ENEX REPORT 2016

ITOCHU ENEX CO., LTD.

Corporate Philosophy

The best partner for life and society

—with Energy, with the Car, with the Home—

Since its establishment in 1961,
the Itochu Enex Group has been broadly expanding
its energy wholesale business operations drawing on its original business model,
acting as “the best partner for life and society.”
We aspire to operate as a dynamic partner that is an essential part of people’s
everyday lives as we have been doing up to now, indefinitely in the years to come.
Moreover, we are working to extend our operations to engage
in new energy fields and overseas opportunities,
in addressing changes in customer needs and the business environment.

Field of Business

Energy for all applications, whether as a key component of
social infrastructure or as a means of enriching people's lives

About the Enex Trade mark

The Enex mark was introduced in October 2005 as the new corporate logo.
The red background symbolizes the sun and the blue circle, the Earth.
The letter “e” overlaps both to connect them.
The “e” logo stands for “energy” and “eco,” as well as the importance of the “end-consumer.”
In this way, the logo design expresses “people to people” communication
and communication between “people and society.”

Contents

The Enex Group

Corporate Profile

Itochu Enex Group

Group Companies	66 Subsidiaries 44, Affiliates (covered by the equity method) 22
Number of Employees	6,096
Total trading transactions	1,071.6 billion yen (Japanese GAAP)
Profit from operating activities	16.4 billion yen (IFRS)
Net profit attributable to Itochu Enex's shareholders	7.5 billion yen (IFRS)

ITOCHU ENEX CO., LTD.

Head Office Address	Toranomon Twin Building, 2-10-1, Toranomon, Minato-ku, Tokyo 105-8430, Japan
Established	January 28, 1961
Representative Director, President and CEO	Kenji Okada
Paid-in Capital	19,877.67 million yen
Stock exchange listing	Tokyo (first section; stock name: ENEX) securities code: 8133

(As of March 31, 2016)

Business Divisions

Power & Gas Business Group

Home-Life Division

We sell energy, including LP gas, kerosene and electricity, to 1.08 million households across Japan.

Power & Utility Division

We operate a vertically integrated electricity business, consisting of operations from generating electricity to balancing supply and demand and handling sales. We also operate local heat supply services.

Distribution & Energy Innovation Business Group

Car-Life Division

We sell petroleum products and provide automobile-related services to consumers through approximately 2,000 Car-Life Stations (CS*).

* CS is an abbreviation for Car-Life Station; it refers to service stations delivering multiple services to meet every car-life need.

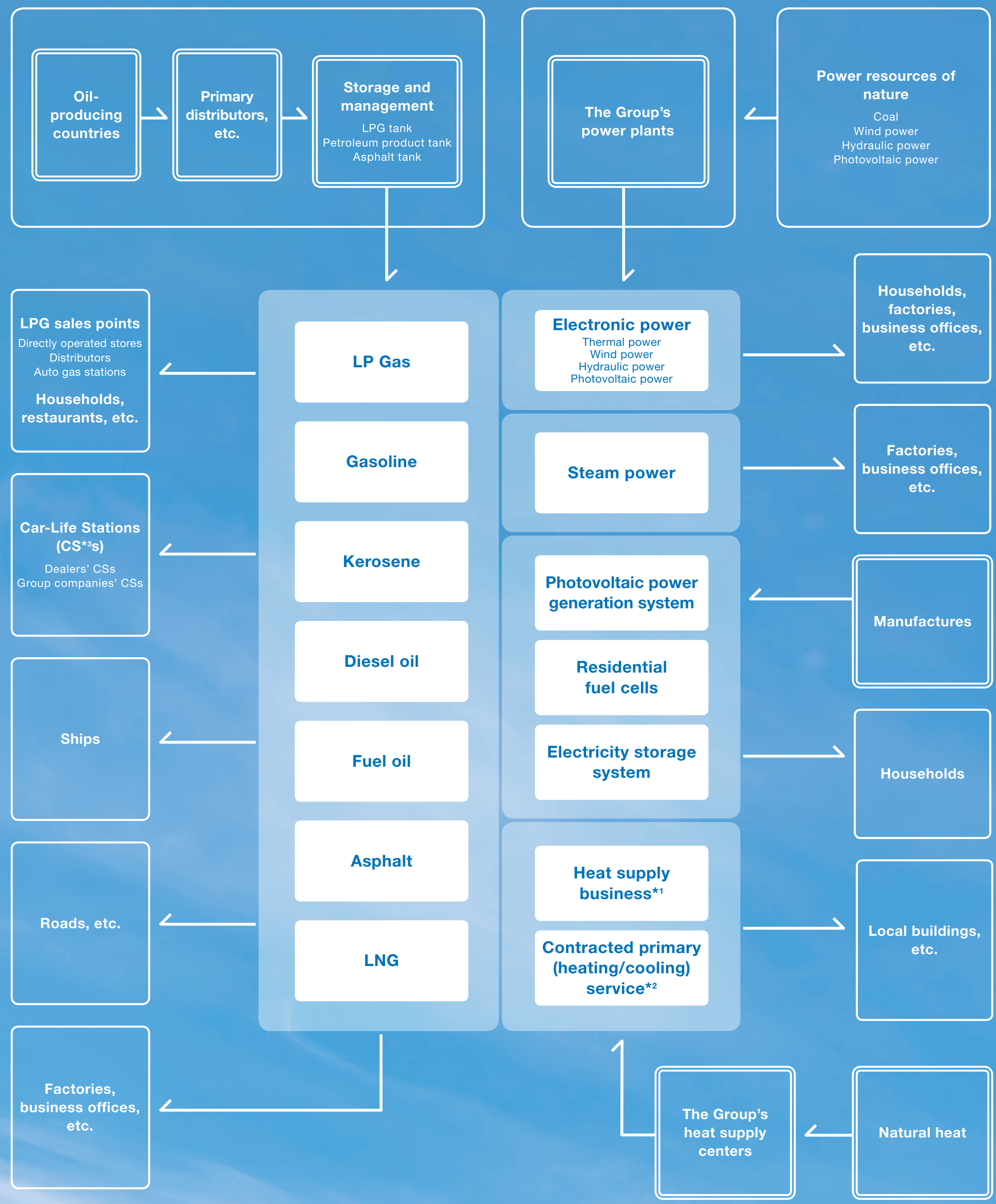
Energy Innovation Division

We sell industrial-use energy and materials to corporate customers, consisting of approximately 3,500 business sites across Japan.

Main Group Companies

ITOCHU ENEX HOME-LIFE HOKKAIDO CO., LTD.
ITOCHU ENEX HOME-LIFE TOHOKU CO., LTD.
ITOCHU ENEX HOME-LIFE KANTO CO., LTD.
ITOCHU ENEX HOME-LIFE CHUBU CO., LTD.
ITOCHU ENEX HOME-LIFE KANSAI CO., LTD.
ITOCHU ENEX HOME-LIFE NISHI-NIHON CO., LTD.
ECORE CO., LTD.
ITOCHU INDUSTRIAL GAS CO., LTD.
PT. ITC ENEX INDONESIA
ENEX ELECTRIC POWER CO., LTD.
TOKYO TOSHI SERVICE COMPANY
OJI-ITOCHU ENEX POWER RETAILING CO., LTD.
ENEX FLEET CO., LTD.
ENEXAUTO CO., LTD.
OSAKA CAR LIFE GROUP CO., LTD. (NISSAN OSAKA SALES CO., LTD.)
TOHOKU TANKU SHOUKAI CO., LTD.
ENEX PETROLEUM SALES HIGASHI-NIHON CO., LTD.
ENEX PETROLEUM SALES NISHI-NIHON CO., LTD.
KYUSHU ENERGY CO., LTD.
KOKURA ENTERPRISE ENERGY CO., LTD.

Flow of energies delivered by the Enex Group to our customers



*1 Heat supply business supplies cold and hot water for air conditioning to office buildings and multiple other buildings from a heat source plant using pipes.
*2 Contracted primary (heating/cooling) service is a contract-based thermal storage service, under which heat source equipment is installed at individual buildings utilizing the know-how of heat supply businesses.
*3 CS is an abbreviation for Car-Life Station; it refers to service stations delivering multiple services provided by Itochu Enex.

We are harnessing the Itochu Enex Group's capabilities in order to achieve sustainable growth as we pursue opportunities involving the distribution and emergence of new forms of energy.

Moving2016「動く!」
～明日にタネを蒔け!～

Substantial changes are unfolding with respect to energy on a global scale.
For instance, on the one hand we are faced with the prospect of depleting oil resources coupled with turbulent and erratic energy markets, while at the same time consumers are becoming increasingly aware of environmental issues as their lifestyles become ever more diverse.
As such, inexorable changes are mounting amid a scenario where complicating factors are at play in terms of both supply and demand, as humankind undoubtedly embarks on a path that will give rise to society's next generation of energy infrastructure which will be capable of delivering on overall needs including and beyond those involving the environment, stability, economic factors, convenience and comfort.

Meanwhile, the roles and responsibilities of the Itochu Enex Group are greatly expanding.
As an energy trading company that is forging its original business model, the Itochu Enex Group acts as a key player in the industry, capable of leveraging its capabilities amid a turbulent business environment, drawing on its extensive track record and know-how combined with its robust sales network.
We are also breaking down existing business frameworks, boldly pursuing transformation and staying one step ahead of the new era as it unfolds, in order to keep achieving sustainable long-term growth going forward.
This will entail creating new business ventures, generating new value and developing a new future ahead as we remain integrally involved in the distribution and emergence of various forms of energy for life and society.
To that end, the Itochu Enex Group has drafted its medium-term business plan "Moving 2016 — Sowing seeds for tomorrow — " which is to act as a stepping stone on the path to achieving its future vision.
We are making steady progress according to the plan as a result of our moves to aggressively develop business and boldly implement reorganization, on the basis of our basic policies.
Meanwhile, we will do our utmost to attain our full-year targets over this fiscal year, the final year of the business plan.

We will also help contribute to bringing about a more sustainable society in accordance with our social responsibilities as an energy company.
As such, we are developing advanced environmental technologies, promoting environmental activities in a broad array of fields, and extensively fortifying our initiatives geared to meeting expectations held by every one of our stakeholders.
In addition, we will work to enhance our corporate value by redoubling our efforts involving our corporate governance practices, given the importance of ensuring sound and highly transparent management.
Going forward, we would like to ask for your continued understanding and support of the Itochu Enex Group.

Representative Director,
President and Chief Executive Officer
ITOCHU ENEX CO., LTD.
Kenji Okada

Medium-term Business Plan: Moving2016「動く!」～明日にタネを蒔け!～

We are making steady progress with the two-year medium-term business plan "Moving 2016 — Sowing seeds for tomorrow —," which was started in fiscal 2015. Meanwhile, we are accelerating efforts to attain our targets. We will work to further enhance our corporate value by implementing growth strategies while hastening to prepare a platform that is adapted to the full liberalization of the electricity and gas market.

Overview of medium-term business plan

Plan name

"Moving 2016 —Sowing seeds for tomorrow—"

Period

2 years (FY2015 to FY2016)

Basic policy

Improvement of profitability
- Going on the attack and strengthening the structure in petroleum business
- Expansion and profitability improvement in gas business
- Strengthening of foundations and response to liberalization in Power & Utility Division

Sowing seeds for long-term growth strategy
- Launching core peripheral businesses and pursuing synergies
- Swiftly launching and expanding overseas businesses
- Constructing strategic alliances with other companies and swiftly generating profits

Reinforcement of organizational strength and fundamental strength
- Thorough fostering of hands-on approach and business thinking
- Development of skillful personnel and enhancement of diversity
- Realization of sound, reasonable and bold management

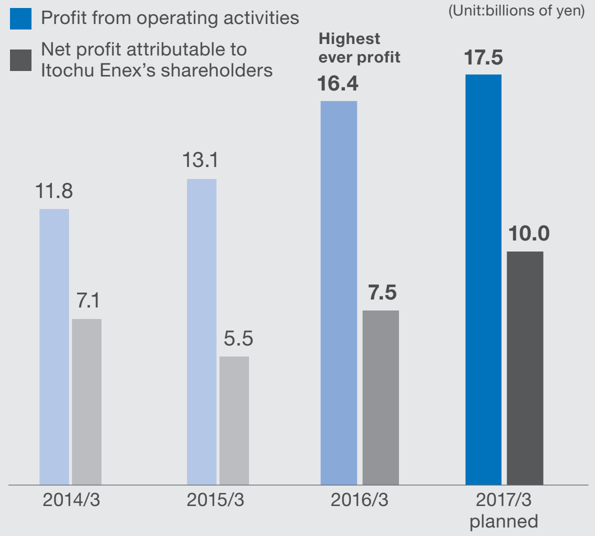
Quantitative plan (FY2016 Consolidated basis)

Profit from operating activities:	¥17.5 billion
Net profit attributable to Itochu Enex's shareholders:	¥10.0 billion
ROE	9.0% or above

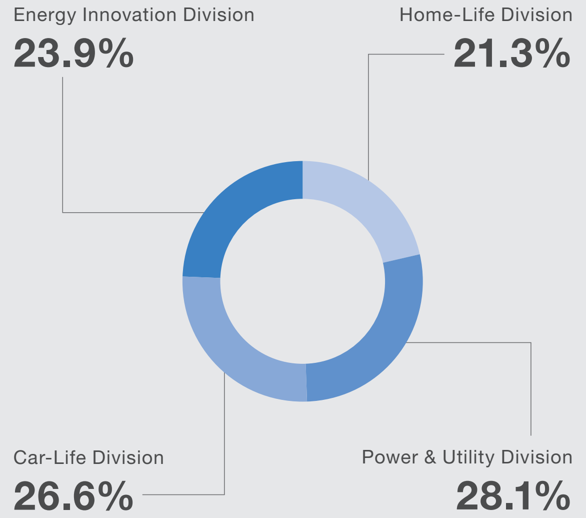
*These targets have been formulated based on International Financial Reporting Standards (IFRS).

Financial performance

Profit from operating activities and net profit attributable to Itochu Enex's shareholders



Profit from operating activities by segment



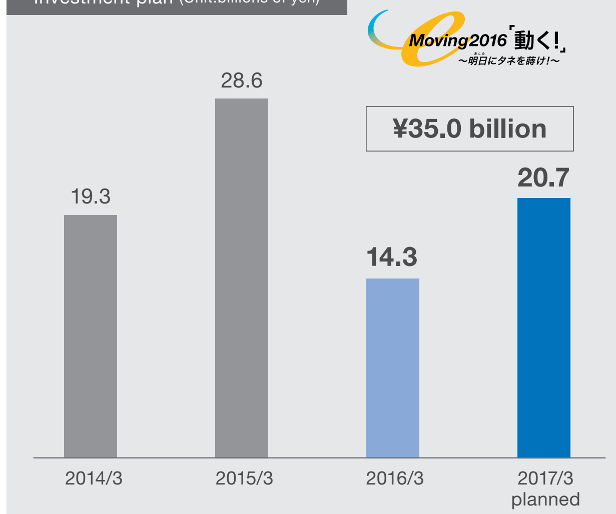
Moving!
Profit from operating activities
25.2% increase (year on year)
¥13.1 billion → ¥16.4 billion

Moving!
Net profit attributable to Itochu Enex's shareholders
36.4% increase (year on year)
¥5.5 billion → ¥7.5 billion

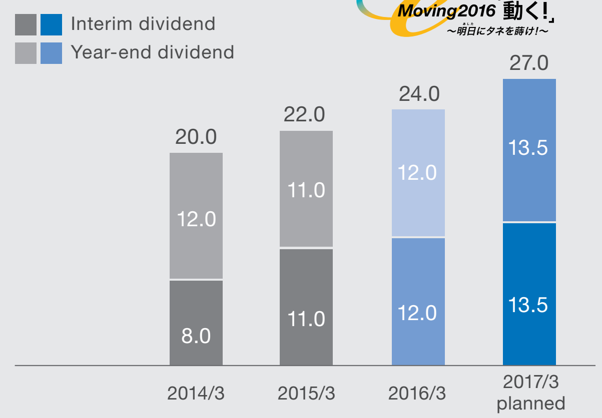
Main management indicators

	2014/3	2015/3	2016/3	2017/3 (planned)
Net profit attributable to Itochu Enex's shareholders	¥ 7.1 billion	¥ 5.5 billion	¥ 7.5 billion	¥ 10.0 billion
ROE	7.8%	5.7%	7.5%	9.6%
Return on total trading transactions	0.5%	0.4%	0.7%	0.9%
Turnover of total assets	4.7	4.2	3.5	3.3
Financial leverage	3.5	3.4	3.0	3.2
Equity-to-asset ratio	29.3%	29.6%	33.1%	32.6%
Net DER (times)	0.26	0.25	0.17	0.22
Cash flows from operating activities	¥ 17.5 billion	¥ 34.3 billion	¥ 30.3 billion	¥ 23.5 billion
Cash flows from investing activities	¥ (12.6) billion	¥ (20.4) billion	¥ (16.7) billion	¥ (20.7) billion
Free cash flow	¥ 4.9 billion	¥ 13.9 billion	¥ 13.6 billion	¥ 2.8 billion

Investment plan (Unit:billions of yen)

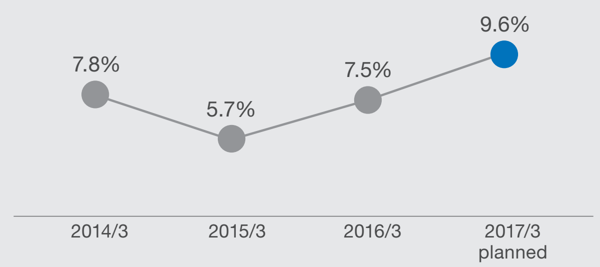


Returns to shareholders (Unit: yen)



Dividend payout ratio	30.5%	45.2%	36.3%	30.5%

ROE



Moving!
ROE
1.8% increase
(year on year)
5.7% → 7.5%

Moving!
Dividends per share
¥3 increase in annual dividends
(as per the FY2016 plan)
¥24 → ¥27

Moving!

Adoption of new system for stronger organizational power

With a change in the management environment, the Company aims to unify and expedite the establishment of strategies and the development of businesses by comprehensively consolidating the related businesses.

Prior organization: 4 Business Divisions

- Home-Life Division
- Power & Utility Division
- Car-Life Division
- Energy Trade Division

↓

New organization: 2 Business Groups and 4 Divisions

- Power & Gas Business Group
  - Home-Life Division
  - Power & Utility Division
- Distribution & Energy Innovation Business Group
  - Car-Life Division
  - Energy Innovation Division

Power & Gas Business Group

Pursuing community-based integrated business

In the Japanese market, a completely unprecedented competitive environment is beginning to emerge given the nation's declining population, growing prevalence of energy savings, and full liberalization of its electricity and city gas industries. As such, the Power & Gas Business Group's role and mission involves forecasting such changes, adapting our operations and setting out to accomplish objectives of our medium- and long-term growth strategies.

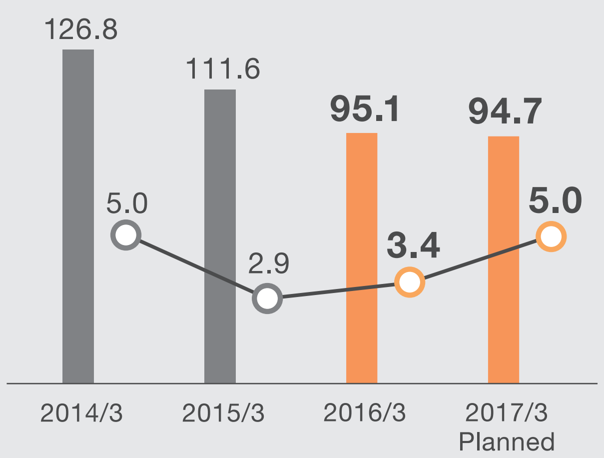
We combine the LP gas sales network developed by the Home-Life Division with the know-how and managerial resources of the Power & Utility Division in pursuing opportunities through Itochu Enex's unique integrated service model that is closely tied with communities. In addition, we are placing focus on developing our LP gas business overseas and upgrading and expanding the electric power value chain.

Chief Operating Officer, Power & Gas Business Group
Masahiko Takasaka

[Power & Gas Business Group: Each division's medium-term business plan]

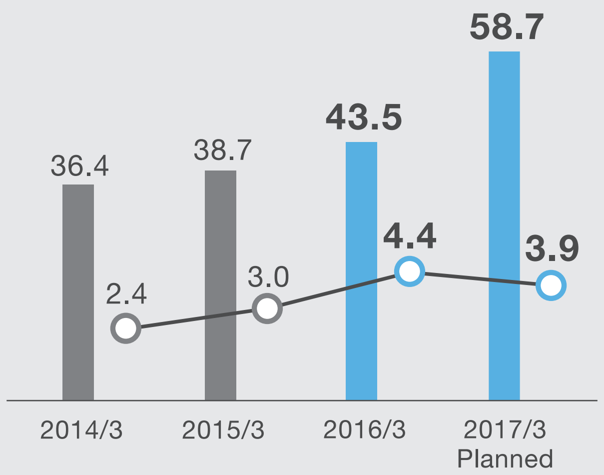
Home-Life Division

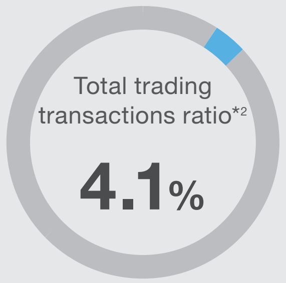
Total trading transactions*1
Profit from operating activities
(billions of yen)



Power & Utility Division

Total trading transactions*1
Profit from operating activities
(billions of yen)





*1 Amounts of total trading transactions in accordance with Japanese accounting practices are shown.
*2 As of March 31, 2016

[Primary measures being taken by the Power & Gas Business Group]

Home-Life Division

Medium-term business plan targets

Realizing "best mix" for energy supply proposals

Principal measures

- **Strengthening and cultivating core businesses**
  —Strengthen direct sales of LP gas
  Promote demand creation
  —Promote fuel conversion, and sales expansion of air conditioning and heating systems
  Provision of electric power business foundation
  —Collaborate with Power & Utility Division and create electric power sales system
- **Development of global projects**
  —Utilize know-how accumulated in domestic business related to LP gas and industrial gas and collaborate with ITOCHU Corporation to expand operations into Asia

Power & Utility Division

Medium-term business plan targets

Becoming a Prime PPS*1 to serve individuals and society

Principal measures

- **Vertical integration**
  —Seamless pipeline from electric power generation to retail sales
- **Adaptability to environment**
  —Shift portfolio in line with changes in environment
- **Response to liberalization**
  —User PPS*2 and Balancing Group (BG)*3
- **Evolution of function**
  —Combined-energy multi-service provider

*1 PPS is an acronym for Power Producer & Supplier, and refers to a Specified-Scale Electricity Utility.
*2 The business operators, who are users of electric power that file a PPS notification, which assumes trading on Japan Electric Power Exchange, etc.
*3 Mechanism whereby a general electric power operator concludes a single wheeling service contract with multiple new electric power suppliers and the representative contractor is selected among new electric power suppliers.

[Business keywords]

LP gas + electricity = "combined sales"

Combined sales refers to sales of electric power supplied by Itochu Enex to our customers who also purchase our LP gas, which has been made possible due to the full liberalization of Japan's electricity retail market. Our sales in this regard involve offering new options for purchasing electricity, drawing on our robust networks already rooted in local communities.

Reinforcing B-to-C businesses

Our business of LP gas direct sales involves use of key distribution channels that enable us to directly offer various products and services to residential customers. In this realm of business we are strengthening ties with community-based customers through our Group companies nationwide, thereby fortifying our customer platform involving sales of energy for households.

Making Asia our backyard

Our business model developed in Japan with respect to sales of fuels such as LP gas and industrial gas is being deployed in the Asian market, in nations experiencing remarkable economic growth such as Indonesia and the Philippines. We will work in conjunction with the Itochu Group in steadily developing collaborative commercial ventures with a geographic reach encompassing all of Asia.

* Refer to pages 16 and 17 of this report for more information on our efforts to develop business in the Asian market and elsewhere overseas.

Alliance strategy

Our alliance strategy involves proposing solutions that encompass wholesaling of electricity, adjusting supply and demand, and providing systems to businesses that are considering selling electricity to households. We also have our sights set on possibilities for forging alliances with local governments and businesses from other sectors, and are working to achieve further growth and expansion of our electric power business by forming stronger balancing group.

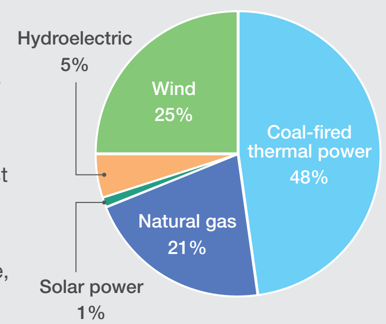
Balancing group

Itochu Enex acts as a representative of a balancing group made up of multiple electricity retailing businesses, and in that capacity aims to ensure efficiencies and economies of scale by bringing energy supply and demand under one roof. Accordingly, through a balancing system* we mitigate risk associated with supply-demand imbalance by making adjustments to the balance of supply and demand across the entire balancing group.

* Balancing system: A rule that calls for implementing balancing measures at 30 minute intervals to ensure that power supply constantly matches demand. If a supply-demand gap occurs at 30 minute intervals, a penalty called an imbalance charge must be paid to the general electricity utility.

Well-balanced power sources

The strength of Itochu Enex's electric power business lies in our business model which is vertically integrated across operations from balancing supply and demand to handling sales, using our own power sources. We are placing particular focus on developing power sources with the aim of maintaining a framework capable of consistently supplying at least 30% of electricity needs from our own power sources, and thereby achieving sustainable, long-term growth of our electric power business.



As of April 2016

Home-Life Division

Major Products and Services

- LP gas
- Town gas (Nakatsu City, Oita Prefecture)
- Gas for industrial use
- Kerosene
- Gas equipment (kitchen equipment, air-conditioning equipment, household equipment, etc.)
- Smart energy equipment (photovoltaic power generation systems and ENEFARM residential fuel cells)
- ENE-POWABO S residential lithium-ion electricity storage system
- Remodeling
- Pressure resistance inspection
- Electric power

LP gas and town gas customers	LP gas sales points	Auto gas stations
Appr. 1.08 million households	Appr. 1,900	43 locations

We aim to provide comfortable lifestyles through supply of "environmentally friendly" gas and its equipment.

Gas Supply Business

We supply a broad base of customers across Japan with LP gas and town gas, energy sources widely used at homes and businesses as fuel for cooking, water heating, and industrial applications.

Proposals for "Better" Home Energy Supply

We support comfortable, rewarding living by offering a wide range of home improvement proposals, including kitchen and bathroom remodeling and the installation of photovoltaic power generation systems.

Gas for Industrial Use

We offer industrial-use gas used in all industry fields including oxygen and nitrogen; medical-use gas such as oxygen for inhalation, laughing gas for anesthesia and gas for sterilization; and a wide range of special gas.

Pressure Resistance Inspection

The Itochu Enex Group company J-Cylinder Service Co., Ltd. engages in the pressure resistance inspection business of containers containing LP gas, general high-pressure gas, special gases, and other such substances.

As a comprehensive high-pressure gas container inspection company which boasts the top share of the Kanto area market, J-Cylinder Service has been upgrading its gas sales services and heightening its added value.

Gas for Automotive Use

We are expanding our network of automotive gas stations with the aim of promoting the widespread use of low-pollution LP gas vehicles.

Electricity Supply Service for Households

In April 2016, through group companies involved in sales of LP gas, we began offering our "e-koto denki!" electricity supply service for households. This service is offered at economical rate plans that also reward households with T-Points.

IT Support

We provide robust support for retailer sales operations by developing and providing service systems and sales management systems that take full advantage of the latest IT and the Internet.

"Best mix" for energy supply proposals, with an expanded menu of service options

Reasonably priced electricity supply service
e-koto denki!

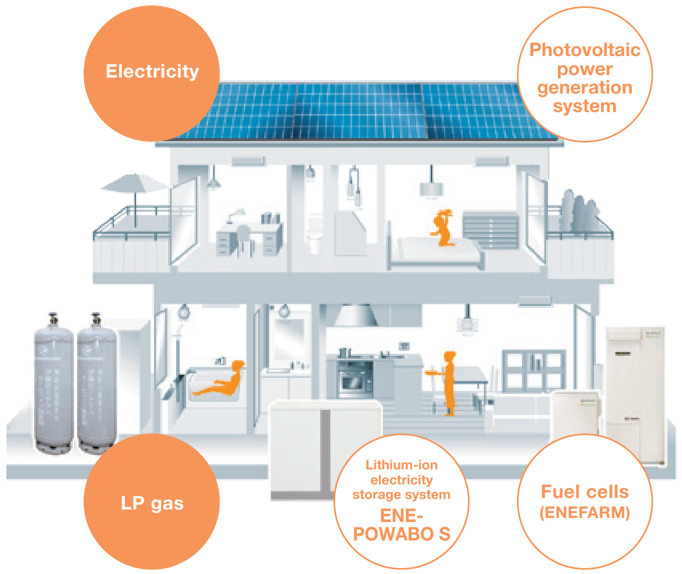
The Itochu Enex Group to offer the e-koto denki! service on a nationwide basis in fiscal 2016

Appealing menu of service plans

Safe and easy to operate
LP gas

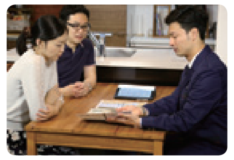
Further upgraded services that involve pressure resistance inspection of gas containers

Entered the LP gas sales business in overseas (the Philippines)



Photovoltaic power derived from a natural energy source
Economical due to sales of surplus electricity

Home renovation that delivers comfort through use of gas
Home improvement beginning with kitchens and bathrooms



Residential fuel cells for smart power generation
The generated heat is also used for hot water supply and residential heating

Electricity storage systems for residential use becoming increasingly prevalent
Helps households achieve energy self-sufficiency

Power & Utility Division

Major Products and Services

- Electric power (coal, fuel oil, natural gas, wind, hydropower, photovoltaic power)
- Steam
- District heating services
- Electric power supply/demand management services
- Thermal storage contract-based services

Power generation	Annual electric power retail sales volume	Heat supply centers
capacity 166 MW	(FY2015) 873 thousand MWh	18 locations

(ENEX + OJEX)

We operate electric power-related and heat supply businesses that deliver energy efficiency, comfort and economic benefits.

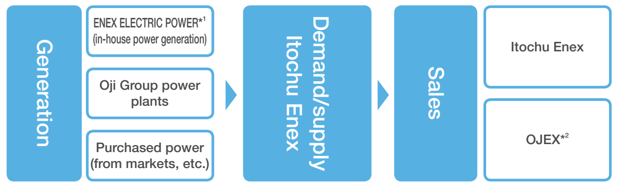
Electric Power Business

Having entered the electric power business as a proposal-making company with a comprehensive range of energy, we work to realize lower electric power costs and stable supplies for customers.

Distinctive characteristics of the electric power business

The Itochu Enex Group's electric power business leverages a unified business model that is vertically integrated across operations from generating power to balancing supply and demand and handling sales. When it comes to electric power generation, we attempt to strike a balance between environmental and economic factors, while adeptly combining the diverse power sources of Itochu Enex with those of our partner entity the Oji Group. With respect to balancing supply and demand and handling sales, we are taking full advantage of the Itochu Enex Group's know-how and sales network, while building, upgrading and expanding a robust electric power value chain.

