

February 12, 2021

**Summary of Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending June 30, 2021**  
**(Six Months Ended December 31, 2020)**

[Japanese GAAP]

Company name: istyle Inc.	Stock exchange listings: TSE First Section
Securities code: 3660	URL: <a href="https://www.istyle.co.jp/">https://www.istyle.co.jp/</a>
Representative: Tetsuro Yoshimatsu, Representative Director, CEO	
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Scheduled date of filing of Quarterly Report:	February 12, 2021
Scheduled date of dividend payment:	-
Preparation of supplementary materials for financial results:	Yes
Holding of financial results briefing:	Yes

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

**1. Consolidated Financial Results for the Six Months Ended December 31, 2020 (July 1, 2020 – December 31, 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	%
Six months ended December 31, 2020	15,615	(2.0)	(544)	-	(602)	-	(777)	-
Six months ended December 31, 2019	15,942	(1.7)	(1,157)	-	(1,176)	-	(3,979)	-

Note: Comprehensive income (million yen) Six months ended December 31, 2020: (727) (-%)  
Six months ended December 31, 2019: (4,006) (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended December 31, 2020	(11.67)	-
Six months ended December 31, 2019	(61.10)	-

## (2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2020	22,654	6,761	29.0
As of June 30, 2020	24,157	5,413	21.5

Reference: Total equity As of December 31, 2020: 6,566 million yen  
As of June 30, 2019: 5,192 million yen

**2. Dividends**

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

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

**\* Notes**

- (1) Changes in significant subsidiaries during the period (changes in the scope of consolidation): None
- (2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

- |   |      |
|---|------|
| 1) Changes in accounting policies due to revisions in accounting standards, others: | 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, 2020: 74,146,800 shares

As of June 30, 2020: 68,043,800 shares

2) Number of treasury shares at end of period

As of December 31, 2020: 2,693,567 shares

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

3) Average number of shares outstanding during the period

Six months ended December 31, 2020: 66,578,519 shares

Six months ended December 31, 2019: 65,133,477 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 5 in the accompanying material.
- The Company is scheduled to hold a briefing for analysts and institutional investors on February 12, 2021.

*\* 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)<sup>\*1</sup> 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.

The sharp growth of E-Commerce resulting from the special E-Commerce event *@cosme Beauty Day* and increased E-Commerce demand in the Beauty Service segment associated with reduced opportunities for consumers to go out contributed to sales, as did our new large flagship store *@cosme TOKYO*, which opened in front of JR Harajuku Station in January 2020. However, consolidated sales declined in this first half due to On Platform segment client companies trimming their budgets and the weak performance of the Global segment.

Despite the lingering impact of COVID-19 and the new large flagship store not yet turning profitable in the Beauty Service segment, we posted a smaller consolidated operating loss due to the absence of upfront expenses associated with the opening of the new flagship store and cost reductions across all segments, including the Global segment.

As a result, the consolidated operating performance for this first half ended December 31, 2020, was as follows:

Net sales:	15,615 million yen (15,942 million yen in previous fiscal year; 2.0% year-on-year decrease)
Operating loss:	544 million yen (1,157 million yen operating loss in previous fiscal year)
Ordinary loss:	602 million yen (1,176 million yen operating loss in previous fiscal year)
Loss before income taxes:	698 million yen (4,141 million yen operating loss in previous fiscal year)
Net loss attributable to owners of the parent company:	777 million yen (3,979 million yen operating loss 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 half, sales were down year-on-year for advertising and solutions services. Although sales activities,

which had been interrupted by COVID-19, began returning to normal, clients continued to tighten their budgets in response to the pandemic. The number of *Brand Official* contracts also fell slightly, because the number of cancellations exceeded the number of new contracts.

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

Net sales:	3,418 million yen (3,926 million yen in previous fiscal year; 12.9% year-on-year decrease)
Operating profit:	671 million yen (815 million yen in previous fiscal year; 17.7% 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 the special E-Commerce event *@cosme Beauty Day* and robust demand as consumers generally stayed home to prevent the spread of COVID-19, with sales up 67.9% year-on-year.

Among retail stores in Japan, the recovery of customer traffic at central Tokyo stores including the new large flagship store has been slower than expected due to the impact of COVID-19. However, sales were up year-on-year due to the contribution of the large flagship store (which opened in January 2020) 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.

In terms of profit, segment loss narrowed because of robust growth of E-Commerce and the absence of upfront expenses associated with the opening of the new flagship store.

