

Business Plan and Growth Potential

Vega corporation Co., Ltd.

Securities code: 3542

May 15, 2024





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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 name	Vega corporation Co., Ltd.
Listing market	Tokyo Stock Exchange Growth Market (securities code: 3542)
Share capital	1,037.12 million yen (as of March 31, 2024)
Established	July 2004
Company representative	Tomokazu Ukishiro, President and CEO
Number of employees	221 (as of March 31, 2024)
Head office	4F Hakata Gion Center Place, 7-20 Gion-machi, Hakata-ku, Fukuoka-city



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.

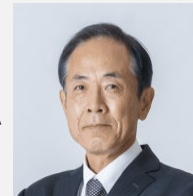
After graduating, he deliberately experienced various occupations and searched for a business to launch from the viewpoint of affinity with IT.

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.



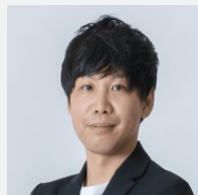
Director
Head of Corporate
Management
Headquarters

Kazuhiro Kawabata



Director
(Audit and
Supervisory
Committee)

Hiroyuki Ikeda



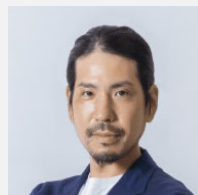
Director
Head of LOWYA Business
Headquarters
and General Manager of
Human Resources
Department

Yuki Yoshida



Director
(Audit and
Supervisory
Committee)

Toshiaki Sano



Corporate Officer
General Manager of
Marketing Department

Ryohei Eda



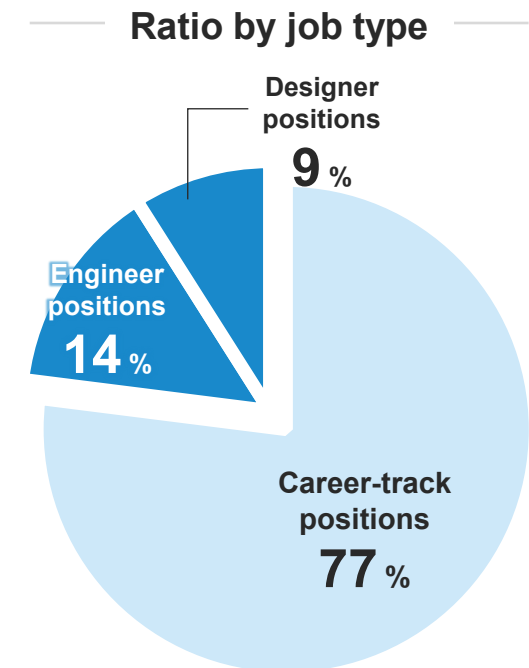
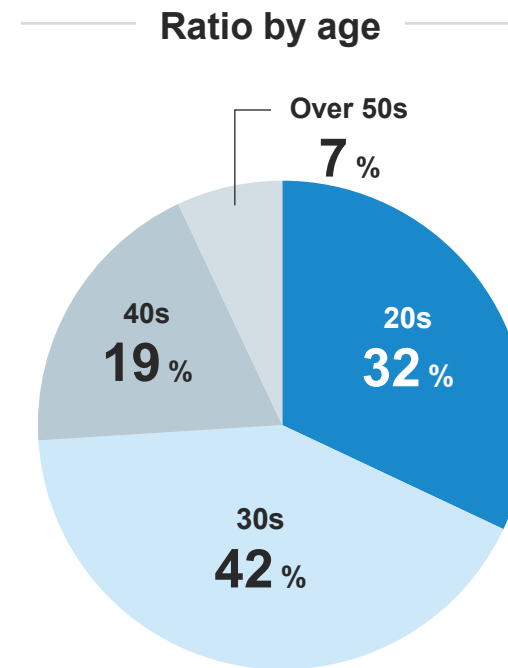
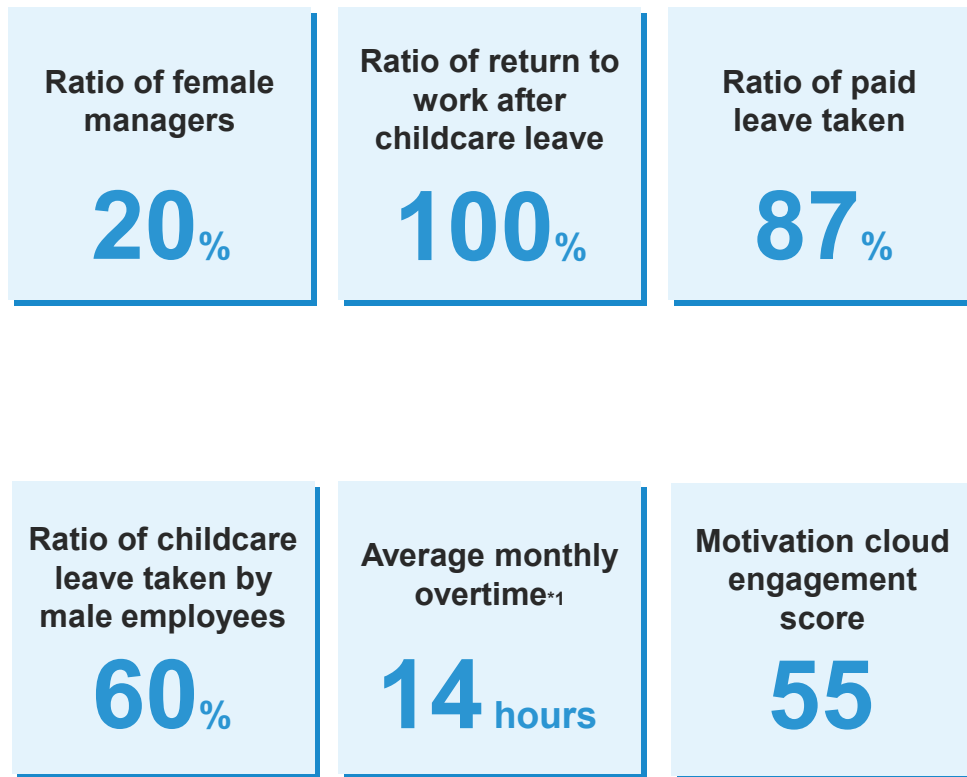
Director
(Audit and
Supervisory
Committee)

Katsuya Eguchi

Corporate Officer



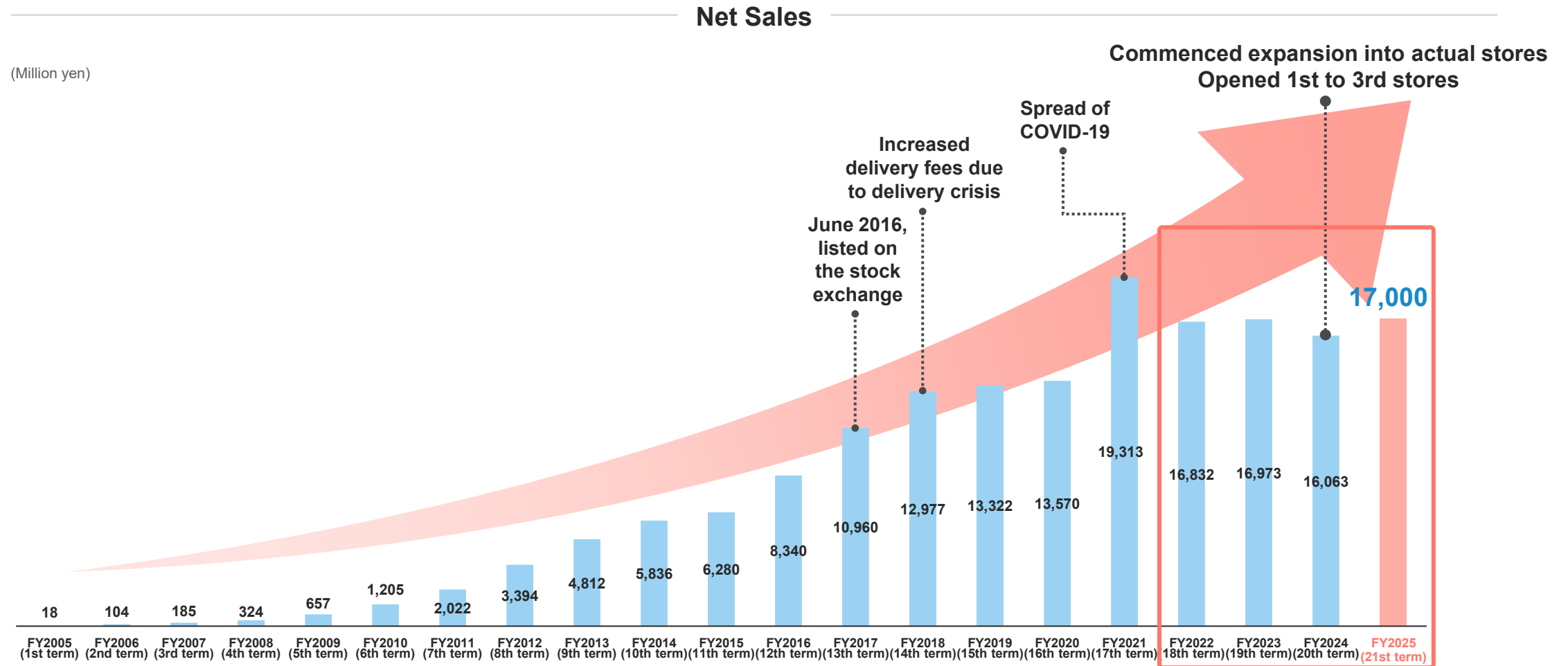
We will create and support a working environment for those who want to expand their potential by taking on challenges toward the Company's vision.



