



Quarterly Financial Results

For the Nine Months Ended December 31, 2021
Vega corporation Co., Ltd. / Securities code: 3542

1

Business Description

2

Overview of Quarterly Financial Results
for the Nine Months Ended December 31, 2021

3

Report on LOWYA Business

4

Report on DOKODEMO Business

5

Financial Results Outlook

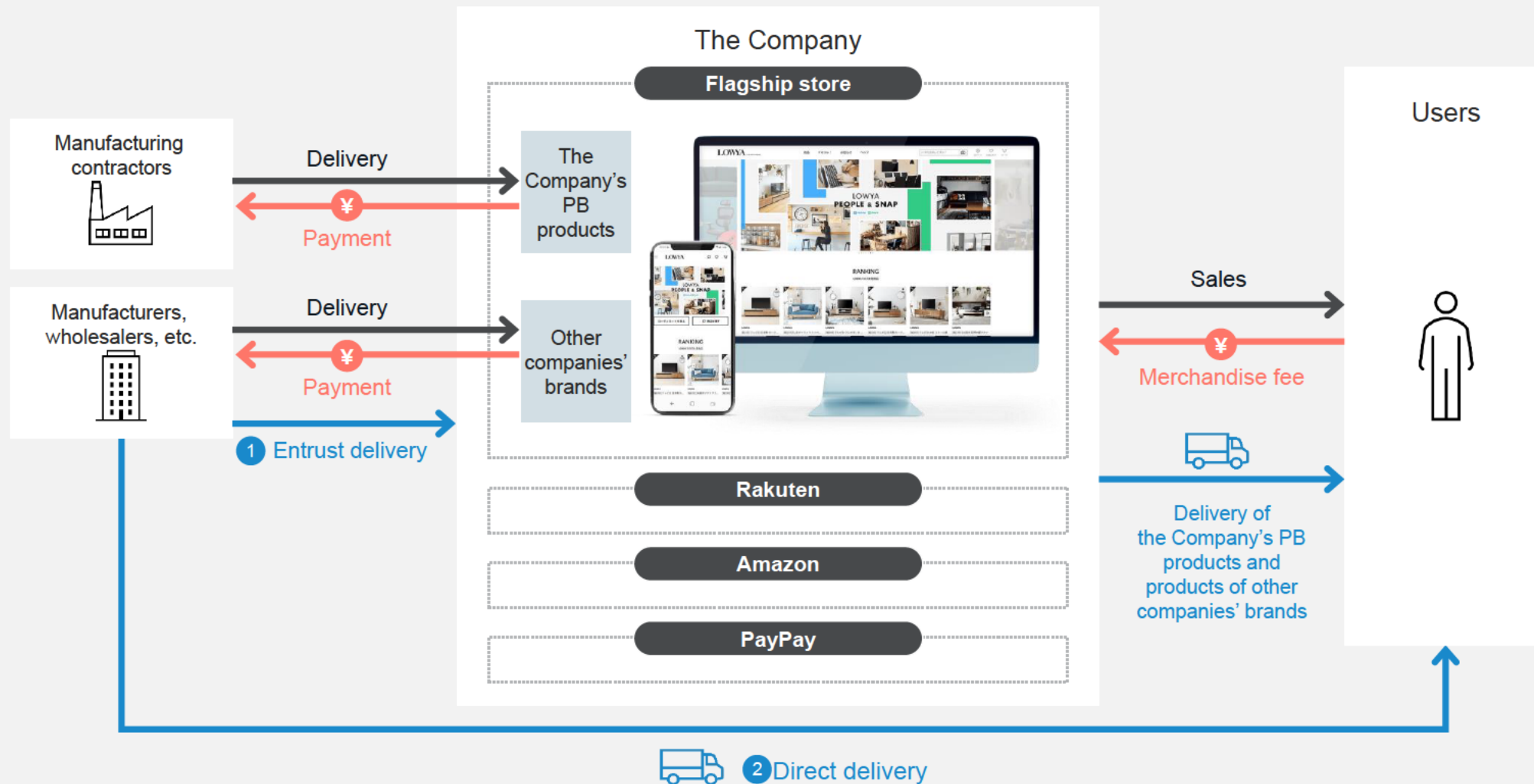
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Appendix

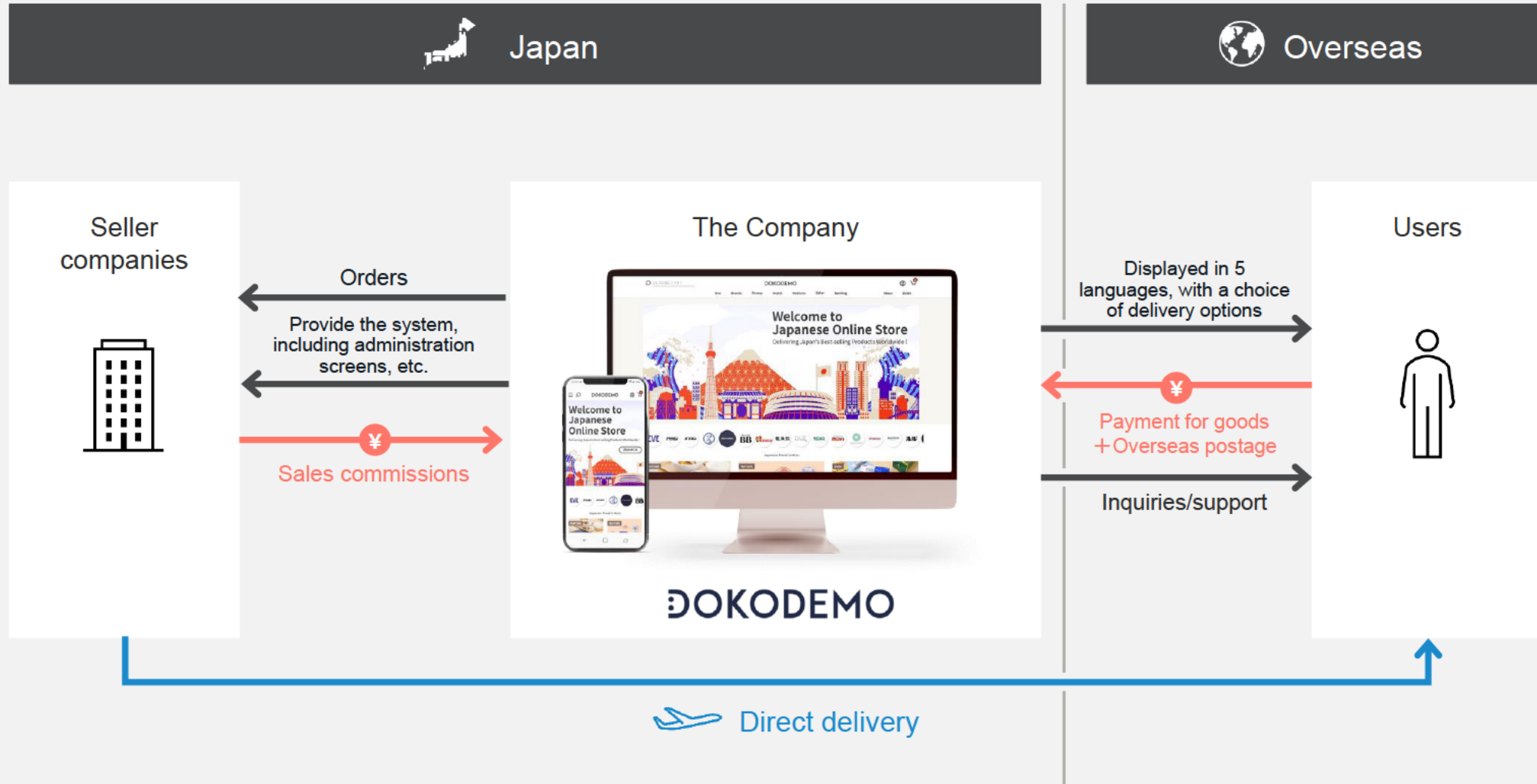
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Business Description

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

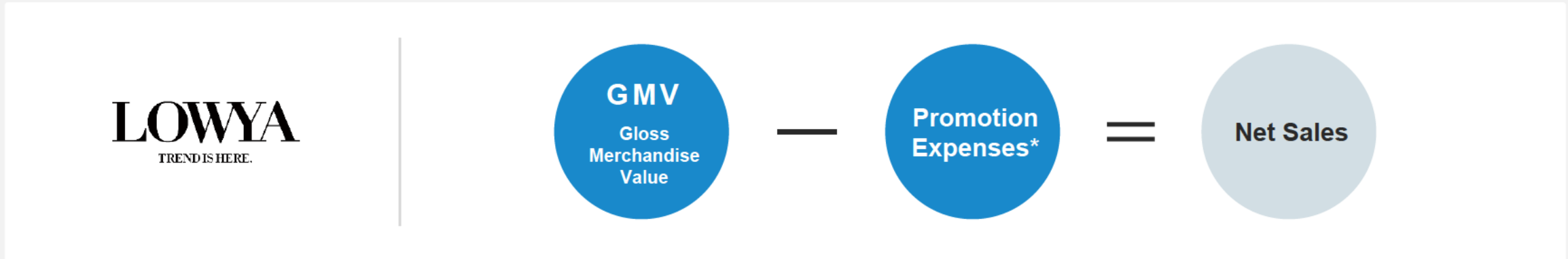


Difference in Sales Recognition Methods

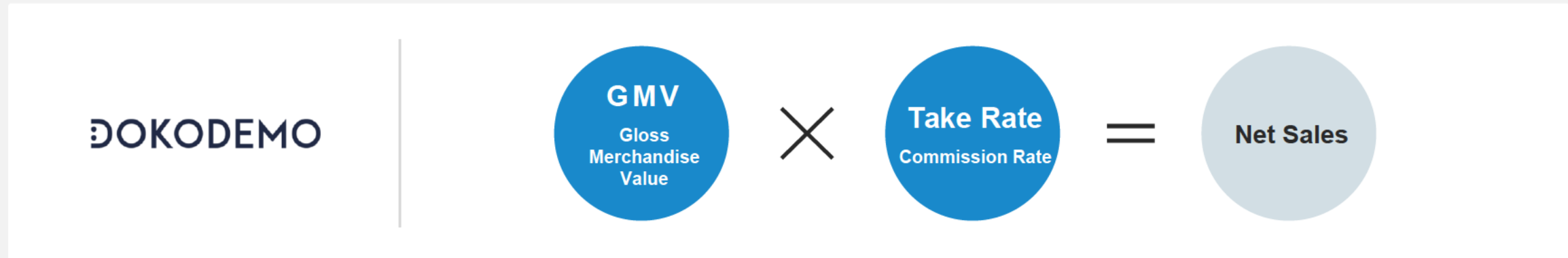
LOWYA business is a D2C business of furniture and interior sundries*

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



* 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.



* 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.).

2

Overview of Quarterly Financial Results for the Nine Months Ended December 31, 2021

Financial Highlight

Overview of Company-wide Results

Progress was made on improving profit, even amid a rising cost of sales, and we achieved operating profit in excess of 2Q

DOKODEMO performed strongly, with GMV passing the 1,000 million yen mark for the first time ever

3Q	GMV (LOWYA)	3,996 million yen (YoY: 93.7%)
	GMV (DOKODEMO)	1,021 million yen (YoY: 168.7%)
	Net sales	3,868 million yen (YoY: -% *Due to application of new Revenue Recognition Standard from this period.)
	Operating profit	104 million yen (YoY: 41.8%)

LOWYA business

Overview

- The flagship store performed solidly, with membership growing and GMV at the same level as in the previous year.
- The number of products of other companies' brands we handle increased, but challenges emerged in adjusting the UI.
- Overall, GMV fell short year on year, due to a reactionary decline in demand from the previous year, in which demand rose.

DOKODEMO business

Overview

- GMV continued to grow for both new and repeat customers, passing the 1,000 million yen mark for the first time ever on a quarterly basis.

