

For the Nine Months Ended December 31, 2023

Quarterly Financial Results

Vega corporation Co., Ltd.
Securities code: 3542





INDEX

- 1 Overview of Quarterly Financial Results for the Nine Months Ended December 31, 2023**
- 2 Report on LOWYA business**
- 3 Report on DOKODEMO business**

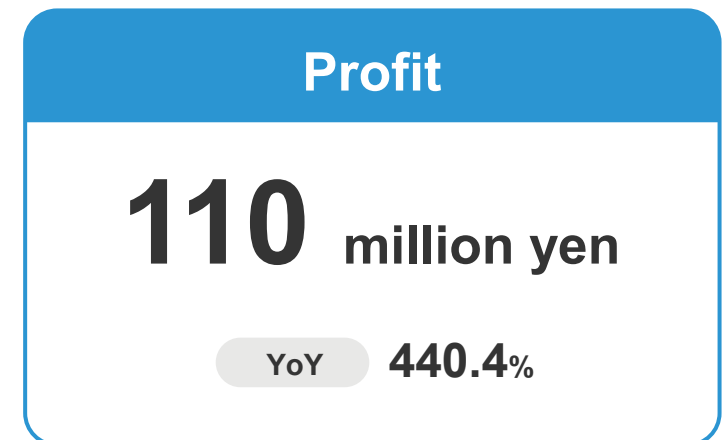
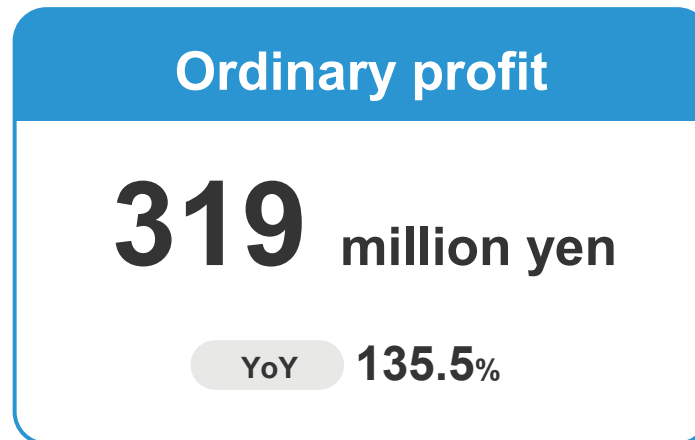
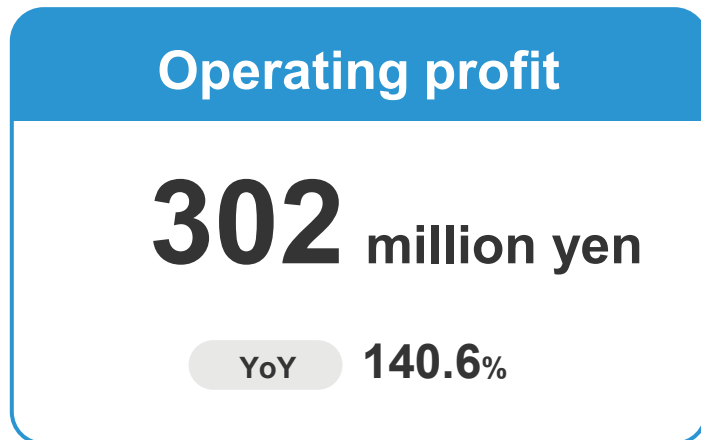
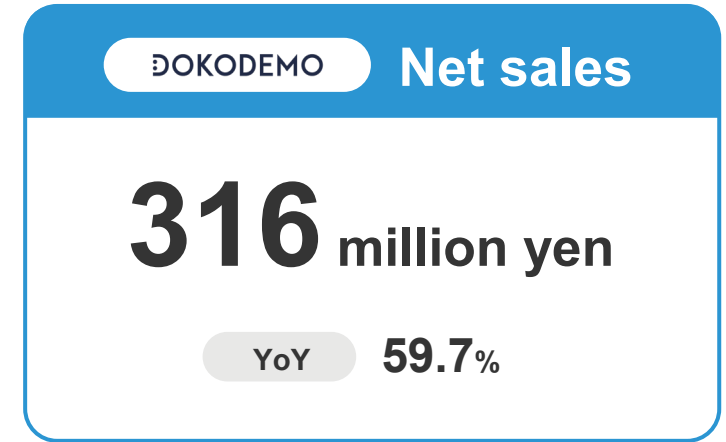
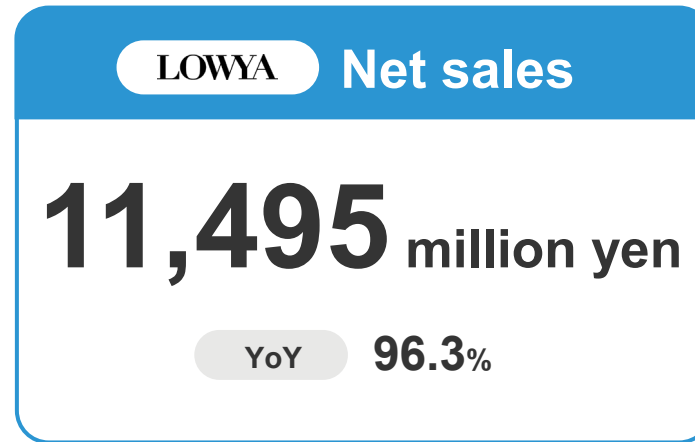
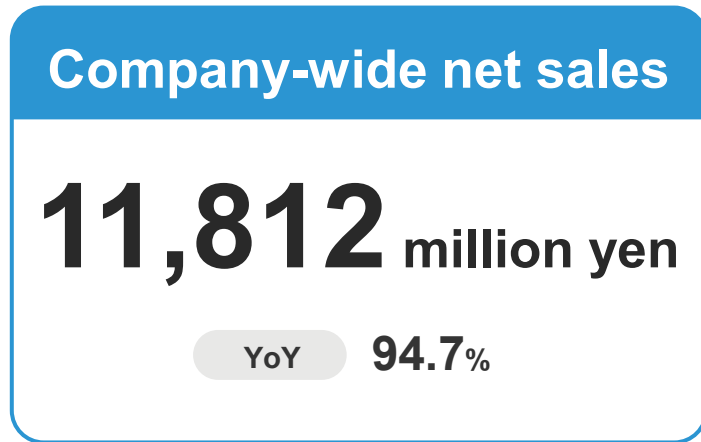


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Overview of Quarterly Financial Results for the Nine Months Ended December 31, 2023



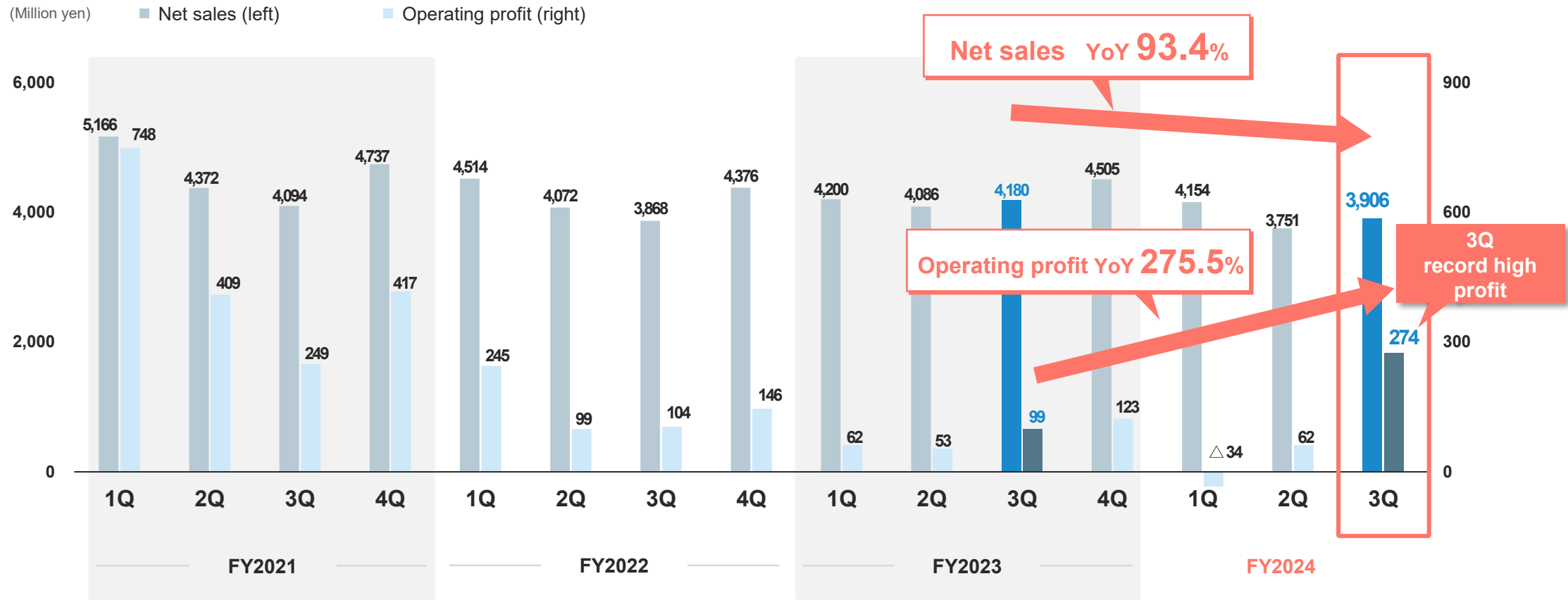
As a result of the shift to a profit-oriented management policy and the efforts made in each business operation, company-wide net sales were **11,812 million yen (94.7% YoY)**, while operating profit **significantly improved to 302 million yen (140.6% YoY)**.



