



Quarterly Financial Results

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



VEGA corporation

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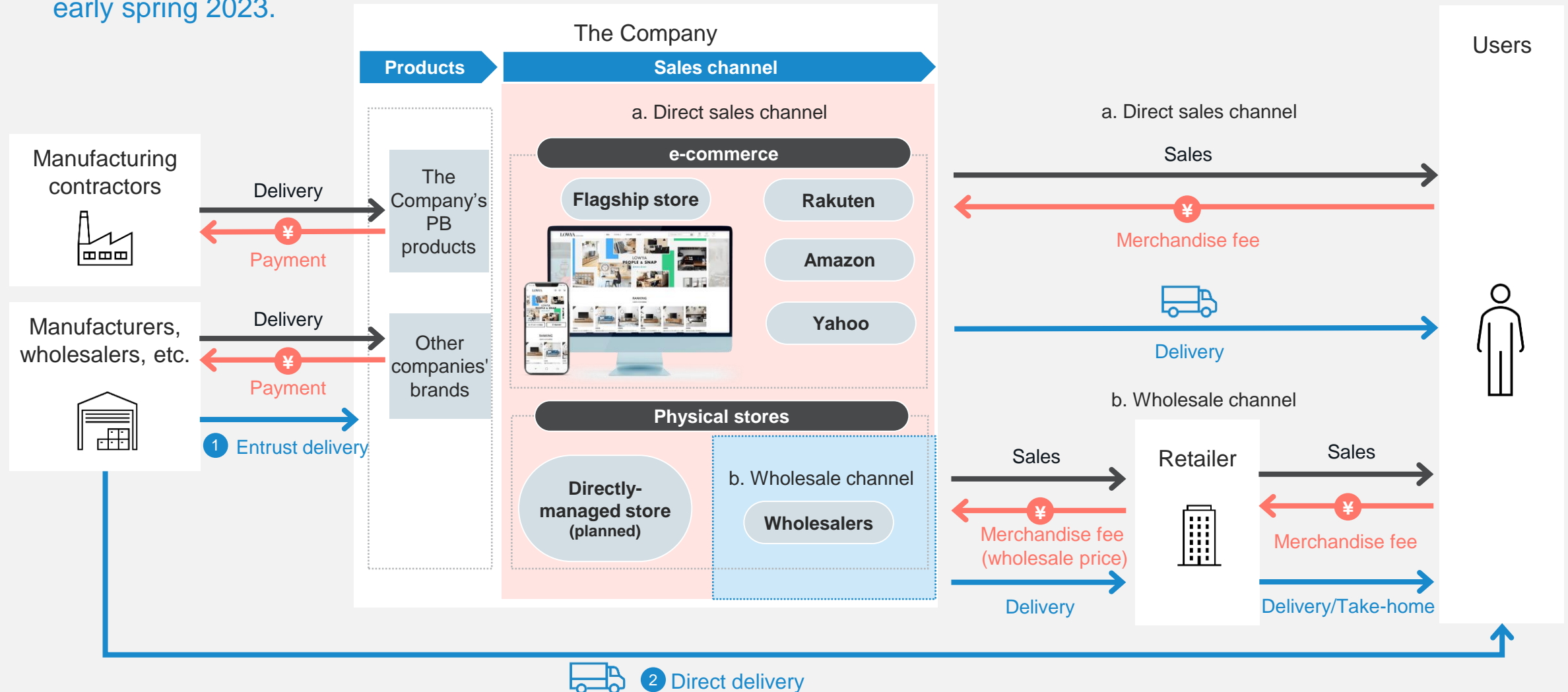
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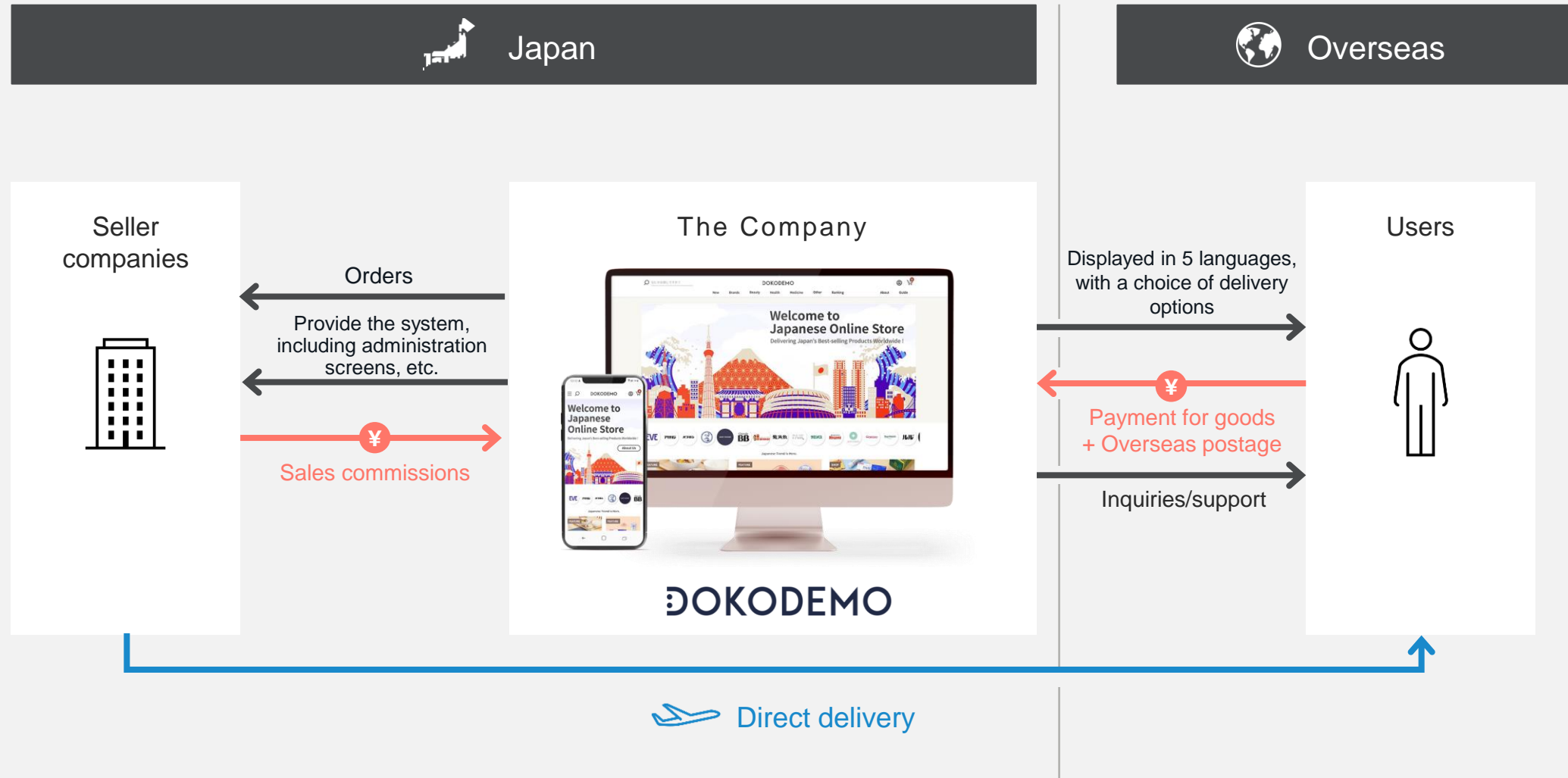
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Business Description

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. The Company started a new wholesale business in September 2022 and plans to open a directly-managed store in early spring 2023.



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.

*For wholesale sales that began in September 2022, the Company's net sales (determined by the wholesale price) are considered GMV and treated as such in this document.

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 Six Months Ended September 30, 2022

Financial Highlight

Overview of Company-wide Results

LOWYA business implemented significant reductions in SG&A expenses to counteract the rising cost of sales ratio caused by the depreciation of the yen.

DOKODEMO business continued to perform well with GMV at 161.2% YoY due to disciplined upfront investment.

Although profits are progressing faster than the pace initially anticipated, the rising cost of sales ratio requires close monitoring.

	2Q	YoY
GMV (LOWYA)	4,177 million yen	97.9%
GMV (DOKODEMO)	1,246 million yen	161.2%
Net sales	4,086 million yen	100.4%
Operating profit	53 million yen	53.6%

LOWYA business

Overview

- In response to a reactionary decline due to the declaration of emergency state, sales fell short of last year's levels, but progressed within the initially forecast range.
- The Company decided to expand into physical stores for the first time since its founding, and as a first step, began wholesale sales to AEON RETAIL Co., Ltd. in September.

DOKODEMO business

Overview

- As planned, the Company continued growth trend while limiting upfront investments.

* GMV: Gross Merchandise Value

* Results for the second 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 September 30, 2022

Net sales: **4,086** million yen, Operating profit: **53** million yen

(Million yen)

	Fiscal year ended Mar. 31, 2022		Fiscal year ending Mar. 31, 2023		YoY
	2Q results	Sales ratio	2Q results	Sales ratio	
Net sales	4,072	100.0%	4,086	100.0%	100.4% (+14)
Gross profit	2,259	55.5%	2,073	50.7%	91.8% (-186)
SG&A expenses	2,159	53.0%	2,020	49.4%	93.5% (-139)
Operating profit	99	2.4%	53	1.3%	53.6% (-46)
Ordinary profit	106	2.6%	63	1.5%	59.4% (-43)
Profit	65	1.6%	18	0.5%	28.2% (-46)

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

Financial Results for the Six Months Ended September 30, 2022 (1Q-2Q Cumulative)

Net sales: **8,286** million yen, Operating profit: **115** million yen

(Million yen)

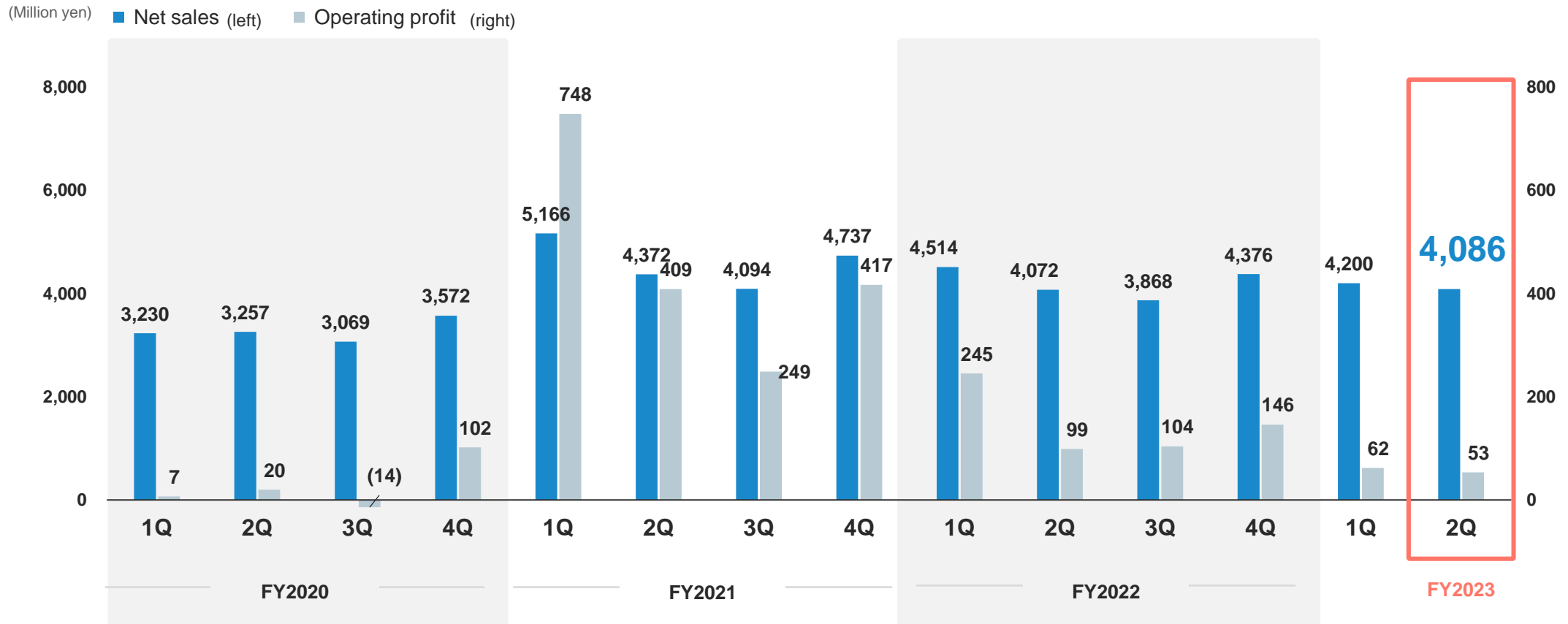
	Fiscal year ended Mar. 31, 2022		Fiscal year ending Mar. 31, 2023		YoY
	1Q-2Q results	Sales ratio	1Q-2Q results	Sales ratio	
Net sales	8,587	100.0%	8,286	100.0%	96.5% (-300)
Gross profit	4,790	55.8%	4,278	51.6%	89.3% (-511)
SG&A expenses	4,444	51.8%	4,163	50.2%	93.7% (-281)
Operating profit	345	4.0%	115	1.4%	33.4% (-230)
Ordinary profit	358	4.2%	130	1.6%	36.3% (-228)
Profit	223	2.6%	59	0.7%	26.6% (-163)

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

Quarterly Net Sales and Operating Profit

Profit progressed faster than the pace initially anticipated due to cost reductions, despite a reactionary decline in sales from the previous year's levels.

