

November 2, 2016

**Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending June 30, 2017
(Three Months Ended September 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 filing of Quarterly Report:	November 2, 2016
Scheduled date of dividend payment:	-
Preparation of supplementary materials for financial results:	Yes
Holding of financial results briefing:	None

(All amounts are rounded off to the nearest million yen)

1. Consolidated Financial Results for the Three Months Ended September 30, 2016 (July 1, 2016 – September 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	%
Three months ended September 30, 2016	3,794	21.5	320	(35.7)	282	(42.4)	180	(63.6)
Three months ended September 30, 2015	3,122	48.8	498	174.3	491	177.0	494	437.2

Note: Comprehensive income (million yen) Three months ended September 30, 2016: 261 (down 37.0%)

Three months ended September 30, 2015: 414 (-)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended September 30, 2016	3.10	2.98
Three months ended September 30, 2015	8.60	8.40

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
	Million yen	Million yen	%
As of September 30, 2016	12,416	5,951	47.3
As of June 30, 2016	9,663	5,690	58.4

Reference: Total equity As of September 30, 2016: 5,879 million yen

As of June 30, 2016: 5,643 million yen

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

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended June 30, 2016	-	0.00	-	0.50	0.50
Fiscal year ending June 30, 2017	-				
Fiscal year ending June 30, 2017 (forecasts)		0.00	-	0.50	0.50

Note: Revisions to the most recently announced dividend forecast: None

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

Note: Revisions to the most recently announced earnings forecast: None

* Notes

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

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

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

- 1) Changes in accounting policies due to revisions in accounting standards, others: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting-based estimates: None
- 4) Restatements: None

(4) Number of shares outstanding (common shares)

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

As of September 30, 2016: 60,531,200 shares As of June 30, 2016: 60,528,400 shares

2) Number of treasury shares at end of period

As of September 30, 2016: 2,709,740 shares As of June 30, 2016: 2,709,740 shares

3) Average number of shares outstanding during the period

Three months ended September 30, 2016: 57,819,147 shares Three months ended September 30, 2015: 57,390,050 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. Average number of shares outstanding during the period is indicated in the split-adjusted figures, based on the assumption that the share split was executed at the beginning of the previous fiscal year.

* Information regarding the implementation of quarterly review procedures

The current quarterly summary report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act. As of this report's publication, the audit procedures for the quarterly consolidated financial statements have not been completed.

* Cautionary statement with respect to forecasts and other matters

(Note concerning forward-looking statements)

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

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

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1. Operating Results and Financial Position

(1) Analysis of Operating Results

Based on our Medium-Term Business Plan announced on August 3, 2016, we defined the fiscal year ending June 30, 2017 as a phase for increasing our potential, and accordingly, we are focusing on expanding the scope of our business and structuring our organization. As a result of increasing investment in each business segment and adding floor space to our headquarters to prepare for a larger work force, the consolidated operating performance for the three months ended September 30, 2016 was as follows:

Net Sales:	3,794 million yen	(21.5% year-on-year increase)
Operating Income:	320 million yen	(35.7% year-on-year decrease)
Ordinary Income:	282 million yen	(42.4% year-on-year decrease)
Income before income taxes:	279 million yen	(58.2% year-on-year decrease)
Net income attributable to owners of the parent:	180 million yen	(63.6% year-on-year decrease)

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

The operating results in the first quarter are on track relative to our forecasts for the fiscal year ending June 30, 2017. Sales were up year-on-year in all segments. Although operating income was down year-on-year in the Beauty Service segment because of increased expenses associated with opening new stores and investing in new businesses, operating income increased year-on-year in the On Platform and Global segments.

The operating results for each segment were as follows. We changed our reportable segments from the first quarter of the fiscal year ending June 30, 2017. Thus year-on-year comparison of quarterly results are based on restated year-ago values reflecting the change. For more information, please refer to 3. Consolidated Financial Statements (3) Notes on Consolidated Financial Statements, (Segment information) 3. Changes in reportable segments.

1) On Platform

The On Platform segment comprises services based on the beauty portal site *@cosme*, including B-to-B services such as advertising and B-to-C services for individual users.

During the three months ended September 30, 2016, revenue from branding ads at *@cosme* and fee-based B-to-B services grew steadily. As well, PR services provided by Media Globe, whose shares we acquired in the previous fiscal year, made a contribution to earnings. B-to-C services also recorded solid growth.

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

Net Sales:	1,689 million yen (18.0% year on year increase)
Segment Profit:	611 million yen (5.8% year on year increase)

2) Beauty Service

The Beauty Service segment comprises the operation of the cosmetics E-Commerce site *@cosme shopping* and the

cosmetics specialty shop @cosme store.

In the three months ended September 30, 2016, both E-Commerce and store sales grew steadily.

E-Commerce sales grew more than 25% year-on-year due to an increase in the number of purchases, although the unit purchase price fell as a result of stepping up a free delivery campaign.

