



## Quarterly Financial Results

For the Nine Months Ended December 31, 2022  
Vega corporation Co., Ltd. / Securities code: 3542



VEGA corporation

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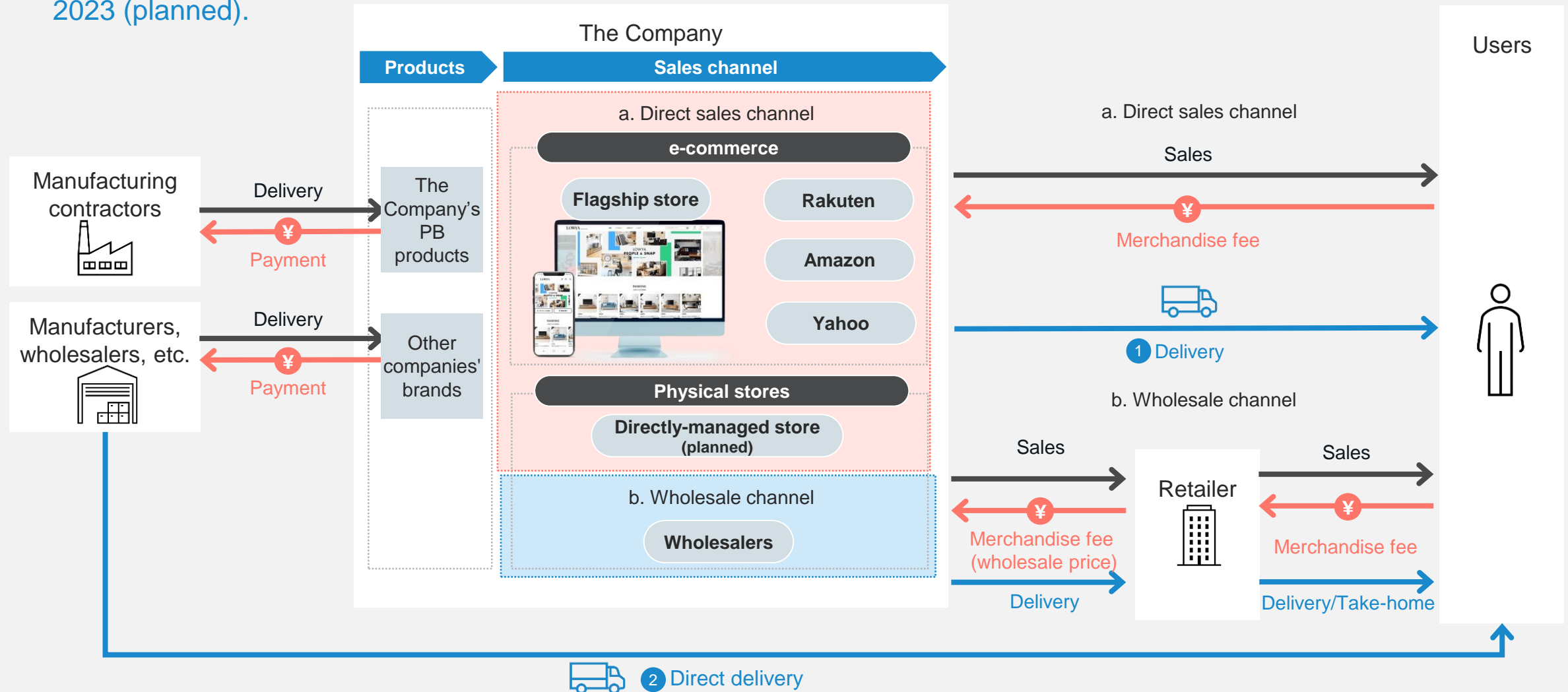
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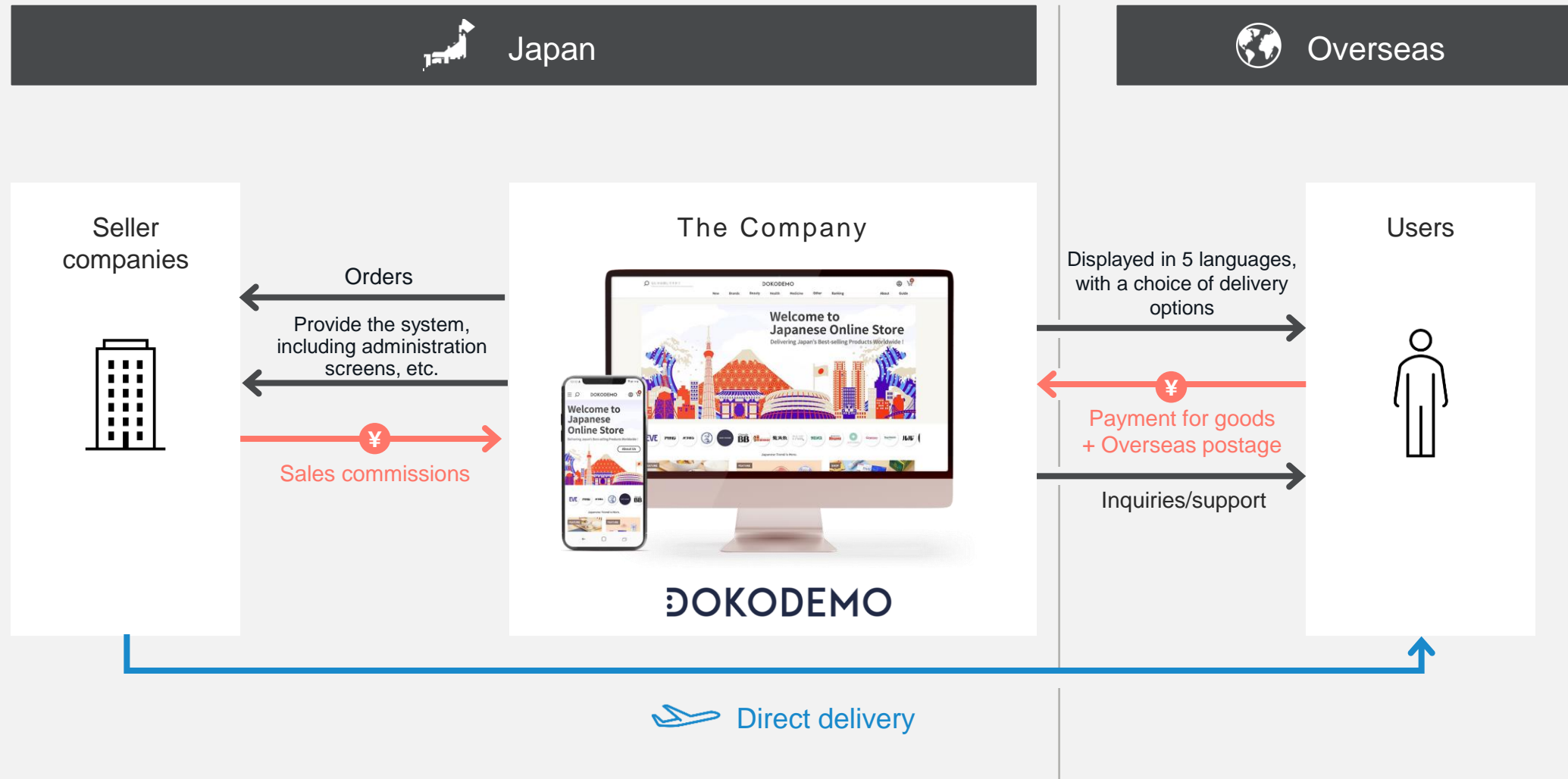
# 1

## Business Description

In addition to offering private brand (PB) products at the flagship store (the Company's e-commerce website) and major 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 April 2023 (planned).



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<sup>\*1</sup> business centered on 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.



\*The above calculation formula is used to recognize sales of products of other companies' brands as purchase contracts as well.

\*For wholesale sales that began in September 2022, GMV is determined by the wholesale price.

**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.).

# 2

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## Overview of Quarterly Financial Results for the Nine Months Ended December 31, 2022



Overview of  
Company-wide  
Results

LOWYA business recovered, and sales reached a record high in 3Q.  
Profits are progressing faster than initially anticipated.

	3Q	YoY
GMV (LOWYA)	4,232 million yen	105.9%
GMV (DOKODEMO)	1,198 million yen	117.4%
Net sales	4,180 million yen	108.1%
Operating profit	99 million yen	95.7%

LOWYA business  
Overview

- Sales at marketplace stores were strong, and net sales reached a record high.
- To cope with the rising cost of sales ratio, a significant reduction in SG&A expenses was implemented.
- The Company started expanding into physical stores in 2Q and opened the second store, at AEON STYLE Kita Toda, at the end of October.

DOKODEMO business  
Overview

- GMV grew steadily at 117.4% year on year.
- As planned, the Company continued growth trend while limiting upfront investments. Deficit in the business decreased.

\* GMV: Gross Merchandise Value



(Million yen)

	Fiscal year ended Mar. 31, 2022		Fiscal year ending Mar. 31, 2023		YoY
	3Q results	Sales ratio	3Q results	Sales ratio	
Net sales	3,868	100.0%	4,180	100.0%	108.1% (+312)
Gross profit	2,160	55.9%	2,058	49.2%	95.3% (-102)
SG&A expenses	2,056	53.2%	1,959	46.9%	95.3% (-97)
Operating profit	104	2.7%	99	2.4%	95.7% (-4)
Ordinary profit	114	3.0%	105	2.5%	92.1% (-8)
Profit	85	2.2%	(34)	- %	- % (-120)

The third quarter ended December 31, 2022 was strong, and net sales for the nine months exceeded those of the same period last year.

