

November 5, 2021

**Summary of Consolidated Financial Results**  
**for the First Quarter of the Fiscal Year Ending June 30, 2022**  
**(Three Months Ended September 30, 2021)**

[Japanese GAAP]

Company name:	istyle Inc.	Stock exchange listings:	TSE First Section
Securities code:	3660	URL:	<a href="https://www.istyle.co.jp/en">https://www.istyle.co.jp/en</a>
Representative:	Tetsuro Yoshimatsu, Representative Director, CEO		
Contact:	Kei Sugawara, Director, CFO	Tel:	+81-3-6161-3660
Scheduled date of filing of Quarterly Report:	November 5, 2021		
Scheduled date of dividend payment:	-		
Preparation of supplementary materials for financial results:	Yes		
Holding of financial results briefing:	None		

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

**1. Consolidated Financial Results for the Three Months Ended September 30, 2021 (July 1, 2021 – September 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	%
Three months ended September 30, 2021	7,784	3.7	(229)	-	(238)	-	(52)	-
Three months ended September 30, 2020	7,505	(5.0)	(160)	-	(206)	-	(281)	-

Note: Comprehensive income (million yen) Three months ended September 30, 2021: (27) (-%)

Three months ended September 30, 2020: (268) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended September 30, 2021	(0.73)	-
Three months ended September 30, 2020	(4.29)	-

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	22,462	8,098	35.2
As of June 30, 2021	22,235	8,109	35.5

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

As of June 30, 2021: 7,902 million yen

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

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2021	-	0.00	-	0.00	0.00
Fiscal year ending June 30, 2022	-	-	-	-	-
Fiscal year ending June 30, 2022 (forecasts)	-	0.00	-	0.00	0.00

Note: Revisions to the most recently announced dividend forecast: None

### 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

Note: Revisions to the most recently announced earnings forecast: None

#### \* Notes

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

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

(4) Number of shares outstanding (common shares)

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

As of September 30, 2021: 74,146,800 shares As of June 30, 2021: 74,146,800 shares

2) Number of treasury shares at end of period

As of September 30, 2021: 2,693,567 shares As of June 30, 2021: 2,693,567 shares

3) Average number of shares outstanding during the period

Three months ended September 30, 2021: 71,453,233 shares Three months ended September 30, 2020: 65,350,528 shares

\* The current quarterly summary report is not subject to the quarterly review procedures by certified public accountants or auditing corporations.

\* Cautionary statement with respect to forecasts and other matters

(Note concerning forward-looking statements)

- 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 (3) Consolidated Operating Results Forecast and Information about Future Predictions" on page 5 in the accompanying material.

\* This financial report is solely a translation of the original Japanese "Kessan Tanshin" document, 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, fewer opportunities to wear cosmetics as consumers refrain 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)<sup>\*1</sup>, 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 fiscal year ending June 30, 2022, the istyle Group targets sales growth and a return to operating profitability based on expected E-Commerce growth in the core revenue-earning segments On Platform and Beauty Service, and the assumptions that the impact of the pandemic will gradually diminish in the second half of this fiscal year, and that domestic and overseas retail stores will begin to see a recovery.

In this first quarter, consolidated sales were up year on year. Although disposal of and withdrawal from unprofitable businesses, and lower sales at retail stores due to a fourth state of emergency had a negative impact on sales, this was more than offset by recovery of the On Platform segment and the growth of E-Commerce in the Beauty Service segment.

Although operating profit declined year on year due to an increase in provision for bonuses on a consolidated Group-wide basis and an increase in depreciation and amortization of software, it was still in line with internal targets.

In addition, we recorded as extraordinary profit a 114 million yen gain on step acquisitions due to acquisition of shares in Glowdayz Inc. Glowdayz Inc. became a subsidiary in August 2021 and will be included in consolidated income statements from the second quarter of the current fiscal year.

As a result, the consolidated operating performance for this first quarter ended September 30, 2022, was as follows:

Net sales:	7,784 million yen (7,505 million yen in previous fiscal year; 3.7% year-on-year increase)
Operating loss:	229 million yen (160 million yen loss in the previous fiscal year)
Ordinary loss:	238 million yen (206 million yen loss in the previous fiscal year)
Loss before income taxes:	110 million yen (196 million yen loss in the previous fiscal year)
Net loss attributable to owners of the parent company:	52 million yen (281 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 clients continued to tighten their budgets in response to the pandemic, sales were up year on year in this first quarter due to the positive impact of proposals relating to advertising, promotional measures, sales via our E-commerce channels, with all based on analysis conducted by the marketing service *Brand Official*.

Although operating profit was down year on year because of increases in depreciation and amortization of software and provision for bonuses, it was in line with internal targets.

