

Q1 Financial Results

Fiscal Year Ended March 2022

13 August, 2021



D2C • E-COMMERCE MARKETING

Itsumo Inc.

Ticker: 7694

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Q1 FY2022 Highlights: Primal Management Indicators

Gross Sales

2,633 mil.

Q1 FY2021
2,377 mil.

up 10.8%



Gross Margin

653 mil.

Q1 FY2021
547 mil.

up 19.3%



Adjusted EBITDA*

178 mil.

Q1 FY2021
193 mil.

Down 7.7%



Upward our guidance, perform satisfactory throughout its primal management indicators

FY2022 Guidance (% to YoY):

Gross Sales 114.5 mil. Up 30.0% | Gross Margin 28.9 mil. up 36.7% | Adjusted EBITDA 8.2 mil. up 42.3%

■ YOY Sales of EC Market Place Service Increased 6.1%

Increased 39.3% aside from a temporary incremental of 474 mil. due to stay-at-home demand at the same quarter last year.

■ YOY Sales of EC Marketing Service Increased 34.8%

■ YOY Total Gross Margin Increased 19.3%

■ YOY Labor Charge Increased 66 mil.

Incremental of up-front expenditure by new hiring according with healthy growth of new business

168 hired: at the end of FY2021 → 203 hired: at the end of Jun. 2021

■ Adjusted EBITDA performed well compared to our projection

* Adjusted EBITDA : OP + Depreciation + Depreciation of good will + M&A cost

Note: The figures during Q1 2021 and adjusted EBITDA are outside of audit company's reviews

Q1 FY2022 Highlights: Act over EC Operation

of Newly Added Brand Partners*

5

On track

FY2022 Expected # of Newly Added Brand Partners : 15

- * The above includes the number which the same brand launches stores on the different platforms.
- * The above numbers has been entered into contract at the end of June 2021. Generally it requires 3-6 months to go-alive.

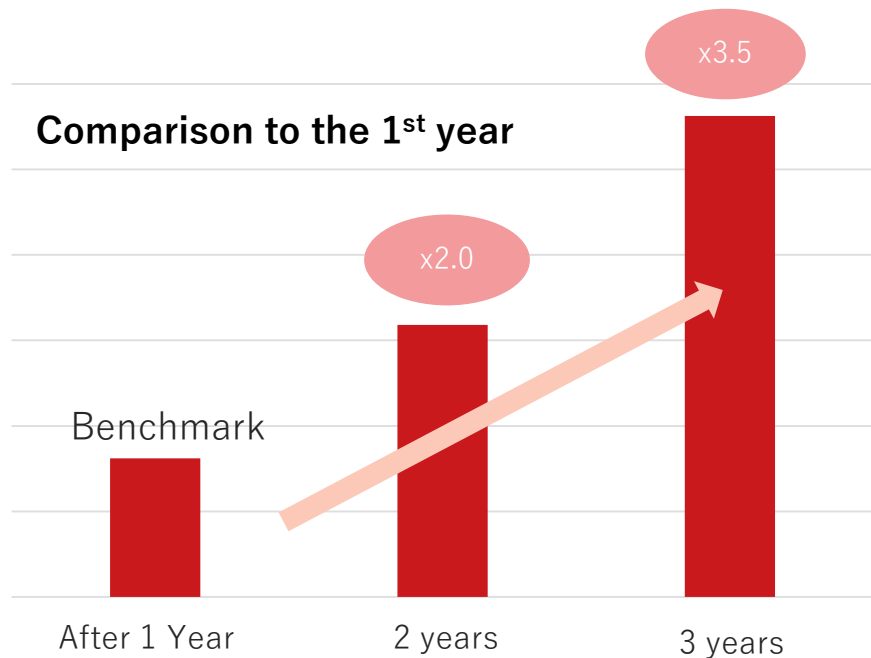
FY2022 Newly Added Brand Partner Roadmap (planned)

1H (Apr-Sep 2021) 8 brands

Basic Strategy of Act over E-Commerce Operation

We purchase products directly from domestic major brands and sell them through EC sites.

Change in Average Growth Rate after Implementing Our Service



Contribution of newly added brands to our sales is full-fledged from the 2nd years, after launching renovated websites, proliferation of brands and penetration of name brand values in the market.

