



Quarterly Financial Results  
for the Three Months Ended June 30, 2018

Vega corporation Co., Ltd.

# Agenda

1. Overview of Quarterly Financial Results for the Three Months Ended June 30, 2018
2. Report on LOWYA Business
3. Synergy of Company-wide Businesses
4. New Businesses (R&D)
5. Appendix

# **1. Overview of Quarterly Financial Results for the Three Months Ended June 30, 2018**

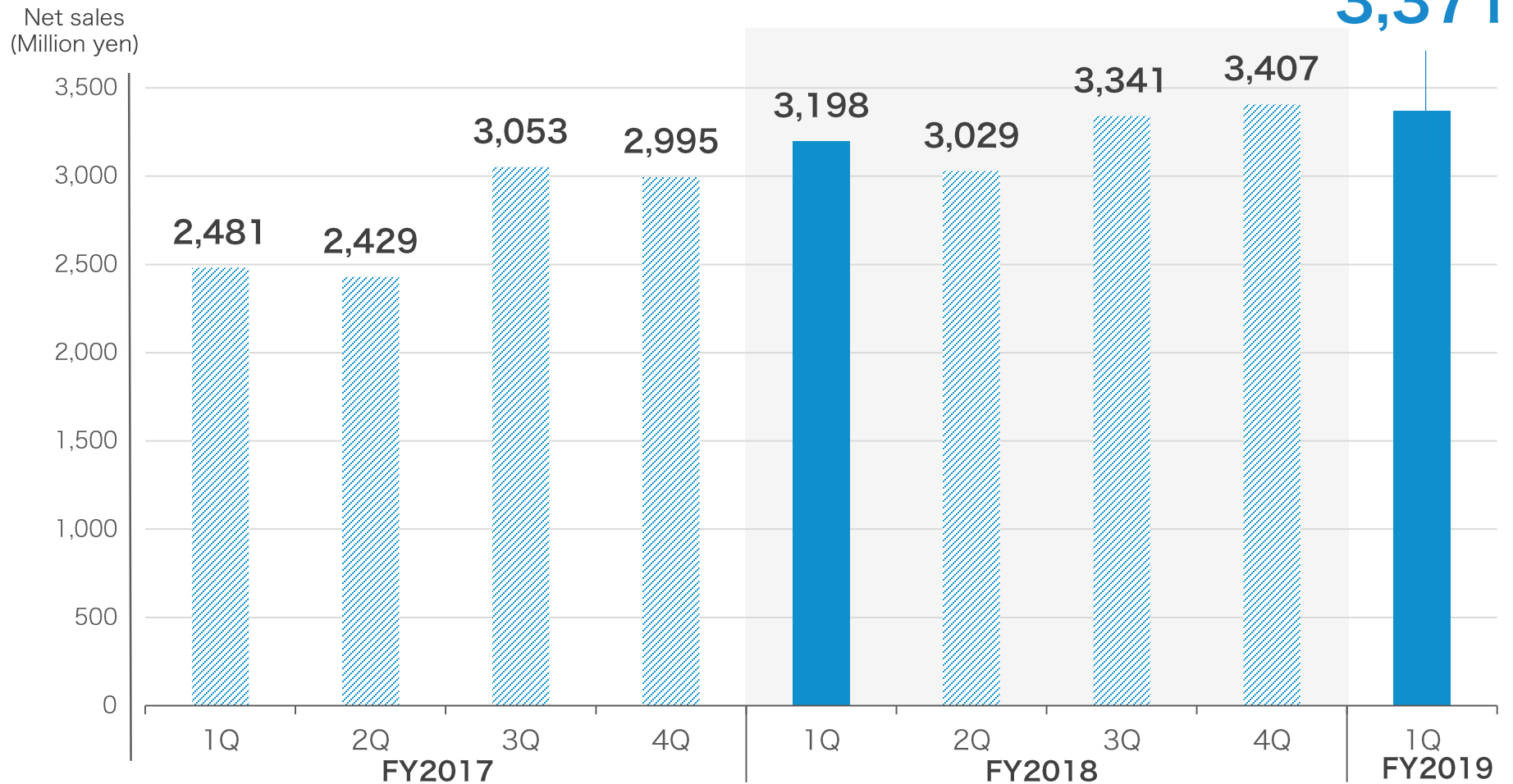
## 1. Summary of Financial Results

(Million yen)

	Three months ended June 30, 2017	Sales ratio	Three months ended June 30, 2018	Sales ratio	Change	YoY
Net sales	<b>3,203</b>	100.0%	<b>3,371</b>	100.0%	<b>+168</b>	<b>105.2%</b>
Gross profit	<b>1,651</b>	51.6%	<b>1,828</b>	54.2%	<b>+177</b>	<b>110.7%</b>
SG&A expenses	<b>1,507</b>	47.1%	<b>1,756</b>	52.1%	<b>+249</b>	<b>116.5%</b>
Operating profit	<b>144</b>	4.5%	<b>71</b>	2.1%	<b>(72)</b>	<b>49.8%</b>
Ordinary profit	<b>146</b>	4.6%	<b>75</b>	2.2%	<b>(70)</b>	<b>51.8%</b>
Profit	<b>89</b>	2.8%	<b>46</b>	1.4%	<b>(43)</b>	<b>52.1%</b>

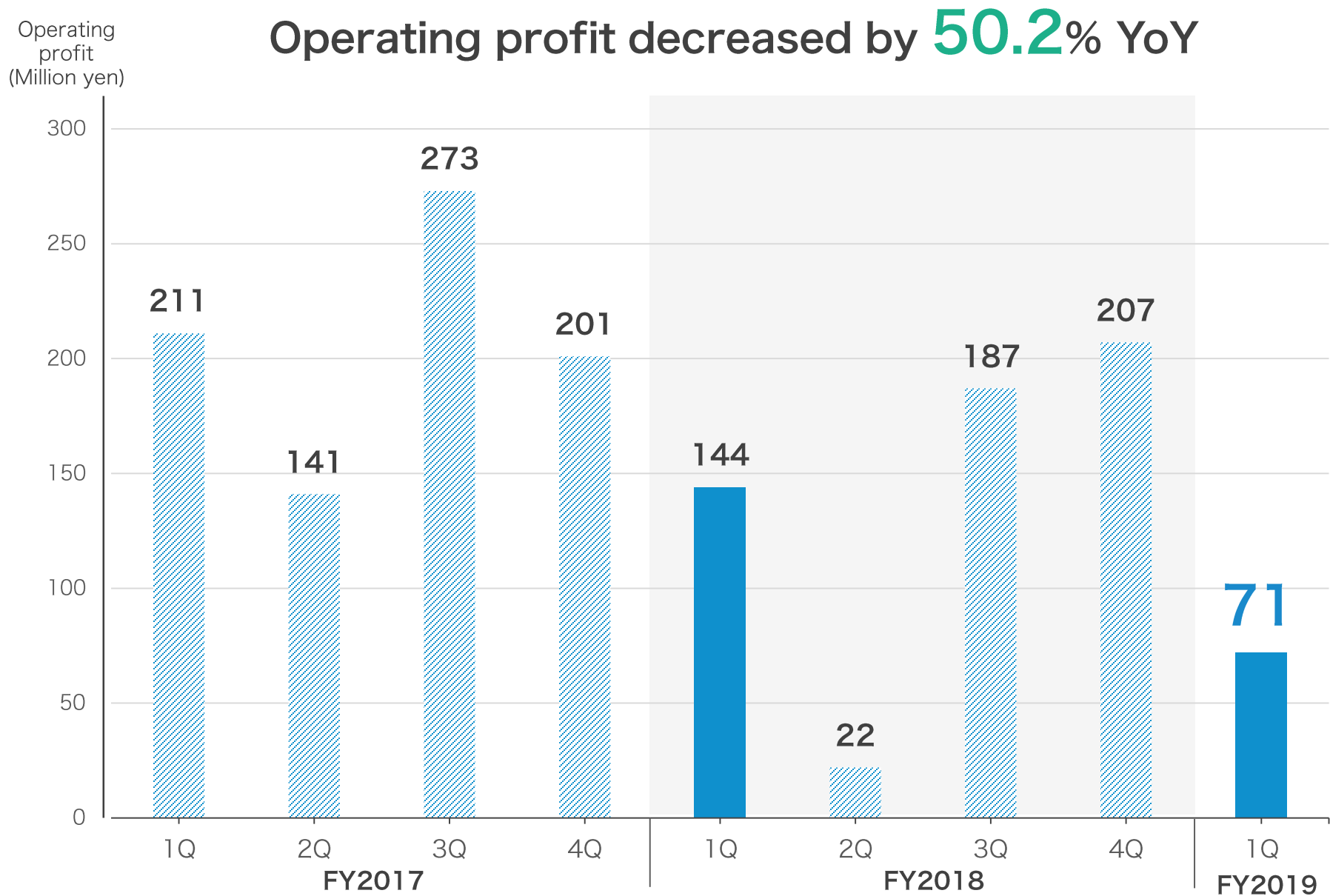
(\*) Audit procedures pursuant to the Financial Instruments and Exchange Act are in progress as of the date of disclosure of this document.

Net sales increased by **5.4%** YoY

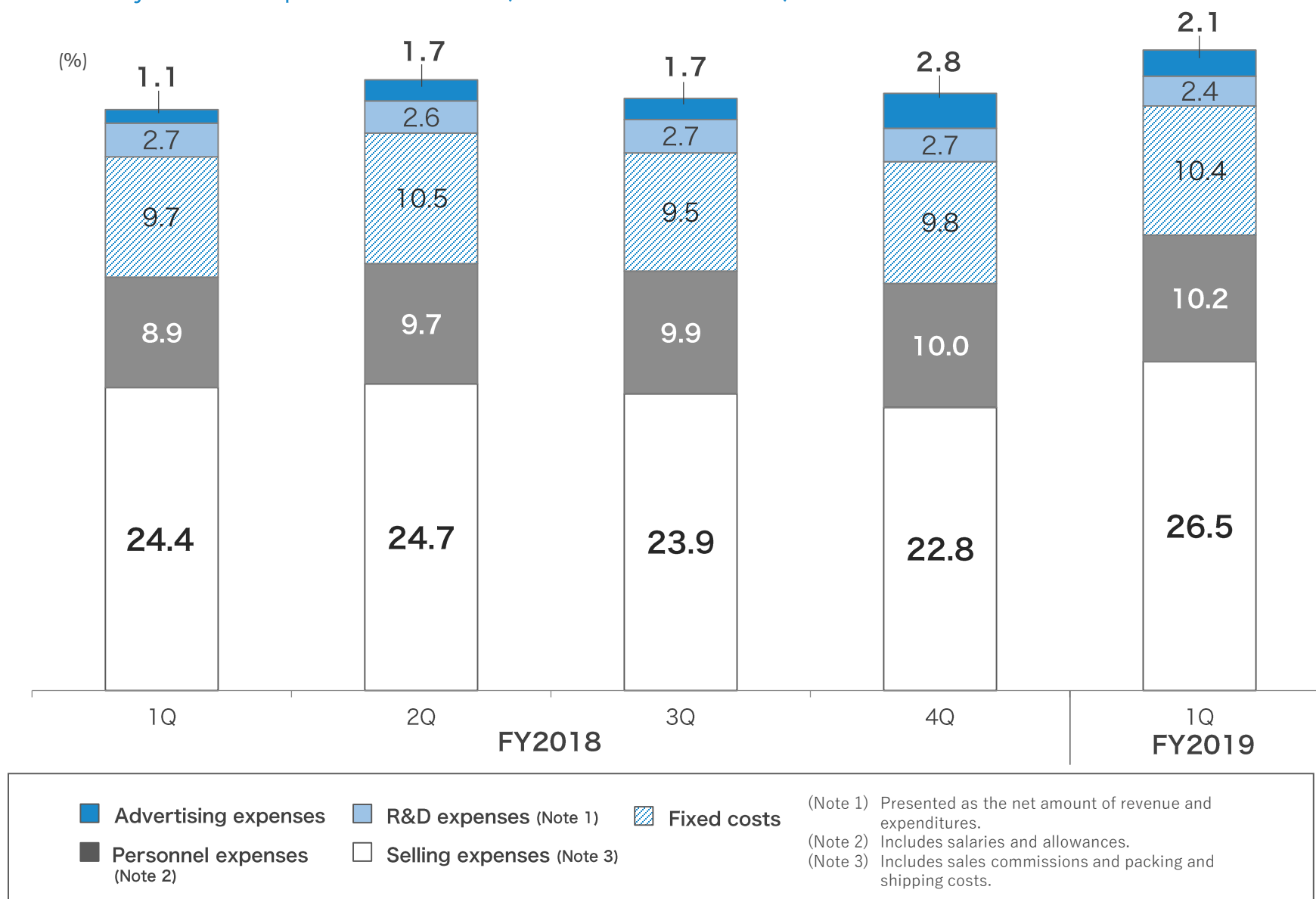


(\*) Delivery revenue of DOKODEMO is amended retrospectively to the net amount after deduction of delivery fees.

