



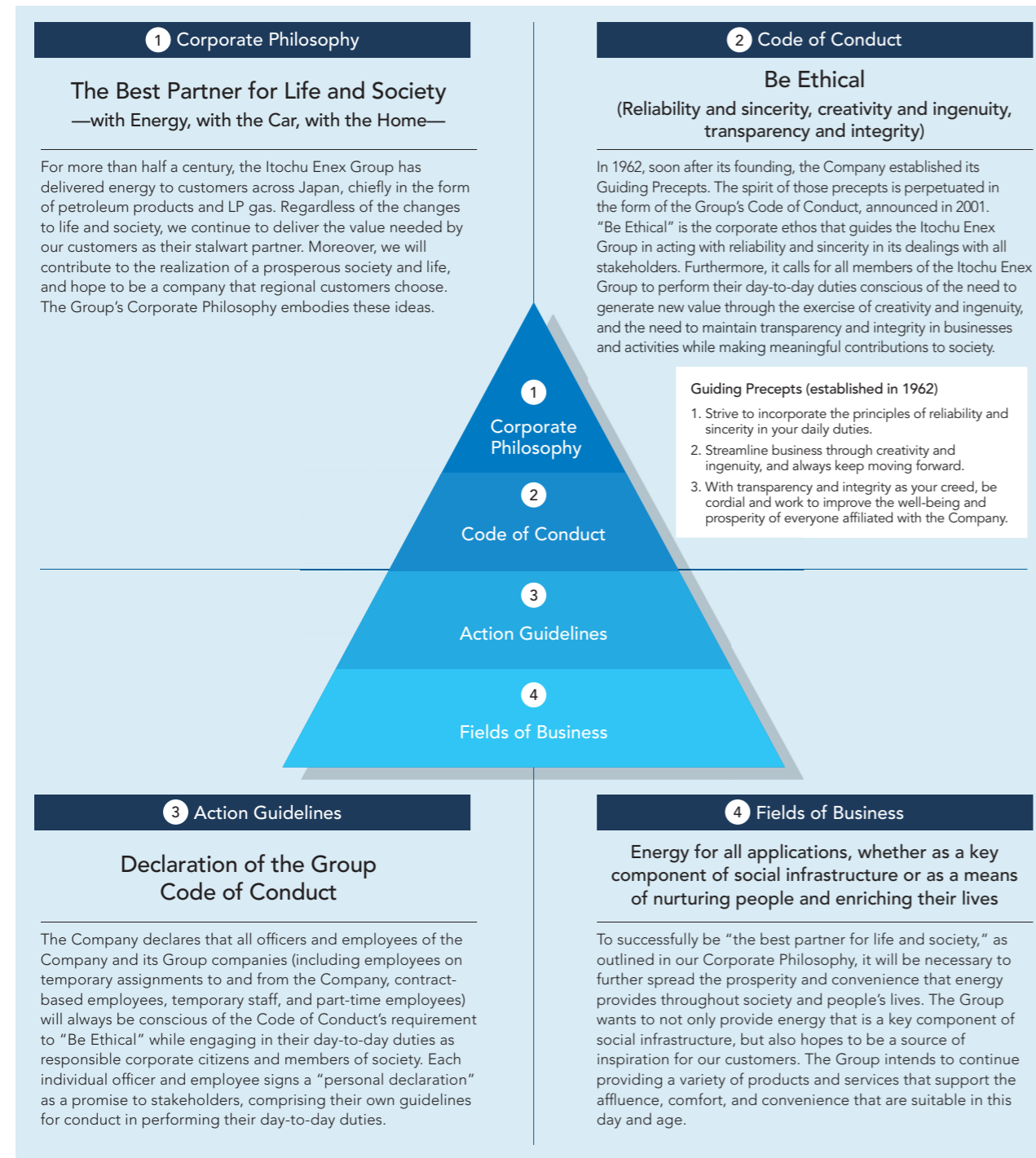


The Best Partner for Life and Society

– with Energy, with the Car, with the Home –

For more than half a century, the Itochu Enex Group has supplied petroleum, gas and other vital forms of energy, improving people's lives as "the best partner for life and society." Through a broad lineup of services that anticipate future needs, we endeavor to be an energy trading company that supports local communities.

The fundamental stance, morals, and values that the Itochu Enex Group follows when carrying out business activities are defined as follows. These concepts form the basis for business-related decision making, and are the basic policies for the execution of the Group's business activities and what direction the Group will move in.



Origin of the Company Name

In July 2001, as it marked its 40th anniversary, Itochu Fuel Corporation changed its name to Itochu Enex Co., Ltd.
The first "E" in "ENEX" represents the "E" in "energy," "end-consumers" (customers) and "ecology" (the environment), while "NEX" alludes to "next," symbolizing the next generation and the future.

Meaning of the Enex Mark

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



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Editorial Policy

Enex Report 2019 is an integrated report covering financial and non-financial information, including corporate social responsibility (CSR) activities, prepared with reference to various guidelines. Its purpose is to communicate the Itochu Enex Group's business activities and strategies implemented in pursuit of sustained growth.

Period Covered

April 1, 2018–March 31, 2019
Note: Includes certain activities that fall outside this period.

Organizations Covered

Itochu Enex Co., Ltd. and Itochu Enex Group companies

Publication Date

August 2019

Note on Forward-Looking Statements

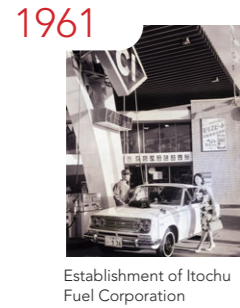
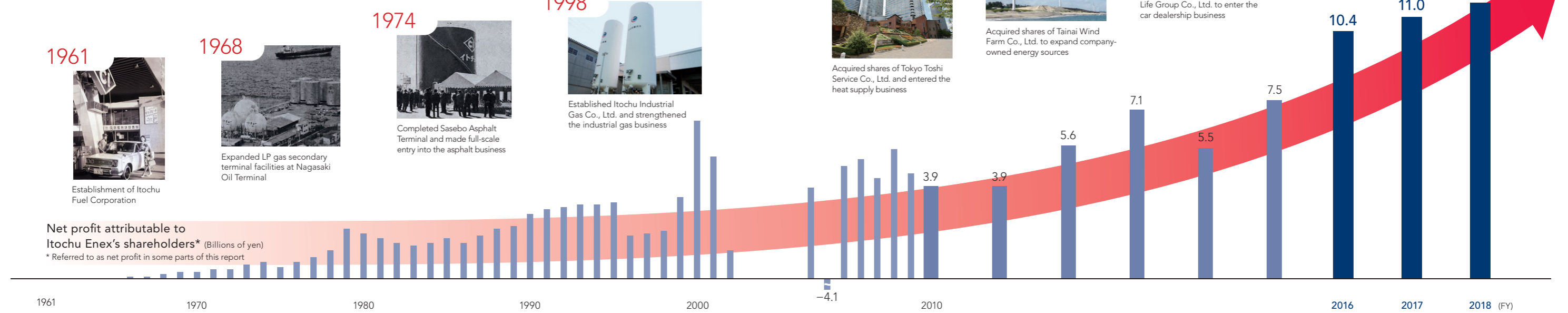
Forward-looking statements in this report, including outlooks for future Group business performance, are based on the information available at the time of publication. Actual results may differ considerably from projections for various reasons, including fluctuating exchange rates, market trends, and economic conditions.

Please direct comments or feedback to:

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Our History and Business Origins

Viewing changes in the social environment as opportunities to deploy the Group's strengths, the Itochu Enex Group has boldly tackled new challenges. While embarking on changes to our business model centered on the core petroleum and gas businesses, we have restructured our earnings foundation through means such as entering the electric power retail business and strengthening the mobility business, which enriches community infrastructure. Going forward, we will increase synergy among our divisions as we strive to become an energy trading company that supports local communities.



Note: Figures are non-consolidated results through FY1998 and consolidated results since FY1999. Figures for net profit on this page are based on International Financial Reporting Standards (IFRS) from FY2013.

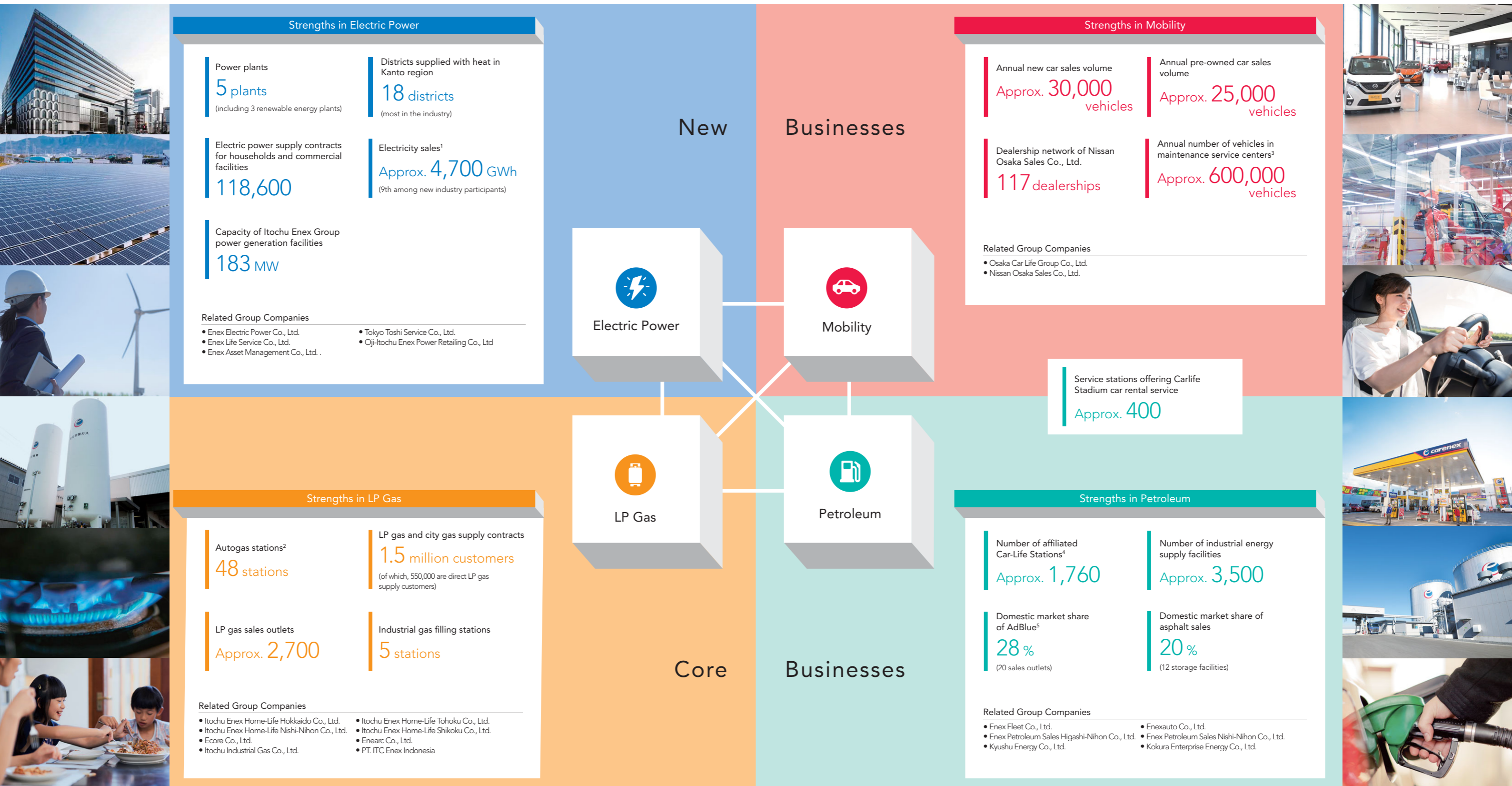
History of Itochu Enex Group

External environment and Itochu Enex Group initiatives	1961 Founded as a fuel trading company	2010 Becoming an energy trading company	An energy trading company that supports local communities
<ul style="list-style-type: none"> Expansion of fuel demand due to rapid economic growth Calls for stable energy supply in response to 1970s oil crises Rising awareness of the need for disaster preparedness measures 	<p>While Japan went through high economic growth and periods of slow growth, such as during the oil crises and the post-bubble era, we consistently focused on the stable supply of fuel. As a result, we expanded the number of sales companies to supply energy to a wider range of customers. We also actively developed disaster response stations that serve as regional safety and security infrastructure.</p>	<ul style="list-style-type: none"> Rising environmental awareness due to depletion of energy resources Population decline Expansion of regional disparities Diversifying lifestyle needs 	<p>With global warming an issue of concern worldwide, development of new energy sources also gained momentum in Japan. We entered the electric power retail business and are working toward a low-carbon society based on the best mix of energy.</p> <p>As demand for oil falls due to the declining population, increased energy efficiency and the shift toward electric power, we are leveraging our customer base to unify contact with local customers. We are creating various services suited to each region, and will continue to strive to be the company of choice for communities and customers.</p>
Changes in Our Businesses	<p>Petroleum</p> <ul style="list-style-type: none"> Jan. 1961 Establishment of Itochu Fuel Corporation May 1965 Acquired shares of Oita Kyuseki Hanbai Co., Ltd. (now consolidated subsidiary Kyushu Energy Co., Ltd.) Oct. 2005 Took over business of Kokura Enterprise Co., Ltd. and commenced operations Sep. 2008 Acquired petroleum sales business of Kohnan Corporation and additional shares of Kohnan Fleet Co., Ltd. (now consolidated subsidiary Enex Fleet Co., Ltd.) 	<ul style="list-style-type: none"> Jan. 2012 Invested in IP&E Palau, Inc. in the Republic of Palau 	<ul style="list-style-type: none"> Dec. 2015 Participated in domestically produced bio jet diesel fuel trial program led by Euglena Co., Ltd.
	<p>LP Gas</p> <ul style="list-style-type: none"> Mar. 1970 Acquired shares of Unoshima Sansuiso K.K. (now consolidated subsidiary Itochu Industrial Gas Co., Ltd.) Mar. 2001 Took over city gas supply service in Nakatsu City, Oita Prefecture Apr. 2007 Established Ecore Co., Ltd. through the merger of Itochu Enex Home-Life Kyushu and Idex Gas K.K. 	<ul style="list-style-type: none"> Oct. 2015 Established PT. ITC Enex Indonesia May 2016 Invested and began participation in LP gas sales business in the Philippines 	<ul style="list-style-type: none"> Oct. 2017 Established Enearc Co., Ltd. Oct. 2018 Merged Itochu Enex Home-Life Hokkaido Co., Ltd. and Nissho Propane Sekiyu Co., Ltd. Apr. 2019 Established Itochu Enex Home-Life Shikoku Co., Ltd.
		<p>Electric Power</p> <ul style="list-style-type: none"> Oct. 2010 Launched electric power retail business Mar. 2011 Acquired shares of JEN Holdings Co., Ltd. to enter the electricity and steam supply business for factories 	<ul style="list-style-type: none"> Feb. 2015 Established Oji-Itochu Enex Power Retailing Co., Ltd., a joint venture with Oji Green Resources Co., Ltd., a subsidiary of Oji Holdings Corporation Apr. 2016 Entered home energy sales business Feb. 2019 Enex Infrastructure Investment Corporation listed on infrastructure fund market
			<p>Mobility</p> <ul style="list-style-type: none"> May 2014 Acquired shares of Osaka Car Life Group Co., Ltd. to enter the car dealership business

A Unique Business Foundation

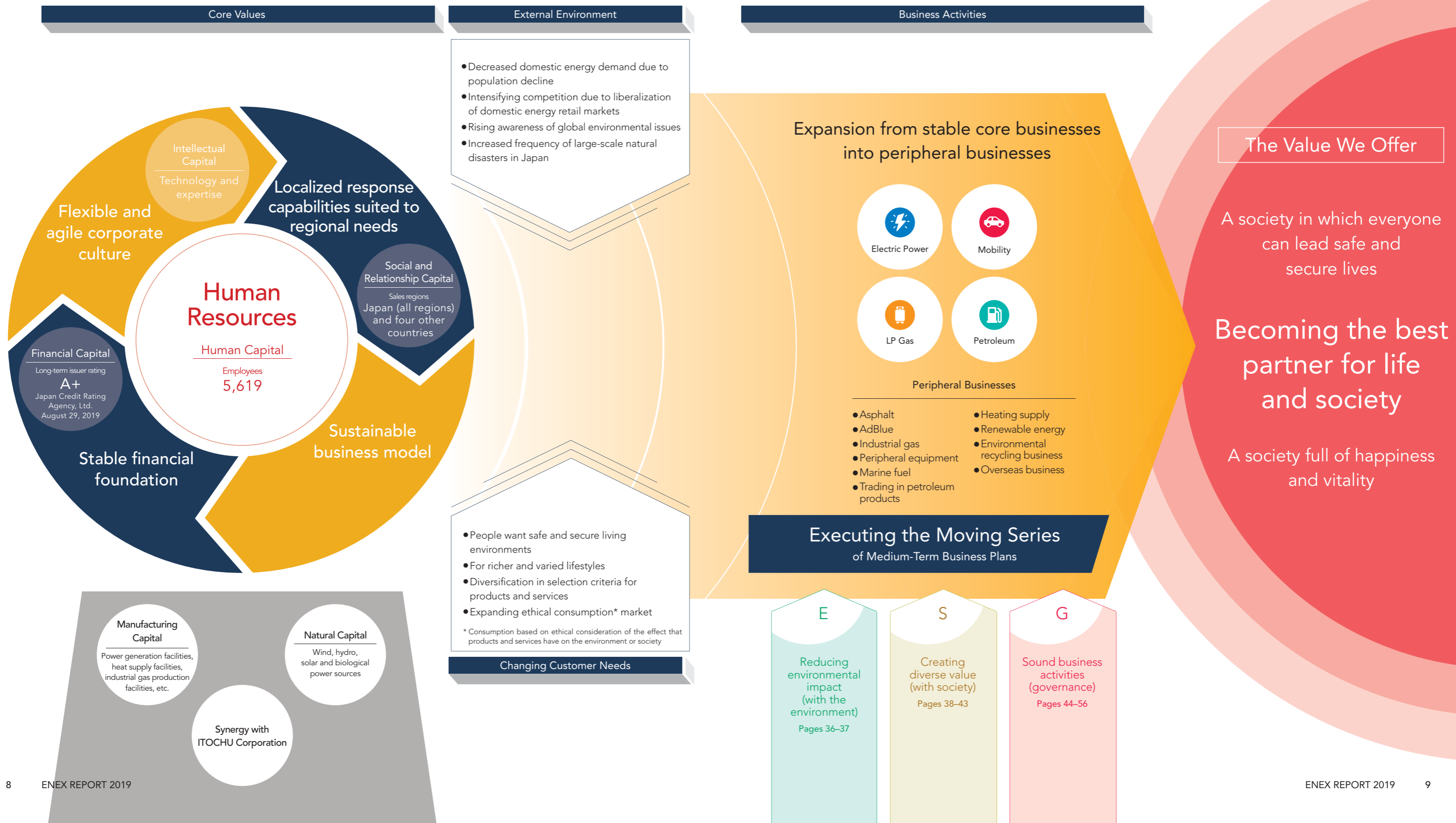
The Itochu Enex Group has built a strong and stable business foundation by supplying petroleum and gas, which are essential resources in society and daily life. Waves of change are sweeping through our operating environment. Nevertheless, we continue to create new value by maximizing synergy with the electric power and mobility businesses.

Notes: 1. Total electric power sales of the Power & Utility Division (FY2018 wholesale and retail sales)
 2. Autogas stations that supply LP gas to LP gas vehicles (taxis and buses)
 3. Vehicles undergoing multiple maintenance procedures (e.g. inspection and panel work) are counted once per procedure
 4. Car-Life Stations are service stations that offer multiple services, as proposed by the Itochu Enex Group
 5. AdBlue is a high-grade urea solution used in selective catalytic reduction systems, which are used for detoxifying nitrogen oxides (NO_x) in diesel vehicle exhaust



Value Creation Model

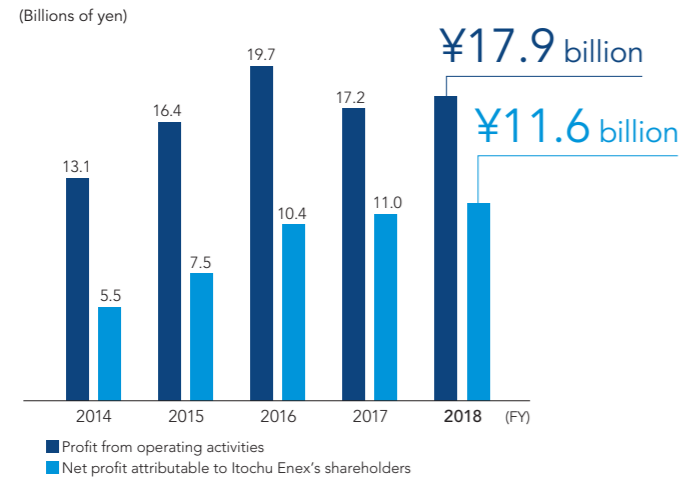
The Itochu Enex Group is "the best partner for life and society." Based on an accurate grasp of changes in the external environment and in customer needs, we are building a value creation model that incorporates the Itochu Enex Group's core values, which center on our people. Moreover, through the "Moving" series of medium-term business plans, which started in 2014, we are branching out from our core business into new businesses, and will make a further leap forward.



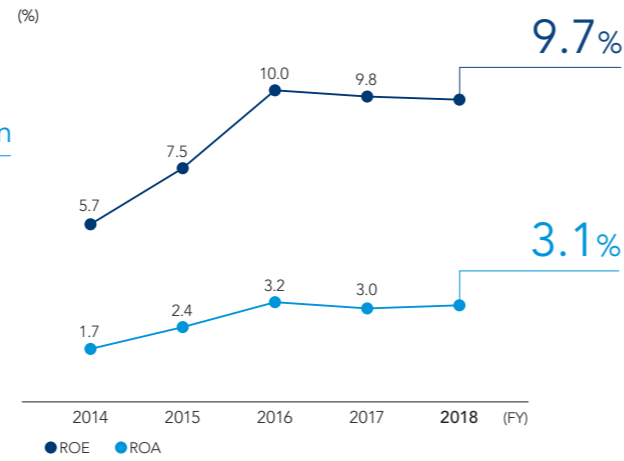
Financial and Non-Financial Highlights

Financial Highlights

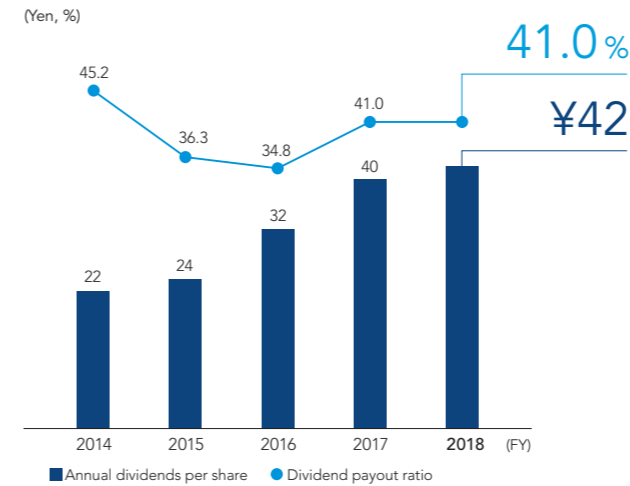
Profit from Operating Activities, Net Profit Attributable to Itochu Enex's Shareholders



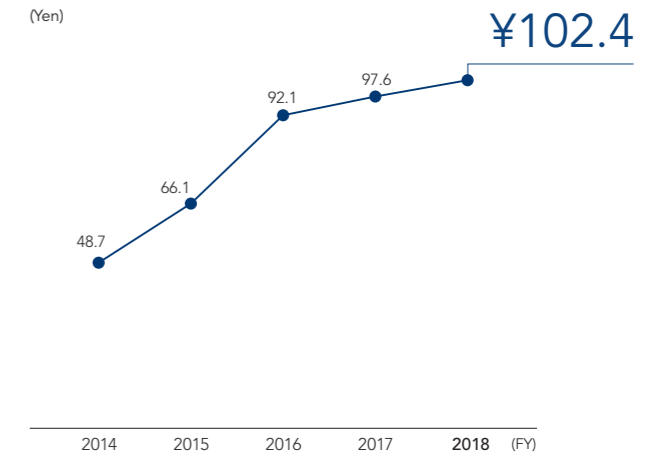
ROE, ROA



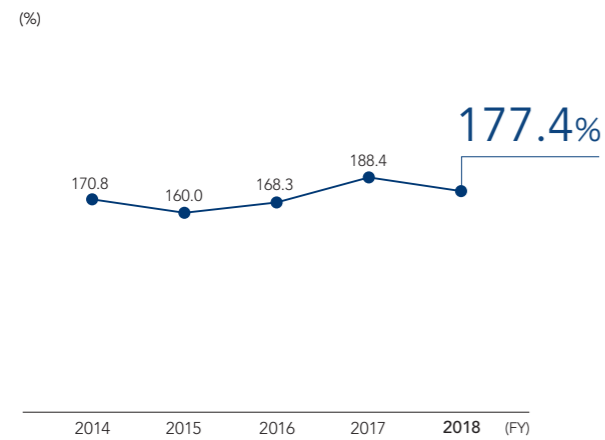
Annual Dividends per Share, Dividend Payout Ratio



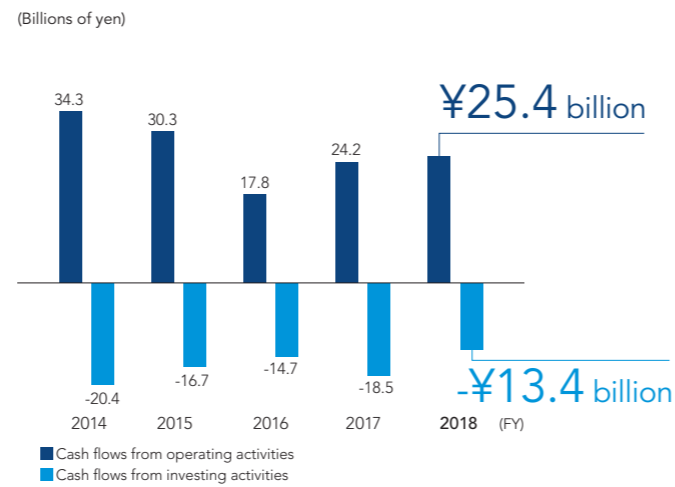
Basic Earnings per Share Attributable to Itochu Enex's Shareholders



Total Shareholder Return

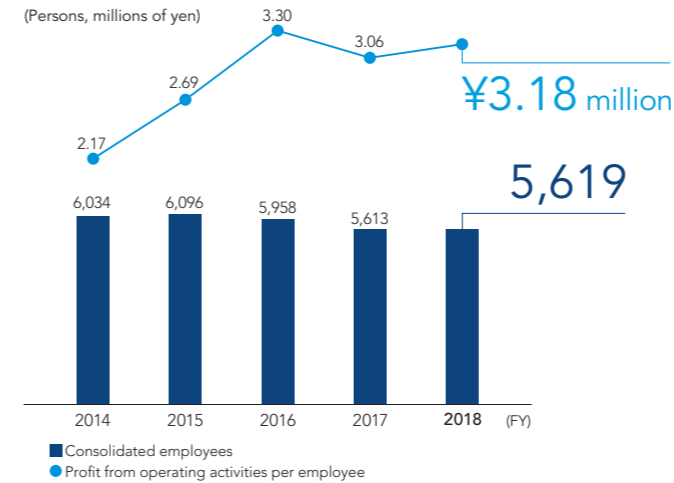


Cash Flows from Operating Activities, Cash Flows from Investing Activities

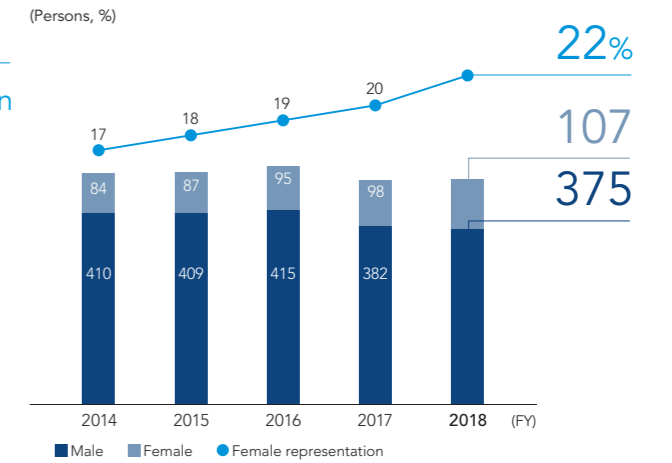


Non-Financial Highlights

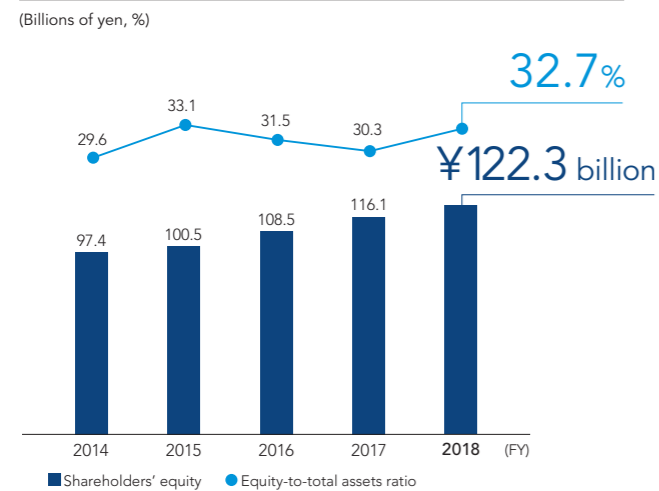
Consolidated Employees, Profit from Operating Activities per Employee



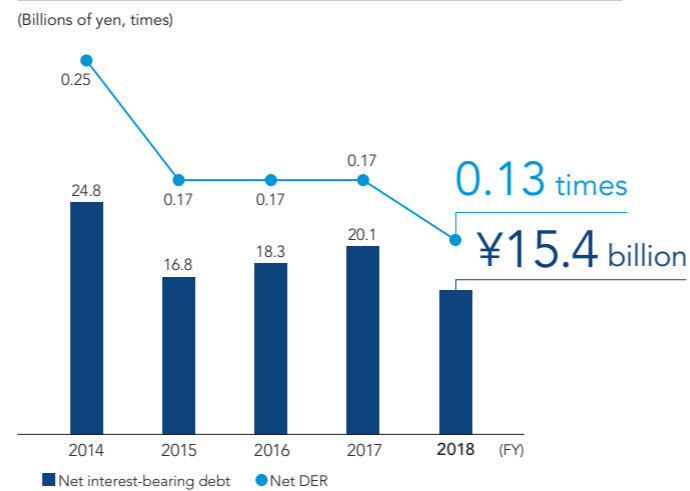
Employees by Gender (Non-Consolidated), Female Representation



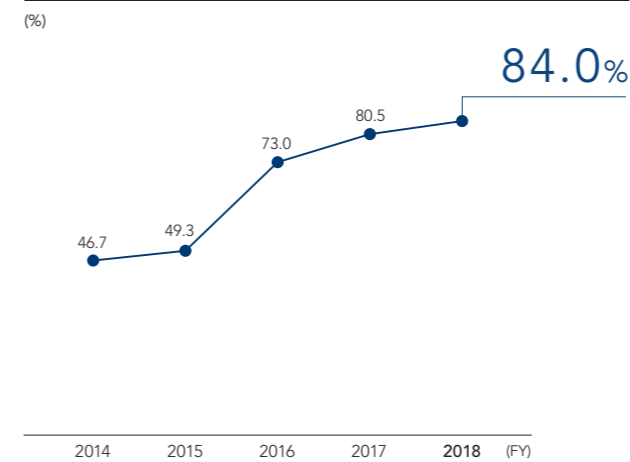
Shareholders' Equity, Equity-to-Total Assets Ratio



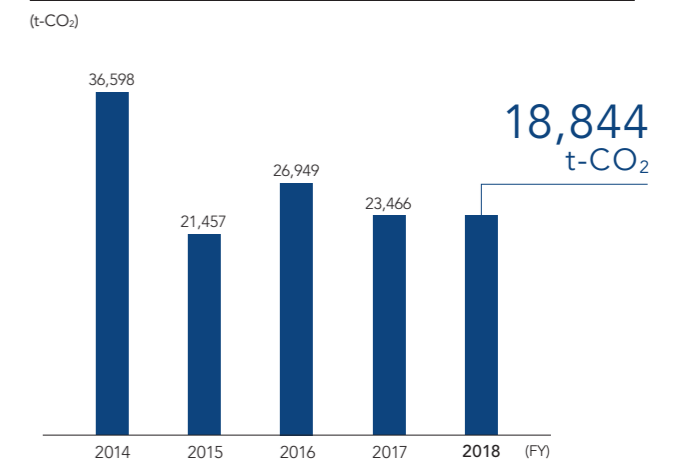
Net Interest-Bearing Debt, Net DER



Percentage of Paid Vacation Days Taken

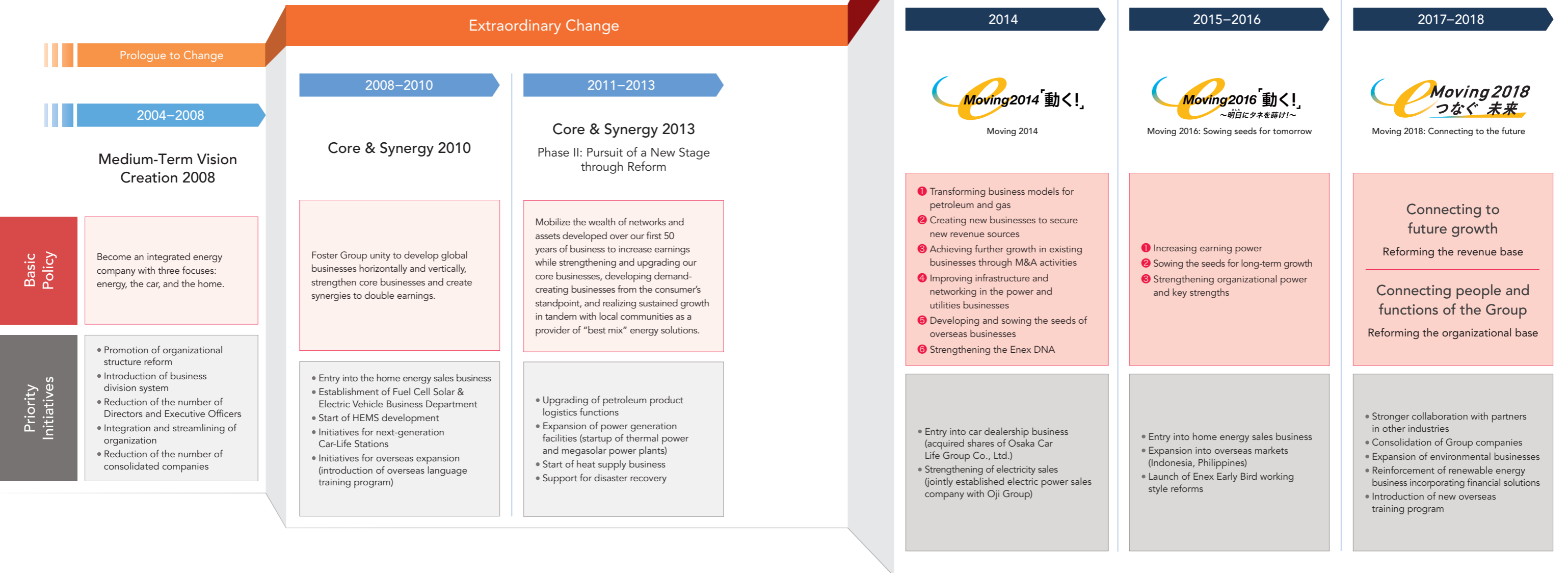


CO₂ Emissions



Review of Management Strategies to Date

The first medium-to-long-term business plan the Itochu Enex Group announced publicly was the medium-term vision in March 2004. Later, with the goal of developing the business capabilities necessary for responding flexibly to dramatic changes, the Group announced and implemented a succession of medium-term plans starting with the management strategy "Core & Synergy 2010." Since 2014, we have carried out the "Moving" series of plans, and are accelerating our transition from strengthening our business foundation to make the next leap forward.



