



itsumo.

D2C • E-COMMERCE MARKETING

Q1 Financial Results

Fiscal Year Ended March 2023

August 12, 2022

itsumo.inc | Ticker : 7694

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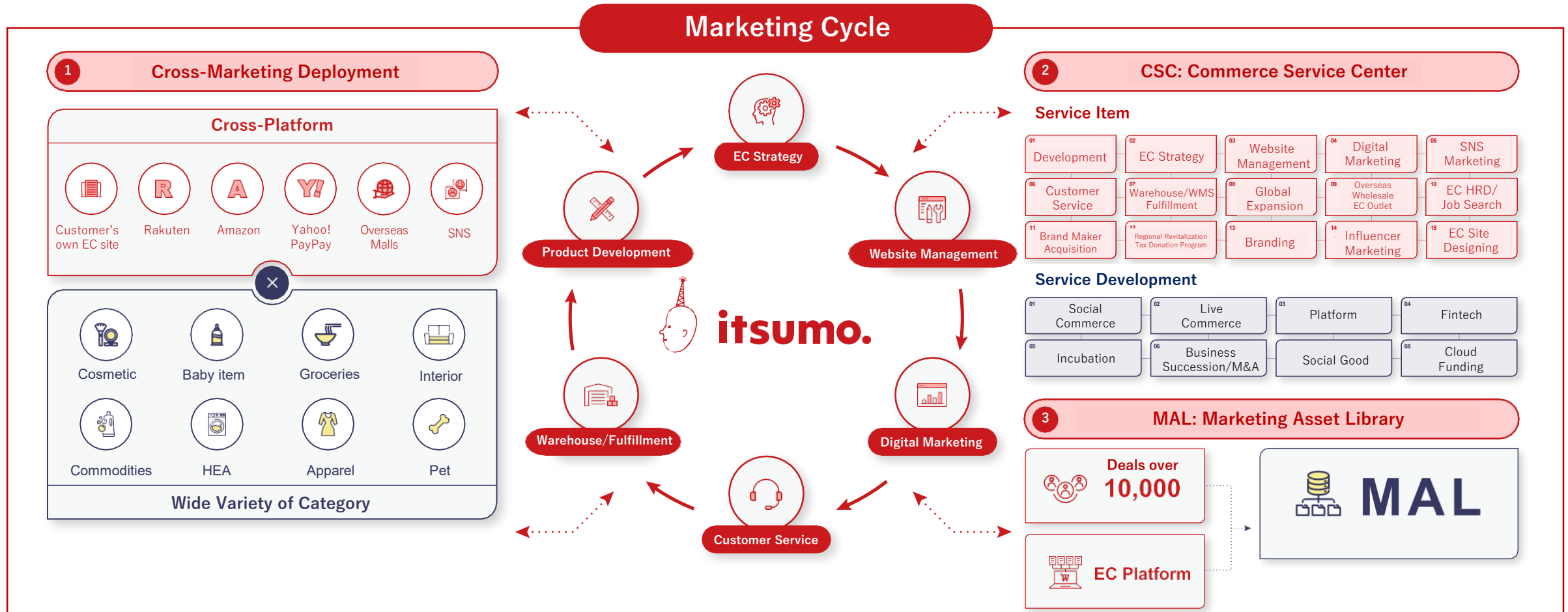
Corporate Profile



Company	itsumo. inc.
Founded	February 14, 2007
Location	1-12-1 Yurakucho Chiyoda-ku Tokyo, JAPAN
Capital	737.727 million yen
Employee (Consolidated)	275 (June 30, 2022) <small>Note</small>
Operation	Comprehensive E-Commerce support for domestic manufactures. Producing original brand products and its sales over the Net (D2C)
Subsidiary	itsumo commerce, itsumo capital, BLAN

Excellence of Our Marketing Cycle

Provide comprehensive functions for EC business, build up a strategic gaining scheme which covers EC strategy from feasible planning to output

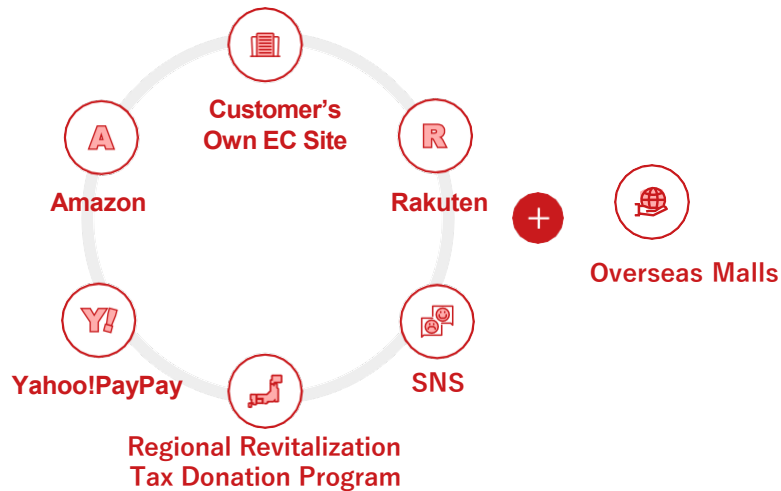


Significance of Cross-Platform Deployment

Cross-platform deployment is essential for EC sellers expansion its business, having said that it is highly complicated because each platform has its different targets and marketing methods

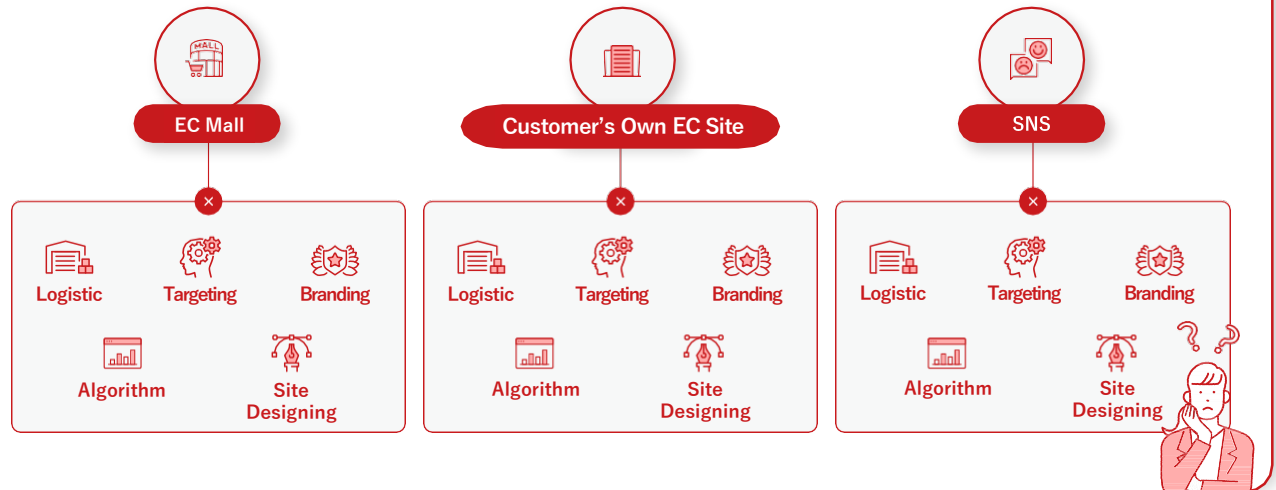
Why Cross-Platform deployment is needed?

Consumers collect information and purchases through multiple platforms, in addition each channel has its own market. That means cross-platform deployment increase gainings.



Intricacy of Cross-Platform Deployment

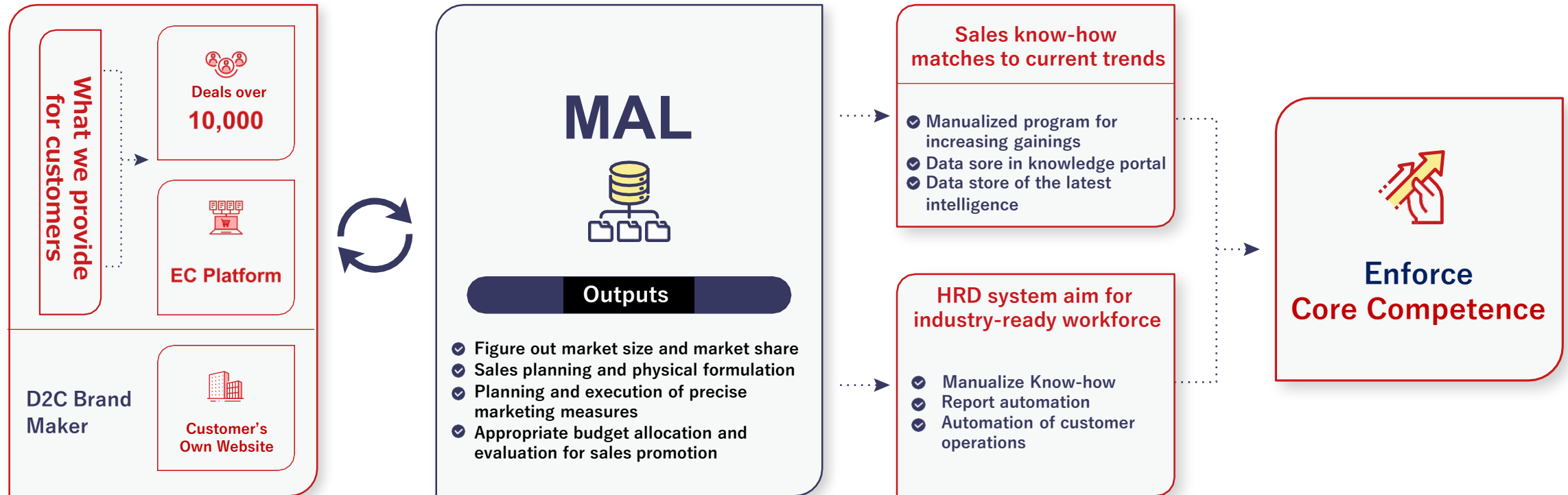
EC platforms such as customer's own sites, EC malls and SNS form its independent marketplaces and marketing approaches respectively. Therefore, it is complicated for EC sellers to absorb rapidly changing consumer behavior or newly established marketing methods without training wheels.