*1 Regular employees only



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



After the application of the Revenue Recognition Standard from FY2022

* At the time of the previous disclosure, the sales forecast for FY2024 (20th term) was 18,000 million yen, but due to profit-oriented measures, it ended up at 16,063 million yen. (See page 18.)



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

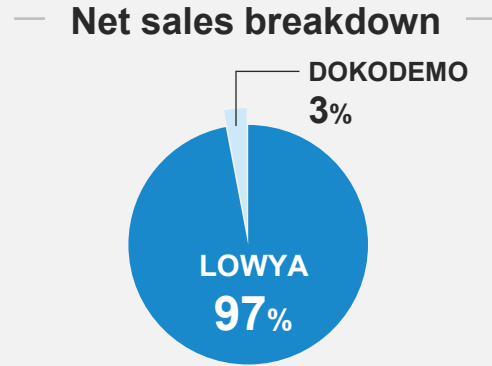


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Business Description



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

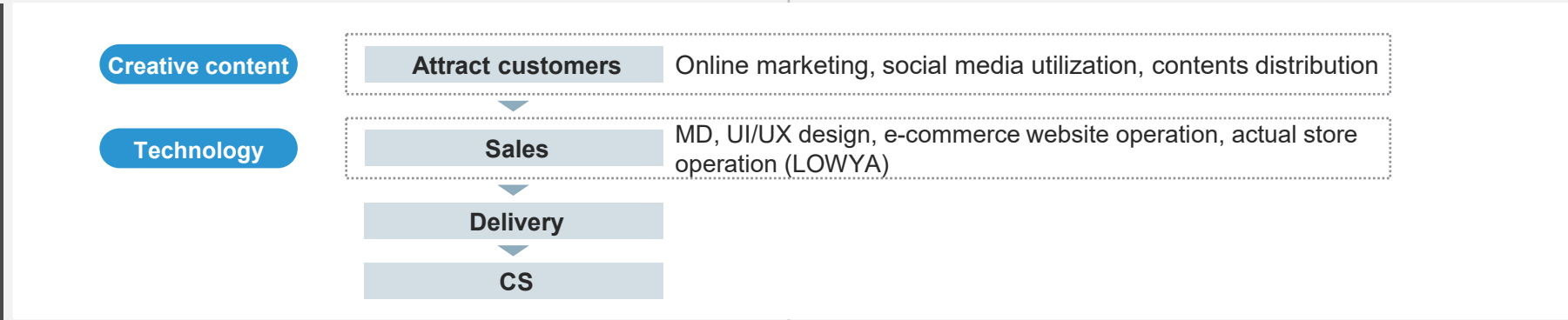


Products

From furniture and interior to outdoor goods, home appliances and sundries
Offering fashionable items at affordable prices

Cross-border e-commerce platform for the whole world
One-stop cross-border sales (B2B2C)

Process



Customers

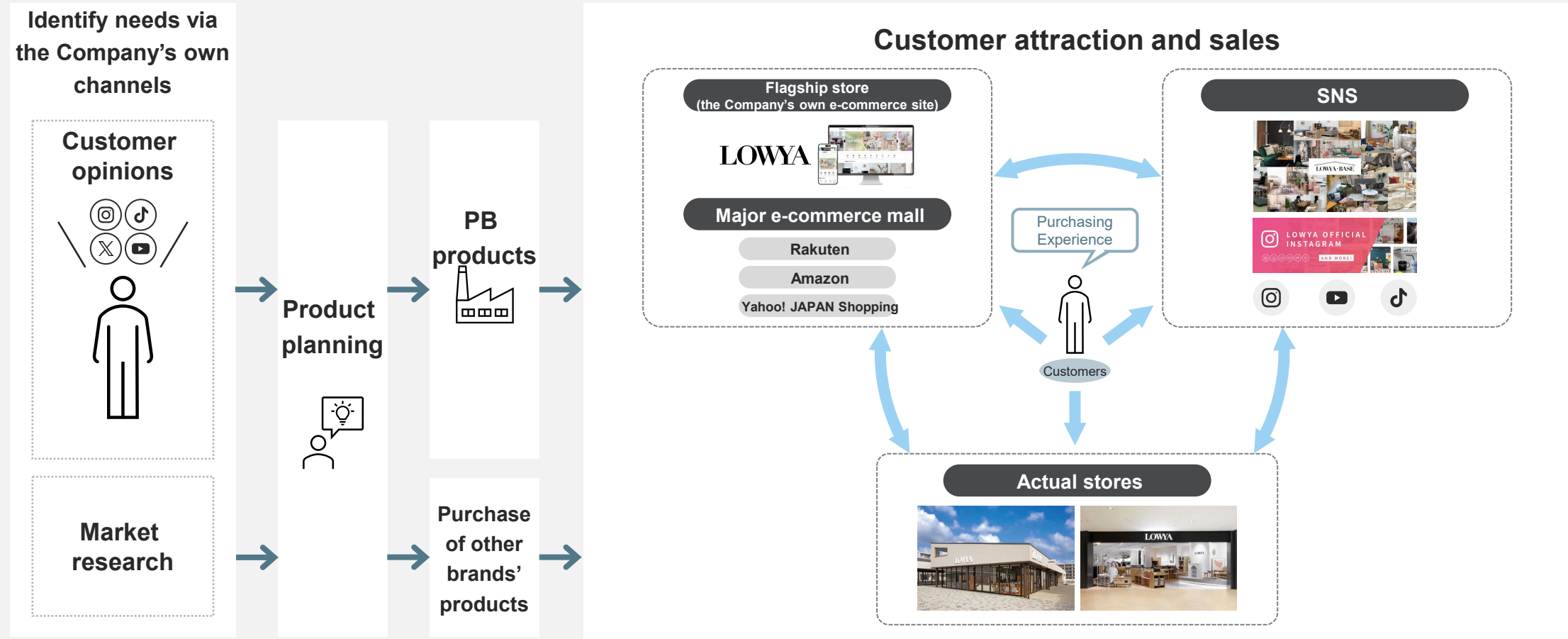
Mainly domestic users (individuals)

Domestic manufacturers, retailers, etc.
Users are individuals from all over the world

