

Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2024

[Japanese GAAP]

Company name:	istyle Inc.	Stock exchange listings:	Prime Market of the TSE
Securities code:	3660	URL:	https://www.istyle.co.jp/en
Representative:	Tetsuro Yoshimatsu, Representative Director, Chairperson, CEO		
Contact:	Kei Sugawara, Director, Vice Chairperson, CFO	Tel:	+81-3-6161-3660
Scheduled date of Annual General Meeting of Shareholders:	September 25, 2024		
Scheduled date of filing Annual Securities Report:	September 25, 2024		
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 Fiscal Year Ended June 30, 2024 (July 1, 2023 – June 30, 2024)

(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, 2024	56,085	30.8	1,940	137.4	1,721	319.4	1,214	341.2
Fiscal year ended June 30, 2023	42,890	24.7	817	-	410	-	275	-

Note: Comprehensive income (million yen) Fiscal year ended June 30, 2024: 1,568 (366.1 %)
Fiscal year ended June 30, 2023: 336 (-41.1 %)

	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, 2024	15.65	10.42	11.5	6.6	3.5
Fiscal year ended June 30, 2023	3.69	2.52	3.0	1.8	1.9

Reference: Equity in earnings of affiliates: Fiscal year ended June 30, 2024: 72 million yen
Fiscal year ended June 30, 2023: 17 million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2024	28,141	12,187	39.0	139.38
As of June 30, 2023	24,301	10,690	41.6	131.37

Reference: Total equity: As of June 30, 2024: 10,979 million yen
As of June 30, 2023: 10,099 million yen

(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, 2024	3,336	(4,569)	160	5,787
Fiscal year ended June 30, 2023	2,942	(1,247)	(612)	6,759

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	First quarter-end	First half-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended June 30, 2023	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ended June 30, 2024	-	0.00	-	0.00	0.00	-	-	-
Fiscal year ending June 30, 2025 (forecasts)	-	0.00	-	0.00	0.00		-	

3. Consolidated Forecast for the Fiscal Year Ending June 30, 2025 (July 1, 2024 – June 30, 2025)

(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	64,000	14.1	2,400	23.7	2,400	39.4	1,600	31.8	20.31

* Notes

(1) Significant changes in the scope of consolidation during the period: 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, 2024: 81,463,593 shares

As of June 30, 2023: 79,563,593 shares

2) Number of treasury shares at end of period

As of June 30, 2024: 2,693,567 shares

As of June 30, 2023: 2,693,567 shares

3) Average number of shares outstanding during the period

Fiscal year ended June 30, 2024: 77,576,037 shares

Fiscal year ended June 30, 2023: 74,607,171 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2024 (July 1, 2023 – June 30, 2024)

(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, 2024	8,442	17.0	(322)	-	(465)	-	(202)	-
Fiscal year ended June 30, 2023	7,215	2.9	(739)	-	586	27.9	798	54.5

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended June 30, 2024	(2.60)	-
Fiscal year ended June 30, 2023	10.70	7.31

Note: The Company has not disclosed diluted net income per share for the fiscal year ended June 30, 2024, as the Company recorded a net loss for the 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, 2024	22,404	9,416	37.5	106.72
As of June 30, 2023	19,956	8,554	40.7	105.59

Reference: Total equity As of June 30, 2024 8,406 million yen As of June 30, 2023 8,117 million yen

* The current summary report is not subject to audit 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) Future Outlook" on page 6 in the accompanying material.
- The Company is scheduled to hold a briefing for analysts and institutional investors on August 16, 2024.

