



Full-Year Financial Results
for the Fiscal Year Ended March 31, 2018

Vega corporation Co., Ltd.

Agenda

- 1 Overview of Financial Results for the Fiscal Year Ended March 31, 2018**
- 2 Future Development**
- 3 Earnings Forecasts**
- 4 Reference Documents**

Overview of Financial Results for the Fiscal Year Ended March 31, 2018

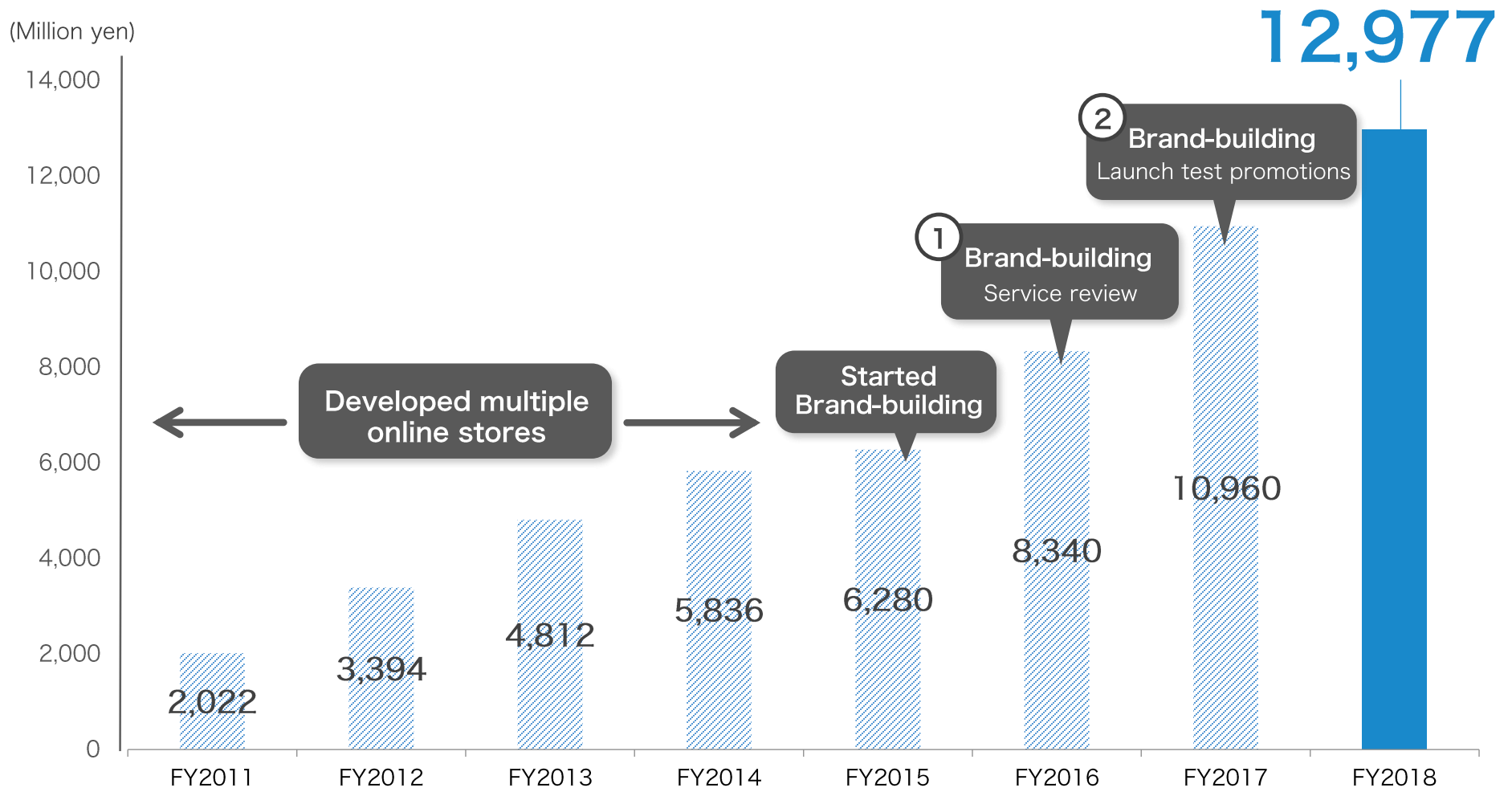
Overview of Financial Results

(Million yen)

	Previous fiscal year	Fiscal year under review	YoY
Net sales	10,960	12,977	118.4%
Operating profit	828	561	67.8%
Ordinary profit	808	589	72.9%
Profit	786	338	43.1%

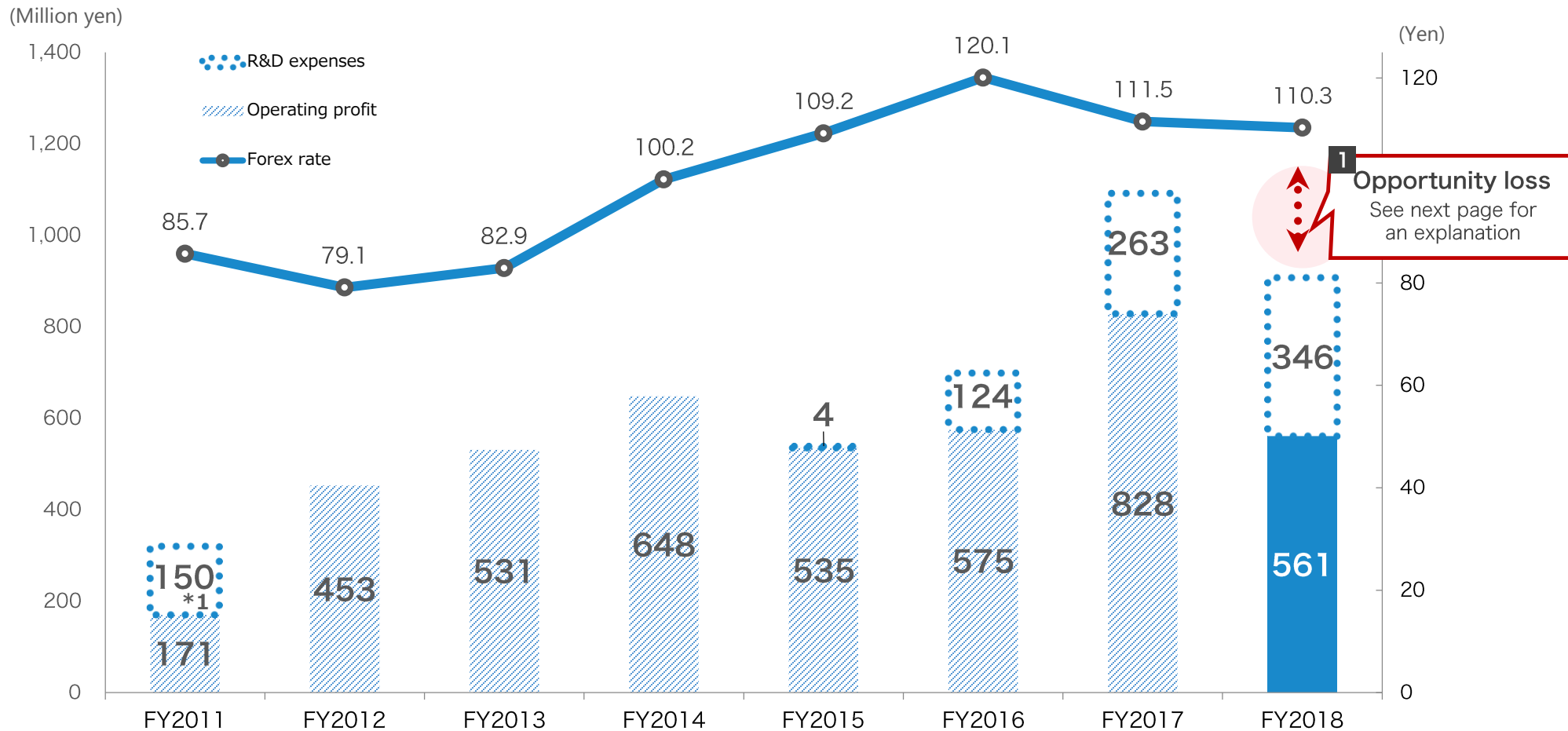
(*) Audit procedures pursuant to the Financial Instruments and Exchange Act are in progress as of the date of disclosure of this document.

Sales continue to grow owing to Brand-building



Operating Profit

Negative impact of higher cost of sales ratio and delivery expenses in 2Q
was mitigated by 4Q,
but recovery was not achieved over the full year



* Research and development expenses are presented as a net amount of revenue and expenditures, and therefore do not match the SG&A expense ratio on the statement of income.

*1 Research and development expenses for the Digital Entertainment Business.

1 Strengthening our flagship store and resolving issues

<Fiscal year ended March 31, 2018>

An increase of

- Cost of sales ratio
- Delivery expense ratio

Revised prices and saw general improvement in 4Q

* Measures against future increase of delivery expense is necessary.

<Fiscal year ending March 31, 2019 onward>

The Company is shifting sales channels from stores at marketplace, which are susceptible to price competition, to the flagship store (= own website), where price competition is unlikely to occur. Average purchase amount of the flagship store is high. We will reduce the fixed and variable cost ratios.

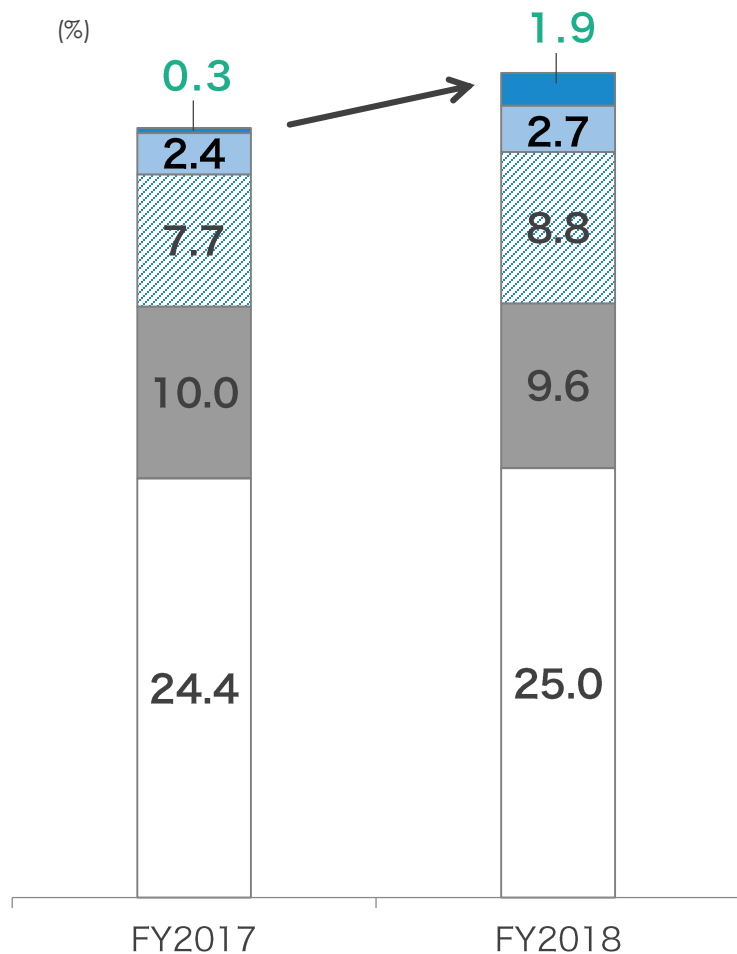
*Average purchase amount: 13,000 yen (marketplace) / 21,000 yen (flagship store)



Strengthening the flagship

*Flagship store: Renamed from “Main Store.” The same applies hereinafter.