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

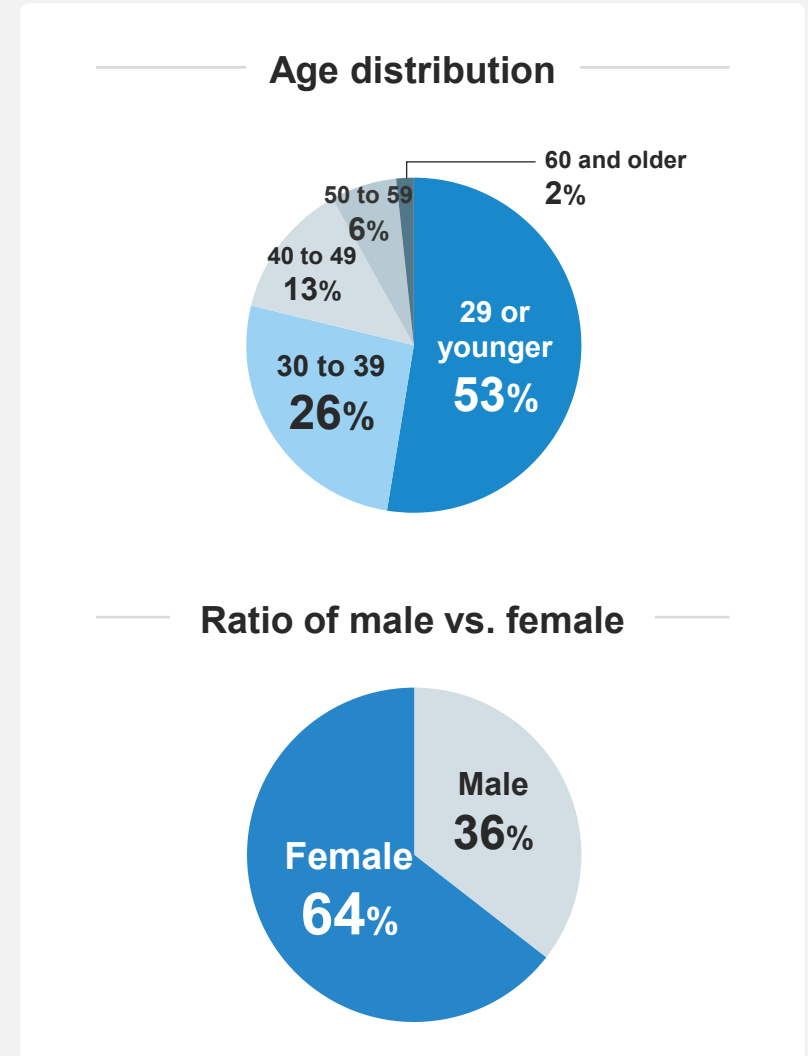
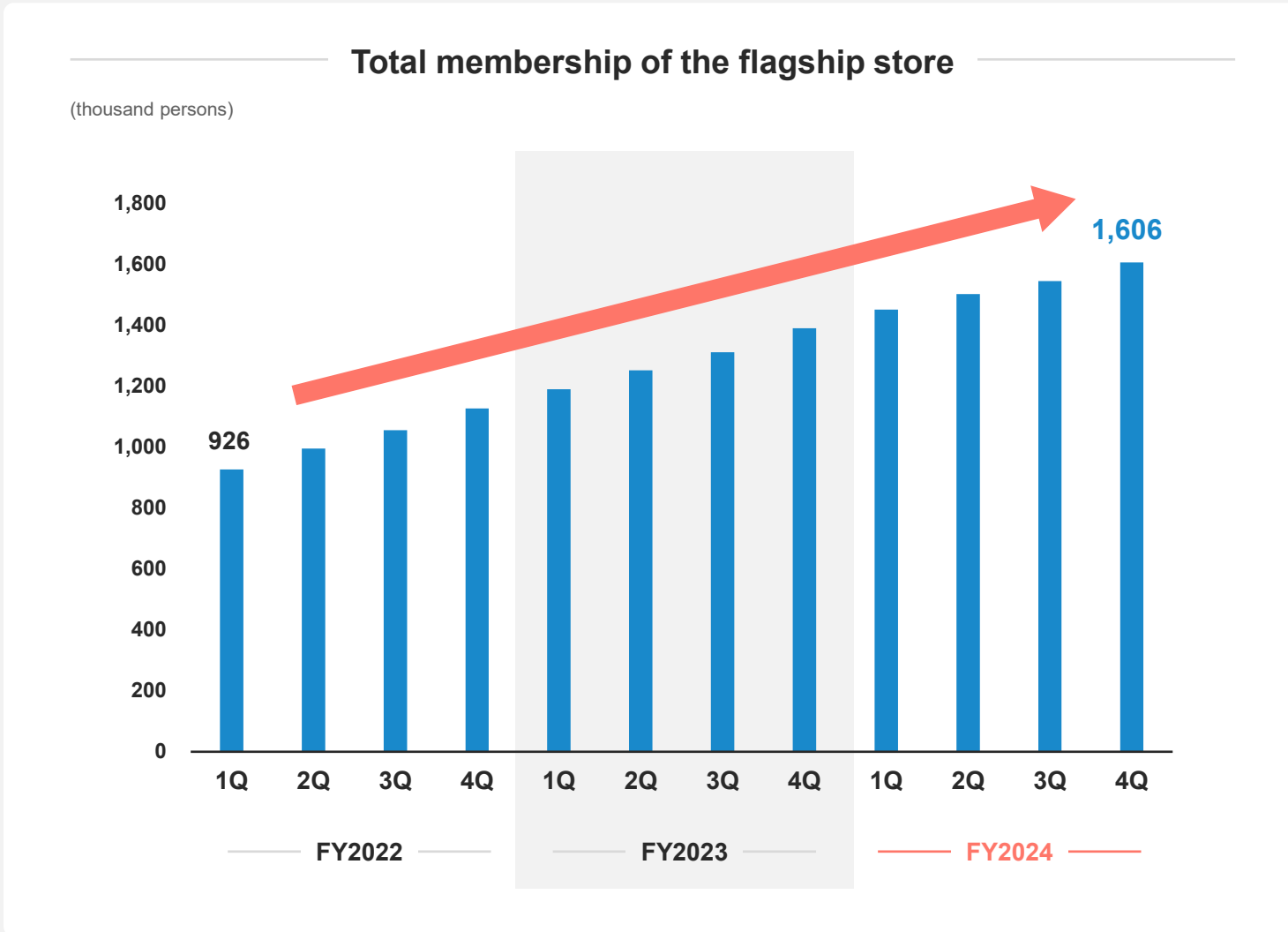


Converted from the traditional D2C (direct sales) model, in which the Company handles everything from planning to sales and attracts customers mainly through its flagship store, to an OMO-type D2C model, in which actual stores (offline) were added as a new sales channel.





The total number of members of the flagship store is steadily increasing, with strong support from people in their 20s and 30s.



*The total number of members reflects all members who enrolled 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.



Release products with a focus on our own private brand products that are design- and trend-conscious and pursue affordable prices with cost competitiveness. Expanding genres and the number of products of home appliances, sundries, etc.

Furniture



Large storage bookshelf, wide ¥17,900 (tax included)



Freely reconfigurable TV stand ¥25,990 (tax included)



Two-person sofa with storage ¥32,990 (tax included)



Bed frame, low type from ¥28,990 (tax included)



Drape curtain & lace set ¥4,290 (tax included)



Meringue touch kotatsu set ¥26,970 (tax included)



Gap storage ¥12,990 (tax included)



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

Home appliances / sundries



Futon dryer Pafuwa ¥6,990 (tax included)



Exhaust port cover made in Tsubame-Sanjo from ¥3,490 (tax included)

* The selling prices are as of May 2024, and therefore, they may be different from the current 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. 1.5 million smartphone app downloads, and more than 1 million Instagram followers.

Sizes of engagement channels that deliver a unique brand image to a wide range of users (as of March 31, 2024)

 Smartphone app **1,500,000** downloads (cumulative)

 Instagram **1,000,000** followers

 TikTok **220,000** followers

 YouTube **100,000** channel subscribers

LOWYA official app



LOWYA official social media accounts





Opening of actual stores from April 2023 to realize the OMO-type D2C model.

In FY2023, the Company opened a total of three stores, one each in Fukuoka, Osaka, and Aichi prefectures.

Kyudai Ito Store

(Fukuoka Prefecture)

- April 2023 Opened in “ITO Lab Plus” in Nishi-ku, Fukuoka City



First store

NAMBA PARKS Store

(Osaka Prefecture)

- December 2023 Opened in “NAMBA PARKS” in Naniwa-ku, Osaka City



Second store

NAGOYA MINATO Store

(Aichi Prefecture)

- February 2024 Opened on the second floor of “NAGOYA MINATO TSUTAYA BOOKS” in Minato-ku, Nagoya City



Third store

※OMO: Online Merges with Offline



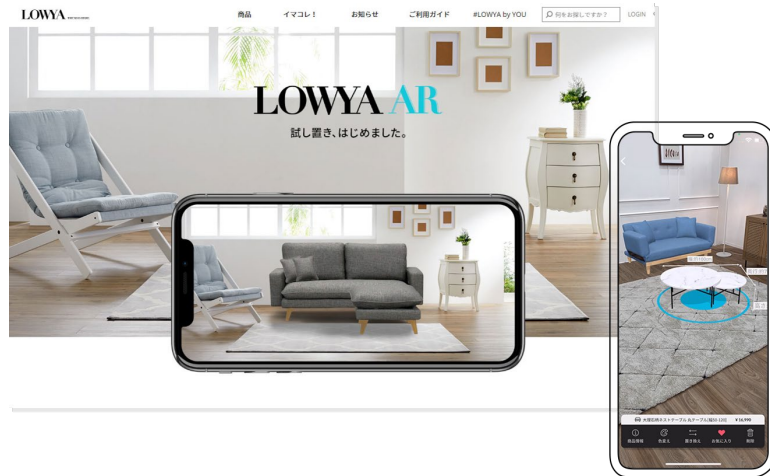
With focus on AR/VR, the Company is internally developing services one after another that change the furniture purchasing experience.

In addition to this, the Company is preparing a new and highly convenient service (scheduled for launch in the fiscal year ending March 31, 2025).

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 300,000 unique users (UU's))
- 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)



* Image

In service

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

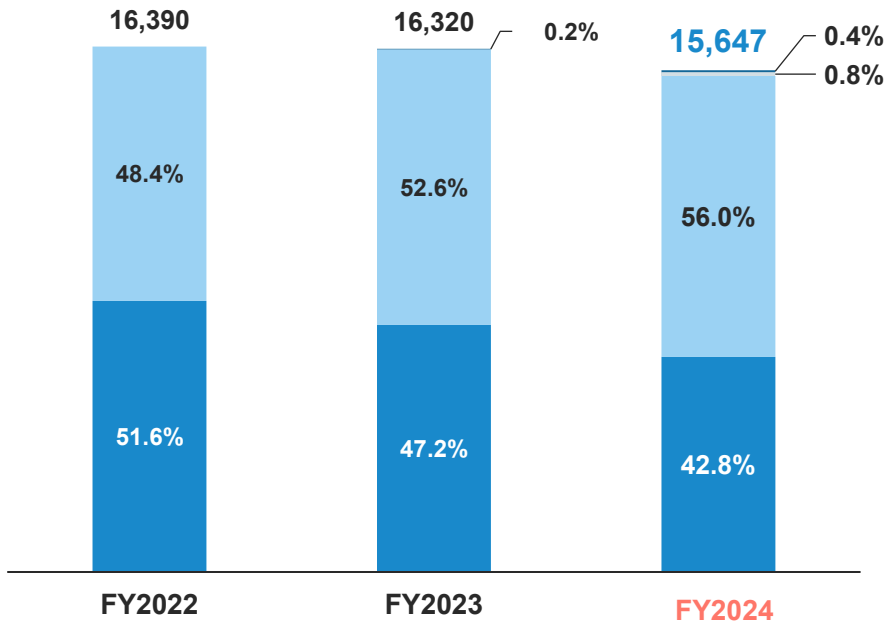


Shifted to a profit-oriented management policy from the second quarter of the fiscal year ended March 31, 2024. Operating profit recovered significantly despite a slight decline in net sales due to a decrease in access count because of marketing cost reductions.

