ENEX REPORT 2017

Itochu Enex Group Integrated Report

The Best Partner for Life and Society

ITOCHU ENEX CO.,LTD.

The best partner for life and society

With Energy, with the Car, with the Home

In countless ways, energy companies contribute to
the future of both our communities and lives.
We're committed to creating brighter futures
by creating the value people truly need.
We do this by fulfilling essential roles in the lives of individuals
and listening more attentively to what people have to say.
Here, we present a new account of the Itochu Enex Group,
one that's part of our shared journey.

Contents

■ Enex Report 2017 editorial policy

Thank you for reading the Enex Report 2017. Intended to provide a comprehensive overview of the Itochu Enex Group, this single report addresses a wide range of topics, from management and business activities to the environment, society, governance, and finances. We hope reading this document will help stakeholders and other readers better understand the Group's activities and initiatives. In preparing this report, we referred to the Sustainability Reporting Guidelines 2013 (G4) of the Global Reporting Initiative (GRI) and the Environmental Reporting Guidelines 2012 of the Ministry of the Environment of Japan, among other reference materials.

■ Scope of Enex Report 2017

Period covered: April 1, 2016 – March 31, 2017
(Includes some activities that fall outside this period.)
Organizations covered: Itochu Enex Co., Ltd., its 48 subsidiaries and 24 equity-method affiliates
Planned publication date of next report: August 2018

■ From the Editors

To help make future reports still better, the editors welcome all comments and feedback.

■ Please submit comments or feedback to:

Corporate Communications Office, Itochu Enex Co., Ltd.
Email: enex_irpr@itcenex.com / Tel.: +81-3-6327-8003

■ Note on forward-looking statements

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

■ Access Company information at:

Corporate website: http://www.itcenex.com/english/

Becoming an essential presence for our stakeholders

Today, in various fields, a new era is emerging amid rapid changes in society and ways of life. Through reorganization among major oil companies and other developments, waves of change are also affecting the energy industry. Various players are currently locked in intense competition to seek out advantageous positions, utilizing new technologies.

Against this backdrop, the Itochu Enex Group, which has operated as an energy trading companies for more than half a century, has formulated its “Moving!” growth strategy based on our desire to pioneer a new future that does more than merely rely on past performance or successes. Accordingly, we’ve implemented various initiatives to realize our objectives. While we recognize that the results of these efforts have begun to appear a little at a time, we still face a number of challenges, and we remain steadfast in pursuing our “Moving!” initiatives.

Our aim is to be a company that lives in the same community as our customers and contributes to society by linking our efforts in all areas of management, our businesses, our organization, and human resources to the creation of the new value needed by society and for how we live. For many years, the Itochu Enex Group based its activities on wholesale functions; henceforth, we plan to be a consumer-oriented energy group that meets customer needs alongside our distributors, suppliers, and others, as we shift our perspectives on which our various energy-related businesses are based toward end users, the people living in our communities.

For shareholders and investors, we will realize increased corporate value by continually strengthening our corporate governance, thereby increasing management soundness and management transparency, based on sustained growth. We will also contribute to a sustainable society through efforts in various areas: nurturing the next generation and giving back to our local communities; fulfilling our corporate social responsibilities while stressing the environment; and targeting an optimal balance between economic performance and social and environmental performance.

Our new profile is beginning to emerge, as we seek to become an essential presence as “the best partner for life and society” in which we can all take pride, one in which every employee can do his or her work with vitality. I ask for your continuing guidance and support and welcome high expectations on the part of all our stakeholders as the Group strives to achieve further growth and advancement.

September 2017

Representative Director,
President, and CEO
Itochu Enex Co., Ltd.
Kenji Okada

The Itochu Enex Group's philosophy and action guidelines

Corporate philosophy

The best partner for life and society

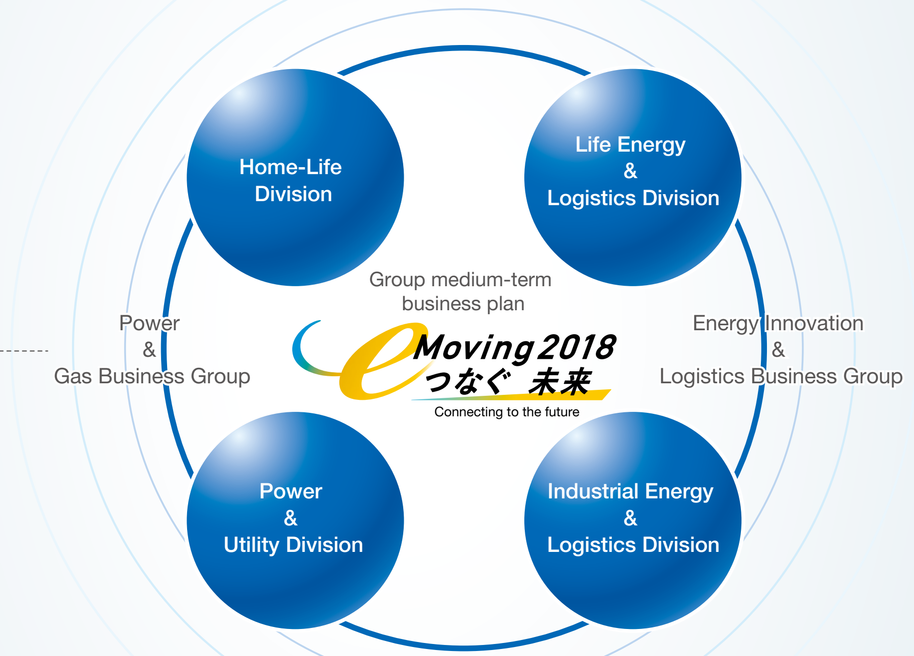
With Energy, with the Car, with the Home

Code of Conduct

Be Ethical

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

Growth strategy



Field of business

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

Corporate governance

With the environment

With society

Action guidelines

Declaration of the Group Code of Conduct

Our pledges to stakeholders

Customers | Local communities | The environment | Business partners, suppliers | Employees | Shareholders, investors

Corporate philosophy

The best partner for life and society

With Energy, with the Car, with the Home

For more than half a century, the Itochu Enex Group has delivered energy to customers across Japan, chiefly in the form of petroleum products and LP gas. Despite the change over this time, we continue to deliver the value needed by our customers as "the best partner for life and society." At the same time, we're deeply committed to remaining a company our customers will continue to choose based on our pursuit of new business areas that meet the needs of changing times and our efforts as a company to contribute to society. Our corporate philosophy embodies these ideas.

Code of Conduct:

Be Ethical

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

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

Group medium-term business plan

Moving 2018 — Connecting to the future

Having achieved the goals of our previous medium-term business plan "Moving 2016 – Sowing seeds for tomorrow," the Itochu Enex Group is now moving forward to implement the new medium-term business plan established in April 2017: "Moving 2018 – Connecting to the future." We see the two-year period covered by this plan to be a time of building the foundations for our future. We intend to harness the power of the entire Group to reform the revenue base and organizational base, linking these to steady progress on a growth track.

For more information, please see p. 11.

Field of business

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

Together with delivering energy and related products, we also provide services related to people's lives in a wide range of fields centered on energy. Through activities including putting resources to more effective use, energy conservation, and developing new ways of using energy balancing both economic and environmental needs—all while reliably meeting the diverse needs of society and consumers—we will contribute to improving social infrastructure and realizing a society powered by smart energy.

Corporate governance

With the goal of realizing our corporate philosophy, together with thorough corporate governance based on the Code of Conduct as the highest-level code and Declaration of the Group Code of Conduct as practical guidelines, we will implement each of the principles identified in the Corporate Governance Code. In particular, compliance means more than just legal compliance in the narrow sense; we aim to go beyond what is required of us as a corporate citizen to fulfill broader, more far-reaching social responsibilities based on ethical principles. It is with this intention that we employ the combined phrase "CSR and compliance" when propagating and enforcing awareness of compliance throughout the Group.

For more information, please see p. 32.

Declaration of the Group Code of Conduct

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

For full text, please see p. 41.

With the environment

The efforts we advance to contribute to a low-carbon society include striving to conserve energy and other resources, environmental businesses utilizing renewable energy sources such as wind and bio energy, and local environmental-conservation efforts. We also are lessening the environmental impacts of our own business sites through means such as reducing CO_2 emissions generated in our offices. In addition, we issue reports on information including the Itochu Enex Group's 2016 Environmental Improvement Plan and the degree of achievement of its objectives as well as environmental activities conforming to ISO standards on the environment.

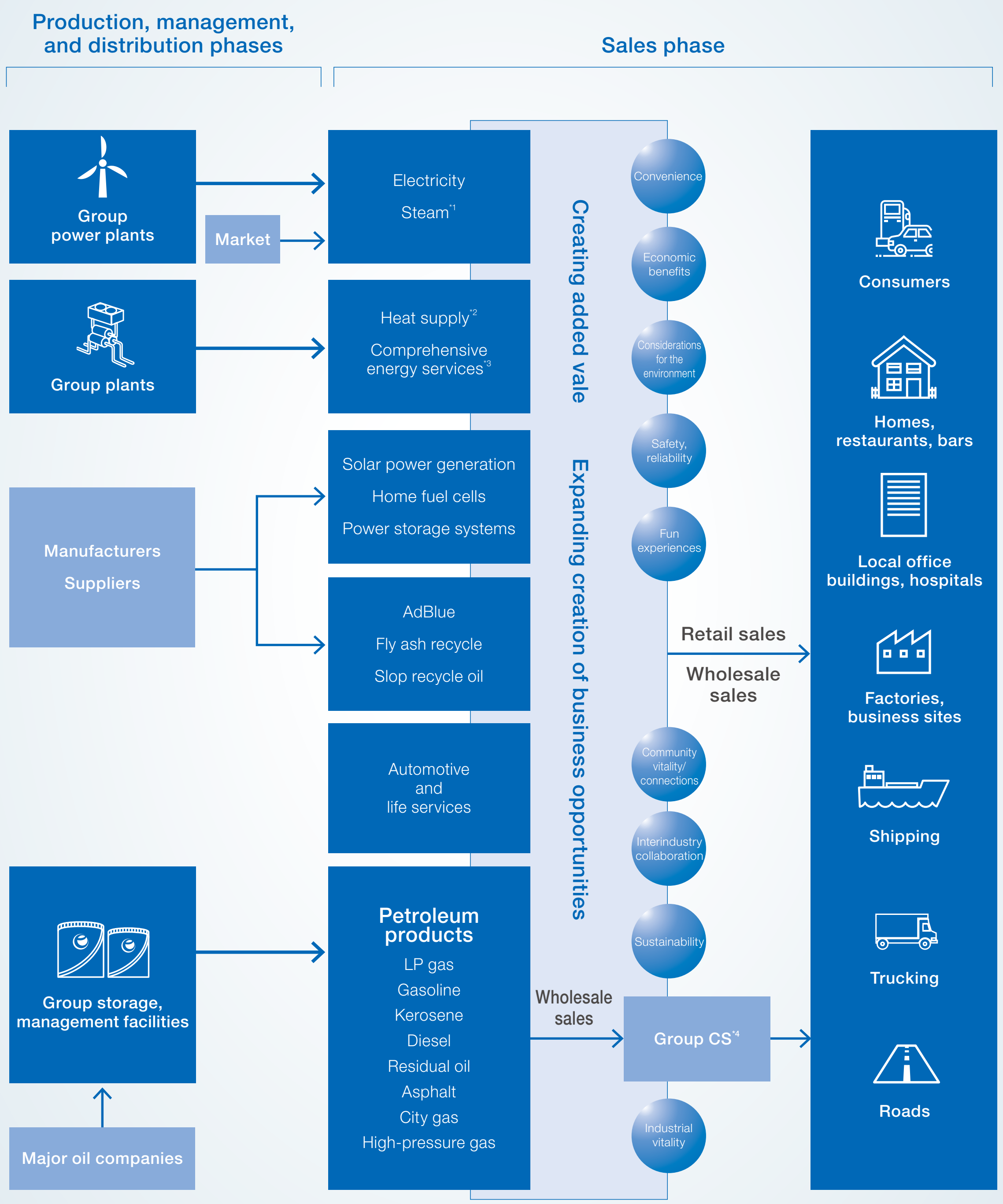
For more information, please see p. 42.

With society

We continue to implement a wide range of initiatives to contribute to realizing sustainable communities. These include fostering the next-generation, postearthquake reconstruction and support for affected areas; contributing to local communities; and securing energy lifelines. We also are promoting reforms to ways of working to enable employees to demonstrate high performance over shorter periods of time, through means including improving the working environments so that diverse human resources can work with vitality, through respect for each person's individuality and abilities, and training human resources to be able to adapt on their own to the changing times.

For more information, please see p. 48.

The flow of value creation in the Itochu Enex Group



Corporate Profile

Itochu Enex Group

Group Companies	72 (Subsidiaries: 48; affiliates [covered by the equity method]: 24)
Number of Employees	5,958
Total trading transactions	1,071.6 billion yen (Japanese GAAP)
Profit from operating activities	19.7 billion yen (IFRS)
Net profit attributable to Itochu Enex's shareholders	10.4 billion yen (IFRS)

ITOCHU ENEX CO., LTD.

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

(As of March 31, 2017)

Business Divisions

Power & Gas Business Group

Home-Life Division

For more information, please see p. 20.

Business domains	Energy for home and business use Solutions for richer, more comfortable living
Main products and services	LP gas, home smart energy devices, city gas, electricity, industrial gas, solutions for comfortable living
Main customers	1.08 million households across Japan, corporate users, 1,900 distributors
Forms of business	Retail and wholesale sales
Overseas markets	Indonesia, Philippines

Power & Utility Division

For more information, please see p. 22.

Business domains	From power generation and demand supply adjustments in pursuit of energy conservation, comfort, and economic benefits through sale of electricity and district heat supply
Main products and services	Electricity, steam,*1 heat supply,*2 comprehensive energy services*3
Main customers	Corporate users, power companies, local office buildings and offices
Forms of business	Vertically integrated model based on power generation, demand supply, and sales
Overseas markets	—

Energy Innovation & Logistics Business Group

Life Energy & Logistics Division

For more information, please see p. 24.

Business domains	Contributing to life and energy in communities from petroleum through the automotive, electric power, and industrial fields
Main products and services	Gasoline, kerosene, diesel, residual oil, LP gas, electricity, automotive, car rental, living and automotive products and services, AdBlue, recovery of sludge from outbound passenger vessels
Main customers	Approx. 1,900 Group CS*4 outlets, 3,500 corporate business sites
Forms of business	Retail and wholesale sales
Overseas market	United States

Industrial Energy & Logistics Division

For more information, please see p. 26.

Business domains	Global domains of industry and logistics, linked by the flow of energy
Main products and services	Asphalt, marine fuel, trading in petroleum products, terminal, recycling of fly ash, recovery and sale of slop
Main customers	Domestic road companies, sea shippers, public agencies
Forms of business	Retail and wholesale sales
Overseas market	Singapore

*1 The steam business supplies high-temperature steam generated from thermoelectric power plants to local factories and other facilities.
*2 The heat supply business supplies cold and hot water for air conditioning to multiple office buildings and other buildings from a heat source plant using pipes.
*3 Comprehensive energy services handle the comprehensive management of energy facilities, centered on heat, water, and power supply services.
*4 CS is an abbreviation for Car-Life Station and refers to service stations that deliver multiple services to meet drivers' needs.

The Itochu Enex Group's growth strategy

The vision of the Itochu Enex Group, as it strives to achieve sustained growth by adapting to structural changes in the energy industry, is outlined below, along with a review of its efforts in recent years.

The start of the "Moving!" growth strategy

The energy business has undergone dramatic environmental changes in recent years. Groupwide efforts to adapt to various changes have been pressing issues.

Particularly important challenges in our businesses are the need to adapt to the contraction of the petroleum products market, an important business area for the Group, and the need to develop revenue-generating businesses in new growth markets like renewable energy. In addition, to address these challenges, it's essential to achieve a shared awareness throughout the entire Group and to train our human resources accordingly, as well as reviewing the personnel systems that support such efforts. We've launched various initiatives to ensure that we will remain a group capable of adapting to a new age in all areas of management, our businesses, our organization, and our human resources.

In 2014, facing the need to achieve a clear view of the progress of rapid environmental changes, we formulated a one-year Group Business Plan we called "Moving 2014." We launched various efforts, including reforming the business models for our petroleum and gas business, creating new businesses, augmenting the foundations of our electric power and utility businesses, and building on the Itochu Enex DNA.* We invested an annual total of ¥28.6 billion in related initiatives over the course of the year, the first occasion on which we grouped such efforts under the keyword "Moving!" As a result, in the fiscal year ended March 2015, we generated profit from operating activities of ¥13.1 billion, creating the foothold needed to advance to the next stage.

Moving!

Adaptation to environmental changes and results thereof

Improving the foundations for building the future

The following year, in April 2015, we formulated a medium-term business plan called "Moving 2016 – Sowing seeds for tomorrow" as the second stage of the "Moving!" growth strategy. Under this two-year medium-term plan, we sought to sow the seeds of a long-term growth strategy and to enhance our organizational capabilities and key strengths while maintaining the basic spirit of the previous medium-term business plan and urgently seeking to develop the foundations for full liberalization of the electric power and gas markets. In the fiscal year ended March 2017, after investing ¥35 billion over the period covered by the medium-term plan as we pursued growth targets of ¥20 billion in profit from operating activities, ¥10 billion in net profit, and ROE of 9.0% or more, we achieved ¥19.7 billion in profit from operating activities, ¥10.4 billion in net profit attributable to Itochu Enex's shareholders, and ROE of 10.0%. This was despite a decrease in revenues from the previous year.

Over this period, we made steady progress in adapting to the new era in the areas of corporate governance, risk management, and accounting. In addition to securing management transparency and management soundness based on thoroughgoing compliance with the Corporate Governance Code, we've also begun applying the International Financial Reporting Standards (IFRS) to facilitate international comparisons and to strengthen the usefulness of our financial information in capital markets.

Through these efforts in two medium-term business plans, we believe we've built a new framework for the Group as we pursue sustained growth and clarified our future course of action.

* From 80% farming and 20% hunting to 50% farming and 50% hunting

Our plan is to strengthen our huntsman's DNA, actively seeking to develop new territory abundant in growth potential (unexplored business domains). This approach complements our farming DNA, which seek to achieve growth based on the land (business domains) and methods (business activities) we've steadily maintained over many years.

Adapting to change and taking the first steps toward growth

2012
- Acquired shares in Tokyo Toshi Service Co., Ltd. (heat supply business)
- Acquired shares in Konbumori Wind Farm Co., Ltd. (wind power generation business)

2013
- Acquired shares in ING Energy Co., Ltd. (LP gas business)
- Acquired shares in Tainai Wind Farm Co., Ltd. (wind power generation business)

2014
- Acquired shares in Osaka Car Life Group Co., Ltd. (car dealership business)
- Established an electric power sales company with Oji Group

2015
- Established an industrial gas company in Indonesia
- Established an LP gas pressure resistance inspection company
- Acquired shares in NISSHO PETROLEUM GAS CORPORATION
- Joined a demonstration project to produce bio-jet fuel in Japan
- Established a private investment fund
- Decided to build Sendai Power Station
- Launched a new HR system

2016
- Acquired shares in an LP gas sales company in the Philippines
- Increased investment in a private investment fund
- Launched heat supply in Yokohama
- Renovated Joetsu hydroelectric power facilities
- Launched the Enex Early Bird system

2017
- Plans to establish ENEARC Co., Ltd., a joint venture to restructure and merge LP gas business with Osaka Gas Co., Ltd.

FY2014 Group business plan

■Six priority initiatives:
① Transforming business models for oil and gas
② Creating new businesses to secure new revenue sources
③ Achieving further growth in existing businesses through M&A activities
④ Improving infrastructures and networking in the power and utilities businesses
⑤ Developing and sowing the seeds of international businesses
⑥ Strengthening the Enex DNA

■Quantitative targets
(FY2014 consolidated business performance plans)

Total trading transactions	¥1,600 billion
Profit from operating activities	¥13.8 billion
Profit before tax	¥13.8 billion
Net profit attributable to Itochu Enex's shareholders	¥7.6 billion

■Results for the fiscal year ended March 2015

Total trading transactions	¥1,373.4 billion
Profit from operating activities	¥13.1 billion
Profit before tax	¥12.2 billion
Net profit attributable to Itochu Enex's shareholders	¥5.5 billion
Total assets	¥329.1 billion
Annual dividends	¥22

The year marked the start of our "Moving!" growth strategy. Given the dramatic environmental changes in our industry, the one-year plan was chosen to quickly get the Company on a growth track by moving toward management reforms. While we fell short of our quantitative targets, we were able to get a solid feel for the process of moving toward reforms and growth.

FY2016 Group business plan

～明日にタネを蒔け!～
Sowing seeds for tomorrow

Targets achieved

■Basic policies
① Increasing earning power
② Sowing the seeds for long-term growth
③ Strengthening organizational power and key strengths

■Quantitative targets
(FY2016 consolidated business performance plans)

Profit from operating activities	¥20 billion
Net profit attributable to Itochu Enex's shareholders	¥10 billion
ROE	9.0% or higher

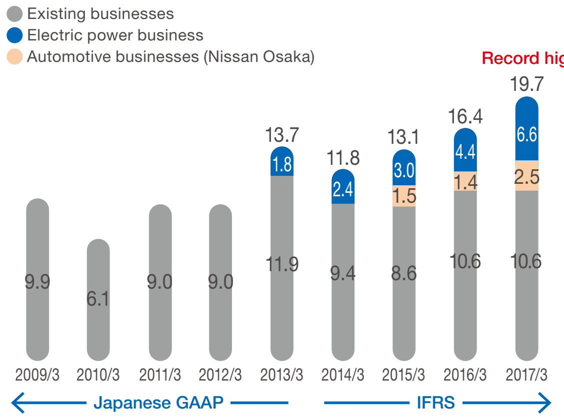
■Results for the fiscal year ended March 2017

Total trading transactions	¥1,028.9 billion
Gross profit	¥93.6 billion
Profit from operating activities	¥19.7 billion
Profit before tax	¥19.3 billion
Net profit attributable to Itochu Enex's shareholders	¥10.4 billion
Total assets	¥344.6 billion
Annual dividends	¥32
ROE	10%

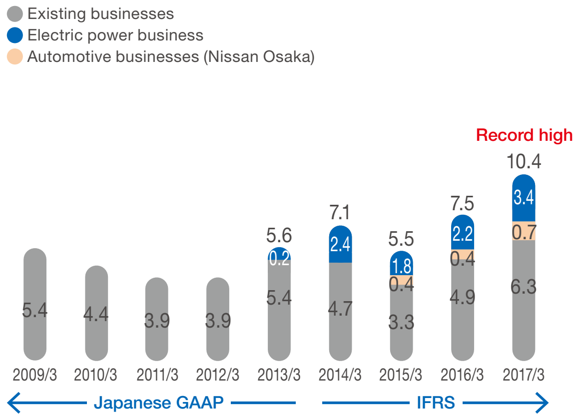
Over the above two-year period, we clarified the framework of the Group's growth strategy and made progress toward its realization. In addition to growing the foundations for new growth businesses through the selective and concentrated investment of management resources in promising areas and businesses, we also improved the organization, making it more efficient and productive.

Business performance trends

Profit from operating activities (billions of yen)



Net profit attributable to Itochu Enex's shareholders (billions of yen)



We achieved record highs for profit from operating activities, while net profit attributable to Itochu Enex's shareholders exceeded ¥10 billion. The increase in our earning capabilities attests to the efficacy and suitability of our chosen growth strategy.

Connecting to the future

Solidifying the foundation for further growth

Continuation and acceleration of the "Moving!" growth strategy

Through the medium-term business plans implemented to date, the Itochu Enex Group has yet to fully achieve the ideal profile it targets. We remain in the process of improving the efficiency and productivity of our businesses, assets, and other factors. Additionally, our human resources development and organizational management efforts have lagged behind growth in new business domains. We remain in the process of training human resources and building a more robust and flexible organization capable of achieving our mission autonomously. The Group must continue to make progress but at an accelerated pace. To ensure sustained growth, we must sense the keen need to enhance management foundations by reexamining and strengthening the foundations of our business over the coming two years.

Recognizing these needs, in April 2017, we established a new medium-term business plan called "Moving 2018 – Connecting to the future." Under this new plan, over the coming two years, we will build the foundations for the next stage based on the two basic policies of "Reforming the revenue base" and "Reforming the organizational base."

The keywords underlying efforts to reform the revenue base are "Connecting to future growth." To do so, we will accelerate asset replacement in pursuit of profitability and growth and improve profit efficiency based on the ratio of SG&A expenses to gross trading profit. We will also strengthen our business models to drive the future retail-oriented* expansion of our customer base—an intangible asset that will serve to generate earnings.

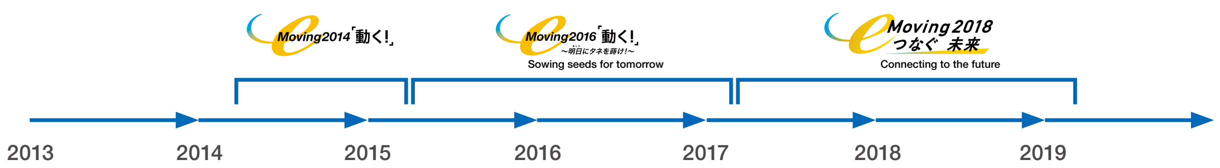
In the area of reforming the organizational base, we will make progress on strengthening our organizational power and training human resources capable of achieving their missions autonomously. We will enhance the Enex Early Bird reforms in our ways of working, an effort that began in November 2016, and promote ways of working that give employees the opportunity to demonstrate high performance in less time.

We plan to invest ¥45 billion over these two years, investing ¥28 billion in particular in the Power & Utility Division with a focus on the growing electric power market and ¥10 billion in the Home-Life Division, which pursues businesses that serve consumer households, the core of our customer base.

Strengthening the Group by connecting to the future

In the fiscal year ended March 2017, we increased the Group's profit from operating activities by 12% from the previous year. We increased net profit attributable to Itochu Enex's shareholders by 14% over the same period. However, we do not expect this pace to continue. We project relatively gentle growth over the coming two years. Still, over this period, we expect to be able to foster the true ability to continue growth into the future by strengthening management foundations to ensure Groupwide growth, based on thoroughgoing efforts to reform the revenue base and the organizational base. Put another way, the goals for this period are to intensify the efforts pursued to date within our businesses and organizations and to link them to the true growth of the Group's entire organization and all its members. Here, we can look into our future path. This is why we chose the slogan "Moving 2018 – Connecting to the future" for the new medium-term business plan. All members of the Group will work side by side to tackle the new challenges of the coming two years and to pave a path to the future.

* This refers to striving to create and deliver the value end users truly seek by proposing products, services, and functions for a new age of customers, in concert with dealers and trading partners from various industries, thereby making the most of the Itochu Enex Group's functions as a trading company.



Group medium-term business plan (FY2017-2018)

Moving 2018 つなぐ 未来

Connecting to the future

Basic policies

Connecting to future growth

—Reforming the revenue base—

1 Optimizing resources

Accelerating asset replacement in pursuit of profitability and growth in existing businesses while continuing to increase investment in the growth field of the electric power business and advancing replacement with an eye on future increases in asset risks (establishing exit policies).

2 Improving profitability

Improving profit efficiency using the ratio of SG&A expenses to gross trading profit as an indicator, in preparation for decreasing margins due to market contraction in existing businesses and intensification of competition and other developments in the electric power field.

3 Developing the customer base

Deploying the electric power business across the organization, and driving the future retail-oriented expansion of the customer base, an intangible asset in existing fields.

Connecting people and functions of the Group

—Reforming the organizational base—

1 Reinforcing organizational strength

Improving the Group management base in areas such as communication methods, risk management, and compliance systems, to realize a healthy, flexible, and strong Group structure.

2 Nurturing autonomous human resources

Creating structures for sharing of missions among various organizations and businesses, and training human resources able to identify challenges and propose and implement solutions on their own.

3 Enex Early Bird

Encouraging a working style that offers high performance in a short time by combining improvements in job quality, measures to prevent excessively long working hours, and health improvements.

Quantitative plans (FY2018 consolidated performance)

Profit from operating activities	Net profit attributable to Itochu Enex's shareholders	ROE	Planned investment (2-year total)
¥18.5 billion	¥10.8 billion	9.0 % or higher	¥45 billion

The coming two years will mark solidifying growth based on efforts to maintain the heading toward reforms and enhancements previously targeted. Based on the two pillars of reforming the revenue base and reforming the organizational base, we will hone our capacity to make rapid progress while generating steady earnings.

Advancing into environmental businesses and other growth fields

Now I would like to discuss the electric power business, one of the Itochu Enex Group's core businesses.

In FY2016, the year when full liberalization of the power market was implemented, our retail sales of electric power totalled 2.43 million MWh (a fifth of 380 power producers and suppliers [PPSs]). This for us was a new earnings pillar. Alongside the internal development and ownership of base-load power sources in a well-balanced ratio versus sales (approximately one-third), we plan to strive proactively to increase our base of small-scale customers in addition to the large-scale customers with whom we have already concluded contracts. In the face of projections for a harsh business environment for PPSs, we will work to further stabilize and strengthen our business foundation, proposing integrated energy solutions that benefit people and society.

We will also address the biomass power generation business as a new growth field, as we pursue full-fledged efforts targeting environmental businesses. We believe we will be able to leverage the global distribution network built through years of trading in petroleum products to procure stable supplies of biomass fuels from sources not just in Japan, but around Asia and other regions. We will also invest in biomass power generation, for which demand is expected to grow in Japan, to grow the business into a stable long-term pillar of revenues.

Although demand in our petroleum products business is trending down, we believe they present the potential for diverse new businesses that reflect our own initiative and ideas. For example, the slop recovery and sales business being planned by the Industrial Energy & Logistics Division promises high levels of demand. This recycling business involves the collection of slop (water from cleaning petroleum product tanks) from ships and selling the extracted petroleum resources. Since we expect the decrease in demand for petroleum products to level off over time, meaning that a certain degree of business opportunities can be expected, we intend to maintain a structure whereby the oil and gas businesses account for roughly 30% or 40% of Group sales.

Creating value together with society

Increasing added value as the best partner for life and society

Making progress alongside the members of our communities, dealers, and suppliers

Society and ways of life have undergone constant change in recent years, and they will undoubtedly continue to change. Consumers and community residents remain the keys to adapting to such changes. The Group will aim to be a company that enriches society and people's lives by grounding all its efforts in the perspective of these end users.

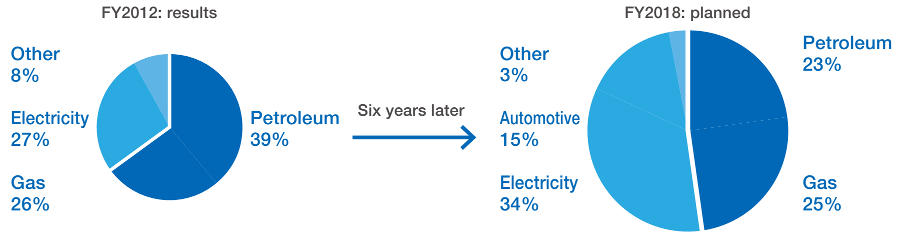
Through our dealers and partners, the Itochu Enex Group must deliver value end consumers truly need—value that truly satisfies them. While remaining sensitive to changes in their thinking and needs, through coexistence and dialogue with end consumers, we will take advantage of the expertise and dealer networks we have built as an energy trading company to propose the new functions, services, and varied products they need. In doing so, we will contribute to society and everyday life in even stronger, deeper, and broader ways based on the corporate philosophy to become "the best partner for life and society."

The Itochu Enex Group's corporate philosophy

The best partner for life and society

With Energy, with the Car, with the Home

Basic policy: Revenue base (asset optimization)



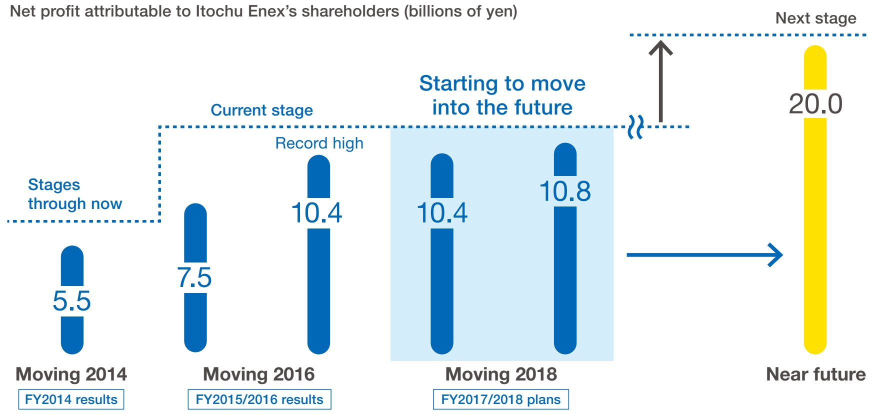
FY2012: results	
Fixed assets	¥126.7 billion
Profit from operating activities after taxes	¥7.9 billion
Return on fixed assets*	6.2%

FY2018: planned	
Fixed assets	¥185 billion
Profit from operating activities after taxes	¥13 billion
Return on fixed assets	7.0%

* Return on fixed assets = Profit from operating activities after taxes ÷ fixed assets

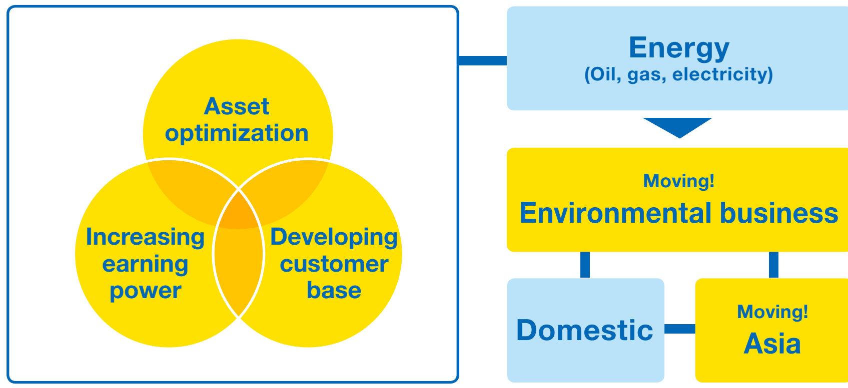
We're proactively pursuing profitability and growth through asset optimization. By advancing asset replacement based on a policy of streamlining and shrinking in the existing oil and gas fields and expanding into the new power field, we will reduce existing business to 50% or less of the portfolio and increase new businesses to 50% or more in FY2018.