Our unique marketing cycle resolves these issues

Excellence of MAL: Marketing Asset Library

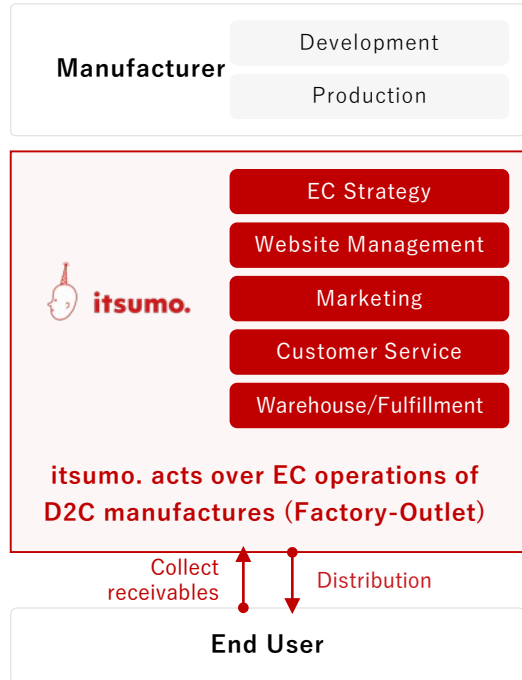
Capitalize on marketing sales data and experiences for all product categories makes it possible to provide customers with optimal solutions immediately.



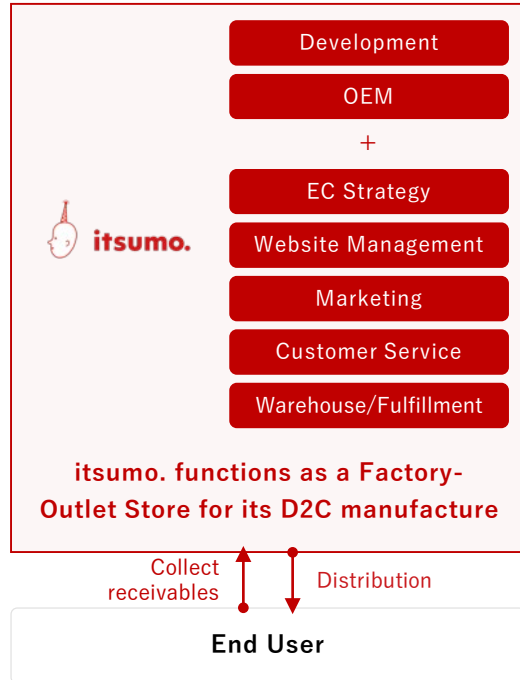
Excellence of Our Business Model

EC Marketplace Service

① HANRO
Act over EC Operations
Official Brand Site



② Brand Value Up
Acquisition & Development
of In-House Brand



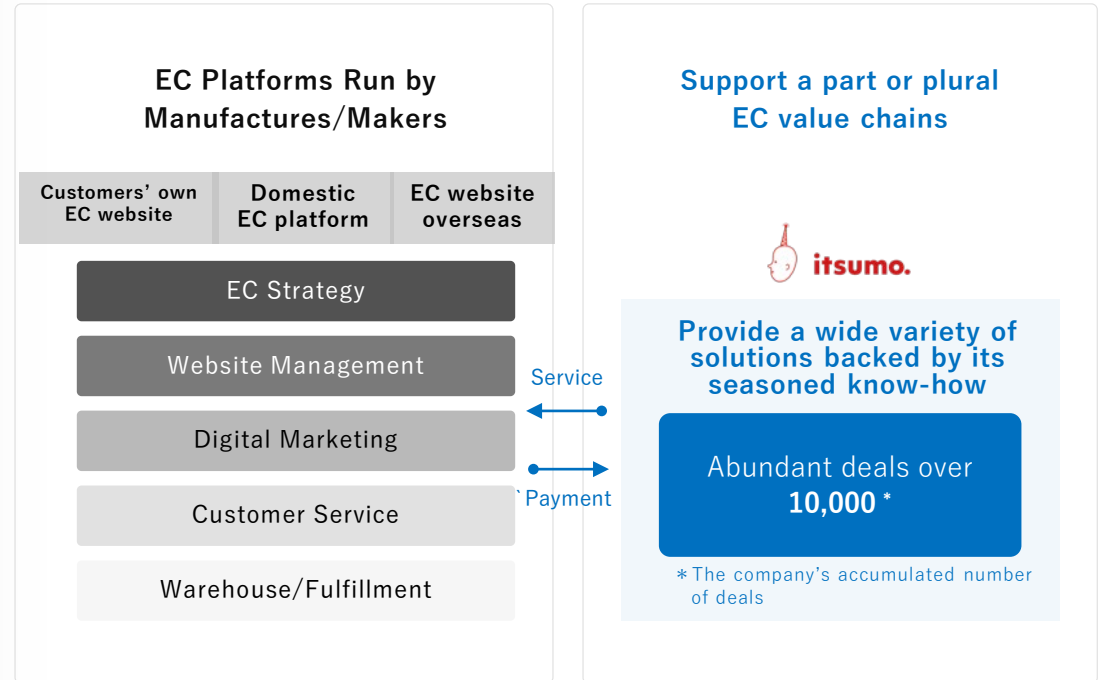
Revenue Model

Purchase & Distribution

Development & Distribution

EC Marketing Service

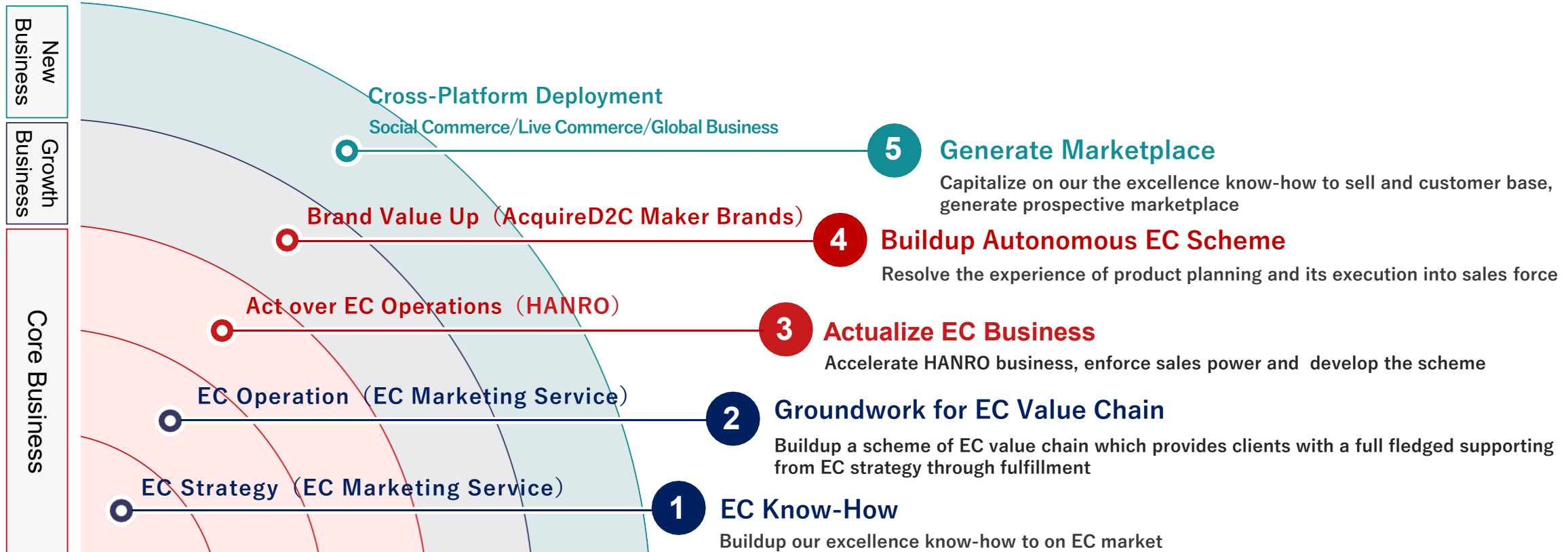
EC Consulting / EC Operation Service



Revenue Model

Revenue by Service/ Performance-Based Revenue

Excellence of Our Business Model





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Q1 2023 Financial Results

Q1 2023 Performance Highlights



Upside

- Gross sales leveled from the same period last year at 98%, though the impacts such as opportunity loss by "Zero-COVID Policy" of China as well as cost escalation caused by a sharp depreciation of yen.
 - EC Marketing Service increased in sales and profits from the same period last year, keeping its stable profitability
 - For the HANRO business, both in existing brands and newly added ones (which were launched following Q2 2022) continued to rise. (It increased in sales and profits excluding the impact of closure brand)
 - Regarding Brand Value Up business, acquired brands which were consolidated from Q3 2022 started to contribute to sales.
 - Drive forward to a further growth of business through an engagement in a proactive recruitment.



Challenge

- Gross margin declined to a 87% from the same period last year.
 - The newly added brands for the HANRO business (initiated from Q2 2022) are contributing to sales, however its contribution to the current quarter will be limited due to its traits of business. For the upcoming quarters, we expect that it would get into orbit.
 - In terms of Brand Value Up business, it was significantly affected by the loss of opportunities due to "zero-COVID Policy" of China as well as the increase in costs caused by the drastic depreciation of yen although upgraded its sales efficiency.

Q1 2023 Consolidated Financial Results

Although core business achieved YoY growth, Brand Value Up did not progress as planned under the current economic circumstances. Operating loss was 118 million yen due to investment in new businesses.

	Q1 2023 Actual Consl.	Q1 2022 ^{Note 2} Actual Non-Consl.	Change
Gross Sales	2,575	2,633	▲2.2%
Gross Margin	567	653	▲13.1%
SG&A	686	488	+ 40.6%
Operating Income	▲118	164	-
Ordinary Income	▲119	163	-
Adjusted EBITDA ^{Note 1}	▲52	178	-
Net income attributable to the parent company	▲101	112	-

Summary

EC Marketing Service (Core Business)

- Gross sales was 594mn increased a 14.3% YoY, Gross margin was 415mn increased a 5.8% YoY.

