

Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2023

[Japanese GAAP]

Company name:	istyle Inc.	Stock exchange listings:	Prime Market of the TSE
Securities code:	3660	URL:	https://www.istyle.co.jp/en
Representative:	Tetsuro Yoshimatsu, Representative Director, Chairperson, CEO		
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Scheduled date of Annual General Meeting of Shareholders:	September 29, 2023		
Scheduled date of filing Annual Securities Report:	September 29, 2023		
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, 2023 (July 1, 2022 – June 30, 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	%
Fiscal year ended June 30, 2023	42,890	24.7	817	-	410	-	275	-
Fiscal year ended June 30, 2022	34,401	11.2	(453)	-	(593)	-	(571)	-

Note: Comprehensive income (million yen) Fiscal year ended June 30, 2023: 336 (-41.1 %)
Fiscal year ended June 30, 2022: 571 (-8.5 %)

	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, 2023	3.69	2.52	3.0	1.8	1.9
Fiscal year ended June 30, 2022	(8.00)	-	(7.0)	(2.7)	(1.3)

Reference: Equity in earnings of affiliates: Fiscal year ended June 30, 2023: 17 million yen
Fiscal year ended June 30, 2022: 107 million yen

Note: Diluted net income per share for the fiscal year ended June 30, 2022 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, 2023	24,301	10,690	41.6	131.37
As of June 30, 2022	22,168	8,652	38.1	118.31

Reference: Total equity As of June 30, 2023: 10,099 million yen
As of June 30, 2022: 8,454 million yen

(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, 2023	2,942	(1,247)	(612)	6,759
Fiscal year ended June 30, 2022	1,276	(1,529)	(1,354)	5,690

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended June 30, 2022	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended June 30, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending June 30, 2024 (forecasts)	-	0.00	-	0.00	0.00		-	

3. Consolidated Forecast for the Fiscal Year Ending June 30, 2024 (July 1, 2023 – June 30, 2024)

(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	50,000	16.6	1,200	46.8	1,000	143.7	700	154.3	9.11

* 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: Yes
- 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, 2023: 79,563,593 shares

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

2) Number of treasury shares at end of period

As of June 30, 2023: 2,693,567 shares

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

3) Average number of shares outstanding during the period

Fiscal year ended June 30, 2023: 74,607,171 shares

Fiscal year ended June 30, 2022: 71,453,233 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2023 (July 1, 2022 – June 30, 2023)

(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, 2023	7,215	2.9	(739)	-	586	27.9	798	54.5
Fiscal year ended June 30, 2022	7,012	5.7	(610)	-	458	-	517	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended June 30, 2023	10.70	7.31
Fiscal year ended June 30, 2022	7.23	-

Note: Diluted net income per share has not been disclosed for the fiscal year ended June 30, 2022 because there were no residual shares with a dilutive effect.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2023	19,956	8,554	40.7	105.59
As of June 30, 2022	19,988	6,116	30.6	85.58

Reference: Total equity As of June 30, 2023 8,117 million yen As of June 30, 2022 6,115 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) Future Outlook" on page 6 in the accompanying material.
- The Company is scheduled to hold a briefing for analysts and institutional investors on August 15, 2023.

** 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

The business outlook for the cosmetics industry remains uncertain due to the impact of COVID-19, as consumer sentiment weakened, customers refrained from travel outside the home and therefore had fewer opportunities to wear cosmetics, and inbound demand from travelers to Japan all but disappeared. However, the cosmetics market in Japan began to show signs of recovery, reflecting a gradual decline in the impact of COVID-19, with mask-wearing no longer mandatory and inbound tourism-related demand reviving. We expect these developments will contribute to a recovery in the performance of cosmetics brands—istyle Group customers—after a slight delay.

istyle Inc. (“istyle,” “we,” or the “Company”) consolidated operating performance for the fiscal year ended June 30, 2023 (“fiscal 2023”) was as follows.

