Consolidated Financial Statements

1. Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As of March 31, 2021	As of March 31, 2022
ASSETS			
Current assets			
Cash and cash equivalents	8	34,841	38,145
Trade receivables	9, 28, 41	99,764	118,911
Other current financial assets	10	17,900	14,957
Inventories	11	25,495	22,161
Income taxes receivable		3,055	118
Trade advances paid		100	150
Other current assets		2,710	2,704
Total current assets		183,865	197,146
Non-current assets			
Investments accounted for by the equity method	12, 41	29,437	28,042
Other investments	10, 41	4,246	3,396
Non-current financial assets other than investments	10, 41	10,330	13,883
Property, plant and equipment	13, 16, 39, 41	136,291	160,492
Investment property	14	12,797	12,979
Goodwill	15	521	521
Intangible assets	15, 16	19,688	19,232
Deferred tax assets	17	9,728	8,412
Other non-current assets		1,424	2,914
Total non-current assets		224,462	249,871
Total assets	5	408,327	447,017

(Millions of yen)

	Notes	As of March 31, 2021	As of March 31, 2022
LIABILITIES AND EQUITY			
Current liabilities			
Short-term bonds and borrowings	18, 41	3,041	23,091
Trade payables	19, 41	102,768	120,227
Lease liabilities	16	10,285	9,468
Other current financial liabilities	20	5,614	7,527
Income taxes payable		3,874	3,054
Advances from customers	28	11,006	10,780
Other current liabilities	21, 22	14,353	11,190
Total current liabilities		150,941	185,337
Non-current liabilities			
Non-current bonds and borrowings	18, 41	14,418	9,838
Lease liabilities	16, 41	50,499	48,160
Other non-current financial liabilities	20	14,425	14,691
Non-current liabilities for employee benefits	23	9,925	10,480
Deferred tax liabilities	17	1,001	1,038
Provisions	22	5,465	6,006
Other non-current liabilities		254	269
Total non-current liabilities		95,987	90,482
Total liabilities		246,928	275,819
Equity			
Common stock	24	19,878	19,878
Capital surplus	24	18,974	18,990
Retained earnings	24	99,829	107,617
Other components of equity	25	(576)	(315)
Treasury stock	24	(1,871)	(1,871)
Total shareholders' equity		136,233	144,297
Non-controlling interests	38	25,165	26,901
Total equity		161,399	171,198
Total liabilities and equity		408,327	447,017

2. Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Revenue	28	739,067	936,306
Cost of sales		(652,178)	(852,715)
Gross profit		86,889	83,591
Other income and expense			
Selling, general and administrative expenses	29	(67,115)	(68,065)
Loss from tangible assets, intangible assets and goodwill	30, 31	(1,369)	(615)
Other – net	32	941	6,018
Total other income and expense		(67,543)	(62,662)
Profit from operating activities		19,346	20,929
Financial income and costs	33		
Interest income		41	31
Dividends received		509	119
Interest expense		(1,070)	(994)
Other financial income and costs – net		(513)	(253)
Total financial income and costs		(1,033)	(1,097)
Share of profit of investments accounted for by the equity method	12	1,726	2,409
Profit before tax		20,039	22,241
Income tax expense	17	(5,675)	(6,675)
Net profit		14,364	15,566
Net profit attributable to:			
Net profit attributable to Itochu Enex's shareholders		12,168	13,194
Net profit attributable to non-controlling interests		2,196	2,372
Total		14,364	15,566

(Millions of yen)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Other comprehensive income, net of tax effect			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets		219	53
Remeasurement of net defined benefit liability		26	40
Other comprehensive income of investments accounted for by the equity method	12	77	59
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(65)	16
Cash flow hedges		147	229
Other comprehensive income of investments accounted for by the equity method	12	417	229
Total other comprehensive income, net of tax effect	25	821	626
Comprehensive income		15,185	16,192
Comprehensive income attributable to:			
Comprehensive income attributable to Itochu Enex's shareholders		12,945	13,810
Comprehensive income attributable to non-controlling interests		2,240	2,382
Total		15,185	16,192

(Yen)

Earnings per share attributable to Itochu Enex's shareholders			
Basic	34	107.79	116.89
Diluted	34	–	–

3. Consolidated Statement of Changes in Equity

Fiscal year ended March 31, 2021

(Millions of yen)

	Notes	Shareholders' equity: Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total share-holders' equity	Non-controlling interests	Total equity
Balance at April 1, 2020		19,878	18,934	92,761	(1,370)	(1,870)	128,333	23,551	151,884
Net profit				12,168			12,168	2,196	14,364
Other comprehensive income					777		777	44	821
Comprehensive income				12,168	777		12,945	2,240	15,185
Transactions with owners									
Cash dividends	26			(5,084)			(5,084)	(675)	(5,759)
Changes due to additional acquisitions and sales of interests in subsidiaries			–				–	50	50
Transfer from other components of equity to retained earnings				(17)	17		–		–
Purchase and disposal of treasury stock						(1)	(1)		(1)
Share-based payments			39			1	40		40
Balance at March 31, 2021		19,878	18,974	99,829	(576)	(1,871)	136,233	25,165	161,399

Fiscal year ended March 31, 2022

(Millions of yen)

	Notes	Shareholders' equity: Common stock	Capital surplus	Retained earnings	Other components of equity	Treasury stock	Total share-holders' equity	Non-controlling interests	Total equity
Balance at April 1, 2021		19,878	18,974	99,829	(576)	(1,871)	136,233	25,165	161,399
Net profit				13,194			13,194	2,372	15,566
Other comprehensive income					616		616	10	626
Comprehensive income				13,194	616		13,810	2,382	16,192
Transactions with owners									
Cash dividends	26			(5,762)			(5,762)	(646)	(6,408)
Changes due to additional acquisitions and sales of interests in subsidiaries			(23)				(23)	–	(23)
Transfer from other components of equity to retained earnings				356	(356)		–		–
Purchase and disposal of treasury stock						(1)	(1)		(1)
Share-based payments			39			–	39		39
Balance at March 31, 2022		19,878	18,990	107,617	(315)	(1,871)	144,297	26,901	171,198

4. Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from operating activities			
Profit before tax		20,039	22,241
Depreciation and amortization		19,930	20,780
Loss from tangible assets, intangible assets and goodwill		1,369	615
Gain from remeasurements relating to the acquisition of subsidiaries	32	–	(4,211)
Financial income and costs		1,033	1,097
Share of profit of investments accounted for by the equity method		(1,726)	(2,409)
Increase in trade receivables		(12,927)	(19,145)
Decrease (increase) in inventories		(4,807)	3,318
Increase in trade payables		18,950	17,119
Other – net		6,143	4,817
Dividends received		3,105	695
Interest received		41	31
Interest expense		(1,006)	(886)
Income taxes paid		(10,028)	(7,162)
Income taxes refund		98	3,055
Net cash flows provided by operating activities		40,214	39,955
Cash flows from investing activities			
Purchase of investments (including investments accounted for by the equity method)		(5,375)	(1,023)
Proceeds from sales and redemption of investments (including investments accounted for by the equity method)		5,521	2,550
Acquisition of subsidiaries, net of cash acquired	35	–	(8,397)
Proceeds from acquisition of subsidiaries	35	11	–
Proceeds from sales of subsidiaries, net of cash acquired	35	–	825
Payment for loans receivable		(875)	(749)
Collection of loans receivable		1,180	815
Payments for purchase of property, plant and equipment and investment property		(11,646)	(10,999)
Proceeds from sales of property, plant and equipment and investment property		700	1,089
Purchase of intangible assets		(1,618)	(1,811)
Proceeds from sales of intangible assets		219	29
Decrease in deposits paid – net		11,021	–
Other – net		737	(1,442)
Net cash flows used in investing activities		(125)	(19,113)

(Millions of yen)

	Notes	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Cash flows from financing activities			
Proceeds from bonds and borrowings		11,050	1,050
Repayments of bonds and borrowings		(18,941)	(1,896)
Repayments of lease liabilities		(11,106)	(11,359)
Net increase in short-term borrowings		179	989
Capital contribution from non-controlling interests		50	–
Cash dividends paid to Itochu Enex's shareholders	26	(5,084)	(5,762)
Cash dividends paid to non-controlling interests		(675)	(646)
Purchase of treasury stock		(1)	(1)
Net cash flows used in financing activities		(24,528)	(17,625)
Net increase in cash and cash equivalents		15,561	3,217
Cash and cash equivalents at the beginning of the period	8	19,243	34,841
Effect of exchange rate changes on cash and cash equivalents		37	87
Cash and cash equivalents at the end of the period	8	34,841	38,145

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, 2022, 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 on August 24, 2022 by Yasuhiro Imazawa, the Chief Financial Officer of the Company.

(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. For entity which is not considered to meet the definition of a business, when the equity interest increases from associate or joint venture to subsidiary, previously held equity interest is remeasured at its acquisition-date fair value and difference at the date of obtaining control between the carrying amount and the fair value are recognized in profit or loss.

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")
- Remeasuring previously held equity interest relating to the acquisition of subsidiaries for entity which is not considered to meet the definition of a business (refer to Note 3, "Significant Accounting Policies, (2) Business Combinations")

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.

(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, 2021

(Millions of yen)

	Reportable segments					Adjustment	Consolidated
	Home-Life	Car-Life	Industrial Business	Power & Utility	Total		
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

(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 (loss) not allocated to reportable segments.

The adjustment of ¥34,702 million to total assets represents corporate assets not allocated to reportable segments.

For the fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments					Adjustment	Consolidated
	Home-Life	Car-Life	Industrial Business	Power & Utility	Total		
Revenue							
Revenue from external customers	93,992	516,670	224,496	101,148	936,306	–	936,306
Intersegment revenue	103	14,324	7,440	5,055	26,922	(26,922)	–
Total revenue	94,095	530,994	231,936	106,203	963,228	(26,922)	936,306
Gross profit	21,726	46,383	8,408	7,074	83,591	–	83,591
Selling, general and administrative expenses	(19,189)	(38,735)	(4,781)	(5,125)	(67,830)	(235)	(68,065)
Loss from tangible assets, intangible assets and goodwill	(56)	(226)	(76)	(255)	(613)	(2)	(615)
Other profit	154	235	1,123	4,486	5,998	20	6,018
Profit from operating activities	2,635	7,657	4,674	6,180	21,146	(217)	20,929
Financial income and costs	(9)	(429)	25	(535)	(948)	(149)	(1,097)
Share of profit of investments accounted for by the equity method	2,025	75	1	308	2,409	–	2,409
Profit before tax	4,651	7,303	4,700	5,953	22,607	(366)	22,241
Net profit attributable to Itochu Enex’s shareholders	2,759	3,971	3,250	3,483	13,463	(269)	13,194
Other items							
Depreciation and amortization	(4,076)	(7,464)	(2,023)	(5,725)	(19,288)	(1,492)	(20,780)
Impairment loss	(483)	(115)	(43)	(123)	(764)	–	(764)
Total assets	77,719	149,627	70,757	117,272	415,375	31,642	447,017
Investments accounted for by the equity method	21,219	738	209	5,876	28,042	–	28,042
Capital expenditures	3,481	3,380	656	5,057	12,574	236	12,810
Increase in right-of-use assets	1,113	1,309	1,932	614	4,968	84	5,052

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

The adjustment of negative ¥269 million to net profit attributable to Itochu Enex’s shareholders represents corporate profit (loss) not allocated to reportable segments.

The adjustment of ¥31,642 million to total assets represents corporate assets not allocated to reportable segments.

(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, 2021 and 2022.

(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, 2021 and 2022.

6. Business Combinations

For the fiscal year ended March 31, 2021

There were no significant business combinations.

For the fiscal year ended March 31, 2022

There were no significant business combinations.

7. Loss of Control of Subsidiaries

For the fiscal year ended March 31, 2021

There was no significant loss of control.

For the fiscal year ended March 31, 2022

There was no significant loss of control.

8. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2021 and 2022 were composed of cash and deposits.