Quarterly Net Sales and Operating Profit



Following on from 2Q, as each business continued to implement profit-oriented measures, net sales decreased to **3,906 million yen (93.4% YoY)** in 3Q, but operating profit reached **a record high for 3Q of 274 million yen (275.5% YoY)**.

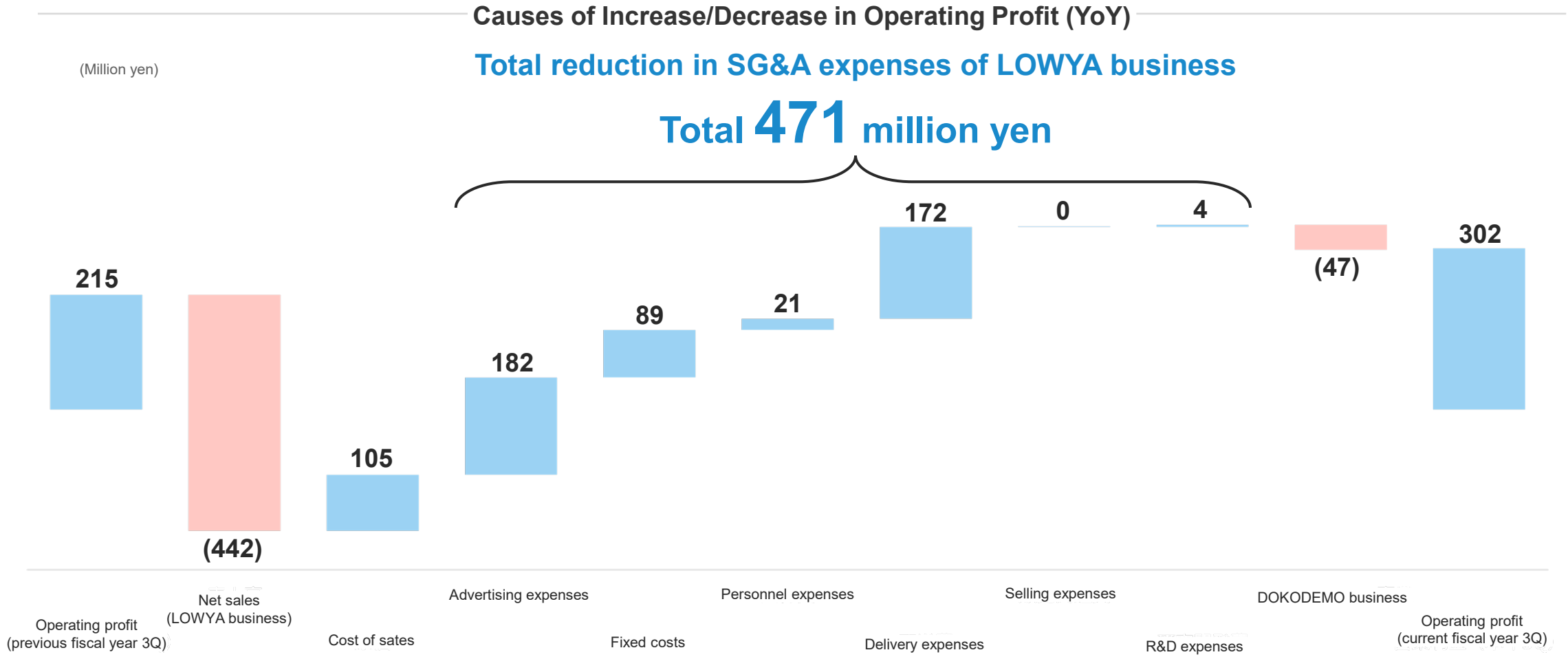


* Due to the application of the new Revenue Recognition Standard from the fiscal year ended March 31, 2022, net sales for the fiscal year ended March 31, 2021, and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard.

Causes of Increase/Decrease in Quarterly Operating Profit (3Q Cumulative)



In the LOWYA business, in an effort to improve profitability, the Company also worked to reduce personnel expenses and fixed costs, focusing on reducing advertising expenses. As a result, the Company **significantly reduced selling, general and administrative expenses** and improved revenues.



* 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 **78.9%**.

(Million yen)

	Previous fiscal year (as of March 31, 2023)	Current fiscal year 3Q (as of December 31, 2023)		Previous fiscal year (as of March 31, 2023)	Current fiscal year 3Q (as of December 31, 2023)
Current assets	5,956	5,604	Current liabilities	1,796	1,362
Cash and deposits	1,892	1,091	Debt obligations	-	-
Accounts receivable–trade	1,814	1,303	Non-current liabilities	51	50
Merchandise	1,819	2,752	Total liabilities	1,847	1,412
Non-current assets	1,195	1,092	Shareholders' equity	5,308	5,267
Property, plant and equipment, and intangible assets	526	539	Total net assets	5,304	5,284
Total assets	7,151	6,697	Total liabilities and net assets	7,151	6,697

* 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



The Company changed its policy to focus on profit, reduced sales promotion expenses and advertising expenses from 2Q, and implemented price pass-through from 3Q. As a result, GMV was **11,867 million yen (93.6% YoY)**, and net sales were **11,495 million yen (96.3% YoY)** for the nine months ended December 31, 2023.

Membership of the flagship store has continued to **grow steadily**. Following the first actual store in April 2023, the Company opened its **second store in December**.

