

Q2 Financial Results

Fiscal Year Ended March 2022

12 November, 2021



D2C • E-COMMERCE MARKETING

itsumo inc.

Ticker : 7694

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Corporate Overview

Company	itsumo inc.
Founded	February 14, 2007
Location	1-12-1 Yurakucho Chiyoda-ku Tokyo, JAPAN
Capital	733.731 million yen
Employee	224 (September, 2021)
Operation	Comprehensive E-Commerce support for domestic manufactures. Producing original brand products and its sales over the Net (D2C)



Mamoru SAKAMOTO C.E.O.

In 1999, joined Funai Soken Holdings Inc.
In 2007, founded itsumo inc. and inaugurated as its C.E.O.



Tomoyuki MOCHIZUKI E.D.P

In 1999, joined Funai Soken Holdings Inc.
Co-founder of itsumo inc., Executive Deputy President.
In 2020, concurrently serving as Business Operation dept.



Michiyuki SUGIURA C.F.O.

In, 2006, joined KPMG AZSA LLC. In 2010, registered as
certified account of Japan. In, 2020, joined istumo inc.
Executive CFO and Corporate Affairs dept.

Takeshi ISOZUMI
Outside Director

Yasutaka ARIMOTO
Auditor

Yoshiyuki SATO
Auditor

Toru KAMIYAMA
Auditor

1. Q2 FY2022 Highlights

Q2 FY2022 Overview: Primal Management Indicators

Gross Sales

5,399 mil.

Q1 FY2021
4,557 mil.

YoY comparison

UP **18.5%**



Updates

■ Gross Sales steadily grew by **5.3** bil., YoY growth is **up 18.5%**

* Excluding temporary impact of the same period last year^{*3}, it grew by **34.1%**

Gross Margin

1,349 mil.

Q1 FY2021
1,047 mil.

YoY comparison

UP **28.8%**



■ Gross Margin soundly grew, YoY growth is **up 28.8%**

* Gross margin ratio of EC Marketing Service improved by 6.7 points from the same period last year

Adjusted EBITDA^{*1}

388 mil.

Q1 FY2021
354 mil.

YoY comparison

UP **9.4%**



■ Adjusted EBITDA grew, YoY growth is **up 9.4%**

* Excluding temporary impact of the same period last year^{*3}, it grew by **39.5%**

■ As for SG&A, we exercised upfront investment for the near-term business expansion and increased headcounts adequately

* The number of Employees: 168 in Mar, 2021 to 224 in Sep. 2021

^{*1} Adjusted EBITDA = Operating Income + Depreciation + goodwill amortization + acquisition fees

^{*2} The cumulative Q2 FY2021 and its adjusted EBITDA are not subject to audit company for want of its quarterly financial statements.

^{*3} Temporary impact means sales in the EC marketplace, estimated the change between the YoY growth rate of each brand from April to May 2020 and that of in other periods as the impact of temporary increase in demand.

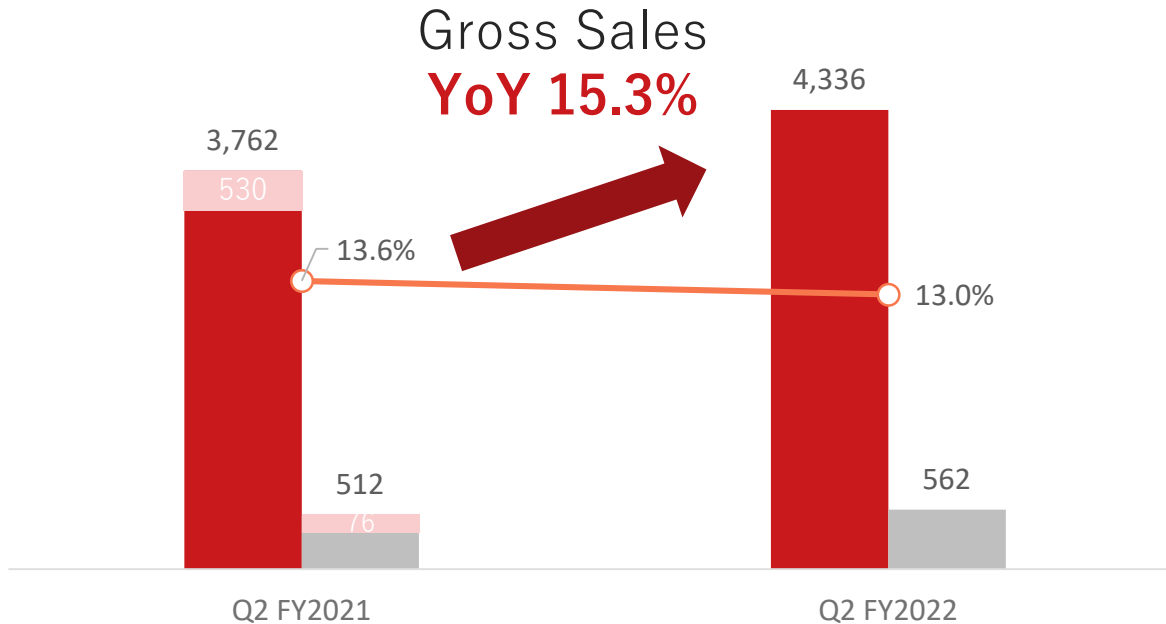
Highlight: EC Marketplace Service

Act Over EC Operations for Domestic Major Manufactures by Factory Outlet

Buildup strategies and operations for their Official Websites

Gross Sales | Gross Margin

In Millions of Yen ■ Gross Sales ■ Gross Margin ○ % to Gross Margin
■ Temporary Impact ^{Note 2}



Current Status

- Existing brands grows firmly and it pushes up gross sales
- Excluding temporary impact of the same period last year,
 - Gross Sales increased by **34.1%** YoY (Comparison of cumulative term)
 - Gross Margin stretched by **29.1%** YoY (Comparison of cumulative term)
- Same-brands sales growth : **28%** (Excluding business transferred brand)
- Newly added brands: **440 mil.**

Note 1 Gross sales and gross margin by service lines are outside of audit company's reviews

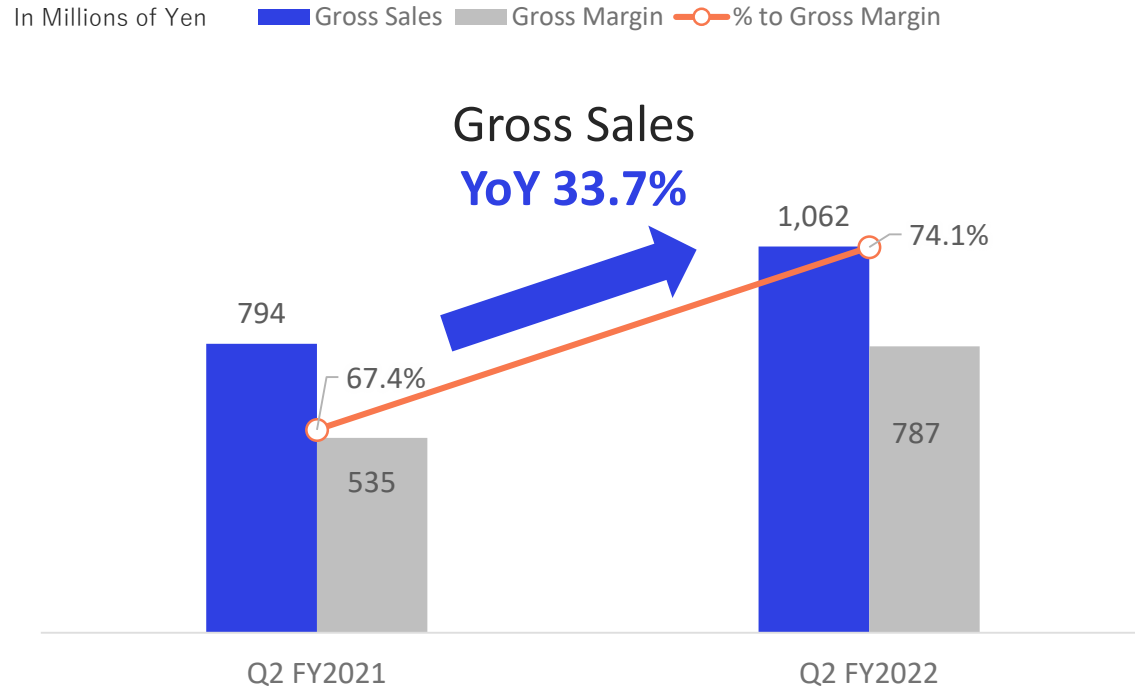
Note 2 Temporary impact means sales in the EC marketplace, estimated the change between the YoY growth rate of each brand from April to May 2020 and that of in other periods as the impact of temporary increase in demand.

