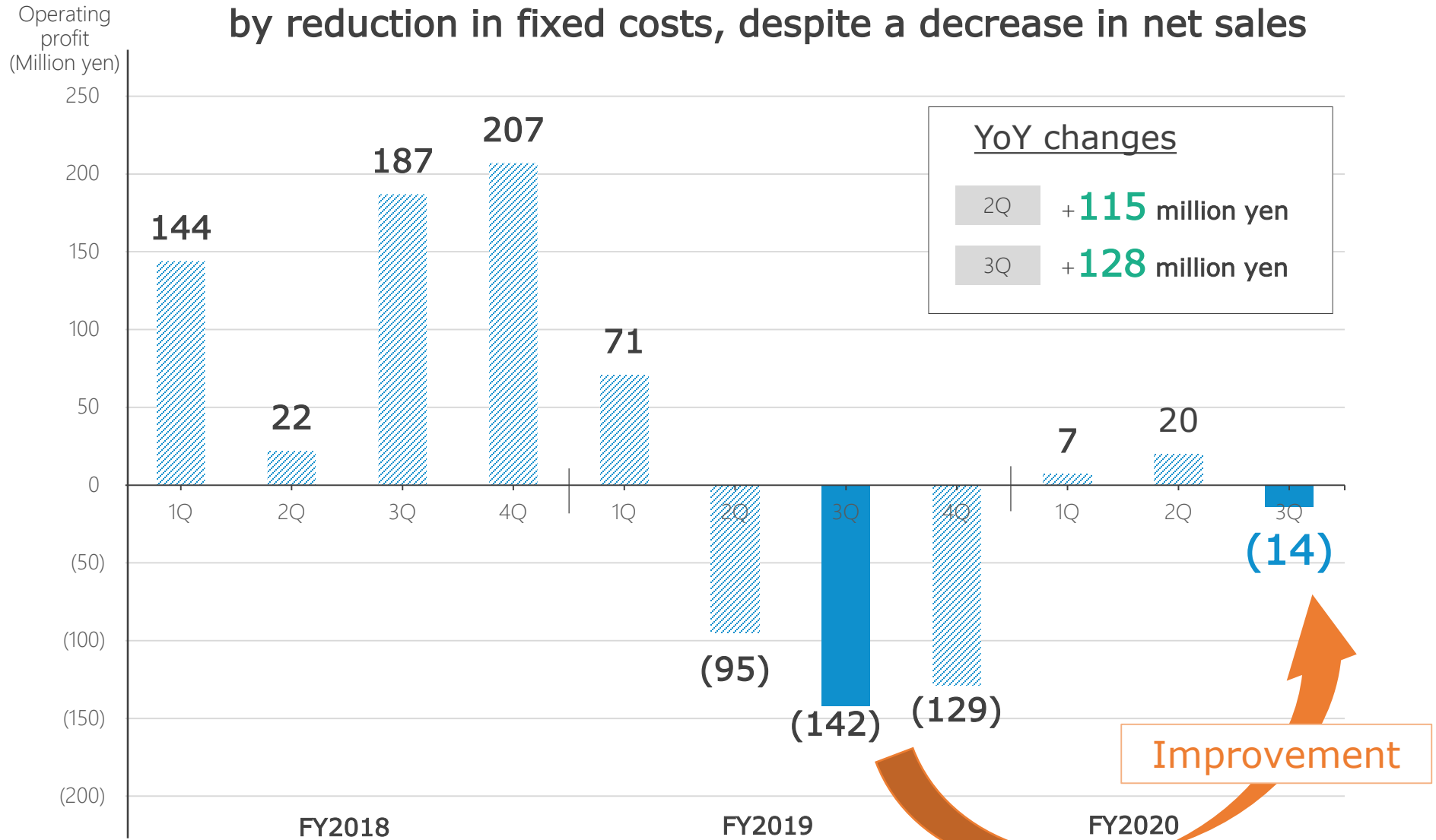
Net sales decreased by **10.7%** YoY as a reaction to the consumption tax hike

Gross margin steadily improved due to strategy focused on profit efficiency

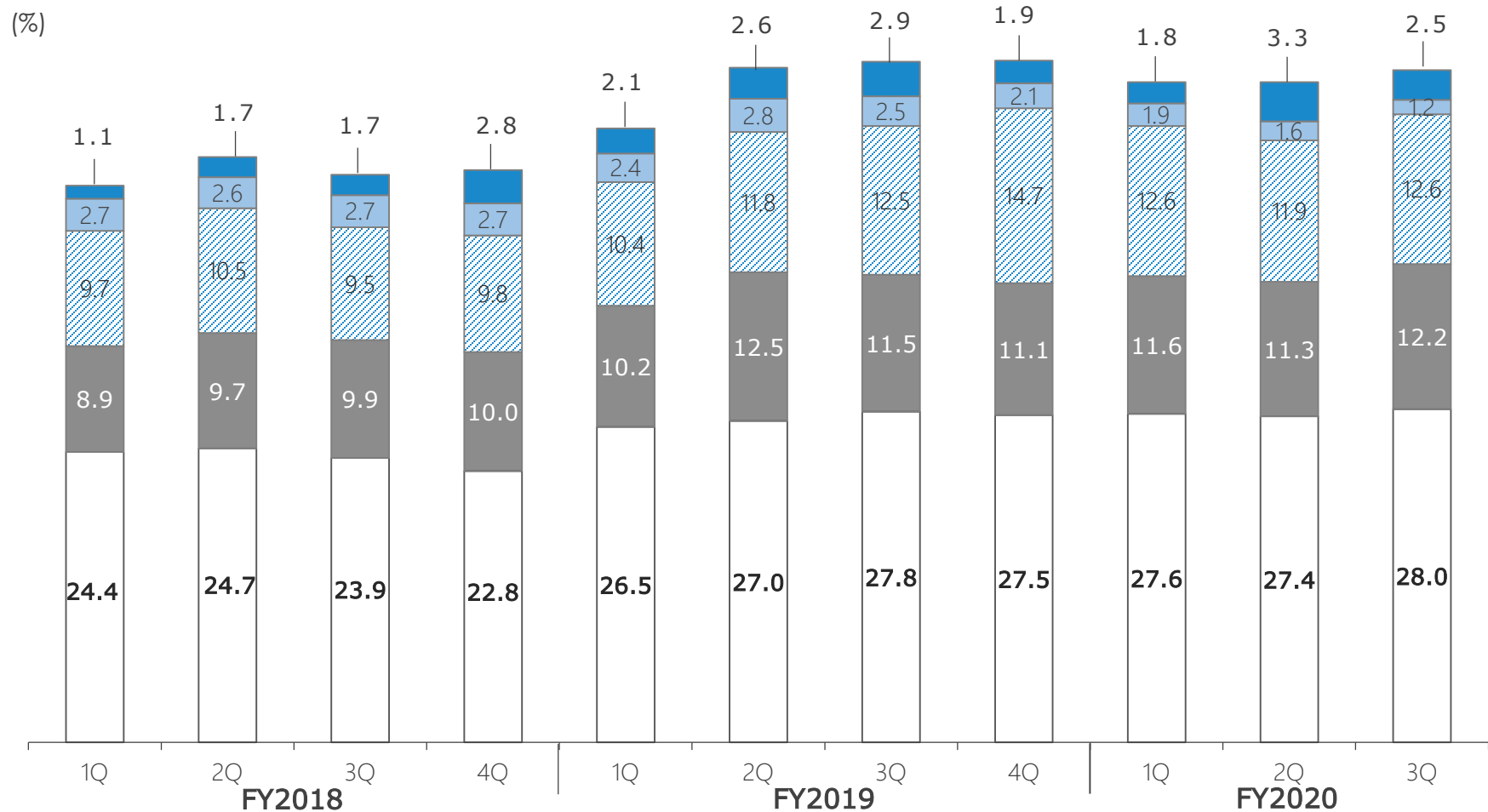


■ Quarterly Operating Profit

Operating profit increased by **128** million yen YoY due to gross margin improvement and profit improvement by reduction in fixed costs, despite a decrease in net sales



■ Quarterly SG&A Expenses Ratio



■ Advertising expenses

■ R&D expenses (Note 1)

▨ Fixed costs

■ Personnel expenses (Note 2) □ Selling expenses (Note 3)

(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.

