

Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2019

[Japanese GAAP]

Company name: istyle Inc.	Stock exchange listings: TSE First Section
Securities code: 3660	URL: http://www.istyle.co.jp/en
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Scheduled date of Annual General Meeting of Shareholders:	September 25, 2019
Scheduled date of filing Annual Securities Report:	September 26, 2019
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 Fiscal Year Ended June 30, 2019 (July 1, 2018 – June 30, 2019)

(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	%
Fiscal year ended June 30, 2019	32,193	13.1	476	(77.6)	380	(82.3)	(519)	-
Fiscal year ended June 30, 2018	28,470	50.7	2,125	45.0	2,147	65.3	1,184	10.0

Note: Comprehensive income (million yen) Fiscal year ended June 30, 2019: (780) (-%)

Fiscal year ended June 30, 2018: 650 (down 53.9%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended June 30, 2019	(8.05)	-	(4.7)	1.7	1.5
Fiscal year ended June 30, 2018	18.62	17.12	10.6	10.7	7.5

Reference: Equity in earnings of affiliates:

Fiscal year ended June 30, 2019: (39) million yen

Fiscal year ended June 30, 2018: (6) million yen

(Note) Diluted net income per share has not been disclosed for the fiscal year ended June 30, 2019 because of diluted net loss per share for this fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2019	22,003	10,761	47.1	159.76
As of June 30, 2018	21,911	12,008	53.0	180.65

Reference: Total equity As of June 30, 2019: 10,353 million yen As of June 30, 2018: 11,604 million yen

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

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended June 30, 2019	154	(4,096)	1,176	3,184
Fiscal year ended June 30, 2018	1,750	(3,779)	1,877	5,985

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended June 30, 2018	-	0.00	-	0.50	0.50	32	2.7	0.3
Fiscal year ended June 30, 2019	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending June 30, 2020 (forecasts)	-	0.00	-	0.00	0.00		-	

3. Consolidated Forecast for the Fiscal Year Ending June 30, 2020 (July 1, 2019 – June 30, 2020)

(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
2019 Full year	39,000	21.1	(1,240)	-	(1,390)	-	(1,720)	-	(26.51)

* Notes

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

(2) 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

(3) Number of shares outstanding (common shares)

1) Number of shares issued (including treasury shares) at end of period

As of June 30, 2019: 67,497,200 shares As of June 30, 2018: 66,927,600 shares

2) Number of treasury shares at end of period

As of June 30, 2019: 2,693,533 shares As of June 30, 2018: 2,693,452 shares

3) Average number of shares outstanding during the period

Fiscal year ended June 30, 2019: 64,554,959 shares Fiscal year ended June 30, 2018: 63,577,908 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2019 (July 1, 2018 – June 30, 2019)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended June 30, 2019	6,682	7.0	(420)	-	(449)	-	(858)	-
Fiscal year ended June 30, 2018	6,244	20.4	599	(17.0)	618	(22.1)	398	(46.7)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended June 30, 2019	(13.29)	-
Fiscal year ended June 30, 2018	6.26	5.76

(Note) Diluted net income per share has not been disclosed for the fiscal year ended June 30, 2019 because of diluted net loss per share for this fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2019	18,520	8,825	46.9	134.08
As of June 30, 2018	17,987	9,529	52.6	147.20

Reference: Total equity As of June 30, 2019 8,689 million yen As of June 30, 2018 9,455 million yen

* 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

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 (4) Consolidated Operating Results Forecast and Information about Future Predictions" on page 5 in the accompanying material.

istyle Inc. plans to hold a results presentation for institutional investors and analysts on September 25, 2019.

* This financial report is solely a translation of "Kessan Tanshin" (in Japanese), 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

Based on our Medium-Term Business Plan announced on August 3, 2016, we defined the current fiscal year as a phase of expanding investment. Accordingly, we are aggressively investing human and financial resources to accelerate a turn to profitability in the fiscal year ending June 30, 2020, which is the final year of the Medium-Term Business Plan.

In the current fiscal year, we invested 463 million yen in a major promotion to advertise *@cosme Beauty Day*, a special E-Commerce event held on December 3, 2018. Although this resulted in a sharp one-time profit decline, it increased the value of the platform as a whole by raising the profile of the *@cosme* brand and attracting new users.