Concepts and positioning of the medium-term business plan



The coming two years will mark a period for solidifying growth while maintaining our movement toward targeted reforms and enhancement. We plan to grow our capacity to make rapid progress in the future while steadily increasing returns based on the two pillars of reforming the revenue base and reforming our organizational base.

Our ideal form for the near future



Future growth will be driven by the environmental business and Asian markets. In addition to addressing biomass products and technologies, we are also developing an energy supply network overseas as we seek to take advantage of our strengths in these areas to realize an energy company suited to a new era.

01

[Retail]

Increasing the added value through interindustry partnerships

Responding directly to consumer needs

In recent years, consumer needs for the energy industry have experienced rapid, dramatic change. Our role as a presence supported and selected by consumers is an important challenge for Itochu Enex. We're a company that's grown through wholesale sales of petroleum products, and our path must be based on an awareness of the value that consumers seek at all times. We must focus resources on initiatives to increase satisfaction and deliver products and services that meet the true needs of end users.

Future retail grounded in diverse collaboration

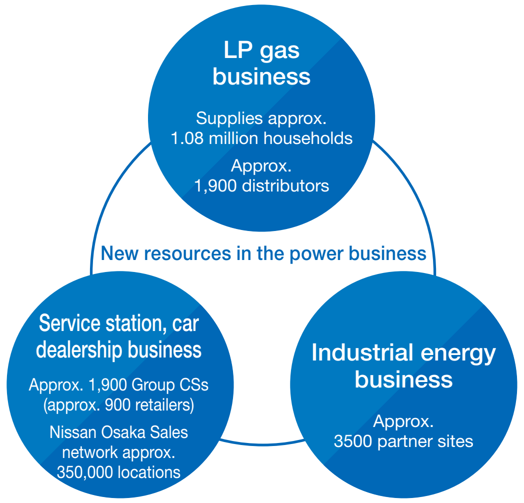
Customers don't pick companies that sell the same products and services in the same way as in the past. This is especially true for mature markets and societies. There's a need to deliver new value to consumers at all times. That's why we plan to propose solutions that bring together electricity and various services in the form of new businesses we call "future retail."

Enex Life Service's initiatives

In July 2016, we established Enex Life Service Co., Ltd., a company that will enrich people's lives through partnerships with companies from various other industries. It's working to create added value by bringing together multiple types of value in areas related to people's lives, like combining electricity with automotive or cable television services.

Manager, Power Sales Dept. III / Director and General Manager, Retail Sales Div., Enex Life Service Co., Ltd.
Osamu Kubota

Developing a customer base through future retail



New initiatives for future retail

Life services
e-Koto Club
Service began September 2017 (Tohoku Area)

Provides high-quality life services to make life more convenient by adding speed, support, and other aspects and services to the LP gas, kerosene, and electricity sold to households.

Collaboration with other businesses
e-Koto Hikari (electricity, telecommunications)
Acceptance of applications began July 2017 (Hokkaido Area)

Develops new possibilities for future retail through partnerships between high-speed fiber-optic telecommunications services provided by Enex Life Service and various local businesses providing support for living.

Automotive-electrical collaboration business
Nissan Motor+Nissan Osaka Sales e-Denki
Started January 2017

A new high-value-added retail business realized by Group member companies Nissan Osaka Sales and Enex Life Service.

02

[Region]

The birth of the Life Energy & Logistics Division to contribute to community life

Advancing business from the perspectives of community residents

Reviews of our businesses from a consumer-conscious perspective pointed to markets on the scale of individual communities. People live, work, learn, rest, and play in their communities. Seeing all this as business fields full of rich new opportunities, the Life Energy & Logistics Division was founded on the desire to deliver the products and services community residents want—including creating new ones, if necessary.

A new driver of life and industry

Demand in the community can be split into two areas. One is daily life, in which consumer goods like energy and cars support everyday activities. The other is industry, in which various types of energy and materials generate vitality in the community and support distribution and factories. But the ultimate mission of the industrial area is to contribute to life in the community. Seeing life in the community and the people who live there as our ultimate customers, the Life Energy & Logistics Division seeks to be a driving force for life and industry.

A new division to respond flexibly to community needs

The key bases for the activities of the Life Energy & Logistics Division are the individual branches in each community. Since these branches do business in line with the properties and trends of their communities, certain services offered in one community may not be offered in another. Count on this division to address community needs comprehensively by taking the unique traits of each locality into account, rather than applying a one-size-fits-all approach.

General Manager, Planning & Administration Department, Life Energy & Logistics Division
Fumiya Tanaka

From a product-centric organization to one based on communities and customers

Petroleum
Sales of petroleum products to Group CSs (service stations)
Gasoline | Diesel | Kerosene | Car care products

Management support for Group CSs
ENEX ACT Program
E6POS | Customer management services

Electricity
Sales to factories, buildings, and offices in the community

Automotive
Sales of new and used vehicles
Carlife Stadium comprehensive vehicle services
Car rental
カースタ CARLIFE STADIUM

Industry
Sales of AdBlue high-grade urea solution to logistics firms
Sales of residual oil, diesel, and kerosene to factories and business sites in the community

17 branches across Japan deliver businesses optimized for community needs

Mirai Branch also established
The Mirai Branch is a branch for the future. It's responsible for developing brand-new businesses and promoting international businesses, based on the goals of creating new value extending above and beyond the frameworks of life and industry.

03

[Asia]

Deploying proven business models internationally, based on making Asia our backyard

The rapidly growing Asia market

The Itochu Enex Group has engaged in overseas transactions since 2008. In recent years, it has employed business models and expertise attained in Japan to deploy international projects, taking advantage of the Itochu Group's international network. These include projects in Guam and Saipan (US territories) and Palau.

We see the Asia market, which is experiencing particularly rapid economic growth, as a major future target. In Asian markets, which resemble that of Japan during its postwar period of rapid economic growth, we will promote market growth while drawing on the expertise and business models accumulated to date. Taking geopolitical stability issues into account, we will make steady progress on business development based on the concept of making Asia our backyard.

The Enex model boasts reliable markets and a track record

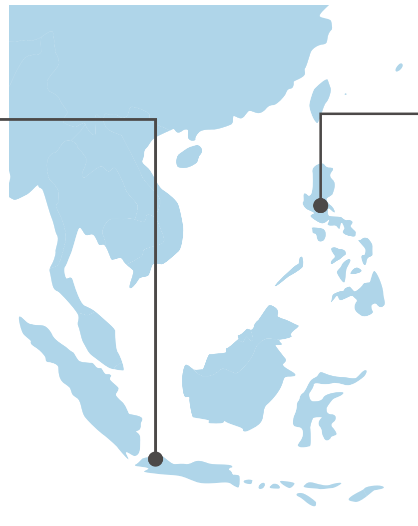
Our first market focus was Indonesia, where rapid economic growth is currently accelerating. After sending an energy research team to the market, we ultimately selected the industrial gas business as the first platform for our expansion into the Asian markets, based on the team's study of energy demand from Japan-affiliated firms operating in industrial parks.

Turning to the Philippines, we saw that firewood and charcoal accounted for about one-half of current household fuel use. LP gas had a penetration of only about 40%, leaving a potential demand of 1.2 million tons. We plan to develop LP gas sales channels and demand in Asia through the Philippines business by building a sales network and household consumer base in that market.

General Manager,
Planning & Administration Department,
Home-Life Division
Kazuhiko Kouzu

Sales of industrial gas in Indonesia

PT. ITC ENEX INDONESIA was founded in the Karawang Industrial Estate near Indonesia's capital city of Jakarta in October 2015 as a joint venture between Itochu Enex and Itochu Industrial Gas Co., Ltd. Based on plans to produce and sell industrial gas, primarily to the numerous Japan-affiliated firms that have entered the Indonesian market, it has established oxygen and carbonic-acid refill facilities and began full-fledged operations in early September 2016.



Steady overseas business advancement based on making Asia our backyard

Sales of LP gas in the Philippines

We established Creasia Energy Holdings Inc. (a joint venture in which Itochu Corporation holds a 60% stake and we hold a 40% stake), through the purchase of a portion of the stock held by Itochu Corporation in IP&G, a joint venture between Itochu Corporation and its local partner. The company sells LP gas in the Philippines. We plan to expand our volume of LP gas sales for commercial and industrial use by taking full advantage of the expertise held by both companies.

04

[Bio]

Entering next-generation environmental businesses using green technology and biotechnology

Progress on renewable energy

Aiming to balance the energy and the environment, we have been early actors in the field of renewable energy. In addition to advancing into the electric power business, we've proactively promoted enhancements in power supply equipment, drawing on resources such as hydroelectric, wind, and solar power. These now account for more than 20% of the Group's total power supply. Our efforts to develop businesses based on biotechnology will enhance this environmental orientation still further. We plan to grow these into leading pillars of the environmental business.

Diverse efforts related to biotechnology

Current biotech initiatives include a biodiesel plant in the US state of Nebraska and the bio-jet fuel feasibility-study program of Euglena Co., Ltd., in Japan. The biodiesel plant in the US recently began operating. Its products are used entirely in North America.

Demonstrating our strengths in the biomass power generation business

Expectations are high for biomass as a next-generation source of power generation. Since the biomass used as fuel is produced mainly in Southeast Asia, securing procurement and logistics functions for imports and exports is a major prerequisite for business development in this field. We're studying ways to develop a highly competitive biomass power generation business by purchasing palm-based biomass fuel from overseas partners who offer traceability and high production and supply capabilities and combining this with the Itochu Enex Group's energy distribution and power businesses.

Deputy General Manager,
Power & Heat business Development department
Manager, Biomass energy section
Tomohiro Akaishi

Biodiesel plant

In 2013, together with Itochu Corporation, we entered into a next-generation biofuel production project established in Beatrice, Nebraska, by Flint Hills Resources Renewable LLC and Benefuel, Inc., a biofuel production technology venture. A revolutionary project based on low-cost inedible raw materials, this plant produces 50 million gallons (approx. 190,000 kl) per year, an amount equivalent to 3% of US biodiesel production.

Domestic bio-jet fuel feasibility-study program

Itochu Enex is currently participating in a domestic bio-jet diesel fuel feasibility study program using euglena from Euglena Co., Ltd. Related activities include studies on procuring bio raw materials and of product demand, supply, and distribution. We've also entered into a capital joint venture with Euglena and five of its business partners under which we plan to strengthen our business and R&D partnerships to promote Euglena's businesses in the fields of energy, the environment, and healthcare.

A biomass power generation business vision

As part of our vision for the biomass power generation business we plan to enter, we're studying supplying palm-based biomass fuel with an overseas partner, as well as building a biomass power plant in Japan. In addition to securing a stable supply of power to meet growing demand for electricity by building an integrated value chain for biomass power generation, ranging from farmers of raw materials upstream to midstream and downstream power generation and sale stages, we plan to help reduce CO_2 emissions and counter global warming through biomass power generation.

05

[Technology]

Heat supply optimized for the local district, centered on future-oriented electric heat pumps

Reducing CO_2 emissions through outstanding energy-conservation effects

Tokyo Toshi Service Co., Ltd. (TTS), a member of the Itochu Enex Group, is engaged in the heat supply business, providing hot and cold water produced by heat supply plants to multiple buildings within the district via pipes. A key characteristic is how it achieves waste-free energy supply, as part of district urban-development initiatives, by putting resources to effective use, based on customization of the plant structure in ways suited to local demand.

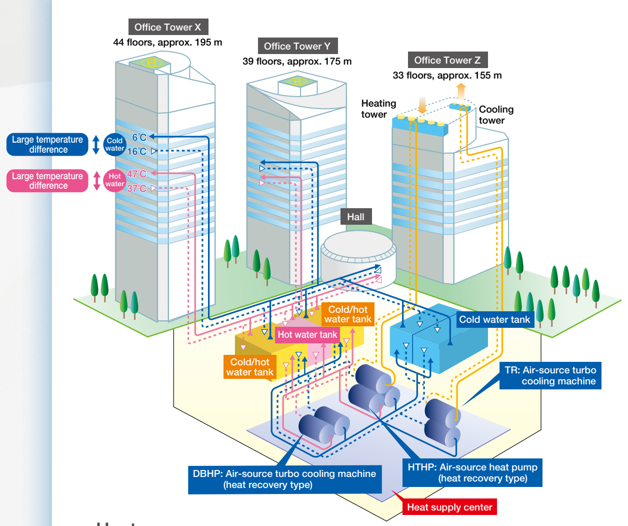
TTS's plants employ a heat storage system that uses grid power at night when prices are low, storing cold and hot water produced using electric heat pumps in liquid form in large-capacity storage tanks for use during daytime hours. In addition to leveling loads on the power grid by producing and storing the energy needed at night (when demand is low) for use during the daytime (when demand is high), this helps reduce the capacity of the equipment used. At the same time, its efficiency in operations makes significant contributions to energy conservation and reduces CO_2 emissions.

Rising expectations for electric heat pumps

Under the Paris Accord adopted at COP21,* countries around the world have begun striving to reduce greenhouse-gas emissions. In its medium to long-term vision on greenhouse-gas reductions, the Japanese government is calling for more efficient use of electricity. Our heat supply business mainly uses electric heat pumps, which produce heat energy three to six times a given electrical energy input, and employs clean technology that doesn't involve combustion. Combined with low-carbon power sources, it contributes to advances in future-oriented community development and helps solve environmental issues.

Sales Group Leader, Tokyo First Branch,
Area Services Division,
Tokyo Toshi Service Co., Ltd.
Maki Kobayashi

Outline of a heat supply plant (Harumi Island district)



Heat pump

A pump that uses a small amount of electricity to pump renewable heat included in natural air, water, etc. instead of using combustion. Makes it possible to use heat equivalent to three to six times the electrical energy input.

This heat-storing heat pump system combines a large-capacity heat storage tank (total capacity: 19,060 m³), equivalent to about eight 50 m competitive swimming pools with high-efficiency heat pumps. Further improvements in efficiency are achieved by locating the heat supply facilities in the center of the district supplied and making use of a large temperature difference between when the heat is supplied and when the water is returned (cold water: 6°C → 16°C; hot water: 47°C → 37°C).

A heat pump in the Harumi Island district

Reductions in energy consumption

Average of all 18 TTS districts	40% reduction
Harumi Island district	43% reduction
Fuchu Nikkocho district	55% reduction Highest among all TTS districts

Energy-conservation effects compared to an individual heat source system (converted to primary energy consumption)
Source: Data from the Agency for Natural Resources and Energy of the Ministry of Economy, Trade and Industry, the Japan Heat Supply Business Association, and other sources

Keeping Ginza Six comfortable

A TTS heat supply system also helps support comfort in spaces inside Ginza Six, the largest complex in the Ginza area (total floor area of 147,900 m²).

* COP21: The 21st Conference of the Parties to the UN Framework Convention on Climate Change, held in Paris, France, November 30 – December 13, 2016.

06

[ENEX EARLY BIRD]

Promoting reforms in ways of working to demonstrate high performance in shorter times

Ways of working for the future

To become an even better company that offers rewarding work, one people can speak of with pride to family and others in the community, we need to make progress on how we work. Key points include shifting to ways of working in which staff can demonstrate job performance over shorter periods of time, valuing employee health and individual ways of life, and a structure in which diverse human resources can make the most of their abilities. The entire Group is moving forward with reforms in our ways of working, aiming to create a new Enex based on new work styles.

The Enex Early Bird initiative

In November 2016, following a three-month trial period, we instituted the Enex Early Bird initiative, which is intended to reform how we work. The three pillars of this initiative are stopping excessive work hours, promoting employee health, and improving the quality of the work we do.

While it involves several rules, the Enex Early Bird initiative is something each of us thinks about and implements on his or her own. Each and every employee should consider his or her own personality, capabilities, family situation, and other matters and decide based on those factors how to use time efficiently, work comfortably, and build a career in good health. The goal is to allow the human resources development concept of autonomously taking action to solve challenges based on recognition of one's own mission (or role) taking hold throughout the company. As each employee creates his or her own work style, we expect new colors, culture, and atmosphere to develop within the company.

ENEX EARLY BIRD

General Manager, Human Resources & General Affairs Department
Shota Wakabayashi

Objectives of the Enex Early Bird initiative

To be an even better company that offers rewarding work, one people can speak of with pride to family and others in the community, while creating working environments that reflect consideration for others

Goals

- Shifting from late-night overtime to morning-based work
- Ending meals with customers and colleagues by 10:00 p.m.
- Setting a target of taking at least 80% of paid vacation time
- Setting a target of at least 80% of employees with body mass indices below 25
- Setting a target of at least 80% of employees being nonsmokers
- Improving the quality of communication by two levels
- Improving the quality of meetings by two levels
- Improving the quality of documents and materials by two levels

Reduced overtime means more quality time with my family

My entire division has created a system to maintain and improve overall performance. This lets us perform our duties more efficiently. Progress on efforts like achieving more efficient workflows through rotation among different shifts and visualization and leveling of duties among division staff has reduced overtime significantly and given us a true feel for a richer work-life balance.

Yuta Ikariyama
(Finance & General Accounting Department)

Taking on the challenge of new ways of working using the program for returning to work

I left the Company when my husband was assigned overseas, but I returned this year through the return-to-work program. I'm pursuing a new mission based on knowledge I gained before, together with my experience living overseas after I left the Company. I hope the Company will continue to incorporate even more new ideas and evolve ways of working to foster an improved company culture.

Yasue Abe
(Corporate Planning Department)

Power & Gas Business Group

Home-Life Division

Delivering solutions for comfortable, prosperous, secure lifestyles from LP gas to electricity and diverse smart energy sources

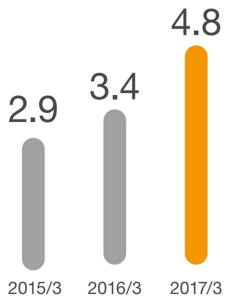
In addition to delivering LP gas and city gas to some 1.08 million households and businesses across Japan, the Home-Life Division offers kitchen and bathroom remodeling services, products for everyday life, and high-value-added services. By delivering affordable energy to households through e-Koto Denki and solar power systems, home fuel cells, and energy storage systems, among other products and services, the Home-Life Division proposes solutions for comfortable living as a caring partner.

Products and services

LP gas
Kerosene
Town gas (Nakatsu City, Oita Prefecture)
Gas for industrial use
Electricity
Devices for everyday living
Smart energy devices
Remodeling
Household lithium-ion storage-cell systems
Gas containers pressure resistance inspection
Welding materials

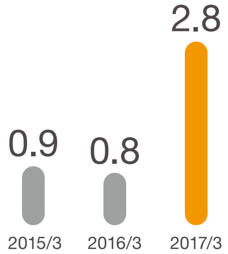
Business performance by profit type

Profit from operating activities (billions of yen)



Division's share of Groupwide profit from operating activities:
24.6% (2017/3)

Net profit attributable to Itochu Enex's shareholders (billions of yen)

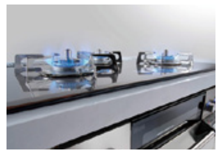


Division's share of Groupwide net profit attributable to Itochu Enex's shareholders:
27.1% (2017/3)

Businesses

■ Home energy sales

We sell LP gas and city gas to customers across Japan. These fuels are widely used in the kitchen and for water heating and industrial uses in households, stores, restaurants, and factories.



■ Gas for Automotive Use

We're expanding our network of automotive gas stations as part of our infrastructure for promoting the widespread use of low-pollution LP gas vehicles.

■ Gas for Industrial Use

Group member company Itochu Industrial Gas Co., Ltd., offers industrial-use gas for various industry fields, including factory- and medical-use gas, together with pressure resistance inspection services for the gas containers and materials used in welding.

■ Retail home electric power sales

∽Cooperation among divisions∽

Under the e-Koto Denki! brand, we sell electricity to customers across Japan (including households and stores) via Group member companies that sell LP gas. When concluding contracts with customers, we also propose special rate plans that allow them to earn points under the T-Points loyalty plan for LP gas and electricity purchases.

* ECORE Co., Ltd., in the Kyushu area operates under the service name ECORE e-Denki.

■ Living-related services

We offer a wide range of services to promote comfortable living, including sales of products and remodeling services.

Pick up

■ Proactive deployment of the gas sales business overseas

Industrial gas sales in Indonesia

PT. ITC Enex Indonesia (PT. Enex) has advanced into the Karawang Industrial Estate near Jakarta. It is growing its sales of various types of industrial gas to local corporate customers.

For more information, please see p. 16.

LP gas sales in the Philippines

Creasia Energy Holdings Inc., a joint venture with Itochu Corporation, has entered the LP gas sales business in the Philippines.

For more information, please see p. 16.

■ Uncovering domestic demand through various initiatives

Nutritional and fire education activities, cooking classes

One of our key missions as a company is to deliver the fuel needed to generate flames within kitchens. Naturally, we also offer cooking classes and various educational activities that communicate information on Japanese cuisine, the joys of cooking, and the usefulness of fire.

e-Koto Shop

These stores serve as community bases for businesses that generate consumer-oriented demand, proposing smart, comfortable lifestyles while providing opportunities to try out the latest energy devices.

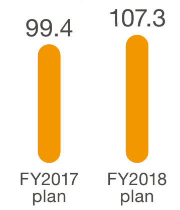
Growth strategy

Maintaining, growing, and expanding customer foundations

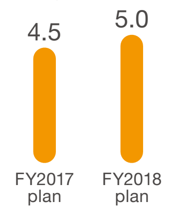
Establishing new revenue-generating business models

Business performance trends and plans

Total trading transactions (billions of yen)



Profit from operating activities (billions of yen)



Primary measures and initiatives

■ Strengthening existing businesses

- Improving productivity by adopting a two-section system (wholesale/direct sales) and clarifying profitability per business section
- Establishing a new development section to enhance the customer base for direct sales
- Enhancing cost competitiveness through logistics reforms

■ Establishing new revenue-generating businesses

- Securing 70,000 electric power customers by the end of FY2017
- Creating a database of customer information (CRM) and deploying new businesses

■ Strategic measures

- Growing sales channels through overseas businesses centered on Asia
- Improving customer satisfaction by developing integrated services in light of the distinctive traits of each area

Steps toward the future

Plans call for establishing a large sales group based on a business reorganization undertaken with Osaka Gas

We reached agreement with Osaka Gas Co., Ltd., to establish a new company, ENEARC Co., Ltd., on October 1, 2017; integrate the LP gas wholesale and retail businesses in the Kanto, Chubu, and Kansai regions; and acquire three sales companies in the Osaka Gas Group located in Hokkaido and two prefectures on Shikoku. This will bring the number of customers of the Home-Life Division nationwide to 530,000 in the direct-sales business, a figure that rises to 1.5 million when we include the wholesale business. By improving cost competitiveness and providing a wide range of lifestyle-related services while expanding the scale of our businesses, we're committed to becoming an integrated energy company with roots in local communities—one chosen by customers.

Power & Gas Business Group

Power & Utility Division

Pursuing balance between economics and the environment through the electric power and heat businesses

The Power & Utility Division leverages a unified, vertically integrated business model across operations from developing power and heat source facilities to production, demand/supply management, and sales. Through a broad range of energy sources and services, we address various customer needs, including economic and environmental needs, and propose integrated energy solutions for people and society.

Products and services

Electric power
(Coal-fired power plants, natural-gas power plants, wind power plants, hydroelectric power plants, solar power plants)

Steam

District heating services

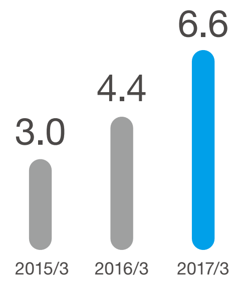
Integrated energy services

Electricity/heat supply services

Electric power supply/demand management services

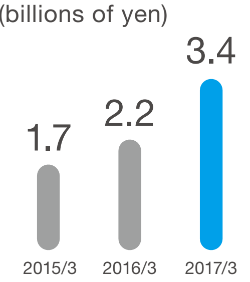
Business performance by profit type

Profit from operating activities (billions of yen)



Division's share of Groupwide profit from operating activities:
33.7% (2017/3)

Net profit attributable to Itochu Enex's shareholders (billions of yen)

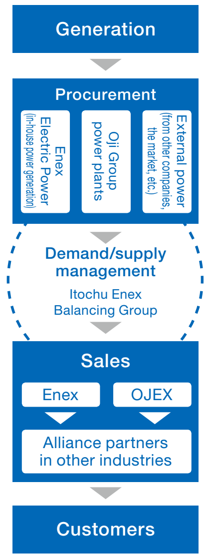


Division's share of Groupwide net profit attributable to Itochu Enex's shareholders:
32.7% (2017/3)

Businesses

■ Electric power business based on a vertically integrated model

We've developed a vertically integrated model that comprises activities ranging from power generation through demand/supply management and sales. In addition to advancing a power generation business that balances environmental and economic interests by combining diverse power sources—including those of Itochu Enex and the Oji Group—we help reduce electricity charges and ensure stable power supplies. We do this by making full use of the Group's expertise and sales networks in demand/supply management and sales.



■ Power generation

We develop power sources in-house. Group member company Enex Electric Power handles a wide range of power generation and operation and maintenance (O&M) businesses.

Coal-powered thermoelectric	Hofu, Sendai (under construction)
LNG-powered thermoelectric	Joetsu, Amagasaki
Hydroelectric	Joetsu
Wind power	Kusu, Tainai, Kombumori
Solar power	Kusu, Hofu, Chiyoda, Minamiawaji (under construction)

■ Demand/supply management services

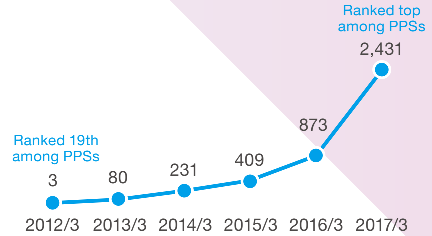
As the leader of a balancing group (BG) made up of multiple electric power retailers, by balancing demand and supply Groupwide, we oversee the distribution and delegation of responsibilities so that each member can concentrate on his or her own area of specialization while pursuing improved efficiency, economic benefits, risk reduction, and economies of scale.

■ Power sales

We and Group member company OJEX sell electric power in eight regions across Japan. In 2016, through our Home-Life Division and external BG partners, we began selling electricity to ordinary households. The volume of power sold by us and OJEX is growing steadily from year to year.

OJEX: Oji-Itochu Enex Power Retailing Co., Ltd. This company was founded by Itochu Enex Co., Ltd, and Oji Green Resources Co., Ltd., a subsidiary of Oji Holdings Co., Ltd.

Group retail power sales volume (unit: GWh)



■ Heat supply business

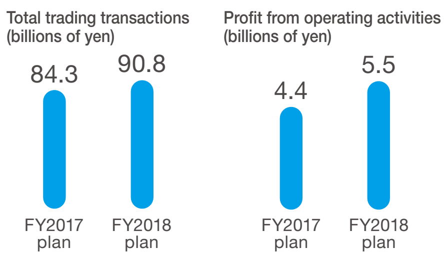
Group member company Tokyo Toshi Service Co., Ltd. (TTS), provides heating and cooling services to multiple buildings in all 18 districts of the Kanto area, realizing energy conservation and CO_2 emissions reductions as part of its urban development efforts.

Main districts: Ginza, Kyobashi, Shinjuku, Osaki, Hakozaki, Harumi, Makuhari, etc.

Growth strategy

Becoming a one-of-a-kind presence that provides new services through electric power and heat

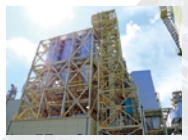
Business performance trends and plans



Primary measures and initiatives

■ Strengthening the power generation business and ensuring stable supplies

To enhance further our system for stable supply in response to sales growth, we're strengthening in-house power generation. We're currently building a coal-powered thermoelectric plant in Sendai as a joint venture with Kanden Energy Solution Co., Inc. (Operations are scheduled to start in October 2017.)


Sendai Power Station Co., Ltd.

■ Balancing economic and environmental benefits

We're advancing a wide range of businesses to promote a low-carbon society and combat global warming. These include improvements in hydroelectric power plants, developing wind, solar, and biomass power, and expanding our heat supply business. Together with various other efforts, including purchasing renewable energy from the Oji Group, we're seeking to achieve a well-balanced energy portfolio that offers both economic and environmental benefits.

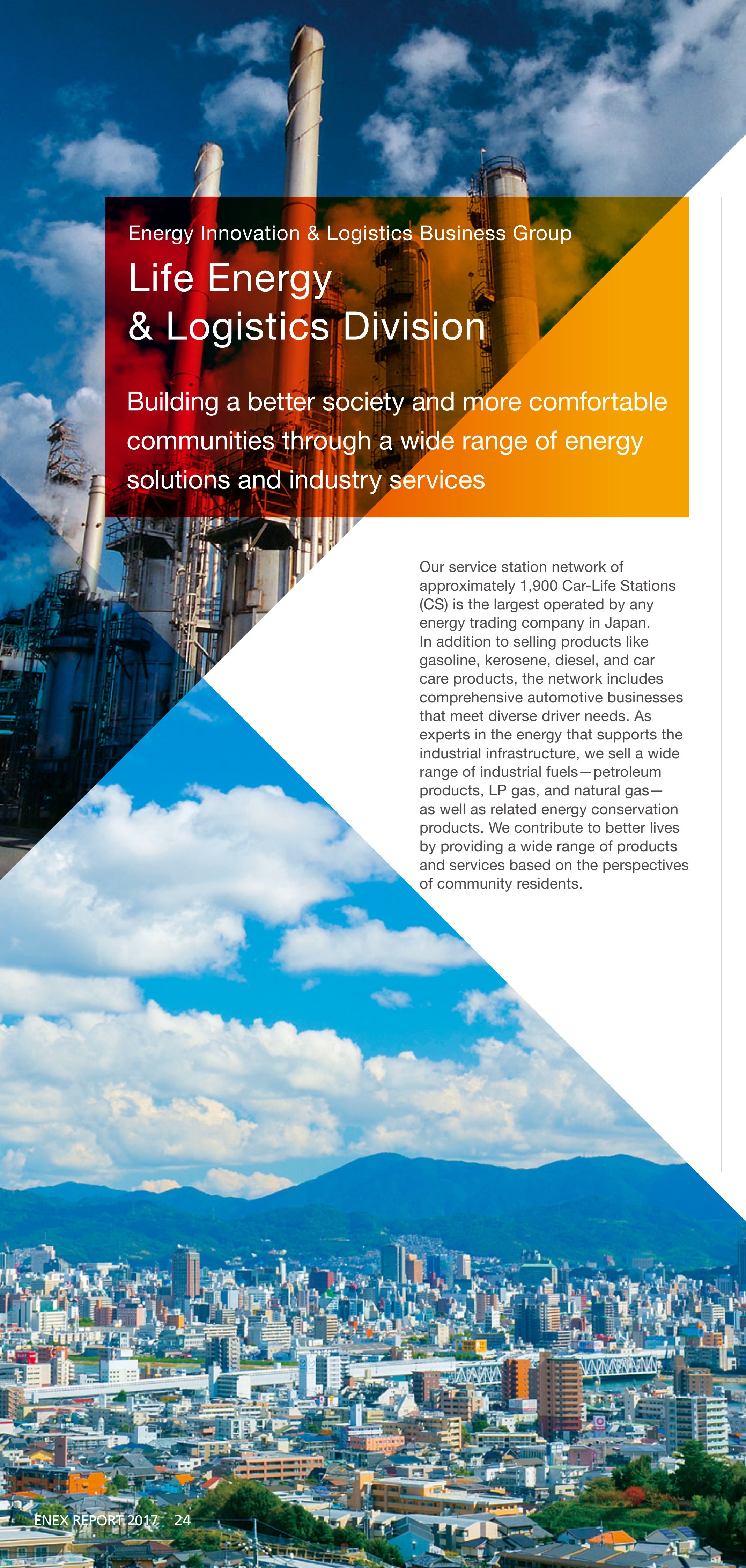
■ Taking on the challenges of new business models

We're taking on the challenges of adopting financial solutions in the power and heat businesses, as well as the challenge of delivering new products, services, and added value based on customer needs from a retail perspective. In the heat supply business, we plan to expand our service area beyond the Kanto region.

