

This document is an English translation of financial results report released on April 28, 2016 and written initially in Japanese. The Japanese original should be considered as the primary version.



April 28, 2016

Consolidated Financial Results for the Fiscal Year Ended March 31, 2016 <under IFRSs>

Company name: **Itochu Enex Co., Ltd.**
 Listing: Tokyo Stock Exchange, 1st Section
 Stock code: 8133
 URL: <http://www.itcenex.com/english/>
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Scheduled date of ordinary general meeting of shareholders: June 22, 2016
 Scheduled date to commence dividend payments: June 23, 2016
 Scheduled date to file annual securities report: June 22, 2016
 Preparation of supplementary results briefing material on financial results: None
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(Millions of yen with fractional amounts rounded, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended March 31, 2016 (from April 1, 2015 to March 31, 2016)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

Fiscal year ended	Total trading transactions		Profit from operating activities		Profit before tax		Net profit		Net profit attributable to Itochu Enex's shareholders		Comprehensive income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2016	1,071,629	(22.0)	16,384	25.1	15,004	23.4	8,964	37.3	7,469	35.7	6,927	(2.2)
March 31, 2015	1,373,393	(8.8)	13,100	10.3	12,155	(12.2)	6,529	(18.9)	5,503	(22.7)	7,087	(11.0)

Fiscal year ended	Basic earnings per share attributable to Itochu Enex's shareholders	Diluted earnings per share attributable to Itochu Enex's shareholders	Return on Equity obtained as the net profit attributable to Itochu Enex's shareholders to total shareholders' equity	Ratio of profit before tax to total assets	Ratio of profit from operating activities to total trading transactions
	Yen	Yen	%	%	%
March 31, 2016	66.10	—	7.5	4.7	1.5
March 31, 2015	48.71	—	5.7	3.7	1.0

Reference: Share of profit (loss) of investments accounted for using equity method

For the fiscal year ended March 31, 2016: (672) million yen

For the fiscal year ended March 31, 2015: (357) million yen

Note: "Total trading transactions" are presented in accordance with the Japanese accounting practices and represent the total amounts of transactions that the Company and its subsidiaries conducted as a party in contracts and for which they acted as an agent.

(2) Consolidated financial position

	Total assets	Total equity	Total shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2016	304,053	117,162	100,526	33.1	889.70
March 31, 2015	329,059	112,947	97,432	29.6	862.30

(3) Consolidated cash flows

	Net cash flows from (used in) operating activities	Net cash flows from (used in) investing activities	Net cash flows from (used in) financing activities	Cash and cash equivalents at end of the period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2016	30,322	(16,673)	(9,059)	20,824
March 31, 2015	34,336	(20,410)	(12,115)	16,184

2. Cash dividends

	Annual cash dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of total amount of dividends to total shareholders' equity (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2015	–	11.00	–	11.00	22.00	2,486	45.2	2.6
March 31, 2016	–	12.00	–	12.00	24.00	2,712	36.3	2.7
Fiscal year ending March 31, 2017 (Forecast)	–	13.50	–	13.50	27.00		30.5	

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2017 (from April 1, 2016 to March 31, 2017)

(Percentages indicate year-on-year changes.)

	Total trading transactions		Profit from operating activities		Profit before tax		Net profit attributable to Itochu Enex's shareholders		Basic earnings per share attributable to Itochu Enex's shareholders
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2016	–	–	–	–	–	–	–	–	–
Fiscal year ending March 31, 2017	1,060,000	(1.1)	17,500	6.8	17,000	13.3	10,000	33.9	88.5

Note: The Company's performance is evaluated on a fiscal year basis. Accordingly, consolidated earnings forecasts for the first six months of fiscal year are not prepared.

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates

- a. Changes in accounting policies required by IFRSs: None
- b. Changes in accounting policies other than the above: None
- c. Changes in accounting estimates: None

(3) Number of issued shares (common stock)

a. Total number of issued shares at end of period (including treasury stock)

As of March 31, 2016	116,881,106 shares
As of March 31, 2015	116,881,106 shares

b. Number of treasury stock at end of period

As of March 31, 2016	3,891,809 shares
As of March 31, 2015	3,891,149 shares

c. Average number of outstanding shares during period

Fiscal year ended March 31, 2016	112,989,557 shares
Fiscal year ended March 31, 2015	112,990,565 shares

*** Notes on financial results**

Total trading transactions were less than the results for the previous fiscal year due mainly to sales prices for petroleum products being lower than predicted after the effect of the stagnation of crude oil prices continuing from the previous fiscal year.

*** Indication regarding execution of audit procedures**

This financial results report is out of the scope of the audit procedures that are required by the Financial Instruments and Exchange Act. At the time of disclosure of this financial results report, the audit procedures for the financial statements pursuant to the Financial Instruments and Exchange Act are in progress.

*** Proper use of earnings forecasts, and other special notes**

The forecasts and other forward-looking statements in this report are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may significantly differ from these forecasts due to various factors.

Please refer to “1. Analysis of Operating Results and Financial Position, (1) Analysis of Operating Results” on page 2 of the attached materials for matters relating to earnings forecasts.

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1. Analysis of Operating Results and Financial Position

(1) Analysis of Operating Results

1) Results of operations

Despite signs of weakness in some areas, thanks to improvements in employment and income underpinned by the effects of government economic policies and ongoing monetary easing by the Bank of Japan, the Japanese economy maintained its moderate trend of recovery during the fiscal year ended March 31, 2016. However, due to the impact of efforts to move toward monetary policy normalization in the U.S. and concerns about slowing economies in China and other emerging countries, future global economic prospects remain uncertain.