■ Statement of Income

Net sales were almost flat as a reaction to the consumption tax hike

Gross margin improved as a result of product lineup revisions

(Million yen)

	Nine months ended December 31, 2018	Sales ratio	Nine months ended December 31, 2019	Sales ratio	Change	YoY
Net sales	9,882	100.0%	9,840	100.0%	(42)	99.6%
Gross profit	5,323	53.9%	5,546	56.4%	+223	104.2%
SG&A expenses	5,490	55.6%	5,532	56.2%	+42	100.8%
Operating profit	(166)	—%	13	0.1%	+180	—%
Ordinary profit	(146)	—%	37	0.4%	+184	—%
Profit	(149)	—%	13	0.1%	+163	—%

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

■ Balance Sheet

Product inventory decreased by **192** million yen as optimization of product inventory has progressed steadily since the end of the previous fiscal year

The Company repaid **500** million yen in loans in 2Q

(Million yen)

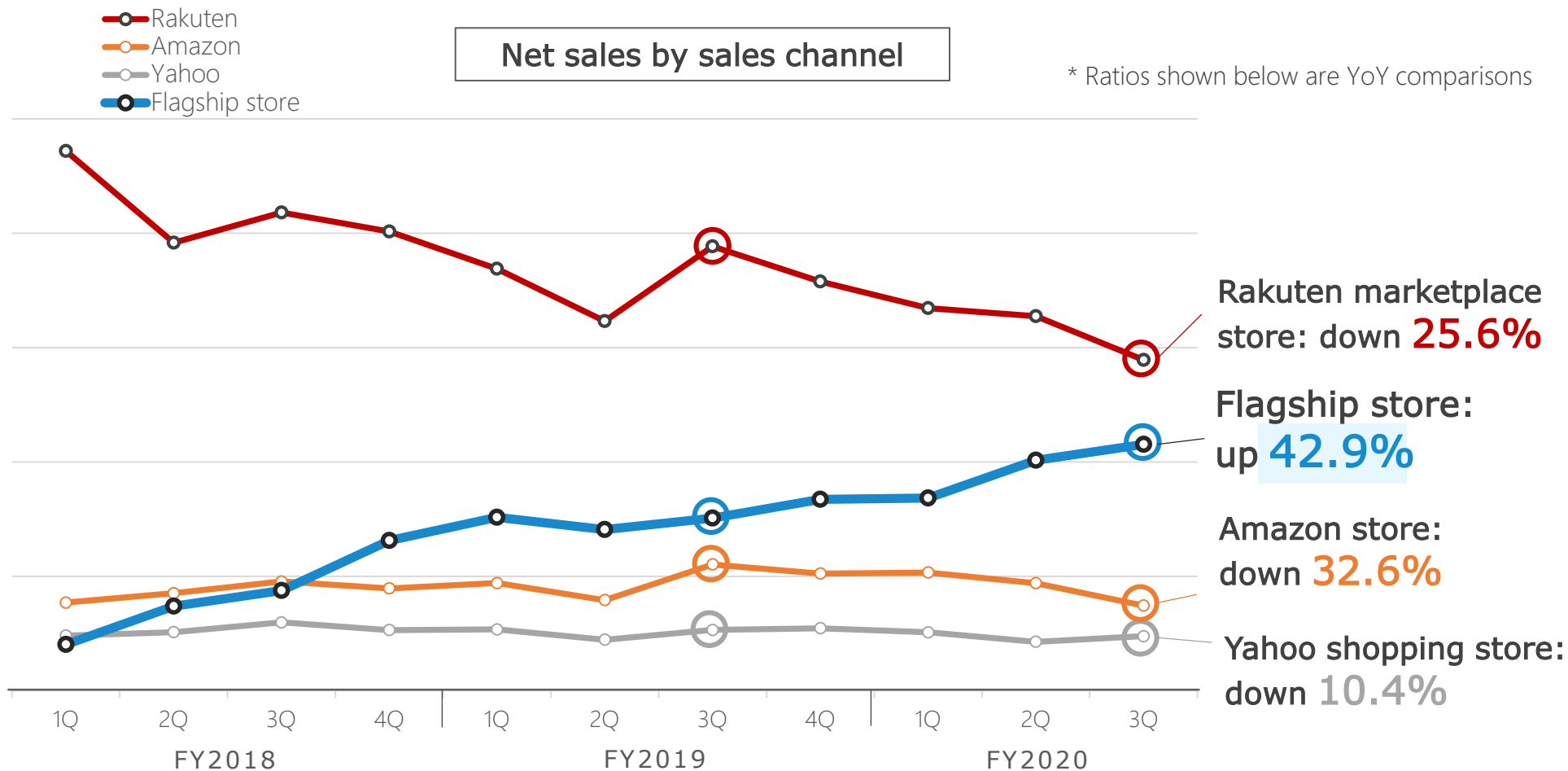
	Previous fiscal year (as of March 31, 2019)	Nine months ended December 31, 2019		Previous fiscal year (as of March 31, 2019)	Nine months ended December 31, 2019
Current assets	4,935	4,688	Current liabilities	2,410	2,161
Cash and deposits	1,019	1,166	Debt obligations	1,320	820
Accounts receivable –trade	1,186	1,167	Non-current liabilities	52	27
Merchandise	2,405	2,213	Total liabilities	2,463	2,188
Non-current assets	1,102	1,112	Shareholders' equity	3,558	3,600
Property, plant and equipment, and intangible assets	431	480	Total net assets	3,574	3,611
Total assets	6,037	5,800	Total liabilities and net assets	6,037	5,800

(*) 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

■ Net Sales by Sales Channel <LOWYA Businesses>

Net sales at the flagship store increased by **42.9%** YoY
Sales are smoothly shifting to the flagship store



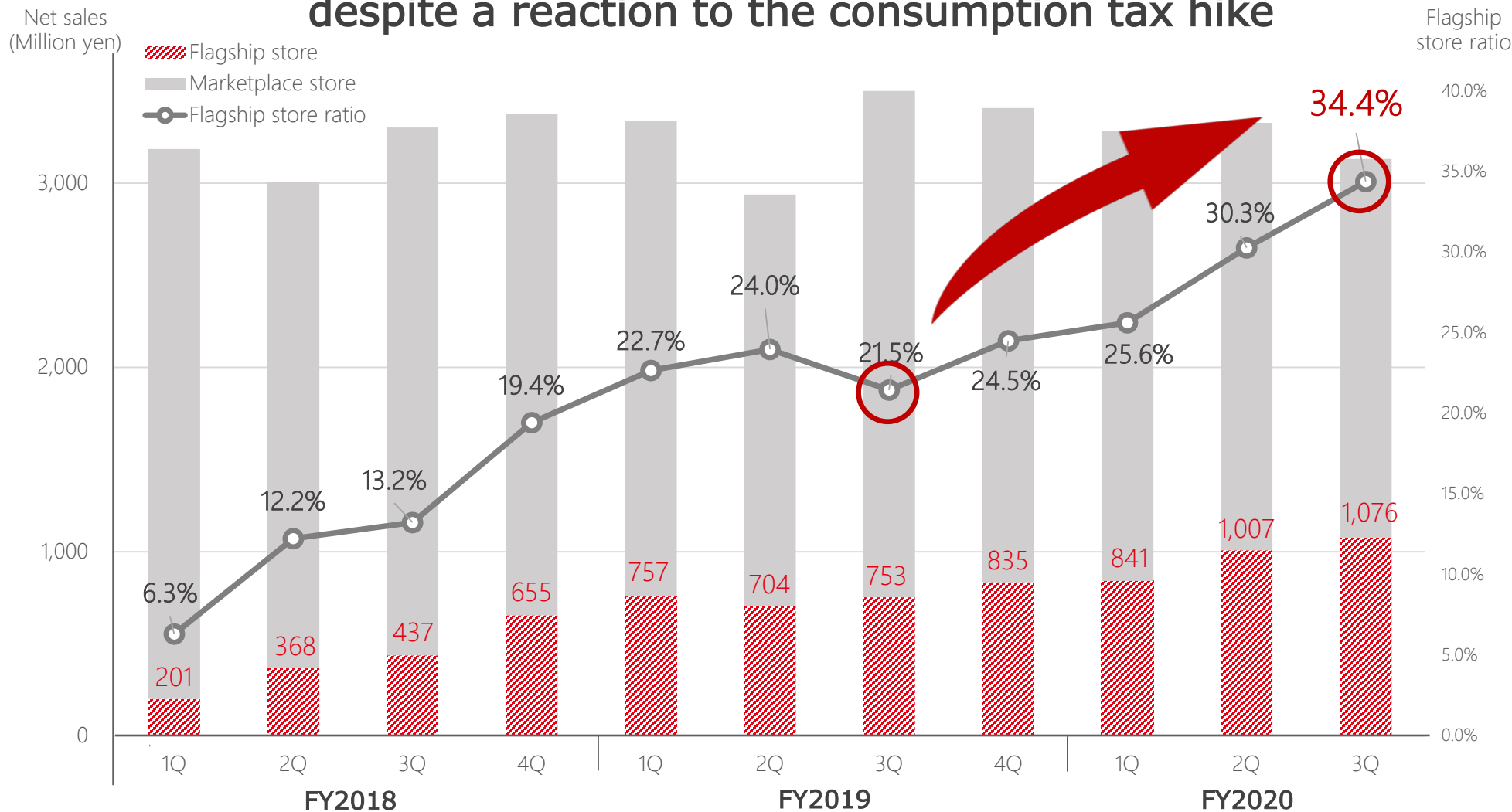
■ Net Sales by Sales Channel <LOWYA Businesses

