

**Summary of Consolidated Financial Results
for the Fiscal Year Ended June 30, 2021**

[Japanese GAAP]

Company name: istyle Inc.	Stock exchange listings: TSE First Section
Securities code: 3660	URL: https://www.istyle.co.jp/en
Representative: Tetsuro Yoshimatsu, Representative Director, CEO	
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Scheduled date of Annual General Meeting of Shareholders:	September 28, 2021
Scheduled date of filing Annual Securities Report:	September 29, 2021
Scheduled date of dividend payment:	-
Preparation of supplementary materials for financial results:	Yes
Holding of financial results briefing:	Yes (for analysts and institutional investors)

(All amounts are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (July 1, 2020 – June 30, 2021)**(1) Consolidated results of operations**

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended June 30, 2021	30,950	1.3	(604)	-	(795)	-	379	-
Fiscal year ended June 30, 2020	30,564	(5.1)	(2,325)	-	(2,438)	-	(5,020)	-

Note: Comprehensive income (million yen) Fiscal year ended June 30, 2021: 624 (-%)

Fiscal year ended June 30, 2020: (5,210) (-%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended June 30, 2021	5.50	5.28	5.8	(3.4)	(2.0)
Fiscal year ended June 30, 2020	(76.94)	-	(64.6)	(10.6)	(7.6)

Reference: Equity in earnings of affiliates: Fiscal year ended June 30, 2021: (194) million yen

Fiscal year ended June 30, 2020: (74) million yen

Note: Diluted net income per share for the fiscal year ended June 30, 2020 is not disclosed even though dilutive shares exist, because the Company recorded net income losses.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2021	22,235	8,109	35.5	110.60
As of June 30, 2020	24,157	5,413	21.5	79.44

Reference: Total equity As of June 30, 2021: 7,902 million yen

As of June 30, 2020: 5,192 million yen

Total equity = Shareholders' equity + total accumulated other comprehensive income

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended June 30, 2021	1,553	389	(1,557)	7,094
Fiscal year ended June 30, 2020	(202)	(2,399)	6,026	6,584

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended June 30, 2020	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended June 30, 2021	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending June 30, 2022 (forecasts)	-	0.00	-	0.00	0.00		-	

3. Consolidated Forecast for the Fiscal Year Ending June 30, 2022 (July 1, 2021 – June 30, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	39,200	26.7	500	-	400	-	300	(20.9)	4.20

* Notes

(1) Changes in significant subsidiaries during the period (changes in scope of consolidation): None

(2) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting-based estimates: None
- 4) Restatements: None

(3) Number of shares outstanding (common shares)

1) Number of shares issued (including treasury shares) at end of period

As of June 30, 2021: 74,146,800 shares As of June 30, 2020: 68,043,800 shares

2) Number of treasury shares at end of period

As of June 30, 2021: 2,693,567 shares As of June 30, 2020: 2,693,533 shares

3) Average number of shares outstanding during the period

Fiscal year ended June 30, 2021: 68,995,843 shares Fiscal year ended June 30, 2020: 65,241,280 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2021 (July 1, 2020 – June 30, 2021)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended June 30, 2021	6,632	(4.9)	(172)	-	(732)	-	(1,106)	-
Fiscal year ended June 30, 2020	6,973	4.4	(1,036)	-	(1,659)	-	(4,579)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended June 30, 2021	(16.04)	-
Fiscal year ended June 30, 2020	(70.18)	-

Note: Diluted net income per share for the fiscal years ended June 30, 2020 and June 30, 2021 have not been disclosed because the Company recorded net income losses although there were outstanding dilutive shares.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2021	19,354	5,288	27.0	73.18
As of June 30, 2020	20,477	4,310	20.6	64.47

Reference: Total equity As of June 30, 2021 5,229 million yen As of June 30, 2020 4,213 million yen

* The current summary report is not subject to audit by certified public accountants or auditing corporations.

* Cautionary statement with respect to forecasts and other matters

Earnings forecasts and other forward-looking statements in this report are based on assumptions judged to be valid and information available to the Company at the time of this report's preparation. Actual performance may differ significantly from these forecasts for a number of reasons. For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, please refer to "1. Operating Results and Financial Position (4) Consolidated Operating Results Forecast and Information about Future Predictions" on page 5 in the accompanying material.

The Company is scheduled to hold a briefing for analysts and institutional investors on August 17, 2021.

** This financial report is solely a translation of "Kessan Tanshin" (in Japanese), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*

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1. Operating Results and Financial Position

(1) Analysis of Operating Results

Business sentiment in the cosmetics industry remains deeply negative due to the impact of the novel coronavirus (COVID-19) pandemic, which has resulted in reduced consumer willingness to make purchases, less opportunities to wear cosmetics as consumers refrained from outings to prevent the spread of the virus, and the disappearance of demand from overseas visitors to Japan. In response, there has been a clear tendency among cosmetics manufacturers to pursue digital transformation (DX)*¹ with a shift to use of digital advertising channels and strengthening of E-Commerce. As a result, we expect to see increased opportunities for business growth as a company providing a platform for integrated services combining media, E-Commerce, and retail stores.

