



Keio Business School

istyle Inc.

In June 2002 at the istyle Inc. (<http://www.istyle.co.jp/>) office in Sakuragaoka, Shibuya-ku, Tokyo, company president Tetsuro Yoshimatsu was deep in thought about the future direction of his company's operations and its capital structure.

"I don't want to build a company that has no clear *raison d'être*." This is a stance Yoshimatsu has always maintained. "My goal is for istyle, through @cosme (pronounced 'at cosme'; <http://www.cosme.net/>), to serve as an agent linking companies and users. Though istyle carries out business with a view to product users, I want to develop the company so its profit isn't sourced from those users."

To istyle, the net venture company established in 1999, the end of the current quarter would definitely see the company achieve its goal of turning in a profit. Yoshimatsu said he now finally feels as though he's at the start line for full-scale business operations geared toward realizing the company's goal. As well as advertising, which currently forms the main revenue base, he is also looking to move the company into marketing and research, sales support, product development, and retailer support services. His main focus at present is therefore on business expansion, and considering the optimum capital structure to realize this.

Yoshimatsu had three capital structure options. The first was maintain the current neutral position with the cosmetics manufacturers, and look to system companies, retailers or distribution companies for new capital injection. The second was to accept capital from the major cosmetics manufacturers. And the third was to maintain a standard position within the industry and take in investment from several cosmetics manufacturers and other companies.

It would be reassuring for the company to link up with manufacturers as clients in the advertising, sales support and product development services, but for retailer support

Mikako Ogawa prepared this case under the supervision of Jiro Kokuryo of Keio University, Graduate School of Business Administration, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. Copyright ©2002 by Keio Business School. English version was made in January 2003.

services, a heavy manufacturer leaning could generate a sense of alarm in the distribution industry. Even if the company were to achieve a standard industry capital structure with a bias to neither specific manufacturers nor distribution channels, it had to avoid raising any concern among consumers. For if users who had grown to trust and have confidence in @cosme were to turn their backs on the company, istyle would lose everything.

Which was the best partner for istyle? “Nothing can happen until I decide,” and he chose the general meeting of shareholders in September to announce his decision.

@cosme profile

@cosme is a community site providing mainly consumer reviews and information about cosmetics. As at June 2002, the site contained more than 460,000 reviews covering more than 27,000 items.

“At last I found the one I’ve been looking for! It keeps my skin moist. It’s not oily. My adult acne caused by dryness is almost gone, and my skin is now smooth. I’ll use it again!”. “No effect whatsoever. My skin problem did not improve c I won’t use this again.” Real comments by real people appear on the web site in real time, and anyone can freely browse through these reviews. @cosme is an extensive web site with more than 16 million page hits a month (510,000 a day), 140,000 members (including i-mode members), 300,000 site visitors a month (20,000 a day), and a mail magazine circulation of 53,000.

The @cosme user profile is 99% female, while 73.6% are single and 26.4% married. By age group, most — 58% — are in their 20s, 22% are in their 30s, 17% are under 20, and only 3% are in their 40s. By occupation, company employees rank the highest with 41%, followed by university and graduate students at 14%, full-time homemakers at 11%, part-time and casual workers at 10%, high school or preparatory school students at 9%, junior or technical college students at 5%, primary and middle school students at 3%, and others at 7%. From this we can see that the core users of @cosme are working women in their 20s or 30s who are interested in beauty and skin care.

Cosmetics industry

Cosmetics is a ¥1.5 trillion industry in Japan.

Shiseido is the leading brand with a 31% market share, and the company’s strength has been in its powerful marketing network built up through subsidiary sales outlets and by reinforcing distributor channels through the dispatch of beauty consultants, but in

today's reform climate in the distribution industry, this has in effect turned into a double-edged sword. Second-ranked is Kanebo with 15%, and cosmetics is an important part of their business operations, accounting for 38% of sales. Third is Pola, Japan's top cosmetics direct sales company, with 11%. Fourth-ranked Kose is strong in counter sales of lipstick and other makeup products, and cosmetics account for 76% of its total sales. Fifth is Kao, which entered the cosmetics market in the 1980s, and has capitalized on its strong toiletries marketing network to make steady inroads into department stores from its supermarket sales base. Kao is competing with a single brand — Sofina. The company is, however, engaged in a fierce battle with Shiseido and Kanebo for market share in toiletries such as shampoo and rinse, facial washes, and pore cleansing packs, and if peripheral fields such as this are included, then Kao's ranking in the industry rises to number two.

As well as these established companies, Fancl and House of Rose are emerging as new market forces, while Mandom is a key player in men's toiletries.

Cosmetics is a matured market. In the industry major cosmetics and toiletries companies have a presence in and are competing in both fields. A common factor to all is that brand image impacts on sales, and enormous amounts of money are spent on advertising.^[1]

Cosmetics can be classified into hair care products, skin care products, and makeup. In Japan skin care products account for 40% of the market, whereas in Europe and the U.S. makeup accounts for the highest percentage. Moreover, the market share of perfume and eau-de-cologne is much higher in Europe and the U.S. than in Japan. Over the past few years, however, the market percentage of makeup in Japan has been on a steady upward trend.

Surveys by the Ministry of Economy, Trade and Industry (METI) show that in 2001 a total of ¥1,428.7 billion was spent on cosmetics (up 0.1% over the previous year). Of this, hair care products accounted for ¥432.4 billion (down 3.3%), skin care ¥564.3 billion (up 1.2%), makeup ¥374.8 billion (up 3.5%), perfume/eau-de-cologne ¥7.3 billion (down 15.0%), and other special-use products ¥50.1 billion (down 1.7%).^[2]

In April 1997 the cosmetics resale price maintenance system was abolished to ensure open competition based on free price-setting. Previously, the major cosmetics manufacturers included in their supply contracts with retailers an obligation for direct

^[1] Toyo Keizai homepage — <http://www.job.toyokezai.co.jp/gyokai/gyokai09.html>

^[2] Ministry of Economy, Trade and Industry, *Report on Chemical Industry Statistics*, <http://www.meti.go.jp/statistics/index.html>

counter sales to customers in which the sales staff had to explain how to use the products. While counter sales have the advantage that customers can find out more about the product they are purchasing from the sales staff, the disadvantage is that retailers cannot sell the products wholesale, through mail order, or through company employee sales. As the trend
5 toward inexpensive cosmetics gains momentum with the growing consumer diversity, the major manufacturers are adopting a dual sales structure in which they are adhering to the consultant sales structure to maintain prices, but at the same time, they are also selling products through self-sales at general merchandising stores and drugstores without the need for sales staff.^[3]

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Other companies' internet sites

There are also sites other than @cosme that have built up review databases of opinions and impressions about various services and products over the internet. These databases allow consumers to check the standing and other people's views of the product they intend
15 to buy, and manufacturers to efficiently gather consumers' opinions about their products, but in reality, few of these sites are very successful.

As of August 17, 2002, 1,230 stores were registered in the well known price comparison site <http://www.kakaku.com>. In addition to price information, this site provides reviews through a bulletin board, but because it is primarily a price comparison site, most of the
20 user reviews tend to focus on price information; for example, "I bought XYZ product at the Nihonbashi shop for XX yen."

Opened in September 2000, ecHelp (<http://www.ecHelp.net/>) has the policy of promoting new or unknown products with consumers by word-of-mouth recommendations. The product with the highest number of reviews among the Shiseido line is PN Lip Perfect with 34 (@cosme has 212 reviews for this product).^[4]

25 "Power to The People" — a product and service assessment site by consumers for consumers — was opened in August 2000. It has 16 reviews on Shiseido's PN Lip Perfect. As of June 15, 2001, the site had about 13,000 members, and reported that it exceeds 800,000 hits a month.^[5]

30 @cosme also faces competition from community sites. Gala (<http://www.gala.jp/>) was established in September 1993, and operates 24 free theme-based membership

^[3] IDG Japan homepage — <http://www.idg.co.jp/CIO/contents/special/special49.html>

^[4] ecHelp and @cosme homepages — August 17, 2002

^[5] Power to The People, Inc. homepage — <http://www.ptp.co.jp/info/press.html>

communities under GALAFRIEND. Gala has about 200,000 members (March 2002), and is active in online community development and operation and data mining services. The company also provides a website monitoring and filtering service that automatically removes any unsuitable or inappropriate information using its own patented CyberCops technology. It is listed on the Japan Nasdaq at the Osaka Securities Exchange, and sales for the 9th term (April 2001 – March 2002) amounted to ¥733,000,000.

@cosme contents

The @cosme website currently consists of the six main areas of Review database, Topics, Community, Shop map, Sister version, and My Page.

The centerpiece of the @cosme website is the Review database. It contains no fewer than 460,000 reviews on about 27,000 cosmetics products. The most frequently accessed page is the reviews ranking page, through which users can rank products by retrieval criteria they input themselves, such as item (e.g., skin toner, lipstick), brand (Shiseido, Max Factor), or age or skin type. @cosme also provides a community database function that users can utilize in various ways. For example, users can use the product database function to search for products by, say, price or skin type, and check the reviews that other users have posted. They can then look for the cosmetic products that are most suitable for them from the review analysis using the detailed search function.

The Topics section contains information on cosmetic brands, beauty-related news, and a calendar of new product releases. Here visitors can read the latest news on the various brands, information on members-only specials, and release dates for new products.

The center of the Community section is the Product Planning Room. It contains product monitoring reports, reports on makeup seminars and other similar events, and information relating to plans that users can take part in, such as original product development plans. It also contains links to a members' forum where members can discuss and exchange views, and a Q&A section where members can seek advice from beauty professionals.

The Shop map section contains maps of cosmetic stores throughout Japan, and enables users to search for their desired store by area, brand, and available services.

The Sister version section introduces related and cooperating sites, such as @cosme Kyushu (<http://www.cosme.net/kyushu/>), i-mode version (<http://www.cosme.net/i/>), OCN version (<http://www.cosme.net/ocn/>), and the Woman@nifty cosmetics search (<http://www.woman.nifty.com/>).

In the My Page section, users can customize their @cosme experience; for example, they can edit past reviews they posted, register favorite members and brands, list products they are interested in, and safely exchange mail with favorite members registered in “Members’ mail”. Users can also amend their recorded profiles.

5 There are three stages to membership registration at @cosme. First, by registering basic information, the person becomes an @cosme member with permission to post reviews. The basic information members are required to include is the user name, password, email address, sex, date of birth, skin type, prefecture, and occupation. Members who also include their real name, postal code, address, and telephone number are eligible to
10 apply for product samples. Members can also register as “produce members”, which enables them to participate in presales product monitoring, questionnaires, and planning in the Product Planning Room. Such planning information is notified separately only to produce members through the “produce members’ mail”.

