



itsumo.

D2C • E-COMMERCE MARKETING

Q2 Financial Results

Fiscal Year Ended March 2023

November 11, 2022

itsumo.inc | Ticker : 7694

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Corporate Profile

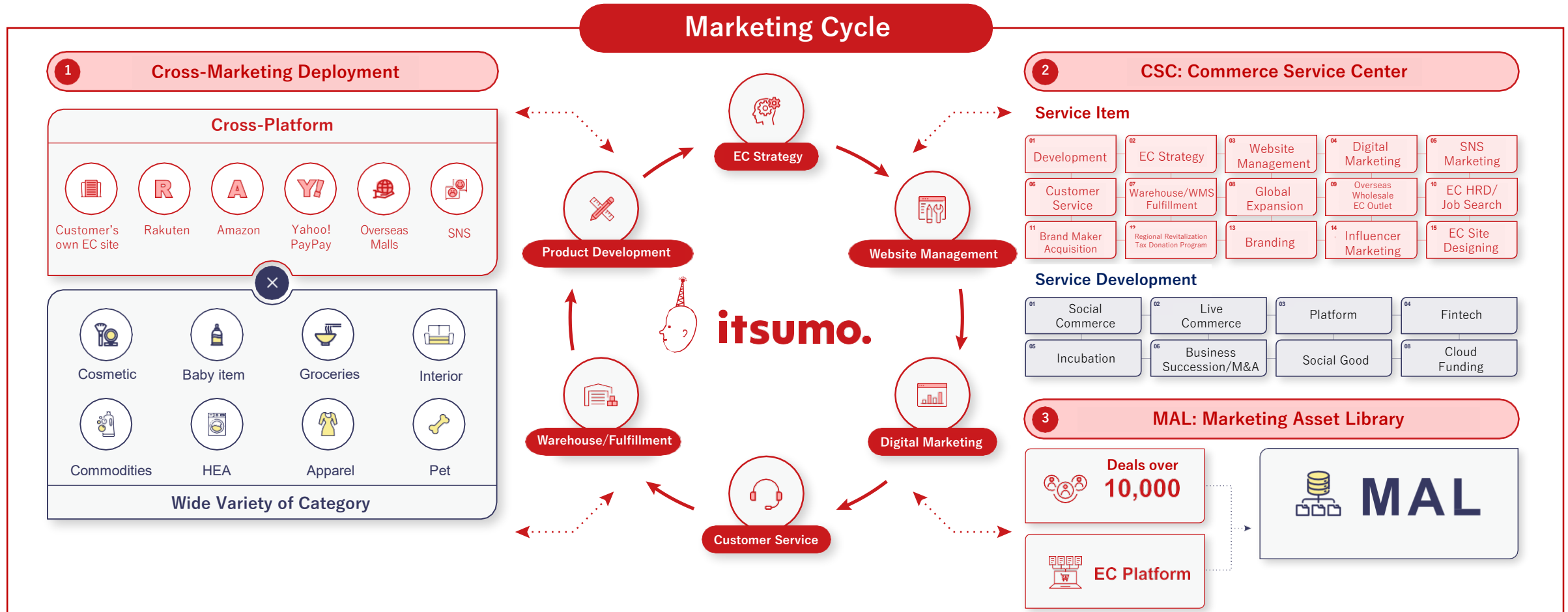


Company	itsumo. inc.
Founded	February 14, 2007
Location	1-12-1 Yurakucho Chiyoda-ku Tokyo, JAPAN
Capital	740.182 million yen
Employee (Consolidated)	279 (Sep. 30, 2022) <small>Note</small>
Operation	Comprehensive E-Commerce support for domestic manufactures. Producing original brand products and its sales over the Net (D2C)
Subsidiary	itsumo commerce, itsumo capital, BLAN

Note: The number of employees means consolidated one and it excludes part-timers.

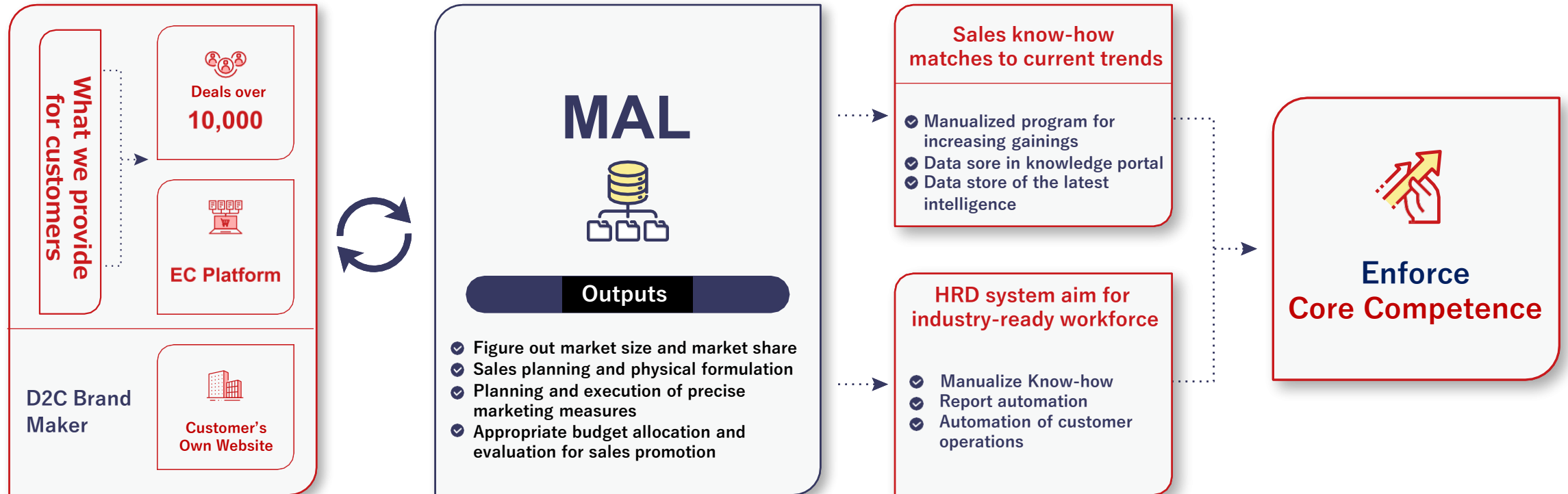
Excellence of Our Marketing Cycle

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



Excellence of MAL: Marketing Asset Library

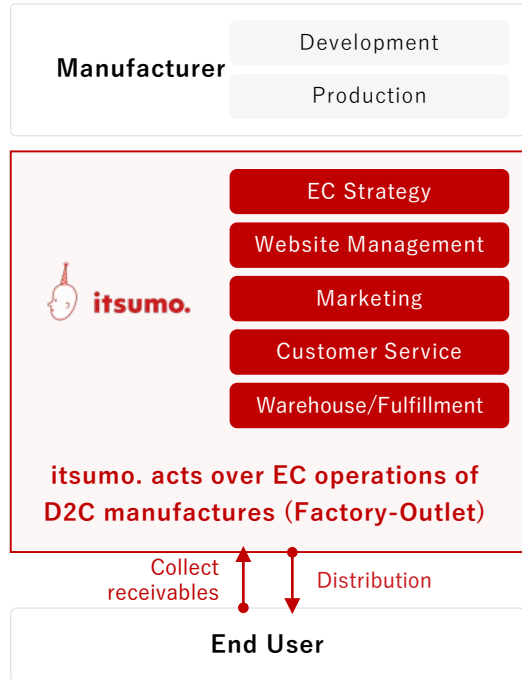
Capitalize on marketing sales data and experiences for all product categories makes it possible to provide customers with optimal solutions immediately.