Energy Innovation & Logistics Business Group

Life Energy & Logistics Division

Building a better society and more comfortable communities through a wide range of energy solutions and industry services



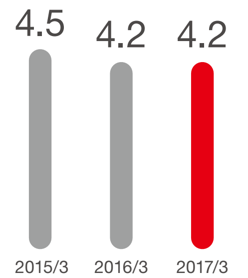
Our service station network of approximately 1,900 Car-Life Stations (CS) is the largest operated by any energy trading company in Japan. In addition to selling products like gasoline, kerosene, diesel, and car care products, the network includes comprehensive automotive businesses that meet diverse driver needs. As experts in the energy that supports the industrial infrastructure, we sell a wide range of industrial fuels—petroleum products, LP gas, and natural gas—as well as related energy conservation products. We contribute to better lives by providing a wide range of products and services based on the perspectives of community residents.

Products and services

Gasoline, kerosene, diesel, residual oil, LNG, electric power
Automotive lubricants
Vehicles, auto supplies/vehicle inspection, maintenance, body work
Car wash supplies and equipment
Car rental systems
Rakuten Point Card
Car Enex itsumo Card
Partner's Card
AdBlue high-grade urea solution
Corporate fleet fuel cards
POS systems for CS use (E3/E6)
CS strategic information system
Recovery of sludge from outbound passenger vessels

Business performance by profit type

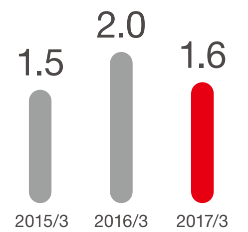
Profit from operating activities (billions of yen)



Division's share of Groupwide profit from operating activities:

21.2% (2017/3)

Net profit attributable to Itochu Enex's shareholders (billions of yen)



Division's share of Groupwide net profit attributable to Itochu Enex's shareholders:

15.1% (2017/3)

Businesses

■ Automotive energy sales

In addition to delivering energy to our nationwide network of CS operators, we provide powerful support for retail CS management by helping improve revenue through our ENEX ACT Program.

Business Word **CS**

An abbreviation for Car-Life Station, Itochu Enex's network of service stations, which offer a wide range of products and services.

■ Car life support business

We support business growth by providing our nationwide network of CS operators with a full range of products, materials, information, and sales expertise.

■ AdBlue High-Grade Urea Solution

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

Business Word **AdBlue**

AdBlue represents the global standard for high-grade urea solutions used in SCR systems. Atomized AdBlue in diesel vehicle exhaust activates an ammonia-reducing process to break down nitrous oxide into harmless nitrogen and water.

■ Road-clearing chemicals sales

During the heavy snowfall season, we sell the road-clearing chemicals used on expressways, ordinary roads, monorails, and other means of transportation, helping to maintain the smooth flow of road traffic year-round.

■ Auto dealership business

Through Nissan Osaka Sales Co., Ltd., which operates the largest network in Osaka Prefecture and the Hanshin area of Hyogo Prefecture, we sell new and used vehicles. We also provide vehicle inspections, body work, repairs, and maintenance services.

■ Card services business

We offer a wide range of card systems to meet the needs of CS users.

■ PCB waste-processing intermediary services

We support proper waste processing of the polychlorinated biphenyl (PCBs) used in transformers and other equipment used by power companies.

■ Overseas businesses and projects

Drawing on the experience and business models we've gathered over years of operation, we're advancing business development on a global scale.

■ IT support business

We apply IT services to support CS sales operations. Our latest E6 POS system enables one-to-one marketing for individual customers through the integrated management of customer information, vehicle information, purchase history, and other data.

■ Corporate energy sales

Together with sale of industrial energy to customers who play important roles in supporting Japan's industry, we offer optimal energy solutions to realize energy conservation and cost savings.

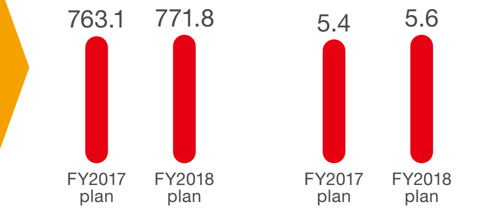
■ Recovery of sludge from outbound passenger vessels

More than 1,500 outbound passenger vessels arrive Japanese ports every year. Due to the lack of ports capable of collecting waste oil from pool water and other sources, working with carefully selected partner vendors, Group member company Kokura Enterprise Energy Co., Ltd., provides land services for collecting this waste oil. Through businesses centered on Kyushu, the company also meets the needs of shippers through selected partner vendors at the ports of Yokohama and Kobe.

Growth strategy

Expanding business domains through regional networks, and evolving into a company in which consumers and industry rely

Business performance trends and plans



Primary measures and initiatives

■ Organizational reforms and business consolidation

- Advancing strategies under the nationwide system of four business divisions tailored to the distinguishing traits of specific regions
- Delivering the multiple services, in addition to petroleum products, needed by local communities

■ Developing and establishing new earnings foundations

- Uncovering related automotive businesses, handling chemicals and other new products
- Adding new services to the existing CS infrastructure to meet community needs

■ Petroleum business

- Withdrawing from unprofitable CSs and reducing associated assets
- Enhancing retail support functions and establishing the Carlife Stadium brand

■ Redoubling efforts in the dealership business (Nissan Osaka)

- Responding to changes in the external environment through high-efficiency management, cost savings, and improvements in management quality
- Retaining, developing, and expanding the customer base

Energy Innovation & Logistics Business Group

Industrial Energy & Logistics Division

We deliver optimal energy solutions to support the infrastructures of industry and logistics, including industrial materials and shipping fuel.

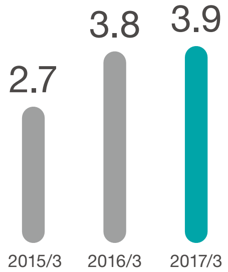
The business areas in which the Industrial Energy & Logistics Division is active include sales of industrial materials, such as asphalt, that support the domestic transportation infrastructure; imports, exports, and domestic sales of petroleum products; tank operations nationwide; and terminal operations that involve the handling of everything from petroleum products through chemicals. Other areas of interest include shipping fuels, in which we currently hold the top market share in Japan and retain the capacity to supply fuels to major ports around the world. By serving a broad range of corporate customers, we support the infrastructures that undergird industry and logistics.

Products and services

- Asphalt
- Logistics functions including oil storage facilities
- Storage and supply terminal functions
- Marine fuel
- Marine lubricants
- Import/export of petroleum products
- Balancing domestic supply and demand
- Recycling fly ash
- Slop recovery and recycling

Business performance by profit type

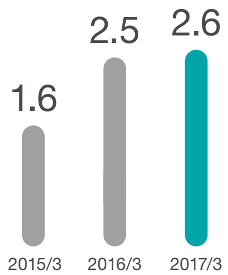
Profit from operating activities (billions of yen)



Division's share of Groupwide profit from operating activities:

19.9% (2017/3)

Net profit attributable to Itochu Enex's shareholders (billions of yen)



Division's share of Groupwide net profit attributable to Itochu Enex's shareholders:

25.4% (2017/3)

Businesses

■ Asphalt sales

We draw on a nationwide sales network to deliver asphalt, a key industrial material, to customers across Japan.

■ Tank Terminal business

We own three terminals across Japan that serve as bases for supplying petroleum products and chemical products to meet customer needs swiftly and efficiently, both overseas and domestically.

■ Sales of shipping fuels

We engage in the trade and sales of shipping fuels in key ports in Japan and around the world. We operate our own private fuelling vessels and are currently enhancing our supply structures. We handle the largest volume of shipping fuels for coastal vessels in Japan.

■ Trade in petroleum products

We import and export petroleum products and sell them in Japan as a core part of the Itochu Group's petroleum product trading functions in Japan.

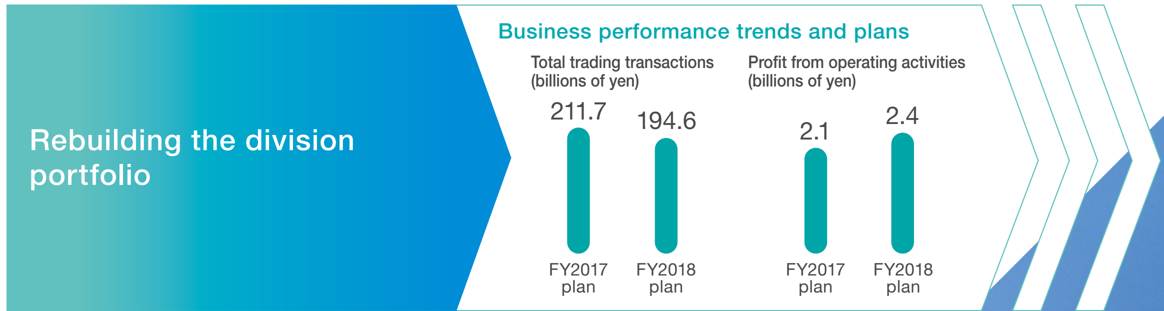
■ Fly ash recycling

We're currently examining the collection, treatment, and recycling the fly ash generated from fuel used in thermoelectric power plants as materials for road paving.

■ Slop recovery and sales business

We collect slop (water from cleaning petroleum product tanks) from outbound oil tankers stopping by Tokyo Bay, from which we recover and extract to sell useful petroleum resources.

Growth strategy



Primary measures and initiatives

■ Enhancing existing businesses

- Value chain (sales, distribution, purchasing) optimization
- Enhancing risk management

■ Expanding and rebuilding business infrastructures

- Identifying businesses peripheral to and deriving from existing networks
- Developing a facilities management structure

■ Promoting new and strategic businesses

- Promoting the environmental recycling business (recycled oil and fly ash)
- Venturing into the domestic bio-jet fuel business
- Identifying domestic and overseas investment opportunities

Overview of Fiscal 2016 Business Results

Message from CFO

With an emphasis on balancing "offense" and "defense," Itochu Enex will work to achieve sustainable growth and enhanced corporate value.

Director and Managing Officer
Chief Financial Officer,
Chief Operating Officer, Corporate Administration Division I
Masayasu Tanaka

Improve asset efficiency and earning power

If you look at the Company's financial indicators, you should notice two changes for the positive.

The first of these changes is an improvement in asset efficiency. For example, ROA has improved by 2.0%, from 4.0% in the fiscal year ended March 31, 2013 to 6.0% in the fiscal year ended March 31, 2017. I believe this is the result of promoting business portfolio reform and profitability enhancement. These efforts include growing the electric power business, a new business area that is expected to be profitable, in addition to our existing core business, the petroleum and LP gas businesses.

The second is an improvement in earning power, or, more specifically, an increase in cash flows from operating activities. I believe that one of the Company's newly acquired strengths is that real cash flows from operating activities, which excludes changes in working capital, has steadily been over ¥20.0 billion since the fiscal year ended March 31, 2016.

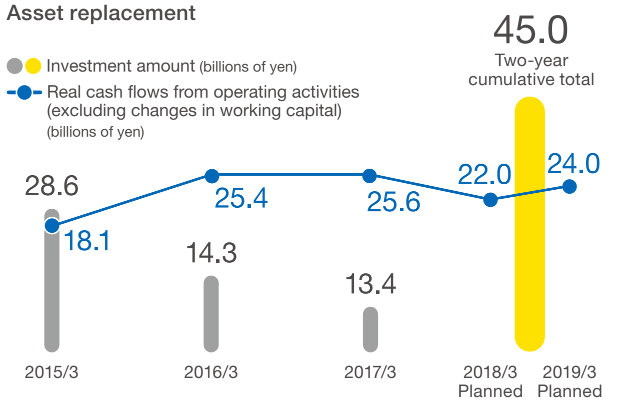
Proactive investment as an offensive measure, and sound management as a defensive measure

The Company is pursuing a new style of integrated energy business that combines the environmental business with the energy-related business, the core of which up to now has been petroleum products. To achieve this vision, the two-year medium-term business plan "Moving 2018 Connecting to the future" promotes both "offense" through proactive investment and "defense" that supports the soundness of the Company starting with the financial base.

In the existing petroleum products core business, the Company will accelerate asset replacement in the pursuit of profitability and growth potential while continuing to increase the amount invested into the electric power field, a new business area for the Company. At the same time, the Company will predict increases in asset risks and implement asset replacement. In particular, the Company intends to continue to proactively implement investment into growth areas. With a current net DER of 0.17 times, the Company's financial soundness is exceptional. As such, the Company has determined that the base for active growth has been completed and plans to invest approximately ¥45.0 billion over the course of two years, primarily in the electric power field. The Company's policy regarding the investment capital for these fields that drive growth is that it is basically covered by real cash flows from operating activities, which excludes changes in working capital.

As for securing profits and promoting efficient management, primarily in preparation for narrowing margins in existing fields due to shrinking markets, and for intensified competition in the electric power field, the Company set the following as Key Performance Indicators (KPI): profit from operating activities, net profit attributable to Itochu Enex's shareholders, and the ratio of SG&A expenses to gross trading profit. With the intention of not spending more than what is earned, the Company is aiming for sufficient increases to profit efficiency, sound assets, guaranteed performance, and sound management.

Asset replacement



Pursuing enhancement of shareholder returns and efficient ROE management

Striving for a stable and sustainable return of profits to shareholders is one of the Company's important capital policies. On the other hand, while implementing proactive growth-oriented investment and strengthening the financial base, the Company's target consolidated dividend payout ratio is 30%, which keeps in mind medium- to long-term balance, and the Company will strive for even greater shareholder returns. For fiscal 2017, with a consolidated net profit attributable to Itochu Enex's shareholders of ¥10.4 billion, the Company is scheduled to pay an annual dividend per share of ¥32, which amounts to a consolidated dividend payout ratio of 34.8%.

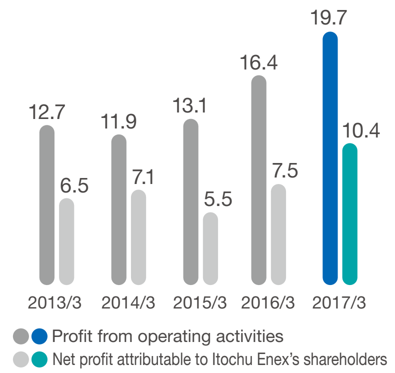
Meanwhile, with corporate value in mind, the Company recognizes that maintaining and enhancing the capital efficiency that is expected by shareholders and investors is imperative. As such, the Company prioritizes the allocation of management resources to highly profitable businesses while simultaneously reducing the resources allocated to businesses with low profitability or undue risk. The Company will thoroughly implement so-called "selection and concentration" and under the new medium-term business plan it will continue to work steadily to achieve an ROE of 9% or more.

Furthermore, in regard to the Company's various efforts aimed at enhancing corporate value including financial policies and strategies, going forward, the Company will work to further improve understanding among shareholders and investors through IR activities such as financial results presentation meetings, small meetings, and briefings for individual investors.

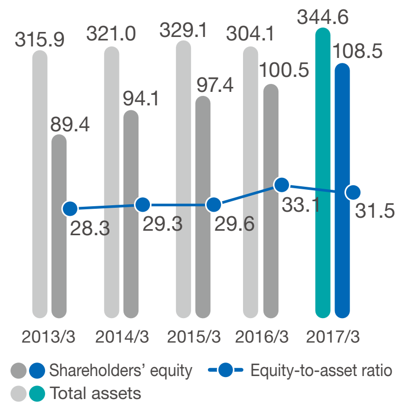
The Itochu Enex Group adopted IFRS (International Financing Reporting Standards) from the fiscal year ended March 2014, in order to improve international comparability and the convenience of financial information in capital markets.

Trends in major financial indicators

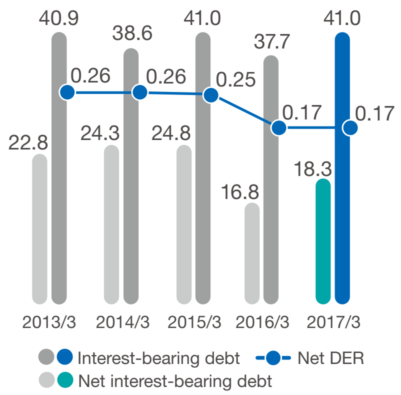
Profit from operating activities (billions of yen) ↑ ¥3.3 billion ↑ 20.1%
Net profit attributable to Itochu Enex's shareholders (billions of yen) ↑ ¥2.9 billion ↑ 39.3%



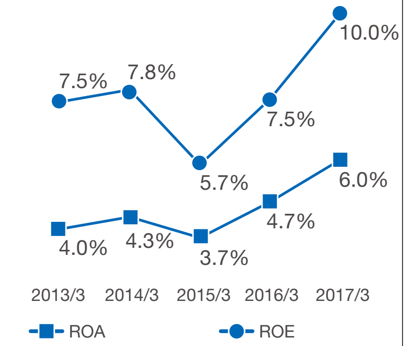
Total assets (billions of yen) ↑ ¥40.5 billion
Shareholders' equity (billions of yen) ↑ ¥8.0 billion
Equity-to-asset ratio (%) ↓ 1.6%



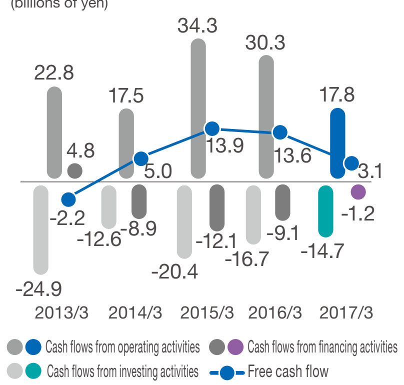
Interest-bearing debt (billions of yen) ↑ ¥3.3 billion
Net interest-bearing debt (billions of yen) ↑ ¥1.5 billion
Net DER (times) —



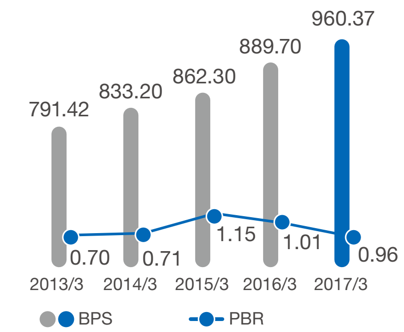
ROA (%) ↑ 1.3 percentage point
ROE (%) ↑ 2.5 percentage point



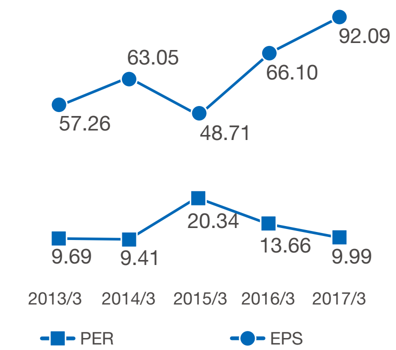
Cash flows from operating activities (billions of yen) ↓ ¥12.5 billion
Cash flows from investing activities (billions of yen) ↑ ¥2.0 billion
Cash flows from financing activities (billions of yen) ↑ ¥7.9 billion
Free cash flow (billions of yen) ↓ ¥10.5 billion



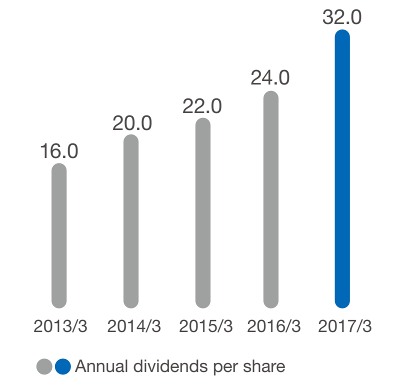
BPS (yen) ↑ ¥70.67
PBR (times) ↓ 0.05 percentage point



PER (%) ↓ 3.67 percentage point
EPS (%) ↑ 25.99 percentage point



Annual dividends per share (yen) ↑ ¥8



Analysis of Results of Operations

Revenue

In the petroleum products distribution industry, the decline in demand continues and the outlook for crude oil prices remains uncertain. In the power market, the spot average price stayed below the level in the corresponding period of the previous fiscal year until the end of December 2016, but electricity prices rose due to rising costs of raw materials such as crude oil, Liquefied Natural Gas (LNG) and coal. Under such conditions, during the fiscal year ended March 31, 2017, revenue decreased ¥28,585 million year on year to ¥695,060 million, due mainly to the impact on price resulting from the decline in prices of domestic petroleum products.

Gross profit

Gross profit increased by ¥4,042 million from the previous fiscal year to ¥93,604 million. The major factors behind this increase were an increase in profits in the electricity and steam supply business due to a considerable increase in sales volume, an increase in profits for Nissan Osaka Sales Co., Ltd., in the automobile-related business mainly reflecting the release of new automobile models (Note, Serena, etc.), and an improvement in profitability due to import prices of LP gas remaining higher year on year in the Home-Life Division, among other factors.

Profit from operating activities

Profit from operating activities increased by ¥3,294 million from the previous fiscal year to ¥19,678 million. The major factor was the increase in gross profit.

Profit before tax

Profit before tax increased by ¥4,340 million from the previous fiscal year to ¥19,344 million. The major factor was the increase in profit from operating activities.

Net profit attributable to Itochu Enex's shareholders

Net profit attributable to Itochu Enex's shareholders increased by ¥2,936 million from the previous fiscal year to ¥10,405 million. The major factor was the increase in profit before tax.

Results of Operations by Segment

<Power & Gas Business Group>

Home-Life Division

In the Home-Life Division during the fiscal year ended March 31, 2017, import prices of LP gas remained higher year on year in the LP gas sales business. This reflected a rise in crude oil prices after the Organization of the Petroleum Exporting Countries (OPEC) agreed to cut production at the end of November 2016. In addition, profit from LP gas sales for home use increased from the previous fiscal year, supported by an increase in the number of customers by approximately 7,000 in this fiscal year, while sales of equipment declined from the previous fiscal year primarily due to a reduction in demand for, among others, solar power generation systems for industrial use. Regarding sales of electricity for households implemented from April 2016 in response to the full liberalization of the electricity retail market, we secured approximately 32,000 supply contracts in this fiscal year, reflecting activities to promote combined sales with LP gas.

In overseas business, we took a stake in an LP gas sales company (Isla Petroleum & Gas Corporation) through an investment in the Philippines in May 2016. We increased the number of on-site personnel with hands-on experience since January 2017 to reinforce sales to Japanese companies. We are also working to expand our LP gas sales business in the Philippines using our expertise in LP gas sales acquired in Japan. In September 2016, construction of the head office building and filling station of PT. ITC ENEX INDONESIA, a producer and seller of industrial gas, was completed in the Karawang Industrial Estate, Indonesia. We will strive to expand sales by having our sales systems in place and adding a new category of materials.

In the gas-related business, a new factory of J-Cylinder Service Co., Ltd., a company engaging in the pressure resistance inspection business for containers, began operation in May 2016, and put in place a system to inspect containers. We will be seeking to attract new customers and improve productivity.

As a result of these activities, revenue was ¥86,484 million (down 5.0% year on year), profit from operating activities was ¥4,831 million (up 43.4% year on year), and net profit attributable to Itochu Enex's shareholders was ¥2,823 million (up 258.4% year on year).

Power & Utility Division

In the Power & Utility Division during the fiscal year ended March 31, 2017, electricity sales volume in the electricity sales field led by Itochu Enex and Oji-Itochu Enex power retailing Co., Ltd. increased significantly from the previous fiscal year. This reflected growth in electricity demand from households following the full liberalization of the electricity retail market in April 2016 and efforts to promote sales of electricity to business users.

In the power generation field, power generated by wind power increased from the previous fiscal year, due to better wind conditions than in the previous year. However, in the area of thermal power generation, we adjusted power generation levels based on trends in the spot price of electricity. As a result, total power generation decreased from the previous fiscal year. Profits in this business increased significantly year on year, despite a decrease in margins due to a spike in coal prices. This reflected, in addition to better wind conditions than in the previous year, the recording of a gain on sales as a result of the sale of some wind power generation facilities owned by ENEX Electric Power Co., Ltd. for the purpose of replacing business assets.

In the heat supply business, demand for heat increased year on year due to average temperatures that were higher than those of the previous fiscal year during summer and lower than those of the previous fiscal year from autumn to winter. Profits in this business increased year on year mainly due to a drop in the electric power costs.

In the electricity sales field, the Power & Utility Division is taking a number of steps. In existing areas of the market that have already been liberalized (high-voltage: for business users), the division has been reinforcing sales in each area by cooperating with companies having a strong customer platform in relevant areas. Also, with respect to electricity sales in areas liberalized (low-voltage: households and other areas), the Power & Utility Division enhances cooperation with other divisions in the Company. In addition, in order to expand sales channels into other industries, we established Itochu Enex Life Service Co., Ltd. to support the lifestyle-related business. In January 2017, Itochu Enex Life Service Co., Ltd. teamed up with Nissan Osaka Sales Co., Ltd., a Group company, to conduct the Collaborative Business between Cars and Electricity, continuing to provide new value proposals through electricity.

As a result of these activities, revenue was ¥62,827 million (up 48.0% year on year), profit from operating activities was ¥6,640 million (up 49.6% year on year), and net profit attributable to Itochu Enex's shareholders was ¥3,407 million (up 52.1% year on year).

<Distribution & Energy Innovation Business Group>

Car-Life Division

In the Car-Life Division, sales volume declined from the previous fiscal year, reflecting a continued drop in demand for fuel oil in the domestic market. Profit from operating activities, however, fell only slightly from the previous fiscal year due to the contribution of Nissan Osaka Sales Co., Ltd.

As part of our retail strategy, we pushed ahead with the introduction of our new POS system at affiliated Car-Life Stations from the first half of fiscal 2016 and used the Rakuten Point Card services to exchange customers with affiliated stores in other sectors. Also, in line with the service on the Internet, we will actively increase the number of stores affiliated with Rakuten Shaken, a statutory vehicle inspection service offered by Rakuten, Inc., and implement joint campaigns to attract shaken (vehicle inspection) customers from e-commerce sites.

In the automobile-related business, we launched a new Carlife Stadium service brand and began operating Carlife Stadium car rentals at ENEXAUTO CO., LTD. from April 2017 as the first business of the Carlife Stadium service brand. We will work to improve the quality of vehicles and sales services for customers to expand the functions of the car rental network, while carrying out web-based promotions.

In Nissan Osaka Sales Co., Ltd., unit sales declined from the previous fiscal year, impacted by a fraud issue at Mitsubishi Motors Corporation. Profits, however, resulted in a significant increase from the previous fiscal year, reflecting the release of new automobile models (Note, Serena, etc.). The number of Car-Life Stations in the Itochu Enex Group as of March 31, 2017, was 1,888, marking a net decrease of 85 stations from the end of the previous fiscal year mainly due to disaffiliation of unprofitable and decrepit stations.

As a result of these activities, revenue was ¥469,634 million (down 4.8% year on year), profit from operating activities was ¥4,169 million (down 0.6% year on year), and net profit attributable to Itochu Enex's shareholders was ¥1,576 million (down 21.7% year on year).

Energy Innovation Division

During the fiscal year ended March 31, 2017, the Energy Innovation Division faced a structural decline in demand for domestic petroleum products caused by factors such as more efficient energy use. Besides, under an operating environment in which the domestic petroleum products market was affected by changes in crude oil prices following an adjustment in supply and demand among OPEC and other oil-producing countries, profits resulted in an increase from the previous fiscal year, due to efforts to expand business with existing customers and acquire new customers, as well as expanding business portfolios.

In this division, we are "appropriately and effectively enhancing and managing assets" and "actively pushing ahead with new business commercialization projects" as specific priority initiatives, and in sales of industrial fuels and materials, logistics functions have been reinforced by activities of Kokura Enterprise Logi Service Co., Ltd., which was established in February 2016, to develop sales to small-volume users. We are also working to improve the profitability by providing comprehensive product and service solutions covering areas such as electricity sales to business users, in addition to each division's existing business. Also, we are working steadily to commercialize new businesses, such as the recovery and reuse of waste oil from ships, and the use of fly ash discharged from thermal power plants as a construction raw material. Going forward, the division will develop proposals tailored to customer needs while responding flexibly to changes in the external environment, aiming to conduct business development based on close cooperation with Group companies.

As a result of these activities, revenue was ¥76,115 million (down 21.5% year on year), profit from operating activities was ¥3,924 million (up 4.0% year on year), and net profit attributable to Itochu Enex's shareholders was ¥2,644 million (up 5.2% year on year).

Analysis of Financial Position

Current assets

The balance of current assets amounted to ¥178,127 million as of March 31, 2017, an increase of ¥40,263 million from March 31, 2016. The main factor behind this was an increase in trade receivables due primarily to a rise in prices of domestic petroleum products.

Non-current assets

The balance of non-current assets amounted to ¥166,476 million as of March 31, 2017, an increase of ¥287 million from March 31, 2016. The main factor behind this was an increase as a result of purchase of investments accounted for by the equity method, despite a decrease as a result of sale of unprofitable assets.

Current liabilities

The balance of current liabilities amounted to ¥143,751 million as of March 31, 2017, an increase of ¥31,754 million from March 31, 2016. The main factor behind this was an increase in trade payables due primarily to a rise in prices of domestic petroleum products from March 31, 2016.

Non-current liabilities

The balance of non-current liabilities amounted to ¥73,375 million as of March 31, 2017, a decrease of ¥1,520 million from March 31, 2016. The main factor behind this was a decrease in non-current borrowings arising from the transfer of current portion of non-current borrowings to current liabilities.

Equity

The balance of equity amounted to ¥127,477 million as of March 31, 2017, an increase of ¥10,315 million from March 31, 2016. The main factors behind this were increases in retained earnings and non-controlling interests, among other factors.

Cash Flows

Cash flows from operating activities

Operating activities earned net cash of ¥17,831 million. This was derived mainly from factors including profit before tax of ¥19,344 million, depreciation and amortization of ¥10,856 million and an increase in funds required for trading of ¥3,117 million.

Cash flows from investing activities

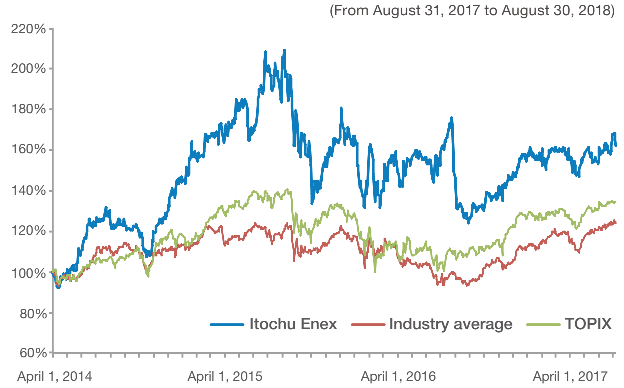
Investing activities used net cash of ¥14,712 million. Major items included purchase of investments accounted for by the equity method of ¥2,649 million, payments for purchase of property, plant and equipment and investment property and purchase of intangible assets of ¥10,058 million, proceeds from sales of property, plant and equipment and investment property and proceeds from sales of intangible assets of ¥2,979 million and increase in deposits paid of ¥9,000 million.

Cash flows from financing activities

Financing activities used net cash of ¥1,195 million. Major items included proceeds from bonds and borrowings of ¥1,899 million and cash dividends paid of ¥3,226 million.

Share price trend

Selected as a constituent of the FY2017 JPX-Nikkei Mid and Small Cap Index.
(From August 31, 2017 to August 30, 2018)



Annual sales volume of major products

	FY2014	FY2015	FY2016
Gasoline (Thousands of kiloliters)	3,593	3,722	3,587
Kerosene (Thousands of kiloliters)	1,502	1,471	1,448
Diesel oil (Thousands of kiloliters)	3,302	3,321	3,271
LP gas (Thousands of tons)	619	601	597
Electricity (GWh)	1,060	1,616	3,190

Rating

*Rating agency: Japan Credit Rating Agency, Ltd. (JCR)　As of August 28, 2017

Object	Rating	Outlook
Long-term issuer rating	A	Positive

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

Object	Issue price	Issue date	Maturity date	Interest rate	Rating
Series 13 unsecured bonds (with inter-bond pari passu clause)	¥5 billion	May 22, 2012	May 22, 2019	0.736%	A
Series 14 unsecured bonds (with inter-bond pari passu clause)	¥10 billion	May 22, 2012	May 20, 2022	1.202%	A

[Corporate Governance] Directors, Audit & Supervisory Board Members and Executive Officers

Directors

Representative Director
President and Chief Executive Officer

Kenji Okada

1974 Joined ITOCHU Corporation
2012 Representative Director, President and Chief Executive Officer, Itochu Enex Co., Ltd.

Number of the Company's shares owned 86,500 shares

Representative Director and Senior Managing Officer
(Until September 30, 2017)
Assistant to Chief Executive Officer, Chief Compliance Officer, Chief Information Officer, Chief Operating Officer, Corporate Administration Division II
(From October 1, 2017)
Assistant to Chief Executive Officer,
Scheduled to assume the position of President and Chief Executive Officer, ENEARC Co., Ltd.

Masaaki Itoyama

1973 Joined Itochu Enex Co., Ltd.
2013 Director, Itochu Enex Co., Ltd.
2014 Representative Director, Itochu Enex Co., Ltd.

