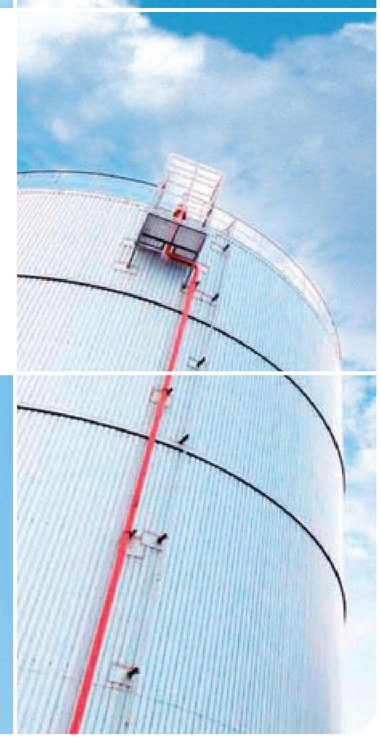


The best partner for life and society

# ANNUAL REPORT **2014**

Fiscal Year Ended March 31, 2014

ITOCHU ENEX CO., LTD.

## Itochu Enex Group

# Vision & Action

With the best partner for life and society—with Energy, with the Car, with the Home—as our corporate philosophy, we have delivered petroleum products, liquefied petroleum gas ("LPG") and other energy sources to customers nationwide for half a century. Regardless of changes in energy or how it is delivered, we will deliver energy as a partner for life and society as long as there are customers with energy needs. Under the Enex Group corporate philosophy, we aim to enrich people's lives through our energy delivery business, and to be the Group of choice for customers and society.

## Corporate Philosophy

The best partner for life and society—with Energy, with the Car, with the Home—

## Field of Business

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

## Growth Strategy

Fiscal 2014 business plan, "Moving 2014"

### 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.

# Consolidated Financial Highlights

ITOCHU ENEX CO., LTD. and its Consolidated Subsidiaries

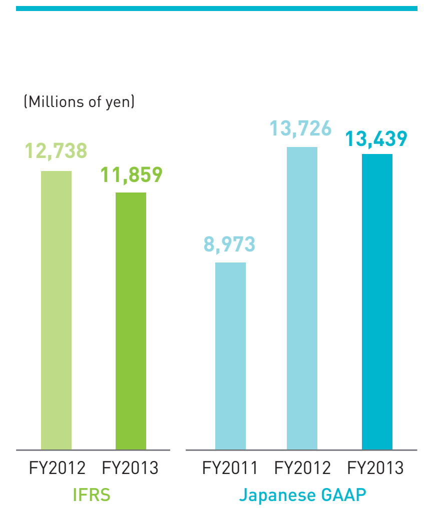
To show the trends, amounts under the Japanese GAAP and those under IFRSs are both presented for certain years in this page.

The Company first adopted IFRSs for the consolidated financial statements for the fiscal year ended March 31, 2014. The date of transition to IFRSs was April 1, 2012.

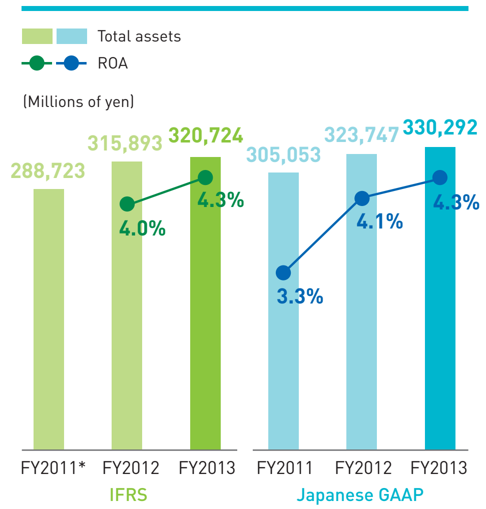
Years ended March 31

| Line item under IFRSs | IFRS 2012* | IFRS 2013 | IFRS 2014 | Line item under Japanese GAAP | Japanese GAAP 2012 | Japanese GAAP 2013 | Japanese GAAP 2014 |
|---|---|---|---|---|---|---|---|
| **Results of Operations** | | | | | | | (Millions of yen) |
| Revenue | — | ¥ 864,589 | ¥ 966,044 | Net sales | ¥ 1,414,161 | ¥ 1,430,746 | ¥ 1,506,606 |
| Profit from operating activities | — | 12,738 | 11,859 | Operating income | 8,973 | 13,726 | 13,439 |
| Profit before tax | — | 12,234 | 13,828 | Income before income taxes and minority interests | 8,951 | 11,498 | 14,158 |
| Profit attributable to owners of the parent | — | 6,470 | 7,119 | Net income | 3,893 | 5,577 | 7,403 |
| **Financial Position at Year-End** | | | | | | | |
| Total assets | 288,723 | 315,893 | 320,724 | Total assets | 305,053 | 323,747 | 330,292 |
| Total equity | 86,443 | 97,655 | 104,120 | Total equity | 96,090 | 106,531 | 112,682 |
| **Amounts per Share** | | | | | | | (Yen) |
| Earnings per share (attributable to owners of the parent): Basic | — | 57.26 | 63.00 | Net income per share: Basic | 34.22 | 49.36 | 65.52 |
| Equity per share (attributable to owners of the parent) | 742.51 | 791.42 | 837.69 | Net assets per share | 826.68 | 868.69 | 911.61 |
| **Ratios** | | | | | | | (%) |
| ROE | — | 7.47 | 7.73 | | 4.21 | 5.82 | 7.36 |
| ROA** | — | 4.05 | 4.34 | | 3.30 | 4.10 | 4.30 |
| Shareholders' equity ratio | 29.06 | 28.31 | 29.51 | | 30.62 | 30.32 | 31.19 |
| **For Reference** | | | | | | | |
| Number of employees | 3,500 | 3,829 | 3,954 | | 3,408 | 3,706 | 3,837 |
| [Others, average number of temporary employees] | 2,130 | 2,195 | 2,367 | | [1,944] | 2,008 | 2,127 |

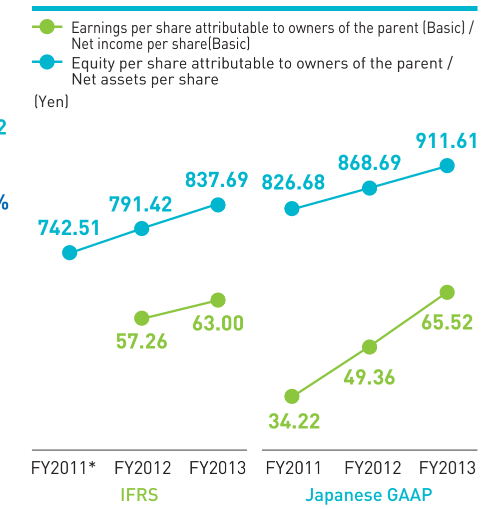
### Profit from operating activities / Net income




### Total Assets and ROA




### Amounts per Share

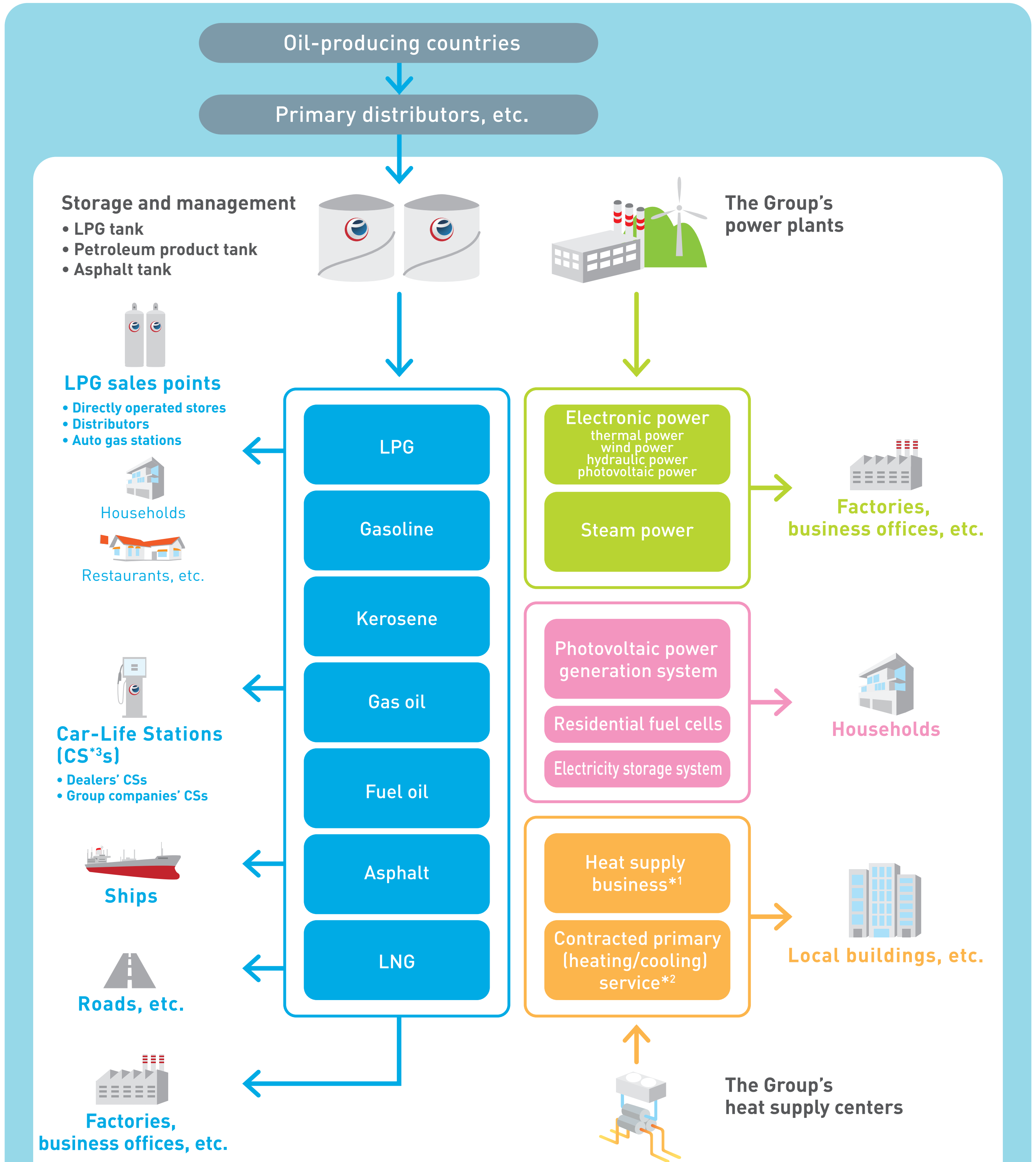



* The figures under IFRSs for 2012 represent the financial position as of April 1, 2012, the date of transition to IFRSs.

** ROA under IFRSs represents the ratio of profit before tax to total assets, and ROA under the Japanese GAAP represents the ratio of ordinary income to total assets.

# Service Flow of the ENEX Group

## 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 other multiple 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 providing multiple services provided by Itochu Enex.



# Fiscal 2014 Business Plan

Against a background of dramatic changes in the business environment and uncertainties about the future, for fiscal 2014 we formulated a single-fiscal year Group business plan instead of a 3- to 5-year medium-term business plan.

## Fiscal 2014 Business Plan

Fiscal 2014 is an important year for us as a step towards our transformation into a new Itochu Enex Group. Under the keyword of "Moving!," we will take an aggressive approach to the challenges for the future.

Moving2014「動く!」

### Basic Policy

Amid dramatic changes in the environment surrounding the energy industry and increasingly diverse customers' energy needs, we will combine our capabilities in such areas as electric power, including petroleum and gas and renewable energy, and propose to our customers energy that is optimal for them. In addition, we will work to cultivate businesses that are peripheral to energy such as services related to households and cars, thus providing new value in the home and car lives of our customers. In parallel, we will focus on overseas business and aim to be a new type of energy company. In fiscal 2014, the Group will continue to realize sustainable growth under the theme of "Moving!"

### Quantitative Targets (Outlook for consolidated results for fiscal 2014)

| | | | |
|---|---|---|---|
| Total trading transactions | ¥1,600.0 billion | Operating income | ¥13.8 billion |
| Profit before tax | ¥13.8 billion | Profit attributable to owners of the parent | ¥7.6 billion |

* These targets have been formulated based on International Financial Reporting Standards (IFRS).
* Total trading transactions are presented in accordance with the Japanese accounting practices and represent the total amounts of transactions that the company and its consolidated subsidiaries conducted as a party in contracts and for which they acted as an agent.

### Priority Measures

1. Transform the petroleum and gas business model
2. Create new businesses to obtain new revenue sources
3. Further expand existing businesses through M&As
4. Develop business base and network for power and utility business
5. Develop and cultivate overseas business
6. Upgrade "Enex DNA"

### Business Structure and Segments

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

Corporate philosophy

**The best partner for life and society**

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

Field of business

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

Moving2014「動く!」

## The Itochu Enex Group moves ahead with the aim of a new type of energy company.

In 2014, the world is changing and evolving at a rapid pace. We are now living in truly tumultuous times. In addition, our towns and lifestyles are going through dramatic changes.

During the more than 50 years since its foundation in 1961, the Itochu Enex Group has delivered petroleum products, LP gas and other energy sources as "the best partner for life and society." In line with changes in the times, the environment surrounding the energy industry and customers' energy needs are also going through rapid changes.

Initiatives for efficient use of fossil fuels for the realization of a low-carbon society and renewable energy, which has a small burden on the environment, are recognized to have great potential as sources of energy for the new era along with technological innovations. At the same time, since energy is part of the social infrastructure, energy customers demand the ability to stably use energy with peace of mind.

In order to meet the diverse needs of customers, the Itochu Enex Group operates with the aim of a new type of energy company.

Based on the energy supply capabilities the Itochu Enex Group has built up in fields including petroleum products and LP gas, the Group will newly deliver electricity generation and electric power supply capabilities as well as the optimal energy for customers. In addition, the Group will not only provide energy but also expand its products and services for cars (car life) and homes (home life) of customers, which are necessary for living, and propose new value for customers' lifestyles.

Furthermore, as "the best partner for life and society," the Group continues to work to fulfil its social responsibilities as a corporate group by helping to realize a sustainable society. The Group's efforts in this area include strengthening its compliance and safety frameworks, carrying out social contribution and environmental conservation activities that are deeply connected to local communities, and carrying out initiatives to boost employee satisfaction.

We humbly ask our customers, shareholders and other stakeholders for their continued support.

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

# Business Structure and Segments

The Enex Group is Moving to the Next Stage (From April 1, 2014)

## Four core businesses of Itochu Enex

For more details about the major products and services of each business segment, please visit our website.
http://www.itcenex.com/english/

### Home-Life Division

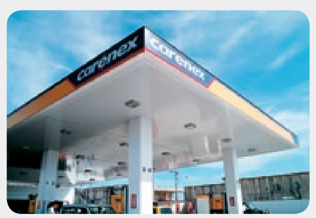
**Through delivering LP gas and various smart-energies, we propose "comfortable," "affluent" and "secure" lifestyles.**

The Home-Life Division proposes "comfortable," "affluent" and "secure" lifestyles. While delivering LP gas and city gas to more than one million households and businesses nationwide, we also operate a kitchen and bathroom remodeling business and offer home and lifestyle related products and services. In addition, we offer various smart-energy equipment, most notably photovoltaic power generation systems and ENEFARM residential fuel cells, as well as residential lithium-ion electricity storage systems that can be used as an emergency power source.

#### Major business and products

- **LPG sales business**
  Household LPG retail sales business
  Wholesale LPG business
  Corporate LPG retail sales business (business, industrial use)
- **City gas sales business**
- **Auto gas business**
- **High-pressure gas sales business**
- **Photovoltaic power generation systems**
- **ENEFARM residential fuel cells**
- **Lifestyle-related support**
- **Lithium-ion electricity storage system**

### Car-Life Division



**We operate Car-Life Stations that provide every car life solution and contribute to a comfortable and convenient society.**

The Car-Life Division sells gasoline, kerosene, diesel oil and other services to approximately 2,100 affiliated CSs, making Itochu Enex the No. 1 energy trading company in Japan. Our CSs are operated by our alliance companies and our subsidiaries. Adapting to changes in customer needs based on the concept of "Change & Evolution," we enhance earnings and create CSs with strong customer appeal by providing a comprehensive range of auto services. We construct a society in which people can live comfortably together with cars by operating businesses designed from the perspective of customers such as Itsumo Rent-a-Car, a low-priced vehicle hire service which improves convenience for customers who do not own cars and helps to vitalize local communities, and a car dealer business that covers a wide spectrum of car-life needs from the sale of new vehicles to car maintenance services.

#### Major business and products

- **Vehicle fuel**
  Gasoline, kerosene, gas oil, engine oil
- **Car-Life support business**
  Itsumo Rent-a-Car
  Used car sales system (Itsumo Car Net)
  Car business support (cabusu) program
- **Card business**
  **Car ENEX itsumo card**
- **Sales point management support IT systems**
- **Car sales**

### Power & Utility Division

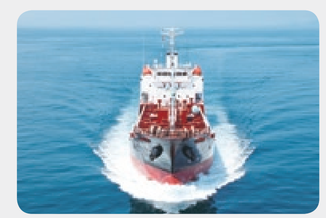
**We operate electric power and heat supply businesses that deliver energy efficiency, comfort and economic benefits.**

In 2010, Itochu Enex submitted a notice of commencement of a power producer and supplier (PPS) business and launched an electric power retail business. Since then, we have steadily expanded this business, welcoming to the group JEN Holdings Co., Ltd. (JEN), which supplies electricity and steam to factories, in 2011 and heat supplier Tokyo Toshi Service Company (TTS) in 2012. In April 2014, the second year of operations started under the new organization, the Power & Utility Division. In order to contribute to the realization of an energy-efficient and comfortable society, the Itochu Enex Group places a strong emphasis on the development and expansion of this division.

#### Major business and products

- **Electric power-related business**
  Thermal power, wind power, hydraulic power, solar power
- **Heat supply business**
  We produce cold and hot water that is used in a region's air conditioners in a concentrated manner at heat supply plants and supply it to the buildings of our customers via a local conduit system.
- **LNG sales business**
- **Groundwater Membrane Filtration System**
  A water purification system that reduces municipal water changes and provides safe, delicious drinking water

### Energy Trade Division



**We propose optimal energy solutions for supporting the industrial and distribution base. We handle industrial-use energy, materials and also marine fuel.**

As an expert in energy that supports the industrial base, the Energy Trade Division sells industrial-use energy and industrial-use materials such as asphalt, which is crucial for Japan's transportation infrastructure. We propose optimal energy solutions to various customers throughout operations that include our marine fuel sales business at major ports in Japan and overseas, trading of AdBlue High-Grade Urea Solution that detoxifies nitrogen oxide (NOx) emissions from diesel vehicles, petroleum product trading, tanker operation and chartering business, storage tank operation and other businesses.

#### Major business and products

- **Industrial energy**
  Kerosene, gas oil, fuel oil, high-pressure gas
- **Industrial materials, environment-friendly products**
  Asphalt, high-grade urea (AdBlue)
- **Fuel cards for corporate customers**
  Corporate cards for carriers or manufacturers that own vehicles
- **Petroleum product trading business**
  Import, export and domestic sale of petroleum products as the core of petroleum product trading in the Itochu Group
- **Marine fuel sales business**
- **Tanker operation and chartering business**
  Global arrangement and operation of petroleum product tankers
- **Storage tank leasing business**

# Review of Business Operations (fiscal year ended March 31, 2014)

In the fiscal year ended March 31, 2014, positioning the power and utility business and the overseas business as priority fields, while expanding and enhancing the existing core petroleum and gas-related business, the Group implemented the Group-wide organizational reform in order to improve speed, flexibility, and governance in each field.

According to this reform, the Group integrated the Industrial Material Division and the Global Trade Division into the Energy Trade Division, as well as the Home-Life Division and the Total-Life Division into the Total Home-Life Division.

The Group also newly established the Power & Utility Division. Businesses, including the electricity and steam supply business and the heat supply business, which had been previously conducted by the Industrial Material Division, were incorporated into this segment.

The segment information for the fiscal year ended March 31, 2013, was restated and reclassified into the segments used for the fiscal year ended March 31, 2014.

As the Group is using IFRS effective from the fiscal year ended March 31, 2014, the figures for the previous fiscal year in the comparisons have also been prepared in accordance with IFRS.

The tax excluded method is used in the accounting treatment for the Itochu Enex Group's consumption taxes. Consequently, all amounts for total trading transactions and purchase results in this item are presented exclusive of consumption taxes.

Results by segment for the fiscal year ended March 31, 2014, are as follows.

## Energy Trade Division

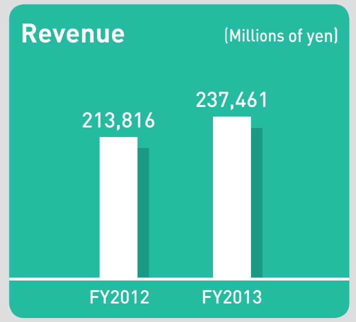
With the continuously declining tendency of demands for petroleum products in Japan, the domestic petroleum product market has continued sluggish despite a reduction in production of petroleum products. Consequently, the business environment remained harsh.