Q1 FY2022 Highlights: M&A “Brand Value Up” Project

of Newly Acquired Brands* M&A “Brand Value Up” Project

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Size of M&A Brands:
50 mil.-300 mil.
of annual sales



Add onto our gross sales
**# of M&A Brands ×
Annual Sales × Growth Rate**

On track

**FY2022 Expected # of
Brands to Acquire: 25**

FY2022 M&A Roadmap (planned)
1H (Apr-Sep 2021) 10 brands

* The above includes the number which the same brand launches stores on the different platforms.

* The above numbers has been entered into contract.

Basic Strategy of M&A “Brand Value Up” Project

Target to purchase mid-small brands which have continuous and robust sales performance as well as competency of product development and management know-how regardless of service fields or visibility. Seeking for a quick topline growth and higher investment efficiency

Q1 FY2022 Summary of Results

In Millions of Yen	Q1 FY2021 Actual	Q1 FY2022 Actual	Change (%)
Gross Sales	2,377	2,633	10.8%
Gross Margin	547	653	19.3%
% to Gross Margin	23.0%	24.8%	—
SG&A	365	488	33.8%
Operating Income	182	164	△9.7%
Ordinary Income	201	163	△18.6%
Adjusted EBITDA*	193	178	△7.7%
Net Income	131	112	△14.8 %

Highlights

Both service lines are paying off.

EC Market Place Service: Each brand partners grows strongly.

EC Marketing Service: Steady growth in stock sales and it supports a stable revenue base.

Incremental of up-front expenditure by new hiring, YoY labor charge increased 43%, 66 mil.

In Q1 FY2021, booked subvention of commission for cashless promotion, initiated by METI (Ministry of Economy, Trade and Industry Japan).

The decrease is due to priority investment for M&A project, however, the number surpasses our projection.

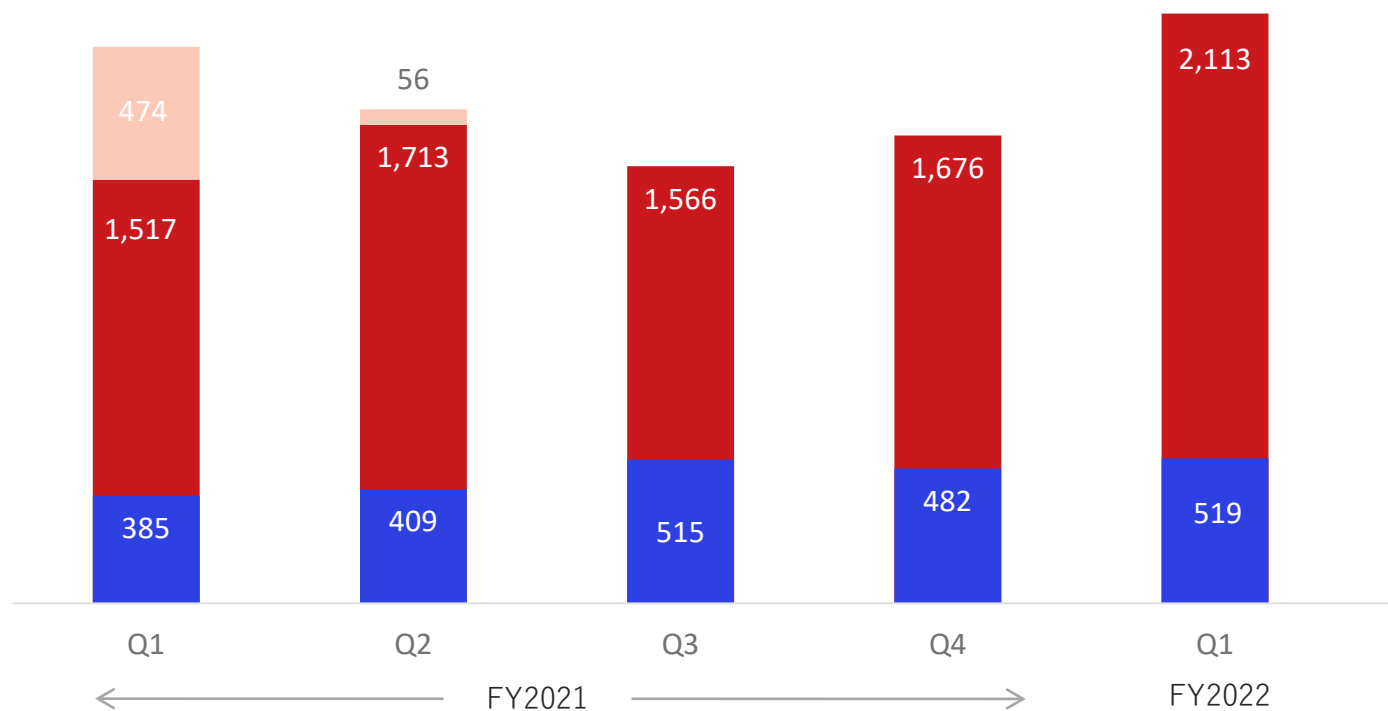
* Adjusted EBITDA: OP + Depreciation + Depreciation of good will + M&A cost

