

May 14, 2021

Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending June 30, 2021
(Nine Months Ended March 31, 2021)

[Japanese GAAP]

Company name: istyle Inc.	Stock exchange listings: TSE First Section
Securities code: 3660	URL: http://www.istyle.co.jp/en
Representative: Tetsuro Yoshimatsu, Representative Director, CEO	
Contact: Kei Sugawara, Director, CFO	Tel: +81-3-5575-1260
Scheduled date of filing of Quarterly Report:	May 14, 2021
Scheduled date of dividend payment:	-
Preparation of supplementary materials for financial results:	Yes
Holding of financial results briefing:	Yes (For analysts and institutional investors)

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

1. Consolidated Financial Results for the Nine Months Ended March 31, 2021 (July 1, 2020 – March 31, 2021)

(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	%
Nine months ended March 31, 2021	23,186	(1.8)	(624)	-	(822)	-	(1,392)	-
Nine months ended March 31, 2020	23,609	(1.7)	(1,398)	-	(1,472)	-	(4,261)	-

Note: Comprehensive income (million yen) Nine months ended March 31, 2021: (1,230) (- %)

Nine months ended March 31, 2020: (4,409) (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended March 31, 2021	(20.42)	-
Nine months ended March 31, 2020	(65.34)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2021	21,119	6,255	28.7
As of June 30, 2020	24,157	5,413	21.5

Reference: Total equity	As of March 31, 2021:	6,052 million yen
	As of June 30, 2020:	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 (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	30,900	1.1	(620)	-	(840)	-	40	-	0.58

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

* 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 March 31, 2021: 74,146,800 shares

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

2) Number of treasury shares at end of period

As of March 31, 2021: 2,693,567 shares

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

3) Average number of shares outstanding during the period

Nine months ended March 31, 2021: 68,179,702 shares

Nine months ended March 31, 2020: 65,205,215 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 "1. Operating Results and Financial Position (3) 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 May 14, 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.

Accompanying Materials – Contents

1. Operating Results and Financial Position	2
(1) Analysis of Operating Results	2
(2) Consolidated Financial Position	4
(3) Consolidated Operating Results Forecast and Information about Future Predictions	5
2. Consolidated Financial Statements and Relevant Notes	6
(1) Consolidated Balance Sheets	6
(2) Consolidated Statements of Income and Comprehensive Income	8
(3) Notes on Consolidated Financial Statements	11
(Notes on the Going-concern Assumption)	11
(Notes on Significant Changes in the Amount of Shareholders' Equity)	11
(Additional Information)	11
(Segment Information)	12
(Significant Subsequent Events)	14

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.

Consolidated sales were level year-on-year despite the lingering negative impact of COVID-19 as a result of the sharp growth of E-Commerce in the Beauty Service segment.

We posted a consolidated operating loss due to the weak performance of our new large flagship store *@cosme TOKYO* and our Hong Kong stores, which have been severely impacted by the pandemic. However, we reduced our consolidated operating loss by approximately 8 hundred million yen through rigorous expense cuts in all segments, particularly in the Global segment. As a result, our operating profit margin improved from -5.9% a year earlier to -2.7%, bringing us closer to turning profitable.

We also booked equity in losses of affiliates of 193 million yen as non-operating expense, as well as loss on sale of shares of affiliated companies of 173 million yen accompanying the transfer of a Malaysian e-commerce company, and a 174 million yen loss from the disposal of and withdrawal from overseas stores and related impairment charges, for a total extraordinary loss of 453 million yen.

As a result, the consolidated operating performance for this nine months was as follows:

Net Sales:	23,186 million yen (23,609 million yen in previous fiscal year; 1.8% year-on-year decrease)
Operating Loss:	624 million yen (1,398 million yen loss in previous fiscal year)
Ordinary Loss:	822 million yen (1,472 million yen loss in previous fiscal year)
Loss before income taxes:	1,238 million yen (4,434 million yen loss in previous fiscal year)
Net Loss attributable to owners of the parent company:	1,392 million yen (4,261 million yen 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 nine months, sales were down year-on-year for advertising and solutions services. Although sales activities that 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 began to increase in this third quarter despite some cancellations stemming from the pandemic, with the number of new contracts exceeding the number of cancellations as a result of maintaining close communication with clients.

As a result, the consolidated operating performance for this nine months was as follows:

Net Sales:	5,130 million yen (5,943 million yen in previous fiscal year; 13.7% year-on-year decrease)
Operating Profit:	980 million yen (1,292 million yen in previous fiscal year; 24.1% 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.