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

Accompanying Materials – Contents

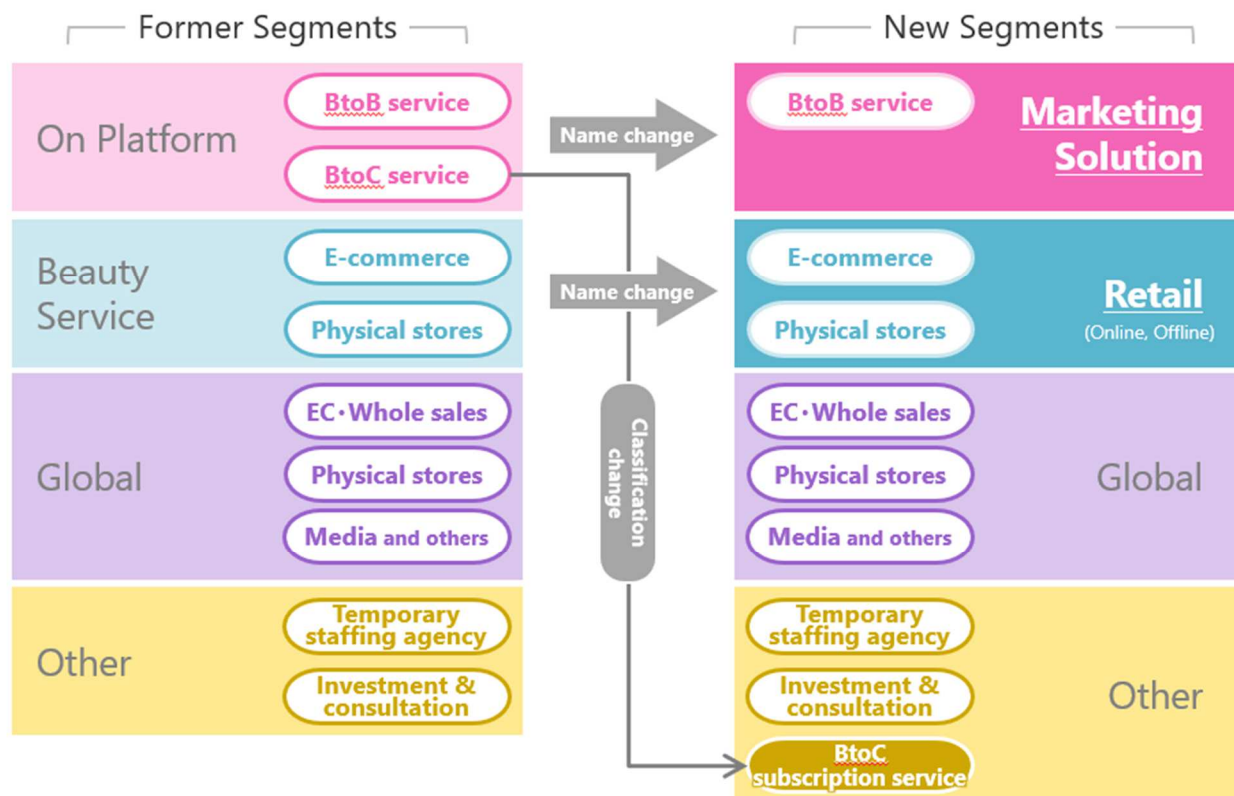
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1. Operating Results and Financial Position

(1) Summary of Operating Results

COVID-19 was reclassified as Category 5 under the Infectious Diseases Act, and consumption trends in the cosmetics market in Japan recovered as a result of the increased opportunities to travel outside the home. Foreign tourists began returning to Japan, contributing to the recovery in demand.

(Reference) Changes in segment names and segments in which certain services are recorded



istyle Inc. (“istyle,” “we,” or the “Company”) consolidated operating performance for the fiscal year ended June 30, 2024 (“fiscal 2024”) was as follows.

Net sales increased 30.8% year on year, driven by the Marketing Solution segment and Retail segment in Japan. Retail segment sales rose a significant 44.2%. We opened a large @cosmeOSAKA flagship store in September 2023 while existing stores also performed well. In EC, the @cosme BEAUTY DAY and @cosme SPECIAL WEEK events proved to be a success. Sales from the @cosme SHOPPING opened on Amazon.co.jp in November 2023 also made a positive contribution. The Marketing Solution segment saw a 11.9% year-on-year increase.

Operating income increased a significant 137.4%, as higher sales in the Marketing Solution segment and Retail segment profit growth offset increased personnel expenses across the board and expenses incurred from the promotion of @cosme BEAUTY DAY EC events and app download promotions.

As a result, consolidated operating performance for fiscal 2024 was as follows:

Net sales:	56,085 million yen (42,890 million yen in the previous fiscal year; 30.8% year-on-year increase)
Operating income:	1,940 million yen (817 million yen in the previous fiscal year; 137.4% year-on-year increase)

Ordinary income: 1,721 million yen (410 million yen in the previous fiscal year; 319.4% year-on-year increase)
Income before income taxes: 1,589 million yen (392 million yen in the previous fiscal year; 305.5% year-on-year increase)
Net income attributable to owners of the parent company: 1,214 million yen (275 million yen in the previous fiscal year; 341.2% year-on-year increase)

1) Marketing Support segment

The Marketing Solution segment consists of various services based on the cosmetics and beauty portal site @cosme, including advertising solutions for cosmetics brands.

Segment sales increased year on year due to higher demand for sales promotions, such as in-store pop-up events, and an increase in orders for online advertising and solutions services linked to said events.