Net sales increased 24.7%, despite the lingering impact of COVID-19. We saw a remarkable recovery in the influx of people and demand for cosmetics beginning in January 2023. In addition, inbound demand contributed to a 46.1% increase in sales Beauty Service segment retail locations, driving Company performance. E-commerce sales increased 16.3% owing to growth from measures including advance sales, sales of limited-edition products, and contributions from the *@cosme BEAUTY DAY* and *@cosme SPECIAL WEEK* events in December 2022 and June 2023, respectively. The On Platform segment contributed to sales growth, expanding with a rise in demand for sales promotion services and other services related to cosmetics brand campaigns.

Operating income increased 1,270 million yen year on year as the Company returned to profitability with the aforementioned increase in Beauty Service segment and On Platform segment sales.

As a result, consolidated operating performance for fiscal 2023 was as follows:

Net sales:	42,890 million yen (34,401 million yen in the previous fiscal year; 24.7% year-on-year increase)
Operating income:	817 million yen (453 million yen loss in the previous fiscal year)
Ordinary income:	410 million yen (593 million yen loss in the previous fiscal year)
Income before income taxes:	392 million yen (690 million yen loss in the previous fiscal year)
Net loss attributable to owners of the parent company:	275 million yen (571 million yen loss in the previous fiscal year)

1) On Platform segment

The On Platform segment consists of services (BtoB and BtoC) based on *@cosme*, a comprehensive cosmetics and beauty portal website operated by the Company.

The business environment remained challenging throughout the fiscal year as customers continued to tighten their budgets in response to the pandemic. However, segment sales rose year on year, reflecting an increase in sales promotion services and other brand campaigns driven by Beauty Service segment growth.

Operating income increased due to an increase in net sales.

As a result, consolidated operating performance for fiscal 2023 was as follows:

Net sales:	7,935 million yen (7,317 million yen in the previous fiscal year; 8.4% year-on-year increase)
Operating income:	1,373 million yen (903 million yen in the previous fiscal year; 52.1% year-on-year increase)

2) Beauty Service segment

The Beauty Service segment consists mainly of retail services in Japan, including the Japanese e-commerce site *@cosme SHOPPING*, operations of the *@cosme STORE* cosmetics specialty shops, and the *@cosme TOKYO* flagship retail store.

E-commerce sales increased 16.3% thanks to measures in collaboration with the On Platform segment. These measures included advance sales and sales of limited-edition products in cooperation with major brands. The @cosme BEAUTY DAY and @cosme SPECIAL WEEK events also contributed to positive sales performance. Segment store sales rose 46.1% year on year due to a dramatic recovery in personal travel outside the home, as well as increased customer traffic stemming from sales promotion events as part of brand campaigns that integrated online and offline marketing. The @cosme TOKYO flagship store not only drove Beauty Service segment sales, but also contributed to the operating performance improvement of the On Platform segment by serving as a communications channel through brand-related events, influencer content planning and execution, and other activities.

Despite promotion-related expenses in conjunction with a special online event, operating income increased to a steady 1,048 million yen owing to in-store sales growth.

As a result, consolidated operating performance for fiscal 2023 was as follows:

Net sales:	29,222 million yen (21,902 million yen in the previous fiscal year; 33.4% year-on-year increase)
Operating income:	1,397 million yen (338 million yen in the previous fiscal year; 313.8% year-on-year increase)

3) Global segment

The Global segment consists of business operations outside Japan, including e-commerce and wholesale, retail stores, and media and other services.

The EC and wholesale business recorded lower net sales as our cross-border e-commerce business in China encountered market changes, including the emergence of local brands. In the previous year, we closed three unprofitable stores in Hong Kong. The remaining three stores have been recovering steadily, resulting in a slight increase in Global segment sales as a whole.

Despite efforts to improve segment profit structure through liquidations and withdrawals from unprofitable businesses, the Global segment posted an operating loss due to poor business performance in Korea.