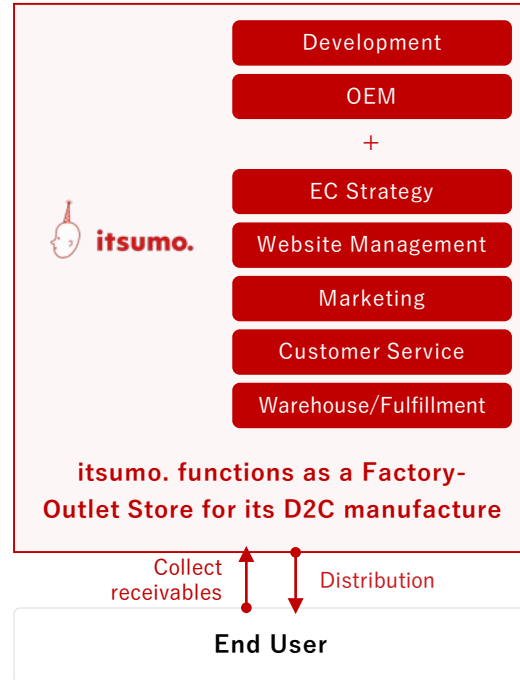
Excellence of Our Business Model

EC Marketplace Service

① HANRO
Act over EC Operations
Official Brand Site



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



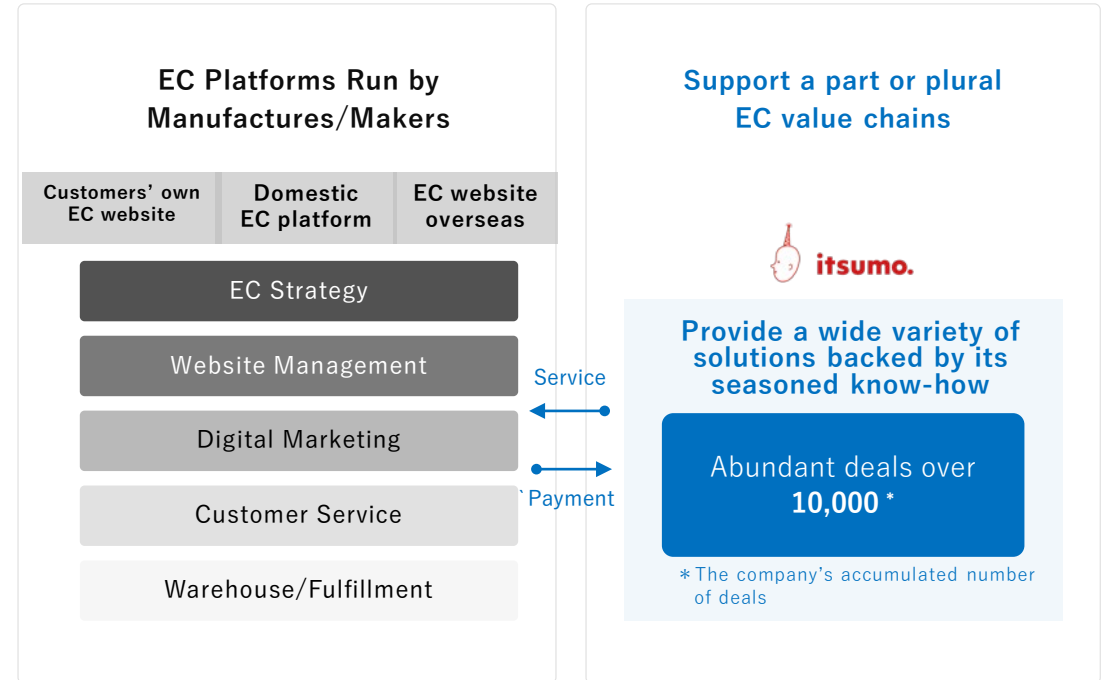
Revenue Model

Purchase & Distribution

Development & Distribution

EC Marketing Service

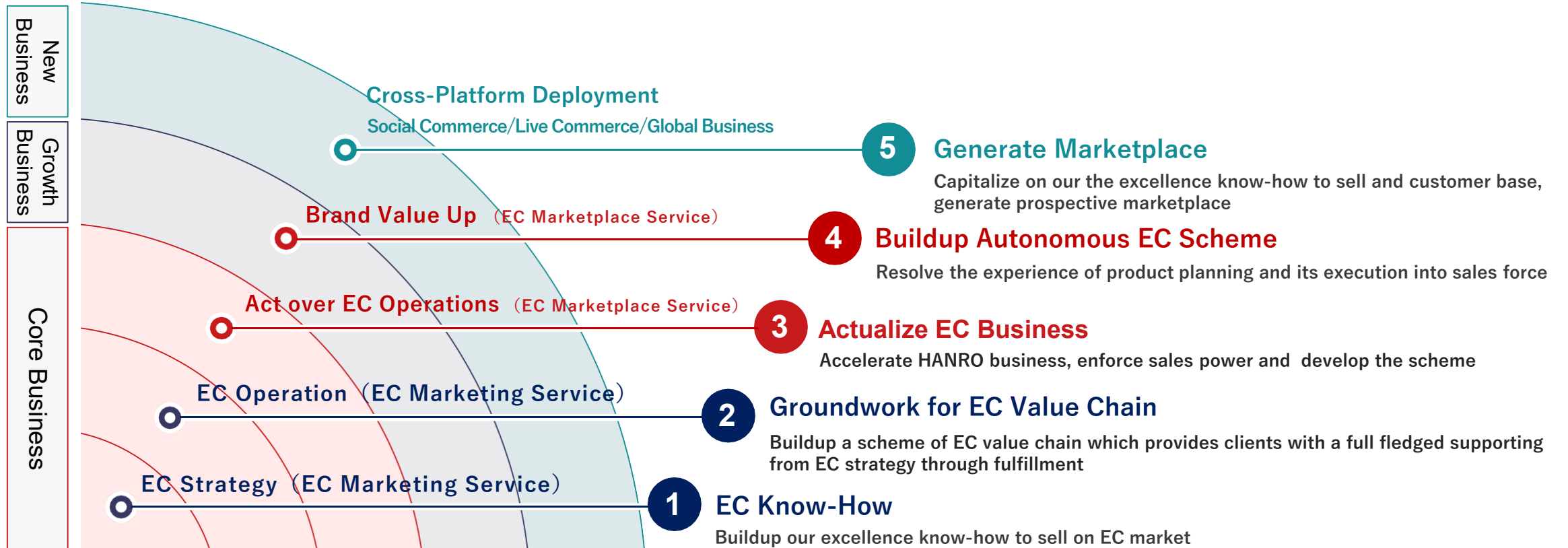
EC Consulting / EC Operation Service



Revenue Model

Revenue by Service/ Performance-Based Revenue

Excellence of Our Business Model





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FY2023 Amendments of Guidance (Cons.)

FY2023 Amendments of Guidance (Cons.)

Announced downward of guidance in light of the business environment of this fiscal year
(Announced in October 31, 2022)

In Millions of Yen	Gross Sales	Adjusted EBITDA*	Operating Income	Net Income
Initial Guidance	14,345	417	156	101
Amended Guidance	11,718	266	110	△305
Change	△2,627	△151	△46	△407
Change (%)	△18.3%	△36.3%	△29.8%	-

* Adjusted EBITDA = Operating Income + Depreciation + goodwill amortization + acquisition fees.

Adjusted EBITDA is not subject to auditing firm

FY2023 Amendments of Guidance (Cons.)

In Millions of Yen	FY2022	FY2023			
	Actual	1H Actual	2H Amended Budget	FY2023 Guidance	Change (%)
Gross Sales	11,652	5,534	6,183	11,718	+ 0.6 %
EC Marketing Service	2,217	1,259	1,436	2,696	+ 21.6 %
EC Marketplace Service	9,435	4,275	4,747	9,022	△ 4.4 %
Gross Margin	3,079	1,242	1,491	2,733	△ 11.2 %
EC Marketing Service	1,638	837	827	1,664	+ 1.6 %
EC Marketplace Service	1,441	404	664	1,069	△ 25.8 %
SG&A	2,474	1,354	1,269	2,623	+ 6.0 %
Operating Income	604	△ 112	222	110	△ 81.8 %
Ordinary Income	583	△ 111	202	90	△ 84.5 %
Adjusted EBITDA*	787	13	252	266	△ 66.2 %
Net Income/ Net income attributable to the parent company	361	△ 445	140	△ 305	—

* Adjusted EBITDA = Operating Income + Depreciation + goodwill amortization + acquisition fees.