Vertically integrated model from power generation to retail sales



*1 ENEX ELECTRIC POWER CO., LTD. operates a power generation business as part of the Itochu Enex Group. Effective April 1, 2016, JEN HOLDINGS CO., LTD. has become ENEX ELECTRIC POWER CO., LTD.

*2 OJEX: Oji-Itochu Enex power retailing Co., Ltd. The company was founded by Itochu Enex Co., Ltd and Oji Green Resources Co., Ltd.

Upgrading and expanding the power plant network

JEN Konbumori Wind Farm Co., Ltd. | JEN Tainai Wind Farm Co., Ltd. | Joetsu Energy Service Co., Ltd.

Amagasaki Energy Service Co., Ltd. | Hofu Energy Service Co., Ltd. | JEN Kusu Wind Farm Co., Ltd.

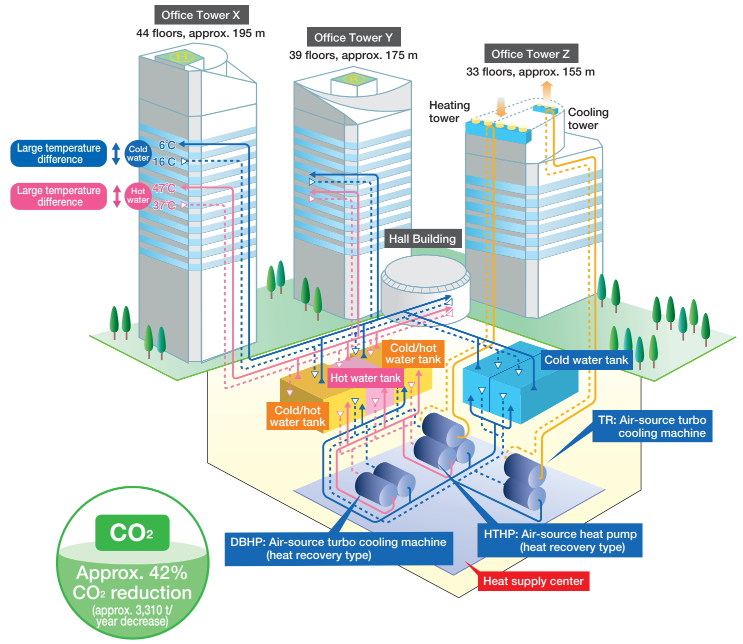
Heat Supply-Related Business

The heat supply business of Itochu Enex Group member Tokyo Toshi Service Company (TTS) provides hot and cold water for heating and air conditioning to multiple buildings within a certain geographic area. TTS also provides low-CO_2, energy-saving thermal storage contract-based services for a low initial investment at the time of installation or renewal of building air conditioning or hot water supply systems. In combination with urban development efforts, these services help ensure efficient energy use.

State-of-the-art systems equipped with heat pumps

Heat pumps are a form of technology for pumping renewable heat energy contained in substances such as natural air and water, and moving such energy indoors and outdoors, drawing on a small electrical charge rather than generating heat through combustion. The devices require energy in the form of electricity to compress coolant which is a substance that removes heat, but are capable of making use of heat amounting to three to six times the electric energy consumption.

TTS provides its heat supply businesses to users in the Harumi Island district of Tokyo



This leading-edge local heat supply system equipped with large thermal storage tanks and high efficiency heat pumps results in an environmentally sound urban area featuring a comfortable environment that accommodates around 20,000 employees during daytime working hours and a population of some 5,000 residents.

Distribution & Energy Innovation Business Group

Creating new forms of value and innovation

Trends with respect to a contracting market for petroleum products call for completely new ideas, growth strategies and tactics unfettered by existing paradigms even in our Car-Life and Industrial Energy sectors which have been drivers of the Itochu Enex Group's growth.

The Business Group aims to bring about innovation that yields new forms of value and resounding competitive strengths in step with the times. As such, we will work to create an innovative business group by setting our sights on developing appealing products and services unmatched by our competitors, upgrading our distribution capabilities for effectively delivering such products and services, entering as yet untapped markets, and coordinating our combined knowledge and expertise in a manner that extends beyond the boundaries of respective organizational units.

Chief Operating Officer, Distribution & Energy Innovation Business Group
Tatsunosuke Nagao

[Primary measures being taken by the Distribution & Energy Innovation Business Group]

Car-Life Division

Medium-term business plan targets

Committing to Car-Life in various regions (domestic/overseas)

Principal measures

- **Marketing strategies (CRM*)**
  - —Enhance customer management using POS systems
  - —Introduce point cards
  - —Launch product service brands
- **Initiatives to increase added value**
  - —Strengthen CS*-oriented consulting (ENEX ACT) and improve non-oil revenues
  - —Strengthen automobile-related business centered on Osaka Car Life Group Co., Ltd. and Enexauto Co., Ltd.

* CRM: Customer Relationship Management
* CS is an abbreviation for Car-Life Station; it refers to service stations delivering multiple services provided by Itochu Enex.

Energy Innovation Division

Medium-term business plan targets

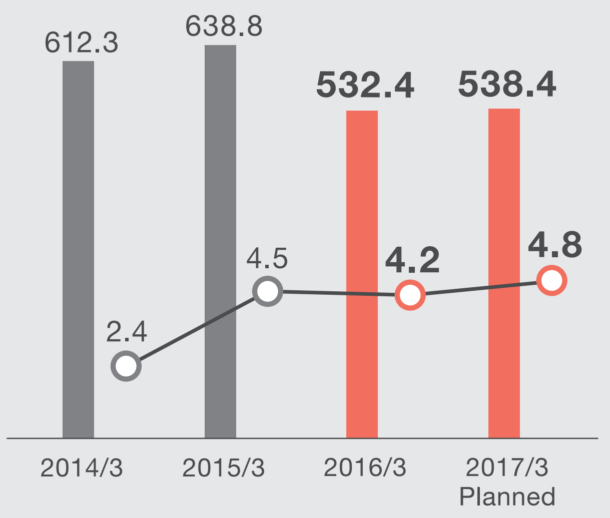
Expanding existing businesses through utilization of functions and strengthening initiatives for new business

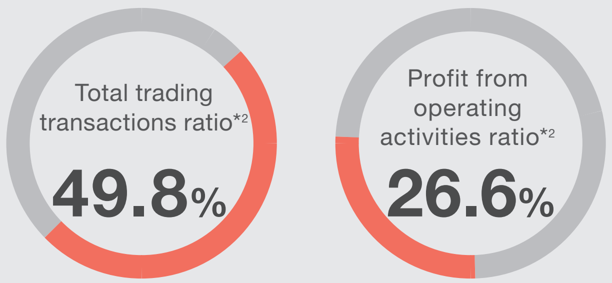
Principal measures

- **Strengthen risk management system, including construction of business portfolio**
- **Further strengthen distribution functions and optimize resources**
- **Initiatives for new business made from a union of affiliate companies**
  - —Start of slop and oil recycling business and fly ash business
- **Promote global projects**
  - —Oil business/Palau, U.S. next-generation biodiesel, etc.
- **Promote LNG business**

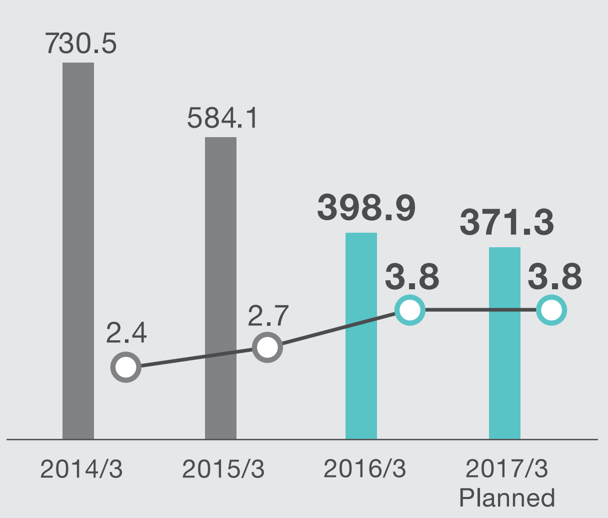
[Distribution & Energy Innovation Business Group: Each division's medium-term business plan]

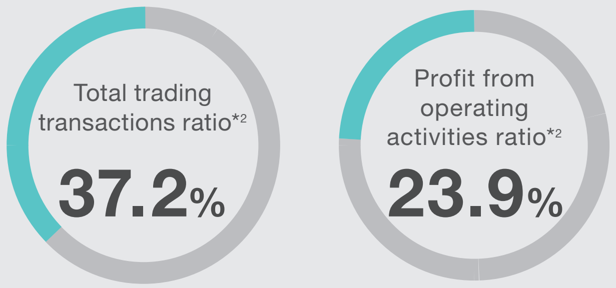
Car-Life Division





Energy Innovation Division





*1 Amounts of total trading transactions in accordance with Japanese accounting practices are shown.
*2 As of March 31, 2016

[Business keywords]

One to one marketing

We have been strengthening our capabilities for proposing customer-tailored solutions by introducing Rakuten Point Card services and making use of a new point-of-sale (POS) system. Moreover, we have been taking steps to gain new customers and expand our customer portfolio by implementing finely tuned customer relationship management (CRM) practices that win over customers and are directly tied to revenue growth of our retail operators.

Consulting support

We have been providing assistance for creating Car-Life Stations (CS) that are preferred by customers, while also redoubling our efforts to provide consulting support that facilitates greater managerial effectiveness and higher profitability. We have also been responding to various managerial challenges by drawing on our ENEX ACT Program and the CS Strategic Information System exclusively developed by Itochu Enex.

Carlife Stadium

Our new Carlife Stadium service brand has combined automobile-related business brands previously deployed separately. Initially, we are engaging primarily in car rental business operations on a nationwide basis. Moreover, we are clearly articulating the value we provide to customers and providing support to help boost profitability of our affiliated stores.

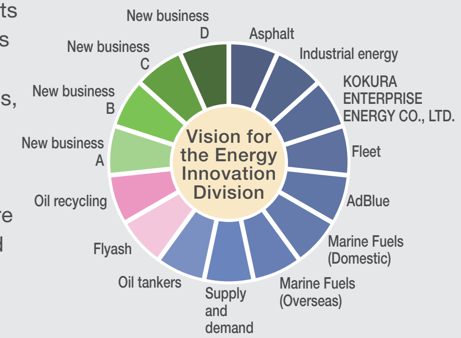
カースタ
CARLIFE STADIUM

New business creation

Having kept pace with Japanese industry for over half a century, the Itochu Enex Group continues to develop energy-related businesses geared to the needs of today. As such, we are finding budding opportunities to create new businesses in the field of energy where we have an extensive track record, amid an environment where the mix of industries is substantially changing.

Expansion of portfolios

Our current portfolio consists of nine mainstay businesses including the asphalt and industrial energy businesses, along with two additional new businesses including the oil recycling and flyash reuse businesses. We aspire to achieve a well-diversified and balanced business portfolio encompassing other new businesses.



R&D involving next-generation fuels in Japan and overseas

We have been actively taking part in projects that are attracting attention and giving rise to expectations with respect to next-generation fuels. In that regard, shipments of the biodiesel plant located in the U.S. are close at hand, and we are also taking part in a demonstration project involving bio jet fuel in Japan.

Upgrading distribution capabilities

We maintain a 20% share of Japan's asphalt market, handle high-grade urea solution which is experiencing growing demand underpinned by environmental regulations governing diesel vehicles, and are the top seller of marine fuel in Japan in terms of volume. The Itochu Enex Group provides support for key elements of energy infrastructure, and has accordingly been upgrading its distribution capabilities and building systems that ensure stable supply.

Car-Life Division

Major Products and Services

- Gasoline
- Kerosene
- Diesel oil
- Fuel oil
- Automotive lubricants
- Automobiles and automobile products
- Vehicle inspection and maintenance
- Rent-a-car services

Group CSs	Car Enex Brand CSs	CSs with Itsumo Rent-a-Car service
Appr. 2,000 locations	Appr. 450 locations	Appr. 400 stations

No. 1 trading firm-affiliated chain

We operate Car-Life Stations that contribute to comfortable, convenient living and transportation by meeting every Car-Life need.

Automobile Energy Sales Business

Automobile Energy Sales Business supplies energy to affiliated Car-Life Stations (CS*) across Japan, and improves profitability of CSs and provides strong support for CS management to station operators through ENEX ACT Programs.

* CS is an abbreviation for Car-Life Station, it refers to service stations providing multiple services provided by Itochu Enex.

Car Dealer Business

We engage in business that includes sales of new and used cars, vehicle inspection, automotive bodywork, mechanical servicing and maintenance through Nissan Osaka Sales Co., Ltd., which has the top network throughout Osaka Prefecture and in the Hanshin district of Hyogo Prefecture.

Car-Life Support Business

We work with our affiliated CSs nationwide in providing them with enhanced merchandise, information and sales know-how, while helping them achieve growth.

Card Service

We offer a variety of credit card options to meet the needs of our CS customers.

- Rakuten Point Card (Rakuten's common point service)
- Car Enex Itsumo Card (consumer)
- Partner's Card (corporate)

IT Support

By upgrading our E3 POS System to E6 POS, we've developed a one-to-one marketing system tailored to the needs of individual customers based on centralized management, including customer information, vehicle information, and purchase histories.

- E3 POS System/E6 POS System
- CS Strategic Information System
  (System for analyzing sales data automatically extracted from Itochu Enex's proprietary CS)

Building a Car-Life business preferred by customers, by providing them with substantial added value

New service brand integrated with our automobile-related businesses

We are offering top-notch services geared to satisfying needs for safety and security and delivering satisfaction, extensively involving automotive lifestyles of locally-based customers.

カースタ
CARLIFE STADIUM

Wide variety of Carlife Stadium services

Our new Carlife Stadium service brand has combined automobile-related business brands previously deployed separately. Initially, we are engaging primarily in car rental business operations on a nationwide basis. Moreover, we are clearly articulating the value we provide to customers and providing support to help boost profitability of our affiliated stores.

- Car rental
- Car sales
- Car dealership

The five promises of Carlife Stadium services

- We will attentively care for cars in a manner supporting people's daily lives and ensuring their safety.
- We will function as a street-side pit stop that exhaustively provides services geared to delivering satisfaction.
- We will create serene locations where customers can enjoy peace of mind.
- We will provide smart and speedy services exceeding expectations.
- We will handle matters as professionals, drawing on our extensive knowledge and sophisticated technologies.

http://carlifestadium.com/

Retail strategy: Gaining more new customers

We will redouble our efforts to gain new customers by introducing the Rakuten Super Points system, which is the most widely used points system in the industry. We now expect to see more exchange of customers with affiliated stores, while also implementing sophisticated approaches to customer management that involve amassing data of purchasing histories of customers using the points system.

Automobile-related business: Strengthening of the value chain

Centering on Nissan Osaka Sales Co., Ltd., our Group company, we will strengthen from new car sales to after-sales maintenance. We will build a robust automobile-related business value chain, encompassing our proven operations that include services involving refueling, car wash, vehicle servicing, motor-vehicle inspection, light automotive bodywork, tires, vehicle trading and car rentals.

Support for creating Car-Life Stations (CS) that prevail against the competition

We provide station operators with robust CS management support involving marketing that draws on new-type POS and management improvements through the ENEX ACT Program.

Energy Innovation Division

Major Products and Services

- Industrial-use energy and materials (gasoline, kerosene, diesel oil, fuel oil and LNG)
- Asphalt
- AdBlue high-grade urea solution
- Marine fuels and lubricants
- Import/Exports of petroleum products and transactions to regulate domestic supply and demand
- Chartering and operation of tankers
- Logistics services for petroleum storage tanks and facilities
- Global project and business
- Oil recycling business
- Flyash reuse busuness

Corporate customers	Asphalt terminals	Oil terminals
Appr. 3,500 business sites	12 locations	3 locations
	with total storage capacity of 43,800 tons Approximately 20% share of sales in Japan	with total storage capacity of 170,000 tons

We propose optimal energy solutions for supporting the industrial and distribution bases. We handle industrial energy, materials and also marine fuel.

Sale of Industrial Energy

We deliver industrial energy to corporate customers and propose optimal energy solutions that conserve energy and lower costs.

AdBlue High-Grade Urea Solution

As part of our activities to address environmental problems, we sell AdBlue, a highgrade urea solution that breaks down and detoxifies diesel vehicle exhaust, to customers nationwide.

Petroleum Product Trading

Itochu Enex, the domestic petroleum products trading arm of the Itochu Group, engages in the import, export and sale in Japan of petroleum products.

Global Projects

Using our accumulated know-how and our business model, we vigorously press ahead with global business development.

Sale of Asphalt

We take advantage of a nationwide sales network to deliver asphalt, a key industrial material, to customers all across Japan.

Corporate Fleet Fuel Cards

We issue corporate fleet fuel cards that enable customers to purchase gasoline, diesel, and other automobile fuels at a single price nationwide.

Sale of Marine Fuel

We sell marine fuel at major ports in Japan and overseas.

Storage Tank Leasing

We have developed a powerful supply network that satisfies our customers' storage needs by owning and operating storage tanks nationwide.

Tanker Operation and Chartering

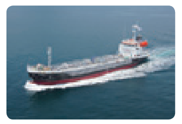
We engage in a global petroleum product tanker leasing and operation business that supports the distribution of petroleum products worldwide.

Nationwide distribution sales network and oil terminals

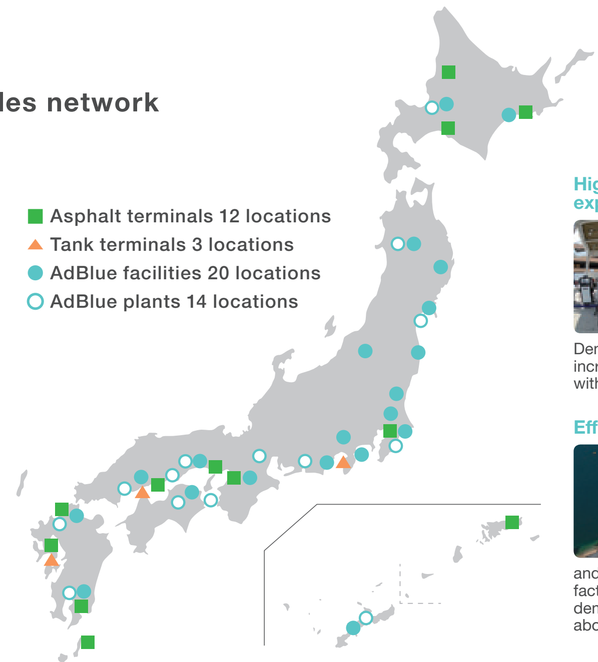
Large-scale asphalt terminal

The Sodegaura Asphalt Terminal has two 5,000-ton tanks, and is the largest such terminal in Japan. Using this terminal as a base of operations, we are extending our sales activities out toward the Greater Tokyo area and other demand centers in Japan's Kanto region.

Stable asphalt supply using company-owned tankers



Our fleet of three asphalt tankers underpins our distribution network by enabling us to employ logistical capabilities that involve shipments from procurement sites overseas to key terminals in Japan. The "Great Crane" asphalt tanker is pictured above.



High-grade urea solution experiencing growing demand

AdBlue is a high-grade urea solution, used in "SCR systems," which breaks down and detoxifies car exhaust gas. Demand for the substance is growing due to increasingly stringent environmental regulations with respect to trucks.

Effective storage tank operation

We have tank terminals in three locations across Japan that enable us to effectively handle operations extending from procurement and storage to market distribution, while factoring in the balance between supply and demand. The Etajima Oil Terminal is pictured above.

Entering a New Era of Global Enex

While Itochu Enex began trading overseas in 2008, in recent years, we've also been proactively deploying global projects by taking advantage of business models and expertise accumulated in Japan, along with the Itochu Group's overseas network. We aim for these efforts to lead to the Group realizing sustainable growth in the growing overseas energy market.

Initiation of attention-grabbing business under slogan of "Making Asia our Backyard" —Home-Life Division

Industrial gas production and sales business in Indonesia

In October 2015, PT. ITC ENEX Indonesia (PT. ENEX), which is a joint venture of Itochu Enex and ITOCHU INDUSTRIAL GAS CO., LTD. was established in Karawang International Industrial City in the suburbs of Jakarta, the Indonesian capital. The company has built an oxygen and carbonic acid packing facility, with plans calling for production and sale of industrial gas primarily to the numerous Japan-affiliated companies entering the Indonesian market. The facility went into full operation early in September 2016.

LP gas sales business in the Philippines

We have entered the LP gas sales business in the Philippines by establishing Creasia Energy Holdings, INC. with ITOCHU Corporation (investment ratio: ITOCHU Corporation 60%, Itochu Enex 40%). We acquired ITOCHU's shares in the Philippines-based LPG sales business company, Isla Petroleum & Gas Corporation, a joint venture of ITOCHU Corporation and a local partner company. Plans call for increasing LPG sales for commercial and industrial use in the Philippines by taking full advantage of the expertise of both companies.

Strategic positioning of business operations

For several years, we have sent our energy fact-finding team to Indonesia which has been experiencing remarkable economic growth at a feverish pace. Having conducted surveys examining energy demand mainly among Japanese firms operating in industrial parks, we have made the decision for the Itochu Enex Group to expand its businesses into Indonesia. This constitutes a first step in the Group's efforts to expand its business under the slogan, "Making Asia our backyard."

Business outlook

In the Philippines, LP gas is reported to serve as a household fuel for some 40% of homes. The joint venture will also seek to expand sales volume and earnings from sales of LP gas to households, and to develop new sales channels and to cultivate demand in Asia through businesses in the Philippines.

The Itochu Enex Group's global network

● Key regions where we do business ● Global projects (investments) ● Areas to which we dispatch personnel

Leading U.S. and Pacific region project —Energy Innovation Division

Next-generation biodiesel business in Nebraska, the U.S.

In 2013, in partnership with ITOCHU Corporation, Itochu Enex participated in a next-generation biodiesel manufacturing business in Beatrice, Nebraska, the U.S., launched by Flint Hills Resources Renewable LLC and biofuel production technology venture company Benefuel Inc. This is a landmark project that involves efficiently producing biodiesel using low-cost, non-edible materials in the plant facilities. Construction of the plant was completed in June 2016, and is slated to go into full operation soon.

Future potential of the business

While energy demand among Asian nations is poised to increase further, there is also mounting pressure for companies to use biofuels in the name of conserving forest resources. As such, this business has potential for future growth amid the prospect of ever greater demand for quality biodiesel at low prices among countries in this region going forward.

Guam/Saipan Project, the U.S.

Employees of the Company are permanently stationed at IP & E Holdings, LLC., at which Itochu Petroleum Co., Pte. Ltd., a wholly owned subsidiary of ITOCHU Corporation, participates in operations. The business utilizes expertise accumulated in Japan in overseas market.

Palau Project

The Company acquired 25% of the shares of IP&E Palau, Inc. in January 2012 through a private placement, and participates in import wholesaling and direct selling of petroleum products in the Pacific area. The business has been able to attain stable sales volumes every year, and is expected to achieve further growth given forecasts anticipating growing numbers of tourists to Palau on an annual basis going forward.

Overseas transactions and project timeline

2008	The overseas petroleum product trading business run by Itochu Corporation and Itochu Petroleum Japan Ltd. were split off and acquired by Itochu Enex Co., Ltd.
2012	Launched the petroleum products wholesale business in Palau
2013	Entered the next-generation biodiesel production business in Nebraska, the U.S.
2015	Entered the industrial gas business in Indonesia
2016	Guam/Saipan Project
2016	Entered the LP gas sales business in the Philippines

Always One Step Ahead The Itochu Enex Group's Continual Challenge

Jan.	1961	The Company is founded with capital of ¥60 million when Itochu Sekiyu K.K., a subsidiary of Itochu Corporation, is split up (Itochu Sekiyu K.K. was originally founded in Jan. 1949 as Nishinihon Beiyu K.K., changing its name in Apr. 1951). Its purpose is to sell products produced at a new refinery built at Mizushima by Itochu Corporation in alliance with longstanding business partner Nippon Mining Co., Ltd. (This marks Itochu's entry into the petroleum sector.)
May	1965	The Company acquires stock in Oita Kyuseki Hanbai Co., Ltd. (currently, consolidated subsidiary KYUSHU ENERGY CO., LTD.).
Mar.	1970	The Company acquires stock in Unoshima Sansuiso K.K. (currently, consolidated subsidiary ITOCHU INDUSTRIAL GAS CO., LTD.).
Apr.	1971	Capital is increased to ¥1 billion.
Apr.	1977	To change the par value of its stock, the Company merges with Itochu Fuel Corporation, headquartered at 2-36 Tsurigane-cho, Higashi-ku, Osaka.
Feb.	1978	The Company is listed on the 2nd section of the Osaka Securities Exchange and the Tokyo Stock Exchange.
Sep.	1979	The Company is promoted to the 1st section of the Osaka Securities Exchange and the Tokyo Stock Exchange.
Jun.	1983	The Company moves its head office from Osaka to Tokyo.
Mar.	1995	The Company establishes Kyushu Chunen Co., Ltd. (currently, consolidated subsidiary Enex Petroleum Sales Nishi-Nihon Co., Ltd.).
Feb.	1996	Head office moves to 24-12 Meguro 1-chome, Meguro-ku, Tokyo.
Oct.	1997	The Company acquires stock in Tokai Corporation, which is in the process of being reorganized.
Dec.	1997	The Company acquires stock in Seibu Petroleum Corporation.
Apr.	1998	The Company's CicoMart arm is spun off to form CicoMart Co., Ltd.
Oct.	2000	Tokai Corporation's bankruptcy reorganization proceedings are declared complete by the overseeing court.
Mar.	2001	The Company takes over gas supply service in Nakatsu City, Oita Prefecture.
Jul.	2001	The Company changes its name from Itochu Fuel Corporation to **Itochu Enex Co., Ltd.** Its consolidated subsidiaries are renamed at the same time.
Nov.	2001	The Company sells off its stock in CicoMart Co., Ltd.
Apr.	2004	The Company scraps its existing branch-office system in favor of a system of organization around business divisions.
May	2005	Takigawa Enex Co., Ltd. (currently, Itochu Enex Home-Life Nishi-Nihon Co., Ltd.) commences operation upon taking over business operations from Takigawa Industries Co., Ltd.
Sep.	2005	The Company sells off its stock in Tokai Corporation.
Oct.	2005	Kokura Enterprise Energy Co., Ltd. takes over the business of Kokura Enterprise Co., Ltd. and commences operations.
Oct.	2005	**The Itochu Enex Group adopts a single unified logo, the Enex Mark.**
Apr.	2007	Itochu Enex Home-Life Kyushu merges with Idex Gas K.K. and changes its name to Ecore Co., Ltd.
Sep.	2008	Itochu Enex Co., Ltd. acquires Kohnan Corporation's oil sales business and stock in Kohnan Fleet Corporation (currently, consolidated subsidiary ENEX FLEET CO., LTD.).
Sep.	2008	Head office is relocated to 4-1 Shibaura 3-chome, Minato-ku, Tokyo.
Apr.	2009	The Company transfers the LPG lorry wholesales business to JAPAN GAS ENERGY CORPORATION. The Company acquires the shares of JAPAN GAS ENERGY CORPORATION (currently, an equity-method affiliate).
Jul.	2010	The Company submits a notice of commencement of a power producer and supplier (PPS) business.
Oct.	2010	**The Company launches an electric power retailing business.**
Jan.	2011	The Company celebrates the 50th anniversary of its founding.
Mar.	2011	The Company acquires the shares of JEN Holdings Co., Ltd. (currently, a consolidated subsidiary) to break into the electricity and steam supply business for factories.
Apr.	2011	Kohnan Fleet Co., Ltd. changes its name to Enex Fleet Co., Ltd.
May	2012	The Company acquires the shares of Tokyo Toshi Service Company (currently, a consolidated subsidiary) .
Oct.	2012	JEN Holdings, Co., Ltd (currently, a consolidated subsidiary) acquires all shares of CEF Konbumori Wind Farm Co., Ltd., (currently, JEN Konbumori Wind Farm Co., Ltd.).
Apr.	2013	Power & Utility Division is set up.
Sep.	2013	The Company closes its central training facility (from January 2014, the training function is reestablished at the Company's new head office under the name "Enex Academy").
Dec.	2013	JEN Holdings, Co., Ltd. (currently, a consolidated subsidiary) acquires all shares of Tainai Wind Farm Co., Ltd., (currently, JEN Tainai Wind Farm Co., Ltd.).
Jan.	2014	The head office is moved to 2-10-1 Toranomon, Minato-ku, Tokyo.
May	2014	The Company acquires stock in Osaka Car Life Group Co., Ltd. (currently, a consolidated subsidiary) to break into the car dealer business. **The Company announces the Group Business Plan "Moving 2014".**
Feb.	2015	The company and Oji Green Resources Co., Ltd., a subsidiary of Oji Holdings Corporation, forms OJI-ITOCHU ENEX POWER RETAILING CO., LTD.
Mar.	2015	The Company acquires the shares of NISSHO PETROLEUM GAS CORPORATION.
May	2015	**The Company announces the medium-term business plan "Moving 2016 – Sowing seeds for tomorrow –".**
Oct.	2015	The Company establishes PT. ITC ENEX INDONESIA.

CSR and Compliance-based Management

Working with Stakeholders to Put CSR into Practice

At the Itochu Enex Group, we regard compliance as a key component of corporate social responsibility (CSR). In addition to reinforcing our corporate governance, we intend to maintain our rigorous approach to key compliance issues, including always valuing human rights, ensuring our customers' safety and security, conducting fair transactions, and protecting personal information.

We are also taking proactive steps to find solutions to issues faced by society. We will continue utilizing the ties to local communities and the diverse range of resources cultivated through our energy businesses to play our part by cooperating with our stakeholders to assume more far-reaching social responsibility. Particular areas of focus will include cultivating and disseminating environmental technologies, putting energy lifelines in place to prepare for disasters, fostering the next generation to uphold the community ideal, and assisting with post-earthquake reconstruction.

Chief Compliance Officer
Masaaki Itoyama

Corporate mission

Corporate Philosophy
The best partner for life and society
– with Energy, with the Car, with the Home –

[Our cardinal code for implementing the corporate philosophy]
Code of Conduct: Be Ethical
(Reliability and sincerity, creativity and ingenuity, transparency and integrity)

[Guidelines for putting CSR and compliance into action]
Declaration of the Group Code of Conduct
Promise with stakeholders

Basis of corporate governance

Customers	Business partners	Suppliers
Shareholders and investors	Corporate properties	Moderation in corporate behavior
Environmental activities	Local communities	Employees

Three important social responsibilities the Itochu Enex Group is dealing with

Basic views regarding CSR and compliance

Corporate Philosophy
The best partner for life and society
– with Energy, with the Car, with the Home –

Our corporate philosophy provides a compass to guide the course of our actions with regard to social responsibilities. These range from the social responsibilities corporations are obligated to assume to those we elect to take on because we recognize that they are important for an energy company such as ourselves, and beyond to the more wide-ranging activities we engage in to tackle social issues in spheres of our own choosing. Our aim is that all these forms of social responsibility should contribute to putting our philosophy of being "the best partner for life and society" into practice.