Increased +1.6pt YoY owing to active investment in advertising expenses

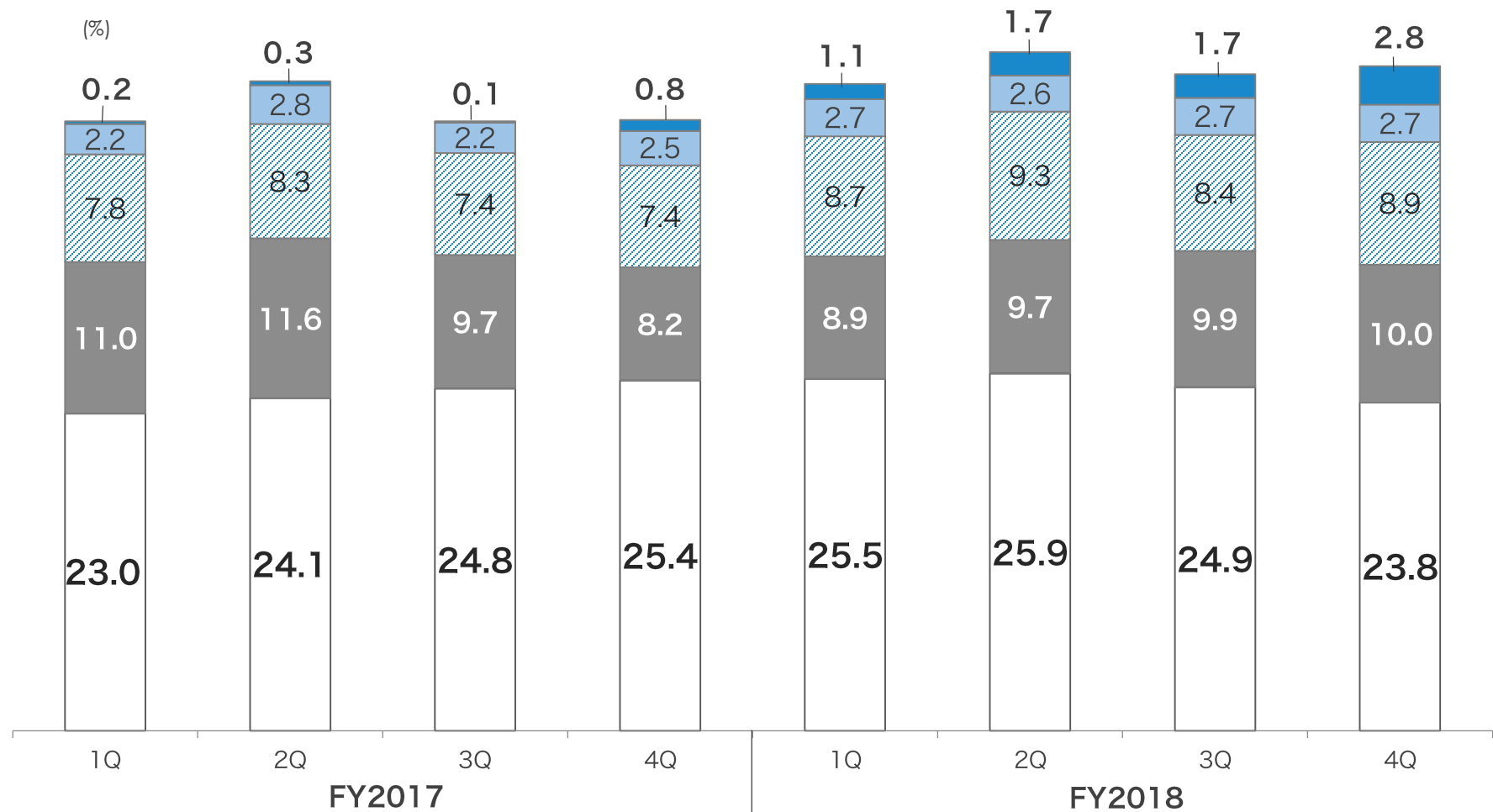


■ Advertising expenses	+1.6pt
■ R&D expenses	+0.3pt
▨ Fixed costs	+1.1pt
■ Personnel expenses	(0.4)pt
□ Selling expenses	+0.6pt

(*) 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.

(*) Research and development expenses are presented as the net amount of revenue and expenditures, and therefore this data does not match the SG&A expense ratio on the statement of income.

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



■ Advertising expenses

■ R&D expenses (Note 1)

▨ Fixed costs

■ Personnel expenses
(Note 2)

□ Selling expenses (Note 3)

(Note 1) Shown as a net amount of revenue and expenditures.

(Note 2) Includes salaries and allowances.

(Note 3) Includes sales commission 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.

Balance Sheet

(Million yen)

	Previous fiscal year (as of March 31, 2017)	Fiscal year under review (as of March 31, 2018)		Previous fiscal year (as of March 31, 2017)	Fiscal year under review (as of March 31, 2018)
Current assets	4,839	5,361	Current liabilities	1,752	2,107
Cash and deposits	1,430	1,656	Debt obligations	820	820
Accounts receivable – trade	1,694	1,801	Non-current liabilities	3	27
Merchandise	1,532	1,750	Total liabilities	1,756	2,135
Non-current assets	497	552	Shareholders' equity	3,577	3,788
Property, plant and equipment, and intangible assets	275	270	Total net assets	3,580	3,779
Total assets	5,336	5,914	Total liabilities and net assets	5,336	5,914

[Equity ratio] Fiscal year under review **63.9%**

Previous fiscal year **67.1%**

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

Overview of Cash Flows

(Million yen)

	Previous fiscal year	Fiscal year under review	Change	Main factors in fiscal year under review	
Cash flows from operating activities	189	537	+347	Profit before income taxes	+569
Cash flows from investing activities	(82)	(173)	(91)	Purchase of property, plant and equipment, and intangible assets Purchase of investment securities	+118 +58
Cash flows from financing activities	513	(127)	(641)	Purchase of treasury shares	+129
Cash and cash equivalents at year- end	1,430	1,663	+232		

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

Management Indicators

Item	Fiscal year ended March 31, 2017				Fiscal year ended March 31, 2018			
	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)	3Q (Oct. – Dec.)	4Q (Jan. – Mar.)	1Q (Apr. – Jun.)	2Q (Jul. – Sep.)	3Q (Oct. – Dec.)	4Q (Jan. – Mar.)
[Company-level] Number of visitors (YoY: %)	142.9	132.4	120.6	123.1	127.2	128.0	105.3	122.8
[Company-level] Average customer spend (YoY: %)	95.7	94.5	109.0	98.0	95.4	94.3	97.1	102.7
[Company-level] CVR (YoY: %)	106.5	108.2	97.1	102.4	111.9	106.3	107.7	88.9
Number of products (Note)	1,029	1,172	1,307	1,311	1,442	1,594	1,795	1,958
Number of new products introduced	80	143	135	117	131	152	201	163
Average settlement rate (yen)	113.54	109.28	110.96	113.06	110.60	109.87	109.87	110.17
Number of employees (Number of people as of the end of the quarterly accounting period)	141	152	157	163	175	187	193	193

(Note) Discontinued products are excluded, and therefore the number of products may not equal the number of products + number of new products introduced.

Future Development

LOWYA Business Future Development

Recognition in Tokyo metropolitan area

Low

High

Brand-building

Brand-recognition

Net sales
(Billion yen)

30.0

20.0

10.0

- Solidify a Fan base
- Creative integration
- Social Media Branding

Period of
Transforming
Marketing

Flagship
store

Stores at
Marketplace



FY2019

FY2020

FY2021

(FY2020)

2018/3

2019/3

2020/3

2021/3

SG&A
expense
ratio

Merits from Strengthening LOWYA Flagship Store

SG&A Expense Ratio

- **Sales commission**
 - Settlement and administration fees
 - Affiliate expenses
- **Promotion expenses**
 - Point & coupon usage fees
- **Other expenses**



Differences in flagship store
and marketplace

-8% (approx.)

1. Strengthening LOWYA Flagship Store

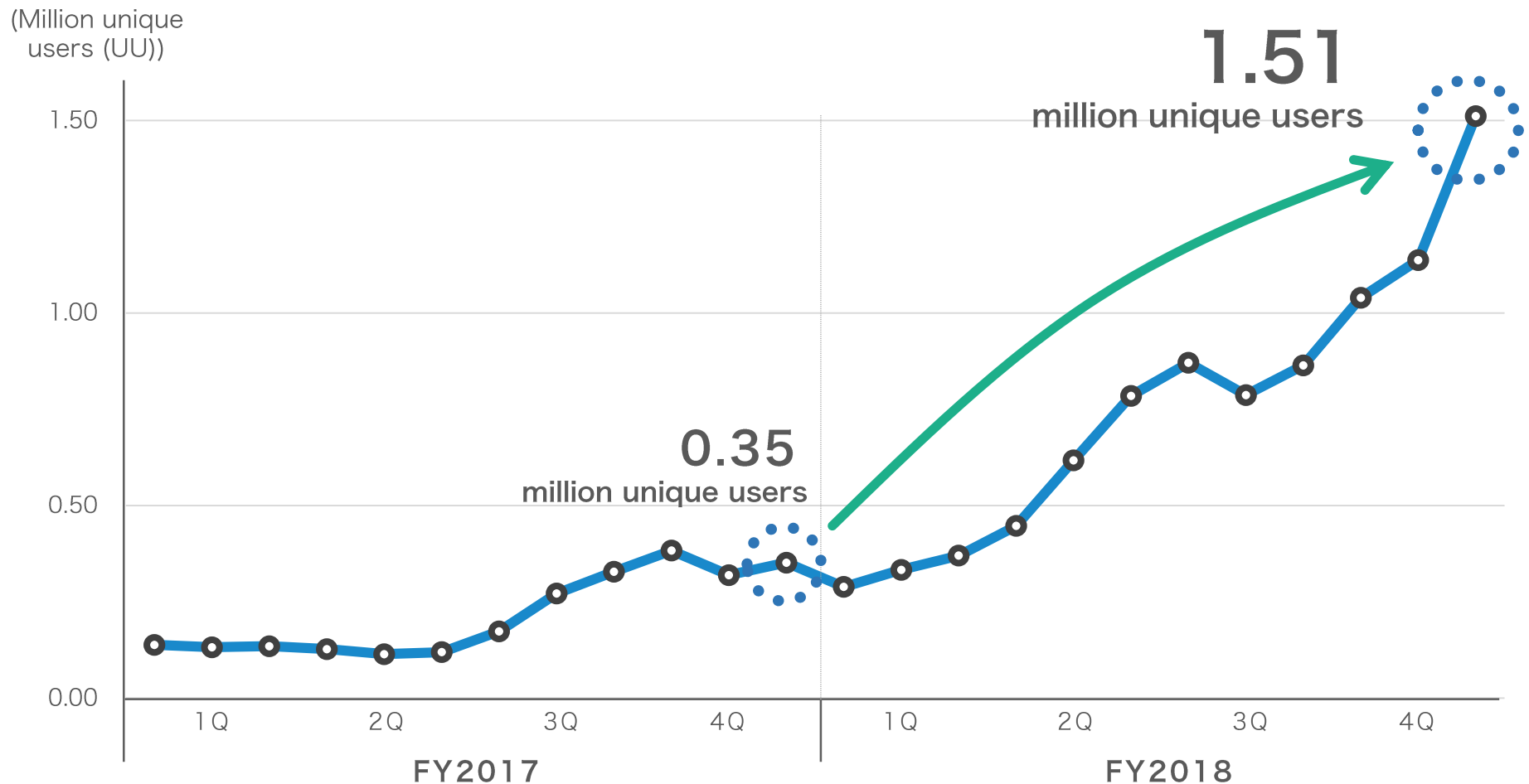
- └ 1-1. Increasing access
- └ 1-2. Creating a brand