Net sales

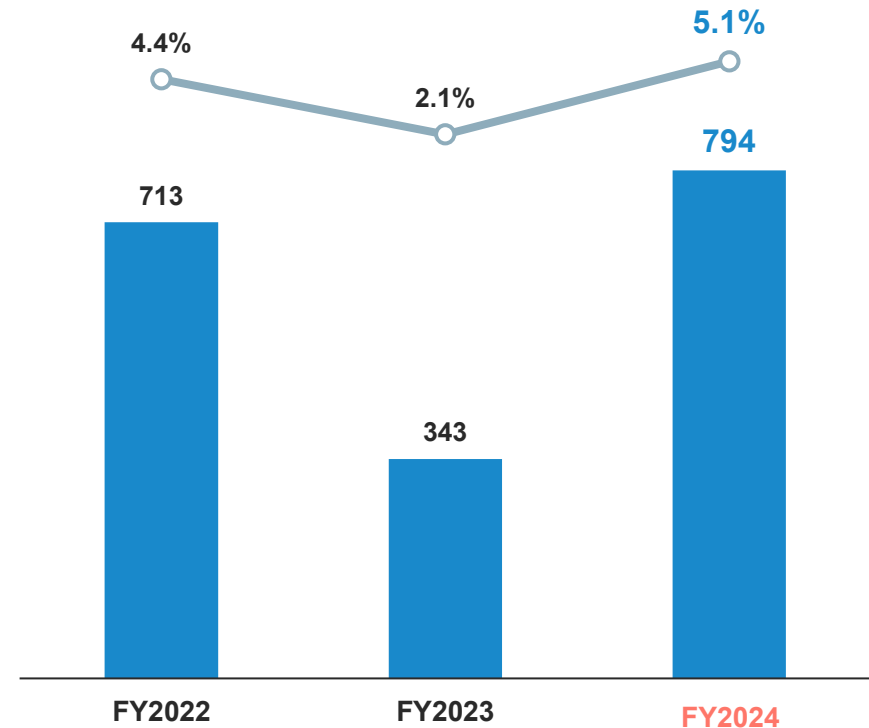
(Million yen)

- Flagship store
- E-commerce malls
- Directly managed stores
- Wholesale



Operating profit

(Million yen)

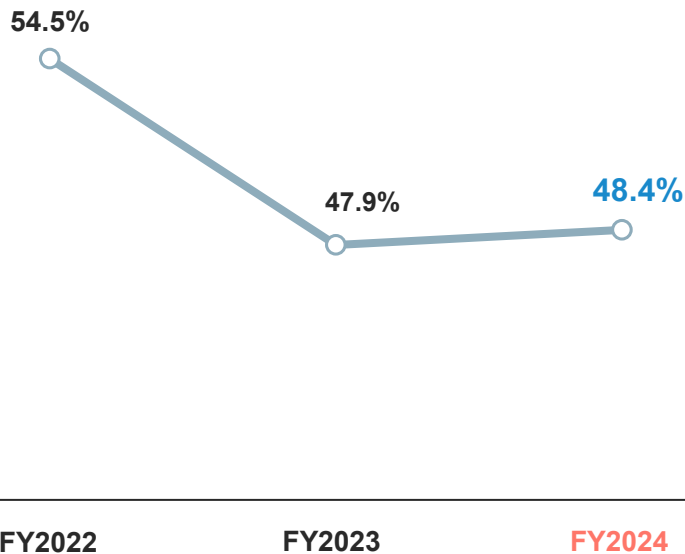




In the fiscal year ended March 31, 2024, although the yen weakened significantly, gross profit margin improved due to the reduction of promotion expenses and the effect of price pass-through. In addition, the Company also worked to reduce personnel expenses and fixed costs mainly by reducing marketing cost to ensure profit.

Gross profit margin ratio

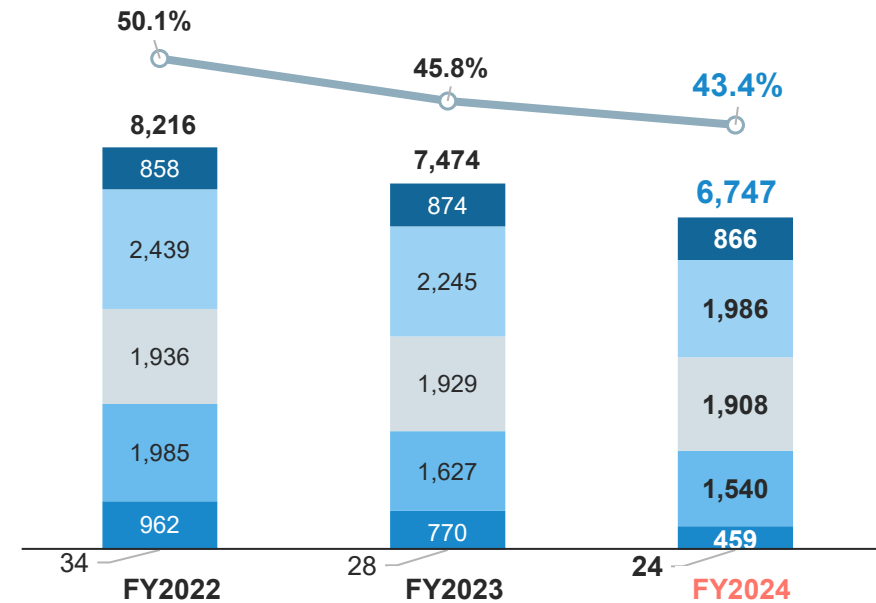
(%)



SG&A expenses

(Million yen)

- Selling expenses
- Delivery expenses
- Personnel expenses
- Fixed costs
- Advertising expenses
- R&D expenses
- SG&A expenses ratio



* 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 ended March 31, 2024. As such, the figures for the fiscal year ended March 31, 2023, and prior periods have been retrospectively adjusted.



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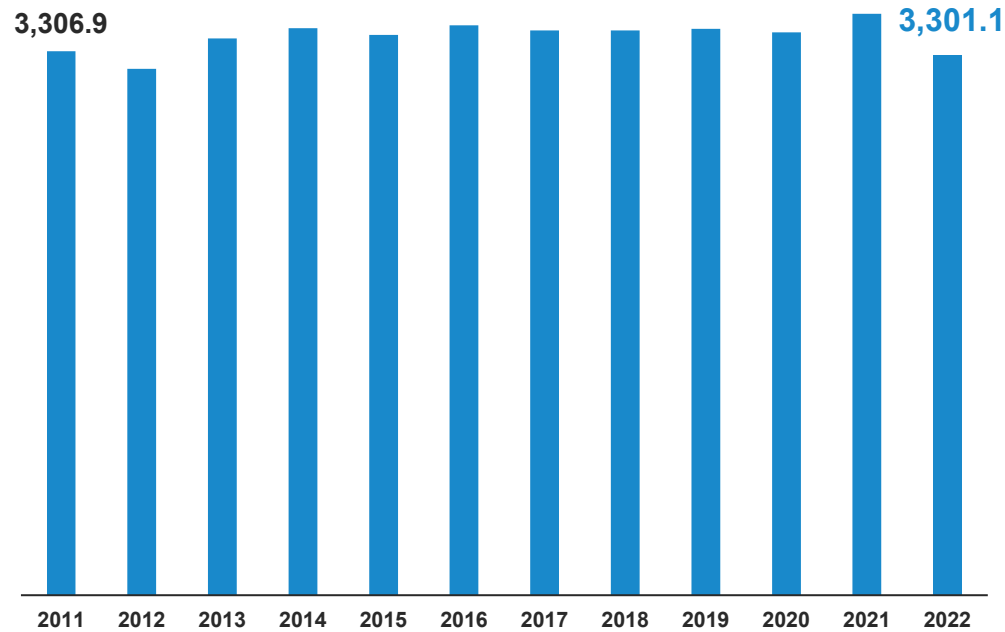
Market Environment



While the furniture and interior market as a whole has remained flat, the EC market grew at a CAGR of 2.9%. EC market growth is expected to continue in the future.

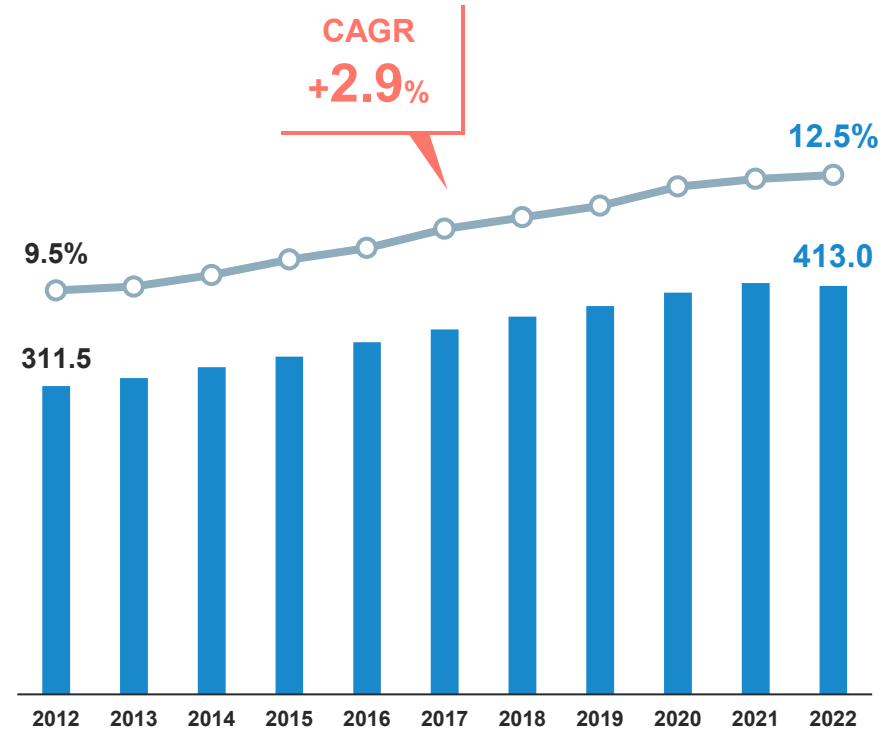
Furniture and interior market scale

(Billion yen)