Flagship store

>

Flagship store ratio increased from 21.5% in the previous 3Q to **34.4%**

Quarterly net sales reached a record high despite a reaction to the consumption tax hike



Efficient online advertising resumed in 2Q
The number of visitors increased by **40.1%** YoY

Number of
visitors
(Million UU)

6.00

Online advertising expenses

Number of visitors

5.00

4.00

3.00

2.00

1.00

0.00

1Q

2Q

3Q

4Q

1Q

2Q

3Q

4Q

1Q

2Q

3Q

FY2018

FY2019

FY2020

3.71 million UU

5.19
Million UU

■ Delivery Expense Ratio <LOWYA Businesses>

The Company optimized product inventory, reviewed the product lineup and curbed delivery expenses despite staged rises in delivery expenses



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

■ Management Indicators <LOWYA Businesses>

**The number of visitors decreased due to the impact of
the consumption tax hike**
**Average customer spend increased as a result of the review of
sales prices and product lineup**

Item	Fiscal year ended March 31, 2019				Fiscal year ending March 31, 2020		
	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)	3Q (Oct. – Dec.)	4 Q (Jan. – Mar.)	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)	3Q (Oct. – Dec.)
YoY number of visitors (%)	125.1	110.1	109.8	98.2	91.3	101.2	91.9
YoY average customer spend (%)	109.9	113.0	112.8	113.3	114.5	120.8	113.4
YoY CVR (%)	75.2	78.5	82.8	94.7	96.9	96.9	86.3
Number of products (Note)	2,070	2,169	2,041	1,967	1,930	1,951	1,763
Number of new products introduced	112	99	91	103	57	55	78
Average settlement rate (yen)	107.58	108.74	111.59	109.05	107.70	107.37	107.57

(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 rose as efficient advertising resumed in 2Q
Although average customer spend grew smoothly,
CVR declined due to the impact of the consumption tax hike

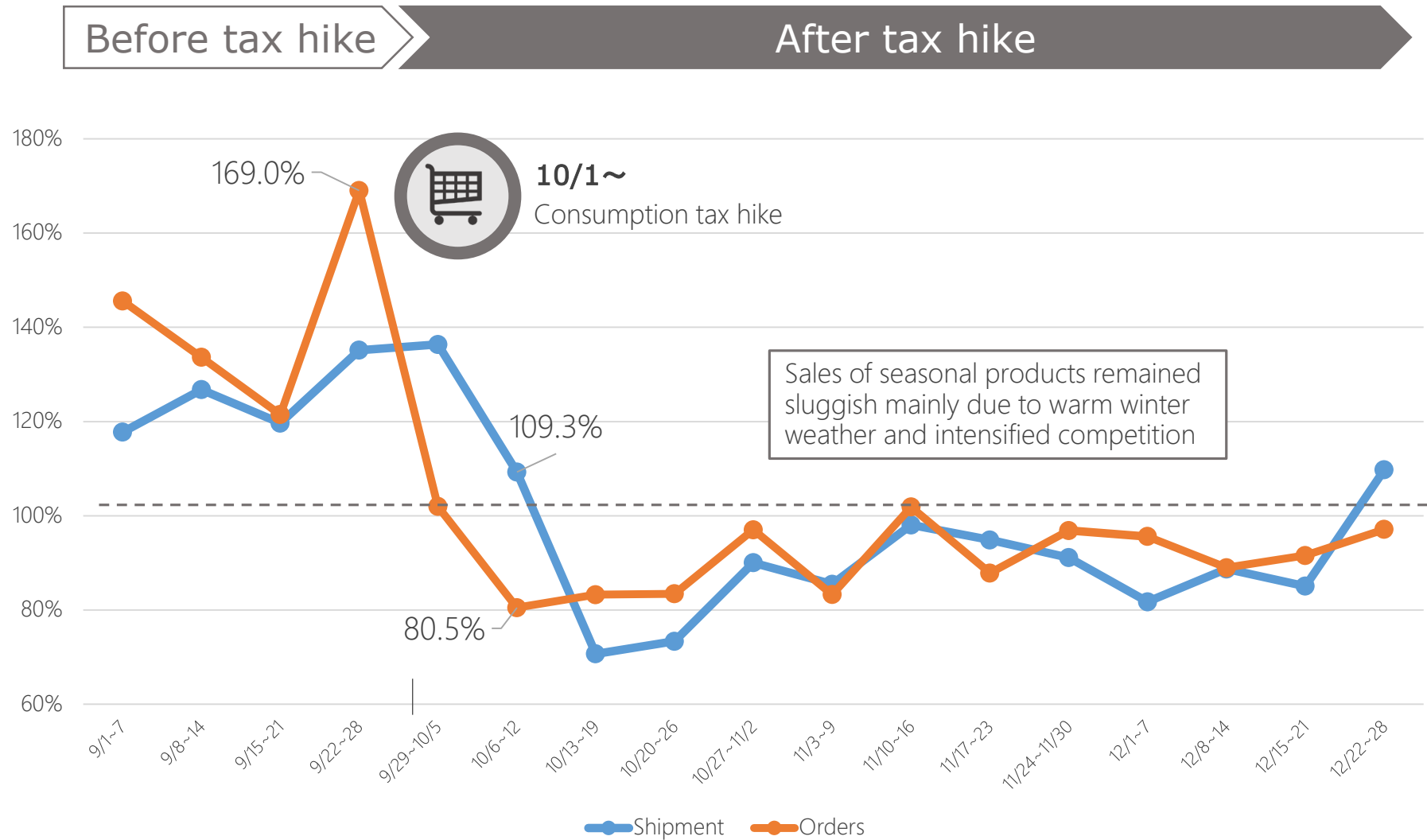
Item	Fiscal year ended March 31, 2019				Fiscal year ending March 31, 2020		
	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)	3Q (Oct. – Dec.)	4 Q (Jan. – Mar.)	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)	3Q (Oct. – Dec.)
[Flagship store] YoY number of visitors (%)	396.6	213.5	147.2	111.0	99.0	127.4	140.1
[Flagship store] YoY average customer spend (%)	100.3	110.8	103.5	108.1	114.1	107.5	108.5
[Flagship store] YoY CVR (%)	94.6	81.8	108.2	110.2	103.9	111.7	94.2

■ Monthly Sales After Consumption Tax Hike

Since October, sales suffered greater-than-expected impact of the negative reaction to a rush in demand before the consumption tax hike