E-Commerce maintained a high growth rate due to robust demand as consumers generally stayed home to prevent the spread of COVID-19, the special E-Commerce event @cosme Beauty Day, and long-term initiatives to strengthen merchandising and promotional campaigns, with sales up 67.5% year-on-year.

Retail stores in Japan continued to struggle, with customer traffic declining further after the second state of emergency declaration in January. However, sales increased year on year due to the contribution of the new large flagship store, which opened in January 2020.

In terms of profit, segment loss narrowed because of robust growth of E-Commerce, expense cuts at retail stores, and the absence of upfront expenses associated with the opening of the new flagship store. The segment returned to profitability posting a segment profit for this third quarter.

As a result, the consolidated operating performance for this nine months was as follows:

Net Sales:	13,772 million yen (11,785 million yen in previous fiscal year; 16.9% year-on-year increase)
Operating Loss:	290 million yen (697 million yen 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 declined as a result of changing to a policy of prioritizing profitability over sales in the previous fiscal year and the transfer of an e-commerce business in Malaysia.

Sales of overseas retail stores also declined due to weak recovery of customer traffic in Hong Kong because of COVID-19 and the closure of all four stores in Taiwan 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 nine months was as follows:

Net Sales: 3,478 million yen (4,726 million yen in previous fiscal year; 26.4% year-on-year decrease)
Operating Loss: 146 million yen (606 million yen 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 third quarter, temporary staffing agency sales were lower due to the impact of COVID-19.

In the Investment and Consultation business, sales declined because the business conducted almost no sales of operational investment securities in this nine months.

Although we posted a segment loss due to an impairment charge of 52 million yen on operational investment securities whose real value is significantly lower than the purchase price, the segment turned profitable in this third quarter as a result of temporary staffing agency expense cuts.

As a result, the consolidated operating performance for this nine months was as follows:

Net Sales: 806 million yen (1,155 million yen in previous fiscal year; 30.2% year-on-year decrease)
Operating Loss: 20 million yen (profit of 12 million yen in previous fiscal year)

(2) Consolidated Financial Position

1) Assets, Liabilities, and Net Assets

(Assets)

Total assets as of March 31, 2021, were 21,119 million yen, a decrease of 3,038 million yen from June 30, 2020.

Current assets as of March 31, 2021, were 11,676 million yen, a decrease of 2,393 million yen from June 30, 2020. This was mainly due to decreases of 1,469 million yen in cash and deposits and 756 million yen in merchandise, and other factors.

Fixed assets as of March 31, 2021 were 9,443 million yen, a decrease of 645 million yen from June 30, 2020. This was mainly due to decreases of 539 million yen in tangible assets and 122 million yen in investment securities, and other factors.

(Liabilities)

Total liabilities as of March 31, 2021, were 14,865 million yen, a decrease of 3,880 million yen from June 30, 2020.

Current liabilities decreased by 2,846 million yen from June 30, 2020 to 6,307 million yen. This was largely due to factors such as decreases of 1,500 million yen in short-term debt, 521 million yen in the current portion of long-term debt, and 182 million yen in provision for bonuses, and other factors.

Fixed liabilities as of March 31, 2021 were 8,557 million yen, a decrease of 1,034 million yen from June 30, 2020. This was mainly due to a decrease in long-term debt of 765 million yen, and other factors.

(Net Assets)

Total net assets as of March 31, 2021, were 6,255 million yen, an increase of 842 million yen from June 30, 2020.

This was primarily due to increases of 1,053 million yen in capital stock and 1,054 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 1,392 million

yen decrease in retained earnings, and other factors.

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

As is stated in our May 14, 2021 news release, “Notice Concerning Revision of the Full-Year Consolidated Earnings Forecast”, we have revised our full-year consolidated earnings forecast, which we temporarily withdrew on February 12, 2021. The revision to the forecast is as follows.

<Revised full-year consolidated operating results forecast for fiscal year ending June 30, 2021>

Net Sales:	30,900 million yen
Operating Loss:	620 million yen
Ordinary Loss:	840 million yen
Net Income attributable to owners of the parent company:	40 million yen

<Assumptions underlying the above full-year consolidated operating results forecast>

The above operating results forecast is based on the following assumptions for performance in the fourth quarter of the current fiscal year. Further impact from COVID-19 is possible depending on how the pandemic develops.

