VEGA corporation

Full-year Financial Results
for the Fiscal Year Ended March 31, 2020

Vega corporation Co., Ltd.
Securties code: 3542

■ Agenda

1. Overview of Financial Results
   for the Fiscal Year Ended March 31,
   2020

2. Report on LOWYA Business

3. Report on DOKODEMO Business

4. Future Development

5. Financial Results Forecast

6. Appendix

■ Financial Highlight

Results Overview	Net sales: 13,570 million yen (101.9% YoY) Operating profit: 116 million yen ((296) million yen in the previous fiscal year)

- **Net sales and ordinary profit increased** due to early profit improvement and steady progress made in enhancing the flagship store

Net sales	Substantial growth achieved by the flagship store, but decreased in marketplace stores due to the impact of the consumption tax hike
Profit improvement	Cost of sales ratio and delivery expense ratio improved due to the review of sales prices and product lineup
Cost reductions	Achieved steady progress in reducing fixed costs including logistics expenses as well as R&D expenses

- **Net sales at the flagship store increased by 43.9% YoY, and its sales ratio increased to 39.8% in 4Q**

Access increase	Efficient online advertising increased the number of visitors

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

New services	VR-enabled "LOWYA 360," which recreates realistic environment, was launched in August 2019
New services	"LOWYA Search by Appearance," an image search function, was launched in October 2019

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1. Overview of Financial Results for the Fiscal Year Ended March 31, 2020

■ Statement of Income

Substantial profit recovery due to company-wide cost reductions amid cost of sales ratio improvement and delivery expense ratio controls
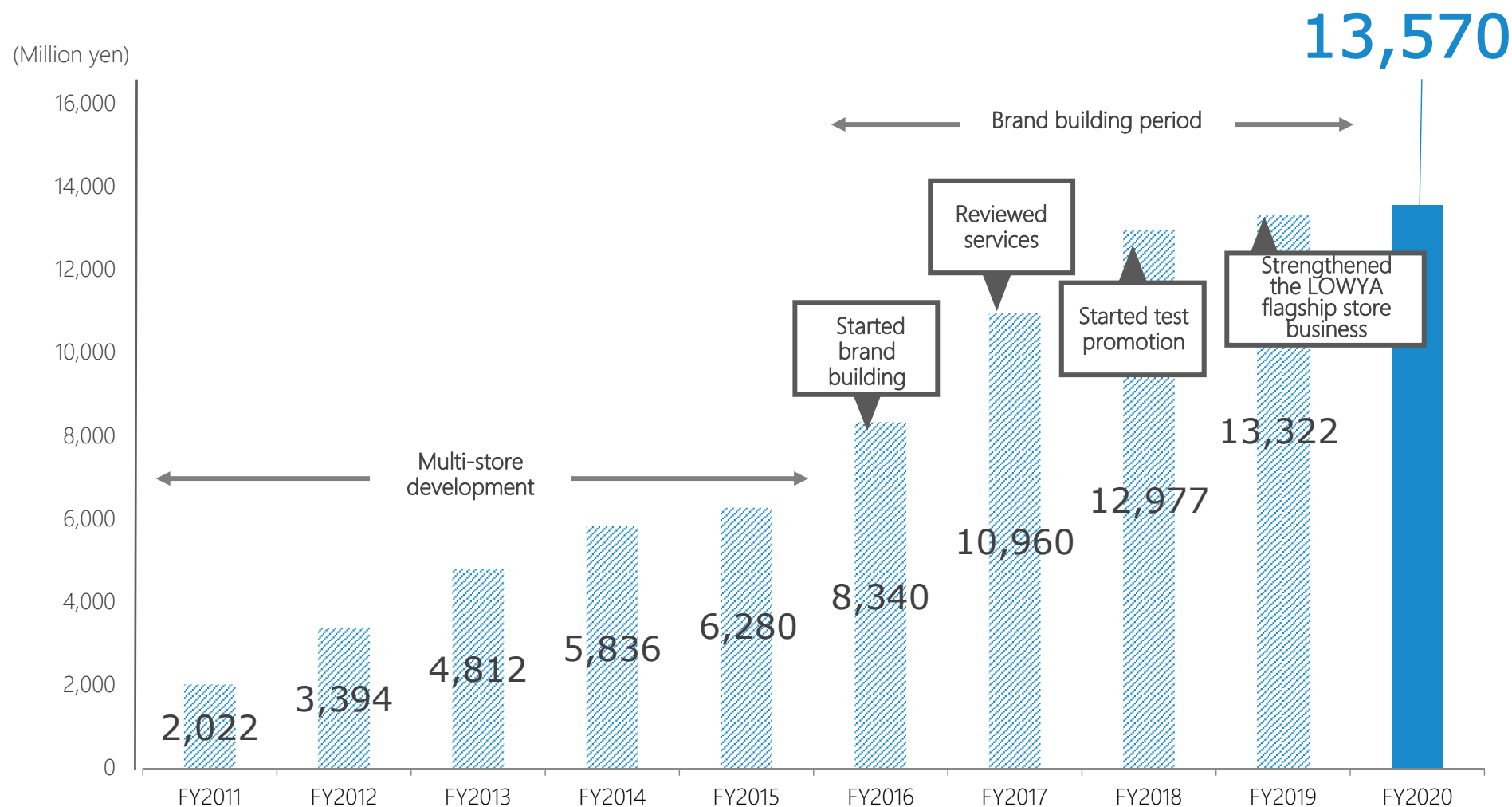
(Million yen)

	Fiscal year ended March 31, 2019	Sales ratio	Fiscal year ended March 31, 2020	Sales ratio	Change	YoY
Net sales	13,322	100.0%	13,570	100.0%	247	101.9%
Gross profit	7,181	53.9%	7,687	56.7%	505	107.0%
SG&A expenses	7,478	56.1%	7,571	55.8%	93	101.2%
Operating profit	(296)	—%	116	0.9%	412	—%
Ordinary profit	(256)	—%	146	1.1%	403	—%
Profit	(240)	—%	40	0.3%	281	—%