EC Marketplace Service (Core Business/High-Growth Business)

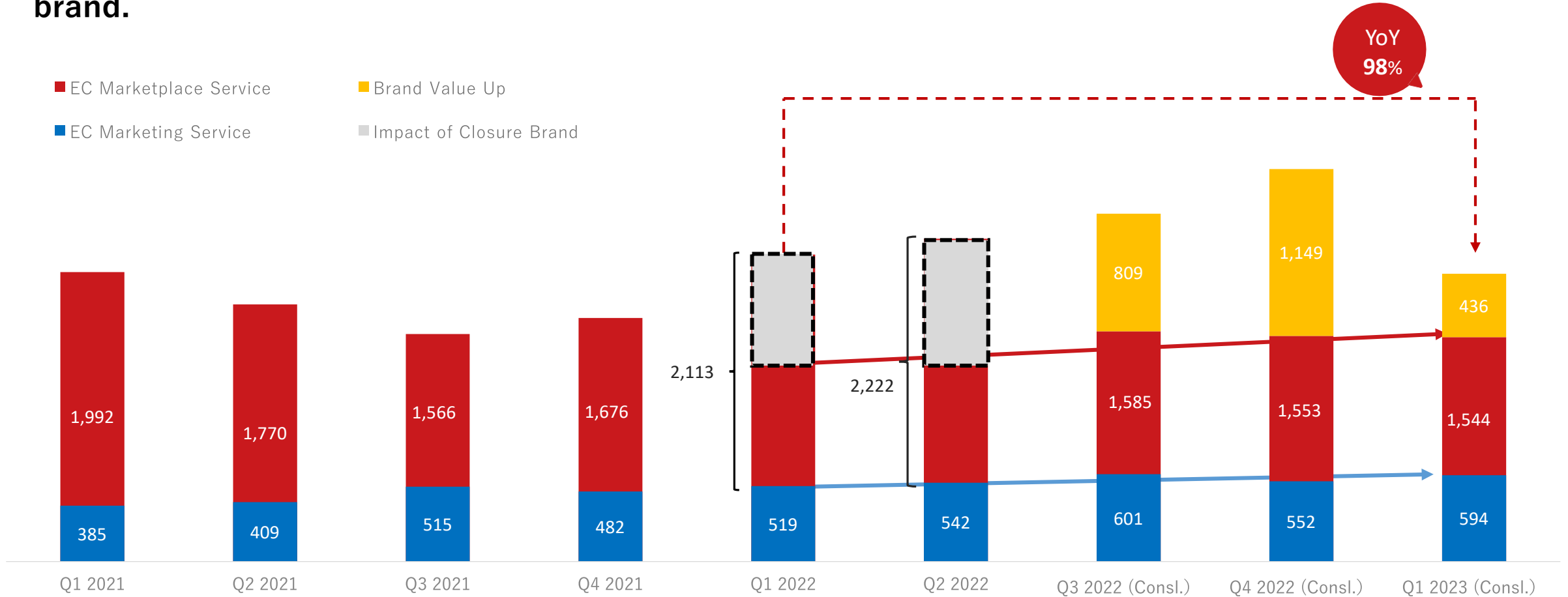
- **Core Business: HANRO Act over EC Operations**
 - Posted increase in both gross sales and gross margin increased YoY, excluding the impact of closure brand.
- **Growth Business: Brand Value Up (Acquisition/Development of In-House Brand)**
 - Capitalizing on itumo's unique strength of the excellence know-how to sell on EC, both increased in sales of brand partners and marginal return
- **New Business: Cross-Platform Deployment**
 - Enforcement of hiring seeking for mid-term growth and carrying on an up-front investment including outsourcing

Note 1 . Adjusted EBITDA=Operating Income+Depreciation+goodwill amortization+acquisition fees. Adjusted EBITDA is not subject to auditing firm

Note 2 . Q1 2022 is non-consolidated

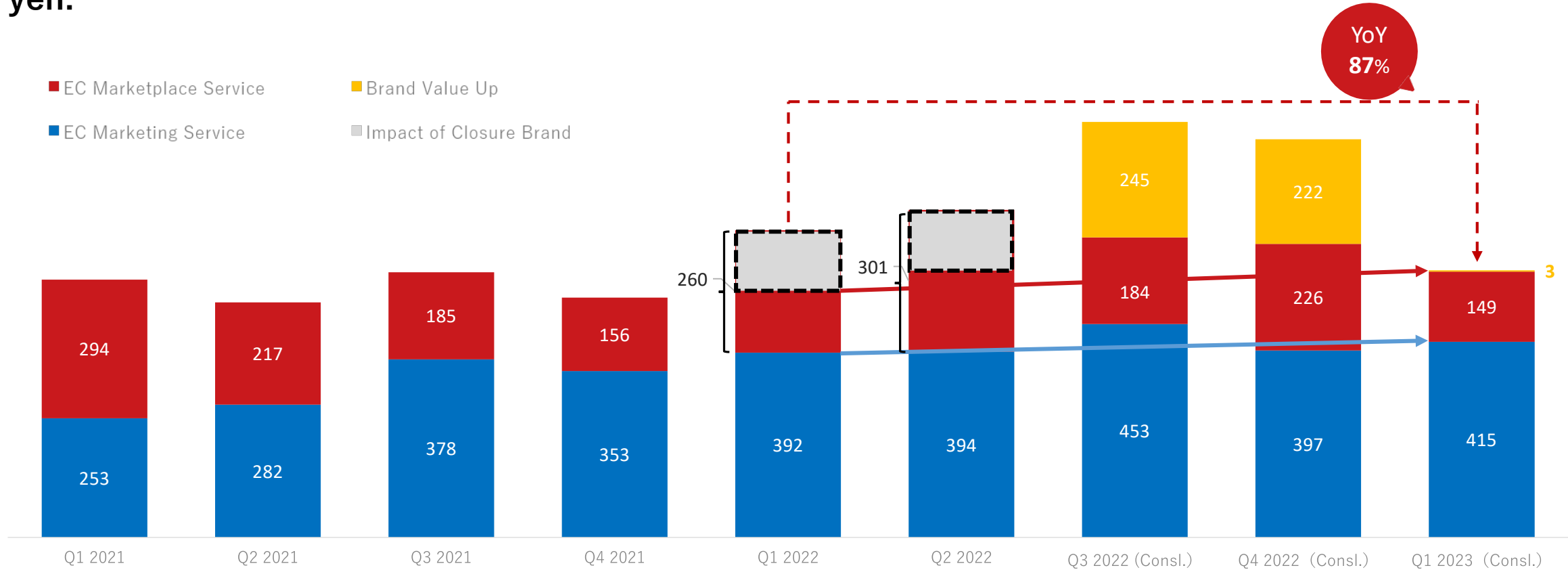
Change in Gross Sales

Both EC Marketing Service and Brand Value Up business contributed to the bottom line, the current quarter of gross sales leveled a 98% from the same period last year in spite of the impact of closure brand.



Change in Gross Margin

By an increment of profit in EC Marketing Service, gross margin leveled in a 87% from the same period last year, in spite of the impacts including closure brand and escalation of costs by weaker yen.





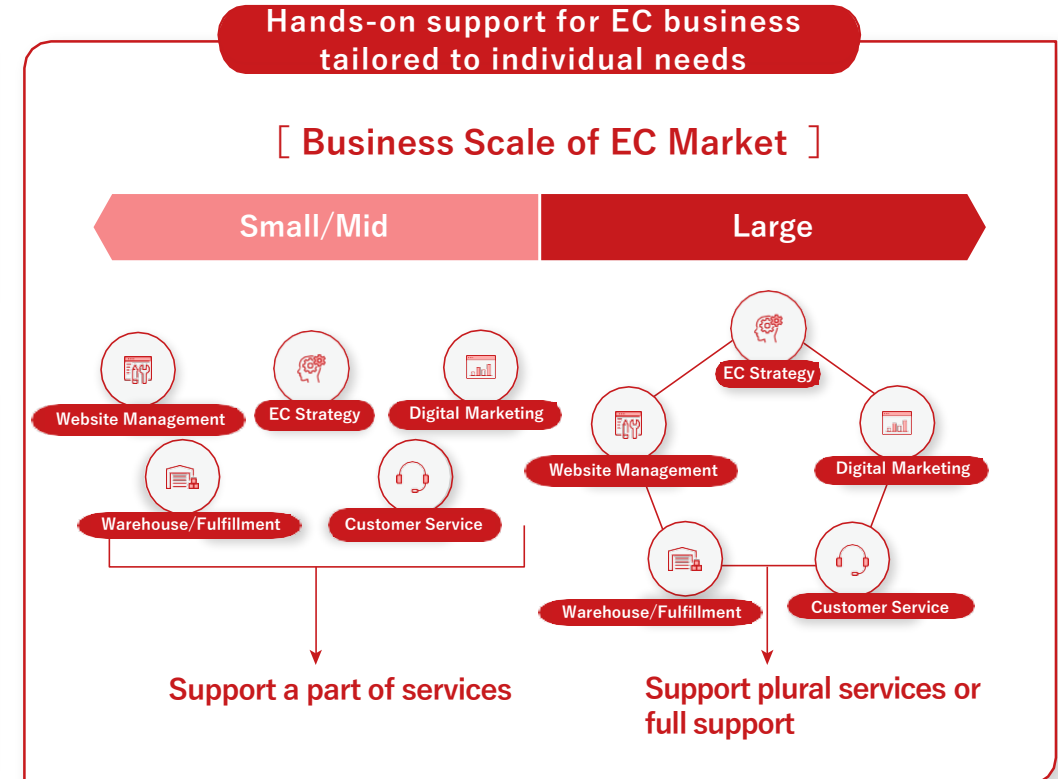
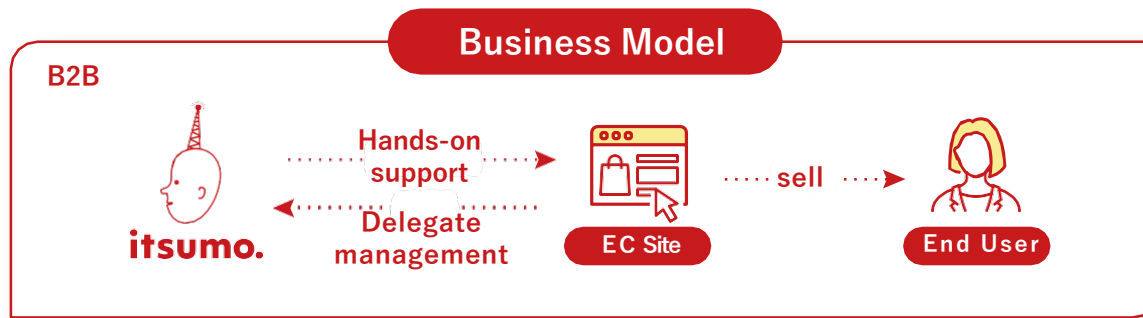
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EC Marketing Service

