



**VEGA** corporation

# Business Plan and Growth Potential

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**Vega corporation Co., Ltd. / Securities code: 3542**

May 15, 2023

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# 1

## Company Overview

## VISION

**Explore the endless possibilities of e-commerce**

## MISSION

**Create “incredible experiences” and change the “norm”**

## VALUE

**Honesty, Love, Appreciation, Humility, Harmony**

## Company Overview

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<b>Company name</b>	<b>Vega corporation Co., Ltd.</b>
<b>Listing market</b>	<b>Tokyo Stock Exchange Growth Market (securities code: 3542)</b>
<b>Capital stock</b>	<b>1,030.55 million yen (as of March 31, 2023)</b>
<b>Established</b>	<b>July 2004</b>
<b>Company representative</b>	<b>Tomokazu Ukishiro, President and CEO</b>
<b>Number of employees</b>	<b>230 (as of March 31, 2023)</b>
<b>Head office</b>	<b>4F Hakata Gion Center Place, 7-20 Gion-machi, Hakata-ku, Fukuoka-city</b>

## Management Structure



### President and CEO Tomokazu Ukishiro

Taken aback by the advent of the Internet while in college, he decided to start a business in the IT industry.

After graduating, he deliberately experienced various occupations and searched for a business to launch from the viewpoint of affinity with IT.

He established Vega corporation at the age of 27 with the idea of combining furniture and e-commerce.

He is currently expanding the business to cross-border e-commerce.



Director  
Head of Corporate  
Management  
Headquarters

Kazuhiro Kawabata



Director (Audit and  
Supervisory  
Committee)

Hiroyuki Ikeda

Corporate Officer



Corporate Officer  
General Manager of  
Merchandising  
Department

Ryohei Eda



Director (Audit and  
Supervisory  
Committee)

Kenko Shikichi



Corporate Officer  
General Manager of  
Human Resources  
Department and  
General Manager of  
Sales Management  
Department

Yuki Yoshida

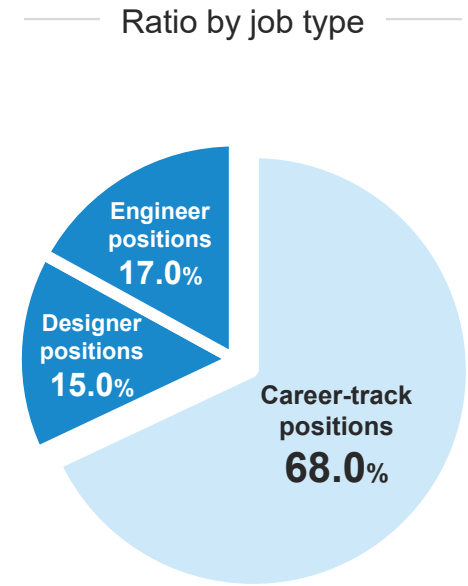
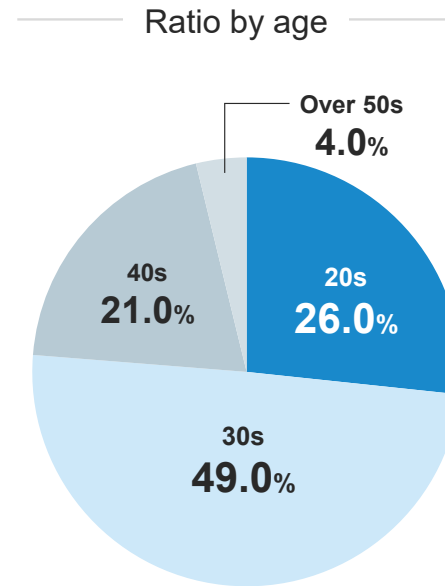
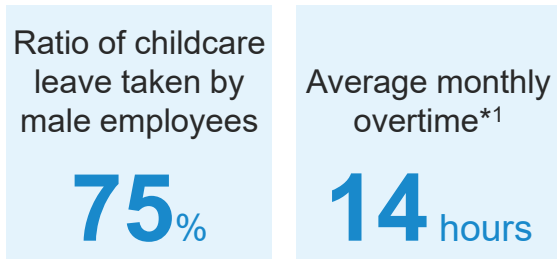
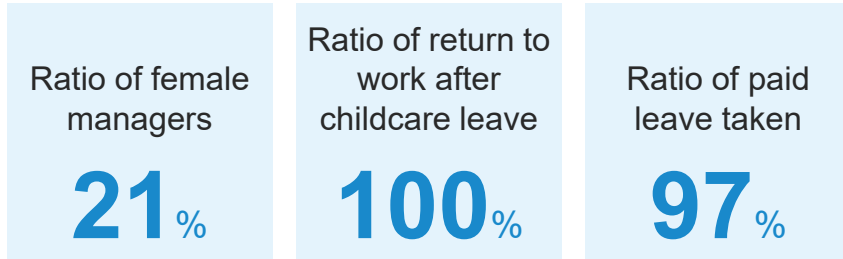


Director (Audit and  
Supervisory  
Committee)

Kenta Kusaka

## Organizational Culture

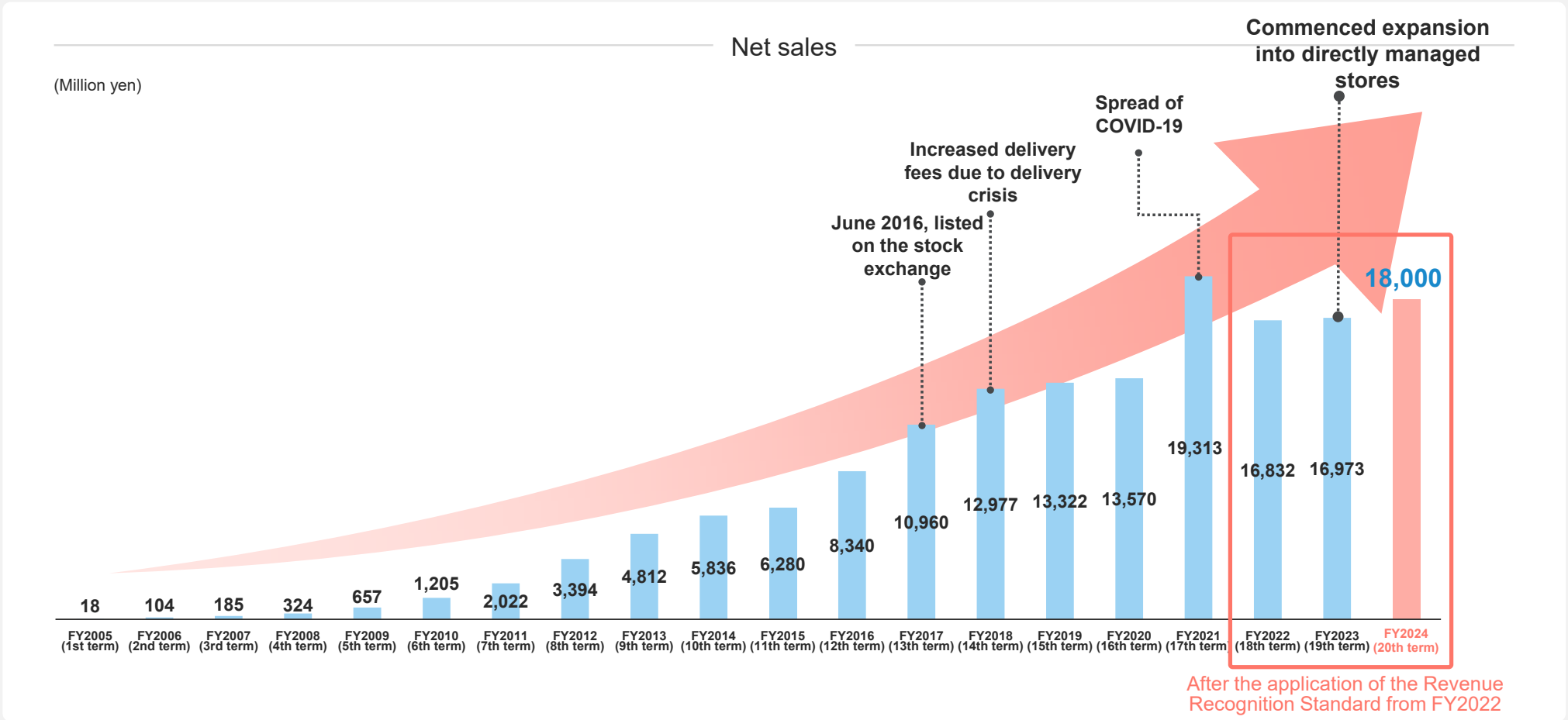
We will create and support a working environment for those who want to expand their potential by taking on challenges toward the Company's vision.



\*1 Regular employees only

# Net Sales

The Company has been maintaining a growth trend since its founding.





## Sustainability Initiatives

Formulated the “Sustainability Policy” as a policy for working towards a sustainable future.

# Connect “thank you” to the future.

Our materiality issues



Reduction of  
waste and  
expansion of  
resource  
recycling

Creation of an  
environment rich in  
diversity and pursuit  
of employees’ job  
satisfaction

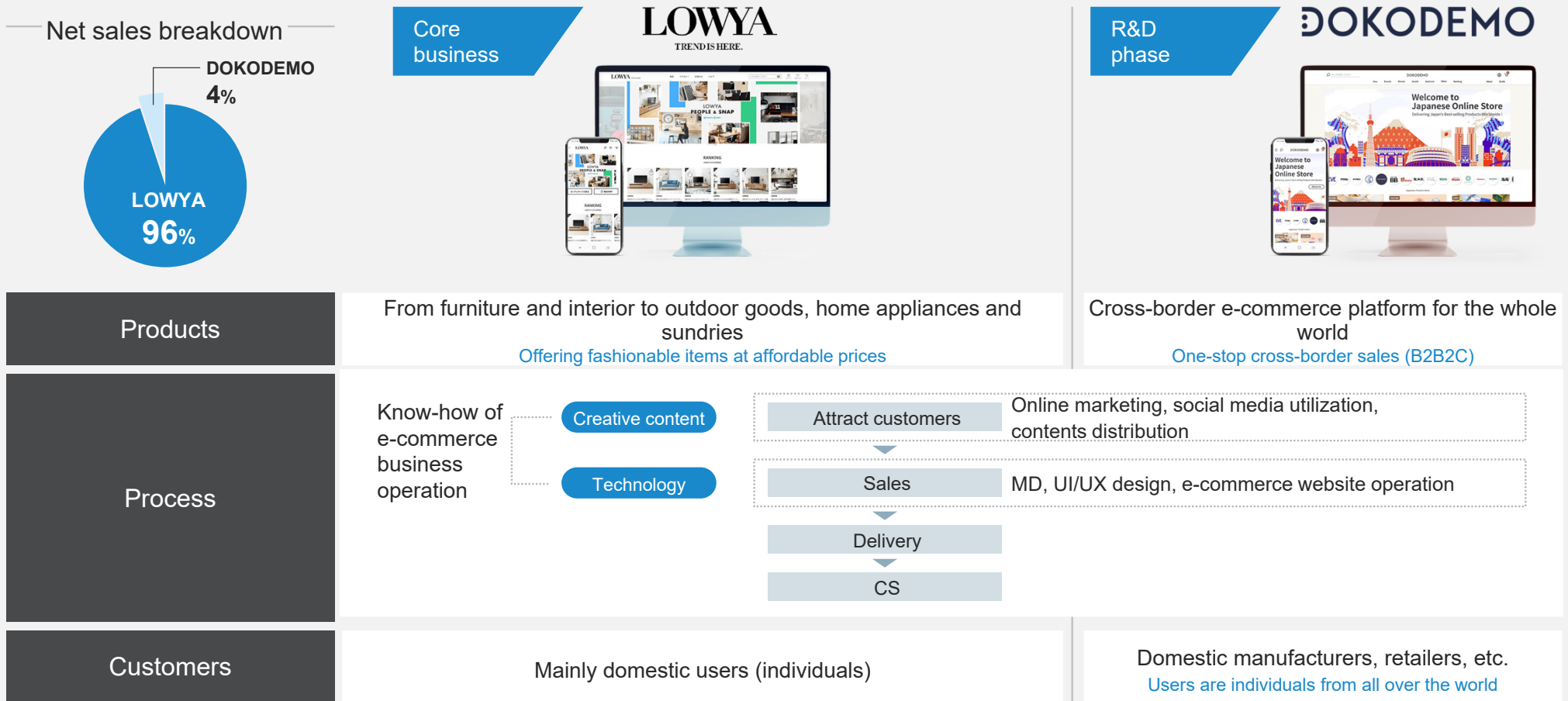
Revitalization of  
regions and  
communities

