04

The essence of "Profit Opportunities are Shifting Downstream“

(2) Data-Driven Value Creation

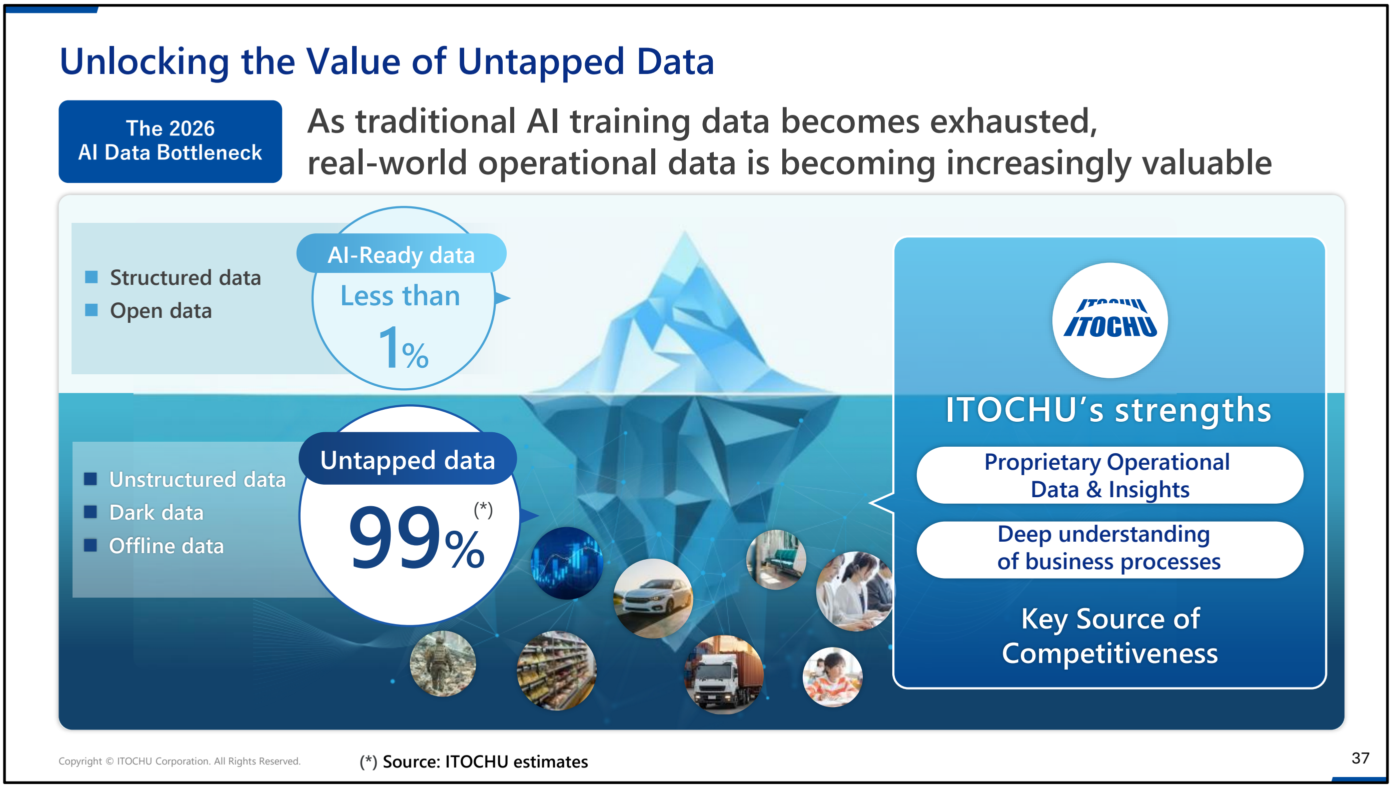
ICT & Financial Business Company

Shunsuke Noda

Senior Managing Executive Officer
President, ICT & Financial Business Company;（Since 2024）
Deputy COO