(*) Audit procedures pursuant to the Financial Instruments and Exchange Act are in progress as of the date of disclosure of this document.
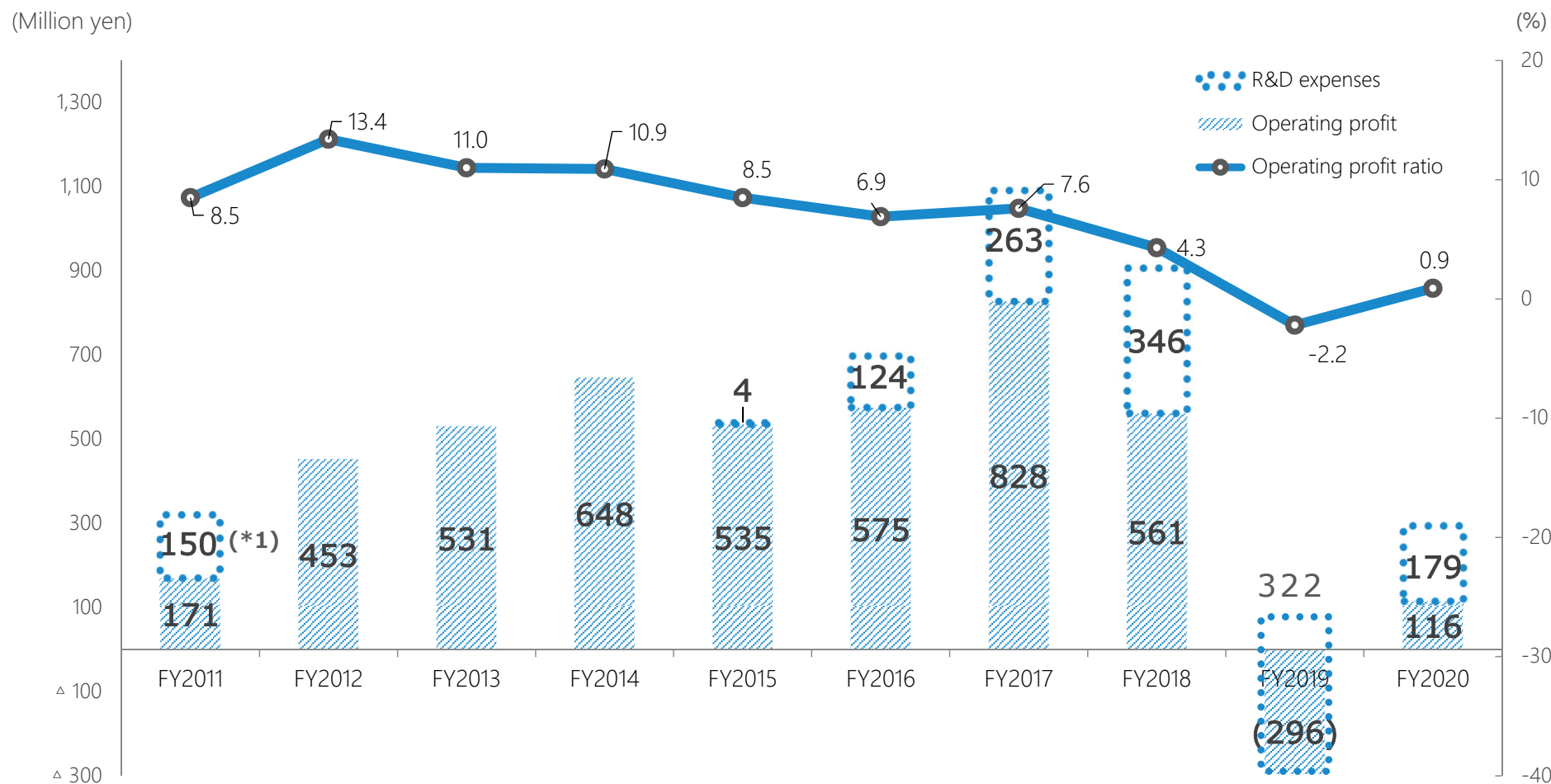
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The Company has achieved net sales increases for the 16th consecutive year since its establishment

(Million yen)

13,570

Brand building period

Reviewed services

Started brand building

Started test promotion

Strengthened the LOWYA flagship store business

Multi-store development

FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
2,022	3,394	4,812	5,836	6,280	8,340	10,960	12,977	13,322	13,570

■ Operating Profit

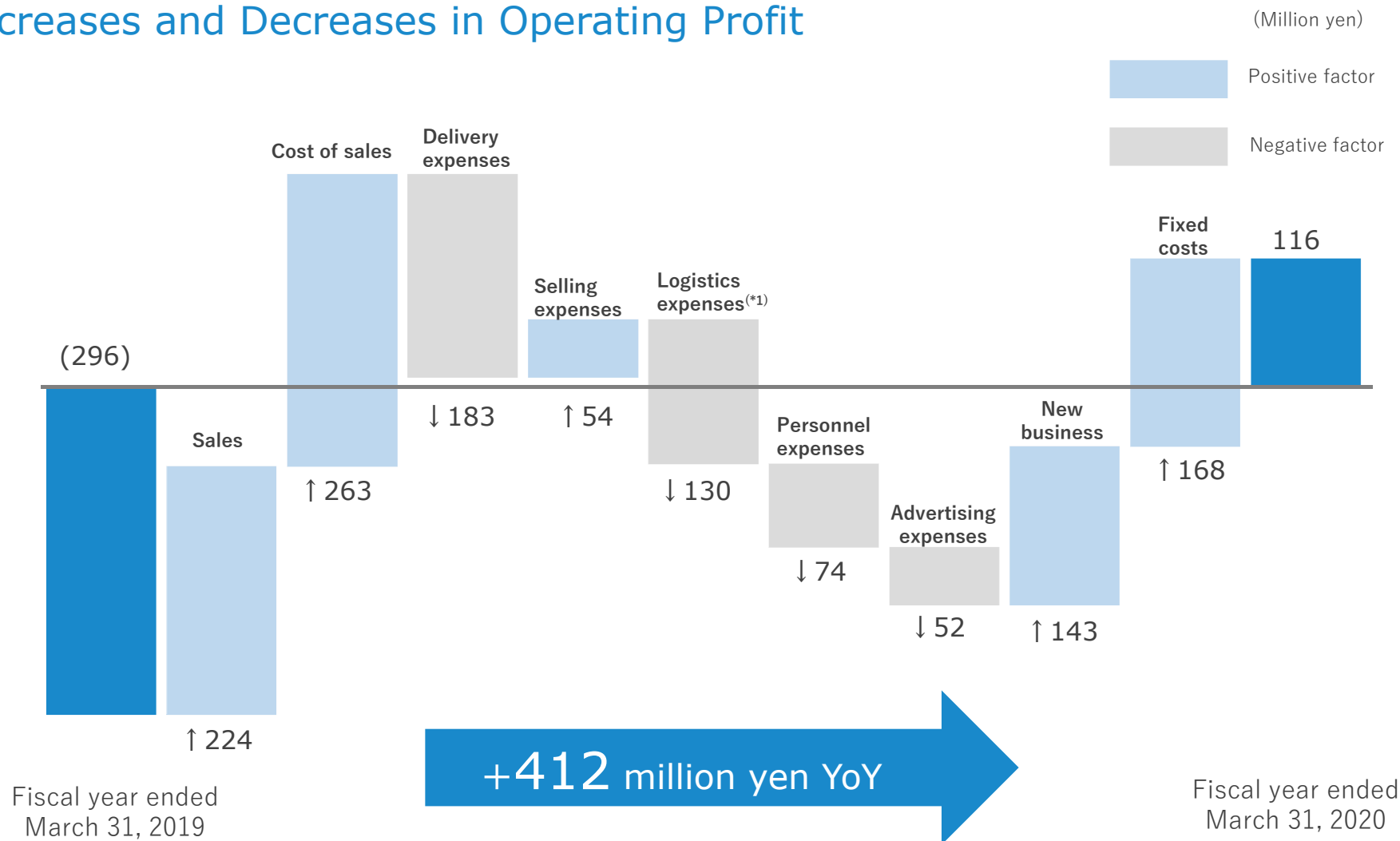## Shift to profitability early on as a result of profit improvement of the LOWYA business and heightened efficiency of R&D

(Million yen)

(%)

Legend:
- R&D expenses
- Operating profit
- Operating profit ratio

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
R&D expenses	150 (*1)				4	124	263	346	(296)	179
Operating profit	171	453	531	648	535	575	828	561	322	116
Operating profit ratio	8.5	13.4	11.0	10.9	8.5	6.9	7.6	4.3	-2.2	0.9

(*) 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.

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■ Increases and Decreases in Operating Profit

(Million yen)

Positive factor

Negative factor

Cost of sales

Delivery expenses

Selling expenses

Logistics expenses(*1)

Personnel expenses

Advertising expenses

New business

Fixed costs

116

(296)

Sales

↑ 263

↓ 183

↑ 54

↓ 130

↓ 74

↓ 52

↑ 143

↑ 168

↑ 224

+412 million yen YoY

Fiscal year ended
March 31, 2019

Fiscal year ended
March 31, 2020

(*1) Having carried out scheduled warehouse floor area expansion during the second half of the previous fiscal year, the Company has accordingly recognized six-month warehouse rent associated with the additional floor area in the previous fiscal year. As such, logistics expenses for the current fiscal year have increased by 178 million yen. Meanwhile, warehouse labor expenses have decreased by 48 million yen due to operational improvements.

(2*) These figures do not align with those of the statement of income because revenues and expenditures with respect to new business have been presented on a net basis.