9. Trade Receivables

The components of trade receivables are shown below:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Trade receivables		
Trade receivables	95,360	113,030
Trade notes receivable	4,534	5,984
Loss allowance	(130)	(103)
Total	99,764	118,911

10. Securities and Other Financial Assets

The components of other current financial assets are shown below:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Other current financial assets		
Short-term loans receivable	207	279
Other accounts receivable	15,077	11,174
Derivative assets	197	441
Other	2,419	3,063
Total	17,900	14,957

The components of other investments are shown below:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Other investments		
FVTPL financial assets	79	241
FVTOCI financial assets	4,167	3,155
Total	4,246	3,396

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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Non-current financial assets other than investments		
Non-current loans receivable	649	513
Non-current lease receivables	2,707	2,845
Guarantee deposits	5,868	5,865
Other	1,531	4,946
Loss allowance	(425)	(286)
Total	10,330	13,883

11. Inventories

The components of inventories are shown below:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Merchandise and finished goods	25,430	22,048
Raw materials	65	113
Total	25,495	22,161

For the fiscal year ended March 31, 2022, the amount of inventories expensed as cost of sales was ¥817,704 million, compared with ¥636,442 million for the fiscal year ended March 31, 2021.

For the fiscal year ended March 31, 2022, the amount of inventories written down to net realizable value was ¥31 million, compared with ¥27 million for the fiscal year ended March 31, 2021. 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, 2021 and 2022 was ¥1,389 million and ¥1,684 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, 2021 and 2022 are shown below:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Associates	9,083	9,812
Joint ventures	20,354	18,230
Total	29,437	28,042

(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, 2021 and 2022 are shown below:

A. Profit or Loss

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Associates	831	1,207
Joint ventures	895	1,202
Total	1,726	2,409

B. Other Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Associates	83	(82)
Joint ventures	411	370
Total	494	288

C. Total Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Associates	914	1,125
Joint ventures	1,306	1,572
Total	2,220	2,697

(3) Major Associates and Joint Ventures

Details of major associates and joint ventures are as follows:

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

As of March 31, 2022

	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, 2021	As of March 31, 2022
Current assets	14,290	19,051
Non-current assets	24,600	26,468
Current liabilities	14,252	21,262
Non-current liabilities	4,540	2,960
Equity	20,098	21,297

Cash and cash equivalents included in the current assets above as of March 31, 2021 and 2022 are ¥2,104 million and ¥2,327 million, respectively. Financial liabilities (excluding trade and other payables, and provisions) included in current liabilities as of March 31, 2021 and 2022 are ¥5,235 million and ¥8,627 million, respectively, and financial liabilities (excluding trade and other payables, and provisions) included in non-current liabilities as of March 31, 2021 and 2022 are ¥1,993 million and ¥473 million, respectively.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Revenue	52,604	60,286
Depreciation and amortization	(2,733)	(2,879)
Financial income	28	31
Financial costs	(19)	(18)
Income tax expense	757	856
Net profit	1,440	1,788
Other comprehensive income	129	113
Comprehensive income	1,570	1,900
Dividends received by the Group	(372)	(377)

(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, 2021	As of March 31, 2022
Net assets	20,405	21,297
The Group’s share of net assets	10,202	10,649
Goodwill and consolidation adjustments	2,220	2,220
Carrying amounts of the Group’s equity interest in ENEARC Co., Ltd.	12,422	12,869

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, 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
Acquisition	1,333	1,632	2,738	–	1,365	6,657	13,725
Reclassification	60	2,601	3,524	–	481	(6,666)	–
Acquisition through business combinations	2,580	17	26,860	–	33	–	29,490
Decrease due to disposal and change in the scope of consolidation	(824)	(1,366)	(4,223)	–	(720)	(6)	(7,139)
Other	736	1,219	(681)	551	(343)	(497)	985
As of March 31, 2022	50,633	74,336	105,129	4,176	15,131	836	250,241

[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, 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)
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)
Depreciation	(2,647)	(6,142)	(6,135)	(818)	(1,730)	–	(17,472)
Impairment loss	(44)	(169)	(174)	–	(96)	–	(483)
Decrease due to disposal and change in the scope of consolidation	104	1,052	3,210	–	673	–	5,039
Other	(106)	591	(592)	(15)	178	–	56
As of March 31, 2022	(8,046)	(31,310)	(37,925)	(3,001)	(9,467)	–	(89,749)

[Carrying Amount]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of March 31, 2021	41,395	43,591	42,677	1,457	5,823	1,348	136,291
As of March 31, 2022	42,587	43,026	67,204	1,175	5,664	836	160,492

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 ¥5,615 million and ¥33,333 million as of March 31, 2021 and 2022, respectively.

There were no borrowing costs capitalized in the fiscal years ended March 31, 2021 and 2022.

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, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	24,471	24,787
Acquisition	29	–
Expenditure after acquisition	178	35
Reclassification	572	2,091
Disposal	(843)	(519)
Other	380	130
Balance at the end of the year	24,787	26,524

[Accumulated Depreciation and Accumulated Impairment Loss]

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	(11,324)	(11,990)
Depreciation	(731)	(817)
Impairment loss	(51)	(188)
Reclassification	(357)	(827)
Disposal	567	334
Other	(94)	(56)
Balance at the end of the year	(11,990)	(13,545)

The rental income from investment property for the fiscal year ended March 31, 2022 was ¥2,245 million, compared with ¥2,400 million for the fiscal year ended March 31, 2021, which was included in revenue in the consolidated statement of comprehensive income. The direct operating expenses incurred incidental to rental income were ¥1,394 million, compared with ¥1,378 million for the fiscal year ended March 31, 2021, 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, 2021	12,797	13,009
As of March 31, 2022	12,979	13,606

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 categorized 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, 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
Acquisition	–	654	–	1,042	1,696
Acquisition through business combinations	–	620	–	5	625
Decrease due to disposal and change in the scope of consolidation	–	(38)	–	(247)	(285)
Other	–	52	–	(37)	15
As of March 31, 2022	521	12,150	11,069	6,535	30,275

[Accumulated Amortization and Accumulated Impairment Loss]

(Millions of yen)

	Goodwill	Relationships with customers	Brand and relationships with suppliers	Other	Total
As of April 1, 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)
Amortization	–	(1,255)	(277)	(959)	(2,491)
Impairment loss	–	(86)	–	(3)	(89)
Decrease due to disposal and change in the scope of consolidation	–	31	–	223	254
Other	–	(117)	–	(64)	(181)
As of March 31, 2022	–	(4,907)	(2,168)	(3,447)	(10,522)

[Carrying Amount]

(Millions of yen)

	Goodwill	Relationships with customers	Brand and relationships with suppliers	Other	Total
As of March 31, 2021	521	7,381	9,178	3,129	20,209
As of March 31, 2022	521	7,243	8,901	3,088	19,753

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, 2021: ¥2,776 million, and March 31, 2022: ¥2,649 million) and brand and relationships with suppliers recognized in the business combination with Osaka Car Life Group Co., Ltd. (as of March 31, 2021: ¥9,178 million, and March 31, 2022: ¥8,901 million). The remaining amortization periods of these intangible assets as of March 31, 2021 and 2022, are 18 to 33 years and 22 years, respectively, for relationships with customers, and 33 years and 32 years, respectively, for brand and relationships with suppliers.