Financial Results for the Three Months Ended December 31, 2021

Net sales: **3,868** million yen, Operating profit: **104** 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
	3Q results	Sales ratio	3Q results	Sales ratio	3Q results	Sales ratio	
Net sales	4,363	100.0%	4,094	100.0%	3,868	100.0%	-
Gross profit	2,638	60.5%	2,369	57.9%	2,160	55.9%	-
SG&A expenses	2,389	54.8%	2,120	51.8%	2,056	53.2%	-
Operating profit	249	5.7%	249	6.1%	104	2.7%	41.8% (-145)
Ordinary profit	254	5.8%	254	6.2%	114	3.0%	44.9% (-140)
Profit	153	3.5%	153	3.8%	85	2.2%	55.8% (-67)

Financial Results for the Nine Months Ended December 31, 2021 (1Q-3Q Cumulative)

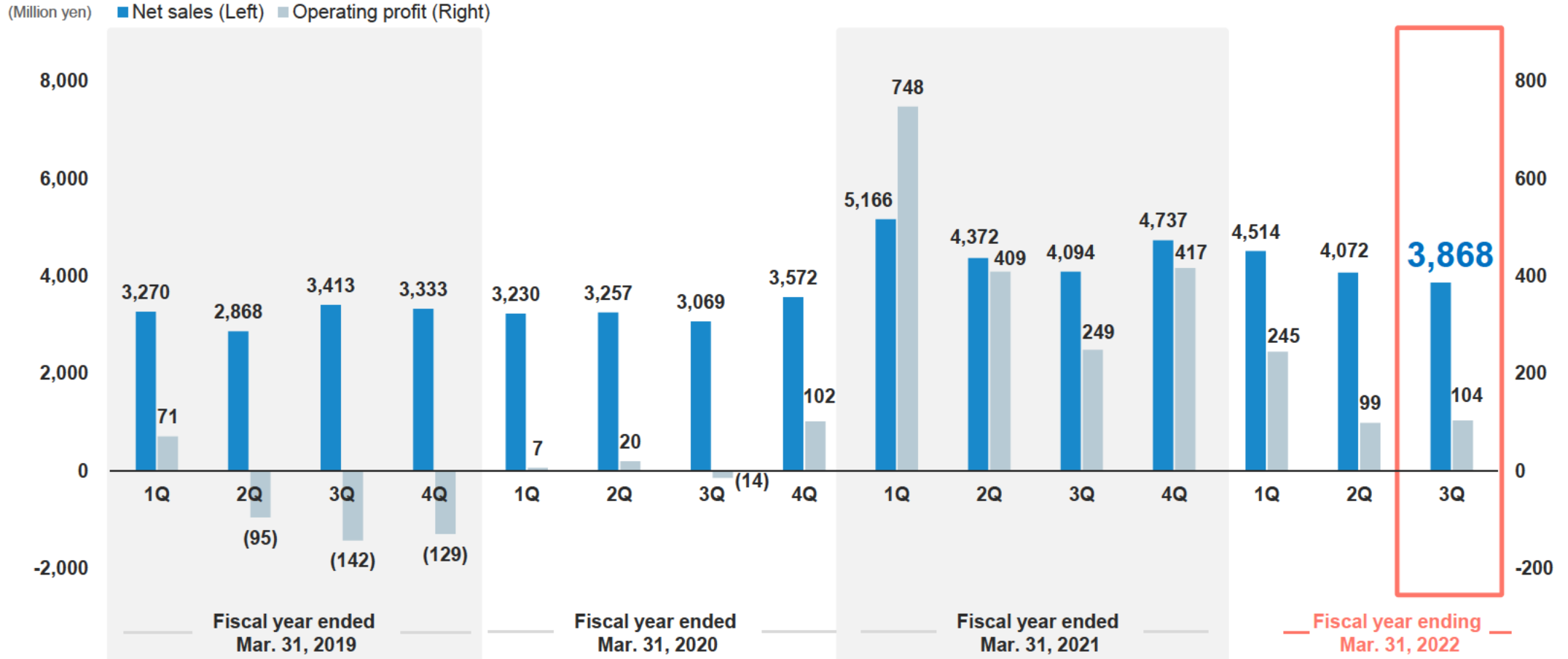
Net sales: **12,455** million yen, Operating profit: **449** million yen

(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-3Q results	Sales ratio	1Q-3Q results	Sales ratio	1Q-3Q results	Sales ratio	
Net sales	14,247	100.0%	13,634	100.0%	12,455	100.0%	-
Gross profit	8,533	59.9%	7,920	58.1%	6,951	55.8%	-
SG&A expenses	7,126	50.0%	6,513	47.8%	6,501	52.2%	-
Operating profit	1,407	9.9%	1,407	10.3%	449	3.6%	32.0% (-957)
Ordinary profit	1,428	10.0%	1,428	10.5%	472	3.8%	33.1% (-955)
Profit	867	6.1%	867	6.4%	308	2.5%	35.6% (-558)

Quarterly Net Sales and Operating Profit

Net sales fell short year on year but trended higher than the pre-COVID-19 pandemic levels
 Operating profit exceeded 2Q due to an overall improvement in gross margin, even amid a rising cost of sales

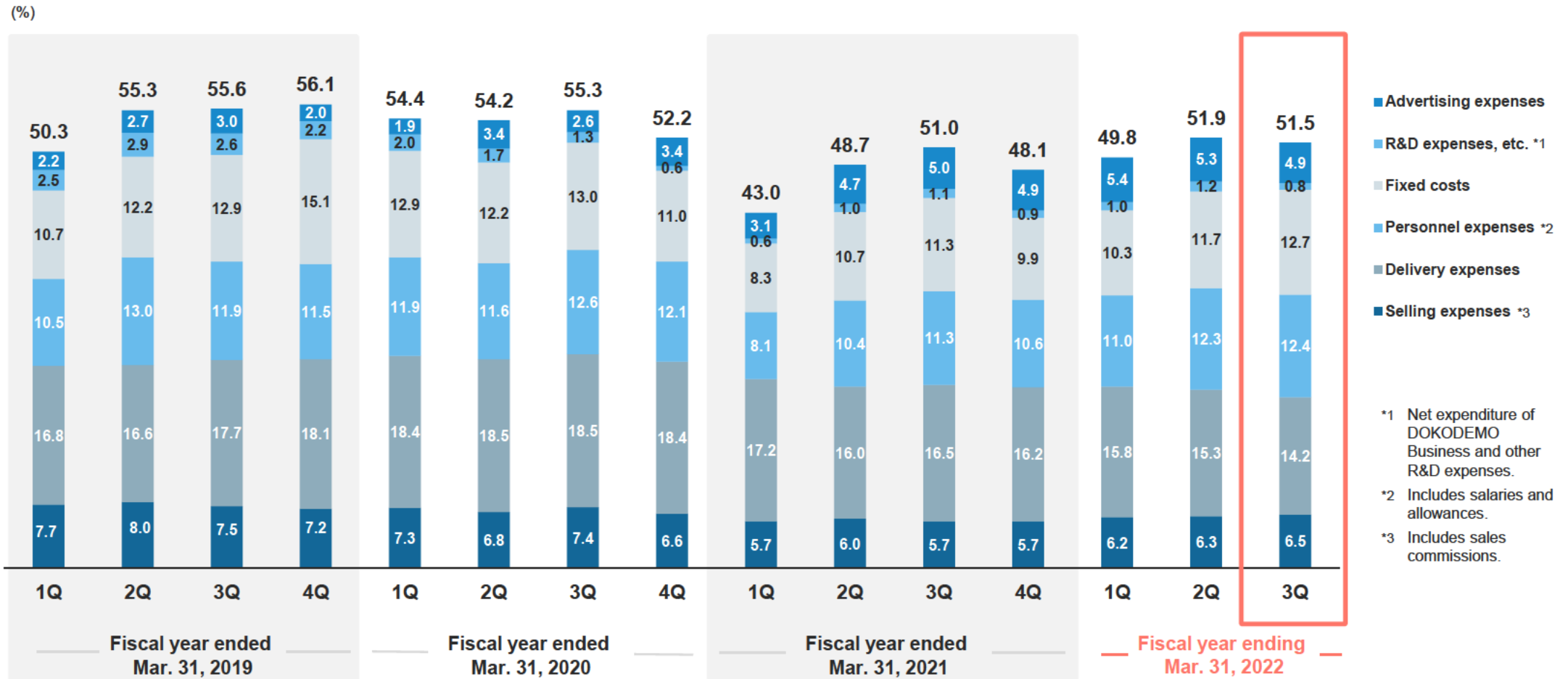


* Due to the application of the new Revenue Recognition Standard from the fiscal year ending March 31, 2022, net sales for the fiscal year ended March 31, 2021 and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.

* 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.

Quarterly SG&A Expenses Ratio (against Net Sales)

The SG&A expenses ratio progressed stably overall due to a decrease in the selling expenses ratio and delivery expenses ratio, despite a rising personnel expenses ratio and advertising expenses ratio resulting mainly from investment in the flagship store, compared to pre-COVID-19 pandemic levels



* The SG&A expenses 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 December 31, 2021		As of March 31, 2021	As of December 31, 2021
Current assets	6,892	6,415	Current liabilities	3,023	2,625
Cash and deposits	3,028	1,393	Debt obligations	500	1,000
Accounts receivable–trade	1,897	1,320	Non-current liabilities	61	44
Merchandise	1,521	2,883	Total liabilities	3,084	2,669
Non-current assets	1,331	1,462	Shareholders' equity	5,091	5,180
Property, plant and equipment and intangible assets	520	530	Total net assets	5,138	5,208
Total assets	8,223	7,878	Total liabilities and net assets	8,223	7,878

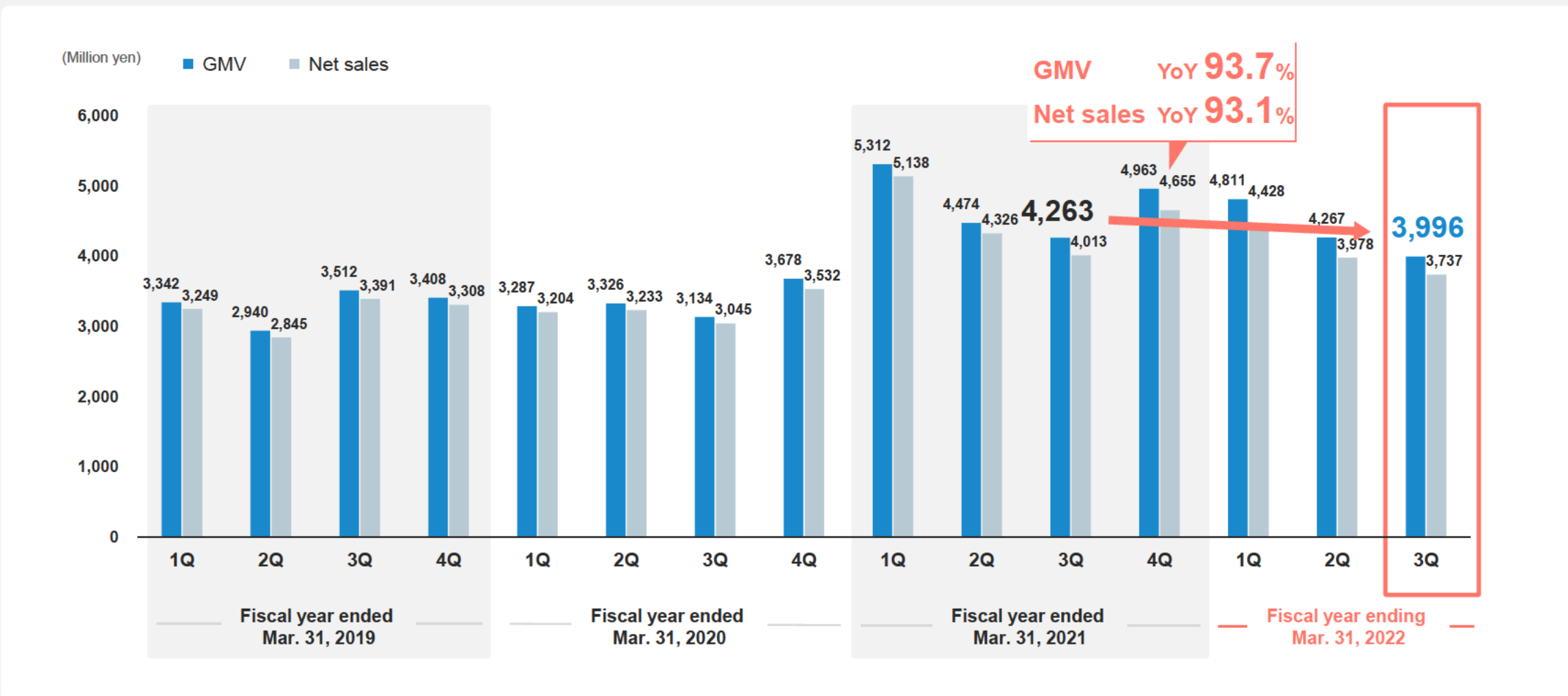
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Report on LOWYA Business