Adjusted EBITDA is not subject to auditing firm

FY2023 Amendments of Guidance: Gross Sales by Business Model

EC Marketing Service is unchanged as it is expected to achieve the initial target.
Due to difficulties in achieving the initial target, EC Marketplace Service and Brand Value-Up businesses revise their forecasts

In Millions of Yen	FY2022 Actual	Amended budget	Initial Guidance	Amended budget ÷ Initial Guidance	Change % (Amended budget ÷ FY2022 Actual)	Status
EC Marketing Service	2,217	2,696	2,696	100.0%	121.6%	<ul style="list-style-type: none"> High growth rate of over 120% YoY expected to be achieved Continued strong growth in number of contracts, sales, and revenues as a leading E-Commerce company in Japan
EC Marketplace Service	7,477 <small>Note 1</small> 5,527	6,090	8,420	72.3%	<small>Note 2</small> 81.4% 110.1%	<ul style="list-style-type: none"> As in the previous year, we formulated its sales plan in anticipation of high growth in the E-Commerce market, however we decided to revise the plan due to the impact of slowdown in online consumption Excluding the impact of last year's closed brands, new brands grew steadily, with a steady 110% YoY growth
Brand Value Up Acquisition/Development of In-House Brand	1,959	2,932	3,228	90.8%	149.7%	<ul style="list-style-type: none"> Due to impacts of zero-Covid policy and yen depreciation) and challenges in operation structure, posted extraordinary losses from several brands acquired in FY2022 Exercised upfront investments as strengthening human resources for mid-long term growth

*New Business Continued aggressive upfront investment in hiring human resources to launch new services

Note 1: Net sales excluding exiting brands

Note 2: Change (%) excluding exiting brands

FY2023 Amendments of Guidance: Extraordinary loss

Extraordinary loss (225 million yen) was posted for several brands acquired in FY2022 (goodwill amortization period of 2 years)

【Principal Factor】

External

- Delays in product deliveries due to China's zero-Covid policy, resulting in lost sales opportunities
- Increase in purchase cost due to yen depreciation

Internal

- Cost increase due to restructuring of operational structure following acquisition
- External factors caused disruptions in the supply chain, which did not generate the anticipated revenue

【Action】

- **Aggressive M&A activities** to actualize our mid term management plan, itsumo. 5x
- Maximize **our excellent know-how to sell on EC** which is one of the strengths of us, and accelerate acquisitions of **brand partners which has already established their operational structures** in addition to synergies.

The acquisition of BLAN should be the model of success, and the principle investment targets would be opportunities with a sales level of at least several hundred million yen, in addition its business operation system in place.



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Q2 2023 Consolidated Financial Results

Q2 2023 Performance Highlights

Upside

- Despite external factors such as slowdown in online consumption, gross sales was up 2.5% YoY
 - Stable growth in both sales and profit YoY due to steady growth of recurring revenue model in EC Marketing Service.
 - HANRO saw growth in existing brands Note 1 and newly added brands Note 2

Challenge Flagship subsidiary BLAN highly contributes to gross sales of Brand Value Up business.

- While 1H gross sales increased 2.5% YoY, operating income declined YoY due to incremental costs from external factors and an increase in SG&A from new hires.
- Improve profitability both in EC Marketplace Service and Brand Value Up
 - Despite growth in existing brand partners in HANRO, new added brands in operation, and growth in Brand Value Up enhancement, gross sales slightly declined by 98.5% YoY.
 - Although sales of Brand Value Up increased, profits fell short of the initial budget except for BLAN, which had an established business operation structure, due to opportunity losses due to delays in procurement caused by China's zero-Covid policy and increased costs caused by the sharp depreciation of the yen.

Note 1: Brand partners which already entered into operation in Q2 FY2022

Note 2: Brand partners which entered into operation in Q3 of FY2022 or later.

Q2 2023 Consolidated Financial Results

In QoQ, all major operating indicators are recovering

	1H 2022 (Apr.-Sep.) Non-Cons. Note 2	Q1 2023 (Apr.-Jun.) Cons.	Q2 2023 (Jul.-Sep.) Cos.	1H 2023 (Apr.-Sep.) Cons.	1H 2022 vs. 1H 2023
Gross Sales	5,399	2,575	2,598	5,534	+ 2.5 %
Gross Margin	1,349	567	674	1,242	▲8.0 %
SG&A	986	686	667	1,354	+ 37.2 %
Operating Income	362	▲118	6	▲112	—
Ordinary Income	359	▲119	8	▲111	—
Adjusted EBITDA Note 1	388	▲52	66	13	▲96.5%
Net income attributable to the parent company	246	▲101	▲344	▲445	—

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

Note 2. Q2 2022 is non-consolidated

Change in Gross Sales and Gross Margin

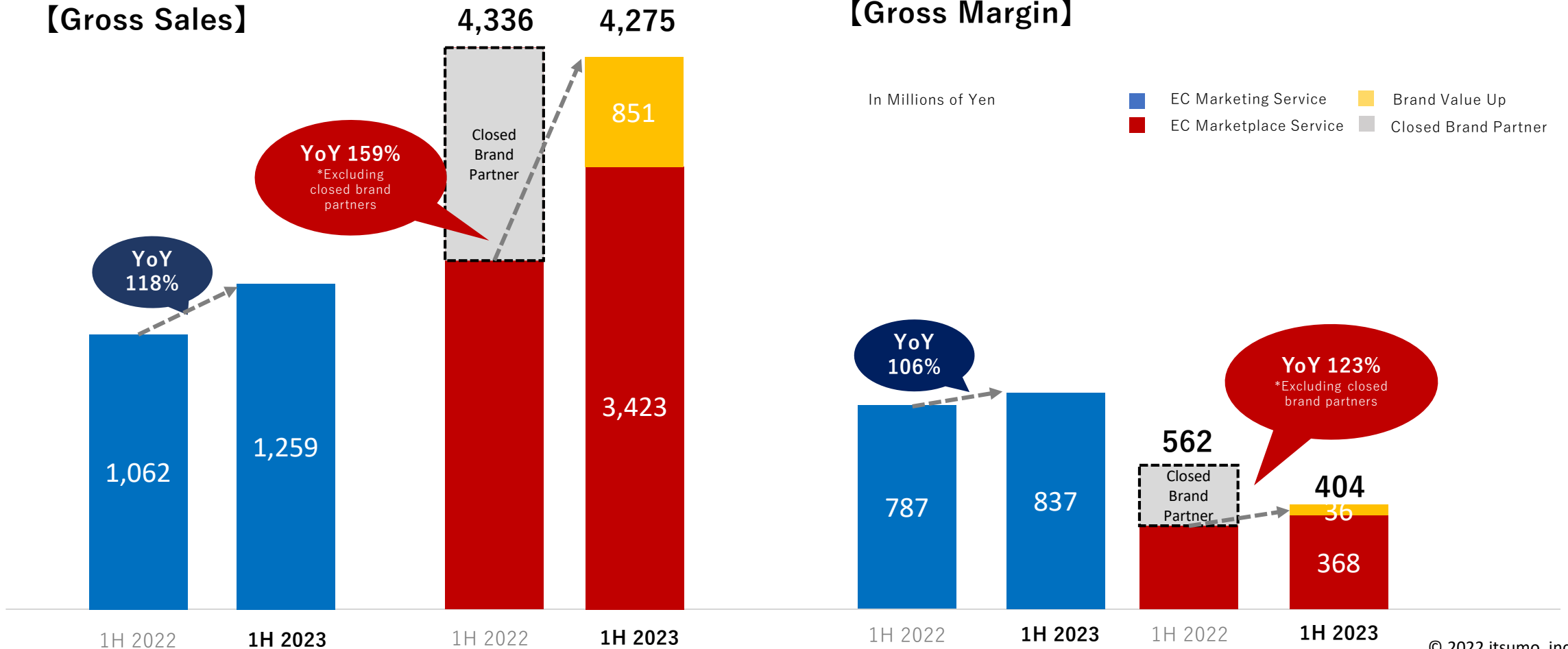
In the E-Commerce field, itsumo. continued to grow, although growth in online sales slowed down.

【Gross Sales】

【Gross Margin】

In Millions of Yen

- EC Marketing Service
- EC Marketplace Service
- Brand Value Up
- Closed Brand Partner



Balance Sheet

Inventories increased mainly due to inventory buildup for BLAN sales in 2H of this fiscal year.