Note: The figures during Q1 2021 and adjusted EBITDA are outside of audit company's reviews

Q1 FY2022 Change in Gross Sales by Service Lines

In Millions of Yen

■ EC Market Place Service ■ Temporary Impact* ■ EC Marketing Service



* Temporary impact is generated by EC marketplace and it is calculated by our own by assuming it is the difference between the YOY growth rate of each brand from April to May 2020 and that of other periods.

Note: The figures during Q1 2021 and gross sales by service lines are outside of audit company's reviews

Note: The above includes the number which the same brand launches stores on the different platforms.

■ EC Market Place Service

- Both service lines are performing well, YoY sales increased 6.1%
- Aside from a temporary incremental of 474 mil. due to stay-at-home demand on Q1 FY2021, it increased 39.3%
- While the growth of existing brands, the sales from newly acquired ones adds onto our gross sales, then we seek for a further growth in mid-long term.

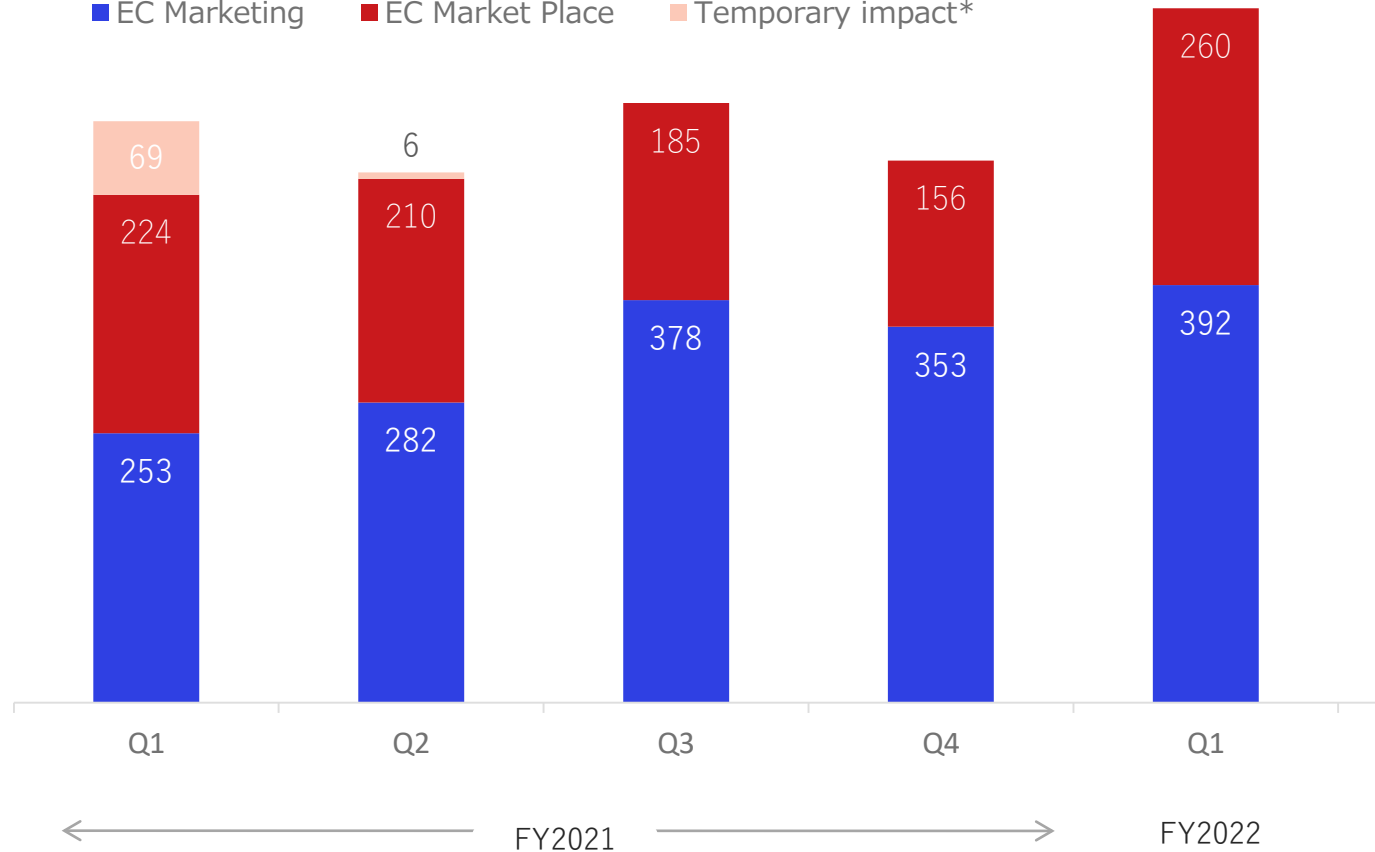
■ EC Marketing Service

- Each service in Amazon, Rakuten and PayPay working well. Backed by a strong growth of domestic brand partners, its YoY sales increased 34.8%.
- Healthy growth in performance-based contract, it supports profit

Q1 FY2022 Change in Gross Margin by Service Lines

In Millions of Yen

■ EC Marketing ■ EC Market Place ■ Temporary impact*



■ EC Market Place Service

- **Profit ratio is 12.9%, improved 2.9% from the previous quarter.**
This is due to strong growth in existing brands, decrease of purchasing rate by incremental of sales as well as decrease of SG&A by recurring customers

