

In addition, we evaluated the fair value of goodwill and intangible assets based on the most conservative assumptions, reflected the maximum possible loss at the current time, and focused on achieving a lean structure. In these ways, we worked to further improve the content of our asset portfolio.

In the resource field, we decided to sell certain coal interests for which we determined that the coal mine life was nearing an end and losses would increase due to mine closure. In addition, we recorded additional impairment losses on multiple interests. These initiatives were also extended to the consumer-related sector. For example, European Tyre Enterprise Limited, a tire wholesaler and retailer in Europe, currently has steady earning power at about the ¥5.0 billion level, but we conservatively considered external factors, such as the medium to long-term tire demand forecast for the U.K., and consequently we recorded goodwill impairment. In addition, LeSport Sac is a

high-efficiency brand, but we conducted impairment processing for our trademark rights in order to implement an across-the-board replacement and introduce products with higher added value. In addition, we disposed of inventories at retail-related apparel companies. In these ways, we implemented detailed analysis and conducted impairment processing.

Impairment processing totaled approximately ¥90.0 billion, and our net profit in FYE 2016 declined ¥60.2 billion year on year, to ¥240.4 billion. I regret that we did not turn our words into accomplishments, but nonetheless I believe that we made the correct management decision.

⇒ [Page 24 Medium-Term Management Plan](#)

We made steady progress in “strengthening our financial position,” which is one of the basic policies in “Brand-new Deal 2017.” We also moved ahead aggressively with “accelerating asset replacement” and “stringent cash

flow management,” and consequently operating cash flows in FYE 2016 was more than ¥400.0 billion for the third consecutive year. Excluding investment and financing related to the acquisition of CITIC shares, we generated positive core free cash flows of approximately ¥410.0 billion. ⇒ [Page 26 CFO Interview](#)

Even though we implemented approximately ¥90.0 billion in impairment processing, in FYE 2016 we unexpectedly became the No. 1 general trading company in terms of net profit. This was due in part to the effectiveness of our clear strategies and the specific measures based on those strategies, but I think that mismanagement by our competitors—large-scale impairment losses at other general trading companies—was also a major factor. In FYE 2017 and subsequent years, general trading companies will compete with each other on the basis of their strengths. When ITOCHU succeeds in that competition, it will then be the time for our shareholders and Group employees to celebrate our victory.

Continuing to Work to Avoid Stagnation

FYE 2016 marks the sixth year since I became president, and at ITOCHU this would customarily be my final year as president. However, we are at a point where the future course of the management environment is difficult to forecast, and we have just commenced our strategic business and capital tie-ups with CITIC and CP Group, for which we implemented investment of approximately ¥600.0 billion, the largest investment in the history of ITOCHU. In addition, we are near to a management integration in the convenience store business. I now believe that it would be irresponsible to follow the customary practice and retire at this point, when we face a number of important management challenges and we have just launched these ventures. Moreover, it would require one to two years for the new leader to accept the management baton, finish building relationships inside and outside the Company, and



take charge in a full-fledged manner. This is an important time as we work to build an earnings base to generate ¥400.0 billion in net profit, and we must avoid stagnation in our organization and our businesses. Accordingly, after giving serious consideration to the opinions of

outside directors and outside parties, I have decided to continue to taking on challenges as the leader of ITOCHU. As we move forward, I will take on the challenge of a new competitive era.