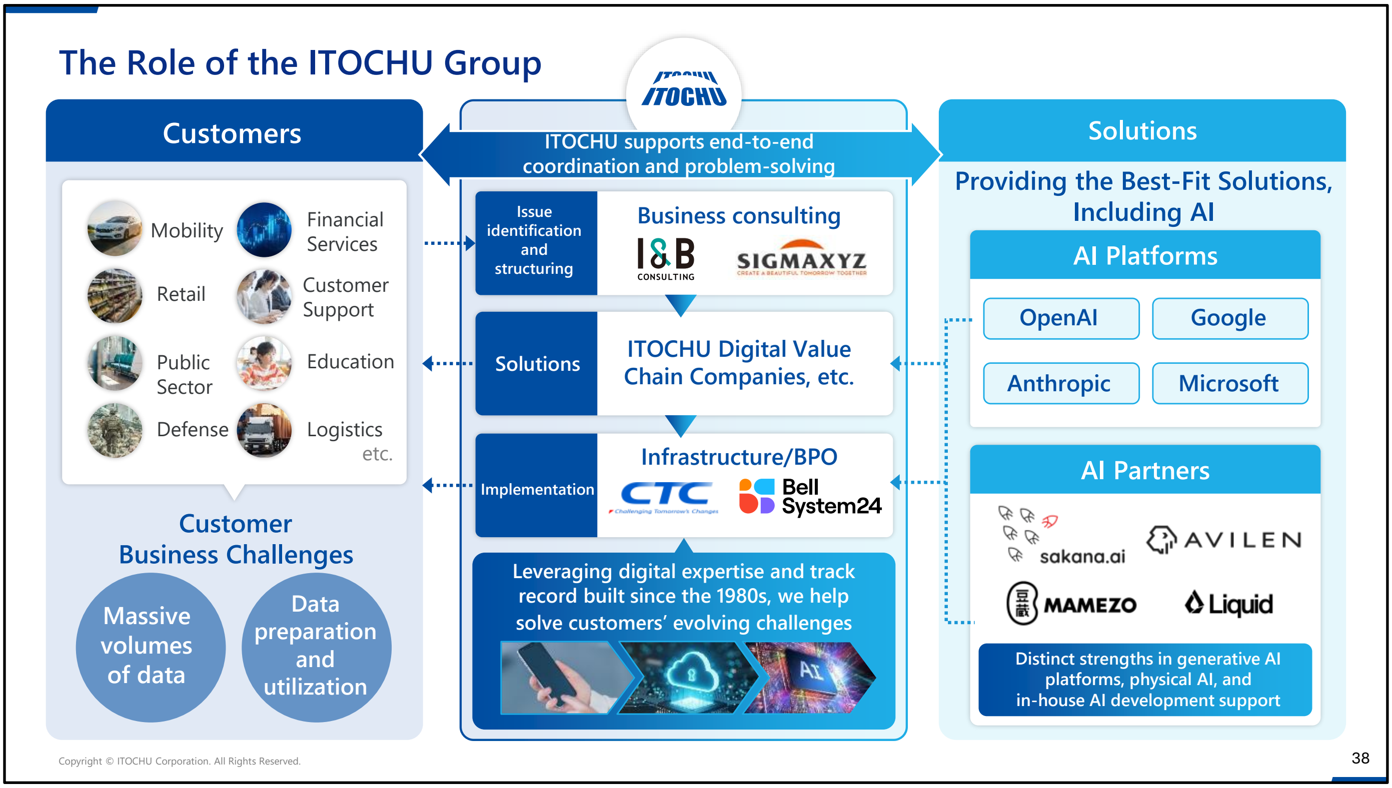
- Joined ITOCHU in 1987; worked in the information and communications business, was seconded to CTC, and has been involved in the development of the internet business since the dawn of the internet era
- Has served as President and Representative Director of Excite Japan Co., Ltd., General Manager of the Corporate Planning & Administration Division, and as CSO, CDO・CIO
- Has served as President of Bellsystem24 Holdings before the current position

I would like to explain the latent potential of data utilization.



While generative AI has evolved rapidly in recent years, it is said that public data and general structured data available for AI training and inference are becoming exhausted. In this context, live information existing at the front line is becoming increasingly important.