GMV*1

11,867 million yen

YoY **93.6%**

Net sales

11,495 million yen

YoY **96.3%**

Number of customers

613 thousand

YoY **90.9%**

Average basket value*2

19,420 yen

YoY **103.5%**

Flagship store membership*3

1,545 thousand

YoY **117.8%**

Number of app DLs*3

1,040 thousand

YoY **130.4%**

Number of products*3

4,207

YoY **106.8%**

Number of engagement accounts*3, 4

1,248 thousand

YoY **135.5%**

*1. Gross Merchandise Value

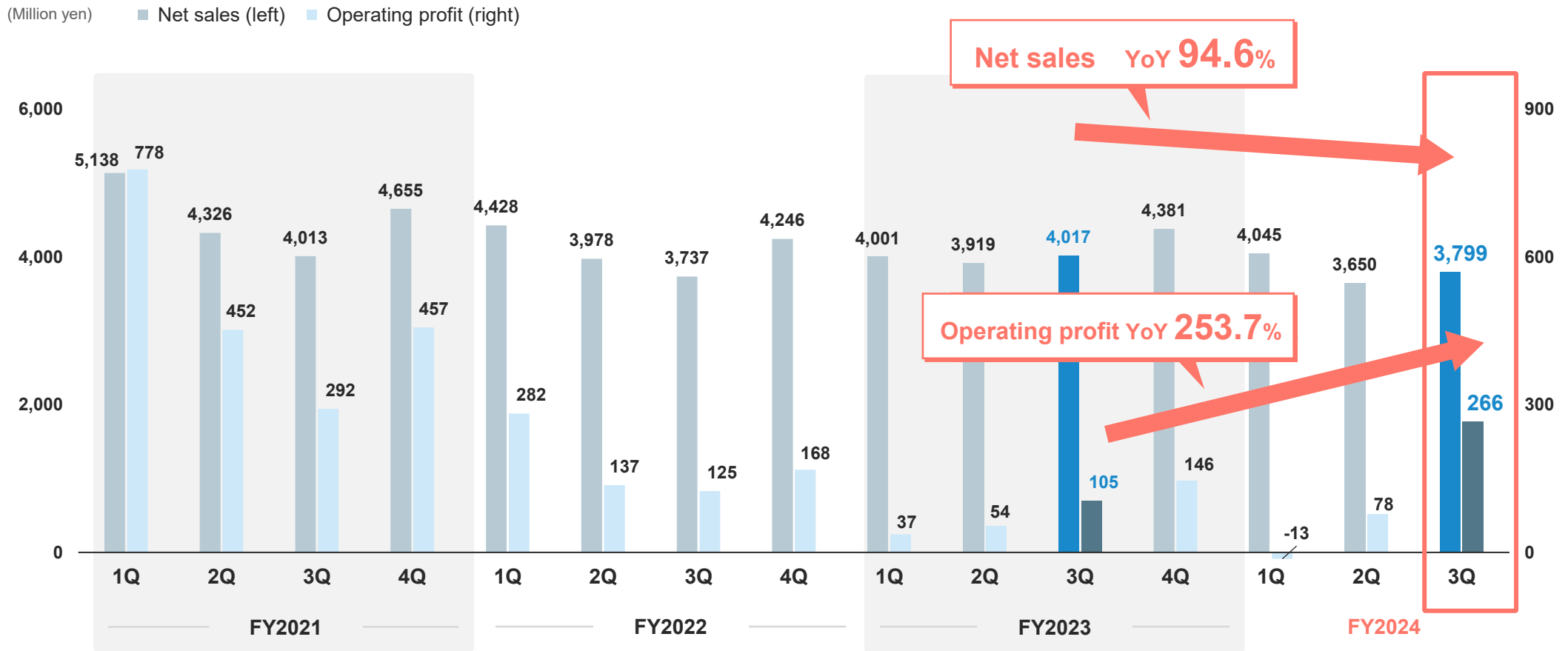
*2. Calculated by dividing GMV by the number of order shipments

*3. As of the end of December 31, 2023

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



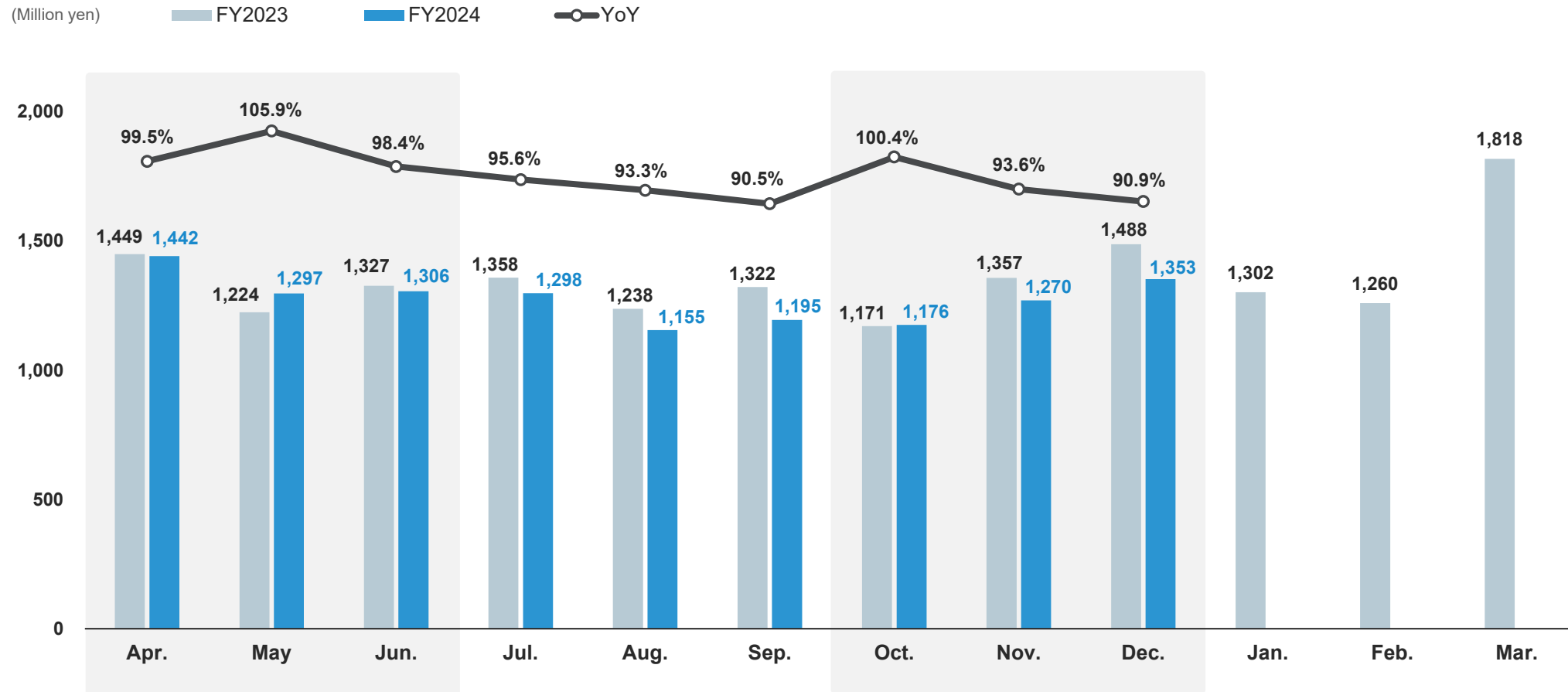
Following on from 2Q, the Company **reduced promotion expenses and advertising expenses** in an effort to improve profitability. As a result, net sales were **3,799 million yen (94.6% YoY)**, and operating profit was **266 million yen (253.7% YoY)**.



* 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.

