

Six months ended September 30, 2023

# Quarterly Financial Results

Vega corporation Co., Ltd.

Securities code: 3542





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# 1

## **Overview of Quarterly Financial Results for the Six Months Ended September 30, 2023**



In H1, net sales of LOWYA business were more or less flat YoY, but the DOKODEMO business distribution was slow to grow. As a result, net sales for the whole company amounted to **7,905 million yen (95.4% YoY)**. Operating profit landed at **27 million yen** due to a rising cost of sales ratio despite an improvement in the ratio of selling, general and administrative expenses.

## Company-wide net sales

**7,905** million yen

YoY **95.4%**

## LOWYA Net sales

**7,695** million yen

YoY **97.2%**

## DOKODEMO Net sales

**209** million yen

YoY **57.3%**

## Operating profit

**27** million yen

YoY **24.1%**

## Ordinary profit

**36** million yen

YoY **28.3%**

## Profit

**24** million yen

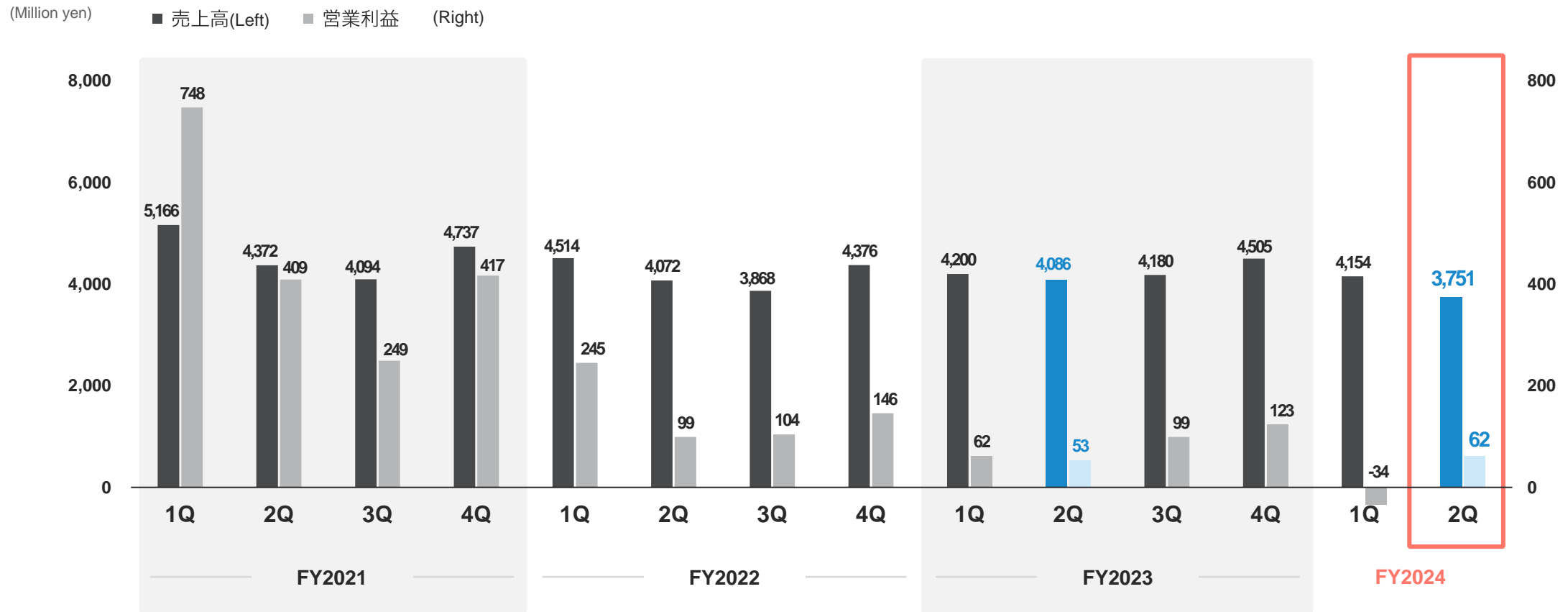
YoY **41.0%**

# Quarterly Net Sales and Operating Profit



Total net sales for the whole company declined slightly YoY, but operating profit came in at **62 million yen** as we worked to curb advertising expenses, among other factors.

The LOWYA business saw **improvements in gross margin**, and the DOKODEMO business faced the issue of **maintaining and expanding gross merchandise value**.

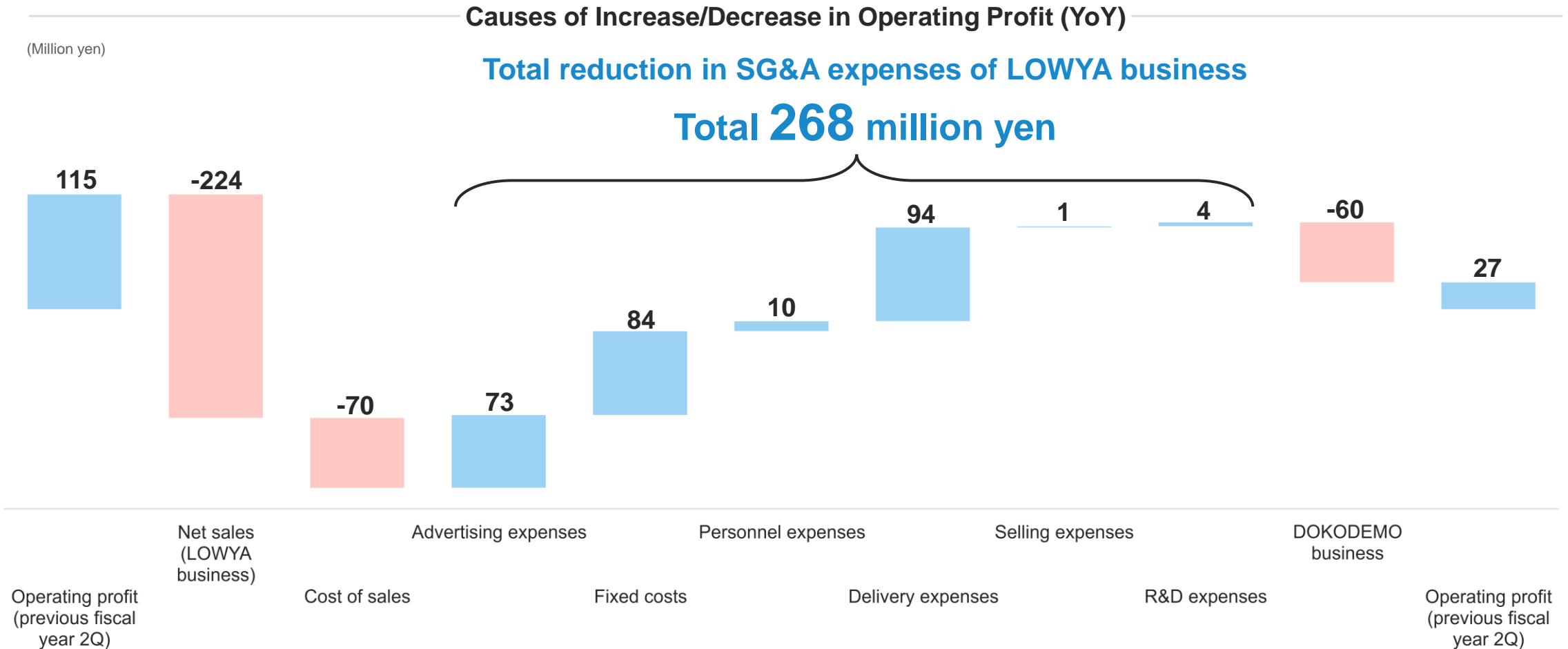


\* Due to the application of the new Revenue Recognition Standard from the fiscal year ended March 31, 2022, net sales for the fiscal year ended March 31, 2021, and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.