However, the cost of sales ratio is rising due to ongoing depreciation of the yen, and controlling profits from 3Q onward will continue to be an issue.

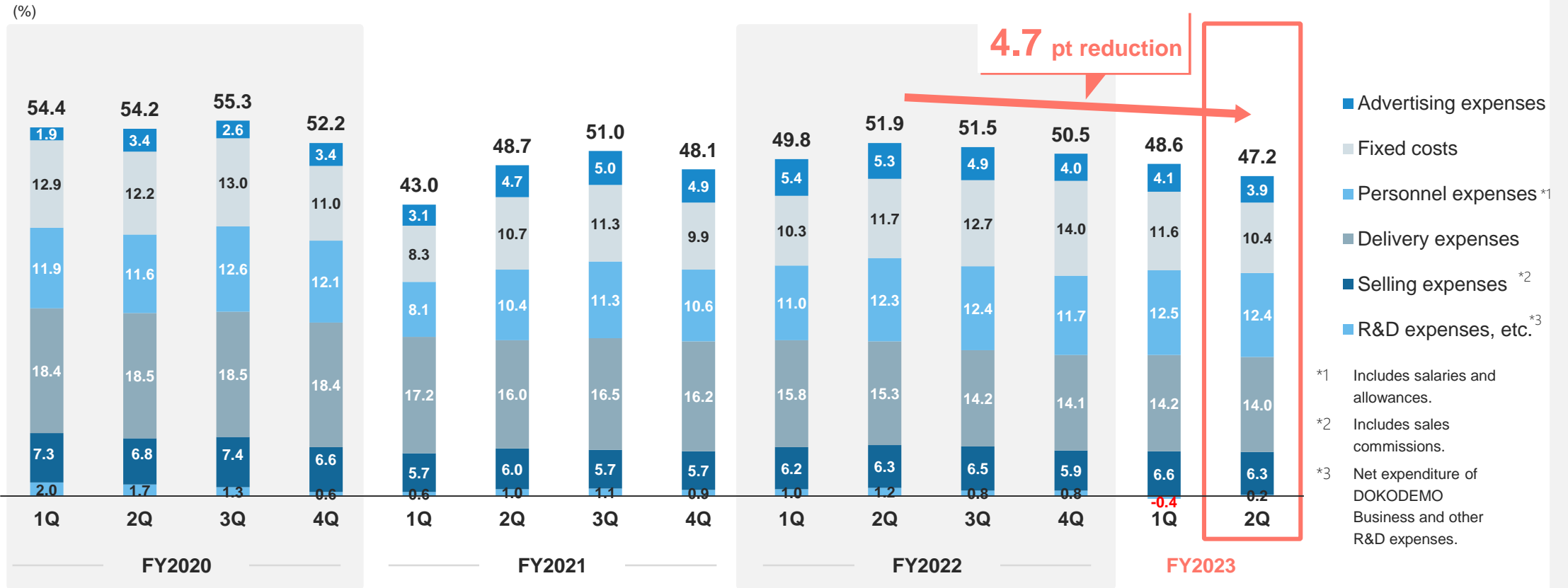


* Due to the application of the new Revenue Recognition Standard from the fiscal year ended March 31, 2022, net sales for the fiscal year ended March 31, 2021 and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.

* 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)

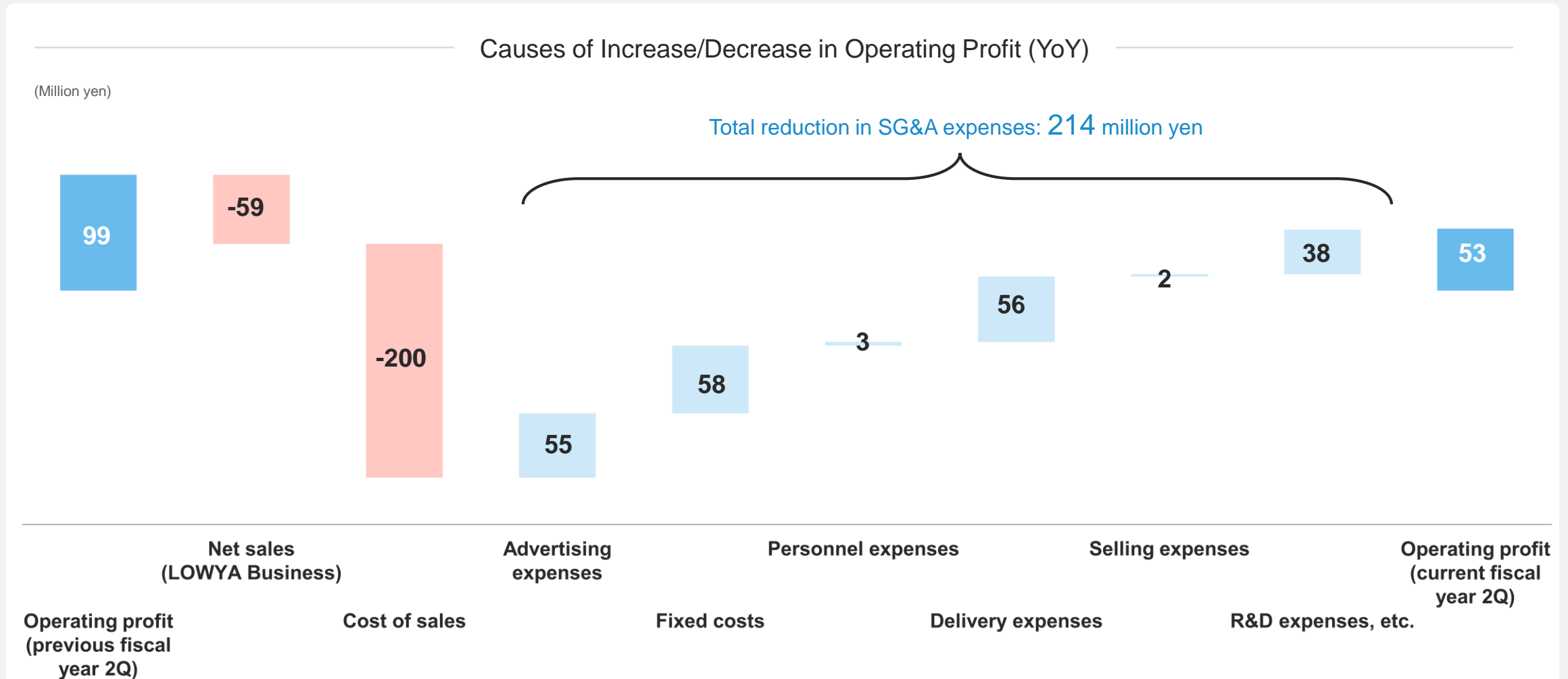
The Company reexamined its SG&A expenses to account for the rising cost of sales ratio, and reduced them by 4.7 pt (214 million yen) from the same period last year.



* 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.

Causes of Increase/Decrease in Quarterly Operating Profit

The Company reduced SG&A expenses by 4.7 pt (214 million yen) YoY by consolidating distribution bases, improving the efficiency of delivery and advertising, and relocating the Tokyo Office, thereby enhancing its ability to withstand the rising cost of sales ratio.



* 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 expenses, and therefore this data does not match the SG&A expenses on the statement of income.

Balance Sheet

Inventory decreased, and cash and deposits increased significantly.

The Company has sufficient cash and deposits to meet its debt obligations and there continue to be no concerns about financial soundness.

(Million yen)

	Previous fiscal year (as of Mar. 31, 2022)	Current fiscal year 2Q (as of Sep. 30, 2022)		Previous fiscal year (as of Mar. 31, 2022)	Current fiscal year 2Q (as of Sep. 30, 2022)
Current assets	6,676	6,363	Current liabilities	2,701	2,171
Cash and deposits	1,070	2,120	Debt obligations	1,000	500
Accounts receivable—trade	1,870	1,384	Non-current liabilities	50	39
Merchandise	2,990	2,267	Total liabilities	2,751	2,210
Non-current assets	1,344	1,194	Shareholders' equity	5,254	5,242
Property, plant and equipment, and intangible assets	500	450	Total net assets	5,269	5,348
Total assets	8,020	7,558	Total liabilities and net assets	8,020	7,558

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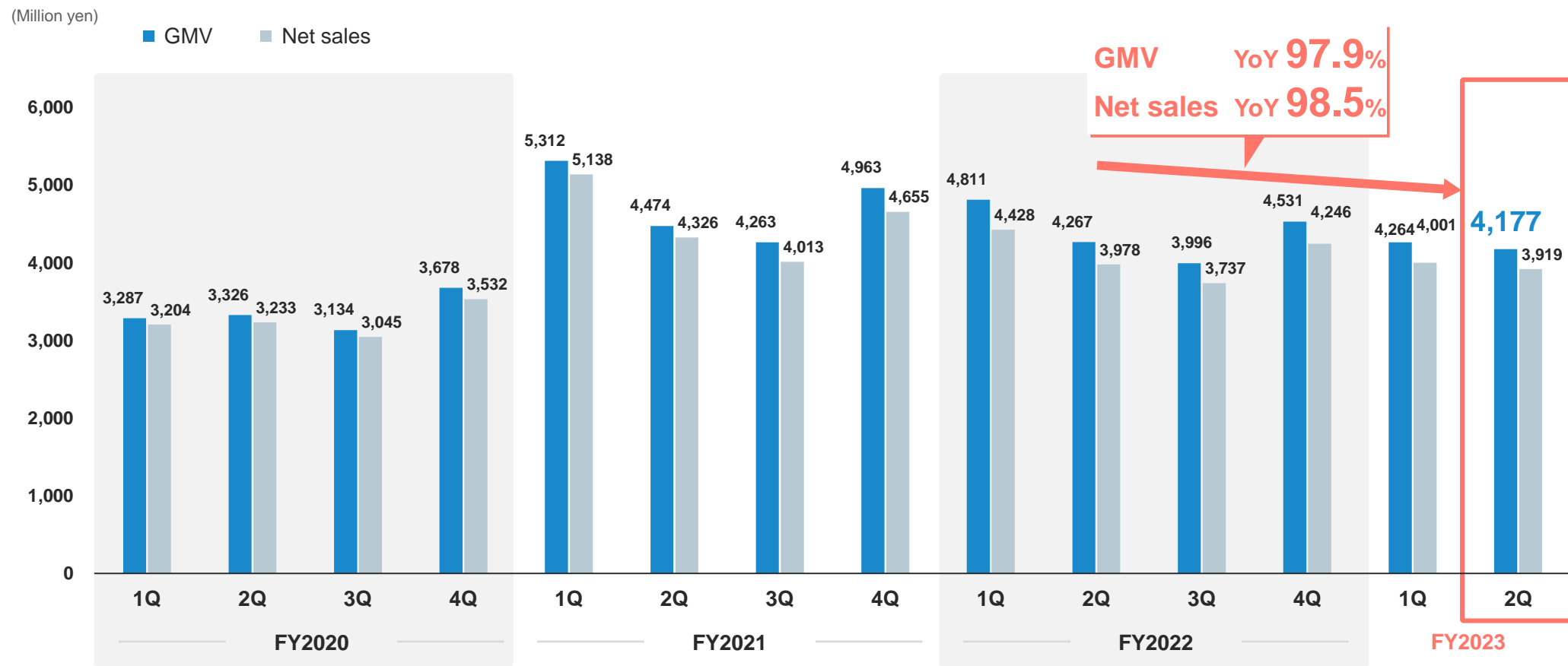
Report on LOWYA Business

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)

