The Best Partner for Life and Society
ITOCHU ENEX CO.,LTD.

https://www.itcenex.com/en/

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ENEX REPORT 2021

Itochu Enex Group Integrated Report

ENEX VALUE

The Best Partner for Life and Society

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

The Itochu Enex Group will look toward the future to create new value that will be needed in life and society, and endeavor to contribute broadly to society as an essential presence, hand-in-hand with customers. For many years, we have operated mainly in wholesale businesses, but we are now shifting the focus of our various businesses to the people living in each community —the end consumers. Together with sales outlets and business partners, we will meet the needs of customers and move forward as a consumer-oriented energy trading company.

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Editorial Policy

Enex Report 2021 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.

Environment Social Governance
Guidance for Collaborative Value Creation

Period Covered

April 1, 2020–March 31, 2021
Note: Includes certain activities that fall outside this period.

Organizations Covered

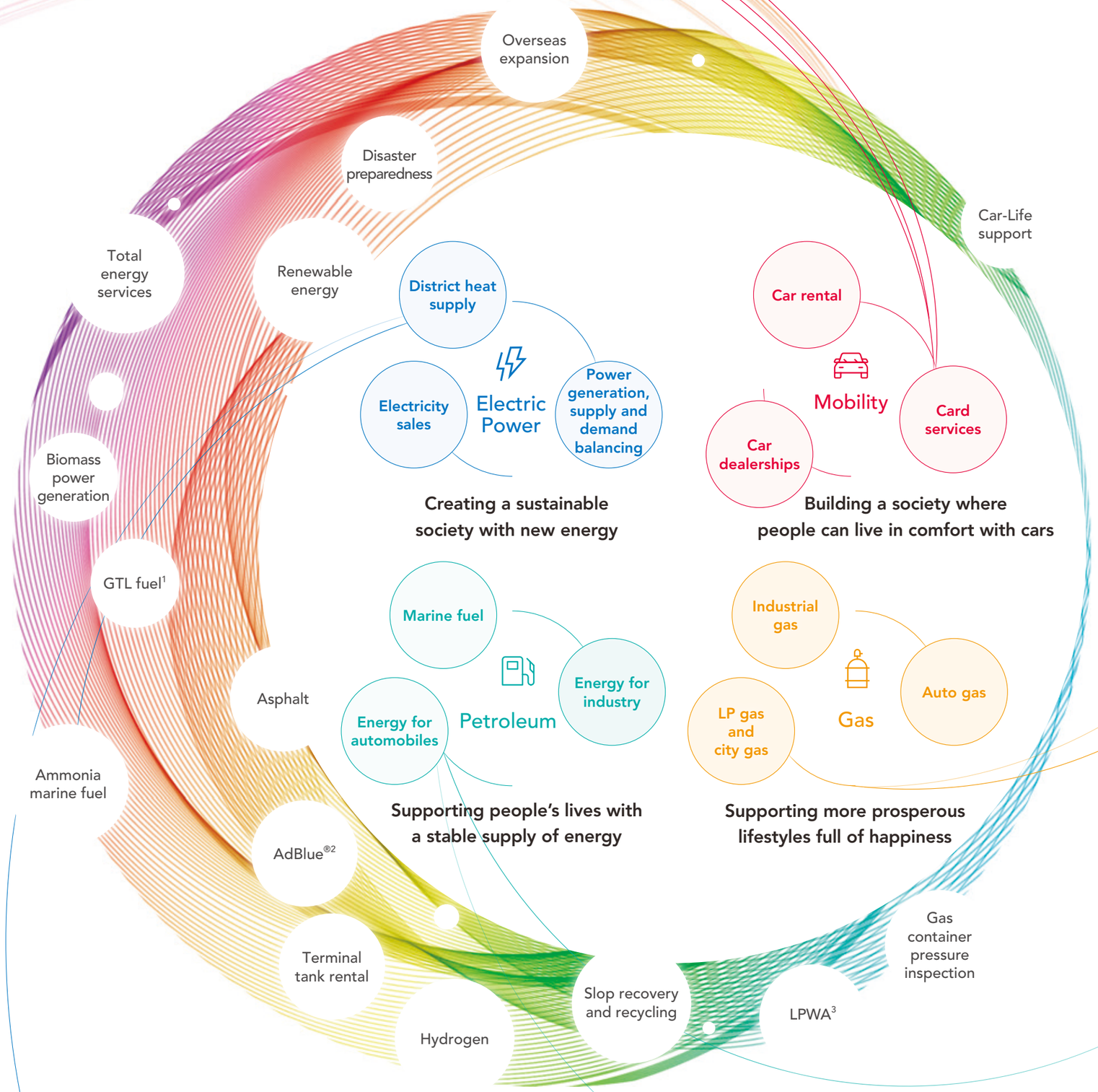
Itochu Enex Co., Ltd. and Itochu Enex Group companies

Publication Date

September 2021

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.



1. Gas-to-liquid (GTL) fuels are derived from natural gas and are a cleaner alternative to diesel fuel in having a reduced impact on the environment.
2. 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. (® Registered trademark of Verband der Automobilindustrie e.V. (VDA))
3. Low-power, wide-area (LPWA) networks employ telecommunications technologies that enable long-range communications with reduced electricity consumption.

THE ITOCHU ENEX GROUP IN FIGURES

Net profit attributable to Itochu Enex's shareholders

¥12.2 billion

(Record high for sixth consecutive year)

Dividend policy

Dividend payout ratio

40% or more

(40% or more for fourth consecutive year)

ROE

9.2%

(9% or more since FY2016)

Renewable energy generation capacity

51,306 kW

Domestic market share of AdBlue®

(Used to detoxify nitrogen oxides (NO_x) in diesel vehicle exhaust)

25%

Disaster response bases

Car-Life Stations: 141 locations

Filling stations: 14 locations

(Number of Car-Life Stations and core LP gas filling stations in Japan that are equipped with emergency power generators and can provide a stable supply even in times of emergency)

Market capitalization

Approx. ¥120.0 billion

Group companies

Subsidiaries: 45

Equity-method affiliates: 21

Employees

Non-consolidated: 663

Consolidated: 5,558

Work-life balance

Percentage of paid vacation days taken: Approx. 83%

Number of employees who took childcare leave: 34

(Cumulative total number of employees who took childcare leave during FY2015 through FY2020)

Employment of diverse human resources: female representation

20.2%

Percentage of outside officers

41.7%

Note: All figures current as of March 31, 2021, unless otherwise noted.

Gas

LP gas and city gas supply contracts

1.5 million households

Automotive gas stations that supply LP gas to LP gas vehicles (buses, taxis)

40 locations

Petroleum

Affiliated Car-Life Stations*

1,687 locations

Industrial energy contracts for business sites

Approx. 3,000 locations

* Car-Life Stations are service stations that offer multiple services, as proposed by the Itochu Enex Group.

Electric Power

Electric power supply contracts for households and commercial facilities

Approx. 190,000

Heat supply districts in the Kanto region

19 districts

Mobility

Dealership network of Nissan Osaka Sales Co., Ltd.

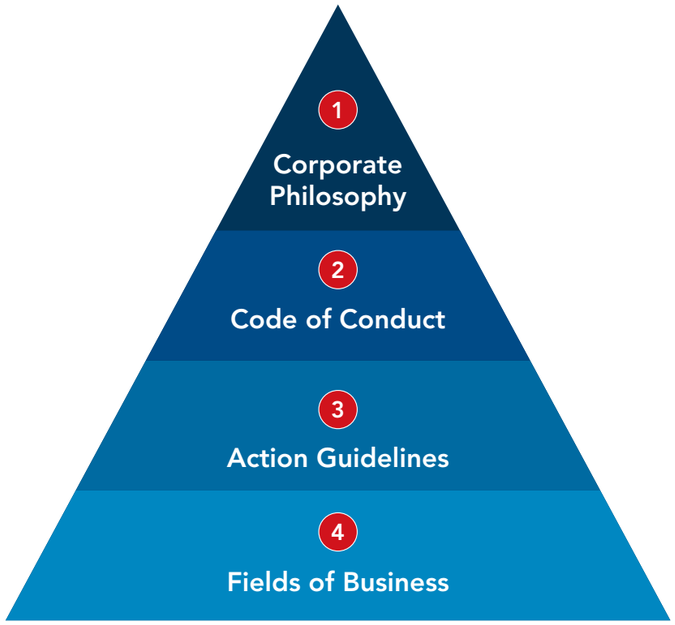
117 dealerships

Car rental outlets

Approx. 430 outlets

Corporate Vision

The fundamental stance, morals, and values that the Itochu Enex Group adheres to 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.

1 Corporate Philosophy

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 delivered energy to customers across Japan, chiefly in the form of petroleum products and LP gas. Regardless of the changes to life and society, we continue to deliver the value needed by our customers as their stalwart partner. Moreover, we will contribute to the realization of a prosperous society and life, and hope to be a company that regional customers choose. The Group's Corporate Philosophy embodies these ideas.

2 Code of Conduct

Be Ethical
(Reliability and sincerity, creativity and ingenuity, transparency and integrity)

In 1962, soon after its founding, the Company established its Guiding Precepts. The spirit of those precepts is perpetuated in the Group's Code of Conduct, "Be Ethical," announced in 2001. The Itochu Enex Group is committed to acting with reliability and sincerity in its dealings with all stakeholders. Furthermore, the Group works to generate new value through the exercise of creativity and ingenuity, and maintains transparency and integrity in its business activities while making meaningful contributions to society.

Guiding Precepts
(established in 1962)

1. Strive to incorporate the principles of reliability and sincerity in your daily duties.
2. Streamline business through creativity and ingenuity, and always keep moving forward.
3. With transparency and integrity as your creed, be cordial and work to improve the well-being and prosperity of everyone affiliated with the Company.

3 Action Guidelines

Declaration of the Group Code of Conduct

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

(For the full Group Code of Conduct, please visit: https://www.itcenex.com/en/corporate/mission/)

Declaration of the Group Code of Conduct (Summary)

(1) **Relationship with Customers:** 1) Safety: Safe and secure transactions / Quality management of products and merchandise; 2) Sincere response: Improvement of service quality / Management of customer information / Handling of accidents and complaints

(2) **Relationship with Business Partners:** Fair transactions / Management of corporate information

(3) **Relationship with Suppliers:** Fair purchasing / Compliance with anti-monopoly law / Procurement standards

(4) **Relationship with Employees:** Respect for human rights / Respect for health and safety / Comfortable workplace environments / Fair personnel assignments and employment / Appropriate personnel evaluation and treatment / Use of dedicated consulting channels / Prohibition of sexual and power harassment

(5) **Relationship with Corporate Properties:** Protection of properties and assets / Appropriate accounting procedures / Management of confidential information

(6) **Relationship with Local Communities:** Social contribution activities / Dialogue with citizens / Relationship with national and other public authorities

(7) **Environmental Activities:** Ongoing environmental activities / Environmentally conscious business / Environmental management / Green procurement

(8) **Relationship with Shareholders and Investors:** Accurate information disclosure / Stable distribution of profits / Active investor relations activities

(9) **Moderation in Corporate Behavior:** Compliance / Prohibition of insider trading / Giving and receiving gifts / Compliance with the Political Funds Control Act / Prohibition of relationships with antisocial forces / Health management

4 Fields of Business

Energy for all applications, whether as a key component of social infrastructure or as a means of nurturing people and enriching their lives

To successfully be "the best partner for life and society," as outlined in our Corporate Philosophy, it will be necessary to further spread the prosperity and convenience that energy provides throughout society and people's lives. The Group wants to not only provide energy that is a key component of social infrastructure, but also hopes to be a source of inspiration for our customers. To that end, the Group intends to continue providing a variety of products and services suited to the times.

Message from the President

Future growth will not be achieved by simply attempting to repeat past successes. We will gear up, implement a decisive shift in our business structure, and accelerate our growth with a stance that is unrelentingly aggressive.

Kenji Okada
Representative Director,
President and Chief Executive Officer

Theme

How will the world be different in 2050?

We celebrated our 60th anniversary in January 2021. Looking back, the domestic supply system of the energy industry has been relatively stable with the strong backing of national policies. As a company, we have achieved solid results. Of course, we have not just stood by idly as the waves of change washed over us. Since I became president, we have been implementing management innovations based on a series of medium-term business plans, most notably with the aim of further stepping up the profitability of existing businesses, cultivating new business fields through aggressive efforts in the launch of an infrastructure fund and overseas businesses, and entering environmental businesses and next-generation energy with an eye toward a decarbonized future.

In recent years, ESG issues and the United Nations Sustainable Development Goals (SDGs) have become hot topics. With the 2050 Carbon Neutral Declaration announced by the Japanese government in October 2020, which declares a commitment to net zero greenhouse gas emissions by 2050, ESG issues and the SDGs have rapidly become the focus of attention in Japan as well. Based on this declaration, Japanese industries have been asked to accelerate their moves toward decarbonization, and change is likely to be rapid. The challenges posed by decarbonization and climate change must be overcome in order to realize a sustainable society, and I believe that the true purpose of the relevant initiatives is to ensure that future generations can enjoy a more prosperous life.

In April 2021, at the online Leaders Summit on Climate hosted by the United States, developed economies seeking to take the lead in creating rules and regulations announced reduction targets to be achieved by 2030, while emerging economies took a wait-and-see attitude toward committing to targets. Although nations may have difficulty in seeing eye-to-eye, as in this case, I believe it is important to maintain a broad perspective when considering what can be done for society in line with the goal of pursuing sustainability.

What does the goal of carbon neutrality mean for Japan?
Reduce greenhouse gas emissions to net zero

Emission amount = Amount absorbed or removed

↓

Key premise: Amount of greenhouse gas emissions must be reduced

Theme

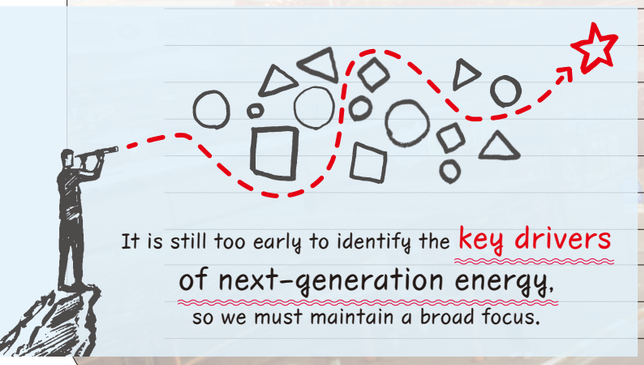
Are we looking at issues from the perspective of global standards?

Historically speaking, most waves of change to hit Japan have been driven by influences that originate beyond its shores. With this in mind, we need to pay greater attention to the world around us. The information we collect will depend on how we direct our attention. Do we focus on information for our own company? For the industry? For society as a whole? Or for the planet? Based on what we have achieved in business thus far, it is critical that we cast a broad net with a global perspective. A failure to do so could lead to misreading signs, which in themselves may not be obvious at first.

As an energy trading company, the Itochu Enex Group will maintain gasoline and LP gas as its core businesses while deepening its environmental and energy businesses in ways that include expanding its range of environment-related products and initiating collaborations in the hydrogen value chain. When considering the optimal energy sources for the environment and society, we must also take into account the cost of energy development, given our business base in Japan. We need to consider what best practices are. We are at the dawn of a new era in next-generation energy, and it is therefore very difficult at this moment to determine what will become key drivers in the future.

For example, electric vehicles are expected to be the next generation of automobiles, but they require batteries that depend on lithium, cobalt, and many other rare metals. The need for these rare metals raises serious issues, such as the high environmental impact of mining and the same kind of geopolitical risks entailed in petroleum. In addition, the actual amount of CO_2 reduction over the lifecycle of electric vehicles relative to internal combustion engines needs to be verified.

So, even when examining a single matter such as this, we must be able to take a multifaceted perspective, one capable of anticipating changes and other factors that might result. With regard to sustainability as well, our ideal must be not simply to secure our own profits; we need to develop our businesses while maintaining a consistently broad focus to enable us to foresee what kind of needs will arise, which in turn will enable us to make a social contribution and achieve sustainability.



Theme

We must delve deep into how we create value as a business.

Over the past few years, I have noticed that terms such as the SDGs and compliance are often referred to as if they were the very purpose of corporate activity. I do not intend to refute the idea that the realization of a sustainable world, as well as legal and regulatory compliance, are vital for corporate management. However, as the head of a company, I must judge whether or not a business will succeed in view of the opportunities and the risks, with an eye to the future. When embarking on a business, never have I thought that making contributions to society is a legitimate excuse for neglecting profit. It is my conviction that only when an enterprise has success in its core business will its corporate value and its economic and social sustainability increase, which in turn will have a more positive impact on society and the environment.

Moreover, in today's rapidly changing world, I believe that the key points of focus for corporate management are management and execution.

Ultimately, even if attention to the world around us allows us to anticipate the future, this will not lead to results unless we follow up with action. This thinking guided the previous medium-term business plan, which was a Group-wide call to action under the theme of "Moving!" For the two years starting FY2021, we will continue with these initiatives while also recognizing the need to gear up and accelerate our efforts in light of rapidly intensifying environmental issues and the global pandemic. With this in mind, we have named our new medium-term business plan "SHIFT! 2022." The three basic policies of "SHIFT! 2022" are maintaining and expanding bases, deepening the environmental and energy businesses, and cultivating next-generation human resources.

Maintaining and expanding bases involves further enhancing our domestic sales network and our customer base in the petroleum, gas, electric power, and automobile industries, while actively promoting the expansion of new businesses and B-to-C businesses utilizing digital transformation. In addition, we will tap into the insights and expertise we have accumulated in Japan to strengthen overseas business development with a focus on Asia.

Deepening the environmental and energy businesses calls for forays into untapped areas with environmental products, electric power and various energy sources. In addition, in the field of renewable energy, we aim to further expand our electric power business, from power generation to selling, while enhancing our environmental technical capabilities and expanding offerings of low-carbon and decarbonized products, alternatives to petroleum products.

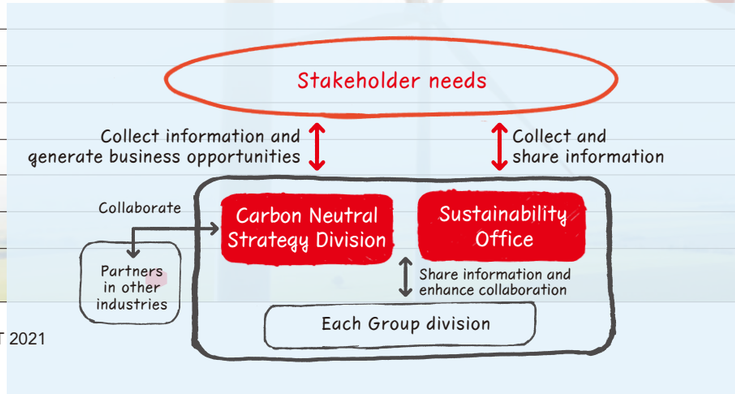
In cultivating the next generation of human resources that will be responsible for implementing the two policies detailed above, we will further promote diversity and enhance education and training to cultivate multi-talented human resources who will actively work in Japan and overseas, crossing boundaries between business divisions and product categories.

Theme

Times are changing with greater speed; we too must move faster.

In order to enhance management and execution under "SHIFT! 2022," in April 2021 we established the **Carbon Neutral Strategy Division** and the **Sustainability Office** to further promote our sustainability initiatives. Although each of our four business divisions had previously been instructed to pay careful attention to and emphasize the collection of information, we recognized that the level of cross-divisional information collection and sharing was still insufficient. Valuable information might be siloed in certain departments, leaving the company unprepared to be the first to seize opportunities to secure a dominant position. Speed is now a key priority.

To this end, we will consolidate information related to sustainability and environmental measures in the two new organizations and enhance our ability to effectively share this information both internally and externally. By strengthening these functions, we will be able to pay greater attention over a wider area and thus deepen shared knowledge within the Group. The Carbon Neutral Strategy Division, which reports directly to the president, will be responsible for dealing with the major challenge of creating business opportunities that lead to climate change countermeasures and reduced CO_2 emissions. The Itochu Enex Group has been expanding its business in the environmental and energy field over the past few years, including environment-related products and renewable energy, so I expect great things in terms of gearing up in enhancing cooperation with the government and industry organizations, and among Group companies.



Theme

Get into the habit at a young age: Don't be shy—keep stepping up to the plate.

The Itochu Enex Group is an energy trading company with a business portfolio that can be roughly divided into three categories: core businesses that form the earnings foundation, businesses expanding new foundations by leveraging the network of core businesses, and businesses developing growth fields such as the environmental, energy, and overseas businesses. Due to differences in history and customer base, I sense that the divisions vary in the urgency with which they perceive threats and emerging issues in the business environment. While all companies experience this phenomenon to a greater or lesser extent, in facing an uncertain forecast for the business environment over the next decade, we cannot allow ourselves to become complacent. We need to be willing to take drastic measures to reform our organization.

I would single out the development of junior employees in this regard. By providing opportunities for employees of the same generation to inspire each other, we plan to eliminate sectionalism, strengthen teamwork among generations and discourage short-sighted thinking. In FY2021, we introduced a new **Challenge Promotion program** that provides opportunities for junior employees to accumulate experience early in their careers by taking up the challenge of management roles. While the program had only about five participants this year, we are eager to see many more take on the challenge. In addition, we offer an overseas training program that aims to foster globally competent human resources capable of conducting overseas business projects. Under the program, we dispatch mostly junior employees as trainees to one of a number of countries for two years, where they not only learn the language, but also learn about local business customs and culture.

To use a baseball analogy, it is important to step up to the plate and swing the bat as often as possible while young. There is no sure way to score a good hit in the coming age, so the key to growth is simply to get moving quickly and to gain experience from the many small setbacks along the way. It is my sincere conviction that those who step up and learn the most from their defeats will develop into valuable human resources capable of thinking and acting on their own. I want to see our employees embrace the spirit of stepping up to the plate at a young age, in whatever form the opportunity presents itself. Toward this end, management must focus on establishing systems that allow employees to take on challenges, and on fostering a dynamic organizational culture that does not penalize people for trying and failing.

Another important point is to learn to be fascinated by change. When trying to accomplish something new, having just one person dismissing our chances of success or undermining the significance of our efforts can ruin the whole mood. There is no point in gathering information from the world if it is then scrutinized through a lens of pessimism. Management is committed to fostering an environment of encouragement and will not entertain attitudes that might put a damper on enthusiasm. Whether promoting diversity or reforming workplace practices, unless individuals at the top change for the better when taking on new challenges, it will not be possible to create an open corporate culture.

Theme

We have complete confidence in our unique initiatives and strengths. Look forward to great things from Itochu Enex.

During the past year's Covid-19 pandemic, we sought to develop our business portfolio by searching for new businesses while being constantly mindful of both those business fields that stand on the same bedrock as our existing businesses, and those with different foundations. One of the Group's strengths is its connection to customers, including sales outlets throughout Japan. When we encountered headwinds such as the escalation of the pandemic, they turned out to be an opportunity to conduct business talks remotely, no longer bound by the distance constraints we had dealt with when conducting face-to-face negotiations. Furthermore, through remote meetings with sales outlets, we were reminded of our mission to provide added value through our connections with those outlets and the customers that use our products.

From our point of view, while our connections with sales outlets and their customers in the general public can be called our "network," unless we act as partners that stand alongside sales outlets as they face management questions such as how to ensure the survival of their business and what direction they should steer, they will no longer see any value in continuing to connect with us. We therefore make a point of constantly thinking of ways to organically link our diverse offerings—from the petroleum, LP gas, electric power and other products carried by essential businesses, to automobile-related businesses and online services. In fact, our ability to do so is one of our assets, and we are proud to say that in this regard we have limitless possibilities, which include those integrating the latest technologies such as AI.

For the time being, we expect the energy industry and the process of decarbonization to remain in a state of flux. However, even this kind of situation, which is fraught with risk, holds potential opportunities. We will focus on spotting such opportunities in order to make our next move. The Itochu Enex Group has the potential to maximize its innate strength as a trading company to anticipate what will happen next and then duly respond in a flexible manner. This is what I would call the "ability to change"—the ability to find a way forward. I invite all stakeholders to witness the Itochu Enex Group's unique "ability to change." In closing, I would like to affirm our commitment to gear up in adapting to changes in the business environment with the kind of speed expressed by our plan to "SHIFT!"

Kenji Okada
Representative Director,
President and Chief Executive Officer

August 2021

Roundtable Discussion with Outside Directors

Ichiro Saeki
Representative Attorney, Shi-Go-Roku Law Office
Auditor, The Shinkumi Federation Bank
Emeritus Professor, Aoyama Gakuin University

Motoyo Yamane
Board Member, Characters Culture Promotion Organization (Public Interest Incorporated Foundation)
Director, Junshin Hiroo Gakuen
Director, Picture Book Culture Promotion Association (Incorporated Nonprofit Organization)

Hiroshi Endo
Council, Public Interest Incorporated Foundation Japan Police Support Association
Counsel, Kamimura Ohira & Mizuno
Outside Director, Generation Pass Co., Ltd.

How to Draw on the Unique Strengths of the Itochu Enex Group to Achieve Sustainable Growth

The Itochu Enex Group formulated "SHIFT! 2022," a new medium-term business plan aimed at addressing urgent environmental issues and the call for decarbonization, as well as further accelerating its growth strategy. In light of the qualitative plan set forth in "SHIFT! 2022," we held a roundtable discussion with the Group's three Outside Directors, all of whom are independent officers. Drawing on their own objective perspectives, they discussed matters such as the Group's strengths, the state of our messaging, and measures that could be taken to enhance corporate value.

From an external perspective, what strengths of the Itochu Enex Group constitute its advantages?

Saeki: From my own external perspective, for an organization that celebrated its 60th anniversary in 2021, the Itochu Enex Group seems to be completely free of the conservative mood commonly found in companies this old and established. Junior employees readily offer their own ideas and the organization as a whole has vitality. And since its core businesses involve the supply of energy products such as petroleum, LP gas, and electric power—essential businesses that are indispensable to local lifestyles and industries—the Itochu Enex Group is a company with great social significance. These characteristics are strengths that are part of the foundation of the Group. At the same time, there is now an expectation that all companies involved in fossil fuel businesses should act to achieve carbon neutrality, so the Group's ability to switch to more sustainable forms of energy will be put to the test.

Yamane: After assuming the position of Director, I had the opportunity to visit sites such as industrial gas filling stations, fuel centers, and asphalt terminals in order to further my understanding of individual businesses. In listening to frontline and other personnel, it was clear how the deep ties developed over the past 60 years with people in local communities have become an important asset for the Group. In addition, I felt that employees have very naturally embraced their mission not simply to offer a lineup of energy products, but to provide "energy as a source of inspiration" to customers. I would also single out as a great strength the relationship of mutual learning and growth that the Itochu Enex Group and local communities have built.

Endo: I have been keeping an eye on three of the Itochu Enex Group's strengths with particular interest. The first

is its network, which is a product of its customer base and procurement network. As Mr. Saeki and Ms. Yamane mentioned, this strength is the driving force that enables the Group to be indispensable to local lifestyles and industries. The second is financial strength. And the third is management's ability to take action, the proof of which is the setting of record-high net profit for six consecutive years. These three strengths are backed up by one more strength: human resources. Many Group employees have earned the abiding trust of its business partners, and many have been involved from their early years in Group operations that entail significant responsibility.

What measures can the Itochu Enex Group take to further enhance corporate value?

Saeki: Enhancing corporate value could be said to be the mission of all listed companies. However, given current external factors and legal restrictions, companies are limited in the measures they can implement. I believe an

effective growth strategy would be one that utilizes the financial strength that Mr. Endo mentioned. In addition to continuing to operate debt-free in recent years, the Company has been generating stable free cash flows and has a large capacity for investment. That is why an increase in new investments in environmental technologies and the expansion of the range of low-carbon and decarbonized alternatives to petroleum will undoubtedly lead to enhanced corporate value. This is in line with the new medium-term business plan "SHIFT! 2022," a key element of which is deepening the environmental and energy businesses. This approach has also been strongly championed by President Okada. For other investments, I believe that the Group has reached the stage at which it should plan and implement strategic M&A and new approaches to overseas markets.

Endo: As I mentioned before, one of the Group's strengths is its network, which is a product of its customer base and procurement network. Utilizing that network to develop and supply inimitable new products and services will directly enhance corporate value. This is exactly what is meant by "maintaining and expanding bases," the first policy of "SHIFT! 2022." I would imagine that preparations for expansion are already under way, with close attention being paid to various markets, including those overseas. For overseas businesses as well as B-to-C businesses that utilize digital transformation, it will be important to make flexible and timely decisions that enable the Group to enjoy the first-mover advantage.

Yamane: From my point of view, the appeal of the Itochu Enex Group is that each division and Group company is engaged in activities that are "in the moment." Just looking at the press releases of recent months reveals how the Group has been prompt in communicating initiatives by each division that are in tune with current social issues. Moreover, the Group is engaged in a far wider range of businesses than stakeholders might imagine. Much like a mirror ball, the Group's approach is multi-faceted, with each facet actively functioning "in the moment." I have confidence that the cumulative result of such dynamic day-to-day activities will be the sustainable enhancement of the Group's corporate value.

How can the Itochu Enex Group's strengths and corporate value be accurately communicated to the public?

Yamane: The Group needs to be more proactive in communicating information such as sustainability indicators, business opportunities, and corporate activities. Nowadays, investors and general consumers alike are very critical of companies that are not fully committed to the SDGs and ESG issues. Prior to my appointment as Director in 2019, I could not help but wonder if the Board was devoting enough discussion to industrial trends such as the acceleration of decarbonization. I was also concerned that employees might not be sufficiently aware of these trends. However, after assuming this post, I found that the Company was clearly assigning priority to sustainability issues and vigorously discussing business opportunities and risks. I have high expectations of the Carbon Neutral Strategy Division, Sustainability Office, and the Sustainability Committee (an advisory body to the Management Advisory Conference), newly established in spring 2021.

Saeki: Speaking from the perspective of financial strategy, the Itochu Enex Group is an energy trading company that has always been keenly aware of the importance of ROE-oriented management and has remained committed to securing returns in excess of the cost of capital. However, ROE is not the only indicator that the Group focuses on. For example, it engages in ongoing planning for aggressive investment in new fields in order to achieve management targets. Some investments may have a short-term negative impact on cost of capital, nevertheless, I think the Group should focus on investor relations that elicit positive evaluations of its strategy of targeting sustainable growth that weighs the tradeoff between ROE improvement and financial leverage.

Endo: At this point in time, the direction of the Japanese government's next basic energy plan is uncertain and the energy industry is in a transitional phase that will entail major changes. The Itochu Enex Group needs to execute a challenging change of course. In light of these circumstances, it will be important for the Group to establish a long-term vision as early as possible and to make that vision public. Doing so should also provide a welcome tailwind for achieving the qualitative and quantitative plans of "SHIFT! 2022."

What is the role of Outside Directors in efforts to achieve sustainable growth?

Saeki: First, it is a given that as an Outside Director I will continue to provide support to the Executive Directors to ensure their proper execution of duties. At the same time, I will contribute to improving the effectiveness of the Board of Directors by overseeing management from an unbiased perspective. Given the Group's status as a listed subsidiary of ITOCHU Corporation, I will maintain vigilance to ensure that there are no conflicts of interest with minority shareholders. To these ends, I will exchange information with a diverse range of individuals within the Company and fulfill my role so that shareholders are properly rewarded.

Yamane: I see the Itochu Enex Group as having quite a well-established culture in which all employees are free to think and speak for themselves, and completely new ideas are welcome. I intend to support the Itochu Enex Group in opening up further to society as a corporate group, in developing an inclusive workplace environment that supports the success of women, and in raising the awareness of male employees. Furthermore, I hope to better enable the Group to expand possibilities for growth by contributing to discussions that are unbound by preconceptions and by raising issues from new perspectives, which should earn the Group more positive evaluations from stakeholders.

Endo: Somewhat echoing Mr. Saeki's comment—as an Outside Director I hope to do my utmost in my supervisory and advisory capacities to see that the Group enhances its corporate value over the medium to long term while exercising strong governance. I would imagine achieving record-high net profit for six consecutive years discourages Group management from making bold decisions. Then again, the Group's pledge to execute bold investments to create new core businesses should not be forgotten. As Outside Directors, in cooperation with the Inside Directors, we intend to contribute to the promotion of investments that will be indispensable to future growth, while comprehensively and appropriately monitoring investment profitability and risk management. While of course ensuring defensive governance measures, we will also pay close attention to offensive governance measures.

