



itsumo.

D2C • E-COMMERCE MARKETING

Q3 Financial Results

Fiscal Year Ended March 2023

February 14, 2023

itsumo.inc | Ticker : 7694

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Corporate Profile

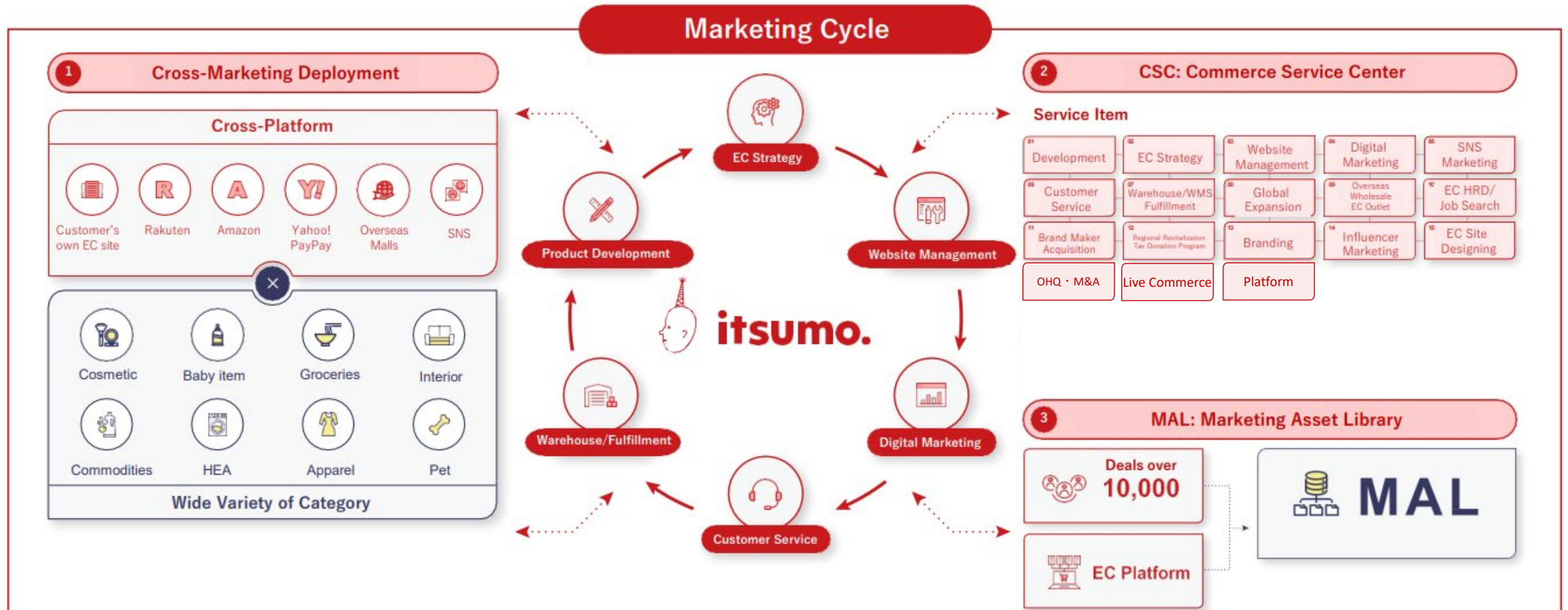


Company	itsumo. inc
Founded	February 14, 2007
Location	1-12-1 Yurakucho Chiyoda-ku Tokyo, JAPAN
Capital	740.493 million yen
Employee (Consolidated)	279 (Dec. 31, 2022) <small>Note</small>
Operation	Comprehensive E-Commerce support for domestic manufactures. Producing original brand products and its sales over the Net (D2C)
Subsidiary	itsumo commerce, itsumo capital, BLAN

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

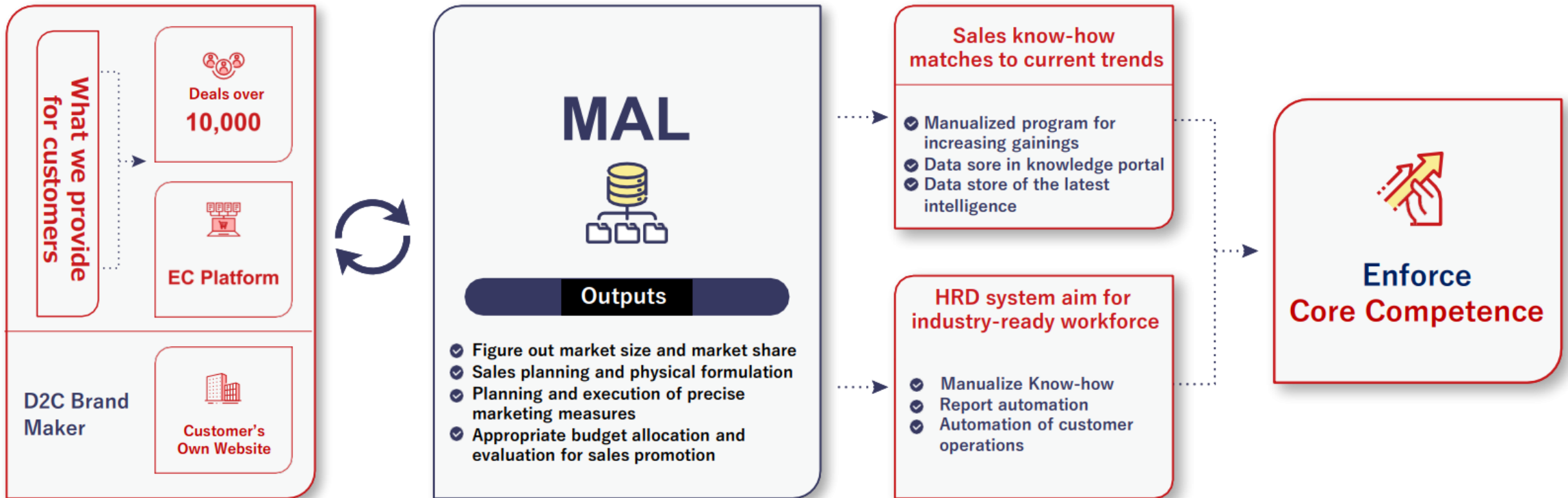
Excellence of Our Marketing Cycle

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.