15 **Establishment**

At the end of November 1999 the New Business Conference, an organization under the jurisdiction of the Ministry of Economy, Trade and Industry, announced the winners of the Sixth New Business Plan Contest. Winner of the second prize was 27-year-old Tetsuro Yoshimatsu. “Judging is from the perspective of whether the plan is commercially
20 feasible, so it’s a tremendous achievement to win a prize,” (an official from the New Business Conference). Yoshimatsu’s prizewinning plan was entitled “Realization of cosmetics community portal using a review database”.^[6]

Yoshimatsu majored in genetic engineering at the Biological Science and Technology Department, Faculty of Industrial Science and Technology, Tokyo University of Science,
25 but “This research takes too long before we can see results. I want to achieve what I can while I’m still young.” With these thoughts, he joined Anderson Consulting (currently Accenture) after graduation in 1996. Here he was involved in introducing computer systems and building business models for management and accounting. His visit to Net Age through a friend in March 1999 made him realize that “from now on the internet will become a
30 force that drives society.”

At that time his fiancé, Ms. Meyumi Yamada, who also attended the same university, asked him for some advice. Ms. Yamada was then in charge of product planning and

^{16]} Nikkan Gendai, January 7, 2000

development for a cosmetics manufacturer, but on a private level, she was also publishing an email magazine. Started purely as a hobby, the email magazine — *Weekly Cosmetics Communication* — grew to a readership of 3,000 in just three months. What she wanted to know was how to pass on the feedback the magazine was receiving to cosmetics manufacturers and readers.

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Yoshimatsu saw the commercial potential of this. Having concluded “There is a need to provide a mechanism through which the information required by users can be extracted from the manufacturers, and to create a market in which users can give feedback and express their needs to the manufacturers,” Yoshimatsu spent the entire Golden Week holidays drawing up his business plan.^[7]

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After two weeks of market research, Yoshimatsu became more convinced of the viability of his plan, and in July 1999, he took extended leave from his job and started up istyle with three employees. The establishment capital of ¥3,000,000 came from the money saved for his planned honeymoon and his bonus payments.

Fortunately, a friend loaned him a corner of his office, while another friend loaned him an unused server computer free of charge. For the first six months he devoted every waking hour to building up @cosme. The founding members were greatly supported by Yoshimatsu’s former colleagues at the consulting company and his friends who stopped by in the evenings after work to help.

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Winning a prize at the Sixth New Business Plan Contest in November 1999 gave the founding members a tremendous confidence boost. In the same month, Yoshimatsu assumed the position of istyle CEO.^[8]

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For the plan to have any hope of commercial success, it was crucial to have a clear view on who will use the service, and how best to build the process for collecting and storing product reviews. As for who will use the service, Yoshimatsu aimed at providing the means of enabling users to exchange information that could help each other in making decisions on which cosmetics products to buy. Regarding the process, rather than jumping in and setting up the website right from start, Yoshimatsu first sought to gather 5,000 participants through the email magazine. Once he signed up the 5,000 members in the pre-opening stage, in December 1999, @cosme was officially launched.

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^[7] Nihon Kogyo Shimbun, August 29, 2001

^[8] Nihon Kogyo Shimbun, August 30, 2001

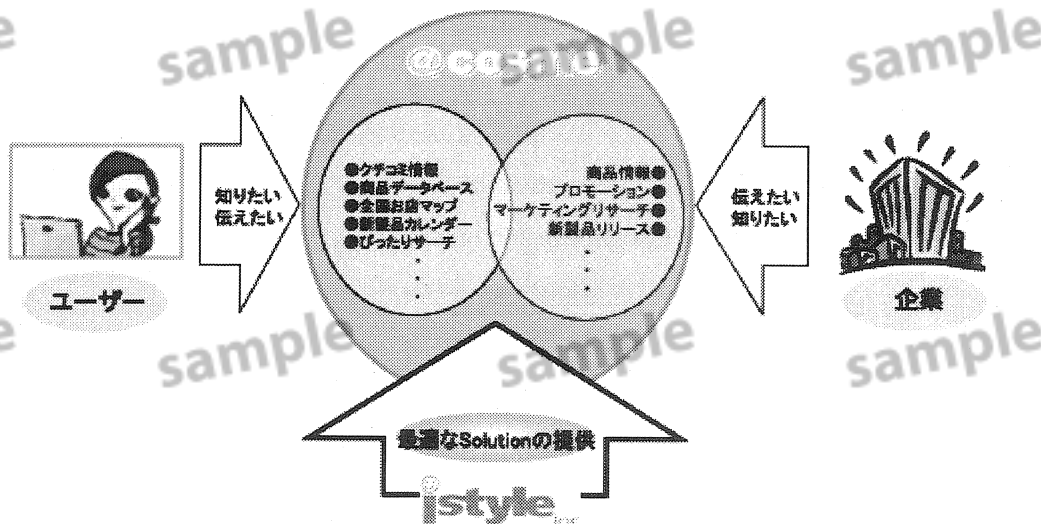
CmRM

From the time it was established, istyle adhered to the concept of CmRM (Community Relationship Management; Fig.1).

“@cosme is a site based on a concept. It’s not a medium or community that just happened; we built it up with a detailed design that has been subject to ongoing amendment and adjustment. A venture company, especially one during its initial establishment phase, can’t hope to survive without an edge to its business concept. This concept is the key to istyle, and its *raison d’être*.”

Yoshimatsu defines community as “a user group with an integrated user profile”.

“@cosme is not a communication site. Users, though, are creating communities without giving it any conscious thought. Users communicate with each other in ‘2-channel’ and auction sites, but they have no control over the communication environment. In particular, it’s impossible to control users’ negative feelings. So @cosme made this controllable by narrowing down the modes of communication. @cosme is a site not for communication, but for interaction.”



CmRM (『Community Relationship management』) の実践

Figure 1 The istyle homepage (August 15, 2002)

“Community is indeed a vague term. Its meaning varies slightly from person to person. Some say there is a shared common sense of values within a community, and in this context, cosmetics is a fascinating commodity. Cars, for example, are objects, but, say, the Mini Cooper is, to me, a sense of values. The face is only a small part of the total surface area of the human body, yet women spend tens of thousands of yen on it. As a man, I don’t fully understand that feeling, but to women, cosmetics is both an object, and a commodity that borders on a sense of values.”

There are two sides to community business — user logic, and business logic. @cosme is a cosmetics portal site operating under the CmRM concept aimed at users seeking information to help decide on cosmetics to purchase, and strictly maintains complete site neutrality without any bias whatsoever toward specific companies or users. At the same time, @cosme uses the product reviews voluntarily given by users without charge as a source of its business revenue.

Yoshimatsu was also troubled by this user-client dilemma. “I was aware of the two sides to the community business, especially in the initial stages when we were advertising the site. But if we can derive value from the data, we don’t need to rely on the manufacturers, and it also was clear that users wanted and needed information from the manufacturers. So these days I no longer give this issue much thought.”

@cosme Street

Yoshimatsu designed a business plan not based on income models, but on membership numbers. He likens this process to town planning.^[9]

“Promoting a website after establishing it is like opening a shop, then building the road to it. In town planning, though, shops are built only after the roads have been constructed. In the same way, for our website, we began by building the street, in this case, the email magazine. So when we established the website, a large number of people had already traveled along our street and had taken up membership.”

“All kinds of people from all walks of life use the internet. So first we built the ‘@cosme Street’ that users with a high interest in and awareness about cosmetics would be sure to travel along. Once the street has been completed, we can then put up the signboards (advertising), conduct surveys (marketing), and open the shop (product sales).

^[9] THE21, November 1, 2001

^[10] Business Caf_ Global Report vol. September 1, 2000, Toyo Keizai Venture Club, October 27, 2000

And if cosmetics users gather at our site, the added value of @cosme Street will continue to grow. Then, through this, we'll be able to further broaden the scope of @cosme.”^[10]

“If we plan to establish a shop, and produce an income model as we consider the types of products to sell in the shop, current trends and fashions will greatly influence its success. So, it's much better to build a street on which existing shops would want to open new shops. I feel that by building such a street, I can change the world, or perhaps I should say, make something that is close to perfect in our less-than-perfect world.”

The first moment of truth

In June 2000 Yoshimatsu was forced to make a critical decision.

“In July 1999 we established the private company, and in January 2000 we had our first capital expansion to ¥30 million. We planned a second capital expansion to ¥300 million in May, but we couldn't raise the money. Unfortunately for us, the month before — April — was when the internet bubble had just started to deflate. GALA was able to list only at a price lower than the last third party share allocation. Investors saw no future in B2C, so they began to shift to B2B. Their mood was that they would no longer inject money into net communities. Eventually, in August we managed to obtain ¥100 million from Hatchery, but at one time during this period, istyle's debts exceeded its assets.”

To compound the problem, June was istyle's first accounting term.

“We had three options. First was to close the company. To me, istyle was verification that I was able to build a company according to a business model with three million yen. The second was to accept capital input from cosmetics manufacturers, and in fact, we had been approached by manufacturers and overseas investors. The third option was to cut back on the scale of the community. I was considering scaling down to a level that three or four staff could handle to reduce personnel costs. Ultimately, we couldn't bear to destroy the community, so we weathered the crisis until August by taking a wage cut.”

At this time, Yoshimatsu spoke at length with all staff members on the direction of istyle and whether they should continue business with the @cosme community. Some staff left the company because they could not agree on the direction it was headed.

Value and earnings

Along with the CmRM concept, the “*kagami-mochi* model” [*kagami-mochi* is a set of round rice cakes stacked in layers on a stand; it is placed out on New Year's Day] is also

the key and *raison d'être* of istyle. Looking back to the company's establishment, Yoshimatsu said the following.

"I thought about how we could link value for users to our business. @cosme lines up users' cosmetics needs and desires, and we required a model through which value to users would naturally become our business."

Yoshimatsu was sure that @cosme had some worth. However, no one knew how big the @cosme community would grow, and how they could gauge the extent of the value that would be created within it.

What are the values @cosme is generating?

"I first thought of the kind of value that would increase as more users joined @cosme; so I focused on the five values of traffic (time), data, knowledge, money, and things. Next I thought who would find these keys of value; which of the players in the supply chain — manufacturers, wholesalers, retail stores? I then drew up a matrix with these five keys as the vertical axis and the different players as the horizontal axis, and with this we could clearly identify the services we could provide. For example, to manufacturers, traffic would have value for advertising. Advertising services would go into the cross point on the matrix. This is a service istyle can provide. E-commerce comes in at the point where money, i.e., users' spending money, and retailers cross, so here we can think of retailer support services."

Once he was clear on the services the company could provide, Yoshimatsu's thoughts turned to the competition.