# Causes of Increase/Decrease in Quarterly Operating Profit (H1)



In the LOWYA business, **selling, general and advertising expenses fell 268 million yen** YoY as a result of **curbing advertising expenses** in an effort to improve profitability.



\* Revenue related to the DOKODEMO business and to research and development expenses is excluded from net sales used as the basis for calculating SG&A expenses, and therefore this data does not match the SG&A expenses on the statement of income.



The Company continued to be **debt free** and maintained a high equity ratio of **79.3%**.

(Million yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year 2Q (as of September 30, 2023)		Previous fiscal year (as of March 31, 2023)	Current fiscal year 2Q (as of September 30, 2023)
<b>Current assets</b>	<b>5,956</b>	<b>5,508</b>	<b>Current liabilities</b>	<b>1,796</b>	<b>1,331</b>
Cash and deposits	1,892	1,240	Debt obligations	—	—
Accounts receivable—trade	1,814	1,208	<b>Non-current liabilities</b>	<b>51</b>	<b>44</b>
Merchandise	1,819	2,523	<b>Total liabilities</b>	<b>1,847</b>	<b>1,375</b>
<b>Non-current assets</b>	<b>1,195</b>	<b>1,150</b>	<b>Shareholders' equity</b>	<b>5,308</b>	<b>5,181</b>
Property, plant and equipment, and intangible assets	526	521	<b>Total net assets</b>	<b>5,304</b>	<b>5,283</b>
<b>Total assets</b>	<b>7,151</b>	<b>6,659</b>	<b>Total liabilities and net assets</b>	<b>7,151</b>	<b>6,659</b>

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



# 2

## Report on LOWYA business





In H1, GMV of the LOWYA business was **8,007 million yen (94.9% YoY)** and net sales amounted to **7,695 million yen (97.2% YoY)**, both down YoY. **Membership of the flagship store** has continued to **grow steadily**. The Company opened an actual store in April 2023.

## GMV\*1

**8,007** million yenYoY **94.9%**

## Net sales

**7,695** million yenYoY **97.2%**

## Number of customers

**412** thousandYoY **92.1%**

## Average basket value\*2

**19,511** yenYoY **103.4%**

## Membership\*3

**1,502** thousandYoY **120.0%**

## Number of app DLs\*3

**1,003** thousandYoY **138.3%**

## Number of products\*3

**4,209**YoY **114.1%**

## Number of engagement accounts\*3, 4

**1,142** thousandYoY **130.8%**

\*1. Gross Merchandise Value

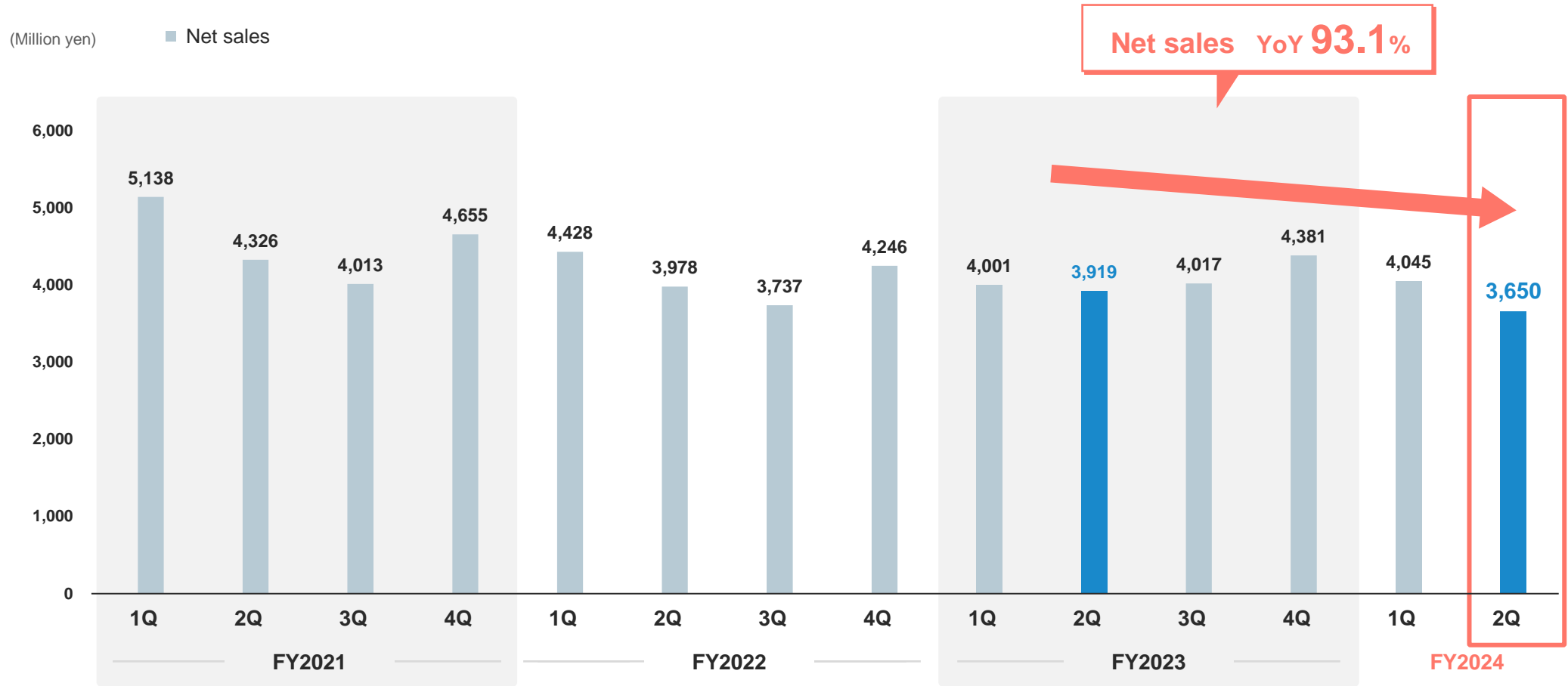
\*2. Calculated by dividing GMV by the number of order shipments