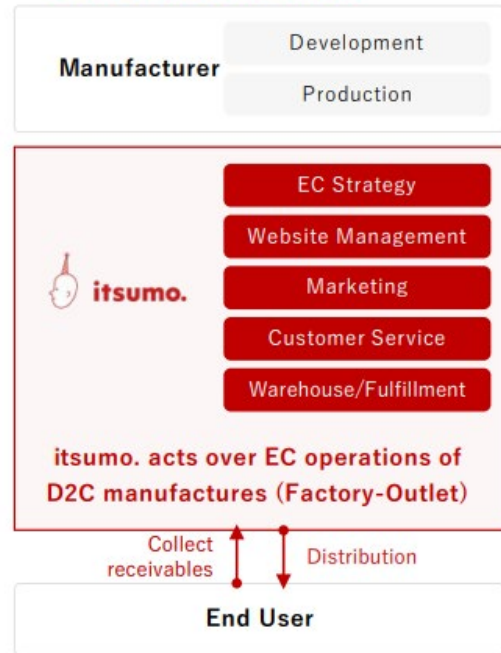


Excellence of Our Business Model

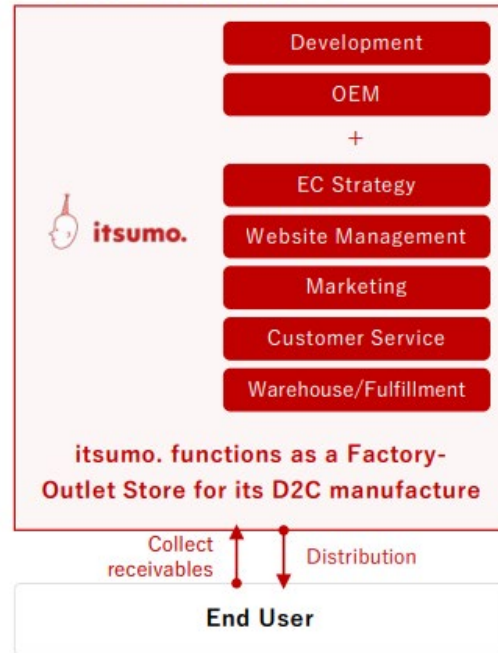
EC Marketplace Service (Consumers)

① HANRO

Act over EC Operations
Official Brand Site



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



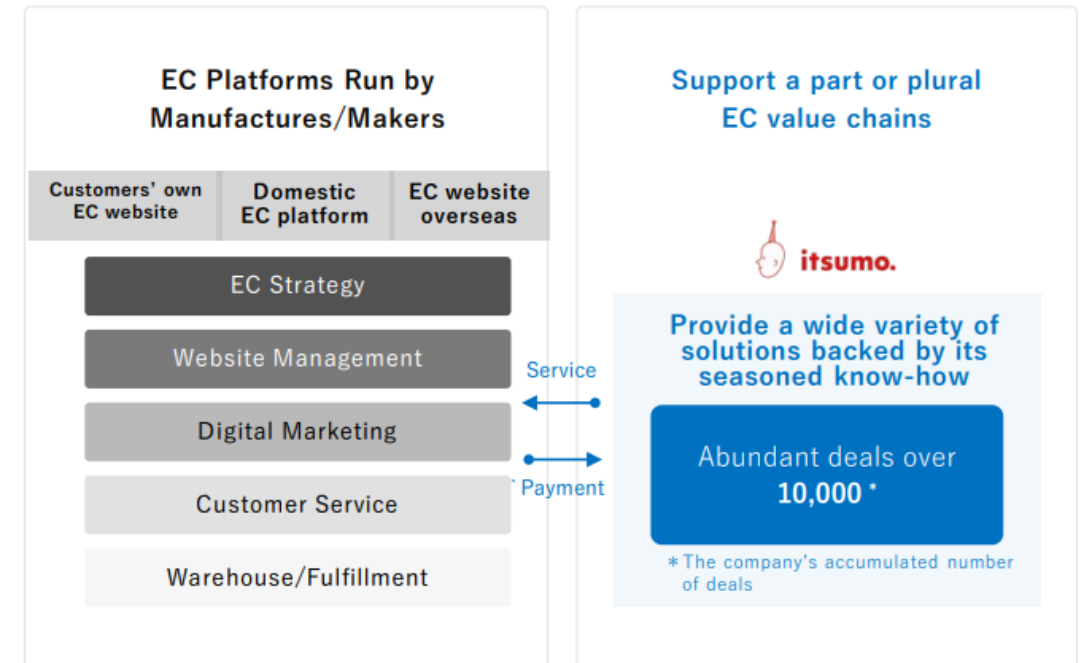
Revenue Model

Purchase & Distribution

Development & Distribution

EC Marketing Service (Institutions)

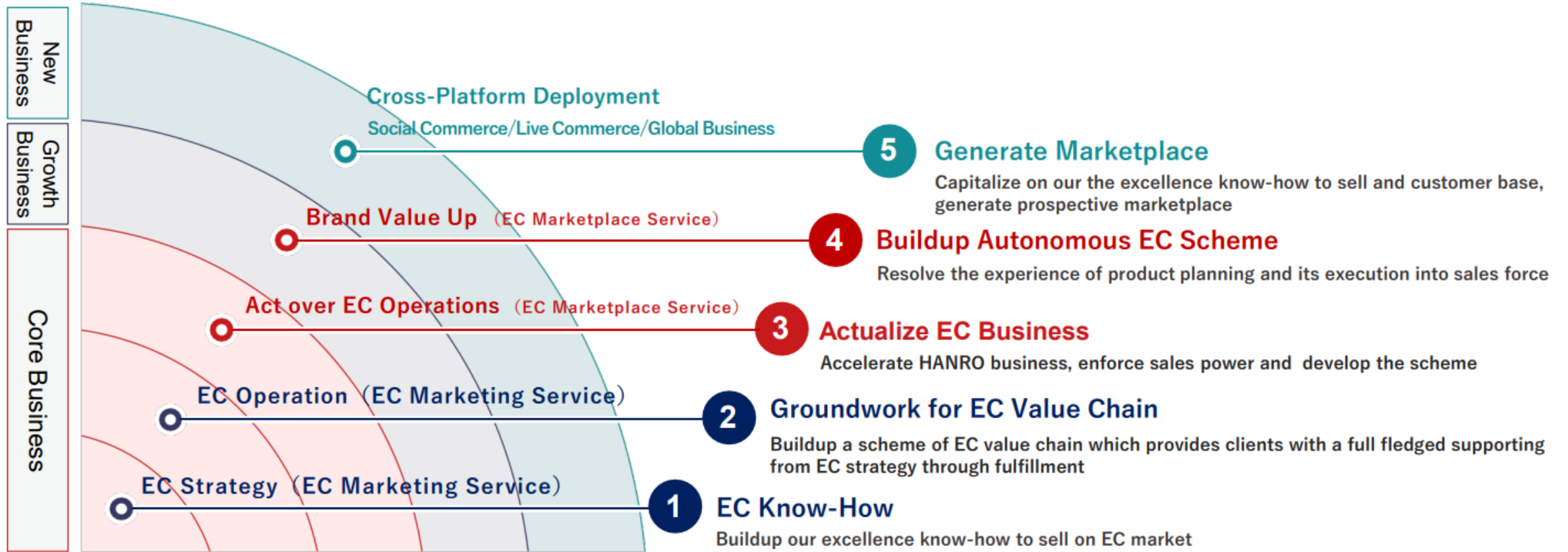
EC Consulting / EC Operation Service

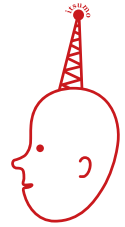


Revenue Model

Revenue by Service/ Performance-Based Revenue

Excellence of Our Business Model





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Q3 2023 Consolidated Financial Results

Q3 2023 Performance Highlights

Upside

- Q3 (Oct.-Dec.), gross sales up 10.3%, operating income up 18.3% YoY, and both sales and profits up compared to the same period last year.
- Operating income turned into black in cumulative Q3 due to growth in existing businesses and contribution from Brand Value-Up businesses.
- Full-year forecasts is revised upward (75.4% of gross sales, 100.6% of operating income, and 105.4% of ordinary income as a percentage of the revised budget ^{Note 1}).
- Progressed as planned, including increase in headcount for new businesses and investment in Live Commerce business

Challenge

- In the Brand Value-Up business, there were no new brand acquisitions during the period under review. This is due to a review of the terms and conditions of acquisitions, which will continue to be aggressively implemented.
- SG&A expenses were incurred ahead of schedule due to the delayed launch of some new businesses in the current fiscal year.