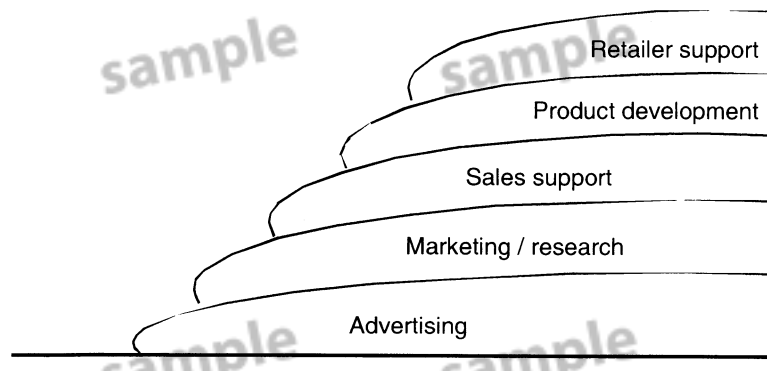
"We can also think of users as players who find value in users' money. Auctions go into the point where they cross. However, there are already major auction sites, one of which is Yahoo!. The number of @cosme users could not compete with the number of users that assemble at the Yahoo! site. There's also a substantial gap in available capital. We couldn't hope to compete against such a presence, so @cosme does not provide an auction service. These were the sort of judgements and decisions we learned to make."

The *kagami-mochi* model

By about April 2000 Yoshimatsu had formulated his *kagami-mochi* model (Fig.2).

"When I tell people istyle is an internet business, with their vertical perceptions of the internet, they often ask whether istyle is an advertising company, or an e-commerce company. Although I was merely an amateur when it came to cosmetics before I established

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Figure 2 Kagami-mochi model

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istyle, I could see that cosmetics had value as a commodity. So @cosme is not a ‘women’s site’, but a ‘cosmetics site’. It’s entirely about cosmetics. I’m not sure whether this was the right decision or not. There were a few other charisma-related, or product development, or general women’s sites that started up around the same time that we did, but they seemed to try to cover too many themes, and enjoyed little success. What set istyle apart from these sites was that from the beginning we stuck to the model of a single uniform theme with multiple services. Cosmetics is a commodity that has the potential for generating and sustaining multiple services. And we have no intention of operating more than one site at any time in the future.”

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“Our *kagami-mochi* model is one in which the values parallel each other. When I think of each of the services @cosme can provide, the site focuses solely on cosmetics so there are limits on the size the community can reach, and this in turn means there will be limits on the size of the site’s earnings. Our idea was that instead of going to great depths with a single service, we should spread laterally and offer layers of services.”

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Business value of istyle

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As istyle seeks to grow in line with its *kagami-mochi* model, whether it can obtain the necessary funds for that growth will depend on how its corporate values are perceived.

One way of working out business value is from istyle’s potential future cash flow. Another general method of calculating business value is, for BtoC community sites, basing value on the number of members, or for advertising service providers, by the number of page hits.

These methods, however, fail to convert the economic effect generated by product reviews and recommendations from @cosme users into a value. How to have the economic effect generated by @cosme users reflected in istyle's business value is a major challenge confronting Yoshimatsu.

In June 2002 istyle took part in community research, a joint project with NTT Data, NTT Data Institute Of Management Consulting, and Keio Business School Kokuryo Laboratory.

Formal analysis results have yet to be finalized by Kokuryo Laboratory, but from the raw data we can see the following trends.

- ◆ @cosme members disseminate information outside the community more than general people.
- ◆ @cosme members read through reviews in @cosme before they purchase.
- ◆ People who receive information from @cosme members use that information in their purchasing decision.

The term "general people" above refers to the respondents to the ROM/RAM research^[11] carried out by IPSe Marketing in 2000 on commission from Kokuryo Laboratory (web questionnaire, 1,276 effective responses).

Regarding information dissemination, among the RAMs 94% of @cosme members but only 61% of general people responded that they "have passed on information", while among the ROMs, the percentages were 83% for @cosme members and only 37% for general people, so a high percentage of @cosme users tend to pass on the information they gain from the community to people outside the community.

There are no research figures on purchasing behavior, so we cannot make a comparison, though 92% of ROMs and RAMs combined responded "I bought the product myself", while the percentage for RAMs alone was 100%. Sixty percent of respondents indicated "A person to whom I passed on information bought the product", and there was virtually no difference between ROMs and RAMs.

From this research, we can say that @cosme is a medium with an extensive reach and a significant purchasing influence. If the economic value generated by @cosme could be clearly reflected in istyle's business value, the company would be able to achieve growth in line with the *kagami-mochi* model.

^[11] ROM indicates "read only members", i.e., members who only read reviews without posting any of their own, while RAM indicates active members who post reviews in the community.

Business results

Currently, istyle's main clients are the cosmetics manufacturers.

In the company's first year of operation, its sales were ¥950,000, and it finished with an ordinary loss of ¥42 million. In the second year, sales increased slightly to ¥1.02 million, while the ordinary loss rose to ¥83 million. In both years, sales were entirely from advertising.

This year, with sales amounting to ¥228 million and an ordinary profit of ¥9 million, the company is expected to achieve its first single-year profit. By service, 75% of sales will be from advertising, while the remaining amount will probably be from product development.

Company projections are for sales of ¥436 million and an ordinary profit of ¥88 million in the fourth year, and ¥792 million for sales and a ¥209 million profit in the fifth year. Forecast sales in the fourth year are ¥302 million for advertising (69%), ¥58 million for marketing and research (13%), ¥25 million for sales support (6%), and ¥50 million for product development (11%); while the projected figures for the fifth year are advertising ¥432 million (55%), marketing and research ¥184 million (23%), sales support ¥125 million (16%), and product development ¥50 million (6%).

"We are currently looking into setting up new services of marketing and research, and sales support. For these services we will be able to make maximum use of our extensive review database, and this will set @cosme apart from the other companies. I think the maximum we can expect from advertising and marketing/research combined is one or two billion yen, so for the medium to long term, we need to develop sales support and retailer support services as well."

Advertising

The bulk of istyle's earnings is from the total promotion package. The total promotion package concept is to provide a series of user participation scenarios, i.e., assemble users, hold some form of event, and return the result to the community (reviews). The cost is set at about ¥3 million for a three-month period. Central to this plan is the "brand page" exclusively for cosmetics manufacturers. The brand page contains new product announcements, notification of various events, product questionnaires and the like, and is designed to encourage users to take part in the monitor planning or present planning questionnaires, and attract them to the reviews posting page.

According to Dentsu, internet advertising had been continuing to double year on year with the expanding reach of computers and the internet, but in 2001 it increased only 24.6% to ¥73.5 billion. It accounted for 1.2% of all advertising media, including TV and newspapers.^[12] The growth of the internet advertising market is slowing down significantly, but at the same time, this presents a good opportunity to expand broadband communication, and some companies are already working to attract site viewers and advertisers through new services that boost advertising effect. Recent trends include Excite's linking time zones with TV commercials and charging an advertising fee of ¥1–3 per view, and overseas advertising measurement companies accurately measuring the number of views and viewing time.^[13]

Marketing and research

istyle's marketing and research service is characterized by 1) online research, 2) panels/monitors with a high loyalty toward cosmetics, and 3) field work using @cosme.

Online research covers mainly panel surveys and in-use tests, and takes 2–5 weeks from preparation to computation. Panel surveys include surveys on consumer awareness about new product development, and package surveys to accompany product renewal. The recovery base is 1,000 responses, and costs are generally from ¥800,000. In-use tests include monitoring trials of new products, and sensory evaluation surveys, and the cost is from ¥900,000 per 200 responses.

“Of all the values generated by @cosme, I believe data is the highest value, but we've yet to earn anything from it. I'm sure it has value because the manufacturers also visit the @cosme site when they have the time, but when I speak to them, they all ask what kind of benefits they'll get for spending one or two million yen on the data. @cosme data are not in a form that is essential for business decision-making. So we're currently setting ourselves up to sell data analysis tools. We'll sell a system for analyzing our review database by function and ID for ¥50,000–150,000 a month. We'll also incorporate additional functions ranging from extracting reviews about one's own company and comparisons with other companies, to data mining. We predict sales from our marketing and research service will reach ¥50 million next year, and climb to ¥150–200 million the following year.”

^[12] Dentsu homepage *Advertising Expenditures in Japan for 2001*, <http://www.dentsu.co.jp/marketing/adex2001/index.html>

^[13] Nihon Keizai Shimbun, July 29, 2002, Morning edition, page 11

“Where the current @cosme data are valuable is that they can show a time series of individual purchasing and use patterns. We don’t provide an analysis service as such though. That’s because it would take too much time, and even with the same cross computation, the analysis objectives and perspectives are different between product developers and marketing staff. For example, product developers want to find out what users think of their products, or search for ideas on new needs, whereas marketing staff are interested in what other products people who bought a rival product are buying, the timing of their purchases, and their preparedness to change brands. They are the pros, and they know how to look at and read the data.”

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Sales support

In October istyle will establish cosme.com (<http://www.cosme.com>) separate from @cosme to provide a sales support service. This service will include operation of an e-commerce site and a sales promotion service. It will be in the form of an affiliate model in which istyle will sell products on commission from the cosmetics manufacturers, and receive commission payment based on the amount of sales. Yoshimatsu predicts this service will eventually generate income of up to ¥1 billion.

Operation of e-commerce sites varies according to the type, such as independent development, packaged software base development, or ASP (opening on Rakuten), and scale, but generally, an e-commerce site will need start up capital of from ¥30 million to several hundred million yen, and monthly expenditure of several hundred thousand yen to a million yen.

“Cosme.com and @cosme are different sites, but they will be linked. For example, if users search @cosme for suitable cosmetics using the detailed search function, clicking on the ‘purchase’ button will take them to cosme.com.”

“In the future, we will provide both EC and retail support services, but there’ll be no conflict between the two. This is because cosme.com will only handle mail order manufacturers’ products that are not sold through normal retail routes. The mail order cosmetics market alone is worth ¥200 billion. Of this, internet sales of cosmetics will probably be between ¥30 billion and ¥60 billion. If, say, cosme.com were to handle 5–10% of this, sales would be ¥3 billion. And with commission of 10–15%, this alone would bring in earnings of around ¥300 million.”

Product development

The Baby Pink Lip Jelly produced by the Bison company was virtually unknown when it was released, but through word-of-mouth, it became one of the most popular lip glosses. Of the eight colors available, the two initial colors — glossy clear and glossy pink — doubled their sales compared to the previous year. The product has proven to be a hit, and from its release in 1999 to October 2001, a total of 2.5 million units had been sold.

What ignited then fuelled the popularity of Baby Pink, which was priced at ¥550 compared to the ¥1,500–2,500 of other companies' lip gloss, and was sold in the lip cream section at drugstores, were the recommendations and reviews in the @cosme site.

On the back of this success, in March 2001 Bison formed a business tie with istyle, and as a result of popularity voting at @cosme, Bison developed and began selling glossy peach and glossy cherry based on pink beige, the most popular color.