As a result, consolidated operating performance for fiscal 2023 was as follows:

Net sales:	4,395 million yen (4,247 million yen in the previous fiscal year; 3.5% year-on-year increase)
Operating loss:	86 million yen (209 million yen loss in the previous fiscal year)

4) Other

The Other segment consists of a temporary staffing agency for beauty consultants and salespersons, as well as 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 staffing workforce and the gradual lessening of the impact of COVID-19.

The segment posted an operating loss as a whole stemming from a 35 million yen impairment loss related to operational investment securities in new startups. The temporary staffing agency recorded an operating profit on a stand-alone basis.

As a result, consolidated operating performance for fiscal 2023 was as follows:

Net sales:	1,338 million yen (935 million yen in the previous fiscal year; 43.1% year-on-year increase)
Operating loss:	13 million yen (17 million yen income in the previous fiscal year)

(2) Summary of Financial Position

(Assets)

Total assets at the end of the consolidated fiscal year under review amounted to 24,301 million yen, an increase of 2,133 million yen compared with the end of the previous consolidated fiscal year.

Current assets amounted to 15,231 million yen, an increase of 2,303 million yen compared with the end of the previous fiscal year. This result was mainly due to increases of 895 million yen in cash and deposits, 996 million yen in notes and accounts receivable – trade, and contract assets, and 614 million yen in merchandise.

Fixed assets at the end of the consolidated fiscal year under review amounted to 9,070 million yen, a decrease of 170 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to a decrease of 372 million yen in investment securities, offset in part by an increase of 221 million yen in property, plant and equipment.

(Liabilities)

Total liabilities at the end of the consolidated fiscal year under review amounted to 13,611 million yen, an increase of 95 million yen compared with the end of the previous consolidated fiscal year.

Current liabilities amounted to 6,371 million yen, a decrease of 5,316 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to a decrease of 5,873 million yen in the current portion of long-term debt, offset in part by an increase of 624 million yen in notes and accounts payable – trade.

Long-term liabilities at the end of the consolidated fiscal year under review amounted to 7,240 million yen, an increase of 5,411 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to increases of 1,178 million yen in long-term debt and 4,000 million yen in bonds with convertible bond-type warrants.

(Net Assets)

Net assets at the end of the consolidated fiscal year under review amounted to 10,690 million yen, an increase of 2,038 million yen compared with the end of the previous consolidated fiscal year.

This was mainly due to an increase of 712 million yen in capital stock and 621 million yen in capital surplus, arising from 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, and new shares issued upon the exercise of the 25th Series Warrants by Y corporation on June 20, 2023.

In addition, retained earnings increased by 275 million yen due to the posting of net income attributable to owners of the parent company, and subscription rights to shares increased by 436 million yen.

(3) Status of Cash Flows

Cash and cash equivalents (“Cash”) at the end of the consolidated fiscal year under review amounted to 6,759 million yen, which was an increase of 1,069 million yen compared with the end of the previous consolidated fiscal year.

The status of cash flows by type and primary contributing factors during the current fiscal year are as follows.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities for the current consolidated fiscal year amounted to 2,942 million yen (1,276 million yen in the year-ago period).

This result was mainly due to the posting of income before income taxes of 392 million yen, the posting of depreciation and amortization (non-cash items) of 1,919 million yen, the posting of Share-based compensation expenses of 298 million yen, the posting of Amortization of goodwill of 199 million yen, an increase in trade payables of 614 million yen, an increase in provision for bonuses of 261 million yen, and an increase in accounts payable – other of 165 million yen. These amounts were offset in part by an increase in trade receivables of 990 million yen.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities for the current consolidated fiscal year amounted to 1,247 million yen (1,529 million yen in the year-ago period).

This result was mainly due to cash outlays of 1,126 million yen for intangible assets and 231 million for the acquisition of businesses.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities for the current consolidated fiscal year amounted to 612 million yen (1,354 million yen in the year-ago period).