In the petroleum products distribution industry, the price of crude oil declined sharply during the previous fiscal year. Although these prices rebounded to a rising trend, a decision by the Organization of the Petroleum Exporting Countries (OPEC) not to cut production and other factors caused the petroleum products market to slump once again. Domestic demand for petroleum products continues to decline. Due to unseasonably warm winter weather and other factors, sales volume fell from the previous fiscal year, despite increased consumer willingness to buy after the consumption tax increase in the previous fiscal year and effects of the decline in fuel oil prices.

With regard to the power market, due to the impacts of falling costs of raw materials such as LNG resulting from the decline in crude oil prices and the restarting of a nuclear power plant, the spot average price was below that of the previous fiscal year.

In this operating environment, the Itochu Enex Group announced its two-year medium-term business plan “Moving 2016 —Sowing seeds for tomorrow—” in April 2015, and has been advancing its business based on following three basic policies:

- <i> Improvement of profitability
- <ii> Sowing seeds for long-term growth strategy
- <iii> Reinforcement of organizational strength and fundamental strength

As a part of efforts to advance these measures, we integrated the container pressure resistance inspection business for LP gas and gas for industrial use in April of last year and launched J-Cylinder Services Co., Ltd. By enhancing functions and increasing efficiency, we plan to complete container pressure resistance inspections on 350,000 units a year, with the goal of achieving the No. 1 share in the Kanto area.

In the asphalt business, in November of last year, we completed construction on our 12th asphalt terminal in Japan in Mihara City, Hiroshima Prefecture. We will use this terminal, one of the largest specialized asphalt facilities in Western Japan, to enhance sales in the Chugoku and Shikoku areas.

In the power electric business, Oji-Itochu Enex power retailing Co., Ltd., which was established with Oji Green Resources Co., Ltd., a subsidiary of Oji Holdings Corporation, started operation in April of last year. To address the full liberalization of the electricity retail market, through the facilitation of internal systems of the Itochu Enex Group, as well as alliances with corporate groups that have strengths in their respective fields, we aim to be one of the leading Japanese Power Producers and Suppliers (PPS).

We plan to contribute to stable power supply in Japan through joint efforts involving our sales network and business segments and group companies, centered on the Power & Utility Division.

As a result of the above activities and the impact of declining crude oil prices, revenue during the fiscal year ended March 31, 2016, fell by 22.8% year on year to ¥723,645 million. Gross profit was ¥89,562 million (up 4.5% year on year), profit from operating activities was ¥16,384 million (up 25.1% year on year), profit before tax was ¥15,004 million (up 23.4% year on year), and net profit attributable to Itochu Enex’s shareholders was ¥7,469 million (up 35.7% year on year).

2) Results of operations by segment

Home-Life Division

In the Home-Life Division, the sales volume of LP gas fell slightly from that of the previous fiscal year even though the number of new customer residences increased, due to weather factors such as unseasonably warm winter. Profit from operating activities increased from the previous fiscal year despite the decline in the import price of LP gas, because of successful efforts to secure some profits through the gas rate adjustment system.

On the other hand, for the full liberalization of the electricity retail market which started in April of this year, we have prepared to launch electricity retail sales at full scale. We are working with group companies and operators to make the necessary preparations and enhancements to our sales systems based on our nationwide LP gas sales network and sales expertise.

In overseas business, in October of last year, we established PT. ITC ENEX INDONESIA, a producer and seller of industrial gas in Indonesia. Making use of business know-how in the industrial gas business built up in Japan, we will promote business development in Indonesia.

As a result of these activities, revenue was ¥91,035 million (down 15.1% year on year), profit from operating activities was ¥3,367 million (up 16.8% year on year), and net profit attributable to Itochu Enex's shareholders was ¥788 million (down 15.4% year on year).

Car-Life Division

In the Car-Life Division, despite the effects of weather-related factors including unseasonably warm winter weather, in part, due to sales promotions relating to kerosene, etc., sales volume exceeded that of the previous year. In terms of profit and loss, profit from operating activities was below that of the previous fiscal year, despite efforts to reduce costs, etc., due to a decrease in margins caused by deteriorating market conditions.

As part of our retail strategy, we introduced the Rakuten Super Points system, a point service shared with Rakuten, Inc., along with efforts to promote the introduction of new POS systems. This enables customer transfers between the member stores of Rakuten Super Points system in other sectors and acquisition of new customers to expand the number of customers of the Group as a whole.

In the automobile-related business, we organized a campaign for referring customers using the Car-Life Stations^{*1} network of Nissan Osaka Sales Co., Ltd., which became a subsidiary two years ago, and strived to create synergies.

The number of Car-Life Stations in the Itochu Enex Group as of March 31, 2016, was 1,973, marking a net decrease of 66 stations from the end of the previous fiscal year. We lost 106 stations through disaffiliation of unprofitable and decrepit stations while adding 40 newly affiliated stations.

As a result of these activities, revenue was ¥493,160 million (down 17.7% year on year), profit from operating activities was ¥4,194 million (down 7.0% year on year), and net profit attributable to Itochu Enex's shareholders was ¥2,014 million (up 38.9% year on year).

*1 Car-Life Stations: Car-Life Stations are service stations offering multiple services provided by the Company.