In the Others segment, although capital gains from sales of operational investment securities (355 million yen in gross profit) was recorded in the fiscal year ended June 30, 2018, no such capital gains were recorded in the current fiscal year. As a result, the segment recorded a sharp year-on-year profit decline.

Income before income taxes declined sharply year-on-year. The main contributing factors were the recording of some system-related investment assets as an extraordinary loss in consideration of earnings performance in the following fiscal year, and recording of an impairment loss on certain stores whose performance was below target. We also recorded a substantial net loss attributable to owners of the parent company for the reversal of deferred tax assets and the payment of income taxes.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2019, was as follows:

Net Sales:	32,193 million yen (13.1% year-on-year increase)
Operating Income:	476 million yen (77.6% year-on-year decrease)
Ordinary Income:	380 million yen (82.3% year-on-year decrease)
Income before income taxes:	166 million yen (92.1% year-on-year decrease)
Net Loss attributable to owners of the parent company:	519 million yen (Net Income of 1,184 million yen in the previous fiscal year)

We extended our Medium-Term Business Plan after reviewing the results of the current fiscal year and earnings forecasts for the fiscal year ending June 30, 2020. For more information, please refer to (4) Consolidated Operating Results Forecast and Information about Future Predictions below.

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.

B-to-B services such as advertising continued to perform solidly in the current fiscal year, although sales growth was limited, because of the non-recurrence of a promotional event that we held in the previous fiscal year. We strategically allocated human resources to *Brand Official*, a new service positioned as the next earnings pillar after advertising, including the establishment of a specialist sales team, etc. Although the startup and expansion of this new service is taking some time, we attained our year-end target for the number of contracts concluded.

Although profits were down year on year due to an increase in upfront investment including personnel-related expenses and system-related expenses, we expect an improvement in profitability by encouraging more clients to adopt *Brand Official* and will continue to focus on selling the service.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2019, was as follows:

Net Sales:	7,635 million yen (4.1% year-on-year increase)
Segment Profit:	2,254 million yen (14.8% 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*, the operation of the cosmetics specialty shop *@cosme store*, and the planning, development, and marketing of private brands.

A special 24-hour E-Commerce event held on December 3, 2018 contributed to the increase in E-Commerce sales. Sales remained strong thereafter, centered on repeat sales to existing customers.

To enhance the profitability of Japanese stores, in the current fiscal year we closed two small stores while increasing the floor space of favorably performing existing stores. When opening new stores, we plan to concentrate on opening large stores that can carry diverse product ranges.

We also decided to open our first large street-level store, *@cosme Tokyo*, by the end of the calendar year, on a site located in front of Harajuku Station. For more information, please refer to (4) Consolidated Operating Results Forecast and Information about Future Predictions below. Since the store is to open in the fiscal year ending June 30, 2020, its impact on earnings in the current fiscal year is minimal.

Segment profit declined year on year due to the impact of delivery costs in the E-Commerce business. Segment income is forecast to decline further in the fiscal year ending June 30, 2020 as a result of the opening of the Harajuku store, but profitability is expected to improve with growth in the E-Commerce business and achievement of profitability by the store.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2019 was as follows:

Net Sales:	14,274 million yen (17.6% year-on-year increase)
Segment Profit:	559 million yen (10.0% year-on-year decrease)

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 wholesale customers cut back on purchases due to a reactionary slump after *Singles' Day*^{*1} and the impact of a change in Chinese government regulations effective January 1, 2019, but sales in China remained firmer than we had expected. Since, however, competition remains as intense as ever and the impact of China's new E-Commerce Law remains uncertain, we will continue to monitor trends in the coming months.

We opened a second store in Thailand in February 2019, bringing the total number of overseas retail stores to 10. The first Hong Kong store continues to drive earnings growth. Since many of our overseas stores are relatively new, we will consider how to take the business forward by analyzing which types of store are most successful.

Goodwill amortization of three overseas companies^{*2} whose income statements were consolidated from the first quarter of the previous fiscal year totaled 371 million yen in the current fiscal year.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2019 was as follows:

Net Sales:	9,141 million yen (19.6% year-on-year increase)
Segment Loss:	27 million yen (11 million yen segment loss in the previous fiscal year)

Notes

*1 A major E-Commerce sale held in China

*2 The three companies are as follows.

