

Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2016

[Japanese GAAP]

Company name: istyle Inc.	Stock exchange listings: TSE First Section
Securities code: 3660	URL: http://www.istyle.co.jp/
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Scheduled date of Annual General Meeting of Shareholders:	September 28, 2016
Scheduled date of filing Annual Securities Report:	September 29, 2016
Scheduled date of dividend payment:	September 29, 2016
Preparation of supplementary materials for financial results:	Yes
Holding of financial results briefing:	Yes (for institutional investors and analysts)

(All amounts are rounded to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2016 (July 1, 2015 – June 30, 2016)

(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, 2016	14,282	47.8	1,751	174.6	1,657	156.1	1,274	263.5
Fiscal year ended June 30, 2015	9,664	35.3	637	34.6	647	40.6	350	-

Note: Comprehensive income (million yen) Fiscal year ended June 30, 2016: 1,192 (up 167.5%)

Fiscal year ended June 30, 2015: 446 (up 78.4%)

	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, 2016	22.10	21.16	25.3	20.0	12.3
Fiscal year ended June 30, 2015	6.09	5.98	8.1	10.2	6.6

Reference: Equity in earnings of affiliates:

Fiscal year ended June 30, 2016: (44) million yen

Fiscal year ended June 30, 2015: (2) million yen

Note: The Company carried out a share split dated October 1, 2015 and February 1, 2016, whereby each common share was divided into 2 shares. Amount of net income per share and amount of diluted net income per share are indicated in the split-adjusted figures, based on the assumption that the share split was executed at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2016	9,663	5,690	58.4	97.60
As of June 30, 2015	6,926	4,465	64.2	77.50

Reference: Total equity

As of June 30, 2016: 5,643 million yen As of June 30, 2015: 4,446 million yen

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

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended June 30, 2016	1,001	(1,343)	1,145	3,321
Fiscal year ended June 30, 2015	864	(563)	150	2,566

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended June 30, 2015	-	0.00	-	2.00	2.00	29	8.2	0.7
Fiscal year ended June 30, 2016	-	0.00	-	0.50	0.50	29	2.3	0.6
Fiscal year ending June 30, 2017 (forecasts)	-	0.00	-	0.50	0.50		3.4	

Note: Year-end dividend for the year ended June 30, 2016: Ordinary dividend 0.50 yen

Note: The Company carried out a share split dated October 1, 2015 and February 1, 2016, whereby each common share was divided into 2 shares. The projected dividend per share for the fiscal year ending June 30, 2017 is the amount after the share split.

3. Consolidated Forecast for the Fiscal Year Ending June 30, 2017 (July 1, 2016 – June 30, 2017)

(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	18,609	30.3	1,450	(17.2)	1,352	(18.4)	854	(33.0)	14.77

* Notes

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

(2) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others: Yes
- 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, 2016: 60,528,400 shares As of June 30, 2015: 60,100,000 shares

2) Number of treasury shares at end of period

As of June 30, 2016: 2,709,740 shares As of June 30, 2015: 2,734,536 shares

3) Average number of shares outstanding during the period

Fiscal year ended June 30, 2016: 57,628,497 shares Fiscal year ended June 30, 2015: 57,499,180 shares

Note: The Company carried out a share split dated October 1, 2015 and February 1, 2016, whereby each common share was divided into 2 shares. Number of shares outstanding (common shares) are indicated in the split-adjusted figures, based on the assumption that the share split was executed at the beginning of the previous fiscal year.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended June 30, 2016 (July 1, 2015 – June 30, 2016)

(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, 2016	4,577	17.7	802	174.2	809	142.4	533	198.5
Fiscal year ended June 30, 2015	3,887	13.1	292	(29.1)	334	(23.2)	178	148.9

	Net income per share		Diluted net income per share	
	Yen		Yen	
Fiscal year ended June 30, 2016	9.24		8.85	
Fiscal year ended June 30, 2015	3.10		3.04	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2016	7,728	4,757	61.1	81.60
As of June 30, 2015	5,856	4,185	71.1	72.60

Reference: Total equity As of June 30, 2016 4,718 million yen As of June 30, 2015 4,165 million yen

* Audit procedure implementation status

This summary report is not subject to the audit procedures based on the Financial Instruments and Exchange Law of Japan. As of this report's publication, the audit procedures for the financial statements have not been completed.