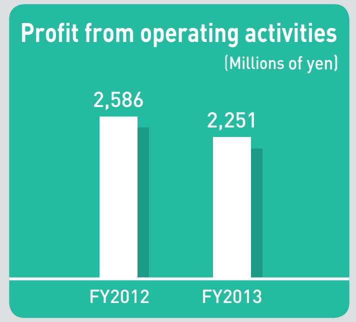
Under such circumstances, we enhanced an asphalt sales system by developing asphalt terminals and building company-owned vessels to carry asphalt, arranged 9 dedicated fuel supply ships in marine fuel sales business for domestic operation, and expanded 17 AdBlue supply bases nationwide in response to the increasing popularization of urea SCR vehicles*1. Like this, we optimized our distribution functions in each business.

However, under the difficult business environment, sales volume of other petroleum products than asphalt decreased from a year earlier.

In order to respond flexibly to diversifying needs of clients and changes in domestic and overseas market conditions, we will further improve our distribution functions.

*1 Urea SCR vehicle: Urea SCR vehicle purifies NOx using urea solution (AdBlue) and Selective Catalytic Reduction to reduce NOx in exhaust gas from diesel engines.



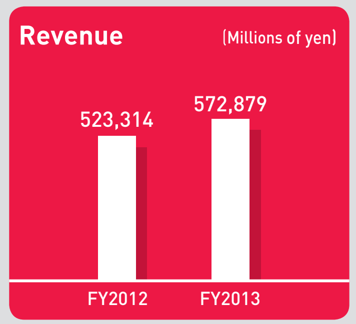

## Car-Life Division

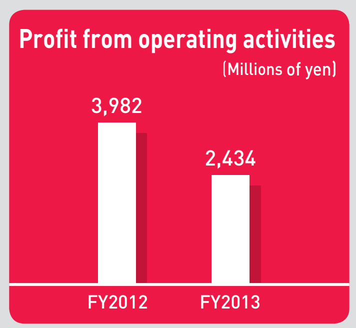
Demands for gasoline declined with prices of domestic petroleum products remaining high due to impacts from high crude oil prices and weak yen, as well as increased popularization of fuel-efficient cars. In addition, demands for kerosene notably fell in winter. In the Group companies, however, sales volume of gasoline and gas oil, etc. increased from a year earlier thanks to promotion of new large-scale affiliates.

Meanwhile, profits fell year on year with large impacts of profit margin compressed by the deterioration in retail market conditions in the 4th quarter, despite efforts to reduce costs at each base, and expand Car-Life profits*2 in the Group companies.

The number of Car-Life Stations of the Group at the end of the fiscal year ended March 31, 2014 was 2,118; a net decrease of 64 stations from the end of the previous fiscal year. During the fiscal year under review, impacted by the decrease in the number of domestic gas stations, we lost 131 stations by withdrawing unprofitable and decrepit stations, etc. while adding 67 newly affiliated stations.

*2 Car-Life profits: Car-Life profits include profits from car wash, lube oil, tires, car inspection, plating, sales of used cars, and rent-a-car, etc., excluding sales of fuel oil.



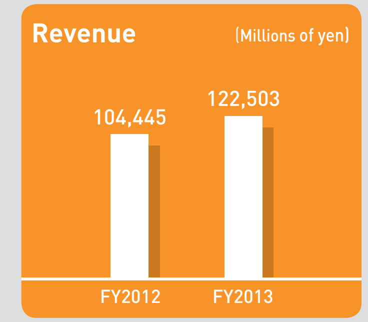

## Total Home-Life Division

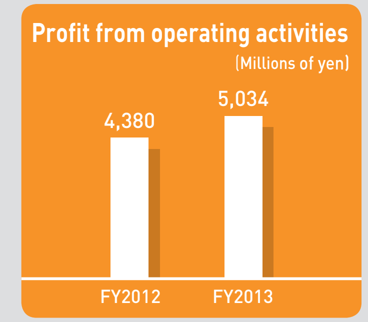
The number of direct sales for home and sales volume of LP gas leveled off from a year earlier, as a result of promoting the so-called "area strategy" at Group companies.

While the import price of LP gas hovered at high level with effects from rising crude oil prices and weak yen, appropriate profit margin could be ensured with gas rate adjustment system.

ing Energy Corporation, which was invested and established in April 2013 jointly by ing Corporation and Itochu Enex Home-Life Kanto Co., Ltd., a Group company, contributed to boosting revenues in the fiscal year under review by expanding business scale and enhancing competitiveness in Kanto area.

Meanwhile, we strongly pushed ahead with sales of new energy-related equipment such as a photovoltaic power generation system and ENEFARM residential fuel cells, as well as sales of high-performance and high-efficiency gas equipment, such as a glass-topped gas stove and "Ecojozu" (high efficiency water heaters). As a result, sales volume significantly increased year on year.



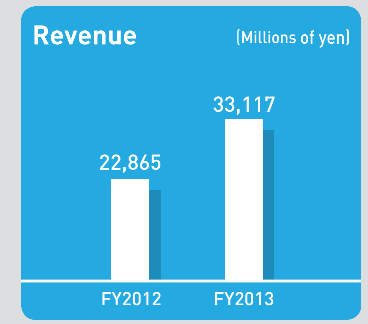

## Power & Utility Division

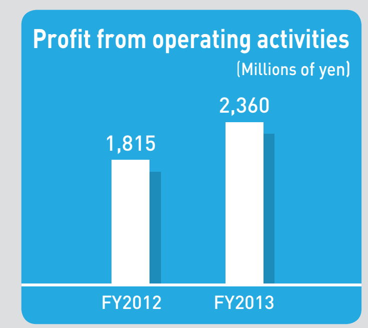
In the electricity and steam supply business, power sales volume increased from a year earlier, with contributions from the reinforcement of thermal power generation facilities in the previous fiscal year, as well as JEN Konbumori Wind Farm Co., Ltd. in Hokkaido, which we acquired in the previous year.

Profits largely grew year on year thanks to prices remaining high in the wholesale power market and the wind power generation business using the renewable energy feed-in tariff system.

Under such circumstances, in order to further promote the electric power business, Hofu Energy Service Co., Ltd., a Group company in Yamaguchi prefecture, is additionally building a coal thermal power generation facility, which is scheduled to start operation in April 2015.

Tainai Wind Farm Co., Ltd. in Niigata prefecture, which became a Group company in December 2013, is constructing wind power generation facilities, which is scheduled to start operation in September 2014.



# Topics

## Energy Trade Division

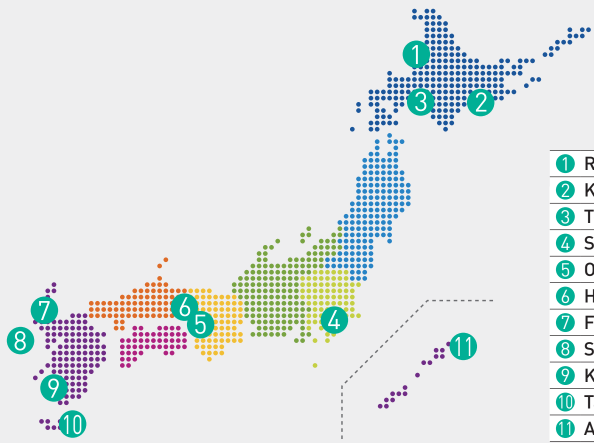
### Expansion of asphalt sales network

In the asphalt sales business, we added two new ocean-going asphalt tankers ("Great Crane" and "Angel Blue") in fiscal 2013 to the tanker "Black Dragon," which was completed in fiscal 2012, aiming to further optimize and enhance our distribution capabilities. Using this network of three company-owned tankers and 11 asphalt terminals all over Japan, we have built an asphalt supply structure that provides our services from Hokkaido to Kyushu.

We continue to strengthen our national sales network and stable supply structure so as to meet domestic asphalt demand and our customer's needs.

Asphalt tanker, "Angel Blue"

Sodegaura Asphalt Terminal



| | | |
|---|---|---|
| ❶ Rumoi Asphalt Terminal | Rumoi City, Hokkaido Prefecture | 3,500 tons |
| ❷ Kushiro Asphalt Terminal | Kushiro City, Hokkaido Prefecture | 2,700 tons |
| ❸ Tomakomai Asphalt Terminal | Tomakomai City, Hokkaido Prefecture | 3,800 tons |
| ❹ Sodegaura Asphalt Terminal | Sodegaura City, Chiba Prefecture | 10,000 tons |
| ❺ Osaka Asphalt Terminal | Osaka City, Osaka Prefecture | 5,000 tons |
| ❻ Himeji Asphalt Terminal | Himeji City, Hyogo Prefecture | 3,400 tons |
| ❼ Fukuoka Asphalt Terminal | Fukuoka City, Fukuoka Prefecture | 3,600 tons |
| ❽ Sasebo Asphalt Terminal | Sasebo City, Nagasaki Prefecture | 3,000 tons |
| ❾ Kajiki Asphalt Terminal | Aira-gun, Kagoshima Prefecture | 2,600 tons |
| ❿ Tanegashima Asphalt Terminal | Nishinoomote City, Kagoshima Prefecture | 600 tons |
| ⓫ Amami-Oshima Asphalt Terminal | Oshima-gun, Kagoshima Prefecture | 600 tons |

## Total Home-Life Division

### Propositions of photovoltaic power generation systems for industrial and public use

At the Total Home-Life Division, we sell gas equipment and smart-energy equipment through our Group companies and distributors in various areas.

In particular, we are expanding the sales volume of photovoltaic power generation systems by selling them not only for home use but also for industrial and public use. Since stable revenue from electricity sales can be expected under feed-in tariff system (FIT), we forecast that this trend will continue in 2014. We will continue to strengthen sales of smart-energy equipment and support the building of environmentally friendly towns as an energy company.

A photovoltaic power generation system installed on the roof of a cattle shed (Masuda City, Shimane Prefecture)

### Establishment of ing Energy Corporation to strengthen and enhance efficiency of LP gas business

At the Total Home-Life Division, in order to strengthen sales of LP gas, we are strengthening and enhancing the efficiency of our distribution and sales networks. As part of these efforts, in the Kanto area, we have entered into a capital tie-up with ing Corporation and established a new company (ing Energy Corporation). Under this framework, we started jointly operating the LP gas business in fiscal 2013. The establishment of the new company has enabled us to combine the business resources of the two capital tie-up partners and further enhance management and investment efficiency.

We continue to construct a stable and competitive LP gas supply system by pressing ahead in various areas.

Head office of ing Energy Corporation (inside the head office of ing Corporation)

## Car-Life Division

### Osaka Car Life Group Co., Ltd. was made an Itochu Enex Group company

**Itochu Enex acquired 51.95% of the issued shares of Osaka Car Life Group Co., Ltd. in May 2014, making it an Itochu Enex Group company.**

Osaka Car Life Group is a holding company, with subsidiaries including Nissan Osaka Sales Co., Ltd., the largest Nissan Motor Co., Ltd.-affiliated dealer in Japan with net sales of approximately ¥100.0 billion and the only Nissan dealer within Osaka Prefecture. With this acquisition of shares, our Car-Life Division will extend its reach beyond sales of fuel and other products and operation of CS by making a full-scale entry into the automobile-related business. We believe this 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 assets of Osaka Car Life Group and Itochu Enex will further enhance our existing base, which primarily includes fuel sales. We will also pursue synergies to propose new value for customers' motoring lifestyles.


Nissan Osaka Sales Co., Ltd. (Takatsuki store)

**Outline of company**

| | |
|---|---|
| Company name | Osaka Car Life Group Co., Ltd. |
| Location | 3-14-22, Minamihorie, Nishi-ku, Osaka-shi, Osaka |
| Representative | Takahisa Shirato, Representative Director and President |
| Capital | ¥310 million |
| Established | November 10, 2009 |
| Composition of shareholders | Itochu Enex Co., Ltd.: 51.95%<br>Nissan Network Holdings Co., Ltd.: 46.75%<br>Others: 1.30% |
| Net sales | ¥105,920 million (fiscal year ended March 31, 2013) |

## Power & Utility Division

### Strengthening of JEN Group's power generation capacity

At JEN Holdings Co., Ltd., which forms the core of our electric power business, we are working to increase power generation capacity in order to strengthen our business base.

As part of this initiative, we decided in July 2013 to carry out construction to enhance the coal thermal power generation plant of JEN Group company, Hofu Energy Service Co., Ltd. (Hofu City, Yamaguchi Prefecture). Through this work, which is intended to expand power generation capacity with the use of existing infrastructure, we plan to increase output by 36 megawatts in March 2015.

Furthermore, in October 2013, we started operations at Itochu Enex's first mega-solar power plant, which consists of approximately 4,000 photovoltaic panels, at another JEN Group company, JEN Kusu Wind Farm Co., Ltd. (Kusu-gun, Oita Prefecture). The plant is able to cover the annual power needs of approximately 300 ordinary homes with a power generation capacity of approximately 1 megawatt.

More recently, we brought JEN Tainai Wind Farm Co., Ltd. (Tainai City, Niigata Prefecture) into the Itochu Enex Group in December 2013, and we are currently constructing the third wind power generation facility in Tainai City, Niigata Prefecture (power generation capacity: 20 megawatts). Construction is scheduled to be completed at the end of August 2014.

At the Itochu Enex Group, we develop diverse power sources including renewable energy. We continue to work to expand our electric power business and to establish a stable supply structure.

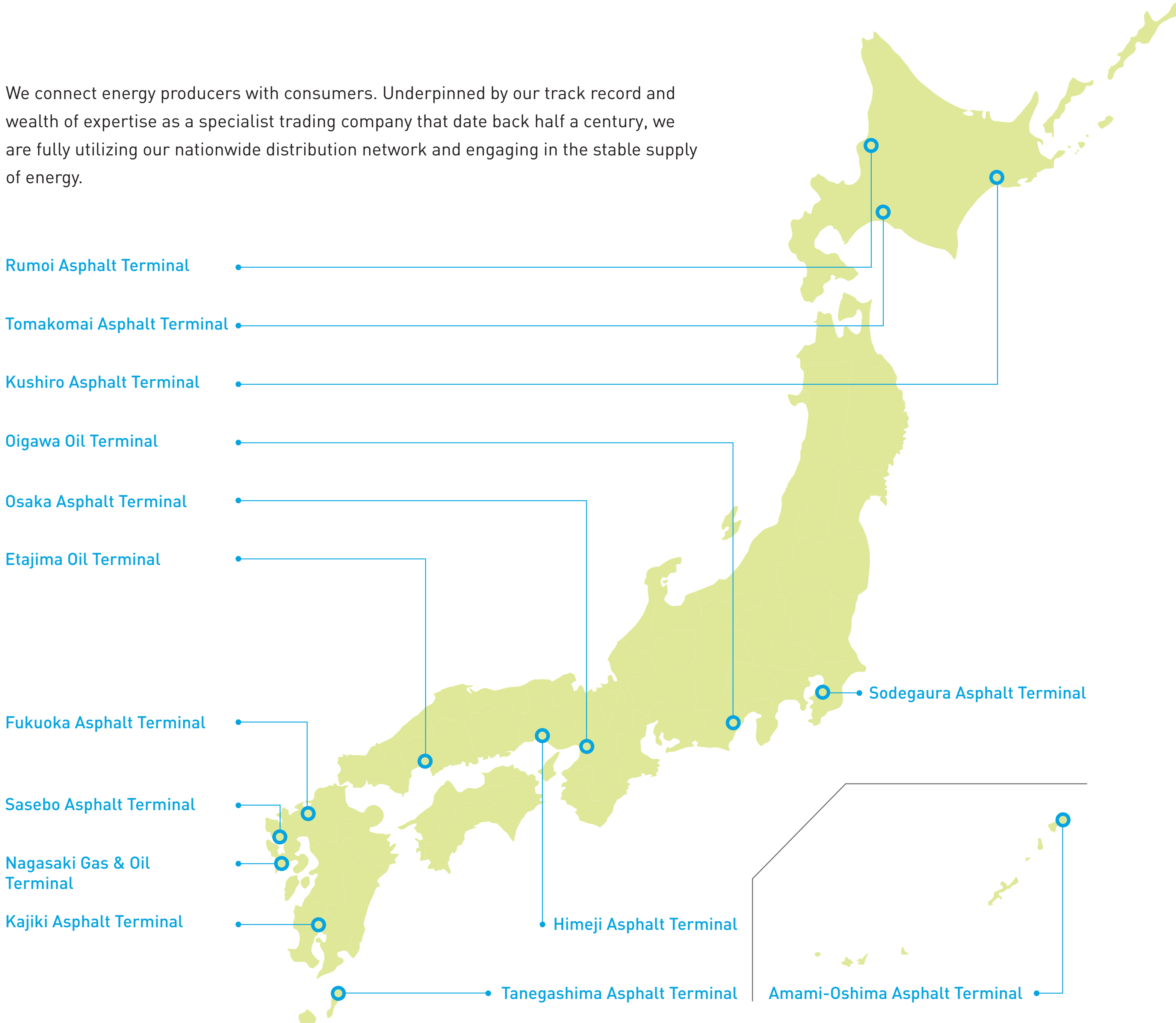
Coal thermal power generation plant currently under construction (Hofu City, Yamaguchi Prefecture)

Mega-solar power plant (Kusu-gun, Oita Prefecture)

Wind power generation facility currently under construction (Tainai City, Niigata Prefecture)

# The Nationwide Energy Network of Itochu Enex

We connect energy producers with consumers. Underpinned by our track record and wealth of expertise as a specialist trading company that date back half a century, we are fully utilizing our nationwide distribution network and engaging in the stable supply of energy.




## Nationwide Sales Network (As of March 31, 2014)

The Enex Group sells gasoline, kerosene, gas oil and oil to approximately 2,100 affiliated CSs, making us the No. 1 energy trading company in Japan. The Group also sells LPG to approximately one million households nationwide through approximately 1,600 sales points.

| No. of CSs | LPG sales points | No. of auto gas stations |
|---|---|---|
| App. 2,100<br>No. 1 Energy Trading Company | App. 1,600 | 45 |

## Major Enex Group Oil Tank/Terminal Facilities

Utilizing storage and supply facilities that cover upstream to downstream energy distribution, we conduct efficient operations from procurement and storage to delivery to market while giving due consideration to the balance between supply and demand.

### Petroleum product storage facilities


Etajima Oil Terminal


Oigawa Oil Terminal

Nagasaki Gas & Oil Terminal

| | Location | Number of Tanks | Tank Applications | Tank Capacity |
|---|---|---|---|---|
| Etajima Oil Terminal | Etajima-shi, Hiroshima | 8 | Petroleum products (4) / caustic soda (4) | 143,550KL |
| Oigawa Oil Terminal | Yaizu-shi, Shizuoka | 10 | Petroleum products (3) / chemicals (7) | 15,415KL |
| Nagasaki Gas & Oil Terminal | Nagasaki-shi, Nagasaki | 6 | Petroleum products | 4,797KL |

### Asphalt terminal

| | |
|---|---|
| Location | Sodegaura City, Chiba Prefecture |
| Tank Capacity | 5,000 tons × 2 tanks |


Sodegaura Asphalt Terminal

**Other asphalt terminals**

Rumoi, Kushiro, Tomakomai, Osaka, Himeji, Fukuoka, Sasebo, Kajiki, Tanegashima, Amami-Oshima

### High-pressure gas stations

| | |
|---|---|
| Location | Sagamihara City, Kanagawa Prefecture |
| Tank Applications | Industrial high-pressure gas<br>Medical high-pressure gas |
| Tank Capacity | 83 tons |


ITOCHU INDUSTRIAL GAS CO., LTD., Kanagawa Branch

**Other high-pressure gas stations**

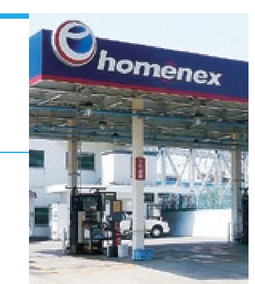
Kita-kanto Branch, Chiba Branch, Buzen Factory (Kyushu), etc., of ITOCHU INDUSTRIAL GAS CO., LTD.

### LPG stations

| | |
|---|---|
| Location | Nationwide |
| Number | 41 |


### Auto gas stations

| | |
|---|---|
| Location | Nationwide |
| Number | 45 |



## Corporate governance

### Corporate Governance Structure

Based on the Group Code of Conduct—"Be Virtuous" (Reliability and sincerity, creativity and ingenuity, transparency and integrity)—and the Declaration of the Group Code of Conduct, Itochu Enex's management continuously endeavors to strengthen corporate governance as it strives to manage Group operations while constantly keeping in mind the need to ensure thorough compliance, the importance of shareholders' interests, management transparency, and swifter decision-making.

We also introduced an executive officer system to separate the execution of operations from decisions on basic management policies made by the Board of Directors and to accelerate management.

### Internal Control Systems

Based on revisions to the Basic Policy on Internal Control Systems implemented on April 1, 2013, we have established a corporate structure designed to ensure corporate governance, compliance, and the appropriateness of our financial reporting, etc. In addition, we periodically evaluate such operations and revise as necessary.

### Appropriate Disclosures

We focus efforts on information disclosures from the point of view of ensuring management transparency and endeavors to make quick and accurate disclosures in line with the Tokyo Stock Exchange's rules regarding timely disclosures.

### Systems for Handling Emergency Situations

We have revised our "Emergency Contact Network" in accordance with recent organizational restructuring. The Emergency Contact Network enables the Company to quickly obtain an accurate grasp of the situation and respond appropriately in the event of an accident or risk arising 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 in the event of a major earthquake, natural disaster or other accident. The system is operational around the clock, 365 days a year.

### BCP/Disaster Response Headquarters

In preparation for natural disasters and other unpredictable events that could interrupt business operations, we have formulated a business continuity plan (BCP).