Power & Utility Division

Within the Power & Utility Division, in the power generation area of the electricity and steam supply business^{*2}, we constructed new photovoltaic power generation facilities in Hofu City, Yamaguchi Prefecture in January 2016. As a result of working to enhance Itochu Enex's own power sources through new construction of wind power generation facilities in Tainai City, Niigata Prefecture (October 2014) and expansion of coal-fired thermal power generation facilities in Hofu City, Yamaguchi Prefecture (March 2015), etc., total power generation exceeded that of the previous fiscal year.

In the electricity and steam supply business, as a result of promoting the expansion of retailing areas and acquisition of new private demand, etc. in the existing power retailing system operated by the Company, sales volume increased accordingly. In addition, as Oji-Itochu Enex power retailing Co., Ltd.,

which was established with the Oji Group, began selling electricity this fiscal year, sales volume of electricity exceeded considerably that of the previous fiscal year. Profit in the electricity and steam supply business exceeded that of the previous fiscal year thanks to increased electricity sales volume and lower costs attributable to falling unit prices of electricity procured from the wholesale power market.

In the heat supply business*³, although demand for indoor heating was sluggish due to the impacts of unseasonably warm winter weather, sales volume remained unchanged from the previous fiscal year, due to a slight increase in demand for indoor cooling at the beginning of this fiscal year. Due to efforts to reduce the cost of fuel and raw materials, and other expenses, profit exceeded that of the previous fiscal year.

Within this Division, we are strengthening ways to address the electricity sales business with the full liberalization of the electricity retail market started from this April through a business alliance with Tottori Citizen Electricity Co., Ltd. To expand the electricity business in the future, Sendai Power Station Co., Ltd., which was established as a joint venture with Kanden Energy Solution Co., Inc., started construction of a coal-fired thermal power plant in Sendai City, Miyagi Prefecture. Start of operation is scheduled for October 2017.

In addition, in cooperation with Energy Trade Division, Car-Life Division, and Home-Life Division, this Division is presenting a proposal to supply electricity to existing customers, and is preparing for electricity retail sales, including combined sales with LP gas.

As a result of these activities, revenue was ¥42,463 million (up 22.2% year on year), profit from operating activities was ¥4,439 million (up 47.5% year on year), and net profit attributable to Itochu Enex's shareholders was ¥2,240 million (up 34.1% year on year).

*2 Electricity and steam supply business: The electricity and steam supply business supplies electricity and steam generated at the time of power generation.

*3 Heat supply business: The heat supply business supplies cold and hot water for air conditioning to multiple office buildings and other buildings from a heat source plant using pipes.

Energy Trade Division

In the Energy Trade Division, due to a structural decline in demand for domestic petroleum products, sudden drops in crude oil and petroleum products prices, sluggish domestic market conditions, etc., the business environment remained tough, but we worked to secure profits as a business division by steadily amassing new transactions, as well as business portfolios, making use of the characteristics of each business.

Regarding specific priority initiatives of this Division to strengthen and optimize the distribution functions, we aimed to build the stable supply system and expand its functions in each business and each area by expanding the network of supply bases nationwide in the AdBlue*⁴ sales business to 20 facilities, covering all of Japan from Hokkaido in the north to Okinawa in the south, as well as expanding the number of asphalt terminals nationwide to 12 bases. In addition, regarding sales of industrial fuels and materials, we worked to enhance functions and transactions that satisfy the needs of our customers by proposing solutions through a wide variety of industrial energies, such as electricity and LNG, in addition to petroleum products.

Furthermore, we have been proactively addressing opportunities in various new businesses such as to reuse fly ash discharged from coal-fired thermal power plants of the Itochu Enex Group for building materials, road materials, etc., to collect waste oil from ships for sale as recycled oil, participation in a project to commercialize bio jet fuel in Japan, etc.

We will continue promoting business development to respond flexibly to changes in the market environment by integrating all the strengths of the Itochu Enex Group.

As a result of these activities, revenue was ¥96,987 million (down 50.3% year on year), profit from operating activities was ¥3,774 million (up 41.7% year on year), and net profit attributable to Itochu Enex's shareholders was ¥2,514 million (up 59.0% year on year).

*4 AdBlue is a high-grade urea solution used in SCR systems, which detoxifies nitrogen compounds (NOx) contained in exhaust gases of diesel vehicles.

3) Forecasts of consolidated financial results for the fiscal year ending March 31, 2017

As a forecast of consolidated financial results for the fiscal year ending March 31, 2017, we are projecting ¥1,060,000 million in total trading transactions, down 1.1% year on year, ¥17,500 million in profit from operating activities, up 6.8% year on year, ¥17,000 million in profit before tax, up 13.3% year on year, and ¥10,000 million in net profit attributable to Itochu Enex's shareholders, up 33.9% year on year.

Basic earnings per share attributable to Itochu Enex's shareholders is projected at ¥88.50.

(2) Analysis of Financial Position

1) Analysis of assets, liabilities, equity and cash flows

Assets, liabilities and equity

Total assets amounted to ¥304,053 million as of March 31, 2016, a decrease of ¥25,006 million from March 31, 2015, mainly due to a decrease in trade notes and accounts receivable. Total liabilities amounted to ¥186,891 million, a decrease of ¥29,221 million from March 31, 2015, mainly due to a decrease in trade notes and accounts payable. Total equity totaled ¥117,162 million, an increase of ¥4,215 million from March 31, 2015, due to factors including increased retained earnings.

We consequently ended the fiscal year with a ratio of shareholders' equity to total assets of 33.1%.