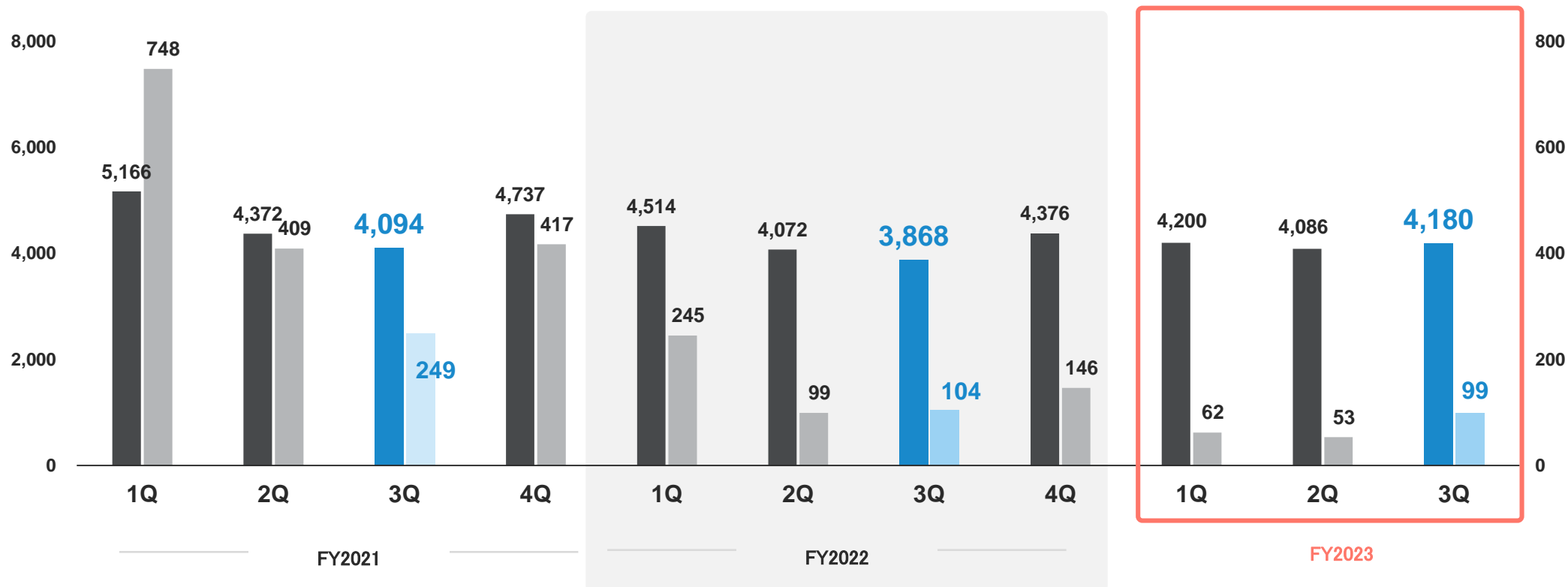
(Million yen)

	Fiscal year ended Mar. 31, 2022		Fiscal year ending Mar. 31, 2023		YoY
	3Q results	Sales ratio	3Q results	Sales ratio	
Net sales	12,455	100.0%	12,467	100.0%	100.1% (+12)
Gross profit	6,951	55.8%	6,337	50.8%	91.2% (-613)
SG&A expenses	6,501	52.2%	6,122	49.1%	94.2% (-379)
Operating profit	449	3.6%	215	1.7%	47.8% (-234)
Ordinary profit	472	3.8%	235	1.9%	49.8% (-237)
Profit	308	2.5%	25	0.2%	8.2% (-283)

## Quarterly Net Sales and Operating Profit

Record-high net sales in 3Q due to recovery of LOWYA business. Profit progressed faster than the pace initially anticipated due to cost reductions. However, the cost of sales ratio is rising due to ongoing depreciation of the yen, and controlling it from 4Q onward will be an issue.

(Million yen) ■ Net sales (left) ■ Operating profit (right)



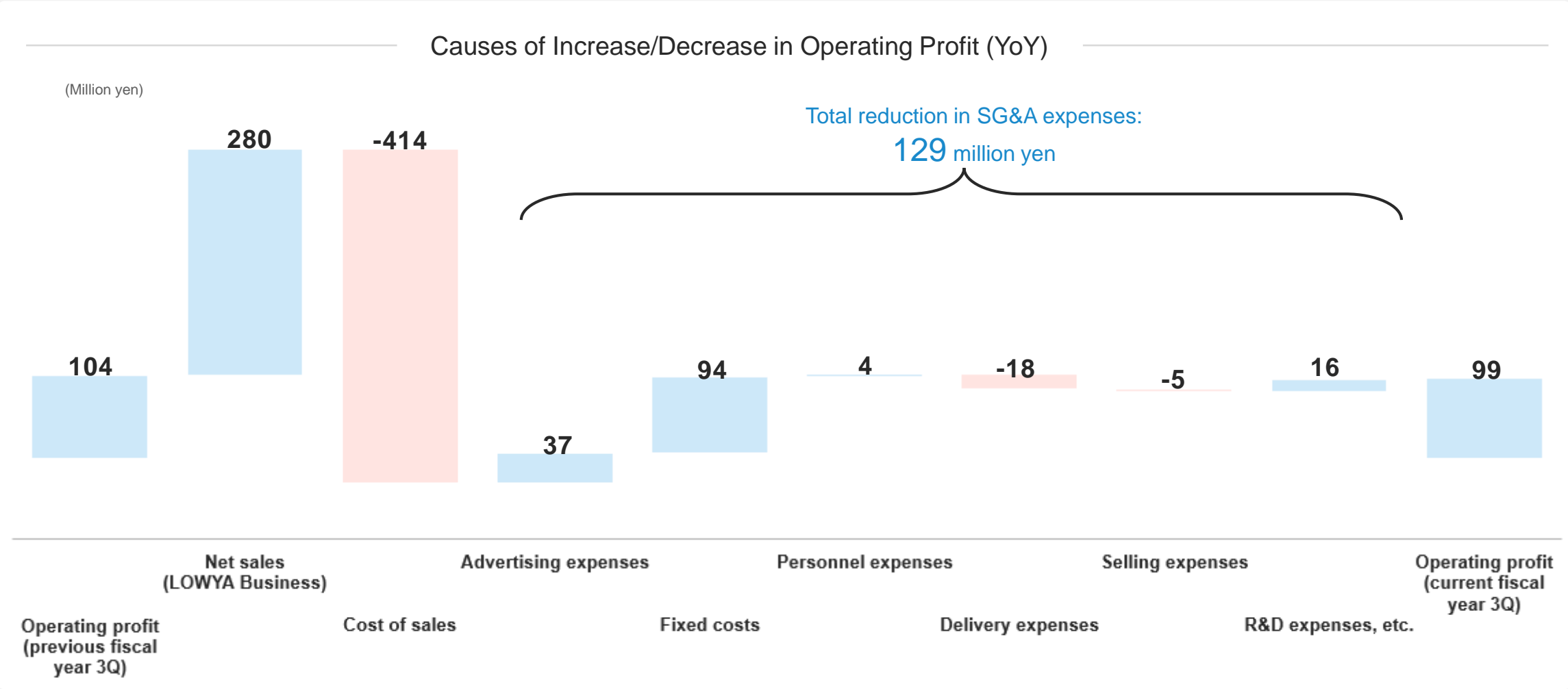
\* Due to the application of the new Revenue Recognition Standard from the fiscal year ended March 31, 2022, net sales for the fiscal year ended March 31, 2021 and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.

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

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## Causes of Increase/Decrease in Quarterly Operating Profit

The Company reduced SG&A expenses by 6.8 pt (129 million yen) YoY by consolidating distribution bases, improving the efficiency of delivery and advertising, and relocating the Tokyo Office, thereby enhancing the 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.

Cash and deposits increased significantly due to inventory reduction.

(Million yen)

	Previous fiscal year (as of Mar. 31, 2022)	Current fiscal year 3Q (as of Dec. 31, 2022)		Previous fiscal year (as of Mar. 31, 2022)	Current fiscal year 3Q (as of Dec. 31, 2022)
Current assets	6,676	6,369	Current liabilities	2,701	2,367
Cash and deposits	1,070	2,343	Debt obligations	1,000	500
Accounts receivable—trade	1,870	1,437	Non-current liabilities	50	45
Merchandise	2,990	2,084	<b>Total liabilities</b>	<b>2,751</b>	<b>2,412</b>
Non-current assets	1,344	1,157	Shareholders' equity	5,254	5,208
Property, plant and equipment, and intangible assets	500	436	<b>Total net assets</b>	<b>5,269</b>	<b>5,114</b>
<b>Total assets</b>	<b>8,020</b>	<b>7,527</b>	<b>Total liabilities and net assets</b>	<b>8,020</b>	<b>7,527</b>

# 3

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## Report on LOWYA Business

GMV in the LOWYA business increased 105.9% YoY.  
 Membership of the flagship store has continued to grow steadily, reaching 1.3 million members.  
 The ratio of sales (GMV) to repeat customers has increased solidly.

(Million yen)

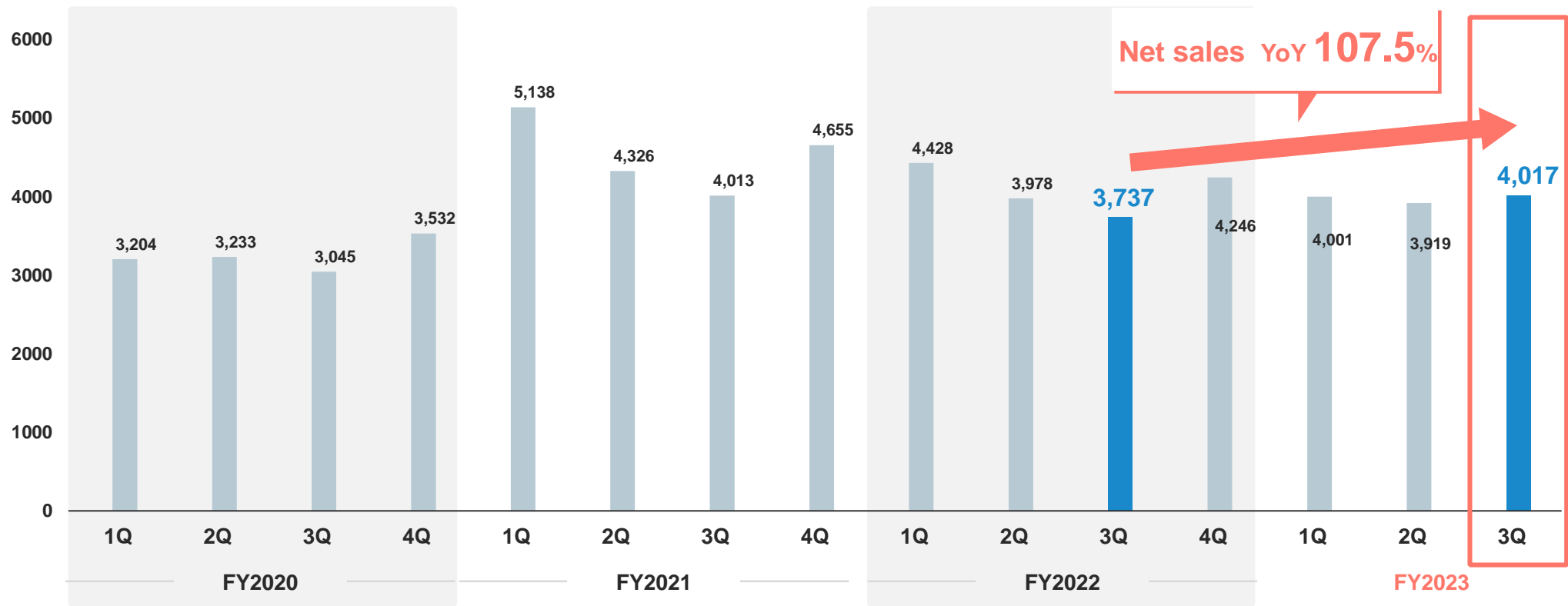
Scope	Item	Timeframe used for calculation	Nine months ended December 31, 2021	Nine months ended December 31, 2022	YoY
Business total	LOWYA business GMV (million yen)	Quarter	3,997	4,232	105.9% (+234)
Flagship store	Flagship store GMV (million yen)	Quarter	2,053	1,950	95.0% (-103)
	Membership (thousand people)	As of the end of the quarter	1,057	1,313	124.4% (+257)
	Ratio of repeat customers (based on GMV) (%)	LTM	21.8	25.4	116.6% (+3.6)
	Members: Average basket value (yen)	LTM	23,047	22,436	97.3% (-611)
	Guests: Average basket value (yen)	LTM	20,210	19,139	94.7% (-1,071)



Marketplace stores maintained strong sales, and net sales reached a new record high in 3Q.

