



Quarterly Financial Results

For the Three Months Ended June 30, 2022
Vega corporation Co., Ltd. / Securities code: 3542

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for the Three Months Ended June 30, 2022

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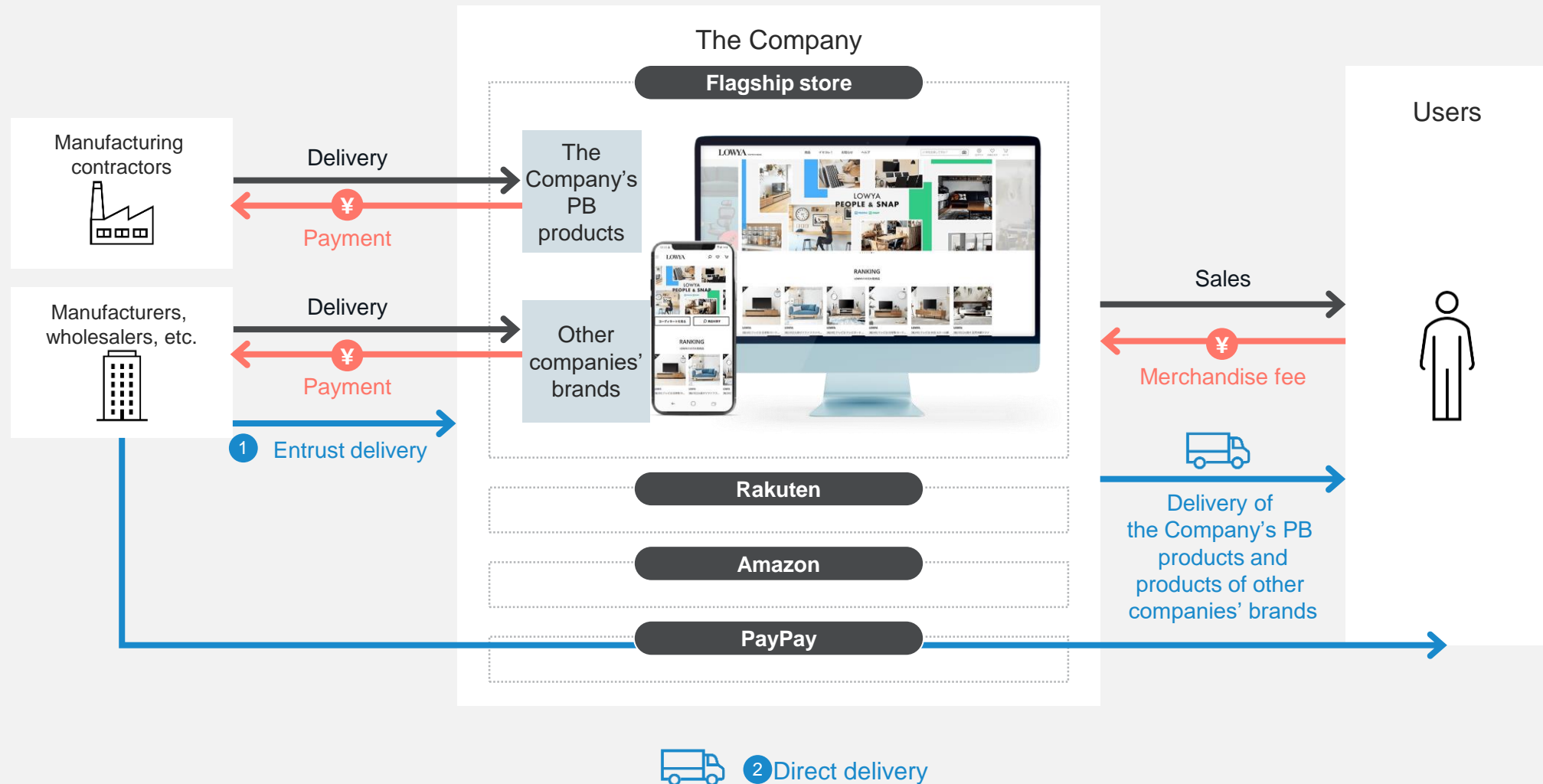
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Appendix

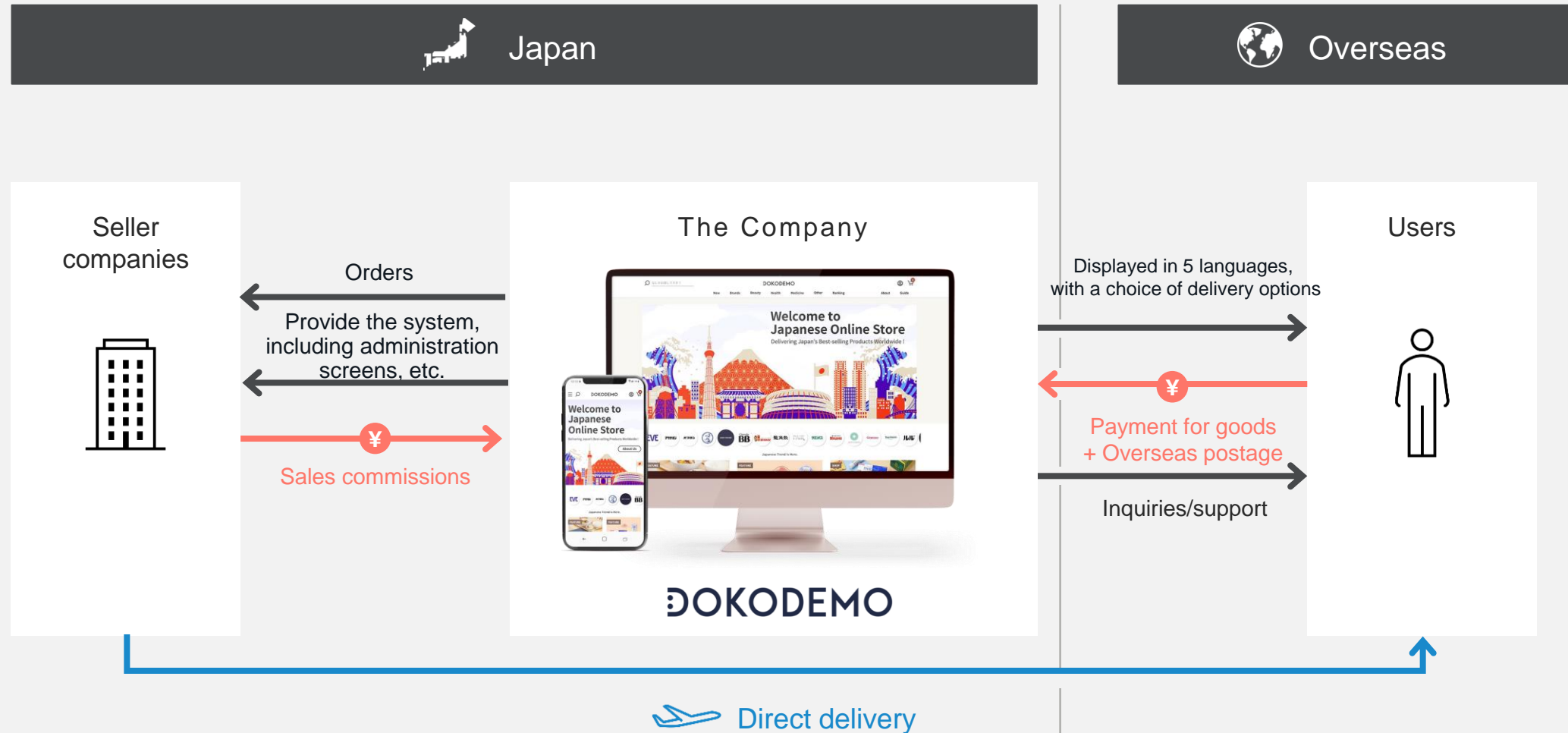
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Business Description

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*

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 a new Revenue Recognition Standard, starting in the fiscal year ended 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.).

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Overview of Quarterly Financial Results for the Three Months Ended June 30, 2022

Financial Highlight

Overview of Company-wide Results

Steady progress was made in increasing members, raising the repeat rate and other efforts to achieve growth, despite demand in the LOWYA business experiencing a reactionary decline due to an increase in outings.

DOKODEMO business results rose 210.4% YoY for a major expansion in transactions, achieving a profit for the first time.

	1Q	YoY
GMV (LOWYA)	4,264 million yen	88.6%
GMV (DOKODEMO)	1,573 million yen	210.4%
Net sales	4,200 million yen	93.0%
Operating profit	62 million yen	25.2%

LOWYA business

Overview

- Sales fell short of last year's levels due to the suppression of large sales events at the flagship store, in addition to the impact of a decline in stay-at-home demand resulting from an increase in outings, but progressed within the initially forecast range.
- A deterioration in costs associated with yen depreciation started to become apparent, and controlling profits will be challenging from the 2Q onwards.

DOKODEMO business

Overview

- GMV grew with constant new and repeat customers, achieving a profit for the first time.

* GMV: Gross Merchandise Value

* Results for the first quarter of the fiscal year ended March 31, 2022 have been calculated using the current accounting treatment for comparison purposes.

Financial Results for the Three Months Ended June 30, 2022

Net sales: **4,200** million yen, Operating profit: **62** million yen

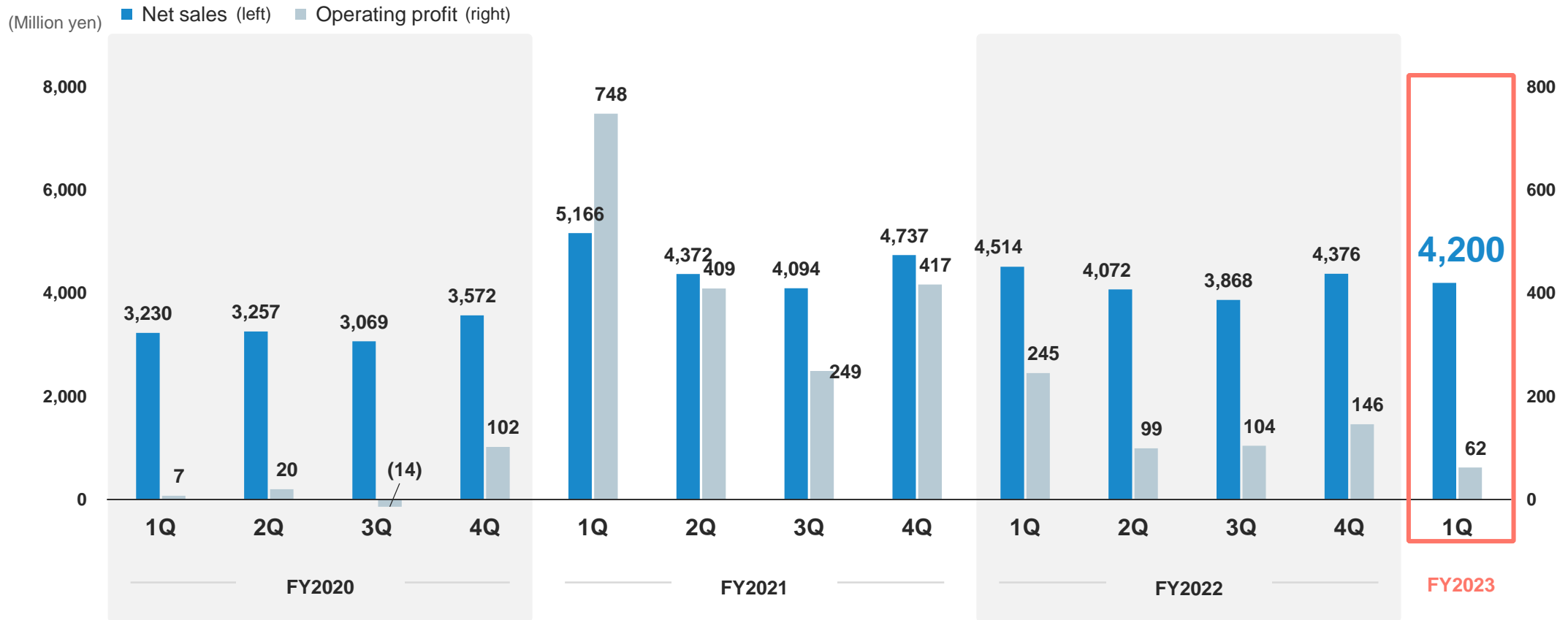
(Million yen)