Cash flows

Cash and cash equivalents (net cash) totaled ¥20,824 million as of March 31, 2016, up ¥4,640 million from March 31, 2015, mainly due to a decrease in net cash used in investing activities.

Cash flows from operating activities

Operating activities earned net cash of ¥30,322 million. This was derived mainly from factors including profit before tax of ¥15,004 million and depreciation and amortization of ¥12,608 million, as well as a decrease in funds required for trading of ¥3,098 million due to the decline in oil prices.

Cash flows from investing activities

Investing activities used net cash of ¥16,673 million. Major items included proceeds from sales of property, plant and equipment and investment property and proceeds from sales of intangible assets of ¥2,012 million, payments for purchase of property, plant and equipment and investment property and purchase of intangible assets of ¥12,298 million, acquisition of subsidiaries of ¥1,690 million and increase in deposits paid of ¥4,000 million.

Cash flows from financing activities

Financing activities used net cash of ¥9,059 million. Major items included repayments of bonds and borrowings of ¥6,349 million and cash dividends paid of ¥2,709 million.

2) Cash flow indicators

Fiscal year ended March 31,	2014	2015	2016
Ratio of shareholders' equity to total assets (%)	29.3	29.6	33.1
Ratio of shareholders' equity to total assets at market value (%)	20.9	34.0	33.6
Ratio of cash flow to interest-bearing debt (years)	2.2	1.2	1.2
Interest-coverage ratio (times)	28.5	46.0	33.5

Ratio of shareholders' equity to total assets: Total shareholders' equity / Total assets

Ratio of shareholders' equity to total assets at market value: Market capitalization / Total assets

Ratio of cash flow to interest-bearing debt: Interest-bearing debt / Cash flow

Interest-coverage ratio: Cash flow / Interest expense

(Note 1.) All of the above ratios were calculated using consolidated financial statement data.

(Note 2.) Market capitalization was calculated by multiplying the fiscal-year-end closing share price by the number of shares outstanding at fiscal year-end (net of treasury stock).

(Note 3.) "Cash flow" is "Cash provided by (used in) operating activities" on the Consolidated Statement of Cash Flows.

(Note 4.) Interest-bearing debt is all debt, of the debt carried on the Consolidated Statement of Financial Position, on which interest is payable.

(3) Profit Distribution Policy and Dividends for the Fiscal Years Ended March 31, 2016 and Ending March 31, 2017

In terms of shareholder returns, we aim to maintain a consolidated dividend payout ratio of at least 30% in accord with our policy of paying stable dividends on an ongoing basis while maintaining sustained business growth.

For the fiscal year ended March 31, 2016, we plan to pay a year-end dividend of ¥12 per share. For the fiscal year ending March 31, 2017, we plan to pay annual dividends of ¥27 per share (including an interim dividend of ¥13.50 per share).

With respect to internally retained funds, our basic policy is to use such funds to invest in our business to strengthen our operating foundation and further increase earnings.

2. Management Policies

(1) Basic Management Policies

The Itochu Enex Group is delivering energy to customers nationwide, centering on petroleum products, LP gas and electricity, etc. under the corporate philosophy of “The best partner for life and society -- with Energy, with the Car, with the Home--.” We will respond to changes in the environment flexibly, and in every era, as the “best partner for life and society,” we will provide customers with optimal energy solutions.

We will also strive to enhance such CSR and compliance functions as environmental consideration and strengthening of security, which remains unchanged as an important theme for the Itochu Enex Group, dealing in energy, and contribute to the development of a sustainable society.

Then, by further enhancement of the Corporate Governance System, we will pursue maximization of group corporate value.

(2) Target Management Indicators

The Itochu Enex Group uses ROE (Return on Equity obtained as the net profit attributable to Itochu Enex’s shareholders to total shareholders’ equity) as management indices and strives to improve asset efficiency and capital efficiency.

(3) Medium- and Long-Term Management Strategies

The Itochu Enex Group is advancing its two-year medium-term business plan “Moving 2016 —Sowing seeds for tomorrow—” which started in FY2015.

While rapidly preparing a platform for the full liberalization of the electricity and gas business, which is to be implemented during the period of this medium-term management plan, we aim to expand corporate value further by implementing growth strategies.

Overview of medium-term business plan

1. Plan Name:

Moving 2016

—Sowing seeds for tomorrow—

2. Period: 2 years (FY2015 to FY2016)

3. Basic policy:

- (i) Improvement of profitability
- (ii) Sowing seeds for long-term growth strategy
- (iii) Reinforcement of organizational strength and fundamental strength

4. Quantitative plan (FY2016):

- (i) Profit from operating activities: ¥17.5 billion
- (ii) Net profit attributable to Itochu Enex’s shareholders: ¥10.0 billion
- (iii) ROE: 9.0% or above

We formulated this medium-term business plan in April 2015 but, as a result of a review conducted due to changes in the business environment, in the forecast for consolidated earnings in the fiscal year ending March 31, 2017, profit from operating activities has been revised from ¥20,000 million initially planned to ¥17,500 million. However, net profit attributable to Itochu Enex’s shareholders has not been changed from that initially planned considering improved return on investment by the equity method, improved net financial revenue through a drop in interest rates, prospects of impact due to decrease in corporate tax rate,

etc.

Regarding investments (facilities, shares of affiliated companies, etc.), we projected ¥35,000 million for two years (FY2015 to FY2016) in the medium-term business plan, and the investment results in FY2015 became ¥14,300 million. Accordingly, we intend to continue making investments exceeding ¥20,000 million in FY2016.

