



## Quarterly Financial Results

For the Six Months Ended September 30, 2021  
Vega corporation Co., Ltd. / Securities code: 3542



VEGA corporation

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# 1

## Overview of Quarterly Financial Results for the Six Months Ended September 30, 2021

Overview of  
Company-wide  
Results

Progress has been solid against financial results forecasts

2Q

GMV (LOWYA) .....	4,267	million yen (YoY: 95.4%)
GMV (DOKODEMO) .....	773	million yen (YoY: 165.8%)
Net sales .....	4,072	million yen (YoY: -% *Due to application of new Revenue Recognition Standard from this period.)
Operating profit.....	99	million yen (YoY: 24.3%)

LOWYA business  
Overview

- The flagship store performed solidly, with membership growing and GMV ending higher year on year.
- The number of products of other companies’ brands we handle increased, and steady progress was made in preparation for further expansion of our product lineup in the second half of the year.
- GMV of marketplace stores fell short year on year, due to a reactionary decline in demand from the previous year, in which demand rose.

DOKODEMO business  
Overview

- After marking a historical high in 1Q, GMV of DOKODEMO hit 773 million yen, setting another record high (on a quarterly basis).

\* GMV: Gross Merchandise Value

## Difference in Sales Recognition Methods

LOWYA business is a D2C business of furniture and interior sundries\*

However, the method for recognizing sales of products of other companies' brands may be changed in the future

DOKODEMO business is a cross-border e-commerce platform business that has a model that earns commissions according to the value of merchandise sold

**LOWYA**  
TREND IS HERE.



\* In the current trial phase, the above calculation formula is used to recognize sales of products of other companies' brands as well, in principle, though the method for recognizing sales of products of other companies' brands may be changed.

**DOKODEMO**



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

\* Due to the application of new Revenue Recognition Standard, starting in the fiscal year ending March 31, 2022, net sales are recognized at a value obtained by subtracting the value of coupons used, marketplace points granted, etc. from the value of merchandise sold (For an overview of the impact of the new Revenue Recognition Standard, please see Appendix.).

## Financial Results for the Three Months Ended September 30, 2021

Net sales: **4,072** million yen, Operating profit: **99** million yen

(Million yen)

	Fiscal year ended Mar. 31, 2021		Fiscal year ended Mar. 31, 2021 (New Revenue Recognition Standard retrospectively applied)		Fiscal year ending Mar. 31, 2022		YoY
	2Q results	Sales ratio	2Q results	Sales ratio	2Q results	Sales ratio	
Net sales	<b>4,534</b>	<b>100.0%</b>	<b>4,372</b>	<b>100.0%</b>	<b>4,072</b>	<b>100.0%</b>	-
Gross profit	<b>2,724</b>	<b>60.1%</b>	<b>2,563</b>	<b>58.6%</b>	<b>2,259</b>	<b>55.5%</b>	-
SG&A expenses	<b>2,315</b>	<b>51.1%</b>	<b>2,153</b>	<b>49.3%</b>	<b>2,159</b>	<b>53.0%</b>	-
Operating profit	<b>409</b>	<b>9.0%</b>	<b>409</b>	<b>9.4%</b>	<b>99</b>	<b>2.4%</b>	<b>24.3%</b> (-309)
Ordinary profit	<b>416</b>	<b>9.2%</b>	<b>416</b>	<b>9.5%</b>	<b>106</b>	<b>2.6%</b>	<b>25.5%</b> (-310)
Profit	<b>253</b>	<b>5.6%</b>	<b>253</b>	<b>5.8%</b>	<b>65</b>	<b>1.6%</b>	<b>25.9%</b> (-187)



## Financial Results for the Six Months Ended September 30, 2021 (1Q-2Q Cumulative)

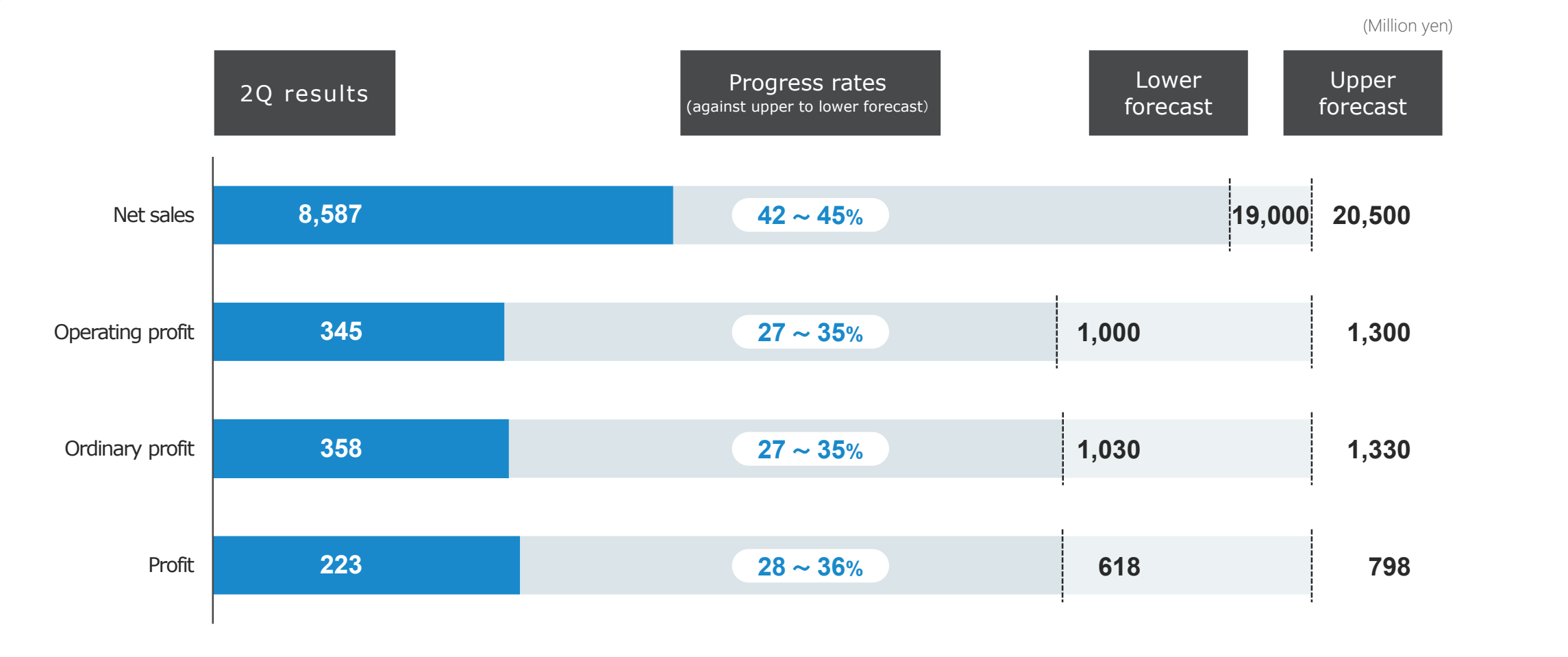
Net sales: **8,587** million yen, Operating profit: **345** million yen

(Million yen)

	Fiscal year ended Mar. 31, 2021		Fiscal year ended Mar. 31, 2021 (New Revenue Recognition Standard retrospectively applied)		Fiscal year ending Mar. 31, 2022		YoY
	1Q-2Q results	Sales ratio	1Q-2Q results	Sales ratio	1Q-2Q results	Sales ratio	
Net sales	9,883	100.0%	9,539	100.0%	8,587	100.0%	-
Gross profit	5,894	59.6%	5,551	58.2%	4,790	55.8%	-
SG&A expenses	4,736	47.9%	4,392	46.0%	4,444	51.8%	-
Operating profit	1,158	11.7%	1,158	12.1%	345	4.0%	29.8% (-812)
Ordinary profit	1,173	11.9%	1,173	12.3%	358	4.2%	30.5% (-815)
Profit	714	7.2%	714	7.5%	223	2.6%	31.2% (-490)

# Progress against Financial Results Forecast for the Fiscal Year Ending March 31, 2022

The plan was formulated to factor in our expectations that both sales and profits will grow in the second half of the year, in which furniture demand rises  
However, a close watch is needed as e-commerce demand may weaken, depending on the lifting of the state of emergency and a trend in economic stimulus measures





## Progress of the Business Plan for the Fiscal Year Ending March 31, 2022

Emphasizing the mid-term expansion of GMV in LOWYA Business,  
execute additional investments in addition to expenditures necessary for normal business operation

### LOWYA business

#### Net sales

- While the flagship store posted higher GMV year on year, marketplace stores suffered from a reactionary decline in demand from the previous year, in which demand rose

#### Operating profit before additional investment

- Cost of sales ratio was higher than the initial forecast, but delivery expenses improved.
- Plan to build up profits in the second half of the year, in which furniture demand rises

#### Operating profit after additional investment

##### Recruitment expenses

Strengthened recruitment in all categories with a focus on engineers and increased 20 engineers compared to March 31

##### Marketing investment

Investments have been planned to concentrate in the second half. However, its amount and scope will be adjusted based on profit before investment

#### Planned operating profit

Operating profit  
before  
additional  
investment

**1,300~1,700** million yen

Operating profit ratio: **6.8%~8.3%**

Operating profit  
after  
additional  
investment

Additional investment:

MAX **500** million yen

**1,000~1,300** million yen

### DOKODEMO business

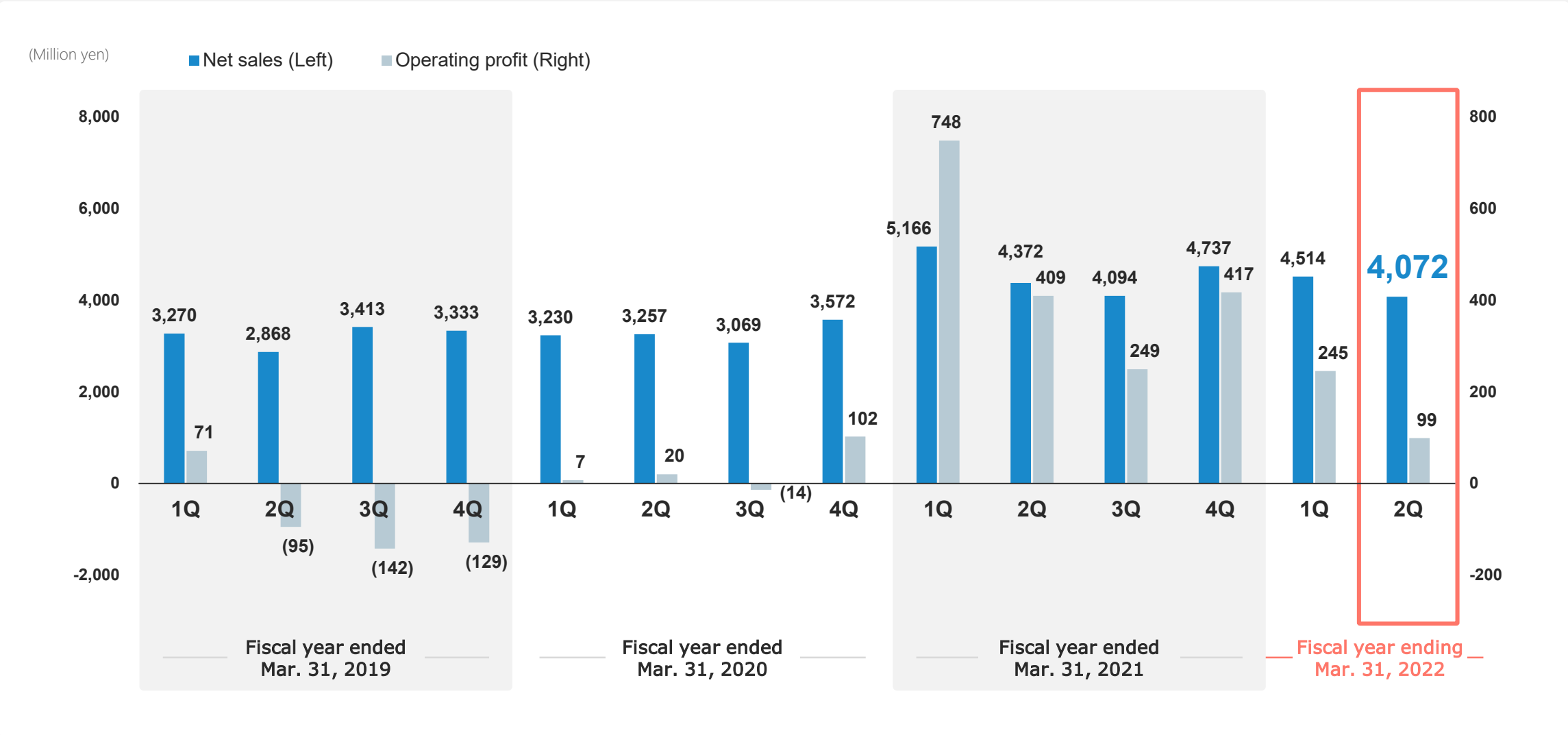
### and other R&D

- Executed an investment worth 46 million yen (recorded as a loss), as in the initial forecast

\* The net increase in the number of staff is irrespective of their employment types.