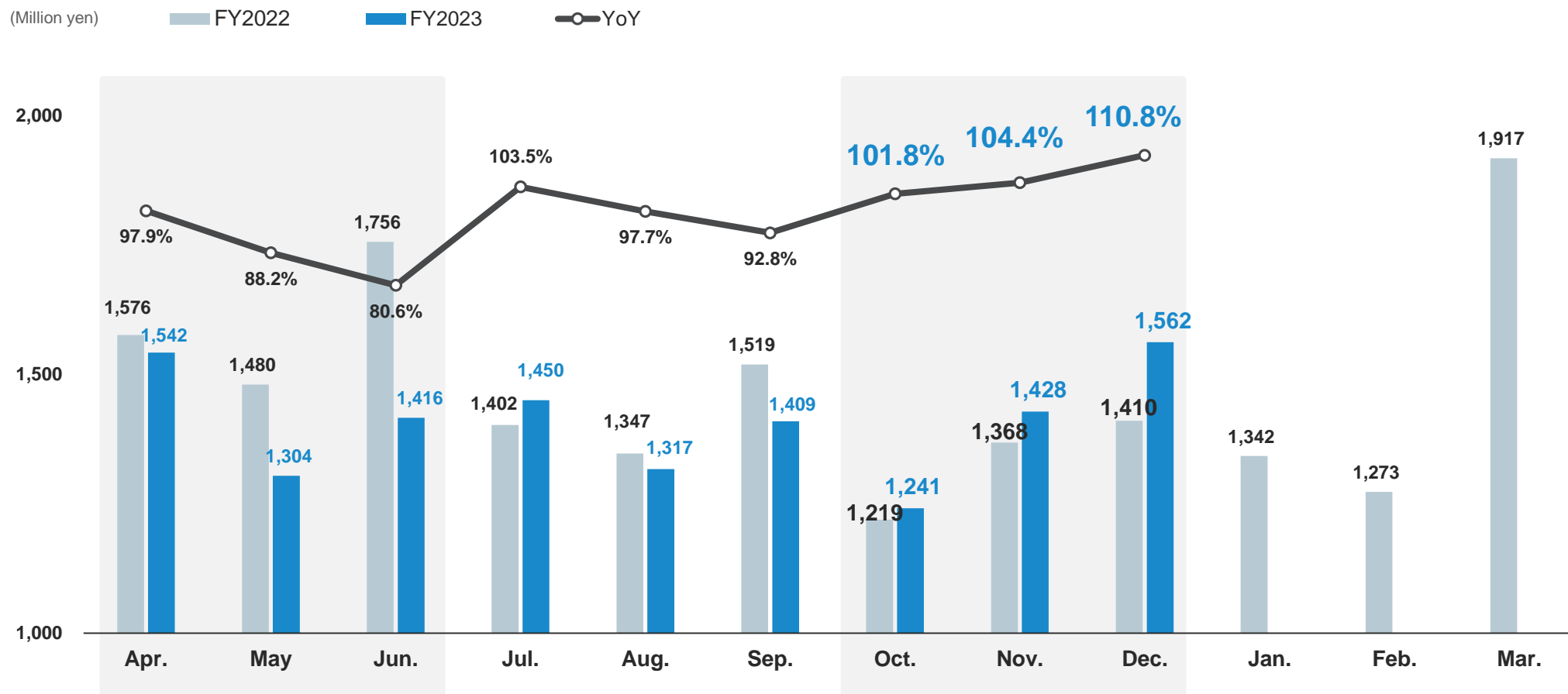
(Million yen)

■ Net sales



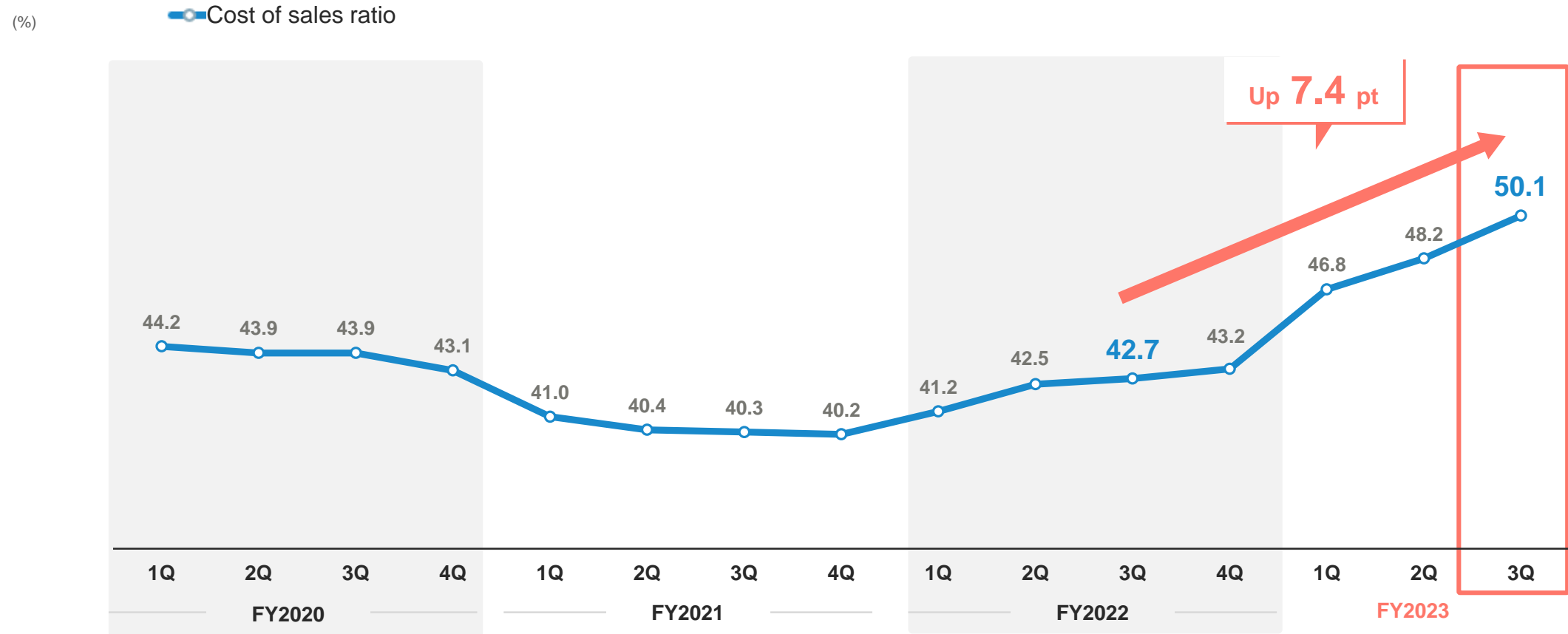
\* Due to the application of the new Revenue Recognition Standard from the fiscal year ended March 31, 2022, net sales for the fiscal year ended March 31, 2021 and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.

GMV in the overall LOWYA business exceeded 100% YoY from October 2022, with strong performance accelerating.



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

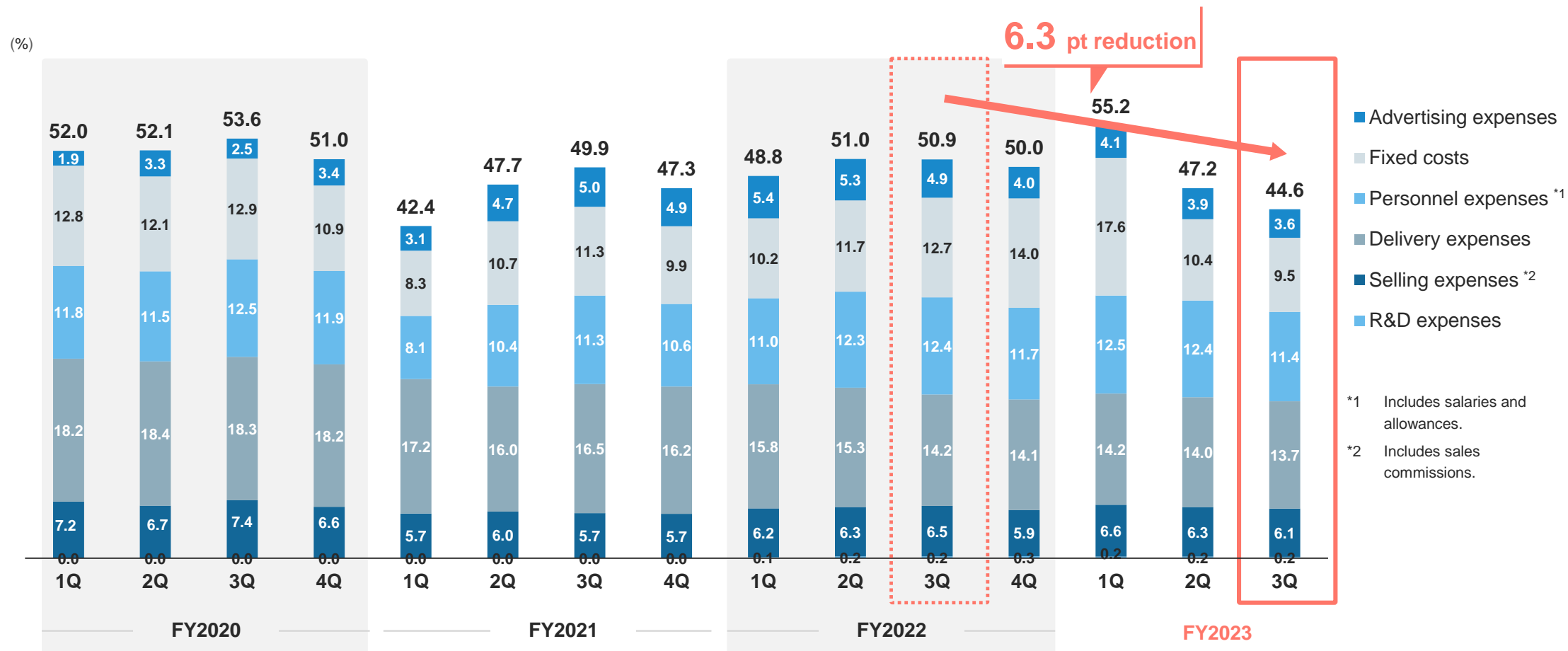
Although marine container transportation costs peaked in 2Q and then showed signs of a downward trend, the significant depreciation of the yen resulted in an increased cost of sales ratio.



\*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.