Main Initiatives

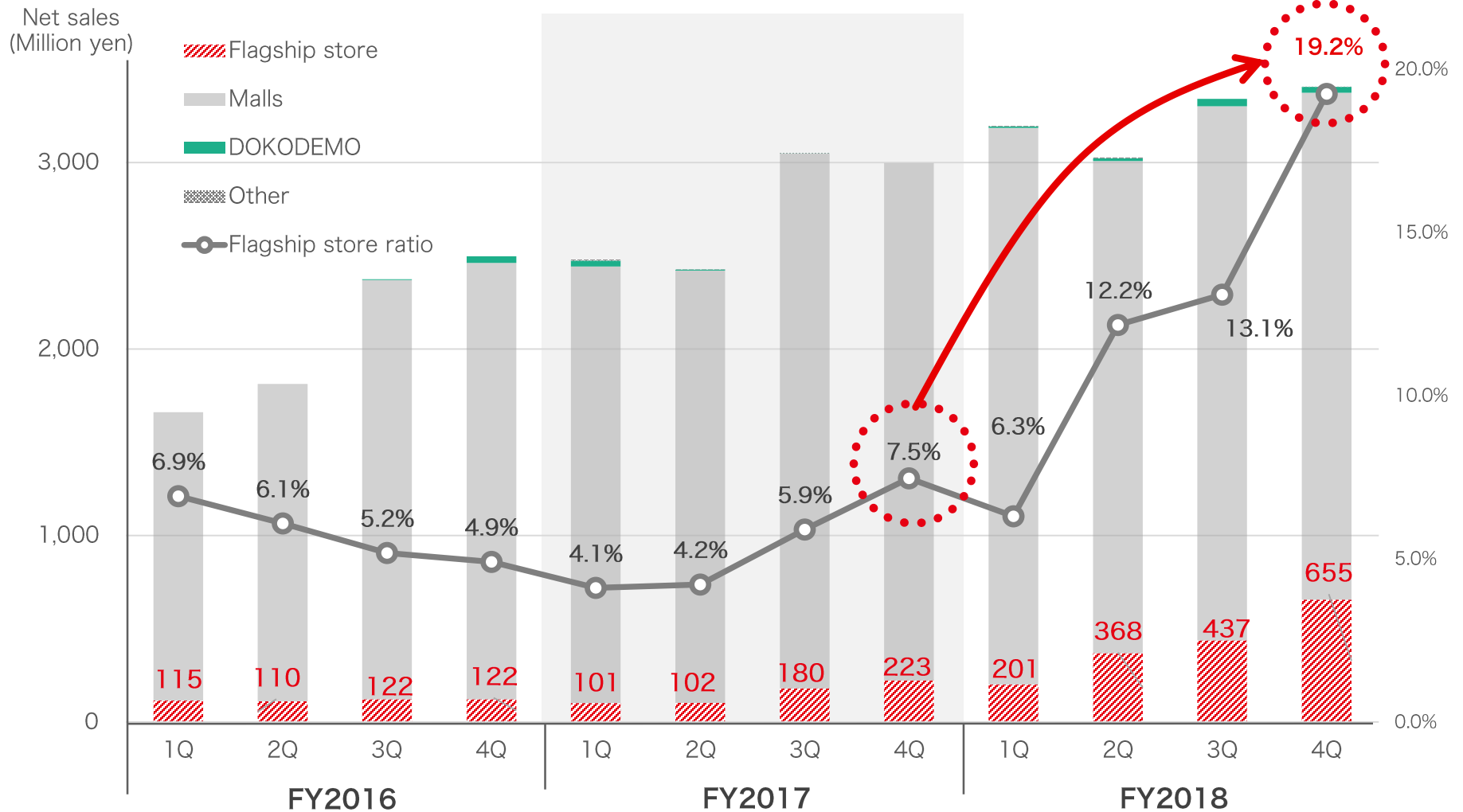
1-1. Increasing Access

- 1 Active investment in advertising**
- 2 Building site infrastrucure suited to SEO**

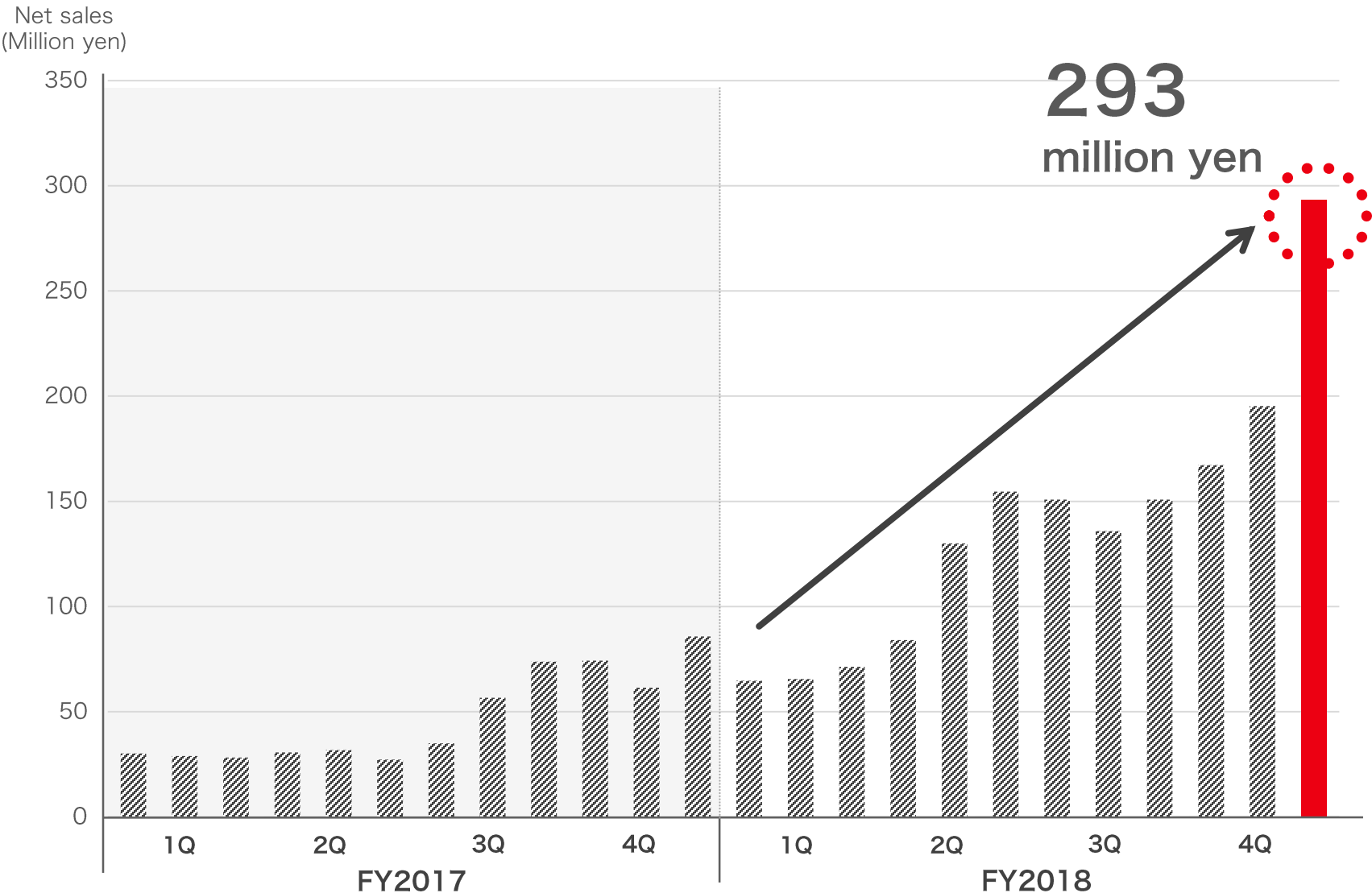
Annual access to the LOWYA flagship store grew faster than expected, up approximately **329% YoY**