# 2

## Business Description

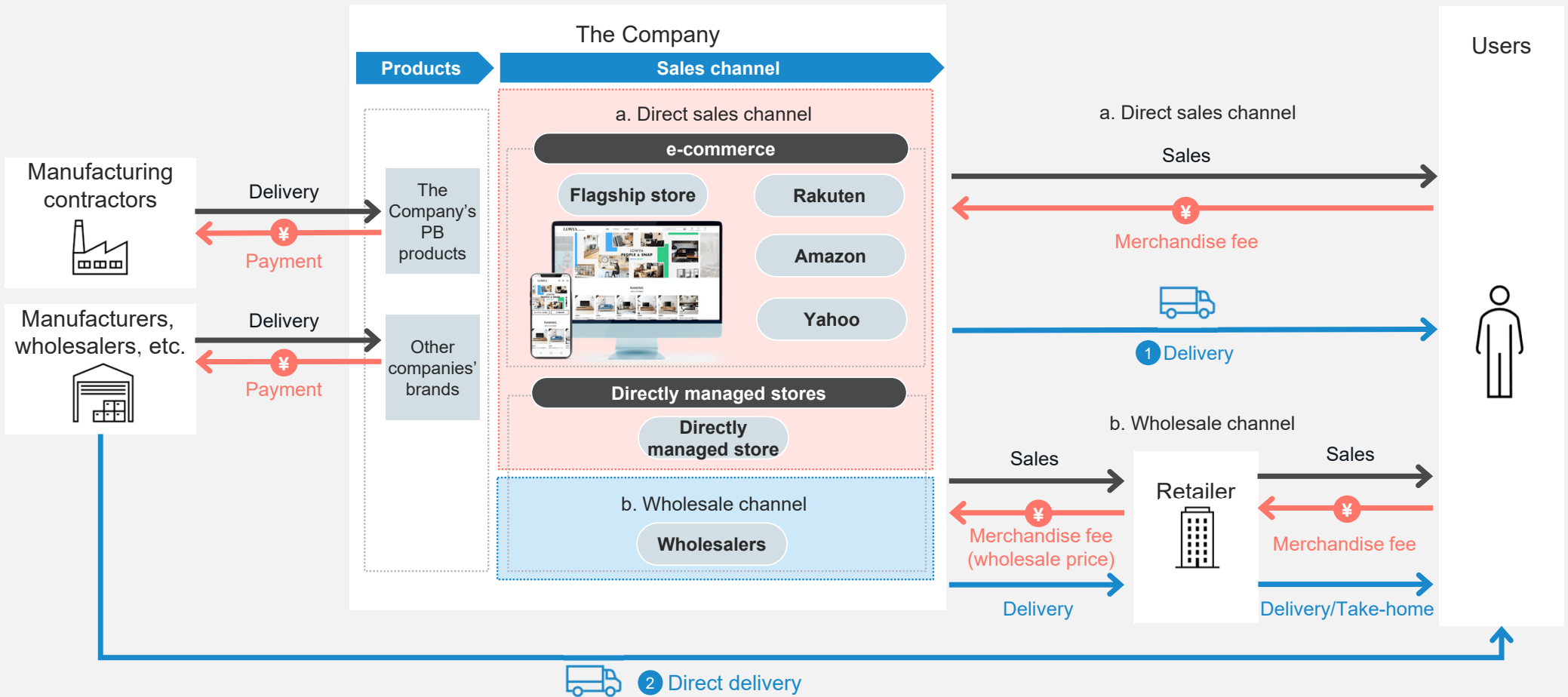
## Overview of Business

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



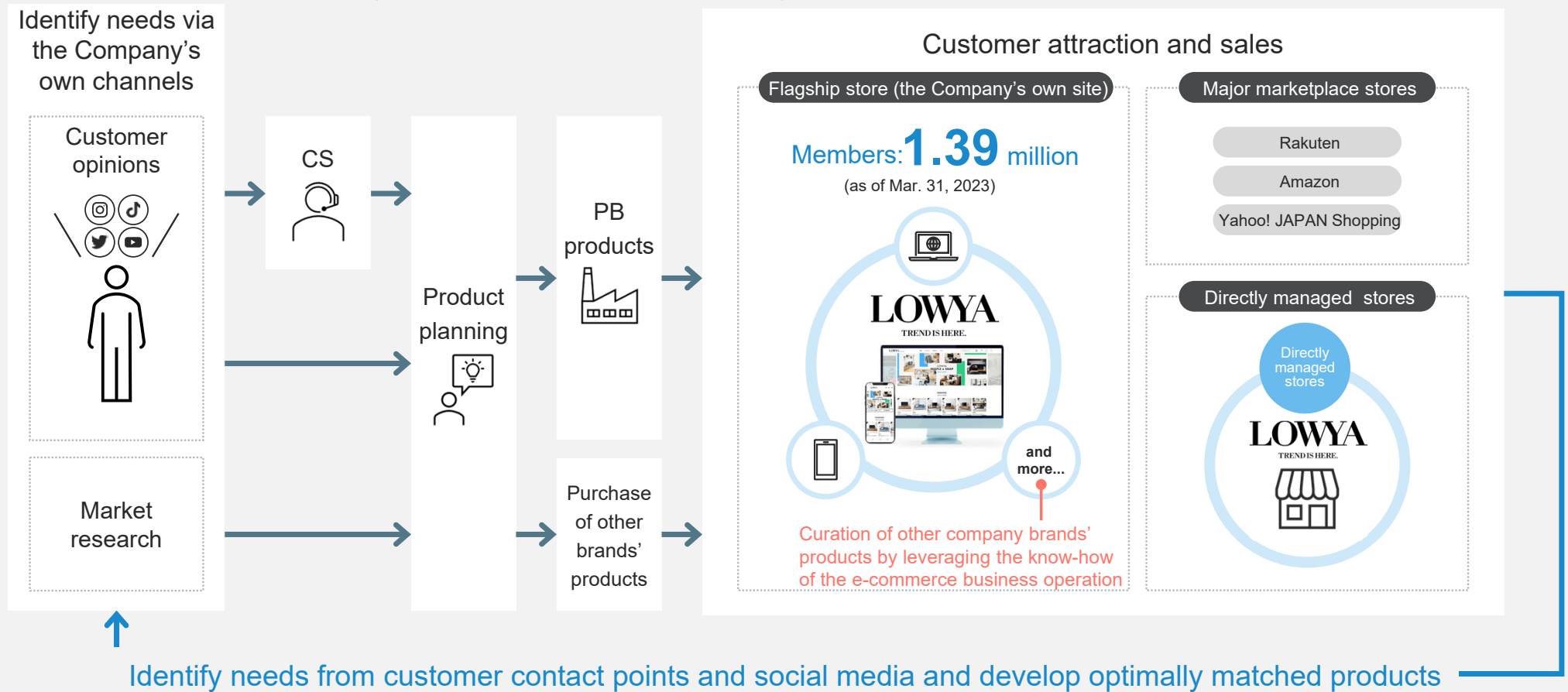
\* D2C (Direct to Consumer) is a format of business that involves direct sales exclusively online.

In addition to offering private brand (PB) products at the flagship store (the Company's e-commerce website) and major e-commerce marketplace stores, products of other companies' brands are offered at the flagship store. Started a new wholesale business in September 2022 and opened a directly managed store in April 2023.

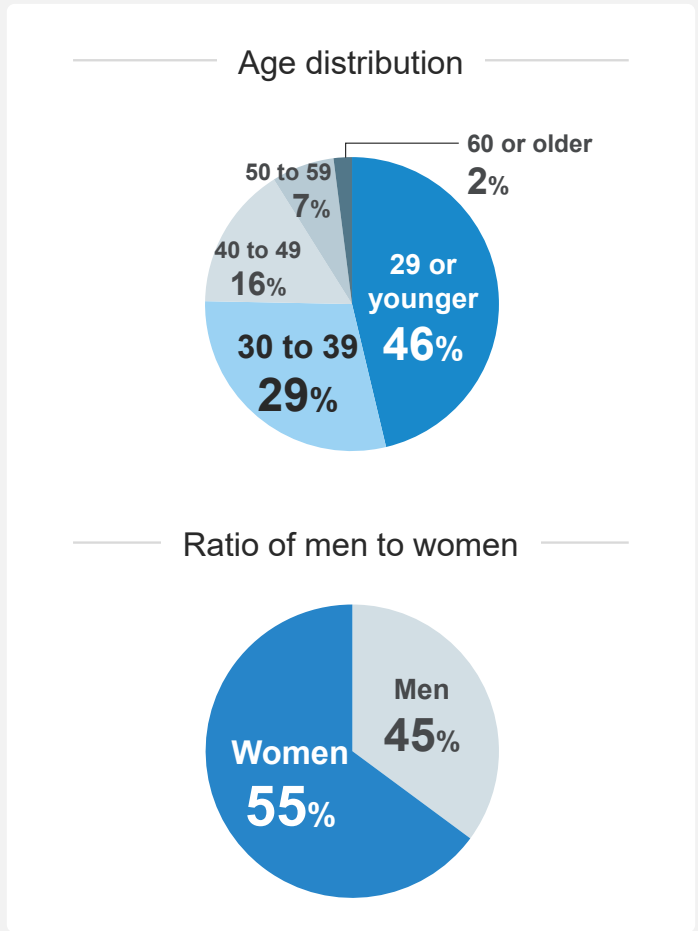
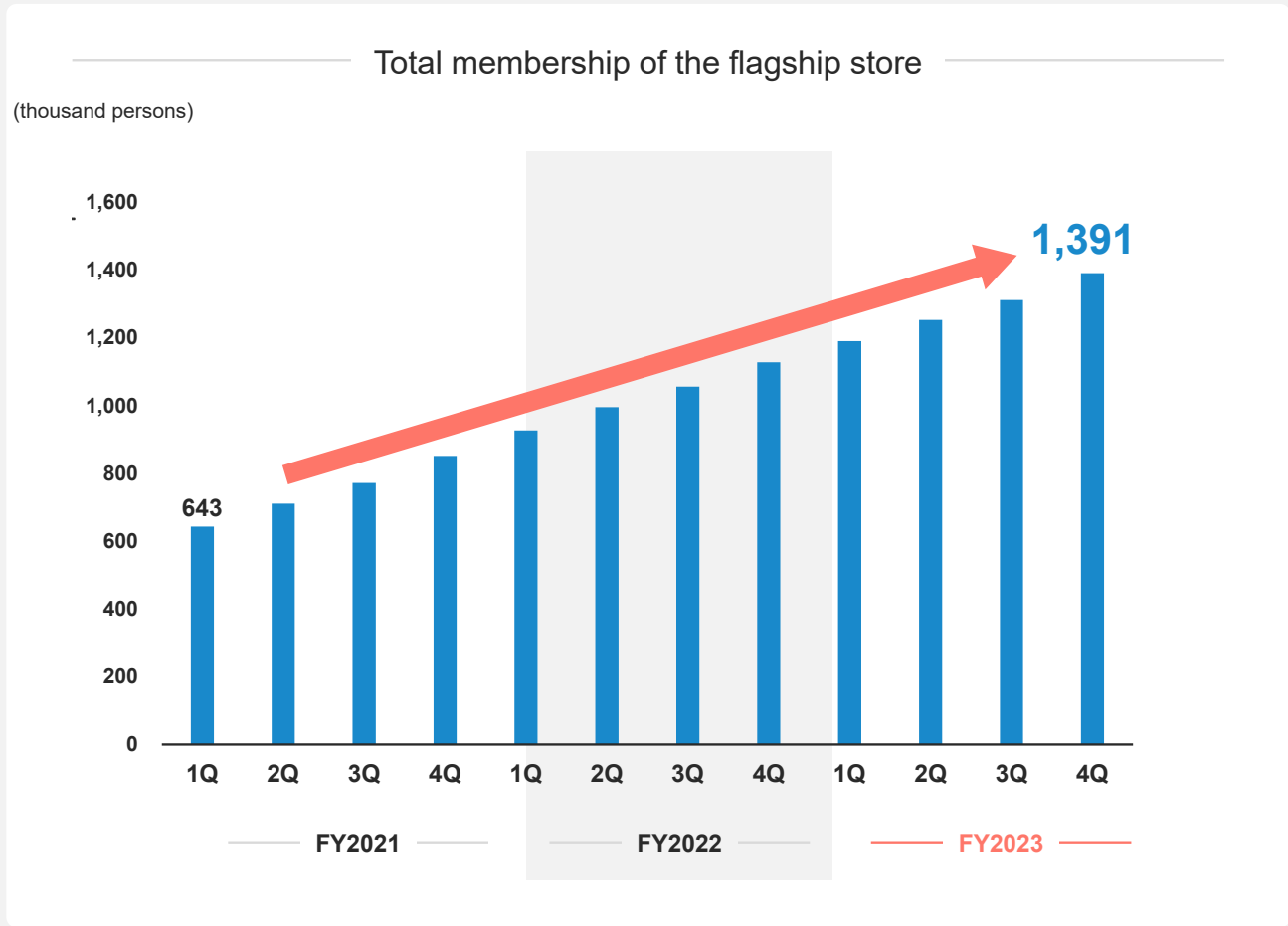


D2C (direct sales) model in which the Company handles everything from planning to sales and attracts customers mainly through its flagship store.

