

February 14, 2024

**Summary of Consolidated Financial Results
for the Second Quarter the Fiscal Year Ended June 30, 2024
(Six Months Ended December, 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 | | |
| Contact: | Kei Sugawara, Director, Vice Chairperson, CFO | Tel: | +81-3-6161-3660 |
| Scheduled date of filing Quarterly Report: | February 14, 2024 | | |
| Scheduled date of dividend payment: | - | | |
| Preparation of supplementary materials for financial results: | Yes | | |
| Schedule of quarterly financial results briefing session: | Yes (For analysts and institutional investors) | | |

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

1. Consolidated Financial Results for the Six Months Ended December 31, 2023 (July 1, 2023 – December 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 | % |
| Six months ended December 31, 2023 | 27,117 | 33.2 | 851 | 235.5 | 808 | — | 482 | — |
| Six months ended December 31, 2022 | 20,358 | 19.0 | 254 | — | 18 | — | (36) | — |

Note: Comprehensive income (million yen) Fiscal year ended December 31, 2023: 488 (-%)

Fiscal year ended December 31, 2022: (224) (-%)

| | Net income per share | Diluted net income per share |
|------------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Six months ended December 31, 2023 | 6.27 | 4.17 |
| Six months ended December 31, 2022 | (0.48) | — |

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio |
|-------------------------|--------------|-------------|--------------|
| | Million yen | Million yen | % |
| As of December 31, 2023 | 26,463 | 10,375 | 35.6 |
| As of June 30, 2023 | 24,301 | 10,690 | 41.6 |

Reference: Total equity As of December 31, 2023: 9,415 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 | - | 0.00 | | | |
| Fiscal year ending June 30, 2024 (forecasts) | | | - | 0.00 | 0.00 |

Note: Revisions to most recently announced dividend forecast: None

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 December 31, 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 December 31, 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 December 31, 2023: 76,870,026 shares

Fiscal year ended December 31, 2022: 73,859,472 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.*

Accompanying Materials – Contents

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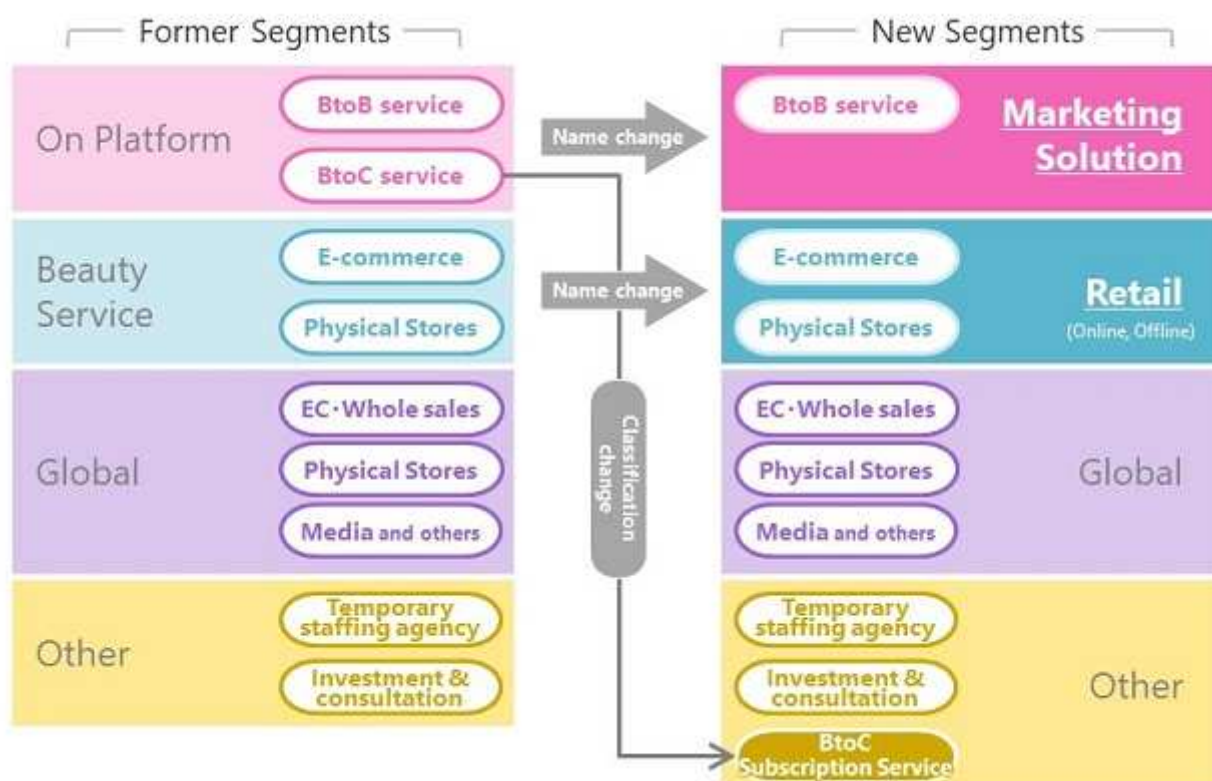
1. Operating Results and Financial Position