Operating income increased significantly, despite recording a one-time charge in software retirement costs and an increase in human resource-related expenses and other costs in the nine months ended March 31, 2024. This result was due to an increase in sales offsetting said expenses.

As a result, consolidated operating performance for fiscal 2024 was as follows:

Net sales: 8,344 million yen (7,457 million yen in the previous fiscal year; 11.9% year-on-year increase)
Operating income: 1,617 million yen (1,136 million yen in the previous fiscal year; 42.3% year-on-year increase)

2) Retail segment

The Beauty Service segment consists mainly of retail services in Japan, including the Japanese e-commerce site @cosme SHOPPING, operations of the @cosme STORE cosmetics specialty shops, and the @cosme TOKYO flagship retail store.

E-commerce sales rose 31.8% year on year, stemming from record high distribution totals in the special e-commerce events for @cosme BEAUTY DAY and @cosme SPECIAL WEEK, the sales of pre-order products and limited-edition products for the events at each brand, and the promotion of value only available through our e-commerce. Retail store sales rose 51.6% due to the contribution of September 2023 launch of the large flagship store @cosme OSAKA, seven recently acquired Cosmetics Sydney stores, and a 25.8% year-on-year increase in existing store sales.

Operating income increased 88.7% year on year as higher EC and store sales offset increased personnel costs and promotional expenses for EC special events and app download promotions.

As a result, consolidated operating performance for fiscal 2024 was as follows:

Net sales: 42,145 million yen (29,222 million yen in the previous fiscal year; 44.2% year-on-year increase)
Operating income: 2,636 million yen (1,397 million yen in the previous fiscal year; 88.7% year-on-year increase)

3) Global segment

The Global segment consists of business operations outside Japan, including e-commerce and wholesale, retail stores, and media and other services.

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

The segment posted an operating loss due to the reasons cited above, in addition to an inventory valuation losses incurred in the first and third quarters in the China cross-border e-commerce business.

As a result, consolidated operating performance for fiscal 2024 was as follows:

Net sales:	3,935 million yen (4,395 million yen in the previous fiscal year; 10.5% year-on-year decrease)
Operating loss:	209 million yen (86 million yen loss in the previous fiscal year)

4) Others

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

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

Operating income increased in the temporary staffing agency business due to the acquisition of highly profitable projects.

As a result, consolidated operating performance for fiscal 2024 was as follows:

Net sales:	1,661 million yen (1,816 million yen in the previous fiscal year; 8.5% year-on-year decrease)
Operating income:	252 million yen (224 million yen in the previous fiscal year; 12.6% year-on-year increase)

(2) Summary of Financial Position

(Assets)

Total assets at the end of the consolidated fiscal year under review amounted to 28,141 million yen, an increase of 3,840 million yen compared with the end of the previous consolidated fiscal year.

Current assets amounted to 16,484 million yen, an increase of 1,254 million yen compared with the end of the previous fiscal year. This result was mainly due to a 961 million yen decrease in cash and deposits, and a 497 million yen increase in notes and accounts receivable – trade and contract assets, and a 1,272 million yen increase in merchandise.

Fixed assets as of June 30, 2024, were 11,656 million yen, an increase of 2,586 million yen from June 30, 2023. This result was mainly due to an increase of 174 million yen in tangible assets as well as an increase of 2,558 million yen in investment securities, mainly due to the acquisition of new shares of Trender, Inc. during the nine months ended March 31, 2024.

(Liabilities)

Total liabilities at the end of the consolidated fiscal year under review amounted to 15,953 million yen, an increase of 2,343 million yen compared with the end of the previous consolidated fiscal year.

Current liabilities as of June 30, 2024, were 8,237 million yen, an increase of 1,866 million yen from June 30, 2023. This result was mainly due to an increase of 667 million yen in notes and accounts payable trade, an increase of 711 million yen in accounts payable-other and an increase of 203 million yen in the current portion of long-term debt.

Fixed liabilities at the end of the consolidated fiscal year under review amounted to 7,717 million yen, an increase of 477 million yen compared with the end of the previous consolidated fiscal year. This result was mainly due to an increase of 279 million yen in long-term debt.

(Net Assets)

Net assets at the end of the consolidated fiscal year under review amounted to 12,187 million yen, an increase of 1,497 million yen compared with the end of the previous consolidated fiscal year.

