

November 9, 2023

**Summary of Consolidated Financial Results  
for the First Quarter the Fiscal Year Ended June 30, 2024  
(Three Months Ended September, 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, Chairperson, CEO		
Contact:	Kei Sugawara, Director, Vice Chairperson, CFO	Tel:	+81-3-6161-3660
Scheduled date of filing Quarterly Report:	November 9, 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 Three Months Ended September 30, 2023 (July 1, 2023 – September 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	%
Three months ended September 30, 2023	12,449	35.3	368	55.4	349	120.5	171	69.1
Three months ended September 30, 2022	9,200	18.2	237	-	158	-	101	-

Note: Comprehensive income (million yen) Fiscal year ended September 30, 2023: 265 (-%)

Fiscal year ended September 30, 2022: (66) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended September 30, 2023	2.23	1.47
Three months ended September 30, 2022	1.40	1.22

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	25,330	10,035	36.3
As of June 30, 2023	24,301	10,690	41.6

Reference: Total equity As of September 30, 2023: 9,200 million yen

As of June 30, 2023: 10,099 million yen

## 2. Dividends

	Dividend per share				
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2023	-	0.00	-	0.00	0.00
Fiscal year ended June 30, 2024	-				
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

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

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in 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: | None |
| 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, 2023:	79,563,593 shares
As of June 30, 2023:	79,563,593 shares

2) Number of treasury shares at end of period

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

3) Average number of shares outstanding during the period

Fiscal year ended September 30, 2023:	76,870,026 shares
Fiscal year ended September 30, 2022:	72,448,918 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 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 the preparation of this report. 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 *I. 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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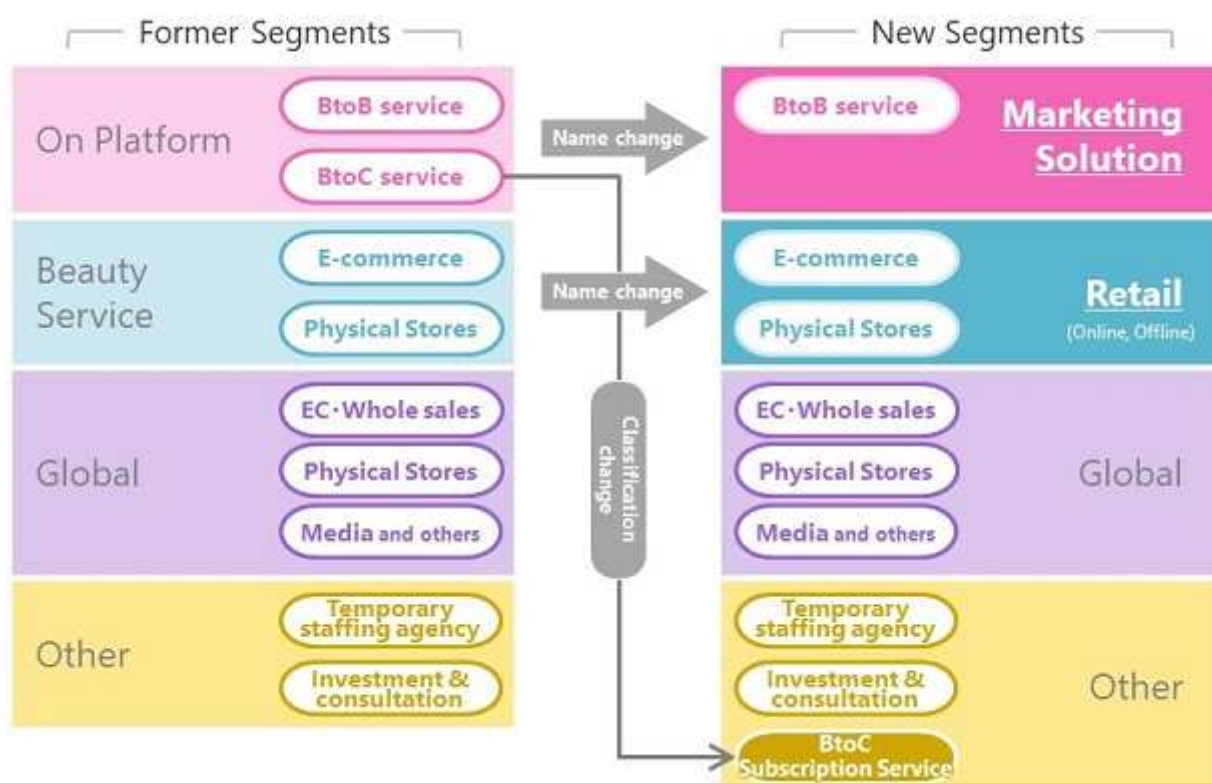
## 1. Operating Results and Financial Position

### (1) Analysis of Operating Results

The cosmetics industry has remained stagnant since 2020 due to the impact of COVID-19. However, we expect consumer sentiment to recover in the future due to upward trends in inbound travel to Japan stemming from the easing of border control measures in October 2022, as well as the relaxation of mandatory mask-wearing in March 2023.