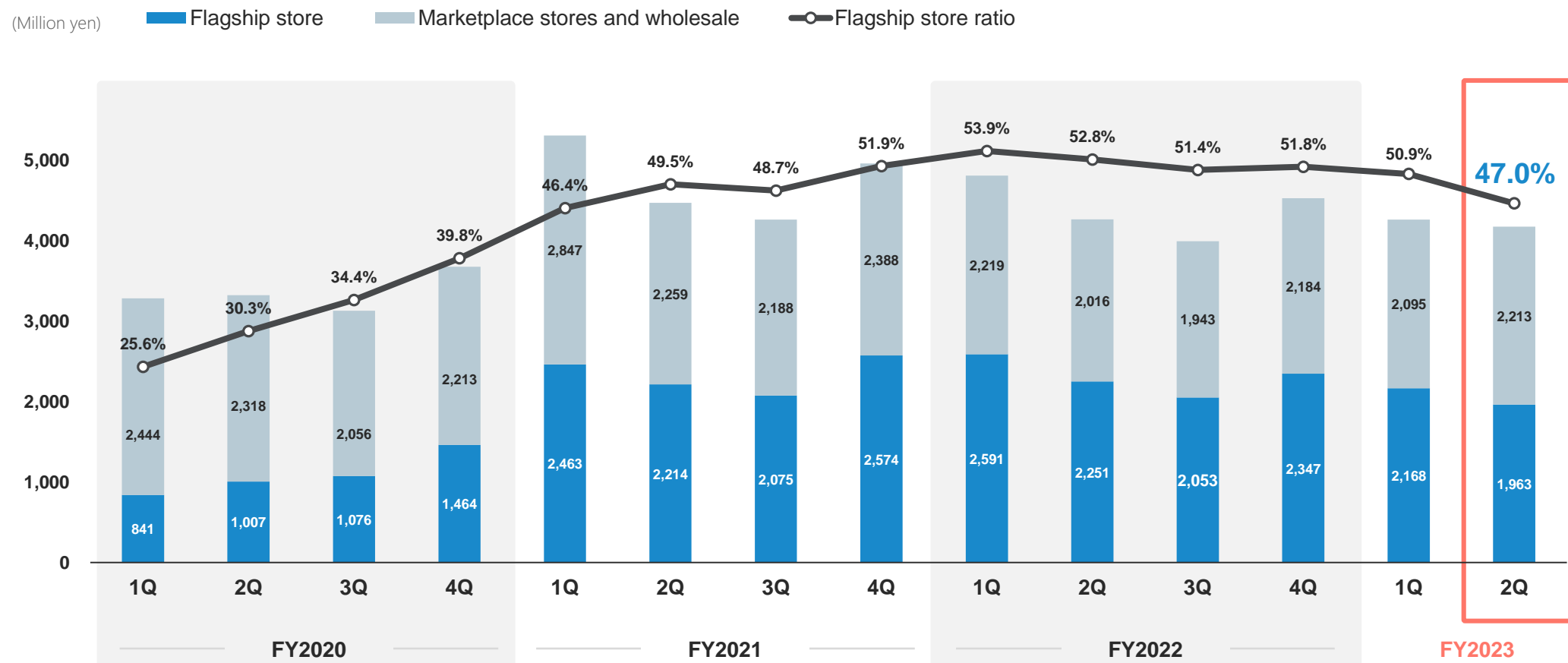
Scope	Item	Timeframe used for calculation	Three months ended September 30, 2021	Three months ended September 30, 2022	YoY
Company-wide	Company-wide GMV (million yen)	Quarter	4,267	4,177	97.9% (-90)
Flagship store	Flagship store GMV (million yen)	Quarter	2,251	1,963	87.2% (-287)
	Membership (thousand people)	As of the end of the quarter	995	1,252	125.8% (+257)
	Ratio of repeat customers (based on GMV) (%)	LTM	20.7	24.5	118.4% (+3.8)
	Members: Average basket value (yen)	LTM	23,061	22,591	98.0% (-470)
	Guests: Average basket value (yen)	LTM	20,374	19,435	95.4% (-939)

Net sales slightly fell short of the previous year's 2Q results, which were a high hurdle with the impact of the declaration of a state of emergency, as a result of the impact of a decline in stay-at-home demand resulting from an increase in outings.



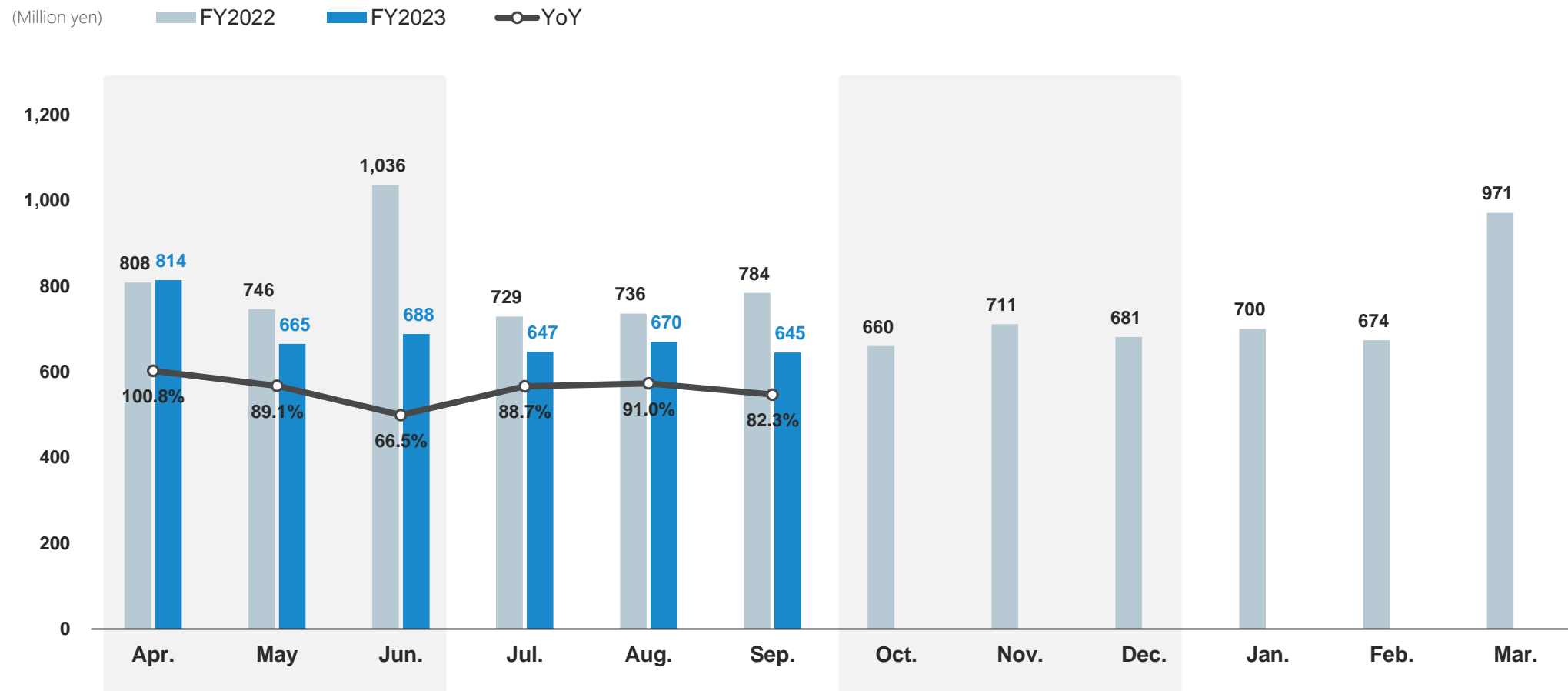
* Due to the application of the new Revenue Recognition Standard from the fiscal year ended March 31, 2022, net sales for the fiscal year ended March 31, 2021 and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.

The reactionary decline in stay-at-home demand had a big impact on the flagship store, resulting in a slight decline in the flagship store ratio from the previous year.

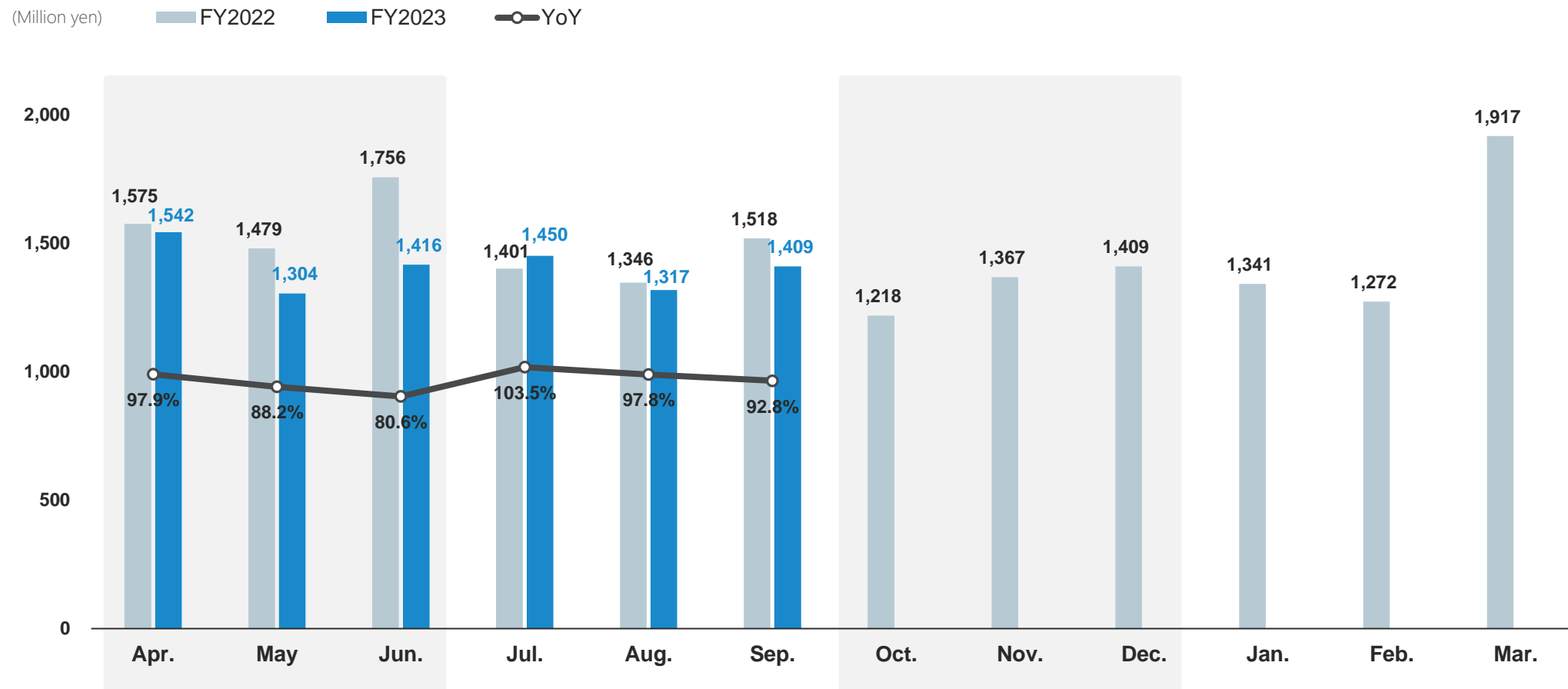


*The figures for "Marketplace stores and wholesale" include the net sales for wholesale sales from the second quarter of the fiscal year ending March 31, 2023.

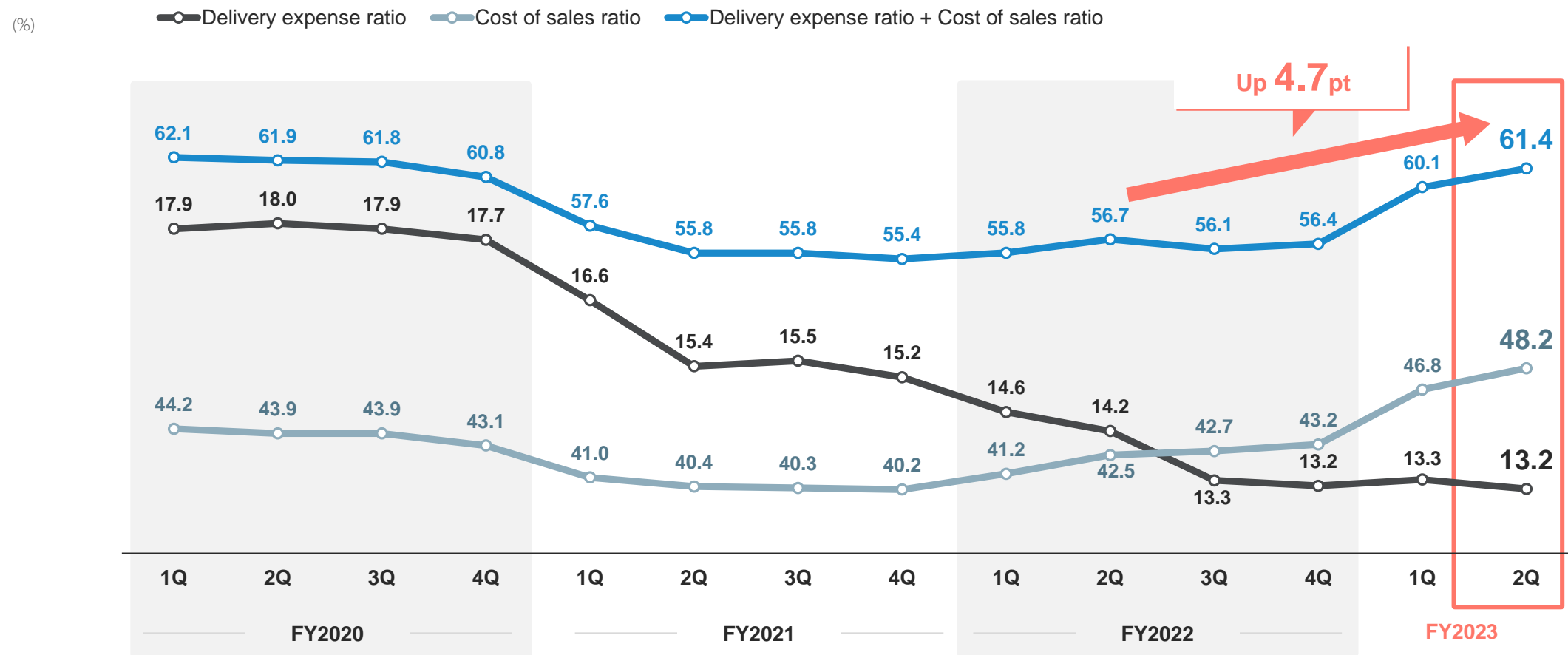
In addition to the impact of the reactionary decline in stay-at-home demand, the Company curbed sales promotions at the flagship store in order to prioritize profit control and medium- to long-term branding.



