

**Summary of Consolidated Financial Results**  
**for the Third Quarter of the Fiscal Year Ending June 30, 2023**  
**(Nine Months Ended March 31, 2023)**

[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:			May 15, 2023
Scheduled date of dividend payment:			—
Preparation of supplementary materials for financial results:			Yes
Schedule of quarterly financial results briefing session:			None

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

**1. Consolidated Financial Results for the Nine Months Ended March 31, 2023 (July 1, 2022 – March 31, 2023)****(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	%
Nine months ended March 31, 2023	30,934	21.5	544	—	205	—	20	—
Nine months ended March 31, 2022	25,467	9.8	(584)	—	(635)	—	(620)	—

Note: Comprehensive income (million yen)      Nine months ended March 31, 2023:      (184) (—%)  
 Nine months ended March 31, 2022:      179 (—%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended March 31, 2023	0.27	0.19
Nine months ended March 31, 2022	(8.68)	—

**(2) Consolidated financial position**

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2023	23,822	9,634	38.5
As of June 30, 2022	22,168	8,652	38.1

Reference: Total equity      As of March 31, 2023:      9,168 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	—	0.00	—		
Fiscal year ending June 30, 2023 (forecasts)				0.00	0.00

Note: Revisions to 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	42,500	23.5	800	—	400	—	100	—	1.34

Note: Revisions to the most recently announced earnings forecast: Yes

**\* 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 March 31, 2023: 77,963,593 shares

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

2) Number of treasury shares at end of period

As of March 31, 2023: 2,693,567 shares

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

3) Average number of shares outstanding during the period

Nine months ended March 31, 2023: 74,322,793 shares

Nine months ended March 31, 2022: 71,453,233 shares

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

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## 1. Operating Results and Financial Position

### (1) Analysis of Operating Results

The business outlook in the cosmetics industry remains uncertain given the impact of COVID-19, which resulted in reduced consumer willingness to make purchases, fewer 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. However, the domestic cosmetics market started to show signs of recovery, reflecting a gradual decline in the impact of COVID-19 with mask-wearing no longer mandatory and tourism-related demand trending toward a recovery. We expect that this will contribute to a recovery in the performance of the istyle Group's client cosmetics brands.

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.

The consolidated operating performance for the first nine months ended March 31, 2023 was as follows.

Net sales increased 21.5% despite the lingering impact of COVID-19. The Beauty Service segment achieved double-digit growth year on year in both in-store and online sales. In addition, the On Platform segment grew, thanks to a rise in demand for brand campaigns including sales promotion services, which also contributed to higher sales.

Operating income increased 1,128 million yen year on year to return to profitability due to the aforementioned increased sales in the Beauty Service segment and the On Platform segment.

As a result, the consolidated operating performance for the first nine months ended March 31, 2023 was as follows:

Net sales:	30,934 million yen (25,467 million yen in previous fiscal year: 21.5% year-on-year increase)
Operating income:	544 million yen (584 million yen loss in the previous fiscal year)
Ordinary income:	205 million yen (635 million yen loss in the previous fiscal year)
Income before income taxes:	187 million yen (681 million yen loss in the previous fiscal year)
Net loss attributable to owners of the parent company:	20 million yen (620 million yen loss in the 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 during the first nine months under review as clients continued to tighten their budgets in response to the pandemic, sales rose year on year, reflecting growth in brand campaigns including sales promotion services, driven by growth in the Beauty Service segment.

Operating income increased, reflecting an increase in net sales.

As a result, the consolidated operating performance for the first nine months ended March 31, 2023 was as follows:

Net sales:	5,838 million yen (5,445 million yen in the previous fiscal year; 7.2% year-on-year increase)
Operating income:	1,045 million yen (637 million yen in the previous fiscal year; 63.9% 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 11.9% year on year, sustaining its double-digit EC sales growth, with a special event achieving record-high gross merchandise value, new customers acquired through EC events becoming users, and

ongoing measures to enhance merchandizing proving successful. The segment's store sales grew 45.3% year on year, due to a sharp recovery in the movement of people and increased customer traffic thanks to sales promotion events as part of brand campaigns integrating online and offline marketing. In addition, the large flagship store not only drove sales, but it also contributed to the operating performance of the On Platform segment as the basis for the announcement of a range of information by holding brand-related events while also planning and implementing content with influencers.