In Millions of Yen	FY2022 Consolidated	Q2 2023 Consolidated	Change
Cash and Cash Equivalents	4,122	3,142	△979
Account Receivable	872	971	+99
Inventory	841	1,222	+381
Current Asset	6,060	5,575	△485
Fixed Asset	866	700	△165
Total Asset	6,926	6,275	△651
Total Current Liabilities	2,583	2,676	△92
Total Fixed Liabilities	1,935	1,635	△299
Total Liabilities and Net Assets	2,407	1,963	△443

Cash Flow

Due to net loss before taxes, increase in inventories, cash flow decreased.

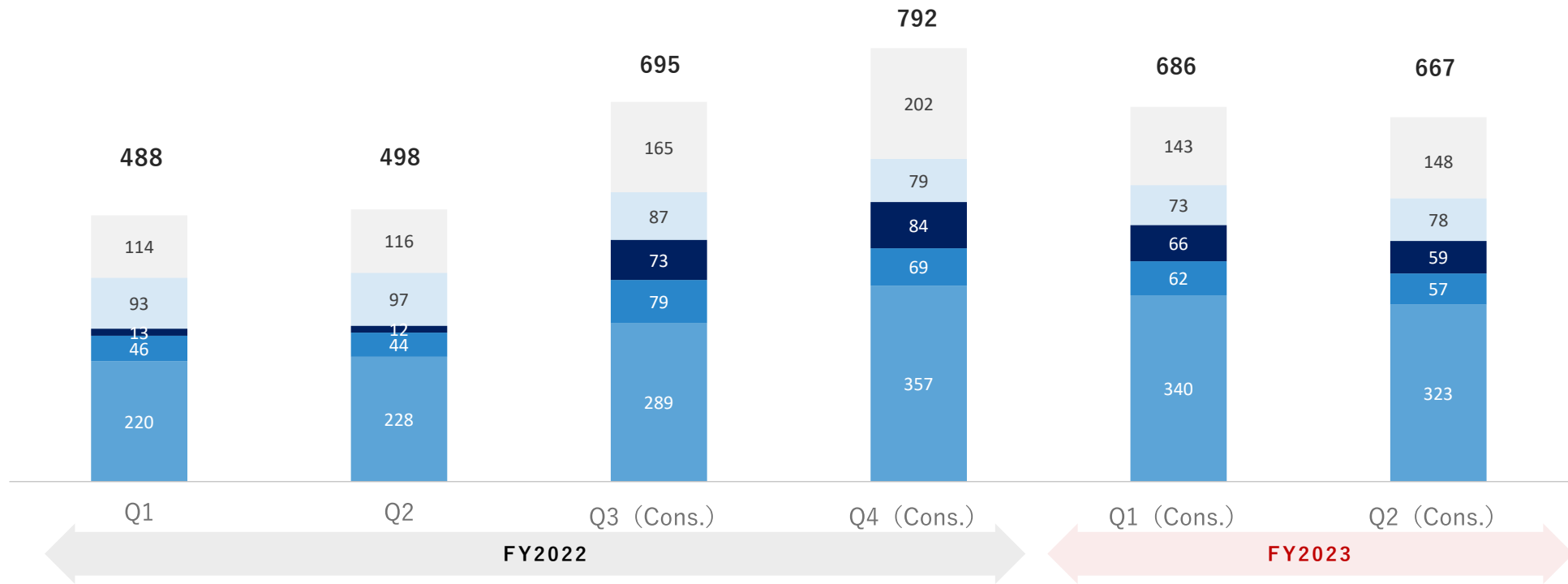
In Millions of Yen	FY2022 Consolidated	Q2 2023 Consolidated
Cash and cash equivalents at beginning of year	2,757	4,122
Cash flow from operating activities	399	△ 753
Cash flows from investment activities	△ 925	△ 238
Cash flow from financial activities	1,890	12
Change in cash and cash equivalents	1,364	△ 979
Cash and cash equivalents at end of year	4,122	3,142

SG&A (Account Period)

Hiring of personnel for the restructuring of the supply chain for newly acquired brand partners as well as the launch of new businesses increased by 37% YoY in the 1H cumulative period. New businesses will be monetized sequentially for the upcoming quarters.

Change in SG&A Note 1-4

■ Labor Charge ■ Advertisement ■ Depreciation, Goodwill, M&A 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



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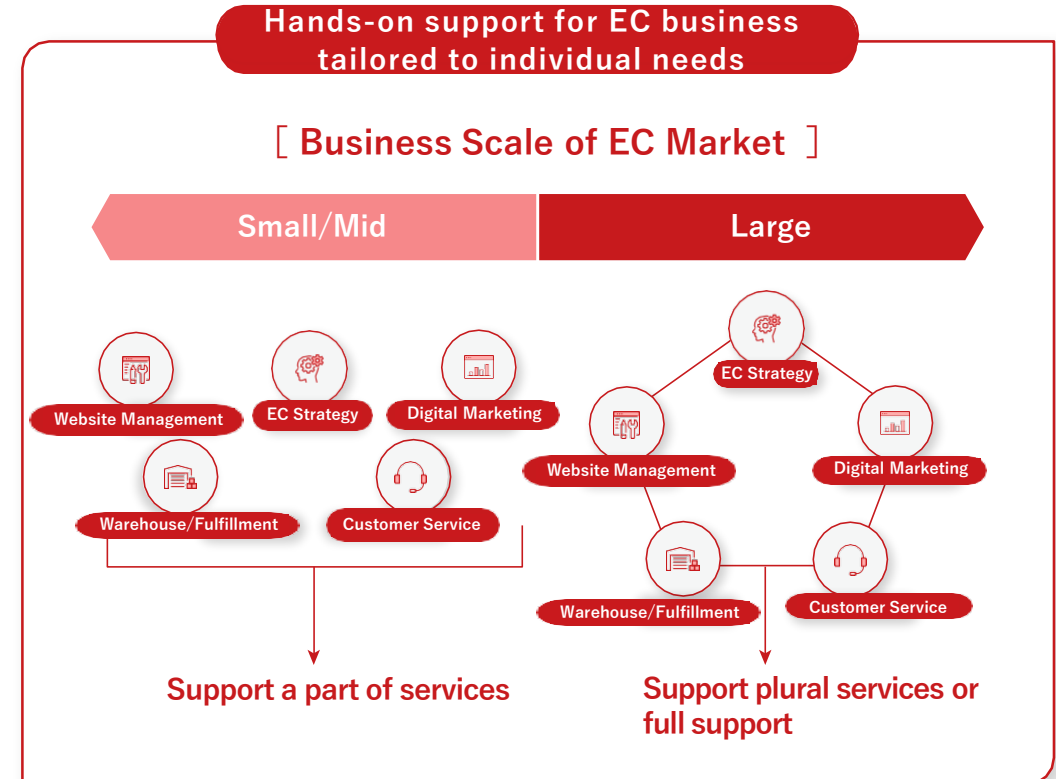
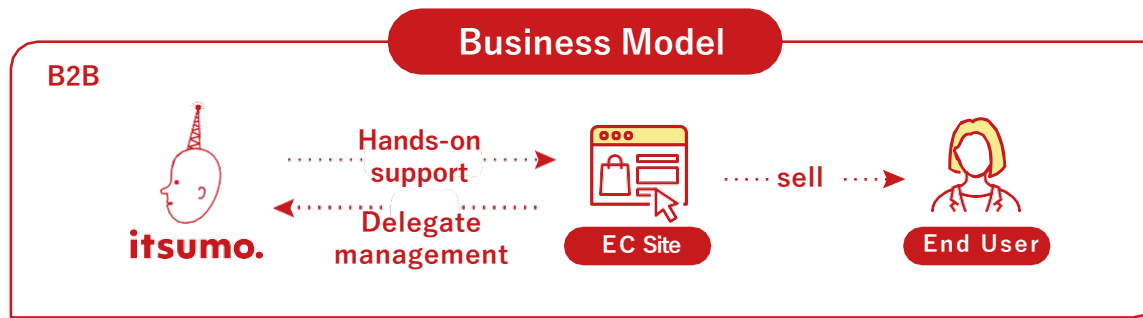
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EC Marketing Service