There were no intangible assets pledged as collateral as of March 31, 2021 and 2022.

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, 2021: 5.9%, and March 31, 2022: 6.5%).

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, 2021	Fiscal year ended March 31, 2022
Depreciation of right-of-use assets		
With land as the underlying asset	2,658	2,647
With buildings and structures as the underlying assets	4,997	4,705
With machinery, equipment and vehicles as the underlying assets	634	861
With vessels as the underlying asset	645	669
With other property, plant and equipment as the underlying asset	369	225
Total depreciation	9,303	9,107
Interest expense on lease liabilities	352	336
Expense relating to short-term leases	279	772
Expense relating to leases of low-value assets	704	378

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, 2021	26,179	23,134	2,554	749	828	53,444
As of March 31, 2022	27,466	19,845	2,185	616	638	50,750

The increases in right-of-use assets (excluding investment property) were ¥9,368 million and ¥5,052 million, for the fiscal years ended March 31, 2021 and 2022, respectively.
Total cash outflows for leases were ¥11,458 million and ¥11,695 million, for the fiscal years ended March 31, 2021 and 2022, 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, 2021	As of March 31, 2022
Not later than 1 year	10,921	10,050
Later than 1 year and not later than 5 years	25,213	22,927
Later than 5 years	27,824	27,103
Total	63,958	60,080

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, 2021	As of March 31, 2022
Gross investment in leases		
Not later than 1 year	1,422	1,247
Later than 1 year and not later than 2 years	826	875
Later than 2 years and not later than 3 years	640	678
Later than 3 years and not later than 4 years	442	556
Later than 4 years and not later than 5 years	324	462
Later than 5 years	717	717
Total	4,370	4,535
Unearned finance income	564	689
Unguaranteed residual value	–	–
Net investment in leases	3,806	3,846

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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Finance income on net investment in finance leases	120	139

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, 2021	As of March 31, 2022
Not later than 1 year	1,278	1,723
Later than 1 year and not later than 2 years	687	1,097
Later than 2 years and not later than 3 years	583	1,017
Later than 3 years and not later than 4 years	538	811
Later than 4 years and not later than 5 years	479	578
Later than 5 years	1,858	1,963
Total	5,423	7,189

Operating lease income is shown below:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Operating lease income	2,400	2,245

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, 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)

(Millions of yen)

	As of April 1, 2021	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other	As of March 31, 2022
Deferred tax assets:					
Non-current assets	5,992	(481)	–	–	5,511
Securities	0	–	–	–	0
Post-employment benefits	3,264	177	(21)	–	3,420
Tax loss carryforwards	492	(36)	–	–	456
Other	6,300	44	(32)	–	6,312
Total deferred tax assets	16,048	(296)	(53)	–	15,699
Deferred tax liabilities:					
Non-current assets	(5,916)	370	–	–	(5,546)
Other	(1,405)	(1,373)	–	–	(2,778)
Total deferred tax liabilities	(7,321)	(1,003)	–	–	(8,324)

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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Deferred tax assets	9,728	8,412
Deferred tax liabilities	1,001	1,038

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, 2021	As of March 31, 2022
Deductible temporary differences	3,962	3,422
Unused tax loss carryforwards	862	572
Total	4,824	3,994

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, 2021	As of March 31, 2022
First year	–	–
Second year	–	13
Third year	–	–
Fourth year	–	–
Fifth year or later	862	559
Total	862	572

(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, 2021	Fiscal year ended March 31, 2022
Current tax expense	(5,923)	(5,375)
Deferred tax expense		
Recognition and reversal of temporary differences	248	(1,300)
Total deferred tax expense	248	(1,300)
Income tax expense	(5,675)	(6,675)

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, 2021, and 30.6% for the fiscal year ended March 31, 2022. 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, 2021	Fiscal year ended March 31, 2022
Effective statutory tax rate	30.6%	30.6%
Effect of expenses not deductible permanently	1.3	1.2
Other	(3.6)	(1.8)
Effective income tax rate after application of tax-effect accounting	28.3	30.0

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, 2021	As of March 31, 2022	Average interest rate (%) (Note 1)	Repayment date
Short-term borrowings	2,388	3,514	0.592	–
Current portion of non-current borrowings	653	9,578	1.321	–
Current portion of bonds payable (Note 2)	–	9,999	(Note 2)	–
Lease liabilities (current)	10,285	9,468	0.570	–
Non-current borrowings (excluding current portion)	4,425	9,838	0.613	April 2023– February 2039
Bonds payable (excluding current portion) (Note 2)	9,993	–	(Note 2)	(Note 2)
Lease liabilities (non-current)	50,499	48,160	0.570	April 2023– June 2054
Total	78,243	90,557	–	–
Current liabilities	13,326	32,559		
Non-current liabilities	64,917	57,998		
Total	78,243	90,557		

(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, 2021	As of March 31, 2022	Interest rate (%)	Collateral	Maturity date
ITOCHU Enex Co., Ltd.	Series 14 Unsecured Bonds	May 22, 2012	9,993	9,999	1.202	Unsecured	May 20, 2022
Total	–	–	9,993	9,999	–	–	–

19. Trade Payables

The components of trade payables are shown below:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Trade payables	96,299	115,431
Notes payable	780	715
Other payables	5,689	4,081
Total	102,768	120,227

20. Other Financial Liabilities

The components of other current financial liabilities are shown below:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Other payables (Non-operating)	2,064	4,296
Deposits received	3,086	1,477
Derivative liabilities	136	1,228
Other	328	526
Total	5,614	7,527

