

Retail Media Business (The 8th Company) (Investor Briefing): Q&A Summary

Date: June 30, 2025 (Mon.) 15:30 to 17:00
Presenters: Hiroshi Nakamoto, General Manager, The 8th Company
Fuyuki Kokuryu, President of Data One Corp.
Mediator: Kazunori Harada, General Manager, Investor Relations Division
Terminology: FM = FamilyMart

- Q: Could you explain the sources of profit for Data One and Gate One? Are revenues generated based on the number of digital signage broadcasts, or is the revenue structure based on actual purchases resulting from advertisements?
- A: (Respondent: Nakamoto) Please note that Data One operates as an advertising agency, while Gate One functions as a media operating company such as a TV station. Data One engages in advertising sales to place advertisements on media such as digital signage, FamiPay, YouTube, and Instagram, etc, receiving advertising fees from advertisers. Data One deducts agency commissions and delivery fees, then pays media fees to media operating companies, including Gate One.
- Q: Regarding Co-Buy, as disclosed on page 28 of the presentation materials, how does the proprietary algorithm engine based on purchase ROI contribute to the earnings of Data One and Gate One?
- A: (Respondent: Kokuryu) Co-Buy is a system for purchasing advertising inventories from third parties such as YouTube and TikTok. Our company is an advertising agency that procures and sells those inventories, so acquiring more effective advertisement inventories is crucial. By adding value through targeting and analysis utilizing purchase data, we have been able to improve profit margins.
- Q: What is the approximate "hit rate" at which advertisements lead to actual purchases?
- A: (Respondent: Kokuryu) It is difficult to provide a specific number because a hit rate varies significantly depending on the degree of segmentation, media, and product. As an image, it is about one conversion for every 1,000 people exposed to the advertisement. In e-commerce, it is said that a few percent reach conversion, but the hit rate is case-by-case.
- Q: Is the expansion of advertising IDs the key factor as a parameter?
- A: (Respondent: Kokuryu) The number of advertising IDs is important. Furthermore, we enhance added value by combining them with the purchasing data we own. For example, when promoting carbonated beverages, rather than indiscriminately distributing advertisements, targeting individuals with a purchase track record of carbonated beverages in the past three months increases the probability of purchase by three to four times.
- Q: It was mentioned that the number of IDs has expanded to 50 million. Considering the population of Japan, what is the upper limit?
- A: (Respondent: Nakamoto) We recognize that the upper limit is around 70 million unique individuals. In addition to simply expanding the number of IDs, it is necessary to capture consumer purchasing trends and interests from multiple perspectives, utilizing data from all retail formats such as convenience stores, drugstores, supermarkets, and home improvement stores, etc. Through data collaboration with various retail formats, our service offerings will become increasingly comprehensive.
- Q: I understand Data One is No. 1 retail media business in Japan. What are the different factors compared to other companies? Is it the large number of advertisers you have, or the scale of advertising IDs?
- A: (Respondent: Nakamoto) It is difficult to define No. 1, but we are often referred to as a top runner. One

different factor is the number of IDs. Additionally, we were among the first to develop digital signage and have expanded to 10,000 stores, establishing a mass media that complements television. Providing advertising solutions that connect digital data with mass media has been a driver of our growth, but this is not yet the final form.

Q: Compared to general advertising agencies, what strengths does FM have as a media channel? Are there any disadvantages? Also, what is the ratio of Gate One's share among the advertising inventories purchased by Data One?

A: (Respondent: Nakamoto) We initiated this business even before the term "retail media" became widely recognized, believing it was necessary to secure media sales in-house and to have the advertising agency function to sell media. Furthermore, the ability to verify effectiveness linked to purchase data differentiates retail media from other media, so under the hypothesis that we should first establish a system for digital advertisement delivery and effectiveness measurement, we launched Data One. We recognize certain merits in this approach, and conversely, there are cases in which retailers that entrusted large advertising agencies have not been successful. We believe the strategy of launching Data One was correct so far.

A: (Respondent: Kokuryu) The business of Data One is divided into the sale of FM-owned media (Gate One) and the digital media agency business, with sales in approximately a 7:3 ratio. This ratio changes every year, and the share of digital media has been increasing.

Q: Could you clarify the definition of ID numbers? My understanding is that FamiPay has 15 to 20 million IDs, while d POINT CLUB has over 100 million. How do those figures relate to the 40 to 50 million IDs held by Data One?

A: (Respondent: Kokuryu) The 40 million figure refers to the number of data points where advertising IDs are linked to daily POS (purchase) data. In terms of advertising IDs alone, DOCOMO holds over 100 million IDs, and FamiPay has been downloaded approximately 25 million times. The base number is those IDs for which advertising IDs and POS data are linked. However, due to advertising regulations, only IDs with user permission for advertising use can be utilized, which amounts to 40 million IDs.

Q: To what extent can Gate One scale? Digital signages are currently installed in 10,000 out of 16,000 FM stores nationwide. Will the installation be expanded to all 16,000 stores? Or can scale be achieved by filling currently unused advertising inventories? As for Data One, given that various companies are engaged in diverse digital advertising businesses, it is unlikely that advertisements will be placed exclusively with Data One, and if the advertising is limited to products sold in retail stores, how will you expand your reach? What is your vision for scaling beyond the FYE 2029 operating profit target of ¥10.0 billion?