E-commerce market and e-commerce rate

(Billion yen)

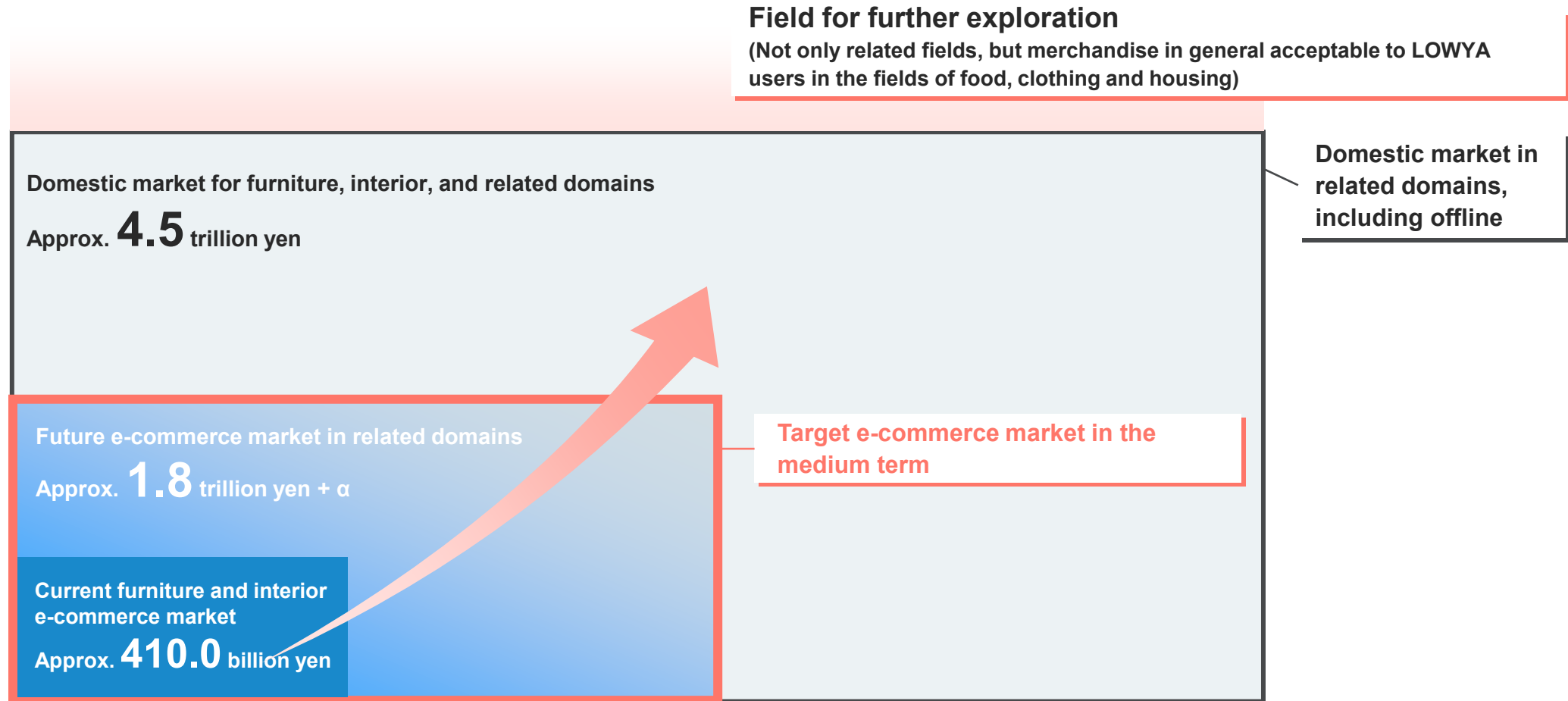


*Source: "Home Furnishings in Japan, May 2023" issued by Euromonitor

*Regarding "Furniture and Interior Market Scale," the Company decided to stop disclosing future estimates due to the discrepancy between its forecasts and actual results.



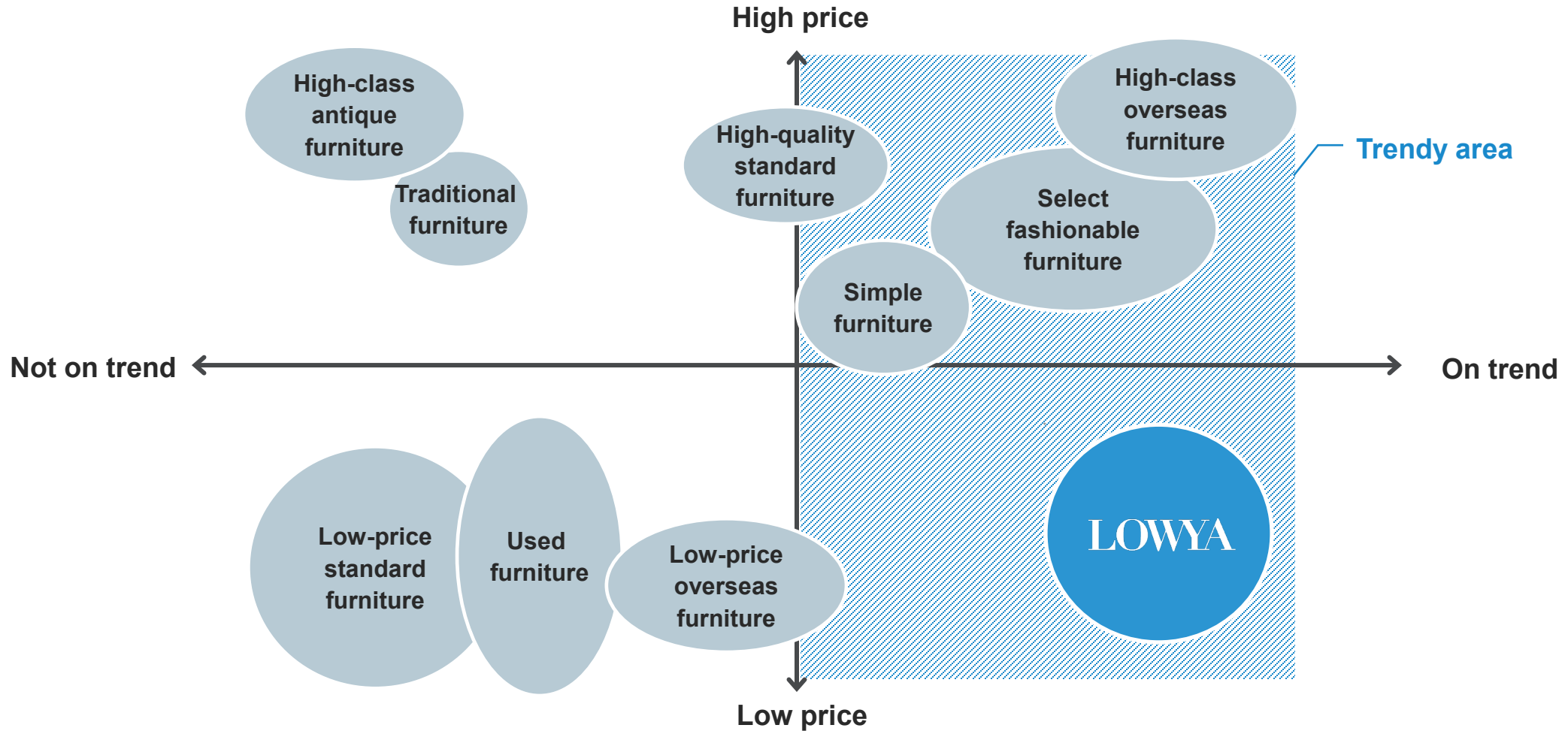
Target market continues to expand, driven by an increasing shift to e-commerce. In addition to accelerating the shift to EC, the Company will capture the needs of the offline market by promoting OMO-type D2C, and aim for business growth as well as business domain expansion.



* 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 2023" issued by Euromonitor. Figures for home electrical appliances were prepared based on "FY2024 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 "2022 Yearbook of Current Production Statistics" issued by the Ministry of Economy, Trade and Industry. Figures for an e-commerce shift regarding home electrical appliances, plastic goods for daily use and sundries were estimated by the Company, based on "FY2022 Industrial Economic Research Commissioned Project (E-Commerce Market Survey)" issued by the Ministry of Economy, Trade and Industry.



Establishing the unique positioning of LOWYA that differentiates it from other brands by offering a wide variety of low-priced, trendy products in the furniture and interior products market.