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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Guarantee deposits received	14,102	14,691
Derivative liabilities	323	–
Total	14,425	14,691

21. Other Current Liabilities

The components of other current liabilities are shown below:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Short-term obligations on employee benefits	8,160	8,059
Current provisions (Note)	77	70
Accrued expenses	2,877	1,795
Other	3,239	1,266
Total	14,353	11,190

(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, 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
Increase during the year	910	237	1,147
Amount used during the year (utilization)	(215)	(36)	(251)
Increase due to passage of time	65	–	65
Other	(392)	(35)	(427)
As of March 31, 2022	5,794	282	6,076

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

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Current liabilities (Note)	77	70
Non-current liabilities	5,465	6,006
Total	5,542	6,076

(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, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	17,792	17,876
Service cost	800	788
Interest expense	81	81
Remeasurement		
Changes in demographic assumptions	89	83
Changes in financial assumptions	(22)	(171)
Other	128	(100)
Benefits paid	(992)	(1,115)
Past service cost	–	(31)
Balance at the end of the year	17,876	17,411

(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, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	9,104	9,863
Interest income	46	49
Remeasurement		
Return on plan assets	984	1,608
Contributions by the employer	183	174
Benefits paid	(454)	(428)
Balance at the end of the year	9,863	11,266

The Group plans to make contributions of ¥174 million in the fiscal year ending March 31, 2023.

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Balance at the beginning of the year	(969)	(1,715)
Change in the effect of limiting a net defined benefit asset to the asset ceiling	(746)	(1,736)
Balance at the end of the year	(1,715)	(3,451)

The composition of the Group's plan assets by asset category as of March 31, 2021 and 2022 is shown below:

(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

(Millions of yen)

	As of March 31, 2022		
	Level 1 (Active market)	Level 2 (No active market)	Total
Cash and cash equivalents	–	–	–
Stock trusts	–	2,907	2,907
Bond trusts	–	6,268	6,268
General accounts	–	–	–
Other	–	2,091	2,091
Total	–	11,266	11,266

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 categorized into Level 1 (there is an active market), fair value is estimated based on quoted prices in active markets. For assets categorized 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, 2021, and 13 years in the fiscal year ended March 31, 2022.
The assumption of defined benefit obligations is shown below:

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Discount rate	0.5–0.6%	0.6–0.7%

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, 2022, the effect on defined benefit obligations would be ¥355 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 ¥690 million and ¥704 million for the fiscal years ended March 31, 2021 and 2022, respectively.

D. Extra Retirement Payments
The Company made extra retirement payments of ¥10 million and ¥59 million for the fiscal years ended March 31, 2021 and 2022, 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, 2021 and 2022 was ¥43,497 million and ¥43,697 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, 2021	Fiscal year ended March 31, 2022
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	4,000,584	4,000,323
Increase (decrease) during the year	(261)	646
Balance at the end of the year	4,000,323	4,000,969

(Note) The balance of the number of shares of treasury stock at the end of the fiscal years ended March 31, 2021 and 2022 includes 106,001 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 ¥67,731 million as of March 31, 2022 (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, 2021	Fiscal year ended March 31, 2022
FVTOCI financial assets		
Balance at the beginning of the year	202	497
Increase during the year	296	115
Reclassification to retained earnings	(1)	(329)
Balance at the end of the year	497	283
Remeasurement of net defined benefit liability		
Balance at the beginning of the year	–	–
Increase (decrease) during the year	(18)	27
Reclassification to retained earnings	18	(27)
Balance at the end of the year	–	–
Exchange differences on translating foreign operations		
Balance at the beginning of the year	46	6
Increase (decrease) during the year	(40)	154
Balance at the end of the year	6	160
Cash flow hedges		
Balance at the beginning of the year	(1,618)	(1,079)
Increase during the year	539	321
Balance at the end of the year	(1,079)	(758)
Other components of equity		
Balance at the beginning of the year	(1,370)	(576)
Increase during the year	777	616
Reclassification to retained earnings	17	(356)
Balance at the end of the year	(576)	(315)

(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, 2021			Fiscal year ended March 31, 2022		
	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	317	(98)	219	78	(25)	53
Increase (decrease) during the year	317	(98)	219	78	(25)	53
Remeasurement of net defined benefit liability						
Amount arising during the year	44	(18)	26	61	(21)	40
Increase (decrease) during the year	44	(18)	26	61	(21)	40
Exchange differences on translating foreign operations						
Amount arising during the year	5	–	5	16	–	16
Reclassification adjustments to profit	(70)	–	(70)	–	–	–
Increase (decrease) during the year	(65)	–	(65)	16	–	16
Cash flow hedges						
Amount arising during the year	(5)	2	(4)	–	–	–
Reclassification adjustments to profit	215	(64)	151	324	(95)	229
Increase (decrease) during the year	210	(62)	147	324	(95)	229
Other comprehensive income of investments accounted for by the equity method						
Amount arising during the year	388	(36)	352	276	(30)	246
Reclassification adjustments to profit	156	(14)	142	42	–	42
Increase (decrease) during the year	544	(50)	494	318	(30)	288
Total other comprehensive income	1,049	(228)	821	797	(171)	626

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, 2021 and 2022 are shown below:

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

For the fiscal year ended March 31, 2022

(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 16, 2021	Ordinary shares	3,164	28	March 31, 2021	June 17, 2021
Board of Directors' meeting held on October 29, 2021	Ordinary shares	2,599	23	September 30, 2021	December 6, 2021

(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 21, 2022	Ordinary shares	2,825	Retained earnings	25	March 31, 2022	June 22, 2022

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, 2021	41,753	206	1,285	88,338	131,582
As of March 31, 2022	42,851	203	961	108,074	152,089

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, 2021 and 2022 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, 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 (decrease)	5	–	–	(5)	–
As of March 31, 2021	5	113	425	12	555
Increase during the year	3	1	43	9	56
Decrease during the year (Utilization)	(0)	–	(131)	(1)	(132)
Decrease during the year (Reversal)	(2)	(3)	(81)	(5)	(91)
Other increase (decrease)	6	–	(42)	36	–
As of March 31, 2022	12	111	214	51	389