(4) Issues to Be Addressed

Recently, we are confronted with a tough business environment in the domestic energy industry sector, with such things as changes in consumer awareness, progress in energy saving and efficiency, and long-term decrease in demand as a result of the aging population combined with the low birthrate. Due to the integration of domestic wholesalers provoked by such an environment, the Itochu Enex Group, which has placed emphasis on both wholesale and retail in the oil distribution industry, is about to be put to the test regarding its abilities to rise to the occasion.

In addition, the situation around energy has been rapidly changing, as seen in the full liberalization of the electricity and gas retail market in Japan, and the economic trends in Europe, America, and the emerging countries of Asia, and is predicted to accelerate even further.

In such an environment, the Itochu Enex Group will aim at realization of a growth strategy based on the basic policies of its “Moving 2016 —Sowing seeds for tomorrow—”.

As part of these efforts, we reorganized the business divisions in April this year and launched a new organization structure of two business groups with four divisions, that is, the “Power & Gas Business Group” consisting of the Home-Life Division and the Power & Utility Division and the “Distribution & Energy Innovation Business Group” consisting of the Car-Life Division and the Energy Innovation Division (formerly Energy Trade Division). In light of the normalized decline in the demand for petroleum and the subsequent industrial reorganization, as well as a change in the management environment following the full liberalization of the electricity and gas retail market, the Company aims to unify and expedite the establishment of strategies and the development of businesses by comprehensively consolidating the related businesses.

Then, for the full liberalization of the electricity retail market, we named electricity supply services for households, which the Itochu Enex Group has been developing, “e-koto denki!” and began retail sales in April this year through group companies that sell LP gas, etc. The Itochu Enex group will also start the wholesale of electricity and the provision of supply/demand adjustment services to businesses that are considering selling electricity to households. It aims to create a balancing group^{*5} and expand its range of electricity retailing support services aimed at local governments and businesses from other sectors.

*5: In the balancing group, the representative of a group made up of multiple electricity retailing businesses adjusts the supply and demand within the entire group. This reduces the risk of being subject to in-balance penalty payments under the balancing system.

◆ Power & Gas Business Group

Home-Life Division

Continuing from the fiscal year ended March 31, 2016, we will work on strengthening and deepening the core business. As action plans, we will focus on expanding the number of customers for direct sales, new business groupings and increase of the joint delivery ratio for cylinder wholesale, and further reinforcement of equipment sales and remodeling businesses.

In addition, toward the full liberalization of the electricity retail market, we will expand the number of direct-sale residences by enhancing set menus that satisfy customers, while leveraging Enex’s own power sources. Furthermore, we will build primary sources of revenue on a medium- and long-term basis by expanding our businesses with forays into overseas businesses, participation in city gas business, etc. We have already established a business base to develop the industrial gas business in Indonesia, and aim at full-fledged overseas expansion centering on Asia in the future. In addition, toward the full liberalization of the retail market of city gas starting from FY2017, we aim to be a company that can make comprehensive energy proposals by considering local strategies for city gas, LP gas, and electricity.

Power & Utility Division

With the full liberalization of the electricity retail market in April this year, a tough environment with new entrants from other sectors and intensified competition among sector peer companies is predicted in the power market.

This Division is working on expanding business based on strengths in integrated systems from power generation to sales by making use of accumulated experience and know-how, with the aim of becoming a “Prime PPS*⁶” required by society.

In the power-generation area of the electricity and steam supply business, we will promote the expansion of our own power sources by developing new power sources including renewable energy, in addition to stable operations.

In the area of selling high-voltage power of the electricity and steam supply business, we have developed electricity sales in eight areas except for Hokuriku and Okinawa. We aim to expand the scale of sales and optimize overall revenues by supplying a variety of customers in each area.

In the heat supply business, we will promote the reinforcement of comprehensive energy service business, such as jointly supplying services of heat and electricity, management services in each area, etc., in addition to the heat supply business as the main business.

This Division will promote business expansion by addressing changes in the business environment, such as major structural changes in the electricity industry including the full liberalization of the electricity retail market.

*⁶ Prime means “(adj.) first, fundamental, major, best, excellent, and (n.) prime number.”

PPS is an abbreviation for Power Production Supplier.

◆ Distribution & Energy Innovation Business Group

Car-Life Division

We recognize that demand for petroleum oil is projected to decline even further due to violent fluctuations in prices of crude oil, further penetration of next-generation cars, the growing tendency for young people not to use cars, the declining population of the car-user generation, and other factors.

In this Division, centering on retail strategies, such as marketing through new-type POS, management improvements through ENEX ACT, etc. in businesses relating to Car-Life Stations, which is the core business, we will work to maintain and expand the number of customers, aiming to build the “Brand that Customers Choose.” Furthermore, in car-related businesses, on which we have focused, centering on Nissan Osaka Sales Co., Ltd., one of Japan’s leading car sales companies, which became a subsidiary of Itochu Enex in 2014, we will strengthen the value chain covering from new car sales to after-sales maintenance.

By building the “Car Life Business that Customers Choose” through the provision of a high added-value car life to customers, we will work to improve the profitability of dealers and group companies.

Energy Innovation Division

This Division changed its name from the “Energy Trade Division” to the “Energy Innovation Division” from this fiscal year. This aims to ensure the further expansion of business portfolios that address changes in the external environment by exploiting transactions and become the groundwork for the future by adopting new approaches and continuing their steady implementation as businesses, as well as aiming to strengthen the existing business base by taking advantage of functions in a business environment that continues to change.