Entered petroleum product import, wholesale and direct sales business in the Pacific region by acquiring a 25% stake in IP&E Palau, Inc.



Acquired shares of Tokyo Toshi Service Co., Ltd. and entered the heat supply business



Acquired shares of Tainai Wind Farm Co., Ltd. and established electric power business headquarters



Acquired shares of Osaka Car Life Group Co., Ltd. and entered the car dealership business




Entered LP gas sales business in the Philippines through establishment of Creasia Energy Holdings, Inc.



Cooperated on large-size LNG truck trial operations targeting a reduction in environmental impact

Summary of the New Medium-Term Business Plan

Concept



During the period of Moving 2018: Connecting to the future, we established a structure capable of consistently generating net profit of ¥10 billion. In the two years from 2019 through 2020, the foundations we have linked together will be the springboard for a major leap forward.

Basic Policy

Promotion of Growth Strategies		Evolution of the Organizational Base	
1	<p>Maintaining and deepening the revenue base</p> <ul style="list-style-type: none"> Deepen relationships with customers and communities Ensure appropriate allocation of people, assets and capital Create Group synergy Make more effective use of customer base 	1	<p>Strengthening Group management</p> <ul style="list-style-type: none"> Make all connections closer Enhance management of Group companies Bolster the risk management system Execute business strategies based on ESG and SDG perspectives
2	<p>Making inroads overseas and in peripheral fields</p> <ul style="list-style-type: none"> Enter overseas markets Actively invest in overseas businesses Promote M&A in peripheral businesses Form alliances with partners 	2	<p>Human resource strategies for growth</p> <ul style="list-style-type: none"> Bring out potential of employees Promote diversity Develop globally competent human resources Further implement Enex Early Bird working style reforms
3	<p>Creating new businesses</p> <ul style="list-style-type: none"> Widen our fields of business Develop environment-related businesses Make effective use of various management resources 	3	<p>Promoting innovation</p> <ul style="list-style-type: none"> Digital transformation and open innovation Make IT-based upgrades to business infrastructure Pursue efficiency in existing businesses Promote new businesses that use digital technology

Quantitative Targets

The two years of Moving 2020: Horizons will be the springboard for a major leap forward. By leveraging digital technology, maintaining and strengthening core businesses, and actively investing in overseas, peripheral and new businesses (a total of ¥60 billion over two years), we are targeting net profit of ¥12.5 billion in FY2020.

(Billions of yen)

	FY2017 results	FY2018 results	FY2019 plan	FY2020 plan
Net profit	11.0	11.6	11.8	12.5
ROE	9.8%	9.7%	9.0% or higher	
Dividend payout ratio	41%	41%	40% or higher	
Adjusted operating cash flows*	22.2	19.3	¥20 billion or more per year	
New investments	24.4	16.4	¥60 billion (two-year total)	

* Cash flows from operating activities excluding changes in working capital, etc.

Message from the President

We will accelerate growth by creating new value without being bound by existing business models and preconceived ideas.

Kenji Okada
 Representative Director,
 President and Chief Executive Officer



The Itochu Enex Group's Growth Trajectory to Date

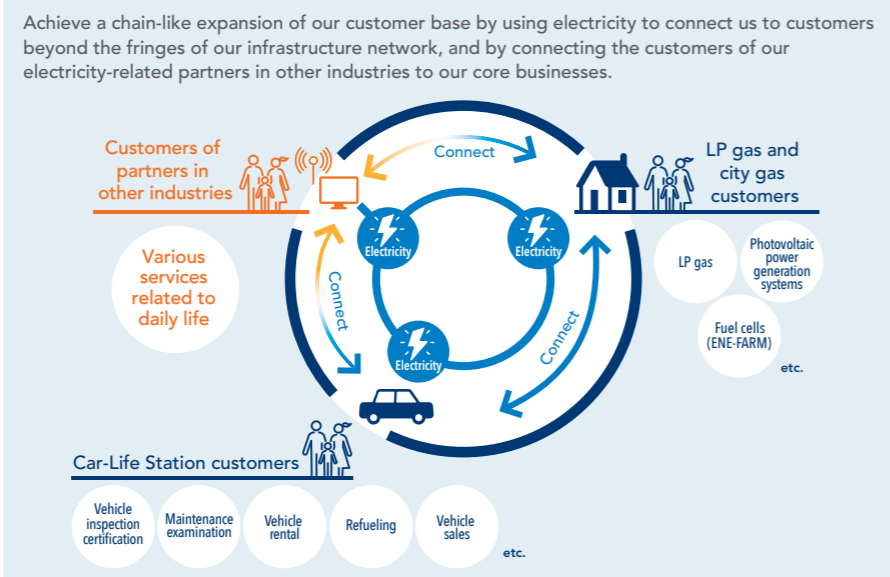
Why Must We Change?

Itochu Enex, which started off as a fuel trading company, grew and developed based on a pioneering approach to building a robust customer base, aided by rising energy demand. The fact that we handle energy, which is an essential and constant element in people's daily lives, has enabled us to maintain stable management and left us relatively insulated from economic swings compared to other industries, even in the volatile market conditions that followed the 2008 global financial crisis. On the other hand, the reliable nature of our business has fostered a corporate culture that favors stability over change, which could potentially lead to stagnation in the Company's growth. We realized that unless we changed, we might find ourselves in a parlous situation 10 years down the line. It is with that sense of urgency that we have been implementing bold internal reforms.

The networks we have built with customers since our founding are our greatest strength. To clearly indicate the importance, significance and functionality of these networks, we refer to them internally as "pipes." A pipe essentially connects two or more independent objects, enabling flows and creating relationships between them. We view our networks not just in the physical sense as conduits for supplying products, but also as a means for connecting things. In the context of our businesses, our "pipes" are the channels and routes through which we deliver LP gas in the Home-Life Division or refined petroleum products in the Car-Life Station business to end users, either through sales outlets or directly from the Company. With our entry into the electric power business, we now use our connected networks to sell electricity to our existing petroleum and LP gas customers, and provide various

services in cooperation with partners that have strong customer bases in specific regions. In this way, we have been achieving a chain-like expansion of our customer base by enhancing the connecting function of our networks through two business structures—our core petroleum and LP gas businesses and new businesses such as electric power.

Enhancing the Connecting Function of Our Networks to Expand the Customer Base



In recent years, however, the energy industry in Japan has had to fare with significant structural change, notably restructuring among domestic oil companies, while at the same time demand for energy, including petroleum products, has been shrinking due to the declining birthrate, aging population and steady adoption of energy-saving measures. Furthermore, the industry is becoming increasingly competitive as the full-scale liberalization of the electricity and city gas retail markets has brought many new players into the market, including from other industries. Under the Paris Agreement, Japan is targeting a 26% reduction of greenhouse gas emissions in FY2030 compared to the level in FY2013. Measures to achieve a low-emission energy mix, such as introducing more renewable energy and the pursuit of further energy efficiency, are accelerating. The energy industry has entered an age in which only the fittest companies that adapt to change will survive.

Since my appointment as president in 2012, I have consistently emphasized that we should not accept the status quo and always work with an innovative mindset. Our choice of the word “Moving” in the titles of the Group business plan and medium-term business plans we have implemented since April 2014 directly reflects the recognition that we have to start moving now for the future. We have steadily focused on executing the strategies laid out in the “Moving” series of plans, and our business structure has changed substantially. With our business portfolio in good shape, net profit has topped ¥10 billion for three consecutive years. A major leap forward is finally in sight.

Progress of the “Moving” Series of Medium-Term Business Plans

FY2014



An important year in our transformation into a new Itochu Enex Group, in which we reexamined our corporate culture, and organizational structures and systems.

We knew that unless we changed our personnel, financial and information infrastructure, merely replacing or updating the strategies that are dependent on that infrastructure would be meaningless. With that in mind, we embarked on a policy of making far-reaching changes to our infrastructure, and carried out internal reforms to set the stage for implementing future growth strategies. In business strategies, we entered the car dealership business by making Osaka Car Life Group Co., Ltd. a subsidiary, and formed Oji-Itochu Enex Power Retailing Co., Ltd. through a joint venture with Oji Green Resources Co., Ltd., a subsidiary of Oji Holdings Corporation. Our program of acquisitions also included Nissho Petroleum Gas Corporation.

FY2015–FY2016



A staging period for the future, in which we reorganized business divisions. While urgently establishing infrastructure ahead of full-scale liberalization of the electricity and gas retail markets, we sowed the seeds for long-term growth, thereby reinforcing organizational resilience and key strengths.

In April 2016, we unified and expedited strategy development and business expansion by reorganizing our business divisions and substantially consolidating related businesses. We advanced a “survival strategy” in our core businesses, where demand was in a downward trend, and Group companies worked together to develop new businesses and expand into new industries, new products and new regions. In overseas markets, the establishment of PT. ITC Enex Indonesia, our investment and participation in an LP gas sales business in the Philippines, and other actions positioned us for future expansion in Japan and internationally. To bolster our organizational strength, we launched the Enex Early Bird working style reforms in November 2016. These reforms jump-started our efforts to maximize the potential of our employees.

FY2017–FY2018



We reformed our revenue base and our organizational base, in order to solidify the foundations of our business. We realized results on investments in new fields and made a company listing on the infrastructure fund market.

During the period of Moving 2018: Connecting to the future, we prioritized strengthening the foundations of our business to pave the way for subsequent growth. That effort entailed business reorganization and structural reforms with a medium-to-long-term view. We established Enearc Co., Ltd. as a joint venture with Osaka Gas Co., Ltd. and reorganized the Group’s LP gas business. In the electric power business, after steady preparations, Enex Infrastructure Investment Corporation was listed on the infrastructure fund market of the Tokyo Stock Exchange in February 2019.

As part of “connecting people and functions of the Group,” we relocated the head office in February 2019 and reshaped the office environment to promote active communication. This complements the new overseas training program we had started in April 2018 to develop globally competent human resources.

Through the initiatives of the past five years, we have delved deeper into the Group’s corporate value, carefully considered what we should do to prepare for the future, and put our ideas into practice. Thus far, we have emphasized “moving,” but looking forward, we intend to increase the speed at which we move.

Summary of the New Medium-Term Business Plan

Our ability to reach for new horizons and adapt to the changing environment will be key.

Moving 2020: Horizons Concept and Theme

1 Deepening connections

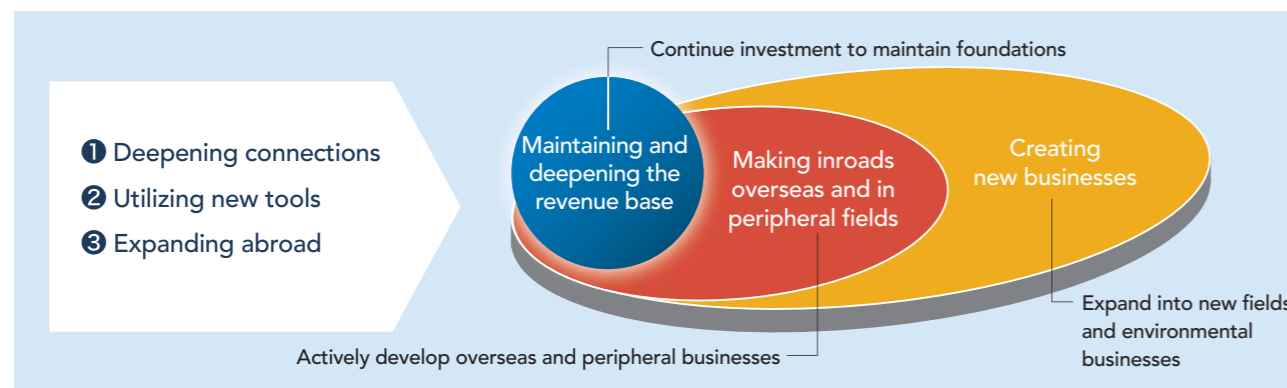
In Moving 2020: Horizons (FY2019–FY2020), the foundations we linked together in previous plans will be the springboard for a major leap forward. We will promote growth strategies and evolve our organizational base from the following three perspectives.

This means reinforcing our networks with customers and our customer base, our key strengths. The Itochu Enex Group generates adjusted operating cash flows¹ of approximately ¥20 billion per year, and in FY2018, nearly 70% of that came from our core petroleum and LP gas businesses. By allocating these funds to investment in new businesses, we will be able to outline a growth vision. Furthermore, we believe our customer base still holds untapped potential. We will maintain this foundation, which generates stable and ongoing business, and apply our ingenuity to gain greater advantage from it. By expeditiously providing products and services that fit social and daily needs, we will deepen connections and create new value.

1. Cash flows from operating activities excluding changes in working capital, etc.



Moving 2020 Growth Vision



2 Utilizing new tools

Embracing digital transformation and open innovation will be vital for making better use of our existing customer base. For example, we will immediately make IT-based upgrades to our customer database and optimize other tools that are not being fully utilized. In doing so, we will create mechanisms for efficiently and effectively delivering new products and services. In distribution, we will apply low-power, wide-area network technology to remotely monitor customer LP gas use, streamline logistics and improve safety and security.

3 Expanding abroad

The industrial gas sales business in Indonesia and the LP gas sales business in the Philippines are already growing steadily, giving us confidence that our business models and knowledge hold currency in markets outside Japan, including in the electric power business. In April 2019, we established the Overseas Business Section within the Home-Life Division to drive business expansion in Asia. Looking to set up new business sites in Asia beyond our sites in the Philippines and Indonesia, we will move forward by leveraging the ITOCHU Group's international network.

Moving 2020: Horizons Quantitative Targets

In Moving 2020: Horizons, which is aimed at rapid growth, we will apply digital technology, maintain and enhance our core businesses, and actively invest in overseas markets and peripheral fields as well as new businesses. In FY2020 we are targeting net profit of ¥12.5 billion, an 8.1% increase from FY2018. Other targets are return on equity of 9.0% or higher, a consolidated dividend payout ratio of 40% or higher, and adjusted operating cash flows of ¥20 billion or more per year. In investments for growth, we plan to invest a total of ¥60 billion over the two years of the plan, including business acquisitions. Of that total, we will invest approximately ¥20 billion in maintaining and deepening the revenue base and ¥40 billion in the creation of new businesses and development of overseas markets and peripheral fields. More details on the growth strategies of Moving 2020: Horizons are presented on the following pages.

Key Performance Indicators in the Moving Series

(Billions of yen)

	Moving 2014	Moving 2016: Sowing seeds for tomorrow		Moving 2018: Connecting to the future		Moving 2020: Horizons	
	FY2014 results	FY2015 results	FY2016 results	FY2017 results	FY2018 results	FY2019 plan	FY2020 plan
Net profit	5.5	7.5	10.4	11.0	11.6	11.8	12.5
ROE	5.7%	7.5%	10%	9.8%	9.7%	9.0% or higher	
Dividend payout ratio	45.2%	36.3%	34.8%	41.0%	41.0%	40% or higher	
Adjusted operating cash flows	23.5	25.4	25.6	22.2	19.3	20 or more per year	

**Moving 2020: Horizons
Three Growth Strategies**

1. Maintaining and deepening the revenue base

To pursue Group synergy and make more effective use of our customer base, our focus will be on customers and regions. In addition to trials and rollouts of new products and services in regions where we have a solid foothold, we will strengthen our cross-selling strategies to leverage our networks with customers and our customer base. We will allocate resources to initiatives aimed at deepening relationships with customers and regions.

2. Making inroads overseas and in peripheral fields

We will develop outside Japan by actively investing in overseas businesses and strengthening alliances with M&A partners in peripheral fields. Areas of focus include gas (LP and industrial), the automotive aftermarket and renewable energy. The automotive aftermarket is particularly promising. In overseas markets, dealerships handle new car sales, but there is room for further development of after-sale markets such as sheet metal, maintenance, used car sales and leasing, especially in Southeast Asia. This presents a good opportunity for us to apply the Group's business models and expertise.

3. Creating new businesses

The Environmental Business Department established in April 2019 will lead our efforts to promote environment-related businesses and expand the AdBlue sales and fly ash businesses. The fly ash business recovers and processes fly ash from spent fuel at the Itochu Enex Group's coal-fired thermal power plants for reuse as a road construction material. It is a prime example of a business that started with an idea from frontline employees. With business operations that span a wide range of fields, we believe other potential new businesses will emerge from this kind of flexible thinking. We will also secure earnings by developing and acquiring renewable energy sources via Enex Infrastructure Investment Corporation.

**Moving 2020: Horizons
Evolution of the
Organizational Base**

In terms of evolution of the organizational base, we will strengthen Group management, implement human resource strategies for growth, and promote innovation to solidify the foundation established with "Moving 2018: Connecting to the future." Specifically, we will build close connections between Group companies, advance consolidated management and establish a more effective governance system. In our human resource strategies, we will continue the overseas training program and hiring of employees of foreign nationality, and will also emphasize promotion of diversity and further implementation of the Enex Early Bird reforms. In promoting innovation, we will pursue efficiency improvements in existing businesses and consider new businesses that make use of digital technology.

The key over these two years will be how well we adapt to changes in the external environment. It is not an overstatement to say that the success or failure of our next leap forward will be dependent on our personnel systems. To promote organic growth, it is important to give employees opportunities to develop, such as by encouraging them to participate in new projects, and letting them learn from setbacks. In addition, we will make information in each division even more open and promote cross-functional initiatives² to build the foundation for generating new ideas.

2. Cross-functional initiatives, which include sharing of the expertise and methodologies, etc. held by each division, aim to strengthen Group-wide capabilities



In my time as president, I have noticed signs of a steady shift in corporate culture. Nevertheless, we still have more room for change. I would like all of our employees to recognize with urgency that we will be left behind unless we break free from our conventional ways of viewing things, embrace bold ideas and take on challenges without imposing unwritten rules on ourselves. I intend to lead by example.

The Itochu Enex Group's Vision for the Future

With nimble and flexible management, we will become an essential presence as "the best partner for life and society."

Now that we are ready to make a new leap forward to significant growth, we must ask ourselves what role we should play as an energy trading company that supports local communities, and plan and execute business strategies based on current social issues and the United Nations' Sustainable Development Goals. Japan's aging population poses serious challenges to communities nationwide. To truly enrich people's lives, we will expand our customer base not just from the standpoint of business efficiency, but also by creating frameworks for building win-win relationships with local residents.

In the Itochu Enex Group, which handles everything from social infrastructure to energy used in daily life, it is important that we not stick to a predetermined notion of what an energy trading company should be, but practice nimble and flexible management that adapts to changing times. The Itochu Enex Group will continue in its quest to be the energy provider of choice under any conditions as "the best partner for life and society."

August 2019

Kenji Okada
Representative Director,
President and Chief Executive Officer

Message from the CFO

We will further evolve the Itochu Enex Group's strengths and focus on creating new value.



Atsushi Katsu
Director and Managing Officer

financial structure that will allow us to consistently generate net profit of ¥10 billion, and have obtained a long-term issuer rating of A+ from Japan Credit Rating Agency, Ltd.

expect to generate returns greater than the cost of capital. We are aware of the need to always review our portfolio based on capital efficiency. While we will expand investments in these two years, return on assets (ROA) remains low, so we will continue to reassess assets carefully in order to boost efficiency.

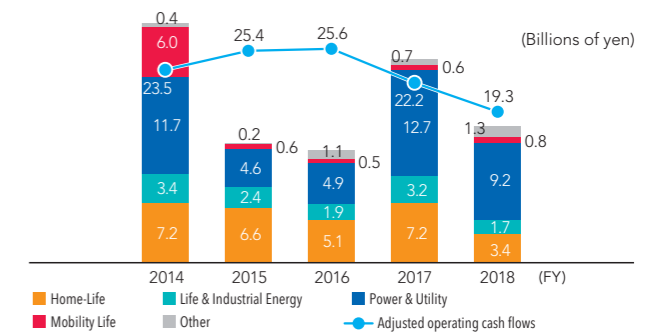
Basic Policy and Investment Strategy of New Medium-Term Business Plan "Moving 2020: Horizons"

During the two years from FY2019 through FY2020, we will build on the progress we made in Moving 2018 to make a further leap forward. However, there is still considerable uncertainty in the external operating environment, so we need to keep a close watch on the balance between offensive and defensive strategies. Over these two years, we will solidify our footing and accelerate investment in new business areas to lay the foundation for further growth in FY2021 and beyond.

Specifically, we will adopt digital technology, maintain and strengthen core businesses and make proactive investments (¥60 billion over two years) in overseas expansion, peripheral fields and new businesses. We are targeting net profit of ¥12.5 billion and return on equity (ROE) of at least 9.0% in FY2020. By further improving capital efficiency, we will enhance our corporate value, with a view toward ROE of 10% or higher. Another key point is to promote innovation, the third item under "Evolution of the Organizational Base" of the basic policy of the plan. To that end, we will focus on improving the infrastructure for speeding up deployment of the Group's total capabilities, and on developing new businesses that utilize digital technology, primarily through the Digitalization Promotion Office.

As for our investment strategy, we plan to invest ¥20 billion to maintain and deepen the revenue base, which is critical for generating cash for new investments, and ¥40 billion in creation of new business and the development of overseas markets and peripheral fields. The bulk of that ¥40 billion will be invested in the Power & Utility Division, where expansion is ongoing, and this includes investment in renewable energy. The changes made in FY2017 will be reflected in investment criteria in each business division, and we will invest only in projects, primarily new projects, that we

Investment Amount and Adjusted Operating Cash Flows*



* Cash flows from operating activities, excluding working capital, etc.

From FY2018, the Company has set a consolidated dividend payout ratio of 40% or higher, and we intend to continue stable shareholder returns.

Into the Future

The Itochu Enex Group aims not just to be a comprehensive energy trading firm, but to truly be "the best partner for life and society." We are committed to meeting the diverse needs of customers by continuing to transform our business portfolio, including development of Car-Life Stations that can provide one-stop services to regional communities.

Our basic investor relations policy is to maintain an ongoing dialogue with shareholders and investors, and thereby deepen their understanding of the Company. In addition to related activities for analysts and individual investors, we will continue to deepen that understanding at every possible opportunity. We hope you continue to support the Itochu Enex Group as we take on new challenges.

Financial Characteristics of Itochu Enex

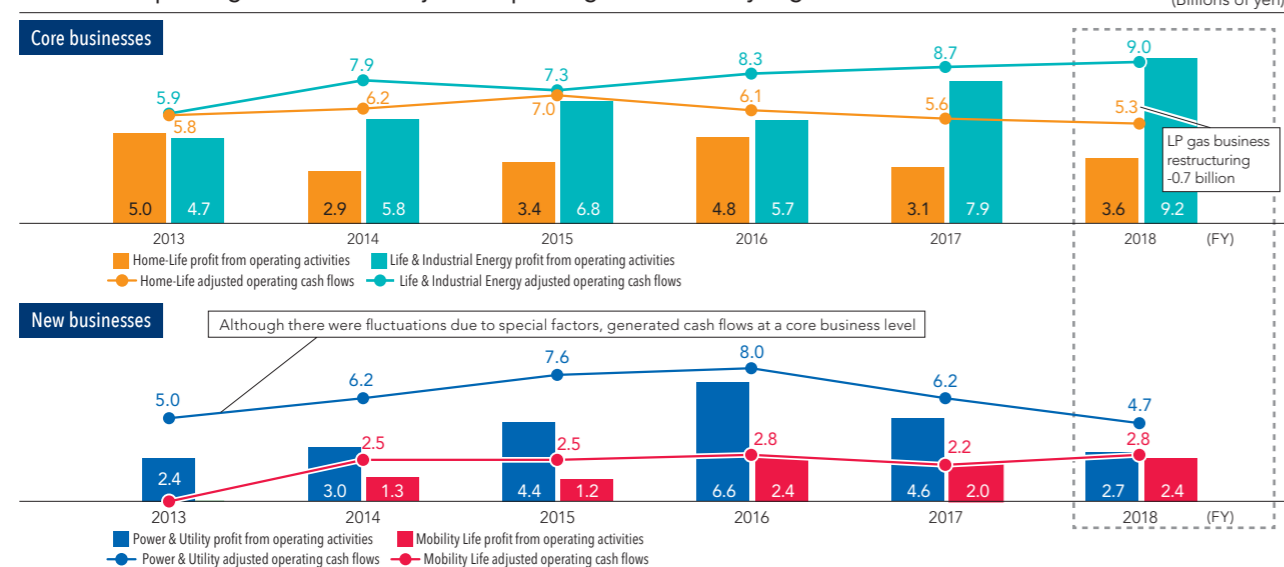
The strength of the Itochu Enex Group is its solid customer base in the energy sales business. While we have stable revenue from our core petroleum and gas businesses, it will prove difficult to stem the decline in demand resulting from Japan's falling birthrate and aging population, changes in the business landscape and other trends. Based on our realization that maintaining the status quo was no longer viable, we have been implementing the "Moving" series of medium-term business plans since FY2014. By investing aggressively in new businesses using the cash flow generated from our core businesses, we have been transitioning from a fuel trading company that handles petroleum and gas to a company with integrated capabilities across a broad range of energy products and services, including electricity and automobiles, in addition to petroleum and gas. We will further evolve our Group management, develop a balanced asset portfolio and build a structure for generating synergy between our businesses.

Results of "Moving 2018: Connecting to the future"

In "Moving 2018: Connecting to the future," we focused on reforming the revenue base and reforming the organizational base. We optimized our businesses in a number of ways. In the Life & Industrial Energy Division, we closed unprofitable Car-Life Station outlets. In the Home-Life Division, we integrated and strengthened the LP gas wholesale and retail businesses with Osaka Gas Co., Ltd. in the Tokyo-Nagoya-Osaka corridor, and integrated and reorganized regional sales companies. In the Power & Utility Division, which has an integrated value chain from power source development to retail sale, we listed Enex Infrastructure Investment Corporation on the infrastructure fund market of the Tokyo Stock Exchange, and are developing this business into a growth driver for the Group.

Financially, we further improved our already-healthy net debt-equity ratio (net DER) from FY2017, and we addressed Group-wide KPIs targeting cost reductions. As a result of the measures executed over the last two years, we now have a

Profit from Operating Activities and Adjusted Operating Cash Flows, by Segment



Investment Strategy

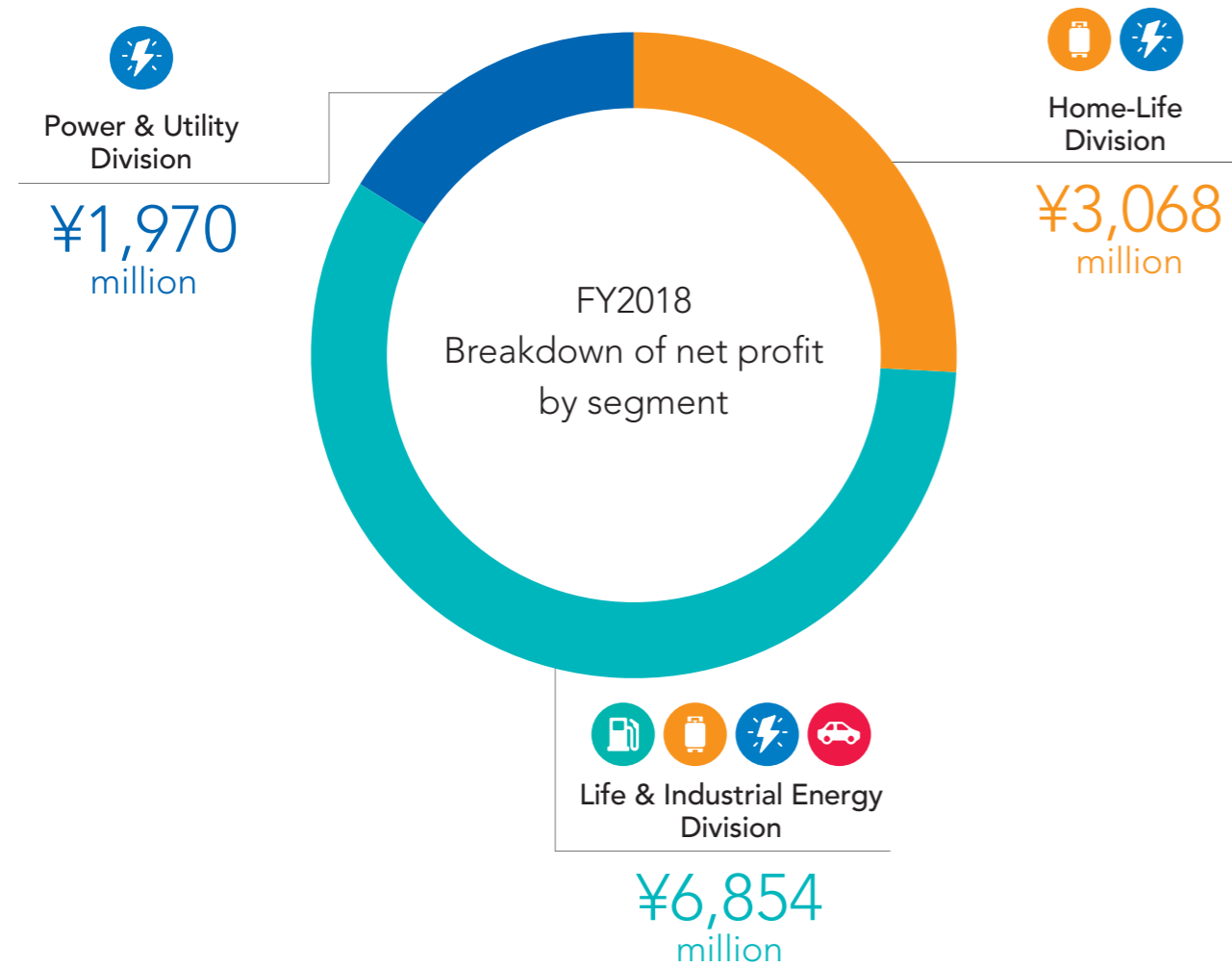
	Moving 2018 (two-year total)		Moving 2020 (two-year total)	
	Amount	Main investments	Planned amount	Main investments planned
Creation of new businesses	¥20.5 billion	<ul style="list-style-type: none"> Establishment and listing of infrastructure fund Biomass power plant Regional reorganization and acquisitions in LP gas Renovation of hydroelectric power plant for feed-in tariff scheme Yokohama city government building heat supply plant Ginza 5-chome/6-chome heat supply plant 	¥40 billion	<ul style="list-style-type: none"> Overseas business Environment-related business (New business areas (open innovation, etc.)) Automotive-related business New heat supply plants Core business digitalization (Electricity retail system development) M&A in industrial gas M&A in LP gas Renewable energy development
Development of overseas markets and peripheral fields				
Maintaining and deepening the revenue base (CAPEX)	¥20.3 billion	<ul style="list-style-type: none"> LP gas supply facilities, Car-Life Station facilities Power plants, heat supply centers Car dealerships Head office relocation 	¥20 billion	<ul style="list-style-type: none"> LP gas and Car-Life Station facility renewal Power generation and heat supply facility renewal Car dealerships Consideration of next-generation central system
Total amount	¥40.8 billion		¥60 billion	

Strategy by Segment

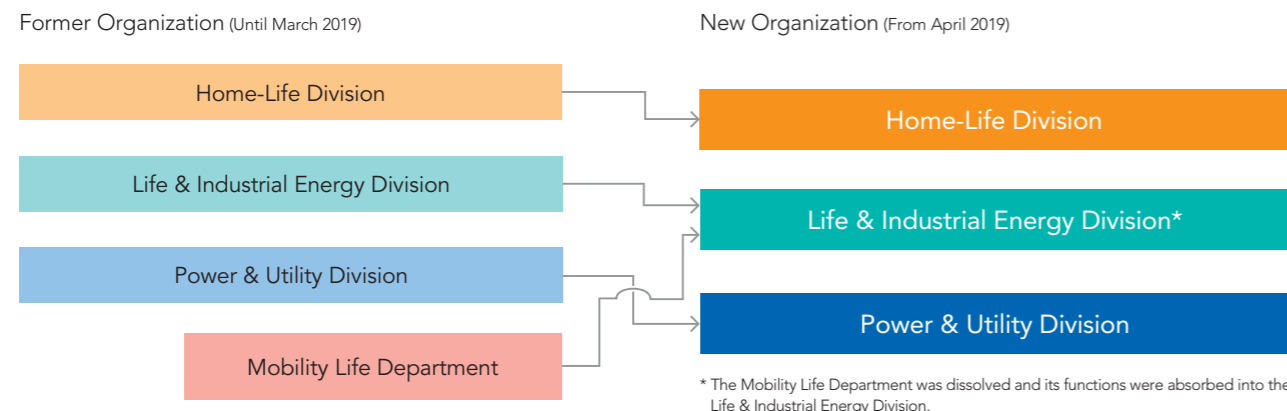
The Itochu Enex Group has grown by flexibly restructuring its organization and adapting to rapid changes in the external environment. With the ultimate goal of always maintaining an optimized business portfolio, in recent years, we have complemented our existing petroleum and gas businesses through the launch of new businesses, including the electric power and mobility businesses. By leveraging our customer base, we will achieve greater cooperation between divisions and create greater value, thereby meeting customer needs as "The best partner for life and society."

Net Profit by Segment

Note: Chart shows net profit by segment under the new organization. Excludes intersegment transactions.



