

Summary of Consolidated Financial Results for the Fiscal Year Ended June 30, 2017

[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 27, 2017
Scheduled date of filing Annual Securities Report:	September 28, 2017
Scheduled date of dividend payment:	September 28, 2017
Preparation of supplementary materials for financial results:	Yes
Holding of financial results briefing:	Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended June 30, 2017 (July 1, 2016 – June 30, 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	%
Fiscal year ended June 30, 2017	18,888	32.2	1,465	(16.3)	1,299	(21.6)	1,076	(15.5)
Fiscal year ended June 30, 2016	14,282	47.8	1,751	174.6	1,657	156.1	1,274	263.5

Note: Comprehensive income (million yen) Fiscal year ended June 30, 2017: 1,409 (up 18.1%)

Fiscal year ended June 30, 2016: 1,192 (up 167.5%)

	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, 2017	18.51	17.79	13.1	9.3	7.8
Fiscal year ended June 30, 2016	22.10	21.16	25.3	20.0	12.3

Reference: Equity in earnings of affiliates:

Fiscal year ended June 30, 2017: (111) million yen

Fiscal year ended June 30, 2016: (44) 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, 2017	18,141	11,013	59.4	170.61
As of June 30, 2016	9,663	5,690	58.4	97.60

Reference: Total equity

As of June 30, 2017: 10,772 million yen As of June 30, 2016: 5,643 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, 2017	637	(3,271)	5,505	6,169
Fiscal year ended June 30, 2016	1,001	(1,343)	1,145	3,321

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, 2016	-	0.00	-	0.50	0.50	29	2.3	0.6
Fiscal year ended June 30, 2017	-	0.00	-	0.50	0.50	32	2.7	0.4
Fiscal year ending June 30, 2018 (forecasts)	-	0.00	-	0.50	0.50		2.7	

Note: Year-end dividend for the year ended June 30, 2017: Ordinary dividend 0.50 yen

3. Consolidated Forecast for the Fiscal Year Ending June 30, 2018 (July 1, 2017 – June 30, 2018)

(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
2017 Full year	26,600	40.8	2,000	36.5	1,900	46.3	1,150	6.9	18.20

* 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: None
- 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, 2017: 65,852,400 shares As of June 30, 2016: 60,528,400 shares

2) Number of treasury shares at end of period

As of June 30, 2017: 2,709,806 shares As of June 30, 2016: 2,709,740 shares

3) Average number of shares outstanding during the period

Fiscal year ended June 30, 2017: 58,131,206 shares Fiscal year ended June 30, 2016: 57,628,497 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, 2017 (July 1, 2016 – June 30, 2017)

(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, 2017	5,188	13.4	722	(9.9)	794	(1.9)	748	40.4
Fiscal year ended June 30, 2016	4,577	17.7	802	174.2	809	142.4	533	198.5

	Net income per share		Diluted net income per share	
	Yen		Yen	
Fiscal year ended June 30, 2017	12.86		12.36	
Fiscal year ended June 30, 2016	9.24		8.85	

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of June 30, 2017	14,834	8,999	60.2	141.33
As of June 30, 2016	7,728	4,757	61.1	81.60

Reference: Total equity As of June 30, 2017 8,924 million yen As of June 30, 2016 4,718 million yen

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

* 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 6 in the accompanying material.

istyle Inc. plans to hold a results presentation for institutional investors and analysts on August 4, 2017.

* 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 ended 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. We also decided to acquire shares in three overseas companies in the beauty business to turn them into subsidiaries and issued new shares through an international offering in June to raise approximately 3.6 billion yen to fund the share acquisition and repay loans taken out for the acquisition (see below).