\*3. As of September 30, 2023

\*4. Total number of Instagram, TikTok, X (formerly Twitter), and Lemon8 followers, YouTube subscribers, and THE 608 HOTEL accounts



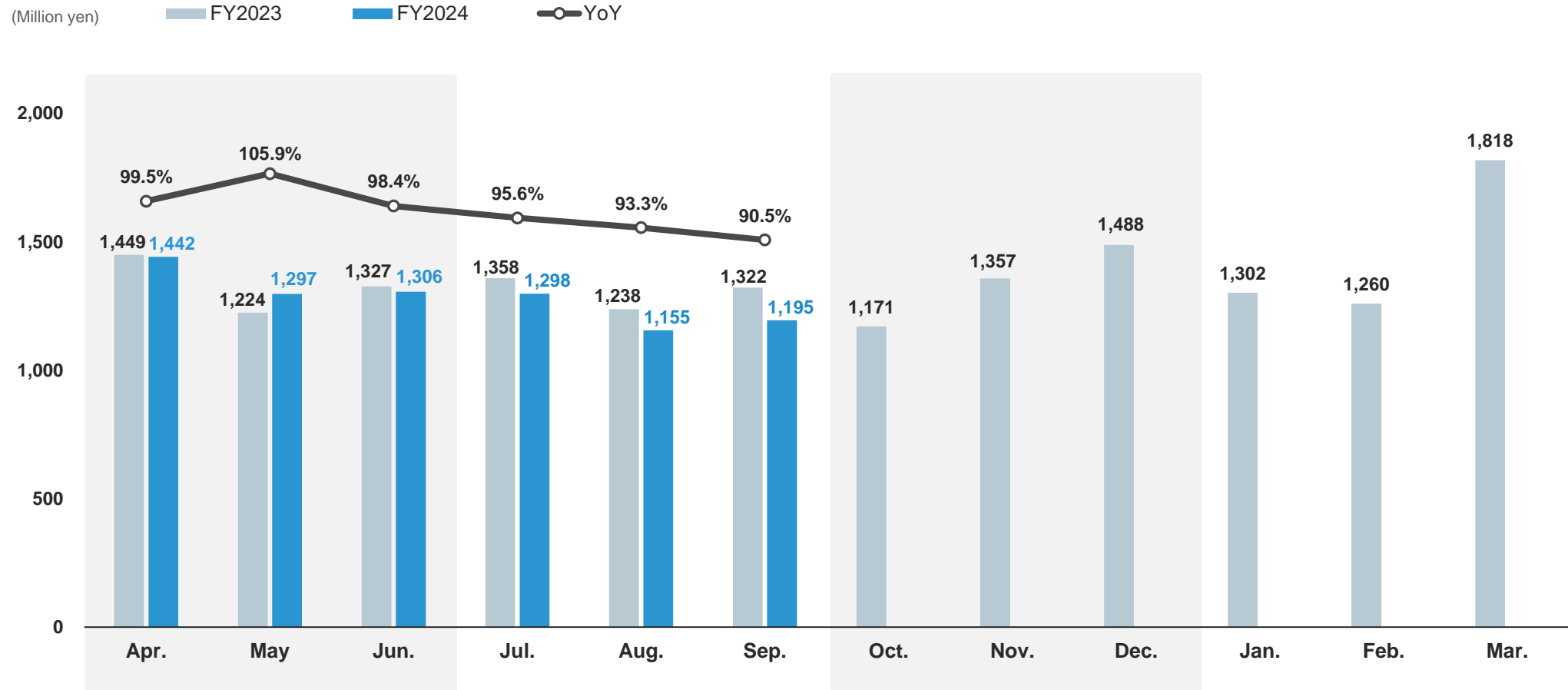
Net sales amounted to **3,650 million yen (93.1% YoY)**, supported by the increase in outings due to the shift in the classification of COVID-19 and by the measures taken to **curb sales promotion expenses and advertising expenses** as a profitability improvement effort.



\* 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.

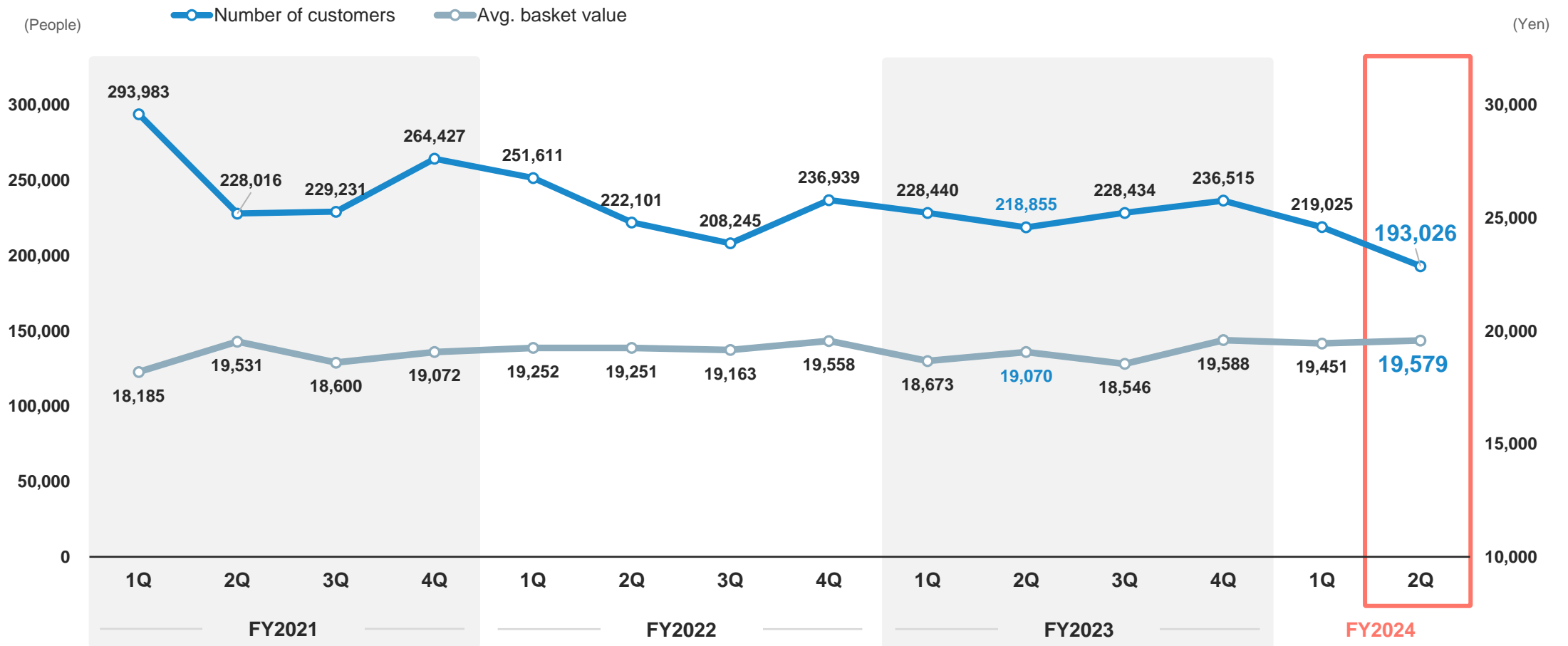


Net sales for the whole LOWYA business (flagship store + e-commerce marketplace store) were on a downtrend, affected by the measure taken to curb sales promotion expenses and advertising expenses measures as a profitability improvement effort.