The overall LOWYA business was generally within the forecast range, despite the impact of a decline in stay-at-home demand.



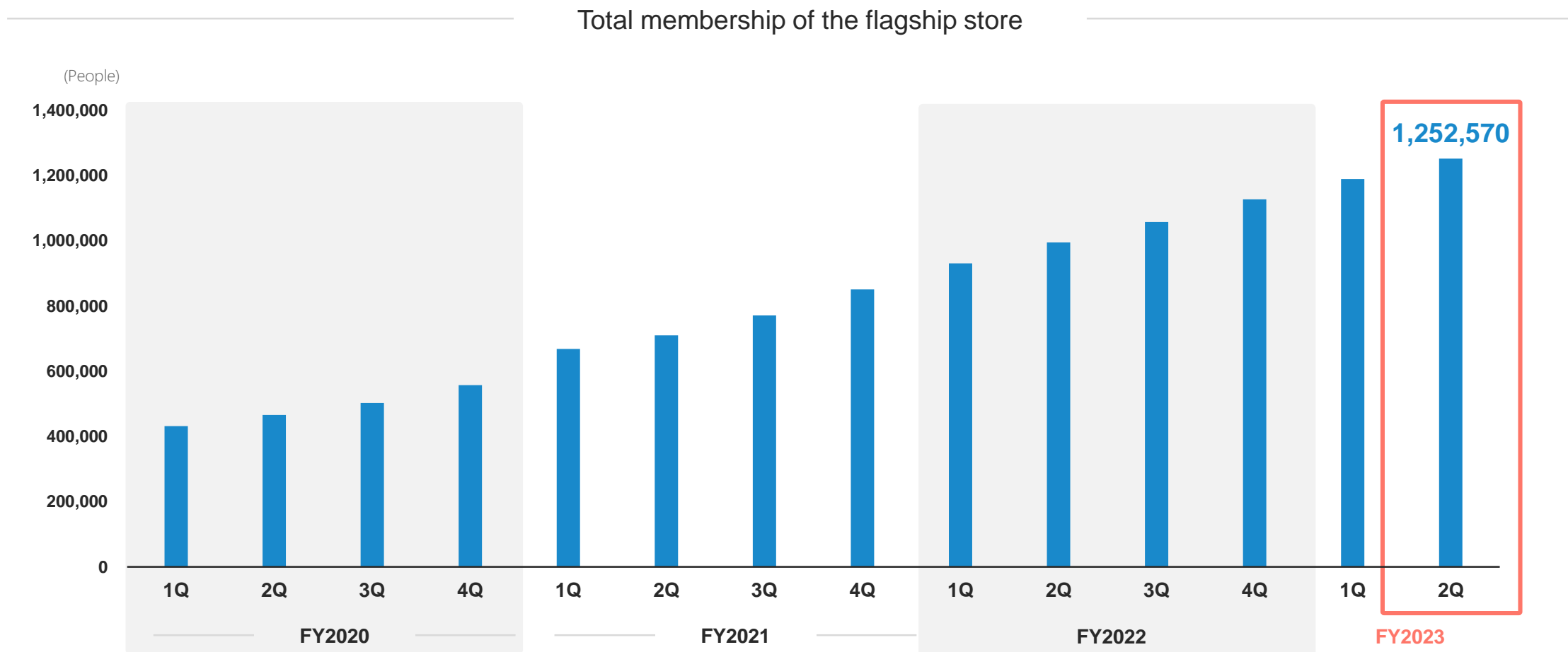
Although the increases in marine container transportation costs and raw material procurement costs showed signs of abating, the continued depreciation of the yen resulted in an increased cost of sales ratio. The delivery expense ratio was kept largely unchanged, but the impact of the rising cost of sales ratio pushed the total of the two ratios higher.



*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.

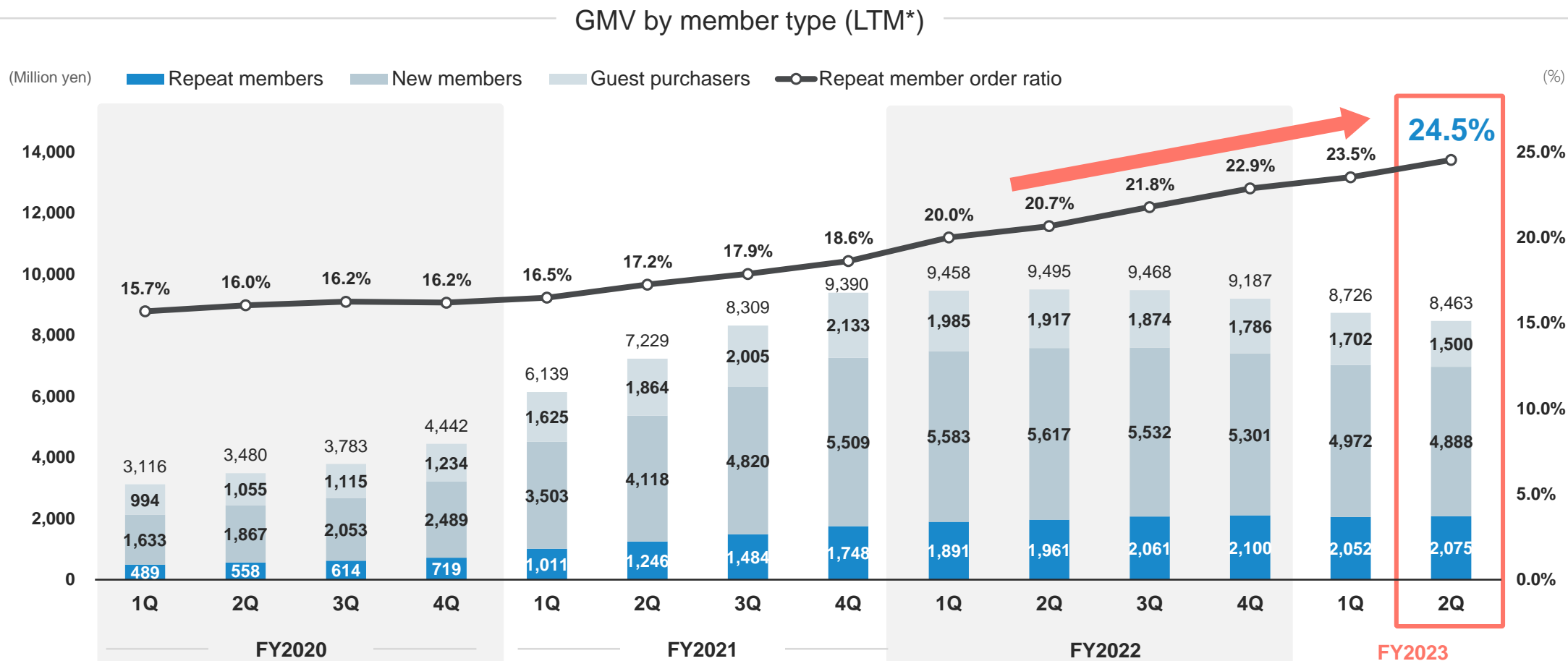
*Net sales from wholesale sales are included in GMV from the second quarter of the fiscal year ending March 31, 2023.

Total membership* of the flagship store has topped 1.25 million people, and is continuing to rise steadily.



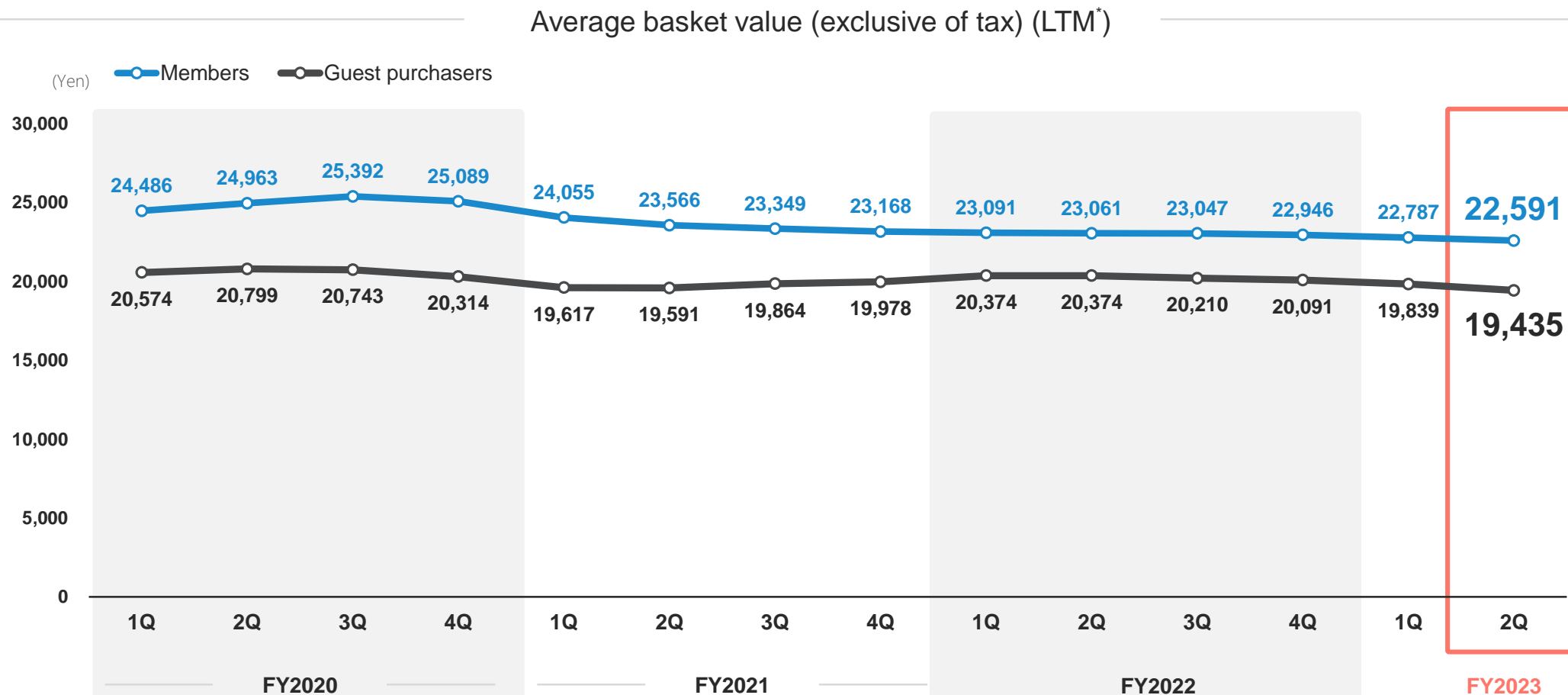
* All the members who enrolled at the flagship store.

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



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.



The Company began wholesaling to Aeon Retail Co. in September 2022.

Sales floors have been opened in AEON STYLE Makuhari New City (from September 2022) and AEON STYLE Kita Toda (from October 2022).

Expansion into other stores is currently under discussion.

As a first step, a sales floor dedicated to LOWYA products was opened in AEON STYLE Makuhari New City. We have proposed 13 styles of interior coordination across an area of approximately 330 m².



Customer reactions at stores and on social media



I discovered it by chance at the store,
and was so surprised!
I'm glad I got to see the real thing!

The display includes products I'm
interested in, so I'll go check it out!

I wonder if they'll
open a store in Tokyo city.

Please come soon
to my hometown of XXXX!



For the first time since its founding, the Company decided to open a directly-managed store.
Between test phases, the Company plans to consider opening directly-managed stores in other regions.