Retailer support service

“The staff responsible for marketing/research and sales support services are now capable of producing numerical goals and action plans, so from the end of this year, I, personally, will shift to examining business plans and proposals for the retailer support service. This service will require an injection of new capital, and I'm planning to raise ¥3–5 million around March next year. I haven't studied the details as yet, so I haven't included specific figures in the business plan.”

Yoshimatsu is currently looking at splitting the service into department store support and specialty shop support.

Sales at department stores have been on a downward slide since the economic bubble burst in 1992. Total sales at department stores throughout Japan in 2001 amounted to ¥8.57 trillion, 2.8% down from the preceding year.^[14] Cosmetics reportedly account for about 3% of department store sales.^[15] With unit spending by customers dropping, department stores need to strengthen their relationship with customers, and istyle can provide a counseling system that makes effective use of the @cosme customer database.

^[14] *Department Store Sales*, Japan Department Stores Association homepage, <http://www.depart.or.jp/>

^[15] “Cosmetics sales account for 3% of total Mitsukoshi Department Store sales,” World Nichiei Securities report *Department Store EDI*, <http://www.worldnichiei.co.jp/topix0103.html>; and “Cosmetics account for only 3% of total department store sales in Japan,” article *European cosmetics industry seeks to expand marketing in Japan* in the winter 1997 issue of the Delegation of the European Commission in Japan magazine *Europe*, http://jpn.cec.eu.int/japanese/europe-mag/1997_1112/buttons22.htm

In Japan sales by 25,000 specialty shops amount to ¥500 billion, or 35% of the total cosmetics market. These specialty shops face a range of problems, including a decline of cosmetics chains, staff shortage, and dealing with the “sales through” model. The term “sales through” corresponds to “sales in” in which shops receive a rebate from the cosmetics manufacturers according to their stock purchases, and indicates a reward system tied to sales outcomes. “The major manufacturers are now seeking to inject their own POS in the specialty shops. The manufacturers want the sales, but what the specialty shops need are customer databases indicating which customers bought what products. But specialty shops can’t afford the investment in CRM and personnel development costs, so we are thinking to provide CRM functions using the @cosme customer database, and a visiting beauty consultant service.”

“Retailers have to be more efficient, and streamline their cash flow. So I believe they will need centralized support function, but neither the manufacturers nor the wholesalers are able to help them in this. With its neutral position and extensive customer database, @cosme is, I feel, able to provide the necessary support.”

“@cosme and the Cosmetics Retailers Cooperative are providing the “Cosmetics shop map” where the homepages of 4,000 cosmetics shops are hosted at no charge to the shops. This is one element of the retailer support service.”

Business plan and capital policy

“I don’t want to build a company that has no clear *raison d’être*. My goal is for istyle to serve as an agent linking companies and users. POS has changed the face of retail. These days retail is shifting focus from a product unit to a customer base, such as CRM, and if we can integrate the various data on an individual level, this would be extremely valuable to manufacturers. The @cosme review database is not merely product assessment information, but a record of consumers’ cosmetics use and purchasing patterns. This has the potential to change the structure of the industry. I want to set up a consortium between istyle and a number of other service companies within the cosmetics industry, and position @cosme as the industry standard. I want to incorporate users into a value chain by building @cosme up within a major industry value chain.” For Yoshimatsu, it will be essential to form a coherent strategy on how to grow istyle’s business operations, the kind of formation it will set up in the industry, and the kind of capital policy it will pursue. For the capital policy, “I envision incorporating competitors when growing the business. I’m considering

cosmetics manufacturers, wholesalers and retail shops, but I won't go with just a single company. I certainly will bring in several companies, and I want to maintain a standard position within the industry." He was also considering system companies and service companies with a proven track record in marketing and research as potential investors outside the industry. istyle's current shareholders are Yoshimatsu 39.7%, istyle employees 14.3%, two investors (A — 0.8%; B — 22.9%), Hatchery 16.2%, and Yahoo! 6.1%. The value of the company — obtained by multiplying the single share value by the total number of shares issued — is about ¥800 million.

Yoshimatsu's concept is that the current shareholders (istyle and investors) will hold 40% of shares in the future capital structure, while the remaining 60% of capital will consist of 30% from consortium member companies, 20% from the companies that lead the consortium, and 10% from new investors.

Yoshimatsu wanted to set the foundation for the optimum capital structure in time for the following fiscal year's capital procurement. "istyle's value will be at its highest when this fiscal year's accounts are settled and released. This is because istyle stands out in the industry with a single-year profit after three years, a database that's ranked number one, and no competitors. So after the account settlement report is released in September, I intend to spend the period until December visiting various companies with a view to increasing capital once by March, and a second time between April and June."

But, there are two problems with this.

"The first is the current shareholders. If we think that the current shareholders' shares will subsequently constitute only 40% of the company, a shareholder currently with 30% will then only hold a 12% share. If the company can realize the new capital composition without lowering the value of their shares, istyle's value will be close to ¥2 billion. Gala's current market value is about ¥1.2 billion, so this ¥2 billion is in fact quite high. We need to gain the shareholders' understanding to accept a lower value for the shares they hold, and once we achieve this, we can then start moving to attract new capital.

Another problem is the share ratio of those injecting the additional capital. For example, if we try to raise ¥300 million in new capital, the ratio of the current company value to be held by the new investors will be smaller. We need ¥300–500 million, so not setting the value of the company too high will increase the share ratio of the new investors. I'm thinking the new capital will come mainly from companies we will do business with as a part of the consortium, but if there's a high ratio of the more speculative investors, there's

always a risk that they may sell at any time, so if the consortium companies are not able to hold what to them would be an acceptable percentage of shares, getting them to inject money into the company would be extremely difficult.

5 So after all, we have to try to convince the current shareholders that while their share ratio may fall, having the consortium as a fellow shareholder should grow the company to a ¥10 billion (company value) enterprise, rather than allow it remain as a ¥2 billion operation.”

10 “The main issue we have is a cooperative relationship with the industry. I’m only 29 years old, and still seen as being a bit green. istyle is in reality no longer at the venture company level. My goal is to set the trends within the industry. At present we don’t have the individual skills and a sufficient number of skilled personnel in the team to do something as big as bringing together a consortium.”

15 Yoshimatsu was faced with various issues, but as CEO of istyle, he had to work fast to formulate the next-stage business plan and capital policy in time for the September general meeting of shareholders.

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Appendix 1: istyle's advertising service

The pillar of istyle's advertising service is the total promotion package.

The total promotion package concept is to provide a series of user participation scenarios, i.e., assemble users, hold some form of event, and return the result to the community (reviews). The cost is about ¥3 million for a three-month period, and ¥1.5 million for information transmission only. Central to this plan is the "brand page" exclusively for cosmetics manufacturers. This is promotion space for each brand, and manufacturers each place a homepage on @cosme. The brand page contains such details as new product announcements, brand concepts, notification of various events, and product questionnaires. From the brand page users can access the product information database to browse various item-related information, check product reviews, and so on. For the basic plan using the brand page as the information dissemination package, the basic contract term is from 12 weeks, and the cost is from ¥500,000 for each four-week period. This cost includes the production of three pages during the contract period, including two renewal periods, homepage hosting, and rotating BP text banner (guaranteed 100,000 impressions). An initial once-only special system set-up payment of ¥200,000 is required. As an option, an additional BP text banner is available for ¥100,000 for 100,000 impressions. It can also be coupled with web advertising and email advertising to publicize the brand page.

There is also a user participation promotion package that combines the basic plan with a questionnaire and present plan. Additional costs include plan design and monitoring, so the charge for this package is from ¥800,000 for four weeks. The following four restrictions apply to the monitoring plan. Monitors' product evaluation is done by online questionnaire of up to ten questions; free-response answers are to account for no more than half of the questions; criteria for selecting monitors will be set in the questionnaire for conditions other than address, age, occupation and skin type. Monitor costs include up to two produce member mailings (when recruiting monitors, and when announcing monitor results), up to two online questionnaires (when recruiting monitors, and questionnaire after the use of monitors), and delivery of monitor products. Up to ten monitors may be selected.

Advertising media is divided into web, email, and i-mode.

Web consists of 1) premium banner, 2) square banner, 3) top badge banner, and 4) text banner. For example, square banners, which appear in all pages in the @cosme website and have the highest number of impressions at 12.2 million a month, cost ¥1.1 million for

one frame for four weeks.

Email consists of 1) email magazine headers and footers, 2) editorial tie-up mail, and 3) target mail, and in the case of header advertising in the “@cosme News” with a circulation of 56,000, the cost is ¥150,000 for a header of five lines of about 35 characters per line.

i-mode @cosme started in December 2000. The advertising media are 1) i-mode mail advertising, 2) i-mode banner/text banner, and 3) i-mode tie-up advertising. In the case of i-mode tie-up advertising, the cost is from ¥350,000 for one week’s insertion, including production.

Appendix 2: Extracts from @cosme Web/mail advertising information

1. Web advertising — Advertising space

コスメ・美容への感心が高い@cosmeユーザーが訪れるトップページは
貴社のターゲットへのPRに最大の効果を発揮いたします

① プレミアムバナー

- 掲載ページ : @cosme全ページ
- 想定インプレッション : 2,700,000imp想定
- 掲載期間 : 4週
- 枠数 : 1枠 (5社限定)

② スクウェアバナー

- 掲載ページ : @cosme全ページ
- 想定インプレッション : 12,200,000imp想定
- 掲載期間 : 4週
- 枠数 : 1枠限定

③ トップバッジバナー

- 掲載ページ : トップページ
- 想定インプレッション : 850,000imp想定
- 掲載期間 : 2週、4週
- 枠数 : 3枠

④ テキストバナー

- 掲載ページ : トップページ
- 想定インプレッション : 1,000,000imp想定
- 掲載期間 : 2週、4週
- 枠数 : 3枠 ※9月中旬より4枠へ増加

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2. Email advertising — 1) Email magazine headers and footers

メールマガジンヘッダ広告

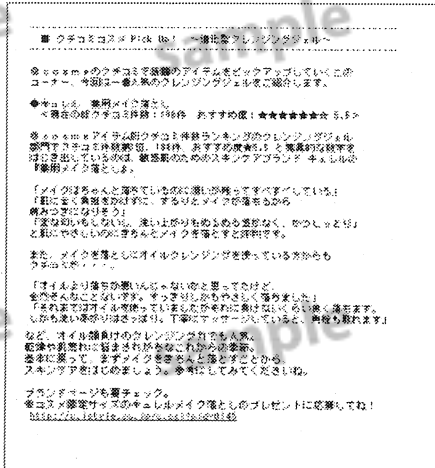
- 配信数 : 56,000通
- 枠数 : 2枠
- サイズ : 左右35文字 × 5行
- 価格 : 150,000円