## Quarterly Operating Profit



## 1. 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.

## Balance Sheet

(Million yen)

	Previous fiscal year (as of March 31, 2018)	Three months ended June 30, 2018		Previous fiscal year (as of March 31, 2018)	Three months ended June 30, 2018
<b>Current assets</b>	<b>5,309</b>	<b>5,141</b>	<b>Current liabilities</b>	<b>2,107</b>	<b>1,817</b>
Cash and deposits	1,656	2,185	Debt obligations	820	820
Accounts receivable – trade	1,801	1,478	<b>Non-current liabilities</b>	<b>27</b>	<b>33</b>
Merchandise	1,750	1,334	<b>Total liabilities</b>	<b>2,135</b>	<b>1,851</b>
<b>Non-current assets</b>	<b>604</b>	<b>583</b>	Shareholders' equity	3,788	3,845
Property, plant and equipment, and intangible assets	270	261	<b>Total net assets</b>	<b>3,779</b>	<b>3,874</b>
<b>Total assets</b>	<b>5,914</b>	<b>5,725</b>	<b>Total liabilities and net assets</b>	<b>5,914</b>	<b>5,725</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. Quarterly Report  
    <Overall LOWYA Business, Flagship store>
- 2-2. Initiatives for Resolving Issues
- 2-3. Future Development

## 2-1. Quarterly Report <Overall LOWYA Business>

(Million yen)

	Three months ended June 30, 2017	Sales ratio	Three months ended June 30, 2018	Sales ratio	Change	YoY
<b>Net sales</b>	<b>3,189</b>	100.0%	<b>3,342</b>	100.0%	<b>+153</b>	<b>104.8%</b>
<b>Gross profit</b>	<b>1,637</b>	51.3%	<b>1,800</b>	53.8%	<b>+162</b>	<b>109.9%</b>
<b>SG&amp;A expenses</b>	<b>1,409</b>	44.2%	<b>1,647</b>	49.3%	<b>+237</b>	<b>116.9%</b>
<b>Operating profit</b>	<b>227</b>	7.1%	<b>152</b>	4.6%	<b>(75)</b>	<b>66.8%</b>

(\*) The LOWYA business is the sum of the mainstay “LOWYA” brand and all stores excluding DOKODEMO and Laig

**Number of visitors grew as expected due to the growth of the flagship store, while the decrease in CVR resulting from stock-out became an issue**

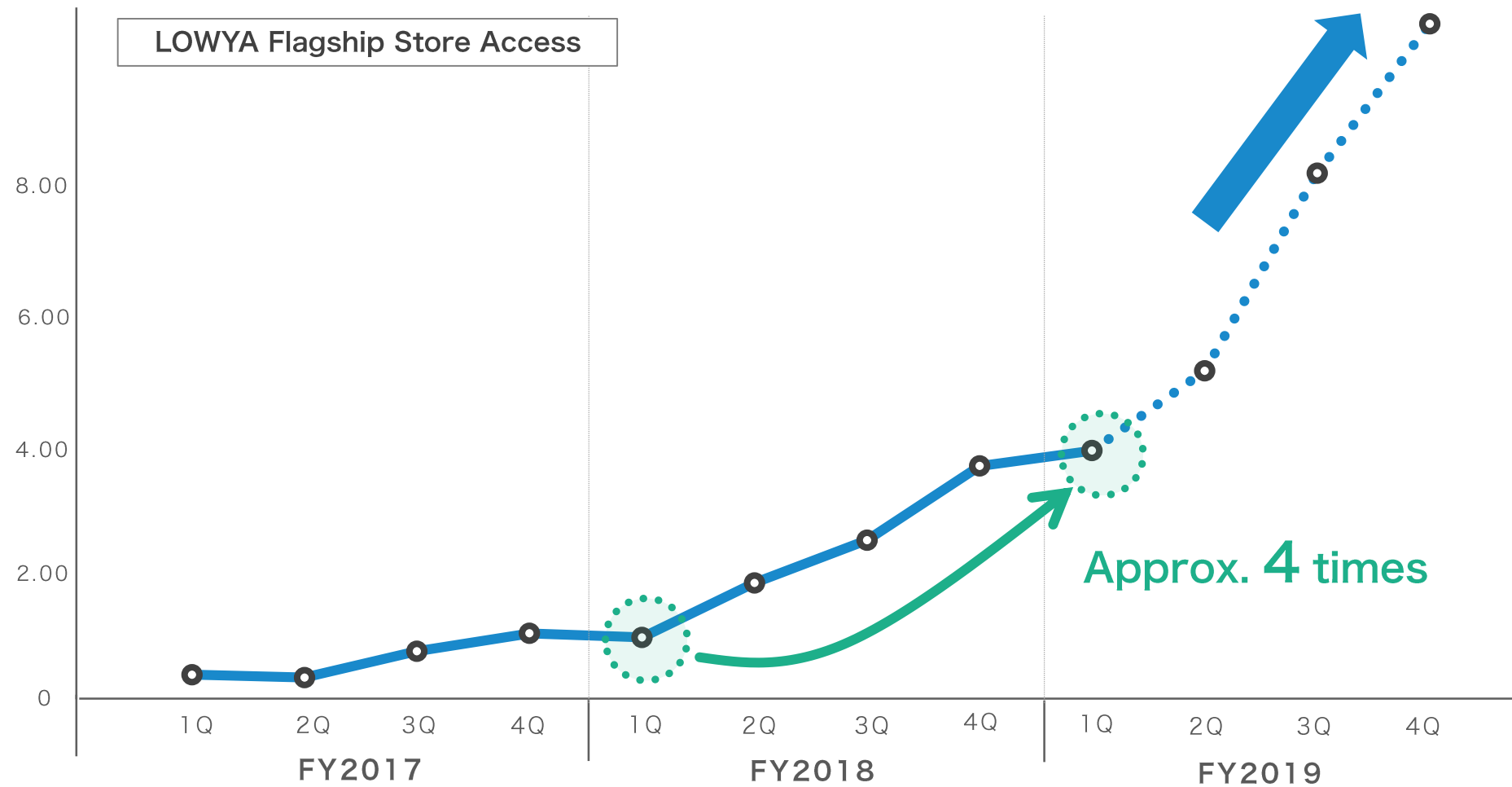
Item	Fiscal year ended March 31, 2018				Fiscal year ending March 31, 2019
	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)	3Q (Oct. – Dec.)	4Q (Jan. – Mar.)	1Q (Apr. – Jun.)
Number of visitors (YoY: %)	127.2	128.0	105.3	122.8	125.1
Average customer spend (YoY: %)	95.4	94.3	97.1	102.7	109.9
CVR (YoY: %)	111.9	106.3	107.7	88.9	75.2
Number of products	1,442	1,594	1,795	1,958	2,070
Number of new products introduced	131	152	201	163	112
Average settlement rate (yen)	110.60	109.87	109.87	110.17	107.58

# Number of visitors to the flagship store increased **296.6%** YoY, growing largely as expected

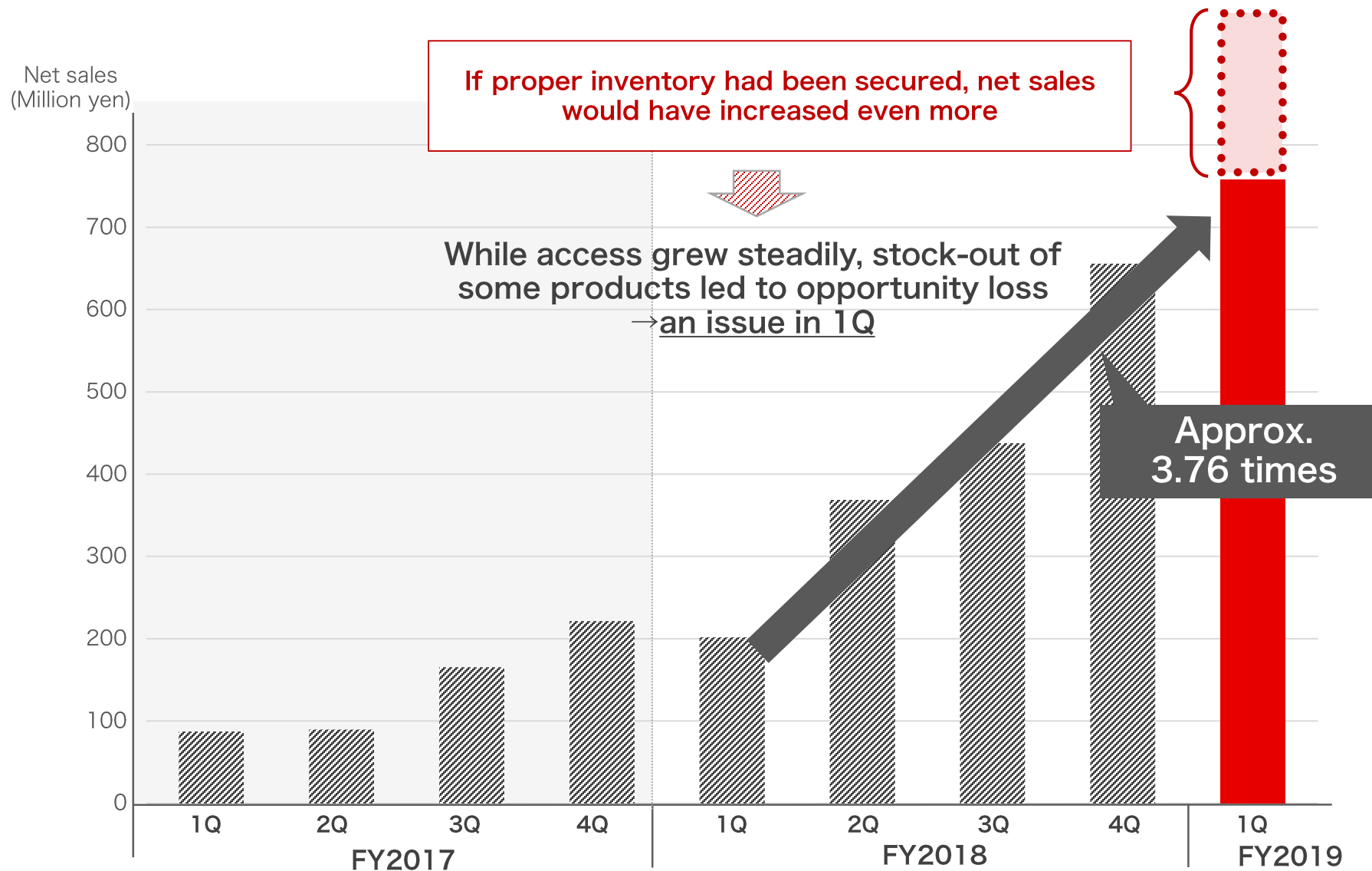
Item	Fiscal year ended March 31, 2018				Fiscal year ending March 31, 2019
	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)	3Q (Oct. – Dec.)	4Q (Jan. – Mar.)	1Q (Apr. – Jun.)
[Flagship store] Number of visitors (YoY: %)	244.9	513.6	326.2	349.9	396.6
[Flagship store] Average customer spend (YoY: %)	105.0	100.9	120.4	97.7	100.3
[Flagship store] CVR (YoY: %)	75.8	65.5	63.0	83.6	94.6

# Flagship store access is expected to accelerate as planned in the future

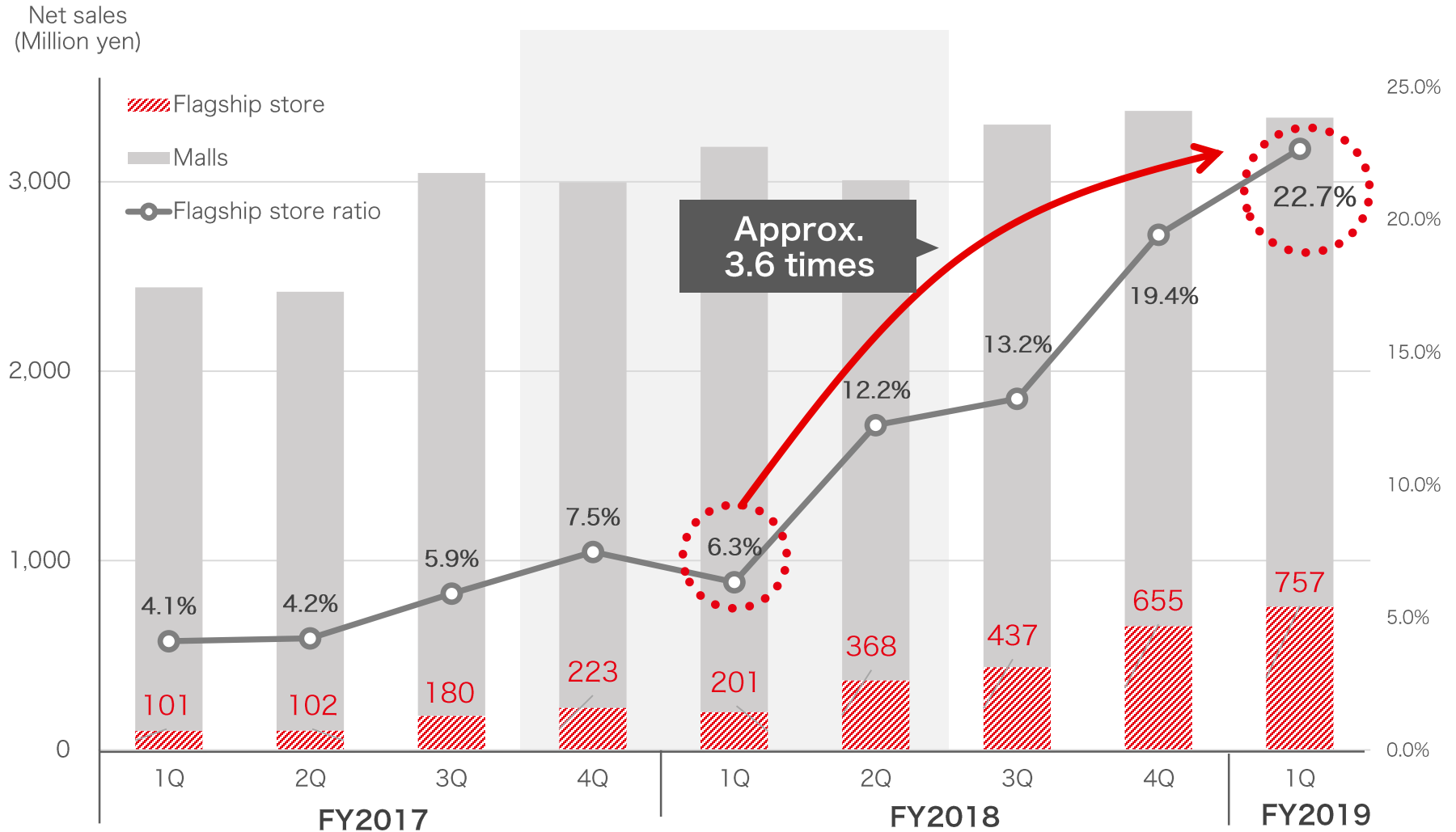
(Million unique users (UU))