Location: Kyudaishinmachi, Nishi-ku, Fukuoka City, Fukuoka, Japan

Opening date: early spring 2023 (planned)

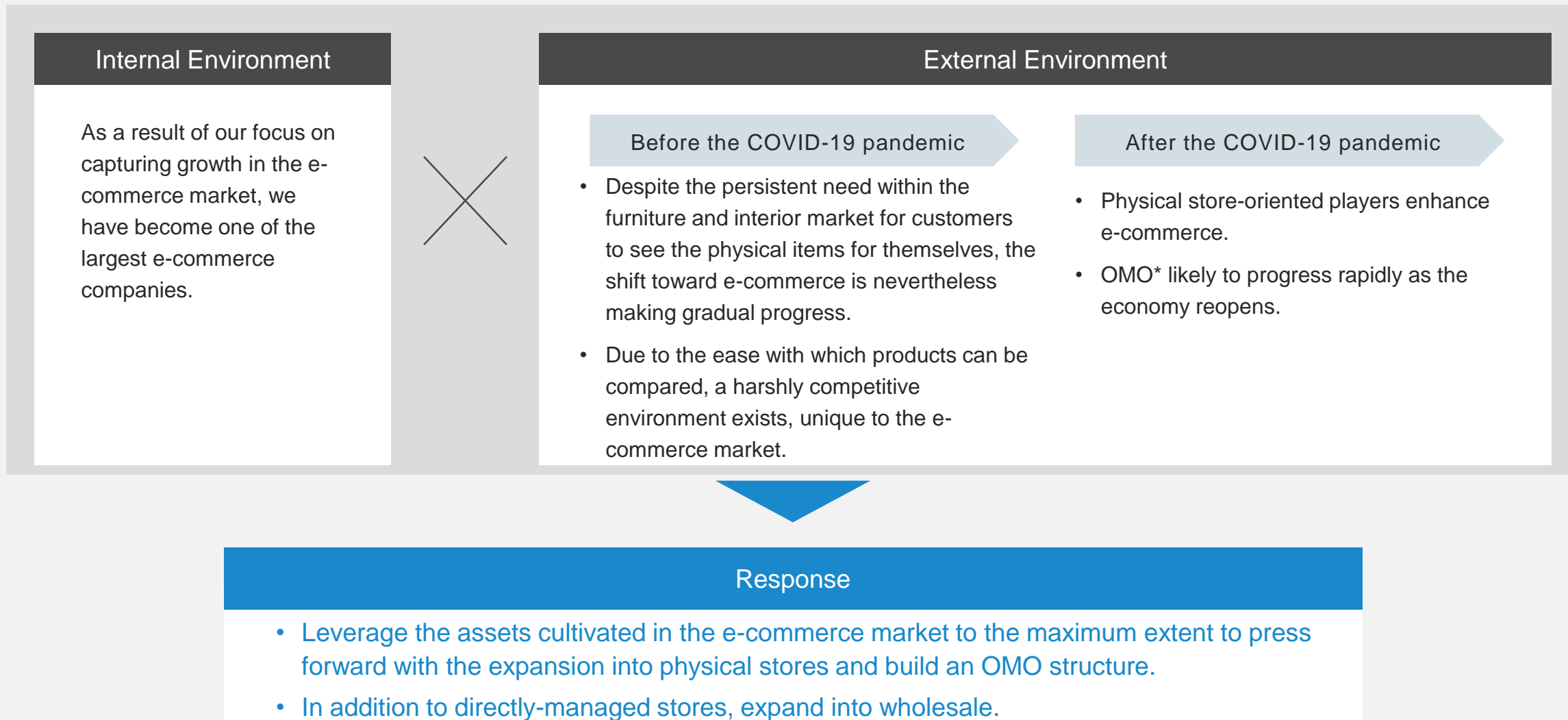
Leasing one building in the "Next-generation R&D base in Kyushu University New Town" currently under development by Daiwa House Industry and Saibu Gas Urban Development.

The complex will include retail stores such as TSUTAYA BOOKS, restaurants, and rental apartments.



*Illustration of the facilities

In light of changes to the external environment, accelerate GMV growth by newly expanding into physical stores.



Leverage the assets cultivated by specializing in the e-commerce market and being involved consistently in the full value chain of planning, manufacturing, and sales, to the maximum extent.

Attracting Customers

Based on our online customer base, we possess significant strengths in our ability to attract customers.

- Flagship store membership: 1.25 million
- Instagram followers: 800,000+
- Strong SEO ranking

Leverage These Three Assets in Store Development

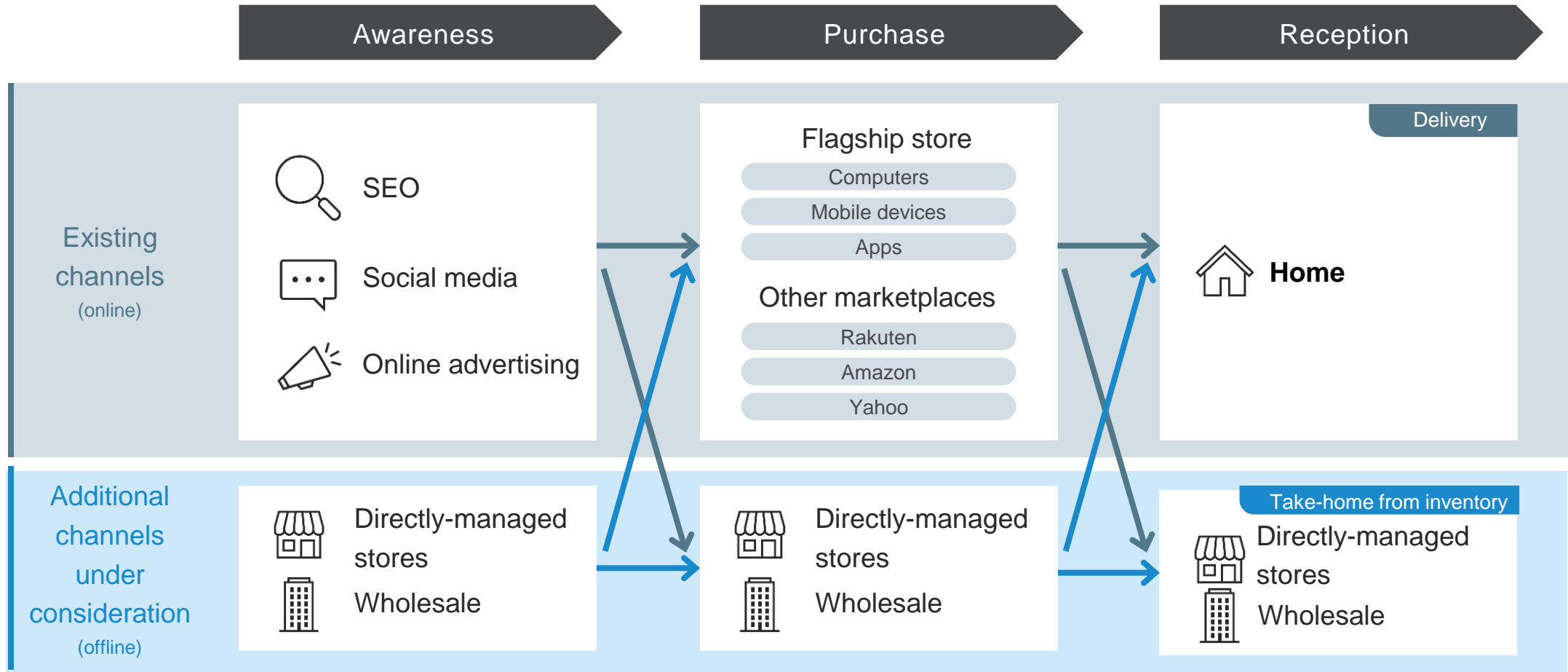
Product Design

We possess significant strengths in product design, as evidenced by the fact that our products, which are both functional and trendy, were able to succeed in the e-commerce market, where it is very easy to compare many products.

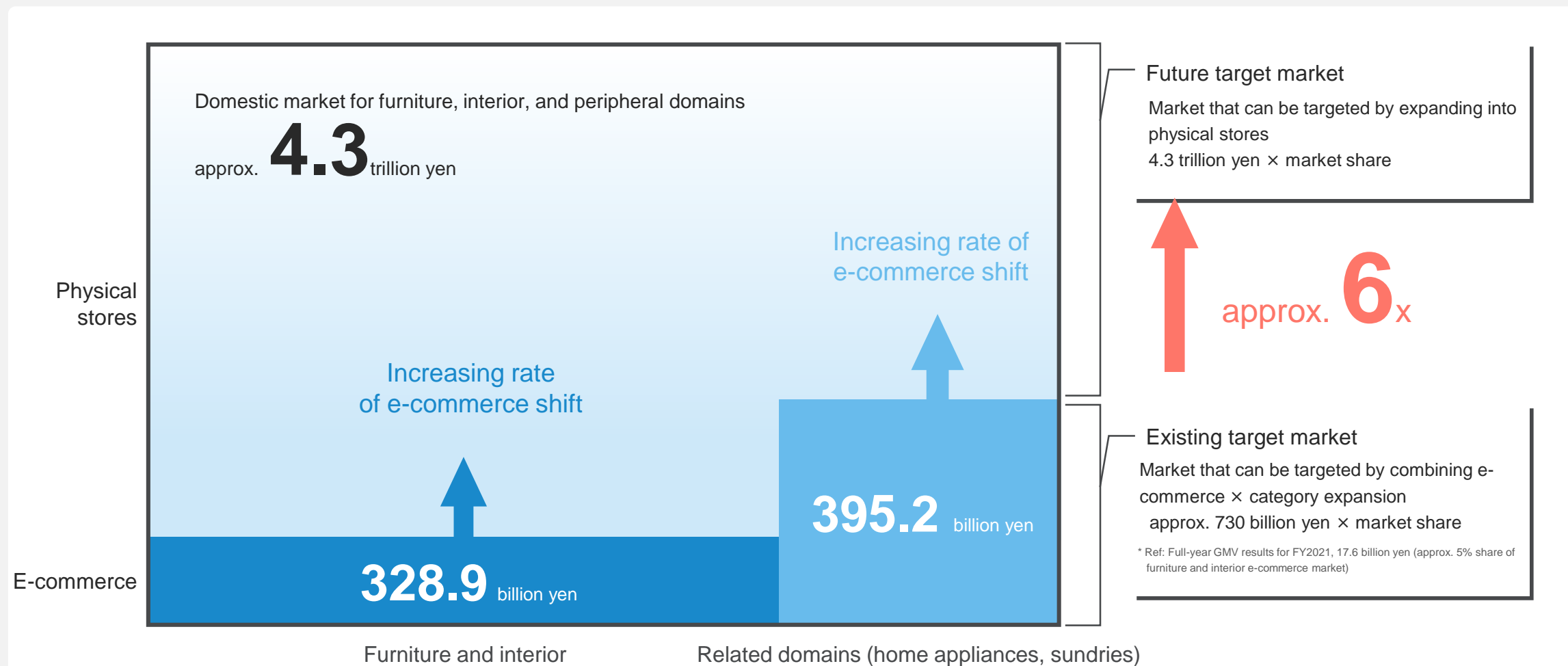
Low Price

We possess significant strengths in the product planning and operations that have yielded products offering high performance at low prices, thereby succeeding in the e-commerce market, which exhibits high price elasticity.

By adding the options of directly-managed stores and wholesalers to the channels for awareness, purchase, and reception, we can set the channels on multiple tracks all at once.



While continuing to position the expansion of the e-commerce market as a driver of growth, expand the target market to the physical store market in light of the current low rate of e-commerce shift.

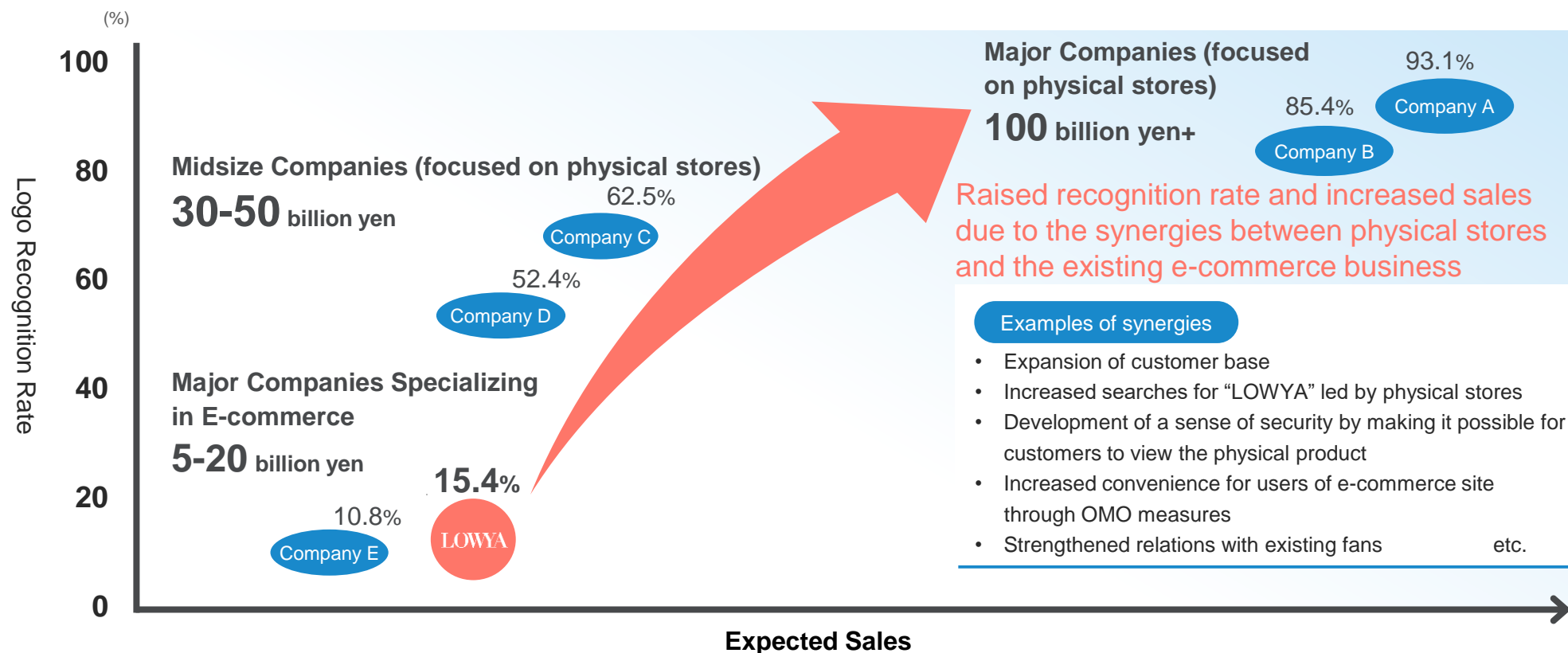


* Source: Related domains include the furniture and interior market, home appliances excluding large home electric appliances, plastic goods for daily use and sundries. Figures for the furniture and interior market and e-commerce shift were estimated by the Company, based on "Home Furnishings in Japan, 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.