Operating income increased 803 million yen and remained positive thanks to growth in in-store sales, despite the posting of promotion-related expenses in conjunction with the holding of the special online event.

As a result, the consolidated operating performance for the first nine months ended March 31, 2023 was as follows:

Net sales: 20,897 million yen (15,984 million yen in previous fiscal year: 30.7% year-on-year increase)

Operating income: 884 million yen (81 million yen in the previous fiscal year; 992.2% year-on-year increase)

### 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 as the cross-border EC business in China contended with lackluster consumption and logistics slowdown due to a resurgence of COVID-19 cases in China. We had closed down three of the stores operated in Hong Kong due to unprofitability in the previous fiscal year. However, given a solid recovery recorded by the remaining three stores, total sales of the Global segment, despite a year-on-year decline, recorded an increase on a quarterly basis.

The segment registered an operating loss due to a poor business performance in Korea, despite efforts made to improve the earnings structure through the liquidation of or withdrawal from unprofitable businesses.

As a result, the consolidated operating performance for the first nine months ended March 31, 2023 was as follows:

Net sales: 3,206 million yen (3,353 million yen in the previous fiscal year; 4.4% year-on-year decrease)

Operating loss: 79 million yen (145 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.

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

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, the consolidated operating performance for the first nine months ended March 31, 2023 was as follows:

Net sales: 994 million yen (685 million yen in the previous fiscal year; 45.1% year-on-year increase)

Operating income: 9 million yen (18 million yen in the previous fiscal year; 52.0% year-on-year decrease)

## (2) Consolidated Financial Position

### (Assets)

Total assets as of March 31, 2023 were 23,822 million yen, an increase of 1,654 million yen from the end of the previous fiscal year.

Current assets as of March 31, 2023 totaled 14,733 million yen, an increase of 1,806 million yen from the end of the previous fiscal year. This was mainly due to increases of 721 million yen in cash and deposits; 617 million yen in notes and accounts receivable – trade and contract assets; and 648 million yen in merchandise.

Fixed assets as of March 31, 2023 totaled 9,089 million yen, a decrease of 152 million yen from the end of the previous fiscal

year. This was chiefly attributable to a decrease of 377 million yen in investment securities, offsetting an increase of 325 million yen in tangible assets.

(Liabilities)

Total liabilities as of March 31, 2023 were 14,188 million yen, an increase of 673 million yen from the end of the previous fiscal year.

Current liabilities decreased by 5,258 million yen from the end of the previous fiscal year to 6,428 million yen. This was largely due to a decrease of 6,190 million yen in the current portion of long-term debt, offsetting an increase of 1,108 million yen in notes and accounts payable – trade.

Fixed liabilities increased by 5,931 million yen from the end of the previous fiscal year to 7,760 million yen. This was mainly due to increases of 1,672 million yen in long-term debt and 4,000 million yen in bonds with convertible bond type warrants.

(Net Assets)

Net assets as of March 31, 2023 were 9,634 million yen, an increase of 981 million yen from the end of the previous fiscal year.

The increase was primarily attributable to increases of 500 million yen in capital stock and 409 million yen in capital surplus, which in turn occurred mainly because of increases of 500 million yen in capital stock and 500 million yen in capital surplus as a result of the Triple Four Investment Partnership exercising its right to have its bonds in the 3rd Series of Unsecured Bonds with Convertible Type Bond Warrants converted into new shares on September 7, 2022.

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

The istyle Group has decided to revise its full-year results forecast as announced in the “Notice Regarding Revision to the Full-Year Consolidated Financial Results Forecast” on May 12, 2023. Reasons for the revision are as follows.

We made the forecast for consolidated results for the fiscal year ending June 30, 2023 in anticipation of achieving an increase in sales and posting operating income through the facilitation of growth in the On Platform and Beauty Service segments, which are our earnings pillars.

The cosmetics market is trending toward a recovery, as initially expected. Against this background, in the Beauty Service segment, the stores performed better than we initially assumed, reflecting growth in tourism-related demand as a result of the easing of immigration restrictions in October 2022 and the end of mandatory mask-wearing in March 2023. The better-than-expected performance was also aided by sales promotion events carried out on @cosme TOKYO as part of brand campaigns integrating online and offline marketing. As a result, consolidated net sales are expected to hit a record high, and operating income is expected to surpass the initial forecast.

