

February 2, 2018

Summary of Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending June 30, 2018
(Six Months Ended December 31, 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:	February 6, 2018
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, 2017 (July 1, 2017 – December 31, 2017)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of the parent company	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended December 31, 2017	13,851	64.4	1,213	65.9	1,249	76.0	699	47.3
Six months ended December 31, 2016	8,426	22.9	731	(20.4)	710	(20.3)	474	(37.2)

Note: Comprehensive income (million yen) Six months ended December 31, 2017: 467 (down 15.5%)

Six months ended December 31, 2016: 553 (up 11.8%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended December 31, 2017	11.05	10.81
Six months ended December 31, 2016	8.20	7.87

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2017	19,660	11,556	57.4
As of June 30, 2017	18,141	11,013	59.4

Reference: Total equity As of December 31, 2017: 11,289 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	-	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	18.18

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, 2017: 66,000,000 shares

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

2) Number of treasury shares at end of period

As of December 31, 2017: 2,709,806 shares

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

3) Average number of shares outstanding during the period

Six months ended December 31, 2017: 63,207,459 shares

Six months ended December 31, 2016: 57,850,408 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 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 recorded solid growth. The Company is also working on developing new services to attain Medium-Term Business Plan targets and plans to launch new services in stages in the second half of the current fiscal year.
- Beauty Service segment: No new stores opened in this first half, but sales and profit increased year-on-year due to growth of each store.
- 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 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. 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 in the first quarter.

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

Net Sales:	13,851 million yen	(64.4% year-on-year increase)
Operating Income:	1,213 million yen	(65.9% year-on-year increase)
Ordinary Income:	1,249 million yen	(76.0% year-on-year increase)
Income before income taxes:	1,233 million yen	(74.7% year-on-year increase)
Net income attributable to owners of the parent company:	699 million yen	(47.3% 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 half, growth in revenue from established B-to-B services such as branding ads, banner ads and *Brand Fan Club* was especially strong.

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

Net Sales:	3,645million yen (9.3% year-on-year increase)
Segment Profit:	1,401 million yen (12.5% year-on-year increase)

In the second half, the Company plans to launch a new B-to-B service for cosmetics manufacturers from April and revamp B-to-C services, with aggressive promotional campaigns for B-to-C services scheduled for 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.

E-Commerce sales were robust due to efforts to carry more products with a high *@cosme* ranking and increase customer transfer from the *@cosme* site.

With respect to stores in Japan, the Company's policy for this 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 the first half, but sales and profit grew strongly due to growth of each store.

The total number of stores at the end of the second quarter was 24 versus 20 a year earlier.

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

Net Sales:	5,686 million yen (52.6% year-on-year increase)
Segment Profit:	261 million yen (248.9% year-on-year increase)

The Company closed *@cosme store mikke!* GRANSTA store in Tokyo Station (small store format) in January 2018 and plans to open *@cosme store* in two locations in Saitama Prefecture in March.

3) Global segment

The Global segment comprises business operations outside Japan.

Cosmetics E-Commerce sales in China were brisk, partly due to seasonal factors (W11^{*1} on November 11).

Three stores opened in Taiwan in May and June 2017 and 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 the first quarter. The Company booked goodwill amortization of 94 million yen for these three companies in the second quarter (186 million yen in this first half).

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

Net Sales:	3,837 million yen (202.9% year-on-year increase)
Segment Profit:	53 million yen (52.0% year-on-year decrease)

The Company is now preparing to open one store each in Taiwan and Hong Kong in the second half.

Notes

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

*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 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 half, sales and profit grew sharply due to solid growth of the temporary staffing agency and sales of operational investment securities in the Investment and Consultation business in the first quarter.

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

Net Sales:	684 million yen (606.4% year-on-year increase)
Segment Profit:	274 million yen (869.4% year-on-year increase)

(2) Consolidated Financial Position

(Assets)

Total assets as of December 31, 2017, were 19,660 million yen, an increase of 1,519 million yen from June 30, 2017.

Current assets were 11,672 million yen, a decrease of 895 million yen from June 30, 2017. The decrease was mainly attributable to a 1,021 million yen decrease in cash and deposits and a 437 million yen decrease in operational investment securities, and a 539 million yen increase in notes and accounts receivable – trade, a 393 million yen increase in merchandise, and other factors.

Fixed assets were 7,988 million yen, an increase of 2,414 million yen from June 30, 2017. The increase was mainly attributable to a 1,608 million yen increase in goodwill and a 438 million yen increase in investment securities, and other factors.

(Liabilities)

Total liabilities as of December 31, 2017, were 8,104 million yen, an increase of 977 million yen from June 30, 2017.