Recognition of retailers specializing in e-commerce is low compared to the scale of sales, and the recognition rate of LOWYA remains at just 15.4%.

The expansion into physical stores can also be positioned as a means to raise awareness, with sales expected to increase as a result.

Expected Impact on Logo Recognition Rate and Sales for Companies Selling Furniture and Interior Products



*Recognition rate is based on the Company's nationwide survey: All survey subjects (n = 30,000). (Carried out in FY2022)

Partial review of the mid-term strategy for the flagship store (the company's e-commerce website) in light of the serious consideration of expansion into physical stores

Attract more customers

Physical stores to additionally function as a channel to attract customers to e-commerce. Reconsider the timing and scale of TV commercial trials.



SEO

Enhance the influx of organic search



Social media

Acquire new followers



Online advertising

Approach new users

Recon-
sider



TV commercial trial

Scale-up approach to increase recognition

New



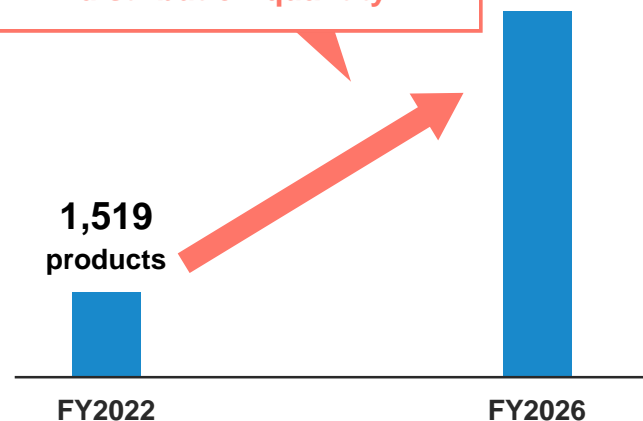
Develop directly-managed stores and wholesale channels

Capture new users and raise recognition rates

Enhance product lineup

The policy will be to continue to expand the number of items and categories. However, the emphasis will not be on the number of products, but rather on the careful selection of products, with a focus on priority items.

Expand the number of products while maintaining a certain per-product distribution quantity



Strengthen services

Commence activities integrating e-commerce and physical stores, thereby responding to the needs of customers that could not be met by e-commerce alone.

Strengthen UI/UX

Strengthen delivery

Strengthen innovative services (AR)

New

Integrate e-commerce and physical stores

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Report on DOKODEMO Business

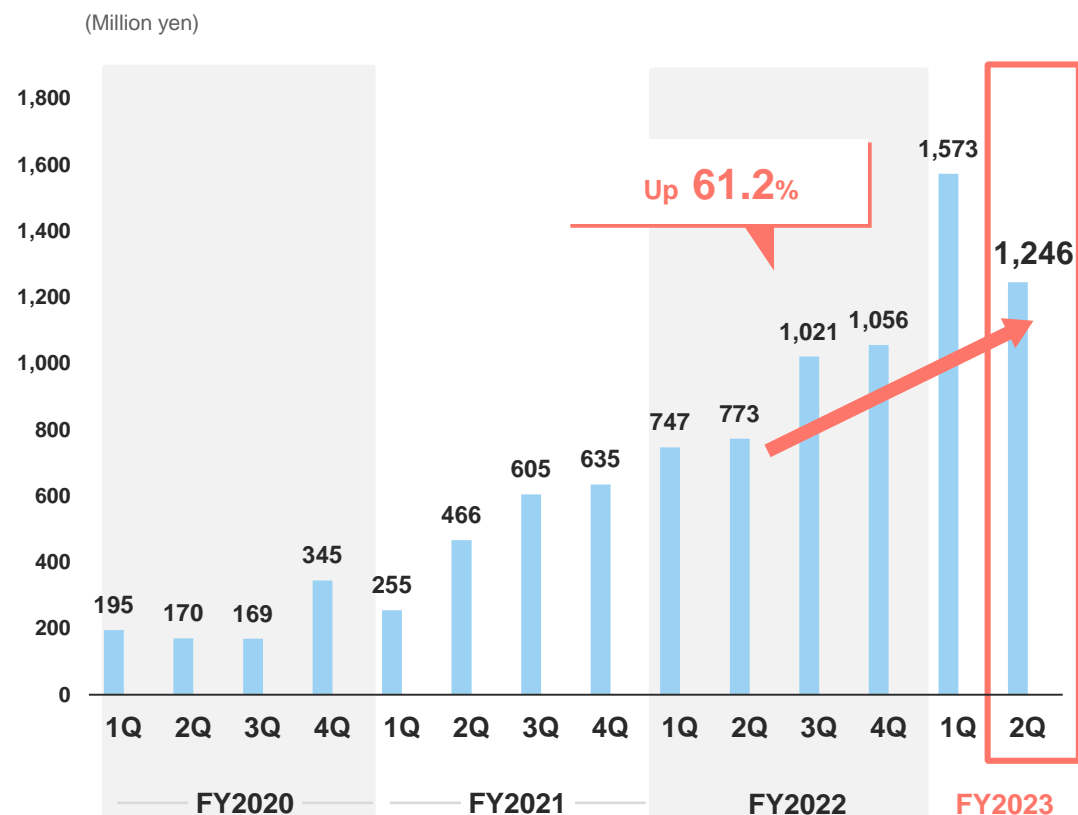
While memberships and the number of app DLs increased smoothly,
average basket value grew and GMV continued to show a high growth rate

Item	Three months ended September 30, 2021	Three months ended September 30, 2022	YoY
GMV (million yen)	773	1,246	161.2% (+472)
Net sales (million yen)	93	167	179.7% (+74)
Membership (thousand people)	795	955	120.1% (+159)
Number of app DLs (thousand)	1,267	1,400	110.4% (+132)
Average basket value (yen)	11,535	13,467	116.7% (+1,932)
Number of products (thousand)	44	50	114.9% (+6)
Number of brands	1,043	1,195	114.6% (+152)
Deliveries (cumulative) * Number of countries and regions to which deliveries were made	101	112	110.9% (+11)

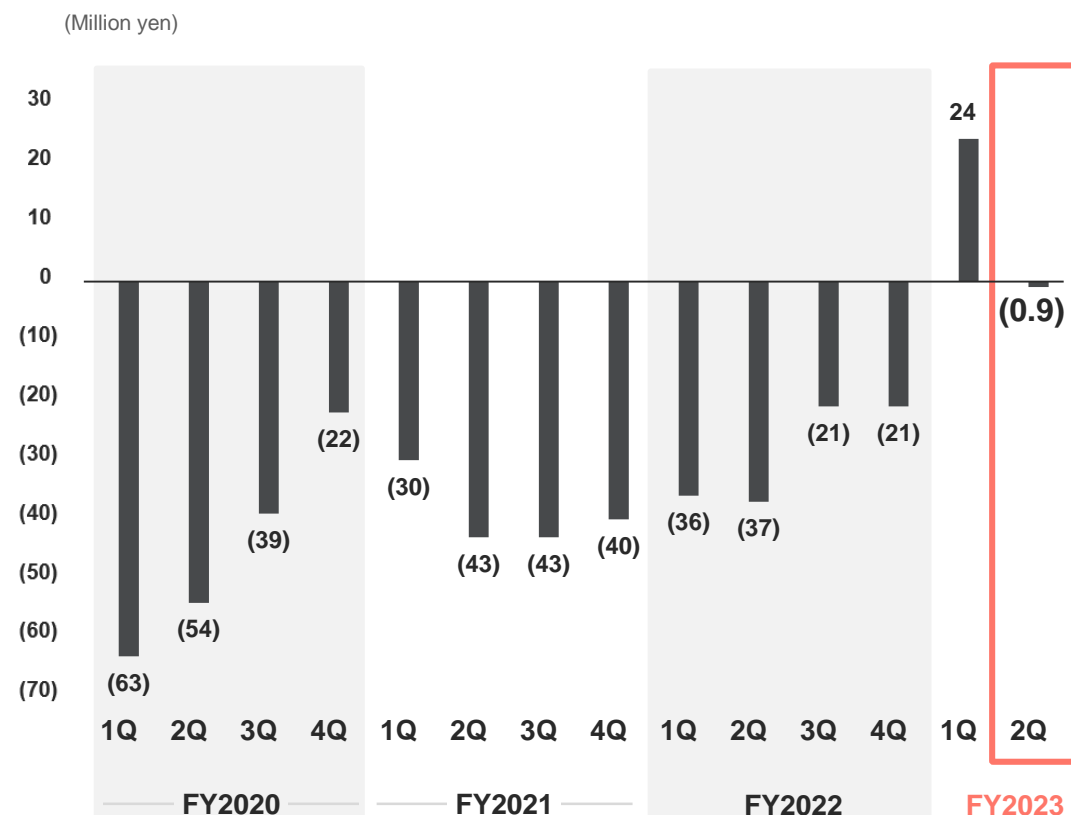
GMV rose **61.2%** year on year.

The strong demand for certain products caused by the spread of the COVID-19 pandemic in Taiwan in 1Q has receded, but the Company has continued to maintain growth trend while limiting upfront investments, as planned.