Number of the Company's shares owned 23,100 shares

Director and Senior Managing Officer
Chief Operating Officer,
Energy Innovation & Logistics Business Group

Tatsunosuke Nagao

1987 Joined Itochu Enex Co., Ltd.
2010 Director, Itochu Enex Co., Ltd.

Number of the Company's shares owned 32,800 shares

Director and Senior Managing Officer
Chief Operating Officer,
Power & Gas Business Group,
Executive Advisory Officer for Automobile Business Office

Masahiko Takasaka

1980 Joined ITOCHU Corporation
2014 Director, Itochu Enex Co., Ltd.

Number of the Company's shares owned 6,500 shares

Director and Managing Officer
Chief Financial Officer,
Chief Operating Officer, Corporate Administration Division I

Masayasu Tanaka

1979 Joined ITOCHU Corporation
2014 Director, Itochu Enex Co., Ltd.

Number of the Company's shares owned 22,300 shares

Outside Independent

Director

Seiichi Shimbo

1975 Joined Tokio Marine Fire Insurance Co., Ltd. (currently, Tokio Marine & Nichido Fire Insurance Co., Ltd.)
2015 Director, Itochu Enex Co., Ltd.

Number of the Company's shares owned 4,200 shares

Outside Independent

Director

Ichiro Saeki

1995 Registered with the Daini Tokyo Bar Association as an attorney-at-law
2016 Director, Itochu Enex Co., Ltd.

Number of the Company's shares owned 1,800 shares

Director
Executive Officer,
Chief Operating Officer for Energy Division of ITOCHU Corporation

Hisato Okubo

1986 Joined ITOCHU Corporation
2017 Director, Itochu Enex Co., Ltd.

Number of the Company's shares owned — shares

Audit & Supervisory Board Members

Outside Independent

Standing Audit & Supervisory Board Member

Yuji Moritsuka

1974 Joined The Nippon Fudosan Bank, Limited (currently, Aozora Bank, Ltd.)
2015 Standing Audit & Supervisory Board Member, Itochu Enex Co., Ltd.

Number of the Company's shares owned 4,300 shares

Outside

Standing Audit & Supervisory Board Member

Hisayoshi Ojima

1979 Joined ITOCHU Corporation
2014 Standing Audit & Supervisory Board Member, Itochu Enex Co., Ltd.

Number of the Company's shares owned 13,500 shares

Audit & Supervisory Board Member
Chief Financial Officer for Energy & Chemicals Company,
ITOCHU Corporation

Satoshi Nakajima

1987 Joined ITOCHU Corporation
2016 Audit & Supervisory Board Member, Itochu Enex Co., Ltd.

Number of the Company's shares owned — shares

Outside Independent

Audit & Supervisory Board Member

Shozo Tokuda

1981 Joined Asahi & Co. (currently, KPMG AZSA LLC)
2017 Audit & Supervisory Board Member, Itochu Enex Co., Ltd.

Number of the Company's shares owned — shares

Executive Officers

Managing Officer
Masanori Toyoshima
Chief Operating Officer, Home-Life Division, Power & Gas Business Group

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

Executive Officer
Toshiyuki Tsuruoka
Chief Operating Officer, Industrial Energy & Logistics Division, Energy Innovation & Logistics Business Group

Executive Officer
Kouichi Otabe
(Until September 30, 2017)
Deputy Chief Operating Officer, Home-Life Division, Power & Gas Business Group
(From October 1, 2017)
Enex Electric Power Co., Ltd. (scheduled to assume the position of Vice President, Sendai Power Station Co., Ltd.)

Executive Officer
Naohiro Matsuzawa
Unit Head, East Japan Region Business Unit, Life Energy & Logistics Division, Energy Innovation & Logistics Business Group

Executive Officer
Ichiro Sekiguchi
Assistant to Chief Operating Officer, Life Energy & Logistics Division, Energy Innovation & Logistics Business Group

Executive Officer
Tatsuro Utsumi
(Until September 30, 2017)
General Manager, Corporate Planning Department and Deputy Chief Operating Officer, Corporate Administration Division II
(From October 1, 2017)
Chief Operating Officer, Corporate Administration Division II, General Manager, Corporate Planning Department, Chief Compliance Officer, Chief Information Officer

Executive Officer
Masanori Mitsuhashi
Chief Operating Officer, Life Energy & Logistics Division, Energy Innovation & Logistics Business Group

Executive Officer
Toshihisa Fuse
Power & Gas Business Group Deputy Chief Operating Officer, Power & Utility Division

*The Number of the Company's shares owned is stated, as of the end of March 2017.
*Independent: Director / Audit & Supervisory Board Member registered at the Tokyo Stock Exchange as an independent officer.
*This system is stated, as of September 2017.
*Kyosuke Wakamatsu, Deputy Chief Operating Officer, Home-Life Division and General Manager, Planning & Administration Department will be newly appointed as an Executive Officer on October 1, 2017.

[Corporate Governance] **Basic policy and system**

The Company emphasizes sound and highly transparent management and continuously strengthens corporate governance.

Basic approach to corporate governance

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

Response to the Principles of Japan's Corporate Governance Code

The Company implements all the principles set out in Japan's Corporate Governance Code.

Corporate governance system

The Company has the Board of Directors and Audit & Supervisory Board Members (the Audit & Supervisory Board). The Board of Directors comprises eight members (two of whom are Outside Directors). In accordance with laws and regulations, the Company's Articles of Incorporation, Rules of the Board of Directors and other internal rules, the Board of Directors makes decisions on material matters and oversees the Directors' performance of duties. Each Director executes his or her duties based on the roles defined by the Board of Directors in accordance with laws and regulations, the Articles of Incorporation and internal rules.

To strengthen the Board of Directors' decision-making and oversight functions and increase the efficiency of business execution, the Company has adopted an executive officer system. As delegated by the Board of Directors and Representative Directors, Executive Officers execute the duties assigned to them based on decisions made by the Board of Directors.

The Audit & Supervisory Board comprises four members (three of whom are Outside Audit & Supervisory Board Members), and performs audits to examine the appropriateness of the Directors' business execution in accordance with the Rules of the Audit & Supervisory Board and Audit Standards for Audits by Audit & Supervisory Board Members.

Corporate governance system summary chart

Form of organization design	Company with the Board of Directors and Audit & Supervisory Board Members (the Audit & Supervisory Board)
Number of Directors (of whom, the number of Outside Directors)	8 (2)
Number of Audit & Supervisory Board Members (of whom, the number of Outside Audit & Supervisory Board Members)	4 (3)
Term of office of Directors	One year (same for Outside Directors)
Adoption of executive officer system	Yes
A voluntary advisory body to the Board of Directors	Governance Committee has been established.
Accounting auditor	Deloitte Touche Tohmatsu LLC

Basic policy for corporate governance

1. Ensuring shareholders' rights and equality	The Company takes appropriate actions to effectively secure shareholders' voting rights at general meetings of shareholders and other rights.
2. Appropriate collaboration with non-shareholding stakeholders	In accordance with the Code of Conduct and Declaration of the Group Code of Conduct, the Company works for its stable development over the long term and constantly improves corporate value as a company that is attractive to customers, business partners, employees, national and other public authorities, local communities and all other stakeholders that are positioned as important by the Company.
3. Appropriate information disclosure and ensuring transparency	In addition to proper disclosure in accordance with laws and regulations, the Company proactively undertakes information disclosure as required in the principles of Japan's Corporate Governance Code from the perspectives of ensuring transparency and fairness of the Company's decision-making and of achieving effective corporate governance.
4. Duties of the Board of Directors and other bodies	The Board of Directors determines the fundamental management policy of the Company and assumes the role of supervising management. In addition to the exclusive rights defined by laws and regulations, the Board makes decisions on the execution of important business matters based on quantitative and qualitative aspects. On the other hand, in light of the importance of prompt decision-making, the Board also delegates decision making on ordinary business execution to the Directors and Executive Officers wherever possible and supervises the status of their business execution. The Directors, who act as trustees appointed by shareholders to engage in management, have the obligation to exercise the due care of a prudent manager in the performance of duties and to contribute to the sustained growth of the Company and medium- to long-term improvement in corporate value.
5. Dialogues with shareholders	The Company endeavors to facilitate dialogues with investors, including shareholders, with a view to building excellent relationships in accordance with its IR Basic Policy. The department responsible (Corporate Communications Office) and the officer responsible (CFO) for IR operations facilitate such dialogues as part of IR communications activities. The opinions and requests obtained through IR communications activities are fed back to management as necessary, and the Company endeavors to use this feedback to continually improve the corporate value. IR Basic Policy **http://www.itcenex.com/english/ir/policy/basicpolicy/**

Governance Committee

In November 2015, the Company established the Governance Committee as an advisory body for the Board of Directors with the objective of strengthening and improving the effectiveness of management oversight and transparency in decision-making. The Governance Committee consists of members including Outside Directors and Outside Audit & Supervisory Board Members and deliberate policies and proposals for nomination of candidates for and election of Directors and Audit & Supervisory Board Members, how the remuneration system for Directors should be (policy on the determination of remuneration and the appropriateness of remuneration levels, etc.) and other governance related agenda.

Members of Governance Committee (4 members)

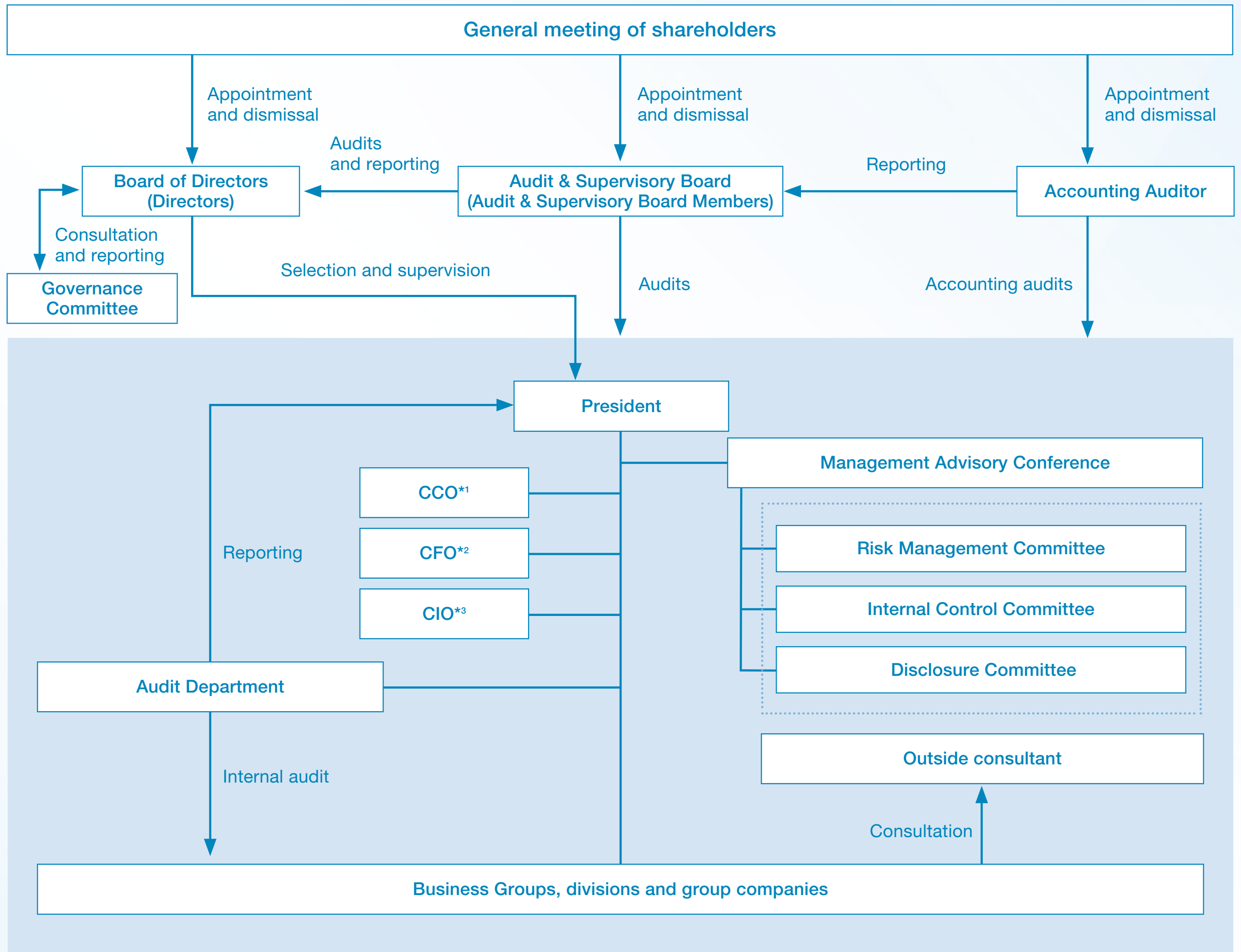
Directors	2
Outside Director	1
Outside Audit & Supervisory Board Member	1

Committees

The Company has established the Management Advisory Conference and several committees (Risk Management Committee, Internal Control Committee and Disclosure Committee) with the objective of contributing to decision-making by the President and the Board of Directors relating to the appropriate and flexible execution of operations. As an advisory body for the President, the Management Advisory Conference discusses material matters concerning the Company's overall management policy and business administration. The principal committees and their roles are as follows:

Risk Management Committee	Comprehensive deliberations on matters ranging from identification of companywide risks to devising, implementing, evaluating and examining measures to respond to material risks
Internal Control Committee	Deliberations on matters concerning the development and improvement of internal control systems
Disclosure Committee	Deliberations on matters concerning the development, improvement and operation of internal controls in relation to disclosure of corporate information, etc. and financial reporting

Corporate governance system



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

Criteria for judgment of outside officers' independence

In regard to criteria for judging the independence of outside officers, the Company makes a judgment on their independence by confirming whether they fall under items (1) to (5) below and in accordance with the requirements for independence of outside officers prescribed by Tokyo Stock Exchange, Inc. and other financial instrument exchanges in Japan.

(1) Person who is not or has never served in the past ten (10) years as a business executor* (with respect to Outside Audit & Supervisory Board Member, this includes Directors who do not execute business operations) of the Company or any of its subsidiaries;

(2) Person who is not or has not served in the past three (3) years as an officer or a business executor of the Company's parent company or a business executor of any of the Company's fellow subsidiaries under the parent company;

(3) Person who is not or has not been in the past three (3) years either a large shareholder directly or indirectly holding not less than 10% of the Company's shares or a business executor of such large shareholder;

(4) Person who was not in the latest financial year or had not been in the three (3) financial years preceding the latest financial year either a large business partner whose transaction volume (net sales or purchases) with the Company accounted for 2% or more of the Company's overall transaction volume in the latest financial year or a business executor of said large business partner; or

(5) Person who has not served in the past three (3) years as a consultant, accounting specialist, legal specialist or tax specialist receiving annual compensation of 10 million yen or more from the Company (if the person receiving such compensation is a corporate entity, association or other organization, this includes persons who belong to such organization) in addition to Director's compensation.

* Business executor means executive director, executive officer, other employees, etc.

Parent company

As the parent company, ITOCHU Corporation owns 54.0% of the voting rights of the Company and the Company is a consolidated subsidiary of ITOCHU Corporation. Within the ITOCHU Group, the Company is positioned as a core company with respect to domestic sales and the import/export business of petroleum products in which Japan is a business base. As an important business partner, the Company engages in petroleum products trade and facilitates an exchange of information concerning conditions in domestic and international markets for crude oil and petroleum products, personnel exchange and other business initiatives relating to electrical power, environmental businesses, overseas projects, etc.

The Company recognizes no business constraints being exerted by the parent company and believes that it can make its own management decisions while maintaining its independence and autonomy. In addition, there are concurrent holding of positions by Directors and loaning of employees among the Company, ITOCHU Corporation and their group companies. This does not impede the Company from making independent managerial decisions, and the independence of the Company is secured.

Policy on cross-shareholding

The Company has a policy of holding shares of any customer or business partner solely on the condition that the holding of such shares is deemed to contribute to maintaining medium- and long-term relationships, expanding transactions, acquiring know-how, etc. or otherwise improving the Company's corporate value. The Company exercises voting rights related to cross-shareholdings appropriately, not based on standard criteria but by closely examining the content of the relevant proposal and determining whether the proposal contributes to the improvement of shareholder value, and from perspectives such as whether the proposal would lead to the realization of medium- to long-term corporate value in consideration of the management policy, strategy, etc. of the portfolio company.

Evaluation of the effectiveness of the Board of Directors

The Company requested all Directors and Audit & Supervisory Board Members to submit opinions about the effectiveness of the Board of Directors as a whole for FY2016 based on each Director's self-evaluation. After deliberations made by the Governance Committee based on these opinions, the Board of Directors conducted an analysis and evaluation at a meeting.

Evaluation method

Self-evaluation was implemented using a questionnaire and interviews that were conducted in the following manner.

■ Subject of evaluation

Meetings of the Board of Directors held between April 2016 and March 2017 (a total of 18 meetings)

■ Evaluator

Members of the Board of Directors as of April 2017

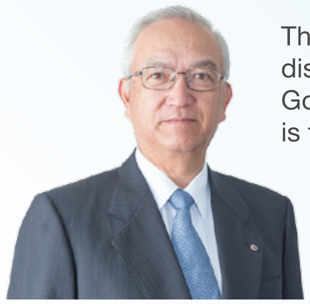
■ Outline of implementation

A questionnaire with questions on the composition of the Board of Directors, the operation of the Board of Directors, frameworks supporting the Board of Directors and dialogues with shareholders was carried out and free comments (transparency was ensured by requiring the respondents to indicate their names) were allowed. Based on the aggregate results of the questionnaire, individual interviews with Outside Directors and Audit & Supervisory Board Members were held.

Evaluation results

In the FY2016 evaluation, the results showed that the Board of Directors was, in general, appropriately operated and the overall effectiveness of the Board of Directors was secured, while certain aspects were recognized as needing improvement, including the method of operating the Board of Directors and building frameworks that allow more active discussions from companywide perspectives and outside stakeholder viewpoints at meetings of the Board of Directors, as well as efforts to enhance the understandability of supplementary materials and explanations. The Company will draw on these evaluation results to seek to further improve the oversight and decision-making functions of the Board.

Messages from Outside Directors



The degree of information disclosure is high and the Governance Committee is functioning effectively.

Outside Director
Seiichi Shimbo

Through the monthly debriefing sessions held for outside officers, we receive, in a timely manner, preliminary explanations of matters to be referred to and reported to the Board of Directors, contents of discussions at meetings of the Management Advisory Conference that are not referred to the Board of Directors and various other themes.

Although the Company is not a Company with Committees prescribed in Japan's Corporate Governance Code, a Governance Committee with similar functions has been established. The Committee has a total of four members, comprising one Outside Director, one Outside Audit & Supervisory Board Member and two Directors. As a member of Governance Committee, I participate in deliberations on nominations and remuneration of the management team, evaluation of the Board of Directors, etc. and report the content of the deliberations to the Board of Directors. These reports are taken seriously by the Board.

I believe that contributing to sustained growth, the medium- to long-term improvement of corporate value and the sound management of the Company is a responsibility that Outside Directors have with respect to shareholders and that highly effective supervision over the management team from an objective standpoint is one of the missions of an independent officer. As one of those who support the ITOCHU ENEX Group, I will continue to contribute to enhancing and improving corporate governance in the future while maintaining independence.

Contributing to sustained growth and improvement in corporate value as a spokesperson for general shareholders

Outside Director
Ichiro Saeki

According to Japan's Corporate Governance Code, which encourages companies to appoint Outside Directors, Outside Directors are expected to protect the interests of general shareholders in the area of business management and to help improve corporate value. For Outside Directors to perform such roles, it is necessary to ensure their independence from business management and obtain management information.

The Outside Directors of the Company had in the past no relationship with the Company, its parent company, subsidiary companies, etc. and constantly oversee the management from objective standpoints. We are committed to collecting accurate and appropriate management information from among the large volume of information available.

In the United States, empirical data evidencing that outside directors have positive effects on corporate performance is considered almost non-existent. On the other hand, some point out in Japan that ratios of highly independent outside directors correlate with levels of corporate ROE (return on equity).

As Outside Directors, we aspire to perform our role as spokespersons for general shareholders with an eye on sustained growth and improvements in the corporate value of the Company.

Director Remuneration

Director remuneration for FY2016 was as follows.

Unit: million yen

	Total remuneration	Basic remuneration	Bonus	Number of Directors
Directors (excluding Outside Directors)	284	178	106	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Member)	3	3	—	1
Outside officers	76	76	—	7

Performance-linked stock-based remuneration plan

Based on a resolution of the 57th ordinary general meeting of shareholders held on June 21, 2017, the Company introduced a new performance-linked, stock-based remuneration plan for Directors, excluding Outside Directors and non-executive Directors, to add to basic remuneration and bonuses, for the purpose of raising their awareness of contributing to improving the medium- and long-term business performance and enhancing the corporate value of the Company. The plan is a performance-linked and stock-based remuneration system, under which points are given to Directors according to certain criteria, including the attainment of performance targets, and a number of shares of the Company corresponding to the number of points are granted to Directors at the time of their retirement from office, in principle. In introducing the plan, the Company adopted a system for "Stock Distribution Trust for Directors," whereby a trust created by the Company and funded with its money acquires shares of the Company and provides shares from the Trust to the eligible Directors.

Internal controls

To comply with laws and regulations and the Articles of Incorporation, and to execute business properly, the Company has established an internal control system and works to continuously strengthen and improve the system. In April 1, 2015, it revised the "Basic Policy on Internal Control System," seeking to improve and strengthen its internal systems for ensuring the appropriateness, etc. of corporate governance, compliance and financial reporting.

The Company's internal control system:
http://www.itcenex.com/english/corporate/governance/control/

Elimination of anti-social forces

The Company steps up groupwide efforts to preclude any relationship with anti-social forces in any way whatsoever. This policy is explicitly set out in the Declaration of the Group Code of Conduct, and the Company has established a system that allows quick action to respond to an unexpected event by maintaining close collaborative relationships with outside specialized agencies, etc. and by promoting the inclusion of the clause for the elimination of organized crime groups in contracts, etc.

IR Basic Policy

Based on the corporate philosophy, the Employee Code of Conduct and the Declaration of the Group Code of Conduct as well as the objectives of the Corporate Governance Code issued by the Tokyo Stock Exchange, Inc., the Company has established its IR Basic Policy with the aim of establishing fair and excellent relationships with all stakeholders, ensuring a fair market evaluation and achieving a continuous improvement of the corporate value, while pursuing proactive investor relations activities on the principles of "timeliness," "fairness," "accuracy," "clarity" and "continuity."

Information disclosure covered by this policy

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

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

Other information disclosure

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

Information that is voluntarily disclosed

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

Method of information disclosure

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

Disclosure Committee

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

Position and structure of Disclosure Committee

◎The Disclosure Committee acts as an advisory body to the Board of Directors and Management Advisory Conference regarding matters concerning information disclosure.
◎The COO for Corporate Administration Division I chairs the committee.
◎The Corporate Communications Office acts as the secretariat for the committee to perform practical tasks relating to information disclosure.
◎The CFO serves as the information handling officer.

Dialogues with shareholders and investors

When disclosing information to, and having dialogues with, shareholders, investors and others, the Company complies with relevant laws, regulations and rules and emphasizes two-way communications through dialogues, making efforts to explain its business status, management policy and other information in a timely, fair, accurate and clear manner and on a continuous basis. Feedback from stakeholders, including requests and opinions, is provided to management.

Major dialogue activities

◎Financial results briefing sessions for analysts and institutional investors are held semi-annually (results for the first half and full year).
◎Institutional investors are given opportunities for individual interviews.
◎The contents for investors on the Company's website are enhanced.

Handling of insider information in dialogues, etc. with shareholders, investors and others

The Company adheres to the fundamental principle of not disclosing information to any third party until disclosure is made to the public, and takes reasonable care in handling information, for instance with two or more persons attending dialogues with investors in individual interviews, etc.

Quiet period

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

Understanding shareholder structure

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

Sophistication of business continuity initiatives through risk mitigation and building of frameworks that enable a prompt response

Risk Management Committee

The Committee aims to create the best possible systems to achieve business continuity by promptly and correctly dealing with all events and risks that may impede the operation of the Company, so as not to damage public confidence in, and the corporate value of, the Company. Amid rising threats of various risks, the Risk Management Committee leads efforts to continuously manage and mitigate risks by identifying and analyzing risks that could have a material impact on management, implementing countermeasures, preventing the occurrence and materialization of risks and promoting risk awareness.

Systems for handling emergency situations

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

Headquarters for BCP and Disaster Response

The Company has formulated a business continuity plan (BCP), primarily in preparation for major natural disasters. The BCP and Disaster Response Headquarters plays the central role in the plan. Headed by the President and with the Chief Compliance Officer (CCO) serving as Deputy Head, the headquarters comprise the Chief Operating Officers of Corporate Administration Division I and II. In the event of a major disaster, the members gather at the designated location and lead company-wide activities to respond to the situation, by unifying the chain of command and order and focusing on systematic collaboration. In addition, the Company has established a backup system to transfer the Headquarters' functions to Chubu Branch.

Risks affecting the business, etc. and response to such risks

Regarding risks that may affect the ITOCHU ENEX Group's business performance, financial standing, share price, etc., the Company has identified the major risks described below and devised specific measures for preventing and avoiding their occurrence and ensuring a prompt response.

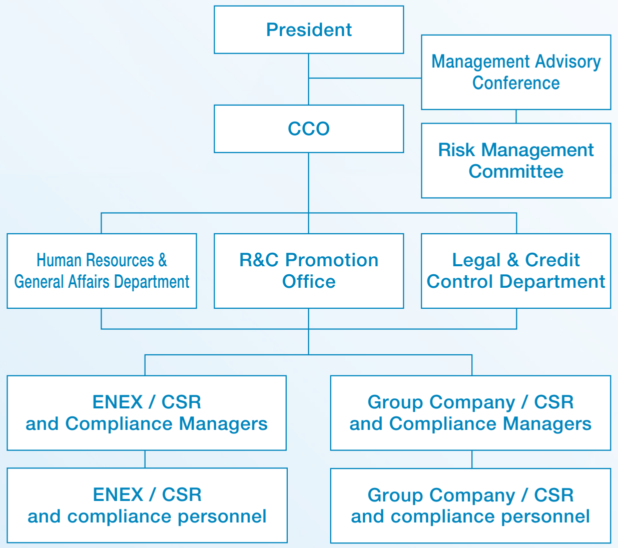
Item	Content	Countermeasure
Industry trends and risks relating to competition within the industry	Intensified sales competition, etc. due to factors such as deregulation, environmental issues, declining birth rate and aging population and drastic changes in the automobile market	Increase information collecting activities and develop systems that enable a prompt response and flexible decision-making.
Market fluctuation risk	Fluctuations in crude oil prices and exchange rates, fuel supply and demand situation, relationships with competitors in the industry, market trends, etc.	Secure sales strategies that focus on economic trends and changes in the market environment as well as a wide variety of electric power sources and diversify risks.
Risks concerning non-performing receivables	Occurrence of non-performing receivables due to business partners' operating environment, economic conditions and domestic and international economic climate	Emphasize credit management that focuses on business partners' operating environment, economic conditions and domestic and international economic climate.
Risks concerning transactions with large-scale customers	Decrease in total trading transactions and occurrence of credit risk due to a deterioration in transaction relationships	Maintain excellent transaction relationships and pay careful attention to the business characteristics of customers designated as specific business partners.
Investment risk	Asset deflation due to changes in various conditions, etc., additional fund contributions, occurrence of unplanned repair costs, etc.	Discuss appropriateness based on investment criteria, review and raise the level of investment criteria, and understand the situation after investment and discuss countermeasures.
Laws and regulations concerning energy and risks related to national policy	Changes in energy supply and demand trends among customers and consumers due to government regulations, and the contents and status of progress of national policies.	Pay attention to trends in the business environment, hold prior discussions to devise measures against worst-case scenarios, and establish revenue models that allow changes according to market conditions.
Risks of interest rate fluctuations	Debt-servicing cost will increase if the borrowing rate rises due to interest rate fluctuations.	Establish a fund-raising policy in light of the situation of interest rate fluctuations, curb excessive fund raising, and secure liquidity
Risks of stock price fluctuations	Falls in fair value and decreases in the Company's shareholders' equity due to economic situation, risks of stock market fluctuations, etc.	Re-examine periodically the purpose of holding securities owned by the Company and sell those that are not necessary.
Risks of system failure	Failure may occur in sales order management systems, etc. due to natural disasters, human error or quality failure.	Compile manuals that explain how to respond to failure occurrences and develop backup systems to prepare for emergency situations.
Inappropriate disclosure of personal information, etc. and other risks related to information management	In the event that personal information is inappropriately disclosed, it may cause damage to the Company's social credibility or corporate image.	Focus on thorough information management based on regulations and rules, and acquire ISMS certification for the Power & Utility Division.
Soil contamination and other risks involving environmental pollution	Occurrence of soil contamination, etc. due to inappropriately discharged oil fuels from sales facilities (CS, etc.) and oil tank terminals.	Build systems that allow a prompt response when an accident occurs, and encourage self-inspection for the prevention of accidents and acquisition of soil insurance.
Risks concerning climate change	Abnormal weather affects the consumption of kerosene, residual oil and LP gas for heating, and electric power and heat supply (cold and hot water) for cooling and heating.	Expand businesses that are not affected by climate change, and formulate sales strategies with an eye on medium- to long-term climate change.
Risks concerning accidents and natural disasters	Large-scale blackouts, breakdown of petroleum products shipping terminals, earthquakes and other natural disasters, spread of a new strain of influenza, etc.	Prevent accidents by strictly following self-security standards, formulate a BCP and implement periodic training.
Country risk	Unexpected situations arising due to political, economic and social conditions, etc. and changes in local laws, regulations, rules and tax systems	Based on country risk information, understand the financial conditions, etc. of business partners and investees in countries subject to the Company's risk management.
Risks concerning retirement benefit expenses and retirement benefit obligations	Cases in which it becomes necessary to change actuarial preconditions, cases in which pension assets are damaged due to a securities market downturn, and other cases	Handle financial matters to ensure that there is no excess or deficiency, and make computations in comprehensive income in reporting based on the IFRS in the event that provisions shortfalls increase.
Risks concerning deferred income tax asset	Changes in taxable income estimates, tax planning, tax rates and other tax systems, etc.	Decrease deferred income tax asset by means such as implementing timely monitoring, devising measures as necessary and promoting disposition of inefficient assets.
Risks concerning critical law suits, etc.	Possibility that business activities, etc. in and outside Japan become subject to litigation, etc.	Conclude contracts on limitation of liability with non-executive Directors and Audit & Supervisory Board Members, and use directors' and officers' insurance to compensate for part of the portion exceeding the total amount that may be exempted (amount of insurance: 2 billion yen (maximum limit)).

Under the Code of Conduct "Be Ethical," the ITOCHU ENEX Group ensures that activities conducted by the Group comply fully with social ethics.

CSR and compliance system

The Company has taken steps to improve its compliance system, such as appointing a CCO, establishing a department that oversees matters concerning compliance, developing a CSR and compliance program, appointing a CSR and compliance manager in each department, providing compliance education and training, writing a compliance manual, clarifying responses to compliance incidents and establishing a whistleblowing system. In addition, each Director, Executive Officer and employee is required to submit an oath of compliance with the Employee Code of Conduct.

CSR and compliance system



Important themes of CSR and compliance

As an entity that operates energy businesses, the ITOCHU ENEX Group regards the four themes listed below as particularly important, and ensures that it fulfils CSR and compliance in its day-to-day operations and through education and training, etc.

1. Protection of human rights

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

2. Ensuring security

In accordance with its basic policy of "we cannot conduct business without security – security takes precedence over all business conduct," the ITOCHU ENEX Group not only complies with related laws and regulations but also observes voluntary work standards that it has established, including safety manuals and guidelines, and is actively improving systems for ensuring security and preventing danger.

3. Ensuring fair business practices

The ITOCHU ENEX Group assures customers and suppliers of its commitment to fair business practices by engaging in commercial activities on the basis of fair and free competition, performing fair purchasing activities, adhering to rules for commercial transactions and never engaging in any bid-rigging, cartels or other unfair practices. The ITOCHU ENEX Group also seeks development together with its customers and suppliers by maintaining and strengthening mutual trust. The ITOCHU ENEX Group has also established Guidelines for Ensuring Compliance with the Monopoly Law (the Act on Prohibition of Private Monopolization and Maintenance of Fair Trade)." The ITOCHU ENEX Group conducts corporate activities on the basis of fair and free competition, by ensuring that each employee acts with an accurate understanding of the contents of these guidelines.

4. Protection of personal information

To handle customers' personal information appropriately in accordance with the Act on the Protection of Personal Information, the ITOCHU ENEX Group has established a privacy policy that stipulates the importance of compliance with laws and regulations concerning the protection of personal information, personal information management systems and security measures to prevent unauthorized access to and loss, destruction, alteration and unintended disclosure of personal information, among other things. The ITOCHU ENEX Group makes known to all employees its privacy policy and ensures that personal information is properly handled in the business operations in accordance with the policy.

Customer Helpdesk

The ITOCHU ENEX Group has a Customer Helpdesk as a point of contact to hear customers' opinions directly with the aim of strengthening activities to communicate with customers. The ITOCHU ENEX Group works to provide products and services that can better meet customers' needs by using the valuable comments and opinions from customers and to improve the Group's CSR and compliance initiatives.

