

November 2, 2017

Summary of Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending June 30, 2018
(Three Months Ended September 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 filing of Quarterly Report:	November 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 Three Months Ended September 30, 2017 (July 1, 2017 – September 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	%
Three months ended September 30, 2017	6,634	74.9	610	90.4	632	123.9	332	84.9
Three months ended September 30, 2016	3,794	21.5	320	(35.7)	282	(42.4)	180	(63.6)

Note: Comprehensive income (million yen) Three months ended September 30, 2017: 0 (down 99.8%)

Three months ended September 30, 2016: 261 (down 37.0%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended September 30, 2017	5.25	5.14
Three months ended September 30, 2016	3.10	2.98

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2017	19,249	11,074	56.2
As of June 30, 2017	18,141	11,013	59.4

Reference: Total equity As of September 30, 2017: 10,824 million yen

As of June 30, 2017: 10,772 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, 2017	-	0.00	-	0.50	0.50
Fiscal year ending June 30, 2018	-				
Fiscal year ending June 30, 2018 (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, 2018 (Jul. 1, 2017 – Jun. 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
Full year	26,600	40.8	2,000	36.5	1,900	46.3	1,150	6.9	18.19

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, 2017: 65,922,400 shares

As of June 30, 2017: 65,852,400 shares

2) Number of treasury shares at end of period

As of September 30, 2017: 2,709,806 shares

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

3) Average number of shares outstanding during the period

Three months ended September 30, 2017: 63,194,551 shares

Three months ended September 30, 2016: 57,819,147 shares

* 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 "Consolidated Operating Results Forecast and Information about Future Predictions" on page 6 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 current fiscal year as a phase of selection and focus. Accordingly, we are concentrating mainly on establishing a solid earnings base for the On Platform business.

- On Platform segment: Although established services are recording solid growth, the Company is also working on developing new services to attain Medium-Term Business Plan targets.
- Beauty Service segment: No new stores opened in this first quarter, but sales grew sharply as a result of stores opened in or after the previous second quarter and growth of other stores.
- Global segment: Sales grew year-on-year due to growth of cross-border E-commerce sales in China and the consolidation of income statements from this first quarter of three overseas companies that the Company decided to turn into subsidiaries in the previous fiscal year. Expenses associated with goodwill amortization of these three subsidiaries also increased as a result.
- Others segment: Sales and profits increased sharply, due in part to the sale of operational investment securities.

As a result, the consolidated operating performance for this first quarter was as follows:

Net Sales:	6,634 million yen	(74.9% year-on-year increase)
Operating Income:	610 million yen	(90.4% year-on-year increase)
Ordinary Income:	632 million yen	(123.9% year-on-year increase)
Income before income taxes:	616 million yen	(120.8% year-on-year increase)
Net income attributable to owners of the parent company:	332million yen	(84.9% year-on-year increase)

1) On Platform segment

The On Platform segment comprises services based on the beauty portal site *@cosme*, including B-to-B services and B-to-C services.

During this first quarter, revenue from branding ads, banner ads and *Brand Fan Club* grew steadily.

For B-to-B services, the Company is developing a new service for cosmetic manufacturers scheduled for release in this third quarter. Sales from a major event were recorded in the previous first quarter. The Company ran a similar event in this first quarter and plans to run another event in this second half.

Sales of B-to-C services were weak, mainly due to a drop in the number of paying members of *Bloombox*. The Company expects business expansion as a result of promotional campaigns in this

second half, because *Bloombox* and services for premium members are due to be revamped in stages starting in the third quarter.

As a result, the consolidated operating performance for this first quarter was as follows:

Net Sales:	1,760 million yen (4.2% year-on-year increase)
Segment Profit:	631 million yen (3.3% year-on-year increase)

2) Beauty Service segment

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

E-Commerce sales were robust in this first quarter due to ongoing efforts to expand the product range and campaigns issuing loyalty points and coupons.

