

February 3, 2017

**Summary of Consolidated Financial Results  
for the Second Quarter of the Fiscal Year Ending June 30, 2017  
(Six Months Ended December 31, 2016)**

**[Japanese GAAP]**

Company name: istyle Inc.	Stock exchange listings: TSE First Section
Securities code: 3660	URL: <a href="http://www.istyle.co.jp/">http://www.istyle.co.jp/</a>
Representative: Tetsuro Yoshimatsu, Representative Director, CEO	
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Scheduled date of filing of Quarterly Report:	February 3, 2017
Scheduled date of dividend payment:	-
Preparation of supplementary materials for financial results:	Yes
Holding of financial results briefing:	Yes (for analysts and institutional investors)

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

**1. Consolidated Financial Results for the Six Months Ended December 31, 2016 (July 1, 2016 – December 31, 2016)**

**(1) Consolidated results of operations**

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended December 31, 2016	8,426	122.9	731	79.6	710	79.7	474	62.8
Six months ended December 31, 2015	6,857	55.4	919	178.0	891	170.5	755	289.0

Note: Comprehensive income (million yen) Six months ended December 31, 2016: 553 (up 111.8%)  
Six months ended December 31, 2015: 495 (down 25.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended December 31, 2016	8.20	7.87
Six months ended December 31, 2015	13.14	12.89

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 December 31, 2016	13,204	6,266	46.8
As of June 30, 2016	9,663	5,690	58.4

Reference: Total equity As of December 31, 2016: 6,183 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)	854	(33.0)	14.74

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 December 31, 2016: 60,772,400 shares As of June 30, 2016: 60,528,400 shares

2) Number of treasury shares at end of period

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

3) Average number of shares outstanding during the period

Six months ended December 31, 2016: 57,850,408 shares Six months ended December 31, 2015: 57,473,108 shares

Note: The Company carried out a share split dated October 1, 2015 and February 1, 2016, whereby each common share was divided into 2 shares. Average number of shares outstanding during the period is indicated in the split-adjusted figures, based on the assumption that the share split was executed at the beginning of the previous fiscal year.

#### \* Information regarding the implementation of quarterly review procedures

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

#### \* Cautionary statement with respect to forecasts and other matters

(Note concerning forward-looking statements)

- Earnings forecasts and other forward-looking statements in this report are based on assumptions judged to be valid and information available to the Company at the time of this report's preparation. Actual performance may differ significantly from these forecasts for a number of reasons. For the assumptions underlying the forecasts herein and other notice on the use of earnings forecasts, please refer to "(3) Consolidated Operating Results Forecast and Information about Future Predictions" on page 4 in the accompanying material.

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

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## 1. Operating Results and Financial Position

### (1) Analysis of Operating Results

Based on our Medium-Term Business Plan announced on August 3, 2016, we defined the fiscal year ending June 30, 2017 as a phase for increasing our potential, and accordingly, we are focusing on expanding the scope of our business and structuring our organization. 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 six months ended December 31, 2016 was as follows:

Net Sales:	8,426 million yen	(22.9% year-on-year increase)
Operating Income:	731 million yen	(20.4% year-on-year decrease)
Ordinary Income:	710 million yen	(20.3% year-on-year decrease)
Income before income taxes:	706 million yen	(33.9% year-on-year decrease)*
Net income attributable to owners of the parent:	474 million yen	(37.2% year-on-year decrease)*

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

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

#### 1) On Platform

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

During the six months ended December 31, 2016, revenue from branding ads and banner ads at *@cosme* and fee-based B-to-B services grew steadily. In B-to-C services, revenue was brisk due to increased shipments at *BLOOMBOX*, and the decline in the number of premium members due to promotion cutbacks gradually stopping. As well, Eat Smart Inc., which joined the *istyle* group as a result of M&A, was included in the consolidated profit and loss statement from October 2016. Although its contribution to earnings is still small, we plan to strengthen collaboration with the company in terms of services and sales as the first step toward expanding our business into beauty-related food and eating.

We believe monthly unique users of service sites that we operate are stably growing in a medium- to long-term despite the absence of major promotions. Since the number of unique users is a KPI, we aim to increase this metric by improving SEO optimization and measures to increase the number of visits, but we prioritize raising revenue per user in our service design.

As a result, the consolidated operating performance for the six months ended December 31, 2016 was as follows:

Net Sales:	3,335 million yen (up 17.3% year on year)
Segment Profit:	1,245 million yen (up 16.6% year on year)

## 2) Beauty Service

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

In the six months ended December 31, 2016, E-Commerce sales grew steadily as a result of issuing loyalty points and free delivery campaigns. With respect to stores, three new stores opened in the six months ended December 31, 2016 in Ikebukuro, Shinjuku, and Hakodate, and four new stores were added in the Hokuriku and North Kanto area as a result of M&A. However, expenses were up due to cost increases associated with opening new stores and starting new businesses.