Item					
	September	October	November	December	(%) 3Q (Oct. –Dec.)
YoY value of orders received	142.5	82.2	93.5	92.9	89.9
YoY number of orders	114.9	73.3	81.9	80.7	79.0
YoY average customer spend	122.7	112.2	113.4	114.9	113.4

■ YoY Net Sales After Consumption Tax Hike



Initiatives Undertaken by the Third Quarter

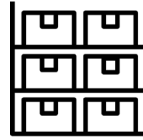
- (1) Initiatives toward improving profit
- (2) Initiatives toward increasing access to the flagship store and sales

■ Initiatives Undertaken by the Third Quarter <(1) Improving Profit>

*Texts in red
show updates
in 3Q

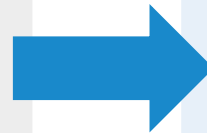
Continue with 4 initiatives toward “improving profit”

(1) Reduce storage expenses



Issues

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



Progress in 3Q

- 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
- Introduce new carriers



Progress in 3Q

- **Conducted a trial** for the creation of an overseas logistics base
- Efforts to review packaging size
- Established a new delivery network

■ Initiatives Undertaken by the Third Quarter <(1) Improving Profit>

*Texts in red
show updates
in 3Q

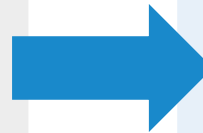
Continue with 4 initiatives toward “improving profit”

(3) Improve cost of sales ratio



Issues

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



Progress in 3Q

- **Completed** audits of suppliers for selection, and **considering** reducing the number of suppliers
- Sales share by product category changed

(4) Review product lineup



Issues

- Introduce new products and categories that suit the cost structure

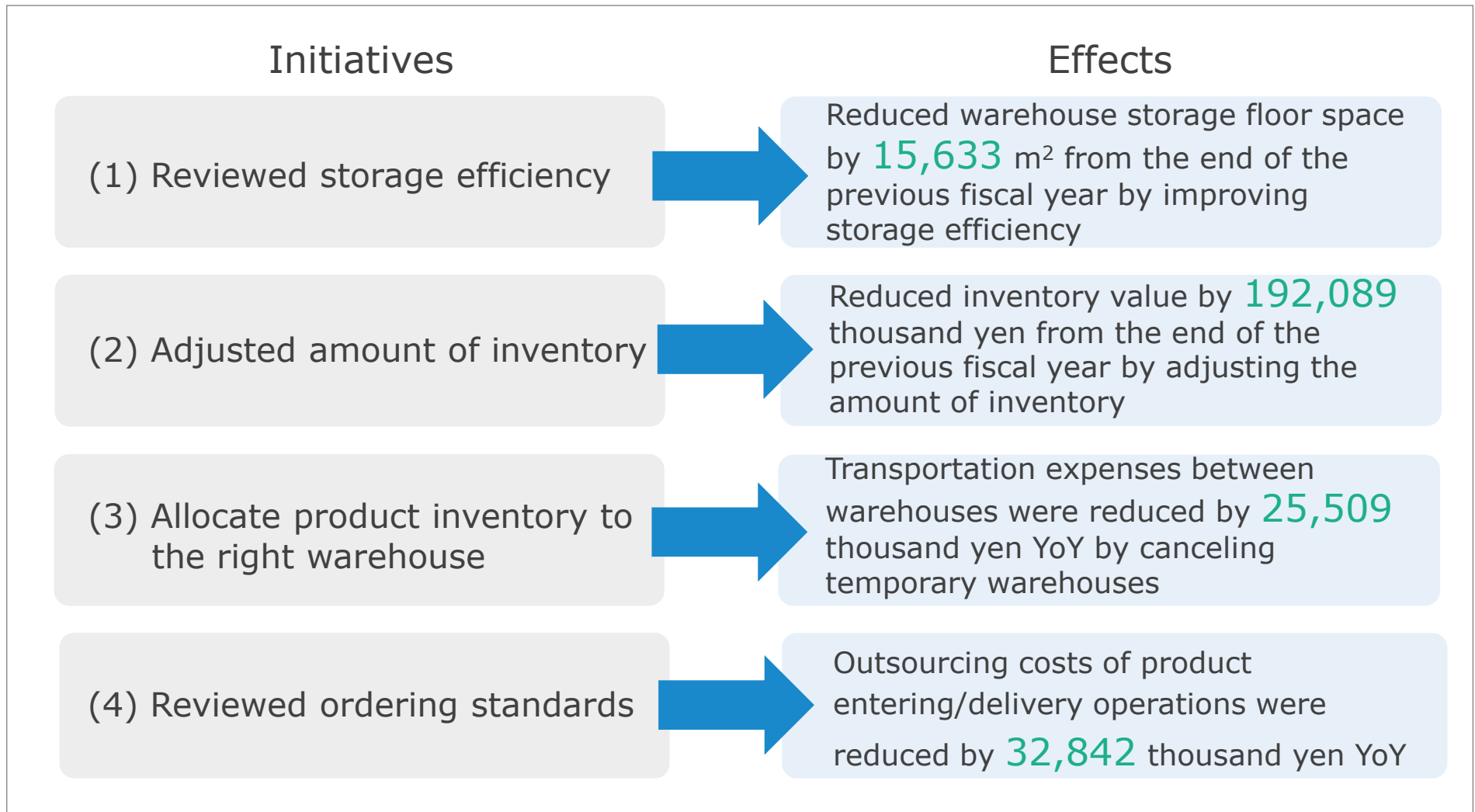


Progress in 3Q

- Introduced new products with high profitability
- Introduced new categories

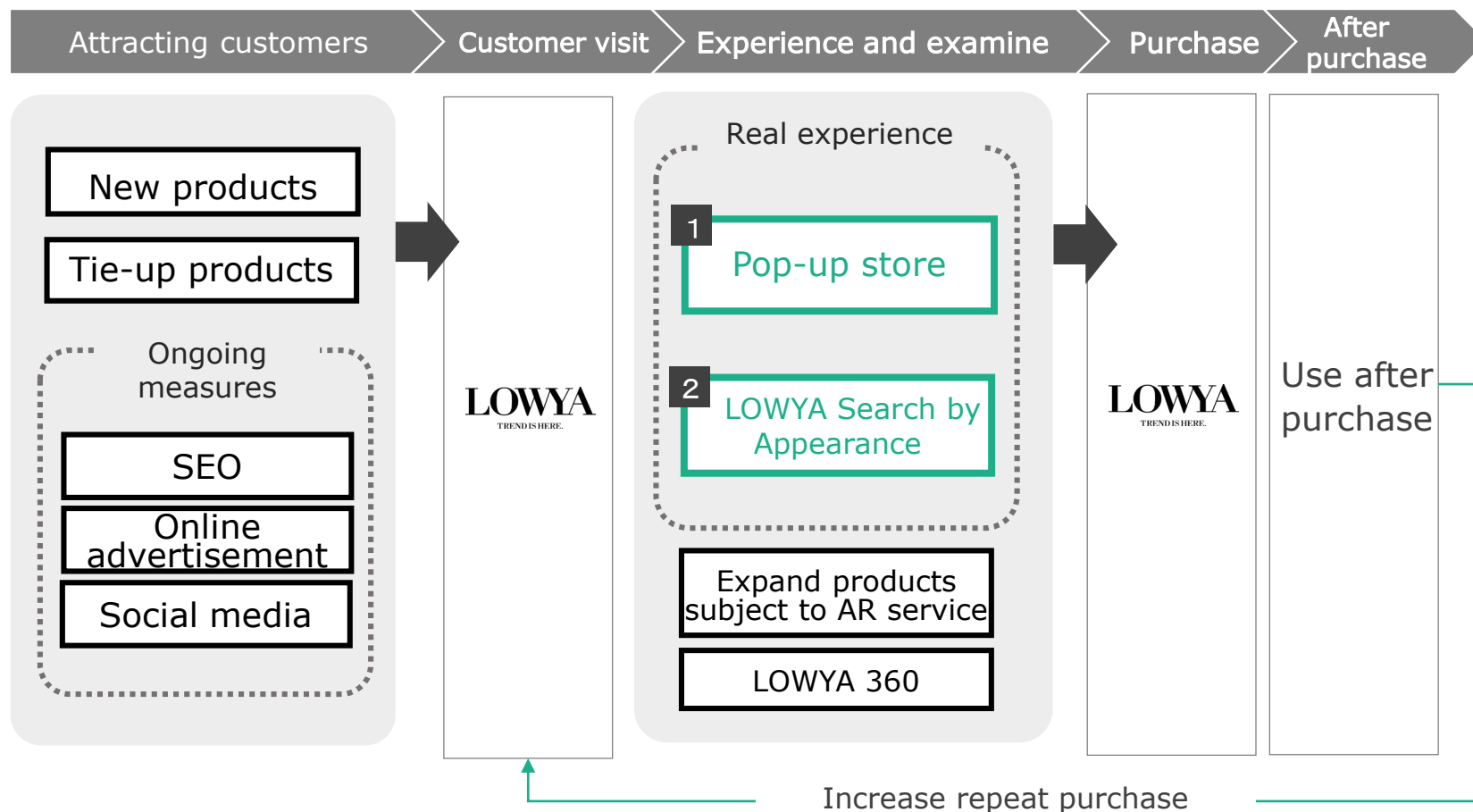
■ Initiatives Undertaken by the Third Quarter <(1) Improving Profit>