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

Net sales:	9,220 million yen (7,692 million yen in previous fiscal year; 19.9% year-on-year increase)
Operating loss:	321 million yen (583 million yen operating loss in previous fiscal year)

## 3) Global segment

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

In E-Commerce & Wholesale, sales were down year-on-year amid ongoing severe competition in the Chinese market.

With regard to overseas retail stores, sales declined year on year because customer traffic was slow to recover at stores in Hong Kong due to COVID-19 and all four stores in Taiwan were closed down in the third quarter of the previous fiscal year.

With regard to profit, losses narrowed 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 half was as follows:

Net sales:	2,417 million yen (3,517 million yen in previous fiscal year; 31.3% year-on-year decrease)
Operating loss:	66 million yen (415 million yen operating 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 half, temporary staffing agency sales were lower due to the impact of COVID-19, but performance was largely in line with our initial forecast.

The Investment and Consultation business recorded capital gains from the sale of operational investment securities in the first half of the previous fiscal year, but no such capital gains were recorded in this first half. Meanwhile, the business recorded a loss due to an impairment charge of 52 million yen on operational investment securities whose real value has become significantly lower than the purchase price, and other factors.

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

Net sales:	560 million yen (806 million yen in previous fiscal year; 30.5% year-on-year decrease)
Operating loss:	38 million yen (5 million yen operating loss in previous fiscal year)

## (2) Consolidated Financial Position

### 1) Assets, Liabilities, and Net Assets

#### (Assets)

Total assets as of December 31, 2020, were 22,654 million yen, a decrease of 1,503 million yen from June 30, 2020.

Current assets as of December 31, 2020, were 12,759 million yen, a decrease of 1,310 million yen from June 30, 2020. This was mainly due to decreases of 1,206 million yen in cash and deposits and 326 million yen in “other” under current assets, which offset an increase of 379 million yen in notes and accounts receivable – trade, and other factors.

Fixed assets as of December 31, 2020 were 9,895 million yen, a decrease of 193 million yen from June 30, 2020. This was mainly due to a decrease of 279 million yen in tangible assets, and other factors.

#### (Liabilities)

Total liabilities as of December 31, 2020, were 15,893 million yen, a decrease of 2,851 million yen from June 30, 2020.

Current liabilities decreased by 2,088 million yen from June 30, 2020 to 7,064 million yen. This was largely due to decreases of 1,500 million yen in short-term debt, 250 million yen in the current portion of long-term debt, and 184 million yen in provision for bonuses, and other factors.

Fixed liabilities as of December 31, 2020 were 8,829 million yen, a decrease of 763 million yen from June 30, 2020. This was mainly due to decreases of 566 million yen in long-term debt and 198 million yen in “other” under

fixed liabilities, and other factors.

(Net Assets)

Total net assets as of December 31, 2020, were 6,761 million yen, an increase of 1,348 million yen from June 30, 2020. This was mainly due to increases of 1,053 million yen in capital stock and 1,053 million yen in capital surplus largely as a result of a payment by Locoguide Inc. for a third-party allotment of shares, which offset a 777 million yen decrease in retained earnings, and other factors.

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

We have revised our full-year consolidated operating results forecast, as stated in our February 12, 2021 news release “Notice of Revision to Full-Year Consolidated Earnings Forecast”. The reasons for the revision are as follows:

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. However, the timing of an end to the pandemic is still unclear, and it remains difficult to reasonably calculate forecast figures as there are a large number of uncertain elements. We have therefore withdrawn the consolidated operating results forecast released at the beginning of the current fiscal year and have opted to leave the forecast figures undetermined. We will promptly disclose the forecast as soon as it becomes possible to reasonably calculate the forecast figures.

## 2. Consolidated Financial Statements and Relevant Notes

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2020	As of Dec. 31, 2020
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	6,647	5,441
Notes and accounts receivable - trade	2,615	2,994
Merchandise	3,078	2,979
Operational investment securities	914	857
Other	884	559
Allowance for doubtful receivables	(5)	(6)
Allowance for investment loss	(65)	(65)
<b>Total current assets</b>	<b>14,069</b>	<b>12,759</b>
<b>Fixed assets</b>		
Tangible assets	2,631	2,351
Intangible assets		
Goodwill	468	432
Software	2,598	2,543
Other	162	388
<b>Total intangible assets</b>	<b>3,228</b>	<b>3,362</b>
Investments and other assets		
Investment securities	1,834	1,845
Lease and guarantee deposits	1,986	1,942
Other	409	395
<b>Total investments and other assets</b>	<b>4,229</b>	<b>4,182</b>
<b>Total fixed assets</b>	<b>10,088</b>	<b>9,895</b>
<b>Total assets</b>	<b>24,157</b>	<b>22,654</b>



