

May 2, 2017

**Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending June 30, 2017
(Nine Months Ended March 31, 2017)**

[Japanese GAAP]

Company name: istyle Inc.	Stock exchange listings: TSE First Section
Securities code: 3660	URL: http://www.istyle.co.jp/
Representative: Tetsuro Yoshimatsu, Representative Director, CEO	
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Scheduled date of filing of Quarterly Report:	May 2, 2017
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 Nine Months Ended March 31, 2017 (July 1, 2016 – March 31, 2017)

(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	%
Nine months ended March 31, 2017	13,265	25.0	1,135	(15.7)	1,029	(20.4)	852	(16.2)
Nine months ended March 31, 2016	10,609	54.7	1,346	151.0	1,293	141.9	1,016	303.8

Note: Comprehensive income (million yen) Nine months ended March 31, 2017: 1,109 (up 49.1%)
 Nine months ended March 31, 2016: 744 (up 92.7%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended March 31, 2017	14.70	14.12
Nine months ended March 31, 2016	17.64	17.25

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 March 31, 2017	14,377	6,836	46.9
As of June 30, 2016	9,663	5,690	58.4

Reference: Total equity As of March 31, 2017: 6,744 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	-	0.00	-		
Fiscal year ending June 30, 2017 (forecasts)				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)	1,050	(17.6)	18.11

Note: Revisions to the most recently announced earnings forecast: Yes

* 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 March 31, 2017: 60,831,200 shares As of June 30, 2016: 60,528,400 shares

2) Number of treasury shares at end of period

As of March 31, 2017: 2,709,740 shares As of June 30, 2016: 2,709,740 shares

3) Average number of shares outstanding during the period

Nine months ended March 31, 2017: 57,925,040 shares Nine months ended March 31, 2016: 57,568,476 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.

* The current quarterly summary report is not subject to the quarterly review procedures.

* 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 5 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. We began strengthening investment in each business segment from the beginning of this fiscal year and added floor space to our headquarters to prepare for a larger work force in the first quarter. As a result, the consolidated operating performance for the nine months ended March 31, 2017 was as follows:

Net sales:	13,265 million yen (25.0% year-on-year increase)
Operating income:	1,135 million yen (15.7% year-on-year decrease)
Ordinary income:	1,029 million yen (20.4% year-on-year decrease)
Income before income taxes:	1,309 million yen (10.8% year-on-year decrease)*
Net income attributable to owners of the parent company:	852 million yen (16.2% year-on-year decrease)*

Note: The Company recorded an extraordinary income of 283 million yen from the sale of investment securities in the third quarter of the fiscal year ending June 30, 2017. The Company also 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 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 2. Consolidated Financial Statements (3) Notes on Consolidated Financial Statements, (Segment information) 3. Changes in reportable segments.

1) On Platform segment

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 nine months ended March 31, 2017, revenue from branding ads and banner ads at *@cosme* and fee-based B-to-B services grew steadily. Orders from top clients have been especially strong. Revenue was also brisk in B-to-C services.

As a result, the consolidated operating performance for the nine months ended March 31, 2017 was as follows:

Net Sales:	5,089 million yen (17.9% year-on-year increase)
Segment Profit:	1,908 million yen (27.3% year-on-year increase)

2) Beauty Service segment

The Beauty Service segment comprises the operation of the cosmetics E-Commerce site and the cosmetics specialty shop *@cosme store*.

In the nine months ended March 31, 2017, E-Commerce sales grew steadily as a result of campaigns issuing loyalty points and coupons. In Japan, three new stores opened in the third quarter for 12 new stores (including four added as a result of M&A) in the nine months ended March 31, 2017, bringing the total number of stores to 23. The Ueno Marui store was transformed into the largest *@cosme store*, with its floor space increased from 241m² to 350m² in February.

We also launched *@cosme Nippon Project* to communicate the allure of Japanese beauty to the world. As part of this project, we engage in planning and sales of beauty products using traditional Japanese natural ingredients and materials. The first product in this series -*Seaweed, Flower and Fruit Beauty Serum Face Mask with Ryukyu Bihada*- went on sale on March 1, 2017. This product is on sale at our E-Commerce sites and domestic retail stores, and will be sold in our stores in Taiwan (opening soon), cross-border E-Commerce sites in China and wholesale in other countries going forward.