Our History of Value Creation

Throughout its history, the Itochu Enex Group has overcome various difficulties through effective responses. We have established our current position by broadening our business portfolio in step with societal changes and customer needs, thereby growing our profits. To achieve further growth, we will respond with agility to the changing operating environment, thereby creating value as only the Itochu Enex Group can.

Net Profit Attributable to Itochu Enex's Shareholders (Billions of yen)

Note: Figures for net profit attributable to Itochu Enex's shareholders (also referred to as "net profit" in some parts of this report) are based on Japanese General Accepted Accounting Principles (JGAAP) for years until FY2012, and on International Financial Reporting Standards (IFRS) from FY2013.

1961
Establishment of Itochu Fuel Corporation

1970
Acquired shares of Unoshima Sansuiso K.K. and entered the high-pressure gas business

1974
Completed the Sasebo Asphalt Terminal and made a full-scale entry into the asphalt business

2004
Started sales of AdBlue® (for reduction of NO_x in exhaust gas)

2008
Acquired shares of Kohnan Fleet Corporation (now Enex Fleet Co., Ltd.)

2010
Launched an electric power retailing business (Launched wind and hydro power generation businesses in 2011)

2012
Acquired shares of Tokyo Toshi Service Co., Ltd. and entered the heat supply business

2014
Acquired shares of Osaka Car Life Group Co., Ltd. and entered the car dealership business

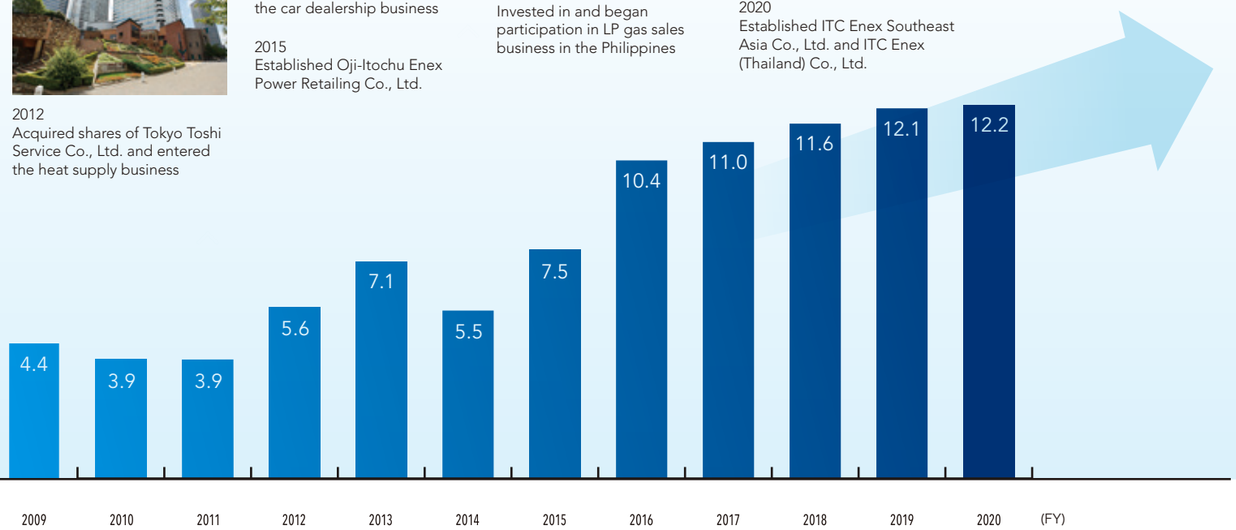
2015
Established Oji-Itochu Enex Power Retailing Co., Ltd.

2016
Invested in and began participation in LP gas sales business in the Philippines

2019
Enex Infrastructure Investment Corporation listed on infrastructure funds market of the Tokyo Stock Exchange

2020
Established ITC Enex Southeast Asia Co., Ltd. and ITC Enex (Thailand) Co., Ltd.

2021
Started a joint venture to establish a hydrogen value chain from production to utilization of low-carbon hydrogen



Review of Past Medium-Term Business Plans

	2014	2015–2016	2017–2018	2019–2020
	Moving2014「動く!」 Moving 2014	Moving2016「動く!」～明日にタネを蒔け!～ Moving 2016: Sowing seeds for tomorrow	Moving 2018 つなぐ 未来 Moving 2018: Connecting to the future	Moving 2020 翔ける Moving 2020: Horizons
Basic Policy	Strive for sustainable growth by transforming our business models for petroleum and gas, creating new businesses, expanding existing businesses, improving the infrastructure of the power and utilities businesses, developing overseas businesses, and promoting evolution of the Enex DNA.	Focus on further establishing our growth strategy while securing earning power and improving our business foundation based on three themes: increasing profitability, sowing the seeds for long-term growth, and strengthening organizational power and key strengths.	Aim to further solidify our business foundation for the next stage under two themes: connecting to future growth by reforming the revenue base, and connecting people and functions of the Group by reforming the organizational base.	**Promotion of Growth Strategies** 1. Maintaining and deepening the revenue base 2. Making inroads overseas and in peripheral fields 3. Creating new businesses **Evolution of the Organizational Base** 1. Strengthening Group management 2. Human resource strategies for growth 3. Promoting innovation **FY2020 Quantitative Results** Net profit ¥12.2 billion (+¥1.2 billion) Dividend payout ratio 46.4% (+6.40 pts.) Investment (2-year total) ¥41.0 billion (−¥2.0 billion) ROE 9.2% (+0.2 pts.) Note: Figures in parentheses represent the difference from the revised plan announced in May 2020.
Priority Initiatives	▶ Entry into car dealership business (acquired shares of Osaka Car Life Group Co., Ltd.) ▶ Strengthening of electricity sales (established electric power sales company with Oji Group)	▶ Entry into home energy sales business ▶ Expansion into overseas markets (Indonesia, Philippines) ▶ Launch of Enex Early Bird working style reforms	▶ Stronger collaboration with partners in other industries ▶ Consolidation of Group companies ▶ Expansion of environmental businesses ▶ Reinforcement of renewable energy business ▶ Introduction of new overseas training program	**Deepening Connections** ▶ Started heat supply for new Yokohama City Hall building ▶ Started collaboration with Nissan Motor Co. in electricity sales ▶ Started *Sumaho Kyuyu* ("smartphone refueling") ▶ Rolled out new brand, TERASEL, for electric power-related businesses **Expanding Abroad** ▶ Opened a car care business in Vietnam ▶ Started a solar power generation business in Thailand (established a representative office and then subsidiaries) ▶ Promoted the energy service provider business **Utilizing New Tools** ▶ Started joint venture in the hydrogen value chain ▶ Focused efforts on expanding sales of GTL fuel ▶ Jointly worked to develop ammonia marine fuel ▶ Initiatives through our accelerator program (collaboration with other industries)

Overview of the Business Environment and New Medium-Term Business Plan

The theme of medium-term business plans for the previous seven years has been "Moving." Under this theme, the Itochu Enex Group developed new fields and radically reviewed its past approaches. We will keep moving. Considering rapidly escalating environmental issues and the global COVID-19 pandemic, we believe that we must now gear up and accelerate.

We have set "SHIFT!" as the theme of our new medium-term business plan starting FY2021, with the aim of further enhancing corporate value.

Megatrends

- Climate change
- Large-scale disasters
- Declining and aging population in Japan
- Scientific and technological advances

Opportunities and Risks

- Transition to electric power and electric vehicles
- Overseas demand for energy infrastructure development
- Progress of digital technology
- Growing demand for decarbonization
- Lifestyle changes brought on by disasters and pandemics
- Advancement of Japan's declining birthrate and aging population

Overview of the New Medium-Term Business Plan

SHIFT! 2022
Basic Policies

SHIFT! 2022

Foundations

Maintaining and Expanding Bases

- Further enhancement of domestic sales network and customer base (petroleum, gas, electric power, automobiles)
- Active promotion of B-to-C business utilizing digital transformation
- Strengthening of overseas business development with a focus on Asia

Environment & Energy

Deepening the Environmental and Energy Businesses

- Forays into untapped areas (new business domains) with environmental products, electric power and various energy sources
- Further expansion of the electric power business from generation to selling, especially with renewable energy
- Enhancing environmental technical capabilities and expanding offerings of low-carbon and decarbonized products, alternatives to petroleum products

Human Resources

Cultivating Next-Generation Human Resources

- Cultivating multi-talented human resources who will actively work in Japan and overseas, crossing boundaries between business divisions and product categories
- Further promoting diversity and fostering diverse values
- Developing and enhancing internal training systems

Management Indicators

Net profit

FY2020 results	¥12.2 billion
FY2021 target	¥12.5 billion

ROE

FY2020 results	9.2%
FY2021 target	9.0% or more

Substantive operating cash flows

¥30.0 billion
or more each fiscal year

Consolidated dividend payout ratio

40% or more

New investment
(Cumulative total over two fiscal years)

¥60.0 billion

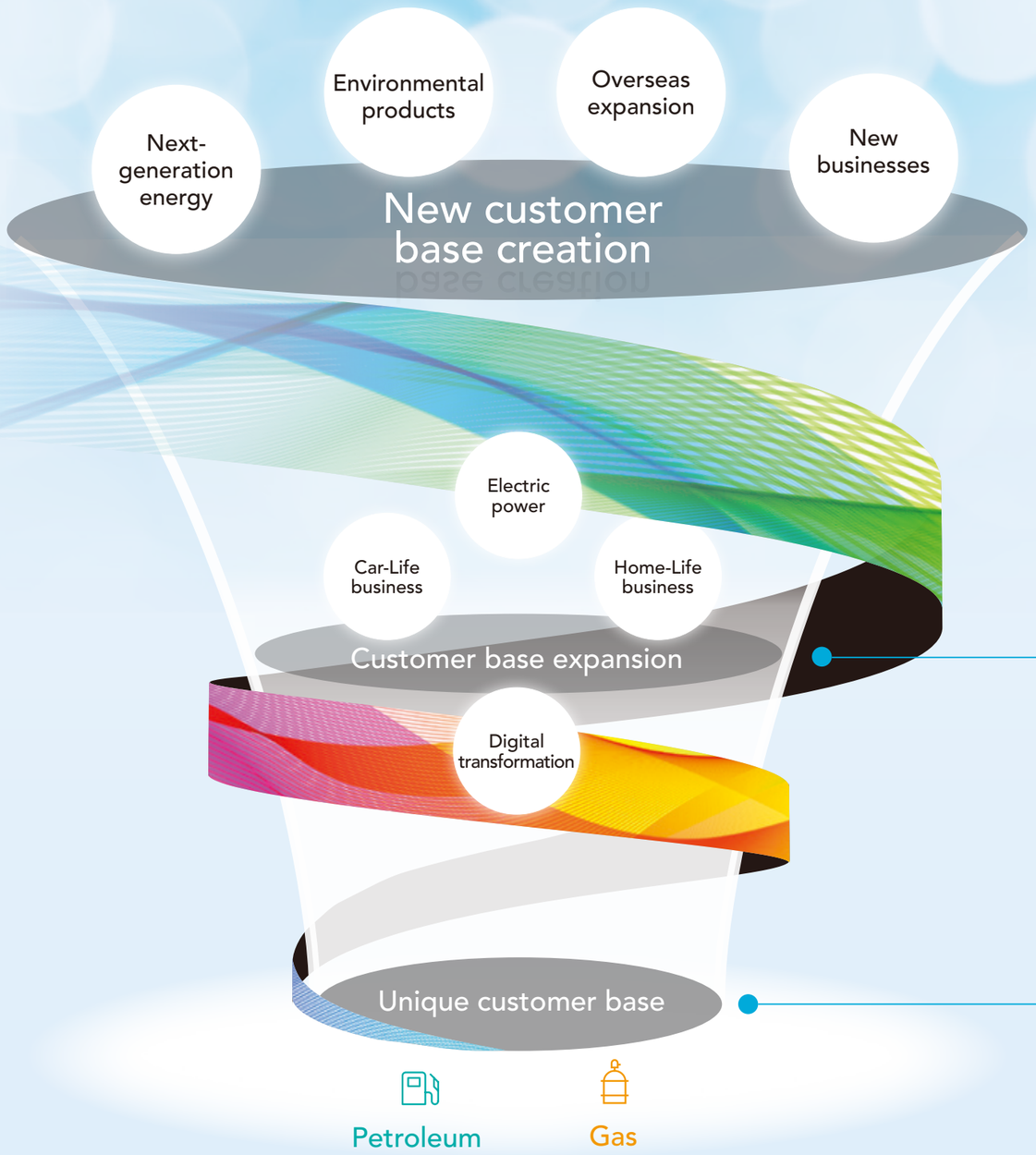
Sustainability Initiatives

Established the **Carbon Neutral Strategy Division** and the **Sustainability Office**

Established the **Sustainability Committee** as an advisory body to the Management Advisory Conference

Growth Strategies Leveraging Our Customer Base

The Itochu Enex Group's core businesses involve the supply of products such as petroleum, LP gas, and electric power, which are key components of the infrastructure that supports society and people's lives. Through these essential businesses, we have built up relationships of trust and a commanding customer base. We are currently leveraging this base to develop and evolve businesses that will become future core businesses of the Itochu Enex Group.



Why we are able to take on new challenges by expanding investment

- Our accumulated expertise can be applied in overseas expansion
- The support of our stable stock-type core businesses makes it possible to expand investment to new businesses
- We are able to take on challenges in developing environmental products and collaborating with other industries

Building on the stable foundation provided by our core businesses, we optimize the use of management resources to promote environment-related businesses and create new businesses. This entails leveraging our unique strengths: the ability to expand our networks, the ability to think independently and respond to customer needs, and rich creativity to build mechanisms.

In environment-related businesses, we are focusing on expanding sales of GTL fuel (a cleaner diesel alternative that is derived from natural gas), the use of which has begun at the new Yokohama City Hall building and major construction companies. We have also started to examine the construction of a hydrogen value chain and an ammonia marine fuel supply chain. Furthermore, with the aim of expanding our business in the growing markets of Southeast Asia, in 2019 we established ITC Enex Southeast Asia Co., Ltd. in Bangkok, Thailand, to develop solar power generation and energy conservation-related businesses. In 2020, we established a new company, EnexFleet Vietnam Co., Ltd. to develop our Car-Life business (car washing, coating, light maintenance, and other automobile after-sales services) in Vietnam. In addition, we are examining a variety of ways to create new businesses that draw on the strengths we have cultivated through our existing businesses.

Why we are able to achieve sustainable growth by expanding our base

- We are able to generate Group synergy such as through electricity sales to our customer base in the petroleum and gas businesses
- Electricity sales provide us with an opportunity to expand peripheral businesses, including automotive-related and household-related businesses

We strive to generate Group synergy and further leverage our customer base on a Group-wide basis with the aim of maintaining and deepening our revenue base. Specifically, the Group is working to propose new products and services, which includes electricity sales, by using digital technology to connect with the customer base cultivated in the petroleum and gas businesses. Another example of a new initiative to deepen our revenue base is the collaboration of Itochu Enex and Enex Life Service Co., Ltd. with Nissan Motor Co. in electricity sales.

In addition, electricity sales provide us with an opportunity to expand peripheral businesses, such as electric vehicle and mobility services, renovation for switching to electric power, and the supply of environmentally friendly products such as solar power generation systems and ENE-FARM residential fuel cells.

Why we are able to maintain our core businesses

- A stable petroleum and gas customer base (affiliated Car-Life Stations: approx. 1,700 locations; supply contracts for approx. 1,500,000 households and approx. 3,000 business sites)
- We are strengthening our network and maintaining our base through M&A and aggressive sales development even as the domestic market shrinks and levels out

The Group's core businesses involve supplying energy sources that are key components of the infrastructure that supports society and people's lives, namely petroleum and LP gas, as well as electricity, which it started to sell in 2010. These are products that are always needed, even in the face of unprecedented situations such as the current pandemic, which is why they are described as essential businesses. In order to continue providing safe and stable supplies energy, it is necessary to establish a foundation that organically connects customers, infrastructure, as well as the networks of our business partners, among others. As an energy trading company in business for more than half a century, the Group's strength lies in its solid foundation, which includes approximately 1,700 affiliated Car-Life Stations across Japan, approximately 1,500,000 households under LP gas and city gas supply contracts, and approximately 3,000 business sites to which the Group delivers energy for industrial use.

The energy market is fiercely competitive. This is attributable to shrinking demand for petroleum and other products due to Japan's declining birthrate, aging population, and more widespread energy conservation. It has also been brought on by market entry by competitors from other industries following the total liberalization of Japan's electricity and city gas retail markets. In order to further strengthen and maintain our core businesses, we are looking for M&A opportunities in the LP gas wholesale and retail businesses, and engaging in aggressive business development.

Toward Further Enhancement of Our Corporate Value

At the Itochu Enex Group, based on the understanding that it is our duty to contribute to the resolution of environmental and social issues through our business activities, we have reinforced our sustainability promotion framework. Moving forward, we will meet the expectations of stakeholders as the best partner for life, society, and the environment as well.

Toshihisa Fuse
Managing Officer
Chief Operating Officer,
Carbon Neutral Strategy Division

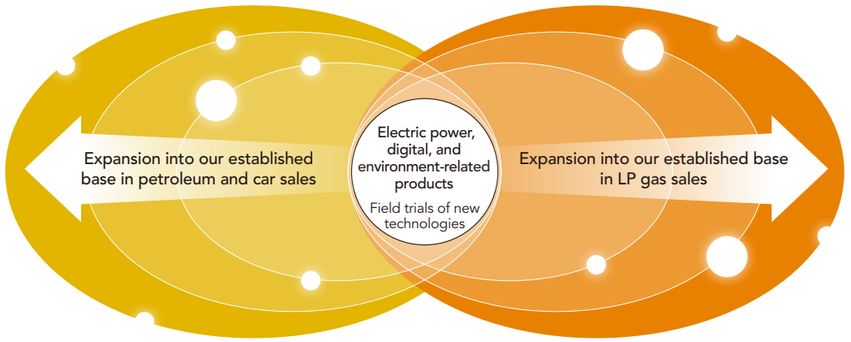
The Roles and Functions of the Carbon Neutral Strategy Division

As "the best partner for life and society," the Group's mission has centered on providing locally based support for lifestyle infrastructure in the community. Nevertheless, as an energy trading company, determining the best course of action for our environmental businesses has been a key issue, so we have been promoting environment-related businesses in line with the policies of our medium-term business plan. As such, our plans are in step with Prime Minister Yoshihide Suga's October 2020 announcement of Japan's aim to become carbon neutral by 2050. In line with this declaration, we expect the rapid acceleration of efforts aimed at decarbonization, and to cater to these changes in our operating environment, in April 2021 we launched the Carbon Neutral Strategy Division.

The role of this new division is to closely examine the risks faced by the energy industry, and discover new business opportunities for the Itochu Enex Group. There are increasing calls for the energy industry to implement climate change countermeasures and engage in decarbonization initiatives, while the industry itself continues to face unprecedented transformation. As such, it is essential that we look at ways to respond to these changes and adapt to a decarbonized society.

Specifically, we will aim to create new businesses through cross-divisional collaboration, and collect higher quality information through greater attention to external trends. In our efforts to create new businesses, we will enhance our cross-functional activities to ensure we can make full use of the Itochu Enex Group's customer base. In doing so, we can combine the functions, strengths, and customer base of each division to drive new business creation. Rather than chasing short-term profit, we will seek to enhance our earnings over the medium to long term through development of environment-related projects, an area with high growth potential. To collect higher quality information, we will ensure that each individual widens his or her field of vision and that we utilize our expansive network as a trading company to maximum effect. In the environmental energy sector, it is still unclear as to which technologies will be the sector's key drivers, so we must keep a broad focus. At present, it is essential that we pay greater attention to external trends, collect a wider range of information and carefully select which technologies to pursue.

Concept for Expansion of Business Fields



Strategies under the New Medium-Term Business Plan

The new medium-term business plan "SHIFT! 2022" focuses on the areas of hydrogen, solar power generation, and storage batteries. With regard to hydrogen, we have signed a strategic collaboration agreement with Air Liquid Japan G.K., the Japan arm of Air Liquide, one of the world's largest industrial gas companies and a pioneer in the hydrogen business, and ITOCHU Corporation to produce and utilize low-carbon hydrogen and build a hydrogen value chain that encompasses upstream and downstream operations.

Through this agreement and in anticipation of a self-sufficient model for production and consumption in large cities, we will jointly consider ways to produce and supply highly competitive hydrogen, as well as to expand our hydrogen station business. Ultimately, we aim to expand the hydrogen market for mobility and other industries. One of the advantages in embarking on this collaboration with Air Liquide was our ability to leverage our network of Car-Life Stations and other facilities, through which it is possible to demonstrate new and promising technologies. The ability to provide customers with technologies trialed through this network is one of our foremost strengths, which major general trading companies cannot replicate. We are planning to conduct trials of hydrogen supply hubs by the end of FY2021. For solar power generation, the Carbon Neutral Strategy Division will support the Power & Utility Division in promoting a self-sufficient model that enhances environmental value, as well as in developing new products that maximize the benefits of storage systems.

The Itochu Enex Group's competitive advantages in the environmental and energy domains may not be immediately apparent to employees engaged in the essential businesses of providing petroleum and gas. We must redouble not only external but also internal communication efforts to raise awareness of how our deep relationships (with the sales outlets that handle Group products and services) lead to unique strength (in being able to provide a full range of products and services, including environment-related products).

Future Outlook

To date, the Itochu Enex Group has supported economic growth as an energy trading company.

To ensure our continued ability to supply energy in the carbon neutral society of the future, we must expand our range of low-carbon, environment-related products, and fulfill our role as the best partner for life, society, and the environment. The Carbon Neutral Strategy Division will guide the organization forward in a unified effort to establish new paradigms for the Itochu Enex Group.

Key Themes of Our Growth Strategies

01

Establishing a Hydrogen Value Chain

STRATEGIC POINTS

- **Hydrogen does not emit CO_2 when combusted, thus reducing environmental burden.**
- **In addition to utilizing hydrogen, it will be necessary to establish a hydrogen supply chain platform.**
- **To overcome current challenges with regard to high cost, efforts to reduce cost and expand applications for hydrogen are accelerating.**

Advantages and Challenges of Hydrogen Energy

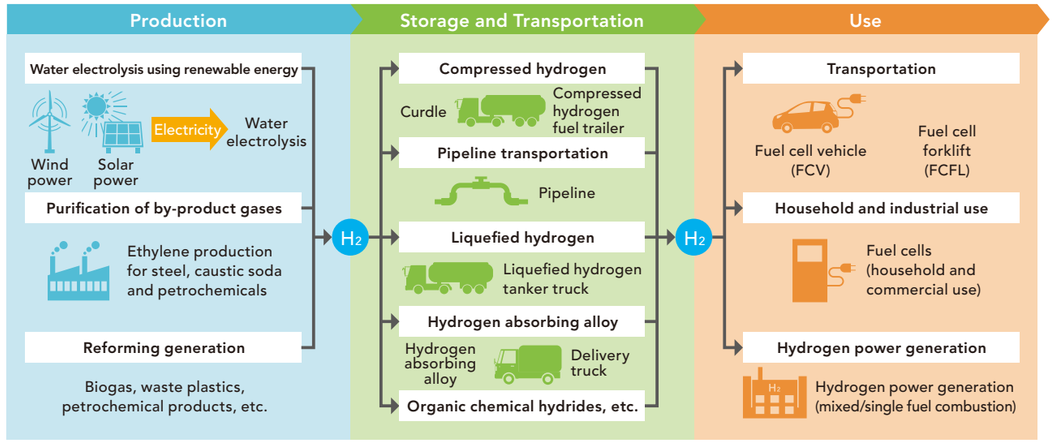
Hydrogen offers the major benefit of emitting no CO_2 when combusted. Producing hydrogen from renewable energy sources can be expected to reduce CO_2 emissions even further. In order to decarbonize through hydrogen, an integrated approach is warranted, one that takes into account not only use, but also production, storage, and transportation.

Production Hydrogen can be produced from a variety of energy sources. Given that it can be found in fossil resources such as petroleum and coal, as well as in biomass such as food waste and sewage sludge, the raw materials and means for deriving hydrogen are diverse. In recent years, the use of renewable energy sources such as wind and solar power to produce hydrogen through water electrolysis has garnered attention.

Storage and Transportation The energy density of hydrogen is low for its volume, so one challenge is how to store and transport it while also maintaining high density. Various methods are being considered, depending on the method of hydrogen production and use, and the distance between the supply and demand areas.

Use The cost of producing and transporting hydrogen is currently about seven times higher than that of LNG for the same quantity of energy. In order to reduce that cost, it is necessary to increase the number of ways hydrogen is used. In addition to promoting hydrogen power generation trials, the Japanese government is supporting the adoption of fuel cell vehicles (FCV) and fuel cells for household and industrial use. It is also promoting the spread and development of hydrogen stations for filling cars and buses with hydrogen, just like gasoline at service stations.

Hydrogen Value Chain



Sources: Based on "Welcome! Towards a Hydrogen-based Society - Hydrogen and Fuel Cell Policies" (Japanese only), Agency for Natural Resources and Energy website (https://www.enecho.meti.go.jp); and *Hydrogen Supply Chain for the Realization of a Decarbonized Hydrogen Society*, Ministry of the Environment website (https://www.env.go.jp).

Itochu Enex's Initiatives

Itochu Enex has signed a memorandum of understanding with ITOCHU Corporation and Air Liquide Japan G.K., the Japan subsidiary of Air Liquide, one of the world's largest industrial gas companies and a world leader in the hydrogen business. The three companies have agreed to a strategic collaboration on the development of a hydrogen value chain that encompasses upstream and downstream operations, from low-carbon hydrogen production to its utilization.

The strategic collaboration will start with the supply of hydrogen as fuel for large FCV trucks. A trial hydrogen station at a large-scale Car-Life Station operated by a Group company is under consideration, and will leverage our insights into the operation of energy supply infrastructure. The collaboration will be further extended to promote the hydrogen business in Japan and overseas, with the aim of establishing a global hydrogen value chain in anticipation of future hydrogen imports to Japan.

We will stimulate demand in the hydrogen energy market by leveraging the comprehensive strengths of the Itochu Enex Group, including our broad customer base cultivated over the years as "the best partner for life and society" and insights into the operation of energy supply infrastructure.

Future Outlook

In December 2020, the Japanese government announced its Green Growth Strategy Through Achieving Carbon Neutrality in 2050. Hydrogen, as a key technology for carbon neutrality under that strategy, has promising applications for decarbonization in various fields. In addition, the government has made clear its policy of having e-vehicles[1] account for 100% of new car sales by the year 2035, which is expected to drive the adoption of fuel cell vehicles moving forward. The Itochu Enex Group therefore hopes to contribute to the expansion of the hydrogen market both for the mobility market and for other industries.

1. E-vehicles: Electric vehicles, fuel cell vehicles, plug-in hybrid vehicles, and hybrid vehicles.

Key Themes of Our Growth Strategies

02

District Heat Supply

STRATEGIC POINTS

- **District heat supply contributes to carbon reduction and decarbonization of urban communities in ways such as producing and supplying energy for heating and cooling in bulk per community and by employing underutilized energy in the community.**
- **Tokyo Toshi Service, a Group company, will continue striving to be one of the top companies in Japan in terms of number of locations and amount of heat sold.**

Concept and Advantages of District Heat Supply

"District heat supply," commonly known as "district heating and cooling," is a term used to describe systems that centralize heating and cooling source equipment for a number of buildings at a central energy center. Hot and cold water produced at the centralized location is used to ensure multiple buildings, subway stations, and stores are cooled or heated appropriately, providing comfort to their occupants.

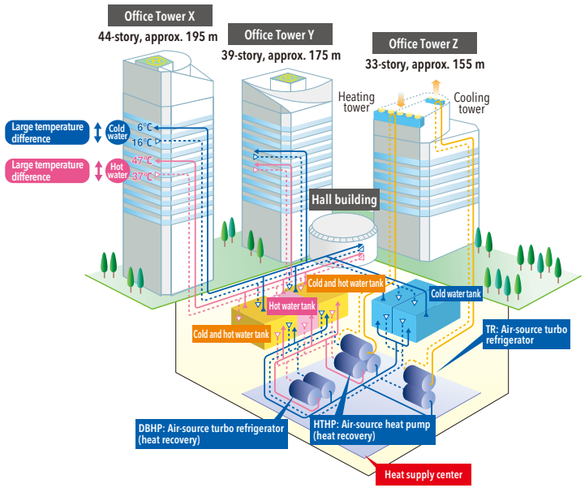
Following the promulgation and enforcement of Japan's Heat Supply Business Act in 1972, district heat supply systems introduced throughout the country have offered a range of advantages including pollution prevention, urban disaster preparedness, energy conservation, CO_2 reduction, and improved urban aesthetics. District heat supply can greatly contribute to carbon reduction and the decarbonization of urban communities through its merits of scale, leading to the operation of high-efficiency facilities and the incorporation of energy from a variety of renewable and underutilized sources. In fact, the consolidation of heating/cooling source facilities results in more space in basements and on roofs, which can be used for various purposes such as parking lots, heliports, and green spaces. In addition, cogeneration systems, heat storage tanks, and other facilities can be applied in non-routine situations—they can also be employed in times of disaster to supply electricity, heat, and water for daily needs and emergency use.

Itochu Enex Group Initiatives and Progress

Tokyo Toshi Service Co., Ltd. (TTS) joined the Itochu Enex Group in 2012. Since its establishment in 1987, TTS has developed its business mainly in district heat supply based on the strength of its efficient energy conversion technology. Currently, TTS operates 19 supply districts in the Tokyo metropolitan area, including in Ginza, Osaki, Harumi, Yokohama, and Makuhari, and is one of the top companies in Japan in terms of both number of locations and amount of heat sold.

In April 2017, a new heat supply plant was built in the basement of GINZA SIX, one of the largest (gross floor area: approximately 148,700 m²) mixed-use complexes in the Ginza area, and has since been supplying cold and hot water for the heating and cooling of the entire building. TTS's nineteenth district heat supply project began in February 2020 for the new Yokohama City Hall building, which was relocated to Kitanaka-dori South District (Naka Ward), and for the adjacent Yokohama Island Tower. In designing facilities for the new city hall building, we worked with the City of Yokohama and local stakeholders to ensure it would be in harmony with the local community, focusing on the use of renewable energy, energy conservation, and community resilience. This resulted in a combined heat and power plant based on the best mix of electricity and gas, and incorporating heat storage tanks, heat pumps, and cogeneration systems. In this way, we are realizing state-of-the-art district heat supply. Our efforts received various external accolades, including the New Energy Grand Prize. (See "External Recognition of Tokyo Toshi Service" above).

Concept for District Heat Supply Project (Harumi Island District)



External Recognition of Tokyo Toshi Service (Abbreviated List)

- Certified as a low-carbon district heat supply business under the Tokyo Metropolitan Government's Cap-and-Trade Program
  Of 44 districts in Tokyo certified in FY2021, 11 are operated by Tokyo Toshi Service: 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
- Certified as a Top-Level Facility under the Tokyo Metropolitan Government's Cap-and-Trade Program
  FY2021: Kanda-Surugadai District Heat Supply Center
- Certified as a Near-Top-Level Facility under the Tokyo Metropolitan Government's Cap-and-Trade Program
  FY2021: Osaki 1-chome District Heat Supply Center, Hakozaki District Heat Supply Center, Harumi Island District Heat Supply Center
  FY2017: Fuchu Nikkocho District Heat Supply Center
- Received the New Energy Award
  FY2021: Agency for Natural Resources and Energy Commissioner's Award, New Energy Award – environmental and community collaboration efforts for the new Yokohama City Hall building
  FY2019: Agency for Natural Resources and Energy Commissioner's Award (Energy Conservation) – Tokyo Toshi Service
- Registered as a business making the CO2CO2 (kotsukotsu) smart declaration (premium course) in Chiba Prefecture
  FY2018: Makuhari New City High-Tech Business District Heat Supply Center
- Certified as a 3-star Tochigi Prefecture Eco-Keeper Operator
  FY2017: Use of underutilized energy from substation waste heat at Utsunomiya City Chuo District Heat Supply Center was rated highly

Future Outlook

In March 2021, the Japan Heat Supply Business Association published *DHC of the Future: District Heating and Cooling*. This long-term vision articulates the importance of harnessing the strengths and achievements of district heat supply to provide four solutions to social issues in the run-up to 2030. The four solutions are: carbon reduction and decarbonization of entire cities, realization of safety and security in cities, optimal energy management in cities, and revitalization of regional cities.