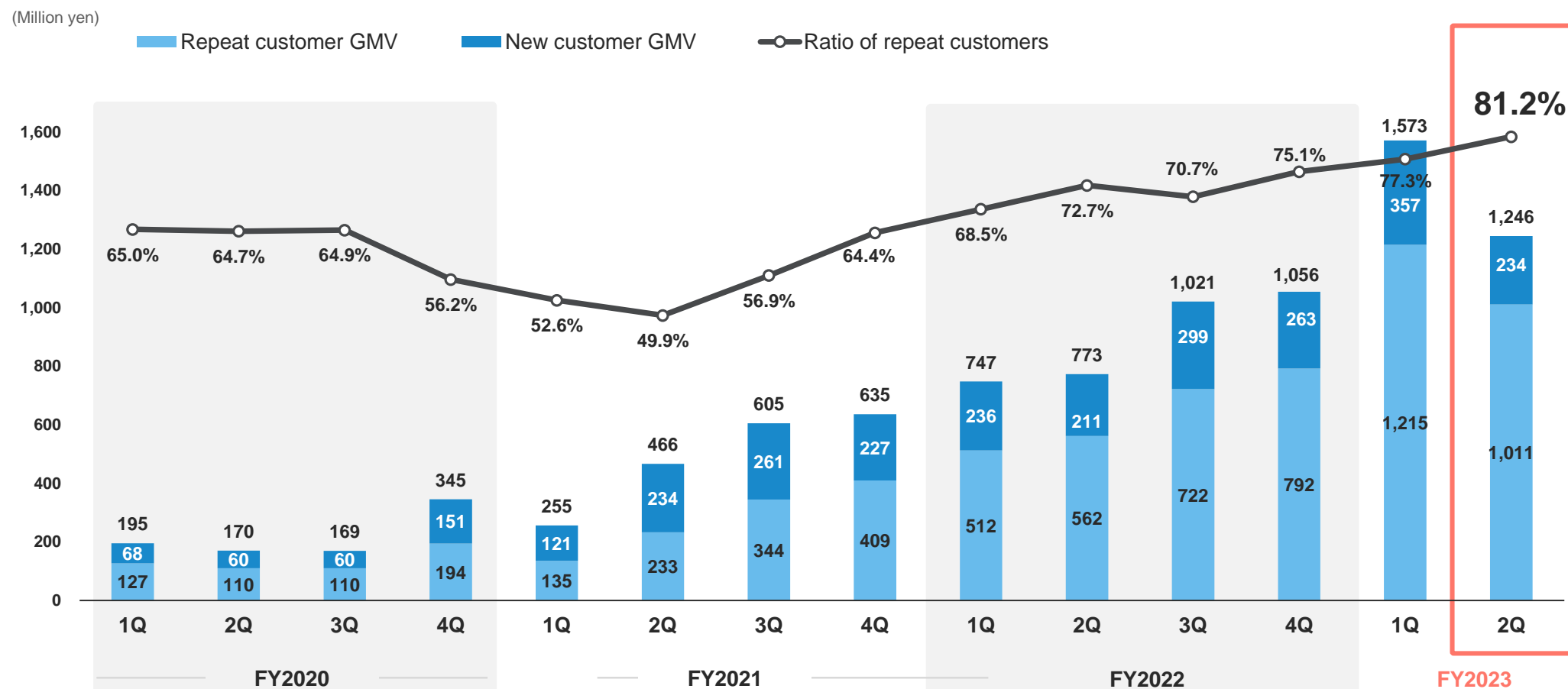
GMV



Net Business Income

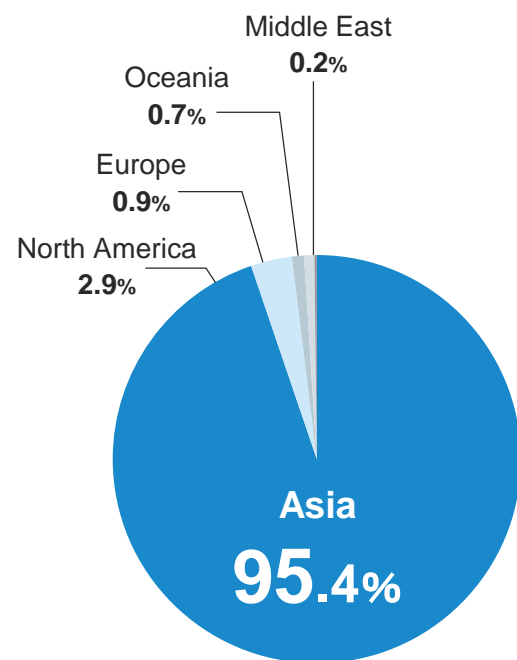


Repeat customer GMV increased further, accounting for **81.2%**

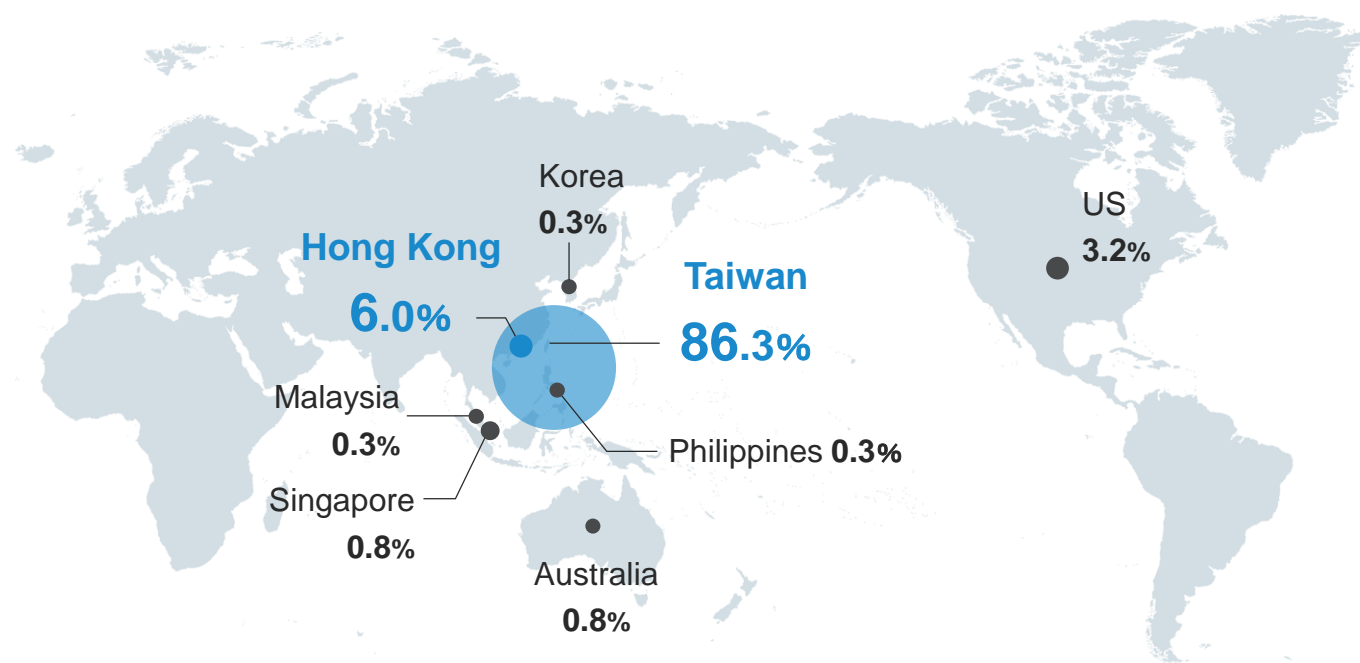


Deliveries to Asia, mainly Taiwan, account for more than 90% of GMV

By region



By country

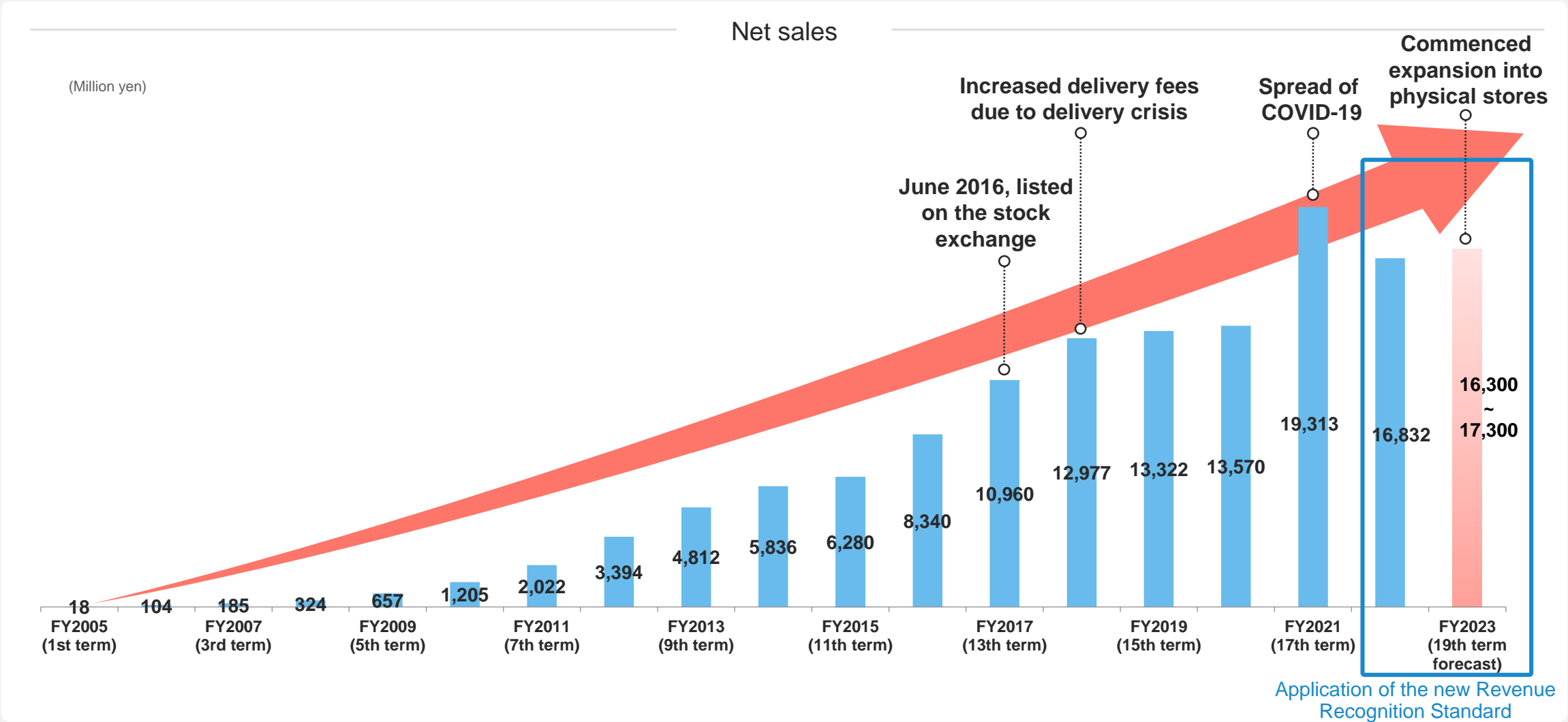


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Appendix

Net Sales

The Company has maintained growth trend since its founding



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)

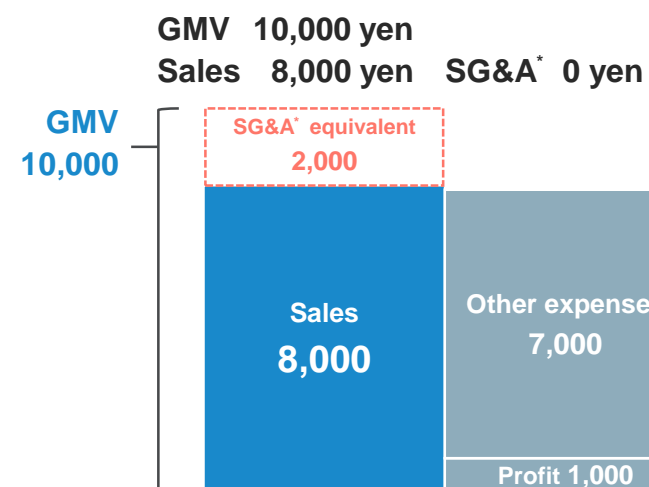
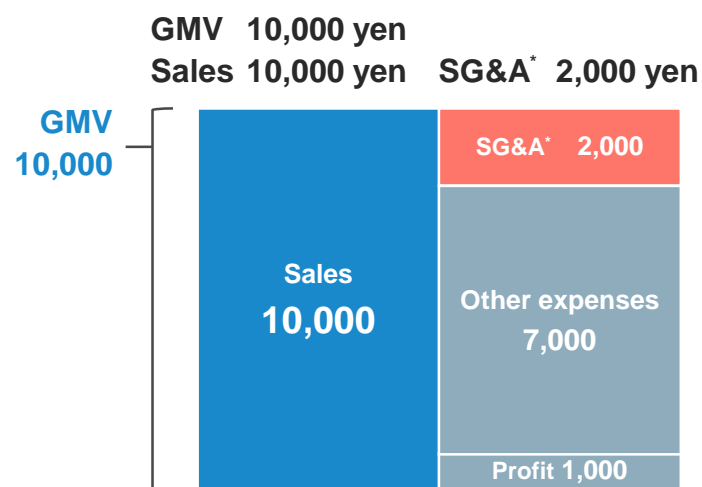
New Revenue Recognition Standard (from FY2021)

- 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 SG&A 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

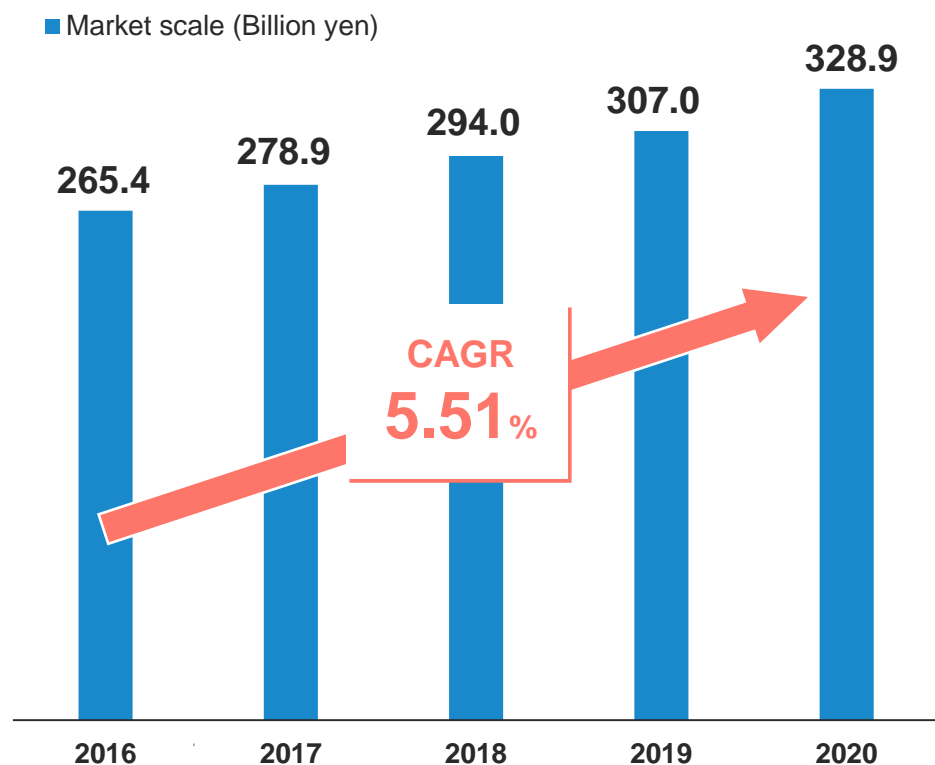
- Illustration for comparison: When a product priced 10,000 yen is sold at a 20% discount