(Millions of yen)

	As of June 30, 2020	As of Dec. 31, 2020
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	1,437	1,253
Short-term debt	3,000	1,500
Current portion of long-term debt	1,652	1,401
Income taxes payable	145	98
Provision for bonuses	230	46
Provision for loss on store closing	35	-
Provision for loss on subsidiaries closing	-	99
Provision for business structure improvement	24	5
Other	2,631	2,662
Total current liabilities	9,153	7,064
<b>Fixed liabilities</b>		
Long-term debt	9,122	8,556
Other	470	273
Total fixed liabilities	9,592	8,829
<b>Total liabilities</b>	18,745	15,893
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,703	4,756
Capital surplus	2,882	3,935
Retained earnings	(822)	(1,599)
Treasury stock	(280)	(280)
Total shareholders' equity	5,484	6,812
<b>Accumulated other comprehensive income (loss)</b>		
Net unrealized gain (loss) on available-for-sale securities	(76)	(75)
Foreign currency translation adjustments	(216)	(171)
Total accumulated other comprehensive income (loss)	(292)	(246)
<b>Subscription rights to shares</b>	97	66
<b>Non-controlling interests</b>	125	129
<b>Total net assets</b>	5,413	6,761
<b>Total liabilities and net assets</b>	24,157	22,654

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

**Consolidated Statements of Income**

(Millions of yen)

	Six months ended Dec. 31, 2019	Six months ended Dec. 31, 2020
	Amount	Amount
<b>Net sales</b>	15,942	15,615
Cost of sales	8,647	8,468
<b>Gross profit</b>	7,295	7,147
<b>Selling, general and administrative expenses</b>	8,452	7,691
<b>Operating income (loss)</b>	(1,157)	(544)
<b>Non-operating income</b>		
Interest income	2	1
Dividend income	5	3
Foreign exchange gains	39	-
Income from subsidies	-	73
Other	15	44
Total non-operating income	62	121
<b>Non-operating expenses</b>		
Interest expenses	20	34
Foreign exchange losses	-	101
Loss on investments in partnership	3	2
Equity in losses of affiliates	38	25
Other	20	17
Total non-operating expenses	80	179
<b>Ordinary income (loss)</b>	(1,176)	(602)
<b>Extraordinary income</b>		
Gain on reversal of share acquisition rights	77	30
Total extraordinary income	77	30
<b>Extraordinary loss</b>		
Impairment loss	2,963	9
Loss on valuation of investment securities	30	-
Loss on cancellation of office contract	-	50
Loss on closing subsidiaries	-	68
Loss on closing of stores	39	-
Office transfer expenses	9	-
Total extraordinary loss	3,042	127
<b>Income (loss) before income taxes</b>	(4,141)	(698)
<b>Total income taxes</b>	(88)	75
<b>Net income (loss)</b>	(4,053)	(773)

<b>Net loss attributable to non-controlling interests</b>	(73)	4
<b>Net income (loss) attributable to owners of the parent company</b>	(3,979)	(777)

# Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended Dec. 31, 2019	Six months ended Dec. 31, 2020
	Amount	Amount
<b>Net income (loss)</b>	(4,053)	(773)
<b>Other comprehensive income (loss)</b>		
Net unrealized gain (loss) on available-for-sale securities	(21)	1
Foreign currency translation adjustments	68	45
Total other comprehensive income (loss)	47	46
<b>Comprehensive income (loss)</b>	(4,006)	(727)
Comprehensive income (loss) attributable to		
Owners of the parent	(3,940)	(731)
Non-controlling interests	(66)	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)

Due to the payment, effective November 25, 2020, by Locoguide Inc. for new shares issued by the Company through a third-party allotment, capital stock and capital surplus each increased by 1,052 million yen. As a result of this issue of new shares through a third-party allotment, capital stock stood at 4,756 million yen and capital surplus at 3,935 million yen, as of December 31, 2020.

(Additional Information)

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

Many countries around the world are seeing a resurgence of COVID-19 cases including Japan, where a second state of emergency has been declared. Some of the Company's stores in Japan and overseas have had to shorten their opening hours, and have been impacted in other ways also. In business other than retail-store-related business, clients continue to trim their budgets amid the ongoing uncertainty due to the COVID-19 pandemic.