As a result, the consolidated operating performance for this first quarter was as follows:

Net Sales:	1,862 million yen (1,665 million yen in the previous fiscal year; 11.8% year-on-year increase)
Operating Profit:	240 million yen (273 million yen profit in the previous fiscal year; 12.2% year-on-year decrease)

## 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 continued to stay home to prevent the spread of COVID-19 and long-term initiatives to strengthen merchandising and promotional campaigns, with sales up 20.8% year on year.

Retail stores in Japan saw a further decline in customer traffic following the declaration in July 2021 of a fourth state of emergency. Although sales were down year on year as a result, store operating loss remained largely unchanged.

Operating profit declined year on year due to increases in provision for bonuses and IT system operating costs.

As a result, the consolidated operating performance for this first quarter was as follows:

Net sales:	4,645 million yen (4,389 million yen in the previous fiscal year; 5.8% year-on-year increase)
Operating loss:	35 million yen (6 million yen profit 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 year on year as a result of the transfer of an e-commerce business in Malaysia in the third quarter of the previous fiscal year as part of our disposal of and withdrawal from unprofitable businesses.

With regard to stores in Hong Kong, although we closed two stores due to the ongoing local impact of the pandemic in this first quarter, sales were roughly the same as the previous year's level due to the recovery of the four existing stores.

Operating loss contracted due to improved profitability resulting from progress with disposal of and withdrawal from unprofitable businesses, which we have been focusing on since the fiscal year ended June 30, 2020.

As a result, the consolidated operating performance for this first quarter was as follows:

Net sales: 1,053 million yen (1,163 million yen in the previous fiscal year; 9.5% year-on-year decrease)  
Operating loss: 35 million yen (42 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 this first quarter, temporary staffing agency sales were roughly the same as the previous year's level despite the negative impact of the pandemic.

As a result, the consolidated operating performance for this first quarter was as follows:

Net sales: 224 million yen (288 million yen in the previous fiscal year; 22.1% year-on-year decrease)  
Operating profit: 12 million yen (3 million yen loss in the previous fiscal year)

## **(2) Consolidated Financial Position**

### 1) Assets, Liabilities, and Net Assets

#### (Assets)

Total assets as of September 30, 2021, were 22,462 million yen, an increase of 226 million yen from June 30, 2021.

Current assets as of September 30, 2021, totaled 12,916 million yen a decrease of 509 million yen from June 30, 2021. This was mainly due to a decrease of 858 million yen in cash and deposits, partially offset by increases of 180 million yen in notes and accounts receivable – trade and 144 million yen in merchandise.

Fixed assets as of September 30, 2021 were 9,546 million yen, an increase of 735 million yen from June 30, 2021. This was mainly due to an increase of 1,081 million in goodwill, which offset a decrease of 422 million yen in investment securities.

#### (Liabilities)

Total liabilities as of September 30, 2021, were 14,364 million yen, an increase of 237 million yen from June 30, 2021.

Current liabilities increased by 421 million yen from June 30, 2021 to 6,302 million yen. This was largely due to an increase of 511 million yen in notes and accounts payable - trade.

Fixed liabilities as of September 30, 2021 were 8,062 million yen, a decrease of 183 million yen from June 30, 2021. This was mainly due to a decrease in long-term debt of 200 million yen.

#### (Net Assets)

Total net assets as of September 30, 2021, were 8,098 million yen, a decrease of 11 million yen from June 30, 2021.

This was primarily due to a 21 million yen decrease in retained earnings.

## **(3) Consolidated Operating Results Forecast and Information about Future Predictions**

Our consolidated operating results forecast for the fiscal year ending June 30, 2022 released in the Summary of Consolidated Financial Results released on August 16, 2021, was predicated on the assumptions that the impact of the COVID-19 pandemic would come to an end in the second quarter and that earnings would begin improving from that quarter. If, however, significant discrepancies arise between actual societal/economic conditions and the assumptions underlying our consolidated operating results forecast, leading to the expectation that actual performance may diverge from our forecasts, we will promptly make an announcement without delay.

## 2. Consolidated Financial Statements and Relevant Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2021	As of Sept. 30, 2021
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	7,205	6,347
Notes and accounts receivable - trade	2,707	-
Notes and accounts receivable - trade and contract assets	-	2,887
Merchandise	2,146	2,290
Operational investment securities	893	896
Other	540	569
Allowance for doubtful receivables	(2)	(8)
Allowance for investment loss	(65)	(65)
<b>Total current assets</b>	<b>13,424</b>	<b>12,916</b>
<b>Fixed assets</b>		
Tangible assets	1,932	1,818
Intangible assets		
Goodwill	384	1,465
Software	2,663	2,576
Other	282	326
<b>Total intangible assets</b>	<b>3,329</b>	<b>4,367</b>
Investments and other assets		
Investment securities	1,338	916
Lease and guarantee deposits	1,845	1,847
Other	367	599
<b>Total investments and other assets</b>	<b>3,550</b>	<b>3,362</b>
<b>Total fixed assets</b>	<b>8,811</b>	<b>9,546</b>
<b>Total assets</b>	<b>22,235</b>	<b>22,462</b>