4

Growth Strategy

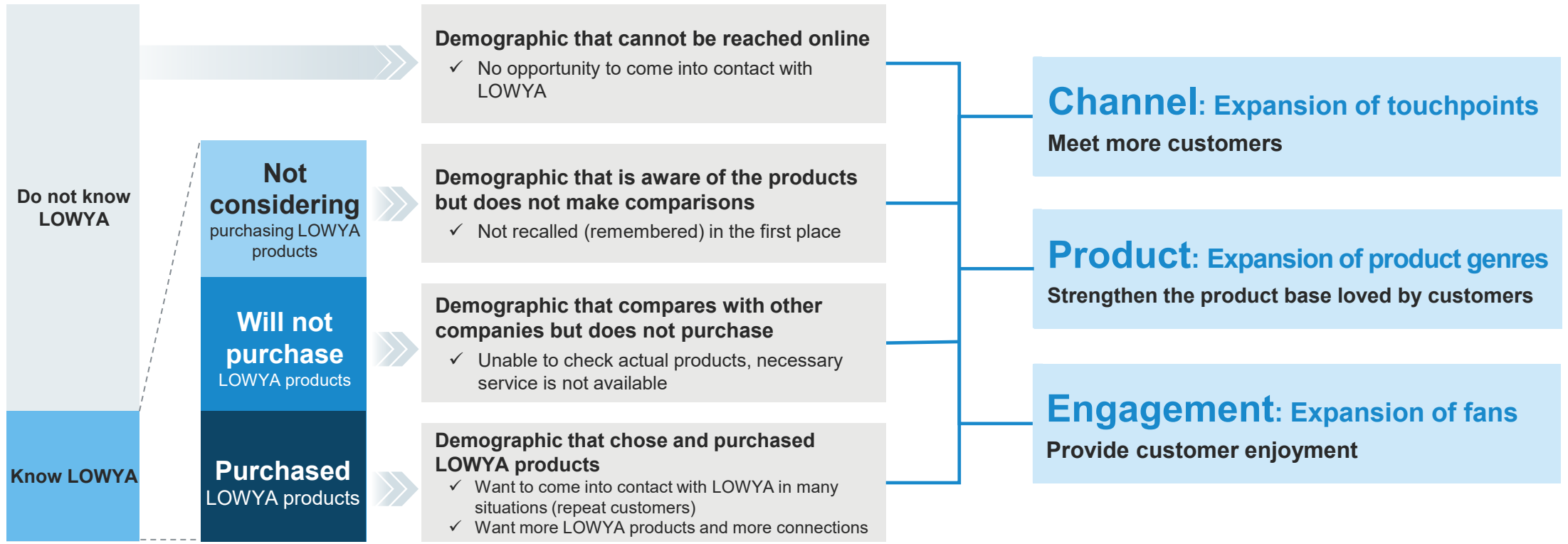


Converted to an OMO model by developing actual stores (channels) to build touch points with customers that could not be reached online alone.

Work to increase the number of fans and improve customer satisfaction (engagement) by utilizing SNS and strengthening products.

Classification of customers and their respective pains

Three reinforcement points





Plan to use operating cash flow to invest aggressively in development of new actual stores (channels).

Plans to invest in human resources, IT, and other infrastructure to support the OMO model with the expansion of actual stores.

Financing methods

1. Operating CF

- In the e-commerce (EC) channel, realize highly efficient store operations with controlled marketing costs
- Reduction of personnel expenses and fixed costs through cost review

Generation of operating CF

2. Interest-bearing debts

- Continued to be debt-free after March 31, 2023
 - Shareholders' equity amounts to 5.4 billion yen, sufficient borrowing capacity
- *As of March 31, 2024

3. Equity

- Not excluded as an option

Investment areas

Three focal points for reinforcement

Channel

Product

Engagement

Strengthen infrastructure

- Strengthen SCM and fulfillment
- Improve IT systems
- Secure human resources in each area

Complement strategies

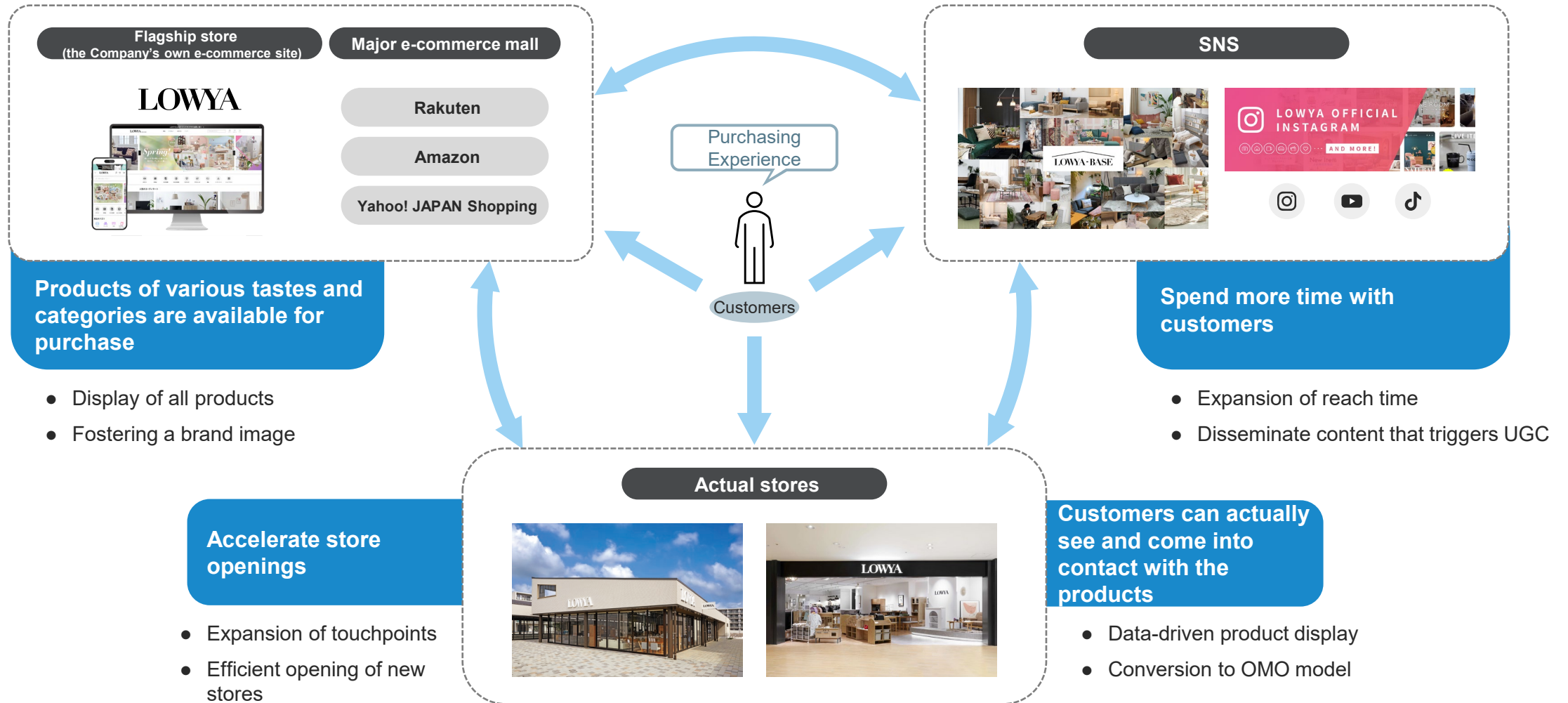
External collaboration

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



Build a seamless purchasing experience that links online and offline, including SNS.

Accelerate the opening of actual stores and increase the number of places where customers can see and come into contact with our products.





Increase the share of LOWYA products in the living space by expanding product genres, and develop products that meet the needs of a broadening customer base.

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



Furniture



Cabinet



Consumer electronics



Bedding



Outdoor goods



Interior goods

*The Company stated the number of products it handled until the previous financial results. However, it decided not to define a quantitative index, so the number has been omitted from this report.



Implement interactive communication measures online and offline for the enjoyment of customers. The Company aims to deepen its fan base by activating communication with customers and developing a community centered on SNS.

SNS



Surveys of requests for content and products, and live streaming from actual stores

Actual stores



Events utilizing actual stores that allow offline interaction with customers

Fan community



Online exchange meetings with fan community members

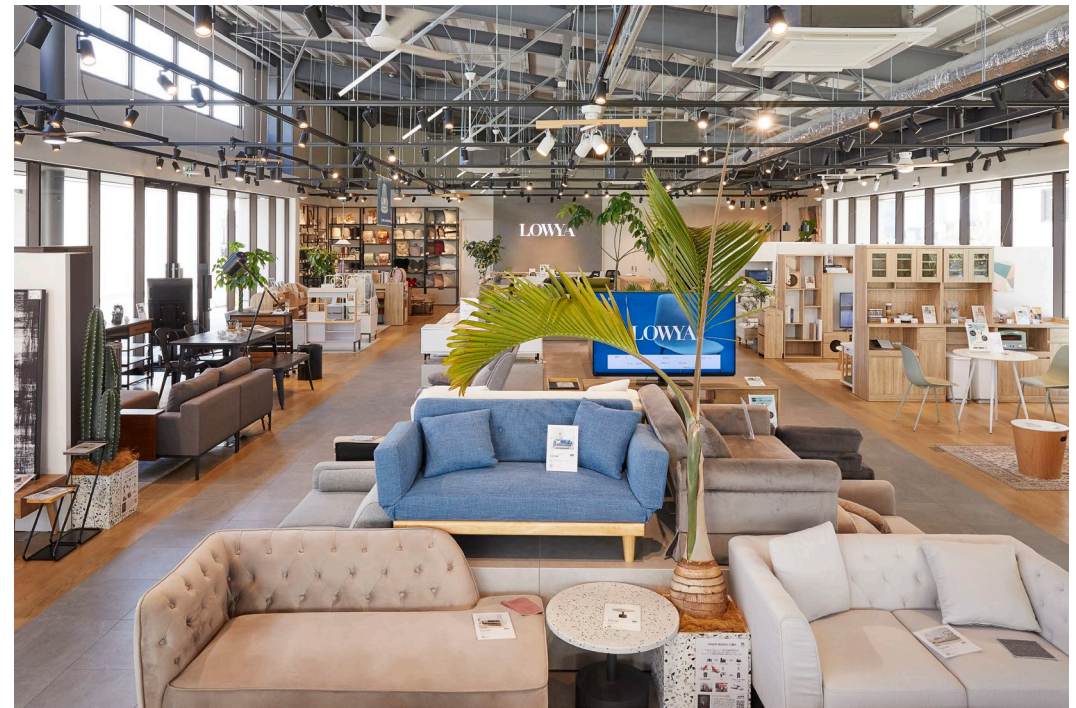


The first actual store was opened in “ITO Lab Plus” in Fukuoka City, Fukuoka Prefecture in April 2023.