メールマガジンフッタ広告

- 配信数 : 58,000通
- 枠数 : 2枠
- サイズ : 左右35文字 × 5行
- 価格 : 70,000円

@cosmeメンバーに向けて配信される
『選刊コスメ通信』を活用したプッシュ型広告です。
コスメに興味の高いユーザーに絞りに絞られている
ので、高いレスポンスが期待できます。

2. Email advertising — 2) Editorial tie-up mail



メールマガジン編集タイアップ広告

- 配信数 : 56,000通
- 配信日 : 第2・第4木曜日
- 枠数 : 1枠
- 価格 : 250,000円
- 掲載スペース : 週刊コスメ通信「クチコミPick Up!」
- 原稿スペース : コンテンツ内15行程度
(リンクURL箇所)

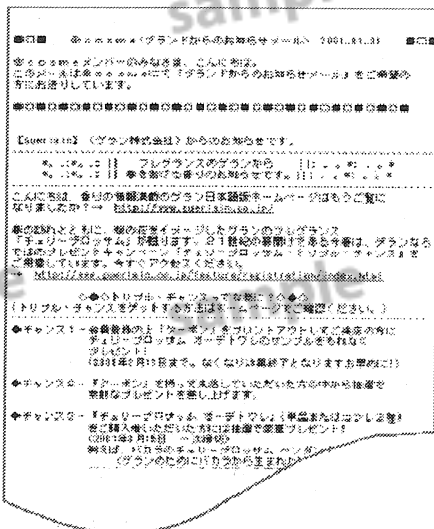
- メニューご利用条件 :
クチコミ件数40件以上、おすすめ度5.0以上であること、
もしくは、50件以上、おすすめ度4.5以上であること。

※記事内容は@cosme編集部にて作成、内容のご確認は1回のみとなりますので、ご了承ください。

実際に@cosmeにて人気のあるアイテムをピックアップ、未使用ユーザーにそのアイテムへの期待感を高める効果をもたらします。
クチコミで人気のあるアイテムを持つ化粧品メーカー様だけが活用できる特別広告枠です。

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2. Email advertising — 3) Target mail



ターゲットメール

- 会員数 : 73,000部
- 配信日 : ご相談のうえ決めさせていただきます。
- 原稿サイズ : 38文字×170行前後
- 原稿枠 : デフォルト抽出(性別、住所、年齢、職業、肌質) 20円/通
オプション抽出(@cosmeクチコミから) 30円/通
- 抽出項目 :
以下の項目において絞込が可能です。
< 年齢 > 10代(15%)、20代(60%)、30代(25%)、40代(3%)
< 居住区域 > 47都道府県(首都圏エリア46%)
< 職業 > 会社員(40%)、専業主婦(12%)、大学生(15%)、短大生(2%)
大学院生(1%)、専門学校生(2%)、高校生・予備校生(9%)
< 肌質 > 普通肌、乾燥肌、脂性肌、混合型、アトピー肌
< クチコミ履歴 > ex1商品Aを買っている人だけに情報を送りたい。
ex2美白商品にネガティブなユーザーだけに情報を送りたい。

<年齢><居住区域><職業>での絞込みのほか@cosmeならではの<肌質>や<クチコミ履歴>での絞り込みが可能です。通常のオプトインより高い広告効果が期待できます。

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3. Price table *Revised on August 12

<2002年8月～>

■Web広告メニュー

メニュー名	掲載期間	件数	インプレッション	料金	仕様
プレミアムバナー	4週	1枠 (5枠)	2,700,000	¥800,000	Size: 468x80pix ※gifアニメ可、ループ3回まで。Flash可。 容量: gif 8KB以内、gifアニメ12KB以内
スクウェアバナー	2週	1枠	6,100,000	¥600,000	Size: 125x125pix ※gifアニメ可、ループ3回まで。Flash不可。 容量: gif 8KB以内、gifアニメ12KB以内
	4週		12,200,000	¥1,100,000	
テキストバナー	2週	3枠※	500,000	¥300,000	テキスト: 全角28文字以内
	4週		1,000,000	¥500,000	
トップバジバナー	2週	3枠	420,000	¥350,000	Size: 120x80pix 容量: gif 8KB以内 ※gifアニメ不可 アンダーテキスト: 全角10文字以内
	4週		850,000	¥600,000	

※ 9月中旬から4枠へ増設予定

■メール広告メニュー

メニュー名	掲載期間	件数	配信数	料金	備考
メールマガジン広告ヘッダ	毎週木曜日	2枠	56,000	¥150,000	35文字×5行
メールマガジン広告フッタ	毎週木曜日	2枠	56,000	¥70,000	35文字×5行
メールマガジン編集タイアップ	第2・第4木曜日	1枠	56,000	¥250,000	35文字×5行 ※掲載基準については別途サービス詳細をご確認ください。
ターゲットメール	毎週1回	-	73,000	¥744/枠抽出 ※¥20	38文字×170行前後 ※配信日、抽出項目等は別途ご確認ください。 ※抽出項目については、別途サービス詳細をご確認ください。

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4. Terms and conditions

■Web広告	
・契約単位	2週間または、4週間毎となります。 (プレミアムバナーは4週間のみ)
・仮押さえ条件	仮押さえ申請から2週間を猶予期間とし、仮押さえ期間中に申し込みいただかない場合、開放させて頂きます。 仮押さえ期間中に、他クライアント様からのお申し込み意向があった場合には、その旨通知いたします。 連絡後、48時間以内に発注意思の確認ができない場合は、他社申込を受け入れますのでご注意ください。
・掲載開始日	毎週水曜日
・原稿入稿日	掲載予定日の3営業日前
・納品レポート	各バナークリック数/クリック率推移(日別)。納品日は掲載終了から一ヶ月以内。
・キャンセル	正式にお申し込みをいただいた後、掲載開始日の初日の前営業日より起算して10営業日以降に、広告掲載サービスをキャンセルされる場合、広告利用料金に相当する金額がキャンセル料として発生いたします。

■メール広告	
・ターゲットメール 配信条件	会員登録時のデフォルト項目(年齢・住居区域[都道府県定]・職業・肌質)以外の抽出条件については別途費用を追加させて頂きます。
・配信日	・メールマガジン「週刊コスメ通信」 ⇒ 毎週木曜 ※編集タイアップ広告「クチコミPickUp」は、第2・4木曜配信分にて掲載いたします。 ・ターゲットメール ⇒ 週1回(月～金の間) ※1週間1社限定
・原稿入稿日	掲載予定日の3営業日前
・納品レポート	配信数/クリック数/クリック率。納品日は掲載日から2週間以内。
・キャンセル	正式にお申し込みをいただいた後、掲載開始日の初日の前営業日より起算して10営業日以降に、広告掲載サービスをキャンセルされる場合、広告利用料金に相当する金額がキャンセル料として発生いたします。

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5. Menu insertion standards

<p>ターゲットメール、メールマガジン編集タイプ広告</p>
<p>化粧品メーカー、または化粧品販売元のみご利用いただけます。</p>
<p>なお、以下の項目の一に該当する広告は、掲載不可とさせていただきます。</p>
<ol style="list-style-type: none"> 1. ネットワーク販売、または販売経路が不明確 2. 通信販売法に基づく表記、会社概要の欠知など、責任の所在が不明なサイト 3. 日本で認可をうけていない成分を使用している化粧品
<p>電子ストアバー</p>
<p>上記化粧品メーカー、化粧品販売元、及び美容系(エステ、美容整形、サプリメント)等の広告に限らせて頂きます。</p>
<p>富士記以外(プレミアムバー、スクウェアバー、トップハッグバー、メールマガジン広告ヘッダ/フッタ)</p>
<p>1 下記の項目に該当する広告は掲載不可とさせていただきます。</p>
<ul style="list-style-type: none"> ・男女交際を目的とする法人ではない会員募集広告、オンラインカジノ、探偵事務所、興信所広告、刺青メイク、盗聴器類、風俗関連、宗教関連、利権組織関連、ダイヤルQ2、スポーツ・ゴルフ・レジャー施設等の会員募集、個人輸入代行業、先物取引、政治 ・ユーザーの利益に反する法人・団体 ・経営難により広告実現能力の欠如した法人・団体 ・その業を行うにあたって、関連法規のもとに所定の認可または許可等を必要とする業種で、その認可等を持っていない事業の広告 ・関連法規に違反する営業行為・行政の指導に反する営業行為を行っているところ ・広告の目的・内容が不明確な広告
<p>2 弊社の競合となりうる業種の広告は掲載不可とさせていただきます。</p>
<ul style="list-style-type: none"> ・コスメ・美容を主要コンテンツとしているサイト、または女性系サイトの広告 ・クチコミ・掲示板を主要コンテンツとするサイト ・物販・モール系サイト、またそれらに出店している企業 ・マーケティング ・上記サイト内にリンクする広告

※広告掲載お申込の際には、必ず事前に、広告主名・リンク先URLを明記の上、下記宛に掲載可否確認のご連絡をくださいますようお願いいたします。

(株)イスタイル ソリューション事業部

Tel : 03-5428-8473

Mail : service@csma.net (媒体問い合わせアドレス)

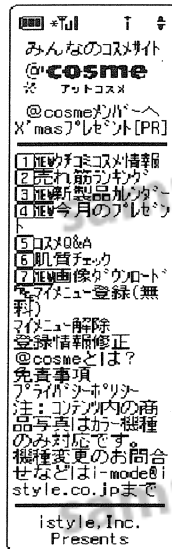
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i-style inc.

