Investor Briefing on FY 2025 1st Half Business Results: Q&A Summary

Date: Nov 7, 2025 (Fri.) 10:00 to 11:30
Respondents: Keita Ishii, President & Chief Operating Officer; Chief Strategy Officer
Tsuyoshi Hachimura, Chief Financial Officer
Shuichiro Yamaura, General Manager, General Accounting Control Division
Terminology: CTC = ITOCHU Techno-Solutions, FM = FamilyMart, CM = CSN Mineração

Opening Explanation: FY2025 Full-Year Forecast (CFO Hachimura)

The full-year forecast for consolidated net profit remains unchanged at ¥900.0 billion, but the forecasts for each segment and for core profit have been revised. With respect to core profit, reflecting positive changes in the business environment and the strong earning power demonstrated by our Non-Resource Group companies in the first half, we have secured a solid outlook for the second half. Although there have been some delays in turnaround projects, management is firmly committed to ensuring that all designated turnaround cases are resolved within this fiscal year.

First, regarding changes in the business environment, the biggest factor is the reassessment of recession risk.

At the beginning of the fiscal year, due to the extremely high uncertainty over the economic outlook—including tariff policies by the Trump administration—we incorporated a total recession risk of -¥40.0 billion, referencing the situation in FY2020 when core profit fell by 6.8% due to the COVID-19 pandemic, even though the direct impact of tariffs was estimated to be limited to a reduction of ¥10.0–15.0 billion. Six months later, developments regarding US tariffs have stabilized, and considering factors such as improving US-China relations, the outlook for interest rate hike by the Bank of Japan and interest rate cut by the FRB, as well as China's economic prospects, the overall business environment has significantly improved. This has now been incorporated as a major premise in our current forecast.

Not all Group company profit forecasts have been revised, and while some Group companies may appear unbalanced between the first and second half, these should be understood as conservative estimates. We have revised our forex assumption from ¥140/USD to ¥145/USD. Although we do not expect the exchange rate to remain above ¥150/USD for a prolonged period, this ¥5 upward revision has resulted in a positive impact of approximately ¥15.0 billion. Although iron ore prices are currently firm, we have not changed our resource price assumptions since the beginning of the fiscal year. Therefore, with respect to the combined negative impact of exchange rates and resource prices—which was initially estimated at -¥50.0 billion—we have only incorporated +¥15.0 billion from the exchange rate revision, resulting in a revised impact of -¥35.0 billion.

Regarding turnaround projects, the subjects are two coking coal projects, Dole, IFL, and Fuji Oil, and considering some delays especially in the Australian coking coal project and IFL, the contribution prospect has been revised from +¥30.0 billion to +¥20.0 billion. However, both projects have passed their worst phase, and we plan to address them toward the end of the year.

Profit contribution from new investments made in FY2024, including DESCENTE, Kawasaki Motors, Hitachi Construction Machinery, North American power business, CM (Brazilian iron ore business), and C.I. TAKIRON, was initially expected to be about +¥20.0 billion, but has been revised downward by ¥5.0 billion mainly due to exchange losses at CM. The CM business itself is performing well, but due to the depreciation of the US dollar and appreciation of the Brazilian real, evaluation losses on US dollar deposits occurred and a deficit was posted in the first half. However, in the Q1-3 results announced this week, operating profit increased enough to absorb the impact of exchange losses, and we expect a surplus at year-end, but the forecast has been revised downward as the impact of exchange losses differs from the initial assumption. Other businesses are generally in line with the initial plan.

Regarding the impact of Trump tariffs included in recession risk, at the beginning of the year we assumed a negative impact of around ¥10.0-15.0 billion. After the Q1 results, we stated that the impact was minor, and even through the first half, the effect remained limited to a little over negative ¥1.0 billion in some areas of Machinery and Food. However, as the impact of price increases resulting from cost pass-through is expected to become apparent from the second half onward, we determined that it would be prudent to take a conservative approach regarding exports from Japan as well. As a result, the recession risk, which was initially set at -¥40.0 billion, has been conservatively revised upward by ¥20.0 billion, resulting in a current recession risk assumption of -¥20.0 billion. While the actual impact may not reach this level, we have set this figure conservatively for the time being.

