

May 2, 2018

Summary of Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending June 30, 2018
(Nine Months Ended March 31, 2018)

[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 8, 2018		
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, 2018 (July 1, 2017 – March 31, 2018)

(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, 2018		20,711	56.1	1,669	47.1	1,677	62.9	923	8.4
Nine months ended March 31, 2017		13,265	25.0	1,135	(15.7)	1,029	(20.4)	852	(16.2)

Note: Comprehensive income (million yen)	Nine months ended March 31, 2018:	429 (down 61.3%)
	Nine months ended March 31, 2017:	1,109 (up 49.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended March 31, 2018	14.56	14.26
Nine months ended March 31, 2017	14.70	14.12

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of March 31, 2018	20,995	11,686	54.1
As of June 30, 2017	18,141	11,013	59.4

Reference: Total equity	As of March 31, 2018:	11,358 million yen
	As of June 30, 2017:	10,772 million yen

$$\text{Total equity} = \text{Shareholders' equity} + \text{total accumulated other comprehensive income}$$

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	-	0.00	-		
Fiscal year ending June 30, 2018 (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, 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	18.09

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 March 31, 2018:	66,916,400 shares	As of June 30, 2017:	65,852,400 shares
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2) Number of treasury shares at end of period

As of March 31, 2018:	2,709,852 shares	As of June 30, 2017:	2,709,806 shares
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3) Average number of shares outstanding during the period

Nine months ended March 31, 2018:	63,367,682 shares	Nine months ended March 31, 2017:	57,925,040 shares
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* The current quarterly summary report is not subject to the quarterly review procedures by certified public accountants or auditing firms.

* 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.

(Note concerning date format)

The Company changed the date format used in its quarterly summary reports from Japanese Imperial calendar to Gregorian calendar from the first quarter of the fiscal year ending June 30, 2018.

* *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: Established services for cosmetics manufacturers recorded solid growth. In the third quarter of the current fiscal year, the Company prioritized future profit to prepare for the launch of new services and allocated human resources strategically in a number of areas, which resulted in limited earnings growth.
- Beauty Service segment: Sales and profit increased strongly year-on-year due to growth of E-Commerce and retail stores. The Company opened two new stores and closed one small store in this third quarter.
- Global segment: Sales increased sharply year-on-year due to growth of cross-border E-commerce sales in China and the consolidation of income statements from the first quarter of the current fiscal year of three overseas companies that the Company decided to turn into subsidiaries in the previous fiscal year. Although the segment posted a loss, because expenses associated with goodwill amortization of these three subsidiaries also increased as a result, earnings exceeded the initial forecast.
- Others segment: Sales and profits increased sharply, due in part to the sale of operational investment securities in the first and third quarters.

As a result, the consolidated operating performance for this nine months was as follows:

Net sales:	20,711 million yen (56.1% year-on-year increase)
Operating income:	1,669 million yen (47.1% year-on-year increase)
Ordinary income:	1,677 million yen (62.9% year-on-year increase)
Income before income taxes:	1,658 million yen (26.7% year-on-year increase)*
Net income attributable to owners of the parent company:	923 million yen (8.4% year-on-year increase)*

Note: The Company recorded an extraordinary income of 283 million yen from the sale of investment securities in the previous third quarter.

1) On Platform segment

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

During this nine months, existing services for cosmetics manufacturers such as branding ads and banner ads at *@cosme* and *Brand Fan Club* drove revenue growth. In this third quarter, the Company prioritized future profit to prepare for the launch of new services and allocated human resources strategically in a number of services. Expenses associated with strengthening the organizational structure also increased. As a result, earnings growth was limited.

As a result, the consolidated operating performance for this nine months was as follows:

Net Sales:	5,379 million yen (5.7% year-on-year increase)
Segment Profit:	1,986 million yen (4.1% year-on-year increase)

In B-to-B services, the Company launched new services for cosmetics manufacturers in April, but expects these services to have a minimal impact on earnings of the current fiscal year.