■ Balance Sheet

Product inventory decreased by 627 million yen as optimization of product inventory has progressed steadily
The Company repaid 500 million yen in loans

(Million yen)

	Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)		Previous fiscal year (as of March 31, 2019)	Current fiscal year (as of March 31, 2020)
Current assets	4,935	**4,964**	**Current liabilities**	2,410	**2,242**
Cash and deposits	1,019	**1,308**	Debt obligations	1,320	**820**
Accounts receivable–trade	1,186	**1,631**	**Non-current liabilities**	52	**54**
Merchandise	2,405	**1,777**	Total liabilities	2,463	**2,297**
Non-current assets	1,102	**1,041**	Shareholders' equity	3,558	**3,628**
Property, plant and equipment, and intangible assets	431	**513**	Total net assets	3,574	**3,708**
Total assets	6,037	**6,006**	Total liabilities and net assets	6,037	**6,006**

(*) 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>

Net sales increased due to flagship store growth, and despite decrease in marketplace stores
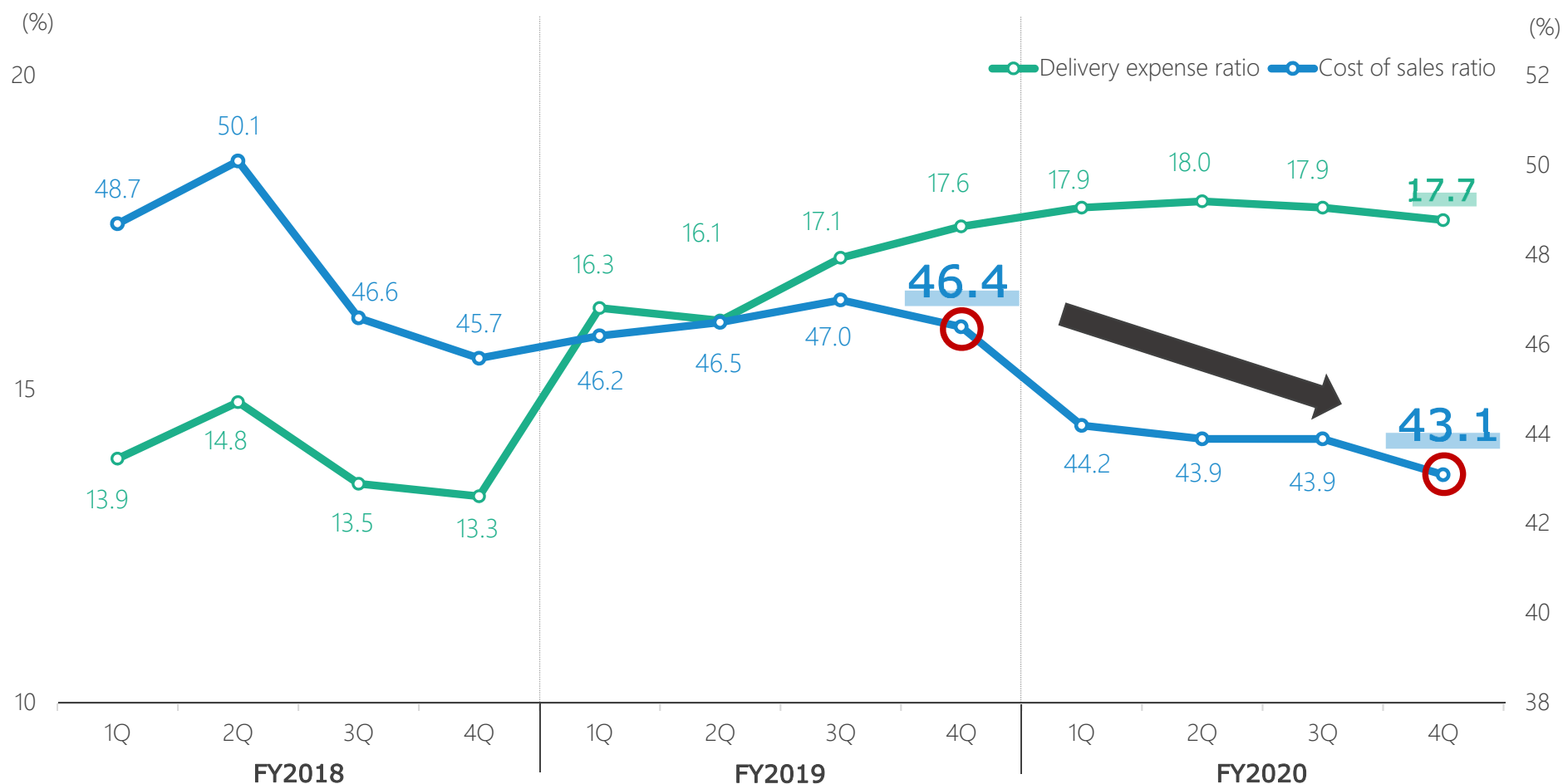Substantial profit recovery due to company-wide cost reductions

(Million yen)

	Previous fiscal year	Sales ratio	Current fiscal year	Sales ratio	YoY
Net sales	13,203	100.0%	13,427	100.0%	101.7%
Gross profit	7,062	53.5%	7,550	56.2%	106.9%
SG&A expenses	7,036	53.3%	7,254	54.0%	103.1%
Operating profit	26	0.2%	295	2.2%	1,133.1%

■< Overall LOWYA Business> Cost of Sales Ratio and Delivery Expense Ratio

Delivery expense ratio remained high and cost of sales ratio improved substantially due to the review of sales prices and product lineup

Delivery expense ratio —●— Cost of sales ratio

FY2018
	1Q	2Q	3Q	4Q
Cost of sales ratio	48.7	50.1	46.6	45.7
Delivery expense ratio	13.9	14.8	13.5	13.3

FY2019
	1Q	2Q	3Q	4Q
Cost of sales ratio	46.2	46.5	47.0	46.4
Delivery expense ratio	16.3	16.1	17.1	17.6

FY2020
	1Q	2Q	3Q	4Q
Cost of sales ratio	44.2	43.9	43.9	43.1
Delivery expense ratio	17.9	18.0	17.9	17.7

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

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■ < Overall LOWYA Business> Management Indicators

The number of visitors increased due to efficient advertising
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 ended March 31, 2020			
	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 number of visitors (%)	125.1	110.1	109.8	98.2	91.3	101.2	91.9	112.6
YoY average customer spend (%)	109.9	113.0	112.8	113.3	114.5	120.8	113.4	106.8
YoY CVR (%)	75.2	78.5	82.8	94.7	96.9	96.9	86.3	91.6
Number of products (Note)	2,070	2,169	2,041	1,967	1,930	1,951	1,763	1.709
Number of new products introduced	112	99	91	103	57	55	78	57
Average settlement rate (yen)	107.58	108.74	111.59	109.05	107.70	107.37	107.57	108.69