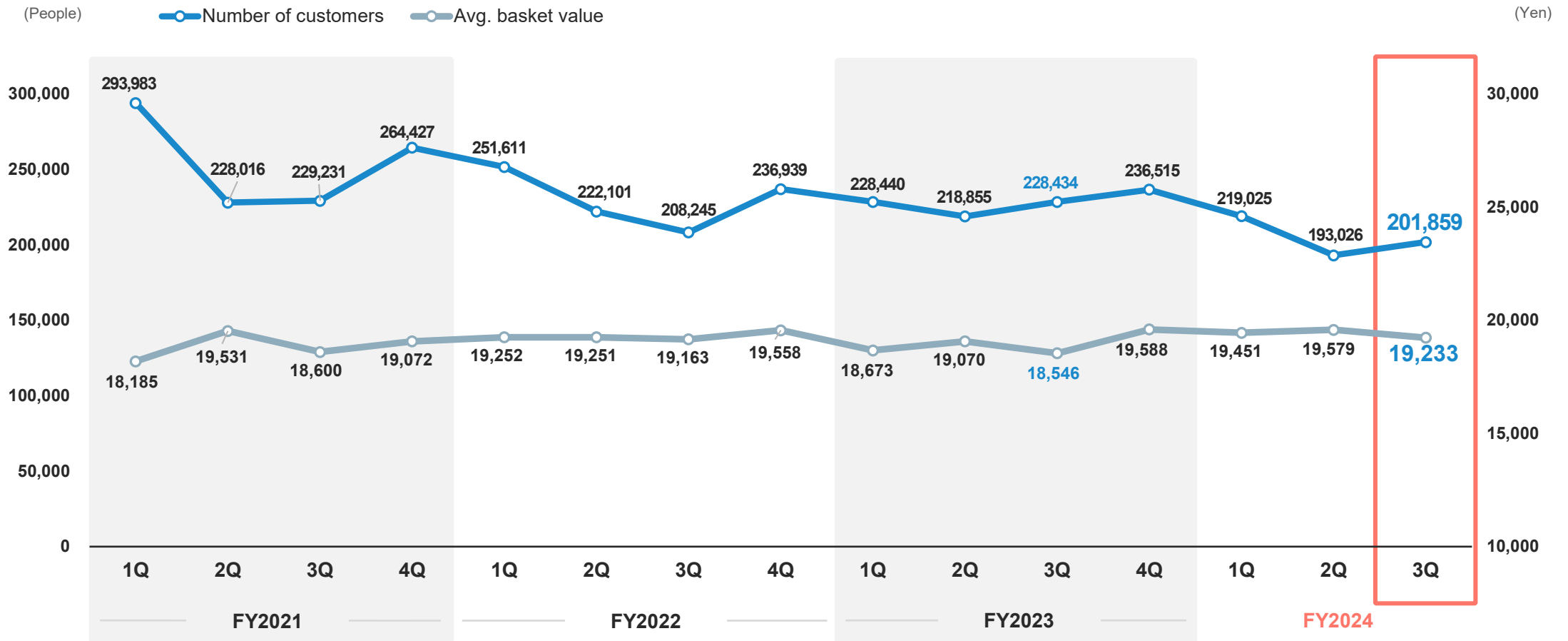


Following on from 2Q, the Company **reduced promotion expenses and advertising expenses** in an effort to improve profitability. As a result, net sales remained **90% to 100% YoY**.





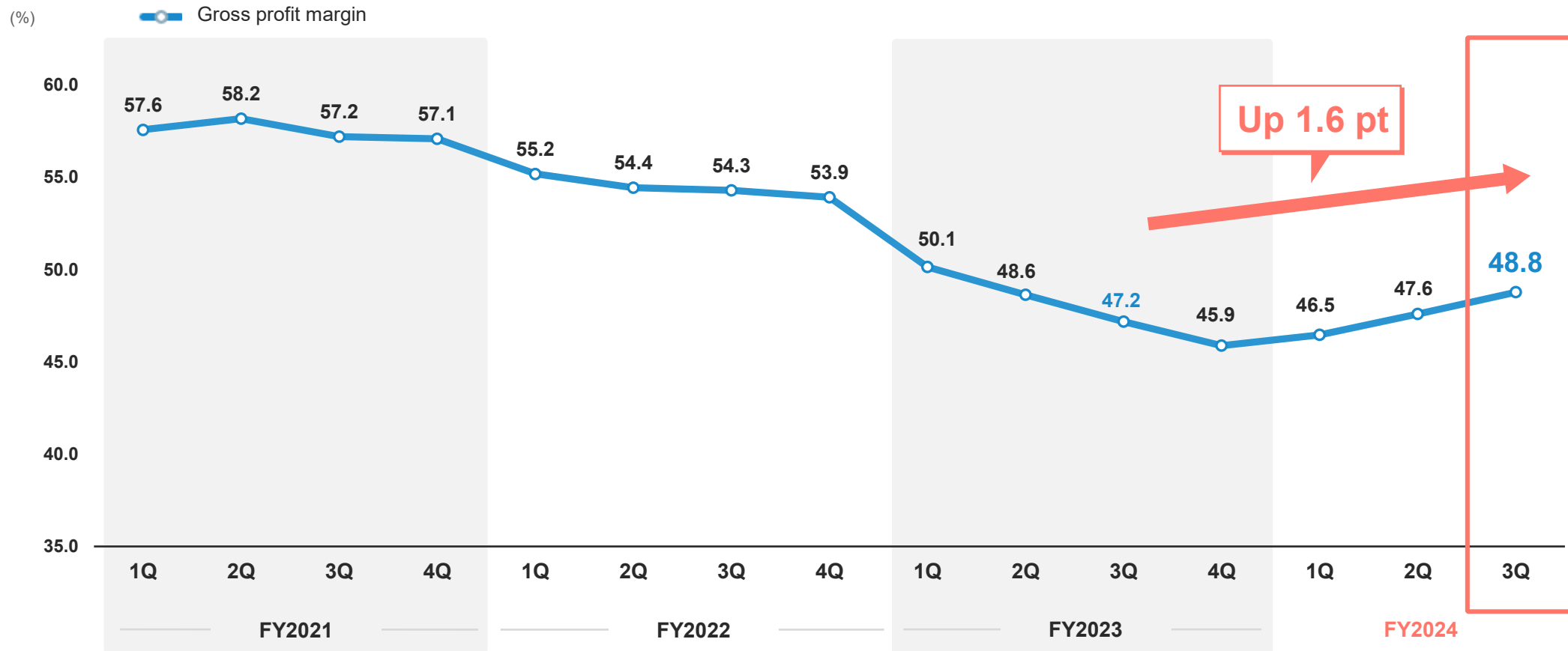
The Company **reduced promotion expenses** and **advertising expenses** in an effort to improve profitability. As a result, **the number of customers** decreased compared with 3Q in the previous year. **Average basket value** remained stable.



*Calculated by dividing GMV by the number of order shipments



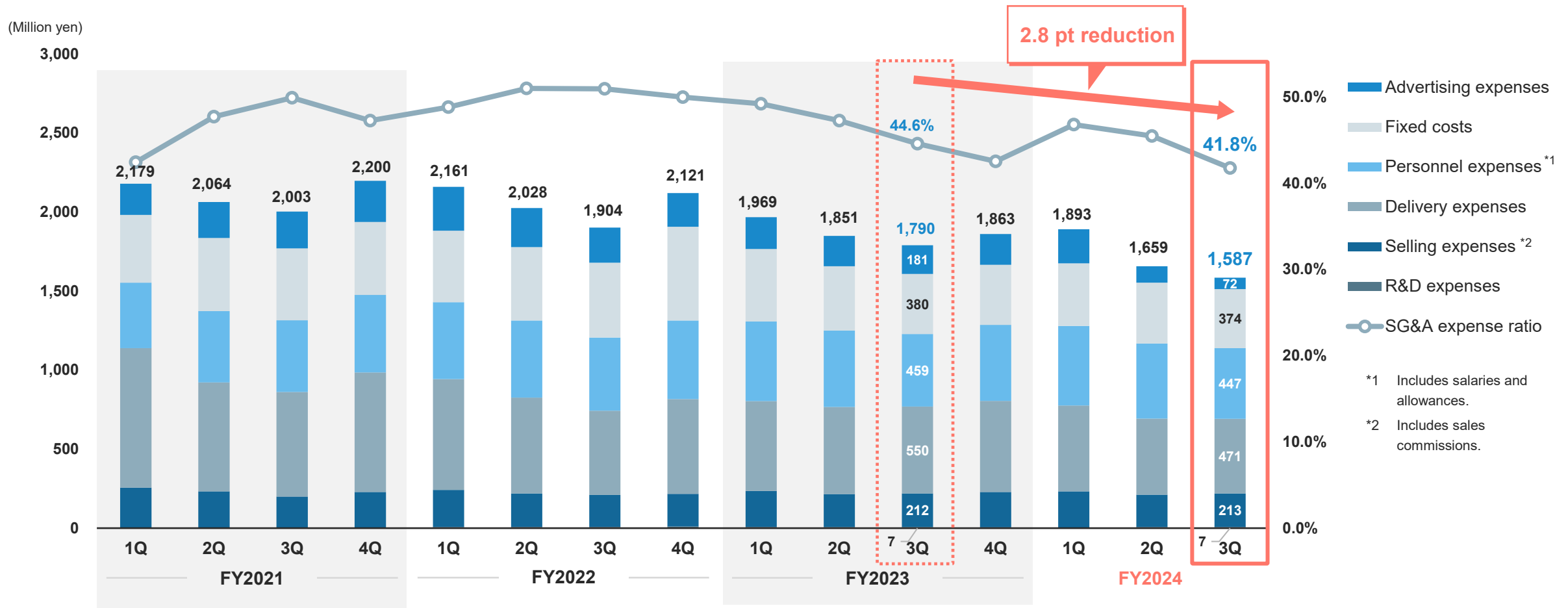
Although the yen weakened significantly, gross profit margin reached 48.8% (up 1.6 pt YoY) due to the reduction of promotion expenses and the effect of price pass-through. After 4Q, the Company will continue to work on improving its gross profit margin.