Furthermore, with the expansion of energy networks, the vision sets out the 2050 goal of evolving from district heating and cooling to district total service, which will contribute to decarbonization and the vitalization of cities.

TTS will continue to contribute to the efficient use of energy in cooperation with customers and local communities, from the initial stage of development to its subsequent management, in a manner that is integrated with urban development.

Key Themes of Our Growth Strategies 03

Disaster Preparedness Initiatives

STRATEGIC POINTS

- **With the primary mission of providing a stable supply of energy, we work to maintain infrastructure in times of disaster.**
- **We have disaster response bases throughout Japan, and train and deploy human resources that support lifeline infrastructure.**
- **We promote more robust disaster preparedness capabilities through means such as formulating BCPs, building backup systems, and collaborating with other companies.**

Significance of Our Disaster Preparedness Initiatives

Based on the Corporate Philosophy, "the best partner for life and society," the Itochu Enex Group has worked since its establishment to contribute to the realization of a more prosperous society and life through the nationwide supply of energy that is essential to daily life.

In Japan, a country prone to natural disasters, we consider the stable supply of energy to be our primary mission in contributing to everyone's safety and security and quick recovery from disasters. Our infrastructure incorporates maintenance functions throughout Japan that enable us to safely and reliably deliver the energy customers need, under any circumstances. In addition, we are promoting the establishment of bases that can assist local governments and communities in strengthening regional disaster preparedness.

Itochu Enex Group's Disaster Preparedness Network

The Group has 10 offices and sales offices throughout Japan. These offices and sales offices form a network that can connect disaster-stricken areas with the rest of the nation and enable a Group-wide relief response for those areas.

Our 14 LP gas core filling stations throughout Japan are equipped with in-house power generation facilities, automobile fuel filling equipment, satellite telephones, and other equipment to ensure a stable supply of LP gas even in times of disaster, thereby protecting the safety and security of local communities. In addition, 12 worksites are equipped with disaster-response bulk systems that enable bulk power generation, hot water supply, and food preparation using LP gas, providing a lifeline for evacuation centers during a disaster.

Moreover, 64 Car-Life Stations across the country are equipped with emergency power generators to maintain refueling functions, including the ability to provide priority refueling to emergency vehicles in the event of a power outage due to a disaster. (See the map below for additional information about our disaster response network.)

In addition to the approximately 250 employees nationwide who are qualified as disaster prevention specialists, the Group has a diverse range of human resources that can work together to respond promptly to any situation, from pre-disaster preparation to post-disaster recovery. As a company that supports social infrastructure, we continue to support life and society.

Itochu Enex Group's BCP Measures

Though we have a multi-faceted disaster response network, mounting the best response to an emergency requires internal systems that can maintain and support that network. To that end, the Group has formulated a business continuity plan (BCP) for dealing with large-scale disasters. The BCP and Disaster Response Headquarters is the core organization responsible for this plan and for responding to disasters, with systems in place for appropriate nationwide coordination and for reviewing the plan on a regular basis. In addition, we have established a backup system (for transferring functions to our branches in Fukuoka and Hiroshima) to ensure that headquarters' functions can continue in the event of significant damage to Tokyo, such as from a major earthquake directly under the Tokyo metropolitan area.

In FY2020, we strengthened our BCP measures by formulating an updated BCP that factors in the spread of infectious diseases, while further developing BCP frameworks for each Group company.

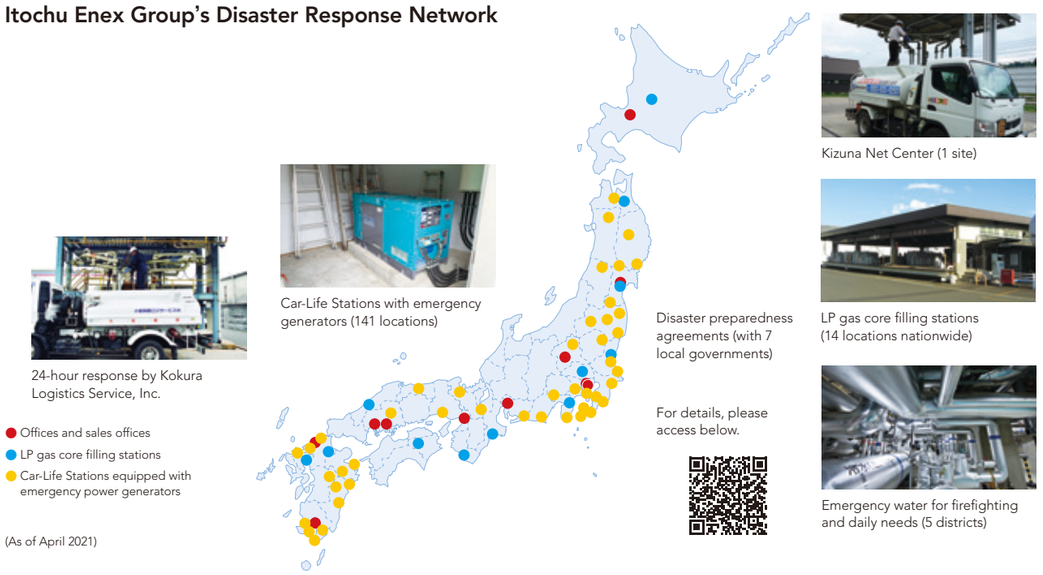
Initiatives with Other Companies

In March 2021, we began a collaboration with SoftBank Corp. to build a resilient communications network that can withstand disasters. Telecommunications play an important role as a lifeline in the event of a disaster or power outage. With the aim of making telecommunications facilities more resilient, we are working to install emergency LP gas generators at a number of SoftBank mobile phone base stations nationwide and establish a system for the uninterrupted supply of LP gas. The system we are building will be able to prioritize supply and delivery for LP gas generator use.

Going beyond this initiative, we will continue to promote cooperation to strengthen disaster preparedness by leveraging our strengths as an energy supply company.

Mobile phone base station with an LP gas generator

Itochu Enex Group's Disaster Response Network



(As of April 2021)

Key Themes of Our Growth Strategies

04

Diversity Promotion

STRATEGIC POINTS	
	• **Going beyond the empowerment of women, we will enhance efforts to promote diversity and develop global human resources.**
	• **We will proactively create an environment that facilitates diverse working styles.**
	• **We will formulate company rules that accommodate a variety of styles of thinking while also respecting the dignity of each individual.**

Objectives of Diversity Promotion at Itochu Enex

Since our founding in 1961, we have always believed that our people are our most important asset—they are the core of our value creation, as well as the driving force behind our sustainable growth and medium- to long-term corporate value. Since 2012, we have been introducing initiatives that take diversity into account.

Recognizing that women's representation in the energy industry is far lower than in other industries, we have been steadily increasing our number of female employees. Based on the idea that a company that is comfortable for female employees will lead to a company that is comfortable for all employees, we have implemented various programs to make our company more inclusive.

In 2016, we launched Enex Early Bird, a set of working style reforms that aim to make the Company a better, more rewarding place to work, and a company to be proud of in front of families and society. These far-reaching reforms are based on eliminating excessive working hours, promoting employee health and improving productivity.

In 2019, we established the Diversity Promotion Office with the aim of further promoting diversity and developing global human resources. Following the appointment of the Company's first female Outside Director that same year and first female Outside Audit & Supervisory Board Member in 2021, we have been utilizing their diverse perspectives to create a healthier and more sustainable organization and corporate culture. Currently, we are promoting a variety of initiatives to pave the way for further change under our Diversity Statement.

Current Initiatives

From 2019 through 2020, we conducted diversity training for managers, with content that reflects feedback from employees. We are now adding diversity-related subject matter to be covered in rank-based training and intend to expand the program to employees of all ages. We are also expanding opportunities for the employment of individuals with disabilities. Currently, six staff members with disabilities are employed through IBUKI, an indoor farm-based employment support service operated by Startline Co., Ltd. for people with disabilities. In addition, we support the independence of artists who are ambitiously applying their talents while living with disabilities, by using their works in our original calendars and other publications.

In terms of developing global human resources, we have a program for dispatching young employees to ITOCHU Group companies and Itochu Enex Group companies overseas. The program is open to employees regardless of their current business field and aims to foster human resources capable of flexibly conducting overseas business projects. In addition, we are actively promoting the hiring and effective placement of employees of foreign nationalities. This includes employees of Philippine and Indonesian nationality at our Group companies, and opportunities for locally hired staff at our subsidiaries in Thailand, Vietnam and the Philippines.

Herb cultivation at IBUKI Toda Farm 2

Evolution of Itochu Enex Group's Diversity Initiatives

2013	2014	2015	2016	2017
Female representation: Approx. 10%	Change in job classification system	Acquired Kurumin Mark 2015	Launched Enex Early Bird working style reforms	Introduced Casual Day
Start of new personnel system reforms	Reforms made to various workplace programs (universal access to 20 days of paid leave per year, 10 days of pregnancy leave added as a new benefit, extension of the use of shortened working hours, clarification of staggered work hours, reemployment program for employees who left due to spouse's transfer)	Held the first Enex Family Day (children of employees visit the workplace)	Approved by the Tokyo Metropolitan Government as a TOKYO Workstyle Reform Declaration Company	Participated in trial of a shared-use satellite office with childcare facility
Special feature on subject of diversity in the Itochu Enex Group's internal newsletter; questionnaire administered on topics such as job promotion of women				Introduced support program for sports activities
				Implemented mentor training

2018	2019	2020	2021
Acquired Kurumin Mark 2018	Established the Diversity Promotion Office	Start of staggered workday schedules and telework environment (COVID-19 countermeasure)	First female Outside Audit & Supervisory Board Member
Conducted job satisfaction survey	Female representation: 20%	Employee roundtable discussion on working styles	Diversity Statement formulated
Hired nine employees with foreign nationalities at Group companies	Introduced system for taking paid leave by the hour	Career design seminar held	Launched the Challenge Promotion program to select junior employees
Started new overseas training program	Hired six employees through IBUKI, a facility for people with disabilities	Life planning seminar held	Conducted second job satisfaction survey
	First female Outside Director	Diversity-related subject matter added to rank-based training	Acquired Kurumin Mark 2021

Declaration of Diversity & Inclusion

We respect the diverse ages, nationalities, genders, disabilities, values, workstyles, and other attributes of our employees, accept the differences among them, and acknowledge their individual characteristics, to ensure that all of our employees are able to fully demonstrate their capabilities and personal qualities and remain The Best Partner for Life and Society. We promote many initiatives to continue to make innovative change happen, relying on the strength of our employees' diversity.

(For details, please visit: https://www.itcenex.com/en/csr/social/diversity/)

Future Outlook

Current initiatives to promote diversity are beginning to yield results as the necessary programs are put in place. However, in order for employees to accurately understand and have fair access to such programs, the challenge will be to raise the awareness of each and every employee.

To date, the Diversity Promotion Office has held roundtable discussions with employees from across Japan to hear about their concerns and anxieties. Some of that feedback indicated that it was difficult to take childcare leave, so we published a Work-Family Balance Support Handbook aimed at informing employees about the program and promoting understanding among others. Enabling employees to pursue a career that reflects their needs, rather than having to choose between family and work, is helping to resolve their concerns.

Personnel evaluation methodologies will be a major issue given greater diversification in working styles. We will accept diverse values and respect the dignity of each individual as we formulate company rules that accommodate a variety of thinking styles. We will also continue to enact the necessary measures to ensure that Itochu Enex is a place where employees find fulfillment in their work and receive the kind of support that makes for a happy life.

Message from the CFO

We will focus on creating corporate value suited to the new era through "SHIFT! 2022."

Atsushi Katsu
Director and Managing Officer
Chief Financial Officer,
Chief Information Officer, and
Chief Operating Officer,
Corporate Administration Division

The Role and Responsibility of a CFO

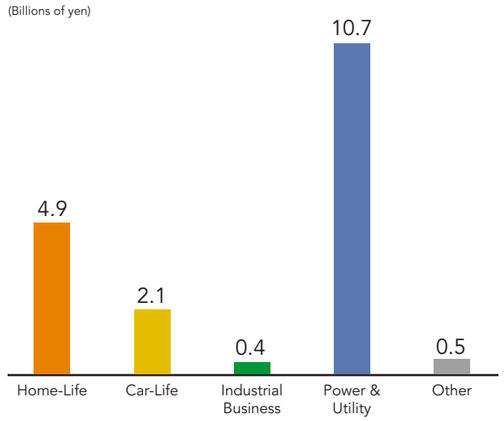
A CFO has two important missions. One is to maximize corporate value by ensuring smooth, sound corporate activities from a financial capital standpoint. The other is to enhance non-financial performance and promote ESG measures, considering various initiatives related to internal control, which provides the foundation for management of financial capital. In both financial or non-financial matters, my role is to execute the corporate activities necessary to maximize the Itochu Enex Group's corporate value.

Financial Results for FY2020 and the Previous Medium-Term Business Plan

In FY2020, the Itochu Enex Group achieved record net profit attributable to Itochu Enex's shareholders for the sixth consecutive year. Despite the strong impacts of the COVID-19 pandemic, the Group demonstrated the strengths of its wide-ranging energy business portfolio, from petroleum products to electric power. Nonetheless, the effects of the pandemic were significant and sales volumes in all segments decreased. That said, while the impacts were more severe than first forecast, the import and export business of the Industrial Business Division saw a large increase in profit due to the success of operations that anticipated oil price fluctuations. We also reduced operating expenses. Due to these and other factors, net profit was ¥12.2 billion, exceeding ¥10.0 billion for the fifth consecutive year, surpassing our revised target of ¥11.0 billion. The unprecedented business environment brought about by the pandemic has reaffirmed the significance of our role in supplying energy as "the best partner for life and society," and enabled us to see our strengths as such a partner in a new light, while also instilling us with confidence in our business model. As our business environment rapidly changes, however, we will not let our guard down. Rather, with strong risk awareness, we will search for ways in which we can evolve our business model to promote the growth of the Itochu Enex Group.

Looking back on the previous medium-term business plan "Moving 2020: Horizons," although mid-way through the period we revised our targets in light of the COVID-19 pandemic, we exceeded our initial quantitative target for net profit by ¥1.2 billion as a result of our business and financial initiatives. Moreover, we generated ample cash flows partly due to our ability to manage working capital, achieved return on equity (ROE) of over 9% and a dividend payout ratio of 46.4%, which surpassed our target of 40% or more. These successes can be attributed to our ability to appropriately and flexibly respond to the unprecedented factors of the past year. However, due to the impacts of the pandemic, we were unable to execute our initial investment plan, which targets the creation of new businesses capable of supporting the future of the Group. Although we invested in carefully selected projects while balancing offensive and defensive strategies, our investments over the two-year period totaled ¥41 billion, below our revised target of ¥43 billion. Fully acknowledging this shortfall in one of the previous plan's quantitative targets, a key theme of the new medium-term business plan is to execute investments that facilitate the Group's ability to create new businesses for the new era.

Investments Made in FY2020 by Segment



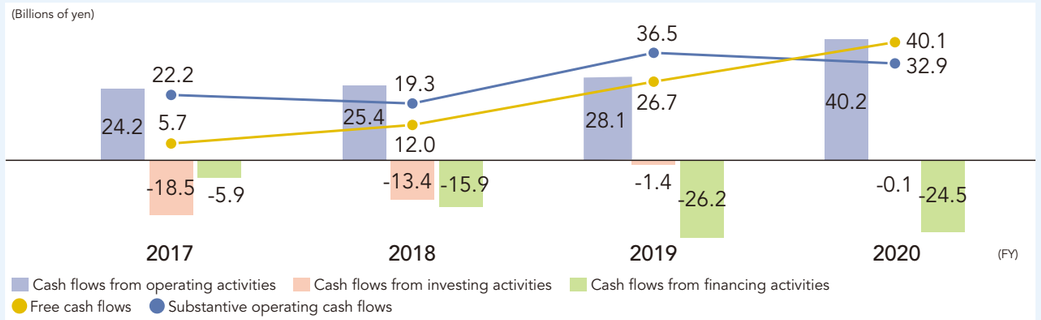
Major Investments	
Home-Life	Investment in property, plant and equipment, acquisition of business rights, etc.
Car-Life	Investment in property, plant and equipment, etc.
Industrial Business	Investment in property, plant and equipment, etc.
Power & Utility	Investment in property, plant and equipment, development projects, etc.
Other	Investment in property, plant and equipment, etc.

Quantitative Targets and Results of "Moving 2020: Horizons"

	Initial plan	Revised plan[1]		Results	Difference
Net profit	¥12.5 billion	**¥11.0 billion**	➡	**¥12.2 billion**	+¥1.2 billion
Consolidated dividend payout ratio	40% or more	**40% or more**	➡	**46.4%**	+6.4 pts.
Investment (2-year total)	¥60.0 billion	**¥43.0 billion**	➡	**¥41.0 billion**	−¥2.0 billion
ROE	9.0% or more	—	➡	**9.2%**	+0.2 pts.[2]

1. The initial plan was revised on May 15, 2020 in consideration of decreased demand due to the COVID-19 pandemic and other factors.
2. For ROE, "difference" indicates difference between the initial plan and results.

Changes in Cash Flows



The Itochu Enex Group's New Medium-Term Business Plan "SHIFT! 2022"

"SHIFT! 2022" is our new medium-term business plan for the two-year period commencing FY2021. Its aim is to keep moving onward from the previous medium-term business plan, shift to a higher gear, and in turn accelerate efforts toward maintaining and expanding bases, deepening the environmental and energy businesses, and cultivating next-generation human resources.

Aiming to further enhance our corporate value, our basic policy in setting quantitative targets was to take those of "Moving 2020: Horizons" to the next level.

Our investment target under "SHIFT! 2022" is a total of ¥60 billion over the two years of the plan. Specifically, we are considering aggressive investments in the power and utility field, which has high growth potential, so we plan to invest ¥30 billion of this ¥60 billion in the Power & Utility Division. In recent years, we have accelerated our shift from B-to-B to B-to-C sales, and a representative example of this is our electricity sales business. In the heat supply business, Group company Tokyo Toshi Service Co., Ltd. now operates an industry-leading 19 heat supply districts in the Kanto region, one of which includes the new Yokohama City Hall building. With heat supply operations steadily expanding in Hokkaido, Okinawa, and other regions, we are currently examining investments in anticipation of future business opportunities. We will also push forward with investments in the development of renewable energy power generation equipment, and through supply to Enex Infrastructure Investment Corporation we look to play our part in promoting decarbonization.

As we maintain and expand our bases, investment in IT is a management priority, and we will leverage IT to streamline our business processes and reinforce our information security systems. Furthermore, our businesses that make effective use of digital technologies, such as low-power, wide-area (LPWA) networks and *Sumaho Kyuyu* ("smartphone refueling"), are growing. Given this growth, we will focus on IT investments that can cater to society's needs as we move forward with our shift to B-to-C. We are also looking at opportunities for new business creation. We believe it will be essential to invest in related high-potential projects, as well as in digital technologies in our overseas businesses.

Although we anticipate that the essential businesses we currently engage in will remain strong for the foreseeable future, we are also aware that society's shift to renewable energy will advance at a rapid pace. To create new profit drivers during "SHIFT! 2022," we will widely seek out business opportunities, and prepare to make full use of the remaining ¥30 billion we have set aside for growth investment. This investment strategy will contribute to enhanced corporate value.

Our stable financial foundation, with an exceptionally healthy net debt-to-equity ratio of minus 0.13 times (virtually no debt), puts us in an excellent position to make such new investments. We have also received positive evaluations from external organizations, and have maintained a long-term issuer rating of A+ from Japan Credit Rating Agency, Ltd. With regard to our access to funding, in addition to ample cash and cash equivalents, we have also secured sufficient overdraft and bond (commercial paper) issuance facilities. As such, with adequate liquidity on hand, cash flows from operating activities, and borrowing facilities, we have the ability to quickly make large-scale investments, including M&A.

When making investments, we invest only in projects that meet internal hurdle rates that take into account cost of capital (i.e., WACC), having carefully scrutinized investment return targets. Hurdle rates are set based on the features of each business, and help us ensure our investments are well balanced. We also believe it essential to make decisions based on a wide range of factors such as the potential for synergy with our existing businesses, and whether we can effectively utilize our personnel.

We thoroughly monitor each project after investment by reviewing progress regularly at meetings of the Management Advisory Conference and Board of Directors. In the event that monitoring determines that an investment cannot be expected to produce the initially targeted returns, we have mechanisms enabling us to withdraw at an early stage.

As we work toward the creation of a sustainable society while earnestly addressing various social requirements, we will keep an eye on domestic and international trends, new legislation, and technological and information-related innovations, and look for economically rational products, businesses, and other projects in which we can maximize the Itochu Enex Group's strengths. In particular, as society works toward decarbonization, major investments are anticipated in the hydrogen, ammonia, and other carbon-free energy fields. Here, rather than investing alone, we will seek to collaborate with partners with whom we can form mutually beneficial relationships in both qualitative and quantitative terms.

To Our Valued Stakeholders

At the Itochu Enex Group, it is our aim to always be open with our shareholders, investors, and other stakeholders. By listening to requests and feedback and reflecting them in the Group's management, we will continue providing stakeholders with value that they seek, thereby fulfilling our Corporate Philosophy to be "the best partner for life and society." To that end, we hope to increase opportunities for engaging with all stakeholders.

Another key role of a CFO is to act as a point of contact with stakeholders. In that role, it is crucial that I pay attention to internal and external information and quickly relay details back to management. To facilitate proactive engagement with the Group's stakeholders, in April 2021 we established the IR Office, which will enable us to devote further efforts to our communication activities and increase engagement opportunities. I hope that these opportunities will deepen understanding and support of the Group's wide-ranging activities and medium- to long-term endeavors.

As "the best partner for life and society," we at the Itochu Enex Group will strive to enhance the value we provide to our stakeholders, while also meeting and surpassing their expectations.

"SHIFT! 2022" Management Indicators

Substantive operating cash flows	¥30.0 billion or more each fiscal year
Consolidated dividend payout ratio	40% or more
New investment (Cumulative total over two fiscal years)	¥60.0 billion

"SHIFT! 2022" Investment Plan

Investment strategy	"Moving 2020" (Total investment over two years)	"SHIFT! 2022" (Total investment planned over two years)
Growth investment ☐ Renewable energy ☐ Environmental businesses ☐ Overseas businesses (M&A and capital expenditure) ☐ Human resources development facilities and other investments	¥16.8 billion	¥30.0 billion
Foundations (Strengthening) ☐ Digital and IT ☐ M&A	¥3.8 billion	¥10.0 billion
Foundations (Maintaining) ☐ Upgrades to LP gas and Car-Life Station facilities ☐ Upgrades to power generation and heat supply facilities ☐ Car dealerships ☐ Systems, IT investment	¥20.3 billion	¥20.0 billion
Total investment	¥41.0 billion	¥60.0 billion

Overview of Businesses

Net Profit by Segment

Home-Life Division

Car-Life Division

Industrial Business Division

Power & Utility Division

Overview

We support comfortable, affluent, and secure lifestyles by delivering LP gas, electric power, and a variety of smart energy solutions.

Main Products and Services

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

We cater to various needs related to "car life," aiming to build a society where people can live in comfort with cars.

Main Products and Services

Gasoline, kerosene, diesel oil, electricity, vehicles, car rental, living and automotive products and services

We deliver various forms of energy that support industry and logistics, as well as asphalt, marine fuel, and eco-friendly products.

Main Products and Services

Gasoline, kerosene, diesel oil, fuel oil, LP gas, AdBlue®, asphalt, marine fuel, import/export of petroleum products, terminal tank rental, recycling of fly ash, recovery and recycling of slop

We operate electric power-related and heat supply businesses in pursuit of energy conservation, comfort and economic efficiency.

Main Products and Services

Electricity, steam, district heat supply, comprehensive energy services

Business Flow

	Procurement	Filling	Wholesale	Retail
LP Gas	Procurement from primary distributors	At filling stations, filling services are provided as appropriate according to the retail format, such as sales in cylinders, bulk sales and sales in trucks.	Wholesale to sales bases across Japan	• Sales to households and for commercial and industrial use in every region of Japan by Group companies and affiliated distributors • Supply to LP gas vehicles (taxis and buses) at automotive gas stations
Industrial Gas	Procurement from industrial gas producers	Filling services are provided as appropriate according to application, such as medical supplies and small gas containers	Wholesale to high-pressure gas distributors	Sales to corporate users

	Procurement	Wholesale	Retail
Energy for Automobiles	Procurement from primary distributors	Wholesale to sales bases across Japan	• Sales to general consumers at Car-Life Stations • Operation of car rental business at Car-Life Stations • Support for the operation of Car-Life Stations • Operation of large Car-Life Stations for trucks

	Procurement	Retail
Car Dealerships	Procurement from Nissan Motor Co.	• Sales to general consumers at dealerships of Nissan Osaka Sales Co., Ltd.

	Procurement	Storage	Wholesale
Industrial Energy	• Procurement from primary distributors • Import from overseas	• Storage at Group sites • Rental of storage tanks for petroleum products and chemical products	• Wholesale of industrial fuels • Supply of marine fuel • Proposal of electric power retail solutions and industrial waste disposal solutions for corporate users
Industrial Materials	• Import of asphalt from overseas • Import of AdBlue® raw materials from overseas and manufacture at domestic partner plants • Procurement from other domestic companies	Storage at Group sites	• Sales of asphalt, mainly to road construction companies • Wholesaling of AdBlue® • Recovery of fly ash discharged from thermal power plants for sale as road material • Recovery of slop (waste marine oil) for sale as recycled oil

	Power Source Development	Production and Procurement	Supply and Demand Management	Wholesale and Retail
Electric Power	Development with a focus on renewable energy through funds or other means	Procurement of electric power from the Oji Group and other outside power sources in addition to our own power plants	Management of supply and demand as a representative of multiple energy retailers	• Electricity sales through alliance partners from different industries • Bundled sales of electricity to the Itochu Enex Group's customer base • Sales of electric power to corporate customers

	Facility Development	Production	Supply
District Heat Supply	Establishment of heat supply plants	Production of hot and cold water for air conditioning in heat supply plants	Supply to multiple buildings in a district

Home-Life Division

Services

We will utilize our Group-wide network and promote digital transformation while collaborating with companies both in Japan and overseas to increase profitability.

Tsukasa Nakamura
Managing Officer
Chief Operating Officer,
Home-Life Division

SWOT Analysis

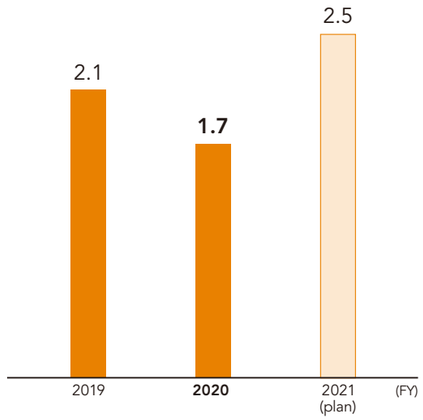
Strengths — S
- Customer base and sales locations throughout Japan
- Integrated structure from upstream (import terminals) to downstream (sales to households throughout Japan)

Weaknesses — W
- Need to strengthen collaboration with other industries
- Need to respond to digital transformation

Opportunities — O
- Expanding demand for LP gas in Asia
- Increasing awareness of the need for disaster preparedness

Threats — T
- 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

Net Profit
(Billions of yen)



Review of FY2020

While maintaining and deepening our customer base, we leveraged it to offer new services through collaboration with other divisions and other companies.

In the domestic LP gas market, while residential demand expanded because people stayed at home due to the COVID-19 pandemic, overall demand weakened due to a decrease in industrial demand caused by factors such as reduced operation of factories to which we supply gas and a decline in taxi demand. Even under these circumstances, however, as a result of the promotion of bundled sales of LP gas and electricity, the number of customers under direct LP gas supply contracts remained almost unchanged from the previous fiscal year at 550,000, while the number of customers under electricity supply contracts increased by 15,000 to 109,000.

In FY2020, based on our core strategy of pursuing a new age of business development, we worked to strengthen and broaden relationships with customers by providing services and products that offer greater added value from the customer's viewpoint under the catchphrase "Mastering the first mile." Although there were some difficulties in proceeding as initially planned due to the dramatic decrease in face-to-face sales opportunities caused by the pandemic, we have installed a cumulative total of 150,000 low-power, wide-area (LPWA) network gas meters nationwide as of the end of FY2020. In addition, we advanced digital transformation in ways such as opening a virtual showroom that can be accessed via smartphone, tablet or PC. This online showroom enables non-face-to-face sales activities and introduces products from more than 10 manufacturers, including products such as gas stoves and water heaters, and has been well received by customers.

The Itochu Enex Group's nationwide network, which also covers mountainous areas, ensures that infrastructure can continue to function in the event of a natural disaster. Building on this network, we have started collaboration with SoftBank Corp. to create a resilient communications network. We are establishing a system to provide a stable supply of gas to SoftBank's mobile phone base stations. In addition, in response to customer needs, Itochu Industrial Gas Co., Ltd. launched a new high-pressure gas container storage business, the domestic industry's first supply chain structure extending from container sales to disposal.

Through our experience of conducting business activities during the pandemic we have strongly affirmed the importance of sales activities that make full use of digital tools. By increasing our contact points with customers and proposing ideas based on their lifestyles, we aim to further expand our customer base.

Future Strategy and Long-Term Outlook

We will respond to a new society under the theme of "RENEWING," and promote digital transformation and diversification activities that reflect a customer-oriented perspective.

The Home-Life Division's management policy for FY2021 calls for exploring ways of updating and revitalizing the division under the theme of "RENEWING" in order to stay attuned to the shifts in lifestyles that have become the "new normal" amid the pandemic and keep pace with the decarbonized society of tomorrow.

In the domestic LP gas business, we will pursue a customer-oriented perspective to cultivate a broader customer base. We will provide greater benefits through the pursuit of a customer experience founded on the collection, accumulation, and utilization of data through multi-layered touchpoints that include LPWA and social media. This will be reinforced through face-to-face sales, which have long been a strength of ours. Furthermore, we hope to enhance value by proposing a variety of combinations of Group products and services, including electric power supply, to our network of 550,000 customers under direct LP gas supply contracts. In overseas business, we have entered into a capital and business alliance with WP Energy PCL to promote the LP gas business in Thailand, where market growth is expected. This is but one instance of how we plan to utilize our accumulated insights to develop our business, primarily in Southeast Asia. In the industrial gas business, we will forge new business models by focusing on M&A and alliances with profitable companies as we look to diversify our sales portfolio.

We will also introduce new systems through IT and digital transformation to further improve the efficiency of our operations. At the same time, given the urgent need to foster IT talent, we will strengthen our systems so that we can attract skilled human resources.

We believe it is important to diligently support the transition to a decarbonized society. This means continuing to reduce CO_2 emissions by streamlining meter reading and energy supply through LPWA networks, as well as proactively offering more energy-conservation products and promoting clean energy. In addition, we are determined to fulfill our mission of supporting energy infrastructure by leveraging the strength of LP gas, which is reliable even in times of disaster.

Car-Life Division

Services

With our Car-Life Stations continuing to fulfill their role as energy bases and disaster-response centers, we will further our efforts to deepen their connection to communities.

Fumio Shimizu

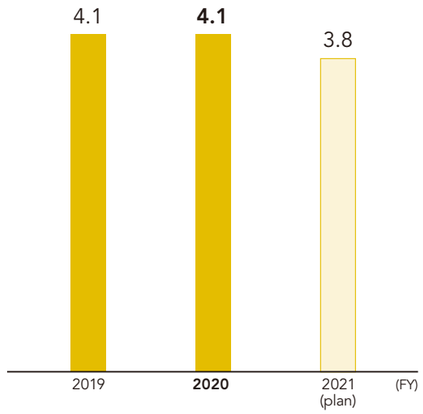
Director and Managing Officer

Chief Operating Officer,
Car-Life Division

SWOT Analysis

Strengths S	• Stable customer base centered on Car-Life Stations • Partnership with Nissan Osaka Sales Co., Ltd.
Weaknesses W	• Business development in new fields and new areas is lacking • Human resource diversity
Opportunities O	• Popularization of electric and hybrid vehicles • Creation of new oil- and automotive-related businesses
Threats T	• Declining demand for gasoline (decarbonization, phase-out of non-electric vehicle sales)

Net Profit
(Billions of yen)



Review of FY2020

Making full use of real-world and online approaches, we laid the groundwork for expanding our customer base and acquired diverse insights in anticipation of a new age.