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

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Net sales at the flagship store increased by 75.2% YoY
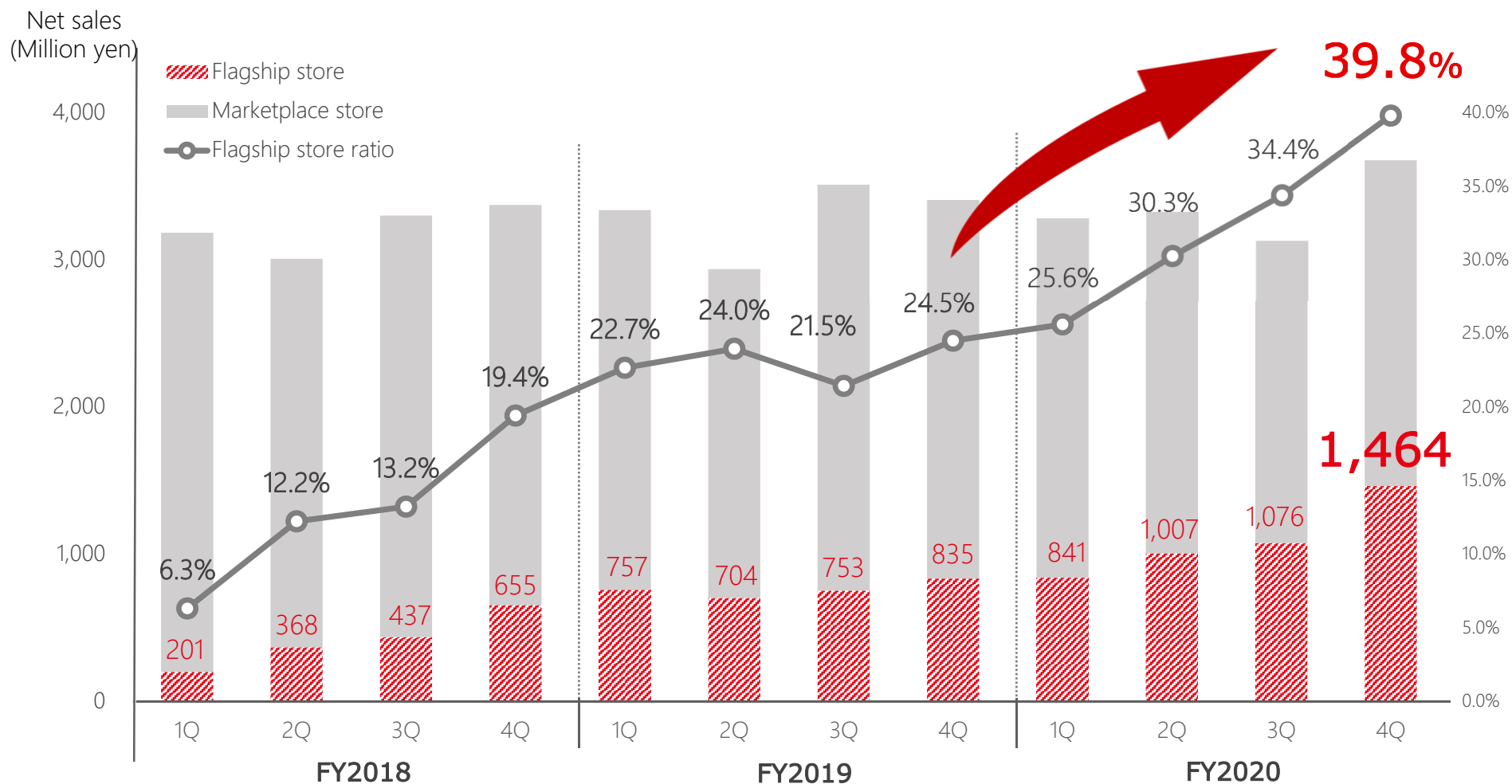## Sales are smoothly shifting to the flagship store

● Rakuten ● Amazon
● Yahoo ● Flagship store

Net sales by sales channel

* Ratios shown below are YoY comparisons

Rakuten marketplace store:
down **14.6%**

Flagship store:
up **75.2%**

Amazon store:
down **19.9%**

Yahoo shopping store:
up **0.9%**

1Q 2Q 3Q 4Q | 1Q 2Q 3Q 4Q | 1Q 2Q 3Q 4Q
FY2018   FY2019   FY2020

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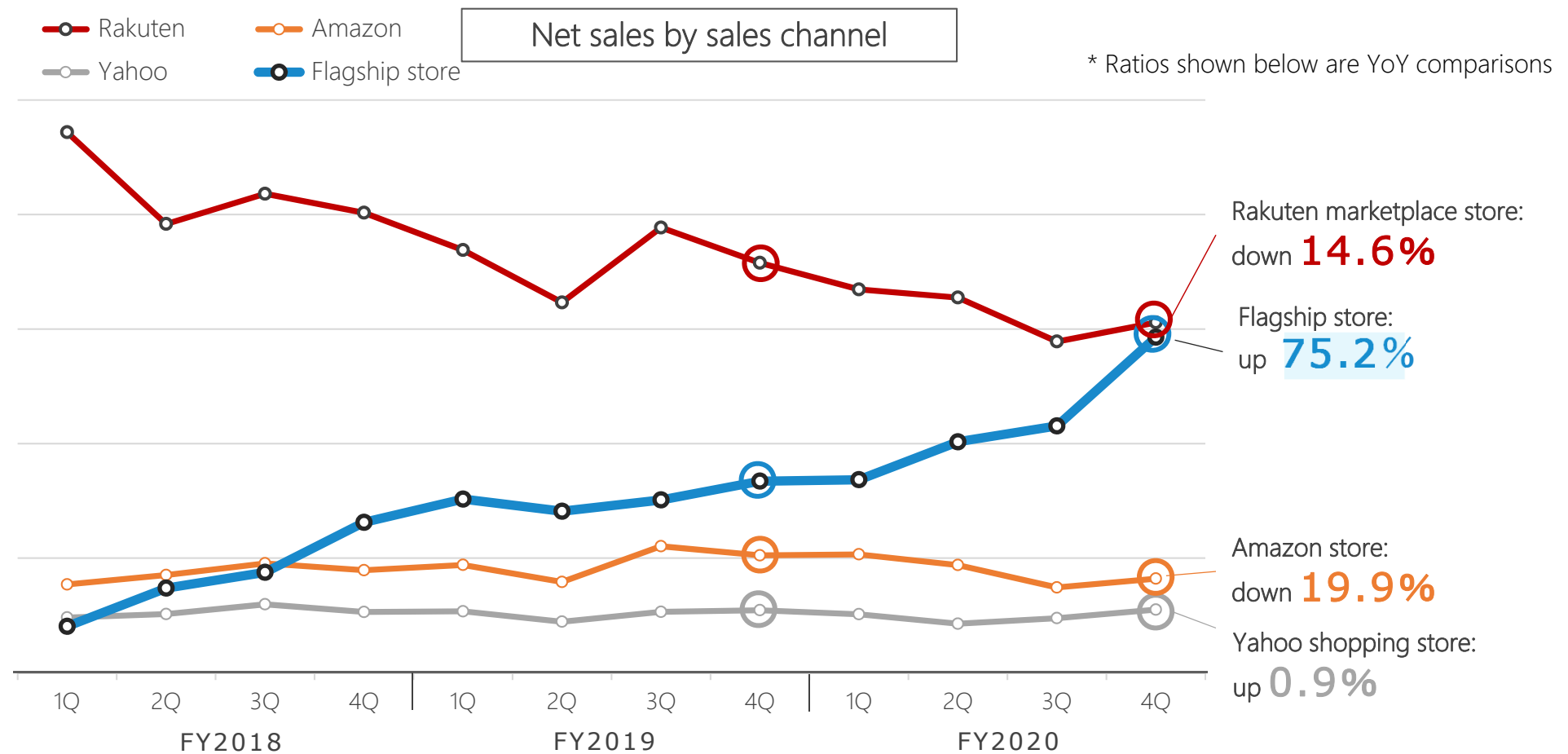
2-2. Report on LOWYA Businesses <Flagship Store>

■ < **Flagship store** LOWYA Businesses> Sales Ratio by Sales Channel

4Q net sales at the flagship store increased by **1,464** million yen
Flagship store ratio increased to **39.8%**

Net sales (Million yen)

Legend:
- Flagship store
- Marketplace store
- Flagship store ratio

39.8%

	FY2018				FY2019				FY2020			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Flagship store ratio	6.3%	12.2%	13.2%	19.4%	22.7%	24.0%	21.5%	24.5%	25.6%	30.3%	34.4%	39.8%
Flagship store sales	201	368	437	655	757	704	753	835	841	1,007	1,076	1,464

As efficient advertising, initiatives to enhance SEO and SNS contributed to a 78.6% YoY increase in the number of visitors and higher net sales