Exterior



Interior





The second actual store was opened in “NAMBA PARKS” in Osaka City, Osaka Prefecture in December 2023.

Exterior



Interior





The third actual store was opened on “the second floor of NAGOYA MINATO TSUTAYA BOOKS, LaLaport NAGOYA minato AQUUS” in Nagoya City, Aichi Prefecture in February 2024.

Exterior



Interior



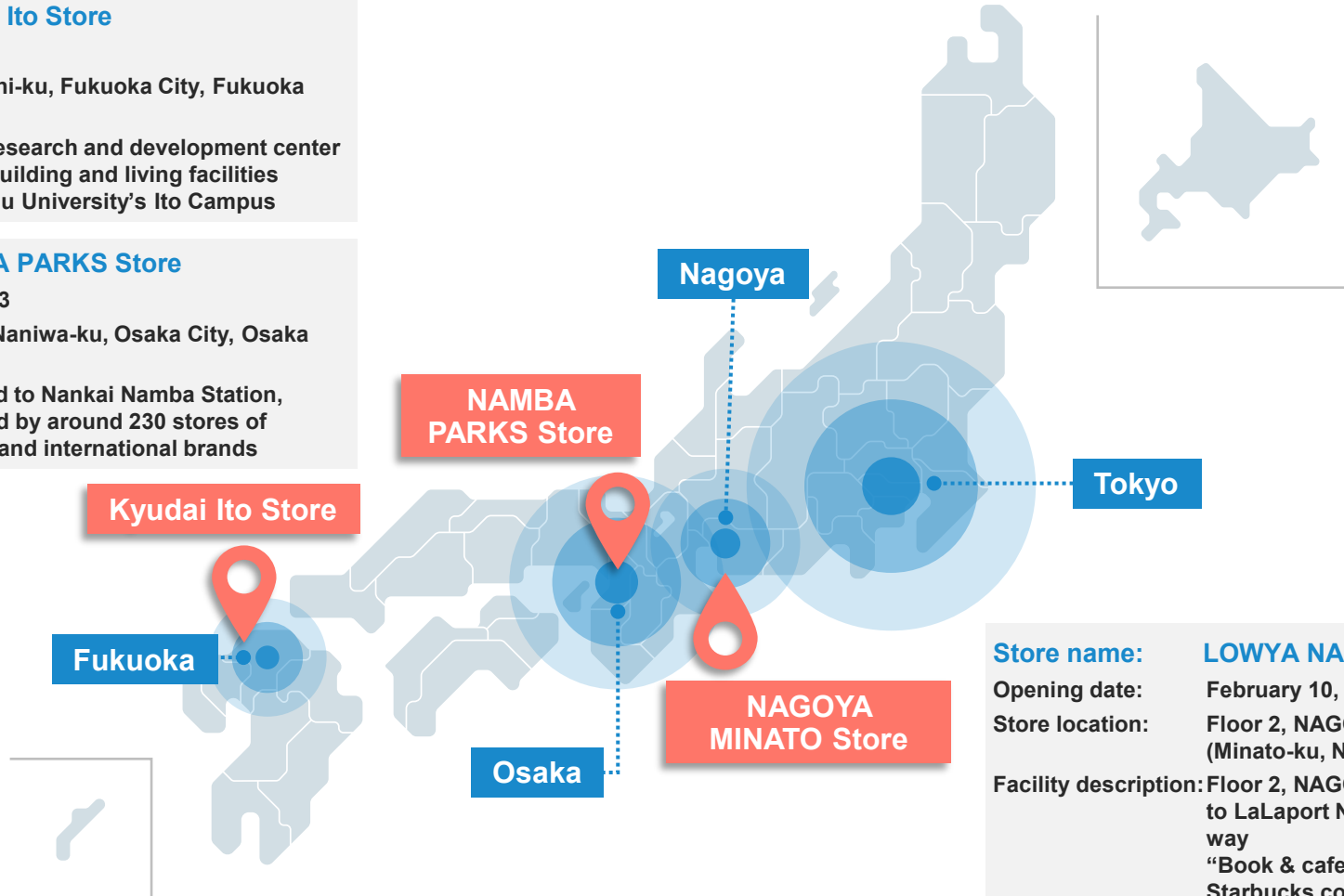


The Company opened three stores in FY2023.

Plans to continue opening new stores in FY2024 and beyond, with the goal of opening dozens of new stores.

Store name: LOWYA Kyudai Ito Store
Opening date: April 8, 2023
Store location: ITO Lab Plus (Nishi-ku, Fukuoka City, Fukuoka Prefecture)
Facility overview: Next-generation research and development center integrating R&D building and living facilities adjacent to Kyushu University's Ito Campus

Store name: LOWYA NAMBA PARKS Store
Opening date: December 16, 2023
Store location: NAMBA PARKS (Naniwa-ku, Osaka City, Osaka Prefecture)
Facility overview: Directly connected to Nankai Namba Station, currently occupied by around 230 stores of leading domestic and international brands



Store name: LOWYA NAGOYA MINATO Store
Opening date: February 10, 2024
Store location: Floor 2, NAGOYA MINATO TSUTAYA BOOKS (Minato-ku, Nagoya City, Aichi Prefecture)
Facility description: Floor 2, NAGOYA MINATO TSUTAYA BOOKS linked to LaLaport NAGOYA minato AQULS via access way
 "Book & cafe" style bookstore containing a Starbucks coffee shop on floor 1



The LOWYA business plans to continue opening new stores in the fiscal year ending March 31, 2025, and beyond to expand the scale of its operations.

Target ROE of 15% or more and DOE of 2%.

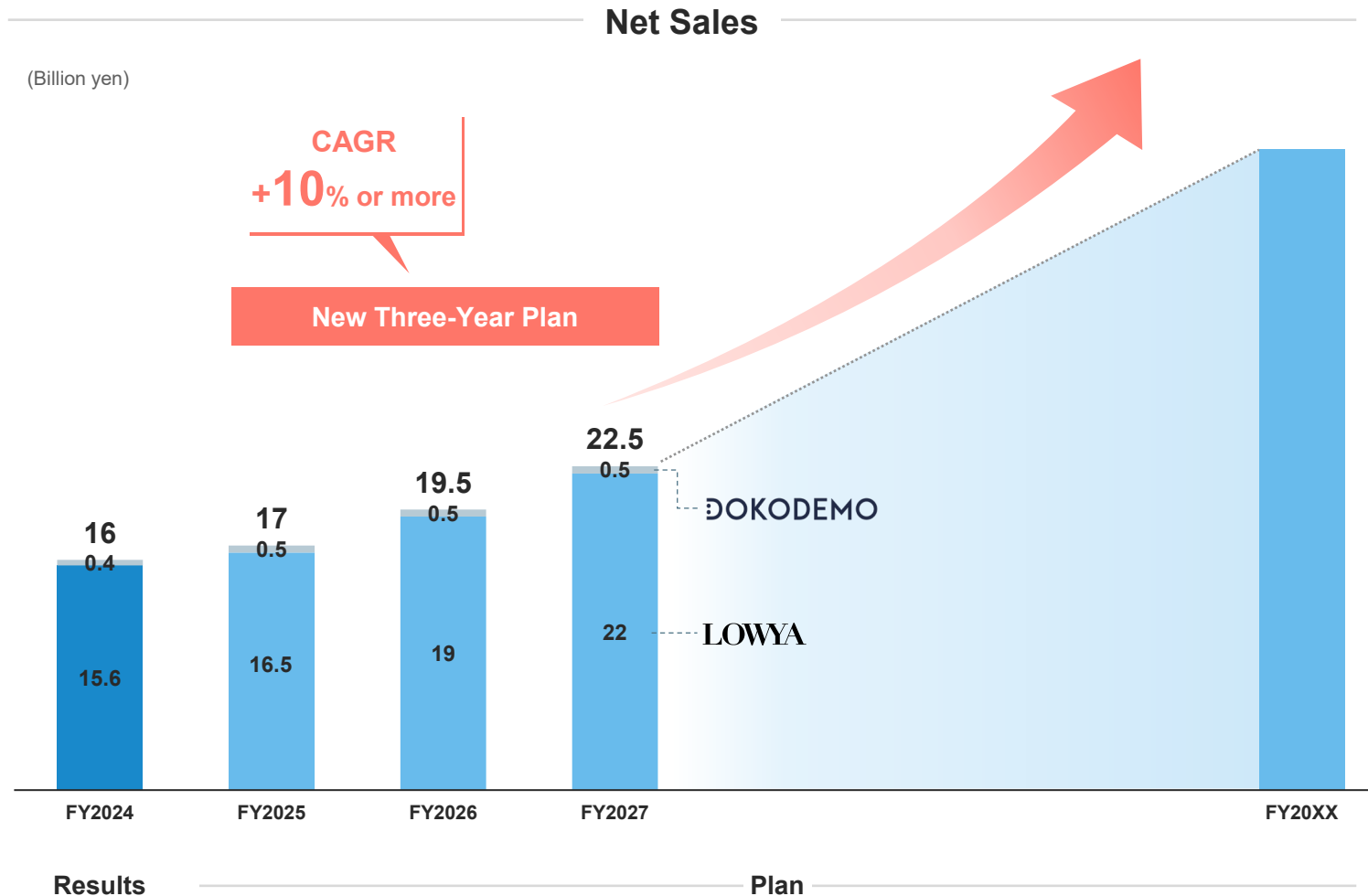
	Fiscal year Ended March 31, 2024	Fiscal Year Ending March 31, 2025	Fiscal Year Ending March 31, 2026	Fiscal Year Ending March 31, 2027
Net sales (million yen)	16,063	17,000	19,500	22,500
LOWYA Business	15,647	16,500	19,000	22,000
Number of new stores opened	3 stores	4 to 6 stores	6 to 8 stores	8 to 10 stores
DOKODEMO Business	416	500	500	500
Operating profit (million yen)	771	1,200	1,500	2,000
ROE(%)	7.3	12.4	13.9	16.2
Dividend per share (yen)	10	11	13	15