With respect to stores in Japan, the Company's policy for the current fiscal year is to cut back on opening new stores and concentrate on turning stores opened in the previous fiscal year profitable. For this reason, no new stores opened in this first quarter, but sales grew strongly due to the contribution of stores opened in or after the previous second quarter and growth of other stores. The total number of stores at the end of this first quarter was 24 versus 13 a year earlier.

As a result, the consolidated operating performance for this first quarter was as follows:

Net Sales:	2,749 million yen (73.5% year-on-year increase)
Segment Profit:	125 million yen (559.8% year-on-year increase)

3) Global segment

The Global segment comprises business operations outside Japan.

Cosmetics E-Commerce sales in China were brisk, partly due to orders from wholesalers in anticipation of Singles Day^{*1} on November 11.

The three stores opened in Taiwan in May and June 2017 made a limited contribution to sales, because they are still very new. The Company will continue to focus on attracting new customers and increasing repeat customers at these stores.

Management measures, efficiency improvements, and streamlining for longer-term business growth are ongoing at the three overseas companies^{*2} whose income statements were consolidated from this first quarter. The Company booked goodwill amortization of 92 million yen for these three companies in this first quarter.

As a result, the consolidated operating performance for this first quarter was as follows:

Net Sales:	1,661 million yen (240.7% year-on-year increase)
Segment Loss:	8 million yen (50 million yen segment profit in the previous fiscal year)

Notes

*1 Major E-Commerce bargain sales are held on November 11.

*2 The three companies are as follows.

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

4) Others segment

The Others segment is engaged in a temporary staffing agency specializing in the beauty industry, and Investment and Consultation business, which invests in companies in various stages of development, including new startups.

In this first quarter, the temporary staffing agency recorded solid growth. The Investment and Consultation business sold operational investment securities, recording associated sales of 285 million yen and gross profit of 253 million yen. The sale of operational investment securities does not occur every quarter.

As a result, the consolidated operating performance for this first quarter was as follows:

Net Sales:	464 million yen (net sales of 33 million yen in the previous fiscal year)
Segment Profit:	258 million yen (2 million yen segment loss in the previous fiscal year)

(2) Consolidated Financial Position

(Assets)

Total assets as of September 30, 2017, were 19,249 million yen, an increase of 1,108 million yen from June 30, 2017.

Current assets were 11,464 million yen, a decrease of 1,103 million yen from June 30, 2017. The decrease was mainly attributable to a 1,117 million yen decrease in cash and deposits and a 511 million yen decrease in operational investment securities, and a 355 million yen increase in notes and accounts receivable – trade, a 596 million yen increase in merchandise, and other factors.

Fixed assets were 7,785 million yen, an increase of 2,212 million yen from June 30, 2017. The increase was mainly attributable to a 1,627 million yen increase in goodwill and a 430 million yen increase in investment securities, and other factors.

(Liabilities)

Total liabilities as of September 30, 2017, were 8,175 million yen, an increase of 1,048 million yen from June 30, 2017.

Current liabilities were 4,746 million yen, an increase of 390 million yen from June 30, 2017. The main factors included a 323 million yen in notes and accounts payable - trade.

Fixed liabilities were 3,430 million yen, an increase of 658 million yen from June 30, 2017. This was primarily attributable to the 656 million yen increase in long-term debt, and other factors.

(Net Assets)

Total net assets as of September 30, 2017 were 11,074 million yen, an increase of 60 million yen from June 30, 2017.

The main factors included a 384 million yen increase in retained earnings and a 39 million yen increase in foreign currency translation adjustments, and a 380 million yen decrease 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 current fiscal year, no changes have been made to our full year forecast as announced along with our operating results on August 4, 2017.