On Platform segment

We have prepared our forecast after a detailed analysis of projected orders at this point in time. We forecast higher sales than in this third quarter, because advertiser sentiment has recovered.

Beauty Service segment

Taking into account factors such as the closure of some major stores in Tokyo for about two weeks in response to requests to do so following the state of emergency declaration in April, as well as continued shortened opening hours, and a decline in customer traffic due to the tendency for consumers to refrain from outings, we forecast a sharp sales decline for retail stores from this third quarter.

In light of recent trends and the fact that E-Commerce is continuing to perform strongly, we forecast results for E-Commerce that are similar to those in this third quarter.

Global segment

We forecast results for the Global business that are similar to those in this third quarter, as there have been no notable changes to economic conditions in the external environment.

2. Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2020	As of Mar. 31, 2021
	Amount	Amount
Assets		
Current assets		
Cash and deposits	6,647	5,178
Notes and accounts receivable - trade	2,615	2,928
Merchandise	3,078	2,322
Operational investment securities	914	895
Other	884	423
Allowance for doubtful receivables	(5)	(5)
Allowance for investment loss	(65)	(65)
Total current assets	14,069	11,676
Fixed assets		
Tangible assets	2,631	2,092
Intangible assets		
Goodwill	468	393
Software	2,598	2,595
Other	162	326
Total intangible assets	3,228	3,314
Investments and other assets		
Investment securities	1,834	1,712
Lease and guarantee deposits	1,986	1,937
Other	409	389
Total investments and other assets	4,229	4,038
Total fixed assets	10,088	9,443
Total assets	24,157	21,119

(Millions of yen)

	As of June 30, 2020	As of Mar. 31, 2021
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,437	1,443
Short-term debt	3,000	1,500
Current portion of long-term debt	1,652	1,130
Income taxes payable	145	64
Provision for bonuses	230	48
Provision for loss on store closing	35	-
Provision for loss on subsidiaries closing	-	78
Provision for business structure improvement	24	4
Other	2,631	2,040
Total current liabilities	9,153	6,307
Fixed liabilities		
Long-term debt	9,122	8,356
Other	470	201
Total fixed liabilities	9,592	8,557
Total liabilities	18,745	14,865
Net assets		
Shareholders' equity		
Capital stock	3,703	4,756
Capital surplus	2,882	3,937
Retained earnings	(822)	(2,214)
Treasury stock	(280)	(280)
Total shareholders' equity	5,484	6,198
Accumulated other comprehensive income (loss)		
Net unrealized gain (loss) on available-for-sale securities	(76)	(51)
Foreign currency translation adjustments	(216)	(95)
Total accumulated other comprehensive income (loss)	(292)	(146)
Subscription rights to shares	97	59
Non-controlling interests	125	143
Total net assets	5,413	6,255
Total liabilities and net assets	24,157	21,119

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Nine months ended Mar. 31, 2020	Nine months ended Mar. 31, 2021
	Amount	Amount
Net sales	23,609	23,186
Cost of sales	12,579	12,529
Gross profit	11,030	10,657
Selling, general and administrative expenses	12,429	11,280
Operating income (loss)	(1,398)	(624)
Non-operating income		
Interest income	3	2
Dividend income	5	3
Income from subsidies	1	102
Settlement received	10	-
Other	18	50
Total non-operating income	37	157
Non-operating expenses		
Interest expenses	36	49
Foreign exchange losses	-	75
Loss on investments in partnership	4	13
Equity in losses of affiliates	60	193
Other	10	25
Total non-operating expenses	111	356
Ordinary income (loss)	(1,472)	(822)
Extraordinary income		
Gain on reversal of share acquisition rights	77	38
Total extraordinary income	77	38
Extraordinary loss		
Impairment loss	2,963	174
Loss on valuation of investment securities	30	-
Loss on sale of shares of affiliated companies	-	173
Loss on cancellation of office contract	-	38
Loss on subsidiaries closing	-	14
Provision for loss on subsidiaries closing	-	55
Loss on closing of stores	37	-
Office transfer expenses	9	-
Total extraordinary loss	3,039	453

Income (loss) before income taxes	(4,434)	(1,238)
Total income taxes	(99)	146
Net income (loss)	(4,335)	(1,384)
Net income (loss) attributable to non-controlling interests	(74)	9
Net income (loss) attributable to owners of the parent company	(4,261)	(1,392)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended Mar. 31, 2020	Nine months ended Mar. 31, 2021
	Amount	Amount
Net income (loss)	(4,335)	(1,384)
Other comprehensive income (loss)		
Net unrealized gain (loss) on available-for-sale securities	(45)	25
Foreign currency translation adjustments	(30)	129
Total other comprehensive income (loss)	(74)	154
Comprehensive income	(4,409)	(1,230)
Comprehensive income (loss) attributable to		
Owners of the parent company	(4,341)	(1,246)
Non-controlling interests	(68)	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)

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 increased by 1,052 million yen, respectively. 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 3,937 million yen, as of March 31, 2021.