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

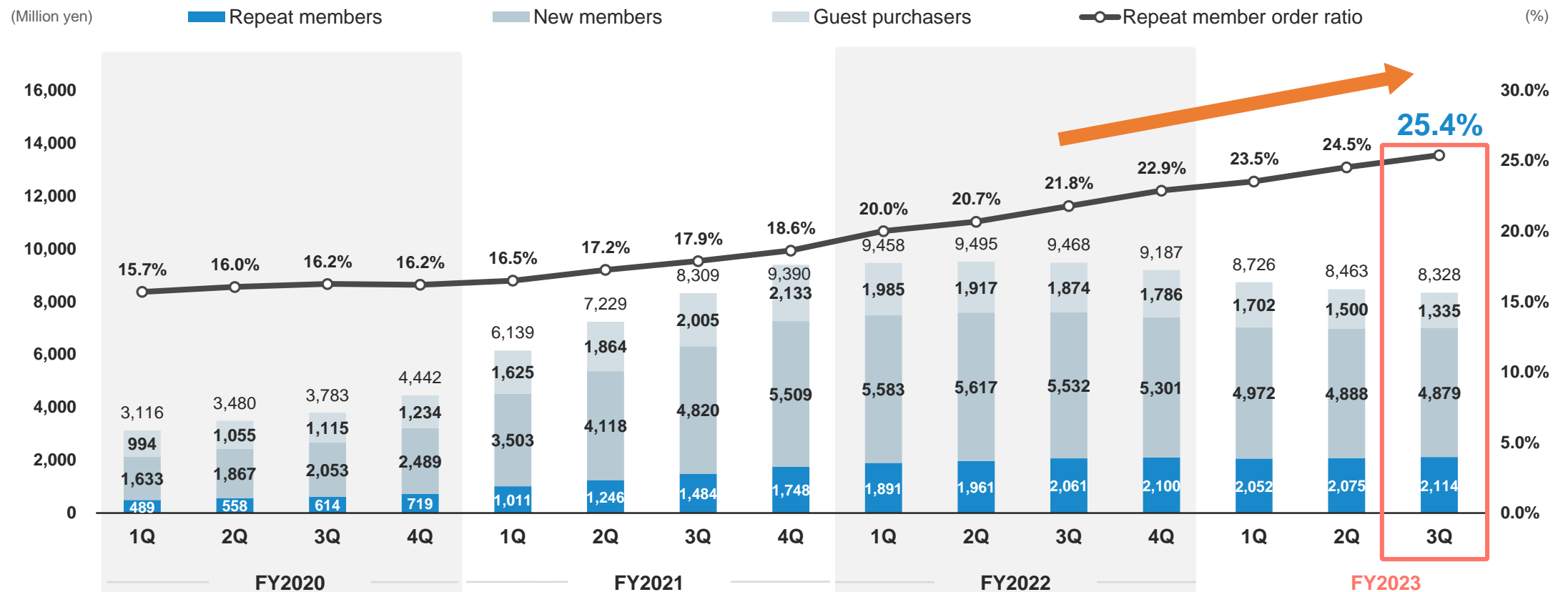
In the LOWYA business, the Company reduced SG&A expenses by 6.3 pt (113 million yen) YoY by consolidating distribution bases, improving the efficiency of delivery and advertising, and relocating the Tokyo Office, thereby enhancing its ability to withstand the rising cost of sales ratio.



• 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.

The 12-month GMV\* by repeat members has been on the rise as guest purchasers become members and new members turn into repeat members.

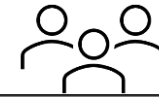
GMV by member type (LTM\*)



Opened the second store, at AEON STYLE Kita Toda, at the end of October.  
Expansion into multiple stores continues to be under discussion.



### Customer reactions at stores



I came across cute furniture that I'd never seen at Aeon before.  
It was affordable and stylish.

It's nice being able to see the actual products in stores.  
I hope we can see more products in stores!

### Customer reactions on social media



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 will open a directly-managed store in April 2023 (planned). The Company plans to consider opening directly-managed stores in other regions.

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

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 TSUTAYA BOOKS, restaurants, and rental apartments.



\* The image of the facility is for illustrative purposes only and will change in the future.



# 4

## 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.

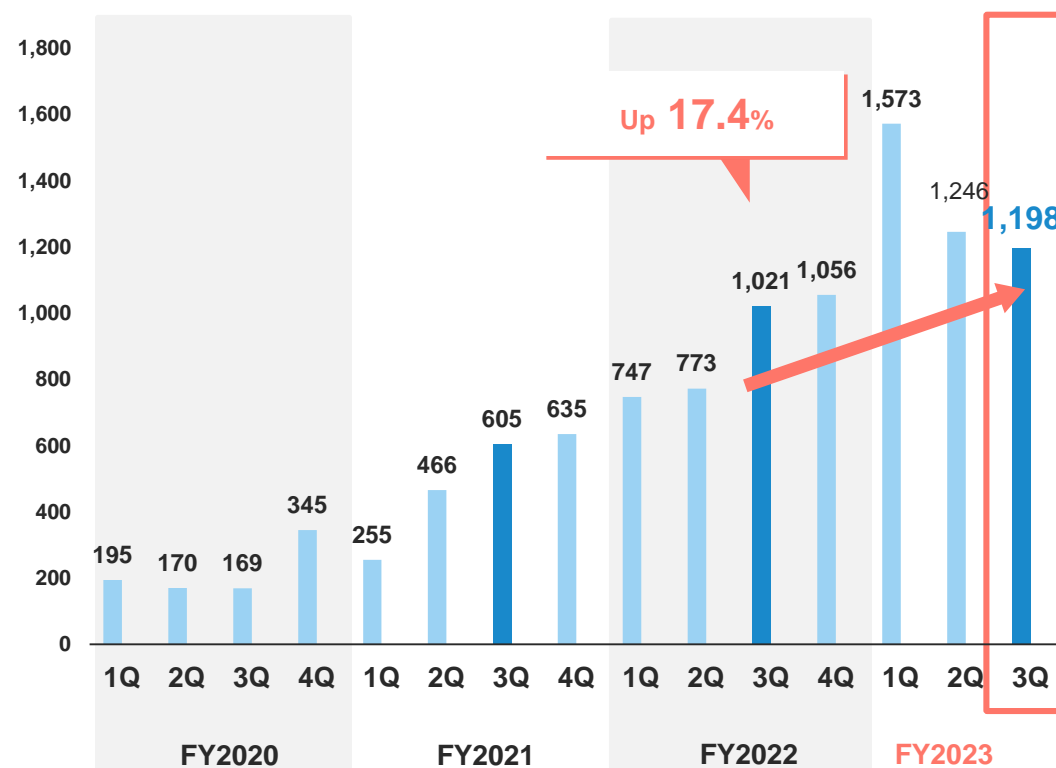
Item	Nine months ended December 31, 2021	Nine months ended December 31, 2022	YoY
GMV (million yen)	1,021	1,198	117.4% (+177)
Net sales (million yen)	131	163	124.2% (+31)
Membership (thousand people)	839	983	117.2% (+144)
Number of app DLs (thousand)	1,301	1,425	109.5% (+124)
Average basket value (yen)	12,661	13,582	107.3% (+921)
Number of products (thousand)	44	50	114.1% (+6)
Number of brands	1,073	1,218	113.5% (+145)
Deliveries (cumulative) * Number of countries and regions to which deliveries were made	105	114	108.6% (+9)

GMV rose **17.4%** 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 a GMV growth trend while limiting upfront investments, as planned.

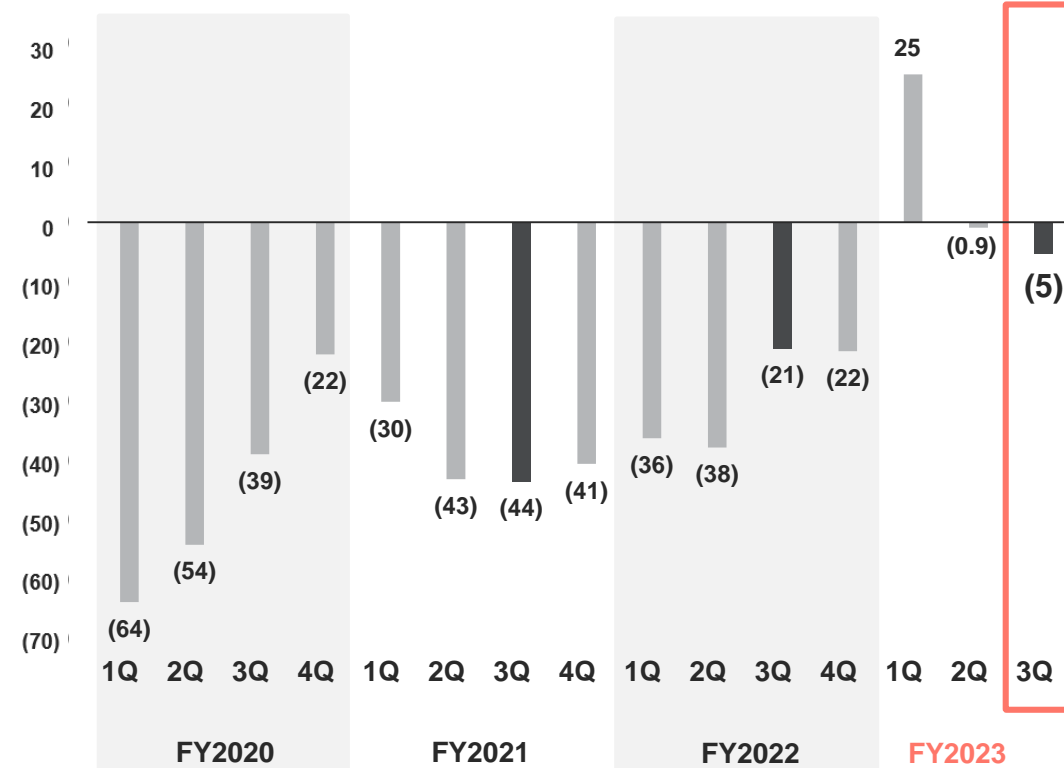
## GMV

(Million yen)