Although sales grew sharply in this segment due to business expansion, expenses were also up due to cost increases associated with opening new stores and starting new businesses.

As a result, the consolidated operating performance for the nine months ended March 31, 2017, was as follows:

Net Sales:	6,190 million yen (44.2% year-on-year increase)
Segment Profit:	171 million yen (54.3% year-on-year decrease)

3) Global

The Global segment comprises business operations outside Japan.

Sales in the nine months ended March 31, 2017 declined year-on year for the cosmetics wholesale and E-Commerce sales business in China, because trading via one E-Commerce site was temporarily suspended from mid-November 2016 to early February 2017 after the site changed its logistics methods, and due to forex factors. However, sales were up 3.2% year-on-year on a local currency basis*.

Average forex rates in the nine months ended March 31, 2017 were 13.98 yen to the Hong Kong dollar (up 1.45 yen year-on-year)

As a result, the consolidated operating performance for the nine months ended March 31, 2017, was as follows:

Net Sales:	1,808 million yen (7.5% year-on-year decrease)
Segment Profit:	106 million yen (56.3% year-on-year decrease)

* Comparison based on cosmetics wholesale and E-Commerce sales businesses in China, which accounts for majority of segment sales

4) Others

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

In the nine months ended March 31, 2017, the segment posted a sales increase due to growth of the temporary staffing agency business. For investment and consulting projects, a 31 million yen reversal was made in the second quarter, despite booking provisions on some operational investment securities.

As a result, the consolidated operating performance for the nine months ended March 31, 2017, was as follows:

Net Sales:	178 million yen (316.0% year-on-year increase)
Segment Profit:	34 million yen (43 million yen segment loss in previous fiscal year)

(2) Consolidated Financial Position

(Assets)

Total assets as of March 31, 2017, were 14,377 million yen, an increase of 4,714 million yen from June 30, 2016.

Current assets were 10,973 million yen, an increase of 4,171 million yen from June 30, 2016. The increase was mainly attributable to a 1,956 million yen increase in cash and deposits, a 643 million yen rise in notes and accounts receivable – trade, a 514 million yen increase in merchandise, a 732 million yen increase in operational investment securities, a 403 million yen in short-term loans receivable, and other factors.

Fixed assets were 3,405 million yen, an increase of 543 million yen from June 30, 2016. This was mainly attributable to a 159 million yen decrease in investments and other assets, a 318 million yen increased in tangible assets, a 384 million yen increase in intangible assets, and other factors.

(Liabilities)

Total liabilities as of March 31, 2017, were 7,542 million yen, an increase of 3,568 million yen from June 30, 2016.

Current liabilities were 4,495 million yen, an increase of 1,942 million yen from June 30, 2016. The main factors included a 673 million yen increase in accounts payable – trade, a 550 million yen increase in short-term debt, a 609 million yen increase in the current portion of long-term debt, and other factors.

Fixed liabilities were 3,046 million yen, an increase of 1,626 million yen from June 30, 2016. The increase was primarily attributable to the 1,618 million yen increase in long-term debt, as well as other factors.

(Net Assets)

Total net assets as of March 31, 2017, were 6,836 million yen, an increase of 1,146 million yen from June 30, 2016. This was primarily due to an 828 million yen increase in retained earnings, a 225 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

We have revised our consolidated operating results forecast for the full fiscal year ending June 30, 2017 as announced on August 3, 2016 in light of earnings trends and progress toward our full-year targets.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2016	As of Mar. 31, 2017
	Amount	Amount
Assets		
Current assets		
Cash and deposits	3,321	5,276
Notes and accounts receivable - trade	1,592	2,235
Merchandise	722	1,236
Operational investment securities	744	1,475
Short-term loans	3	406
Other	463	357
Allowance for doubtful receivables	(42)	(12)
Total current assets	6,802	10,973
Fixed assets		
Tangible assets	409	727
Intangible assets		
Goodwill	133	173
Software	739	870
Other	71	284
Total intangible assets	943	1,328
Investments and other assets		
Investment securities	944	427
Other	565	924
Total investments and other assets	1,510	1,350
Total fixed assets	2,862	3,405
Total assets	9,663	14,377