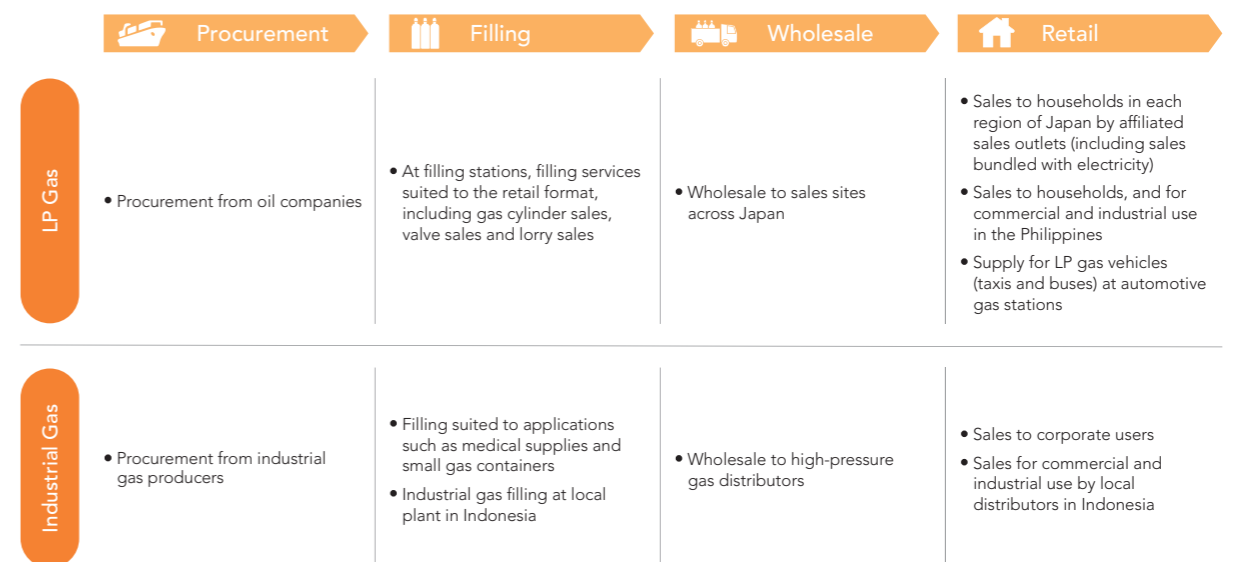
Change in Organization of Business Divisions



Home-Life Division



Business Flow



Main Products and Services

LP gas, home smart energy devices, city gas, electric power, industrial gas, solutions for comfortable living

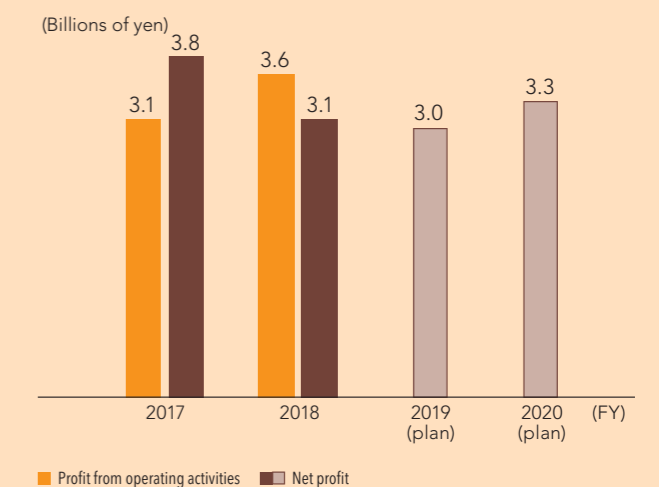
Main Customers

- General households
- Corporate users
- Industrial users
- Taxi companies
- Distributors
- Overseas customers

SWOT Analysis

Strengths <ul style="list-style-type: none"> • Customer base spanning different regions • Overseas expansion leveraging the ITOCHU Group's expertise 	Weaknesses <ul style="list-style-type: none"> • Need to strengthen collaboration with other divisions • Need to increase work efficiency
Opportunities <ul style="list-style-type: none"> • Expanding LP gas demand in Asia • Increasing awareness of the need for disaster preparedness 	Threats <ul style="list-style-type: none"> • Shrinking market for LP gas in Japan • Competition for customers following the full liberalization of the domestic electricity and city gas retail markets • Reorganization of domestic oil companies

Profit from Operating Activities, Net Profit



By promoting a new age of business development that is not tied to existing frameworks, we will demonstrate our competitive advantage as the provider of choice.

Kyosuke Wakamatsu
 Director and Managing Officer
 Chief Operating Officer, Home-Life Division



Our Strategy

In the LP gas market in Japan, household LP gas consumption is on an irreversible downward trend, due in part to the growing use of high-efficiency appliances, as well as social issues such as population decline related to the falling birthrate, and the aging society. Moreover, the full liberalization of the electricity and city gas retail markets has led to competition for customers from beyond the boundaries of the gas industry, and fierce competition among industry rivals, especially in the Tokyo metropolitan area. The industry is also facing structural issues, notably a labor shortage, primarily in operational departments, and a lack of successors at gas operators. In the LP gas business, there is increasing social pressure to create a system that ensures transparency in transactions, and it is essential to maintain timely and appropriate communication with customers, who have a wider range of options following the full liberalization of the city gas retail market.

In this market environment, the Itochu Enex Group implemented a range of measures to establish a new revenue-generating business model in "Moving 2018: Connecting to the future."

Reorganization of the LP gas business with Osaka Gas Co., Ltd. in FY2017, and efforts to increase the number of customers through measures such as door-to-door sales and integration and restructuring of Group companies

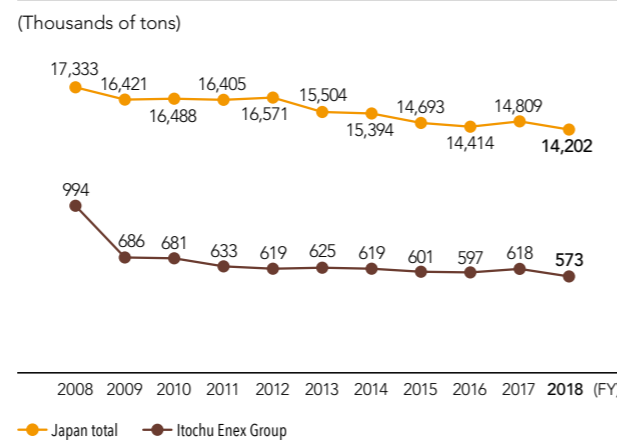


proved successful. As a result we strengthened our customer base, with the number of customers under direct LP gas supply contracts reaching 550,000 (up 4,000 over the previous fiscal year) and the number of customers under electricity supply contracts growing to 80,000 (up 28,000). In addition, we began trials of low-power, wide-area (LPWA) network technology at our sales company in Tohoku in anticipation of a nationwide rollout. Meanwhile, in overseas markets, we promoted business expansion in the Philippines and Indonesia by applying expertise cultivated in the Japanese market.

Medium-to-Long-Term Value Creation Strategy

The strong point of the Home-Life Division is its solid customer base cultivated in the LP gas business. In addition, the division operates in a distinctive market environment with a high barrier to entry, where customers under contract prefer not to switch providers. This characteristic ensures a regular source of revenue, and we have a superior B-to-C model replete with logistics and security functions.

LP Gas Sales Volume



Making the most of our various bases will be critical for growth. By seeking ways to provide benefits to existing customers and boosting our earning power, and building frameworks on top of our strong business foundation, we will promote a new age of business development in a rapidly changing market environment.

Focal Points of New Medium-Term Business Plan "Moving 2020: Horizons"

In the LP gas business, we will combine new measures with our existing strengths to become a company that generates earnings through frameworks. Specifically, we will develop a database that enables the identification of customer characteristics, which will help us to provide products and services that meet a range of customer needs and also prevent customer turnover. Furthermore, we will enhance productivity through the use of web-based tools and innovations in marketing, including methods of cross-selling and upselling. Moreover, we established the New Business Development Section in May 2019 with the aim of producing steady results through the use of our varied information resources and networks. This section will work to expand our revenue structure by creating new fields and new businesses in cooperation with other divisions and other companies. In other initiatives, we will conduct a nationwide rollout of the LPWA network we have been trialing, which will improve the efficiency of logistics and security functions. We will also implement working style reforms.

In the industrial gas business, which is targeting steady growth in the B-to-B field, we will evolve by embarking on a strategy of collaboration between the Industrial Gas

Department, launched in July 2019, and Itochu Industrial Gas Co., Ltd. Various business opportunities exist in areas related to the industrial gas business. While engaging in new business discovery, we will improve manufacturing efficiency to achieve more efficient operations as an organization. We will also evolve into a materials trading company that handles a wide range of commodities, including resource inputs, raw materials and chemicals. In overseas business, in April 2019 we established the Overseas Business Section to shift our basic stance from "maintaining" to "expanding," and plan to establish new business sites, beyond our existing sites in the Philippines and Indonesia.

Our Vision for the Future

As a result of numerous acquisitions and Group reorganization and integration, this division is made up of many Group companies. To make our organization even stronger, rather than letting business stability become an excuse for complacency, we must generate success stories one by one at each Group company.

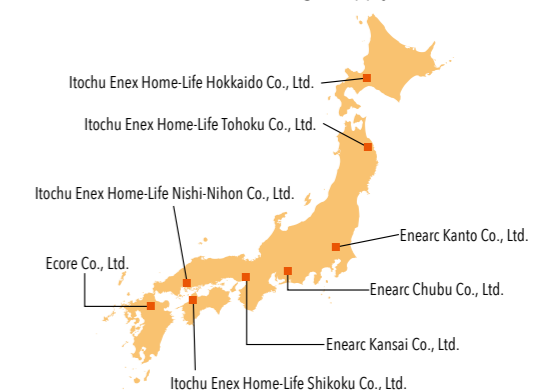
By doing so, we will enhance services that add convenience for customers, and as a result remain their company of choice. At the same time, we will make improvements to LP gas filling stations and other facilities to make them bulwarks that protect the lives of customers in times of disaster, so as to become an integral part of their communities.

HIGHLIGHT | Reorganization of the LP Gas Sales Network

The operating environment of the LP gas industry in Japan is extremely challenging as a result of softening demand. There is urgent need to raise productivity by expanding the business base while strengthening cost-competitiveness.

Accordingly, we established Enearc Co., Ltd. in October 2017 to integrate and strengthen the LP gas wholesale and retail businesses; merged Itochu Enex Home-Life Hokkaido Co., Ltd. and Nissho Propane Sekiyu Co., Ltd. in October 2018; and established Itochu Enex Home-Life Shikoku Co., Ltd. through the merger of the Shikoku Branch of Itochu Enex Home-Life Nishi-Nihon Co., Ltd., Ehime Nissho Propane Co., Ltd. and Kochi Nissho Propane Corporation in April 2019. We will continue to raise efficiency through business reorganization, enabling us to deliver higher-quality and more competitive products and lifestyle services.

LP gas and city gas supply contracts **1.5 million** customers (of which, 550,000 are direct LP gas supply customers)

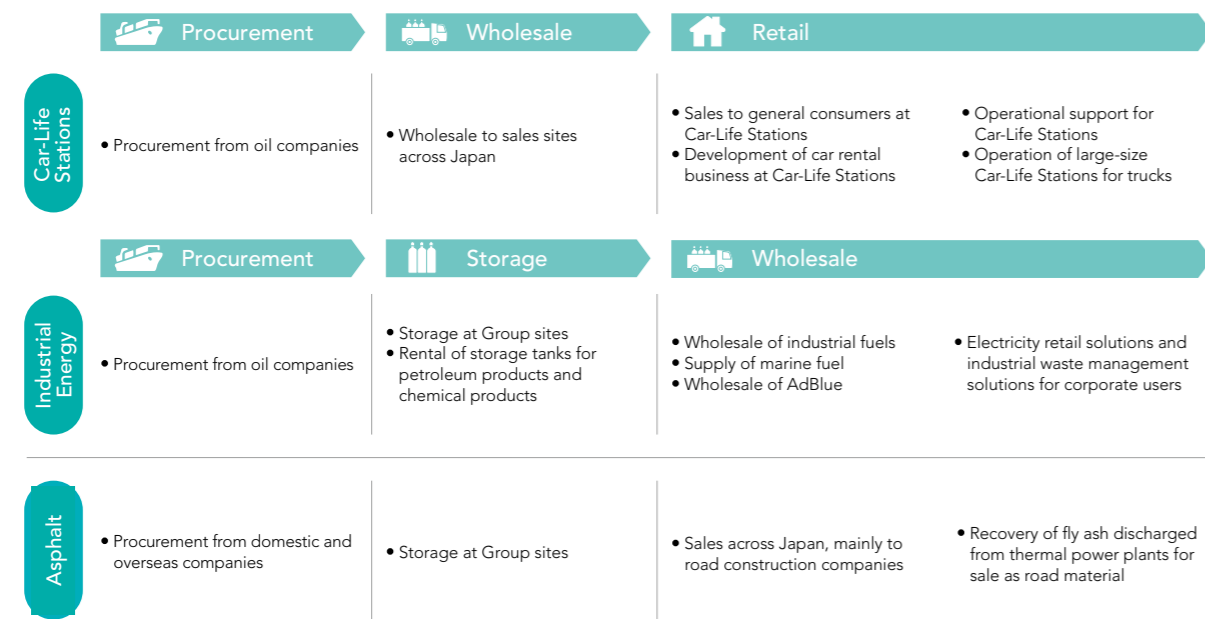


Life & Industrial Energy Division

Services



Business Flow



Main Products and Services

Gasoline, kerosene, diesel oil, fuel oil, LP gas, electricity, vehicles, car rental, living and automotive products and services, AdBlue, asphalt, marine fuel, import/export of petroleum products, terminal tank rental, recycling of fly ash, recovery and recycling of slop

Main Customers

- Affiliated Car-Life Stations
- Corporate users
- Domestic road construction companies
- Sea shippers
- Public agencies

SWOT Analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> High-value-added Car-Life Stations Comprehensive proposals of diverse products Expertise in environment-related businesses 	<ul style="list-style-type: none"> Need for further development into overseas markets and new fields Difficulties sharing the customer base
Opportunities	Threats
<ul style="list-style-type: none"> Increasing environmental awareness Liberalization of electricity and gas retail markets, strengthening of environmental regulations by IMO,* etc. 	<ul style="list-style-type: none"> Falling demand for petroleum products due to population decline

* The International Maritime Organization has issued new decarbonization regulations for marine fuels (lowering the allowed sulfur content from 3.5% to 0.5%), effective from 2020.

Profit from Operating Activities, Net Profit



As a contributor to local communities and industries, we will deploy our assets to build a new business model.



Toshihisa Fuse

Director and Managing Officer
Chief Operating Officer, Life & Industrial Energy Division

Our Strategy

The Life & Industrial Energy Division is working to enhance functions and create value in each of its businesses to support infrastructure for regional industries and the comfort of local residents. In the petroleum fuels industry, the reorganization of domestic oil companies has led to greater efficiency and industry consolidation, so market conditions are relatively stable. However, there is a clear structural decline in demand for petroleum fuels due to Japan's falling birthrate and aging population, more efficient energy use and other trends, and we are addressing that decline with a sense of urgency.

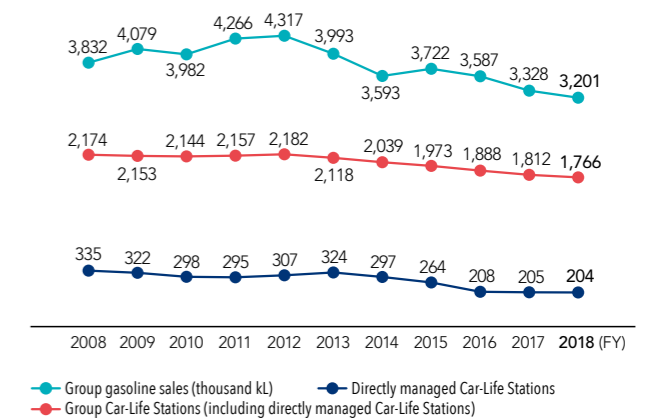
In "Moving 2018: Connecting to the future," we focused on maintaining and expanding our sales foundation in each business and region. We carried out restructuring that included closure of unprofitable Car-Life Stations, and strengthened our affiliated Car-Life Station network by providing services needed by regional communities and by proposing and supplying multiple products and services. At

the end of FY2019, the Group had a total of 1,766 Car-Life Stations, a net decrease of 46 from the end of FY2018.

In the industrial energy field, the AdBlue¹ sales business continued to grow, supported by increasing environmental awareness, and captured the top market share in Japan. We also have a growing presence in environment-related businesses, which include sales of products that help reduce environmental impact such as GTL² diesel replacement fuel made from natural gas; the slop and oil recycling business, which recycles and sells waste oil recovered from ships; and the fly ash business,³ which recycles and sells coal ash discharged from the Itochu Enex Group's thermal power plants.

- AdBlue is a high-grade urea solution used in selective catalytic reduction systems, which are used for detoxifying nitrogen oxides (NO_x) in diesel vehicle exhaust
- Gas-to-liquid (GTL) technologies convert natural gas to gasoline, kerosene, diesel and other fuels; resultant fuels are more environmentally friendly and contain no sulfur or metals, etc.
- The fly ash business recovers and processes fly ash (a type of coal ash discharged from coal-fired thermal power plants), which is then reused as a roadbed material for asphalt road surfacing and other applications

Group Gasoline Sales and Number of Service Stations



Life & Industrial Energy Division

Medium-to-Long-Term Value Creation Strategy

We believe that the trend will be away from vertical value chains toward business models that provide comprehensive services, centered on platforms. Our division handles a variety of products and services, from petroleum products to automobiles, electric power, industrial-related, and environmental and recycling services. The end users of our products and services are the many customers connected with the Itochu Enex Group. The Life & Industrial Energy Division's mission is to further develop our networks and expand our assets, and establish a new business model.

As part of our April 2019 organizational restructuring, we clarified our goals and established the new Environmental Business Department and Strategic Development Office. This new structure will further increase synergy and eliminate the silo mentality, enabling us to maximize our combined strengths.

Focal Points of New Medium-Term Business Plan "Moving 2020: Horizons"

In "Moving 2020: Horizons," we will base our actions on the following four themes.

Defense Develop strategic dominance to maintain our petroleum sales affiliate network

Provide new materials and services and promote differentiation to maintain and solidify our existing customer base. Break from existing conventions to establish a new model for Car-Life Stations as key infrastructure for local communities.

Change Adapt to change in the business environment to transform into a company with strong support from customers

Transition to a new business model for 2020 and beyond. Break the industry mold and be a company that is supported and chosen by local communities and customers.

Use Establish a business model that makes effective use of owned assets and logistics functions

Reexamine our assets with the aim of maximizing their value, and explore further value creation opportunities.

Offense Grow the automotive business (in Japan and overseas) and enter new business areas

Create new schemes for automotive-related businesses, including an integrated car dealership business. Focus on expanding environment-related businesses. Build a new business model that includes overseas markets

Our Vision for the Future

The Itochu Enex Group has laid the groundwork for cross-departmental cooperation in developing new business opportunities, yet there is no denying that in some cases there may be a tendency to cling to the status quo, be constrained by the boundaries of existing business domains, and define ourselves narrowly. The Life & Industrial Energy Division, which is involved in a wide range of business areas, must become a leader in developing new business areas. Therefore, we will also focus on shifting the mindset of employees and on developing human resources.

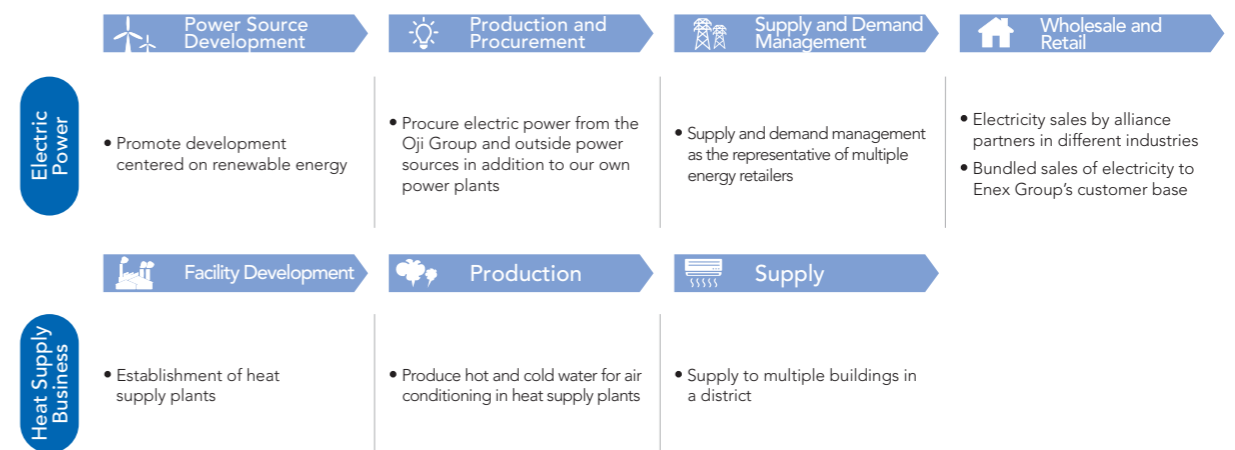
The two years of "Moving 2020: Horizons" will be critical for our transformation. It is not enough to have a sense of urgency; we must have genuine excitement about taking on the challenge of developing a new business model.

Power & Utility Division

Services



Business Flow



Main Products and Services

Electricity, steam, heat supply, comprehensive energy services

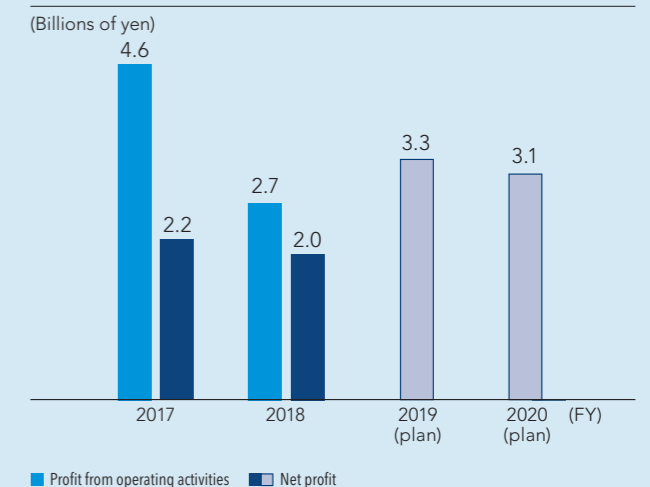
Main Customers

- Corporations
- Individuals
- Electricity retailers
- Office buildings and commercial facilities

SWOT Analysis

<p>Strengths</p> <ul style="list-style-type: none"> • Integrated system from power generation to sale • Network with regional operators with established customer bases 	<p>Weaknesses</p> <ul style="list-style-type: none"> • Need to provide high-value-added services using digital technology • Need to recruit employees with high level of expertise
<p>Opportunities</p> <ul style="list-style-type: none"> • Emphasis on energy efficiency • Spread of renewable energy 	<p>Threats</p> <ul style="list-style-type: none"> • Climate change • Intensifying market competition due to ongoing regulatory changes • Entry of new players from different industries

Profit from Operating Activities, Net Profit



HIGHLIGHT | Establishment of the Environment Business Department

The Environmental Business Department was established in April 2019 to centralize our environment-related businesses, which were previously operated separately by different departments. The new department will actively work to expand environment-related businesses, including GTL and AdBlue sales, the fly ash business, and printed circuit board processing, as well as enter new business areas, focusing on the themes of energy conservation and CO₂ emissions reduction, air pollution prevention, and recycling and reuse.



AdBlue tanker



Fly ash reuse facility

The division is transitioning to a new business model to establish a unique presence as a provider of new services related to electricity and heat.

Fumio Shimizu
 Director and Managing Officer
 Chief Operating Officer, Power & Utility Division



Our Strategy

The electricity retail market in Japan is becoming increasingly competitive with the entry of new players from other industries and ongoing regulatory changes in the electricity business.

In particular, price competition in electricity sales to large-volume users (the high-voltage segment) is intensifying due to the recovery of major electric power companies. Given the outlook for the operating environment in the electric power retail business, we expect downward pressure on profitability in the high-voltage segment. On the other hand, electricity sales to households and other small-volume users (the low-voltage segment) are expected to be stable and there is potential for attracting customers that choose to switch suppliers. It is imperative that we transition to a new, more sustainable business model, starting with a focus shift to the low-voltage segment.

During the two years of "Moving 2018: Connecting to the future," we sharpened our regional specialization and strengthened retail sales in ways such as partnering with companies that have strong customer bases in specific

regions. This strategy is essential to shifting our business portfolio away from the high-voltage segment to the low-voltage segment, and from BtoB sales to large companies to sales to small companies. Severe fluctuations in the electricity wholesale market have had an adverse impact on earnings, but we have steadily expanded the share of low-voltage sales in our electricity sales volume, laying the foundation for the next step.

In power generation, we are investing in renewable energy generation facilities, and in February 2019, Enex Infrastructure Investment Corporation was listed on the Tokyo Stock Exchange's infrastructure fund market.

Medium-to-Long-Term Value Creation Strategy

The strengths of the Power & Utility Division are its integrated system that extends from power generation to sale, as well as the many opportunities provided by its infrastructure to sell electricity through the Company's customer base at Car-Life Stations and LP gas sales outlets across Japan. This has already led to tie-ups and cooperation with major companies that we would otherwise have had no

contact with if we only handled gas or petroleum products, which is leading to new business opportunities that include business in other divisions. To further strengthen our position in the low-voltage sector, the shift to which is already under way, we will partner with businesses that have customer bases rooted in local areas and adopt digital technology to create a framework that enables customers to switch providers easily.

Focal Points of New Medium-Term Business Plan "Moving 2020: Horizons"

In the electricity sales business, we will deploy a sales strategy that leverages Itochu Enex's unique attributes by promoting collaboration with Oji-Itochu Enex Power Retailing Co., Ltd., Enex Life Service Co., Ltd. and other divisions, and achieving an optimal balance between face-to-face and digital engagement. Through our new Marketing Section, we plan to invest aggressively in digital technology during the period of "Moving 2020: Horizons." Our procurement strategy will be to purchase stable, cost-competitive electric power. In addition, in the heat supply business, we will switch from heat supply alone to integrated heat and electricity supply. Our goal is to develop a comprehensive energy services business* that can meet diversifying customer needs.

To promote the growth of the renewable energy market, we will develop and purchase renewable energy sources.

We will secure revenue from these sources, and in the infrastructure fund market, as sponsor, we will support Enex Infrastructure Investment Corporation's scale expansion through reliable, efficient management of facilities. In overseas business, which will be a cornerstone of future growth, we are considering entry into markets outside Japan, primarily in Southeast Asia, through alliances with local partners in our area of specialization, namely solar power generation.

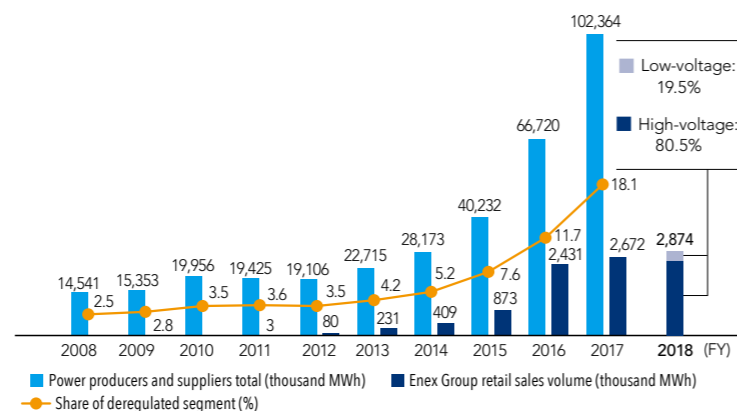
* Energy services business: A business that owns electric, heat source and other facilities, and supplies hot and cold water for air conditioning, hot water, and steam, etc. for customers when they use energy.

Our Vision for the Future

The business environment is expected to become even more challenging in the years ahead, but no matter what conditions we face, our first consideration will be to fulfill our mission of providing comfortable living environments by delivering stable supplies of safe, secure, low-cost electricity to everyone.

To this end, we aim to achieve a chain-like expansion of our customer base by using electricity to connect us to customers beyond the fringes of the infrastructure network we have built, and by connecting the customers of our electricity-related partners in other industries to our existing core businesses. The entire Company will work together over the next two years to transform this division into one of the Itochu Enex Group's growth drivers.

Electricity Sales Volume



HIGHLIGHT | Enex Infrastructure Investment Corporation Listed on Infrastructure Fund Market

In the growing financial services field, Enex Infrastructure Investment Corporation, to which our subsidiary Enex Asset Management Co., Ltd. provides asset management services, was listed on the infrastructure fund market of the Tokyo Stock Exchange in February 2019. Societal demand for expanded use of renewable energy,¹ which emits virtually no carbon dioxide, has increased in recent years from the standpoint of ensuring energy safety and security, and against the backdrop of rising environmental consciousness. Enex Infrastructure Investment Corporation will invest in and manage renewable energy generation facilities,² and steadily expand its asset portfolio and generate stable cash flow based on a philosophy of contributing to the environment and promoting a sustainable society through the spread and expansion of renewable energy.

1. Renewable energy: Includes solar, wind, hydro, geothermal and biomass power.
 2. Renewable energy generation facilities: Refers to facilities stipulated in Article 2, Paragraph 3 of the Act on Special Measures Concerning Procurement of Electricity from Renewable Energy Sources by Electricity Utilities (Act No. 108 of 2011, including subsequent revisions) (excluding those that fall under the category of real estate). Defined as real estate properties that are incidental or related to renewable energy generation facilities; any right of lease or surface rights to these properties; and any assets of these properties or assets incidental or related to these properties that are based on the laws of a foreign country. Whenever any reference is made to the renewable energy generation facilities that Enex Infrastructure Investment Corporation invests in, acquires and manages, the term "renewable energy generation facilities" is deemed to also include any renewable energy generation facilities that support the assets managed by the investment corporation. Of these facilities, those that use solar power as their energy source are referred to as "solar power generation facilities and related infrastructure."



Itochu Enex Group's Approach to ESG Issues

ESG Statement of the Itochu Enex Group

Under the Corporate Philosophy, "The best partner for life and society—with Energy, with the Car, with the Home," the Itochu Enex Group has a mission to deliver a stable supply of energy to the benefit of all people, and seeks to always offer the value and services that customers truly want.

The Group will continue contributing to better lifestyles and a sustainable society through businesses aligned to the new age, solutions to social issues and the fulfillment of its corporate social responsibility.

The Group is currently focused on three areas: "reducing environmental impact," "creating diverse value" and "sound business activities." All employees and management will take ownership and act to secure a future for Itochu Enex as an energy company that achieves sustainable growth while generating value.

Changes in the Itochu Enex Group's Operating Environment

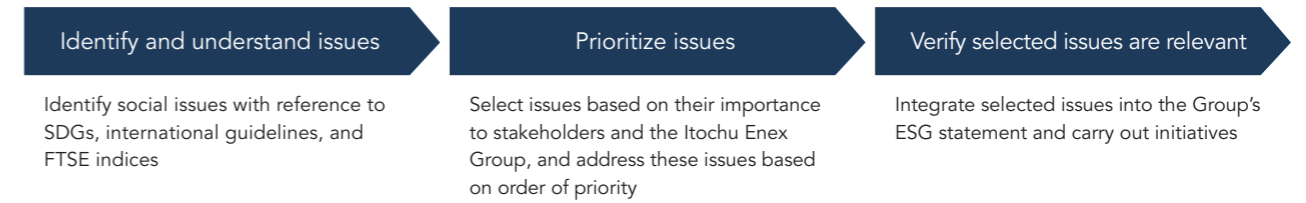
2010s	2020s	2030s	2040s	2050s
2011 <ul style="list-style-type: none"> UN's Guiding Principles on Business and Human Rights 2018 <ul style="list-style-type: none"> 5th Strategic Energy Plan* "Achievement of an optimal energy mix by 2030" Renewable energy: 22–24% Nuclear power: 22–20% Fossil fuels: 56% Energy efficiency: 35% reduction in energy intensity <small>* Based on the Basic Act on Energy Policy and approved by Japan's Cabinet on July 3, 2018</small>	<ul style="list-style-type: none"> Gradual phase-out of palm oil biofuel by the EU Keidanren (Japan Business Federation) revised the Charter of Corporate Behavior Promotion of Society 5.0 	<ul style="list-style-type: none"> Shutdown of coal-fired power stations (By 2023 in France, 2025 in the UK, and 2030 in Canada) Paris Accord (Japan's pledge: 26% reduction in greenhouse gas emissions vs. FY2013) ▶ Global peak oil demand 	<ul style="list-style-type: none"> Population of Japan declines to 95 million Ban on the sale of petrol and diesel vehicles in the UK and France 	<ul style="list-style-type: none"> 2050 scenario of the Strategic Energy Plan ▶ Pursue every option in all-out efforts for energy transition and decarbonization

Itochu Enex Group's Envisioned Future

With the stable supply of energy as the core, the Itochu Enex Group will meet needs for decarbonization, economic efficiency and added value, while contributing to a sustainable, smart-energy society.

Opportunities	Risks
<ul style="list-style-type: none"> Need for a stable supply of energy Expansion of renewable energy supply capacity Procurement and supply of clean energy Infrastructure for electric vehicles Commercial use of bio jet fuels in 2020 Future retail offering greater day-to-day convenience and satisfaction Services for aging demographics Creation of working environments in which people can take pride 	<ul style="list-style-type: none"> Need for climate change countermeasures Move toward decarbonization and a low-carbon society Energy shift to electricity (accelerated adoption of electric vehicles, decrease in demand for gasoline) Adoption of next-generation energy Coexistence of renewable energy and fossil fuels Advancement of aging population and declining birthrate Widening disparity between income strata, generations, and regions Changes resulting from productivity improvements using information technology Working style reforms

Process for Materiality Assessment and Promotion of Initiatives



Materiality Criteria

Standpoint of the Itochu Enex Group	<ul style="list-style-type: none"> The Itochu Enex Group's Corporate Philosophy Code of Conduct: Be Ethical 	<ul style="list-style-type: none"> Declaration of the Group Code of Conduct Medium-term business plan "Moving 2020: Horizons"
Standpoint of stakeholders	<ul style="list-style-type: none"> UN Sustainable Development Goals Requirements in international guidelines 	<ul style="list-style-type: none"> Objective evaluation by a third-party organization, FTSE

Focus ESG Issues for the Itochu Enex Group

	Area	Initiatives	Relevant Pages
E	Reducing environmental impact (with the environment) Under the Environmental Policy, the Itochu Enex Group will continue with activities to preserve and improve the environment and contribute to a sustainable society with the aim of achieving harmonious coexistence with the global environment and society.	<ul style="list-style-type: none"> Realizing a low-carbon society Reducing the environmental impact of our business activities Pursuing energy efficiency Contributing to resource conservation and a recycling-based society Preserving local environments 	Pages 36–37 For more details, see: https://www.itcenex.com/english/csr/activities/
S	Creating diverse value (with society) The Itochu Enex Group will contribute to the development of local communities through the stable supply of energy and create diverse value that meets various social and lifestyle needs.	<ul style="list-style-type: none"> Providing a stable supply of energy Promoting lifestyle sustainability in local communities (responding to aging population) Advancing value-added services Implementing working style reforms and utilizing diverse human resources Making a social contribution to local communities 	Pages 38–43 For more details, see: https://www.itcenex.com/english/csr/social/
G	Sound business activities (governance) In accordance with the Code of Conduct and the Declaration of the Group Code of Conduct, the Itochu Enex Group will proactively disclose information while emphasizing strict compliance, shareholder returns and management transparency.	<ul style="list-style-type: none"> Enhancing corporate governance Fulfilling corporate social responsibilities and ensuring compliance Conducting fair and proactive information disclosure Engaging in responsible procurement and supply Upholding industrial safety and health standards 	Pages 44–56 For more details, see: https://www.itcenex.com/english/corporate/governance/

Environmental Management

Environmental Policy

Under the Corporate Philosophy, "The best partner for life and society," the Itochu Enex Group will provide "energy for all applications, whether as a key component of social infrastructure or as a means of enriching people's lives," and will continue with the following activities toward the goal of preserving and improving the environment and achieving harmonious coexistence with the global environment and society.

Kenji Okada Representative Director

1. Helping to Realize a Low-Carbon Society

- (1) Promoting the advanced use of fossil fuels
- (2) Expanding the energy solutions business
- (3) Implementing environmental and social contribution activities

2. Reducing the Environmental Impact of Our Business Activities

- (1) Routine energy and resource conservation in office work
- (2) Energy efficiency in facilities use
- (3) CO₂ reductions at the transportation stage

3. Preserving Local Environments

- (1) Compliance with laws and regulations, environmental protocols, and independent standards
- (2) Safety enhancements and upgrades

Environmental Policy Based on the Determination of the CEO

The Environmental Policy was formulated by top management and consists of the eight themes grouped under the three focal areas described above. The policy guides Group activities that contribute to the environment and society. Accordingly, in the quest to be an energy company that achieves sustainable growth in harmony with the global environment, Itochu Enex will facilitate proper Group-wide understanding and implementation of the policy.