As a result, the consolidated operating performance for the six months ended December 31, 2016, was as follows:

Net Sales:	3,727 million yen (up 36.5% year on year)
Segment Profit:	75 million yen (down 67.5% year on year)

## 3) Global

The Global segment comprises business operations outside Japan.

Sales of the cosmetics wholesale business with overseas companies grew 26.1% on a local currency basis due to strengthening sales, but sales growth was only 8.7% in yen terms due to forex factors. Cosmetics E-Commerce sales in China grew 9.4% on a local currency basis, but declined 5.1% in yen terms due to forex factors. Other factors were products with high CoGS ratios proving to be big sellers, promotional costs for Single's Day\*, and a rise in delivery costs. Although we took action such as reviewing our product range and temporarily closing stores on E-Commerce sites with high delivery costs, segment profit fell 22.8% year-on-year.

Average forex rates in the second quarter of this fiscal year were 13.65 yen to the Hong Kong dollar (up 2.08 yen year-on-year)

As a result, the consolidated operating performance for the six months ended December 31, 2016, was as follows:

Net Sales:	1,267 million yen (up 0.3% year on year)
Segment Profit:	111 million yen (down 22.8% year on year)

Note: Singles' Day is a big E-Commerce sale held on November 11 in China.

## 4) Others

The Others segment is engaged in a job recruiting service specializing in the beauty industry, and investment and consulting projects for companies in various stages of development, including new startups.

In the six months ended December 31, 2016, the segment posted a sales increase due to growth of the job recruiting service business started in the previous quarter. Investment and consulting projects also recorded profit growth due to a 31 million yen reversal, despite booking provisions on some operational investment securities.

As a result, the consolidated operating performance for the six months ended December 31, 2016, was as follows:

Net Sales: 97 million yen (up 386.5% year on year)  
Segment Profit: 28 million yen (29 million yen segment loss in previous fiscal year)

## **(2) Consolidated Financial Position**

### **(Assets)**

Total assets as of December 31, 2016, were 13,204 million yen, an increase of 3,541 million yen from June 30, 2016.

Current assets were 9,848 million yen, an increase of 3,046 million yen from June 30, 2016. The increase was mainly attributable to a 1,306 million yen increase in cash and deposits, a 494 million yen increase in notes and accounts receivable – trade, a 426 million yen increase in merchandise, a 431 million yen increase in operational investment securities, a 420 million yen increase in short-term loans receivable, and other factors.

Fixed assets were 3,357 million yen, an increase of 495 million yen from June 30, 2016. Despite a 21 million yen decrease in investments, the increase was mainly attributable to a 236 million yen increase in tangible assets, a 280 million yen increase in intangible assets and other assets, and other factors.

### **(Liabilities)**

Total liabilities as of December 31, 2016, were 6,938 million yen, an increase of 2,964 million yen from June 30, 2016.

Current liabilities were 3,525 million yen, an increase of 971 million yen from June 30, 2016. The main factors included a 370 million yen increase in accounts payable – trade and 645 million yen increase in the current portion of long-term debt.

Fixed liabilities were 3,413 million yen, an increase of 1,993 million yen from June 30, 2016. This was primarily attributable to the 1,985 million yen increase in long-term debt, and other factors.

### **(Net Assets)**

Total net assets as of December 31, 2016, were 6,266 million yen, an increase of 577 million yen from June 30, 2016.

The main factors included a 451 million yen increase in retained earnings, a 64 million yen increase in foreign currency translation adjustments, and other factors.

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

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

## **2. Other Information**

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

Not applicable

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

Not applicable

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

Not applicable

### 3. Consolidated Financial Statements

#### (1) Consolidated Balance Sheets

(Millions of yen)

	As of June 30, 2016	As of Dec. 31, 2016
	Amount	Amount
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	3,321	4,626
Notes and accounts receivable - trade	1,592	2,086
Merchandise	722	1,148
Operational investment securities	744	1,175
Short-term loans receivable	3	423
Other	463	401
Allowance for doubtful receivables	(42)	(12)
<b>Total current assets</b>	<b>6,802</b>	<b>9,848</b>
<b>Fixed assets</b>		
Tangible assets	409	645
Intangible assets		
Goodwill	133	186
Software	739	904
Other	71	133
<b>Total intangible assets</b>	<b>943</b>	<b>1,223</b>
Investments and other assets		
Investment securities	944	784
Other	565	704
<b>Total investments and other assets</b>	<b>1,510</b>	<b>1,488</b>
<b>Total fixed assets</b>	<b>2,862</b>	<b>3,357</b>
<b>Total assets</b>	<b>9,663</b>	<b>13,204</b>