The key point is the organic growth in existing businesses and profit contributions from new investments made in FY2025. Although progress in new investments is slightly behind the initial assumption, ¥392.0 billion investments including CAPEX—was executed in the first half. In addition, there are projects that were approved in the first half, with cash outflows scheduled in the second half onwards, totaling just over ¥200.0 billion. The total approved cash outflow is about ¥600.0 billion. Including projects to be scrutinized during the second half, the pipeline amounts to about ¥900.0 billion, and we are currently in the process of narrowing down which projects to proceed with. Even if progress is slightly slow, we do not intend to accelerate investments simply to meet a quota; decisions are always made after thorough scrutiny of each project. In the first half, core businesses in Japan performed better than expected, resulting in a higher proportion of organic growth than initially forecast, while profit contributions from new investments have slightly decreased. Nevertheless, the total is expected to remain within about ±¥10.0 billion.

Taking all this into account, the lower limit for core profit, which was originally set at same as last fiscal year's ¥770.0 billion at the beginning of the year, is now expected to show an upside of approximately ¥30.0 billion. While this improvement may appear to stem primarily from a better business environment, it is even more attributable to the robust performance of individual Group companies, particularly in Non-Resource sector. Please note that this is reflected in the overall outlook, rather than being a simple aggregation of individual company performance.

The most important aspect in reviewing the full-year forecast is to achieve a second consecutive year of record-high profit, surpassing ¥900.0 billion in consolidated net profit. This remains the most critical objective for ITOCHU. While core profit in Resource sector was down by ¥17.0 billion year on year in the first half, core profit in Non-Resource sector has continued to steadily improve.

We fully understand that growth in core profit is essential for evaluating our growth potential, and we will steadily advance the following four initiatives: Organic growth in existing businesses, New investments, Turnarounds in underperforming businesses and Asset replacements. To meet the expectations of shareholders who focus on growth in consolidated net profit, which serves as the basis for shareholder returns, we are prioritizing consolidated net profit growth, regardless of whether it is core profit or extraordinary profit. We do not pursue short-term measures simply for the sake of boosting core profit anyhow. Therefore, please understand that there may be a time lag between growth in consolidated net profit and core profit at various stages. Among the investment projects considered this year, some were expected to contribute to profit immediately. However, after careful review by the Investment Consultative Committee, some projects were sent back for reconsideration, scaled down by modifying the structure, or rejected. We do not intend to pursue large-scale investment projects simply to boost level of core profit. While we believe achieving the lower limit of ¥800.0 billion in core profit this fiscal year is certainly possible, we hope you evaluate future growth potential in core profit from a longer-term perspective.

As of the first half, progress toward the lower limit of ¥800.0 billion in core profit stands at 47%; however, the first half of fiscal year has just ended. While Resource sector remains somewhat weak, provided there is no further deterioration, the ¥800.0 billion target is a fully achievable level.

Q&A

Q: Given the decline in extraordinary profits this fiscal year and the stagnation in core profit growth, some investors have expressed concerns about ability to achieve growth next fiscal year. On the assumption that there may be a time lag between the growth of consolidated net profit and core profit, could you share management's overall strategy and message for maintaining ROE of 15% or higher in the next fiscal year?

A: (Respondent: CFO Hachimura) Maintaining ROE of 15% or higher is the minimum target for ITOCHU. As stated in Integrated Report 2025, our long-term Management Policy is founded on a financial matrix comprising around 10% profit growth, a total payout ratio of 40% or more, and consistently maintaining ROE of 15% or higher. We fully understand that high ROE underpins our current share price and market valuation, and as CFO, ensuring ROE of 15% or higher is a non-negotiable priority. Next fiscal year, while the extraordinary profit of approximately ¥100.0 billion recorded this fiscal year will no longer contribute, if turnaround projects such as the coking coal business, IFL, and Fuji Oil's North American operations make progress, the mere elimination of losses in these could provide at least some tens of billion yen in upside. Furthermore, given that our cost of capital is at least 8%, and considering minimum expected ROI, we anticipate that incremental profit contributions from new investments will continue at a meaningful scale in the next and subsequent years. In addition, we will proactively promote asset replacement going forward. As stated in the Integrated Report 2025, while our strength lies in accumulating profits from medium-sized Group companies with contributed profit of ¥2.0–10.0 billion and from smaller Group companies with profit ¥2.0 billion or less, it is also a fact that some Group companies do not meet our standards in terms of growth rate and asset efficiency. To achieve ROE of 15% or higher, with the premise of maintaining a company-wide ROA of 6% including leverage, in the ALM Committee, I have strongly emphasized the need for asset replacement to our front line, as I did last fiscal year. Recently, I conveyed a message regarding improvements to our existing portfolio at the executive management meeting. Looking ahead, we will continue to pursue growth by combining commitment to growth with asset replacement. However, growing core profit is not easy and requires accumulating high-quality investment opportunities. Grounded in management's strong commitment to increasing consolidated net profit, which is the foundation for shareholder returns, we are targeting over ¥900.0 billion next fiscal year, building on this fiscal year's ¥900.0 billion. As stated in our long-term Management Policy, our commitment to achieving sustainable profit growth remains unchanged, and we maintain our policy of aiming for increased profit in the next fiscal year.