* 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" on page 2 in the accompanying material.

istyle Inc. plans to hold a results presentation for institutional investors and analysts on August 4, 2016.

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

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1. Operating Results and Financial Position

(1) Analysis of Operating Results

The consolidated operating performance for the fiscal year ended June 30, 2016, was as follows:

Net Sales:	14,282 million yen (47.8% year-on-year increase)
Operating Income:	1,751 million yen (174.6% year-on-year increase)
Ordinary Income:	1,657 million yen (156.1% year-on-year increase)
Income before income taxes:	1,831 million yen (209.1% year-on-year increase)
Net Income attributable to owners of the parent company:	1,274 million yen (263.5% year-on-year increase)

Note: The Company recorded an extraordinary profit of 177 million yen from the sale of a subsidiary in the first quarter of the fiscal year ended June 30, 2016.

The operating results for each segment were as follows.

1) Marketing

The Marketing segment comprises the domestic and overseas marketing business, services for premium members, and other initiatives.

The segment recorded solid growth of branding services centered on tie-up ads at *@cosme*, and sales of the brand fan club service that we offer for a fixed monthly fee.

We also posted a strong increase in membership of premium fee-based services for individual users such as *BLOOMBOX*, which delivers sample size beauty products, resulting in earnings growth.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2016, was as follows:

Net Sales:	5,215 million yen (14.6% year-on-year increase)
Segment Profit:	986 million yen (237.1% year-on-year increase)

2) Retail

The Retail segment comprises the operation of the domestic and overseas cosmetics E-Commerce site, the operation of the cosmetics specialty shop *@cosme store*, and the cosmetics wholesale business targeting overseas customers.

In domestic E-Commerce site sales, sales grew sharply as a result of efforts to enhance content and increase the number of brands that we carry and running campaigns.

With respect to the cosmetics specialty shop *@cosme store*, we opened a new store in Mizonokuchi in October 2015 and accelerated our store opening program in 2016, opening three new stores in the Kansai area and one in the Kyushu area. Although the contribution of new stores to sales is still modest, robust same-store sales continued to drive earnings.

Regarding cosmetics E-Commerce sales in China and cosmetics wholesale business with Chinese companies, which has increased sharply amid expansion of the cross-border E-Commerce market, revenue fell in the fourth quarter due in part to a change in the tax regime in early April 2016.

As a result, the consolidated operating performance for fiscal year ended June 30, 2016, was as follows:

Net Sales:	8,267 million yen (83.5% year-on-year increase)
Segment Profit:	728 million yen (86.4% year-on-year increase)

3) Beauty Business Support

The Beauty Business Support segment comprises beauty salon information provider *ispot*, *@cosme career*, which provides a job recruiting service specializing in the beauty industry, and other initiatives.

Sales of established services in the Beauty Business Support segment increased as a result of revamping our sales structure.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2016, was as follows:

Net Sales:	800 million yen (31.7% year-on-year increase)
Segment Profit:	87 million yen (1 million yen in previous fiscal year)

4) Investment and Consultation business

Investments are made in companies in various stages of growth, including companies that have just recently been founded. There were no sales of investment securities in the fiscal year ended June 30, 2016.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2016, was as follows:

Net Sales:	Zero (no comparable year-ago data)
Segment Loss:	63 million yen (77 million yen segment loss in previous fiscal year)

(2) Consolidated Financial Position

1) Assets, Liabilities and Net Assets

(Assets)

Total assets as of June 30, 2016, were 9,663 million yen, an increase of 2,737 million yen from June 30, 2015.

This was mainly due to a 755 million yen increase in cash and deposits, a 354 million yen increase in notes and accounts receivable - trade, a 310 million yen increase in merchandise, a 382 million yen increase in operational investment securities, and increases in fixed assets, including 150 million yen in software and 201 million yen in investment securities, and other factors.

(Liabilities)

Total liabilities as of June 30, 2016, were 3,974 million yen, an increase of 1,513 million yen from June 30, 2015.

The main factors included increases in current liabilities, including a 271 million yen increase in the current portion of long-term debt, 316 million yen in income taxes payable, and increases in fixed liabilities, including an 817 million yen increase in long-term debt and other factors.