Sales ratio of Flagship store increased from 7.5% in 4Q FY2017 to 19.2%



Growth is accelerating as initiatives succeed

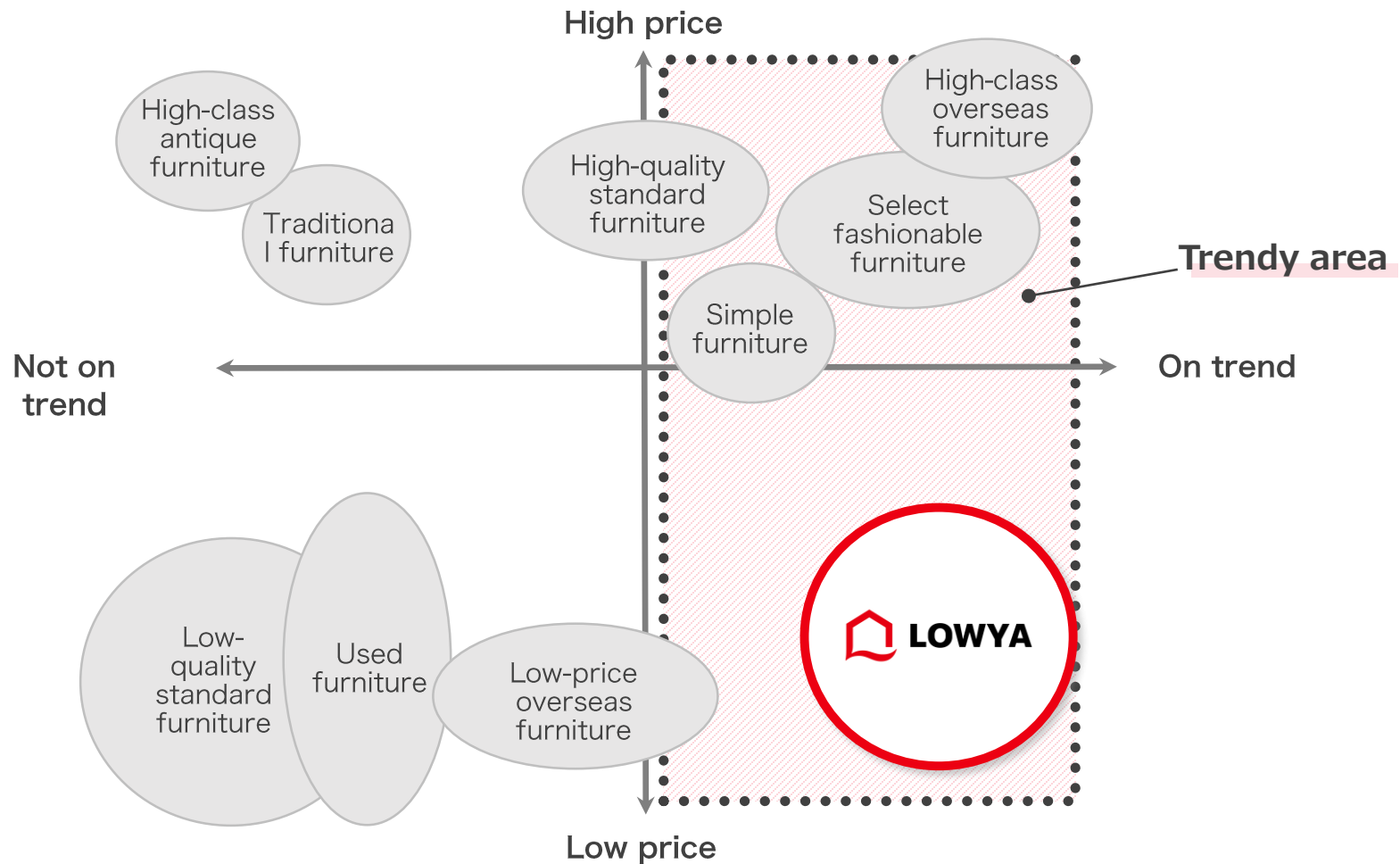


Main Initiatives

1-2. Creating a brand

Initiatives aimed at building a fan base

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



“As fast interior”

**Provide an attractive lifestyle and products
with attractive prices and quality**



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



Table

11,990 yen (incl. tax)

Storage shelves

3,690 yen (incl. tax)

Sofa

42,990 yen (incl. tax)

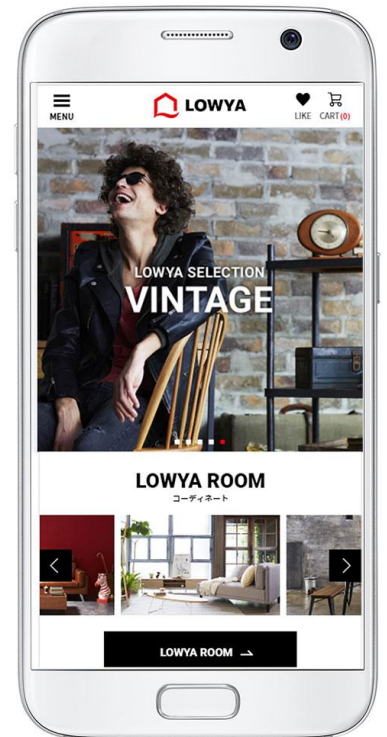
Rug

12,990 yen (incl. tax)

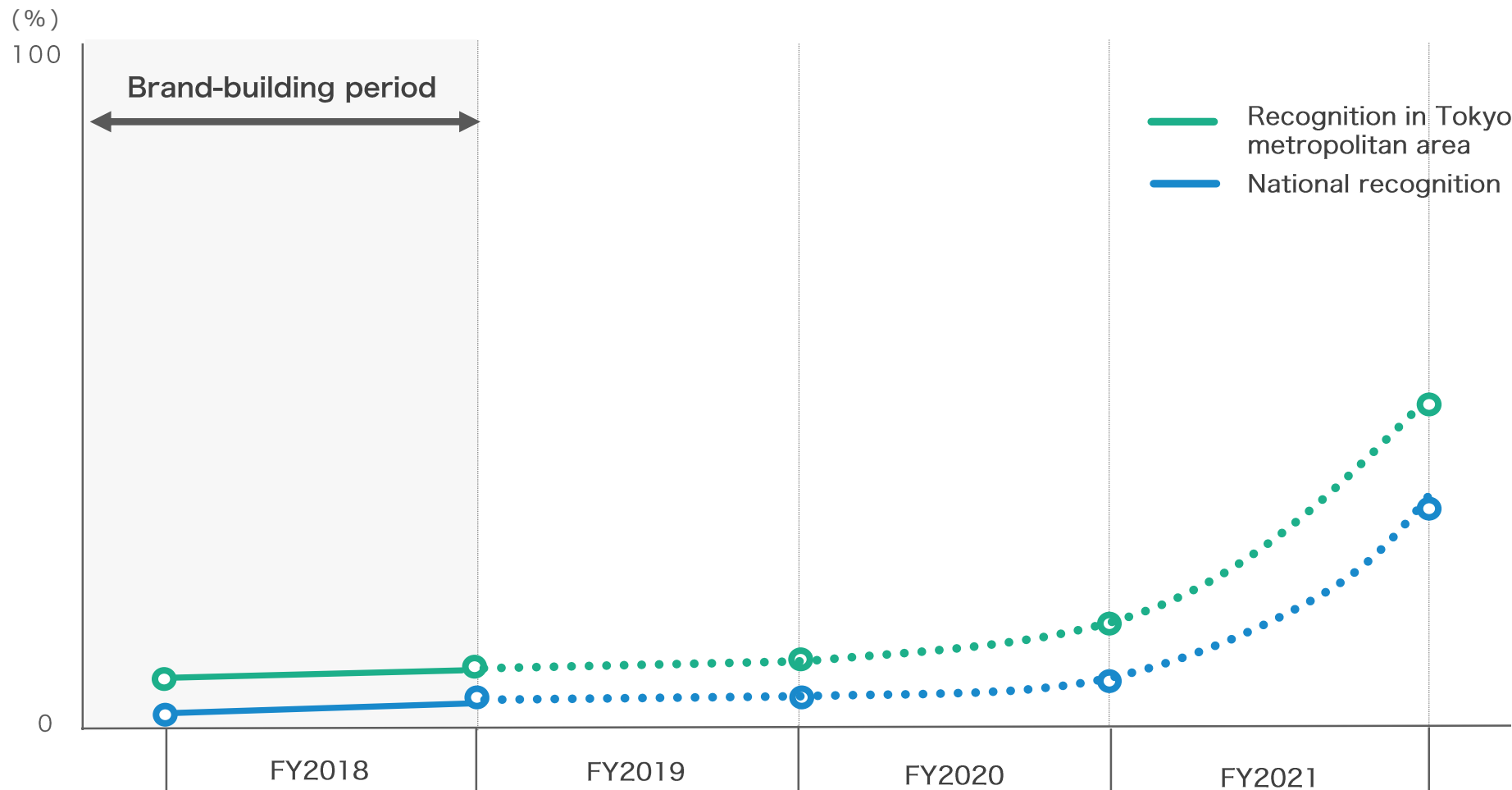
- Significant increases in time on site and page views (PV) per person
- Significant YoY improvements in bounce rate and return visit rate



Each KPI has been improved
owing to a brand creation

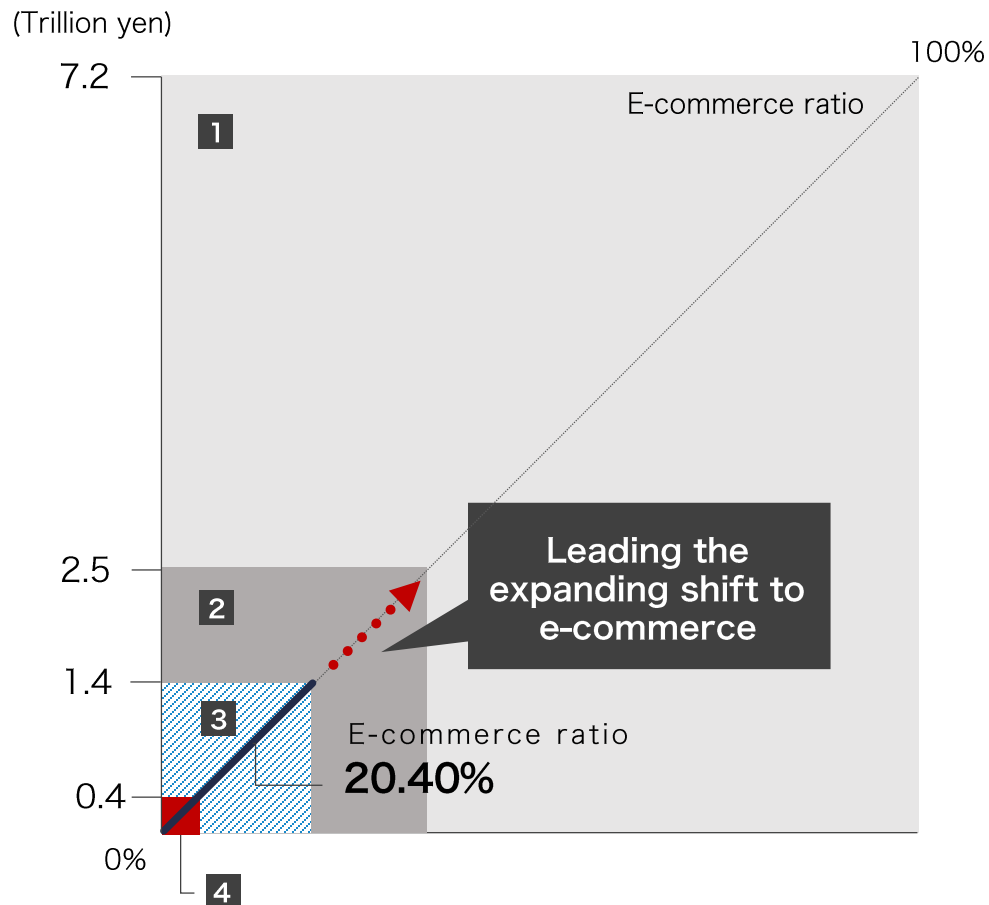


Building our brand this year, and will target enhanced recognition in the Tokyo metropolitan area in three years



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

First, to aim sales of 100 billion yen 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