Business Model

Provide makers for EC value chain service in a full-fledged manner or a la carte

One Commerce Service (EC Marketing Service)

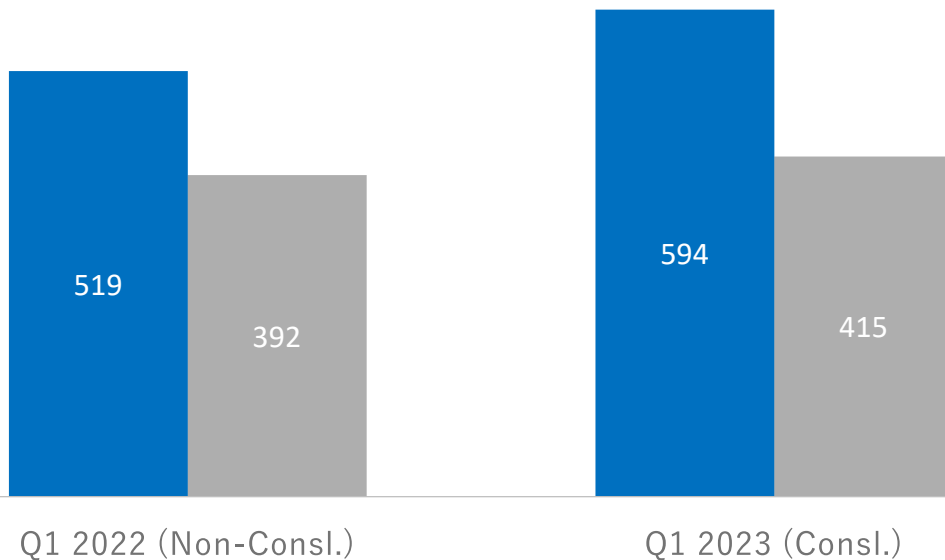


Highlight

Steady growth of recurring revenue model successfully achieved in both sales and profit, with sales up 14.3% and gross profit up 5.8% from the same period last year.

In Millions of Yen

■ Gross Sales ■ Gross Margin



Summary

- Reinforcement of headcounts favorably paid off to increase order entries. We highly expect in this business then will continue recruiting.
- Due to an increment of labor charge for reinforcement of hiring, profit ratio has temporarily declined in the current term, however we expect its improvement as productivity improves.

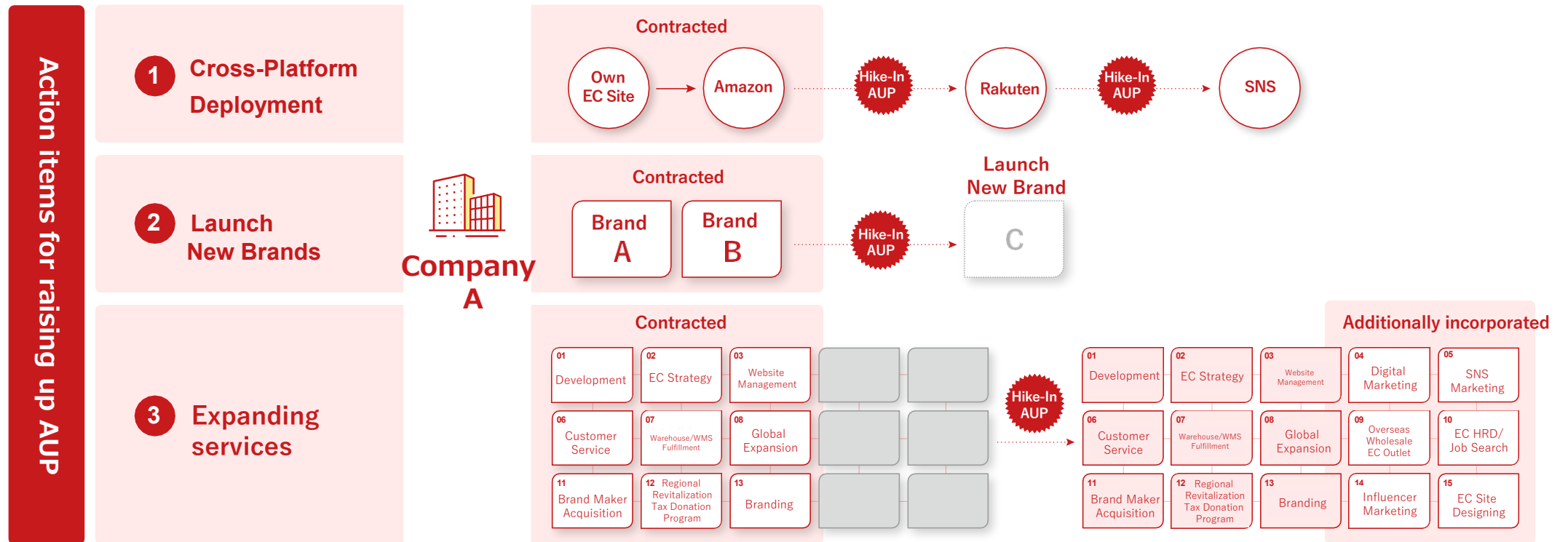


For the upcoming challenge

- ① Enforce cross-platform sales
- ② Strengthen branding
- ③ Expand service lineup and accelerate quality improvement
- ④ Advance productivity per employee

Endeavors for Hike-in AUP

Supporting all product categories, proposing and expanding services in line with cross-platform deployment, that successfully activates cross-selling and improve AUP

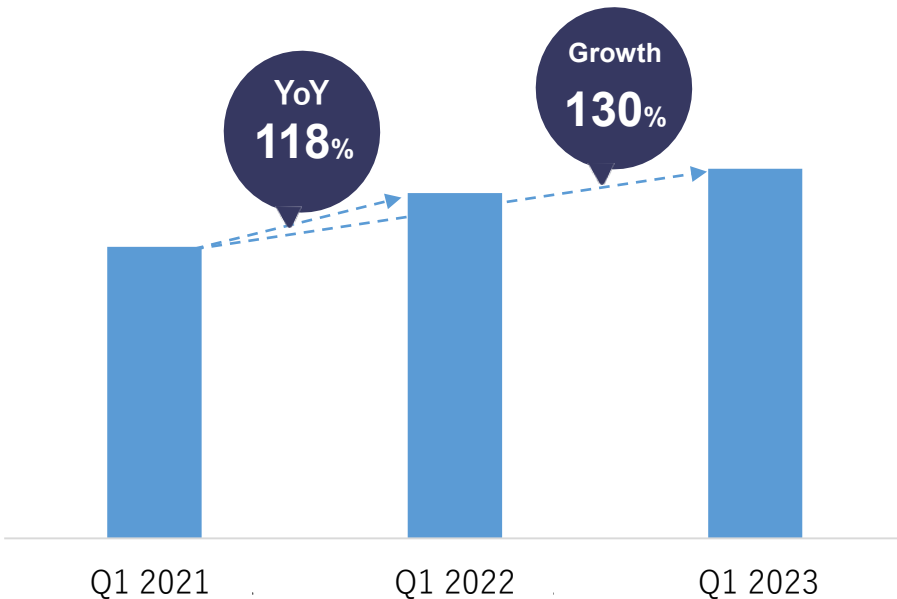


Change in AUP by Service Line and Client

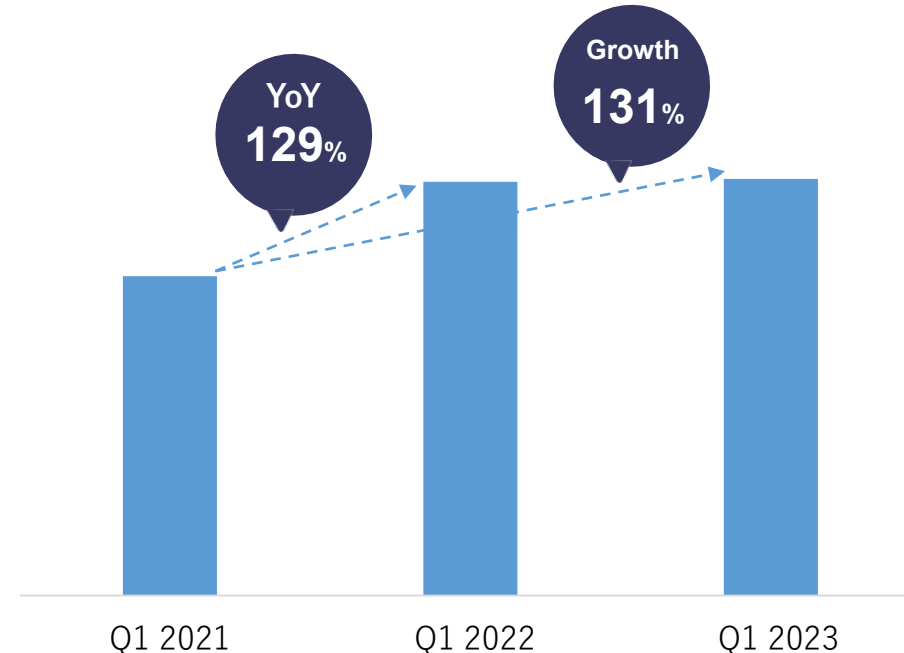
AUP by Recurring Revenue Model:
 Continuous service extension and quality improvement pushed it upward

AUP by Client:
 Accelerate multiple services and increase the percentage of cross-platform sales paid off

【AUP by Service Line】



【AUP by Client】



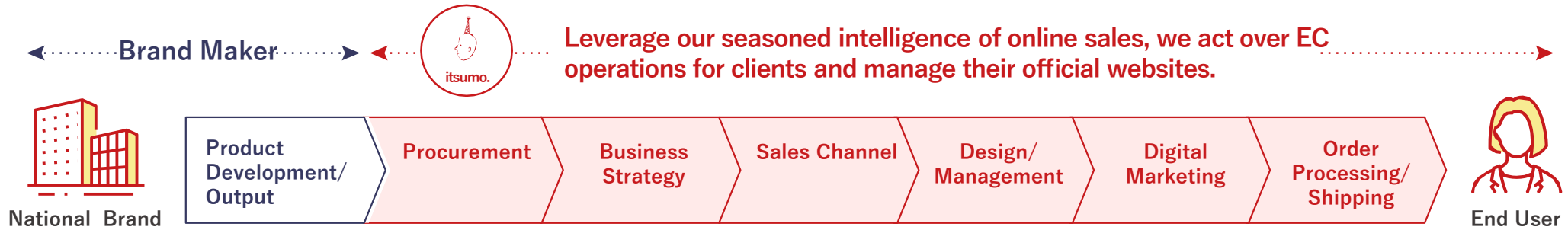


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EC Marketplace Service

① HANRO Act over EC Operations | Official Brand Site

istumo. is EC strategic partner for national brand makers and we drive forward their official brand site business. The advantage to use our service is making it possible to embark on the marketplace in a low-cost manner and expand a touch point with customers at the early stage.