Other initiatives that contributed to “improving profit”



■ Initiatives Undertaken by the Third Quarter <(2) New Access>

Provided an “experience” through the combination of the real world and the Internet, leading to an ease-of-shopping experience



Initiatives Undertaken by the Third Quarter <Opening of Pop-up Store>

The 2nd LOWYA pop-up store opened at Iwataya Main Store for a limited period

Conducted a display of Christmas products and a gift campaign in conjunction with the store

Pop-up store



Store Overview

- ✓ Period: Wednesday, Nov. 27 to Tuesday, Dec. 10, 2019
- ✓ Location: Promotion space, 5th floor of the new building, Iwataya Main Store
- ✓ Theme: Nordic Christmas
- ✓ Campaign: Customers who satisfied certain conditions were allowed to draw a lot. GROONY wearable blankets were presented to winners.

Initiatives Undertaken by the Third Quarter <LOWYA Search by Appearance>

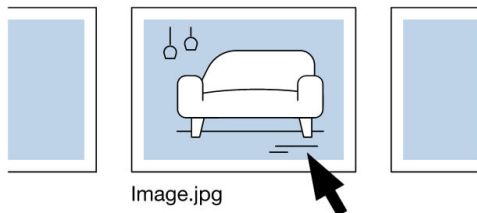
Released “LOWYA Search by Appearance” employing deep learning technology
Developed an in-house image search function featuring artificial intelligence (AI)

AI automatically recognizes interior shapes and colors in an image and displays similar products in LOWYA we recommend

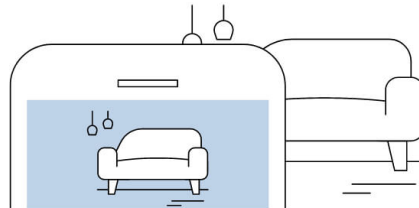


- ✓ Quick access to products without knowing the product name or category
- ✓ AI's core system deep learning allows customers to search a vast amount of data with images
- ✓ Evolved into a highly accurate image search function through reinforcement learning
- ✓ Will gradually expand product categories

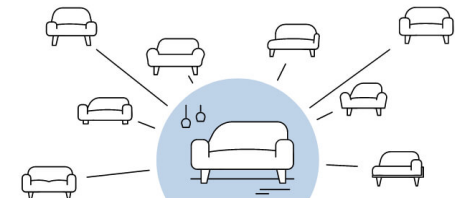
Upload interior images



Images taken with a camera-equipped device on the spot can be used



Matched products are displayed in a list



New Businesses (R&D)

DOKODEMO Business

■ DOKODEMO Business [Indicators]

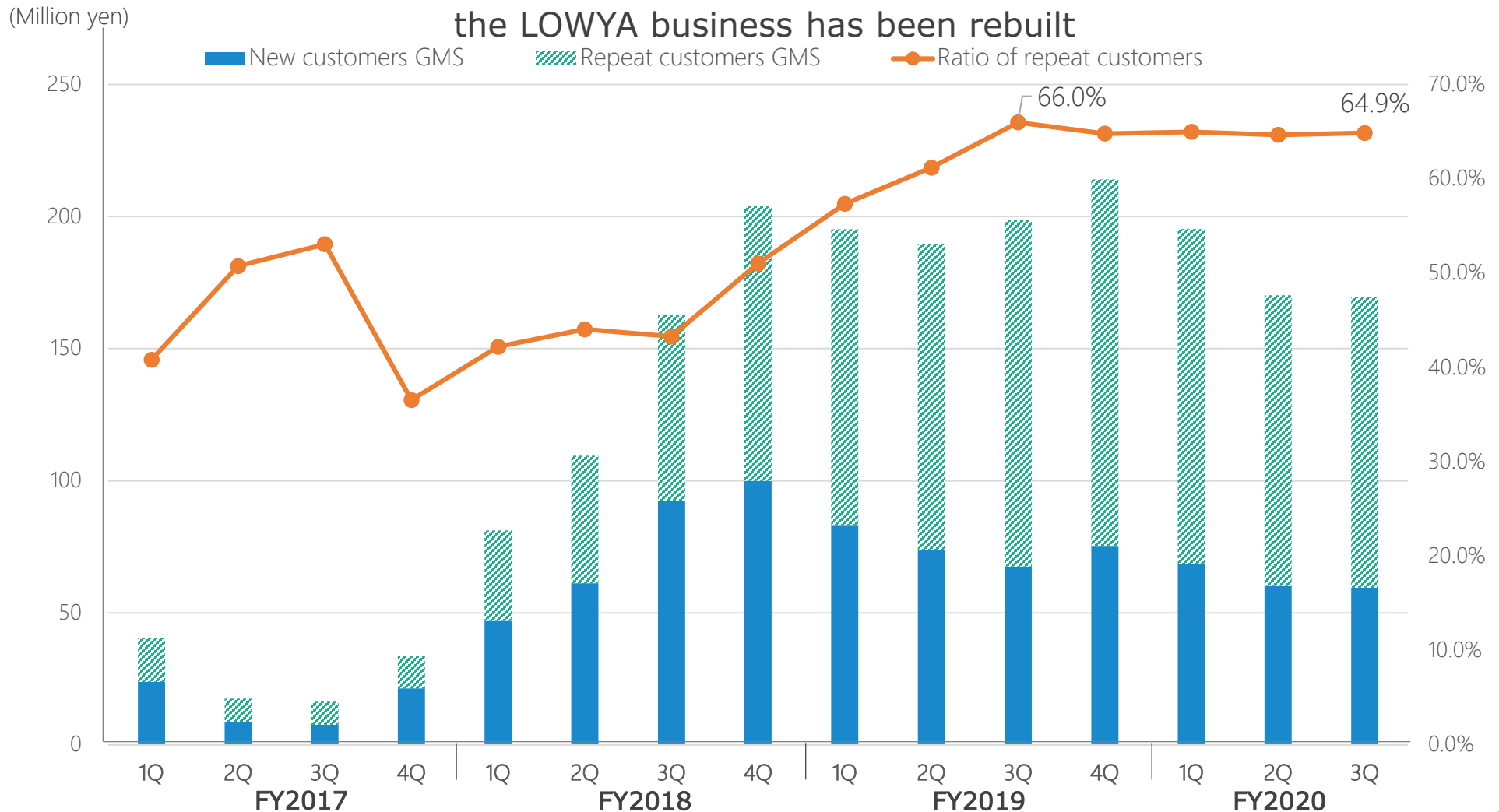
Membership and the number of APP DLs are growing smoothly
Strengthen Customer Relationship Management (CRM) to
further increase repeat customers

Item	3Q ended December 31, 2018	3Q ended December 31, 2019	YoY
Membership (thousand people)	343	466	135.6%
Number of APP DLs (thousand)	776	912	117.5%
Purchase price per person (yen)	8,850	7,562	85.4%
Number of products (thousand)	123	318	257.9%
Number of brands	1,053	1,682	159.7%
Deliveries * Number of countries and regions to which deliveries were made	93	99	106.5%