In the current fiscal year, the istyle Group has focused on disposal of and withdrawal from unprofitable businesses and strengthening of profitable businesses to recover from the weak performance of the Global segment in the previous fiscal year and negative impact of COVID-19 on the earnings performance of our businesses in Japan, and return to a growth trajectory.

Consolidated sales were level year-on-year despite the lingering negative impact of COVID-19 as a result of the sharp growth of E-Commerce in the Beauty Service segment.

We posted a consolidated operating loss due to the weak performance of our new large flagship store @cosme TOKYO (opened in January 2020) and our Hong Kong stores, which have been severely impacted by the pandemic. However, we reduced our consolidated operating loss by approximately 1,700 million yen due to the contribution of the Beauty Service segment's E-Commerce results and thoroughgoing efforts to enhance profitability in all segments, particularly in the Global segment. As a result, although conditions remain severe, we posted an operating profit in this fourth quarter, and our full-year operating profit margin improved from -7.6% a year earlier to -2.0%, bringing us closer to turning profitable for the full year.

We also booked equity in losses of affiliates of 194 million yen as a non-operating expense. In addition, we booked a loss on the sale of shares of affiliated companies of 173 million yen accompanying the transfer of a Malaysian e-commerce company, and a 149 million yen loss from the disposal of and withdrawal from overseas stores and related impairment charges, for a total extraordinary loss of 456 million yen, and profit on the sale of investment securities overseas of 1,772 million yen for a total extraordinary profit of 1,809 million yen.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2021, was as follows:

Net Sales:	30,950 million yen (30,564 million yen in previous fiscal year; 1.3% year-on-year increase)
Operating Loss:	604 million yen (2,325 million yen loss in previous fiscal year)
Ordinary Loss:	795 million yen (2,438 million yen loss in previous fiscal year)
Income before income taxes:	558 million yen (5,000 million yen loss in previous fiscal year)
Net Income attributable to owners of the parent company:	379 million yen (5,020 million yen loss in the previous fiscal year)

*1 Digital transformation (DX): Company reforms leveraging data and digital technologies, of products, services, business models, work flows, organizational structures, processes, and company culture, with the aim of increasing adaptability to sudden changes in the business environment, better responding to the needs of customers and society, and establishing competitive advantages.

1) On Platform segment

The On Platform segment comprises services based on the beauty portal site @cosme, including B-to-B services and B-to-C services.

Although sales for advertising and solutions services were down year on year because clients continued to tighten their budgets in response to the pandemic, segment sales were up year-on-year. This is due to an integrated sales strategy implemented in this fourth quarter that was aimed at helping clients see the connection between

advertising and promotional measures and sales. The strategy was based on analysis of the marketing service *Brand Official*, advertising and promotional measures informed by this analysis, and sales via our E-Commerce channels.

As a result of this strategy, the number of *Brand Official* contracts grew sharply in this fourth quarter.

Operating profit was up year on year, due to the absence in this fiscal year, of the one-off depreciation and amortization of software assets booked in the previous fiscal year.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2021, was as follows:

Net Sales:	6,981 million yen (7,720 million yen in previous fiscal year; 9.6% year-on-year decrease)
Operating Profit:	1,313 million yen (1,194 million yen profit in previous fiscal year; 10.0% year-on-year increase)

2) Beauty Service segment

The Beauty Service segment comprises mainly retail services in Japan, such as the operation of the domestic cosmetics E-Commerce site *@cosme SHOPPING*, and the operation of the cosmetics specialty shop *@cosme STORE*, including the large flagship store.

E-Commerce maintained a high growth rate due to robust demand as consumers generally stayed home to prevent the spread of COVID-19, the special E-Commerce event *@cosme Beauty Day*, and long-term initiatives to strengthen merchandising and promotional campaigns, with sales up 38.9% year on year.

Retail stores in Japan continued to struggle, with customer traffic declining the state of emergency declarations in January and April 2021. However, sales increased year on year due to the contribution of the new large flagship store.

In terms of operating profit, segment loss narrowed in the current fiscal year because of robust growth of E-Commerce, expense cuts at retail stores, and the absence of upfront expenses associated with the opening of the new flagship store. The segment returned to profitability in this second half.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2021 was as follows:

Net Sales:	18,260 million yen (15,300 million yen in previous fiscal year; 19.3% year-on-year increase)
Operating Loss:	271 million yen (685 million yen loss in the previous fiscal year)

3) Global segment

The Global segment comprises business operations outside Japan, such as E-Commerce & Wholesale, retail stores, and media and other services.