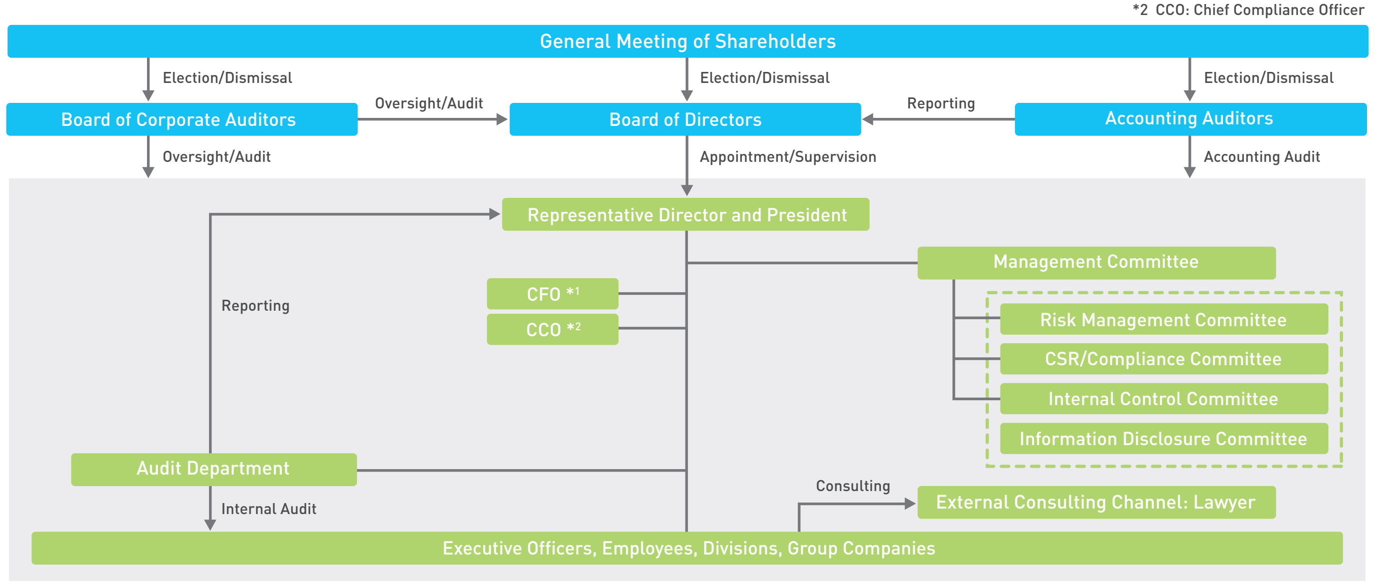
At such times, important functions will be consolidated in the BCP/Disaster Response Headquarters.

The Headquarters 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 to provide a unified chain of command and expand systematic collaboration in order to realize a unified response to the disaster by the entire Company.

In preparation for the event that the Company's head office in Tokyo is shut down by a major disaster in the Tokyo Metropolitan Area, we have established a backup system that transfers corporate headquarter functions to either the Chubu or Kansai branch office.

### Corporate Governance System

*1 CFO: Chief Financial Officer
*2 CCO: Chief Compliance Officer




## Compliance

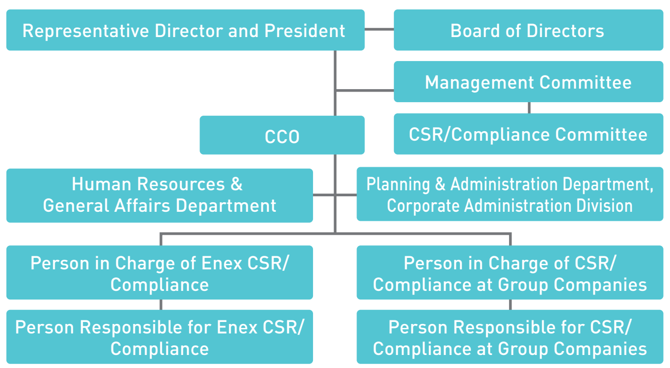
### Importance of Compliance

As the Itochu Enex Group has been expanding its organization in line with the transformation of its business model, it is becoming increasingly important to realize a unity of consciousness and to strengthen systems across the entire Group to ensure safety of business operations, reduce the various risks, and prevent such emergencies from occurring. Recognizing now, more than ever, the importance of compliance within the Group, the Itochu Enex Group stands united in its efforts to thoroughly instill in the Group a compliance culture of the highest caliber.

### CSR/Compliance System

The Company's CSR/Compliance System consists of Chief Compliance Officer (CCO) as the head of the entire system, the CSR/Compliance Committee as an advisory panel reporting to the Management Committee, and persons in charge of CSR/compliance at each business division and Group companies. We are working to achieve thorough adherence to our CSR and compliance rules throughout the Group by ensuring the roles and functions of each individual and unit in the CSR/Compliance System are conducted on an organizational basis.

### CSR/Compliance System




### CSR/Compliance Committee

This organization, which is chaired by the CCO, plays a central role in the CSR/Compliance System.

The CSR/Compliance Committee is convened by the CCO, and performs comprehensively structured examination of company-wide policies related to the social responsibility of the Itochu Enex Group, important environmental improvement activities (Environmental Management System), and various issues concerning security. The committee also takes necessary decisions and puts forward appropriate proposals.

### Important Themes of Compliance

#### 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, mental 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.

#### 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. With the COO serving as head who is charged with overall responsibility for ensuring security of the entire Group, and with a department responsible for CSR and security system in place at each business division, we work to enhance safety awareness by raising the consciousness of the need to ensure security among all Group employees.

In addition, we regularly hold a "Security Meeting," which is attended by the departments responsible for CSR and security system of each business division. The role of the meeting is to ensure security of the entire Group by achieving sharing and coordinated utilization of security-related information and has been utilized to extend beyond the confines of our business divisions.

#### 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.

#### 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 protecting personal information, establishes systems for controlling personal information and preventing inappropriate access to it, 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, it takes measures to ensure that business operations are properly handling personal information in accordance with the Policy.

# Directors and Officers (As of Aug 1, 2014)


Representative Director and President
**Kenji Okada**


Representative Director and Senior Managing Officer
**Hiroshi Arai**
General Manager for Corporate Planning Division, Chief Compliance Officer


Representative Director and Senior Managing Officer
**Masaaki Itoyama**
General Manager for Home-Life Division


Director and Managing Officer
**Tatsunosuke Nagao**
General Manager for Energy Trade Division


Director and Managing Officer
**Koji Tsutsumi**
General Manager for Car-Life Division


Director and Managing Officer
**Masahiko Takasaka**
General Manager for Power & Utility Division


Director and Executive Officer
**Masayasu Tanaka**
General Manager for Corporate Administration Division and Chief Financial Officer


Director and Executive Officer
**Tsukasa Nakamura**
Deputy General Manager for Energy Trade Division


Director (outside)
**Takashi Yasuda**
Chief Operating Officer for Energy Division No.1 of ITOCHU Corporation


Standing Corporate Auditor
**Masanobu Takagi**


Standing Corporate Auditor (outside)
**Hisayoshi Ojima**


Corporate Auditor (outside)
**Tadashi Utsunomiya**
Chief Financial Officer for Energy & Chemicals Company, ITOCHU Corporation


Corporate Auditor (outside)
**Toshiharu Kawai**
(Certified public accountant)


Managing Officer
**Fumio Shimizu**
Manager for Hokkaido Branch in Car-Life Division, Representative Director and President for Itochu Enex Home-Life Hokkaido Co., Ltd.


Managing Officer
**Masanori Toyoshima**
Deputy General Manager for Home-Life Division


Executive Officer
**Koji Yamada**
Manager for Kyushu Branch in Car-Life Division


Executive Officer
**Masatsugu Takashima**
General Manager for Investigation & Public Relations Department in Corporate Planning Division


Executive Officer
**Toshiyuki Tsuruoka**
General Manager for Asphalt Department in Energy Trade Division


Executive Officer
**Kouichi Otabe**
General Manager for Marine Fuels Department in Energy Trade Division


Executive Officer
**Nobusuke Ozaki**
Deputy General Manager for Corporate Administration Division, General Manager for ENEX ACADEMY Planning Department


Executive Officer
**Keiichi Matsuzuka**
General Manager for Power Business Department in Power & Utility Division, Representative Director and President for JEN Holdings Co.,Ltd.


Executive Officer
**Naohiro Matsuzawa**
General Manager for Planning & Administration Department in Energy Trade Division


Executive Officer
**Kyosuke Wakamatsu**
General Manager for Corporate Planning Department in Corporate Planning Division


Executive Officer
**Jouji Ogawa**
Deputy General Manager for Car-Life Division


Executive Officer
**Takeo Fukushima**
General Manager for Solution Engineering Department in Power & Utility Division



## Financial Section

## Consolidated Financial Statements

### 1. Consolidated Statement of Financial Position

(Millions of yen)

| | Notes | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|---|
| ASSETS | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 7 | 15,436 | 18,062 | 14,251 |
| Trade receivables | 8 | 140,549 | 136,578 | 140,289 |
| Other current financial assets | 9 | 11,072 | 11,448 | 11,213 |
| Inventories | 10 | 16,027 | 18,134 | 18,655 |
| Trade advances paid | | 2,061 | 3,085 | 2,108 |
| Other current assets | | 1,169 | 1,889 | 1,677 |
| Total current assets | | 186,314 | 189,196 | 188,193 |
| Non-current assets | | | | |
| Investments accounted for by the equity method | 11 | 5,987 | 6,032 | 5,927 |
| Other investments | 9 | 7,395 | 8,925 | 7,349 |
| Non-current financial assets other than investments | 9 | 9,322 | 10,573 | 10,598 |
| Property, plant and equipment | 12, 15, 38 | 41,008 | 57,655 | 66,988 |
| Investment property | 13 | 15,060 | 15,632 | 14,236 |
| Goodwill | 14 | – | – | 229 |
| Intangible assets | 14, 15 | 7,119 | 10,999 | 10,280 |
| Deferred tax assets | 16 | 14,722 | 14,996 | 15,162 |
| Other non-current assets | | 1,796 | 1,885 | 1,762 |
| Total non-current assets | | 102,409 | 126,697 | 132,531 |
| Total assets | 5 | 288,723 | 315,893 | 320,724 |

(Millions of yen)

| | Notes | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|---|
| LIABILITIES AND EQUITY | | | | |
| Current liabilities | | | | |
| Short-term bonds and borrowings | 17 | 20,485 | 14,745 | 11,499 |
| Trade payables | 18 | 125,181 | 124,046 | 125,655 |
| Other current financial liabilities | 19 | 5,675 | 6,678 | 5,026 |
| Income taxes payable | 16 | 2,452 | 3,994 | 4,021 |
| Advances from customers | | 4,963 | 5,501 | 5,648 |
| Other current liabilities | 20, 21 | 5,630 | 6,774 | 6,487 |
| Total current liabilities | | 164,386 | 161,738 | 158,336 |
| Non-current liabilities | | | | |
| Non-current bonds and borrowings | 17 | 10,306 | 26,158 | 27,099 |
| Other non-current financial liabilities | 19 | 16,575 | 17,371 | 17,660 |
| Non-current liabilities for employee benefits | 22 | 6,664 | 7,005 | 7,042 |
| Deferred tax liabilities | 16 | 1,270 | 2,473 | 2,409 |
| Provisions | 21 | 2,433 | 2,934 | 3,372 |
| Other non-current liabilities | | 646 | 559 | 686 |
| Total non-current liabilities | | 37,894 | 56,500 | 58,268 |
| Total liabilities | | 202,280 | 218,238 | 216,604 |
| Equity | | | | |
| Common stock | 23 | 19,878 | 19,878 | 19,878 |
| Capital surplus | 23 | 18,737 | 18,737 | 18,737 |
| Retained earnings | 23 | 49,537 | 54,086 | 59,884 |
| Other components of equity | 24 | (2,504) | (1,527) | (2,098) |
| Treasury stock | 23 | (1,750) | (1,750) | (1,750) |
| Total equity attributable to owners of the parent | | 83,898 | 89,424 | 94,651 |
| Non-controlling interests | 37 | 2,545 | 8,231 | 9,469 |
| Total equity | | 86,443 | 97,655 | 104,120 |
| Total liabilities and equity | | 288,723 | 315,893 | 320,724 |

* See accompanying notes to consolidated financial statements.

## 2. Consolidated Statement of Comprehensive Income

(Millions of yen)

| | Notes | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|---|
| Revenue | 27 | 864,589 | 966,044 |
| Cost of sales | | (794,923) | (894,445) |
| Gross profit | | 69,666 | 71,599 |
| Other expense | | | |
| Selling, general and administrative expense | 28 | (55,668) | (57,878) |
| Loss from tangible assets, intangible assets and goodwill | 29, 30 | (914) | (1,460) |
| Other – net | 31 | (346) | (402) |
| Total other expense | | (56,928) | (59,740) |
| Profit from operating activities | | 12,738 | 11,859 |
| Financial income and costs | 32 | | |
| Interest income | | 27 | 22 |
| Dividends received | | 255 | 248 |
| Interest expense | | (754) | (721) |
| Other financial income and costs – net | | (4) | (5) |
| Total financial income and costs | | (476) | (456) |
| Share of profit (loss) of investments accounted for by the equity method | 11 | (28) | 528 |
| Profit from sales of investments in subsidiaries and associates | | – | 1,897 |
| Profit before tax | | 12,234 | 13,828 |
| Income tax expense | 16 | (4,841) | (5,788) |
| Profit | | 7,393 | 8,040 |
| Profit attributable to owners of the parent | | 6,470 | 7,119 |
| Profit attributable to non-controlling interests | | 923 | 921 |

(Millions of yen)

| | Notes | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|---|
| Other comprehensive income (net of tax effect) | | | |
| Items that will not be reclassified to profit or loss | | | |
| FVTOCI financial assets | | 918 | 102 |
| Remeasurement of net defined benefit liability | | (117) | 58 |
| Other comprehensive income in associates accounted for by the equity method | 11 | 1 | 1 |
| Items that may be reclassified to profit or loss | | | |
| Exchange differences on translating foreign operations | | – | 21 |
| Cash flow hedges | | 13 | (313) |
| Other comprehensive income in associates accounted for by the equity method | 11 | 51 | 46 |
| Total other comprehensive income (net of tax effect) | 24 | 866 | (85) |
| Comprehensive income | | 8,259 | 7,955 |
| Comprehensive income attributable to owners of the parent | | 7,334 | 7,036 |
| Comprehensive income attributable to non-controlling interests | | 925 | 919 |

(Yen)

| | | | |
|---|---|---|---|
| Earnings per share (attributable to owners of the parent) | | | |
| Basic | 33 | 57.26 | 63.00 |
| Diluted | 33 | – | – |

(Millions of yen)

| | | | |
|---|---|---|---|
| Total trading transactions | | 1,430,746 | 1,506,606 |

(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 consolidated subsidiaries conducted as a party in contracts and for which they acted as an agent. This item is voluntarily disclosed by the Company for investors' convenience and is not required to be disclosed under International Financial Reporting Standards ("IFRSs").

* See accompanying notes to consolidated financial statements.

## 3. Consolidated Statement of Changes in Equity

(Millions of yen)

| | Notes | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|---|
| 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 | 18,737 |
| Balance at the end of the year | | 18,737 | 18,737 |
| Retained earnings | 23 | | |
| Balance at the beginning of the year | | 49,537 | 54,086 |
| Profit attributable to owners of the parent | | 6,470 | 7,119 |
| Transfer from other components of equity | | (113) | 487 |
| Dividends paid to owners of the parent | 25 | (1,808) | (1,808) |
| Balance at the end of the year | | 54,086 | 59,884 |
| Other components of equity | 24 | | |
| Balance at the beginning of the year | | (2,504) | (1,527) |
| Other comprehensive income attributable to owners of the parent | | 864 | (84) |
| Transfer to retained earnings | | 113 | (487) |
| Balance at the end of the year | | (1,527) | (2,098) |
| Treasury stock | 23 | | |
| Balance at the beginning of the year | | (1,750) | (1,750) |
| Purchase and disposal of treasury stock | | (0) | (0) |
| Balance at the end of the year | | (1,750) | (1,750) |
| Total equity attributable to owners of the parent | | 89,424 | 94,651 |
| Non-controlling interests | 37 | | |
| Balance at the beginning of the year | | 2,545 | 8,231 |
| Profit attributable to non-controlling interests | | 923 | 921 |
| Other comprehensive income attributable to non-controlling interests | | 2 | (1) |
| Dividends paid to non-controlling interests | | (132) | (175) |
| Changes due to additional acquisitions and sales of interests in subsidiaries | | 4,893 | 493 |
| Balance at the end of the year | | 8,231 | 9,469 |
| Total equity | | 97,655 | 104,120 |

* See accompanying notes to consolidated financial statements.

## 4. Consolidated Statement of Cash Flows

(Millions of yen)

| | Notes | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|---|
| Cash flows from operating activities | | | |
| Profit before tax | | 12,234 | 13,828 |
| Depreciation and amortization | | 9,226 | 10,226 |
| Loss on doubtful accounts | | 84 | 826 |
| Loss from tangible assets, intangible assets and goodwill | | 914 | 1,460 |
| Financial income and costs | | 476 | 456 |
| Share of loss (profit) of investments accounted for by the equity method | | 28 | (528) |
| Profit from sales of investments in subsidiaries and associates | | – | (1,897) |
| Decrease (increase) in trade receivables | | 6,001 | (4,098) |
| Increase in inventories | | (2,112) | (129) |
| Increase (decrease) in trade payables | | (1,432) | 1,309 |
| Other – net | | 1,523 | 2,376 |
| Interest and dividends received | | 365 | 440 |
| Interest expense | | (707) | (614) |
| Income taxes paid | | (3,846) | (6,125) |
| Net cash flows provided by operating activities | | 22,754 | 17,530 |
| Cash flows from investing activities | | | |
| Purchase of investments accounted for by the equity method | | (100) | (0) |
| Proceeds from sales of investments accounted for by the equity method | | 312 | 2,397 |
| Purchase of investments | | (1,417) | (917) |
| Proceeds from sales of investments | | 1,583 | 2,830 |
| Acquisition of subsidiaries, net of cash acquired | 34 | (8,971) | (1,426) |
| Payment for loans receivable | | (8,071) | (1,958) |
| Collection of loans receivable | | 1,527 | 1,190 |
| Payments for purchase of property, plant and equipment and investment property | | (9,184) | (15,105) |
| Proceeds from sales of property, plant and equipment and investment property | | 1,640 | 1,704 |
| Purchase of intangible assets | | (2,300) | (1,385) |
| Proceeds from sales of intangible assets | | 51 | 114 |
| Net cash flows used in investing activities | | (24,930) | (12,556) |
| Cash flows from financing activities | | | |
| Proceeds from bonds and borrowings | | 21,241 | 992 |
| Repayments of bonds and borrowings | | (10,046) | (7,872) |
| Net increase (decrease) in short-term borrowings | | (4,526) | 5 |
| Equity transactions with non-controlling interests | | 30 | – |
| Dividends paid to owners of the parent | 25 | (1,808) | (1,808) |
| Dividends paid to non-controlling interests | | (132) | (175) |
| Other – net | | (0) | (1) |
| Net cash flows provided by (used in) financing activities | | 4,759 | (8,859) |
| Net increase (decrease) in cash and cash equivalents | | 2,583 | (3,885) |
| Cash and cash equivalents at the beginning of the year | 7 | 15,436 | 18,062 |
| Effect of exchange rate changes on cash and cash equivalents | | 43 | 74 |
| Cash and cash equivalents at the end of the year | 7 | 18,062 | 14,251 |

* 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, 2014, 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") with providing related services in Japan and overseas as well as power supply of electricity and heat in Japan.

### 2. Basis of Consolidated Financial Statements

(1) Compliance with IFRSs and First-time Adoption

The Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRSs").

The Group adopted IFRSs for the first time for the fiscal year ended March 31, 2014, and the date of transition to IFRSs was April 1, 2012. These consolidated financial statements are the Group's first consolidated financial statements prepared in accordance with IFRSs, and IFRS 1 "First-time Adoption of International Financial Reporting Standards" ( "IFRS 1") has been adopted. The effects of transition to IFRSs on the Group's financial position, operating results and cash flows are stated in Note 42. "Disclosure on Transition to IFRSs". These consolidated financial statements were approved at the Board of Directors' meeting of the Company held on June 16, 2014.

(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) 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 and December 2011) and International Accounting Standard ("IAS") 36 "Impairment of Assets" (revised in May 2013—Recoverable Amount Disclosures for Non-Financial Assets).