Business Model

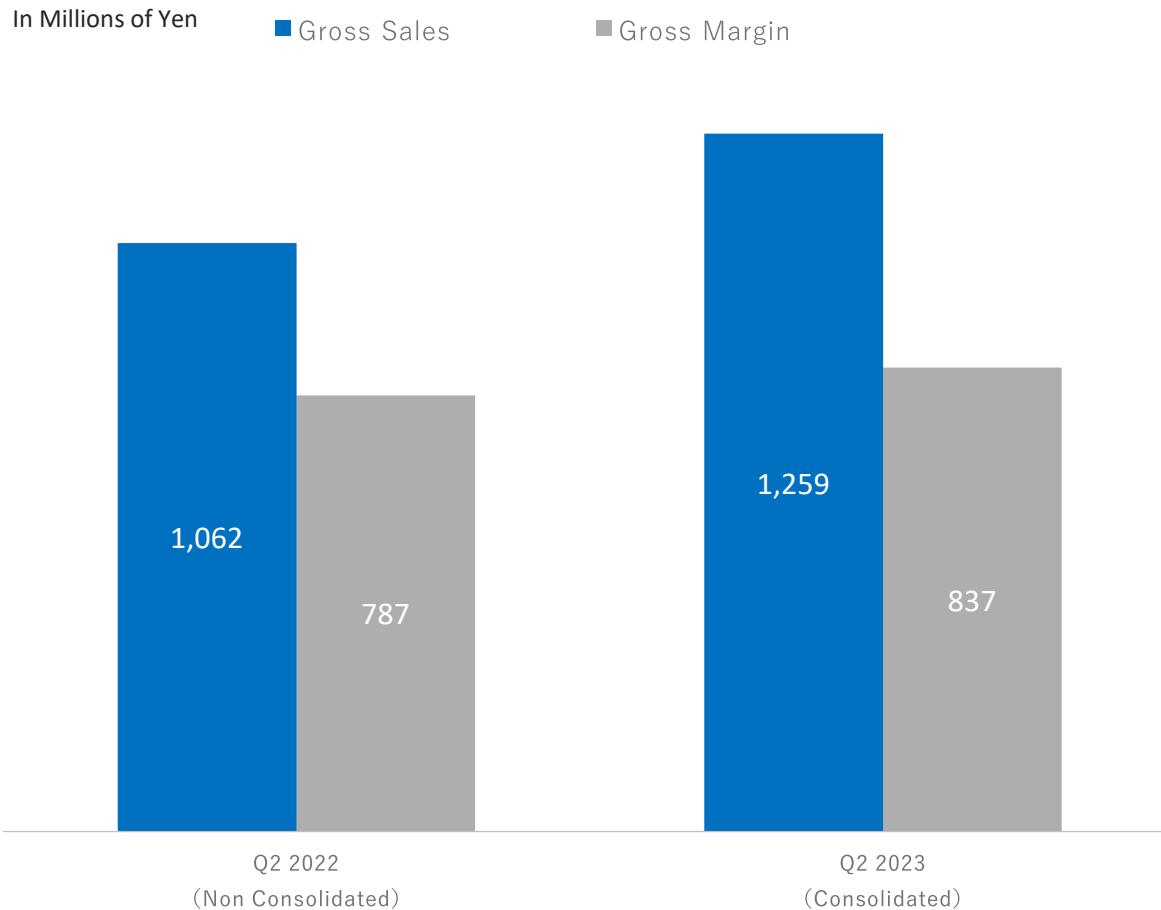
Provide makers for EC value chain service in a full-fledged manner or a la carte

One Commerce Service (EC Marketing Service)



Highlight

Steady growth of recurring revenue model successfully achieved in both sales and profit, with sales up 18.5% and gross margin up 6.4% from the same period last year.



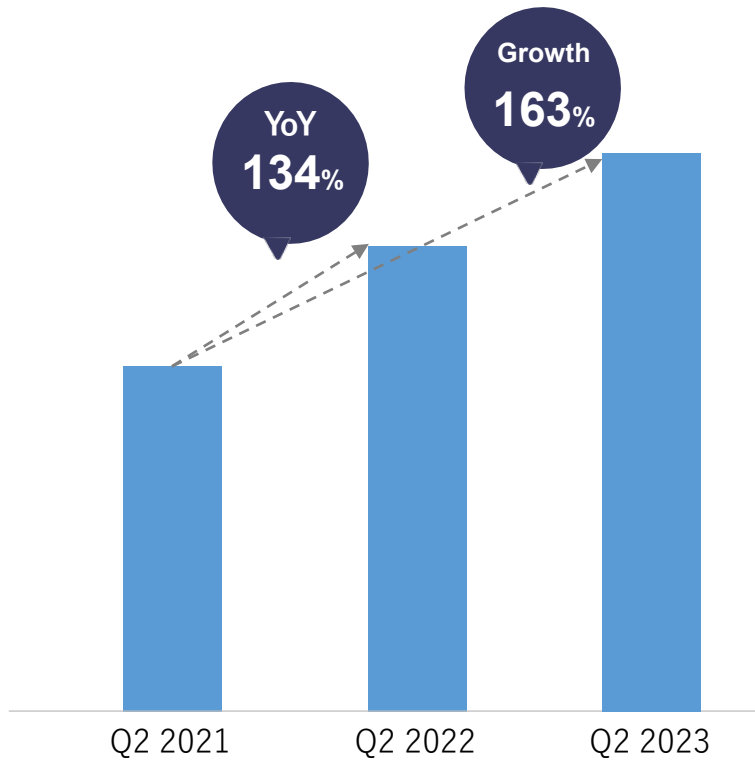
- Enthusiasm investing in EC operation among ordinary companies remained high, and service proposals were implemented smoothly in response to this intention, resulting in a steady accumulation of recurring revenue model and increased revenues.
- Strengthening the workforce realized an increase in orders and also this business is expected to grow further, aggressive hiring continued during this quarter. As a result, labor charges for human resource development increased, resulting in a temporary decline in profit margin.

Change in AUP by Service Line and Client

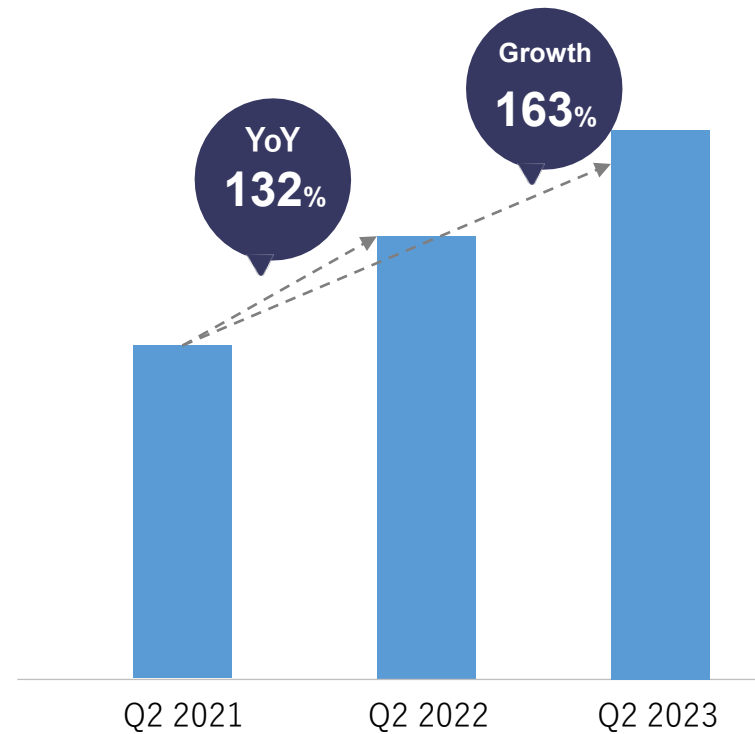
AUP by recurring revenue model: Increased due to continuous service expansion and quality improvement

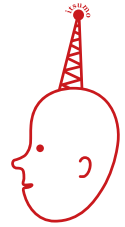
AUP by client: Increased due to promotion of multi-service usage and higher cross-platform ratios