Code of Conduct: Be Ethical
(Reliability and sincerity, creativity and Ingenuity, transparency and integrity)

In 1962, soon after its founding, the Company first established its "guiding precepts"; the spirit of those precepts is perpetuated in the form of the "Code of Conduct" announced in 2001. The Itochu Enex Group of today intends to continue upholding the "Be Ethical" ethos as it contributes to society. To that end, we aim to act with reliability and sincerity in our dealings with all stakeholders, to generate new value by exercising creativity and Ingenuity, and to maintain transparency and integrity in our businesses.

Declaration of the Group Code of Conduct
(see page 27 for full text)

The Company declares that all officers and employees of the Company and its Group companies (including employees on temporary assignments to and from the Company, contract-based employees, temporary staff, part-time employees, and casual staff) will always be conscious of the Code of Conduct's requirement to "Be Ethical" while engaging in their day-to-day duties as responsible corporate citizens and members of society. Each individual officer and employee signs and seals a "personal declaration" as a promise with stakeholders comprising their own guidelines for conduct in performing their day-to-day duties.

Our understanding of "CSR and Compliance"

For the Group, compliance means more than just legal compliance in the narrow sense; we aim to go beyond what is required of us as a corporate citizen to fulfill broader, more far-reaching social responsibilities based on ethical principles. It is with this intention that we employ the combined phrase "CSR and compliance" when propagating and enforcing awareness of compliance throughout the Group.

Important social responsibilities of the Itochu Enex Group

As an entity that operates energy businesses rooted in communities, the Group defines its contributions to the "environment," to "local communities," and to "employee satisfaction" as especially important social responsibilities expected of it by stakeholders. In these areas, therefore, the Group engages in initiatives that extend the scope of the Declaration of the Group Code of Conduct in terms of scale and reach.

Three important social responsibilities

Living in harmony with the environment: Eco-solutions of Itochu Enex

As an energy company, we are actively addressing the environmental issues that are increasingly evident on a global scale. The Group's technologies and initiatives in the fields of promotion of resource and energy savings, and environmental engineering for creating low-carbon society have been particularly well received.

Revitalize society and its residents: Harmonious coexistence with the local community and social contribution

As Japan's birthrate falls and its society ages, declining populations and economic stagnation are causing its communities to lower vitality. The Group believes that if Japan is to be sustainable as a country, it is important to create sustainable local communities, and it is therefore taking action to foster the next generation, revitalize communities, and put energy lifelines in place.

Aim at satisfying employees: Develop workplaces and people

Despite having long developed as one of society's most essential industries, the energy industry currently finds itself swept up in the tides of major change. In response, we are aiming to establish ourselves as an energy company suited to the new era by taking action such as developing workplaces that enable us to fully utilize a diverse range of individual attributes and capabilities, and by nurturing personnel who can create new businesses.

Directors, Corporate Auditors and Executive Officers

Directors

Representative Director
President and Chief Executive officer
Kenji Okada
1974 Joined ITOCHU Corporation
2012 Representative Director, President and Chief Executive Officer, Itochu Enex Co., Ltd.
Number of the Company's shares owned
74,900 shares

Representative Director and
Senior Managing Officer
Assistant to Chief Executive Officer,
Chief Compliance Officer
Masaaki Itoyama
1973 Joined Itochu Enex Co., Ltd.
2013 Director, Itochu Enex Co., Ltd.
2014 Representative Director
Number of the Company's shares owned
19,100 shares

Director and Senior Managing Officer
Chief Operating Officer,
Distribution & Energy Innovation Business Group; Chief Operating Officer, Car-Life Division, Distribution & Energy Innovation Business Group
Tatsunosuke Nagao
1987 Joined Itochu Enex Co., Ltd.
2010 Director, Itochu Enex Co., Ltd.
Number of the Company's shares owned
31,400 shares

Director and Senior Managing Officer
Chief Operating Officer,
Power & Gas Business Group
Masahiko Takasaka
1980 Joined ITOCHU Corporation
2014 Director, Itochu Enex Co., Ltd.
Number of the Company's shares owned
3,500 shares

Director and Managing Officer
Chief Financial Officer,
Chief Information Officer
Masayasu Tanaka
1979 Joined ITOCHU Corporation
2014 Director, Itochu Enex Co., Ltd.
Number of the Company's shares owned
13,900 shares

Director
Executive Officer,
Chief Operating Officer for Energy Division of ITOCHU Corporation
Takashi Yasuda
1985 Joined ITOCHU Corporation
2014 Director, Itochu Enex Co., Ltd.
Number of the Company's shares owned
— shares

Outside Independent
Director
Seiichi Shimbo
1975 Joined Tokio Marine Fire Insurance Co., Ltd. (currently, Tokio Marine & Nichido Fire Insurance Co., Ltd.)
2015 Director, Itochu Enex Co., Ltd.
Number of the Company's shares owned
1,500 shares

Outside Independent
Director
Ichiro Saeki
1975 Joined The Nippon Fudosan Bank (currently, Aozora Bank, Ltd.)
2016 Director, Itochu Enex Co., Ltd.
Number of the Company's shares owned
— shares

Corporate Auditors

Outside Independent
Standing Corporate Auditor
Yuji Moritsuka
1974 Joined The Nippon Fudosan Bank, Limited (currently, Aozora Bank, Ltd.)
2015 Standing Corporate Auditor, Itochu Enex Co., Ltd.
Number of the Company's shares owned
1,600 shares

Outside
Standing Corporate Auditor
Hisayoshi Ojima
1979 Joined ITOCHU Corporation
2014 Standing Corporate Auditor, Itochu Enex Co., Ltd.
Number of the Company's shares owned
12,200 shares

Outside Independent
Corporate Auditor
Toshiharu Kawai
1974 Joined Otemachi Kaikei Jimusho audit corporation
2014 Corporate Auditor, Itochu Enex Co., Ltd.
Number of the Company's shares owned
— shares

Corporate Auditor
Chief Financial Officer for Energy & Chemicals Company, ITOCHU Corporation
Satoshi Nakajima
1987 Joined ITOCHU Corporation
2016 Corporate Auditor, Itochu Enex Co., Ltd.
Number of the Company's shares owned
— shares

Executive Officers

Managing Officer
Masanori Toyoshima
Representative Director and President for Itochu Enex Home-Life Kanto Co., Ltd.

Managing Officer
Hiroto Jinnouchi
Officer of Kyushu and Nishi-Nihon area

Executive Officer
Toshiyuki Tsuruoka
General Manager, Asphalt Department, Energy Innovation Division, Distribution & Energy Innovation Business Group

Executive Officer
Kouichi Otabe
General Manager, Marine Fuels Department, Energy Innovation Division, Distribution & Energy Innovation Business Group

Executive Officer
Keiichi Matsuzuka
Chief Operating Officer, Power & Utility Division, Power & Gas Business Group

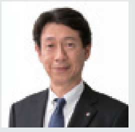
Executive Officer
Naohiro Matsuzawa
Chief Operating Officer, Energy Innovation Division, Distribution & Energy Innovation Business Group

Executive Officer
Tsukasa Nakamura
Chief Operating Officer, Corporate Administration Division

Executive Officer
Ichiro Sekiguchi
Deputy Chief Operating Officer, Car-Life Division, Distribution & Energy Innovation Business Group

Executive Officer
Tatsuro Utsumi
General Manager for Human Resources & General Affairs Department, Corporate Administration Division

Executive Officer
Hiroshi Hayashida
Chief Operating Officer, Home-Life Division, Power & Gas Business Group



Executive Officer
Masanori Mitsuhashi
General Manager, Oil Products Trading Department, Energy Innovation Division, Distribution & Energy Innovation Business Group

*The Number of the Company's shares owned is stated, as of the end of March 2016.
*Independent: Director / Corporate Auditor registered at the Tokyo Stock Exchange as an independent officer.
*This system is stated, as of August 2016.

Corporate Governance

Basic Views on Corporate Governance

In accordance with the Employee Code of Conduct—"Be Virtuous"(Reliability and sincerity, creativity and ingenuity, transparency and integrity)—and the Declaration of the Group Code of Conduct, the Company will always concentrate on persistently pursuing compliance as people in the business world, focus on shareholder returns, and ensure managerial transparency. In terms of corporate management, it will place emphasis on positive action towards information disclosure with a view to securing managerial transparency, and will endeavor to make swift and accurate disclosures.

The Basic Policy on Corporate Governance

In accordance with these basic views mentioned above, the Company adopts a basic policy on corporate governance as stated below.

1. Ensuring shareholders' rights and equality
The Company will take the appropriate action to effectively ensure shareholders' voting rights at general meetings of shareholders and other rights.

2. Appropriate collaboration with non-shareholding stakeholders
In accordance with the Company's Employee Code of Conduct and Declaration of the Group Code of Conduct, the Company will aim to develop itself constantly for a long time and to continuously boost its corporate value as a company that is attractive to customers, business partners, employees, national and other public authorities, local communities and all other stakeholders that the Company regards as important.

3. Appropriate information disclosure and ensuring transparency
In addition to proper disclosure in accordance with laws and regulations, the Company will proactively undertake information disclosure as required in the principles of the Corporate Governance Code for the purposes of ensuring the transparency and fairness of the Company's decision-making and of achieving effective corporate governance.

4. Duties of the Board of Directors and other bodies
The Board of Directors has the duties of determining the basic management policy and overseeing the management. It also makes decisions on business execution of great quantitative and qualitative significance and on its sole prerogatives as specified in laws and regulations. Meanwhile, in view of the importance of prompt decision-making, the authority to make decisions on ordinary business execution is increasingly delegated to directors and executive officers, and the board will oversight their execution status. As personnel elected by shareholders to undertake business management, directors have the obligation of loyalty and diligence in fulfilling their duties to contribute to the Company's continuous growth and to medium- and long-term increases in corporate value.

5. Dialogues with shareholders
The Company endeavors to facilitate dialogues with a view to building good relationships with investors, including shareholders, in accordance with its IR Basic Policy. The department responsible (Corporate Communications Section of Corporate Communications Department) and the officer responsible for IR operations (CIO and CFO) facilitate dialogue as part of IR communications activities. The opinions and requests obtained through IR communications activities are fed back to management as necessary, and the Company endeavors to use this feedback to continually improve corporate value.

IR Basic Policy
http://www.itcenex.com/english/ir/policy/basicpolicy/

Corporate Governance System

The Company has the Board of Directors and Corporate auditors (the Board of Corporate Auditors). The Board of Directors consists of a total of eight members, two of whom are outside directors. In accordance with laws and regulations, the Company's Articles of Incorporation, the Board of Directors Regulations and other internal rules, the board makes decisions on important matters and oversight the directors' business execution. The directors execute the duties assigned to them in accordance with the roles determined by the Board of Directors and with laws, and regulations, the Articles of Incorporation and internal rules.

For strengthening the Board of Directors' decision-making function and oversight function and for increasing efficiency in business execution, the Company adopts the executive officer system. Following decisions made by the board, executive officers perform their respective duties as delegated by the board and the representative director.

The Board of Corporate Auditors is composed of a total of four corporate auditors, three of whom are outside corporate auditors. In accordance with the regulations for the Board of Corporate Auditors and the standards for audits by corporate auditors, it performs audits to examine the appropriateness of the directors' business execution.

Corporate Governance System

Type of system	Company with the Board of Directors and corporate auditors (the Board of Corporate Auditors)
Number of directors	8
Of which, number of outside directors	2
Number of corporate auditors	4
Of which, number of outside corporate auditors	3
Term of office for directors	1 year (the same for outside directors)
Adoption of an executive officer system	Yes
Advisory committees to the Board of Directors	Governance Committee
Independent Auditor	Deloitte Touche Tohmatsu LLC

Governance Committee

For the purposes of strengthening the Board of Directors' functions of execution and oversight and increasing the transparency of the decision-making process, the Governance Committee was established under the board as a voluntary consultative body in November 2015. The Governance Committee includes outside directors and outside corporate auditors. The committee deliberates on policy for nomination of candidates for directors and corporate auditors, and on proposals for nomination of candidates, and deliberates on the form of the director remuneration system (policy on the determination of remuneration and the appropriateness of the remuneration level, etc.), and other proposals relating to governance.

Several Committees

The Company has established the Management Advisory Conference and several committees: the Risk Management Committee, the Internal Control Committee, the Disclosure Committee and the Information Security Committee. They are aimed at helping the President and the Board of Directors to make appropriate and swift decisions on business execution. As an advisory body for the president, the Management Advisory Conference discusses significant matters related to the Company's overall management policy and its business administration. The principal committees and their roles are as follows:

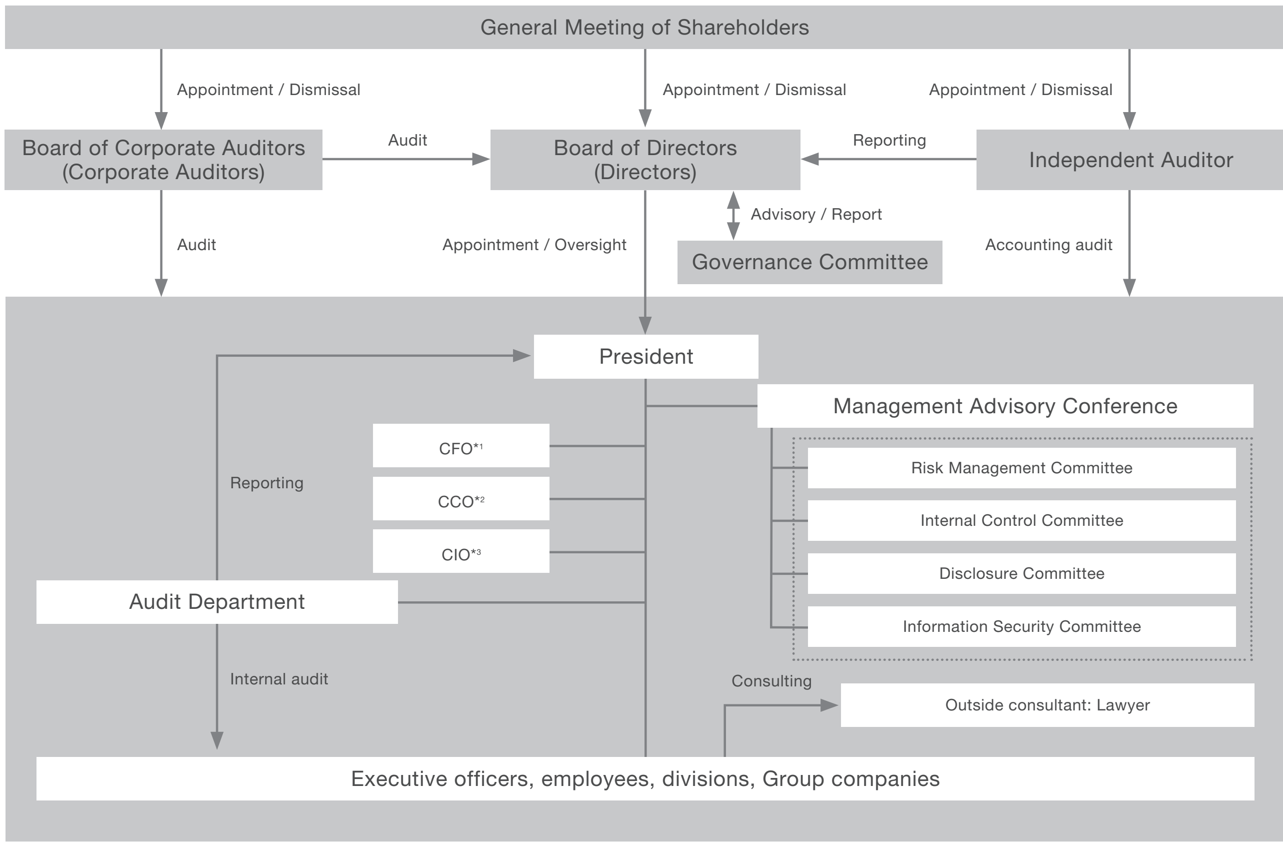
- **Internal Control Committee:** Deliberations on matters in connection with the development and improvement of the internal control system
- **Disclosure Committee:** Deliberations on matters in connection with the development, improvement and operation of internal control over the disclosure of corporate information and financial reporting
- **Risk Management Committee:** Comprehensive deliberations on matters ranging from identification of companywide risks to devising, implementing, evaluating, and examining measures to tackle key risks
- **Information Security Committee:** Reinforcement of information management system by communicating how to deal with information security in response to increasing information security risk

Criteria for Determining Independence of Outside Directors and Corporate Auditors

In regard to criteria for determining the independence of outside directors and corporate auditors, the Company determines such independence after confirming the presence or absence of conditions (1) through (5) below and in accordance with the requirements for independence set forth by the Tokyo Stock Exchange, Inc. and other financial exchanges.

(1) Is not currently, nor has ever been within the past ten (10) years, an Executive* of the Company or of a subsidiary of the Company (for Outside Corporate Auditors, this includes Directors who are not Executives).

Corporate Governance System



*1 CFO: Chief Financial Officer *2 CCO: Chief Compliance Officer *3 CIO: Chief Information Officer

(2) Is not currently, nor has been within the past three (3) years, an officer or Executive of the Company's parent company or an Executive of another company owned by the Company's parent company.
(3) Is not currently, nor has been within the past three (3) years, a major shareholder owning a stake of 10% or more, either directly or indirectly, of the Company's shares, or an Executive of such shareholder.
(4) In either the most recent financial reporting period or during the three periods preceding the most recent financial reporting period, has not been a major customer comprising more than 2% of the turnover (sales or transaction volume) during the Company's most recent financial reporting period in which such transactions took place, or an Executive of such customer.
(5) Within the past three (3) years, has not served as a consultant or accounting specialist, legal specialist or tax specialist receiving annual compensation of 10 million yen or more from the Company in addition to Director's compensation (if the person receiving such compensation is an organization, such as a corporation or association, a person who belongs to such organization).

* "Executive" refers to executive directors, executive officers, and other such employees.

About Parent Company

As the parent company, ITOCHU Corporation owns 54.0% of the voting rights of the Company. The Company is a consolidated subsidiary of ITOCHU Corporation and a core company in domestic sales of petroleum products and in the business of imports to and exports from Japan in the ITOCHU Group. As a significant business partner, the Company exchanges information and personnel concerning transactions of petroleum and other products and domestic and international crude oil and petroleum product market trends, and pushes ahead with business activities concerning electric power, alternative energy and global projects.

The Company understands that its business is not constrained by the parent company and that it is capable of making independent managerial decisions while retaining its own initiative and autonomy. Some of the Company's directors hold additional posts at ITOCHU Corporation and in its corporate group and the Company accepts human resources dispatched from them, and vice versa, but they do not hinder the Company in making independent managerial decisions, and the Company maintains its independence.

Policy on Cross-Shareholdings

The Company has a policy of holding shares of any customer or business partner solely on the condition that the holding of such shares is deemed to help maintain the medium- and long-term relationship with it, expand transactions with it, acquire expertise or otherwise improve the Company's corporate value. Whether or not to exercise voting rights as to the cross-shareholdings will be properly determined not by uniform standards but from the perspective of whether or not the exercise will help increase the medium- or long-term corporate value in view of the business policies, strategies and suchlike of the company invested in after closely examining the proposal and judging whether or not it will help increase shareholder value.

Evaluation of the Board of Directors

The Company asked all directors and corporate auditors to give their opinions, based on their own evaluation, of the effectiveness of the Board of Directors as a whole in FY2015, including the composition, operation status and support structure of the board. Based on these opinions and upon deliberation with the Governance Committee, the Company conducted an analysis and evaluation of the board.

In the FY2015 evaluation, the Company recognized the need for improvement in areas such as the timing of the provision of information to participants and further promotion of discussions across business domains, in order to further liven up discussions at board meetings. However, the overall evaluation was that the board is operated more or less appropriately and the effectiveness of the board as a whole is ensured. The Company will draw on these evaluation results when seeking to further improve the oversight functions and decision-making functions of the board.

Director Remuneration

Director/corporate auditor remuneration for the fiscal year ended March 31, 2015.

(Unit: million yen)

	Total remuneration, etc.	Base remuneration	Bonus	Number of persons
Directors (excl. outside directors)	363	242	121	8
Corporate auditors (excl. outside corporate auditors)	0	0	–	0
Outside directors and corporate auditors	65	65	–	6

Internal Control System

In order to comply with laws and regulations and the Articles of Incorporation, and to execute business properly, the Company established the internal control system that it currently operates and continually strives to improve and enhance. In April 2015, it revised the "Basic Policy on Internal Control System", thereby creating and reinforcing internal systems for ensuring corporate governance, compliance, the appropriateness of financial reporting, and other requirements.

Internal Control System
https://www.itcenex.com/english/corporate/control/

Basic Views on Eliminating Anti-Social Forces

The Company makes group-wide efforts to preclude any relationship with anti-social forces, irrespective of the circumstances. The Declaration of the Group Code of Conduct explicitly provides for this policy. The Company constantly strives to construct and maintain close collaborative relationships with outside specialist organizations and others and encourages the inclusion of the clause for the elimination of organized crime groups in contracts in order to prepare itself for swift action in response to unexpected circumstances.

Accurate Information Disclosure

The Company places emphasis on action towards information disclosure with a view to securing managerial transparency, and endeavors to make swift and accurate disclosures.

1. Basic Policy on Timely Disclosure
In accordance with the rules for timely disclosure prescribed by Tokyo Stock Exchange, Inc., the Company has a basic policy of making the timely and appropriate disclosure of material information to investors for their appropriate investment decisions.

2. Actions Toward Construction of Timely Disclosure System
The Company has the Corporate Communications Department, which engages in disclosure operations, as a controlling organization for collecting information concerned with timely disclosure information. For the purpose of increasing accuracy in decision-making on disclosure, the Company established a Disclosure Committee in FY 2005 consisting of those in charge of several departments. The Company discloses timely disclosure information pursuant to the rules for timely disclosure of the stock exchange mentioned above via the timely disclosure system provided by the said stock exchange, which is known as the Timely Disclosure Network, or TDnet. The information provided for TDnet is also published on the Company's website at the same time.

3. Status of Providing Investors with Opportunities to Obtain Information Impartially and Easily
For the purpose of providing opportunities to obtain important information on the Company impartially and easily, it not only makes timely disclosure in compliance with the rules for timely disclosure of the stock exchange mentioned above, but also publishes the information on its website and by other means in a bid to implement more positive and impartial information disclosure.

Risk Management

Risk Management Committee

The Committee aims to create the best possible systems to ensure continuation of business, avoiding damage to public confidence in the Company or to the Company's corporate value. To that end, it deals swiftly and appropriately with all incidents or risks that could possibly hinder the Company's operation. Companies currently face increasing threat from a variety of risks, including damage to business facilities due to natural disasters, epidemics of infectious diseases, hacking and cyberattacks affecting information systems, and information leaks. Within this environment, the Risk Management Committee leads efforts to conduct risk management by identifying and analyzing risks that could significantly impact the Company's operations, implementing countermeasures, stopping risks from occurring, or preventing potential risks from materializing, and informing employees when risks do occur. By these means it continually reinforces the management of risks in order to mitigate them.

Systems for Handling Emergency Situations

The Company has developed an "Emergency Contact Network" that enables it to quickly obtain an accurate grasp of the situation and respond appropriately in the event of an accident occurring or a potential risk materializing within the Group. It also enables management to quickly grasp the damage to the facilities of Group companies and dealers and respond quickly to secure lifelines in the event of an earthquake, typhoon, torrential rain, or other natural disaster. The Emergency Contact Network is an integrated contact system that establishes the lines of communication among Group companies, business divisions, and the office of the President according to whether the emergency is a major earthquake or natural disaster, or another type of accident. The system is operational around the clock, 365 days a year.

BCP and Disaster Response Headquarters

We have formulated a business continuity plan (BCP), primarily in preparation for major natural disasters. The key organization within this plan is the BCP/Disaster Response Headquarters. It is headed by the President, with the Company's Chief Compliance Officer (CCO) serving as Deputy Head and other members including the General Managers for each department in the Corporate Administration Division. In the event of a major disaster, headquarters members will gather automatically at a previously designated location, collaborating systematically under a unified chain of command to ensure a unified response to the disaster by the entire Company. We have also established a backup system that transfers corporate headquarter functions to either the Chubu or Kansai branch office in the event of the Company's head office in Tokyo being shut down by a major disaster in the Tokyo Metropolitan Area.

CSR and Compliance

CSR and Compliance System

The Company has appointed a CCO and established a department that oversees matters concerning compliance. It has also established a CSR and compliance program to make efforts to improve compliance system, such as the appointment of CSR and compliance managers in each department, the provision of compliance education and training, the preparation of a compliance manual, the formulation of responses to compliance incidents, the creation of a whistleblowing system, and the establishment of a system for obtaining documents from all directors, executive officers, and employees relating to their compliance with the Employee Code of Conduct.

Important Themes of CSR and Compliance

As an entity that operates energy businesses, the Itochu Enex Group regards the four themes listed below as particularly important, and utilizes day-to-day duties, education and training, and other means to ensure CSR and compliance throughout the Group.

1. Protection of human rights

The definition of harassment changes with the times, and the scope of this misconduct has diversified to include sexual harassment, power harassment and gender harassment, etc. Recognizing that all harassment is an infringement of human rights, we strive to foster a corporate culture in the Itochu Enex Group that is characterized by fairness and a friendly atmosphere in which harassment does not occur.

2. Ensuring security

In accordance with our basic policy of "prioritizing security at all of our businesses because business cannot be conducted in insecure environments," we have established our own security manuals and guidelines, and are promoting the creation of systems not only to comply with related laws and regulations but also to ensure security and prevent dangerous situations.

3. Thorough adherence to principle of fair transactions

We promise our customers and suppliers that we are committed to the thorough conduct of fair transactions, including conducting all its business activities on the basis of fair and free competition, engaging in fair purchasing activities, complying with the rules for commercial transactions, and never engaging in such unfair practices as cartels and bid-rigging. In addition, we aim to develop together with our business partners by striving to maintain and strengthen mutual trust. Furthermore, we have established our own "Guidelines to ensure compliance with antimonopoly laws." By ensuring that all employees conduct their business with a full and clear understanding of the contents of these guidelines, we conduct all corporate activities in a manner that promotes fair and free competition.

4. Protection of personal information

To handle customer's personal information appropriately in accordance with Japan's Act on the Protection of Personal Information, we have established our "Privacy Policy," which expresses the importance placed by the Company on compliance with the laws and regulations regarding protecting personal information, systems for controlling personal information, and stipulates security measures to be followed in order to prevent the unauthorized access, loss, destruction, alteration, and unintended disclosure of personal information.

In addition to making sure this policy is common knowledge throughout the Company, we take measures to ensure that personal information is properly handled in accordance with the Policy.

Customer Helpdesk

We established the "Customer Helpdesk" as a point of contact to hear our customers' opinions directly with the aim of improving our efforts to communicate with them. We will use the valuable comments and opinions received from customers to strive to offer them products and services that can better meet their needs, as well as to improve our CSR and compliance initiatives.

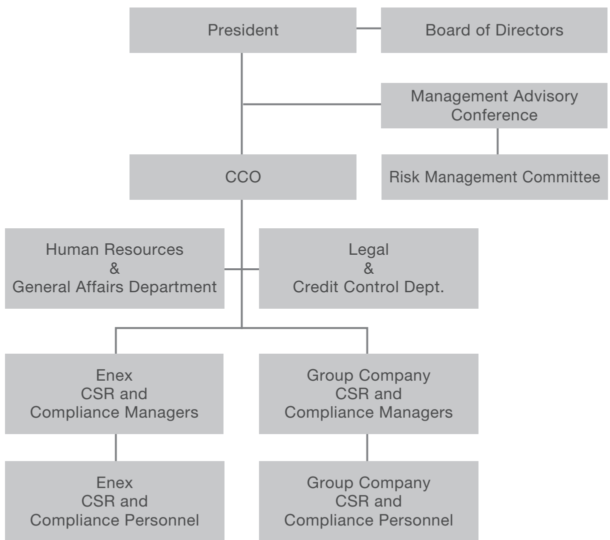
Whistleblowing and Consulting Contact Points

We have established whistleblowing and consulting contact points both internally and externally (at the office of a vocational counsellor and at a law firm). This enables employees to make contact promptly if they themselves have contravened the Declaration of the Group Code of Conduct, if they think they might be about to contravene the declaration, if an officer or another employee has violated the rules and that cannot be pointed out publicly, or if employees judge that there is a risk of a violation occurring. We have put a system in place to ensure an appropriate response with transparency maintained; during internal CSR and compliance training, we repeatedly inform employees about how the contact points work and about whistleblower protection.

Ensuring CSR and Compliance Among All Group Employees

We are utilizing a variety of communication tools and education and training activities to ensure correct understanding and a common awareness so that all Group employees can apply CSR and compliance in their day-to-day duties.

CSR and Compliance Structure



Declaration of the Group Code of Conduct

Relationship with customers

We are committed to maintaining the quality of products handled by the Itochu Enex Group and ensuring their safe and stable supply, while endeavoring to prevent accidents and disasters from occurring. We also strive to create an environment that makes it possible for our customers to make their own rational decisions with respect to selecting better products and services, and accordingly we do not mislabel products nor do we offer excessively high premiums. Furthermore, we appropriately manage personal information provided to us by our customers, and strive to conduct business for the purpose of providing products and services that will consistently satisfy our customers.

Relationship with business partners

We appropriately manage all forms of business partner information retained by the Company, adequately protect such confidential information, while conducting commercial activities under principles of fair and free competition, and maintaining sound, reasonable and transparent relations with the political world and administrative bodies.

Relationship with suppliers

We afford our suppliers fair treatment and select them on the basis of objective criteria. We strictly observe laws and regulations, and our internal rules regarding business transactions, and never participate in bid-rigging, cartels or any suspicious misconduct that might provide an unfair impression.

Relationship with employees

We consider the health and safety of all employees with whom we are involved, and duly strive to create a safe and comfortable workplace environment for them. Accordingly, we comply with relevant laws and regulations, prohibit all sorts of harassment including sexual and power harassment. Moreover, we respect human rights of individuals, never discriminate by reason of gender, ethnicity, origin, religion, personal values or otherwise, nor do we infringe on the privacy of individuals. We immediately inform our dedicated consulting staff, and attempt to resolve issues, in the event that a situation should emerge whereby an individual himself or herself, or an officer or an employee commits a violation against the Declaration of the Group Code of Conduct, or otherwise in the event that a situation should arise where there has been an act in violation of relevant laws and regulations, internal rules or other rules that the individual cannot identify.

Relationship with corporate properties

We use corporate assets and properties in an effective and efficient manner, comply with laws and regulations and internal rules, and perform proper and transparent accounting procedures. Moreover, we rigorously manage the Company's important confidential information in order so that it is not divulged to parties outside the Company.

Relationship with local communities

We help support and develop local communities through extensive communications and revitalization efforts involving such communities. Moreover, we maintain sound and appropriate relations with public servants and administrative bodies and never engage in illegal acts such as those that involve committing bribery or providing business entertainment or gifts.

Environmental activities

We take the global environment into account in the course of performing the Company's ongoing business activities. We also comply with environment-related laws and ISO standards and have established an internal system of environmental management. In addition, we endeavor to address environmental preservation and actively engage in environment-friendly businesses.