1 Target

- National brands contemplating brand direct sales

2 Traits of Our Business

- Gross sales=Procuring products from brand makers and selling them to end users over their official EC sites
- Expand a touch point with customers that evangelizes its brand value to EC market
- Unique logistics quality to enhance brand experience of end users
- Cross-platform deployment

3 Business Environment

- Many brand makers have concerns with its core systems, improvement of logistics functions, unique business practices and marketing efforts.

① HANRO Act over EC Operations | Official Brand Site

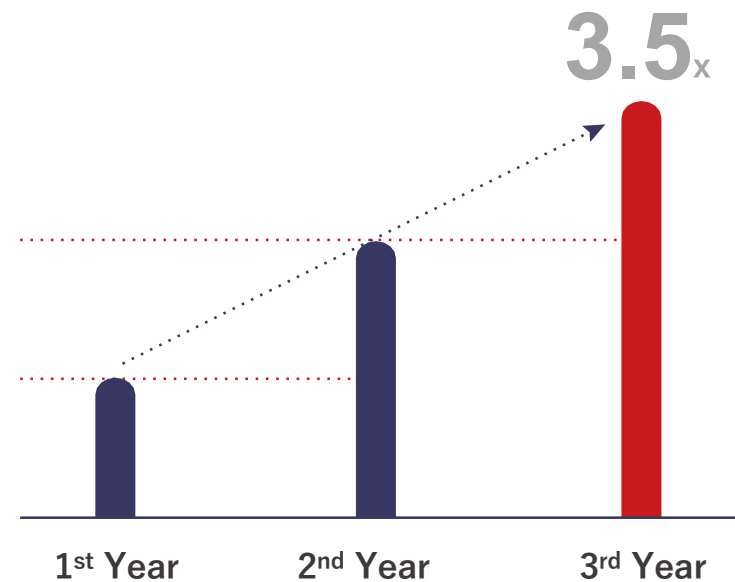
From the initiation of this business, itsumo. and brand makers collaborate to plan and drive strategies attaining significant profits in HANRO business. Its monetization is limited for the first year but it will in 2-3 years.

Profit Model

Physical contribution to profit is in the 2-3 year of our leverage

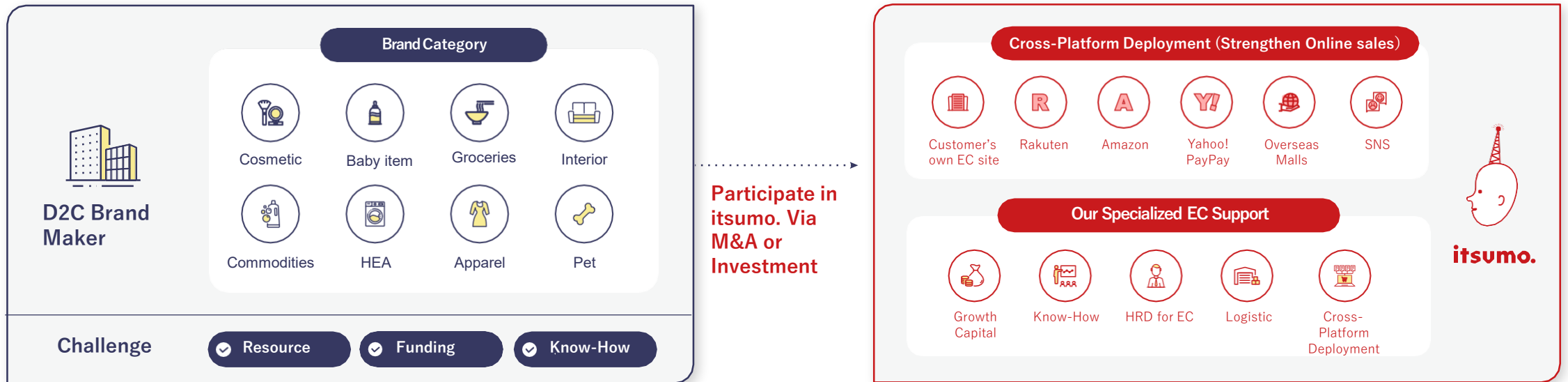
- ✓ In runup period (6 months) for launching website, execute market research, coordinate service plan and formulate strategy.
- ✓ For the first year, review its website, optimize SEO, run test marketing with sales promotion committee and builds up track records.
- ✓ For the 2nd and 3rd year, increase market share and name brand recognition, gain recurring customers and enhance Life-Time-Value.

[Change in sales following install of our leverage]



② Brand Value Up (Acquisition/Development of In-House Brand)

Acquire a more promising D2C brand makers and improve their business operations promptly, that makes payout time short



- ① Subjected Client**
- House brand owner or entity
 - Annual sales of approx. 50 million to 500 million JPY
 - Seek for online business via its own website or any EC channel like Amazon regardless of product genres
 - Seek for stock transfer including employees

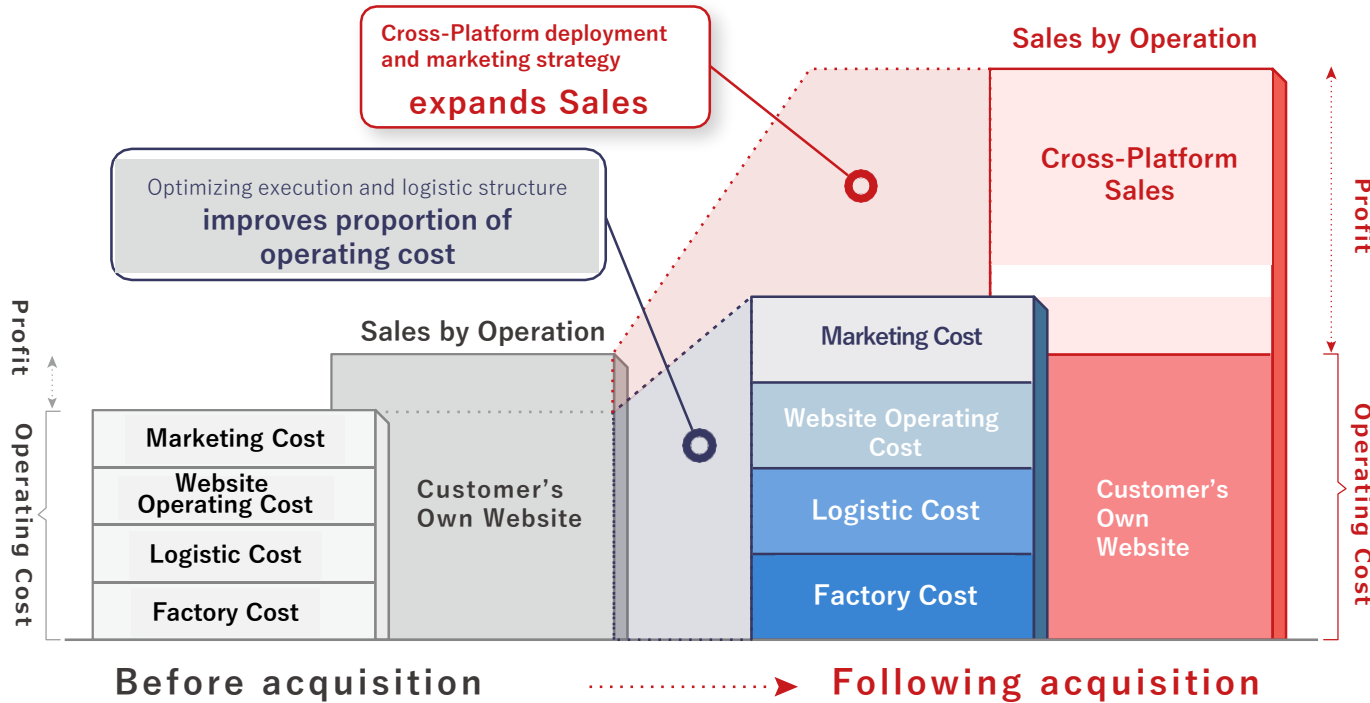
- ② Traits of Our Service**
- Specialized in-house due diligence team actualizes early on brand acquisition
 - Sound decisions about acquisition backed by our seasoned experiences
 - Cross-platform deployment
 - Full-fledged support from EC strategy, operation and logistics
 - Design and industrials of private brands

- ③ Market Status**
- Evolution of production system and logistic technology makes it easier for D2C brand makers to go enter the marketplace

② Brand Value Up (Acquisition/Development of In-House Brand)

Implement speedy sales expansion and cost improvement by an in-house team specializing in co-creation project post brand acquisition