(Net Assets)

Total net assets as of June 30, 2016, were 5,690 million yen, an increase of 1,224 million yen from June 30, 2015.

This was primarily due to a 1,247 million yen increase in retained earnings, and other factors.

2) Status of Cash Flows

As of June 30, 2016, cash and cash equivalents (hereinafter referred to as "funds") totaled 3,321 million yen, an increase of 755 million yen versus June 30, 2015.

The status of cash flows as of June 30, 2016 and the main factors are discussed below.

(Cash flows from operating activities)

In the fiscal year ended June 30, 2016, funds provided by operating activities totaled 1,001 million yen (864 million yen in the previous fiscal year).

This mainly reflects income before income taxes of 1,831 million yen, and this was partly offset by a 368 million yen increase in notes and accounts receivable – trade, and a 348 million yen increase in operational investment securities.

(Cash flows from investing activities)

In the fiscal year ended June 30, 2016, funds used in investing activities totaled 1,343 million yen (563 million yen used in the previous fiscal year).

This mainly reflects purchase of investment securities of 463 million yen, purchase of intangible assets of 599 million yen, payments for guarantee deposits of 210 million yen, among other factors.

(Cash flows from financing activities)

In the fiscal year ended June 30, 2016, funds provided by financing activities totaled 1,145 million yen (funds provided

of 150 million yen in the previous fiscal year).

Cash inflows of 1,520 million yen in proceeds from long-term debt were offset by outflows of 433 million yen for repayment of long-term debt.

(Reference) Cash Flows Indicators

	Fiscal year ended June 30, 2012	Fiscal year ended June 30, 2013	Fiscal year ended June 30, 2014	Fiscal year ended June 30, 2015	Fiscal year ended June 30, 2016
Equity ratio (%)	65.9	71.6	73.1	64.2	58.4
Equity ratio based on market price (%)	242.5	168.2	106.6	240.2	436.2
Cash flows / Interest-bearing debt ratio (%)	56.3	141.0	125.0	106.0	205.1
Interest coverage ratio (times)	110.8	107.0	116.9	143.8	252.3

Notes:

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

(3) Dividend Policy and Dividends for the Fiscal Years ended June 2016 and ending June 2017

The istyle Group recognizes returning profits to shareholders as an important management issue. The Group's basic policy is to implement an appropriate policy for returning profits to shareholders at all times, comprehensively considering a full range of factors, including consolidated operating performance, the ratio of dividends to consolidated net assets, free cash flows, and other factors.

With respect to the year-end dividend for the fiscal year ended June 30, 2016, the Company will pay 0.5yen per share.

For the fiscal year ending June 30, 2017, the Company plans to pay an ordinary dividend of 0.5 yen per share.

Meanwhile, the Company will continue to use retained earnings to make investments aimed at increasing corporate value and to bolster the management base and expand business operations.

2. Status of the Corporate Group

The istyle Group comprises istyle Inc., 11 consolidated subsidiaries (Cosme.com Inc., cosme next Co. Ltd., istyle Beauty Solutions Inc., istyle capital Inc., istyle trading Inc., istyle career Inc., IS Partners Inc., media globe Inc., istyle China Co., Limited, istyle Global (Singapore) Pte. Limited, and istyle Global (Hong Kong) Co., Limited), as well as non-consolidated subsidiaries and affiliates. The business foundation built through the operation of @cosme was established as a platform, and the Group offers cross-industry services specializing in cosmetics and beauty.

The positioning of the businesses that the Group and its affiliates are engaged in, and the relationship with segments, are described below. These classifications are identical to the segments.

The Marketing business is engaged in the domestic and overseas marketing business, provides services for premium members, and other activities.

The Retail business operates cosmetics E-Commerce sites both in Japan and overseas, operates cosmetics specialty shop @cosme store, and is engaged in the cosmetics wholesale business targeting overseas customers.

The Beauty Business Support business comprises beauty salon information provider ispot, @cosme career, which provides a job recruiting service specializing in the beauty industry, and other initiatives.

The Investment and Consultation business comprises investment and consulting projects primarily for companies active in the beauty business in Japan and overseas.