## Strong sales at the flagship store, up **276%**YoY



## Flagship store ratio increased from 6.3% in the previous 1Q to **22.7%**



## 2-2. Initiatives for Resolving Issues

### ① Initiatives for resolving short-term issues

Development of environment to accommodate the growth of the flagship store

- Restructuring ordering systems and operational structure
- Holding proper inventory, renting new warehouses, and expanding warehouse spaces

### ② Initiatives for resolving medium- to long-term issues

Reduction of warehouse storage expense ratio

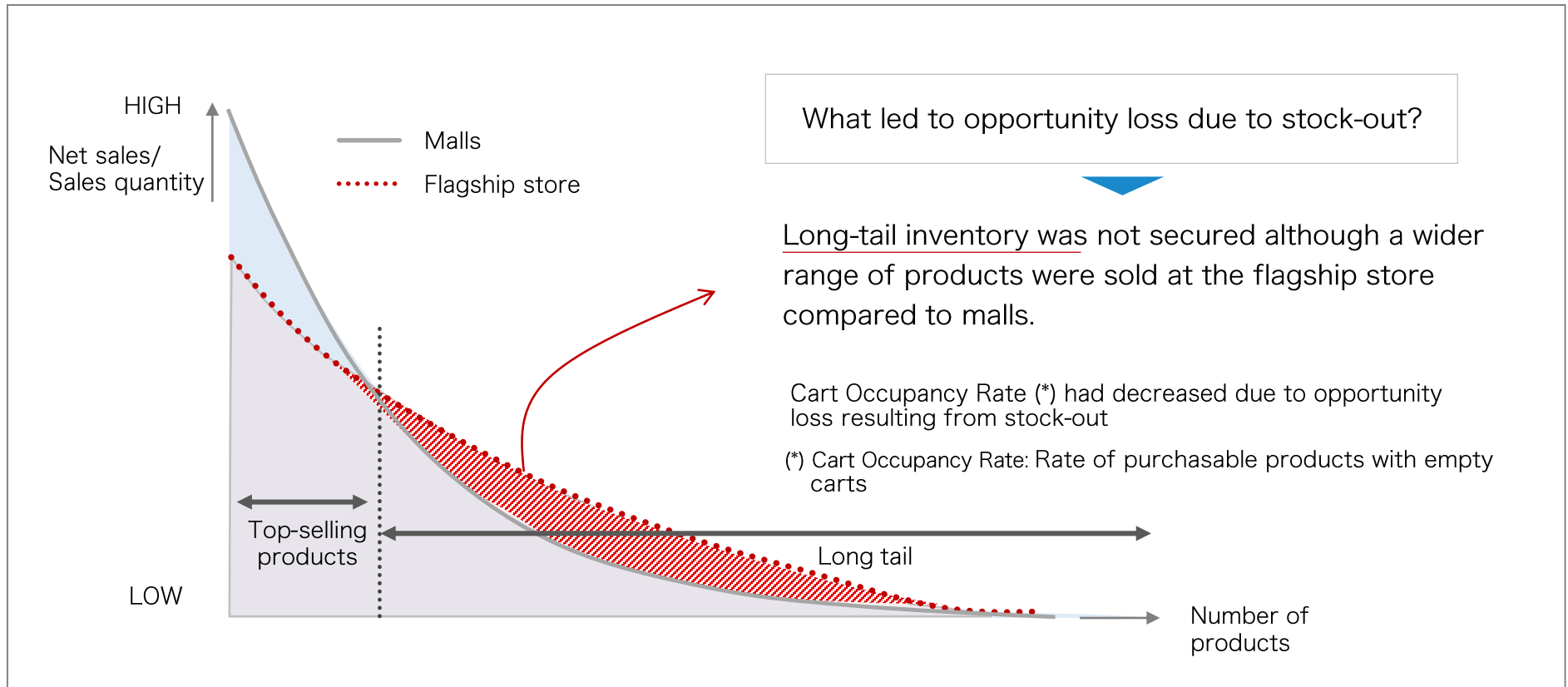
Reduction of delivery expenses

Expansion of recognition



## 2-2. ① Initiatives for Resolving Short-term Issues

Development of environment to accommodate the growth of the flagship store



Analyzing an adequacy of inventory for each sales channel and timing of order placement



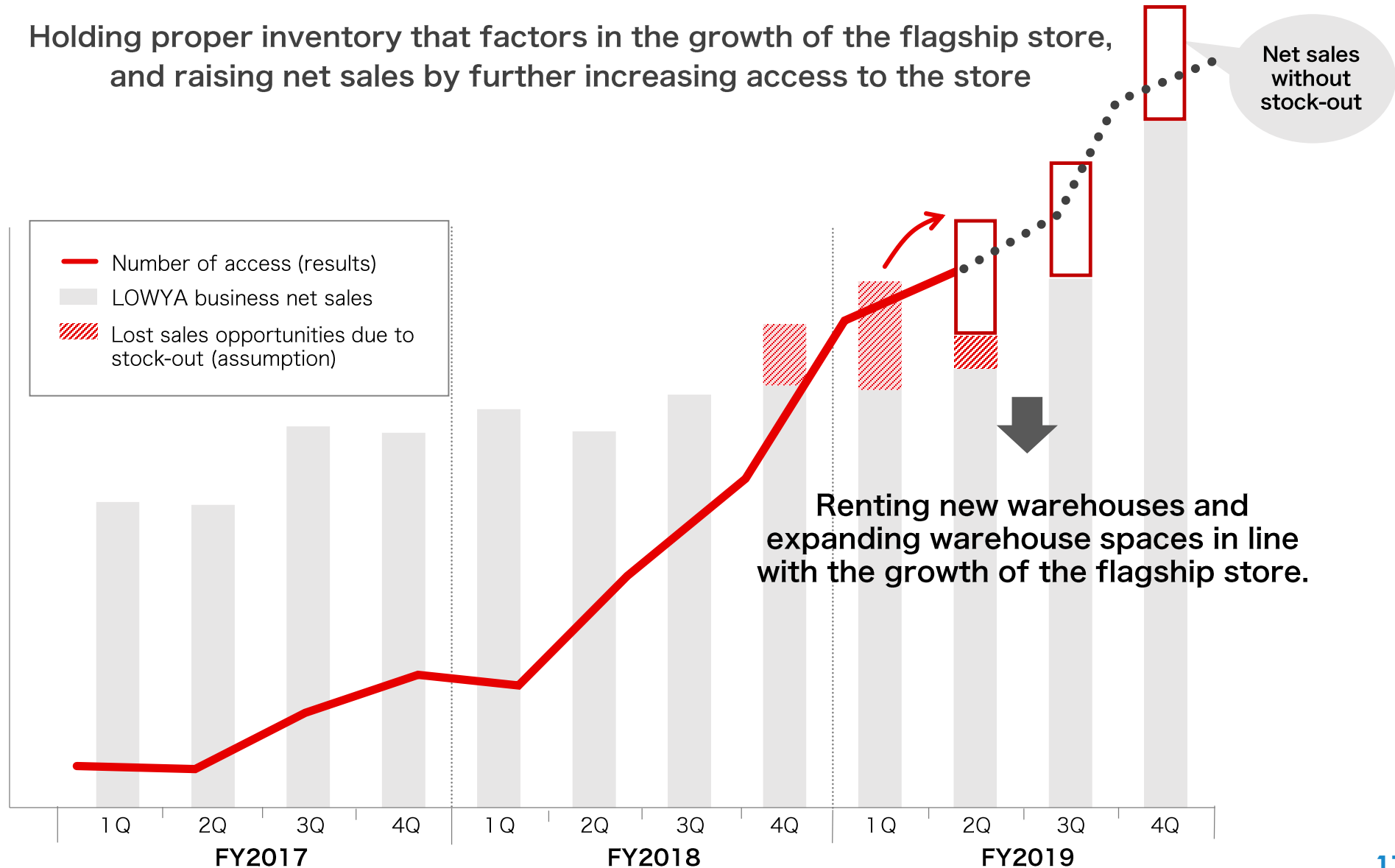
Improve inventory accuracy with systemization

**FY2019: Inventory to gradually recover from around August to September**

## 2-2. 1 Initiatives for Resolving Short-term Issues

### Development of environment to accommodate the growth of the flagship store

Holding proper inventory that factors in the growth of the flagship store,  
and raising net sales by further increasing access to the store

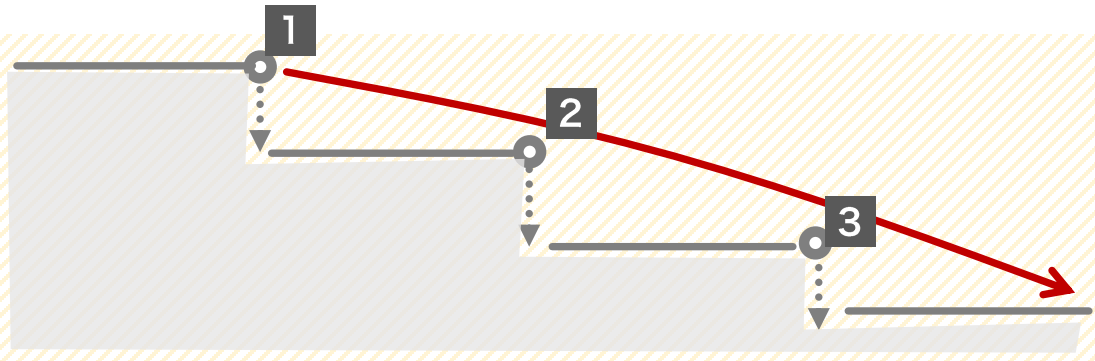


## 2-2. ② Initiatives for Resolving Medium- to Long-term Issues

### Reduction of warehouse storage expense ratio

#### 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

### 1 Mobile racking system

Considering the introduction of a mobile racking system in order to expand inventory storage space of the warehouse area. Storage space is expected to double with the introduction of this system.

→ Reduction of storage expenses



### 2 Company-owned warehouses

Considering to purchase company-owned large warehouses in order to reduce storage expenses over the long term.

→ From storage expenses to depreciation expenses

### 3 Warehouse automation

Considering the warehouse automation to improve storage efficiency as in the case of the mobile racking system, and also reduction in picking time and fixed cost ratio is expected with this automation.

→ Reduction of storage expenses

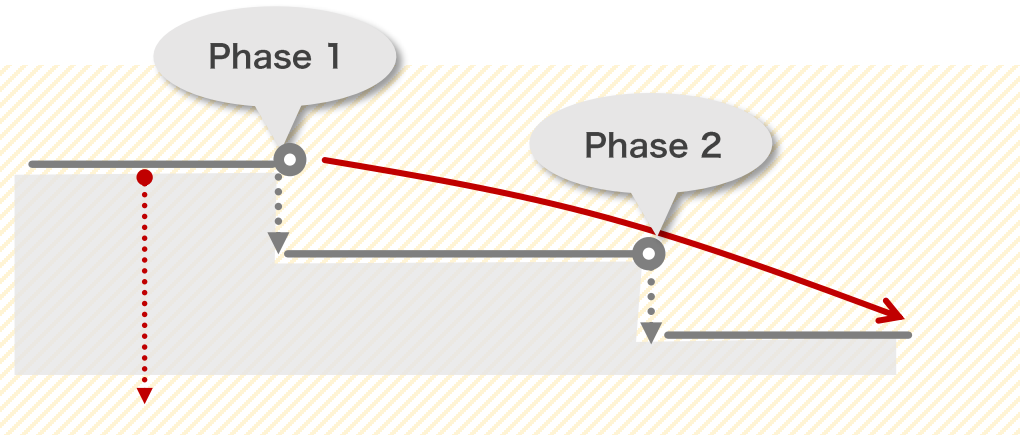
## 2-2. ② Initiatives for Resolving Medium- to Long-term Issues

### Reduction of delivery expenses

#### 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



**Laig** service launched

## Reduction of delivery expenses

### Phase 1

#### ▶ Optimizing delivery routes and inventory placement

Shorten delivery routes from warehouses to users by conducting proper inventory management according to the delivery volume of each region.

→ Reduction of delivery expense ratio

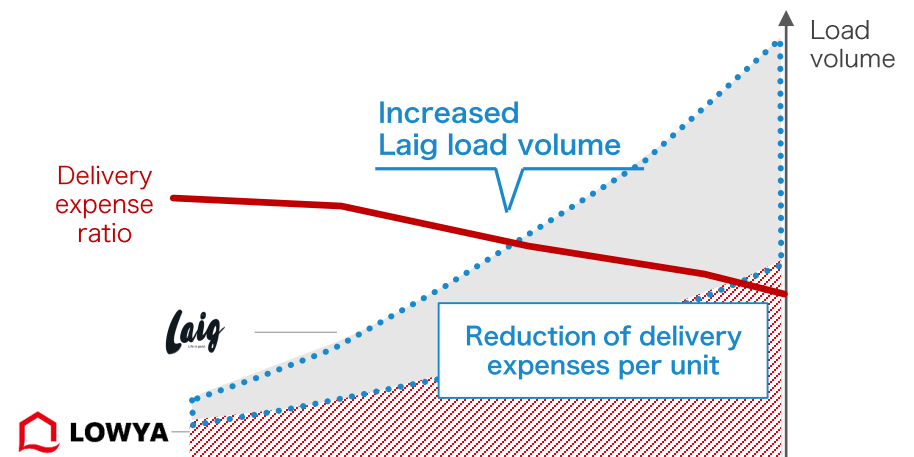
#### ▶ Building a logistics network

Focus on reducing delivery expenses over the long term by increasing the number of partner carriers.