A: (Respondent: Nakamoto) Regarding signage installation, expanding to all stores is difficult because there are physical constraints on the store side, but we believe it can be increased to 13,000 to 14,000 stores. The usage rate of advertising inventories fluctuates greatly by month, but currently averages 60% to 70%. If we can approach full utilization, sales could double or more compared to current levels. Data One's strengths are the number of IDs and the ability to track exposure to advertisements broadcasted by Gate One at actual stores. Leveraging these strengths, as seen in our case study with Google, if we can connect purchase data as a starting point to other media, we believe we can pioneer a new area of advertising and gain a certain market share. While reaching the scale of Walmart may be difficult, our near future goal is operating profit of ¥10.0 billion. To achieve two to three times that level, we believe

it will be necessary to make significant investments and collaborate with larger media, not relying solely on organic growth.

Q: I would like to deepen my understanding of the keyword "Mobile Spatial Statistics." DOCOMO has implemented various initiatives to utilize mobile spatial statistics in marketing, but they do not seem to have been successful. Is it correct to understand that the key to Data One's success is linking purchase data rather than viewing data, and increasing data volume in multiple ways with physical stores? Can the use of Mobile Spatial Statistics become a further growth driver? If KDDI and Lawson take a similar approach, what will be competitive advantage? As you commented "not yet the final form," will you be able to maintain your competitive edge as the business evolves?

A: (Respondent: Nakamoto) Regarding Mobile Spatial Statistics, many companies utilize data as a basis for marketing, and I understand that FM also uses statistical data when considering store location strategies. As for our competitive advantage over other companies, at least, we have been building various initiatives four to five years ahead, and we intend to continue refining our solutions through continuous innovation to stay ahead of competitors.

Q: Could you share your perspective on capital investments for future growth? In achieving the operating profit target of ¥10.0 billion, what kind of capital is currently lacking, and what are your plans regarding human capital and capital investments? In addition, while improving ROI as an advertisement is a benefit for advertisers, I believe there are synergies with other businesses in the ITOCHU Group, such as increased sales at FM. Are such synergies recognized separately, and are there any specific figure targets?

A: (Respondent: Nakamoto) Technologies and signages require periodic investment for maintenance and further functional enhancements. The investment efficiency for signage and installation work itself is several tens of percent, and we believe the returns are reasonable. Furthermore, in order to expand the market and enhance functions, we are considering a range of capital and business alliances, both large and small. However, we do not consider investments on the scale of several hundred billion yen.

A: (Respondent: Kokuryu) As for synergies with FM, we have implemented in-store collaborative planning. Convenience stores serve not only as sales points but also as new experiential touchpoints. This has led to increased sales of existing products and also products that were not previously handled, resulting in significant synergies. We recognize retail media as a consumer communication platform, and by owning such a platform, we can use it for our own sales promotions and as a means of approach when launching new services, which results in substantial synergy effects.

A: (Respondent: Nakamoto) Regarding synergies, we regularly listen to consumer's voices, and we often hear that stores have become livelier by the signages, or that customers visit to watch new songs or promotional videos of their favorite groups being played on signage. Such voices are also frequently posted on social media, and we feel that we could help to evolve the in-store and shopping experience at FM.

Q: Regarding advertisers for signage, it was mentioned that 70% are non-endemic (companies whose products or services are not handled at FM). How do you expect this ratio to change in future? As recognition and appeal of signage are rapidly increasing, I understand that there is room for growth in both the number of installed stores and the usage rate of advertising slots. In addition, I believe unit price per slot is another factor. To differentiate from existing media, visualization of advertising effectiveness is critical. Could you share your perspective on unit price per advertising slot?

- A: (Respondent: Nakamoto) Since the number of installed stores exceeded 10,000 last year, more advertisers have started to use signage as a media channel to reach consumers, and the number of non-endemic advertisers has steadily increased. In the past, when FamilyMartVision was not widely known, we conducted campaigns such as "buy one, get one free," mirroring FM campaigns. While we continue some of these campaigns, since the end of last year, with increased recognition, there have been times when advertisement inventories are fully booked. As advertising demand fluctuates, we believe that offering optimal slots to meet the diverse needs of both large and small clients will lead to higher unit prices. To this end, we are working on increasing materials that appeal to advertisers, such as partnering with existing advertising agencies that have TV advertising data to verify the recognition effect when TV advertising is combined with retail media. Ultimately, by linking with digital conversion data (such as app usage history) held by Google and others, we believe we can further enhance analysis accuracy and increase the value of advertising slots, leading to further growth.
- Q: When verifying effectiveness through combinations with other media, I believe it is necessary to demonstrate the effect of adding advertising IDs. For example, if a purchase at FM is made using d POINT rather than FamiPay, is there a mechanism to capture purchasing behavior at FM?
- A: (Respondent: Nakamoto) That understanding is correct. Purchase data from users who have granted data usage permission as FamiPay or d POINT members is collected in Data One.
- Q: What are the advantages for non-endemic companies in advertising on FM's digital signage?
- A: (Respondent: Nakamoto) For endemic advertisers, the direct benefit is increased product handling at FM, which is easy to understand. Recently, many advertisers have felt that it is difficult to effectively reach their intended target audiences using only one media channel, particularly TV commercials, due to the decline in the number of TV viewers. Also, digital advertisements are often buried among the vast number of advertisements and media, making it difficult to achieve effective recognition. Customers visit FM are well mixed in terms of frequency of visit and demographics, and survey results from FamiPay and DOCOMO have also confirmed that FM can be an effective method of increasing awareness among demographics that are difficult for advertisers to reach through existing media, given the current contact and relationships between the mass media.