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

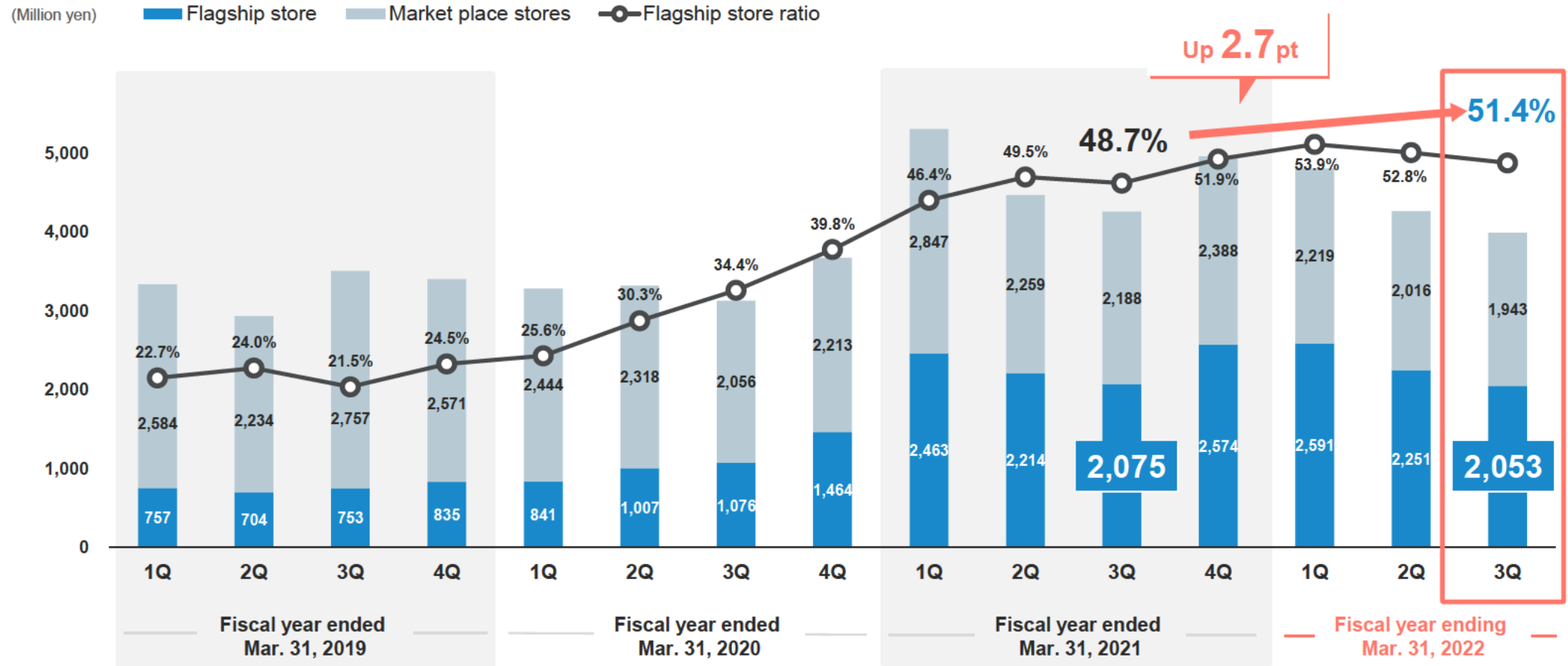
Scope	Item	Timeframe used for calculation	Three months ended December 31, 2020	Three months ended December 31, 2021	YoY
Company-wide	Company-wide GMV (million yen)	Quarter	4,263	3,996	93.7% (-267)
Flagship store	Flagship store GMV (million yen)	Quarter	2,075	2,053	98.9% (-22)
	Membership (thousand people)	As of the end of the quarter	771	1,057	137.2% (+286)
	Ratio of repeat customers (based on GMV) (%)	LTM	17.9	21.8	121.9% (+3.9)
	Members: Average basket value (yen)	LTM	23,349	23,047	98.7% (-302)
	Guests: Average basket value (yen)	LTM	19,864	20,210	101.7% (+346)

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



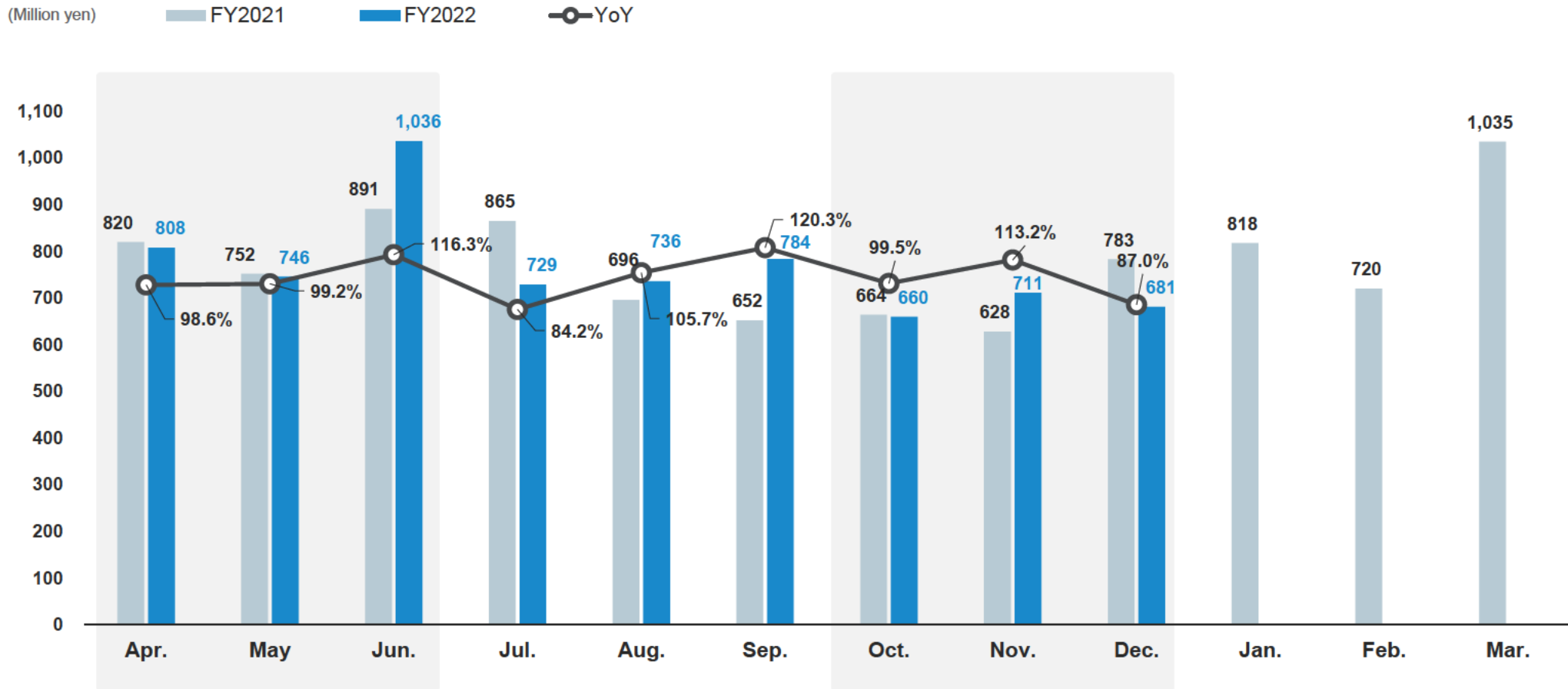
* Due to the application of the new Revenue Recognition Standard from the fiscal year ending March 31, 2022, net sales for the fiscal year ended March 31, 2021 and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.

GMV of the flagship store was at the same level as the previous year, indicating that the flagship store remained the main sales channel

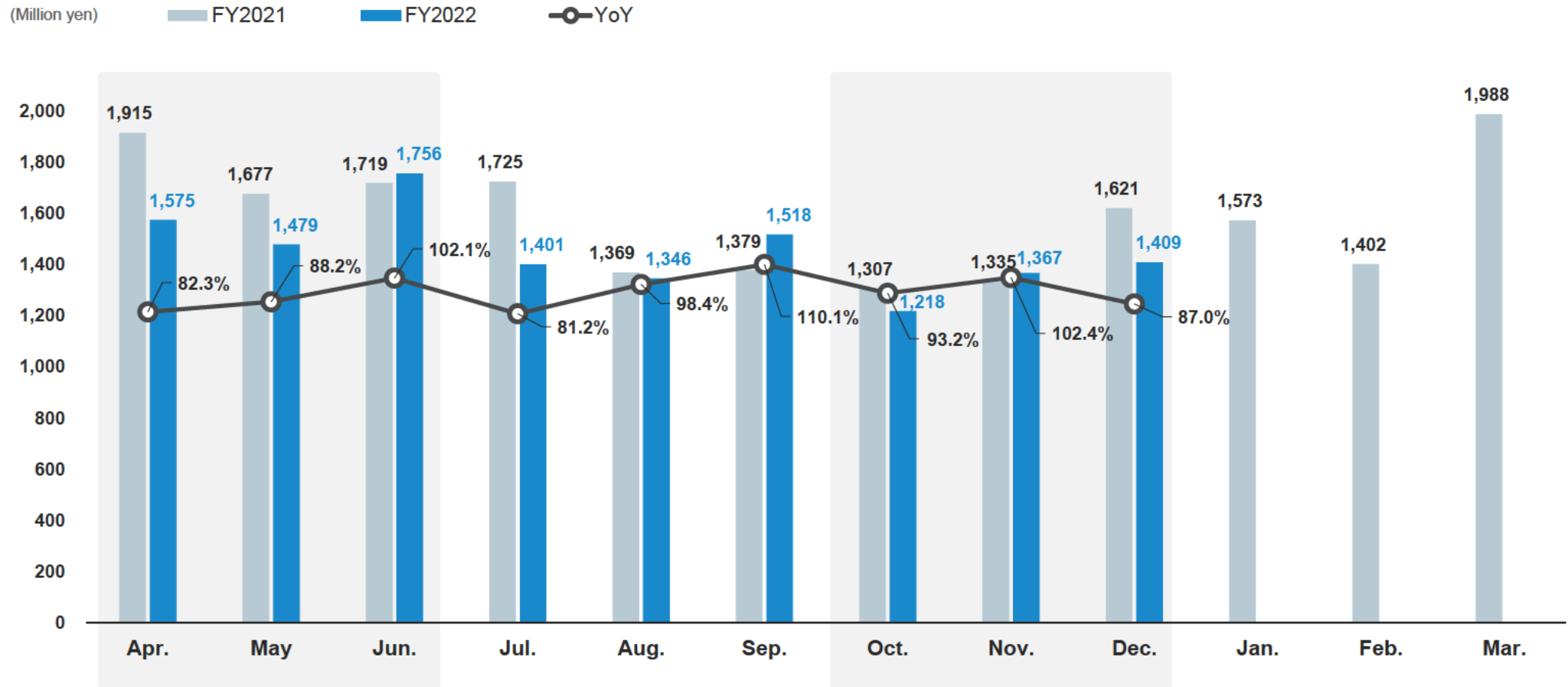


GMV of the flagship store progressed smoothly in October and November

In December however, the strong performance seen in last year's Christmas sales could not be repeated, and GMV for 3Q as a whole remained at the same level as the previous year

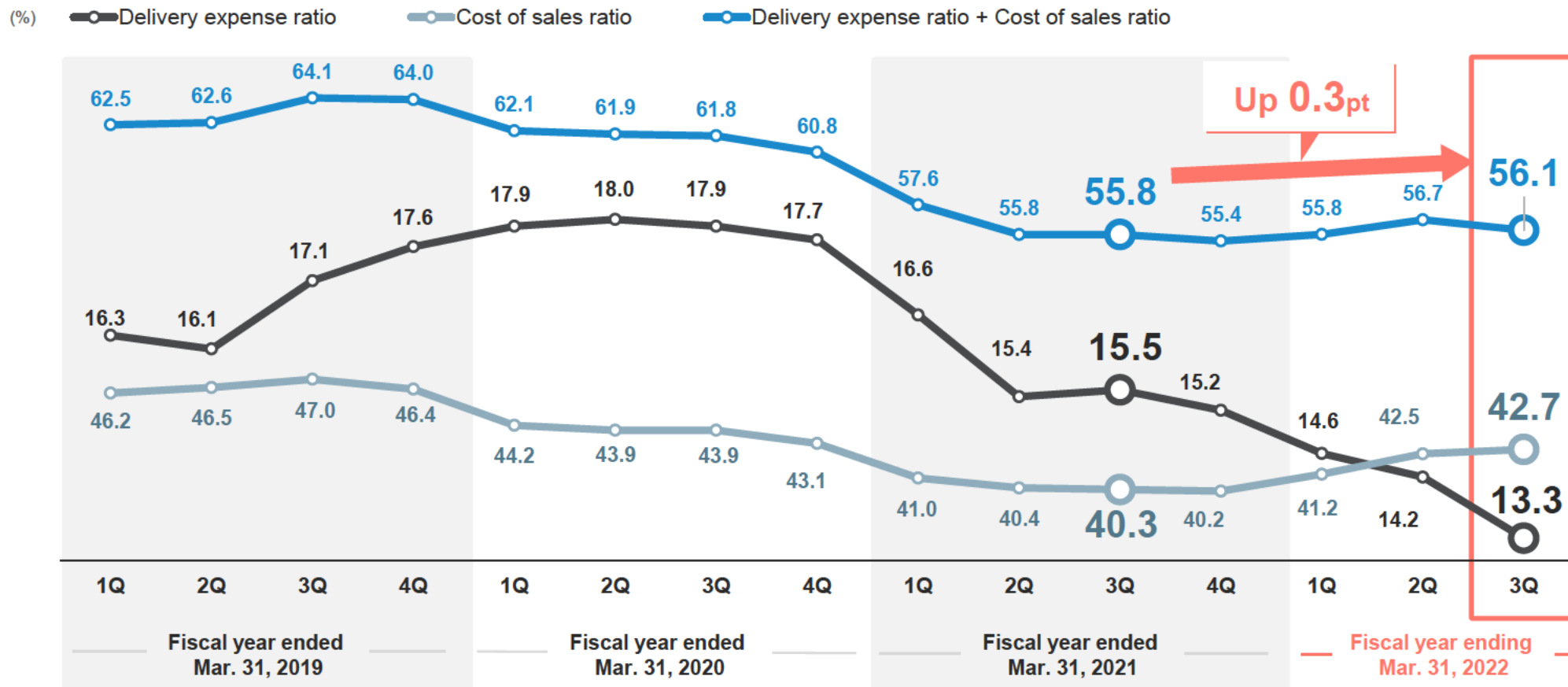


For the overall LOWYA business (flagship store + marketplace stores), both November and December saw month-on-month growth in GMV