Identify needs through customer contact points and return the cost benefits of private brand product development and direct sales to customers to give them a sense of affordability.



The total number of members of the flagship store is steadily increasing, with strong support of those in their 20s and 30s, which is the main target group.



\* The total number of members reflects all members who enrolled at the flagship store.

\* Age distribution and the ratio of men to women are based on the data of members who made purchases at the flagship store for the 12 months ended in the most recent quarter and answered their attributes.

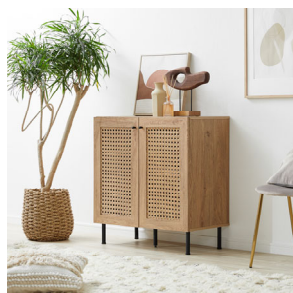
Release products with a focus on our own private brand products that are design- and trend-conscious and pursue affordable prices with cost competitiveness.

Continue to expand product genres with other companies' brands.

### Living room



TV board 180cm  
¥17,990 (incl. tax)



Rattan style cabinet  
¥19,990 (incl. tax)



Made-in-Japan draped curtains  
¥9,990 (incl. tax)



3-seater sofa  
¥49,990 (incl. tax)

### One room



Rattan style desk  
¥25,990 (incl. tax)



Marble style side cabinet  
¥10,990 (incl. tax)



Rattan style chair  
¥10,990 (incl. tax)

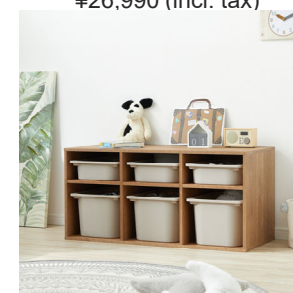


Marble style TV cabinet  
¥19,990 (incl. tax)

### Kids



Storage desk with bookshelf for picture books  
¥26,990 (incl. tax)



Toy storage rack  
¥12,990 (incl. tax)

\* The selling prices are as of April 2023, and therefore, they may be different from the current prices.

The internally-developed official app and operation of social media function as the key to attracting customers. The number of TikTok followers surpassed 100,000.

Sizes of engagement channels that deliver a unique brand image to a wide range of users (as of March 31, 2023)

 Smartphone app **890,000** downloads (cumulative)

 Instagram **840,000** followers

 TikTok **100,000** followers

 YouTube **20,000** channel subscribers

### LOWYA official app



### LOWYA official social media accounts





We started a new wholesale business in September 2022 and opened a directly managed store in April 2023.

We aim to convert to OMO-type D2C.

### Opened a directly managed store (April 2023)

- Opened a directly managed store in April 2023, the first one since our founding
- Continue to evaluate the expansion of directly managed stores in other regions



\* OMO: Online Merges with Offline

### Started wholesale sales for the first time since the Company's founding

- Began wholesale sales to AEON RETAIL Co., Ltd. in September 2022
- AEON STYLE Makuhari New City Store (from September 2022)
- AEON STYLE Kita Toda (from October 2022)
- FY2024: The AEON Chigasaki-Chuo store (opened in April 2023)



# LOWYA Enhancement of Innovative Services

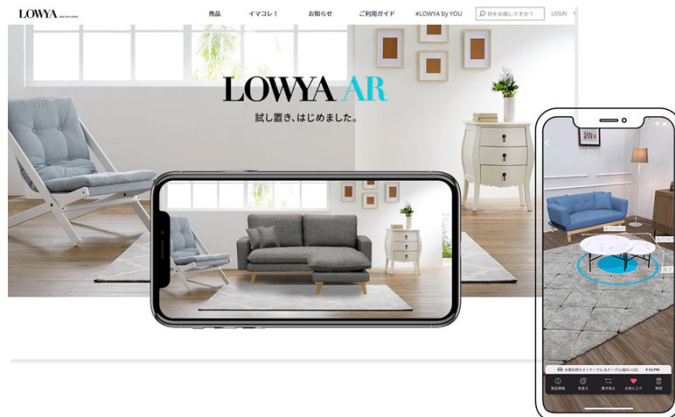
With focus on AR/VR, the Company is internally developing services one after another that change the furniture purchasing experience.

A significant improvement in CVR has been observed among users using AR.

## In service

### LOWYA AR “AR try-on”

- Support comparison and consideration in e-commerce by using AR (number of users who used AR in the past year: over 100,000)
- Recreate the texture of fabrics and the back side of products by using the 3D model generated by the in-house developed system
- Multiple products can be placed at the same time (iOS app only)



## In pilot offering

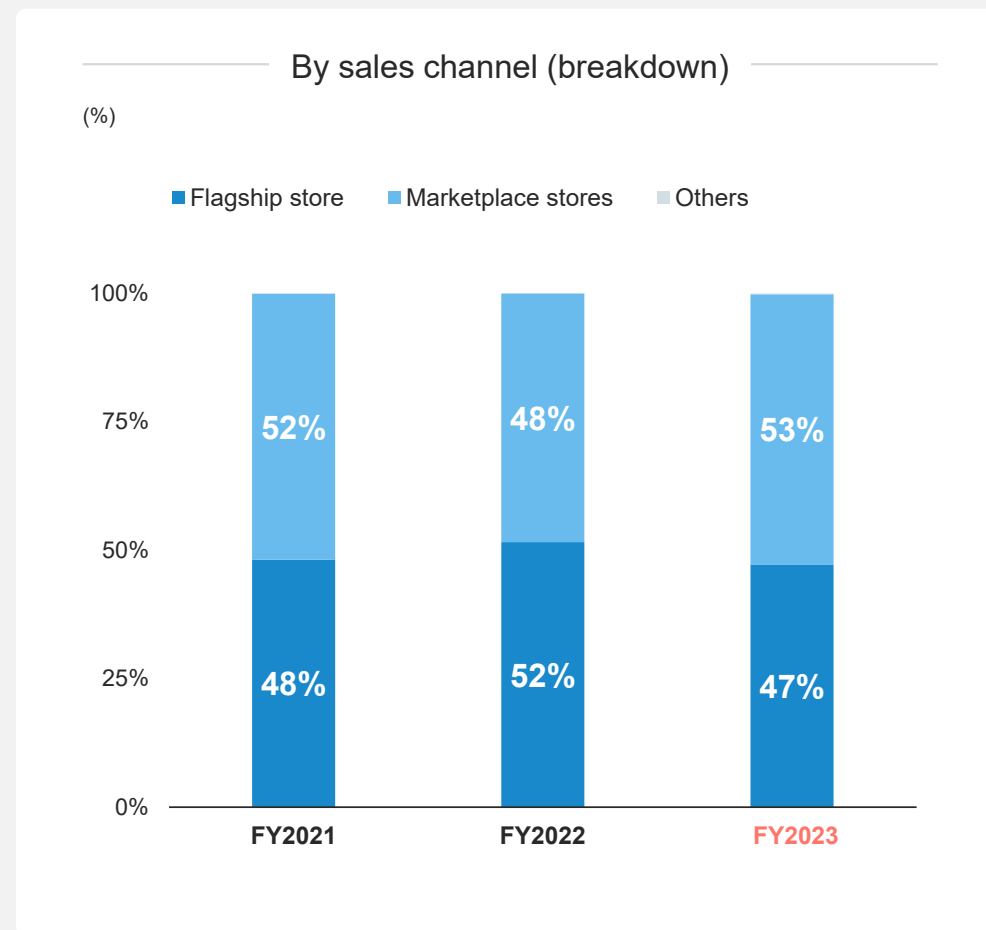
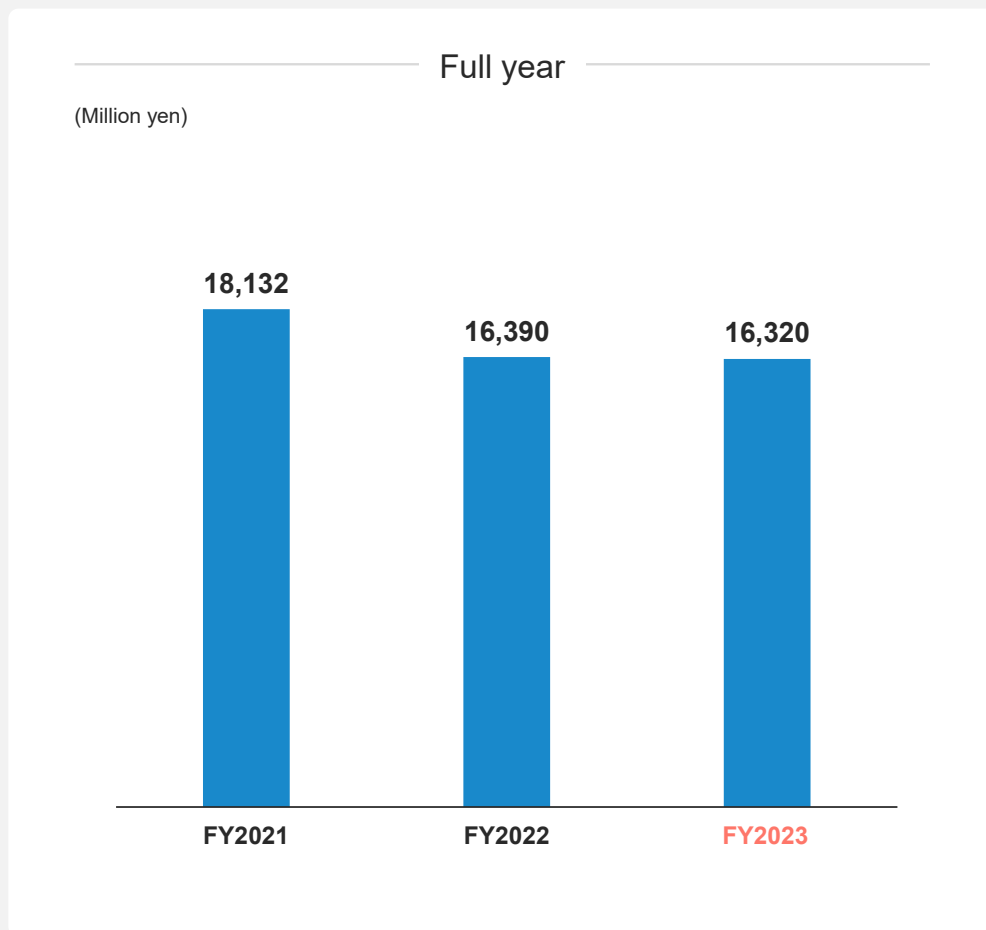
### LOWYA 360

- A new coordination proposal that enables users to have a 360-degree view of an entire 3D space with the 3D model of LOWYA AR
- Support VR mode



\* Everything in the image is a 3D model

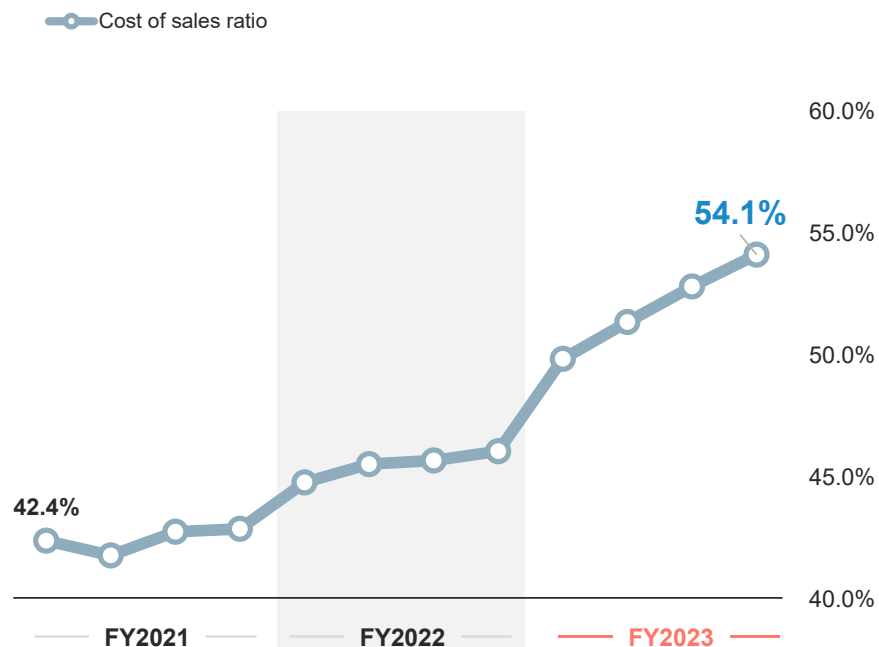
Net sales for the fiscal year ended March 31, 2023 landed in line with initial forecasts. Aiming for sales growth from the fiscal year ending March 31, 2024 onwards.