■ DOKODEMO Business [Distribution]

The Company kept the ratio of repeat customers at **60%** or higher while curbing advertising expenses

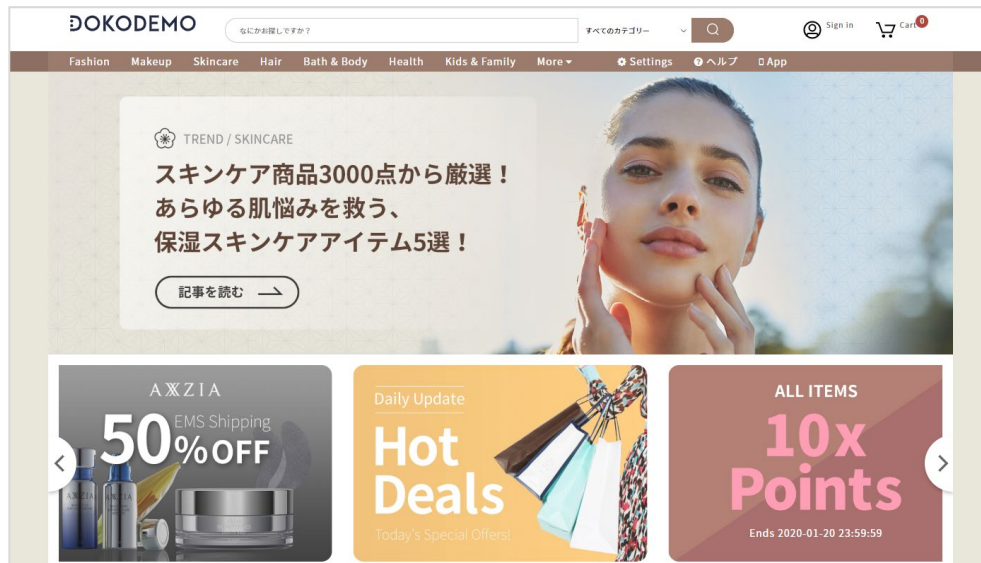
Advertisement investment will resume as soon as the LOWYA business has been rebuilt



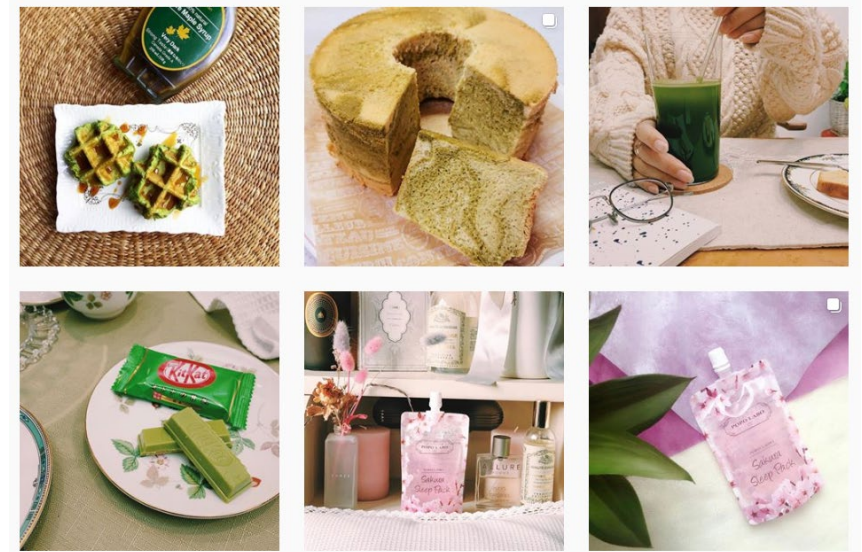
■ DOKODEMO Business [Enhancement of Measures]

Brand refinement to expand the target area

Aiming to increase access through design renewal and Instagram enhancement



DOKODEMO website



Official Instagram
@dokodemo.en

Shareholder Benefits Program

■Decided benefits to shareholders

Decided benefits to shareholders

<Eligible shareholders>

Shareholders recorded or registered on the shareholders list as of March 31, 2020, who hold one unit of shares (100 shares) or more

<Details of benefits>

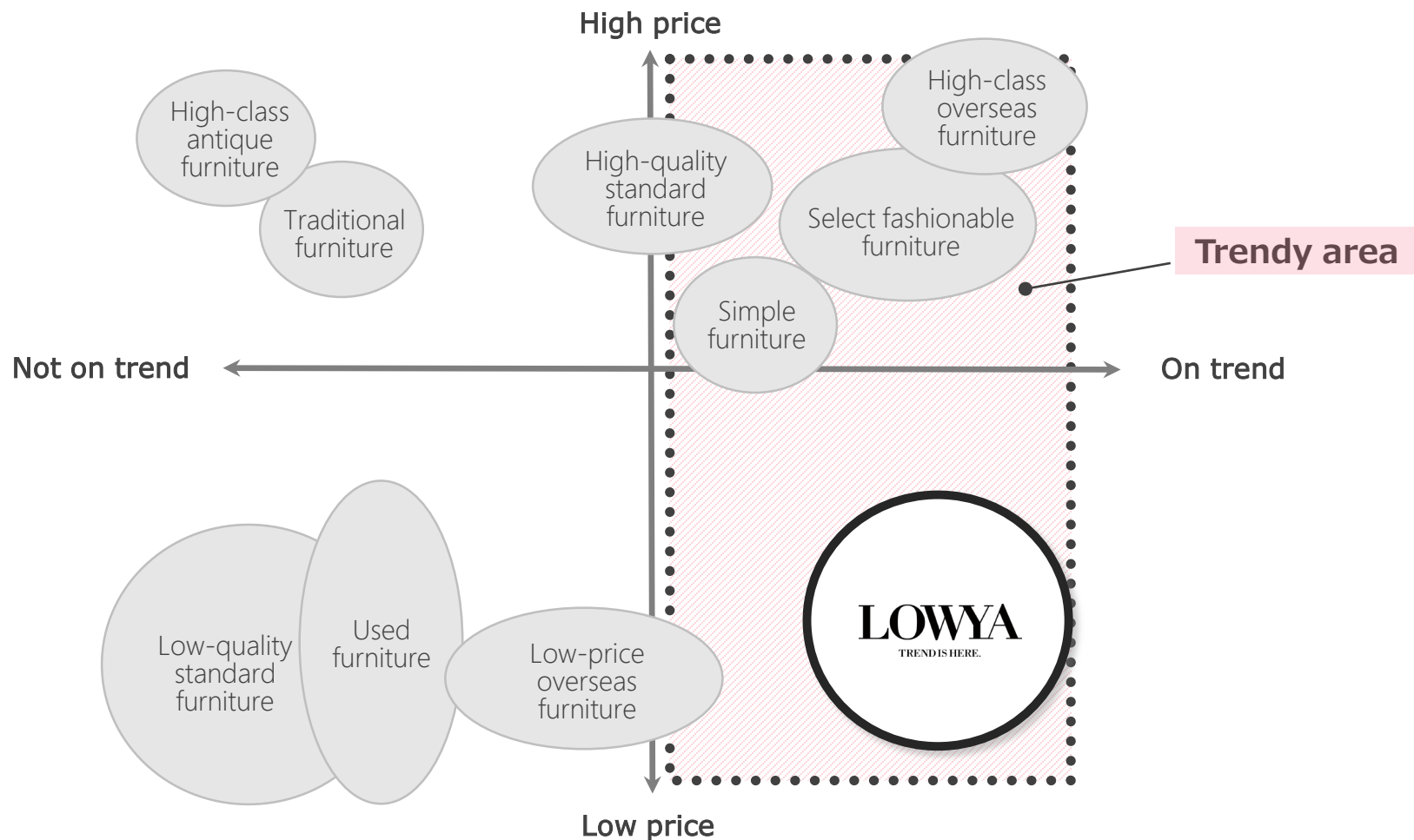
Number of shares held	Details	Timing of grant
100 shares or more	(1) QUO CARD worth 1,000 yen	To be sent around September 2020
	(2) 20% discount coupon for the LOWYA flagship store	To be sent around September 2020
	(3) Donation worth 1,000 yen (to public interest incorporated foundation, Chinjuno Morino Project)	—

* For details of the “ (2) 20% discount coupon for the LOWYA flagship store,” please refer to the document enclosed with the Notice of the Annual General Meeting of Shareholders scheduled to be sent in early June 2020.