Current liabilities were 5,051 million yen, an increase of 695 million yen from June 30, 2017. The main factors included a 77 million yen increase in notes and accounts payable - trade, 314 million yen increase in the current portion of long-term debt, and 229 million yen increase in income taxes payable.

Fixed liabilities were 3,053 million yen, an increase of 281 million yen from June 30, 2017. This was primarily attributable to a 282 million yen increase in long-term debt, and other factors.

(Net Assets)

Total net assets as of December 31, 2017 were 11,556 million yen, an increase of 543 million yen from June 30, 2017.

The main factors included a 751 million yen increase in retained earnings and a 120 million yen increase in foreign currency translation adjustments, and a 378 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 Dec. 31, 2017
	Amount	Amount
Assets		
Current assets		
Cash and deposits	6,169	5,148
Notes and accounts receivable - trade	2,282	2,821
Merchandise	1,584	1,977
Operational investment securities	1,629	1,192
Other	915	547
Allowance for doubtful receivables	(13)	(13)
Total current assets	12,567	11,672
Fixed assets		
Tangible assets	824	812
Intangible assets		
Goodwill	2,135	3,743
Software	1,180	1,046
Other	116	616
Total intangible assets	3,431	5,405
Investments and other assets		
Investment securities	471	909
Other	848	862
Total investments and other assets	1,320	1,771
Total fixed assets	5,574	7,988
Total assets	18,141	19,660

	(Millions of yen)	
	As of June 30, 2017	As of Dec. 31, 2017
	Amount	Amount
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,258	1,335
Current portion of long-term debt	1,162	1,476
Income taxes payable	326	555
Provision for bonuses	173	200
Other	1,436	1,485
Total current liabilities	4,356	5,051
Fixed liabilities		
Long-term debt	2,756	3,038
Other	16	15
Total fixed liabilities	2,772	3,053
Total liabilities	7,127	8,104
Net assets		
Shareholders' equity		
Capital stock	3,482	3,494
Capital surplus	3,417	3,429
Retained earnings	3,535	4,285
Treasury stock	(281)	(281)
Total shareholders' equity	10,153	10,927
Accumulated other comprehensive income		
Net unrealized gain on available-for-sale securities	546	168
Foreign currency translation adjustments	74	193
Total accumulated other comprehensive income	620	361
Subscription rights to shares	75	81
Non-controlling interests	165	187
Total net assets	11,013	11,556
Total liabilities and net assets	18,141	19,660

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Six months ended Dec. 31, 2016	Six months ended Dec. 31, 2017
	Amount	Amount
Net sales	8,426	13,851
Cost of sales	3,805	7,097
Gross profit	4,621	6,754
Selling, general and administrative expenses	3,890	5,541
Operating income	731	1,213
Non-operating income		
Interest income	0	1
Foreign exchange gains	14	22
Gain on investments in partnership	1	5
Equity in gains of affiliates	-	3
Other	4	12
Total non-operating income	19	43
Non-operating expenses		
Interest expenses	6	7
Equity in losses of affiliates	32	-
Other	1	0
Total non-operating expenses	40	7
Ordinary income	710	1,249
Extraordinary loss		
Loss on valuation of investment securities	2	-
Impairment loss	-	14
Other	2	2
Total extraordinary loss	4	16
Income before income taxes	706	1,233
Total income taxes	229	508
Net income	477	726
Net income attributable to non-controlling interests	2	27
Net income attributable to owners of the parent company	474	699

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Six months ended Dec. 31, 2016	Six months ended Dec. 31, 2017
	Amount	Amount
Net income	477	726
Other comprehensive income		
Net unrealized gain (loss) on available-for-sale securities	12	(306)
Foreign currency translation adjustments	64	120
Share of other comprehensive income of associates accounted for using equity method	-	(71)
Total other comprehensive income	76	(258)
Comprehensive income	553	467
Comprehensive income attributable to		
Owners of the parent	551	434
Non-controlling interests	2	33

(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, 2016 (July 1, 2016 through December 31, 2016)

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	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 (loss)	1,245	75	111	28	1,459	(728)	731

Notes: 1. Adjustments in segment profit (loss) 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 (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

Six months ended December 31, 2017 (July 1, 2017 through December 31, 2017)

1. Net sales and profit/loss by reportable segment

							(Millions of yen)
	Reportable segment					Adjustments (note 1)	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	3,645	5,686	3,837	684	13,851	-	13,851
Inter-segment sales and transfers	11	28	18	4	60	(60)	-
Total	3,655	5,714	3,855	688	13,912	(60)	13,851
Segment profit (loss)	1,401	261	53	274	1,989	(776)	1,213

Notes: 1. Adjustments in segment profit (loss) in the amount of (776) million yen include 5 million yen elimination of inter-segment transactions and (781) 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 first half 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