\* 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.

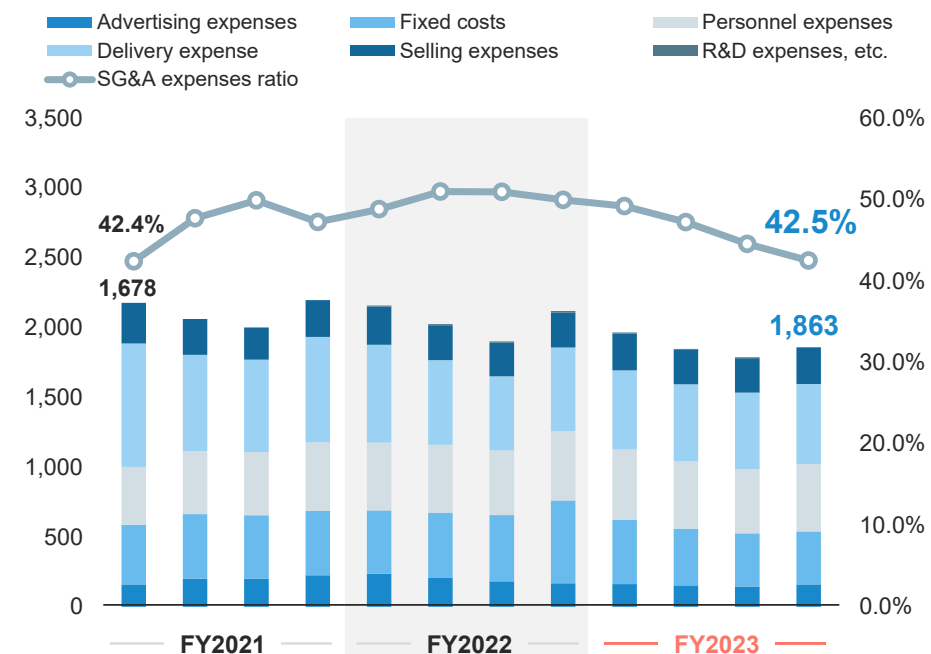
In the fiscal year ended March 31, 2023, the cost of sales ratio rose significantly due to factors such as the rapid depreciation of the yen. Profit was secured by reducing SG&A expenses such as selling expenses and delivery expenses. In the fiscal year ending March 31, 2024, the cost of sales ratio is expected to remain high in the first half.

Cost of sales ratio



SG&A expenses

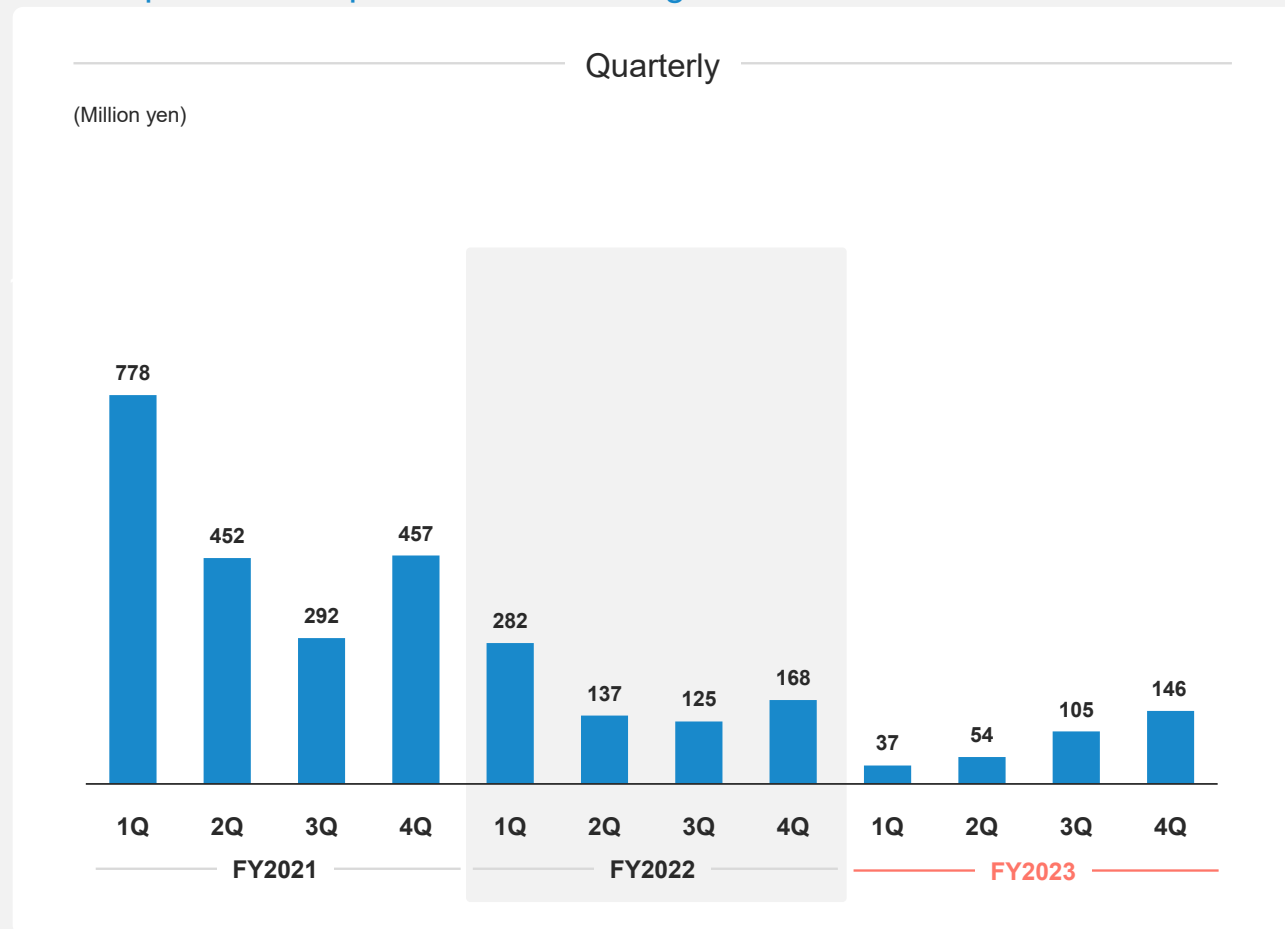
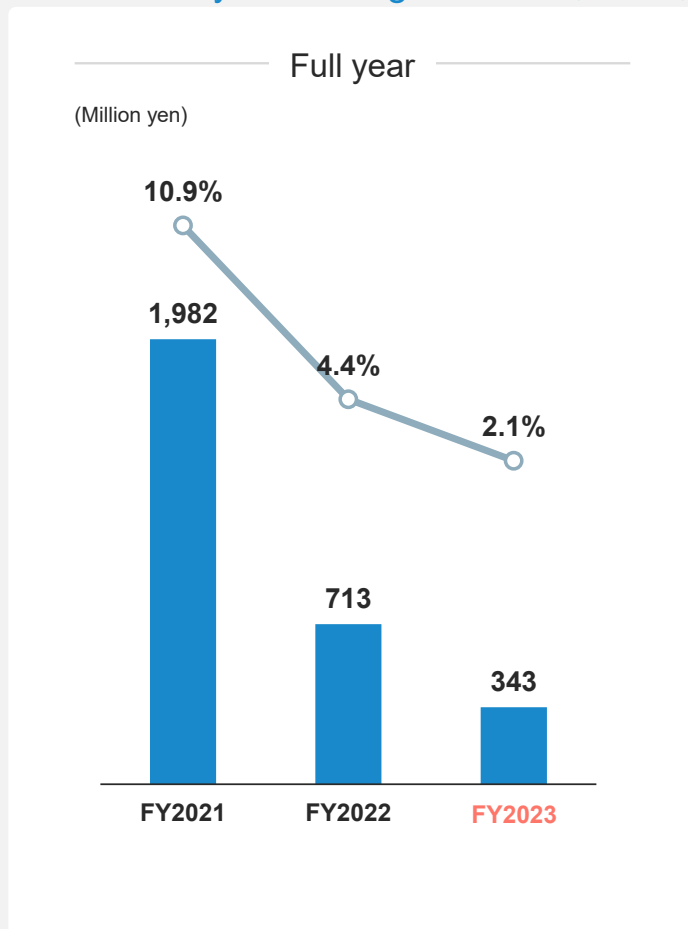
(Million yen)



\* The cost of sales ratio and SG&A expenses ratio show the ratios 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.

In the fiscal year ended March 31, 2023, operating profit landed higher than initial forecasts due to structural improvement through the reduction of fixed costs, despite a significant rise in the cost of sales ratio.

In the fiscal year ending March 31, 2024, profit is expected to improve if the exchange rates stabilize over the second half.

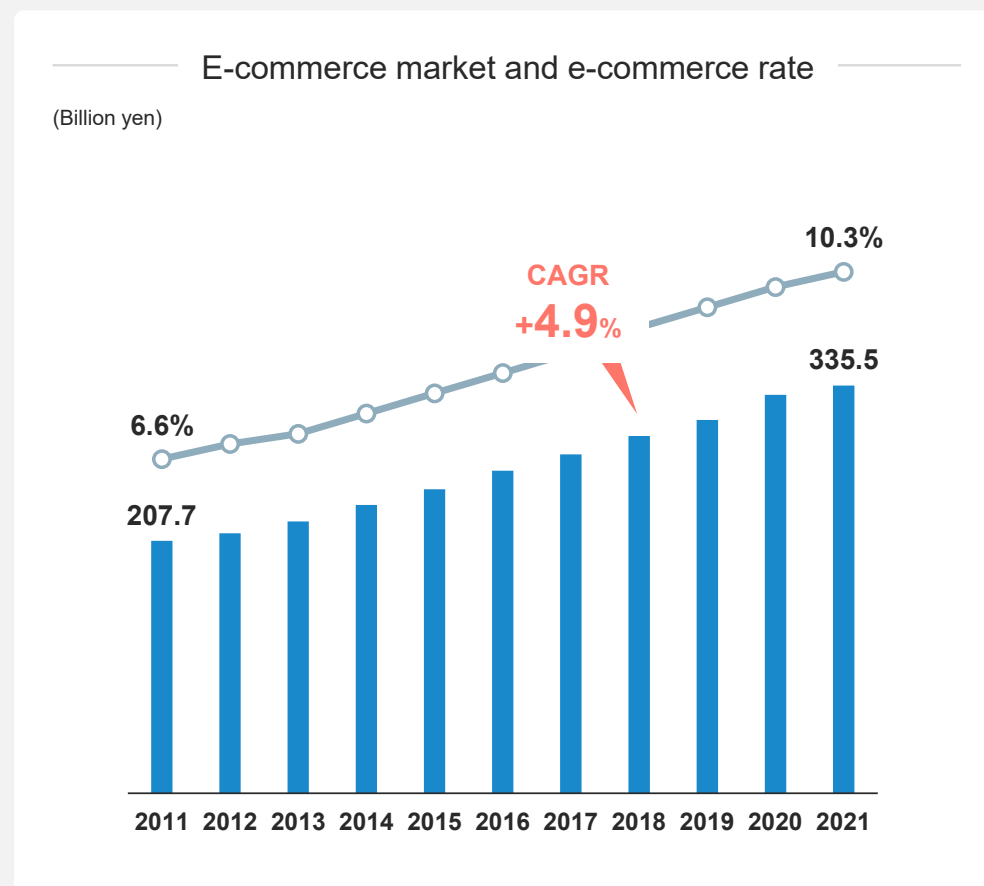
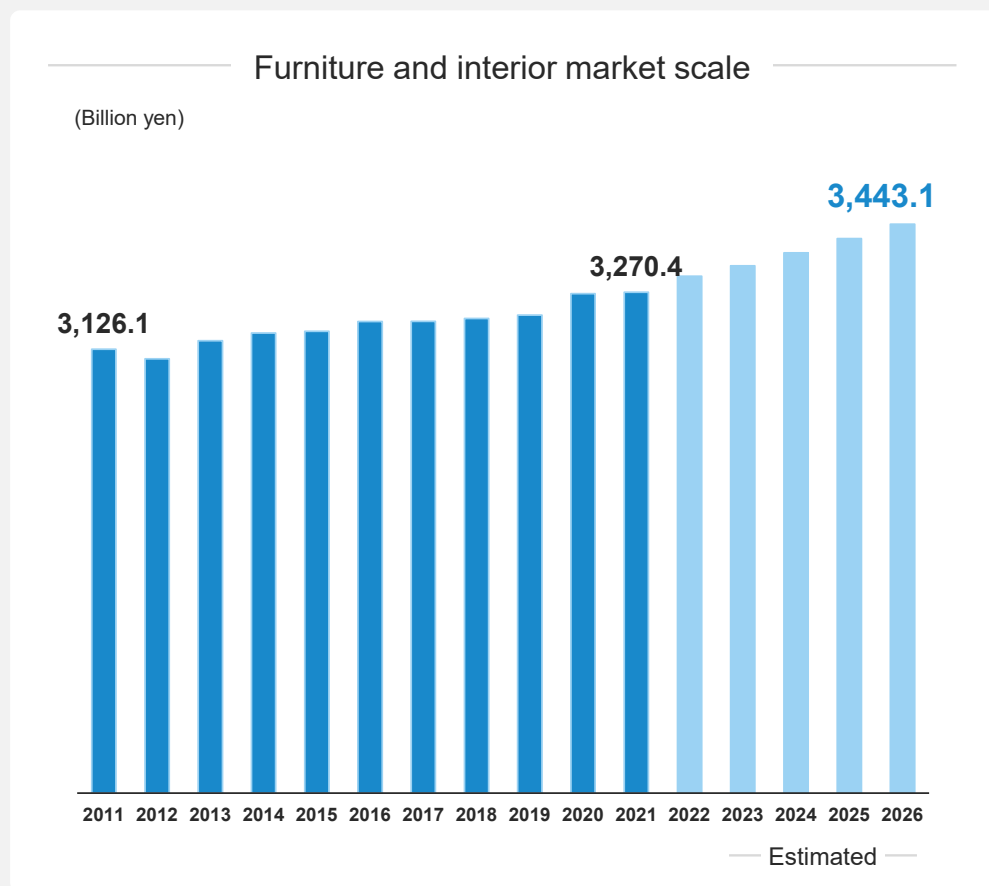