Whistleblowing and consulting contact points

The ITOCHU ENEX Group has established whistleblowing and consulting contact points within the Group and outside (industrial counselor) that an employee can contact promptly when he or she has violated or is likely to violate the Declaration of the Group Code of Conduct, when he or she knows of a violation committed by an officer or another employee and cannot point out the violation to said officer or other employee, or when he or she determines that a violation is likely to occur. The ITOCHU ENEX Group ensures that all employees understand, through CSR and compliance training that is given repeatedly within the Group, how consulting contact points function and how whistleblowers are protected, and has developed a system that ensures an appropriate response to whistleblowing and consulting while maintaining transparency.

Code of Conduct

Be Ethical

(reliability and sincerity, creativity and ingenuity, transparency and integrity)

Declaration of the Group Code of Conduct

Relationship with customers

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

Relationship with business partners

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

Relationship with suppliers

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

Relationship with employees

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

Relationship with corporate properties

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

Relationship with local communities

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

Environmental activities

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

Relationship with shareholders and investors

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

Moderation in corporate behavior

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

[With the environment] **Energy conservation**

Achieving greater energy conservation through district heat supply plus use of river water

TTS' heat supply business serves 18 districts in the Kanto area, the industry's highest figure. While businesses in most of these districts use electricity at night to produce hot and cold water, some use nearby sources of renewable energy available in the city. For example, resources like river water, sewage treatment water, and groundwater are cooler in the summer and warmer in the winter than the outside air. Heat pumps can extract energy from these temperature differences.

One prominent example of such an initiative is the Hakozaki District Heat Supply Center, which uses energy from the temperature differences in river water to supply heat. Since it began supplying heat in April 1989, it has used heat pumps to generate thermal energy from the heat in river water pumped from the Sumida River for energy-efficient heating and cooling in the district.

A quarter-century has already passed since the Hakozaki District Heat Supply Center began operating. With the aging facility in need of repairs, TTS completely renovated Plant No. 1 based on knowledge obtained from analysis of data on river water use over the longest period of such use at any such facility in Japan. This resulted in various improvements, including massive energy savings and leveling of electricity loads. In recognition of these results, the facility won the Minister of Economy, Trade and Industry's Award as an excellent energy conservation initiative in the 2016 Energy Conservation Grand Prize sponsored by the Energy Conservation Center, Japan.

Hakozaki District Heat Supply Center: now vs. before renovation

Energy usage
Reduced approx. 35%

CO_2 emissions intensity
Reduced approx. 22%

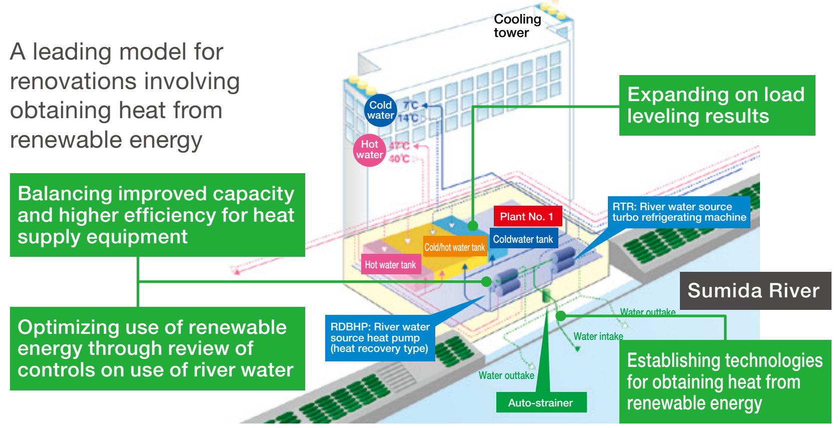
Demand for electric power
Reduced approx. 22%

Rate of shifting to nighttime power
Improved approx. 16%

Heat supply plant efficiency
Improved approx. 30%

Winner, 2016 Energy Conservation Grand Prize: Energy Conservation Case Studies Section (Minister of Economy, Trade and Industry's Award)

Hakozaki District Heat Supply Center



Overview of the Hakozaki District Heat Supply Center

Surface areas of the supply district	25.4ha
Total floor area supplied	284,000m²
Supplied to	Offices, residences
Supply conditions	Cold water: 7°C; hot water: 47°C
Heat source equipment	Heat recovery type double-bundle heat pump chillers: 2 units; turbo refrigerating machine: 1 unit
Water storage tank	4,980m³ (Plant No. 1)
Other equipment	Transfer equipment, river water use equipment, etc.

TTS' heat supply districts using heat obtained from renewable energy

Hakozaki District	River water
Makuhari New City High-Tech Business District	Sewage treatment water
Takasaki Chuo/Takasaki Joshi District	Groundwater

Upper right: The exterior of the building where the Hakozaki District Heat Supply Center is located; bottom right: Underground heat supply pipes in the Hakozaki District. These incorporate a full range of safety measures to control waterborne particulates and salt damage from brackish water.

[With the environment] **Low carbon power generation**

Cutting CO_2 emissions while balancing economic and environmental benefits

As demonstrated by the conclusion of the Paris Accord, the global environment has emerged as a major issue for humankind. At the root of the issue is population growth. The world's population in 1800 stood at 1 billion. Today, the global population is 7.6 billion. Projections indicate this will reach 11.2 billion by 2100 (according to United Nations forecasts). Human populations are growing at rates never see before. All people are equally entitled to comforts and amenities—and that raises issues directly related to energy consumption.

As an energy trading company, the Itochu Enex Group sees striking a balance between economic and environmental benefits as a theme of the utmost importance. We're making every effort to achieve this balance. In our heat and electric-power businesses, while striving to ensure a stable and reliable supply of low-cost energy (such as coal-fired thermoelectric power), we're also pursuing proactive investments and procurement to achieve energy conservation and low carbon power in areas like hydroelectric, wind power, solar power, biomass, and the heat- and steam-supply businesses. We engage in our business activities based on a careful accounting of environmental issues and rigorous efforts to achieve this balance across our Groupwide portfolio.

A look at our sources of electric power in 2016 shows that the share sourced from renewable energy rose to 889 GWh, surpassing the share sourced from coal-fired thermoelectric power (539 GWh). A look at our CO_2 emissions coefficient, announced annually by the Ministry of the Environment, shows that in FY2015 (the most recent year for the data published), the actual coefficient[*1] was 0.489 t-CO_2/MWh. The adjusted coefficient[*2] was 0.241 t-CO_2/MWh. Both are far below the average for major power companies (average actual coefficient: 0.601; average adjusted coefficient: 0.602). Since these figures don't reflect the CO_2-reduction effects of the heat supply business and other initiatives, the reductions we actually achieved are still higher.

*1 Actual coefficient: Amount of CO_2 emitted to produce a certain volume of electricity
*2 Adjusted coefficient: The actual coefficient minus FIT power and environmental pricing (Kyoto credits, domestic certified emissions reductions, etc.)

As announced by the Ministry of the Environment for FY2015

Our CO_2 emissions coefficients for electric power
(unit: kg-CO_2/kWh)

Actual coefficient	Adjusted coefficient
0.489	0.241
(Average for major power companies: 0.601)	(Average for major power companies: 0.602)

Upper/lower left: Located at a site with excellent wind conditions overlooking the Sea of Japan, JEN Tainai Wind Farm Co., Ltd., produces approximately 30,000 MWh (enough to power about 11,000 households) using 10 wind power turbines. Upper right: The hydroelectric power facility of Joetsu Energy Service Co., Ltd., completed 88 years ago, will make even greater contributions to renewable energy following renovations scheduled to be complete in December 2020. Bottom right: The solar power plant on the site of Kusu Wind Farm Co., Ltd., in Kusu District, Oita Prefecture also steadily contributes to the supply of renewable energy.

[With the environment] **Resource conservation**

Recycling and reuse to make more effective use of limited petroleum resources

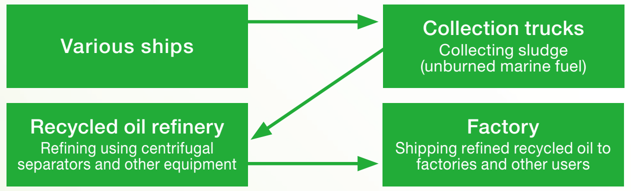
We are embarking on initiatives that involve fully revamping energy business processes and related facilities, and making effective use of substances and materials that were previously discarded.

For instance, sludge discharged from various kinds of ships (unburned marine fuel) had previously gone through treatment as industrial waste. However, operations of our sludge recovery and sales business involve reusing such substances following a process that entails sludge recovery, separating oil from water, and extracting oil resources that are fit for use. In October 2015, Itochu Enex initiated sludge recovery operations, and in fiscal 2016, it recovered a total of 1,515 kiloliters of sludge, which it then sold as recycled oil. Itochu Enex also sold recycled oil produced by refining used lubricating oils. Given the potential for strong demand in the sludge recovery and sales business, an area where we can expect growth, we plan to proceed proactively to grow the business as a new business that will allow more effective use of petroleum resources.

We also collect slop (water from cleaning petroleum-product tanks) from outbound oil tankers visiting Tokyo Bay and sell the petroleum resources we extract from it. Our business efforts involving recycling petroleum resources contribute to the energy security of Japan, a nation that lacks an abundance of natural resources.

We also collect, treat, and recycle fly ash from coal-fired thermoelectric power plants to produce recycled beads for use as a roadbed material (below the asphalt layer) and other applications. With progress on new construction and operation of coal-fired power plants as a substitute source of power to replace nuclear power plants shut down following the Great East Japan Earthquake, the volume of fly ash generated is expected to grow. Working with various companies to reuse fly ash, an eco-friendly material simply disposed of to date as waste, we plan to help realize the goal of a recycling-based society.

Sludge recycling/reuse flow



Upper/lower left: Slop is collected by connecting outbound oil tankers to collection craft by hoses. Upper right: Sludge (unburned marine fuel) collected from shipboard sludge tanks can be treated and used as a recycled oil source. This photo shows sludge being loaded from a ship to tanker trucks. Bottom right: Sendai Power Station Co., Ltd., operates fly ash storage facilities.

[With the environment] **Environmental Policy and management**

Promoting environmental management Groupwide based on environmental ISO standards

The Itochu Enex Group's Environmental Policy

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

Environmental Policy

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

1. Helping to Realize a Low-Carbon Society

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

2. Reducing the Environmental Impact of Our Business Activities

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

3. Preserving Local Environments

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

Promoting effective environmental management practices

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

Extending ISO 14001 certification to more Itochu Enex Group companies

Since Itochu Enex obtained ISO 14001 certification for environmental management back in September 2000, we've undergone the assessments required to maintain certification and audits for certification renewal, engaging in appropriate environmental activities while broadening the scope of operations to which the certification applies.

Ongoing training of Internal Environmental Auditors

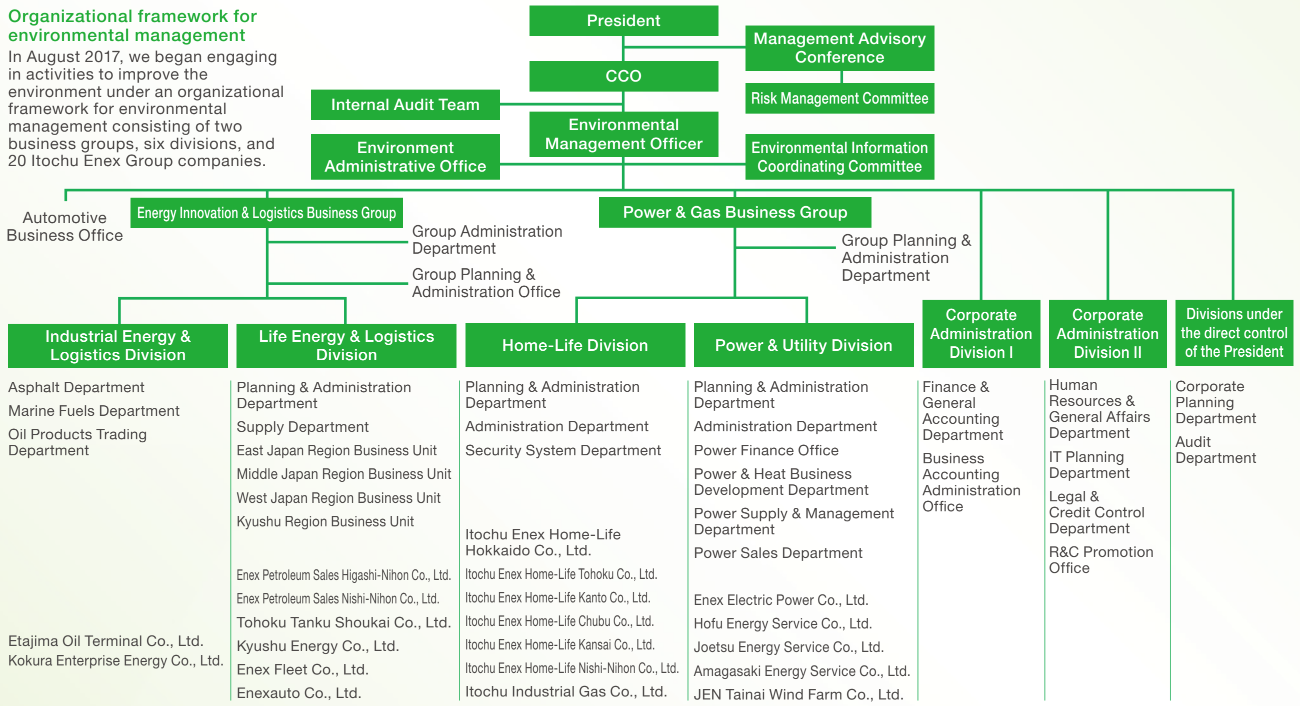
Internal audits required to maintain environmental ISO certification are performed by employees who have gained approval as stipulated in our environmental management regulations at the Itochu Enex Group. Also, to continue to maintain the high standards of internal audits, we are working to improve the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

Promoting the Itochu Enex Group's Environmental Approach

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

Organizational framework for environmental management

In August 2017, we began engaging in activities to improve the environment under an organizational framework for environmental management consisting of two business groups, six divisions, and 20 Itochu Enex Group companies.



(As of August 1, 2017)

[With the environment]

FY2016 environmental performance

By developing an environmental management system that meets ISO environmental standards, the Itochu Enex Group strives to reduce CO_2 emissions in its everyday business activities and operations. The Group also complies with the requirements of the Act on the Rational Use of Energy, submitting notices as a specified shipper in the area of subcontracted shipping and as a specified business operator in the area of energy use at or above certain scales. Tables 2 and 3 below present the details of our reports in both areas during FY2016.

Table 1. FY2016 ISO 14001 activities

Covered sites

	FY	General power	Motive power	Power total	City gas	LP gas	Kerosene	Residual oil	Fuels total	Gasoline	Diesel	Auto gas	Vehicle fuels total	CO_2 total	Copier paper	Water	Industrial wastes	Specially managed industrial wastes	Wastes total	PRTR
Unit		Thousand kWh			Thousand m³		KL		Thousand m³/KL	KL				t-CO_2	Thousand sheets (A4 equivalent)	Thousand m³	t			t
Number of sites covered	2016	104	67	–	1	85	8	8	–	124	48	69	–	–	124	88	93		–	39
	2015	124	90	–	4	96	23	8	–	129	45	68	–	–	122	114	106		–	43
	2014	103	69	–	1	81	13	8	–	121	44	69	–	–	118	87	102		–	34
Performance	2016	2,143	7,169	9,312	0	89	8	1,461	1,558	1,305	516	1,077	2,898	15,527	20,455	41	43,846	10	43,857	9
	2015	2,202	6,464	8,665	0	86	7	1,473	1,566	1,216	485	1,142	2,842	15,292	21,077	33	52,559	18	52,577	9
	2014	2,249	5,682	7,931	0	96	7	1,467	1,570	1,288	490	1,261	3,039	15,501	20,297	35	27,713	25	27,738	6

Reference: All sites*

	FY	General power	Motive power	Power total	City gas	LP gas	Kerosene	Residual oil	Fuels total	Gasoline	Diesel	Auto gas	Vehicle fuels total	CO_2 total	Copier paper	Water	Industrial wastes	Specially managed industrial wastes	Wastes total	PRTR
Unit		Thousand kWh			Thousand m³		KL		Thousand m³/KL	KL				t-CO_2	Thousand sheets (A4 equivalent)	Thousand m³	t			t
Performance	2016	–	–	365,722	18,418	221	279	1,993	20,911	2,365	709	1,085	4,159	956,000	26,922	108,467	49,334	21	49,355	56
	2015	–	–	215,122	44,430	158	299	7,104	51,991	2,120	681	1,142	3,943	954,000	24,085	106,834	57,748	23	57,772	67

Conversion values (emissions coefficients for individual power companies in the case of power) for each fiscal year based on the Act on the Rational Use of Energy are used as CO_2 conversion factors.
*We collect and present data from all business sites, including Group member companies, for reference above.

Reports on compliance with the Act on the Rational Use of Energy (CO_2 emissions reductions)

Table 2. Specified shipper

(Applies to annual shipments of 30 million t-km or more through subcontracted shipping using trucks, ships, etc.)

FY	2013	2014	2015	2016
Shipments in ton-kilometers (thousand t-km)	773,254	794,162	415,717	542,801
CO_2 emissions (t-CO_2)	36,173	36,598	21,457	26,949
Intensity (vs. shipment volume)	0.0173	0.0170	0.0191	0.0184

Table 3. Specified business operator

(Applies to operators whose electricity or fuel consumption equals 1,500 kl or more per year when converted to petroleum at each company or business site)

FY	2013	2014	2015	2016
Energy use (KL converted to petroleum equivalent)	3,022	2,599	2,704	2,536
CO_2 emissions (t-CO_2)	7,321	6,475	6,658	6,051
Intensity (vs. sales volume)	0.2085	0.1968	-	-

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

Comprehensive support for eco-driving initiatives in the supply chain

As a specified shipper under the amended Act on the Rational Use of Energy, we're moving forward with efforts to reduce CO_2 emissions generated by the shipping of the products we offer. With the cooperation of Isuzu Motors Sales Ltd., and Itochu Corporation, we offer eco-driving courses taught by experts for representatives, dispatchers, and drivers from the companies to which the Group subcontracts shipping. Based on safe driving practices intended to eliminate accidents during shipping, these courses support thorough eco-driving efforts, including eliminating vehicle idling and conserving fuel, as part of continual environmental improvement activities throughout the entire supply chain, including CO_2 emissions reductions.

FY2016 environmental improvement plan performance and assessment

Based on the Itochu Enex Group's Environmental Policy, we've formulated an environmental improvement plan addressing eight themes grouped under three focal areas, intended to clarify the environmental activities undertaken throughout the Group. Targets and performance for FY2016 are shown below. (The targets were achieved for 10 of 21 items.)

Area	Theme	Environmental target		Unit	Planned	Actual	Results of activities
Helping to Achieve a Low-Carbon Society	Advanced use	Expanded sales of Enefarm fuel cells		Units	50	10	Sales training conducted three times. Units sold have not increased significantly due to a focus on sales of power and other devices.
	Business	Sales of storage cell systems (Enepowebo S)		Units	200	34	Unable to focus on sales due to the lack of a subsidy program
		Promoting development of renewable energy		Acquired Chiyoda Kogen Solar Power Co., Ltd. Efforts now underway to develop other renewable energy businesses.			
		Promoting the generation of renewable energy		MWh	73,992	73,373	Results somewhat short of the target due to weather conditions in 3Q. 115% vs. previous year.
		Sales of AdBlue		KL	41,246	40,007	Penetration of selective catalytic reduction (SCR): 60%. 114% vs. previous year.
		Growing sales of solar power systems		Units	500	430	Sales for industrial use contracted and units decreased.
		Sales/promotion of electric vehicles (Leaf)		Units	400	732	January-March: 401 units
		Smart Life campaign	Sales of EcoJozu	Units	14,658	13,815	Sales declined due to focus on sales of electric power. Plans call for continuing to set targets in FY2017.
			Sales of glass top stoves	Units	18,231	15,069	
		Promoting initiatives for slop and recycled oil		KL	15,256	3,063	Reflects failure to achieve target for collection of sludge from ships, low demand for recycled oil, and delays in progress of the waste cooking oil business. 213% vs. previous year.
		Promoting fly-ash initiatives		t	1,800	1,108	Failed to reach target due to low sales to Fe Lime, despite recovery in the second half, particularly February and March.
		Deployment of community development businesses		Began supporting the electric power business of Tottori Shimin Power. Transactions continue while we seek to build positive relationships. This will help create jobs in Tottori. Currently, we're seeking other local governments to negotiate with on transactions to help grow our business (employment), similar to efforts in Tottori.			
	Social contributions	Planning and implementation of social-contribution activities		Enjoy the Power of Words: 350 participants in Kanazawa on December 17, and 282 participants in Tokyo on January 28. Participated in Aqua Cup swimming class for those with disabilities on March 20. Support funds for recovery from the Great East Japan Earthquake: 1,231,000 yen on March 31.			
Reducing Our Environmental Impact	Eco-offices	Eco-office activities	Reductions in general power use	Thousand kWh	2,189	2,189	Achieved as planned.
			Reductions in site fuel use (city gas, LPG, kerosene)	Thousand m³·KL	92	95	3% over target
			Reductions in vehicle fuel use (gasoline, diesel, auto gas)	KL	2,862	2,889	1% over target
			Reductions in copier-paper use (sheets purchased, converted to A4 equivalent)	Thousand sheets	20,866	20,443	Achieved as planned.
	Transportation	Eco-driving training for subcontractor trucking companies and Group companies		Eco-driving courses for subcontractor shipping companies nationwide completed after five years. Now planning FY2017 courses with partner companies to improve shipping efficiency and energy conservation as a specified shipper in response to requests from trainees for program continuation.			
Preservation of Local Environments	Laws and regulations	Preventing facility accidents and legal and regulatory violations		Urgent responses to results of facility inspections conducted this period. Others budgeted for and implemented in FY2017.			
	Safety	Strengthening autonomous safety management systems		1. Safety audits of all AS facilities and terminal sites (semiannual for terminals) and internal audits of SOLAS and customs storage facilities completed as planned. Status of safety awareness and initiatives improved over previous year. Terminal Department: PDCA cycle Topics for FY2017: Revisions in AS autonomous safety standards and work manuals, formulation of terminal autonomous safety standards 2. Completed formulation and application of autonomous safety standards at Enex LNG Sales Co., Ltd.; completed development of joint audit structure with KKE (compliance with Influenza Countermeasures Act) 3. Efforts made to share information on legal amendments and other matters through monthly environmental and safety bulletins.			
		Preventing accidents through consistent and advanced security management system based on autonomous safety standards		Enex safety audits			47 sites
				Cross-safety audits			47 sites
				Autonomous safety audits			112 sites, in total, 206 completed nationwide

[With society] **Nurturing the next generation**

Joining with our communities to empower the children of the future

The Itadakimasu Support Manifesto for Kids dietary education program involves teaching children the proper use of chopsticks and the meaning of the Japanese phrases used before and after meals and conveying to children the importance of food and the gratitude for food. We've been expanding this program, launched in fiscal 2010, by drawing on the sponsorship of companies that manufacture children's apparel and food products. In fiscal 2016, we visited kindergartens in five locations nationwide to offer dietary education programs to 271 children.

As a group that supplies LP gas, which can cause fires in the home, in fiscal 2013, the Itochu Enex Group began offering its unique Honoo no Chikara Support Manifesto for Kids educational program that involves instilling in children an attitude of reverence and awe when it comes to fire. To this end, we help children develop basic knowledge about fire and teach them about the properties of fire and flames in terms of their warmth, brightness, and the threats they pose, drawing on a fun approach incorporating activities like kamishibai illustrated storytelling performances and board games. During FY2016, a total of 33 children took part in this program.

During FY2017, we plan to hold a course in the Ultimate Frisbee, the sport we sponsor. Since players referee themselves in Ultimate, it's said to be a sport that fosters fair sportsmanship and self-control. In addition to these benefits, the sport helps improve health and physical fitness while improving their communication abilities in an enjoyable activity open to anyone.

We also provide support for sound childrearing through various other opportunities, including Enex Family Day (a day on which employees' children join their parents for a day on the job). We also encourage exchanges in which Group member companies interact with children in their communities.

Nurturing the next generation is an important activity for Itochu Enex

President Okada gives his business card to children on Enex Family Day

Upper left/middle: The Itadakimasu Support Manifesto for Kids dietary education program explains how to use chopsticks and conveys the connections between living creatures and eating, respect for food, and other concepts through a kamishibai illustrated story. Upper/lower right: Group companies in Hokkaido participated for the first time in an event in which children experience work and consumption activities as residents of Mini-Sapporo, an imaginary city. Lower left/middle: The third Enex Family Day at the head office in Toranomon. Children joined their parents at work, toured the office, heard explanations of the work performed, and made paper flying discs for use in Ultimate Frisbee sponsored by Itochu Enex.

[With society] **Post-earthquake reconstruction and support for affected areas**

Supporting our communities in the face of sudden natural phenomena

Soon after the Great East Japan Earthquake struck the Tohoku region, the Itochu Enex Group began providing support to aid recovery and reconstruction in the afflicted area through volunteer initiatives and monetary donations. Intended to bring inspiration to the lives of children living in disaster-affected areas in the Tohoku region, the "Enjoy the Power of Words" event began in FY2013 and involves reading picture books together with local residents. After holding the event in Tokyo in 2015, it was held at two sites—Kanazawa, Ishikawa Prefecture, and Chuo Ward, Tokyo—in FY2016. This heart-warming event is intended to make sure that people's experiences of the disaster will not be forgotten and includes activities to raise donations.

Kokura Enterprise Logistics Services Co., Ltd., a Group member company that handles the sales and delivery of small volumes of fuel in the Fukuoka area, responded to a road subsidence accident that occurred in front of Hakata Station in Fukuoka Prefecture in November 2016. It supplied fuel to the restoration construction site, drawing on the mobility enabled by its small tanker trucks, and helped secure lifeline services to the affected area.

In addition, on July 5, 2017, the torrential downpours that struck northern Kyushu, primarily in Fukuoka and Oita prefectures, caused considerable damage to service stations (CSs) operated by Group distributors. One was Saito Petroleum in Hakimachi, Asakura, Fukuoka Prefecture. Mudslides and trees slipping down from the mountainside forced it to close. Beyond this, construction vehicles were unable to access the site. In cooperation with Group member companies, our Northern Kyushu Branch sent three to five staff members there every day to support recovery efforts. Thanks to these efforts and the support of the local community, the CS was able to resume operations on the afternoon of July 14—a task that had been expected to take one or two months. Using these efforts as a model for responding to disasters, we will strive to implement swift responses in the future.

Itochu Enex Group employees' donations to disaster victims

Donations to aid victims of the Kumamoto earthquakes (as of June 30, 2016)

Total amount: 3,563,109 yen
Donated to: Japan Platform

Donations to aid recovery from the Great East Japan Earthquake (as of July 25, 2016)

Total amount: 1,170,000 yen
Donated to: Iwate no Manabi Kibo Kikin scholarship fund: 351,000 yen
Miyagi Kodomo Ikuei scholarship funds raised for child victims of the Great East Japan Earthquake: 702,000 yen
Fukushima Kodomo Kifukin donations to child victims of the Great East Japan Earthquake: 117,000 yen

Donations were collected during the period: April 2015 – June 2016 (We continue collecting donations from employees.)

Upper left/middle/right: In the fifth "Enjoy the Power of Words" event held in Oji Hall, Motoyo Yamane (recitation), Masako Shindo (recitation, emcee), former NHK announcer Sadatomo Matsudaira, and others took the stage to read the final chapter of Shuhei Fujisawa's Semishigure. It also featured activities to raise donations to support affected areas. Lower left: Employees of Kokura Enterprise Logistics Services rushed to supply fuel to vehicles involved in recovery work after the road subsidence accident in front of Hakata Station. Lower center/right: Cleaning up mud from the driveway of a CS damaged by torrential downpours in Kyushu five days after the mudslide using four-ton and two-ton trucks.

[With society] Contributing to communities

Adding a new sport to our continuing ideas and activities

We're also broadening social contributions in the area of athletics to boost the physical and mental health of people in our communities. One of these efforts involves supporting the Super Formula racing activities of Team Impul, a distinguished motor sport team coached by Kazuyoshi Hoshino, under a primary sponsorship agreement. We've also supported the Japan national team in the Ultimate Frisbee event in the 2017 World Games held in Wrocław, Poland July 2017, and we're cosponsoring three Ultimate tournaments scheduled to be held in Japan during FY2017. These and other efforts are intended to encourage people in the community to become more active through thrilling engagement with athletic competition. Group member company Enex Fleet Co., Ltd., is a cosponsor of Osaka Evessa, its local basketball team. In these and other ways, the entire Group strives to promote sports and raise employees' awareness of health issues.

A key pillar of the Itochu Enex Group's initiatives to benefit society is our efforts to create a more inclusive world for those with disabilities. Our initiatives in this area include contributing Yumeken, a nonprofit whose purpose since 2003 has been to provide swimming instruction to people with disabilities and thereby facilitate dialogue and community interaction. We also support the ideals of the Artbility project, which helps people with disabilities earn an income by promoting and discovering works of art created by them. We support its efforts through Tokyo Colony, the social welfare corporation that operates the project.

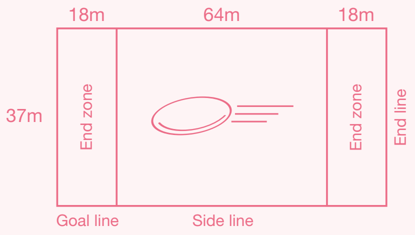
We've participated in the Walk the World charity event organized by the United Nations World Food Program since 2007. Companies of the Itochu Enex Group also take part in voluntary cleanup and other efforts that help maintain the beauty of the community in the various regions of Japan where they do business.

The three Ultimate Frisbee tournaments in Japan cosponsored by Itochu Enex

- 28th All Japan University Ultimate Championships (August 26 – September 30, 2017)
- Ultimate Club Team Champions League (October 28 – 29, 2017)
- 27th All Japan University Ultimate Rookie Championships (February 23 – 25, 2018)

See the Japan Flying Disc Association website for more information on Ultimate Frisbee: http://www.jfda.or.jp/

Ultimate Frisbee



This is a competitive sport that uses flying discs (frisbees). Two teams of seven members each try to move the disc down the field by passing it back and forth among the teammates without dropping it. A team scores when a member catches the disc in the end zone. The sport is self-refereed by the players themselves, with no official referees, an aspect that helps instill the spirit of self-control and ethics.

Upper left: Named for its uniqueness and challenge as a competitive sport and the fact that it's based on self-refereeing, Ultimate attracts significant interest now. It's even adopted as part of middle-school physical education programs. Upper middle: Team Impul races under the Enex logo in the Super Formula race series. Upper right: Group employees and their families participate in Walk the World 2017. Lower middle: Itochu Enex's original 2017 calendar features selected works by artists with disabilities. Lower right: Company employees participate as volunteers in the Seventh Yumeken Cup organized by the nonprofit Yumeken.

[With society] Energy lifelines

Protecting energy sources even in emergencies

An important social mission of the Itochu Enex Group is ensuring the safe and reliable supply of energy at critical junctures. Functioning as community energy hubs, our CS shops act as key sites for ensuring access to energy lifelines when disaster strikes, aligned with community disaster response measures set forth by the Japanese government. This involves adding disaster response capabilities to enhance existing CS facilities and building a network of disaster response stations. We are also making progress in developing emergency restoration stations to ensure the availability of basic functions at lower cost.

Inspired by our experiences following the Great East Japan Earthquake, our Kizuna Net Centers are equipped with solar power generation systems and their own onsite power generators, making them energy self-sufficient and enabling them to handle energy distribution in the event of a disaster. In normal times, the centers supply kerosene, diesel oil, and residual oil on a retail basis to medical institutions, eldercare facilities, sites where recovery work is underway, and other end users. In the event of an emergency, the centers supply priority institutions, evacuation centers, and similar facilities as requested by local municipalities based on agreements previously concluded. In addition, we've been building systems to ensure the availability of a stable fuel supply in times of crisis. These efforts have expanded and upgraded our bulk fuel systems equipped for disaster response to ensure enough LP gas to maintain a broad range of functions, including meal preparations, hot water, and power, at evacuation centers. They've also improved our fuel stations with disaster-response functions, which are designated by the Japanese government as core filling stations for oil and gas.

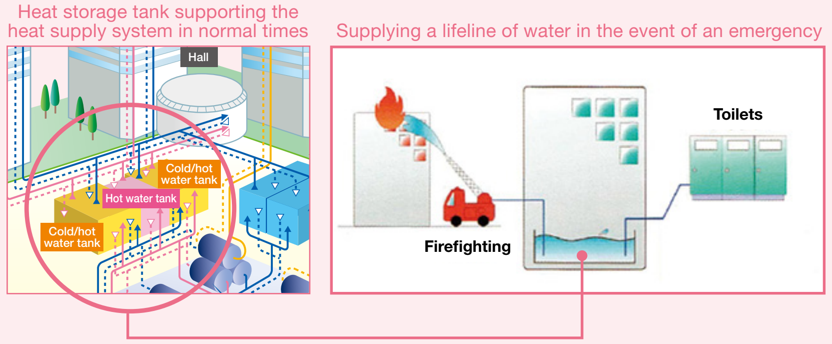
The heat storage tanks in four of the districts served by the district heat supply business of Tokyo Toshi Service Co., Ltd., serve as community tanks that supply water for firefighting and other uses (miscellaneous water not intended for drinking) in the event of an emergency. The total capacity of the tanks in these four districts is 41,160 m³, enough to last for some 135,000 people around 10 days.