The number of customers declined as we efficiently used sales promotion expenses and advertising expenses. Average basket value remained stable.



\* Calculated by dividing GMV by the number of order shipments

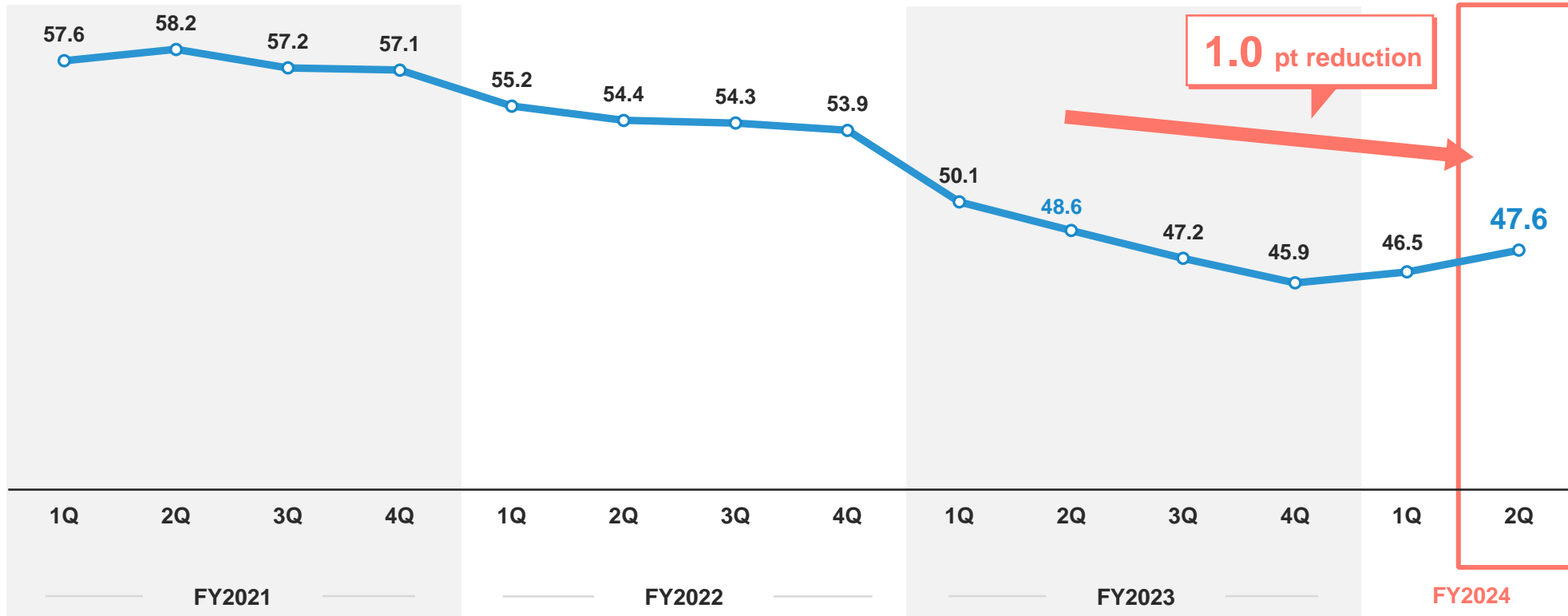


Gross profit margin declined 1.0 pt YoY due to the significant depreciation of the yen despite our move to curb sales promotion expenses.

However, gross profit margin was on an uptrend from 4Q onward. Improvement in gross profit margin continues to be an issue.

(%)

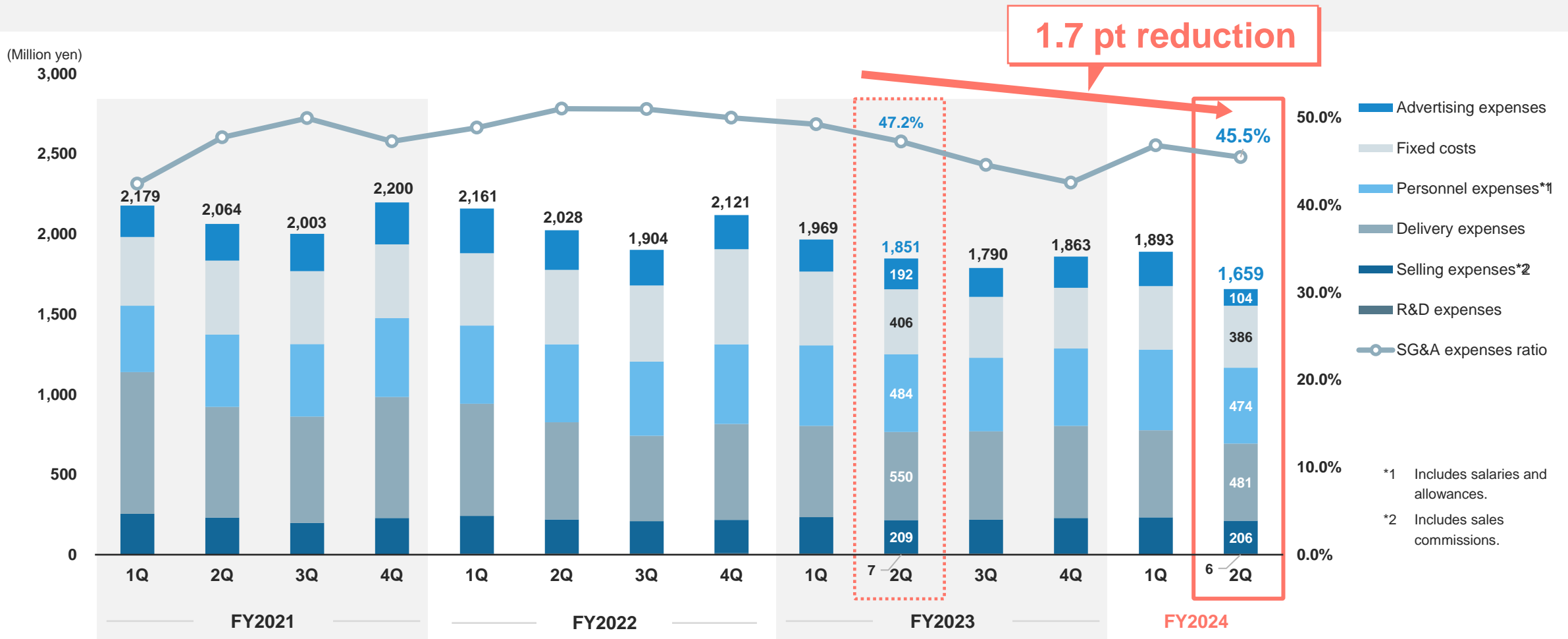
Gross profit margin



\* 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.