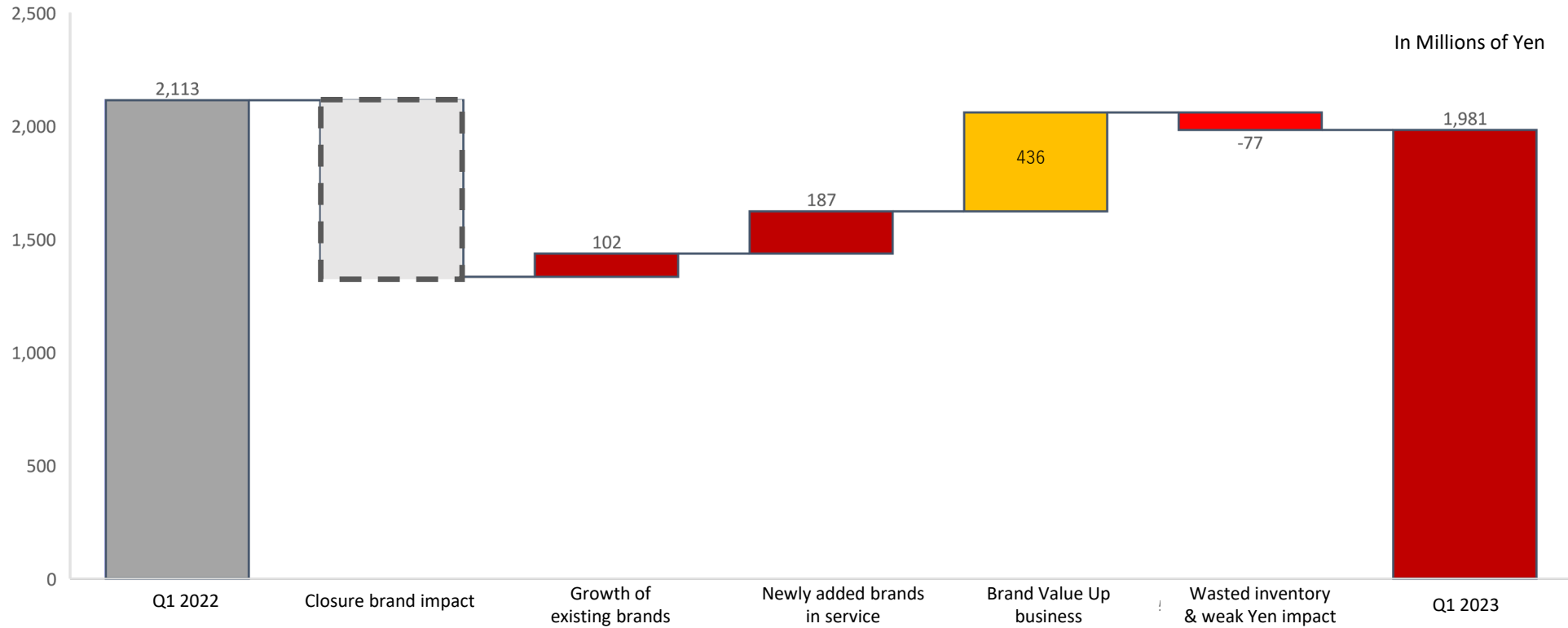
How to push up sales following brand acquisition (as an example)



- 1 Expanding sales through cross-platform deployment
- 2 Product development, rebranding and EC site renovation based on throughout market research to raise conversion rate and AUP
- 3 Optimize customer marketing expenses by tapping into our seasoned marketing technology
- 4 Streamlining logistics functions (logistics system dedicated to EC) and cost improvement by centralized administrative control over non profit center

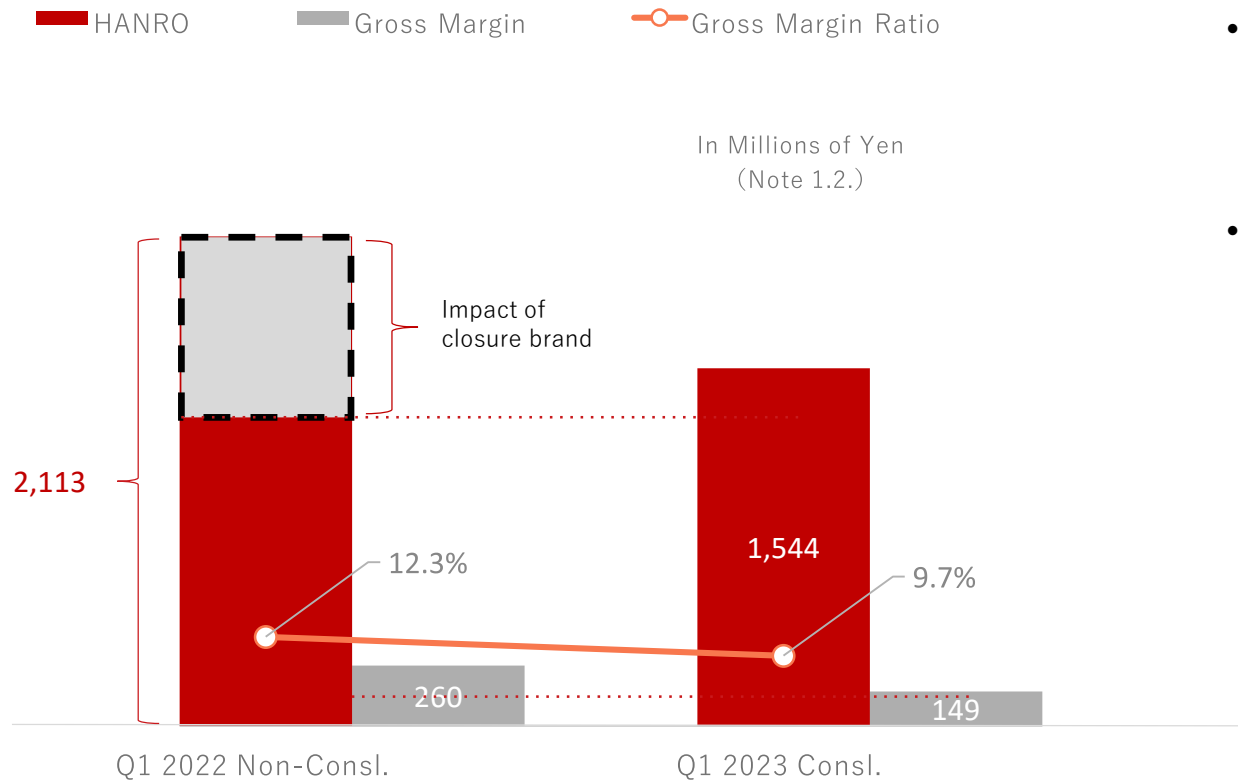
Performance Analysis

Sales went to 94% YoY. Excluding the impact of the closure brand, HANRO showed some growth, on the other side, Brand Value Up had impact on an opportunity loss due to Zero-COVID Policy of China.



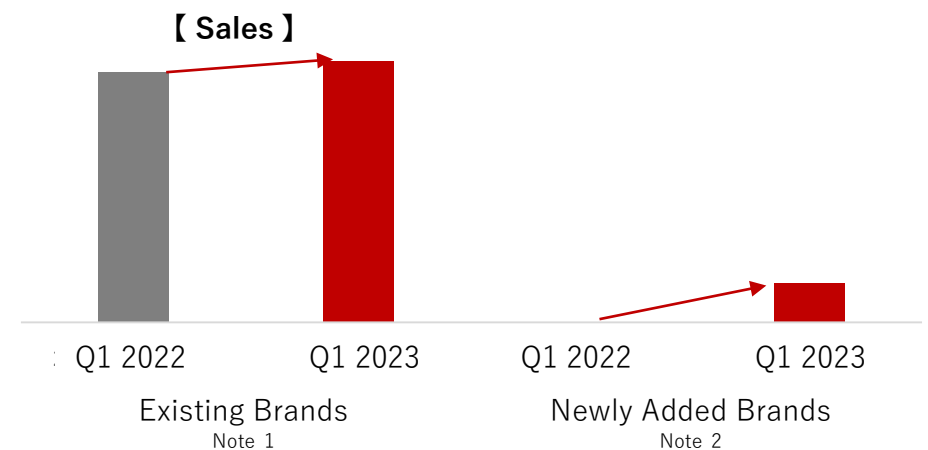
① HANRO Act over EC Operations | Official Brand Site

HANRO business contributed to sales stemmed from growth in newly launched brands following Q2 2022 in addition to the existing brand partners



Summary

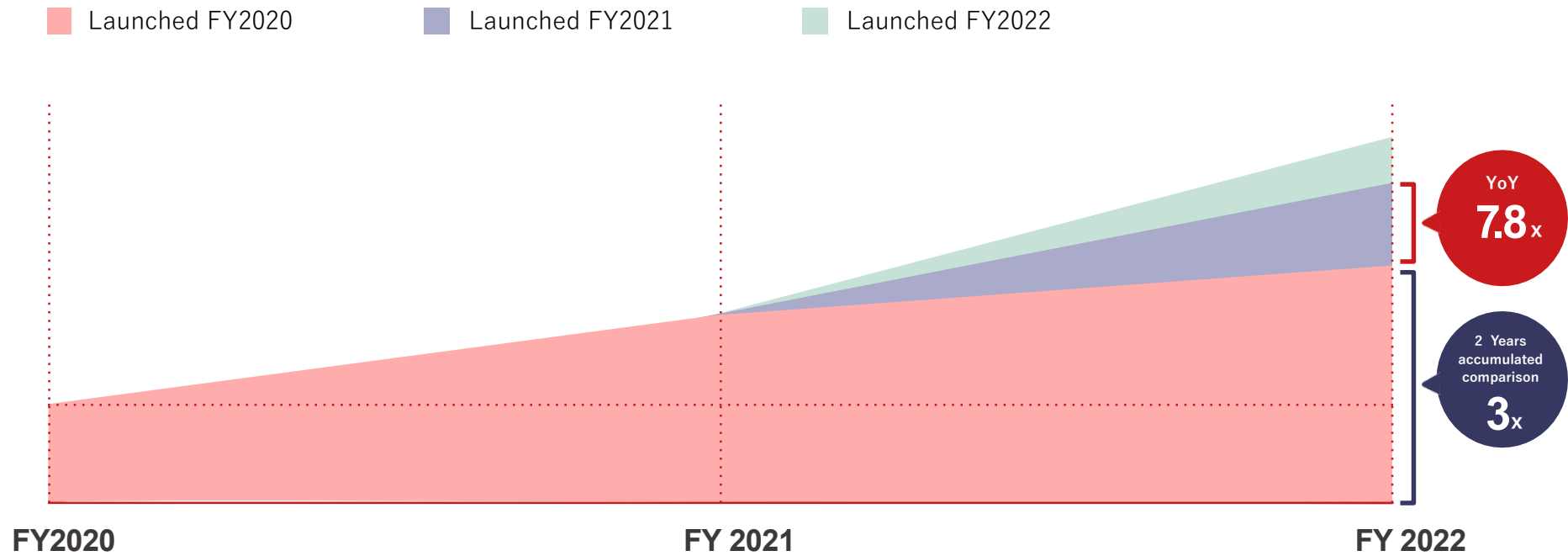
- Excluding the impact of closure brand, its sales increased by more than **15% YoY** as well as its profit increased by more than **5% YoY**
- Existing brands contributed to both sales and profits. New brands perform solidly in sales, though their contribution to profits is limited due to the nature of its business.