(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 state of emergency has once again 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 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.

Although we expect a temporary decline in sales at retail stores in Japan in the fourth quarter of the current fiscal year as some stores have closed temporarily in response to the state of emergency, we expect a gradual recovery from the first quarter of the fiscal year ending June 30, 2022.

With regard to the Company's stores in Hong Kong, in light of the announcement to extend the restrictions on entry into Hong Kong, the Company has extended the above assumption a further six months and the Company now assumes that demand from overseas visitors to Hong Kong will gradually recover from the second quarter of the fiscal year ending June 2022. As a result of the above, some of the stores have recorded impairment losses.

(Segment Information)

Nine months ended March 31, 2020 (July 1, 2019 through March 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	5,943	11,785	4,726	1,155	23,609	-	23,609
Inter-segment sales and transfers	14	17	8	5	43	(43)	-
Total	5,957	11,802	4,734	1,160	23,652	(43)	23,609
Segment profit (loss)	1,292	(697)	(606)	12	2	(1,400)	(1,398)

Notes: 1. Adjustments in Segment profit (loss) in the amount of (1,400) million yen include (1) million yen elimination of inter-segment transactions and (1,399) million yen corporate expense not allocated to any reportable segment.

2. Segment profit (loss) is adjusted to correspond with operating income (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 nine months 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 nine months of this fiscal year amount to 2,959 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 (2,296 million yen in total), has been recorded as an impairment loss under extraordinary loss during the first nine months 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

Nine months ended March 31, 2021 (July 1, 2020 through March 31, 2021)

1. Net sales and income/loss by reportable segment

	Reportable segment					(Millions of yen)	
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Others</i>	Total	Adjustments (note 1)	Amounts on the consolidated statements of income (note 2)
Net sales							
Sales to outside customers	5,130	13,772	3,478	806	23,186	-	23,186
Inter-segment sales and transfers	164	46	43	5	259	(259)	-
Total	5,294	13,818	3,522	811	23,445	(259)	23,186
Segment profit (loss)	980	(290)	(146)	(20)	525	(1,149)	(624)

Notes: 1. Adjustments in segment profit (loss) in the amount of (1,149) million yen include 13 million yen elimination of inter-segment transactions and (1,162) million yen corporate expense not allocated to any reportable segment.

2. Segment profit (loss) is adjusted to correspond with operating income (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 nine months of this fiscal year amount to 71 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 nine months of this fiscal year amount to 94 million yen.

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 nine months of this fiscal year amount to 9 million yen.

(Significant changes in goodwill amounts)

In the On Platform segment, the Company conducted a review based on progress with the business plans of its consolidated subsidiary, Eat Smart, Inc., as well as its earnings forecast. As a result, the full unamortized balance of the goodwill recorded at the time of the Company's acquisition of the shares of this subsidiary (42 million yen in total), has been recorded as an impairment loss under extraordinary loss during the first nine months 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

(Significant Subsequent Events)

(Sale of investment securities held by a subsidiary of the Company)

On April 26, 2021, the Company's Board of Directors passed a resolution to sell investment securities held by the Group to make effective use of held assets and to strengthen the Company's financial position.

1. Reason for sale of investment securities

To make effective use of the assets held and to strengthen the Company's financial position.

2. Details of investment securities to be sold

Unlisted shares in one company held by a subsidiary of the Company

3. Date of sale

Before the end of May 2021 (scheduled)

4. Impact of this sale on consolidated profit and loss

As a result of this sale, the Company expects to record extraordinary income in the fourth quarter of the fiscal year ending June 30, 2021, as follows:

Gain on sale of investment securities: approximately 1,825 million yen

*Calculated based on an assumed exchange rate of 1 USD = 108 yen.

The final amount may differ as a result of fluctuations in foreign exchange rates and other factors.