This result was mainly due to proceeds of 5,000 million yen from the issuance of bonds with share acquisition rights, 2,000 million yen from long-term borrowings. These amounts were offset in part by outlays of 6,695 million yen for repayments of long-term debt and a net decrease in short-term debt of 1,000 million yen.

(Reference) Cash Flow Indicators

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2023
Equity ratio (%)	47.1	21.5	35.5	38.1	41.6
Equity ratio based on market price (%)	220.0	72.5	167.1	73.8	174.6
Cash flows/interest-bearing debt ratio (%)	4,754.4	-	712.0	768.2	150.6
Interest coverage ratio (times)	29.1	-	-	-	14.1

Notes: 1. All figures calculated using consolidated financial figures.

2. Market capitalization calculated by multiplying the closing stock price at the end of the fiscal year by the total number of shares issued and outstanding (excluding treasury stock) at the end of the fiscal year.

3. Cash flows refer to operating cash flows.

4. Interest-bearing debt refers to all debt posted in the consolidated balance sheets for which interest is paid. Convertible bond-type bonds with share acquisition rights are not included in interest-bearing debt because they are interest-free.

5. As operating cash flow was negative for the fiscal year ended June 30, 2020, the ratio of cash flow to interest-bearing debt (%) is not presented. Additionally, as operating income was negative for the fiscal year ended June 30, 2020, the fiscal year ended June 30, 2021, and the fiscal year ended June 30, 2022, interest coverage ratios (times) are not presented.

(4) Future Outlook

*The Company has scheduled to change segment names the segments in which certain services are recorded beginning with the fiscal year ending June 30, 2024.

Old Segment	New Segment
On Platform segment	Marketing Solution segment (BtoC Service to change to Other)
Beauty Service segment	Retail segment
Global segment	Global segment
Other	Other

We intend to increase sales and profits in the Marketing Solution segment for the fiscal year ending June 30, 2024, by growing our Retail segment, which engages in retail services (e-commerce, stores, etc.) in Japan, and by leveraging the sales and promotion capacity fostered by the Retail segment, as well as Retail segment data.

Based on the preceding, we have prepared the following consolidated operating performance forecast for the fiscal year ending June 30, 2024:

<Revised operating performance forecast for the fiscal year ending June 30, 2024>

Net sales:	50,000 million yen (42,890 million yen in the previous fiscal year; 16.6% year-on-year increase)
Operating income:	1,200 million yen (817 million yen in the previous fiscal year; 46.8% year-on-year increase)
Ordinary income:	1,000 million yen (410 million yen in the previous fiscal year; 143.7% year-on-year increase)
Net loss attributable to owners of the parent company:	700 million yen (275 million yen loss in the previous fiscal year; 154.3% year-on-year increase)

2. Basic Rationale Regarding the Selection of Accounting Standards

For the time being, the Company will prepare consolidated financial statements based on Japanese accounting standards from the standpoint of consolidated financial statement comparability between periods and between companies.

The Company will consider the adoption of international accounting standards, considering factors including the ratio of foreign shareholders and trends regarding the adoption of International Financial Reporting Standards (IFRS) by industry peers of the Company.

3. Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	5,828	6,723
Notes and accounts receivable - trade, and contract assets	3,153	4,149
Merchandise	2,331	2,945
Operational investment securities	1,034	998
Other	652	421
Allowance for doubtful receivables	(6)	(4)
Allowance for investment loss	(65)	-
Total current assets	12,928	15,231
Fixed assets		
Tangible assets		
Buildings	2,140	2,233
Accumulated depreciation	(1,126)	(1,374)
Buildings, net	1,014	860
Leased assets	1,034	1,640
Accumulated depreciation	(950)	(1,178)
Leased assets, net	84	462
Other	782	863
Accumulated depreciation	(512)	(596)
Other, net	270	267
Total tangible assets	1,367	1,588
Intangible assets		
Goodwill	1,488	1,361
Software	2,412	1,794
Other	376	694
Total intangible assets	4,277	3,849
Investments and other assets		
Investment securities	1,371	999
Lease and guarantee deposits	1,796	1,826
Deferred tax assets	135	506
Other	325	332
Allowance for doubtful receivables	(30)	(31)
Total investments and other assets	3,597	3,632
Total fixed assets	9,241	9,070
Total assets	22,168	24,301