Note 1: Brand partners which has already launched in Q1 2022
 Note 2: Brand partners which launched following Q2 2022

① Change in HANRO Act over EC Operations | Official Brand Site

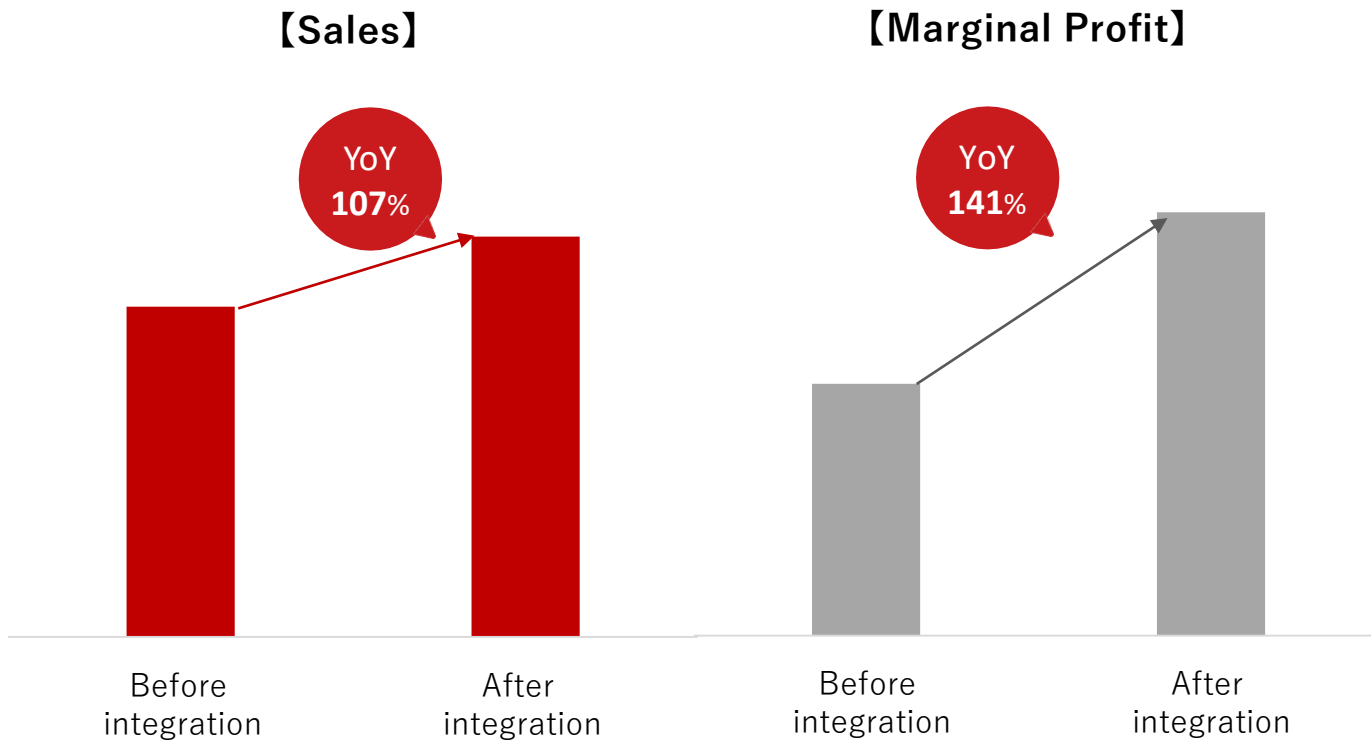
At the first year kicking off an official brand site, growth in both sales and profits will be limited, however, growth potential will increase as its business continuation.



Note: Contracted brand partners as of FY2022 are solely subjected. Closure brand is not included.

② Brand Value Up (Acquisition/Development of In-House Brand)

As for a flagship brand “BLAN”, its profit contribution for Q1 and Q2 will be limited due to seasonality (however, it will contribute in both sales and profit for the fiscal year). For other acquired brands, their sales and profit are essentially headed to grow.



Summary

Grow in sales and marginal profit

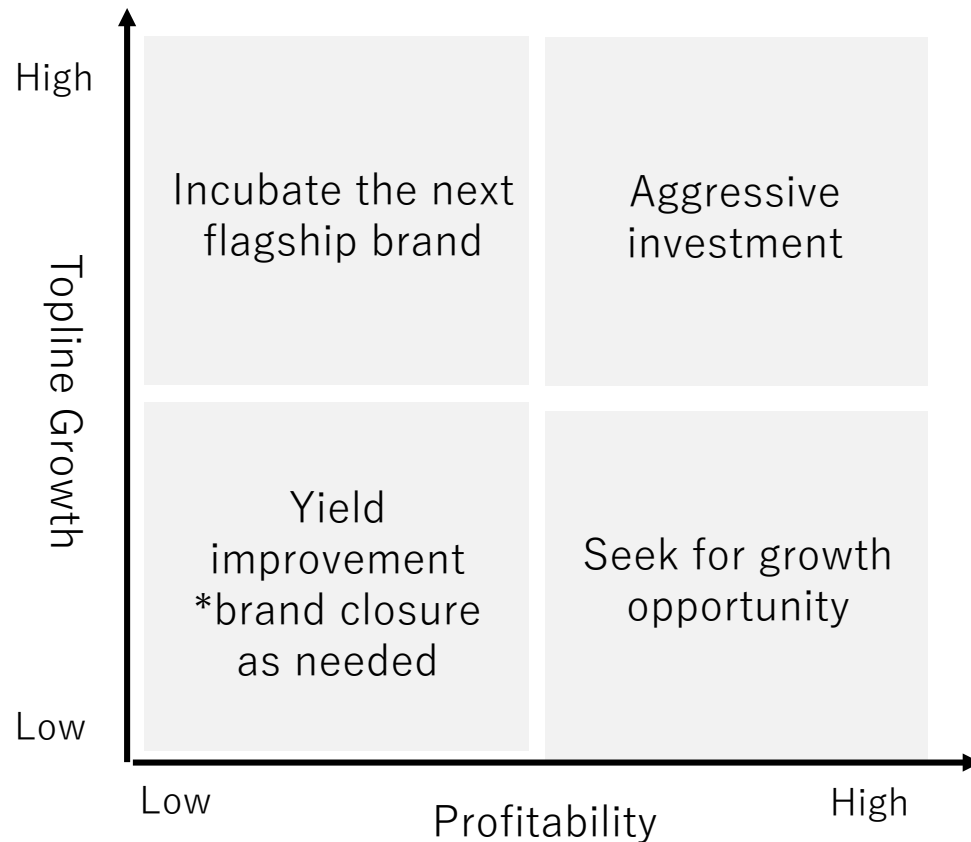
- Following integration, sales and marginal profit of each brand have grown steadily by capitalizing on itumo's unique strength of “the excellence know-how to sell on EC”.

Profit contribution is limited

- Costs increased due to supply chain turmoil by Zero-COVID Policy and weaker yen these days.
- Brand Value Up project is at the stage of optimization, and need to restructure including costs for the upcoming quarters.

Brand Portfolio Management

In an effort to realize an optimal resource investment in the light of prosperity and profitability in brand partners, striving to a most efficient portfolio management



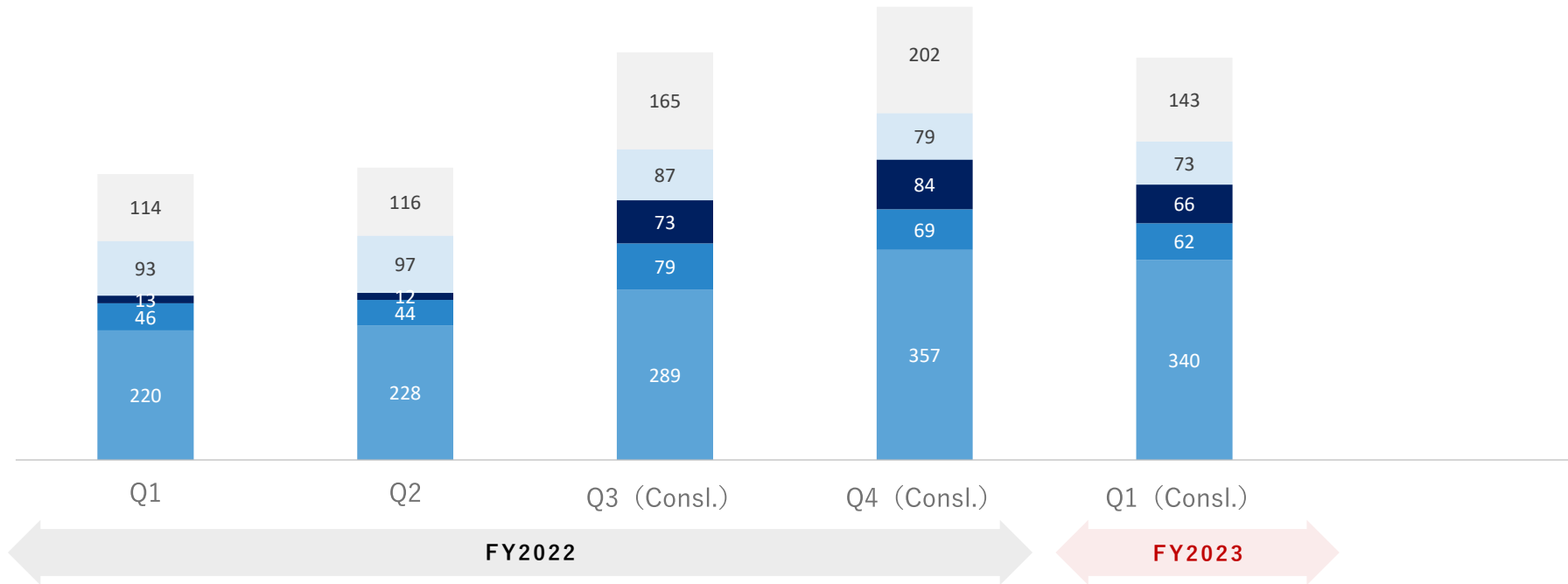
**Assess each brand
by two axes:
Growth Potential and
Profitability**

SG&A (Account Period)

**Labor charge was approximately 1.5 times higher than the same period last year.
Continue to invest in hiring in an effort to meet sustainable growth for the upcoming quarters.**

Change in SG&A Note 1-4

■ Labor Charge ■ Advertisement ■ Depreciation, Goodwill, MA Costs ■ Commission paid ■ Others



Note 1: Labor charge includes bonus and hiring relevant costs.