In the fiscal year ended March 31, 2022, 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, 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

As of March 31, 2022

(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	120,227	120,227	120,227	–	–
Short-term bonds and borrowings					
Short-term borrowings	3,514	3,514	3,514	–	–
Current portion of bonds payable	9,999	10,000	10,000	–	–
Current portion of non-current borrowings	9,578	9,578	9,578	–	–
Non-current bonds and borrowings					
Non-current borrowings	9,838	9,838	–	2,872	6,966
Bonds payable	–	–	–	–	–
Total	153,156	153,157	143,319	2,872	6,966

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, 2021				
Interest rate derivatives	–	–	324	324
Currency derivatives	8	–	–	8
Commodity derivatives	127	–	–	127
Total	136	–	324	459
As of March 31, 2022				
Interest rate derivatives	246	–	–	246
Currency derivatives	–	–	–	–
Commodity derivatives	982	–	–	982
Total	1,228	–	–	1,228

(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, 2021 and 2022 is shown below:

	As of March 31, 2021	As of March 31, 2022
Short-term foreign exchange balance (Millions of yen) [Thousands of U.S. dollars]	53 [479]	883 [7,212]
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, 2021	Fiscal year ended March 31, 2022
Profit before tax		
U.S. dollar	(1)	(9)

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, 2021 and 2022. This analysis is calculated by multiplying the net balance of floating-rate financial instruments held by the Group as of March 31, 2021 and 2022, 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, 2021	Fiscal year ended March 31, 2022
Profit before tax	(14)	(128)

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, 2021	Fiscal year ended March 31, 2022
Profit before tax	67	86

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, 2021	Fiscal year ended March 31, 2022
Other comprehensive income	(359)	(258)

(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, 2021		As of March 31, 2022	
	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)	846	847	708	703
Financial liabilities measured at amortized cost:				
Bonds and borrowings	17,459	17,529	32,929	32,924

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 categorized into levels in the fair value hierarchy are shown below:

(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

(Millions of yen)

	As of March 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Other current financial assets (securities)				
FVTPL financial assets	–	–	–	–
Other investments				
FVTPL financial assets	–	–	241	241
FVTOCI financial assets	2,581	–	574	3,155
Other current financial assets (derivatives)				
Derivatives not designated as hedges	136	305	–	441
Total	2,717	305	815	3,837
Liabilities:				
Other current financial liabilities (derivatives)				
Derivatives not designated as hedges	774	454	–	1,228
Other non-current financial liabilities (derivatives)				
Derivatives designated as hedges	–	–	–	–
Total	774	454	–	1,228

There were no transfers between Level 1, Level 2, and Level 3 in the fiscal years ended March 31, 2021 and 2022.

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

(Millions of yen)

	Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Balance at the beginning of the year	1,119	524	79	577
Total gains or losses (realized/unrealized)				
Other comprehensive income	–	21	–	8
Purchase	–	24	–	1
Sale	–	–	–	–
Redemption/other	(1,040)	8	162	(12)
Balance at the end of the year	79	577	241	574

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 categorized 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, 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

As of March 31, 2022

(Millions of yen)

Stock	Amount
INFRONEER Holdings Inc.	710
WP Energy Public Co., Ltd.	491
KOHNAN SHOJI CO., LTD.	284
Enex Infrastructure Investment Corporation	752
HACHI-BAN CO., LTD.	113

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, 2021 and 2022 are shown below:

(Millions of yen)

Fiscal year ended March 31, 2021		Fiscal year ended March 31, 2022	
Fair value at date of sale	Accumulated gains (losses)	Fair value at date of sale	Accumulated gains (losses)
2	(3)	1,163	475

Accumulated gains or losses (net of taxes) in other comprehensive income that were transferred to retained earnings as a result of the above are ¥1 million and ¥329 million for the fiscal years ended March 31, 2021 and 2022, respectively.

C. Dividends Received

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Investments derecognized during the year	–	30
Investments held at the end of the year	509	89
Total	509	119

(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, 2021 and 2022, 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 and 2022, 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, 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	–

(Millions of yen)

	As of March 31, 2022				
	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	–	–	–	–	–

As of March 31, 2021 and 2022, 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, 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)

(Millions of yen)

	As of March 31, 2022	
	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	–	–

(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, 2021 and 2022 are shown below:

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

As of March 31, 2022

(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	4,599	3,594	1,005	–	–	1,005
Other current financial assets	1,371	874	497	–	–	497
Total	5,970	4,468	1,502	–	–	1,502

(Millions of yen)

	Total amount of financial liabilities	Total amount of financial assets offset	Net amount of financial liabilities presented in the consolidated statement of financial position	Amount of financial liabilities that do not meet requirements for offsetting	Amount of collateral provided	Net amount
Financial liabilities:						
Trade payables	4,057	3,594	462	–	–	462
Other current financial liabilities	934	874	61	–	–	61
Total	4,991	4,468	523	–	–	523

28. Revenue

(1) Disaggregation of Revenue

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

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.

Fiscal year ended March 31, 2022

(Millions of yen)

	Reportable segments				Total
	Home-Life	Car-Life	Industrial Business	Power & Utility	
Revenue from sales of merchandise	91,801	487,673	223,969	100,509	903,952
Other	2,023	27,729	7	639	30,398
Revenue recognized from contracts with customers	93,824	515,402	223,976	101,148	934,350
Revenue recognized from other sources	168	1,268	520	–	1,956
Total	93,992	516,670	224,496	101,148	936,306

(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, 2020	As of March 31, 2021	As of March 31, 2022
Receivables from contracts with customers	77,325	85,387	104,937
Contract assets	–	–	–
Contract liabilities	9,437	11,006	10,784

Contract liabilities are mainly related to advances received from customers. 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 amount of revenues recognized in the fiscal year ended March 31, 2022 that was included in the balance of contract liabilities at the beginning of the fiscal year is ¥11,006 million. The decrease in the balance of contract liabilities in the fiscal years ended March 31, 2021 and 2022 was mainly due to satisfaction of performance obligations. The amount of revenue recognized in the fiscal years ended March 31, 2021 and 2022 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, 2021	Fiscal year ended March 31, 2022
Personnel expense	(34,791)	(34,949)
Rent expense	(2,990)	(3,311)
Depreciation and amortization	(11,522)	(11,376)
Commission fee	(7,090)	(7,638)
Traveling expense	(835)	(925)
Taxes and dues	(1,687)	(1,608)
Other	(8,200)	(8,258)
Total	(67,115)	(68,065)