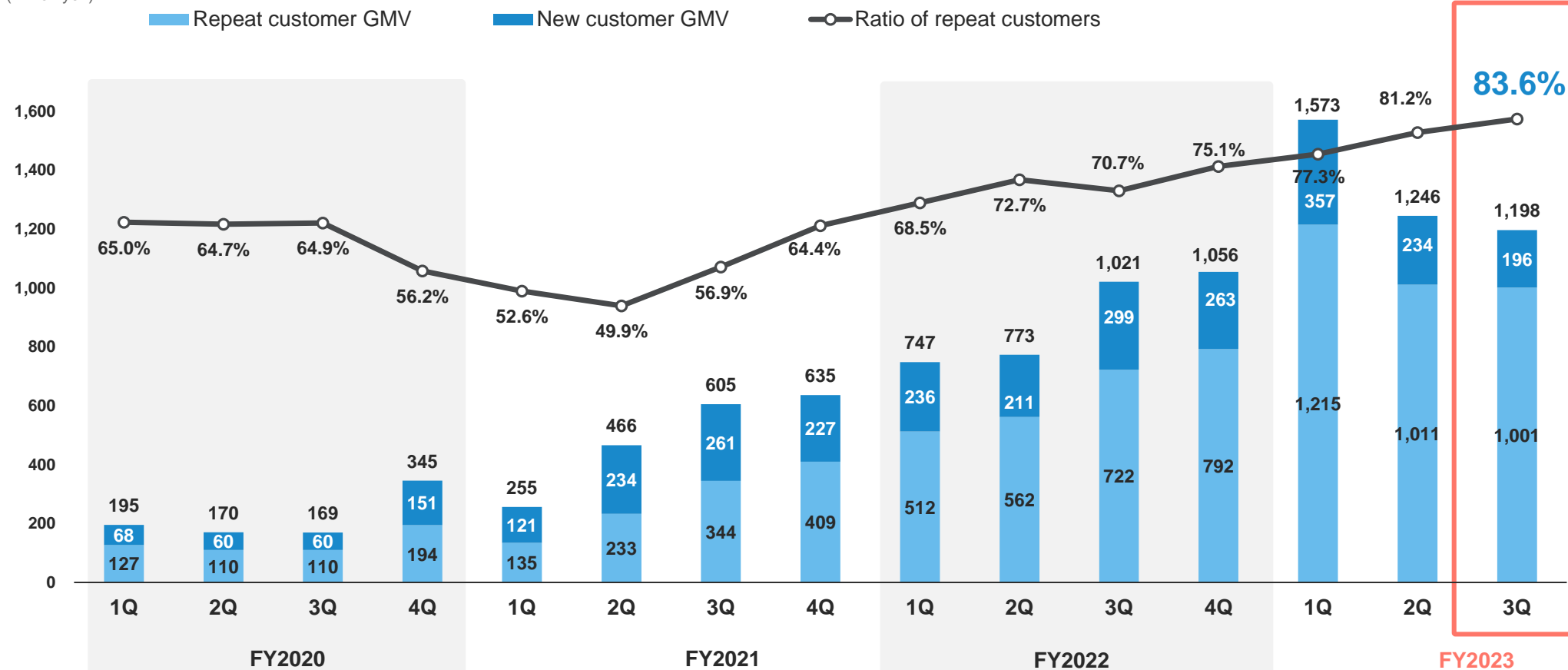
## Net Business Income

(Million yen)



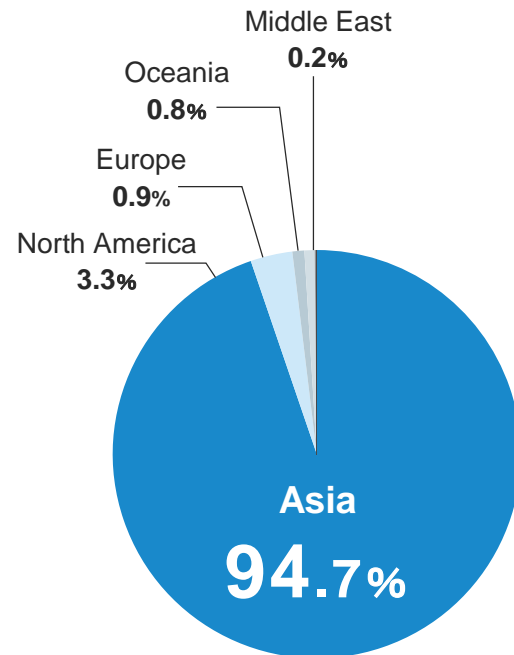
Repeat customer GMV increased further, accounting for **83.6%**

(Million yen)

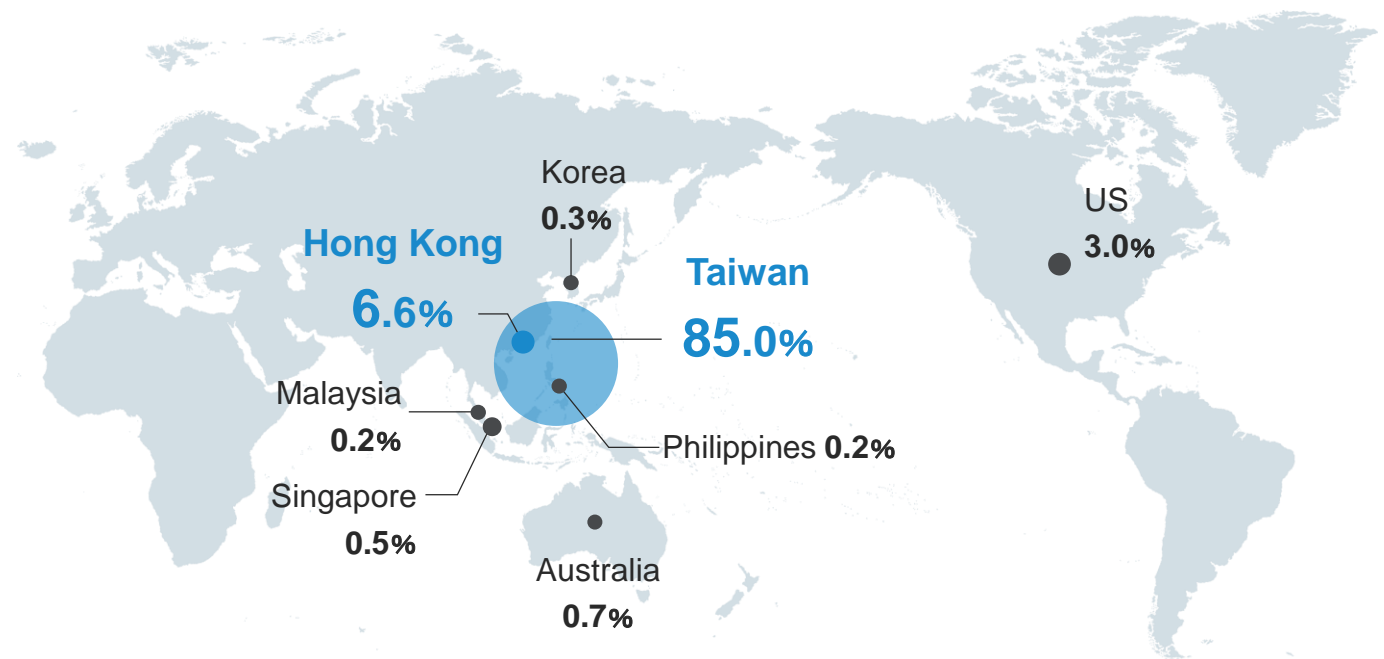


Deliveries to Asia, mainly Taiwan, account for more than 90% of GMV

By region



By country



# 5

## Financial Results Outlook

## Revision of Financial Results Forecast for FY2023

We have revised our financial results forecast based on the progress of results for the nine months ended December 31, 2022.

Net sales were almost in line with the original plan. Although the cost of sales ratio rose significantly, cost reductions were successful and profits rose.

Extraordinary losses of 120 million yen were posted for loss on valuation of investment securities.

	FY2023 Original plan	FY2023 Revised plan	Difference
Net sales (million yen)	16,300 – 17,300	16,800 – 17,300	+0.0% – +3.1%
Operating profit (million yen)	0 – 200	250 – 350	- – +75.0%
Ordinary profit (million yen)	30 – 230	270 – 370	+60.9% – +800.0%
Profit (million yen)	18 – 138	42 – 102	-26.1% – +133.3%
Basic earnings per share (yen)	1.72 – 13.15	3.95 – 9.59	-



# 6

## Shareholder Benefits

## Shareholder Benefits

The following shareholder benefits will be offered to shareholders who hold one unit (100 shares) or more as of March 31, 2023. In addition to the existing optional benefits, the benefits to be distributed to all eligible shareholders will be expanded.

FY2022 (Reference Date: March 31, 2022)

Number of shares held	Benefits	
100 or more	Options	(1) Coupon for a 20% discount at the LOWYA flagship store
		(2) 1,000 yen donation to charity (Chinju no Mori project (MORINO PROJECT) (Public Interest Incorporated Foundation))



FY2023 (Reference Date: March 31, 2023)

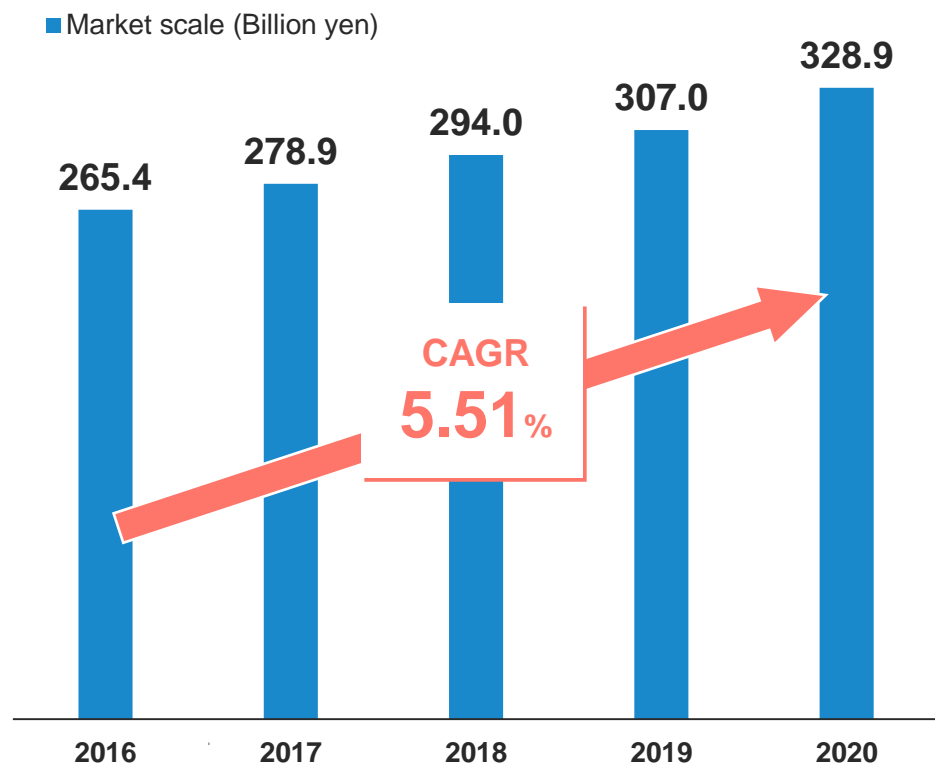
Number of shares held	Benefits	
100 or more	All the shareholders	Coupon for a 20% discount at the LOWYA flagship store
	Options	(1) 1,000 yen QUO card
		(2) 1,000 yen donation to charity (OISCA “Children’s Forest Program” (Public Interest Incorporated Foundation))