(Millions of yen)		
	As of June 30, 2016	As of Mar. 31, 2017
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable – trade	525	1,198
Short-term debt	50	600
Current portion of long-term debt	591	1,201
Income taxes payable	457	186
Provision for bonuses	156	134
Other	773	1,177
Total current liabilities	2,553	4,495
Fixed liabilities		
Long-term debt	1,412	3,030
Other	9	16
Total fixed liabilities	1,420	3,046
Total liabilities	3,974	7,542
Net assets		
Shareholders' equity		
Capital stock	1,609	1,618
Capital surplus	1,543	1,552
Retained earnings	2,482	3,310
Treasury stock	(281)	(281)
Total shareholders' equity	5,353	6,199
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	249	474
Foreign currency translation adjustments	41	70
Total accumulated other comprehensive income	290	545
Subscription rights to shares	39	67
Non-controlling interests	7	25
Total net assets	5,690	6,836
Total liabilities and net assets	9,663	14,377

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of Income

(Millions of yen)

	Nine months ended Mar. 31, 2016	Nine months ended Mar. 31, 2017
	Amount	Amount
Net sales	10,609	13,265
Cost of sales	4,546	5,991
Gross profit	6,063	7,274
Selling, general and administrative expenses	4,717	6,139
Operating income	1,346	1,135
Non-operating income		
Interest income	1	1
Gain on investments in partnership	1	10
Income from subsidies	3	-
Penalty income	5	-
Other	3	7
Total non-operating income	13	18
Non-operating expenses		
Interest expenses	5	10
Foreign exchange losses	32	37
Equity in losses of affiliates	27	65
Other	2	10
Total non-operating expenses	66	123
Ordinary income	1,293	1,029
Extraordinary income		
Gain on sale of shares of affiliated companies	177	-
Gain on sale of investment securities	-	283
Total extraordinary income	177	283
Extraordinary loss		
Loss on valuation of investment securities	3	2
Other	-	2
Total extraordinary loss	3	4
Income before income taxes	1,467	1,309
Total income taxes	449	455
Net income	1,018	854
Net income attributable to non-controlling interests	2	2
Net income attributable to owners of the parent company	1,016	852

Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Nine months ended Mar. 31, 2016	Nine months ended Mar. 31, 2017
	Amount	Amount
Net income	1,018	854
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(241)	154
Foreign currency translation adjustments	(33)	30
Share of other comprehensive income of associates accounted for using equity method	-	71
Total other comprehensive income	(274)	255
Comprehensive income	744	1,109
Comprehensive income attributable to		
Owners of the parent	742	1,106
Non-controlling interests	2	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

(Changes in accounting principles)

Not applicable

(Changes in accounting estimates)

Not applicable

(Segment Information)

Nine months ended March 31, 2016 (July 1, 2015 through March 31, 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	4,317	4,293	1,956	43	10,609	-	10,609
Inter-segment sales and transfers	2	7	21	1	31	(31)	-
Total	4,319	4,301	1,977	44	10,640	(31)	10,609
Segment profit (loss)	1,500	374	242	(43)	2,073	(727)	1,346

Notes: 1. Adjustments in Segment profit (loss) in the amount of (727) million yen include 10 million yen elimination of inter-segment transactions and (737) 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.

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 nine months ended March 31, 2017.

(Significant gain on negative goodwill)

Not applicable

Nine months ended March 31, 2017 (July 1, 2016 through March 31, 2017)

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	5,089	6,190	1,808	178	13,265	-	13,265
Inter-segment sales and transfers	14	3	58	22	96	(96)	-
Total	5,102	6,193	1,866	200	13,362	(96)	13,265
Segment profit (loss)	1,908	171	106	34	2,220	(1,085)	1,135

Notes: 1. Adjustments in Segment profit (loss) in the amount of (1,085) million yen include 7 million yen elimination of inter-segment transactions and (1,092) 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 during the three months ended September 30, 2016.

(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 three months ended September 30, 2016 in order to disclose management information in a more appropriate manner.

Consolidated segment information for the third quarter of the previous year based on the new segmentation is shown in “1. Net sales and income/loss by reportable segment” in “Nine months ended March 31, 2016 (July 1, 2015 through March 31, 2016).”