# 3

## Market Environment

The furniture and interior market as a whole is expected to continue to grow at a CAGR of 1.0%.

The rate of e-commerce shift increased partly due to stay-at-home demand boosted by the spread of COVID-19. The rate of e-commerce shift is expected to improve in the future as e-commerce has become commonplace.

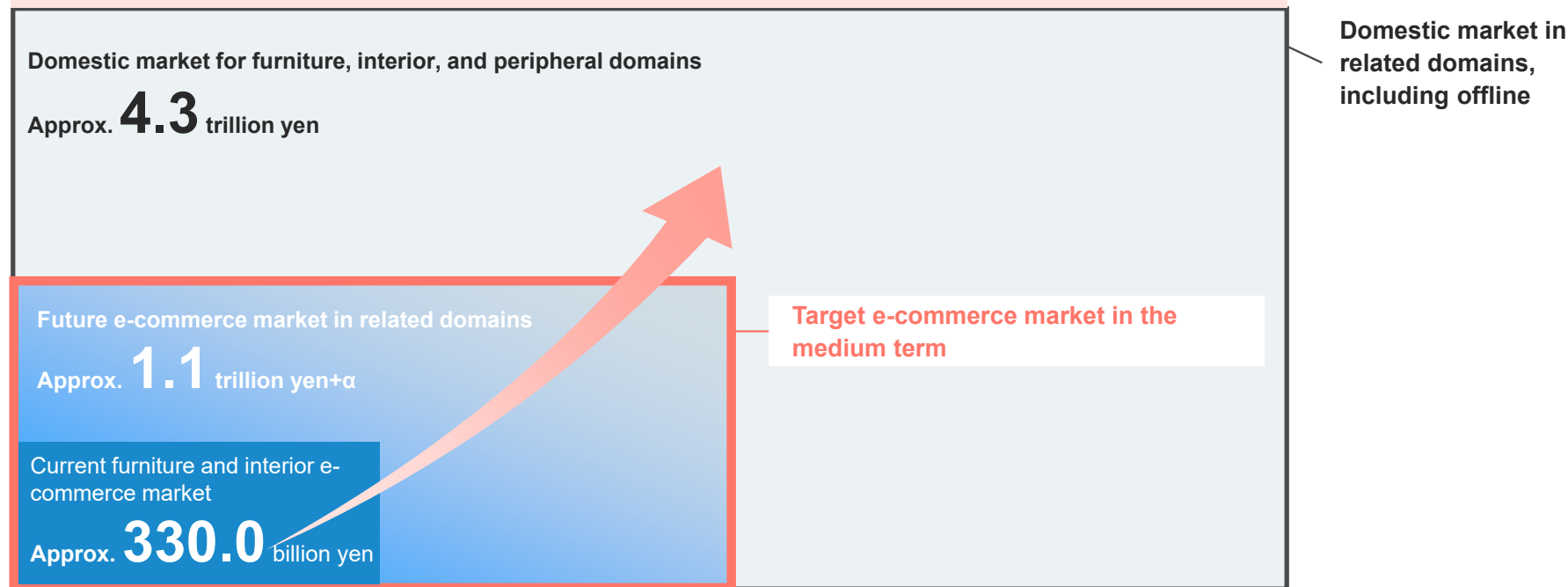


\* Source: "Home Furnishings in Japan, May 2021" issued by Euromonitor

Target market will expand, driven by a greater range of products offered and an increasing shift to e-commerce. There is plenty of room for business growth through the expansion of product genres and promotion of OMO-type D2C.

**Field for further exploration**

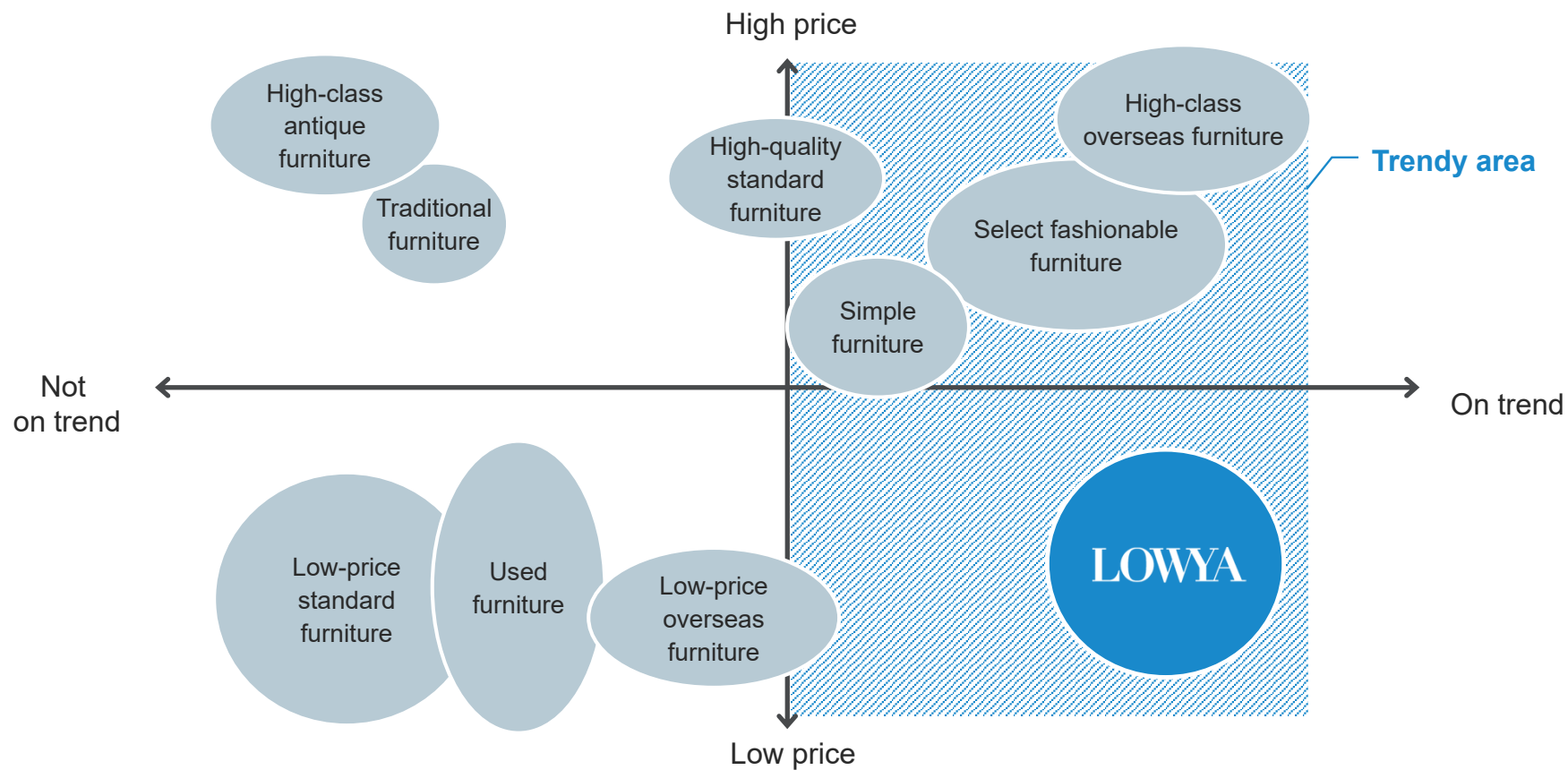
(Not only related fields, but merchandise in general acceptable to LOWYA users in the fields of food, clothing and housing)



\* 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. Copyright 2023 VEGA corporation. All Rights Reserved.



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

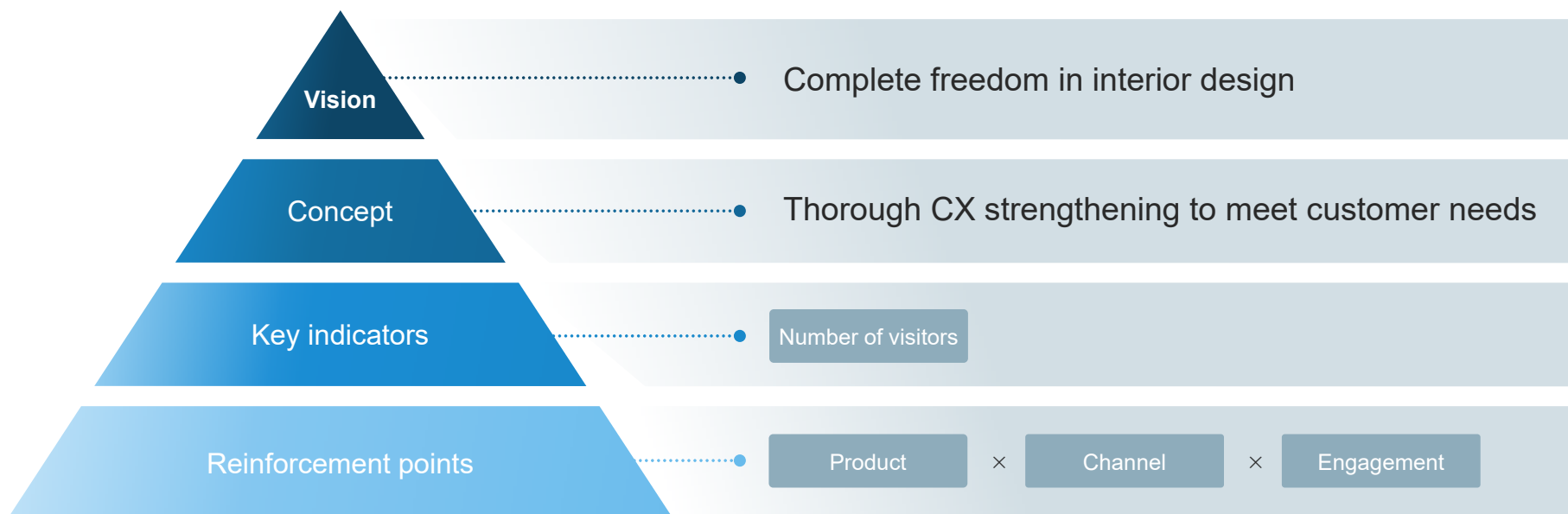


# 4

## Growth Strategy

Shift from the flagship store strategy to the OMO strategy in light of a directly managed store development that started in FY2023.

Aim to grow the LOWYA business with product, channel, and engagement as three focal points for reinforcement.



Utilize operating cash flows arising from marketplace stores and the flagship store, as well as funds procured, as necessary, to execute active investments in product expansion, channel development, etc. for the LOWYA business.