Appendix 3: Extract from i-mode advertising information

1. i-mode @cosme — Site profile

i-mode版がDoCoMo公式サイトとして2000年12月にオープンしました。
 コスメ選びの際には必見の旬のビューティ情報やお役立ち情報が満載の
 コスメ情報専門ポータルサイトのi-mode版です。



■ページビュー数 月間467万PV以上(150,000PV/day)

■Mymenu登録者数 72,000人

■メールマガジン発行部数 20,000通

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2. Advertising — 1) i-mode mail advertising

****@cosme通信****
 @cosmeの人気メニュー「売れ筋ランキング」でペディキュアの売れ筋がチェックできるよ!夏だからこそ目立つが勝ち! →
<http://www.cosme.net/i>
 PR

〇〇〇〇よりプレゼントのお知らせ♪8月1日新発売の■■■■のサンプルを発売前に1万人にプレゼント!!今すぐゲット♪
http://www.cosme/*****

解除はこちら
<http://www.cosme.net/i/asp/usr/ur3060.asp>

<発行: @cosme編集部>

i-modeメール広告

■掲載場所 @cosme通信 メールフック位置
 ■配信日 週1回(土・日・祝祭日除く)
 ※配信可能日はご相談下さい。
 ■原稿サイズ 200バイト(全角100文字)以内 ※リンクURL含む
 ■配信数 20,000通想定
 ■価格 10円/通(例:20,000通 → 200,000円)

会員メンバーに向けて配信される『@cosme通信』を活用したプッシュ型広告です。コスメに興味の高いユーザーに絞られていますので、高いレスポンスが期待できます。

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2. Advertising — 2) Banner/text banner

5

テキストバナー

全角8文字(16バイト)×2行
最後2文字は[PR]の定型表記

10

バナー(gif)

94x26pix
0.35KB以内
左肩に「PR」の表記を挿入

i-modeバナー / i-modeテキストバナー

■掲載場所 i-mode版@cosmeトップページ

■掲載日 1週間(水曜～翌週火曜)
※掲載開始時間は水曜11:00となります。
掲載日はご相談下さい。

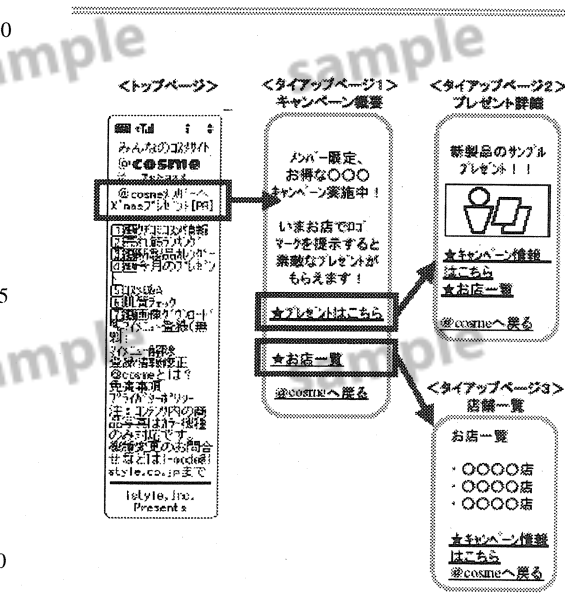
■原稿サイズ バナー gif : 94x26pix、350バイト以内
テキストバナー : 全角8文字(16バイト)×2行

■想定インプレッション 61,000imp想定

■価格 250,000円

コスメ・美容への感心が高いユーザーの目にとまりやすいページトップに掲載！
ユーザーの認識率が高く、インプレッション効果が高いオスめのバナーです。

2. Advertising — 3) i-mode tie-up advertising



i-modeタイアップ広告

■掲載場所 バス : トップページ
タイアップページ : i-mode版@cosme内タイアップページ

■掲載期間 1週間(水曜～翌週火曜)
※掲載開始時間は水曜11:00となります。
掲載日はご相談下さい。

■原稿サイズ バナー gif : 94x26pix、350バイト以内
テキストバナー : 全角8文字(16バイト)×2行
タイアップページ : 1HTML容量5KB以内
※掲載開始5営業日前までに、テキスト・画像等の素材をご入稿ください。

■価格 350,000円～(掲載料・制作費込み)
※トップページからのバスとタイアップページのセット価格になります。

化粧品メーカー様限定のタイアップ広告。
コスメに関心の高いユーザーに対して、
1週間集中でキャンペーン告知を行なえます。

例) 店頭誘引プロモーション
タイアップページ3ページ、i-modeテキストバナー付
価格 < ¥550,000 >

3. Charges / terms and conditions

■ 価格一覧表

メニュー名	掲載期間	種類	規定imp	料金	備考
i-modeタイアップページ広告	1週間	1枠	-	¥350,000~	※タイアップページ1枚とバナーorテキストバナーのセット画になります。
i-modeバナー new!			61,000	¥250,000	
i-modeテキストバナー new!			61,000	¥250,000	
i-modeメール広告	毎週1回	1枠	20,000	@¥10	※左記インプレッションはメール配信数になります。

■ レギュレーション

メニュー名	お申し込み日	入稿日	サイズ(天地×左右)	データ容量	備考
i-modeタイアップページ広告	掲載開始 2週間前	5営業日前	-	5KB以内 (うち画像2KB以内)	1.画像2KB以内、1枚まで 2.テキスト150文字程度 3.リンク先2つまで
i-modeバナー new!			24x96	350バイト以内	※左側にPRの表記
i-modeテキストバナー new!			全角8文字x2行以内	32バイト (16バイトx2)	※最後2文字は[PR]の定型表記
i-modeメール広告		5営業日前	-	200バイト以内 (リンクを含む)	

※仮押さえについて

掲載希望申請から一ヶ月間を猶予期間とし、仮押さえ期間中にお申し込みのない場合、解放させていただきます。

但し仮押さえ期間中に、他クライアント様からの申し込みが確定した場合はそちらが優先となりますのでご注意ください。

※お申し込みについて

お申し込み締切日は、掲載開始日の2週間前までとさせていただきます。

※仮押さえ、お申し込みについては、下記までお問い合わせください。

※キャンセル料について

正式にお申し込みをいただいた後、掲載開始日の初日の前営業日より経算して10営業日以降に、広告掲載サービスをキャンセルされる場合、広告利用料金に相当する金額がキャンセル料として発生いたします。

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4. Insertion standards

■ i-mode版アウトコス掲載基準

メニュー	タイアップ広告
タイアップ	化粧品メーカー、または化粧品総販売元会社様のみご利用いただけます。 なお、以下の項目のーに該当する広告は、掲載不可とさせていただきます。 1. ネットワーク販売、または販売経路が不明確 2. 通販販売法に基づく表記、会社概要の欠如など、責任の所在が不明なサイト
純広告	メニュー i-modeバナー、i-modeテキストバナー、i-modeメール広告 下記の広告につきましては、掲載不可とさせていただきます。 1. 下記の項目に該当する広告 ・ エステ・美容整形、消費者金融、男女交際を目的とする広告、掲示板などユーザー同士の情報交換を主とするサイト、パチンコ・パチスロ、公営ギャンブル、タバコ、アルコール類、オンラインカジノ、探偵事務所、興信所広告、刺青メイク、盗聴器類、風俗関連、宗教関連、利殖組織関連、ダイヤルQ2、スポーツ・ゴルフ・レジャー施設等の会員募集、個人輸入代行業、先物取引、政治 ・ ユーザーの利益に反する法人・団体 ・ 経営難により広告表現能力の欠如した法人・団体 ・ その業を行うにあたって、関連法規のもとに所定の認可または許可等を必要とする業種で、その認可等を得ていない事業の広告 ・ 関連法規に違反する営業行為・行政の指導に反する営業行為を行っているところ ・ 広告の目的・内容が不明確な広告 2. 弊社の競合となりうる業種の広告 ・ コスメ・美容を主要コンテンツとしているサイト、または女性系サイトの広告 ※1 ・ クチコミ・掲示板を主要コンテンツとするサイト ・ 美容系販売サイト(メーカー直販を除く) ・ マーケティング

※1 女性系サイトの広告掲載につきましては、事前にサイト名・リンク先URLを明記の上、下記まで掲載可否確認をくださいますようお願い申し上げます。

(株)アイスタイル ソリューション事業部

Add: 東京都渋谷区桜丘町 14-1 3F

Tel: 03-5428-8473

Fax: 03-5428-8472

Mail: service@csma.net (媒体問い合わせアドレス)

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Appendix 4: Advertising case 2 — Cosmetics shop map and KIRYO brand

@cosme provides services not just for manufacturers, but for retailers as well. The Cosmetics Retailers Cooperative (CRC), formed by 8,000 specialist cosmetics retailers (about 10,000 shops), announced in a press release in November 2001 that it had developed the first private brand product, and would launch the product simultaneously throughout Japan. The brand is KIRYO, and it consists of eight kinds of skincare products ranging in price from ¥1,500 to ¥4,000. Development of the product was contracted to Shiseido.

To small and medium retailers, the development of their own brand products that have the potential of providing a roughly 10% increase in gross margin over regular brand products was a long-held desire. This desire was articulated by CRC Director Nakagami: “We want KIRYO sales to strengthen the presence and impact of our members’ shops.” To ensure this profit margin, though, the shops had to do their own advertising and sales promotion. One weak point of specialty shops is their lack of an effective information dissemination network. CRC therefore chose @cosme as a marketing partner.

@cosme carried KIRYO banner advertising on the site’s top page (membership at that time was about 120,000), and set up the searchable “Cosmetics shop map” page introducing about 4,000 CRC member shops. For example, if a user enters a search for local cosmetics shops, about two pages of shop homepages will be displayed. The system was set up so that even managers who have no computer experience at all can still establish their homepages simply by entering a PR message, list of the brands handled, service features and other relevant information on the registration sheet. A sales promotion campaign was also carried out in which information on new products and special sales was emailed to members, and discount vouchers were distributed through cellphones.

Although surrounded by supermarkets selling cheap cosmetics, Happy Talk June in Takatsu-ku, Kawasaki, is still achieving annual sales of ¥130 million in a shop area no more than 35 square meters.^[16]

^[16] Nikkei Ryutsu Shimbun, November 1, 2001, Nihon Keizai Shimbun, January 7, 2002

Appendix 5: Advertising expenditure in Japan

According to Dentsu, internet advertising had been continuing to double year on year with the expanding reach of computers and the internet, but in 2001 it increased only 24.6% to ¥73.5 billion. It accounted for 1.2% of all advertising media, including TV and newspapers.^[17] While companies are cutting advertising to reduce their expenditures, a greater factor in this slowdown is the growing skepticism in the business community about the effectiveness of internet advertising.

On the other hand, the expanding use of broadband communication has the potential to change the face of internet advertising. Animation greatly enhances the expressiveness of advertising, and with the constant connection of broadband, there are no time concerns in its use.

Some companies have begun to take this opportunity to attract viewers and advertisers with new services that increase advertising effectiveness.

From August 2002 the major portal site Excite began showing 15-second commercials identical to those appearing on TV during the same time zone they are being broadcast. Excite has adopted the same pattern as TV commercials of time-zone broadcasting according to the advertiser's business category and customer group. For example, advertisers targeting young people are allocated the time zone of weekdays from the night to the following morning. Excite market research reveals that as constant connection becomes the internet norm, the trend of simultaneous viewing — i.e., watching TV while on the internet — is steadily rising. The new service is being provided on the assumption that if a viewer's interest in a product is roused by a TV commercial, the viewer will then gain more detailed information about the product through internet advertising. The advertising fee is ¥1–3 per view.