Generative AI is trained mainly on general-purpose data accessible through the internet, but it is said that such data represents less than 1% of all data in Japan. The remaining 99% consists of so-called "dark data," including offline information and confidential internal corporate information, and other forms of unstructured data. We believe that a key source of competitiveness lies in how effectively we can convert the unique first-hand information generated across our Group's business frontlines, as well as our deep industry-specific expertise, into usable data and make it available for AI applications.



Next, let me explain our Group's IT service delivery framework.
At the core of this framework is CTC, a system integrator that was privatized in fiscal year 2023. In the upstream consulting domain, we have strategic partners such as SIGMAXYZ and I&B Consulting, a joint venture with Boston Consulting Group. In the downstream BPO domain, we have BELLSYSTEM24, which operates contact centers, enabling us to build an integrated digital value chain that responds to customers' IT needs seamlessly from consulting through implementation and operations.

For over 30 years, we have established a venture network across the globe, including Silicon Valley in the United States, consistently keeping abreast of the latest IT technologies and service models, and have continued to invest in venture funds. To capture the growth potential of startups, we have also actively made direct investments in venture companies in Japan, the US, and elsewhere.

Japan's generative AI-related market is highly segmented, with a diverse range of AI-related companies. Therefore, rather than partnering with a single company, we collaborate with multiple AI partners depending on the specific challenges to be addressed. For example, we partner with Sakana AI for generative AI foundational technology, with Mamezo for physical AI, and with AVILEN for supporting in-house AI development. Beyond these, our policy is to work with the most suitable AI partners for each theme in order to deliver cutting-edge AI solutions.

Next, I would like to introduce two specific examples of how our Group is utilizing data.

The first example is an initiative by HOKEN NO MADOGUCHI GROUP, which became a wholly owned subsidiary in FY2025. The company holds the top share in the multi-line insurance agency industry, operating at about 700 locations nationwide. By using AI to streamline the creation of customer interaction records generated through approximately one million consultations annually, they are advancing the sophistication of operations that deliver proposals tailored to customer needs from a wide range of insurance products.

The second example is from BELLSYSTEM24, which operates contact centers. The company receives about 500 million calls annually and records or transcribes all response histories for the purpose of improving service quality. By applying AI to analyze and convert these VOC (voice of the customer) data into actionable knowledge, they are promoting the automation of customer responses. However, full automation of contact center operations is not easy; a hybrid model in which both AI and human operators each play their respective roles is the most practical approach at present. It is expected that the proportion handled by AI will increase, but BELLSYSTEM24 is leveraging its strength in optimal operations to further this initiative.

We are strong in retail and have numerous customer touchpoints. However, the data obtained from these touchpoints is not always organized for AI utilization. By first organizing the data and then advancing AI utilization, we aim not only to achieve operational efficiency but also to enhance the added value of customer services.