This result was mainly due to an increase of 1,214 million yen in retained earnings and 574 million yen in subscription rights to

shares, despite a 1,148 million yen decrease in capital surplus due to the acquisition of additional shares of consolidated subsidiary Glowdayz, Inc. This result was also due in part to shares issues with the exercise of stock acquisition rights during the nine months ended March 31, 2024, resulting in a 251 million yen increase in common stock and capital surplus, respectively.

(3) Status of Cash Flows

Cash and cash equivalents (“Cash”) at the end of the consolidated fiscal year under review amounted to 5,787 million yen, which was a decrease of 972 million yen compared with the end of the previous consolidated fiscal year.

The status of cash flows by type and primary contributing factors during the current fiscal year are as follows.

(Net cash provided by (used in) operating activities)

In the fiscal year ended June 30, 2024, funds provided by operating activities totaled 3,336 million yen (2,942 million yen provided in the previous fiscal year).

This result was mainly due to the posting of income before income taxes of 1,589 million yen, the posting of depreciation and amortization (non-cash items) of 1,854 million yen, 579 million yen in stock-based compensation expenses, 208 million yen in goodwill amortization, trade payables of 554 million yen, and account payable–other of 267 million yen. These amounts were offset in part by increases in inventories of 1,132 million yen and trade receivables of 396 million yen.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities for the current consolidated fiscal year amounted to 4,569 million yen (1,247 million yen in the year-ago period).

This result mainly reflects purchases of investment securities of 2,673 million yen related to the acquisition of Trenders, Inc. shares, 1,131 million yen in purchases of intangible assets, 641 million yen in purchases of tangible assets, and 136 million yen used in the purchase of shares of subsidiaries resulting in scope of consolidation.

(Net cash provided by (used in) financing activities)

Net cash provided by financing activities for the current consolidated fiscal year amounted to 160 million yen (612 million yen used in the year-ago period).

This result was mainly due to proceeds of 1,200 million yen from long-term borrowings and 498 million yen from the issuance of stock. These amounts were offset in part by outlays of 761 million yen for repayments of long-term borrowings, 478 million yen in the purchase of shares in subsidiaries not resulting in change in scope of consolidation, and 250 million yen repayments of lease obligations.

(Reference) Cash Flow Indicators

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2022	Fiscal Year Ended June 30, 2023	Fiscal Year Ended June 30, 2024
Equity ratio (%)	21.5	35.5	38.1	41.6	39.0
Equity ratio based on market price (%)	72.5	167.1	73.8	174.6	136.3
Cash flows/interest-bearing debt ratio (%)	-	712.0	768.2	150.6	141.5
Interest coverage ratio (times)	-	-	-	14.1	39.9

Notes: 1. All figures calculated using consolidated financial figures.

2. Market capitalization calculated by multiplying the closing stock price at the end of the fiscal year by the total number of shares issued and outstanding (excluding treasury stock) at the end of the fiscal year.
3. Cash flows refer to operating cash flows.
4. Interest-bearing debt refers to all debt posted in the consolidated balance sheets for which interest is paid. Convertible bond-type bonds with share acquisition rights are not included in interest-bearing debt because they are interest-free.
5. As operating cash flow was negative for the fiscal year ended June 30, 2020, the ratio of cash flow to interest-bearing debt (%) is not presented. Additionally, as operating income was negative for the fiscal year ended June 30, 2020, the fiscal year ended June 30, 2021, and the fiscal year ended June 30, 2022, interest coverage ratios (times) are not presented.

(4) Future Outlook

We plan to accelerate the opening of new Retail segment (EC, brick-and-mortar, etc.) stores in Japan during the fiscal year ending June 30, 2025, to increase user experiences with our brands and more points of contact with users.

We will seek to increase sales and profits in the Marketing Solution segment by leveraging the sales, promotional capabilities, and data cultivated in the businesses described above. We will also strengthen platform collaborations outside of @cosme (social media, etc.) with Trender Inc., with whom we have formed a capital and business alliance.

Based on the preceding, we have prepared the following consolidated operating performance forecast for the fiscal year ending June 30, 2025:

<Revised operating performance forecast for the fiscal year ending June 30, 2025>

Net sales:	64,000 million yen (56,085 million yen in the previous fiscal year; 14.1% year-on-year increase)
Operating income:	2,400 million yen (1,940 million yen in the previous fiscal year; 23.7% year-on-year increase)
Ordinary income:	2,400 million yen (1,721 million yen in the previous fiscal year; 39.4% year-on-year increase)
Net income attributable to owners of the parent company:	1,600 million yen (1,214 million yen in the previous fiscal year; 31.8% year-on-year increase)

2. Basic Rationale Regarding the Selection of Accounting Standards

For the time being, the Company will prepare consolidated financial statements based on Japanese accounting standards from the standpoint of consolidated financial statement comparability between periods and between companies.

