

November 4, 2022

**Summary of Consolidated Financial Results  
for the First Quarter of the Fiscal Year Ended June 30, 2023  
(Three Months Ended September 30, 2022)**

[Japanese GAAP]

Company name:	istyle Inc.	Stock exchange listings:	Prime Market of the TSE
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		
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Scheduled date of filing of Quarterly Report:			November 10, 2022
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, 2022 (July 1, 2022 – September 30, 2022)****(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, 2022	9,200	18.2	237	-	158	-	101	-
Three months ended September 30, 2021	7,784	3.7	(229)	-	(238)	-	(52)	-

Note: Comprehensive income (million yen) Three months ended September 30, 2022: (66) (-%)

Three months ended September 30, 2021: (27) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended September 30, 2022	1.40	1.22
Three months ended September 30, 2021	(0.73)	-

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	27,784	9,729	33.7
As of June 30, 2022	22,168	8,652	38.1

Reference: Total equity As of September 30, 2022: 9,376 million yen

As of June 30, 2022: 8,454 million yen

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2022	-	0.00	-	0.00	0.00
Fiscal year ending June 30, 2023	-				
Fiscal year ending June 30, 2023 (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, 2023 (July 1, 2022 – June 30, 2023)**

(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	40,000	16.3	500	-	170	-	30	-	0.40

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, 2022: 77,963,593 shares

As of June 30, 2022: 74,146,800 shares

2) Number of treasury shares at end of period

As of September 30, 2022: 2,693,567 shares

As of June 30, 2022: 2,693,567 shares

3) Average number of shares outstanding during the period

Three months ended September 30, 2022: 72,448,918 shares

Three months ended September 30, 2021: 71,453,233 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 4 in the accompanying materials.

\* *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), 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. We expect, however, that the domestic cosmetics market will gradually revive as the impact of COVID-19 slowly wanes, and that the performance of the istyle Group's client cosmetics brands will also recover.

The istyle Group will leverage the retail sales and sales promotion capabilities of our Beauty Service segment, which provides retail services such as EC and retail stores in Japan, not only to increase sales in this business but also to contribute to the performance of our client cosmetics brands. We will form a virtuous cycle by increasing advertising placement in our media, utilization of our solution services, and use of our EC and in-store sales promotion services, which will also lead to sustainable growth of the On Platform business. With these efforts, we will continue to focus on growing the On Platform and Beauty Service segments, which are our earnings pillars, with the goal of further boosting earnings and turning profitable for the full year at the operating income level.

In this first quarter, consolidated net sales were up 18.2% year on year. Although seasonal factors such as typhoons and a resurgence in COVID-19 cases had a negative impact, this was offset by strong performance led by the Beauty Service segment's stores. There were also contributions to earnings from increasing cosmetic brand utilization of On Platform segment platforms, and the continued growth of E-Commerce in the Beauty Service segment.

Operating income also increased 466 million yen year on year to return to profitability largely due to increased sales in Beauty Service segment stores and the On Platform segment.

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

Net sales:	9,200 million yen (7,784 million yen in previous fiscal year; 18.2% year-on-year increase)
Operating income:	237 million yen (229 million yen loss in previous fiscal year)
Ordinary income:	158 million yen (238 million yen loss in previous fiscal year)
Income before income taxes:	158 million yen (110 million yen loss in previous fiscal year)
Net income attributable to owners of the parent company:	101 million yen (52 million yen loss in previous fiscal year)

#### 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 the business environment remained difficult as clients continued to tighten their budgets in response to the pandemic, sales were up year on year in this first quarter due to increases in transaction volume and transaction unit prices as a result of increased utilization of our services by cosmetics brands.

Operating income was up year on year due to increased sales as well as reduced personnel expenses due to recruitment delays.

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

Net sales:	1,967 million yen (1,862 million yen in previous fiscal year; 5.6% year-on-year increase)
Operating income:	393 million yen (240 million yen in previous fiscal year; 63.6% 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 E-Commerce site *@cosme SHOPPING* and cosmetics specialty shops including *@cosme STORE* and the large flagship store *@cosme TOKYO*.

The Beauty Service segment's EC sales were up 10.7% year on year, sustaining its double-digit EC sales growth. This was the result of new customers acquired through EC events becoming established users, and the success of ongoing measures to enhance merchandizing. The segment's store sales were up 39.5% year on year due to increased customer traffic thanks to store events and a sharp recovery in the movement of people compared with the previous fiscal year despite negative factors such as typhoons and a resurgence in COVID-19 cases. The large flagship store also posted record-high net sales.

Operating income returned to profitability, increasing 261 million yen due to the increase in store sales.

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

Net sales:	5,902 million yen (4,645 million yen in previous fiscal year; 27.1% year-on-year increase)
Operating income:	226 million yen (35 million yen loss in 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.

EC & Wholesale sales were down year on year due to the lingering impact on the cross-border EC business in China of local lockdowns that remained in place until June (in the fourth quarter of the previous fiscal year). The business's performance is gradually improving, however, and sales are up compared with the immediately preceding quarter. Although three unprofitable stores in Hong Kong were closed down in the previous fiscal year, sales of the three remaining stores in Hong Kong are recovering, with sales virtually unchanged year on year. As a result, overall sales for the Global segment were down only slightly year on year.

