



Keio Business School

istyle Inc.

5

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.

10

"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."

15

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.

20

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.

25

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

30

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.