# 7

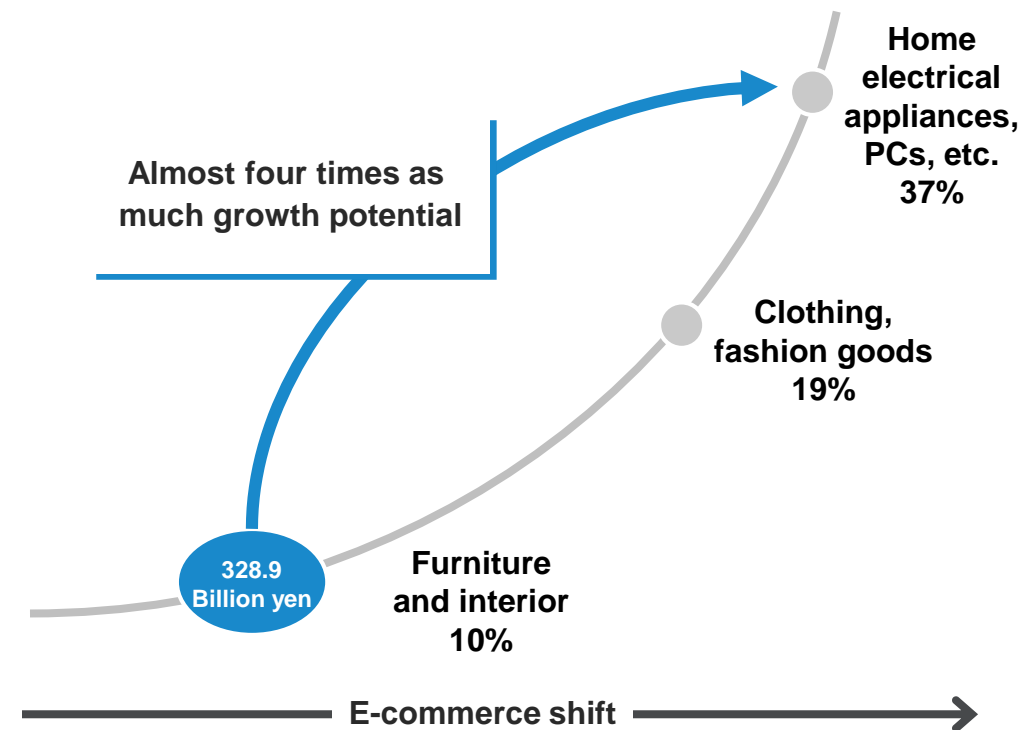
## Appendix

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)

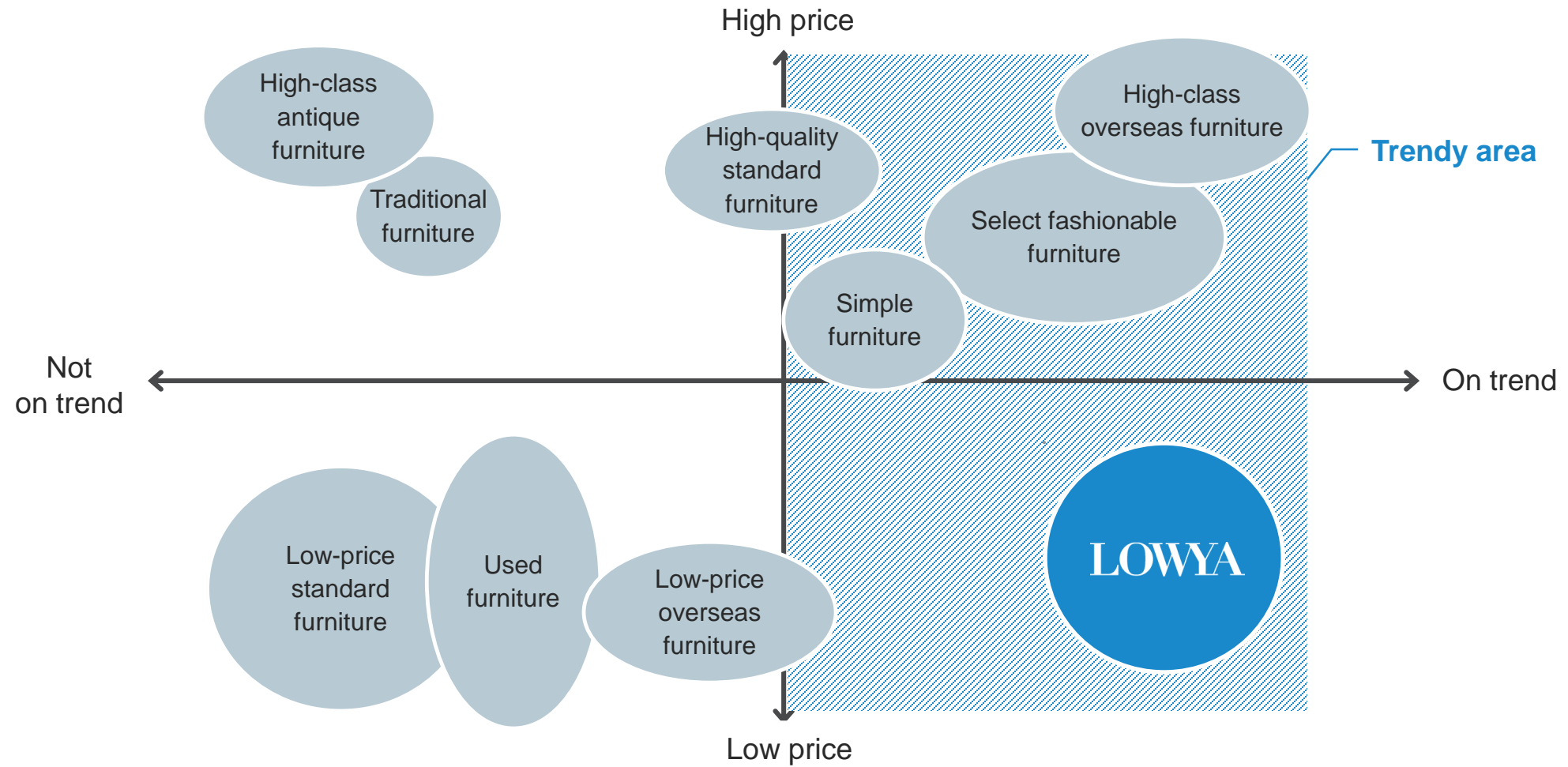


Comparison of the rate of e-commerce shift by product (2020, Japan)



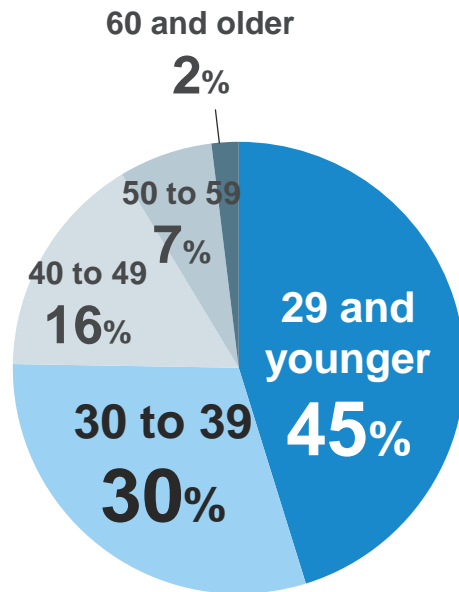
\* Source: Figures for furniture and interior products were prepared by the Company, based on "Home Furnishings in Japan, May 2021" issued by Euromonitor. Figures for other products were prepared by the Company, based on "FY2020 E-Commerce Market Survey" issued by the Ministry of Economy, Trade and Industry.

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

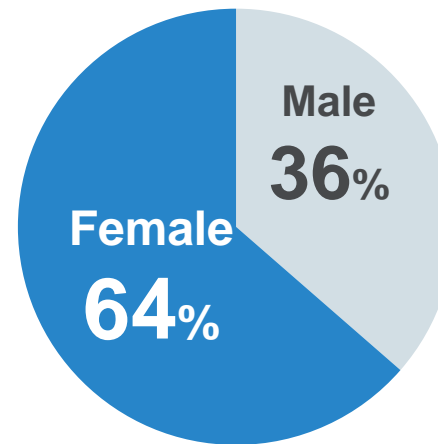


Showing higher ratio of females in their 20s to 30s, and in the Kanto region by area