Appendix

■ Appendix LOWYA Business: Positioning

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



■ Appendix LOWYA Business: Service Vision

As a provider of “fast interior,”

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

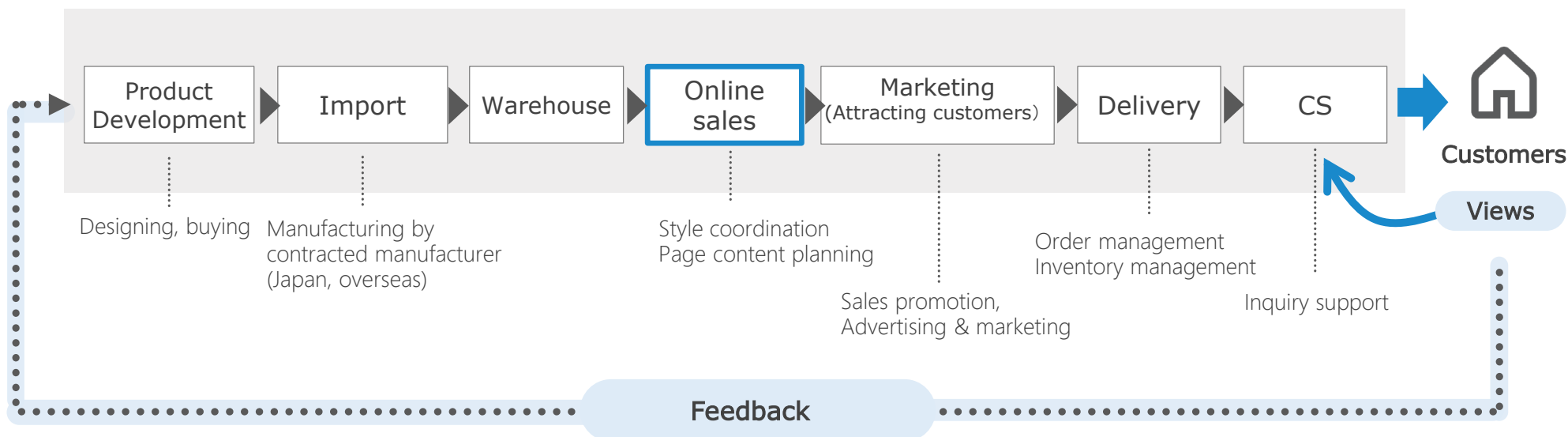


Fulfill satisfaction and inspiration by creating design that
reflects a variety of tastes and trends.

■ Appendix Business Model Characteristics

D2C business model conducting the entire procedure inhouse

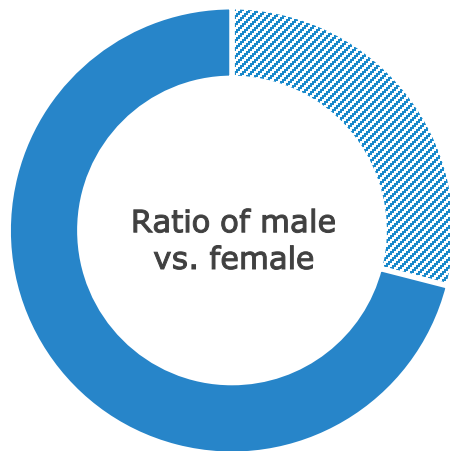
(Direct to Consumer)



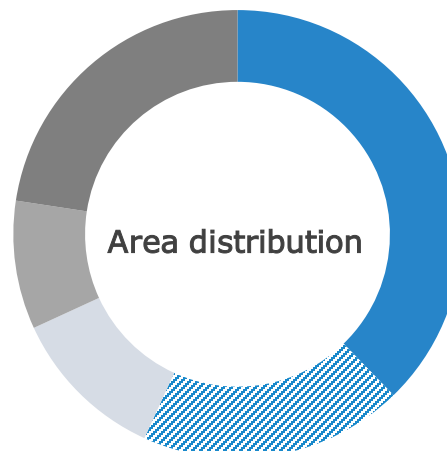
■ Appendix LOWYA Business, Customer Data
(Male vs. Female, Area Distribution, and Generation Distribution)

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

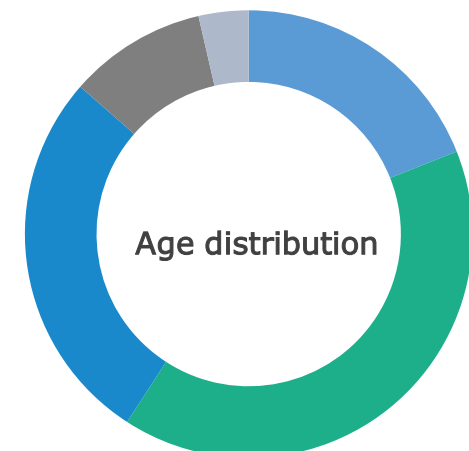
(October 2019 to December 2019)