Although our plan at the start of FY2020 was to expand our customer base, the pandemic prompted a change in direction to instead use this period to lay the groundwork for this expansion. This meant making aggressive use of IT tools to continuously strengthen relationships with affiliated Car-Life Stations[1] and dealers. The *Sumaho Kyuyu* ("smartphone refueling") service that began with a proof-of-concept test at the end of March 2020 was officially launched in December. Offering the advantage of contactless refueling, the number of Car-Life Stations using this service now totals 106.[2] *Sumaho Kyuyu* was well received by the younger generation especially, as well as existing customers, which boosted sales volume in energy for automobiles. Our plan is to double the number of Car-Life Stations operating this service.

The Car-Life Division prides itself on having one of the largest networks among all domestic energy trading companies, with a total of 1,687 affiliated Car-Life Stations.[2] The division has been focusing on rebuilding its core business such as by expanding the number of Carlife Stadium Car Lease agents to 185[2] (up 117 year on year). This subscription service allows customers to drive new cars for a fixed monthly fee.

At the same time, Japan's Agency for Natural Resources and Energy has been leading the development of "local base service stations" that have their own power generation facilities. Of our 469 Car-Life Stations that meet the relevant requirements, 64 are also disaster-response stations that are ready to contribute to the welfare of the community during times of crisis. Disaster-response stations have emergency power generators that can provide uninterrupted refueling services, and stock portable toilets and sleeping bags for use in emergencies. In overseas business, which will be important to our future, we launched a carwash and coating business with the opening of a car care specialty store in Hai Phong, Vietnam in December 2020.

Now at a historical turning point brought on by the pandemic, we must also address the needs of a new age in which society seeks to achieve carbon neutrality. As we dig deeper to analyze the achievements and challenges of the past year, we will continue with these initiatives while also focusing on our immediate tasks.

1. Car-Life Stations are service stations that offer multiple services, as proposed by the Itochu Enex Group.
2. As of March 31, 2021

Future Strategy and Long-Term Outlook

While pursuing a new vision for Car-Life Stations, we will test and verify possibilities for energy supply that reduces environmental impact.

The basic policies of new medium-term business plan "SHIFT! 2022" set out three qualitative areas to address: "Foundations," "Environment & Energy," and "Human Resources." The Car-Life Division's focus will be maintaining and expanding bases. The division's management policy is "Expanding Customer Bases – Be Aggressive II," which also covers issues that arose in FY2019. It involves building core strength that will enable a transition to the attack, which includes leveraging IT and digital tools to rebuild the sales system, making it more efficient, and otherwise thoroughly improving operational efficiency.

As the move toward decarbonization and carbon neutrality accelerates, we hope to shift our management resources and provide new services and products to our customer base, and in so doing establish a system that is ready for anything, be it electricity or hydrogen.

A high-priority measure for FY2021 is the full-scale release of TERASEL Denki for households. By tapping into the strengths of the Group's Car-Life Stations and enhancing ties with local customers through the supply of electricity, we aim to increase our value as the Car-Life Station of choice. Car-Life Stations of Enex Fleet Co., Ltd. in Kanagawa Prefecture have begun to offer services such as *Sumaho Kyuyu* and TERASEL Denki, as well as car leasing, sharing, rental, and parking, and are currently considering ways to reinvent the Car-Life Station.

Even as society continues to see energy transition progress, the automobile will not disappear. In logistics, diesel will continue to be the dominant engine type for the time being, and we expect diesel fuel sales to remain stable. We plan to aggressively expand our fleet business, including through increased capital investment. Furthermore, we plan to collaborate with the Carbon Neutral Strategy Division to investigate approaches for trials of hydrogen stations. Over the long term, our goal is to develop a "multi-station" that offers multiple fuels and services—a new Car-Life Station as a platform bringing together people, the community and different industries.

Industrial Business Division

Services

Engaging in environment-related businesses is of high social importance. We will continue to meet the needs of our customers by utilizing our insights and networks both in and outside the Company.

Hirofumi Chimura
Executive Officer
Chief Operating Officer,
Industrial Business Division

SWOT Analysis

Strengths (S)
- Comprehensive proposals of diverse products
- Expertise in environment-related businesses

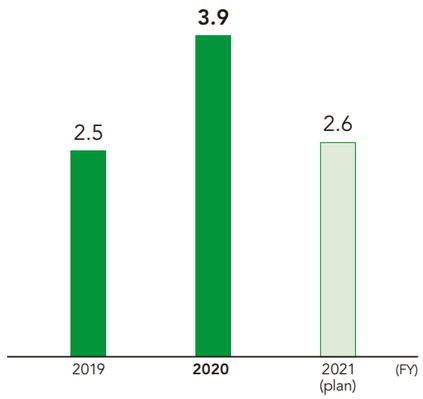
Weaknesses (W)
- Need to develop knowledge, expertise and functions in new technologies
- Need to collaborate with other companies

Opportunities (O)
- Increasing awareness of environmental issues and a contactless, decentralized society
- Strengthening of environmental regulations by the IMO*

Threats (T)
- Falling demand for petroleum products due to environmental issues

* The International Maritime Organization (IMO) has set strategic targets for greenhouse gas reduction: relative to the 2008 level, a 40% improvement in efficiency by 2030 and a 70% improvement in efficiency as well as a 50% reduction in total emissions by 2050.

Net Profit
(Billions of yen)



Review of FY2020

The industrial energy business model made good on its potential. Sales of environment-related products exceeded plan and there were indications that our presence increased both in and outside our industry.

The Industrial Business Division provides various forms of energy that support industry and logistics. Though faced with negative factors, such as stagnation in economic activity and lower refinery operating rates due to the impact of the pandemic, our integrated business model, which encompasses everything from import of industrial energy to domestic sales and has significant potential going forward, proved to be the key to success in supporting overall division performance.

In FY2020, we promoted the adoption of environment-related products such as GTL fuel[1] and AdBlue®[2] under the division management policy of developing environmental energy businesses that leverage our portfolio. In April 2020, our GTL fuel was officially adopted as emergency power generator fuel for the new Yokohama City Hall building, the first time that a local government officially adopted GTL fuel for its own use. In addition, we have been receiving a steady flow of inquiries about GTL fuel for construction machinery as an alternative to diesel fuel. Against the backdrop of heightened awareness of environmental issues, sales of GTL fuel expanded steadily.

AdBlue® achieved double-digit growth on the back of our long-standing efforts to strengthen our supply system. In addition to increasing the number of distribution bases, we are improving efficiency through an automated distribution program (i.e., a smart distribution network) that leverages digital transformation to enable immediate response to demand. In environment-related products, we harness our collective industry expertise to propose solutions for decarbonization together with our customers.

Meanwhile, we will reconsider our business strategy for the LNG heat supply business launched in FY2019, as potential customers were often hesitant about our offerings because of the large capital investment required. Environment-related products face several challenging issues, including cost effectiveness and compliance with relevant laws and regulations.

1. Gas-to-liquid (GTL) fuels are derived from natural gas and are a cleaner alternative to diesel fuel in having a reduced impact on the environment.
2. 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.

Future Strategy and Long-Term Outlook

We will promote collaboration between departments, with other industries, and among industry, academia and government in order to provide products and services that reduce environmental impact, as demanded by customers.

In FY2021, we will work to reform the structure and strengthen the profitability of existing businesses, including environment-related products, under the division's management policy of "Combining Professional Expertise and Environmental Technology for a Carbon-Free Society." We will uncover new businesses through collaboration among industry, academia and government, as well as with other industries. Reducing environmental impact is now a social issue that companies in all industries must face. It is of critical importance for the division to build networks not only with the energy industry but also with a wide range of other industries, and to use these networks as a platform to create business together.

In the short term, we aim to increase profit by further expanding sales of environment-related products such as GTL fuel and AdBlue®, which have been performing well. While focusing on these products, we will take on the challenge of creating new businesses in next-generation energy fields. For GTL fuel, we have set a target of increasing annual sales volume fivefold from the current 20,000 kL to 100,000 kL by 2023. For marine fuel, we are focusing on the supply of fuels compliant with the 2020 marine sulfur oxide (SO_X) regulations, while also working on environment-related businesses such as slop recovery and urea solutions for ships.

In the medium to long term, we will prepare for the shift to next-generation energy sources, such as renewable diesel (derived from renewable resources), and LNG and ammonia for marine fuel. This will enable us to establish businesses that propose and implement solutions to contribute to CO_2 emission reductions for our customers—essentially offering all types of fuels that meet customer needs and actively working in the field of energy services, including energy-conservation services. To this end, it will be important for us to collaborate across the organization and make comprehensive proposals to customers that utilize the insights of experts in each of our product areas. Since future growth is predicated on our ability to leverage our current customer base and pursue the best products and services from the customer's perspective, we will increase the breadth of options offered by the Group in order to meet the diverse needs of consumers.

Power & Utility Division

Services

With a retail-oriented mindset, we aim to become "the best partner for life and the Earth" by both responding to environmental issues and ensuring profitability.

Fumiya Tanaka

Executive Officer

Chief Operating Officer, Power & Utility Division,
General Manager, Retail Business Office

SWOT Analysis

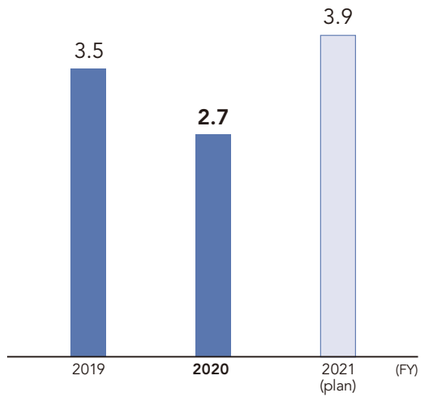
Strengths — S
- Integrated system from power generation to sale
- Network of regional operators with established customer bases
- Functions for providing mobility-related services

Weaknesses — W
- Discrepancies between business divisions in digital transformation progress
- Need to respond to demand for low-carbon power sources
- Need to recruit employees with global capabilities and high-level expertise

Opportunities — O
- Emphasis on energy efficiency
- Spread of renewable energy
- Shift to a low-carbon society

Threats — T
- Rising environmental costs (CO_2)
- Intensifying market competition due to ongoing regulatory changes
- Entry of new players from different industries

Net Profit
(Billions of yen)



Review of FY2020

We minimized risk from market fluctuation and steadily implemented the growth strategies of the medium-term business plan to expand our customer base.

In FY2020, the Power & Utility Division's management policy was "Play a broader role. Be of service." The division grew and developed to be able to shoulder broad responsibility for public works-scale infrastructure, and basic infrastructure for daily life. In October 2020, we began developing TERASEL, a new brand for our electric power-related business. As the first step, we launched the TERASEL Denki service, which allows customers to easily apply online to switch electricity suppliers. We have also been expanding alliances with other companies in the same industry, such as the partnership that began in April 2020 with the Kyushu Electric Power Group to sell electricity to high-voltage and special high-voltage customers.

In renewable energy, we have established two companies in Bangkok, Thailand—ITC Enex (Thailand) Co., Ltd. and ITC Enex Southeast Asia Co., Ltd. With these bases as footholds, we will accelerate the development of solar power generation and energy conservation-related businesses in Thailand and neighboring countries.

In other developments, in the wholesale electricity trading market there was a surge in the spot price in late December 2020 through January 2021. Although procurement prices also rose in part of the Group's electric power business, the division had already been focusing on risk management and was thus able to avoid any impact on profit. We will continue to monitor market trends closely.

We believe that the strength of this field is in the irreplaceable nature of electric power—it is essential to the lives of all. On the other hand, price competition is fierce and new knowledge is always required, so we must develop and integrate new strengths by bolstering cooperation with other business divisions, and nurture a tenacious management stance. By doing so, we believe that we will be able to strengthen our relationships with customers and build a stable customer base.

TERASELでんき

We launched the TERASEL Denki service in October 2020. In July 2021, we added new service plans and rolled out the service throughout Japan.

Future Strategy and Long-Term Outlook

"Power to Connect Customers, Environmental Business for the Future." We will grow by applying digital technology and developing subscription businesses.

Under the new medium-term business plan "SHIFT! 2022," the division's management policy is "Power to Connect Customers, Environmental Business for the Future." This policy will guide us in expanding our customer base and developing our business while keeping global environmental conservation firmly in sight.

Through products focused on petroleum, gas, and automobiles, the Itochu Enex Group has cultivated many customers who recognize its corporate value and have been loyal for many years. While introducing this customer base to our electric power business, we will pursue digital transformation in earnest. By taking actions such as promoting TERASEL Denki sales, we plan to increase the number of customers under electricity supply contracts to 500,000.

The second half of our policy, "Environmental Business for the Future," calls for us to focus first on solar power generation in the renewable energy business. Solar power generation offers benefits to customers in terms of cost effectiveness. By leveraging the Group's regional networks, access to funding, and customer base, we will fully engage in developing the rental business for home solar power generation equipment for self-consumption, targeting a wide range of customers. We will also expand various sharing businesses in the form of subscription services, such as a solar sharing business that brings together solar power generation and agricultural production, as well as electric vehicle sharing. In addition, we are considering new products that combine renewable energy and the thermal storage ES business* in Japan and overseas with financial services.

To date, the Itochu Enex Group has developed products and services needed by customers with a retail-oriented mindset. "Environmental Business for the Future" means that we must now focus on the global environment and conduct business as "the best partner for life and the Earth." Being environmentally friendly is not enough: We think it is important to find the solution that best serves the environment while also ensuring that our customers profit.

* The energy service (ES) business provides comprehensive energy supply-related services for energy conservation and cost reduction.

Promotion of Sustainability Management

Basic Approach

The primary mission of the Itochu Enex Group is to quickly and conscientiously deliver various services and forms of value that customers require, based on the Corporate Philosophy, "The best partner for life and society—with Energy, with the Car, with the Home." An essential part of that mission is the stable supply of energy. In its business activities, the Group considers the issues that society needs to address, selects key items to prioritize, and then develops and cultivates related initiatives, thereby contributing to the development of a truly sustainable society.

Management Strategies | **Approach to ESG Issues**

We will strive for a high standard of governance that is environmentally and socially conscious while sharing a common mission and challenges throughout the Group to support achievement of the SDGs.

Enhancement of the Itochu Enex Group's corporate value

Sustainable growth as a socially innovative company

ESG Statement

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.

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 and Risks

- Need for a stable supply of energy
- Expansion of renewable energy supply capacity
- Procurement and supply of clean energy
- Services for aging populations
- Need for climate change countermeasures
- Growing demand for decarbonization
- Transition to electric power and electric vehicles (shift to electric power sources)
- Lifestyle changes brought on by disasters and pandemics
- Adoption of next-generation energy sources
- Coexistence of renewable energy and fossil fuels
- Advancement of Japan's declining birthrate and aging population
- Widening disparity between income strata, generations, and regions
- Progress of digital technology
- Working style reforms and workforce mobility

Sustainability Issues That the Enex Group Considers Important

Process for Materiality Assessment and Promotion of Initiatives

1. **Identify and understand issues**
   Identify social issues with reference to the SDGs, international guidelines, and FTSE indices
2. **Prioritize issues**
   Select issues based on their importance to stakeholders and the Itochu Enex Group, and address these issues based on order of priority
3. **Verify selected issues are relevant**
   Integrate selected issues into the Group's ESG statement and carry out initiatives

Materiality Criteria

Standpoint of the Itochu Enex Group	• The Itochu Enex Group's Corporate Philosophy • Code of Conduct: Be Ethical	• Declaration of the Group Code of Conduct • Medium-term business plan "SHIFT! 2022"
Standpoint of stakeholders	• United Nations Sustainable Development Goals • Requirements in international guidelines	• Objective evaluation by a third-party organization, FTSE

	Area	Initiatives
E	**Reducing environmental impact** 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.	• 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
S	**Creating diverse value** 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.	• 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
G	**Sound business activities** 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.	• 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

(As of September 2021 we are formulating a Sustainability Policy, identifying material issues, and revising our Environmental Policy. For the latest information on sustainability initiatives, please visit: https://www.itcenex.com/en/csr/)

Sustainability Promotion System

In April 2021, we established the Sustainability Office and the Carbon Neutral Strategy Division to further promote our sustainability initiatives. Our businesses will contribute to resolving environmental and social issues, including climate change, as we continue to pursue both global and social sustainability and our own sustainable growth. We also established the Sustainability Committee on May 1, 2021, as an advisory body to the Management Advisory Conference to deliberate and monitor sustainability issues from a long-term perspective, and to implement and drive Group-wide sustainability management strategies.

Chaired by Kyosuke Wakamatsu, Director and Senior Managing Officer, Chief Compliance Officer, and Assistant to Chief Executive Officer, the Sustainability Committee meets six times a year in principle. The committee discusses Group-wide sustainability policies and measures, with the participation of General Managers in each business division, as well as General Managers in the Corporate Administration Division. The results of these discussions are reviewed and decided on by the Management Advisory Conference and the Board of Directors.

Major Roles of New Committee and Organizations

Sustainability Committee	As an advisory body to the Management Advisory Conference. It deliberates on and monitors sustainability policies, issues, and measures from a long-term perspective, and implements and drives Group-wide sustainability management strategies.
Sustainability Office	Assesses opportunities and risks related to overall sustainability issues, conducts risk management, and considers sustainability-related indicators and target-setting, strategic disclosure, engagement, in-house training and other measures.
Carbon Neutral Strategy Division	Promotes climate change measures and works to create business opportunities leading to the reduction of CO_2 emissions, among other matters.

E Reducing Environmental Impact

Environmental Businesses and Environmental Management

The Environmental Policy was formulated by top management, and consists of eight themes grouped under the three focal areas described below. 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.

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.

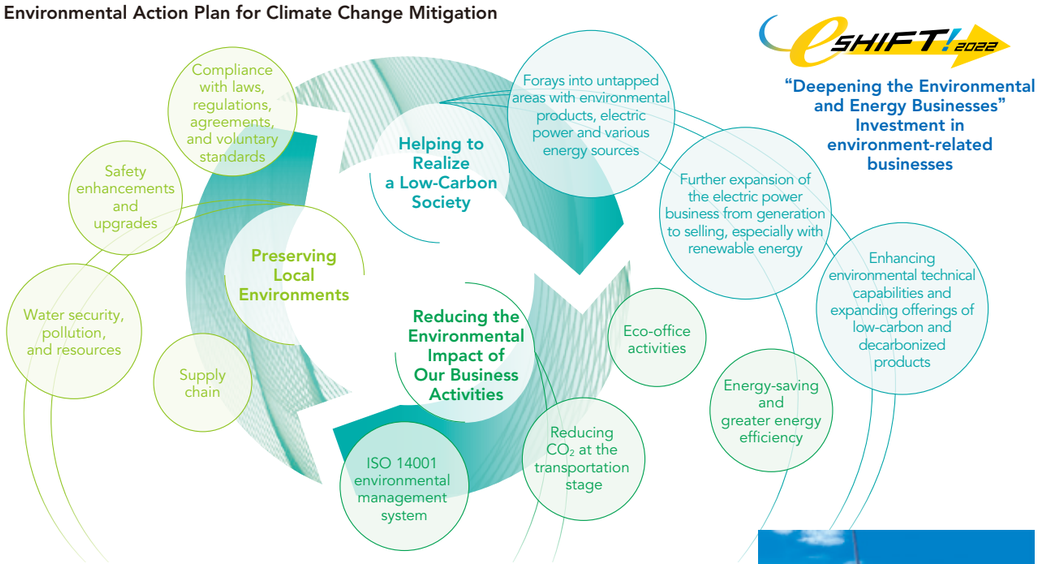
Kenji Okada Representative Director

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) CO_2 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 Action Plan for Climate Change Mitigation



▶ Reducing the Environmental Impact of Our Business Activities

Renewable Energy Business

The Group is making full use of its financial resources to promote the development of renewable energy. We own a variety of power generation facilities, including wind, hydro and solar power plants. We have been constructing a solar power plant in Takasaki City, Gunma Prefecture since 2019, with operation scheduled to begin in FY2021. In addition, we plan to start operating a biomass power plant in Anan City, Tokushima Prefecture, in 2022.

In FY2020, we sold a solar power plant in Matsusaka City, Mie Prefecture, to Enex Infrastructure Investment Corporation, with Enex Asset Management Co., Ltd. as the asset manager.

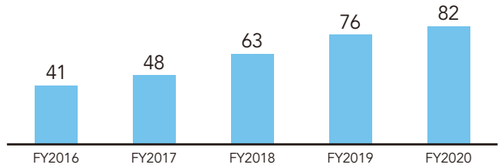
High-Grade Urea Solution AdBlue®

We sell AdBlue®, which breaks down and detoxifies diesel exhaust, to customers throughout Japan.

AdBlue® is a global standard high-grade urea solution used in selective catalytic reaction (SCR) systems. AdBlue®, which uses the reducing properties of ammonia, is sprayed into the exhaust stream of diesel vehicles and breaks down NO_X into harmless nitrogen and water.

AdBlue® Annual Sales Volume

(Thousands of kL)

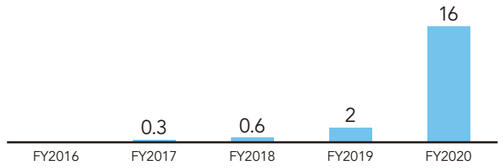


GTL Fuel

GTL fuel is a replacement for diesel fuel. Derived from natural gas, it is a cleaner fuel alternative with reduced environmental impact. With properties equivalent to petroleum-derived products, it emits approximately 8.5% less CO_2 than diesel fuel. In addition, it is colorless, odorless, non-toxic, remains serviceable in temperatures as low as −30°C, and has superior long-term storage stability compared with diesel fuel. Based on these advantages, demand is expected to increase. Itochu Enex began selling GTL fuel in the Chubu and Kansai regions of Japan in 2017, and expanded sales to the Kanto region in 2019.

GTL Fuel Annual Sales Volume

(Thousands of kL)



Marine Ammonia Fuel

We are participating in a joint development project to establish a supply chain for marine ammonia fuel, which is expected to be one of the next-generation fuels for realizing decarbonization.

Renewable Diesel

In May 2021, the Itochu Enex Group, ITOCHU Corporation, and FamilyMart Co., Ltd., began cooperation with the Neste OYJ Group, one of the world's largest manufacturers of fuel derived from renewable resources ("renewable fuel"), to realize the first ever use of renewable diesel in convenience store delivery vehicles in Japan. Neste's renewable fuel will reduce greenhouse gas emissions by approximately 90% compared to petroleum-derived diesel.

Sales of Electric Vehicles

Group company Nissan Osaka Sales Co., Ltd. is promoting the sale of zero-emission electric vehicles, which emit no CO_2 or exhaust gas when driven. The company has installed chargers for electric vehicles at 79 locations, and offers a car-sharing service at 14 locations. This service makes it easy for customers to experience electric vehicle technology and the reliability it offers, thereby contributing to the adoption of electric vehicles.

Smart Energy Equipment

エネパワボL
ENE-POWABO L

Targeting CO_2 emission reduction and more effective energy use, we propose dual power generation systems to general consumers. These systems combine two high-performance products: ENE-FARM and solar power generation systems. In addition, we have sold approximately 3,000 units of ENE-POWABO, a lithium-ion power storage system for residential use. This system stores electricity generated by solar power for later use, such as at night or in an emergency.

TERASEL SOLAR (Solar Power Rental Business for Self-Consumption)

TERASEL SOLAR

In FY2020, we launched a business for installing and renting solar power generation systems for self-consumption at the factories and commercial facilities of corporate customers. By developing a rental business that requires no upfront user investment, we are helping to promote the adoption of solar power and reduce environmental impact. We have also launched the same business overseas, in Thailand.

Slop and Sludge Collection and Sale Business

We collect slop (wastewater after washing marine fuel tanks) and sludge (unburnt marine fuel) that have been disposed of as industrial waste, and extract and reuse useful petroleum resources from them.

Fly Ash Recycling Business

We are contributing to the circular economy by recovering and processing fly ash from spent coal and biomass fuels at thermal power plants, and recycling it for use as a roadbed material for asphalt roads, forest roads and other applications.

See page 28 for information on the hydrogen value chain and page 30 for information on the district heat supply business.

▶ Reducing the Environmental Impact of Our Business Activities

Energy-Saving and Greater Energy Efficiency

By installing low-power, wide-area (LPWA) network infrastructure for the meters of LP gas customers, we are saving labor in meter reading, as well as streamlining delivery operations through a system that utilizes IoT and AI. This will help us prepare for future labor shortages and unforeseen circumstances, as well as contribute to the reduction of CO_2 emissions. (As of March 31, 2021, installed at approximately 27% of the Group's total number of customers.) Group company Itochu Enex Home-Life Tohoku Co., Ltd. aims to achieve a 100% LPWA installation rate by the end of FY2021, and is striving to become a First Authorized LP Gas Distributor (Gold Safety Recognized Service Provider).

Supply Chain Environmental Training

As a Known Shipper under the revised Act on the Rational Use of Energy, we are working to reduce CO_2 emissions from product shipping. Each year, we offer 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 CO_2 emission reductions throughout the entire supply chain. In FY2020, although we were unable to hold the actual event due to the impact of the pandemic, we distributed training materials on eco-driving to raise awareness.

Reducing CO_2 at the Transport Stage

We are working with other companies in the industry and partner companies to promote the development of delivery networks and build efficient transportation networks.

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 continued to apply this target for its eco-office activities in FY2020. 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. In addition, we are promoting paperless operations through the use of IT during safety inspections and the *Sumaho Kyuyu* app at Car-Life Stations.

Progress of the Itochu Enex Group's Eco-Office Activities

Types of Energy and Resources Used	FY2020 results (vs. FY2019 results)	FY2021 targets (vs. FY2020 results)
General power	113%	−1% vs. FY2020 results
Site fuel	119%	
Vehicle fuel	93% (Target achieved)	
Copier paper	89% (Target achieved)	

Note: Due to the fact that we added one office, the amount of general power and site fuel consumption increased.

"Cool Choice," the Ministry of the Environment's Campaign to Address Climate Change

We are promoting energy-saving activities, such as a year-round "no tie required" dress code, eco-driving, green purchasing, and power saving. To reduce plastic waste at the head office, we have switched to label-less plastic bottles for serving tea to visitors, and no longer use plastic stirrers or single-serve coffee creamers.

Head Office Switched Power Source to Green Energy

As of April 1, 2021, 100% of the electricity used at our head office (Kasumigaseki Building, Chiyoda-ku, Tokyo) comes from green energy.

ISO 14001 Environmental Management

Under its CSR and compliance framework, Itochu Enex has built and developed an effective 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 at reducing environmental impact. The internal audits required for maintaining ISO certification are performed by employees that meet the requirements of Group environmental management regulations.

Opening meeting of the FY2021 ISO audit, as overseen by Kyosuke Wakamatsu, who also chairs the Sustainability Committee as the Itochu Enex Group's Chief ISO Officer

▶ Preserving Local Environments

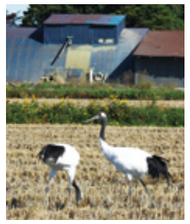
Water Resource Conservation

Recognizing water as an important resource, we are working to reduce our consumption and ensure appropriate treatment of water in accordance with the Group's Environmental Policy and soil contamination management regulations. In addition to monitoring water use through our environmental management system, we aim to reduce the volume of water used year on year. At our local office in Thailand, a water-stressed region, we are working to conserve water through the same eco-office activities we implement in Japan.

Environmental Pollution Prevention and Resource Recycling

Based on guidelines such as the Declaration of the Group Code of Conduct and the Group's soil contamination prevention regulations, we are working to prevent or reduce our impact in terms of soil and environmental pollution, reduce emissions of air pollutants, and reduce and properly dispose of hazardous substances, various types of waste, and wastewater. In addition, in order to promote the sustainable use of resources in our supply chain, we recycle the coal ash from our coal-fired power into materials for sale, as well as contribute to the circular economy by recycling and reusing marine fuel waste.

Protection of Biodiversity



Our commitment to conservation of the global environment in our Environmental Policy includes our commitment to the protection of biodiversity. We recognize the benefits afforded to us by biodiversity in the form of ecosystem services, and therefore strive to minimize any negative impact on biodiversity and contribute to its conservation. In addition, we have joined the Biodiversity Minato Network to participate in and disseminate information on local biodiversity conservation activities, and are working to raise awareness of the importance of biodiversity throughout the Group. As one initiative, in order to protect the red-crowned crane, which is designated as an endangered species, we are supporting a community project in Naganuma-cho, Hokkaido Prefecture.

Safety Enhancements

In reviewing the safety systems and revising the manuals of all Group companies, we focus on stepping up inspections and preventing accidents through the standardization and upgrading of safety management systems based on internal safety and maintenance standards.

Environmental Data (Itochu Enex Co., Ltd. and Consolidated Subsidiaries)

Energy Use

	FY	Power total	City gas	LP gas	Auto gas	Gas total	Kerosene	Heavy oil	GTL fuel	Fuels total	Gasoline	Diesel	Vehicle fuels total	Coal
Unit		Thousand kWh	Thousand m^3				kL				kL			t
Amounts used	2020	146,679	25,361	180	403	25,944	742	1,438	203	2,383	1,454	713	2,167	318,320
	2019	150,807	7,578	219	598	8,395	265	1,825	—	2,090	1,372	826	2,198	307,155
	2018	155,683	8,852	160	887	9,899	195	2,046	—	2,241	1,460	840	2,300	326,083
	2017	244,144	18,342	208	1,218	19,769	353	1,721	—	2,074	2,306	753	3,058	335,089

Notes: GTL fuel consumption was 203 kL in FY2020.
Total figures for business sites that collect environmental data, including Group companies, are presented for reference above.

CO_2 Emissions (t-CO_2)

Type	FY2017	FY2018	FY2019	FY2020
Scope 1	646,855	818,896	745,202	811,603
Scope 2	63,970	78,975	75,230	62,708
Scope 1 + Scope 2 total	710,825	897,871	820,432	874,311

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 CO_2 conversion factors.
CO_2 Scope 1: Direct emissions from fuels consumed by the Company.
CO_2 Scope 2: Indirect emissions from the use of energy generated by other companies (primarily electric power).

Waste (Tons)

FY	2017	2018	2019	2020
Industrial waste	50,795	52,920	44,671	47,262
Specially managed industrial waste	11	9	30	21
Waste total	50,806	52,929	44,701	47,283

Reports on Compliance with the Act on the Rational Use of Energy (CO_2 Emissions Reductions)

Known Shipper

FY	2017	2018	2019	2020
Shipments in ton-kilometers (thousand t-km)	436,155	343,311	342,606	321,222
CO_2 emissions (t-CO_2)	23,466	18,844	19,110	19,795
Intensity (vs. shipment volume)	0.0200	0.0204	0.0207	0.0230

Specified Business Operator

Known Shipper

FY	2017	2018	2019	2020
Energy use (kL)	2,415	2,523	2,481	2,498
CO_2 emissions (t-CO_2)	5,802	6,143	6,321	5,327

Note: Transportation-related energy with Itochu Enex as the shipper.