The consolidated operating performance for the fiscal year ended June 30, 2017, was as follows:

Net Sales:	18,888 million yen (32.2% year-on-year increase)
Operating Income:	1,465 million yen (16.3% year-on-year decrease)
Ordinary Income:	1,299 million yen (21.6% year-on-year decrease)
Income before income taxes:	1,635 million yen (10.7% year-on-year decrease)*
Net Income attributable to owners of the parent company:	1,076 million yen (15.5% year-on-year decrease)*

* The Company recorded an extraordinary income of 283 million yen from the sale of investment securities in the third quarter of the fiscal year ended 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 ended 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 (5) Notes on Consolidated Financial Statements, (Segment information) 5. 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.

Revenue from branding ads and banner ads at *@cosme* and fee-based B-to-B services recorded strong growth in the fiscal year ended June 30, 2017. Revenue from B-to-C services was solid despite promotion cutbacks for premium members.

We also put into action measures with a medium- to long-term perspective, such as deciding on an absorption-type merger with istyle Beauty Solutions Inc.(effective July 1, 2017), which operates services for beauty salons, to establish an efficient operating structure by integrating service planning and development functions; cultivating clients other than cosmetics companies; and fully revamping our smartphone apps in June 2017.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2017, was as follows:

Net Sales:	6,840 million yen (16.8% year-on-year increase)
Segment Profit:	2,551 million yen (20.0% year-on-year increase)

2) Beauty Service segment

The Beauty Service segment comprises the operation of the domestic cosmetics E-Commerce site, the operation of the cosmetics specialty shop *@cosme store*, and the planning, development, and marketing of private brands.

E-Commerce sales grew steadily as a result of campaigns issuing loyalty points and coupons, and strengthening the product range. In the fourth quarter, we opened the Nagoya Takashimaya Gate Tower Mall store (our first store in the Chukyo region) in April, bringing the total number of domestic stores to 24 (an increase of 13 this fiscal year, including four stores added by M&A).

In April 2017, the *Horse Mane Oil* hand care range (hand wash, hand lotion, and hand & nail serum) went on sale as the second product range of our private brand *@cosme Nippon*. Private brand products are sold at our domestic and overseas E-Commerce sites and retail stores, and wholesale in the U.S., China, and Japan.

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 fiscal year ended June 30, 2017 was as follows:

Net Sales:	8,784 million yen (49.7% year-on-year increase)
Segment Profit:	229 million yen (48.4% year-on-year decrease)

3) Global

The Global segment comprises business operations outside Japan.

Cross-border E-Commerce sales in China increased year-on year in the fiscal year ended June 30, 2017 despite trading via one E-Commerce site being temporarily suspended for 3.5 months after the site changed its logistics methods, because sales grew in other channels.

We opened our first overseas retail store in Taiwan in the fourth quarter. Our first overseas store (*@cosme store Breeze Taipei Station Store*) opened in May, followed by the Breeze Xin Yi store in Taipei and Park Lane store in Taichung in June.

We also decided to acquire shares in three overseas companies in the beauty business^{*1} to turn them into subsidiaries. The purpose of the acquisitions is to integrate the diverse beauty-related information that we hold such as product, review, and user data with the data held by these companies to build a single Global One Database of beauty based on a longer-term perspective. We have booked M&A-related expenses for these acquisitions.

As a result, the consolidated operating performance for the fiscal year ended June 30, 2017 was as follows:

Average forex rates in the fiscal year ended June 30, 2017 were 14.05 yen to the Hong Kong dollar (up 1.01 yen year-on-year)

Net Sales:	2,959 million yen (18.9% year-on-year increase)
Segment Profit:	133 million yen (50.9% year-on-year decrease)

Notes:

*1 The three companies are as follows:

- Hermo Creative (M) Sdn. Bhd., which operates cosmetics E-Commerce site *Herma* in Malaysia^{*2}
- i-TRUE Communications Inc., which operates beauty portal site *UrCosme* in Taiwan^{*2}
- MUA Inc., which operates beauty portal site *MakeupAlley* in U.S.^{*3}

*2 Balance sheets consolidated at end-June 2017 and income statements consolidated from the first quarter of the fiscal year ending June 2018

*3 Balance sheet and income statement consolidated from the first quarter of the fiscal year ending June 2018

4) Others

The Others segment consists of two main businesses. One is a temporary staffing agency for beauty consultants and salespersons. The other is the Investment and Consultation business, which invests in companies in various stages of development, including new startups.