	Fiscal year ended Mar. 31, 2022		Fiscal year ending Mar. 31, 2023		YoY
	1Q results	Sales ratio	1Q results	Sales ratio	
Net sales	4,514	100.0%	4,200	100.0%	93.0% (-314)
Gross profit	2,530	56.1%	2,205	52.5%	87.1% (-325)
SG&A expenses	2,284	50.6%	2,143	51.0%	93.8% (-141)
Operating profit	245	5.4%	62	1.5%	25.2% (-183)
Ordinary profit	252	5.6%	67	1.6%	26.6% (-185)
Profit	157	3.5%	40	1.0%	26.0% (-116)

* Audit procedures pursuant to the Financial Instruments and Exchange Act are in progress as of the date of disclosure of this document.
* Results for the first quarter of the fiscal year ended March 31, 2022 have been calculated using the current accounting treatment for comparison purposes.

Quarterly Net Sales and Operating Profit

Sales and profit both progressed within the range initially anticipated in the full-year financial results forecast, despite a reactionary decline from the previous year's levels.

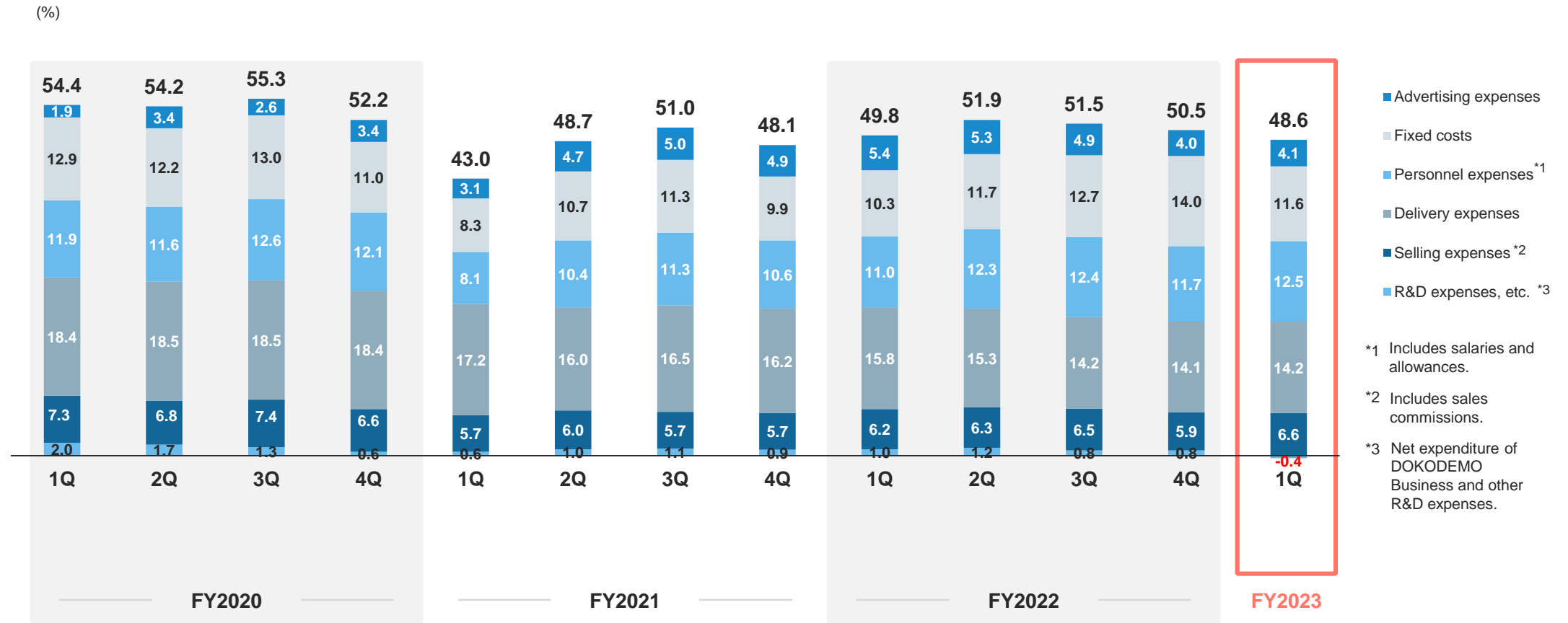


* Due to the application of the new Revenue Recognition Standard from the fiscal year ended March 31, 2022, net sales for the fiscal year ended March 31, 2021 and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.

* Results for the first quarter of the fiscal year ended March 31, 2022 have been calculated using the current accounting treatment for comparison purposes.

Quarterly SG&A Expenses Ratio (against Net Sales)

Overall, the SG&A expenses ratio fell year on year, contributing to profit control.



* 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 ended 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

Inventory has begun to decrease, and there are no concerns about financial soundness.

(Million yen)

	Previous fiscal year (as of Mar. 31, 2022)	Current fiscal year 1Q (as of June 30, 2022)		Previous fiscal year (as of Mar. 31, 2022)	Current fiscal year 1Q (as of June 30, 2022)
Current assets	6,676	6,677	Current liabilities	2,701	2,678
Cash and deposits	1,070	1,815	Debt obligations	1,000	1,000
Accounts receivable—trade	1,870	1,344	Non-current liabilities	50	56
Merchandise	2,990	2,732	Total liabilities	2,751	2,734
Non-current assets	1,344	1,305	Shareholders' equity	5,254	5,191
Property, plant and equipment, and intangible assets	500	494	Total net assets	5,269	5,248
Total assets	8,020	7,983	Total liabilities and net assets	8,020	7,983

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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, but GMV fell short of last year's levels.

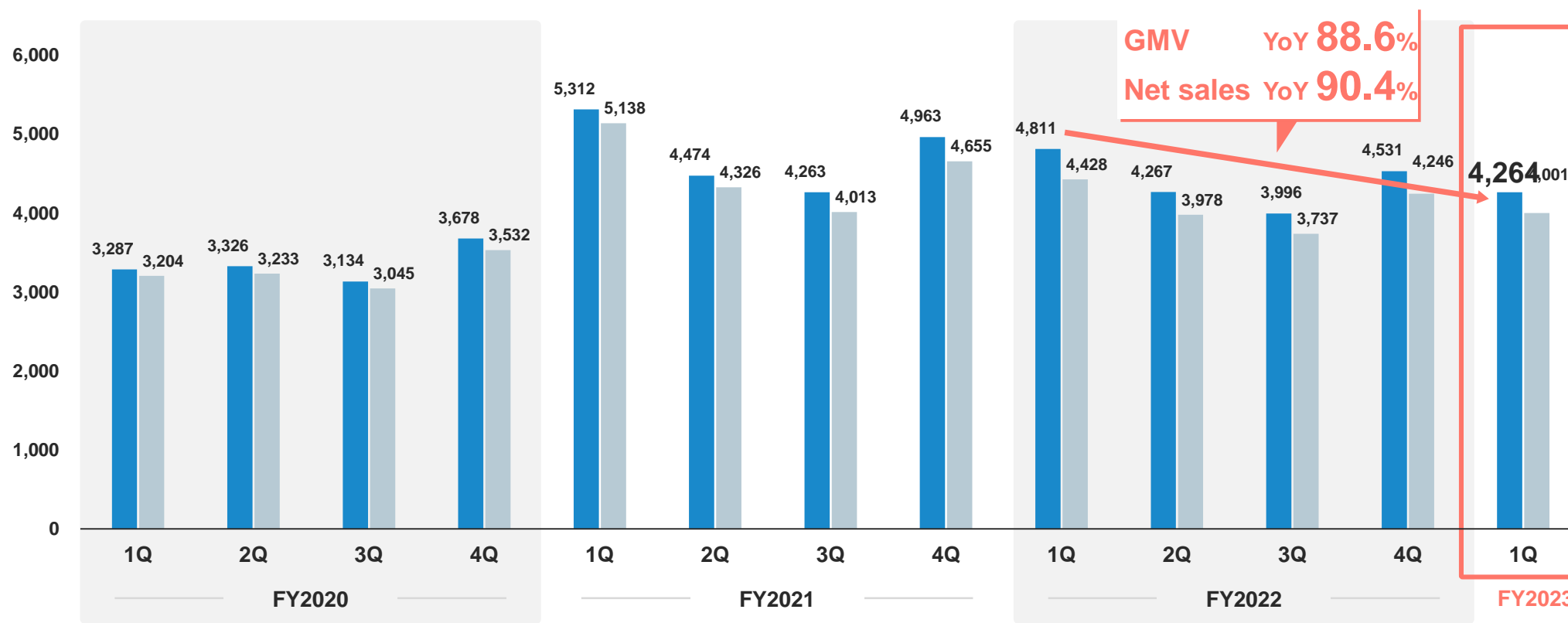
(Million yen)

Scope	Item	Timeframe used for calculation	Three months ended June 30, 2021	Three months ended June 30, 2022	YoY
Company-wide	Company-wide GMV (million yen)	Quarter	4,811	4,264	88.6% (-547)
Flagship store	Flagship store GMV (million yen)	Quarter	2,591	2,168	83.7% (-422)
	Membership (thousand people)	As of the end of the quarter	931	1,190	127.8% (+258)
	Ratio of repeat customers (based on GMV) (%)	LTM	20.0	23.5	117.6% (+3.5)
	Members: Average basket value (yen)	LTM	23,091	22,787	98.7% (-304)
	Guests: Average basket value (yen)	LTM	20,374	19,839	97.4% (-535)

We fell short of the previous year's 1Q results, which were a high hurdle with the impact of the declaration of a state of emergency, as a result of suppressing of large sales events at the flagship store, in addition to the impact of a decline in stay-at-home demand resulting from an increase in outings.