* 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.



In an effort to improve profitability, which started in 2Q, the Company also worked to reduce personnel expenses and fixed costs, focusing on reducing advertising expenses. As a result, selling, general and administrative expense ratio reached **41.8% (down 2.8 pt YoY)**. That is the lowest selling, general and administrative expense ratio in recent years.



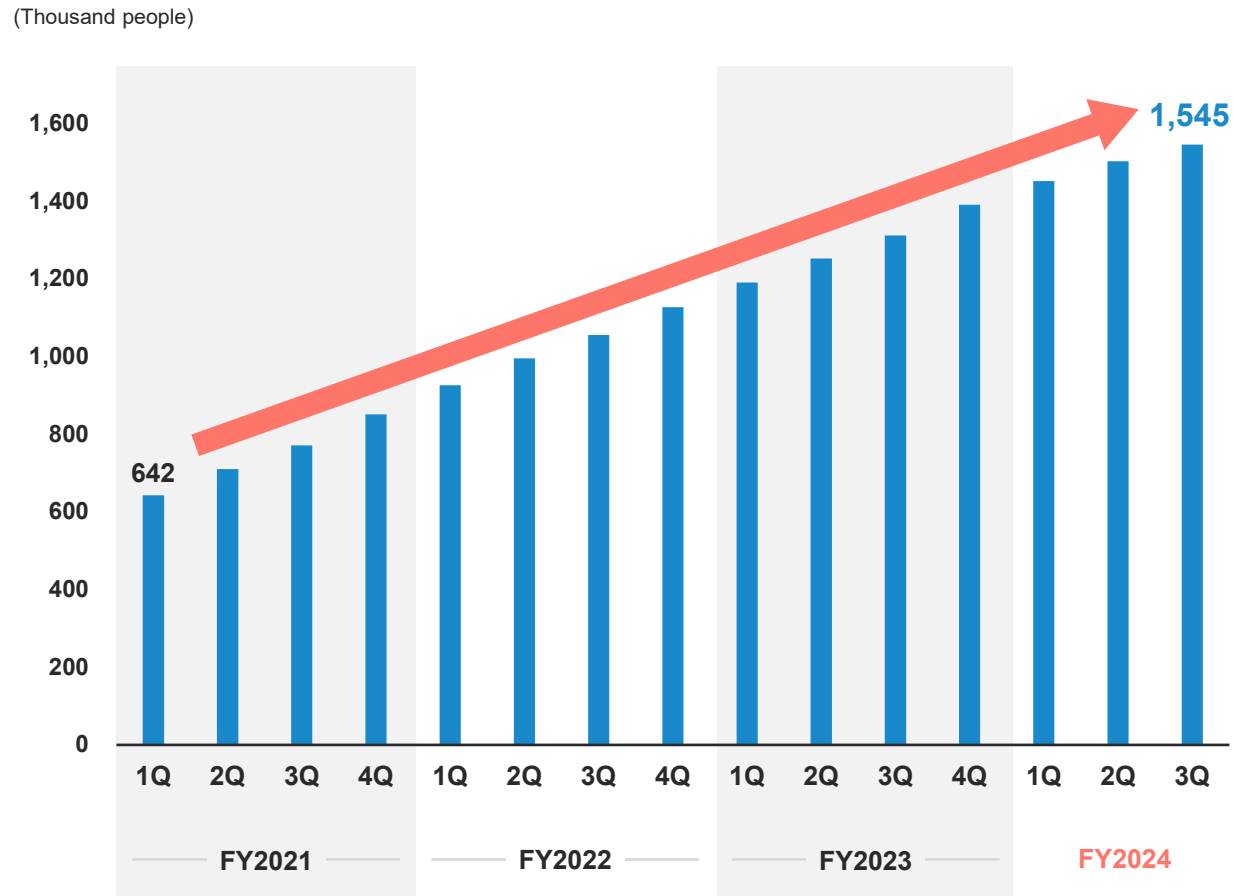
* The SG&A expense ratio shows the ratio against net sales. *Due to the application of the new Revenue Recognition Standard from the fiscal year ended March 31, 2022, net sales for the fiscal year ended March 31, 2021, and prior periods have been restated by retrospectively applying the new Revenue Recognition Standard. Furthermore, revenue related to the DOKODEMO business and to research and development expenses is excluded from net sales used as the basis for calculating the SG&A expense ratio, and therefore this data does not match the SG&A expense 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.

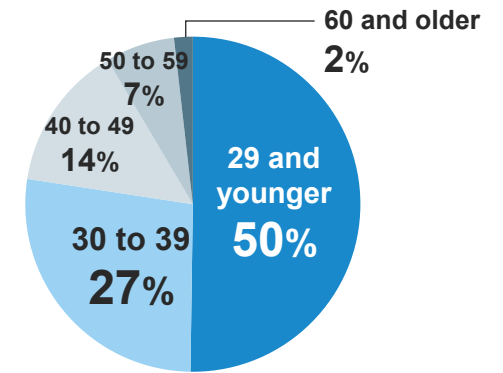


Membership of the flagship store is steadily increasing, with strong support from the main target group (people in their 20s and 30s).

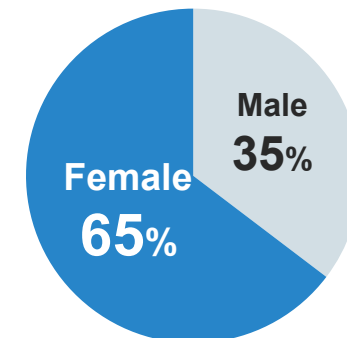
Trend in membership of flagship store



Age distribution



Ratio of male vs. female



* 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.

Home appliances



Clothes dryer Fukari
6,990 yen (tax included)



Futon dryer Pafuwa
6,990 yen (tax included)

Furniture & others



Oshiteru for "Oshikatsu" storage
17,990 yen (tax included)



Meringue Touch Kotatsu 3-piece set
26,970 yen (tax included)



**Sideboard made from a combination of
hemp-like materials**
24,990 yen (tax included)



Large storage kitchen board
119,990 yen (tax included)

* All sales prices listed here are current as of January 2024, and therefore may differ from current selling prices.

* "Oshikatsu" refers to the act of supporting someone or something one particularly likes.



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** in 2Q and is steadily increasing.

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

 Smartphone app **1.04 million** downloads (cumulative)

 Instagram **940,000** followers

 TikTok **150,000** followers

 YouTube **70,000** channel subscribers

LOWYA official app



LOWYA official social media accounts





On Instagram and TikTok, products, stores, and information useful to customers are distributed from time to time, which greatly contributes to attracting customers to e-commerce and actual stores. The Company plans to continue actively working on this as an engagement measure to realize OMO.

Live streaming



6 million views! Delivering useful information



Instagram



TikTok



YouTube



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





December 2023 — Second actual store opened in “NAMBA PARKS” in Naniwa-ku, Osaka City.

Exterior



Interior





December 2023 — Second actual store opened in “NAMBA PARKS” in Naniwa-ku, Osaka City.