Item	Fiscal year ended March 31, 2019				Fiscal year ended March 31, 2020			
	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 number of visitors (%)	396.6	213.5	147.2	111.0	99.0	127.4	140.1	178.6
[Flagship store] YoY average customer spend (%)	100.3	110.8	103.5	108.1	114.1	107.5	108.5	97.0
[Flagship store] YoY CVR (%)	94.6	81.8	108.2	110.2	103.9	111.7	94.2	101.1

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**Enhancing reciprocal links between SNS and e-commerce websites
Implementing measures for promoting initial and repeat access,
and for gaining fans**

VR-enabled "LOWYA 360," which recreates realistic environment
"LOWYA Search by Appearance," image search function featuring artificial intelligence (AI)
Successive releases of solutions developed in-house

LOWYA 360

- Proposes new interior arrangements by rendering a 360-degree view of an entire 3D environment using 3D models of LOWYA AR
- Renders images so realistically that they could be mistaken for physical objects
- VR mode-compatible

LOWYA Search by Appearance

- Image search function using deep learning
- Recognizes interior shapes and colors in an image and displays recommendations of similar products listed by LOWYA
- Functional accuracy evolves through repetitive learning using the Company's vast amounts of data and uploaded images

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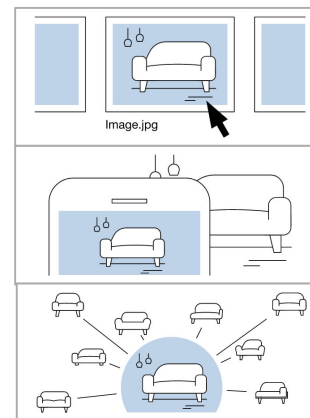
3. Report on DOKODEMO Business

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, 2019 Results	Fiscal year ended March 31, 2020 Results	YoY
Membership (thousand people)	374	514	137.2%
Number of APP DLs (thousand)	804	976	121.3%
Purchase price per person (yen)	10,686	9,553	89.2%
Number of products (thousand)	74	70	94.2%
Number of brands	1,065	1,249	117.3%
Deliveries * Number of countries and regions to which deliveries were made	96	99	103.1%

■ DOKODEMO Business: Gross Merchandise Sales (GMS)

Achieved monthly GMS of **100 million yen**
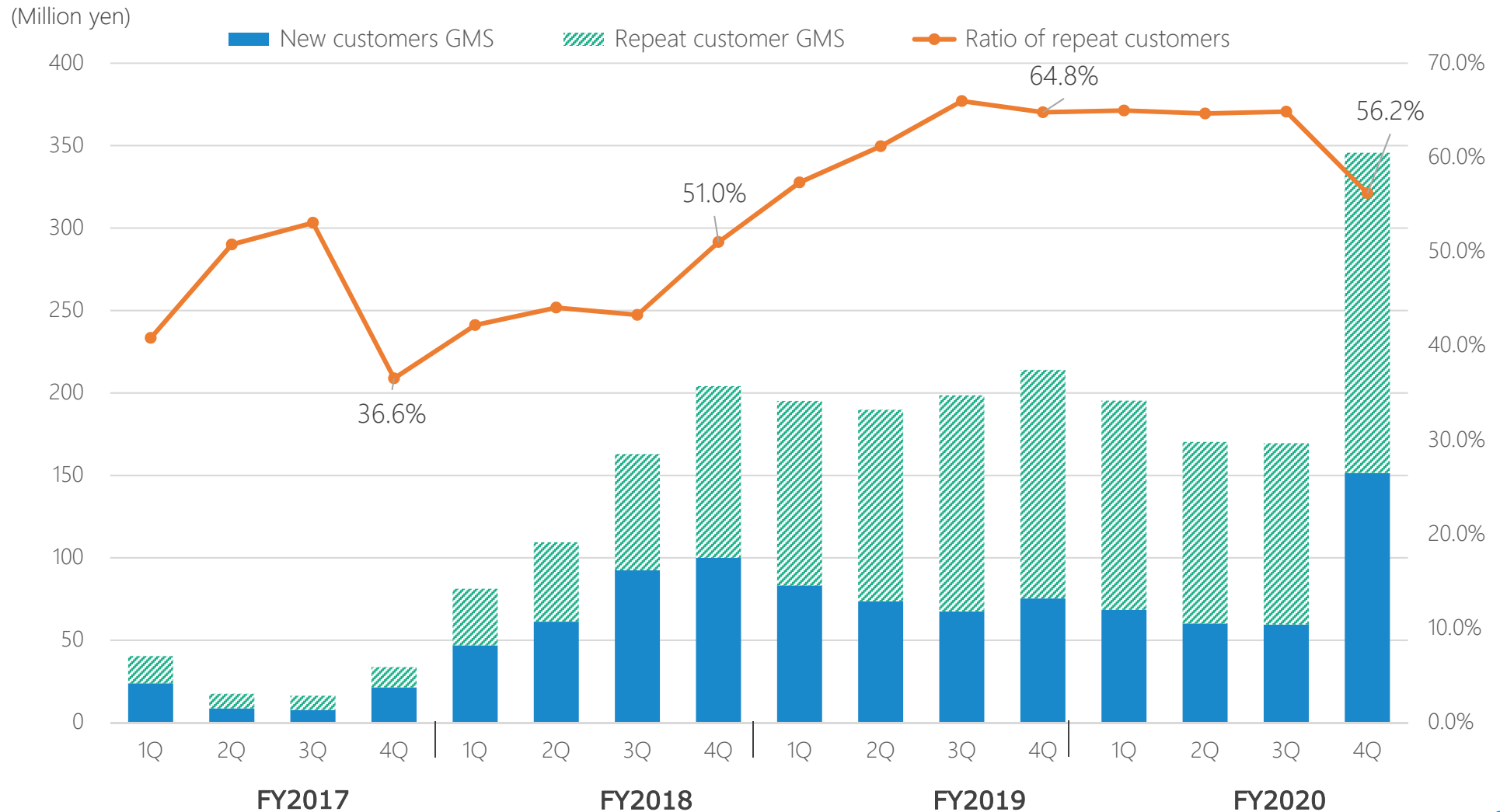
■ DOKODEMO Business: Proportion of Deliveries by Country Based on GMS