(Millions of yen)

	As of June 30, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable – trade	1,419	2,043
Short-term debt	1,500	500
Current portion of long-term debt	6,428	555
Account payable – other	664	816
Lease obligations	117	214
Income taxes payable	117	303
Contract liabilities	516	698
Provision for bonuses	183	445
Provision for business structure improvement	-	17
Other	743	780
Total current liabilities	11,686	6,371
Long-term liabilities		
Long-term debt	1,728	2,906
Convertible-bond-type bonds with share acquisition rights	-	4,000
Lease obligations	27	255
Other	75	79
Total long-term liabilities	1,829	7,240
Total liabilities	13,516	13,611
Net assets		
Shareholders' equity		
Capital stock	4,756	5,467
Capital surplus	3,937	4,558
Retained earnings	(983)	(708)
Treasury stock	(280)	(280)
Total shareholders' equity	7,430	9,038
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	319	99
Foreign currency translation adjustments	705	961
Total accumulated other comprehensive income	1,024	1,061
Subscription rights to shares	1	437
Non-controlling interests	198	155
Total net assets	8,652	10,690
Total liabilities and net assets	22,168	24,301

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Year ended June 30,2022	Year ended June 30,2023
Net sales	34,401	42,890
Cost of sales	18,563	23,720
Gross profit	15,838	19,171
Selling, general and administrative expenses	16,291	18,353
Operating profit (loss)	(453)	817
Non-operating income		
Interest income	3	6
Dividend income	6	7
Income from subsidiaries	27	10
Gain on forgiveness of debts	5	-
Equity in gains of affiliates	107	17
Other	22	35
Total non-operating income	169	74
Non-operating expenses		
Interest expenses	54	59
Foreign exchange losses	133	178
Loss on investments in partnership	2	6
Idle asset expenses	84	168
Commission expenses	24	60
Other	12	11
Total non-operating expenses	310	481
Ordinary profit (loss)	(593)	410
Extraordinary income		
Gain on sale of non-current assets	-	1
Gain on sales of shares of affiliated companies	16	0
Gain on reversal of share acquisition rights	58	0
Compensation income	13	-
Provision for loss on liquidation of affiliated companies	8	-
Gain on step acquisitions	114	-
Gain on reversal of asset retirement obligations	-	15
Total extraordinary income	208	16
Extraordinary loss		
Impairment loss	211	7
Loss on liquidation of affiliated companies	82	-
Loss on disposal of fixed assets	2	-
Provision for business restructuring	-	16
Business structure improvement expenses	-	11
Other	9	-
Total extraordinary loss	305	35

(Millions of yen)

	Year ended June 30,2022	Year ended June 30,2023
Income (loss) before income taxes	(690)	392
Income taxes-current	92	371
Income taxes-deferred	(238)	(281)
Total income taxes	(147)	89
Net income (loss)	(544)	302
Net income (loss) attributable to non-controlling interests	28	27
Net income (loss) attributable to owners of the parent company	(571)	275

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended June 30,2022	Year ended June 30,2023
Net income (loss)	(544)	302
Other comprehensive income (loss)		
Net unrealized gain on available-for-sale securities	56	(1)
Foreign currency translation adjustments	737	254
Share of other comprehensive income of associates accounted for using equity method	322	(219)
Total other comprehensive income	1,115	34
Comprehensive income (loss)	571	336
Comprehensive income (loss) attributable to		
Owners of the parent	520	312
Non-controlling interests	51	24