Entry was restricted when it opened

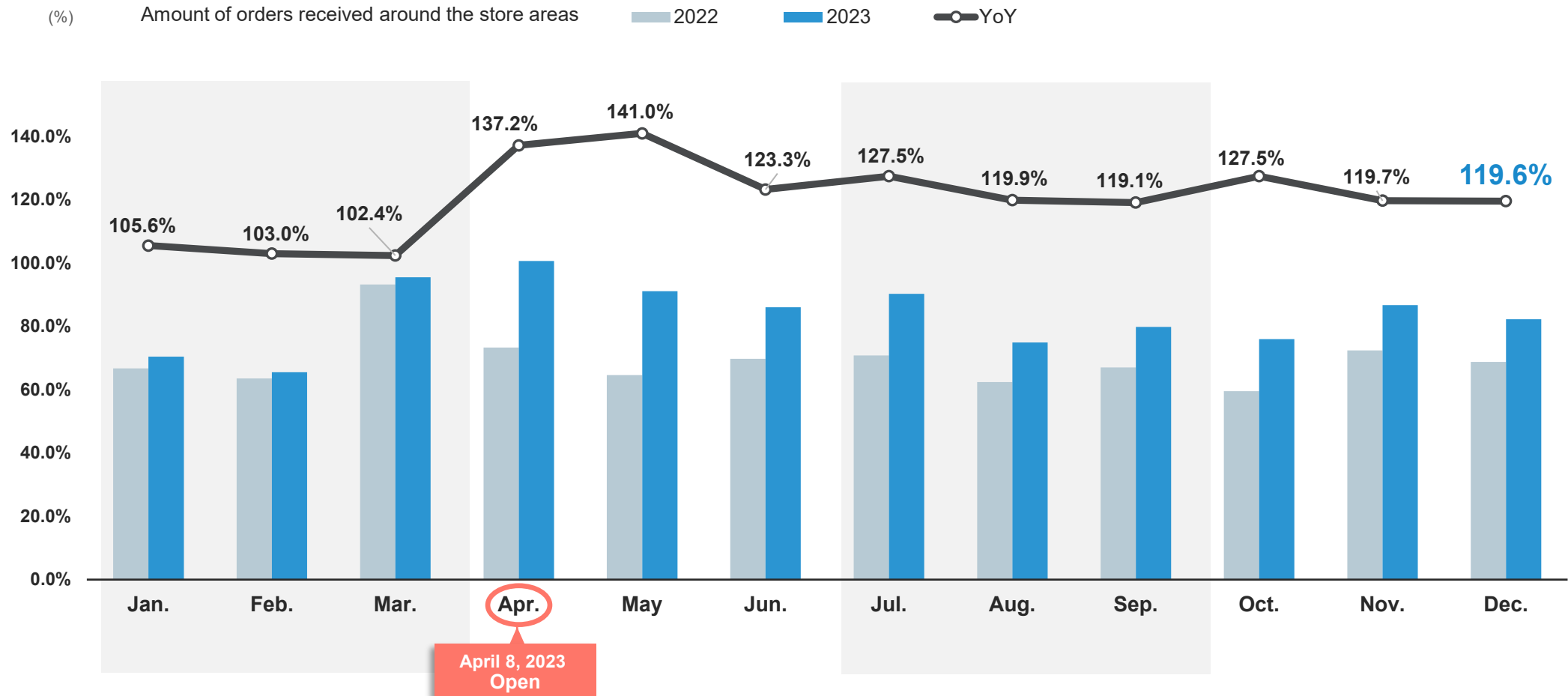


The store was very busy





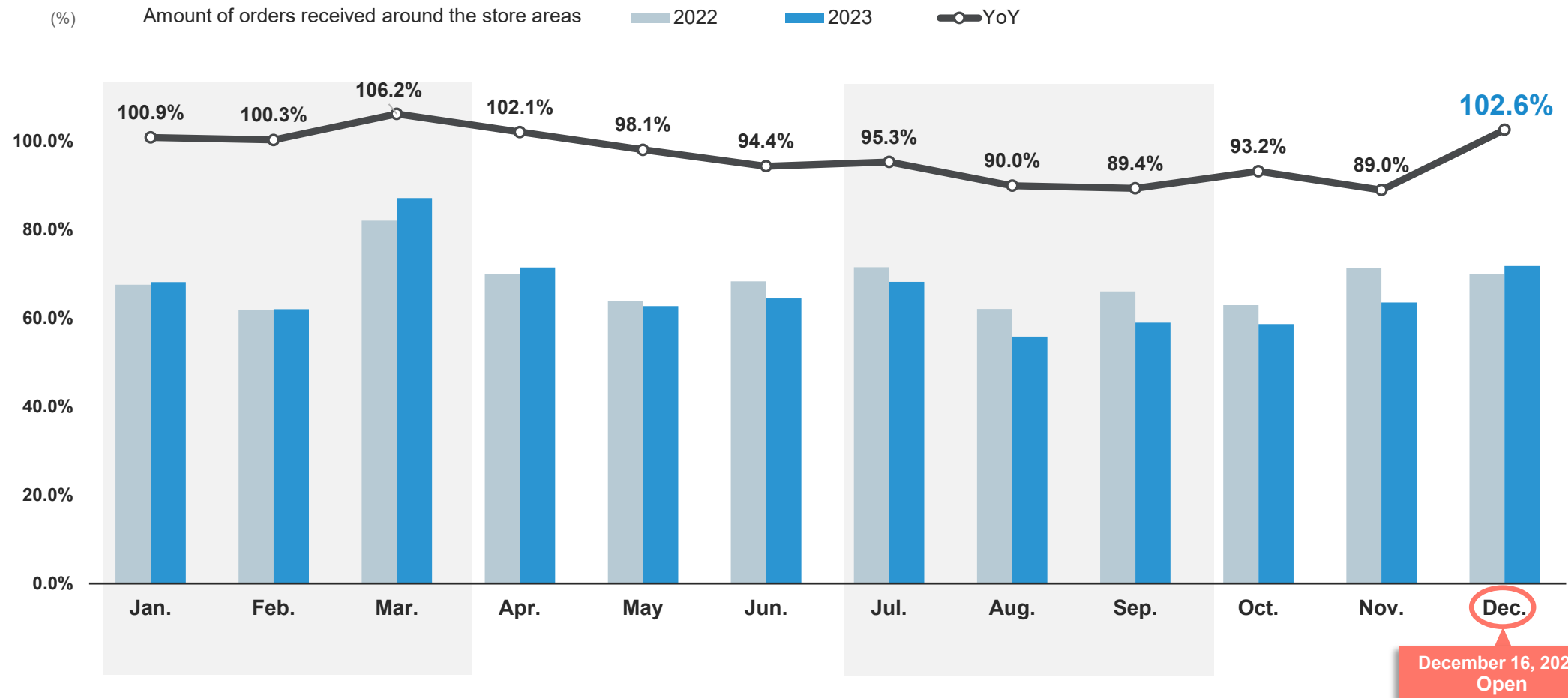
Since the boom at the opening in April to May, amount of orders received around the store areas has been stable at around 120% YoY.



* Calculated by GMV of orders



Opened in mid-December, amount of orders received around the store areas rose to **102.6% YoY**. After 4Q, the level of the index is expected to rise further as it contributes one month.



* Calculated by GMV of orders



Many comments from customers, such as impressions of the products, requests and reactions of the stores. Many people have been waiting for the opening of new stores. The Company will continue to study the possibility of nationwide expansion.

Comments on the products

I was looking for something like this!

Wait, this is too good

I would like to ask you to make this design too!

I bought this product!
I like it very much

Is this item available in white?



Comments on the stores

Congratulations on opening!
The store was so cute and wonderful

I was satisfied with the very kind staff

I can't wait to go to the store!