Total capacity of tanks in four districts

Approx. **135,000** people **10** days

Supplying water for firefighting and miscellaneous uses in the event of an emergency

Overview of community tank use



TTS community tanks in four districts

- **Harumi Island district:** 19,060 m³ (approx. 63,000 people/10 days)
- **Arakawa district:** 8,560 m³ (approx. 28,000 people/10 days)
- **Honkomagome 2-chome district:** 3,140 m³ (approx. 10,000 people/10 days)
- **Osaki 1-chome district:** 10,400 m³ (approx. 34,000 people/10 days)

Note: One person uses about 30 liters per day.

Upper: The large-capacity heat storage tanks at some heat supply plants operated by TTS are used as community tanks in emergencies. Lower left: A disaster response station at a Group CS. Lower middle: With energy sufficient for three days in the form of bulk fuel systems when the call to mobilize goes out, Group business sites will serve as temporary evacuation centers. Lower right: Kizuna Net Centers are found in two locations: Rifu, Miyagi Prefecture (operated by Enex Fleet Co., Ltd.) and Fukaya, Saitama Prefecture (operated by Enex Petroleum Sales Higashi-Nihon Co., Ltd.).

Creating the future of Itochu Enex by developing human resources and providing them with motivation

Itochu Enex's enduring philosophy on human resource development

Since our founding in 1961, we at Itochu Enex have held the firm conviction that our people represent the Company's greatest asset. Accordingly, we see developing employee potential as a top priority managerial challenge. Even amid the rapidly changing environment of this day and age and the society in which we live and work, we plan to maintain and strengthen this basic emphasis on human resources, which we regard as a fundamental philosophy underpinning the Itochu Enex Group's growth strategy.

Mission equals role for each individual

The notion of mission lies at the heart of Itochu Enex's personnel system. The building blocks of all missions are all work-related roles. By providing each employee with set roles, we hope to develop a workforce in which each and every employee acts to timely assess circumstances in the internal and external business environments and takes the initiative, addressing risk fearlessly and tackling challenges autonomously.

Innovation through diversity

Workforce diversity is a potential wellspring of innovation that will drive renewed growth amid an uncertain age, marked by pronounced changes and facing a future that remains all too difficult to predict. Itochu Enex is seeking to develop a thriving corporate culture that draws on a diverse workforce of individuals, each offering differing proficiencies and personalities, and individuals spanning the breadth of society: men and women, young adults and experienced professionals, and those with academic backgrounds in both the humanities and sciences. Of the 27 new graduates who joined the Company in April 2017, 10 were women, a new record for Itochu Enex.

Trends in new graduates hired

	Entered April 2015	Entered April 2016	Entered April 2017	Entering April 2018 (planned)
Female	8	9	10	8
Total	25	27	27	25

Support for job satisfaction and career advancement

We provide support to each Itochu Enex Group employee through extensive programs designed to make fulfilling and help employees steadily advance toward career goals.

Programs in response to employees' motivations

Career development program	See the table below.
Program for returning to work	For selected employees who previously left the Company to accompany family members on job transfers but still want to work, we provide reemployment opportunities that tap into the knowledge and experience gathered during their time with the Company.
Senior employment	Pursuant to the amended Act on Stabilization of Employment of Elderly Persons, this program gives Group employees who reach the mandatory retirement age of 60 the opportunity to continue working until 65.

Developing business leaders for the Itochu Enex of tomorrow

In 2014, we established the Enex Academy to help employees develop the knowledge and skills required for new business leaders. With an eye on the Itochu Enex Group as a whole, Enex Academy trains human resources characterized by curiosity, wide-ranging knowledge, a spirit that seeks out challenges, and sensitivity to risks, as well as the coordinating ability to deploy these skills.

Responding to employee aspirations to learn and grow

We provide a broad range of support to inspire employees to continue on a path of learning and growth.

Examination subsidies	The Company will provide the funding necessary to prepare for examinations to earn the following qualifications, whether the employee ultimately passes or fails: **Professional qualifications** Certified tax accountant, SME management consultant, etc. **Skills-based qualifications** Labor and social security attorney, level 1 of the official business skill test in retail sales, etc.
One-time payments	Paid when employees earn official licenses specified by the Company

Ensuring a deep respect for human rights through compliance training

In all our activities, we seek to proceed based on thorough respect for the rights of individuals as set forth in the Relationship with Employees section of our Declaration of the Group Code of Conduct. The compliance training provided during training for new employees and training by employment rank seeks to heighten awareness of human rights issues. We also offer CSR and compliance programs for employees and distribute Compliance Handbooks. The goal is to establish a corporate culture that takes advantage of individual diversity and to continue our efforts to raise awareness and prevent discrimination.

Career development program (figures for fiscal 2016)

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

[With society] Work-life balance

Changing how we work to create an environment in which people can demonstrate their abilities with a sense of vitality

Promoting Enex Early Bird reforms in ways of working

In November 2016, we adopted the Enex Early Bird reforms in ways of working. We're advancing with efforts along three main axes: preventing overwork, promoting health, and improving the quality of work. We're committed to becoming an even better company, a company where employees find their work rewarding and people can speak of with pride to their family and others in the community. To realize this framework, we're shifting to ways of working whereby employees can demonstrate high performance in fewer units of time. We're also implementing initiatives to allow our diverse and wide-ranging human resource corps to make the most of their abilities while promoting employee health and individual lifestyles and fostering new work modes and diverse values.

ENEX EARLY BIRD

Ways of working to enable employees to demonstrate high performance in fewer units of time

Shifting to morning-based work, stressing health, improving work quality

1. Shifting from late-night overtime to morning-based work
2. Ending meals with customers and colleagues by 10:00 pm
3. Targeting taking at least 80% of paid vacation time
4. Targeting at least 80% of employees with body-mass indices of less than 25
5. Targeting at least 80% of employees being nonsmokers
6. Improving the quality of communication by two levels
7. Improving the quality of meetings by two levels
8. Improving the quality of documents and materials by two levels

Employees enjoy their first experience with Ultimate Frisbee.

Employees work up a sweat in the training room.

Promoting health management throughout the organization

To underscore the importance of health, a key pillar in a new way of working, we've adopted health improvement programs for individual employees and explained ways to improve life habits, practical measures to support disease prevention, and measures to reduce stress.

◎Support for athletic activities among employees
◎Corporate contract with Rizap
◎Adopting smoking cessation app and subsidies for outpatient smoking cessation programs
◎Distributing kits to test for a genetic predisposition to obesity
◎Adopting casual dress days

A satellite office with a kids' space

We participated in a conference led by Xymax Corporation on the joint use of kids' spaces. We will explore new ways of working for employees who have children through participation in a joint-use experiment as part of our Enex Early Bird reforms. Our goal is to achieve a better company environment.

Supporting employee health through Ultimate Frisbee activities

Ultimate Frisbee is an exciting competitive sport that conveys not just the fun of athletics and the importance of teamwork, but the spirit of self-control and ethics. (All competition is refereeing by the players themselves.) Based on our commitment to promoting health management, our sponsorship of Ultimate Frisbee and support for athletic activities is intended to encourage employees to learn about and experience Ultimate Frisbee.

Tsukishimaso supports new employees' ways of working

Since FY2015, new employees working in Tokyo have lived in the Tsukishimaso Company dormitory, a facility that provides numerous communal features. The dormitory offers a full range of opportunities for recreation and refreshment, including a party space, a theater, and a training room.

Named one of the top companies in health management in 2017

We were chosen to the 2017 "White 500," a list of large companies with outstanding health management, by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi. This program assesses and certifies companies that have implemented outstanding activities in cooperation with insurers from the perspectives of corporate philosophy, organizational structure, systems and measures, evaluation and improvement, and compliance and risk management.

2017 健康経営優良法人 Health and productivity ホワイト500

Signatory to the Tokyo Work Style Reform Statement

We've been recognized as a signatory to the Tokyo Work Style Reform Statement by the Work Style Reform Promotion Project being advanced by the Tokyo Metropolitan Government to motivate employers in the city to reform ways of working and of taking time off.

Healthy work-life balance for all employees

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

Leave and support programs for pregnancy, childbirth, and childcare above and beyond legal requirements

Special pregnancy leave	10 days
Childbirth lump-sum grant	300,000 yen for first child, 500,000 yen for each subsequent child
Reduced working hours	Until the child reaches the third grade of elementary school
Staggered working hours	Rules on Childcare Leave clearly stipulate that parents may work staggered working hours when caring for young children.

A full range of leave programs

Paid vacation time	20 days for every employee * Employees can also carry over up to 20 days from the previous year. * Employees absent for extended periods due to illness may use any paid vacation time waived over the past two years.
Special leave	Job transfer; marriage; death of a relative; maternity; spouse childbirth; natural disaster and other unavoidable reasons; leave for occupational illness or injury; taking a preschool child to the hospital, for a vaccination, or for a health checkup; caring for a family member who requires nursing care; jury duty; pregnancy leave.
Refreshment leave	Years of service determine the number of days provided.

Supporting volunteer activities

We've established various programs to encourage the spirit of volunteerism among employees and engagement in these activities as individuals capable of contributing to society and earning its trust.

◎Maximum amount paid per employee: 50,000 yen
◎Activities covered: nonprofit social contribution activities for the public benefit

Protecting on-duty employees from disasters

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

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

Based on our formulation and implementation of an Action Plan pursuant to the Act on Advancement of Measures to Support Raising Next-Generation Children, we've been granted certification as a general business operator meeting the corresponding standards. The Action Plan itself is geared to creating working conditions that help employees balance professional and personal obligations and put each employee in the best possible position to succeed.

Employee physical and mental health management

Established by Itochu Enex to address matters of occupational health, our Health Support Section is staffed by two health nurses who work to fulfill the health management needs of our employees. In light of the society-wide issue of growing numbers of employees who require extended care for health issues caused by excessive stress, our mental health strategy for employees is based on proactive prevention and support for those returning to work. In December 2015, under Japan's Revised Industrial Safety and Health Act, we established a stress check system that ensures employees undergo stress checks and in-person guidance. Through these comprehensive stress checks, Itochu Enex does its utmost to mitigate the risk of mental health disorders across the entire workforce.

Maintaining sound labor-management relations through dialogue

Itochu Enex operates through a union shop system* under which we build healthy labor-management relations based on collective agreements. Beyond this, we seek to maintain amicable labor-management relationships. We hold labor-management council meetings on a regular basis with the 427 workers (323 men and 104 women, as of the end of June 2017) enrolled in the employees' union to enable discussions that foster sound labor-management relations.

* A union shop system is an arrangement whereby employees are required to become members of the labor union (with the exception of those workers defined in Article 2 of Japan's Labor Union Act).

Dedicated consulting staff available to serve employees

We provide dedicated consulting staff for our employees both within and outside the Company. Employees can choose to seek personal consultations by telephone, email, written letter, or other such means, in cases where they may find themselves unable to seek consultation with a manager, supervisor, or the Corporate Administration Division due to the nature of their concerns, like sexual harassment, power harassment, or other such work- or employment-related issues. In addition to providing consultations and support for harassment and mental health concerns, we've also set up new contact points dedicated to handling consultations on issues facing employees of the Itochu Enex Group in their lives, such as difficulties involving inheritance and conflicts with neighbors.

Moving forward with the times: **from oil to multifaceted energy, from quantity to quality**

Number of service stations nationwide peaks 60,421 A 34-year track record as an energy trading company

1995/3 Japanese GAAP
35th results (non-consolidated)

Net sales	329.8 billion yen
Operating income	6.1 billion yen
Ordinary income	6.7 billion yen
Net income	3.1 billion yen
Total assets	167.3 billion yen
Annual dividends per share	9.00 yen
Net income per share	30.76 yen

Sales volumes of major products

Gasoline	1,470,000 kl
Kerosene	950,000 kl
Diesel	2,100,000 kl
Residual oil	1,520,000 kl
Asphalt	190,000 kt
LP gas	860,000 kt

Other data

Number of employees	1,125
Number of Group service stations	1,735

First year of medium-term vision "Create 2008" Start of transition to a multifaceted energy company

2005/3 Japanese GAAP
45th results (consolidated)

Net sales	635.2 billion yen
Operating income	6.8 billion yen
Ordinary income	8.7 billion yen
Net income	-4.1 billion yen*
Total assets	230.3 billion yen
Annual dividends per share	12.00 yen
Net income per share	-46.56 yen

Sales volumes of major products

Gasoline	2,829,000 kl
Kerosene	1,706,000 kl
Diesel	2,449,000 kl
Residual oil	1,705,000 kl
Asphalt	275,000 kt
LP gas	1,010,000 kt

Other data

Number of employees	4,280
Number of Group CSs	approx. 2,200

* During FY2004, 9.3 billion yen corresponding to loss on sale of stock in the former consolidated subsidiary Tokai Corporation was recorded as extraordinary losses through transfer from provision for loss on business withdrawal.

Year for achieving targets of medium-term business plan "Moving 2016 – Sowing seeds for tomorrow"

2017/3 IFRS
57th results (consolidated)

Total trading transactions	1,028.9 billion yen
Profit from operating activities	19.7 billion yen
Gross Profit	93.6 billion yen
Net profit attributable to Itochu Enex's shareholders	10.4 billion yen
Total assets	344.6 billion yen
Annual dividends per share	32.00 yen
Basic earnings per share	92.09 yen

Sales volumes of major products

Gasoline	3,587,000 kl
Kerosene	1,448,000 kl
Diesel	3,271,000 kl
Residual oil	2,642,000 kl
Asphalt	354,000 kt
LP gas	597,000 kt
Electricity	3,190GWh
Steam	624,000 kt
Heat	1,258TJ

Other data

Number of employees	5,958
Number of Group CSs	approx. 1,900

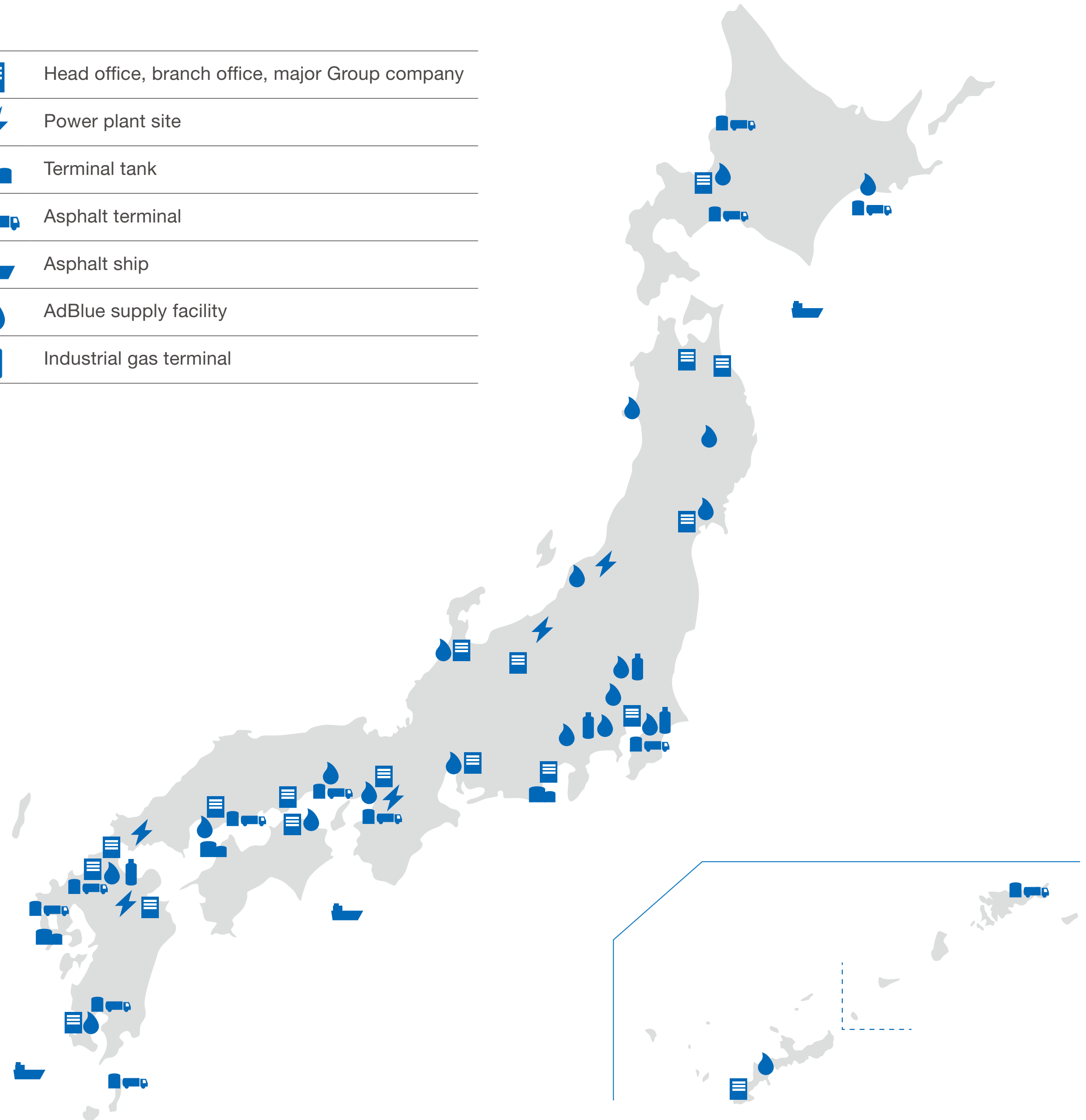
Advancing farther into the future, encouraged by the success of stable groundwork that matches the times

Jan.	1961	The Company is founded with capital of ¥60 million when Itochu Sekiyu K.K., a subsidiary of Itochu Corporation, is split up (originally founded in Jan. 1949 as Nishinihon Beiyu K.K., Itochu Sekiyu K.K. changed its name in Apr. 1951). Its business domain is selling products produced at a new refinery built at Mizushima by Itochu Corporation in alliance with longstanding business partner Nippon Mining Co., Ltd. (This marks Itochu's entry into the petroleum sector.)
May	1965	Company acquires stock in Oita Kyuseki Hanbai Co., Ltd. (now consolidated subsidiary KYUSHU ENERGY CO., LTD.).
Mar.	1970	Company acquires stock in Unoshima Sansuiso K.K. (now consolidated subsidiary ITOCHU INDUSTRIAL GAS CO., LTD.).
Apr.	1971	Capital increased to ¥1 billion.
Apr.	1977	To change the par value of its stock, the Company merges with Itochu Fuel Corporation, headquartered at 2-36 Tsurigane-cho, Higashi-ku, Osaka.
Feb.	1978	The Company is listed on the 2nd sections of the Osaka Securities Exchange and the Tokyo Stock Exchange.
Sep.	1979	The Company is promoted to the 1st section of the Osaka Securities Exchange and Tokyo Stock Exchange.
Jun.	1983	Company moves its head office from Osaka to Tokyo.
Mar.	1995	Company establishes Kyushu Chunen Co., Ltd. (now consolidated subsidiary Enex Petroleum Sales Nishi-Nihon Co., Ltd.).
Feb.	1996	Head office moves to 24-12 Meguro 1-chome, Meguro-ku, Tokyo.
Oct.	1997	Company acquires stock in Tokai Corporation, which is in the process of being reorganized.
Dec.	1997	Company acquires stock in Seibu Petroleum Corporation.
Apr.	1998	Company's CicoMart arm spun off to form CicoMart Co., Ltd.
Oct.	2000	Court declares Tokai Corporation's bankruptcy reorganization proceedings complete.
Mar.	2001	The Company takes over gas supply service operations in Nakatsu City, Oita Prefecture.
Jul.	2001	Company changes its name from Itochu Fuel Corporation to **Itochu Enex Co., Ltd.;** consolidated subsidiaries are renamed at the same time.
Nov.	2001	The Company sells off shares in CicoMart Co., Ltd.
Apr.	2004	The Company scraps its existing branch-office system in favor of a system of organization around business divisions.
May	2005	Takigawa Enex Co., Ltd. (now the Itochu Enex Home-Life Nishi-Nihon Co., Ltd.) commences operation after assuming business operations from Takigawa Industries Co., Ltd.
Sep.	2005	The Company sells off shares in Tokai Corporation.
Oct.	2005	Kokura Enterprise Energy Co., Ltd., assumes business operations belonging to Kokura Enterprise Co., Ltd., and commences operations.
Oct.	2005	**The Itochu Enex Group adopts the Enex Mark, a single unified logo.**
Apr.	2007	Itochu Enex Home-Life Kyushu merges with Idex Gas K.K.; renamed Ecore Co., Ltd.
Sep.	2008	Itochu Enex Co., Ltd., acquires Kohnan Corporation's oil sales business and stock in Kohnan Fleet Corporation (now consolidated subsidiary ENEX FLEET CO., LTD.).
Sep.	2008	Head office relocated to 4-1 Shibaura 3-chome, Minato-ku, Tokyo.
Apr.	2009	The Company transfers the LPG lorry wholesales business to JAPAN GAS ENERGY CORPORATION. Company acquires shares in JAPAN GAS ENERGY CORPORATION (now an equity-method affiliate).
Jul.	2010	The Company submits notice of commencement of operations as power producer and supplier (PPS).
Oct.	2010	**The Company launches its electric power retailing business.**
Jan.	2011	The Company celebrates the 50th anniversary of its founding.
Mar.	2011	Company acquires shares in JEN Holdings Co., Ltd. (now a consolidated subsidiary), to venture into the electricity and steam supply business for factories.
Apr.	2011	Kohnan Fleet Co., Ltd., renamed Enex Fleet Co., Ltd.
May	2012	Company acquires shares in Tokyo Toshi Service Company (now a consolidated subsidiary).
Oct.	2012	JEN Holdings, Co., Ltd (now a consolidated subsidiary) acquires all shares in CEF Konbumori Wind Farm Co., Ltd., (now JEN Konbumori Wind Farm Co., Ltd.).
Apr.	2013	New Power & Utility Division established.
Sep.	2013	The Company closes its central training facility (training function reestablished in January 2014 at Enex Academy, part of the Company's new head office).
Dec.	2013	JEN Holdings, Co., Ltd. (now a consolidated subsidiary), acquires all shares in Tainai Wind Farm Co., Ltd., (now JEN Tainai Wind Farm Co., Ltd.).
Jan.	2014	Head office moves to 2-10-1 Toranomon, Minato-ku, Tokyo.
May	2014	Company acquires stock in Osaka Car Life Group Co., Ltd. (now a consolidated subsidiary), to venture into the car dealership business.
		The Company announces the "Moving 2014 Group Business Plan"
Feb.	2015	The company and Oji Green Resources Co., Ltd., a subsidiary of Oji Holdings Corporation, form OJI-ITOCHU ENEX POWER RETAILING CO., LTD.
Mar.	2015	Company acquires shares in NISSHO PETROLEUM GAS CORPORATION.
May	2015	**Company announces medium-term business plan ("Moving 2016 – Sowing seeds for tomorrow").**
Oct.	2015	Company establishes PT. ITC ENEX INDONESIA.
Apr.	2016	JEN Holdings Co., Ltd., renamed Enex Electric Power Co., Ltd.
Jul.	2016	Enex Life Service Co., Ltd. (now a subsidiary), established.
Jan.	2017	Company acquires stock in Maiora Asset Management Co., Ltd. (now subsidiary Enex Asset Management Co., Ltd.)
Apr.	2017	**Achievement of targets of the medium-term business plan "Moving 2016 – Sowing seeds for tomorrow" announced; net profit attributable to Itochu Enex's shareholders exceeds 10 billion yen for the first time**
May	2017	**Medium-term business plan "Moving 2018—Connecting to the future" announced**

NETWORK

Itochu Enex Group: Business sites and major Group companies and facilities

- Head office, branch office, major Group company
- Power plant site
- Terminal tank
- Asphalt terminal
- Asphalt ship
- AdBlue supply facility
- Industrial gas terminal




Joetsu Energy Service Co., Ltd.


JEN Tainai Wind Farm Co., Ltd.


Amagasaki Energy Service Co., Ltd.


Hofu Energy Service Co., Ltd.


Kusu Wind Farm Co., Ltd., solar power plant

Head office

Toranomon, Minato-ku, Tokyo

Branches

Hokkaido Branch

Tohoku Branch
Kita-Tohoku Sales Section

Tohoku Branch
Minami-Tohoku Sales Section

Higashi-Nihon Branch
Syutoken Sales Section

Higashi-Nihon Branch
Kita-Kanto Sales Section

Shizuoka Branch

Shinetsu Branch

Chubu Branch
Tokai Sales Section

Hokuriku Branch

Kansai Branch
Kansai Sales Section

Chugoku Branch
Nishi-Chugoku Sales Section

Chugoku Branch
Higashi-Chugoku Sales Section

Shikoku Branch

Hokubu-Kyushu Branch
Kita-kyushu Sales Section

Hokubu-Kyushu Branch
Naka-kyushu Sales Section

Minami-Kyushu Branch
Minami-Kyushu Sales Section

Okinawa Branch

Major Group companies (Power & Gas Business Group)

Home-Life Division

Itochu Enex Home-Life Hokkaido Co., Ltd.
Itochu Enex Home-Life Tohoku Co., Ltd.
Itochu Enex Home-Life Kanto Co., Ltd.
Itochu Enex Home-Life Chubu Co., Ltd.
Itochu Enex Home-Life Kansai Co., Ltd.
Itochu Enex Home-Life Nishi-Nihon Co., Ltd.
Ecore Co., Ltd.
Itochu Industrial Gas Co., Ltd.
PT. ITC Enex Indonesia
(On October 1st, the new company ENEARC Co., Ltd. will be established and the LPG business in the Kanto, Chubu, and Kansai regions will be integrated to the new company.)

Power & Utility Division

Enex Electric Power Co., Ltd.
Tokyo Toshi Service Co., Ltd.
OJI-ITOCHU ENEX POWER RETAILING CO., LTD.
Enex Life Service Co., Ltd.

Major Group companies (Energy Innovation & Logistics Business Group)

Life Energy & Logistics Division

Kokura Enterprise Energy Co., Ltd.
Enex Fleet Co., Ltd.
Enexauto Co., Ltd.
Tohoku Tanku Shoukai Co., Ltd.
Enex Petroleum Sales Higashi-Nihon Co., Ltd.
Enex Petroleum Sales Nishi-Nihon Co., Ltd.
Kyushu Energy Co., Ltd.
Nissan Osaka Sales Co., Ltd.
(Osaka Car Life Group Co., Ltd.)

Power plant sites

Hofu Energy Service Co., Ltd.
Output: 81,100kW

Joetsu Energy Service Co., Ltd.
Output: 39,000kW

Amagasaki Energy Service Co., Ltd.
Output: 4,000kW

JEN Kusu Wind Farm Co., Ltd.
Output: Solar power 1,000kW

JEN Tainai Wind Farm Co., Ltd.
Output: 20,000kW

Tank terminals

Oigawa Terminal
Tanks: 10
Tank uses: petroleum products (3 tanks), chemicals (7 tanks)
Tank capacity: 15,000 KL

Etajima Terminal
Tanks: 8
Tank uses: petroleum products (3 tanks), caustic soda (5 tanks)
Tank capacity: 136,000 KL

Nagasaki Terminal
Tanks: 6
Tank uses: petroleum products
Tank capacity: 4,800 KL

Asphalt terminals

Rumoi Asphalt Terminal
Tank capacity: 3,500 tons

Kushiro Asphalt Terminal
Tank capacity: 2,700 tons

Tomakomai Asphalt Terminal
Tank capacity: 3,800 tons

Sodegaura Asphalt Terminal
Tank capacity: 10,000 tons

Osaka Asphalt Terminal
Tank capacity: 5,000 tons

Himeji Asphalt Terminal
Tank capacity: 3,400 tons

Mihara Asphalt Terminal
Tank capacity: 5,000 tons

Fukuoka Asphalt Terminal
Tank capacity: 3,600 tons

Sasebo Asphalt Terminal
Tank capacity: 3,000 tons

Kajiki Asphalt Terminal
Tank capacity: 2,600 tons

Tanegashima Asphalt Terminal
Tank capacity: 600 tons

Amami-Oshima Asphalt Terminal
Tank capacity: 600 tons

Asphalt ships

Black Dragon	(Capacity: 2,000 tons)
Great Crane	(Capacity: 1,000 tons)
Angel Blue	(Capacity: 1,350 tons)

Industrial gas refilling facilities

Itochu Industrial Gas Co., Ltd., Kanagawa Branch

Tank uses: Industrial oxygen	20 tons
Carbonic acid gas	15 tons
Nitrogen (dual layer)	10 tons
Argon (dual layer)	10 tons
Elnacks	8 tons
Medicinal oxygen (dual layer)	15 tons
Medicinal nitrogen (dual layer)	5 tons

Itochu Industrial Gas Co., Ltd., Kita-Kanto Branch

Tank uses: Oxygen	15 tons
Carbonic acid gas	10 tons
Nitrogen	10 tons
Argon	10 tons

Itochu Industrial Gas Co., Ltd., Chiba Branch

Nitrogen	10 tons

Itochu Industrial Gas Co., Ltd., Nippo Office

Tank uses: Oxygen	10 tons
Nitrogen	5 tons
Argon	5 tons


Oigawa Terminal


Etajima Terminal


Nagasaki Terminal


Asphalt terminal


Asphalt ship

Consolidated Financial Statements

1. Consolidated Statement of Financial Position

(Millions of yen)

	Notes	As of March 31, 2016	As of March 31, 2017
ASSETS			
Current assets			
Cash and cash equivalents	7, 40	20,824	22,727
Trade receivables	8, 40	71,968	94,759
Other current financial assets	9	16,529	29,709
Inventories	10	25,160	27,155
Trade advances paid		1,781	1,900
Other current assets		1,603	1,877
Total current assets		137,865	178,127
Non-current assets			
Investments accounted for by the equity method	11	8,786	11,749
Other investments	9, 40	8,029	7,461
Non-current financial assets other than investments	9	9,895	10,803
Property, plant and equipment	12, 15, 38, 40	88,311	87,588
Investment property	13	13,262	11,986
Goodwill	14	588	533
Intangible assets	14, 15	24,329	23,638
Deferred tax assets	16	11,622	11,359
Other non-current assets		1,366	1,359
Total non-current assets		166,188	166,476
Total assets	5	304,053	344,603

(Millions of yen)

	Notes	As of March 31, 2016	As of March 31, 2017
LIABILITIES AND EQUITY			
Current liabilities			
Short-term bonds and borrowings	17, 40	5,299	9,318
Trade payables	18, 40	80,745	101,902
Other current financial liabilities	19	5,229	8,719
Income taxes payable		3,351	5,258
Advances from customers		6,637	6,460
Other current liabilities	20, 21	10,736	12,094
Total current liabilities		111,997	143,751
Non-current liabilities			
Non-current bonds and borrowings	17, 40	32,366	31,702
Other non-current financial liabilities	19	24,384	24,501
Non-current liabilities for employee benefits	22	10,127	9,761
Deferred tax liabilities	16	2,103	1,961
Provisions	21	5,396	5,052
Other non-current liabilities		518	398
Total non-current liabilities		74,894	73,375
Total liabilities		186,891	217,126
Equity			
Common stock	23	19,878	19,878
Capital surplus	23	18,740	18,740
Retained earnings	23	66,024	73,300
Other components of equity	24	(2,364)	(1,655)
Treasury stock	23	(1,752)	(1,752)
Total shareholders' equity		100,526	108,511
Non-controlling interests	37	16,636	18,966
Total equity		117,162	127,477
Total liabilities and equity		304,053	344,603

* See accompanying notes to consolidated financial statements.

2. Consolidated Statement of Comprehensive Income

(Millions of yen)

	Notes	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Revenue	27	723,645	695,060
Cost of sales		(634,083)	(601,456)
Gross profit		89,562	93,604
Other expense			
Selling, general and administrative expenses	28	(73,226)	(74,697)
Loss from tangible assets, intangible assets and goodwill	29, 30	(593)	(982)
Other – net	31	641	1,753
Total other expense		(73,178)	(73,926)
Profit from operating activities		16,384	19,678
Financial income and costs	32		
Interest income		54	89
Dividends received		242	246
Interest expense		(1,004)	(966)
Other financial income and costs – net		0	(203)
Total financial income and costs		(708)	(834)
Share of profit (loss) of investments accounted for by the equity method	11	(672)	500
Profit before tax		15,004	19,344
Income tax expense	16	(6,040)	(6,599)
Net profit		8,964	12,745
Net profit attributable to Itochu Enex's shareholders		7,469	10,405
Net profit attributable to non-controlling interests		1,495	2,340

(Millions of yen)

	Notes	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Other comprehensive income (loss), net of tax effect			
Items that will not be reclassified to profit or loss			
FVTOCI financial assets		(384)	78
Remeasurement of net defined benefit liability		(714)	206
Other comprehensive income of investments accounted for by the equity method	11	2	0
Items that may be reclassified to profit or loss			
Exchange differences on translating foreign operations		(14)	(37)
Cash flow hedges		107	111
Other comprehensive income of investments accounted for by the equity method	11	(1,034)	224
Total other comprehensive income (loss), net of tax effect	24	(2,037)	582
Comprehensive income		6,927	13,327
Comprehensive income attributable to Itochu Enex's shareholders		5,697	10,866
Comprehensive income attributable to non-controlling interests		1,230	2,461

(Yen)

Earnings per share attributable to Itochu Enex's shareholders			
Basic	33	66.10	92.09
Diluted	33	–	–

(Millions of yen)

Total trading transactions		1,071,629	1,028,939

(Note) Total trading transactions are presented in accordance with the Japanese accounting practices and represent the total amounts of transactions that the Company and its subsidiaries conducted as a party in contracts and for which they acted as an agent. This item is not audited and voluntarily disclosed by the Company for investors' convenience, and is not required to be disclosed under International Financial Reporting Standards ("IFRSs").

