

November 6, 2020

**Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending June 30, 2021
(Three Months Ended September 30, 2020)**

[Japanese GAAP]

Company name: istyle Inc.	Stock exchange listings: TSE First Section
Securities code: 3660	URL: https://www.istyle.co.jp/
Representative: Tetsuro Yoshimatsu, Representative Director, CEO	
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Scheduled date of filing of Quarterly Report:	November 6, 2020
Scheduled date of dividend payment:	-
Preparation of supplementary materials for financial results:	Yes
Holding of financial results briefing:	Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Three Months Ended September 30, 2020 (July 1, 2020 – September 30, 2020)

(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, 2020	7,505	(5.0)	(160)	-	(206)	-	(281)	-
Three months ended September 30, 2019	7,901	2.3	(205)	-	(228)	-	(232)	-

Note: Comprehensive income (million yen) Three months ended September 30, 2020: (268) (-%)

Three months ended September 30, 2019: (278) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended September 30, 2020	(4.29)	-
Three months ended September 30, 2019	(3.57)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2020	22,706	5,136	21.7
As of June 30, 2020	24,157	5,413	21.5

Reference: Total equity As of September 30, 2020: 4,921 million yen

As of June 30, 2020: 5,192 million yen

Total equity = Shareholders' equity + total accumulated other comprehensive income

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2020	-	0.00	-	0.00	0.00
Fiscal year ending June 30, 2021	-				
Fiscal year ending June 30, 2021 (forecasts)		0.00	-	0.00	0.00

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

3. Consolidated Forecast for the Fiscal Year Ending June 30, 2021 (Jul. 1, 2020 – Jun. 30, 2021)

(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	37,200	21.7	50	-	(70)	-	(200)	-	(3.06)

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

* Notes

(1) Changes in significant subsidiaries during the period (changes in the scope of consolidation): None

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: 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, 2020: 68,046,800 shares As of June 30, 2020: 68,043,800 shares

2) Number of treasury shares at end of period

As of September 30, 2020: 2,693,533 shares As of June 30, 2020: 2,693,533 shares

3) Average number of shares outstanding during the period

Three months ended September 30, 2020: 65,350,528 shares Three months ended September 30, 2019: 64,935,552 shares

* The current quarterly summary report is not subject to the quarterly review procedures by certified public accountants or auditing corporations.

* Cautionary statement with respect to forecasts and other matters

(Note concerning forward-looking statements)

- Earnings forecasts and other forward-looking statements in this report are based on assumptions judged to be valid and information available to the Company at the time of this report's preparation. Actual performance may differ significantly from these forecasts for a number of reasons. For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, please refer to "Consolidated Operating Results Forecast and Information about Future Predictions" on page 4 in the accompanying material.
- The Company is scheduled to hold a briefing for analysts and institutional investors on November 6, 2020.

* This financial report is solely a translation of the original Japanese "Kessan Tanshin" document, which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.

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1. Operating Results and Financial Position

(1) Analysis of Operating Results

Business sentiment in the cosmetics industry remains deeply negative due to the impact of the novel coronavirus (COVID-19) pandemic, which has resulted in reduced consumer willingness to make purchases, less 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. In response, there has been a clear tendency among cosmetics manufacturers to pursue digital transformation (DX)*1 with a shift to use of digital advertising channels and strengthening of E-Commerce. As a result, we expect to see increased opportunities for business growth, as a company providing a platform for integrated services combining media, E-Commerce, and retail stores.

In the current fiscal year, the istyle Group has focused on disposal of and withdrawal from unprofitable businesses and strengthening of profitable businesses to recover from the negative impact on our earnings performance of COVID-19 and weak performance of the Global segment and return to a growth trajectory.

Although consolidated sales declined in this first quarter due to the impact of COVID-19 and weak performance of the Global segment, the decline was limited by the contribution to sales of @cosme TOKYO (hereinafter “large flagship store”), which opened in the third quarter of the previous fiscal year and significant E-Commerce growth in the Beauty Service segment.