- Hermo Creative (M) Sdn. Bhd., which operates cosmetics E-Commerce site Hermo in Malaysia
- i-TRUE Communications Inc., which operates beauty portal site UrCosme in Taiwan
- MUA Inc., which operates beauty portal site MakeupAlley in the U.S.

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 the current fiscal year, the temporary staffing agency recorded steady growth. Although demand for temporary staffing is high, competition is also intense. We are therefore looking to achieve medium- to long-term expansion of the business through coordination with our retail stores to improve the quality of the customer service provided by temporary staff who have been rehired as full-time employees. This will also facilitate the streamlining of training for such staff members and provide them with opportunities to demonstrate their potential at our stores.

The Investment and Consultation business posted lower sales and profits, because it recorded capital gains from the sale of operational investment securities (gross profit of 355 million yen) in the previous fiscal year, but conducted no such sell off during the current fiscal year.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2019 was as follows:

Net Sales:	1,142 million yen (15.1% year-on-year decrease)
Segment Profit:	76 million yen (82.6% year-on-year decrease)

(2) Consolidated Financial Position

1) Assets, Liabilities, and Net Assets

(Assets)

Total assets as of June 30, 2019, were 22,003 million yen, an increase of 92 million yen from June 30, 2018.

Current assets as of June 30, 2019, were 10,920 million yen, a decrease of 2,133 million yen from June 30, 2018. This was mainly due to a decrease of 2,880 million yen in cash and deposits, and other factors, which offset increases of 595 million yen in merchandise and 368 million yen in operational investment securities.

Fixed assets as of June 30, 2019 were 11,083 million yen, an increase of 2,224 million yen from June 30, 2018. This was mainly due to increases in intangible assets (software) of 700 million yen, 1,207 million yen in investment securities, and other factors.

(Liabilities)

Total liabilities as of June 30, 2019, were 11,242 million yen, an increase of 1,338 million yen from June 30, 2018.

Current liabilities increased by 1,000 million yen from June 30, 2018 to 8,351 million yen. The main factors included increases of 481 million in the current portion of long-term debt and 900 million yen in short-term debt, and other factors, which offset a 451 million yen decrease in income taxes payable.

Fixed liabilities as of June 30, 2019 were 2,892 million yen, an increase of 340 million yen from June 30, 2018. This was mainly due to an increase in long-term debt of 277 million yen, and other factors.

(Net Assets)

Total net assets as of June 30, 2019, were 10,761 million yen, a decrease of 1,247 million yen from June 30, 2018. This was primarily due to decreases of 542 million yen in capital surplus and 552 million yen in retained earnings, and other factors, which offset increases of 91 million yen in capital stock and 62 million yen in subscription rights to shares.

(3) Status of Cash Flows

As of June 30, 2019, cash and cash equivalents (hereinafter referred to as “funds”) totaled 3,184 million yen, a decrease of 2,801 million yen versus June 30, 2018.

The status of cash flows as of June 30, 2019 and the main factors are discussed below.

(Cash flows from operating activities)

In the fiscal year ended June 30, 2019, funds provided by operating activities totaled 154 million yen (1,750 million yen provided in the previous fiscal year).

This mainly reflects 1,107 million yen for the income taxes paid, 166 million yen for the income before income taxes, 957 million yen for the depreciation and amortization, 402 million yen for the amortization of goodwill, among other factors.

(Cash flows from investing activities)

In the fiscal year ended June 30, 2019, funds used in investing activities totaled 4,096 million yen (3,779 million yen used in the previous fiscal year).

This mainly reflects payments of 1,648 million yen for the purchase of intangible assets, 1,251 million yen for the purchase of investment securities, 758 million yen for the payments for guarantee deposits, 375 million yen for the purchase of tangible assets, and other factors.

(Cash flows from financing activities)

In the fiscal year ended June 30, 2019, funds provided by financing activities totaled 1,176 million yen (1,877 million yen provided in the previous fiscal year). This mainly reflects cash outflows of 1,743 million yen for the repayment of long-term debt, 2,500 million yen for the proceeds from long-term debt, 900 million yen for the net increase in short-term debt, and other factors.