The Company will consider the adoption of international accounting standards, considering factors including the ratio of foreign shareholders and trends regarding the adoption of International Financial Reporting Standards (IFRS) by industry peers of the Company.

3. Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	6,723	5,762
Notes and accounts receivable - trade, and contract assets	4,149	4,646
Merchandise	2,945	4,217
Operational investment securities	998	1,070
Other	421	796
Allowance for doubtful receivables	(4)	(6)
Total current assets	15,231	16,484
Fixed assets		
Tangible assets		
Buildings	2,233	2,242
Accumulated depreciation	(1,374)	(1,315)
Buildings, net	860	927
Leased assets	1,640	1,829
Accumulated depreciation	(1,178)	(1,509)
Leased assets, net	462	319
Other	863	1,228
Accumulated depreciation	(596)	(712)
Other, net	267	516
Total tangible assets	1,588	1,762
Intangible assets		
Goodwill	1,361	1,223
Software	1,794	1,697
Other	694	652
Total intangible assets	3,849	3,572
Investments and other assets		
Investment securities	999	3,557
Lease and guarantee deposits	1,826	1,814
Deferred tax assets	506	656
Other	332	326
Allowance for doubtful receivables	(31)	(31)
Total investments and other assets	3,632	6,322
Total fixed assets	9,070	11,656
Total assets	24,301	28,141

(Millions of yen)

	As of June 30, 2023	As of June 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,043	2,711
Short-term debt	500	450
Current portion of long-term debt	555	758
Account payable - other	816	1,527
Lease obligations	214	251
Income taxes payable	303	326
Contract liabilities	698	819
Provision for bonuses	445	424
Provision for business structure improvement	17	—
Other	780	971
Total current liabilities	6,371	8,237
Long-term liabilities		
Long-term debt	2,906	3,185
Convertible-bond-type bonds with share acquisition rights	4,000	4,000
Lease obligations	255	77
Other	79	455
Total long-term liabilities	7,240	7,717
Total liabilities	13,611	15,953
Net assets		
Shareholders' equity		
Capital stock	5,467	5,719
Capital surplus	4,558	3,662
Retained earnings	(708)	507
Treasury stock	(280)	(280)
Total shareholders' equity	9,038	9,607
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	99	87
Foreign currency translation adjustments	961	1,284
Total accumulated other comprehensive income	1,061	1,371
Subscription rights to shares	437	1,011
Non-controlling interests	155	198
Total net assets	10,690	12,187
Total liabilities and net assets	24,301	28,141

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Year ended June 30,2023	Year ended June 30,2024
Net sales	42,890	56,085
Cost of sales	23,720	31,440
Gross profit	19,171	24,645
Selling, general and administrative expenses	18,353	22,705
Operating profit	817	1,940
Non-operating income		
Interest income	6	7
Dividend income	7	7
Income from subsidiaries	10	5
Equity in gains of affiliates	17	72
Other	35	22
Total non-operating income	74	113
Non-operating expenses		
Interest expenses	59	49
Foreign exchange losses	178	106
Loss on investments in partnership	6	3
Idle asset expenses	168	168
Commission expenses	60	1
Other	11	6
Total non-operating expenses	481	332
Ordinary profit	410	1,721
Extraordinary income		
Gain on sale of non-current assets	1	6
Gain on sales of shares of affiliated companies	0	—
Gain on reversal of share acquisition rights	0	0
Gain on reversal of asset retirement obligations	15	—
Gain on bargain purchase	—	0
Gain on sale of investment securities	—	0
Total extraordinary income	16	6
Extraordinary loss		
Impairment loss	7	108
Loss on store closings	—	17
Provision for business restructuring	16	—
Business structure improvement expenses	11	13
Other	—	1
Total extraordinary loss	35	139
Income before income taxes	392	1,589
Income taxes-current	371	462
Income taxes-deferred	(281)	(122)
Total income taxes	89	340
Net income	302	1,249
Net income attributable to non-controlling interests	27	34
Net income attributable to owners of the parent company	275	1,214

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended June 30,2023	Year ended June 30,2024
Net income	302	1,249
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(1)	19
Foreign currency translation adjustments	254	332
Share of other comprehensive income of entities accounted for using equity method	(219)	(31)
Total other comprehensive income	34	320
Comprehensive income	336	1,568
Comprehensive income attributable to		
Owners of the parent	312	1,525
Non-controlling interests	24	43