Proportion of deliveries by country based on the GMS ratio is widely distributed centering on Asia
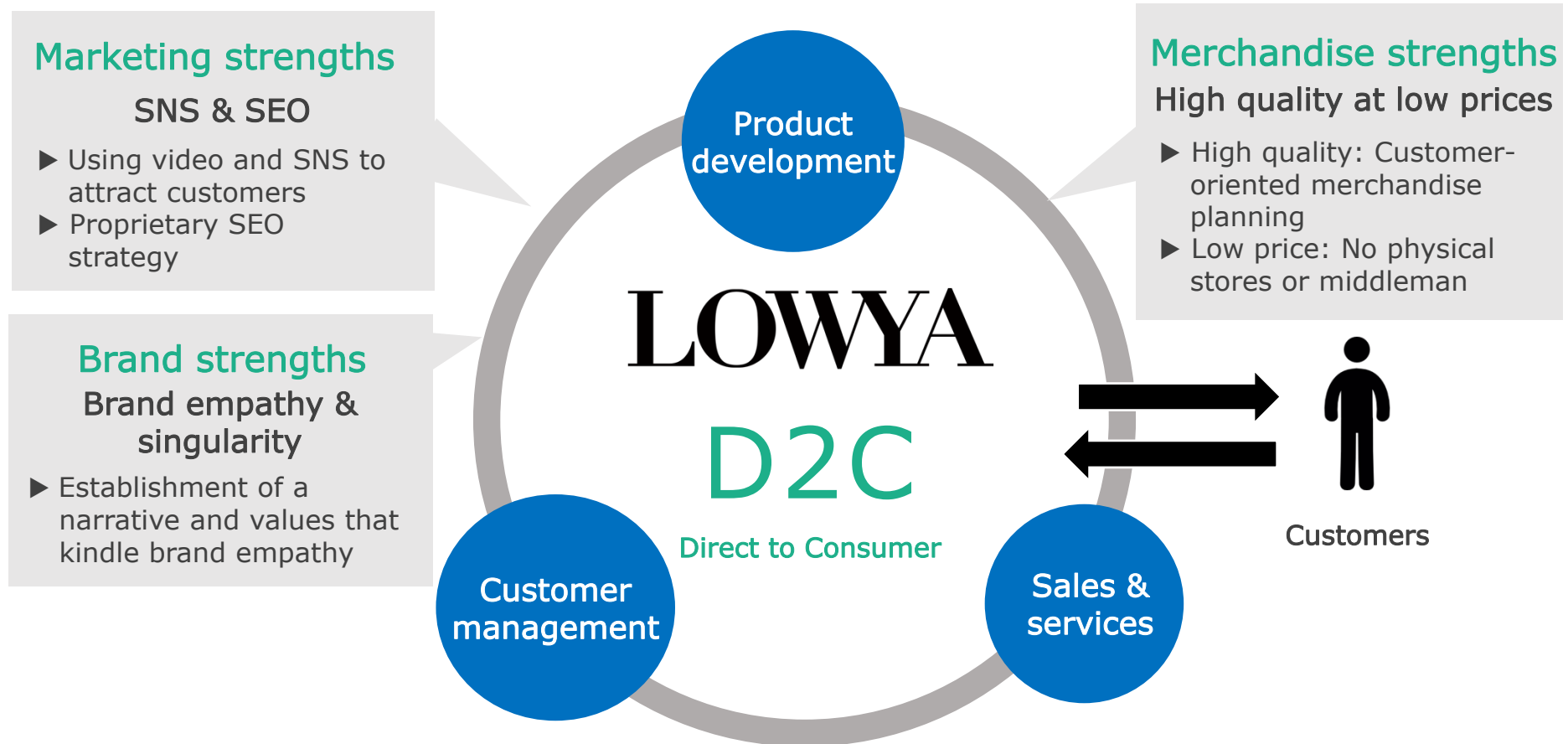
Canada
4.0%

China
2.6%

South Korea
2.7%

Hong Kong
16.1%

US
11.1%

Taiwan
35.7%

Malaysia
2.3%

Singapore
3.3%

Australia
6.5%

Proportion of deliveries by country

Latin America
1.6%

Europe
6.6%

Middle East
0.9%

Oceania
7.7%

North
America
15.2%

Asia
68.0%
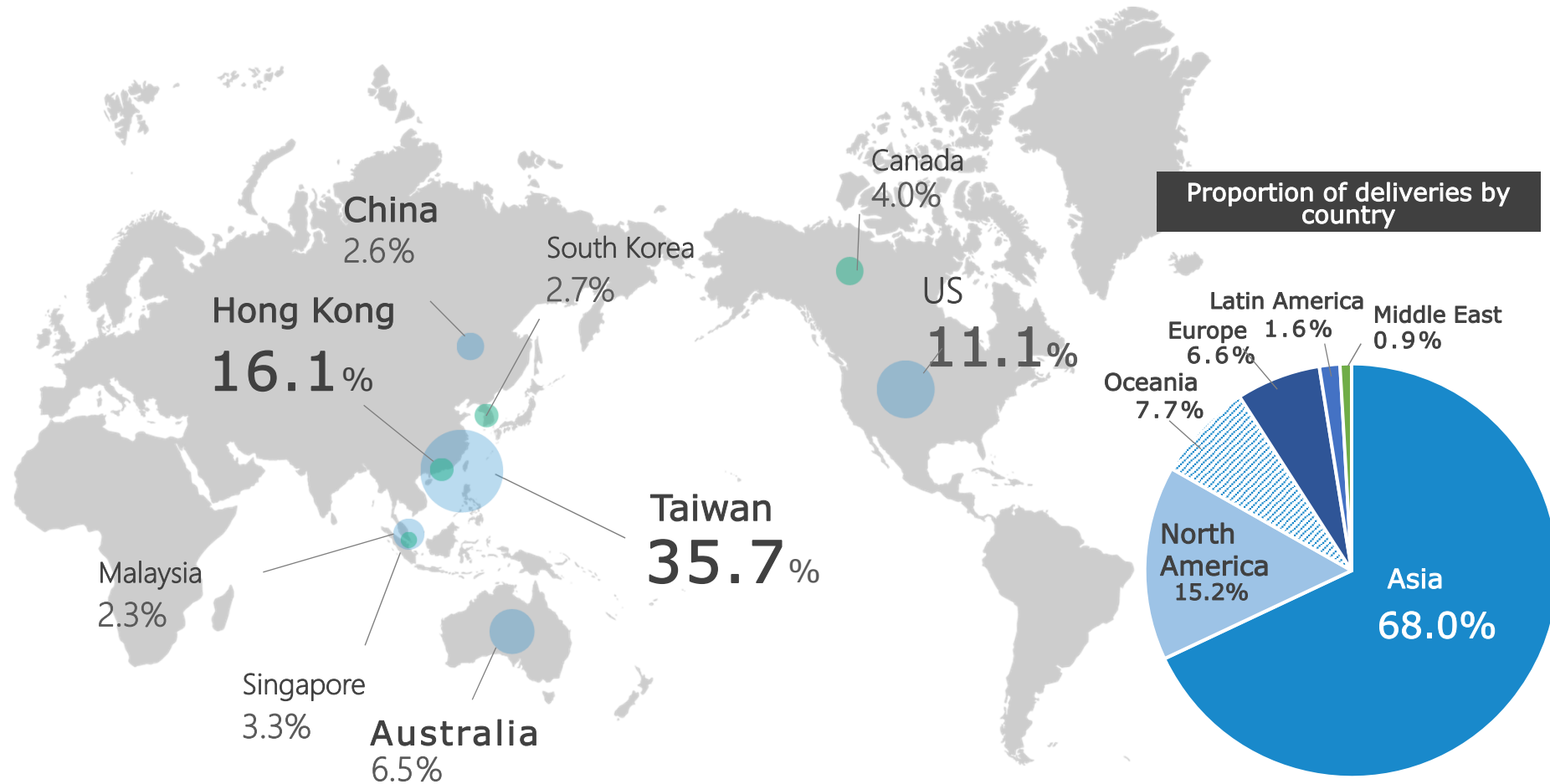
* Proportion of deliveries by country is calculated based on the ratio of gross merchandise sales (GMS) from April 2019 to March 2020.

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4. Future Development

Developing a full-fledged direct-to-consumer (D2C) business model leveraging distinctive attributes of "comprehensive e-commerce encompassing manufacturing and retail"

Marketing strengths
SNS & SEO
▶ Using video and SNS to attract customers
▶ Proprietary SEO strategy

Brand strengths
Brand empathy & singularity
▶ Establishment of a narrative and values that kindle brand empathy

Product development

LOWYA
D2C
Direct to Consumer

Customer management

Sales & services

Merchandise strengths
High quality at low prices
▶ High quality: Customer-oriented merchandise planning
▶ Low price: No physical stores or middleman

Customers

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

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Rolling out new products and improving existing products

New products	Existing products

Cutting costs while providing new value

■ Future Development < (3) Services>

Meticulously offering services from a customer perspective

Websites designed for convenient shopping	Improved customer support	Extensive delivery options
• Sufficient details posted online • User-friendly interface with smooth user flows	• Meeting gift-giving demand • Sales of component parts	• Time zone specified delivery • Fee-based options