Note 1. Refer to the "Notice of Recording Extraordinary Loss (Goodwill Impairment Loss) and Revision of Consolidated Earnings Forecast" released on October 31, 2022 (Language: Japanese).

Q3 2023 Consolidated Financial Results

Strong Q3 (Oct.-Dec.) YoY gross sales growth up 10.3%
Recovery trend in each primal indicator in QoQ

In Millions of Yen	Q3 2022 (Oct.-Dec.)	Q1 2023 (Apr.-Jun.)	Q2 2023 (Jul.-Sep.)	Q3 2023 (Oct.-Dec.)	Q3 2022 vs. Q3 2023 (%)
Gross Sales	2,996	2,575	2,958	3,305	+10.3 %
Gross Margin	883	567	674	904	+2.4 %
SG&A	695	686	667	681	△1.9 %
Operating Income	188	△118	6	222	+18.3 %
Ordinary Income	171	△119	8	207	+21.0 %
Adjusted EBITDA Note 1	261	△52	66	242	△7.3%
Net income attributable to the parent company	95	△101	△344	107	+12.8%

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

Q3 2023 Consolidated Financial Results

In Millions of Yen	Q3 2022 Accumulated (Apr.-Dec.)	Q3 2023 Accumulated (Apr.-Dec.)	Q3 2022 vs. Q3 2023 Change Accumulated	Q3 2022 vs. Q3 2023 Change Accumulated (%)
Gross Sales	8,396	8,839	+ 443	+ 5.3 %
Gross Margin	2,233	2,146	△86	△3.9 %
SG&A	1,682	2,036	+ 353	+ 21.0 %
Operating Income	550	110	△440	△79.9 %
Ordinary Income	530	95	△435	△82.0 %
Adjusted EBITDA Note 1	649	256	△393	△60.6 %
Net income attributable to the parent company	342	△337	△680	—

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

Balance Sheet

Increase in account receivable due to higher EC Marketplace sales
Inventory increased due to inventory buildup for winter sales of BLAN

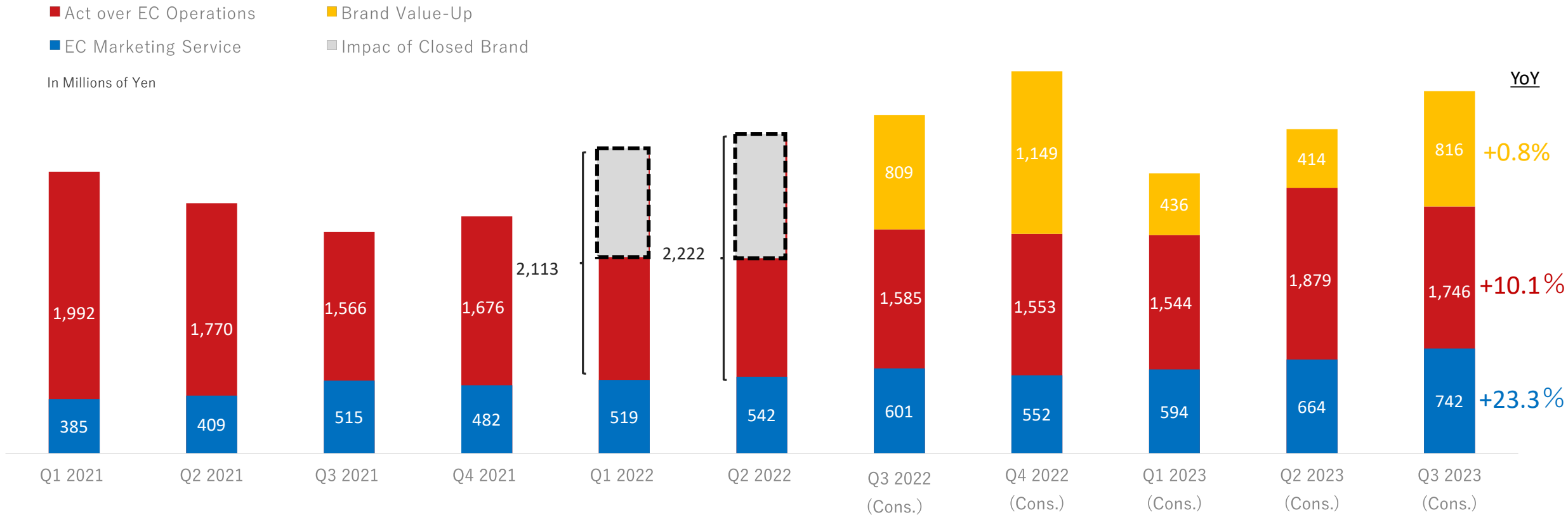
In Millions of Yen	FY2022 Consolidated	Q3 2023 Consolidated	Change
Cash and Cash Equivalents	4,122	2,764	△1,357
Account Receivable	872	1,397	+ 525
Inventory ^{Note 1}	857	1,694	+ 836
Account Receivable	6,060	6,057	△3
Fixed Asset	866	636	△229
Total Asset	6,926	6,693	△233
Total Current Liabilities	2,583	3,120	+ 537
Total Fixed Asset	1,935	1,495	△439
Total Liabilities and Net Assets	2,407	2,077	△330

Note 1. Inventory is stated as the sum of "Merchandise" and "Work in process" in the quarterly consolidated balance sheets

Change in Gross Sales

Steady growth in each service, including 10.1% YoY growth in Q3 for Act over EC Operation service. Total gross sales in Q3 is up 10.3% YoY.