(Reference) Cash Flows Indicators

	Fiscal year ended June 30, 2015	Fiscal year ended June 30, 2016	Fiscal year ended June 30, 2017	Fiscal year ended June 30, 2018	Fiscal year ended June 30, 2019
Equity ratio (%)	64.2	58.4	59.4	53.0	47.1
Equity ratio based on market price (%)	240.2	436.2	309.1	356.8	220.0
Cash flows / Interest-bearing debt ratio (%)	106.0	205.1	615.0	321.1	4,754.4
Interest coverage ratio (times)	143.8	252.3	95.3	158.2	29.1

Notes:

1. All figures have been calculated using consolidated financial figures.
2. The market capitalization has been calculated by multiplying the closing stock price at the end of the fiscal year by the number of outstanding shares at the end of the fiscal year (excluding treasury shares).
3. Cash flows are cash flows from operating activities.
4. Interest-bearing debt refers to all debt posted in the Consolidated Balance Sheets for which interest is being paid.

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

The fiscal year ending June 30, 2020 is positioned as the final fiscal year of the Medium-Term Business Plan announced on August 3, 2016, in which we set sales of 50 billion yen and operating income of 7 billion as business targets. We implemented a range of measures with the goal of attaining these targets, such as strengthening our earnings structure with @cosme as an earnings base. At the core of these measures was the release of *Brand Official*, a new service that enables cosmetics brands to connect with users, which is positioned as the next earnings pillar after advertising. However, we are still in the process of implementing the measures due to a delay in launching the *Brand Official* service, and thus expect the targets in our business plan to take

longer to attain than expected. We therefore extended the duration of the plan to provide sufficient time to implement the measures. Although we forecast a loss in the year ending June 30, 2020 due to further upfront investment, in the following fiscal year we expect to attain our target of 50 billion yen in sales and, although we won't reach our operating income target of 7 billion yen, we expect that all business segments will return to profitability through growth. The measures planned for the fiscal year ending June 30, 2020 with the goal of turning profitable in the following fiscal year are as follows.

As a companywide initiative, on December 3, 2019, we will hold *@cosme Beauty Day*, a special E-Commerce event along with related major promotion. We expect this event to help increase login users and app downloads as well as enhance the profitability of the overall platform.

In the On Platform segment, we will continue focusing on sales of *Brand Official* to grow it into a second earnings pillar.

In terms of sales strategy, we will encourage more clients to transition from the old service by offering cosmetics brands a trial period to allow them to try it out for themselves and gain an appreciation of its value.

In terms of functionality, we plan to add a new service in the lead-up to the special E-Commerce event in December 2019. Specifically, users will be ranked by their level of engagement with the brand so that companies can approach them in the most effective way for each rank. In this way, we aim to make actions targeting users more efficient and demonstrate how they lead to purchases through the aforementioned E-Commerce event and other means, and thereby enhance the value of the service.

Although we forecast lower profits due to the sharp increase in software depreciation, we expect enhanced profitability in the second half of the fiscal year due to an increase in MRR* driven by growth of *Brand Official*.

*MRR = Monthly Recurring Revenue

In the Beauty Service segment, as noted above, we are planning to hold *@cosme Beauty Day*, a special E-Commerce event. In the fiscal year ended June 30, 2019, despite it being the first time it was held, *@cosme Beauty Day* recorded a gross merchandise volume (GMV) of 400 million yen(including offline retail store sales), exceeding 10% of annual E-Commerce sales in a single day. We are planning a big increase in the number of brands taking part with limited edition products in the next *@cosme Beauty Day* and have set a target GMV of 1 billion yen.

With regard to retail stores, our first large street-level store, *@cosme Tokyo*, is scheduled to open by the end of the year in front of Harajuku Station. We are taking on the challenge of operating a new store that takes advantage of a sales floor area of 1,300m² in Harajuku, an area undergoing major changes through 2020. The store will offer users the opportunity to discover the cosmetics that suit them best with an extensive product range at all price levels, from luxury to mass-market brands, including new brands.

We forecast a sharp profit decline in the fiscal year ending June 30, 2020 because of the opening of *@cosme Tokyo*. We expect the new store to post a profit in the fiscal year ending June 30, 2021, accompanied by a recovery in segment profit margin.

The Global segment continues to record a loss due to goodwill amortization for three overseas companies acquired in 2017, but we aim to return the segment to profitability in the fiscal year ending June 30, 2021. We forecast steady growth of the E-Commerce & Wholesale business, through pioneering new sales channels such as general trade while also continuing to focus on the cross-border E-Commerce business in China.