3. Management Policy

(1) Basic Management Policy

The Group began operating the *@cosme* website based on a corporate vision to “create a consumer-oriented market,” and continue to create optimal systems and values (= “istyle”) in the market. Based on the fact that anyone can access information via the Internet, since its founding the Group has operated the website with an emphasis on both the public nature of a database with information on cosmetics, as well as on the neutrality of the website as a cosmetics information site with no bias towards any particular company or brand. Going forward, the Group will continue to focus on neutrality and its public nature, and strive to raise its corporate value by providing value-added to both users and businesses alike.

(2) Target Management Indicators

Up until now, the Group has been engaged in business centered on media, being the *@cosme* website, and the Group has emphasized the number of users, namely the number of visitors to the media, the number of E-Commerce site users, and the number of store visitors.

The Group recognizes that these figures will continue to be important management indicators in the future, but as the Group engages in the full-fledged development of the beauty platform going forward, we believe that in addition to the number of users, having a wide range of people, including companies and sole proprietors active in the beauty domain, use the platform, will lead to an increase in corporate value.

Also, while the Group is aiming to increase both sales and operating income as financial indicators, the Group is also making investments in new businesses and investments aimed at bolstering existing businesses so as to strengthen the earnings base, and ensure continual growth not dependent on any one particular business.

(3) Medium- to Long-term Management Strategies

The integrated cosmetics and beauty website *@cosme* operated by the Group has established its status as the de facto standard in the industry for these areas, and going forward its scope will be expanded to cover all fields related to “beauty.” The Group will leverage its strengths to offer services that meet users’ needs as it aims to build beauty platform where people, items, information and companies involved with beauty can congregate, and will accelerate to expand its overseas business operations.

(4) Issues to be Addressed

Since its founding, the Group has been engaged in business centered on its integrated cosmetics and beauty website *@cosme*. Currently, *@cosme* has grown into a site used monthly by more than half of all women in their 20s and 30s.

However, the environment in the Internet sector is changing at a bewildering pace, and in order to achieve continued growth, the Group must respond to new user needs as well as address clients’ issues.

The Group recognizes the following as key issues for its future business growth, and plans to address them as it develops its businesses going forward.

1) Business Domain Expansion

Expanding the Group’s business domain outside of cosmetics and creating a place for women to meet “beauty” in the wide sense that they want is necessary for future business growth. The Group will continue to expand its business domain, including possible tie-ups with outside business entities.

2) Service Expansion

The Group recognizes the need to provide services to a wide range of users, including companies and sole proprietors active in the beauty field, as well as consumers interested in beauty, without being constrained by previous limitations.

The Group will continue to build a beauty platform where a diverse range of companies and individuals can congregate and be active.

3) Overseas Development

Asian countries, particularly China, are experiencing marked economic growth, and the Group anticipates that the beauty-related market will also expand in these countries going forward. Expanding business overseas is necessary for the istyle Group to accelerate its growth, and going forward the Group will continue to develop services matching each country's particular conditions, based on the assets the Group has cultivated in Japan.

4) Bolstering the Management Base

The Group recognizes the importance of having management with clearly defined authorities and responsibilities in order to quickly respond the changes in the environment. The Group will utilize an optimal organizational framework to make its management faster and more efficient.

In addition, the Group believes that establishing and improving internal controls across the entire Group will be absolutely essential in the upcoming global expansion the Group's business. The Group will continue to build a robust management base by proactively implementing initiatives related to corporate governance.

4. Basic Rationale Regarding the Selection of Accounting Standards

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

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

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2015	As of June 30, 2016
	Amount	Amount
Assets		
Current assets		
Cash and deposits	2,566	3,321
Notes and accounts receivable - trade	1,238	1,592
Merchandise	412	722
Operational investment securities	362	744
Deferred tax assets	77	71
Other	139	395
Allowance for doubtful receivables	(45)	(42)
Total current assets	4,748	6,802
Fixed assets		
Tangible assets		
Buildings	347	458
Accumulated depreciation	(92)	(145)
Buildings, net	255	313
Other	227	230
Accumulated depreciation	(114)	(135)
Other, net	113	95
Total tangible assets	368	409
Intangible assets		
Goodwill	77	133
Software	590	739
Other	90	71
Total intangible assets	756	943
Investments and other assets		
Investment securities	743	944
Deferred tax assets	8	34
Other	302	531
Total investments and other assets	1,053	1,510
Total fixed assets	2,178	2,862
Total assets	6,926	9,663