PRTR (Release of Chemical Substances, Etc.) (Tons)

FY	2017	2018	2019	2020
Amount released	44	44	36	31

Water Use (Thousand m^3)

FY	2017	2018	2019	2020
Amount used	389	427	404	399

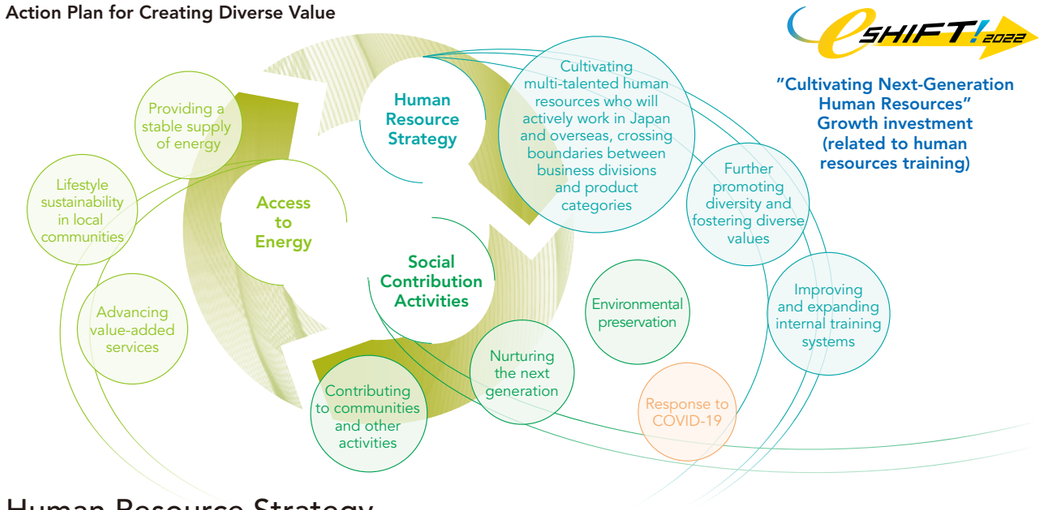
Note: Total of Itochu Enex Co., Ltd. and Group companies participating in ISO activities.

S Creating Diverse Value

Initiatives to Support Creating Diverse Value

We seek to create new value as needed in life and society while addressing customer needs and improving access to energy so that all people can enjoy its benefits. To achieve this, we must energize our human resource strategy and strengthen our organizational base, both of which are essential parts of our management strategy.

Action Plan for Creating Diverse Value



Human Resource Strategy

Basic Policy

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.

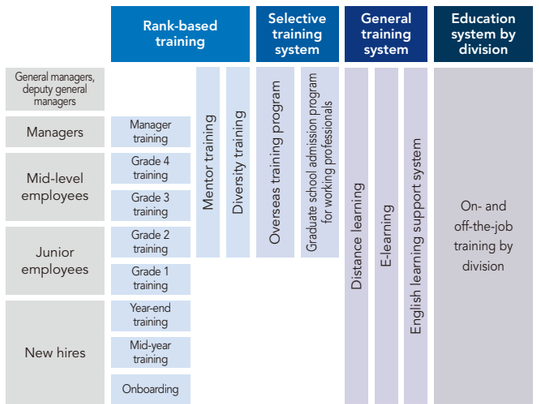
In our new medium-term business plan, "SHIFT! 2022," we are aiming to achieve sustainable growth and further enhance our corporate value by cultivating multi-talented human resources who will actively work in Japan and overseas, further promoting diversity and fostering diverse values, and developing and enhancing our internal training systems.

▶ Human Resource Development

We are implementing a systematic skill development program to cultivate multi-talented human resources who will actively work in Japan and overseas. Rather than all employees simply following the same path, this career development, education, and training system gives employees the opportunity to learn while plotting their own career path.

Qualities we seek in our employees

Individuals who think independently and creatively, act boldly, and achieve as partners to society.



- In addition to the programs listed above, we also offer retirement planning seminars, lump-sum payments to promote the acquisition of certifications, and a challenge support system.
- The total non-consolidated cost of training for Itochu Enex Co., Ltd. in FY2020 was approximately ¥34 million, an average of approximately ¥50,000 per employee.

Enhancing Rank-Based Training

We conduct rank-based training, from new hires to management personnel, with the goal of nurturing human resources capable of executing the responsibilities required in their respective roles. In 2019, we added diversity-related subject matter to our programs, targeting greater understanding of diverse employees and diverse values, which will help realize growth of both individuals and the organization.

This diversity training has a number of objectives. The first is to promote acceptance of differences across ages and genders, as well differences in values relating to both work and peoples' own lives. The second is to encourage respect for others' opinions, motivations and ideas while maintaining fairness. The third is to increase productivity and heighten employee engagement through team building that makes the best use of members' diverse attributes. As we look toward the future, we are aiming to create an organization that continues to respect individuality and where individuals complement each other's abilities to achieve results.

Overseas Training Program

In FY2018, we launched an overseas training program with the aim of improving language skills and cross-cultural competency, as well as developing human resources capable of handling the general development, management and operation of overseas businesses.
(Participants in FY2020: 6)
(United States (Guam), Thailand, United Arab Emirates (Dubai) and Singapore)

▶ Innovation through Cross-Functionalism

Cultivating multi-talented human resources who will actively work in Japan and overseas, crossing boundaries between business divisions and product categories," is one of the basic policies of the new medium-term business plan. To this end, we have introduced inter-divisional, cross-functional teams. These teams share information and expertise across divisions, promote interaction between members, and encourage the development of new businesses. By getting to know other businesses and people, team members develop the foundation for the discovery of not only new information and ways of thinking, but also new products, businesses and models, and bring about transformation through innovative ideas.

▶ Raising Awareness and Fostering a Positive Workplace Culture

Employee Engagement Survey

With the objective of implementing improvements and reforms by ascertaining issues at the organizational level, the Company conducts an employee engagement survey once every two to three years to gauge attitudes and satisfaction and collect feedback on Company measures and programs. We use multi-faceted analysis of changes over time in employee motivation, as well as the primary factors that contribute to motivation, as a base for personnel system improvements and employee training. This enables us to make the most of each employee's abilities, which will ultimately lead to increased productivity.

▶ Measures to Improve Employees' Health

In promoting the Enex Early Bird working style reforms, the Itochu Enex Group is promoting health management to maintain and improve the health of employees, creating an environment in which they can work with peace of mind, and enabling each employee to work with vitality, feeling both motivated and fulfilled. We aim to improve the employee motivation and productivity that underpin the growth of the Group, while maximizing performance by revitalizing the organization.

For further details on health management, please visit:
https://www.itcenex.com/en/csr/social/health-management/

Enex Early Bird Working Style Reforms (Eliminating Excessive Working Hours; Promoting Employee Health; Improving Productivity)

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

Health Promotion Measures

- Commitment by the President to health management
- Structuring a system for health promotion as a management issue
- Cancer and disease prevention measures; support for balancing treatment and work
- Measures to improve health literacy
- Promotion of work-life balance
- Vitalization of communication
- Mental health measures
- Prevention of lifestyle-related diseases
- Measures to address health issues specific to women
- Infectious disease prevention measures
- Measures to encourage smoking cessation
- Health management for employees posted overseas
- Presenteeism measures
- Medical billing statement analysis and understanding of medical expenses
- Expansion of welfare programs
- Children's education fund

Social Contribution Activities

Basic Policy

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

▶ Main Itochu Enex Initiatives (FY2020 Results)

See the next page for activities related to COVID-19.

Theme	Action	Details
Nurturing the Next Generation	Conveying the importance of words	Posted videos featuring recitals by former television announcers Motoyo Yamane and Masako Shindo, who previously appeared at "Enjoy the Power of Words," a series of free charity recital and music events held throughout Japan.
	Nurturing the next generation through sports	Together with the Japan Flying Disc Association, conducted a social media campaign to donate ultimate flying discs to organizations engaged in sports.
	Social education activities	Since 2015, we have held an annual family day during the summer vacation for employees' children to tour the Company. However, in FY2020, we cancelled the event and instead published a message from the President and a company brochure for children, and distributed book gift certificates.
Contributing to Communities and other activities	Donation to support recovery from the July 2020 Japan floods	Donated ¥5 million to NPO Japan Platform.
	Recognizing social contribution activities of business partners	Established a program to commend social contribution activities by sales outlets in each region.
	Support for individuals with disabilities	Donated ¥300,000 each to NPO Yumeken (swimming lessons for people with disabilities) and Social Welfare Corporation Tokyo Colony's Artbility project. Also supported independent lives for people with disabilities by using their artwork in our calendars.
	Blood donation program	Employees cooperated in a blood drive at the Kasumigaseki Building, where our head office is located. (December 2020 result: 24 employees)
	Donation to the UN WFP	Donated ¥100,000 to the UN World Food Programme (WFP) in lieu of annual sponsorship and employee participation in Walk the World, a WFP-organized event to end world hunger and for poverty relief, which was cancelled this year.

Total contributions by Itochu Enex for social contribution activities in FY2020	¥7.98 million	To NPOs and others	¥6.70 million	To other activities	¥1.28 million

▶ Main Initiatives by Group Companies (FY2020 Results)

Theme	Action	Details	Group Company Name
Environmental Preservation	Environmental education	Offered Waku Waku Eco-School in Osaka Prefecture to teach children, the stewards of our future, about global environmental issues and environmental technology initiatives in the automobile industry.	Nissan Osaka Sales Co., Ltd.
	Cleanup activities	Conducted cleanup activities around facilities.	Each Group company
Nurturing the Next Generation	Child abuse prevention	Cooperated in Osaka Prefecture's Orange Ribbon Activities.	Nissan Osaka Sales Co., Ltd.
	Nurturing the next generation in sports	Sponsored J.League soccer team Kawasaki Frontale. 1% of the electricity bill for our Frontale Denki service, which is marketed to supporters, is donated to the Kawasaki Frontale Academy.	Enex Life Service Co., Ltd.
	Establishing training environments	Donated two heating units to Haleo Dome. Contributed to the improvement of the basketball academy's training environment.	Itochu Enex Home-Life Tohoku Co., Ltd.
Contributing to Communities and other activities	Promoting social welfare	Invited children from orphanages and elementary and junior high school students in Osaka Prefecture to home games of Osaka Evessa, a B.League basketball team that we sponsor.	Enex Fleet Co., Ltd.
	Traffic safety in the community	Supported individuals in Hiroshima Prefecture who have voluntarily surrendered their driver's licenses.	Enex Petroleum Sales Nishi-Nihon Co., Ltd.
		Employees participated in monthly traffic safety awareness activities in Oita Prefecture.	Kyushu Energy Co., Ltd.
	Disaster recovery support	In order to provide medium- to long-term support for recovery from the Great East Japan Earthquake, employees have voluntarily made monthly donations to Miyagi, Iwate, and Fukushima prefectures since 2011. (Total donation in FY2020: ¥1,281,400; total donation since 2011: ¥31,422,500)	Itochu Enex and Group companies
		Employees volunteered to support recovery from the July 2020 Japan floods. (Hita City, Oita Prefecture)	Kyushu Energy Co., Ltd.
	Promoting social welfare	Donated emergency food stockpiles (replacing those nearing expiry) to Food Bank Sapporo.	Itochu Enex Home-Life Hokkaido Co., Ltd.
	Support for people with disabilities	In sourcing novelty goods, supported independent lives for people with disabilities by using *kosaetan* items (generic name for items created at workplaces under the jurisdiction of public offices that support independent lives for people with disabilities).	Nissan Osaka Sales Co., Ltd.
	Community creation	Enlivened the community through illumination in front of Nopporo Station in Ebetsu City, Hokkaido Prefecture.	Oji-Itochu Enex Power Retailing Co., Ltd.
		Supported local-government projects under the corporate Furusato Nozei tax scheme. (Aizumachi, Fukushima Prefecture; Zushi, Kanagawa Prefecture; Saga City, Saga Prefecture: ¥1 million each)	Enex Life Service Co., Ltd.

▶ Volunteer Activity Support Program

We promote the voluntary social contributions and volunteer activities of our employees and their family members in order to develop human resources who contribute to and are trusted by society. (A subsidy of up to ¥50,000 per person per activity.)

For further details on social contribution activities, please visit: https://www.itcenex.com/en/csr/social/contribution/

Response to COVID-19

Response Policy

Itochu Enex established an emergency headquarters headed by the President to decide and execute Company-wide policies and necessary measures to respond to the COVID-19 pandemic. The headquarters continuously collects and shares information internally and publicly and conducts appropriate Company-wide management. These responses to the pandemic are also directly connected to protecting the safety of customers, and will lead to fulfilling our mission to be "the best partner for life and society," as stated in our Corporate Philosophy.

Response to Employees

We prioritize the safety of employees and the prevention of the spread of infections. We have upgraded to the network environment for conducting business from home, and established COVID-19 guidelines and other measures. Employees are reducing the risk of infection by working from home and staggering onsite hours. In particular, amid ongoing declarations of states of emergency, we are working to raise our telework rate to 70% in all regions of Japan in accordance with calls by the national and local governments to lower the rate of onsite work. We also encourage employees to work from home on the day of COVID-19 vaccination, and classify time taken for vaccination as company business. Furthermore, special leave is available the day after vaccination, and we also encourage the use of additional paid leave. In the Kyushu and head office regions, we conducted workplace vaccination programs. We will continue to create an environment in which our employees can work with peace of mind.

Response to Customers

In response to requests from the Ministry of Economy, Trade and Industry, we have implemented special measures by which customers who are temporarily having difficulty paying their bills can apply to have payment due dates extended for electric, gas or other bills. Eligible customers are those receiving special loans of the Emergency Small Amount Fund or Comprehensive Support Fund from prefectural Social Welfare Councils due to work furlough, job loss or other cause attributable to the COVID-19 pandemic.

Response to Society

In addition to providing accommodations for medical professionals in Tokyo in cooperation with lodging operators, we donated masks to medical facilities and preschools in the Hokkaido, Tohoku, and Chugoku-Shikoku regions. Group company Nissan Osaka Sales Co., Ltd., donated electric vehicles to Osaka Prefecture as official vehicles for transporting medical supplies to facilities that accept patients with minor cases of COVID-19. In addition, as a measure to support medical personnel, support funds were raised from employees donating voluntarily to present a total of ¥2,166,000 to the Japanese Red Cross Society and the Nursing Now Campaign in Japan, Japanese Nursing Association. In addition, videos featuring former television announcers Motoyo Yamane and Masako Shindo reading aloud picture books are now available for people to enjoy during this time of public calls to stay home.

Response to Shareholders and Investors

Due to the impact of the pandemic, there are fewer opportunities for face-to-face contact, so we conduct meetings and other communication online. We will continue to provide shareholders and investors with a variety of opportunities for dialogue and two-way communication based on fair disclosure. In the event that a need to revise our medium-term business plan arises we will promptly make the relevant announcement.

▶ FOCUS

Workplace Vaccination Programs

In each region, employees took part in workplace vaccination programs at Group companies and partner companies (July 2021), and at the head office (August 2021). The latest information on the status of the pandemic and vaccination is provided by public health nurses of the Health Support Office. This information is promptly and broadly shared with Group employees via means including our internal social media platform.

Stable Supply of Medical Gases

Even as the pandemic has escalated, the Itochu Enex Group has continued to ensure the stable supply of various medical gases, such as oxygen, nitrogen, and carbon dioxide, to medical institutions. (Filling operations: Itochu Industrial Gas Co., Ltd.; Sales: Itochu Enex Co., Ltd.)

Sumaho Kyuyu ("Smartphone Refueling")

Social distancing at Car-Life Stations can be maintained through the *Sumaho Kyuyu* app, which enables customers to use their smartphones to complete the entire refueling transaction, from booking a reservation to payment. Optional services such as window washing and garbage disposal can also be selected in advance, thus making possible a new type of service station. The service is currently available at four locations in the Kanto region, and will be successively rolled out across Japan.

スマホ給油

G Sound Business Activities

Management Team (As of August 31, 2021)

Notes: Shares of the Company owned as of March 31, 2021.
"Independent" indicates a Director or Audit & Supervisory Board Member registered with the Tokyo Stock Exchange as an independent officer.
Executive Officers are not members of the Board of Directors or Audit & Supervisory Board.
Board of Directors meeting attendance for FY2020.
(Out of 7 times for Mr. Endo, who was appointed at the General Meeting of Shareholders held in June 2020)

Directors

Kenji Okada
Representative Director, President and Chief Executive Officer

1974 Joined ITOCHU Corporation
2005 Executive Officer, ITOCHU Corporation
2007 Executive Vice President, Finance, Realty, Insurance & Logistics Services Company, Chief Operating Officer, Construction & Realty Division, ITOCHU Corporation
2008 Managing Executive Officer, President, Finance, Realty, Insurance & Logistics Services Company, ITOCHU Corporation
Member of the Board, Managing Director, ITOCHU Corporation
2010 Member of the Board, Managing Executive Officer, ITOCHU Corporation
2012 Corporate Adviser, Itochu Enex Co., Ltd.
Representative Director, President and Chief Executive Officer, Itochu Enex Co., Ltd. (to date)

Shares of the Company owned: 129,300
Board of Directors meeting attendance: 10/10
Significant concurrent positions outside the Company:
Outside Director, Cosmos Initia Co., Ltd.

Kyosuke Wakamatsu
Director and Senior Managing Officer
Chief Compliance Officer and Assistant to Chief Executive Officer

1985 Joined Itochu Enex Co., Ltd.
2013 Executive Officer and General Manager, Corporate & Planning Department, Itochu Enex Co., Ltd.
2016 Representative Director, President and Chief Executive Officer, Itochu Enex Home-Life Tohoku Co., Ltd.
2017 Executive Officer, Deputy Chief Operating Officer, Home-Life Division, and General Manager, Planning & Administration Department, Itochu Enex Co., Ltd.
2018 Executive Officer, Chief Operating Officer, Home-Life Division, and General Manager, Planning & Administration Department, Itochu Enex Co., Ltd.
Director, Managing Officer, Chief Operating Officer, Energy & Logistics Group, and Chief Operating Officer, Home-Life Division, Itochu Enex Co., Ltd.
2019 Director, Managing Officer, Chief Operating Officer, Home-Life Division, and Chief Operating Officer, Power & Utility Division, Itochu Enex Co., Ltd.
2020 Director, Senior Managing Officer, Chief Compliance Officer, and Assistant to Chief Executive Officer, Itochu Enex Co., Ltd. (to date)

Shares of the Company owned: 19,700
Board of Directors meeting attendance: 10/10
Significant concurrent positions outside the Company: None

Atsushi Katsu
Director and Managing Officer
Chief Financial Officer, Chief Information Officer, and Chief Operating Officer, Corporate Administration Division

1983 Joined ITOCHU Corporation
2011 Chief Administration Control Officer for ASEAN & South West Asia Bloc, ITOCHU Corporation; Executive Vice President, ITOCHU Singapore Pte. Ltd.
2013 Director, Dole International Holdings, Inc.
2014 Executive Officer, ITOCHU Corporation
2015 Executive Officer, ITOCHU Corporation; Director, Executive Vice President, Dole Asia Holdings Pte. Ltd.
2016 Director, Executive Vice President, Dole Asia Holdings Pte. Ltd.
2018 Corporate Adviser, Itochu Enex Co., Ltd.
Director, Executive Officer, Chief Financial Officer, Chief Information Officer, and Chief Operating Officer, Corporate Administration Division, Itochu Enex Co., Ltd.
2019 Director, Managing Officer, Chief Financial Officer, Chief Compliance Officer, Chief Information Officer, and Chief Operating Officer, Corporate Administration Division, Itochu Enex Co., Ltd.
2020 Director, Managing Officer, Chief Financial Officer, Chief Information Officer, and Chief Operating Officer, Corporate Administration Division, Itochu Enex Co., Ltd. (to date)

Shares of the Company owned: 20,100
Board of Directors meeting attendance: 10/10
Significant concurrent positions outside the Company: None

Fumio Shimizu
Director and Managing Officer
Chief Operating Officer, Car-Life Division

1981 Joined Itochu Enex Co., Ltd.
2008 Executive Officer and Head of Branch, Kyushu Branch, Itochu Enex Co., Ltd.
2011 Executive Officer, Deputy Chief Operating Officer, Car-Life Division, and General Manager, Supply Administration Department, Itochu Enex Co., Ltd.
2012 Managing Officer and Assistant General Manager, Car-Life Division, Itochu Enex Co., Ltd.
2013 Managing Officer and Deputy Chief Operating Officer, Energy Trade Division, Itochu Enex Co., Ltd.
2014 Managing Officer, Head of Branch, Hokkaido Branch, Itochu Enex Co., Ltd., and Representative Director, President and Chief Executive Officer, Itochu Enex Home-Life Hokkaido, Co., Ltd.
2015 Retired from Managing Officer, Itochu Enex Co., Ltd.
Representative Director, President and Chief Executive Officer, Itochu Enex Home-Life Hokkaido Co., Ltd.
2018 Retired from Representative Director, President and Chief Executive Officer, Itochu Enex Home-Life Hokkaido Co., Ltd.
Joined Itochu Enex Co., Ltd.
Executive Officer and Chief Operating Officer, Power & Utility Division, Itochu Enex Co., Ltd.
2019 Director, Managing Officer and Chief Operating Officer, Power & Utility Division, Itochu Enex Co., Ltd.
Director, Managing Officer, and Chief Operating Officer, Car-Life Division, Itochu Enex Co., Ltd. (to date)

Shares of the Company owned: 12,200
Board of Directors meeting attendance: 10/10
Significant concurrent positions outside the Company:
Director, Enex Fleet Co., Ltd.
Director, Osaka Car Life Group Co., Ltd.
Director, Nissan Osaka Sales Co., Ltd.

Ichiro Saeki
Director (Outside, Independent)

1975 Joined The Nippon Fudosan Bank, Ltd. (currently, Aozora Bank, Ltd.)
1991 Resigned from The Nippon Fudosan Bank, Ltd.
The Supreme Court Legal Apprentice
1993 Completed Legal Apprentice, reinstated to The Nippon Credit Bank Ltd. (currently, Aozora Bank, Ltd.)
1995 Registered with the Daini Tokyo Bar Association as an attorney-at-law
1999 Resigned from The Nippon Credit Bank, Ltd.
Established Saeki Law Office
2002 Visiting Professor, Faculty of Law, Teikyo University
2004 Established Shi-Go-Roku Law Office as Representative Attorney (to date)
Professor, Omiya Law School
2007 Professor, Law School, Aoyama Gakuin University (to date)
2016 Outside Director, Itochu Enex Co., Ltd. (to date)
2020 Emeritus Professor, Aoyama Gakuin University (to date)

Shares of the Company owned: 14,900
Board of Directors meeting attendance: 10/10
Significant concurrent positions outside the Company:
Representative Attorney, Shi-Go-Roku Law Office
Auditor, The Shinkumi Federation Bank
Emeritus Professor, Aoyama Gakuin University

Hisato Okubo
Director

1986 Joined ITOCHU Corporation
2009 General Manager for Natural Gas Business Department, ITOCHU Corporation
2012 General Manager for Energy & Chemicals Planning and Administration Department and Compliance Officer for Energy & Chemicals Company, ITOCHU Corporation
2013 Deputy Chief Operating Officer, Energy Division No. 2 and General Manager for E&P Project Coordinating Department, ITOCHU Corporation
2014 Chief Operating Officer, Energy Division No. 2, ITOCHU Corporation
2016 General Manager for Energy & Chemicals Planning and Administration Department and CP & CITIC Business Development Department, and Compliance Officer for Energy & Chemicals Company, ITOCHU Corporation
2017 Executive Officer, Chief Operating Officer for Energy Division, ITOCHU Corporation
Director, Itochu Enex Co., Ltd. (to date)
2019 Executive Officer, Executive Vice President for Energy & Chemicals Company and Chief Operating Officer for Energy Division, ITOCHU Corporation (to date)

Shares of the Company owned: None
Board of Directors meeting attendance: 10/10
Significant concurrent positions outside the Company:
Executive Officer, Executive Vice President for Energy & Chemicals Company and Chief Operating Officer for Energy Division, ITOCHU Corporation
Director, Sakhalin Oil and Gas Development Co., Ltd.

Motoyo Yamane
Director (Outside, Independent)

1971 Joined Japan Broadcasting Corporation
1998 Member of Management Council, Institute for the Culture of Travel
2005 Head of Announcers Bureau, Japan Broadcasting Corporation
2007 Resigned from Japan Broadcasting Corporation
Established "kotobano-mori" (Limited Liability Business Partnership) (dissolved in March 2014)
2010 Visiting Professor, Graduate School of Humanities and Sociology and Faculty of Letters, The University of Tokyo
2011 Part-time Lecturer, Joshibi University of Art and Design
Board Member, Characters Culture Promotion Organization (Public Interest Incorporated Foundation) (to date)
2014 Director, Kuwasawa Gakuen Educational Foundation
2015 Guest Professor, Joshibi University of Art and Design
2017 Director, Junshin Hiroo Gakuen (to date)
Director, Picture Book Culture Promotion Association (Incorporated Nonprofit Organization) (to date)
2019 Outside Director, Itochu Enex Co., Ltd. (to date)
2021 Member of Review Committee, The Japan Art Academy, Agency for Cultural Affairs (to date)

Shares of the Company owned: 7,000
Board of Directors meeting attendance: 10/10
Significant concurrent positions outside the Company:
Board Member, Characters Culture Promotion Organization (Public Interest Incorporated Foundation)
Director, Junshin Hiroo Gakuen
Director, Picture Book Culture Promotion Association (Incorporated Nonprofit Organization)

Hiroshi Endo
Director (Outside, Independent)

1975 Joined Tokio Marine & Fire Insurance Co., Ltd. (currently, Tokio Marine & Nichido Fire Insurance Co., Ltd.)
2005 Executive Officer, General Manager, Corporate Accounting Dept., Tokio Marine & Fire Insurance Co., Ltd.
2006 Chief Executive Officer, Tokio Marine Asia Pte. Ltd. (stationed in Singapore)
2008 Managing Director, Tokio Marine Holdings, Inc.
2011 Senior Managing Executive Officer, Tokio Marine Holdings, Inc.
2012 Retired from Senior Managing Executive Officer, Tokio Marine Holdings, Inc.
President, The General Insurance Institute of Japan
2016 Retired from President, The General Insurance Institute of Japan
Council, Public Interest Incorporated Foundation Japan Police Support Association (to date)
Council, The General Insurance Institute of Japan
2017 Counsel, Kamimura Ohira & Mizuno (to date)
2019 Outside Director, Generation Pass Co., Ltd. (to date)
2020 Outside Director, Itochu Enex Co., Ltd. (to date)

Shares of the Company owned: 2,700
Board of Directors meeting attendance: 7/7
Significant concurrent positions outside the Company:
Council, Public Interest Incorporated Foundation Japan Police Support Association
Counsel, Kamimura Ohira & Mizuno
Outside Director, Generation Pass Co., Ltd.

Audit & Supervisory Board Members

Toyohiro Sunayama
Standing Audit & Supervisory Board Member (Outside)

1983 Joined ITOCHU Corporation
2010 Chief Corporate Planning Officer & Chief Compliance Officer for Asia Bloc, ITOCHU Corporation; Executive Vice President, ITOCHU Singapore Pte. Ltd.
2011 Chief Administration Control Officer & Chief Compliance Officer for ASEAN & South West Asia Bloc, ITOCHU Corporation; Executive Vice President, ITOCHU Singapore Pte. Ltd.
2012 Director for East Asia Bloc, ITOCHU Corporation; Managing Director, ITOCHU Hong Kong Ltd.
2015 Executive Officer, Leilian Co., Ltd.
2016 Director, Chief Administration Officer, Leilian Co., Ltd.
2017 Executive Director, Chief Administrative Officer, Leilian Co., Ltd.
2018 Standing Audit & Supervisory Board Member (outside), Itochu Enex Co., Ltd. (to date)

Shares of the Company owned: None
Board of Directors meeting attendance: 10/10
Significant concurrent positions outside the Company:
Audit & Supervisory Board Member of Tokyo Toshi Service Co., Ltd. and Enearc Co., Ltd.

Shozo Tokuda
Audit & Supervisory Board Member (Outside, Independent)

1981 Joined Asahi & Co. (currently, KPMG AZSA LLC)
1985 Registered as Certified Public Accountant
2002 Partner, Asahi & Co.
2004 Head of Intellectual Property Management, KPMG AZSA & Co.
2006 Head of Division 3, Tokyo Office, KPMG AZSA & Co.
Board Member, KPMG AZSA & Co.
2010 Executive Board Member, KPMG AZSA & Co.
2015 Senior Partner, KPMG AZSA LLC
2017 Audit & Supervisory Board Member, Itochu Enex Co., Ltd. (to date)
Outside Corporate Auditor, Mitsui Chemicals, Inc. (to date)

Shares of the Company owned: None
Board of Directors meeting attendance: 10/10
Significant concurrent positions outside the Company:
Outside Corporate Auditor, Mitsui Chemicals, Inc.

Isao Kubo
Standing Audit & Supervisory Board Member (Outside)

1982 Joined ITOCHU Corporation
2013 Executive Officer, General Manager for Corporate Planning & Administration Division, ITOCHU Corporation
2015 Executive Officer, General Manager for Internal Audit Division, ITOCHU Corporation
2016 Managing Executive Officer, General Manager for Internal Audit Division, ITOCHU Corporation
2017 Director, Managing Executive Officer, General Manager of Management Division, former FamilyMart Co., Ltd.
Managing Executive Officer, General Manager of Corporate Planning Division, FamilyMart UNY Holdings Co., Ltd. (currently, FamilyMart Co., Ltd.)
2018 Senior Managing Executive Officer of FamilyMart UNY Holdings Co., Ltd.
Director, Senior Managing Executive Officer, former FamilyMart Co., Ltd.
Director, Senior Managing Executive Officer, former FamilyMart UNY Holdings Co., Ltd. (currently, FamilyMart Co., Ltd.)
2019 Director, Senior Managing Executive Officer, Chief Strategy Officer, FamilyMart UNY Holdings Co., Ltd.
Outside Director, Pan Pacific International Holdings Corporation (to date)
2021 Advisor, FamilyMart Co., Ltd. (to date)
Standing Audit & Supervisory Board Member (outside), Itochu Enex Co., Ltd. (to date)

Shares of the Company owned: None
Significant concurrent positions outside the Company:
Outside Director, Pan Pacific International Holdings Corporation

Masako Iwamoto
Audit & Supervisory Board Member (Outside, Independent)

1998 Registered as an attorney-at-law
Tokyo Aoyama Aoki Law Office (currently, Baker & McKenzie)
2002 Established Iwamoto Law Office
2011 Outside Audit & Supervisory Board Member, ACHILLES CORPORATION
2020 Outside Director, ACHILLES CORPORATION (to date)
2021 Audit & Supervisory Board Member, Itochu Enex Co., Ltd. (to date)

Shares of the Company owned: None
Significant concurrent positions outside the Company:
Representative Attorney, Iwamoto Law Office
Outside Director, ACHILLES CORPORATION

Executive Officers (excluding Directors serving concurrently as Executive Officers)

Toshihisa Fuse
Managing Officer
Chief Operating Officer, Carbon Neutral Strategy Division

Tsukasa Nakamura
Managing Officer
Chief Operating Officer, Home-Life Division

Tatsuro Utsumi
Executive Officer
Deputy Chief Operating Officer, Home-Life Division [and General Manager, Platform Management Department (from September 1)]

Takeo Fukushima
Executive Officer
President, and Chief Executive Officer, Tokyo Toshi Service Co., Ltd.

Shigeru Kondo
Executive Officer
Deputy President and Chief Executive Officer, Enearc Co., Ltd.

Tsukasa Motegi
Executive Officer
Deputy Chief Operating Officer, Car-Life Division, and General Manager, Planning & Administration Department

Hirofumi Chimura
Executive Officer
Chief Operating Officer, Industrial Business Division

Minoru Kubota
Executive Officer
Deputy Chief Operating Officer, Corporate Administration Division and General Manager, Legal & Credit Control Department

Kimiaki Yonezawa
Executive Officer
President, and Chief Executive Officer, Itochu Enex Home-Life Hokkaido Co., Ltd.

Fumiya Tanaka
Executive Officer
Chief Operating Officer, Power & Utility Division, and Manager, Retail Business Office

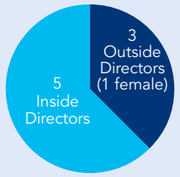
Shinichiro Inoue
Executive Officer
Assistant to Chief Financial Officer, and General Manager, Finance & General Accounting Department

Corporate Governance

Governance Highlights

Directors

8



Average Term Served

3.6 years

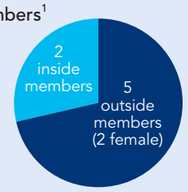
Audit & Supervisory Board Members

4

Governance Committee Members[1]

7

Number of times committee convened in FY2020: 12



1. Voluntary committee that is equivalent to a nomination committee and a compensation committee

Number of Board of Directors Meetings[2]

10

Number of Auditor & Supervisory Board Meetings[2]

12

Number of Times Management Advisory Conference Convened[2]

20

Number of Meetings with Institutional Investors[2]

33

(32 in FY2019)

2. Figures for FY2020

Basic Approach

Based on our Corporate Philosophy, the Employee Code of Conduct (Be Ethical: Reliability and sincerity, creativity and ingenuity, transparency and integrity) and the Declaration of the Group Code of Conduct, Itochu Enex remains committed to thorough compliance as a corporate citizen, focusing on shareholder interests, ensuring management transparency in business management, and accelerating decision-making. To that end, it is continually strengthening corporate governance to respond to the changing business environment.