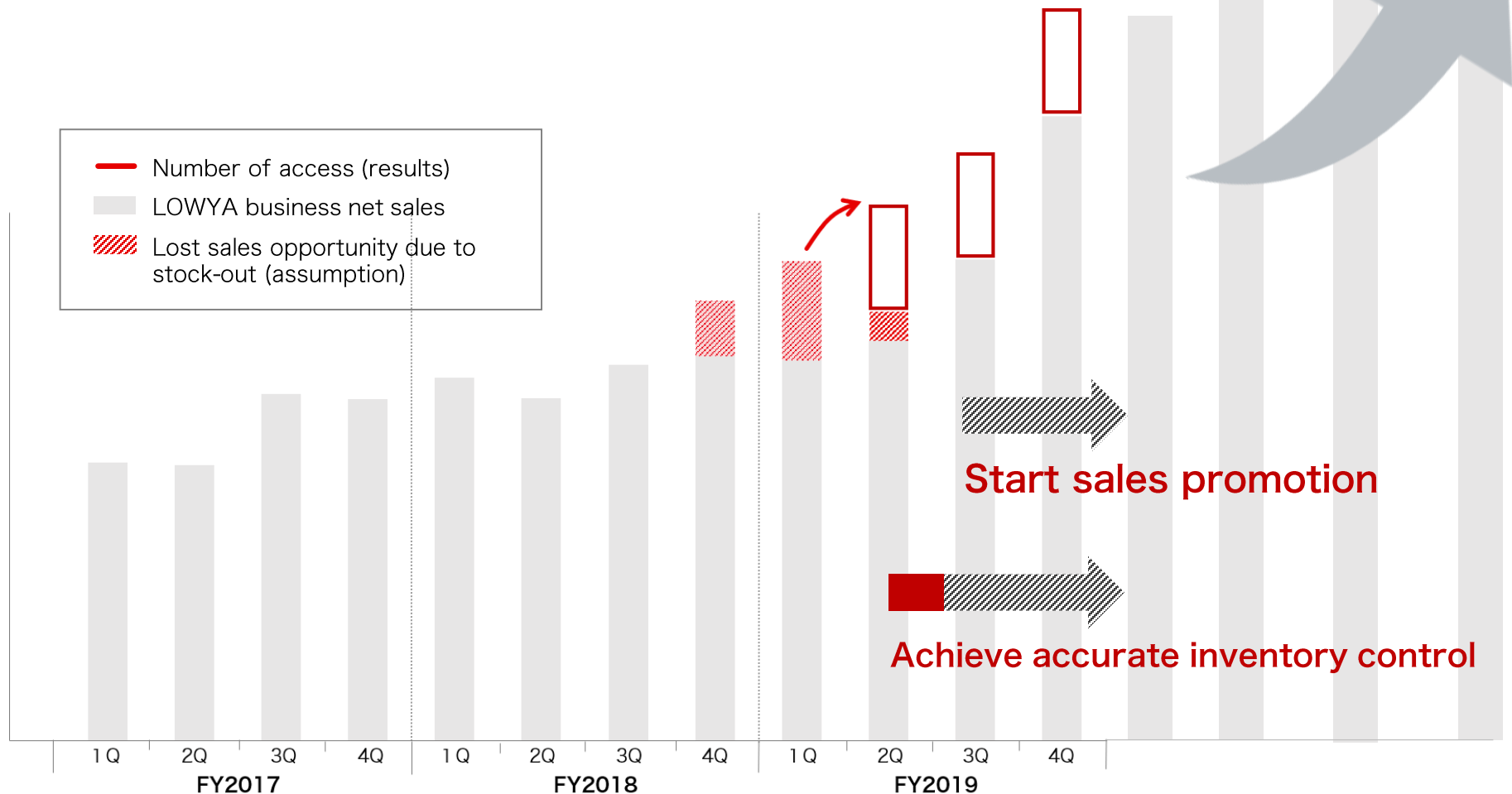
→ Reduction of delivery expense ratio

### Phase 2

#### ▶ Improving loading efficiency through the increase in Laig load volume



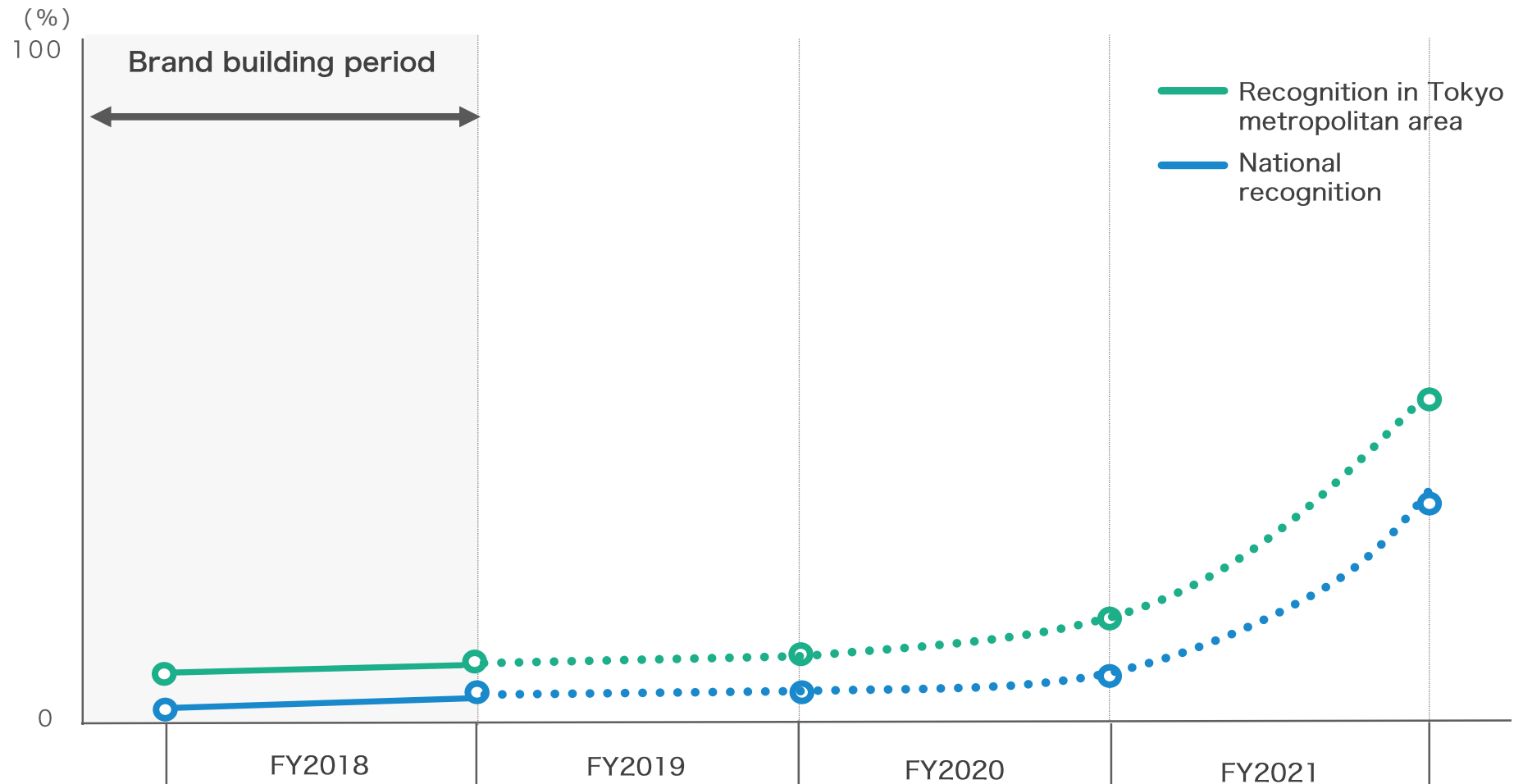
# Accelerate sales promotion to maximize access from the second half of FY2019



## 2-2. ② Initiatives for Resolving Medium- to Long-term Issues

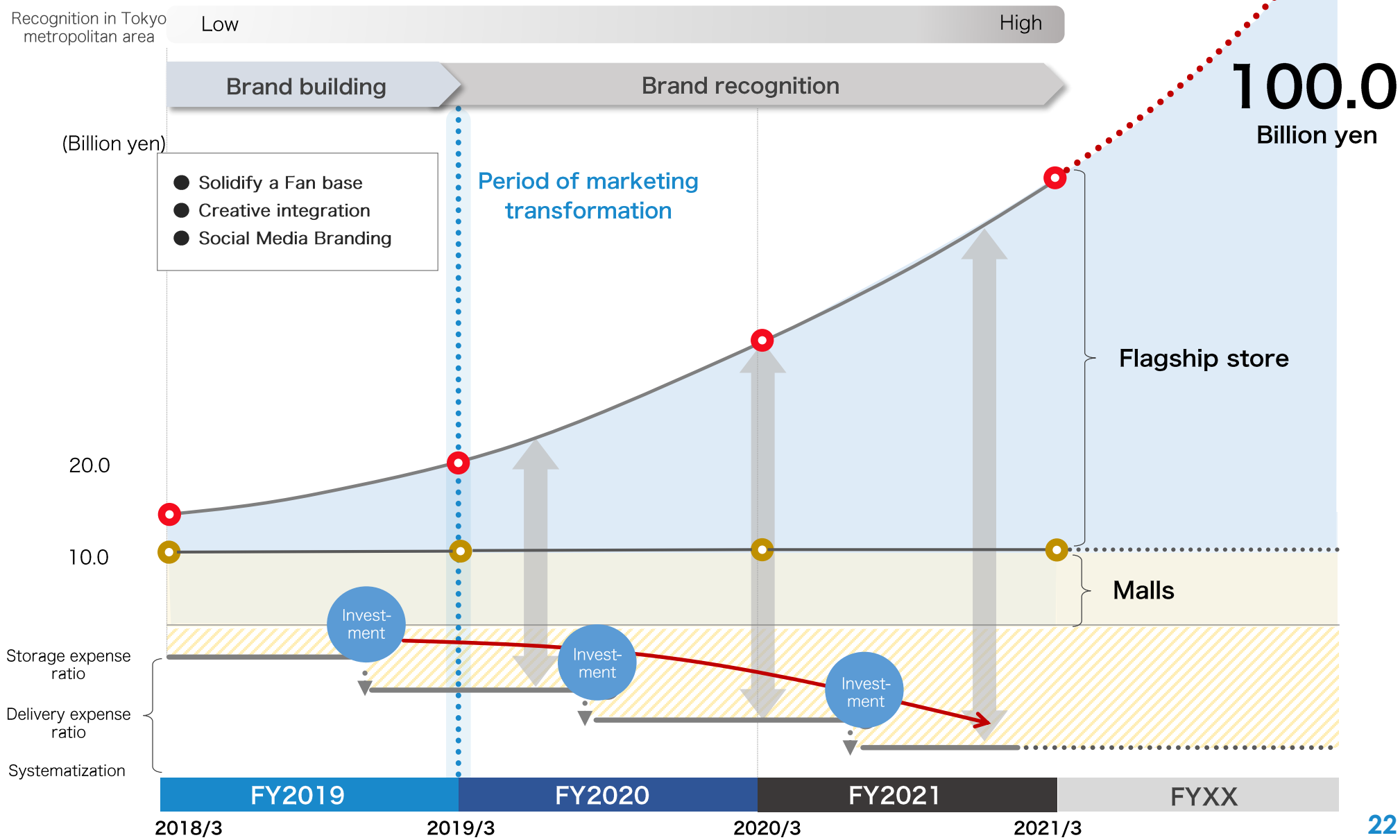
### Expansion of recognition

Prove the correlation between recognition and sales, and enhance recognition in the Tokyo metropolitan area in three years

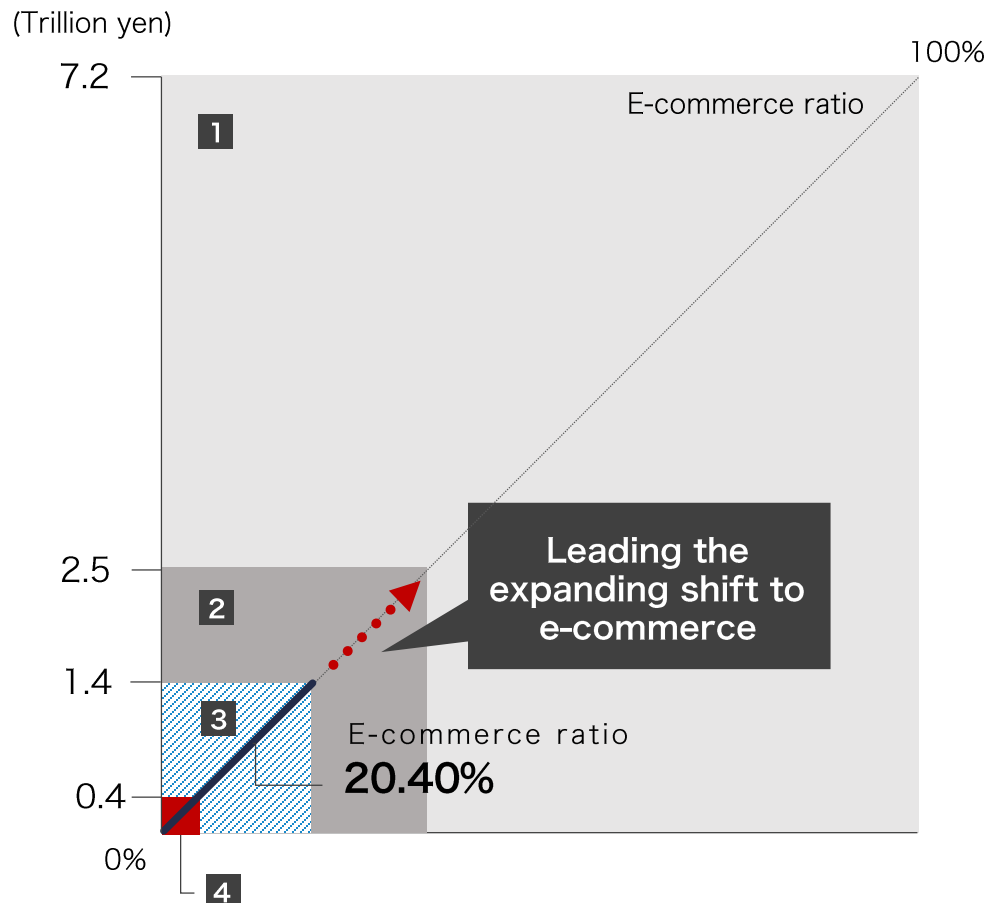


\* According to an online survey of furniture, interior product, and sundries brands.