In the fiscal year ended June 30, 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 fiscal year ended June 30, 2017, was as follows:

Net Sales:	304 million yen (340.0% year-on-year increase)
Segment Profit:	39 million yen (91 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, 2017, were 18,141 million yen, an increase of 8,477 million yen from June 30, 2016.

This was mainly due to a 2,849 million yen increase in cash and deposits, a 690 million yen increase in notes and accounts receivable - trade, an 863 million yen increase in merchandise, an 885 million yen increase in operational investment securities, and increases in fixed assets, including 440 million yen in software and 2,002 million yen in goodwill, and other factors.

(Liabilities)

Total liabilities as of June 30, 2017, were 7,127 million yen, an increase of 3,153 million yen from June 30, 2016.

The main factors included increases in current liabilities, including a 733 million yen increase in

accounts payable - trade and a 571 million yen increase in the current portion of long-term debt, and increases in fixed liabilities, including a 1,344 million yen increase in long-term debt, and other factors.

(Net Assets)

Total net assets as of June 30, 2017, were 11,013 million yen, an increase of 5,324 million yen from June 30, 2016.

This was primarily due to an increase in capital stock of 1,874 million yen due to the issue of new shares for an international offering, 1,874 million yen increase in capital surplus, 1,052 million yen increase in retained earnings, 297 million yen increase in net unrealized gain on available-for-sale securities, and other factors.

(3) Status of Cash Flows

As of June 30, 2017, cash and cash equivalents (hereinafter referred to as "funds") totaled 6,169 million yen, an increase of 2,849 million yen versus June 30, 2016.

The status of cash flows as of June 30, 2017 and the main factors are discussed below.

(Cash flows from operating activities)

In the fiscal year ended June 30, 2017, funds provided by operating activities totaled 637 million yen (1,001 million yen in the previous fiscal year).

This mainly reflects income before income taxes of 1,635 million yen, partly offset by a 750 million yen income taxes paid.

(Cash flows from investing activities)

In the fiscal year ended June 30, 2017, funds used in investing activities totaled 3,271 million yen (1,343 million yen used in the previous fiscal year).

This mainly reflects payments of 2,024 million yen for the acquisition of subsidiaries with a change in the scope of consolidation, purchase of intangible assets of 768 million yen, and payments for loans of 517 million yen, among other factors.

(Cash flows from financing activities)

In the fiscal year ended June 30, 2017, funds provided by financing activities totaled 5,505 million yen (funds provided of 1,145 million yen in the previous fiscal year).

Cash inflows of 3,040 million yen in proceeds from long-term debt and 3,731 million yen from issuance of shares were partly offset by outflows of 1,182 million yen for repayment of long-term debt.

(Reference) Cash Flows Indicators

	Fiscal year ended June 30, 2013	Fiscal year ended June 30, 2014	Fiscal year ended June 30, 2015	Fiscal year ended June 30, 2016	Fiscal year ended June 30, 2017
Equity ratio (%)	71.6	73.1	64.2	58.4	59.4
Equity ratio based on market price (%)	168.2	106.6	240.2	436.2	309.1

Cash flows / Interest-bearing debt ratio (%)	141.0	125.0	106.0	205.1	615.0
Interest coverage ratio (times)	107.0	116.9	143.8	252.3	95.3

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.

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

We will continue to invest in our business with the goal of attaining our Medium-Term Business Plan targets. We will consolidate the income statements of three overseas companies in the beauty business*¹ from the first quarter of the fiscal year ending June 30, 2018, following the decision to turn them into subsidiaries in the fiscal year ended June 30, 2017, and will begin goodwill amortization of the three newly consolidated companies (totaling approximately 350 million yen per year).