	(Millions of yen)	
	As of June 30, 2015	As of June 30, 2016
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable - trade	498	525
Short-term debt	-	50
Current portion of long-term debt	321	591
Accounts payable - other	407	331
Income taxes payable	141	457
Provision for bonuses	73	156
Deferred tax liabilities	0	-
Other	394	441
Total current liabilities	1,834	2,553
Fixed liabilities		
Long-term debt	595	1,412
Deferred tax liabilities	15	-
Other	17	9
Total fixed liabilities	627	1,420
Total liabilities	2,461	3,974
Net assets		
Shareholders' equity		
Capital stock	1,591	1,609
Capital surplus	1,528	1,543
Retained earnings	1,235	2,482
Treasury stock	(284)	(281)
Total shareholders' equity	4,071	5,353
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	259	249
Foreign currency translation adjustments	116	41
Total accumulated other comprehensive income	375	290
Subscription rights to shares	20	39
Non-controlling interests	-	7
Total net assets	4,465	5,690
Total liabilities and net assets	6,926	9,663

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Year ended June 30, 2015	Year ended June 30, 2016
	Amount	Amount
Net sales	9,664	14,282
Cost of sales	4,043	6,106
Gross profit	5,621	8,176
Selling, general and administrative expenses	4,983	6,426
Operating income	637	1,751
Non-operating income		
Interest income	1	1
Fiduciary obligation fee	4	0
Gain on investments in partnership	-	1
Income from subsidiaries	0	4
Penalty income	-	5
Foreign exchange gains	12	-
Other	5	3
Total non-operating income	22	14
Non-operating expenses		
Interest expenses	4	7
Foreign exchange losses	-	52
Loss on investments in partnership	2	-
Commission for purchase of treasury stock	2	-
Equity in losses of affiliates	2	44
Other	2	4
Total non-operating expenses	12	107
Ordinary income	647	1,657
Extraordinary income		
Gain on sale of shares of affiliated companies	-	177
Total extraordinary income	-	177
Extraordinary loss		
Impairment loss	47	-
Loss on valuation of investment securities	5	3
Other	3	1
Total extraordinary loss	55	3
Income before income taxes	592	1,831
Income taxes-current	262	569
Income taxes-deferred	(21)	(16)
Total income taxes	241	554
Net income	351	1,277
Net income attributable to non-controlling interests	1	3
Net income attributable to owners of the parent company	350	1,274

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended June 30, 2015	Year ended June 30, 2016
	Amount	Amount
Net income	351	1,277
Other comprehensive income		
Net unrealized gain on available-for-sale securities	42	(10)
Foreign currency translation adjustments	52	(75)
Total other comprehensive income	95	(85)
Comprehensive income	446	1,192
Comprehensive income attributable to		
Owners of the parent	445	1,189
Non-controlling interests	1	3

(3) Consolidated Statements of Changes in Net Assets

Year ended June 30, 2015 (July 1, 2014 to June 30, 2015)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	1,578	1,515	898	(38)	3,953
Cumulative effects from new accounting policies					-
Restarted Balance	1,578	1,515	898	(38)	3,953
Changes during term					
Issuance of new shares	13	13			26
Net income attributable to owners of the parent company			350		350
Dividends from surplus					-
Purchase of treasury shares				(246)	(246)
Disposition of treasury stock					-
Change in scope of consolidation			(13)		(13)
Net changes in items other than shareholders' equity					
Total changes during term	13	13	337	(246)	118
Balance at end of term	1,591	1,528	1,235	(284)	4,071

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at beginning of term	217	42	259	10	24	4,246
Cumulative effects from new accounting policies						-
Restarted Balance	217	42	259	10	24	4,246
Changes during term						
Issuance of new shares						26
Net income attributable to owners of the parent company						350
Dividends from surplus						-
Purchase of treasury shares						(246)
Disposition of treasury stock						-
Change in scope of consolidation		21	21			8
Net changes in items other than shareholders' equity	42	52	95	10	(24)	80
Total changes during term	42	74	116	10	(24)	219
Balance at end of term	259	116	375	20	-	4,465