Selling, general and administrative expenses were lowered by **1.7 pt (192 million yen)** YoY through **optimizing advertising expenses** for flagship store and e-commerce marketplace store and **revising fixed costs**.



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

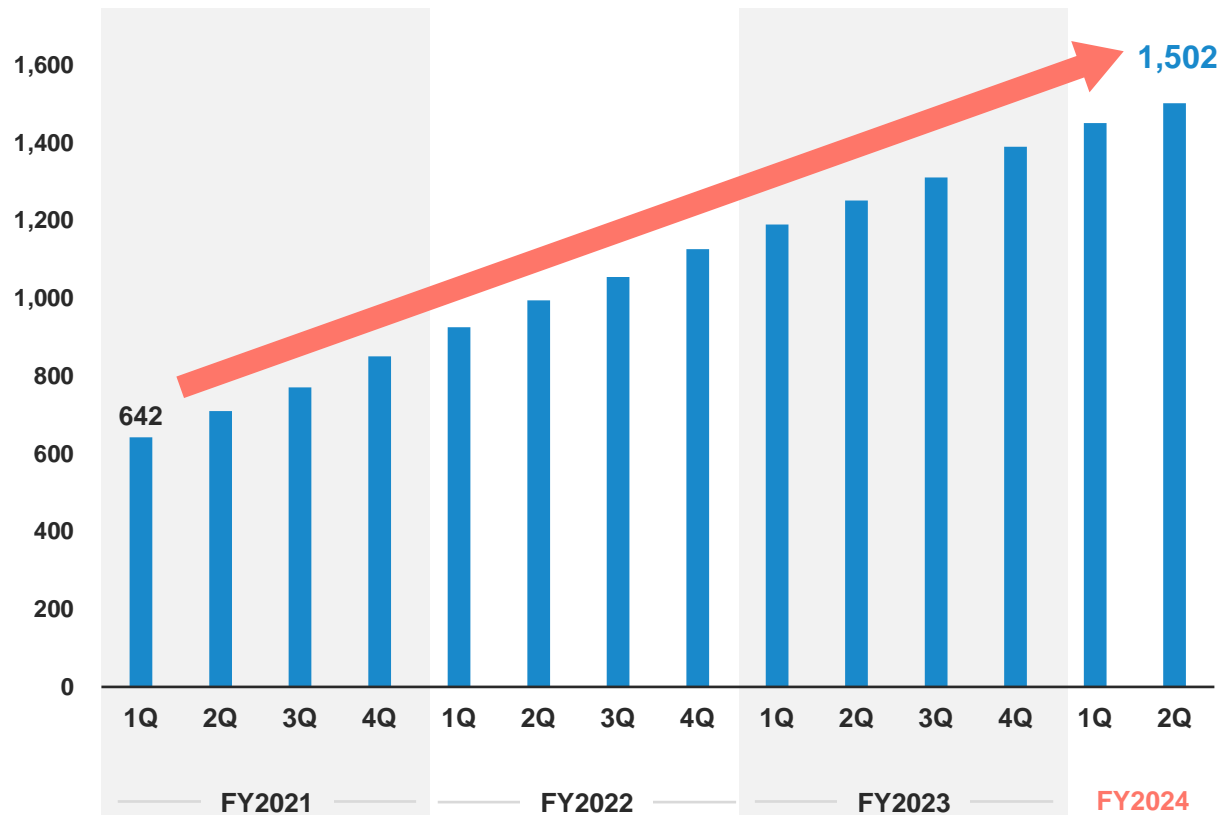
\*Promotion expenses, which were included in selling expenses, are included in advertising expenses from the fiscal year ending March 31, 2024. As such, the figures for the fiscal year ended March 31, 2023, and prior periods have been retrospectively adjusted.



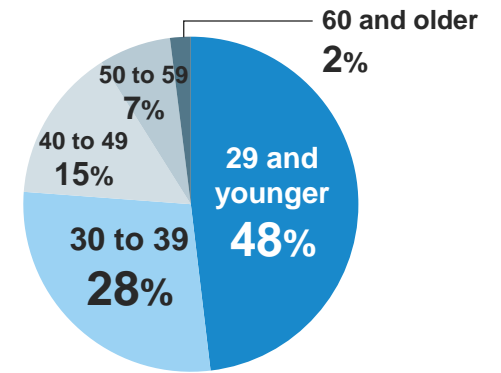
Overall membership of the flagship store is steadily increasing, with strong support from the main target group (people in their 20s and 30s).

Trend in overall membership of flagship store

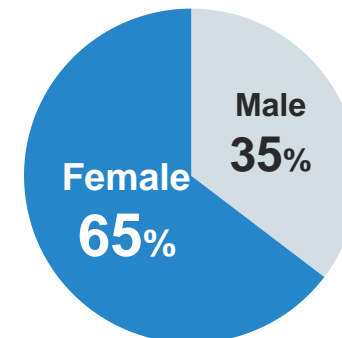
(Thousand people)



Age distribution



Ratio of male vs. female



\* Overall membership is all members registered at the flagship store.

\* Age distribution and ratio of male vs. female are data of members who answered they had made purchases at the flagship store in the past 12 months from the most recent quarter.



The Company released products with a focus on **private brand products that are design- and trend-conscious,** and has strived to **set prices that are affordable,** taking advantage of its cost competitive edge.

Seasonal merchandise



**GROONY laying pad**  
From 3,490 yen (tax included)



**Halloween wreath**  
4,490 yen (tax included)

Sundries

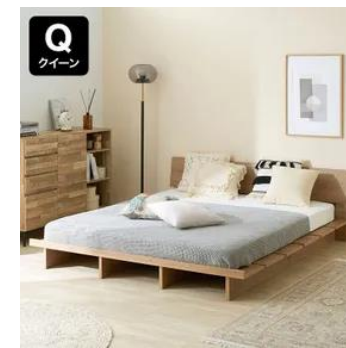


**Exhaust port cover made by Tsubamesanjo**  
From 3,490 yen (tax included)



**Mouton slippers**  
2,990 yen (tax included)

Other



**Bed frame**  
39,990 yen (tax included)



**Satchel**  
62,990 yen (tax included)

\* All sales prices listed here are current as of October 2023, and therefore may differ from current selling prices.





The internally developed official app and operation of social media function as the key to attracting customers. The cumulative number of **smartphone app DLs** exceeded the mark of **1 million**.

Sizes of engagement channels that deliver a unique brand image to a wide range of users (as of September 30, 2023)

 Smartphone app **1 million** downloads (cumulative)

 Instagram **880,000** followers

 TikTok **140,000** followers

 YouTube **50,000** channel subscribers

LOWYA official app



LOWYA official social media accounts





April 2023 — First actual store opened in “ITO Lab Plus” in Nishi-ku, Fukuoka City.  
The store held events while replacing products each season.