In E-Commerce & Wholesale, sales declined as a result of changing to a policy of prioritizing profitability over sales in the previous fiscal year and the transfer of an e-commerce business in Malaysia.

Sales of overseas retail stores also declined due to weak recovery of customer traffic in Hong Kong because of COVID-19 and the closure of all four stores in Taiwan in the third quarter of the previous fiscal year.

With regard to operating profit, losses narrowed due to improved profitability as a result of disposal of and withdrawal from unprofitable businesses continuing from the previous fiscal year. In this fourth quarter, we recorded a segment loss of 11 million yen, not far off from returning to the profitability.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2021 was as follows:

Net Sales:	4,660 million yen (6,168 million yen in previous fiscal year; 24.5% year-on-year decrease)
Operating Loss:	157 million yen (789 million yen loss in the previous fiscal year)

4) Others

The Others segment consists of a temporary staffing agency for beauty consultants and salespersons, and investment and consulting projects for companies in various stages of development, including new startups.

In the current fiscal year, temporary staffing agency sales declined year on year due to the impact of COVID-19.

In the Investment and Consultation business, sales declined because the business conducted almost no sales of operational investment securities in the current fiscal year.

Although we posted an operating loss due to an impairment charge of 53 million yen on operational investment securities whose real value is significantly lower than the purchase price, the segment turned profitable in this second half as a result of temporary staffing agency expense cuts.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2021 was as follows:

Net Sales:	1,049 million yen (1,376 million yen in previous fiscal year; 23.8% year-on-year decrease)
Operating Loss:	18 million yen (213 million yen loss in the previous fiscal year)

(2) Consolidated Financial Position

1) Assets, liabilities and net assets

Total assets as of June 30, 2021, were 22,235 million yen, a decrease of 1,922 million yen from June 30, 2020.

Current assets as of June 30, 2021 were 13,424 million yen, a decrease of 645 million yen from June 30, 2020. This was mainly due to an increase of 558 million yen in cash and deposits offset by decreases of 932 million yen in merchandise and 344 million yen in other current assets, and other factors.

Fixed assets as of June 30, 2021 were 8,811 million yen, a decrease of 1,277 million yen from June 30, 2020. This was mainly due to decreases of 698 million yen in tangible assets and 496 million yen in investment securities, and other factors.

2) Liabilities

Total liabilities as of June 30, 2021, were 14,126 million yen, a decrease of 4,618 million yen from June 30, 2020.

Current liabilities decreased by 3,271 million yen from June 30, 2020 to 5,881 million yen. This was largely due to factors such as decreases of 1,500 million yen in short-term debt, 686 million yen in the current portion of long-term debt, 242 million yen in notes and accounts payable – trade, 211 million yen in other accounts payable, and 205 million yen in leases (under current liabilities), and other factors.

Fixed liabilities as of June 30, 2021 were 8,245 million yen, a decrease of 1,347 million yen from June 30, 2020. This was mainly due to a decrease in long-term debt of 965 million yen, and long-term leases (under fixed liabilities) of 305 million yen, and other factors.

3) Net assets

Total net assets as of June 30, 2021, were 8,109 million yen, an increase of 2,696 million yen from June 30, 2020. This was primarily due to increases of 1,053 million yen in capital stock and 1,054 million yen in capital surplus largely as a result of a payment by Locoguide Inc. for a third-party allotment of shares, and a 379 million yen increase in retained earnings as a result of recording net income attributable to owners of the parent company, and other factors.

(3) Status of Cash Flows

As of June 30, 2021, cash and cash equivalents (hereinafter referred to as “capital”) totaled 7,094 million yen, an increase of 509 million yen versus June 30, 2020.

The status of cash flows as of June 30, 2020 and the main factors are discussed below.

(Cash flows from operating activities)

In the fiscal year ended June 30, 2021, funds provided by operating activities totaled 1,553 million yen (202 million yen used in the previous fiscal year).

This mainly reflects a 1,772 million yen gain from the sale of investment securities, income before income taxes of 558 million yen, 873 million yen decrease in inventory, and depreciation and amortization (a non-fund transaction) of 1,738 million yen, and other factors.

(Cash flows from investing activities)

In the fiscal year ended June 30, 2021, capital provided by investing activities totaled 389 million yen (2,399 million yen used in the previous fiscal year).

This mainly reflects 2,111 million yen provided by the sale of investment securities payments, which offset 1,256 million yen for the purchase of intangible assets and 184 million yen for the purchase of tangible assets.

(Cash flows from financing activities)

In the fiscal year ended June 30, 2021, funds used in financing activities totaled 1,557 million yen (6,026 million yen provided in the previous fiscal year). This mainly reflects cash outflows of 1,500 million yen from a net decrease in short-term debt, 1,652 million yen for the repayment of long-term debt, and 488 million yen for the repayment of lease obligations, which offset an inflow of 2,091 million yen from a payment by Locoguide Inc. for a third-party allotment of shares.