The 8th Company

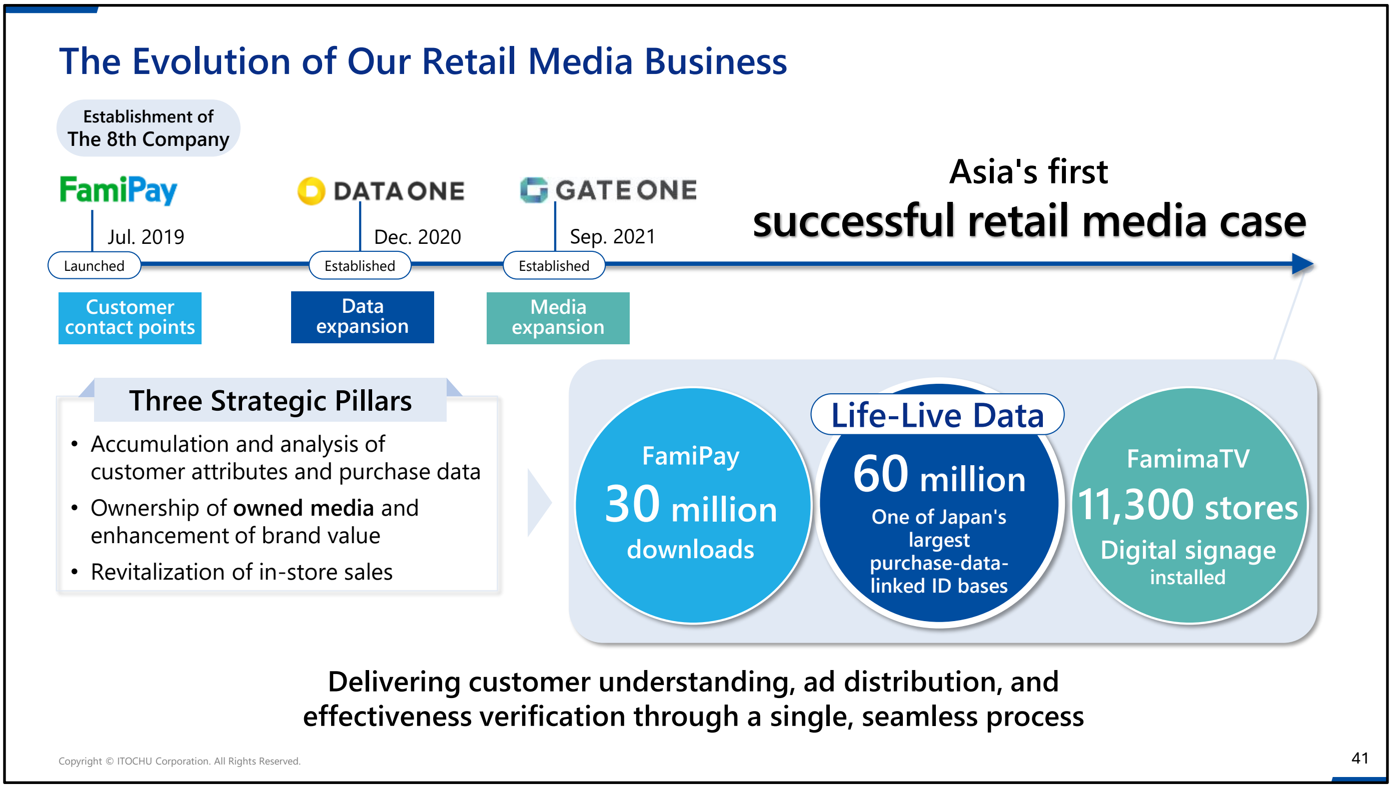
Kensuke Hosomi

Managing Executive Officer
President, The 8th Company （Since 2026）

- Joined ITOCHU in 1986; he has long been engaged in brand marketing,primarily in the Textile Company
- In 2019, he was appointed President upon the establishment of The 8th Company
- Most recently, from 2021 to 2025, Served as President of FamilyMart

Until the end of February this year, I served as President of FamilyMart. Thank you very much for purchasing our products every day, including the Shohei Ohtani rice balls, Fami-Chiki, and, more recently, our chewy bread products.