Interior

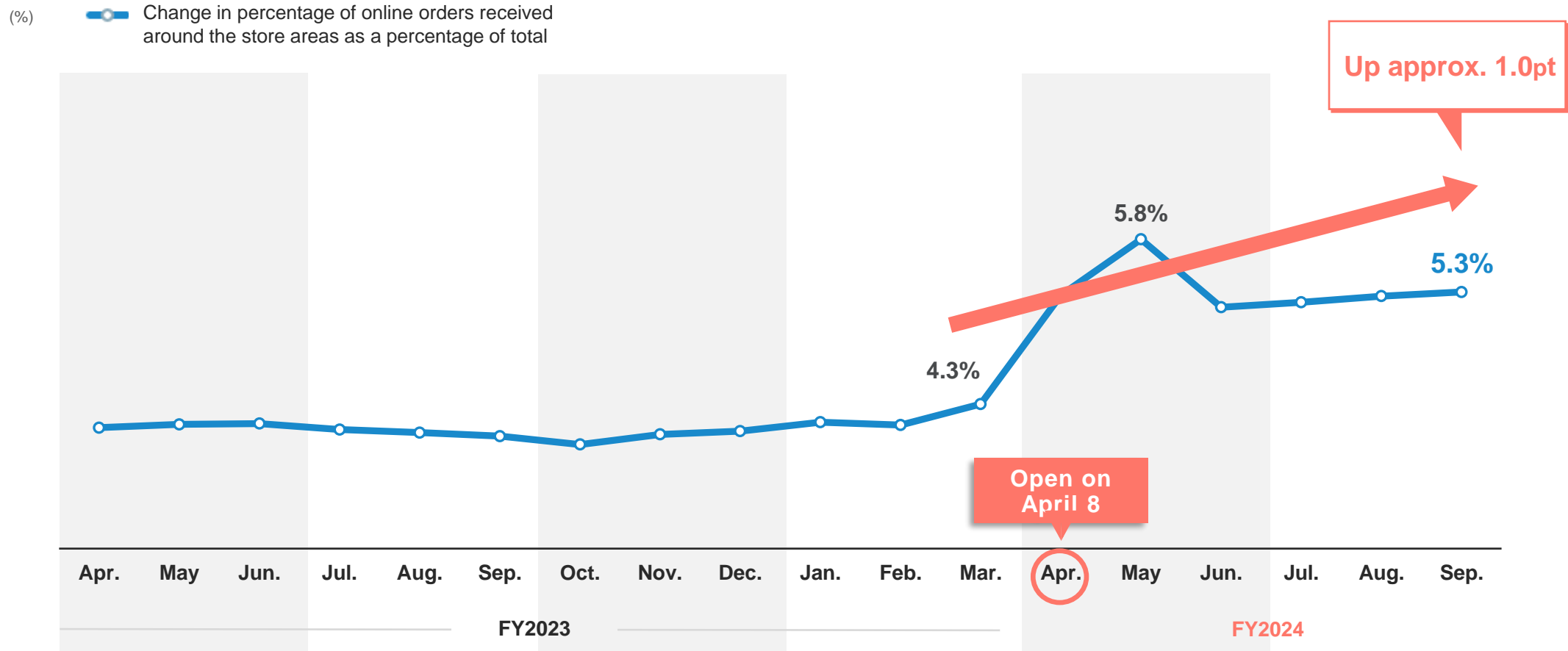


Interior





Since opening in April, the percentage of online orders received around the store areas has increased. Although having lost momentum from May, the percentage of orders received increased steadily, a gain of approx. 1.0 pt compared with before the opening.



\* Calculated by GMV of orders

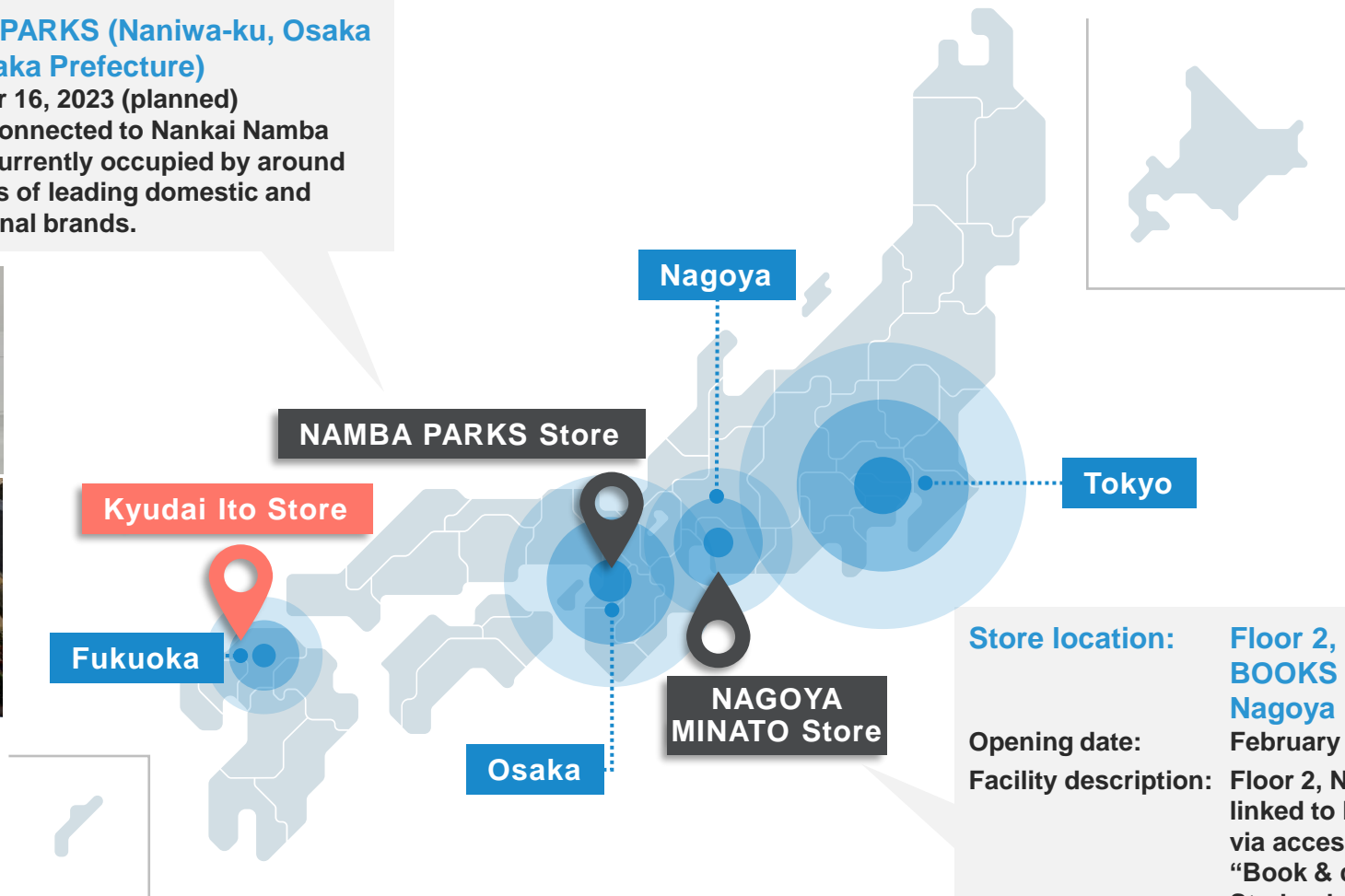


By the end of FY2023, the Company plans to open a **second actual store** in Osaka and a **third** in Nagoya. The Company will continue to study the possibility of nationwide expansion.