With regard to overseas retail stores, we will strengthen the performance of existing stores and consider opening new stores in locations with good potential such as Asia.

In light of the above, our consolidated operating results forecast for the fiscal year ending June 30, 2020 is as follows:

<Consolidated operating results forecast for the fiscal year ending June 30, 2020>

Net Sales:	39,000 million yen (21.1% year-on-year increase)
Operating Loss:	1,240 million yen (operating income of 476 million yen in the previous fiscal year)
Ordinary Loss:	1,390 million yen (ordinary income of 380 million yen in the previous fiscal year)
Net Loss attributable to owners of the parent company:	1,720 million yen (net loss of 519 million yen in previous fiscal year)

Although we forecast losses in the fiscal year ending June 30, 2020 due to simultaneous investments in each business field, we expect the growth of *Brand Official* and other factors to drive an earnings recovery in the second half, and we are aiming for a return to profitability in the fiscal year ending June 30, 2021.

2. Basic Rationale Regarding the Selection of Accounting Standards

The istyle Group will prepare consolidated financial statements based on Japanese accounting standards in the near term, in order to ensure that viewers can compare financial statements among different periods as well as among companies.

Going forward, the Company will continue to study the possible adoption of international accounting standards, basing its considerations on factors such as the ratio of foreign shareholders and trends regarding the adoption of IFRS (International Financial Reporting Standards) by other Japanese companies in the same business.

3. Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2018	As of June 30, 2019
	Amount	Amount
Assets		
Current assets		
Cash and deposits	6,183	3,303
Notes and accounts receivable - trade	2,707	2,700
Merchandise	2,286	2,881
Operational investment securities	999	1,367
Short-term loans receivable	2	11
Other	900	678
Allowance for doubtful receivables	(12)	(8)
Allowance for investment loss	(12)	(12)
Total current assets	13,053	10,920
Fixed assets		
Tangible assets		
Buildings	1,030	1,164
Accumulated depreciation	(248)	(360)
Buildings, net	783	804
Other	432	527
Accumulated depreciation	(227)	(316)
Other, net	206	211
Total tangible assets	988	1,015
Intangible assets		
Goodwill	3,462	2,944
Software	1,977	2,677
Other	190	343
Total intangible assets	5,630	5,965
Investments and other assets		
Investment securities	979	2,186
Lease and guarantee deposits	761	1,476
Deferred tax assets	301	120
Other	199	322
Total investments and other assets	2,240	4,103
Total fixed assets	8,859	11,083
Total assets	21,911	22,003

	(Millions of yen)	
	As of June 30, 2018	As of June 30, 2019
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable – trade	1,617	1,677
Short-term debt	1,800	2,700
Current portion of long-term debt	1,312	1,793
Accounts payable – other	650	672
Income taxes payable	662	211
Provision for bonuses	236	288
Other	1,075	1,011
Total current liabilities	7,351	8,351
Fixed liabilities		
Long-term debt	2,505	2,782
Deferred tax liabilities	27	64
Other	20	46
Total fixed liabilities	2,552	2,892
Total liabilities	9,904	11,242
Net assets		
Shareholders' equity		
Capital stock	3,556	3,647
Capital surplus	3,513	2,971
Retained earnings	4,770	4,218
Treasury stock	(280)	(280)
Total shareholders' equity	11,559	10,556
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	38	(28)
Foreign currency translation adjustments	7	(176)
Total accumulated other comprehensive income	44	(204)
Subscription rights to shares	74	136
Non-controlling interests	330	272
Total net assets	12,008	10,761
Total liabilities and net assets	21,911	22,003

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Year ended June 30, 2018	Year ended June 30, 2019
	Amount	Amount
Net sales	28,470	32,193
Cost of sales	14,783	17,018
Gross profit	13,686	15,175
Selling, general and administrative expenses	11,561	14,699
Operating income	2,125	476
Non-operating income		
Interest income	2	4
Dividend income	-	5
Foreign exchange gains	23	-
Gain on investments in partnership	4	3
Penalty income	2	7
Other	16	14
Total non-operating income	47	33
Non-operating expenses		
Interest expenses	13	16
Foreign exchange losses	-	60
Equity in losses of affiliates	6	39
Loss on investments in partnership	-	2
Other	5	12
Total non-operating expenses	24	129
Ordinary income	2,147	380
Extraordinary income		
Gain on sales of securities	-	30
Total extraordinary income	-	30
Extraordinary loss		
Impairment loss	44	201
Loss on closing of stores	-	42
Other	5	-
Total extraordinary loss	49	243
Income before income taxes	2,098	166
Income taxes-current	906	480
Income taxes-deferred	(37)	217
Total income taxes	869	697
Net income	1,229	(531)
Net income attributable to non-controlling interests	46	(11)
Net income attributable to owners of the parent company	1,184	(519)