(Millions of yen)

	As of June 30, 2021	As of Sept. 30, 2021
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable – trade	1,194	1,706
Short-term debt	1,500	1,500
Current portion of long-term debt	965	800
Income taxes payable	95	204
Provision for bonuses	94	146
Provision for business structure improvement	3	2
Provision for loss on liquidation of affiliated companies	45	38
Other	1,985	1,908
<b>Total current liabilities</b>	<b>5,881</b>	<b>6,302</b>
<b>Fixed liabilities</b>		
Long-term debt	8,156	7,956
Other	89	106
<b>Total fixed liabilities</b>	<b>8,245</b>	<b>8,062</b>
<b>Total liabilities</b>	<b>14,126</b>	<b>14,364</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	4,756	4,756
Capital surplus	3,937	3,937
Retained earnings	(443)	(463)
Treasury stock	(280)	(280)
<b>Total shareholders' equity</b>	<b>7,970</b>	<b>7,949</b>
<b>Accumulated other comprehensive income</b>		
Net unrealized gain on available-for-sale securities	(59)	(51)
Foreign currency translation adjustments	(8)	3
<b>Total accumulated other comprehensive income</b>	<b>(67)</b>	<b>(48)</b>
<b>Subscription rights to shares</b>	<b>59</b>	<b>45</b>
<b>Non-controlling interests</b>	<b>148</b>	<b>152</b>
<b>Total net assets</b>	<b>8,109</b>	<b>8,098</b>
<b>Total liabilities and net assets</b>	<b>22,235</b>	<b>22,462</b>

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Three months ended Sept. 30, 2020	Three months ended Sept. 30, 2021
	Amount	Amount
<b>Net sales</b>	7,505	7,784
Cost of sales	4,010	4,130
<b>Gross profit</b>	3,495	3,654
<b>Selling, general and administrative expenses</b>	3,656	3,883
<b>Operating income (loss)</b>	(160)	(229)
<b>Non-operating income</b>		
Interest income	0	0
Income from subsidies	32	4
Foreign exchange gains	-	4
Gain on forgiveness of debts	2	4
Other	8	2
Total non-operating income	42	13
<b>Non-operating expenses</b>		
Interest expenses	19	13
Foreign exchange losses	53	-
Loss on investments in partnership	2	3
Equity in losses of affiliates	14	2
Other	0	3
Total non-operating expenses	88	22
<b>Ordinary income (loss)</b>	(206)	(238)
<b>Extraordinary income</b>		
Gain on reversal of share acquisition rights	10	14
Gain on step acquisitions	-	114
Total extraordinary income	10	128
<b>Income (loss) before income taxes</b>	(196)	(110)
<b>Total income taxes</b>	80	(61)
<b>Net income (loss)</b>	(276)	(49)
<b>Net income (loss) attributable to non-controlling interests</b>	4	3
<b>Net income (loss) attributable to owners of the parent company</b>	(281)	(52)

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended Sept. 30, 2020	Three months ended Sept. 30, 2021
	Amount	Amount
<b>Net income (loss)</b>	(276)	(49)
<b>Other comprehensive income (loss)</b>		
Net unrealized gain on available-for-sale securities	10	9
Foreign currency translation adjustments	(2)	13
Total other comprehensive income	8	22
<b>Comprehensive income (loss)</b>	(268)	(27)
Comprehensive income (loss) attributable to		
Owners of the parent	(272)	(32)
Non-controlling interests	4	5

### **(3) Notes on Consolidated Financial Statements**

(Notes on the Going-concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. have been applied effective from the beginning of this first quarter. Consequently, revenue is recognized when control of promised goods or services has been transferred to the customer at the amount expected to be received in exchange for those goods or services. As to those transactions in which the Group's role in providing goods and services to the customer is that of an agent, we previously recognized revenue at the total amount of consideration received from the customer, but the Group now recognizes revenue on a net basis, which is the amount received from customers less the amount paid to third parties. The revenue recognition of advertising production expenses used to be conducted at the point in time of delivery of advertisement materials. The method, however, has now been changed to recognizing revenues over time in line with advertisement placement. Points program expenses, related to customer loyalty programs managed by other companies, used to be reported as selling, general and administrative expenses, but revenue recognition is now based on amounts after deduction of points program-related expenses.