(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



Performance for the consolidated six months ended December 31, 2023, is detailed below:

Net sales increased 33.2% year on year, driven by the Marketing Solution segment and Retail segment in Japan. Stores continued to perform well and our special e-commerce @cosme BEAUTY DAY event was a success, resulting in a 47.4% year-on-year increase in the Retail segment. The Marketing Solution segment saw a 12.8% year-on-year increase, recording a record high for first half sales.

Operating income increased significantly, as higher sales in the Marketing Solution segment and Retail segment offset increased personnel expenses across the board and expenses incurred from the promotion of @cosme BEAUTY DAY.

As a result, segment operating performance for the consolidated six months ended December 31, 2023, was as follows:

| | |
|-------------------|---|
| Net sales: | 27,117 million yen (20,358 million yen in the previous fiscal year; 33.2% year-on-year increase) |
| Operating income: | 851 million yen (254 million yen in the previous fiscal year; 235.5% year-on-year increase) |
| Ordinary income: | 808 million yen (18 million yen in the previous fiscal year; 791 million yen year-on-year increase) |

Income before income taxes: 799 million yen (11 million yen in the previous fiscal year; 787 million yen year-on-year increase)
Net income attributable to owners of the parent company: 482 million yen (Δ 36 million yen in the previous fiscal year; 517 million yen year-on-year increase)

1) Marketing Support

The Marketing Support 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 12.8% 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 six months ended December 31, 2023, was as follows:

Net sales: 4,215 million yen (3,736 million yen in the previous fiscal year; 12.8% year-on-year increase)
Operating income: 948 million yen (607 million yen in the previous fiscal year; 56.3% 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 47.4% year on year, stemming from record high distribution totals in the special e-commerce event, the sales of pre-order products and limited-edition products for the event at each brand, and the promotion of value only available through our e-commerce. Retail store sales rose 59.6% due to the contribution of September 2023 launch of the large flagship store @cosme OSAKA, seven recently acquired Cosmetics Sydney stores, and a 32.8% year-on-year increase in existing store sales.

Operating income increased significantly, as higher sales in e-commerce and stores offset increased personnel expenses and expenses incurred from the promotion of @cosme BEAUTY DAY.

As a result, segment operating performance for the consolidated six months ended December 31, 2023, was as follows:

Net sales: 19,928 million yen (13,520 million yen in the previous fiscal year; 47.4% year-on-year increase)
Operating income: 1,032 million yen (379 million yen in the previous fiscal year; 172.6% 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.

Despite strong performance in stores in Hong Kong stores, net sales declined due to sluggish business performance in China cross-border e-commerce and South Korea.

The segment posted an operating loss of 76 million yen due to the above reasons in addition to an inventory valuation losses incurred in the first quarter in the China cross-border e-commerce business.

As a result, segment operating performance for the consolidated six months ended December 31, 2023, was as follows:

Net sales: 2,108 million yen (2,201 million yen in the previous fiscal year; 4.2% year-on-year decrease)
Operating loss: Δ 76 million yen (10 million yen profit 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.

Net sales declined due to a shortage of temporary staff in the temporary staffing agency business.

Operating income also declined due to lower sales.

As a result, segment operating performance for the consolidated six months ended December 31, 2023, was as follows:

| | |
|-------------------|--|
| Net sales: | 865 million yen (901 million yen in the previous fiscal year; 4.0% year-on-year decrease) |
| Operating income: | 102 million yen (124 million yen in the previous fiscal year; 17.5% year-on-year decrease) |

(2) Consolidated Financial Position

(Assets)

Total assets as of December 31, 2023, amounted to 26,463 million yen, an increase of 2,162 million yen compared with the end of the previous consolidated fiscal year.

Current assets amounted to 17,313 million yen, an increase of 2,083 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to a 1,026 million yen decrease in cash and deposits, and a 1,913 million yen increase in notes and accounts receivable – trade and contract assets, and a 1,035 million yen increase in merchandise.

Fixed assets as of December 31, 2023, amounted to 9,150 million yen, an increase of 79 million yen compared with the end of the previous consolidated fiscal year. This was mainly due to a 101 million yen decrease in goodwill offset by a 228 million yen increase in fixed assets.

