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To whom it may concern,

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## Summary and Supplementary Notes from the Q&A Session at the Financial Results Briefing for FY2025

### ■ Consolidated

#### 1. Why are the operating profit margins for the Marketing Solution and Retail businesses projected to decline in FY2026 compared to the previous year? The revenue growth seems conservative.

This fiscal year's theme is investment in top-line growth and strengthening the management foundation to achieve our mid-term targets.

In the Marketing Solution business, we are focusing on hiring and organizational development for the new labor-intensive "Data Consulting" service. We are also upgrading our advertising-related systems. In the Retail business, we plan to enhance customer experience by increasing store staff and upgrading our core EC systems.

Although costs will precede returns, these are necessary investments to improve productivity and maximize future profitability as the business scales.

#### 2. What is driving the steady growth of the newly disclosed KPI "Total User Actions" \* over the past six years?

We have long built a database to visualize future potential customers for brands, capturing user actions from browsing reviews to making purchases.

Rather than simply accumulating action counts, we evaluate their value to brands. In recent years, store



expansion has led to increased use of media and EC starting from real-world interactions, boosting user actions both online and offline.

This has enriched our data, deepened user understanding, and improved the quality of communication between users and brands, creating a virtuous cycle of increased user actions.

(\*Total User Actions = Number of users taking action × Number of actions per user)

### **3. When did you start feeling the increased value of the @cosme platform?**

We began to feel a shift with the reopening of the Harajuku flagship store “@cosme TOKYO” and the launch of “@cosme OSAKA” in 2023.

These stores changed perceptions not only among consumers but also among cosmetics manufacturers and developers.

As more brands began using both media and stores, user-brand engagement accelerated. Participation from smaller brands and support from inbound customers further solidified our market position.

Two symbolic events highlight this shift:

1. Many luxury brands joined the launch of “@cosme OSAKA,” even with existing relationships with nearby department stores—proof of @cosme’s recognized value.
2. We opened “@cosme NAGOYA” in collaboration with JR Nagoya Takashimaya, a former competitor. This new partnership model could expand flagship store opportunities.

Our profitability from the Marketing Solution business enables us to invest in retail DX, offering seamless online-offline experiences—something general retailers struggle to achieve. We believe we’ve reached a level that others cannot easily replicate.

### **4. Why is istyle’s market share expanding rapidly despite a flat cosmetics market? What is the outlook for securing brand budgets?**

While the market appears flat, we believe there is still room for growth.

@cosme is increasingly recognized as a platform that attracts customers both online and offline, leading brands to invest more.

As @cosme is acknowledged as a place where products sell, more brands engage on the retail side, which in turn drives marketing solution transactions. With 34 domestic stores and many areas still untapped, there is ample room for expansion. Our goal is not just sales, but to create a trusted and enjoyable shopping experience that enhances brand value. This trust capital will be a key driver of future growth.

**5. As consolidated sales have steadily expanded post-COVID, how do you expect the composition and status of partner brands to change in the current plan versus previous years?**

In the Marketing Solution business, we previously focused on major brands but have also worked with smaller and emerging brands with high potential for user recognition. As these brands gained visibility on @cosme, transaction volumes grew significantly, contributing to our performance. While the proportion of major brands has declined relatively, their transaction volumes continue to grow steadily.

In the Retail business, luxury brands have led the way, but Korean brands are increasingly prominent. However, brand dynamics vary by channel and price range, so this should be seen as a general trend.

**■ Marketing Solution Business**

**6. The Marketing Solution business is projected to reach ¥11 billion in sales this fiscal year. Is this in line with your expectations? What drives its high operating profit margin?**

The Marketing Solution business has grown faster than expected in recent years. We expect to surpass ¥10 billion in sales and will continue to build on this growth to achieve our mid-term targets of ¥100 billion in sales and ¥8 billion in operating profit.

In FY2025, the operating profit margin for this segment was 29.2%, compared to 5.8% for the Retail business. This high margin is due to the business model's low variable costs and a high marginal profit ratio of around 90%.

**■ Retail Business**

**7. What are your plans for opening new flagship stores?**

We are considering expansion into major urban areas in Japan, but specific timing, locations, and scale are yet to be determined. While we aim to increase flagship stores, we will first revisit the concept and explore how to create new and meaningful customer encounters.

**■ Global Business**

**8. Why did you choose Hong Kong for your first overseas flagship store “@cosme HONG KONG”?**

We've operated stores in Hong Kong since 2018 and have long seen its market potential. Despite temporary challenges from protests and COVID, the market remains strong. Given the difficulty of opening stores in mainland China, Hong Kong's ease of import/export and market fluidity make it the best location to replicate our domestic platform.

**9. Regarding the plan to achieve profitability in the Global business in FY2026, will this be driven by existing businesses or contributions from the Hong Kong flagship store?**



Our Korean business grew significantly last year, supported by Korean brands aiming to enter Japan. China's cross-border EC business is recovering due to improved operations and product offerings.

In addition to revitalizing existing businesses, we will apply the know-how from our Japanese flagship stores to the Hong Kong flagship store to replicate our success abroad.

These three factors form the basis of our plan to achieve profitability in the Global segment.