【AUP by Service Line】



【AUP by Client】





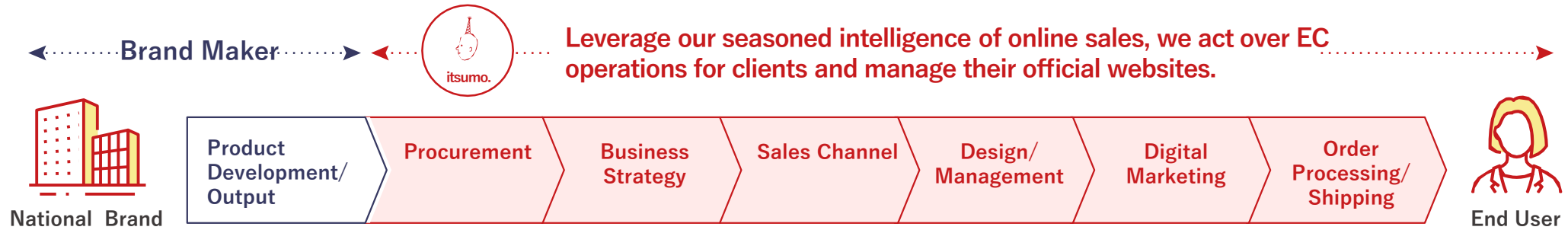
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EC Marketplace Service

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

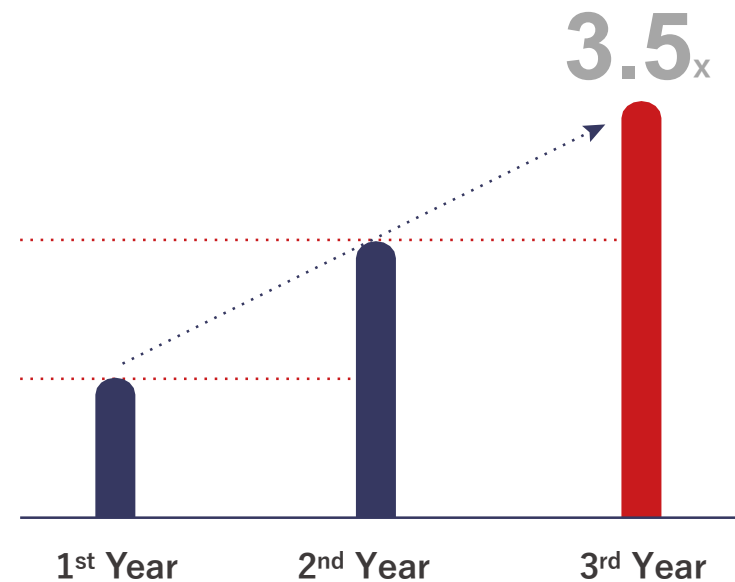
From the initiation of this business, itsumo. and brand makers collaborate to plan and drive strategies attaining significant profits in HANRO. Its monetization is limited for the first year but it will in 2-3 years.

Profit Model

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

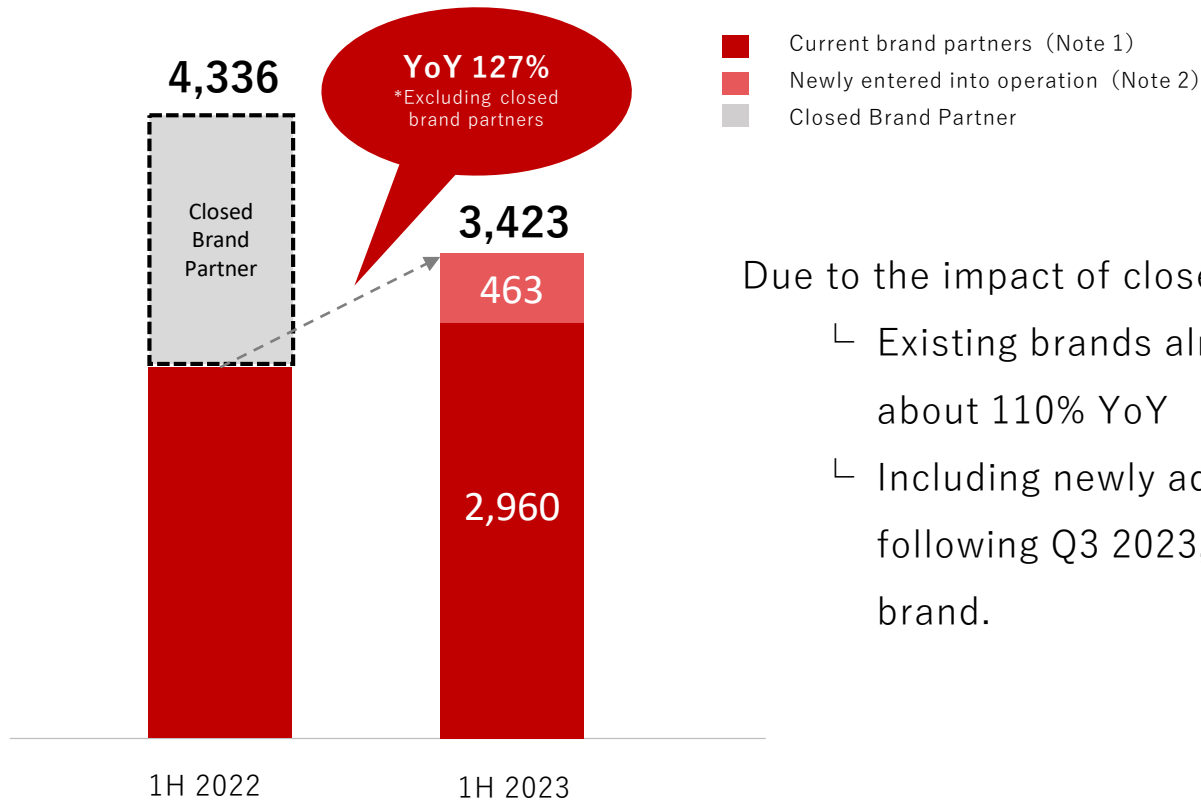
- ✓ In runup period (6 months) for launching website, execute market research, coordinate service plan and formulate strategy.
- ✓ For the first year, review its website, optimize SEO, run test marketing with sales promotion committee and builds up track records.
- ✓ For the 2nd and 3rd year, increase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

[Change in sales following install of our leverage]



① HANRO Act over EC Operations | Official Brand Site

HANRO amounted to 3,423 million yen, about 79% from the previous year due to the impact of closed brands, but both existing brands and newly added brands grew.



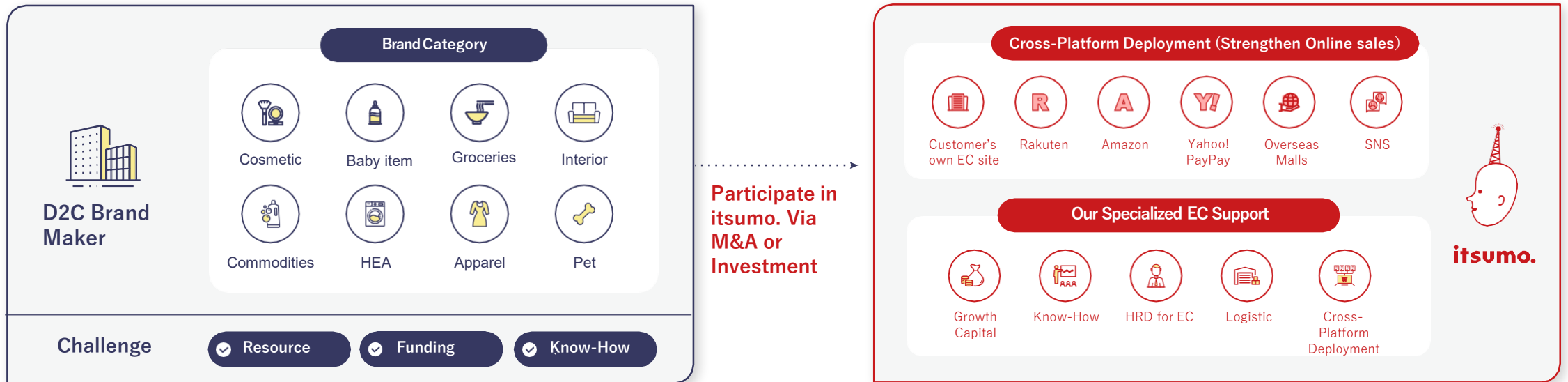
Due to the impact of closed brand partners, HANRO sales declined YoY.