* See accompanying notes to consolidated financial statements.

3. Consolidated Statement of Changes in Equity

(Millions of yen)

	Notes	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Equity			
Common stock	23		
Balance at the beginning of the year		19,878	19,878
Balance at the end of the year		19,878	19,878
Capital surplus	23		
Balance at the beginning of the year		18,743	18,740
Acquisition of subsidiary shares from non-controlling interests		(3)	–
Balance at the end of the year		18,740	18,740
Retained earnings	23		
Balance at the beginning of the year		62,223	66,024
Net profit attributable to Itochu Enex's shareholders		7,469	10,405
Transfer from other components of equity		(1,069)	(248)
Cash dividends paid to Itochu Enex's shareholders	25	(2,599)	(2,881)
Balance at the end of the year		66,024	73,300
Other components of equity	24		
Balance at the beginning of the year		(1,661)	(2,364)
Other comprehensive income attributable to Itochu Enex's shareholders		(1,772)	461
Transfer to retained earnings		1,069	248
Balance at the end of the year		(2,364)	(1,655)
Treasury stock	23		
Balance at the beginning of the year		(1,751)	(1,752)
Purchase and disposal of treasury stock		(1)	(0)
Balance at the end of the year		(1,752)	(1,752)
Total shareholders' equity		100,526	108,511
Non-controlling interests	37		
Balance at the beginning of the year		15,515	16,636
Net profit attributable to non-controlling interests		1,495	2,340
Other comprehensive income attributable to non-controlling interests		(265)	120
Cash dividends paid to non-controlling interests		(110)	(345)
Changes due to additional acquisitions and sales of interests in subsidiaries		–	215
Balance at the end of the year		16,636	18,966
Total equity		117,162	127,477

* See accompanying notes to consolidated financial statements.

4. Consolidated Statement of Cash Flows

(Millions of yen)

	Notes	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities			
Profit before tax		15,004	19,344
Depreciation and amortization		12,608	10,856
Loss from tangible assets, intangible assets and goodwill		593	982
Financial income and costs		708	834
Share of loss (profit) of investments accounted for by the equity method		672	(500)
Decrease (increase) in trade receivables		24,438	(22,938)
Decrease (increase) in inventories		2,659	(1,337)
Increase (decrease) in trade payables		(23,999)	21,158
Other – net		1,842	(4,629)
Interest and dividends received		434	510
Interest expense		(906)	(927)
Income taxes paid		(3,731)	(5,522)
Net cash flows provided by operating activities		30,322	17,831
Cash flows from investing activities			
Purchase of investments accounted for by the equity method		(14)	(2,649)
Proceeds from sales of investments accounted for by the equity method		12	–
Purchase of investments		(5,147)	(30)
Proceeds from sales of investments		4,490	1,472
Acquisition of subsidiaries, net of cash acquired	34	(1,690)	(645)
Sales of subsidiaries, net of cash held by subsidiaries	34	–	3,001
Payment for loans receivable		(191)	(1,661)
Collection of loans receivable		350	1,710
Payments for purchase of property, plant and equipment and investment property		(10,609)	(8,436)
Proceeds from sales of property, plant and equipment and investment property		1,942	2,810
Purchase of intangible assets		(1,689)	(1,622)
Proceeds from sales of intangible assets		70	169
Increase in deposits paid – net		(4,000)	(9,000)
Other – net		(197)	169
Net cash flows used in investing activities		(16,673)	(14,712)
Cash flows from financing activities			
Proceeds from bonds and borrowings		8,315	7,500
Repayments of bonds and borrowings		(9,472)	(3,858)
Net decrease in short-term borrowings		(5,192)	(1,743)
Proceeds from share issuance from non-controlling interests		–	132
Cash dividends paid to Itochu Enex's shareholders	25	(2,599)	(2,881)
Cash dividends paid to non-controlling interests	37	(110)	(345)
Other – net		(1)	(0)
Net cash flows used in financing activities		(9,059)	(1,195)
Net increase in cash and cash equivalents		4,590	1,924
Cash and cash equivalents at the beginning of the year	7	16,184	20,824
Effect of exchange rate changes on cash and cash equivalents		(27)	(21)
Increase in cash and cash equivalents resulting from merger		77	–
Cash and cash equivalents at the end of the year	7	20,824	22,727

* See accompanying notes to consolidated financial statements.

1. Reporting Entity

Itochu Enex Co., Ltd. (the "Company") is an entity located in Japan. The addresses of the Company's registered head office and principal offices are available on its website (URL: http://www.itcenex.com). The Company's consolidated financial statements, the closing date of which is March 31, 2017, comprise the accounts of the Company and its subsidiaries (the "Group") and the Group's equity interests in associates and joint ventures. The Group's principal activities are sales of petroleum products and liquefied petroleum gas ("LPG") and the provision of related services in Japan and overseas as well as supply of electricity and heat in Japan.

2. Basis of Consolidated Financial Statements

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

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

These consolidated financial statements were approved at the Board of Directors' meeting of the Company held on June 20, 2017.

(2) Basis of Measurement

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

(3) Functional Currency and Presentation Currency

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

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

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

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

The following major IFRSs or interpretations that were newly established or amended were issued by the date of approval of the consolidated financial statements. However, these IFRSs or interpretations are not necessarily required to be adopted on or before the fiscal year ended March 31, 2017, and the Group has not early adopted them.

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

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

3. Significant Accounting Policies

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

(1) Basis of Consolidation

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

A. Subsidiaries

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

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

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

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

B. Associates and Joint Ventures

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

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

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

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

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

C. Transactions Eliminated in Consolidation

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

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

(2) Business Combinations

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

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

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

(3) Foreign Currency Translation

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

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

(4) Financial Instruments

A. Financial Assets Other Than Derivatives

(i) Initial Recognition and Measurement

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

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

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

For financial assets measured at fair value, investments in equity instruments, such as ordinary shares in other entities, except for equity instruments held for the purpose of obtaining 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 Measured at Amortized Cost

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

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

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

D. Financial Liabilities Other Than Derivatives

(i) Initial Recognition and Measurement

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

Financial liabilities other than derivatives are classified as financial liabilities measured at amortized cost. Financial liabilities measured at amortized cost are initially measured at fair value with the transaction costs that are directly attributable to the issue of 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 highly effective at the inception of the hedge and after the application of the hedge.

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

(5) Inventories

Inventories held for purposes other than trading are measured at the lower of cost or net realizable value, and the costs are determined mainly using the 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 11 years

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

(7) Goodwill and Intangible Assets

A. Goodwill

Goodwill arising from 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:

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

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

(8) Leases

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

A. Leases as Lessee

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

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

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

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

B. Leases as Lessor

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

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

(9) Investment Property

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

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

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

(10) Impairment of Non-financial Assets

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

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

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

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

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

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

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

(11) Non-current Assets Held for Sale

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

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

(12) Employee Benefits

A. Defined Benefit Retirement Plans

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

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

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

B. Defined Contribution Retirement Plans

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

C. Multi-employer Plans

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

D. Short-term Employee Benefits

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

(13) Provisions

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

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

(14) Equity

A. Common Stock and Capital Surplus

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

B. Treasury Stock

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

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

(15) Revenue

A. Sale of Goods

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

B. Rendering of Services

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

C. Gross Presentation and Net Presentation of Revenue

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

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

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

(16) Government Grants

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

(17) Financial Income and Costs

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

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

(18) Income Taxes

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

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

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

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

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

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

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

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

(19) Earnings per Share

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

4. Use of Estimates and Judgments

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

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

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

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

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

- Impairment of Non-financial Assets

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

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

- Estimates of Income Taxes

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

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

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

- Measurement of Defined Benefit Obligations in Defined Benefit Retirement Plans

Defined benefit obligations are computed 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 22 "Employee Benefits".

• Measurement of Provisions

The Group records asset retirement obligations as a provision in the consolidated statement of financial position. The amount recorded is the present value calculated by discounting the best estimate of 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 occurrence of unpredictable events or changes in the situations. If the actual amount of payment differs from the estimate, or if there is any significant change in the discount rate for discounting the estimated expenditure due to changes in economic conditions and other factors, the amount recognized in subsequent fiscal years may be affected significantly.

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

5. Segment Information

(1) Outline of Reportable Segments

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

The Group is organized into four divisions (reportable segments). Each 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 divisions, namely the “Home-Life Division,” “Power & Utility Division,” “Car-Life Division,” and “Energy Innovation Division.”

The Home-Life Division is engaged in the sale of LPG, town gas (Nakatsu City, Oita Prefecture), high-pressure gas, electricity, kerosene, equipment (kitchen equipment, air conditioning, other household equipment, etc.), smart energy equipment (solar power generation systems and ENEFARM residential fuel cells) and ENE-POWABO SX residential lithium-ion electricity storage systems, remodeling, and a gas container pressure resistance inspection business.

The Power & Utility Division is engaged in the sale of electricity (coal-fired thermal power, natural gas thermal power, wind, hydropower, photovoltaic power, etc.) and steam, the supply of district heating services, electricity supply/demand management services and thermal storage contract-based services.

The Car-Life Division is engaged in the sale of gasoline, kerosene, diesel oil, fuel oil, automotive lubricants, automobiles and automobile products, motor-vehicle inspections, auto maintenance and the supply of rental cars.

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

During the fiscal year ended March 31, 2017, the Company has changed the name of “Energy Trade Division” to “Energy Innovation Division.”

Segment information during the previous fiscal year ended March 31, 2016 has been represented by the name after the change.

*Though the original Japanese has been changed, the English translation remains unchanged.

(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, 2016

(Millions of yen)

	Reportable segment								
	Home-Life	Power & Utility	Car-Life	Energy Innovation	Total	Other	Total	Adjustment	Consoli-dated
Revenue									
Revenue from external customers	91,035	42,463	493,160	96,987	723,645	0	723,645	–	723,645
Intersegment revenue	586	302	3,093	851	4,832	–	4,832	(4,832)	–
Total revenue	91,621	42,765	496,253	97,838	728,477	0	728,477	(4,832)	723,645
Gross profit	26,221	7,435	47,362	8,544	89,562	0	89,562	–	89,562
Selling, general and administrative expenses	(23,158)	(2,985)	(42,895)	(4,721)	(73,759)	(0)	(73,759)	533	(73,226)
Loss from tangible assets, intangible assets and goodwill	39	(24)	(612)	(30)	(627)	–	(627)	34	(593)
Other profit (loss)	265	13	339	(19)	598	1	599	42	641
Profit from operating activities	3,367	4,439	4,194	3,774	15,774	1	15,775	609	16,384
Financial income and costs	20	(267)	(427)	(74)	(748)	0	(748)	40	(708)
Share of profit (loss) of investments accounted for by the equity method	(756)	41	(17)	60	(672)	–	(672)	–	(672)
Profit before tax	2,631	4,213	3,750	3,760	14,354	1	14,355	649	15,004
Net profit attributable to Itochu Enex’s shareholders	788	2,240	2,014	2,514	7,556	1	7,557	(88)	7,469
Other items									
Depreciation and amortization	(4,232)	(3,867)	(3,371)	(679)	(12,149)	–	(12,149)	(459)	(12,608)
Impairment loss	(5)	–	(682)	–	(687)	–	(687)	–	(687)
Total assets	60,404	55,144	116,484	50,284	282,316	–	282,316	21,737	304,053
Investments accounted for by the equity method	5,821	2,370	99	496	8,786	–	8,786	0	8,786
Capital expenditures	4,545	4,638	2,573	352	12,108	–	12,108	191	12,299
Total trading transactions	95,126	43,495	534,156	398,852	1,071,629	0	1,071,629	–	1,071,629

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

The adjustment of negative ¥88 million to net profit attributable to Itochu Enex’s shareholders represents corporate profit not allocated to reportable segments.

The adjustment of ¥21,737 million to total assets represents corporate assets not allocated to reportable segments.

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

For the fiscal year ended March 31, 2017

(Millions of yen)

	Reportable segment								
	Home-Life	Power & Utility	Car-Life	Energy Innovation	Total	Other	Total	Adjustment	Consoli-dated
Revenue									
Revenue from external customers	86,484	62,827	469,634	76,115	695,060	–	695,060	–	695,060
Intersegment revenue	344	715	1,498	834	3,391	–	3,391	(3,391)	–
Total revenue	86,828	63,542	471,132	76,949	698,451	–	698,451	(3,391)	695,060
Gross profit	27,446	9,259	48,200	8,699	93,604	–	93,604	–	93,604
Selling, general and administrative expenses	(23,385)	(3,424)	(43,244)	(4,751)	(74,804)	–	(74,804)	107	(74,697)
Loss from tangible assets, intangible assets and goodwill	526	(253)	(1,235)	(19)	(981)	–	(981)	(1)	(982)
Other profit (loss)	244	1,058	448	(5)	1,745	–	1,745	8	1,753
Profit from operating activities	4,831	6,640	4,169	3,924	19,564	–	19,564	114	19,678
Financial income and costs	67	(307)	(306)	(200)	(746)	–	(746)	(88)	(834)
Share of profit (loss) of investments accounted for by the equity method	441	0	(5)	64	500	–	500	–	500
Profit before tax	5,339	6,333	3,858	3,788	19,318	–	19,318	26	19,344
Net profit attributable to Itochu Enex's shareholders	2,823	3,407	1,576	2,644	10,450	–	10,450	(45)	10,405
Other items									
Depreciation and amortization	(3,475)	(3,264)	(3,131)	(686)	(10,556)	–	(10,556)	(300)	(10,856)
Impairment loss	(40)	–	(952)	–	(992)	–	(992)	–	(992)
Total assets	65,033	70,700	123,265	55,586	314,584	–	314,584	30,019	344,603
Investments accounted for by the equity method	7,682	3,530	92	445	11,749	–	11,749	–	11,749
Capital expenditures	3,683	2,990	1,718	609	9,000	–	9,000	1,058	10,058
Total trading transactions	90,768	65,654	511,156	361,361	1,028,939	–	1,028,939	–	1,028,939

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

The adjustment of negative ¥45 million to net profit attributable to Itochu Enex's shareholders represents corporate profit not allocated to reportable segments.

The adjustment of ¥30,019 million to total assets represents corporate assets not allocated to reportable segments.

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

(3) Products and Services Information

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

(4) Geographic Information

This information is omitted because revenue from external customers in Japan accounts for a large percentage of the revenue recorded in the consolidated statement of comprehensive income for the fiscal years ended March 31, 2016 and 2017.

(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, 2016 and 2017.

6. Business Combinations

For the fiscal year ended March 31, 2016

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

For the fiscal year ended March 31, 2017

There were no significant business combinations during the fiscal year ended March 31, 2017.

7. Cash and Cash Equivalents

Cash and cash equivalents as of March 31, 2016 and 2017 were composed of cash and deposits.

8. Trade Receivables

The components of trade receivables are shown below:

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Trade receivables		
Trade receivables	67,161	89,929
Trade notes receivable	5,143	5,312
Allowance for credit losses	(336)	(482)
Total	71,968	94,759

9. Securities and Other Financial Assets

The components of other current financial assets are shown below:

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Other current financial assets		
Securities (Note)	1,000	–
Short-term loans receivable	1,376	1,283
Other accounts receivable	9,771	14,903
Derivative assets	75	80
Deposits paid in the parent company	4,000	–
Deposits paid	–	13,000
Other	307	443
Total	16,529	29,709

(Note) The component of securities is shown below:

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Securities		
FVTPL financial assets	1,000	–
Total	1,000	–

The component of other investments is shown below:

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Other investments		
FVTPL financial assets	–	269
FVTOCI financial assets	8,029	7,192
Total	8,029	7,461

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

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Non-current financial assets other than investments		
Non-current loans receivable	382	425
Non-current lease receivables	1,653	2,545
Guarantee deposits	6,359	6,342
Other	2,111	1,984
Allowance for credit losses	(610)	(493)
Total	9,895	10,803

10. Inventories

The components of inventories are shown below:

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Merchandise and finished goods	25,090	27,078
Raw materials	70	77
Total	25,160	27,155

For the fiscal year ended March 31, 2017, the amount of inventories expensed as cost of sales was ¥580,591 million, compared with ¥598,512 million for the fiscal year ended March 31, 2016.

For the fiscal year ended March 31, 2017, the amount of inventories written down to net realizable value was ¥22 million, compared with ¥102 million for the fiscal year ended March 31, 2016. 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, 2016 and 2017 was ¥4,190 million and ¥1,955 million, respectively. The fair value is measured based on the amount obtained from a pricing service agency that was principally evaluated by the market approach and classified as Level 2.

11. Investments Accounted for by the Equity Method

(1) Major Associates and Joint Ventures

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

As of March 31, 2016 and 2017

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

(2) Investments in Associates and Joint Ventures

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
JAPAN GAS ENERGY CORPORATION	2,355	2,617
Other	6,431	9,132
Total	8,786	11,749

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

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

A. Profit or Loss

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
JAPAN GAS ENERGY CORPORATION	(640)	229
Other	(32)	271
Total	(672)	500

B. Other Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
JAPAN GAS ENERGY CORPORATION	(25)	33
Other	(1,007)	191
Total	(1,032)	224

C. Total Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
JAPAN GAS ENERGY CORPORATION	(665)	262
Other	(1,039)	462
Total	(1,704)	724

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

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

JAPAN GAS ENERGY CORPORATION

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Current assets	37,945	38,857
Non-current assets	4,373	4,166
Current liabilities	30,423	29,814
Non-current liabilities	119	122
Net assets	11,776	13,087
Revenue	147,669	123,465
Net profit (loss)	(3,202)	1,146
Other comprehensive income	(123)	166
Comprehensive income	(3,326)	1,312
Dividends received from associates during the period	–	–

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

JAPAN GAS ENERGY CORPORATION

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Net assets	11,776	13,087
The Group's share of net assets	2,355	2,617
Other adjustments	–	–
Carrying amounts of the Group's equity interest in JAPAN GAS ENERGY CORPORATION	2,355	2,617

12. Property, Plant and Equipment

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

[Acquisition Cost]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of April 1, 2015	18,540	37,541	72,026	1,335	16,150	772	146,364
Acquisition	85	1,162	1,493	–	1,194	3,059	6,993
Reclassification	383	351	1,331	–	216	(2,303)	(22)
Acquisition through business combinations	106	368	43	–	26	2	545
Disposal	(376)	(1,506)	(7,610)	–	(6,698)	(1)	(16,191)
Other	50	1,393	47	–	(6)	(278)	1,206
As of March 31, 2016	18,788	39,309	67,330	1,335	10,882	1,251	138,895
Acquisition	38	891	1,292	–	1,219	7,662	11,102
Reclassification	284	736	1,667	–	410	(3,946)	(849)
Acquisition through business combinations	–	–	–	–	–	–	–
Disposal	(1,394)	(2,263)	(7,299)	–	(513)	(2)	(11,471)
Other	(9)	1,390	1,627	–	693	(592)	3,109
As of March 31, 2017	17,707	40,063	64,617	1,335	12,691	4,373	140,786

[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, 2015	(164)	(13,379)	(32,581)	(250)	(11,154)	–	(57,528)
Depreciation	–	(1,660)	(5,928)	(123)	(2,025)	–	(9,736)
Impairment loss	(71)	(210)	(92)	–	(16)	–	(389)
Reclassification	–	178	–	–	–	–	178
Disposal	4	1,153	7,312	–	6,656	–	15,125
Other	48	187	979	–	552	–	1,766
As of March 31, 2016	(183)	(13,731)	(30,310)	(373)	(5,987)	–	(50,584)
Depreciation	–	(1,825)	(4,942)	(122)	(1,535)	–	(8,424)
Impairment loss	(66)	(404)	(96)	–	(19)	–	(585)
Reclassification	–	766	90	–	–	–	856
Disposal	58	1,422	5,547	–	450	–	7,477
Other	0	(908)	(822)	–	(208)	–	(1,938)
As of March 31, 2017	(191)	(14,680)	(30,533)	(495)	(7,299)	–	(53,198)

[Carrying Amount]

(Millions of yen)

	Land	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Construction in progress	Total
As of March 31, 2016	18,605	25,578	37,020	962	4,895	1,251	88,311
As of March 31, 2017	17,516	25,383	34,084	840	5,392	4,373	87,588

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

(Millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Vessels	Other	Total
As of March 31, 2016	7,324	1,999	114	1,159	10,596
As of March 31, 2017	7,216	1,879	100	1,203	10,398

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 ¥13,660 million and ¥12,809 million as of March 31, 2016 and 2017, respectively.

There were no borrowing costs capitalized in the fiscal years ended March 31, 2016 and 2017.

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

13. Investment Property

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

[Acquisition Cost]

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Balance at the beginning of the year	29,686	27,414
Acquisition	370	135
Expenditure after acquisition	6	142
Reclassification	22	94
Disposal	(2,836)	(2,390)
Other	166	174
Balance at the end of the year	27,414	25,569

[Accumulated Depreciation and Accumulated Impairment Loss]

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Balance at the beginning of the year	(15,317)	(14,152)
Depreciation	(337)	(323)
Impairment loss	(222)	(346)
Reclassification	(178)	(766)
Disposal	2,070	2,170
Other	(168)	(166)
Balance at the end of the year	(14,152)	(13,583)

The rental income from investment property for the fiscal years ended March 31, 2016 and 2017 was ¥3,637 million and ¥3,473 million, respectively, which was included in revenue in the consolidated statement of comprehensive income. The direct operating expenses incurred incidental to rental income were ¥1,668 million and ¥1,521 million, respectively, which were included in cost of sales in the consolidated statement of comprehensive income.

[Carrying Amount and Fair Value]

(Millions of yen)

	Carrying amount	Fair value
As of March 31, 2016	13,262	13,040
As of March 31, 2017	11,986	11,730

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

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

14. Goodwill and Intangible Assets

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

[Acquisition Cost]

(Millions of yen)

	Goodwill	Relationship with customers	Brand and relationship with suppliers	Other	Total
As of April 1, 2015	229	13,189	11,069	4,036	28,523
Acquisition	–	1,061	–	626	1,687
Acquisition through business combinations	469	1,575	–	9	2,053
Disposal	–	(2,450)	–	(682)	(3,132)
Other	51	639	–	(12)	678
As of March 31, 2016	749	14,014	11,069	3,977	29,809
Acquisition	–	510	–	1,245	1,755
Acquisition through business combinations	–	–	–	156	156
Disposal	(187)	(2,023)	–	(1,786)	(3,996)
Other	–	313	–	227	540
As of March 31, 2017	562	12,814	11,069	3,819	28,264

[Accumulated Amortization and Accumulated Impairment Loss]

(Millions of yen)

	Goodwill	Relationship with customers	Brand and relationship with suppliers	Other	Total
As of April 1, 2015	(121)	(2,162)	(231)	(2,427)	(4,941)
Amortization	–	(1,490)	(277)	(768)	(2,535)
Impairment loss	(40)	(30)	–	(6)	(76)
Disposal	–	2,389	–	646	3,035
Other	–	(449)	–	74	(375)
As of March 31, 2016	(161)	(1,742)	(508)	(2,481)	(4,892)
Amortization	–	(1,331)	(277)	(501)	(2,109)
Impairment loss	–	–	–	(6)	(6)
Disposal	132	1,139	–	1,764	3,035
Other	–	(26)	–	(95)	(121)
As of March 31, 2017	(29)	(1,960)	(785)	(1,319)	(4,093)

[Carrying Amount]

(Millions of yen)

	Goodwill	Relationship with customers	Brand and relationship with suppliers	Other	Total
As of March 31, 2016	588	12,272	10,561	1,496	24,917
As of March 31, 2017	533	10,854	10,284	2,500	24,171

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

(Millions of yen)

	Software
As of March 31, 2016	2
As of March 31, 2017	2

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

Of the above intangible assets, significant assets are relationship with customers recognized in the business combination with TOKYO TOSHI SERVICE COMPANY (as of March 31, 2016: ¥3,465 million, and March 31, 2017: ¥3,343 million) and brand and relationship with suppliers recognized in the business combination with Osaka Car Life Group Co., Ltd. (as of March 31, 2016: ¥10,561 million, and March 31, 2017: ¥10,284 million). The remaining amortization periods of these intangible assets as of March 31, 2016 and 2017, are 23 to 38 years and 22 to 37 years, respectively, for relationship with customers, and 38 years and 37 years, respectively, for brand and relationship with suppliers.

There were no intangible assets pledged as collateral as of March 31, 2016 and 2017.

Impairment Test for Goodwill

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

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

The Group uses a pre-tax discount rate reflecting the current market valuation of the time value of money, risks inherent in the asset and other factors as the discount rate (as of March 31, 2016: 5.3%, and March 31, 2017: 4.0%).

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 predicable range.

15. Leases

(1) Lessee

A. Finance Leases

The total future minimum lease payments under finance leases and the present value thereof as of March 31, 2016 and 2017 are shown below:

(Millions of yen)

	Total future minimum lease payments		Present value of total future minimum lease payments	
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2016	As of March 31, 2017
Not later than 1 year	1,856	2,020	1,699	1,829
Later than 1 year and not later than 5 years	4,829	4,949	4,348	4,348
Later than 5 years	5,025	4,993	4,526	4,519
Total	11,710	11,962	10,573	10,696
Less: Accrued financial costs	(1,137)	(1,266)		
Present value of total future minimum lease payments	10,573	10,696		

The total of future minimum sublease payments expected to be received under noncancelable subleases as of March 31, 2016 and 2017 were ¥1,900 million and ¥452 million, respectively.

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

B. Operating Leases

The total future minimum lease payments under noncancelable operating leases as of March 31, 2016 and 2017 are shown below:

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Not later than 1 year	2,229	1,989
Later than 1 year and not later than 5 years	1,591	2,212
Later than 5 years	672	1,436
Total	4,492	5,637

As of March 31, 2016 and 2017, lease payments recognized as expenses under cancelable or noncancelable operating leases were ¥3,829 million and ¥13,237 million, respectively.

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

(2) Lessor

Finance Leases

The total future minimum lease payments receivable under finance leases and the present value thereof as of March 31, 2016 and 2017 are shown below:

(Millions of yen)

	Total future minimum lease payments		Present value of total future minimum lease payments	
	As of March 31, 2016	As of March 31, 2017	As of March 31, 2016	As of March 31, 2017
Not later than 1 year	253	362	247	355
Later than 1 year and not later than 5 years	885	1,240	874	1,226
Later than 5 years	779	1,319	779	1,319
Total	1,917	2,921	1,900	2,900
Less: Unearned financial income	(17)	(21)		
Present value of total future minimum lease payments receivable	1,900	2,900		

16. Deferred Taxes and Income Taxes

(1) Deferred Taxes

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

(Millions of yen)

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

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

(Millions of yen)

	As of March 31, 2016	Amount recognized in profit or loss	Amount recognized in other comprehensive income	Other (Note)	As of March 31, 2017
Deferred tax assets:					
Non-current assets	8,829	(909)	–	–	7,920
Securities	135	37	(33)	–	139
Post-employment benefits	3,189	(77)	(106)	–	3,006
Tax loss carryforwards	138	149	–	–	287
Other	5,107	416	(84)	–	5,439
Total deferred tax assets	17,398	(384)	(223)	–	16,791
Deferred tax liabilities:					
Non-current assets	(7,207)	533	–	(48)	(6,722)
Other	(672)	59	–	(58)	(671)
Total deferred tax liabilities	(7,879)	592	–	(106)	(7,393)

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

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

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Deferred tax assets	11,622	11,359
Deferred tax liabilities	2,103	1,961

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, 2016	As of March 31, 2017
Deductible temporary differences	1,608	2,388
Unused tax loss carryforwards	445	1,094
Total	2,053	3,482

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, 2016	As of March 31, 2017
First year	–	–
Second year	–	–
Third year	96	–
Fourth year	14	0
Fifth year or later	335	1,094
Total	445	1,094

(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, 2016	Fiscal year ended March 31, 2017
Current tax expense	(4,547)	(6,601)
Deferred tax expense		
Recognition and reversal of temporary differences	(1,031)	2
Change in tax rate	(462)	–
Total deferred tax expense	(1,493)	2
Income tax expense	(6,040)	(6,599)

The Company is subject principally to corporate income taxes, inhabitant taxes and business taxes. The effective statutory tax rates based on these taxes were 33.1% for the fiscal year ended March 31, 2016, and 30.9% for the fiscal year ended March 31, 2017. 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, 2016	Fiscal year ended March 31, 2017
Effective statutory tax rate	33.1%	30.9%
Effect of expenses not deductible permanently	2.0	1.4
Reduction of deferred tax assets at the end of the year due to change in tax rates	3.1	–
Other	2.1	1.8
Effective income tax rate after application of tax-effect accounting	40.3	34.1

17. Bonds and Borrowings

The components of bonds and borrowings are shown below:

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017	Average interest rate (%) (Note 1)	Repayment date
Short-term borrowings	3,444	1,667	0.613	–
Current portion of non-current borrowings	1,855	7,651	0.783	–
Non-current borrowings (excluding current portion)	17,415	16,741	1.522	October 2019–October 2037
Bonds payable (excluding current portion) (Note 2)	14,951	14,961	(Note 2)	(Note 2)
Total	37,665	41,020	–	–
Current liabilities	5,299	9,318		
Non-current liabilities	32,366	31,702		
Total	37,665	41,020		

(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, 2016	As of March 31, 2017	Interest rate (%)	Collateral	Maturity date
ITOCHU Enex Co., Ltd.	Series 13 Unsecured Bonds	May 22, 2012	4,987	4,992	0.736	Unsecured	May 22, 2019
ITOCHU Enex Co., Ltd.	Series 14 Unsecured Bonds	May 22, 2012	9,964	9,969	1.202	Unsecured	May 20, 2022
Total	–	–	14,951	14,961	–	–	–

18. Trade Payables

The components of trade payables are shown below:

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Trade payables	75,388	96,655
Notes payable	769	66
Other payables	4,588	5,181
Total	80,745	101,902

19. Other Financial Liabilities

The components of other current financial liabilities are shown below:

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Lease obligations	1,699	1,829
Other payables (Non-operating)	1,065	4,140
Deposits received	2,302	2,669
Derivative liabilities	163	81
Total	5,229	8,719

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

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Long-term lease obligations	8,874	8,867
Guarantee deposits received	14,579	14,858
Derivative liabilities	931	776
Total	24,384	24,501

20. Other Current Liabilities

The components of other current liabilities are shown below:

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Short-term obligations on employee benefits	6,790	7,827
Current provisions (Note)	61	37
Accrued expenses	2,216	2,343
Other	1,669	1,887
Total	10,736	12,094

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

21. Provisions

The components of changes in provisions are shown below:

(Millions of yen)

	Provision for asset retirement obligations	Other	Total
As of April 1, 2015	4,961	13	4,974
Increase during the year	250	5	255
Amount used during the year (utilization)	(189)	(13)	(202)
Increase due to passage of time	66	–	66
Effects through change in discount rate	364	–	364
As of March 31, 2016	5,452	5	5,457
Increase during the year	151	6	157
Amount used during the year (utilization)	(348)	(5)	(353)
Increase due to passage of time	63	–	63
Other	(235)	–	(235)
As of March 31, 2017	5,083	6	5,089

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

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Current liabilities (Note)	61	37
Non-current liabilities	5,396	5,052
Total	5,457	5,089

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

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

22. Employee Benefits

(1) Post-employment Benefits

A. Outline of Post-employment Benefit Plans Adopted

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

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

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

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

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

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

B. Defined Benefit Retirement Plans

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Balance at the beginning of the year	17,891	18,381
Service cost	754	819
Interest expense	137	74
Remeasurement		
Changes in demographic assumptions	370	104
Changes in financial assumptions	648	(257)
Benefits paid	(1,441)	(1,383)
Effect of business combinations and disposals	22	–
Balance at the end of the year	18,381	17,738

(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, 2016	Fiscal year ended March 31, 2017
Balance at the beginning of the year	8,541	8,254
Interest income	72	34
Remeasurement		
Return on plan assets	(40)	165
Contributions by the employer	(160)	(151)
Benefits paid	(159)	(82)
Balance at the end of the year	8,254	8,220

Certain subsidiaries will make contributions of ¥269 million in the fiscal year ending March 31, 2018.

The composition of the Group's plan assets by asset category as of March 31, 2016 and 2017 is shown below:

(Millions of yen)

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

(Millions of yen)

	As of March 31, 2017		
	Level 1 (Active market)	Level 2 (No active market)	Total
Cash and cash equivalents	27	–	27
Stock trusts	–	3,083	3,083
Bond trusts	–	4,003	4,003
General accounts	–	161	161
Separate accounts	–	180	180
Other	–	766	766
Total	27	8,193	8,220

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

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

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

Defined benefit obligations are calculated by discounting the amount of benefits that are deemed to have been incurred to date, over the remaining service period up to the time of payment. Because the timing of payment affects the amounts of defined benefit obligations and service cost, International Accounting 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, 2016, and 13 years in the fiscal year ended March 31, 2017.