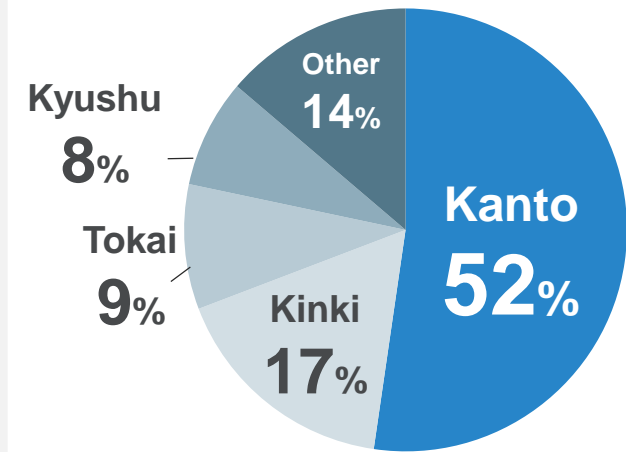
Age distribution



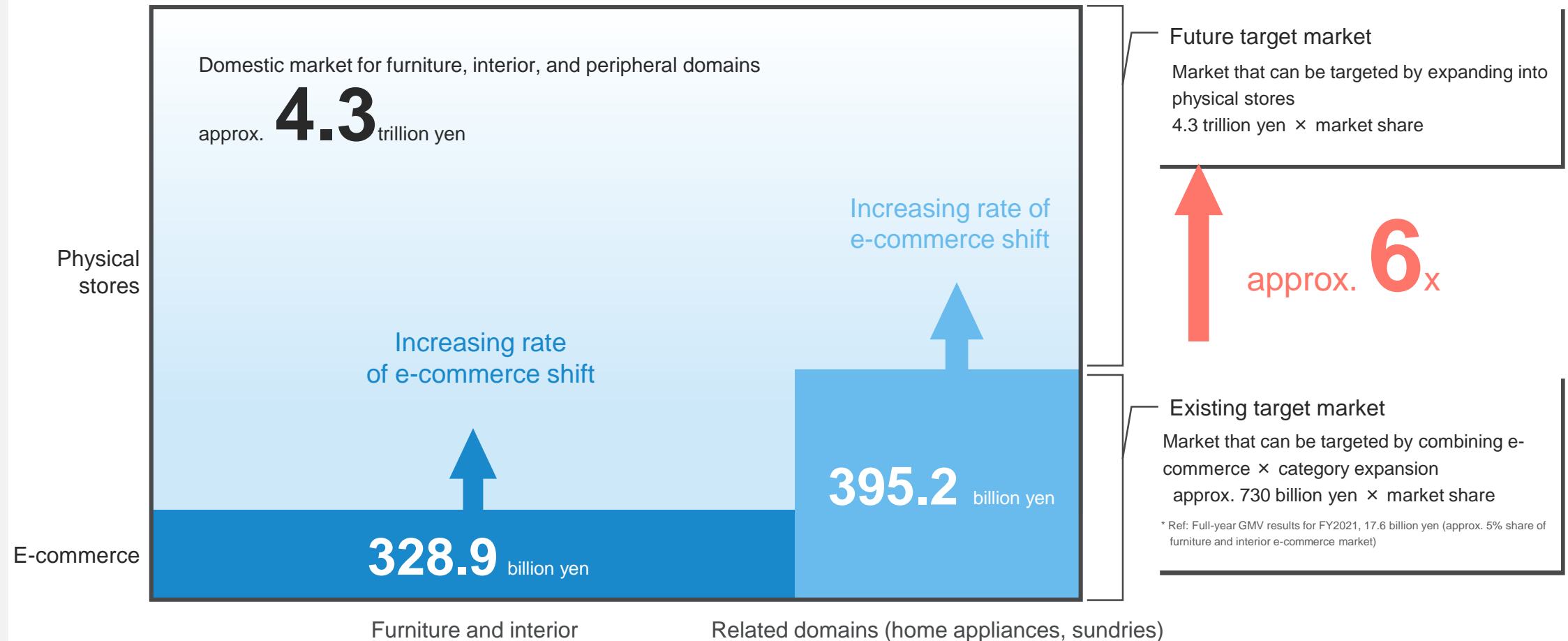
Ratio of male vs. female



Area distribution



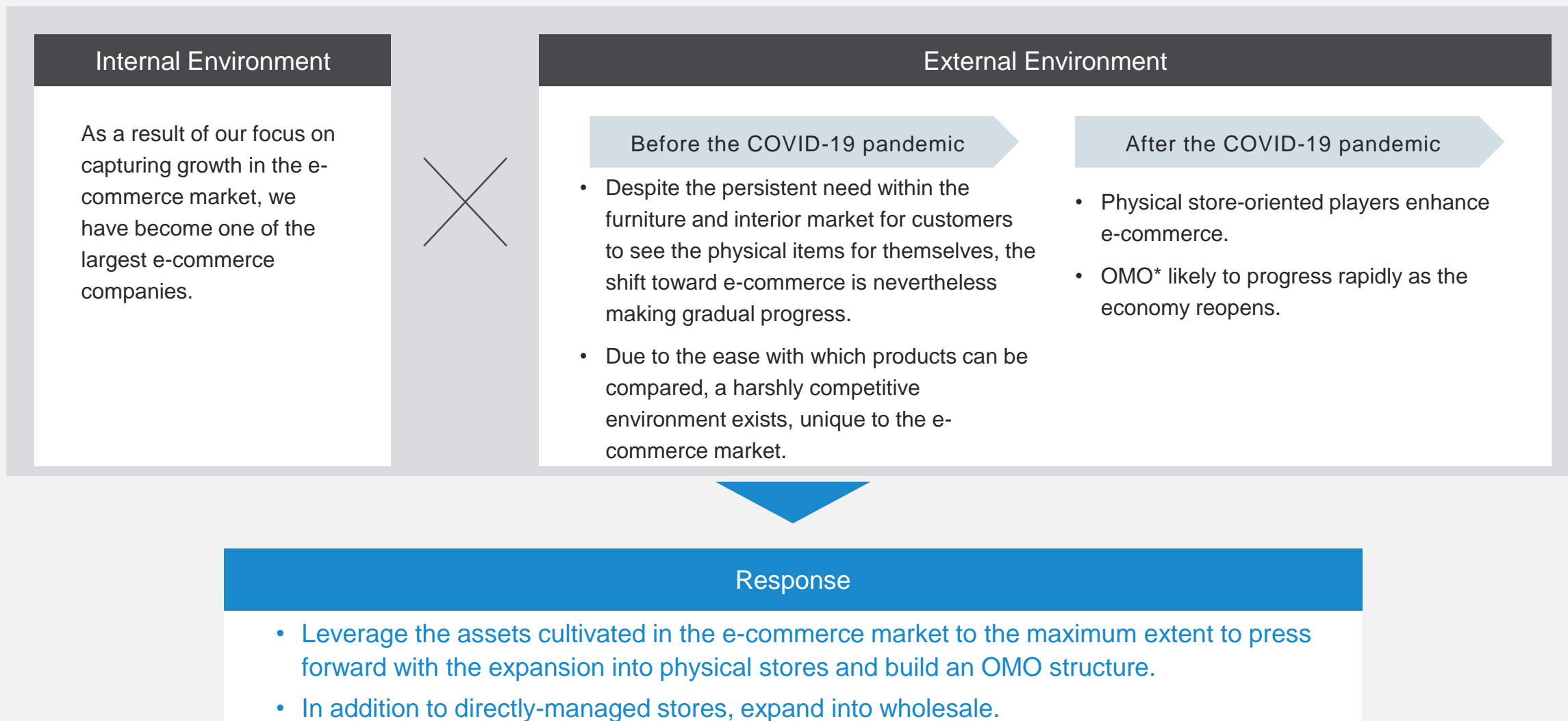
While continuing to position the expansion of the e-commerce market as a driver of growth, expand the target market to the physical store market in light of the current low rate of e-commerce shift.



\* 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.



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

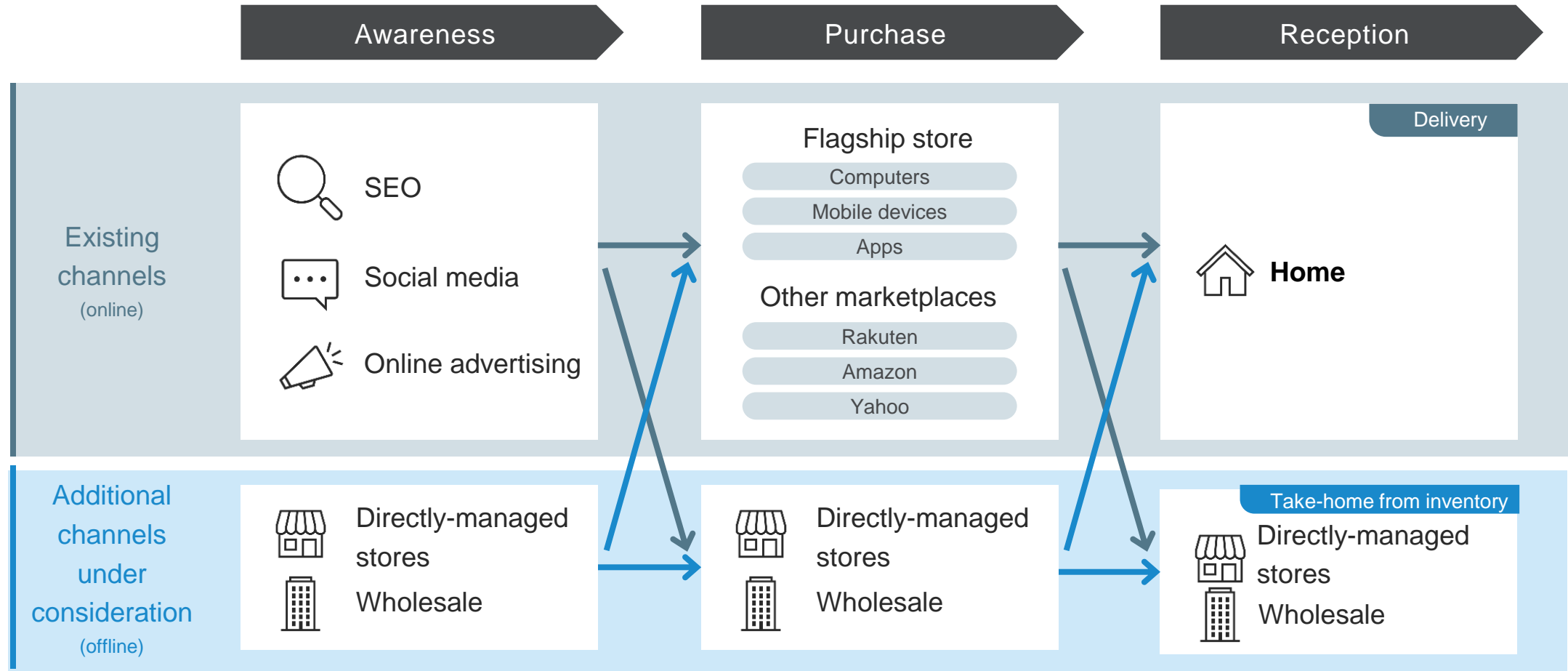
#### Product Design

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

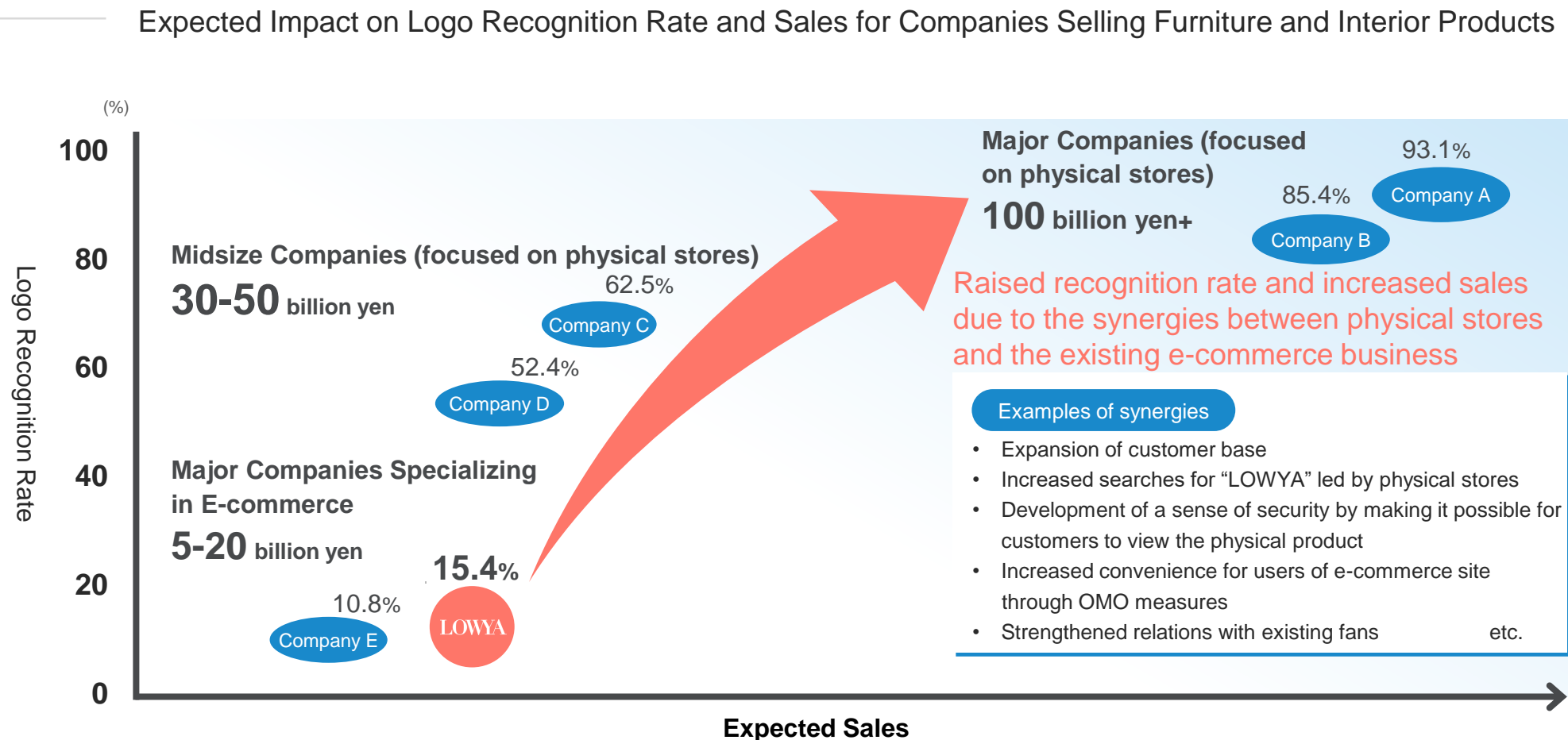
We possess significant strengths in the product planning and operations that have yielded products offering high performance at low prices, thereby succeeding in the e-commerce market, which exhibits high price elasticity.