# Quarterly Net Sales and Operating Profit

Though net sales and operating profit fell short year on year, they trended higher than the pre-COVID-19 pandemic levels

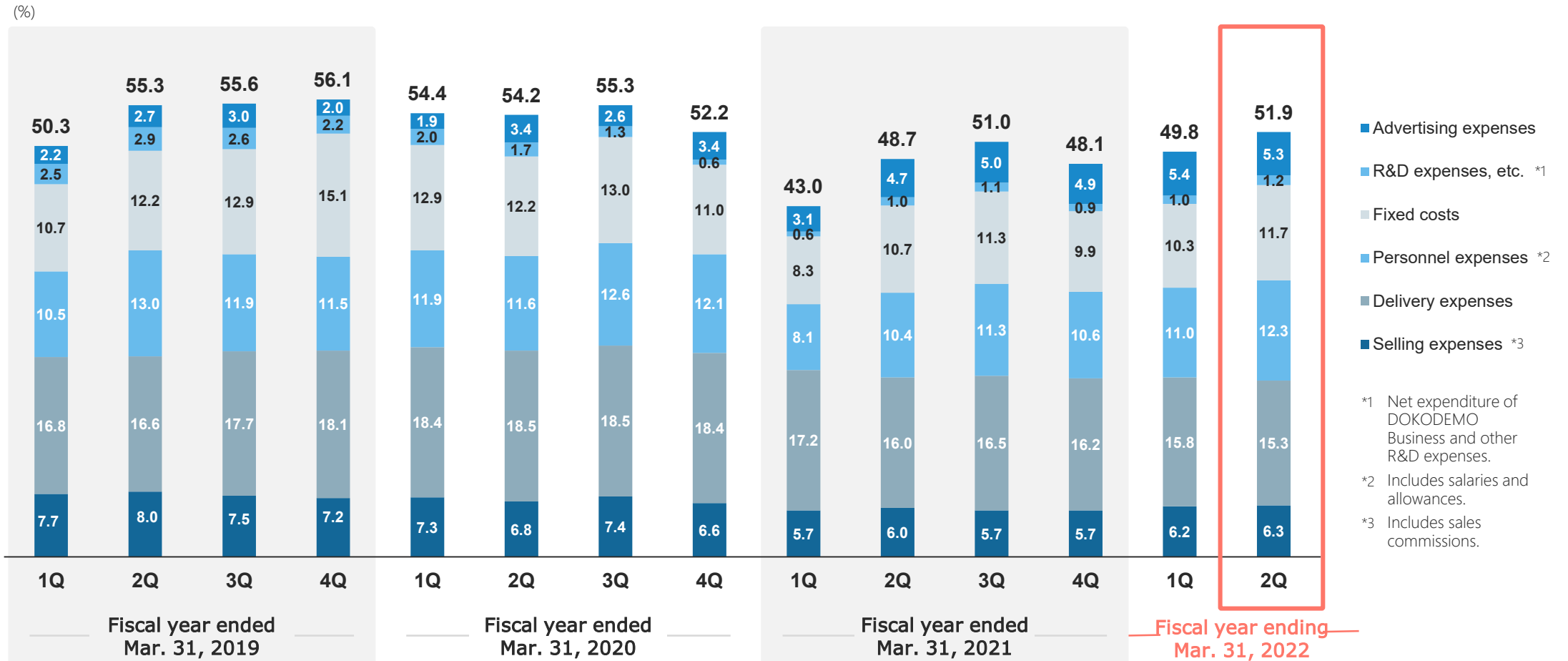


\* Due to the application of the new Revenue Recognition Standard from the fiscal year ending March 31, 2022, net sales for the fiscal year ended March 31, 2021 and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.  
 \* Due to the application of the new Revenue Recognition Standard to DOKODEMO business, net sales for 1Q of the fiscal year ending March 31, 2022 have been partially revised.

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## Quarterly SG&A Expenses Ratio (against Net Sales)

Both variable costs and fixed costs progressed stably



\* The SG&A expense ratio shows the ratio against net sales. Due to the application of the new Revenue Recognition Standard from the fiscal year ending March 31, 2022, net sales for the fiscal year ended March 31, 2021 and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard. Furthermore, revenue related to DOKODEMO Business and 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

While inventory is increasing, there are still no concerns about financial soundness

(Million yen)

	As of March 31, 2021	As of September 30, 2021		As of March 31, 2021	As of September 30, 2021
<b>Current assets</b>	<b>6,892</b>	<b>5,896</b>	<b>Current liabilities</b>	<b>3,023</b>	<b>2,182</b>
Cash and deposits	<b>3,028</b>	<b>1,354</b>	Debt obligations	<b>500</b>	<b>500</b>
Accounts receivable–trade	<b>1,897</b>	<b>1,502</b>	Non-current liabilities	<b>61</b>	<b>39</b>
Merchandise	<b>1,521</b>	<b>2,474</b>	<b>Total liabilities</b>	<b>3,084</b>	<b>2,221</b>
<b>Non-current assets</b>	<b>1,331</b>	<b>1,453</b>	Shareholders' equity	<b>5,091</b>	<b>5,093</b>
Property, plant and equipment, and intangible assets	<b>520</b>	<b>513</b>	<b>Total net assets</b>	<b>5,138</b>	<b>5,128</b>
<b>Total assets</b>	<b>8,223</b>	<b>7,349</b>	<b>Total liabilities and net assets</b>	<b>8,223</b>	<b>7,349</b>

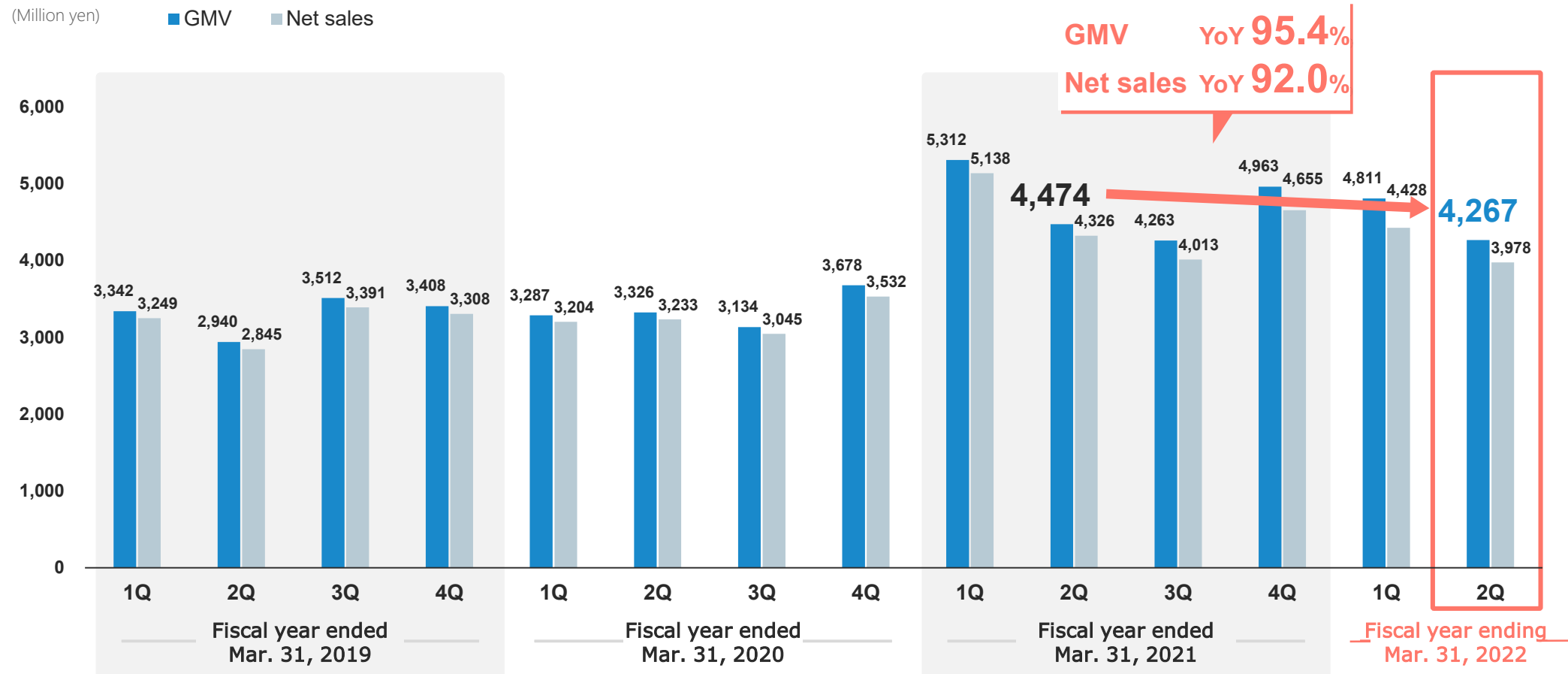
# 2

## Report on LOWYA Business

Membership of the flagship store has grown steadily, and the ratio of sales to repeat customers has increased solidly, indicating progress in our efforts to accelerate GMV growth

Scope	Item	Timeframe used for calculation	Three months ended September 30, 2020	Three months ended September 30, 2021	YoY
Company-wide	Company-wide GMV (million yen)	Quarter	4,474	4,267	95.4% (-207)
Flagship store	Flagship store GMV (million yen)	Quarter	2,214	2,251	101.6% (+36)
	Membership (thousand people)	As of the end of the quarter	710	995	140.1% (+285)
	Ratio of repeat customers (based on GMV) (%)	LTM	17.0	20.7	121.7% (+3.7)
	Members: Average basket value (yen)	LTM	23,566	23,061	97.8% (-505)
	Guests: Average basket value (yen)	LTM	19,591	20,374	103.9% (+783)

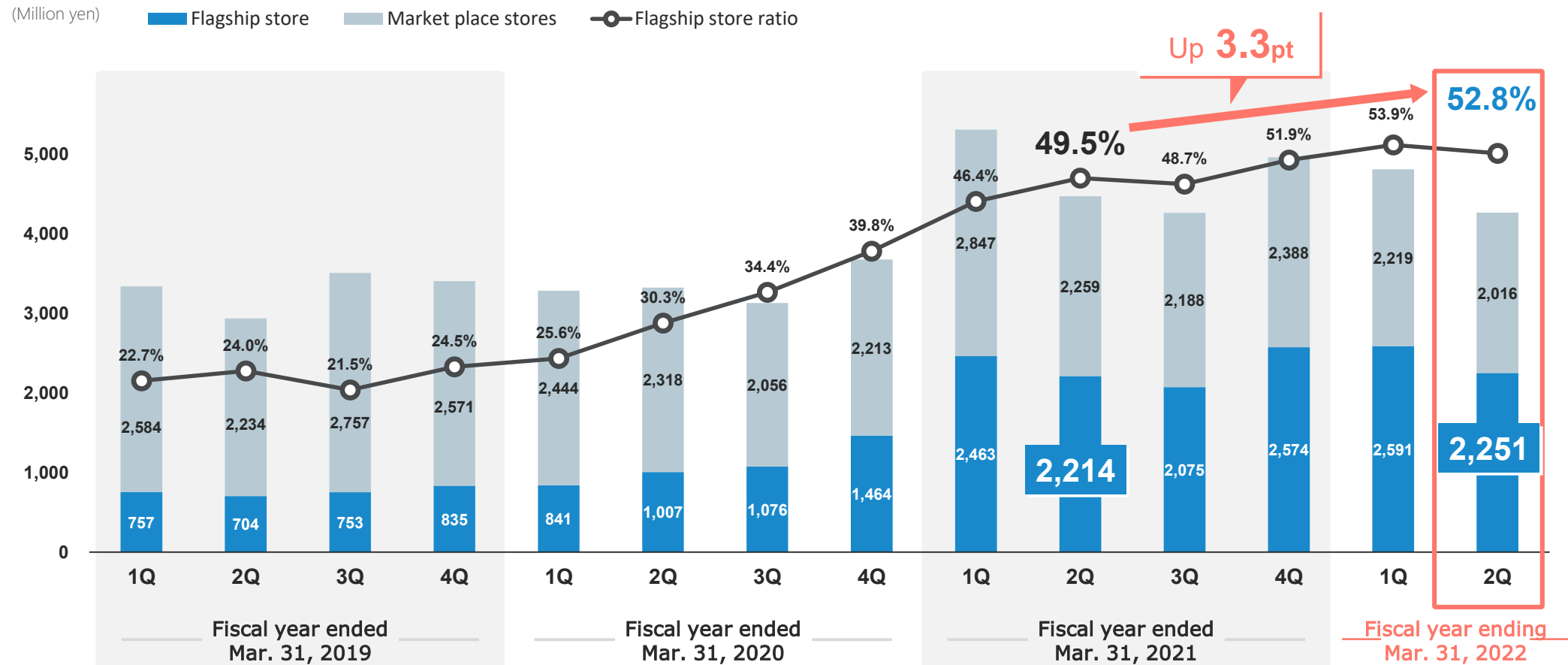
Although it was confirmed that our capacity for attracting customers grew mainly at the flagship store, the GMV and net sales of the overall LOWYA business fell slightly short of the year-earlier results, which presented big hurdles to clear



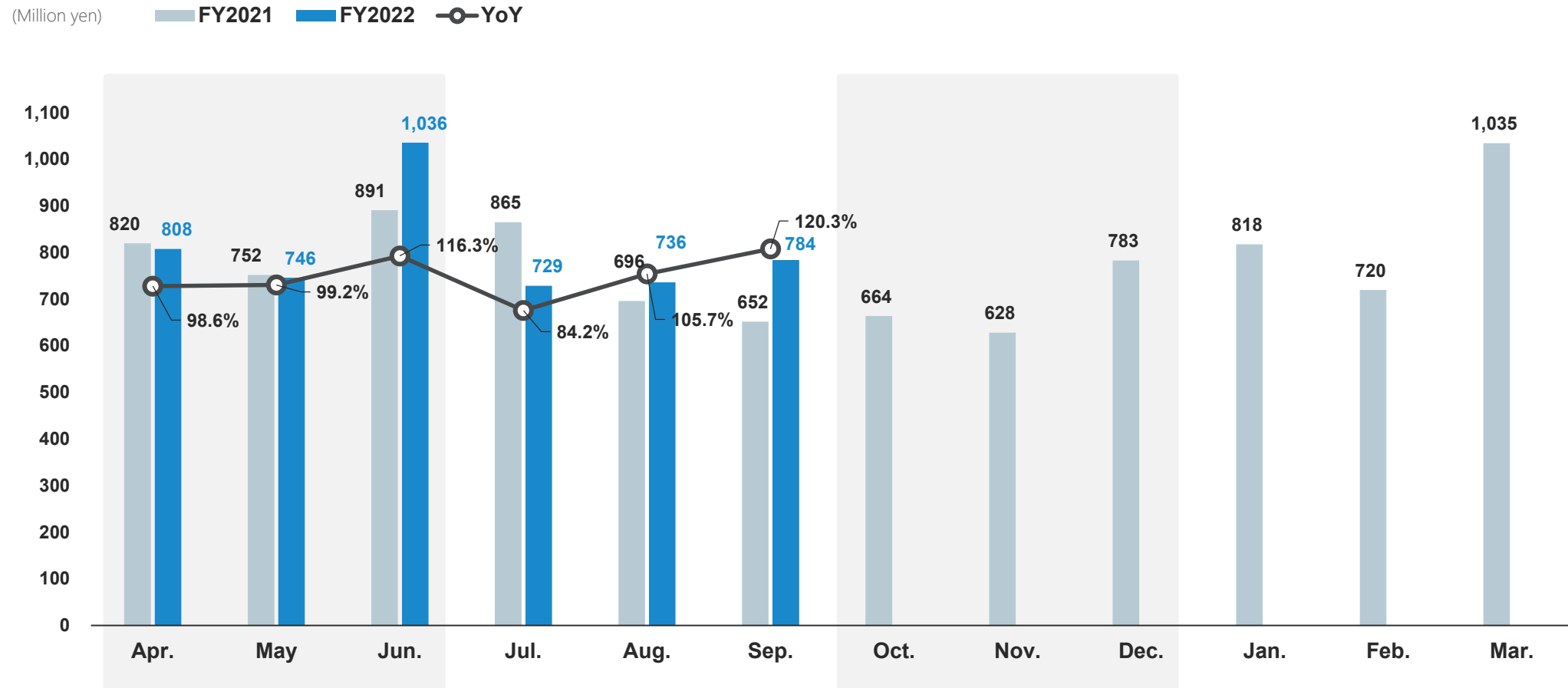
\* Due to the application of the new Revenue Recognition Standard from the fiscal year ending March 31, 2022, net sales for the fiscal year ended March 31, 2021 and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.