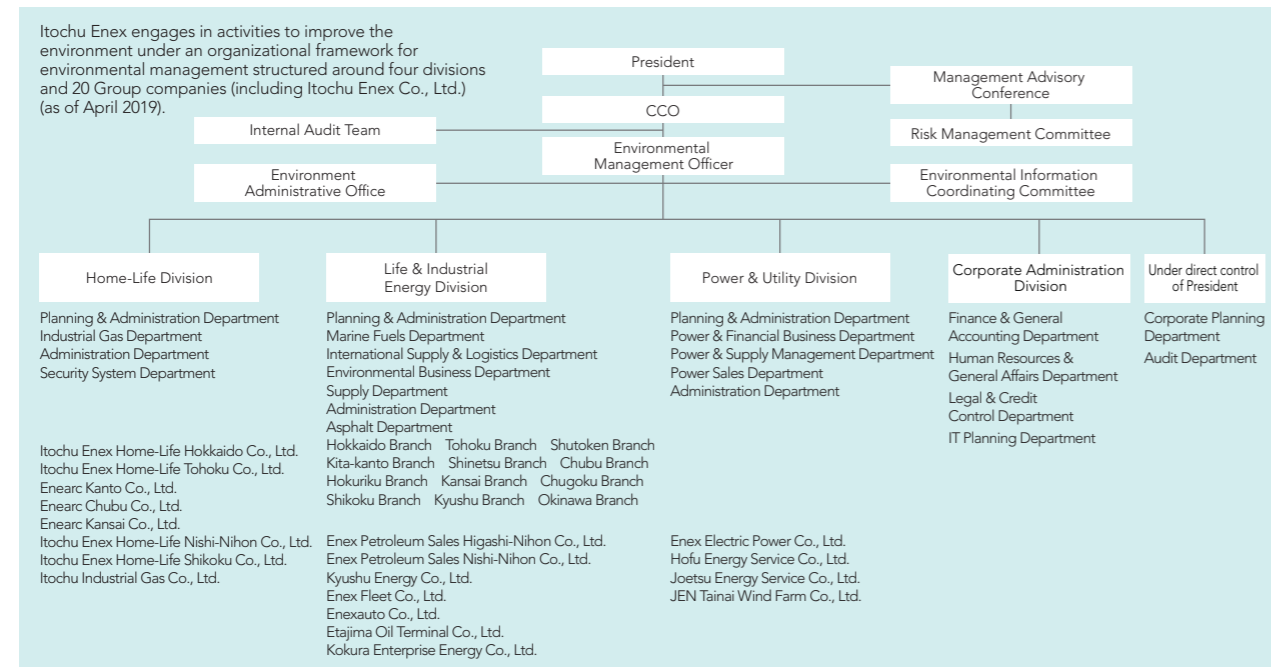
Promoting Effective Environmental Management under ISO 14001

Under its CSR and compliance framework, Itochu Enex has built and developed a functional environmental management

system based on the ISO 14001 international standard for environmental management. Through the Group-wide implementation of the plan-do-check-act (PDCA) cycle, Itochu Enex strives for business activities that are highly effective in reducing environmental impact. The internal audits required for maintaining ISO certification are performed by employees that meet the requirements of Group environmental management regulations. Furthermore, to maintain a high standard of internal auditing, Itochu Enex is improving the knowledge and skills of the people in charge of audits and conducting ongoing training of Internal Environmental Auditors. During FY2018, 24 Internal Environmental Auditors for environmental ISO certification were trained within the Group.

(See page 63 for FY2018 achievements in ISO 14001-related activities.)

Organizational Framework for Environmental Management



Helping to Realize a Low-Carbon Society

Thorough Implementation of Eco-Driving in the Supply Chain

As a Known Shipper under the revised Act on the Rational Use of Energy, Itochu Enex is working to reduce CO₂ emissions from product shipping. Each year and in each region, with the cooperation of Isuzu Motors Sales Ltd. and ITOCHU Corporation, Itochu Enex offers eco-driving courses taught by experts to representatives, dispatchers, and drivers

at companies to which the Group subcontracts shipping. These courses promote safe driving practices aimed at reducing accidents to zero and support thorough eco-driving, covering such topics as turning off the engine when stopped, fuel-saving driving techniques, and anger management. They are making a positive contribution toward CO₂ emission reduction throughout the entire supply chain. (See page 63 for FY2018 achievements in CO₂ emission reduction activities in response to the Act on the Rational Use of Energy.)

Reducing the Environmental Impact of Our Business Activities

Thermal Power Plants with Reduced Environmental Impact

State-of-the-art environmentally conscious exhaust gas processing facilities have been installed at Sendai Power Station Co., Ltd. and efforts to reduce environmental impact are ongoing. Exhaust levels are managed within target limits stricter than those mandated under the Air Pollution Control Act. Moreover, environmental impact is reduced through appropriate wastewater treatment, countermeasures against noise pollution and vibrations, and indoor storage of coal with direct vent systems to minimize the spread of particulate

matter. Measurement of environmental impact is conducted monthly with the results posted online.



Thermal power plant, Sendai Power Station Co., Ltd.

Pursuing Energy Efficiency

Group-Wide Eco-Office Activities

The Act on the Rational Use of Energy stipulates a voluntary 1% year-on-year target for reduction in energy intensity, and the Itochu Enex Group continues to apply this target for its eco-office activities in FY2019. An environmental data collection system is used to objectively monitor the status of initiatives at each business location at all times, and quarterly progress inspections support goal achievement.

Participation in the Ministry of the Environment's "Cool Choice" Campaign

The Itochu Enex Group supports "Cool Choice," a climate change campaign aiming for a low-carbon society. The campaign is led by Japan's Ministry of the Environment. The Group promotes energy conservation activities including wearing light clothing in summer, heavy clothing in winter, eco-driving, green purchasing, and turning off lighting when facilities are not in use.



Shared Consumption across Itochu Enex Group Companies

	FY2018 results (vs. FY2017 results)	FY2019 targets	
General power	+7.8%	-1% vs. FY2018 results	
Motive power	-1.8%		
Site fuel	LP gas		+22.3%
	Kerosene		+58.7%
	Heavy oil		+5.3%
Vehicle fuel	Gasoline		+13.4%
	Diesel		+22.3%
	Automotive gas		-29.7%
Copier paper	-4.0%		
Water	+5.6%		

(New business sites: +28 vs. FY2017)

Contributing to Resource Conservation and a Recycling-Based Society

Safety Management of Industrial Waste and Preventive Measures against Soil Contamination

Itochu Enex has defined Group waste management standards and Group waste management procedures, and ensures thorough compliance with laws and regulations concerning waste. Measures to assure compliance include audits by respective departments within each division, external ISO audits, and Group internal ISO audits, which confirm required

documentation and storage locations. By identifying causes and implementing countermeasures, the Group is able to make improvements that prevent industrial waste accidents. Furthermore, the Group has established soil contamination prevention regulations to prevent contamination, etc., as defined by the Soil Contamination Countermeasures Act and Water Pollution Prevention Act.

Human Resources

Basic Policies

Since its founding in 1961, the Itochu Enex Group has always considered its people to be its greatest asset. Human resources are at the center of the Group's value creation, and are the driving force of sustainable growth and medium- to long-term enhancement of corporate value. Therefore, the Group believes it is essential to provide a fair, inclusive and rewarding place to work, where every employee can feel strong and close ties. In the medium-term business plan "Moving 2020: Horizons," the Group's human resource strategies for supporting growth are to embrace diversity, develop globally competent human resources and promote Enex Early Bird. The objective is to achieve sustained growth and further enhancement of corporate value.

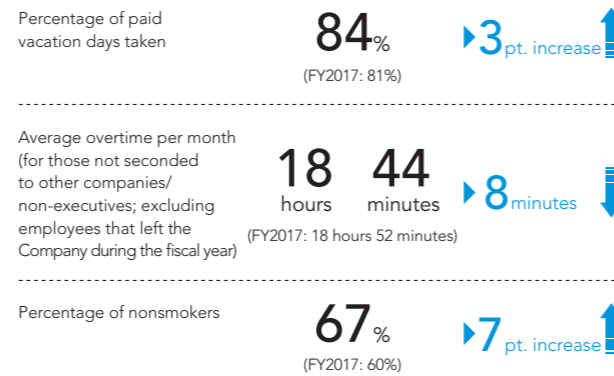
Implementing Working Style Reforms and Utilizing Diverse Human Resources

Enex Early Bird

In November 2016, the Itochu Enex Group launched Enex Early Bird, a set of working style reforms that aim to make the Company a better company, a rewarding place to work, and a company to be proud of in front of families and society—for every employee.

These far-reaching reforms are based on a three-pronged strategy of eliminating excessive working hours, promoting employee health and improving productivity. In December 2016, Itochu Enex was certified by the Tokyo Metropolitan Government as a company committed to working style reforms under the Tokyo Work Style Reform Declaration. In September 2017, Itochu Enex introduced Casual Day, with the aim of fostering a workplace culture that encourages flexible thinking, and in April 2018, Itochu Enex established Enex Nursery, a daycare center that assists employees in balancing work and childcare. While implementing the new medium-term business plan, the Itochu Enex Group will seek to further increase its corporate value by realizing its growth strategies. This will entail transitioning to working styles that deliver greater productivity, promoting the health of employees, and respecting each employee's lifestyle to create an organization in which diverse employees can perform to their potential.

Progress of Working Style Reforms in FY2018 (Vs. FY2017)



Health and Productivity Management

Through the Enex Early Bird working style reform plan, the Itochu Enex Group is promoting employee health and respecting each employee's lifestyle to create an organization in which diverse employees can perform to their potential.

As a result, Itochu Enex has been certified by Japan's Ministry of Economy, Trade and Industry as one of the Health and Productivity Management Organization 500 every year since FY2017. In addition, encouraging employees to leave the office on time and partially subsidizing expenses associated with internal company sports activities are some of the initiatives that have earned Itochu Enex certification as a Sports Promotion Company from the Tokyo Metropolitan Government and as a Sports Yell Company from the Japan Sports Agency, also since FY2017.



Measures and Targets Implemented

1. Encouraged a shift from late-night to morning-based work
2. Meals, etc. with customers or colleagues to end by 10:00 p.m.
3. At least 80% of paid vacation days taken
4. At least 80% of employees with a BMI of less than 25
5. At least 80% of employees being nonsmokers
6. Improve quality of communication by two rankings
7. Improve quality of meetings by two rankings
8. Improve quality of documents and materials by two rankings



HIGHLIGHT > Office Relocation Encouraging Greater Communication

In February 2019, Itochu Enex relocated its head office within Tokyo to the Kasumigaseki Building. The office was scaled down from seven floors to two-and-a-half floors and new arrangements facilitate closer communication between departments. Communication spaces provide venues for employees to discover each other's strengths and create new value, and increased face-to-face interaction is beginning to generate new business opportunities.

Relocation Concept

Connecting to the Future—Connecting People and Functions of the Group for Future Growth

1. Improved Communication Intentionally making connections between people and between organizations	2. A Sense of Unity Sharing the same space, having the same awareness	3. Working Style Reforms Implementing Enex Early Bird
<ul style="list-style-type: none"> • Routes that allow circuits of the floor, and a layout that encourages the mingling of people and information • A layout that encourages broad, in-depth and rapid internal collaboration 	<ul style="list-style-type: none"> • Multipurpose spaces where people can gather from different groups, floors or from inside and outside the Company • Integrated reception that conveys a shared sense of the unique aspects of Enex 	<ul style="list-style-type: none"> • Office floors that naturally promote health • Spaces for concentration and high productivity work, facilitating the generation of new concepts and value

Work-Life Balance and Support for Family

The Company has enhanced programs for accommodating changes in employees' lives such as childbirth, childcare, and family care obligations.

Leave and Support Programs for Pregnancy, Childbirth, and Childcare above and beyond Legal Requirements

Special pregnancy leave	10 days
Childbirth lump-sum grant	¥300,000 for first child, ¥500,000 for each subsequent child
Reduced working hours	Until a child reaches fifth grade of elementary school
Staggered working hours	Rules on Childcare Leave clearly stipulate that parents may work staggered hours when caring for young children.
Support for childcare	Opened the Enex Nursery corporate daycare facility

A Full Range of Leave Programs

Paid vacation	20 days for all employees (Up to 20 days can be carried over from the previous year.) (During an extended absence due to illness, employees can use any paid vacation not used in the previous two years.)
Special leave	Job transfer; marriage; death of a relative; maternity; spouse childbirth; natural disaster and other unavoidable causes; leave for occupational illness or injury; taking a preschool child to the hospital, for a vaccination, or for a health checkup; caring for a family member who requires nursing care; jury duty; pregnancy leave
Refreshment leave	Length dependent on years of service

Supporting the Success of Women in the Workplace and Compliance with Japan's Act on Advancement of Measures to Support Raising Next-Generation Children

Itochu Enex has formulated an action plan for supporting the success of women in the workplace. By building and maintaining an inclusive working environment that supports women, the Company aims to ensure that all employees can make the most of their abilities. An action plan as a general business operator pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children has also been formulated, and Itochu Enex has received certification as a Kurumin company that helps employees balance their professional and personal lives.



Employee Engagement Survey

With the objective of implementing improvements and reforms by ascertaining issues at the company or organizational level, Itochu Enex conducted an employee engagement survey to gauge attitude and satisfaction and collect feedback on Company measures and programs. The survey results are incorporated in personnel system improvements, Enex Early Bird working style reforms, and measures to prevent employee turnover, ultimately leading to improvements in employee motivation and productivity.

Reemployment Programs in Response to Employees' Motivation

Itochu Enex operates reemployment programs that enable people with work experience at the Company to continue to leverage their strengths.

Program for returning to work	For selected employees who had to leave the Company to accompany a family member on a job transfer, this program provides reemployment opportunities that tap into the knowledge and experience gathered during their earlier employment.
Senior employment	Pursuant to the revised Act on Stabilization of Employment of Elderly Persons, this program offers opportunities for Group employees reaching the mandatory retirement age of 60 to continue working until 65.

Embracing Diversity

A key element in driving innovation will be a workforce with a rich diversity of viewpoints, sensitivities, intellects, career histories, values and capabilities. To develop, maintain and further grow this diversity, Itochu Enex is strengthening diversity initiatives, which will also help create a more robust and sustainable organization and corporate culture. FY2019 marked the establishment of the Diversity Promotion Office and the appointment of the Company's first female Outside Director, steps toward incorporating more diverse views from inside and outside the Company.



Developing Globally Competent Human Resources

The Group is expanding its business overseas, with Asia as the primary market. Starting from April 2018, a system was introduced whereby employees, mainly younger employees, irrespective of their current business area, are posted outside Japan at ITOCHU Corporation group companies or Itochu Enex Group companies for hands-on experience. As well as acquiring skills in English and other languages, trainees seek to understand local business customs and cultures, and to accumulate business operation know-how. The Company is thereby nurturing personnel capable of responding quickly and flexibly to future developments in business overseas. In addition, a new system supports employees' English acquisition by subsidizing learning expenses. The Company believes that developing globally competent human resources is a key factor in achieving growth potential.



Cultivating the Next Generation of Leaders

Management training is important in cultivating the knowledge and skills needed for a new generation of leaders and supporting the development of personnel capable of taking a big-picture view of the Group. Such leaders need to possess

Labor Practices

Since its founding in 1961, the Itochu Enex Group has always considered its people to be its greatest asset. Accordingly, the Group sees securing safety in operations, daily health maintenance, an inclusive workplace, and the creation of a company that values employee input as management priorities.

Securing Labor Safety

In accordance with a basic policy that states "We cannot conduct business without safety—safety takes precedence over all business conduct," the Group goes beyond its legal and regulatory compliance obligations in observing its own work standards, including the establishment of safety manuals and guidelines, and is actively improving systems for ensuring safety and minimizing risk.

Taking Care of Employees in the Event of a Disaster

Itochu Enex Group establishes and maintains systems for disaster preparedness that ensure the safety of employees. These systems include autonomous frameworks for disaster readiness at respective business offices, evacuation drills, emergency food stockpiling, the distribution of personal emergency supply kits to all employees, and the Itochu Enex Group Emergency Contact Network for confirmation of employee safety.

Health Support Office

The Health Support Office promotes employee health management. Two public health nurses support health management through checkups and aftercare, advice on

curiosity, wide-ranging knowledge, a spirit that embraces challenge, and sensitivity to risk, as well as the overall ability to put these qualities to good use. Through a graduate school for working professionals, employees are able to deepen their management expertise by acquiring qualifications including a Master of Business Administration degree, or as a certified public accountant.

Extensive training programs support each individual's work motivation and career development.



Promoting Hiring of Different Nationalities

Enex Fleet Co., Ltd. has hired six employees of Philippine nationality to work in vehicle inspection and maintenance operations in the Car-Life Station business, following the Technical Intern Training Program supported by the Japan International Training Cooperation Organization (JITCO) as permitted by the Cabinet Office since 2018. Itochu Industrial Gas Co., Ltd. has also hired three employees of Indonesian nationality as technical interns, to work in coating operations within the container pressure inspection process at one of the company's factories. When hiring employees of foreign nationality, detailed support is provided in the form of Japanese language education and a comprehensive training program.



physical and mental health, and promotion and education on health issues. All employees also undergo stress checks that include advice regarding mental health, lifestyle-related diseases and metabolic syndrome.

Subsidy Program for Thorough Physical Checkup

In addition to conducting periodic health checkups in accordance with the Industrial Safety and Health Act, the Company mandates that employees aged 40 and above undergo a thorough physical checkup, with expenses borne by the Company.

Interaction with Employees: Sound Labor-Management Relations

To ensure that each employee can work with motivation, improve performance, and achieve personal objectives, a labor union* and labor-management council hold meetings on a regular basis at which employees express their candid opinions and raise issues. These are then reflected in the management of the Company.

Employees also participate in Health Committee meetings held monthly to deliberate on labor safety and sanitation improvements, prevention of health issues, and general promotion of health. Through such measures, Itochu Enex is working to create a workplace environment where diverse human resources can leverage their respective strengths.

* The Company's labor union operates under a union shop system.

Employees Supported by a Variety of Programs



Reemployment Program

Returning to Work with a Fresh Perspective **Page 39**

Risa Hada
Legal & Credit Control Department

I left the Company for a time when my husband was transferred overseas, but returned using the reemployment program. In my current job, I am able to put to work the knowledge I acquired before I left, while applying the fresh perspective I gained from my experiences away from work. My time away allowed me to see the Company in an objective light, proving to be a valuable experience.



Childcare Leave and Enex Nursery **Page 39**

Takahiro Otsuka
Environmental Business Department

My wife and I decided we wanted to share childcare responsibilities. After taking childcare leave for three months, I returned to work on a reduced schedule, which allowed me to help out with our child. During my leave period, I felt for myself how much hard work is involved in taking care of a child. Since our child was born in the first three months of the year, it was difficult to secure a place at a nursery, but we were able to use Enex Nursery, which was a big help to us.



Sports Support Program
Promoting Health and Workplace Interaction **Page 38**

Ren Otono
International Supply & Logistics Department

I am a member of the Running Club, which I joined for health reasons and so that I could interact with employees in different departments and Group companies. Through this interaction with people that I normally have little contact with, I can enjoy new social experiences and refresh myself mentally and physically. That also has a positive effect on my work.



Working in the Philippines as an Overseas Trainee **Page 40**

Ari Takeichi
Seconded to Isla Petroleum & Gas Corporation

Since April 2018, I have been working at Isla Petroleum & Gas Corporation, an LP gas company in the Philippines. I was initially out of my depth getting to grips with cultural and lifestyle differences, but now I have accepted those differences, I am enjoying my work here. The office environment enables women to excel, and seeing them expressing their opinions clearly and working hard is very inspiring.



Enex Family Day
Children Visit Their Parents' Workplace

Jiro Wada
Corporate Communications Office

My two children joined me on my morning commute to participate in Family Day, an event in which employees' children experience their parents' workplace. With other children, they toured the office, practiced exchanging business cards for the first time, and worked with parents to create handicrafts. When we got home, my kids were excited to share all they had learned about Itochu Enex as an energy company. This program gave my children a chance to feel the importance of working life while boosting my own motivation.



Contributing to a Sustainable Society

Basic Policies

Basic Policies for the Itochu Enex Group's Social Contribution Activities
 As "The best partner for life and society," develop an environment, develop human resources and develop communities to be passed on to the future

- Based on the Corporate Philosophy, "The best partner for life and society," we contribute to society in business activities and as a good corporate citizen.
- Under the theme of developing an environment, developing human resources and developing communities to foster the next generation, we carry out activities to pass down a sustainable society to the future.
- We support social contribution activities conducted by employees as citizens.
- We proactively disclose details and results of our social contribution activities and share them with society.

Three Themes

Environmental Preservation

Nurturing the Next Generation

Contributing to Communities

Environmental Preservation

Protecting Biodiversity

In response to calls from the Tokyo Development Foundation for Agriculture, Forestry and Fisheries, Itochu Enex has participated in a forest improvement project in Ome, in the west of Tokyo Prefecture, since 2010. This project involves planting cedar, Japanese cypress and other broad leaf trees and is aimed at promoting forest maintenance and protection of biodiversity. Through fixed-point observation and inspection of the forest, Itochu Enex conveys the importance of biodiversity within and outside the Company.

The population of the Japanese squirrel is on the decline due to changes in its habitat. Itochu Enex cooperated in a project to build squirrel bridges that help prevent road crossing deaths. The Company is also supporting activities aimed at

fostering coexistence between people and wildlife in forests and mountainous areas. At the site of the project (in Tokamachi, Niigata Prefecture), employee volunteers plant Japanese chestnut trees, which are a source of food for squirrels, and devise ways to encourage squirrels to use the bridges.



The population of the Japanese squirrel is declining

Volunteers working to protect the Japanese squirrel

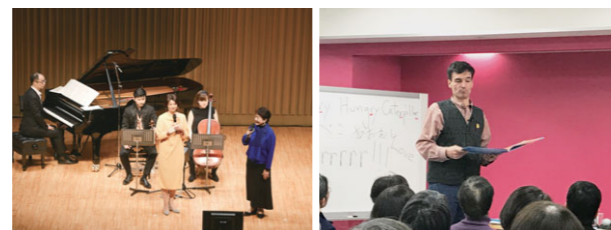
Nurturing the Next Generation

Word and Voice Programs

"Enjoy the Power of Words" is a recital event that has been held throughout Japan since 2013 in support of people affected by the 2011 Great East Japan Earthquake. Fostering human connections, the event regularly features recitals by former television announcers Motoyo Yamane and Masako Shindo, as well as a cast of invited guests presenting a variety of musical and expressive works. Itochu Enex will continue to hold this event in remembrance of the disaster and as a way of nurturing an appreciation for words across generations. Donations are collected at the event for Higashi Nihon Daishinsai Fukushima Kodomo Kifukin, a fund to aid children affected by the earthquake.

As cosponsor of the "Power of Voice" FY2018 lecture series, the Company is supporting greater appreciation of the

power of the human voice. Lecturers from all walks of life examine the voice—the source of human language—and their insights encourage attendees to consider how children should be educated and how society should be.



"Enjoy the Power of Words" event

"Power of Voice" lecture series

Contributing to Communities

Disaster Recovery

To support recovery from the 2011 Great East Japan Earthquake in the medium-to-long term, Itochu Enex solicits donations from employees every month. Following the 2018 Japan Floods in July, Itochu Enex contributed to recovery efforts through donations from the Company and employees, and a number of employees volunteered for recovery support.



2018 Japan Floods
 Employees volunteered for recovery support
 Group company facilities were used for storage of relief supplies

• Total employee donations for medium-to-long-term recovery support following the Great East Japan Earthquake : (FY2011–FY2018) ¥28,795,900

• 2018 Japan Floods: Company donations (including Group companies): ¥5,030,000; Employee donations: ¥687,000

Beneficiaries: Iwate no Manabi Kibo Kikin, Higashi Nihon Daishinsai Miyagi Kodomo Ikuei Kikin, Higashi Nihon Daishinsai Fukushima Kodomo Kifukin





Beneficiary: NPO Japan Platform, Japan Red Cross Society

Social Contribution Activities

Under the Corporate Philosophy, "The best partner for life and society—with Energy, with the Car, with the Home," the Itochu Enex Group works toward the realization of more affluent lifestyles for all and the sustainable development of society, through business activities that create various kinds of value and activities that contribute to society. In addition, the Group strives to contribute to the achievement of the SDGs.



Summary of Activities

Theme	Action	Details
Environmental Preservation 	Promoting healthy forests	Participation in forest improvement project in the west of Tokyo Prefecture
	Project to protect the Japanese squirrel	Participation from employee volunteers in a project to build and encourage the use of bridges that reduce road deaths of the Japanese squirrel (Niigata Prefecture)
	Cleanup activities	Itochu Industrial Gas Co., Ltd. cooperates in the cleanup activities of local elementary schools (Ibaraki Prefecture)
Nurturing the Next Generation 	Ultimate Frisbee classes	Held an Ultimate Frisbee course led by members of the Japanese national team at schools across Japan (3 times/year)
	Dietary and fire safety education activities	Education activities on food and fire safety at kindergartens across Japan (3 times/year)
	Word and voice programs	• "Enjoy the Power of Words" (2 times/year) • "Power of Voice" lecture series (12 times/year)
	Social education activities	• Enex Family Day, a parent-child event held in summer • Mini-Sapporo workplace experience event held in Sapporo
Contributing to Communities 	Support for the arts	Sponsorship of Jacques Lancelot International Clarinet Competition
	Recovery support	• Donations for medium-to-long-term recovery support following the Great East Japan Earthquake • Donations for 2018 Japan Floods
	Support for people with disabilities	• Use of art by people with disabilities for calendars and gift-wrapping paper • Support for Hokkaido Guide Dog Association (Itochu Enex Home-Life Hokkaido Co., Ltd.) • Support for swimming activities for people with disabilities
Social Contribution 	Promoting social welfare	Enex Fleet Co., Ltd. invites elementary school children (including children from special needs schools) to games of the professional basketball team it sponsors
	Employee volunteer activities	Established a program to subsidize the cost of participation in volunteer activities by employees and their family members in order to develop human resources who are trusted by society
	Charity activities	• Support and participation in UN World Food Programme's "End Hunger: Walk the World" event • Cooperation in charity walk to reduce world hunger

For further details on social contribution activities, please visit the Itochu Enex website:
<https://www.itcenex.com/english/csr/social/>

Scan the 2D code on the right with a smartphone to access a video feature introducing Itochu Enex's social contribution activities. (Japanese only)





Ichiro Saeki
Outside Director



Yuji Moritsuka
Outside Audit & Supervisory Board Member (Full-Time)



Seiichi Shimbo
Outside Director

Itochu Enex is continually enhancing its corporate governance. The Governance Committee, which was set up as an advisory body to the Board of Directors, plays a central role in that effort. In this discussion, the Committee Chairman and two Outside Directors talk about how governance has been strengthened and the challenges ahead.

The implementation of “growth-oriented governance” marks a tangible evolution in our approach to governance.

■ **Shimbo** As an Outside Director since 2015, I feel that the Board of Directors has always held robust discussions, and that this is a company with a very free and open culture. In the last few years, the Company’s governance has also been steadily evolving as it responds to Japan’s Corporate Governance Code, issued by the Tokyo Stock Exchange, Inc.

■ **Moritsuka** During that time, the Company has been quick to address matters such as enhancement of disclosure, appointment of Outside Directors, policies on determination of remuneration for Directors, and the performance-linked stock-based remuneration plan.

■ **Shimbo** An evaluation of the effectiveness of the Board of Directors is conducted annually. Many of the problem areas raised have been improved because evaluating members are able to candidly express their opinions, which are then reported to the Governance Committee and the Board of Directors.

■ **Saeki** I became an Outside Director in 2016, the year after Mr. Shimbo and Mr. Moritsuka’s appointments. I have also seen very substantial improvement in the Company’s corporate governance. The revisions to the Corporate Governance Code have raised expectations, so although there has been no major change in the evaluation score, I feel that the operation of Board

meetings is making progress in every respect, and sharing and classification of discussion topics is improving.

■ **Moritsuka** I agree. For example, outside officers now receive explanations of proposals as part of advance briefings. This helps to clear up any uncertainties ahead of time, so we can go into meetings well-prepared, with a clear understanding of all discussion points. This has led to transparent, fair and faster decision-making by the Board of Directors.

■ **Shimbo** Dialogue between outside officers and employees is also helpful. This year, worksite visits are among the programs that will give us the opportunity to hear from employees directly.

■ **Moritsuka** In my position as a full-time Outside Audit & Supervisory Board Member, I attend preliminary review meetings on agenda items, make suggestions on matters to be reported to the Board of Directors, and actively exchange information with Outside Directors and Outside Audit & Supervisory Board Members at the Independent Officers Council, which operates autonomously. All of these things are helpful in identifying issues in the Company’s governance.

The Governance Committee has achieved improved functionality and will serve an increasingly important role.

■ **Saeki** I think the mindset of senior management has also changed considerably as a result of having to meet the requirements of the Corporate Governance Code. There is no denying that the new requirements felt simply like red tape at first, but with time, I believe management has seen that they reflect changes in social demands and the business environment, and I sense greater understanding and enthusiasm for these initiatives.

■ **Moritsuka** The Governance Committee has evolved as well. In 2015, when the Governance Committee was established, it had four members—two from outside and two from inside the Company—and was chaired by an inside Director. However, since last year, the Committee has been chaired by me, an Outside



“Besides focusing on responding to the Corporate Governance Code, I will actively advise management on how to make ‘the next big leap.’”

Yuji Moritsuka
Outside Audit & Supervisory Board Member (Full-Time)



“By strengthening check-and-balance functions, I will hone my sensitivity to management issues and work in cooperation with senior management.”

Ichiro Saeki
Outside Director

Audit & Supervisory Board Member, and has five members, including four outside officers. The topics of discussion have also changed substantially.

■ **Saeki** Certainly, the change in the makeup of the Governance Committee gives greater credibility to the Committee’s objectivity and rationality as viewed from outside the Company, and that is important.

■ **Shimbo** As of this year, three of the nine Directors are Outside Directors, and one female Director has been appointed. I think this will transform the Company’s governance. In the Governance Committee, we monitor the influence of ITOCHU Corporation (the parent company)—including the level of its representation on the Board—to ensure that independence is maintained without interference to the Company’s ability to make its own management judgments. We also conduct preliminary interviews with officer candidates to confirm that they satisfy the selection policy for Directors and Audit & Supervisory Board Members. This role will also become increasingly important.

■ **Moritsuka** In my position as Committee Chairman, I endeavor to adopt a neutral stance as far as possible, and thereby foster an atmosphere in which Directors can speak freely. Another point I am focusing on is how best to express the views of the Governance Committee to senior management and have them reflected in business execution. President Okada himself has expressed his appreciation of the insights given in reports from the Governance Committee, and has praised the Committee’s value.

■ **Shimbo** In terms of the effectiveness of Board of Directors meetings, I would like discussions about the Company’s long-term vision to go into a little more depth. In the formulation of “Moving 2020: Horizons,” Outside Directors had more opportunities than before for advance discussion of the plan. In the future, though, rather than limiting discussion to the Board of Directors, it would be better to provide opportunities to exchange ideas in a free-discussion format that takes in the views of mid-level and younger employees, in addition to those of outside officers.

■ **Saeki** I agree that the depth of discussion has been somewhat insufficient.

■ **Moritsuka** With the long-term vision in particular, a key question is how the Governance Committee will be involved. Group governance is another important theme. This includes the Company’s relationship with the parent company, and in particular, how to ensure transparency in the selection of officers. At the same time, if we include subsidiaries and joint venture companies, this is a group of 5,000 people, so how does one make governance work in companies with different cultures? The question of internal controls also overlaps with this, and we are currently discussing that with senior management. When considering group governance, cultivating future managers of Group companies will also be important.

■ **Shimbo** Development of both management talent and globally competent human resources is necessary in human resource development. While development of globally competent human resources and young employees is proceeding smoothly, starting with the overseas job training program, creation of a framework for succession planning for promoting management talent from within is an urgent issue. It is also necessary to move faster on promoting diversity.

■ **Saeki** As Mr. Shimbo said, the environment for cultivating management talent from within is not well-established yet—that is partly because the average age of the Company’s workforce is still rather young. I think that will gradually change, but we also have to make efforts in that area.

Further enhancements to governance will be made to respond to the needs of all stakeholders.

■ **Saeki** So that the Company can further expand its profit base through the execution of the medium-term business plan, I will try to act as a check and balance in offering advice from my position as an Outside Director on whether management decisions are reasonable and appropriate. Given Itochu Enex’s position as an energy trading company that supports local communities, I will also focus on how the Company should fulfill its social responsibility, and whether ESG perspectives are being given enough weight.

■ **Shimbo** Meeting the expectations of a broad range of stakeholders will be essential in achieving sustainable growth and maximizing corporate value. Also, I would say the Company is making good progress in risk management, but its plans for using outside knowledge to minimize risk will continue to be scrutinized. We should bear that in mind in our discussions, and connect it to enhancement of governance.

■ **Moritsuka** The Audit & Supervisory Board Members audit the execution of duties by Directors from the perspective of the medium- and long-term growth of the Company. The Corporate Governance Code states that those in this role should actively and assertively exercise authority and voice their opinions, without limiting themselves to their own field. Our Audit & Supervisory Board also operates based on this policy. We will voice comments informed by diverse perspectives, and work toward the further evolution of the Company’s governance.

“While focusing on meeting the expectations of all stakeholders, I will work to minimize risk and contribute to sustainable growth and the maximization of corporate value.”



Seiichi Shimbo
Outside Director

Corporate Governance

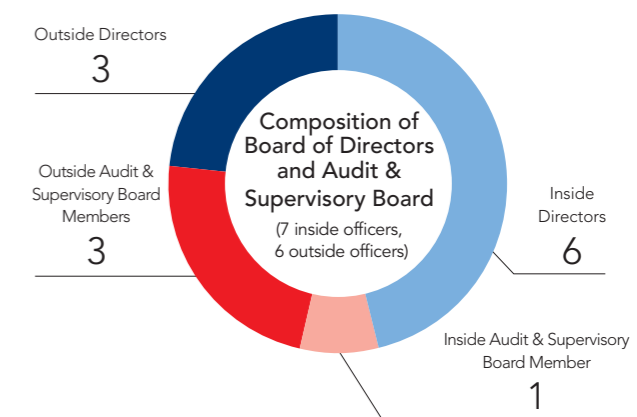
Basic Approach to Corporate Governance

Based on the Code of Conduct, "Be Ethical (Reliability and sincerity, creativity and ingenuity, transparency and integrity)," and the Declaration of the Group Code of Conduct, Itochu Enx remains committed to thorough compliance as a corporate citizen, focusing on shareholder interests and ensuring management transparency in business management. To that end, it emphasizes proactive initiatives for information disclosure with a view to securing managerial transparency, and endeavors to make prompt and accurate disclosure.

(For information on corporate governance basic policies, please see the Corporate Governance Report, available at <https://www.itcenex.com/english/ir/policy/governance/>)

Corporate Governance System

The Company has a Board of Directors and Audit & Supervisory Board Members (Audit & Supervisory Board). In accordance with laws and regulations, the Company's Articles of Incorporation, rules of the Board of Directors and other internal rules, the Board of Directors makes decisions on material matters and oversees the Directors' performance of their duties. Each Director executes his or her duties based on the roles defined by the Board of Directors, and in accordance with laws and regulations, the Articles of Incorporation and internal rules. To strengthen the Board of Directors' decision-making and oversight functions and increase the efficiency of business execution, the Company has adopted an executive officer system. As delegated by the Board of Directors and Representative Directors, Executive Officers execute the duties assigned to them based on decisions made by the Board of Directors.