With respect to stores, two new stores opened in the three months ended September 30, 2016 in addition to five stores that opened in or after the second quarter of the previous fiscal year making a contribution to earnings. Among existing stores, the remodeled Lumine Shinjuku store reopened on September 2. Although sales of the Shinjuku store were down during the remodeling period of about a month, when it operated from a temporary store, store sales increased overall thanks to the contribution of other existing stores and new stores.

However, expenses also increased due to accelerating the opening of new stores and investing in new businesses.

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

Net Sales:	1,585 million yen (21.0% year on year increase)
Segment Profit:	19 million yen (84.3% year on year decrease)

3) Global

The Global segment comprises business operations outside Japan.

Sales of the cosmetics wholesale business with overseas companies grew as a result of an increase in the number of customers. Cosmetics E-Commerce sales in China were also brisk overall due to an increase in the number of purchases, although changes to logistics arrangements of one of the E-Commerce sites that we use led to sales being suspended for about a month. Growth of marketing services in China also contributed to profits.

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

Net Sales:	487 million yen (29.8% year on year increase)
Segment Profit:	50 million yen (142.5% year on year increase)

4) Others

The Others segment is engaged in a job recruiting service specializing in the beauty industry, and investment and consulting projects primarily for companies at the early stage. Investments are made in companies in various stages of growth, including companies which have just recently been founded.

In the three months ended September 30, 2016, the segment posted sales of the job recruiting service only, due to the fact that there were no sales of investment securities.

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

Net Sales:	33 million yen (461.8% year on year increase)
Segment Loss:	2 million yen (12 million yen segment loss in previous fiscal year)

(2) Consolidated Financial Position

(Assets)

Total assets as of September 30, 2016, were 12,416 million yen, an increase of 2,753 million yen from June 30, 2016.

Current assets were 9,241 million yen, an increase of 2,440 million yen from June 30, 2016. The increase was mainly attributable to a 1,355 million yen increase in cash and deposits, a 355 million yen increase in notes and accounts receivable – trade, a 413 million yen increase in merchandise, and other factors.

Fixed assets were 3,175 million yen, an increase of 313 million yen from June 30, 2016. The increase was mainly attributable to a 198 million yen increase in tangible assets and a 172 million yen increase in intangible assets, and other factors.

(Liabilities)

Total liabilities as of September 30, 2016, were 6,465 million yen, an increase of 2,491 million yen from June 30, 2016.

Current liabilities were 3,880 million yen, an increase of 1,326 million yen from June 30, 2016. The main factors included a 603 million yen increase in accounts payable – trade and 600 million yen increase in short-term debt.

Fixed liabilities were 2,585 million yen, an increase of 1,165 million yen from June 30, 2016. This was primarily attributable to the 1,156 million yen increase in long-term debt, and other factors.

(Net Assets)

Total net assets as of September 30, 2016, were 5,951 million yen, an increase of 261 million yen from June 30, 2016.

The main factors included a 156 million yen increase in retained earnings, a 123 million yen increase in net unrealized gain on available-for-sale securities, and other factors.

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

Regarding our consolidated operating results forecast for the full fiscal year ending June 30, 2017, no changes have been made to our full year forecast as announced along with our operating results on August 3, 2016.

2. Other Information

(1) Changes affecting the status of material subsidiaries (scope of consolidation) during the period

Not applicable

(2) Accounting procedures specific to preparation of quarterly consolidated financial statements

Not applicable

(3) Changes in accounting principles, changes in accounting estimates and retrospective restatements

Not applicable

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2016	As of Sept. 30, 2016
	Amount	Amount
Assets		
Current assets		
Cash and deposits	3,321	4,676
Notes and accounts receivable - trade	1,592	1,947
Merchandise	722	1,135
Operational investment securities	744	1,127
Other	466	399
Allowance for doubtful receivables	(42)	(42)
Total current assets	6,802	9,241
Fixed assets		
Tangible assets	409	606
Intangible assets		
Goodwill	133	199
Software	739	745
Other	71	171
Total intangible assets	943	1,115
Investments and other assets		
Investment securities	944	766
Other	565	688
Total investments and other assets	1,510	1,453
Total fixed assets	2,862	3,175
Total assets	9,663	12,416

(Millions of yen)

	As of June 30, 2016	As of Sept. 30, 2016
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable – trade	525	1,128
Short-term debt	50	650
Current portion of long-term debt	591	994
Income taxes payable	457	73
Provision for bonuses	156	93
Other	773	941
Total current liabilities	2,553	3,880
Fixed liabilities		
Long-term debt	1,412	2,568
Other	9	17
Total fixed liabilities	1,420	2,585
Total liabilities	3,974	6,465
Net assets		
Shareholders' equity		
Capital stock	1,609	1,609
Capital surplus	1,543	1,543
Retained earnings	2,482	2,638
Treasury stock	(281)	(281)
Total shareholders' equity	5,353	5,509
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	249	372
Foreign currency translation adjustments	41	(3)
Total accumulated other comprehensive income	290	370
Subscription rights to shares	39	48
Non-controlling interests	7	24
Total net assets	5,690	5,951
Total liabilities and net assets	9,663	12,416