(5) 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 in or before the fiscal year ended March 31, 2014, and the Group has not early adopted them.

| Standard | Title | Mandatory adoption (From the fiscal year beginning) | To be adopted by the Group | Description of new/amended standards or interpretations |
|---|---|---|---|---|
| IFRS 7 | Financial Instruments: Disclosures | (Note) | (Note) | Amendment to disclosure requirements on hedge accounting |
| IFRS 8 | Operating Segments | July 1, 2014 | Fiscal year ending March 31, 2016 | Enhancement of disclosure in the case where operating segments are aggregated<br>Clarification of requirements for disclosure of a reconciliation from the total amount of reportable segment assets to total assets of the entity |
| IFRS 9 | Financial Instruments | (Note) | (Note) | Amendment to hedge accounting for general hedge |
| IFRS 15 | Revenue from Contracts with Customers | January 1, 2017 | Fiscal year ending March 31, 2018 | Establishment of accounting and disclosure on revenue arising from contracts with customers |
| IAS 19 | Employee Benefits | July 1, 2014 | Fiscal year ending March 31, 2016 | Amendment to accounting treatment for contributions by employees, etc., in defined benefit plans |
| IAS 32 | Financial Instruments: Presentation | January 1, 2014 | Fiscal year ending March 31, 2015 | Clarification of presentation requirements for offsetting of financial assets and financial liabilities |
| IAS 40 | Investment Property | Adopted to investment properties that are acquired on or after July 1, 2014 | | Clarification that it should be determined in accordance with the guidance described in IFRS 3 whether acquisition of an investment property is acquisition of an asset or business combination |
| IFRIC 21 | Levies | January 1, 2014 | Fiscal year ending March 31, 2015 | Establishment of accounting and disclosure for liabilities associated with levies |

(Note) For IFRS 7 and IFRS 9, the timing of mandatory adoption has not been determined.

The Group reflects each of the above IFRSs or interpretations in its consolidated financial statements for the above year in which the Group adopts these standards or interpretations. The impact of adoption of these IFRSs or interpretations is under consideration and cannot be estimated at this time.

### 3. Significant Accounting Policies

Accounting policies described below are applied to all the periods presented in the consolidated financial statements (including the consolidated statement of financial position as of the transition date), unless otherwise specified.

(1) Basis of Consolidation

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

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 a 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

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. From the day on which the Group acquires significant influence until the day on which the significant influence is lost, the investment is initially recognized at cost and adjusted thereafter for the amount equivalent to the Group's share of net assets of the investee. Profit or loss and other comprehensive income recorded by the investee 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 an associate, the balance is included in the carrying amount of the investment. Dividends received from an associate are deducted from the investment value.

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

If the Group loses significant influence over an associate 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 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 are 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.

The Group has adopted the exemption in IFRS 1 and has not applied IFRS 3 "Business Combinations" retrospectively to business combinations that arose prior to September 1, 2008, which were accounted for under the previous accounting standards (generally accepted accounting principles in Japan ("Japanese GAAP")) adopted by the Group.

(3) Foreign Currency Translation

Transactions in foreign currencies are translated into 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 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.

As the Group has adopted the optional exemption in IFRS 1, all of the cumulative amount of translation adjustments before the date of transition to IFRSs (April 1, 2012) is reclassified to retained earnings.

(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 unitized 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 forecast 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 forecast 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, cash flow hedges and hedges of net investment in foreign operations, the Group assesses whether the hedge is expected to be highly effective at inception of the hedge. In addition, the Group assesses whether the derivative instrument is effectively offsetting the impact of changes in the fair value or future cash flows of the hedged item on an ongoing basis.

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 in accordance with IAS 39 "Financial Instruments: Recognition and Measurement".

(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 principally comprise the following amounts.

- 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

Depreciation of these costs commences when the asset becomes usable. For the costs of some items of property, plant and equipment, the Group has applied the exemption in IFRS 1 and uses fair value as of the transition date as deemed cost.

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
- Software: 5 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 contact 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. 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 are 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 involves 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, expect 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 and associates 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 owners of the parent entity 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 impacted 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 whose separate financial information is available. These segments are periodically evaluated by the Board of Directors in deciding how to allocate management resources and in assessing performance.

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

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

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

The Total Home-Life Division is engaged in the sale of LPG, equipment (combustion, kitchen, air conditioning, other household equipment, etc.), next-generation energy equipment (solar power generation systems, fuel cells, etc.) and other lifestyle products, and rendering of home-related services.

The Power & Utility Division is engaged in the electricity and steam supply business (electricity, steam, etc.), heat supply service for air conditioning and LNG (liquefied natural gas) sale business.

Other businesses include the development and promotion of overseas projects and commissioned business for clerical work.

In the fiscal year ended March 31, 2014, positioning the power and utility business and the overseas business as priority fields, while expanding and enhancing the existing core petroleum and gas-related business, the Group implemented Group-wide organizational reform in order to improve speed, flexibility, and governance in each field.

According to this reform, the Group integrated the Industrial Material Division and the Global Trade Division into the Energy Trade Division, as well as the Home-Life Division and the Total-Life Division into the Total Home-Life Division. The Group also established the new Power & Utility Division. Businesses, including the electricity and steam supply business and the heat supply business, which had been previously conducted by the Industrial Material Division, were incorporated into this segment.

The segment information for the fiscal year ended March 31, 2013, was restated and reclassified into the segments used for the fiscal year ended March 31, 2014.

(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, 2013

(Millions of yen)

| | Reportable segment | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Energy Trade | Car-Life | Total Home-Life | Power & Utility | Total | Other | Total | Adjustment | Consoli-dated |
| Revenue | | | | | | | | | |
| Revenue from external customers | 213,816 | 523,314 | 104,445 | 22,865 | 864,440 | 149 | 864,589 | – | 864,589 |
| Intersegment revenue | 2,511 | 12,880 | 156 | – | 15,547 | 297 | 15,844 | (15,844) | – |
| Total revenue | 216,327 | 536,194 | 104,601 | 22,865 | 879,987 | 446 | 880,433 | (15,844) | 864,589 |
| Gross profit | 8,739 | 30,575 | 26,127 | 4,101 | 69,542 | 124 | 69,666 | – | 69,666 |
| Selling, general and administrative expense | (4,897) | (26,916) | (21,944) | (2,023) | (55,780) | (62) | (55,842) | 174 | (55,668) |
| Loss from tangible assets, intangible assets and goodwill | (164) | (94) | 8 | (380) | (630) | – | (630) | (284) | (914) |
| Other profit (loss) | (1,092) | 417 | 189 | 117 | (369) | 2 | (367) | 21 | (346) |
| Profit from operating activities | 2,586 | 3,982 | 4,380 | 1,815 | 12,763 | 64 | 12,827 | (89) | 12,738 |
| Financial income (costs) | (195) | (71) | (24) | (331) | (621) | (3) | (624) | 148 | (476) |
| Share of profit (loss) of investments accounted for by the equity method | 5 | 26 | 367 | (409) | (11) | – | (11) | (17) | (28) |
| Segment profit | 2,396 | 3,937 | 4,723 | 1,075 | 12,131 | 61 | 12,192 | 42 | 12,234 |
| | | | | | | | | | |
| Other items | | | | | | | | | |
| Depreciation and amortization | (372) | (3,222) | (2,923) | (2,340) | (8,857) | (7) | (8,864) | (362) | (9,226) |
| Impairment loss | (25) | (71) | (13) | – | (109) | – | (109) | (118) | (227) |
| Segment assets | 96,453 | 100,270 | 58,178 | 38,903 | 293,804 | 819 | 294,623 | 21,270 | 315,893 |
| Investments accounted for by the equity method | 105 | 91 | 4,354 | 1,029 | 5,579 | – | 5,579 | 453 | 6,032 |
| Capital expenditures | 1,168 | 4,001 | 2,888 | 2,841 | 10,898 | 9 | 10,907 | 577 | 11,484 |
| Total trading transactions | 733,177 | 561,448 | 109,550 | 25,611 | 1,429,786 | 960 | 1,430,746 | – | 1,430,746 |

(Note) Intersegment transactions have been conducted at ordinary transaction prices.
Segment profit was adjusted based on profit before tax in the consolidated statement of comprehensive income.
The adjustment of ¥42 million to segment profit represents corporate profit not allocated to reportable segments.
The adjustment of ¥21,270 million to segment assets represents corporate assets not allocated to reportable segments.
Total trading transactions are an item voluntarily disclosed by the Company and represent the amount of sales in accordance with Japanese accounting practices.

For the fiscal year ended March 31, 2014

(Millions of yen)

| | Reportable segment | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Energy Trade | Car-Life | Total Home-Life | Power & Utility | Total | Other | Total | Adjustment | Consoli-dated |
| Revenue | | | | | | | | | |
| Revenue from external customers | 237,461 | 572,879 | 122,503 | 33,117 | 965,960 | 84 | 966,044 | – | 966,044 |
| Intersegment revenue | 252 | 12,725 | 657 | – | 13,634 | 184 | 13,818 | (13,818) | – |
| Total revenue | 237,713 | 585,604 | 123,160 | 33,117 | 979,594 | 268 | 979,862 | (13,818) | 966,044 |
| Gross profit | 7,620 | 31,292 | 27,250 | 5,359 | 71,521 | 78 | 71,599 | – | 71,599 |
| Selling, general and administrative expense | (4,925) | (28,029) | (22,428) | (2,391) | (57,773) | (67) | (57,840) | (38) | (57,878) |
| Loss from tangible assets, intangible assets and goodwill | (102) | (810) | (17) | (680) | (1,609) | (1) | (1,610) | 150 | (1,460) |
| Other profit (loss) | (342) | (19) | 229 | 72 | (60) | (10) | (70) | (332) | (402) |
| Profit from operating activities | 2,251 | 2,434 | 5,034 | 2,360 | 12,079 | 0 | 12,079 | (220) | 11,859 |
| Financial income (costs) | (242) | (180) | 31 | (102) | (493) | (4) | (497) | 41 | (456) |
| Share of profit (loss) of investments accounted for by the equity method | 8 | 17 | 538 | (14) | 549 | – | 549 | (21) | 528 |
| Profit from sales of investments in subsidiaries and associates | – | – | – | 1,897 | 1,897 | – | 1,897 | – | 1,897 |
| Segment profit (loss) | 2,017 | 2,271 | 5,603 | 4,141 | 14,032 | (4) | 14,028 | (200) | 13,828 |
| | | | | | | | | | |
| Other items | | | | | | | | | |
| Depreciation and amortization | (760) | (2,810) | (2,887) | (3,239) | (9,696) | (8) | (9,704) | (522) | (10,226) |
| Impairment loss | (80) | (740) | (70) | (283) | (1,173) | – | (1,173) | (190) | (1,363) |
| Segment assets | 93,255 | 99,387 | 64,248 | 44,660 | 301,550 | 694 | 302,244 | 18,480 | 320,724 |
| Investments accounted for by the equity method | 100 | 107 | 4,718 | 549 | 5,474 | – | 5,474 | 453 | 5,927 |
| Capital expenditures | 955 | 2,976 | 2,865 | 8,807 | 15,603 | – | 15,603 | 887 | 16,490 |
| Total trading transactions | 730,505 | 612,259 | 126,846 | 36,438 | 1,506,048 | 558 | 1,506,606 | – | 1,506,606 |

(Note) Intersegment transactions have been conducted at ordinary transaction prices.
Segment profit was adjusted based on profit before tax in the consolidated statement of comprehensive income.
The adjustment of negative ¥200 million to segment profit represents corporate loss not allocated to reportable segments.
The adjustment of ¥18,480 million to segment assets represents corporate assets not allocated to reportable segments.
Total trading transactions are an item 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, 2013 and 2014.

(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, 2013 and 2014.

## 6. Business Combinations

For the fiscal year ended March 31, 2013

The major business combination during the fiscal year ended March 31, 2013, was as follows:

Acquisition of TOKYO TOSHI SERVICE COMPANY

The Company acquired 66.6% shares in TOKYO TOSHI SERVICE COMPANY held by Tokyo Electric Power Company on May 22, 2012 (“acquisition date”), and made this company a subsidiary with 66.6% of its voting rights held by the Company. TOKYO TOSHI SERVICE COMPANY is principally engaged in the heat supply business, commissioned heat storage services, commissioned operation of heat supply facilities and energy consulting business. The Company pursues synergies between its existing core business, i.e., sales of petroleum products by the Company and this company’s electricity-related business and heat supply business as a provider of “best mix” energy solutions.

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

(Millions of yen)

| Item | Amount |
|---|---|
| Fair value of consideration paid (Notes 1 and 2) | 9,618 |
| Fair value of non-controlling interests | 4,852 |
| Total | 14,470 |
| Fair value of assets acquired and liabilities assumed | |
| Current assets | 3,334 |
| Non-current assets | 18,576 |
| Current liabilities | (1,362) |
| Non-current liabilities | (6,078) |
| Net assets | 14,470 |

(Notes) 1. The consideration paid was fully 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 ¥111 million was recorded as acquisition-related costs for this business combination.

(2) Fair Value of Acquired Receivables

The total amount and fair value of trade receivables is ¥1,201 million. There are no impaired trade receivables and the contractual amount is expected to be fully collected.

(3) Performance from the Acquisition Date

Operating results of TOKYO TOSHI SERVICE COMPANY from the acquisition date, which are included in the consolidated statement of comprehensive income for the fiscal year ended March 31, 2013, are shown below:

(Millions of yen)

| Item | TOKYO TOSHI SERVICE COMPANY |
|---|---|
| Revenue | 9,382 |
| Profit | 917 |
| Profit attributable to owners of the parent | 635 |

(4) Pro Forma Information

Pro forma information (unaudited information) in the case of assuming that the business combination of TOKYO TOSHI SERVICE COMPANY had been carried out on April 1, 2012, 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, 2014

There were no business combinations during the fiscal year ended March 31, 2014. The significant business combination after March 31, 2014, is 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., 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.

Detailed information on accounting treatment for this business combination is not disclosed, as the initial accounting treatment for this share acquisition was not completed as of the issue date of these consolidated financial statements.

## 7. Cash and Cash Equivalents

Cash and cash equivalents as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, were composed of cash and deposits.

## 8. Trade Receivables

The components of trade receivables are shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Trade receivables | | | |
| Trade receivables | 132,654 | 129,185 | 132,555 |
| Trade notes receivable | 8,202 | 7,612 | 8,705 |
| Allowance for credit losses | (307) | (219) | (971) |
| Total | 140,549 | 136,578 | 140,289 |

## 9. Securities and Other Financial Assets

The components of other current financial assets are shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Other current financial assets | | | |
| Securities (Note) | 999 | 703 | 905 |
| Short-term loans receivable | 691 | 1,016 | 1,869 |
| Other accounts receivable | 7,550 | 7,145 | 7,532 |
| Derivative assets | 1,100 | 1,885 | 169 |
| Other | 732 | 699 | 738 |
| Total | 11,072 | 11,448 | 11,213 |

(Note) The component of securities is shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Securities | | | |
| FVTPL financial assets | 999 | 703 | 905 |
| Total | 999 | 703 | 905 |

The component of other investments is shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Other investments | | | |
| FVTOCI financial assets | 7,395 | 8,925 | 7,349 |
| Total | 7,395 | 8,925 | 7,349 |

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

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Non-current financial assets other than investments | | | |
| Non-current loans receivable | 1,167 | 964 | 805 |
| Non-current lease receivables | 1,750 | 2,424 | 2,123 |
| Guarantee deposits | 6,332 | 7,085 | 7,462 |
| Other | 692 | 603 | 668 |
| Allowance for credit losses | (619) | (503) | (460) |
| Total | 9,322 | 10,573 | 10,598 |

## 10. Inventories

The components of inventories are shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Merchandise and finished goods | 15,253 | 17,288 | 17,820 |
| Raw materials | 774 | 846 | 835 |
| Total | 16,027 | 18,134 | 18,655 |

For the fiscal years ended March 31, 2014 and 2013, the amount of inventories expensed as cost of sales was ¥880,226 million and ¥782,290 million, respectively.

For the fiscal years ended March 31, 2014 and 2013, the amount of inventories written down to net realizable value was ¥51 million and ¥804 million, respectively. 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 the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, was ¥3,676 million, ¥4,285 million and ¥2,823 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

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

As of the date of transition to IFRSs (April 1, 2012), March 31, 2013 and 2014

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

(2) Breakdown of Comprehensive Income from Associates

For investments in associates 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| JAPAN GAS ENERGY CORPORATION | 288 | 486 |
| Other associates | (316) | 42 |
| Total | (28) | 528 |

B. Other Comprehensive Income

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| JAPAN GAS ENERGY CORPORATION | (1) | 9 |
| Other associates | 53 | 38 |
| Total | 52 | 47 |

C. Total Comprehensive Income

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| JAPAN GAS ENERGY CORPORATION | 287 | 495 |
| Other associates | (263) | 80 |
| Total | 24 | 575 |

(3) Summarized Financial Information of Major Associates

Summarized financial information of a major associate accounted for by the equity method is shown below:

JAPAN GAS ENERGY CORPORATION

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Current assets | 43,951 | 42,147 | 52,027 |
| Non-current assets | 6,408 | 5,627 | 4,789 |
| Current liabilities | 34,197 | 30,331 | 37,337 |
| Non-current liabilities | 1,439 | 1,521 | 1,591 |
| Net assets | 14,723 | 15,922 | 17,888 |
| Revenue | – | 189,183 | 216,828 |
| Profit | – | 1,440 | 2,430 |
| Other comprehensive income | – | (5) | 45 |
| Comprehensive income | – | 1,435 | 2,475 |
| Dividends received from associates during the period | – | 47 | 100 |

(4) Reconciliation Between Carrying Amounts and Summarized Financial Information of Major Associates

JAPAN GAS ENERGY CORPORATION

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Net assets of the associate | 14,723 | 15,922 | 17,888 |
| The Group's share of net assets | 2,945 | 3,184 | 3,578 |
| Other adjustments | – | – | – |
| Carrying amounts of the Group's equity interest in JAPAN GAS ENERGY CORPORATION | 2,945 | 3,184 | 3,578 |

## 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 the date of transition to IFRSs (April 1, 2012) | 13,587 | 22,123 | 39,932 | – | 11,839 | 1,872 | 89,353 |
| Acquisition | 630 | 913 | 3,108 | 10 | 1,393 | 5,386 | 11,440 |
| Reclassification | (627) | 9 | 4,984 | 478 | 240 | (6,184) | (1,100) |
| Acquisition through business combinations | 26 | 3,763 | 8,794 | – | 32 | 208 | 12,823 |
| Disposal | (515) | (222) | (2,268) | – | (196) | – | (3,201) |
| Other | – | 249 | 295 | – | (3) | (718) | (177) |
| As of March 31, 2013 | 13,101 | 26,835 | 54,845 | 488 | 13,305 | 564 | 109,138 |
| Acquisition | 218 | 1,232 | 2,342 | 176 | 1,909 | 9,637 | 15,514 |
| Reclassification | (117) | 919 | 2,062 | 671 | 226 | (3,781) | (20) |
| Acquisition through business combinations | 440 | 287 | 434 | – | 7 | 1,550 | 2,718 |
| Disposal | (31) | (2,298) | (4,413) | – | (613) | (1) | (7,356) |
| Other | 34 | 602 | 56 | – | (12) | (361) | 319 |
| As of March 31, 2014 | 13,645 | 27,577 | 55,326 | 1,335 | 14,822 | 7,608 | 120,313 |

[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 the date of transition to IFRSs (April 1, 2012) | – | (12,836) | (27,614) | – | (7,895) | – | (48,345) |
| Depreciation | – | (693) | (3,715) | (11) | (1,264) | – | (5,683) |
| Impairment loss | – | – | (33) | – | (2) | – | (35) |
| Reclassification | – | 258 | – | – | – | – | 258 |
| Disposal | – | 163 | 2,041 | – | 167 | – | 2,371 |
| Other | – | (65) | 17 | – | (1) | – | (49) |
| As of March 31, 2013 | – | (13,173) | (29,304) | (11) | (8,995) | – | (51,483) |
| Depreciation | – | (1,046) | (4,872) | (116) | (1,530) | – | (7,564) |
| Impairment loss | (0) | (146) | (274) | – | (50) | – | (470) |
| Reclassification | – | (92) | – | – | – | – | (92) |
| Disposal | – | 2,151 | 4,105 | – | 572 | – | 6,828 |
| Other | – | (247) | (293) | – | (4) | – | (544) |
| As of March 31, 2014 | (0) | (12,553) | (30,638) | (127) | (10,007) | – | (53,325) |

[Carrying Amount]

(Millions of yen)

| | Land | Buildings and structures | Machinery, equipment and vehicles | Vessels | Other | Construction in progress | Total |
|---|---|---|---|---|---|---|---|
| As of the date of transition to IFRSs (April 1, 2012) | 13,587 | 9,287 | 12,318 | – | 3,944 | 1,872 | 41,008 |
| As of March 31, 2013 | 13,101 | 13,662 | 25,541 | 477 | 4,310 | 564 | 57,655 |
| As of March 31, 2014 | 13,645 | 15,024 | 24,688 | 1,208 | 4,815 | 7,608 | 66,988 |

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 the date of transition to IFRSs (April 1, 2012) | 24 | 2,815 | – | 3,071 | 5,910 |
| As of March 31, 2013 | 20 | 3,383 | – | 2,744 | 6,147 |
| As of March 31, 2014 | 11 | 2,835 | 141 | 2,289 | 5,276 |

The depreciation expense of property, plant and equipment is included in cost of sales and selling, general and administrative expense 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.

There were no property, plant and equipment pledged as collateral as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014.

There were no borrowing costs capitalized in the fiscal years ended March 31, 2013 and 2014.