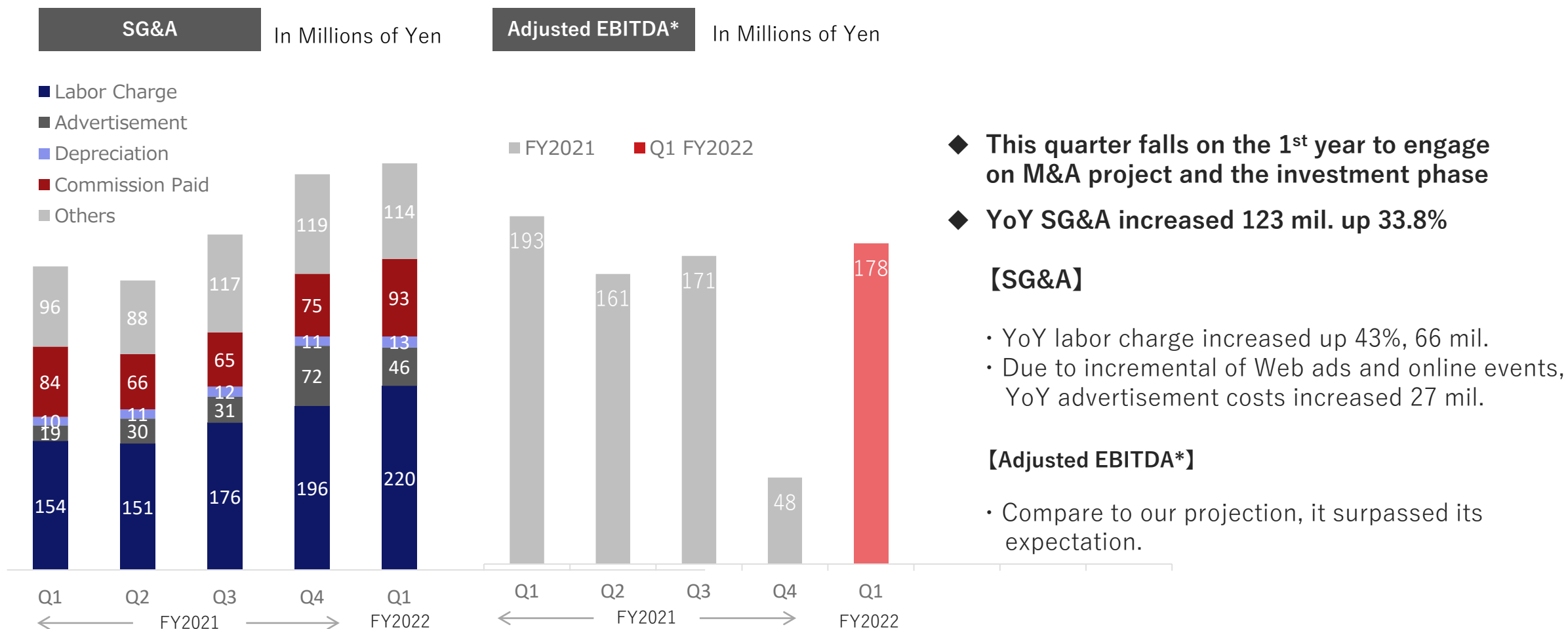
■ EC Marketing Service

- Ratio of stock sales (Recurring contract) is **94.7%**
It contributes to a more stable gross margin.
- Healthy growth in performance-based contract, it supports profit

* The temporary impact is generated by EC marketplace and it is calculated by our own by assuming it is the difference between the YOY growth rate of each brand from April to May 2020 and that of in other periods.

Note: The figures during Q1 FY2021 and gross margin by service lines are outside of audit companies reviews

Q1 FY2022 Change in SG&A and Adjusted EBITDA*



◆ This quarter falls on the 1st year to engage on M&A project and the investment phase

◆ YoY SG&A increased 123 mil. up 33.8%

【SG&A】

- YoY labor charge increased up 43%, 66 mil.
- Due to incremental of Web ads and online events, YoY advertisement costs increased 27 mil.

【Adjusted EBITDA*】

- Compare to our projection, it surpassed its expectation.

* Adjusted EBITDA: OP + Depreciation + Depreciation of good will + M&A cost

Note: The accumulated figures during Q1 FY2021 are outside of audit companies reviews.

Note: Labor charge includes bonus and hiring relevant costs.

Note: Commission paid means primary settlement fees for EC Market Place service

Q1 FY2022 Balance Sheet

In Millions of Yen	FY2021	Q1 FY2022	Change
Cash and Cash Equivalents	2,828	2,892	+ 63
Accounts Receivable	641	770	+ 128
Inventory	503	921	+ 418
Current Asset	4,089	4,715	+ 626
Fixed Asset	342	460	+117
Total Assets	4,431	5,175	+ 744
Total Current Liabilities	1,711	2,015	+304
Total Fixed Liabilities	693	1,020	+327
Total Liabilities and Net Assets	2,027	2,139	+ 112

Reference

EC Market Place Service fared well, increased inventory for upcoming orders.

Long-term loan payable 327 mil.
Exercised additional borrowing for business expansion of .

Note: As for the figures during FY2021, it is outside of audit company's reviews

FY2022 Guidance Current Status

- Current status of operating income progressing well, 28.9%
- Perform satisfactory throughout all categories