(3) Consolidated Statements of Changes in Net Assets

Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Subscripti on 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	4,756	3,937	(983)	(280)	7,430	319	705	1,024	1	198	8,652
Changes during term											
Issuance of new shares	712	712			1,423			—			1,423
Net income attributable to owners of the parent company			275		275			—			275
Purchase of shares of consolidated subsidiaries		(132)			(132)			—			(132)
Capital increase of consolidated subsidiaries		42			42			—			42
Net changes in items other than shareholders' equity					—	(219)	256	37	436	(43)	430
Total changes during term	712	621	275	—	1,608	(219)	256	37	436	(43)	2,038
Balance at end of term	5,467	4,558	(708)	(280)	9,038	99	961	1,061	437	155	10,690

Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Subscripti on 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	5,467	4,558	(708)	(280)	9,038	99	961	1,061	437	155	10,690
Changes during term											
Issuance of new shares	251	251			503			—			503
Net income attributable to owners of the parent company			1,214		1,214			—			1,214
Purchase of shares of consolidated subsidiaries		(1,148)			(1,148)			—			(1,148)
Capital increase of consolidated subsidiaries					—			—			—
Net changes in items other than shareholders' equity					—	(12)	323	310	574	43	928
Total changes during term	251	(896)	1,214	—	570	(12)	323	310	574	43	1,497
Balance at end of term	5,719	3,662	507	(280)	9,607	87	1,284	1,371	1,011	198	12,187

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Year ended June 30,2023	Year ended June 30,2024
Cash flows from operating activities		
Income before income taxes	392	1,589
Depreciation and amortization	1,919	1,854
Amortization of goodwill	199	208
Share-based payment expenses	298	579
Impairment loss	7	108
Loss on store closings	—	17
Increase (decrease) in allowance for doubtful receivables	(0)	2
Increase (decrease) in provision for bonuses	261	(36)
Increase (decrease) in allowance for investment loss	(65)	—
Increase (decrease) in provision for business structure improvement	16	(17)
Equity in losses (gains) of affiliates	(17)	(72)
Interest income	(13)	(13)
Interest expenses	59	49
Foreign exchange losses (gains)	159	93
Loss (gain) on investments in partnership	6	3
Commission expenses	60	—
Gain/Loss on Sales of Fixed Assets (gains)	(1)	(6)
Loss (gain) on sale of shares of affiliated companies	(0)	—
Gain on reversal of share acquisition rights	(0)	(0)
Gain on reversal of asset retirement obligations	(15)	—
Gain on bargain purchase	—	(0)
Loss (gain) on sales of investment securities	—	(0)
Decrease (increase) in notes and accounts receivable - trade	(990)	(396)
Decrease (increase) in operational investment securities	101	23
Decrease (increase) in inventories	(467)	(1,132)
Increase (decrease) in notes and accounts payable - trade	614	554
Increase (decrease) in accounts payable - other	165	267
Other	290	80
Sub-total	2,978	3,750
Interest and dividends received	13	77
Interest paid	(58)	(49)
Income taxes refund (paid)	9	(442)
Cash flows from operating activities	2,942	3,336

(Millions of yen)

	Year ended June 30,2023	Year ended June 30,2024
Cash flows from investing activities		
Proceeds from distribution from investment partnership	56	69
Purchase of tangible assets	(139)	(641)
Purchase of intangible assets	(1,126)	(1,131)
Purchase of investment securities	—	(2,673)
Payments for guarantee deposits	(89)	(107)
Proceeds from collection of guarantee deposits	88	94
Payments into time deposits	(52)	—
Proceeds from withdrawal of time deposits	214	—
Purchase of shares in subsidiary company resulting in the change in scope of consolidation	—	(136)
Proceeds from sales of shares in subsidiary company resulting in change of scope of consolidation	27	—
Payments for acquisition of businesses	(231)	—
Other	6	(44)
Cash flows from investing activities	(1,247)	(4,569)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	(1,000)	(50)
Proceeds from long-term borrowings	2,000	1,200
Repayment of long-term debt	(6,695)	(761)
Proceeds from issuance of bonds with share acquisition rights	5,000	—
Repayments of lease obligations	(256)	(250)
Proceeds from issuance of shares	419	498
Proceeds from issuance of share acquisition rights	142	—
Proceeds from share issuance to non-controlling shareholders	50	—
Purchase of shares in subsidiaries not resulting in change in scope of consolidation	(208)	(478)
Commission fee paid	(65)	—
Cash flows from financing activities	(612)	160
Foreign currency translation adjustments on cash and cash equivalents	(14)	102
Net increase (decrease) in cash and cash equivalents	1,069	(972)
Cash and cash equivalents, beginning of period	5,690	6,759
Cash and cash equivalents, end of period	6,759	5,787

(5) Notes on Consolidated Financial Statements

(Notes on the Going-Concern Assumption)

Not applicable.