Relationship with shareholders and investors

We strive to improve our corporate performance and stably distribute profits to our shareholders. We clearly communicate with our shareholders and investors by disclosing adequate information in a timely manner, and endeavor to enhance shareholder returns by conducting active investor and public relations activities.

Moderation in corporate behavior

We observe public rules and internal regulations, and take action within the scope of common sense and social norms. In addition, we never engage in insider trading or act in a manner that would raise such suspicions. We also comply with the Political Funds Control Act and the Public Office Election Act, handle political matters appropriately as a good corporate citizen, and refrain from any and all relationships with anti-social forces in any capacity whatsoever.

Revised in July, 2016

The facility located in the Harumi Island district of Tokyo achieved a 45.3% reduction in energy consumption, while helping ensure comfort of the urban planning throughout the entire year. The facility's large thermal storage tanks have capacity to provide 20,000 community members with a 30-day water supply as community tanks should a disaster strike.

High efficiency heat pumps act as the heart of the heat supply system. Powered by low-CO_2 grid electricity available at night when prices are lower, the system's electric heat pumps produce cold energy and heat, which is stored in the form of water and ice for effective daytime use.

Heat supply pipes have been installed underground below the Hakozaki district of Tokyo. Heat derived from water of the Sumida River is effectively utilized in operating district heating and air conditioning and hot water supply systems. Also, all possible measures are taken with respect to waste found in river water and salt water damage caused by brackish water.

Energy consumption reduced by as much as 53%

Nikko-cho area, Fuchu-shi

Energy consumption reduced by 40% on average across all districts served by Tokyo Toshi Service (TTS)

Energy savings results compared to individual heat source systems (primary energy consumption equivalence)

Source: Materials of Agency for Natural Resources and Energy, METI, Japan Heat Supply Business Association, etc.

Living in harmony with the environment
[Eco-solutions of Itochu Enex]

Advanced approach to environmental engineering

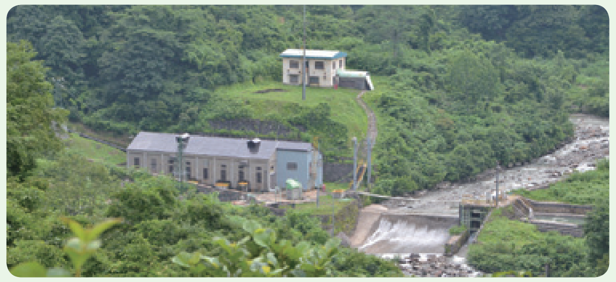
Energy-saving

Itochu Enex Group member Tokyo Toshi Service Company (TTS) provides heat supply services in 18 Kanto-area districts, which is more domestic locations than any other company, and in each of those districts it operates local heat supply plants that use top-notch energy-saving technologies from Japan.

The **Harumi Island district** of Tokyo combines large thermal storage tanks (total capacity of 19,060 m^3 which is equivalent to approx. sixteen 50-meter swimming pools) with high efficiency heat pumps, and has a heat supply center centered in the service area which further heightens efficiencies by bringing about large temperature differences between point of supply and recovery (cold water at 6°C to 16°C and hot water at 47°C to 37°C). Home to a high concentration of business offices, commercial facilities and housing complexes, the Harumi Island district is given high marks by the government, and has received the METI Agency for Natural Resources and Energy Director-General Award for its local heat supply plant which is ideally situated so that it can effectively utilize heat energy in a manner integral to urban planning of the site.

It is important that sites make use of readily available sources of renewable energy to achieve greater energy-saving efficiency. Accordingly, the **Hakozaki district** is Japan's first site to make an attempt at using heat energy containing river water, and in Makuhari New City along with three other districts, we are taking steps forward with respect to drawing on various renewable energy sources, including underground water, treated waste water and substation waste heat.

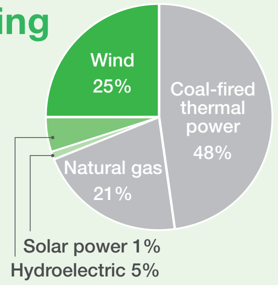
JEN Tainai Wind Farm Co., Ltd. is the Itochu Enex Group's latest wind power plant. Situated in a prime location overlooking the Sea of Japan, its ten wind turbines deliver power generation capacity of approximately 30,000 MWh per annum (equivalent to approximately 11,000 households).



The first, second and third Yashirogawa power plants, in operation since before World War II, were successively completed in 1927, 1929 and 1938, respectively (third plant pictured). The means by which the facilities' simple electricity generation mechanisms cleverly harness natural power sources are symbolic of the boundless ambition of mankind with respect to energy.

JEN Kusu Wind Farm Co., Ltd. operates solar power plant (left) and wind power plant in Kusu-gun, Oita Prefecture. The Itochu Enex Group's power generation business operates with the aim of effectively producing energy locally for local consumption, and accordingly sells power to locally based power companies and other such entities.

Power sources using renewable energy 31%



Living in harmony with the environment
[Eco-solutions of Itochu Enex]

Advanced approach to environmental engineering

Low-carbon power generation

While coal-fired thermal power currently accounts for roughly half of the electricity generated by power generation facilities owned by the Itochu Enex Group, we have been focusing our efforts on expanding and upgrading power generation facilities that draw on renewable energy sources.

The Itochu Enex Group maintains **wind power plants** on three different sites across Japan, with a combined total of 27 turbines and total power generation capacity of 41,000 kW. We employ full-time engineers who keep a watchful eye on our wind-energy operations around the clock and throughout the year at the three sites: JEN Konbumori Wind Farm Co., Ltd. situated on coastal grasslands adjacent to the Pacific Ocean in Nemuro City, Hokkaido (started operation in December 2004); JEN Kusu Wind Farm Co., Ltd. situated in the mountainous region of Kusu-gun, Oita Prefecture (started operation in March 2005), and; JEN Tainai Wind Farm. Co., Ltd. with turbines lining the sandy beach of Tainai City, Niigata Prefecture (started operation in November 2014).

The **hydroelectric power plant** of Joetsu Energy Service Co., Ltd. has been generating electricity for nearly a century. The company's three power generation facilities situated on the Yashirogawa River which runs along the Myoko Mountain range of Niigata Prefecture are capable of generating a combined total of 8,490 kW of electricity, and approx. 43,000 MWh of electricity is generated each year. That electricity is supplied through the grid of Tohoku Electric Power, thereby playing a beneficial role in communities and people's lives. The **solar power plants** operated by Hofu Energy Service Co., Ltd. and JEN Kusu Wind Farm Co., Ltd. also function as key sites of our low-carbon power generation business (total power generation capacity of 2,500 kW).

Information

TV commercial on wind power

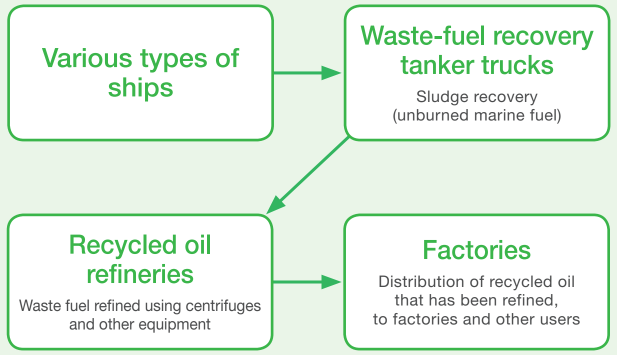
Itochu Enex's TV commercial filmed in the JEN Konbumori Wind Farm, located in the vast nature of Nemuro City, Hokkaido, is available from the Itochu Enex website. Please visit the following link (in Japanese): **http://www.itcenex.com/corporate/commercial/**

Coal-fired thermal power offers benefits in terms of fuel supply stability and economic efficiency. As such, we continue to operate such facilities in an environmentally friendly manner to ensure base-load power supply. The Coal-fired Thermal Power Plant (Hofu City, Yamaguchi Prefecture) with 44 MW power generation capacity is pictured above.

Sludge (unburned waste oil) from fuel tanks of ships can be recovered and processed, and subsequently put to use as recycled oil. The photo shows the recovery process of transferring sludge from a ship into a tanker truck.

Fly ash is a form of spent fuel discharged from coal-fired thermal power plants, and undergoes treatment as industrial waste. Fly ash volume has been increasing over the years. Focusing its attention on the value of fly ash reuse, Itochu Enex has begun reviewing business opportunities that involve collecting and treating fly ash, and then selling it in the form of road construction materials and other products.

Flowchart depicting sludge reuse and recycling



Living in harmony with the environment
[Eco-solutions of Itochu Enex]

Advanced approach to environmental engineering

Resource conservation

We are embarking on initiatives that involve fully revamping energy business processes and related facilities, and making effective use of substances and materials that were previously discarded. For instance, sludge discharged from various kinds of ships (unburned marine fuel) had previously gone through treatment as industrial waste. However, operations of our **sludge recovery and sales business** involve reusing such substances following a process that entails sludge recovery, separating oil from water, and extracting oil resources that are fit for use. In October 2015, Itochu Enex initiated sludge recovery operations, and in fiscal 2015 it recovered a total of 380 kiloliters of sludge which it sold as recycled oil, and also sold recycled oil produced by refining used lubricating oils. Going forward, we will persist with efforts that involve furthermore making effective use of oil in various fields.

Thermal power plants that use coal as a fuel source also previously discarded valuable resources. With respect to spent fuel, **fly ash** would formerly undergo treatment as industrial waste. However, fly ash and secondary materials are now being collected, processed and converted into solid form for use as residential building and road construction materials. Going forward, we would like to put our flyash reuse business to use in handling fly ash discharge of coal-fired thermal power plants that the Itochu Enex Group is planning to build.

Information

For those considering possibilities for making effective use of sludge

The Itochu Enex Group can offer optimal solutions to ship owners and operators who are considering possibilities involving effective use of oil resources.
For inquiries, please contact: **Energy Innovation Division**
Recycle Oil Section, Marine Fuels Department Tel: **+81-3-6327-8055**

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[Eco-solutions of Itochu Enex]

Environmental Policy and Environmental Management

The Itochu Enex Group's Environmental Policy

We have established an Environmental Policy which consists of eight themes grouped under three focal areas, and functions as guidelines for our activities contributing to the environment and society. Accordingly, we aim to function as an energy company that achieves sustainable growth in harmony with the global environment, to which end we will facilitate proper understanding of the policy across the entire Itochu Enex Group while forging ahead with policy implementation.

Environmental Policy

Under the Itochu Enex Group's "the best partner for life and society" Corporate Philosophy, we will provide "energy for all applications, whether as a key component of social infrastructure or as a means of enriching people's lives," and will continue engaging in the following activities geared to improving the environment in order to achieve a more harmonious coexistence with the global environment and society.

1. Contribution to Realization of a Low-Carbon Society

(1) Promotion of the advanced use of fossil fuels
(2) Expansion of the energy solutions business
(3) Implementation of environmental and social contribution activities

2. Reduction of the Environmental Impact of Our Business Activities

(1) Routine energy and resource conservation in office work
(2) Energy efficiency in facilities use
(3) CO_2 reduction at the transportation stage

3. Preservation of Local Environments

(1) Compliance with laws and regulations, environmental protocols, and independent standards
(2) Enhancement and upgrading of safety

Promoting effective environmental management practices

Under the CSR and compliance systems set up by Itochu Enex, we have developed an Environmental Management System that is fundamentally based around the ISO 14001 international standard for environmental management, and have built functional environmental management systems. We engage in business activities that are highly effective with respect to reducing our impact on the environment, which involves proper implementation of the plan-do-check-act (PDCA) cycle in all Itochu Enex Group companies.

Extending ISO 14001 certification acquisition to more Itochu Enex Group companies

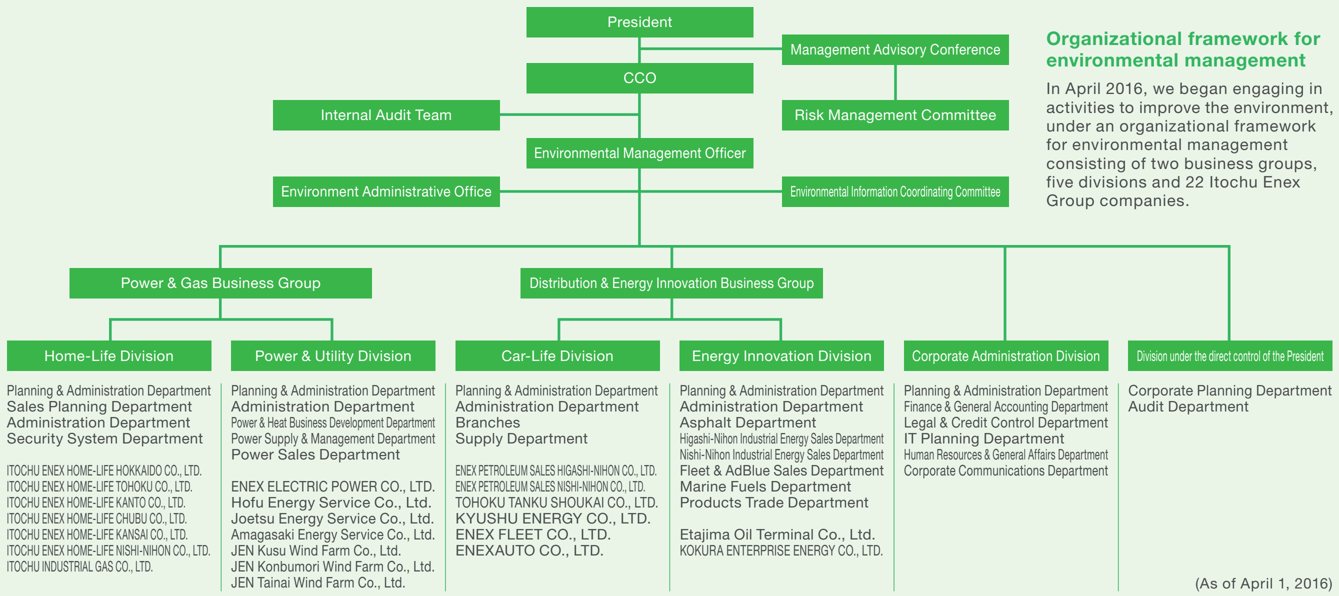
Ever since Itochu Enex obtained ISO 14001 certification for environmental management back in September 2000, we have been undergoing assessments required for maintaining the certification and audits for its renewal, and making the certification applicable to more areas of operation, and all the while engaging in environmental activities.

Ongoing training of Internal Environmental Auditors

Internal audits required to maintain environmental ISO certification are performed by employees who have gained approval as stipulated in our environmental management regulation s at the Itochu Enex Group. Also, to continue to maintain the high standards of internal audits, we are working to improve the knowledge and skills of the people in charge of audits, and putting effort into the ongoing training of Internal Environmental Auditors.

Promoting the Itochu Enex Group's Environmental Approach

We conduct content-rich "Face-to-Face" environmental training at nationwide business offices of Itochu Enex Group companies that have obtained environmental ISO certification, with the aim of more fully instilling understanding of environmental ISO and policies governing activities in that regard. Moreover, results of our eco-office activities are reported via an in-house portal website once every three months, and we otherwise work at more fully instilling awareness of the environment among employees and heightening their motivation to engage in environmental activities.



(As of April 1, 2016)

Organizational framework for environmental management

In April 2016, we began engaging in activities to improve the environment, under an organizational framework for environmental management consisting of two business groups, five divisions and 22 Itochu Enex Group companies.

Itochu Enex Group employees visited an institution where they put on a "*kamishibai*" illustrated storytelling performance explaining the connection between living things and food consumption, thereby conveying to children the value and importance of eating food.


In the Itochu Enex Group's dietary education activities, we place emphasis on promoting the merits of traditional Japanese styles of eating and teaching proper use of chopsticks. The children maintained focused as they practiced using chopsticks.


Children drew pictures depicting the environment after spending time in groups giving thought to the importance of the environment through games and other fun activities. This is a photo of the group displaying the outstanding pictures drawn by each child.

Considering environmental issues as a group — eco応援宣言 for kids — Eco Support Manifesto for Kids
https://www.itcenex.com/campaign/for_kids2015/

Community-based dietary education — いただきます応援宣言 for kids — The Itadakimasu Support Manifesto for Kids
http://www.enexhl.jp/kids/

Education on the importance and dangers of fire — ほのおのちから応援宣言 for kids — The Honoo no Chikara Support Manifesto for Kids
http://www.enexhl.jp/hiikukids/

Revitalize society and its residents
[Harmonious coexistence with the local community and social contribution]

Fostering the next generation

In the **Eco Support Manifesto for Kids** program, we work with children in getting them to consider environmental issues. To that end, employees of the Itochu Enex Group visit kindergartens, nursery schools and day care centers throughout Japan where activities involve having children draw pictures depicting environmental issues, presenting the children with books on the environment, and holding environmental workshops. In its ninth year, fiscal 2015, the program was offered to some 500 participants in six locations nationwide.

The **Itadakimasu Support Manifesto for Kids** dietary education program involves teaching children proper use of chopsticks and the meaning of Japanese phrases such as those used before and after meals, and conveying to children the importance of food and feeling grateful in that regard. Beginning in fiscal 2010, we have been expanding the program by drawing on the sponsorship of companies that manufacture children's apparel and food products. In fiscal 2015, we visited kindergartens in 13 locations nationwide where we offered dietary education programs to 623 children.

As a group that supplies LP gas which can be a cause of fires in the home, the Itochu Enex Group began offering its unique **Honoo no Chikara Support Manifesto for Kids** educational program that involves instilling in children an attitude of reverence and awe when it comes to fire in fiscal 2013. To that end, we help children develop basic knowledge about fire and teach them about properties of fire and flames in terms of their warmth, brightness and threats they pose, using a fun approach incorporating activities such as putting on a "*kamishibai*" illustrated storytelling performance titled, "Fire is a valuable friend," and playing board games.


Ms. Masako Konno is a storyteller who continues to practice her art primarily in the Towa district of Nihonmatsu City, Fukushima Prefecture. People who came to see her were fascinated by her storytelling which she performed using the richly expressive Fukushima dialect in conveying folk tales that are influenced by the natural surroundings and lifestyles of the locality.


Guitarist Koufuu Suwa and the band Wind groove made guest appearances in a pleasurable performance that fused wordless picture book video footage with Japanese style music, involving the whole audience.


We are helping to foster the next generation and contributing to the support of disaster victims through the "Enjoy the Power of Words" event. Held in Oji Hall, the event attracted some 230 visitors, and raised ¥18,170 in donations to the Great East Japan Earthquake Fukushima Children's Fund set at the event venue.


Sendai Power Station Co., Ltd. is making progress with the construction of a power plant which is expected to act as new symbol of reconstruction in areas that lost everything to the tsunami. Local residents also have high hopes with respect to the prospect of the power plant helping to restore local economies.

Revitalize society and its residents
[Harmonious coexistence with the local community and social contribution]

Post-earthquake reconstruction and support for affected areas

Since soon after the Great East Japan Earthquake struck the Tohoku region, the Itochu Enex Group has been providing support to aid in recovery and reconstruction in the afflicted area through volunteer initiatives and monetary donations. However, needs of locations affected by the disaster are now changing as reconstruction efforts move ahead. In fiscal 2015, the fourth year since the earthquake and tsunami, we held the "**Enjoy the Power of Words**" event in Tokyo. Started in fiscal 2013, the event involves picture book reading and narration geared to children in the local community. In addition, we held events that remind people what happened during the disaster, while also being heart-warming, and carried out donation activities.

In March 2016, construction was started on a coal-fired thermal power plant at a vacant Sendai Port site of a former factory that was destroyed in the Great East Japan Earthquake and Tsunami. The facility is being built by **Sendai Power Station Co., Ltd.** which was established through joint investment of Enex Electric Power Co., Ltd., a group company of Itochu Enex, and Kanden Energy Solution Co., Inc., a group company of The Kansai Electric Power Co., Ltd. It is hoped that the project will spur development of local economies and contribute to stable supplies of energy in the region.

Beginning at 9:26 p.m. on April 14, 2016, Japan's Kumamoto and Oita Prefectures were successively hit by major earthquakes, once again providing a reminder of potential earthquake dangers along active fault lines. Given its energy business operations in Japan's Kyushu area, Itochu Enex has been devoting its attention to ensuring safety with respect to LP gas and restoring lifelines since immediately after the disaster struck, while the Itochu Enex Group overall has furnished monetary donations amounting to ¥24 million.

Itochu Enex's originally designed calendar for 2016 features art produced by "Artbility" project artists. Our use every year of Artbility works of art created by people with disabilities helps enable them to lead independent lives.

Employees of the Itochu Enex Group and their family members took part in the Walk the World 2016 event held on May 15, 2016 (organized by the United Nations World Food Programme), through Itochu Enex's volunteer activity support program.

Itochu Enex Group company Nissan Osaka Sales Co., Ltd. regularly holds hands-on car maintenance and balloon art workshops for children, in cooperation with merchants of community shopping districts.

Itochu Enex employees acted as volunteers at the 7th Yumeken Cup swimming competition organized by NPO Yumeken and held on July 18, 2016.

Revitalize society and its residents
[Harmonious coexistence with the local community and social contribution]

Sustained thoughts and actions

One of the key pillars of the Itochu Enex Group's initiatives that benefit society is that of our taking part in efforts that help create a more inclusive world for those with disabilities. Our initiatives in this regard have included making contributions in support of the **NPO Yumeken** whose aim since 2003 has involved providing instruction in swimming to people with disabilities and facilitating information exchange with such individuals. We also support the ideals of the **Artbility project** which helps people with disabilities earn incomes by promoting and discovering works of art created by such individuals. Accordingly, since 2007 we have been providing assistance to Tokyo Colony, a social welfare corporation, by using works of art from its Artbility project in the Itochu Enex calendar.

We also fully take part in activities where we have a hand in helping to find broad-based solutions to social issues. In terms of initiatives entailing a global perspective, we have been participating in the **Walk the World** charity event organized by the United Nations World Food Programme since 2007. A portion of the event's entry fee goes to providing financial support for school meal programs with the aim of saving many of the children who experience hunger in developing countries. Also, given the value we place on locally-based initiatives, companies of the Itochu Enex Group take part in such activities in various localities across Japan. For instance, such companies engage in events for children and cleanup efforts that help maintain the beauty of communities, working on a voluntary basis in conjunction with members of respective communities.

Information

Playing an active role as a company located in Tokyo's Minato Ward

At the Itochu Enex head office, we collect canceled postage stamps which are then donated to the Minato Council of Social Welfare. The stamps are sorted by Minato Ward volunteers and then exchanged for cash which is put to use in promoting the Minato Council of Social Welfare's volunteer activities.

As of June 30, 2016, we are operating disaster response stations in 42 locations nationwide, drawing on our network primarily centered on Car-Life Stations (CS) affiliated with the Itochu Enex Group.

We operate Kizuna Net Centers in two locations, one of which is in Rifu Town, Miyagi Prefecture (managed by ENEX FLEET CO., LTD.), and the other of which is Fukaya City, Saitama Prefecture (managed by ENEX PETROLEUM SALES HIGASHI-NIHON CO., LTD.).

Business offices of the Itochu Enex Group are made available as temporary evacuation sites, and our bulk fuel systems equipped for disaster response ensure access to energy lifelines for the initial three days after a disaster strikes.

There are fuel stations designated by the Japanese government as core filling stations for LP gas in 340 locations nationwide. Eleven such facilities are operated by the Itochu Enex Group, spread out across Japan from Aomori Prefecture in the north to Saga Prefecture in the south.

Revitalize society and its residents
[Harmonious coexistence with the local community and social contribution]

Energy lifeline

An important social mission of the Itochu Enex Group in pursuing the energy business is that of ensuring energy safety and peace of mind at critical moments.

Functioning of community energy hubs, our CS act as key sites for ensuring access to energy lifelines should disaster strike, in alignment with community disaster-response measures set forth by the Japanese government. This involves enhancing existing CS facilities with added disaster-response capabilities to establish a network of "**disaster response stations**," along with progress being made in developing "emergency restoration stations" that ensure availability of basic functions at lower cost.

Conceived of as a result of our experiences following the Great East Japan Earthquake, our **Kizuna Net Centers** are equipped with photovoltaic power generation systems and their own onsite power generators that make them energy self-sufficient, thereby enabling them to control energy distribution should a disaster strike. In normal times, the centers supply kerosene, diesel oil and fuel oil on a retail basis to medical institutions, nursing care facilities, sites undergoing reconstruction and other end-users. In the event of emergency situations, the centers place priority on supplying institutions, evacuation centers and other such facilities, as requested by local municipalities in line with agreements previously concluded. In addition, we have been building systems that ensure availability of stable fuel supply in times of crisis situations, and accordingly have been making progress in expanding and upgrading both our **bulk fuel systems equipped for disaster response** to ensure LP gas sufficient to maintain across-the-board operations involving meal preparation, hot water supply, power generation and other functions at evacuation centers, as well as our fuel stations designated by the Japanese government as **core filling stations** for LP gas.

Information

Come see our bulk fuel systems for yourself!

Our bulk fuel systems equipped for disaster response are on display at the following location.
ITOCHU ENEX HOME-LIFE KANTO CO., LTD.
"e-koto" Shop Yotsukaido
909-1 Kuriyama, Yotsukaido, Chiba

Aim at satisfying employees
[Develop workplaces and people]

Personnel system

Itochu Enex's unwavering philosophy on human resources

Since its establishment in 1961, we at Itochu Enex have held to the belief that, "our people are the company's greatest asset," and have accordingly been developing employee potential as a top-priority managerial challenge. We will steadfastly maintain and further strengthen this basic policy emphasizing human resources, which we regard as the fundamental philosophy underpinning the Itochu Enex Group's growth strategy, amid the rapidly changing environment of this day and age and the society we live in.

Hastening further evolution of Ito Enex's corporate DNA

Itochu Enex's profit structure has been undergoing substantial transformation in conjunction with changes in the business environment. Over the last half century we have developed corporate DNA in the petroleum products wholesale business which has enabled us to take on challenges involving new fields of business, approaches and technologies, and consequently made it possible to expand our business operations, rather than seeking solutions that involve traditional and conventional approaches to addressing changes taking place in the supply-demand mix of petroleum products. Meanwhile, entering the electric power business ahead of the industry hastened our efforts to develop new pillars of business.

Information

Promoting a more diversified workforce through recruitment of recent female graduates

Committed to drawing on the capabilities of its female workforce, Itochu Enex has redoubled its efforts to recruit more women to fill career-track positions specifically available to new graduates who will enter the Company in April 2017. As a result of those efforts, we now plan to hire 10 women for such positions, out of 28 recently graduated recruits overall. We intend to take a similar approach in hiring the batch of recruits who will join the Company in the year 2018 as well.

Pursuing bolder progress in pursuing new personnel system

We aim to break out of existing businesses and job categories in efforts to develop new fields of business, amid an increasingly uncertain social and economic environment. Doing so calls for employees who exhibit attributes such as curiosity, extensive knowledge, a desire to take on challenges, sensibilities with respect to taking risks, and the overall capacity to put those attributes to use. As such, we continue working to overhaul our personnel system with the aim of successfully building a workforce capable of wielding these comprehensive strengths, along with diverse attributes that can be applied in the workplace.

Mission equals role for each individual

The notion of "mission" is at the heart of Itochu Enex's personnel system and the bases that form this are all the work-related "roles." By providing our employees with set roles on an individual basis, we hope to develop a workforce whereby each and every employee acts in a manner that involves shrewdly perceiving circumstances in the internal and external business environment, taking initiative, fearlessly addressing risk, and autonomously taking on challenges.

Innovation achieved through diversity

Workforce diversity has potential to act as a wellspring of innovation that could give rise to renewed growth amid this age of uncertainty marked by pronounced changes and a future that is difficult to predict. As such, Itochu Enex strives to develop a thriving corporate culture that draws on a diverse workforce made up of individuals with differing proficiencies and personalities, and people of all types—men and women, young adults and experienced professionals, and academic backgrounds in humanities and sciences. Of the 27 new graduates who entered the Company in April 2016, nine were women, which is a new record for Itochu Enex.

Aim at satisfying employees
[Develop workplaces and people]

Education system

Career development program (figures for fiscal 2015)

	Selection	Training by employment rank	General education	By division
Key management personnel	ENEX ACADEMY		Graduate school for working professionals (MBA, accounting); Distance learning (foreign languages, career qualifications, business skills, general studies); Assistance for acquiring career qualifications	Specialized training by division
Executive candidates		Training for middle management		
General		Training for grade-4 employees; Training for grade-3 employees; Training for grade-2 employees; Training for grade-1 employees; Training for new recruit mentors		
New employees		Fiscal year-end training; Interim-period training; Orientation training		Orientation training

Support for job satisfaction and career advancement

We provide support to each and every employee of the Itochu Enex Group in the form of extensive training and education programs that bring a sense of satisfaction to work and enable employees to steadily achieve career advancement.

Opportunities for new employees

New employees undergo training that helps them gain basic knowledge regarding energy and related business affairs, while also learning about CSR, compliance, business practices and other matters that employees of the Itochu Enex Group need to know. New employees also take part in on-the-job training which enables them to acquire practical skills in the course of performing tasks within divisions and organizational units to which employees are assigned, as well as off-the-job training.

Beginning with the second year of employment

To help employees in their second and subsequent years of employment advance in their careers, we provide education and training organized around employment rank, and furthermore operate education and training programs that enable them to gain a more sophisticated grasp of specialized knowledge and technologies. We also maintain opportunities involving scholarships to cover costs of various distance education programs, and provide other forms of support for employees who are motivated to take initiative with respect to improving their capabilities.

Developing business leaders for the Itochu Enex of tomorrow

In 2014, we established the ENEX ACADEMY with the aim of helping employees develop the knowledge and skills required of new business leaders. In providing a practical curriculum that is fully geared to the changing times, ENEX ACADEMY acts as our primary location for human resource development, with respect to its role in helping to transform the Itochu Enex Group's corporate culture, and helping to develop strategic business operations that stay ahead of the curve with respect to the needs of our customers and business partners.

Responding to employee aspirations to learn and grow

We strive to inspire employees to achieve growth and accordingly provide them with various learning opportunities. We provide one-time payments to employees who acquire government-approved licenses that have been designated by the Company, and we have arranged a rich lineup of distance education courses delivered by various educational institutions. We also make it possible for employees to take advantage of Master of Business Administration (MBA) programs and master's degree programs in accounting and finance, so that they can advance in their careers while attending graduate schools for working professionals in Japan.

Subsidizing costs of gaining qualifications involving specialized skills

There are also programs geared to providing support to employees who aim to take exams for professional qualifications (certified tax accountant, SME management consultant, etc.) and skills-based qualifications (labor and social security attorney, level 1 of the official business skill test in retail sales, etc.). We subsidize employees' exam preparation costs whether or not they ultimately pass or fail the qualification testing.

Information

Graduate school for working professionals provide academic flexibility

We arrange programs for employees through graduate schools for working professionals. Employees selected for the opportunity are able to select a graduate school of their choice where they can take master's degree-level coursework in business administration, accounting and other fields. So far, a total of 13 employees have completed such graduate school programs.

For all employees of Itochu Enex

We also make programs available to employees regardless of their years of service or gender, through our efforts to ensure adequate work-life balance when it comes to different events and phases in employees lives such as those involving marriage, childbirth, childcare, and long-term care obligations. As such, by enabling employees to strike a balance between their personal and professional lives, we create workplace environments where both male and female members of our workforce are able to work actively and excel.