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended June 30, 2018	Year ended June 30, 2019
	Amount	Amount
Net income	1,229	(531)
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(437)	(66)
Foreign currency translation adjustments	(71)	(184)
Share of other comprehensive income of associates accounted for using equity method	(71)	-
Total other comprehensive income	(579)	(250)
Comprehensive income	650	(780)
Comprehensive income attributable to		
Owners of the parent	608	(767)
Non-controlling interests	41	(13)

(3) Consolidated Statements of Changes in Net Assets

Year ended June 30, 2018 (July 1, 2017 to June 30, 2018)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at beginning of term	3,482	3,417	3,535	(281)	10,153	546	74	620	75	165	11,013
Changes during term											
Issuance of new shares	73	73			147						147
Dividends from surplus			(32)		(32)						(32)
Net income attributable to owners of the parent company			1,184		1,184						1,184
Purchase of treasury shares				(0)	(0)						(0)
Disposition of treasury stock		22		2	24						24
Change in scope of consolidation			83		83						83
Effect of changes in accounting period of consolidated subsidiaries					-						-
Net changes in items other than shareholders' equity					-	(508)	(67)	(575)	(1)	165	(412)
Total changes during term	73	96	1,235	2	1,406	(508)	(67)	(575)	(1)	165	994
Balance at end of term	3,556	3,513	4,770	(280)	11,559	38	7	44	74	330	12,008

Year ended June 30, 2019 (July 1, 2018 to June 30, 2019)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at beginning of term	3,556	3,513	4,770	(280)	11,559	38	7	44	74	330	12,008
Changes during term											
Issuance of new shares	91	91			182						182
Dividends from surplus			(32)		(32)						(32)
Net income attributable to owners of the parent company			(519)		(519)						(519)
Purchase of treasury shares				(0)	(0)						(0)
Disposition of treasury stock					-						-
Change in scope of consolidation					-						-
Effect of changes in accounting period of consolidated subsidiaries		(633)			(633)						(633)
Net changes in items other than shareholders' equity					-	(66)	(183)	(248)	62	(58)	(244)
Total changes during term	91	(542)	(552)	(0)	(1,003)	(66)	(183)	(248)	62	(58)	(1,247)
Balance at end of term	3,647	2,971	4,218	(280)	10,556	(28)	(176)	(204)	136	272	10,761

(4) Consolidated Statements of Cash flows

		(Millions of yen)	
		Year ended June 30,	Year ended June 30,
		2018	2019
		Amount	Amount
Cash flows from operating activities			
Income before income taxes		2,098	166
Depreciation and amortization		574	957
Amortization of goodwill		400	402
Impairment loss		44	201
Increase (decrease) in allowance for doubtful receivables		(1)	(4)
Increase (decrease) in allowance for investment loss		12	(0)
Increase (decrease) in provision for bonuses		64	53
Equity in losses (gains) of affiliates		6	39
Interest income		(2)	(9)
Interest expenses		13	16
Foreign exchange losses (gains)		(26)	26
Loss (gain) on investments in partnership		(4)	(1)
Loss (gain) on evaluation of investment securities		-	(30)
Loss (gain) on sales of investment securities		-	42
Decrease (increase) in notes and accounts receivable – trade		(432)	(12)
Decrease (increase) in operational investment securities		(39)	(463)
Decrease (increase) in inventories		(694)	(626)
Increase (decrease) in notes and accounts payable – trade		356	80
Increase (decrease) in accounts payable – other		169	41
Decrease (increase) in deposits paid		(495)	469
Other- net		269	(79)
	Sub total	2,313	1,269
Interest and dividends received		3	9
Interest paid		(13)	(17)
Income taxes paid		(552)	(1,107)
Net cash provided by (used in) operating activities		1,750	154
Cash flows from investing activities			
Purchase of investment securities		(129)	(1,251)
Purchase of tangible assets		(329)	(375)
Purchase of intangible assets		(1,208)	(1,648)
Payments for guarantee deposits		(167)	(758)
Payments into time deposits		(399)	(311)
Proceeds from withdrawal of time deposits		197	253
Payments for acquisition of shares in subsidiary company resulting in the change in scope of consolidation		(1,699)	-
Payment for acquisitions of business operations		(9)	-
Proceeds from sales of investment securities		-	30
Other- net		(35)	(35)
Net cash provided by (used in) investing activities		(3,779)	(4,096)