- Existing brands already entered into operation as of Q2 2022 grew about 110% YoY
- Including newly added brands which have been in operation following Q3 2023, attained approximately up 127% excluding closed brand.

Note 1: Brand partners which already entered into operation in Q2 FY2022
 Note 2: Brand partners which entered into operation in Q3 of FY2022 or later.

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

Achieve a quick return on investment by co-creating with D2C brand partners which obtain growth potential, that would firmly develop the Brand Value Up project.



- 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

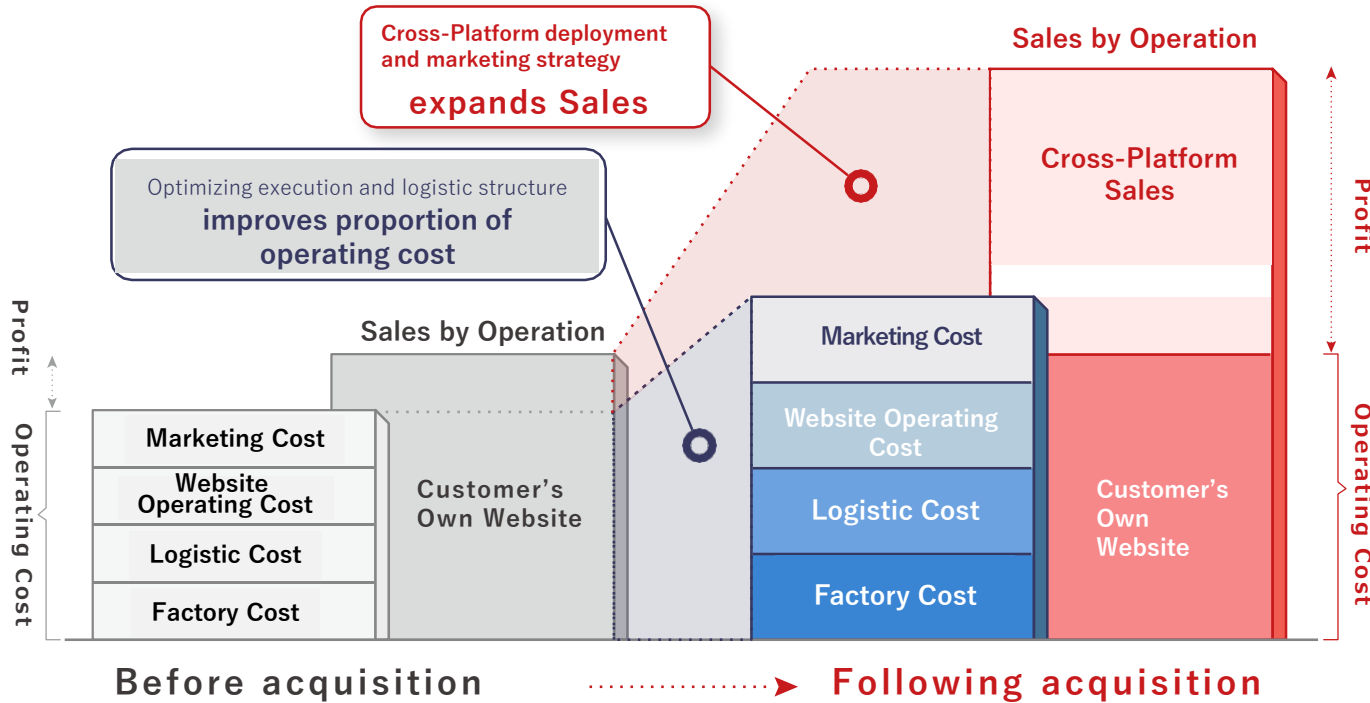
③ Market Status

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 thorough 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

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

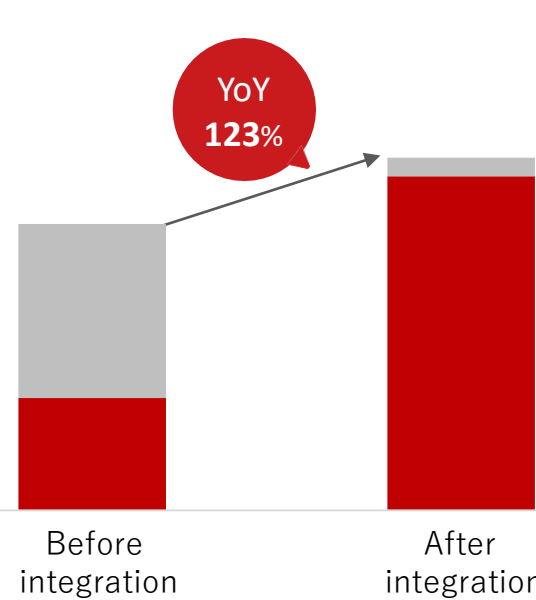
Sales and profits of BLAN, our flagship brand, both increased following its acquisition into our group company. Those of other brand partners declined due to challenges in the operating structure and the impact of the overseas situation

【Sales】

■ BLAN ■ Other Brand Partners



【Marginal Profit】



BLAN

- Since their business operation was well established, this company was able to successfully increase its sales and profits immediately by taking advantage of excellence know-how to sell on the EC market, which is one of the strengths of itsumo.
- On the other hand, BLAN was affected by the zero-Covid policy and the weak yen.

Other Brand Partners

- Unable to generate revenue quickly because their business operations were in the middle of restructuring.
- Disruptions in the supply chain caused by the zero-Covid policy and the weak yen have resulted in lost sales opportunities and increased costs.



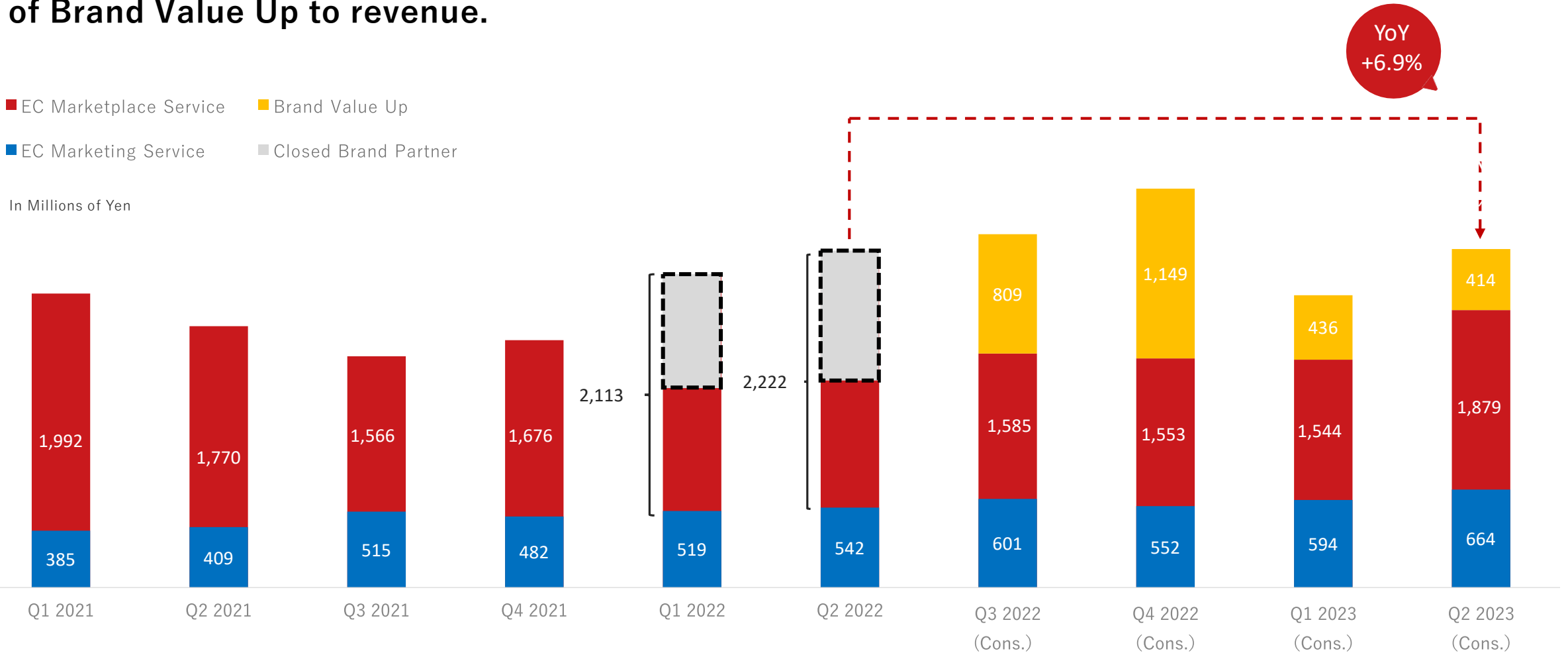
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Appendix