Q: Regarding this fiscal year's increase in dividends to ¥210 per share and the continuation of ITOCHU's progressive dividend: According to the Management Policy, dividends are determined as "The higher of 30% dividend payout ratio or ¥200 per share." At a dividend of ¥210 per share, the profit level that would correspond to a 30% payout ratio is approximately ¥980 billion. There appears to be a slight inconsistency between the current dividend level and the stated Management Policy. Could you clarify your thoughts on the dividend policy and the formula for calculating dividends for next fiscal year and beyond?

A: (Respondent: CFO Hachimura) Based on the financial matrix set out in the Management Policy announced last fiscal year, we established a dividend policy of "The higher of 30% dividend payout ratio or ¥200 per share," within a total payout ratio of at least 40%. However, for the past two consecutive fiscal years, we have proactively raised the total payout ratio to as high as 50%, even as we continue to pursue aggressive growth investments, thereby going beyond the stated Management Policy. With the latest dividend increase, our payout ratio stands at approximately 33%, and as you pointed out, this represents a slight deviation from our current dividend policy formula. The reason for this approach is that, through ongoing dialogue with our shareholders, we have once again recognized the sense of reassurance provided by our track record of ten consecutive years of dividend increases, as well as very strong expectations for another increase this fiscal year. Therefore, as part of this year's shareholder returns, of the ¥170.0 billion share buyback announced at the beginning of the fiscal year, ¥150.0 billion has already been approved and is being executed through December. For the remaining ¥20.0 billion, we decided to demonstrate our commitment in a tangible way by implementing a "¥10 per share dividend increase" as soon as possible. While the ¥150.0 billion share buyback will conclude in December, any further shareholder returns after that would result in a total payout ratio exceeding 50%. Fundamentally, profit growth and shareholder returns should be considered together. Going forward, we will make agile decisions on shareholder returns based on profit performance in the second half of the fiscal year. For shareholder returns in the next fiscal year and beyond, we are reviewing our approach as we formulate our management plan, with a renewed awareness of the strong evaluation and expectations for our progressive dividend.

Q: Regarding the two turnaround projects, could you clarify the current situation? For the Australian coking coal project, you mentioned that stable operations are expected going forward. From panel 2 onwards, is a certain level of profit expected? Also, for IFL, you explained that you are engaging with the Finnish government and log producers to address structural issues. Could you provide an update on the progress toward a resolution within this fiscal year?

A: (Respondent: President Ishii) For the Australian coking coal project, the fault encountered midway through panel 1 turned out to be more complex than initially expected, and we have only recently reached the end point of panel 1. Panel 2, where mining is scheduled to begin in December, is also a short panel, so production volume will not increase significantly, as panel changes will be required again next fiscal year. However, from panel 3 onward, the panels will become longer, and production volumes are expected to stabilize over the course of the year. We have confirmed that there are no faults within panel 2, so mining operations are expected to proceed as planned. Our target is to return to profitability in FY2026, with full profit contribution expected from FY2027 onward. As for IFL, our investee Metsä Fibre is a leading pulp manufacturer in Finland. While other companies in the industry are facing similar challenges, Metsä Fibre and ITOCHU have been taking the initiative to engage with the Finnish government for the benefit of the country's forest industry, and the government has been responsive. Forest owners also share our interests, as they cannot ship logs if the plant is shut down. To ensure a minimum level of profitability, we are considering approaches such as price caps or breakdown pricing for logs. In parallel, we have been discussing changes to the future capital structure. As we have already devoted considerable time to these discussions, we are aiming to reach a resolution within this fiscal year.