2-2. Future Development\_LOWYA Business



## 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))

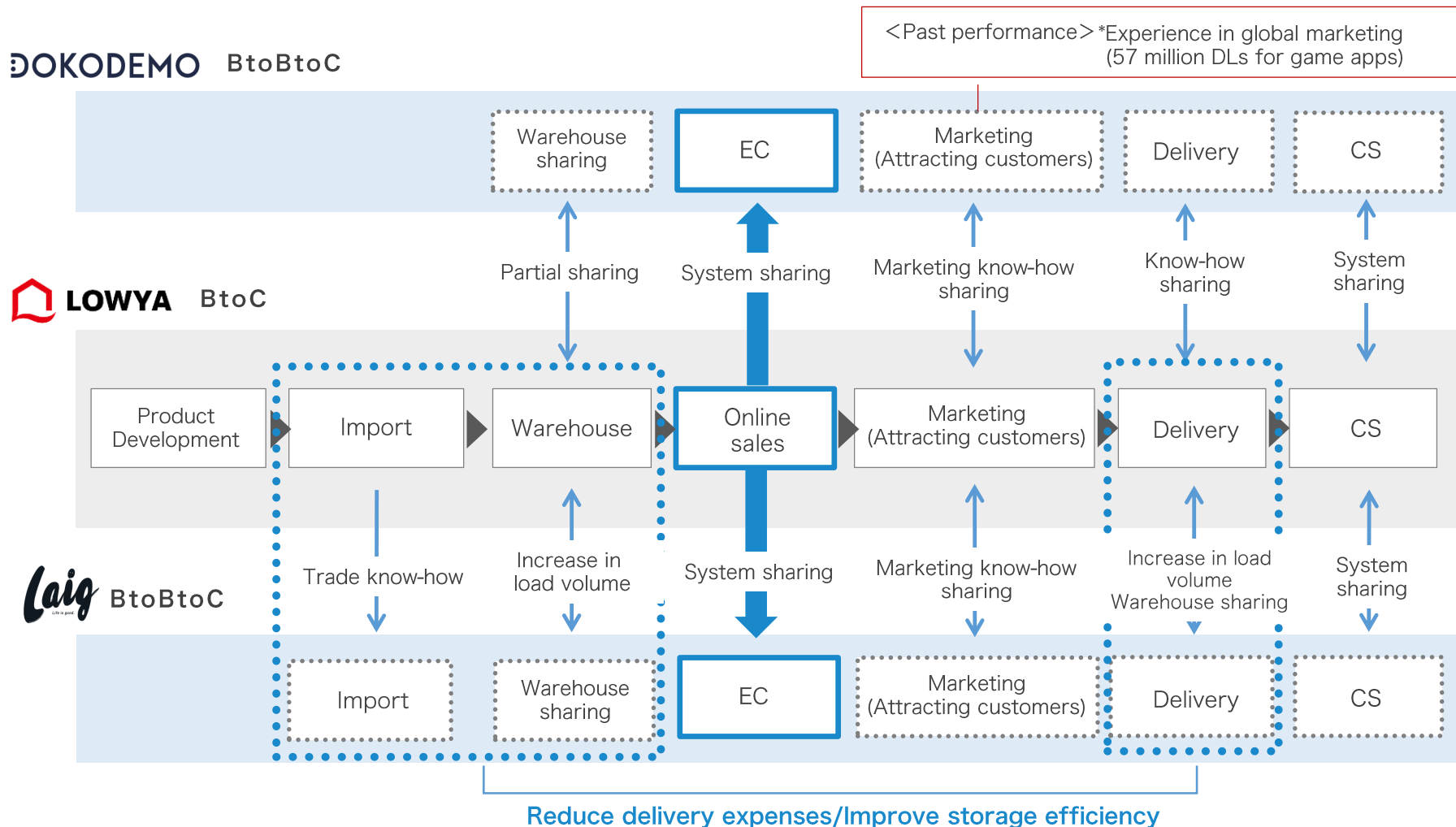
\* FY2017 E-Commerce Market Survey published by Ministry of Economy, Trade and Industry  
\* BtoC-EC ratio of 20.40% converted based on the market scale



### **3. Synergy of Company-wide Businesses**

### 3. Synergy of Company-wide Businesses

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



## 4. New Businesses (R&D)

DOKODEMO

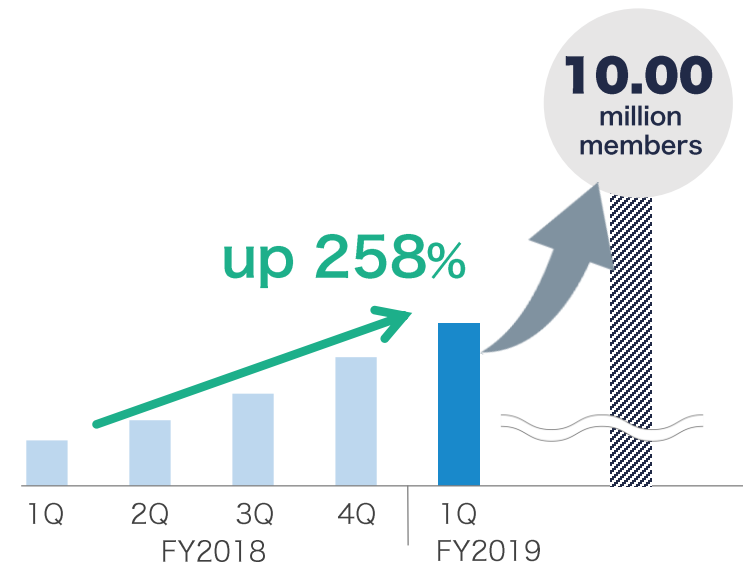


## 4-1. DOKODEMO Business

## ■ Membership

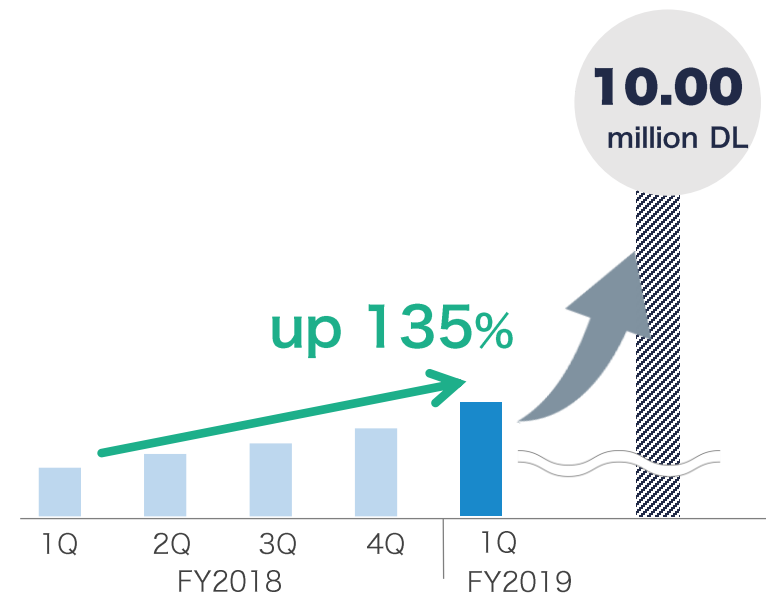
**264,000** (up 258% YoY)

\*As of June 30, 2018 (the same applies hereinafter)



## ■ Number of APP DLs

**598,000** (up 135% YoY)



## ■ Purchase price per person

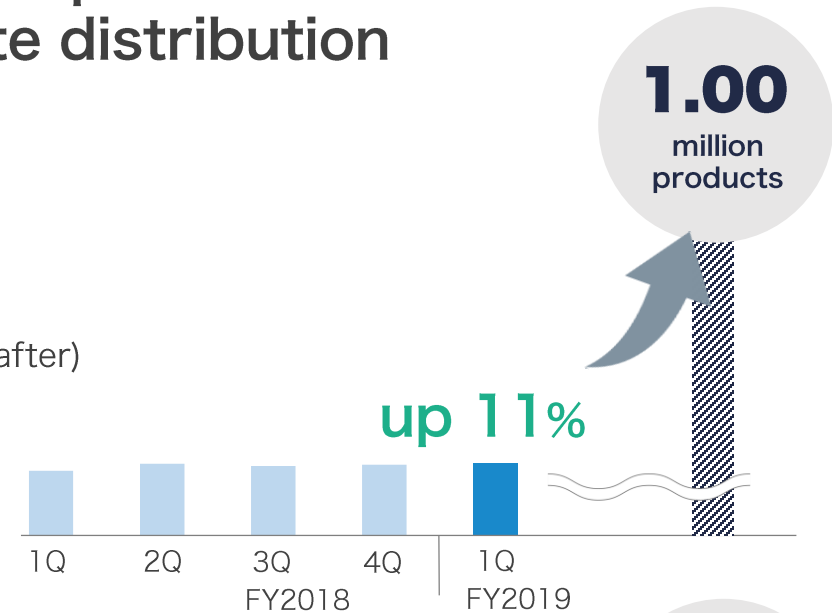
**8,905 yen** (up 13% YoY)

## Increase the number of products and brands to accelerate distribution

### ■ Number of products

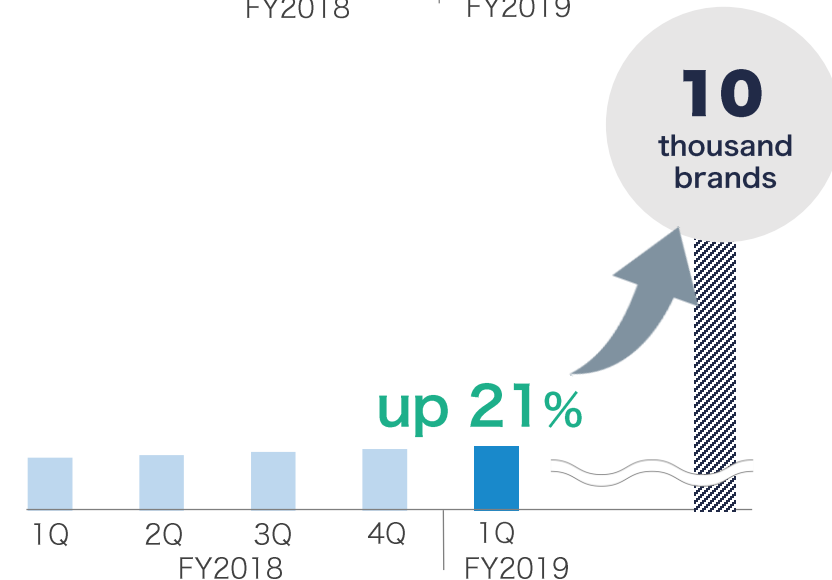
**67,500** (up 11% YoY)

\*As of June 30, 2018 (the same applies hereinafter)