Cost of Sales Ratio and Delivery Expense Ratio (vs. GMV)

Cost of sales ratio increased due to rising marine containers transportation costs and raw material purchase costs coupled with yen depreciation. However, as in the first half of the fiscal year, 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

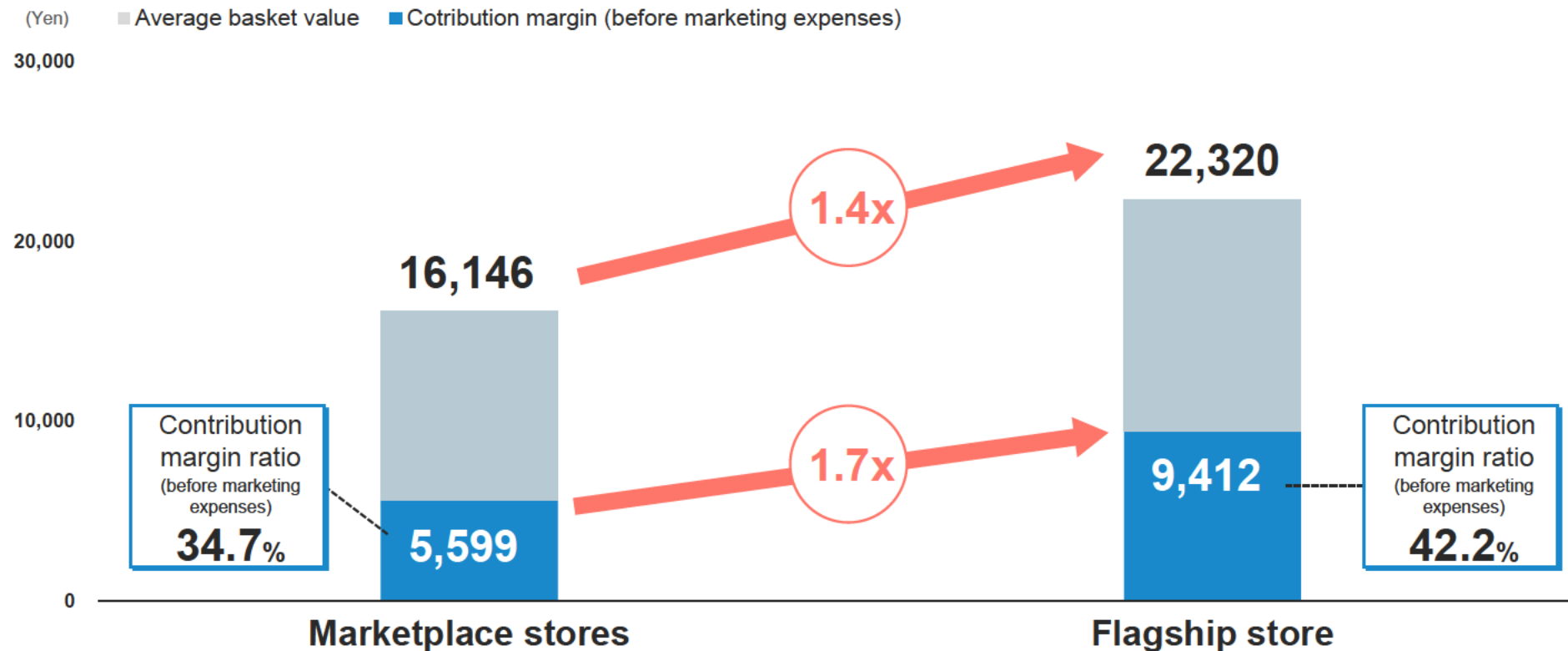


* Due to the application of the new Revenue Recognition Standard from the fiscal year ending March 31, 2022, the ratios are those of cost of sales and shipping costs relative to net sales under the previous accounting standard for the periods prior to the fiscal year ended March 31, 2021, while those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

Average basket value and contribution margin by sales channel (3Q results)



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

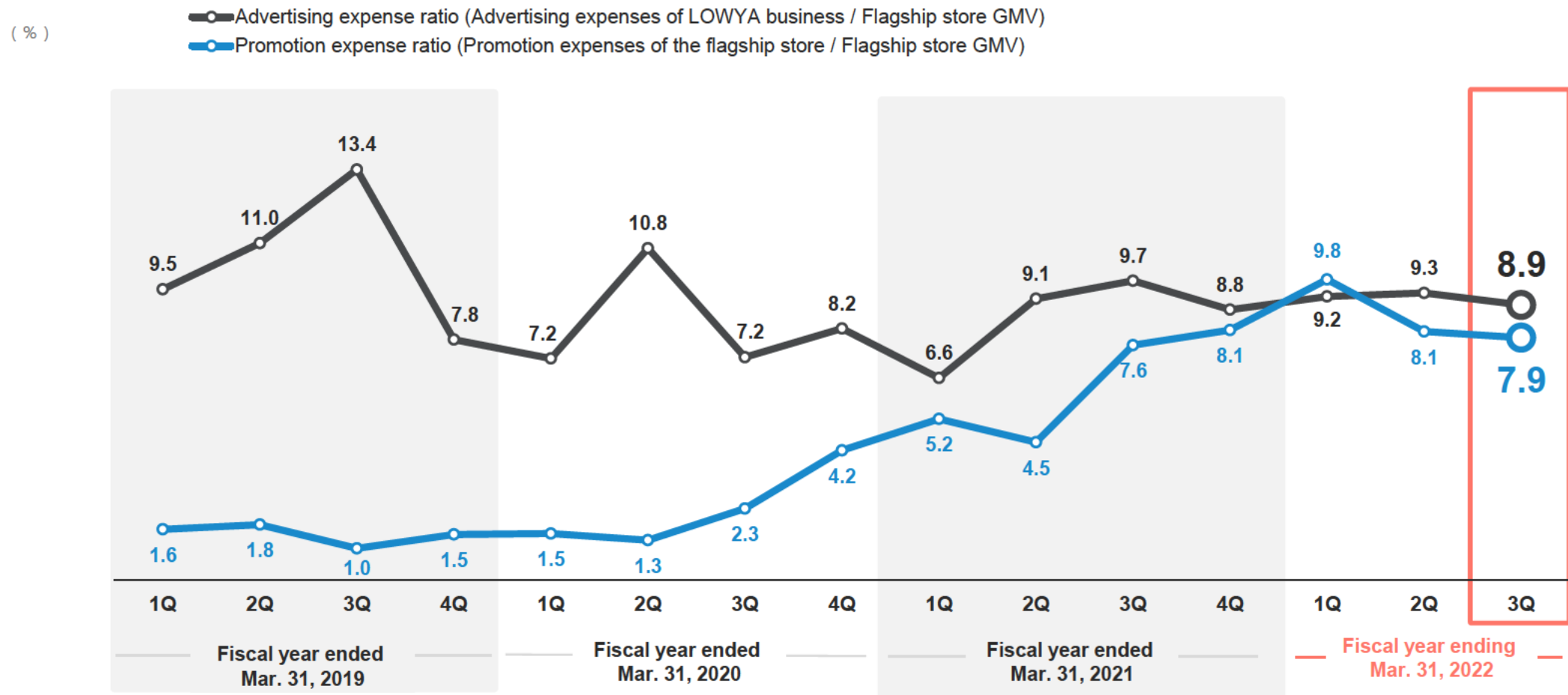
Contribution margin ratio (before marketing expenses) is defined as: Contribution margin (before marketing expenses) / Average basket value

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.

Marketing Investment Ratio (vs. Flagship Store GMV)

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



* Promotion expenses are defined as a difference between the flagship store's GMV and net sales under the new Revenue Recognition Standard.

During the year since the start of the trial phase, we have significantly expanded the range of products of other companies' brands that we offer



Cutipol

KARE



ZipTop



KOKUYO



GART

LaForma



SORI YANAGI



CRASH GATE
FURNITURE & OBJECTS



cado

Joseph
Joseph



B-COMPANY

ARAS



HERMOSA
Kamakura



Wpc.™

ReFa

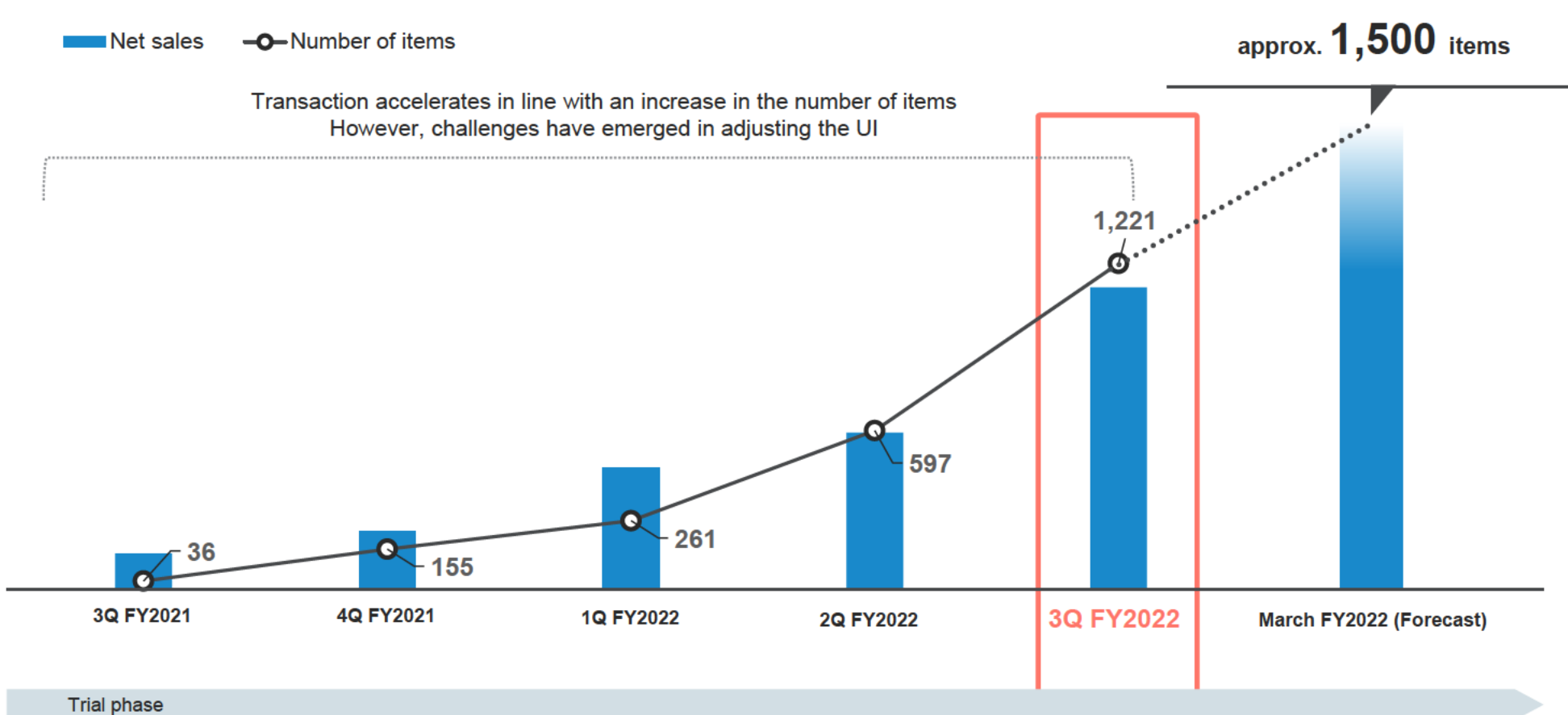
@aroma



Hinata Life

The number of items offered has increased, but challenges have emerged in adjusting the UI. We will therefore lower the target number of items we handle by the end of the fiscal year under review, and make improvements to expand sales