(Reference) Cash Flows Indicators

	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019	Fiscal year ended June 30, 2020	Fiscal year ended June 30, 2021
Equity ratio (%)	59.4	53.0	47.1	21.5	35.5
Equity ratio based on market price (%)	309.1	356.8	220.0	72.5	167.1
Cash flows / Interest-bearing debt ratio (%)	615.0	321.1	4,754.4	—	712.0
Interest coverage ratio (multiples)	95.3	158.2	29.1	—	—

Notes:

1. All figures have been calculated using consolidated financial figures.
2. The market capitalization has been calculated by multiplying the closing stock price at the end of the fiscal year by the number of outstanding shares at the end of the fiscal year (excluding treasury shares).
3. Cash flows are cash flows from operating activities.
4. Interest-bearing debt refers to all debt posted in the Consolidated Balance Sheets for which interest is being paid.
5. The interest-bearing debt ratio and interest coverage ratio are not provided for the fiscal year ended June 30, 2020 and fiscal year ended June 30, 2021, because cash flow from operating activities was negative.

(4) Consolidated Operating Results Forecast and Information about Future Predictions

The outlook remains unclear for the fiscal year ending June 30, 2022, as the number of COVID-19 cases continues to rise. However, we will continue to focus on the On Platform and Beauty Service segments, which are our earnings pillars, with the goal of turning profitable at the operating profit level. Specifically, we aim to grow the advertising and solutions services business and *Brand Official* in the On Platform segment and E-Commerce in the Beauty Service segment by pursuing integrated platform measures such as promotion of the

marketing service *Brand Official*, advertising and promotional measures based on analysis, and attracting purchases by users via our E-Commerce channels.

In light of the above, our consolidated operating results forecast for the fiscal year ending June 30, 2022 is as follows:

<Full-year consolidated operating results forecast for fiscal year ending June 30, 2022>

Net Sales:	39,200 million yen (net sales of 30,950 million yen in the previous fiscal year; 26.7% year-on-year increase)
Operating Profit:	500 million yen (operating loss of 604 million yen in the previous fiscal year)
Ordinary Profit:	400 million yen (ordinary loss of 795 million yen in the previous fiscal year)
Net Profit attributable to owners of the parent company:	300 million yen (net profit of 379 million yen in the previous fiscal year, 20.9% year-on-year decrease)

The forecast for the next fiscal year assumes some negative impact of the COVID-19 pandemic, but the impact may be greater than expected depending on how the pandemic develops.

2. Basic Rationale Regarding the Selection of Accounting Standards

The istyle Group will prepare consolidated financial statements based on Japanese accounting standards in the near term, in order to ensure that viewers can compare financial statements among different periods as well as among companies.

Going forward, the Company will continue to study the possible adoption of international accounting standards, basing its considerations on factors such as the ratio of foreign shareholders and trends regarding the adoption of IFRS (International Financial Reporting Standards) by other Japanese companies in the same business.

3. Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2020	As of June 30, 2021
	Amount	Amount
Assets		
Current assets		
Cash and deposits	6,647	7,205
Notes and accounts receivable - trade	2,615	2,707
Merchandise	3,078	2,146
Operational investment securities	914	893
Other	884	540
Allowance for doubtful receivables	(5)	(2)
Allowance for investment loss	(65)	(65)
Total current assets	14,069	13,424
Fixed assets		
Tangible assets		
Buildings	2,181	2,147
Accumulated depreciation	(689)	(906)
Buildings, net	1,492	1,241
Leased assets	1,278	1,369
Accumulated depreciation	(638)	(1,047)
Leased assets, net	639	322
Other	832	809
Accumulated depreciation	(333)	(439)
Other, net	499	369
Total tangible assets	2,631	1,932
Intangible assets		
Goodwill	468	384
Software	2,598	2,663
Other	162	282
Total intangible assets	3,228	3,329
Investments and other assets		
Investment securities	1,834	1,338
Lease and guarantee deposits	1,986	1,845
Deferred tax assets	144	71
Other	265	296
Total investments and other assets	4,229	3,550
Total fixed assets	10,088	8,811
Total assets	24,157	22,235