**Store location:** NAMBA PARKS (Naniwa-ku, Osaka City, Osaka Prefecture)

**Opening date:** December 16, 2023 (planned)

**Facility overview:** Directly connected to Nankai Namba Station, currently occupied by around 230 stores of leading domestic and international brands.



**Store location:** Floor 2, NAGOYA MINATO TSUTAYA BOOKS (Minato-ku, Nagoya City, Nagoya Prefecture)

**Opening date:** February 2024 (planned)

**Facility description:** Floor 2, NAGOYA MINATO TSUTAYA BOOKS linked to LaLaport NAGOYA minato AQUUS via access way  
 “Book & cafe” style bookstore containing a Starbucks coffee shop on floor 1



The Company created a **fan community** to build **customer-centered two-way communication**.

### LOWYA's official fan community



### Things to do at THE 608 HOTEL



- Mingle with fellow LOWYA fans and LOWYA staff!
- Participate in community member-only events!
- Maybe there are even some special experiences awaiting you!

### Events held only THE 608 HOTEL

We hold community-only events such as a product monitoring event, posting campaigns, and questionnaire surveys.





Of **ESG**, the Company conducted **activities related to the environment and society**.  
It will also continue making various studies, including considering measures **to strengthen governance**.

## Sea/Beach Cleaning Project

**August 2023**

As part of our efforts to pursue the SDGs, we arranged for a cleanup event for beaches in Fukuoka City.

While the beaches were crowded with sea bathing people during the summer vacation period, 46 people composed of our employees and their families worked as one team to clean up the beaches by spotting various types of trash.



## Donation of photographed goods

**September 2023**

Donated furniture and other items used for photo shoot to a mother-child life support facility in Fukuoka Prefecture.





# 3

## Report on DOKODEMO business



In H1, the DOKODEMO business's GMV was 1,428 million yen (50.7% YoY), while net sales were 209 million yen (57.3% YoY). Membership and the number of app DLs remained strong.

GMV<sup>\*1</sup>**1,248** million yen

YoY 50.7%

## Net sales

**209** million yen

YoY 57.3%

Membership<sup>\*2</sup>**1,047** thousand

YoY 109.6%

Number of app DLs<sup>\*2</sup>**1,502** thousand

YoY 107.3%

## Average basket value

**12,860** yen

YoY 96.0%

Number of brands<sup>\*2</sup>**1,245**

YoY 104.2%

Number of products<sup>\*2</sup>**45,564**

YoY 90.0%

Deliveries<sup>\*2, 3</sup>**119** countries

YoY 106.3%

\*1. Gross Merchandise Value

\*2. As of September 30, 2023

\*3. Number of countries and regions to which deliveries were made (cumulative)