Continuing from the previous fiscal year, the istyle Group will leverage the retail sales and sales promotion capabilities of the e-commerce and retail stores we operate in Japan to not only increase sales of services, but also contribute to the performance of cosmetics brands, forming a virtuous cycle by increasing advertising placement in our media and utilization of our solutions services for higher sales and profits.

(Reference) Change in segment names and segments in which certain services are recorded



The consolidated operating performance for the three months ended September 30, 2023, was as follows.

Net sales increased 35.3% year on year, driven by the Marketing Solution segment and Retail segment in Japan. In particular, retail stores contributed significantly, with a 64.8% increase in sales. This growth was due to increased performance in existing retail locations, the September 2023 grand opening of @cosme OSAKA, a large-scale flagship store in Osaka, and seven Cosmetics Sydney locations consolidated in July this year. Meanwhile, e-commerce sales also grew by 24.0%, while the Retail segment rose 49.4% overall, stemming from online and offline business. The Marketing Solution segment saw double-digit growth of 13.5%, remaining steady and recording a record high for quarterly sales.

Operating income increased 55.4%, as higher sales in the Marketing Solution segment and Retail segment offset increased personnel expenses across the board and expenses incurred in advance of the @cosme OSAKA opening.

As a result, the consolidated operating performance for the three months ended September 30, 2023, was as follows:

Net sales:	12,449 million yen (9,200 million yen in the previous fiscal year; 35.3% year-on-year increase)
Operating income:	368 million yen (237 million yen; 55.4% increase)
Ordinary income:	349 million yen (158 million yen; 120.5% increase)
Income before income taxes:	355 million yen (158 million yen; 124.3% increase)
Net income attributable to owners of the parent company:	171 million yen (101 million yen; 69.1% increase)

### 1) Marketing Solution segment

The On Platform segment consists of various services based on the cosmetics and beauty portal site @cosme, including advertising solutions for cosmetics brands and marketing SaaS (official brand).

Segment sales increased year on year due to higher demand for sales promotions, such as in-store pop-up events, and an increase in orders for online advertising and solutions services linked to said events.

Operating income increased significantly, as the increase in sales offset increased human resource-related expenses and other costs.

As a result, segment operating performance for the consolidated three months ended September 30, 2023, was as follows:

Net sales:	2,094 million yen (1,845 million yen in the previous fiscal year; 13.5% year-on-year increase)
Operating income:	484 million yen (334 million yen in the previous fiscal year; 44.9% year-on-year increase)

### 2) Retail segment

The Retail segment consists mainly of retail services in Japan, including the operation of the domestic cosmetics e-commerce site @cosme SHOPPING and operations of @cosme STORE cosmetics specialty shops.

E-commerce sales rose 24.0% year on year, stemming from the acquisition of new customers from retail stores and the promotion of value only available through our online shop, including the sales of pre-order products and limited-edition products in collaboration with retail stores. Retail store sales rose 64.8% thanks to the contribution of the newly opened large flagship store @cosme OSAKA, seven recently acquired Cosmetics Sydney stores, and steady growth in existing store sales.

Operating income rose sharply as increased revenue from e-commerce and retail stores offset the pre-opening expenses of @cosme OSAKA. @cosme OSAKA was profitable within the first month of opening, exceeding expectations.

As a result, segment operating performance for the consolidated three months ended September 30, 2023, was as follows:

Net sales:	8,820 million yen (5,902 million yen in the previous fiscal year; 49.4% year-on-year increase)
Operating income:	517 million yen (226 million yen in the previous fiscal year; 128.4% year-on-year increase)

### 3) Global segment

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

Global segment sales increased overall due to steady performance in the Hong Kong retail store.

The segment posted an operating loss of 65 million yen due to the poor performance of the South Korean business and inventory valuation losses in the China cross-border e-commerce business. However, the deficit was limited as a result of detailed cost control throughout the segment.

As a result, segment operating performance for the consolidated three months ended September 30, 2023, was as follows:

Net sales: 1,101 million yen (1,024 million yen in the previous fiscal year; 7.5% year-on-year increase)  
Operating loss: 65 million yen (5 million yen loss in the previous fiscal year)

#### 4) Others

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

Sales were level year on year with the contribution of ongoing steady performance in the temporary staffing business.