Operating profit came in ahead of our forecast, because the On Platform segment received a larger-than-expected number of orders despite sales activities being suspended in April, May, and June due to the COVID-19 crisis, as well as significant E-Commerce growth in the Beauty Service segment, disposal of and withdrawal from unprofitable businesses in the Global segment, and companywide expense reductions.

As a result, the consolidated operating performance for this first quarter ended September 30, 2020, was as follows:

Net Sales:	7,505 million yen (7,901 million yen in previous fiscal year; 5.0% year-on-year decrease)
Operating Loss:	160 million yen (205 million yen in previous fiscal year)
Ordinary Loss:	206 million yen (228 million yen in previous fiscal year)
Loss before income taxes:	196 million yen (163 million yen in previous fiscal year)
Net Loss attributable to owners of the parent company:	281 million yen (232 million yen in previous fiscal year)

*1 Digital transformation (DX): Company reforms leveraging data and digital technologies, of products, services, business models, work flows, organizational structures, processes, and company culture, with the aim of increasing adaptability to sudden changes in the business environment, better responding to the needs of customers and society, and establishing competitive advantages.

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.

In this first quarter, sales from advertising and solutions services were down year-on-year, because the majority of clients reduced their budgets and extended internal approval in responses to the impact of COVID-19. However, sales and profits exceeded our internal forecasts, due to a larger-than-expected number of orders. The number of contracts for

Brand Official remained almost unchanged, because cancellations related to COVID-19 offset new contracts.

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

Net Sales:	1,665 million yen (1,953 million yen in previous fiscal year; 14.8% year-on-year decrease)
Segment Profit:	273 million yen (426 million yen segment profit in previous fiscal year; 35.7% year-on-year decrease)

2) Beauty Service segment

The Beauty Service segment comprises mainly retail services in Japan, such as the operation of the domestic cosmetics E-Commerce site @cosme SHOPPING, and the operation of the cosmetics specialty shop @cosme STORE including the large flagship store.

E-Commerce maintained a high growth rate due to robust demand as consumers generally stayed home to prevent the spread of COVID-19, with sales growing 168.5% year-on-year.

Among retail stores in Japan, the recovery of customer traffic at central Tokyo stores like the large flagship store in Harajuku and the Shinjuku store was weaker than expected due to COVID-19, and progress with sales is trailing expectations. However, sales were up year-on-year due to the contribution of the large flagship store and the fact that sales at some regional stores recovered to the level of the third quarter of the previous fiscal year, before the full-fledged COVID-19 outbreak.

Due to the significant E-Commerce growth, profitability improved more than expected, returning to positive territory.

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

Net Sales:	4,389 million yen (3,850 million yen in previous fiscal year; 14.0% year-on-year increase)
Segment Profit:	6 million yen (19 million yen segment loss in previous fiscal year)

3) Global segment

The Global segment comprises business operations outside Japan, such as E-Commerce e & Wholesale, retail stores, and media and other services.

In E-Commerce and Wholesale, although sales were down year-on-year because competition remained severe in the Chinese market, sales still exceeded internal forecasts.

Recovery of customer traffic at retail stores in Hong Kong was sluggish due to COVID-19, but sales were largely unchanged year-on-year because of the contribution of our two new retail stores, which opened in the second quarter of the previous fiscal year.

With regard to profit, losses contracted due to improved profitability as a result of disposal of and withdrawal from unprofitable businesses continuing from the previous fiscal year.

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

Net Sales:	1,163 million yen (1,792 million yen in previous fiscal year; 35.1% year-on-year decrease)
Segment Loss:	42 million yen (126 million yen segment loss in previous fiscal year)

4) Others

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

In this first quarter, the temporary staffing agency sales were roughly the same as the previous year's level despite the impact of COVID-19.

In the Investment and Consultation business, although capital gains from sales of operational investment securities were recorded in the previous fiscal year, no such capital gains were recorded in this first quarter.