Full vacation and support packages

All of our employees across the board receive 20 days of paid leave, which includes newly hired employees and mid-career recruits irrespective of when they entered the Company. This helps to ensure that all members of our workforce are refreshed and able to effectively apply themselves to their jobs (employees are also able to carry up to 20 days of paid leave from the previous fiscal year forward to the subsequent fiscal year). Also, forfeited paid leave days from the past two years can be used to cover days taken off by an employee in the event of a long-term absence from work due to illness.

Employees may also take a leave of absence for up to one year in situations requiring long-term care needs of an employee's parent, parent-in-law, spouse, or other such individual. We also have generous special leave arrangements tailored to diverse needs. This includes time off during job transfers, leave for bereavement or special celebratory occasions, leave for relaxation in line with years of service, leave for long-term and nursing care, time off for children's health exams and vaccinations, and jury duty leave.

In addition, we have also adopted a program that involves providing support for expenses incurred when employees engage in numerous types of volunteer activities whose aim is to facilitate post-earthquake reconstruction.

Support for pregnancy, childbirth and childcare

We offer pregnancy leave of 10 days to allow employees to continue working while pregnant with peace of mind.

We provide lump-sum childbirth allowances (¥300,000 for a first child and ¥500,000 for second and subsequent children), help cover expenses incurred for childcare services, and offer other such benefits.

Aim at satisfying employees
[Develop workplaces and people]

Work–life balance

Information

Percentage of paid leave taken by employees on the rise

In fiscal 2015, employees used 47.0% of the paid leave of which they were eligible (5.5% increase year on year), while eight employees took parental leave (two more than in the previous fiscal year) and seven employees made use of our reduced working hours program.

Parental support through the options of reduced- and staggered-hour scheduling

We offer the option of reduced-hour employment to enable working environments for parents caring for children from early elementary school years until old enough to spend time alone without concern. Meanwhile, an increasing number of employees have been taking advantage of our staggered-hour scheduling arrangements, as provided for in our rules on parental leave.

Return-to-work opportunities for motivated individuals who have left the workforce

We have established a re-employment program aimed at former employees who previously resigned from the Company, despite their desire to continue employment, in order to accompany a spouse upon his or her job transfer. Under this program such individuals are evaluated and considered for re-employment so that they may use the knowledge and experience they gained during their initial term of employment.

Compliance with Japan's Act on Advancement of Measures to Support Raising Next-Generation Children

We have been granted certification as a general business operator who adheres to standards of the Act on Advancement of Measures to Support Raising Next-Generation Children, upon having formulated and implemented our Action Plan pursuant to that Act. The Action Plan itself is geared to creating working conditions conducive for employees to balance their professional and personal lives so that each and every one of our employees is able to fully exercise their capabilities on the job.

Launch of Enex Early Bird plan to transform our approach to work

We aim to ensure that Itochu Enex becomes a better company—one that is a rewarding place to work and that we are proud to present to our families and society. This requires that we set ourselves to the task of transitioning to a style of work where employees complete tasks in a relatively short amount of time, while developing a corporate framework that leverages the strengths of our diverse workforce, in a manner that places value on promoting health and improving lifestyles of each and every employee. As such, we have embarked on efforts to drastically transform our approach to work centered on the three-pronged strategy that involves putting a stop to working excessive hours, promoting employee health, and improving the quality of work we perform. We intend to put the plan into full-scale implementation beginning in the fall season of this year, after having assessed results achieved over the three-month trial run of the new initiatives.

Profound respect for human rights through compliance education

We endeavor to fully respect individual human rights as set forth in the Relationship with employees section of our Declaration of the Group Code of Conduct, and accordingly carry out compliance education geared to heightening human rights awareness during our training for new employees and training organized around employment rank.

Equal opportunities for each and every employee to exercise their strengths

We are committed to creating a corporate culture that enables each and every one of the members of our diverse workforce to energetically apply their respective strengths in the workplace and to play an active role, irrespective of gender, age, or disability.

Recruitment of a diverse range of employees in a fair and impartial manner

We hire both new graduates during the standard recruiting season and career professionals on a year-round basis. During the recruitment process, we select employees from among the entire pool of applicants in a fair and impartial manner, using consistent criteria. We also actively recruit women who have recently graduated.

Compliance with Japan's Revised Act on Stabilization of Employment of Elderly Persons

Itochu Enex Group employees who have reached the age of 60 may elect to continue working up to the age of 65, in accordance with Japan's Revised Act on Stabilization of Employment of Elderly Persons which went into effect in April 2013.

Protecting on-duty employees from disasters

Our disaster preparedness efforts involve maintaining and developing systems that ensure the safety of employees while on duty. Our efforts in that regard have included forming autonomous frameworks for disaster prevention at our respective business offices, stockpiling food items, distributing personal emergency supply kits to all employees, and establishing the Itochu Enex Group Emergency Contract Network (safety confirmation system).

Aim at satisfying employees
[Develop workplaces and people]

Fairness and impartiality, safety and security

Information

Establishment of guidelines on power harassment

We have stipulated certain prohibitions across the entire Itochu Enex Group to reflect concerns voiced by our employees, particularly given our aims of promoting the health of all Itochu Enex Group employees and creating a better workplace environment as we embark on efforts to transform our approach to work.

Employee physical and mental health management

Established by Itochu Enex to deal with matters of occupational health, our Health Support Section is staffed by two health nurses who provide support to employees with respect to their health management needs. Meanwhile, in light of the prevailing societal problem of increasing numbers of employees who must undergo extended care for health issues caused by excessive stress, our mental health strategy for employees is realized through active efforts in the realms of prevention and support for those returning to work.

Thorough compliance with stress check system

A stress check system was established on the basis of Japan's Revised Industrial Safety and Health Act. Under this system employers have been required to ensure employees undergo stress checks and face-to-face guidance since December 2015. Itochu Enex does its utmost to mitigate risks involving mental health disorders across the entire workforce by carrying out detailed stress checks.

Maintaining sound labor-management relations through dialogue

Itochu Enex operates under a union shop system* under which we build healthy labor-management relations based on collective agreements, and otherwise maintain amicable labor-management relations. We hold labor-management council meetings on a regular basis to engage in discussion geared to fostering sound labor-management relations with the 393 workers who are enrolled in the employees' union (as of July 2016).

* A union shop system involves an arrangement under which employees are required to become members of the labor union, with the exception of those workers defined in Article 2 of Japan's Labor Union Act.

Dedicated consulting staff available to serve employees

We have dedicated consulting staff available both within and outside the Company, which enables employees to seek consultation by telephone, e-mail, written letter or other such means. This helps alleviate worries of individual employees in cases where they might find themselves unable to seek consultation with a manager, supervisor or the Corporate Administration Division with respect to sexual harassment, power harassment or other such work- or employment-related issues.

In addition to providing consultation regarding harassment and mental health concerns, we have also set up new points of contact dedicated to handling consultations on issues employees of the Itochu Enex Group may face with respect to their overall lives such as difficulties involving inheritance and conflict with neighbors.

Over view of Fiscal 2015 Business Results

Analysis of Results of Operations

Revenue

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. Under such conditions, during the fiscal year ended March 31, 2016, revenue decreased ¥213,196 million year on year to ¥723,645 million, due mainly to the impact on price, etc. resulting from the decline in the crude oil price.

Gross profit

Gross profit increased by ¥3,842 million from the previous fiscal year to ¥89,562 million. The major factors behind this increase were an increase in profits in the electricity and steam supply business due to a considerable increase in sales volume, the contribution to profits from the Osaka Car Life Group Co., Ltd. which was acquired in the previous fiscal year, and an increase in profits arising from securing business portfolio revenues through utilizing the characteristics of the Energy Trade Division, among other factors.

Profit from operating activities

Profit from operating activities increased by ¥3,284 million from the previous fiscal year to ¥16,384 million. The major factor was the increase in gross profit.

Profit before tax

Profit before tax increased by ¥2,849 million from the previous fiscal year to ¥15,004 million. The major factor was the increase in profit from operating activities.

Net profit attributable to Itochu Enex's shareholders

Net profit attributable to Itochu Enex's shareholders increased by ¥1,965 million from the previous fiscal year to ¥7,469 million. The major factor was the increase in profit before tax.

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.

Analysis of Financial Position

Current assets

The balance of current assets amounted to ¥137,865 million as of March 31, 2016, a decrease of ¥19,844 million from March 31, 2015. The main factor behind this was a decrease in trade receivables due primarily to a fall in prices of domestic petroleum products.

Non-current assets

The balance of non-current assets amounted to ¥166,188 million as of March 31, 2016, a decrease of ¥5,162 million from March 31, 2015. The main factor behind this was a decrease as a result of evaluation of investments accounted for by the equity method and a decrease in deferred tax assets as a result of changes in the corporate tax rate, etc.

Current liabilities

The balance of current liabilities amounted to ¥111,997 million as of March 31, 2016, a decrease of ¥37,446 million from March 31, 2015. The main factor behind this was a decrease in trade payables due primarily to a fall in prices of domestic petroleum products.

Non-current liabilities

The balance of non-current liabilities amounted to ¥74,894 million as of March 31, 2016, an increase of ¥8,225 million from March 31, 2015. The main factor behind this was an increase in non-current borrowings arising from the execution of project finance associated with the electricity and steam supply business.

Equity

The balance of equity amounted to ¥117,162 million as of March 31, 2016, an increase of ¥4,215 million from March 31, 2015. The main factors behind this were increases in retained earnings and non-controlling interests, among other factors.

Cash Flows

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.

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.

Financial Highlights

	FY2013	FY2014	FY2015
Total trading transactions (Japanese GAAP) (Billions of yen)	1,506.6	1,373.4	1,071.6
Profit from operating activities (Billions of yen)	11.9	13.1	16.4
Profit before tax (Billions of yen)	13.8	12.2	15.0
Net profit attributable to Itochu Enex's shareholders (Billions of yen)	7.1	5.5	7.5
Total assets (Billions of yen)	321.0	329.1	304.1
Annual cash dividends per share (Yen)	20	22	24

Annual sales volume of major products

	FY2013	FY2014	FY2015
Gasoline (Thousands of kiloliters)	3,993	3,593	3,722
Kerosene (Thousands of kiloliters)	1,874	1,502	1,471
Diesel oil (Thousands of kiloliters)	3,389	3,302	3,321
LP gas (Thousands of tons)	625	619	601
Electricity (GWh)	1,096	1,060	1,616

Rating *Rating agency: Japan Credit Rating Agency, Ltd. (JCR)

Object	Rating	Outlook
Long-term issuer rating	A (Single A)	Stable
Object	Maximum amount	Rating
Commercial paper	¥10 billion	J-1

Bonds

Bond	Issue date	Balance as of the end of fiscal 2015	Interest rate	Collateral	Maturity date	Rating
Series 13 unsecured bonds (with inter-bond pari passu clause)	May 22, 2012	¥5 billion	0.736%	Unsecured	May 22, 2019	A
Series 14 unsecured bonds (with inter-bond pari passu clause)	May 22, 2012	¥10 billion	1.202%	Unsecured	May 20, 2022	A
Total		¥15 billion				

Consolidated Financial Statements

1. Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As of March 31, 2015	As of March 31, 2016
ASSETS			
Current assets			
Cash and cash equivalents	7, 40	16,184	20,824
Trade receivables	8, 40	98,449	71,968
Other current financial assets	9	11,431	16,529
Inventories	10	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	11	10,551	8,786
Other investments	9, 40	8,924	8,029
Non-current financial assets other than investments	9	9,987	9,895
Property, plant and equipment	12, 15, 38, 40	88,836	88,311
Investment property	13	14,369	13,262
Goodwill	14	108	588
Intangible assets	14, 15	23,474	24,329
Deferred tax assets	16	13,448	11,622
Other non-current assets		1,653	1,366
Total non-current assets		171,351	166,188
Total assets	5	329,059	304,053

(Millions of yen)

	Notes	As of March 31, 2015	As of March 31, 2016
LIABILITIES AND EQUITY			
Current liabilities			
Short-term bonds and borrowings	17, 40	14,208	5,299
Trade payables	18, 40	104,564	80,745
Other current financial liabilities	19	9,784	5,229
Income taxes payable		2,489	3,351
Advances from customers		7,078	6,637
Other current liabilities	20, 21	11,320	10,736
Total current liabilities		149,443	111,997
Non-current liabilities			
Non-current bonds and borrowings	17, 40	26,746	32,366
Other non-current financial liabilities	19	22,283	24,384
Non-current liabilities for employee benefits	22	9,350	10,127
Deferred tax liabilities	16	2,747	2,103
Provisions	21	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	23	19,878	19,878
Capital surplus	23	18,743	18,740
Retained earnings	23	62,223	66,024
Other components of equity	24	(1,661)	(2,364)
Treasury stock	23	(1,751)	(1,752)
Total shareholders' equity		97,432	100,526
Non-controlling interests	37	15,515	16,636
Total equity		112,947	117,162
Total liabilities and equity		329,059	304,053

* See accompanying notes to consolidated financial statements.

2. Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Revenue	27	936,841	723,645
Cost of sales		(851,121)	(634,083)
Gross profit		85,720	89,562
Other expense			
Selling, general and administrative expenses	28	(71,184)	(73,226)
Loss from tangible assets, intangible assets and goodwill	29, 30	(1,825)	(593)
Other – net	31	389	641
Total other expense		(72,620)	(73,178)
Profit from operating activities		13,100	16,384
Financial income and costs	32		
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	11	(357)	(672)
Loss from sales of investments in subsidiaries and associates		(7)	–
Profit before tax		12,155	15,004
Income tax expense	16	(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

(Millions of yen)

	Notes	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Other comprehensive income (net of tax effect)			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets		685	(384)
Remeasurement of net defined benefit liability		199	(714)
Other comprehensive income of investments accounted for by the equity method	11	0	2
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		83	(14)
Cash flow hedges		(463)	107
Other comprehensive income of investments accounted for by the equity method	11	54	(1,034)
Total other comprehensive income (net of tax effect)	24	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	33	48.71	66.10
Diluted	33	–	–

(Millions of yen)

Total trading transactions		1,373,393	1,071,629

(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 not audited and voluntarily disclosed by the Company for investors' convenience, and is not required to be disclosed under International Financial Reporting Standards ("IFRSs").

* See accompanying notes to consolidated financial statements.

3. Consolidated Statement of Changes in Equity

(Millions of yen)

	Notes	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Equity			
Common stock	23		
Balance at the beginning of the year		19,878	19,878
Balance at the end of the year		19,878	19,878
Capital surplus	23		
Balance at the beginning of the year		18,737	18,743
Acquisition of subsidiary shares from non-controlling interests		6	(3)
Balance at the end of the year		18,743	18,740
Retained earnings	23		
Balance at the beginning of the year		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	25	(2,599)	(2,599)
Balance at the end of the year		62,223	66,024
Other components of equity	24		
Balance at the beginning of the year		(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 year		(1,661)	(2,364)
Treasury stock	23		
Balance at the beginning of the year		(1,750)	(1,751)
Purchase and disposal of treasury stock		(1)	(1)
Balance at the end of the year		(1,751)	(1,752)
Total shareholders' equity		97,432	100,526
Non-controlling interests	37		
Balance at the beginning of the year		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 acquisitions and sales of interests in subsidiaries		5,105	–
Balance at the end of the year		15,515	16,636
Total equity		112,947	117,162

* See accompanying notes to consolidated financial statements.

4. Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	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 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	–
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	34	(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)
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	25	(2,599)	(2,599)
Cash dividends paid to non-controlling interests	37	(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 of the year	7	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 year	7	16,184	20,824

* See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Reporting Entity

Itochu Enex Co., Ltd. (the "Company") is an entity located in Japan. The addresses of the Company's registered head office and principal offices are available on its website (URL: http://www.itcenex.com). The Company's consolidated financial statements, the closing date of which is March 31, 2016, comprise the accounts of the Company and its subsidiaries (the "Group") and the Group's equity interests in associates. The Group's principal activities are sales of petroleum products and liquefied petroleum gas ("LPG") and the provision of related services in Japan and overseas as well as supply of electricity and heat in Japan.

2. Basis of Consolidated Financial Statements

(1) Compliance with International Financial Reporting Standards ("IFRSs")

The Group's consolidated financial statements are prepared in accordance with IFRSs.

These consolidated financial statements were approved at the Board of Directors' meeting of the Company held on June 21, 2016.

(2) Basis of Measurement

Except for the cases (e.g., financial instruments) stated in Note 3 "Significant Accounting Policies," the Company's consolidated financial statements are prepared on a historical cost basis.

(3) Functional Currency and Presentation Currency

The consolidated financial statements of the Group are presented in Japanese yen, which is the Group's functional currency. All financial information presented in millions of yen has been rounded to the nearest million yen.

(4) Changes in Accounting Policies

Accounting policies that the Group has applied in the consolidated financial statements are the same policies that were applied in the consolidated financial statements for the fiscal year ended March 31, 2015, except for the following policy:

(Change in the presentation method)

In the Group's consolidated financial statements, "profit attributable to owners of the parent" and "total equity attributable to owners of the parent," which were items presented previously, have been changed to "net profit attributable to Itochu Enex's shareholders" and "total shareholders' equity," respectively, from the fiscal year ended March 31, 2016.

Because the Company has a parent company (ITOCHU Corporation), this change has been made in order to make the presentation method easier to understand so that such profit and total equity are not confused with the profit and total equity related to the Company's parent company.

Due to this change, the presentation of other related items in the consolidated financial statements has also been changed in the same manner.

In addition, the presentation method has also been changed for the consolidated financial statements for the fiscal year ended March 31, 2015.

(5) Early Adoption of New or Amended IFRSs or Interpretations

In preparing these consolidated financial statements, the Group has early adopted IFRS 9, "Financial Instruments" (issued in November 2009; revised in October 2010, December 2011, and November 2013).

(6) IFRSs or Interpretations Issued, But Not Yet Adopted

The following major IFRSs or interpretations that were newly established or amended were issued by the date of approval of the consolidated financial statements. However, these IFRSs or interpretations are not necessarily required to be adopted on or before the fiscal year ended March 31, 2016, and the Group has not early adopted them.

The effect of adoption of these IFRSs or interpretations is under consideration and cannot be estimated at this time.

Standard	Title	Mandatory adoption (From the fiscal year beginning)	To be adopted by the Group	Description of new/amended standards or interpretations
IFRS 9	Financial Instruments	January 1, 2018	Fiscal year ending March 31, 2019	Limited amendments to the classification and measurement method for financial assets, and introduction of the expected credit loss impairment model
IFRS 15	Revenue from Contracts with Customers	January 1, 2018	Fiscal year ending March 31, 2019	Establishment of accounting and disclosure on revenue arising from contracts with customers
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Principles for recognition, measurement, presentation and disclosure of lease agreements in the lessee and the lessor of leases

3. Significant Accounting Policies

Accounting policies described below are applied to all of the periods presented in the consolidated financial statements, unless otherwise specified.

(1) Basis of Consolidation

The consolidated financial statements include financial statements of the Group companies and equity interests in associates and joint ventures.

A. Subsidiaries

A subsidiary is an entity that is controlled by the Group. The Group controls an investee if the Group has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the Group's return. The acquisition date of a subsidiary is the date on which the Group obtained control over the subsidiary, and the subsidiary is included in the consolidation from the date of acquisition until the date on which the Group loses control.

In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary. Comprehensive income for subsidiaries is attributed to owners of the parent and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in an equity interest in a subsidiary due to acquisition, sale, etc., of interests that do not result in loss of control over the subsidiary by the Group are accounted for as equity transactions.

If the Group loses control over a subsidiary, the Group derecognizes assets and liabilities of the former subsidiary and non-controlling interests in the subsidiary, and remeasures the residual interest retained in the former subsidiary at its fair value as of the date of the loss of control and recognizes any resulting gain or loss in profit or loss.

B. Associates and Joint Ventures

An associate is an entity over which the Group has significant influence over its financial and operating policy. In determining whether the Group has significant influence, various factors, such as holding of voting rights (the Group is presumed to have significant influence over an investee if the Group owns 20% or more, but 50% or less of the voting rights of the investee directly or indirectly) and existence of virtually exercisable potential voting rights, and proportion of employees seconded from the Group to all the directors of the investee are taken into account comprehensively.

A joint venture is a contractual arrangement whereby two or more parties including the Group have joint control and which requires unanimous consent of the parties in making important decisions on business activities. The business of a joint venture is undertaken by an entity independent of its investors and each investor has rights only to the net assets of the arrangement.

Investments in associates and joint ventures are initially recognized at cost and adjusted thereafter for the amount equivalent to the Group's share of net assets of the investees. Profit or loss and other comprehensive income recorded by the investees after the acquisition are included in the Group's profit or loss and other comprehensive income using the equity method and they are reflected in the investment value. For goodwill recognized in the acquisition of associates and joint ventures, the balance is included in the carrying amount of the investment. Dividends received from associates and joint ventures are deducted from the investment value.

In cases where the accounting policies of associates and joint ventures are different from the accounting policies adopted by the Group, adjustments are made to the financial statements of associates and joint ventures, if necessary, to ensure use of the Group's policies.

If the Group loses significant influence over an associate or joint control over a joint venture and ceases to apply the equity method, the Group recognizes gain or loss from the sale of the equity interest in profit or loss, and remeasures the residual interest at fair value and recognizes the resulting valuation difference in profit or loss for the fiscal year in which the significant influence or the joint control is lost.

C. Transactions Eliminated in Consolidation

Inter-group company balances of receivables and payables and transactions, and any unrealized gains and losses arising from inter-group company transactions are eliminated in the preparation of the consolidated financial statements.

For unrealized gains and losses arising from transactions between the Group and associates accounted for by the equity method, the amount equivalent to the Group's equity interest in such gains and losses is eliminated.

(2) Business Combinations

Business combinations are accounted for by the acquisition method. Identifiable assets acquired, liabilities assumed and any non-controlling interest in the acquiree are measured at fair value (except for assets and liabilities that are required to be measured on a basis other than fair value, which are measured at the value specified in IFRS 3, "Business Combinations") at the time of acquisition. Goodwill is recognized and measured as the excess of the aggregate of the consideration transferred, the acquisition-date fair value of the acquirer's previously held equity interest and the amount of any non-controlling interest over the net of the acquisition amounts of the identifiable assets acquired and liabilities assured. However, if the aggregate of fair values of identifiable assets and liabilities assumed exceeds the sum of acquisition value, the value of pre-existing equity interest after the remeasurement and the fair value of non-controlling interest in the acquiree, such an excess is immediately recognized in profit as the bargain purchase gain.

If the initial accounting treatment for a business combination has not been completed by the last day of the period in which the business combination occurred, the business combination is accounted for using provisional amounts. Retrospective adjustments to provisional amounts are made during the measurement period, which is within one year from the acquisition date. Acquisition-related costs incurred by the acquirer to achieve the business combination are recognized as expenses.

For a business combination where all parties to the business combination are under control of the Group before and after the business combination (business combination under common control), carrying amounts of assets and liabilities of the acquiree are taken over by the acquirer.

(3) Foreign Currency Translation

Transactions in foreign currencies are translated into the functional currency at the exchange rates at the dates of transactions or its approximate rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at the fiscal year end. Differences arising from the translation and settlement are recognized in profit or loss. However, exchange differences arising from the translation of financial assets measured at fair value through other comprehensive income ("FVTOCI") and cash flow hedges are recognized in other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen at the rates of exchange at the fiscal year end, while income and expenses of foreign operations are translated into Japanese yen at the exchange rates at the dates of transactions or its approximate rate. The resulting exchange differences on translating foreign operations are recognized in other comprehensive income. In cases where foreign operations are disposed of, the cumulative amount of translation adjustments related to foreign operations is recognized in profit or loss in the period of disposition.

(4) Financial Instruments

A. Financial Assets Other Than Derivatives

(i) Initial Recognition and Measurement

For financial assets other than derivatives, trade receivables and other receivables are initially recognized on the day on which they arise. All other financial assets are initially recognized on the transaction date on which the Group becomes a party to the contract of the financial instrument.

Financial assets other than derivatives are classified into financial assets measured at amortized cost or financial assets measured at fair value. They are classified into financial assets measured at amortized cost if both of the following conditions are met; otherwise, they are classified into financial assets measured at fair value:

- The purpose of holding these assets is to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For financial assets measured at fair value, investments in equity instruments, such as ordinary shares in other entities, except for equity instruments held for the purpose of obtaining gain from short-term sale, are classified as FVTOCI financial assets in principle. Other financial assets measured at fair value are classified as financial assets measured at fair value through profit or loss ("FVTPL financial assets"), of which the change in fair value after acquisition is recognized in profit or loss, in principle.

Such classifications are made upon initial recognition of each asset and applied consistently without any change.

Financial assets measured at amortized cost and FVTOCI financial assets are initially recognized at fair value (including transaction costs that are directly attributable to the acquisition of financial assets). FVTPL financial assets are initially recognized at fair value and transaction costs are recognized in profit or loss when they are incurred.

(ii) Subsequent Measurement

After initial recognition, financial assets are measured based on the classification as follows:

(a) Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Other Financial Assets

Financial assets other than those measured at amortized cost are measured at fair value. Changes in the fair value of financial assets measured at fair value are recognized in profit or loss. However, changes in the fair value of FVTOCI financial assets are recognized in other comprehensive income. Dividends received on the financial assets are recognized in profit or loss for the year.

(iii) Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the asset expire, or when the contractual right to receive cash flows from financial assets are transferred in transactions in which substantially all the risks and rewards incidental to ownership of the asset are transferred to another entity.

When an FVTOCI financial asset is sold, the difference between the latest carrying amount and the consideration received is recognized in other comprehensive income, and the balance of accumulated other comprehensive income that has been recognized due to sales of the financial asset is transferred to retained earnings.

B. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits, and short-term investments that are readily convertible into cash and that are exposed to insignificant risk of change in value and due within three months from the date of acquisition.

C. Impairment of Financial Assets Measured at Amortized Cost

At the end of each fiscal year, it is assessed whether there is any indication that financial assets measured at amortized cost are impaired, by individual asset or by unit grouped according to credit risks. Indication that financial assets measured at amortized cost are impaired includes a default or delinquency in interest or principal payments, reduction in the repayment amount and rescheduling of the repayment, significant deterioration in the financial position of the obligor, and bankruptcy of the obligor.

If there is any indication that financial assets measured at amortized cost have been impaired, the difference between the asset's carrying amount and the recoverable amount, which is the present value of estimated future cash flows discounted at the initial effective interest rate of the asset, is recognized as an impairment loss in profit or loss.

If, in a subsequent period, an event resulting in a decrease in the amount of the impairment loss occurs, the previously recognized impairment losses are reversed up to the carrying amount based on amortized cost.

D. Financial Liabilities Other Than Derivatives

(i) Initial Recognition and Measurement

The Group initially recognizes debt securities issued by the Group on the date of issuance. All other financial liabilities are recognized on the transaction date on which the Group becomes a party to the contract of the financial instrument.

Financial liabilities other than derivatives are classified as financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are initially measured at fair value with the transaction costs that are directly attributable to the issue of financial liabilities deducted from the acquisition value.

(ii) Subsequent Measurement

After initial recognition, financial liabilities other than derivatives are measured at amortized cost using the effective interest method. Amortization under the effective interest method and gains or losses on derecognition are recognized in profit or loss.

(iii) Derecognition

Financial liabilities are derecognized when the financial liability is extinguished, i.e. when the obligation that was specified in the contract is discharged due to performance of the obligation through repayment or is canceled or lapsed.

E. Presentation of Financial Assets and Financial Liabilities

Financial assets and financial liabilities are presented on a net basis in the consolidated statement of financial position when both of the following conditions are met; otherwise, financial assets and financial liabilities are presented on a gross basis:

- The Group has an unconditional and legally enforceable right to set off the recognized amounts.
- The Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

F. Derivatives and Hedge Activities

Derivatives, including forward foreign exchange contracts, commodity futures and interest rate swaps, are utilized to hedge currency risk, commodity price risk and interest rate risk. These derivatives are recognized as assets or liabilities at fair value on the contract date on which the Group becomes a party to the contractual provisions, and also remeasured at fair value subsequently. Changes in the fair value of derivatives are accounted for as follows depending on the intended use of the derivatives and resulting hedge effectiveness:

- Derivatives that are hedging instruments to changes in fair value of recognized assets or liabilities, or of an unrecognized firm commitment, and are deemed highly effective as a hedge, and for which, at the inception of the hedge, written designation of the hedge relationship and the risk management objective and strategy for undertaking the hedge are established are designated as fair value hedges. Changes in fair value of such derivatives are recognized in profit or loss, together with changes in the fair value of hedged items.
- Derivatives that are hedging instruments to changes in future cash flows generated in association with the forecasted transactions or recognized assets or liabilities and are deemed highly effective as a hedge and for which, at the inception of the hedge, written designation of the hedge relationship and the risk management objective and strategy for undertaking the hedge are established are designated as cash flow hedges. Changes in fair value of such derivatives are recognized in other comprehensive income. This accounting treatment is continued until changes in future cash flows generated in association with the unrecognized forecasted transactions or already recognized assets or liabilities that are designated as hedged items are realized. The ineffective portion of the hedge is recognized in profit or loss.
- Changes in fair value of derivatives other than the above are recognized in profit or loss.

In applying the above fair value hedges and cash flow hedges, the Group assesses whether the hedge is expected to be highly effective at the inception of the hedge and after the application of the hedge.

Hedge accounting is ceased when the hedge is no longer effective, in which case changes in fair value of the derivative are recognized in profit or loss.

(5) Inventories

Inventories held for purposes other than trading are measured at the lower of cost or net realizable value, and the costs are determined mainly using the identified cost method or the monthly moving-average method. For inventories with sales contracts, net realizable value is the sale value under the sales contract, less the estimated costs necessary to make the sale. For inventories without sales contracts, net realizable value is the estimated selling price, less the estimated costs necessary to make the sale.

Inventories held for trading are measured at fair value, less costs to sell, with changes in the fair value recognized in profit or loss for the period in which the change occurred.

(6) Property, Plant and Equipment

Property, plant and equipment are measured using the cost model and are stated at cost, less accumulated depreciation and accumulated impairment losses. The costs of an item of property, plant and equipment comprise the following amounts, and depreciation begins when the asset is available for use.

- Purchase price
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating
- Estimated costs of dismantling and removing the item and restoring the site on which it is located
- Interest expense required up to the operation on borrowings for acquisition, construction, and manufacture of property, plant and equipment that meet criteria for capitalization

If different material components are identifiable in an item of property, plant and equipment, each component is accounted for as a separate item of property, plant and equipment.

Assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of major assets are as follows:

- Buildings and structures: 2 to 50 years
- Machinery and vehicles: 2 to 22 years
- Vessels: 5 to 11 years

The estimated useful lives and depreciation method are reviewed at each fiscal year end, and if there are any changes made to the estimated useful lives and depreciation method, such changes are applied prospectively as changes in accounting estimates.

(7) Goodwill and Intangible Assets

A. Goodwill

Goodwill arising from acquisition of subsidiaries is recognized in assets at the amount of the "aggregate of fair values of consideration transferred, non-controlling interests and shareholders' interests previously held by the acquirer in the acquiree" exceeding the "net amount of identifiable acquired assets and assumed liabilities" on the acquisition date. Goodwill is not amortized, but initially recognized at cost in assets, and is tested for impairment each fiscal year. Goodwill is carried at cost, less any accumulated impairment losses in the consolidated statement of financial position.