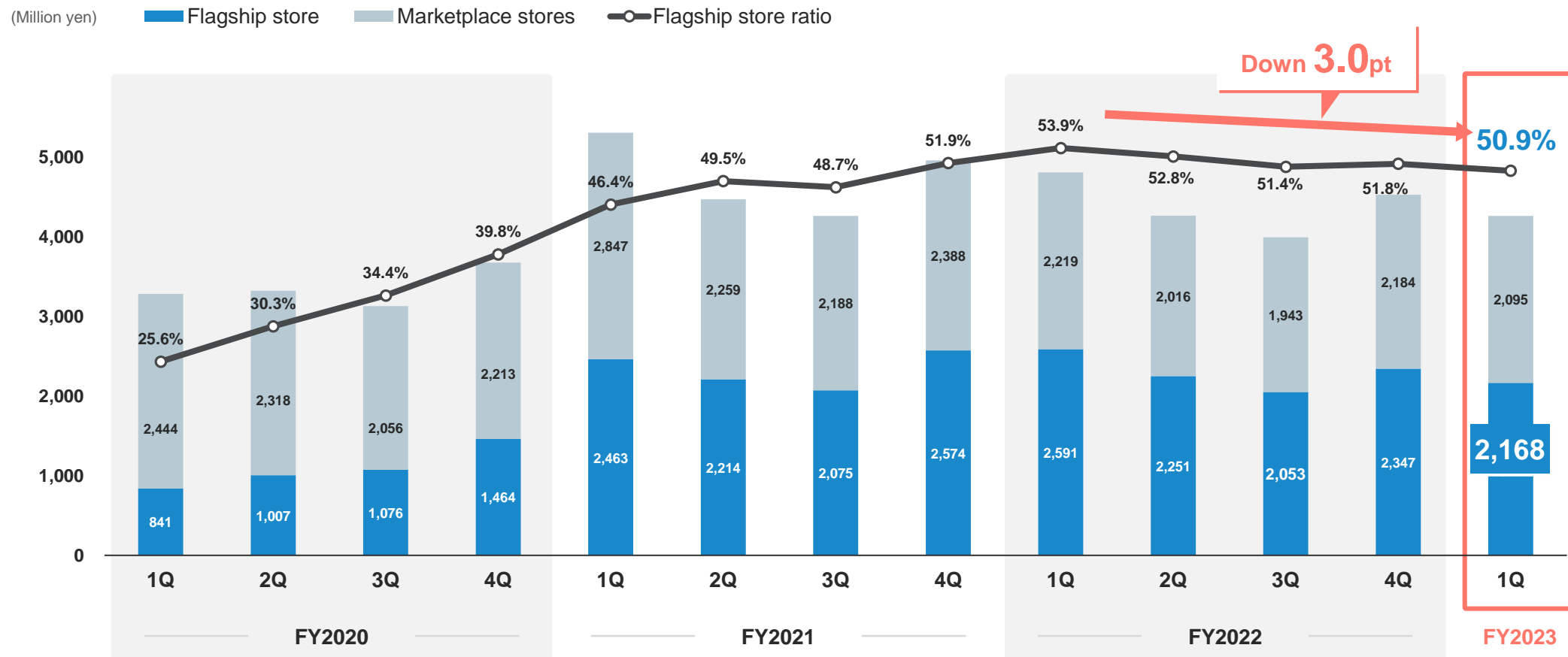
(Million yen)

■ GMV ■ Net sales

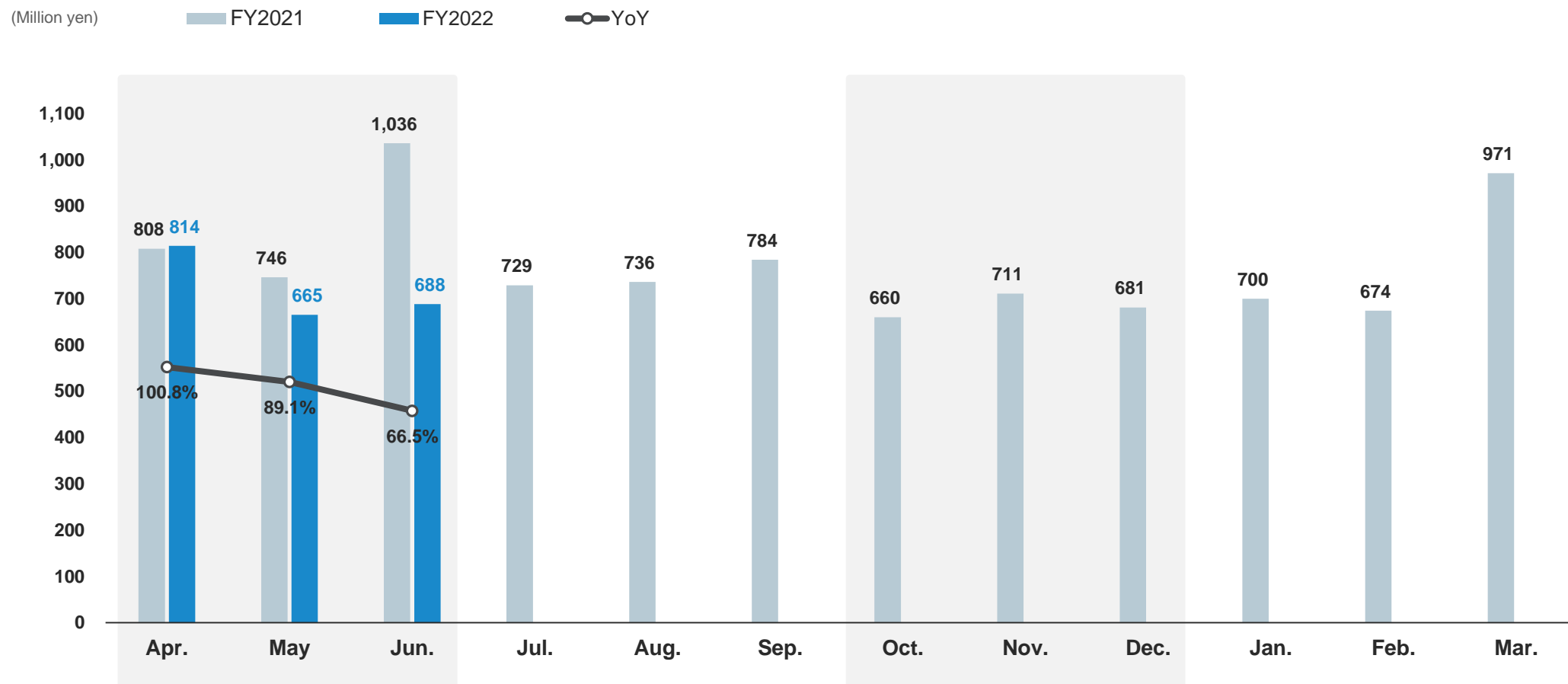


* Due to the application of the new Revenue Recognition Standard from the fiscal year ended March 31, 2022, net sales for the fiscal year ended March 31, 2021 and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.

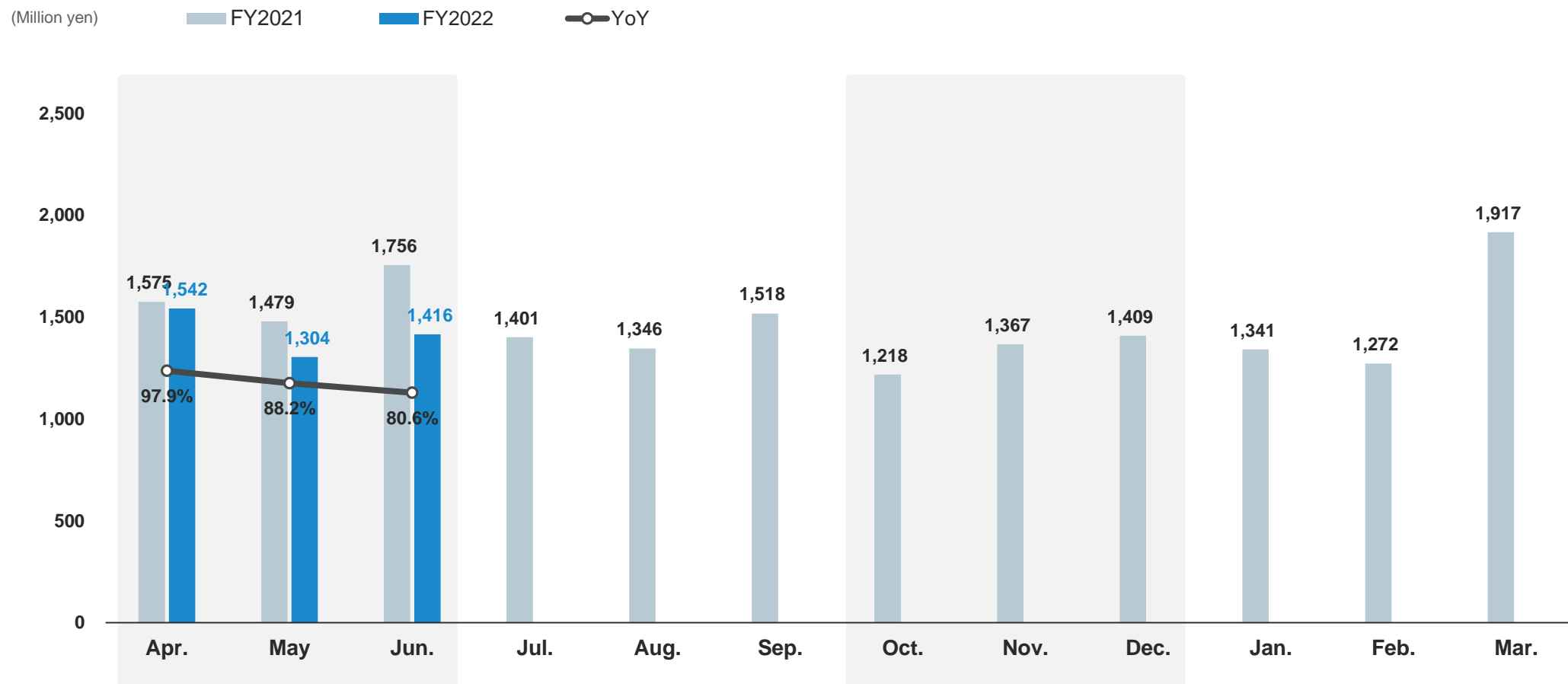
The flagship store accounted for approximately half of quarterly GMV, down slightly from the previous year due to a strong overall performance from marketplace stores, in addition to the suppression of large sales events at the flagship store.