The consolidated operating loss of 5 million yen was due to a slump in the South Korean business, whose Statements of Income was consolidated in the second quarter of the previous fiscal year. When excluding that business's results, the segment has returned to profitability. Through ongoing earnings structure improvements, the segment is on the verge of recovering to profitability.

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

Net sales:	1,024 million yen (1,053 million yen in previous fiscal year; 2.7% year-on-year decrease)
Operating loss:	5 million yen (35 million yen loss in 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.

Temporary staffing agency sales were up year on year due to the gradual waning of the impact of COVID-19, and efforts to expand and enhance the operational workforce.

Operating income was temporarily in the red due to upfront personnel expenses for the temporary staffing agency's workforce expansion and enhancement, but the segment as a whole achieved profitability due to a gain on sales of operational investment securities.

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

Net sales:	307 million yen (224 million yen in previous fiscal year; 37.1% year-on-year increase)
Operating income:	1 million yen (12 million yen in previous fiscal year)

## (2) Consolidated Financial Position

### (Assets)

Total assets as of September 30, 2022, were 27,784 million yen, an increase of 5,616 million yen from June 30, 2022.

Current assets as of September 30, 2022, totaled 18,482 million yen, an increase of 5,554 million yen from June 30, 2022. This was mainly due to increases of 4,611 million yen in cash and deposits; 268 million yen in notes and accounts receivable – trade and contract assets; and 607 million yen in merchandise.

Fixed assets as of September 30, 2022 were 9,303 million yen, an increase of 62 million yen from June 30, 2022. This was mainly due to an increase of 345 million yen in tangible assets offsetting a decrease of 307 million yen in investment securities.

### (Liabilities)

Total liabilities as of September 30, 2022, were 18,056 million yen, an increase of 4,540 million yen from June 30, 2022.

Current liabilities increased by 409 million yen from June 30, 2022 to 12,095 million yen. This was largely due to an increase of 621 million yen in notes and accounts payable – trade offsetting a decrease of 124 million yen in the current portion of long-term debt.

Fixed liabilities as of September 30, 2022 were 5,961 million yen, an increase of 4,131 million yen from June 30, 2022. This was mainly due to an increase of 4,000 million yen in bonds with convertible bond type warrants.

### (Net Assets)

Total net assets as of September 30, 2022, were 9,729 million yen, an increase of 1,076 million yen from June 30, 2022. This was primarily due to increases of 500 million yen in capital stock and 500 million yen in capital surplus resulting from the Triple Four Investment Partnership exercising its right to have its bonds in the 3<sup>rd</sup> Series of Unsecured Bonds with Convertible Type Bond Warrants converted into new shares.

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

Our full-year consolidated operating results forecast for the fiscal year ending June 30, 2023 published in the Summary of Consolidated Financial Results released on August 15, 2022, was predicated on the assumptions that earnings would begin improving as the impact of the COVID-19 pandemic would gradually come to an end. If, however, discrepancies arise between actual societal/economic conditions and the assumptions underlying our 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

(Millions of yen)

**(1) Consolidated Balance Sheets**

	As of June 30, 2022	As of September 30, 2022
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,828	10,438
Notes and accounts receivable - trade and contract assets	3,153	3,421
Merchandise	2,331	2,938
Operational investment securities	1,034	1,068
Other	652	688
Allowance for doubtful receivables	(6)	(6)
Allowance for investment loss	(65)	(65)
<b>Total current assets</b>	<b>12,928</b>	<b>18,482</b>
<b>Fixed assets</b>		
Tangible assets	1,367	1,712
Intangible assets		
Goodwill	1,488	1,400
Software	2,412	2,332
Other	376	429
<b>Total intangible assets</b>	<b>4,277</b>	<b>4,161</b>
Investments and other assets		
Investment securities	1,371	1,064
Lease and guarantee deposits	1,796	1,866
Other	460	529
Allowance for doubtful receivables	(30)	(29)
<b>Total investments and other assets</b>	<b>3,597</b>	<b>3,430</b>
<b>Total fixed assets</b>	<b>9,241</b>	<b>9,303</b>
<b>Total assets</b>	<b>22,168</b>	<b>27,784</b>

(Millions of yen)

	As of June 30, 2022	As of Sept. 30, 2022
	Amount	Amount

**Liabilities****Current liabilities**

Notes and accounts payable – trade	1,419	2,040
Short-term debt	1,500	1,500
Current portion of long-term debt	6,428	6,304
Income taxes payable	117	85
Provision for bonuses	183	172
Other	2,039	1,994
<b>Total current liabilities</b>	<b>11,686</b>	<b>12,095</b>

**Fixed liabilities**

Long-term debt	1,728	1,652
Bonds with Convertible Bond Type Warrants	-	4,000
Other	101	309
<b>Total fixed liabilities</b>	<b>1,829</b>	<b>5,961</b>

<b>Total liabilities</b>	<b>13,516</b>	<b>18,056</b>
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**Net assets****Shareholders' equity**