Highlight: EC Marketing Service

EC Consulting Service for Domestic Mid-Small, Large Manufactures

Providing a variety of EC business operations tailor to customer size and their needs

Gross Sales | Gross Margin

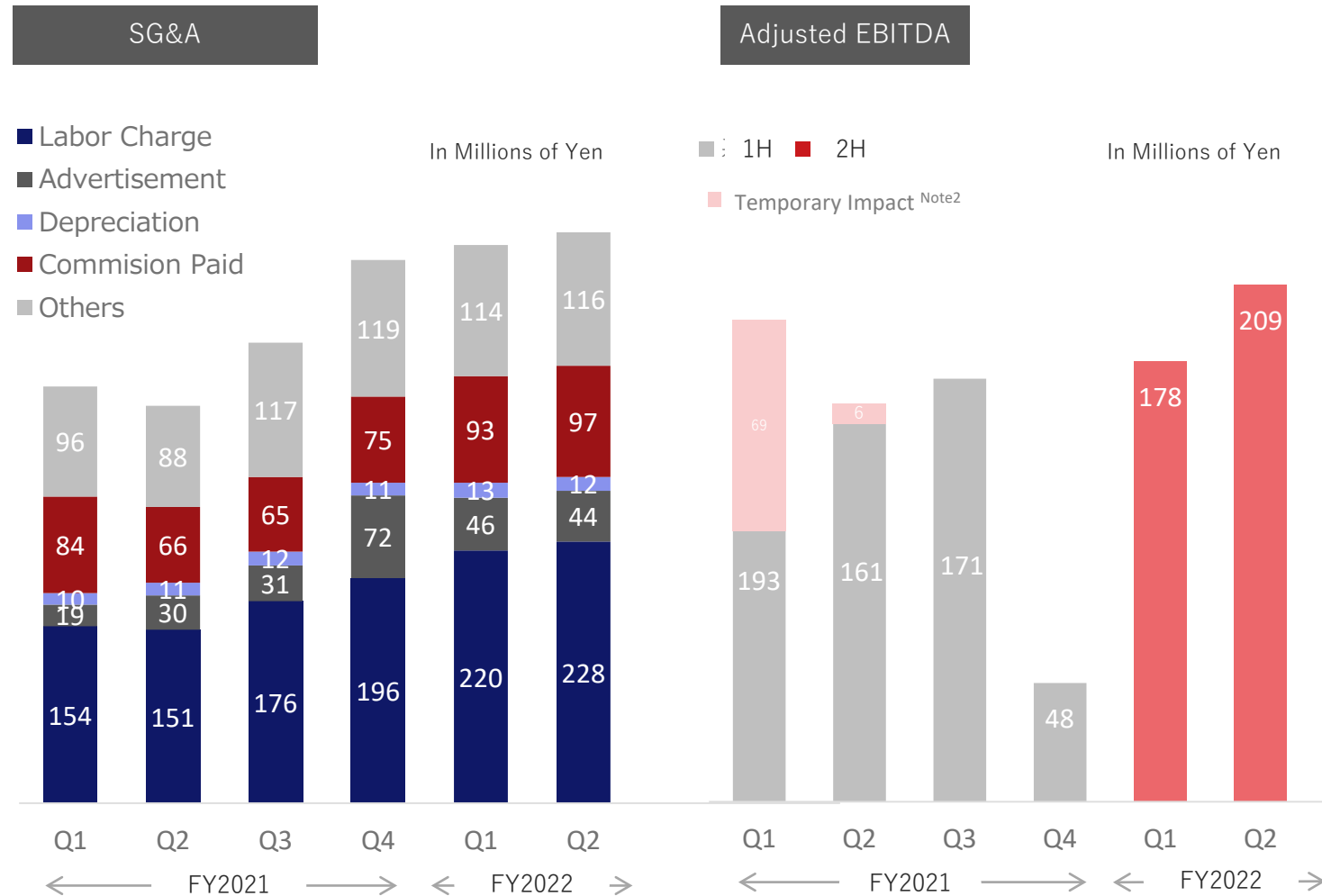


Current Status

- Stock sales steadily grew, **up 33.7% YoY** (Comparison of cumulative term)
- Major EC channels such as Rakuten, Yahoo!Shopping, Amazon are soundly growing
- Performance-based contact service is consistently growing
- Due to incremental number of brands and multiple- services contract, its average per brand shows healthy growth
- Awarded a contract by a large-scale company
- Gross Margin soundly grew **up 47.0% YoY** (Comparison of cumulative term)
- Stock Sales ratio is **94.2%**
- Churn rate (amount basis) is **1.79%** (monthly average)

* Gross sales and gross margin by service lines are outside of audit company's reviews

Q2 FY2022 Change in SG&A, Adjusted EBITDA (Cumulative term)



■ In an effort to increase the number of brands, current term is in investment phase with some upfront costs

■ SG&A in the previous same year , cumulative term is 271 mil., up 38.0%

■ Rate of SG&A to gross sales is 18.3% (cumulative term)

- Preparing for the upcoming new business, headcount expenses increased
- Advertisement increases due to online ads and events

■ Adjusted EBITDA

- Excluding temporary impact of the same period last year 1H, it grew by **39.5%YoY** (cumulative term)
- By Q2, difference btwn. OP and adjusted EBITDA is depreciation only

* The above is figures during cumulative term

Note 1 Labor charge includes bonus and hiring relevant costs. Commission paid means primary settlement fees for EC Market Place service.

Note 2 Temporary impact means sales in the EC marketplace, estimated the change between the YoY growth rate of each brand from April to May 2020 and that of in other periods as the impact of temporary increase in demand.

Q2 FY2022 Summary of Financial Results

In Million of Yen	Q2 FY2021 Actual	Q2 FY2022 Actual	Change (%)	Description
Gross Sales	4,557	5,399	18.5%	<ul style="list-style-type: none"> Gross Sales <ul style="list-style-type: none"> EC Marketing Place: Increase recurring contract EC Marketplace Service: Since 2H FY2021, newly added brands are contributing to gross sales
EC Marketing Service	794	1,062	33.7%	
EC Marketplace Service	3,762	4,336	15.3%	
Gross Margin	1,047	1,349	28.8%	
Gross Margin Ratio	23.0%	25.0%	—	
SG&A	714	986	38.0%	<ul style="list-style-type: none"> SG&A <ul style="list-style-type: none"> Preparing for its upcoming business expansion, it generates costs by incremental headcount
Operating Income	332	362	9.0%	
Ordinary Income	358	359	0.1%	
Adjusted EBITDA*	354	388	9.4%	
Net Income	251	246	△1.7%	

* Adjusted EBITDA = Operating Income + Depreciation + goodwill amortization + acquisition fees
Adjusted EBITDA is not subject to auditing firm

Q2 FY2022 Balance Sheet

In Millions of Yen	FY2021 Actual	Q2 FY2022 Actual	Change	Description
Cash and Cash Equivalents	2,828	3,371	+ 542	
Account Receivable	641	747	+ 106	
Inventory	503	679	+ 176	Due to incremental orders by EC Marketplace Service, increased inventories in advance
Current Asset	4,089	5,221	+ 1,132	
Fixed Asset	342	487	+ 145	
Total Asset	4,431	5,709	+ 1,277	
Total Current Liabilities	1,711	2,006	+ 295	
Total Fixed Liabilities	693	1,414	+ 721	In responding to the upcoming capital needs by business expansion, increased long-tem loans debt by 721 mil.
Total Liabilities and Net Assets	2,027	2,287	+ 260	