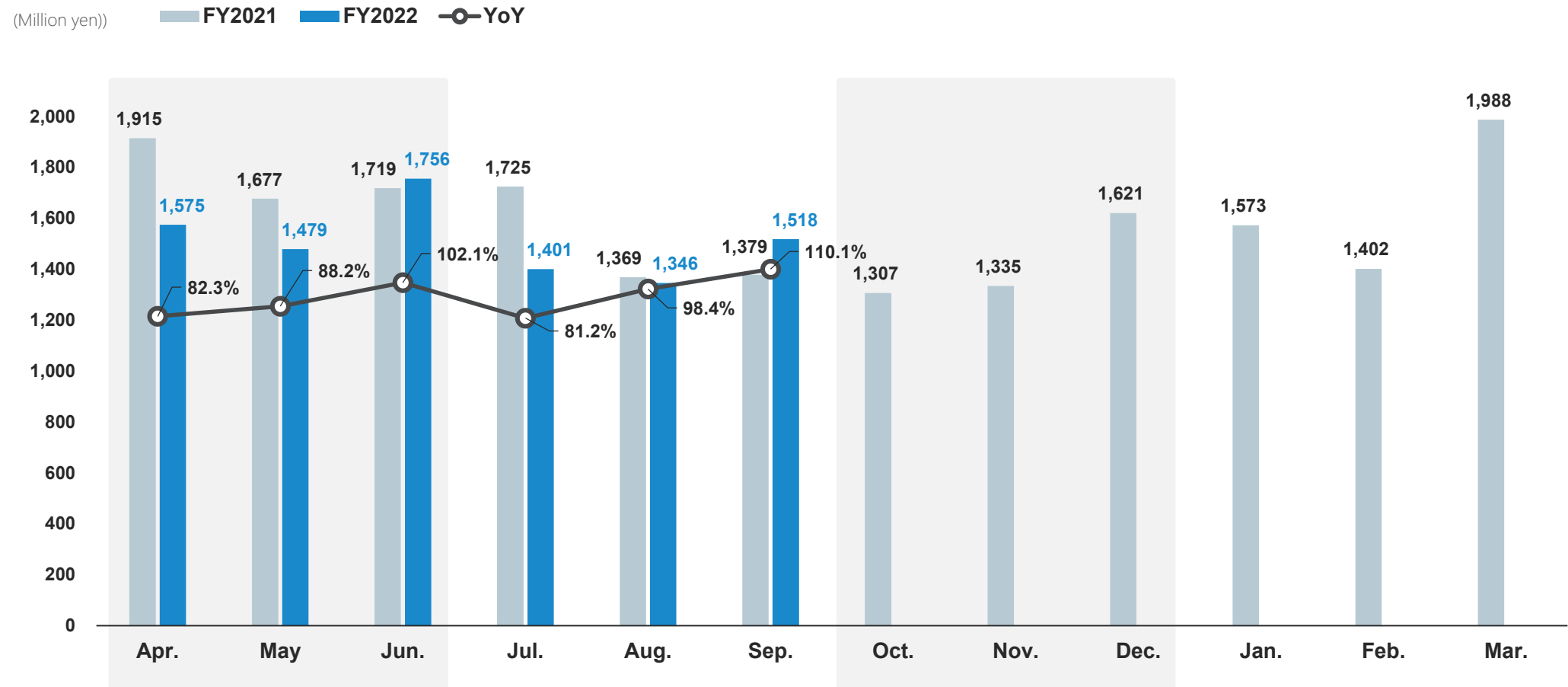
GMV of the flagship store increased year on year, as it did in 1Q, indicating that the flagship store remained the main sales channel



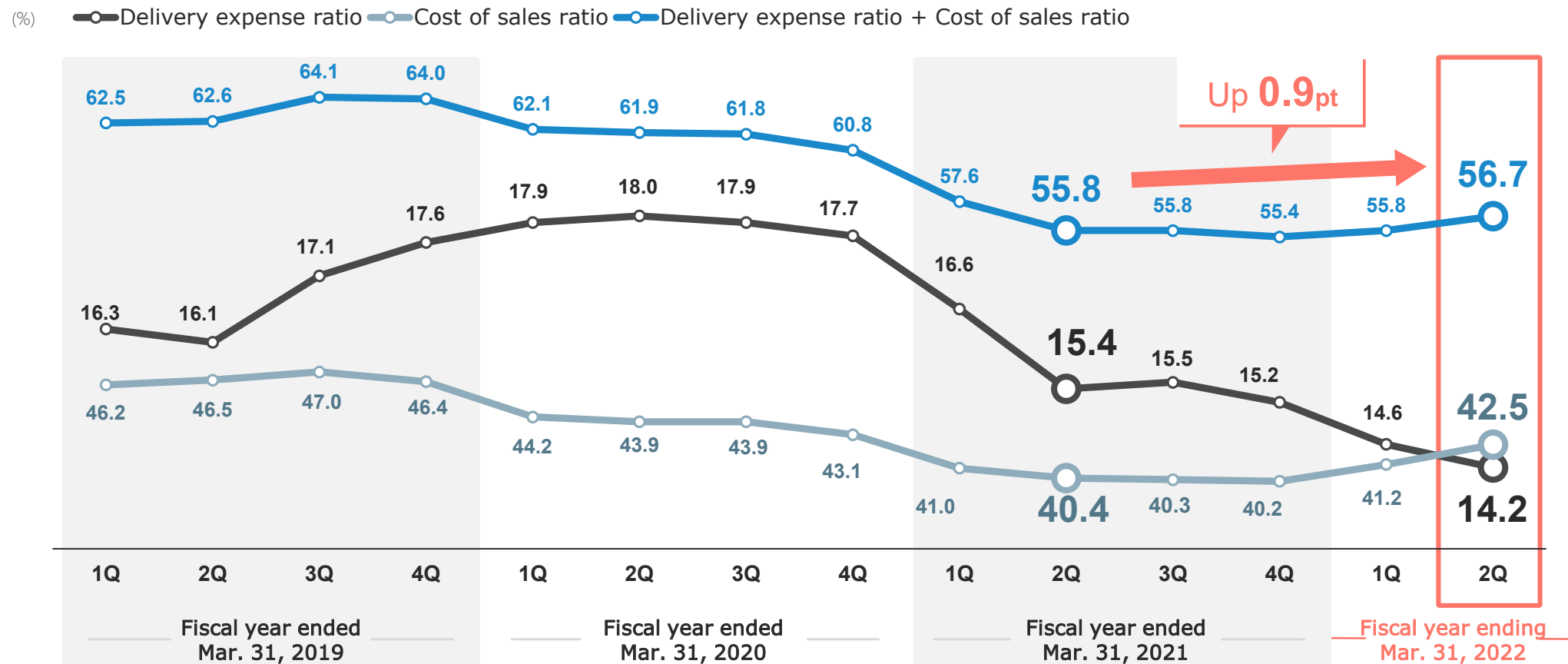
GMV at the flagship store grew every month from August onward and achieved a biggest year-on-year increase for the year in September (up 20.3% YoY)



Driven by the flagship store, GMV of the overall LOWYA business (flagship store+marketplace stores) also marked a largest year-on-year rise for the year in September (up 10.1% YoY)



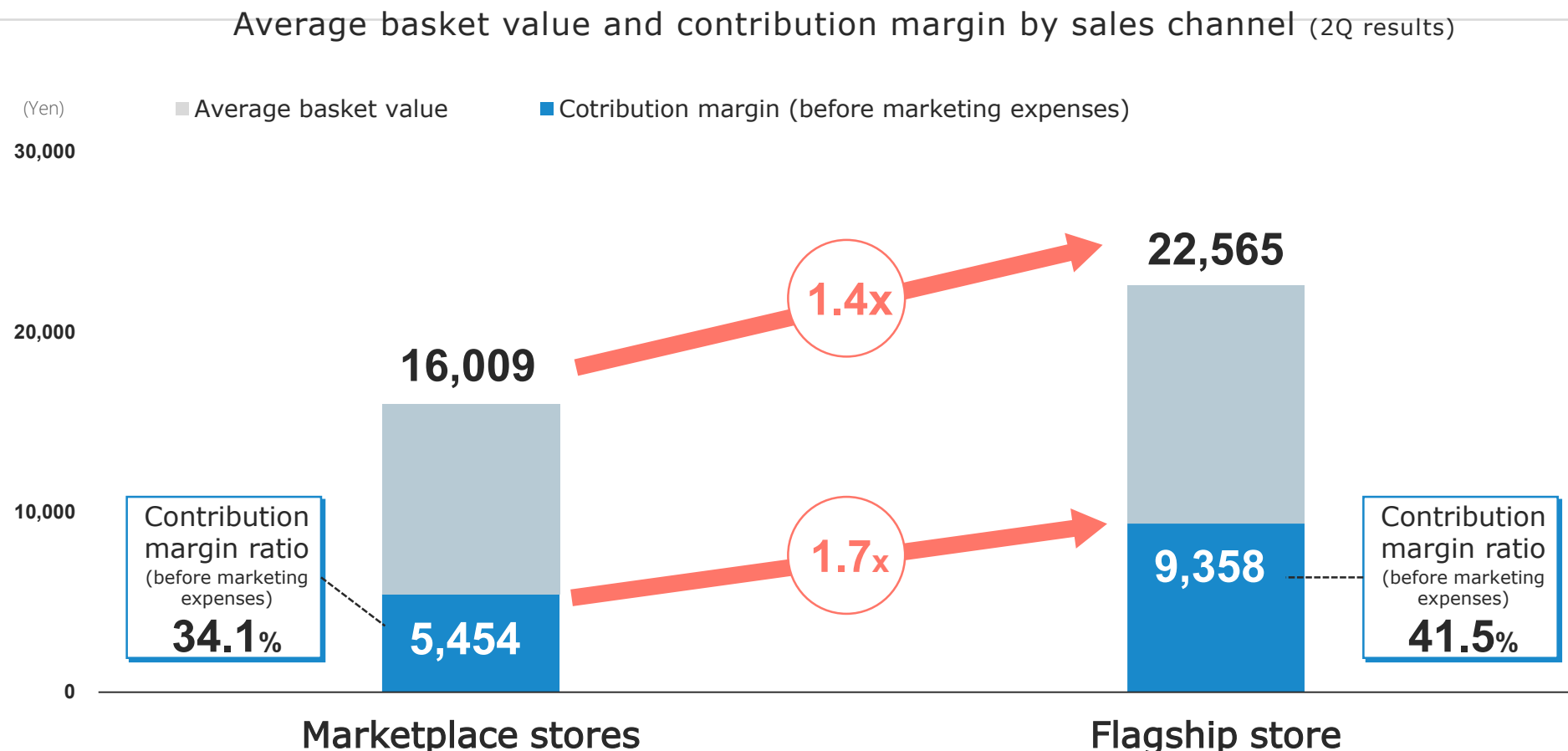
Cost of sales ratio increased due to rising marine containers transportation costs and raw material purchase costs coupled with yen depreciation. However, further reduction in delivery expenses offset the impact, minimizing the rise in the total of the cost of sales ratio and the delivery expense ratio.



• Due to the application of the new Revenue Recognition Standard from the fiscal year ending March 31, 2022, the ratios are those of cost of sales and shipping costs relative to net sales under the previous accounting standard for the periods prior to the fiscal year ended March 31, 2021, while those are relative to GMV for the fiscal year ending March 31, 2022 onward.

The average value per order and the contribution margin (before marketing expenses)\* are 1.4 times and 1.7 times larger at the flagship store than at marketplace stores

The business structure is designed to improve profit margin by expanding GMV through the concentration of resources on the flagship store



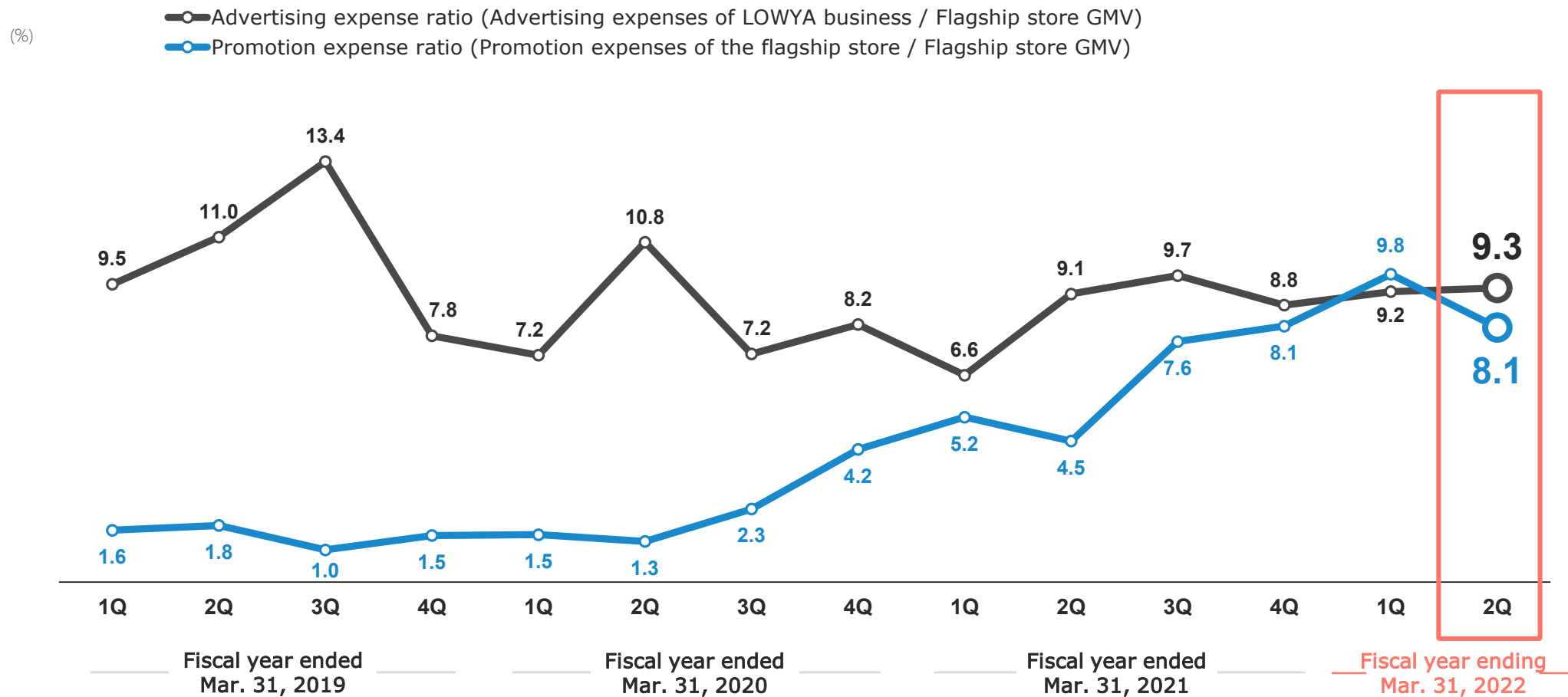
\* Contribution margin (before marketing expenses) is defined as: Average basket value – (Cost of sales + Delivery expenses + Selling expenses)

Contribution margin ratio (before marketing expenses) is defined as: Contribution margin (before marketing expenses) / Average basket value

Average basket value is order value before promotion expenses (defined as a difference between GMV and net sales under the new Revenue Recognition Standard).