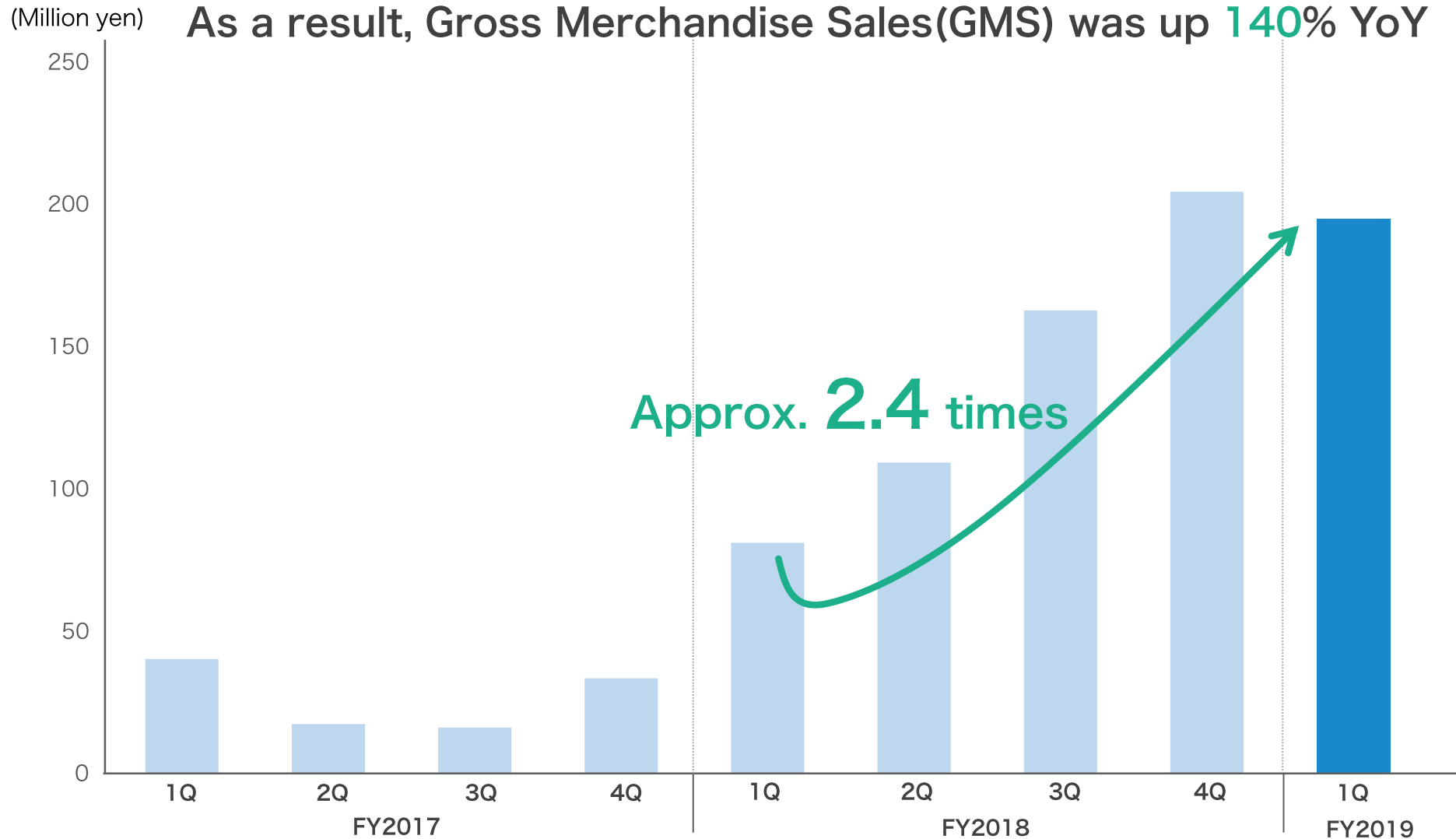
### ■ Number of brands

**738** (up 21% YoY)

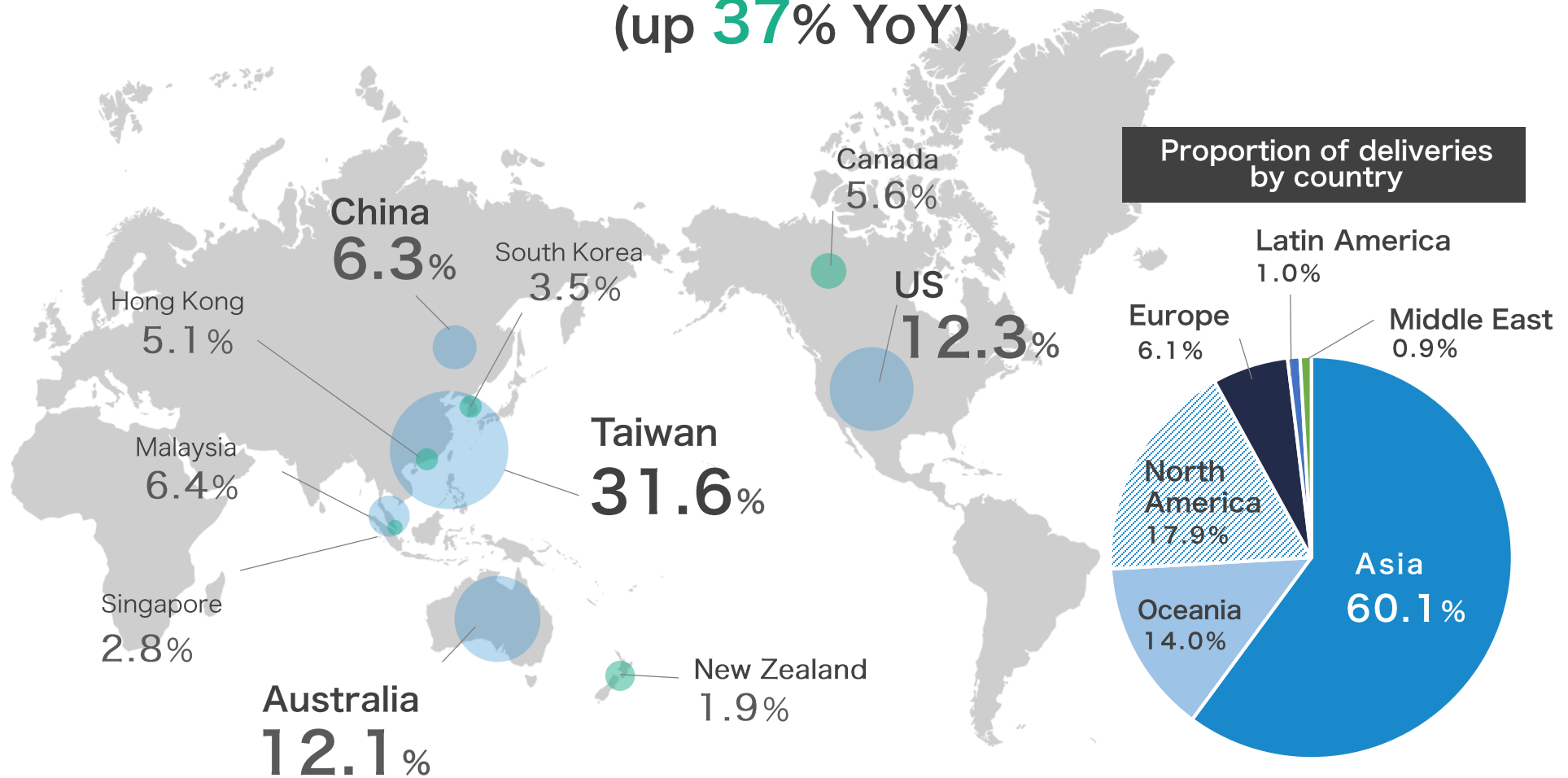


Focused on efficient operation to reduce sales promotion and advertising expenses.

As a result, Gross Merchandise Sales(GMS) was up 140% YoY



# Deliveries increased to **84** countries and regions (up **37%** YoY)



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



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

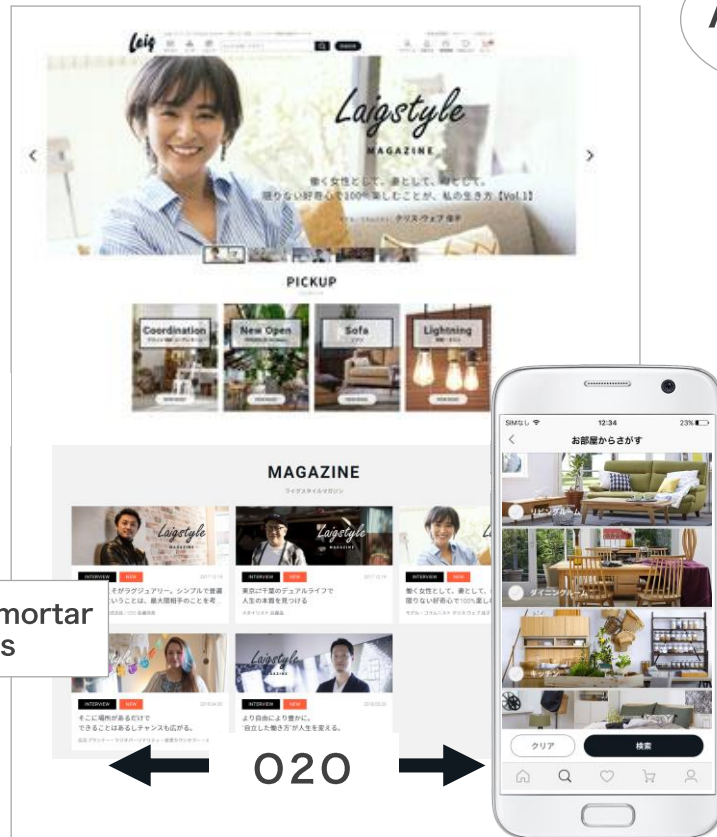


## 4-2. Business

## To be launched in August to September 2018

An extensive lineup of interior lifestyle and other products will be provided, including those of popular brands.

\*Website image



At launch

Number of brands:

Approx. **30**

Number of products:

Approx. **2,000~3,000**

O2O

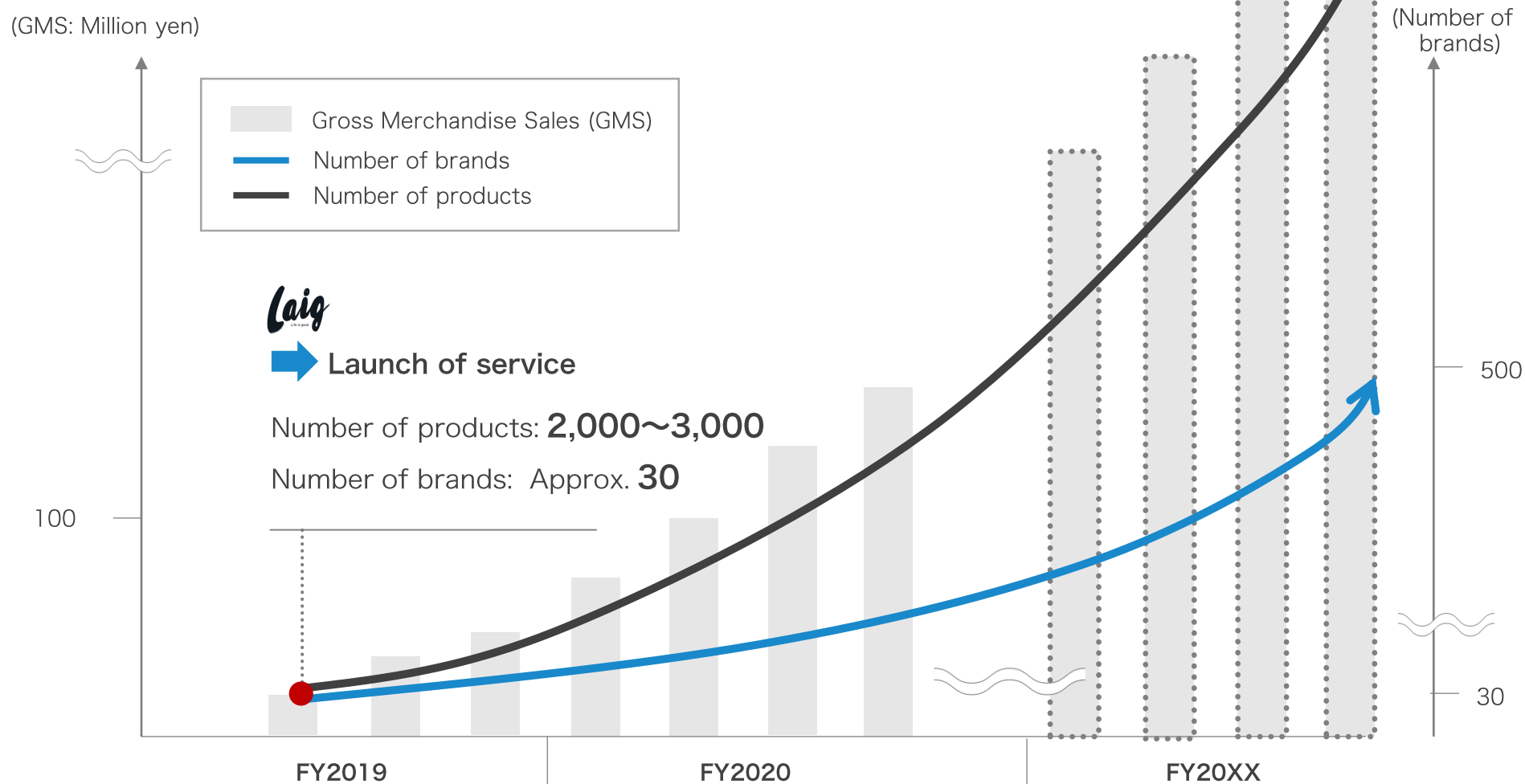
Brick and mortar stores

O2O

Laig will become one of Japan's top EC platform in the interior lifestyle industry in terms of both the number of brands and products.