Operating income was likewise level year on year.

As a result, segment operating performance for the consolidated three months ended September 30, 2023, was as follows:

Net sales: 434 million yen (429 million yen in the previous fiscal year; 1.2% year-on-year increase)  
Operating income: 60 million yen (60 million yen in the previous fiscal year; 0.1% year-on-year increase)

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

### **(Assets)**

Total assets as of September 30, 2023, amounted to 25,330 million yen, an increase of 1,030 million yen compared with the end of the previous consolidated fiscal year.

Current assets amounted to 16,016 million yen, an increase of 786 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to a 643 million yen decrease in cash and deposits, and a 356 million yen increase in notes and accounts receivable – trade and contract assets, and a 925 million yen increase in merchandise.

Fixed assets as of September 30, 2023, amounted to 9,314 million yen, an increase of 244 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to a 287 million yen increase in tangible assets.

### **(Liabilities)**

Total liabilities as of September 30, 2023, amounted to 15,295 million yen, an increase of 1,685 million yen compared with the end of the previous consolidated fiscal year.

Current liabilities amounted to 7,860 million yen, an increase of 1,489 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to a 1,211 million yen increase in notes and accounts payable – trade.

Fixed liabilities as of September 30, 2023, amounted to 7,436 million yen, an increase of 196 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to a 117 million yen decrease in long-term debt and a 313 million yen increase in other fixed liabilities.

### **(Net Assets)**

Net assets as of September 30, 2023, amounted to 10,035 million yen, a decrease of 655 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to a decrease of 1,148 million yen in capital surplus stemming from the acquisition of additional shares of consolidated subsidiary Glowdayz, Inc., an increase of 171 million yen in retained earnings, and an increase of 227 million yen in subscription rights to shares.

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

We have made no changes to the consolidated operating results forecast for the full year ending June 30, 2024, as announced in the summary report published on August 14, 2023.

## 2. Consolidated Financial Statements and Relevant Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2023	As of September 30, 2023
<b>Assets</b>		
Current assets		
Cash and deposits	6,723	6,080
Notes and accounts receivable - trade, and contract assets	4,149	4,505
Merchandise	2,945	3,870
Operational investment securities	998	1,021
Other	421	545
Allowance for doubtful receivables	(4)	(4)
<b>Total current assets</b>	<b>15,231</b>	<b>16,016</b>
Fixed assets		
Tangible assets		
	1,588	1,875
Intangible assets		
Goodwill	1,361	1,319
Software	1,794	1,771
Other	694	701
<b>Total intangible assets</b>	<b>3,849</b>	<b>3,790</b>
Investments and other assets		
Investment securities	999	1,039
Lease and guarantee deposits	1,826	1,916
Other	839	724
Allowance for doubtful receivables	(31)	(31)
<b>Total investments and other assets</b>	<b>3,632</b>	<b>3,648</b>
<b>Total fixed assets</b>	<b>9,070</b>	<b>9,314</b>
<b>Total assets</b>	<b>24,301</b>	<b>25,330</b>



(Millions of yen)

	As of June 30, 2023	As of September 30, 2023
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,043	3,255
Short-term debt	500	500
Current portion of long-term debt	555	521
Income taxes payable	303	76
Provision for bonuses	445	185
Provision for business structure improvement	17	—
Other	2,508	3,323
Total current liabilities	6,371	7,860
Long-term liabilities		
Long-term debt	2,906	2,789
Convertible-bond-type bonds with share acquisition rights	4,000	4,000
Other	333	647
Total long-term liabilities	7,240	7,436
Total liabilities	13,611	15,295
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,467	5,467
Capital surplus	4,558	3,410
Retained earnings	(708)	(536)
Treasury stock	(280)	(280)
Total shareholders' equity	9,038	8,061
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	99	123
Foreign currency translation adjustments	961	1,016
Total accumulated other comprehensive income	1,061	1,139
Subscription rights to shares	437	664
Non-controlling interests	155	171
Total net assets	10,690	10,035
Total liabilities and net assets	24,301	25,330