2. Consolidated Financial Statements and Relevant Notes

(1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2017	As of Sept. 30, 2017
	Amount	Amount
Assets		
Current assets		
Cash and deposits	6,169	5,053
Notes and accounts receivable - trade	2,282	2,637
Merchandise	1,584	2,181
Operational investment securities	1,629	1,118
Other	915	489
Allowance for doubtful receivables	(13)	(14)
Total current assets	12,567	11,464
Fixed assets		
Tangible assets	824	832
Intangible assets		
Goodwill	2,135	3,762
Software	1,180	1,128
Other	116	319
Total intangible assets	3,431	5,209
Investments and other assets		
Investment securities	471	901
Other	848	843
Total investments and other assets	1,320	1,744
Total fixed assets	5,574	7,785
Total assets	18,141	19,249

	(Millions of yen)	
	As of June 30, 2017	As of Sept. 30, 2017
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,258	1,581
Current portion of long-term debt	1,162	1,471
Income taxes payable	326	244
Provision for bonuses	173	122
Other	1,436	1,329
Total current liabilities	4,356	4,746
Fixed liabilities		
Long-term debt	2,756	3,411
Other	16	18
Total fixed liabilities	2,772	3,430
Total liabilities	7,127	8,175
Net assets		
Shareholders' equity		
Capital stock	3,482	3,487
Capital surplus	3,417	3,421
Retained earnings	3,535	3,918
Treasury stock	(281)	(281)
Total shareholders' equity	10,153	10,546
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	546	166
Foreign currency translation adjustments	74	113
Total accumulated other comprehensive income	620	279
Subscription rights to shares	75	87
Non-controlling interests	165	163
Total net assets	11,013	11,074
Total liabilities and net assets	18,141	19,249

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2017
	Amount	Amount
Net sales	3,794	6,634
Cost of sales	1,664	3,322
Gross profit	2,130	3,312
Selling, general and administrative expenses	1,810	2,702
Operating income	320	610
Non-operating income		
Interest income	0	0
Gain on investments in partnership	1	5
Foreign exchange gains	-	13
Equity in gains of affiliates	-	3
Other	2	4
Total non-operating income	3	26
Non-operating expenses		
Interest expenses	2	3
Foreign exchange losses	18	-
Equity in losses of affiliates	20	-
Other	0	0
Total non-operating expenses	41	4
Ordinary income	282	632
Extraordinary loss		
Loss on valuation of investment securities	2	-
Impairment loss	-	14
Other	1	2
Total extraordinary loss	3	16
Income before income taxes	279	616
Total income taxes	98	277
Net income	181	340
Net income attributable to non-controlling interests	2	8
Net income attributable to owners of the parent company	180	332

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Three months ended Sept. 30, 2016	Three months ended Sept. 30, 2017
	Amount	Amount
Net income	181	340
Other comprehensive income		
Net unrealized gain on available-for-sale securities	123	(308)
Foreign currency translation adjustments	(44)	41
Share of other comprehensive income of associates accounted for using equity method	-	(71)
Total other comprehensive income	80	(339)
Comprehensive income	261	0
Comprehensive income attributable to		
Owners of the parent	259	(9)
Non-controlling interests	2	9

(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, 2016 (July 1, 2016 through September 30, 2016)

1. Net sales and income/loss by reportable segment

	Reportable segment					Adjustments (note 1)	(Millions of yen) Amounts on the consolidated statements of income (note 2)
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Others</i>	Total		
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 as new consolidated subsidiary in the previous first quarter.

(Significant gain on negative goodwill)

Not applicable

Three months ended September 30, 2017 (July 1, 2017 through September 30, 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	1,760	2,749	1,661	464	6,634	-	6,634
Inter-segment sales and transfers	3	3	9	2	16	(16)	-
Total	1,763	2,752	1,669	465	6,650	(16)	6,634
Segment profit (loss)	631	125	(8)	258	1,006	(396)	610

Notes: 1. Adjustments in Segment profit (loss) in the amount of (396) million yen include 2 million yen elimination of inter-segment transactions and (399) 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)

The Beauty Service segment recorded an impairment loss on a store closure of which is being scheduled.
The amount of the impairment loss for this first quarter is 14 million yen.

(Significant changes in goodwill amounts)

Goodwill in Global segment has increased by 1,692 million yen as a result of the acquisition of the shares of MUA, Inc. as new consolidated subsidiary in this first quarter.

(Significant gain on negative goodwill)

Not applicable