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

Net Sales:	288 million yen (306 million yen in previous fiscal year; 5.8% year-on-year decrease)
Segment Loss:	3 million yen (41 million yen segment profit in previous fiscal year)

(2) Consolidated Financial Position

1) Assets, Liabilities, and Net Assets

(Assets)

Total assets as of September 30, 2020, were 22,706 million yen, a decrease of 1,451 million yen from June 30, 2020.

Current assets as of September 30, 2020, totaled 12,806 million yen a decrease of 1,263 million yen from June 30, 2020. This was mainly due to a decrease of 933 million yen in cash and deposits, and other factors.

Fixed assets as of September 30, 2020 were 9,900 million yen, a decrease of 188 million yen from June 30, 2020. This was mainly due to a decrease in tangible assets of 173 million yen, and other factors.

(Liabilities)

Total liabilities as of September 30, 2020, were 17,570 million yen, a decrease of 1,175 million yen from June 30, 2020.

Current liabilities decreased by 659 million yen from June 30, 2020 to 8,494 million yen, including decreases of 204 million yen in provision for bonuses, 76 million yen in the current portion of long-term debt, 59 million yen in notes and accounts payable - trade, and 53 million yen in income taxes payable, and other factors.

Fixed liabilities as of September 30, 2020 were 9,076 million yen, a decrease of 516 million yen from June 30, 2020. This was mainly due to a decrease in long-term debt of 365 million yen, and other factors.

(Net Assets)

Total net assets as of September 30, 2020, were 5,136 million yen, a decrease of 277 million yen from June 30, 2020. This was primarily due to a 281 million yen decrease in retained earnings, and other factors.

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

Our consolidated operating results forecast for the fiscal year ending June 30, 2021 released in the Summary of Consolidated Financial Results released on August 13, 2020, was predicated on the assumptions that the impact of the COVID-19 pandemic would come to an end in the second quarter and that earnings would begin improving from that quarter. If, however, significant discrepancies arise between actual societal/economic conditions and the assumptions underlying our consolidated operating results forecast leading to the expectation that actual performance may diverge from our forecasts, we will promptly make an announcement without delay.

2. Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2020	As of Sept. 30, 2020
	Amount	Amount
Assets		
Current assets		
Cash and deposits	6,647	5,714
Notes and accounts receivable - trade	2,615	2,572
Merchandise	3,078	2,912
Operational investment securities	914	911
Other	884	767
Allowance for doubtful receivables	(5)	(5)
Allowance for investment loss	(65)	(65)
Total current assets	14,069	12,806
Fixed assets		
Tangible assets	2,631	2,458
Intangible assets		
Goodwill	468	447
Software	2,598	2,505
Other	162	306
Total intangible assets	3,228	3,259
Investments and other assets		
Investment securities	1,834	1,832
Lease and guarantee deposits	1,986	1,962
Other	409	390
Total investments and other assets	4,229	4,184
Total fixed assets	10,088	9,900
Total assets	24,157	22,706

(Millions of yen)

	As of June 30, 2020	As of Sept. 30, 2020
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable – trade	1,437	1,378
Short-term debt	3,000	3,000
Current portion of long-term debt	1,652	1,576
Income taxes payable	145	92
Provision for bonuses	230	25
Provision for loss on store closing	35	33
Provision for business structure improvement	24	15
Other	2,631	2,376
Total current liabilities	9,153	8,494
Fixed liabilities		
Long-term debt	9,122	8,757
Other	470	320
Total fixed liabilities	9,592	9,076
Total liabilities	18,745	17,570
Net assets		
Shareholders' equity		
Capital stock	3,703	3,703
Capital surplus	2,882	2,883
Retained earnings	(822)	(1,103)
Treasury stock	(280)	(280)
Total shareholders' equity	5,484	5,204
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	(76)	(66)
Foreign currency translation adjustments	(216)	(218)
Total accumulated other comprehensive income	(292)	(284)
Subscription rights to shares	97	87
Non-controlling interests	125	129
Total net assets	5,413	5,136
Total liabilities and net assets	24,157	22,706