2. New Businesses

- └ 2-1. DOKODEMO

- └ 2-2. Laig

DOKODEMO

New Business (International EC Platform) Market Scale (1)



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**

New Business (International EC Platform) Market Scale (2)

International e-commerce market is growing yearly,
and foreign visitors and their spending are increasing

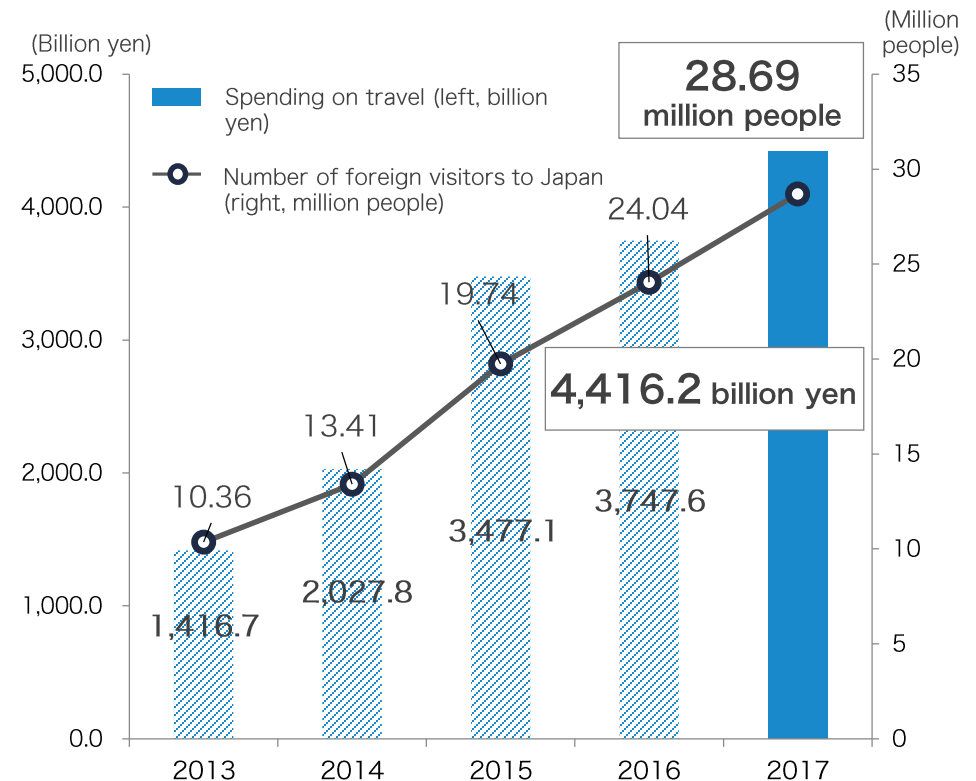
■ International EC market scale (2017)

(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%

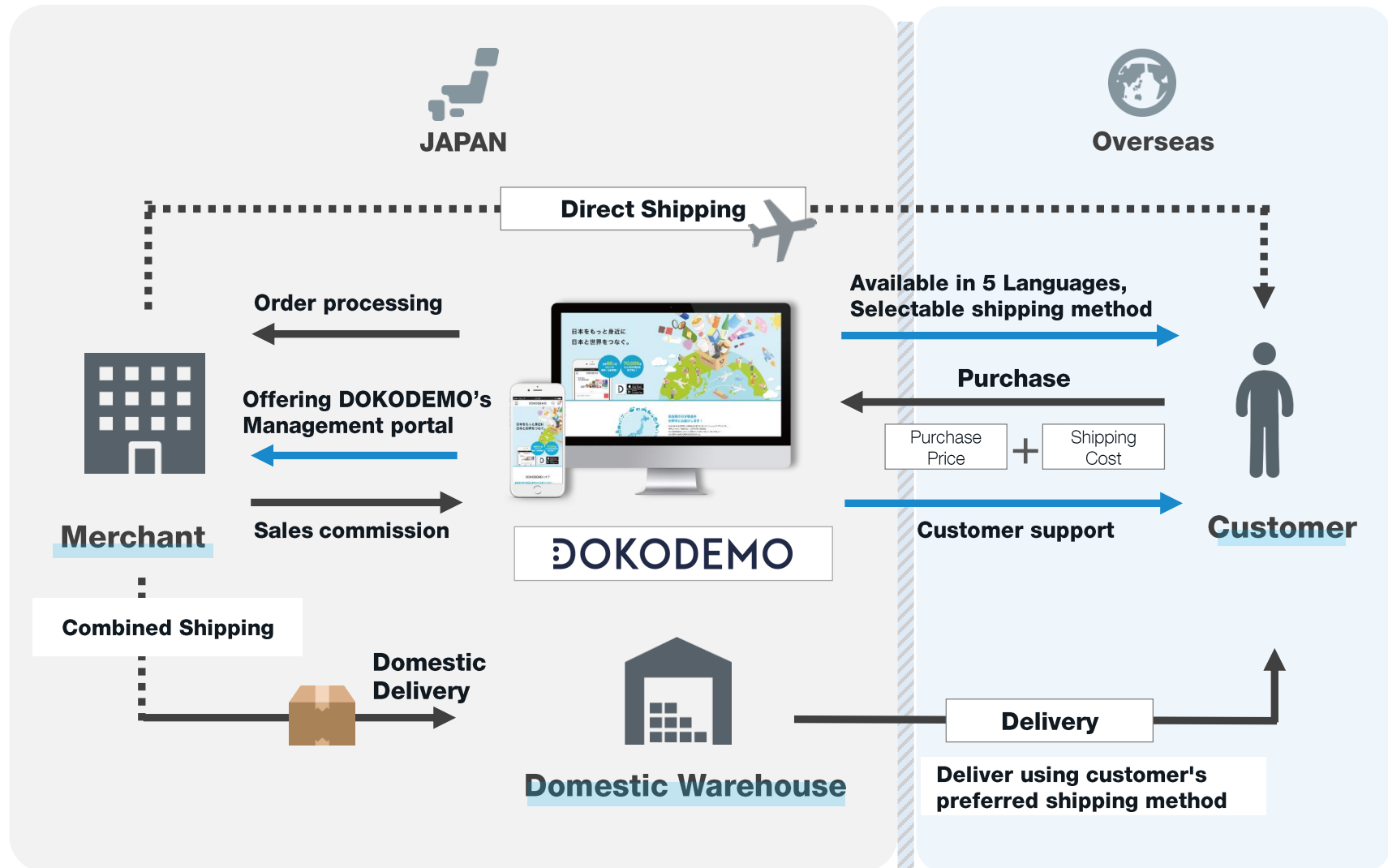
Source: Ministry of Economy, Trade and Industry “FY2017 Survey of Infrastructure Development Status for Data-driven Society in Japan (E-Commerce Market Survey)”

■ Survey of spending by foreign visitors to Japan

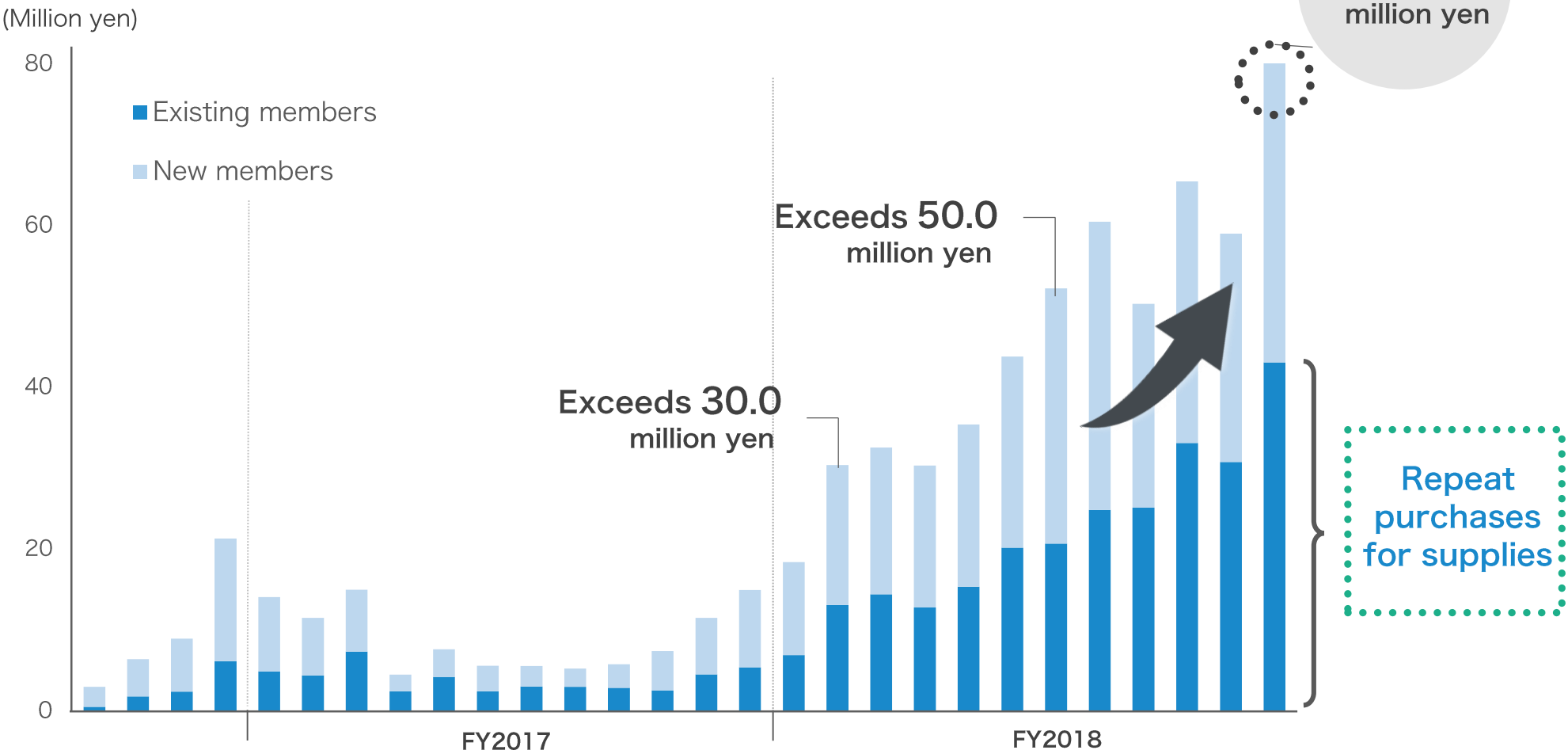


Source: Japan Tourism Agency “Consumption Trend Survey for Foreigners Visiting Japan” 2017 annual data (confirmed data)