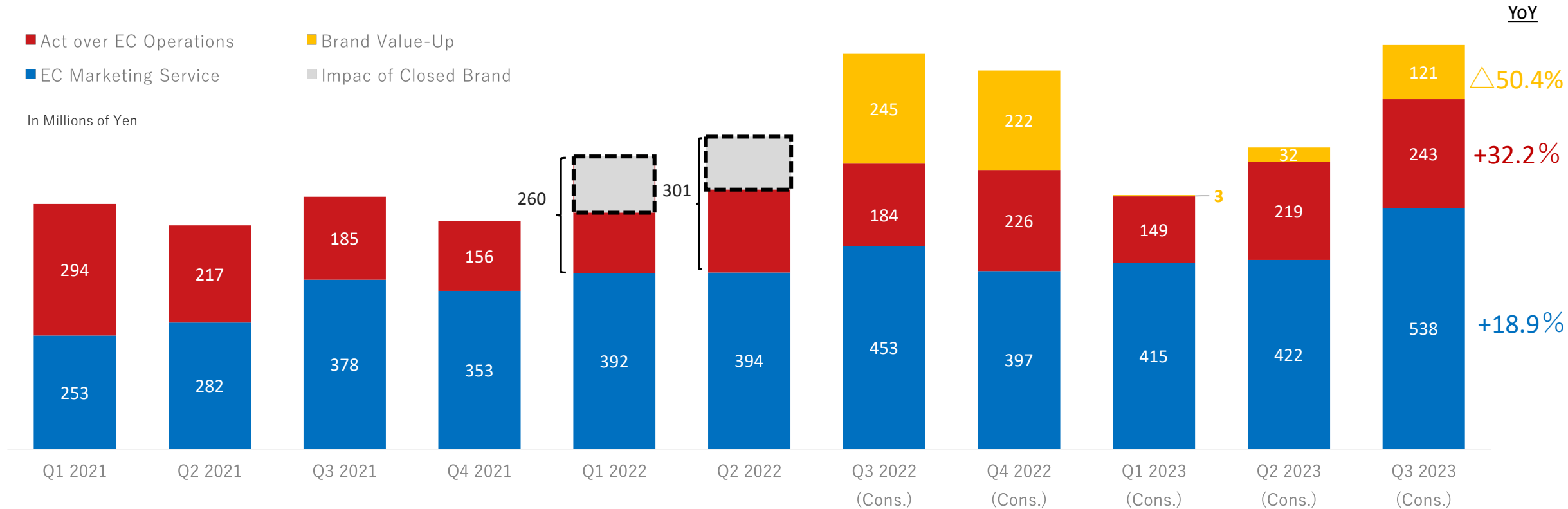
In Brand Value-Up service, sales of snow wear, a main product line of BLAN, started in Q3 2022 and contributed to sales.



Change in Gross Margin

Q3 gross margin is the highest ever recorded in a fiscal period

Stable profit contribution from EC Marketing Service, while profit from Brand Value-Up declined YoY due to cost increase from yen depreciation



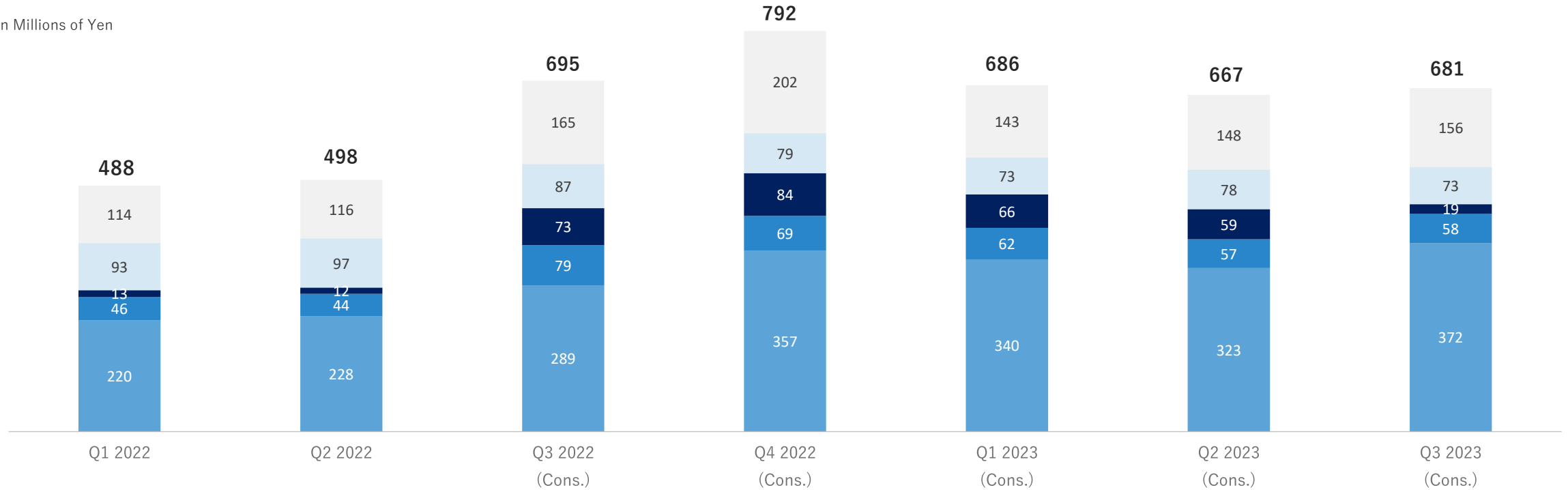
Change in SG&A (Account Period)

Labor charge is on an upward trend due to an increase in personnel in existing businesses and the hiring of personnel for the launch of new businesses

SG&A Note 1.-4.

■ Labor Charge ■ Advertisement ■ Depreciation, Goodwill, M&A Costs ■ Commission Paid ■ Others

In Millions of Yen

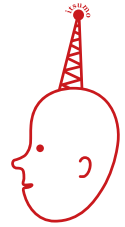


Note 1. Labor charge includes bonus and hiring relevant costs.

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

Note 3. The above numbers incurred in this fiscal period.

Note 4. From Q3 2022 consolidated accounting initiated. Q1-Q2 2022 are non-consolidated ones.



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FY2023 Re-Amendments of Guidance

Upward Revision of Guidance for The Fiscal Year Ending March 31, 2023

At the time of the downward revision of the previous guidance Note 2, sales of EC Marketplace services became stronger than expected toward the end of the year, so the full-year forecast has been revised again as shown below.

In Millions of Yen	【Reference】 ^{Note 1} Guidance at the beginning of the fiscal period (May. 2022)	Previous Guidance ^{Note 2} (Oct. 2022)	The Latest ^{Note 3} Guidance	Change	Change (%)
Gross Sales	14,345	11,718	12,133	+ 415	+ 3.5%
Adjusted EBITDA*	417	266	389	+ 122	+ 46.2%
Operating Income	156	110	193	+ 83	+ 76.3%
Ordinary Income	146	90	173	+ 83	+ 91.9%
Net income attributable to the parent company	101	△305	△249	+ 55	—

Note 1. Refer to the "Summary of Financial Statements for the Fiscal Year Ended March 31, 2022 [Japanese GAAP] (Cons.)" released on May 13, 2022.

Note 2. Refer to the "Notice of Recording Extraordinary Loss (Goodwill Impairment Loss) and Revision of Consolidated Earnings Forecast" released on October 31, 2022.

Note 3. The above forecasts are based on information available as of the date of announcement, and actual results may differ from the forecasts due to various factors.