We will also sell operational investment securities in the fiscal year ending June 30, 2018, and plan to book the segment profit of 350 million yen in the Others segment as a gain from sale of the securities.

As a result of the above and growth of established businesses, the consolidated operating results forecast for the fiscal year ending June 30, 2018 is as follows:

Net Sales:	26,600 million yen (40.8% year-on-year increase)
Operating Income:	2,000 million yen (36.5% year-on-year increase)
Ordinary Income:	1,900 million yen (46.3% year-on-year increase)
Net Income attributable to owners of the parent company:	1,150 million yen (6.9% year-on-year increase)

*1 Hermo Creative (M) Sdn. Bhd., i-TRUE Communications Inc., MUA Inc.

2. 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.

3. Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheets

	(Millions of yen)	
	As of June 30, 2016	As of June 30, 2017
	Amount	Amount
Assets		
Current assets		
Cash and deposits	3,321	6,169
Notes and accounts receivable - trade	1,592	2,282
Merchandise	722	1,584
Operational investment securities	744	1,629
Short-term loans	3	407
Deferred tax assets	71	166
Other	392	343
Allowance for doubtful receivables	(42)	(13)
Total current assets	6,802	12,567
Fixed assets		
Tangible assets		
Buildings	458	827
Accumulated depreciation	(145)	(152)
Buildings, net	313	675
Other	230	326
Accumulated depreciation	(135)	(177)
Other, net	95	149
Total tangible assets	409	824
Intangible assets		
Goodwill	133	2,135
Software	739	1,180
Other	71	116
Total intangible assets	943	3,431
Investments and other assets		
Investment securities	944	471
Deferred tax assets	34	98
Other	531	751
Total investments and other assets	1,510	1,320
Total fixed assets	2,862	5,574
Total assets	9,663	18,141

	(Millions of yen)	
	As of June 30, 2016	As of June 30, 2017
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable – trade	525	1,258
Short-term debt	50	-
Current portion of long-term debt	591	1,162
Accounts payable – other	331	440
Income taxes payable	457	326
Provision for bonuses	156	173
Deferred tax liabilities	-	258
Other	441	738
Total current liabilities	2,553	4,356
Fixed liabilities		
Long-term debt	1,412	2,756
Other	9	16
Total fixed liabilities	1,420	2,772
Total liabilities	3,974	7,127
Net assets		
Shareholders' equity		
Capital stock	1,609	3,482
Capital surplus	1,543	3,417
Retained earnings	2,482	3,535
Treasury stock	(281)	(281)
Total shareholders' equity	5,353	10,153
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	249	546
Foreign currency translation adjustments	41	74
Total accumulated other comprehensive income	290	620
Subscription rights to shares	39	75
Non-controlling interests	7	165
Total net assets	5,690	11,013
Total liabilities and net assets	9,663	18,141

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Year ended June 30, 2016	Year ended June 30, 2017
	Amount	Amount
Net sales	14,282	18,888
Cost of sales	6,106	8,852
Gross profit	8,176	10,036
Selling, general and administrative expenses	6,426	8,571
Operating income	1,751	1,465
Non-operating income		
Interest income	1	3
Fiduciary obligation fee	0	-
Gain on investments in partnership	1	10
Income from subsidiaries	4	-
Penalty income	5	-
Refunded consumption tax	-	5
Other	3	9
Total non-operating income	14	28
Non-operating expenses		
Interest expenses	7	15
Foreign exchange losses	52	24
Share issuance cost	-	32
Equity in losses of affiliates	44	111
Other	4	12
Total non-operating expenses	107	194
Ordinary income	1,657	1,299
Extraordinary income		
Gain on sale of shares of affiliated companies	177	-
Gain on sales of securities	-	283
Gain on change in equity	-	88
Total extraordinary income	177	372
Extraordinary loss		
Impairment loss	-	32
Loss on valuation of investment securities	3	2
Other	1	2
Total extraordinary loss	3	36
Income before income taxes	1,831	1,635
Income taxes-current	569	580
Income taxes-deferred	(16)	(24)
Total income taxes	554	556
Net income	1,277	1,079
Net income attributable to non-controlling interests	3	3
Net income attributable to owners of the parent company	1,274	1,076