Goodwill is allocated to cash-generating units (minimum units or groups of units) that are expected to contribute to obtaining cash flows considering the synergies of the business combination. Cash-generating units to which goodwill was allocated are tested for impairment at the end of each fiscal year, or at any time when there is any indication of impairment.

When a subsidiary is disposed of, the amount of related goodwill is included in profit or loss for the disposal.

B. Intangible Assets

Intangible assets are measured using the cost model and are stated at cost, less accumulated amortization and accumulated impairment losses. Intangible assets acquired separately are measured at cost at the initial recognition, and the costs of intangible assets acquired through business combinations are recognized at fair value at the date of acquisition. All expenditures on internally generated intangible assets are recognized as expense in the fiscal year in which they are incurred, except for development expenses that satisfy the capitalization criteria.

The period in which intangible assets, directly or indirectly, contribute to their estimated future cash flows is considered as the useful life. If the useful life of an intangible asset is reasonably projected, the intangible asset is amortized using the straight-line method over the estimated useful life. Intangible assets are tested for impairment whenever there is any indication of impairment. The estimated useful lives and amortization method of intangible assets are reviewed at each fiscal year end, and if there are any changes made to the estimated useful lives and amortization method, such changes are applied prospectively as changes in accounting estimates.

The estimated useful lives of major intangible assets are as follows:

- Relationship with customers: 5 to 42 years
- Brand and relationship with suppliers: 40 years

Intangible assets with indefinite useful lives and intangible assets that are not yet ready to use are not amortized, but they are tested for impairment individually or by cash-generating unit annually or whenever there is any indication of impairment.

(8) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards incidental to ownership are transferred to the Group. Leases other than finance leases are classified as operating leases. It is determined whether the contract is a lease or whether the contract includes a lease, in consideration of economic conditions of the transaction regardless of whether the form of the nominal contract is a lease contract.

A. Leases as Lessee

Finance leases are capitalized at the lower of the fair value of the leased property at the inception of the lease or the present value of the total minimum lease payments.

Total lease payments are classified into the principal portion and the interest portion of lease obligations. The amount of lease payments allocated to the interest portion is calculated by the interest method.

A lease asset is depreciated using the straight-line method over the estimated useful life of the asset if the lease involves the transfer of ownership or the lessee has a bargain purchase option; otherwise, it is depreciated over the shorter of the lease term or the estimated useful life.

Under operating leases, the leased property is not recognized as assets, and lease payments are recognized in profit or loss on a straight-line basis over the lease term.

B. Leases as Lessor

Under finance leases, net investment in the lease is recognized as finance receivables. Total lease payments receivable are classified into the principal portion and the interest portion of lease receivables. The amount of lease payments receivable allocated to the interest portion is calculated using the interest method.

Under operating leases, lease payments income is recognized in income on a straight-line basis over the lease term.

(9) Investment Property

Investment property is land and/or buildings, among others, held to earn rentals or for capital appreciation due to an increase in real estate prices or both.

Investment property is measured using the cost model, in the same manner as property, plant and equipment, and is stated at cost, less accumulated depreciation and accumulated impairment losses.

Except for assets that are not subject to depreciation, such as land, investment property is depreciated using the straight-line method over its estimated useful lives, which are 2 to 50 years. The estimated useful lives and depreciation method are reviewed at each fiscal year end, and if there are any changes made to the estimated useful lives and depreciation method, among others, such changes are applied prospectively as changes in accounting estimates.

(10) Impairment of Non-financial Assets

Each fiscal year, the Group assesses whether there is any indication that a non-financial asset has been impaired. If there is any indication that an asset has been impaired, the asset is tested for impairment. Goodwill and intangible assets with indefinite useful lives are tested for impairment at least annually, at the same time each year, regardless of whether there is any indication of impairment. When a cash-generating unit, including goodwill, is tested for impairment, an impairment test is performed first for assets other than goodwill, and then for goodwill after necessary impairment losses are recognized for the assets other than goodwill.

An impairment test is performed by cash-generating unit. If cash flows from an asset are identifiable independently of other assets, the asset is a cash-generating unit. If an asset from which cash flows are not identifiable independently of other assets, a cash-generating unit is the smallest identifiable group of assets that independently generates cash flows.

Goodwill is allocated to cash-generating units (minimum units or groups of units) that are expected to contribute to obtaining cash flows considering the synergies of the business combination.

An impairment test is performed by estimating the recoverable amount of the asset by cash-generating unit and comparing the estimated recoverable amount with the carrying amount of the cash-generating unit. The recoverable amount is calculated at the higher of the fair value of the cash-generating unit, less costs to sell, or the value in use. If the carrying amount of the cash-generating unit exceeds the recoverable amount, an impairment loss is recognized for the asset and the carrying amount is written down to the recoverable amount. In the assessment of value in use, estimated future cash flows are discounted to the present value using a pre-tax discount rate reflecting the current market valuation on time value of money, risks inherent in the asset, and other factors. To determine fair value, less costs to sell, the Group uses an appropriate valuation model supported by available indicators of fair value.

Recognized impairment losses are allocated so that the carrying amount of each asset in the cash-generating unit is reduced proportionally. Goodwill is first allocated so that the carrying amount of goodwill allocated to the cash-generating unit is reduced and then the carrying amount of each asset other than goodwill in the cash-generating unit is reduced proportionally.

It is assessed whether there is any indication that an impairment loss recognized in prior years may have decreased or may no longer exist. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. If the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, an impairment loss is reversed up to the lower of the calculated recoverable amount or the carrying amount that would have been determined (net of depreciation) if no impairment loss had been recognized for the asset in prior years. However, an impairment loss recognized for goodwill is not reversed.

Goodwill on acquisition of investments accounted for by the equity method is included in the part of the carrying amount of the investments with other components, and investments in the companies accounted for by the equity method may be impaired as a single asset.

(11) Non-current Assets Held for Sale

When the carrying amount of a non-current asset (or disposal group) is expected to be recovered principally through a sale transaction rather than through continuing use, the asset (or disposal group) is classified as an asset held for sale. The criteria to be classified as an asset held for sale are only met if sale of the asset is highly probable and the asset is available for immediate sale in its present condition. Because sale of the asset will be completed within one year from the day of classification, the asset is presented in current assets.

Assets held for sale are measured at the lower of carrying amount or fair value, less costs to sell. Property, plant and equipment and intangible assets classified as assets held for sale are not depreciated or amortized.

(12) Employee Benefits

A. Defined Benefit Retirement Plans

For defined benefit retirement plans, the net amount of the present value of defined benefit obligations and the fair value of plan assets is recognized as liabilities or assets. The present value of defined benefit obligations and related service costs are calculated using the projected unit credit method, in principle. The discount rate used to calculate the present value of defined benefit obligations is determined by reference to market yield at the end of the fiscal year on high-rating corporate bonds that are consistent with the estimated periods of the retirement benefit obligations, in principle.

Changes in the present value of defined benefit obligations for employees' service in prior periods that arose due to an amendment to the plan are recognized in profit or loss in the period in which the amendment was made.

The Group recognizes all actuarial gains and losses arising from the Group's defined benefit retirement plans in other comprehensive income ("defined benefit remeasurement") and immediately reclassifies these gains and losses to retained earnings.

B. Defined Contribution Retirement Plans

Contributions to be made for employees' service corresponding to each fiscal period are recognized as expenses for the fiscal year.

C. Multi-employer Plans

Some subsidiaries have participated in multi-employer plans. Multi-employer plans are classified into defined benefit retirement plans and defined contribution retirement plans in accordance with terms of each plan and the accounting treatment for each plan type is applied. However, for multi-employer plans classified as defined benefit retirement plans, when information sufficient to account for the plans as defined benefit retirement plans is not available, the accounting treatment for defined contribution retirement plans is applied to them.

D. Short-term Employee Benefits

The undiscounted amount of short-term employee benefits expected to be paid in exchange for the service rendered by employees during the fiscal period is recognized in profit or loss. For bonuses, the estimated amount of payments is recognized as a liability when the Group has legal or constructive obligations to make such payments and reliable estimates of the obligations can be made.

(13) Provisions

A provision is recognized when there is a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will result from the settlement of the obligation, and when a reliable estimate of the obligation can be made. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation (future cash flows), taking into account risks and uncertainty related to the obligation at the end of the fiscal year. When the time value of money for the provisions is material, the amount of the provisions is measured at the present value calculated by discounting estimated future cash flows at a pre-tax discount rate, reflecting risks inherent in the liabilities. Unwinding of the discount reflecting the passage of time is recognized as a financial cost.

Major provisions are provisions for asset retirement obligations, which are recognized and measured by estimating asset retirement obligations individually and specifically taking into account the status of each property based on expected usable years, etc., determined in light of past records of restoration and useful lives of inside fixtures in offices and other places, in preparation for obligations for restoration of rental offices, buildings and stores and removal of harmful materials related to non-current assets. An outflow of economic benefits in the future is expected to be principally in a period after one year from the end of each fiscal year.

(14) Equity

A. Common Stock and Capital Surplus

Equity instruments issued by the Company are recorded in equity and capital surplus. Transaction costs directly attributable to the issuance are deducted from capital surplus.

B. Treasury Stock

When treasury stock is acquired, the treasury stock is recognized at cost and presented separately as an item in equity. Transaction costs directly attributable to the acquisition are deducted from equity.

When treasury stock is sold, consideration received is recognized as an increase in equity.

(15) Revenue

A. Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards incidental to ownership of the goods have been transferred to a customer, the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, it is probable that the economic benefits associated with the transaction will flow to the Group, and the costs and revenue that occurred in respect of the transaction can be measured reliably. Specifically, the Group recognizes revenue on the date when the goods are shipped or delivered to the customer or when the customer performs an inspection of the delivered goods, depending on the timing when ownership and risks to be borne are transferred from the Group to the customer.

B. Rendering of Services

Services provided by the Group are principally requested repairs that occur in association with sales of products, etc., and contracted maintenance services that are completed in the short term. For these transactions, revenue is recognized at the time of completion of the performance of obligation by persons providing these services or when the customer accepts the completion of services rendered.

C. Gross Presentation and Net Presentation of Revenue

For a transaction in which the Group has functions to increase the added value of goods or services themselves and to provide them as a party to the transaction and bears significant risks associated with the transaction, revenue is presented on a gross basis. On the other hand, revenue for the following transactions is presented at a net amount calculated by deducting the cost from the total amount of transactions with the customer.

- Transactions in which the Group, as an agent, makes arrangements for other third parties to sell goods or provide services

- Transactions in which the Group is involved as a party to the transaction but neither has functions to increase the added value of goods or services nor bears significant risks associated with the transaction

(16) Government Grants

Proceeds from government grants are recognized at fair value when there is reasonable assurance that the conditions attached to them will be complied with, and that the grant will be received. Grants for expenses incurred are recorded as revenue in the fiscal year in which the expenses are incurred. For grants for acquisition of assets, the amount is deducted from cost of the assets.

(17) Financial Income and Costs

Financial income consists of interest income, dividends received, gains on changes in fair value and sale of FVTPL financial assets, and gains on changes in fair value of derivatives. Interest income is recognized using the effective interest method when it arises. Dividends received are recognized when the Group's right to receive the payment is established.

Financial costs consist of interest expense, losses on changes in fair value and sale of FVTPL financial assets, impairment losses of financial assets measured at cost other than trade receivables, and losses on changes in fair value of derivatives. Interest expense is recognized using the effective interest method when incurred.

(18) Income Taxes

Income taxes, which comprise current taxes and deferred taxes, are recognized in profit or loss, except for taxes arising from items that are recorded directly in equity or accumulated other comprehensive income and taxes arising from initial recognition of business combinations.

Current taxes are measured at the amount that is expected to be paid to, or refunded from, the taxation authorities. In calculating the amount of taxes, the Group applies tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year in countries where the Group operates business activities and has taxable profit or tax loss.

Deferred taxes are calculated based on the temporary differences between the tax base of an asset or liability and its carrying amount at the fiscal year end. Deferred tax assets are recognized for deductible temporary differences, carryforward of unused tax credits, and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are, in principle, recognized for taxable temporary differences.

The deferred tax assets or liabilities are not recognized for the following temporary differences:

- Temporary differences from the initial recognition of goodwill
- Temporary differences from the initial recognition of assets and liabilities arising from transactions (excluding business combination transactions) that affect neither accounting profit nor taxable profit

Deferred tax liabilities for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures are not recognized if the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets for deductible temporary differences arising from investments in subsidiaries and associates are recognized only to the extent it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which temporary differences can be used.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period in which the asset is realized or the liability is settled, based on a tax rate (and tax laws) that has been enacted or substantively enacted by the end of the fiscal year.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and the taxes are levied by the same taxation authority on the same taxable entity.

(19) Earnings per Share

Basic earnings per share are calculated by dividing profit or loss attributable to Itochu Enex's shareholders by the weighted-average number of ordinary shares outstanding during the period.

4. Use of Estimates and Judgments

In the preparation of consolidated financial statements, the management uses estimates and judgments. Estimates and judgments made by the management have an impact on the amounts of assets and liabilities as of the reporting date and disclosure of contingent liabilities, and the amounts reported as revenue and expenses.

Major items in which the carrying amounts of assets, liabilities, revenue, and expenses are affected by judgments made in application of the accounting policies are as follows.

- Indication of impairment for property, plant and equipment, goodwill, intangible assets, etc. (refer to Note 3, "Significant Accounting Policies (10) Impairment of Non-financial Assets")
- Recognition and presentation of revenue (refer to Note 3, "Significant Accounting Policies (15) Revenue")

Assumptions used in accounting estimates may differ from actual figures because these assumptions are set based on past experience and appropriately collected, available information. Estimates and assumptions are reviewed by the management on an ongoing basis. Effects of these reviews of estimates and assumptions are recognized in the period in which the estimates and assumptions are reviewed and subsequent periods.

Information on uncertainty of assumptions and estimates that have a risk of resulting in significant adjustments in the next fiscal year is as follows.

- Impairment of Non-financial Assets

Impairment test of non-financial assets is performed based on many assumptions and estimates, such as assumptions for measurement of fair value, less costs to sell, in calculation of the recoverable amount or estimated future cash flows of cash-generating units as bases for calculation of value in use and discount rate. There is a risk that changes in uncertain future economic conditions may result in significant adjustments to the amount of impairment losses.

The content and amount related to impairment of non-financial assets are discussed in Note 30 "Impairment Loss".

- Estimates of Income Taxes

In calculation of income taxes, estimates and judgments are required for various factors, including interpretation of tax regulations and history of past tax examinations. Therefore, the carrying amount of income taxes may differ from the actual amount of tax payment.

Deferred tax assets are recognized to the extent it is probable that taxable profit will be available against which deductible temporary differences can be used. As the timing when taxable profit is earned and the amount thereof may be affected by changes in uncertain future economic conditions, there is a risk that the amount recognized in subsequent fiscal years may change significantly if the actual timing and amount differ from the estimates.

The content and amount related to income taxes are discussed in Note 16 "Deferred Taxes and Income Taxes".

- Measurement of Defined Benefit Obligations in Defined Benefit Retirement Plans

Defined benefit obligations are computed through actuarial calculation, and premises for the actuarial calculation include estimates of discount rate, employee turnover, mortality rate, salary increase rate, etc. These premises are determined with all available information, such as market trends of interest rate fluctuations judged comprehensively. These premises may be affected by economic conditions and revisions of laws and regulations, and there is a risk that such effects may cause significant changes in the measurement of defined benefit obligations in subsequent fiscal years.

Details on measurement of defined benefit obligations in defined benefit retirement plans and the amount are discussed in Note 22 "Employee Benefits".

• Measurement of Provisions

The Group records asset retirement obligations as a provision in the consolidated statement of financial position. The amount recorded is the present value calculated by discounting the best estimate of expenditure required to settle the obligations, which takes into account risks and uncertainty as of the end of the fiscal year, at a pre-tax discount rate, reflecting risks inherent in the liabilities.

Although the amount of expenditure required to settle the obligations is calculated comprehensively taking into account future possible outcomes, this amount may be affected by occurrence of unpredictable events or changes in the situations. If the actual amount of payment differs from the estimate, or if there is any significant change in the discount rate for discounting the estimated expenditure due to changes in economic conditions and other factors, the amount recognized in subsequent fiscal years may be affected significantly.

The amount of recognized asset retirement obligations is discussed in Note 21 “Provisions”.

5. Segment Information

(1) Outline of Reportable Segments

The reportable segments of the Group are components of the Group for which 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 LPG, town gas (Nakatsu City, Oita Prefecture), high-pressure gas, kerosene, equipment (gas equipment, air conditioning, other household equipment, etc.), smart energy equipment (solar power generation systems and ENEFARM residential fuel cells) and ENE-POWABO S residential lithium-ion electricity storage systems, remodeling and gas container pressure resistance inspection business.

The Car-Life Division is engaged in the sale of gasoline, kerosene, diesel oil and fuel oil, the sale of automobiles, car purchasing, the sale of automotive lubricants and automobile products, motor-vehicle inspections and auto maintenance, car washes, automotive body repair and the supply of rent-a-car systems.

The Power & Utility Division is engaged in the power generation business (coal, fuel oil, natural gas, wind, hydropower, photovoltaic power, etc.), electricity sales (extra high-voltage, high-voltage power), the supply of district heating services, the sale of steam and the supply of thermal storage contract-based services.

The Energy Trade Division is engaged in the sale of industrial energy and materials (gasoline, kerosene, diesel oil, fuel oil, LNG and coal), asphalt, high-grade urea solution (AdBlue), marine fuel and lubricating oil; the import/export and domestic supply/demand adjustment trading of petroleum products; chartering and operation of tankers; provisions of logistics functions, such as petroleum products and storage facilities for chemicals; and the development and promotion of overseas business.

(2) Information on Reportable Segments

The accounting method for the reportable segments is generally the same as the method described in Note 3 “Significant Accounting Policies”.

For the fiscal year ended March 31, 2015

(Millions of yen)

	Reportable segment								
	Home-Life	Car-Life	Power & Utility	Energy Trade	Total	Other	Total	Adjustment	Consolidated
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)
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 and 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)
Profit 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 (loss) 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.

For the fiscal year ended March 31, 2016

(Millions of yen)

	Reportable segment: Home-Life	Car-Life	Power & Utility	Energy Trade	Total	Other	Total	Adjustment	Consolidated
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)
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 and 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 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.

(3) Products and Services Information

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

(4) 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.

(5) 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.

6. Business Combinations

For the fiscal year ended March 31, 2015

The major business combination during the fiscal year ended March 31, 2015, was as follows:

Acquisition of Osaka Car Life Group Co., Ltd.

At the Board of Directors meeting held on April 17, 2014, the Company resolved to acquire 200 issued shares (51.95% of the total number of issued shares) of Osaka Car Life Group Co., Ltd. whose subsidiaries include Nissan Osaka Sales Co., Ltd., thereby making it a subsidiary, and concluded a share transfer agreement with NMC2007 Investment Limited Partnership as of April 17, 2014. The Company acquired these shares for ¥6,000 million on May 27, 2014. The purpose of this share acquisition is to extend the reach of the Company's Car-Life Division beyond sales of fuel and other products, and operation of Car-Life Stations by making a full-scale entry into the automobile-related business. In this way, the move will contribute to the division's aims of "strengthening the Car-Life value chain" and "increasing added value across the entire value chain". Organically, combining the business resources of Osaka Car Life Group Co., Ltd., and the Company will further enhance the Company's existing business base, which primarily includes fuel sales. Moreover, the Company will also pursue synergies to propose new value for customers' motoring lifestyles.

(1) The fair values of consideration paid, assets acquired and liabilities assumed, and non-controlling interests as of the acquisition date are shown below:

(Millions of yen)

Item	Amount
Fair value of consideration paid (Notes 1 and 2)	6,000
Fair value of non-controlling interests	5,550
Total	11,550
Fair value of assets acquired and liabilities assumed	
Current assets	16,915
Non-current assets	30,789
Current liabilities	(24,513)
Non-current liabilities	(11,641)
Net assets	11,550

(Notes) 1. The consideration paid was settled in cash.
2. There is no contingent consideration.

The fair values of assets acquired, liabilities assumed and non-controlling interests were determined comprehensively taking into account the financial and assets conditions reviewed through due diligence by a third party, assessment of corporate value by a financial advisor and other factors.

Selling, general and administrative expense of ¥97 million was recorded as acquisition-related costs for this business combination.

(2) Performance from the Acquisition Date

Operating results of Osaka Car Life Group Co., Ltd. and its subsidiaries from the acquisition date, which are included in the consolidated statement of comprehensive income for the fiscal year ended March 31, 2015, are shown below:

(Millions of yen)

Item	Osaka Car Life Group Co., Ltd. and its subsidiaries
Revenue	82,581
Profit	818
Net profit attributable to Itochu Enex's shareholders	425

(3) Pro Forma Information

Pro forma information (unaudited information), assuming that the business combination of Osaka Car Life Group Co., Ltd. and its subsidiaries had been carried out on April 1, 2014, the beginning of the previous fiscal year, is omitted because the approximate amount of this impact is insignificant.

For the fiscal year ended March 31, 2016

There were no significant business combinations during the fiscal year ended March 31, 2016.

7. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2015 and 2016, were composed of cash and deposits.

8. Trade Receivables

The components of trade receivables are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Trade receivables		
Trade receivables	92,313	67,161
Trade notes receivable	6,886	5,143
Allowance for credit losses	(750)	(336)
Total	98,449	71,968

9. Securities and Other Financial Assets

The components of other current financial assets are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Other current financial assets		
Securities (Note)	–	1,000
Short-term loans receivable	1,631	1,376
Other accounts receivable	8,607	9,771
Derivative assets	203	75
Deposits paid in the parent company	–	4,000
Other	990	307
Total	11,431	16,529

(Note) The component of securities is shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Securities		
FVTPL financial assets	–	1,000
Total	–	1,000

The component of other investments is shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Other investments		
FVTOCI financial assets	8,924	8,029
Total	8,924	8,029

The components of non-current financial assets other than investments are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Non-current financial assets other than investments		
Non-current loans receivable	499	382
Non-current lease receivables	1,714	1,653
Guarantee deposits	6,788	6,359
Other	1,480	2,111
Allowance for credit losses	(494)	(610)
Total	9,987	9,895

10. Inventories

The components of inventories are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Merchandise and finished goods	27,667	25,090
Raw materials	127	70
Total	27,794	25,160

For the fiscal year ended March 31, 2016, the amount of inventories expensed as cost of sales was ¥598,512 million, compared with ¥817,964 million for the fiscal year ended March 31, 2015.

For the fiscal year ended March 31,2016, the amount of inventories written down to net realizable value was ¥102 million, compared with ¥137 million for the fiscal year ended March 31, 2015. These amounts written down are included in cost of sales in the consolidated statement of comprehensive income.

The carrying amount of inventories recorded at fair value, less cost to sell, on a recurring basis as of March 31, 2015 and 2016, was ¥4,519 million and ¥4,190 million, respectively. The fair value is measured based on the amount obtained from a pricing service agency that was principally evaluated by the market approach and classified as Level 2.

11. Investments Accounted for by the Equity Method

(1) Major Associates and Joint Ventures

Details of major associates and joint ventures are as follows. In the Group, all investments in associates and joint ventures are accounted for by the equity method. There is no investment in associates and joint ventures for which stock quotations have been published.

As of March 31, 2015 and 2016

Name	Major business	Location	Percentage of equity held (%)
JAPAN GAS ENERGY CORPORATION	Sale of LPG products	Minato-ku, Tokyo	20.0

(2) Investments in Associates and Joint Ventures

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
JAPAN GAS ENERGY CORPORATION	3,020	2,355
Other	7,531	6,431
Total	10,551	8,786

(3) Breakdown of Comprehensive Income from Associates and Joint Ventures

For investments in associates and joint ventures accounted for by the equity method, the amounts of corresponding share of comprehensive income recorded are shown below:

A. Profit or Loss

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
JAPAN GAS ENERGY CORPORATION	(401)	(640)
Other	44	(32)
Total	(357)	(672)

B. Other Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
JAPAN GAS ENERGY CORPORATION	(8)	(25)
Other	62	(1,007)
Total	54	(1,032)

C. Total Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
JAPAN GAS ENERGY CORPORATION	(408)	(665)
Other	105	(1,039)
Total	(303)	(1,704)

(4) Summarized Financial Information of Major Associates and Joint Ventures

Summarized financial information of major associates and joint ventures accounted for by the equity method is shown below:

JAPAN GAS ENERGY CORPORATION

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Current assets	42,538	37,945
Non-current assets	4,526	4,373
Current liabilities	31,242	30,423
Non-current liabilities	721	119
Net assets	15,101	11,776
Revenue	196,141	147,669
Net loss	(2,003)	(3,202)
Other comprehensive income	(39)	(123)
Comprehensive income	(2,042)	(3,326)
Dividends received from associates during the period	163	–

(5) Reconciliation Between Carrying Amounts and Summarized Financial Information of Major Associates and Joint Ventures

JAPAN GAS ENERGY CORPORATION

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Net assets	15,101	11,776
The Group's share of net assets	3,020	2,355
Other adjustments	–	–
Carrying amounts of the Group's equity interest in JAPAN GAS ENERGY CORPORATION	3,020	2,355

12. Property, Plant and Equipment

Changes in acquisition cost, accumulated depreciation and accumulated impairment loss of property, plant and equipment are shown below:

[Acquisition Cost]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of April 1, 2014	13,645	27,577	55,326	1,335	14,822	7,608	120,313
Acquisition	25	883	2,584	–	1,523	12,634	17,649
Reclassification	168	827	16,798	–	336	(18,229)	(100)
Acquisition through business combinations	5,741	9,018	855	–	110	–	15,724
Disposal	(1,025)	(890)	(3,748)	–	(603)	–	(6,266)
Other	(14)	126	211	–	(38)	(1,241)	(956)
As of March 31, 2015	18,540	37,541	72,026	1,335	16,150	772	146,364
Acquisition	85	1,162	1,493	–	1,194	3,059	6,993
Reclassification	383	351	1,331	–	216	(2,303)	(22)
Acquisition through business combinations	106	368	43	–	26	2	545
Disposal	(376)	(1,506)	(7,610)	–	(6,698)	(1)	(16,191)
Other	50	1,393	47	–	(6)	(278)	1,206
As of March 31, 2016	18,788	39,309	67,330	1,335	10,882	1,251	138,895

[Accumulated Depreciation and Accumulated Impairment Loss]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of April 1, 2014	(0)	(12,553)	(30,638)	(127)	(10,007)	–	(53,325)
Depreciation	–	(1,556)	(5,056)	(123)	(1,725)	–	(8,460)
Impairment loss	(175)	(290)	(270)	–	(8)	–	(743)
Reclassification	–	312	–	–	–	–	312
Disposal	11	664	3,413	–	561	–	4,649
Other	–	44	(30)	–	25	–	39
As of March 31, 2015	(164)	(13,379)	(32,581)	(250)	(11,154)	–	(57,528)
Depreciation	–	(1,660)	(5,928)	(123)	(2,025)	–	(9,736)
Impairment loss	(71)	(210)	(92)	–	(16)	–	(389)
Reclassification	–	178	–	–	–	–	178
Disposal	4	1,153	7,312	–	6,656	–	15,125
Other	48	187	979	–	552	–	1,766
As of March 31, 2016	(183)	(13,731)	(30,310)	(373)	(5,987)	–	(50,584)

[Carrying Amount]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of March 31, 2015	18,376	24,162	39,445	1,085	4,996	772	88,836
As of March 31, 2016	18,605	25,578	37,020	962	4,895	1,251	88,311

Carrying amounts of finance lease assets (net of accumulated depreciation and accumulated impairment loss) included in property, plant and equipment are shown below:

(Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Total
As of March 31, 2015	6,745	2,570	127	1,688	11,130
As of March 31, 2016	7,324	1,999	114	1,159	10,596

The depreciation expense of property, plant and equipment is included in cost of sales and selling, general and administrative expenses in the consolidated statement of comprehensive income.

Expenditures related to property, plant and equipment under construction are presented as construction in progress in the above table.

As of March 31, 2015, the balance of property, plant and equipment includes ¥14,398 million of property, plant and equipment of which disposal through transfer, sale, etc. is restricted in association with bank loans. As of March 31, 2016, the balance of property, plant and equipment includes ¥13,660 million of property, plant and equipment of which disposal through transfer, sale, etc. is restricted in association with bank loans.

There were no borrowing costs capitalized in the fiscal years ended March 31, 2015 and 2016.

For the commitments for acquisition of property, plant and equipment, please refer to Note 38 “Commitments”.

13. Investment Property

Changes in acquisition cost, accumulated depreciation and accumulated impairment loss of investment property are shown below:

[Acquisition Cost]

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Balance at the beginning of the year	29,318	29,686
Acquisition	9	370
Expenditure after acquisition	294	6
Reclassification	100	22
Business Combinations	1,355	–
Disposal	(1,398)	(2,836)
Other	8	166
Balance at the end of the year	29,686	27,414

[Accumulated Depreciation and Accumulated Impairment Loss]

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Balance at the beginning of the year	(15,082)	(15,317)
Depreciation	(350)	(337)
Impairment loss	(741)	(222)
Reclassification	(312)	(178)
Disposal	1,181	2,070
Other	(13)	(168)
Balance at the end of the year	(15,317)	(14,152)

The rental income from investment property for the fiscal years ended March 31, 2015 and 2016, was ¥3,601 million and ¥3,637 million, respectively, which was included in revenue in the consolidated statement of comprehensive income. The direct operating expenses incurred incidental to rental income were ¥1,540 million and ¥1,668 million, respectively, which were included in cost of sales in the consolidated statement of comprehensive income.

[Carrying Amount and Fair Value]

(Millions of yen)

	Carrying amount	Fair value
As of March 31, 2015	14,369	14,188
As of March 31, 2016	13,262	13,040

The Group has rental facilities for selling petroleum products, such as gas stations, and rental storage facilities for petroleum products throughout Japan.

Fair value of the above investment property is classified into Level 3. The fair value is calculated based on the amount measured using the sales comparison method and the discounted cash flow method, taking into account the market conditions adjustment, area-specific value and other factors computed by the Group.