Q: Regarding cash flow, you have generated ¥255.0 billion in proceeds from exits during the first half, and asset replacement activities appear to be progressing well toward exceeding ¥300.0 billion for the full year. You have stated that you will carefully evaluate investments without unnecessarily accumulating new investments while maintaining a focus on consolidated net profit growth. Could you share your current outlook on extraordinary gains and losses arising from asset replacement activities for the next fiscal year and beyond?

A: (Respondent: CFO Hachimura) In achieving our core profit forecast of ¥800.0 billion this fiscal year and pursuing further growth in the future, we have high expectations for positive cash flows from improvements in loss-making businesses as well as cash inflows from new investments. However, our planning does not rely on bridging gaps that cannot be filled by these measures. Therefore, in considering how to generate the additional profit against next year's consolidated net profit target of over ¥900.0 billion, we will need to carefully evaluate options in light of the evolving business environment. Fundamentally, organic growth and profit contributions from new investments remain the underlying premise. At the same time, we recognize the need for asset replacement, and across our division companies, there are multiple cases where exits from existing businesses are being considered to facilitate new investments. However, due to a time lag, there is a possibility that extraordinary gains and losses from these asset replacements may appear ahead of core profit growth. We are firmly committed to achieving this fiscal year's consolidated net profit forecast of ¥900.0 billion. For next fiscal year's target of over ¥900.0 billion, we will assess the extent of potential contributions from turnarounds, new investments, and organic growth, and plan to discuss these matters as we approach the end of the fiscal year. It is also important to note that we have consistently addressed all concern projects without exception. Specifically, for the two turnaround projects—Australian coking coal and IFL—we will ensure that neither remains in the negative figure next fiscal year.

Q: Please tell us about your portfolio composition as part of your growth strategy. In your summary of the financial results, you mentioned profit contributions from Japanese domestic Group companies, and the *Investors Guide* highlights business in Japan as a strength, contributing just under half of overall profits and accounting for approximately 60% of total assets. In areas such as Machinery, there are cases where; while investing in Japanese companies, the strategic intent is to expand operations in the North American market. How do you approach balancing growth in overseas markets with your businesses in Japan within the overall portfolio?

A: (Respondent: CFO Hachimura) ITOCHU has strengths especially in Japan's Non-Resource sector, and being part of the prime league allows us to directly access various kinds of primary information, leading to numerous business opportunities. For overseas investments, we carefully assess whether sufficient returns can be secured even under yen depreciation and consider risks such as future foreign currency translation adjustments. For example, in the US, we are actively investing in Independent Power Producer-related projects (IPP) with a robust pipeline and are conducting studies in the realty sector. We recognize the US as a major growth market. In Japan, new growth opportunities are emerging, primarily through horizontal collaboration led by The 8th company, as seen with investments like Seven Bank, Ltd. and AND PHARMA Co., Ltd. Our policy is to provide investment opportunities equally to all segments, provided they meet the investment criteria. For the second half of the fiscal year, our investment pipeline is mainly concentrated in Machinery and General Products & Realty, with prospective projects in both the US and Japan. Other consumer-related areas are mainly focused on the market in Japan. In Resource sector, our primary focus is on turnaround projects, and in the Energy sector, we continually consider the replacement of depleting assets, though we do not intend to make any large-scale investments. Without significantly altering the balance between Resource and Non-Resource, our approach is to further strengthen our areas of expertise while balancing our Japan and overseas business portfolio. Given the current pipeline, we do not expect to proceed with any exceptionally large-scale investments this fiscal year.