(3) Consolidated Statements of Changes in Net Assets

Year ended June 30, 2022 (July 1, 2021 to June 30, 2022)

(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	4,756	3,937	(443)	(280)	7,970	(59)	(8)	(67)	59	148	8,109
Cumulative effects from new accounting policies			31		31					(1)	30
Balance at beginning of term reflecting change in accounting policies	4,756	3,937	(411)	(280)	8,001	(59)	(8)	(67)	59	146	8,139
Changes during term											
Issuance of new shares					-			-			-
Net income (loss) attributable to owners of the parent company			(571)		(571)			-			(571)
Purchase of shares of consolidated subsidiaries					-			-			-
Capital increase of consolidated subsidiaries					-			-			-
Net changes in items other than shareholders' equity					-	378	713	1,091	(58)	51	1,085
Total changes during term	-	-	(571)	-	(571)	378	713	1,091	(58)	51	514
Balance at end of term	4,756	3,937	(983)	(280)	7,430	319	705	1,024	1	198	8,652

Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

(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	4,756	3,937	(983)	(280)	7,430	319	705	1,024	1	198	8,652
Cumulative effects from new accounting policies					-						-
Balance at beginning of term reflecting change in accounting policies	4,756	3,937	(983)	(280)	7,430	319	705	1,024	1	198	8,652
Changes during term											
Issuance of new shares	712	712			1,423			-			1,423
Net income (loss) attributable to owners of the parent company			275		275			-			275
Purchase of shares of consolidated subsidiaries		(132)			(132)			-			(132)
Capital increase of consolidated subsidiaries		42			42			-			42
Net changes in items other than shareholders' equity					-	(219)	256	37	436	(43)	430
Total changes during term	712	621	275	-	1,608	(219)	256	37	436	(43)	2,038
Balance at end of term	5,467	4,558	(708)	(280)	9,038	99	961	1,061	437	155	10,690

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended June 30,2022	Year ended June 30,2023
Cash flows from operating activities		
Income (loss) before income taxes	(690)	392
Depreciation and amortization	1,855	1,919
Amortization of goodwill	154	199
Share-based payment expenses	-	298
Impairment loss	211	7
Increase (decrease) in allowance for doubtful receivables	(4)	(0)
Increase (decrease) in provision for bonuses	86	261
Increase (decrease) in allowance for investment loss	-	(65)
Increase (decrease) in provision for business structure improvement	(3)	16
Equity in losses (gains) of affiliates	(107)	(17)
Interest income	(9)	(13)
Interest expenses	54	59
Foreign exchange losses (gains)	132	159
Loss (gain) on investments in partnership	2	6
Commission expenses	24	60
Gain/Loss on Sales of Fixed Assets (gains)	-	(1)
Loss (gain) on sale of shares of affiliated companies	(16)	(0)
Gain on forgiveness of debts	(5)	-
Gain on reversal of share acquisition rights	(58)	(0)
Gain on reversal of asset retirement obligations	-	(15)
Loss (gain) on step acquisitions	(114)	-
Loss on liquidation of affiliated companies	82	-
Loss on disposal of fixed assets	2	-
Compensation income	(13)	-
Decrease (increase) in notes and accounts receivable – trade	(377)	(990)
Decrease (increase) in operational investment securities	-	101
Decrease (increase) in inventories	(105)	(467)
Increase (decrease) in notes and accounts payable – trade	183	614
Increase (decrease) in accounts payable – other	(23)	165
Other	164	290
Sub-total	1,426	2,978
Interest and dividends received	10	13
Interest paid	(53)	(58)
Compensations received	13	-
Income taxes refund (paid)	(120)	9
Cash flows from operating activities	1,276	2,942

(Millions of yen)