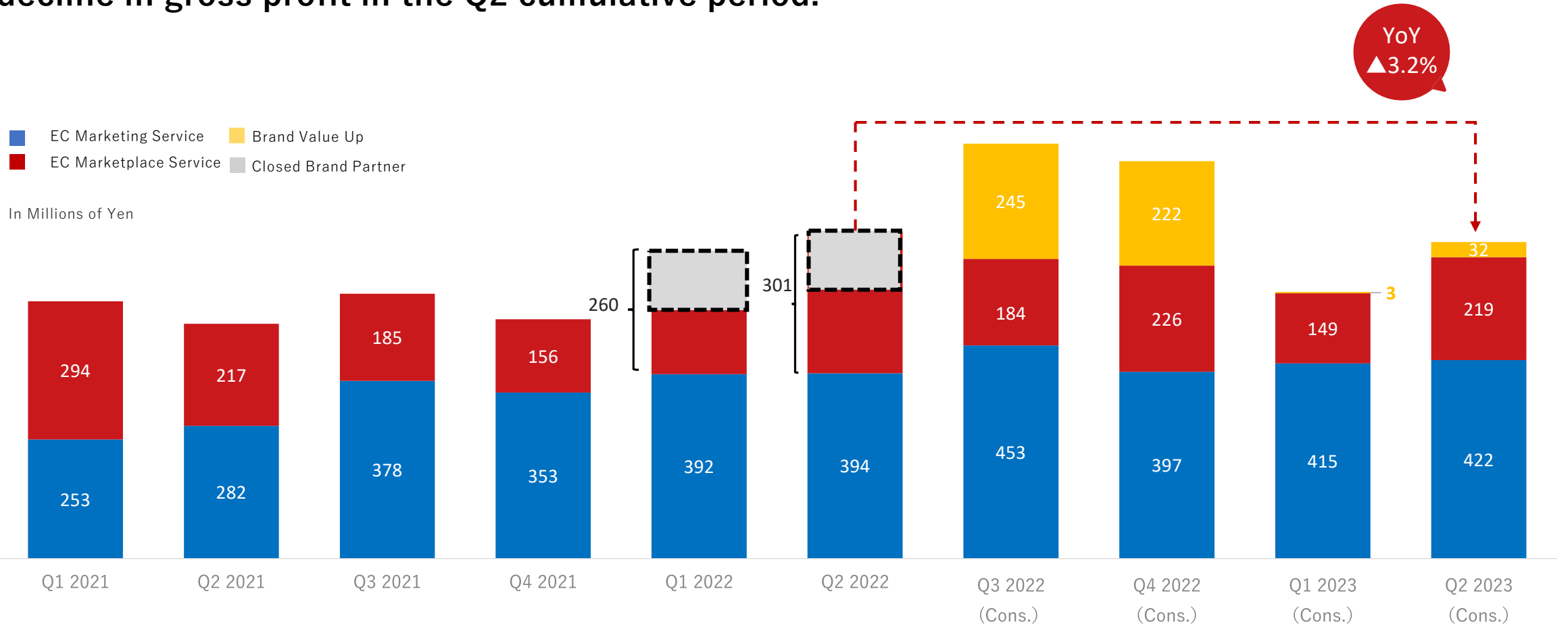
Change in Gross Sales

Although an influence of the closed brand partner had affected sales through Q1 to Q2, 1H sales were up 2.5% YoY due to the steady growth of EC Marketing Service and the contribution of Brand Value Up to revenue.



Change in Gross Margin

Impact of closed brand partner and higher costs caused by yen depreciation led to an 8.0% YoY decline in gross profit in the Q2 cumulative period.



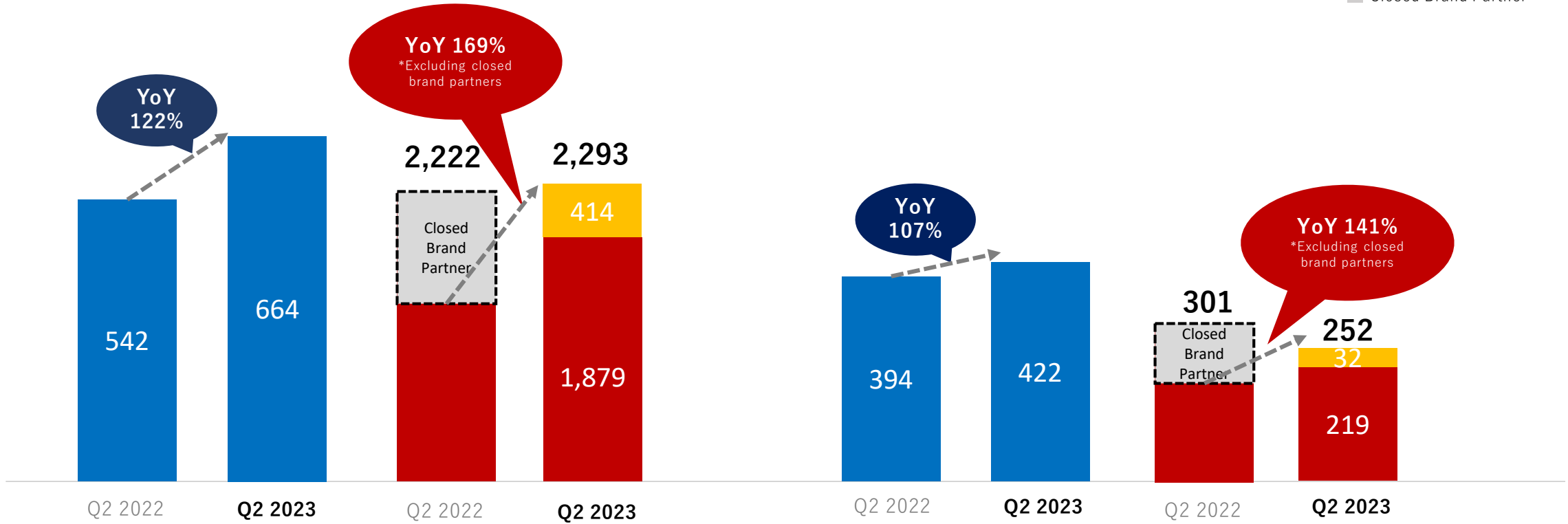
Comparison of Gross Sales and Gross Margin (Accounting Periods)

【Gross Sales】

【Gross Margin】

In Millions of Yen

- EC Marketing Service
- EC Marketplace Service
- Brand Value Up
- Closed Brand Partner



Open up New Store: ATTENIR Official Store at Yahoo!Shopping

The screenshot shows the ATTENIR official store on Yahoo!Shopping. The page layout includes a header with the brand name and a tagline, a navigation menu on the left, and a main content area with product banners and promotional offers. The banners highlight products like 'スキンクリア クレンズ オイル' and 'アイリンクルセラム'. A prominent red banner at the bottom offers a '100円OFFクーポンGET!'.

Service Type: **EC Marketing Service**

Started supporting ATTENIR official store over Yahoo!Shopping

- Its official site store opened on May 23, 2010 over Yahoo!Shopping
- ATTENIR CORPORATION chose us as its strategic partner for its external mall.
- With the support of itsumo., ATTENIR's official store has expanded to three channels, following Rakuten and Amazon, with the opening of the Yahoo!Shopping site.



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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.**