(Liabilities)

Total liabilities as of December 31, 2023, amounted to 16,088 million yen, an increase of 2,478 million yen compared with the end of the previous consolidated fiscal year.

Current liabilities amounted to 7,949 million yen, an increase of 1,578 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to a decrease of 500 million yen in short-term debt, offset in part by an increase of 1,080 million yen in notes and accounts payable – trade and an increase of 203 million yen in current portion of long-term debt.

Fixed liabilities as of December 31, 2023, amounted to 8,140 million yen, an increase of 900 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to an increase of 658 million yen in long-term debt.

(Net Assets)

Net assets as of December 31, 2023, amounted to 10,375 million yen, a decrease of 316 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 482 million yen in retained earnings, and an increase of 344 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 December 31, 2023 |
|--|---------------------|-------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 6,723 | 5,697 |
| Notes and accounts receivable - trade, and contract assets | 4,149 | 6,062 |
| Merchandise | 2,945 | 3,979 |
| Operational investment securities | 998 | 974 |
| Other | 421 | 607 |
| Allowance for doubtful receivables | (4) | (6) |
| Total current assets | 15,231 | 17,313 |
| Fixed assets | | |
| Tangible assets | 1,588 | 1,817 |
| Intangible assets | | |
| Goodwill | 1,361 | 1,261 |
| Software | 1,794 | 1,787 |
| Other | 694 | 658 |
| Total intangible assets | 3,849 | 3,705 |
| Investments and other assets | | |
| Investment securities | 999 | 1,019 |
| Lease and guarantee deposits | 1,826 | 1,888 |
| Other | 839 | 751 |
| Allowance for doubtful receivables | (31) | (31) |
| Total investments and other assets | 3,632 | 3,628 |
| Total fixed assets | 9,070 | 9,150 |
| Total assets | 24,301 | 26,463 |

(Millions of yen)

| | As of June 30, 2023 | As of December 31, 2023 |
|---|---------------------|-------------------------|
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable - trade | 2,043 | 3,123 |
| Short-term debt | 500 | — |
| Current portion of long-term debt | 555 | 758 |
| Income taxes payable | 303 | 247 |
| Provision for bonuses | 445 | 360 |
| Provision for business structure improvement | 17 | 15 |
| Other | 2,508 | 3,445 |
| Total current liabilities | 6,371 | 7,949 |
| Long-term liabilities | | |
| Long-term debt | 2,906 | 3,564 |
| Convertible-bond-type bonds with share acquisition rights | 4,000 | 4,000 |
| Other | 333 | 575 |
| Total long-term liabilities | 7,240 | 8,140 |
| Total liabilities | 13,611 | 16,088 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 5,467 | 5,467 |
| Capital surplus | 4,558 | 3,410 |
| Retained earnings | (708) | (226) |
| Treasury stock | (280) | (280) |
| Total shareholders' equity | 9,038 | 8,372 |
| Accumulated other comprehensive income | | |
| Net unrealized gain on available-for-sale securities | 99 | 109 |
| Foreign currency translation adjustments | 961 | 934 |
| Total accumulated other comprehensive income | 1,061 | 1,044 |
| Subscription rights to shares | 437 | 781 |
| Non-controlling interests | 155 | 178 |
| Total net assets | 10,690 | 10,375 |
| Total liabilities and net assets | 24,301 | 26,463 |

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

Consolidated six months ended December 31, 2023

(Millions of yen)

| | Six months ended December 31, 2022 | Six months ended December 31, 2023 |
|--|---------------------------------------|---------------------------------------|
| Net sales | 20,358 | 27,117 |
| Cost of sales | 11,126 | 15,275 |
| Gross profit | 9,232 | 11,842 |
| Selling, general and administrative expenses | 8,978 | 10,991 |
| Operating profit | 254 | 851 |
| Non-operating income | | |
| Interest income | 3 | 5 |
| Dividend income | 3 | 3 |
| Income from subsidiaries | 10 | 4 |
| Foreign exchange gains | — | 15 |
| Equity in gains of affiliates | — | 32 |
| Other | 26 | 14 |
| Total non-operating income | 42 | 72 |
| Non-operating expenses | | |
| Interest expenses | 30 | 25 |
| Foreign exchange losses | 85 | — |
| Loss on investments in partnership | 4 | 3 |
| Equity in losses of affiliates | 6 | — |
| Idle asset expenses | 84 | 84 |
| Commission expenses | 60 | 1 |
| Other | 8 | 3 |
| Total non-operating expenses | 278 | 115 |
| Ordinary profit | 18 | 808 |
| 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 |
| Extraordinary loss | | |
| Impairment loss | 7 | — |
| Provision for business restructuring | — | 15 |
| Other | — | 1 |
| Total extraordinary loss | 7 | 16 |
| Income (loss) before income taxes | 11 | 799 |
| Income taxes | 30 | 292 |
| Net Income (loss) | (19) | 506 |
| Net income (loss) attributable to non-controlling interests | 17 | 25 |
| Net income (loss) attributable to owners of the parent company | (36) | 482 |