With economic activity beginning to normalize and turnouts increasing, GMV for April increased year on year. There was a reactionary decline in May and June, in addition to our decision to suppress discounts at large sales events in June, prioritizing profit control and medium- to long-term branding.



1Q for the overall LOWYA business (flagship store + marketplace stores) was generally within the forecast range, despite the impact of a decline in stay-at-home resulting from an increase in outings.



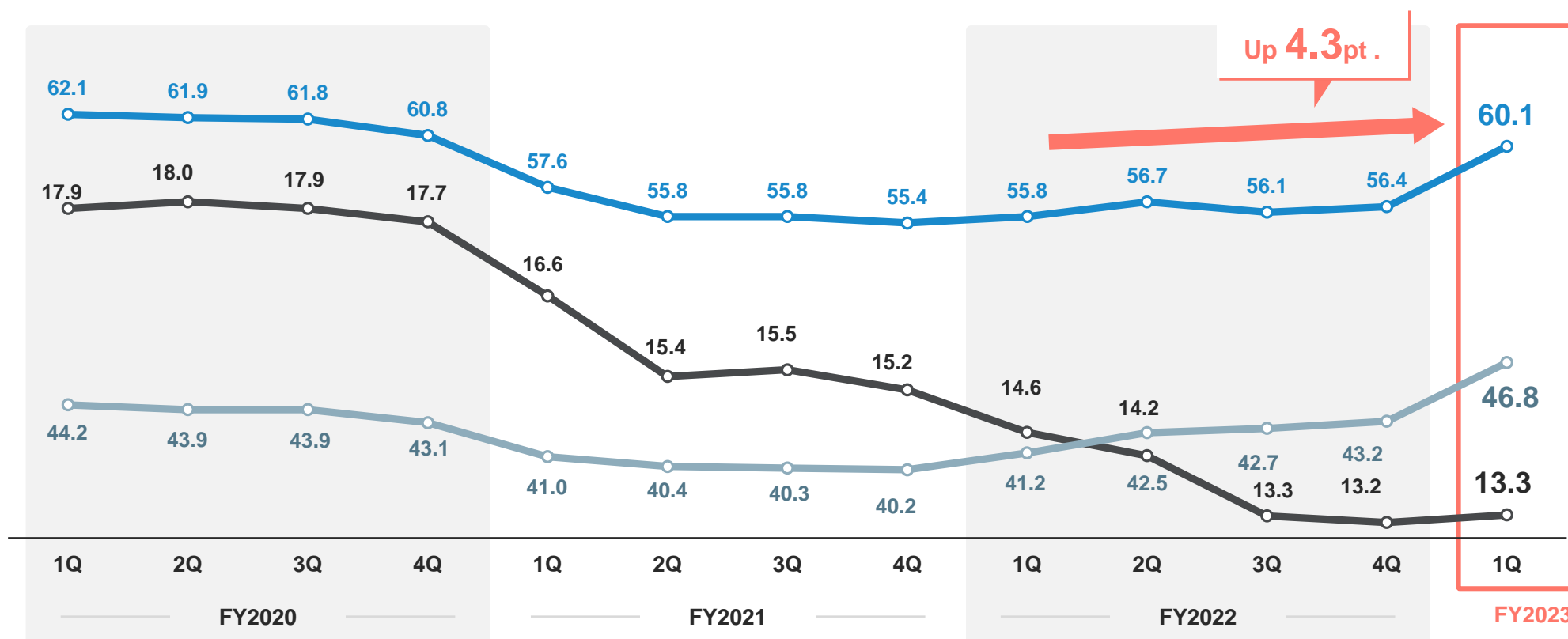
Cost of sales ratio increased due to a combination of persistently high costs for marine container transportation and raw material procurement, coupled with the rapid depreciation of the yen. The delivery expense ratio was kept largely unchanged, but the impact of the rising cost of sales ratio pushed the total of the two ratios higher.

(Million yen)

—●— Delivery expense ratio

—●— Cost of sales ratio

—●— Delivery expense ratio + Cost of sales ratio

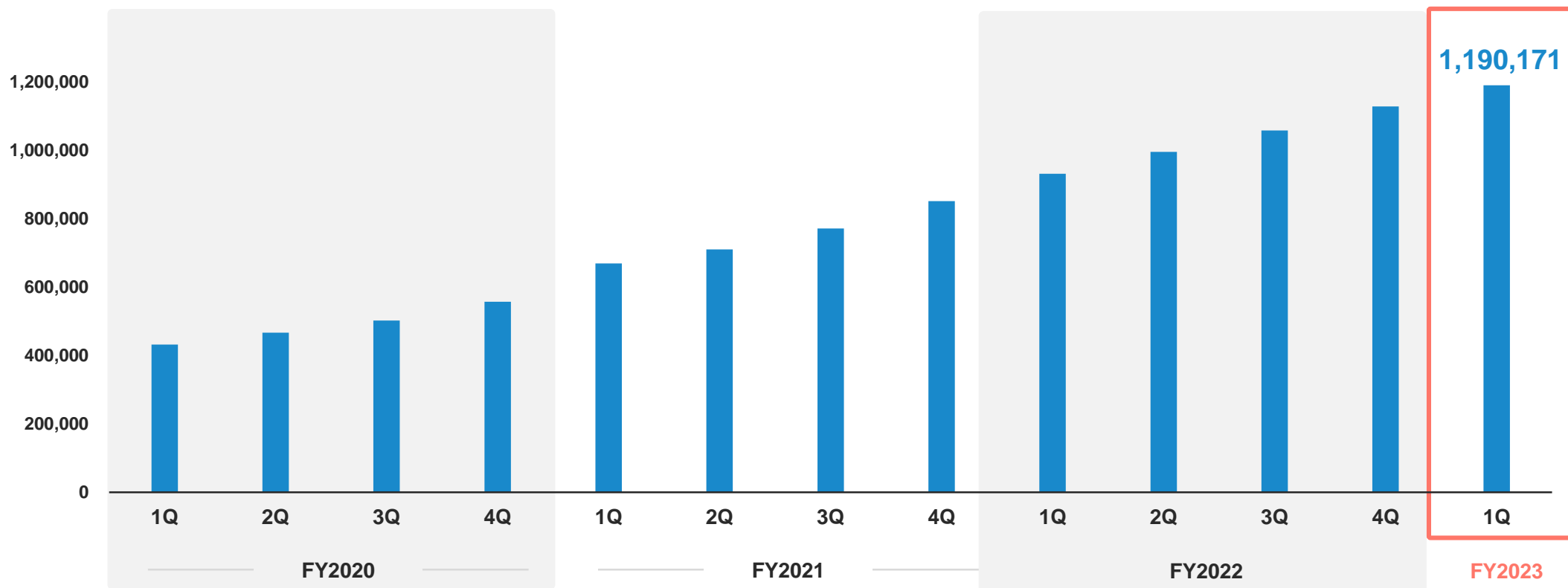


* Due to the application of the new Revenue Recognition Standard from the fiscal year ended March 31, 2022, the ratios are those of cost of sales and shipping costs relative to net sales under the previous accounting standard for the periods prior to the fiscal year ended March 31, 2021, while those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

Total membership* of the flagship store has topped 1.19 million people, and is continuing to rise steadily

Total membership of the flagship store

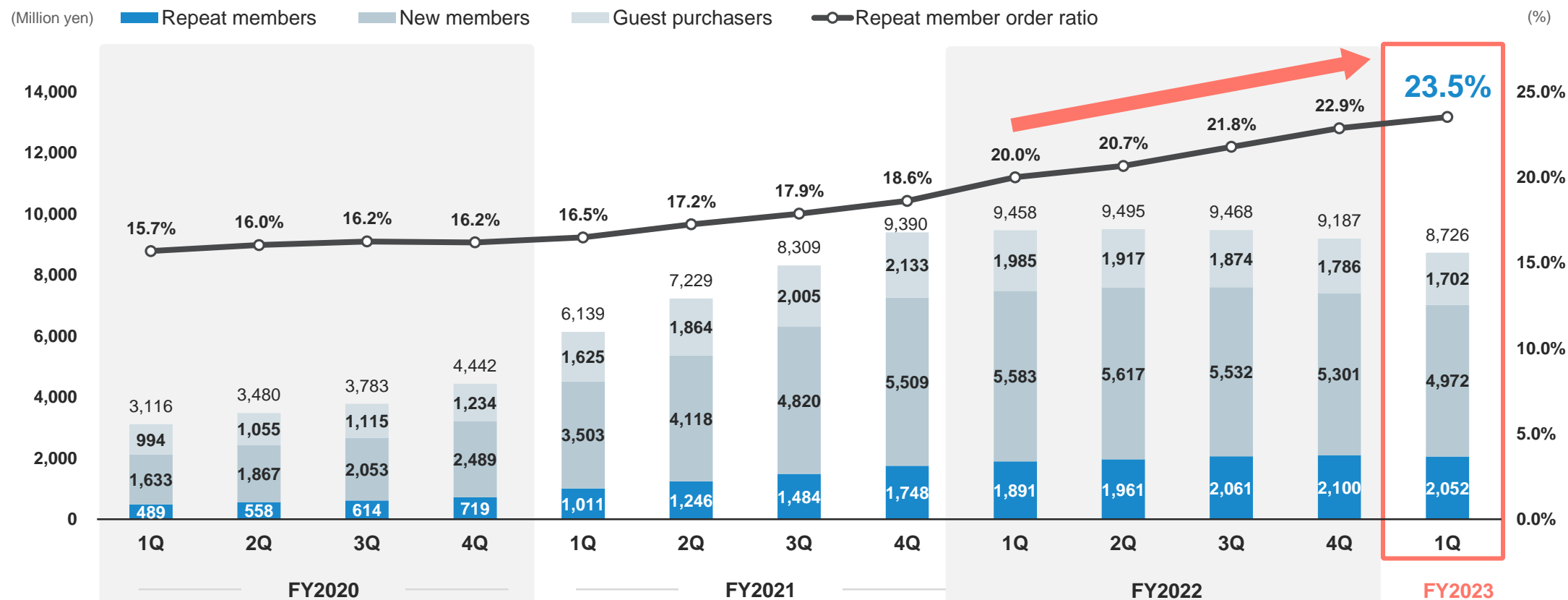
(People)



* All the members who enrolled at the flagship store.