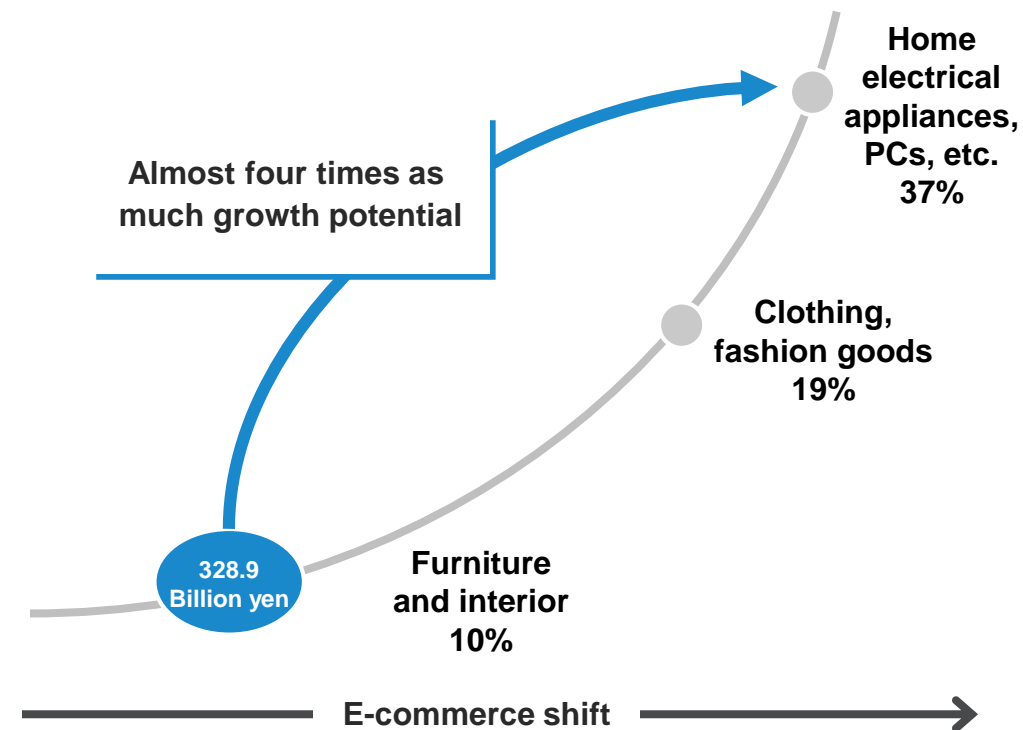
* Refers to SG&A expenses (promotion expenses) equivalent to a 20% discount, not all SG&A expenses, and SG&A expenses other than the said promotion expenses are recorded in both cases.

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)

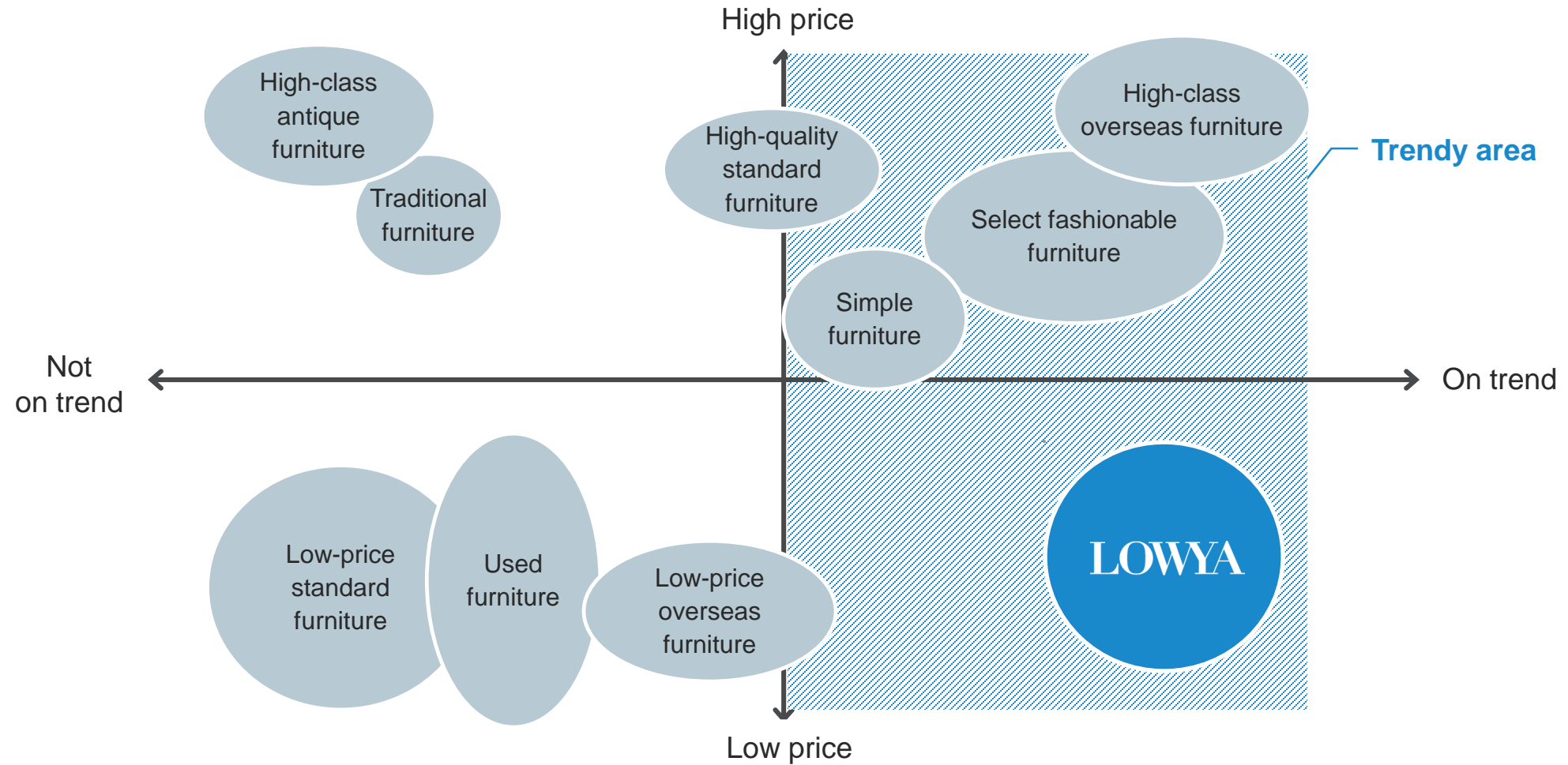


Comparison of the rate of e-commerce shift by product (2020, Japan)



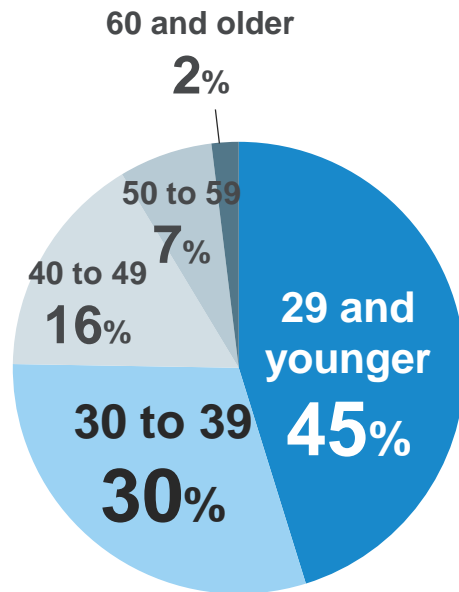
* Source: Figures for furniture and interior products were prepared by the Company, based on "Home Furnishings in Japan, May 2021" issued by Euromonitor. Figures for other products were prepared by the Company, based on "FY2020 E-Commerce Market Survey" issued by the Ministry of Economy, Trade and Industry.

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

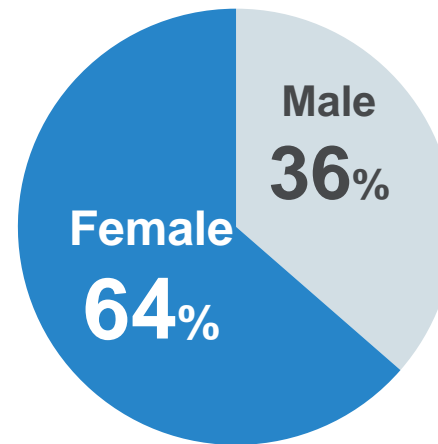


Showing higher ratio of females in their 20s to 30s, and in the Kanto region by area

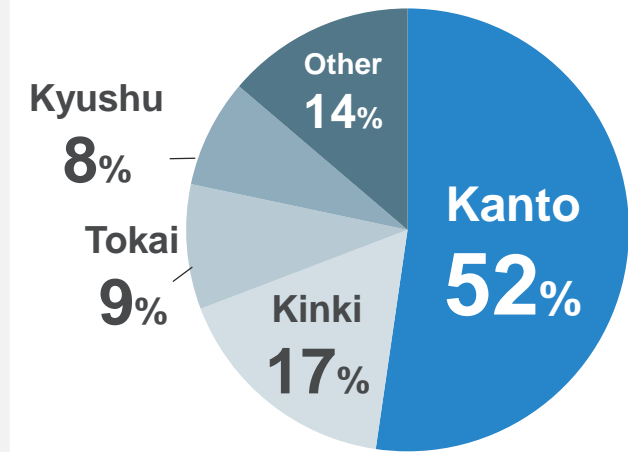
Age distribution



Ratio of male vs. female



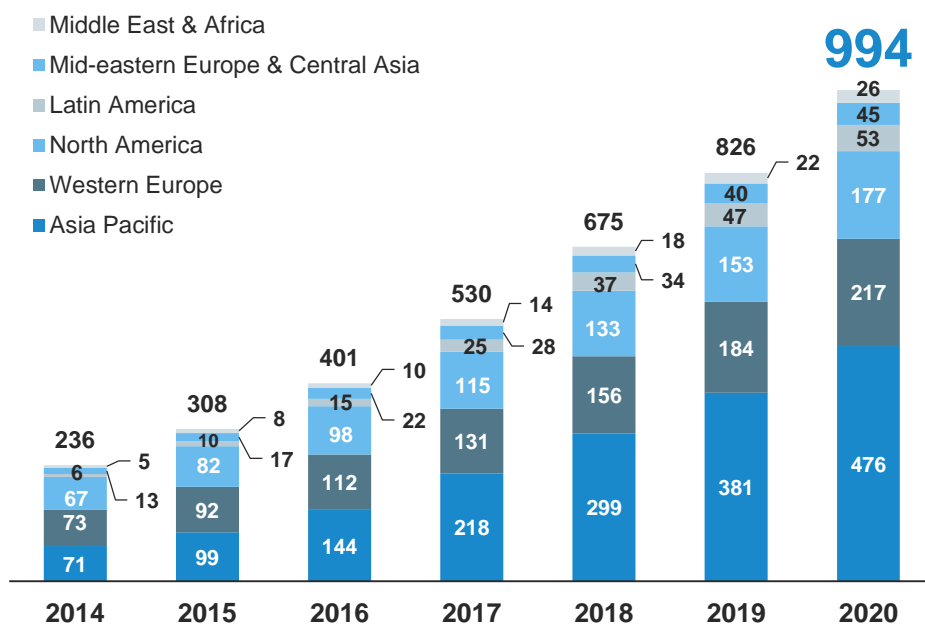
Area distribution



* 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.

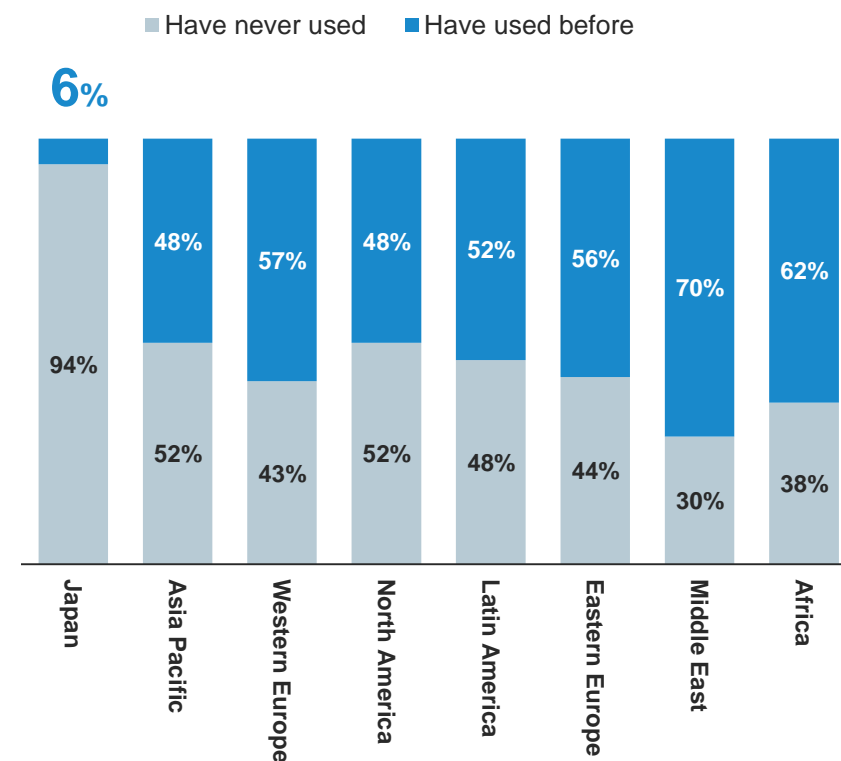
Even with a platform specialized for seller companies in Japan,
massive markets present abundant opportunities

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-border 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.

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.