1 Board of Directors

Meetings in FY2018: 13

The Board of Directors, consisting of nine Directors in total—six Inside Directors and three Outside Directors—determines the fundamental management policies of the Company and is responsible for management oversight. In addition to the exclusive rights defined in laws and regulations, the Board makes decisions on business execution matters that are of high quantitative or qualitative significance. However, given the importance of prompt decision-making, the Board delegates decision-making on ordinary business execution to the Directors and Executive Officers wherever possible and oversees the status of that execution. The Directors, as trustees appointed by shareholders to manage the Company, have the obligation to exercise due care and loyal fulfillment of their duties and to contribute to the sustained growth of the Company, as well as medium-to-long-term improvement in corporate value.

2 Audit & Supervisory Board

Meetings in FY2018: 15

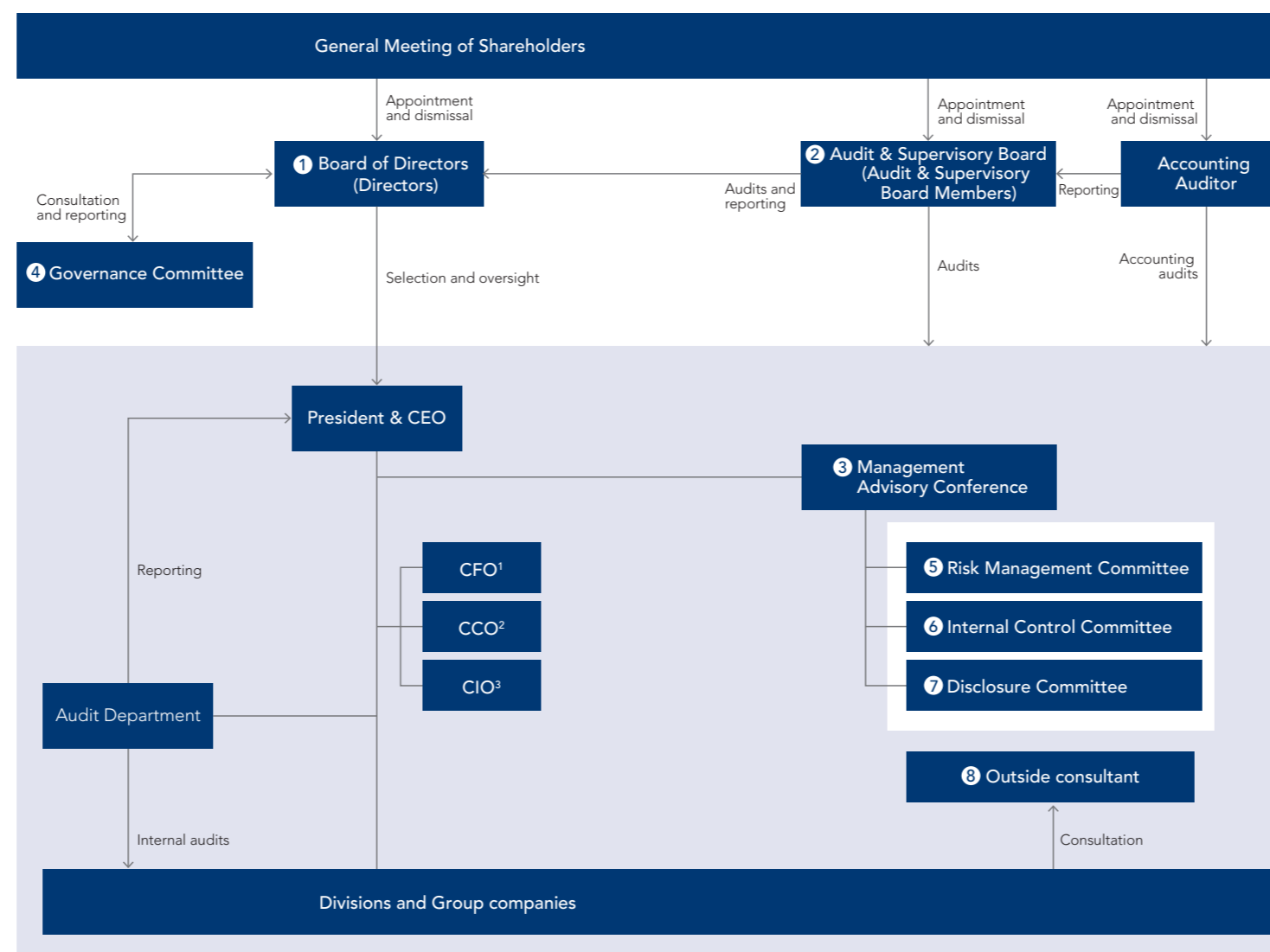
The Audit & Supervisory Board consists of four members in total (including three outside members), of whom two are full-time and two are part-time members. In accordance with the regulations of the Audit & Supervisory Board, the standards for audits by Audit & Supervisory Board Members, the audit policy established by the Audit & Supervisory Board, and the allocation of duties, Audit & Supervisory Board Members attend meetings of the Board of Directors and other important meetings, receive updates on the status of execution of duties from Directors and others, review key documents that support decision-making, examine the business and assets of the head office and major business sites, request sales reports from subsidiaries when necessary, and strictly audit the execution of duties of Directors and Executive Officers. In addition, the Audit & Supervisory Board conducts activities focused on cooperation with corporate auditors of consolidated Group companies, including establishing and holding meetings of the Group Corporate Auditors Conference, which consists of audit and supervisory board members of major Group companies.

3 Management Advisory Conference

Meetings in FY2018: 20

For proper and agile decision-making on execution of duties, the Management Advisory Conference has been set up as an advisory body to the CEO. At meetings of the Management Advisory Conference, deliberations are held on the Group's overall management policies, business plans and other important matters concerning execution of duties, and consolidated management indicators and management plans are formulated.

Corporate Governance Structure



1. Chief Financial Officer
2. Chief Compliance Officer
3. Chief Information Officer

4 Governance Committee

Meetings in FY2018: 8

The Governance Committee consists of five members, of whom four are independent officers (two Outside Directors and two Outside Audit & Supervisory Board Members) and one is an Inside Director. As a voluntary advisory committee to the Board of Directors, the Governance Committee was set up to strengthen and enhance the effectiveness of management oversight and the transparency of decision-making by the Board of Directors. It examines the methods of selecting Directors and Audit & Supervisory Board Members and individual appointment and dismissal proposals, analyzes and evaluates the most appropriate form for the Director remuneration system (the appropriateness of compensation-setting policies and level of compensation) and the effectiveness of the Board of Directors as a whole, and discusses governance-related proposals.

5 Risk Management Committee

Meetings in FY2018: 4

The Risk Management Committee leads ongoing management enhancement and risk mitigation by identifying and analyzing risks that could have a material impact on management, implementing countermeasures, preventing the occurrence and materialization of risks and promoting risk awareness (including investment reviews for cross-shareholdings and verification of the necessity of holding such shares, etc.).

6 Internal Control Committee

Meetings in FY2018: 5

To ensure that the internal control system is operating appropriately, the Company reviews the development and implementation status of the internal control system at the Internal Control Committee meeting every six months for each item in the Basic Policy. The results of discussions in the Internal Control Committee are reported to the Board of Directors, and a final assessment is made on the development and implementation status of the internal control system at a Board of Directors meeting. At the meeting held on April 26, 2019, the Board of Directors evaluated the development and implementation status of each item enumerated in the Basic Policy for the fiscal year ended March 31, 2019, and confirmed that there were no significant deficiencies or flaws.

7 Disclosure Committee

Meetings in FY2018: 4

The Disclosure Committee consists of persons in charge of departments, and was established for the purpose of raising the accuracy of decision-making on disclosure. The Disclosure Committee deliberates matters concerning the development and implementation of internal controls over disclosure of corporate information and financial reporting.

8 Outside Consultant

The Group has established inside and outside whistleblowing contact points. These contact points offer a prompt response to employees with concerns that they may have violated or be about to violate the Declaration of the Group Code of Conduct or laws, or when they know of a violation committed by an officer or another employee and cannot point out the violation to that person, or when they have determined that a violation is likely to occur.

Response to Japan's Corporate Governance Code

The Company endorses the goal of "growth-oriented governance" called for in Japan's Corporate Governance Code, issued by Tokyo Stock Exchange, Inc. (TSE). The Company is taking measures aimed at ensuring sound leadership by senior managers and transparent and fair decision-making, and is addressing all items in the Corporate Governance Code.

Evaluation of the Effectiveness of the Board of Directors

The Company requested all Directors and Audit & Supervisory Board Members to submit opinions about the effectiveness of the Board of Directors for FY2018 based on each Director's self-evaluation. After deliberations by the Governance Committee based on these opinions, the Board of Directors met to analyze the results.

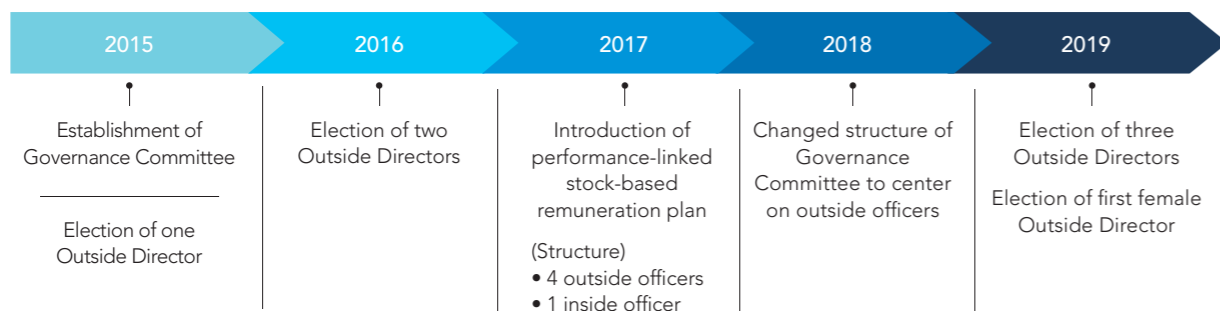
<p>Evaluation Method Evaluation via questionnaire and individual hearings</p> <p>Subject of Evaluation Meetings of the Board of Directors held between April 2018 and March 2019 (a total of 13 meetings)</p> <p>Evaluators All members of the Board of Directors and Audit & Supervisory Board as of April 2019</p> <p>Outline of Implementation A questionnaire was conducted regarding the composition of the Board of Directors (four items), the operation of the Board of Directors (nine items), systems supporting the Board of Directors and dialogue with shareholders (five items), and systems for fulfilling roles and duties (two items). Free comments were allowed and transparency was ensured</p>	<p>by requiring the respondents to indicate their names. Based on the aggregate results of the questionnaire, individual interviews with all evaluators were held.</p> <p>Evaluation Results Evaluation of the effectiveness of the Board of Directors is generally positive. The evaluation indicated that operation in FY2018 was generally appropriate overall and that the Board of Directors as a whole was functioning effectively. Regarding operation, while presentations showed improvement over the previous year, there were some indications that deliberations on broad direction, such as medium-to-long-term corporate strategy, etc., were areas that required improvement. The Company will draw on these results to further improve the oversight and decision-making functions of the Board of Directors.</p>
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Outside Officers

In selecting outside officer candidates, the Company seeks to enhance its corporate value by selecting individuals who have knowledge in specialized fields such as management, law, accounting and energy, and who can be expected to contribute to oversight of the Company's management and business execution

from various perspectives. The Company sets its own criteria for determining the independence of outside officers, in addition to the requirements for independent officers set forth by the TSE and other securities exchanges in Japan. Please see the Company's Corporate Governance Report for details.

Corporate Governance Enhancement Measures



Reasons for Appointment of Outside Officers

	Name	Board of Directors Meeting Attendance	Area of Expertise	Reasons for Appointment
	Outside Directors	Seiichi Shimbo	13 of 13	Finance Automobile-related business Corporate management
Ichiro Saeki		13 of 13	Finance and accounting Corporate law	Ichiro Saeki has specialized knowledge in his capacity as an attorney and extensive experience with corporate legal affairs. He also acquired broad knowledge of banking and finance during his tenure at the Nippon Fudosan Bank, Ltd. (currently, Aozora Bank, Ltd.). He has been appointed to another term as Outside Director because the Company believes that his deep knowledge of banking and finance will enable him to contribute to the proper oversight of the execution of the Company's business and offer advice from an objective and expert point of view. The Company has determined that Ichiro Saeki meets the criteria for independence defined by financial exchanges and by the Company.
Motoyo Yamane		Appointed June 19, 2019	Development of human resources Diversity Social contribution	Motoyo Yamane worked in the broadcasting industry for many years, where she was involved in the operation of organizations and the development of human resources. She also has sat on various expert committees related to social contribution and cultural activities. She has been newly appointed as Outside Director because the Company believes that, based on her knowledge and various perspectives gained through her career, she will suitably provide advice to the Company's management and contribute to the proper oversight of the execution of the Company's business. The Company has determined that Motoyo Yamane meets the criteria for independence defined by financial exchanges and by the Company.
Outside Audit & Supervisory Board Members	Name	Meeting Attendance	Reasons for Appointment	
		Board of Directors Meetings	Audit & Supervisory Board Meetings	
	Yuji Moritsuka	13 of 13	15 of 15	Yuji Moritsuka acquired broad knowledge of banking and finance during his tenure at the Nippon Fudosan Bank, Ltd. (currently, Aozora Bank, Ltd.). He also has abundant experience as a corporate auditor/audit and supervisory board member at other companies. He has been appointed to another term as Outside Audit & Supervisory Board Member because the Company believes that his deep knowledge of banking and finance will enable him to contribute to the proper oversight of the execution of the Company's business and offer advice from an objective and expert point of view. The Company has determined that Yuji Moritsuka meets the criteria for independence defined by financial exchanges and by the Company.
	Toyohiro Sunayama	10 of 10*	13 of 13*	Toyohiro Sunayama has many years of experience at ITOCHU Corporation, primarily in textile-related business, and corporate planning operations overseas, etc. He has been appointed to another term as Audit & Supervisory Board Member because the Company deemed that he can provide management advice and appropriate supervision of the execution of operations based on his broad knowledge regarding global business management and administrative business gained through abundant experience. Toyohiro Sunayama is not designated as an independent officer because he does not meet criteria for independence defined by financial exchanges and by the Company.
Shozo Tokuda	13 of 13	15 of 15	Shozo Tokuda has specialized knowledge in his capacity as a certified public accountant. He has also acquired broad knowledge of corporate accounting. He has been appointed to another term as Outside Audit & Supervisory Board Member because the Company believes that his deep knowledge of corporate accounting will enable him to contribute to the proper oversight of the execution of the Company's business and offer advice from an objective and expert point of view. The Company has determined that Shozo Tokuda meets the criteria for independence defined by financial exchanges and by the Company.	

* Audit & Supervisory Board Member Toyohiro Sunayama was appointed at the 58th ordinary general meeting of shareholders held on June 20, 2018, and was therefore eligible to attend fewer Board of Directors and Audit & Supervisory Board meetings than other directors.

Policies and Procedures on Determination of Remuneration for Directors

Remuneration for Directors excluding Outside Directors and Non-executive Directors is composed of monthly remuneration, bonuses, and performance-linked stock-based remuneration. Monthly remuneration and bonuses are appropriately determined based on predetermined payment standards in consideration of factors such as short-term business performance and contributions to the Company, and standardized amounts are set for each position. Amounts of stock-based remuneration are determined based on consolidated

net profit attributable to Itochu Enex's shareholders for a specific performance evaluation period. Outside Directors and Non-executive Directors only receive monthly remuneration, and do not receive bonuses or stock-based remuneration. Additionally, remuneration for Audit & Supervisory Board Members is determined through deliberation of the Audit & Supervisory Board (Members), and includes no bonuses or stock-based remuneration. Officer remuneration for FY2018 was as follows.

(Millions of yen)

	Total remuneration, etc.	Total remuneration, etc., by type			Number of applicable officers
		Total monthly remuneration	Bonus	Stock-based remuneration	
Directors (excluding Outside Directors)	256	161	91	3	9
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	4	4	—	—	1
Outside officers	79	79	—	—	6

Performance-Linked Stock-Based Remuneration Plan

The Company provides performance-linked stock-based remuneration to Executive Directors for the purpose of increasing Directors' incentive to enhance the Company's medium- and long-term corporate value by sharing the profit and risk from stock price changes with shareholders. In paying stock-based remuneration, the Company has set up a trust (trust period: two years) through which it provides a number of shares to each Director corresponding to the number of points calculated objectively and allotted according to the role of the Director and the level of attainment of performance targets in the performance evaluation period.

In determining the remuneration mentioned above, net profit attributable to Itochu Enex's shareholders is used as the evaluation indicator linked to Company-wide performance in bonuses, which are performance-linked, and in performance-linked stock-based remuneration. Its use as an indicator is based on its simplicity, consistency with numerical indicators in the Company's management (or in the case of stock-based remuneration, with quantitative targets set in the medium-term business plan), trends at other companies, and other factors.

Parent Company

As the parent company, ITOCHU Corporation owns 53.97% of the voting rights of the Company, making it a consolidated subsidiary of ITOCHU Corporation.

Within the Itochu Group, the Company is positioned as a core company with respect to domestic sales and the import/export of petroleum products in which Japan is the business base. As an important business partner, the Company engages in the trade of petroleum products and facilitates the exchange of information concerning conditions in domestic and international markets for crude oil and petroleum products, conducts personnel exchanges and carries out other business initiatives relating to electrical

power, environmental businesses, and overseas projects, etc. The Company recognizes no business constraints by the parent company and believes that it is able to make its own management decisions while maintaining independence and autonomy. In addition, Directors may hold positions concurrently and employees may be loaned among the Company, ITOCHU Corporation and their group companies. This does not prevent the Company from making independent managerial decisions, and the independence of the Company is ensured.

Internal Control

To comply with laws and regulations and the Articles of Incorporation, and to execute business appropriately, the Company operates an internal control system that it works to continuously strengthen and improve. On February 21, 2019, it revised the Basic Policy regarding the Internal Control System, seeking to strengthen and improve its

internal systems for ensuring the appropriateness, etc. of corporate governance, compliance and financial reporting. For details on the internal control system, please visit: <https://www.itcenex.com/english/corporate/governance/control/>

Policy on Cross-Shareholding

The Company's policy is to limit cross-shareholdings to those that have a high likelihood of providing investment returns and that contribute to enhancement of the Company's corporate value, on the condition that the purpose of holding such shares is recognized, such as that it is likely to have future strategic commercial value. Regarding existing cross-shareholdings, each year at a Board of Directors' meeting the Company verifies the rationale of holding

individual stocks, and judges the appropriateness of continuing to hold or cease such cross-shareholdings from the standpoints of the likelihood of realizing the intended investment objective, and whether holding the shares is generating economic value that will lead to enhancement of the Company's corporate value.

Elimination of Anti-Social Forces

The Company is committed to the Group-wide preclusion of any and all relationships with anti-social forces. This policy is explicitly set out in the Declaration of the Group Code of Conduct, and the Company has established a system for rapid response to unforeseen events through the ongoing maintenance of close

collaborative relationships with outside specialized agencies, etc. and the inclusion of clauses relating to the elimination of organized crime groups in contracts, etc.

For further details on governance please visit:

Corporate Governance Report

<https://www.itcenex.com/english/ir/policy/governance/>

Fair and Proactive Disclosure

Basic Policy for IR Activities

Based on the Corporate Philosophy, the Code of Conduct and the Declaration of the Group Code of Conduct as well as the objectives of the Corporate Governance Code issued by the TSE, the Company has established its Basic Policy for IR with the aim of establishing fair and excellent relationships with all stakeholders, ensuring a fair market evaluation and achieving sustainable enhancement of corporate value, while engaging in proactive investor and public relations based on the principles of "timeliness," "fairness," "accuracy," "clarity" and "continuity."

Information Disclosure Covered by This Policy

This policy covers information disclosure and dialogue to be conducted by the following means:

Disclosure in accordance with the Financial Instruments and Exchange Act	Securities reports, quarterly reports, internal control reports, extraordinary reports, etc.
Disclosure in accordance with the Companies Act	Business reports, consolidated and non-consolidated financial statements, etc.
Disclosure required by the TSE	Timely disclosure information Decisions, events and other information required by the TSE to be disclosed in a timely manner Corporate governance reports, etc.

Other Information Disclosure

The Company takes care to ensure that information not covered by the Timely Disclosure Rules of the TSE is made available in an appropriate manner to all stakeholders, including general investors.

IR-related disclosure materials	Materials for financial results briefings, fact books, etc.
IR-related publications	Shareholder newsletters, integrated reports, annual reports in English, etc.

Method of Information Disclosure

The Company discloses information covered by the Timely Disclosure Rules, using the Timely Disclosure Network (TDnet) in accordance with the rules, as well as on the Company's website. The Company also ensures that information not covered by the rules is made available to general investors and shareholders in an appropriate manner based on the objectives of the rules.

Disclosure Committee

The Company has established the Disclosure Committee for the purpose of contributing to appropriate and flexible decision-making by the Board of Directors and Management Advisory Conference, exhaustively and swiftly collecting important company information in the Group, discussing whether to disclose relevant information and the accuracy, clarity, sufficiency, fairness and constructiveness of the content of the information and publishing information subject to disclosure.

Dialogue with Shareholders and Investors

When disclosing information to and engaging in dialogue with shareholders, investors and others, the Company complies with relevant laws, regulations and rules and emphasizes two-way communication, while striving to explain its business status, management policy and other information in a timely, fair, accurate and clear manner and on an ongoing basis. Feedback from stakeholders, including requests and opinions, is provided to management.

	FY2018
Briefing for individual investors	Held in December 2018 and March 2019 (200 attendees combined total)
General meeting of shareholders	Held on June 19, 2019 (252 attendees)
Meetings with investors	60 meetings

Handling of Insider Information

The Company adheres to the fundamental principle of not disclosing information to any third party until disclosure is made to the public, and takes all reasonable care in handling information, for instance when more than one person engages in dialogue at meetings with investors, etc.

Quiet Period

For the purpose of preventing the leakage of information concerning financial results and ensuring fairness in information provision, the Company observes a quiet period of two weeks preceding quarterly and full-year earnings announcements and provides no comment or explanation regarding financial results or earnings estimates during the quiet period.

Understanding Shareholder Structure

The Company obtains information on the shareholder register from the administrator of the register and information concerning beneficial shareholders, etc. from a research company to understand and analyze the Company's shareholder structure. It uses the data for investor and shareholder relations activities.

Business Execution and Internal Control

Risk Management

Risk Management Committee

The Risk Management Committee aims to create the best possible systems to achieve business continuity by promptly and correctly dealing with all events and risks that may impede the operation of the Company, so as not to damage public confidence in, or the corporate value of, the Company. Amid an increase in various risks and their potential seriousness, the Risk Management Committee leads ongoing management enhancement and risk mitigation by identifying and analyzing risks that could have a material impact on management, implementing countermeasures, preventing the materialization of risks and promoting risk awareness.

Systems for Handling Emergencies

The Company has developed an "emergency contact network" that allows the Company, when an accident occurs or a risk arises in the Group, to quickly obtain accurate information and respond appropriately and, when an earthquake, typhoon, heavy rain or other natural disaster occurs, to quickly grasp the level of damage to the Group's facilities and distributors, and secure lifelines. As an integrated contact system that connects Group companies, business divisions and the President, routes for reporting "large-scale earthquakes and natural disasters" and "incidents other than disaster" have been developed and are in operation around the clock, 365 days a year.

BCP and Disaster Response Headquarters

The Company has formulated a business continuity plan (BCP), primarily in preparation for major natural disasters. The BCP and Disaster Response Headquarters play a central role in the plan. Headed by the President and with the Chief Compliance Officer (CCO) serving as Deputy Head, the headquarters comprises the Chief Operating Officers of the Corporate Administration Division. In the event of a major disaster, the members gather at a designated location and lead company-wide activities to respond to the situation by

unifying the chain of command, and enabling systematic cooperation. In addition, the Company has established a backup system for transferring headquarters' functions to the Kyushu Branch (in Fukuoka) and Chushikoku Branch (in Hiroshima).

Strengthening IT Security

The Company sees management of information security as an important business issue.

Basic Policy for Information Management of the Group
Itochu Enex Co., Ltd. and its group companies (hereinafter collectively the "Group") recognize appropriate management of information as an important business issue, and while protecting information assets from various threats surrounding the Group, maintains and improves Group information management systems via appropriate handling of information assets.

- 1. Compliance**
Officers and employees of the Group comply with laws, regulations, and other guidelines, etc., regarding information management.
- 2. Management systems**
To realize appropriate management of information required for business activities, the Group defines rules concerning information management, establishes appropriate information management systems under the Chief Information Officer, and maintains systems to swiftly ascertain information management conditions and implement information security measures.
- 3. Awareness and education**
The Group ensures that all officers and employees are aware of the importance of information security and implements ongoing education and training to ensure thorough and appropriate management of information assets.
- 4. Response to accidents**
Should an accident occur regarding information management, the discoverer swiftly reports the fact based on predefined rules, and as required, the Group minimizes damage through enactment of appropriate mitigation measures. Furthermore, through analysis of the reasons that the accident occurred, the Group establishes appropriate management measures and measures to prevent recurrence.

For details on policies regarding measures in personal information protection, please visit the Company's website:
<https://www.itcenex.com/english/privacy/>

Revised on January 1, 2016

Protection of Human Rights

The meaning behind the Code of Conduct, "Be Ethical," includes respect for human rights, and the Company is thorough in ensuring reliability and sincerity in its approach to protecting human rights. Furthermore, as part of its corporate social responsibility, the Company will expand job opportunities for people with disabilities.

Toward Zero Harassment

In order to achieve zero harassment, harassment as defined under the following categories is explicitly prohibited in the Company's work regulations.

- (1) Sexual harassment**
Having a detrimental influence on other employees, etc., or damaging the working environment through sexual speech and/or conduct.
- (2) Power harassment**
Utilizing power such as authority to continuously infringe on a person's personality and respect in excess of standard operating procedures, worsening the employee's working environment or causing the person to become anxious about employment security.
- (3) Maternity harassment and paternity harassment**
Having a detrimental influence on other employees, etc., or damaging the working environment through undue speech and/or conduct regarding matters such as pregnancy, childbirth, or childcare leave.
- (4) Care harassment**
Having a detrimental influence on other employees, etc., or damaging the working environment through undue speech and/or conduct regarding matters such as family care leave.

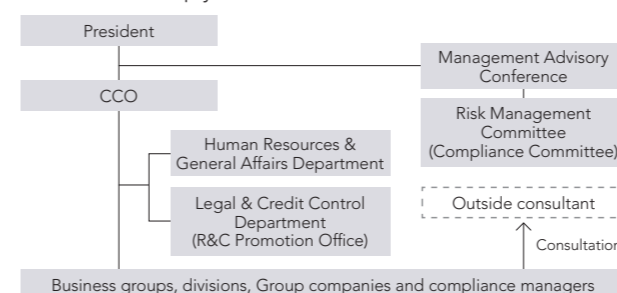
Compliance

Basic Policy

While meeting its corporate social responsibilities, the Company is engaged in various business activities, mainly in the energy distribution field. Rewarding the expectations of all its stakeholders, which include customers/consumers, business partners, suppliers, communities, shareholders, investors, employees and the environment, is an important management task. To this end, under the Corporate Philosophy, "The best partner for life and society," the Company is striving to raise awareness of and promote social responsibility Group-wide by ensuring that all managers and employees correctly understand and thoroughly comply with the Code of Conduct and the Declaration of the Group Code of Conduct, which have been refined over many years.

Compliance Structure

The Company has taken steps to improve its compliance system. Those steps include appointing a CCO, establishing a department that oversees matters concerning compliance, developing a corporate social responsibility (CSR) and compliance program, appointing a CSR and compliance manager¹ and personnel² in each department, providing compliance education and training, compiling a legal and regulatory compliance manual, clarifying responses to compliance incidents and establishing a whistleblowing system. In addition, each Director, Executive Officer and employee is required to submit a written statement of intention to comply with the Code of Conduct.



- 1. CSR and compliance manager:**
CSR and compliance managers of Itochu Enex are appointed by the CCO. One person from each division is appointed. Additionally, at Group companies for which Itochu Enex has over 50% ownership, in principle the president of the Group company serves as CSR and compliance manager, also supervising subsidiaries for which that Group company has over 50% ownership.
- 2. CSR and compliance personnel:**
CSR and compliance personnel are appointed by CSR and compliance managers, promoting awareness regarding CSR and compliance, serving as the point of contact in the event of trouble, accidents, misconduct or complaints, and ensuring environmental preservation and soil contamination prevention.

Education and Training in CSR and Compliance

With the objective of maintaining and ensuring the universal recognition of CSR and compliance systems, the Company holds education and training in CSR and compliance for Group officers and employees on an annual basis. In particular, compliance training is held across Japan twice a year, once each fiscal half.



Compliance training

Promoting Awareness of Compliance

To promote awareness of compliance, the Company periodically prepares documents to be distributed within the Group and shared on the intranet.

Compliance Handbooks	Guided by the Corporate Philosophy, the Company provides commentary and works to ensure thorough recognition and awareness of the Code of Conduct, basic policies on compliance, the Declaration of the Group Code of Conduct, internal rules, and laws and regulations. When Group employees are faced with difficult decisions, they can refer to this handbook, question themselves and their situation, think carefully on compliance, reach an understanding, and reflect the results in their actions.
Compliance Program	This easy-to-understand program covers CSR and compliance promotion activities, including objectives, systems, incident and accident response, and whistleblowing and consulting contact points.
Compliance Case Studies	These case studies provide easy-to-understand examples and response approaches for various major and minor compliance violations, including misconduct, harassment, labor issues, complaints, legal and regulatory violations, and information leakage.

Group Awareness Survey

In the present day, incidents relating to accounting misconduct, embezzlement, harassment, and labor issues at various companies, organizations, and bodies are on the rise. The Group conducts a compliance awareness survey for officers and employees at Group companies to ascertain the state of compliance awareness and help prevent misconduct. The results are drawn on to create new initiatives and improve compliance training.

Whistleblowing and Consulting Contact Points

The Group has established inside and outside whistleblowing contact points. These contact points offer a prompt response to employees with concerns that they may have violated or be about to violate the Declaration of the Group Code of Conduct or laws, or when they know of a violation committed by an officer or another employee and cannot point out the violation to that person, or when they have determined that a violation is likely to occur. Through regular CSR and compliance training, the Group ensures that all employees are aware of whistleblowing contact points and the protection given to whistleblowers, and a system is in place for responding appropriately to whistleblowing while maintaining transparency.

Additionally, the Group has made available an outside consulting contact point for any employee or family member associated with the Group. This consulting contact point can

also respond to issues concerning harassment, mental health, physical health and living circumstances. A system for providing care for mental health and consultation on other issues is maintained through responses provided by specialists such as clinical psychologists, health nurses and consumer affairs advisors.

The Group ensures the effectiveness of the whistleblowing system through regulations that clearly define the responsibilities of the various parties that handle reports. These regulations prohibit unfavorable treatment, including termination of employment, as a consequence of whistleblowing, and mandate confidentiality.

Fair Business Practices

Basic Policy

The Group assures customers and suppliers of its commitment to fair business practices by engaging in commercial activities on the basis of fair and free competition, performing fair purchasing activities, adhering to rules for commercial transactions and eschewing any involvement in bid-rigging, cartels or other unfair practices. Furthermore, the Group seeks to develop together with customers and suppliers by maintaining and strengthening mutual trust.

Group Policy on Procurement and Purchasing

Pursuant to the Declaration of the Group Code of Conduct, the Group evaluates and selects suppliers while establishing ongoing business partnerships in order to achieve mutual benefit through transactions. Additionally, based on the Group's Environmental Policy, the Group is promoting procurement activities that show consideration for environmental preservation via initiatives such as the procurement of materials with a low environmental burden. At its offices, the Group promotes the use of products that take the environment into account under Japan's Act on Promoting Green Purchasing.

Compliance with the Antimonopoly Act, Subcontract Act, and Related Laws and Regulations

To realize fair transactions, the Group has formulated its own Antimonopoly Act Manual to ensure awareness and compliance with Japan's Antimonopoly Act, Subcontract Act, and related laws and regulations. This manual describes the objectives of laws such as the Antimonopoly Act and Subcontract Act, consequences for violations, and specific types of actions that are unacceptable. Details are also provided on specific actions that are unacceptable and require particular care as part of the Group's corporate activities.

Communication with Business Partners

To generate better results from business partnerships, the Group engages in close communication with business partners on a periodic and ongoing basis through channels

such as the Enex Meeting, established jointly with partners, and informal gatherings held in various locations. Additionally, the Group issues information magazines for partners that transact with the Home-Life Division and Car-Life Station-related businesses to promote understanding and sharing of information pertaining to the Group's business activities. Amid significant changes to the business environment, dialogue with business partners is increasingly important for the co-creation of various businesses, and the Group will further invigorate relationships by listening to the opinions and wishes of its partners.



e-STYLE for HOME LIFE information magazine for LP gas sales outlets

e-STYLE for LIFE ENERGY information magazine for stores of businesses related to CS

Responsible Advertising Activities

In all corporate communications, the Group practices responsible advertising activities in accordance with the Corporate Philosophy, Code of Conduct, and the Declaration of the Group Code of Conduct. In particular, the Group is fully committed to ensuring reliability and sincerity, creativity and ingenuity, transparency and integrity as stated in the Code of Conduct, "Be Ethical," and endeavors to improve understanding and acceptance of corporate activities through frank and clear dialogue, thereby enhancing corporate value.



Financial and Data Section

Financial Analysis

11-Year Summary of Key Financial Data

Environmental Data

Consolidated Financial Statements

Financial Analysis

Overview of Operating Results, Etc.

Results of Operations

During the fiscal year ended March 31, 2019, the tone of the Japanese economy was one of moderate recovery, driven by favorable corporate earnings and other factors. However, the economic outlook remained uncertain due to the risk of a slowdown in the global economy, stemming from such issues as the impact on the global economy of United States–China trade friction and uncertainties in overseas economies. The Itochu Enex Group announced its two-year medium-term business plan “Moving 2018: Connecting to the future” in April 2017 and has advanced its business accordingly. As a result, for the fiscal year ended March 31, 2019, revenue was ¥1,007,086 million (up 35.2% year on year), due mainly to the impact of price increases for domestic petroleum products in the Life & Industrial Energy Division. Profit from operating activities was ¥17,851 million (up 4.1%), due mainly to higher profit in petroleum product trading in the Life & Industrial Energy Division, offsetting a fall in profit in the electricity retail business of the Power & Utility Division. Net profit attributable to Itochu Enex's shareholders was ¥11,559 million (up 4.8%), setting a new record for the fourth consecutive year.

Results of Operations by Segment*

Home-Life Division

In the Home-Life Division during the fiscal year ended March 31, 2019, the number of customers under direct LP gas supply contracts increased by around 4,000 to approximately 551,000. Due to the impact of natural disasters and the warm winter, sales volumes fell year on year, despite which we were able to secure a certain level of profitability.

Regarding the home energy sales business, the division worked to expand the customer base by focusing mainly on sales of combined LP gas and electricity supply packages. As a result, the number of supply contracts increased by around 28,000 to approximately 81,000.

In peripheral fields other than LP gas, the solid flow of orders in the industrial gas sales business and the container inspection business led to robust revenue.

In overseas businesses, we are continuing to apply the know-how developed in Japan at our industrial gas sales business in Indonesia (PT. ITC Enex Indonesia) and at our LP gas sales business in the Philippines (Isla Petroleum & Gas Corporation) and going forward, we will continue to expand these businesses.

As a result of these activities, revenue was ¥94,350 million (down 3.5% year on year), profit from operating activities was ¥3,555 million (up 13.8%), and net profit attributable to Itochu Enex's shareholders was ¥3,068 million (down 19.2%).