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Three months ended Sept. 30, 2015	Three months ended Sept. 30, 2016
	Amount	Amount
Net sales	3,122	3,794
Cost of sales	1,307	1,664
Gross profit	1,815	2,130
Selling, general and administrative expenses	1,316	1,810
Operating income	498	320
Non-operating income		
Interest income	0	0
Gain on investments in partnership	2	1
Other	1	2
Total non-operating income	3	3
Non-operating expenses		
Interest expenses	1	2
Foreign exchange losses	7	18
Equity in losses of affiliates	3	20
Other	1	0
Total non-operating expenses	11	41
Ordinary income	491	282
Extraordinary income		
Gain on sale of shares of affiliated companies	177	-
Total extraordinary income	177	-
Extraordinary loss		
Loss on valuation of investment securities	-	2
Other	-	1
Total extraordinary loss	-	3
Income before income taxes	667	279
Total income taxes	174	98
Net income	494	181
Net income attributable to non-controlling interests	-	2
Net income attributable to owners of the parent company	494	180

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended Sept. 30, 2015	Three months ended Sept. 30, 2016
	Amount	Amount
Net income	494	181
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(53)	123
Foreign currency translation adjustments	(27)	(44)
Total other comprehensive income	(80)	80
Comprehensive income	414	261
Comprehensive income attributable to		
Owners of the parent	414	259
Non-controlling interests	-	2

(3) Notes on Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable

(Segment Information)

Three months ended September 30, 2015 (July 1, 2015 through September 30, 2015)

1. Net sales and income/loss by reportable segment

	Reportable segment					(Millions of yen)	
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Others</i>	Total	Adjustments (note 1)	Amounts on the consolidated statements of income (note 2)
Net sales							
Sales to outside customers	1,431	1,309	376	6	3,122	-	3,122
Inter-segment sales and transfers	0	1	8	-	9	(9)	-
Total	1,431	1,310	384	6	3,131	(9)	3,122
Segment profit (loss)	578	121	21	(12)	707	(208)	498

Notes: 1. Adjustments in Segment profit (loss) in the amount of (208) million yen include 2 million yen elimination of inter-segment transactions and (210) million yen corporate expense not allocated to any reportable segment.

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

2. Information about Impairment Loss on Fixed Assets, Goodwill, etc.

(Significant impairment losses related to fixed assets)

Not applicable

(Significant changes in goodwill amounts)

Goodwill in On Platform segment has increased by 44 million yen as a result of the acquisition of the shares of Media Glove as new consolidated subsidiary on September 11, 2015.

As stated in “(Changes in accounting principles) (Application of accounting standards for business combination),” Accounting Standard for Business Combination and other standards are applied starting from the first quarter of the consolidated fiscal year under review, and the transitional treatments specified in Section 58-2 (3) of the Business Combinations Accounting Standard, Section 44-5 (3) of the Consolidated Accounting Standard, and Section 57-4 (3) of the Business Divestitures Accounting Standard are used.

As a result, goodwill decreased by 17 million yen in On Platform segment during the three months ended June 30, 2016.

(Significant gain on negative goodwill)

Not applicable

Three months ended September 30, 2016 (July 1, 2016 through September 30, 2016)

1. Net sales and income/loss by reportable segment

	Reportable segment					(Millions of yen)	
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Others</i>	Total	Adjustments (note 1)	Amounts on the consolidated statements of income (note 2)
Net sales							
Sales to outside customers	1,689	1,585	487	33	3,794	-	3,794
Inter-segment sales and transfers	3	0	14	10	27	(27)	-
Total	1,692	1,585	501	43	3,821	(27)	3,794
Segment profit (loss)	611	19	50	(2)	678	(358)	320

Notes: 1. Adjustments in Segment profit (loss) in the amount of (358) million yen include 2 million yen elimination of inter-segment transactions and (360) million yen corporate expense not allocated to any reportable segment.

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

2. Information about Impairment Loss on Fixed Assets, Goodwill, etc.

(Significant impairment losses related to fixed assets)

Not applicable

(Significant changes in goodwill amounts)

Goodwill in On Platform segment has increased by 77 million yen as a result of the acquisition of the shares of Eat Smart, Inc. as new consolidated subsidiary in the first quarter of the fiscal year ending June 30, 2017.

(Significant gain on negative goodwill)

Not applicable

3. Changes in reportable segments

istyle Group changed its business segmentation from four segments including “Marketing,” “Retail,” “Beauty Business Support,” and “Investment and Consultation” to four segments including “On Platform,” “Beauty Service,” “Global,” and “Others” from the current quarter in order to disclose management information in a more appropriate manner.

Consolidated segment information for the first quarter of the previous year based on the new segmentation is shown in “1. Net sales and income/loss by reportable segment” in “Three months ended September 30, 2015 (July 1, 2015 through September 30, 2015).”