Q2 FY2022 Cash Flow

- Cash and cash equivalents increased to 3,321 mil.
- In an effort to meet the upcoming business expansion in EC Marketplace Service, increased cash reserves by borrowing

In Millions of Yen	FY2021 Actual	Q2 FY2022 Actual	Change (%)
Cash and cash equivalents at beginning of year	1,011	2,757	172.5%
Cash flow from operating activities	668	28	△95.7%
Cash flows from investment activities	△25	△404	1,480.2%
Cash flow from financial activities	1,103	940	△14.8%
Change in cash and cash equivalents	1,745	563	△67.7%
Cash and cash equivalents at end of year	2,757	3,321	20.4%

FY2022 Guidance and the Current Status

- Through the all criteria, they are soundly growing
- Move into consolidated accounting from Q3, prospect to increase depreciation of goodwill and acquisition fees for Brand-Value-Up project (M&A)

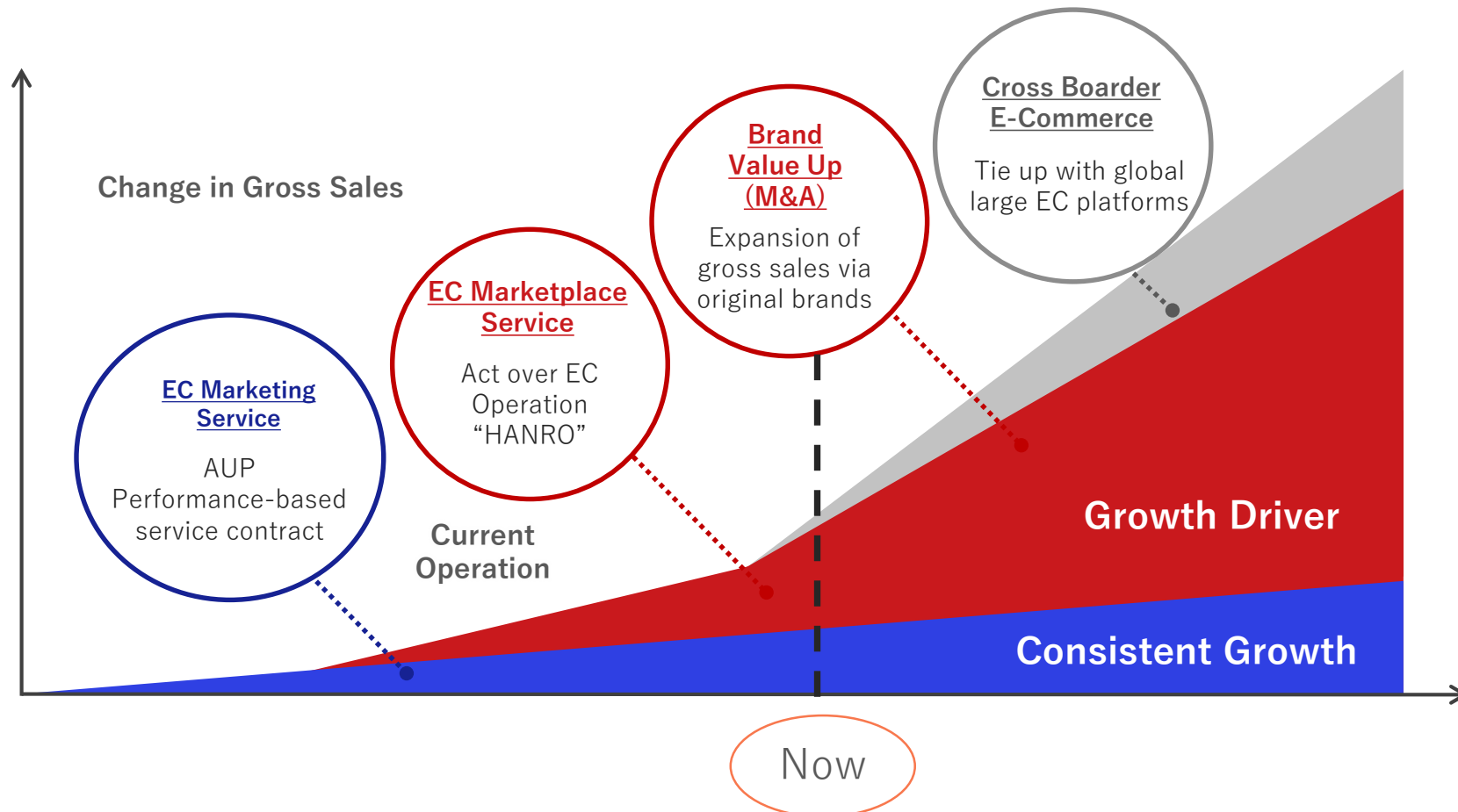
In Millions of Yen	FY2021	FY2022		
	Actual	Guidance	Q2 Actual	Attainment to Guidance (%)
Gross Sales	8,797	11,448	5,399	47.2%
EC Marketing Service	1,792	2,306	1,062	46.1%
EC Marketplace Service	7,004	9,141	4,336	47.4%
Gross Profit	2,120	2,898	1,349	46.6%
Operating Income	526	569	362	63.7%
Ordinary Income	547	557	359	64.5%
Adjusted EBITDA*	574	817	388	47.5%
Net Income	419	386	246	63.9%

* Adjusted EBITDA = Operating Income + Depreciation + goodwill amortization + acquisition fees
Adjusted EBITDA is not subject to auditing firm

2. New Developments

Roadmap of Growth

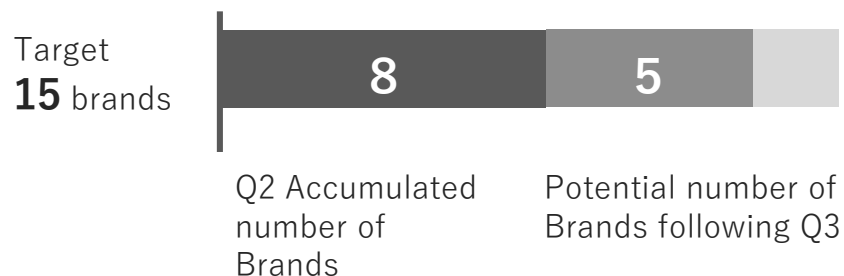
- In addition to the current operations, Brand Value Up (M&A) project drives up our top line
- GMV growth is our key driver
- Stock sales underpins the foundation of our consistent growth. Promote plural-service contract to existing and newly added brands and seek for upgrade the average unit price



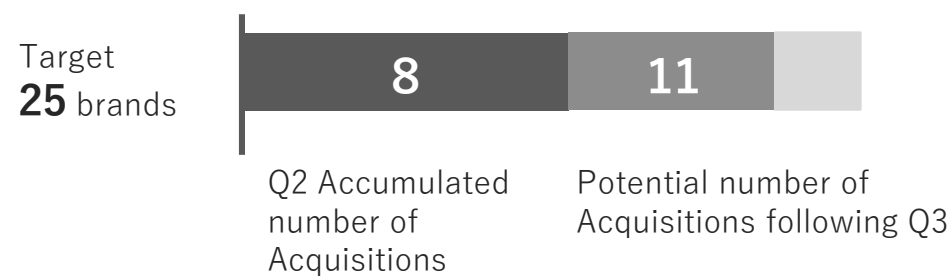
Objective to Drive up Our GMV

40 brands Act over EC Operation “HANRO” **15 brands**
 Brand Value UP (M&A) **25 brands**