### Financing methods

#### 1. Operating CF

- Operating CF from marketplace stores, a steady source of revenue with no need for additional investments
- Operating CF from the flagship store shifting from a launch phase to a profit increase phase

#### 2. Interest-bearing debts

- Borrowings fully repaid as of March 31, 2023
  - Shareholders' equity amounts to 5.3 billion yen, sufficient borrowing capacity
- \* As of March 31, 2023

#### 3. Equity

- Not excluded as an option

### Investment areas

#### 3 focal points for reinforcement

Product

Channel

Engagement

**Strengthen infrastructure**

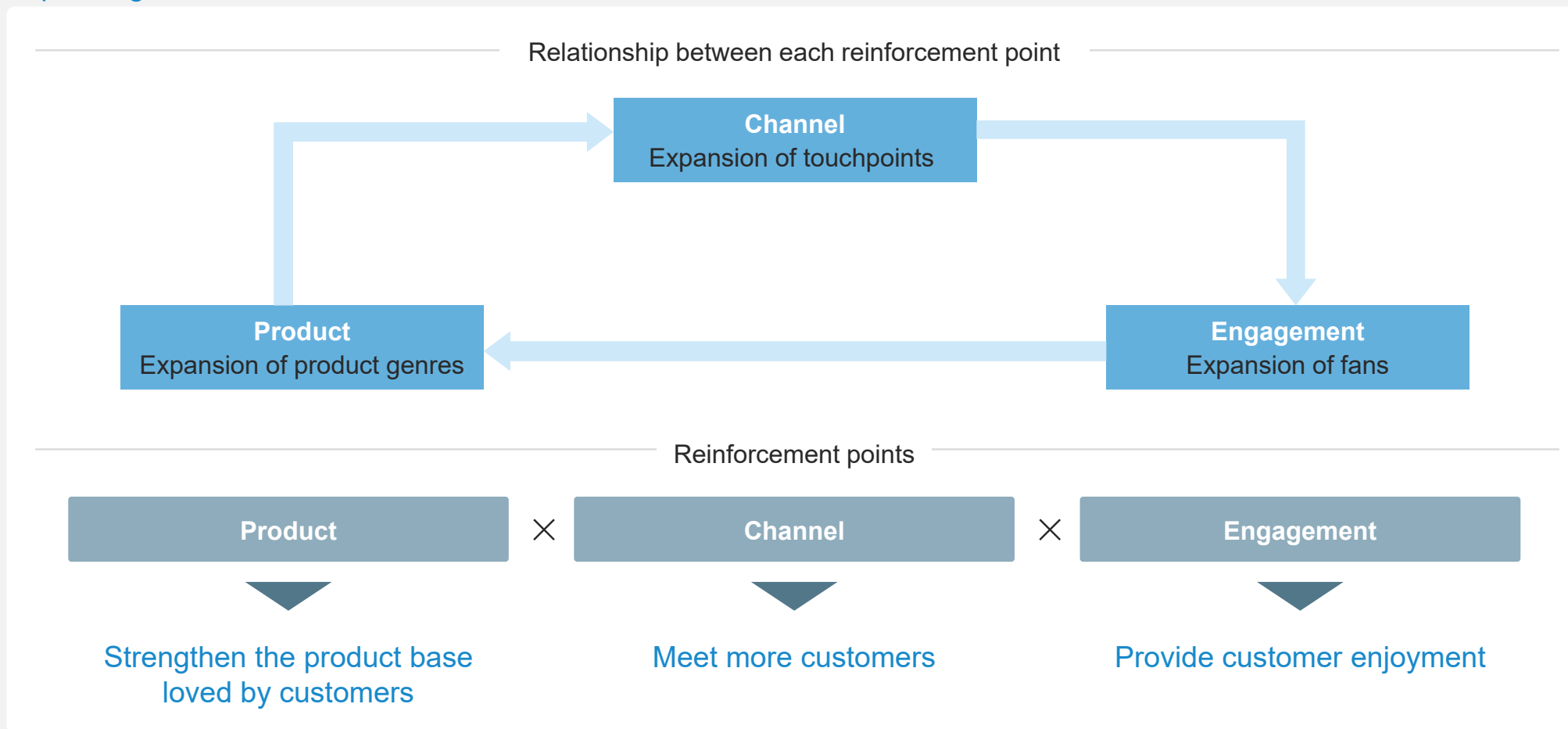
- Strengthen SCM and fulfillment
- Improve IT systems

**Complement strategies**

**External collaboration**

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

Aim to entice potential customers to think of our products in their various life events by developing channels and expanding fans.



The goal of expanding product lineup through strengthening of the products of other companies' brands is now in sight. Going forward, we will expand product genres and release products with a focus on priority items.

### Home furnishing

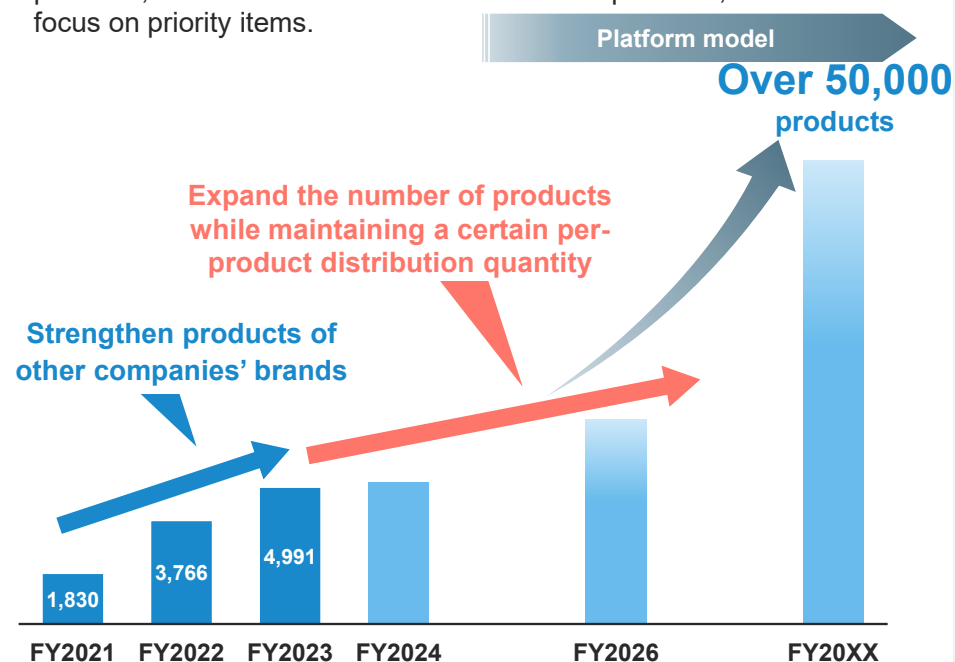
- General household goods including furniture
- Complete coordination of colors, patterns, materials, etc. of household goods in a coherent style



Increase the share of LOWYA products in customers' living spaces

### Enhancement of product lineup

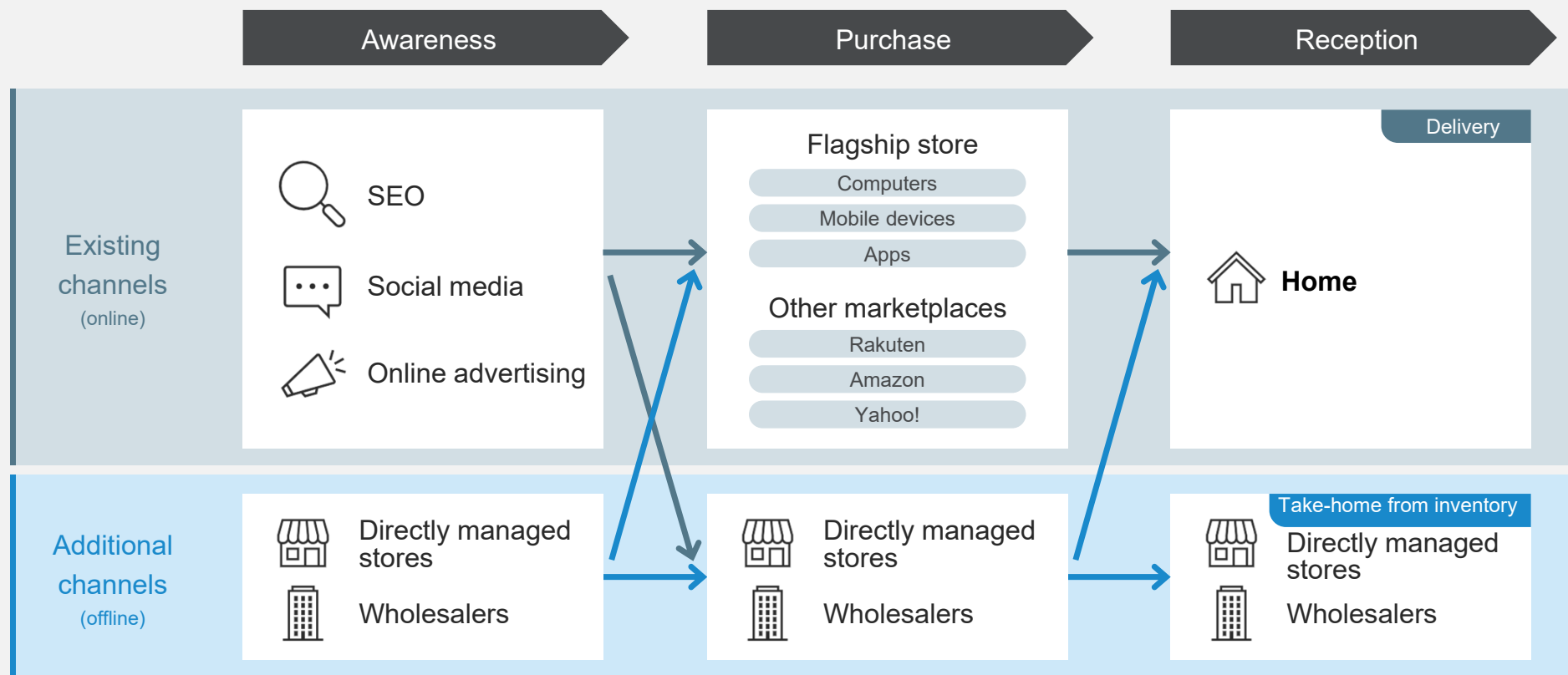
The policy will be to continue to expand the number of items and categories. However, the emphasis will not be on the number of products, but rather on the careful selection of products, with a focus on priority items.



\* Until the previous fiscal year, we had been reporting the number of products of other companies' brands offered, but from this year, the number of all products is reported as we aim to strengthen the product lineup including PB.

Sought to set the channels on multiple tracks by adding the options of directly managed stores and wholesalers to the channels for awareness, purchase, and reception.

Continue to evaluate the expansion of directly managed stores.



The first directly managed store was opened in Nishi-ku, Fukuoka City in April 2023.

Exterior



Exterior





The first directly managed store was opened in Nishi-ku, Fukuoka City in April 2023.

Inside the shop



Inside the shop



The first directly managed store was opened in Nishi-ku, Fukuoka City in April 2023.