Life & Industrial Energy Division

During the fiscal year ended March 31, 2019, the Life & Industrial Energy Division worked to maintain or expand its sales base in each business and geographical region,

despite an environment characterized by structural downturn in demand for oil, and by industry reorganizations, including consolidation of domestic oil companies. The division is developing its business with the goal of even closer involvement in local communities and local industries, and is striving to further enhance functionality and create value in each of its businesses.

In the Group's Car-Life Station business, which has a high level of engagement with people in local communities, we will use dealerships and Group companies' Car-Life Station outlets not only for our original energy supply services, but also to provide other services required by local communities, working with the operators to fulfill our goal of creating locations that provide lifestyle infrastructure to such communities. During the fiscal year ended March 31, 2019, the total number of Group Car-Life Stations was 1,766. This net decrease of 46 from the end of the previous fiscal year was largely due to withdrawals from unprofitable Car-Life Stations. In addition, the number of dealerships that have introduced the Carlife Stadium car rental system being deployed by the Group has now reached 399, a net increase of 29 over the end of the previous fiscal year.

In business related to local industries, we have taken a comprehensive approach to promoting AdBlue, the business user electricity supply business, and other diverse products and services, in addition to existing businesses.

In terms of initiatives in environment-related business, we are moving forward with activities targeting reduced environmental impact, such as the slop and oil recycling business in which waste oil recovered from ships is recycled and sold, and the fly ash business, which recycles and sells coal ash discharged from the Company's thermal power plants.

As a result of these activities, revenue was ¥707,661 million (up 51.2% year on year), profit from operating activities was ¥9,153 million (up 15.3%), and net profit attributable to Itochu Enex's shareholders was ¥6,185 million (up 17.0%).

Power & Utility Division

In the Power & Utility Division during the fiscal year ended March 31, 2019, the electricity sales field of the electric power business recorded growth in sales to both business users and households, resulting in year-on-year growth in electric power retail sales volume. However, the volatility of the spot market and intensified price competition led to a decline in profit over the previous fiscal year.

In this field, Enex Life Service Co., Ltd. will lead efforts to form alliances with companies that have strong customer bases in certain regions and with companies in other industries, and promote the investigation of new value proposals by developing electricity sales, with an additional value-added component, to households and small companies, while at the same time shifting away from electricity sales to large companies, which is an area in which price competition has been intensifying.

In the power generation field, total power generation

increased from the previous fiscal year due to the start of operations at a new power plant in October 2017, leading to an increase in profit year on year. Our goal is to ensure a stable supply of electricity and reduce environmental impact through a program of improvements we are carrying out one by one at aging power generation facilities to raise their efficiency.

In the financial services field, in February 2019, Enex Infrastructure Investment Corporation, to which the Company's subsidiary Enex Asset Management Co., Ltd. provides asset management services on consignment, listed on the Tokyo Stock Exchange Infrastructure Fund Exchange. Enex Infrastructure Investment Corporation invests in and manages properties such as renewable energy power generation facilities, concentrating on solar power generation facilities and related infrastructure, and aims to steadily expand its portfolio and generate stable cash flow.

In the heat supply business, in the absence of high temperatures experienced during the fiscal year ended March 31, 2018, demand for heat increased. The division will continue its efforts to develop as a comprehensive energy services business, so as to be able to respond to the increasingly diverse needs of customers in this field.

As a result of these activities, revenue was ¥93,459 million (up 25.4% year on year), profit from operating activities was ¥2,728 million (down 41.0%), and net profit attributable to Itochu Enex's shareholders was ¥1,970 million (down 10.9%).

Mobility Life Department

The Mobility Life Department enjoyed strong sales during the fiscal year ended March 31, 2019 due to sales of popular cars such as the Note, Serena and Leaf at Osaka Car Life Group Co., Ltd., a subsidiary, in the car dealership business. The Nissan Osaka Sales e-Denki initiative, implemented as part of our efforts to strengthen the customer base, has also been successful.

As a result of these activities, revenue was ¥111,616 million (up 7.0% year on year), profit from operating activities was ¥2,351 million (up 15.6%), and net profit attributable to Itochu Enex's shareholders was ¥319 million (up 63.5%).

* From the fiscal year ended March 31, 2019, the classification of reportable segments has been changed to the Home-Life Division, Life & Industrial Energy Division, Power & Utility Division and Mobility Life Department. Furthermore, from the fiscal year ending March 31, 2020, the Mobility Life Department will be integrated as part of the Life & Industrial Energy Division.

Forecast of Consolidated Financial Results for the Fiscal Year Ending March 31, 2020

In the forecast for consolidated financial results for the fiscal year ending March 31, 2020, we project ¥1 trillion in revenue (down 0.7% year on year), ¥16,500 million in profit from operating activities (down 7.6%), ¥19,200 million in profit before tax (down 1.1%), and ¥11,800 million in net profit attributable to Itochu Enex's shareholders (up 2.1%). Basic earnings per share attributable to Itochu Enex's shareholders are projected at ¥104.54.

Overview of Financial Position

Assets, Liabilities and Equity

As of March 31, 2019, total assets amounted to ¥374,373 million, a decrease of ¥8,248 million from March 31, 2018. This decrease mainly reflected a decrease in trade receivables of ¥13,376 million. Total liabilities amounted to ¥229,807 million, a decrease of ¥15,748 million, mainly due to decreases in borrowings of ¥8,595 million and trade payables of ¥5,768 million. Total equity was ¥144,566 million, an increase of ¥7,500 million, due to factors including an increase of ¥11,559 million from net profit attributable to Itochu Enex's shareholders and a decrease of ¥5,430 million due to payment of cash dividends. We consequently ended the fiscal year with a ratio of shareholders' equity to total assets of 32.7%.

Cash Flows

As of March 31, 2019, cash and cash equivalents (net cash) totaled ¥18,725 million, down ¥3,848 million from March 31, 2018.

(Cash flows from operating activities)

Operating activities provided net cash of ¥25,403 million. Major items included profit before tax of ¥19,414 million, depreciation and amortization of ¥10,086 million, a decrease in trade payables of ¥5,788 million and income taxes paid of ¥8,510 million. Net cash provided increased ¥1,164 million year on year.

(Cash flows from investing activities)

Investing activities used net cash of ¥13,410 million. Major items included payments for purchase of property, plant and equipment and investment property, etc. of ¥12,883 million, mainly in the Power & Utility Division. Net cash used decreased ¥5,048 million year on year.

(Cash flows from financing activities)

Financing activities used net cash of ¥15,857 million. Major items included a decrease in interest-bearing debt of ¥10,274 million and payment of cash dividends of ¥5,430 million. Net cash used increased ¥10,007 million year on year.

11-Year Summary of Key Financial Data

	Japanese GAAP 2009/3	Japanese GAAP 2010/3	Japanese GAAP 2011/3	Japanese GAAP 2012/3	Japanese GAAP 2013/3	IFRS 2014/3	IFRS 2015/3	IFRS 2016/3	IFRS 2017/3	IFRS 2018/3	IFRS 2019/3
(Millions of yen)											
Total trading transactions	1,164,708	1,083,760	1,185,731	1,414,161	1,430,745	1,506,606	1,373,393	1,071,629	1,028,939	1,156,344	1,244,260
Revenue						966,044	936,841	723,645	695,060	744,767	1,007,086
Gross profit	74,459	64,557	64,900	64,604	70,054	71,599	85,720	89,562	93,604	88,822	84,210
Selling, general and administrative expenses	64,578	58,461	55,873	55,631	56,328	57,862	71,184	73,226	74,697	70,931	67,318
Profit from operating activities	9,881	6,095	9,027	8,973	13,726	11,875	13,100	16,384	19,678	17,153	17,851
Net profit attributable to Itochu Enex's shareholders	5,418	4,360	3,883	3,893	5,576	7,124	5,503	7,469	10,405	11,025	11,559
Total assets	247,587	263,096	277,585	305,053	323,747	321,032	329,059	304,053	344,603	382,621	374,373
Shareholders' equity	98,057	99,011	101,088	102,050	105,970	94,144	97,432	100,526	108,511	116,104	122,290
Per share data (Yen)											
Net profit attributable to Itochu Enex's shareholders	52.44	37.46	34.12	34.22	49.36	63.05	48.71	66.10	92.09	97.63	102.40
Shareholders' equity	759.66	791.24	805.95	826.68	868.69	833.20	862.30	889.70	960.37	1,028.57	1,083.37
Annual dividends	16	16	20	16	16	20	22	24	32	40	42
Major financial indicators (%)											
ROE	6.4	4.9	4.3	4.2	5.8	7.8	5.7	7.5	10.0	9.8	9.7
ROA	2.2	1.7	1.4	1.3	1.8	2.2	1.7	2.4	3.2	3.0	3.1
Dividend payout ratio	30.5	42.7	58.6	46.8	32.4	31.7	45.2	36.3	34.8	41.0	41.0

- The figures of revenue are without consumption taxes.
- The figures on this page are based on IFRS (International Financial Reporting Standards) from the fiscal year ended March 2014.
- In accordance with the application of IFRIC 21 from the fiscal year ended March 2015, we have retroactively revised figures for the fiscal year ended March 2014.
- The figures on this page are rounded to the nearest ¥1 million.

Ratings

Rating agency: Japan Credit Rating Agency, Ltd. (JCR) (As of August 29, 2019)

Object	Rating	Outlook
Long-term issuer rating	A+	Stable

Object	Maximum amount	Rating
Commercial paper	¥10 billion	J-1

Object	Issue price	Issue date	Maturity date	Interest rate	Rating
Series 14 unsecured bonds (with inter-bond pari passu clause)	¥10 billion	May 22, 2012	May 22, 2022	1.202%	A+

Annual Sales Volume of Major Products

	FY2016	FY2017	FY2018
Gasoline (Thousands of kiloliters)	3,587	3,328	3,201
Kerosene (Thousands of kiloliters)	1,448	1,590	1,565
Diesel oil (Thousands of kiloliters)	3,271	3,401	3,499
LP gas (Thousands of tons)	597	618	573
Electricity (GWh)	3,190	4,674	4,781

Environmental Data

FY2018 Environmental Improvement Plan Performance and Assessment

PU: Power & Utility Division LI: Life & Industrial Energy Division
HL: Home-Life Division CA: Corporate Administration Division

Area	Division	Environmental target	FY targets	Period performance	Rate of progress	Status of progress		
Helping to Realize a Low-Carbon Society	PU	Promoting development of renewable energy	Deliberations are ongoing toward development of biomass power generation, etc. Measures are under way toward development of other new renewable energy power generation businesses.					
	PU	Promoting generation of renewable energy	80,511	MWh	74,755	93%	Wind conditions at Tainai Wind Farm met plan targets, partly because of a typhoon, but were below the previous year.	
	LI	Growing sales of AdBlue	56,120	kL	58,500	104%	Adoption of selective catalytic reduction (SCR) trucks in Japan: 60%	
	LI	Promoting initiatives for slop	5,230	kL	1,224	23%	Despite falling short of target volume and previous-year level, the business turned a profit for the first time.	
	LI	Sales of recycled beads	11,824	t	10,704	91%	Sold to existing customers	
	HL	Sales of EcoJozu	9,517	Units	9,781	103%	Achieved	
	HL	Sales of hybrid water heaters	336	Units	233	69%	Focused on profit over sales volume	
	PU	Regional development businesses	We are currently expanding business by developing our distributor network. We are also approaching various local governments with the goal of expanding business (and employment), and are seeking new opportunities with local private companies, such as Chikushi Gas Co., Ltd., for expansion into the electric power business.					
	Administration (General Affairs)	Planning and implementation of social contribution activities	(1) Walk the World 2018 conducted in Yokohama and Osaka (2) Participated in the Yumeken Cup (3) Donations for 2018 Japan flood disaster relief (¥5 million) (4) Held Family Day at workplaces (5) "Power of Words" events (Sapporo and Tokyo) (6) Ultimate Frisbee classes (7) Donated to Tokyo Colony Social Welfare Corp. (8) Launched project to protect the Japanese squirrel					
	Reducing the Environmental Impact of Our Business Activities	CA	Eco-office activities	Reductions in general power use	2,199	Thousand kWh	2,343	107%
Reductions in site fuel use				105	Thousand m ³ -kL	120	114%	14% over target, 13% higher than FY2017.
Reductions in vehicle fuel use				2,994	kL	2,919	97%	3% lower than target, 3% improvement over FY2017.
Reductions in copier paper use				20,424	Thousand sheets	19,566	96%	4% lower than target, 5% improvement over FY2017.
		Improving energy conservation awareness through eco-driving training for subcontractor trucking companies and group companies	Conducted a class for 28 people from 13 companies at the Kansai Office on October 18. Decided on the Kyushu region as the training location for next year, and began discussions on training content as a Known Shipper.					
Preserving Local Environments	LI	Updating of relevant provisions	<ul style="list-style-type: none"> In April 2019, officially began shifting customer service safety inspection work to a digital platform (using iPads) at Enex Fleet Co., Ltd. Aiming to complete trial in first quarter of FY2019 in preparation for introduction at other Group companies. Review relevant provisions under the new organization (Security System Promotion Office) as of 2019. 					
	LI	Strengthening internal safety management systems	<ol style="list-style-type: none"> Compliance and safety awareness of site supervisors is increasing every year, and environmental activities are becoming well-established. Collection and dissemination of information on revisions to relevant laws concerning our business; measures on lighting equipment containing PCB (transitioning to LED lighting); sharing of information with primary divisions and business sites, including information on workplace safety and health regulations and ongoing monthly environmental and safety reports Support for recovery from natural disasters at site facilities Testing and verification of salt-, heat- and chemical-resistant paint as part of measures to protect site facilities and equipment 					
	HL	Preventing accidents through a consistent and advanced security management system based on internal safety standards	Implemented according to the annual plan. In the six-level (S, A-E) assessment used for inspection evaluations, 83.8% (up 11.6 pts. from previous year) of all sites received an assessment score of "A" in the major LP Gas Act categories. In FY2019, we will work to further upgrade and achieve a strong safety record at sites that received scores of "B" or lower.					
	HL	Shift to paperless safety inspection list using iPads	Working with manufacturers toward introduction in July 2019					

FY2018 ISO 14001 Activities

Covered sites

Unit	FY	General power	Motive power	Power total	City gas	LP gas	Auto gas	Gas total	Kerosene	Heavy oil	Fuels total	Gasoline	Diesel	Vehicle fuels total	CO ₂ total	Copier paper	Water	Industrial wastes	Specialty managed industrial wastes	Wastes total	PRTR
		Thousand kWh			Thousand m ³			kL			kL			t-CO ₂	Thousand sheets (A4 equivalent)	Thousand m ³	t		t		
Number of sites covered	2018	120	75	-	3	96	68	-	12	7	-	136	61	-	-	137	102	106	-	38	
	2017	101	65	-	1	83	63	-	7	8	-	121	48	-	-	116	85	89	-	43	
	2016	104	67	-	1	85	69	-	8	8	-	124	48	-	-	124	88	93	-	39	
	2015	124	90	-	4	96	68	-	23	8	-	129	45	-	-	122	114	106	-	43	
Performance	2018	2,344	5,219	7,563	1	105	851	956	15	1,465	1,480	1,393	676	2,069	14,770	19,566	31	51,497	9	51,506	9
	2017	2,175	5,313	7,488	0	86	1,211	1,297	9	1,392	1,402	1,229	553	1,781	14,300	20,374	29	48,828	11	48,839	9
	2016	2,143	7,169	9,312	0	89	1,077	1,166	8	1,461	1,469	1,305	516	1,822	15,527	20,455	41	43,846	10	43,857	9
	2015	2,202	6,464	8,665	0	86	1,142	1,228	7	1,473	1,480	1,216	485	1,701	15,292	21,077	33	52,559	18	52,577	9

Reference: All sites

Unit	FY	General power	Motive power	Power total	City gas	LP gas	Auto gas	Gas total	Kerosene	Heavy oil	Fuels total	Gasoline	Diesel	Vehicle fuels total	CO ₂ total	Copier paper	Water	Industrial wastes	Specialty managed industrial wastes	Wastes total	PRTR
		Thousand kWh			Thousand m ³			kL			kL			t-CO ₂	Thousand sheets (A4 equivalent)	Thousand m ³	t		t		
Performance	2018	-	-	155,683	8,852	160	887	9,899	195	2,046	2,241	1,460	840	2,300	897,871	19,924	427	52,920	9	52,929	44
	2017	-	-	244,144	18,342	208	1,218	19,769	353	1,721	2,074	2,306	753	3,058	710,825	25,661	389	50,795	11	50,806	44
	2016	-	-	365,722	18,418	221	1,085	19,724	279	1,993	2,272	2,365	709	3,074	956,000	26,922	108	49,334	21	49,355	56
	2015	-	-	215,122	44,430	158	1,142	45,730	299	7,104	7,403	2,120	681	2,801	954,000	24,085	107	57,748	23	57,772	67

Notes: Conversion values (emissions coefficients for individual power companies in the case of power) for each fiscal year based on the Act on the Rational Use of Energy are used as CO₂ conversion factors. Total figures for business sites that collect environmental data, including Group members companies, are presented for reference above.

Reports on compliance with the Act on the Rational Use of Energy (CO₂ emissions reductions)

Known Shipper

FY	2014	2015	2016	2017	2018
Shipments in ton-kilometers (thousand t-km)	794,162	415,717	542,801	436,155	343,311
CO ₂ emissions (t-CO ₂)	36,598	21,457	26,949	23,466	18,844
Intensity (vs. shipment volume)	0.0170	0.0191	0.0184	0.0200	0.0204

Specified Business Operator

Known Shipper

FY	2014	2015	2016	2017	2018
Energy use (kL)	2,629	2,704	2,536	2,415	2,523
CO ₂ emissions (t-CO ₂)	6,475	6,658	6,051	5,802	6,143
Intensity (sales volume)	0.1968	-	-	-	-

Note: Intensity not indicated for FY2015 and later due to change in reporting method.

Tokyo Toshi Service's heat supply business site was evaluated highly as a business site that contributes to global warming countermeasures

◎ Certified as a Near-Top-Level Facility under the Tokyo Metropolitan Government's Cap-and-Trade Program¹

FY2015: Kanda-Surugadai District Heat Supply Center, Hakozaki District Heat Supply Center, Harumi Island District Heat Supply Center
FY2017: Fuchu Nikkocho District Heat Supply Center

◎ Certified as low-carbon² district heat supply business under the Tokyo Metropolitan Government's Cap-and-Trade Program

Of 37 districts within Tokyo that received certification during FY2019, 11 districts were operated by the Company
Ginza 2-chome/3-chome, Shinkawa, Kanda-Surugadai, Shibaura 4-chome, Ginza 5-chome/6-chome, Hakozaki, Fuchu Nikkocho, Kyobashi 2-chome, Hachioji Asahicho, Osaki 1-chome, Harumi 1-chome

◎ Registered as a business making the CO₂CO₂ (kotsukotsu) smart declaration (premium course)³ in Chiba Prefecture

2018: Makuhari New City High-Tech Business District Heat Supply Center

◎ Certified as 3-star Tochigi Prefecture Eco-Keeper Operator⁴

2017: Make use of unused energy from substation waste heat at the Utsunomiya City Chuo District Heat Supply Center was rated highly

◎ Certified as a Gunma Prefecture GS (Gunma Standard) business⁵

2017: Use of underutilized energy from groundwater at Takasaki City Center and Castle Site District Heat Supply Center was rated highly

- To promote countermeasures against global warming, the Tokyo Metropolitan Government has implemented a Cap-and-Trade Program for large-scale business offices. It calls for a reduction in total greenhouse gas emissions and a transaction program for emissions quota trading.
- Low-carbon heat certified under this system is for districts with a CO₂ exhaust coefficient (CO₂ exhaust volume per unit of electric power or heat provision) of 0.058 t-CO₂/GJ or less, and if customers procure heat in these districts, this is deemed as equivalent to a reduction in CO₂.
- As a global warming countermeasure, Chiba Prefecture registers business offices actively engaged in global warming countermeasures including energy conservation and introduction of renewable energy as "CO₂CO₂ smart declaration business offices" and widely promotes these initiatives.
- To promote autonomous global warming countermeasures by business offices, Tochigi Prefecture certifies business offices that implement superior measures regarding global warming measures during the course of business activities as "Eco-Keeper Operators."
- Gunma Prefecture has established a framework (environmental management system) for business operators to plan, implement, inspect and revise initiatives in order to achieve ongoing reductions in greenhouse gas emissions. The prefectural government supports business operators that systematically implement this system, certifying and publicly recognizing their initiatives.

Consolidated Financial Statements

1. Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As of March 31, 2018	As of March 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents	8	22,573	18,725
Trade receivables	9, 28, 41	119,541	106,165
Other current financial assets	10	38,860	36,034
Inventories	11	28,380	33,053
Income taxes receivable		–	2,533
Trade advances paid		1,690	111
Other current assets		1,725	3,154
Total current assets		212,769	199,775
Non-current assets			
Investments accounted for by the equity method	12, 41	26,145	29,441
Other investments	10, 41	3,406	4,186
Non-current financial assets other than investments	10, 41	11,400	11,292
Property, plant and equipment	13, 16, 39, 41	85,326	87,599
Investment property	14	10,166	9,819
Goodwill	15	692	521
Intangible assets	15, 16	20,798	20,091
Deferred tax assets	17	10,502	9,913
Other non-current assets		1,417	1,736
Total non-current assets		169,852	174,598
Total assets	5	382,621	374,373

(Millions of yen)

	Notes	As of March 31, 2018	As of March 31, 2019
LIABILITIES AND EQUITY			
Current liabilities			
Short-term bonds and borrowings	18, 41	12,432	11,217
Trade payables	19, 41	127,445	121,677
Other current financial liabilities	20	8,539	7,905
Income taxes payable		3,650	3,193
Advances from customers	28	10,583	9,651
Other current liabilities	21, 22	12,280	11,820
Total current liabilities		174,929	165,463
Non-current liabilities			
Non-current bonds and borrowings	18, 41	30,273	22,893
Other non-current financial liabilities	20	23,335	23,531
Non-current liabilities for employee benefits	23	9,820	9,936
Deferred tax liabilities	17	2,185	2,287
Provisions	22	4,757	5,462
Other non-current liabilities		256	235
Total non-current liabilities		70,626	64,344
Total liabilities		245,555	229,807
Equity			
Common stock	24	19,878	19,878
Capital surplus	24	18,892	18,922
Retained earnings	24	80,352	86,769
Other components of equity	25	(1,145)	(1,406)
Treasury stock	24	(1,873)	(1,873)
Total shareholders' equity		116,104	122,290
Non-controlling interests	38	20,962	22,276
Total equity		137,066	144,566
Total liabilities and equity		382,621	374,373

* See accompanying notes to consolidated financial statements.

2. Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Revenue	28	744,767	1,007,086
Cost of sales		(655,945)	(922,876)
Gross profit		88,822	84,210
Other income and expense			
Selling, general and administrative expenses	29	(70,931)	(67,318)
Loss from tangible assets, intangible assets and goodwill	30, 31	(1,544)	(241)
Other – net	32	806	1,200
Total other income and expense		(71,669)	(66,359)
Profit from operating activities		17,153	17,851
Financial income and costs	33		
Interest income		92	83
Dividends received		296	66
Interest expense		(950)	(906)
Other financial income and costs – net		(241)	755
Total financial income and costs		(803)	(2)
Share of profit of investments accounted for by the equity method	12	493	1,565
Gains on business reorganization and others	7	2,326	–
Profit before tax		19,169	19,414
Income tax expense	17	(5,945)	(5,749)
Net profit		13,224	13,665
Net profit attributable to:			
Net profit attributable to Itochu Enex's shareholders		11,025	11,559
Net profit attributable to non-controlling interests		2,199	2,106
Total		13,224	13,665

(Millions of yen)

	Notes	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Other comprehensive income, net of tax effect			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets		892	(108)
Remeasurement of net defined benefit liability		105	(175)
Other comprehensive income of investments accounted for by the equity method	12	(9)	(54)
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(38)	(10)
Cash flow hedges		74	25
Other comprehensive income of investments accounted for by the equity method	12	(519)	(193)
Total other comprehensive income, net of tax effect	25	505	(515)
Comprehensive income		13,729	13,150
Comprehensive income attributable to:			
Comprehensive income attributable to Itochu Enex's shareholders		11,460	11,127
Comprehensive income attributable to non-controlling interests		2,269	2,023
Total		13,729	13,150

(Yen)

Earnings per share attributable to Itochu Enex's shareholders			
Basic	34	97.63	102.40
Diluted	34	–	–

(Millions of yen)

Total trading transactions		1,156,344	1,244,260

(Note) Total trading transactions are presented in accordance with Japanese accounting practices. This item is not audited and voluntarily disclosed by Itochu Enex Co., Ltd. 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, 2018	Fiscal year ended March 31, 2019
Equity			
Common stock	24		
Balance at the beginning of the year		19,878	19,878
Balance at the end of the year		19,878	19,878
Capital surplus	24		
Balance at the beginning of the year		18,740	18,892
Acquisition of subsidiary shares from non-controlling interests and others		152	23
Share-based payments		–	7
Balance at the end of the year		18,892	18,922
Retained earnings	24		
Balance at the beginning of the year		73,300	80,352
Net profit attributable to Itochu Enex's shareholders		11,025	11,559
Transfer from other components of equity		(75)	(171)
Cash dividends paid to Itochu Enex's shareholders	26	(3,898)	(4,971)
Balance at the end of the year		80,352	86,769
Other components of equity	25		
Balance at the beginning of the year		(1,655)	(1,145)
Other comprehensive income attributable to Itochu Enex's shareholders		435	(432)
Transfer to retained earnings		75	171
Balance at the end of the year		(1,145)	(1,406)
Treasury stock	24		
Balance at the beginning of the year		(1,752)	(1,873)
Purchase and disposal of treasury stock		(121)	(0)
Balance at the end of the year		(1,873)	(1,873)
Total shareholders' equity		116,104	122,290
Non-controlling interests	38		
Balance at the beginning of the year		18,966	20,962
Net profit attributable to non-controlling interests		2,199	2,106
Other comprehensive income attributable to non-controlling interests		69	(83)
Cash dividends paid to non-controlling interests		(615)	(459)
Changes due to additional acquisitions and sales of interests in subsidiaries		343	(250)
Balance at the end of the year		20,962	22,276
Total equity		137,066	144,566

* See accompanying notes to consolidated financial statements.

4. Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities			
Profit before tax		19,169	19,414
Depreciation and amortization		10,824	10,086
Loss from tangible assets, intangible assets and goodwill		1,544	241
Financial income and costs		803	2
Share of profit of investments accounted for by the equity method		(493)	(1,565)
Gains on business reorganization and others		(2,326)	–
Decrease (increase) in trade receivables		(25,998)	13,602
Increase in inventories		(1,964)	(4,667)
Increase (decrease) in trade payables		26,522	(5,788)
Other – net		3,461	2,935
Dividends received		645	406
Interest received		92	85
Interest expense		(873)	(838)
Income taxes paid		(7,167)	(8,510)
Net cash flows provided by operating activities		24,239	25,403
Cash flows from investing activities			
Purchase of investments accounted for by the equity method		(5,972)	(2,379)
Purchase of investments		(256)	(284)
Proceeds from sales of investments		5,411	103
Acquisition of subsidiaries, net of cash acquired	35	(3,751)	–
Proceeds from acquisition of subsidiaries	35	–	22
Loss of control of subsidiaries	35	(598)	–
Payment for loans receivable		(444)	(907)
Collection of loans receivable		5,675	752
Payments for purchase of property, plant and equipment and investment property		(11,887)	(12,883)
Proceeds from sales of property, plant and equipment and investment property		2,536	1,978
Purchase of intangible assets		(2,545)	(832)
Proceeds from sales of intangible assets		136	193
Increase in deposits paid – net		(7,000)	–
Other – net		237	827
Net cash flows used in investing activities		(18,458)	(13,410)
Cash flows from financing activities			
Repayments of bonds and borrowings		(8,615)	(3,963)
Net increase (decrease) in short-term borrowings		7,323	(6,311)
Proceeds from share issuance from non-controlling interests		76	75
Payments for acquisition of interests in subsidiaries from non-controlling interests		–	(228)
Cash dividends paid to Itochu Enex's shareholders	26	(3,898)	(4,971)
Cash dividends paid to non-controlling interests	38	(615)	(459)
Purchase of treasury stock		(121)	(0)
Net cash flows used in financing activities		(5,850)	(15,857)
Net decrease in cash and cash equivalents		(69)	(3,864)
Cash and cash equivalents at the beginning of the year	8	22,727	22,573
Effect of exchange rate changes on cash and cash equivalents		(85)	16
Cash and cash equivalents at the end of the year	8	22,573	18,725

* 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: <https://www.itcenex.com/english/>). The Company's consolidated financial statements, the closing date of which is March 31, 2019, comprise the accounts of the Company and its subsidiaries (the "Group") and the Group's equity interests in associates and joint ventures. The Group's principal activities are sales of petroleum products and liquefied petroleum gas ("LPG") and the provision of related services in Japan and overseas as well as supply of electricity and heat in Japan.

2. Basis of Consolidated Financial Statements

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

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

These consolidated financial statements were approved at the Board of Directors' meeting of the Company held on June 19, 2019.

(2) Basis of Measurement

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

(3) Functional Currency and Presentation Currency

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

(4) Changes in Accounting Policies

From the fiscal year ended March 31, 2019, the following standards have been applied in accordance with transitional provisions.

Standard	Title	Summary of new or revised standards
IFRS 9 (revised in July 2014)	Financial Instruments	Limited amendments to the classification and measurement method for financial assets, and introduction of the expected credit loss impairment model
IFRS 15	Revenue from Contracts with Customers	Establishment of accounting and disclosure on revenue from contracts with customers

(IFRS 9 "Financial Instruments" (revised in July 2014))

The Group has adopted IFRS 9, "Financial Instruments" (revised in July 2014) effective from the fiscal year ended March 31, 2019. The effect of adoption of this standard on the Group's consolidated financial statements was insignificant.

(IFRS 15 "Revenue from Contracts with Customers")

The Group has adopted IFRS 15, "Revenue from Contracts with Customers" (issued in May 2014) and "Clarifications to IFRS 15" (issued in April 2016) (hereinafter, "IFRS 15" collectively), from the fiscal year ended March 31, 2019. In the adoption of IFRS 15, the Group has applied the method in which the cumulative effect of adopting this standard is recognized at the commencement date of adoption, which is allowed as the transitional provision.

As a result of the adoption of IFRS 15, revenue of certain transactions, which had previously been presented on a net basis, is presented on a gross basis. Consequently, revenue and cost of sales each increased by ¥166,508 million in the consolidated statement of comprehensive income for the fiscal year ended March 31, 2019, compared with these items where the previous accounting standard had been applied.

Other than the above, the adoption of this standard had no significant effect on the Group.

(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 on or before the fiscal year ended March 31, 2019, and the Group has not early adopted them.

Standard	Title	Mandatory adoption (From fiscal years beginning on or after)	Fiscal year in which the Group will adopt standards	Summary of new or revised standards
IFRS 16	Leases	January 1, 2019	Fiscal year ending March 31, 2020	Principles for recognition, measurement, presentation, and disclosure of lease agreements for the lessee and the lessor of leases

With the adoption of IFRS 16, "Leases" operating leases for which the lease expenses were formerly recorded in cost of sales, selling, general and administrative expenses, etc. over the lease term without recognizing assets and liabilities in the consolidated statement of financial position, are now recognized as right-of-use assets and lease liabilities, with the depreciation expense recorded in cost of sales, selling, general and administrative expenses, etc., and interest expense recorded as a finance cost. The main effect of the adoption of IFRS 16 on the Group's consolidated financial statements is that right-of-use assets and lease liabilities in the consolidated statement of financial position at the beginning of the fiscal year ending March 31, 2020 will each increase by approximately ¥40.0 billion. In addition, in the consolidated statement of cash flows, the Group estimates that cash flows from operating activities will increase by approximately ¥9.0 billion, and that cash flows from financing activities will decrease by the same amount. The effect of the adoption of IFRS 16 on the consolidated statement of comprehensive income will be insignificant.

3. Significant Accounting Policies

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

(1) Basis of Consolidation

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

A. Subsidiaries

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

subsidiary is the date on which the Group obtained control of 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 of the subsidiary by the Group are accounted for as equity transactions.

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

B. Associates and Joint Ventures

An associate is an entity of which the Group has significant influence over the 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 currently exercisable voting rights, and proportion of employees seconded from the Group to all the directors of the investee are taken into account comprehensively.

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

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

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

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

C. Transactions Eliminated in Consolidation

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

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

(2) Business Combinations

Business combinations are accounted for by the acquisition method. Identifiable assets acquired, liabilities

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

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

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

(3) Foreign Currency Translation

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

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

(4) Financial Instruments

A. Financial Assets Other Than Derivatives

(i) Initial Recognition and Measurement

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

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

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

For financial assets measured at fair value, investments in equity instruments, such as ordinary shares in

other entities, except for equity instruments held for the purpose of obtaining gains from short-term sales, 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

The Group recognizes a loss allowance for expected credit losses related to financial assets measured at amortized cost, lease receivables, financial guarantee contracts, and other financial assets.

The Group uses a simplified approach of IFRS 9, as the Group recognizes a loss allowance based on the lifetime expected credit losses for trade receivables that result from transactions within the scope of IFRS 15 and lease receivables.

For all other financial instruments, if payment is more than 30 days past due at the end of the period or if an event that causes credit concerns has occurred, unless there is reasonable proof to the contrary, the instrument is judged to have a significant increase in credit risk since initial recognition, and the lifetime expected credit losses is recognized. On the other hand, if the credit risk of the financial instrument has not significantly increased since initial recognition, a loss allowance for the financial instrument is measured in the amount of the 12-month expected credit losses.

For expected credit losses, the Group aggregates receivables into groups based on credit risk characteristics,

and then calculates the expected credit losses based on the coverage ratio, which is determined by reflecting current conditions and projections of future economic conditions in the historical rate of credit losses calculated for each group of receivables. If any of the following events occurs, the receivable is deemed to be in default, and the expected credit losses are measured for individual receivables as credit-impaired financial assets. If it is reasonably determined that all or part of a financial asset cannot be recovered, the carrying amount of the asset is directly written off.

- If payment on the receivable is more than 90 days past due
- If payment stops for reasons such as the counterparty's bills or checks being dishonored
- If the counterparty has filed for commencement of bankruptcy proceedings, civil rehabilitation proceedings, corporate reorganization proceedings, special liquidation proceedings, or other such proceedings

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 the financial liabilities deducted from the acquisition value.

(ii) Subsequent Measurement

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

(iii) Derecognition

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

E. Presentation of Financial Assets and Financial Liabilities

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

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

F. Derivatives and Hedge Activities

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

- Derivatives that are hedging instruments to changes in fair value of recognized assets or liabilities, or of an unrecognized firm commitment, and are deemed highly effective as a hedge, and for which, at the inception of the hedge, written designation of the hedge relationship and the risk management objective and strategy for undertaking the hedge are established are designated as fair value hedges. Changes in fair value of such derivatives are recognized in profit or loss, together with changes in the fair value of hedged items.

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

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

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

(5) Inventories

Inventories held for purposes other than trading are measured at the lower of cost or net realizable value, and the costs are determined mainly using the specific identification 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 purposes are measured at fair value, less costs to sell, with changes in the fair value recognized in profit or loss for the period in which the change occurred.

(6) Property, Plant and Equipment

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

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

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

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

- Buildings and structures: 2 to 50 years
- Machinery and vehicles: 2 to 22 years
- Vessels: 5 to 14 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 the 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 an 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:

- Relationships with customers: 5 to 42 years
- Brand and relationships with suppliers: 40 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. Whether the contract is a lease or whether the contract includes a lease is determined 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 the 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, leased properties are 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 life, which is between 2 and 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 considered its own 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 the time value of money, risks inherent in the asset, and

other factors. To determine the 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.