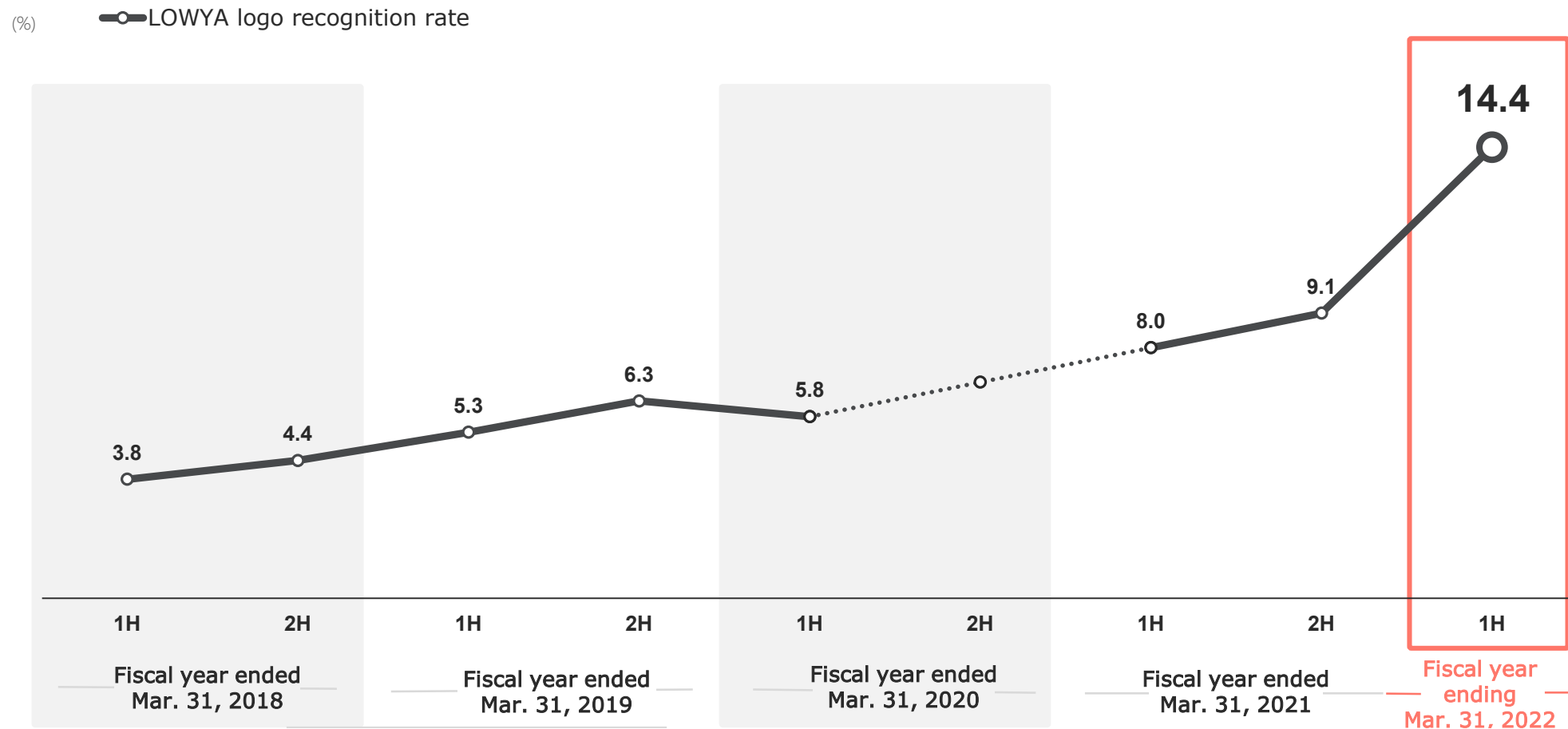
Marketing expenses include promotion expenses and advertising expenses.

We have currently been focusing on GMV growth by acquiring new members of the flagship store and turning existing members into active customers, and executing active marketing investments



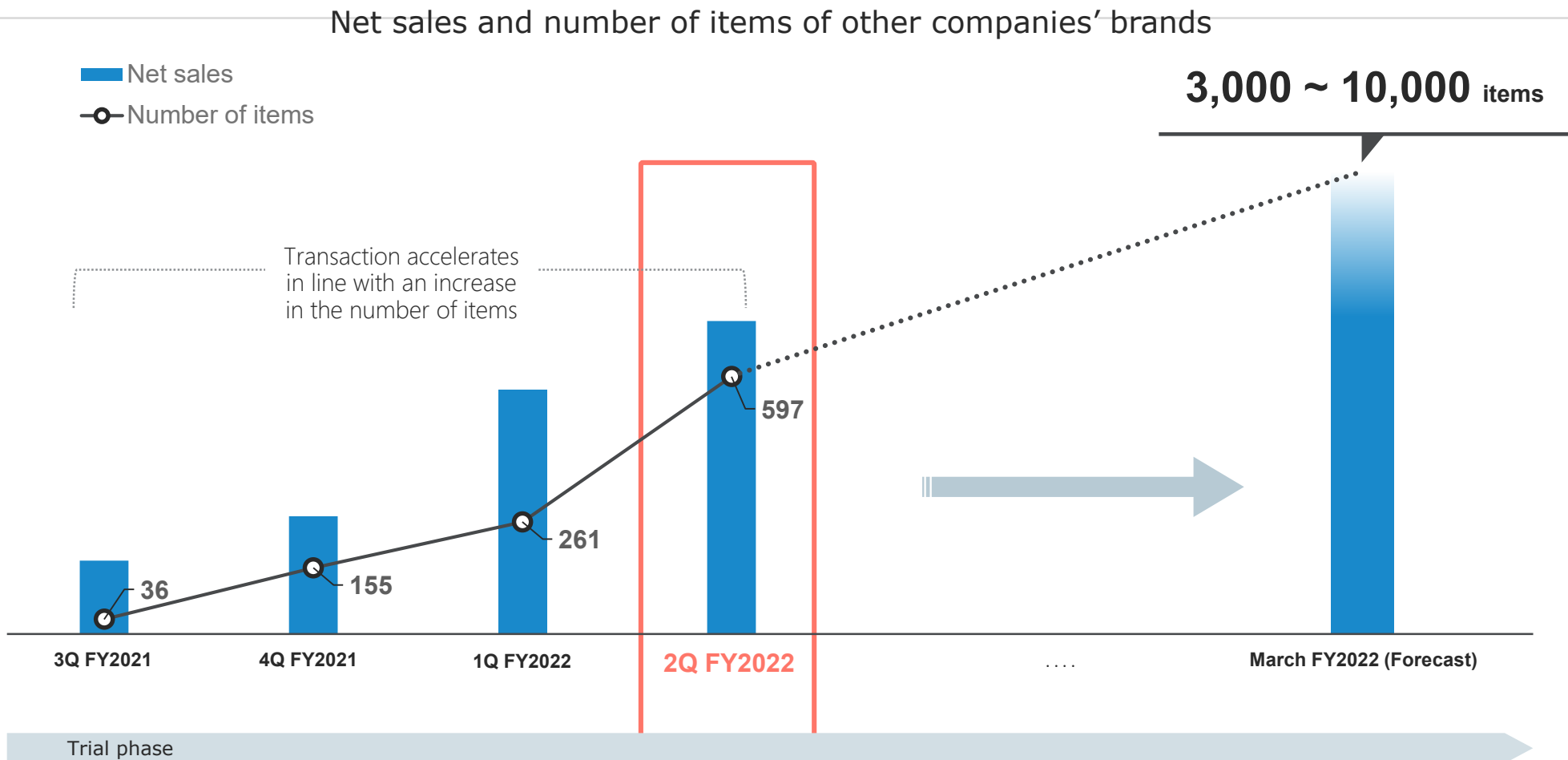
The LOWYA logo recognition rate rose significantly to 14.4% nationwide, partly due to the impact of its introduction in a national television broadcast

With the potential for growth still largely expected, we are continuing to consider various measures to improve it





We plan to greatly expand the number of products of other companies' brands we handle within a year, aiming to boost net sales through inventory stabilization  
Expansion of the number of items is expected to accelerate in the second half of the year, which has been in progress toward the fiscal year end target in line with the plan

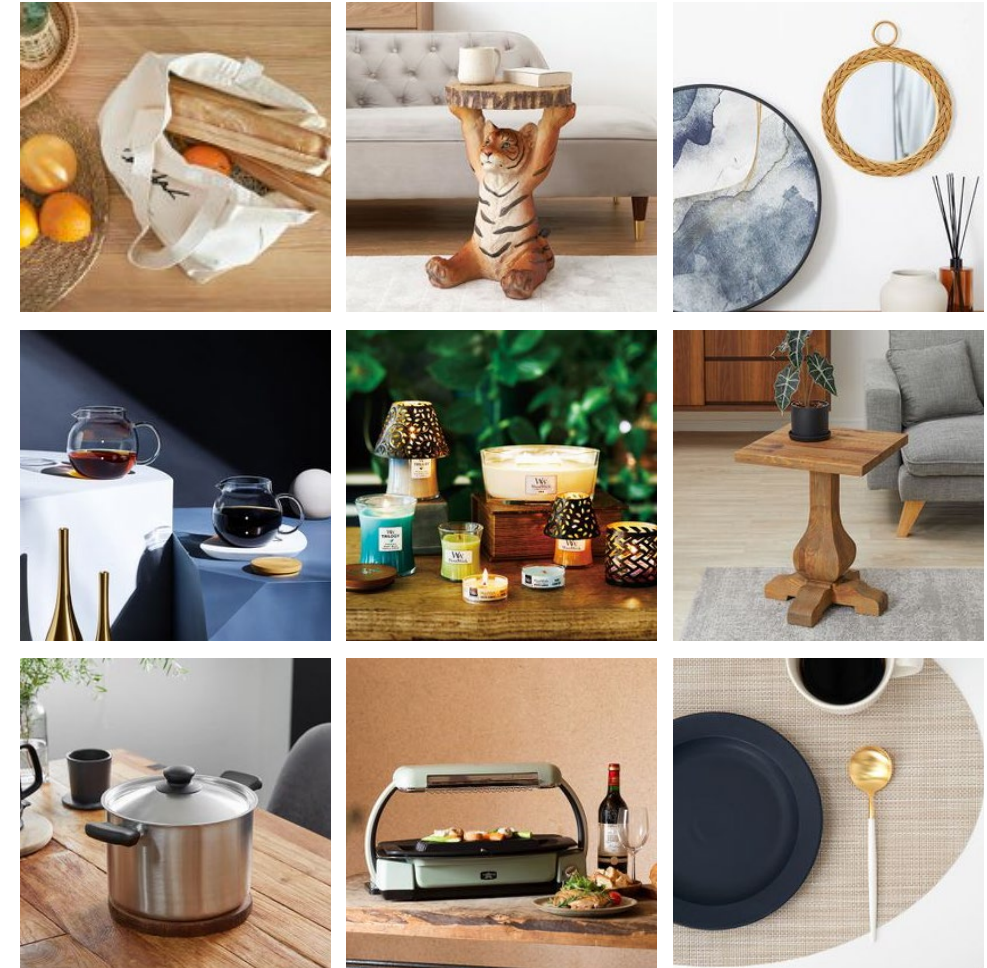


Add design- and trend-conscious new products while expanding product categories primarily of other companies' brands

### Products of the Company's PB



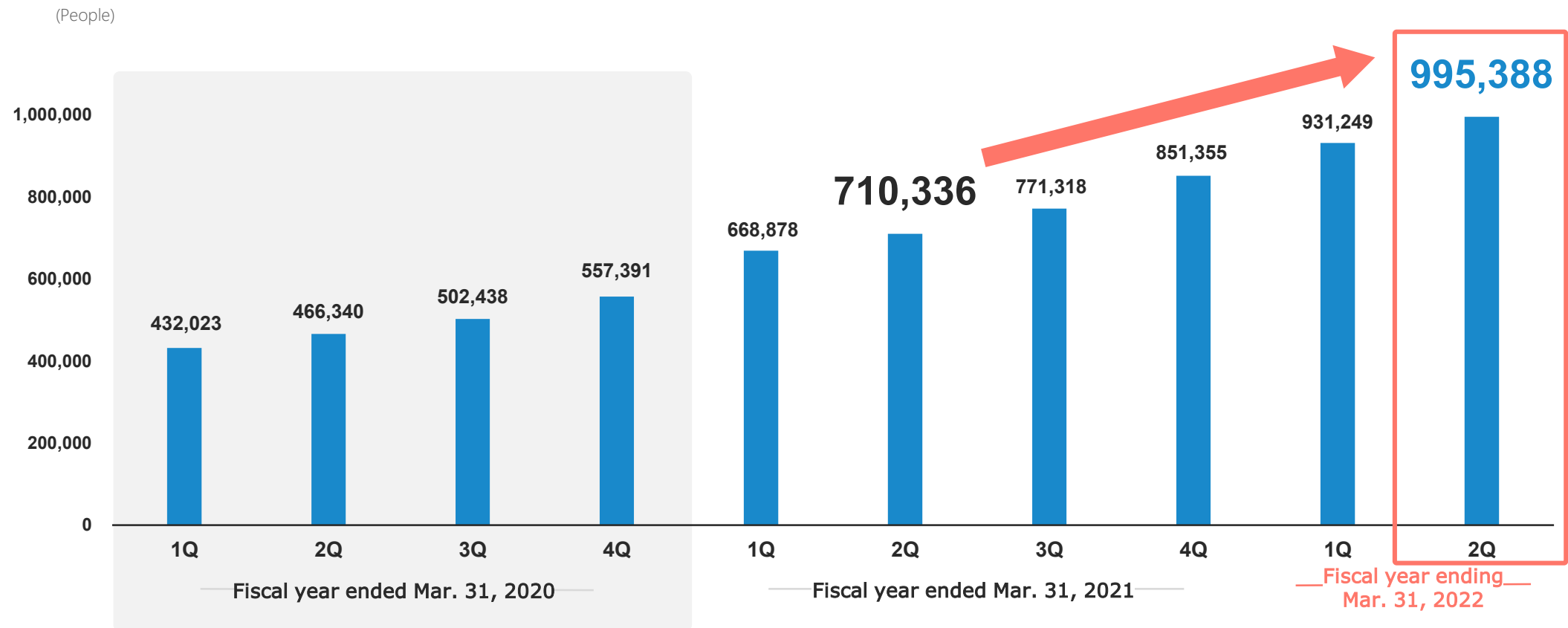
### Products of other companies' brands



With the acquisition of new members, total membership\* of the flagship store has been increasing steadily