	(Millions of yen)	
	As of June 30, 2020	As of June 30, 2021
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable – trade	1,437	1,194
Short-term debt	3,000	1,500
Current portion of long-term debt	1,652	965
Accounts payable – other	855	644
Lease obligations	560	355
Income taxes payable	145	95
Provision for bonuses	230	94
Provision for loss on store closing	35	-
Provision for loss on subsidiaries closing	-	45
Provision for business structure improvement	24	3
Other	1,217	986
Total current liabilities	9,153	5,881
Fixed liabilities		
Long-term debt	9,122	8,156
Lease obligations	386	81
Deferred tax liabilities	38	3
Other	46	4
Total fixed liabilities	9,592	8,245
Total liabilities	18,745	14,126
Net assets		
Shareholders' equity		
Capital stock	3,703	4,756
Capital surplus	2,882	3,937
Retained earnings	(822)	(443)
Treasury stock	(280)	(280)
Total shareholders' equity	5,484	7,970
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	(76)	(59)
Foreign currency translation adjustments	(216)	(8)
Total accumulated other comprehensive income	(292)	(67)
Subscription rights to shares	97	59
Non-controlling interests	125	148
Total net assets	5,413	8,109
Total liabilities and net assets	24,157	22,235

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statements of Income**

(Millions of yen)

	Year ended June 30, 2020	Year ended June 30, 2021
	Amount	Amount
Net sales	30,564	30,950
Cost of sales	16,571	16,627
Gross profit	13,993	14,323
Selling, general and administrative expenses	16,318	14,927
Operating income (loss)	(2,325)	(604)
Non-operating income		
Interest income	4	2
Dividend income	9	5
Income from subsidiaries	3	103
Gain on forgiveness of debts	-	30
Settlement received	9	-
Penalty income	6	-
Refunded consumption tax	5	-
Other	15	31
Total non-operating income	50	172
Non-operating expenses		
Interest expenses	53	63
Foreign exchange losses	21	65
Equity in losses of affiliates	74	194
Loss on investments in partnership	4	13
Other	11	26
Total non-operating expenses	163	362
Ordinary income (loss)	(2,438)	(795)
Extraordinary income		
Gain on sales of investment securities	864	1,772
Gain on reversal of share acquisition rights	78	38
Income from subsidiaries	94	-
Total extraordinary income	1,036	1,809
Extraordinary loss		
Impairment loss	3,097	175
Loss on closing of stores	39	-
Provision for loss on store closings	35	-
Loss on temporary closure of stores etc.	340	16
Loss on valuation of investment securities	50	1
Loss on sale of shares of affiliated companies	-	173
Loss on cancellation of office contract	-	38
Loss on subsidiaries closing	-	14
Provision for loss on subsidiaries closing	-	41
Provision for business structure improvement	24	-
Other	13	-
Total extraordinary loss	3,598	456
Income (loss) before income taxes	(5,000)	558
Income taxes-current	155	131
Income taxes-deferred	(26)	38

Total income taxes	129	169
Net income (loss)	(5,129)	389
Net income (loss) attributable to non-controlling interests	(109)	10
Net income (loss) attributable to owners of the parent company	(5,020)	379

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended June 30, 2020	Year ended June 30, 2021
	Amount	Amount
Net income (loss)	(5,129)	389
Other comprehensive income (loss)		
Net unrealized gain (loss) on available-for-sale securities	(48)	17
Foreign currency translation adjustments	(33)	218
Total other comprehensive income (loss)	(81)	235
Comprehensive income	(5,210)	624
Comprehensive income (loss) attributable to		
Owners of the parent company	(5,108)	604
Non-controlling interests	(102)	20

(3) Consolidated Statements of Changes in Net Assets

Year ended June 30, 2020 (July 1, 2019 to June 30, 2020)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at beginning of term	3,647	2,971	4,218	(280)	10,556	(28)	(176)	(204)	136	272	10,761
Cumulative effects from new accounting policies			(21)		(21)						(21)
Balance at beginning of term reflecting change in accounting policies	3,647	2,971	4,198	(280)	10,536	(28)	(176)	(204)	136	272	10,740
Changes during term											
Issuance of new shares	56	56			112						112
Net income (loss) attributable to owners of the parent company			(5,020)		(5,020)						(5,020)
Purchase of treasury shares					-						-
Purchase of shares of consolidated subsidiaries		(144)			(144)						(144)
Sales of shares of consolidated subsidiaries		0			0						0
Net changes in items other than shareholders' equity					-	(48)	(40)	(89)	(39)	(147)	(275)
Total changes during term	56	(88)	(5,020)	-	(5,052)	(48)	(40)	(89)	(39)	(147)	(5,327)
Balance at end of term	3,703	2,882	(822)	(280)	5,484	(76)	(216)	(292)	97	125	5,413

Year ended June 30, 2021 (July 1, 2020 to June 30, 2021)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at beginning of term	3,703	2,882	(822)	(280)	5,484	(76)	(216)	(292)	97	125	5,413
Cumulative effects from new accounting policies											
Balance at beginning of term reflecting change in accounting policies	3,703	2,882	(822)	(280)	5,484	(76)	(216)	(292)	97	125	5,413
Changes during term											
Issuance of new shares	1,053	1,053			2,106						2,106
Net income (loss) attributable to owners of the parent company			379		379						379
Purchase of treasury shares				(0)	(0)						(0)
Purchase of shares of consolidated subsidiaries					-						-
Sales of shares of consolidated subsidiaries		1			1						1
Net changes in items other than shareholders' equity						17	208	225	(38)	23	210
Total changes during term	1,053	1,054	379	(0)	2,486	17	208	225	(38)	23	2,696
Balance at end of term	4,756	3,937	(443)	(280)	7,970	(59)	(8)	(67)	59	148	8,109