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



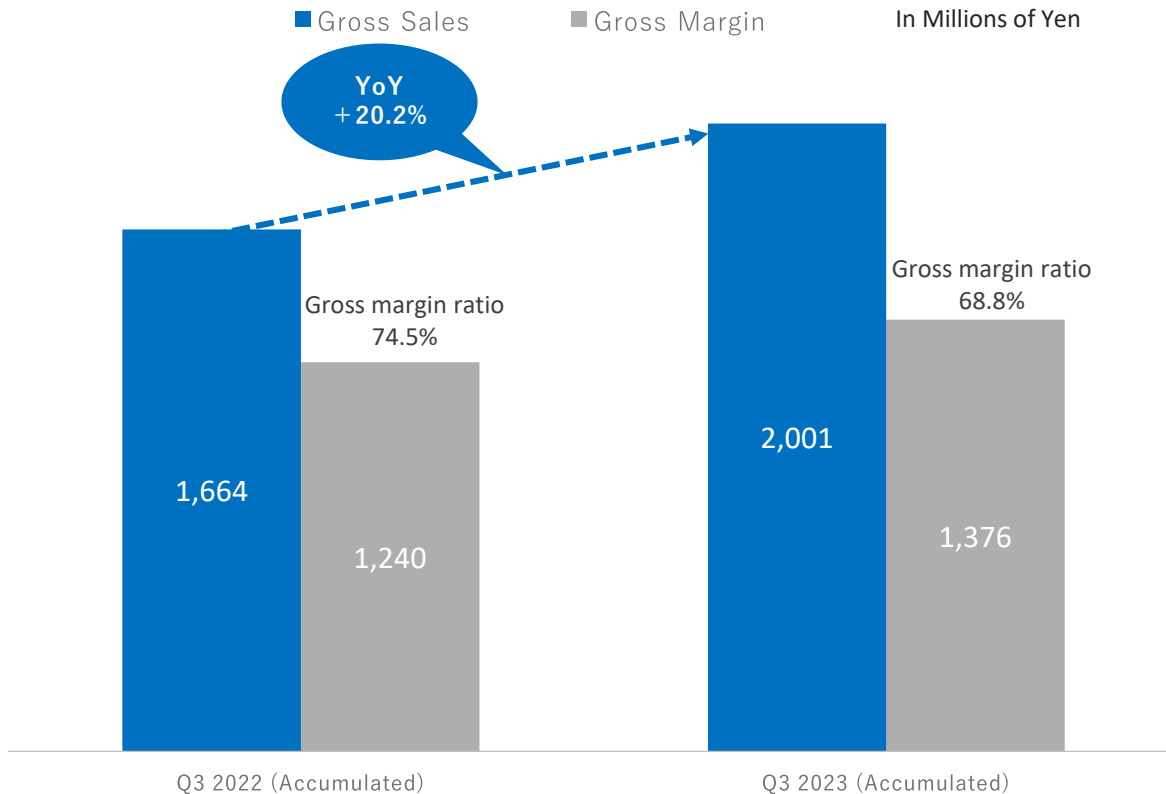
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EC Marketing Service

Highlights

Steady growth in gross sales (up 20.2% YoY) and gross margin (up 11.0% YoY) due to successful recurring revenue contracts

EC Marketing Service



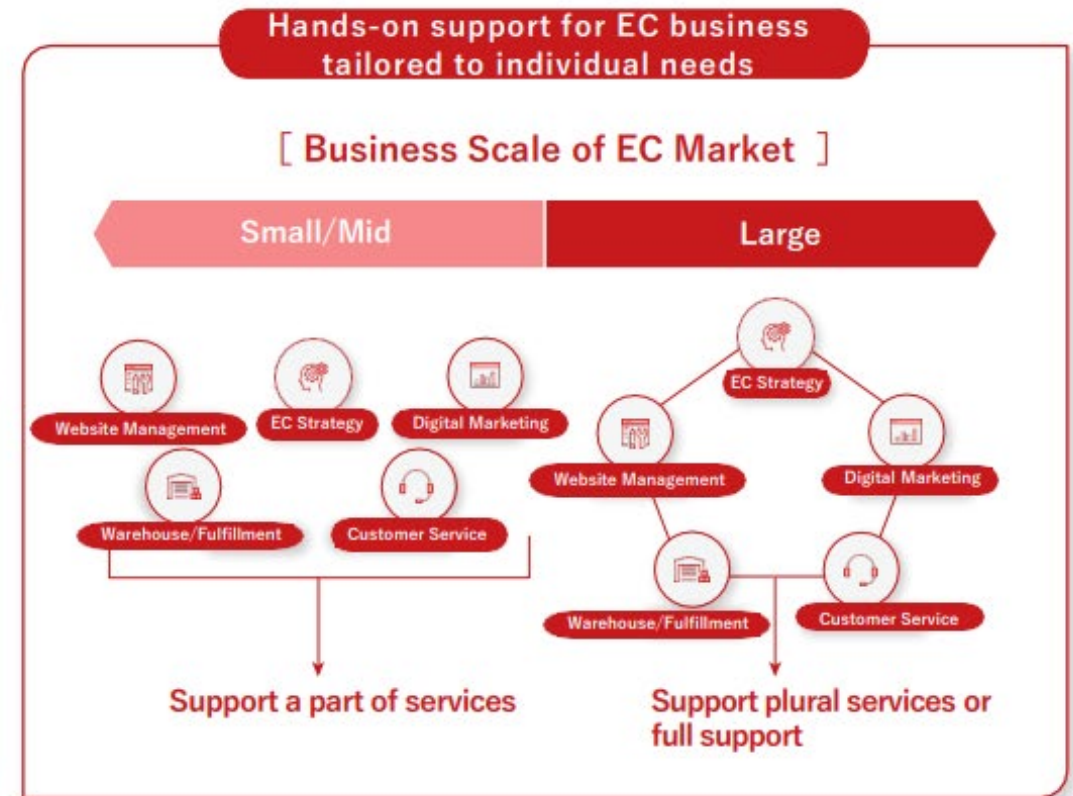
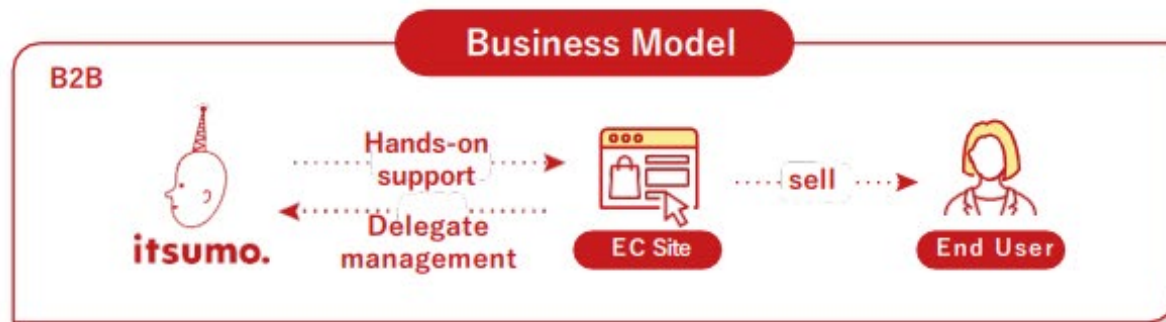
- As willingness to invest in EC among corporations remained high, and recurring revenue contracts steadily increased.
- AUP by service category increased steadily, up 24% YoY.
- Strengthening the workforce successfully enforced the number of contracts. Recurring revenue contracts steadily increasing sales, meanwhile, the profit margin temporarily declined in the current period due to an increase by training costs

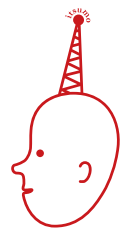
Note 1. Figures for gross sales and gross margin by service are not subject to review by the auditors.