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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Balance at the beginning of the year | 30,257 | 31,142 |
| Acquisition | 378 | 85 |
| Expenditure after acquisition | 665 | 350 |
| Reclassification | 1,100 | 19 |
| Disposal | (1,261) | (2,298) |
| Other | 3 | 20 |
| Balance at the end of the year | 31,142 | 29,318 |

[Accumulated Depreciation and Accumulated Impairment Loss]

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Balance at the beginning of the year | (15,197) | (15,510) |
| Depreciation | (315) | (309) |
| Impairment loss | (192) | (876) |
| Reclassification | (257) | 92 |
| Disposal | 460 | 1,548 |
| Other | (9) | (27) |
| Balance at the end of the year | (15,510) | (15,082) |

The rental income from investment property for the fiscal years ended March 31, 2013 and 2014, was ¥3,867 million and ¥3,784 million, respectively, which were included in revenue in the consolidated statement of comprehensive income. The direct operating expenses incurred incidental to rental income were ¥1,673 million and ¥1,875 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 the date of transition to IFRSs (April 1, 2012) | 15,060 | 15,430 |
| As of March 31, 2013 | 15,632 | 15,800 |
| As of March 31, 2014 | 14,236 | 14,341 |

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 | Software | Other | Total |
|---|---|---|---|---|---|
| As of the date of transition to IFRSs (April 1, 2012) | – | 9,288 | 3,769 | 328 | 13,385 |
| Acquisition | – | 1,507 | 397 | 384 | 2,288 |
| Reclassification | – | 7 | 229 | (236) | – |
| Acquisition through business combinations | – | 4,825 | 154 | 72 | 5,051 |
| Disposal | – | (677) | (327) | (173) | (1,177) |
| Other | – | 26 | 3 | 26 | 55 |
| As of March 31, 2013 | – | 14,976 | 4,225 | 401 | 19,602 |
| Acquisition | – | 592 | 257 | 161 | 1,010 |
| Reclassification | – | – | 58 | (58) | – |
| Acquisition through business combinations | 229 | 606 | 0 | 0 | 835 |
| Disposal | – | (1,389) | (874) | (17) | (2,280) |
| Other | – | (98) | 116 | 25 | 43 |
| As of March 31, 2014 | 229 | 14,687 | 3,782 | 512 | 19,210 |

[Accumulated Amortization and Accumulated Impairment Loss]

(Millions of yen)

| | Goodwill | Relationship with customers | Software | Other | Total |
|---|---|---|---|---|---|
| As of the date of transition to IFRSs (April 1, 2012) | – | (4,671) | (1,491) | (104) | (6,266) |
| Amortization | – | (2,435) | (780) | (14) | (3,229) |
| Impairment loss | – | – | – | – | – |
| Disposal | – | 659 | 324 | 173 | 1,156 |
| Other | – | (0) | (146) | (118) | (264) |
| As of March 31, 2013 | – | (6,447) | (2,093) | (63) | (8,603) |
| Amortization | – | (1,531) | (795) | (27) | (2,353) |
| Impairment loss | – | – | (16) | – | (16) |
| Disposal | – | 1,386 | 869 | 13 | 2,268 |
| Other | – | 104 | (36) | (65) | 3 |
| As of March 31, 2014 | – | (6,488) | (2,071) | (142) | (8,701) |

[Carrying Amount]

(Millions of yen)

| | Goodwill | Relationship with customers | Software | Other | Total |
|---|---|---|---|---|---|
| As of the date of transition to IFRSs (April 1, 2012) | – | 4,617 | 2,278 | 224 | 7,119 |
| As of March 31, 2013 | – | 8,529 | 2,132 | 338 | 10,999 |
| As of March 31, 2014 | 229 | 8,199 | 1,711 | 370 | 10,509 |

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 the date of transition to IFRSs (April 1, 2012) | 83 |
| As of March 31, 2013 | 63 |
| As of March 31, 2014 | 41 |

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

Of the above intangible assets, significant assets are supply rights to customers recognized during business combinations (date of transition to IFRSs (April 1, 2012): ¥26.79 million, March 31, 2013: ¥6,077 million, and March 31, 2014: ¥5,586 million) and rights to retail LPG (date of transition to IFRSs (April 1, 2012): ¥1,449 million, March 31, 2013: ¥2,093 million, and March 31, 2014: ¥2,189 million). These amounts were included in relationship with customers. The remaining amortization periods of these intangible assets as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, are 2 to 4 years, 1 to 41 years and 2 to 40 years, respectively, for supply rights to customers, and 1 to 5 years, 1 to 10 years and 1 to 10 years, respectively, for rights to retail LPG.

There were no intangible assets pledged as collateral as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014.

Impairment Test for Goodwill

In performing an impairment test for goodwill, the Group allocates goodwill to the petroleum product sales business and calculates the recoverable amount of the petroleum product sales business, which is a cash-generating unit, 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 assumes that the growth rate is zero and uses a pre-tax discount rate reflecting the current market valuation on time value of money, risks inherent in the asset and other factors as the discount rate (as of March 31, 2014: 7%).

The Group considers that significant impairment is unlikely to arise in the cash-generating unit even if the growth rate or discount rate used in the above impairment test changes within a reasonably predicable range.

## 15. Leases

(1) Lessee

A. Finance Leases

The total future minimum lease payments under finance leases and the present value thereof as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, are shown below:

(Millions of yen)

| | Total future minimum lease payments | | | Present value of total future minimum lease payments | | |
|---|---|---|---|---|---|---|
| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
| Not later than 1 year | 2,126 | 2,462 | 2,529 | 2,071 | 2,397 | 2,460 |
| Later than 1 year and not later than 5 years | 5,602 | 5,185 | 3,851 | 5,437 | 5,040 | 3,753 |
| Later than 5 years | – | – | 75 | – | – | 72 |
| Total | 7,728 | 7,647 | 6,455 | 7,508 | 7,437 | 6,285 |
| Less: Accrued financial costs | (220) | (210) | (170) | | | |
| Present value of total future minimum lease payments | 7,508 | 7,437 | 6,285 | | | |

The total of future minimum sublease payments expected to be received under noncancelable subleases as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, were ¥2,097 million, ¥2,868 million, and ¥2,599 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 the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, are shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Not later than 1 year | 2,103 | 2,628 | 4,189 |
| Later than 1 year and not later than 5 years | 1,606 | 1,808 | 3,404 |
| Later than 5 years | – | – | 993 |
| Total | 3,709 | 4,436 | 8,586 |

The total of future minimum sublease payments expected to be received under noncancelable subleases as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, was ¥1,217 million, ¥834 million, and ¥421 million, respectively.

As of March 31, 2013 and 2014, lease payments recognized as expenses under cancelable or noncancelable operating leases were ¥4,173 million and ¥6,438 million, respectively, while sublease payments receivable were ¥558 million and ¥752 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

A. Finance Leases

The total future minimum lease payments receivable under finance leases and the present value thereof as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, are shown below:

(Millions of yen)

| | Total future minimum lease payments receivable | | | Present value of total future minimum lease payments receivable | | |
|---|---|---|---|---|---|---|
| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
| Not later than 1 year | 368 | 466 | 502 | 347 | 444 | 476 |
| Later than 1 year and not later than 5 years | 1,188 | 1,284 | 1,106 | 1,126 | 1,238 | 1,071 |
| Later than 5 years | 624 | 1,186 | 1,051 | 624 | 1,186 | 1,052 |
| Total | 2,180 | 2,936 | 2,659 | 2,097 | 2,868 | 2,599 |
| Less: Unearned financial income | (83) | (68) | (60) | | | |
| Present value of total future minimum lease payments receivable | 2,097 | 2,868 | 2,599 | | | |

B. Operating Leases

The total future minimum lease payments receivable under noncancelable operating leases as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, are shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Not later than 1 year | 488 | 558 | 421 |
| Later than 1 year and not later than 5 years | 729 | 276 | – |
| Later than 5 years | – | – | – |
| Total | 1,217 | 834 | 421 |

## 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 the date of transition to IFRSs (April 1, 2012) | Amount recognized in profit or loss | Amount recognized in other comprehensive income | Other (Note) | As of March 31, 2013 |
|---|---|---|---|---|---|
| Deferred tax assets: | | | | | |
| Non-current assets | 10,120 | (354) | – | 579 | 10,345 |
| Securities | 813 | 194 | (516) | – | 491 |
| Post-employment benefits | 2,328 | (12) | 64 | 63 | 2,443 |
| Tax loss carryforwards | 14 | (14) | – | – | – |
| Other | 3,000 | 291 | – | 88 | 3,379 |
| Total deferred tax assets | 16,275 | 105 | (452) | 730 | 16,658 |
| Deferred tax liabilities: | | | | | |
| Non-current assets | (2,205) | 442 | – | (1,671) | (3,434) |
| Other | (618) | (47) | – | (36) | (701) |
| Total deferred tax liabilities | (2,823) | 395 | – | (1,707) | (4,135) |

(Note) "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, 2013 | Amount recognized in profit or loss | Amount recognized in other comprehensive income | Other (Note) | As of March 31, 2014 |
|---|---|---|---|---|---|
| Deferred tax assets: | | | | | |
| Non-current assets | 10,345 | (349) | – | 62 | 10,058 |
| Securities | 491 | (172) | 190 | 5 | 514 |
| Post-employment benefits | 2,443 | (13) | (32) | – | 2,398 |
| Tax loss carryforwards | – | 15 | – | – | 15 |
| Other | 3,379 | (329) | – | 361 | 3,411 |
| Total deferred tax assets | 16,658 | (848) | 158 | 428 | 16,396 |
| Deferred tax liabilities: | | | | | |
| Non-current assets | (3,434) | 465 | – | (218) | (3,187) |
| Other | (701) | 454 | – | (209) | (456) |
| Total deferred tax liabilities | (4,135) | 919 | – | (427) | (3,643) |

(Note) "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 the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Deferred tax assets | 14,722 | 14,996 | 15,162 |
| Deferred tax liabilities | 1,270 | 2,473 | 2,409 |

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 the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Deductible temporary differences | 1,696 | 1,749 | 1,629 |
| Unused tax loss carryforwards | 329 | 398 | 652 |
| Total | 2,025 | 2,147 | 2,281 |

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 the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| First year | – | – | – |
| Second year | – | – | – |
| Third year | 84 | – | – |
| Fourth year | – | – | 41 |
| Fifth year or later | 245 | 398 | 611 |
| Total | 329 | 398 | 652 |

(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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Current tax expense | (5,341) | (5,859) |
| Deferred tax expense | | |
| Recognition and reversal of temporary differences | 500 | 239 |
| Change in tax rate | – | (168) |
| Total deferred tax expense | 500 | 71 |
| Income tax expense | (4,841) | (5,788) |

The Company is subject principally to corporate income taxes, inhabitant taxes and business taxes. The effective statutory tax rates based on these taxes were 38.0% for the fiscal year ended March 31, 2013 and 38.0% for the fiscal year ended March 31, 2014. However, foreign subsidiaries are subject to income taxes and other taxes in their location.

In Japan, the Act for Partial Revision of the Income Tax Act, etc. (Act No. 10 of 2014) was promulgated on March 31, 2014. With this revision, the special corporation tax for reconstruction, a surtax for reconstruction funding after the 2011 Great East Japan Earthquake, will no longer be levied from the fiscal year beginning on or after April 1, 2014. In conjunction with this, for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2014, the effective statutory tax rate used to calculate deferred tax assets and liabilities was changed from the previous rate of 38.0% to 35.6%. 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Effective statutory tax rate | 38.0% | 38.0% |
| Effect of expenses not deductible permanently | 3.3 | 2.6 |
| Reduction of deferred tax assets at the end of the year due to change in tax rates | – | 1.2 |
| Other | (1.7) | 0.1 |
| Effective income tax rate after application of tax-effect accounting | 39.6 | 41.9 |

## 17. Bonds and Borrowings

The components of bonds and borrowings are shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 | Average interest rate (%) (Note 1) | Repayment date |
|---|---|---|---|---|---|
| Short-term borrowings | 9,135 | 9,619 | 11,434 | 0.547 | – |
| Current portion of non-current loans payable | 7,350 | 129 | 65 | 1.164 | – |
| Current portion of bonds (Note 2) | – | 4,997 | – | (Note 2) | – |
| Commercial papers | 4,000 | – | – | – | – |
| Non-current loans payable (excluding current portion) | 334 | 6,247 | 7,174 | 0.710 | April 2015–February 2018 |
| Bonds payable (excluding current portion) (Note 2) | 9,972 | 19,911 | 19,925 | (Note 2) | (Note 2) |
| Total | 30,791 | 40,903 | 38,598 | – | – |
| Current liabilities | 20,485 | 14,745 | 11,499 | | |
| Non-current liabilities | 10,306 | 26,158 | 27,099 | | |
| Total | 30,791 | 40,903 | 38,598 | | |

(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 the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 | Interest rate (%) | Collateral | Maturity date |
|---|---|---|---|---|---|---|---|---|
| ITOCHU Enex Co., Ltd. | Series 11 Unsecured Bonds | July 29, 2010 | 4,989 | 4,997 | – | 0.580 | Unsecured | July 29, 2013 |
| ITOCHU Enex Co., Ltd. | Series 12 Unsecured Bonds | July 29, 2010 | 4,983 | 4,988 | 4,993 | 0.790 | Unsecured | July 29, 2015 |
| ITOCHU Enex Co., Ltd. | Series 13 Unsecured Bonds | May 22, 2012 | – | 4,977 | 4,980 | 0.736 | Unsecured | May 22, 2019 |
| ITOCHU Enex Co., Ltd. | Series 14 Unsecured Bonds | May 22, 2012 | – | 9,946 | 9,952 | 1.202 | Unsecured | May 20, 2022 |
| Total | – | – | 9,972 | 24,908 | 19,925 | – | – | – |

The Company had a commitment line agreement of ¥6,000 million as of March 31, 2014, for the purpose of improving the enhancement function for ensuring agility and liquidity in financing. The outstanding balance of borrowings extended under this agreement is ¥992 million.

## 18. Trade Payables

The components of trade payables are shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Trade payables | 119,107 | 116,559 | 120,218 |
| Other payables | 6,074 | 7,487 | 5,437 |
| Total | 125,181 | 124,046 | 125,655 |

## 19. Other Financial Liabilities

The components of other current financial liabilities are shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Lease obligations | 2,071 | 2,397 | 2,460 |
| Other payables (Non-operating) | 208 | 1,566 | 743 |
| Deposits received | 1,771 | 1,365 | 1,617 |
| Derivative liabilities | 1,625 | 1,350 | 206 |
| Total | 5,675 | 6,678 | 5,026 |

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

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Long-term lease obligations | 5,437 | 5,040 | 3,825 |
| Guarantee deposits received | 11,138 | 12,331 | 13,523 |
| Derivative liabilities | – | – | 312 |
| Total | 16,575 | 17,371 | 17,660 |

## 20. Other Current Liabilities

The components of other current liabilities are shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Short-term obligations on employee benefits | 3,935 | 4,641 | 4,719 |
| Current provisions (Note) | 163 | 79 | 110 |
| Accrued expenses | 200 | 950 | 812 |
| Other | 1,332 | 1,104 | 846 |
| Total | 5,630 | 6,774 | 6,487 |

(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 the date of transition to IFRSs (April 1, 2012) | 2,449 | 147 | 2,596 |
| Acceptance through business combination | 122 | – | 122 |
| Increase during the year | 199 | 78 | 277 |
| Amount used during the year (utilization) | (43) | (147) | (190) |
| Increase due to passage of time | 56 | – | 56 |
| Effects through change in discount rate | 152 | – | 152 |
| As of March 31, 2013 | 2,935 | 78 | 3,013 |
| Acceptance through business combination | – | – | – |
| Increase during the year | 541 | 110 | 651 |
| Amount used during the year (utilization) | (268) | (78) | (346) |
| Increase due to passage of time | 60 | – | 60 |
| Effects through change in discount rate | 104 | – | 104 |
| As of March 31, 2014 | 3,372 | 110 | 3,482 |

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

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Current liabilities (Note) | 163 | 79 | 110 |
| Non-current liabilities | 2,433 | 2,934 | 3,372 |
| Total | 2,596 | 3,013 | 3,482 |

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

Asset retirement obligations mostly relate 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 Retirement Benefit Plans Adopted

The Company and some subsidiaries have retirement pension plans based on defined benefit plans, lump-sum retirement benefits and defined contribution plans, which cover almost all of their employees. The amount of pension benefits provided under defined benefit 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 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.

B. Defined Benefit Plans

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

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Balance at the beginning of the year | 7,234 | 7,740 |
| Service cost | 553 | 581 |
| Interest expense | 75 | 57 |
| Remeasurement | | |
| Changes in demographic assumptions | – | (4) |
| Changes in financial assumptions | 181 | (86) |
| Benefits paid | (713) | (683) |
| Effect of business combinations and disposals | 410 | 175 |
| Other | – | – |
| Balance at the end of the year | 7,740 | 7,780 |

(Note) Service cost is recognized in profit or loss (cost of sales or selling, general and administrative expense). 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Balance at the beginning of the year | 570 | 735 |
| Interest income | 7 | 7 |
| Remeasurement | | |
| Return on plan assets | 0 | 0 |
| Contributions by the employer | 276 | 282 |
| Benefits paid | (358) | (297) |
| Effect of business combinations and disposals | 227 | – |
| Other | 13 | 11 |
| Balance at the end of the year | 735 | 738 |

Certain subsidiaries will make contributions of ¥24 million in the fiscal year ending March 31, 2015.

The composition of the Group's plan assets by asset category as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, is shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | | |
|---|---|---|---|
| | Level 1 (Active market) | Level 2 (No active market) | Total |
| Cash and cash equivalents | 570 | – | 570 |
| Total | 570 | – | 570 |

(Millions of yen)

| | As of March 31, 2013 | | |
|---|---|---|---|
| | Level 1 (Active market) | Level 2 (No active market) | Total |
| Cash and cash equivalents | 489 | – | 489 |
| General account | – | 118 | 118 |
| Separate account | – | 128 | 128 |
| Total | 489 | 246 | 735 |

(Millions of yen)

| | As of March 31, 2014 | | |
|---|---|---|---|
| | Level 1 (Active market) | Level 2 (No active market) | Total |
| Cash and cash equivalents | 462 | – | 462 |
| General account | – | 129 | 129 |
| Separate account | – | 147 | 147 |
| Total | 462 | 276 | 738 |

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. Assets classified into Level 2 (there is no active market) belong to the separate account mainly consisting of equity and debt securities with quoted prices in active markets and the general account, and these assets are estimated using valuations provided by life insurance companies.

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, 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 12 years as of the date of transition to IFRSs, 12 years in the fiscal year ended March 31, 2013, and 11 years in the fiscal year ended March 31, 2014.

The assumption of defined benefit obligations is shown below:

| | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Discount rate | 1.4 – 1.6% | 1.0 – 1.3% | 1.0 – 1.3% |

In the process of actuarial calculation described above, the calculation for defined benefit 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, 2014, the effect on defined benefit obligations would be ¥122 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 ¥437 million and ¥443 million for the fiscal year ended March 31, 2013 and 2014, respectively.

D. Extra Retirement Payments

The Company made extra retirement payments of ¥83 million and ¥72 million for the fiscal years ended March 31, 2013 and 2014, respectively.

(2) Employee Benefits Expense

Total employee benefits expense included in cost of sales or selling, general and administrative expense in the consolidated statement of comprehensive income for the fiscal years ended March 31, 2013 and 2014, was ¥29,614 million and ¥30,986 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 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| 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 treasury stock | | |
| Balance at the beginning of the year | 3,888,444 | 3,888,654 |
| Increase (decrease) during the year | 210 | 1,361 |
| Balance at the end of the year | 3,888,654 | 3,890,015 |

(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 GAAP. The Company’s amount available for distribution was ¥58,819 million as of March 31, 2014 (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 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| FVTOCI financial assets | | |
| Balance at the beginning of the year | (2,487) | (1,574) |
| Increase during the year | 919 | 103 |
| Reclassification to retained earnings | (6) | (428) |
| Balance at the end of the year | (1,574) | (1,899) |
| Cash flow hedges | | |
| Balance at the beginning of the year | (17) | (5) |
| Increase (decrease) during the year | 12 | (304) |
| Balance at the end of the year | (5) | (309) |
| Exchange differences on translating foreign operations | | |
| Balance at the beginning of the year | – | 52 |
| Increase during the year | 52 | 58 |
| Balance at the end of the year | 52 | 110 |
| Remeasurement of net defined benefit liability | | |
| Balance at the beginning of the year | – | – |
| Increase (decrease) during the year | (119) | 59 |
| Reclassification to retained earnings | 119 | (59) |
| Balance at the end of the year | – | – |
| Other components of equity | | |
| Balance at the beginning of the year | (2,504) | (1,527) |
| Increase (decrease) during the year | 864 | (84) |
| Reclassification to retained earnings | 113 | (487) |
| Balance at the end of the year | (1,527) | (2,098) |



(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, 2013 | | | Fiscal year ended March 31, 2014 | | |
|---|---|---|---|---|---|---|
| | 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 | 1,434 | (516) | 918 | (88) | 190 | 102 |
| Increase (decrease) during the year | 1,434 | (516) | 918 | (88) | 190 | 102 |
| Exchange differences on translating foreign operations | | | | | | |
| Amount arising during the year | – | – | – | 21 | – | 21 |
| Increase (decrease) during the year | – | – | – | 21 | – | 21 |
| Cash flow hedges | | | | | | |
| Amount arising during the year | 13 | – | 13 | (313) | – | (313) |
| Reclassification adjustments to profit | – | – | – | – | – | – |
| Increase (decrease) during the year | 13 | – | 13 | (313) | – | (313) |
| Share of other comprehensive income of investments accounted for by the equity method | | | | | | |
| Amount arising during the year | 52 | – | 52 | 47 | – | 47 |
| Reclassification adjustments to profit | – | – | – | – | – | – |
| Increase during the year | 52 | – | 52 | 47 | – | 47 |
| Remeasurement of net defined benefit liability | | | | | | |
| Amount arising during the year | (181) | 64 | (117) | 90 | (32) | 58 |
| Increase (decrease) during the year | (181) | 64 | (117) | 90 | (32) | 58 |
| Total other comprehensive income | 1,318 | (452) | 866 | (243) | (158) | (85) |

## 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, 2013 and 2014, are shown below:

For the fiscal year ended March 31, 2013

(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 21, 2012 | Ordinary shares | 904 | 8 | March 31, 2012 | June 22, 2012 |
| Board of Directors' meeting held on October 26, 2012 | Ordinary shares | 904 | 8 | September 30, 2012 | December 6, 2012 |

(2) Dividends whose record date are 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 20, 2013 | Ordinary shares | 904 | Retained earnings | 8 | March 31, 2013 | June 21, 2013 |

For the fiscal year ended March 31, 2014

(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 20, 2013 | Ordinary shares | 904 | 8 | March 31, 2013 | June 21, 2013 |
| Board of Directors' meeting held on October 30, 2013 | Ordinary shares | 904 | 8 | September 30, 2013 | December 6, 2013 |

(2) Dividends whose record date are 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 19, 2014 | Ordinary shares | 1,356 | Retained earnings | 12 | March 31, 2014 | June 20, 2014 |

## 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.

The Group's fund management is limited to short-term deposits, etc. As its policy, 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 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, 2013 and 2014, is as follows. These amounts include amounts considered recoverable by credit insurance and collateral provided.