Whether there is any indication that an impairment loss recognized in prior years may have decreased or may no longer exist is assessed. 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 the 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 the sale of the asset is highly probable and the asset is available for immediate sale in its present condition. Because the 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 arising due to an amendment to the plan are recognized in profit or loss in the period in which the amendment was made.

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

B. Defined Contribution Retirement Plans

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

C. Multi-Employer Plans

Some subsidiaries have participated in multi-employer plans. Multi-employer plans are classified into defined benefit retirement plans and defined contribution retirement plans in accordance with terms of each plan and the accounting treatment for each plan type is applied. However, for multi-employer plans classified as defined

benefit retirement plans, when information sufficient to account for the plans as defined benefit retirement plans is not available, the accounting treatment for defined contribution retirement plans is applied to them.

D. Short-Term Employee Benefits

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

(13) Provisions

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

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

(14) Equity

A. Common Stock and Capital Surplus

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

B. Treasury Stock

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

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

(15) Revenue

The Group has recognized revenue based on the following five-step approach.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group is engaged in the sale of LPG, gasoline, kerosene, diesel oil, fuel oil, asphalt, electricity, automobiles,

and other goods. For the sale of these products, the Group considers that a performance obligation is satisfied when the customer is deemed to obtain control of the product in light of contractual terms and conditions. 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. In addition, revenue is recognized at the amount of consideration promised in the contract with the customer less discounts, rebates, returned goods, etc. As the amount of consideration for performance obligations is mainly received within one year of satisfaction of performance obligations, it is not adjusted for the effects of significant financing components. When identifying the performance obligations, and determining whether the Group is involved in transactions as a party to the transaction, or whether the Group is involved as an agent, the Group considers factors such as whether or not the Group has the primary responsibility for providing the product or service to the customer, whether or not the Group bears the inventory risk, and whether or not the Group has discretion in establishing selling price. For a transaction in which the Group is involved as a party to the transaction, the Group presents revenue at the gross amount of consideration received from the customer. For a transaction in which the Group is involved as an agent, the Group presents revenue at a net amount calculated by deducting the cost of sales from the gross amount of consideration received from the customer.

(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 the cost of the assets.

(17) Financial Income and Costs

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

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

(18) Income Taxes

Income taxes, which comprise current taxes and deferred taxes, are recognized in profit or loss, except for taxes arising from items that are recorded directly in equity or accumulated other comprehensive income and taxes arising from the 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 basis of an asset or liability and its carrying amount at the fiscal year end. Deferred tax assets are recognized for deductible temporary differences, carryforward of unused tax credits, and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are, in principle, recognized for taxable temporary differences.

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

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

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

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

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

(19) Earnings per Share

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

4. Use of Estimates and Judgments

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

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

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

Assumptions used in accounting estimates may differ from actual figures because these assumptions are set based on past experience and appropriately collected, available information. Estimates and assumptions are reviewed by 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 tests of non-financial assets are performed based on many assumptions and estimates, such as assumptions for measurement of fair value, less costs to sell, in the 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 31, "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 amounts differ from the estimates.

The content and amount related to income taxes are discussed in Note 17, "Deferred Taxes and Income Taxes".

- Measurement of Defined Benefit Obligations in Defined Benefit Retirement Plans

Defined benefit obligations are computed based on actuarial calculations, and assumptions used in those actuarial calculations include estimates of discount rates, employee turnover, mortality rates, salary increase rates, etc. These assumptions are determined with all available information, such as market trends of interest rate fluctuations judged comprehensively. These assumptions 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 amounts are discussed in Note 23, "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 expenditures 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 expenditures required to settle the obligations is calculated comprehensively taking into account future possible outcomes, this amount may be affected by unpredictable events or changes in situation. 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 22, "Provisions".

5. Segment Information

(1) Outline of Reportable Segments

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

The Group is organized into business divisions, consolidating related businesses. Each business division plans strategies for each category of target customers and markets and develops business activities. The Group has four reportable segments that correspond to the business divisions, namely the "Home-Life Division," "Life & Industrial Energy Division," "Power & Utility Division," and "Mobility Life Department."

The Home-Life Division is engaged in the sale of LPG, kerosene, town gas (Nakatsu City, Oita Prefecture and Kanto region), industrial gas, electricity, household equipment, smart energy equipment, and residential lithium-ion electricity storage systems, as well as in a pressure resistance inspection business for gas containers and the sale of welding materials.

The Life & Industrial Energy Division is engaged in the provision of gasoline, kerosene, diesel oil, fuel oil, LNG,

electricity, automobile-related product services, car rental, high-grade urea solution "AdBlue," credit card business, asphalt, and logistics functions for oil storage facilities, etc., as well as in the import/export and domestic supply/demand adjustment trading of petroleum products, and the sale of slop and recycled oil.

The Power & Utility Division is engaged in the sale of electricity (coal-fired, natural gas-fired, wind, hydropower, and photovoltaic power) and steam, as well as in providing district heating services, comprehensive energy services, electricity/heat supply services, electric power supply/demand management services, and asset management business.

The Mobility Life Department is engaged in the car dealer business, the next-generation biodiesel manufacturing project in the United States, and the Euglena domestic bio jet fuel demonstration project.

In the fiscal year ended March 31, 2019, the now former Life Energy & Logistics Division and Industrial Energy & Logistics Division were integrated to form the newly established Life & Industrial Energy Division, while the Mobility Life Department was newly established.

In line with this, the classification of reportable segments has been changed from the previous Home-Life Division, Power & Utility Division, Life Energy & Logistics Division, and Industrial Energy & Logistics Division to the Home-Life Division, Life & Industrial Energy Division, Power & Utility Division, and Mobility Life Department from the fiscal year ended March 31, 2019.

Furthermore, in conjunction with the absorption-type merger of TOHOKU TANKU SHOUKAI CO., LTD., which was a subsidiary of the Company, by ITOCHU ENEX HOME-LIFE TOHOKU CO., LTD., a subsidiary of the Company, the Group reviewed the management classification and changed the method to include the business of TOHOKU TANKU SHOUKAI CO., LTD., which was previously included in the Life Energy & Logistics Division (Life & Industrial Energy Division after the above change), in the Home-Life Division.

Due to the change in segments, segment information for the previous fiscal year has been adjusted based on the classification of reportable segments after the change.

(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, 2018

	Reportable segments					Adjustment	Consolidated
	Home-Life	Life & Industrial Energy	Power & Utility	Mobility Life	Total		
Revenue							
Revenue from external customers	97,811	468,145	74,541	104,270	744,767	–	744,767
Intersegment revenue	336	4,363	5,899	–	10,598	(10,598)	–
Total revenue	98,147	472,508	80,440	104,270	755,365	(10,598)	744,767
Gross profit	25,077	36,841	8,891	18,013	88,822	–	88,822
Selling, general and administrative expenses	(22,042)	(28,643)	(4,328)	(16,347)	(71,360)	429	(70,931)
Loss from tangible assets, intangible assets and goodwill	(143)	(733)	(288)	200	(964)	(580)	(1,544)
Other profit (loss)	232	471	351	167	1,221	(415)	806
Profit from operating activities	3,123	7,936	4,626	2,034	17,719	(566)	17,153
Financial income and costs	164	(138)	(316)	(403)	(693)	(110)	(803)
Share of profit (loss) of investments accounted for by the equity method	540	133	(180)	–	493	–	493
Gains on business reorganization and others	2,326	–	–	–	2,326	–	2,326
Profit before tax	6,154	7,930	4,130	1,631	19,845	(676)	19,169
Net profit attributable to Itochu Enex's shareholders	3,798	5,288	2,210	195	11,491	(466)	11,025
Other items							
Depreciation and amortization	(3,291)	(2,184)	(3,468)	(1,372)	(10,315)	(509)	(10,824)
Impairment loss	(173)	(669)	(13)	–	(855)	(574)	(1,429)
Total assets	66,842	145,109	80,189	63,896	356,036	26,585	382,621
Investments accounted for by the equity method	17,699	510	7,936	–	26,145	–	26,145
Capital expenditures	4,258	2,848	6,014	618	13,738	694	14,432
Total trading transactions	109,161	863,310	78,560	105,313	1,156,344	–	1,156,344

(Note) Intersegment transactions have been decided by reference to the market price.

The adjustment of negative ¥466 million to net profit attributable to Itochu Enex's shareholders represents corporate profit not allocated to reportable segments.

The adjustment of ¥26,585 million to total assets represents corporate assets not allocated to reportable segments.

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

For the fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segments					Adjustment	Consolidated
	Home-Life	Life & Industrial Energy	Power & Utility	Mobility Life	Total		
Revenue							
Revenue from external customers	94,350	707,661	93,459	111,616	1,007,086	–	1,007,086
Intersegment revenue	365	9,414	5,969	–	15,748	(15,748)	–
Total revenue	94,715	717,075	99,428	111,616	1,022,834	(15,748)	1,007,086
Gross profit	22,397	36,108	7,134	18,571	84,210	–	84,210
Selling, general and administrative expenses	(18,927)	(27,791)	(4,662)	(16,006)	(67,386)	68	(67,318)
Loss from tangible assets, intangible assets and goodwill	(172)	(202)	324	(179)	(229)	(12)	(241)
Other profit (loss)	257	1,037	(67)	(35)	1,192	8	1,200
Profit from operating activities	3,555	9,153	2,728	2,351	17,787	64	17,851
Financial income and costs	(24)	(121)	516	(260)	111	(113)	(2)
Share of profit (loss) of investments accounted for by the equity method	1,251	139	175	–	1,565	–	1,565
Profit before tax	4,782	9,171	3,419	2,091	19,463	(49)	19,414
Net profit attributable to Itochu Enex's shareholders	3,068	6,185	1,970	319	11,542	17	11,559
Other items							
Depreciation and amortization	(2,698)	(1,990)	(3,494)	(1,377)	(9,559)	(527)	(10,086)
Impairment loss	(251)	(216)	–	(171)	(638)	–	(638)
Total assets	65,584	137,606	82,439	51,798	337,427	36,946	374,373
Investments accounted for by the equity method	18,774	555	10,112	–	29,441	–	29,441
Capital expenditures	3,259	1,743	6,660	758	12,420	1,295	13,715
Total trading transactions	105,112	931,798	96,935	110,415	1,244,260	–	1,244,260

(Note) Intersegment transactions have been decided by reference to the market price.

The adjustment of negative ¥17 million to net profit attributable to Itochu Enex's shareholders represents corporate profit not allocated to reportable segments.

The adjustment of ¥36,946 million to total assets represents corporate assets not allocated to reportable segments.

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

(3) Products and Services Information

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

(4) Geographic Information

This information is omitted because revenue from external customers in Japan accounts for a large percentage of the revenue recorded in the consolidated statement of comprehensive income for the fiscal years ended March 31, 2018 and 2019.

(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, 2018 and 2019.

6. Business Combinations

For the fiscal year ended March 31, 2018

There were no significant business combinations during the fiscal year ended March 31, 2018.

For the fiscal year ended March 31, 2019

There were no significant business combinations during the fiscal year ended March 31, 2019.

7. Loss of Control of Subsidiaries

For the fiscal year ended March 31, 2018

(Reorganization and Integration of the Liquefied Petroleum Gas (LPG) Wholesale and Retail Business)

On October 1, 2017, the Company and OSAKA GAS established a joint-venture company with each company owning a 50% stake. The joint venture was formed through respective exchanges of shares whereby the former OSAKA GAS subsidiary NISSHO PETROLEUM GAS CORPORATION ("Nissho LP"), which was designated as the wholly owning parent company for the share exchanges, exchanged its shares for the shares of each of the three former subsidiaries of the Company – ITOCHU ENEX HOME-LIFE KANTO CO., LTD. ("HOME-LIFE KANTO"), ITOCHU ENEX HOME-LIFE CHUBU CO., LTD. ("HOME-LIFE CHUBU") and ITOCHU ENEX HOME-LIFE KANSAI CO., LTD. ("HOME-LIFE KANSAI"), and one former subsidiary of OSAKA GAS – Osaka Gas LPG Co., Ltd., which were designated as the wholly owned subsidiary companies for the share exchanges. The merged company, Nissho LP, was renamed "ENEARC" on the same day.

In addition, as part of the reorganization and integration, effective the same day, the Company acquired all Nissho LP-owned shares in Nissho Propane Sekiyu Co., Ltd., Ehime Nissho Propane Co., Ltd., and Kochi Nissho Propane Corporation, making them subsidiaries of the Company.

The Company has determined that ENEARC meets the conditions for a joint venture. As such, the company is treated as an equity-method affiliate for accounting purposes.

As a result of the share exchange used to establish ENEARC, the Company has lost management control of HOME-LIFE KANTO, HOME-LIFE CHUBU and HOME-LIFE KANSAI. This has resulted in a gain of ¥2,326 million (including a gain of ¥1,163 million from a fair value remeasurement of the Company's remaining stakes in the three companies as of the date management control was lost), which has been recognized as "Gains on business reorganization and others."

Other income and expenses associated with the business reorganization and integration are shown below.

(Millions of yen)

Classification	Fiscal year ended March 31, 2018
Selling, general and administrative expenses	(302)
Share of loss of investments accounted for by the equity method	(848)
Gains on business reorganization and others	2,326
Income tax expense	(75)
Total	1,101

For the fiscal year ended March 31, 2019

There was no significant loss of control during the fiscal year ended March 31, 2019.

8. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2018 and 2019 were composed of cash and deposits.

9. Trade Receivables

The components of trade receivables are shown below:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Trade receivables		
Trade receivables	113,043	100,489
Trade notes receivable	7,022	6,001
Allowance for credit losses	(524)	(325)
Total	119,541	106,165

10. Securities and Other Financial Assets

The components of other current financial assets are shown below:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Other current financial assets		
Short-term loans receivable	1,108	427
Other accounts receivable	14,531	13,760
Derivative assets	1,570	224
Deposits paid	20,000	20,000
Other	1,651	1,623
Total	38,860	36,034

The components of other investments are shown below:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Other investments		
FVTPL financial assets	289	1,044
FVTOCI financial assets	3,117	3,142
Total	3,406	4,186

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

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Non-current financial assets other than investments		
Non-current loans receivable	345	998
Non-current lease receivables	2,471	2,500
Guarantee deposits	6,913	6,248
Other	2,216	2,203
Allowance for credit losses	(545)	(657)
Total	11,400	11,292

11. Inventories

The components of inventories are shown below:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Merchandise and finished goods	28,305	32,988
Raw materials	75	65
Total	28,380	33,053

For the fiscal year ended March 31, 2019, the amount of inventories expensed as cost of sales was ¥905,017 million, compared with ¥638,227 million for the fiscal year ended March 31, 2018.

For the fiscal year ended March 31, 2019, the amount of inventories written down to net realizable value was ¥3 million, compared with ¥11 million for the fiscal year ended March 31, 2018. These amounts written down are included in cost of sales in the consolidated statement of comprehensive income.

The carrying amount of inventories recorded at fair value, less cost to sell, on a recurring basis as of March 31, 2018 and 2019 was ¥2,344 million and ¥7,984 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.

12. Investments Accounted for by the Equity Method

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

(1) Investments in Associates and Joint Ventures

Total carrying amounts of investments in associates and joint ventures in the consolidated statement of financial position as of March 31, 2018 and 2019 are shown below:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Associates	8,072	8,457
Joint ventures	18,073	20,984
Total	26,145	29,441

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

For investments in associates and joint ventures, the amounts of corresponding share of comprehensive income recorded in the fiscal years ended March 31, 2018 and 2019 are shown below:

A. Profit or Loss

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Associates	350	597
Joint ventures	143	968
Total	493	1,565

B. Other Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Associates	(61)	106
Joint ventures	(467)	(353)
Total	(528)	(247)

C. Total Comprehensive Income

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Associates	289	703
Joint ventures	(324)	615
Total	(35)	1,318

(3) Major Associates and Joint Ventures

Details of major associates and joint ventures are as follows:

As of March 31, 2018

	Name	Major business	Location	Percentage of equity held (%)
Associate	JAPAN GAS ENERGY CORPORATION	Sale of LPG products	Minato-ku, Tokyo	20.0
Joint venture	ENEARC Co., Ltd.	Sale of LPG products	Minato-ku, Tokyo	50.0

As of March 31, 2019

	Name	Major business	Location	Percentage of equity held (%)
Associate	JAPAN GAS ENERGY CORPORATION	Sale of LPG products	Minato-ku, Tokyo	20.0
Joint venture	ENEARC Co., Ltd.	Sale of LPG products	Chiyoda-ku, Tokyo	50.0

ENEARC Co., Ltd. moved its head office to Chiyoda-ku, Tokyo on February 18, 2019.

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

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

In summarized financial information on the statement of income and the statement of comprehensive income of ENEARC Co., Ltd. for the fiscal year ended March 31, 2018, amounts arising during the period since the said company became a joint venture due to the reorganization and integration of the LPG wholesale and retail business (from October 1, 2017 to March 31, 2018) are presented. For details on the reorganization and integration of the liquefied petroleum gas (LPG) wholesale and retail business, please refer to Note 7, "Loss of Control of Subsidiaries".

JAPAN GAS ENERGY CORPORATION

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Current assets	37,955	32,545
Non-current assets	3,942	3,958
Current liabilities	27,179	21,027
Non-current liabilities	124	126
Equity	14,594	15,350

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Revenue	157,400	151,978
Net profit (loss)	1,774	1,201
Other comprehensive income	(13)	(2)
Comprehensive income	1,761	1,199
Dividends received by the Group	51	89

ENEARC Co., Ltd.

	(Millions of yen)	
	As of March 31, 2018	As of March 31, 2019
Current assets	15,324	13,009
Non-current assets	24,365	25,951
Current liabilities	16,010	14,628
Non-current liabilities	6,597	5,866
Equity	17,082	18,466

Cash and cash equivalents included in the current assets above as of March 31, 2018 and 2019 are ¥3,951 million and ¥2,183 million, respectively. Financial liabilities (excluding trade and other payables, and provisions) included in current liabilities as of March 31, 2018 and 2019 are ¥6,750 million and ¥7,129 million, respectively, and financial liabilities (excluding trade and other payables, and provisions) included in non-current liabilities as of March 31, 2018 and 2019 are ¥4,662 million and ¥3,712 million, respectively.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Revenue	32,693	56,519
Depreciation and amortization	(1,295)	(2,464)
Financial income	8	19
Financial costs	(15)	(27)
Income tax expense	1	668
Net profit (loss)	1,217	1,488
Other comprehensive loss	(22)	(104)
Comprehensive income	1,195	1,384
Dividends received by the Group	–	–

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

JAPAN GAS ENERGY CORPORATION

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Net assets	14,594	15,350
The Group's share of net assets	2,919	3,070
Goodwill and consolidation adjustments	–	–
Carrying amounts of the Group's equity interest in JAPAN GAS ENERGY CORPORATION	2,919	3,070

ENEARC Co., Ltd.

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Net assets	17,082	18,466
The Group's share of net assets	8,541	9,233
Goodwill and consolidation adjustments	2,220	2,220
Carrying amounts of the Group's equity interest in ENEARC Co., Ltd.	10,761	11,453

13. Property, Plant and Equipment

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

[Acquisition Cost]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of April 1, 2017	17,707	40,063	64,617	1,335	12,691	4,373	140,786
Acquisition	–	1,408	1,311	143	1,227	6,775	10,864
Reclassification	22	1,771	3,844	415	317	(6,525)	(156)
Acquisition through business combinations	1,889	558	488	–	23	79	3,037
Decrease due to disposal and change in the scope of consolidation	(3,548)	(3,535)	(9,284)	–	(3,886)	(54)	(20,307)
Other	8	26	1,608	–	1,044	(358)	2,328
As of March 31, 2018	16,078	40,291	62,584	1,893	11,416	4,290	136,552
Acquisition	84	934	1,534	–	1,046	9,157	12,755
Reclassification	25	1,188	3,944	–	656	(8,341)	(2,528)
Acquisition through business combinations	39	132	89	–	14	–	274
Decrease due to disposal and change in the scope of consolidation	(290)	(791)	(3,825)	–	(1,043)	–	(5,949)
Other	85	965	837	–	(48)	(713)	1,126
As of March 31, 2019	16,021	42,719	65,163	1,893	12,041	4,393	142,230

[Accumulated Depreciation and Accumulated Impairment Loss]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of April 1, 2017	(191)	(14,680)	(30,533)	(495)	(7,299)	–	(53,198)
Depreciation	–	(1,777)	(5,067)	(152)	(1,652)	–	(8,648)
Impairment loss	(52)	(529)	(143)	–	(272)	–	(996)
Reclassification	–	129	–	–	–	–	129
Decrease due to disposal and change in the scope of consolidation	104	2,173	8,075	–	2,182	–	12,534
Other	–	(401)	(424)	(3)	(219)	–	(1,047)
As of March 31, 2018	(139)	(15,085)	(28,092)	(650)	(7,260)	–	(51,226)
Depreciation	–	(1,601)	(4,945)	(164)	(1,334)	–	(8,044)
Impairment loss	(83)	(133)	(67)	–	(43)	–	(326)
Reclassification	–	158	673	–	–	–	831
Decrease due to disposal and change in the scope of consolidation	–	583	2,921	–	955	–	4,459
Other	(20)	(280)	(47)	–	22	–	(325)
As of March 31, 2019	(242)	(16,358)	(29,557)	(814)	(7,660)	–	(54,631)

[Carrying Amount]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of March 31, 2018	15,939	25,206	34,492	1,243	4,156	4,290	85,326
As of March 31, 2019	15,779	26,361	35,606	1,079	4,381	4,393	87,599

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

(Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Total
As of March 31, 2018	6,737	1,740	86	1,463	10,026
As of March 31, 2019	6,792	2,295	72	999	10,158

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

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

The balance of property, plant and equipment includes property, plant and equipment of which disposal through transfer, sale, etc. is restricted in association with bank loans of ¥12,535 million and ¥11,547 million as of March 31, 2018 and 2019, respectively.

There were no borrowing costs capitalized in the fiscal years ended March 31, 2018 and 2019.

For the commitments for acquisition of property, plant and equipment, please refer to Note 39, "Commitments".

14. 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, 2018	Fiscal year ended March 31, 2019
Balance at the beginning of the year	25,569	22,006
Acquisition	40	–
Expenditure after acquisition	351	370
Reclassification	156	165
Decrease due to disposal and change in the scope of consolidation	(4,268)	(1,965)
Other	158	239
Balance at the end of the year	22,006	20,815

[Accumulated Depreciation and Accumulated Impairment Loss]

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Balance at the beginning of the year	(13,583)	(11,840)
Depreciation	(245)	(242)
Impairment loss	(397)	(134)
Reclassification	(129)	(158)
Decrease due to disposal and change in the scope of consolidation	2,514	1,480
Other	–	(101)
Balance at the end of the year	(11,840)	(10,995)

The rental income from investment property for the fiscal years ended March 31, 2018 and 2019 was ¥3,061 million and ¥2,836 million, respectively, which was included in revenue in the consolidated statement of comprehensive income. The direct operating expenses incurred incidental to rental income were ¥1,460 million and ¥1,278 million, respectively, which were included in cost of sales in the consolidated statement of comprehensive income.

[Carrying Amount and Fair Value]

(Millions of yen)

	Carrying amount	Fair value
As of March 31, 2018	10,166	10,129
As of March 31, 2019	9,819	9,941

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.

15. 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	Relationships with customers	Brand and relationships with suppliers	Other	Total
As of April 1, 2017	562	12,814	11,069	3,819	28,264
Acquisition	-	1,568	-	869	2,437
Acquisition through business combinations	171	288	-	12	471
Decrease due to disposal and change in the scope of consolidation	-	(4,062)	-	(620)	(4,682)
Other	(41)	69	-	(42)	(14)
As of March 31, 2018	692	10,677	11,069	4,038	26,476
Acquisition	-	230	-	721	951
Acquisition through business combinations	-	-	-	1	1
Decrease due to disposal and change in the scope of consolidation	-	(457)	-	(487)	(944)
Other	-	98	-	148	246
As of March 31, 2019	692	10,548	11,069	4,421	26,730

[Accumulated Amortization and Accumulated Impairment Loss]

(Millions of yen)

	Goodwill	Relationships with customers	Brand and relationships with suppliers	Other	Total
As of April 1, 2017	(29)	(1,960)	(785)	(1,319)	(4,093)
Amortization	-	(1,068)	(276)	(586)	(1,930)
Impairment loss	-	-	-	(3)	(3)
Decrease due to disposal and change in the scope of consolidation	-	448	-	547	995
Other	29	4	-	12	45
As of March 31, 2018	-	(2,576)	(1,061)	(1,349)	(4,986)
Amortization	-	(826)	(277)	(697)	(1,800)
Impairment loss	(171)	-	-	-	(171)
Decrease due to disposal and change in the scope of consolidation	-	405	-	349	754
Other	-	70	-	15	85
As of March 31, 2019	(171)	(2,927)	(1,338)	(1,682)	(6,118)

[Carrying Amount]

(Millions of yen)

	Goodwill	Relationships with customers	Brand and relationships with suppliers	Other	Total
As of March 31, 2018	692	8,101	10,008	2,689	21,490
As of March 31, 2019	521	7,621	9,731	2,739	20,612

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

(Millions of yen)

	Software
As of March 31, 2018	2
As of March 31, 2019	1

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

Of the above intangible assets, significant assets are relationships with customers recognized in the business combination with TOKYO TOSHI SERVICE COMPANY (as of March 31, 2018: ¥3,222 million, and March 31, 2019: ¥3,100 million) and brand and relationships with suppliers recognized in the business combination with Osaka Car Life Group Co., Ltd. (as of March 31, 2018: ¥10,008 million, and March 31, 2019: ¥9,731 million). The remaining amortization periods of these intangible assets as of March 31, 2018 and 2019, are 21 to 36 years and 20 to 35 years, respectively, for relationships with customers, and 36 years and 35 years, respectively, for brand and relationships with suppliers.

There were no intangible assets pledged as collateral as of March 31, 2018 and 2019.

Impairment Test for Goodwill

In performing an impairment test for goodwill, the Group allocates goodwill to the LPG sales business and the Mobility Life Department and calculates the recoverable amount of the LPG sales business and the Mobility Life Department, which are cash-generating units, based on value in use.

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

The Group uses a pre-tax discount rate reflecting the current market valuation of the time value of money, risks inherent in the asset, and other factors as the discount rate (as of March 31, 2018: 3.6%, and March 31, 2019: 4.4%).

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

16. Leases

(1) Lessee

A. Finance Leases

The total future minimum lease payments under finance leases and the present value thereof as of March 31, 2018 and 2019 are shown below:

(Millions of yen)

	Total future minimum lease payments		Present value of total future minimum lease payments	
	As of March 31, 2018	As of March 31, 2019	As of March 31, 2018	As of March 31, 2019
Not later than 1 year	1,887	2,085	1,706	1,869
Later than 1 year and not later than 5 years	5,332	5,749	4,760	5,049
Later than 5 years	4,503	4,613	4,099	4,223
Total	11,722	12,447	10,565	11,141
Less: Accrued financial costs	(1,157)	(1,306)		
Present value of total future minimum lease payments	10,565	11,141		

The total of future minimum sublease payments expected to be received under noncancelable subleases as of March 31, 2018 and 2019 were ¥676 million and ¥1,030 million, respectively.

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

B. Operating Leases

The total future minimum lease payments under noncancelable operating leases as of March 31, 2018 and 2019 are shown below:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Not later than 1 year	1,807	948
Later than 1 year and not later than 5 years	3,720	4,130
Later than 5 years	1,874	1,090
Total	7,401	6,168

As of March 31, 2018 and 2019, lease payments recognized as expenses under cancelable or noncancelable operating leases were ¥12,453 million and ¥11,982 million, respectively.

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

(2) Lessor

Finance Leases

The total future minimum lease payments receivable under finance leases and the present value thereof as of March 31, 2018 and 2019 are shown below:

(Millions of yen)

	Total future minimum lease payments		Present value of total future minimum lease payments	
	As of March 31, 2018	As of March 31, 2019	As of March 31, 2018	As of March 31, 2019
Not later than 1 year	486	587	472	571
Later than 1 year and not later than 5 years	1,368	1,627	1,333	1,587
Later than 5 years	1,139	913	1,139	913
Total	2,993	3,126	2,944	3,071
Less: Unearned financial income	(49)	(55)		
Present value of total future minimum lease payments receivable	2,944	3,071		

17. Deferred Taxes and Income Taxes

(1) Deferred Taxes

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

(Millions of yen)

	As of April 1, 2017	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other (Note)	As of March 31, 2018
Deferred tax assets:					
Non-current assets	7,920	(168)	–	329	8,081
Securities	139	291	(390)	–	40
Post-employment benefits	3,006	(137)	(55)	217	3,031
Tax loss carryforwards	287	(8)	–	–	279
Other	5,439	(811)	(30)	98	4,696
Total deferred tax assets	16,791	(833)	(475)	644	16,127
Deferred tax liabilities:					
Non-current assets	(6,722)	(337)	–	–	(7,059)
Other	(671)	(80)	–	–	(751)
Total deferred tax liabilities	(7,393)	(417)	–	–	(7,810)

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

(Millions of yen)

	As of March 31, 2018	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other (Note)	As of March 31, 2019
Deferred tax assets:					
Non-current assets	8,081	(786)	–	–	7,295
Securities	40	(86)	46	–	0
Post-employment benefits	3,031	(258)	94	–	2,867
Tax loss carryforwards	279	(11)	–	–	268
Other	4,696	79	(10)	155	4,920
Total deferred tax assets	16,127	(1,062)	130	155	15,350
Deferred tax liabilities:					
Non-current assets	(7,059)	1,176	–	–	(5,883)
Other	(751)	(1,037)	–	(53)	(1,841)
Total deferred tax liabilities	(7,810)	139	–	(53)	(7,724)

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

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

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Deferred tax assets	10,502	9,913
Deferred tax liabilities	2,185	2,287

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 differences and unused tax loss carryforwards.

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

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Deductible temporary differences	2,216	2,299
Unused tax loss carryforwards	2,499	1,955
Total	4,715	4,254

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

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
First year	–	–
Second year	–	–
Third year	–	–
Fourth year	49	–
Fifth year or later	2,450	1,955
Total	2,499	1,955

(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, 2018	Fiscal year ended March 31, 2019
Current tax expense	(5,080)	(4,826)
Deferred tax expense		
Recognition and reversal of temporary differences	(865)	(923)
Total deferred tax expense	(865)	(923)
Income tax expense	(5,945)	(5,749)

The Company is subject principally to corporate income taxes, inhabitant taxes, and business taxes. The effective statutory tax rates based on these taxes were 30.9% for the fiscal year ended March 31, 2018, and 30.6% for the fiscal year ended March 31, 2019. However, foreign subsidiaries are subject to income taxes and other taxes in their respective locations.

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, 2018	Fiscal year ended March 31, 2019
Effective statutory tax rate	30.9%	30.6%
Effect of expenses not deductible permanently	1.3	1.4
Other	(1.2)	(2.4)
Effective income tax rate after application of tax-effect accounting	31.0	29.6

18. Bonds and Borrowings

The components of bonds and borrowings are shown below:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019	Average interest rate (%) (Note 1)	Repayment date
Short-term borrowings	10,317	4,022	1.108	–
Current portion of non-current borrowings	2,115	2,195	1.220	–
Current portion of bonds payable (Note 2)	–	5,000	(Note 2)	–
Non-current borrowings (excluding current portion)	15,302	12,912	1.655	September 2020– October 2037
Bonds payable (excluding current portion) (Note 2)	14,971	9,981	(Note 2)	(Note 2)
Total	42,705	34,110	–	–
Current liabilities	12,432	11,217		
Non-current liabilities	30,273	22,893		
Total	42,705	34,110		

(Notes) 1. The average interest rate is based on each agreed-upon interest rate or weighted-average interest rate for the closing balance.

2. Summary of issuing conditions of bonds is shown below:

(Millions of yen)

Entity	Bond	Date of issue	As of March 31, 2018	As of March 31, 2019	Interest rate (%)	Collateral	Maturity date
ITOCHU Enex Co., Ltd.	Series 13 Unsecured Bonds	May 22, 2012	4,996	5,000	0.736	Unsecured	May 22, 2019
ITOCHU Enex Co., Ltd.	Series 14 Unsecured Bonds	May 22, 2012	9,975	9,981	1.202	Unsecured	May 20, 2022
Total	—	—	14,971	14,981	—	—	—

19. Trade Payables

The components of trade payables are shown below:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Trade payables	120,531	115,009
Notes payable	113	34
Other payables	6,801	6,634
Total	127,445	121,677

20. Other Financial Liabilities

The components of other current financial liabilities are shown below:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Lease obligations	1,706	1,869
Other payables (Non-operating)	2,178	2,596
Deposits received	2,371	3,064
Derivative liabilities	1,447	303
Other	837	73
Total	8,539	7,905

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

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Long-term lease obligations	8,859	9,273
Guarantee deposits received	13,805	13,622
Derivative liabilities	671	636
Total	23,335	23,531

21. Other Current Liabilities

The components of other current liabilities are shown below:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Short-term obligations on employee benefits	7,378	7,471
Current provisions (Note)	42	9
Accrued expenses	3,000	2,800
Other	1,860	1,540
Total	12,280	11,820

(Note) For details of current provisions, please refer to Note 22, "Provisions".

22. Provisions

The components of changes in provisions are shown below:

(Millions of yen)

	Provision for asset retirement obligations	Other	Total
As of April 1, 2017	5,083	6	5,089
Increase during the year	212	2	214
Amount used during the year (utilization)	(298)	(6)	(304)
Increase due to passage of time	95	—	95
Other	(337)	42	(295)
As of March 31, 2018	4,755	44	4,799
Increase during the year	493	—	493
Amount used during the year (utilization)	(208)	(2)	(210)
Increase due to passage of time	56	—	56
Other	340	(7)	333
As of March 31, 2019	5,436	35	5,471

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

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Current liabilities (Note)	42	9
Non-current liabilities	4,757	5,462
Total	4,799	5,471

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

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

23. Employee Benefits

(1) Post-Employment Benefits

A. Outline of Post-Employment Benefit Plans Adopted

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

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

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

- Assets contributed by the employer to the multi-employer plan may be used for benefits to employees of the other member employers. The amount of contributions is calculated by multiplying standard pay of plan members by a fixed rate.
- If some employers suspend contributions, other member employers may be required to make additional contributions for unfunded liabilities.
- If the multi-employer plan is wound up or a member employer withdraws from the multi-employer plan, the member employer may be required to make contributions for unfunded liabilities as special contributions in winding up or withdrawal contributions.

B. Defined Benefit Retirement Plans

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

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Balance at the beginning of the year	17,738	17,716
Service cost	895	647
Interest expense	94	83
Remeasurement		
Changes in demographic assumptions	172	104
Changes in financial assumptions	39	169
Benefits paid	(1,340)	(1,236)
Effect of business combinations and disposals	118	-
Balance at the end of the year	17,716	17,483

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

Changes in fair value of plan assets are shown below:

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Balance at the beginning of the year	8,220	8,909
Interest income	48	47
Remeasurement		
Return on plan assets	870	(491)
Contributions by the employer	111	205
Benefits paid	(340)	(720)
Balance at the end of the year	8,909	7,950

The Company and certain subsidiaries will make contributions of ¥229 million in the fiscal year ending March 31, 2020.