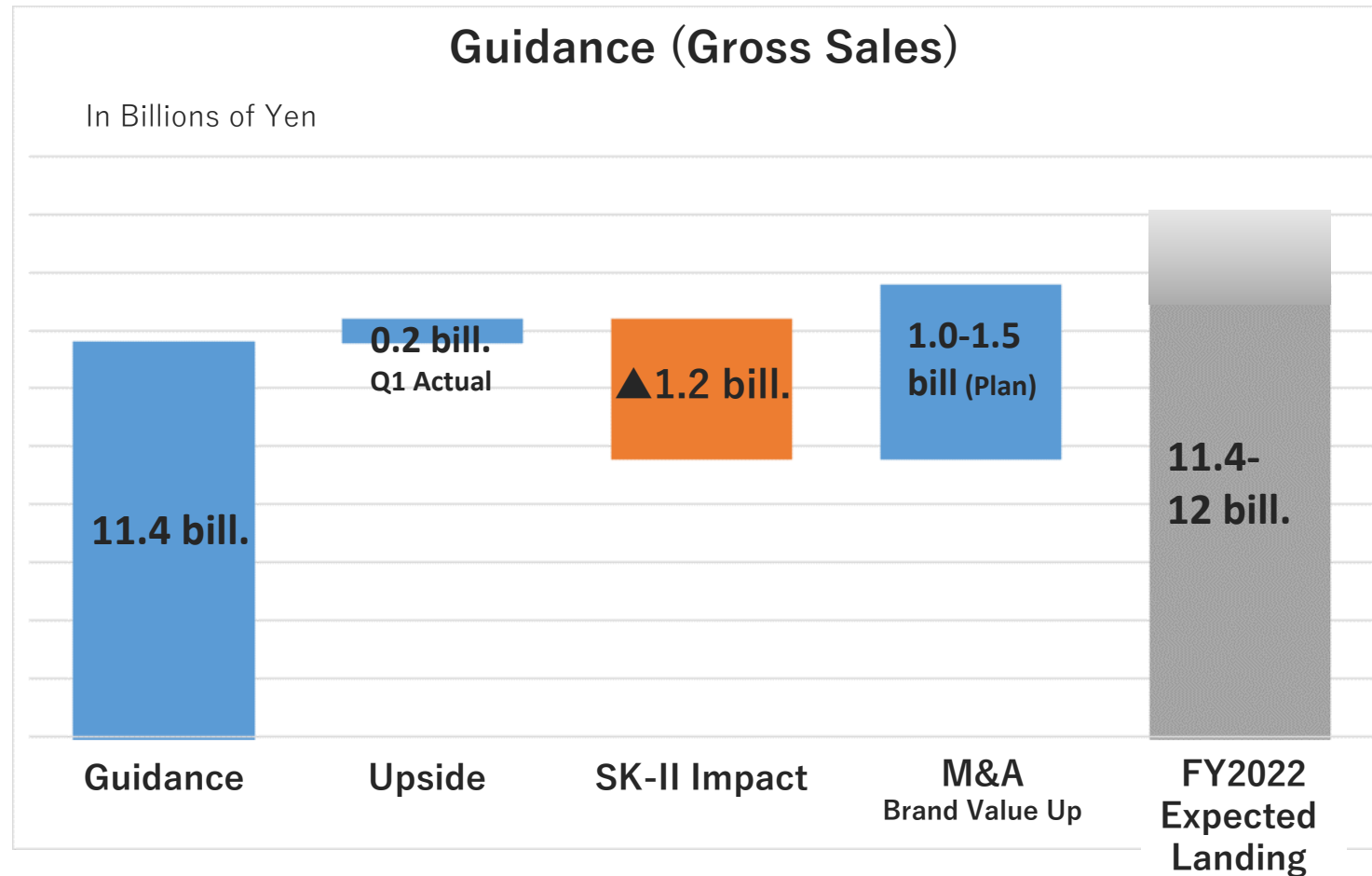
In Millions of Yen	FY2021	FY2022		
	Actual	Guidance	Q1 Actual	Attainment to Guidance (%)
Gross Sales	8,797	11,448	2,633	23.0 %
EC Marketing	1,792	2,306	519	22.5%
EC Market Place	7,004	9,141	2,113	23.1%
Gross Margin	2,120	2,898	653	22.5%
Operating Income	526	569	164	28.9%
Ordinary Income	547	557	163	29.4%
Adjusted EBITDA*	574	817	178	21.8%
Net Income	419	386	112	29.1%

* Adjusted EBITDA : OP + Depreciation + Depreciation of good will + M&A cost

* Adjusted EBITDA is outside of audit company's reviews

FY2022 Guidance Prospect

No change and adjustment for FY2022 guidance announced in this May



【Upside】

- Backed by healthy growth of both service lines, 0.2 bill. of upside compared to our projection.
- M&A “Brand Value Up” project is on track, it is slated to surpass our projection.

• M&A “Brand Value Up” project

Prospecting 1.0-1.5 bill. sales contribution in 2H, by an acquired Japanese brand “BLAN”, a snowboard/winter sports gears.