Cash flows from financing activities

Net increase (decrease) in short-term debt	1,800	900
Proceeds from long-term debt	1,200	2,500
Repayment of long-term debt	(1,301)	(1,743)
Proceeds from issuance of shares	135	169
Dividends paid	(32)	(32)
Proceeds from issuance of share acquisition rights	-	77
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(678)
Proceeds from stock issuance to non-controlling shareholders	104	-
Dividends paid to non-controlling shareholders	(12)	-
Purchase of treasury stocks	(0)	(0)
Other – net	(17)	(17)
Net cash provided by (used in) financing activities	1,877	1,176

Foreign currency translation adjustments on cash and cash equivalents

	(32)	(35)
Net increase (decrease) in cash and cash equivalents	(184)	(2,801)
Cash and cash equivalents, beginning of period	6,169	5,985
Cash and cash equivalents, end of period	5,985	3,184

(5) Notes on Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Additional Information)

The company has applied “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) from the beginning of the first quarter of this fiscal year. As a result, deferred tax assets are presented under “investments and other assets,” and deferred tax liabilities are indicated under “fixed liabilities.”

(Segment Information)

(Segment Information)

1. Overview of Reportable Segments

The Group’s reportable segments comprise those business units for which separate financial statements can be obtained, and for which the Board of Directors regularly considers the allocation of management resources and evaluates operating performance.

The Group’s primary businesses are related to cosmetics, and include a cosmetics-related community site, as well as On Platform, Beauty Service, Global, and Other all stemming from this community site. Accordingly, the Group has four reportable segments based on the services provided and products handled. These four segments are the On Platform segment, the Beauty Service segment, the Global segment and the Other segment. The On Platform segment comprises the domestic and overseas marketing business, services for premium members, and other initiatives.

The Beauty Service segment comprises the operation of the domestic cosmetics E-Commerce site and the operation of the cosmetics specialty shop @cosme store.

The Global segment comprises business operations outside Japan.

The Other business comprises temporary staffing agency business to send beauty consultants and investment and consulting projects primarily for companies at their growth phase including those immediately after founding.

2. Calculation methods for net sales, income/loss, assets, liabilities, and other items by reportable segment

Calculation methods by reportable segment are generally the same as the description in “Significant basis of preparation of Consolidated Financial Statements.”

3. Net sales, income/loss, assets, liabilities, and other items by reportable segment

Year ended June 30, 2018 (July 1, 2017 through June 30, 2018)

	Reportable segment				Total	Adjustments	(Millions of yen) Amounts on the consolidated statements of income
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Other</i>			
Net sales							
Sales to outside customers	7,335	12,142	7,646	1,346	28,470	-	28,470
Inter-segment sales and transfers	18	92	35	13	158	(158)	-
Total	7,354	12,235	7,681	1,359	28,628	(158)	28,470
Segment profit (loss)	2,645	621	(11)	436	3,691	(1,566)	2,125
Segment assets	3,898	4,443	9,276	1,482	19,099	2,812	21,911
Other items							
Depreciation/amortization	397	79	50	-	526	48	574
Increase(decrease) in tangible/intangible assets	1,206	151	214	-	1,571	20	1,591

- Notes: 1. Adjustments in Segment profit (loss) in the amount of (1,566) million yen include 15 million yen elimination of inter-segment transactions and (1,581) million yen corporate expense not allocated to any reportable segment.
2. The segment asset adjustment of 2,812 million yen refers to (3,647) million yen elimination of inter-segment transactions and corporate assets not allocated to reportable segments in the amount of 6,459 million yen.
3. The adjustment of 48 million yen for depreciation and amortization is related to the administrative functions of the Company that have not been attributed to a reportable segment.
4. The increase in tangible and intangible assets adjustment of 20 million yen represents the corporate assets that are not allocated to reportable segments.
5. Segment profit (loss) is adjusted to correspond with operating income reported on the consolidated statements of income for the corresponding period.