	Year ended June 30,2022	Year ended June 30,2023
Cash flows from investing activities		
Purchase of investment securities	(20)	-
Proceeds from distribution from investment partnership	146	56
Purchase of tangible assets	(49)	(139)
Purchase of intangible assets	(1,156)	(1,126)
Payments for guarantee deposits	(26)	(89)
Proceeds from collection of guarantee deposits	152	88
Payments into time deposits	(226)	(52)
Proceeds from withdrawal of time deposits	318	214
Purchase of shares in subsidiary company resulting in the change in scope of consolidation	(659)	-
Proceeds from sales of shares in subsidiary company resulting in change of scope of consolidation	7	27
Payments for acquisition of businesses	-	(231)
Other	(15)	6
Cash flows from investing activities	(1,529)	(1,247)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	-	(1,000)
Proceeds from long-term borrowings	-	2,000
Repayment of long-term debt	(965)	(6,695)
Proceeds from issuance of bonds with share acquisition rights	-	5,000
Repayments of lease obligations	(370)	(256)
Proceeds from issuance of shares	-	419
Proceeds from issuance of share acquisition rights	-	142
Proceeds from share issuance to non-controlling shareholders	-	50
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	-	(208)
Other	(19)	(65)
Cash flows from financing activities	(1,354)	(612)
Foreign currency translation adjustments on cash and cash equivalents	203	(14)
Net increase (decrease) in cash and cash equivalents	(1,404)	1,069
Cash and cash equivalents, beginning of period	7,094	5,690
Cash and cash equivalents, end of period	5,690	6,759

(5) Notes on Consolidated Financial Statements

(Notes on the Going-Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

Effective as of the beginning of the consolidated fiscal year under review, the Company has adopted *Implementation Guidance on Accounting Standard for Fair Value Measurement* (ASBJ Guidance No. 31, June 17, 2021). In accordance with the transitional treatment provided in Paragraph 27-2 of the *Implementation Guidance on Accounting Standard for Fair Value Measurement*, the istyle Group has opted to apply the new accounting policies under the *Implementation Guidance on Accounting Standard for Fair Value Measurement* prospectively. This policy has no impact on the Company's consolidated financial statements.

(Additional Information)

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

Beginning with the consolidated fiscal year under review, the Company and certain consolidated subsidiaries in Japan will adopt the group tax sharing system. In addition, the Company accounts for and makes disclosures related to income tax, local corporate income tax, and tax effect accounting in accordance with 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).

(Segment Information)

(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 consists of 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, Profit or Loss, Assets, Liabilities, and Other Items by Reportable Segment

Accounting methods for reported business segments are in accordance with the accounting standards adopted for the preparation of consolidated financial statements.

3 Information on Sales, Profit or Loss, Assets, Liabilities and Other Items by Reportable Segment

Year ended June 30, 2022 (July 1, 2021 to June 30, 2022)

(Millions of yen)

	Reportable segment					Adjustments	Amounts on the consolidated statements of income
	On Platform	Beauty Service	Global	Other	Total		
Net sales							
Goods transferred at a point in time	-	21,902	3,649	3	25,555	-	25,555
Goods transferred over a certain period of time	7,317	-	598	932	8,847	-	8,847
Revenue from contracts with customers	7,317	21,902	4,247	935	34,401	-	34,401
Sales to outside customers	7,317	21,902	4,247	935	34,401	-	34,401
Intersegment sales and transfers	402	16	7	12	438	(438)	-
Total	7,719	21,919	4,255	947	34,840	(438)	34,401
Segment profit (loss)	903	338	(209)	17	1,049	(1,502)	(453)
Segment assets	4,202	6,630	6,266	1,256	18,353	3,815	22,168
Other items							
Depreciation and amortization	1,288	274	232	5	1,799	56	1,855
Impairment loss	14	-	130	-	143	67	211
Increase in tangible/intangible assets	1,143	49	3	-	1,195	28	1,223

Notes: 1. The segment profit (loss) adjustment of (1,502) million yen includes the elimination of inter-segment transactions of 2 million yen and corporate expenses not allocated to individual reportable segments of (1,504) million yen.