Business Model

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

One Commerce Service





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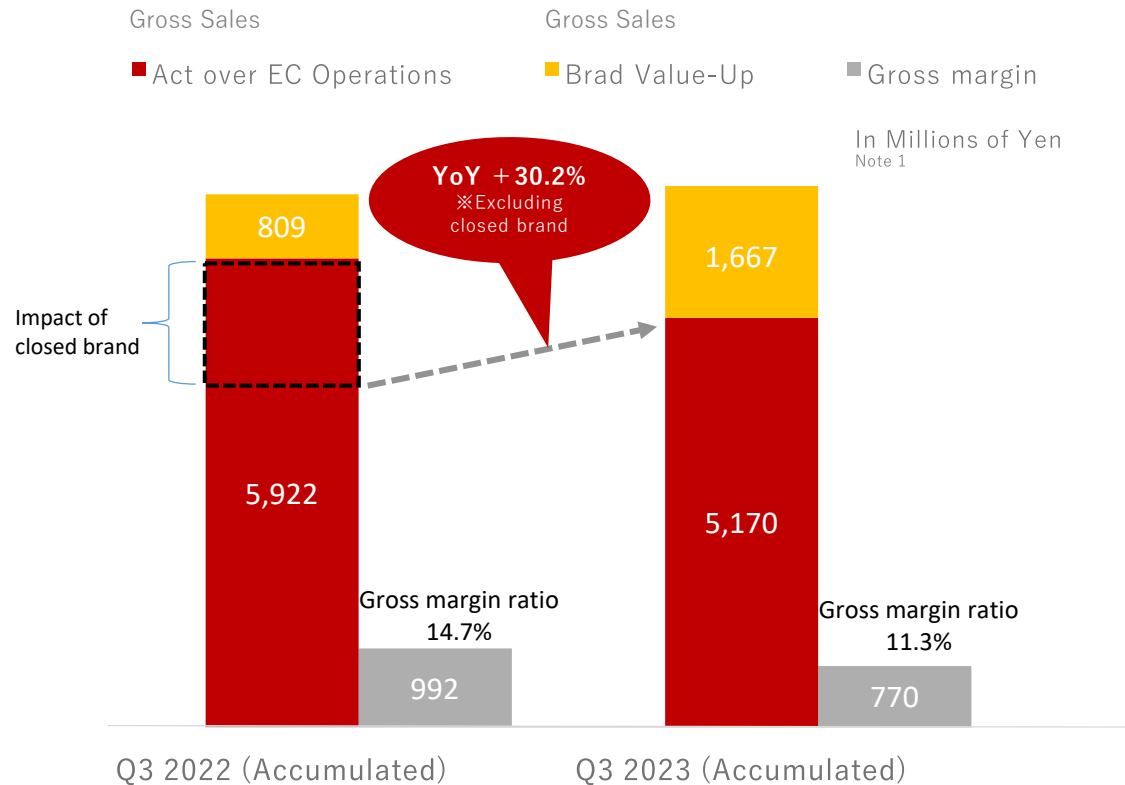
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EC Marketplace Service

Highlights

Sales up 1.6% YoY due to steady growth of existing brands in addition, contribution through enhancement of Brand Value-Up business

EC Marketplace Service



✓ HANRO Act over EC Operations | Official Brand Site

- Excluding the impact of closed brands in the previous fiscal year, its gross sales grew 30.3% YoY, and each brand grew steadily.

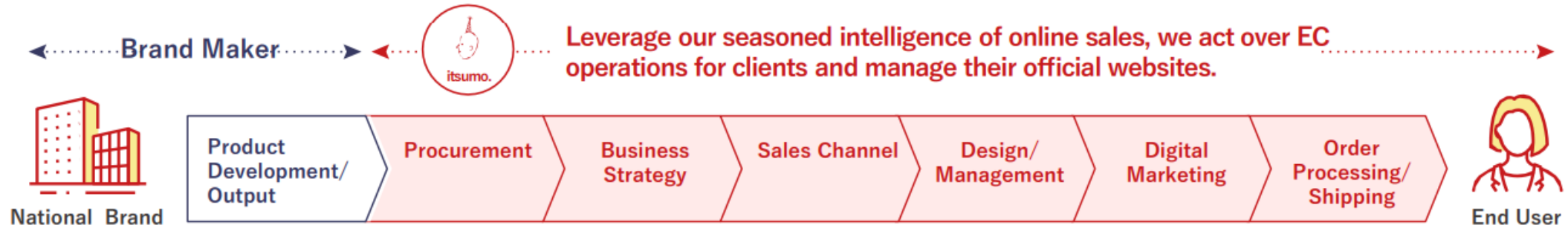
✓ Brand Value-Up | Acquisition/Development of In-House Brand

- The business kicked off in Q3 2022. In the current quarter, it contributed more to earnings than Q1 2023.
- Since the acquisition of Q3 2022, BLAN initiated its sales of flagship product snow wear, and it is contributing significantly to our business revenues.
- Gross margin ratio declined due to cost increase mostly caused by yen depreciation.
- No new brands acquired during this period due to focus on existing brands and reviewing the terms and conditions of acquisitions

Note 1. Figures for gross sales and gross margin by service are not subject to review by the auditors.

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.

HANRO Act over EC Operations | Official Brand Site

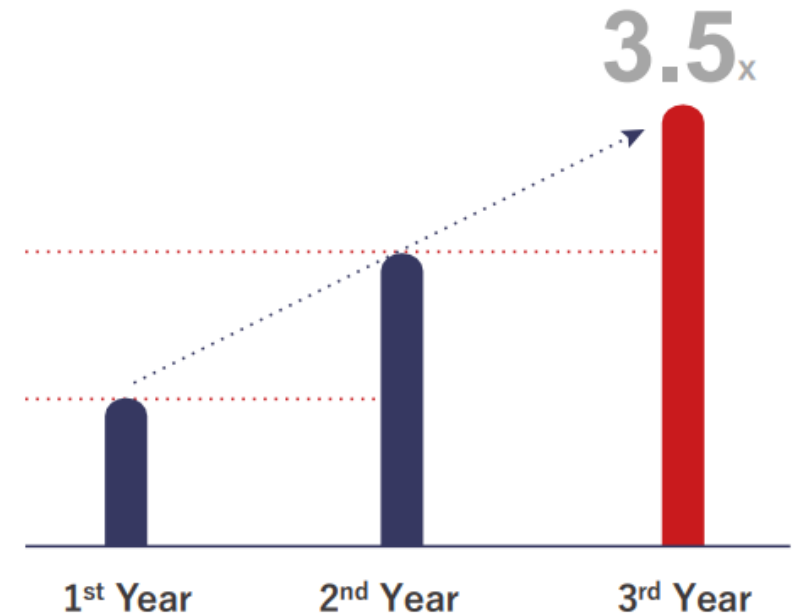
From the initiation of this business, itsumo. and brand makers collaborate to plan and drive strategies attaining significant profits in HANRO. Its monetization is limited for the first year, but it will in 2-3 years.