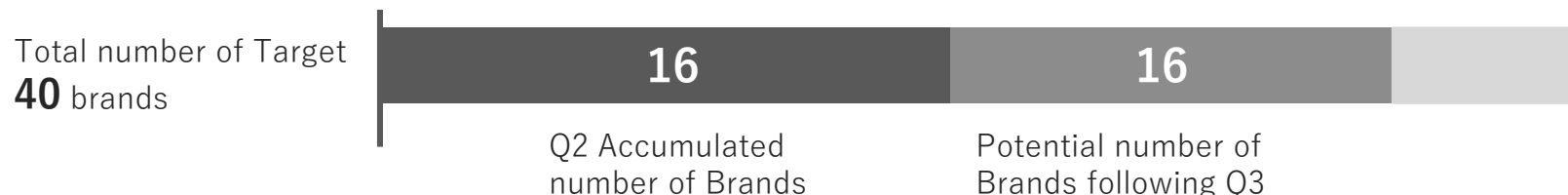
Act over EC Operation “HANRO” Status of Newly Added Brands



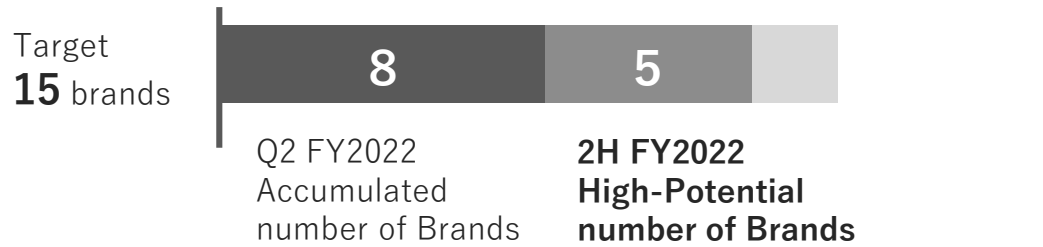
Brand Value Up (M&A) Status of Acquisition



New Brands Actual by Q2 and Plan following Q3



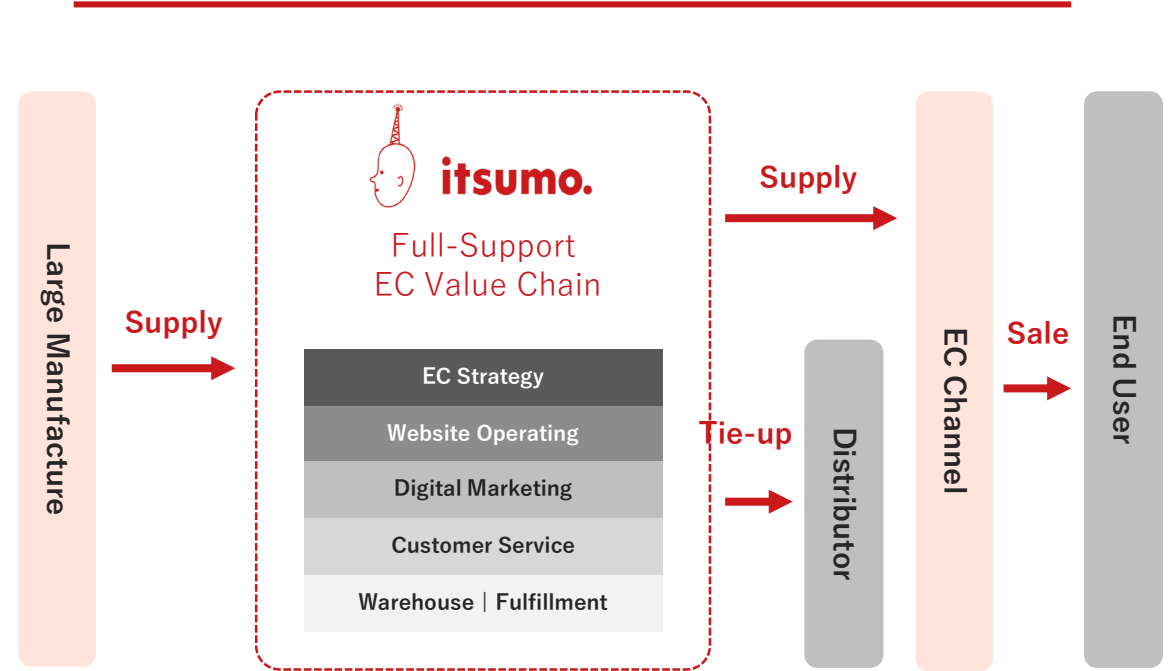
Status of Newly Added Brands



1H FY2022 Newly Added Brands – Actual –

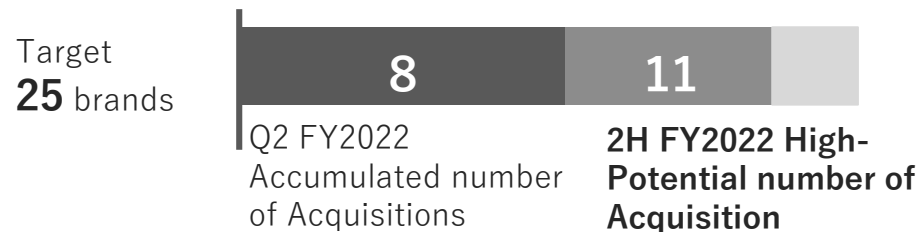
Company	Product Category	Resource
Electrolux Japan	Appliance	Introduction via existing business partner
Ajinomoto	Foods	Other
Company A	-	Other
Company B	-	itsumo Seminar
Company C	-	itsumo Seminar
Company D	-	Existing business partner
Company E	-	Existing business partner
Company F	-	Existing business partner

“HANRO” Business Model



- Steadily expand the number of acquisition as planned
- In 2H, newly added brands go live in sequence

Brand Value Up (M&A) Status of Acquisition

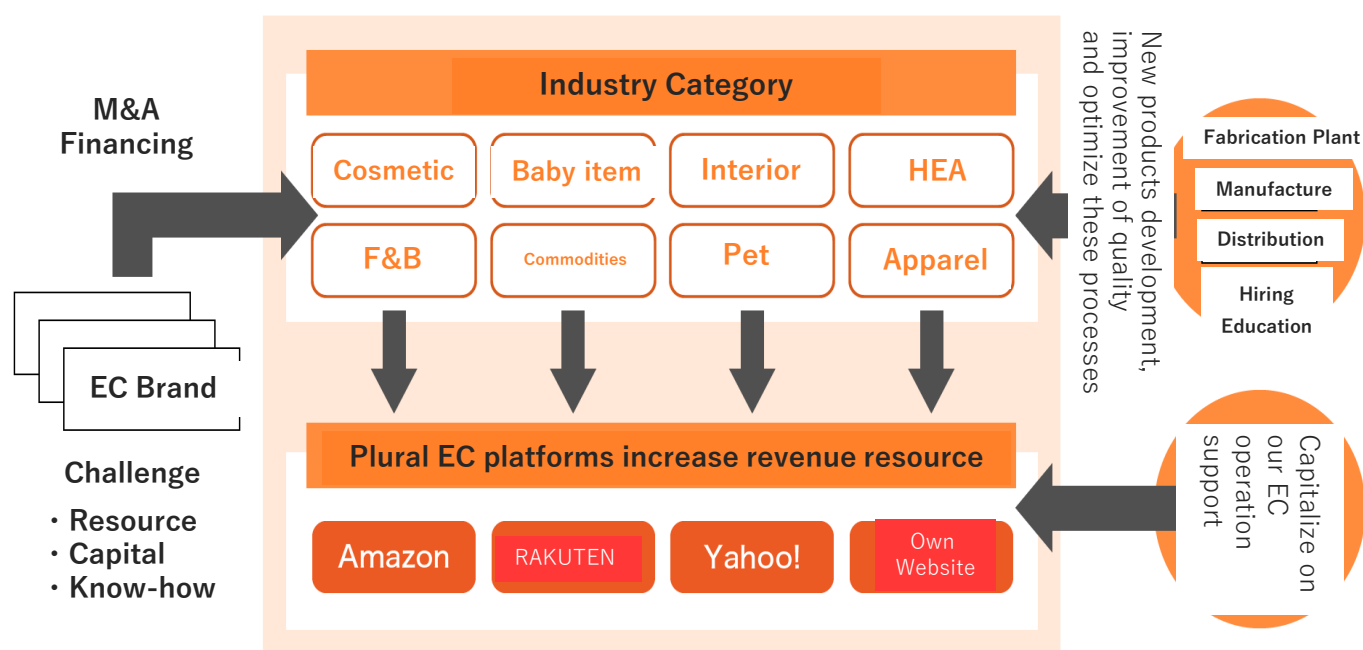


1H FY2022 Brands Acquisition – Actual-

Product Category	Resource	Avg. Annual Sales
Sports Apparel	Existing Business Partner	290 mil.
Vehicle Accessory	Other	
Healthcare	Other	
Life-Style Accessory	Other	
Eyewear	Agency	
Wellness	Introduction via existing business partner	
Flower	Agency	
Life-Style	Direct	