Male	28.3%
Female	71.7%

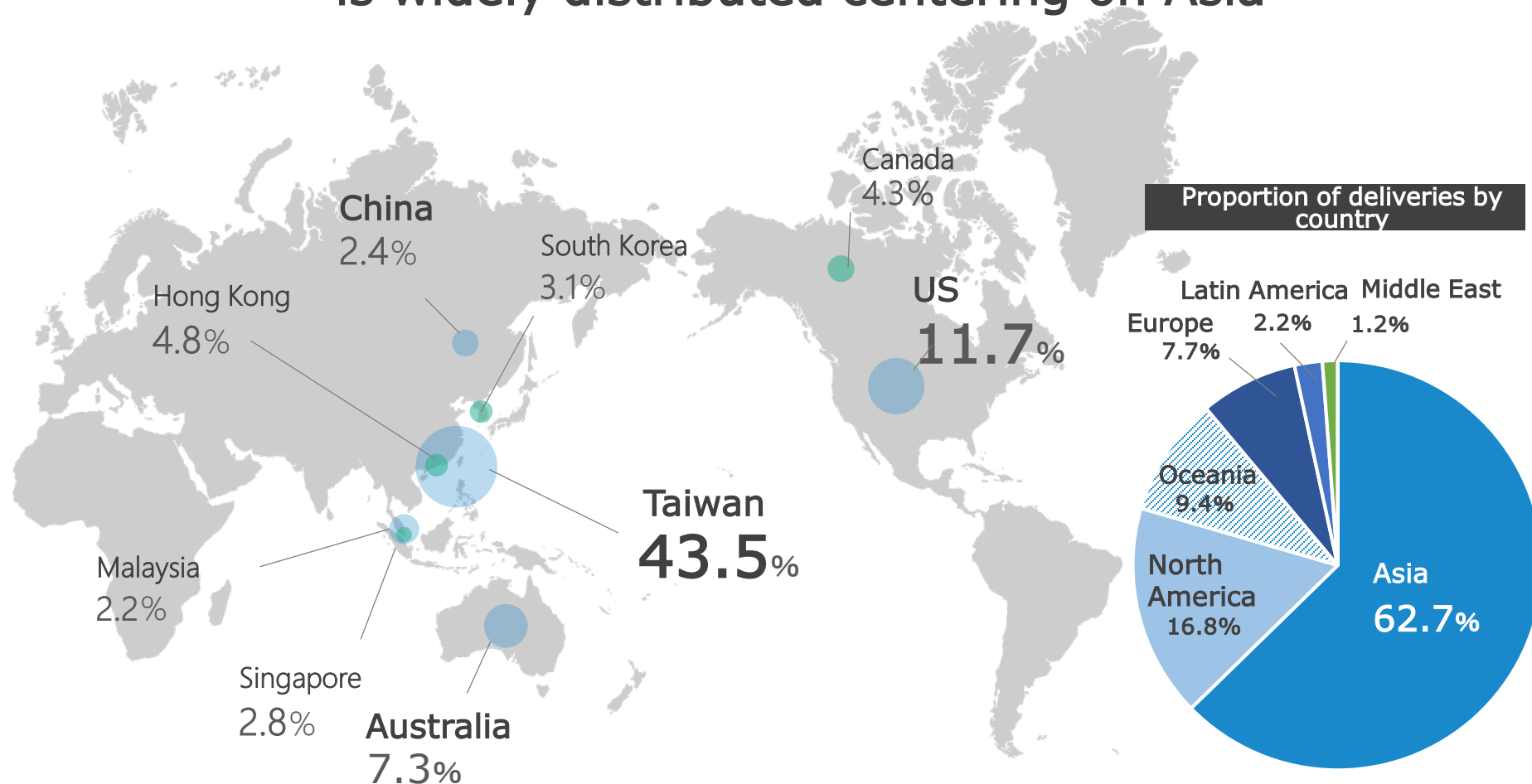


Kanto	37.9%
Kinki	18.8%
Tokai	11.4%
Kyusyu	9.0%
Other	22.9%



29 and younger	18.8%
30 to 39	41.2%
40 to 49	26.7%
50 to 59	9.7%
60 to 69	3.6%

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

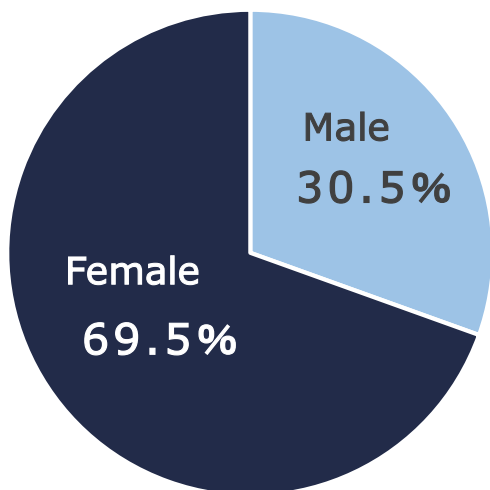


* Proportion of deliveries by country is calculated based on the ratio of gross merchandise sales (GMS) from October to December 2019.

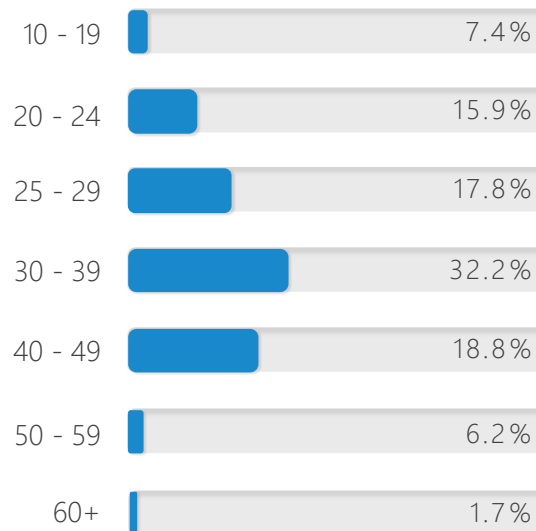
Female users in their 30's are increasing

Calculation period: October to December 2019

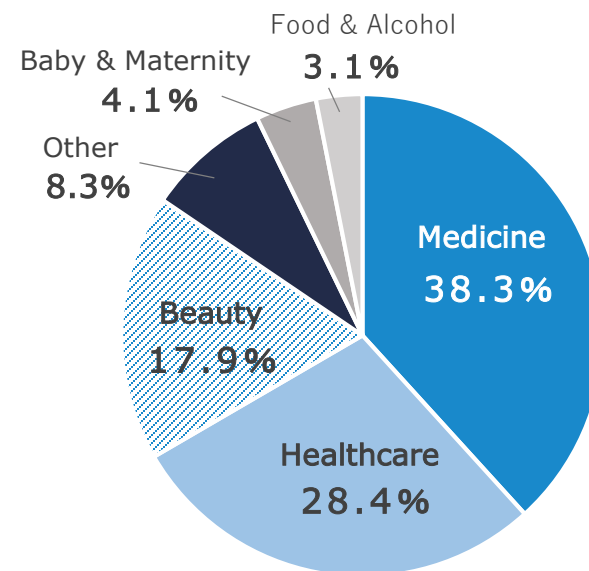
<User data>
Gender



<User data>
Age



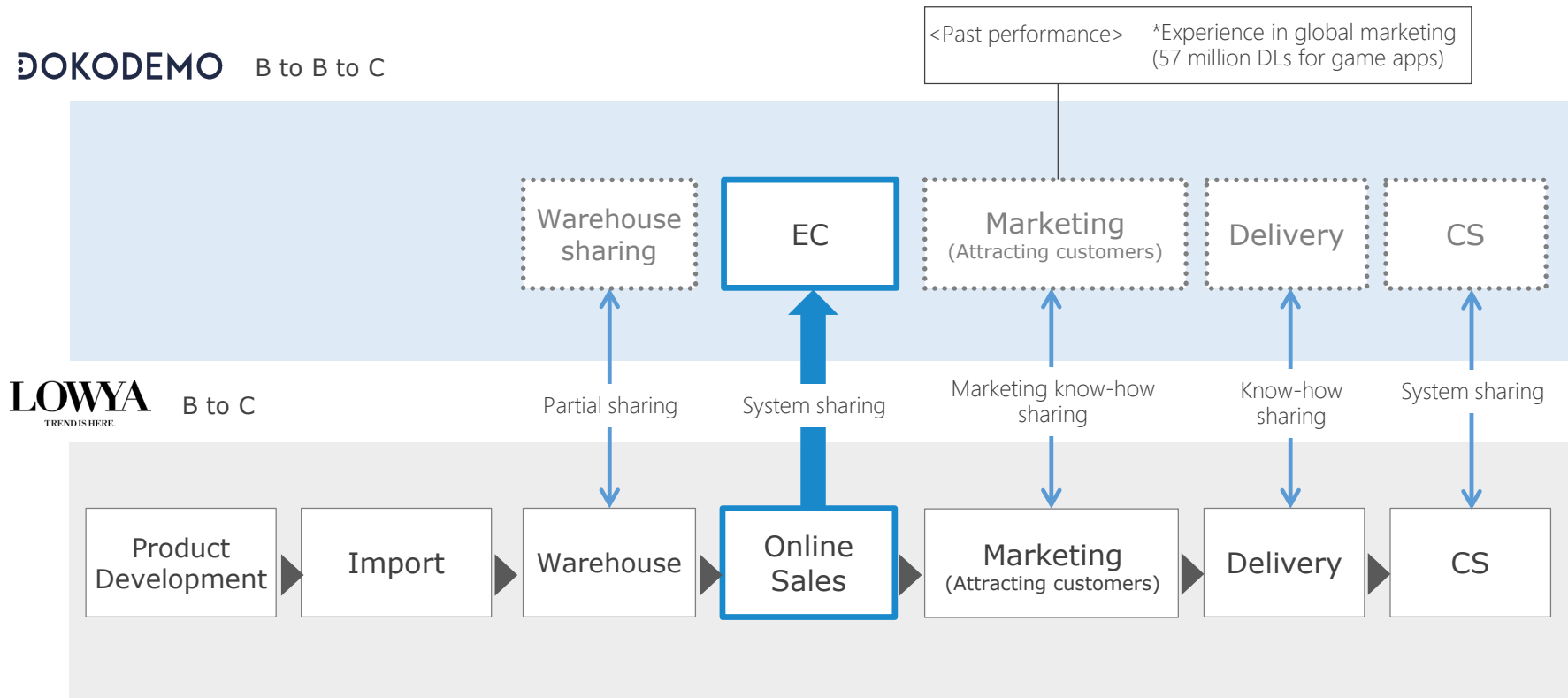
Sales ratio by
category



* 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.

■ Appendix Synergy of Company-wide Businesses

Share each system in LOWYA fulfillment service with DOKODEMO and aim for its maximization





VEGA corporation

Views and forecasts in this document were prepared based on the judgment of the Company at the time of preparation. 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. The Company shall not bear any future obligation to update or revise the information contained in this document, even in the event of new information, future events, etc.