Year ended June 30, 2016 (July 1, 2015 to June 30, 2016)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of term	1,591	1,528	1,235	(284)	4,071
Cumulative effects from new accounting policies		(20)	2		(17)
Restarted Balance	1,591	1,508	1,237	(284)	4,053
Changes during term					
Issuance of new shares	17	17			35
Net income attributable to owners of the parent company			1,274		1,274
Dividends from surplus			(29)		(29)
Purchase of treasury shares				(0)	(0)
Disposition of treasury shares		17		3	20
Change in scope of consolidation					-
Net changes in items other than shareholders' equity					-
Total changes during term	17	35	1,245	2	1,300
Balance at end of term	1,609	1,543	2,482	(281)	5,353

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at beginning of term	259	116	375	20	-	4,465
Cumulative effects from new accounting policies						(17)
Restarted Balance	259	116	375	20	-	4,448
Changes during term						
Issuance of new shares						35
Net income attributable to owners of the parent company						1,274
Dividends from surplus						(29)
Purchase of treasury shares						(0)
Disposition of treasury stock						20
Change in scope of consolidation						-
Net changes in items other than shareholders' equity	(10)	(75)	(85)	19	7	(58)
Total changes during term	(10)	(75)	(85)	19	7	1,242
Balance at end of term	249	41	290	39	7	5,690

(4) Consolidated Statements of Cash flows

	(Millions of yen)	
	Year ended June 30,	Year ended June 30,
	2015	2016
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	592	1,831
Depreciation and amortization	398	552
Amortization of goodwill	23	36
Impairment loss	47	-
Increase (decrease) in allowance for doubtful receivables	37	(3)
Increase (decrease) in provision for bonuses	26	82
Gain (loss) on sale of shares of affiliated companies	-	(177)
Equity in gains (losses) of affiliates	2	44
Interest income	(1)	(1)
Interest expenses	4	7
Foreign exchange losses (gains)	(12)	-
Gain (loss) on investments in partnership	2	(1)
Gain (loss) on evaluation of investment securities	5	3
Decrease (increase) in notes and accounts receivable – trade	(82)	(368)
Decrease (increase) in operational investment securities	(211)	(348)
Decrease (increase) in inventories	(177)	(328)
Increase (decrease) in notes and accounts payable - trade	226	45
Increase (decrease) in accounts payable - other	134	(69)
Other- net	114	(42)
Sub total	1,127	1,264
Interest and dividends received	1	1
Interest paid	(4)	(7)
Income taxes paid	(260)	(256)
Net cash provided by (used in) operating activities	864	1,001
Cash flows from investing activities		
Purchase of investment securities	(12)	(463)
Purchase of shares in subsidiaries	(40)	-
Purchase of tangible assets	(111)	(137)
Purchase of intangible assets	(359)	(599)
Payments for guarantee deposits	(28)	(210)
Payments for acquisition of shares in subsidiary company resulting in the change in scope of consolidation	-	(39)
Proceeds from sale of shares in subsidiary company equity resulting in the change in scope of consolidation	-	144
Payment for acquisitions of business operations	-	(45)
Other- net	(13)	7
Net cash provided by (used in) investing activities	(563)	(1,343)
Cash flows from financing activities		
Net increase (decrease) in short-term debt	-	50
Proceeds from long-term debt	700	1,520
Repayment of long-term debt	(328)	(433)

Proceeds from issuance of shares	26	30
Proceeds from issuance of stock acquisition rights	-	6
Dividends paid	-	(29)
Proceeds of treasury stocks	(248)	(0)
Other – net	(1)	-
Net cash provided by (used in) financing activities	150	1,145
Foreign currency translation adjustments on cash and cash equivalents	61	(49)
Net increase (decrease) in cash and cash equivalents	512	755
Cash and cash equivalents, beginning of period	1,951	2,566
Increase in cash and cash equivalents from newly consolidated subsidiary	103	-
Cash and cash equivalents, end of period	2,566	3,321

(Segment Information)

(Segment Information)

1. Overview of Reportable Segments

Method of determining reporting 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, retail, beauty business support and investment and consultation all stemming from this community site. Accordingly, the Group has four reportable segments based on the services provided and products handled. These four segments are the Marketing segment, the Retail segment, the Beauty Business Support segment and the Investment and Consultation segment.