The effect of change in the asset ceiling is shown below:

	(Millions of yen)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Balance at the beginning of the year	-	(493)
Change in the effect of limiting a net defined benefit asset to the asset ceiling	(493)	493
Balance at the end of the year	(493)	-

The composition of the Group's plan assets by asset category as of March 31, 2018 and 2019 is shown below:

	(Millions of yen)		
	As of March 31, 2018		
	Level 1 (Active market)	Level 2 (No active market)	Total
Cash and cash equivalents	0	-	0
Stock trusts	-	3,353	3,353
Bond trusts	-	4,450	4,450
General accounts	-	324	324
Other	-	782	782
Total	0	8,909	8,909

	(Millions of yen)		
	As of March 31, 2019		
	Level 1 (Active market)	Level 2 (No active market)	Total
Cash and cash equivalents	10	-	10
Stock trusts	-	2,747	2,747
Bond trusts	-	3,966	3,966
General accounts	-	1	1
Other	-	1,226	1,226
Total	10	7,940	7,950

In managing plan assets, the Group aims to secure return on 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 investment performance based on this portfolio.

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

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

Defined benefit obligations are calculated by discounting the amount of benefits that are deemed to have been incurred to date, over the remaining service period up to the time of payment. Because the timing of payment affects the amounts of defined benefit obligations and service cost, International Accounting Standard 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 13 years in the fiscal year ended March 31, 2018, and 13 years in the fiscal year ended March 31, 2019.

The assumption of defined benefit obligations is shown below:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Discount rate	0.5 – 0.6%	0.4 – 0.5%

In the assumption of actuarial calculation described above, the calculation for defined benefit retirement plans is susceptible to the effects of the assumption of discount rate. If the discount rate had changed by 0.25% as of March 31, 2019, the effect on defined benefit obligations would be ¥400 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 ¥686 million and ¥663 million for the fiscal years ended March 31, 2018 and 2019, respectively.

D. Extra Retirement Payments

The Company made extra retirement payments of ¥305 million and ¥79 million for the fiscal years ended March 31, 2018 and 2019, respectively.

(2) Employee Benefits Expense

Total employee benefits expense included in cost of sales and selling, general and administrative expenses in the consolidated statement of comprehensive income for the fiscal years ended March 31, 2018 and 2019 was ¥45,442 million and ¥43,442 million, respectively.

24. Common Stock, Capital Surplus, and Retained Earnings

(1) Common Stock

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

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

	(Shares)	
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Number of shares authorized	387,250,000	387,250,000
Number of shares issued		
Balance at the beginning of the year	116,881,106	116,881,106
Increase (decrease) during the year	—	—
Balance at the end of the year	116,881,106	116,881,106
Number of shares of treasury stock		
Balance at the beginning of the year	3,892,374	4,002,135
Increase during the year	109,761	327
Balance at the end of the year	4,002,135	4,002,462

(Note) The balance of the number of shares of treasury stock at the end of the fiscal year ended March 31, 2018 and 2019 includes 109,300 shares of the Company owned by the stock distribution trust for directors.

(2) Capital Surplus and Retained Earnings

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

The Companies Act imposes a certain restriction on the amount available for distribution in association with dividends of surplus or acquisition of treasury stock. The amount available for distribution is determined based on retained earnings, among others, in the Company's separate financial statements calculated in accordance with Japanese Generally Accepted Accounting Principles ("GAAP"). The Company's amount available for distribution was ¥65,451 million as of March 31, 2019 (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. The Companies Act provides that companies meeting certain requirements (setup of Audit & Supervisory 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 Companies Act also provides that companies with a board of directors may pay dividends of surplus (only cash dividends) by resolution of the board of directors only once during a business year, if the articles of incorporation specify so.

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

25. 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, 2018	Fiscal year ended March 31, 2019
FVTOCI financial assets		
Balance at the beginning of the year	(487)	506
Increase (decrease) during the year	883	(160)
Reclassification to retained earnings	110	77
Balance at the end of the year	506	423
Remeasurement of net defined benefit liability		
Balance at the beginning of the year	–	–
Increase (decrease) during the year	35	(94)
Reclassification to retained earnings	(35)	94
Balance at the end of the year	–	–
Exchange differences on translating foreign operations		
Balance at the beginning of the year	236	31
Increase (decrease) during the year	(205)	20
Balance at the end of the year	31	51
Cash flow hedges		
Balance at the beginning of the year	(1,404)	(1,682)
Decrease during the year	(278)	(198)
Balance at the end of the year	(1,682)	(1,880)
Other components of equity		
Balance at the beginning of the year	(1,655)	(1,145)
Increase (decrease) during the year	435	(432)
Reclassification to retained earnings	75	171
Balance at the end of the year	(1,145)	(1,406)

(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, 2018			Fiscal year ended March 31, 2019		
	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	1,282	(390)	892	(154)	46	(108)
Increase (decrease) during the year	1,282	(390)	892	(154)	46	(108)
Remeasurement of net defined benefit liability						
Amount arising during the year	160	(55)	105	(269)	94	(175)
Increase (decrease) during the year	160	(55)	105	(269)	94	(175)
Exchange differences on translating foreign operations						
Amount arising during the year	(38)	–	(38)	(10)	–	(10)
Decrease during the year	(38)	–	(38)	(10)	–	(10)
Cash flow hedges						
Amount arising during the year	(30)	8	(22)	(89)	25	(64)
Reclassification adjustments to profit	134	(38)	96	124	(35)	89
Decrease during the year	104	(30)	74	35	(10)	25
Other comprehensive income of investments accounted for by the equity method						
Amount arising during the year	(630)	–	(630)	(377)	–	(377)
Reclassification adjustments to profit	102	–	102	130	–	130
Decrease during the year	(528)	–	(528)	(247)	–	(247)
Total other comprehensive income	980	(475)	505	(645)	130	(515)

26. 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, 2018 and 2019 are shown below:

For the fiscal year ended March 31, 2018

(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, 2017	Ordinary shares	2,090	18.5	March 31, 2017	June 22, 2017
Board of Directors' meeting held on October 31, 2017	Ordinary shares	1,808	16	September 30, 2017	December 4, 2017

(2) Dividends Whose Record Date Is in the Current Fiscal Year, But Whose Effective Date Falls in the next Fiscal Year

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 20, 2018	Ordinary shares	2,712	Retained earnings	24	March 31, 2018	June 21, 2018

For the fiscal year ended March 31, 2019

(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, 2018	Ordinary shares	2,712	24	March 31, 2018	June 21, 2018
Board of Directors' meeting held on October 31, 2018	Ordinary shares	2,260	20	September 30, 2018	December 4, 2018

(2) Dividends Whose Record Date Is in the Current Fiscal Year, But Whose Effective Date Falls in the next Fiscal Year

Resolution	Class of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 19, 2019	Ordinary shares	2,486	Retained earnings	22	March 31, 2019	June 20, 2019

27. Financial Instruments

(1) Capital Management

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

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

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

(2) Financial Risk Management Policy

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

In accordance with the Group's policy, its fund management is limited to short-term deposits, etc., and the Group depends on bank loans, among others, for raising funds. The Group utilizes derivatives for the purpose of hedging

risks of changes in market conditions, and interest rate and exchange fluctuations, but does not enter into such transactions for speculative purposes.

(3) Credit Risk Management

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

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

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

Collateral held as security is mainly real estate and business security deposits.

The carrying amounts of financial assets for which loss allowances are recognized are as follows.

(Millions of yen)

	Measured at an amount equivalent to the 12-month expected credit losses	Measured at an amount equivalent to the lifetime expected credit losses			Total
		Financial assets that are not credit-impaired	Credit-impaired financial assets	Trade receivables, etc. (excluding credit-impaired receivables)	
As of March 31, 2018	58,157	319	1,439	109,387	169,301
As of March 31, 2019	57,799	289	1,267	94,921	154,275

The Group recognizes loss allowances after considering the recoverability of financial assets based on the counterparty's credit standing. Changes in loss allowances during the fiscal year ended March 31, 2019 are as follows.

(Millions of yen)

	Measured at an amount equivalent to the 12-month expected credit losses	Measured at an amount equivalent to the lifetime expected credit losses			Total
		Financial assets that are not credit-impaired	Credit-impaired financial assets	Trade receivables, etc. (excluding credit-impaired receivables)	
As of March 31, 2018	24	228	750	67	1,069
Increase during the year	22	1	62	57	142
Decrease during the year (Utilization)	(2)	-	(15)	(7)	(24)
Decrease during the year (Reversal)	(18)	(38)	(104)	(52)	(212)
Other increase	-	-	7	-	7
As of March 31, 2019	26	191	700	65	982

In the fiscal year ended March 31, 2019, there were no significant changes in the carrying amounts of financial assets that would have a material impact on loss allowances.

(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 costs while diversifying funding sources and financing methods.

A. Non-Derivative Financial Liabilities

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

As of March 31, 2018

(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	127,445	127,445	127,445	–	–
Short-term bonds and borrowings					
Short-term borrowings	10,317	10,317	10,317	–	–
Current portion of non-current borrowings	2,115	2,115	2,115	–	–
Non-current bonds and borrowings					
Non-current borrowings	15,302	15,433	–	8,985	6,448
Bonds payable	14,971	15,000	–	15,000	–
Total	170,150	170,310	139,877	23,985	6,448

As of March 31, 2019

(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	121,677	121,677	121,677	–	–
Short-term bonds and borrowings					
Short-term borrowings	4,022	4,022	4,022	–	–
Current portion of bonds payable	5,000	5,000	5,000	–	–
Current portion of non-current borrowings	2,195	2,195	2,195	–	–
Non-current bonds and borrowings					
Non-current borrowings	12,912	13,031	–	8,143	4,888
Bonds payable	9,981	10,000	–	10,000	–
Total	155,787	155,925	132,894	18,143	4,888

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, 2018				
Interest rate derivatives	–	–	671	671
Currency derivatives	127	–	–	127
Commodity derivatives	1,320	–	–	1,320
Total	1,447	–	671	2,118
As of March 31, 2019				
Interest rate derivatives	–	–	636	636
Currency derivatives	17	–	–	17
Commodity derivatives	286	–	–	286
Total	303	–	636	939

(5) Market Risk Management

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

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

Market risks that the Group assumes are shown below:

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

A. Currency Risk Management

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

The Group's exposure to currency risks (net amount) as of March 31, 2018 and 2019 is shown below:

	As of March 31, 2018	As of March 31, 2019
Short-term foreign exchange balance (Millions of yen) [Thousands of U.S. dollars]	(89) [(840)]	(118) [(1,059)]
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, if any.

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

Foreign Currency Sensitivity Analysis

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit before tax U.S. dollar	1	1

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 gains or losses arising from instruments affected by interest rate fluctuations, if the interest rate increases 1% in the fiscal years ended March 31, 2018 and 2019. This analysis is calculated by multiplying the net balance of floating-rate financial instruments held by the Group as of March 31, 2018 and 2019, 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, 2018	Fiscal year ended March 31, 2019
Profit before tax	(90)	(17)

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, 2018	Fiscal year ended March 31, 2019
Profit before tax	87	126

D. Management of Price Risks of Equity Instruments

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

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

Sensitivity Analysis of Equity Instruments to Price Risks

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Other comprehensive income	(255)	(255)

(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.

Cash and cash equivalents

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

Trade receivables, trade payables, and other current financial assets (deposits paid)

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 the fair values of assets and liabilities held by the investee company.

Non-current financial assets other than investments (non-current loans receivable) and other current financial assets (current portion of non-current 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), other current financial liabilities (derivatives), and other non-current financial liabilities (derivatives)

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

Bonds and borrowings

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

B. Financial Instruments Measured at Amortized Cost

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

(Millions of yen)

	As of March 31, 2018		As of March 31, 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost:				
Non-current financial assets other than investments (non-current loans receivable) and other current financial assets (current portion of non-current loans receivable)	408	413	1,232	1,233
Financial liabilities measured at amortized cost:				
Bonds and borrowings	42,705	43,733	34,110	35,142

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

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

The following shows levels in the fair value hierarchy:

- Level 1— Quoted prices in active markets for identical assets or liabilities
- Level 2— Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly
- Level 3— Unobservable inputs for the asset or liability

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

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

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

(Millions of yen)

	As of March 31, 2018			
	Level 1	Level 2	Level 3	Total
Assets:				
Other current financial assets (securities)				
FVTPL financial assets	–	–	–	–
Other investments				
FVTPL financial assets	–	–	289	289
FVTOCI financial assets	2,554	–	563	3,117
Other current financial assets (derivatives)				
Derivatives not designated as hedges	27	1,543	–	1,570
Total	2,581	1,543	852	4,976
Liabilities:				
Other current financial liabilities (derivatives)				
Derivatives not designated as hedges	203	1,244	–	1,447
Other non-current financial liabilities (derivatives)				
Derivatives designated as hedges	–	671	–	671
Total	203	1,915	–	2,118

(Millions of yen)

	As of March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets:				
Other current financial assets (securities)				
FVTPL financial assets	–	–	–	–
Other investments				
FVTPL financial assets	–	–	1,044	1,044
FVTOCI financial assets	2,551	–	591	3,142
Other current financial assets (derivatives)				
Derivatives not designated as hedges	10	214	–	224
Total	2,561	214	1,635	4,410
Liabilities:				
Other current financial liabilities (derivatives)				
Derivatives not designated as hedges	25	278	–	303
Other non-current financial liabilities (derivatives)				
Derivatives designated as hedges	–	636	–	636
Total	25	914	–	939

There were no transfers between Level 1, Level 2, and Level 3 in the fiscal years ended March 31, 2018 and 2019.

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, 2018		Fiscal year ended March 31, 2019	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Balance at the beginning of the year	269	586	289	563
Total gains or losses (realized/unrealized)				
Other comprehensive income	-	13	-	10
Purchase	271	-	-	49
Sale	-	-	-	(1)
Redemption/other	(251)	(36)	755	(30)
Balance at the end of the year	289	563	1,044	591

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

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

(7) FVTOCI Financial Assets

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

A. Fair Value of FVTOCI Financial Instruments

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

As of March 31, 2018

(Millions of yen)

Stock	Amount
MAEDA ROAD CONSTRUCTION Co., Ltd.	1,286
JXTG Holdings, Inc.	500
KOHNAN SHOJI CO., LTD.	206
Tonami Holdings Co., Ltd.	156
HACHI-BAN CO., LTD.	126

As of March 31, 2019

(Millions of yen)

Stock	Amount
MAEDA ROAD CONSTRUCTION Co., Ltd.	1,285
JXTG Holdings, Inc.	395
KOHNAN SHOJI CO., LTD.	223
Enex Infrastructure Investment Corporation.	201
Tonami Holdings Co., Ltd.	156

B. Derecognition of FVTOCI Financial Assets

Some FVTOCI financial assets were sold or disposed of due to review of business relationships with investees, etc. FVTOCI financial assets derecognized due to sale or disposal during the fiscal years ended March 31,

2018 and 2019 are shown below:

(Millions of yen)

Fiscal year ended March 31, 2018		Fiscal year ended March 31, 2019	
Fair value at date of sale	Accumulated gains (losses)	Fair value at date of sale	Accumulated gains (losses)
5,418	(160)	64	(68)

Accumulated gains or losses (net of taxes) in other comprehensive income that were transferred to retained earnings as a result of the above are negative ¥110 million and negative ¥77 million for the fiscal years ended March 31, 2018 and 2019, respectively.

C. Dividends Received

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Investments derecognized during the year	211	2
Investments held at the end of the year	85	64
Total	296	66

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

In accordance with its policy, the Group has a floating rate position for long-term funds raised to satisfy fund management. These floating rate positions are hedged as the Group enters into interest rate swaps to hedge the risks of fluctuations in cash flows arising from future changes in interest rates. The interest rate swaps are designated as cash flow hedges.

In applying hedge accounting, as a general rule, the Group tries to match notional amounts, periods (maturities) and fundamental figures of interest rates of hedging instruments and hedged items to maintain the effectiveness of hedging relationships over the hedge period. Hedge effectiveness also continues to be assessed after the application of hedge accounting. If an ineffective portion arises, the Group analyzes the cause for the ineffective portion. In the fiscal years ended March 31, 2018 and 2019, the amounts included in profit or loss in association with the ineffective portion of hedging and the portion excluded from the assessment of hedge effectiveness were not significant.

As of March 31, 2019, the notional amount balance for interest rate swaps as hedging instruments was ¥8,870 million, and the period when the cash flows are expected to occur and when they are expected to affect profit or loss is 13 years. The average of interest rates hedged with the interest rate swaps is 1.8%.

As of March 31, 2018 and 2019, effects of hedging instruments designated as hedges on the Group's consolidated statement of financial position are as follows:

(Millions of yen)

	As of March 31, 2018				
	Notional amount	Carrying amount		Line item in the consolidated statement of financial position	Change in fair value used as the basis for recognition of the ineffective portion
		Derivative assets	Derivative liabilities		
Cash flow hedges					
Interest rate risks					
Interest rate swaps	9,735	–	671	Other non-current financial liabilities	–

(Millions of yen)

	As of March 31, 2019				
	Notional amount	Carrying amount		Line item in the consolidated statement of financial position	Change in fair value used as the basis for recognition of the ineffective portion
		Derivative assets	Derivative liabilities		
Cash flow hedges					
Interest rate risks					
Interest rate swaps	8,870	–	636	Other non-current financial liabilities	–

As of March 31, 2018 and 2019, effects of hedged items designated as hedges on the Group's consolidated statement of financial position are as follows:

(Millions of yen)

	As of March 31, 2018	
	Change in fair value used as the basis for recognition of the ineffective portion	Balance recorded as other components of equity
Cash flow hedges		
Interest rate risks		
Borrowing at a floating rate	–	(483)

(Millions of yen)

	As of March 31, 2019	
	Change in fair value used as the basis for recognition of the ineffective portion	Balance recorded as other components of equity
Cash flow hedges		
Interest rate risks		
Borrowing at a floating rate	–	(458)

(9) Offsetting of Financial Assets and Financial Liabilities

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

For financial assets and financial liabilities recognized for the same counterparties, the components of amounts offset and not offset in the consolidated statement of financial position by type of financial instruments as of March 31, 2018 and 2019 are shown below:

As of March 31, 2018

(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	8,521	2,143	6,378	2,929	–	3,449
Total	8,521	2,143	6,378	2,929	–	3,449

(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	6,933	2,143	4,790	2,929	–	1,861
Total	6,933	2,143	4,790	2,929	–	1,861

As of March 31, 2019

(Millions of yen)

	Total amount of financial assets	Total amount of financial liabilities offset	Net amount of financial assets presented in the consolidated statement of financial position	Amount of financial assets that do not meet requirements for offsetting	Amount of collateral received	Net amount
Financial assets:						
Trade receivables	3,648	621	3,027	2,915	–	112
Total	3,648	621	3,027	2,915	–	112

(Millions of yen)

	Total amount of financial liabilities	Total amount of financial assets offset	Net amount of financial liabilities presented in the consolidated statement of financial position	Amount of financial liabilities that do not meet requirements for offsetting	Amount of collateral provided	Net amount
Financial liabilities:						
Trade payables	4,401	621	3,780	2,915	–	865
Total	4,401	621	3,780	2,915	–	865

28. Revenue

(1) Disaggregation of Revenue

The disaggregation of revenue recognized from contracts with external customers is as follows.

Fiscal year ended March 31, 2019

(Millions of yen)

	Reportable segments				Total
	Home-Life	Life & Industrial Energy	Power & Utility	Mobility Life	
Revenue from sales of merchandise	92,542	700,385	93,354	86,079	972,360
Other	1,466	5,256	105	25,411	32,238
Revenue recognized from contracts with customers	94,008	705,641	93,459	111,490	1,004,598
Revenue recognized from other sources	342	2,020	0	126	2,488
Total	94,350	707,661	93,459	111,616	1,007,086

(Note) Revenue recognized from other sources includes lease income based on IAS 17 and profit and loss on derivative transactions based on IFRS 9.

(2) Contract Balances

The balances of receivables from contracts with customers, contract assets, and contract liabilities at the beginning and end of the period are as follows.

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Receivables from contracts with customers	107,043	92,317
Contract assets	–	–
Contract liabilities	10,587	9,659

Contract liabilities are mainly related to advances received from customers. The amount of revenues recognized in the fiscal year ended March 31, 2019 that was included in the balance of contract liabilities at the beginning of the fiscal year is ¥10,587 million. The decrease in the balance of contract liabilities in the fiscal year ended March 31, 2019 is primarily the result of satisfaction of performance obligations. The amount of revenue recognized in the fiscal year ended March 31, 2019 from performance obligations satisfied (or partially satisfied) in past fiscal years was not significant.

(3) Transaction Price Allocated to Remaining Performance Obligations

The Group has no individual transactions with contract terms in excess of one year. Therefore, the Group applies a practical expedient that provides an exemption from disclosure of information regarding remaining performance obligations. The Group's contracts with customers have no significant consideration that is not included in the transaction price.

(4) Assets Recognized from the Costs to Obtain or Fulfill Contracts with Customers

The Group has no assets recognized from the costs to obtain or fulfill contracts with customers. The Group applies a practical expedient that permits the incremental costs of obtaining a contract to be expensed as incurred if the amortization period of the asset would be one year or less.

29. Selling, General and Administrative Expenses

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Personnel expense	(36,766)	(34,558)
Rent expense	(9,546)	(9,035)
Depreciation and amortization	(5,492)	(4,865)
Commission fee	(6,861)	(6,798)
Traveling expense	(1,459)	(1,582)
Taxes and dues	(1,577)	(1,577)
Other	(9,230)	(8,903)
Total	(70,931)	(67,318)

30. 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, 2018	Fiscal year ended March 31, 2019
Gain on sales	985	976
Loss on sales	(374)	(113)
Loss on disposal	(718)	(458)
Impairment loss	(1,429)	(638)
Other	(8)	(8)
Total	(1,544)	(241)

(Note) For impairment loss of non-current assets, please refer to Note 31, "Impairment Loss".

31. Impairment Loss

The components of impairment loss are as follows.

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, 2018	Fiscal year ended March 31, 2019
Property, plant and equipment		
Buildings and structures	(529)	(133)
Machinery, equipment and vehicles	(143)	(67)
Land	(52)	(83)
Other	(272)	(43)
Intangible assets		
Goodwill	–	(171)
Other	(3)	–
Investment property	(397)	(134)
Other	(33)	(7)
Total	(1,429)	(638)

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, 2018 and 2019, there was no individually significant impairment loss.

Major impairment losses in the fiscal years ended March 31, 2018 and 2019 are on property, plant and equipment belonging to the Life & Industrial Energy Division. These impairment losses were incurred due to reduction of the carrying amount of the assets to the recoverable amount, as a result of decreased profitability caused by changes in the business environment and other factors.

The recoverable amount of these assets was measured based on fair value less costs of disposal.

32. 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, 2018	Fiscal year ended March 31, 2019
Insurance claim income	–	1,147
Commission fee	194	130
Compensation income for expropriation	367	–
Compensation income received	269	45
Foreign exchange gain (Note)	–	194
Other	1,176	817
Total income	2,006	2,333
Loss on disaster	–	(531)
Foreign exchange losses (Note)	(31)	(1)
Other	(1,169)	(601)
Total expenses	(1,200)	(1,133)
Total	806	1,200

(Note) Gain or loss on valuation of foreign currency derivatives is included in foreign exchange gain or loss. In addition to the above, in the fiscal years ended March 31, 2018 and 2019, net gain or loss on valuation of commodity-related derivatives was recognized at ¥246 million and negative ¥332 million, respectively, in revenue and cost of sales.

33. Financial Income and Costs

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

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Interest income		
Financial assets measured at amortized cost	82	71
Other	10	12
Subtotal	92	83
Dividends received		
FVTOCI financial assets	296	66
Subtotal	296	66
Interest expense		
Financial liabilities measured at amortized cost	(863)	(838)
Other	(87)	(68)
Subtotal	(950)	(906)
Other financial income (costs)		
FVTPL financial assets	(241)	755
Subtotal	(241)	755
Total	(803)	(2)

34. Earnings per Share

Basic earnings per share for the fiscal years ended March 31, 2018 and 2019 were calculated as follows:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net profit attributable to Itochu Enex's shareholders (Millions of yen)	11,025	11,559
Weighted-average number of ordinary shares outstanding (Thousands of shares)	112,921	112,879
Basic earnings per share attributable to Itochu Enex's shareholders (Yen)	97.63	102.40

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

35. Cash Flow Information

Supplementary information about cash flows is shown below.

(1) Changes in Liabilities Arising from Financing Activities

Changes in liabilities arising from financing activities are shown below:

As of March 31, 2018

(Millions of yen)					
	Short-term borrowings	Non-current borrowings (Note)	Bonds payable (Note)	Lease obligations (Note)	Liabilities held to hedge non-current borrowings
Balance as of April 1, 2017	1,667	24,392	14,961	10,696	776
Cash flows from financing activities	7,323	(7,041)	–	(1,574)	–
Change occurring due to acquisition of control of subsidiaries	1,360	164	–	–	–
Change occurring due to loss of control of subsidiaries	–	(110)	–	(420)	–
Foreign exchange translation differences	(33)	–	–	–	–
Change in fair value	–	–	–	–	(105)
Interest expense	–	12	10	–	–
Increase in new contracts	–	–	–	1,863	–
Balance as of March 31, 2018	10,317	17,417	14,971	10,565	671

(Note) The amounts include current portion of non-current borrowings and current portion of lease liabilities.

As of March 31, 2019

(Millions of yen)					
	Short-term borrowings	Non-current borrowings (Note)	Bonds payable (Note)	Lease obligations (Note)	Liabilities held to hedge non-current borrowings
Balance as of April 1, 2018	10,317	17,417	14,971	10,565	671
Cash flows from financing activities	(6,311)	(2,321)	–	(1,642)	–
Change occurring due to acquisition of control of subsidiaries	26	–	–	–	–
Foreign exchange translation differences	(10)	–	–	–	–
Change in fair value	–	–	–	–	(34)
Interest expense	–	11	10	–	–
Increase in new contracts	–	–	–	2,218	–
Balance as of March 31, 2019	4,022	15,107	14,981	11,141	637

(Note) The amounts include current portion of non-current borrowings, current portion of bonds payable, and current portion of lease liabilities.

(2) Acquisition of Subsidiaries

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, 2018	Fiscal year ended March 31, 2019
Components of assets at time of acquisition of control		
Current assets	2,808	58
Non-current assets	4,587	267
Components of liabilities at time of acquisition of control		
Current liabilities	(3,082)	273
Non-current liabilities	(937)	33

(Millions of yen)		
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Consideration paid	(4,396)	(6)
Cash and cash equivalents included in assets at time of acquisition of control	645	28
Net proceeds (payment) from acquisition of subsidiaries	(3,751)	22

(3) Loss of Control of Subsidiaries

The major components of assets and liabilities related to companies that ceased to be subsidiaries following the share exchange at the time of loss of control and cash and cash equivalents in the assets at the time of loss of control are shown below:

(Millions of yen)		
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Components of assets at time of loss of control		
Current assets	5,105	–
Non-current assets	11,721	–
Components of liabilities at time of loss of control		
Current liabilities	(8,134)	–
Non-current liabilities	(1,195)	–

(Millions of yen)		
	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash and cash equivalents included in assets at time of loss of control	(598)	–

36. Non-Cash Transactions

Significant Non-Cash Transactions

The amount of assets acquired under finance leases is ¥2,415 million and ¥2,386 million for the fiscal years ended March 31, 2018 and 2019, respectively.

37. Related Parties

(1) Compensation for Key Management Personnel

Compensation for key management personnel of the Group is shown below:

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Short-term compensation	351	335
Share-based payment	3	3
Total	354	338

(2) Transactions with the Parent, Associates, and Other Companies Owned by the Parent

Transactions with the parent, associates, and other companies owned by the parent and the balance of receivables from and payables to them are shown below:

For the fiscal year ended March 31, 2018

Category	Name	Relationship with related party	Transaction amount	Unsettled balance
Associate	N-REIF1 Investment Limited Partnership	Investments in investment limited partnerships	5,216	-
Subsidiary of parent	ITOCHU Treasury Corporation	Cash transactions	7,000	20,000

For the fiscal year ended March 31, 2019

Category	Name	Relationship with related party	Transaction amount	Unsettled balance
Associate	N-REIF1 Investment Limited Partnership	Investments in investment limited partnerships	2,308	-
Subsidiary of parent	ITOCHU Treasury Corporation	Cash transactions	-	20,000

There is no balance of collateral and guarantee transactions, and no allowance for credit losses was recognized for the receivables from associates and other companies owned by the parent.

38. 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, 2019 is shown below:

In the fiscal year ended March 31, 2019, there were no individual subsidiaries with material non-controlling interests.

Company name	Location	Percentage of voting rights owned (%)
Home-Life Division		
ITOCHU ENEX HOME-LIFE HOKKAIDO CO., LTD.	Chuo-ku, Sapporo City, Hokkaido	100.0
ITOCHU ENEX HOME-LIFE TOHOKU CO., LTD.	Miyagino-ku, Sendai City, Miyagi	100.0
ITOCHU ENEX HOME-LIFE NISHI-NIHON CO., LTD.	Naka-ku, Hiroshima City, Hiroshima	100.0
ECORE CO., LTD.	Hakata-ku, Fukuoka City, Fukuoka	51.0
Itochu Industrial Gas Co., Ltd.	Chiyoda-ku, Tokyo	100.0
Life & Industrial Energy Division		
ENEX FLEET CO., LTD.	Yodogawa-ku, Osaka City, Osaka	100.0
KOKURA ENTERPRISE ENERGY CO., LTD.	Kokurakita-ku, Kitakyushu City, Fukuoka	100.0
KYUSHU ENERGY CO., LTD.	Oita City, Oita	75.0
Power & Utility Division		
Oji-Itochu Enex power retailing Co., Ltd.	Chiyoda-ku, Tokyo	60.0
Enex Electric Power Co., Ltd.	Chiyoda-ku, Tokyo	100.0
TOKYO TOSHI SERVICE COMPANY	Chuo-ku, Tokyo	66.6
ENEX LIFE SERVICE CO., LTD.	Chiyoda-ku, Tokyo	100.0
Mobility Life Department		
Osaka Car Life Group Co., Ltd.	Nishi-ku, Osaka City, Osaka	52.0
36 other companies		

39. Commitments

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

	As of March 31, 2018	As of March 31, 2019
Acquisition of property, plant and equipment	12,766	9,755
Total	12,766	9,755

40. Contingent Liabilities

The Group provides various forms of guarantees for general business partners. 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 business partners as of March 31, 2018 and 2019 are as follows:

The total amount of guarantees is the total amount of maximum payment limits under guarantee contracts with guaranteed entities and the maximum amount at which payment obligations may arise to the Group. The actual amount of guarantees is based on the total amount of debts recognized by guaranteed entities within the maximum payment limits, and is the amount that is deemed as the amount of actual risks taken after deduction of re-guarantees given by a third party to the Group, etc.

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Financial guarantees		
Total amount of guarantees	-	5,395
Actual amount of guarantees	-	26
Guarantees for other transactions (Note)		
Total amount of guarantees	184	110
Actual amount of guarantees	135	96
Total		
Total amount of guarantees	184	5,505
Actual amount of guarantees	135	122

(Note) Financial guarantees include guarantees on loan receivables to associates. Guarantees for other transactions include guarantees on operating transactions and guarantees on the balance of leasing agreements.

For guarantees provided by the Group for general business partners, those with the longest guarantee period will expire on March 31, 2025.

Currently there is no litigation, arbitration, or other legal proceedings that may have a significant impact on the Group's financial position or operating results. However, the Group gives no guarantee that there is no possibility that such significant lawsuits or other legal proceedings may be filed with regard to the Group's operating activities in Japan and overseas in the future that may have a negative impact on the Group's financial position and operating results.

41. Collateral

The components of assets pledged as collateral and their corresponding debts are shown below:

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets pledged as collateral		
Trade receivables	95	115
Investments accounted for by the equity method	2,312	2,326
Other investments	16	17
Non-current financial assets other than investments	1,469	1,307
Property, plant and equipment	12,535	11,547
Total	16,427	15,312
Corresponding debts		
Short-term bonds and borrowings	967	904
Trade payables	257	331
Non-current bonds and borrowings	8,852	7,773
Total	10,076	9,008

In addition to the above, other investments pledged as substitute for brokerage margin payments for commodity futures transactions as of March 31, 2018 and 2019 were ¥1,772 million and ¥1,668 million, respectively.

42. Events after the Reporting Period

No items to report.

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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. and its consolidated subsidiaries as of March 31, 2019, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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, 2019, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC

June 19, 2019

Member of
Deloitte Touche Tohmatsu Limited

Company Information (As of March 31, 2019)

Stock Information

Shares and Shareholders

Authorized shares	387,250 thousand
Shares issued and outstanding	116,881 thousand
Shareholders	8,509
Shares per trading unit	100

General Meeting of Shareholders

Ordinary general meeting of shareholders	Annually in June
Basis dates	For ordinary general meeting of shareholders: March 31 of each year For year-end dividends: March 31 of each year For interim dividends: September 30 of each year

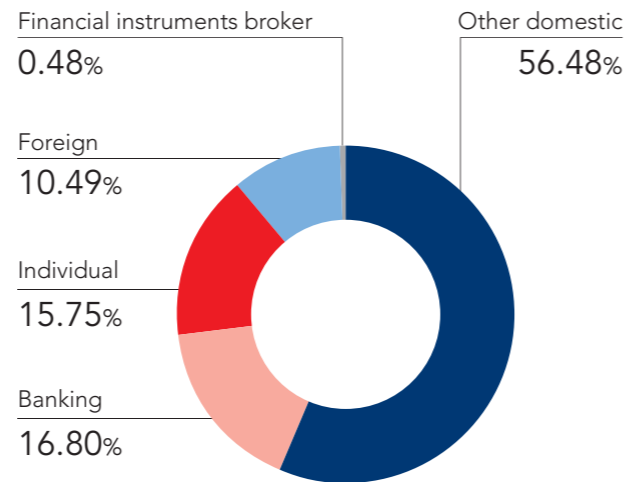
Shareholder registry administrator: Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Ltd.

Principal Shareholders

Name	Shares (thousand)	Stake (%)
ITOCHU Corporation	60,978	53.97
Japan Trustee Services Bank, Ltd. (trust account)	5,326	4.71
The Master Trust Bank of Japan, Ltd. (trust account)	4,538	4.02
Enex Fund	3,040	2.69
Japan Trustee Services Bank, Ltd. (trust account 9)	2,041	1.81
JXTG Holdings, Inc.	2,010	1.78
GOVERNMENT OF NORWAY	1,588	1.41
Nippon Life Insurance Company	1,542	1.36
Itochu Enex Employee Shareholding Association	1,115	0.99
MAEDA ROAD CONSTRUCTION Co., Ltd.	957	0.85

Note: Excluding treasury stock (3,893 thousand shares)

Shareholding Ratio by Owner



Share Price (Selected as a constituent of the FY2019 JPX-Nikkei Mid and Small Cap Index.)



Corporate Overview (As of March 31, 2019)

Company name	Itochu Enex Co., Ltd.
Head office address	3-2-5, Kasumigaseki, Chiyoda-ku, Tokyo 100-6028, Japan
Established	January 28, 1961
Paid-in capital	¥19,877.67 million
Main sites	Kita-Nihon, Higashi-Nihon, Chubu, Kansai, Chushikoku, Kyushu (Other sales sites are located across Japan.)
Subsidiaries	49
Affiliates (equity method applied)	21
Number of employees	641 (non-consolidated basis, including 186 seconded to subsidiaries) 5,619 (consolidated basis)
Stock exchange listing	Tokyo (first section; stock name: ENEX)
Securities code	8133
Main financial institutions	Sumitomo Mitsui Trust Bank, Ltd.; Sumitomo Mitsui Banking Corp.; Resona Bank, Ltd.; Mizuho Bank, Ltd.; MUFG Bank, Ltd.

More detailed company information is available via our website.
<https://www.itcenex.com/english/>



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Organization Chart (As of August 1, 2019)