(4) Consolidated Statements of Cash flows

	Year ended June 30, 2020	(Millions of yen) Year ended June 30, 2021
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	(5,000)	558
Depreciation and amortization	2,183	1,738
Amortization of goodwill	230	71
Impairment loss	3,097	175
Increase (decrease) in allowance for doubtful receivables	(3)	(2)
Increase (decrease) in allowance for investment loss	53	-
Increase (decrease) in provision for bonuses	(59)	(134)
Increase (decrease) in provision for business structure improvement	24	(21)
Equity in losses (gains) of affiliates	74	194
Interest income	(13)	(8)
Interest expenses	53	63
Foreign exchange losses (gains)	10	48
Loss (gain) on investments in partnership	4	13
Loss (gain) on valuation of investment securities	50	1
Loss (gain) on sale of shares of affiliated companies	-	173
Loss (gain) on sales of investment securities	(864)	(1,772)
Gain on forgiveness of debts	-	(30)
Gain on reversal of share acquisition rights	(78)	(38)
Subsidy income	(94)	-
Loss on temporary closure of stores etc.	340	16
Loss on cancellation of office contract	-	38
Loss on subsidiaries closing	-	14
Loss on closing of stores	39	-
Decrease (increase) in notes and accounts receivable – trade	87	(102)
Decrease (increase) in operational investment securities	372	54
Decrease (increase) in inventories	(213)	873
Increase (decrease) in notes and accounts payable – trade	(238)	(200)
Increase (decrease) in accounts payable – other	92	(90)
Other- net	(49)	106
Sub total	98	1,737
Interest and dividends received	13	8
Interest paid	(56)	(61)
Subsidy receivings	19	75
Payment on loss of temporary closure of stores	(206)	(112)
Corporate tax etc.	(70)	(95)
Net cash provided by (used in) operating activities	(202)	1,553

Cash flows from investing activities

Proceeds from sales of investment securities	1,093	2,111
Purchase of investment securities	(30)	(20)
Purchase of tangible assets	(1,479)	(184)
Purchase of intangible assets	(1,503)	(1,256)
Payments for guarantee deposits	(602)	(6)
Payments into time deposits	(173)	(176)
Proceeds from withdrawal of time deposits	335	141
Payments for acquisition of shares in subsidiary company resulting in the change in scope of consolidation	-	(204)
Other- net	(39)	(17)
Net cash provided by (used in) investing activities	(2,399)	389

Cash flows from financing activities

Net increase (decrease) in short-term debt	300	(1,500)
Proceeds from long-term debt	8,000	-
Repayment of long-term debt	(1,801)	(1,652)
Repayments of lease obligations	(435)	(488)
Proceeds from issuance of shares	108	2,091
Proceeds from issuance of share acquisition rights	44	-
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	(192)	(14)
Purchase of treasury stocks	-	(0)
Other – net	3	4
Net cash provided by (used in) financing activities	6,026	(1,557)
Foreign currency translation adjustments on cash and cash equivalents	(24)	125
Net increase (decrease) in cash and cash equivalents	3,401	509
Cash and cash equivalents, beginning of period	3,184	6,584
Cash and cash equivalents, end of period	6,584	7,094

(5) Notes on Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Additional Information)

(Accounting-based estimates relating to the impact of the spread of COVID-19)

Many countries around the world are seeing a resurgence of COVID-19 cases including Japan, where a state of emergency has once again been declared. Some of the Company's stores in Japan and overseas have had to shorten their opening hours, and have been impacted in other ways also.

In the previous fiscal year, the Company had assumed that it would be impacted by the pandemic through the first quarter of the fiscal year ending June 2021, and would see a gradual recovery from the second quarter. However, the Company now assumes the impact will continue for six months longer than initially assumed and expects to see a gradual recovery from this fourth quarter. Accordingly, the Company has applied impairment accounting to fixed assets and has prepared accounting estimates of the recoverability of deferred tax assets.

Although we expect a temporary decline in sales at retail stores in Japan in this fourth quarter of the current fiscal year as some stores have closed temporarily in response to the state of emergency, we expect a gradual recovery from the first quarter of the fiscal year ending June 30, 2022.

With regard to the Company's stores in Hong Kong, in light of the announcement to extend the restrictions on entry into Hong Kong, the Company has extended the above assumption a further six months and the Company now assumes that demand from overseas visitors to Hong Kong will gradually recover from the second quarter of the fiscal year ending June 2022. As a result of the above, some of the stores have recorded impairment losses.