The Marketing segment comprises the domestic and overseas marketing business, services for premium members, and other initiatives.

The Retail segment comprises the operation of the domestic and overseas cosmetics E-Commerce site, the operation of the cosmetics specialty shop *@cosme store*, and the cosmetics wholesale business targeting overseas customers.

The Beauty Business Support segment comprises beauty salon information provider *ispot*, *@cosme career*, which provides a job recruiting service specializing in the beauty industry, and other initiatives.

The Investment and Consultation business comprises investment and consulting projects primarily for companies active in the beauty field both in Japan and overseas.

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

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

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

Year ended June 30, 2015 (July 1, 2014 through June 30, 2015)

	Reportable segment				Total	Adjustments (note 1)	(Millions of yen) Amounts on the consolidated statements of income (note 2)
	<i>Marketing</i>	<i>Retail</i>	<i>Beauty Business Support</i>	<i>Investment and Consultation</i>			
Net sales							
Sales to outside customers	4,552	4,505	607	-	9,664	-	9,664
Inter-segment sales and transfers	11	-	2	-	13	(13)	-
Total	4,563	4,505	609	-	9,677	(13)	9,664
Segment profit (loss)	292	390	1	(77)	606	31	637
Segment assets	4,681	1,813	416	564	7,474	(548)	6,926
Other items							
Depreciation/amortization	311	35	52	-	398	-	398
Increase (decrease) in tangible/intangible assets	352	81	55	-	488	-	488

Notes: 1. Adjustments includes elimination of inter-segment transactions.

2. Segment profit (loss) is adjusted to correspond with operating income reported on the consolidated statements of income for the corresponding period.

Year ended June 30, 2016 (July 1, 2015 through June 30, 2016)

	Reportable segment				Total	Adjustments (note 1)	(Millions of yen) Amounts on the the consolidated statements of income (note 2)
	<i>Marketing</i>	<i>Retail</i>	<i>Beauty Business Support</i>	<i>Investment and Consultation</i>			
Net sales							
Sales to outside customers	5,215	8,267	800	-	14,282	-	14,282
Inter-segment sales and transfers	128	0	11	-	139	(139)	-
Total	5,343	8,267	811	-	14,421	(139)	14,282
Segment profit (loss)	986	728	87	(63)	1,738	13	1,751
Segment assets	6,201	2,930	598	887	10,615	(952)	9,663
Other items							
Depreciation/amortization	436	60	56	-	552	-	552
Increase(decrease) in tangible/intangible assets	488	152	94	-	735	-	735

Notes: 1. Adjustments includes elimination of inter-segment transactions.

2. Segment profit (loss) is adjusted to correspond with operating income reported on the consolidated statements of income for the corresponding period.

(Per Share Information)

	Year ended June 30, 2015 (or as of June 30, 2015)	Year ended June 30, 2016 (or as of June 30, 2016)
Net assets per share	77.50 yen	97.60 yen
Net income per share	6.09 yen	22.10 yen
Diluted net income per share	5.98 yen	21.16 yen

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

	Year ended June 30, 2015	Year ended June 30, 2016
Net income per share		
Net income attributable to owners of the parent company (millions of yen)	350	1,274
Amount not attributable to common stockholders (millions of yen)	-	-
Net income attributable to owners of the parent company available for common stock (millions of yen)	350	1,274
Average number of shares outstanding during term (shares)	57,499,180	57,628,497
Diluted net income per share		
Adjustments to net income attributable to owners of the parent company (millions of yen)	-	-
Increase in the number of shares in common stock (shares)	1,103,784	2,581,177
(Of which, subscription rights to shares) (shares)	(1,091,920)	(2,581,177)
(Of which, warrant) (shares)	(11,864)	-
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: 1,640,000 shares	Four issue of subscription rights to shares Residual securities: 11,962,000 shares

Note: The Company carried out a share split dated October 1, 2015 and February 1, 2016, whereby each common share was divided into 2 shares. Amount of net income per share and amount of diluted net income per share are indicated in the split-adjusted figures, based on the assumption that the share split was executed at the beginning of the previous fiscal year.

(Significant Subsequent Events)

None