Based on the above, we have decided to revise the full-year consolidated forecast as follows:

<Revised forecast for the full-year consolidated financial results ending June 30, 2023>

Net sales	42,500 million yen
Operating income	800 million yen
Ordinary income	400 million yen
Net income attributable to owners of the parent company	100 million yen

## 2. Consolidated Financial Statements and Relevant Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2022	As of March 31, 2023
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	5,828	6,549
Notes and accounts receivable - trade, and contract assets	3,153	3,771
Merchandise	2,331	2,979
Operational investment securities	1,034	1,039
Other	652	467
Allowance for doubtful receivables	(6)	(7)
Allowance for investment loss	(65)	(65)
<b>Total current assets</b>	<b>12,928</b>	<b>14,733</b>
<b>Fixed assets</b>		
Tangible assets	1,367	1,692
Intangible assets		
Goodwill	1,488	1,335
Software	2,412	1,971
Other	376	613
<b>Total intangible assets</b>	<b>4,277</b>	<b>3,919</b>
Investments and other assets		
Investment securities	1,371	994
Leasehold and guarantee deposits	1,796	1,860
Other	460	652
Allowance for doubtful receivables	(30)	(29)
<b>Total investments and other assets</b>	<b>3,597</b>	<b>3,478</b>
<b>Total fixed assets</b>	<b>9,241</b>	<b>9,089</b>
<b>Total assets</b>	<b>22,168</b>	<b>23,822</b>

(Millions of yen)

	As of June 30, 2022	As of March 31, 2023
	Amount	Amount

**Liabilities****Current liabilities**

Notes and accounts payable – trade	1,419	2,527
Short-term debt	1,500	1,000
Current portion of long-term debt	6,428	238
Income taxes payable	117	182
Provision for bonuses	183	207
Other	2,039	2,274
<b>Total current liabilities</b>	<b>11,686</b>	<b>6,428</b>

**Fixed liabilities**

Long-term debt	1,728	3,400
Convertible bond-type bonds with share acquisition rights	—	4,000
Other	101	361
<b>Total fixed liabilities</b>	<b>1,829</b>	<b>7,760</b>

**Total liabilities**

<b>13,516</b>	<b>14,188</b>
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**Net assets****Shareholders' equity**

Capital stock	4,756	5,256
Capital surplus	3,937	4,346
Retained earnings	(983)	(963)
Treasury stock	(280)	(280)
<b>Total shareholders' equity</b>	<b>7,430</b>	<b>8,359</b>

**Accumulated other comprehensive income**

Valuation difference on available-for-sale securities	319	82
Foreign currency translation adjustment	705	727
<b>Total accumulated other comprehensive income</b>	<b>1,024</b>	<b>809</b>

**Subscription rights to shares**

1	325
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**Non-controlling interests**

198	141
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**Total net assets**

8,652	9,634
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**Total liabilities and net assets**

22,168	23,822
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## (2) Consolidated Statements of Income and Comprehensive Income

### Consolidated Statements of Income

	(Millions of yen)	
	Nine months ended March 31, 2022	Nine months ended March 31, 2023
<b>Net sales</b>	25,467	30,934
<b>Cost of sales</b>	13,803	17,003
<b>Gross profit</b>	11,665	13,931
<b>Selling, general and administrative expenses</b>	12,249	13,387
<b>Operating income (loss)</b>	(584)	544
<b>Non-operating income</b>		
Interest income	2	4
Dividend income	3	3
Income from subsidiaries	21	10
Share of profit of entities accounted for using equity method	112	11
Other	23	32
Total non-operating income	160	61
<b>Non-operating expenses</b>		
Interest expenses	41	45
Foreign exchange losses	115	154
Loss on investments in partnership	3	6
Idle asset expenses	42	126
Commission expenses	—	60
Other	10	9
Total non-operating expenses	212	399
<b>Ordinary income (loss)</b>	(635)	205
<b>Extraordinary income</b>		
Compensation income	13	—
Gain on reversal of share acquisition rights	14	0
Gain on step acquisitions	114	—
Total extraordinary income	141	0
<b>Extraordinary loss</b>		
Impairment loss	184	7
Business restructuring expenses	—	12
Other	2	—
Total extraordinary loss	186	18
<b>Income (loss) before income taxes</b>	(681)	187
<b>Total income taxes</b>	(75)	147
<b>Net Income (loss)</b>	(606)	41
<b>Net income (loss) attributable to non-controlling interests</b>	14	21
<b>Net income (loss) attributable to owners of the parent company</b>	(620)	20