A: (Respondent: President Ishii) It is in our Japanese domestic business where we can most closely monitor and understand market conditions and practice meticulous management, including the principles of "Earn, Cut, Prevent." It is true that domestic investments are generally more certain and less volatile. Particularly, in the midstream to downstream domains of the food and energy industries—which are not export-oriented—there are a variety of business opportunities, including the expansion of value chains centered in Japan. Furthermore, with the increasing demand for AI and digitalization among Japanese companies, we can leverage our extensive networks—especially those built around CTC—to propose and implement a wide range of solutions, which is one of our key strengths. Under the current Japanese government's promoting initiatives for building national resilience, and with challenges related to energy and food security, we are well positioned to apply our strengths in these areas as well. While our overseas energy resource investments are not particularly strong, in Japan, together with Group companies such as ITOCHU ENEX, there is significant potential for further business development in areas such as Perovskite solar cell and energy systems. This does not mean that we will not pursue overseas investments; however, we believe there are still considerable growth opportunities in Japan, where we have deep expertise, strong networks, and an ability to accurately align with government policy.

Q: Regarding ROE levels, even under challenging economic conditions, we expect to maintain ROE of 15% or higher, and continue to meet or exceed the historical average of 16%. Could you share your thoughts for achieving this going forward?

A: (Respondent: CFO Hachimura) We fully understand the importance of maintaining the current level and will make every effort to do so. While it is by no means easy, particularly under the yen depreciation environment given the significant impact of foreign exchange rates, we will take all possible measures to sustain our performance.

Q: Regarding the progress of new investments, actual results for the first half appear to be delay behind the initial plan. Could you share management's view on this? Additionally, considering the current pricing and exchange rate environment, could you tell us about your present stance on investments?

A: (Respondent: CFO Hachimura) While the first half result of approximately ¥392.0 billion may seem slow, it does not include projects that have already been approved, such as Seven Bank, Ltd. and AND PHARMA Co., Ltd. The plan for ¥1 trillion of growth investments is not meant to be fully consumed simply for the sake of spending, nor do we rush into investments just because progress appears slow. The Investment Consultative Committee reviews various projects, but with rising acquisition premiums, the expansion of yen basis overseas investment costs due to yen depreciation, and an increase in joint initiatives with partners, the need for the Investment Consultative Committee to carefully evaluate these is growing ever more critical. While it is possible to boost short-term profit levels by executing large-scale investment projects and paying high acquisition premiums, in accordance with "The Four Lessons for Investments," we avoid overpaying and aimed at seizing profit from investees. Having experienced the negative impact of violating these principles firsthand, we do not view careful scrutiny and selection of projects as a negative. At the same time, we understand the importance of executing new investments; for example, we have recently approved a North American realty project, and quality opportunities continue to emerge. The sense against investment returns at the front line is acknowledged, ensuring that even in the current environment, only projects capable of delivering sufficient returns will be selected.

Q: The range of revisions to the segment forecasts announced this time appears to be limited. What is your view on the likelihood of achieving the targets for Metals & Minerals and General Products & Realty, where progress rates are relatively low?

A: (Respondent: CFO Hachimura) While maintaining the full-year consolidated net profit forecast at ¥900.0 billion, we have revised the forecast for each segment to reflect their respective strengths and weaknesses. As you pointed out, even after the revision, Metals & Minerals is still regarded as somewhat weak. As explained earlier, there have been notable updates regarding our key projects, including the status of our Brazilian iron ore business, the operational situation of Australian coking coal project, and a change in the capital structure of our North American coking coal project. Along with the recovery in iron ore market prices, we expect that the worst phase has been passed. On the other hand, at Marubeni-Itochu Steel Inc., while steel pipe prices have rebounded, the building materials business in North America remains somewhat subdued. In addition, ITOCHU's trading businesses of aluminum and uranium, which performed well last year, have been sluggish, so there are some concerns about achieving the revised target of ¥170.0 billion. However, even if there is a downside, we believe it can be fully offset by other segments. Regarding General Products & Realty, although progress has been slow, various countermeasures are being considered, and the President of General Products & Realty has committed to achieve the targets. This commitment is also a commitment to the market, so please be assured.

Q: Regarding the major businesses listed on page 9 of the presentation materials, please tell us about business conditions and future expectations.

A: (Respondent: CFO Hachimura) DESCENTE's full-year forecast remains strong and is considered conservative.