14. Goodwill and Intangible Assets

Changes in acquisition cost, accumulated amortization and accumulated impairment loss of goodwill and intangible assets are shown below:

[Acquisition Cost]

(Millions of yen)

	Goodwill	Relationship with customers	Brand and relationship with suppliers	Other	Total
As of April 1, 2014	229	14,687	–	4,294	19,210
Acquisition	–	1,569	–	294	1,863
Acquisition through business combinations	–	2,591	11,069	8	13,668
Disposal	–	(5,810)	–	(480)	(6,290)
Other	–	152	–	(80)	72
As of March 31, 2015	229	13,189	11,069	4,036	28,523
Acquisition	–	1,061	–	626	1,687
Acquisition through business combinations	469	1,575	–	9	2,053
Disposal	–	(2,450)	–	(682)	(3,132)
Other	51	639	–	(12)	678
As of March 31, 2016	749	14,014	11,069	3,977	29,809

[Accumulated Amortization and Accumulated Impairment Loss]

(Millions of yen)

	Goodwill	Relationship with customers	Brand and relationship with suppliers	Other	Total
As of April 1, 2014	–	(6,488)	–	(2,213)	(8,701)
Amortization	–	(1,230)	(231)	(686)	(2,147)
Impairment loss	(121)	(51)	–	(0)	(172)
Disposal	–	5,759	–	460	6,219
Other	–	(152)	–	12	(140)
As of March 31, 2015	(121)	(2,162)	(231)	(2,427)	(4,941)
Amortization	–	(1,490)	(277)	(768)	(2,535)
Impairment loss	(40)	(30)	–	(6)	(76)
Disposal	–	2,389	–	646	3,035
Other	–	(449)	–	74	(375)
As of March 31, 2016	(161)	(1,742)	(508)	(2,481)	(4,892)

[Carrying Amount]

(Millions of yen)

	Goodwill	Relationship with customers	Brand and relationship with suppliers	Other	Total
As of March 31, 2015	108	11,027	10,838	1,609	23,582
As of March 31, 2016	588	12,272	10,561	1,496	24,917

Carrying amounts of finance lease assets (net of accumulated amortization and accumulated impairment loss) included in intangible assets are shown below:

(Millions of yen)

	Software
As of March 31, 2015	18
As of March 31, 2016	2

The amortization expense of intangible assets is included in cost of sales and selling, general and administrative expenses in the consolidated statement of comprehensive income.

Of the above intangible assets, significant assets are relationship with customers recognized in the business combination with TOKYO TOSHI SERVICE COMPANY (as of March 31, 2015: ¥3,586 million, and March 31, 2016: ¥3,465 million) and brand and relationship with suppliers recognized in the business combination with Osaka Car Life Group Co., Ltd. (as of March 31, 2015: ¥10,838 million, and March 31, 2016: ¥10,561 million). The remaining amortization periods of these intangible assets as of March 31, 2015 and 2016, are 24 to 39 years and 23 to 38 years, respectively, for relationship with customers, and 39 years and 38 years, respectively, for brand and relationship with suppliers.

There were no intangible assets pledged as collateral as of March 31, 2015 and 2016.

Impairment Test for Goodwill

In performing an impairment test for goodwill, the Group allocates goodwill to the petroleum product sales business and the LP gas sales business and calculates the recoverable amount of the petroleum product sales business and the LP gas sales business, which are cash-generating units, based on value in use.

The Group calculates value in use by discounting estimated future cash flows based on the latest business plan approved by the Board of Directors to the present value.

The Group uses a pre-tax discount rate reflecting the current market valuation of the time value of money, risks inherent in the asset and other factors as the discount rate (as of March 31, 2015: 7%, and March 31, 2016: 5.3%).

As a result of impairment test for goodwill, impairment losses of ¥40 million were recognized for goodwill allocated to the petroleum product sales business.

15. Leases

(1) Lessee

A. Finance Leases

The total future minimum lease payments under finance leases and the present value thereof as of March 31, 2015 and 2016, are shown below:

(Millions of yen)

	Total future minimum lease payments		Present value of total future minimum lease payments	
	As of March 31, 2015	As of March 31, 2016	As of March 31, 2015	As of March 31, 2016
Not later than 1 year	3,105	1,856	2,913	1,699
Later than 1 year and not later than 5 years	4,411	4,829	3,959	4,348
Later than 5 years	4,790	5,025	4,277	4,526
Total	12,306	11,710	11,149	10,573
Less: Accrued financial costs	(1,157)	(1,137)		
Present value of total future minimum lease payments	11,149	10,573		

The total of future minimum sublease payments expected to be received under noncancelable subleases as of March 31, 2015 and 2016, were ¥2,059 million and ¥1,900 million, respectively.

Lease agreements do not have any contingent rent payable, renewal or purchase options, escalation clauses and restrictions imposed by the lease agreements (such as those concerning dividends, additional debt and further leasing).

B. Operating Leases

The total future minimum lease payments under noncancelable operating leases as of March 31, 2015 and 2016, are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Not later than 1 year	2,177	2,229
Later than 1 year and not later than 5 years	2,425	1,591
Later than 5 years	851	672
Total	5,453	4,492

As of March 31, 2015 and 2016, lease payments recognized as expenses under cancelable or noncancelable operating leases were ¥5,197 million and ¥3,829 million, respectively, while sublease payments receivable were ¥564 million and ¥0 million, respectively.

Lease agreements do not have any contingent rent payable, renewal or purchase options, escalation clauses and restrictions imposed by the lease agreements (such as those concerning dividends, additional debt and further leasing).

(2) Lessor

Finance Leases

The total future minimum lease payments receivable under finance leases and the present value thereof as of March 31, 2015 and 2016, are shown below:

(Millions of yen)

	Total future minimum lease payments		Present value of total future minimum lease payments	
	As of March 31, 2015	As of March 31, 2016	As of March 31, 2015	As of March 31, 2016
Not later than 1 year	355	253	345	247
Later than 1 year and not later than 5 years	779	885	769	874
Later than 5 years	944	779	945	779
Total	2,078	1,917	2,059	1,900
Less: Unearned financial income	(19)	(17)		
Present value of total future minimum lease payments receivable	2,059	1,900		

16. Deferred Taxes and Income Taxes

(1) Deferred Taxes

The details of changes in deferred tax assets and liabilities are shown below:

(Millions of yen)

	As of April 1, 2014	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other (Note)	As of March 31, 2015
Deferred tax assets:					
Non-current assets	10,058	(1,972)	–	2,013	10,099
Securities	514	(155)	(271)	10	98
Post-employment benefits	2,398	(107)	(120)	1,065	3,236
Tax loss carryforwards	15	27	–	93	135
Other	3,719	128	117	1,200	5,164
Total deferred tax assets	16,704	(2,079)	(274)	4,381	18,732
Deferred tax liabilities:					
Non-current assets	(3,187)	959	–	(5,029)	(7,257)
Other	(456)	(331)	(82)	95	(774)
Total deferred tax liabilities	(3,643)	628	(82)	(4,934)	(8,031)

(Note) The “Other” column represents the amount of deferred tax assets recognized due to acquisition of subsidiaries through business combinations and other amounts.

(Millions of yen)

	As of March 31, 2015	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other (Note)	As of March 31, 2016
Deferred tax assets:					
Non-current assets	10,099	(1,270)	–	–	8,829
Securities	98	(3)	40	–	135
Post-employment benefits	3,236	(406)	359	–	3,189
Tax loss carryforwards	135	3	–	–	138
Other	5,164	(411)	130	224	5,107
Total deferred tax assets	18,732	(2,087)	529	224	17,398
Deferred tax liabilities:					
Non-current assets	(7,257)	580	–	(530)	(7,207)
Other	(774)	14	101	(13)	(672)
Total deferred tax liabilities	(8,031)	594	101	(543)	(7,879)

(Note) The “Other” column represents the amount of deferred tax assets recognized due to acquisition of subsidiaries through business combinations and other amounts.

Deferred tax assets and liabilities in the consolidated statement of financial position are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Deferred tax assets	13,448	11,622
Deferred tax liabilities	2,747	2,103

In recognizing deferred tax assets, the Group assesses recoverability, taking into account expected future taxable profits and tax planning. As a result of the assessment of recoverability, deferred tax assets have not been recognized for some deductible temporary difference and unused tax loss carryforwards.

Deductible temporary differences for which no deferred tax asset is recognized and unused tax loss carryforwards are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Deductible temporary differences	1,761	1,608
Unused tax loss carryforwards	278	445
Total	2,039	2,053

The amounts of unused tax loss carryforwards for which deferred tax assets are not recognized by expiry time are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
First year	–	–
Second year	–	–
Third year	–	96
Fourth year	99	14
Fifth year or later	179	335
Total	278	445

(2) Income Tax Expense

Current tax expense and the components of deferred tax expense are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Current tax expense	(4,175)	(4,547)
Deferred tax expense		
Recognition and reversal of temporary differences	(430)	(1,031)
Change in tax rate	(1,021)	(462)
Total deferred tax expense	(1,451)	(1,493)
Income tax expense	(5,626)	(6,040)

The Company is subject principally to corporate income taxes, inhabitant taxes and business taxes. The effective statutory tax rates based on these taxes were 35.6% for the fiscal year ended March 31, 2015, and 33.1% for the fiscal year ended March 31, 2016. However, foreign subsidiaries are subject to income taxes and other taxes in their respective locations.

In Japan, the Act for Partial Revision of the Income Tax Act, etc. (Act No. 15 of 2016) and the Act on Partial Revision of the Local Tax Act, etc. (Act No. 13 of 2016) were enacted by the Diet on March 29, 2016, resulting in a reduction in the rates of income taxes, etc., from the fiscal year beginning on or after April 1, 2016. As a result of this revision, the effective statutory tax rate used to calculate deferred tax assets and liabilities was changed from the previous rate of 32.3% to 30.9% for temporary differences expected to be reversed in the fiscal years beginning on April 1, 2016 and April 1, 2017, and to 30.6% for temporary difference expected to be reversed in the fiscal year beginning on and after April 1, 2018. The Company and its domestic subsidiaries recognized deferred tax assets and liabilities taking into account the effect of this tax rate change.

The reconciliation between the effective statutory tax rate and the effective tax rate for income tax expenses recognized in the consolidated statement of comprehensive income is shown below:

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Effective statutory tax rate	35.6%	33.1%
Effect of expenses not deductible permanently	2.5	2.0
Reduction of deferred tax assets at the end of the year due to change in tax rates	8.4	3.1
Other	(0.2)	2.1
Effective income tax rate after application of tax-effect accounting	46.3	40.3

17. Bonds and Borrowings

The components of bonds and borrowings are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016	Average interest rate (%) (Note 1)	Repayment date
Short-term borrowings	8,647	3,444	0.467	–
Current portion of non-current borrowings	561	1,855	1.425	–
Current portion of bonds (Note 2)	5,000	–	(Note 2)	–
Non-current borrowings (excluding current portion)	11,806	17,415	1.697	August 2017–October 2037
Bonds payable (excluding current portion) (Note 2)	14,940	14,951	(Note 2)	(Note 2)
Total	40,954	37,665	–	–
Current liabilities	14,208	5,299		
Non-current liabilities	26,746	32,366		
Total	40,954	37,665		

(Notes) 1. The average interest rate is based on each agreed-upon interest rate or weighted-average interest rate for the closing balance.
2. Summary of issuing conditions of bonds is shown below:

(Millions of yen)

Entity	Bond	Date of issue	As of March 31, 2015	As of March 31, 2016	Interest rate (%)	Collateral	Maturity date
ITOCHU Enex Co., Ltd.	Series 12 Unsecured Bonds	July 29, 2010	5,000	–	0.790	Unsecured	July 29, 2015
ITOCHU Enex Co., Ltd.	Series 13 Unsecured Bonds	May 22, 2012	4,983	4,987	0.736	Unsecured	May 22, 2019
ITOCHU Enex Co., Ltd.	Series 14 Unsecured Bonds	May 22, 2012	9,957	9,964	1.202	Unsecured	May 20, 2022
Total	–	–	19,940	14,951	–	–	–

18. Trade Payables

The components of trade payables are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Trade payables	96,511	75,388
Notes payable	891	769
Other payables	7,162	4,588
Total	104,564	80,745

19. Other Financial Liabilities

The components of other current financial liabilities are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Lease obligations	2,913	1,699
Other payables (Non-operating)	4,430	1,065
Deposits received	2,314	2,302
Derivative liabilities	127	163
Total	9,784	5,229

The components of other non-current financial liabilities are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Long-term lease obligations	8,236	8,874
Guarantee deposits received	13,386	14,579
Derivative liabilities	661	931
Total	22,283	24,384

20. Other Current Liabilities

The components of other current liabilities are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Short-term obligations on employee benefits	6,583	6,790
Current provisions (Note)	13	61
Accrued expenses	1,872	2,216
Other	2,852	1,669
Total	11,320	10,736

(Note) For details of current provisions, please refer to Note 21 “Provisions”.

21. Provisions

The components of changes in provisions are shown below:

(Millions of yen)

	Provision for asset retirement obligations	Other	Total
As of April 1, 2014	3,372	110	3,482
Increase during the year	184	13	197
Amount used during the year (utilization)	(107)	(110)	(217)
Increase due to passage of time	65	–	65
Effects through change in discount rate	130	–	130
Assumption in business combination	1,317	–	1,317
As of March 31, 2015	4,961	13	4,974
Increase during the year	250	5	255
Amount used during the year (utilization)	(189)	(13)	(202)
Increase due to passage of time	66	–	66
Effects through change in discount rate	364	–	364
As of March 31, 2016	5,452	5	5,457

The components of provisions by current and non-current classification are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Current liabilities (Note)	13	61
Non-current liabilities	4,961	5,396
Total	4,974	5,457

(Note) Provisions classified into current liabilities are included in other current liabilities.

Provision for asset retirement obligations mostly relates to restoration obligations for rental offices, buildings and stores and removal of harmful materials related to non-current assets. An outflow of economic benefits in the future is expected principally in a period after one year from the end of each fiscal year, but the timing may be affected by a future business plan and other factors.

22. Employee Benefits

(1) Post-employment Benefits

A. Outline of Post-employment Benefit Plans Adopted

The Company and some subsidiaries have defined benefit retirement plans, lump-sum retirement benefits and defined contribution retirement pension plans, which cover almost all of their employees. The amount of pension benefits provided under defined benefit retirement plans is set based on service years of eligible employees. Extra retirement payments may be made upon an employee's normal retirement or termination before the prescribed retirement date.

Under defined contribution retirement plans, the responsibility of the Company and some subsidiaries is limited to making contributions at the amount specified in the rules on retirement allowance that has been established for each company.

Nissan Osaka Sales Co., Ltd., a subsidiary, has participated in "Zenkoku Nissan Jidosha Hambai Kigyo Pension Fund," which is a multi-employer plan. This plan differs from a single employer plan in the following respects:

- Assets contributed by the employer to the multi-employer plan may be used for benefits to employees of the other member employers. The amount of contributions is calculated by multiplying standard pay of plan members by a fixed rate.

- If some employers suspend contributions, other member employers may be required to make additional contributions for unfunded liabilities.

- If the multi-employer plan is wound up or a member employer withdraws from the multi-employer plan, the member employer may be required to make contributions for unfunded liabilities as special contributions in winding up or withdrawal contributions.

B. Defined Benefit Retirement Plans

Changes in present value of defined benefit obligations are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Balance at the beginning of the year	7,780	17,891
Service cost	692	754
Interest expense	162	137
Remeasurement		
Changes in demographic assumptions	–	370
Changes in financial assumptions	392	648
Benefits paid	(1,427)	(1,441)
Effect of business combinations and disposals	10,292	22
Balance at the end of the year	17,891	18,381

(Note) Service cost is recognized in profit or loss (cost of sales or selling, general and administrative expenses). Interests on net amount of present value of defined benefit obligations and fair value of plan assets are recognized in profit or loss (interest income or interest expense).

Changes in fair value of plan assets are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Balance at the beginning of the year	738	8,541
Interest income	74	72
Remeasurement		
Return on plan assets	711	(40)
Contributions by the employer	203	(160)
Benefits paid	(631)	(159)
Effect of business combinations and disposals	7,407	–
Other	39	–
Balance at the end of the year	8,541	8,254

Certain subsidiaries will make contributions of ¥269 million in the fiscal year ending March 31, 2017.

The composition of the Group's plan assets by asset category as of March 31, 2015 and 2016, is shown below:

(Millions of yen)

	As of March 31, 2015		
	Level 1 (Active market)	Level 2 (No active market)	Total
Cash and cash equivalents	246	–	246
Stock trusts	–	2,883	2,883
Bond trusts	–	4,223	4,223
General accounts	–	144	144
Separate accounts	–	174	174
Other	–	871	871
Total	246	8,295	8,541

(Millions of yen)

	As of March 31, 2016		
	Level 1 (Active market)	Level 2 (No active market)	Total
Cash and cash equivalents	100	–	100
Stock trusts	–	2,888	2,888
Bond trusts	–	4,124	4,124
General accounts	–	161	161
Separate accounts	–	170	170
Other	–	811	811
Total	100	8,154	8,254

In managing plan assets, the Group aims to secure return on the assets necessary to ensure payment of future pension benefits in the long term only with acceptable risks. To this end, the Group formulates the optimal portfolio in consideration of past performance in addition to projection of return on assets subject to investment, and manages the investment performance based on this portfolio.

For assets classified into Level 1 (there is an active market), fair value is estimated based on quoted prices in active markets. For assets classified into Level 2 (there is no active market), which mainly consist of investment trusts in domestic and foreign stocks and bonds, fair value is estimated using valuations provided by the plan trustee. Additionally, as part of plan assets, there are general accounts and separate accounts that are composed of stocks and bonds with quoted market prices in active markets. Other includes funds of hedge funds and real estate investment trusts.

Information on maturity analysis of defined benefit obligations is as follows:

Defined benefit obligations are calculated by discounting the amount of benefits that are deemed to have been incurred to date, over the remaining service period up to the time of payment. Because the timing of payment affects the amounts of defined benefit obligations and service cost, International Accounting Standards ("IAS") 19 "Employee Benefits" requires an entity to disclose information on the timing of incurrence of benefits. The Group believes that disclosure of weighted duration of defined benefit obligations that represents the average period taking into account benefit amount, timing and discount is useful information to meet this requirement. The Company's weighted duration of defined benefit obligations was 11 years in the fiscal year ended March 31, 2015, and 13 years in the fiscal year ended March 31, 2016.

The assumption of defined benefit obligations is shown below:

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Discount rate	0.8 – 1.0%	0.4 – 0.6%

In the assumption of actuarial calculation described above, the calculation for defined benefit retirement plans is susceptible to the effects of the assumption of discount rate. If the discount rate had changed by 0.25% as of March 31, 2016, the effect on defined benefit obligations would be ¥448 million, which was calculated supposing that only the discount rate changes without any change in actuarial assumptions other than the discount rate.

Since this calculation is an estimation based on the assumptions, the actual calculation may be affected by changes in other variables.

C. Defined Contribution Plans

Expenses related to contributions required for defined contribution pension plans were ¥675 million and ¥715 million for the fiscal years ended March 31, 2015 and 2016, respectively.

D. Extra Retirement Payments

The Company made extra retirement payments of ¥240 million and ¥203 million for the fiscal years ended March 31, 2015 and 2016, respectively.

(2) Employee Benefits Expense

Total employee benefits expense included in cost of sales or selling, general and administrative expenses in the consolidated statement of comprehensive income for the fiscal years ended March 31, 2015 and 2016, was ¥44,624 million and ¥46,135 million, respectively.

23. Common Stock, Capital Surplus and Retained Earnings

(1) Common Stock

The number of shares authorized, the number of shares issued and the number of shares of treasury stock of the Company are as follows.

All the shares issued by the Company are non-par value ordinary shares. All shares issued are fully paid.

(Shares)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Number of shares authorized	387,250,000	387,250,000
Number of shares issued		
Balance at the beginning of the year	116,881,106	116,881,106
Increase (decrease) during the year	–	–
Balance at the end of the year	116,881,106	116,881,106
Number of shares of treasury stock		
Balance at the beginning of the year	3,890,015	3,891,149
Increase (decrease) during the year	1,134	660
Balance at the end of the year	3,891,149	3,891,809

(2) Capital Surplus and Retained Earnings

The Companies Act of Japan provides that upon payment of dividends of surplus, an amount equal to 10% of the reserves, which decrease due to the dividends paid, must be appropriated as capital reserve (in case of dividends of capital surplus) or as retained earnings reserve (in case of dividends of retained earnings) until the total aggregate amount of capital reserve and retained earnings reserve equals 25% of the common stock.

The Companies Act imposes a certain restriction on the amount available for distribution in association with dividends of surplus or acquisition of treasury stock. The amount available for distribution is determined based on retained earnings, among others, in the Company's separate financial statements calculated in accordance with Japanese Generally Accepted Accounting Principles ("GAAP"). The Company's amount available for distribution was ¥59,751 million as of March 31, 2016 (however, this amount available for distribution may change due to subsequent acquisition of treasury stock and other factors).

Under the Companies Act, in addition to year-end dividends, dividends of surplus can be paid at any time during the fiscal year by resolution of the General Meeting of Shareholders. This Act provides that companies meeting certain requirements (setup of the board of corporate auditors and appointment of an accounting auditor in addition to the board of directors, and the term of office for directors limited to one year) may determine dividends of surplus (excluding dividends in kind) by resolution of the board of directors if the articles of incorporation specify so. The Act also provides that companies with a board of directors may pay dividends of surplus (only cash dividends) by resolution of the board of directors only once during a business year, if the articles of incorporation specify so.

Moreover, companies are allowed to dispose of treasury stock by resolution of the board of directors, or acquire treasury stock if the articles of incorporation specify so. However, acquisition of treasury stock is limited to the extent the above amount is available for distribution.

24. Other Components of Equity and Other Comprehensive Income

(1) Other Components of Equity

Changes in each item of other components of equity are shown below:

(Millions of yen)

Classification	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
FVTOCI financial assets		
Balance at the beginning of the year	(1,899)	(1,135)
Increase (decrease) during the year	686	(382)
Reclassification to retained earnings	78	619
Balance at the end of the year	(1,135)	(898)
Remeasurement of net defined benefit liability		
Balance at the beginning of the year	–	–
Increase (decrease) during the year	18	(450)
Reclassification to retained earnings	(18)	450
Balance at the end of the year	–	–
Exchange differences on translating foreign operations		
Balance at the beginning of the year	110	254
Increase (decrease) during the year	144	(35)
Balance at the end of the year	254	219
Cash flow hedges		
Balance at the beginning of the year	(309)	(780)
Increase (decrease) during the year	(471)	(905)
Balance at the end of the year	(780)	(1,685)
Other components of equity		
Balance at the beginning of the year	(2,098)	(1,661)
Increase (decrease) during the year	377	(1,772)
Reclassification to retained earnings	60	1,069
Balance at the end of the year	(1,661)	(2,364)

(2) Other Comprehensive Income

The details of each item of other comprehensive income and their related tax effects (including non-controlling interests) are shown below:

(Millions of yen)

Classification	Fiscal year ended March 31, 2015			Fiscal year ended March 31, 2016		
	Before tax effects	Tax effects	Net of tax effects	Before tax effects	Tax effects	Net of tax effects
FVTOCI financial assets						
Amount arising during the year	1,038	(353)	685	(525)	141	(384)
Increase (decrease) during the year	1,038	(353)	685	(525)	141	(384)
Remeasurement of net defined benefit liability						
Amount arising during the year	319	(120)	199	(1,073)	359	(714)
Increase (decrease) during the year	319	(120)	199	(1,073)	359	(714)
Exchange differences on translating foreign operations						
Amount arising during the year	83	–	83	(14)	–	(14)
Increase (decrease) during the year	83	–	83	(14)	–	(14)
Cash flow hedges						
Amount arising during the year	(599)	117	(482)	80	130	210
Reclassification adjustments to profit	27	(8)	19	(126)	23	(103)
Increase (decrease) during the year	(572)	109	(463)	(46)	153	107
Other comprehensive income of investments accounted for by the equity method						
Amount arising during the year	54	–	54	(1,050)	–	(1,050)
Reclassification adjustments to profit	–	–	–	18	–	18
Increase (decrease) during the year	54	–	54	(1,032)	–	(1,032)
Total other comprehensive income	922	(364)	558	(2,690)	653	(2,037)

25. Dividends

The Company pays an interim dividend and year-end dividend annually, with the former determined by the Board of Directors and the latter by the General Meeting of Shareholders.

Dividends paid for the fiscal years ended March 31, 2015 and 2016, are shown below:

For the fiscal year ended March 31, 2015

(1) Dividends Paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 19, 2014	Ordinary shares	1,356	12	March 31, 2014	June 20, 2014
Board of Directors' meeting held on October 30, 2014	Ordinary shares	1,243	11	September 30, 2014	December 5, 2014

(2) Dividends whose record date is in the current fiscal year, but whose effective date falls in the next fiscal year

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 18, 2015	Ordinary shares	1,243	Retained earnings	11	March 31, 2015	June 19, 2015

For the fiscal year ended March 31, 2016

(1) Dividends Paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 18, 2015	Ordinary shares	1,243	11	March 31, 2015	June 19, 2015
Board of Directors' meeting held on November 4, 2015	Ordinary shares	1,356	12	September 30, 2015	December 7, 2015

(2) Dividends whose record date is in the current fiscal year, but whose effective date falls in the next fiscal year

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 22, 2016	Ordinary shares	1,356	Retained earnings	12	March 31, 2016	June 23, 2016

26. Financial Instruments

(1) Capital Management

The Group conducts capital management to continue sustainable growth and maximize the corporate value.

To achieve sustainable growth, the Group recognizes that it is essential to secure sufficient financing capacity to make agile investment in businesses when an opportunity for such investments for business growth (such as acquisition of external resources) arises in the future. Therefore, the Group aims to ensure financial health and flexibility for future investment in businesses and maintain the capital structure with balanced return and investment.

There is no significant capital restriction that applies to the Company (excluding general provisions of the Companies Act and other laws and regulations).

(2) Financial Risk Management Policy

In the course of management activities, the Group is exposed to financial risks (such as credit risks, liquidity risks, currency risks, interest rate risks and market price risks) and performs risk management in accordance with certain policies to avoid or reduce these risks.

In accordance with the Group's policy, its fund management is limited to short-term deposits, etc., and the Group depends on bank loans, among others, for raising funds. The Group utilizes derivatives for the purpose of hedging risks of changes in market conditions, and interest rate and exchange fluctuations, but does not enter into such transactions for speculative purposes.

(3) Credit Risk Management

The Group grants credit to many customers in various trading transactions and bears credit risks.

In line with the rules on credit management, the Group manages due dates and balances of trade receivables and loans by business partner, and pursues early identification or reduction of uncollectible receivables due to deteriorated financial conditions. The Group is not overly exposed to credit risks by concentration on a specific counterparty.

In utilizing derivatives, since the Group has transactions only with exchange members or banks with good credit standing, the Group believes there are few credit risks.

When collateral held and other credit enhancements are not taken into account, the Group's maximum exposure to credit risks is the carrying amount after impairment of financial assets presented in the consolidated financial statements.

The analysis of the age of financial assets that are past due, but not impaired as of March 31, 2015 and 2016, is as follows. These amounts include amounts considered recoverable by credit insurance and collateral provided.

(Millions of yen)

	Within 30 days	More than 30 days, within 60 days	More than 60 days, within 90 days	More than 90 days	Total
As of March 31, 2015					
Trade receivables	33	–	–	109	142
Non-current receivables	–	–	–	60	60
Total	33	–	–	169	202
As of March 31, 2016					
Trade receivables	123	–	–	–	123
Non-current receivables	–	–	–	–	–
Total	123	–	–	–	123

The Group reviews collectibility of trade receivables depending on the credit conditions of counterparties and recognizes allowance for credit losses. Changes in the allowance for credit losses for the fiscal years ended March 31, 2015 and 2016, are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Balance at the beginning of the year	1,431	1,244
Increase during the year	304	680
Decrease during the year (Utilization)	(181)	(139)
Decrease during the year (Reversal)	(434)	(774)
Other increase (decrease)	124	(65)
Balance at the end of the year	1,244	946

In the fiscal years ended March 31, 2015 and 2016, the balance of trade receivables, etc., individually determined to be impaired, in light of the customer's financial conditions, delay state of payments, and other factors, was ¥2,176 million and ¥1,230 million, respectively, and allowance for credit losses provided against these receivables was ¥962 million and ¥696 million, respectively.

(4) Liquidity Risk Management

The Group manages liquidity risks by formulating a funding plan based on the annual business plan, and by conducting periodic assessment and collection of information on situations of liquidity in hand and interest-bearing debts and timely monitoring of cash flows. Through these means, the Group strives to ensure agility in financing to respond to changes in the financial situation and reduce funding cost while diversifying funding sources and financing methods.

A. Non-derivative Financial Liabilities

Carrying amounts of non-derivative financial liabilities by maturity are shown below:

As of March 31, 2015

(Millions of yen)

	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years
Trade payables	104,564	104,564	104,564	–	–
Short-term bonds and borrowings					
Short-term borrowings	8,647	8,647	8,647	–	–
Current portion of non-current borrowings	561	561	561	–	–
Current portion of bonds	5,000	5,000	5,000	–	–
Non-current bonds and borrowings					
Non-current borrowings	11,806	11,806	–	8,181	3,625
Bonds payable	14,940	15,000	–	5,000	10,000
Total	145,518	145,577	118,772	13,181	13,625

As of March 31, 2016

(Millions of yen)

	Carrying amount	Contractual cash flows	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years
Trade payables	80,745	80,745	80,745	–	–
Short-term bonds and borrowings					
Short-term borrowings	3,444	3,444	3,444	–	–
Current portion of non-current borrowings	1,855	1,855	1,855	–	–
Non-current bonds and borrowings					
Non-current borrowings	17,415	17,569	–	10,385	7,184
Bonds payable	14,951	15,000	–	5,000	10,000
Total	118,410	118,613	86,044	15,385	17,184

B. Derivative Financial Liabilities

The results of liquidity analysis of derivatives are shown below:

(Millions of yen)

	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
As of March 31, 2015				
Interest rate derivatives	–	–	661	661
Currency derivatives	29	–	–	29
Commodity derivatives	98	–	–	98
Total	127	–	661	788
As of March 31, 2016				
Interest rate derivatives	–	–	931	931
Currency derivatives	63	–	–	63
Commodity derivatives	100	–	–	100
Total	163	–	931	1,094

The Group has entered into loan commitment agreements with the banks with which it does business to efficiently raise working capital. Total amount of commitment line and the balance of borrowings outstanding under these agreements are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Total amount of commitment line	6,000	–
Balance of borrowings outstanding	(6,000)	–
Unused commitment line	–	–

(5) Market Risk Management

The Group is exposed to market risks arising from fluctuations in foreign exchange rates, interest rates, commodity markets and equity prices. As per its policy, the Group minimizes risks arising from fluctuations in foreign exchange rates, interest rates and other factors by building a management structure through establishment of balance limits, using various derivatives and others.

For execution and management of derivative transactions, in accordance with the internal rules that provide transaction authority, limit amounts, etc., departments engaged in such transactions rigorously manage and report on the transactions conducted according to their authority. In addition, a system of effective internal checking has been developed by setting up a transaction control department.

Market risks that the Group assumes are shown below:

- Currency risks
- Interest rate risks
- Commodity price risks
- Price risks of equity instruments

A. Currency Risk Management

Because the Group is engaged in import and export transactions which are exposed to exchange fluctuation risks for transactions denominated in foreign currencies, the Group strives to reduce such exchange fluctuation risks through hedging transactions utilizing derivatives, including forward foreign exchange contracts.

The Group's exposure to currency risks (net amount) as of March 31, 2015 and 2016, is shown below:

		As of March 31, 2015	As of March 31, 2016
Short-term foreign exchange balance	(Millions of yen)	100	20
	[Thousands of U.S. dollars]	[832]	[176]

(Notes) 1. The foreign exchange balance is the amount in foreign currencies for which exchange fluctuation risks are not hedged with forward foreign exchange contracts, etc., in terms of receivables and payables in foreign currencies in import and export transactions and firm commitments in foreign currencies. The foreign exchange balance that is due for settlement within one year is classified as short-term foreign exchange balance, while the foreign exchange balance that is due for settlement due after one year is classified as long-term foreign exchange balance, if any.