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, 2021	Fiscal year ended March 31, 2022
Gain on sales	147	545
Loss on sales	(42)	(24)
Loss on disposal	(408)	(372)
Impairment loss	(1,046)	(764)
Other	(20)	–
Total	(1,369)	(615)

(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, 2021	Fiscal year ended March 31, 2022
Property, plant and equipment		
Buildings and structures	(458)	(169)
Machinery, equipment and vehicles	(350)	(174)
Land	(89)	(44)
Other	(7)	(96)
Subtotal	(904)	(483)
Intangible assets		
Customer relationships	(80)	(86)
Other	(8)	(3)
Subtotal	(88)	(89)
Investment property	(51)	(188)
Other	(3)	(4)
Total	(1,046)	(764)

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, 2021 and 2022.

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.

In the fiscal year ended March 31, 2022, the Group primarily recognized impairment losses on property, plant and equipment in the Home-Life Division, the Car-Life Division and 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.

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, 2021	Fiscal year ended March 31, 2022
Insurance claim income	80	128
Commission fee	437	180
Compensation income received	409	1
Gain from remeasurements relating to the acquisition of subsidiaries (Note 1)	–	4,211
Other	733	1,931
Total income	1,659	6,451
Loss on disaster	(11)	–
Foreign exchange loss (Note 2)	(54)	(137)
Other	(653)	(296)
Total expenses	(718)	(433)
Total	941	6,018

(Notes) 1. The Group owned the 50% of equity interest in two silent partnerships respectively, one with SHINKO LLC. and the other with TAKASAKI Megasolar LLC. as the operators, both of which are engaged in solar power generation. On November 30, 2021, the Group additionally acquired the equity interest held by the co-investor and owned the 100% of equity interest in two silent partnerships respectively. As a result of the acquisition of subsidiaries due to obtaining control through this transaction, a gain of ¥4,211 million from remeasurements relating to the acquisition of subsidiaries was recorded. Previously held equity interest before control was obtained was remeasured at its acquisition-date fair value. This fair value was calculated based mainly on the discounted present value of future cash flows, which were in turn based on future plans. Furthermore, in estimating these cash flows, the selling price and project period were set according to Feed-in Tariff (“FIT”) and the assumptions were made regarding energy generation amounts and costs associated with using solar power generation plants, as well as regarding the discount rate applied in the calculation of the discounted present value and other factors.

2. Gain or loss on valuation of foreign currency derivatives is included in foreign exchange loss. In addition to the above, in the fiscal years ended March 31, 2021 and 2022, net gain or loss on valuation of commodity-related derivatives was recognized at negative ¥40 million and negative ¥1,120 million, respectively, in revenue and cost of sales.

33. Financial Income and Costs

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

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Interest income		
Financial assets measured at amortized cost	35	22
Other	6	9
Subtotal	41	31
Dividends received		
FVTOCI financial assets	509	119
Subtotal	509	119
Interest expense		
Financial liabilities measured at amortized cost	(706)	(628)
Other	(364)	(366)
Subtotal	(1,070)	(994)
Other financial income (costs)		
FVTPL financial assets	(513)	(253)
Subtotal	(513)	(253)
Total	(1,033)	(1,097)

34. Earnings per Share

Basic earnings per share for the fiscal years ended March 31, 2021 and 2022 were calculated as follows:

		Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Net profit attributable to Itochu Enex's shareholders	(Millions of yen)	12,168	13,194
Weighted-average number of ordinary shares outstanding	(Thousands of shares)	112,881	112,880
Basic earnings per share attributable to Itochu Enex's shareholders	(Yen)	107.79	116.89

(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, 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.

As of March 31, 2022

(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, 2021	2,388	5,078	9,993	60,783	324
Cash flows from financing activities	989	(846)	–	(11,359)	–
Change occurring due to acquisition of control of subsidiaries	–	15,111	–	2,314	–
Change occurring due to loss of control of subsidiaries	–	–	–	–	–
Foreign exchange translation differences	137	–	–	–	–
Change in fair value	–	–	–	–	–
Interest expense	–	73	6	–	–
Increase in new contracts	–	–	–	2,140	–
Other	–	–	–	3,751	(324)
Balance as of March 31, 2022	3,514	19,416	9,999	57,629	–

(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. For the fiscal year ended March 31, 2022, the Group included cash receipts and payments at the date of obtaining control relating to two silent partnerships respectively, one with SHINKO LLC. and the other with TAKASAKI Megasolar LLC. as the operators.

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Components of assets at the time of acquisition of control		
Current assets	40	3,575
Non-current assets	–	32,267
Components of liabilities at the time of acquisition of control		
Current liabilities	–	7,867
Non-current liabilities	11	12,086

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Consideration paid	(29)	(8,397)
Cash and cash equivalents included in assets at the time of acquisition of control	40	–
Net proceeds (payment) from acquisition of subsidiaries	11	(8,397)

(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, 2021	Fiscal year ended March 31, 2022
Components of assets at the time of loss of control		
Current assets	–	116
Non-current assets	–	788
Components of liabilities at the time of loss of control		
Current liabilities	–	216
Non-current liabilities	–	138

(Millions of yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022
Consideration received	–	889
Cash and cash equivalents included in assets at the time of loss of control	–	(64)
Proceeds from sales of subsidiaries, net of cash held by subsidiaries	–	825

36. Non-Cash Transactions

Significant Non-Cash Transactions

The amount of assets acquired under leases is ¥9,775 million and ¥5,052 million for the fiscal years ended March 31, 2021 and 2022, 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, 2021	Fiscal year ended March 31, 2022
Short-term compensation	349	368
Share-based payment	20	17
Total	369	385

(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, 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	–

For the fiscal year ended March 31, 2022

(Millions of yen)

Category	Name	Relationship with related party	Transaction amount	Unsettled balance
Associate	JAPAN GAS ENERGY CORPORATION	Purchase of LPG products	879	2,890

(Note) The amounts of transactions, such as the gas product purchases from JAPAN GAS ENERGY CORPORATION, include the transactions in which the Group is involved as an agent. The Group presents the amount of transactions at a net amount.