The Japanese subsidiary of U.S. advertising measurement company Red Sheriff will form a business tie with Video Research Netcom to provide an advertising viewing rating research service from fiscal 2002 funded by Video Research and Dentsu. They will assess the advertising effect from a third person perspective using technology that computes the number of times an advertisement displays on the viewers' PC and viewing time. Red Sheriff believes that if the confidence of advertisers who have come to feel that the effect of internet advertising is vague can be restored by presenting objective data, it will lead to a positive turnaround in advertising.^[18]

^[17] Dentsu homepage *Advertising Expenditures in Japan for 2001*, <http://www.dentsu.co.jp/marketing/adex2001/index.html>

^[18] Nihon Keizai Shimbun, July 29, 2002, Morning edition, page 11

Advertising expenditures Media	Advertising expenditures (¥100 million)			Comparison ratio (%)		Component ratio (%)		
	1999	2000	2001	2000	2001	1999	2000	2001
Total advertising expenditure	56,996	61,102	60,580	107.2	99.1	100.0	100.0	100.0
Four major media	36,882	39,707	38,886	107.7	97.9	64.7	65.0	64.2
Newspapers	11,535	12,474	12,027	108.1	96.4	20.2	20.4	19.9
Magazines	4,183	4,369	4,180	104.4	95.7	7.3	7.2	6.9
Radio	2,043	2,071	1,998	101.4	96.5	3.6	3.4	3.3
Television	19,121	20,793	20,681	108.7	99.5	33.6	34.0	34.1
Sales promotion	19,648	20,539	20,488	104.5	99.8	34.5	33.6	33.8
DM	3,242	3,455	3,643	106.6	105.4	5.7	5.6	6.0
Flyers	4,241	4,546	4,560	107.2	100.3	7.5	7.4	7.5
Outdoor	3,148	3,110	2,992	98.8	96.2	5.5	5.1	5.0
Transit	2,320	2,450	2,480	105.6	101.2	4.1	4.0	4.1
POP	1,610	1,695	1,698	105.3	100.2	2.8	2.8	2.8
Telephone directories	1,777	1,748	1,652	98.4	94.5	3.1	2.9	2.7
Exhibitions/ screen displays	3,310	3,535	3,463	106.8	98.0	5.8	5.8	5.7
Satellite media-related	225	266	471	118.2	177.1	0.4	0.4	0.8
Internet	241	590	735	244.8	124.6	0.4	1.0	1.2

Table 1: Advertising expenditures by medium

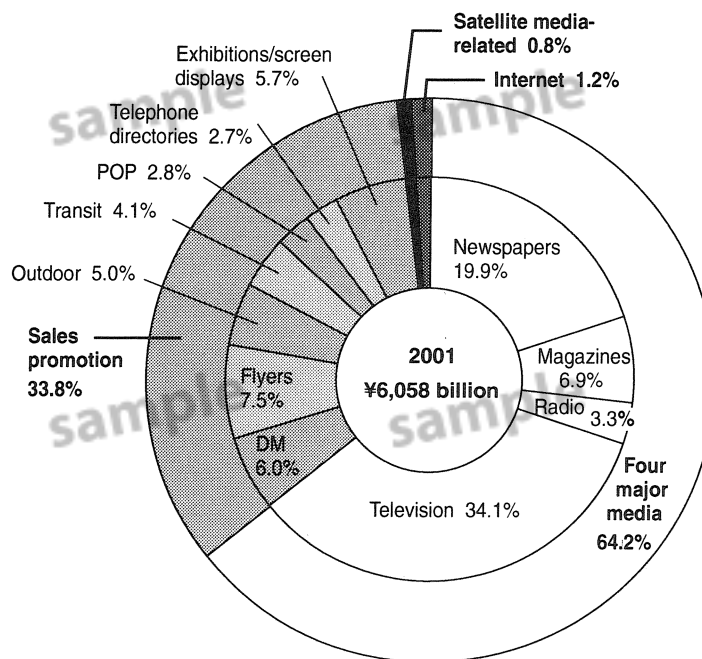


Figure 1: Component ratio by medium

From Dentsu homepage *Advertising Expenditures in Japan 2001*

<http://www.dentsu.co.jp/marketing/adex2001/index.html>

Appendix 6: Example of product development — Baby Pink

Lip gloss functions as both a lip cream for preventing dry lips and a lipstick for adding color or luster to the lips, and sales have been rising sharply over the past few years. The Baby Pink Lip Jelly produced by the Bison company was virtually unknown when it was released, but through product reviews, it became one of the most popular lip glosses. Of the eight colors available, the two initial colors — glossy clear and glossy pink — doubled their sales compared to the previous year. The product has proven to be a hit, and from its release in 1999 to October 2001, a total of 2.5 million units had been sold.

Based in Osaka, the cosmetics manufacturer Bison is a group affiliate of Gyunyu Sekken Kyoshinsha. “Baby Pink was born from comments and suggestions raised by customers,” explained Ms. Hideko Yamaoka, marketing manager in charge of product development at Gyunyu Sekken Kyoshinsha. Participating in the product development program was a monitoring group of eleven female office employees in their 20s who named their group the “Maru-chan Cosme Challengers”. Regular conferences were held, and positive ideas and suggestions on new product planning and package design came from members who were interested in cosmetics and body care products. At one meeting a member casually said “I think lips that are shiny like a baby’s are attractive,” and this simple comment was the inspiration for Baby Pink. Baby Pink can be applied directly to the lips, or used as a foundation to heighten the color of lipstick, or can be applied as a gloss on top of lipstick. Lip gloss sits between lip cream and lipstick, so it can be sold at both kinds of sales outlets, and is in competition with both products. Lip cream sections in drugstores were chosen as the Baby Pink sales point. The reason for this was that the company judged that if Baby Pink were placed in the lipstick and makeup section, with the very limited funds available for advertising it would have no hope of competing against the major manufacturers’ brands with their massive advertising budgets. Advertising stressed Baby Pink’s functionality, and its packaging showed a large photograph of a baby’s face to attract the eye of customers and encourage them to pick up and examine the product. Baby Pink was priced at ¥550 compared to the ¥1,500–2,500 of other companies’ lip gloss. Aware that it was placed in the same section as lip cream that sold for ¥150–300, Baby Pink price was set “at the maximum that would allow it to directly compete with lip cream” (Ms. Yamaoka), and low enough so that it could be highlighted as an extremely low-priced lip gloss.

What ignited then fuelled the popularity of Baby Pink were the recommendations and reviews in the @cosme site. There was soon an avalanche of glowing praise about how shiny and smooth Baby Pink made users' lips feel in the @cosme forum, with many posts saying to the effect that "I decided to try it after reading about it on the internet." Discussions such as this then prompted even more discussions about the product.

On the back of this success, Bison decided to make effective use of the internet in its product development, and in March 2001 formed a business tie with istyle. As a result of popularity voting at @cosme, Bison developed and began selling glossy peach and glossy cherry based on pink beige, the most popular color.

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Appendix 7: Other companies' websites

< kakaku.com (<http://www.kakaku.com>) >

This is a well known price comparison site. As of August 17, 2002, 1,230 stores were registered at this site (861 computer/household electrical appliances stores, 55 golf stores, 40 ski/snowboard stores, and 274 brand product stores). Consumers can use this site to check the price of products they wish to buy, receive email notices on changes in the lowest price of products, or examine reviews through the bulletin board. The site contains a considerable number of customer opinions, which are normally difficult to gather. However, since it is primarily a price comparison site, most of the user reviews tend to focus on price information; for example, "I bought XYZ product at the Nihonbashi shop for XX yen." There is little information or few reviews on aspects other than price, such as the quality of service, and from the retailers' perspective, it does not contribute to a shop's brand formation, so other than discount shops, stores that focus on brands or a relationship with their customers tend to be hesitant about taking part in the site.

< ecHelp (<http://www.echelp.net/>) >

Opened in September 2000, ecHelp is run by Do House. It has the policy of promoting fine products "that have trouble attracting attention despite being of a high quality" or "that are well known regionally but have yet to gain national recognition" with consumers through word-of-mouth recommendations. In February 2001 it formed an alliance with the Dinos internet shopping site run by Fujisankei Living Service. It aims to provide users with a fulfilling and secure shopping experience by increasing the variety of products offered through many business ties such as this. The site contains one review on Chanel IrrÈelle Ombre eye shadow (@cosme has 45 reviews on the same product), while the product with the highest number of reviews among the Shiseido line is PN Lip Perfect with 34 (@cosme has 212 reviews for this product).^[19]

< Power to the People (<http://www.ptp.co.jp/info/press.html>) >

Power to the People, established in May 2000, opened a product and service assessment site by consumers for consumers in August of the same year. In January 2001 it implemented an affiliate program with Yodobashi Camera's EC site, which is tied in with product evaluation, and in June that year it newly opened a "political party" category in an effort to bring together the views of informed voters leading up to the summer Upper House election. The site has no reviews on Chanel IrrÈelle Ombre eye shadow, and 16 on Shiseido's PN Lip Perfect. As of June 15, 2001, the site had about 13,000 members, and reported that it exceeds 800,000 hits a month.^[20]

^[19] ecHelp and @cosme homepages — August 17, 2002

^[20] Power to The People, Inc. homepage — August 17, 2002

Appendix 8: Gala business results

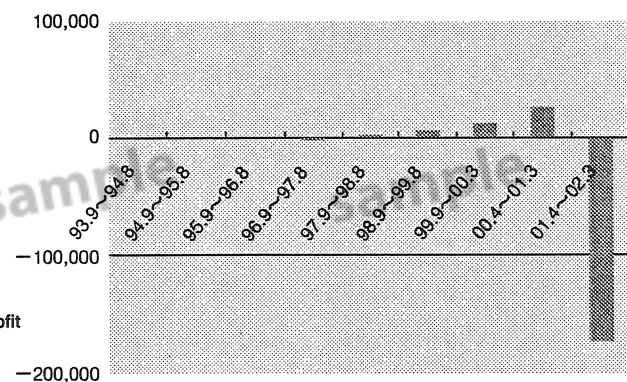
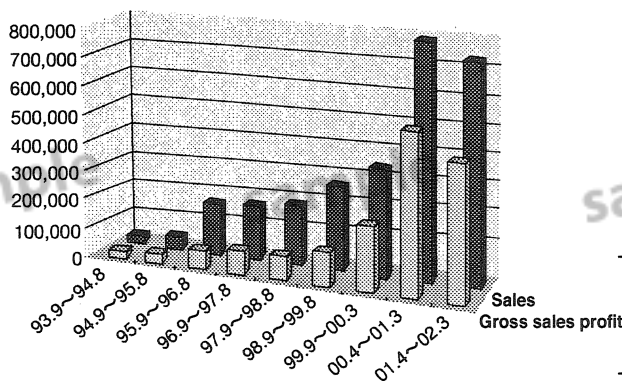
(Thousand yen)

	Fiscal year	Sales	Gross sales profit	Sales comparison with preceding year	Gross sales profit comparison with preceding year	Ordinary profit	
5	1st term	Sept. 1993–Aug. 1994	31,000	30,937	—	—	157
	2nd term	Sept. 1994–Aug. 1995	42,906	28,488	138%	95%	51
	3rd term	Sept. 1995–Aug. 1996	177,067	60,185	413%	211%	283
	4th term	Sept. 1996–Aug. 1997	186,256	80,862	105%	134%	-1,230
10	5th term	Sept. 1997–Aug. 1998	202,220	79,547	109%	98%	845
	6th term	Sept. 1998–Aug. 1999	285,544	114,160	141%	143%	4,993
	7th term	Sept. 1999–Mar. 2000	211,484	123,287	127%	185%	6,527
	8th term	Apr. 2000–Mar. 2001	783,936	533,476	216%	252%	25,468
	9th term	Apr. 2001–Mar. 2002	732,572	451,734	-6.6%	-15.3%	-171,599

- Notes: 1. The 7th term is a 7-month account settlement from September 1, 1999 to March 31, 2000 following an adjustment in the account settlement period.
2. Consumption tax is included in sales until the 3rd term, and is not included from the 4th term.
3. Figures for preceding year comparison for the 7th term have been converted to a 12-month period.