The Group's application of the Accounting Standard for Revenue Recognition, etc. is in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effects of retrospectively applying the new accounting policy prior to the beginning of this first quarter have been reflected in the balance of retained earnings at the beginning of this first quarter, and the new accounting policy has thereby been applied to the balance of retained earnings at the beginning of this first quarter. Note, however, that the new accounting policy was not applied retrospectively to contracts in which almost all of the revenue amounts were recognized in accordance with the previous procedures before the beginning of this first quarter, pursuant to the provision of Paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, pursuant to the method set forth in note (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition, contractual changes that were made prior to the beginning of this first quarter have been accounted for with cumulative effects being reflected in the balance of retained earnings at the beginning of this first quarter in accordance with the new terms and conditions reflecting all contractual changes.

As a result, net sales decreased by 98 million yen, cost of sales declined by 6 million yen, and selling, general and administrative expenses decreased by 61 million yen in this first quarter. Consequently, operating loss, ordinary loss, and loss before income taxes each increased by 31 million yen respectively. In addition, the balance of retained earnings at the beginning of this first quarter increased by 31 million yen.

As a result of applying the Accounting Standard for Revenue Recognition, etc., notes and accounts receivable – trade, which was presented under current assets in the balance sheet in the previous fiscal year, is, effective from this first quarter, now presented under notes and accounts receivable - trade and contract assets. It should be noted that, in accordance with the transitional treatment set forth in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the previous fiscal year’s statements have not been reclassified to conform to the new presentation method. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the first quarter of the previous fiscal year is not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019), etc. have been applied effective from the beginning of this first quarter. In accordance with the transitional treatment set forth in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Group has opted to apply the new accounting policies set forth in the Accounting Standard for Fair Value Measurement, etc. prospectively. Note that this has no impact on the Company’s quarterly financial statements.

(Additional Information)

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

There have been no significant changes to the assumptions described under (Additional Information) in the Securities Report for the fiscal year ended June 30, 2021, including assumptions regarding the spread of COVID-19 going forward and when the pandemic might end.

(Segment Information)

Three months ended September 30, 2020 (July 1, 2020 through September 30, 2020)

1. Net sales and income/loss by reportable segment

	Reportable segment					Adjustments (note 1)	(Millions of yen) Amounts on the consolidated statements of income (note 2)
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Others</i>	Total		
Net sales							
Sales to outside customers	1,665	4,389	1,163	288	7,505	-	7,505
Inter-segment sales and transfers	41	3	6	1	51	(51)	-
Total	1,707	4,392	1,169	289	7,557	(51)	7,505
Segment profit (loss)	273	6	(42)	(3)	235	(395)	(160)

Notes: 1. Adjustments in Segment profit (loss) in the amount of (395) million yen include 2 million yen elimination of inter-segment transactions and (397) million yen corporate expense not allocated to any reportable segment.

2. Segment profit (loss) is adjusted to correspond with operating loss reported on the consolidated statements of income for the corresponding period.

2. Information about Impairment Loss on Fixed Assets, Goodwill, etc.

(Significant impairment losses related to fixed assets)

Not applicable

(Significant changes in goodwill amounts)

Not applicable

(Significant gain on negative goodwill)

Not applicable

Three months ended September 30, 2021 (July 1, 2021 through September 30, 2021)

1. Net sales and income/loss by reportable segment and information on disaggregate revenue

(Millions of yen)

	Reportable segment					Adjustments (note 1)	Amounts on the consolidated statements of income (note 2)
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Others</i>	Total		
Net sales							
Goods transferred at a point in time	-	4,645	960	3	5,608	-	5,608
Goods transferred over time	1,862	-	93	221	2,176	-	2,176
Revenue generated from contracts with customers	1,862	4,645	1,053	224	7,784	-	7,784
Sales to outside customers	1,862	4,645	1,053	224	7,784	-	7,784
Inter-segment sales and transfers	85	(0)	1	2	89	(89)	-
Total	1,947	4,645	1,054	227	7,873	(89)	7,784
Segment profit (loss)	240	(35)	(35)	12	183	(412)	(229)

Notes: 1. Adjustments in Segment profit (loss) in the amount of (412) million yen include 1 million yen elimination of inter-segment transactions and (412) million yen corporate expense not allocated to any reportable segment.

2. Segment profit (loss) is adjusted to correspond with operating loss reported on the consolidated statements of income for the corresponding period.

2. Information about Impairment Loss on Fixed Assets, Goodwill, etc.

(Significant impairment losses related to fixed assets)

Not applicable

(Significant changes in goodwill amounts)

As a result of acquiring additional shares in Glowdayz, Inc. and converting it into a consolidated subsidiary in this first quarter, the amount of goodwill in the Global segment increased by 1,092 million yen. Note that since the allocation of acquisition cost had not been completed as of the end of this first quarter, the amount of goodwill is calculated on a tentative basis.

(Significant gain on negative goodwill)

Not applicable