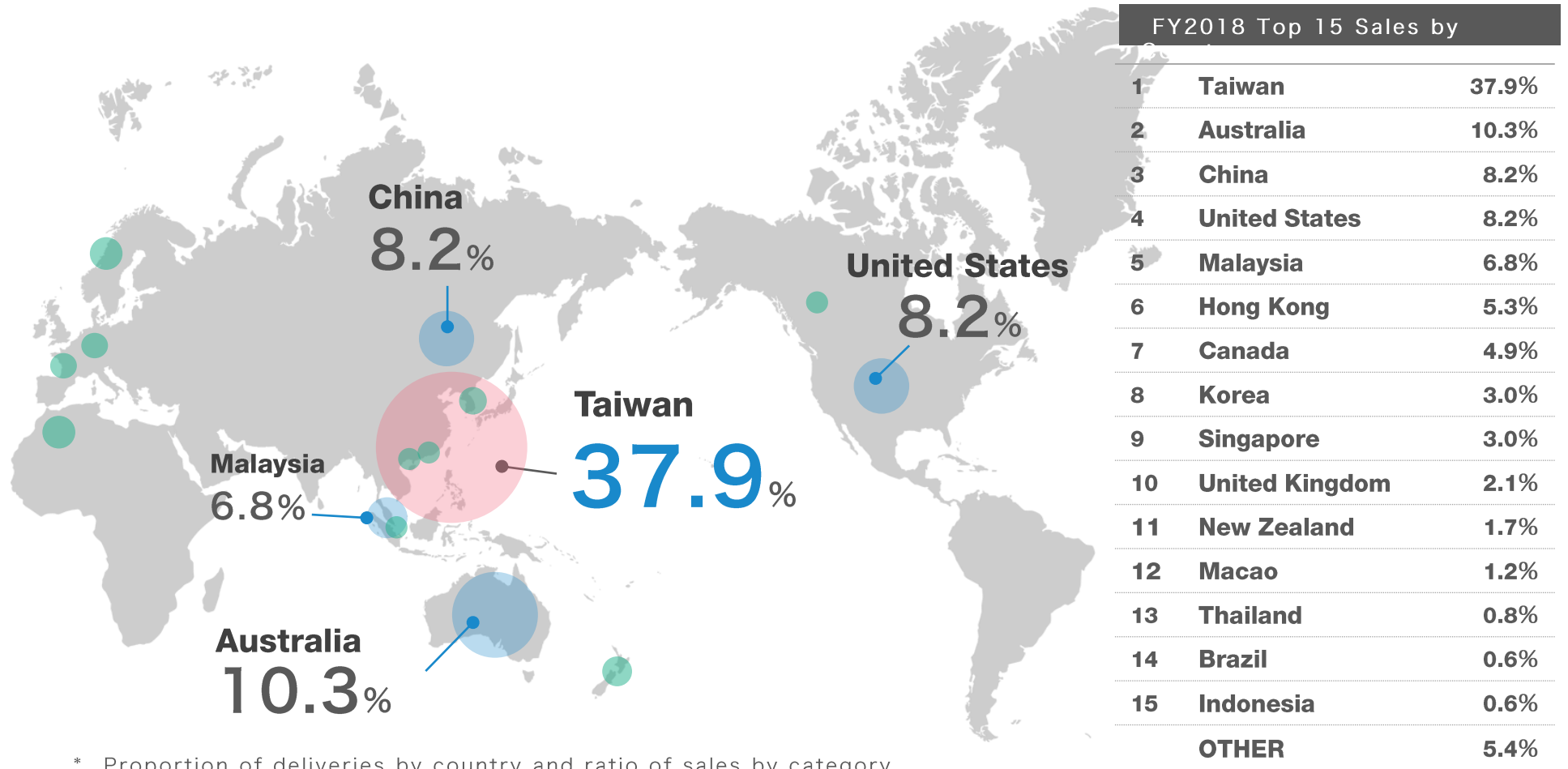
Delivering products directly from Merchant to customer (Non-stock inventory)



Increasing Gross Merchandise Value with maintaining a high repeat purchase rate



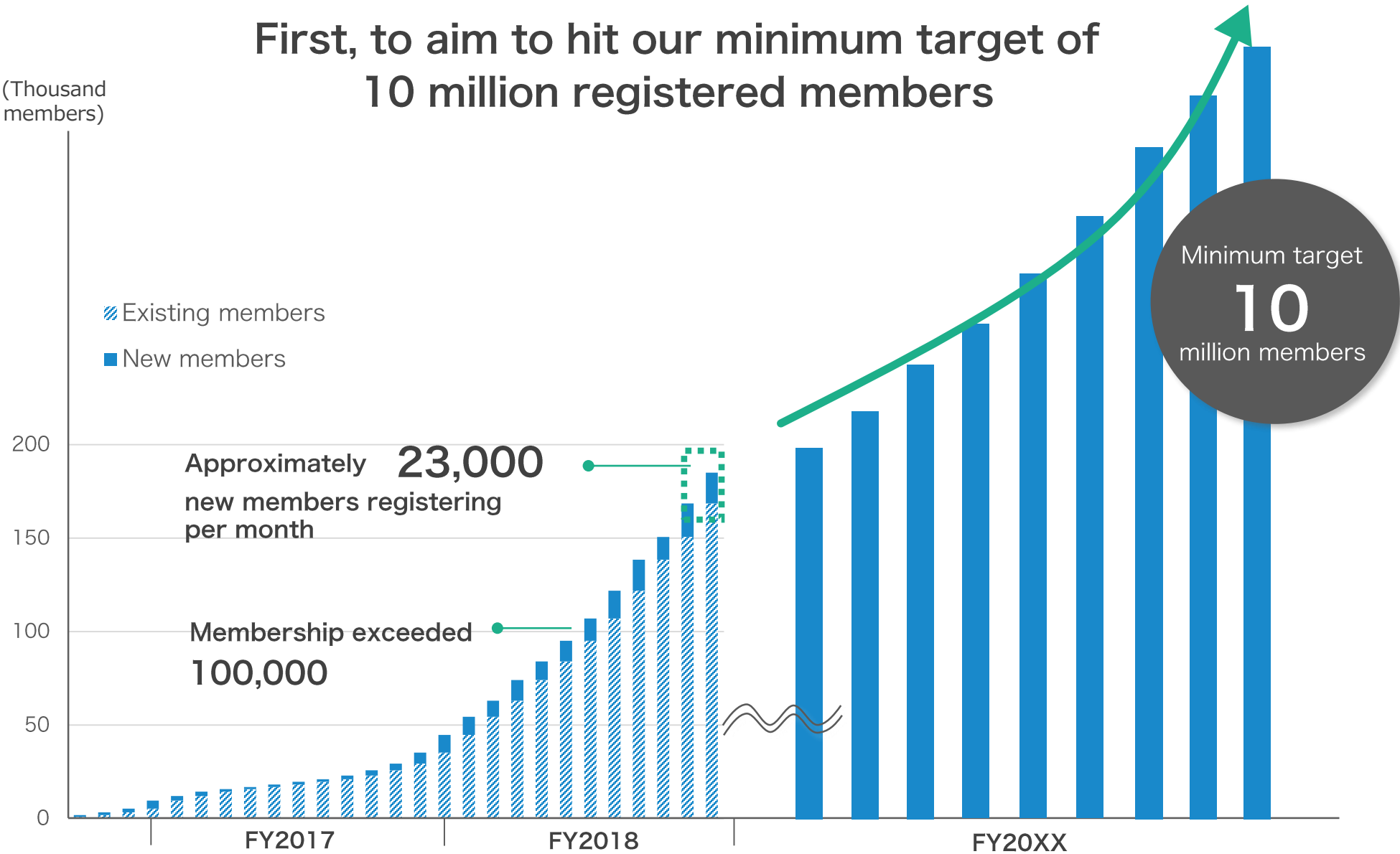
Delivered to 78 countries (Increased 31 countries, YoY)



* Proportion of deliveries by country and ratio of sales by category calculated based on the April 2017 to March 2018 period.

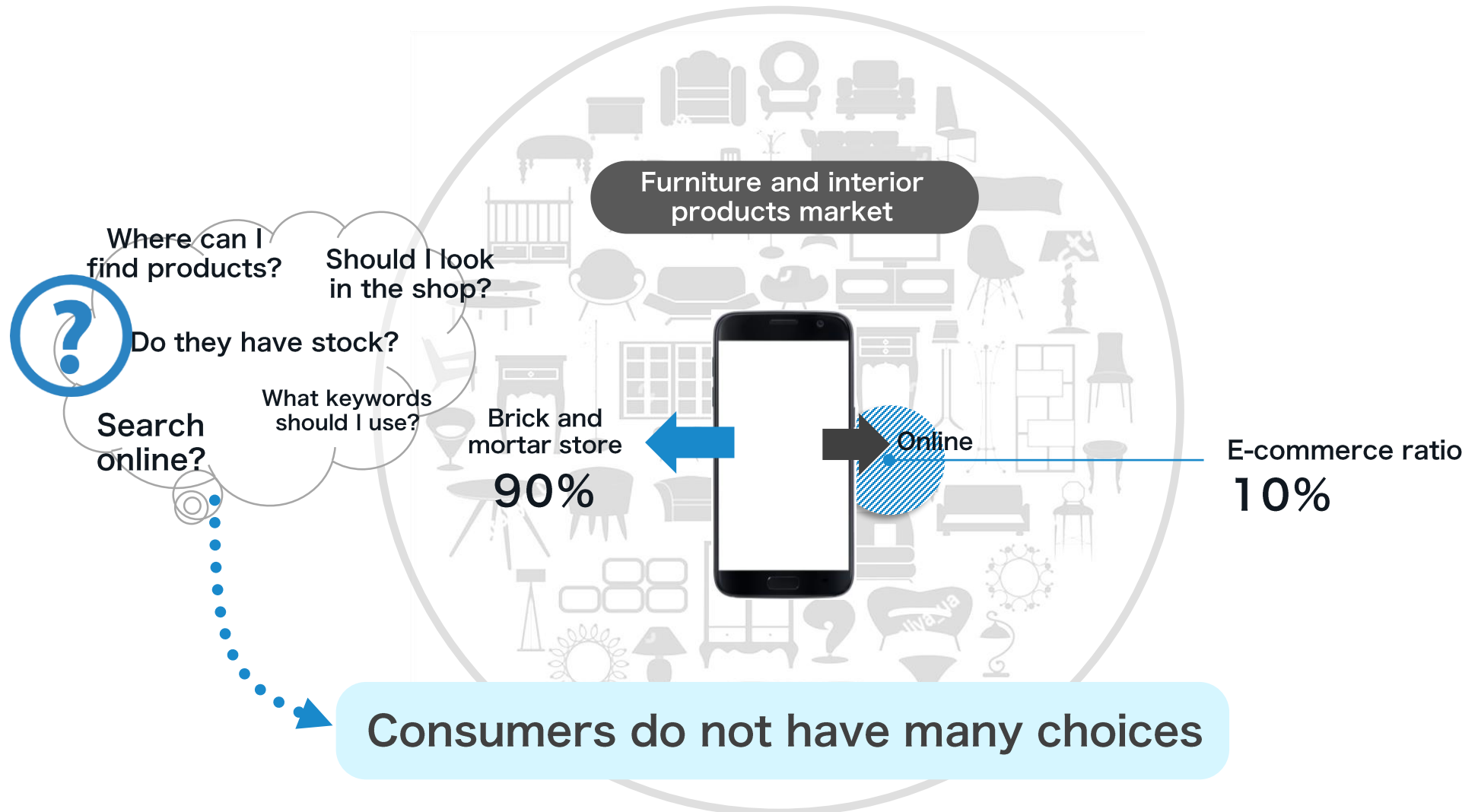
Enhancing strategies to build recognition of DOKODEMO and promoting repeat purchase through DOKODEMO