In the previous fiscal year, the Company had assumed that it would be impacted by the pandemic through the first quarter of the fiscal year ending June 2021, and would see a gradual recovery from the second quarter. However, the Company now assumes the impact will continue for six months longer than initially assumed and expects to see a gradual recovery from the fourth quarter. Accordingly, the Company has applied impairment accounting to fixed assets and has prepared accounting estimates of the recoverability of deferred tax assets. The change in the assumptions underlying the Company's forecast has no impact on quarterly consolidated financial statements.

(Segment Information)

Six months ended December 31, 2019 (July 1, 2019 through December 31, 2019)

1. Net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment					Adjustments (note 1)	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	3,926	7,692	3,517	806	15,942	-	15,942
Inter-segment sales and transfers	13	11	6	3	33	(33)	-
Total	3,939	7,703	3,524	809	15,975	(33)	15,942
Segment profit (loss)	815	(583)	(415)	(5)	(187)	(970)	(1,157)

Notes: 1. Adjustments in Segment profit (loss) in the amount of (970) million yen include (4) million yen elimination of inter-segment transactions and (965) million yen corporate expense not allocated to any reportable segment.

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

2. Information about impairment loss on fixed assets, goodwill, etc.

(Significant impairment losses related to fixed assets)

In the On Platform segment, impairment losses have been recorded on some asset groups, as the segment's revenue is expected to fall below initial forecasts. Said impairment losses during the first half of this fiscal year amount to 4 million yen.

In the Global segment, impairment losses have been recorded on some stores and asset groups, as the segment's revenue is expected to fall below initial forecasts. Said impairment losses during the first half of this fiscal year amount to 2,960 million yen.

(Significant changes in goodwill amounts)

In the Global segment, the Company conducted a review based on progress with the business plans of its consolidated subsidiaries, Hermo Creative (M) Sdn. Bhd. and MUA Inc., as well as their earnings forecasts. As a result, the full unamortized balance of the goodwill recorded at the time of the Company's acquisition of the shares of these subsidiaries (2,292 million yen in total), has been recorded as an impairment loss under extraordinary loss during the first half of this fiscal year.

It should be noted that this goodwill impairment is reported in "Significant impairment losses related to fixed assets" above.

(Significant gain on negative goodwill)

Not applicable

Six months ended December 31, 2020 (July 1, 2020 through December 31, 2020)

1. Net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment					Adjustments (note 1)	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	3,418	9,220	2,417	560	15,615	-	15,615
Inter-segment sales and transfers	118	8	40	2	168	(168)	-
Total	3,536	9,228	2,457	562	15,783	(168)	15,615
Segment profit (loss)	671	(321)	(66)	(38)	246	(790)	(544)

- Notes: 1. Adjustments in Segment profit (loss) in the amount of (790) million yen include 3 million yen elimination of inter-segment transactions and (793) million yen corporate expense not allocated to any reportable segment.
2. Segment profit (loss) is adjusted to correspond with operating loss reported on the consolidated statements of income for the corresponding period.

2. Information about impairment loss on fixed assets, goodwill, etc.

(Significant impairment losses related to fixed assets)

In corporate assets not allocated to any reportable segment, impairment losses have been recorded due to the discontinuation of the use of certain assets. Said impairment losses during the first half of this fiscal year amount to 9 million yen.

(Significant changes in goodwill amounts)

Not applicable

(Significant gain on negative goodwill)

Not applicable

(Significant Subsequent Events)

(Sale of shares of a significant subsidiary)

The Company reviewed unprofitable businesses with the aim of improving business performance and decided to transfer all shares of Hermo Creative (M) Sdn. Bhd., a consolidated subsidiary of the Company that operates a cosmetics e-commerce site in Malaysia.

1. Reason for sale of shares

To improve business performance, following a review of unprofitable businesses.

2. Name of purchaser

Mok Chiun Shyong

3. Date of sale

January 19, 2021

4. Name of the subsidiary, business description, and transactions with the Company

Name: Hermo Creative (M) Sdn. Bhd.

Business description: Operation of a cosmetics e-commerce site in Malaysia

Transactions with the Company: There are no material transactions.

5. Number of shares to be sold, sale value, loss on sale of shares, and ownership ratio after the transfer

Number of shares to be sold: 605,756 shares

Sales value: 0 million yen

Loss on sale of shares: 173 million yen

(The final amount is subject to change due to exchange rate fluctuations)

Ownership ratio after the transfer: 0%