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Year ended June 30, 2016	Year ended June 30, 2017
	Amount	Amount
Net income	1,277	1,079
Other comprehensive income		
Net unrealized gain on available-for-sale securities	(10)	225
Foreign currency translation adjustments	(75)	33
Share of other comprehensive income of associates accounted for using equity method	-	71
Total other comprehensive income	(85)	329
Comprehensive income	1,192	1,409
Comprehensive income attributable to		
Owners of the parent	1,189	1,405
Non-controlling interests	3	3

(3) Consolidated Statements of Changes in Net Assets

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

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at beginning of term	1,591	1,528	1,235	(284)	4,071	259	116	375	20	-	4,465
Cumulative effects from new accounting policies		(20)	2		(17)						(17)
Balance at beginning of term reflecting change in accounting policies	1,591	1,508	1,237	(284)	4,053	259	116	375	20	-	4,448
Changes during term											
Issuance of new shares	17	17			35						35
Dividends from surplus			(29)		(29)						(29)
Net income attributable to owners of the parent company			1,274		1,274						1,274
Purchase of treasury shares				(0)	(0)						(0)
Disposition of treasury stock		17		3	20						20
Effect of changes in accounting period of consolidated subsidiaries					-						-
Net changes in items other than shareholders' equity					-	(10)	(75)	(85)	19	7	(58)
Total changes during term	17	35	1,245	2	1,300	(10)	(75)	(85)	19	7	1,242
Balance at end of term	1,609	1,543	2,482	(281)	5,353	249	41	290	39	7	5,690

Year ended June 30, 2017 (July 1, 2016 to June 30, 2017)

(Millions of yen)

	Shareholders' equity					Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gain on available-for-sale securities	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance at beginning of term	1,609	1,543	2,482	(281)	5,353	249	41	290	39	7	5,690
Cumulative effects from new accounting policies											-
Balance at beginning of term reflecting change in accounting policies	1,609	1,543	2,482	(281)	5,353	249	41	290	39	7	5,690
Changes during term											
Issuance of new shares	1,874	1,874			3,748						3,748
Dividends from surplus			(29)		(29)						(29)
Net income attributable to owners of the parent company			1,076		1,076						1,076
Purchase of treasury shares				(0)	(0)						(0)
Disposition of treasury stock					-						-
Effect of changes in accounting period of consolidated subsidiaries			5		5						5
Net changes in items other than shareholders' equity					-	297	33	329	36	158	524
Total changes during term	1,874	1,874	1,052	(0)	4,800	297	33	329	36	158	5,324
Balance at end of term	3,482	3,417	3,535	(281)	10,153	546	74	620	75	165	11,013