(For further details on corporate governance policies, please see the Corporate Governance Report, available at: https://www.itcenex.com/en/ir/policy/governance/)

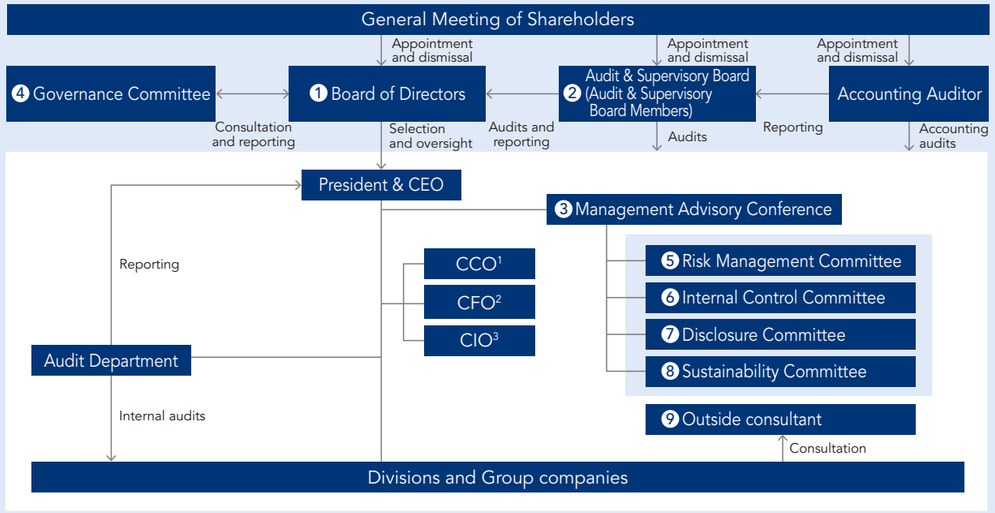
Response to Japan's Corporate Governance Code

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.

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.

Corporate Governance Structure



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

① Board of Directors — Meetings in FY2020: 10

The Board of Directors, consisting of eight Directors in total (of which, one is female), determines the fundamental management policies of the Company and is responsible for management oversight. Five of the Directors are Inside Directors and three are Outside Directors (37.5%). 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 FY2020: 12

The Audit & Supervisory Board consists of four members in total (including four 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 FY2020: 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.

④ Governance Committee — Meetings in FY2020: 12

The Governance Committee consists of seven members, of whom five are independent officers (three Outside Directors and two Outside Audit & Supervisory Board Members) and two are Inside Directors. 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 FY2020: 6

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 FY2020: 6

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. The Company continues to make improvements to the internal control system through constant reviews, thereby striving for a more suitable and efficient control structure. At the Board of Directors meeting held on April 30, 2021, the Board evaluated the development and implementation status of each item enumerated in the Basic Policy for FY2020, and confirmed that there were no significant deficiencies or flaws.

⑦ Disclosure Committee — Meetings in FY2020: 6

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 Sustainability Committee

The Sustainability Committee was established on May 1, 2021, as an advisory body to the Management Advisory Conference to deliberate and monitor sustainability issues from a long-term perspective, and to implement and drive Group-wide sustainability management strategies.

⑨ 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.

Evaluation of the Effectiveness of the Board of Directors

The Company asked all Directors and Audit & Supervisory Board Members to give their opinions based on their own evaluation of the effectiveness of the Board of Directors as a whole in FY2020, including the composition, operation status and support structure of the Board. By referring to these opinions as well as evaluation and analysis by third-party evaluation organizations and after deliberation by the Governance Committee, the Board of Directors conducted the analysis and evaluation regarding the effectiveness of the Board of Directors.

Evaluation Method
Evaluation via questionnaire and individual hearings

Subject of Evaluation
Meetings of the Board of Directors held between April 2020 and March 2021 (a total of 10 meetings)

Evaluators
All members of the Board of Directors and Audit & Supervisory Board as of April 2021

Outline of Implementation
A questionnaire was conducted regarding the composition of the Board of Directors (5 items), the operation of the Board of Directors (12 items), systems supporting the Board of Directors and dialogue with shareholders (7 items), and systems for fulfilling roles and duties (1 item). Free comments were allowed and transparency was ensured by requiring the respondents to indicate their names. Based on the aggregate results of the questionnaire, individual interviews with all evaluators were held.

Evaluation Results
Evaluation of the effectiveness of the Board of Directors is generally positive.
The evaluation of FY2020, as in the previous fiscal year, indicated that the Company has generally maintained a high level in each evaluation item, and that the operation of the Board of Directors of the Company was appropriate overall, securing its effectiveness. On the other hand, opinions and advice were provided on matters such as further enhancement of discussion on medium- to long-term strategy. The Company will draw on these evaluation results to seek to further improve the monitoring and decision-making functions of the Board of Directors.

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.

Reasons for Appointment of Outside Officers

	Name	FY2020 Board of Directors Meeting Attendance		Reasons for Appointment
Outside Directors	Ichiro Saeki	10 of 10		Ichiro Saeki has specialized knowledge in his capacity as an attorney and university professor with 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	10 of 10		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, and has extensive insight into society and culture in general. She has been appointed to another term as Outside Director because the Company believes that she will continue to utilize this insight and, based on her knowledge and various perspectives gained through her career, 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.
	Hiroshi Endo	7 of 7*		Hiroshi Endo has been involved in the insurance industry for many years in wide-ranging roles such as accounting, automobile insurance planning, corporate management, and overseas business. He also has extensive insight into corporate management, having served as Managing Director at Tokio Marine Holdings, Inc., and President of the General Insurance Institute of Japan. He has been appointed as an Outside Director because the Company believes that he will provide suitable 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 Hiroshi Endo meets the criteria for independence defined by financial exchanges and by the Company.
Outside Audit & Supervisory Board Members	Name	Attendance		Reasons for Appointment
		Board of Directors Meetings	Audit & Supervisory Board Meetings	
	Toyohiro Sunayama	10 of 10	12 of 12	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.
	Isao Kubo	— (Appointed June 16, 2021)		Isao Kubo worked primarily in corporate planning and audit-related operations at ITOCHU Corporation for many years, and after serving as Managing Executive Officer and General Manager of the Internal Audit Division at ITOCHU Corporation, he has served as Director, Senior Managing Executive Officer, Chief Strategy Officer, and General Manager of the Corporate Planning Division at FamilyMart Co., Ltd., and therefore has extensive insight into corporate management. He has been newly appointed as an Outside Audit & Supervisory Board Member because the Company believes that he will suitably provide advice to the Company management and contribute to the proper oversight of the execution of the Company's business. Isao Kubo 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	10 of 10	12 of 12	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.
	Masako Iwamoto	— (Appointed June 16, 2021)		Masako Iwamoto has specialized knowledge in her capacity as an attorney and extensive experience with corporate legal affairs. She also acquired broad knowledge through her experience as an outside officer at ACHILLES CORPORATION. She has been appointed as an Audit & Supervisory Board Member because the Company believes that that she will appropriately perform the duties of an Outside Audit & Supervisory Board Member from an objective and expert point of view. The Company has determined that Masako Iwamoto meets the criteria for independence defined by financial exchanges and by the Company.

* Outside Director Hiroshi Endo was appointed at the 60th Ordinary General Meeting of Shareholders held on June 17, 2020, and was therefore eligible to attend fewer Board of Directors meetings than other Directors.

Outside Officer Skills Matrix

	Name	Business management	Finance and accounting	Legal, governance and compliance	Human resources, labor and diversity	International mindset	Knowledge of other industries
Outside Directors	Ichiro Saeki	○		○			○
	Motoyo Yamane	○			○	○	○
	Hiroshi Endo	○	○			○	○
Outside Audit & Supervisory Board Members	Toyohiro Sunayama	○	○		○	○	○
	Isao Kubo	○	○	○		○	○
	Shozo Tokuda	○	○	○			○
	Masako Iwamoto	○		○	○		○

Policies and Procedures on Determination of Remuneration for Directors

Basic Policy
Remuneration for Directors of the Company is designed to attract talented human resources with the ability to implement the Company's Corporate Philosophy and to motivate them to contribute to the sustained improvement of its corporate value. It is the Company's basic policy to determine remuneration paid to each Director at an appropriate level based on his/her position and duties.

Remuneration System for Directors
Remuneration for Executive Directors comprises fixed basic remuneration (monthly remuneration) and performance-linked remuneration that fluctuates according to performance. Remuneration for Non-Executive Directors comprises only fixed basic remuneration (monthly remuneration) from the perspective of their roles and independence.

Composition of Director Remuneration (for Executive Directors)

Note: The above ratio represents remuneration when 100% of all targets for performance-linked remuneration are reached.

Types of Remuneration

Details of Remuneration	Details of Remuneration
(A) Basic Remuneration	• The Company determines the monthly amount according to the position and responsibilities of each Director, taking into account the standards of other companies based on the research of specialized external institutions.
(B) Bonuses	• The Company pays performance-linked bonuses to Executive Directors and Executive Officers at certain times of each year as short-term performance pay based on a performance indicator and the level of goal achievement in the year. • The performance indicator that is the basis for bonuses is the level of achievement of the target consolidated net profit attributable to Itochu Enex's shareholders each year. • The Company determines the amounts of bonuses by multiplying the base remuneration by a certain coefficient according to the levels of achievement of Company-wide performance, division performance, and section performance and a qualitative assessment. Note: The comprehensive qualitative assessment is performed by the President, taking into account the level of the goal achievement of each Executive Director (progress in addressing issues in the areas of their responsibility, development of management executives, thoroughness of legal compliance, etc.).
(C) Stock-Based Remuneration	• This remuneration program is designed to motivate Directors to contribute to the improvement of the Company's medium- to long-term performance and the increase of its corporate value. As medium- to long-term performance-linked remuneration, performance-linked stock-based remuneration is provided to Executive Directors based on the points given to them according to net profit under the medium-term business plan, the positions of the Directors, and the number of months in their term of office. At the time of their retirement, they acquire the number of shares of the Company's common stock determined by the total number of points granted. • The number of shares acquired is the product of multiplying the number of points given by the above program by 1.0.

Of the above remuneration, the performance-linked bonus and stock-based remuneration are linked to the Company's business performance, and net profit attributable to Itochu Enex's shareholders has been adopted as the indicator for evaluating the overall business performance of the Company. It was adopted based on its simplicity as an indicator, consistency with the numerical targets related to the Company's business management (or with the quantitative targets set in the medium-term business plan, which apply to the performance-linked stock-based remuneration), and in light of the trends of other companies. The consolidated net profit attributable to Itochu Enex's shareholders for FY2020 was ¥12,168 million.

Policy, Etc. for Determining the Remuneration of Individuals

To flexibly determine the amount of remuneration for individuals, Kenji Okada, the President of the Company, is delegated to determine specifics based on standards established in advance. Changes made to the composition of remuneration, base remuneration, and bonuses require prior reporting to the Board of Directors after consultation with the Governance Committee. Changes in the stock-based remuneration require approval at a Board of Directors' meeting or a General Meeting of Shareholders. The Company has established a system in which the Governance Committee receives one or more reports a year on the overall distribution of remuneration for individual Directors, ensures that such activities are conducted appropriately in line with this policy, and guarantees their objectivity, fairness, and transparency. The Board of Directors receives the results of deliberations and reports on the appropriate remuneration of individual Directors in line with this policy from the Governance Committee. The Company believes that the activities of the Board of Directors are also in line with this policy.

Total Remuneration, Etc., by Officer Category, Total Remuneration, Etc., by Type, and Number of Applicable Officers

(Millions of yen)

	Total remuneration, etc.	Total remuneration, etc., by type			Number of applicable officers
		Basic remuneration	Bonus	Stock-based remuneration	
Directors [Outside Directors]	304 [32]	185 [32]	99 [—]	20 [—]	10 [4]
Audit & Supervisory Board Members [Outside Audit & Supervisory Board Members]	65 [61]	65 [61]	— [—]	— [—]	4 [3]
Total [Outside Directors and Outside Audit & Supervisory Board Members]	369 [93]	250 [93]	99 [—]	20 [—]	14 [7]

Total Remuneration, Etc., of Persons Whose Total Remuneration, Etc., Is ¥100 Million or More

Name	Total remuneration, etc. (Millions of yen)	Director category	Company category	Total remuneration, etc., by type (Millions of yen)		
				Total monthly remuneration	Bonus	Stock-based remuneration
Kenji Okada	105	Director	Submitting company	54	43	8

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 and other 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 proportion of the Company's business transactions that are dependent on the parent company is low, and most of the Company's business consists of transactions with unaffiliated companies and general consumers. 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.

However, this does not prevent the Company from making independent managerial decisions, and the independence of the Company has been ensured through the appointment of three Outside Directors that are designated as independent officers, which enables a greater diversity of opinions to be reflected in discussions at Board of Directors meetings.

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

For further details on governance, please visit:
Corporate Governance Report and other information
https://www.itcenex.com/en/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.

Notice of General Meeting (Japanese edition)

Shareholder Newsletter (Japanese edition)

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. As an information disclosure advisory body to the Board of Directors and the Management Advisory Conference, the Disclosure Committee deliberates as appropriate on the content of 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.

	FY2020
General Meeting of Shareholders (held on June 16, 2021)	Held in June (13 attendees; 23 attendees in FY2019)
Meetings with investors	33 meetings
Online financial results presentations (for institutional investors)	Twice yearly (May, November)
Website content for investors	• AAA Website, All Japanese Listed Companies' Website Ranking, Nikko Investor Relations Co., Ltd. • Bronze Award, GOMEZ IR Site Ranking 2020

Note: Presentations for individual investors in FY2020 were not conducted due to the COVID-19 pandemic.

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

Protection of Human Rights

The meaning behind the Code of Conduct, "Be Ethical," and the Declaration of the Group Code of Conduct includes respect for human rights. The Company is thorough in ensuring reliability and sincerity in its approach to protecting human rights.

Toward Zero Harassment

In order to achieve zero harassment, harassment as defined under four categories (sexual harassment, power harassment, maternity harassment and paternity harassment, care harassment) is explicitly prohibited in the Company's work regulations. The Company raises awareness among employees by highlighting risks and measures relating to human rights in the Group in-house newsletter. Past topics include discrimination and prejudice toward people with disabilities, foreign nationals and LGBT people, modern slavery, negative impacts on regions, infringement of privacy, duty of care for employees' health, and online defamation.

Risk Management

Risk Management Committee

The Risk Management Committee aims to create the best possible systems to achieve business continuity. It promptly and correctly deals 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 uses risk mapping to review the Itochu Enex Group's principal risks and identify new threats and other risks that could have a material impact on management. Based on that analysis, the committee works toward risk mitigation by discussing response policies and countermeasures for the risks identified, and by deliberating on and evaluating the effectiveness of countermeasures.

Systems for Handling Emergencies

The Company has established reporting routes that enable it to quickly obtain accurate information and respond appropriately when an accident occurs or a risk arises in the Group. The Company has also developed an emergency contact network so that when an earthquake, typhoon, heavy rain or other natural disaster occurs, it is able to quickly grasp the level of damage to the Group's facilities and distributors, and secure lifelines. In particular, in the event of a large-scale natural disaster, the Company has established an integrated contact system that connects Group companies and branches, business divisions and officers, including the President, and uses LINE WORKS to share information around the clock, 365 days a year.

Strengthening IT Security

The Company sees management of information security as an important business issue, and strives to maintain and improve its information management system in accordance with the Itochu Enex Group Basic Policy for Information Management.

For further details, please visit:
https://www.itcenex.com/en/csr/governance/riskmanagement/

BCP and Disaster Response Headquarters

The Company has established a business continuity plan (BCP) as a precaution against possible major natural disasters and prolonged pandemic conditions. The Disaster Response Headquarters plays a central role in the plan. Headed by the President and with the Chief Compliance Officer (CCO) serving as Deputy Head, the headquarters primarily comprises the General Managers of the Corporate Administration Division. In the event of a disaster that could have an impact on business operations, the Disaster Response Headquarters is mobilized at the head office, and rapidly shares information as it leads Group-wide activities to respond to the situation through a unified chain of command that enables 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). At present, the BCP includes all branches and Group companies in Japan. The Company engages in business continuity management (BCM), including regular drills to verify effectiveness and plan reviews, which are aimed at ensuring the continued relevance of the BCP. The Company conducts BCP training for employees in the form of awareness activities such as the production of videos.

Drill to verify BCP effectiveness at a Group company

Building awareness among Group employees by producing an in-house BCP training video

Business Risks

Principal risks	Description of risks	Response to risks
Risks due to a pandemic (See page 59.)	Once a highly contagious infectious disease such as COVID-19 starts to spread, there are concerns regarding the potential harm to the health of employees, business partners and other related parties, and its social and economic impacts, and there is a risk that it could disrupt business activities. The possible risks by business are as follows. **Business essential to daily life** **Petroleum product sales** • Decline in demand • Increased temporary closure of sales bases • Suspension of ordering and delivery functions **LP gas sales** • Decline in demand • Suspension of manufacturing, distribution and maintenance functions **Electricity sales** • Decline in demand • Suspension of power generation functions **Heat supply** • Decline in demand • Suspension of heat supply functions **Car sales and related businesses** • Decrease in sales volume due to shortened business hours • Suspension of sales and vehicle maintenance functions	As part of being prepared for any infectious disease outbreak that becomes a pandemic, the Company has established the following responses for each stage of the outbreak, from the standpoint of prioritizing the safety of employees and preventing the spread of infection. Stage 1 (Early stage of domestic regional outbreak) • Voluntarily refrain from non-essential business trips, events and meetings, etc. • Prioritize the safety and security of employees and customers, and take measures to prevent infection. Stage 2 (Early stage of regional outbreak) • Establish an IT environment and disseminate guidelines in preparation for switch to telework. • Prepare countermeasures for possible risks while monitoring the situation by business area nationwide. Stage 3 (Regional infection stage) • Set up response headquarters. Arrange systems to prepare for a state of emergency, switch to telework in regions where the infection is spreading, and take measures to prevent infection of employees. • Based on ongoing monitoring of each business, execute pandemic response measures of business continuity planning as necessary, while keeping an eye on impact on businesses, and formulating countermeasures through the response headquarters.
Risk of shrinkage of business base	The decrease in customers due to the declining population in Japan, increasing energy efficiency, the increase in electric cars, and other trends has effects such as a decline in sales volume of products the Group handles in businesses including petroleum product sales, LP gas and industrial gas sales, electricity sales, heat supply, and car sales. This trend is not expected to abate, and a certain decrease in revenue every year is likely to continue if no countermeasures are taken.	Home-Life Division: • Maintain and expand the number of customers through domestic and overseas M&A • Prevent customer turnover through service benefits for major customers • Improve business efficiency and cut costs through IT, such as low-power, wide-area (LPWA) networks Car-Life Division: • Strengthen cooperation with distributors and bolster the revenue base of affiliated Car-Life Stations by understanding the needs of consumers in each region • Generate revenue from entry into the rental car business and car lease business to counteract revenue decline associated with sales volume Power & Utility Division: • Strengthen sales activities in the electric power retail business by utilizing IT and building new brands • Expand sales operations using the distributor network
Natural disaster risk (See page 68.)	Any large-scale natural disaster (earthquake, typhoon, flooding, etc.) affecting a wide area of Japan could potentially cause damage to the Group's business assets and impact business results. Furthermore, many key functions of the head office and other operating sites are located in the Tokyo metropolitan area, and there is a risk to business continuity should a major natural disaster occur in that area.	Measures against damage to facilities: Assets owned by the Group are dispersed across Japan, so risk of damage is also dispersed. Moreover, facilities owned by the Group are constructed and maintained according to earthquake resistance standards, and no significant damage has occurred in any large-scale disaster to date. Furthermore, the Group has adopted insurance measures, including fire insurance on the majority of its facilities. Business continuity measures: The Company has formulated a BCP and conducts ongoing drills to ensure it is ready to respond to a large-scale disaster in the Tokyo metropolitan area. It is also developing BCPs for each region, encompassing Group companies.
Risk of commodity price fluctuations	Transactions relating to petroleum products, LP gas and electricity are subject to the risk of commodity price fluctuations, where purchase prices and the valuation of stockpiles may fluctuate due to changes in market conditions, which could have an impact on the Group's profit.	Petroleum products: The Company sets selling prices linked to purchase prices, and in principle, its business model is not subject to the risk of price fluctuations. In addition, to reduce excessive buying or selling positions, commodity futures and forward contracts, etc., the Company has formulated Product Balance Management Regulations, and sets and controls product balance limits and annual loss limits for each department. LP gas: The Company sets a selling price formula linked to contract price, etc., and reduces price fluctuation risk by passing price changes on to customers. Electricity: The Company reduces spot market fluctuation risk with alliances with major electric power companies and the use of derivatives such as electricity futures.
Fixed asset impairment risk	A decrease in the asset values or profitability of the various sales outlets and equipment owned by the Group would necessitate the recognition of impairment, which could have a significant impact on the Group's business results.	The fixed assets owned by the Group are dispersed among multiple businesses, and across every region of Japan. Therefore, risk is dispersed to a certain extent due to portfolio effects. In addition, the Company has established mechanisms to prevent unprofitable and inefficient fixed assets from accumulating, including strict investment criteria and asset disposal and replacement based on exit rules.
Risks related to information security and information systems	In the event that larger-than-expected cyberattacks, computer virus infections, unauthorized access, or other factors cause system failures or the loss, leakage or alteration of information in information systems that are central to the Company's business operations, such events could hinder the continuity of the Company's business activities. Furthermore, they could have an adverse impact on the Group's business results due to loss of trust, large compensation claims or other causes.	The CIO and IT Planning Department lead the establishment of appropriate internal control procedures for building and operating information systems, and work to ensure robust security. Furthermore, the Company has set a personal information protection policy for management and handling of confidential information, including customer and personal information, and widely informs stakeholders about its objectives and management methods regarding handling of personal information.
Risks related to compliance	A broad range of laws and regulations apply to the businesses operated by the Itochu Enex Group. Any legal or regulatory violation could hinder the continuity of the Company's business activities. (Liquefied Petroleum Gas Act, Fire Service Act, Soil Contamination Countermeasures Act, Electricity Business Act, Air Pollution Control Act and other laws)	In order to prevent risks related to compliance from manifesting and deploy effective countermeasures based on the prompt detection of compliance issues, the Itochu Enex Group has established a department for overseeing compliance-related matters, formulated a CSR and compliance program, and conducts activities that include education and training. (See pages 70–71.)

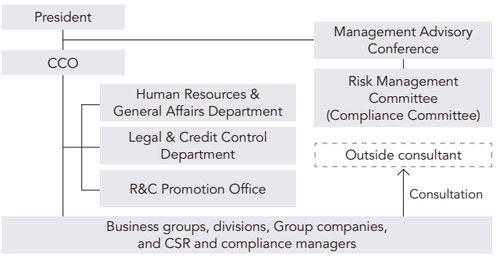
Compliance

Basic Policy

While meeting its corporate social responsibilities, the Company is engaged in various business activities, mainly in the energy distribution field. Meeting 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 manager[1] and personnel[2] in each department and Group company, 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 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, the Company conducts nationwide compliance rank-based training programs, as appropriate. Furthermore, through education and training for CSR and compliance managers and personnel in each department and Group company, the Company is enhancing their practical ability to respond to specific compliance incidents, thereby continuing to strengthen the Group's compliance system.

Promoting Awareness of Compliance

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

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.
Harassment Guidelines	These guidelines set out prohibited workplace behaviors with the aim of ensuring that employees and officers correctly understand the issue of harassment, and creating a harassment-free workplace.

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 annually 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, and are also used as a measure of engagement with the Corporate Philosophy.

Whistleblowing and Consulting Contact Points

The Group has established inside and outside whistleblowing contact points. These contact points provide 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. Through regular CSR and compliance training, the Group ensures that all employees are aware of the system of internal 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.

Tax Policy

The Itochu Enex Group is committed to a good faith approach in managing its business operations in full compliance with all applicable tax rules and to not engaging in transactions that are intended to evade or avoid taxes.

For further details on the Group's tax policy, please visit:
https://www.itcenex.com/en/corporate/governance/taxpolicy/

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 Car-Life Station-related businesses

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.

Consolidated Financial Statements

1. Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As of March 31, 2020	As of March 31, 2021
ASSETS			
Current assets			
Cash and cash equivalents	8	19,243	34,841
Trade receivables	9, 28, 41	86,911	99,764
Other current financial assets	10	28,095	17,900
Inventories	11	24,263	25,495
Income taxes receivable		98	3,055
Trade advances paid		128	100
Other current assets		2,502	2,710
Total current assets		161,240	183,865
Non-current assets			
Investments accounted for by the equity method	12, 41	31,583	29,437
Other investments	10, 41	3,860	4,246
Non-current financial assets other than investments	10, 41	11,942	10,330
Property, plant and equipment	13, 16, 39, 41	132,870	136,291
Investment property	14	13,147	12,797
Goodwill	15	521	521
Intangible assets	15, 16	20,005	19,688
Deferred tax assets	17	10,374	9,728
Other non-current assets		2,115	1,424
Total non-current assets		226,417	224,462
Total assets	5	387,657	408,327

(Millions of yen)

	Notes	As of March 31, 2020	As of March 31, 2021
LIABILITIES AND EQUITY			
Current liabilities			
Short-term bonds and borrowings	18, 41	7,024	3,041
Trade payables	19, 41	83,936	102,768
Lease liabilities	16	9,591	10,285
Other current financial liabilities	20	6,216	5,614
Income taxes payable		4,172	3,874
Advances from customers	28	9,437	11,006
Other current liabilities	21, 22	12,848	14,353
Total current liabilities		133,224	150,941
Non-current liabilities			
Non-current bonds and borrowings	18, 41	18,156	14,418
Lease liabilities	16, 41	52,713	50,499
Other non-current financial liabilities	20	14,225	14,425
Non-current liabilities for employee benefits	23	10,335	9,925
Deferred tax liabilities	17	1,721	1,001
Provisions	22	5,255	5,465
Other non-current liabilities		144	254
Total non-current liabilities		102,549	95,987
Total liabilities		235,773	246,928
Equity			
Common stock	24	19,878	19,878
Capital surplus	24	18,934	18,974
Retained earnings	24	92,761	99,829
Other components of equity	25	(1,370)	(576)
Treasury stock	24	(1,870)	(1,871)
Total shareholders' equity		128,333	136,233
Non-controlling interests	38	23,551	25,165
Total equity		151,884	161,399
Total liabilities and equity		387,657	408,327

* See accompanying notes to consolidated financial statements.

2. Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Revenue	28	897,427	739,067
Cost of sales		(811,009)	(652,178)
Gross profit		86,418	86,889
Other income and expense			
Selling, general and administrative expenses	29	(68,858)	(67,115)
Loss from tangible assets, intangible assets and goodwill	30, 31	(428)	(1,369)
Other – net	32	2,125	941
Total other income and expense		(67,161)	(67,543)
Profit from operating activities		19,257	19,346
Financial income and costs	33		
Interest income		58	41
Dividends received		103	509
Interest expense		(1,126)	(1,070)
Other financial income and costs – net		(82)	(513)
Total financial income and costs		(1,047)	(1,033)
Share of profit of investments accounted for by the equity method	12	1,768	1,726
Profit before tax		19,978	20,039
Income tax expense	17	(5,793)	(5,675)
Net profit		14,185	14,364
Net profit attributable to:			
Net profit attributable to Itochu Enex's shareholders		12,056	12,168
Net profit attributable to non-controlling interests		2,129	2,196
Total		14,185	14,364

(Millions of yen)

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Other comprehensive income, net of tax effect			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets		(215)	219
Remeasurement of net defined benefit liability		(90)	26
Other comprehensive income of investments accounted for by the equity method	12	(41)	77
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(7)	(65)
Cash flow hedges		82	147
Other comprehensive income of investments accounted for by the equity method	12	182	417
Total other comprehensive income, net of tax effect	25	(89)	821
Comprehensive income		14,096	15,185
Comprehensive income attributable to:			
Comprehensive income attributable to Itochu Enex's shareholders		12,033	12,945
Comprehensive income attributable to non-controlling interests		2,063	2,240
Total		14,096	15,185

(Yen)

Earnings per share attributable to Itochu Enex's shareholders			
Basic	34	106.81	107.79
Diluted	34	–	–

(Millions of yen)

Total trading transactions		1,104,548	922,557

(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, 2020	Fiscal year ended March 31, 2021
Equity			
Common stock	24		
Balance at the beginning of the year		19,878	19,878
Cumulative effect of accounting change		–	–
Restated balance		19,878	–
Balance at the end of the year		19,878	19,878
Capital surplus	24		
Balance at the beginning of the year		18,922	18,934
Cumulative effect of accounting change		–	–
Restated balance		18,922	–
Acquisition of subsidiary shares from non-controlling interests and others		–	–
Share-based payments		12	39
Balance at the end of the year		18,934	18,974
Retained earnings	24		
Balance at the beginning of the year		86,769	92,761
Cumulative effect of accounting change		(1,146)	–
Restated balance		85,623	–
Net profit attributable to Itochu Enex's shareholders		12,056	12,168
Transfer from other components of equity		(59)	(17)
Cash dividends paid to Itochu Enex's shareholders	26	(4,859)	(5,084)
Balance at the end of the year		92,761	99,829
Other components of equity	25		
Balance at the beginning of the year		(1,406)	(1,370)
Cumulative effect of accounting change		–	–
Restated balance		(1,406)	–
Other comprehensive income attributable to Itochu Enex's shareholders		(23)	777
Transfer to retained earnings		59	17
Balance at the end of the year		(1,370)	(576)
Treasury stock	24		
Balance at the beginning of the year		(1,873)	(1,870)
Cumulative effect of accounting change		–	–
Restated balance		(1,873)	–
Purchase and disposal of treasury stock		(0)	(1)
Share-based payments		3	1
Balance at the end of the year		(1,870)	(1,871)
Total shareholders' equity		128,333	136,233
Non-controlling interests	38		
Balance at the beginning of the year		22,276	23,551
Cumulative effect of accounting change		(389)	–
Restated balance		21,887	–
Net profit attributable to non-controlling interests		2,129	2,196
Other comprehensive income attributable to non-controlling interests		(66)	44
Cash dividends paid to non-controlling interests		(419)	(675)
Changes due to additional acquisitions and sales of interests in subsidiaries		20	50
Balance at the end of the year		23,551	25,165
Total equity		151,884	161,399

* See accompanying notes to consolidated financial statements.

4. Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Cash flows from operating activities			
Profit before tax		19,978	20,039
Depreciation and amortization		19,580	19,930
Loss from tangible assets, intangible assets and goodwill		428	1,369
Financial income and costs		1,047	1,033
Share of profit of investments accounted for by the equity method		(1,768)	(1,726)
Decrease (increase) in trade receivables		19,388	(12,927)
Decrease (increase) in inventories		8,814	(4,807)
Increase (decrease) in trade payables		(37,741)	18,950
Other – net		1,140	6,143
Dividends received		1,613	3,105
Interest received		56	41
Interest expense		(1,126)	(1,006)
Income taxes paid		(5,836)	(10,028)
Income taxes refund		2,533	98
Net cash flows provided by operating activities		28,106	40,214
Cash flows from investing activities			
Purchase of investments (including investments accounted for by the equity method)		(2,825)	(5,375)
Proceeds from sales and redemption of investments (including investments accounted for by the equity method)		5,201	5,521
Acquisition of subsidiaries, net of cash acquired	35	(5,566)	—
Proceeds from acquisition of subsidiaries	35	680	11
Proceeds from sales of subsidiaries, net of cash held by subsidiaries	35	2,905	—
Payment for loans receivable		(1,017)	(875)
Collection of loans receivable		1,316	1,180
Payments for purchase of property, plant and equipment and investment property		(11,941)	(11,646)
Proceeds from sales of property, plant and equipment and investment property		2,616	700
Purchase of intangible assets		(1,980)	(1,618)
Proceeds from sales of intangible assets		22	219
Decrease in deposits paid – net		8,979	11,021
Other – net		199	737
Net cash flows used in investing activities		(1,411)	(125)
Cash flows from financing activities			
Proceeds from bonds and borrowings		—	11,050
Repayments of bonds and non-current borrowings		(8,381)	(18,941)
Repayments of lease liabilities		(10,804)	(11,106)
Net increase (decrease) in short-term borrowings		(1,753)	179
Payments for acquisition of interests in subsidiaries from non-controlling interests		(30)	—
Proceeds from share issuance from non-controlling interests		50	50
Cash dividends paid to Itochu Enex's shareholders	26	(4,859)	(5,084)
Cash dividends paid to non-controlling interests	38	(419)	(675)
Purchase of treasury stock		(0)	(1)
Net cash flows used in financing activities		(26,196)	(24,528)
Net increase in cash and cash equivalents		499	15,561
Cash and cash equivalents at the beginning of the year	8	18,725	19,243
Effect of exchange rate changes on cash and cash equivalents		19	37
Cash and cash equivalents at the end of the year	8	19,243	34,841

* 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, 2021, 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 16, 2021.