DESCENTE China, operated in partnership with local partner, continues to perform exceptionally well. There are ongoing efforts in rebranding and creating new brand value, and we are seeing additional profit contributions from increased ownership. Regarding CTC, our expectations are even higher. First half results were extremely strong, with record-highs in sales revenue and all profit items, as well as increases in gross and operating profit margins. In addition to a high order backlog, growth is being driven by enterprise segment projects, such as seismic analysis for the electric power industry in Q1, and security-related projects. While the forecast for the second half is conservative, profits typically concentrate in Q4, and there is a trend toward larger projects for Japan's domestic manufacturing clients, so expectations remain high for full-year results. Demand for CTC's core business in hardware sales and network infrastructure deployment also remains strong, and we anticipate further upside. North American power business is trending favorably, including conditions in the power market, and we have revised the forecast upward. There are also investment projects that have already been approved and are scheduled for execution within this fiscal year, providing further upside potential. FM is also performing extremely well, and we have revised its forecast upward. Given the nature of the convenience store business, profits in the second half are typically lower than in the first half, and we are also preparing for the next fiscal year, so the revised forecast remains conservative. FM is steadily increasing profits not only through improvements in product attractiveness, but also through new businesses utilizing purchase data and signage for retail media, as well as the development of Convenience Wear. We believe there is significant potential for further new business creation and growth. Additionally, the alliance with Seven Bank, Ltd. is expected to lead to new business development in the financial-related business in the future.

Q: Regarding risk factors for the second half and next fiscal year, please tell us about both the upside and downside.

A: (Respondent: CFO Hachimura) At the very least, we do not expect any downside risk that would prevent us from achieving the full-year consolidated net profit forecast of ¥900.0 billion. The biggest potential downside risk is Resource sector, including Metals & Minerals, if resource prices fall significantly. In general, the impact of tariffs has already been incorporated, and recession risk is conservatively retained, though it may not actually materialize to that extent. There may also be cases in the pipeline where new investment projects provide immediate effects, and if scheduled investments proceed smoothly, core profit could approach the upper limit of ¥820.0 billion, and if extraordinary profit increases further, there may also be upside to performance.

Q: If the yen appreciates going forward, is there a possibility that investment in the US will increase?

A: (Respondent: CFO Hachimura) It is difficult to expect the current yen depreciation to reverse quickly. Considering the proactive fiscal policy of the Takaichi administration and the interest rate differential between the Bank of Japan and the Federal Reserve Board, the present level of yen weakness is unlikely to change significantly in the near term. However, it is not necessary for the exchange rate to return to the ¥130–140/USD range in order to make overseas investments; the key point is whether attractive returns can be secured even at the current level of exchange rate. Conversely, since projects in overseas that were acquired when the yen was stronger would generate significant profit if sold now, the current circumstance can present an opportunity for asset replacement.

Q: The plan for core profit in the second half appears to be quite challenging. Could you elaborate on the factors that are expected to drive core profit growth in the second half?

A: (Respondent: CFO Hachimura) As mentioned previously, the main concerns for the second half core profit plan are Metals & Minerals and General Products & Realty. Depending on resource prices, demand for steel products, and the operational status of coking coal projects, there is a possibility that achieving the targets may become even more challenging. On the upside, we expect strong momentum from segments for which the forecast was revised upward—Textile, Food, ICT & Financial Business, and The 8th—and consider the revised forecasts to be conservative. Machinery is also regarded as having a somewhat conservative forecast.

Q: Regarding the Australian coking coal project and IFL, could you provide details on the expected profit level after recovery, as well as the extent of the decline compared to the plan?

A: (Respondent: CFO Hachimura) At the beginning of the fiscal year, we explained that the improvement in losses for the two coking coal projects was expected to exceed ¥10.0 billion. Unfortunately, the actual improvement is now expected to be only about half of initially anticipated. However, from the outset, we have stated that a return to profitability for these two projects is expected after FY2026, and our latest outlook remains unchanged in this regard.

Q: Regarding the investment pipeline, it has been explained that Machinery and General Products & Realty are major. What is the reason for focusing on these two sectors?

A: (Respondent: CFO Hachimura) Machinery has a rich pipeline in the IPP area, and we have investment opportunities in construction machinery and industrial machinery, leveraging our financial expertise in North America. In General Products & Realty, especially in realty sector, we are shifting from asset-heavy business models to fee-based models utilizing REITs and funds. We are making various efforts, including the recent approval of investment projects in the US, where many advanced initiatives are being pursued. General Products & Realty has traditionally expanded its business through M&A, including asset replacements, and because various M&A deals are constantly being reviewed, it has a relatively large presence in the investment pipeline.