2. Positive figures represent a receivable position, while negative figures (figures in parentheses), if any, represent a payable position.

Foreign Currency Sensitivity Analysis

Foreign currency sensitivity analysis shows the effect on profit before tax in the Group's consolidated statement of comprehensive income of 1% appreciation of the Japanese yen to the Company's short-term and long-term foreign exchange balances as of the end of each fiscal year. However, this analysis assumes that other variable factors (such as balances and interest rates) remain constant.

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit before tax		
U.S. dollar	1	0

B. Interest Rate Risk Management

The Group is exposed to interest rate fluctuation risks in raising and managing funds accompanying investment activities and operating transactions. In addition, fixed-rate debt obligations are exposed to risks of fluctuations in fair value due to fluctuations in interest rates. The Group works to quantify interest rate risks to appropriately control volatility in profit or loss due to interest rate fluctuations. Specifically, the Group strives to reduce interest rate risks by conducting hedging transactions through interest rate swaps.

Interest Rate Sensitivity Analysis

The table below shows the effect on the Group's profit before tax of gain or loss arising from instruments affected by interest rate fluctuations if the interest rate increases 1% in the fiscal years ended March 31, 2015 and 2016. This analysis is calculated by multiplying the net balance of floating-rate financial instruments held by the Group as of March 31, 2015 and 2016, by 1% with no future changes in the balances, effects of foreign exchange fluctuations, effect of diversified timing of rollover, and repricing of variable-rate borrowings taken into account. The analysis assumes that all other variables remain constant.

In calculation of sensitivity, interest-bearing debts with a variable interest condition, interest-bearing debts that have a fixed interest condition but actually have a variable interest condition through interest rate swaps and cash and cash equivalents are deemed as instruments affected by interest rate fluctuations.

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit before tax	(76)	(33)

C. Commodity Price Risk Management

The Group principally deals with petroleum products and is exposed to commodity price risks arising from fluctuations in crude oil prices, quoted prices of petroleum products and other prices. The Group strives to reduce commodity price risks using derivatives (such as commodity futures contracts and commodity swaps) as hedging instruments to commodity price risks caused by price fluctuation.

Commodity Price Sensitivity Analysis

The table below shows the Group's sensitivity analysis to fluctuations of quoted prices of crude oil and petroleum products.

The sensitivity analysis presents the effects on profit before tax in the consolidated statement of comprehensive income of a 1% increase in crude oil prices. This analysis assumes that other variable factors remain constant.

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Profit before tax	122	98

D. Management of Price Risks of Equity Instruments

The Group holds shares of third parties with which the Group has business relationships for the purpose of smoothly implementing its business strategy, and is exposed to risks of fluctuations in prices of equity instruments. The Group periodically assesses current market prices and financial conditions of issuers and continuously reviews its holding.

The Group has no equity instruments held for short-term trading purposes and does not actively trade these investments.

Sensitivity Analysis of Equity Instruments to Price Risks

The Group's sensitivity analysis of risks of fluctuations in prices of equity instruments is as follows. This sensitivity shows the effects on other comprehensive income (before tax effects) of a 10% decrease in prices of listed stocks as of the end of each fiscal year. The sensitivity assumes that other variable factors remain constant.

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Other comprehensive income	(781)	(696)

(6) Fair Value of Financial Instruments

A. Method of Fair Value Measurement

Fair values of major financial assets and financial liabilities are determined as follows. In measurement of fair value of financial instruments, market prices are used when available. For financial instruments of which market prices are unavailable, the fair value is measured by discounting future cash flows or by other appropriate valuation methods.

<u>Cash and cash equivalents</u>

The fair value approximates the carrying amount because the remaining period to maturity is short.

<u>Trade receivables, trade payables and other current financial assets (deposits paid)</u>

The fair value approximates the carrying amount because it is settled in a short time.

<u>Other current financial assets (securities) and other investments</u>

The fair value of marketable securities is based on quoted prices on the stock exchange. The fair value of non-marketable securities is principally measured by the net asset approach whereby the fair value is calculated by referring to fair values of assets and liabilities held by the target company.

<u>Non-current financial assets other than investments (non-current loans receivable) and other current financial assets (current portion of non-current loans receivable)</u>

The fair value of non-current loans receivable is measured by discounting future cash flows using interest rates offered for loans or credit with the same remaining maturities and the same terms to borrowers or customers with similar credit ratings.

Other current financial assets (derivatives) and other current financial liabilities (derivatives)

The fair value of a derivative is measured based on the market price, the price presented by counterparty financial institutions, etc.

Bonds and borrowings

Except for cases where the carrying amount is virtually equal to the fair value, fair value of bonds and borrowings is measured by discounting future cash flows using interest rates offered for borrowings with the same remaining maturities and terms.

B. Financial Instruments Measured at Amortized Cost

Fair values of financial instruments measured at amortized cost are shown below:

(Millions of yen)

	As of March 31, 2015		As of March 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost:				
Non-current financial assets other than investments (non-current loans receivable) and other current financial assets (current portion of non-current loans receivable)	666	674	435	443
Financial liabilities measured at amortized cost:				
Bonds and borrowings	40,954	41,795	37,665	39,232

C. Hierarchy of Fair Value Measurement Recognized in the Consolidated Statement of Financial Position

IFRS 7, "Financial Instruments: Disclosure" requires an entity to classify fair value measurements using the fair value hierarchy reflecting significance of inputs used for measurement of fair value.

The following shows levels in the fair value hierarchy:

Level 1— Quoted prices in active markets for identical assets or liabilities

Level 2— Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly

Level 3— Unobservable inputs for the asset or liability

The level in the fair value hierarchy used for fair value measurement is determined based on the lowest level input that is significant to the fair value measurement.

Transfers between levels in the fair value hierarchy are recognized on the date on which an event or change in the situation resulting in the transfers arises.

Financial assets and financial liabilities recognized at fair value in the consolidated statement of financial position that are classified into levels in the fair value hierarchy are shown below:

(Millions of yen)

	As of March 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Other current financial assets (securities)				
FVTPL financial assets	–	–	–	–
Other investments				
FVTOCI financial assets	7,814	–	1,110	8,924
Other current financial assets (derivatives)				
Derivatives not designated as hedges	82	121	–	203
Total	7,896	121	1,110	9,127
Liabilities:				
Other current financial liabilities (derivatives)				
Derivatives not designated as hedges	70	57	–	127
Other non-current financial liabilities (derivatives)				
Derivatives designated as hedges	–	661	–	661
Total	70	718	–	788

(Millions of yen)

	As of March 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Other current financial assets (securities)				
FVTPL financial assets	–	1,000	–	1,000
Other investments				
FVTOCI financial assets	6,961	–	1,068	8,029
Other current financial assets (derivatives)				
Derivatives not designated as hedges	37	38	–	75
Total	6,998	1,038	1,068	9,104
Liabilities:				
Other current financial liabilities (derivatives)				
Derivatives not designated as hedges	69	94	–	163
Other non-current financial liabilities (derivatives)				
Derivatives designated as hedges	–	931	–	931
Total	69	1,025	–	1,094

There were no transfers between Level 1, Level 2 and Level 3 in the fiscal years ended March 31, 2015 and 2016.

The components of changes in financial instruments classified into Level 3 of fair value hierarchy are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
	FVTOCI	FVTOCI
Balance at the beginning of the year	908	1,110
Total gains or losses (realized/unrealized)		
Other comprehensive income	54	1
Purchase	237	6
Sale	(120)	(5)
Redemption/other	31	(44)
Balance at the end of the year	1,110	1,068

Gains or losses recognized in other comprehensive income in the consolidated statement of comprehensive income are presented as "FVTOCI financial assets". There were no gains or losses recognized in profit.

For financial instruments classified into Level 3, no significant increase or decrease in the fair value is expected if one or more of the unobservable inputs are changed to reasonably possible alternative assumptions.

(7) FVTOCI Financial Assets

The Group classifies all equity instruments other than those accounted for by the equity method as FVTOCI financial instruments. These equity instruments are held for the purpose of maintaining and strengthening business relationships with investees.

A. Fair Value of FVTOCI Financial Instruments

The fair values of major FVTOCI financial instruments are shown below:

As of March 31, 2015

(Millions of yen)

Stock	Amount
SINANEN CO., LTD.	4,797
MAEDA ROAD CONSTRUCTION Co., Ltd.	1,166
Sumitomo Mitsui Trust Holdings, Inc.	496
JX Holdings, Inc.	355
Sumitomo Mitsui Financial Group, Inc.	307

As of March 31, 2016

(Millions of yen)

Stock	Amount
SINANEN HOLDINGS CO., LTD.	4,629
MAEDA ROAD CONSTRUCTION Co., Ltd.	1,110
JX Holdings, Inc.	335
Sumitomo Mitsui Trust Holdings, Inc.	247
Sumitomo Mitsui Financial Group, Inc.	171

B. Derecognition of FVTOCI Financial Assets

Some FVTOCI financial assets were sold or disposed of due to review of business relations, etc. FVTOCI financial assets derecognized due to sale or disposal during the fiscal years ended March 31, 2015 and 2016, are shown below:

(Millions of yen)

Fiscal year ended March 31, 2015		Fiscal year ended March 31, 2016	
Fair value at date of sale	Accumulated gains (losses)	Fair value at date of sale	Accumulated gains (losses)
59	(107)	347	(614)

Accumulated gains or losses (net of taxes) in other comprehensive income that were transferred to retained earnings as a result of the above are negative ¥79 million and negative ¥619 million for the fiscal years ended March 31, 2015 and 2016, respectively.

C. Dividends Received

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Investments derecognized during the year	0	29
Investments held at the end of the year	235	213
Total	236	242

(8) Derivatives and Hedges

<u>Cash flow hedges</u>

A cash flow hedge is a hedge of the exposure to variability in future cash flows arising in association with the forecasted transactions or already recognized assets or liabilities. Changes in fair value of derivatives designated as a cash flow hedge are recognized in other comprehensive income. This accounting treatment continues until changes in future cash flows arising in association with the unrecognized forecasted transactions or already recognized assets or liabilities that are designated as a hedged item are recognized in gains or losses. The ineffective portion of the hedge is recognized in profit or loss.

In accordance with its policy, the Group does not have a floating rate position for long-term funds raised to correspond to fund management fixed for long periods such as equity contributions. However, if funds with floating rates are raised, the Group uses interest rate swaps to hedge risks of fluctuations in cash flows arising from future changes in interest rates and designates those swaps as cash flow hedges.

In applying hedge accounting, as a general rule, the Group tries to match notional amounts, periods (maturities) and fundamental figures of interest rates of hedging instruments and hedged items to maintain the effectiveness of hedging relationships over the hedge period. Hedge effectiveness also continues to be assessed after the application of hedge accounting. If an ineffective portion arises, the Group analyzes the cause for the portion. In the fiscal years ended March 31, 2015 and 2016, the amounts included in profit or loss in association with the ineffective portion of hedging and the portion excluded from the assessment of hedge effectiveness were not significant.

As of March 31, 2016, the notional amount balance for interest rate swaps as hedging instruments was ¥11,465 million, and the period when the cash flows are expected to occur and when they are expected to affect profit or loss is 16 years. The average of interest rates hedged with the interest rate swaps is 1.8%.

As of March 31, 2015 and 2016, effects of hedging instruments designated as hedges on the Group's consolidated statement of financial position are as follows:

(Millions of yen)

	As of March 31, 2015				
	Notional amount	Carrying amount		Line item in the consolidated statement of financial position	Change in fair value used as the basis for recognition of the ineffective portion
		Derivative assets	Derivative liabilities		
Cash flow hedges					
Interest rate risks					
Interest rate swaps	12,205	–	661	Other non-current financial liabilities	(348)

(Millions of yen)

	As of March 31, 2016				
	Notional amount	Carrying amount		Line item in the consolidated statement of financial position	Change in fair value used as the basis for recognition of the ineffective portion
		Derivative assets	Derivative liabilities		
Cash flow hedges					
Interest rate risks					
Interest rate swaps	11,465	–	931	Other non-current financial liabilities	(270)

As of March 31, 2015 and 2016, effects of hedged items designated as hedges on the Group's consolidated statement of financial position are as follows:

(Millions of yen)

	As of March 31, 2015	
	Change in fair value used as the basis for recognition of the ineffective portion	Balance recorded as other components of equity
Cash flow hedges		
Interest rate risks		
Borrowing at a floating rate	321	(524)

(Millions of yen)

	As of March 31, 2016	
	Change in fair value used as the basis for recognition of the ineffective portion	Balance recorded as other components of equity
Cash flow hedges		
Interest rate risks		
Borrowing at a floating rate	270	(668)

(9) Offsetting of Financial Assets and Financial Liabilities

Some financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position since the Group has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

For financial assets and financial liabilities recognized for the same counterparties, the components of amounts offset and not offset in the consolidated statement of financial position by type of financial instruments as of March 31, 2015 and 2016, are shown below:

As of March 31, 2015

(Millions of yen)

	Total amount of financial assets	Total amount of financial liabilities offset	Net amount of financial assets presented in the consolidated statement of financial position	Amount of financial assets that do not meet requirements for offsetting	Amount of collateral received	Net amount
Financial assets:						
Trade receivables	3,113	2,151	962	137	–	825
Other current financial assets	8	8	–	–	–	–
Total	3,121	2,159	962	137	–	825

(Millions of yen)

	Total amount of financial liabilities	Total amount of financial assets offset	Net amount of financial liabilities presented in the consolidated statement of financial position	Amount of financial liabilities that do not meet requirements for offsetting	Amount of collateral provided	Net amount
Financial liabilities:						
Trade payables	3,803	2,159	1,644	137	–	1,507
Total	3,803	2,159	1,644	137	–	1,507

As of March 31, 2016

(Millions of yen)

	Total amount of financial assets	Total amount of financial liabilities offset	Net amount of financial assets presented in the consolidated statement of financial position	Amount of financial assets that do not meet requirements for offsetting	Amount of collateral received	Net amount
Financial assets:						
Trade receivables	1,518	977	541	484	–	57
Other current financial assets	0	0	–	–	–	–
Total	1,518	977	541	484	–	57

(Millions of yen)

	Total amount of financial liabilities	Total amount of financial assets offset	Net amount of financial liabilities presented in the consolidated statement of financial position	Amount of financial liabilities that do not meet requirements for offsetting	Amount of collateral provided	Net amount
Financial liabilities:						
Trade payables	4,612	977	3,635	484	–	3,151
Total	4,612	977	3,635	484	–	3,151

27. Revenue

The components of revenue are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Revenue from sales of merchandise	898,810	685,066
Other	38,031	38,579
Total	936,841	723,645

28. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Personnel expense	36,783	38,112
Rent expense	9,881	9,300
Depreciation and amortization	5,583	7,017
Commission fee	6,324	6,451
Traveling expense	1,399	1,402
Taxes and dues	1,434	1,561
Other	9,780	9,383
Total	71,184	73,226

29. Profit or Loss from Tangible Assets, Intangible Assets and Goodwill

The components of profit or loss from tangible assets, intangible assets and goodwill are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Gain on sales	616	563
Loss on sales	(104)	(120)
Loss on disposal	(657)	(346)
Impairment loss	(1,680)	(687)
Other	–	(3)
Total	(1,825)	(593)

(Note) For impairment loss of non-current assets, please refer to Note 30 "Impairment Loss".

30. Impairment Loss

The components of impairment loss are as follows.

The impairment loss was recognized in loss from tangible assets, intangible assets and goodwill in the consolidated statement of comprehensive income.

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Property, plant and equipment		
Buildings and structures	290	210
Machinery, equipment and vehicles	270	92
Land	175	71
Other	8	16
Intangible assets		
Goodwill	121	40
Other	51	36
Investment property	741	222
Other	24	0
Total	1,680	687

Items of the Group's property, plant and equipment are grouped in the smallest unit for which independent cash flows can be identified.

In the fiscal years ended March 31, 2015 and 2016, there was no individually significant impairment loss.

Major impairment losses in the fiscal year ended March 31, 2015 are on investment property belonging to the Car-Life Division. These impairment losses were incurred due to reduction of the carrying amount of idle assets, which arose from the decision to close oil stations, to the recoverable amount. Major impairment losses in the fiscal year ended March 31, 2016 are on property, plant and equipment belonging to the Car-Life Division. These impairment losses were incurred due to reduction of the carrying amount of the assets to the recoverable amount, as a result of decreased profitability caused by changes in the business environment and other factors.

The recoverable amount of these assets was measured based on net saleable value.

31. Other Profit or Loss

The components of other – net of other income and expenses are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Commission fee	470	293
Compensation income for expropriation	–	279
Other	739	697
Total income	1,209	1,269
Foreign exchange losses (Note)	(322)	(31)
Other	(498)	(597)
Total expenses	(820)	(628)
Total	389	641

(Note) Gain or loss on valuation of foreign currency derivatives is included in foreign exchange losses. In addition to the above, in the fiscal years ended March 31, 2015 and 2016, net gain or loss on valuation of commodity-related derivatives was recognized at ¥168 million and ¥100 million, respectively, in revenue and cost of sales.

32. Financial Income and Costs

The components of financial income and financial costs are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Interest income		
Financial assets measured at amortized cost	32	33
Other	21	21
Subtotal	53	54
Dividends received		
FVTOCI financial assets	236	242
Subtotal	236	242
Interest expense		
Financial liabilities measured at amortized cost	(707)	(858)
Other	(171)	(146)
Subtotal	(878)	(1,004)
Other financial income (costs)		
FVTPL financial assets	8	0
Subtotal	8	0
Total	(581)	(708)

33. 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.

34. Cash Flow Information

Supplementary information about cash flows is shown below.

The major components of assets and liabilities related to companies that newly became subsidiaries at the time of acquisition of control and reconciliation between consideration paid and net payment from the acquisition are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Components of assets at time of acquisition of control		
Current assets	17,363	574
Non-current assets	31,114	2,038
Components of liabilities at time of acquisition of control		
Current liabilities	(24,756)	(204)
Non-current liabilities	(11,890)	(877)

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Consideration paid	(6,282)	(2,000)
Cash and cash equivalents included in assets at time of acquisition of control	3,852	310
Net payment from acquisition of subsidiaries	(2,430)	(1,690)

35. Non-cash Transactions

Significant Non-cash Transactions

The amount of assets acquired under finance leases is ¥1,248 million and ¥2,648 million for the fiscal years ended March 31, 2015 and 2016, respectively.

36. Related Parties

(1) Compensation for Key Management Personnel

Compensation for key management personnel of the Group is shown below:

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Short-term compensation	424	427
Total	424	427

(2) Transactions with the Parent and Associates

Transactions with the parent and associates and the balance of receivables from and payables to them are shown below:

For the fiscal year ended March 31, 2015

(Millions of yen)

Category	Name	Relationship with related party	Transaction amount	Unsettled balance
Parent	ITOCHU Corporation	Sales of petroleum products	5,985	271
		Acquisition of stock	2,450	–
Associate	JAPAN GAS ENERGY CORPORATION	Purchases of LPG products	26,227	2,101

For the fiscal year ended March 31, 2016

(Millions of yen)

Category	Name	Relationship with related party	Transaction amount	Unsettled balance
Parent	ITOCHU Corporation	Sales of petroleum products	2,659	107
		Cash transactions	4,000	4,000
Associate	JAPAN GAS ENERGY CORPORATION	Purchases of LPG products	17,356	1,337

There is no balance of collateral and guarantee transactions, and no allowance for credit losses was recognized for the receivables from ITOCHU Corporation and associates.

37. Parent, Subsidiaries and Associates

The Company's parent is ITOCHU Corporation, which is located in Japan.

The status of major subsidiaries as of March 31, 2016 is shown below:

Company name	Location	Percentage of voting rights owned (%)
Home-Life Division		
ECORE CO., LTD.	Hakata-ku, Fukuoka City, Fukuoka	51.0
ITOCHU ENEX HOME-LIFE KANTO CO., LTD.	Minato-ku, Tokyo	100.0
ITOCHU ENEX HOME-LIFE NISHI-NIHON CO., LTD.	Naka-ku, Hiroshima City, Hiroshima	100.0
ITOCHU ENEX HOME-LIFE CHUBU CO., LTD.	Naka-ku, Nagoya City, Aichi	100.0
ITOCHU ENEX HOME-LIFE KANSAI CO., LTD.	Yodogawa-ku, Osaka City, Osaka	100.0
Car-Life Division		
ENEX FLEET CO., LTD.	Yodogawa-ku, Osaka City, Osaka	100.0
Osaka Car Life Group Co., Ltd.	Nishi-ku, Osaka City, Osaka	52.0
KYUSHU ENERGY CO., LTD.	Oita City, Oita	75.0
ENEX PETROLEUM SALES NISHI-NIHON CO., LTD.	Naka-ku, Hiroshima City, Hiroshima	100.0
ENEX PETROLEUM SALES HIGASHI-NIHON CO., LTD.	Minato-ku, Tokyo	100.0
Power & Utility Division		
JEN HOLDINGS CO., LTD. (Note)	Minato-ku, Tokyo	100.0
TOKYO TOSHI SERVICE COMPANY	Chuo-ku, Tokyo	66.6
Oji-Itochu Enex power retailing Co., Ltd.	Minato-ku, Tokyo	60.0
Energy Trade Division		
KOKURA ENTERPRISE ENERGY CO., LTD.	Kokurakita-ku, Kitakyushu City, Fukuoka	100.0
30 other companies		–

(Note) In April 2016, JEN HOLDINGS CO., LTD. changed its corporate name to Enex Electric Power Co., Ltd.

The details of the Company's non-wholly owned subsidiaries that have material non-controlling interests are shown below:

For the fiscal year ended March 31, 2015

(Millions of yen)

Name of subsidiary	Location	Non-controlling interests in subsidiaries (%)	Profit (loss) allocated to non-controlling interests	Accumulated non-controlling interests	Dividends paid to non-controlling interests
ECORE CO., LTD.	Hakata-ku, Fukuoka City, Fukuoka	49.0	363	3,454	(202)
Osaka Car Life Group Co., Ltd.	Nishi-ku, Osaka City, Osaka	48.0	393	3,236	–
TOKYO TOSHI SERVICE COMPANY	Chuo-ku, Tokyo	33.4	446	5,960	–
Other			(176)	2,865	(13)
Total			1,026	15,515	(215)

For the fiscal year ended March 31, 2016

(Millions of yen)

Name of subsidiary	Location	Non-controlling interests in subsidiaries (%)	Profit (loss) allocated to non-controlling interests	Accumulated non-controlling interests	Dividends paid to non-controlling interests
TOKYO TOSHI SERVICE COMPANY	Chuo-ku, Tokyo	33.4	522	6,256	–
Other			973	10,380	(110)
Total			1,495	16,636	(110)

The summarized financial information about each subsidiary of the Group that has material non-controlling interests is shown below:

TOKYO TOSHI SERVICE COMPANY

(Millions of yen)

	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016
Current assets	5,388	5,001
Non-current assets	18,971	17,425
Current liabilities	2,137	2,267
Non-current liabilities	4,379	1,429
Revenue	11,768	11,726
Net profit	1,335	1,562
Other comprehensive income	–	–
Comprehensive income	1,335	1,562

38. Commitments

Contractual commitments for acquisition of property, plant and equipment are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Acquisition of property, plant and equipment	2,205	6,439
Total	2,205	6,439

39. Contingent Liabilities

The Group provides various forms of guarantees for general customers. When a guaranteed entity defaults, payment obligations are assumed by the Group. The Group's total amount and actual amount of guarantees provided for general transaction partners as of March 31, 2015 and 2016, are as follows:

The total amount of guarantees is the total amount of maximum payment limits under guarantee contracts with guaranteed entities and the maximum amount at which payment obligations may arise to the Group. The actual amount of guarantees is based on the total amount of debts recognized by guaranteed entities within the maximum payment limits, and is the amount that is deemed as the amount of actual risks taken after deduction of re-guarantees given by a third party to the Group, etc.

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Guarantees on distributors' payment of gas oil delivery tax		
Total amount of guarantees	207	37
Actual amount of guarantees	207	3
Guarantees for other transactions (Note)		
Total amount of guarantees	185	132
Actual amount of guarantees	90	52
Total		
Total amount of guarantees	392	169
Actual amount of guarantees	297	55

(Note) Guarantees for other transactions include guarantees on operating transactions and guarantees on the balance of leasing agreements.

For guarantees provided by the Group for general transaction partners, those with the longest guarantee period will expire on February 28, 2023.

Currently there is no litigation, arbitration or other legal proceedings that may have a significant impact on the Group's financial position or operating results. However, the Group gives no guarantee that there is no possibility that such significant lawsuits or other legal proceedings may be filed with regard to the Group's operating activities in Japan and overseas in the future having a negative impact on the Group's financial position and operating results.

40. Collateral

The components of assets pledged as collateral and their corresponding debts are shown below:

(Millions of yen)

	As of March 31, 2015	As of March 31, 2016
Assets pledged as collateral		
Cash and cash equivalents	–	1,365
Trade receivables	–	36
Other investments	16	11
Property, plant and equipment	–	13,660
Total	16	15,072
Corresponding debts		
Short-term bonds and borrowings	–	868
Trade payables	265	179
Non-current bonds and borrowings	–	10,656
Total	265	11,703

In addition to the above, other investments pledged as substitute for brokerage margin payments for commodity futures transactions as of March 31, 2015 and 2016, were ¥1,436 million and ¥1,438 million, respectively.

41. Events after the Reporting Period

No items to report

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3, Konan
Minato-ku, Tokyo 108-6221
Japan

Tel:+81 (3) 6720 8200
Fax:+81 (3) 6720 8205
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ITOCHU ENEX CO., LTD.:

We have audited the accompanying consolidated statement of financial position of ITOCHU ENEX CO., LTD. and its consolidated subsidiaries as of March 31, 2016, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ITOCHU ENEX CO., LTD. and its consolidated subsidiaries as of March 31, 2016, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC

June 22, 2016

Member of
Deloitte Touche Tohmatsu Limited

Corporate Profile

Outline of the Company

As of March 31, 2016

Company Name	ITOCHU ENEX CO.,LTD.
Head Office Address	Toranomon Twin Building, 2-10-1, Toranomon, Minato-ku, Tokyo 105-8430, Japan
Established	January 28, 1961
Paid-in Capital	19,877.67 million yen
Main Branches	Kita-Nihon, Higashi-Nihon, Chubu, Kansai, Chugoku & Shikoku, Kyushu (In addition to the above, we have a sales network throughout Japan.)
Subsidiaries	44
Affiliates (coverd by the equity method)	22
Number of Employees	650 (non-consolidated basis, including 204 at subsidiaries) 6,096 (consolidated basis)
Stock exchange listing	Tokyo (first section; stock name: ENEX) securities code: 8133
Main Financial Institutions	Sumitomo Mitsui Trust Bank, Limited Sumitomo Mitsui Banking Corporation Resona Bank, Limited Mizuho Bank, Ltd.

Stock / Shareholder Information

Number of shares authorized to be issued	387,250 thousand shares
Number of shares issued	116,881 thousand shares
Number of shareholders	7,750
Trading unit of shares	100 shares

Principal Shareholders

Name	Number of Shares Held (Thousands)	% of Total Shares Issued
ITOCHU Corporation	60,978	53.97
Japan Trustee Services Bank, Ltd. (trust account)	3,591	3.18
CBNY-GOVERNMENT OF NORWAY	3,224	2.85
Enex Fund	2,928	2.59
The Master Trust Bank of Japan, Ltd. (trust account)	2,470	2.19
JX Holdings, Inc.	2,010	1.78
SINANEN HOLDINGS CO., LTD.	1,571	1.39
Nippon Life Insurance Company	1,542	1.36
Sumitomo Mitsui Trust Bank, Limited	1,474	1.30
Itochu Enex Employee Shareholding Association	1,275	1.13

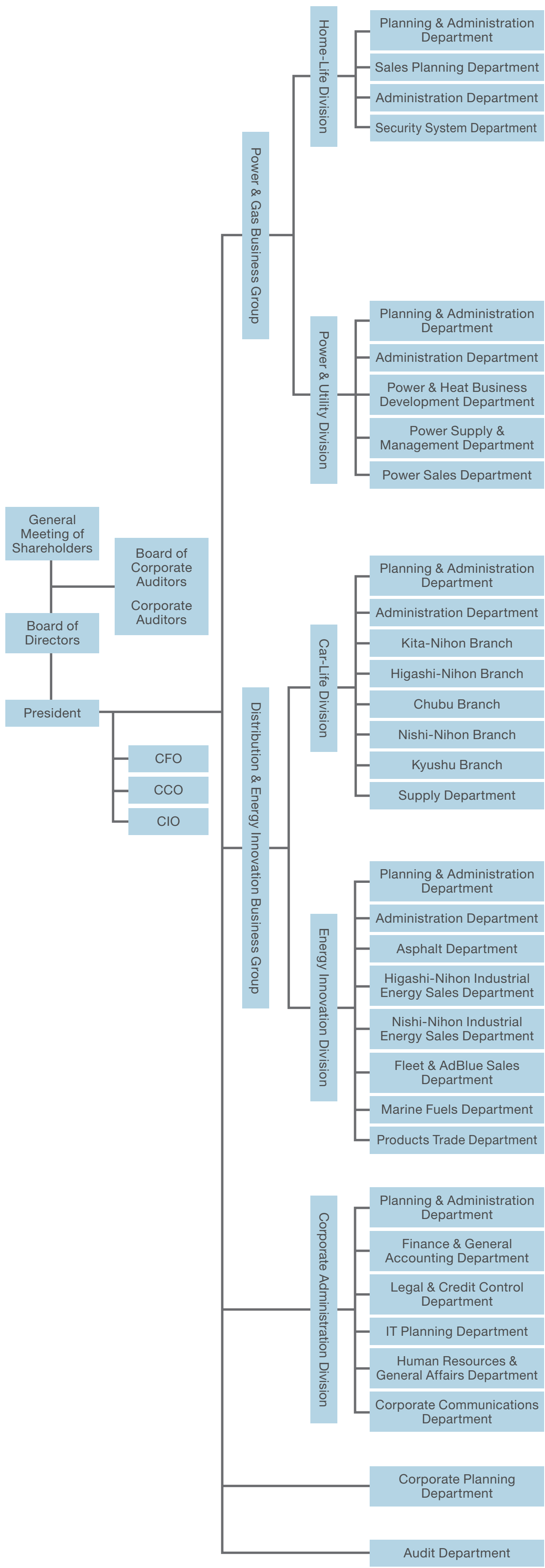
* In addition to shares described above, the Company holds 3,892 thousand shares as treasury shares

Shareholder Information

Ordinary general meeting of shareholders:	June
General meeting of shareholders record date	March 31
Shareholder fixed day for dividend payment	Year-end dividend: March 31 Interim dividend: September 30
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Ltd., Stock Transfer Agency Department

Organization Chart

As of April 1, 2016



Cautionary Statements

The forward-looking statements addressed in this report such as the outlook on the Company's future performance were judged appropriate by the management of the Company based on information available at the time of publication. Please note that actual results may differ considerably from the current projections depending on fluctuations in exchange rates, market trends, economic circumstances and other factors.

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ITOCHU ENEX CO., LTD.

Inquiries
Corporate Communications Section
E-mail: enex_irpr@itcenex.com
Telephone: +81-3-6327-8003

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