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

(Millions of yen)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Net sales	9,200	12,449
Cost of sales	4,864	6,837
Gross profit	4,336	5,612
Selling, general and administrative expenses	4,100	5,244
Operating profit	237	368
Non-operating income		
Interest income	1	3
Foreign exchange gains	38	1
Equity in gains of affiliates	—	25
Other	14	11
Total non-operating income	52	39
Non-operating expenses		
Interest expenses	13	12
Loss on investments in partnership	4	3
Equity in losses of affiliates	9	—
Idle asset expenses	42	42
Commission expenses	60	1
Other	2	0
Total non-operating expenses	130	58
Ordinary profit	158	349
Extraordinary income		
Gain on sale of non-current assets	—	6
Gain on reversal of share acquisition rights	0	0
Gain on sale of investment securities	—	0
Gain on bargain purchase	—	0
Total extraordinary income	0	6
Income before income taxes	158	355
Income taxes	44	168
Net Income	114	188
Net income attributable to non-controlling interests	13	16
Net income attributable to owners of the parent company	101	171

**Consolidated Statements of Comprehensive Income**

(Millions of yen)

	Three months ended September 30, 2022	Three months ended September 30, 2023
Net income	114	188
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(6)	5
Share of other comprehensive income of entities accounted for using equity method	(159)	18
Foreign currency translation adjustments	(15)	54
Total other comprehensive income	(180)	78
Comprehensive income	(66)	265
Comprehensive income (loss) attributable to		
Owners of the parent	(77)	249
Non-controlling interests	11	16

### (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 acquired additional shares of its consolidated subsidiary Glowdayz, Inc., effective August 2023. As a result, capital surplus decreased by 1,148 million yen during the three months ended September 30, 2023, resulting in a capital surplus of 3,410 million yen as of September 30, 2023.

#### (Segment Information)

Change in reportable segments

During the three months ended September 30, 2023, the Company changed the names of segments and the segments in which certain services are recorded. This change better discloses information in line with our strategy and better organizes the classification of our business fields.

Segment information for the three months ended September 30, 2022, is disclosed based on the segment classifications after the change.

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

Three months ended September 30, 2022

1. Net sales and income (loss) by reportable segment and information on disaggregation of revenue

(Millions of yen)

	Reportable Segment				Other	Total	Adjustment	Recorded in consolidated financial statements
	Marketing Solution Segment	Retail Segment	Global Segment	Subtotal				
Net sales								
Goods transferred at a point in time	—	5,902	836	6,738	—	6,738	—	6,738
Goods transferred over a certain period of time	1,845	—	188	2,033	424	2,458	—	2,458
Revenue from contracts with customers	1,845	5,902	1,024	8,772	424	9,196	—	9,196
Other revenue	—	—	—	—	4	4	—	4
sales to outside customers	1,845	5,902	1,024	8,772	429	9,200	—	9,200
Intersegment sales and transfers	101	6	9	116	5	121	(121)	—
Total	1,947	5,908	1,033	8,887	434	9,321	(121)	9,200
Segment profit (loss)	334	226	(5)	555	60	615	(378)	237

Notes: 1. The 'Other' is a non-reporting business segment that includes activities such as temporary staffing agency and BtoC subscription services.

2. Adjustments to segment profit (loss) in the amount of (378) million yen include an elimination of 1 million yen of intersegment transactions and (379) million yen of corporate expenses not allocated to any reportable segment.

3. 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., by reportable segment

(Significant impairment losses on fixed assets)

Not applicable.

(Significant changes in goodwill amounts)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.

Three months ended September 30, 2023

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

(Millions of yen)

	Reportable Segment				Other	Total	Adjustment	Recorded in consolidated financial statements
	Marketing Solution Segment	Retail Segment	Global Segment	Subtotal				
Net sales								
Goods transferred at a point in time	—	8,820	914	9,734	—	9,734	—	9,734
Goods transferred over a certain period of time	2,094	—	187	2,281	434	2,714	—	2,714
Revenue from contracts with customers	2,094	8,820	1,101	12,015	434	12,448	—	12,448
Other revenue	—	—	—	—	0	0	—	0
sales to outside customers	2,094	8,820	1,101	12,015	434	12,449	—	12,449
Intersegment sales and transfers	169	16	0	185	7	193	(193)	—
Total	2,263	8,836	1,101	12,200	441	12,641	(193)	12,449
Segment profit (loss)	484	517	(65)	936	60	995	(628)	368

Notes: 1. The 'Other' is a non-reporting business segment that includes activities such as temporary staffing agency and BtoC subscription services.

2. Adjustments to segment profit (loss) in the amount of (628) million yen include an elimination of 0 million yen of intersegment transactions and (628) million yen of corporate expenses not allocated to any reportable segment.

3. 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., by reportable segment

(Significant impairment losses on fixed assets)

Not applicable.

(Significant changes in goodwill amounts)

Not applicable.

(Significant gain on negative goodwill)

Not applicable.