In B-to-C services, the Company revamped its premium fee-based service in March and plans aggressive promotion campaigns next fiscal year onward.

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.

In this nine months, E-Commerce sales were brisk due to efforts to carry more products with a high *@cosme* ranking and increase customer transfer from the *@cosme* site.

In Japan, two new stores opened and one small store closed in this third quarter for 25 stores the end of this third quarter versus 23 a year earlier.

The Company has positioned the current fiscal year as a phase of cutting back on opening new stores and making stores opened in the previous fiscal year profitable. Accordingly, all stores performed well and the segment recorded strong sales and profit growth. The new LaLaport Fujimi store opened in this third quarter is the Company's first cross-channel store that carries multiple high-end cosmetic brands from Europe and U.S.

As a result, the consolidated operating performance for this nine months was as follows:

Net Sales:	8,839 million yen (42.8% year-on-year increase)
Segment Profit:	426 million yen (148.6% year-on-year increase)

3) Global

The Global segment comprises business operations outside Japan.

Cosmetics E-Commerce sales in China were brisk, partly due to seasonal factors (W11^{*1}).

The fourth store opened in Taiwan in this third quarter. For the three stores opened in May and

June 2017, the Company will continue to focus on attracting new customers and increasing repeat customers.

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 the first quarter. Although the segment posted a loss in this nine months due to booking goodwill amortization of approximately 279 million yen for the three companies (approximately 93 million yen in this third quarter), earnings exceeded the initial forecast.

As a result, the consolidated operating performance for this nine months was as follows:

Net Sales:	5,451 million yen (201.4% year-on-year increase)
Segment Loss:	7 million yen (106 million yen segment profit in the same period of the previous fiscal year)

The Company is preparing to open a first store in Hong Kong in the fourth quarter of the current fiscal year.

Notes

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

*2 The three companies are as follows.

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

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 this nine months, the segment posted robust sales and profit growth due to solid growth of the temporary staffing agency and sales of operational investment securities in the Investment and Consultation business in the first and third quarters.

As a result, the consolidated operating performance for this nine months was as follows:

Net Sales:	1,042 million yen (484.8% year-on-year increase)
Segment Profit:	407 million yen (373 million yen year-on-year increase)

(2) Consolidated Financial Position

(Assets)

Total assets as of March 31, 2018, were 20,995 million yen, an increase of 2,855 million yen from June 30, 2017.

Current assets were 12,793 million yen, an increase of 227 million yen from June 30, 2017. The increase was mainly attributable to a 101 million yen increase in cash and deposits, a 453 million yen rise in notes and accounts receivable – trade, and a 581 million yen increase in merchandise, a 513 million yen decrease in operational investment securities, and other factors.

Fixed assets were 8,202 million yen, an increase of 2,628 million yen from June 30, 2017. This was mainly attributable to a 1,377 million yen increase in goodwill, a 420 million yen increase in investment securities, and other factors.

(Liabilities)

Total liabilities as of March 31, 2018, were 9,309 million yen, an increase of 2,182 million yen from June 30, 2017.

Current liabilities were 6,510 million yen, an increase of 2,154 million yen from June 30, 2017. The main factors included a 544 million yen increase in notes and accounts payable – trade, a 1,000 million yen increase in short-term debt, a 211 million yen increase in the current portion of long-term debt, and other factors.

Fixed liabilities were 2,799 million yen, an increase of 27 million yen from June 30, 2017. The increase was primarily attributable to the 30 million yen increase in long-term debt, as well as other factors.