(Segment Information)

(Segment Information)

1 Overview of Reportable Segments

(1) Determination 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 Marketing Solutions, Retail, and Global centered on this community site. Accordingly, the Group has three reportable segments based on the services provided and products handled. These three segments are the Marketing Solution segment, the Retail segment, and the Global segment.

The Marketing Solution segment includes marketing support in Japan.

The Retail segment consists of the operation of the domestic cosmetics e-commerce site and the operation of the cosmetics specialty shop.

The Global segment consists of business operations outside Japan.

In addition, the 'Other' is a non-reporting business segment that includes activities such as temporary staffing agency and BtoC subscription services, and investment and consulting projects for companies in various stages of development, including new startups.

(2) Change in reportable segments

During the current consolidated fiscal year, the Company changed the names of segments and the segments in which certain services are recorded. This change better discloses information in line with our strategy and better organizes the classification of our business fields.

Segment information for previous consolidated fiscal year is disclosed based on the segment classifications after the change.

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

2 Calculation methods for net sales, profit or loss, assets, liabilities, and other items by reportable segment

Accounting methods for reported business segments are in accordance with the accounting standards adopted for the preparation of consolidated financial statements.

3 Information on sales, profit or loss, assets, liabilities and other items by reportable segment

Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)

	Reportable segment				Other	Total	Adjustments	Amounts on the consolidated statements of income
	Marketing Solution Segment	Retail Segment	Global Segment	Total				
Net sales								
Goods transferred at a point in time	—	29,222	3,631	32,854	—	32,854	—	32,854
Goods transferred over a certain period of time	7,457	—	764	8,221	1,811	10,032	—	10,032
Revenue from contracts with customers	7,457	29,222	4,395	41,075	1,811	42,886	—	42,886
Other revenue	—	—	—	—	4	4	—	4
Sales to outside customers	7,457	29,222	4,395	41,075	1,816	42,890	—	42,890
Intersegment sales and transfers	586	42	10	638	30	668	(668)	—
Total	8,043	29,264	4,405	41,713	1,845	43,558	(668)	42,890
Segment profit (loss)	1,136	1,397	(86)	2,447	224	2,671	(1,853)	817
Segment assets	4,098	8,558	5,024	17,680	1,362	19,042	5,259	24,301
Other items								
Depreciation and amortization	1,346	304	217	1,868	—	1,868	51	1,919
Impairment loss	—	7	—	7	—	7	—	7
Increase in tangible/intangible assets	1,075	167	2	1,243	—	1,243	7	1,250

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

2. The segment profit (loss) adjustment of (1,853) million yen includes the elimination of inter-segment transactions of 0 million yen and corporate expenses not allocated to individual reportable segments of (1,854) million yen.
3. The segment asset adjustment of 5,259 million yen is related to an elimination of (5,516) million yen of intersegment transactions and corporate assets not allocated to reportable segments in the amount of 10,774 million yen.
4. The segment depreciation and amortization adjustment of 51 million yen includes corporate assets not allocated to individual reportable segments of 51 million yen.
5. The segment asset adjustment of 7 million yen is related to an elimination of (2) million yen of intersegment transactions and corporate assets not allocated to reportable segments in the amount of 9 million yen.
6. Segment profit (loss) is adjusted to correspond with operating income reported on the consolidated statements of income.

Year ended June 30, 2024 (July 1, 2023–June 30, 2024)

	Reportable segment				Other	Total	Adjustments	Amounts on the consolidated statements of income
	Marketing Solution Segment	Retail Segment	Global Segment	Total				
Net sales								
Goods transferred at a point in time	—	42,145	3,107	45,253	—	45,253	—	45,253
Goods transferred over a certain period of time	8,344	—	827	9,172	1,634	10,806	—	10,806
Revenue from contracts with customers	8,344	42,145	3,935	54,424	1,634	56,059	—	56,059
Other revenue	—	—	—	—	26	26	—	26
Sales to outside customers	8,344	42,145	3,935	54,424	1,661	56,085	—	56,085
Intersegment sales and transfers	895	95	2	991	35	1,026	(1,026)	—
Total	9,239	42,240	3,937	55,416	1,696	57,111	(1,026)	56,085
Segment profit (loss)	1,617	2,636	(209)	4,044	252	4,296	(2,356)	1,940
Segment assets	4,313	11,038	4,352	19,702	1,413	21,115	7,026	28,141
Other items								
Depreciation and amortization	1,162	378	262	1,803	—	1,803	51	1,854
Impairment loss	85	24	—	108	—	108	—	108
Increase in tangible/intangible assets	1,139	635	11	1,784	—	1,784	34	1,818