Note 2: Commission paid means primary settlement fees for EC Market Place service.

Note 3: The above numbers are account period ones.

Note 4: From Q3, we initiated consolidated accounting. FY2021 and Q1-Q2 of FY2022 are non-consolidated ones

Balance Sheet

Inventory asset increased due to accumulation of availability by expansion of EC Marketplace business

In Millions of Yen	FY2022 Consl.	Q1 2023 Consl.	Change
Cash and Cash Equivalents	4,122	2,963	△1,158
Account Receivable	872	966	+94
Inventory	861	1,457	+596
Current Asset	6,060	5,625	△434
Fixed Asset	866	949	+82
Total Asset	6,926	6,574	△351
Total Current Liabilities	2,583	2,481	△102
Total Fixed Liabilities	1,935	1,785	△149
Total Liabilities and Net Assets	2,407	2,308	△99

FY2023 Guidance and the Current Status

Proactive investment for med-long term growth

In Millions of Yen	FY2022	FY2023		
	Actual	Guidance	Q1 Actual	Change (%)
Gross Sales	11,652	14,345	2,575	18.0%
EC Marketing Service	2,217	2,696	594	22.1%
EC Marketplace Service	9,435	11,649	1,981	17.0%
Gross Margin	3,079	3,606	567	15.7 %
EC Marketing Service	1,638	2,050	415	20.3%
EC Marketplace Service	1,441	1,555	152	9.8%
SG&A	2,474	3,449	686	19.9%
Operating Income	604	156	△118	—
Ordinary Income	583	146	△119	—
Adjusted EBITDA*	787	417	△52	—
Net Income/ Net income attributable to the parent company	361	101	△101	—

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



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New Development

New Effort with Kirin Holdings Company, Limited



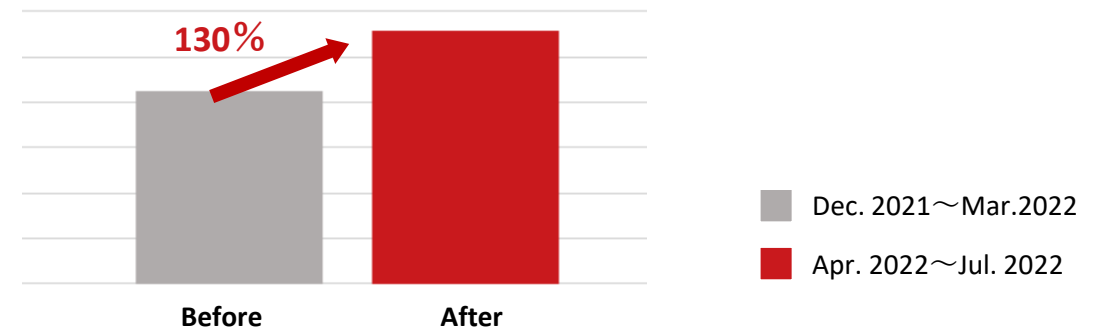
Business Type : **EC Operation Service**

Service Type : **One Commerce** (EC Marketing Service)

**Act over official online store for KYOWA HAKKO BIO CO. LTD.
(a subsidiary of Kirin Holdings)**

- Enforcing its health supplement business over E-Commerce.
- itsumo. supports their Amazon official store promotion and its account management

**Actual performance of Amazon official store promotion: up 130%
(Average monthly sales comparison for 4 months before our support and 4 months after support)**



* The above image is quoted from Amazon Kirin Kyowa Hakkobio Online Store Official Site.

Open up New Store: itsumo mart over PayPay Mall



itsumo mart

Our sales site "itsumo mart" opens up at PayPay Mall! Handling a variety lineups of P&G's brand commodities

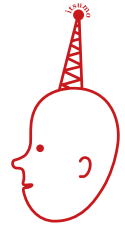
- Focusing on commodities of P&G products
A large selection of products that is available online store only
- 【Category of Products】
Ariel, Pampers, Renua, JOY, sarasa, Bold, Febreze, PANTENE, h&s, Gillette, Gillette Venus



PANTENE



Gillette

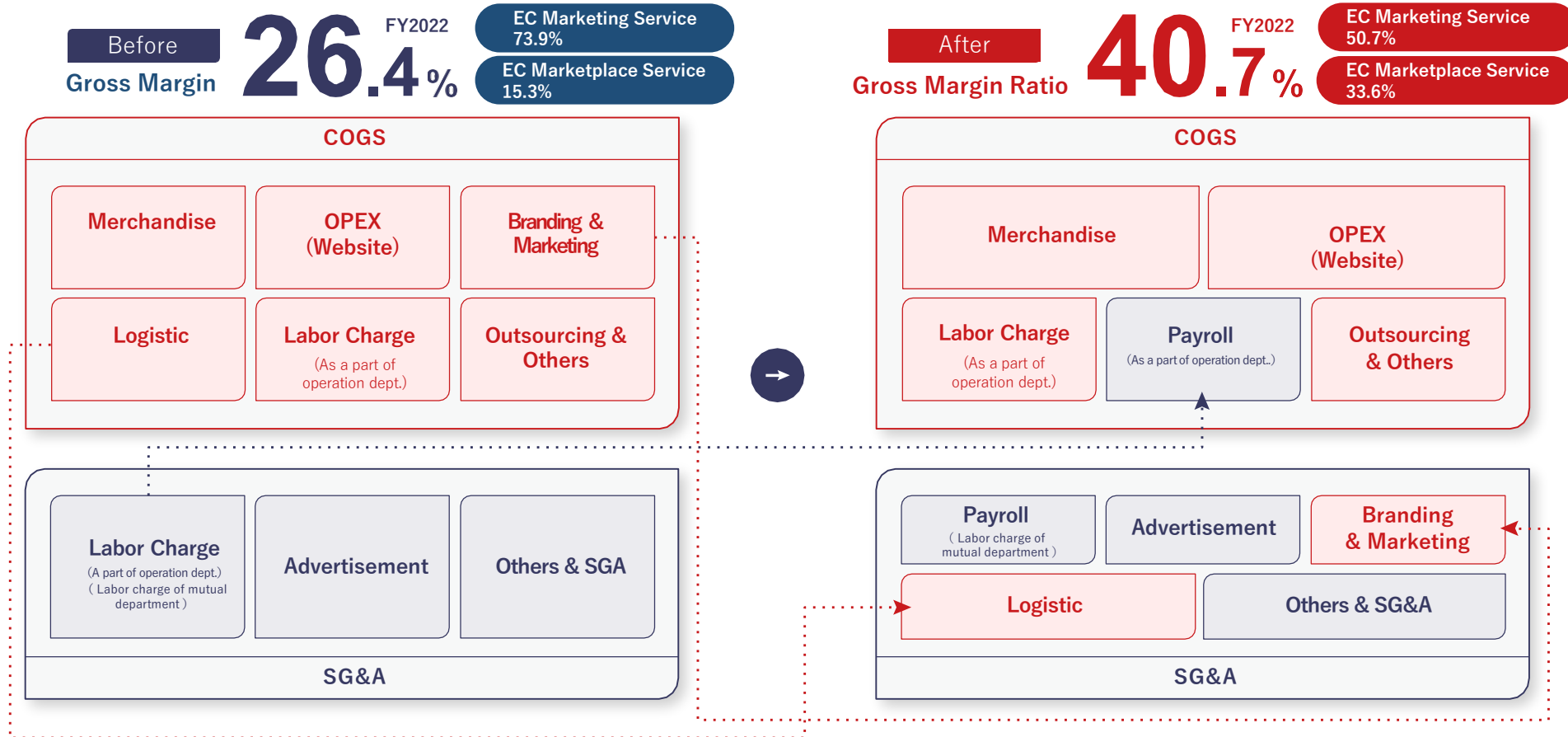


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Appendix

Revaluation of Cost Category



Revaluation of Cost Category: Following Modification

Before			After		
In Millions of Yen	Q1 2023 Consl.	% to Gross Sales	In Millions of Yen	Q1 2023 Consl.	Component Ratio
Gross Sales	2,575	100.0%	Gross Sales	2,575	100.0%
EC Marketing Service	594		One Commerce	376	
EC Marketplace Service HANRO business	1,544		Brand Partners	1,762	
EC Marketplace Service Brand Value Up business	436		Co-Creative & Independent Project	436	
Gross Margin	567	22.1%	Gross Margin	988	38.4%
EC Marketing Service	415		One Commerce	192	
EC Marketplace Service HANRO business	149		Brand Partners	644	
EC Marketplace Service Brand Value Up business	3		Co-Creative & Independent Project	150	
SG&A	686	26.7%	SG&A	1,106	43.0%
Operating Income	△118	—	Operating Income	△118	—

Note: Items following operating income are same



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Please feel free to contact us with any questions. We look for hearing from you “i-tsu-mo” (anytime in Japanese)!

corporate@itsumo365.co.jp

Japanese Website

<https://itsumo365.co.jp/ir/>



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.

Forward Looking Statement

- **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.**