Total membership topped one million people in October

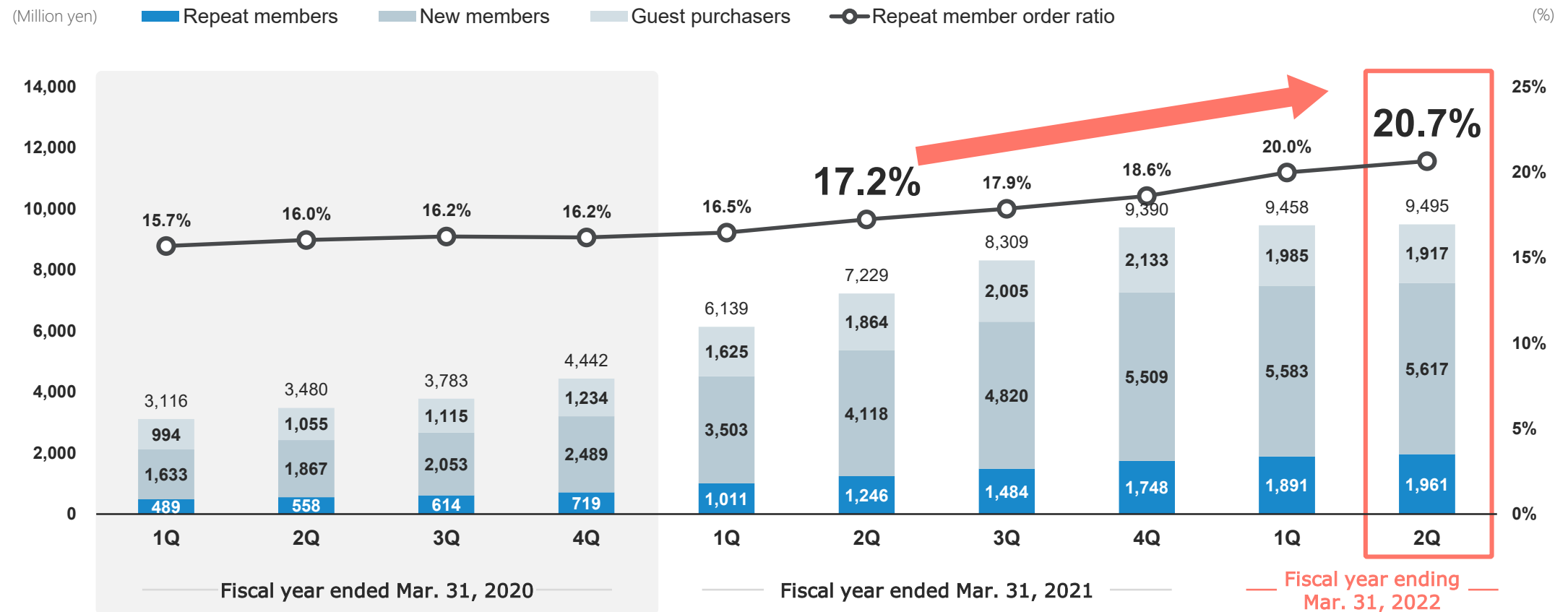
Total membership of the flagship store



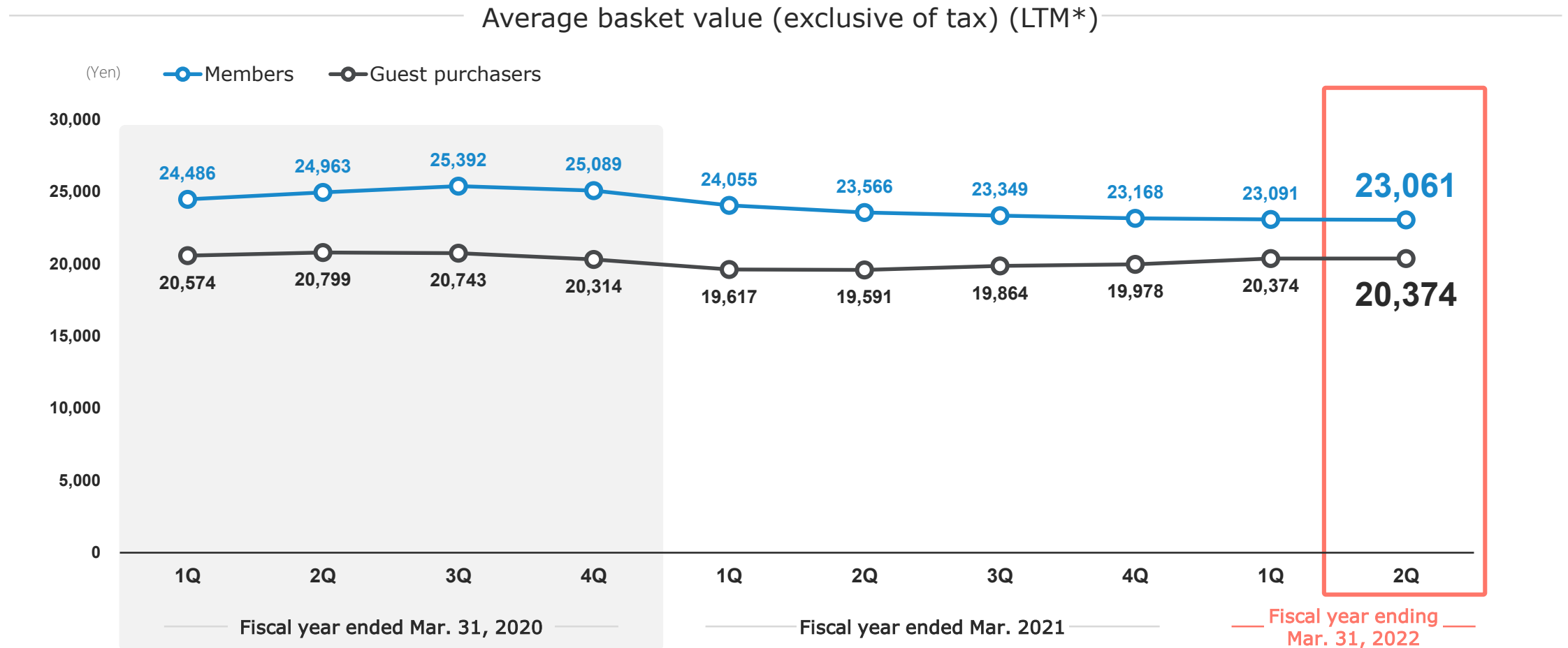
\* All the members who enrolled at the flagship store.

GMV\* by repeat members has been on a rise as guest purchasers become members and new members turn to repeat members

GMV by member type (LTM\*)



Average basket value has been steadily progressing



3

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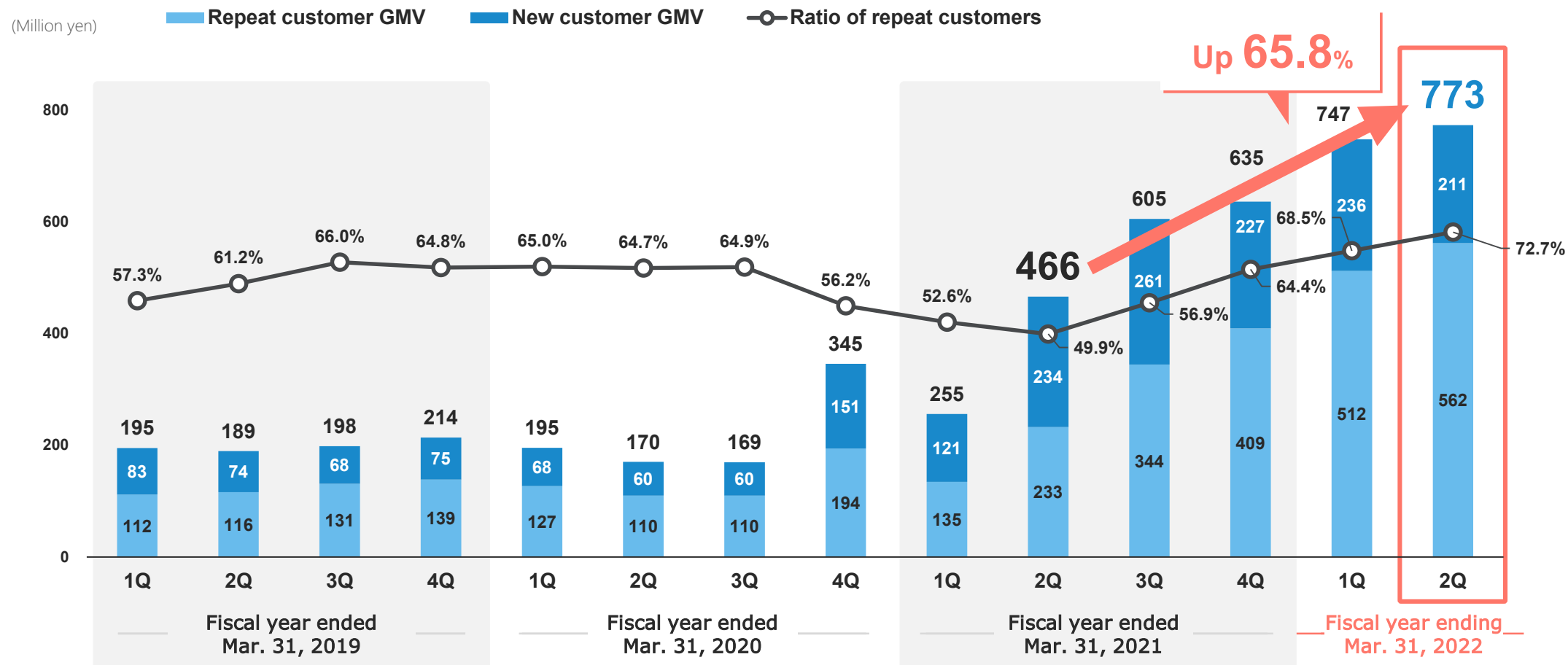
## Report on DOKODEMO Business

While membership and the number of APP DLs increased smoothly,  
average basket value grew and GMV continued to show a high growth rate

Item	Three months ended September 30, 2020	Three months ended September 30, 2021	YoY
GMV ( million yen )	466	773	165.8% (+307)
Net sales ( million yen )	59	93	157.3% (+33)
Membership (thousand people)	622	795	127.7% (+172)
Number of APP DLs (thousand)	1,076	1,267	117.8% (+191)
Average basket value (yen)	9,431	11,535	122.3% (+2,104)
Number of products (thousand)	36	44	120.8% (+8)
Number of brands	859	1,043	121.4% (+184)
Deliveries * Number of countries and regions to which deliveries were made	99	101	102.0% (+2)

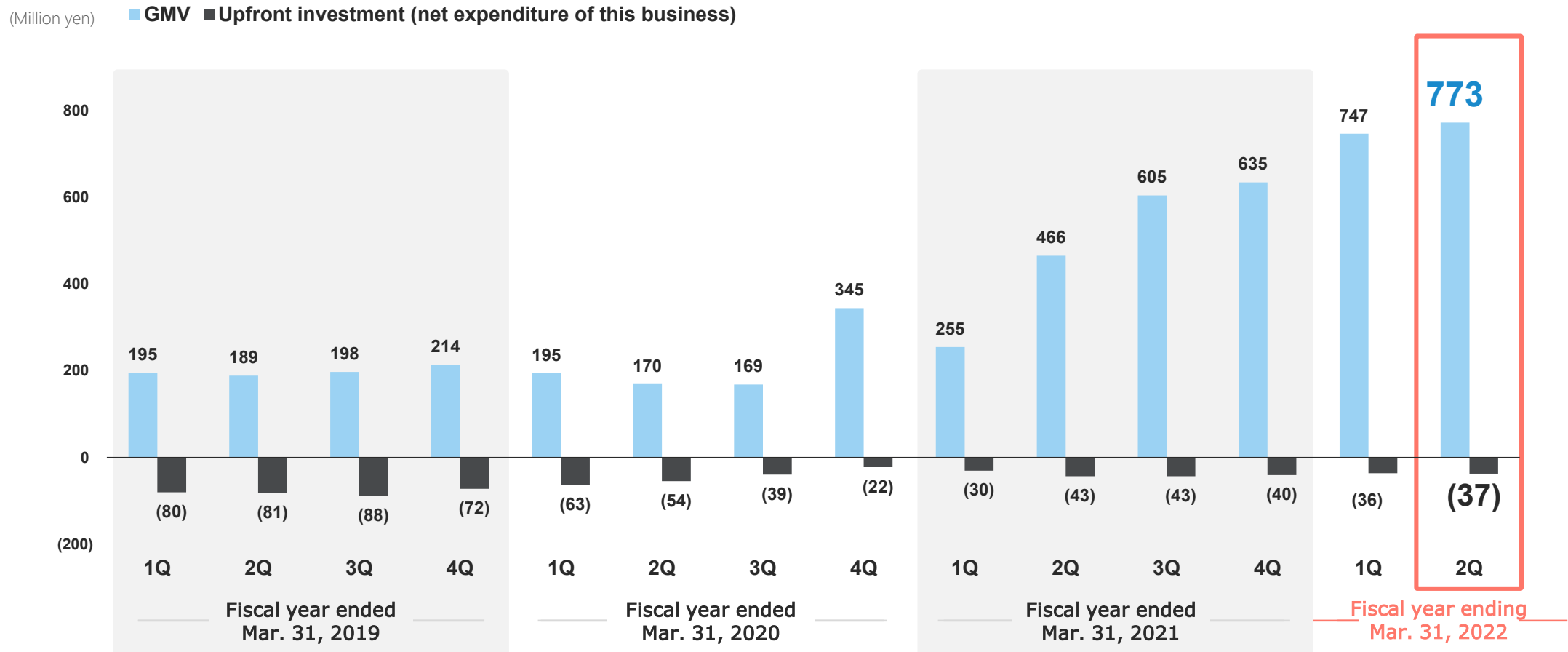


GMV grew by **65.8%** YoY, and repeat customer GMV remained high, accounting for **72.7%**



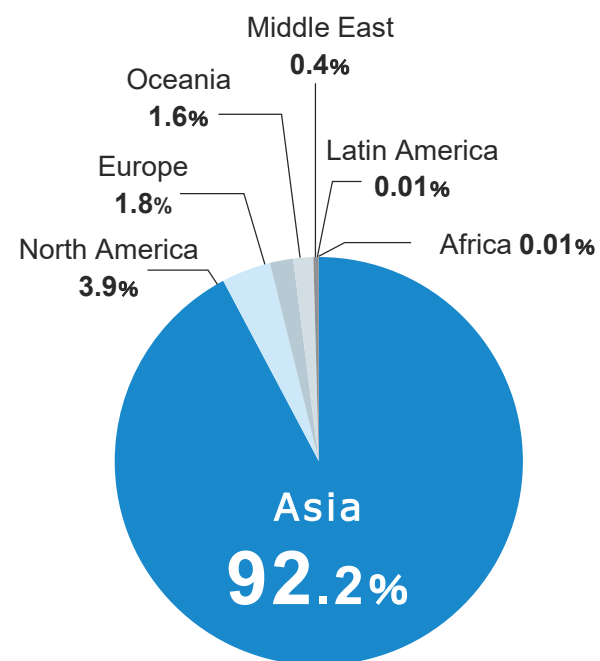
GMV has been expanding smoothly, while saving the upfront investment level (net expenditure of this business).