【Downside】

• SK-II Business Transfer

Gross sales following December is slated to decrease by 1.2 bill.

New Development and Prospect for the Upcoming Quarters

Rather than depend on brands which account for larger share of sales, we strive to build up a well-diversified resource portfolio and it reinforces our profit scheme a more balanced and stable one.

EC Market Place Service

- By minimizing cost of purchasing, prime cost and distribution, build up rate of gross margin via act over EC operation and M&A.
- Focus on incremental # of brand partners in a nod to category and its seasonality.

1) Act over EC Operation

On track

2) M&A “Brand Value Up” Project

On track

Plan additional borrowing in Q2 preparation for funding needs.

EC Marketing Service

- Initiate to transfer performance-based contract for supporting service over Amazon, Rakuten, PayPay.
- Reinforce SNS marketing.

SG&A

Depreciation

Get off to a flying start with M&A “Brand Value Up”, depreciation increases for the upcoming quarters.

Labor Charge

In an effort to cope with development of M&A project, beef up hiring. Projected to add max.70-80 headcounts in FY2022. In this quarter, added 35 headcounts.

Appendix

Case Study 1 : Ajinomoto Co., Inc.



In July 2021, Ajinomoto Group Official Online Shop went live on PayPay mall and we fully engaged on its channel deployment.

They provide for a variety of health foods such as its signature dormancy subservient supplement “Glyna”, a foods with functional claims as well as, Amino vital or Amino Ale, in addition, “Ajinomoto” or “Hon-Dashi” standard flavoring materials or processed foods like Knorr soup.

Service Line	EC Market Place
Challenge	EC channel deployment over PayPay mall
Our Support	Act over EC operation for D2C

PayPay mall website (in Japanese)

<https://paypaymall.yahoo.co.jp/store/ajinomotogroup/top/>

<https://paypaymall.yahoo.co.jp/store/ajinomotogroup/item/pp0001/>

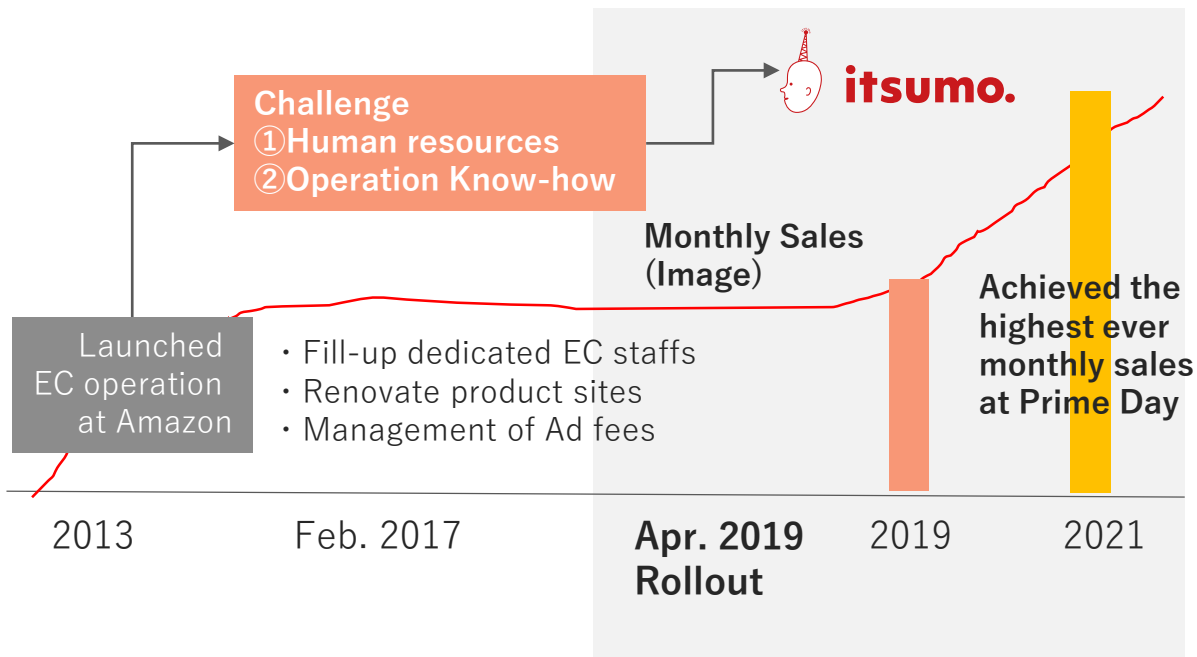


Case Study 2 : YOSHINOYA HOLDINGS



Penetrating EC business particularly at where their stores are not located.
Notched the highest ever monthly sales in 2021 after leverage of our service.