Providing enhanced convenience and reassurance
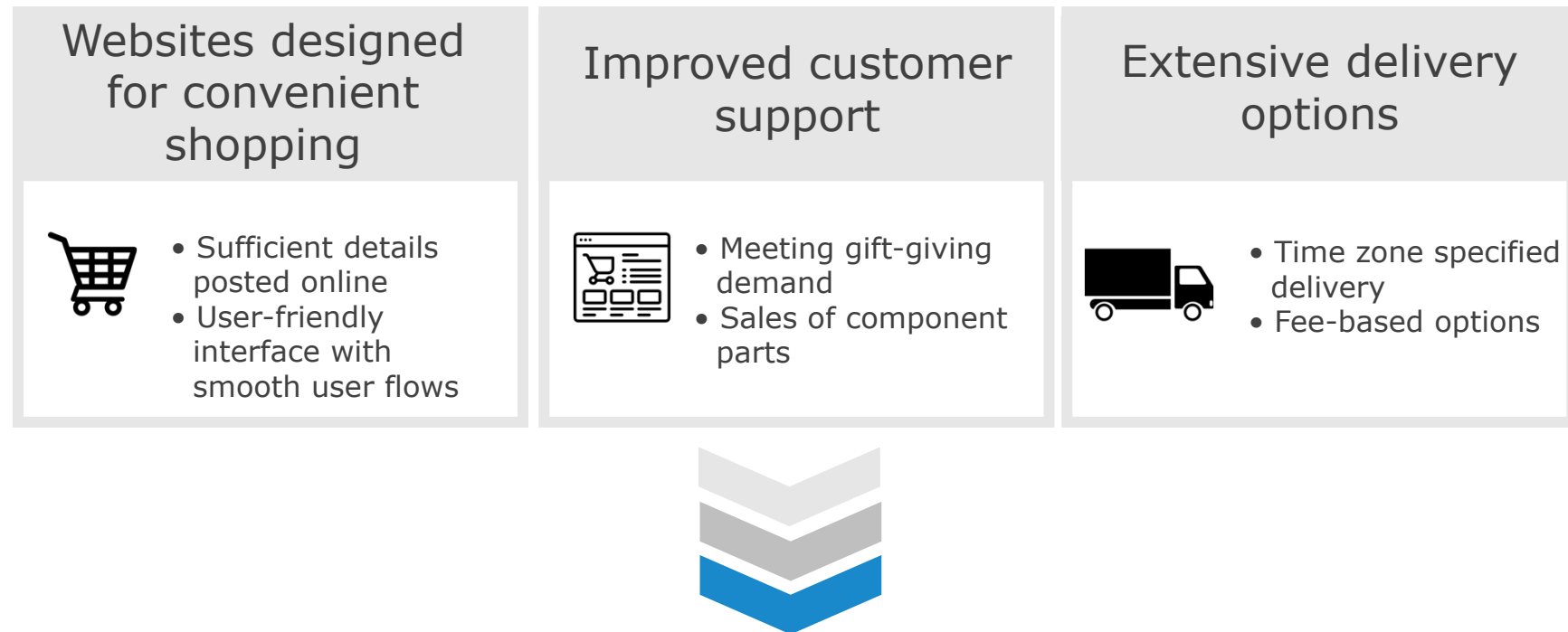
Future Development < (4) LOWYA Business>

Low recognition — High recognition

Solidifying footing toward improving profit

Brand recognition and scale expansion

Establishment of the brand
Building up fans

Penetration of the brand

100.0 billion yen

Flagship store

LOWYA
TREND IS HERE.

Marketplace stores

Investment

Investment

Investment

SG&A expense ratio
Delivery expense ratio
Systemization

FY2020	FY2021	FY2022	FY2023	FYXX
2020/3	2021/3	2022/3	2023/3	

5. Financial Results Forecast

■ Financial Results Forecast for the Fiscal Year Ending March 31, 2021

Focusing on further enhancing the LOWYA flagship store and increasing brand recognition, looking toward development of a full-fledged D2C business model

	Fiscal year ended March 31, 2020 (Results)	Fiscal year ending March 31, 2021 (Plan)	Change
	(Million yen)	(Million yen)	(%)
Net sales	13,570	15,100	11.3
Operating profit	116	470	303.6
Ordinary profit	146	500	241.0
Profit	40	300	640.5
Basic earnings per share (yen)	3.94	29.13	—

The financial results forecasts above do not take conceivable effects of the novel coronavirus (COVID-19) into account given the unpredictability of potential developments.

6. Appendix

Establishing the fast interior category in the "trendy & low price" space of the furniture and interior products market
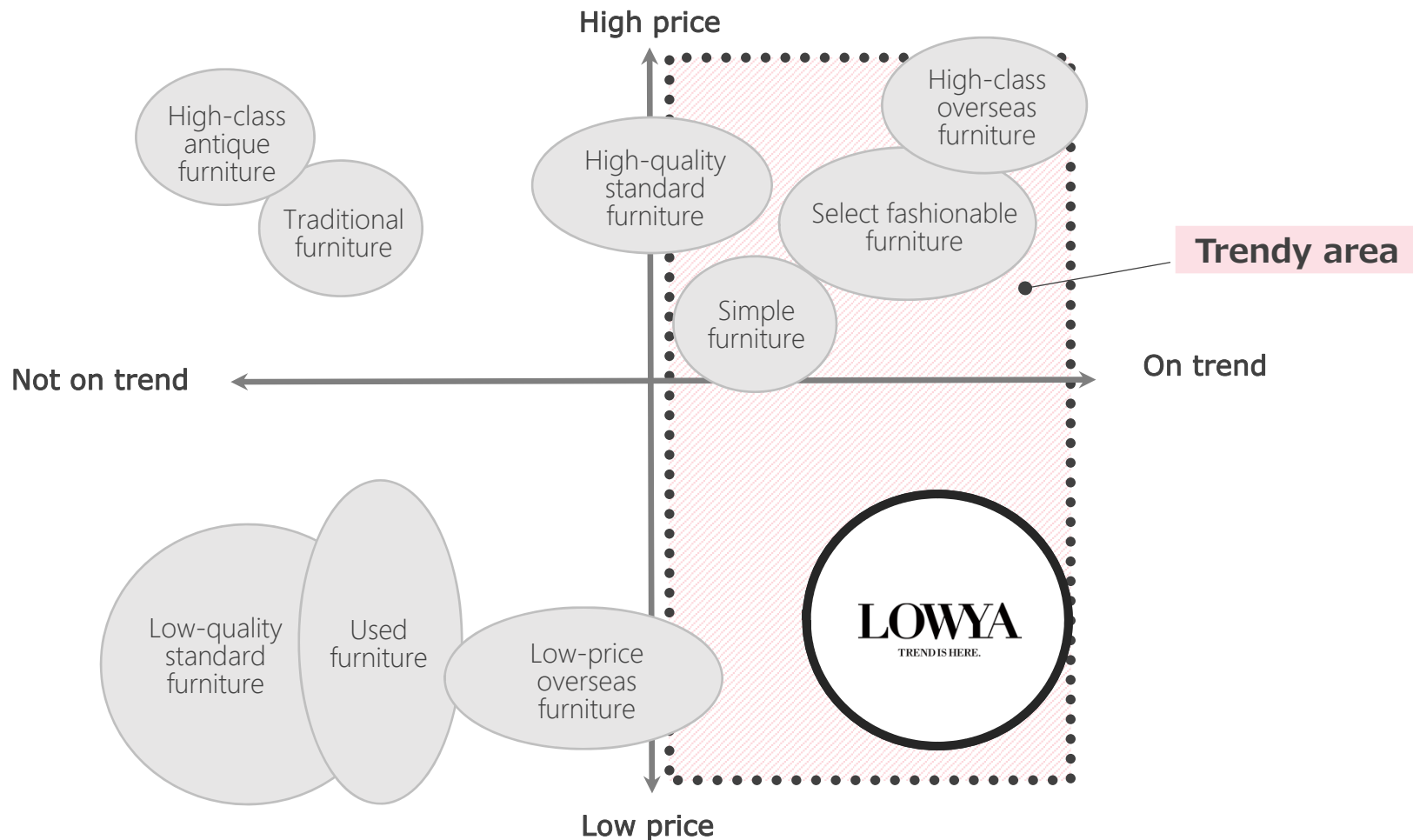
As a provider of "fast interior,"

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.

LOWYA
TREND IS HERE.