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.



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.



\*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

1,519  
products

FY2022

FY2026

### 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

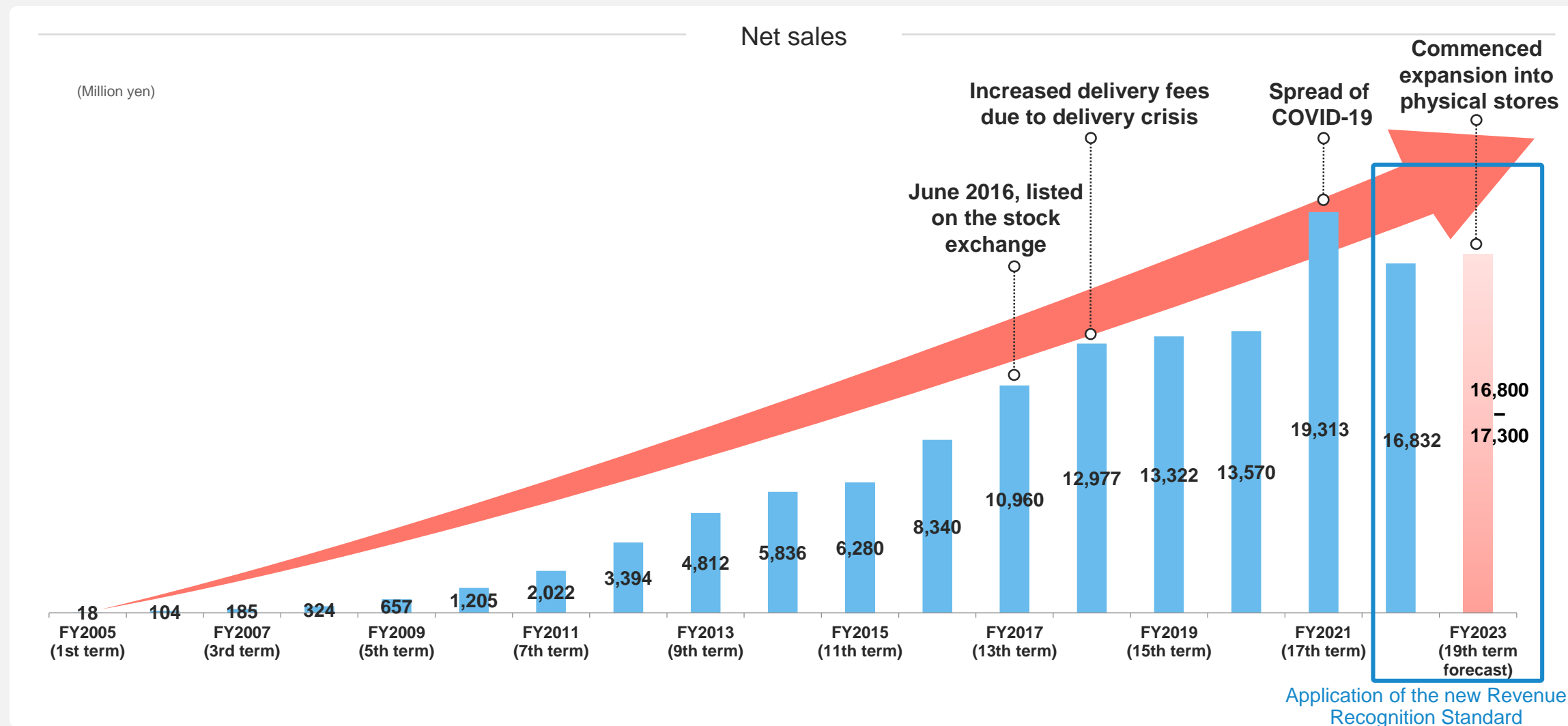
Strengthen innovative services (AR)

New

Integrate e-commerce and physical stores

## Net Sales

The Company has maintained a 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 announces GMV as a management indicator in order to maintain continuity with past figures

## Previous Standard (up to FY2020)

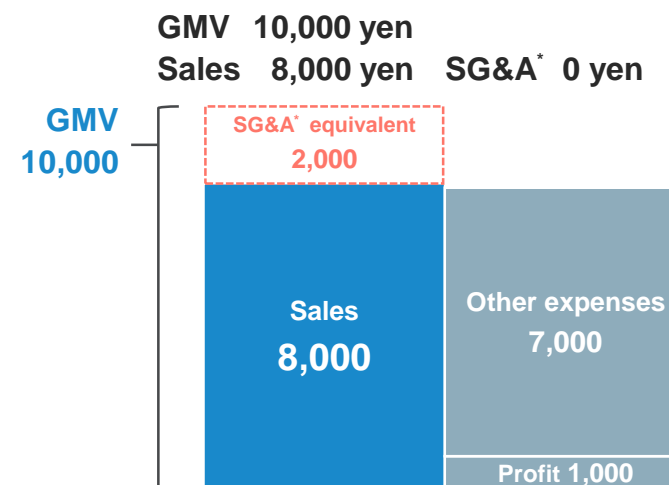
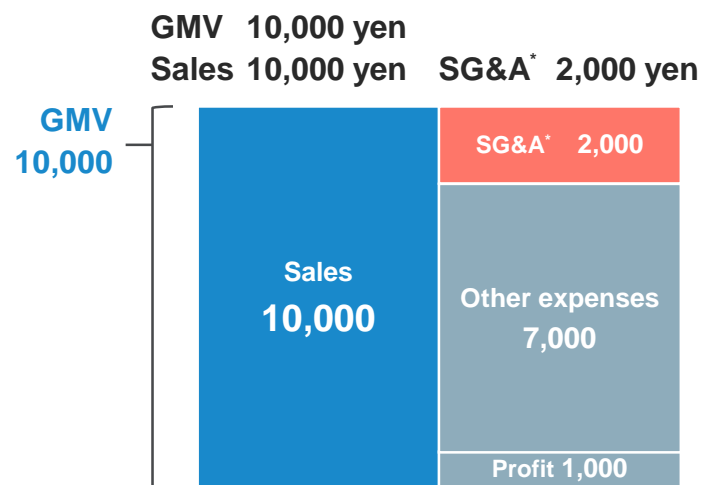
## New Revenue Recognition Standard (from FY2021)

- 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

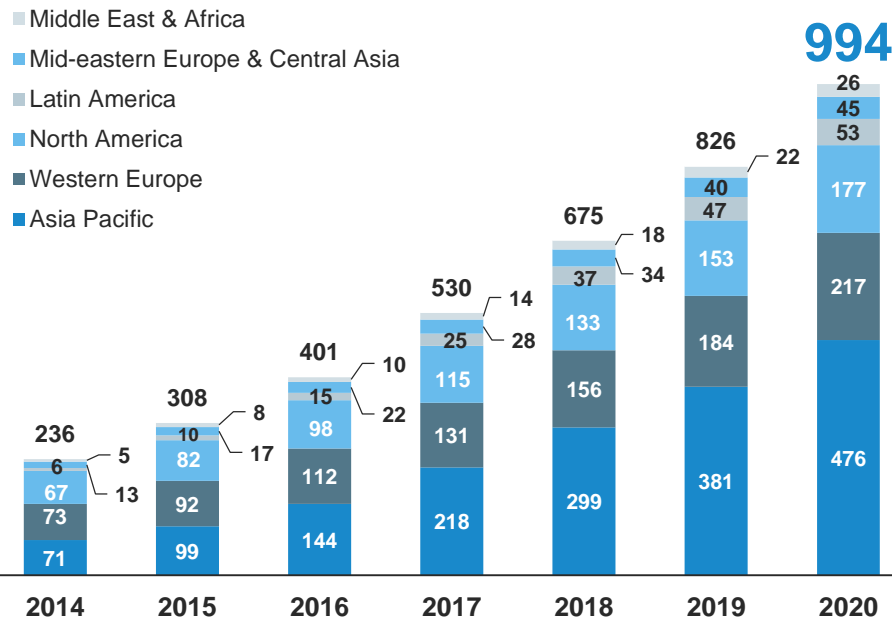
- Illustration for comparison: When a product priced 10,000 yen is sold at a 20% discount



\* 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.

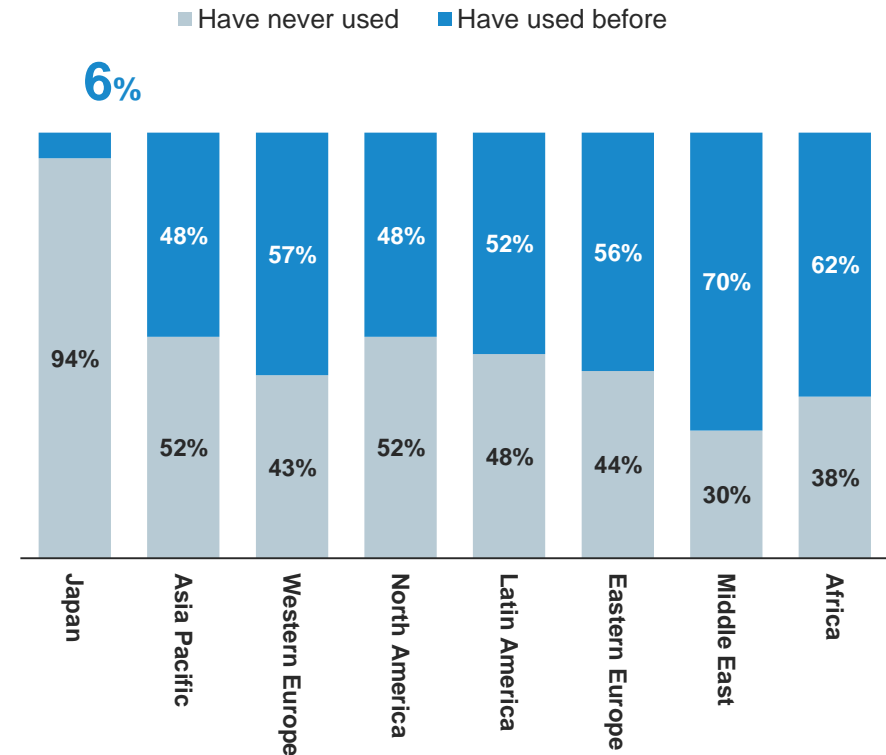
With a platform specialized for seller companies in Japan, the Company aims to capture the abundant opportunities presented by massive markets.

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."





**VEGA** corporation

IR Inquiries

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These risks and uncertainties include general economic conditions in Japan and overseas, namely general industry and market conditions.

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