Progress of YOSHINOYA EC Business over Amazon



Service Line	EC Market Place Service
Challenge	Improvement of web sites and management of ads costs
Our Support	Marketing strategy, make make-over product sites, management of ad costs

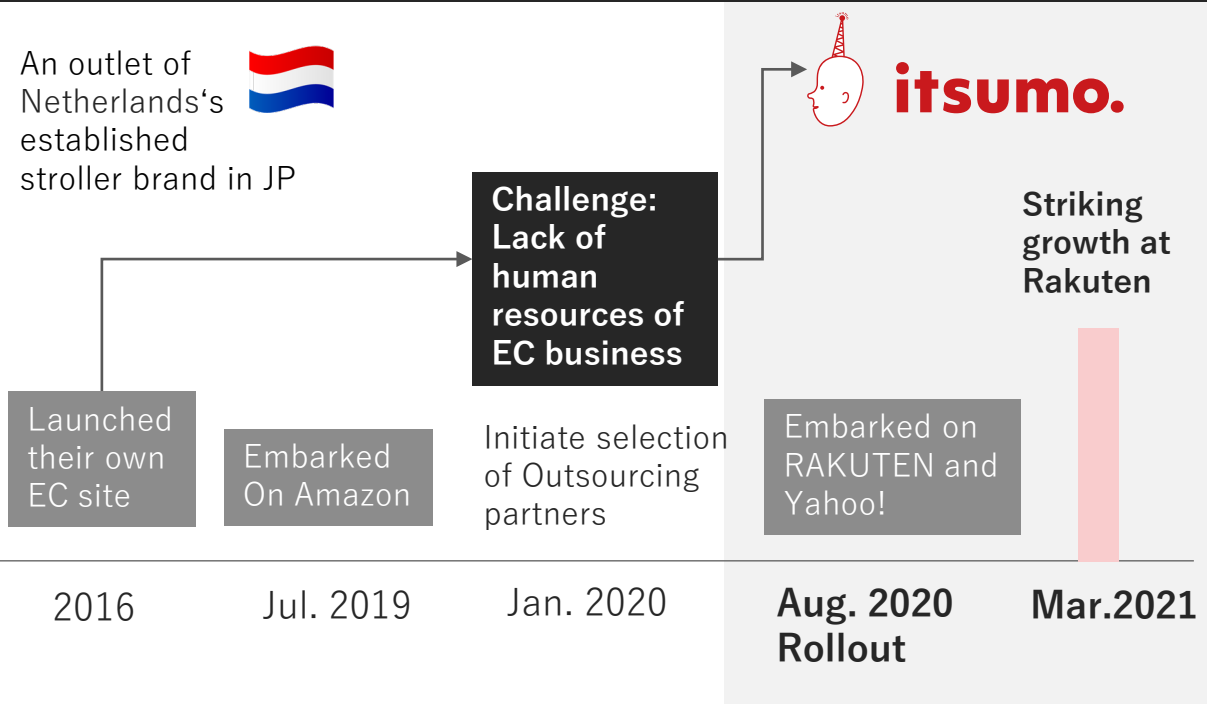
Case Study 3 : Bugaboo Japan



Hybrid operation through street and online one. Bugaboo launches four EC channels and currently we support two of them. Particularly on Rakuten, it shows a striking growth.

Progress of Bugaboo Japan EC Business over RAKUTEN

An outlet of Netherlands's established stroller brand in JP



Striking growth at Rakuten



<https://item.rakuten.co.jp/bugaboo-official/bee6-set-sl/>

Service Line	EC Marketing Service
Challenge	Build up marketing plan, Web site creation, order/receipt, customer support, SNS
Our Support	Act over Rakuten and Amazon EC operation

Disclaimer

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