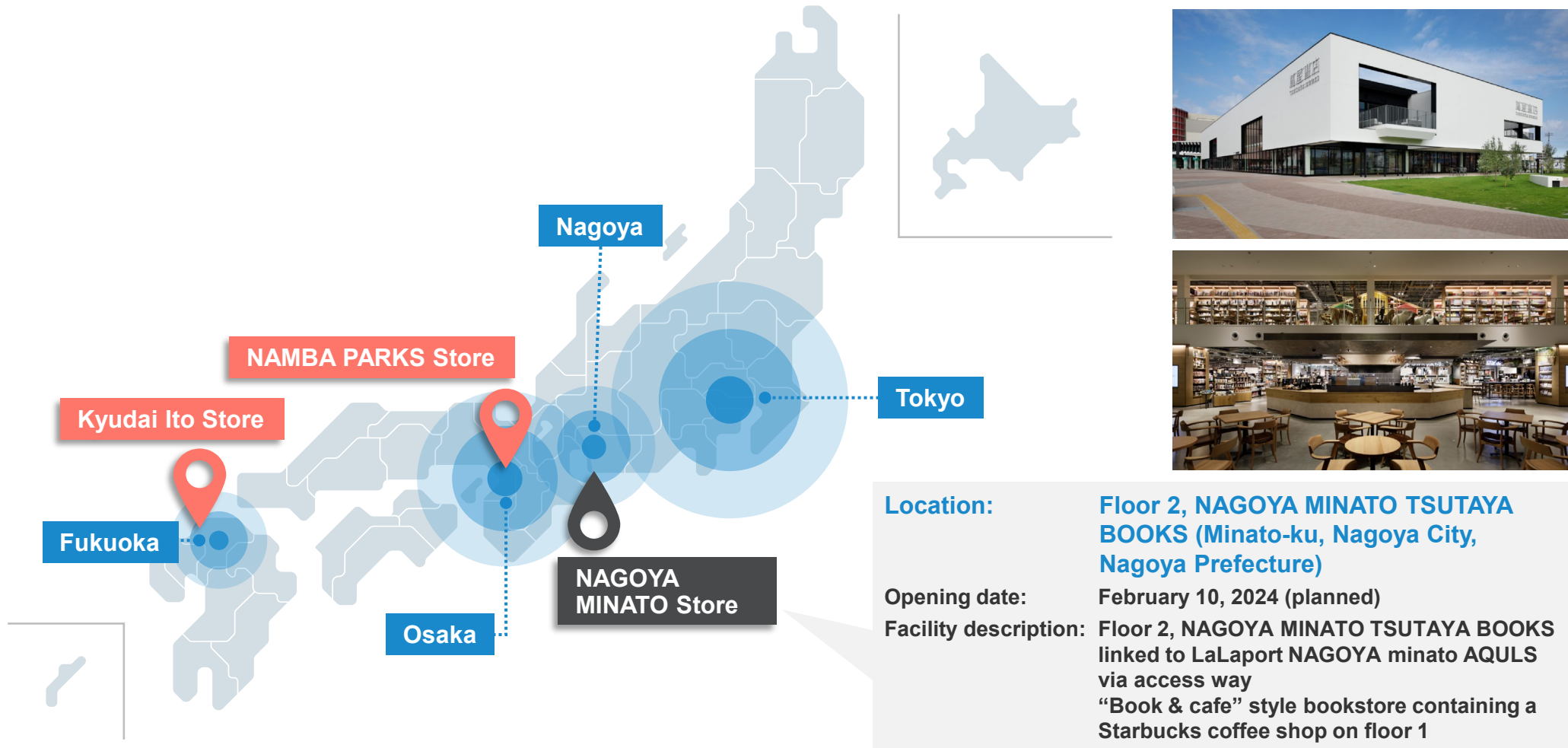
I want this store in Tokyo!

I could check the texture of the product I wanted, so I bought it





The Company plans to open **the third store** in Nagoya in February 2024.
 The Company is also considering opening its **fourth** and subsequent **stores**.



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

Opening date: February 10, 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



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**.

Use recycled materials for product packaging

September 2023

100% recycled materials are used in the outer and transparent plastic bags for the “GROONY” series of winter warm loungewear and blankets to wear.

In addition to measures to save energy in winter due to the use of warm materials, the Company also contributes to sustainability by using recycled materials for packaging.



GROONY series (Left) loungewear + pants set, (Right) laid pad



Donation of photographed goods

November 2023

Donated furniture and other items used for a photo shoot to a children’s nursing home in Fukuoka Prefecture.





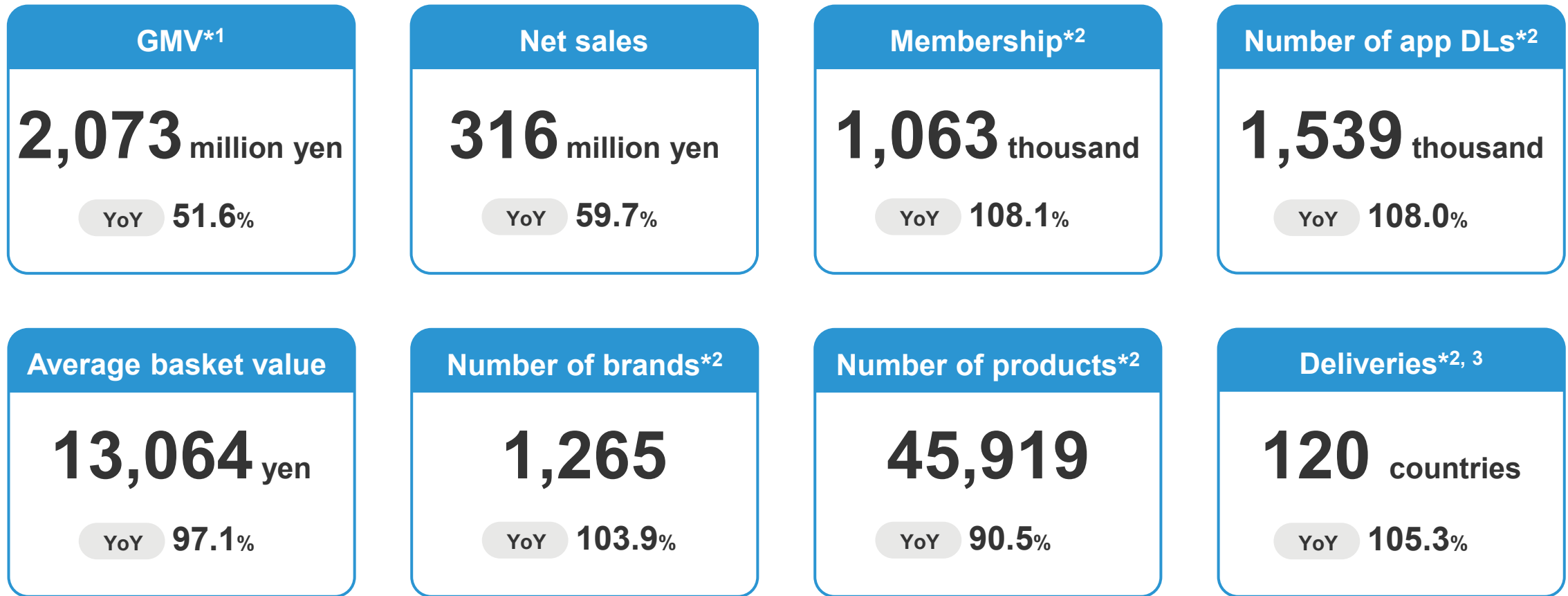
3

Report on DOKODEMO business



The Company changed its policy to focus on profit and reduced promotion expenses and advertising expenses from 2Q. As a result, GMV was **2,073 million yen (51.6% YoY)**, and net sales were **316 million yen (59.7% YoY)** for the nine months ended December 31, 2023.

Membership and the number of app DLs remained strong.