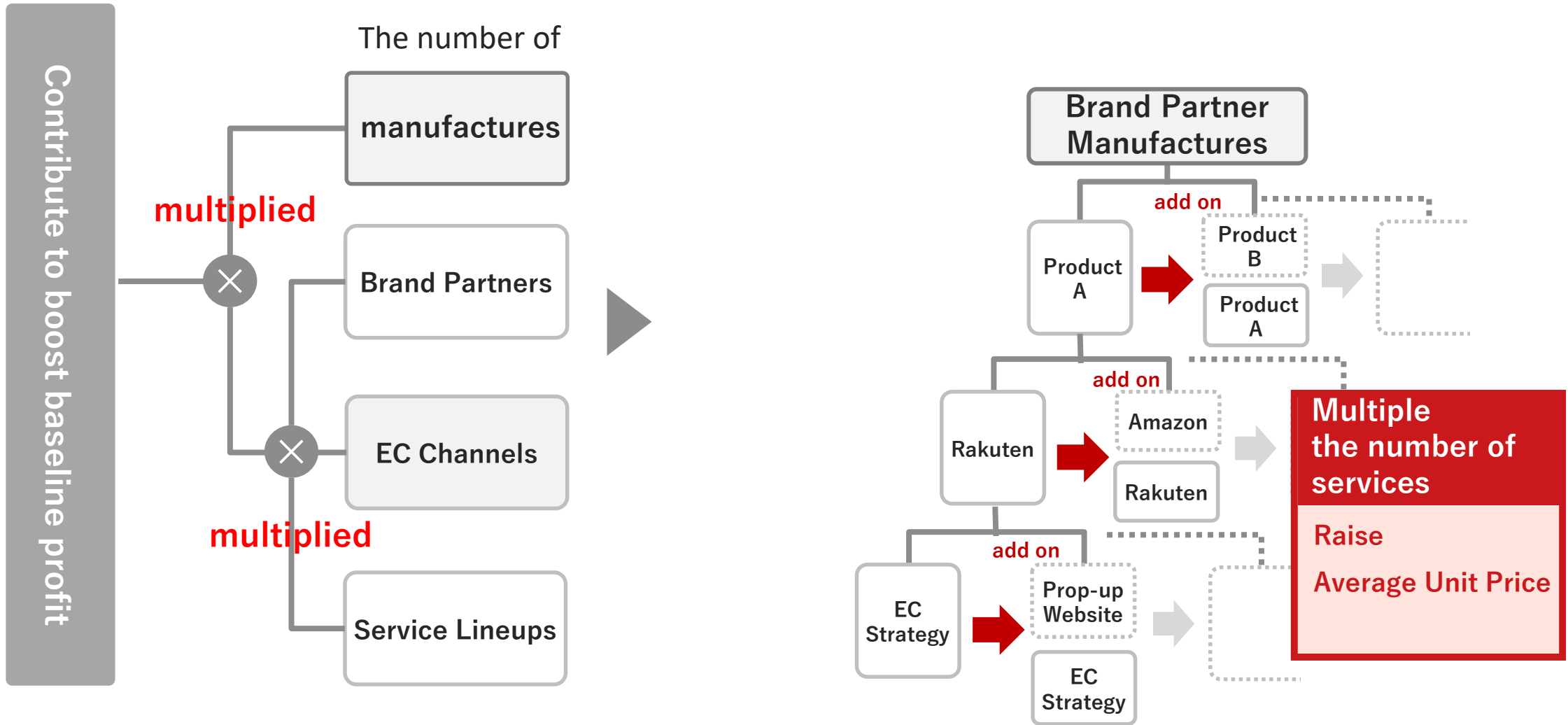
* Itsumo Commerce, a wholly owned subsidiary runs its operation
 * Consolidated accounting is applied from Q3, contribution to sales is expected

Business Model



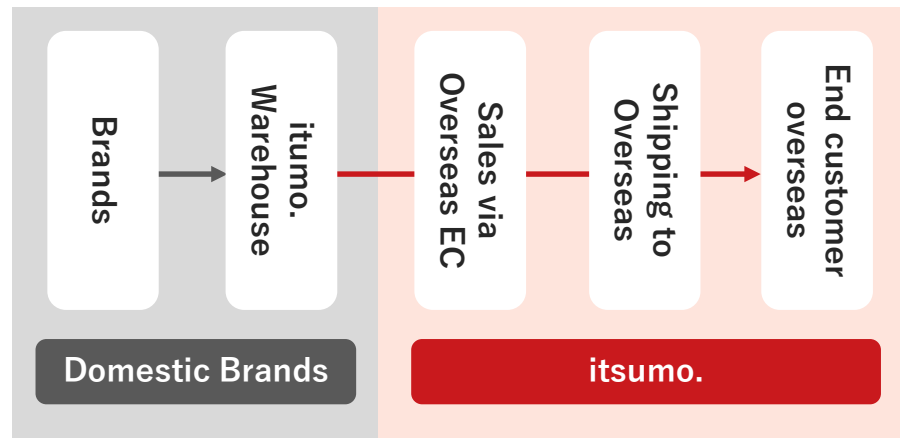
- Size of Acquisition: 50 mil. to 300 mil. of EC sales per year
- Management and Operation
 → Increase multi-channel operation, know-how, re-branding, product development, improve fulfillment scheme

Expand newly added brands, EC channels and promotion of plural service contract



- Backed by seasoned trading results with domestic brands, foresee a large potential toward cross-border E-Commerce
- Tie-up with global promising EC platforms
- Based on sales contract with domestic brands, maintain a steady supply

Business Scheme



Tie-up with Global EC Platforms



Case Studies



A global leading Swedish household electrical appliances brand. Consisting with stylishness and functionality, Electrolux develops and deals with air purification system and oil heater including its flagship products “WELL A7”. Furthermore, they plan to release vacuum cleaner lineup.