Capital stock	4,756	5,256
Capital surplus	3,937	4,437
Retained earnings	(983)	(882)
Treasury stock	(280)	(280)
<b>Total shareholders' equity</b>	<b>7,430</b>	<b>8,531</b>

**Accumulated other comprehensive income**

Net unrealized gain on available-for-sale securities	319	154
Foreign currency translation adjustments	705	691
<b>Total accumulated other comprehensive income</b>	<b>1,024</b>	<b>845</b>

<b>Subscription rights to shares</b>	<b>1</b>	<b>143</b>
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<b>Non-controlling interests</b>	<b>198</b>	<b>209</b>
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<b>Total net assets</b>	<b>8,652</b>	<b>9,729</b>
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<b>Total liabilities and net assets</b>	<b>22,168</b>	<b>27,784</b>
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(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Three months ended September 30, 2021	Three months ended September 30, 2022
	Amount	Amount
<b>Net sales</b>	7,784	9,200
<b>Cost of sales</b>	4,130	4,864
<b>Gross profit</b>	3,654	4,336
<b>Selling, general and administrative expenses</b>	3,883	4,100
<b>Operating income (loss)</b>	(229)	237
<b>Non-operating income</b>		
Interest income	0	1
Income from subsidies	4	1
Foreign exchange gains	4	38
Gain on forgiveness of debts	4	-
Other	2	12
Total non-operating income	13	52
<b>Non-operating expenses</b>		
Interest expenses	13	13
Loss on investments in partnership	3	4
Equity in losses of affiliates	2	9
Idle asset expenses	-	42
Commission fee	-	60
Other	3	2
Total non-operating expenses	22	130
<b>Ordinary income (loss)</b>	(238)	158
<b>Extraordinary income</b>		
Gain on reversal of share acquisition rights	14	0
Gain on step acquisitions	114	-
Total extraordinary income	128	0
<b>Income (loss) before income taxes</b>	(110)	158
<b>Total income taxes</b>	(61)	44
<b>Net income (loss)</b>	(49)	114
<b>Net income (loss) attributable to non-controlling interests</b>	3	13
<b>Net income (loss) attributable to owners of the parent company</b>	(52)	101

## Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended Sept. 30, 2021	Three months ended Sept. 30, 2022
	Amount	Amount
<b>Net income (loss)</b>	(49)	114
<b>Other comprehensive income (loss)</b>		
Net unrealized gain on available-for-sale securities	9	(6)
Share of other comprehensive income of associates accounted for using equity method	-	(159)
Foreign currency translation adjustments	13	(15)
Total other comprehensive income	22	(180)
<b>Comprehensive income (loss)</b>	(27)	(66)
Comprehensive income (loss) attributable to		
Owners of the parent	(32)	(77)
Non-controlling interests	5	11

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

(Notes on the Going-concern Assumption)

Not applicable

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

Upon exercise of the rights of the 3rd Series of Unsecured Bonds with Convertible Bond Type Warrants by Triple Four Investment Partnership, the bonds were converted into new shares, effective September 7, 2022. As a result, capital stock and capital surplus increased by 500 million yen, respectively. Accordingly, capital stock and capital surplus as of September 30, 2022, were 5,256 million yen and 4,437 million yen, respectively.

(Changes in Accounting Policies)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) has been applied effective from the beginning of this first quarter. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the Group has opted to apply the new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively. Note that this has no impact on the Company's quarterly consolidated financial statements.

(Additional Information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some of its domestic consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system from this first quarter. In accordance with this, the accounting procedures and disclosure of corporate and local income taxes and tax effect accounting are based on the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021). Also, in accordance with Paragraph 32 (1) of Practical Solution No. 42, the Company has assumed that there is no impact of the change in accounting policy due to the application of Practical Solution No. 42.

(Segment Information)

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 disaggregation of revenue

	Reportable segment				Total	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>			
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 income 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. The amount of goodwill, which had been calculated on a tentative basis, was finalized in the third quarter of previous fiscal year. There is no change in the amount.

(Significant gain on negative goodwill)

Not applicable

Three months ended September 30, 2022 (July 1, 2022 through September 30, 2022)

1. Net sales and income/loss by reportable segment, and information on disaggregation of revenue

(Millions of yen)

	Reportable segment				Total	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>			
Net sales							
Goods transferred at a point in time	-	5,902	836	-	6,738	-	6,738
Goods transferred over time	1,967	-	188	303	2,458	-	2,458
Revenue generated from contracts with customers	1,967	5,902	1,024	303	9,196	-	9,196
Other revenue	-	-	-	4	4	-	4
Sales to outside customers	1,967	5,902	1,024	307	9,200	-	9,200
Inter-segment sales and transfers	101	6	9	5	121	(121)	-
Total	2,068	5,908	1,033	313	9,321	(121)	9,200
Segment profit (loss)	393	226	(5)	1	615	(378)	237

Notes: 1. Adjustments in Segment profit (loss) in the amount of (378) million yen include 1 million yen elimination of inter-segment transactions and (379) million yen corporate expense not allocated to any reportable segment.

2. Segment profit (loss) is adjusted to correspond with operating income 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