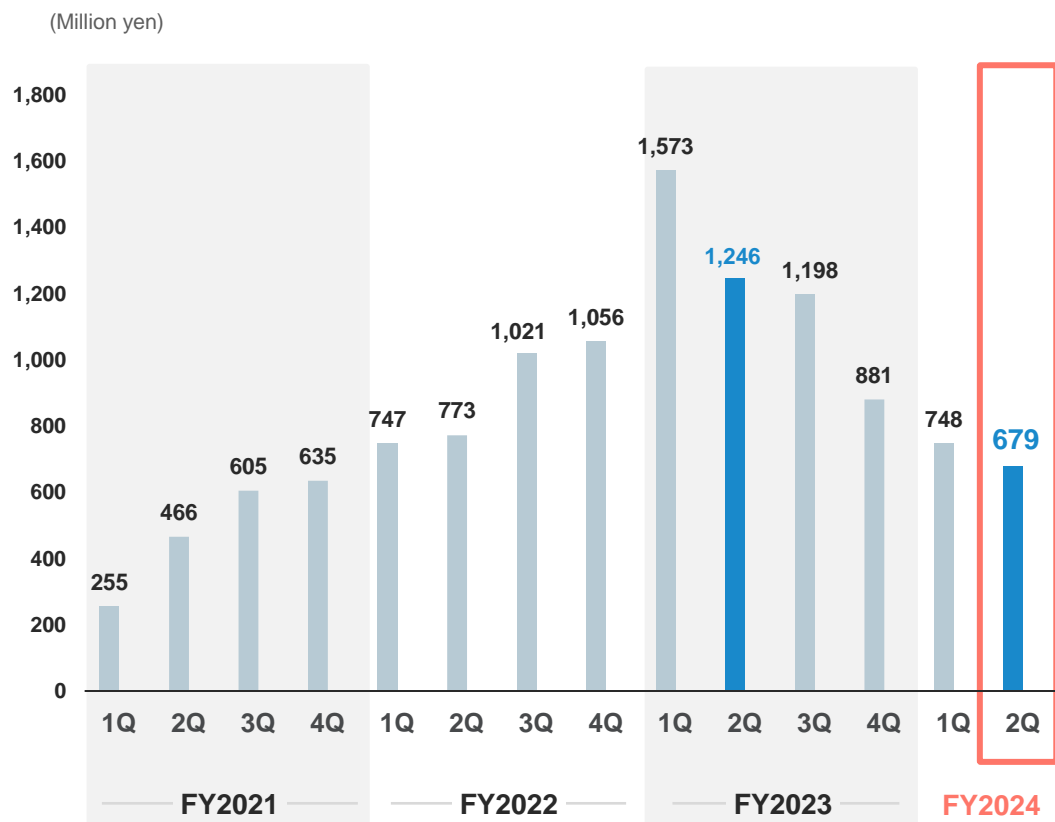




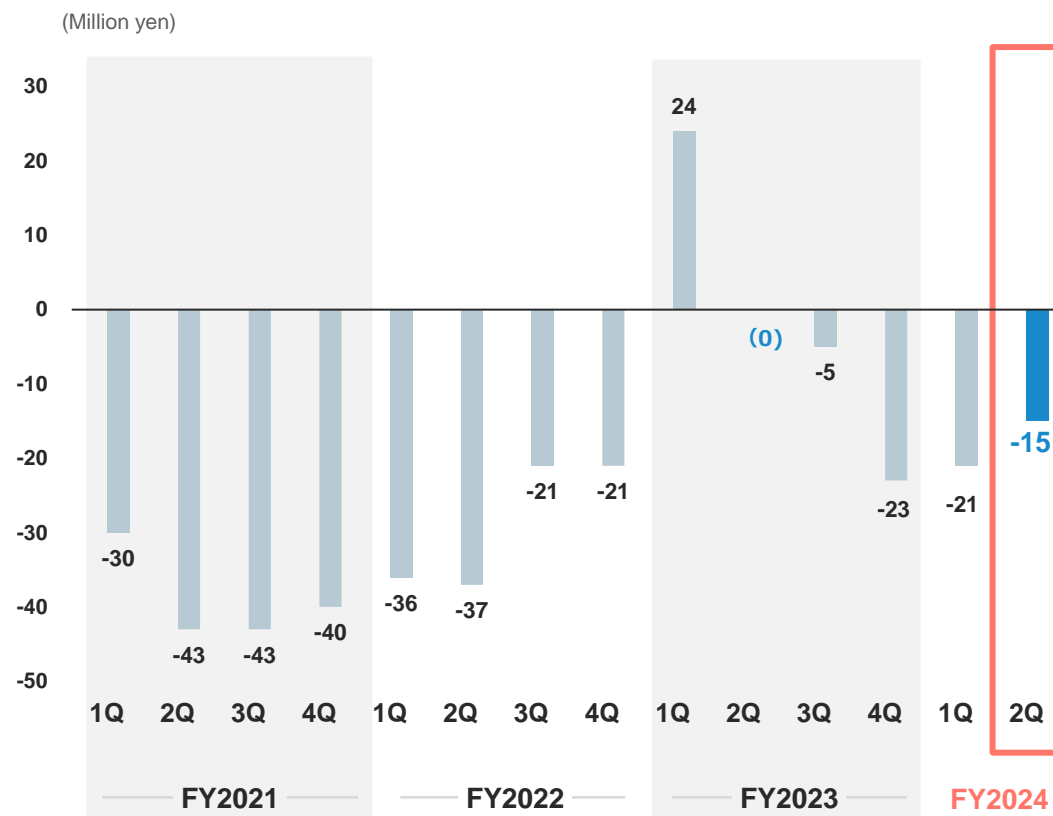
The GMV of the DOKODEMO business in 2Q landed at **679 million yen** partly due to an increase in inbound sales and an inventory shortage of popular drugs.

The level of business deficit narrowed compared with 1Q as the Company **improved its business efficiency** by revising selling, general and administrative expenses.

GMV



Net Business Income

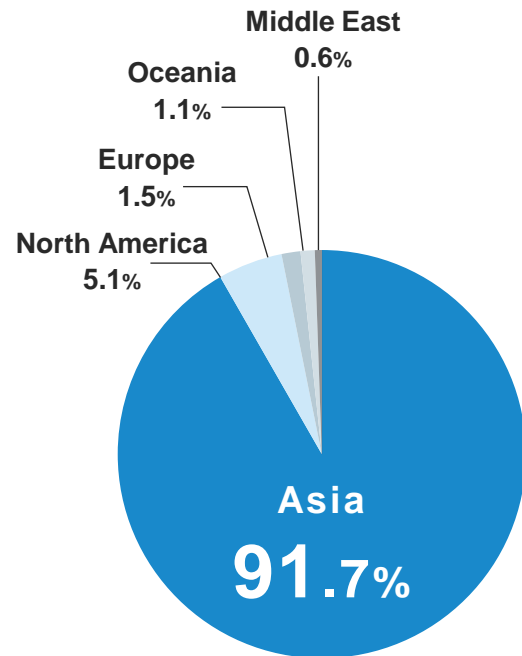


\* Net business income for FY2020 1Q–3Q includes some R&D expenses from other new businesses.

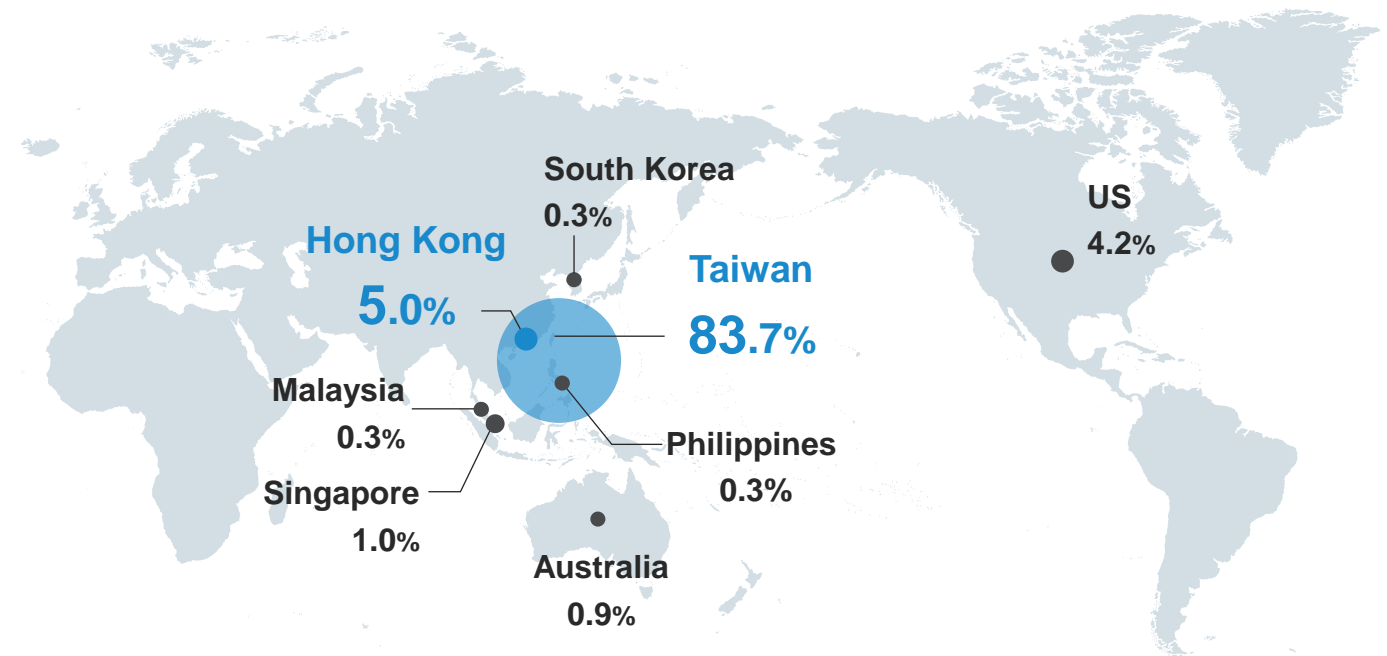


Deliveries to Asia, mainly Taiwan, account for more than 90% of GMV.

By region



By country



\* Proportion of deliveries by country is calculated based on the ratio of GMV from April 2023 to September 2023.

# IR Inquiries

<https://www.vega-c.com/contact/ir/>

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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