	(Millions of yen)	
	As of June 30, 2016	As of Dec. 31, 2016
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable – trade	525	895
Short-term debt	50	-
Current portion of long-term debt	591	1,236
Income taxes payable	457	232
Provision for bonuses	156	141
Other	773	1,020
Total current liabilities	2,553	3,525
<b>Fixed liabilities</b>		
Long-term debt	1,412	3,397
Other	9	17
Total fixed liabilities	1,420	3,413
<b>Total liabilities</b>	3,974	6,938
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,609	1,615
Capital surplus	1,543	1,550
Retained earnings	2,482	2,933
Treasury stock	(281)	(281)
Total shareholders' equity	5,353	5,816
<b>Accumulated other comprehensive income</b>		
Net unrealized gain on available-for-sale securities	249	261
Foreign currency translation adjustments	41	105
Total accumulated other comprehensive income	290	366
<b>Subscription rights to shares</b>	39	58
<b>Non-controlling interests</b>	7	25
<b>Total net assets</b>	5,690	6,266
<b>Total liabilities and net assets</b>	9,663	13,204

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

(Millions of yen)

	Six months ended Dec. 31, 2015	Six months ended Dec. 31, 2016
	Amount	Amount
<b>Net sales</b>	6,857	8,426
Cost of sales	2,925	3,805
<b>Gross profit</b>	3,932	4,621
<b>Selling, general and administrative expenses</b>	3,013	3,890
<b>Operating income</b>	919	731
<b>Non-operating income</b>		
Interest income	0	0
Foreign exchange gains	-	14
Gain on investments in partnership	2	1
Income from subsidies	2	-
Other	2	4
Total non-operating income	7	19
<b>Non-operating expenses</b>		
Interest expenses	3	6
Foreign exchange losses	16	-
Equity in losses of affiliates	15	32
Other	2	1
Total non-operating expenses	35	40
<b>Ordinary income</b>	891	710
<b>Extraordinary income</b>		
Gain on sale of shares of affiliated companies	177	-
Total extraordinary income	177	-
<b>Extraordinary loss</b>		
Loss on valuation of investment securities	-	2
Other	-	2
Total extraordinary loss	-	4
<b>Income before income taxes</b>	1,067	706
<b>Total income taxes</b>	311	229
<b>Net income</b>	756	477
<b>Net income attributable to non-controlling interests</b>	1	2
<b>Net income attributable to owners of the parent company</b>	755	474

# Consolidated Statements of Comprehensive Income

	(Millions of yen)	
	Six months ended	Six months ended
	Dec. 31, 2015	Dec. 31, 2016
	Amount	Amount
<b>Net income</b>	756	477
<b>Other comprehensive income</b>		
Net unrealized gain on available-for-sale securities	(229)	12
Foreign currency translation adjustments	(33)	64
Total other comprehensive income	(262)	76
<b>Comprehensive income</b>	495	553
Comprehensive income attributable to		
Owners of the parent	494	551
Non-controlling interests	1	2

### **(3) Notes on Consolidated Financial Statements**

(Notes on the Going-concern Assumption)

Not applicable

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

Not applicable

(Segment Information)

Six months ended December 31, 2015 (July 1, 2015 through December 31, 2015)

1. Net sales and income/loss by reportable segment

	Reportable segment					(Millions of yen)	
	<i>On Platform</i>	<i>Beauty Service</i>	<i>Global</i>	<i>Others</i>	Total	Adjustments (note 1)	Amounts on the consolidated statements of income (note 2)
Net sales							
Sales to outside customers	2,843	2,731	1,263	20	6,857	-	6,857
Inter-segment sales and transfers	1	7	14	-	23	(23)	-
Total	2,844	2,738	1,277	20	6,879	(23)	6,857
Segment profit (loss)	1,068	230	143	(29)	1,413	(494)	919

Notes: 1. Adjustments in Segment profit (loss) in the amount of (494) million yen include 7 million yen elimination of inter-segment transactions and (500) million yen corporate expense not allocated to any reportable segment.

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

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

(Significant impairment losses related to fixed assets)

Not applicable

(Significant changes in goodwill amounts)

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

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

As a result, goodwill decreased by 17 million yen in On Platform segment during the six months ended December 31, 2016.

(Significant gain on negative goodwill)

Not applicable

Six months ended December 31, 2016 (July 1, 2016 through December 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	3,335	3,727	1,267	97	8,426	-	8,426
Inter-segment sales and transfers	5	1	20	17	43	(43)	-
Total	3,340	3,728	1,287	114	8,469	(43)	8,426
Segment profit	1,245	75	111	28	1,459	(728)	731

Notes: 1. Adjustments in Segment profit in the amount of (728) million yen include 4 million yen elimination of inter-segment transactions and (731) million yen corporate expense not allocated to any reportable segment.

2. Segment profit 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 second quarter of the previous year based on the new segmentation is shown in “1. Net sales and income/loss by reportable segment” in “Six months ended December 31, 2015 (July 1, 2015 through December 31, 2015).”