The assumption of defined benefit obligations is shown below:

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Discount rate	0.4 – 0.6%	0.5 – 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 discount rate. If the discount rate had changed by 0.25% as of March 31, 2017, the effect on defined benefit obligations would be ¥573 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 ¥715 million and ¥776 million for the fiscal years ended March 31, 2016 and 2017, respectively.

D. Extra Retirement Payments

The Company made extra retirement payments of ¥203 million and ¥512 million for the fiscal years ended March 31, 2016 and 2017, 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, 2016 and 2017 was ¥46,135 million and ¥47,150 million, respectively.

23. Common Stock, Capital Surplus and Retained Earnings

(1) Common Stock

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

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

(Shares)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Number of shares authorized	387,250,000	387,250,000
Number of shares issued		
Balance at the beginning of the year	116,881,106	116,881,106
Increase (decrease) during the year	–	–
Balance at the end of the year	116,881,106	116,881,106
Number of shares of treasury stock		
Balance at the beginning of the year	3,891,149	3,891,809
Increase (decrease) during the year	660	565
Balance at the end of the year	3,891,809	3,892,374

(2) Capital Surplus and Retained Earnings

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

The Companies Act imposes a certain restriction on the amount available for distribution in association with dividends of surplus or acquisition of treasury stock. The amount available for distribution is determined based on retained earnings, among others, in the Company’s separate financial statements calculated in accordance with Japanese Generally Accepted Accounting Principles (“GAAP”). The Company’s amount available for distribution was ¥61,607 million as of March 31, 2017 (however, this amount available for distribution may change due to subsequent acquisition of treasury stock and other factors).

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

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

24. Other Components of Equity and Other Comprehensive Income

(1) Other Components of Equity

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

(Millions of yen)

Classification	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
FVTOCI financial assets		
Balance at the beginning of the year	(1,135)	(898)
Increase (decrease) during the year	(382)	78
Reclassification to retained earnings	619	333
Balance at the end of the year	(898)	(487)
Remeasurement of net defined benefit liability		
Balance at the beginning of the year	–	–
Increase (decrease) during the year	(450)	85
Reclassification to retained earnings	450	(85)
Balance at the end of the year	–	–
Exchange differences on translating foreign operations		
Balance at the beginning of the year	254	219
Increase (decrease) during the year	(35)	17
Balance at the end of the year	219	236
Cash flow hedges		
Balance at the beginning of the year	(780)	(1,685)
Increase (decrease) during the year	(905)	281
Balance at the end of the year	(1,685)	(1,404)
Other components of equity		
Balance at the beginning of the year	(1,661)	(2,364)
Increase (decrease) during the year	(1,772)	461
Reclassification to retained earnings	1,069	248
Balance at the end of the year	(2,364)	(1,655)

(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, 2016			Fiscal year ended March 31, 2017		
	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	(525)	141	(384)	111	(33)	78
Increase (decrease) during the year	(525)	141	(384)	111	(33)	78
Remeasurement of net defined benefit liability						
Amount arising during the year	(1,073)	359	(714)	312	(106)	206
Increase (decrease) during the year	(1,073)	359	(714)	312	(106)	206
Exchange differences on translating foreign operations						
Amount arising during the year	(14)	–	(14)	(37)	–	(37)
Increase (decrease) during the year	(14)	–	(14)	(37)	–	(37)
Cash flow hedges						
Amount arising during the year	80	130	210	16	(5)	11
Reclassification adjustments to profit	(126)	23	(103)	139	(39)	100
Increase (decrease) during the year	(46)	153	107	155	(44)	111
Other comprehensive income of investments accounted for by the equity method						
Amount arising during the year	(1,050)	–	(1,050)	222	–	222
Reclassification adjustments to profit	18	–	18	2	–	2
Increase (decrease) during the year	(1,032)	–	(1,032)	224	–	224
Total other comprehensive income	(2,690)	653	(2,037)	765	(183)	582

25. Dividends

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

Dividends paid for the fiscal years ended March 31, 2016 and 2017 are shown below:

For the fiscal year ended March 31, 2016

(1) Dividends Paid

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

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

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

For the fiscal year ended March 31, 2017

(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 22, 2016	Ordinary shares	1,356	12	March 31, 2016	June 23, 2016
Board of Directors' meeting held on October 31, 2016	Ordinary shares	1,525	13.5	September 30, 2016	December 5, 2016

(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, 2017	Ordinary shares	2,090	Retained earnings	18.5	March 31, 2017	June 22, 2017

26. Financial Instruments

(1) Capital Management

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

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

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

(2) Financial Risk Management Policy

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

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

(3) Credit Risk Management

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

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

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

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

The analysis of the age of financial assets that are past due, but not impaired as of March 31, 2016 and 2017, is as follows. These amounts include amounts considered recoverable by credit insurance and collateral provided.

(Millions of yen)

	Within 30 days	More than 30 days, within 60 days	More than 60 days, within 90 days	More than 90 days	Total
As of March 31, 2016					
Trade receivables	123	–	–	–	123
Non-current receivables	–	–	–	–	–
Total	123	–	–	–	123
As of March 31, 2017					
Trade receivables	91	–	–	2	93
Non-current receivables	–	–	–	–	–
Total	91	–	–	2	93

The Group reviews collectibility of trade receivables depending on the credit conditions of customers and recognizes allowance for credit losses. Changes in the allowance for credit losses for the fiscal years ended March 31, 2016 and 2017 are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Balance at the beginning of the year	1,244	946
Increase during the year	680	471
Decrease during the year (Utilization)	(139)	(83)
Decrease during the year (Reversal)	(774)	(276)
Other increase (decrease)	(65)	(83)
Balance at the end of the year	946	975

In the fiscal years ended March 31, 2016 and 2017, the balance of trade receivables, etc., individually determined to be impaired, in light of the customer's financial conditions, delay state of payments, and other factors, was ¥1,230 million and ¥928 million, respectively, and allowance for credit losses provided against these receivables was ¥696 million and ¥662 million, respectively.

(4) Liquidity Risk Management

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

A. Non-derivative Financial Liabilities

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

As of March 31, 2016

(Millions of yen)

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

As of March 31, 2017

(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	101,902	101,902	101,902	–	–
Short-term bonds and borrowings					
Short-term borrowings	1,667	1,667	1,667	–	–
Current portion of non-current borrowings	7,651	7,651	7,651	–	–
Non-current bonds and borrowings					
Non-current borrowings	16,741	16,884	–	10,068	6,816
Bonds payable	14,961	15,000	–	5,000	10,000
Total	142,922	143,104	111,220	15,068	16,816

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, 2016				
Interest rate derivatives	–	–	931	931
Currency derivatives	63	–	–	63
Commodity derivatives	100	–	–	100
Total	163	–	931	1,094
As of March 31, 2017				
Interest rate derivatives	–	–	776	776
Currency derivatives	25	–	–	25
Commodity derivatives	56	–	–	56
Total	81	–	776	857

(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, 2016 and 2017 is shown below:

		As of March 31, 2016	As of March 31, 2017
Short-term foreign exchange balance	(Millions of yen) [Thousands of U.S. dollars]	20 [176]	8 [75]

(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, 2016	Fiscal year ended March 31, 2017
Profit before tax		
U.S. dollar	0	0

B. Interest Rate Risk Management

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

Interest Rate Sensitivity Analysis

The table below shows the effect on the Group's profit before tax of gains or losses arising from instruments affected by interest rate fluctuations, if the interest rate increases 1% in the fiscal years ended March 31, 2016 and 2017. This analysis is calculated by multiplying the net balance of floating-rate financial instruments held by the Group as of March 31, 2016 and 2017, 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, 2016	Fiscal year ended March 31, 2017
Profit before tax	(33)	(14)

C. Commodity Price Risk Management

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

Commodity Price Sensitivity Analysis

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

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit before tax	98	81

D. Management of Price Risks of Equity Instruments

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

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

Sensitivity Analysis of Equity Instruments to Price Risks

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Other comprehensive income	(696)	(661)

(6) Fair Value of Financial Instruments

A. Method of Fair Value Measurement

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

Cash and cash equivalents

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

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

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

Other current financial assets (securities) and other investments

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

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

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

Other current financial assets (derivatives), other current financial liabilities (derivatives) and other non-current financial liabilities (derivatives)

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

Bonds and borrowings

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

B. Financial Instruments Measured at Amortized Cost

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

(Millions of yen)

	As of March 31, 2016		As of March 31, 2017	
	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)	435	443	501	509
Financial liabilities measured at amortized cost:				
Bonds and borrowings	37,665	39,232	41,020	42,240

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

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

The following shows levels in the fair value hierarchy:

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

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

Level 3— Unobservable inputs for the asset or liability

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

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

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

(Millions of yen)

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

(Millions of yen)

	As of March 31, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Other current financial assets (securities)				
FVTPL financial assets	–	–	–	–
Other investments				
FVTPL financial assets	–	–	269	269
FVTOCI financial assets	6,606	–	586	7,192
Other current financial assets (derivatives)				
Derivatives not designated as hedges	16	64	–	80
Total	6,622	64	855	7,541
Liabilities:				
Other current financial liabilities (derivatives)				
Derivatives not designated as hedges	56	25	–	81
Other non-current financial liabilities (derivatives)				
Derivatives designated as hedges	–	776	–	776
Total	56	801	–	857

There were no transfers between Level 1, Level 2 and Level 3 in the fiscal years ended March 31, 2016 and 2017.

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

(Millions of yen)

	Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
	FVTPL	FVTOCI	FVTPL	FVTOCI
Balance at the beginning of the year	–	1,110	–	1,068
Total gains or losses (realized/unrealized)				
Other comprehensive income	–	1	–	7
Purchase	–	6	–	21
Sale	–	(5)	–	(14)
Redemption/other	–	(44)	269	(496)
Balance at the end of the year	–	1,068	269	586

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

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

(7) FVTOCI Financial Assets

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

A. Fair Value of FVTOCI Financial Instruments

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

As of March 31, 2016

(Millions of yen)

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

As of March 31, 2017

(Millions of yen)

Stock	Amount
SINANEN HOLDINGS CO., LTD.	4,440
MAEDA ROAD CONSTRUCTION Co., Ltd.	1,176
JX Holdings, Inc.	424
KOHNAN SHOJI CO., LTD.	171
HACHI-BAN CO., LTD.	126

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, 2016 and 2017 are shown below:

(Millions of yen)

Fiscal year ended March 31, 2016		Fiscal year ended March 31, 2017	
Fair value at date of sale	Accumulated gains (losses)	Fair value at date of sale	Accumulated gains (losses)
347	(614)	464	(306)

Accumulated gains or losses (net of taxes) in other comprehensive income that were transferred to retained earnings as a result of the above are negative ¥619 million and negative ¥333 million for the fiscal years ended March 31, 2016 and 2017, respectively.

C. Dividends Received

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Investments derecognized during the year	29	12
Investments held at the end of the year	213	234
Total	242	246

(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, 2016 and 2017, 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, 2017, the notional amount balance for interest rate swaps as hedging instruments was ¥10,600 million, and the period when the cash flows are expected to occur and when they are expected to affect profit or loss is 15 years. The average of interest rates hedged with the interest rate swaps is 1.8%.

As of March 31, 2016 and 2017, 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, 2016				
	Notional amount	Carrying amount		Line item in the consolidated statement of financial position	Change in fair value used as the basis for recognition of the ineffective portion
		Derivative assets	Derivative liabilities		
Cash flow hedges					
Interest rate risks					
Interest rate swaps	11,465	–	931	Other non-current financial liabilities	(270)

(Millions of yen)

	As of March 31, 2017				
	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	10,600	–	776	Other non-current financial liabilities	–

As of March 31, 2016 and 2017, 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, 2016	
	Change in fair value used as the basis for recognition of the ineffective portion	Balance recorded as other components of equity
Cash flow hedges		
Interest rate risks		
Borrowing at a floating rate	270	(668)

(Millions of yen)

	As of March 31, 2017	
	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	(155)	(559)

(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, 2016 and 2017 are shown below:

As of March 31, 2016

(Millions of yen)

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

(Millions of yen)

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

As of March 31, 2017

(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	3,284	1,578	1,706	1,192	–	514
Other current financial assets	–	–	–	–	–	–
Total	3,284	1,578	1,706	1,192	–	514

(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	4,555	1,578	2,977	1,192	–	1,785
Total	4,555	1,578	2,977	1,192	–	1,785

27. Revenue

The components of revenue are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Revenue from sales of merchandise	685,066	659,599
Other	38,579	35,461
Total	723,645	695,060

28. Selling, General and Administrative Expenses

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Personnel expense	38,112	39,356
Rent expense	9,300	10,416
Depreciation and amortization	7,017	5,594
Commission fee	6,451	6,860
Traveling expense	1,402	1,389
Taxes and dues	1,561	1,702
Other	9,383	9,380
Total	73,226	74,697

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

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Gain on sales	563	1,175
Loss on sales	(120)	(621)
Loss on disposal	(346)	(544)
Impairment loss	(687)	(992)
Other	(3)	–
Total	(593)	(982)

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

30. Impairment Loss

The components of impairment loss are as follows.

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Property, plant and equipment		
Buildings and structures	210	404
Machinery, equipment and vehicles	92	96
Land	71	66
Other	16	19
Intangible assets		
Goodwill	40	–
Software	–	2
Other	36	4
Investment property	222	346
Other	0	55
Total	687	992

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

In the fiscal years ended March 31, 2016 and 2017, there was no individually significant impairment loss.

Major impairment losses in the fiscal years ended March 31, 2016 and 2017 are on property, plant and equipment belonging to the Car-Life Division. These impairment losses were incurred due to reduction of the carrying amount of the assets to the recoverable amount, as a result of decreased profitability caused by changes in the business environment and other factors.

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

31. Other Profit or Loss

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Commission fee	293	165
Compensation income for expropriation	279	78
Sale of shares	–	1,081
Compensation income received	–	411
Other	697	754
Total income	1,269	2,489
Foreign exchange losses (Note)	(31)	(31)
Other	(597)	(705)
Total expenses	(628)	(736)
Total	641	1,753

(Note) Gain or loss on valuation of foreign currency derivatives is included in foreign exchange losses. In addition to the above, in the fiscal years ended March 31, 2016 and 2017, net gain or loss on valuation of commodity-related derivatives was recognized at ¥100 million and ¥36 million, respectively, in revenue and cost of sales.

32. Financial Income and Costs

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Interest income		
Financial assets measured at amortized cost	33	88
Other	21	1
Subtotal	54	89
Dividends received		
FVTOCI financial assets	242	246
Subtotal	242	246
Interest expense		
Financial liabilities measured at amortized cost	(858)	(917)
Other	(146)	(49)
Subtotal	(1,004)	(966)
Other financial income (costs)		
FVTPL financial assets	0	(203)
Subtotal	0	(203)
Total	(708)	(834)

33. Earnings per Share

Basic earnings per share for the fiscal years ended March 31, 2016 and 2017 were calculated as follows:

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net profit attributable to Itochu Enex's shareholders (Millions of yen)	7,469	10,405
Weighted-average number of ordinary shares outstanding (Thousands of shares)	112,990	112,989
Basic earnings per share attributable to Itochu Enex's shareholders (Yen)	66.10	92.09

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

34. Cash Flow Information

Supplementary information about cash flows is shown below.

(1) Acquisition of subsidiaries

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Components of assets at time of acquisition of control		
Current assets	574	766
Non-current assets	2,038	171
Components of liabilities at time of acquisition of control		
Current liabilities	(204)	(99)
Non-current liabilities	(877)	(444)

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Consideration paid	(2,000)	(705)
Cash and cash equivalents included in assets at time of acquisition of control	310	60
Net payment from acquisition of subsidiaries	(1,690)	(645)

(2) Sales of subsidiaries

The major components of assets and liabilities related to companies that ceased to be subsidiaries following the sale of shares at the time of loss of control and reconciliation between consideration received and net proceeds from the sales are shown below:

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Components of assets at time of loss of control		
Current assets	–	40
Non-current assets	–	2,029
Components of liabilities at time of loss of control		
Current liabilities	–	–
Non-current liabilities	–	(421)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Consideration received	–	3,001
Cash and cash equivalents included in assets at time of sales	–	–
Net proceeds from sales of subsidiaries	–	3,001

(Millions of yen)

35. Non-cash Transactions

Significant Non-cash Transactions

The amount of assets acquired under finance leases is ¥2,648 million and ¥1,897 million for the fiscal years ended March 31, 2016 and 2017, respectively.

36. Related Parties

(1) Compensation for Key Management Personnel

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Short-term compensation	427	363
Total	427	363

(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, 2016

(Millions of yen)

Category	Name	Relationship with related party	Transaction amount	Unsettled balance
Parent	ITOCHU Corporation	Sales of petroleum products	2,659	107
		Cash transactions	4,000	4,000
Associate	JAPAN GAS ENERGY CORPORATION	Purchases of LPG products	17,356	1,337

For the fiscal year ended March 31, 2017

(Millions of yen)

Category	Name	Relationship with related party	Transaction amount	Unsettled balance
Parent	ITOCHU Corporation	Sales of petroleum products	2,435	264
		Sale of land	728	–
		(Gain on sales of land)	560	–
		Cash transactions	4,000	–
Associate	JAPAN GAS ENERGY CORPORATION	Purchases of LPG products	15,206	2,237
Subsidiary of parent	ITOCHU Treasury Corporation	Cash transactions	13,000	13,000

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

37. Parent, Subsidiaries and Associates

The Company's parent is ITOCHU Corporation, which is located in Japan.

The status of major subsidiaries as of March 31, 2017 is shown below:

In the fiscal year ended March 31, 2017, there were no individual subsidiaries with material non-controlling interests.

Company name	Location	Percentage of voting rights owned (%)
Home-Life Division		
ECORE CO., LTD.	Hakata-ku, Fukuoka City, Fukuoka	51.0
ITOCHU ENEX HOME-LIFE KANTO CO., LTD.	Minato-ku, Tokyo	100.0
ITOCHU ENEX HOME-LIFE NISHI-NIHON CO., LTD.	Naka-ku, Hiroshima City, Hiroshima	100.0
Itochu Industrial Gas Co., Ltd.	Minato-ku, Tokyo	100.0
ITOCHU ENEX HOME-LIFE CHUBU CO., LTD.	Naka-ku, Nagoya City, Aichi	100.0
Power & Utility Division		
Oji-Itochu Enex power retailing Co., Ltd.	Minato-ku, Tokyo	60.0
TOKYO TOSHI SERVICE COMPANY	Chuo-ku, Tokyo	66.6
Enex Electric Power Co., Ltd.	Minato-ku, Tokyo	100.0
Itochu Enex Life Service Co., Ltd.	Minato-ku, Tokyo	100.0
Car-Life Division		
ENEX FLEET CO., LTD.	Yodogawa-ku, Osaka City, Osaka	100.0
Osaka Car Life Group Co., Ltd.	Nishi-ku, Osaka City, Osaka	52.0
KYUSHU ENERGY CO., LTD.	Oita City, Oita	75.0
ENEX PETROLEUM SALES HIGASHI-NIHON CO., LTD.	Minato-ku, Tokyo	100.0
ENEX PETROLEUM SALES NISHI-NIHON CO., LTD.	Naka-ku, Hiroshima City, Hiroshima	100.0
Energy Innovation Division		
KOKURA ENTERPRISE ENERGY CO., LTD.	Kokurakita-ku, Kitakyushu City, Fukuoka	100.0
33 other companies		–

38. Commitments

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

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Acquisition of property, plant and equipment	6,439	11,344
Total	6,439	11,344

39. 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, 2016 and 2017 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, 2016	As of March 31, 2017
Guarantees on distributors' payment of gas oil delivery tax		
Total amount of guarantees	37	7
Actual amount of guarantees	3	1
Guarantees for other transactions (Note)		
Total amount of guarantees	132	1,147
Actual amount of guarantees	52	871
Total		
Total amount of guarantees	169	1,154
Actual amount of guarantees	55	872

(Note) Guarantees for other transactions include guarantees on operating transactions and guarantees on the balance of leasing agreements.

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

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

40. Collateral

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

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets pledged as collateral		
Cash and cash equivalents	1,365	–
Trade receivables	36	80
Other investments	11	13
Non-current financial assets other than investments	–	1,206
Property, plant and equipment	13,660	12,809
Total	15,072	14,108
Corresponding debts		
Short-term bonds and borrowings	868	868
Trade payables	179	228
Non-current bonds and borrowings	10,656	9,645
Total	11,703	10,741

In addition to the above, other investments pledged as substitute for brokerage margin payments for commodity futures transactions as of March 31, 2016 and 2017 were ¥1,438 million and ¥1,589 million, respectively.

41. Events after the Reporting Period

(Reorganization and Integration of the LPG Wholesale and Retail Businesses)

On August 3, 2017, the Company and OSAKA GAS CO., LTD. ("Osaka Gas") began an examination in relation to establishing "ENEARC Co., Ltd. (provisional name; "ENEARC")" as a joint company in which each company would own a 50% stake on October 1, 2017, to integrate the wholesale and retail businesses of LPG in each of the Kanto, Chubu and Kansai regions and to commence further reorganization in the future. On the same day, both companies have also agreed that all the shares of the three LPG sales companies owned by Osaka Gas's subsidiary, NISSHO PETROLEUM GAS CORPORATION ("Nissho LP"), will be transferred to the Itochu Enex Group on October 1, 2017.

(1) Background and Objective

The LPG industry finds itself in a tough business environment due to the softening demand brought about by a declining number of households and competition from other energy resources. This situation urgently requires productivity to be improved through the expansion of the business base and the boosting of cost competitiveness. In view of this situation, both companies believe that it is necessary to provide higher quality and strongly competitive products and services, and that the way to provide these is to achieve greater efficiency by sharing each other's strengths and knowhow in a cooperative framework to realize synergy, consolidate business resources, and reorganize business operations.

(2) About the New Company ENEARC

ENEARC will be established as a joint company in which each of Osaka Gas and the Company will own a 50% stake. The objective of its establishment is to strengthen the LPG wholesale and retail businesses in the Kanto, Chubu and Kansai regions. ENEARC will own the shares of both companies' six LPG sales companies operating in the Kanto, Chubu and Kansai regions (three companies under the Company's umbrella: ITOCHU ENEX HOME-LIFE KANTO CO., LTD., ITOCHU ENEX HOME-LIFE CHUBU CO., LTD., and ITOCHU ENEX HOME-LIFE KANSAI CO., LTD.; and three companies under Osaka Gas's umbrella: Osaka Gas LPG Co., Ltd., Nissho Gas Supply Co., Ltd. and Daiya Nensho Co., Ltd., and move toward full integration within twelve months, integrating the sales companies in the same region, one region at a time. In addition, ENEARC will aim to achieve further growth through alliances with new business partners.

(3) Regarding Business Reorganization Outside the Kanto, Chubu and Kansai Regions

On October 1, 2017, the Company will acquire all the owned shares of Nissho LP's subsidiary Nissho Propane Sekiyu Co., Ltd., and the Company's subsidiary ITOCHU ENEX HOME-LIFE NISHI-NIHON CO., LTD. will acquire all the owned shares of Nissho LP's subsidiaries Ehime Nissho Propane Co., Ltd. and Kochi Nissho Propane Corporation.

Looking forward, both companies will provide a higher level of transparency in prices and ensure disaster responses and stable supply of LPG through their broader network. Furthermore, through providing high-quality lifestyle services, both companies aim to increase their presence in the home-life services field.

(4) Regarding Business Reorganization Outside the Kanto, Chubu and Kansai Regions

A. ENEARC Co., Ltd. (provisional name)

Capital	¥1,040 million
Representative	To be determined
Activities	Overarching management of sales companies in the Kanto, Chubu and Kansai regions
Number of employees	To be determined

B. NISSHO PETROLEUM GAS CORPORATION

Capital	¥1,700 million
Representative	Koichi Sawada
Activities	Import and sales of LPG, LNG and petroleum products
Total trading transactions (Japanese GAAP)	¥33.3 billion (fiscal year ended March 31, 2017: consolidated)
Number of employees	7 (as of March 31, 2017: non-consolidated)

C. ITOCHU ENEX HOME-LIFE KANTO CO., LTD.

Capital	¥330 million
Representative	Kaoru Maehara
Activities	Sales of LPG and gas equipment, sales of electricity
Total trading transactions (Japanese GAAP)	¥17.2 billion (fiscal year ended March 31, 2017)
Number of employees	366 (as of March 31, 2017)

D. ITOCHU ENEX HOME-LIFE CHUBU CO., LTD.

Capital	¥80 million
Representative	Shigeru Kondo
Activities	Sales of LPG and gas equipment, sales of electricity
Total trading transactions (Japanese GAAP)	¥6.5 billion (fiscal year ended March 31, 2017)
Number of employees	152 (as of March 31, 2017)

E. ITOCHU ENEX HOME-LIFE KANSAI CO., LTD.

Capital	¥60 million
Representative	Satoshi Terai
Activities	Sales of LPG and gas equipment, sales of electricity
Total trading transactions (Japanese GAAP)	¥5.6 billion (fiscal year ended March 31, 2017)
Number of employees	176 (as of March 31, 2017)

F. ITOCHU ENEX HOME-LIFE NISHI-NIHON CO., LTD.

Capital	¥450 million
Representative	Tsukasa Nakamura
Activities	Sales of LPG and gas equipment, sales of electricity
Total trading transactions (Japanese GAAP)	¥10.7 billion (fiscal year ended March 31, 2017)
Number of employees	327 (as of March 31, 2017)

G. Osaka Gas LPG Co., Ltd.

Capital	¥100 million
Representative	Yasuhiro Tomoda
Activities	Sales of LPG and gas equipment, sales of electricity
Total trading transactions (Japanese GAAP)	¥12.8 billion (fiscal year ended March 31, 2017)
Number of employees	583 (as of March 31, 2017)

H. Nissho Gas Supply Co., Ltd.

Capital	¥80 million
Representative	Tatsunori Nakaniwa
Activities	Sales of LPG and gas equipment, sales of electricity
Total trading transactions (Japanese GAAP)	¥2.7 billion (fiscal year ended March 31, 2017)
Number of employees	89 (as of March 31, 2017)

I. Daiya Nensho Co., Ltd.

Capital	¥170 million
Representative	Hirokazu Ishihara
Activities	Sales of LPG, gas equipment, and petroleum products, and sales of electricity
Total trading transactions (Japanese GAAP)	¥2.9 billion (fiscal year ended March 31, 2017)
Number of employees	105 (as of March 31, 2017)

J. Nissho Propane Sekiyu Co., Ltd.

Capital	¥60 million
Representative	Katsuhisa Magata
Activities	Sales of LPG, gas equipment, and petroleum products
Total trading transactions (Japanese GAAP)	¥14.0 billion (fiscal year ended March 31, 2017)
Number of employees	146 (as of March 31, 2017)

K. Ehime Nissho Propane Co., Ltd.

Capital	¥20 million
Representative	Yukihito Yoshida
Activities	Sales of LPG, gas equipment, and petroleum products, and sales of electricity
Total trading transactions (Japanese GAAP)	¥1.0 billion (fiscal year ended March 31, 2017)
Number of employees	30 (as of March 31, 2017)

L. Kochi Nissho Propane Corporation

Capital	¥50 million
Representative	Toshiyuki Koga
Activities	Sales of LPG and gas equipment
Total trading transactions (Japanese GAAP)	¥1.2 billion (fiscal year ended March 31, 2017)
Number of employees	58 (as of March 31, 2017)

Deloitte.

Deloitte Touche Tohmatsu LLC
Shinagawa Intercity
2-15-3 Konan
Minato-ku, Tokyo 108-6221
Japan

Tel: +81 (3) 6720 8200
Fax: +81 (3) 6720 8205
www.deloitte.com/jp/en

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated statement of financial position of ITOCHU ENEX CO., LTD. and its consolidated subsidiaries as of March 31, 2017, and the related consolidated statements of comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ITOCHU ENEX CO., LTD. and its consolidated subsidiaries as of March 31, 2017, and the consolidated results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte Touche Tohmatsu LLC

June 21, 2017
(August 3, 2017 as to Note 41)

Member of
Deloitte Touche Tohmatsu Limited

Corporate Profile

Corporate overview

As of March 31, 2017

Company name	ITOCHU ENEX CO.,LTD.
Head office address	2-10-1, Toranomon, Minato-ku, Tokyo 105-8430, Japan
Established	January 28, 1961
Paid-in capital	19,877.67 million yen
Main sites	Kita-Nihon, Higashi-Nihon, Chubu, Kansai, Chushikoku, Kyushu (Other sales facilities are located across Japan.)
Subsidiaries	48
Affiliates (equity method applied)	24
Number of employees	642 (non-consolidated basis, including 132 at subsidiaries) 5,958 (consolidated basis)
Stock exchange listing	Tokyo (first section; stock name: ENEX); securities code: 8133
Main financial institutions	Sumitomo Mitsui Trust Bank, Ltd.; Sumitomo Mitsui Banking Corp.; Resona Bank, Ltd.; Mizuho Bank, Ltd.

Shares and shareholders

Authorized shares	387,250,000
Number of shares issued and outstanding	116,881,106
Number of shareholders	7,870
Number of shares per trading unit	100

Principal Shareholders

Name	Shares (thousand)	Stake (%)
ITOCHU Corporation	60,978	53.97
Japan Trustee Services Bank, Ltd. (trust account)	4,293	3.80
The Master Trust Bank of Japan, Ltd. (trust account)	3,633	3.22
GOVERNMENT OF NORWAY	3,481	3.08
Enex Fund	3,016	2.67
JX Holdings, Inc.	2,010	1.78
Japan Trustee Services Bank, Ltd. (trust account 9)	1,904	1.69
SINANEN HOLDINGS CO., LTD.	1,571	1.39
Nippon Life Insurance Co.	1,542	1.36
Itochu Enex Employee Stock Ownership Plan	1,249	1.11

* Stakes are calculated without including treasury stock (3,892,000 shares).

General meeting of shareholders

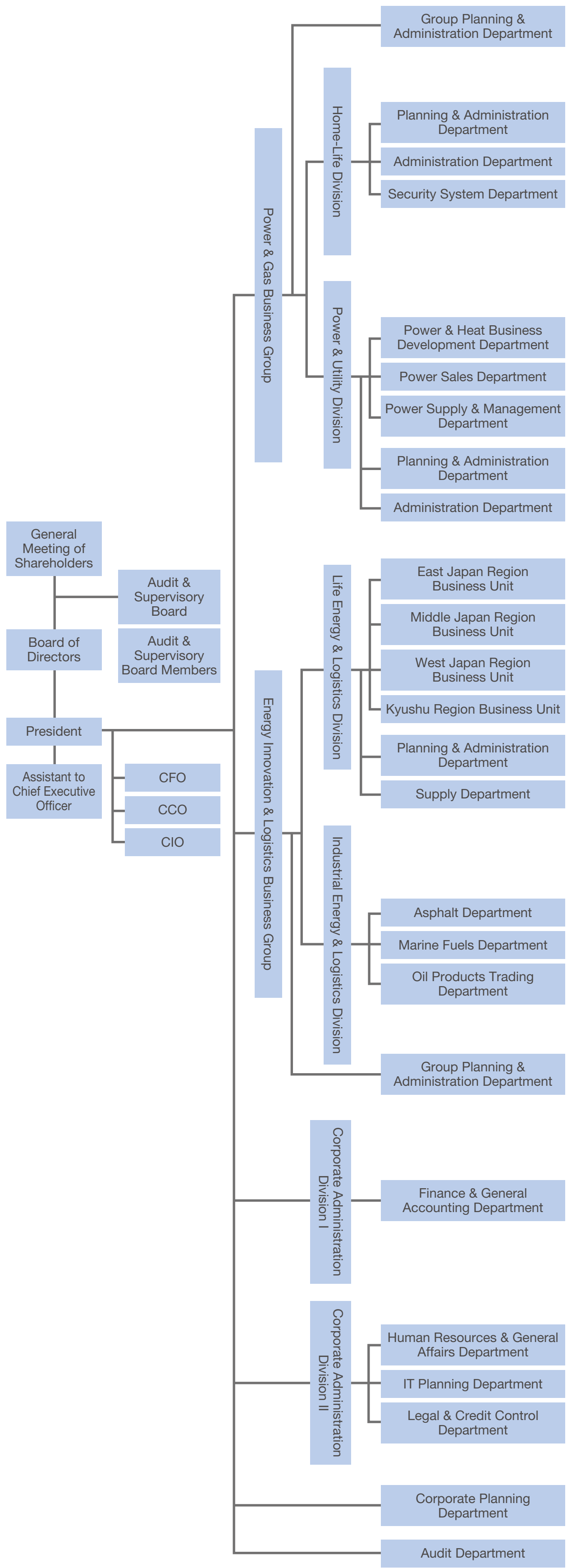
Regular general meeting of shareholders
Held annually in June

Basis dates
For regular general meeting of shareholders: March 31 of each year
For year-end dividends: March 31 of each year
For interim dividends: September 30 of each year

List of shareholders managed by:
Sumitomo Mitsui Trust Bank, Ltd., Stock Transfer Agency Business Planning Dept.

Organizational chart

As of August 1, 2017



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