(4) Consolidated Statements of Cash flows

	(Millions of yen)	
	Year ended June 30,	Year ended June 30,
	2016	2017
	Amount	Amount
Cash flows from operating activities		
Income before income taxes	1,831	1,635
Depreciation and amortization	552	438
Amortization of goodwill	36	59
Impairment loss	-	32
Share issuance cost	-	32
Increase (decrease) in allowance for doubtful receivables	(3)	(31)
Increase (decrease) in provision for bonuses	82	9
Loss (gain) on sale of shares of affiliated companies	(177)	-
Equity in losses (gains) of affiliates	44	111
Interest income	(1)	(3)
Interest expenses	7	15
Foreign exchange losses (gains)	-	11
Loss (gain) on investments in partnership	(1)	(10)
Loss (gain) on evaluation of investment securities	3	2
Loss (gain) on sales of investment securities	-	(283)
Loss (gain) on change in equity	-	(88)
Decrease (increase) in notes and accounts receivable – trade	(368)	(538)
Decrease (increase) in operational investment securities	(348)	(239)
Decrease (increase) in inventories	(328)	(559)
Increase (decrease) in notes and accounts payable - trade	45	532
Increase (decrease) in accounts payable - other	(69)	12
Other- net	(42)	262
Sub total	1,264	1,400
Interest and dividends received	1	3
Interest paid	(7)	(16)
Income taxes paid	(256)	(750)
Net cash provided by (used in) operating activities	1,001	637
Cash flows from investing activities		
Purchase of investment securities	(463)	(11)
Purchase of tangible assets	(137)	(423)
Purchase of intangible assets	(599)	(768)
Payments for guarantee deposits	(210)	(107)
Payments for acquisition of shares in subsidiary company resulting in the change in scope of consolidation	(39)	(2,024)
Proceeds from sale of shares in subsidiary company equity resulting in the change in scope of consolidation	144	-
Payments of loan receivables	(27)	(517)
Payment for acquisitions of business operations	(45)	(3)
Proceeds from sales of investment securities	-	634
Other- net	34	(51)
Net cash provided by (used in) investing activities	(1,343)	(3,271)

Cash flows from financing activities

Net increase (decrease) in short-term debt	50	(50)
Proceeds from long-term debt	1,520	3,040
Repayment of long-term debt	(433)	(1,182)
Proceeds from issuance of shares	30	3,731
Proceeds from issuance of stock acquisition rights	6	-
Dividends paid	(29)	(29)
Purchase of treasury stocks	(0)	(0)
Other – net	-	(5)
Net cash provided by (used in) financing activities	1,145	5,505
Foreign currency translation adjustments on cash and cash equivalents	(49)	(9)
Net increase (decrease) in cash and cash equivalents	755	2,863
Cash and cash equivalents, beginning of period	2,566	3,321
Increase (decrease) in cash and cash equivalents resulting from changes in accounting period of consolidated subsidiaries	-	(14)
Cash and cash equivalents, end of period	3,321	6,169

(5) Notes on Consolidated Financial Statements

(Notes on the Going-concern Assumption)

Not applicable

(Changes in accounting policies)

Not applicable

(Changes in accounting estimates)

Not applicable

(Segment Information)

(Segment Information)

1. Overview of Reportable 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 On Platform, Beauty Service, Global, and Other 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 On Platform segment, the Beauty Service segment, the Global segment and the Other segment. The On Platform segment comprises the domestic and overseas marketing business, services for premium members, and other initiatives.

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

The Global segment comprises business operations outside Japan.

The Other business comprises temporary staffing agency business to send beauty consultants and investment and consulting projects primarily for companies at their growth phase including those immediately after founding.

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

	Reportable segment				Total	Adjustments	(Millions of yen) Amounts on the consolidated statements of income
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Other</i>			
Net sales							
Sales to outside customers	5,854	5,870	2,489	69	14,282	-	14,282
Inter-segment sales and transfers	4	8	28	7	47	(47)	-
Total	5,858	5,878	2,517	77	14,329	(47)	14,282
Segment profit (loss)	2,126	444	271	(91)	2,749	(999)	1,751
Segment assets	2,182	2,181	1,037	918	6,318	3,346	9,663
Other items							
Depreciation/amortization	451	59	10	-	520	33	552
Increase (decrease) in tangible/intangible assets	561	141	14	-	716	19	735