We proactively aim to build a new revenue base that will contribute to the group through exploring and considering the possibilities of business development in Japan and overseas, including transactions that are being developed through collaborations with other divisions or business partners without being bound to the frameworks of each division.

3. Basic concepts underlying selection of accounting standards

The Itochu Enex Group adopted IFRS (International Financing Reporting Standards) from the fiscal year ended March 2014, in order to improve international comparability and the convenience of financial information in capital markets.

4. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
ASSETS		
Current assets		
Cash and cash equivalents	16,184	20,824
Trade receivables	98,449	71,968
Other current financial assets	11,431	16,529
Inventories	27,794	25,160
Trade advances paid	2,332	1,781
Other current assets	1,518	1,603
Total current assets	157,708	137,865
Non-current assets		
Investments accounted for by the equity method	10,551	8,786
Other investments	8,924	8,029
Non-current financial assets other than investments	9,987	9,895
Property, plant and equipment	88,836	88,311
Investment property	14,369	13,262
Goodwill	108	588
Intangible assets	23,474	24,329
Deferred tax assets	13,448	11,622
Other non-current assets	1,653	1,366
Total non-current assets	171,351	166,188
Total assets	329,059	304,053

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
LIABILITIES AND EQUITY		
Current liabilities		
Short-term bonds and borrowings	14,208	5,299
Trade payables	104,564	80,745
Other current financial liabilities	9,784	5,229
Income taxes payable	2,489	3,351
Advances from customers	7,078	6,637
Other current liabilities	11,320	10,736
Total current liabilities	149,443	111,997
Non-current liabilities		
Non-current bonds and borrowings	26,746	32,366
Other non-current financial liabilities	22,283	24,384
Non-current liabilities for employee benefits	9,350	10,127
Deferred tax liabilities	2,747	2,103
Provisions	4,961	5,396
Other non-current liabilities	582	518
Total non-current liabilities	66,669	74,894
Total liabilities	216,112	186,891
Equity		
Common stock	19,878	19,878
Capital surplus	18,743	18,740
Retained earnings	62,223	66,024
Other components of equity	(1,661)	(2,364)
Treasury stock	(1,751)	(1,752)
Total shareholders' equity	97,432	100,526
Non-controlling interests	15,515	16,636
Total equity	112,947	117,162
Total liabilities and equity	329,059	304,053

(2) Consolidated Statement of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Revenue	936,841	723,645
Cost of sales	(851,121)	(634,083)
Gross profit	85,720	89,562
Other expense		
Selling, general and administrative expenses	(71,184)	(73,226)
Loss from tangible assets, intangible assets and goodwill	(1,825)	(593)
Other – net	389	641
Total other expense	(72,620)	(73,178)
Profit from operating activities	13,100	16,384
Financial income and costs		
Interest income	53	54
Dividends received	236	242
Interest expense	(878)	(1,004)
Other financial income and costs – net	8	0
Total financial income and costs	(581)	(708)
Share of loss of investments accounted for by the equity method	(357)	(672)
Loss from sales of investments in subsidiaries and associates	(7)	–
Profit before tax	12,155	15,004
Income tax expense	(5,626)	(6,040)
Net profit	6,529	8,964
Net profit attributable to Itochu Enex's shareholders	5,503	7,469
Net profit attributable to non-controlling interests	1,026	1,495

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Other comprehensive income (net of tax effect)		
Items that will not be transferred to profit or loss		
FVTOCI financial assets	685	(384)
Remeasurement of net defined benefit liability	199	(714)
Other comprehensive income in associates accounted for by the equity method	0	2
Items that may be transferred to profit or loss		
Exchange differences on translating foreign operations	83	(14)
Cash flow hedges	(463)	107
Other comprehensive income in associates accounted for by the equity method	54	(1,034)
Total other comprehensive income (net of tax effect)	558	(2,037)
Comprehensive income	7,087	6,927
Comprehensive income attributable to Itochu Enex's shareholders	5,880	5,697
Comprehensive income attributable to non-controlling interests	1,207	1,230

(Yen)

Earnings per share attributable to Itochu Enex's shareholders		
Basic	48.71	66.10
Diluted	–	–

(Millions of yen)

Total trading transactions	1,373,393	1,071,629
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(Note) Total trading transactions are presented in accordance with the Japanese accounting practices and represent the total amounts of transactions that the Company and its subsidiaries conducted as a party in contracts and for which they acted as an agent. This item is voluntarily disclosed by the Company for investors' convenience and is not required to be disclosed under International Financial Reporting Standards ("IFRSs").

(3) Consolidated Statement of Changes in Equity

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Equity		
Common stock		
Balance at the beginning of the period	19,878	19,878
Balance at the end of the period	19,878	19,878
Capital surplus		
Balance at the beginning of the period	18,737	18,743
Acquisition of subsidiary shares from non-controlling interests	6	(3)
Balance at the end of the period	18,743	18,740
Retained earnings		
Balance at the beginning of the period	59,378	62,223
Net profit attributable to Itochu Enex's shareholders	5,503	7,469
Transfer from other components of equity	(60)	(1,069)
Cash dividends paid to Itochu Enex's shareholders	(2,599)	(2,599)
Balance at the end of the period	62,223	66,024
Other components of equity		
Balance at the beginning of the period	(2,098)	(1,661)
Other comprehensive income attributable to Itochu Enex's shareholders	377	(1,772)
Transfer to retained earnings	60	1,069
Balance at the end of the period	(1,661)	(2,364)
Treasury stock		
Balance at the beginning of the period	(1,750)	(1,751)
Purchase and disposal of treasury stock	(1)	(1)
Balance at the end of the period	(1,751)	(1,752)
Total shareholders' equity	97,432	100,526
Non-controlling interests		
Balance at the beginning of the period	9,419	15,515
Net profit attributable to non-controlling interests	1,026	1,495
Other comprehensive income attributable to non-controlling interests	181	(265)
Cash dividends paid to non-controlling interests	(215)	(110)
Changes due to additional acquisition and sale of interests in subsidiaries	5,105	—
Balance at the end of the period	15,515	16,636
Total equity	112,947	117,162