(Segment Information)

1. Overview of Reportable Segments

The Group's reportable segments comprise those business units for which separate financial statements can be obtained, and for which the Board of Directors regularly considers the allocation of management resources and evaluates operating performance.

The Group's primary businesses are related to cosmetics, and include a cosmetics-related community site, as well as On Platform, Beauty Service, Global, and Other, all stemming from this community site. Accordingly, the Group has four reportable segments based on the services provided and products handled. These four segments are the On Platform segment, the Beauty Service segment, the Global segment and the Other segment.

The On Platform segment comprises the domestic and overseas marketing business, services for premium members, and other initiatives.

The Beauty Service segment comprises the operation of the domestic cosmetics E-Commerce site and the operation of cosmetics specialty shops.

The Global segment comprises business operations outside Japan.

The Other business comprises temporary staffing agency business to send beauty consultants and investment and consulting projects primarily for companies at their growth phase including those immediately after founding.

2. Calculation methods for net sales, income/loss, assets, liabilities, and other items by reportable segment

The calculation methods for each reportable segment accord with the accounting standards used in the preparation of the Consolidated Financial Statements.

3. Net sales, income/loss, assets, liabilities, and other items by reportable segment

Year ended June 30, 2020 (July 1, 2019 through June 30, 2020)

	Reportable segment				Total	Adjustments	(Millions of yen)
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Others</i>			Amounts on the consolidated statements of income
Net sales							
Sales to outside customers	7,720	15,300	6,168	1,376	30,564	-	30,564
Inter-segment sales and transfers	17	17	10	5	49	(49)	-
Total	7,738	15,317	6,178	1,381	30,613	(49)	30,564
Segment profit (loss)	1,194	(685)	(789)	(213)	(493)	(1,832)	(2,325)
Segment assets	4,551	6,758	6,193	1,335	18,838	5,319	24,157
Other items							
Depreciation/amortization	1,496	189	437	0	2,123	61	2,183
Impairment loss	132	24	2,927	-	3,083	14	3,097
Increase(decrease) in tangible/intangible assets	1,554	1,311	151	-	3,016	51	3,066

- Notes: 1. Adjustments in Segment profit (loss) in the amount of (1,832) million yen include 2 million yen elimination of inter-segment transactions and (1,834) million yen corporate expense not allocated to any reportable segment.
2. The segment asset adjustment of 5,319 million yen refers to (5,835) million yen elimination of inter-segment transactions and corporate assets not allocated to reportable segments in the amount of 11,154 million yen.
3. The adjustment of 61 million yen for depreciation and amortization is related to the administrative functions of the Company that have not been attributed to a reportable segment.
4. The adjustment of 14 million yen for impairment loss is related to the administrative functions of the Company that have not been attributed to a reportable segment.
5. The increase in tangible and intangible assets adjustment of 51 million yen represents the corporate assets that are not allocated to reportable segments.
6. Segment profit (loss) is adjusted to correspond with operating income reported on the consolidated statements of income for the corresponding period.

Year ended June 30, 2021 (July 1, 2020 through June 30, 2021)

	Reportable segment				Total	Adjustments	(Millions of yen)
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Others</i>			Amounts on the consolidated statements of income
Net sales							
Sales to outside customers	6,981	18,260	4,660	1,049	30,950	-	30,950
Inter-segment sales and transfers	223	49	45	7	325	(325)	-
Total	7,204	18,309	4,704	1,056	31,274	(325)	30,950
Segment profit (loss)	1,313	(271)	(157)	(18)	867	(1,471)	(604)
Segment assets	4,582	7,284	7,008	1,340	20,213	2,022	22,235
Other items							
Depreciation/amortization	997	320	359	12	1,688	50	1,738
Impairment loss	71	-	95	-	166	9	175
Increase(decrease) in tangible/intangible assets	1,165	112	1	1	1,279	18	1,296

- Notes: 1. Adjustments in Segment profit (loss) in the amount of (1,471) million yen include 15 million yen elimination of inter-segment transactions and (1,486) million yen corporate expense not allocated to any reportable segment.

2. The segment asset adjustment of 2,022 million yen refers to (7,883) million yen elimination of inter-segment transactions and corporate assets not allocated to reportable segments in the amount of 9,905 million yen.
3. The adjustment of 50 million yen refers to (8) million yen elimination of inter-segment transactions and corporate assets not allocated to reportable segments in the amount of 58 million yen.
4. The adjustment of 9 million yen for impairment loss is related to the administrative functions of the Company that have not been attributed to a reportable segment.
5. The increase in tangible and intangible assets adjustment of 18 million yen represents the corporate assets that are not allocated to reportable segments.
6. Segment profit (loss) is adjusted to correspond with operating income reported on the consolidated statements of income for the corresponding period.