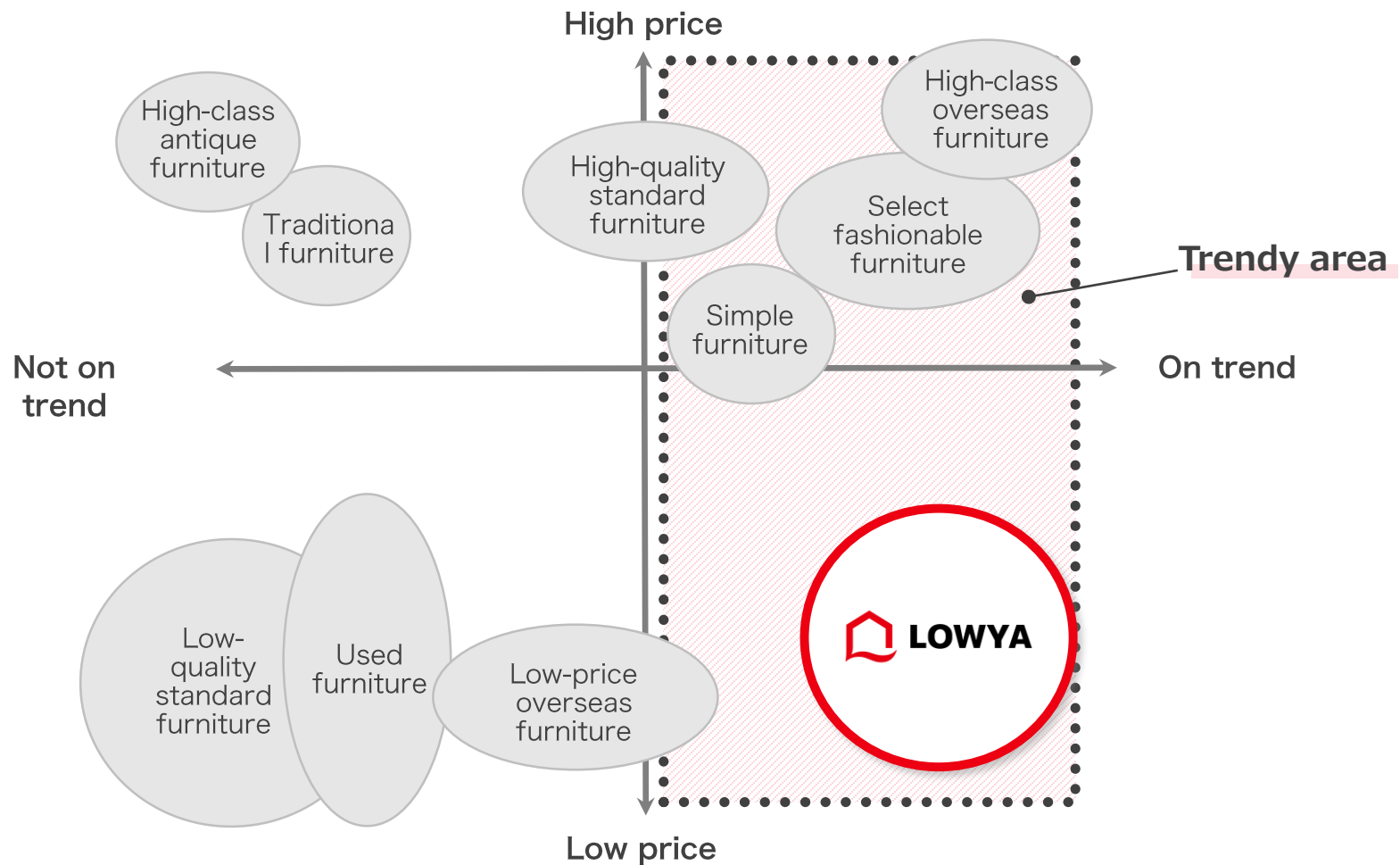
Laig is an interior lifestyle platform achieving EC + O2O (Online to Offline).

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



# 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**



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





Chest  
**12,990**yen (incl. tax)

Sofa  
**24,990**yen (incl. tax)

Desk  
**19,990**yen (incl. tax)

Chair  
**7,990**yen (incl. tax) **39**



Lighting

**3,990**yen (incl. tax)

Storage shelves

**13,990**yen (incl. tax)

Bed

**39,990** yen (incl. tax)

Rug

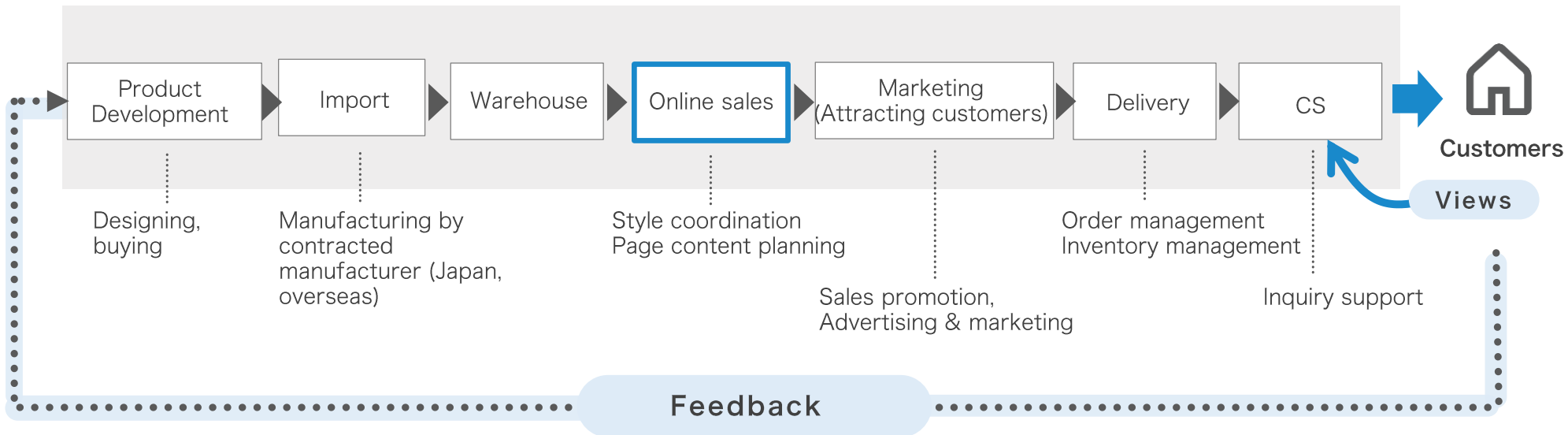
**12,990**yen (incl. tax)

Mattress (S)

**9,990**yen (incl. tax)

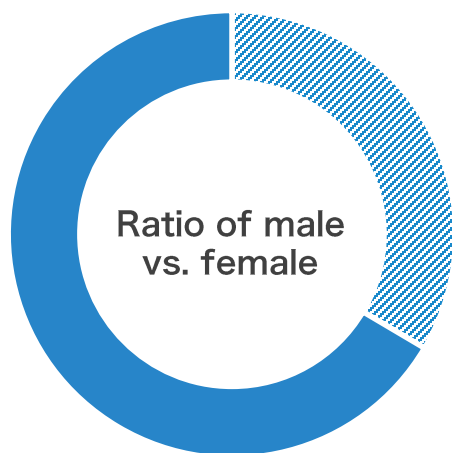
# D2C business model conducting the entire procedure inhouse

(Direct to Consumer)



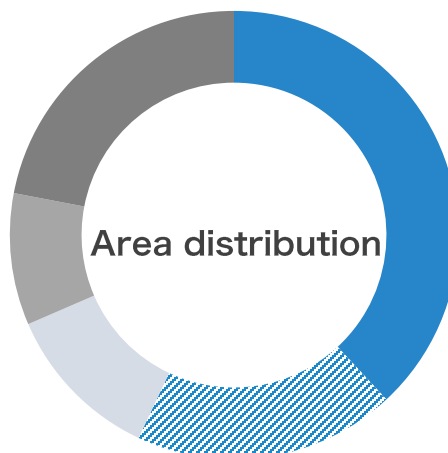
## Showing higher ratio of female in their 30's, mainly in the Tokyo metropolitan area

(April 1, 2018 to June 30, 2018)



 Male **33.5%**

 Female **66.5%**



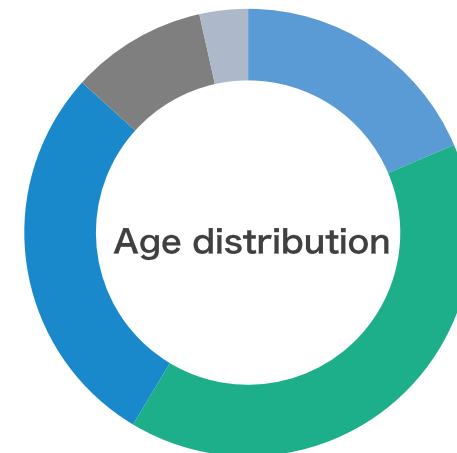
 Kanto **38.1%**

 Kinki **18.9%**

 Tokai **11.5%**

 Kyusyu **9.5%**

 Other **22.0%**



 29 and younger **18.6%**

 30 to 39 **40.0%**

 40 to 49 **28.1%**

 50 to 59 **9.8%**

 60 to 69 **3.5%**



Approx. **28.70** million  
people visiting Japan<sup>(\*)</sup>

### 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<sup>(\*)</sup>

### 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

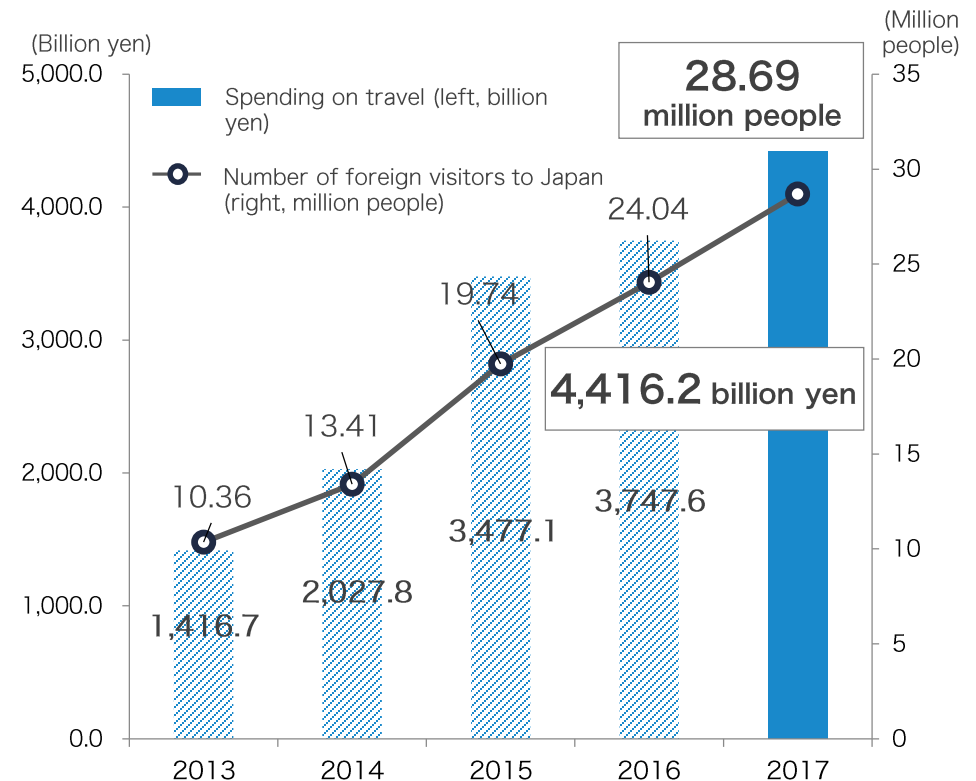
■ International EC market scale (2017)

(Units: Billion yen)

Country (Country of consumption)	Purchase amount from Japan	Purchase amount from the U.S.	Purchase amount from China	Total
<b>Japan</b> (YoY)		232.7	24.3	<b>257.0</b>
		7.2%	7.3%	<b>7.3%</b>
<b>US</b> (YoY)	712.8		494.2	<b>1,207.0</b>
	15.8%		16.0%	<b>15.9%</b>
<b>China</b> (YoY)	1,297.8	1,457.8		<b>2,755.6</b>
	25.2%	28.2%		<b>26.8%</b>
<b>Total</b> (YoY)	<b>2,010.6</b>	<b>1,690.5</b>	<b>518.6</b>	<b>4,219.6</b>
	<b>21.7%</b>	<b>24.8%</b>	<b>15.6%</b>	<b>22.1%</b>