Comparison table for sales and gross sales profit (non-consolidated)

Ordinary profit (non-consolidated)



Source: Gala homepage

Appendix 9: Extract from the Isetan explanatory data for the March 2002 account settlement

Non-consolidated sales

(Million yen)

	Preceding year results (year to March 2001)	Current year results (year to March 2002)	Comparison with preceding year	Increase/ decrease
Sales	420,600	440,559	104.8%	+19,999

Breakdown of sales

By store

	Preceding year results (year to March 2001)			Current year results (year to March 2002)		
	Sales	%	Comparison with preced- ing year	Sales	%	Comparison with preced- ing year
Main store	240,416	57.2%	100.5%	242,832	55.1%	101.0%
Tachikawa store	19,539	4.6%	177.7%	36,625	8.3%	187.4%
Kichijoji store	20,366	4.8%	98.8%	20,378	4.6%	100.1%
Matsudo store	29,987	7.1%	99.6%	30,653	7.0%	102.2%
Urawa store	50,757	12.1%	101.5%	51,013	11.6%	100.5%
Sagamihara store	34,280	8.2%	97.7%	34,142	7.7%	99.6%
Fuchu store	25,252	6.0%	101.8%	24,954	5.7%	98.8%
Total all stores	420,600	100.0%	102.4%	440,599	100.0%	104.8%

By product

	Preceding year results (year to March 2001)			Current year results (year to March 2002)		
	Sales	%	Comparison with preced- ing year	Sales	%	Comparison with preced- ing year
Clothing	203,548	48.4%	100.2%	210,867	47.9%	103.6%
(Menswear)	43,858	10.4%	99.2%	44,056	10.0%	100.5%
(Womenswear)	127,480	30.3%	101.0%	133,412	30.3%	104.7%
(Childrenswear)	14,719	3.5%	97.2%	15,299	3.5%	103.9%
(Fabrics and bedding)	17,489	4.2%	99.9%	18,098	4.1%	103.5%
Personal effects	40,466	9.6%	106.5%	43,505	9.9%	107.5%
Miscellaneous goods	49,370	11.8%	102.2%	53,444	12.1%	108.3%
Household goods	19,255	4.6%	104.0%	19,566	4.4%	101.6%
(Furniture)	5,170	1.2%	100.7%	5,052	1.1%	97.7%
(Electric appliances)	1,747	0.4%	111.9%	1,846	0.4%	105.6%
(Others)	12,337	3.0%	104.3%	12,666	2.9%	102.7%
Foodstuff	85,101	20.2%	103.2%	88,924	20.2%	104.5%
Total all stores	420,600	100.0%	102.4%	440,599	100.0%	104.8%

Source: Isetan homepage

Appendix 10: Key points from joint research by istyle, NTT Data, NTT Data Institute Of Management Consulting, and Keio Business School Kokuryo Laboratory (Report by Yuichi Sasaki, Chief Consultant at NTT Data Institute Of Management Consulting ^[21])

- ◆ @cosme members spend a considerable amount of money on beauty care.
- ◆ @cosme members actively gather information and are very particular about the products they buy.
- ◆ @cosme members have a relatively low tendency to stick to a product, even though they may be satisfied with their purchase, and are always looking out for new products that conform to their needs.
- ◆ @cosme members tend not to be influenced by TV advertising.
- ◆ There is no major difference between @cosme members and general users regarding magazine advertising as a communication means.
- ◆ To @cosme members, magazine articles are an effective communication means.
- ◆ @cosme members consider advice from friends or acquaintances and user reviews as one form of information.
- ◆ @cosme members intend to pass on the good and bad points of cosmetic products to others, and actually do.

	@cosme member questionnaire	General questionnaire
Respondent's residential area	Tokyo and three prefectures (Chiba, Kanagawa, Saitama)	Tokyo and three prefectures (Chiba, Kanagawa, Saitama)
Sex, age bracket	Women in their 20s, 30s and 40s	Women in their 20s, 30s and 40s
Selection method	Sampling from the list of @cosme produce members who have been registered for at least six months	Random sampling from telephone directories
Request method	Email	Telephone
Implementation method	Web	Mail
Sample number	3,210	2,000
Effective responses	804	1,117
Period	2002/7/11–2002/7/21	2002/7/9–2002/8/4
Remarks	Select so that there is an equal number of members who have posted one or more product reviews on @cosme over the past three months and members who have not. The period mentioned above is from the date the questionnaire was released on the web to the date the questionnaire was closed.	The questionnaire sought respondents in roughly the same age bracket ratio as the respondents to the earlier @cosme questionnaire. The period mentioned above is from the date questionnaire recipients started to be set to the date the questionnaire was closed. From the 1,374 effective respondents, those who indicated “Have used at least one bottle of skin toner in the last six months” were classified as skin toner users.

Summary of survey

^[21] NTT Data Institute Of Management Consulting, <http://www.keieiken.co.jp/monthly/repo0209/02091-12.shtml>

Appendix 11: istyle balance sheet

(Yen)	1st term June 30, 2002	2nd term July 1, 2002	3rd term (provisional) July 2, 2002
< Assets >			
[Current assets]			
Cash on hand and in bank	1,681,970	60,780,431	24,512,229
Notes receivable			5,313,000
Accounts receivable	223,650	8,591,622	69,815,983
Suspense payments		120,000	
Prepaid expenses	<u>241,750</u>		<u>523,202</u>
Total current assets	2,147,370	69,492,053	100,164,414
[Fixed assets]			
[Tangible fixed assets]			
Tools, furniture and fixtures		<u>4,103,977</u>	<u>3,429,005</u>
Total tangible fixed assets		4,103,977	3,429,005
[Intangible fixed assets]			
Software	16,605,530	13,672,960	7,080,123
Software suspense account		13,224	2,948,880
Telephone subscription right	<u>63,000</u>	<u>63,000</u>	<u>63,000</u>
Total intangible fixed assets	16,668,530	13,749,184	10,092,003
[Investments etc.]			
Long-term prepaid expenses		<u>254,813</u>	<u>531,546</u>
Total investments etc.		254,813	531,546
Total fixed assets	16,668,530	18,107,974	14,052,554
Total assets	18,815,900	87,600,027	114,216,968
< Liabilities >			
[Current liabilities]			
Accounts payable	322,750		16,943,482
Short-term borrowings	10,000,000		
Accrued liability	12,630,532	17,399,363	4,250,098
Accrued expenses payable	886,640	2,997,959	2,718,095
Corporate taxes payable	164,995	288,331	289,452
Social insurance premiums payable	1,442,373		
Social insurance deposits received	1,442,373		2,470,767
Income tax deposits received	784,106		1,568,417
Local tax deposits received			188,100
Bonus payment reserve			2,218,800
Advances received		8,353,227	4,408,988
Deposits received		<u>562,505</u>	
Total current liabilities	27,673,769	29,601,385	35,056,199
[Fixed liabilities]			
Long-term borrowings			8,610,000
Total fixed liabilities			<u>8,610,000</u>
Total liabilities	27,673,769	29,601,385	43,666,199
< Capital >			
[Capital]			
Capital	<u>23,800,000</u>	<u>115,442,800</u>	<u>117,343,825</u>
Total capital	23,800,000	115,442,800	117,343,825
[Statutory reserves]			
Capital reserve	<u>9,290,000</u>	<u>67,540,000</u>	<u>69,441,025</u>
Total statutory reserves	9,290,000	67,540,000	69,441,025
[Surplus (deficit)]			
Unappropriated profit (loss) for current term	Δ 41,947,869	Δ 124,984,158	Δ 116,234,081
(Of which, profit (loss) for current term)	<u>Δ 41,947,869</u>	<u>Δ 83,036,289</u>	<u>8,750,077</u>
Total surplus (loss)	Δ 41,947,869	Δ 124,984,158	Δ 116,234,081
Total capital	33,090,000	67,540,000	70,550,76
Total liabilities/capital	<u>60,763,769</u>	<u>97,141,385</u>	<u>114,216,968</u>

Source: istyle

Appendix 12: Income statement

	(Yen)	1st term July 27, 1999 – June 30, 2000	2nd term July 1, 2000 – June 30, 2001	3rd term July 1, 2001 – June 30, 2002
[Operating profit/loss]				
[Operating revenue]				
5	Sales	952,186	101,937,154	228,235,696
[Operating expenses]				
[Cost of sales]				
	Merchandise purchased for term			<u>47,443,382</u>
	Total	<u>0</u>	<u>0</u>	<u>47,443,382</u>
	Cost of sales	<u>0</u>	<u>0</u>	<u>47,443,382</u>
	Gross profit (loss) on sales	952,186	101,937,154	180,792,314
[Sales, general and admin expenses]				
10	Total sales, general and admin expenses	<u>47,664,825</u>	<u>187,705,069</u>	<u>176,414,351</u>
	Operating profit (loss)	<u>Δ46,712,639</u>	<u>Δ85,767,915</u>	<u>4,377,963</u>
[Non-operating profit/loss]				
[Non-operating revenue]				
	Interest received	93	31,461	11,055
	Miscellaneous revenue	<u>5,000,000</u>	<u>4,261,298</u>	<u>4,781,066</u>
	Total non-operating revenue	5,000,093	4,292,759	4,792,121
[Non-operating expenses]				
15	Sundry loss		225,300	
	New shares issuing expenses		957,740	58,850
	Interest paid/discount expenses	<u>70,310</u>	<u>83,477</u>	<u>69,502</u>
	Total non-operating expenses	<u>70,310</u>	<u>1,266,517</u>	<u>128,352</u>
	Ordinary profit (loss)	<u>Δ41,782,856</u>	<u>Δ82,741,673</u>	<u>9,041,732</u>
	Pretax profit (loss) for term	Δ41,782,856	Δ82,741,673	9,041,732
	Corporation tax and local inhabitant tax	<u>165,013</u>	<u>294,616</u>	<u>291,655</u>
20	Profit (loss) for current term	Δ41,947,869	Δ83,036,289	8,750,077
	Profit (loss) brought forward	0	Δ41,947,869	Δ124,984,158
	Unappropriated profit (loss) for current term	<u>Δ41,947,869</u>	<u>Δ124,984,158</u>	<u>Δ116,234,081</u>

Source: istyle

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