2. The segment asset adjustment of 3,815 million yen includes the elimination of inter-segment transactions of (7,045) million yen and corporate assets not allocated to individual reportable segments of 10,860 million yen.

3. The segment depreciation and amortization adjustment of 56 million yen includes corporate assets not allocated to individual reportable segments of 56 million yen.

4. The segment impairment loss adjustment of 67 million yen is related to administrative divisions not belonging to individual reportable segments.

5. The segment tangible assets and intangible assets adjustment of 28 million yen includes corporate assets not allocated to individual reportable segments.

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

Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

(Millions of yen)

	Reportable segment					Adjustments	Amounts on the consolidated statements of income
	On Platform	Beauty Service	Global	Other	Total		
Net sales							
Goods transferred at a point in time	-	29,222	3,631	-	32,854	-	32,854
Goods transferred over a certain period of time	7,935	-	764	1,334	10,032	-	10,032
Revenue from contracts with customers	7,935	29,222	4,395	1,334	42,886	-	42,886
Other revenue	-	-	-	4	4	-	4
Sales to outside customers	7,935	29,222	4,395	1,338	42,890	-	42,890
Intersegment sales and transfers	586	42	10	30	668	(668)	-
Total	8,521	29,264	4,405	1,368	43,558	(668)	42,890
Segment profit (loss)	1,373	1,397	(86)	(13)	2,671	(1,853)	817
Segment assets	4,134	8,558	5,024	1,326	19,042	5,259	24,301
Other items							
Depreciation and amortization	1,346	304	217	-	1,868	51	1,919
Impairment loss	-	7	-	-	7	-	7
Increase in tangible/intangible assets	1,075	167	2	-	1,243	7	1,250

Notes: 1. The segment profit (loss) adjustment of (1,853) million yen includes the elimination of inter-segment transactions of 0 million yen and corporate expenses not allocated to individual reportable segments of (1,854) million yen.

2. The segment assets adjustment of 5,259 million yen includes the elimination of inter-segment transactions of (5,516) million yen and corporate assets not allocated to individual reportable segments of 10,774 million yen.

3. The segment depreciation and amortization adjustment of 51 million yen includes corporate assets not allocated to individual reportable segments of 51 million yen.

4. The segment tangible assets and intangible assets adjustment of 7 million yen includes the elimination of inter-segment transactions of (2) million yen and corporate expenses not allocated to individual reportable segments of 9 million yen.

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

(Per Share Information)

	Year ended June 30, 2022 (July 1, 2021 to June 30, 2022)	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)
Net assets per share	118.31 yen	131.37 yen
Net income (loss) per share	(8.00) yen	3.69 yen
Diluted net income per share	- yen	2.52 yen

Notes: 1. Even though outstanding dilutive shares existed, the Company has not disclosed diluted net income per share for the fiscal year ended June 30, 2022, because the Company recorded a net loss for the year.

2. The basis of calculation for net income (loss) per share and diluted net income per share is as follows.

	Year ended June 30, 2022 (July 1, 2021 to June 30, 2022)	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)
Net income (loss) per share		
Net income (loss) attributable to owners of the parent company (millions of yen)	(571)	275
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)	(571)	275
Average number of shares outstanding during term (shares)	71,453,233	74,607,171
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 of common stock (shares)	-	34,626,121
(including Convertible-bond-type bonds with share acquisition rights: shares)		(12,422,878)
(including share subscription rights; shares)	-	(22,203,243)
Residual securities that are not dilutive and not included in the calculation for diluted net income per share	Three issues of subscription rights to shares Residual securities: 6,012,200 shares	One issue of subscription rights to shares Residual securities: 1,400,000 shares

(Significant Subsequent Events)

Not applicable.