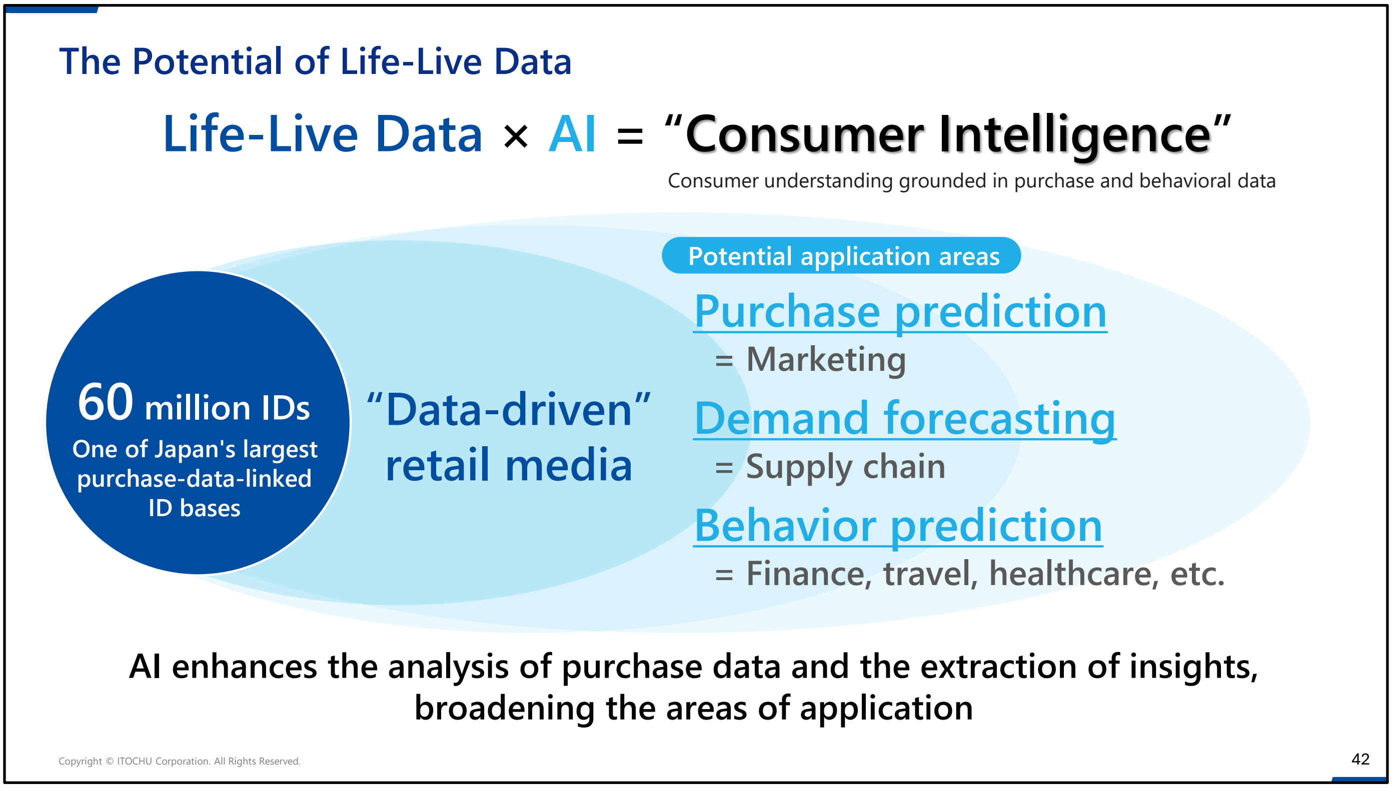
As a milestone in FamilyMart’s media strategy, tomorrow we will open a next-generation concept convenience store in Azabudai Hills, created through a collaboration between FamilyMart and NIGO, the world-renowned designer who led HUMAN MADE to its public listing. From Asian retailers with whom I had worked during my time in the fashion business, we have already received requests to bring this store concept to markets across Asia.
It is a highly compelling store where the convenience store format merges with creativity and offers a sense of the future. I hope you will have an opportunity to visit.



The retail media business, the first successful case of its kind in Asia, began with The 8th Company's founding vision in 2019: to create new businesses with FamilyMart as a foundation.

This business has been built on three strategic pillars. The first is the accumulation and analysis of customer attributes and purchase data. The second is the ownership of owned media and the enhancement of brand value. The third is the revitalization of in-store sales beyond traditional SKU-by-SKU management. To accumulate and analyze customer attributes and purchase data, we promoted downloads of FamiPay, a store app with payment functionality, at FamilyMart stores seven years ago. The app has now reached 30 million downloads. To diversify data and enhance analytical capabilities for the advertising business, we established Data One in December 2020. Today, data collaboration with supermarkets and drugstores has deepened, and we hold 60 million customer IDs and ¥10 trillion in related in-store purchase data, covering around 30% of purchases in this domain in Japan. We call this highly up-to-date purchasing data, which is refreshed daily, "Life-Live Data." In September 2021, we established Gate One and advanced our strategy of owning media by installing digital signage in FamilyMart stores. These displays are now installed in 11,300 stores and have become a media platform viewed by 18 million people each day—comparable in scale to one of Tokyo's major TV networks. As a result, ITOCHU now has both real-store infrastructure—16,000 stores with apps and signage as digital touchpoints—and digital infrastructure comprising 60 million IDs and ¥10 trillion in related data.