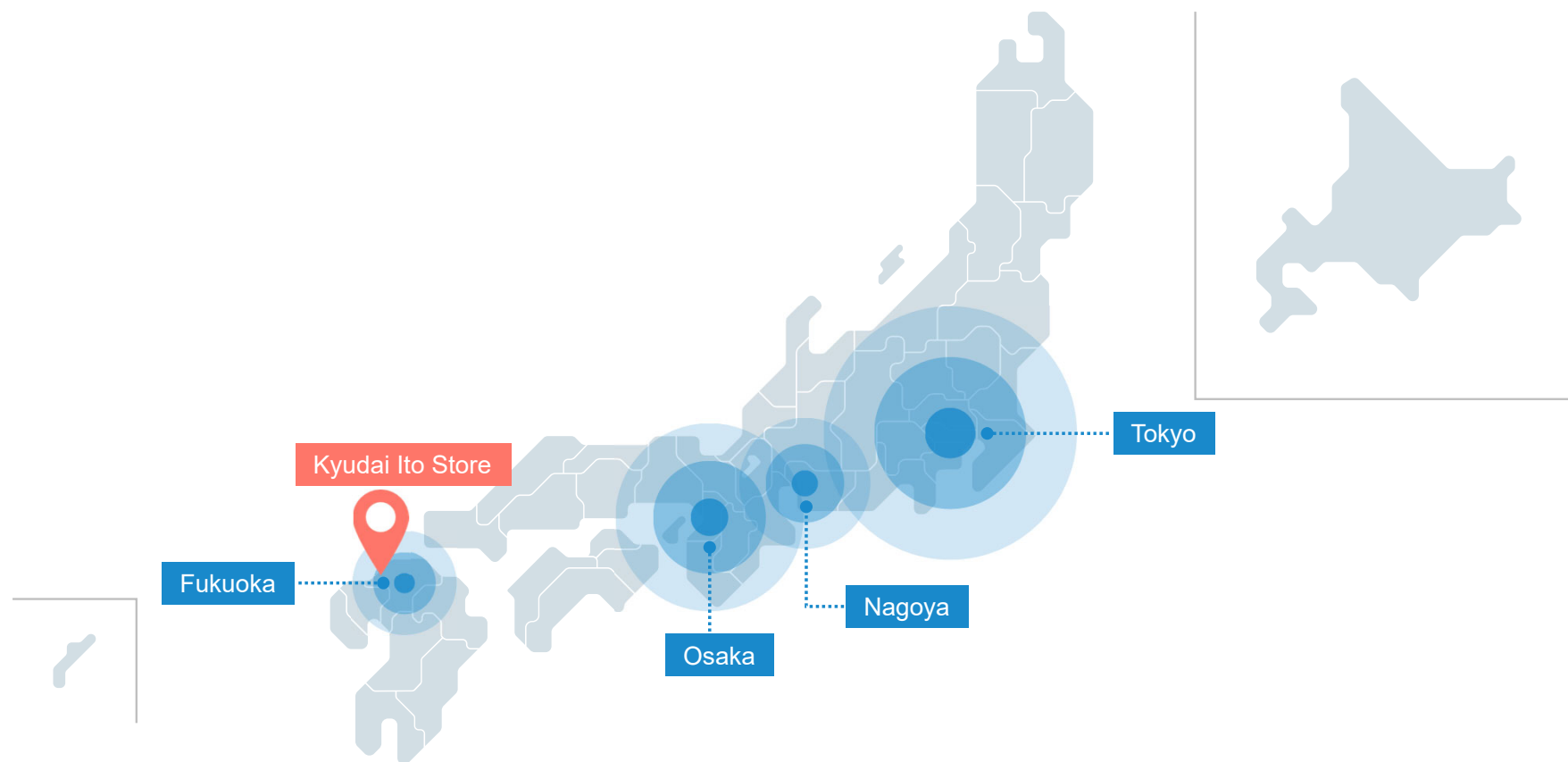
Long line at the opening



The store was very busy after the opening

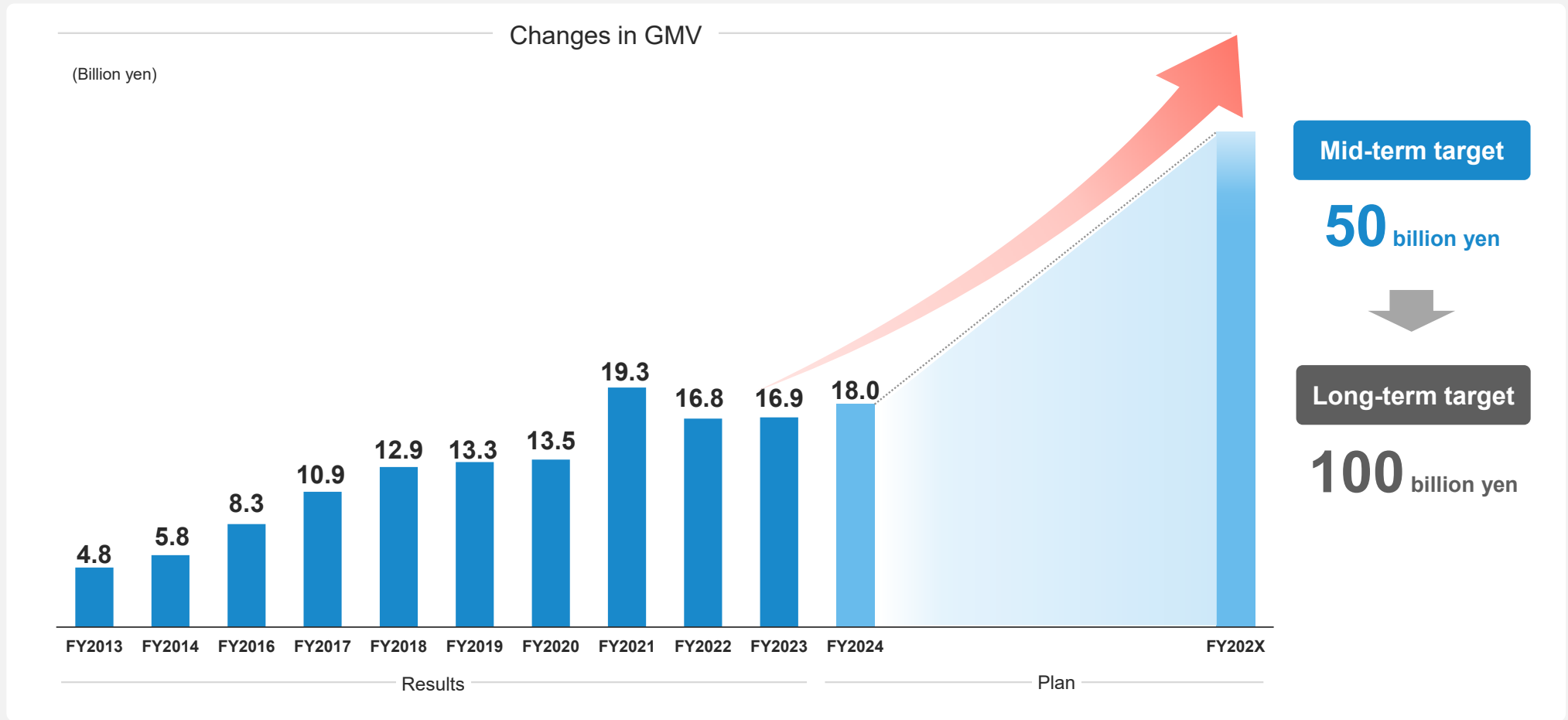


Starting with the opening of the first store (Nishi-ku, Fukuoka City) in April 2023, we will continue to evaluate nationwide expansion.



## GMV Target

Achieve high GMV growth rates over a medium term with the three focal points for reinforcement.



\* Since the outbreak of COVID-19, the business environment surrounding the Company has drastically changed, making it difficult to achieve the plan for the fiscal year ending March 31, 2026. Therefore, the Company has decided to drop the numerical targets of the medium-term plan. The Company will continue to explore a new long-term vision with an aim to maximize corporate value over the medium- to long-term. The Company will make an announcement once it becomes possible to appropriately and reasonably formulate a plan.

# 5

## Risks

## Business Risks

Major risks related to our business and countermeasures are as follows.

Please refer to “Business Risks” in the annual securities report for other risks.

Description	Possibility of manifestation	Timing	Impact	Countermeasures
<b>Foreign exchange</b> Risk of significant exchange rate fluctuations affecting business performance	Medium	Short- to long-term	High	<ul style="list-style-type: none"> <li>Review and upgrade the hedging policy from time to time</li> </ul>
<b>Response to search engines</b> Risk of not being able to acquire sufficient customers as a result of ineffective search engine optimization (SEO) due to factors including changes in search algorithms	Medium	Unclear	Medium	<ul style="list-style-type: none"> <li>Implement measures to reduce the impact of search algorithm changes, etc.</li> </ul>
<b>Impact of online malls</b> Risk arising from mall closures, cancellation of store opening agreements, mall system troubles, etc.	Medium	Unclear	Medium	<ul style="list-style-type: none"> <li>Focus efforts on the growth of the LOWYA flagship store as well as establishment and expansion of new sales channels</li> </ul>
<b>Competition</b> Risk of a decline in the Company’s competitive advantage or occurrence of price competition	Medium	Short- to long-term	High	<ul style="list-style-type: none"> <li>Strengthen competitive advantage</li> <li>Provide high-value-added services</li> </ul>
<b>Increase in delivery expenses</b> Risk of shipping companies withdrawing from large-scale deliveries or raising prices	Medium	Unclear	Medium	<ul style="list-style-type: none"> <li>Build an earnings structure that is not easily affected by rising delivery expenses</li> </ul>
<b>Intellectual property rights</b> Risk of the Company’s rights being infringed or unintentional infringement of intellectual property rights of third parties	Low	Short- to long-term	Low	<ul style="list-style-type: none"> <li>Obtain various intellectual property rights</li> <li>Build a system to ensure that there is no infringement of the intellectual property rights of third parties</li> </ul>
<b>Information security and system troubles</b> Risk of system troubles due to unexpected accidents, unauthorized access, etc. resulting in difficulties to provide services stably	Low	Short- to long-term	High	<ul style="list-style-type: none"> <li>Back up data and disperse systems</li> <li>Strengthen security measures</li> </ul>

# 5

## Appendix

Efforts toward the platform model steadily progressed, but it was decided that securing customer contact points and traffic should be prioritized.

We will first focus on channel development and engagement as an OMO-type D2C company.

Attract more customers

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

Attract more customers → “Channels and engagement”

Number of flagship store members: **1.39 million** (123.3% YoY)  
 Started a new wholesale business and directly managed stores to expand touchpoints

Enhance product lineup

Enhance the lineup of other companies’ brands and enrich the assortment of sundries to expand the number of items and categories (pilot test already started from the fiscal year ended March 2021)

Enhance product lineup → “Product lineup centered on PB”

Products of other companies’ brands: **2,482 products** (163.4% YoY)  
 Product release with a focus on our own private brand products that are design- and trend-conscious  
 Continue to expand product genres with other companies’ brands

Strengthen services

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

Strengthen services → “Measures within the above three focal points”

Function to show delivery date  
 Ratio of flagship store repeat customers: **26.1%** (114.3% YoY)

FY2026 GMV: 50 billion yen to 60 billion yen

Vision for medium-term business growth: company-wide net sales (GMV) of 50 billion yen in 202X



In 4Q, net sales steadily recovered continuing from 3Q, and net sales of the LOWYA business in 4Q were 103.2% YoY. We focused on profit control at the flagship store in the current fiscal year, and full-year net sales of the flagship store were 91.2% YoY.

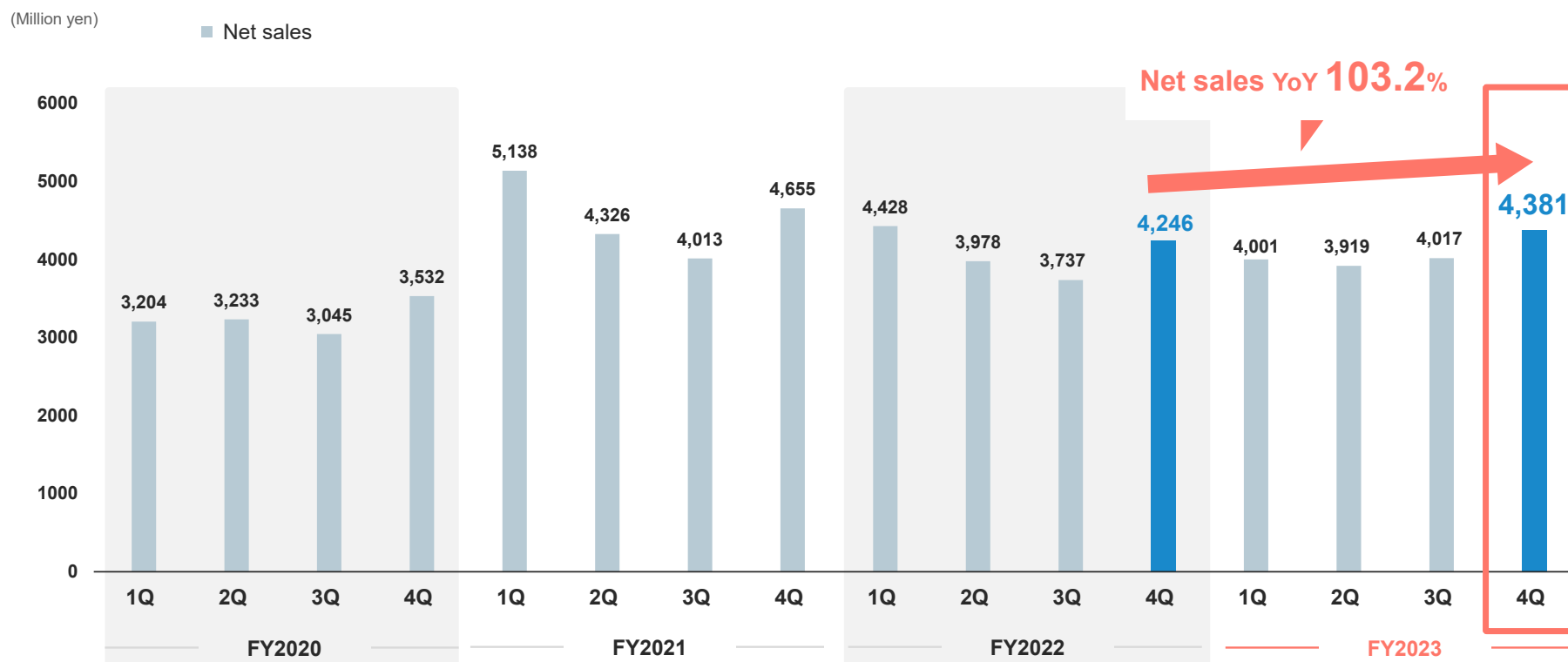
Membership of the flagship store has continued to grow steadily, reaching 1.3 million members. The ratio of sales (GMV) to repeat customers has increased solidly.