Net sales and number of items of other companies' brands

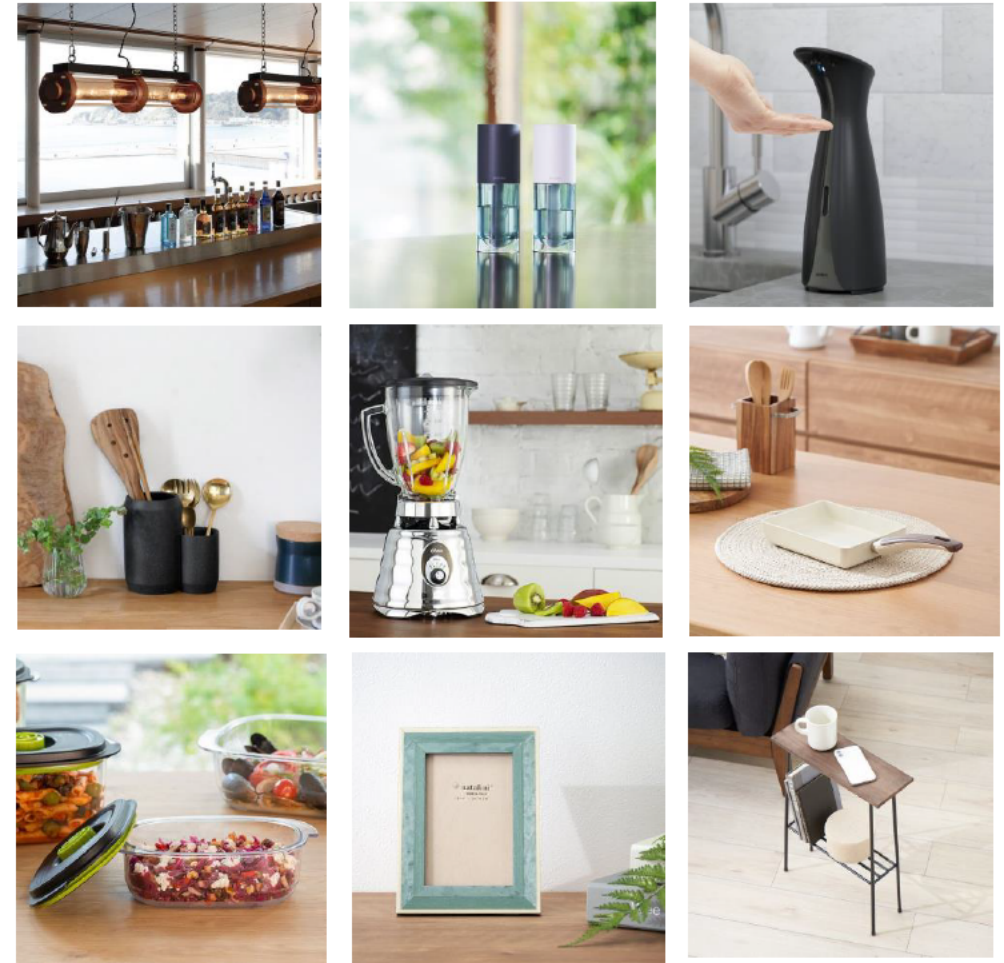


Add design- and trend-conscious new products while expanding product categories primarily of other companies' brands

Products of the Company's PB

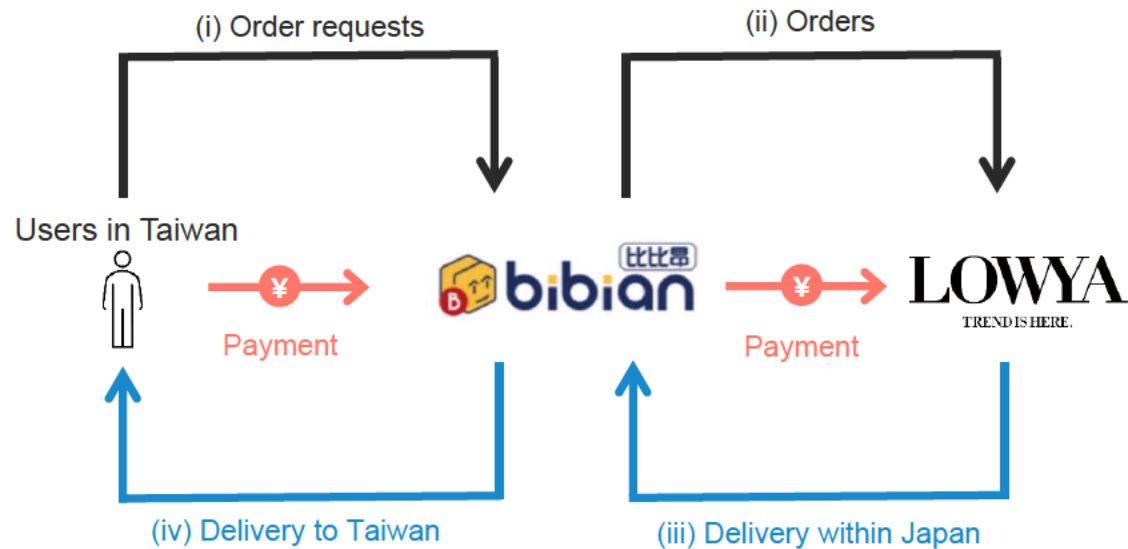


Products of other companies' brands

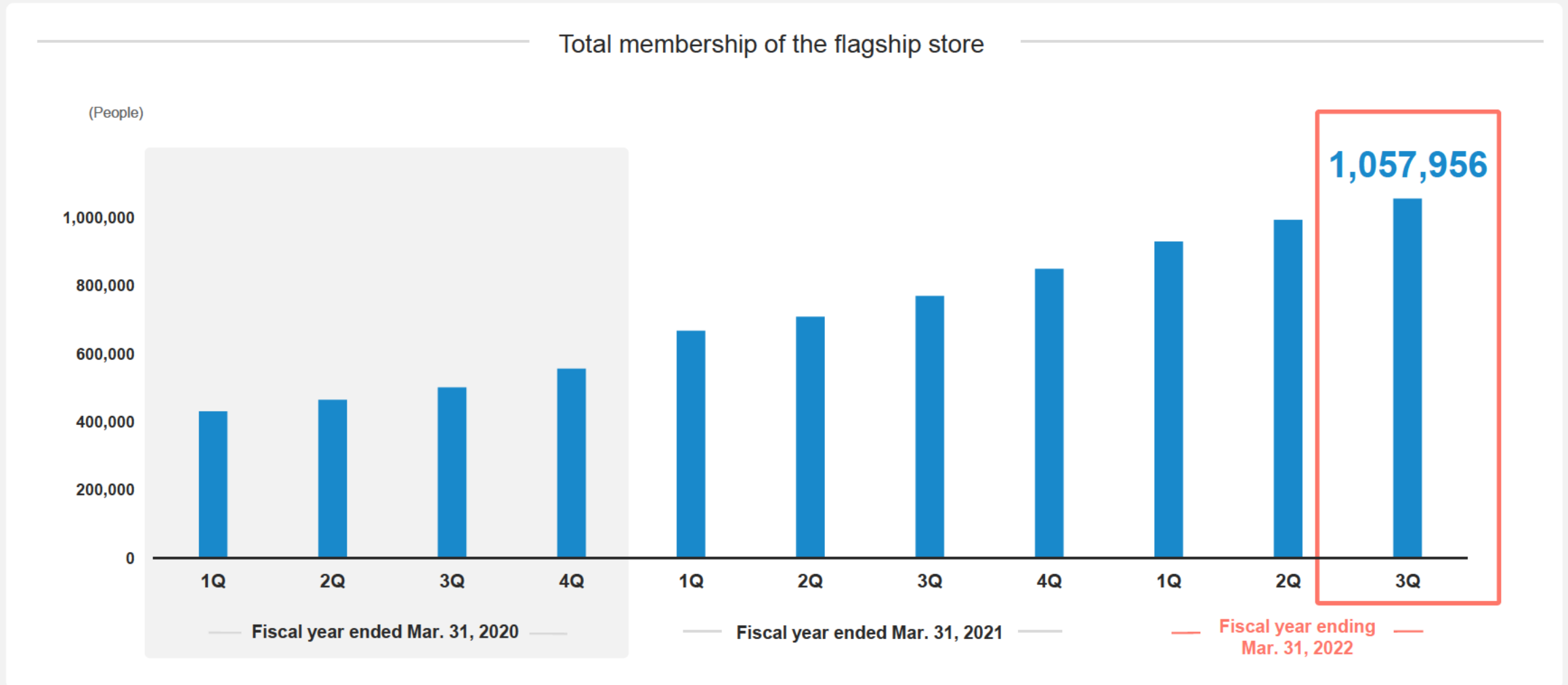


We commenced trial sales in Taiwan from October, in alliance with Bibian Co., Ltd., a group company of PChome Online Inc., a major Taiwanese e-commerce marketplace operator, and held a joint press conference in December to launch full-scale sales

Scheme enabling trial sales in Taiwan while limiting risk and resource investment



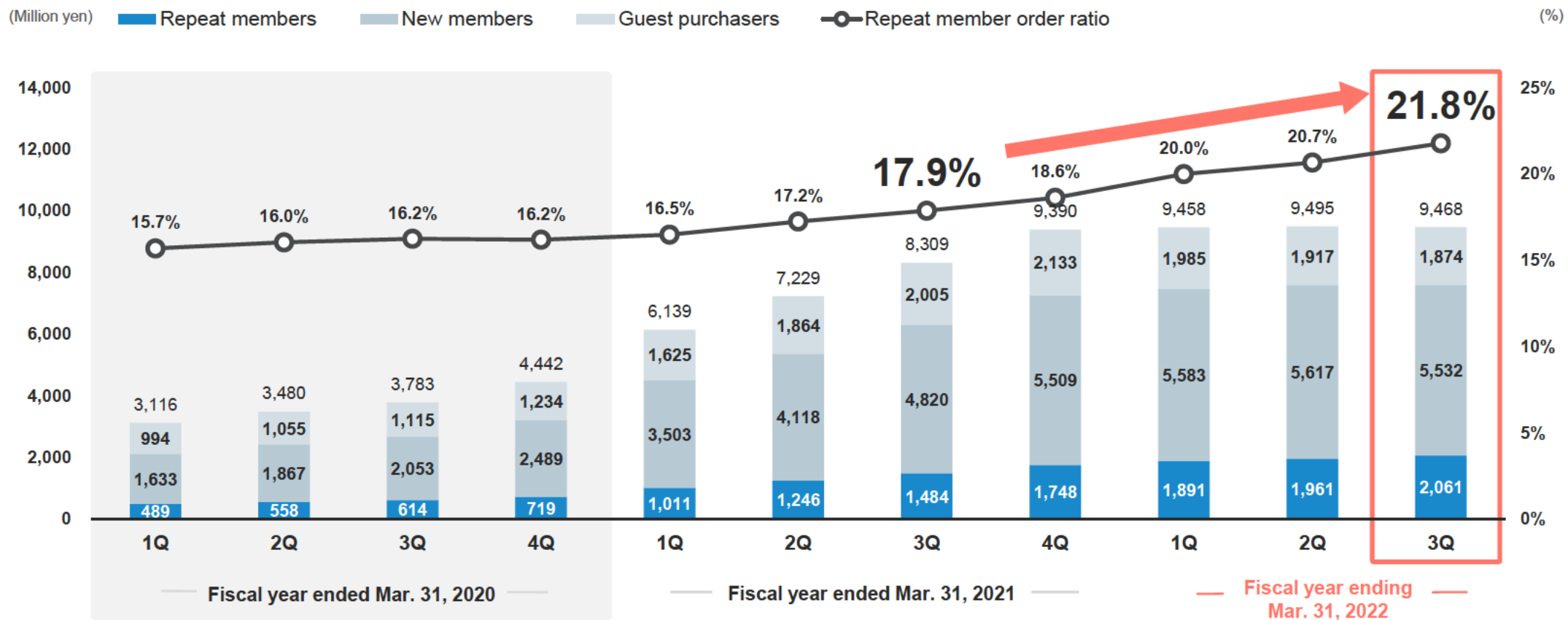
Total membership* of the flagship store has topped one million people, and is continuing to rise steadily