Year ended June 30, 2019 (July 1, 2018 through June 30, 2019)

	Reportable segment				Total	Adjustments	(Millions of yen) Amounts on the consolidated statements of income
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Other</i>			
Net sales							
Sales to outside customers	7,635	14,274	9,141	1,142	32,193	-	32,193
Inter-segment sales and transfers	17	143	27	8	194	(194)	-
Total	7,652	14,417	9,168	1,150	32,387	(194)	32,193
Segment profit (loss)	2,254	559	(27)	76	2,862	(2,386)	476
Segment assets	4,541	4,414	8,240	1,754	18,950	3,053	22,003
Other items							
Depreciation/amortization	641	126	131	-	897	60	957
Increase(decrease) in tangible/intangible assets	1,530	78	305	-	1,912	84	1,996

- Notes: 1. Adjustments in Segment profit (loss) in the amount of (2,386) million yen include 12 million yen elimination of inter-segment transactions and (2,397) million yen corporate expense not allocated to any reportable segment.

2. The segment asset adjustment of 3,053 million yen refers to (3,506) million yen elimination of inter-segment transactions and corporate assets not allocated to reportable segments in the amount of 6,559 million yen.
 3. The adjustment of 60 million yen for depreciation and amortization is related to the administrative functions of the Company that have not been attributed to a reportable segment.
 4. The increase in tangible and intangible assets adjustment of 84 million yen represents the corporate assets that are not allocated to reportable segments.
 5. Segment profit (loss) is adjusted to correspond with operating income reported on the consolidated statements of income for the corresponding period.
4. Differences between the total amounts of reportable segments and the amounts stated in consolidated statements of income, and main details of such differences (items relating to reconciliation)

(Significant impairment losses related to fixed assets)

For the On Platform segment, having continued to post losses generated from sales activities, and with the expectation that this will continue to happen, the assets of the business have been devalued to their recoverable amounts, resulting in an impairment loss of 124 million yen.

For goodwill related to the On Platform segment, suspension of certain parts of the business resulted in an impairment loss of 6 million yen.

For the Beauty Service segment, the assets of the shops that have continued to post operating losses and their book value have been devalued to their recoverable amounts, resulting in an impairment loss of 24 million yen.

For the Beauty Service segment, having continued to post losses generated from sales activities, and with the expectation that this will continue to happen, the assets of the business have been devalued to their recoverable amounts, resulting in an impairment loss of 2 million yen.

For the Global segment, the assets of the shops having continued posting sales impairment have been devalued to their recoverable amounts, resulting in an impairment loss of 45 million yen.

(Significant changes in goodwill amounts)

Not applicable

(Significant gain on negative goodwill)

Not applicable

(Per Share Information)

	Year ended June 30, 2018 (or as of June 30, 2018)	Year ended June 30, 2019 (or as of June 30, 2019)
Net assets per share	180.65 yen	159.76 yen
Net income per share	18.62 yen	(8.05) yen
Diluted net income per share	17.12 yen	- yen

(Note) 1. Diluted net income per share has not been disclosed for the fiscal year ended June 30, 2019 because of diluted net loss per share for this fiscal year.

2. Calculation base for net income per share and diluted net income per share are as follows.

	Year ended June 30, 2018	Year ended June 30, 2019
Net income per share		
Net income attributable to owners of the parent company (millions of yen)	1,184	(519)
Amount not attributable to common stockholders (millions of yen)	-	-
Net income available to common shareholders attributable to owners of parent company (millions of yen)	1,184	(519)
Average number of shares outstanding during term (shares)	63,577,908	64,554,959
Diluted net income per share		
Adjustments to Net income attributable to owners of the parent company (millions of yen)	-	-
Increase in the number of shares in common stock (shares)	5,542,941	-
(Of which, subscription rights to shares) (shares)	(5,542,941)	-
Residual securities that are not dilutive and not included in the calculation for diluted net income per share	Two issues of subscription rights to shares Residual securities: 4,830,000 shares	Four issues of subscription rights to shares Residual securities: 6,101,000 shares

(Significant Subsequent Events)

Not applicable