Transactions are projected to further increase by retaining repeat customers and acquiring new customers efficiently.

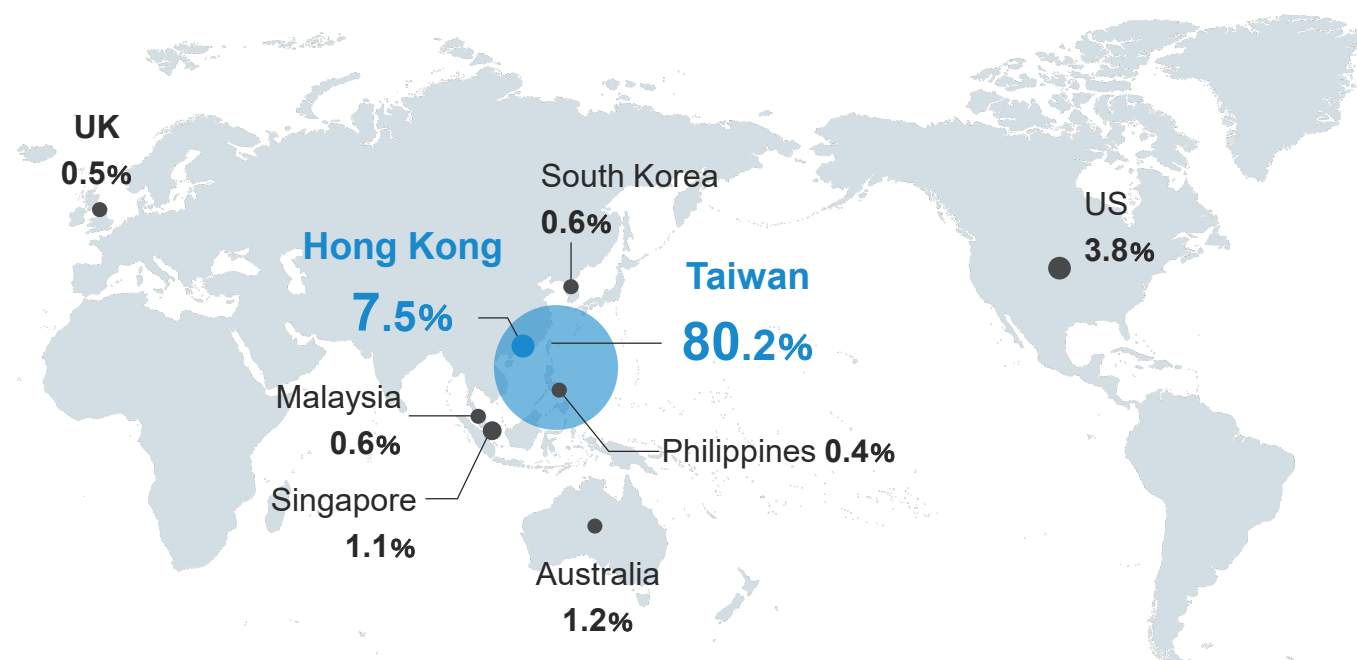


Deliveries to Asia, primarily Taiwan, account for more than 90% of GMV

By region



By country



# 4

## Other Topics

### Started trial sales of LOWYA products to Taiwan

In alliance with Bibian Co., Ltd., a group company of PChome Online Inc., a major Taiwanese e-commerce marketplace operator, the Company started trial sales of LOWYA products to Taiwan on October 22, 2021

We plan to get our promotion into full gear by the end of the year

### The Company's policy regarding the restructuring of the Tokyo Stock Exchange Market

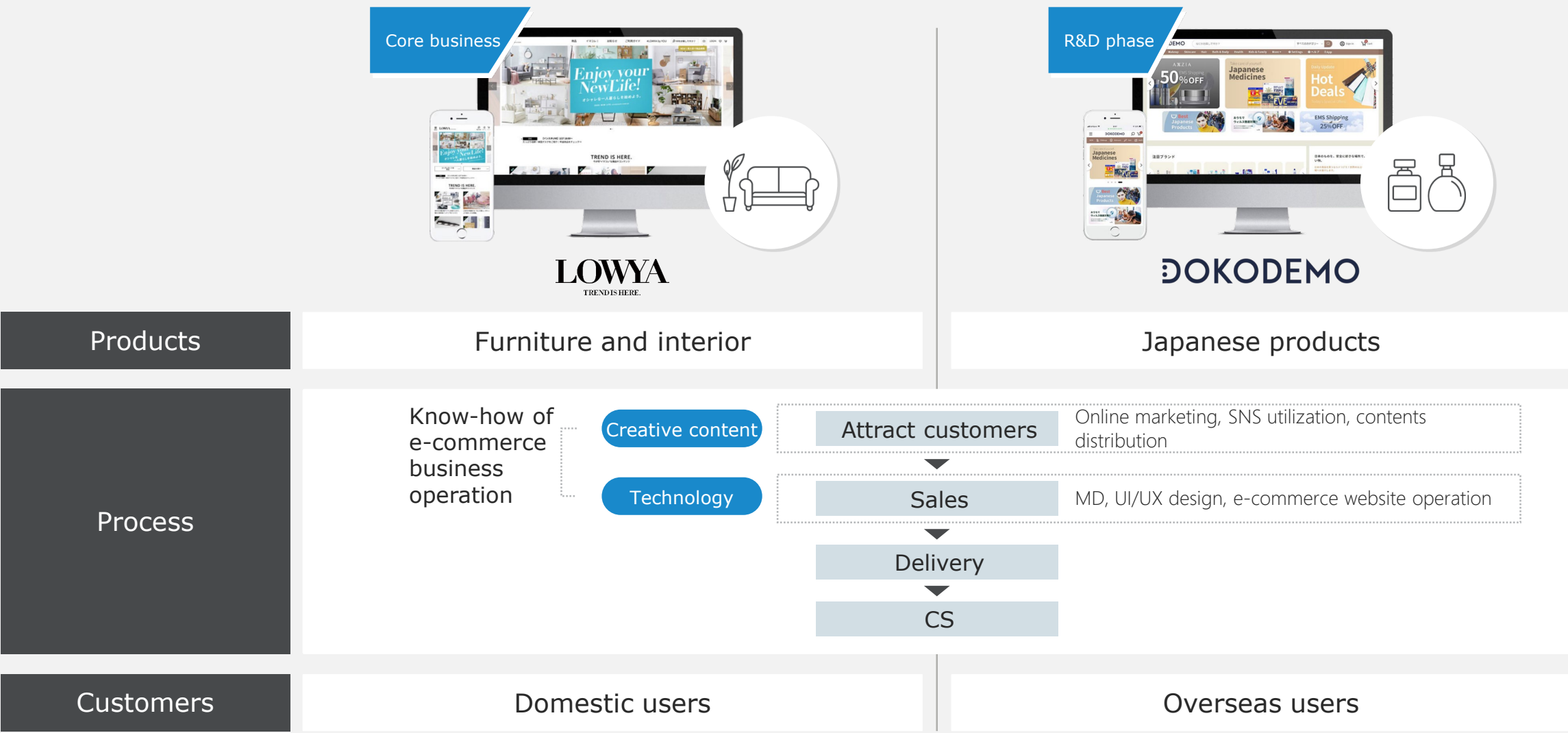
We intend to apply for listing on the Growth Market

# 5

## Mid-term Management Policy (Material Provided in 1Q)

# Overview of Business

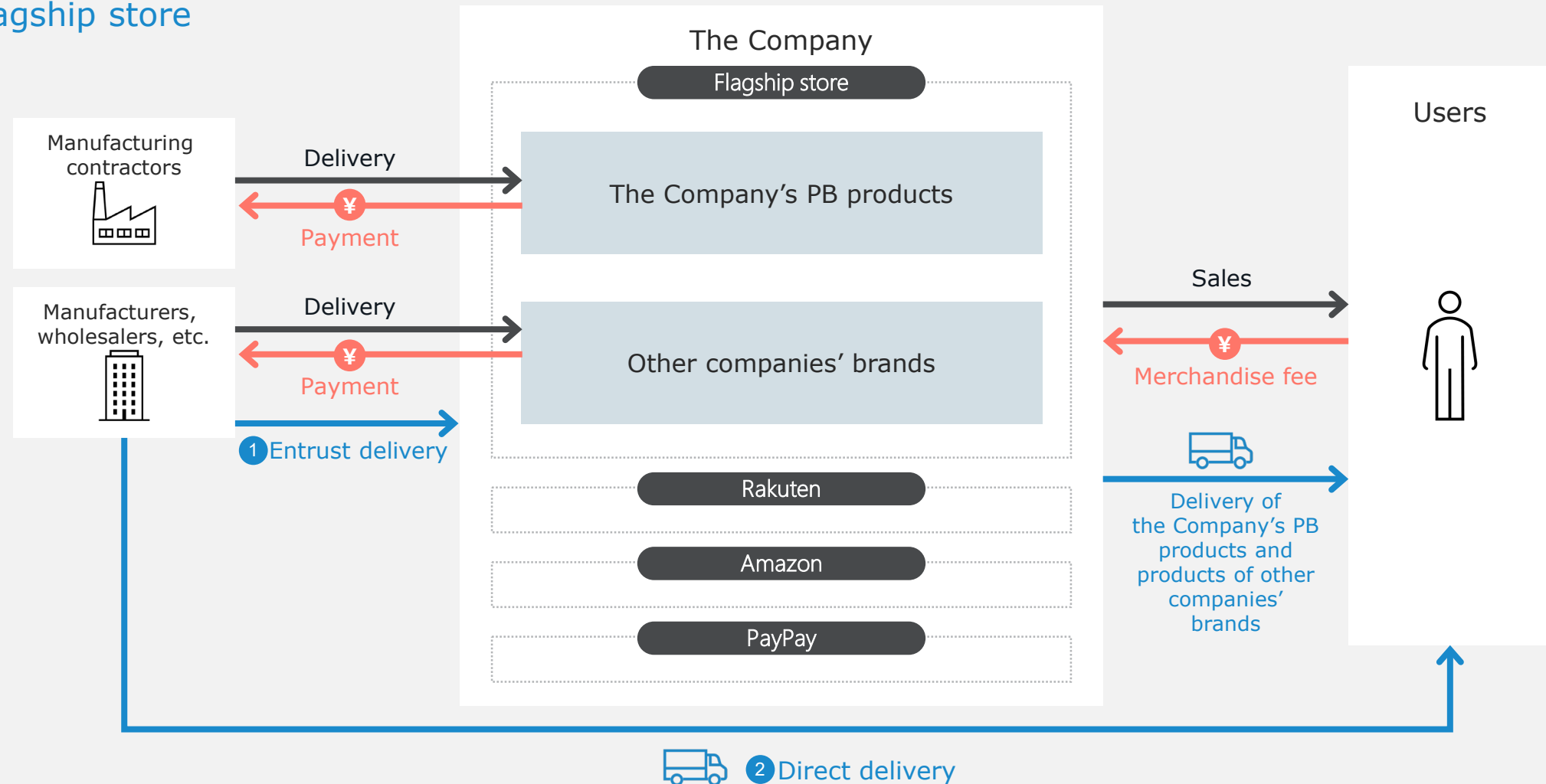
Promote the two businesses by exercising the power of creative content and technological know-how acquired through LOWYA's D2C business



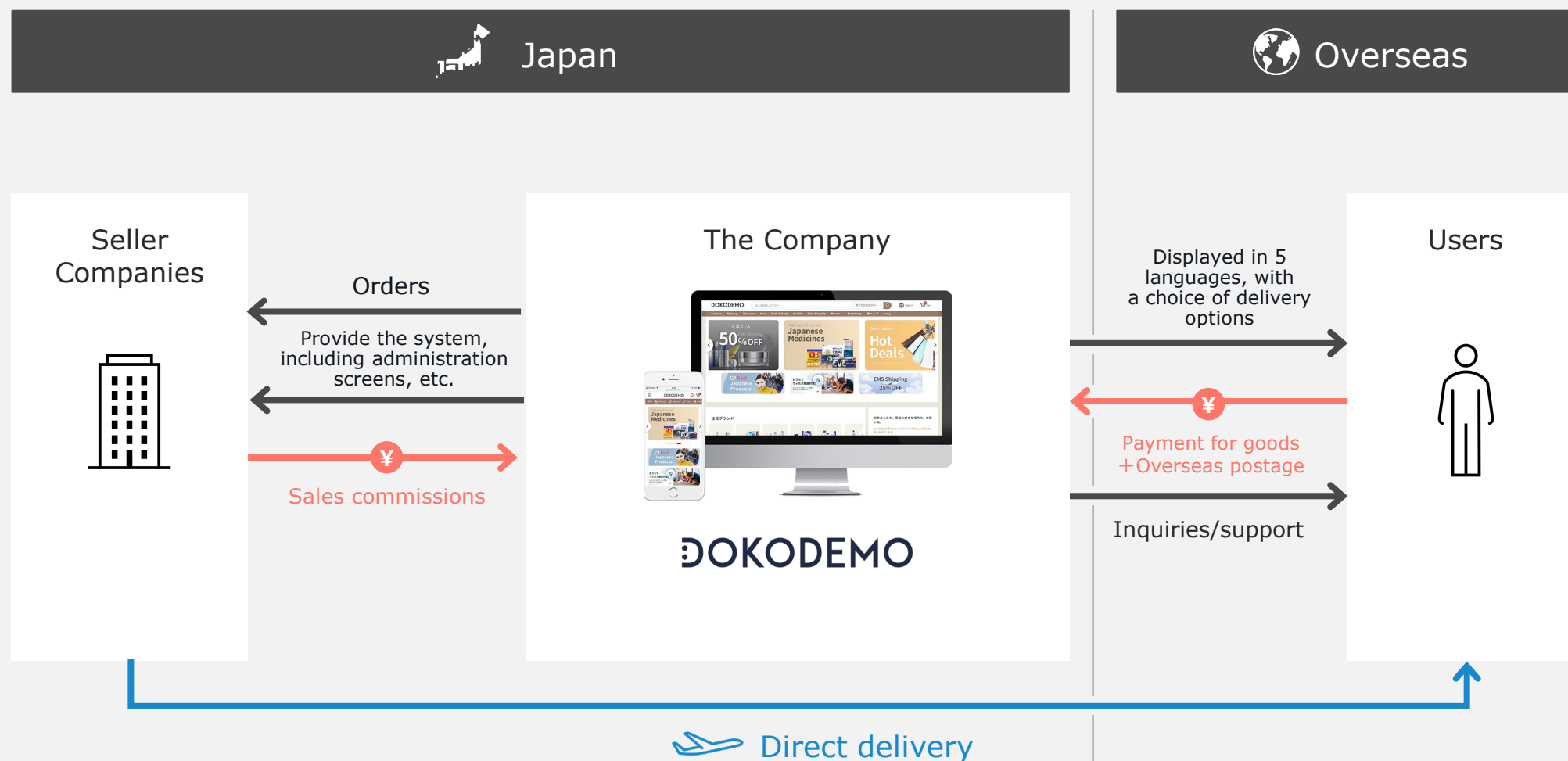
\*D2C (Direct to Consumer) is a format of business that involves direct sales exclusively online.