* 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

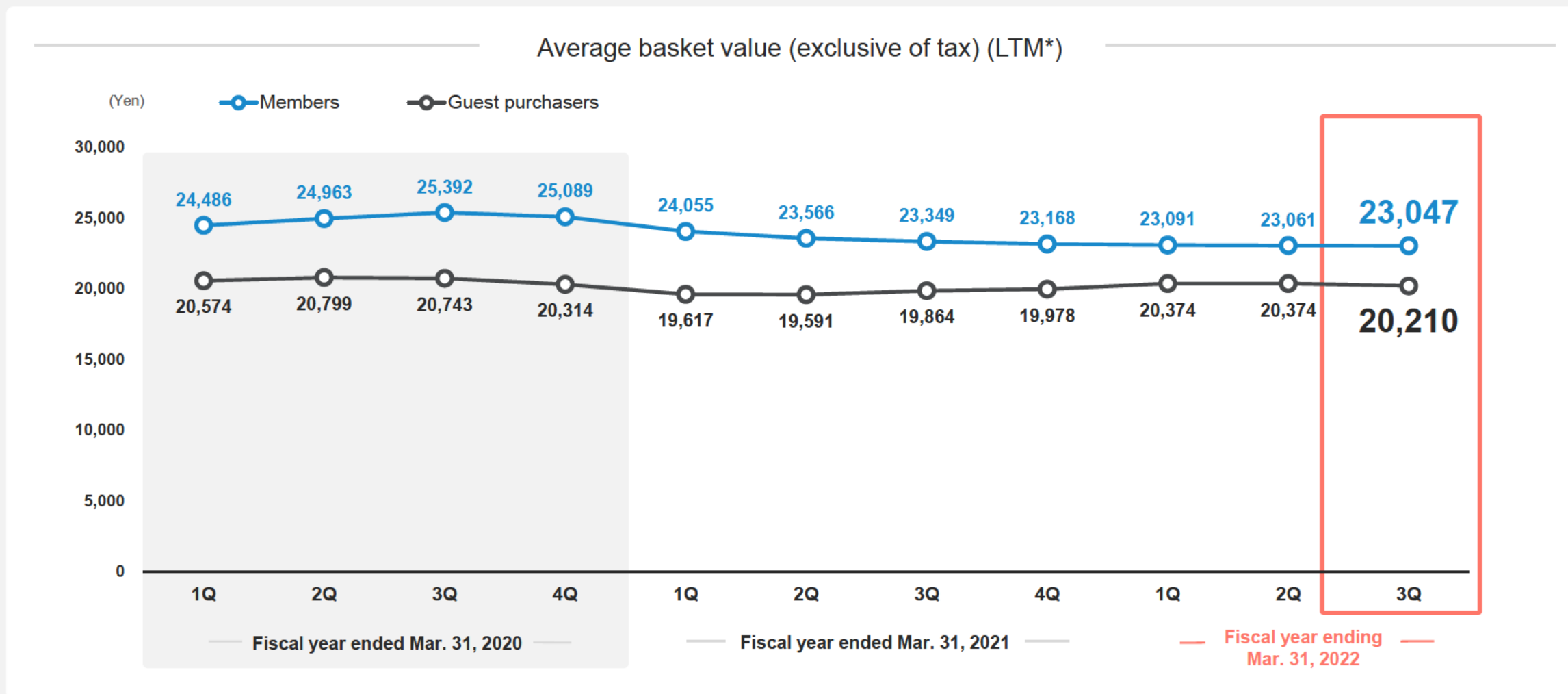
GMV by member type (LTM*)



* Figures are based on orders and do not match the profit and loss figures based on shipments.

LTM: Last Twelve Months

Average basket value has been steadily progressing



* Figures are based on orders and do not match the profit and loss figures based on shipments.

LTM: Last Twelve Months

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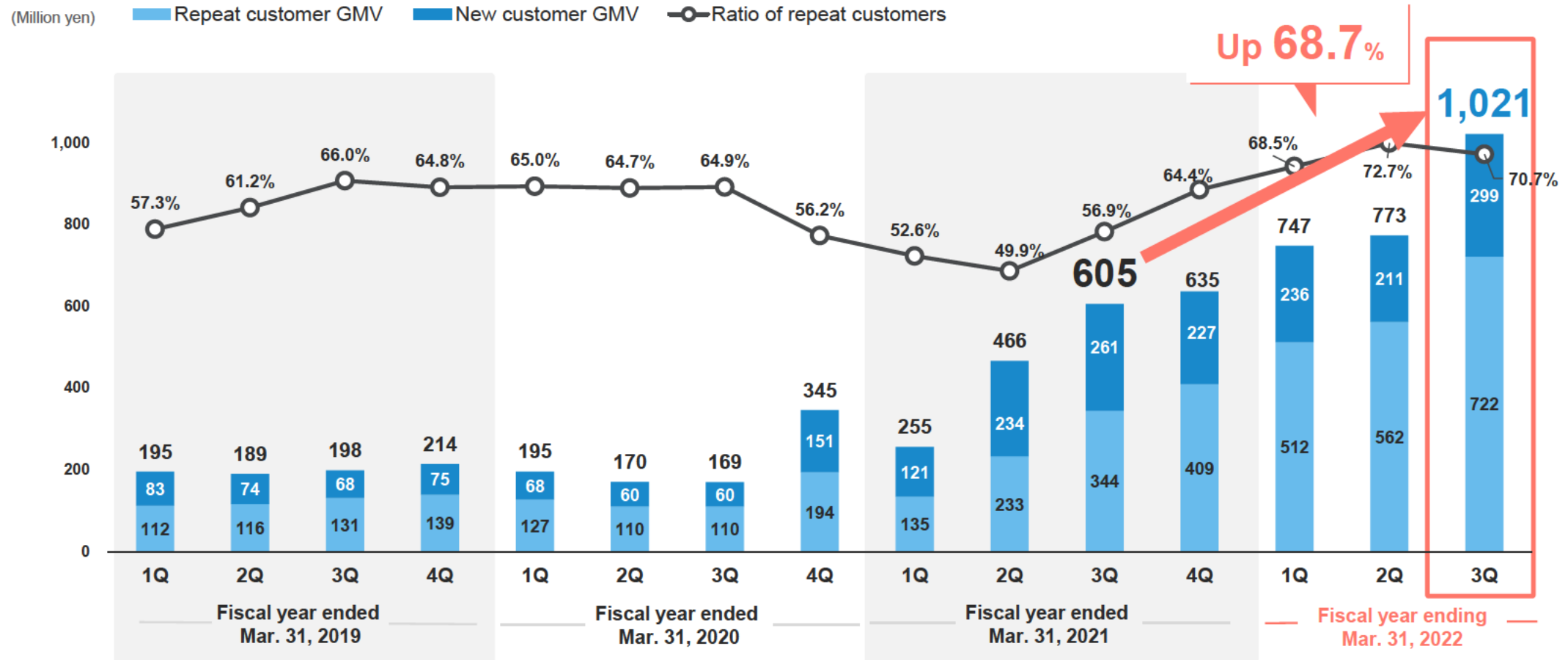
Report on DOKODEMO Business

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 December 31, 2020	Three months ended December 31, 2021	YoY
GMV (million yen)	605	1,021	168.7% (+416)
Net sales (million yen)	99	131	132.1% (+31)
Membership (thousand people)	678	839	123.6% (+161)
Number of APP DLs (thousand)	1,134	1,301	114.8% (+167)
Average basket value (yen)	9,954	12,661	127.2% (+2,707)
Number of products (thousand)	44	44	100.9% (+0)
Number of brands	1,112	1,073	96.5% (-39)
Deliveries * Number of countries and regions to which deliveries were made	99	105	106.1% (+6)

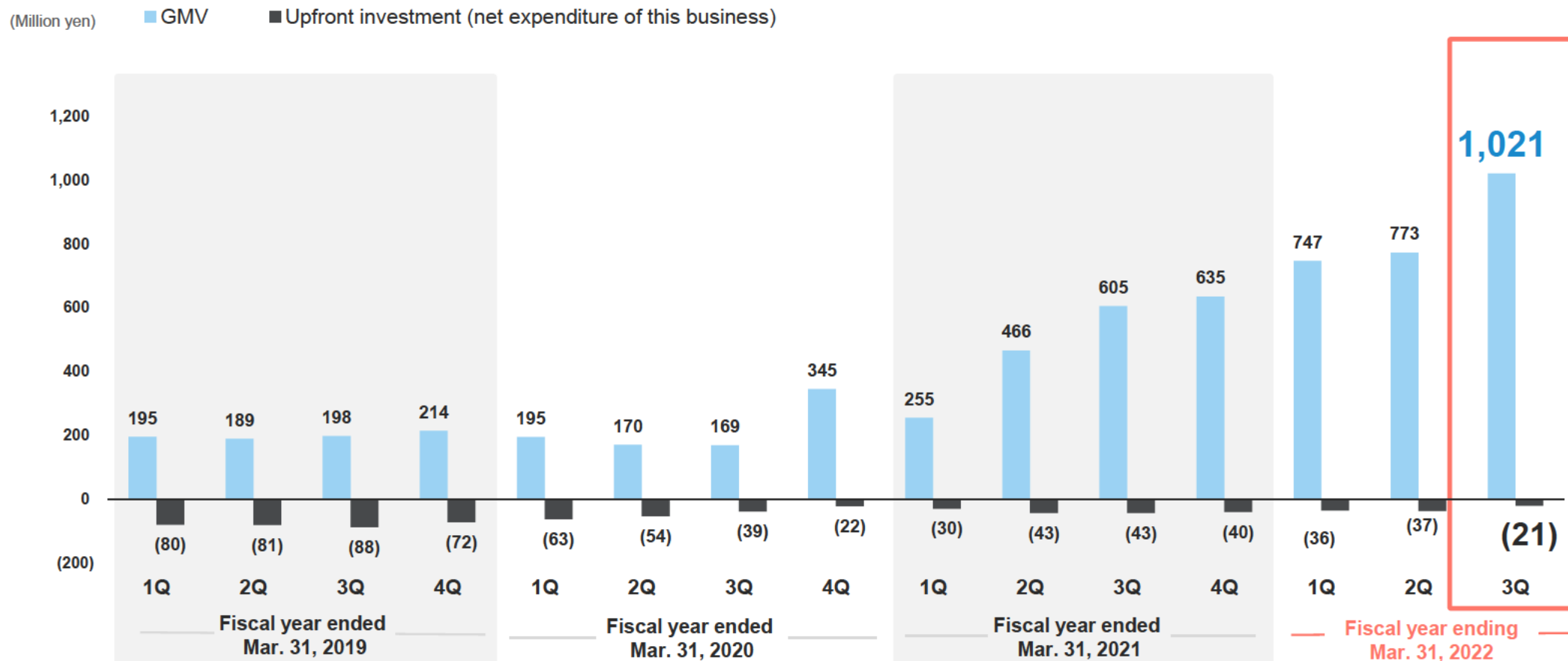
GMV grew by **68.7%** YoY, topping **1,000** million yen for the first time ever

Repeat customer GMV remained high, accounting for **70.7%**



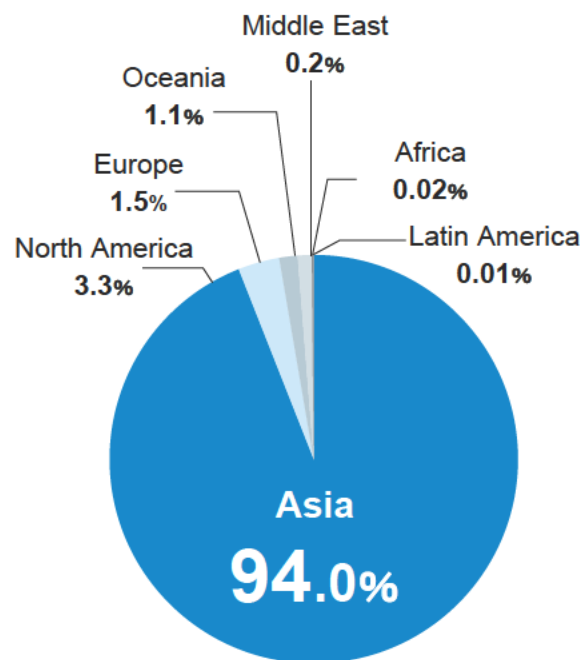
GMV has been expanding smoothly, while saving the upfront investment level (net expenditure of this business)