D2C business model
conducting the entire procedure inhouse

(Direct to Consumer)
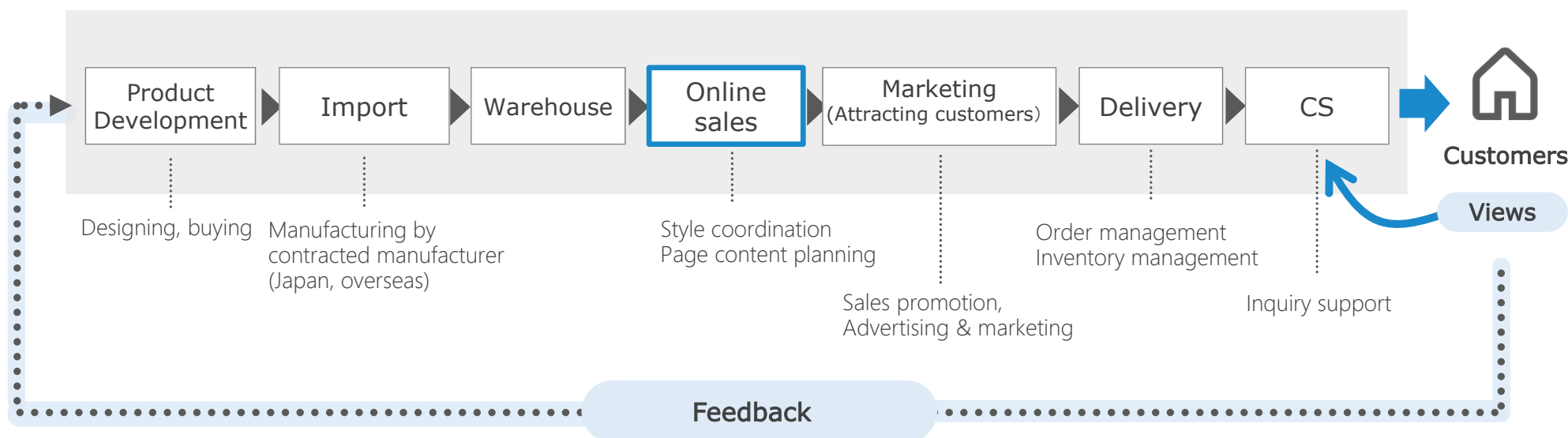
Product Development	Import	Warehouse	Online sales	Marketing (Attracting customers)	Delivery	CS

Customers

Views

Designing, buying

Manufacturing by contracted manufacturer (Japan, overseas)

Style coordination
Page content planning

Order management
Inventory management

Sales promotion,
Advertising & marketing

Inquiry support

Feedback

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

(April 2019 to March 2020)

Ratio of male vs. female
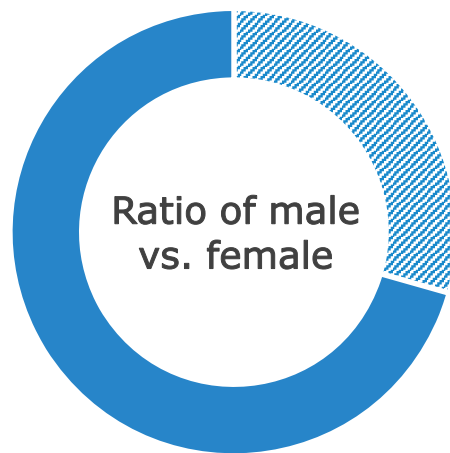
Male	**29.4**%
Female	**70.6**%

Area distribution
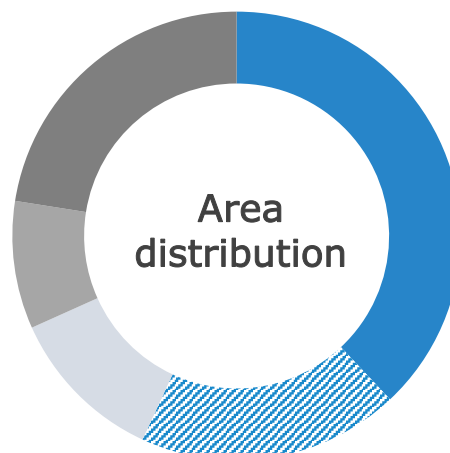
■ Kanto	**38.0**%
Kinki	**18.9**%
Tokai	**11.4**%
Kyusyu	**9.1**%
■ Other	**22.5**%

Age distribution
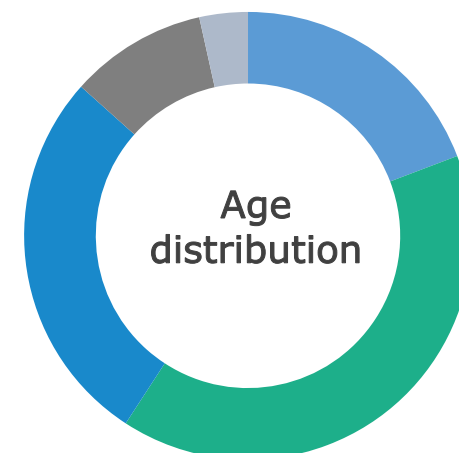
■ 29 and younger	**19.2**%
■ 30 to 39	**40.0**%
■ 40 to 49	**27.4**%
■ 50 to 59	**9.9**%
■ 60 to 69	**3.5**%

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(As of March 31, 2020)

Breakdown by occupation
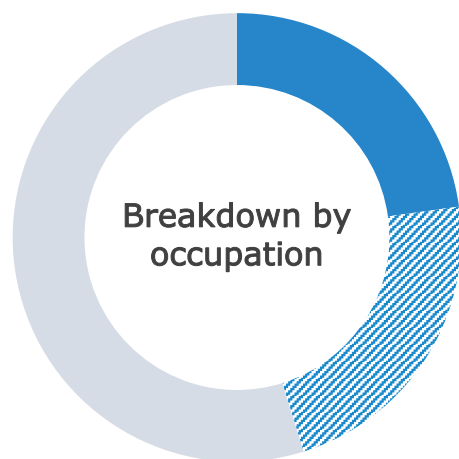
■ IT & engineering	**16.9**%
▨ Website designer	**15.5**%
▨ General employee	**67.6**%

Age distribution
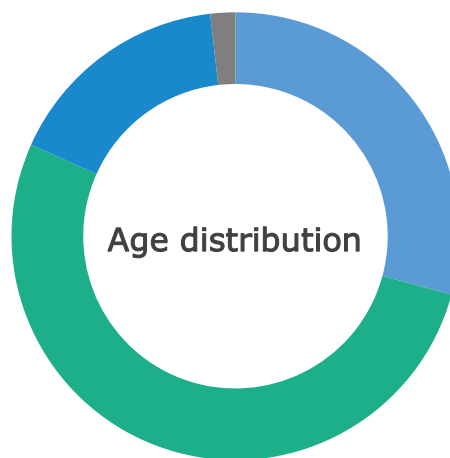
■ 29 and younger	**29.2**%
■ 30 to 69	**52.5**%
■ 40 to 69	**16.5**%
■ 50 to 69	**1.8**%

Ratio of male vs. female
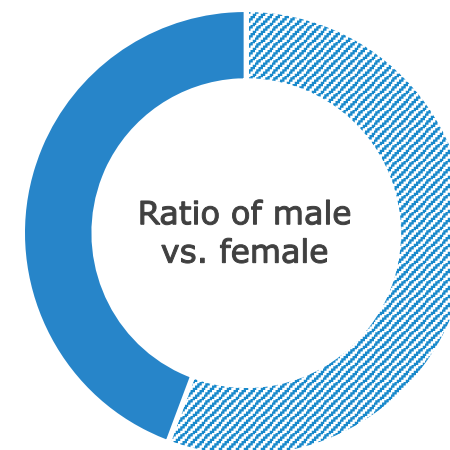
▨ Male	**55.7**%
■ Female	**44.3**%

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