Q: Please provide an update on the current performance of CITIC.

A: (Respondent: CFO Hachimura) At CITIC's first-half financial results briefing held in September, CITIC explained that while there were adverse effects from the reversal of extraordinary gain, reduced production in the Australian iron ore project, and the sluggish real estate market, 21 of its major group companies posted increased profits. Overall, results were robust even amid the slowdown in Chinese economy. For the second half of the year, the main Comprehensive Financial Services segment is expected to remain strong. In the New-Type Urbanisation segment—which was impacted by the weak real estate market in the first half—profits are expected to improve as projects reach completion in the second half. CITIC Corporation, which comprises the majority of CITIC Limited, has already announced Q1-3 results, and the main Comprehensive Financial Services segment continues to perform well, benefiting from increased profits in banking and securities. Performance remains solid, and CITIC is steadily contributing to ITOCHU's results. Additionally, CITIC has recently been actively engaged in investor relations, and its share price is trending upwards.

Q: Regarding the investment in Seven Bank, Ltd. mentioned on page 16 of the presentation materials, it appears to be a promising opportunity. Can it be expected to serve as a driver of profit growth for the next fiscal year? What is the strategic significance of acquiring a 20% share in Seven Bank, Ltd., whose main business at present is installing ATMs in Seven-Eleven stores?

A: (Respondent: President Ishii) To quote CEO/Chairman Okafuji's words, this is a "*Yompo-yoshi*" (Japanese for "good for all four sides" inspired from "*Sampo-yoshi*"-good for the seller, good for the buyer, and good for society) project—benefiting all stakeholders involved. For Seven Bank, increasing the number of ATM installations has become challenging; however, by adding approximately 16,000 units at FM stores to the existing approximately 28,000 units, the total number will exceed 40,000. The functions of Seven Bank's ATMs are far more advanced than those currently installed at FM stores. In addition to deposits and withdrawals, they offer features such as integration with electronic money, utilization of Individual Number Card, so-called "My Number Card" in Japanese, facial recognition, and 24 hours a day, 365 days a year availability, providing a high level of convenience. As the transaction volume managed by Seven Bank increases, it will also lead to greater customer visits to FM stores. By investing directly in Seven Bank, Ltd.

from ITOCHU, we can expect profit contributions. Furthermore, there is also potential for FM to pursue its own business development, offering opportunities for further profit growth. In the future, leveraging financial functions, convenience stores can play an important role in serving as hubs for disaster response in line with initiatives for building national resilience, and hubs for providing administrative and other essential public services —particularly in depopulated areas where there is substantial potential for utilization. The evolution of digital technology including generative AI is faster than we can imagine; it is unclear whether the term “ATM” will remain in the future, but I believe these machines will continue to evolve, providing services even more closely integrated with people’s daily lives.

Q: Regarding Hitachi Construction Machinery, this week Hitachi Ltd. announced the transfer of approximately 7% of its share. With ITOCHU now holding a 20% share, Japan Industrial Partners (JIP) holding 13%, and Hitachi Ltd. retaining about 18%, and considering that ITOCHU has increased its shareholding this year, could you share your thoughts or a message regarding this situation?

A: (Respondent: CFO Hachimura) Hitachi Construction Machinery itself has announced a change of its corporate name to LANDCROS. Even though Hitachi Ltd. is reducing its share as originally planned, I understand that they have communicated as their relationship will continue going forward. After Hitachi Construction Machinery announced a somewhat conservative outlook and subsequently revised its forecasts several times, our front line has been making effort to maintain close communication. For ITOCHU, Hitachi Construction Machinery remains important—not only as an investment, but also as a partner in our joint financial business in North America. As I have stated before, together with our investment partner JIP, we are committed to being actively involved in the management of the company. Various developments may occur in the future, but for us, Hitachi Construction Machinery is an essential Group company and undoubtedly a core business for the Automobile, Construction Machinery & Industrial Machinery Division in Machinery. We will continue to communicate closely with Hitachi Ltd., Hitachi Construction Machinery, and JIP as we have done so far, and will move forward and consider what structure would be most beneficial.