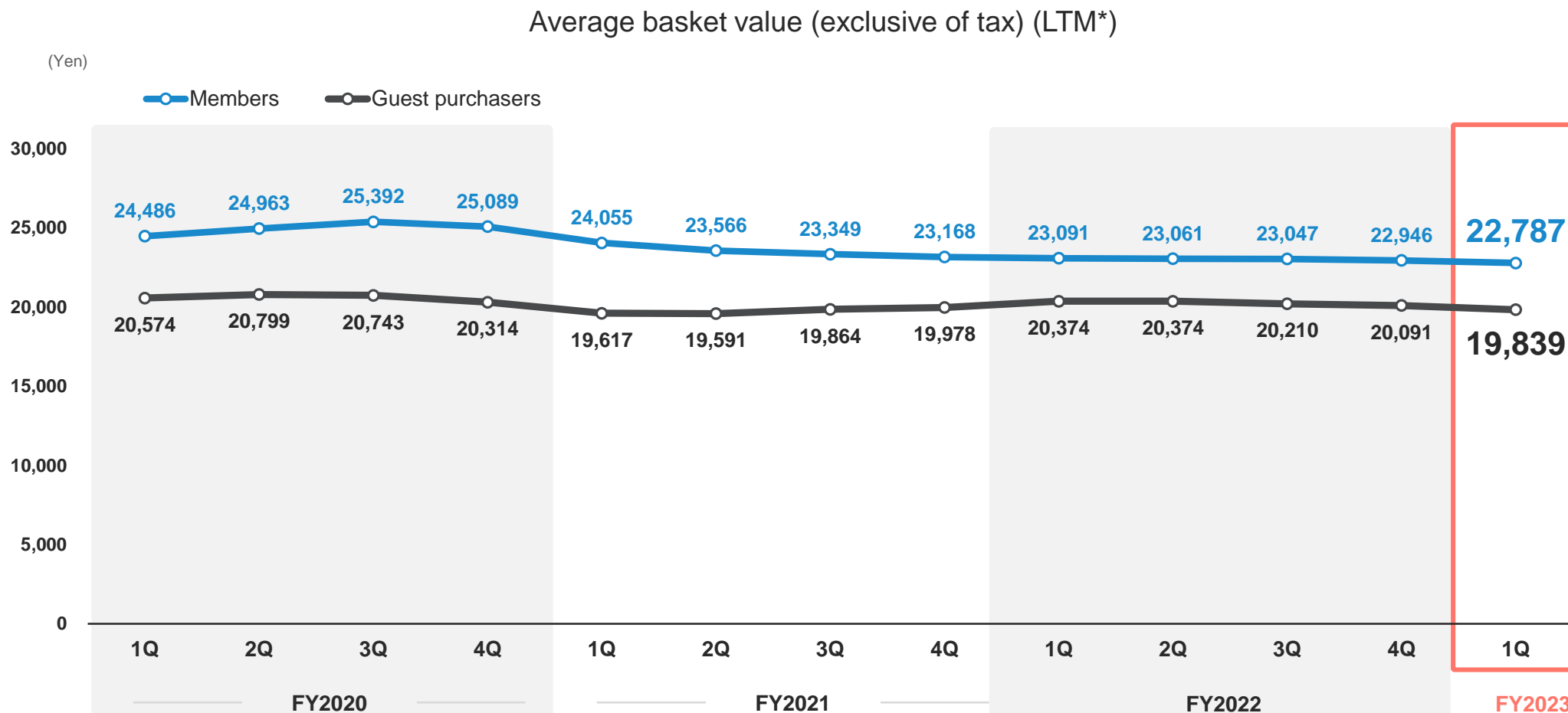
GMV* by repeat members has been on a rise as guest purchasers become members and new members turn into repeat members.

GMV by member type (LTM*)



Average basket value remains stable.

The average basket value among members is gradually decreasing, but remains on forecast, due to contribution from factors such as an increase in the proportion of low-value repeat orders.



For LOWYA Day (June 8~), when we hold large-scale promotional events each year, we trialed a new marketing initiative, reducing the discount ratio to half of last year's level.

608 FESTA

2022. 6.8 WED - 6.12 SUN

LOWYA POP UP SHOP @HARAJUKU

Instagram, Twitter, YouTube, TikTok icons

PICK UP EVENT!

Featuring a variety of special-feature events!

Limited-time Sale

対象商品が日替わりで

TIME SALE

L ALL 50% OFF

Special bargain prices for a limited time only, with a new selection of products each day!

Coupons & Points

全品対象 (一部商品を除く)

10% OFF COUPON

LOWYA アプリ

アプリ購入ならポイント3倍

10% off all products and triple points for purchases through the app!

Live-streaming

期間中は毎日ライブ配信を予定

Instagram, YouTube, TikTok icons

Free Gift Campaign

♡をつなごう! キャンペーン

L Instagram, Twitter, YouTube, TikTok icons

Find the ♡ and keywords hidden in the official LOWYA website and various official social media sites!

Free Gift Campaign

Instagram投稿キャンペーン

#LOWYAフェスタ写真展

20%OFF COUPON が当たる!

Instagram icon

Introducing an Instagram posting campaign giving you the chance to win a 20%-off coupon!

Free Gift Campaign

♡クーポンが当たる! フォロー&リツイート キャンペーン

♡アイテムが当たる! 欲しい!を叫ぼう! キャンペーン

Twitter icon

※画像はイメージです

Simultaneous launch of two campaigns giving you the chance to win free gifts!

POP UP SHOP

A new pop-up shop in Harajuku, Tokyo
For a limited time only!

2022.6.11 SAT - 6.12 SUN
OPEN 11:00 / CLOSE 19:00
@JOINT GALLERY

THE SHARE 104, 3-25-18 Jungumae, Shibuya-ku, Tokyo

LOWYA

Introducing a new pop-up shop in Harajuku, Tokyo. In addition to interior coordination displays, the shop will also distribute a limited number of original goods!
*Details may be altered without prior notice.

Despite unfavorable weather, the number of visitors to the limited-time-only store exceeded expectations, and enabled us to confirm the existence of customer needs that cannot be satisfied through e-commerce alone. We received many requests through social media to hold similar events in local areas across Japan. In view of this success, we are considering trials of physical store-related initiatives from the 2Q onwards.

The limited-time-only store opened for two days only, Saturday and Sunday, Harajuku (Tokyo). The interior of the store recreated the coordination ideas that are LOWYA's strength.



Customer feedback at the store



Thanks to your customer service, I was able to find the right style to fit my new room!

I've been interested in your designs for a while, and I was really happy to be able to see the real thing!

Messages on social media



I'm heading over there on the first Shinkansen in the morning!

I'm so jealous that Tokyo gets a pop-up shop! Please open one over here in Kansai too!

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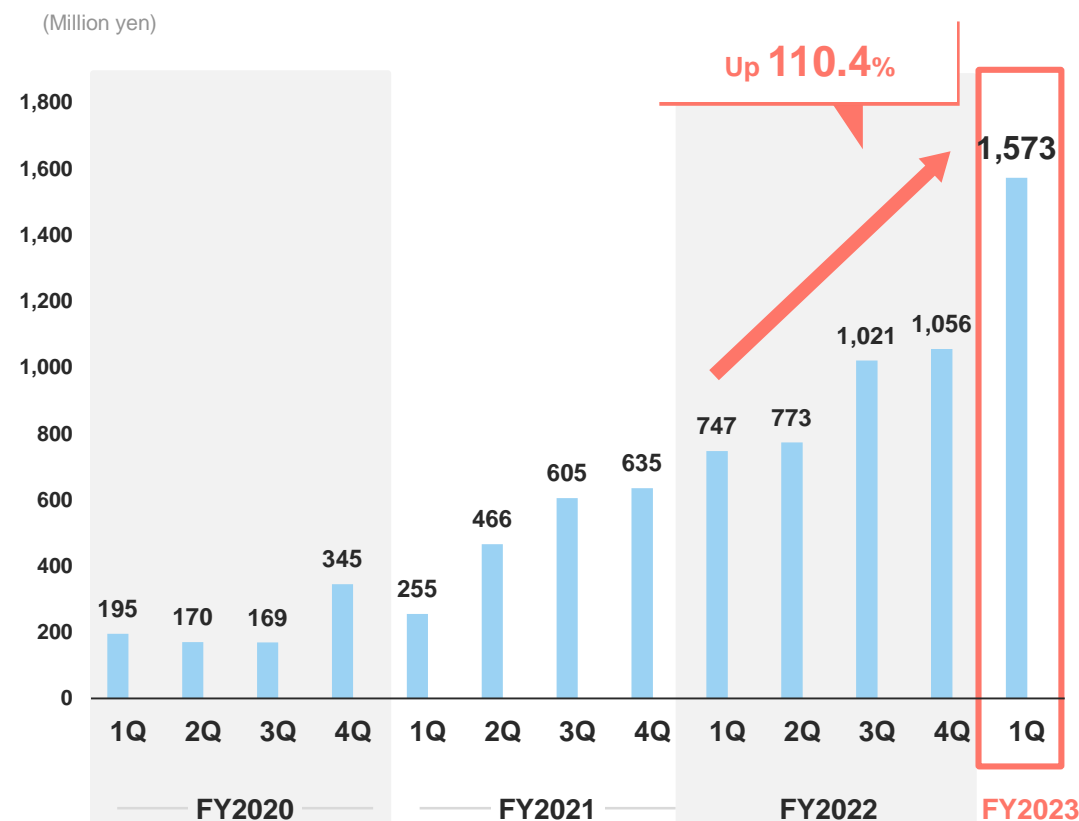
Report on DOKODEMO Business