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Three months ended Sept. 30, 2019	Three months ended Sept. 30, 2020
	Amount	Amount
Net sales	7,901	7,505
Cost of sales	4,194	4,010
Gross profit	3,707	3,495
Selling, general and administrative expenses	3,911	3,656
Operating income (loss)	(205)	(160)
Non-operating income		
Interest income	1	0
Foreign exchange gains	8	-
Income from subsidies	-	32
Other	6	10
Total non-operating income	14	42
Non-operating expenses		
Interest expenses	7	19
Foreign exchange losses	-	53
Loss on investments in partnership	3	2
Equity in losses of affiliates	26	14
Other	2	0
Total non-operating expenses	38	88
Ordinary income (loss)	(228)	(206)
Extraordinary income		
Gain on reversal of share acquisition rights	77	10
Total extraordinary income	77	10
Extraordinary loss		
Loss on closing of stores	3	-
Relocation expenses	8	-
Total extraordinary loss	11	-
Income (loss) before income taxes	(163)	(196)
Total income taxes	73	80
Net income (loss)	(236)	(276)
Net income (loss) attributable to non-controlling interests	(4)	4
Net income (loss) attributable to owners of the parent company	(232)	(281)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended Sept. 30, 2019	Three months ended Sept. 30, 2020
	Amount	Amount
Net income (loss)	(236)	(276)
Other comprehensive income (loss)		
Net unrealized gain on available-for-sale securities	8	10
Foreign currency translation adjustments	(51)	(2)
Total other comprehensive income	(42)	8
Comprehensive income (loss)	(278)	(268)
Comprehensive income (loss) attributable to		
Owners of the parent	(275)	(272)
Non-controlling interests	(3)	4

(3) Notes on Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

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

Not applicable

(Additional Information)

(Accounting-based estimates relating to the spread of COVID-19)

There have been no significant changes to the assumptions described under (Additional Information) in the Securities Report for the fiscal year ended June 30, 2020, including assumptions regarding the spread of COVID-19 going forward and when the pandemic might end.

(Segment Information)

Three months ended September 30, 2019 (July 1, 2019 through September 30, 2019)

1. Net sales and income/loss by reportable segment

	Reportable segment					Adjustments (note 1)	(Millions of yen) Amounts on the consolidated statements of income (note 2)
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Others</i>	Total		
Net sales							
Sales to outside customers	1,953	3,850	1,792	306	7,901	-	7,901
Inter-segment sales and transfers	5	9	1	2	17	(17)	-
Total	1,958	3,589	1,793	308	7,918	(17)	7,901
Segment profit (loss)	426	(19)	(126)	41	322	(527)	(205)

- Notes: 1. Adjustments in Segment profit (loss) in the amount of (527) million yen include (19) million yen elimination of inter-segment transactions and (508) 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)

Not applicable

(Significant changes in goodwill amounts)

Not applicable

(Significant gain on negative goodwill)

Not applicable

Three months ended September 30, 2020 (July 1, 2020 through September 30, 2020)

1. Net sales and income/loss by reportable segment

	Reportable segment					Adjustments (note 1)	(Millions of yen) Amounts on the consolidated statements of income (note 2)
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Others</i>	Total		
Net sales							
Sales to outside customers	1,665	4,389	1,163	288	7,505	-	7,505
Inter-segment sales and transfers	41	3	6	1	51	(51)	-
Total	1,707	4,392	1,169	289	7,557	(51)	7,505
Segment profit (loss)	273	6	(42)	(3)	235	(395)	(160)

Notes: 1. Adjustments in Segment profit (loss) in the amount of (395) million yen include 2 million yen elimination of inter-segment transactions and (397) 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)

Not applicable

(Significant changes in goodwill amounts)

Not applicable

(Significant gain on negative goodwill)

Not applicable