(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) IFRSs or Interpretations Issued, but not yet Adopted

None of the new or amended IFRSs and interpretations that were issued but not yet adopted by the date of approval of the consolidated financial statements have a significant impact to the consolidated financial statements.

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 assured. However, if the aggregate of fair values of identifiable assets and liabilities assumed exceeds the sum of acquisition value, the value of pre-existing equity interest after the remeasurement, and the fair value of non-controlling interest in the acquiree, such an excess is immediately recognized in profit as the bargain purchase gain.

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

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

acquiree are taken over by the acquirer.

(3) Foreign Currency Translation

Transactions in foreign currencies are translated into the functional currency at the exchange 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. In contrast, 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

In accordance with IFRS 16, the Group determines whether a contract is, or contains, a lease based on examination of the economic nature of the transaction, regardless of whether the legal form of the contract is that of a lease contract, and accounts for them as follows:

A. Leases as Lessee

If a contract is or contains a lease, right-of-use assets and lease liabilities are recognized at the commencement date of the lease.

Lease liabilities are measured at the present value of unpaid lease payments at the commencement date of the lease, discounted using the interest rate implicit in the lease or the lessee's incremental borrowing rate.

Lease payments are allocated to finance costs and repayments of lease liabilities based on the effective interest method, with finance costs presented in "Interest expense" in the consolidated statement of comprehensive income.

The cost model is applied to measure right-of-use assets, and the value, measured at cost less accumulated depreciation and accumulated impairment losses, is presented in the consolidated statement of financial position by including it under "Property, plant and equipment" and "Investment property." Cost is measured at the acquisition cost adjusted for the initial direct costs incurred by the lessee, including lease payments made before the commencement date of the lease and the cost of restoration obligation and other obligations required in the lease contract, in addition to the amount initially measured for the lease liability.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the end of the asset's useful life or the end of the lease term, whichever is earlier.

For short-term leases with a lease term of 12 months or less and leases of low-value assets, lease payments are recognized in net profit on either a straight-line basis over the lease term or another systematic basis, and right-of-use assets and lease liabilities are not recognized.

B. Leases as Lessor

Leases that transfer substantially all the risks and rewards incidental to ownership of the underlying asset are classified as finance leases, and any leases other than finance leases are classified as operating leases.

For finance leases, net investments in the leases are recognized as lease receivables, total lease payments are classified into amounts equivalent to the principal and interest portions of lease receivables, and the amount allocated to the interest portion of lease payments receivable is calculated using the effective interest method. The interest portion of lease payments is presented in either "Revenue" or "Interest income" in the consolidated statement of comprehensive income, depending on the primary purpose of the finance lease.

Under operating leases, lease payments income is recognized in net profit 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 largely independently of other assets, the asset is considered its own cash-generating unit. If an asset from which cash flows are not identifiable largely independently of other assets, a cash-generating unit is the smallest identifiable group of assets that largely 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 of disposal, 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 of disposal, 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 of disposal. 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 accounting estimates and judgments. Accounting estimates and judgments made by the management have an impact on the amounts of assets and liabilities as of the date of reporting of the consolidated financial statement 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 of disposal, in the calculation of the recoverable amount or estimated future cash flows of cash-generating units and discount rate as bases for calculation of value in use. 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".

Based on information available when preparing the consolidated financial statements, the Group expects the impact of COVID-19 will not be material. The Group's estimates and assumptions may change depending on factors including the status of both the pandemic and the return to normal conditions.

- 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".

Based on information available when preparing the consolidated financial statements, the Group expects the impact of COVID-19 will not be material. The Group's estimates and assumptions may change depending on factors including the status of both the pandemic and the return to normal conditions.

- 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," "Car-Life Division," "Industrial Business Division," and "Power & Utility Division."

The Home-Life Division is engaged in sales and services involving LP gas, kerosene, town gas (Nakatsu City, Oita Prefecture and Kanto region), industrial gas, electricity, household equipment, smart energy equipment, remodeling, residential lithium-ion electricity storage systems, pressure resistance inspection for gas containers and welding materials.

The Car-Life Division is engaged in sales and services involving gasoline, kerosene, diesel oil, electricity, automobiles, car rental, and lifestyle and automotive products.

The Industrial Business Division is engaged in sales and services involving gasoline, kerosene, diesel oil, fuel oil, LP gas, high-grade urea solution "AdBlue®," GTL fuel, corporate fleet refueling cards, asphalt, marine fuel, fly ash recycling business, slop recovery and recycling business, import/export of petroleum products, and terminal tank rental.

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

In the fiscal year ended March 31, 2021, the import/export business of petroleum products and the terminal tank rental business, formerly included in the Car-Life Division, were reclassified as part of the Industrial Business Division.

Furthermore, in conjunction with the absorption-type merger of ENEXAUTO CO., LTD., which was a subsidiary of the

Company, by ENEX LIFE SERVICE CO., LTD., a subsidiary of the Company, the management classification was reviewed and changed to include the business of ENEXAUTO CO., LTD., which was previously included in the Car-Life Division, in the Power & Utility Division.

Due to the change in segments, segment information for the fiscal year ended March 31, 2020 has been reclassified 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, 2020

(Millions of yen)

	Reportable segments						
	Home-Life	Car-Life	Industrial Business	Power & Utility	Total	Adjustment	Consoli-dated
Revenue							
Revenue from external customers	89,084	506,669	210,459	91,215	897,427	—	897,427
Intersegment revenue	81	13,840	6,305	4,137	24,363	(24,363)	—
Total revenue	89,165	520,509	216,764	95,352	921,790	(24,363)	897,427
Gross profit	21,958	46,543	8,066	9,851	86,418	—	86,418
Selling, general and administrative expenses	(19,449)	(39,192)	(4,732)	(5,044)	(68,417)	(441)	(68,858)
Gain (loss) from tangible assets, intangible assets and goodwill	172	(212)	(44)	(340)	(424)	(4)	(428)
Other profit	118	338	348	1,292	2,096	29	2,125
Profit from operating activities	2,799	7,477	3,638	5,758	19,673	(416)	19,257
Financial income and costs	(23)	(505)	(7)	(412)	(947)	(100)	(1,047)
Share of profit of investments accounted for by the equity method	825	103	54	786	1,768	—	1,768
Profit before tax	3,601	7,076	3,685	6,132	20,494	(516)	19,978
Net profit attributable to Itochu Enex's shareholders	2,113	4,082	2,541	3,475	12,211	(155)	12,056
Other items							
Depreciation and amortization	(3,759)	(7,877)	(1,815)	(4,787)	(18,238)	(1,342)	(19,580)
Impairment loss	(145)	(204)	—	(144)	(493)	—	(493)
Total assets	67,240	148,097	49,277	92,077	356,691	30,966	387,657
Investments accounted for by the equity method	19,049	511	90	11,933	31,583	—	31,583
Capital expenditures	3,688	3,130	194	6,038	13,050	871	13,921
Increase in right-of-use assets	918	3,803	1,166	4,278	10,165	65	10,230
Total trading transactions	98,328	544,270	368,059	93,891	1,104,548	—	1,104,548

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

The adjustment of negative ¥155 million to net profit attributable to Itochu Enex's shareholders represents corporate profit not allocated to reportable segments.

The adjustment of ¥30,966 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, 2021

(Millions of yen)

	Reportable segments						
	Home-Life	Car-Life	Industrial Business	Power & Utility	Total	Adjustment	Consoli-dated
Revenue							
Revenue from external customers	78,962	414,641	160,778	84,686	739,067	—	739,067
Intersegment revenue	54	10,910	5,262	4,224	20,450	(20,450)	—
Total revenue	79,016	425,551	166,040	88,910	759,517	(20,450)	739,067
Gross profit	20,429	46,776	9,426	10,258	86,889	—	86,889
Selling, general and administrative expenses	(18,750)	(39,162)	(4,103)	(4,985)	(67,000)	(115)	(67,115)
Loss from tangible assets, intangible assets and goodwill	(157)	(214)	(310)	(668)	(1,349)	(20)	(1,369)
Other profit (loss)	31	204	(3)	615	847	94	941
Profit from operating activities	1,553	7,604	5,010	5,220	19,387	(41)	19,346
Financial income and costs	(14)	(453)	438	(855)	(884)	(149)	(1,033)
Share of profit of investments accounted for by the equity method	1,410	69	66	181	1,726	—	1,726
Profit before tax	2,949	7,220	5,514	4,546	20,229	(190)	20,039
Net profit attributable to Itochu Enex's shareholders	1,726	4,054	3,857	2,669	12,306	(138)	12,168
Other items							
Depreciation and amortization	(3,887)	(7,604)	(1,799)	(5,089)	(18,379)	(1,551)	(19,930)
Impairment loss	(119)	(136)	(295)	(496)	(1,046)	—	(1,046)
Total assets	72,235	150,123	56,288	94,979	373,625	34,702	408,327
Investments accounted for by the equity method	20,282	429	194	8,532	29,437	—	29,437
Capital expenditures	4,309	2,146	431	5,931	12,817	447	13,264
Increase in right-of-use assets	1,350	5,876	1,916	630	9,772	3	9,775
Total trading transactions	87,932	458,854	277,541	98,230	922,557	—	922,557

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

The adjustment of negative ¥138 million to net profit attributable to Itochu Enex's shareholders represents corporate profit not allocated to reportable segments.

The adjustment of ¥34,702 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, 2020 and 2021.

(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, 2020 and 2021.

6. Business Combinations

For the fiscal year ended March 31, 2020

There were no significant business combinations during the fiscal year ended March 31, 2020.

For the fiscal year ended March 31, 2021

There were no significant business combinations during the fiscal year ended March 31, 2021.

7. Loss of Control of Subsidiaries

For the fiscal year ended March 31, 2020

There was no significant loss of control during the fiscal year ended March 31, 2020.

For the fiscal year ended March 31, 2021

There was no significant loss of control during the fiscal year ended March 31, 2021.

8. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2020 and 2021 were composed of cash and deposits.

9. Trade Receivables

The components of trade receivables are shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Trade receivables		
Trade receivables	81,376	95,360
Trade notes receivable	5,729	4,534
Loss allowance	(194)	(130)
Total	86,911	99,764

10. Securities and Other Financial Assets

The components of other current financial assets are shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Other current financial assets		
Short-term loans receivable	370	207
Other accounts receivable	13,873	15,077
Derivative assets	69	197
Deposits paid	11,021	—
Other	2,762	2,419
Total	28,095	17,900

The components of other investments are shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Other investments		
FVTPL financial assets	1,119	79
FVTOCI financial assets	2,741	4,167
Total	3,860	4,246

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Non-current financial assets other than investments		
Non-current loans receivable	756	649
Non-current lease receivables	3,485	2,707
Guarantee deposits	6,053	5,868
Other	2,091	1,531
Loss allowance	(443)	(425)
Total	11,942	10,330

11. Inventories

The components of inventories are shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Merchandise and finished goods	24,196	25,430
Raw materials	67	65
Total	24,263	25,495

For the fiscal year ended March 31, 2021, the amount of inventories expensed as cost of sales was ¥636,442 million, compared with ¥793,112 million for the fiscal year ended March 31, 2020.

For the fiscal year ended March 31, 2021, the amount of inventories written down to net realizable value was ¥27 million, compared with ¥24 million for the fiscal year ended March 31, 2020. 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, 2020 and 2021 was ¥1,169 million and ¥1,389 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, 2020 and 2021 are shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Associates	8,183	9,083
Joint ventures	23,400	20,354
Total	31,583	29,437

(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, 2020 and 2021 are shown below:

A. Profit or Loss

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Associates	72	831
Joint ventures	1,696	895
Total	1,768	1,726

B. Other Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Associates	(48)	83
Joint ventures	189	411
Total	141	494

C. Total Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Associates	24	914
Joint ventures	1,885	1,306
Total	1,909	2,220

(3) Major Associates and Joint Ventures

Details of major associates and joint ventures are as follows:

As of March 31, 2020

	Name	Major business	Location	Percentage of equity held (%)
Joint venture	ENEARC Co., Ltd.	Sale of LPG products	Chiyoda-ku, Tokyo	50.0

As of March 31, 2021

	Name	Major business	Location	Percentage of equity held (%)
Joint venture	ENEARC Co., Ltd.	Sale of LPG products	Chiyoda-ku, Tokyo	50.0

(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.

ENEARC Co., Ltd.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Current assets	12,521	14,290
Non-current assets	25,086	24,600
Current liabilities	13,290	14,252
Non-current liabilities	5,048	4,540
Equity	19,269	20,098

Cash and cash equivalents included in the current assets above as of March 31, 2020 and 2021 are ¥1,974 million and ¥2,104 million, respectively. Financial liabilities (excluding trade and other payables, and provisions) included in current liabilities as of March 31, 2020 and 2021 are ¥5,985 million and ¥5,235 million, respectively, and financial liabilities (excluding trade and other payables, and provisions) included in non-current liabilities as of March 31, 2020 and 2021 are ¥2,721 million and ¥1,993 million, respectively.

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Revenue	53,286	52,604
Depreciation and amortization	(2,564)	(2,733)
Financial income	20	28
Financial costs	(23)	(19)
Income tax expense	869	757
Net profit	1,675	1,440
Other comprehensive loss	(92)	129
Comprehensive income	1,582	1,570
Dividends received by the Group	(390)	(372)

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

ENEARC Co., Ltd.

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Net assets	19,269	20,405
The Group's share of net assets	9,635	10,202
Goodwill and consolidation adjustments	2,220	2,220
Carrying amounts of the Group's equity interest in ENEARC Co., Ltd.	11,855	12,422

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, 2019	16,021	42,719	65,163	1,893	12,041	4,393	142,230
Effect of change in accounting policy	27,102	18,153	845	804	443	—	47,347
Restated balance	43,123	60,872	66,008	2,697	12,484	4,393	189,577
Acquisition	4,915	2,138	2,569	–	1,625	8,425	19,672
Reclassification	20	1,143	5,028	–	947	(7,138)	—
Acquisition through business combinations	–	–	863	–	1	5,465	6,329
Decrease due to disposal and change in the scope of consolidation	(3,426)	(1,299)	(3,424)	–	(770)	(7,881)	(16,800)
Other	(607)	2,474	(177)	586	(557)	(1,265)	454
As of March 31, 2020	44,025	65,328	70,867	3,283	13,730	1,999	199,232
Acquisition	496	1,803	2,216	168	1,030	7,020	12,733
Reclassification	48	1,042	4,856	–	1,011	(6,957)	–
Acquisition through business combinations	–	–	–	–	–	–	–
Decrease due to disposal and change in the scope of consolidation	(681)	(1,337)	(3,367)	–	(668)	–	(6,053)
Other	2,860	3,397	2,339	174	(788)	(714)	7,268
As of March 31, 2021	46,748	70,233	76,911	3,625	14,315	1,348	213,180

[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, 2019	(242)	(16,358)	(29,557)	(814)	(7,660)	–	(54,631)
Depreciation	(2,713)	(6,137)	(5,504)	(1,057)	(1,445)	–	(16,856)
Impairment loss	(20)	(197)	(173)	–	(38)	–	(428)
Reclassification	–	–	–	–	–	–	–
Decrease due to disposal and change in the scope of consolidation	5	881	2,654	–	698	–	4,238
Other	127	287	428	8	465	–	1,315
As of March 31, 2020	(2,843)	(21,524)	(32,152)	(1,863)	(7,980)	–	(66,362)
Depreciation	(2,658)	(6,440)	(5,296)	(794)	(1,765)	–	(16,953)
Impairment loss	(89)	(458)	(350)	–	(7)	–	(904)
Reclassification	–	–	–	–	–	–	–
Decrease due to disposal and change in the scope of consolidation	110	1,104	3,000	–	505	–	4,719
Other	127	676	564	489	755	–	2,611
As of March 31, 2021	(5,353)	(26,642)	(34,234)	(2,168)	(8,492)	–	(76,889)

[Carrying Amount]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of March 31, 2020	41,182	43,804	38,715	1,420	5,750	1,999	132,870
As of March 31, 2021	41,395	43,591	42,677	1,457	5,823	1,348	136,291

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 ¥10,676 million and ¥5,615 million as of March 31, 2020 and 2021, respectively.

There were no borrowing costs capitalized in the fiscal years ended March 31, 2020 and 2021.

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, 2020	Fiscal year ended March 31, 2021
Balance at the beginning of the year	20,815	24,471
Effect of change in accounting policy	3,625	—
Restated balance	24,440	24,471
Acquisition	15	29
Expenditure after acquisition	470	178
Reclassification	214	572
Disposal	(1,013)	(843)
Other	345	380
Balance at the end of the year	24,471	24,787

[Accumulated Depreciation and Accumulated Impairment Loss]

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Balance at the beginning of the year	(10,995)	(11,324)
Depreciation	(768)	(731)
Impairment loss	(60)	(51)
Reclassification	29	(357)
Disposal	656	567
Other	(186)	(94)
Balance at the end of the year	(11,324)	(11,990)

The rental income from investment property for the fiscal years ended March 31, 2020 and 2021 was ¥2,100 million and ¥2,400 million, respectively, which was included in revenue in the consolidated statement of comprehensive income. The direct operating expenses incurred incidental to rental income were ¥1,331 million and ¥1,378 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, 2020	13,147	13,413
As of March 31, 2021	12,797	13,009

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, 2019	692	10,548	11,069	4,421	26,730
Acquisition	–	948	–	1,005	1,953
Acquisition through business combinations	–	–	–	–	–
Decrease due to disposal and change in the scope of consolidation	–	(155)	–	(304)	(459)
Other	–	11	–	93	104
As of March 31, 2020	692	11,352	11,069	5,215	28,328
Acquisition	–	538	–	1,232	1,770
Acquisition through business combinations	–	–	–	–	–
Decrease due to disposal and change in the scope of consolidation	(171)	(1,268)	–	(434)	(1,873)
Other	–	240	–	(241)	(1)
As of March 31, 2021	521	10,862	11,069	5,772	28,224

[Accumulated Amortization and Accumulated Impairment Loss]

(Millions of yen)

	Goodwill	Relationships with customers	Brand and relationships with suppliers	Other	Total
As of April 1, 2019	(171)	(2,927)	(1,338)	(1,682)	(6,118)
Amortization	–	(886)	(276)	(793)	(1,955)
Impairment loss	–	–	–	(4)	(4)
Decrease due to disposal and change in the scope of consolidation	–	39	–	286	325
Other	–	(35)	–	(14)	(49)
As of March 31, 2020	(171)	(3,809)	(1,614)	(2,207)	(7,801)
Amortization	–	(1,077)	(277)	(892)	(2,246)
Impairment loss	–	(80)	–	(8)	(88)
Decrease due to disposal and change in the scope of consolidation	171	1,264	–	433	1,868
Other	–	222	–	30	252
As of March 31, 2021	–	(3,480)	(1,891)	(2,644)	(8,015)

[Carrying Amount]

(Millions of yen)

	Goodwill	Relationships with customers	Brand and relationships with suppliers	Other	Total
As of March 31, 2020	521	7,542	9,455	3,008	20,526
As of March 31, 2021	521	7,381	9,178	3,129	20,209

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, 2020: ¥2,978 million, and March 31, 2021: ¥2,776 million) and brand and relationships with suppliers recognized in the business combination with Osaka Car Life Group Co., Ltd. (as of March 31, 2020: ¥9,455 million, and March 31, 2021: ¥9,178 million). The remaining amortization periods of these intangible assets as of March 31, 2020 and 2021, are 19 to 34 years and 18 to 33 years, respectively, for relationships with customers, and 34 years and 33 years, respectively, for brand and relationships with suppliers.

There were no intangible assets pledged as collateral as of March 31, 2020 and 2021.

Impairment Test for Goodwill

In performing an impairment test for goodwill, the Group allocates goodwill to the LPG sales business and others and calculates the recoverable amount of the LPG sales business, which is a cash-generating unit, based on value in use.

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

The Group 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, 2020: 5.3%, and March 31, 2021: 5.9%).

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

The Group uses leases to rent real estate, primarily the headquarters office, Car-Life Stations (service stations), oil, gas and asphalt storage bases, gas and heat supply facilities, power generation facilities, and automobile sales outlets.

Gains and losses related to right-of-use assets (excluding investment property) are shown below.

Information about investment property is presented in Note 14, “Investment Property.”

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Depreciation of right-of-use assets		
With land as the underlying asset	2,713	2,658
With buildings and structures as the underlying assets	4,574	4,997
With machinery, equipment and vehicles as the underlying assets	1,029	634
With vessels as the underlying asset	908	645
With other property, plant and equipment as the underlying asset	387	369
Total depreciation	9,611	9,303
Interest expense on lease liabilities	337	352
Expense relating to short-term leases	273	279
Expense relating to leases of low-value assets	595	704

The breakdown of carrying amounts of right-of use assets (excluding investment property) is shown below:

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Total
As of March 31, 2020	25,694	23,945	3,029	562	1,199	54,429
As of March 31, 2021	26,179	23,134	2,554	749	828	53,444

The increases in right-of-use assets (excluding investment property) were ¥9,870 million and ¥9,368 million, for the fiscal years ended March 31, 2020 and 2021, respectively. Total cash outflows for leases were ¥11,141 million and ¥11,458 million, for the fiscal years ended March 31, 2020 and 2021, respectively.

The breakdown by payment year of future lease payments based on lease contracts with the Group is shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Not later than 1 year	10,490	10,921
Later than 1 year and not later than 5 years	26,442	25,213
Later than 5 years	28,519	27,824
Total	65,451	63,958

In the Group, lease terms are negotiated individually, and contractual terms vary widely. Extension options and termination options in the Group are included mainly in real estate leases, and the Group uses these options as necessary in utilizing lease contracts in its business operations.

(2) Lessor

The Group uses finance leases primarily for subleasing real estate and other properties.

Gross investment in finance leases and net investment in leases, and their adjusted amounts are shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Gross investment in leases		
Not later than 1 year	1,272	1,422
Later than 1 year and not later than 2 years	868	826
Later than 2 years and not later than 3 years	720	640
Later than 3 years and not later than 4 years	522	442
Later than 4 years and not later than 5 years	345	324
Later than 5 years	1,262	717
Total	4,988	4,370
Unearned finance income	639	564
Unguaranteed residual value	—	—
Net investment in leases	4,349	3,806

Finance income on net investment in finance leases is shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Finance income on net investment in finance leases	110	120

The Group uses operating leases primarily for rental of real estate and other properties.
The breakdown of future lease payments on operating leases by year is shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Not later than 1 year	1,265	1,278
Later than 1 year and not later than 2 years	612	687
Later than 2 years and not later than 3 years	514	583
Later than 3 years and not later than 4 years	462	538
Later than 4 years and not later than 5 years	349	479
Later than 5 years	1,238	1,858
Total	4,441	5,423

Operating lease income is shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Operating lease income	2,100	2,400

The Group receives security deposits to reduce risks related to the rights held by lenders on the underlying assets.

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, 2019	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other (Note)	As of March 31, 2020
Deferred tax assets:					
Non-current assets	7,295	(872)	–	–	6,423
Securities	0	–	–	–	0
Post-employment benefits	2,867	157	51	–	3,075
Tax loss carryforwards	268	(38)	–	–	230
Other	4,920	968	28	685	6,601
Total deferred tax assets	15,350	215	79	685	16,329
Deferred tax liabilities:					
Non-current assets	(5,883)	(92)	–	–	(5,975)
Other	(1,841)	140	–	–	(1,701)
Total deferred tax liabilities	(7,724)	48	–	–	(7,676)

(Note) The "Other" column represents the amount of deferred tax assets at the beginning of the period recognized due to the adoption of IFRS 16 and other amounts.

(Millions of yen)

	As of April 1, 2020	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other	As of March 31, 2021
Deferred tax assets:					
Non-current assets	6,423	(431)	–	–	5,992
Securities	0	–	–	–	0
Post-employment benefits	3,075	207	(18)	–	3,264
Tax loss carryforwards	230	262	–	–	492
Other	6,601	(146)	(155)	–	6,300
Total deferred tax assets	16,329	(108)	(173)	–	16,048
Deferred tax liabilities:					
Non-current assets	(5,975)	59	–	–	(5,916)
Other	(1,701)	296	–	–	(1,405)
Total deferred tax liabilities	(7,676)	355	–	–	(7,321)

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Deferred tax assets	10,374	9,728
Deferred tax liabilities	1,721	1,001

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, 2020	As of March 31, 2021
Deductible temporary differences	2,986	3,962
Unused tax loss carryforwards	1,850	862
Total	4,836	4,824

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, 2020	As of March 31, 2021
First year	–	–
Second year	–	–
Third year	–	–
Fourth year	79	–
Fifth year or later	1,771	862
Total	1,850	862

(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, 2020	Fiscal year ended March 31, 2021
Current tax expense	(6,056)	(5,923)
Deferred tax expense		
Recognition and reversal of temporary differences	263	248
Total deferred tax expense	263	248
Income tax expense	(5,793)	(5,675)

The Company is subject principally to corporate income taxes, inhabitant taxes, and business taxes. The effective statutory tax rates based on these taxes were 30.6% for the fiscal year ended March 31, 2020, and 30.6% for the fiscal year ended March 31, 2021. 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, 2020	Fiscal year ended March 31, 2021
Effective statutory tax rate	30.6%	30.6%
Effect of expenses not deductible permanently	1.5	1.3
Other	(3.1)	(3.6)
Effective income tax rate after application of tax-effect accounting	29.0	28.3

18. Bonds, Borrowings and Other Financial Liabilities

The components of bonds, borrowings and other financial liabilities are shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021	Average interest rate (%) (Note 1)	Repayment date
Short-term borrowings	2,269	2,388	0.343	–
Current portion of non-current borrowings	4,755	653	1.529	–
Current portion of bonds payable (Note 2)	—	—	(Note 2)	–
Lease liabilities (current)	9,591	10,285	0.624	–
Non-current borrowings (excluding current portion)	8,169	4,425	2.042	April 2022 January 2032
Bonds payable (excluding current portion) (Note 2)	9,987	9,993	(Note 2)	(Note 2)
Lease liabilities (non-current)	52,713	50,499	0.624	April 2022– June 2054
Total	87,484	78,243	–	–
Current liabilities	16,615	13,326		
Non-current liabilities	70,869	64,917		
Total	87,484	78,243		

(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, 2020	As of March 31, 2021	Interest rate (%)	Collateral	Maturity date
ITOCHU Enex Co., Ltd.	Series 14 Unsecured Bonds	May 22, 2012	9,987	9,993	1.202	Unsecured	May 20, 2022
Total	–	–	9,987	9,993	–	–	–

19. Trade Payables

The components of trade payables are shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Trade payables	78,050	96,299
Notes payable	–	780
Other payables	5,886	5,689
Total	83,936	102,768

20. Other Financial Liabilities

The components of other current financial liabilities are shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Other payables (Non-operating)	3,122	2,064
Deposits received	2,969	3,086
Derivative liabilities	125	136
Other	–	328
Total	6,216	5,614

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Guarantee deposits received	13,692	14,102
Derivative liabilities	533	323
Total	14,225	14,425

21. Other Current Liabilities

The components of other current liabilities are shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Short-term obligations on employee benefits	8,323	8,160
Current provisions (Note)	71	77
Accrued expenses	2,116	2,877
Other	2,338	3,239
Total	12,848	14,353

(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, 2019	5,436	35	5,471
Increase during the year	73	14	87
Amount used during the year (utilization)	(96)	–	(96)
Increase due to passage of time	45	–	45
Other	(161)	(20)	(181)
As of March 31, 2020	5,297	29	5,326
Increase during the year	224	102	326
Amount used during the year (utilization)	(166)	–	(166)
Increase due to passage of time	40	–	40
Other	31	(15)	16
As of March 31, 2021	5,426	116	5,542

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

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Current liabilities (Note)	71	77
Non-current liabilities	5,255	5,465
Total	5,326	5,542

(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, 2020	Fiscal year ended March 31, 2021
Balance at the beginning of the year	17,483	17,792
Service cost	675	800
Interest expense	66	81
Remeasurement		
Changes in demographic assumptions	345	89
Changes in financial assumptions	(147)	(22)
Other	296	128
Benefits paid	(926)	(992)
Effect of business combinations and disposals	–	—
Balance at the end of the year	17,792	17,876

(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, 2020	Fiscal year ended March 31, 2021
Balance at the beginning of the year	7,950	9,104
Interest income	34	46
Remeasurement		
Return on plan assets	1,323	984
Contributions by the employer	184	183
Benefits paid	(387)	(454)
Balance at the end of the year	9,104	9,863

The Group plans to make contributions of ¥183 million in the fiscal year ending March 31, 2022.

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Balance at the beginning of the year	–	(969)
Change in the effect of limiting a net defined benefit asset to the asset ceiling	(969)	(746)
Balance at the end of the year	(969)	(1,715)

The composition of the Group's plan assets by asset category as of March 31, 2020 and 2021 is shown below:

(Millions of yen)

	As of March 31, 2020		
	Level 1 (Active market)	Level 2 (No active market)	Total
Cash and cash equivalents	3	–	3
Stock trusts	–	2,690	2,690
Bond trusts	–	5,003	5,003
General accounts	–	–	–
Other	–	1,408	1,408
Total	3	9,101	9,104

(Millions of yen)

	As of March 31, 2021		
	Level 1 (Active market)	Level 2 (No active market)	Total
Cash and cash equivalents	1	–	1
Stock trusts	–	2,714	2,714
Bond trusts	–	5,517	5,517
General accounts	–	–	–
Other	–	1,631	1,631
Total	1	9,862	9,863

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, 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, 2020, and 13 years in the fiscal year ended March 31, 2021.

The assumption of defined benefit obligations is shown below:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Discount rate	0.5 – 0.6%	0.5 – 0.6%

In the assumption of actuarial calculation described above, the calculation for defined benefit retirement plans is susceptible to the effects of the assumption of the discount rate. If the discount rate had changed by 0.25% as of March 31, 2021, the effect on defined benefit obligations would be ¥390 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 ¥726 million and ¥690 million for the fiscal years ended March 31, 2020 and 2021, respectively.