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

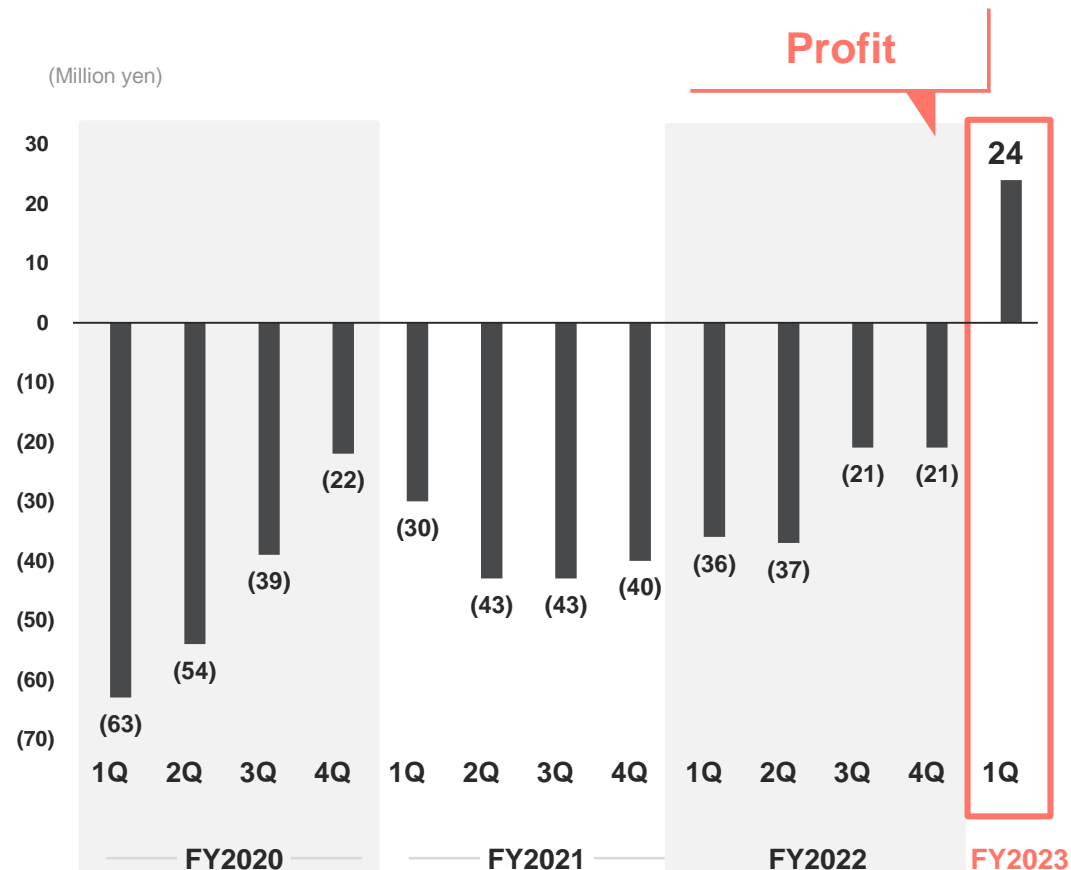
Item	Three months ended June 30, 2021	Three months ended June 30, 2022	YoY
GMV (million yen)	747	1,573	210.4% (+825)
Net sales (million yen)	86	198	228.8% (+111)
Membership (thousand people)	760	924	121.5% (+163)
Number of app DLs (thousand)	1,232	1,375	111.6% (+142)
Average basket value (yen)	11,631	13,351	114.8% (+1,720)
Number of products (thousand)	41	45	109.6% (+3)
Number of brands	980	1,139	116.2% (+159)
Deliveries * Number of countries and regions to which deliveries were made	101	110	108.9% (+9)

GMV rose **110.4%** year on year to reach its highest level ever, and we achieved a **profit** on the back of this higher-than-anticipated GMV growth. However, we have designated this as an investment phase focusing on GMV growth, and we will not pursue profit contribution earlier than planned.

GMV



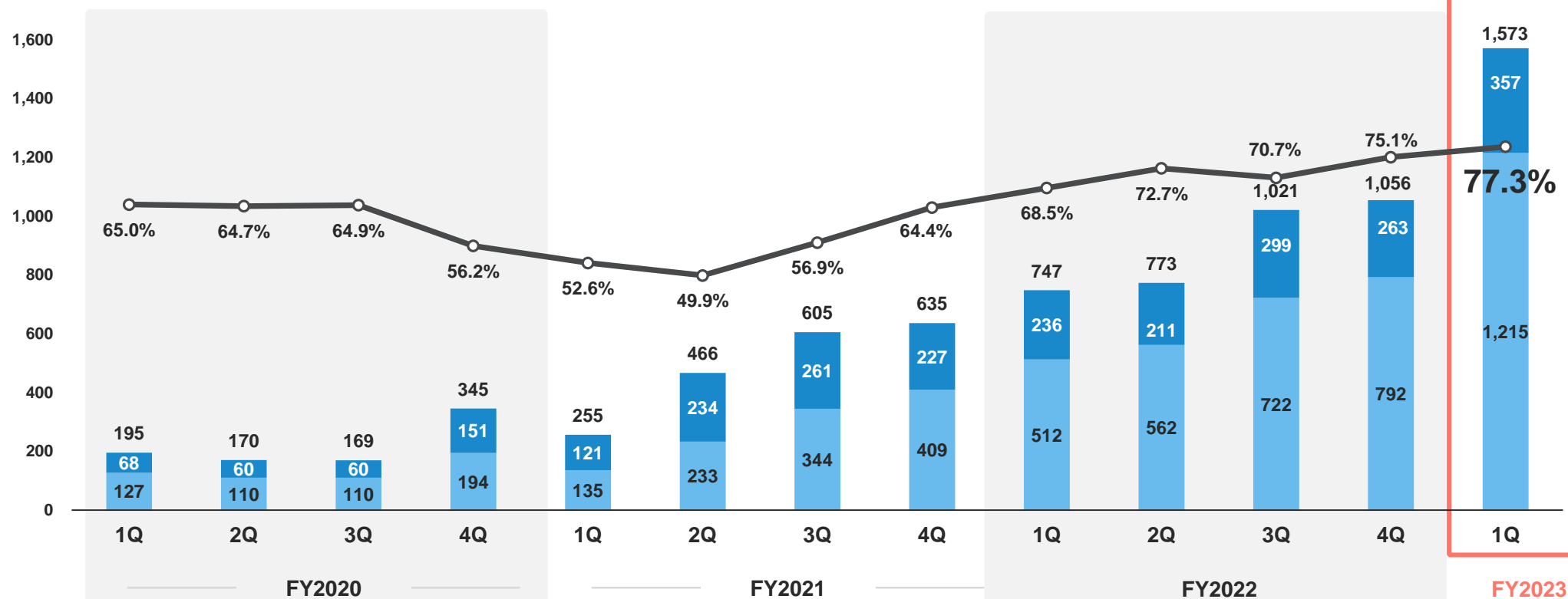
Net Business Income



Repeat customer GMV increased further, accounting for **77.3%**

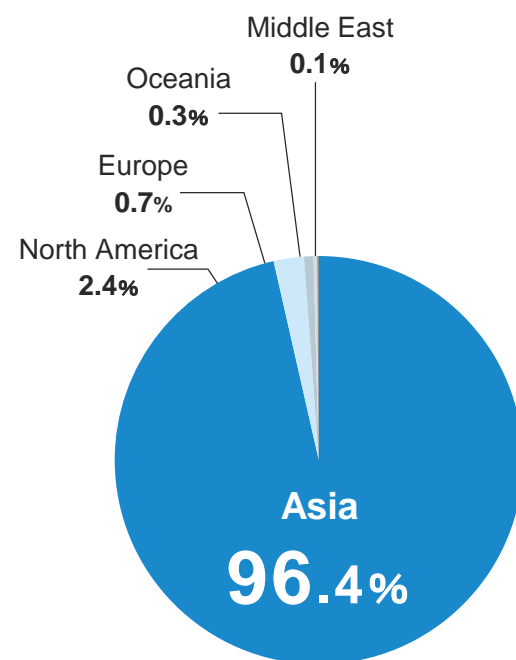
(Million yen)

Repeat customer GMV New customer GMV Ratio of repeat customers

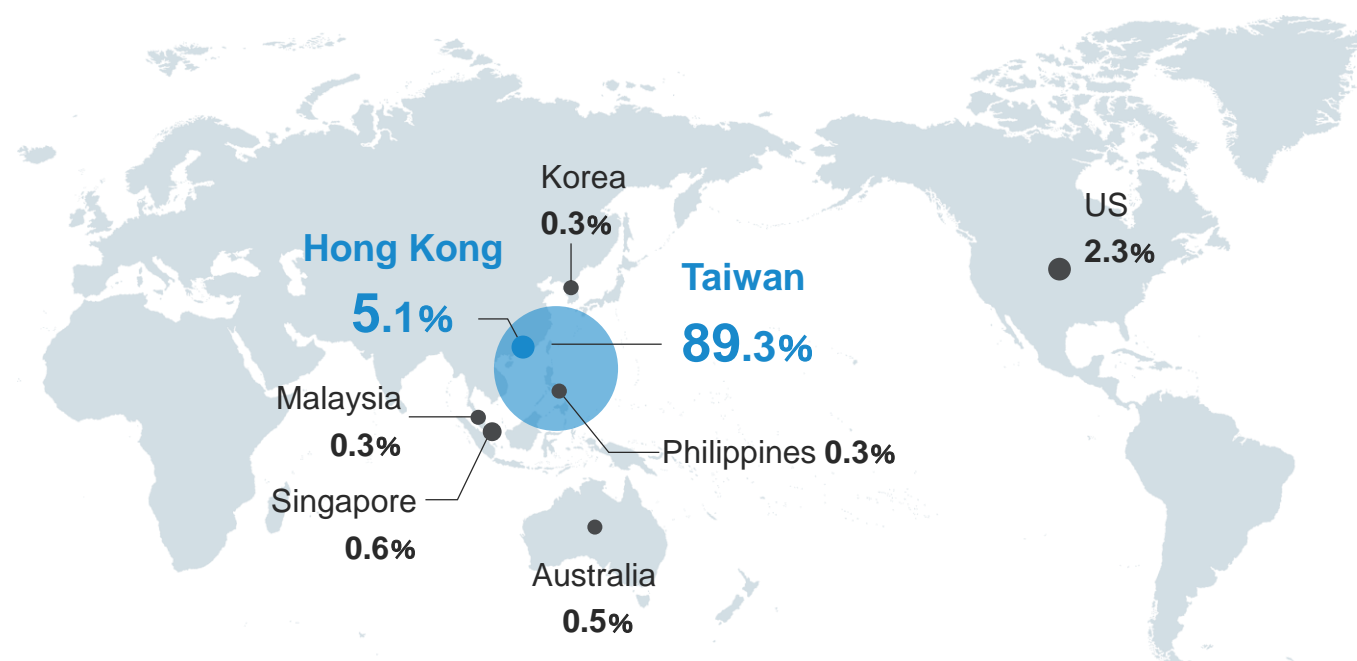


Deliveries to Asia, mainly Taiwan, account for more than 90% of GMV

By region



By country



5

Appendix

As a new accounting standard for revenue recognition (new Revenue Recognition Standard) has been applied from the fiscal year ended March 31, 2022 (FY2021), which has created a difference between GMV and sales, the Company has newly announced GMV as an important management indicator

Previous Standard (up to FY2020)

