

# To Lead A New Era

## Pursuing Risk Management and Asset Efficiency

### Asset Replacement and Cash Flow Management in the “New Era for the Sogo Shosha”

In FYE 2016, ITOCHU moved quickly to replace low efficient assets and further strengthened its cash flow management. In addition, we conducted detailed analyses in both the non-resource and resource sectors and took a thorough approach to recording losses in order to reduce future risks. The purpose of those initiatives was to build a more solid foundation that will be able to withstand changes in the economic environment in order to lead in the “New Era for the Sogo Shosha.”

#### Increasing Asset Quality through the Strengthening of Our Financial Position

ITOCHU has continually taken steps from an early stage to address future potential risks. In FYE 2016, we determined uncertainty in the economic environment was increasing, and we decided to record approximately ¥90.0 billion in losses.

In the resources sector, we rigorously selected businesses, and we decided to sell certain coal interests in Australia. In addition, we conservatively revised our outlook for commodity prices over the long term, and recorded impairment losses at IMEA and a North Sea crude oil project.

In addition to the resource sector, we also conducted detailed analyses of asset values in the non-resource sector, where we have a competitive edge, and worked to clear away concerns about the future. For example, at LeSportsac, which earns nearly 15% of the trademark rights value in the textile business, we recognized impairment losses when we implemented replacement to introduce products with higher added value. In addition, we decided to withdraw from Bramhope, a major UK-based manufacturer and wholesaler of apparel. Moreover, for Dole, where impairment losses were anticipated due to insufficient harvests, we conservatively reevaluated the uncertainty of agricultural products and recognized

additional impairment for the entire amount of goodwill and a portion of intangible assets. For ETEL, a tire wholesaler and retailer in Europe, we conservatively took into consideration the forecast for tire demand over the medium to long term and recorded impairment losses of ¥31.0 billion on goodwill. The various types of impairment loss processing that we implemented in FYE 2016 were one facet of our efforts to “strengthen our financial position,” a basic policy of the medium-term management plan.

The next section introduces examples of asset replacement that were implemented from the viewpoint of corporate value that is suitable for the “New Era for the Sogo Shosha.”

#### Loss Processing Implemented in FYE 2016

- One facet of efforts to “strengthen our financial position”
- Reducing factors that will affect earnings in the future
- Increasing asset quality

WIDP (impairment)	approx. -¥18.0 billion
IMEA coal (impairment)	approx. -¥18.0 billion
Dole (impairment)	approx. -¥6.0 billion
<b>Total</b>	<b>approx. -¥42.0 billion</b>

Total amount of additional losses  
approx. -¥90.0 billion

Textile approx. -¥17.0 billion	Bramhope exit	approx. -¥6.0 billion
	Java/LeSportsac (impairment)	approx. -¥8.5 billion, etc.
Metals & Minerals approx. -¥22.0 billion	IMEA/sale of certain coal interests	approx. -¥17.0 billion
	Indonesia coal loss	approx. -¥2.5 billion, etc.
	IMEA coal (impairment) (additional)	approx. -¥2.5 billion
Food approx. -¥14.5 billion	Dole (impairment) (additional)	approx. -¥11.5 billion
	Dole Australia exit	approx. -¥2.0 billion, etc.
Forest Products and General Merchandise approx. -¥31.0 billion	ETEL (impairment)	approx. -¥31.0 billion

Others: Approx. -¥5.5 billion