* Management indicators that the Company published until the previous edition are listed as major indicators for each business in the Briefing Materials of Financial Results. Please refer to them.
The ratio of repeat customers in the LOWYA business has been removed from the major indicators due to a change in the business model.

Three-Year Plan: Sales Targets



Aim for a CAGR of 10% or more, mainly through growth in the LOWYA business.
The DOKODEMO business continues its R&D phase.



Mid-term target

50 billion yen



Long-term target

100 billion yen



5

Risks



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

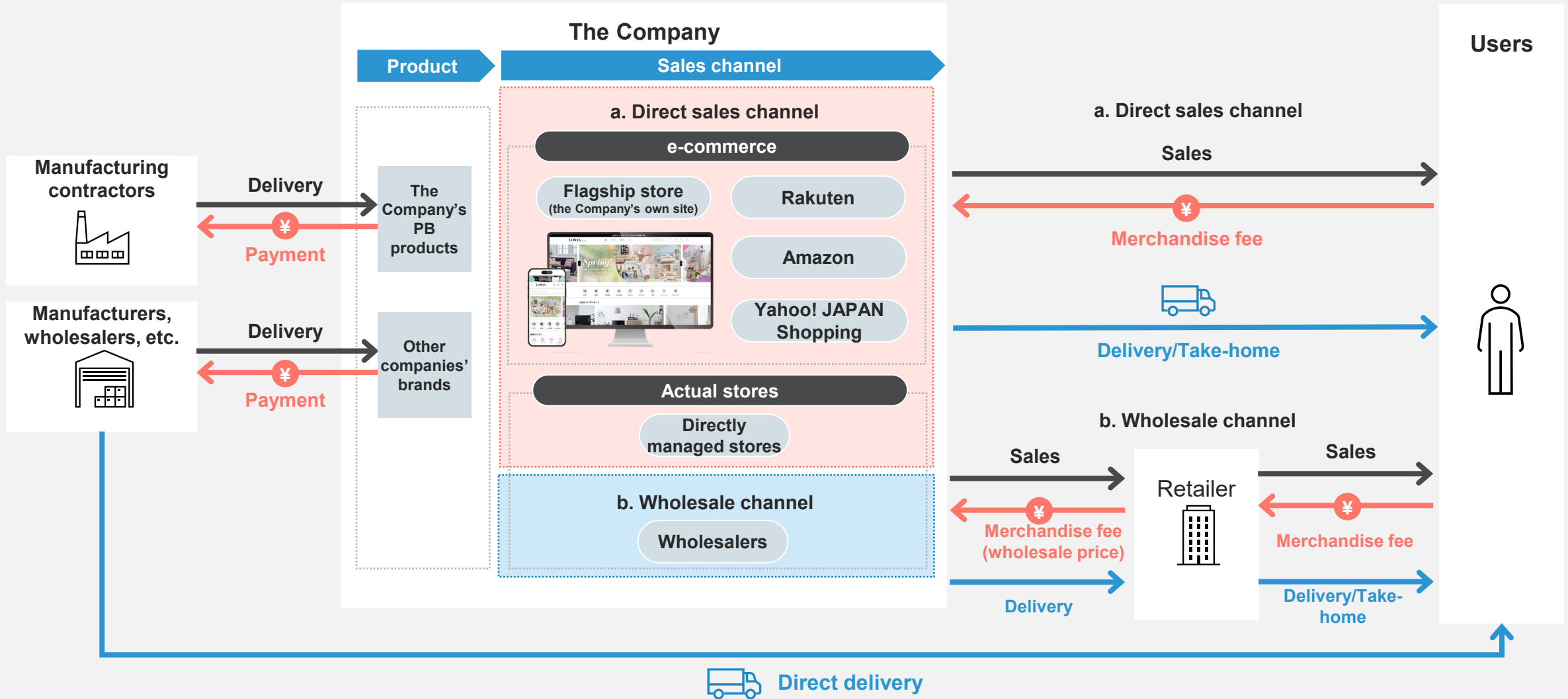
Please refer to “Business Risks” in the annual securities report for other risks.

Description	Possibility of manifestation	Timing	Impact	Countermeasures
Foreign exchange Risk of significant exchange rate fluctuations affecting business performance	High	Short- to long-term	High	<ul style="list-style-type: none"> Review and upgrade the hedging policy from time to time
Response to search engines 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"> Implement measures to reduce the impact of search algorithm changes, etc.
Impact of online malls Risk arising from mall closures, cancellation of store opening agreements, mall system troubles, etc.	Medium	Unclear	Medium	<ul style="list-style-type: none"> Focus efforts on the growth of the LOWYA flagship store as well as establishment and expansion of new sales channels
New business model Risk of not achieving expected sales and profit growth, synergies with existing business areas, etc.	Medium	Short- to medium-term	High	<ul style="list-style-type: none"> Continuously monitor sales performance, etc. Examine medium-term numerical plans and withdrawal criteria
Competition 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"> Strengthen competitive advantage Provide high-value-added services
Increase in delivery expenses Risk of shipping companies withdrawing from large-scale deliveries or raising prices	Medium	Short- to medium-term	Medium	<ul style="list-style-type: none"> Build an earnings structure that is not easily affected by rising delivery expenses
Intellectual property rights 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"> Obtain various intellectual property rights Build a system to ensure that there is no infringement of the intellectual property rights of third parties
Information security and system troubles Risk of system troubles due to unexpected accidents, unauthorized access, etc. resulting in difficulties in providing services stably	Low	Short- to long-term	High	<ul style="list-style-type: none"> Back up data and disperse systems Strengthen security measures



6

Appendix





The goal of expanding product lineup through strengthening of the products of other companies' brands is now in sight.

Going forward, the Company will expand product genres and release carefully selected 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

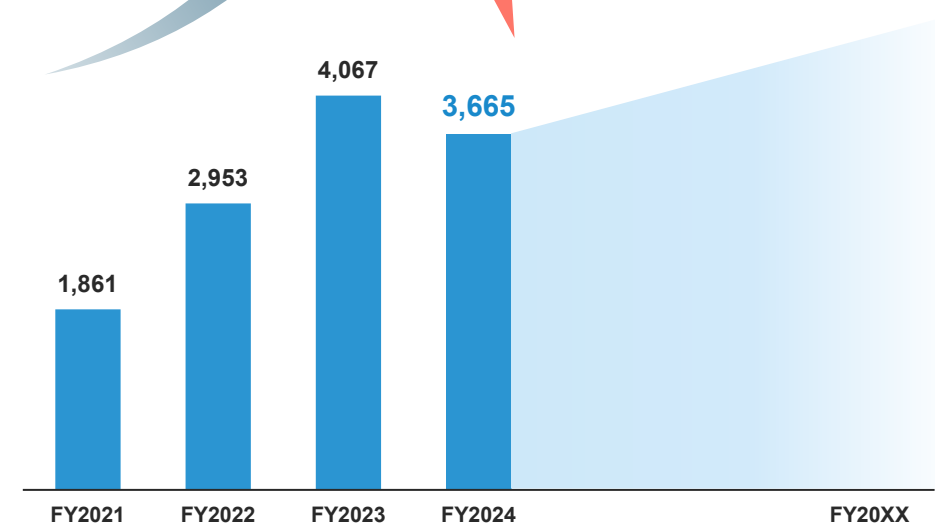


Increase the share of LOWYA products in customers' living spaces

Enhancement of product lineup

Strengthen products of other companies' brands

Expansion of Product Genres
The emphasis will not be on the number of products. Release focusing on priority items



* The data for FY2023 and earlier has been retroactively adjusted due to changes in the system specifications from which the data was obtained.

* At the time of the previous disclosure, the Company set a goal of 50,000 products in the future. However, the Company has changed its policy. It will expand product genres and release carefully selected products with a focus on priority items, but not emphasize the number of products. As a result, the Company has decided to drop the target number of products to handle.

IR Inquiries

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

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.