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from operating activities		
Profit before tax	12,155	15,004
Depreciation and amortization	10,535	12,608
Loss from tangible assets, intangible assets and goodwill	1,825	593
Financial income	581	708
Share of loss of investments accounted for by the equity method	357	672
Loss from sales of investments in subsidiaries and associates	7	–
Decrease in trade receivables	42,785	24,438
Decrease in inventories	1,944	2,659
Decrease in trade payables	(31,493)	(23,999)
Other – net	2,426	1,842
Interest and dividends received	513	434
Interest expense	(747)	(906)
Income taxes paid	(6,552)	(3,731)
Net cash flows provided by operating activities	34,336	30,322
Cash flows from investing activities		
Purchase of investments accounted for by the equity method	(5,363)	(14)
Proceeds from sales of investments accounted for by the equity method	2	12
Purchase of investments	(598)	(5,147)
Proceeds from sales of investments	972	4,490
Acquisition of subsidiaries, net of cash acquired	(2,430)	(1,690)
Payment for loans receivable	(2,903)	(191)
Collection of loans receivable	2,987	350
Payments for purchase of property, plant and equipment and investment property	(14,054)	(10,609)
Proceeds from sales of property, plant and equipment and investment property	1,495	1,942
Purchase of intangible assets	(1,857)	(1,689)
Proceeds from sales of intangible assets	82	70
Increase in deposits paid – net	–	(4,000)
Other – net	1,257	(197)
Net cash flows used in investing activities	(20,410)	(16,673)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Cash flows from financing activities		
Proceeds from bonds and borrowings	5,058	8,315
Repayments of bonds and borrowings	(4,041)	(9,472)
Net decrease in short-term borrowings	(9,840)	(5,192)
Equity transactions with non-controlling interests	(478)	–
Cash dividends paid to Itochu Enex's shareholders	(2,599)	(2,599)
Cash dividends paid to non-controlling interests	(215)	(110)
Other – net	0	(1)
Net cash flows used in financing activities	(12,115)	(9,059)
Net increase in cash and cash equivalents	1,811	4,590
Cash and cash equivalents at the beginning the period	14,251	16,184
Effect of exchange rate changes on cash and cash equivalents	122	(27)
Increase in cash and cash equivalents resulting from merger	–	77
Cash and cash equivalents at the end of the period	16,184	20,824

(5) Notes to Consolidated Financial Statements

Segment Information

i) Outline of Reportable Segments

The reportable segments of the Group are components of the Group whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance.

The Group has adopted the business division system. Each business division plans strategies for each category of target customers and markets and develops business activities. The Group has four reportable segments that correspond to the business divisions, namely the “Home-Life Division,” “Car-Life Division,” “Power & Utility Division,” and “Energy Trade Division.”

The Home-Life Division is engaged in the sale of LP gas, high-pressure gas, equipment (combustion, kitchen, air conditioning, other household equipment, etc.), next-generation energy equipment (photovoltaic power generation systems, fuel cells, residential lithium-ion electricity storage system, etc.), pressure resistance inspection operations, and other lifestyle products, and rendering of home-related services.

The Car-Life Division is engaged in the sale of gasoline, kerosene, diesel oil, fuel oil and lubricants, and the sales and business services to consumers, mostly through Car-Life Stations, including the sale of automobiles and automobile products, motor-vehicle inspections, auto maintenance and rental car business.

The Power & Utility Division is engaged in the electricity and steam supply business (electricity, steam, etc.) and heat supply business.

The Energy Trade Division is engaged in the supply of industrial energy and materials, sale of asphalt and high-grade urea solution (AdBlue), sale of marine fuel and lubricating oil, sales of LNG (Liquefied Natural Gas), the import/export and domestic supply/demand adjustment trading of petroleum products, chartering and operation of tankers, and provisions of logistics functions, such as petroleum storage facilities.

ii) Information on Reportable Segments

Fiscal year ended March 31, 2015

(Millions of yen)