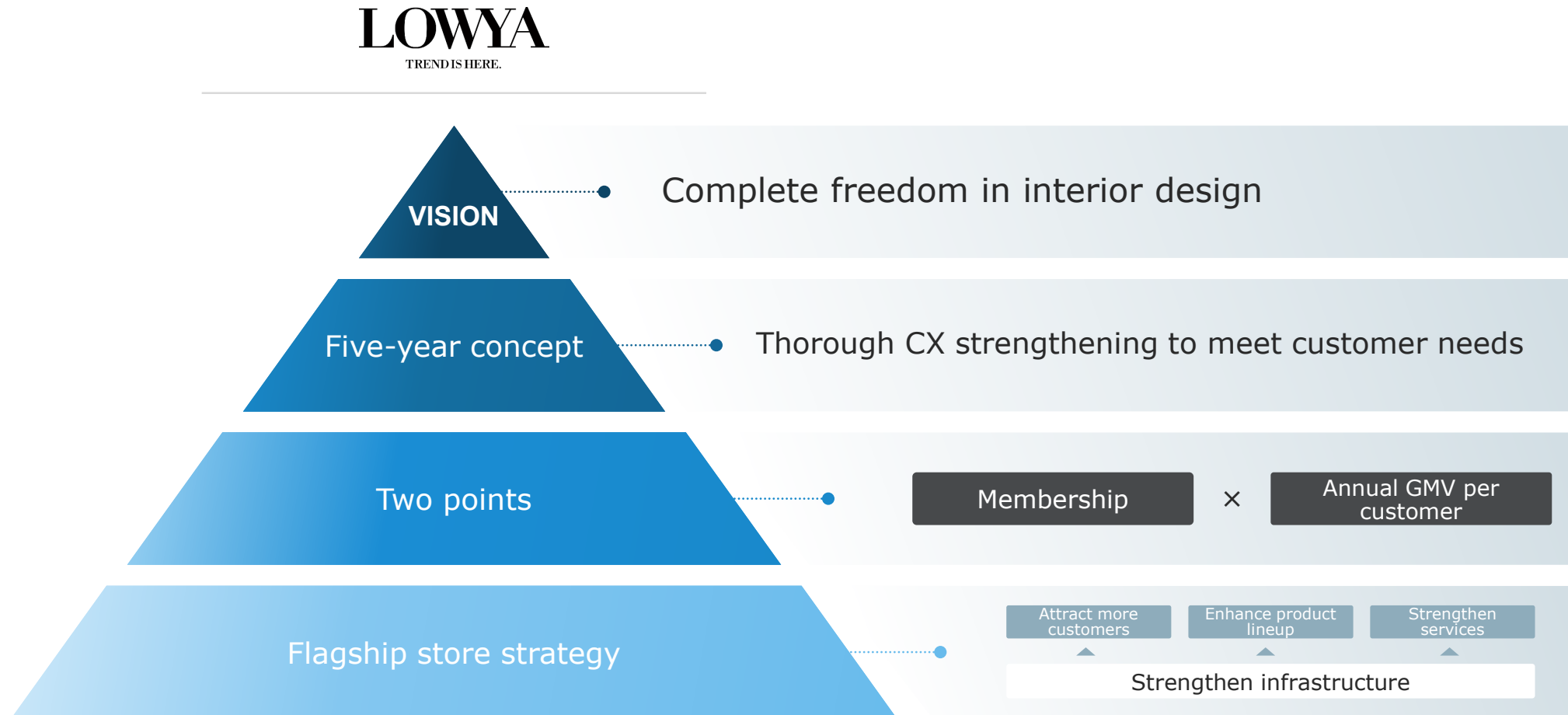
In addition to offering private brand (PB) products at the flagship store (the Company's e-commerce website) and other e-commerce marketplace stores, products of other companies' brands are offered at the flagship store



Operate a cross-border e-commerce platform with all functions including settlement, logistics and CS, which enables seller companies to offer Japanese products to overseas users



Thorough strengthening of customer experience (CX) at the flagship store based on “membership” and “annual GMV per customer” as points



## Attract more customers

Step up promotional activities and increase recognition to expand the number of visitors and members



### SEO

Enhance the influx of organic search



### SNS

Acquire new followers



### Online advertising

Approach new users

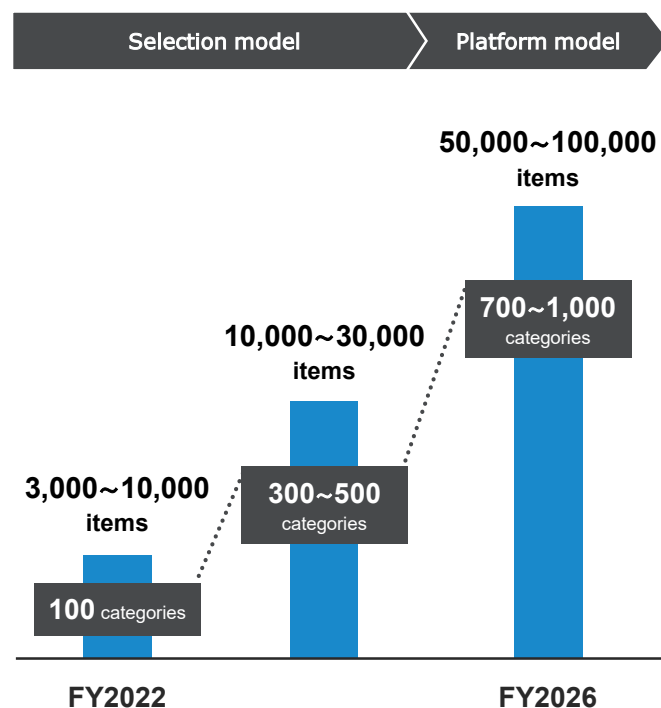


### TV commercial trial

Scale-up approach to increase recognition

## Enhance product lineup

Enhance the lineup of other companies' brands and enrich the assortment of sundries to expand the number of items and categories



※ The number of items and categories are for illustrative purposes only, and may differ from the actual numbers.

## Strengthen services

Realize LOWYA's ideal customer experience to improve the ratio of repeat purchasing and maximize annual GMV per customer

Strengthen UI/UX

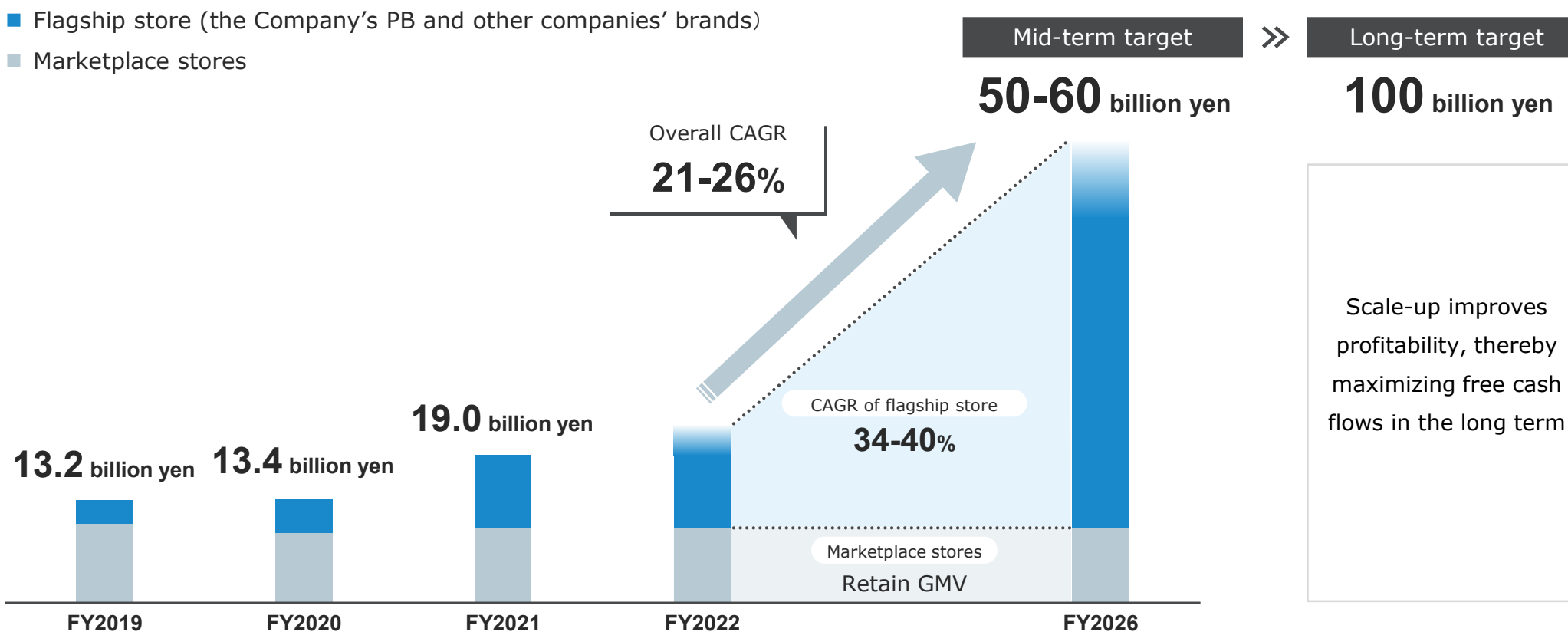
Strengthen delivery

Strengthen innovative services (AR)

Strengthen CX to increase “membership” and “annual GMV per customer” at the flagship store and achieve high GMV growth rates over a medium term

## Changes in GMV

- Flagship store (the Company's PB and other companies' brands)
- Marketplace stores



Leverage cash flows arising from marketplace stores and the flagship store (the Company's PB) and interest-bearing debts to execute active investments for the flagship store strategy

## Financing methods

### 1. Operating CF

- Operating CF from marketplace stores, a steady source of revenue with no need for additional investments
- Operating CF from the Company's PB products sold at the flagship store shifting from a launch phase to a revenue increase phase

### 2. Interest-bearing debts

- Interest-bearing debts amount to 0.5 billion yen
  - Shareholders' equity amounts to 5.0 billion yen, sufficient borrowing capacity
- \* As of March 31, 2021

### 3. Equity

- Not excluded as an option

## Investment areas

### Strengthen CX of the flagship store (the Company's PB+other companies' brands)

Attract more customers

Enhance product lineup

Strengthen services

**Strengthen infrastructure**

- Strengthen SCM and fulfillment
- Improve systems

### Complement strategies

**External collaboration**

- Startup investment
- Capital and business alliance
- M&A, etc.

# 6

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## Appendix

As a new accounting standard for revenue recognition (new Revenue Recognition Standard) has been applied from the fiscal year ending March 31, 2022, creating a difference between GMV and sales, the Company has newly announced GMV as an important management indicator

## Previous Standard

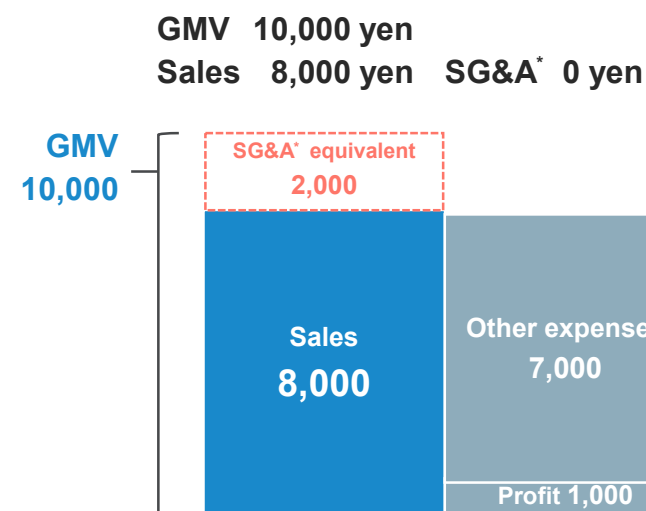
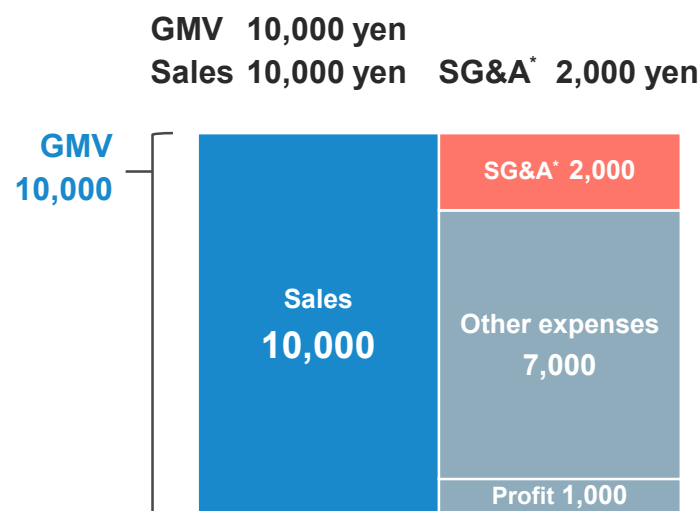
## New Revenue Recognition Standard

- Major change: Change in treatment at the time when coupons are used or marketplace points are granted

The value of coupons used or marketplace points granted is recorded as selling, general and administrative expenses

Net sales are recognized at a value obtained by subtracting the value of coupons used or marketplace points granted from the value of merchandise sold