Furniture makers tend to be less known,
Plus, information is scattered

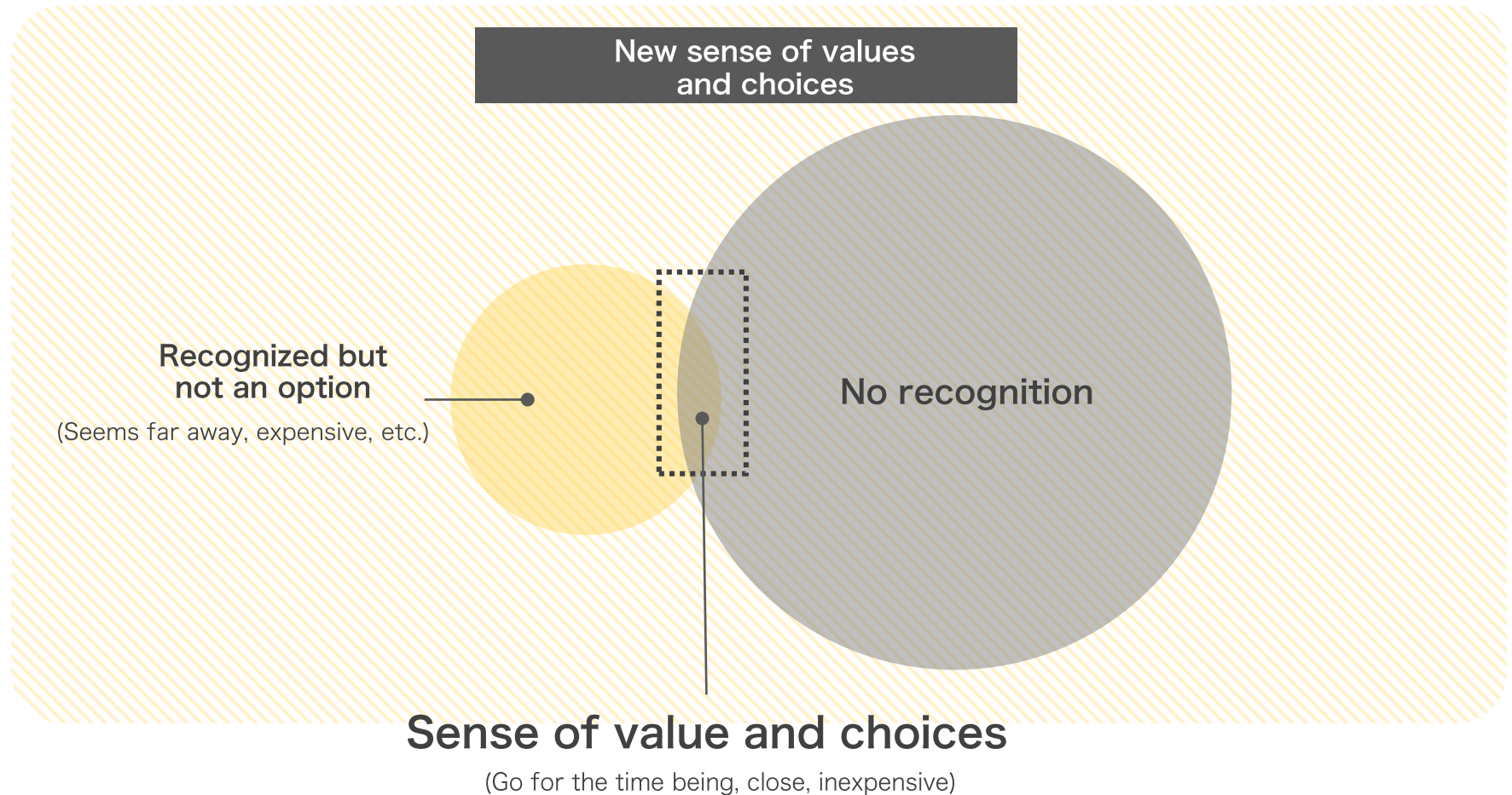


Shopping styles are changing along with a spread of smartphones

Users can make purchases “whenever they want, wherever they want”



Regardless of “online” or “offline”,
consumers are looking for new sense value and information



SERVICE VISION

A world that offers various ways in which
“Lifestyle is Good”
(Lifestyle space)

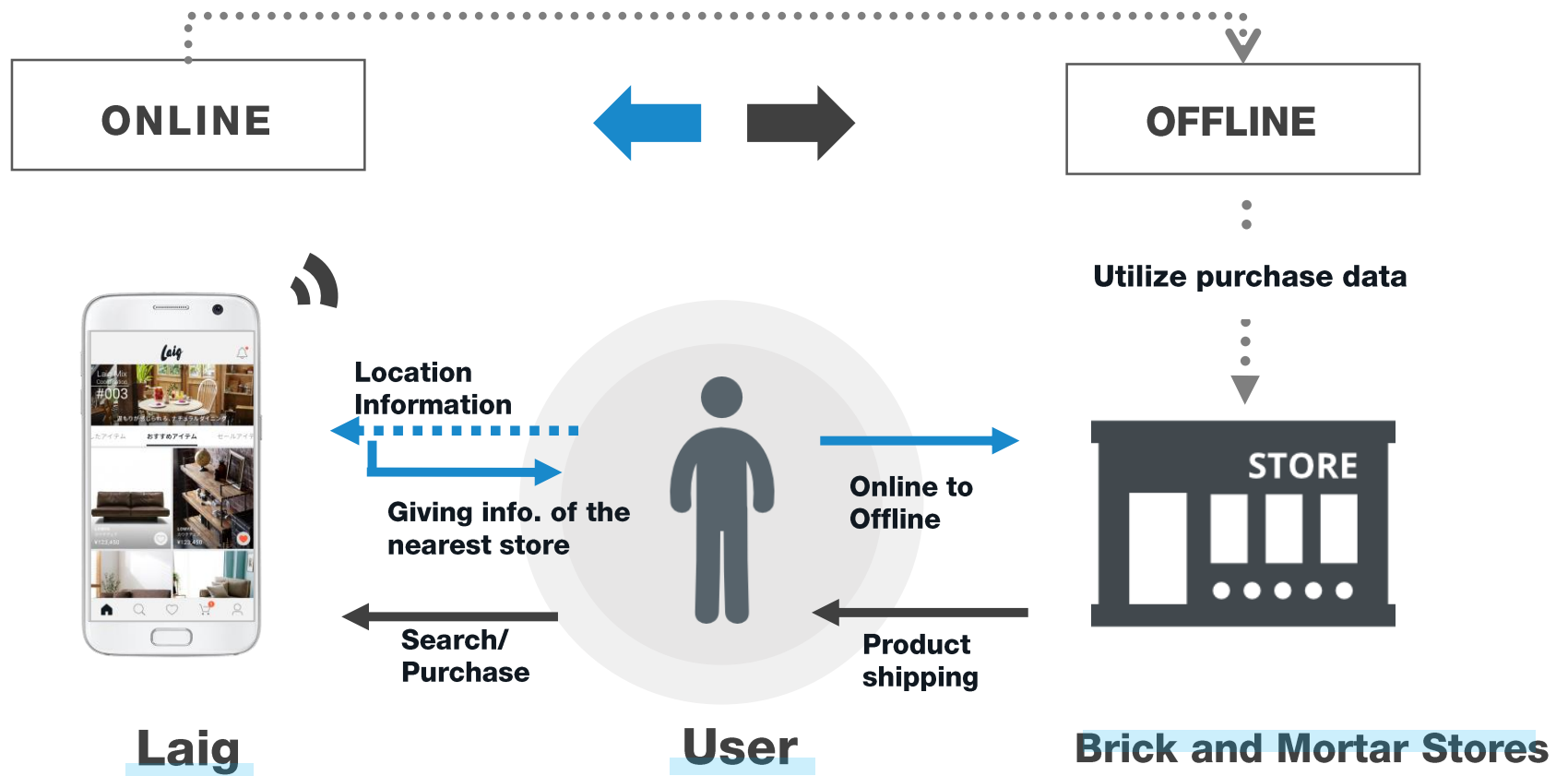


Finding your own Lifestyle
with no hurdle and stress!

Always focused on:

“Lifestyle”

Online or Offline, User can choose whichever convenient



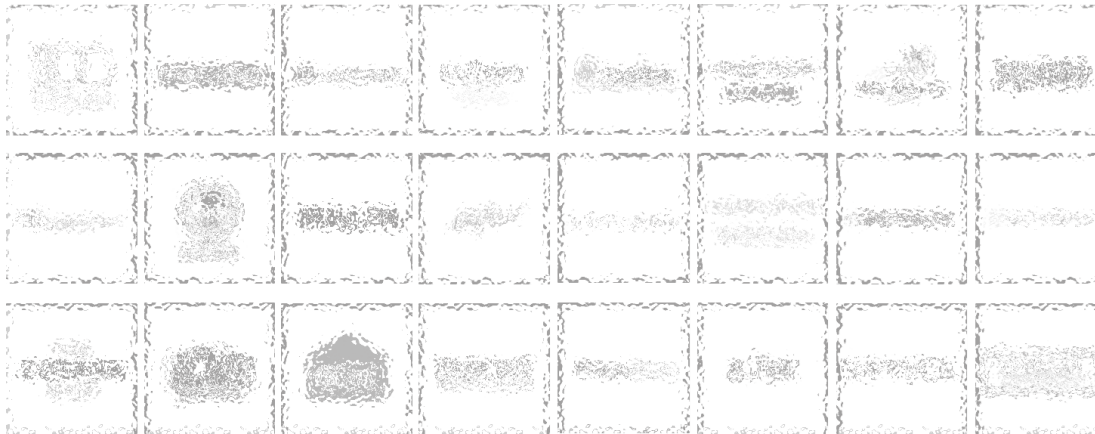
Offering a new sense of values with rich content



Please look forward to interview articles of Yoshiko Kris-Webb, a model and columnist, and Tsuguhide Nagase of NIHON L'ORÉAL K.K.!