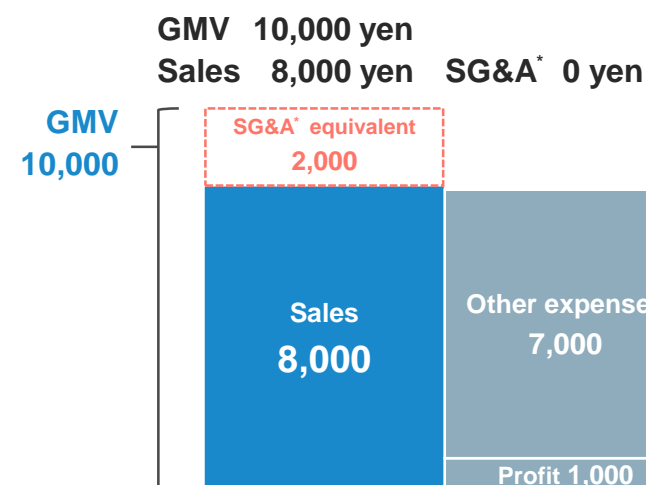
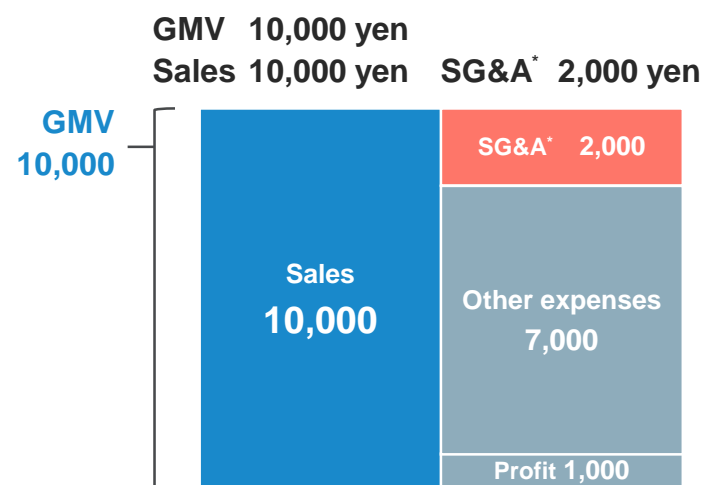
New Revenue Recognition Standard (from FY2021)

- 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

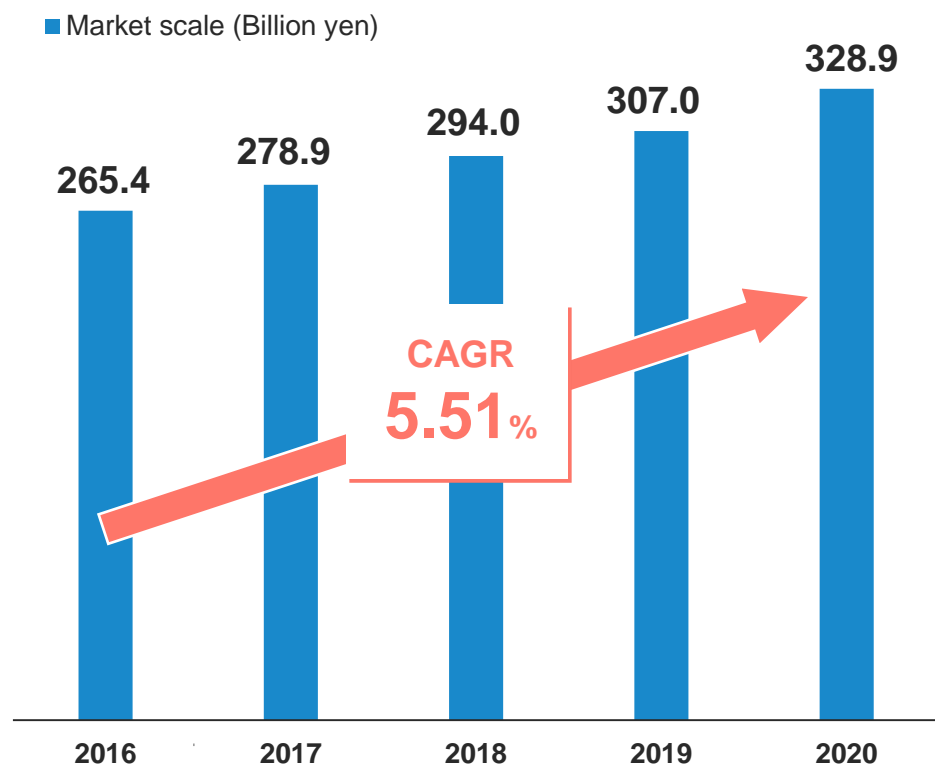


* Refers to SG&A expenses (promotion expenses) equivalent to a 20% discount, not all SG&A expenses, and SG&A expenses other than the said promotion expenses are recorded in both cases.

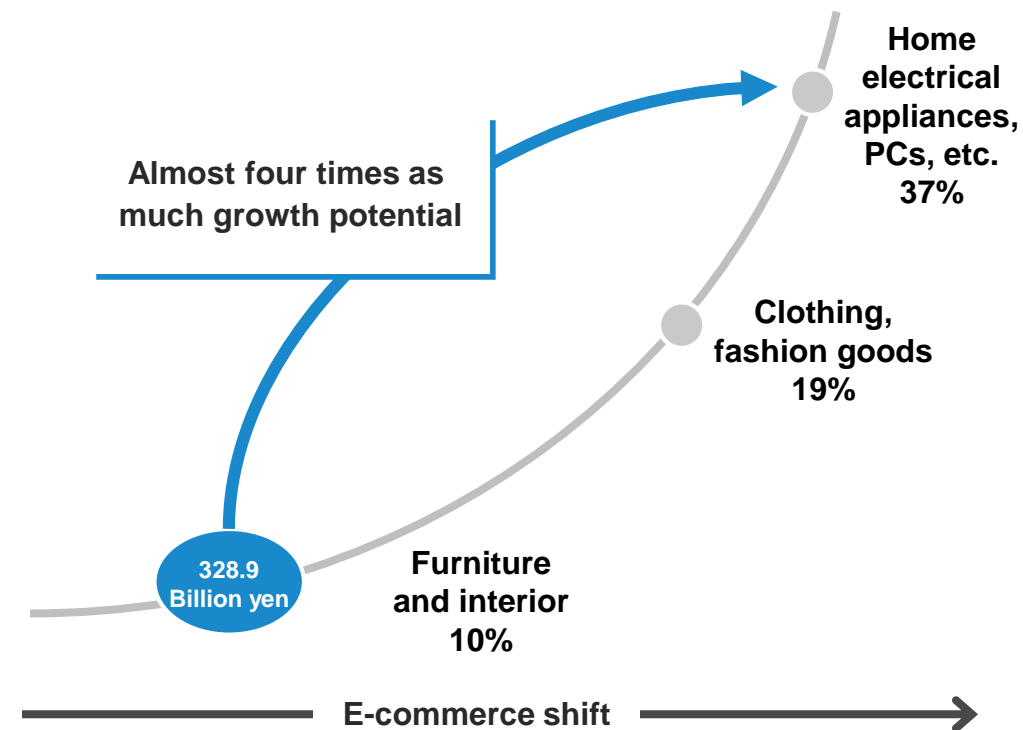
The furniture and interior e-commerce market is a growth market, expanding with a CAGR of 5.51% (2016-2020)

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)

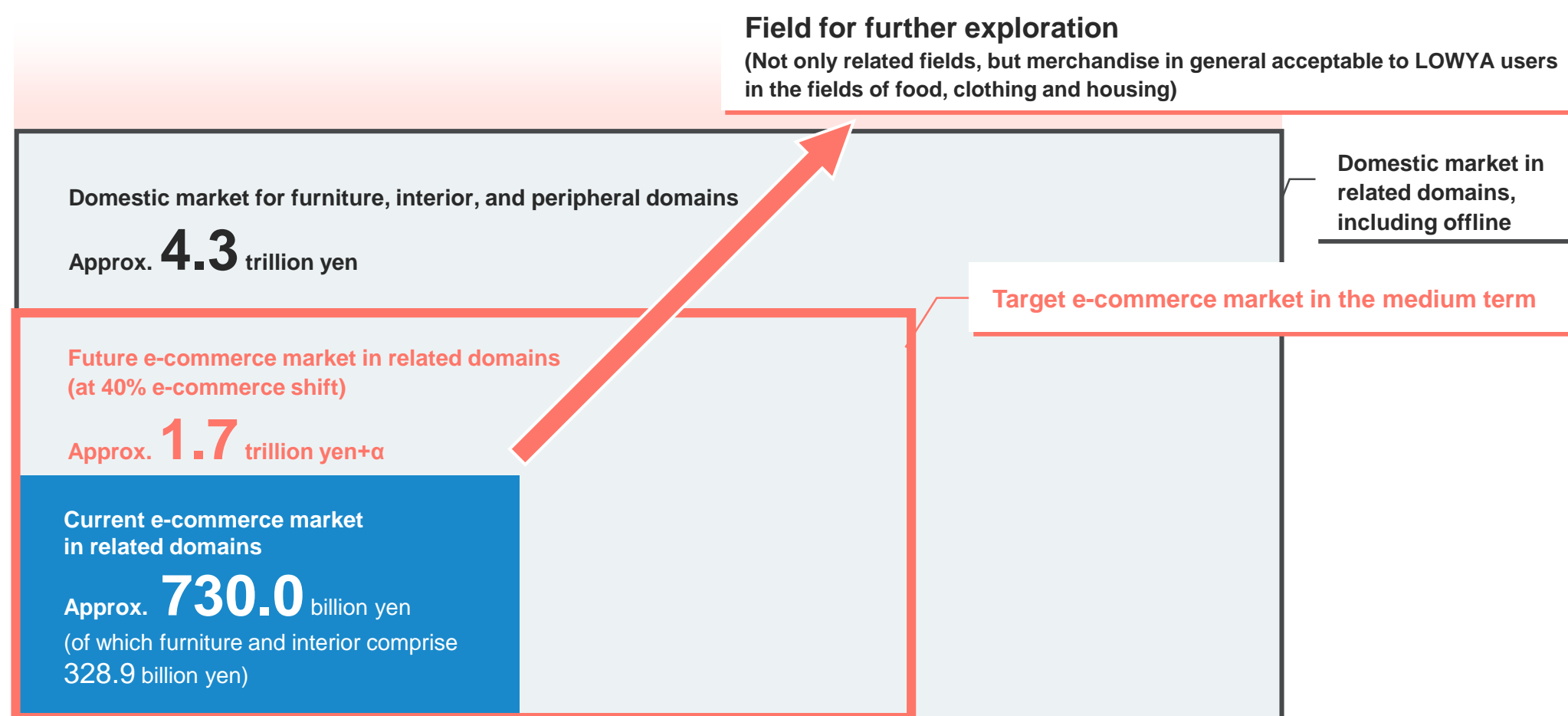


Comparison of the rate of e-commerce shift by product (2020, Japan)