Service Type: EC Marketplace

Support: Act over EC Operation



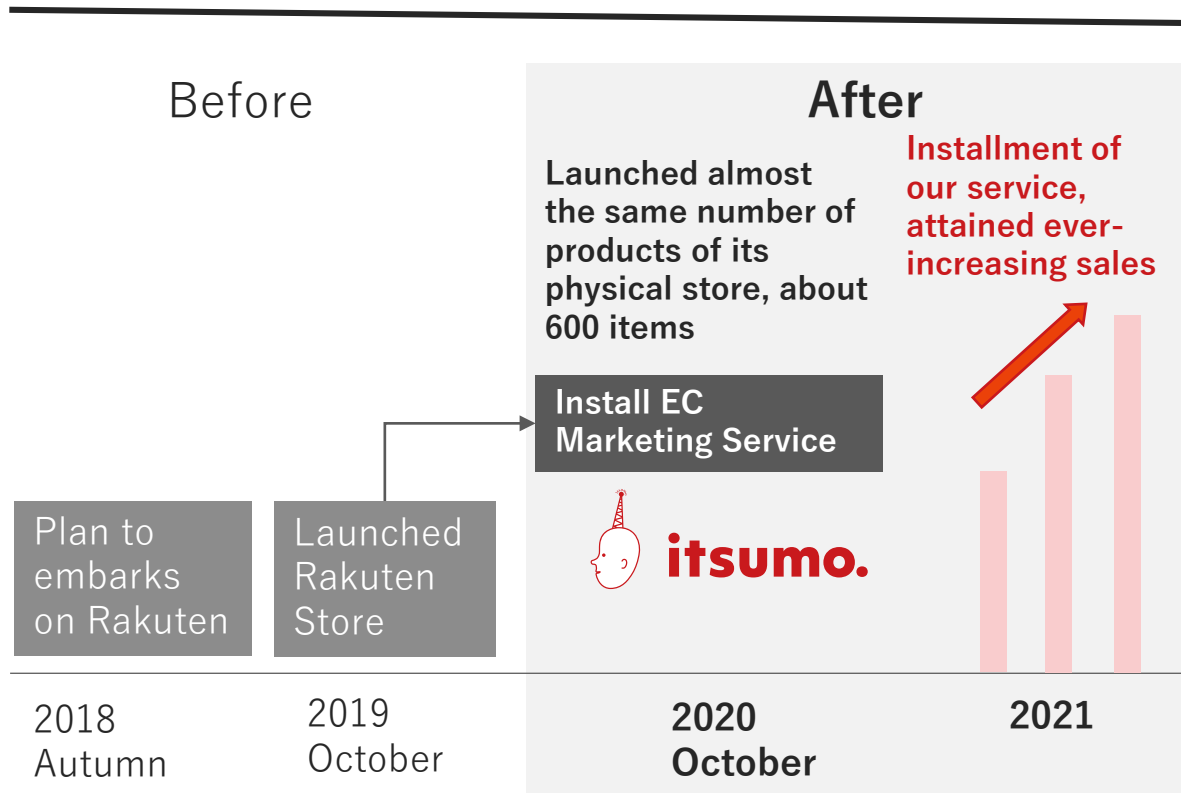


One of the largest Japanese manufacturers for baby products and maternity products. Expanding their business in global scale.



Service Type : EC Marketing
Support : Sales strategy, Website operation

Embarks on Rakuten at full scale





Amazon Flower Arrangement dept. “Best Seller” award winner plural times in the past. Maintaining continuous and high-class operation quality.



特別な日に生花を贈りませんか？



ひとつひとつ手作りの特別なギフトは
どんなシーンでもご利用いただけます。

Service Type: EC Marketplace

Support: Brand Value Up (M&A)

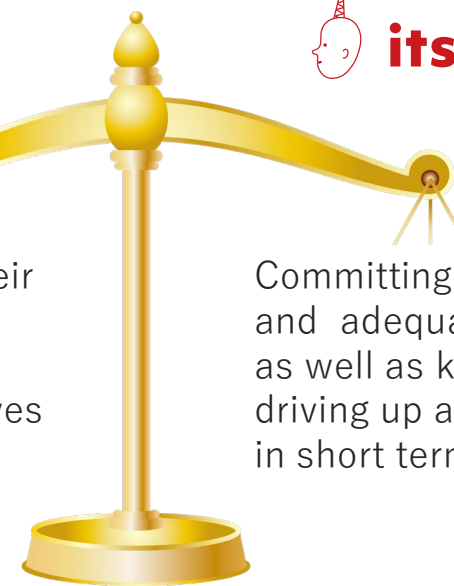
Our Co-Creation Project



itsumo became their purchaser.

SHIRASAKA receives orders via itsumo.

Committing optimized and adequate supports as well as know-how, driving up a further sales in short term.



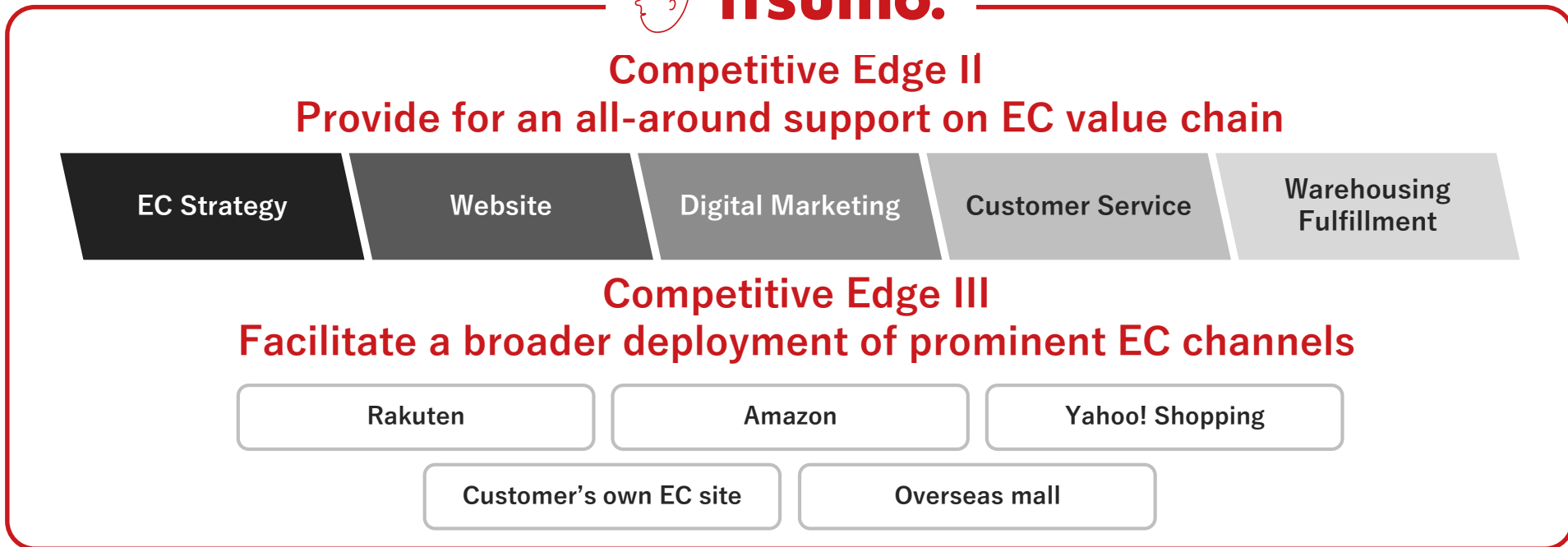
Making good business sense

Appendix

Comprehensive EC Business Support - Wide Range of Industry Coverage



itsumo.