(Millions of yen)

| | Within 30 days | Over 30 days, within 60 days | Over 60 days, within 90 days | Over 90 days | Total |
|---|---|---|---|---|---|
| As of March 31, 2013 | | | | | |
| Trade receivables | 82 | 31 | 22 | 6 | 141 |
| Non-current receivables | – | – | – | 0 | 0 |
| Total | 82 | 31 | 22 | 6 | 141 |
| As of March 31, 2014 | | | | | |
| Trade receivables | 45 | 0 | – | 4 | 49 |
| Non-current receivables | 0 | – | – | 14 | 14 |
| Total | 45 | 0 | – | 18 | 63 |

The Group reviews collectability 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, 2013 and 2014, are shown below:

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Balance at the beginning of the year | 926 | 722 |
| Increase during the year | 224 | 1,131 |
| Decrease during the year (Utilization) | (213) | (164) |
| Decrease during the year (Reversal) | (213) | (257) |
| Other decrease | (2) | (1) |
| Balance at the end of the year | 722 | 1,431 |

In the fiscal years ended March 31, 2013 and 2014, 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 ¥501 million and ¥2,606 million, respectively, and allowance for credit losses provided against these receivables was ¥392 million and ¥1,133 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. With a commitment line agreement entered into with financial institutions, the Group believes that liquidity reserves enough to respond to contingencies have been secured.

A. Non-derivative Financial Liabilities

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

As of March 31, 2013

(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 | 124,046 | 124,046 | 124,046 | – | – |
| Short-term bonds and borrowings | | | | | |
| Short-term borrowings | 9,619 | 9,619 | 9,619 | – | – |
| Current portion of non-current loans payable | 129 | 129 | 129 | – | – |
| Current portion of bonds | 4,997 | 5,000 | 5,000 | – | – |
| Non-current loans payable and borrowings | | | | | |
| Non-current loans payable | 6,247 | 6,247 | – | 6,247 | – |
| Bonds payable | 19,911 | 20,000 | – | 5,000 | 15,000 |
| Total | 164,949 | 165,041 | 138,794 | 11,247 | 15,000 |

As of March 31, 2014

(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 | 125,655 | 125,655 | 125,655 | – | – |
| Short-term bonds and borrowings | | | | | |
| Short-term borrowings | 11,434 | 11,434 | 11,434 | – | – |
| Current portion of non-current loans payable | 65 | 65 | 65 | – | – |
| Non-current loans payable and bonds | | | | | |
| Non-current loans payable | 7,174 | 7,174 | – | 7,174 | – |
| Bonds payable | 19,925 | 20,000 | – | 5,000 | 15,000 |
| Total | 164,253 | 164,328 | 137,154 | 12,174 | 15,000 |

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, 2013 | | | | |
| Interest rate derivatives | – | – | – | – |
| Currency derivatives | 68 | – | – | 68 |
| Commodity derivatives | 1,282 | – | – | 1,282 |
| Total | 1,350 | – | – | 1,350 |
| As of March 31, 2014 | | | | |
| Interest rate derivatives | – | – | 312 | 312 |
| Currency derivatives | 8 | – | – | 8 |
| Commodity derivatives | 198 | – | – | 198 |
| Total | 206 | – | 312 | 518 |

The Company 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, 2013 | As of March 31, 2014 |
|---|---|---|
| Total amount of commitment line | 5,000 | 6,000 |
| Balance of borrowings outstanding | – | (992) |
| Unused commitment line | 5,000 | 5,008 |

(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 the 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, 2013 and 2014, is shown below:

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Short-term foreign exchange balance (Millions of yen) [Thousands of U.S. dollars] | 192 [2,039] | 46 [450] |
| Long-term foreign exchange balance (Millions of yen) [Thousands of U.S. dollars] | – [–] | – [–] |

(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.

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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Profit before tax | | |
| U.S. dollar | 2 | 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, 2013 and 2014. This analysis is calculated by multiplying the net balance of floating-rate financial instruments held by the Group as of March 31, 2013 and 2014, 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Profit before tax | (89) | (103) |



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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Profit before tax | 132 | 139 |

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 the 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 purpose 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Other comprehensive income | (814) | (644) |

(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 and trade payables</u>

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

Other current financial assets (securities) and other investments

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.

Non-current receivables (loans receivable)

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 the same 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 the date of transition to IFRSs (April 1, 2012) | | As of March 31, 2013 | | As of March 31, 2014 | |
|---|---|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| Financial assets measured at amortized cost: | | | | | | |
| Non-current receivables (non-current loans receivable) and other current financial assets (current portion of non-current loans receivable) | 1,611 | 1,623 | 1,141 | 1,157 | 974 | 985 |
| Financial liabilities measured at amortized cost: | | | | | | |
| Bonds and borrowings | 30,791 | 30,836 | 40,903 | 41,421 | 38,598 | 38,979 |

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 the date of transition to IFRSs (April 1, 2012) | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Other current financial assets (securities) | | | | |
| FVTPL financial assets | – | 999 | – | 999 |
| Other investments | | | | |
| FVTOCI financial assets | 6,699 | – | 696 | 7,395 |
| Other current financial assets (derivatives) | | | | |
| Derivatives not designated as hedges | 603 | 497 | – | 1,100 |
| Total | 7,302 | 1,496 | 696 | 9,494 |
| Liabilities: | | | | |
| Other current financial liabilities (derivatives) | | | | |
| Derivatives designated as hedges | – | 13 | – | 13 |
| Derivatives not designated as hedges | 1,107 | 505 | – | 1,612 |
| Total | 1,107 | 518 | – | 1,625 |

(Millions of yen)

| | As of March 31, 2013 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Other current financial assets (securities) | | | | |
| FVTPL financial assets | – | 703 | – | 703 |
| Other investments | | | | |
| FVTOCI financial assets | 8,137 | – | 788 | 8,925 |
| Other current financial assets (derivatives) | | | | |
| Derivatives not designated as hedges | 1,217 | 668 | – | 1,885 |
| Total | 9,354 | 1,371 | 788 | 11,513 |
| Liabilities: | | | | |
| Other current financial liabilities (derivatives) | | | | |
| Derivatives designated as hedges | – | – | – | – |
| Derivatives not designated as hedges | 805 | 545 | – | 1,350 |
| Total | 805 | 545 | – | 1,350 |

(Millions of yen)

| | As of March 31, 2014 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Assets: | | | | |
| Other current financial assets (securities) | | | | |
| FVTPL financial assets | – | 905 | – | 905 |
| Other investments | | | | |
| FVTOCI financial assets | 6,441 | – | 908 | 7,349 |
| Other current financial assets (derivatives) | | | | |
| Derivatives not designated as hedges | 46 | 123 | – | 169 |
| Total | 6,487 | 1,028 | 908 | 8,423 |
| Liabilities: | | | | |
| Other current financial liabilities (derivatives) | | | | |
| Derivatives not designated as hedges | 64 | 142 | – | 206 |
| Other non-current financial liabilities (derivatives) | | | | |
| Derivatives designated as hedges | – | 312 | – | 312 |
| Total | 64 | 454 | – | 518 |

There were no transfers between Level 1, Level 2 and Level 3 in the fiscal years ended March 31, 2013 and 2014.

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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| | FVTOCI | FVTOCI |
| Balance at the beginning of the year | 696 | 788 |
| Total gains or losses (realized/unrealized) | | |
| Other comprehensive income | (12) | (80) |
| Purchase | 178 | 177 |
| Sale | (68) | – |
| Redemption/other | (6) | 23 |
| Balance at the end of the year | 788 | 908 |

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 the date of transition to IFRSs (April 1, 2012)

(Millions of yen)

| Stock | Amount |
|---|---|
| SINANEN CO., LTD. | 3,808 |
| Sumitomo Mitsui Trust Holdings, Inc. | 787 |
| POCKET CARD CO., LTD. | 549 |
| MAEDA ROAD CONSTRUCTION Co., Ltd. | 437 |
| JX Holdings, Inc. | 390 |
| Sumitomo Mitsui Financial Group, Inc. | 181 |

As of March 31, 2013

(Millions of yen)

| Stock | Amount |
|---|---|
| SINANEN CO., LTD. | 4,103 |
| Sumitomo Mitsui Trust Holdings, Inc. | 1,321 |
| POCKET CARD CO., LTD. | 920 |
| MAEDA ROAD CONSTRUCTION Co., Ltd. | 541 |
| JX Holdings, Inc. | 398 |
| Sumitomo Mitsui Financial Group, Inc. | 252 |

As of March 31, 2014

(Millions of yen)

| Stock | Amount |
|---|---|
| SINANEN CO., LTD. | 4,156 |
| MAEDA ROAD CONSTRUCTION Co., Ltd. | 612 |
| Sumitomo Mitsui Trust Holdings, Inc. | 466 |
| JX Holdings, Inc. | 381 |
| Sumitomo Mitsui Financial Group, Inc. | 294 |

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, 2013 and 2014, are shown below:

(Millions of yen)

| Fiscal year ended March 31, 2013 | | Fiscal year ended March 31, 2014 | |
|---|---|---|---|
| Fair value at date of sale | Accumulated gains (losses) | Fair value at date of sale | Accumulated gains (losses) |
| 83 | 10 | 2,019 | 776 |

Accumulated gains or losses (net of taxes) in other comprehensive income that were transferred to retained earnings as a result of the above are ¥6 million and ¥428 million for the fiscal years ended March 31, 2013 and 2014, respectively.

C. Dividends Received

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Investments derecognized during the year | 0 | 26 |
| Investments held at the end of the year | 255 | 222 |
| Total | 255 | 248 |

(8) Derivatives and Hedges

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in future cash flows arising in association with forecast 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 unrecognized forecast 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 receiving loans with floating rates, the Group utilizes interest rate swaps to hedge risks of fluctuations in cash flows arising from future changes in interest rates on the loans.

As of March 31, 2014, the periods when the cash flows are expected to occur and when they are expected to affect profit or loss is 17 years.

As of March 31, 2013 and 2014, there was no amount recognized in profit or loss due to the effect of the hedge being ineffective or the hedge being excluded from the assessment of hedge effectiveness.

Derivatives not designated as hedges

The Group utilizes derivatives if it is economically reasonable to do so, including the case where the hedge relationship does not qualify for hedge accounting.

The Group has entered into forward foreign exchange contracts, commodity futures contracts and swap contracts to economically hedge the exposure to fluctuations in market prices of commodities associated with foreign currency denominated assets and liabilities and firm commitments unrecognized for accounting purposes. Hedge accounting does not apply to these derivatives and all changes in fair value of the derivatives are recognized in profit or loss.

The fair values of derivatives as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, are shown below:

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | | | |
|---|---|---|---|---|
| | Cash flow hedges | | Derivatives not designated as hedges | |
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| Currency derivatives | – | – | 147 | 36 |
| Interest rate derivatives | – | 13 | – | – |
| Commodity derivatives | – | – | 953 | 1,576 |
| Total | – | 13 | 1,100 | 1,612 |

(Millions of yen)

| | As of March 31, 2013 | | | |
|---|---|---|---|---|
| | Cash flow hedges | | Derivatives not designated as hedges | |
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| Currency derivatives | – | – | 115 | 68 |
| Interest rate derivatives | – | – | – | – |
| Commodity derivatives | – | – | 1,770 | 1,282 |
| Total | – | – | 1,885 | 1,350 |

(Millions of yen)

| | As of March 31, 2014 | | | |
|---|---|---|---|---|
| | Cash flow hedges | | Derivatives not designated as hedges | |
| | Derivative assets | Derivative liabilities | Derivative assets | Derivative liabilities |
| Currency derivatives | – | – | 71 | 8 |
| Interest rate derivatives | – | 312 | – | – |
| Commodity derivatives | – | – | 98 | 198 |
| Total | – | 312 | 169 | 206 |

(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 the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, are shown below:

As of the date of transition to IFRSs (April 1, 2012)

(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 | 22,472 | 13,109 | 9,363 | – | – | 9,363 |
| Other current financial assets | 2,065 | 1,707 | 358 | – | – | 358 |
| Total | 24,537 | 14,816 | 9,721 | – | – | 9,721 |

(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 | 19,818 | 14,816 | 5,002 | – | – | 5,002 |
| Total | 19,818 | 14,816 | 5,002 | – | – | 5,002 |

As of March 31, 2013

(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 | 5,262 | 4,222 | 1,040 | 428 | – | 612 |
| Other current financial assets | 1,034 | 962 | 72 | – | – | 72 |
| Total | 6,296 | 5,184 | 1,112 | 428 | – | 684 |

(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 | 11,509 | 5,184 | 6,325 | 428 | – | 5,897 |
| Total | 11,509 | 5,184 | 6,325 | 428 | – | 5,897 |

As of March 31, 2014

(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 | 6,072 | 5,220 | 852 | 282 | – | 570 |
| Other current financial assets | 68 | 46 | 22 | – | – | 22 |
| Total | 6,140 | 5,266 | 874 | 282 | – | 592 |

(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 | 8,062 | 5,266 | 2,796 | 282 | – | 2,514 |
| Total | 8,062 | 5,266 | 2,796 | 282 | – | 2,514 |



## 27. Revenue

The components of revenue are shown below:

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Revenue from sales of merchandise | 849,881 | 950,138 |
| Other | 14,708 | 15,906 |
| Total | 864,589 | 966,044 |

## 28. Selling, General and Administrative Expense

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

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Personnel expense | 27,574 | 28,498 |
| Rent expense | 8,276 | 7,726 |
| Depreciation and amortization | 5,487 | 5,287 |
| Commission fee | 4,435 | 4,996 |
| Traveling expense | 1,219 | 1,277 |
| Taxes and dues | 1,150 | 1,223 |
| Other | 7,527 | 8,871 |
| Total | 55,668 | 57,878 |

## 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Gain on sales | 280 | 661 |
| Loss on sales | (60) | (35) |
| Loss on disposal | (883) | (720) |
| Impairment loss | (227) | (1,363) |
| Other | (24) | (3) |
| Total | (914) | (1,460) |

(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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Property, plant and equipment | | |
| Buildings and structures | – | 146 |
| Machinery, equipment and vehicles | 33 | 274 |
| Land | – | 0 |
| Other | 2 | 51 |
| Intangible assets | | |
| Software | – | 16 |
| Investment property | 192 | 876 |
| Total | 227 | 1,363 |

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, 2013 and 2014, there was no individually significant impairment loss.

Major impairment losses in each fiscal year are 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 of closure of oil stations, to the recoverable amount. 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Commission fee | 223 | 285 |
| Other | 833 | 596 |
| Total income | 1,056 | 881 |
| Foreign exchange losses (Note) | (1,137) | (282) |
| Head office relocation cost | – | (476) |
| Expenses related to product recall | – | (232) |
| Other | (265) | (293) |
| Total expenses | (1,402) | (1,283) |
| Total | (346) | (402) |

(Note) Gain or loss on valuation of foreign currency derivatives is included in foreign exchange losses. Other than the above, in the fiscal years ended March 31, 2013 and 2014, gain or loss on valuation of commodity-related derivatives was recognized at ¥1,040 million and negative ¥516 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Interest income | | |
| Financial assets measured at amortized cost | 21 | 14 |
| Other | 6 | 8 |
| Subtotal | 27 | 22 |
| Dividends received | | |
| FVTOCI financial assets | 255 | 248 |
| Subtotal | 255 | 248 |
| Interest expense | | |
| Financial assets measured at amortized cost | (570) | (550) |
| Other | (184) | (171) |
| Subtotal | (754) | (721) |
| Other financial income (costs) | | |
| FVTPL financial assets | (4) | (5) |
| Subtotal | (4) | (5) |
| Total | (476) | (456) |

## 33. Earnings per Share

Basic earnings per share for the fiscal years ended March 31, 2013 and 2014, were calculated as follows:

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Profit attributable to owners of the parent (Millions of yen) | 6,470 | 7,119 |
| Weighted-average number of ordinary shares outstanding (Thousands of shares) | 112,993 | 112,992 |
| Basic earnings per share (Yen) | 57.26 | 63.00 |

(Note) Diluted earnings per share 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Components of assets at time of acquisition of control | | |
| Current assets | 3,600 | 2,718 |
| Non-current assets | 20,853 | 2,117 |
| Components of liabilities at time of acquisition of control | | |
| Current liabilities | (1,758) | (2,086) |
| Non-current liabilities | (7,765) | (400) |

(Millions of yen)

| | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Consideration paid | (10,078) | (1,861) |
| Cash and cash equivalents included in assets at time of acquisition of control | 1,107 | 435 |
| Net payment from acquisition of subsidiaries | (8,971) | (1,426) |

### 35. Non-cash Transactions

Significant Non-cash Transactions

The amount of assets acquired under finance leases is ¥2,229 million and ¥1,481 million for the fiscal year ended March 31, 2013 and 2014, 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, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|
| Short-term compensation | 485 | 420 |
| Total | 485 | 420 |

(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, 2013

(Millions of yen)

| Category | Name | Relationship with related party | Transaction amount | Unsettled balance |
|---|---|---|---|---|
| Parent | ITOCHU Corporation | Sales of petroleum products | 8,387 | 363 |
| | | Purchases of petroleum products | 9,122 | – |
| Associate | JAPAN GAS ENERGY CORPORATION | Purchases of LPG products | 29,265 | 3,217 |

For the fiscal year ended March 31, 2014

(Millions of yen)

| Category | Name | Relationship with related party | Transaction amount | Unsettled balance |
|---|---|---|---|---|
| Parent | ITOCHU Corporation | Sales of petroleum products | 4,127 | 151 |
| Associate | JAPAN GAS ENERGY CORPORATION | Purchases of LPG products | 32,293 | 3,307 |

All transactions with ITOCHU Corporation and associates are based on arm's length prices. There is no balance of collateral and guarantee transactions, and no allowance for credit losses was recognized for the receivables from them.

### 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, 2014 is shown below:

| Company name | Location | Percentage of voting rights owned (%) |
|---|---|---|
| Energy Trade Division | | |
| KOKURA ENTERPRISE ENERGY CO., LTD. | Kokurakita-ku, Kitakyushu City, Fukuoka | 100.0 |
| Car-Life Division | | |
| ENEX FLEET CO., LTD. | Yodogawa-ku, Osaka City, Osaka | 100.0 |
| 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 |
| TOHOKU TANKU SHOUKAI CO., LTD. | Aomori City, Aomori | 100.0 |
| Total 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 TOHOKU CO., LTD. | Miyagino-ku, Sendai City, Miyagi | 100.0 |
| Power & Utility Division | | |
| TOKYO TOSHI SERVICE COMPANY | Chuo-ku, Tokyo | 66.6 |
| JEN HOLDINGS CO., LTD. | Minato-ku, Tokyo | 100.0 |
| 31 other companies | | |

The details of the Company's non-wholly owned subsidiaries that have material non-controlling interests are shown below:

As of the date of transition to IFRSs (April 1, 2012)

(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 | – | 2,289 | – |
| Other | | | – | 256 | – |
| Total | | | – | 2,545 | – |

For the fiscal year ended March 31, 2013

(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 | 570 | 2,737 | 127 |
| TOKYO TOSHI SERVICE COMPANY | Minato-ku, Tokyo | 33.4 | 293 | 5,145 | – |
| Other | | | 60 | 349 | 5 |
| Total | | | 923 | 8,231 | 132 |

For the fiscal year ended March 31, 2014

(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 | 688 | 3,269 | 167 |
| TOKYO TOSHI SERVICE COMPANY | Chuo-ku, Tokyo | 33.4 | 247 | 5,392 | – |
| Other | | | (14) | 808 | 8 |
| Total | | | 921 | 9,469 | 175 |

(Note) TOKYO TOSHI SERVICE COMPANY transferred its head office in October 2013.

The summarized financial information about each subsidiary of the Group that has material non-controlling interests is shown below:

ECORE CO., LTD.