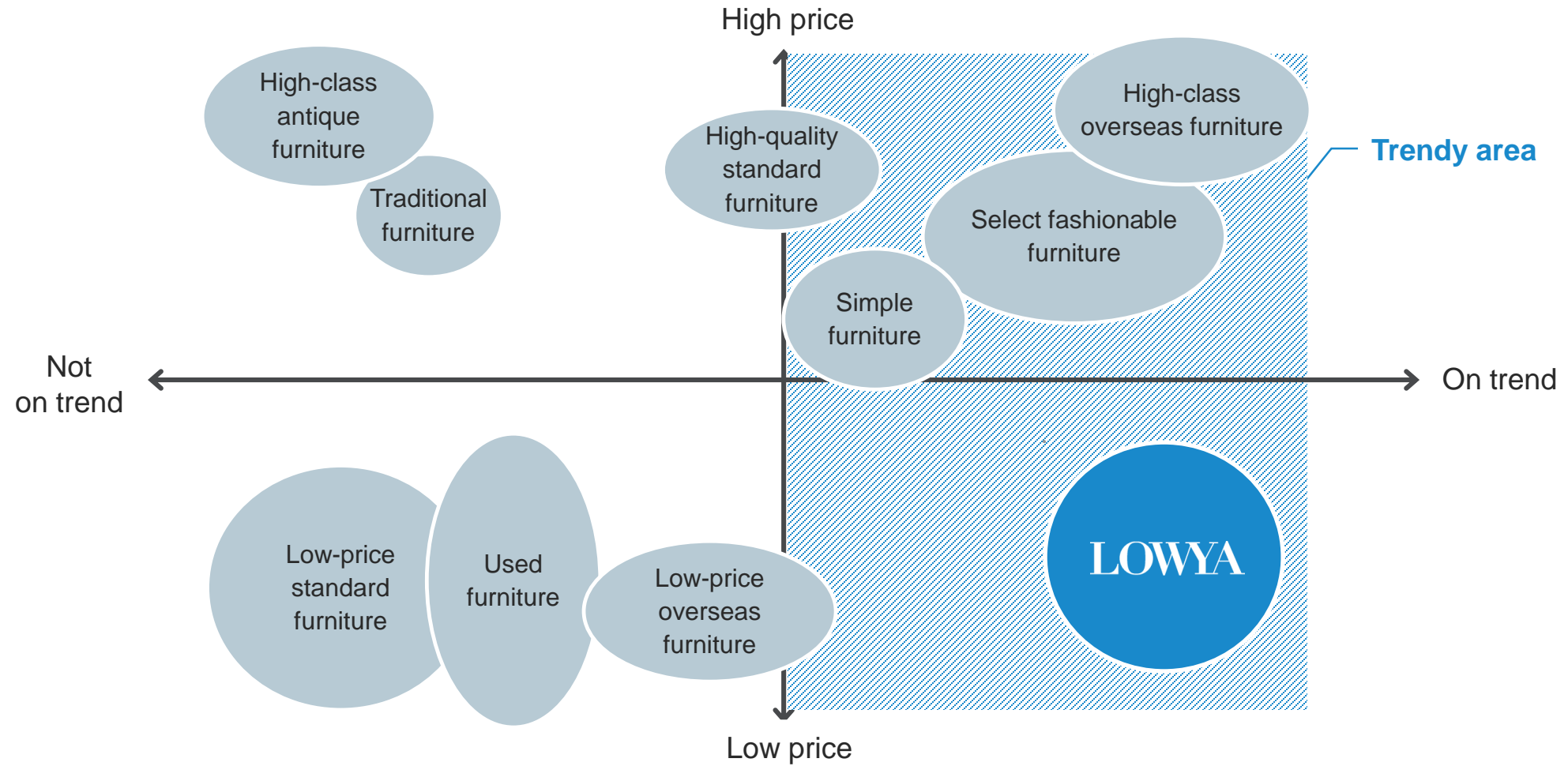
* Source: Figures for furniture and interior products were prepared by the Company, based on "Home Furnishings in Japan, May 2021" issued by Euromonitor.
Figures for other products were prepared by the Company, based on "FY2020 E-Commerce Market Survey" issued by the Ministry of Economy, Trade and Industry.

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



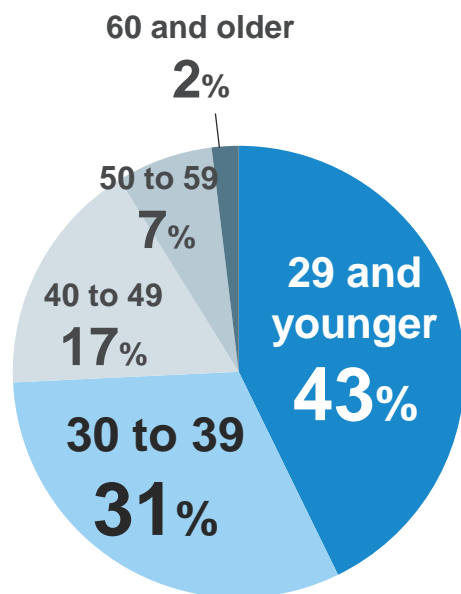
* Source: Related domains include the furniture and interior market, home appliances excluding large home electric appliances, plastic goods for daily use and sundries. Figures for the furniture and interior market and e-commerce shift were estimated by the Company, based on "Home Furnishings in Japan, 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 "FY2020 Industrial Economic Research Commissioned Project (E-Commerce Market Survey)" issued by the Ministry of Economy, Trade and Industry.

Establishing a position in the “trendy & low price” space of the furniture and interior products market

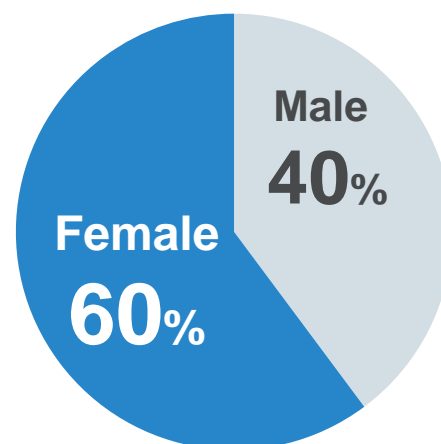


Showing higher ratio of females in their 20's to 30's, and in the Kanto region by area

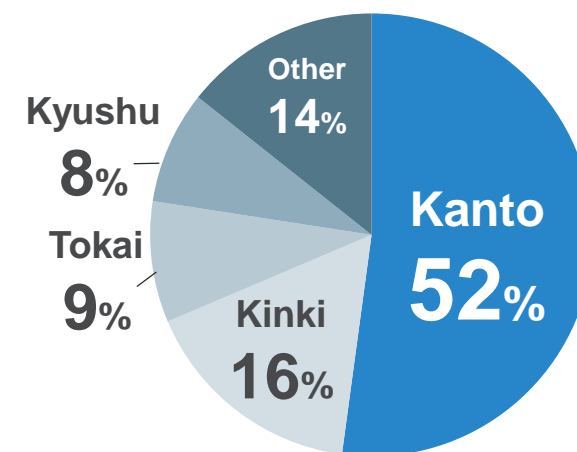
Age distribution



Ratio of
male vs. female



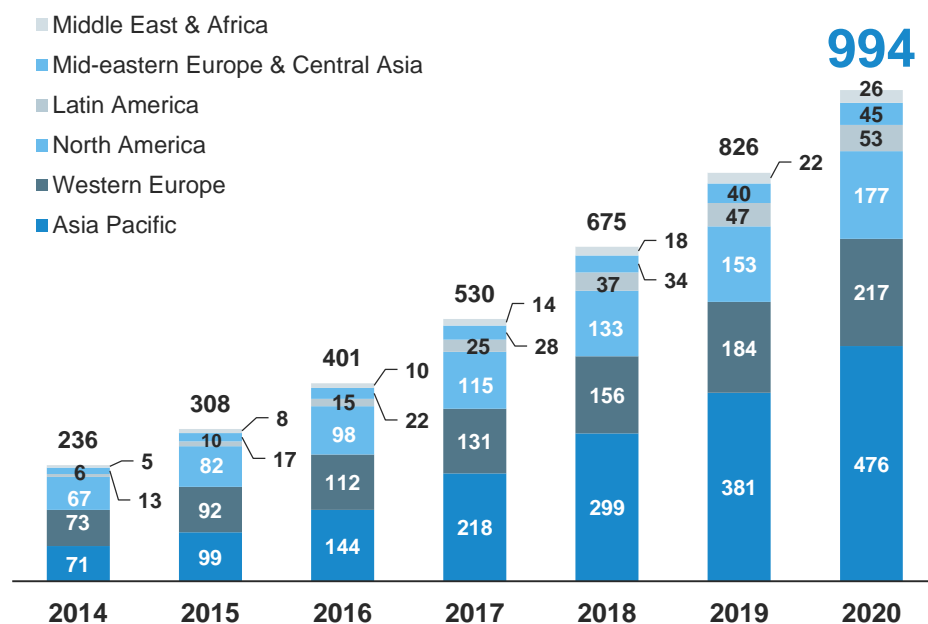
Area distribution



* 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.

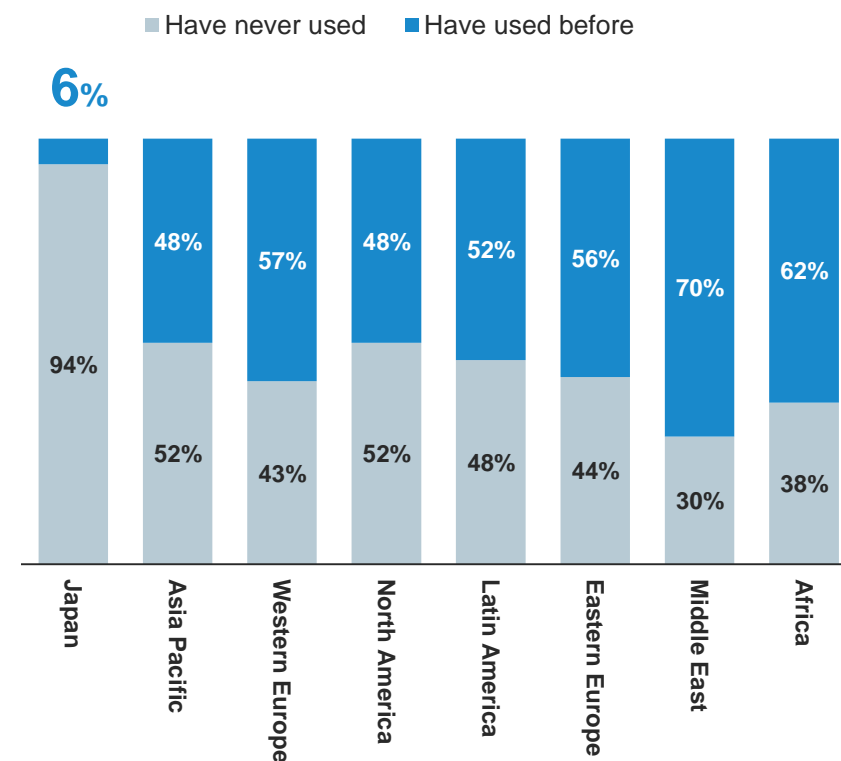
Even with a platform specialized for seller companies in Japan,
massive markets present abundant opportunities

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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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.

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