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended March 31, 2022	Nine months ended March 31, 2023
<b>Net income (loss)</b>	(606)	41
<b>Other comprehensive income (loss)</b>		
Valuation difference on available-for-sale securities	35	(18)
Foreign currency translation adjustment	427	12
Share of other comprehensive income of associates accounted for using equity method	322	(219)
Total other comprehensive income	785	(225)
<b>Comprehensive income (loss)</b>	179	(184)
Comprehensive income (loss) attributable to		
Owners of the parent	153	(195)
Non-controlling interests	26	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)

The Company recorded increases of 500 million yen in capital stock and 500 million yen in capital surplus as a result of the Triple Four Investment Partnership exercising its right to have its bonds in the 3rd Series of Unsecured Bonds with Convertible Type Bond Warrants converted into new shares on September 7, 2022. With capital stock and capital surplus rising 500 million yen and 409 million yen, respectively, due in large part to the said conversion, capital stock and capital surplus as of March 31, 2023 came to 5,256 million yen and 4,346 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 financial statements.

(Additional Information)

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

The Company and certain of its consolidated subsidiaries in Japan made a shift from the consolidated taxation system to the group tax sharing system in the first quarter of the fiscal year under review. Consequently, with respect to accounting processing and disclosures for income tax, local corporate income tax and tax effect accounting, the Company started to apply the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force No. 42 issued August 12, 2021, hereinafter “PITF No. 42”). In addition, based on Paragraph 32-(1) of PITF No. 42, the Company considers that there will be no impact of changes in its accounting policy resulting from the application of PITF No. 42.

(Segment Information)

Nine months ended March 31, 2022 (July 1, 2021 through March 31, 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)	Total (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	—	15,984	2,932	3	18,919	—	18,919
Goods transferred over time	5,445	—	421	682	6,548	—	6,548
Revenue generated from contracts with customers	5,445	15,984	3,353	685	25,467	—	25,467
Sales to outside customers	5,445	15,984	3,353	685	25,467	—	25,467
Inter-segment sales and transfers	297	11	7	8	323	(323)	—
Total	5,742	15,995	3,360	693	25,790	(323)	25,467
Segment profit (loss)	637	81	(145)	18	592	(1,176)	(584)

Notes: 1. Adjustments in Segment profit (loss) in the amount of (1,176) million yen include 2 million yen elimination of inter-segment transactions and (1,178) 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)

In the Global segment, impairment losses have been recorded on some stores and asset groups, as the segment's revenue is expected to fall below initial forecasts. Said impairment losses during the first nine months of this fiscal year amount to 126 million yen.

In corporate assets not allocated to any reportable segment, impairment losses have been recorded due to the discontinuation of the use of certain assets. Said impairment losses during the first nine months of this fiscal year amount to 59 million yen.

(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.

(Significant gain on negative goodwill)

Not applicable.

Nine months ended March 31, 2023 (July 1, 2022 through March 31, 2023)

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

(Millions of yen)

	Reportable segment				Total	Adjustments (note 1)	Total (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	—	20,897	2,641	—	23,538	—	23,538
Goods transferred over time	5,838	—	564	990	7,392	—	7,392
Revenue generated from contracts with customers	5,838	20,897	3,206	990	30,930	—	30,930
Other income	—	—	—	4	4	—	4
Sales to outside customers	5,838	20,897	3,206	994	30,934	—	30,934
Inter-segment sales and transfers	401	27	10	21	459	(459)	—
Total	6,239	20,924	3,215	1,015	31,393	(459)	30,934
Segment profit (loss)	1,045	884	(79)	9	1,858	(1,314)	544

Notes: 1. Segment profit (loss) adjustment of (1,314) million yen includes elimination of inter-segment transactions of 3 million yen and whole company expenses not divided into each reporting segment of (1,317) million yen.

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.