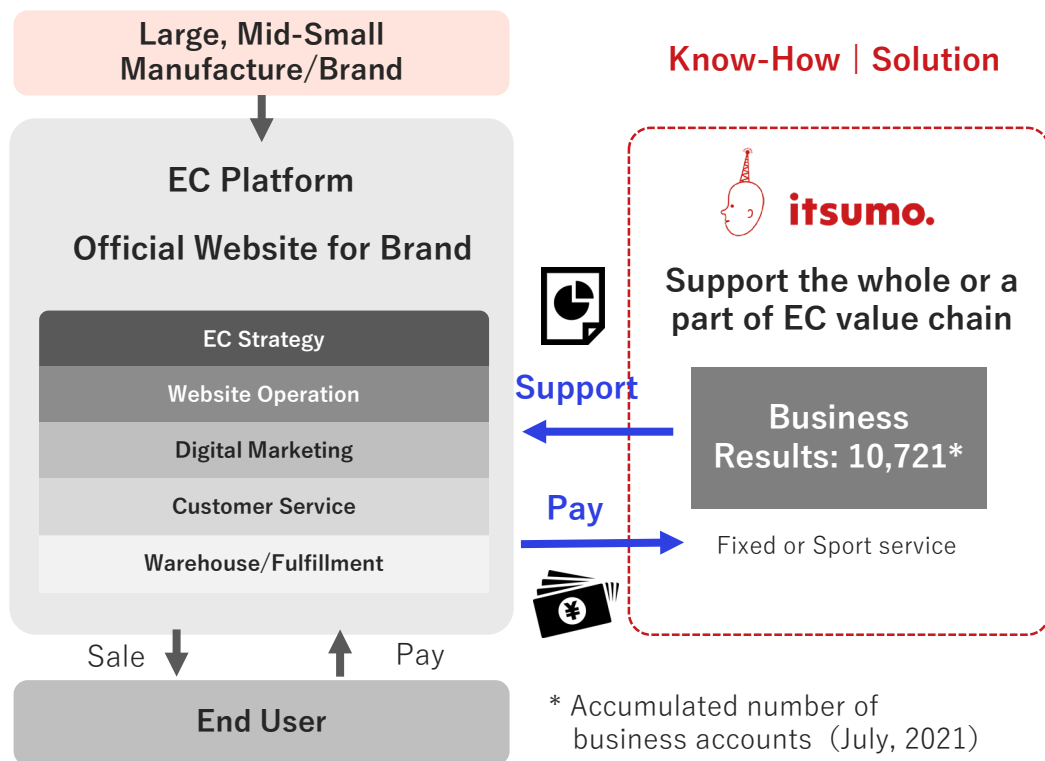


Our Primal Business Model

EC Marketing Service

Consulting Service for EC Operation

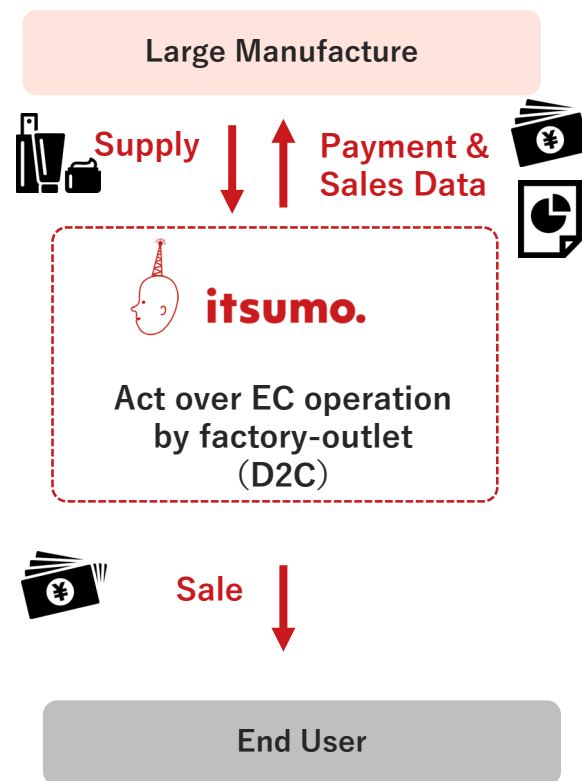
Provide for a wide variety of EC value chain service as clients needs



EC Marketplace Service

Act over EC Operation

“HANRO” Service



Brand Value Up (M&A)