*1. Gross Merchandise Value

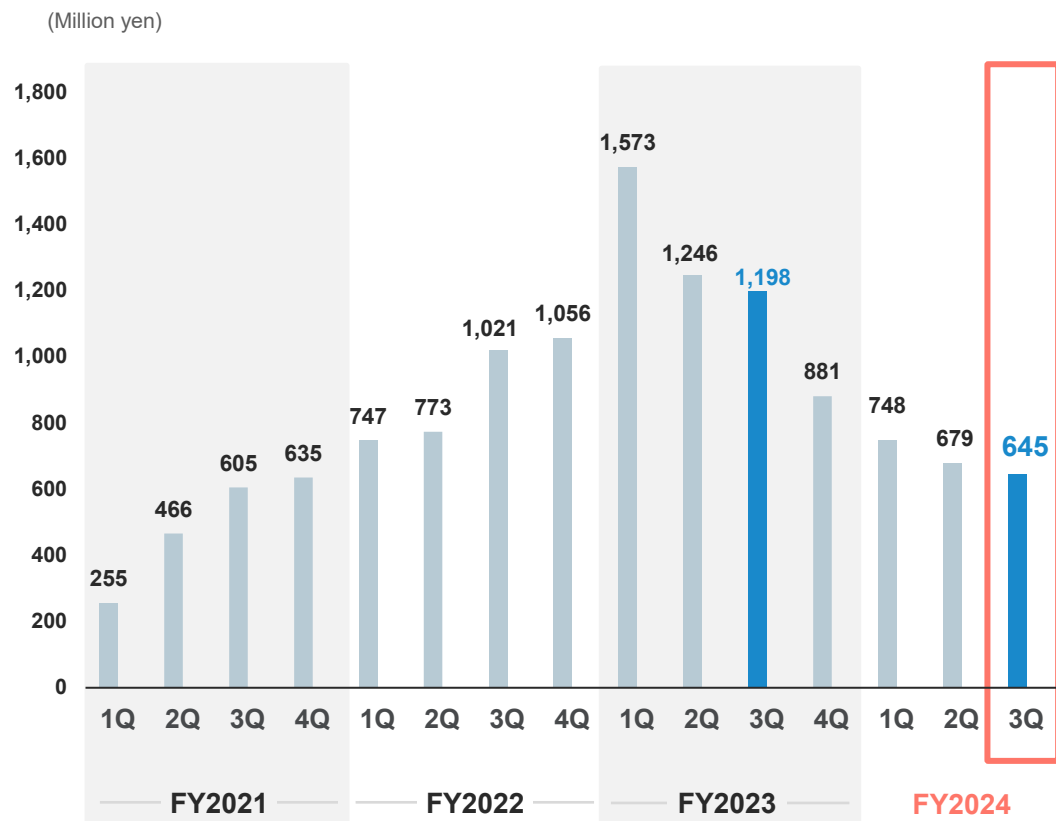
*2. As of December 31, 2023

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

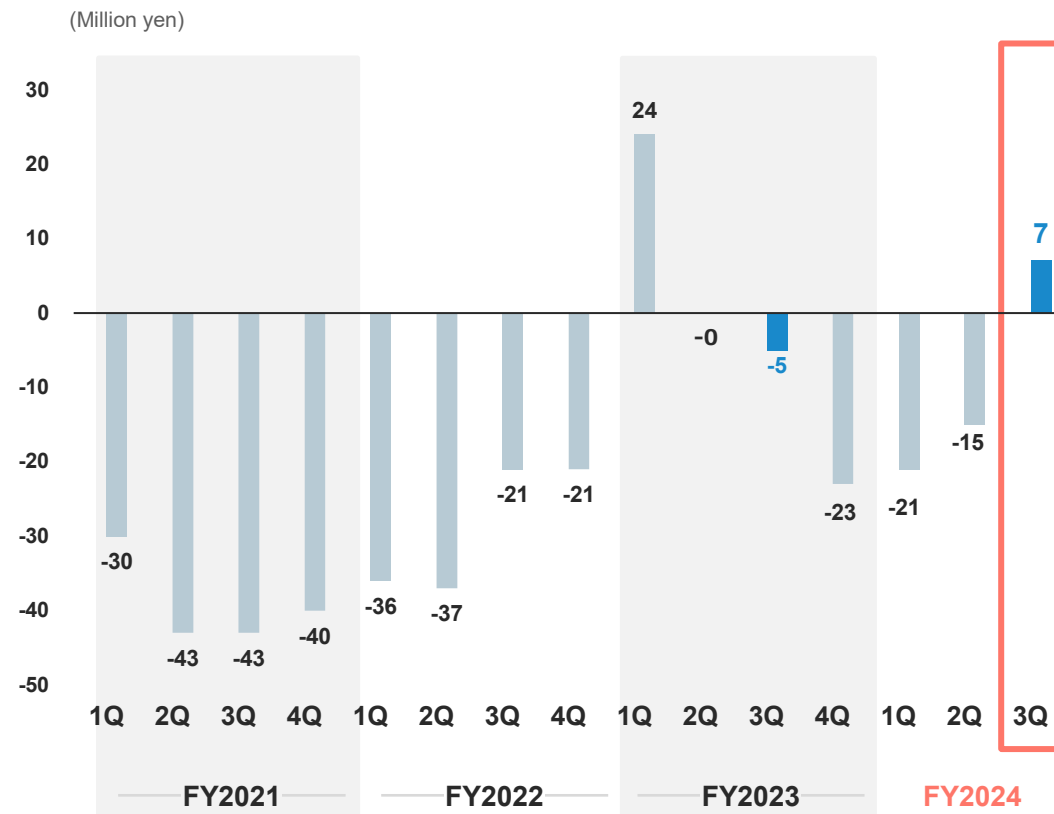


Following on from 2Q, the Company was impacted by shortages of popular pharmaceuticals and **reduced promotion expenses** and **advertising expenses** in an effort to improve profitability. As a result, GMV was **645 million yen**, but the **revenue structure improved** and the business balance **achieved a profit**. The Company plans to strengthen MD and expand its services.

GMV



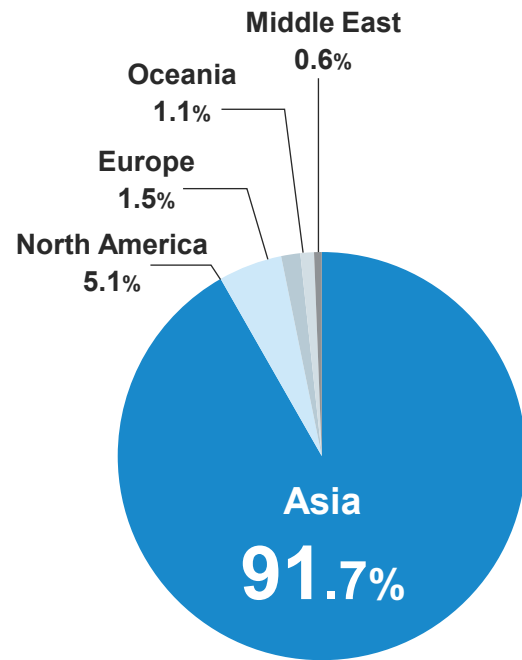
Net Business Income



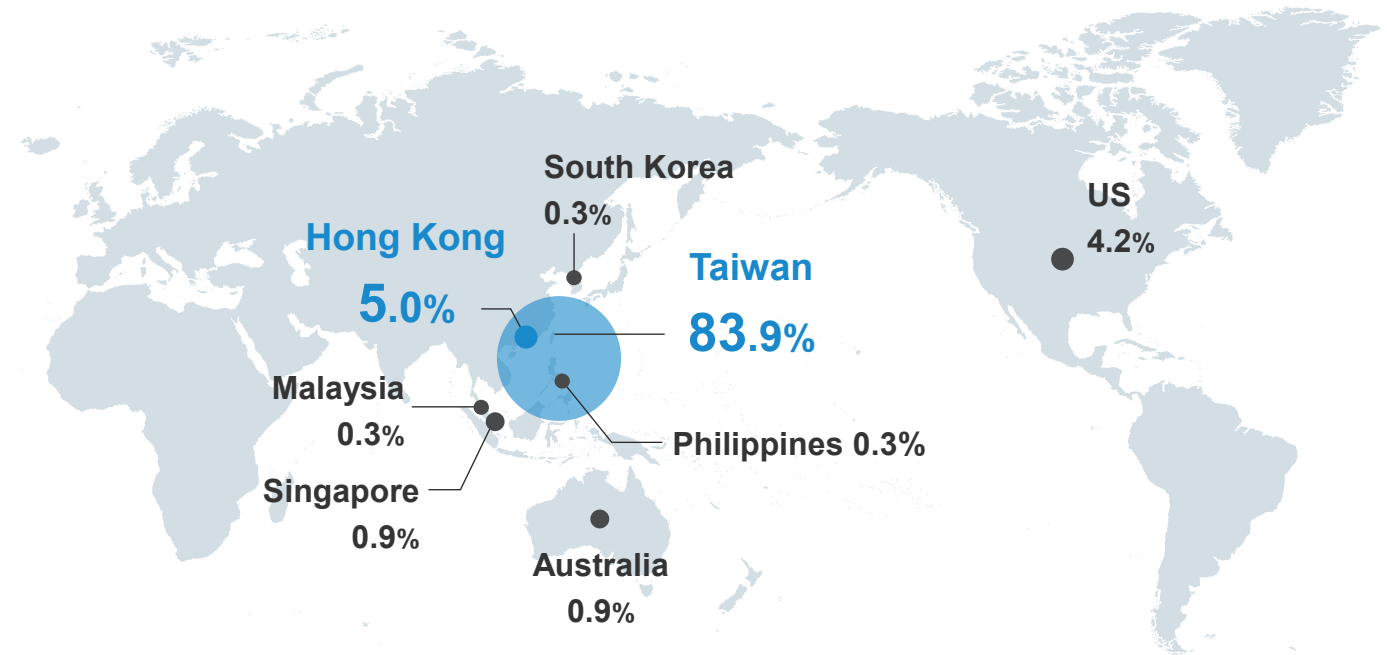


Deliveries to Asia, mainly Taiwan, account for more than 90% of GMV.

By region



By country



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