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|---|
| Current assets | 9,583 | 9,766 | 10,544 |
| Non-current assets | 3,060 | 2,953 | 4,942 |
| Current liabilities | 7,328 | 6,476 | 8,002 |
| Non-current liabilities | 645 | 658 | 813 |
| Revenue | – | 37,253 | 42,282 |
| Profit | – | 1,164 | 1,403 |
| Other comprehensive income | – | – | (8) |
| Comprehensive income | – | 1,164 | 1,395 |

TOKYO TOSHI SERVICE COMPANY

(Millions of yen)

| | As of the date of transition to IFRSs (April 1, 2012) | Fiscal year ended March 31, 2013 | Fiscal year ended March 31, 2014 |
|---|---|---|---|
| Current assets | – | 6,136 | 5,647 |
| Non-current assets | – | 18,743 | 18,131 |
| Current liabilities | – | 3,947 | 2,647 |
| Non-current liabilities | – | 5,528 | 4,989 |
| Revenue | – | 9,382 | 11,998 |
| Profit | – | 875 | 742 |
| Other comprehensive income | – | – | – |
| Comprehensive income | – | 875 | 742 |

## 38. Commitments

Contractual commitments for acquisition of property, plant and equipment are shown below:

(Millions of yen)

| | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|
| Acquisition of property, plant and equipment | 480 | 7,729 |
| Total | 480 | 7,729 |

## 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 the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, 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 the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Guarantees to banks | | | |
| Total amount of guarantees | 95 | 110 | – |
| Actual amount of guarantees | 90 | 60 | – |
| Guarantees for other transactions (Note) | | | |
| Total amount of guarantees | 53 | 182 | 60 |
| Actual amount of guarantees | 19 | 93 | 11 |
| Total | | | |
| Total amount of guarantees | 148 | 292 | 60 |
| Actual amount of guarantees | 109 | 153 | 11 |

(Note) Guarantees for other transactions include guarantees on operating transactions, guarantees on the balance of leasing agreements and guarantees on distributors' payment of gas oil delivery tax.

For guarantees provided by the Group for general transaction partners, those with the longest guarantee period will expire on May 31, 2016.

Currently there is no litigation, arbitration or other legal proceedings that may have 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 the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 | As of March 31, 2014 |
|---|---|---|---|
| Assets pledged as collateral | | | |
| Other investments | 6 | 6 | 8 |
| Total | 6 | 6 | 8 |
| Corresponding debts | | | |
| Trade payables | 226 | 211 | 253 |
| Total | 226 | 211 | 253 |

Other than the above, other investments pledged as substitute for brokerage margin payments for commodity futures transactions as of the date of transition to IFRSs (April 1, 2012) and March 31, 2013 and 2014, were ¥1,140 million, ¥1,229 million, and ¥1,244 million, respectively.

## 41. Events after the Reporting Period

At a 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., thereby making it a subsidiary, and concluded a share transfer agreement with NMC2007 Investment Limited Partnership as of April 17, 2014. On May 27, 2014, the Company acquired the shares and Osaka Car Life Group Co., Ltd., became a subsidiary.

For the acquisition of the shares, please refer to Note 6. "Business Combinations".

## 42. Disclosure on Transition to IFRSs

These consolidated financial statements are the Company's first consolidated financial statements prepared in accordance with IFRSs.

Accounting policies described in Note 3. "Significant Accounting Policies" have been applied in preparing the consolidated financial statements for the fiscal years ended March 31, 2014 and 2013, and the consolidated statement of financial position as of the date of transition to IFRSs (April 1, 2012).

(1) Exemption and Mandatory Exception in IFRS 1

A. Exemption in IFRS 1

IFRS 1 provides for the exemption from retrospective application of some standards that an entity may elect to apply at its own discretion. The Group has adopted the exemption principally for the following items.

- Business Combinations

  Entities that apply IFRSs for the first time ("first-time adopters") may elect not to retrospectively apply IFRS 3 to past business combinations (business combinations that occurred before the date of transition to IFRSs). If a first-time adopter restates a certain business combination to comply with IFRS 3, it shall restate all later business combinations. The Group has applied this provision and retrospectively applied IFRS 3 to business combinations that occurred on or after September 1, 2008.

- Deemed Cost

  First-time adopters are permitted to measure an item of property, plant and equipment, an investment property or an intangible asset at fair value as of the date of transition to IFRSs and use the fair value as deemed cost as of that date. The Group has applied this provision to some property, plant and equipment and investment property and their fair value as of the date of transition to IFRSs is used as deemed cost.

B. Mandatory Exception in IFRS 1

IFRS 1 requires first-time adopters to retrospectively apply IFRSs, in principle. However, retrospective application of some aspects is prohibited. Items to which this provision applies are "estimates," "derecognition of financial assets and financial liabilities," "hedge accounting," "non-controlling interests" and "classification and measurement of financial assets". The Company applies IFRSs for these items prospectively from the date of transition to IFRSs.

(2) Reconciliation

In preparing consolidated financial statements in accordance with IFRSs, the Company made adjustments to the amounts that were reported in the consolidated financial statements in accordance with Japanese GAAP. The effect of these adjustments in the consolidated financial position, operating results and cash flow position of the Group is shown below:

## A. Reconciliation of Equity as of the Date of Transition to IFRSs (April 1, 2012)

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Differences in recognition and measurement | IFRSs | Notes | Line item under IFRSs |
|---|---|---|---|---|---|---|
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | 15,313 | | 123 | 15,436 | | Cash and cash equivalents |
| Trade notes and trade accounts | 150,896 | (307) | (10,040) | 140,549 | | Trade receivables |
| | – | 11,390 | (318) | 11,072 | 7 | Other current financial assets |
| Merchandise and finished goods | 14,899 | 774 | 354 | 16,027 | | Inventories |
| | – | 2,061 | – | 2,061 | | Trade advances paid |
| Deferred tax assets | 1,685 | (1,685) | – | – | 7 | |
| Other | 15,390 | (14,224) | 3 | 1,169 | | Other current assets |
| Allowance for doubtful accounts | (306) | 306 | – | – | | |
| Total current assets | 197,877 | (1,685) | (9,878) | 186,314 | | Total current assets |
| Non-current assets | | | | | | Non-current assets |
| | – | 6,441 | (454) | 5,987 | | Investments accounted for by the equity method |
| | – | 7,394 | 1 | 7,395 | | Other investments |
| | – | 8,346 | 976 | 9,322 | | Non-current financial assets other than investments |
| Property, plant and equipment | | | | | | |
| | – | 52,539 | (11,531) | 41,008 | 1, 7 | Property, plant and equipment |
| | – | 21,095 | (6,035) | 15,060 | 1, 7 | Investment property |
| Buildings and structures | 53,988 | (53,988) | – | – | | |
| Accumulated depreciation | (32,960) | 32,960 | – | – | | |
| Buildings and structures – net | 21,028 | (21,028) | – | – | | |
| Machinery, equipment and vehicles | 39,479 | (39,479) | – | – | | |
| Accumulated depreciation | (27,151) | 27,151 | – | – | | |
| Machinery, equipment and vehicles – net | 12,328 | (12,328) | – | – | | |
| Land | 35,085 | (35,085) | – | – | | |
| Leased assets | 4,381 | (4,381) | – | – | | |
| Accumulated depreciation | (2,230) | 2,230 | – | – | | |
| Leased assets – net | 2,151 | (2,151) | – | – | | |
| Construction in progress | 1,904 | (1,904) | – | – | | |
| Other | 5,420 | (5,420) | – | – | | |
| Accumulated depreciation | (4,282) | 4,282 | – | – | | |
| Other – net | 1,138 | (1,138) | – | – | | |
| Net property, plant and equipment | 73,634 | | | | | |
| Intangible assets | | | | | | |
| Goodwill | 3,431 | (3,431) | – | – | 4, 7 | Goodwill |
| Other | 3,412 | 3,431 | 276 | 7,119 | 4, 7 | Intangible assets |
| Total intangible assets | 6,843 | | | | | |



(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Differences in recognition and measurement | IFRSs | Notes | Line item under IFRSs |
|---|---|---|---|---|---|---|
| Investments and other assets | | | | | | |
| Investment securities | 13,791 | (13,791) | – | – | | |
| Long-term loans receivable | 1,167 | (1,167) | – | – | | |
| Deferred tax assets | 2,724 | 1,685 | 10,313 | 14,722 | 7 | Deferred tax assets |
| | – | 1,794 | 2 | 1,796 | | Other non-current assets |
| Other | 9,636 | (9,636) | – | – | | |
| Allowance for doubtful accounts | (619) | 619 | – | – | | |
| Total investments and other assets | 26,699 | | | | | |
| Total non-current assets | 107,176 | 1,685 | (6,452) | 102,409 | | Total non-current assets |
| Total assets | 305,053 | – | (16,330) | 288,723 | | Total assets |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassifi-cation | Differences in recognition and measurement | IFRSs | Notes | Line item under IFRSs |
|---|---|---|---|---|---|---|
| Liabilities | | | | | | Liabilities and equity |
| | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| Trade payables | 129,225 | (129,225) | – | – | | |
| Short-term loans payable | 16,350 | 4,000 | 135 | 20,485 | | Short-term bonds and borrowings |
| Commercial papers | 4,000 | (4,000) | – | – | | |
| | – | 135,688 | (10,507) | 125,181 | | Trade payables |
| Lease obligations | 1,085 | (1,085) | – | – | | |
| | – | 4,898 | 777 | 5,675 | | Other current financial liabilities |
| Income taxes payable | 2,383 | 24 | 45 | 2,452 | | Income taxes payable |
| | – | 4,943 | 20 | 4,963 | | Advances from customers |
| Provision for bonuses | 2,595 | (2,595) | – | – | | |
| Provision for directors' bonuses | 288 | (288) | – | – | | |
| Other | 17,219 | (12,360) | 771 | 5,630 | 3 | Other current liabilities |
| Total current liabilities | 173,145 | – | (8,759) | 164,386 | | Total current liabilities |
| Non-current liabilities | | | | | | Non-current liabilities |
| Bonds payable | 10,000 | 334 | (28) | 10,306 | | Non-current bonds and borrowings |
| Long-term loans payable | 334 | (334) | – | – | | |
| Lease obligations | 1,957 | (1,957) | – | – | | |
| Deferred tax liabilities | 164 | 2,508 | (2,672) | – | | |
| Deferred tax liabilities for land revaluation | 2,672 | (2,672) | – | – | | |
| | – | 13,094 | 3,481 | 16,575 | | Other non-current financial liabilities |
| Provision for retirement benefits | 6,239 | – | 425 | 6,664 | 3 | Non-current liabilities for employee benefits |
| Asset retirement obligations | 2,339 | (2,339) | – | – | | |
| | – | 164 | 1,106 | 1,270 | | Deferred tax liabilities |
| | | 2,339 | 94 | 2,433 | | Provisions |
| Other | 12,112 | (11,137) | (329) | 646 | | Other non-current liabilities |
| Total non-current liabilities | 35,817 | – | 2,077 | 37,894 | | Total non-current liabilities |
| Total liabilities | 208,962 | – | (6,682) | 202,280 | | Total liabilities |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassifi-cation | Differences in recognition and measurement | IFRSs | Notes | Line item under IFRSs |
|---|---|---|---|---|---|---|
| Net assets | | | | | | |
| Shareholders' equity | | | | | | Equity |
| Common stock | 19,878 | – | – | 19,878 | | Common stock |
| Capital surplus | 18,737 | – | – | 18,737 | | Capital surplus |
| Retained earnings | 65,187 | – | (15,650) | 49,537 | 6 | Retained earnings |
| | – | (8,662) | 6,158 | (2,504) | 1, 2 | Other components of equity |
| Treasury stock | (1,750) | – | – | (1,750) | | Treasury stock |
| Total shareholders' equity | 102,052 | | | | | |
| Accumulated other comprehensive income | | | | | | |
| Valuation difference on available-for-sale securities | (1,031) | 1,031 | – | – | | |
| Deferred gains or losses on hedges | (4) | 4 | – | – | | |
| Revaluation reserve for land | (7,627) | 7,627 | – | – | | |
| Foreign currency translation adjustment | 20 | – | (20) | – | | |
| Total accumulated other comprehensive income | (8,642) | | | | | |
| | – | – | – | 83,898 | | Total equity attributable to owners of the parent |
| Minority interests | 2,681 | – | (136) | 2,545 | 1, 2, 3 | Non-controlling interests |
| Total net assets | 96,091 | – | (9,648) | 86,443 | | Total equity |
| Total liabilities and net assets | 305,053 | – | (16,330) | 288,723 | | Total liabilities and equity |

B. Reconciliation of Equity as of March 31, 2013

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Differences in recognition and measurement | IFRSs | Notes | Line item under IFRSs |
|---|---|---|---|---|---|---|
| Assets | | | | | | Assets |
| Current assets | | | | | | Current assets |
| Cash and deposits | 17,881 | – | 181 | 18,062 | | Cash and cash equivalents |
| Trade notes and trade accounts | 139,140 | (219) | (2,343) | 136,578 | | Trade receivables |
| | – | 11,455 | (7) | 11,448 | 7 | Other current financial assets |
| Merchandise and finished goods | 17,045 | 846 | 243 | 18,134 | | Inventories |
| | – | 3,085 | – | 3,085 | | Trade advances paid |
| Deferred tax assets | 1,964 | (1,964) | – | – | 7 | |
| Other | 17,267 | (15,385) | 7 | 1,889 | | Other current assets |
| Allowance for doubtful accounts | (219) | 219 | – | – | | |
| Total current assets | 193,078 | (1,963) | (1,919) | 189,196 | | Total current assets |
| Non-current assets | | | | | | Non-current assets |
| | – | 6,564 | (532) | 6,032 | | Investments accounted for by the equity method |
| | – | 8,924 | 1 | 8,925 | | Other investments |
| | – | 9,739 | 834 | 10,573 | 4 | Non-current financial assets other than investments |
| Property, plant and equipment | | | | | | |
| | – | 67,809 | (10,154) | 57,655 | 1, 7 | Property, plant and equipment |
| | – | 21,559 | (5,927) | 15,632 | 1, 7 | Investment property |
| Buildings and structures | 57,725 | (57,725) | – | – | | |
| Accumulated depreciation | (33,203) | 33,203 | – | – | | |
| Buildings and structures – net | 24,522 | (24,522) | – | – | | |
| Machinery, equipment and vehicles | 53,022 | (53,022) | – | – | | |
| Accumulated depreciation | (28,210) | 28,210 | – | – | | |
| Machinery, equipment and vehicles – net | 24,812 | (24,812) | – | – | | |
| Vessels | 488 | (488) | – | – | | |
| Accumulated depreciation | (11) | 11 | – | – | | |
| Vessels – net | 477 | (477) | – | – | | |
| Land | 34,753 | (34,753) | – | – | | |
| Leased assets | 5,435 | (5,435) | – | – | | |
| Accumulated depreciation | (3,027) | 3,027 | – | – | | |
| Leased assets – net | 2,408 | (2,408) | – | – | | |
| Construction in progress | 589 | (589) | – | – | | |
| Other | 6,206 | (6,206) | – | – | | |
| Accumulated depreciation | (4,398) | 4,398 | – | – | | |
| Other – net | 1,808 | (1,808) | – | – | | |
| Net property, plant and equipment | 89,369 | | | | | |
| Intangible assets | | | | | | |
| Goodwill | 3,209 | (3,209) | – | – | 4, 7 | Goodwill |
| Other | 8,165 | 3,209 | (375) | 10,999 | 4, 7 | Intangible assets |
| Total intangible assets | 11,374 | | | | | |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Differences in recognition and measurement | IFRSs | Notes | Line item under IFRSs |
|---|---|---|---|---|---|---|
| Investments and other assets | | | | | | |
| Investment securities | 15,270 | (15,270) | – | – | | |
| Long-term loans receivable | 964 | (964) | – | – | | |
| Deferred tax assets | 2,816 | 1,964 | 10,216 | 14,996 | 7 | Deferred tax assets |
| | – | 1,883 | 2 | 1,885 | | Other non-current assets |
| Other | 11,379 | (11,379) | – | – | | |
| Allowance for doubtful accounts | (503) | 503 | – | – | | |
| Total investments and other assets | 29,926 | | | | | |
| Total non-current assets | 130,669 | 1,963 | (5,935) | 126,697 | | Total non-current assets |
| Total assets | 323,747 | – | (7,854) | 315,893 | | Total assets |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassifi-cation | Differences in recognition and measurement | IFRSs | Notes | Line item under IFRSs |
|---|---|---|---|---|---|---|
| Liabilities | | | | | | Liabilities and equity |
| | | | | | | Liabilities |
| Current liabilities | | | | | | Current liabilities |
| Trade payables | 119,006 | (119,006) | – | – | | |
| Short-term loans payable | 9,595 | 5,000 | 150 | 14,745 | | Short-term bonds and borrowings |
| Current portion of bonds | 5,000 | (5,000) | – | – | | |
| | – | 126,690 | (2,644) | 124,046 | | Trade payables |
| Lease obligations | 1,132 | (1,132) | – | – | | |
| | – | 5,604 | 1,074 | 6,678 | | Other current financial liabilities |
| Income taxes payable | 3,933 | 29 | 32 | 3,994 | | Income taxes payable |
| | – | 5,485 | 16 | 5,501 | | Advances from customers |
| Provision for bonuses | 3,115 | (3,115) | – | – | | |
| Provision for directors' bonuses | 405 | (405) | – | – | | |
| Other | 20,047 | (14,150) | 877 | 6,774 | 3 | Other current liabilities |
| Total current liabilities | 162,233 | – | (495) | 161,738 | | Total current liabilities |
| Non-current liabilities | | | | | | Non-current liabilities |
| Bonds payable | 20,000 | 6,247 | (89) | 26,158 | | Non-current bonds and borrowings |
| Long-term loans payable | 6,247 | (6,247) | – | – | | |
| Lease obligations | 2,141 | (2,141) | – | – | | |
| Deferred tax liabilities | 1,810 | 629 | (2,439) | – | | |
| Deferred tax liabilities for land revaluation | 2,439 | (2,439) | – | – | | |
| | – | 14,471 | 2,900 | 17,371 | | Other non-current financial liabilities |
| Provision for retirement benefits | 6,404 | – | 601 | 7,005 | 3 | Non-current liabilities for employee benefits |
| Asset retirement obligations | 2,688 | (2,688) | – | – | | |
| | – | 1,810 | 663 | 2,473 | | Deferred tax liabilities |
| | | 2,688 | 246 | 2,934 | | Provisions |
| Other | 13,254 | (12,330) | (365) | 559 | 4 | Other non-current liabilities |
| Total non-current liabilities | 54,983 | – | 1,517 | 56,500 | | Total non-current liabilities |
| Total liabilities | 217,216 | – | 1,022 | 218,238 | | Total liabilities |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassifi-cation | Differences in recognition and measurement | IFRSs | Notes | Line item under IFRSs |
|---|---|---|---|---|---|---|
| Net assets | | | | | | |
| Shareholders' equity | | | | | | Equity |
| Common stock | 19,878 | – | – | 19,878 | | Common stock |
| Capital surplus | 18,737 | – | – | 18,737 | | Capital surplus |
| Retained earnings | 69,106 | – | (15,020) | 54,086 | 6 | Retained earnings |
| | | (7,836) | 6,309 | (1,527) | 1, 2 | Other components of equity |
| Treasury stock | (1,750) | – | – | (1,750) | | Treasury stock |
| Total shareholders' equity | 105,971 | | | | | |
| Accumulated other comprehensive income | | | | | | |
| Valuation difference on available-for-sale securities | (104) | 104 | – | – | | |
| Deferred gains or losses on hedges | (5) | 5 | – | – | | |
| Revaluation reserve for land | (7,779) | 7,779 | – | – | | |
| Foreign currency translation adjustment | 72 | (52) | (20) | – | | |
| Total accumulated other comprehensive income | (7,816) | | | | | |
| | – | – | – | 89,424 | | Total equity attributable to owners of the parent |
| Minority interests | 8,376 | – | (145) | 8,231 | 1, 2, 3, 4 | Non-controlling interests |
| Total net assets | 106,531 | – | (8,876) | 97,655 | | Total equity |
| Total liabilities and net assets | 323,747 | – | (7,854) | 315,893 | | Total liabilities and equity |

C. Reconciliation of Comprehensive Income for the Fiscal Year Ended March 31, 2013

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Differences in recognition and measurement | IFRSs | Notes | Line item under IFRSs |
|---|---|---|---|---|---|---|
| Consolidated statement of income | | | | | | |
| Net sales | 1,430,746 | (231) | (565,926) | 864,589 | 5 | Revenue |
| Cost of sales | (1,360,691) | 323 | 565,445 | (794,923) | 1, 5 | Cost of sales |
| Gross profit | 70,055 | 92 | (481) | 69,666 | | Gross profit |
| Selling, general and administrative expenses | (56,329) | (135) | 796 | (55,668) | 1, 3, 4 | Selling, general and administrative expense |
| | – | (1,587) | 673 | (914) | 1 | Loss from tangible assets, intangible assets and goodwill |
| | – | (346) | – | (346) | | Other - net |
| Operating income | 13,726 | (1,976) | 988 | 12,738 | | Profit from operating activities |
| Non-operating income | | | | | | |
| Interest income | 27 | – | – | 27 | | Interest income |
| Dividend income | 255 | – | – | 255 | | Dividends received |
| Purchase discounts | 323 | (323) | – | – | | |
| Other | 926 | (926) | – | – | | |
| Non-operating expenses | | | | | | |
| Interest expenses | (548) | – | (206) | (754) | 3 | Interest expense |
| Sales discounts | (231) | 231 | – | – | | |
| Bond issuance cost | (85) | – | 85 | – | | |
| | | – | (4) | (4) | | Other financial income and costs - net |
| Foreign exchange losses | (1,137) | 1,137 | – | – | | |
| Share of loss of entities accounted for by the equity method | (28) | – | – | (28) | | Share of loss of investments accounted for by the equity method |
| Other | (265) | 265 | – | – | | |
| Ordinary income | 12,963 | – | – | – | | |
| Extraordinary income | | | | | | |
| Gain on sales of non-current assets | 275 | (275) | – | – | | |
| Gain on sales of investment securities | 12 | – | (12) | – | | |
| Compensation income for expropriation | 130 | (130) | – | – | | |
| Extraordinary losses | | | | | | |
| Loss on sales and retirement of non-current assets | (1,125) | 1,125 | – | – | | |
| Loss on sales of investment securities | (2) | – | 2 | – | | |
| Loss on valuation of investment securities | (12) | – | 12 | – | | |
| Impairment loss | (712) | 712 | – | – | | |
| Other | (31) | 24 | 7 | – | | |
| Income before income taxes and minority interests | 11,498 | (136) | 872 | 12,234 | | Profit before tax |
| Income taxes - current | (5,479) | 611 | 27 | (4,841) | 5 | Income tax expense |
| Income taxes - deferred | 475 | (475) | – | – | | |
| Income before minority interests | 6,494 | – | 899 | 7,393 | | Profit |
| Minority interests in income | (917) | – | (6) | (923) | | Profit attributable to non-controlling interests |
| Net income | 5,577 | – | 893 | 6,470 | | Profit attributable to owners of the parent |