In other words, ITOCHU has built an integrated framework that can leverage its membership base, media, and data to reach a wide range of industries, including in-store product display and sales centered on food at FamilyMart stores. The ability to seamlessly execute customer understanding, ad delivery, and effectiveness verification is a key strength of our group’s retail media business.



Because Life-Live Data is extremely large in volume, making use of it had required considerable time and effort. However, generative AI has dramatically expanded its potential. By leveraging generative AI, we are now able to analyze large-scale, cross-retail purchase and behavioral data both quickly and effectively, allowing us to extract actionable insights to support decision-making.

For example, we can now clearly identify trends such as what products consumers who purchase certain items at convenience stores tend to buy at drugstores. Moreover, the ripple effects of advertisements placed at convenience stores on purchasing behavior at drugstores can now be visualized instantly. In other words, instead of simply possessing data as records, we are now able to transform it into Consumer Intelligence, deepening our understanding of consumers. Building on this foundation, we aim to further advance our retail media business. In the medium- to long-term, we plan to expand the utilization of this data beyond advertising and marketing, including applications such as supply chain optimization through demand forecasting. Over the past five years, our advertising-related revenue has surpassed ¥10 billion and is expected to continue growing. Looking ahead, we also intend to broaden our data utilization to adjacent fields such as finance, travel, and healthcare. Through these initiatives, we aim to create new business opportunities as the 8th Company.

Examples of Initiatives to Enhance Advertising Value

- Cross-retail effectiveness verification
- Leveraging store assets

Membership base, media, and data
combined to
maximize advertising value

In-store linked campaign

Record-high sales *

- FamimaTV ad broadcast
- Linked with the FamiPay app, social media, and in-store merchandising
- Advertising effectiveness analysis and feedback

*Over the past 5 years, first-week unit sales of new beverage products

"FamilyMart as Retail Media" — test-drive event

- FamimaTV ad broadcast
- Test-drive events held in the store parking lots

▶ Toward "**a convenience store that even sells cars**"

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I would like to share two examples of how FamilyMart's retail media is being used.

The first is the launch of NOPE, a highly carbonated beverage. By linking the in-store merchandising, app, and digital signage, we achieved the highest first-week sales for a new beverage product in the past five years. This enabled us to promote the new product at exceptional speed. This demonstrates a major shift from a convenience-store model supported by SKU-by-SKU management to a strategy that uses media power to promote manufacturers' products—not private brands—and receive promotional and advertising fees. After the initiative, we conducted detailed effectiveness verification using purchase data and FamiPay surveys through the app, and provided advertisers with feedback based on a variety of data.

The second example is a sales event using FamilyMart parking lots in collaboration with an automobile dealer. We conducted the first trial in spring 2025. Signage advertisements for Hyundai of Korea were shown for two weeks at approximately 800 stores in the Tokyo metropolitan area—Tokyo, Chiba, Kanagawa, and Shizuoka. This was followed by test-drive and sales events for about one week in the parking lots of 10 stores. Although the vehicles were not inexpensive, the initiative resulted in sales of nearly 50 units. We believe the ability to take a test drive at a convenience store—in other words, close to home—helped lead to purchases. We have also achieved results in subsequent sales initiatives with another automobile dealer. We call this concept "FamilyMart Whole Store Media."

By combining owned media and third-party media such as social media, convenience stores can serve as vital last-mile infrastructure, particularly in regional areas where local infrastructure is declining. Adding the essence of Consumer Intelligence to this framework may open the next stage of retail.

Combining real-world data infrastructure with AI to help companies solve marketing challenges is the next key focus for The 8th Company.