(Million yen)

Scope	Item	Timeframe used for calculation	Fiscal year ended Mar. 31, 2022	Fiscal year ended Mar. 31, 2023 (current fiscal year)	YoY
Business total	LOWYA business net sales (million yen)*1	Full year	16,390	16,320	99.6% (-70)
Flagship store	Flagship store net sales (million yen)*1	Full year	8,455	7,708	91.2% (-747)
	Membership (thousand people)	As of the end of the fiscal year	1,127	1,390	123.3% (+263)
	Ratio of repeat customers (based on GMV) (%)	LTM	22.9	26.1	114.3% (+3.3)
	Members: Average basket value (yen)	LTM	22,946	22,439	97.8% (-507)
	Guests: Average basket value (yen)	LTM	20,091	18,822	93.7% (-1,269)

\*1. Starting with the briefing materials of the full-year financial results for the fiscal year ended March 31, 2023, net sales are stated instead of GMV (Gross Merchandise Value) as a certain period of time has passed since the application of the new Revenue Recognition Standard.

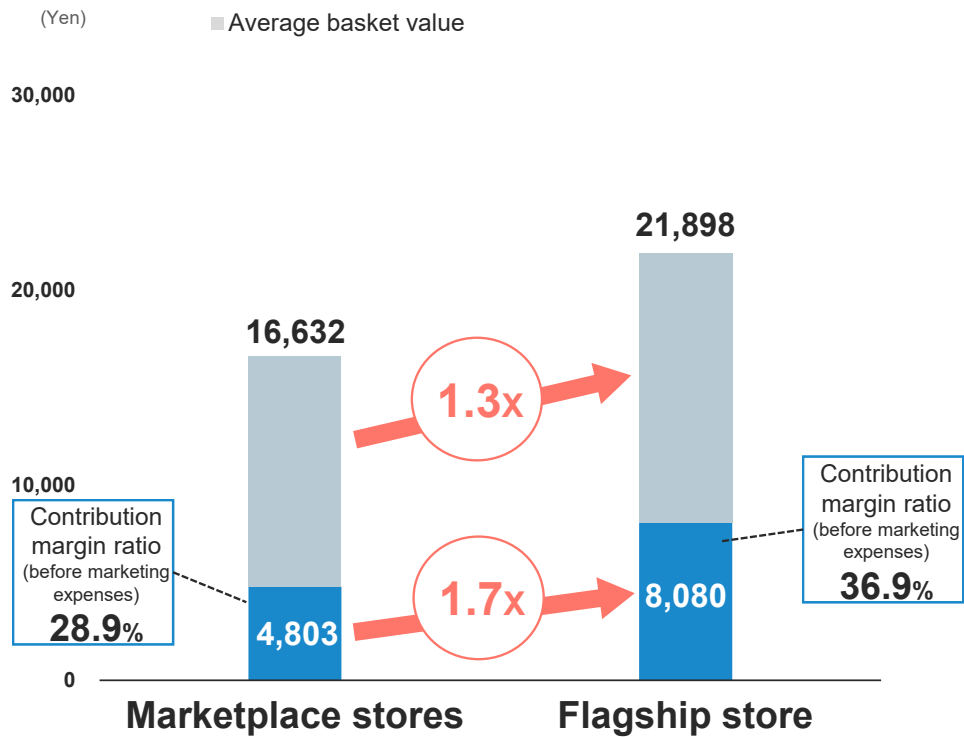
4Q performance remained strong, and total net sales of the business grew steadily.



\* 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

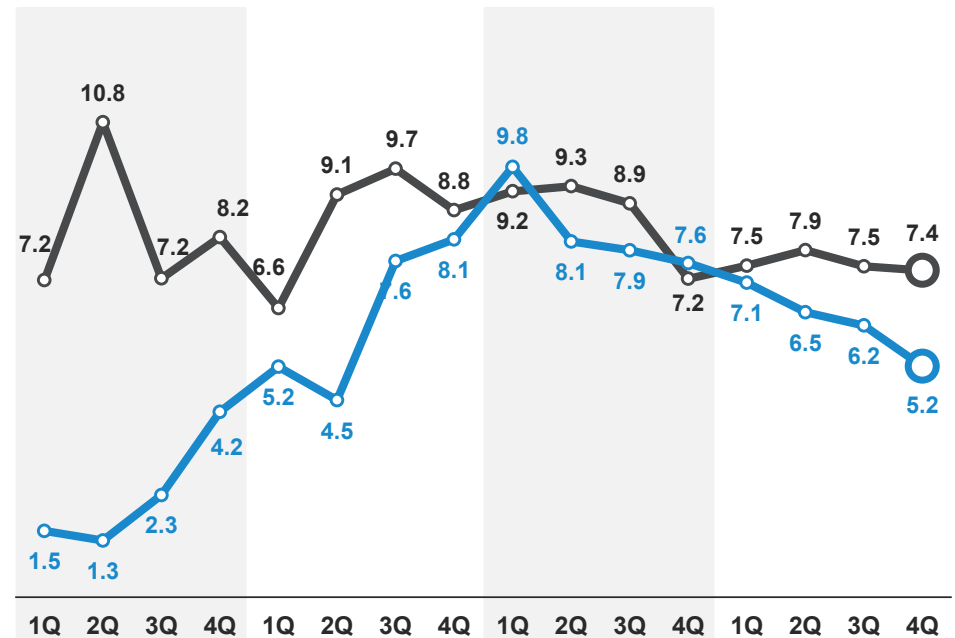
For reference, up to this presentation, the graphs have been prepared based on the previous standard.

Average basket value and contribution margin by sales channel (full-year results)



Marketing investment ratio (vs. flagship store GMV)

● Advertising expense ratio (Advertising expenses of LOWYA business/Flagship store GMV)  
 ● Promotional discount ratio (Flagship store promotional discount/Flagship store GMV)



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

Memberships and the number of app DLs increased smoothly. Memberships surpassed one million in February 2023. Average basket value grew and GMV continued to grow at a high growth rate.

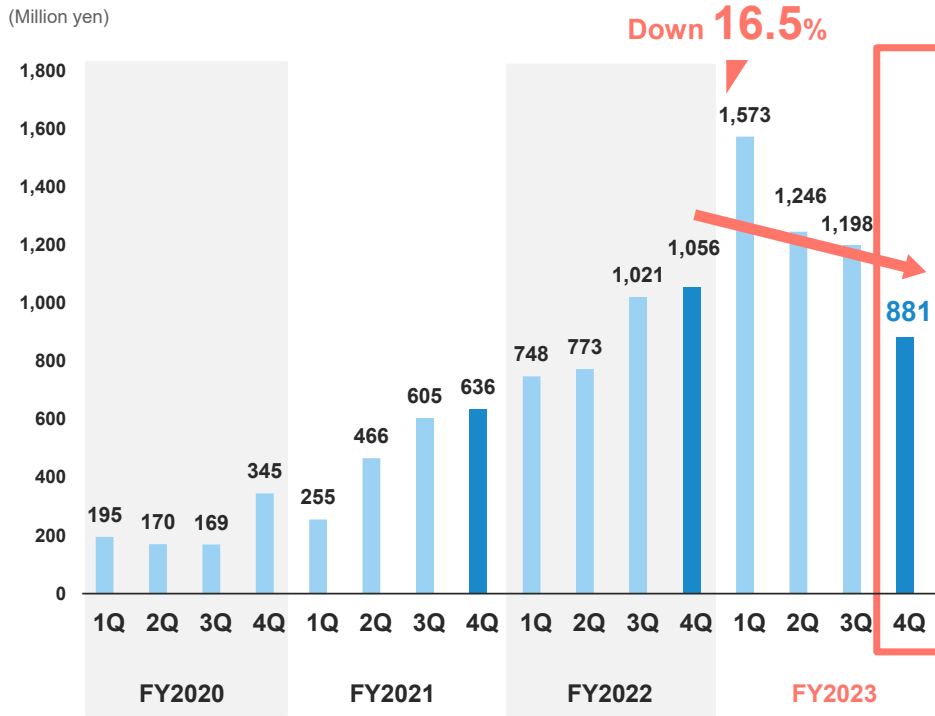
Item	Fiscal year ended Mar. 31, 2022	Fiscal year ended Mar. 31, 2023 (current fiscal year)	YoY
GMV (million yen)	<b>3,597</b>	<b>4,898</b>	<b>136.2%</b> (+1,301)
Net sales (million yen)	<b>442</b>	<b>653</b>	<b>147.8%</b> (+211)
Membership (thousand people)	<b>878</b>	<b>1,009</b>	<b>115.0%</b> (+131)
Number of app DLs (thousand)	<b>1,342</b>	<b>1,457</b>	<b>108.6%</b> (+115)
Average basket value (yen)	<b>12,576</b>	<b>13,310</b>	<b>105.8%</b> (+734)
Number of products (thousand)	<b>44</b>	<b>51</b>	<b>116.4%</b> (+7)
Number of brands	<b>1,123</b>	<b>1,236</b>	<b>110.1%</b> (+113)
Deliveries (cumulative) * Number of countries and regions to which deliveries were made	<b>109</b>	<b>114</b>	<b>104.6%</b> (+5)

**GMV and Upfront Investments (Net Business Income)**

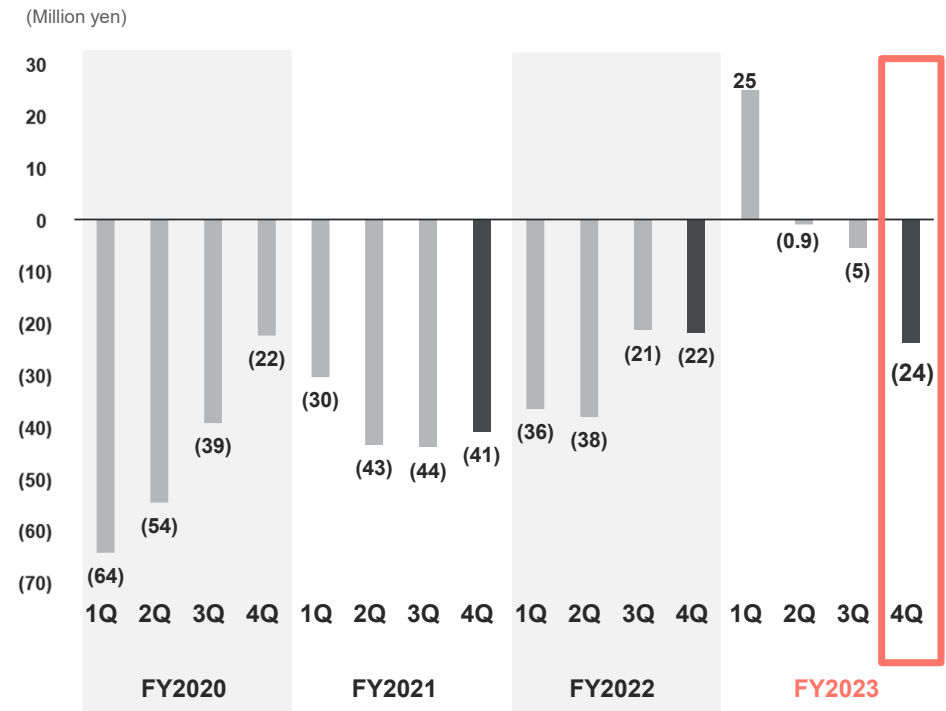
For reference, a part of the supplementary briefing materials for financial results is provided in this presentation. From next time, please refer to supplementary briefing materials for financial results.

In 4Q, GMV (Gross Merchandise Value) was sluggish at 83.5% YOY due to changes in the market environment. For the full year, the Company continued to maintain a GMV growth trend while limiting upfront investments as planned. Deficit in the business decreased. Repeat customer GMV increased, accounting for 84.9%.

GMV



Net Business Income



\* Net business income for FY2020 1Q-3Q includes some R&D expenses from other new businesses.



**VEGA** corporation

Inquiries on this document:

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This document contains forward-looking statements. All statements other than those related to historical facts in this document constitute such forward-looking statements. These statements involve known and unknown risks and uncertainties, and actual results in future periods may differ materially from these statements. Risks and uncertainties include, but are not limited to, market trends, competitive environment, and domestic and international economic conditions surrounding the business of the Company.

The opinions, estimates, and forecasts contained in this document are based on judgments made by the Company using information currently available and are not intended as a guarantee by the Company to achieve them.

Business plans and matters concerning growth potential will be disclosed at the same time as the full-year financial results announcement scheduled for May each year.