D. Extra Retirement Payments

The Company made extra retirement payments of ¥40 million and ¥10 million for the fiscal years ended March 31, 2020 and 2021, 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, 2020 and 2021 was ¥44,821 million and ¥43,497 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, 2020	Fiscal year ended March 31, 2021
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	4,002,462	4,000,584
Increase (decrease) during the year	(1,878)	(261)
Balance at the end of the year	4,000,584	4,000,323

(Note) The balance of the number of shares of treasury stock at the end of the fiscal years ended March 31, 2020 and 2021 includes 106,804 shares and 106,001 shares, respectively, 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. The Company's amount available for distribution was ¥68,423 million as of March 31, 2021 (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, 2020	Fiscal year ended March 31, 2021
FVTOCI financial assets		
Balance at the beginning of the year	423	202
Increase (decrease) during the year	(252)	296
Reclassification to retained earnings	31	(1)
Balance at the end of the year	202	497
Remeasurement of net defined benefit liability		
Balance at the beginning of the year	—	—
Decrease during the year	(28)	(18)
Reclassification to retained earnings	28	18
Balance at the end of the year	—	—
Exchange differences on translating foreign operations		
Balance at the beginning of the year	51	46
Decrease during the year	(5)	(40)
Balance at the end of the year	46	6
Cash flow hedges		
Balance at the beginning of the year	(1,880)	(1,618)
Increase during the year	262	539
Balance at the end of the year	(1,618)	(1,079)
Other components of equity		
Balance at the beginning of the year	(1,406)	(1,370)
Increase (decrease) during the year	(23)	777
Reclassification to retained earnings	59	17
Balance at the end of the year	(1,370)	(576)

(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, 2020			Fiscal year ended March 31, 2021		
	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	(302)	87	(215)	317	(98)	219
Increase (decrease) during the year	(302)	87	(215)	317	(98)	219
Remeasurement of net defined benefit liability						
Amount arising during the year	(141)	51	(90)	44	(18)	26
Increase (decrease) during the year	(141)	51	(90)	44	(18)	26
Exchange differences on translating foreign operations						
Amount arising during the year	(7)	–	(7)	5	–	5
Reclassification adjustments to profit	–	–	–	(70)	–	(70)
Decrease during the year	(7)	–	(7)	(65)	–	(65)
Cash flow hedges						
Amount arising during the year	(11)	11	(0)	(5)	2	(4)
Reclassification adjustments to profit	114	(32)	82	215	(64)	151
Increase (decrease) during the year	103	(21)	82	210	(62)	147
Other comprehensive income of investments accounted for by the equity method						
Amount arising during the year	(348)	92	(256)	388	(36)	352
Reclassification adjustments to profit	527	(130)	397	156	(14)	142
Increase (decrease) during the year	179	(38)	141	544	(50)	494
Total other comprehensive income	(168)	79	(89)	1,049	(228)	821

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, 2020 and 2021 are shown below:

For the fiscal year ended March 31, 2020

(1) Dividends Paid

Resolution	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 19, 2019	Ordinary shares	2,486	22	March 31, 2019	June 20, 2019
Board of Directors' meeting held on October 31, 2019	Ordinary shares	2,373	21	September 30, 2019	December 4, 2019

(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 17, 2020	Ordinary shares	2,599	Retained earnings	23	March 31, 2020	June 18, 2020

For the fiscal year ended March 31, 2021

(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 17, 2020	Ordinary shares	2,599	23	March 31, 2020	June 18, 2020
Board of Directors' meeting held on October 30, 2020	Ordinary shares	2,486	22	September 30, 2020	December 4, 2020

(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 16, 2021	Ordinary shares	3,164	Retained earnings	28	March 31, 2021	June 17, 2021

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, 2020	48,017	247	848	81,318	130,430
As of March 31, 2021	41,753	206	1,285	88,338	131,582

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, 2020 and 2021 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 April 1, 2019	26	191	700	65	982
Increase during the year	1	3	44	2	50
Decrease during the year (Utilization)	(1)	–	(128)	(4)	(133)
Decrease during the year (Reversal)	(11)	(41)	(164)	(24)	(240)
Other increase	(10)	–	–	(11)	(21)
As of March 31, 2020	5	153	452	28	638
Increase during the year	8	1	64	13	86
Decrease during the year (Utilization)	(1)	–	(8)	(3)	(12)
Decrease during the year (Reversal)	(12)	(41)	(83)	(21)	(157)
Other increase	5	–	–	(5)	–
As of March 31, 2021	5	113	425	12	555

In the fiscal year ended March 31, 2021, 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, 2020

(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	83,936	83,936	83,936	–	–
Short-term bonds and borrowings					
Short-term borrowings	2,269	2,269	2,269	–	–
Current portion of bonds payable	–	–	–	–	–
Current portion of non-current borrowings	4,755	4,755	4,755	–	–
Non-current bonds and borrowings					
Non-current borrowings	8,169	8,276	–	4,253	4,023
Bonds payable	9,987	10,000	–	10,000	–
Total	109,116	109,236	90,960	14,253	4,023

As of March 31, 2021

(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	102,768	102,768	102,768	–	–
Short-term bonds and borrowings					
Short-term borrowings	2,388	2,388	2,388	–	–
Current portion of bonds payable	–	–	–	–	–
Current portion of non-current borrowings	653	653	653	–	–
Non-current bonds and borrowings					
Non-current borrowings	4,425	4,497	–	1,965	2,532
Bonds payable	9,993	10,000	–	10,000	–
Total	120,227	120,306	105,809	11,965	2,532

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, 2020				
Interest rate derivatives	–	–	533	533
Currency derivatives	16	–	–	16
Commodity derivatives	109	–	–	109
Total	125	–	533	658
As of March 31, 2021				
Interest rate derivatives	–	–	324	324
Currency derivatives	8	–	–	8
Commodity derivatives	127	–	–	127
Total	136	–	324	459

(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, 2020 and 2021 is shown below:

		As of March 31, 2020	As of March 31, 2021
Short-term foreign exchange balance	(Millions of yen)	169	53
	[Thousands of U.S. dollars]	[1,551]	[479]
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, 2020	Fiscal year ended March 31, 2021
Profit before tax		
U.S. dollar	(2)	(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, 2020 and 2021. This analysis is calculated by multiplying the net balance of floating-rate financial instruments held by the Group as of March 31, 2020 and 2021, 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, 2020	Fiscal year ended March 31, 2021
Profit before tax	(12)	(14)

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, 2020	Fiscal year ended March 31, 2021
Profit before tax	60	67

D. Management of Price Risks of Equity Instruments

The Group holds shares of third parties with which it 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, 2020	Fiscal year ended March 31, 2021
Other comprehensive income	(222)	(359)

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

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

The carrying amount approximates fair value 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)

Level 1 and Level 2 derivatives are measured based on quoted market prices and on the prices provided by financial institutions with which the Group has business relationships. Level 3 derivatives are measured using the income approach and other approaches with unobservable inputs such as the estimated discount rate.

Bonds and borrowings

Except for cases where the carrying amount is virtually equal to the fair value, fair values of bonds and borrowings are 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, 2020		As of March 31, 2021	
	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)	989	992	846	847
Financial liabilities measured at amortized cost:				
Bonds and borrowings	25,180	25,740	17,459	17,529

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, 2020			
	Level 1	Level 2	Level 3	Total
Assets:				
Other current financial assets (securities)				
FVTPL financial assets	–	–	–	–
Other investments				
FVTPL financial assets	–	–	1,119	1,119
FVTOCI financial assets	2,217	–	524	2,741
Other current financial assets (derivatives)				
Derivatives not designated as hedges	–	69	–	69
Total	2,217	69	1,643	3,929
Liabilities:				
Other current financial liabilities (derivatives)				
Derivatives not designated as hedges	7	118	–	125
Other non-current financial liabilities (derivatives)				
Derivatives designated as hedges	–	533	–	533
Total	7	651	–	658

(Millions of yen)

	As of March 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Other current financial assets (securities)				
FVTPL financial assets	—	—	—	—
Other investments				
FVTPL financial assets	—	—	79	79
FVTOCI financial assets	3,590	—	577	4,167
Other current financial assets (derivatives)				
Derivatives not designated as hedges	5	192	—	197
Total	3,595	192	656	4,443
Liabilities:				
Other current financial liabilities (derivatives)				
Derivatives not designated as hedges	—	136	—	136
Other non-current financial liabilities (derivatives)				
Derivatives designated as hedges	—	324	—	324
Total	—	459	—	459

There were no transfers between Level 1, Level 2, and Level 3 in the fiscal years ended March 31, 2020 and 2021.

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, 2020		Fiscal year ended March 31, 2021	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Balance at the beginning of the year	1,044	591	1,119	524
Total gains or losses (realized/unrealized)				
Other comprehensive income	–	(18)	–	21
Purchase	–	11	–	24
Sale	–	(6)	–	–
Redemption/other	75	(54)	(1,040)	8
Balance at the end of the year	1,119	524	79	577

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, 2020

(Millions of yen)

Stock	Amount
MAEDA ROAD CONSTRUCTION Co., Ltd.	1,209
ENEOS Holdings, Inc.	290
KOHNAN SHOJI CO., LTD.	178
Enex Infrastructure Investment Corporation.	203
Tonami Holdings Co., Ltd.	120

As of March 31, 2021

(Millions of yen)

Stock	Amount
MAEDA ROAD CONSTRUCTION Co., Ltd.	1,282
WP Energy Public Co., Ltd.	482
ENEOS Holdings, Inc.	395
KOHNAN SHOJI CO., LTD.	259
Enex Infrastructure Investment Corporation.	781
Tonami Holdings Co., Ltd.	134

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, 2020 and 2021 are shown below:

(Millions of yen)

Fiscal year ended March 31, 2020		Fiscal year ended March 31, 2021	
Fair value at date of sale	Accumulated gains (losses)	Fair value at date of sale	Accumulated gains (losses)
99	(25)	2	(3)

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 ¥31 million and ¥1 million for the fiscal years ended March 31, 2020 and 2021, respectively.

C. Dividends Received

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Investments derecognized during the year	1	–
Investments held at the end of the year	102	509
Total	103	509

(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, 2020 and 2021, 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, 2021, the notional amount balance for interest rate swaps as hedging instruments was ¥4,015 million, and the period when the cash flows are expected to occur and when they are expected to affect profit or loss is 11 years. The average of interest rates hedged with the interest rate swaps is 2.5%.

As of March 31, 2020 and 2021, 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, 2020				
	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	8,005	–	533	Other non-current financial liabilities	–

	As of March 31, 2021				
	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	4,015	–	324	Other non-current financial liabilities	–

As of March 31, 2020 and 2021, 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, 2020	
	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	–	(376)

(Millions of yen)

	As of March 31, 2021	
	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	–	(229)

(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, 2020 and 2021 are shown below:

As of March 31, 2020

(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	2,072	1,286	786	786	–	–
Other current financial assets	1,080	438	642	–	–	642
Total	3,152	1,724	1,428	786	–	642

(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	2,336	1,286	1,050	786	–	264
Other current financial liabilities	1,305	438	868	–	–	868
Total	3,641	1,724	1,918	786	–	1,132

As of March 31, 2021

(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	3,996	680	3,317	1,187	–	2,130
Other current financial assets	313	–	313	–	–	313
Total	4,309	680	3,630	1,187	–	2,443

(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	1,866	680	1,187	1,187	–	–
Other current financial liabilities	481	–	481	—	–	481
Total	2,347	680	1,668	1,187	–	481

28. Revenue

(1) Disaggregation of Revenue

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

Fiscal year ended March 31, 2020

(Millions of yen)

	Reportable segments				Total
	Home-Life	Car-Life	Industrial Business	Power & Utility	
Revenue from sales of merchandise	87,264	474,736	209,759	90,683	862,442
Other	1,497	30,075	179	528	32,279
Revenue recognized from contracts with customers	88,761	504,811	209,938	91,211	894,721
Revenue recognized from other sources	323	1,858	521	4	2,706
Total	89,084	506,669	210,459	91,215	897,427

(Note) Revenue recognized from other sources includes lease income based on IFRS 16 and profit and loss on derivative transactions based on IFRS 9.

Fiscal year ended March 31, 2021

(Millions of yen)

	Reportable segments				Total
	Home-Life	Car-Life	Industrial Business	Power & Utility	
Revenue from sales of merchandise	77,456	385,045	157,169	83,777	703,447
Other	1,313	28,202	61	909	30,485
Revenue recognized from contracts with customers	78,769	413,247	157,230	84,686	733,932
Revenue recognized from other sources	193	1,394	3,548	–	5,135
Total	78,962	414,641	160,778	84,686	739,067

(Note) Revenue recognized from other sources includes lease income based on IFRS 16 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)

	As of April 1, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Receivables from contracts with customers	92,317	77,325	85,387
Contract assets	–	–	–
Contract liabilities	9,659	9,437	11,006

Contract liabilities are mainly related to advances received from customers. The amount of revenues recognized in the fiscal year ended March 31, 2020 that was included in the balance of contract liabilities at the beginning of the fiscal year is ¥9,659 million. The amount of revenues recognized in the fiscal year ended March 31, 2021 that was included in the balance of contract liabilities at the beginning of the fiscal year is ¥9,437 million. The decrease in the balance of contract liabilities in the fiscal years ended March 31, 2020 and 2021 was mainly due to satisfaction of performance obligations. The amount of revenue recognized in the fiscal years ended March 31, 2020 and 2021 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, 2020	Fiscal year ended March 31, 2021
Personnel expense	(35,777)	(34,791)
Rent expense	(2,852)	(2,990)
Depreciation and amortization	(11,656)	(11,522)
Commission fee	(6,794)	(7,090)
Traveling expense	(1,433)	(835)
Taxes and dues	(1,619)	(1,687)
Other	(8,727)	(8,200)
Total	(68,858)	(67,115)

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, 2020	Fiscal year ended March 31, 2021
Gain on sales	626	147
Loss on sales	(166)	(42)
Loss on disposal	(342)	(408)
Impairment loss	(493)	(1,046)
Other	(53)	(20)
Total	(428)	(1,369)

(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, 2020	Fiscal year ended March 31, 2021
Property, plant and equipment		
Buildings and structures	(197)	(458)
Machinery, equipment and vehicles	(173)	(350)
Land	(20)	(89)
Other	(38)	(7)
Subtotal	(428)	(904)
Intangible assets		
Customer relationships	–	(80)
Other	(4)	(8)
Subtotal	(4)	(88)
Investment property	(60)	(51)
Other	(1)	(3)
Total	(493)	(1,046)

For Group assets including property, plant and equipment, intangible assets, and investment property, a cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent.

The Group did not recognize individually significant impairment losses in the fiscal years ended March 31, 2020 and 2021.

In the fiscal year ended March 31, 2020, the Group primarily recognized impairment losses on property, plant and equipment in the Car-Life Division after reducing carrying amount to recoverable amount for assets it no longer expected to use in the future. The recoverable amount of the assets was measured at fair value less costs of disposal.

In the fiscal year ended March 31, 2021, the Group primarily recognized impairment losses on property, plant and equipment in the Power & Utility Division and the Industrial Business Division. The Group recognized impairment losses on property, plant and equipment in the Power & Utility Division after reducing carrying amount to recoverable amount for assets with reduced profitability resulting from factors including changes in the operating environment. The Group recognized impairment losses on property, plant and equipment in the Industrial Business Division after reducing carrying amount to recoverable amount for assets it no longer expected to use in the future. The recoverable amount of the property, plant and equipment in the Power & Utility Division was measured using value in use. The recoverable amount of the property, plant and equipment in the Industrial Business Division was measured at 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, 2020	Fiscal year ended March 31, 2021
Insurance claim income	592	80
Commission fee	149	437
Compensation income received	71	409
Foreign exchange gain (Note 1)	266	–
Other (Note 2)	1,727	733
Total income	2,805	1,659
Loss on disaster	(26)	(11)
Foreign exchange loss (Note 1)	–	(54)
Other	(654)	(653)
Total expenses	(680)	(718)
Total	2,125	941

(Notes) 1. 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, 2020 and 2021, net gain or loss on valuation of commodity-related derivatives was recognized at ¥23 million and negative ¥40 million, respectively, in revenue and cost of sales.

2. Other income in the fiscal year ended March 31, 2020 includes a gain of ¥987 million on loss of control of subsidiaries (of this amount, the gain from fair value remeasurement of the Company's residual equity as of the date of the loss of control was ¥494 million).

33. Financial Income and Costs

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Interest income		
Financial assets measured at amortized cost	52	35
Other	6	6
Subtotal	58	41
Dividends received		
FVTOCI financial assets	103	509
Subtotal	103	509
Interest expense		
Financial liabilities measured at amortized cost	(779)	(706)
Other	(347)	(364)
Subtotal	(1,126)	(1,070)
Other financial income (costs)		
FVTPL financial assets	(82)	(513)
Subtotal	(82)	(513)
Total	(1,047)	(1,033)

34. Earnings per Share

Basic earnings per share for the fiscal years ended March 31, 2020 and 2021 were calculated as follows:

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Net profit attributable to Itochu Enex's shareholders (Millions of yen)	12,056	12,168
Weighted-average number of ordinary shares outstanding (Thousands of shares)	112,880	112,881
Basic earnings per share attributable to Itochu Enex's shareholders (Yen)	106.81	107.79

(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, 2020

(Millions of yen)

	Short-term borrowings	Non-current borrowings (Note)	Bonds payable (Note)	Lease liabilities (Note)	Liabilities held to hedge non-current borrowings
Balance as of April 1, 2019	4,022	15,107	14,981	–	637
Effect of adoption of new accounting standard	–	–	–	66,072	–
Cash flows from financing activities	(1,753)	(3,381)	(5,000)	(10,804)	–
Change occurring due to acquisition of control of subsidiaries	–	1,185	–	31	–
Change occurring due to loss of control of subsidiaries	–	–	–	(3,185)	–
Foreign exchange translation differences	–	–	–	–	–
Change in fair value	–	–	–	–	(104)
Interest expense	–	13	6	–	–
Increase in new contracts	–	–	–	7,750	–
Other	–	–	–	2,439	–
Balance as of March 31, 2020	2,269	12,924	9,987	62,303	533

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

As of March 31, 2021

(Millions of yen)

	Short-term borrowings	Non-current borrowings (Note)	Bonds payable (Note)	Lease liabilities (Note)	Liabilities held to hedge non-current borrowings
Balance as of April 1, 2020	2,269	12,924	9,987	62,303	533
Cash flows from financing activities	169	(7,880)	–	(11,106)	–
Change occurring due to acquisition of control of subsidiaries	–	–	–	–	–
Change occurring due to loss of control of subsidiaries	–	–	–	–	–
Foreign exchange translation differences	(50)	–	–	–	–
Change in fair value	–	–	–	–	(209)
Interest expense	–	34	6	—	–
Increase in new contracts	–	–	–	2,958	–
Other	–	–	–	6,628	–
Balance as of March 31, 2021	2,388	5,078	9,993	60,783	324

(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, 2020	Fiscal year ended March 31, 2021
Components of assets at time of acquisition of control		
Current assets	1,087	40
Non-current assets	6,353	–
Components of liabilities at time of acquisition of control		
Current liabilities	913	–
Non-current liabilities	918	11

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Consideration paid	(5,609)	(29)
Cash and cash equivalents included in assets at time of acquisition of control	723	40
Net proceeds (payment) from acquisition of subsidiaries	(4,886)	11

(3) Loss of Control of Subsidiaries

The main components of assets and liabilities at the time of loss of control of companies that ceased to be subsidiaries due to divestment, and the relationship between consideration received and revenue and expenditure due to divestment of subsidiaries are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Components of assets at time of loss of control		
Current assets	984	–
Non-current assets	10,335	–
Components of liabilities at time of loss of control		
Current liabilities	627	–
Non-current liabilities	3,185	–

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Consideration received	3,802	–
Cash and cash equivalents included in assets at time of loss of control	(897)	–
Proceeds from sales of subsidiaries, net of cash held by subsidiaries	2,905	–

36. Non-Cash Transactions

Significant Non-Cash Transactions

The amount of assets acquired under leases is ¥10,230 million and ¥9,775 million for the fiscal years ended March 31, 2020 and 2021, respectively.

37. Related Parties

(1) Compensation for Key Management Personnel

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

(Millions of yen)

	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021
Short-term compensation	342	349
Share-based payment	15	20
Total	357	369

(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, 2020

(Millions of yen)

Category	Name	Relationship with related party	Transaction amount	Unsettled balance
Associate	N-REIF1 Investment Limited Partnership	Reimbursement of investments in investment limited partnerships	3,900	–
Subsidiary of parent	ITOCHU Treasury Corporation	Cash transactions	8,979	11,021

For the fiscal year ended March 31, 2021

(Millions of yen)

Category	Name	Relationship with related party	Transaction amount	Unsettled balance
Associate	N-REIF1 Investment Limited Partnership	Acquisition of investments	3,261	—
Subsidiary of parent	ITOCHU Treasury Corporation	Collection of cash	11,021	—

There is no balance of collateral, and no loss allowance 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, 2021 is shown below:

In the fiscal year ended March 31, 2021, 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
Car-Life Division		
ENEX FLEET CO., LTD.	Yodogawa-ku, Osaka City, Osaka	100.0
Osaka Car Life Group Co., Ltd.	Nishi-ku, Osaka City, Osaka	52.0
KYUSHU ENERGY CO., LTD.	Oita City, Oita	75.0
Industrial Business Division		
KOKURA ENTERPRISE ENERGY CO., LTD.	Chiyoda-ku, Tokyo	100.0
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
32 other companies		

39. Commitments

Contractual commitments for expenditures after the balance sheet date are shown below:

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
Acquisition of property, plant and equipment	4,548	2,424
Acquisition of intangible assets	495	–
Total	5,043	2,424

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, 2020 and 2021 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, 2020	As of March 31, 2021
Financial guarantees		
Total amount of guarantees	5,395	5,395
Actual amount of guarantees	2,842	2,948
Guarantees for other transactions (Note)		
Total amount of guarantees	107	193
Actual amount of guarantees	93	177
Total		
Total amount of guarantees	5,502	5,588
Actual amount of guarantees	2,935	3,124

(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, 2039.

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, 2020	As of March 31, 2021
Assets pledged as collateral		
Trade receivables	89	69
Investments accounted for by the equity method	5,208	5,780
Other investments	16	21
Non-current financial assets other than investments	6,819	5,783
Property, plant and equipment	10,676	5,615
Total	22,809	17,268
Corresponding debts		
Short-term bonds and borrowings	885	385
Trade payables	16	12
Non-current bonds and borrowings	6,920	3,444
Non-current lease liabilities	5,453	5,016
Total	13,274	8,858

42. Events after the Reporting Period

No items to report.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of ITOCHU ENEX CO., LTD.:

Opinion

We have audited the consolidated financial statements of ITOCHU ENEX CO., LTD. and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of March 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Impairment of property, plant and equipment and intangible assets (Note 4. Use of Estimates and Judgments, Note 31. Impairment Loss)	
Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
The Group owns land, buildings and other tangible assets pertaining to automobile sales outlets for the Car-Life Division, as well as power generation, heat supply facilities and other tangible assets for the Power and Utility Division. Most of these assets are recorded as property, plant and equipment ("PP&E") in the consolidated statement of financial position. In addition, as a result of business combinations, the relationships with customers, brands, and relationships with suppliers were recorded as intangible assets by the Group in the consolidated statement of financial position. PP&E and intangible assets were 136,291 million yen and 19,688 million yen, respectively, in the consolidated statement of financial position at the end of the current fiscal year. The total of these assets accounted for 38.2% of the total assets on the consolidated statement of financial position. Impairment losses of PP&E and intangible assets recorded in the current fiscal year were 904 million yen and 88 million yen, respectively. The Group conducts decision-making in accordance with its internal investment criteria and subsequent periodic monitoring of its investments to mitigate various risks, including the risk of impairment of these assets. However, when the Group's external business environment or operating performance are worse than expected, impairment of these assets may significantly affect the Group's financial position or operating results. The Group identifies indicators of impairment, considering, among other matters, significant deterioration in the external business environment, changes of the extent or the manner in which an asset is used or expected to be used due to discontinuance of operations or other reasons, a significant decline in the value of an asset, and deterioration or the possibility of deterioration in economic performance of an asset by cash-generating unit ("CGU"), which is the smallest identifiable group of assets that largely independently generate cash inflows. In identifying indicators of impairment, the Group also considers the budgets for the subsequent year, and the preparation of the budgets involves uncertainty and requires management's judgment.	We performed the following audit procedures to determine whether the impairment accounting is properly applied to PP&E and intangible assets. (1) Evaluation of internal controls • Tested the design and operating effectiveness of internal controls over management's identification of possible impairment indicators and measurement of impairment. Specifically, we focused on the controls over management's assessment of the budgets for the subsequent year for identifying impairment indicators as well as the controls over management's estimate of future cash flows and determination of discount rates used to calculate the value in use for measurement of impairment. (2) Identification of impairment indicators • Evaluated whether the events that should have been considered were reflected in management's judgment in identifying impairment indicators through inquiries of individuals in the related divisions of the Group and inspection of meeting minutes of various meeting bodies of the Group. • Tested the accuracy and completeness of the list of operating result trends by CGU, which is used in management's judgment, by analyzing such information and by agreeing the amounts per the list to other sources for the CGUs selected based on certain criteria. In addition, we evaluated the reasonableness of the budgets for the subsequent year by performing analyses on the differences between the Group's past budgets and actual operating results; inquiring of individuals in the related divisions of the Group; performing trend analyses on the past operating results for the CGU selected.

When impairment indicators are identified, the recoverable amount of a CGU is calculated at the higher of the value in use or the fair value less costs of disposal, and the impairment loss is recognized if the recoverable amount is less than the carrying amount of the CGU. The value in use is calculated at the discounted present value of the estimated future cash flows from the CGU, which are based on assumptions such as budgets for the subsequent year, the future growth rates, and the discount rates. Such assumptions involve uncertainty and require management's judgment. Consequently, we determined the impairment of PP&E and intangible assets as a key audit matter.	(3) Measurement of impairment if indication of impairment is identified • Evaluated the reasonableness of the estimated future cash flows used to calculate the values in use of assets by inspecting management's approval of the Group's budgets; performing analyses on the differences between the Group's past budgets and actual operating results; inquiring of individuals in the related divisions of the Group; performing trend analyses on the past operating results. • Evaluated the appropriateness of the discount rates used by comparing such rates with the estimates established by our valuation specialists based on readily available external information.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRSs and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in Japan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRSs, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Deloitte Touche Tohmatsu LLC

June 16, 2021

Company Information (As of March 31, 2021)

Stock Information

Shares and Shareholders

Authorized shares ..... 387,250 thousand

Shares issued and outstanding ..... 116,881 thousand

Shareholders 14,143

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

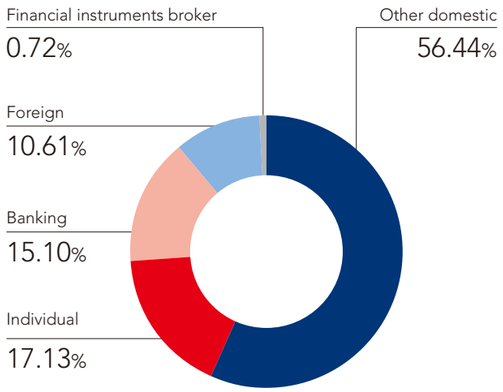
Shareholder registry administrator .....
Stock Transfer Agency Business Planning Dept.,
Sumitomo Mitsui Trust Bank, Ltd.

Principal Shareholders

Name	Shares (thousand)	Stake (%)
ITOCHU Corporation	60,978	53.97
Custody Bank of Japan, Ltd. (trust account)	5,005	4.43
The Master Trust Bank of Japan, Ltd. (trust account)	4,356	3.86
Enex Fund	3,314	2.93
ENEOS Holdings, Inc.	2,010	1.78
Nippon Life Insurance Company	1,542	1.37
Itochu Enex Employee Shareholding Association	1,283	1.14
Custody Bank of Japan, Ltd. (trust account 9)	1,005	0.89
MAEDA ROAD CONSTRUCTION Co., Ltd.	957	0.85
Sumitomo Mitsui Trust Bank, Ltd.	800	0.71

Notes: The above figures exclude treasury stock (3,894 thousand shares)
Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. on July 27, 2020. The name of the merged bank is Custody Bank of Japan, Ltd.
JXTG Holdings, Inc. changed its trade name to ENEOS Holdings, Inc. on June 25, 2020.

Shareholding Ratio by Owner



Ratings

Rating Agency: Japan Credit Rating Agency, Ltd. (JCR) (As of August 24, 2021)

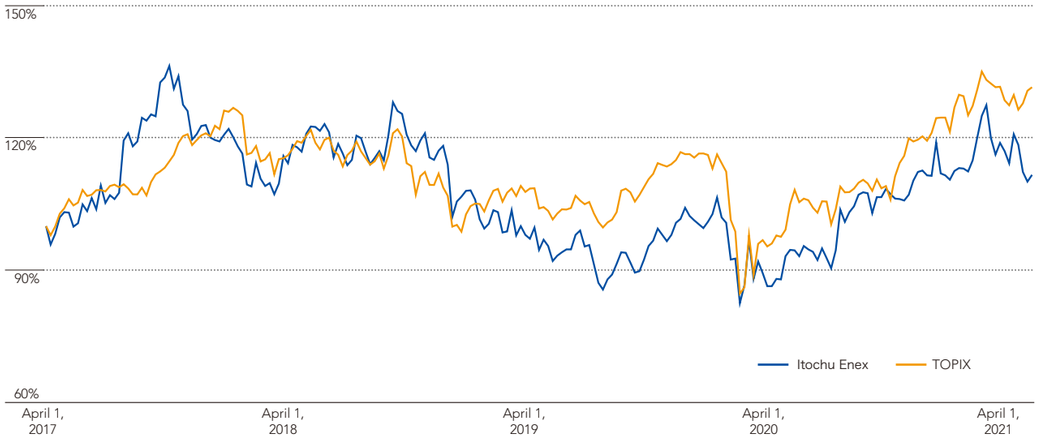
Issue	Rating	Outlook
Long-term issuer rating	A+ (single A plus)	Stable

Issue	Maximum	Rating
Commercial paper	¥30 billion	J-1

Issue	Amount	Issue date
14th Unsecured Straight Bond Issue (with rank pari passu clause)	¥10 billion	May 22, 2012
Due date	**Coupon**	**Rating**
May 20, 2022	1.202%	A+

Share Price

(Selected as a constituent of the FY2021 JPX-Nikkei Mid and Small Cap Index.)



Corporate Overview (As of March 31, 2021)

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	Hokkaido, Tohoku, East Japan, Chubu, Kansai, Chugoku & Shikoku, Kyushu (Other sales sites are located across Japan.)
Subsidiaries	45
Affiliates (equity method applied)	21
Number of employees	663 (non-consolidated basis, including 163 seconded to subsidiaries) 5,558 (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/en/

Visit our website to view TV commercials. (Japanese only)

https://www.itcenex.com/corporate/commercial/

Official Twitter Account (@ITC_ENEX)

External Recognition

Bronze Award, GOMEZ IR Site Ranking 2020

JPX-NIKKEI Mid Small

Health & Productivity Management Outstanding Organization (White 500)

NIKKEI Smart Work 2021

AAA Website, All Japanese Listed Companies' Website Ranking, Nikko Investor Relations Co., Ltd.

Sports Promotion Company, Tokyo Metropolitan Government

Organization Chart (As of April 1, 2021)

- General Meeting of Shareholders
  - Audit & Supervisory Board
  - Audit & Supervisory Board Members
- Board of Directors
- President
  - Home-Life Division
    - Planning & Administration Department
    - Platform Management Department (from September 1)
    - Industrial Gas Department
    - Security System Department
    - Administration Department
    - Itochu Enex Home-Life Hokkaido Co., Ltd.
    - Itochu Enex Home-Life Tohoku Co., Ltd.
    - Itochu Enex Home-Life Nishi-Nihon Co., Ltd.
    - Itochu Enex Home-Life Shikoku Co., Ltd.
    - Ecore Co., Ltd.
    - Enearc Co., Ltd.
    - Itochu Industrial Gas Co., Ltd.
    - PT. Enex Trading Indonesia
  - Car-Life Division
    - Planning & Administration Department
    - Hokkaido Branch
    - Tohoku Branch
    - East Japan Branch
    - Chubu Branch
    - Kansai Branch
    - Chugoku & Shikoku Branch
    - Kyushu Branch
    - Supply Department
    - Administration Department
    - Enex Fleet Co., Ltd.
    - EnexFleet Vietnam Co., Ltd.
    - Enex Petroleum Sales Nishi-Nihon Co. Ltd.
    - Kyushu Energy Co., Ltd.
    - Osaka Car Life Group Co., Ltd. (Nissan Osaka Sales Co., Ltd.)
  - Industrial Business Division
    - Planning & Administration Department
    - Asphalt Department
    - Marine Fuels Department
    - Environmental Business Department
    - Balancing and Origination Department
    - Motor Solution Department
    - Administration Department
    - Kokura Enterprise Energy Co., Ltd.
  - Power & Utility Division
    - Planning & Administration Department
    - Power & Supply Management Department
    - Power Sales Department
    - Power & Financial Business Department
    - Administration Department
    - Enex Electric Power Co., Ltd.
    - Tokyo Toshi Service Co., Ltd.
    - Enex Life Service Co., Ltd.
    - Oji-Itochu Enex Power Retailing Co., Ltd.
    - Enex Asset Management Co., Ltd.
    - ITC Enex Southeast Asia Co., Ltd.
    - ITC Enex (Thailand) Co., Ltd.
  - Corporate Administration Division
    - Finance & General Accounting Department
    - Legal & Credit Control Department
    - Human Resources & General Affairs Department
    - IT Planning Department
  - Corporate Planning Department
  - Audit Department
  - Carbon Neutral Strategy Division