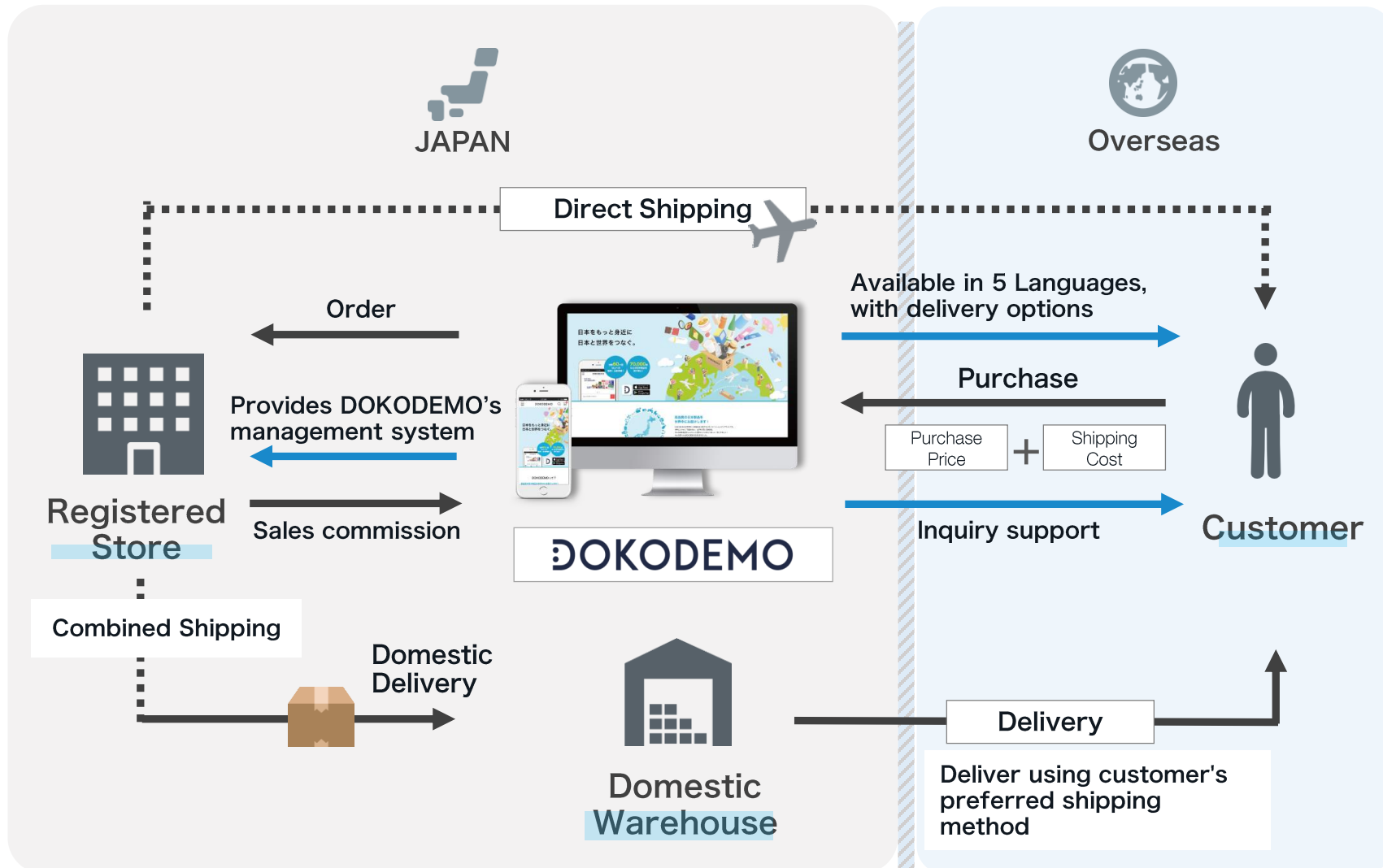
Source: Ministry of Economy, Trade and Industry “FY2017 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey)”

■ Survey of spending by foreign visitors to Japan



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

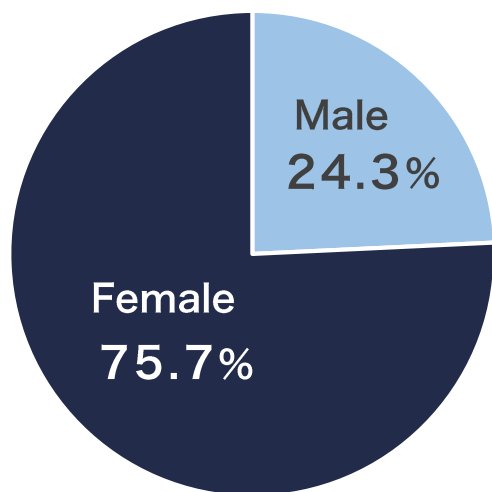
## Delivering products directly from registered stores to customer (Non-stock inventory)



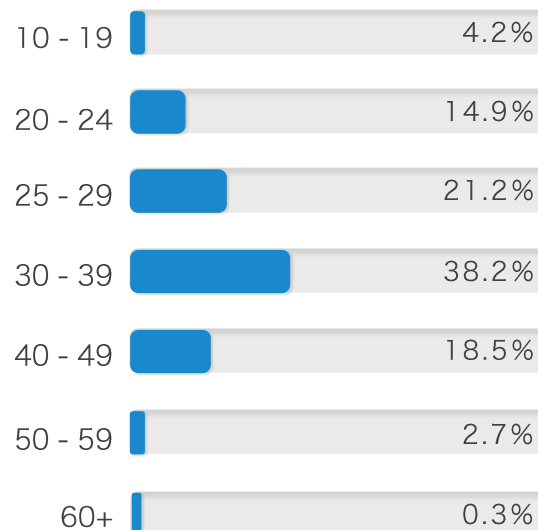
Female users in their 30's are increasing.  
DOKODEMO will strengthen the “hobby” and “fashion” categories going forward

Calculation period: April 1, 2018 to June 30, 2018

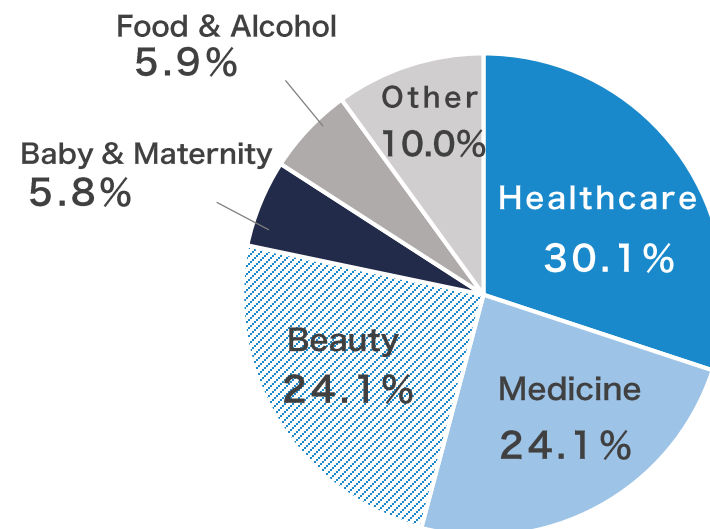
<User data>  
Gender



<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)



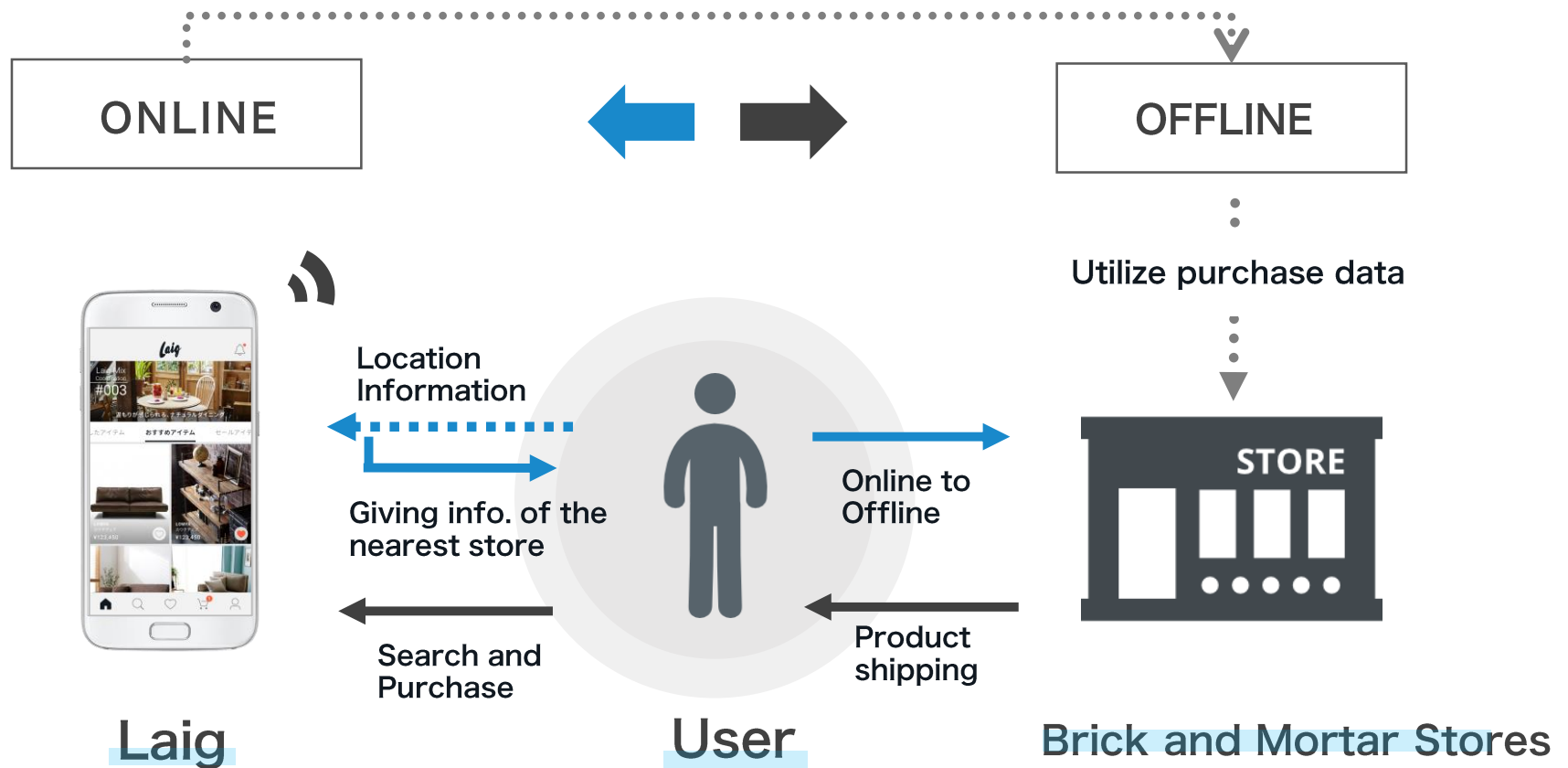
Finding your own Lifestyle  
with no hurdle and stress!

Always focused on:

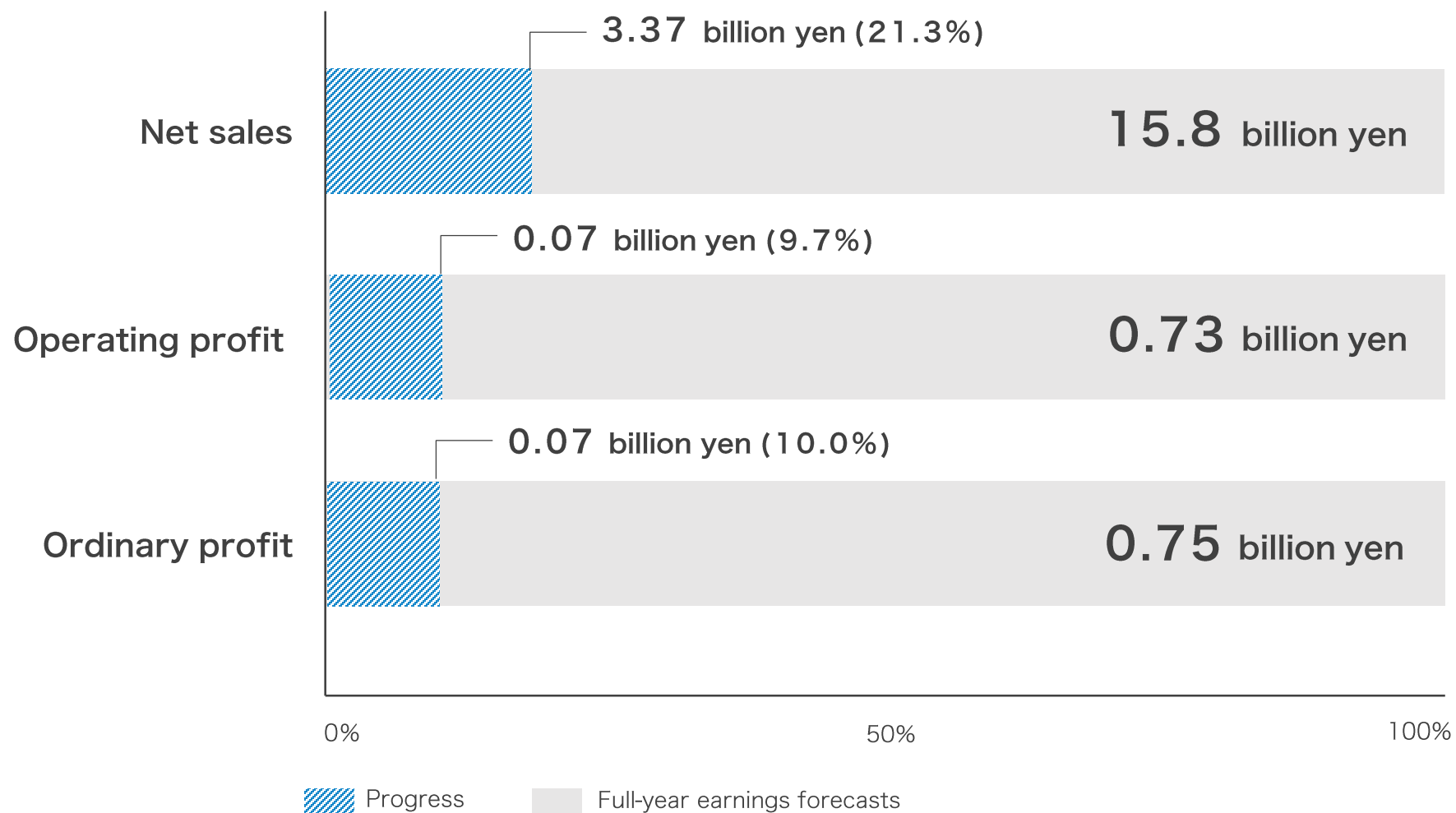
**“Lifestyle”**



## Online or Offline, users can choose whichever convenient



## Earnings Forecasts for the Fiscal Year Ending March 31, 2019



A woman with dark hair and bangs is sitting on the floor, leaning against a light-colored wooden shelving unit. She is wearing a white long-sleeved top with orange floral patterns and a skirt with orange and white vertical stripes. The shelving unit has several open shelves and closed doors. On the shelves, there are various plants and flowers, including a large bouquet of white and yellow flowers, a potted plant with green leaves, and a small framed picture. The background is a plain white wall.

**MAKE NEW STANDARDS**



**VEGA** corporation

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