(Millions of yen)

| Line item under Japanese GAAP | Japanese GAAP | Reclassification | Differences in recognition and measurement | IFRSs | Notes | Line item under IFRSs |
|---|---|---|---|---|---|---|
| Consolidated statement of comprehensive income | | | | | | |
| Other comprehensive income | | | | | | |
| Income before minority interests | 6,494 | – | 899 | 7,393 | | Profit |
| | | | | | | Items that will not be reclassified to profit or loss |
| Valuation difference on available-for-sale securities | 926 | – | (8) | 918 | 2 | FVTOCI financial assets |
| | – | – | (117) | (117) | 3 | Remeasurement of net defined benefit liability |
| | – | – | 1 | 1 | | Other comprehensive income in associates accounted for by the equity method |
| | | | | | | Items that may be reclassified to profit or loss |
| | – | – | 13 | 13 | | Cash flow hedges |
| Share of other comprehensive income of entities accounted for by the equity method | 51 | – | – | 51 | | Other comprehensive income in associates accounted for by the equity method |
| Total other comprehensive income | 977 | – | (111) | 866 | | Total other comprehensive income (net of tax effect) |
| Comprehensive income | 7,471 | – | 788 | 8,259 | | Comprehensive income |
| Comprehensive income attributable to owners of the parent | 6,554 | – | 780 | 7,334 | | Comprehensive income attributable to owners of the parent |
| Comprehensive income attributable to minority interests | 917 | – | 8 | 925 | | Comprehensive income attributable to non-controlling interests |

| | | | | | | |
|---|---|---|---|---|---|---|
| Net income per share (attributable to owners of the parent) | (Yen) | | (Yen) | (Yen) | | Earnings per share (attributable to owners of the parent) |
| Basic | 49.36 | – | 7.91 | 57.26 | | Basic |
| Diluted | – | – | – | – | | Diluted |

D. Reconciliation of cash flows for the fiscal year ended March 31, 2013

There are no material differences between the consolidated statement of cash flows under Japanese GAAP and the consolidated statement of cash flows under IFRSs.

(3) Notes on Adjustments

A. Deemed Cost

The Group has applied the optional exemption under which fair value as of the date of transition to IFRSs is used as deemed cost. As of the date of transition to IFRSs, the carrying amounts and fair values under the previous accounting standards (Japanese GAAP) of property, plant and equipment and investment property to which this exemption has been applied are shown below:

(Millions of yen)

| | Carrying amount (Japanese GAAP) | Fair value | Difference |
|---|---|---|---|
| Property, plant and equipment | 22,580 | 7,247 | (15,333) |
| Investment property | 21,136 | 15,074 | (6,062) |

The effect of this change is summarized as follows (the figures in parentheses represent expense or loss):

(Millions of yen)

| Consolidated statement of comprehensive income | Fiscal year ended March 31, 2013 |
|---|---|
| Cost of sales | (172) |
| Selling, general and administrative expense | (694) |
| Loss from tangible assets, intangible assets and goodwill | (677) |
| Adjustments to profit before tax | (1,543) |

(Millions of yen)

| Consolidated statement of financial position | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 |
|---|---|---|
| Property, plant and equipment | (15,333) | (13,900) |
| Investment property | (6,062) | (5,951) |
| Relevant tax effect | 11,899 | 11,112 |
| Other components of equity | (7,627) | (7,779) |
| Non-controlling interests | 205 | 199 |
| Adjustments to retained earnings | (16,918) | (16,319) |

B. Financial Instruments

(i) Securities and Other Investments

Under IFRSs, all equity instruments other than those accounted for by the equity method are classified as FVTOCI financial assets of which the change in fair value is recognized in other comprehensive income. For impairment losses of listed and unlisted shares recognized as needed under Japanese GAAP, the amount of impairment losses corresponding to FVTOCI financial assets was reclassified from retained earnings to other components of equity under IFRSs.

The effect of this change is summarized as follows (the figures in parentheses represent expense or loss):

(Millions of yen)

| Consolidated statement of comprehensive income | Fiscal year ended March 31, 2013 |
|---|---|
| FVTOCI financial assets | 4 |
| Adjustments to other comprehensive income | 4 |

(Millions of yen)

| Consolidated statement of financial position | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 |
|---|---|---|
| Other components of equity | 1,533 | 1,543 |
| Non-controlling interests | (3) | (6) |
| Adjustments to retained earnings | 1,530 | 1,537 |

(ii) Presentation of Financial Assets and Liabilities

Under IFRSs, financial assets and liabilities are offset and presented on a net basis when both of the following requirements are met:

- There is an unconditional and legally enforceable right to set off the amounts recognized; and
- There is an intent either to settle on a net basis or to realize the asset and settle the liability simultaneously.

For the summary of the effect of these adjustments, please refer to 26. "Financial Instruments (9) Offsetting of Financial Assets and Financial Liabilities".

This has no effect on retained earnings.

C. Employee Benefits

(i) Defined Benefit Retirement Benefit Plans

Under Japanese GAAP, actuarial gains or losses were amortized on a straight-line basis from the next fiscal year following the fiscal year in which they occurred, over certain years set within the employee's average remaining service period.

Under IFRSs, the actuarial gains or losses are recognized in other comprehensive income when occurred and immediately reclassified to retained earnings. The present value of liability for defined benefit plan is recalculated in accordance with IFRSs. Adjustments for the gain or loss that occurred due to the periodic allocation method for the benefit are made to retained earnings.

(ii) Unused Paid Vacation

The Group recognizes unused paid vacation in liabilities under IFRSs, which was not required under Japanese GAAP, and adjustments are made to retained earnings.

The effect of these changes is summarized as follows (the figures in parentheses represent expense or loss):

(Millions of yen)

| Consolidated statement of comprehensive income | Fiscal year ended March 31, 2013 |
|---|---|
| Selling, general and administrative expense | 109 |
| Interest expense | (74) |
| Adjustments to profit before tax | 35 |
| Remeasurement of net defined benefit liability | (117) |
| Adjustments to other comprehensive income | (117) |

(Millions of yen)

| Consolidated statement of financial position | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 |
|---|---|---|
| Other current liabilities | (649) | (622) |
| Non-current liabilities for employee benefits | (408) | (581) |
| Relevant tax effect | 392 | 443 |
| Non-controlling interests | 13 | 16 |
| Adjustments to retained earnings | (652) | (744) |

D. Business Combinations

(i) Retrospective Application of IFRS 3 “Business Combinations”

IFRS 3 “Business Combinations” is applied retrospectively with respect to business combinations on or after September 1, 2008.

The effect of this change is summarized as follows (the figures in parentheses represent expense or loss):

(Millions of yen)

| Consolidated statement of comprehensive income | Fiscal year ended March 31, 2013 |
|---|---|
| Selling, general and administrative expense | (724) |
| Adjustments to profit before tax | (724) |

(Millions of yen)

| Consolidated statement of financial position | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 |
|---|---|---|
| Intangible asset | 1,187 | 521 |
| Other current liabilities | – | (97) |
| Relevant tax effect | (1,011) | (489) |
| Non-controlling interests | – | 16 |
| Adjustments to retained earnings | 176 | (49) |

E. Gross Presentation and Net Presentation of Revenue

Under Japanese GAAP, the amounts of transactions that the Group conducted as a party directly involved and transactions that the Group conducted as an agent are presented as net sales on a gross basis. Under IFRSs, for a transaction in which the Group functions, as a party directly involved, to increase added value of goods or services themselves provided and takes significant risks associated with the transaction, revenue is presented on a gross basis, while revenue from other transactions is presented at a net amount calculated by deducting the cost from the total amount of transactions with the customer.

The effect of this change is summarized as follows (the figures in parentheses represent expense or loss):

(Millions of yen)

| Consolidated statement of comprehensive income | Fiscal year ended March 31, 2013 |
|---|---|
| Revenue | (565,745) |
| Cost of sales | 565,745 |
| Adjustments to profit before tax | – |

F. Retained Earnings

The effect of adjustments described above on retained earnings is shown below:

(Millions of yen)

| Consolidated statement of financial position | As of the date of transition to IFRSs (April 1, 2012) | As of March 31, 2013 |
|---|---|---|
| Deemed costs | (16,918) | (16,319) |
| Financial instruments | 1,530 | 1,537 |
| Employee benefits | (652) | (744) |
| Business combinations | 176 | (49) |
| Other | 214 | 555 |
| Adjustments to retained earnings | (15,650) | (15,020) |

G. Reclassification

In addition to the above, reclassifications have been made to comply with provisions of IFRSs. The major reclassifications are as follows:

- An asset that arises as a result of the acquisition of a company for a premium value was presented as “Goodwill” under Japanese GAAP and is reclassified to “Intangible assets” if it satisfies the requirements for intangible assets under IFRSs.
- All current portions of deferred tax assets are reclassified to non-current assets.
- “Investment property” is presented separately in accordance with the provisions for presentation in IFRSs.
- Financial assets and financial liabilities are presented separately in accordance with the provisions for presentation in IFRSs.

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# 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. (the "Company") and its consolidated subsidiaries as of March 31, 2014, 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, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Member of
Deloitte Touche Tohmatsu Limited

## Emphasis of Matter

As discussed in Note 41 to the consolidated financial statements, at a 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., thereby making it a subsidiary, and concluded a share transfer agreement with NMC2007 Investment Limited Partnership as of April 17, 2014. On May 27, 2014, the Company acquired the shares. Our opinion is not qualified in respect of this matter.

Deloitte Touche Tohmatsu LLC

June 19, 2014

# Corporate Profile (As of April 1, 2014)

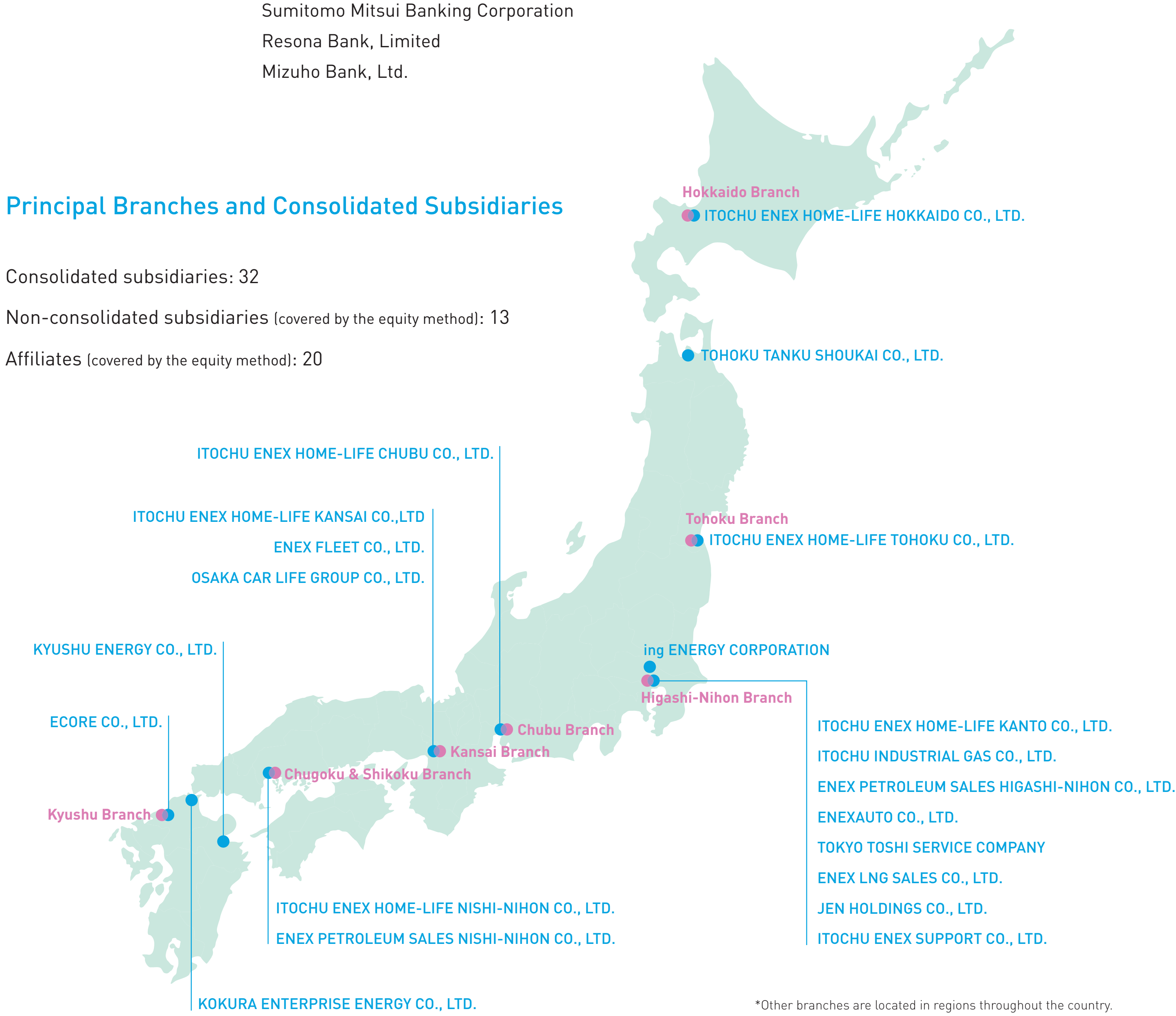
| | |
|---|---|
| Company Name | ITOCHU ENEX CO., LTD. |
| Head Office Address | Toranomon Twin Building, 2-10-1, Toranomon, Minato-ku, Tokyo 105-8430, Japan |
| Established | January 28, 1961 |
| Paid-in Capital | 19,877.67 million yen |
| Business Divisions | Home-Life Division<br>Car-Life Division<br>Power & Utility Division<br>Energy Trade Division |
| Number of Employees (As of March 31, 2014) | 659 (Non-consolidated)<br>(including 199 at subsidiaries)<br>3,954 (Consolidated) |
| Main Financial Institutions | Sumitomo Mitsui Trust Bank, Limited<br>Sumitomo Mitsui Banking Corporation<br>Resona Bank, Limited<br>Mizuho Bank, Ltd. |

## Principal Branches and Consolidated Subsidiaries

Consolidated subsidiaries: 32

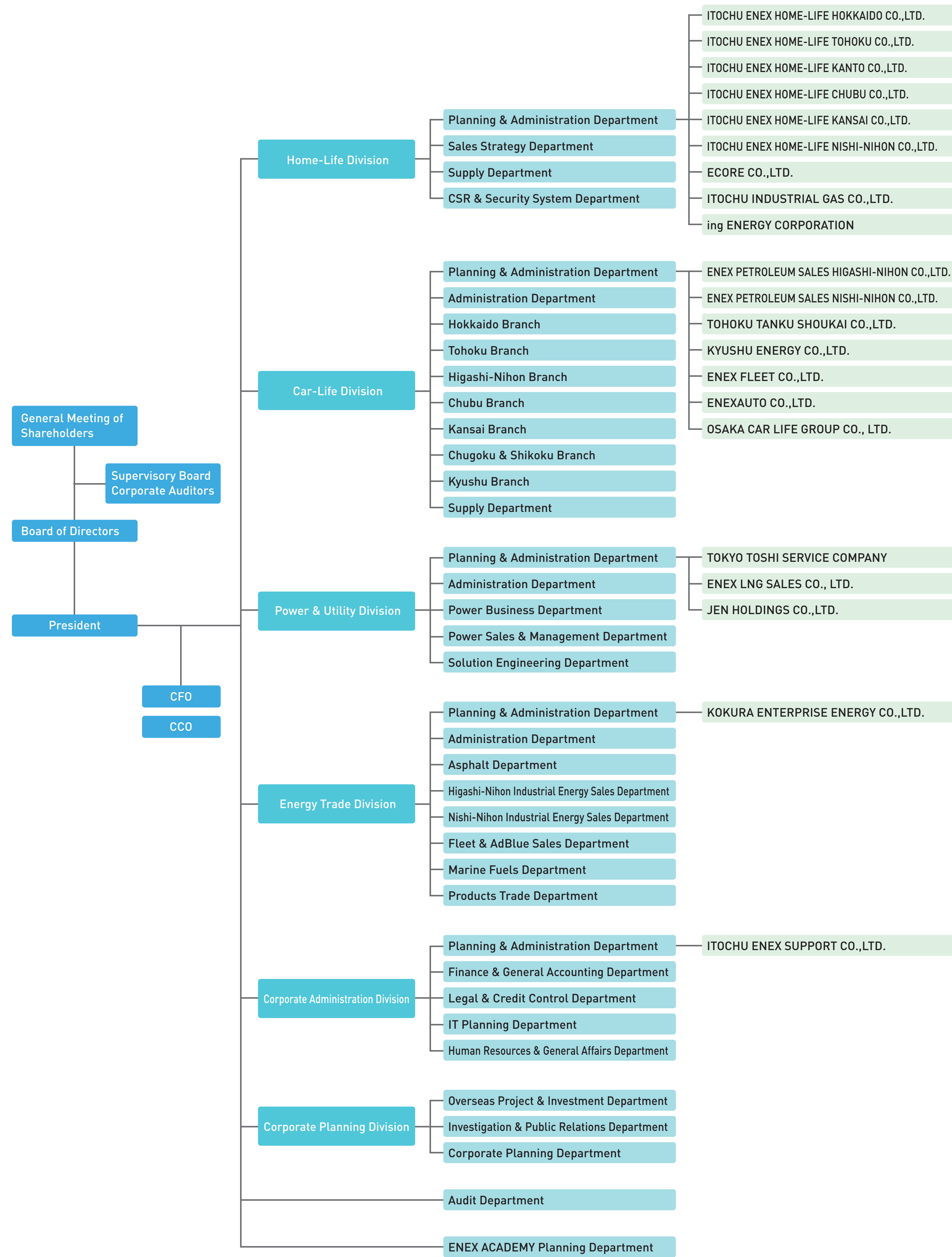
Non-consolidated subsidiaries (covered by the equity method): 13

Affiliates (covered by the equity method): 20




*Other branches are located in regions throughout the country.

# Organization Chart (As of October 1, 2014)



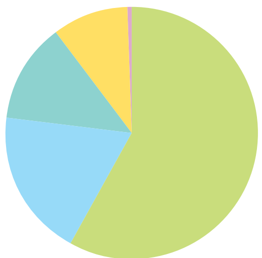
# Stock/Shareholder Information (As of March 31, 2014)

## Stock Information

| | |
|---|---|
| Number of shares authorized to be issued | 387,250 thousand shares |
| Number of shares issued and outstanding | 116,881 thousand shares |
| Number of shareholders | 8,899 |
| Trading unit of shares | 100 shares |

### Distribution of shares

#### By type of shareholders




Note: "Individuals, others" includes treasury stock (3,890 thousand shares).

### Principal Shareholders

| Name | Number of Shares Held (Thousands) | % of Total Shares Issued |
|---|---|---|
| ITOCHU Corporation | 60,978 | 52.17 |
| Enex Fund | 3,479 | 2.98 |
| JX Holdings, Inc. | 2,010 | 1.72 |
| Sumitomo Mitsui Trust Bank, Limited | 1,974 | 1.69 |
| Nippon Life Insurance Company | 1,873 | 1.60 |
| Japan Trustee Services Bank, Ltd. (trust account) | 1,851 | 1.58 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 1,819 | 1.56 |
| Itochu Enex Employee Shareholding Association | 1,797 | 1.54 |
| SINANEN CO., LTD. | 1,571 | 1.34 |
| MELLON BANK, N. A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENSION | 993 | 0.85 |

* In addition to shares described above, the company holds 3,890 thousand shares as treasury shares

## Shareholder Information

| | |
|---|---|
| Stock exchange listing | Tokyo (First Section); Stock name: ENEX |
| Stock code | 8133 |
| Method of notification | Publication on the Company's website<br>http://www.itcenex.com/english |
| Accounting period | Ending March 31 of every year |
| Important dates | Ordinary general meeting of shareholders: June<br>Year-end dividend: March 31<br>Interim dividend: September 30 |

ANNUAL REPORT

Published in October 2014

ITOCHU ENEX CO., LTD.

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