	Reportable segment				Total	Other	Total	Adjustment	Consolidated
	Home-Life	Car-Life	Power & Utility	Energy Trade					
Revenue									
Revenue from external customers	107,276	599,550	34,746	195,171	936,743	98	936,841	–	936,841
Intersegment revenue	633	2,654	–	759	4,046	190	4,236	(4,236)	–
Total revenue	107,909	602,204	34,746	195,930	940,789	288	941,077	(4,236)	936,841
Gross profit	24,922	47,218	5,570	7,911	85,621	99	85,720	–	85,720
Selling, general and administrative expenses	(22,276)	(41,666)	(2,425)	(4,858)	(71,225)	(58)	(71,283)	99	(71,184)
Profit (loss) from tangible assets, intangible assets and goodwill	28	(1,186)	(491)	(72)	(1,721)	(0)	(1,721)	(104)	(1,825)
Other profit (loss)	209	144	356	(317)	392	(9)	383	6	389
Profit from operating activities	2,883	4,510	3,010	2,664	13,067	32	13,099	1	13,100
Financial income (costs)	56	(450)	(138)	(83)	(615)	(3)	(618)	37	(581)
Share of profit (loss) of investments accounted for by the equity method	(256)	13	(112)	4	(351)	–	(351)	(6)	(357)
Loss from sales of investments in subsidiaries and associates	(7)	–	–	–	(7)	–	(7)	–	(7)
Profit before tax	2,676	4,073	2,760	2,585	12,094	29	12,123	32	12,155
Net profit (loss) attributable to Itochu Enex's shareholders	931	1,450	1,671	1,581	5,633	(3)	5,630	(127)	5,503
Other items									
Depreciation and amortization	(3,375)	(2,942)	(3,086)	(627)	(10,030)	(4)	(10,034)	(501)	(10,535)
Impairment loss	(46)	(1,314)	(201)	(15)	(1,576)	–	(1,576)	(104)	(1,680)
Total assets	61,069	131,256	55,720	66,839	314,884	2	314,886	14,173	329,059
Investments accounted for by the equity method	6,722	179	3,080	102	10,083	–	10,083	468	10,551
Capital expenditures	3,897	2,438	8,750	623	15,708	12	15,720	191	15,911
Total trading transactions	111,588	638,848	38,743	584,078	1,373,257	136	1,373,393	–	1,373,393

(Note) Intersegment transactions have been conducted at ordinary transaction prices.

The adjustment of negative ¥127 million to net profit attributable to Itochu Enex's shareholders represents corporate profit not allocated to reportable segments.

The adjustment of ¥14,173 million to total assets represents corporate assets not allocated to reportable segments.

Total trading transactions are unaudited items voluntarily disclosed by the Company and represent the amount of sales in accordance with Japanese accounting practices.

Fiscal year ended March 31, 2016

(Millions of yen)

	Reportable segment					Other	Total	Adjustment	Consolidated
	Home-Life	Car-Life	Power & Utility	Energy Trade	Total				
Revenue									
Revenue from external customers	91,035	493,160	42,463	96,987	723,645	0	723,645	–	723,645
Intersegment revenue	586	3,093	302	851	4,832	–	4,832	(4,832)	–
Total revenue	91,621	496,253	42,765	97,838	728,477	0	728,477	(4,832)	723,645
Gross profit	26,221	47,362	7,435	8,544	89,562	0	89,562	–	89,562
Selling, general and administrative expenses	(23,158)	(42,895)	(2,985)	(4,721)	(73,759)	(0)	(73,759)	533	(73,226)
Profit (loss) from tangible assets, intangible assets and goodwill	39	(612)	(24)	(30)	(627)	–	(627)	34	(593)
Other profit (loss)	265	339	13	(19)	598	1	599	42	641
Profit from operating activities	3,367	4,194	4,439	3,774	15,774	1	15,775	609	16,384
Financial income (costs)	20	(427)	(267)	(74)	(748)	0	(748)	40	(708)
Share of profit (loss) of investments accounted for by the equity method	(756)	(17)	41	60	(672)	–	(672)	–	(672)
Profit before tax	2,631	3,750	4,213	3,760	14,354	1	14,355	649	15,004
Net profit (loss) attributable to Itochu Enex's shareholders	788	2,014	2,240	2,514	7,556	1	7,557	(88)	7,469
Other items									
Depreciation and amortization	(4,232)	(3,371)	(3,867)	(679)	(12,149)	–	(12,149)	(459)	(12,608)
Impairment loss	(5)	(682)	–	–	(687)	–	(687)	–	(687)
Total assets	60,404	116,484	55,144	50,284	282,316	–	282,316	21,737	304,053
Investments accounted for by the equity method	5,821	99	2,370	496	8,786	–	8,786	0	8,786
Capital expenditures	4,545	2,573	4,638	352	12,108	–	12,108	191	12,299
Total trading transactions	95,126	534,156	43,495	398,852	1,071,629	0	1,071,629	–	1,071,629

(Note) Intersegment transactions have been conducted at ordinary transaction prices.

The adjustment of negative ¥88 million to net profit attributable to Itochu Enex's shareholders represents corporate profit not allocated to reportable segments.

The adjustment of ¥21,737 million to total assets represents corporate assets not allocated to reportable segments.

Total trading transactions are unaudited items voluntarily disclosed by the Company and represent the amount of sales in accordance with Japanese accounting practices.

iii) Products and Services Information

This information is omitted because the classification of products and services is the same as the classification of reportable segments.

iv) Geographic Information

This information is omitted because revenue from external customers in Japan accounts for a large percentage of the revenue recorded in the consolidated statement of comprehensive income for the fiscal years ended March 31, 2015 and 2016.

v) Major Customers Information

This information is omitted because there is no major external customer from which revenue accounts for 10% or more of the revenue recorded in the consolidated statement of comprehensive income for the fiscal years ended March 31, 2015 and 2016.

Earnings per Share

Basic earnings per share for the fiscal years ended March 31, 2015 and 2016, were calculated as follows:

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Net profit attributable to Itochu Enex's shareholders (Millions of yen)	5,503	7,469
Weighted-average number of ordinary shares outstanding (Thousands of shares)	112,991	112,990
Basic earnings per share attributable to Itochu Enex's shareholders (Yen)	48.71	66.10

(Note) Diluted earnings per share attributable to Itochu Enex's shareholders are not presented because there were no dilutive potential shares.

Significant Events after the Reporting Period

No items to report