(Per Share Information)

	Year ended June 30, 2020 (or as of June 30, 2020)	Year ended June 30, 2021 (or as of June 30, 2021)
Net assets per share	79.44 yen	110.60 yen
Net income (loss) per share	(76.94) yen	5.50 yen
Diluted net income per share	- yen	5.28 yen

(Note) 1. Diluted net income per share for the fiscal years ended June 30, 2020 and June 30, 2021 have not been disclosed because the Company recorded net income losses although there were outstanding dilutive shares.

2. Calculation base for net income (loss) per share and diluted net income per share are as follows.

	Year ended June 30, 2020	Year ended June 30, 2021
Net income (loss) per share		
Net income (loss) attributable to owners of the parent company (millions of yen)	(5,020)	379
Amount not attributable to common stockholders (millions of yen)	-	-
Net income (loss) available to common shareholders attributable to owners of parent company (millions of yen)	(5,020)	379
Average number of shares outstanding during term (shares)	65,241,280	68,995,843
Diluted net income per share		
Adjustments to Net income attributable to owners of the parent company (millions of yen)	-	-
Increase in the number of shares in common stock (shares)	-	2,857,412
(Of which, subscription rights to shares) (shares)	-	(2,857,412)
Residual securities that are not dilutive and not included in the calculation for diluted net income per share	Five issues of subscription rights to shares Residual securities: 1,351,000 shares	Four issues of subscription rights to shares Residual securities: 1,252,200 shares

(Significant Subsequent Events)

At a board of directors' meeting held on August 16, 2021, the Company resolved to acquire additional shares in Glowdayz, Inc. ("Glowdayz") and convert it into a subsidiary. Shares in Glowdayz are to be acquired through a wholly owned subsidiary.

(1) Purpose of share acquisition

The Company's overseas business is mainly in Asia, with a longer-term goal of building a global platform. However, in light of the recent impact of COVID-19, we have focused on improving our earnings capabilities through selection and focus of businesses and focusing on profitable businesses in Japan.

That being said, investing for future growth is essential. The Company therefore decided to acquire shares in Glowdayz and convert it into a subsidiary after careful consideration of our financial soundness and the balance between short- and long-term earnings contributions.

In July 2013, Glowdayz launched Glowpick, a user review and product ranking platform for cosmetics, which has now grown into one of South Korea's leading comprehensive beauty platforms. The core businesses of Glowdayz are marketing (centered on the Glowpick platform) and cosmetics distribution, which harnesses

partnerships with domestic and overseas companies. Glowdayz thus has a strong affinity with the pillars of istyle’s platform (media, e-commerce, and retail stores). The Company believes that strengthening ties with Glowdayz by making it a subsidiary will contribute toward enhancing our corporate value.

In view of its future growth potential, the Company entered into a capital and business alliance with Glowdayz in April 2019. Since then the Company has continued to proactively support the growth of Glowdayz (including by dispatching a Company employee to participate in the management of Glowdayz as an outside director), resulting in the achievement of a significant increase in net sales in the most recent fiscal year. In response to these results, the Company opted to convert Glowdayz into a subsidiary because of the expectation that Glowdayz can make a significant contribution to the Company’s platform. The Company will continue to accelerate the growth of Glowdayz in order to further consolidate the foundations of the Company’s platform and achieve further medium- to long-term growth for the Group.

(2) Name of company which is to acquire the shares

The Company is to acquire shares from nine companies and two other parties. In line with the wishes of parties involved, the Company has opted not to publish their names. There are no particular matters to be noted regarding capital relationships, interpersonal relationships, or business relationships, between the Company and the parties involved.

(3) Name, business, and size of company from which shares are to be acquired

1. Name	Glowdayz, Inc.		
2. Location	18F 410, Teheran-ro, Gangnam-gu, Seoul, Republic of Korea		
3. Representative	Junesik Kong		
4. Main business	Marketing business and cosmetics distribution business, centered on “GLOWPICK” platform		
5. Operating results and financial position for the fiscal year ended December 31, 2020*	Capital stock	6	million yen
	Net assets	228	million yen
	Total assets	495	million yen
	Net sales	613	million yen
	Ordinary income	152	million yen

* Based on the exchange rate as of the end of December 2020 (1KRW = JPY0.0952).

(4) Date of share acquisition

August 31, 2021 (scheduled)

(5) Number of shares to be acquired, acquisition price and percentage of ownership after acquisition of shares

Number of shares owned and percentage of ownership before acquisition	19,814 shares (14.9%)
Number of shares to be acquired	52,823 shares
Acquisition price	855 million yen*
Number of shares owned and percentage of ownership after acquisition	72,637 shares (54.8%)

* Calculated assuming a KRW/JPY exchange rate of 1KRW = 0.0940JPY.