Comprehensive E-Commerce Operation Support



Business Fields

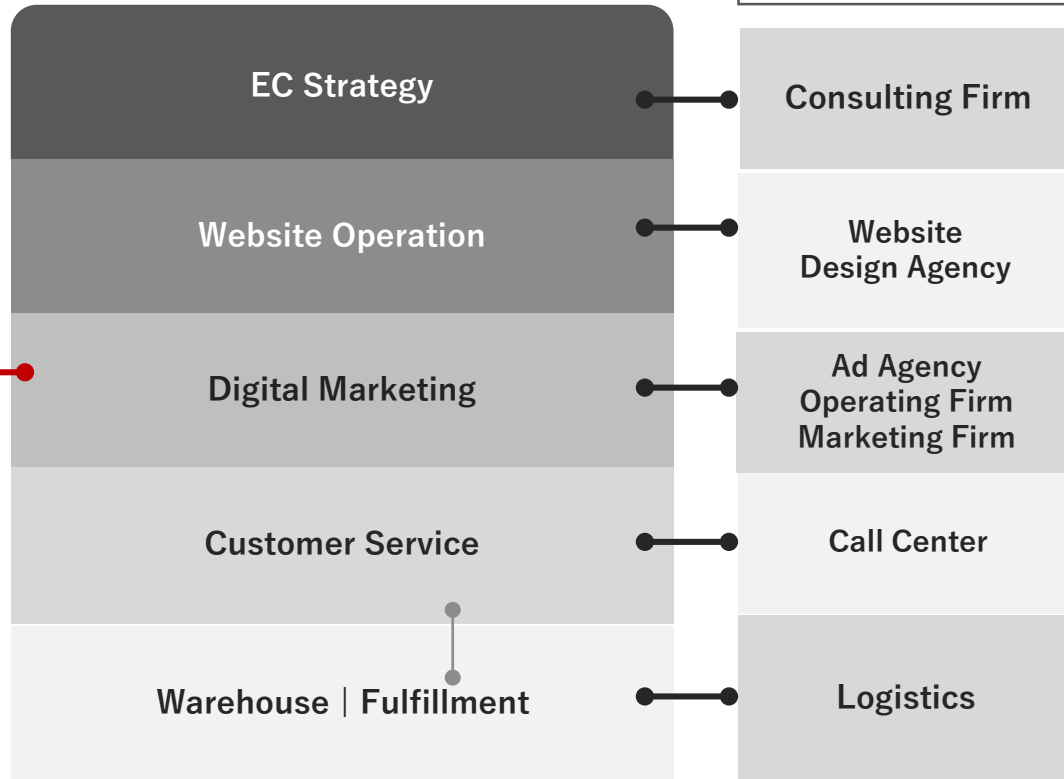
Strategic Partnership

PDCA Execution

Plural EC Channels

- Rakuten
- Amazon
- Yahoo!
- PayPay
- Own Website
- Global site

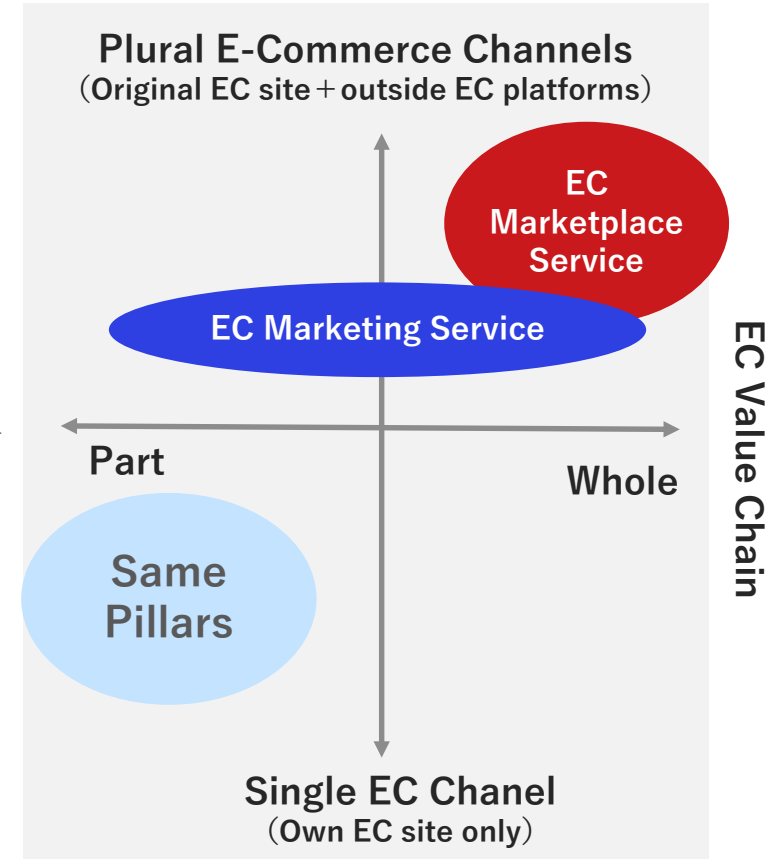
EC Value Chain



Business Fields of Same Pillars

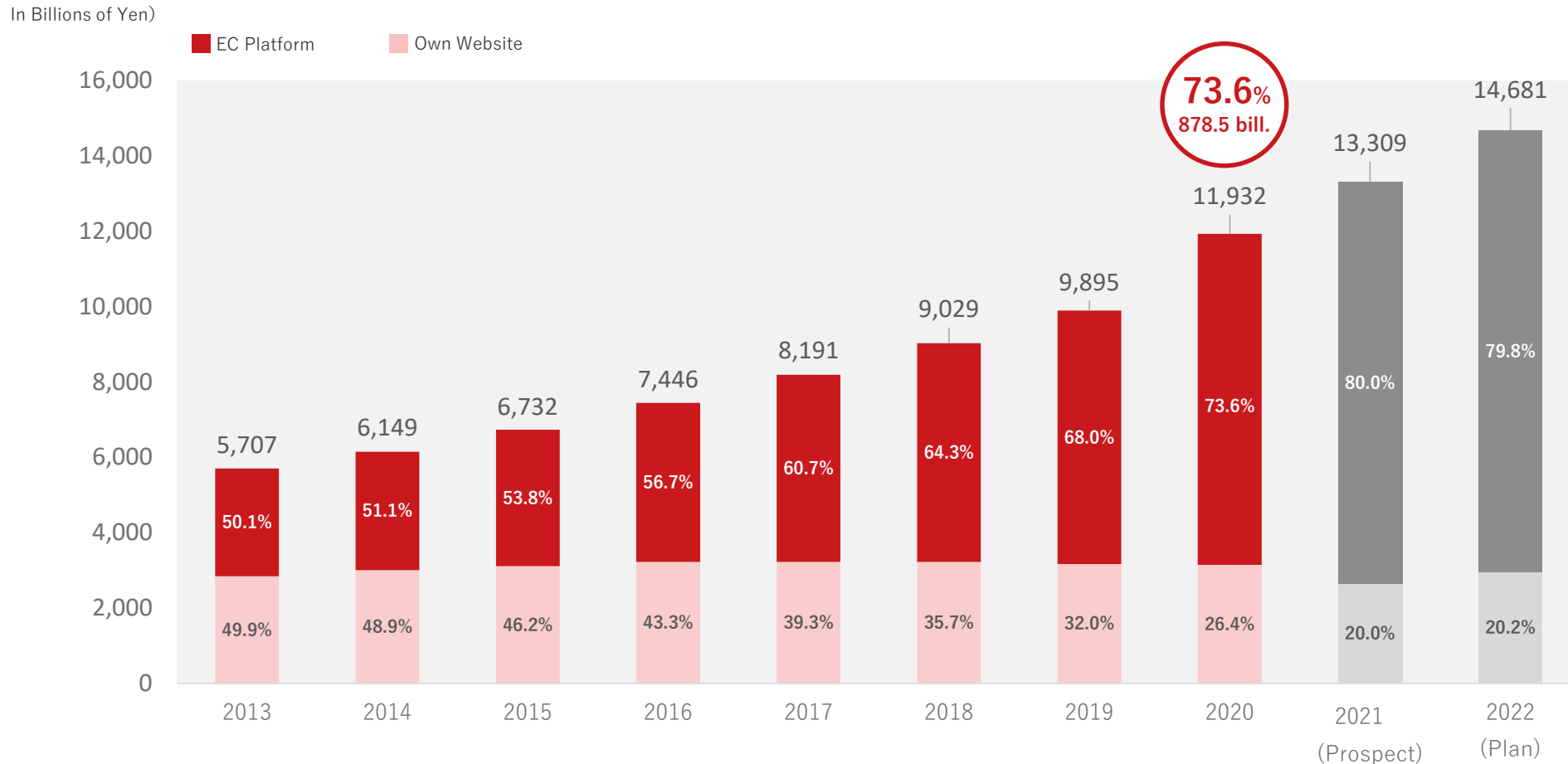


Sales Support over EC Channel



Japan EC Market

- Growth drivers are Amazon, Rakuten, Yahoo! Shopping
- In 2020, it accounts for 73.6% to the entire market.



Source: itsumo. customized the data based on Fuji Keizai Group 2020 “Current status of mail order and e-commerce business and the future”

Q2 FY2022 Change in Gross Sales and Gross Margin by Service (cumulative term)

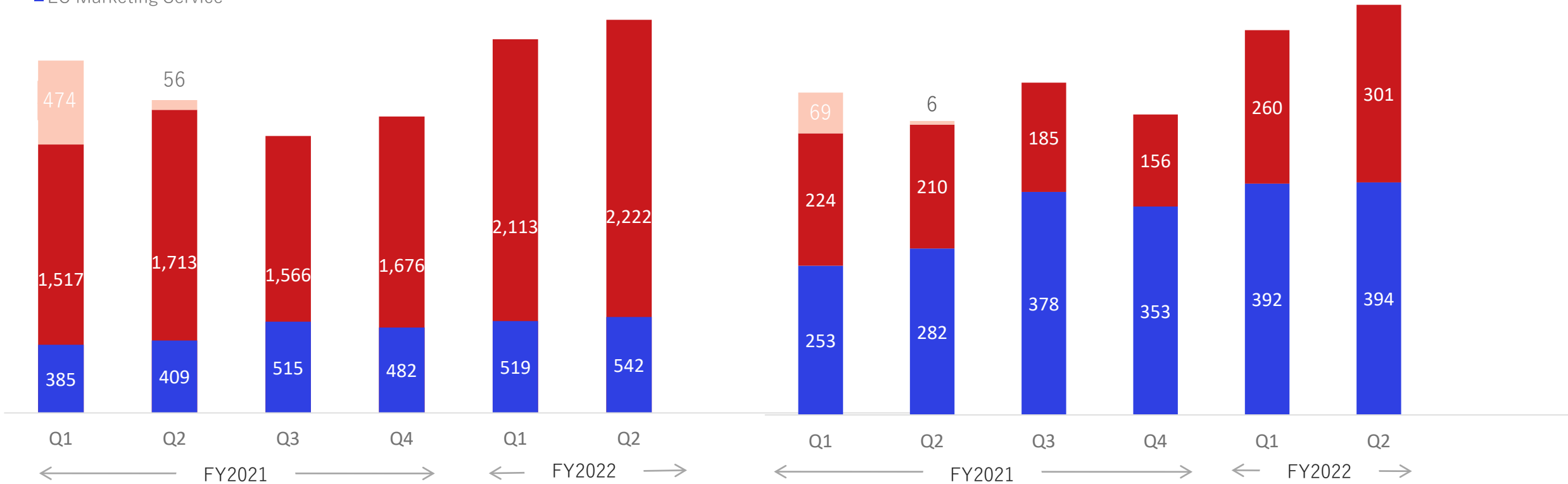
■ Gross Sales

■ Gross Margin

■ EC Marketplace Service
■ EC Marketing Service

■ Temporary Impact*

In Millions of Yen



Note 1 : Gross sales and gross margin by service lines are outside of audit company's reviews

Note 2: Includes the same brand which launched stores at the different platforms.

* Temporary impact means sales in the EC marketplace, estimated the change between the YoY growth rate of each brand from April to May 2020 and, that of in other periods as the impact of temporary increase in demand.

* The above is entirely figures during cumulative term



Our mission:

Creating the Future of Japan with EC

This is our mission and we provide small to large manufacturers with comprehensive supporting solutions dedicated to e-Commerce, a fundamental business of 21 century.

As a leader of EC business in Japan, we provide you with a throughout support such as building up strategy, construction website, warehousing and fulfillment.

itsumo inc. facilitates you to develop your brands to the world through a fusion of "people" and "technology" with a seasoned EC sales know-hows.

Disclaimer

This material includes forward-looking statements. These descriptions are only based on the information at the time this material was created. Moreover, these statements neither guarantee future financial results nor business status in the future, as well as they contain risks and uncertainties. Should you be sure that the actual results may differ significantly from the future outlook due to changes in the environment and other factors.

Factors that affect the above actual results include, but are not limited to, domestic and international economic conditions and trends of relevant industry surrounding the Company.

From now on, in the event of new information or incident in the future, the Company is not obligated to update or revise any future information contained in this material.

Furthermore, the information aside from the company contained in this material and these are quoted from public information as well, we have not verified or guarantee the accuracy, appropriateness of such information.