- Notes: 1. Adjustments in Segment profit (loss) in the amount of (999) million yen include 13 million yen elimination of inter-segment transactions and (1,012) million yen corporate expense not allocated to any reportable segment.
2. The segment asset adjustment of 3,346 million refers to (1,026) million yen elimination of inter-segment transactions and company assets not allocated to reportable segments in the amount of 4,372 million.
3. The adjustment of 33 million yen for depreciation and amortization is related to the administrative functions of the Company that have not been attributed to a reportable segment.
4. The increase in tangible and intangible assets adjustment of 19 million yen represents the group-wide assets that are not allocated to reportable segments.
5. 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, 2017 (July 1, 2016 through June 30, 2017)

	Reportable segment				Total	Adjustments	(Millions of yen) Amounts on the consolidated statements of income
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Other</i>			
Net sales							
Sales to outside customers	6,840	8,784	2,959	304	18,888	-	18,888
Inter-segment sales and transfers	20	5	66	25	117	(117)	-
Total	6,860	8,789	3,026	330	19,004	(117)	18,888
Segment profit	2,551	229	133	39	2,952	(1,487)	1,465
Segment assets	2,816	3,556	5,278	1,765	13,415	4,726	18,141
Other items							
Depreciation/amortization	311	75	8	-	395	43	438
Increase(decrease) in tangible/intangible assets	701	331	42	-	1,074	159	1,233

- Notes: 1. Adjustments in Segment profit (loss) in the amount of (1,487) million yen include 19 million yen elimination of inter-segment transactions and (1,506) million yen corporate expense not allocated to any reportable segment.
2. The segment asset adjustment of 4,726 million refers to (3,904) million yen elimination of inter-segment transactions and company assets not allocated to reportable segments in the amount of 8,630 million.

3. The adjustment of 43 million yen for depreciation and amortization is related to the administrative functions of the Company that have not been attributed to a reportable segment.
4. The increase in tangible and intangible assets adjustment of 159 million yen represents the group-wide assets that are not allocated to reportable segments.
5. Segment profit is adjusted to correspond with operating income reported on the consolidated statements of income for the corresponding period.

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

(Significant impairment losses related to fixed assets)

The On Platform segment recorded an impairment loss of 32 million yen on goodwill in the three months ended June 30, 2017 due to suspending operation of some businesses.

(Significant changes in goodwill amounts)

Goodwill in the 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 three months ended September 30, 2016.

Goodwill in the Global segment has increased by 566 million yen as a result of the acquisition of the shares of i-TRUE Communications Inc. as a new consolidated subsidiary in the three months ended June 30, 2017.

Goodwill in the Global segment has increased by 1,441 million yen as a result of the acquisition of the shares of Hermo Creative (M) Sdn. Bhd. as a new consolidated subsidiary in the three months ended June 30, 2017.

(Significant gain on negative goodwill)

Not applicable

5. 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 FY 2017 in order to disclose management information in a more appropriate manner.

Consolidated segment information for the previous fiscal year has been restated in accordance with the new segmentation.

(Per Share Information)

	Year ended June 30, 2016 (or as of June 30, 2016)	Year ended June 30, 2017 (or as of June 30, 2017)
Net assets per share	97.60 yen	170.61 yen
Net income per share	22.10 yen	18.51 yen
Diluted net income per share	21.16 yen	17.79 yen

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

	Year ended June 30, 2016	Year ended June 30, 2017
Net income per share		
Net income attributable to owners of the parent company (millions of yen)	1,274	1,076
Amount not attributable to common stockholders (millions of yen)	-	-
Net income available to common shareholders attributable to owners of parent company (millions of yen)	1,274	1,076
Average number of shares outstanding during term (shares)	57,628,497	58,131,206
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)	2,581,177	2,351,040
(Of which, subscription rights to shares) (shares)	(2,581,177)	(2,351,040)
(Of which, warrant) (shares)	-	-
Residual securities that are not dilutive and not included in the calculation for diluted net income per share	Four issues of subscription rights to shares Residual securities: 11,962,000 shares	Six issues of subscription rights to shares Residual securities: 11,984,000 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