Profit Model

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

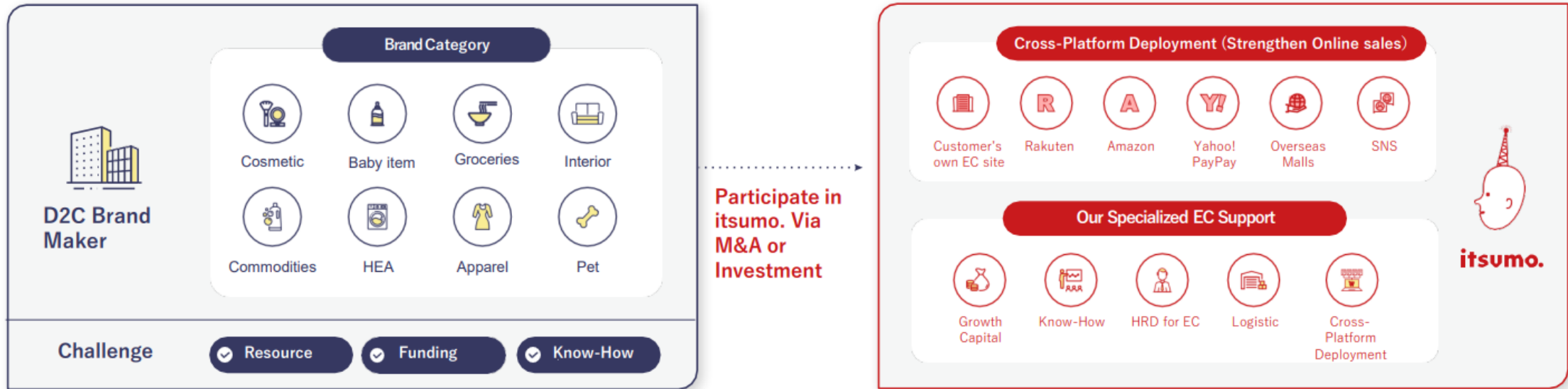
- ✓ In runup period (6 months) for launching website, execute market research, coordinate service plan and formulate strategy.
- ✓ For the first year, review its website, optimize SEO, run test marketing with sales promotion committee and builds up track records.
- ✓ For the 2nd and 3rd year, increase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

[Change in sales following install of our leverage]



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 1 billion 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

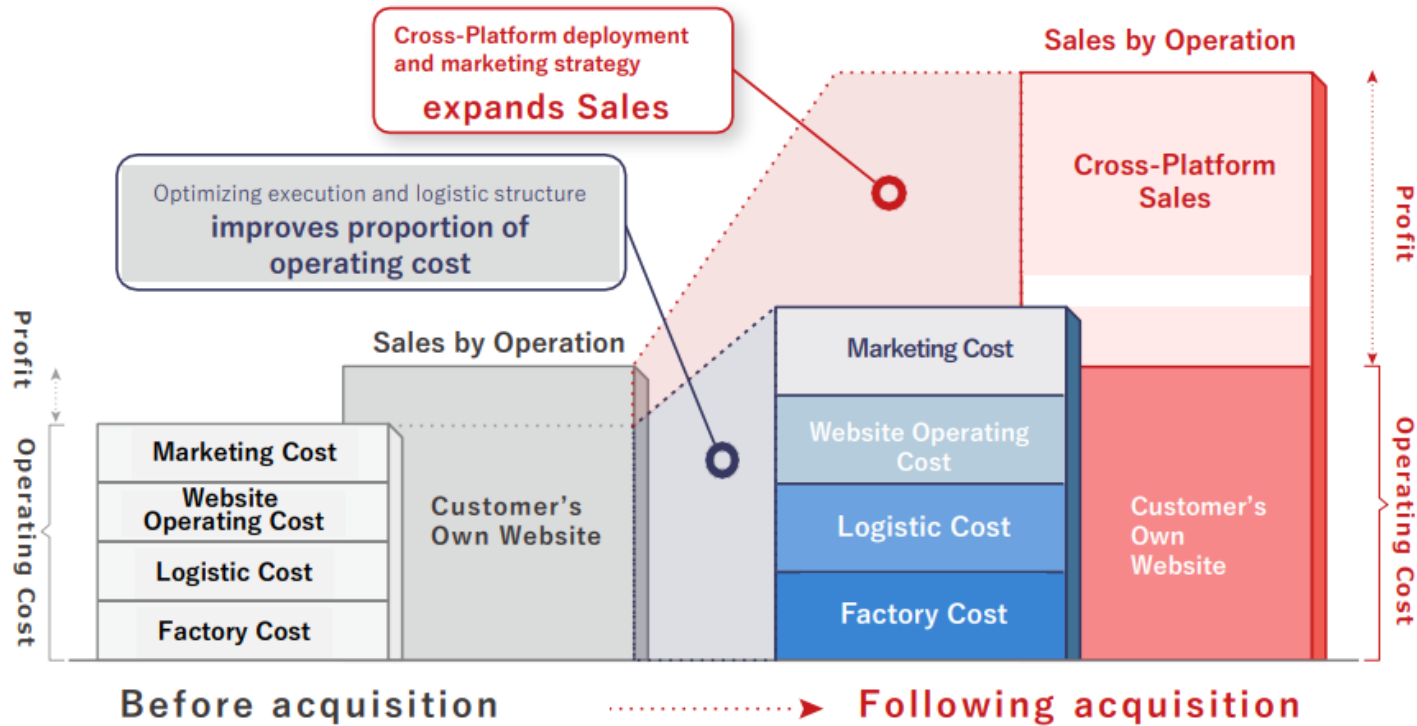
3 Market Status

Evolution of production system and logistic technology makes it easier for D2C brand makers to go enter the marketplace

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

Implement speedy sales expansion and cost improvement by an in-house team specializing in cocreation 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