Consolidated Statements of Comprehensive Income
 Consolidated six months ended December 31, 2023

(Millions of yen)

| | Six months ended December 31, 2022 | Six months ended December 31, 2023 |
|--|---------------------------------------|---------------------------------------|
| Net income (loss) | (19) | 506 |
| Other comprehensive income | | |
| Net unrealized gain on available-for-sale securities | (13) | (8) |
| Share of other comprehensive income of entities accounted for using equity method | (159) | 18 |
| Foreign currency translation adjustments | (33) | (29) |
| Total other comprehensive income | (205) | (18) |
| Comprehensive income (loss) | (224) | 488 |
| Comprehensive income (loss) attributable to | | |
| Owners of the parent | (230) | 464 |
| Non-controlling interests | 5 | 24 |

(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 six months ended December 31, 2023, resulting in a capital surplus of 3,410 million yen as of December 31, 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 six months ended December 31, 2023, is disclosed based on the segment classifications after the change.

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

Six months ended December 31, 2022 (July 1, 2022 through December 31, 2022)

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

(Millions of yen)

| | Reportable Segment | | | | Other | Total Marketing Solution Segment | Adjustment Retail Segment | Recorded in consolidated financial statements Global Segment |
|---|----------------------------|----------------|----------------|----------|-------|----------------------------------|---------------------------|--|
| | Marketing Solution Segment | Retail Segment | Global Segment | Subtotal | | | | |
| Net sales | | | | | | | | |
| Goods transferred at a point in time | — | 13,520 | 1,800 | 15,320 | — | 15,320 | — | 15,320 |
| Goods transferred over a certain period of time | 3,736 | — | 402 | 4,137 | 896 | 5,033 | — | 5,033 |
| Revenue from contracts with customers | 3,736 | 13,520 | 2,201 | 19,457 | 896 | 20,353 | — | 20,353 |
| Other revenue | — | — | — | — | 4 | 4 | — | 4 |
| Sales to outside customers | 3,736 | 13,520 | 2,201 | 19,457 | 901 | 20,358 | — | 20,358 |
| Intersegment sales and transfers | 250 | 17 | 10 | 277 | 13 | 289 | (289) | — |
| Total | 3,985 | 13,538 | 2,211 | 19,734 | 913 | 20,647 | (289) | 20,358 |
| Segment profit (loss) | 607 | 379 | 10 | 996 | 124 | 1,120 | (866) | 254 |

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 in the amount of (866) million yen include an elimination of 2 million yen of intersegment transactions and (868) million yen of corporate expenses not allocated to any reportable segment.

3. Segment profit 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.

Six months ended December 31, 2023 (July 1, 2023 through December 31, 2023)

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

(Millions of yen)

| | Reportable Segment | | | | Other | Total Marketing Solution Segment | Adjustment Retail Segment | Recorded in consolidated financial statements Global Segment |
|---|----------------------------|----------------|----------------|----------|-------|----------------------------------|---------------------------|--|
| | Marketing Solution Segment | Retail Segment | Global Segment | Subtotal | | | | |
| Net sales | | | | | | | | |
| Goods transferred at a point in time | — | 19,928 | 1,699 | 21,627 | — | 21,627 | — | 21,627 |
| Goods transferred over a certain period of time | 4,215 | — | 409 | 4,625 | 865 | 5,489 | — | 5,489 |
| Revenue from contracts with customers | 4,215 | 19,928 | 2,108 | 26,252 | 865 | 27,116 | — | 27,116 |
| Other revenue | — | — | — | — | 0 | 0 | — | 0 |
| Sales to outside customers | 4,215 | 19,928 | 2,108 | 26,252 | 865 | 27,117 | — | 27,117 |
| Intersegment sales and transfers | 441 | 43 | 0 | 484 | 17 | 501 | (501) | — |
| Total | 4,657 | 19,971 | 2,109 | 26,736 | 882 | 27,618 | (501) | 27,117 |
| Segment profit (loss) | 948 | 1,032 | (76) | 1,904 | 102 | 2,007 | (1,156) | 851 |

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

2. The segment profit (loss) adjustment of (1,156) million yen includes the elimination of inter-segment transactions of 3 million yen and corporate expenses not allocated to individual reportable segments of (1,159) million yen.

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.