**The more stores platform has,
the more choices consumers have**

**Plan to have about 20 registered stores
when the service launches**



**Enhancing content and service reliability
To be launched around 2Q FY03/19**

Earnings Forecasts

Earnings Forecasts for the Fiscal Year Ending March 31, 2019

Advertising investment aimed at enhancing “LOWYA” branding and recognition,
and ongoing investment in new businesses

(Million yen)

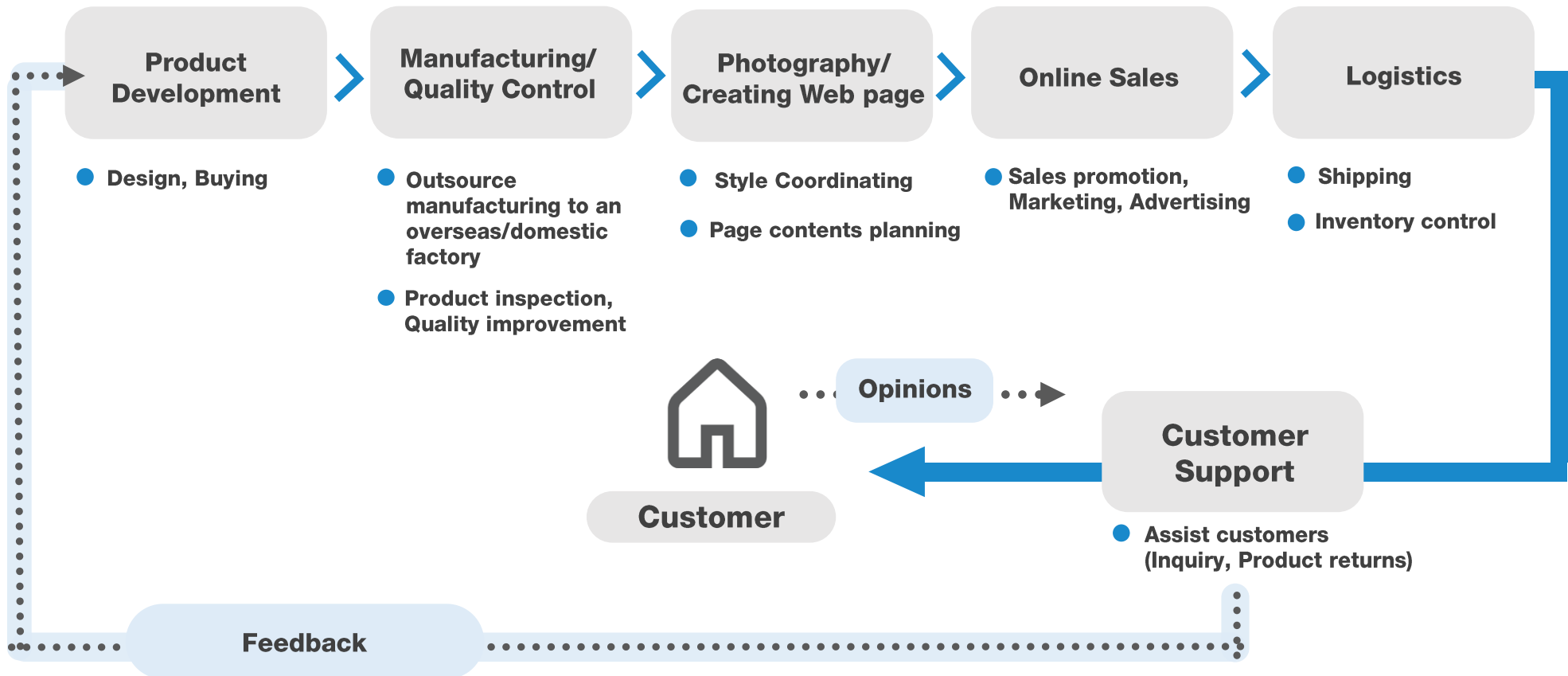
	Fiscal year ended March 31, 2018 (Actual)	Fiscal year ending March 31, 2019 (Target)	Change
Net sales	12,977	15,800	+21.8%
Operating profit	561	730	+29.9%
Ordinary profit	589	750	+27.2%
Profit	338	460	+35.8%
Profit per share (yen)	32.84	44.87	

Appendix

Appendix: Company Description

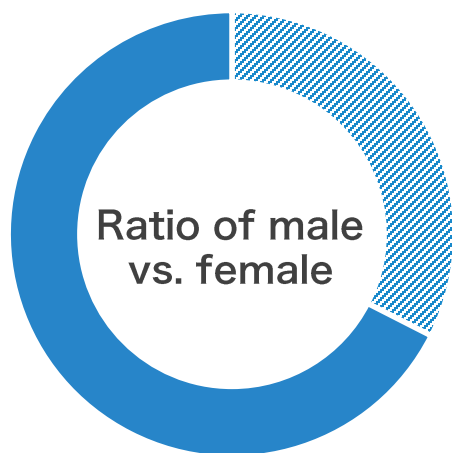
Company Name	VEGA corporation
Head office	4F Hakata Gion Center Place, 7-20 Gion-machi, Hakata-ku, Fukuoka city, Fukuoka, JAPAN
Branch	2F Digital Gate Building, 3-5-7 Ebisuminami, Shibuya-ku, Tokyo, JAPAN
Representative	President and CEO, Tomokazu Ukishiro
Employees	193 employees (As of March, 2018)
Established in	July 2004
Capital	875.01 million JPY (As of March 2018)
Stock Market	Tokyo Stock Exchange Mothers
Securities Code	3542
Fiscal year	April to March
Business	Furniture/Interior products e-commerce International EC platform operation, etc.

Appendix: Business Model Characteristics



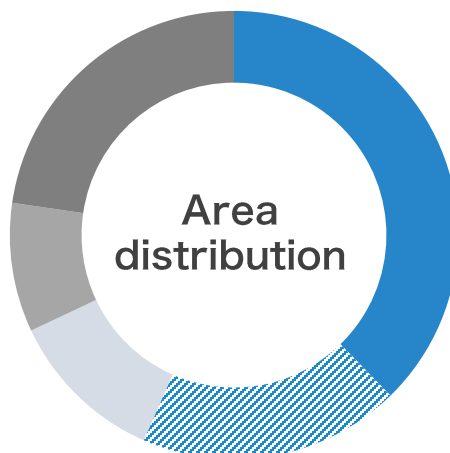
Showing higher ratio of female in their 30's, mainly in the Tokyo metropolitan area

(April 1, 2017 to March 31, 2018)



Male 32.5%

Female 67.5%



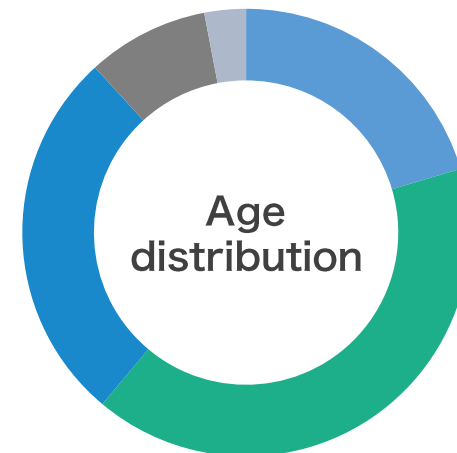
Kanto 37.7%

Kinki 18.9%

Tokai 11.4%

Kyushu 9.3%

Other 22.7%



29 and
younger 20.4%

30 to 39 40.7%

40 to 49 27.1%

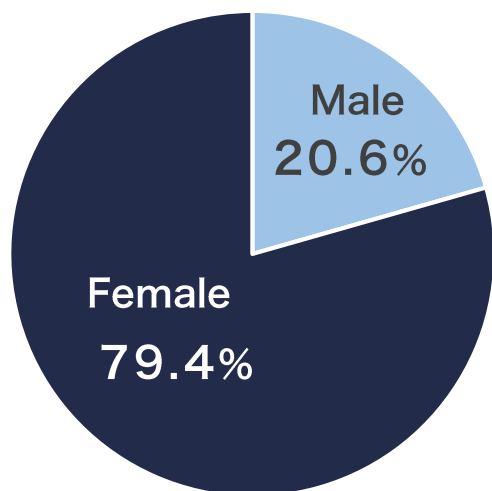
50 to 59 8.8%

60 to 69 3.0%

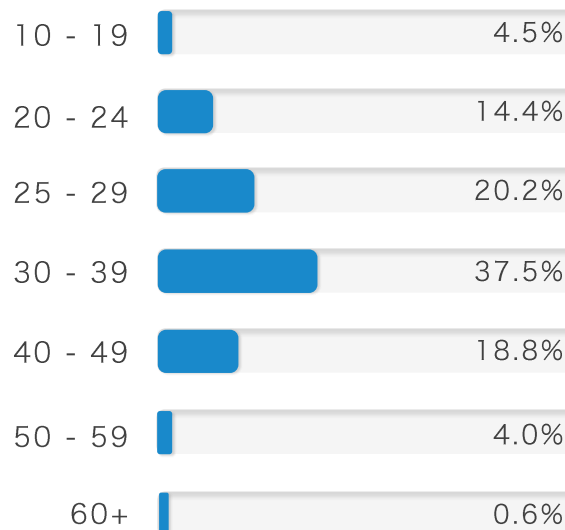
DOKODEMO will strengthen the “hobby” and “fashion” categories in future

Calculation period: April 1, 2017 to March 31, 2018

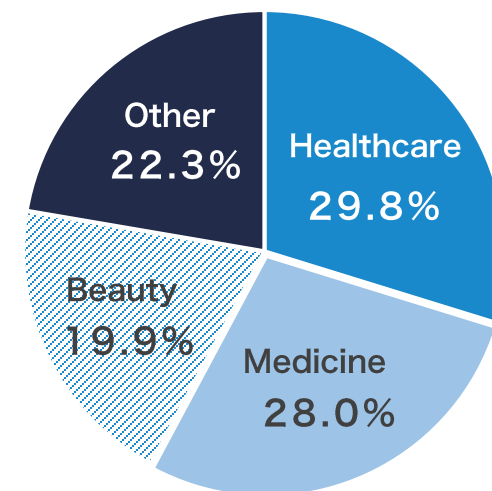
<User data>
Gender



<User data>
Age



Sales ratio by
category



* Calculated based on user data from registered members.
Members are not required to input their gender when registering, and therefore this data does not represent the ratio for all members.

Eligible Shareholders

Shareholders holding one or more units (100 shares) of shares and listed in the shareholder register on March 31.

Shareholder Benefits

The followings are shareholders benefits for the fiscal year ended March 31, 2018.

(1) 2,000 yen gift card

Delivery schedule: To be dispatched around September 2018



- Two 1,000-yen vouchers will be delivered.
- * Images are for representational purposes. Actual items sent may differ.

(2) VEGA product: “GROONY” wearable blanket 2018 version

Delivery schedule: To be dispatched in mid-October 2018 or later



- “Regular type” size only; color selection is not possible.
- * Images show 2017 version. Actual items sent may differ.

(3) 2,000 yen donation

- A donation will be made to Chinju no Mori Project, Public Interest Incorporated Foundation.

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 shirt 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 text "MAKE NEW STANDARDS" is overlaid in large, bold, blue capital letters across the center of the image.

MAKE NEW STANDARDS



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.