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

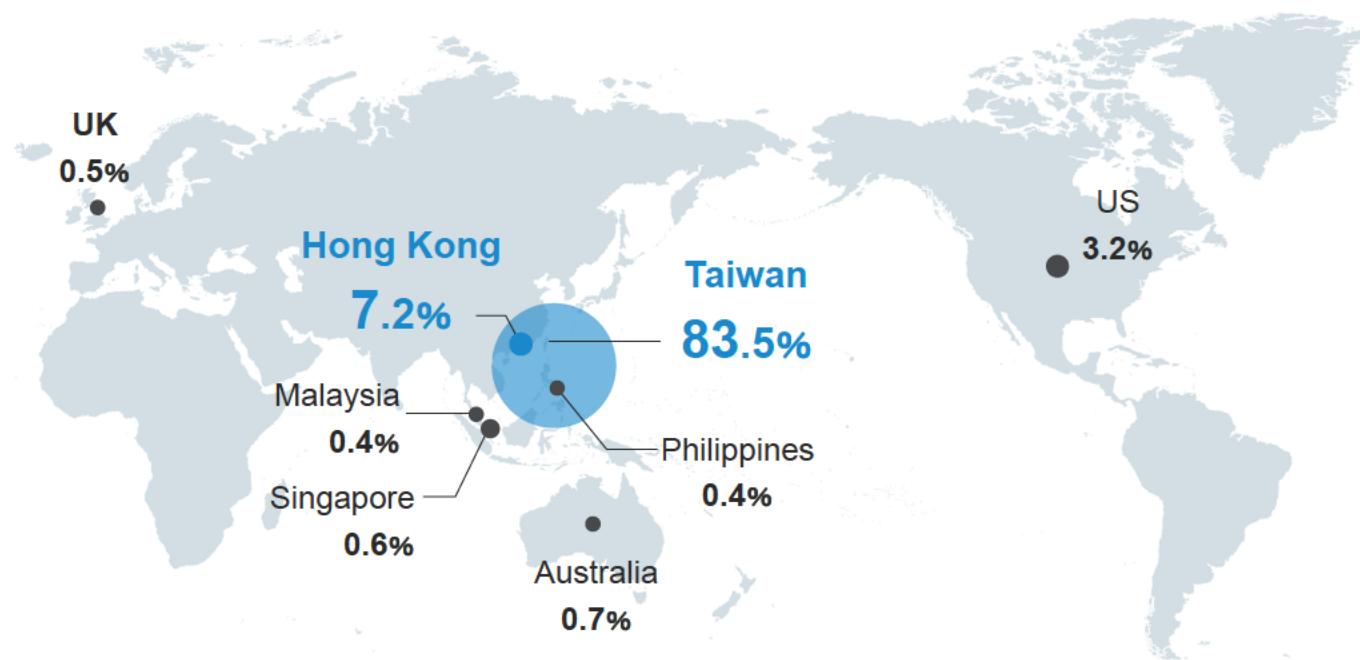


Deliveries to Asia, primarily Taiwan, account for more than 90% of GMV

By region



By country



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Financial Results Outlook

FY2022 Financial Results Outlook

We have revised our financial results forecast based on the progress of results for the nine months ended December 31, 2021

(Million yen)

	Original plan	Revised plan	Approach to the revised plan
Net sales	19,000 – 20,500	16,000 – 16,500	<p>LOWYA business: With the complete lifting of the state of emergency at the end of September, lower-than-anticipated demand made the levels of the previous fiscal year difficult to attain, and 3Q results fell short of the plan. We have lowered our full year demand forecast, and revised the plan for net sales.</p> <p>DOKODEMO business: Commission income has increased due to the expansion of GMV, and results are largely in line with the initial forecast.</p>
Operating profit	Before additional investment 1,300 – 1,700	700 – 800	<p>LOWYA business: 【Before additional investment】 Contribution margin ratio has been controlled within the scope of the initial forecast despite a rising cost of sales, but operating profit fell short of the plan due to an increase in the burden of fixed costs resulting from the decline in net sales.</p> <p>【After additional investment】 We prioritized the medium-term expansion of GMV and implemented strategic investment focused on recruitment (we plan an additional investment amount of 200 million yen over the full year). This fiscal year, we have decided not to proceed with the large-scale marketing investment that could have been implemented in the second half.</p>
	After additional investment 1,000 – 1,300	500 – 600	
Ordinary profit	1,030 – 1,330	530 – 630	
Profit	618 – 798	250 – 414	

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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

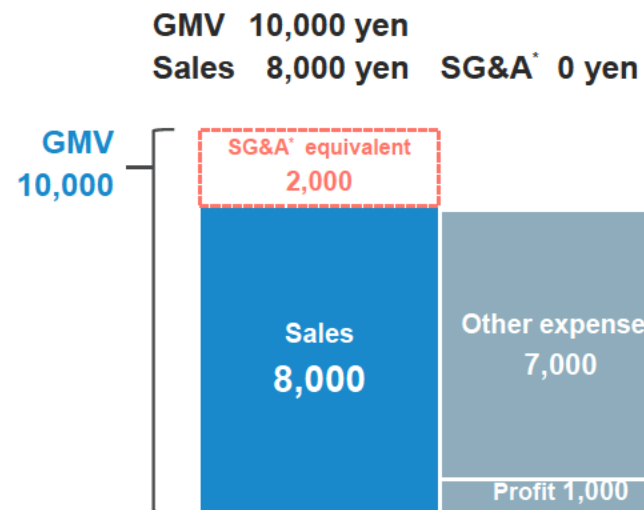
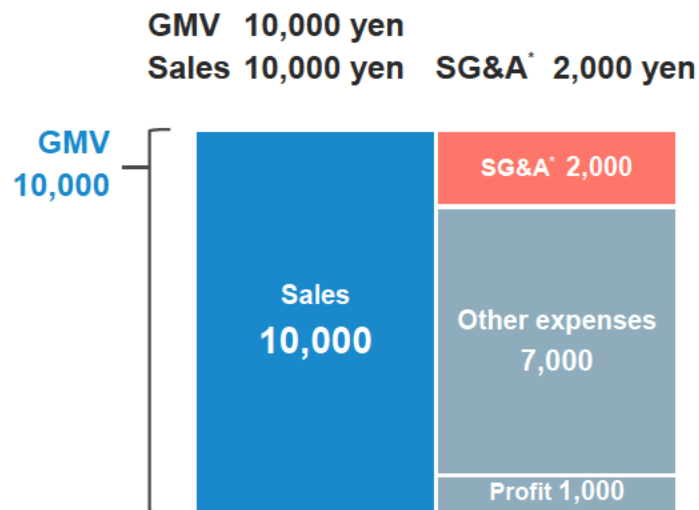
New Revenue Recognition Standard

- 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

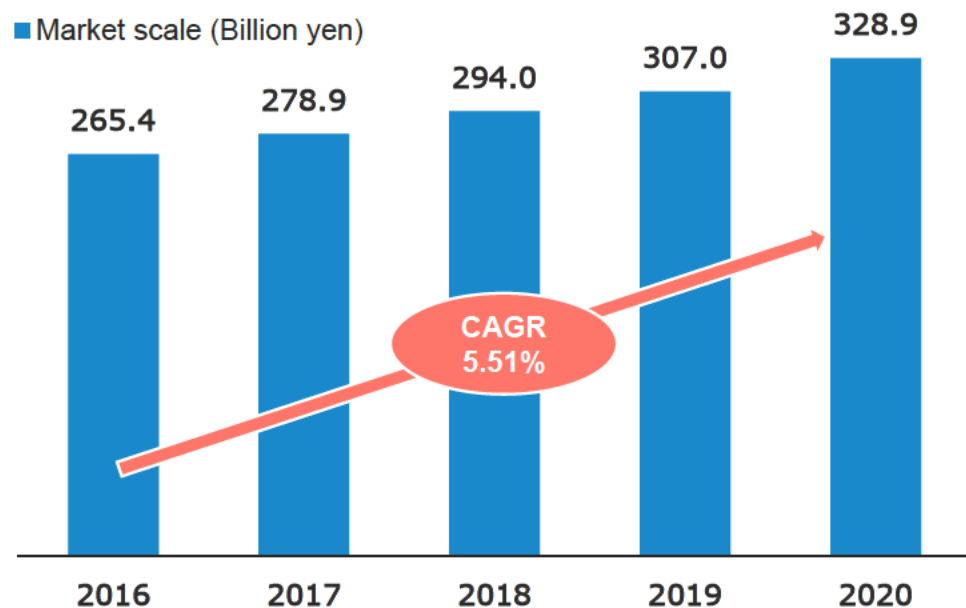


* It means the SG&A expenses (promotion expenses) equivalent to a 20% discount, not all SG&A expenses, and SG&A expenses other than the said promotion expenses are recorded in both cases.

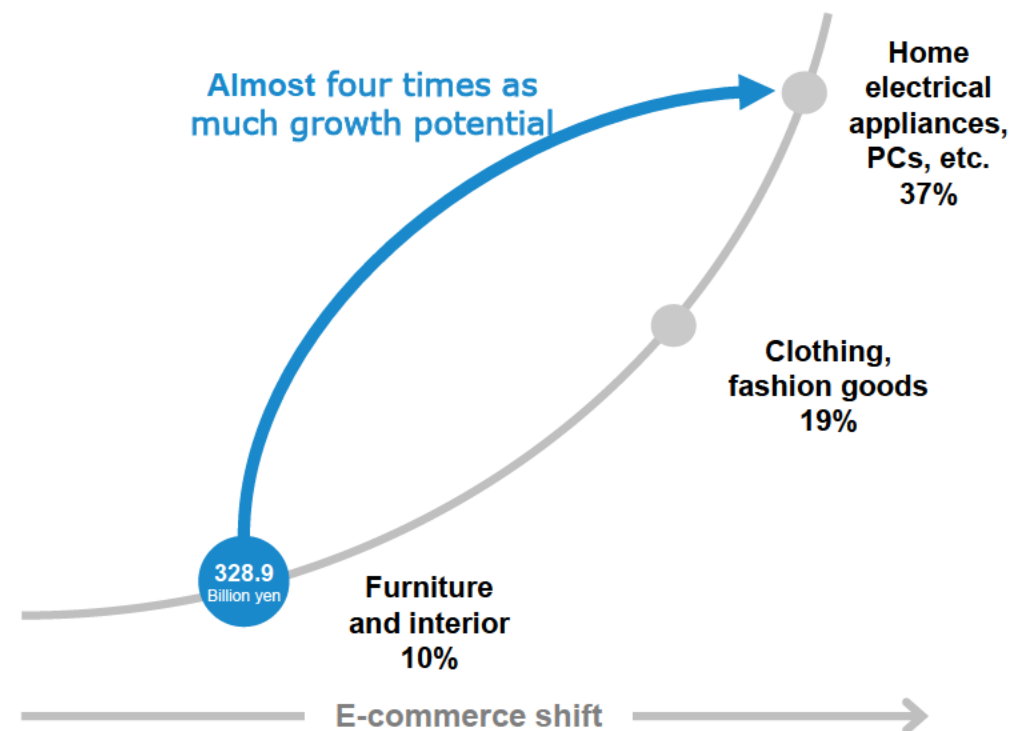
The furniture and interior e-commerce market is a growth market, expanding with a CAGR of 5.51% (2016-2020)

The rate of e-commerce shift remains relatively low compared to other products, and the further progress of e-commerce shift is forecast

E-commerce market (furniture and interior)

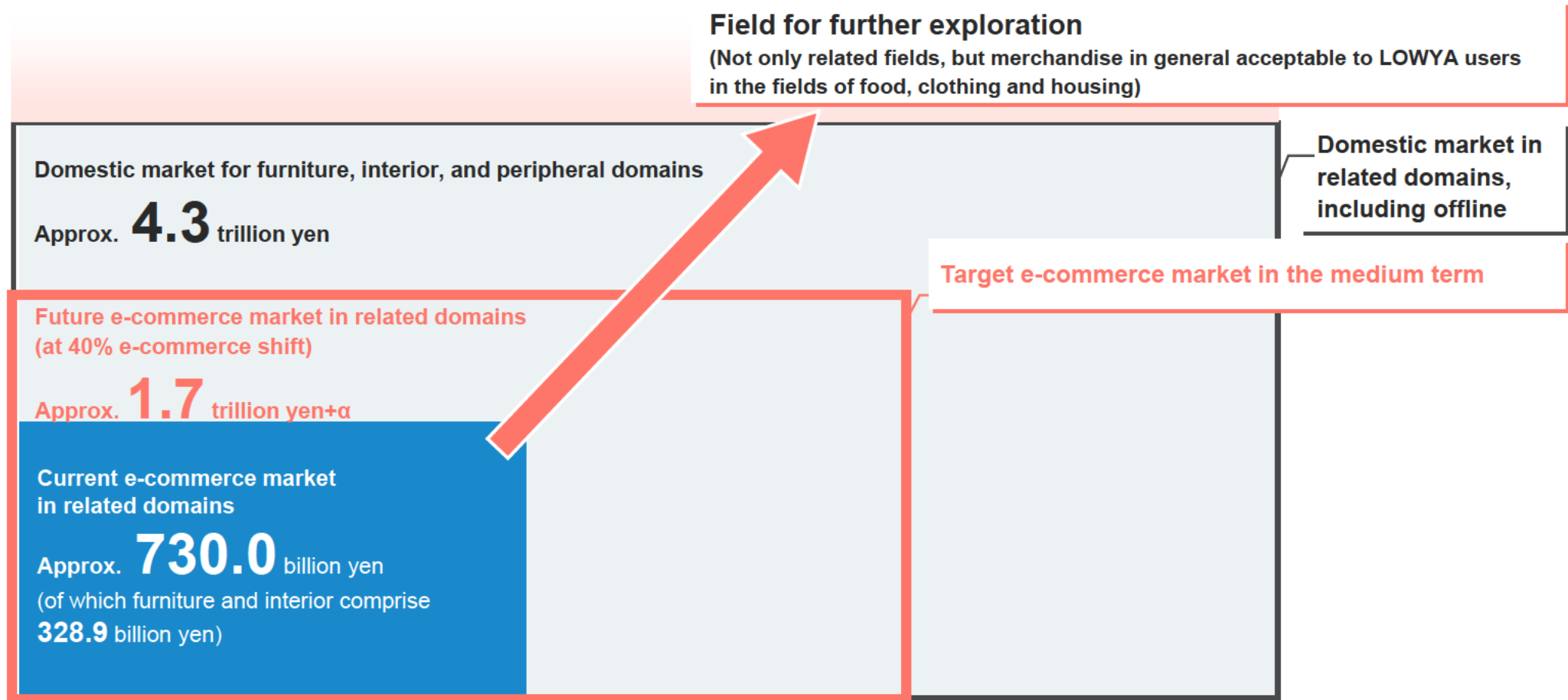


Comparison of the rate of e-commerce shift by product (2020, Japan)