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

- The segment profit (loss) adjustment of (2,356) million yen includes the elimination of inter-segment transactions of 3 million yen and corporate expenses not allocated to individual reportable segments of (2,360) million yen.
- The segment asset adjustment of 7,026 million yen is related to an elimination of (5,611) million yen of intersegment transactions and corporate assets not allocated to reportable segments in the amount of 12,637 million yen.
- The segment depreciation and amortization adjustment of 51 million yen includes corporate assets not allocated to individual reportable segments of 51 million yen.
- The increase in tangible and intangible assets adjustment of 34 million yen is related to corporate assets are not allocated to reportable segments in the amount of 34 million yen.
- Segment profit (loss) is adjusted to correspond with operating income reported on the consolidated statements of income.

(Per Share Information)

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Net assets per share	¥131.37	¥139.38
Net income per share	¥3.69	¥15.65
Diluted net income per share	¥2.52	¥10.42

(Note) Calculation base for net income per share and diluted net income per share are as follows.

	Year ended June 30, 2023 (July 1, 2022 to June 30, 2023)	Year ended June 30, 2024 (July 1, 2023 to June 30, 2024)
Net income per share		
Net income attributable to owners of the parent company (millions of yen)	275	1,214
Amount not attributable to common stockholders (millions of yen)	—	—
Net income available to common shareholders attributable to owners of parent company (millions of yen)	275	1,214
Average number of shares outstanding during term (shares)	74,607,171	77,576,037
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 of common stock (shares)	34,626,121	38,998,454
(including Convertible-bond-type bonds with share acquisition rights: shares)	(12,422,878)	(15,267,174)
(including share subscription rights; shares)	(22,203,243)	(23,731,280)
Residual securities that are not dilutive and not included in the calculation for diluted net income per share	One issue of subscription rights to shares Residual securities: 1,400,000 shares	—

(Significant Subsequent Events)

(Reduction of capital reserve and appropriation of surplus)

At a meeting held on August 14, 2024, the Company's Board of Directors resolved to submit a proposal for the reduction of capital reserve and appropriation of surplus during the meeting of the Board of Directors scheduled to be held on August 20, 2024.

1. Purpose of reduction of capital reserve and appropriation of surplus

The purpose is to compensate for the current deficit in retained earnings brought forward and improve the financial soundness of the Company, as well as to ensure flexible and opportunistic capital policies in the future. As this case falls under the requirements of the proviso of Article 449, Paragraph 1 of the Companies Act, no procedure for the statement of objections by creditors will be required.

2. Details of reduction in capital reserve

Pursuant to Article 448, Paragraph 1 of the Companies Act, the amount of the capital reserve will be reduced, and the same amount will be transferred to other capital surplus.

(1) Amount of capital reserve to be reduced

Capital reserve 2,811 million yen of 5,490 million yen

(2) Amount of other capital surplus to be increased

Other capital surplus 2,811 million yen

(3) Method of reducing capital reserve

The total number of shares issued will remain unchanged and the entire amount of the capital reserve to be reduced will be transferred to other capital surplus.

3. Appropriation of surplus

Pursuant to Article 452 of the Companies Act, other capital surplus after the transfer described in 2. above will be transferred to retained earnings brought forward to compensate for the deficit.

(1) Item and amount of surplus to be decreased

Other capital surplus 2,811 million yen

(2) Item and amount of surplus to be increased

Retained earnings brought forward 2,811 million yen

4. Schedule for reduction of capital reserve and appropriation of surplus

(1) Date of resolution by the Board of Directors August 20, 2024 (scheduled)

(2) Effective date August 20, 2024 (scheduled)

5. Other important matters

The decrease in capital reserve and the appropriation of surplus are accounted for as transfers between accounts in the net assets section of the balance sheet; therefore, there will be no change in the Company's net assets. As this is a capital reduction without refund, the total number of outstanding shares will remain unchanged, and the number of shares held and net assets per share will be unaffected.

The above is subject to approval at the Board of Directors meeting scheduled for August 20, 2024.