(Net Assets)

Total net assets as of March 31, 2018, were 11,686 million yen, an increase of 673 million yen from June 30, 2017. This was primarily due to a 975 million yen increase in retained earnings, a 433 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 Mar. 31, 2018
	Amount	Amount
Assets		
Current assets		
Cash and deposits	6,169	6,270
Notes and accounts receivable - trade	2,282	2,735
Merchandise	1,584	2,165
Operational investment securities	1,629	1,116
Other	915	519
Allowance for doubtful receivables	(13)	(11)
Total current assets	12,567	12,793
Fixed assets		
Tangible assets	824	909
Intangible assets		
Goodwill	2,135	3,512
Software	1,180	1,110
Other	116	820
Total intangible assets	3,431	5,442
Investments and other assets		
Investment securities	471	892
Other	848	959
Total investments and other assets	1,320	1,851
Total fixed assets	5,574	8,202
Total assets	18,141	20,995

	(Millions of yen)	
	As of June 30, 2017	As of Mar. 31, 2018
	Amount	Amount
Liabilities		
Current liabilities		
Accounts payable – trade	1,258	1,802
Short-term debt	-	1,000
Current portion of long-term debt	1,162	1,374
Income taxes payable	326	449
Provision for bonuses	173	171
Other	1,436	1,714
Total current liabilities	4,356	6,510
Fixed liabilities		
Long-term debt	2,756	2,785
Other	16	13
Total fixed liabilities	2,772	2,799
Total liabilities	7,127	9,309
Net assets		
Shareholders' equity		
Capital stock	3,482	3,554
Capital surplus	3,417	3,489
Retained earnings	3,535	4,509
Treasury stock	(281)	(281)
Total shareholders' equity	10,153	11,271
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	546	113
Foreign currency translation adjustments	74	(25)
Total accumulated other comprehensive income	620	88
Subscription rights to shares	75	80
Non-controlling interests	165	248
Total net assets	11,013	11,686
Total liabilities and net assets	18,141	20,995

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Nine months ended Mar. 31, 2017	Nine months ended Mar. 31, 2018
	Amount	Amount
Net sales	13,265	20,711
Cost of sales	5,991	10,636
Gross profit	7,274	10,075
Selling, general and administrative expenses	6,139	8,406
Operating income	1,135	1,669
Non-operating income		
Interest income	1	1
Foreign exchange gains	-	9
Gain on investments in partnership	10	4
Other	7	13
Total non-operating income	18	27
Non-operating expenses		
Interest expenses	10	10
Foreign exchange losses	37	-
Equity in losses of affiliates	65	6
Other	10	4
Total non-operating expenses	123	19
Ordinary income	1,029	1,677
Extraordinary income		
Gain on sales of investment securities	283	-
Total extraordinary income	283	-
Extraordinary loss		
Loss on valuation of investment securities	2	-
Impairment loss	-	14
Other	2	5
Total extraordinary loss	4	19
Income before income taxes	1,309	1,658
Total income taxes	455	697
Net income	854	961
Net income attributable to non-controlling interests	2	38
Net income attributable to owners of the parent company	852	923

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Nine months ended Mar. 31, 2017	Nine months ended Mar. 31, 2018
	Amount	Amount
Net income	854	961
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	154	(362)
Foreign currency translation adjustments	30	(99)
Share of other comprehensive income of associates accounted for using equity method	71	(71)
Total other comprehensive income	255	(532)
Comprehensive income	1,109	429
Comprehensive income attributable to		
Owners of the parent	1,106	390
Non-controlling interests	2	39

(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)

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

1. Net sales and profit/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	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 as new consolidated subsidiary in the first quarter of the previous fiscal year.

(Significant gain on negative goodwill)

Not applicable

Nine months ended March 31, 2018 (July 1, 2017 through March 31, 2018)

1. Net sales and profit/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	5,379	8,839	5,451	1,042	20,711	-	20,711
Inter-segment sales and transfers	14	44	26	9	94	(94)	-
Total	5,393	8,883	5,478	1,051	20,804	(94)	20,711
Segment profit (loss)	1,986	426	(7)	407	2,812	(1,143)	1,669

Notes: 1. Adjustments in segment profit (loss) in the amount of (1,143) million yen include 10 million yen elimination of inter-segment transactions and (1,153) 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 the third quarter of the current fiscal year 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 the first quarter of the current fiscal year.

(Significant gain on negative goodwill)

Not applicable