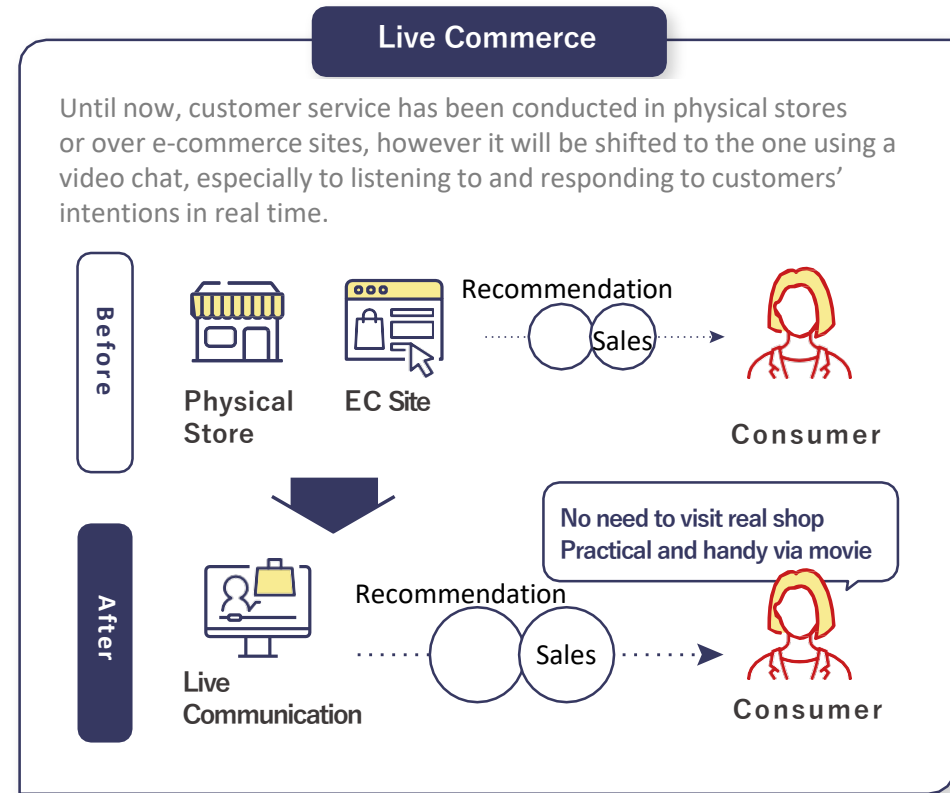
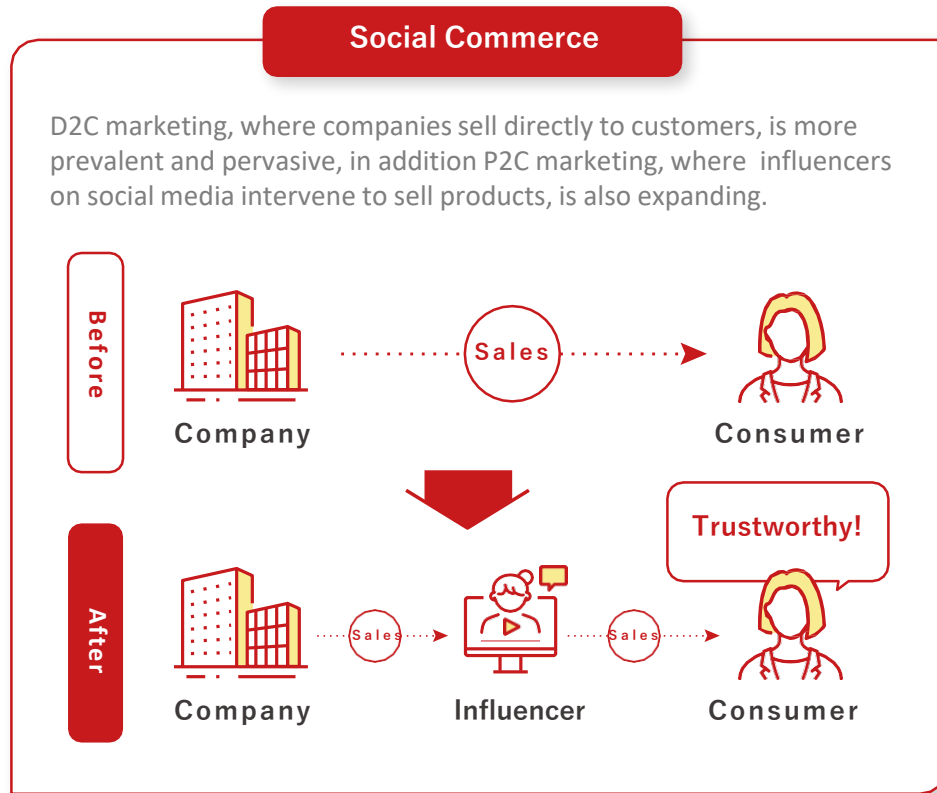


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EC Platform Service (New Business)

Social Commerce and Live Commerce

As one of our growth business fields, we position social commerce and live commerce as new purchasing experiences that will expand in the future.



Implemented Acquisition of Peace You LLC: A Japanese Live Commerce Platform

itsumo. inc. acquired 100% of the stock ownership of Peace You LLC, one of Japan's leading live commerce application operators, and made this entity a subsidiary on February 1, 2023. It realized an early entry into the field of live commerce which is currently a most focusing area for us.

The synergy between itsumo.inc. with its stable e-commerce customer base and Peace You Live with its powerful live commerce platform will lead the live commerce industry.

The image shows two logos side-by-side. On the left is the itsumo. logo, featuring a stylized head with a antenna and the text 'itsumo.'. Below it is a red box with white text: 'Over 10,000 deals in D2C and EC support'. On the right is the Peace you logo, featuring a hand making a peace sign with 'LIVE' written on it and the text 'Peace you'. Below it is an orange box with white text: 'One of the foremost popular live commerce application'.

● What is Peace You Live?



This live commerce dedicated application is officially released in August 2020, since then it has been growing rapidly.

Many unique case studies have been generated through this application. We expect it would harbor a large potential to change its marketing style significantly.

[OMO] Online Merges with Offline
Launched a live streaming from a physical store achieved monthly sales in just two hours.

[SDGs]
Successfully sold 1,000 items in a single delivery by live-streaming from the warehouse, selling products on the verge of inventory destruction.

Synergy concept of itsumo.inc. x Peace You LLC.

With its robust support of itsumo. Group, seek for (1) train up mega-selling streamers and (2) increase purchases via application.



① Train up Mega-Selling Streamers

【Peace You: Its Competitiveness and Value】

- Maximize founder's (a former streamer) unique know-how to sell at live commerce as well as specific skills to train up sought-after streamers.

【Powered by itsumo. Group】

- Provide existing small-scale streamers which have difficulties in purchasing and challenges in market development for opportunities to reach attractive products dealing by clients of itsumo. group.
- In addition, itsumo. consultants solicitate its corporate clients to make streamers perform over their websites.
- Utilizing itsumo.inc.'s extensive EC store management know-how, streamers can improve their performances with management tools that enable them to sell more simpler and efficiently.



② Increase Purchases via Application

【Peace You: Its Competitiveness and Value】

- An E-Commerce application embedded a business model that capitalizes its entertaining and attracts repeat customers.

【Powered by itsumo. Group】

- Aggressive advertising investment to increase the number of buyers
- In order to make consumers buy more easier, we incorporate our abundant variations and unique know-how accumulated through its EC support business into the UX design and functionality of the application.
- So as to deliver products promptly after purchase, increase the number of purchases by maximize our know-how and resources of fulfillment centers.



Strive to expand a value of live commerce distribution by exploiting our customer base, EC know-how, and financial strength.



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**Never hesitate 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 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.