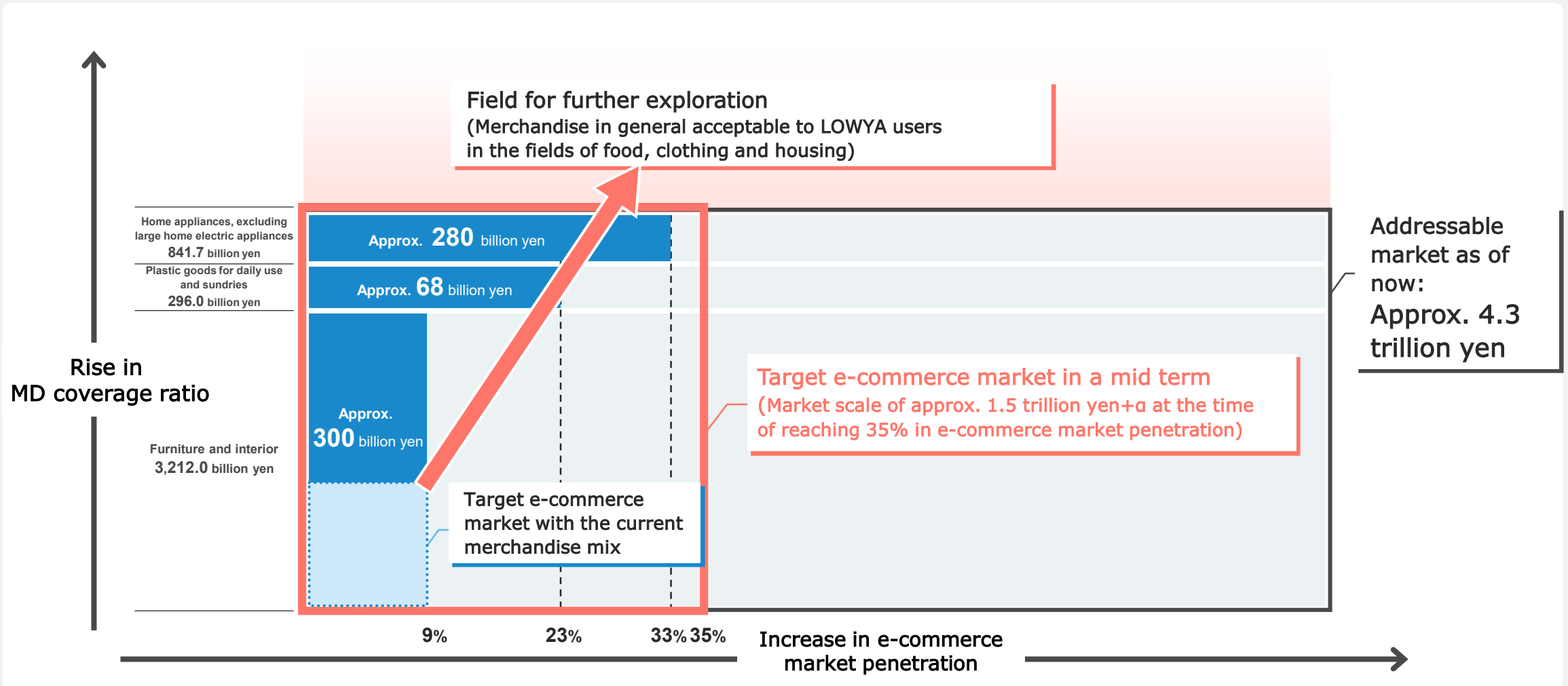
- Illustration for comparison: When a product priced 10,000 yen is sold at a 20% discount



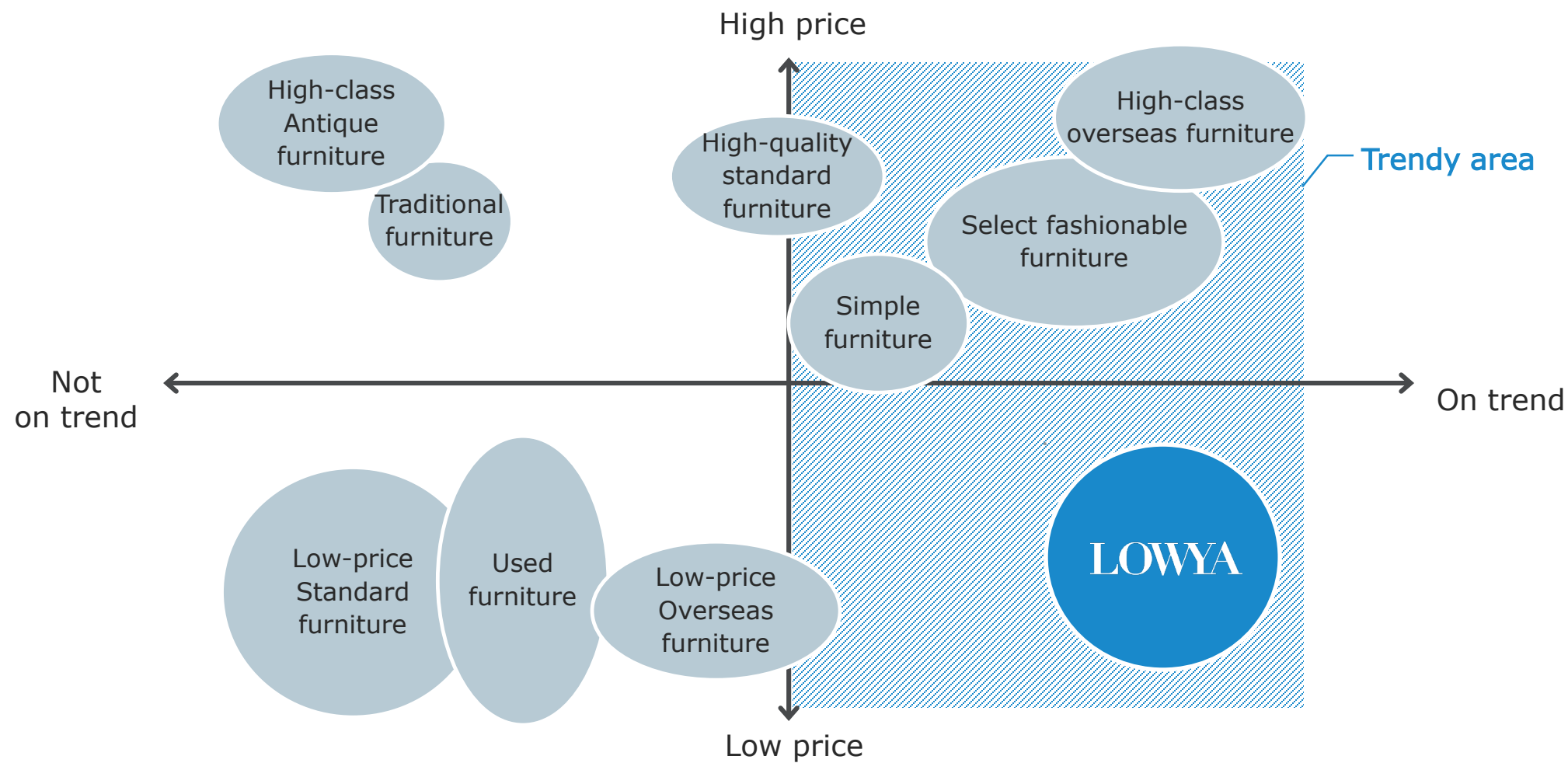
\* It means the SG&A expenses (promotion expenses) equivalent to a 20% discount, not all SG&A expenses, and SG&A expenses other than the said promotion expenses are recorded in both cases.



Target market is forecast to expand driven by “Rise in MD coverage ratio” x “Increase in e-commerce market penetration,” which presents significant room for growth

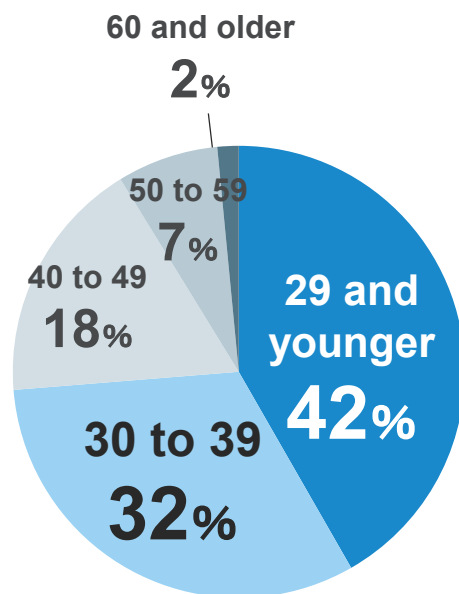


Establishing the **fast interior** category in the “trendy & low price” space of the furniture and interior products market

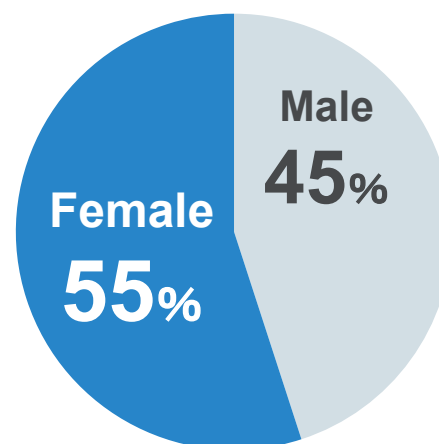


Showing higher ratio of females in their 20's to 30's, and in the Kanto region by area.

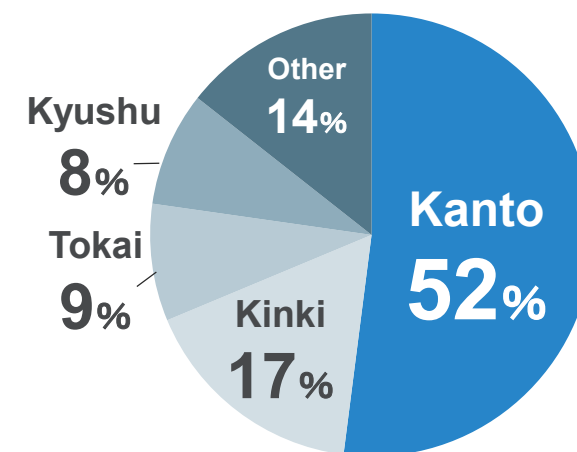
Age  
distribution



Ratio of  
male vs.  
female



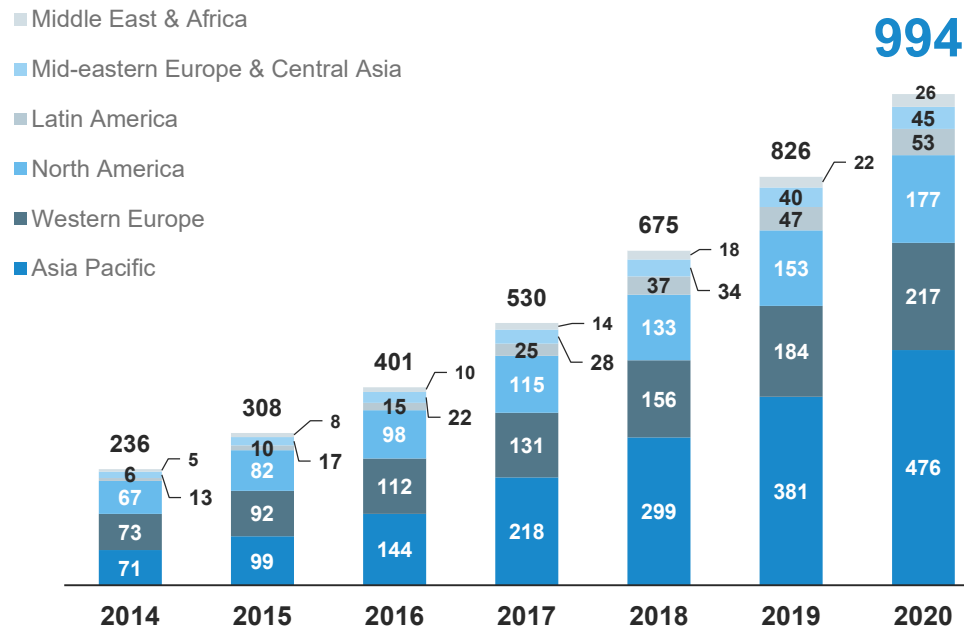
Area  
distribution



\* Of those who made purchases at the flagship store in the past 12 months, data of members who answered their attributes.  
The data source is different from that of Customer Data announced in and before the fiscal year ended March 31, 2021.

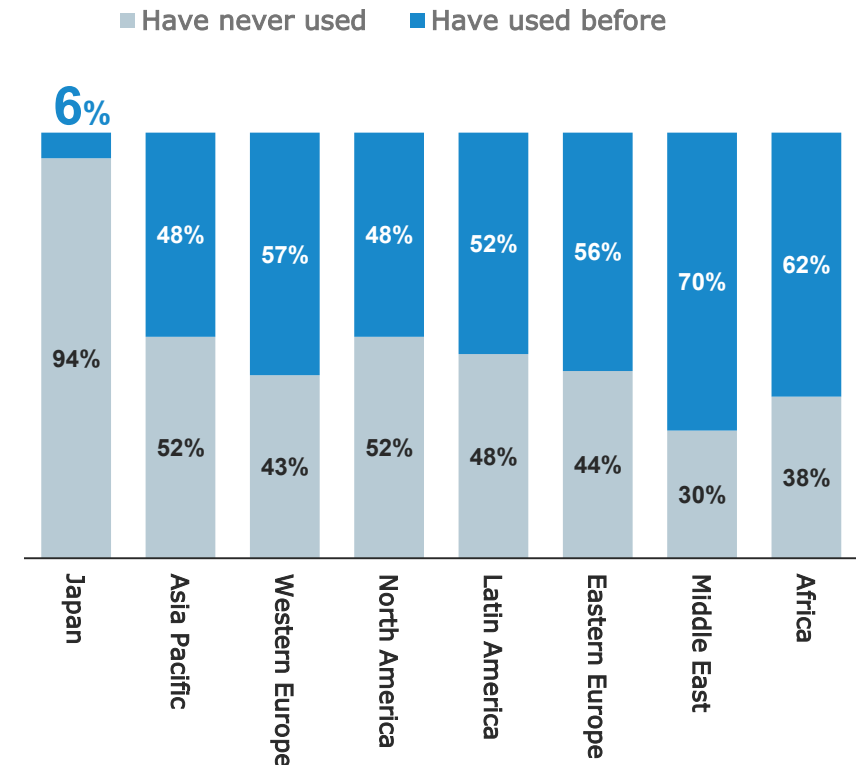
Even with a platform specialized for seller companies in Japan,  
massive markets present abundant opportunities

BtoC cross-border e-commerce market scale (billion dollars) \*1



BtoC cross-border e-commerce is a giant, trillion-dollar market

Cross-border e-commerce usage by region (2018) \*2



Only around 6% of Japanese have experience using cross-boarder e-commerce, but in other regions it is used by more than half the population



**VEGA** corporation

IR Inquiries

[vega\\_ir@vega-c.com](mailto:vega_ir@vega-c.com)

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.