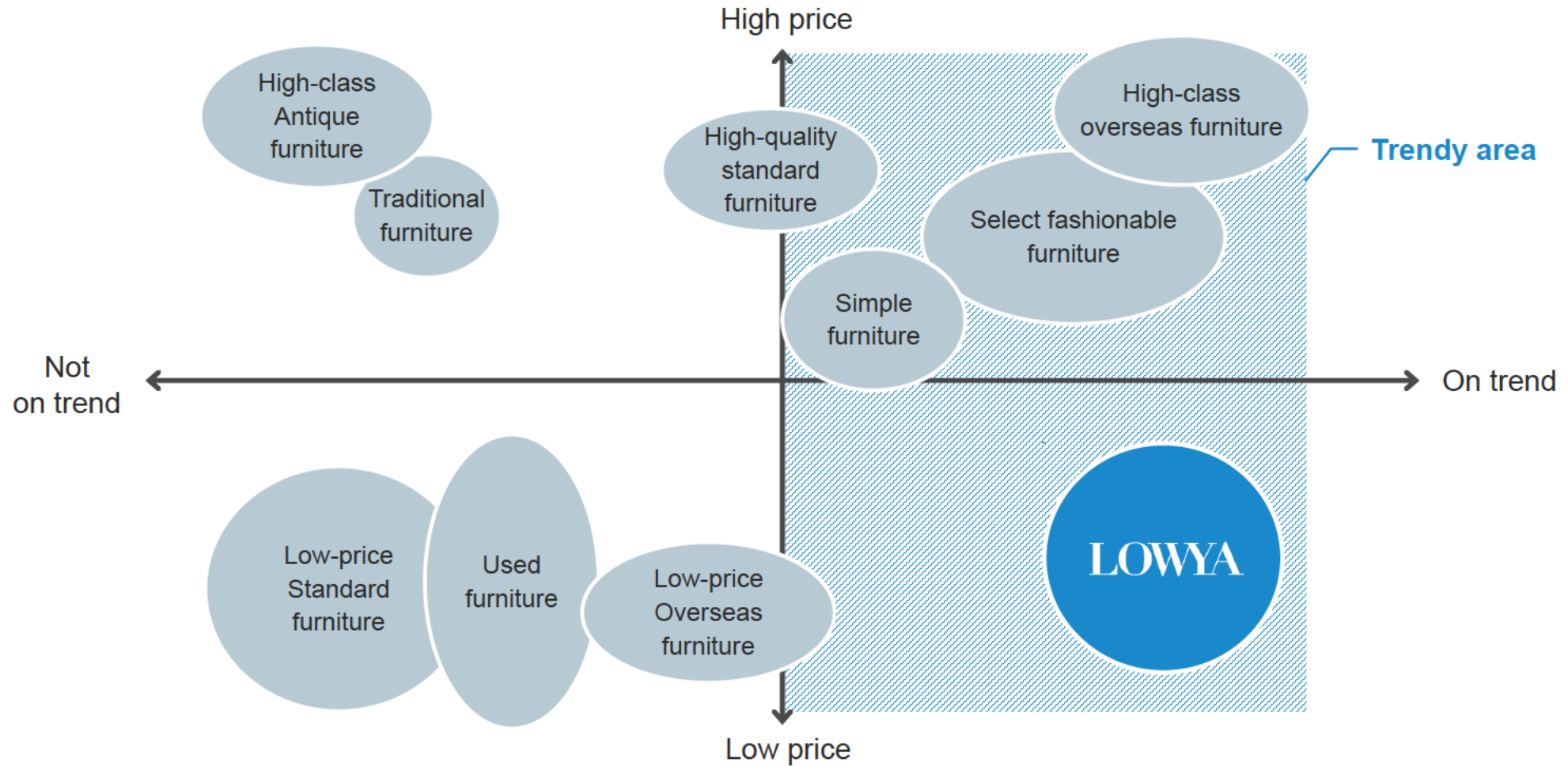
* Source: Figures for furniture and interior products were prepared by the Company, based on "Home Furnishings in Japan, May 2021" issued by Euromonitor. Figures for other products were prepared by the Company, based on "FY2020 E-Commerce Market Survey" issued by the Ministry of Economy, Trade and Industry.

Target market is forecast to expand driven by a greater range of products offered and increasing e-commerce shift, which presents significant room for growth



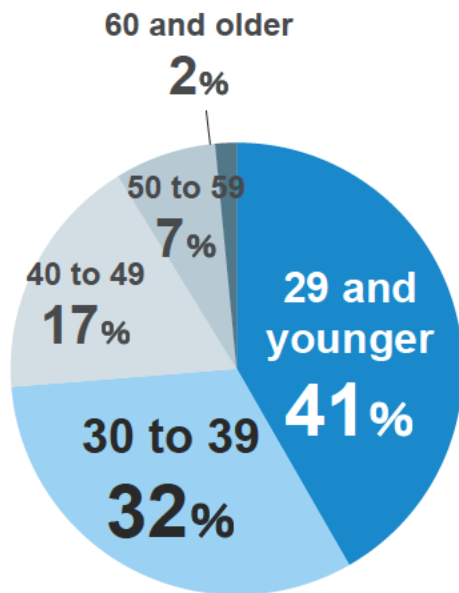
* Source: Related domains include the furniture and interior market, home appliances excluding large home electric appliances, plastic goods for daily use and sundries. Figures for the furniture and interior market and e-commerce shift were estimated by the Company, based on "Home Furnishings in Japan, May 2021" issued by Euromonitor. Figures for home electrical appliances were prepared based on "FY2020 Electrical Machinery Outlook" issued by the Japan Electrical Manufacturers' Association with the exception of room air-conditioners, electric refrigerators, and electric washing machines. Figures for plastic goods for daily use and sundries were prepared based on "2019 Yearbook of Current Production Statistics - Paper, Printing, Plastics Products and Rubber Products Statistics" issued by the Ministry of Economy, Trade and Industry. Figures for e-commerce shift for home electrical appliances, plastic goods for daily use and sundries were estimated by the Company, based on "FY2019 Global Economy Survey for Formulating an Integrated Domestic and External Economic Growth Strategy (E-Commerce Market Survey)" issued by the Ministry of Economy, Trade and Industry.
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Establishing a position in the “trendy & low price” space of the furniture and interior products market

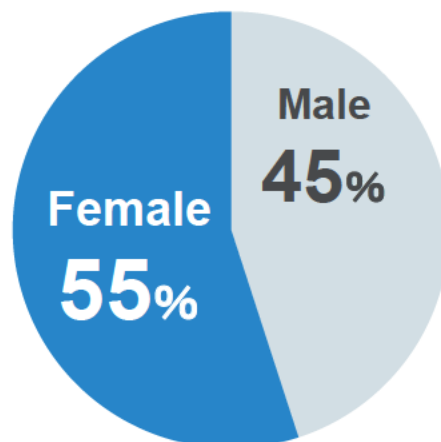


Showing higher ratio of females in their 20's to 30's, and in the Kanto region by area.

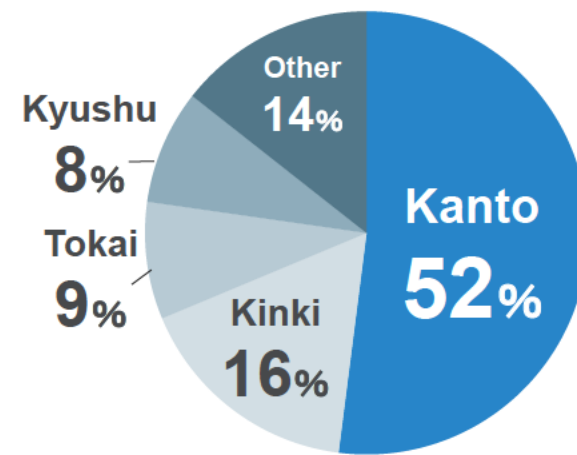
Age distribution



Ratio of male vs. female



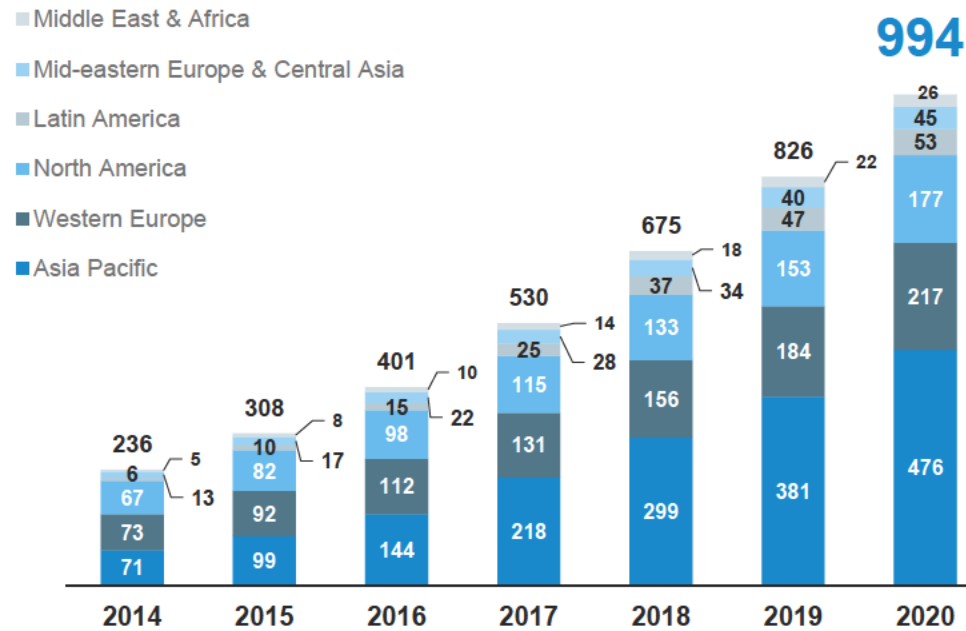
Area distribution



* 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.

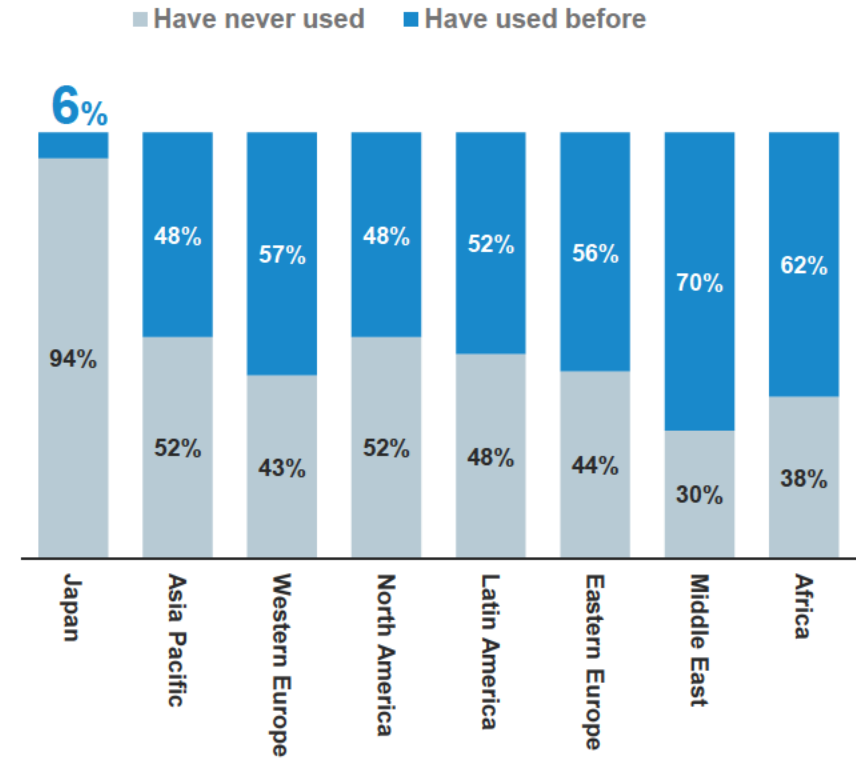
Even with a platform specialized for seller companies in Japan, massive markets present abundant opportunities

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

Sources: *1 Prepared by the Company, based on "Global Cross Border B2C e-commerce Market 2020: Report highlights & methodology sharing (2016)" issued by AliResearch

*2 Prepared by the Company, based on "PayPal Cross-Border Consumer Research 2018 Global Summary Report (2018)." Japan is included in "Asia Pacific."



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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.

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