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, 2022 is shown below:

In the fiscal year ended March 31, 2022, 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
Nissan Osaka Sales 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 consolidated statement of financial position date are shown below:

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Acquisition of property, plant and equipment	2,424	1,044
Acquisition of intangible assets	–	388
Total	2,424	1,432

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, 2021 and 2022 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, 2021	As of March 31, 2022
Financial guarantees		
Total amount of guarantees	5,395	6,208
Actual amount of guarantees	2,948	3,845
Guarantees for other transactions (Note)		
Total amount of guarantees	193	124
Actual amount of guarantees	177	109
Total		
Total amount of guarantees	5,588	6,332
Actual amount of guarantees	3,124	3,954

(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, 2021	As of March 31, 2022
Assets pledged as collateral		
Trade receivables	69	312
Other current assets	–	973
Investments accounted for by the equity method	5,780	2,976
Other investments	21	–
Non-current financial assets other than investments	5,783	9,723
Property, plant and equipment	5,615	33,333
Other non-current assets	–	901
Total	17,268	48,218
Corresponding debts		
Short-term bonds and borrowings	385	9,576
Trade payables	12	–
Non-current bonds and borrowings	3,444	8,840
Non-current lease liabilities	5,016	5,265
Total	8,858	23,681

(Note) Assets pledged as collateral other than the above include investments in subsidiaries that have been eliminated in consolidation.

42. Events after the Reporting Period

No items to report.

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INDEPENDENT AUDITOR'S REPORT

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

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, 2022, 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, 2022, 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 Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were 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 these matters.

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 property, plant and equipment ("PP&E") and intangible assets were 160,492 million yen and 19,232 million yen, respectively, in the consolidated statement of financial position as of March 31, 2022. The total of these assets accounted for 40.2% of the total assets on the consolidated statement of financial position. Impairment losses of PP&E and intangible assets recorded for the year ended March 31, 2022, were 483 million yen and 89 million yen, respectively. The main components of PP&E are 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. The main components of intangible assets are the relationships with customers, brands, and relationships with suppliers as a result of business combinations. 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 indications of impairment, considering, among other matters, significant deterioration in the external business environment, changes in 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. The budgets for the subsequent year, which are taken into account in identifying indications of impairment, contain key assumptions made by management and are therefore subject to uncertainty and require management's judgment.	Our audit procedures related to the determination of whether the impairment accounting is properly applied to PP&E and intangible assets included the following, among others: (1) Evaluation of internal controls • Evaluated the design and operating effectiveness of controls over management's identification of possible indications of impairment, recognition and measurement of impairment. Specifically, we focused on the controls over management's assessment of the budgets for the subsequent year for identifying indications of impairment as well as the controls over the estimate of future cash flows and the applied discount rate for recognition and measurement of impairment. (2) Identification of indications of impairment • Examined whether the events that should have been considered were reflected in management's judgment in identifying indications of impairment 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 trends in operating result by CGU, which was 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 tested the reasonableness of the budgets for the subsequent year considered in identification of indications of impairment 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; and performing trend analyses on the past operating results for the CGU selected.

When indications of impairment 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 future cash flows from the CGU. The budgets for the subsequent year and the future growth rate, as well as the discount rates applied in the calculation of the discounted present value used in the estimation of future cash flows contain key assumptions made by management and are therefore subject to uncertainty and require management's judgment. Consequently, we identified the impairment of PP&E and intangible assets as a key audit matter.	(3) Recognition and measurement of impairment if indication of impairment is identified • Tested 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; and performing trend analyses on the past operating results. • Evaluated the appropriateness of the applied discount rates by comparing such rates with the estimates based on readily available external information with the assistance of our valuation specialists.

Gain from remeasurements relating to the acquisition of subsidiaries
(Note 32. Other Profit or Loss)

Key Audit Matter Description	How the Key Audit Matter Was Addressed in the Audit
On November 30, 2021, the Group acquired the equity interest held by the co-investor in two silent partnerships, one with SHINKO LLC. and the other with TAKASAKI Megasolar LLC. as the operators, both of which are engaged in solar power generation, and made them subsidiaries. As a result of this transaction, a gain of 4,211 million yen from remeasurements relating to the acquisition of subsidiaries was recorded in "Other-net" in the other income and expense of the consolidated statement of comprehensive income for the year ended March 31, 2022. Given that control was obtained due to the acquisition of additional equity interest through this transaction, previously held equity interest before control was obtained was remeasured at its acquisition-date fair value. This fair value was calculated based mainly on the discounted present value of future cash flows, which were in turn based on future plans. Furthermore, in estimating these cash flows, the selling price and project period were set according to Feed-in Tariff ("FIT"). However, key assumptions were made by management regarding energy generation amounts and costs associated with using solar power generation plants, as well as regarding the discount rate applied in the calculation of the discounted present value and other factors. As such, fair value estimates are subject to uncertainty as they are significantly affected by such assumptions and judgments.	Our audit procedures related to the reasonableness of gain from remeasurements relating to the acquisition of subsidiaries included the following, among others: (1) Evaluation of internal controls • Evaluated the design and operating effectiveness of controls over the fair value estimates as a result of remeasuring previously held equity interest. Specifically, we focused on the controls over the estimate of future cash flows and the applied discount rate. (2) Evaluation of the fair value estimates as a result of remeasuring previously held equity interest • Examined whether this solar power generation project had received FIT approval from the Ministry of Economy, Trade and Industry by inspecting relevant documents and tested the consistency of the selling price and project period with the details of the FIT approval. • Tested the reasonableness of estimates of energy generation amounts and costs associated with using solar power generation plants by assessing their consistency with management policies in relevant documents and minutes of Board of Directors' meeting, then inquiring of management, among other parties.

Consequently, we identified the gain from remeasurements relating to the acquisition of subsidiaries as a key audit matter.	• Evaluated the appropriateness of the applied discount rate by comparing such rate with the estimates based on readily available external information with the assistance of our valuation specialists.

Other Information

Other information comprises the information included in the Group's disclosure documents accompanying the audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We determined that no such information existed and therefore, we did not perform any work thereon.

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

August 24, 2022